

Securitised product snapshot

April 2014

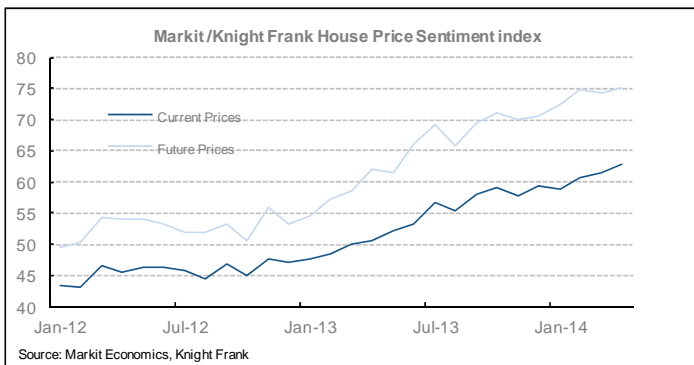
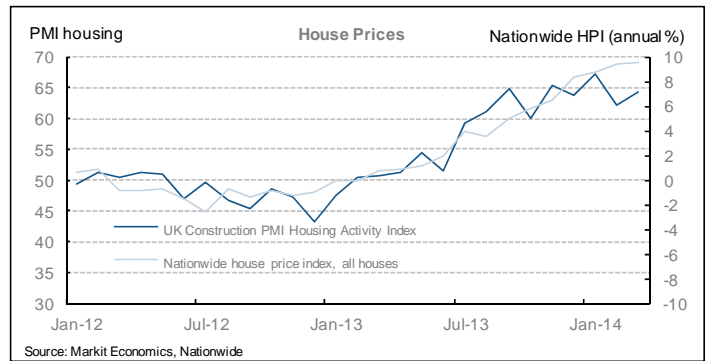
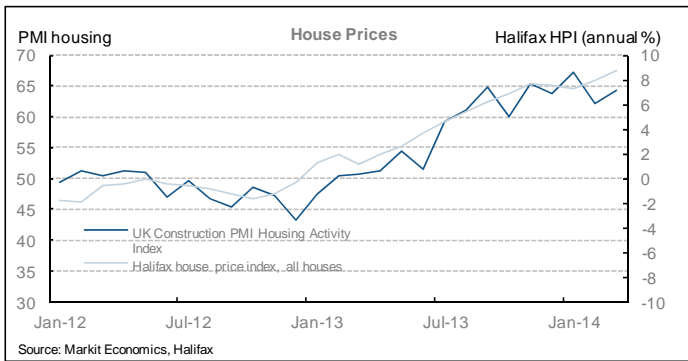


European ABS market

Economic data

Housing growth in the UK is still growing with a Construction PMI reading of 62.5 in March and with the housing activity still improving at 64.4. The Halifax index showed a 8.7% year-on-year increase in house prices but its month-on-month decreased by -1.1%, which is the first decrease in 15 months. The decrease is mainly due to a lack of mortgages during that period. Meanwhile, the Nationwide index showed a 9.5% increase (+0.4%).

The future HPSI, which measures what households think will happen to the value of their property over the next year, is still improving to 75 this month, up from 74.3 in March.

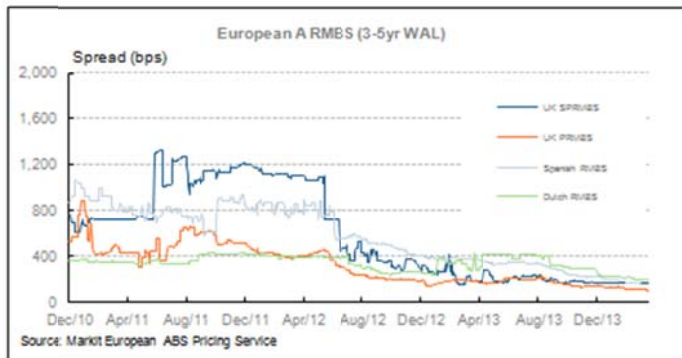
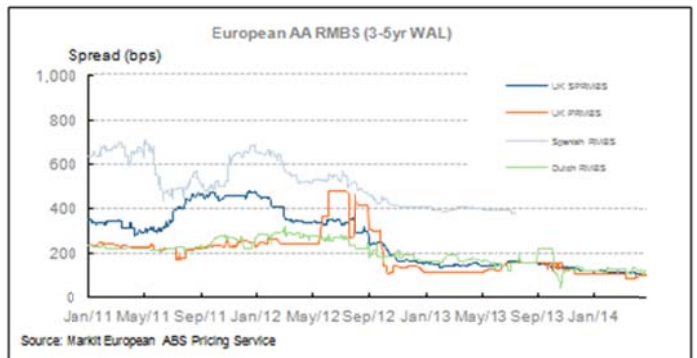
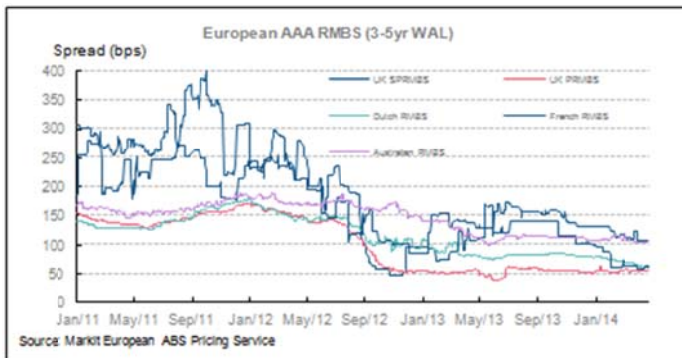


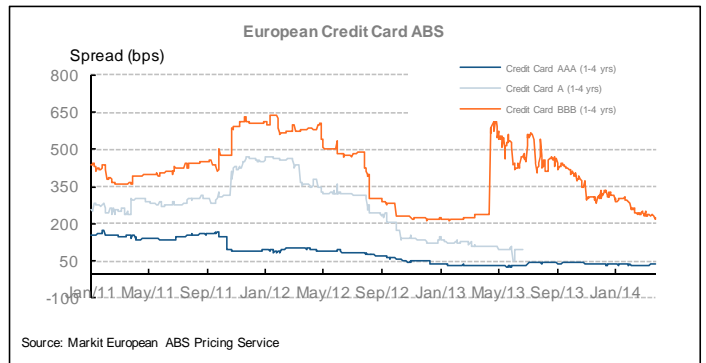
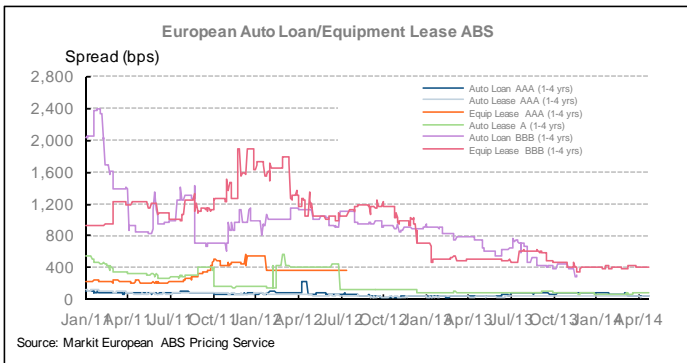
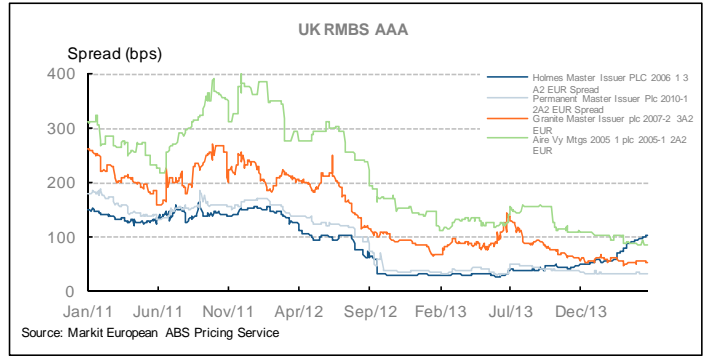
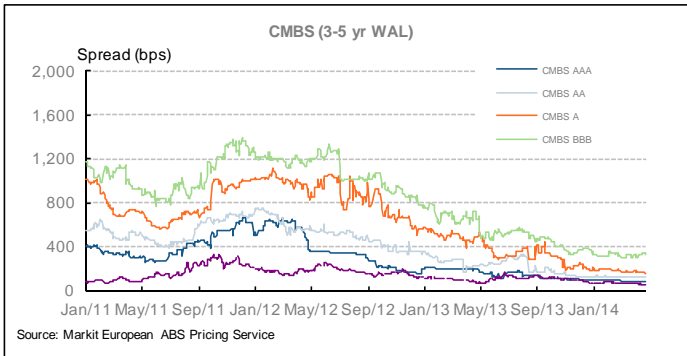
European ABS pricing and sectors

BWICs were once again the most popular subject when it comes to the European ABS secondary market since most of the activity in April was around them. Moreover there was also some support from traditional flow trading which helps spreads narrow across the capital structure and regardless of the country of issuance. Finally we saw good activity on the primary market with deals priced.

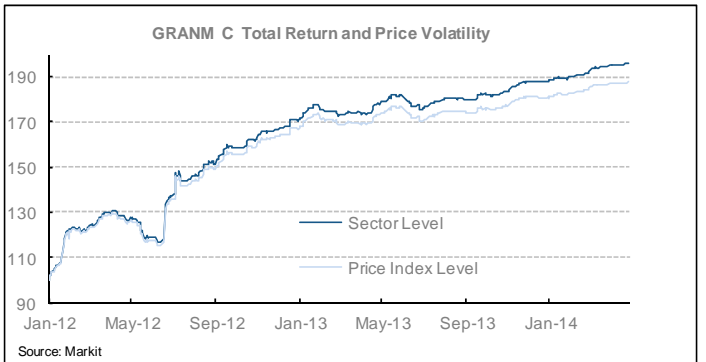
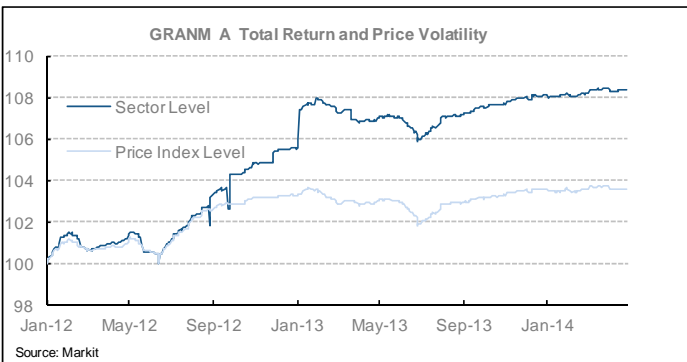
On the other hand the most interesting move in the European ABS market came from two PIGS issuers which are offering a tender on some of their specific deals. EBS which is an Irish Building Society, now owned by AIB, is doing a tender on EMERM 4 A, B and C tranches, respectively, at 88.5, 42 and 38. Banco BPI is also doing a tender on DOURM Mtge 1 A, C and D tranches at 93.6, 73.9 and 70, respectively. They are also looking to do a tender on DOURM 2 A2 and D at 91.8 and 64.5, respectively and finally on DOURM 3 A at 91.4.

Sector	Spread Mid (bps) Mar2014	Spread Mid (bps) Apr2014
ALL Auto Lease AAA Float (1-4)	46	44
ALL Auto Loan AAA Float (1-4)	39	38
ALL CMBS AAA Float (3-5)	86	82
ALL Credit Card AAA Float (1-4)	35	29
Australia RMBS AAA Float (3-5)	105	93
Italy RMBS AA Float (1-3)	141	124
Netherlands RMBS AAA Float (1-3)	43	41
Spain RMBS AA Float (5-8)	184	180
United Kingdom Granite AAA Float (1-3)	55	65
United Kingdom PRMBS ex. Granite AAA Float (1-3)	38	38
United Kingdom SPRMBS AAA Float (1-3)	105	114





Granite senior securities have widened lightly during April by 5 basis points but the other tranches are still getting tighter. The A, B, M and C tranches are traded respectively at 99.2 (61bps), 97.90 (77bps), 97.05 (101bps) and 96.36 (150bps).



Primary market

The tone in the ABS market has been on growing the primary pipeline with a busy start to the quarter which slowed down after the Easter holiday.

From the Auto Loans sector we saw the largest two issuances for this month. The largest of these was Volkswagen's Driver 12, issued with two placed tranches totalling €1.29bn. Motor 2014-1, a pool of UK auto loans, had 2 placed issuances totalling €997mn. Both of these Auto Loan ABS were issued with their senior tranches priced at +35bps and +48bps, respectively.

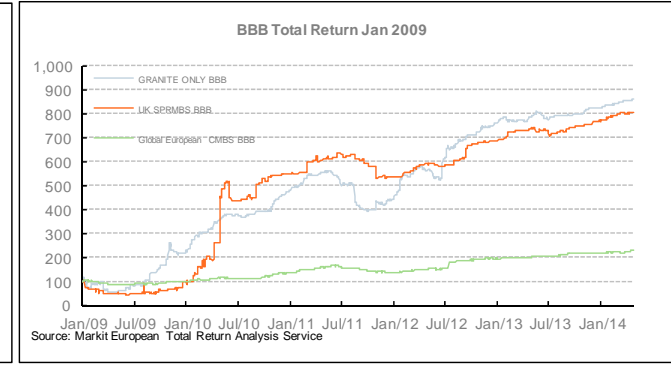
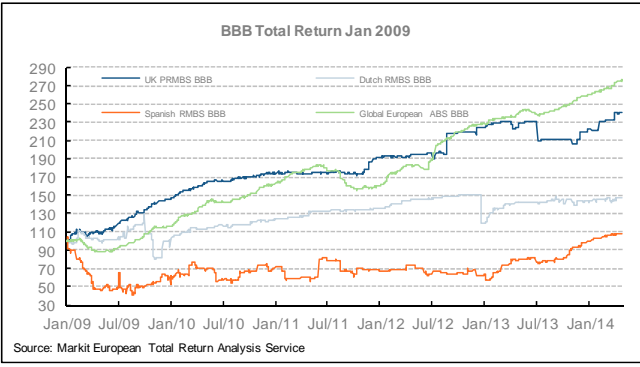
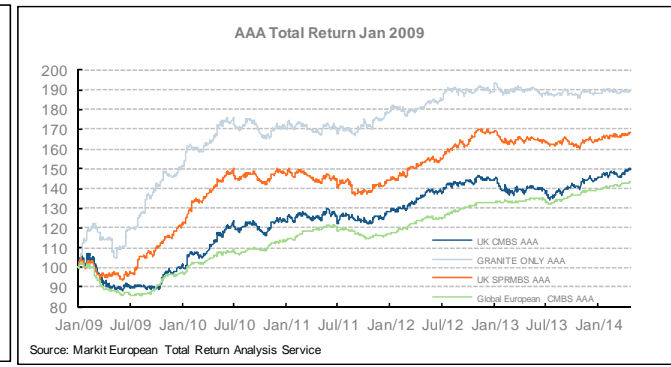
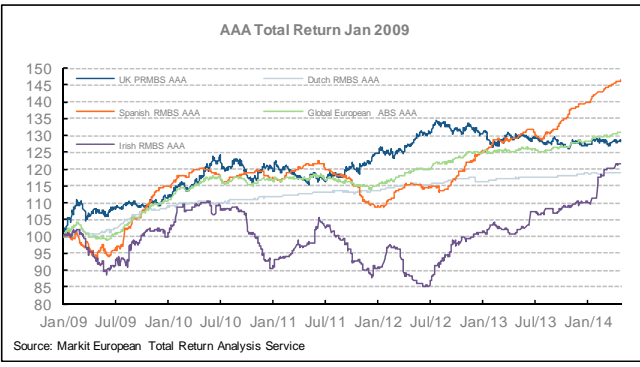
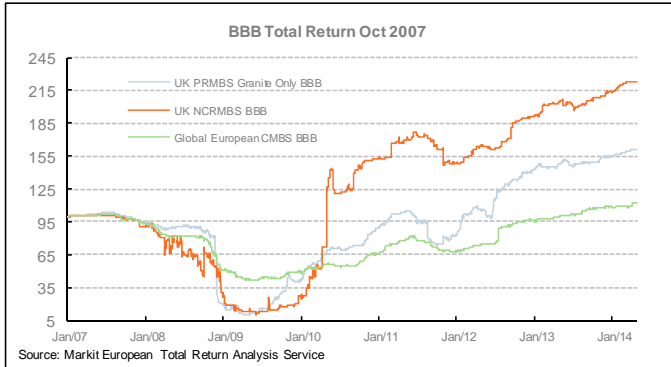
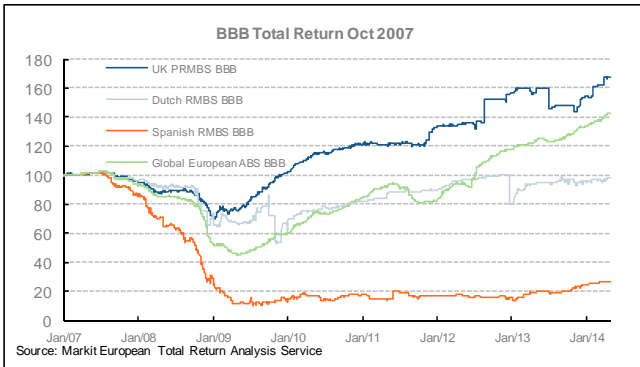
There were three other issuances from the UK. Lloyd's Penarth 2014-1 was the first Credit Card ABS of the year issued at a margin of +30bps and +50bps for the two placed tranches. The first of the two RMBS from the UK was the oversubscribed single-placed tranche of Darrowby No.3 priced with margin of +57bps. Similar to Darrowby, Oak No.1 issued a single placed tranche priced at +67bps for the total issuance of €404mn.

Continuing from last month, we saw an issuance from Italy in the form of Claris RMBS 2014. Issued with a single placed tranche totalling €550mn and a margin of +115bps, this was well covered.

In the European CLO primary market we have seen the issuance of three deals, all with six placed tranches. All of these deals have been similar in size ranging from €360mm to €460mm. All three priced their senior tranche at a margin of +135bps, 5bps tighter than the previous month.

Primary Market (Source: Markit RCD)					
Deal	Country/Sector	Class	Av Rating	Spread (bp)	Amount (€ mn)
CVC Cordatus Loan Fund III	European/ CLO	A1	AAA	135	235.5
		B1	AA	180	38
		C1	A	260	14.7
		D	BBB	340	21.6
		E	BB	480	33.8
		F	B	600	13.5
Holland Parl CLO	European/ CLO	A1	AAA	140	291.9
		A2	AA	200	58.8
		B	A	265	30
		C	BBB	345	23.8
		D	BB	475	37.5
		E	B	575	17.5
Penarth 2014-1	United Kingdom/ Credit Card	A1	AAA	30	181.9
		A2	AAA	50	606.4
Oak No.1	United Kingdom/ RMBS	A	AAA	67	404.2
Motor 2014-1	United Kingdom/ Auto Loans	A1	AAA	48	541.8
		A2	AAA	50	454.8
Darrowby No.3	United Kingdom/ PRMBS	A	AAA	57	485.1
Claris RMBS 2014	Italy/ RMBS	A1	AA	115	550
Driver 12	Germany/ Auto Loans	A	AAA	35	1250
		B	A	70	41.3
Jubilee CLO 2014-XII	European/ CLO	A	AAA	135	302
		B1	AA	192	51
		C	A	258	26.5
		D	BBB	342	24.9
		E	BB	490	36.9
		F	B	570	19

European total return



US ABS market

Overview

Despite some heightened volatility in the broader equity markets, on the back of the Ukrainian developments, US equities were generally flat to slightly up as we head into the last few days of April. Elsewhere in structured products, activity was prevalent, however we saw more sideways movement, except for some pockets of CLOs and Non-Agency RMBS.

CLOs

Very disappointing news surrounding CLOs and Volcker hit the tape this month. The regulatory bodies decided to postpone their decision around CLOs for an additional two years. Most participants expected a ruling that would grandfather or exempt certain CLOs to avoid any forced selling. As a result, banks will have some time to figure out how they are going to handle the assets. Spreads were mostly flat over the month; however we did observe some widening out of European Subs.

Generic Markets (DM)			
Vintage	1.0	2.0	Eur.
AAA Amortizing	85-110	N/A	90-110
AAA	120-145	145-160	115-125
AA	160-190	205-225	170-200
A	180-220	290-315	275-305
BBB	270-325	400-420	400-425
BB	450-600	580-615	570-625

CMBS

Similar to March, volumes were down in April and markets appear to be directionless. This could be a result of the robust amount of new issuance that has already come to the market.

Generic Markets (Spread to Swaps)		
Vintage	Senior	AM
2005 (CD1)	80 (A4)	85
2006 (CD3)	100 (A5)	85
2007 (GG10)	88 (A4)	355
2011 (LC1)	78 (A3)	
2012 (LC3)	85 (A4)	

Non-agency RMBS

Despite the volatility in equity markets the Non-Agency RMBS space still seems to be well bid. Lists that are coming to market are being received well. Given the levels where bonds are clearing, it also seems apparent that participants are continuing to forecast more liberal scenarios and lower their expected loss amounts. Also, it is becoming more evident that the wave of expected recoveries is going to continue into the foreseeable future. The most recent Citi settlement has already been priced into to certain bonds based on the executed level.

Consumer ABS

Spreads in the consumer ABS sector were generally tighter since March month-end with relatively few exceptions. The market saw heavier-than-average volume in both the primary and secondary markets, as investors flock to ABS sector despite national and international macroeconomic trepidation.

Both FFELP and private student loans led the charge in April with the greatest spread variation month-over-month. FFELP seniors tightened anywhere from -3 to -6 bps and subordinates approximately -25 bps, depending on weighted-average life (WAL). Private seniors tightened anywhere from -10 to -36 bps while subordinates tightened by approximately -4 bps, also dependent upon WAL. Bonds backed by fixed and floating subordinate credit cards tightened on average -12 bps. The only noticeably lagging asset class was prime auto loans which were generally wider from 1-3 bps across seniors and subordinates. Please see the table below for our generic spreads across all asset classes:

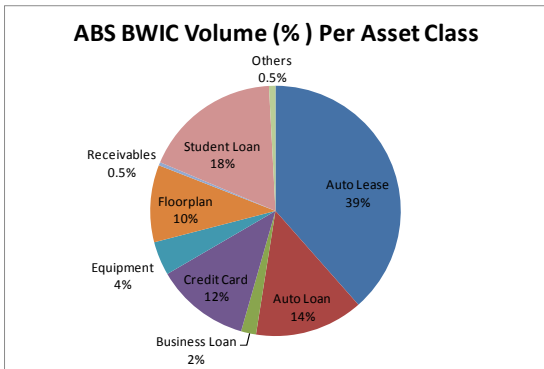
Generic Spreads by Sector			
Prime Auto Loan			
	WAL	Spread	
Class A	FIX 0-2	11	
	2+	20	
Class B	FIX 0-2	29	
	2+	45	
Credit Card			
Class A	FIX 0-3	15	
	3+	34	
Class B	FLT 0-3	8	
	3+	25	
FFELP Student Loan			
Class A	FLT 0-5	41	
	5+	64	
Class B	FLT 10+	250	
Subprime Auto Loan			
	WAL	Spread	
Class A	FIX 0-1	21	
	1+	33	
Class B	FIX 0-2	34	
	2+	75	
Credit Card			
Class B	FIX 0-3	58	
	3+	110	
Class B	FLT 0-3	39	
	3+	58	
Private Student Loan			
Class A	FLT 0-2	68	
	2-5	97	
Class B	FLT 5-10	249	

April saw the largest amount of consumer ABS new issuance since we entered 2014 with approximately \$19.4 billion issued across 33 deals, eclipsing last month's total of \$18.9 billion. Auto-related collateral, once again, accounted for the lion's share of new issue volume with \$10.9 billion coming to market with cards following up with \$4.5 billion. Please see a breakdown down of new issuance across all asset classes:

US New Issue ABS*		
Asset Class	Amount (mm)	Number of Deals
Auto	10,910.00	21
Card	4,480.00	5
Equipment	2,340.00	4
Floorplan	940.00	2
Rate Reduction	-	-
Student Loan (FFELP)	720.00	1
Student Loan (Private)	-	-
Total	19,390.00	33

*March 26 - April 25

ABS BWIC volume was down month-over-month with just over \$3.0 billion in original face out for the bid, down from \$3.8 billion in March. Bonds backed by auto-related collateral dominated the BWIC calendar once again, accounting for approximately 63% of all bonds on BWICs. Please see the chart below for a breakdown across all asset-classes:



Agency

There has been a fair amount of trading in CMO derivatives this month with \$4.8 bn trading hands. This has been the biggest single month for trading since October 2013. The widening of spreads at the end of the March, gave some participants buying opportunities, which was evident at the end of this month as spreads came back in. The refinance index is close to recent lows, which, in turn has caused prepayment fears to subside. Low coupon low balance inverse IO's and high coupon HARP eligible collateral have been the most popular trades.

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