



## FITCH: MORE NEW AIRCRAFT ABS LIKELY IN 2016 AS COMPETITION INTENSIFIES

News / Finance



The **aircraft ABS** sector continues to heat up and is set for another bump in new deals in 2016, according to **Fitch Ratings** in a new report.

Fitch reports 11 aircraft ABS securitizations as being completed since the start of 2014, with many in the market predicting more next year. Meanwhile, EETCs remain a viable source of funding as the first two 'AA' issuances since before the great recession came to market this year.

Some recent aircraft ABS deals have also come to market with increased concentrations in older aircraft and correspondingly, shorter weighted average lives. In addition, regional jets (RJs) and turbo-prop aircraft, both of which are important niche players in global aviation, are being included more frequently in collateral pools. RJs serve hub and spoke networks well while turbo-props are often utilized in rural locations and harsh climates.

Performance for outstanding aircraft ABS has been stable and is also benefiting from low fuel costs. In fact, 'low fuel prices may boost utilization of lower tier or older aircraft in the near term,' said Director Peter Manofsky. In addition, existing transactions may receive a boost if and when interest rates increase. Historically, lease rates have shown positive correlation to long-term interest rates. Aircraft ABS with fixed-rated or capped liabilities could benefit from such an

environment due to higher asset yields.

Competition is also expected to increase, with new aircraft leasing entrants likely to emerge (particularly in the Asia-Pacific region). 'The low cost of funds and aggressiveness of these new entrants could have an influence on market lease rates,' said Manofsky.

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