End in sight for subprime writedowns

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By Dena Aubin in New York

Some market players may have misread S&P's report, however, said Daniel Alpert, managing director at Westwood Capital, a New York investment bank specializing in securitization.

The report deals only with expected losses on subprime debt, but that is only about 8 per cent of the $US11 trillion of total residential mortgage debt outstanding, Alpert said in an e-mail.

"The current crisis, of course, is no longer a subprime crisis," he said, noting that a growing percentage of home foreclosures are coming from outside the subprime sector.

$US150 billion write-downs to date Mike Kagawa, portfolio manager at Payden & Rygel, said he was surprised S&P said the end may be nearing for writedowns on subprime mortgages.
"They must be seeing something I'm not," he said. "I just don't see it."

Financial institutions globally have already taken about $US150 billion of subprime-related write-downs, S&P estimated.

The write-downs have taken a major toll on banks' balance sheets, making them reluctant to extend credit and triggering a chain reaction of margin calls and forced selling across an array of markets.

In the latest fallout, a fund affiliated with buyout firm Carlyle Group said overnight its lenders were likely to seize its remaining assets after it defaulted on about $US16.6 billion of debt.
S&P noted that the positive impact of subprime disclosures and write-downs is offset by worsening US housing and credit markets.