

Securitised product snapshot

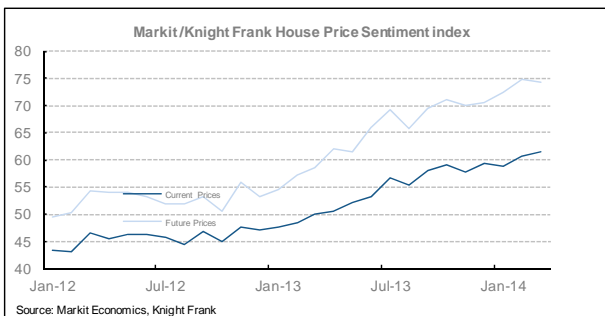
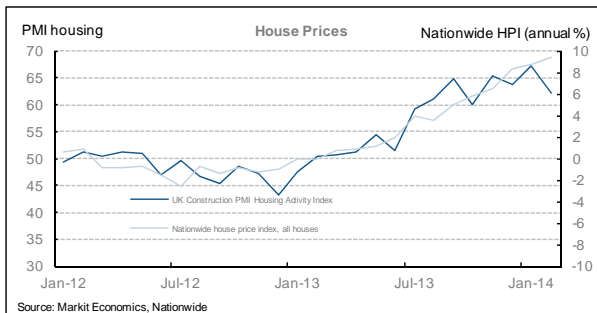
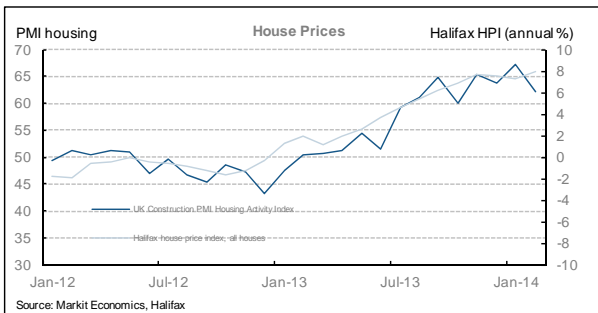
March 2014

European ABS market

Economic data

Housing growth in the UK is still growing with a Construction PMI reading of 62.2 in February and with the housing activity still improving at 62.9. The Halifax index showed a 7.9% year-on-year increase in house prices (+2.4%). Meanwhile, the Nationwide index showed a 9.4% increase (+0.6%).

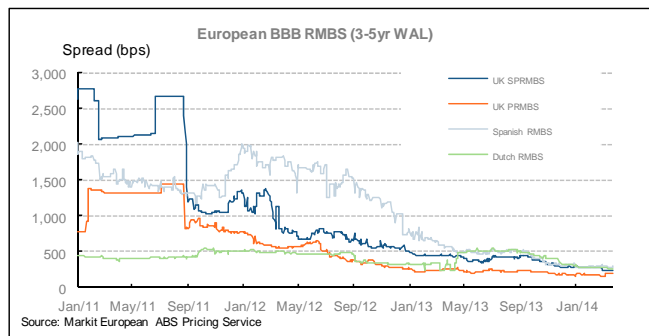
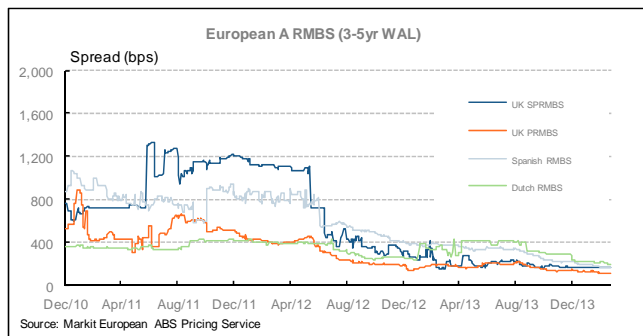
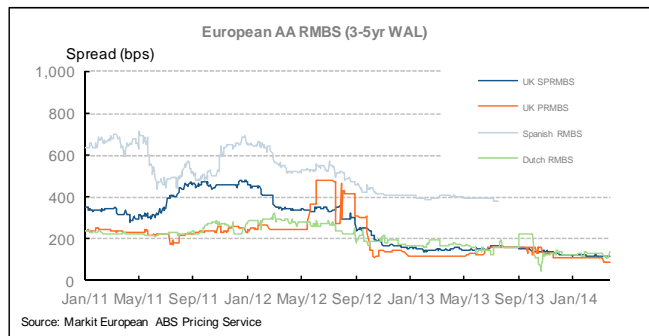
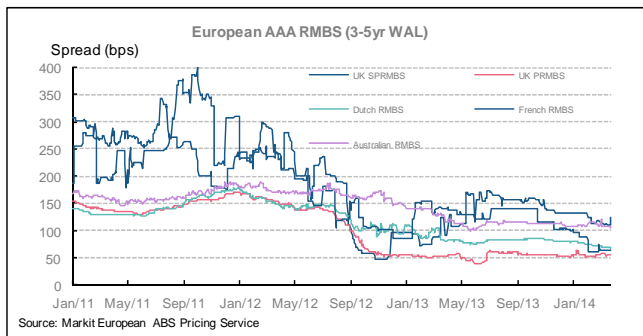
The future HPSI, which measures what households think will happen to the value of their property over the next year, is still improving to 74.3 this month, up from 74.9 in January.



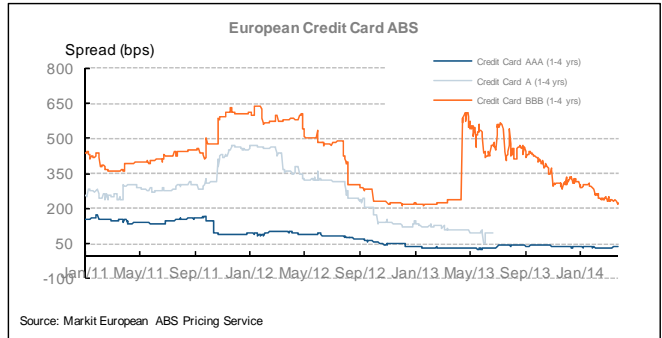
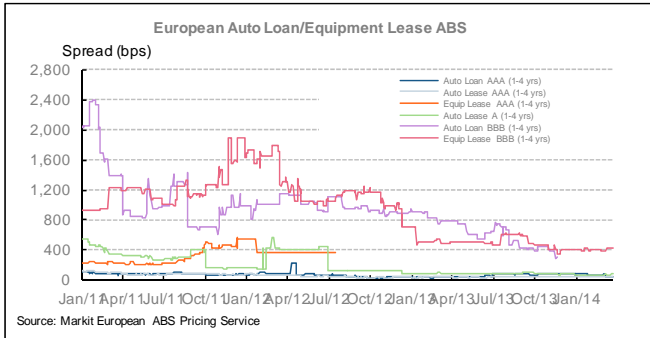
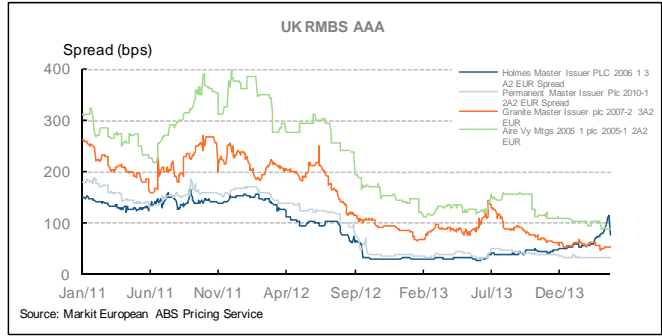
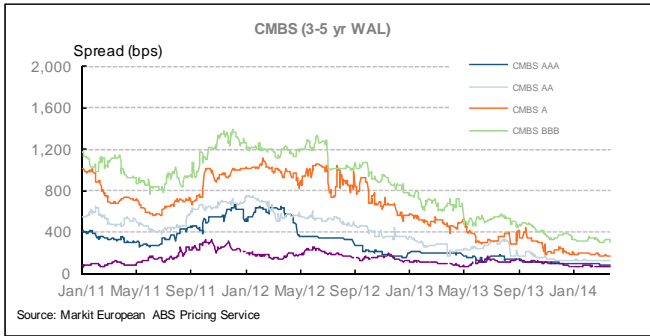
European ABS pricing and sectors

The European ABS secondary market did not show much volatility during March and once again most of the activity was on a case by case basis during BWICs than during flow trading. Spreads remained stable or tightened lightly. Most of the activity for bullish portfolio managers was to spot oversubscribe primary issuance and to try to get as much as possible from them. We are also still seeing an increasing level of repo transactions from privately owned securities.

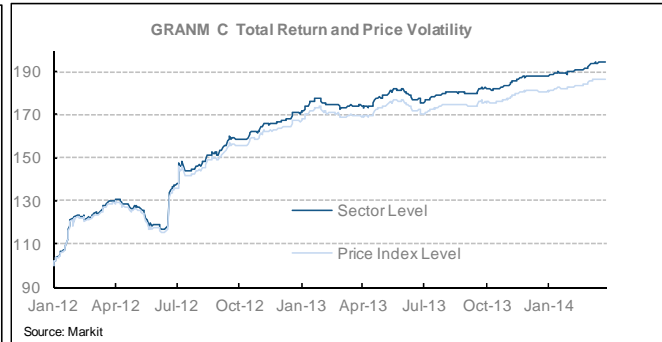
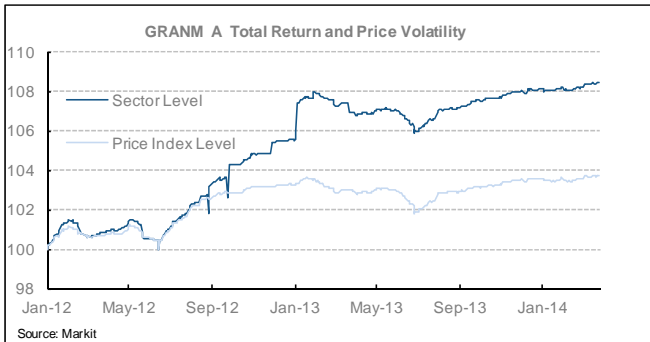
Sector	Spread Mid (bps) Feb2014	Spread Mid (bps) Mar2014
ALL Auto Lease AAA Float (1-4)	71	46
ALL Auto Loan AAA Float (1-4)	37	39
ALL CMBS AAA Float (3-5)	88	86
ALL Credit Card AAA Float (1-4)	34	35
Australia RMBS AAA Float (3-5)	112	105
Italy RMBS AA Float (1-3)	154	141
Netherlands RMBS AAA Float (1-3)	48	43
Spain RMBS AA Float (5-8)	214	184
United Kingdom Granite AAA Float (1-3)	62	55
United Kingdom PRMBS ex. Granite AAA Float (1-3)	38	38
United Kingdom SPRMBS AAA Float (1-3)	104	105



Markit Structured Finance Research



Granite securities have all tightened lightly during March by 5 basis points. The A, B, M and C tranches are still traded respectively at 99.4 (52bps), 97.40 (90bps), 96.79 (110bps) and 96.60 (157bps).



Primary market

In the primary market the problem still remains that there isn't nearly enough primary supply to satisfy the latent demand in the market.

Similar to last month the largest issuance came in the Dutch RMBS sector. Aegon's Secure 14 NHG had a total placed issuance of €1.367bn split over two tranches. This deal was issued with the tightest spread for any Dutch RMBS since the financial crisis. The A1 tranche was issued with a margin of +40bps.

The other issuance in the Dutch RMBS sector was from the new Dutch mortgage lender Ember VRM; Cartesian Residential Mortgages 1 was issued with a total placed allotment of €448.1mm. The mortgage pool backing this security has been acquired from GE Artesia Bank, with the majority of the loans having been securitised before in the retained Seven Bridges 1 and 2.

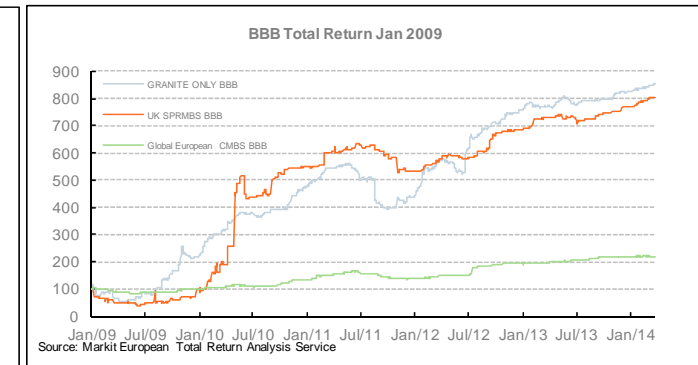
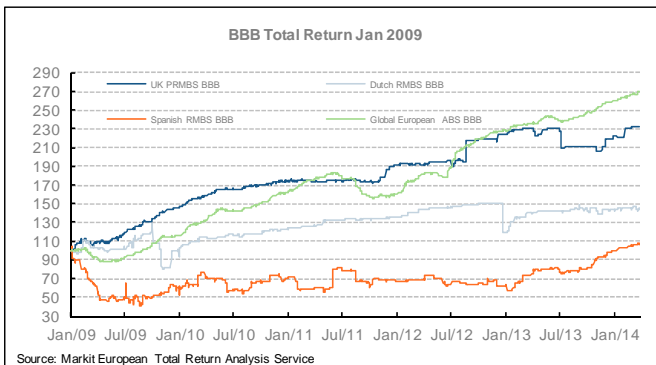
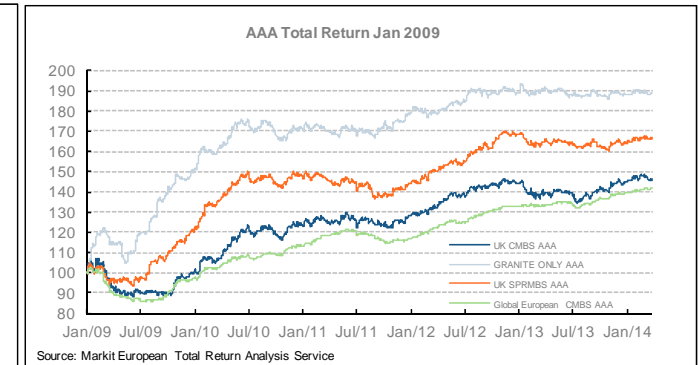
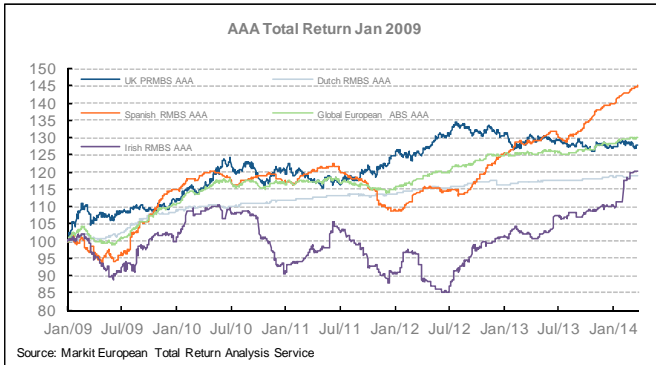
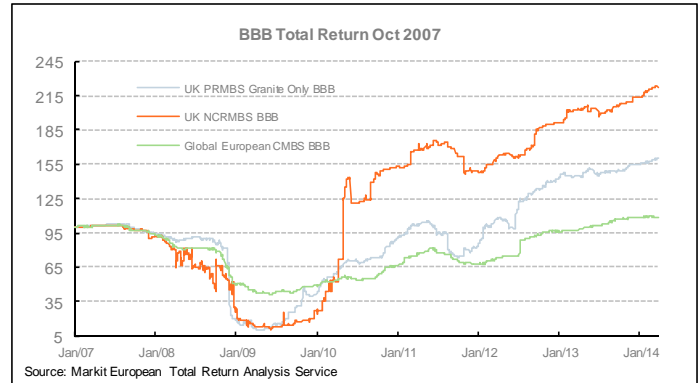
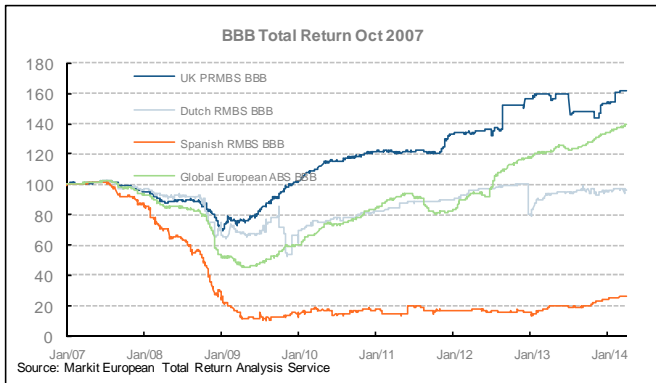
The other RMBS deals this month came from UK, with the first UK Prime RMBS and UK BTLRMBS of the year in the form of Lanark 2014-1 and Paragon 19. Clydesdale Bank's Lanark 2014-1 issued a total of €718.6mm split over two tranches, A1 and A2 priced at +40bps and +50bps respectively. Paragon 19 issued three placed tranche with the senior tranche priced at a margin of +85bps.

In the Auto Loan market there have been two issuances from Germany and UK. SC Germany Auto 2014-1 issued a single placed tranche totalling €553.5. GMAC's E-Carat 3 issued two placed tranches. Both of these deals were oversubscribed and not sufficient in filling the demand from investors.

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 €308mm to €391mm. All three priced their senior tranche at a margin of +140bps.

Primary Market (Source: Markit RCD)					
Deal	Country/Sector	Class	Av Rating	Spread (bp)	Amount (€mn)
Harvest CLO VIII	European/ CLO	A	AAA	140	243
		B	AA	190	47
		C	A	235	27
		D	BBB	325	21
		E	BB	450	31
		F	B	525	10
E-Carat 3	UK/ Auto Loan	A	AAA	47	517.8
		B	AA	95	28.9
St Paul's CLO IV	European/ CLO	A1	AAA	140	248.2
		A2	AA	180	55.8
		B	A	260	23.5
		C	BBB	340	21
		D	BB	480	29
		E	B	600	14
Paragon 19	UK/ BTLRMBS	A	AAA	85	374.4
		B	AA	120	18.9
		C	A	160	16.7
Seacure 14 NHG	Netherlands/ RMBS	A1	AAA	40	343
		A2	AAA	72	1023.5
SC Germany Auto 2014-1	Germany/ Auto Loans	A	AAA	42	553.5
Lanark 2014-1	UK/ PRMBS	1A	AAA	40	300
		2A	AAA	50	418.6
Cartesian Residential Mortgages 1	Netherlands/ RMBS	A	AAA	110	412.7
		B	AA	190	11.8
		C	A	260	11.8
Babson Euro CLO 2014-1	European/ CLO	A1	AAA	140	201.3
		B1	AA	200	20.5
		C	A	265	22.5
		D	BBB	340	19
		E	BB	460	31
		F	B	560	14.5
Quadrivio RMBS 2011	Italy/ RMBS	A1	AA	115	347.2

European total return



US ABS market

Overview

Hawkish tones out of Fed Chair Janet Yellen were noted across all markets; however spread movement was generally sideways from what we observed. The Crapo-Johnson legislation, around GSE reform, remains at the forefront of investors' minds as it brings an element of uncertainty to mortgage markets, though most agree the impacts will be relatively benign for Non-Agency RMBS and CMBS.

CLOs

The pace of new issuance has increased steadily from the end of February and through March, now on par with the pace over the same period in 2013. Spreads have held firm at the top of the capital structure and tightened in slightly in some of the mezz, especially within US, however the opposite is occurring in Europe with As out 10-15bp month over month. Of note lately, there is an increasing number of deals being issued at a discount, even at the AAA level, in hopes of attracting more buyers and limiting call risk with deals.

Generic Markets (DM)			
Vintage	1.0	2.0	Eur.
AAA Amortizing	85-110	N/A	90-110
AAA	115-145	145-160	115-125
AA	160-190	205-225	170-200
A	180-250	290-310	275-315
BBB	270-340	390-420	385-425
BB	465-600	600-625	550-615

CMBS

Volumes over the last few weeks were relatively on the lighter side with spread movement mostly sideways and no clear direction, this on the heels of announcements indicating that issuance will be down in 2014, compared with 2013. It is also generally agreed that Crapo-Johnson will have limited, if any, impact on the CMBS market, which does alleviate any uncertainty that may have surrounded this aspect of the market.

Generic Markets (Spread to Swaps)		
Vintage	Senior	AM
2005 (CD1)	85 (A4)	80
2006 (CD3)	100 (A5)	87
2007 (GG10)	150 (A4)	365
2011 (LC1)	82 (A3)	
2012 (LC3)	85 (A4)	

Non-agency RMBS

The rally in Non-Agency RMBS slowed throughout March as comments from the Fed, among other factors, led to a sharp slowdown in price movement. The servicing transfer trend continues as JPM looks to move sub-servicing of 11 WAMU deals to SPS.

From a performance standpoint, general fundamentals of the underlying mortgages continue to improve as most deals are showing a downward trend in 60+.

One specific area that did see a sizeable pop was subprime mezz, which was up about 1-1.5 points month over month.

Consumer ABS

Spreads in the ABS market were generally tighter for most key sectors throughout March with higher-yielding bonds leading the charge. We observed a noticeable uptick in trading activity in this space specifically for bonds backed by servicer advances, containers, franchise, structured settlements and even auto equity tranches. Senior and subordinate bonds backed by prime autos were anywhere from unchanged to -1 bps tighter while bonds backed by subprime auto loans ranged from -2 to -4 bps tighter across the capital structure. Most senior and subordinate cards were -1 to -2 bps tighter however we did see a slight widening of +3 bps for short floating-rate subordinates. FFELP student loans bonds saw spreads tighten anywhere from -1 to -6 bps for seniors and subordinates. Private student loan seniors were anywhere from -9 to -24 bps where privates subs were unchanged. Please see the table below for a breakdown across asset classes:

Generic Spreads by Sector			
Prime Auto Loan	WAL	Spread	
Class A	FIX	0-2	9
		2+	19
Class B	FIX	0-2	29
		2+	46

Subprime Auto Loan			
Subprime Auto Loan	WAL	Spread	
Class A	FIX	0-1	21
		1+	32
Class B	FIX	0-2	35
		2+	79

Credit Card			
Class A	FIX	Spread	
Class A	FIX	0-3	14
		3+	36
Class A	FLT	0-3	8
		3+	25

Credit Card			
Class B	FIX	Spread	
Class B	FIX	0-3	66
		3+	129
Class B	FLT	0-3	46
		3+	71

FFELP Student Loan			
Class A	FLT	Spread	
Class A	FLT	0-5	41
		5+	65
Class B	FLT	5+	275

Private Student Loan			
Class A	FLT	Spread	
Class A	FLT	0-2	69
		2-5	109
Class B	FLT	5-10	253

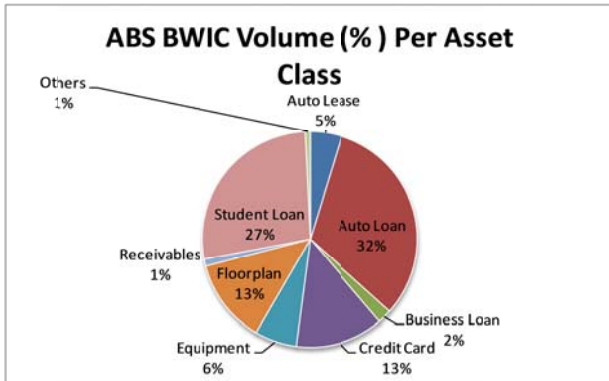
New consumer ABS issuance surged to approximately \$18.7 billion across 28 deals in March while February only accounted for \$15.7 billion across 18 deals. YTD we tabulate approximately \$45 billion in new issue for core consumer ABS products. Please see the table below for a breakdown across asset classes:

US New Issue A		
Asset Class	Amount (mm)	Number of Deals
Auto	8,800.00	13
Card	5,110.00	7
Equipment	820.00	2
Floorplan	1,200.00	2
Rate Reduction	-	-
Student Loan (FFEL)	2,080.00	3
Student Loan (Priv)	680.00	1
Total	18,690.00	28

*February 21 - March 26

Markit Structured Finance Research

BWIC activity was down significantly month-over-month as investors likely shifted their focus from the secondary market toward the primary market. Once again, auto-related collateral dominated the BWIC calendar this month, accounting for almost 50% of all bonds out-for-the-bid. Please see the chart below for a breakdown across all asset classes:



Agency

There has been a fair amount of selling of CMO post the Federal Reserve release as investors start to question the value of the carry trade going forward with prepayment speeds being so low. The demand for GNMMAs by banks should continue since they need to comply with Liquidity Coverage Ratio Regulations. Year to date CMO issuance is \$34 billion which is down from \$50 billion last year over the same time period. The reduction in supply can be attributed to tight spreads on collateral, Fed purchase of MBS and low implied yields to investors.

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