

Panelists: Pricing Impasse Blocks Way To Bottom 12/09/2008

--Leela Parker

The pricing impasse created by a lack of bids from wary buyers in the asset-backed securities collateralized debt obligation and collateralized loan obligation space is making it difficult to find a bottom to the market, said panelists at **Opal Financial's** CLO & Structured Products Summit. Buyers hesitate to make a bid thinking the assets may cheapen further, while sellers are reluctant to take a bid off the table with the possibility that future government intervention will drive asset prices higher, they said.

The supply and demand ratio for CDOs ranges from 100 to one to 200 to one, with supply far outweighing demand, according to one panelist. Currently there are only three buyers of ABS CDOs in the market.

Regardless of how cheaply bonds trade, the bottom will not be reached until trading volume increases, said **Steven Finnk**, managing director at **Guggenheim Capital Markets**. The market needs a clearing level in order to hit a bottom and then rebuild. "Put bids on bonds," he urged his fellow market participants. Even if bids are made below where the market says the asset should trade in anticipation of a price drop, there is a reasonable chance the bid will get hit and the investor will have purchased very cheap bonds, said the manager of his fundamental value approach.

Aashh Parekh, a director in the **Teachers Insurance & Annuity Association's** non-mortgage ABS group, said he studies economic data when assessing a trade. "The market environment is so uncertain that buyers don't want to get in front of it yet because it is likely to deteriorate more."