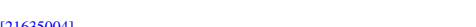


[21635001]



A diagram showing a 'conj' node connected to a 'verb' node.



verb ARG1



doi:10.1002/ajb



1



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Well , think twice .

[21635011]

1



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Such concerns , however , have n't stopped asset-backed securities from becoming one of Wall Street 's hottest new products .

[21635019]

Since the spring of 1985 , financial alchemists have transformed a wide variety of debt into these new securities .

[21635020]

They have sold issues backed by car loans , boat loans and recreational-vehicle loans .

[21635021]

They have offered bundles of homeequity loans , as well as packages of loans used to buy vacation time-shares .

[21635022]

Last year , there was an issue of " death-backed bonds " - securities backed by loans to life-insurance policyholders .

[21635023]

Some predict there will be " Third World bonds " , backed by loans to Brazil , Argentina and other debt-ridden nations .

[21635024]

And the biggest volume this year has been on securities backed by credit-card receivables , sometimes known as " plastic bonds " .

[21635025]

" This is the heyday of debt , " says James Grant , editor of Grant 's Interest Rate Observer , a newsletter .

[21635026]

" Before the sun sets on the '80s , it seems nothing will be left unhocked .

[21635027]

The result is a \$ 45 billion market , according to Securities Data Co .

[21635028]

That includes more than \$ 9.5 billion issued through August of this year , up sharply from \$ 6.5 billion in the comparable 1988 period - and more than in all of 1987 .

[21635029]

Most issues have been sold to professional money managers , pension funds , bank trust departments and other institutions .

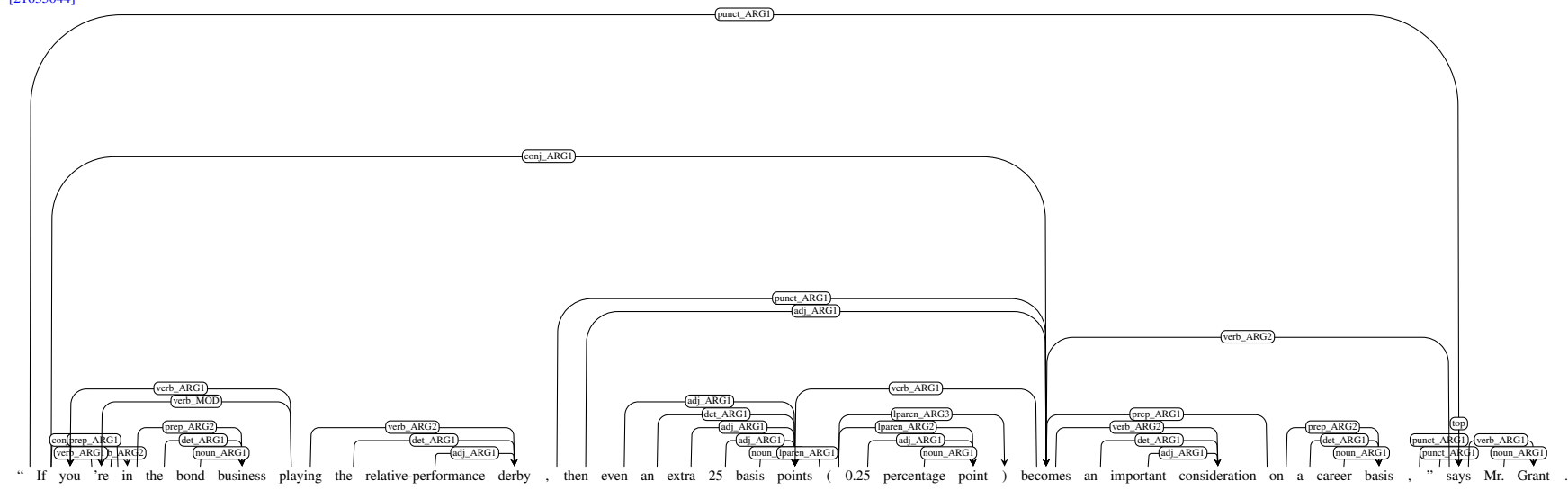
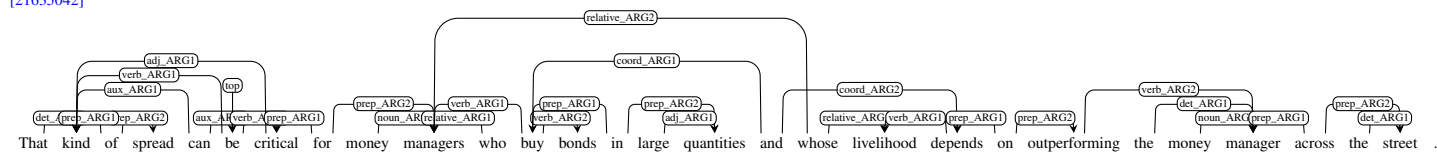
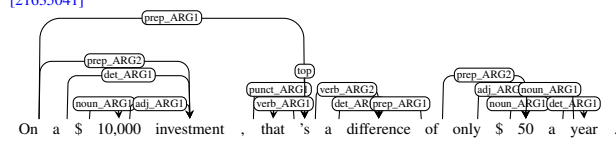
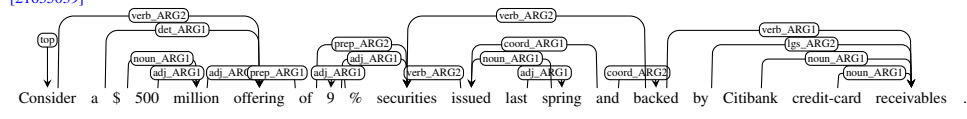
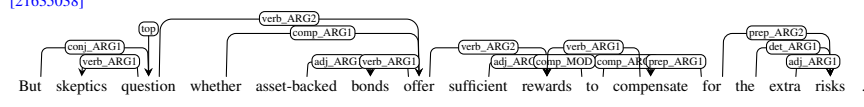
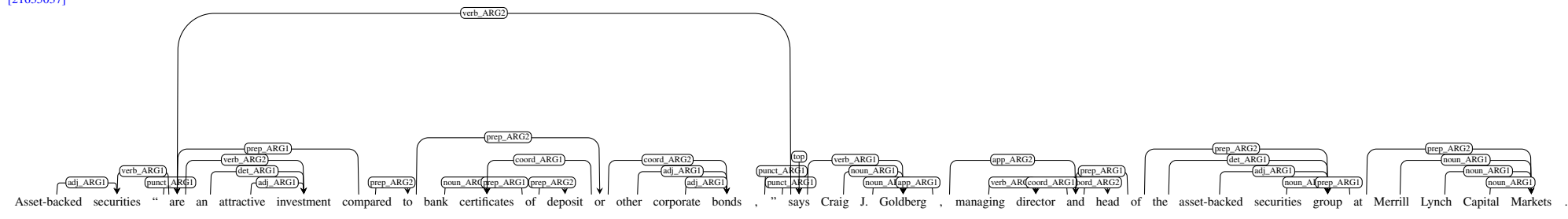
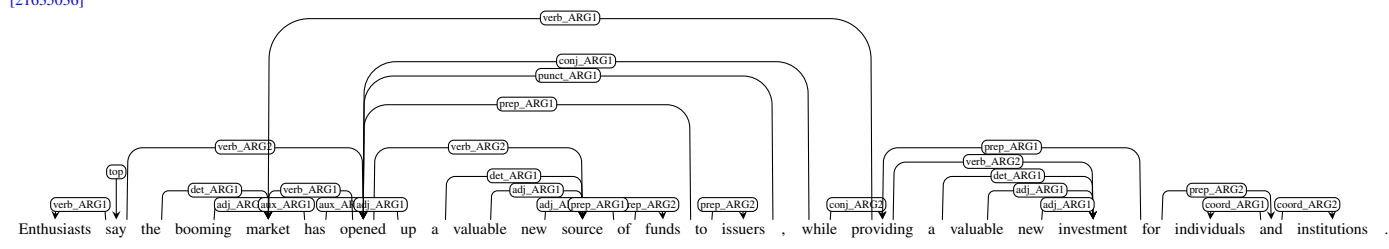
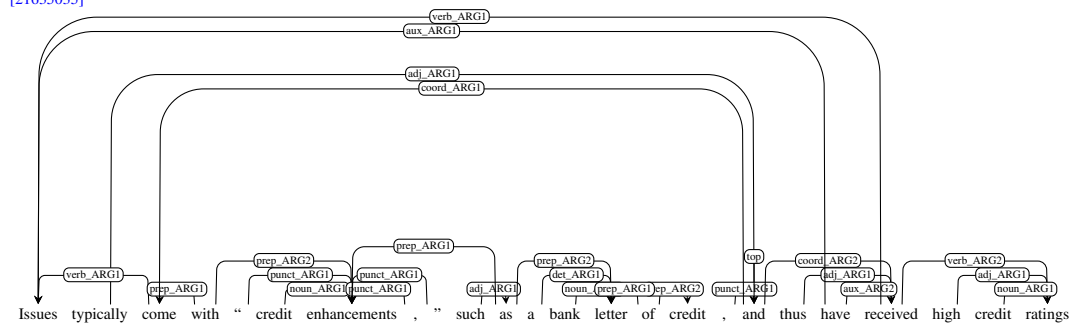
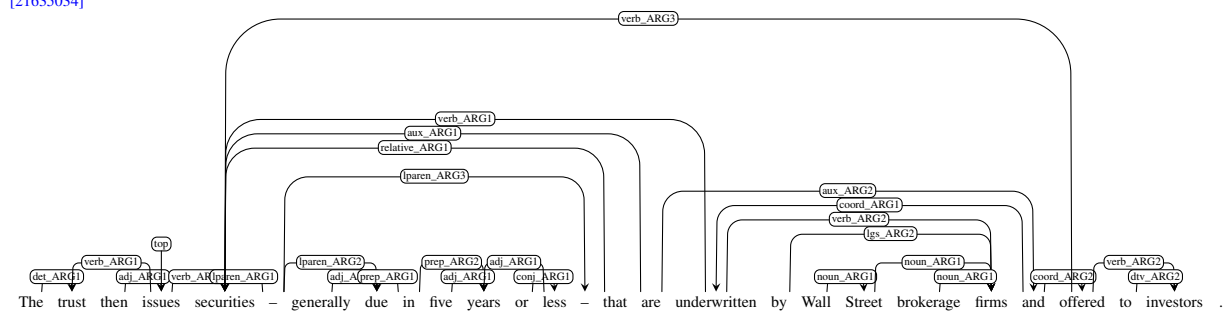
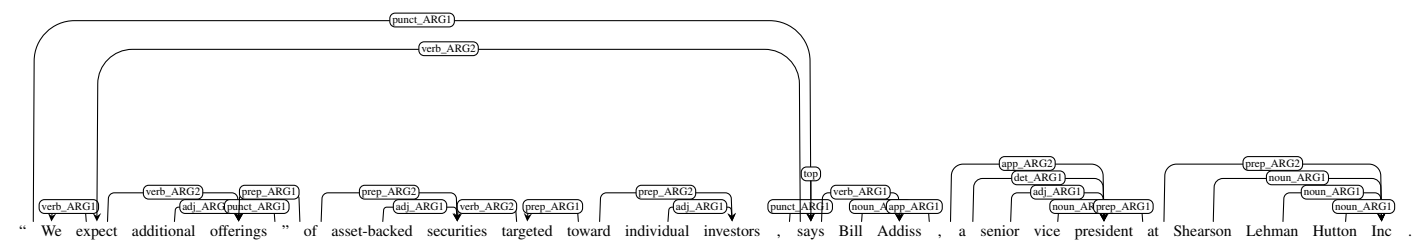
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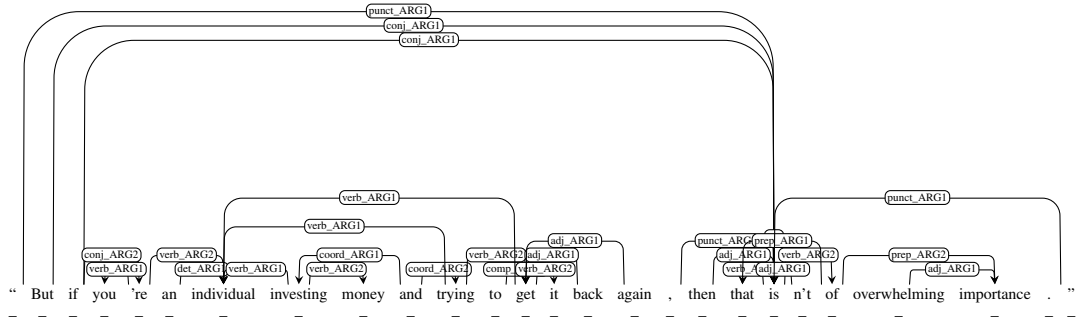
But wealthy individuals also have been jumping in , and lately brokers have been pushing smaller investors into the asset-backed market .

[21635031]

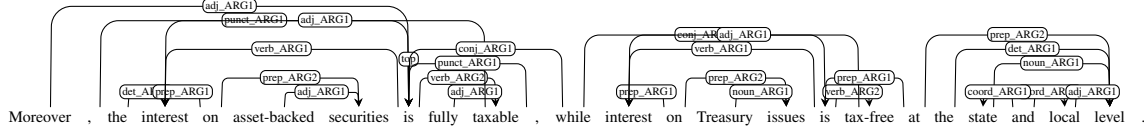
The entry fee is affordable : Issues typically are sold in minimum denominations of \$ 1,000 .

[21635032]

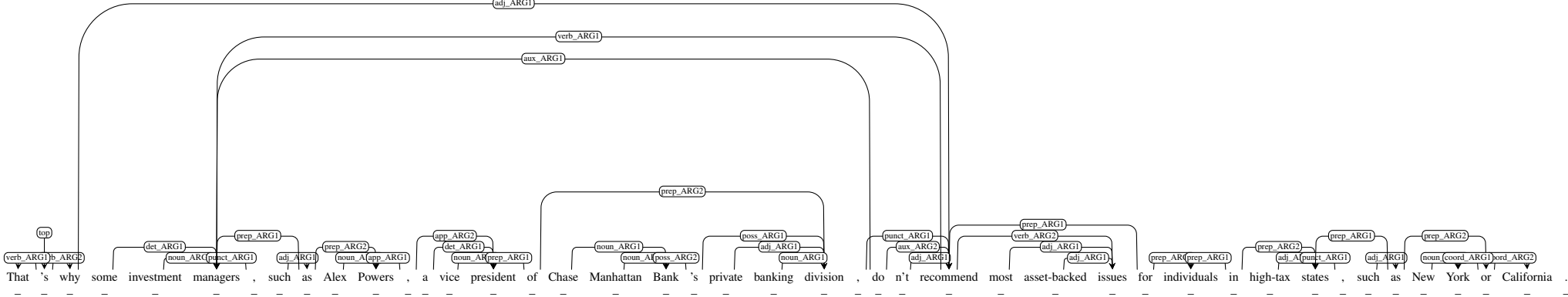




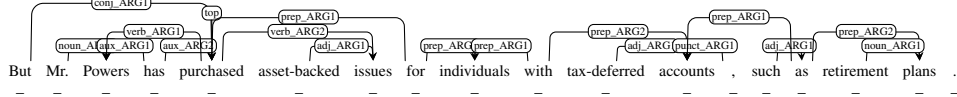
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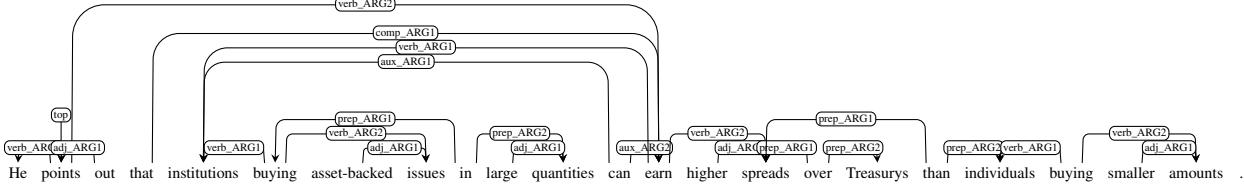
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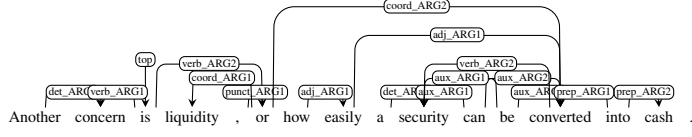
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[21635049]



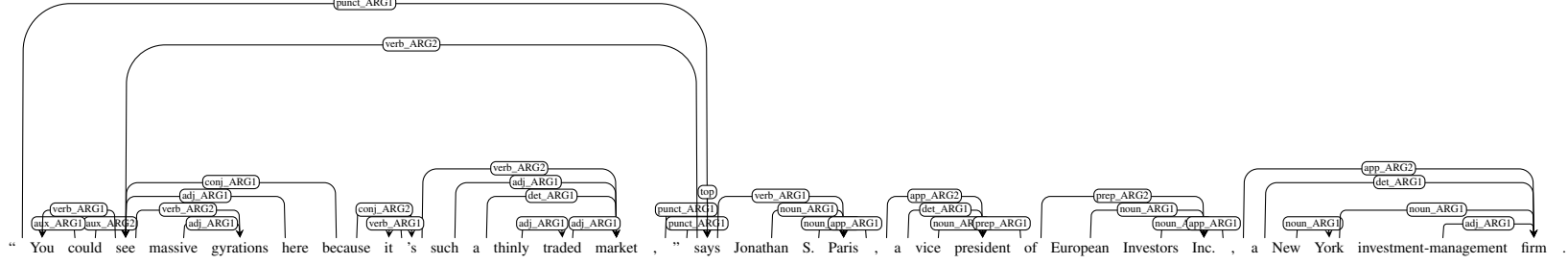
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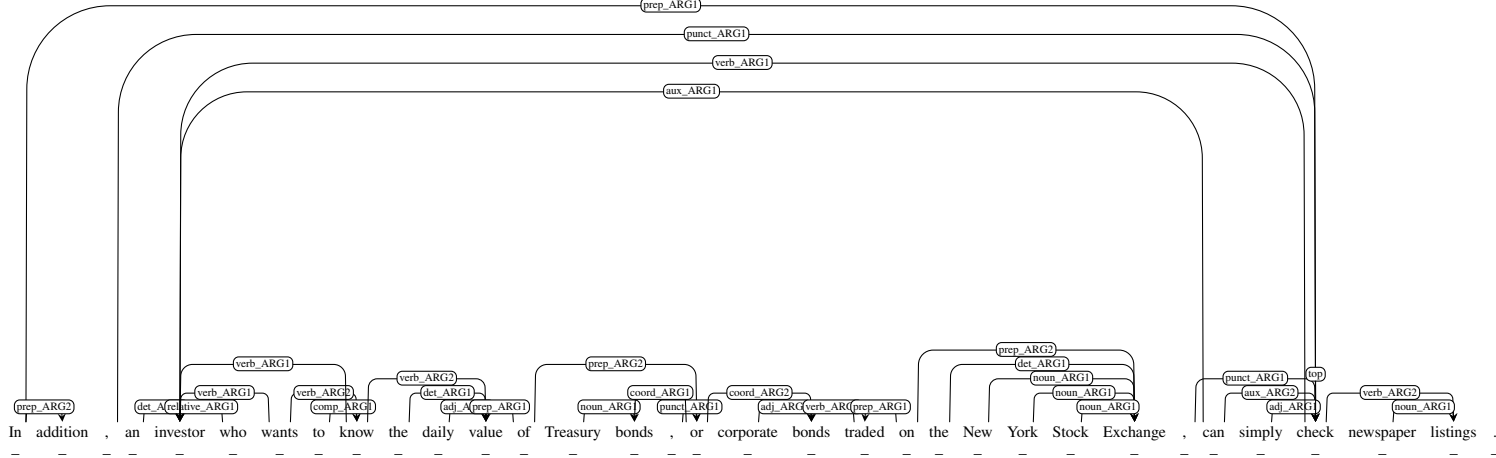
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[21635054]



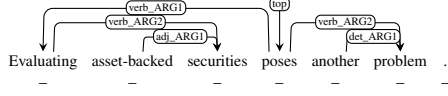
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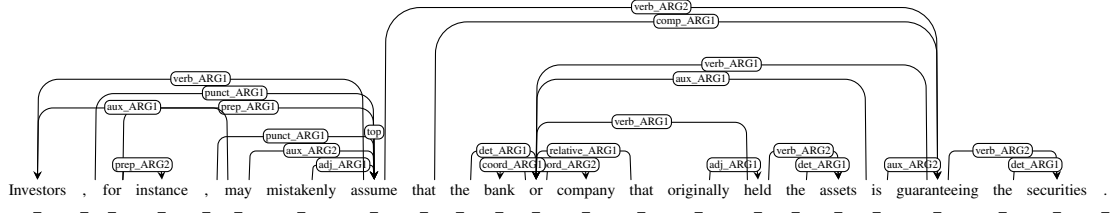
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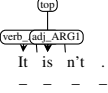
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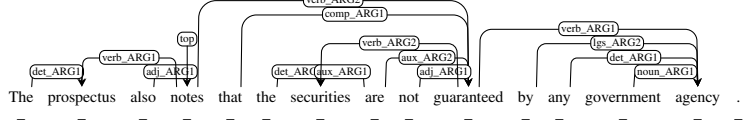
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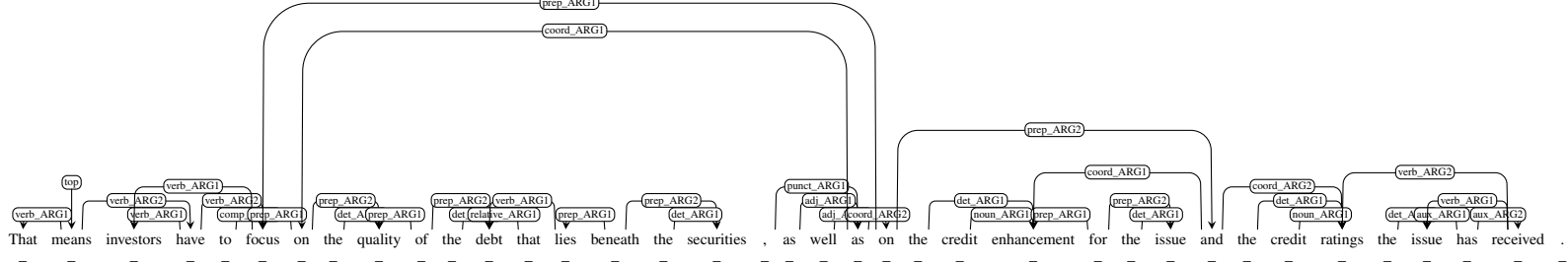
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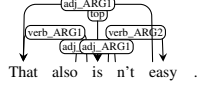
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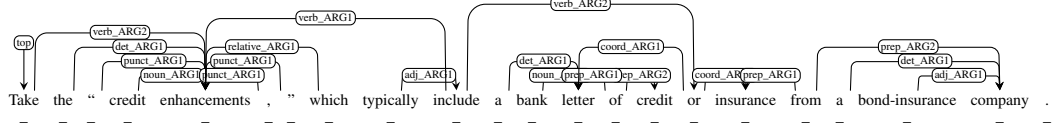
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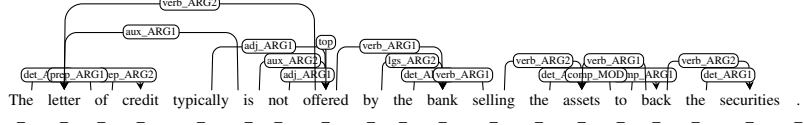
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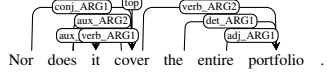
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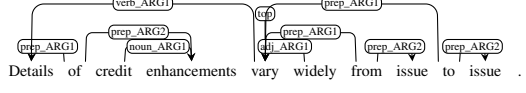
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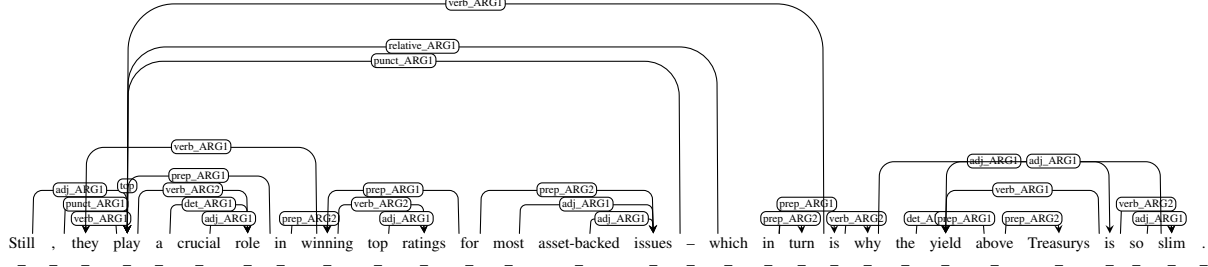
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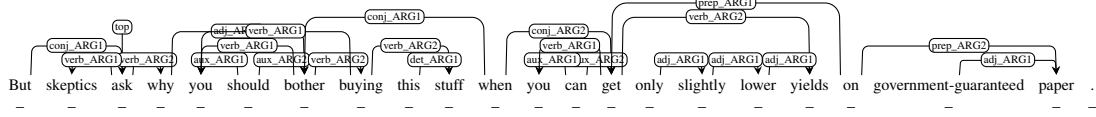
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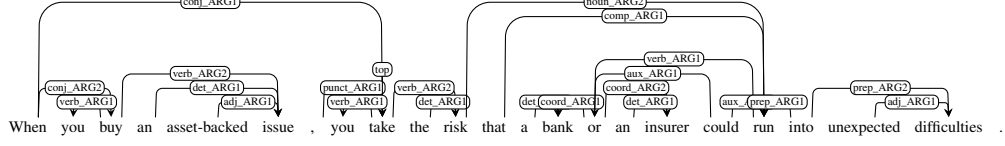
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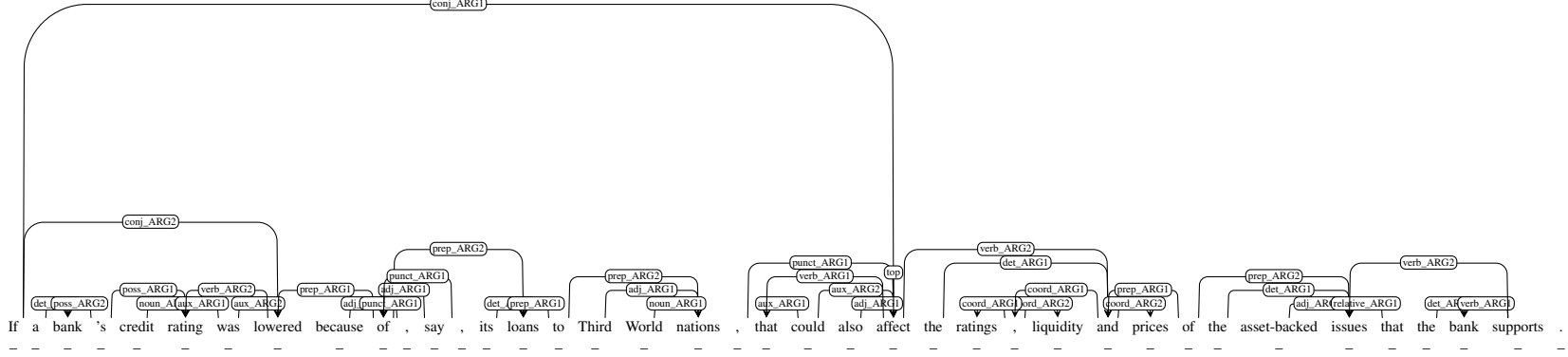
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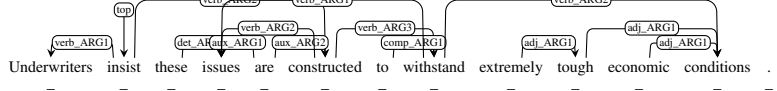
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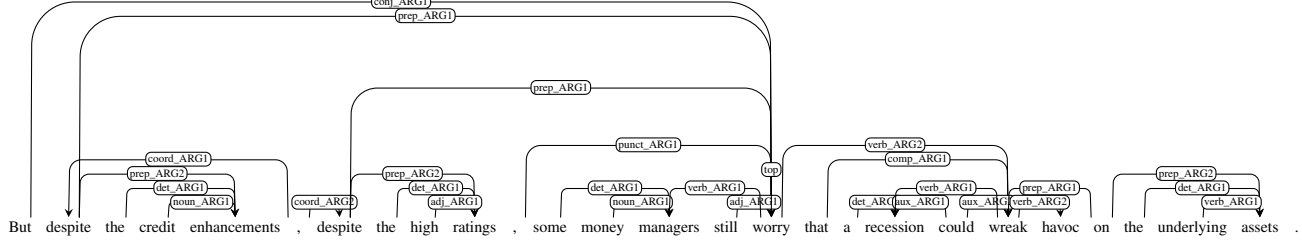
[21635072]



[21635073]



[21635074]



[21635075]

At a time when Americans are leveraged to their eyeballs, asset-backed investors may be taking a heady gamble that consumers will be able to repay loans in hard times.

[21635076]

At the very least, a recession would prompt investors to buy the highest-quality bonds they can find - that is, Treasuries.

[21635077]

That could widen the yield spread between Treasuries and asset-backed securities, as well as make it tougher to unload the latter.

[21635078]

But it could be much worse.

[21635079]

Some analysts are especially wary of credit-card issues.

[21635080]

For one thing, credit-card loans are unsecured.

[21635081]

In addition, they fear that banks have been overeager to issue cards to the public - giving cards to too many big spenders who will default during a recession.

[21635082]

"A day of reckoning is coming where we think the market will place a high premium on the highest-quality debt issues, and therefore we think the best debt investment is U.S. government bonds," says Craig Corcoran of DavisZweig Futures Inc., an investment advisory firm.

[21635083]

What about triple-A-rated asset-backed issues?

[21635084]

"Nope, we still say to stick with Treasuries," Mr. Corcoran replies.

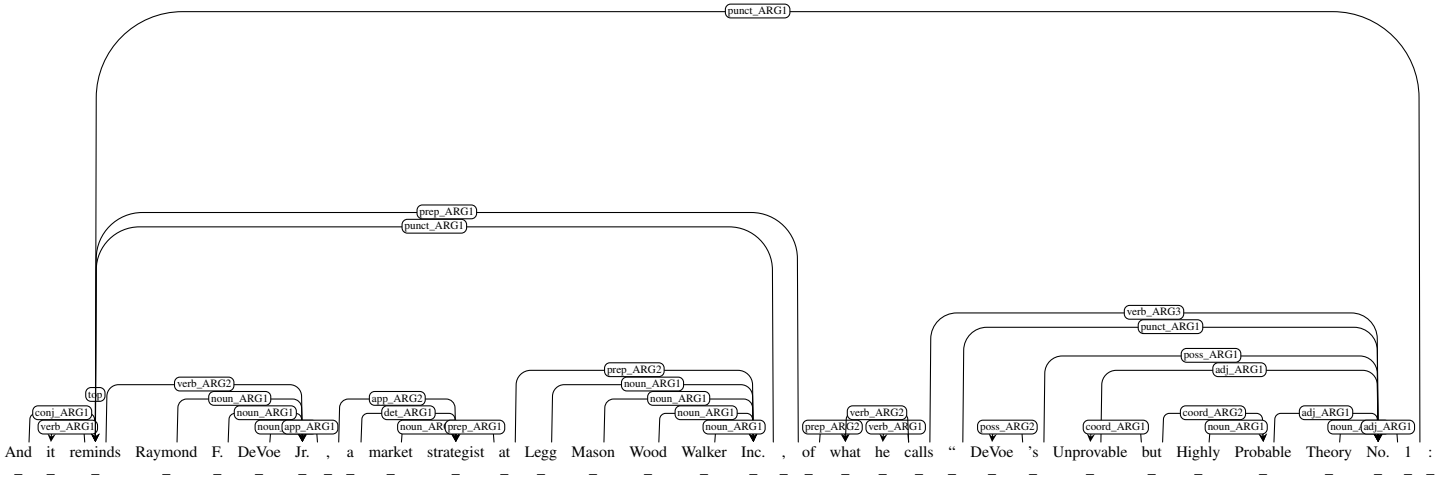
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Ratings, he notes, are subject to change.

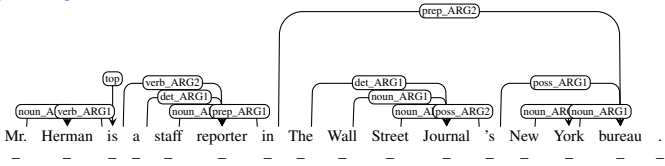
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All this makes asset-backed securities seem too risky for many people.

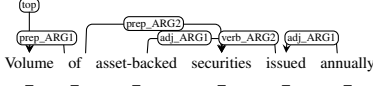
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