

# Securitised product snapshot

May 2014

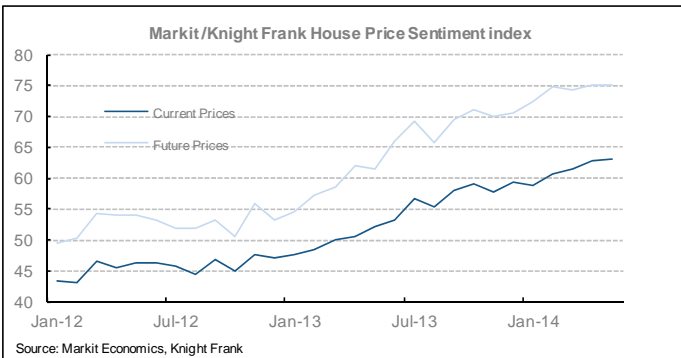
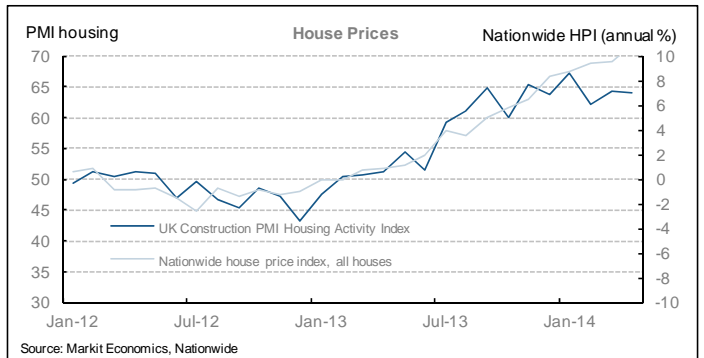
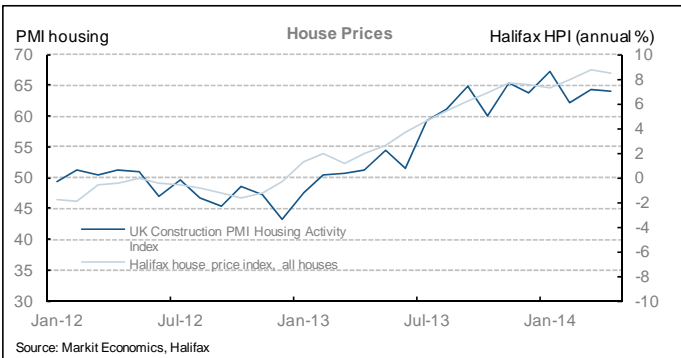


## European ABS market

### Economic data

Housing growth in the UK is still on the rise, with a Markit Construction PMI reading of 60.8 in April and with the housing activity still improving at 63.9. The Halifax index showed a 8.5% year-on-year increase in house prices but dropped by -0.2% compared with March, which is the second consecutive monthly decrease. Meanwhile, the Nationwide index showed a 10.9% increase (+1.2%) in April

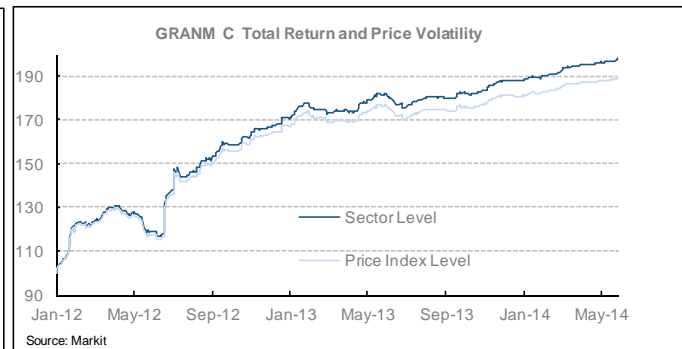
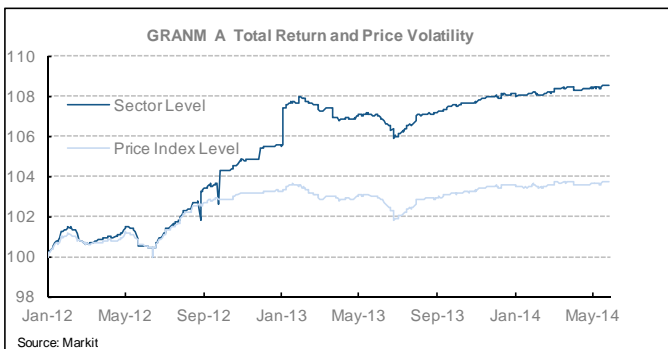
The future HPSI, which measures what households think will happen to the value of their property over the next year, is still improving to 75.1 this month, up from 75 in April.

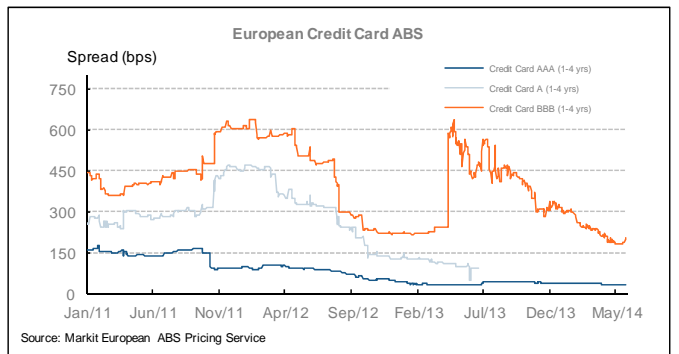
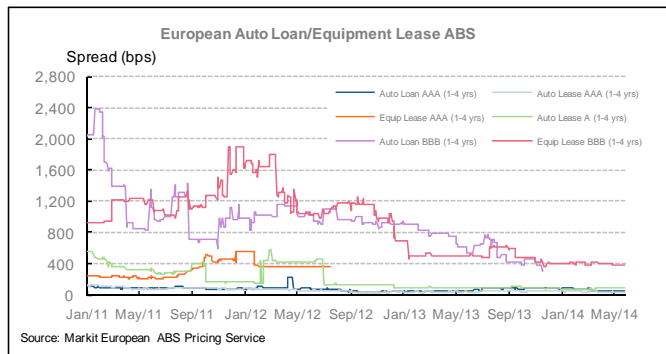
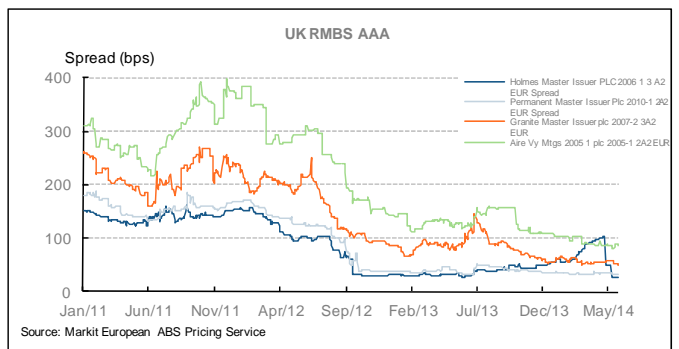
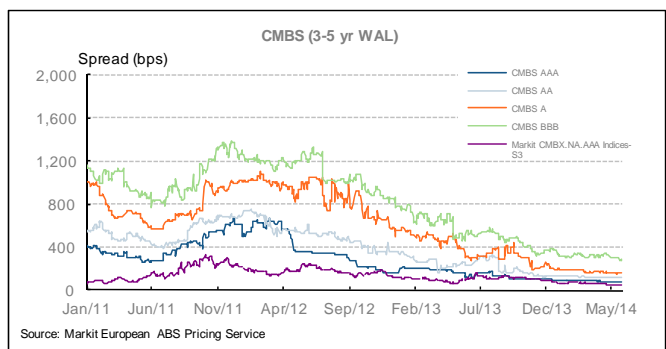
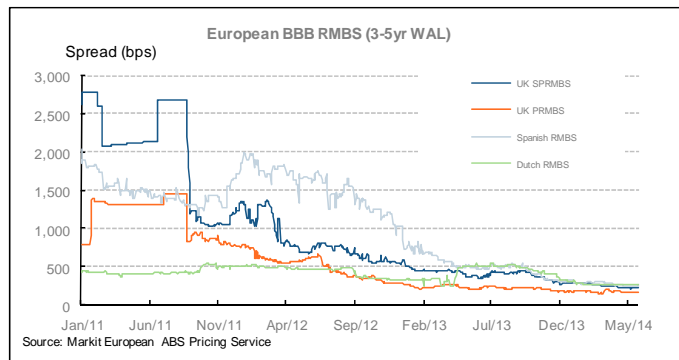
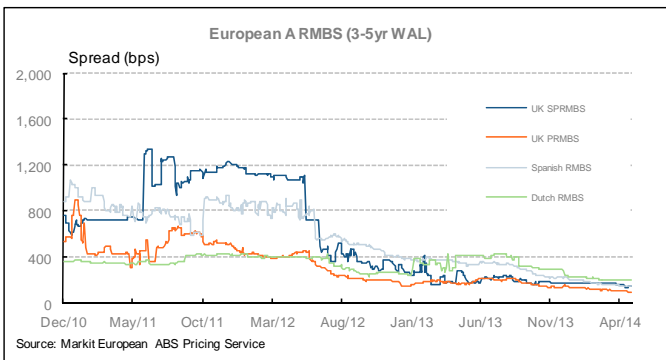
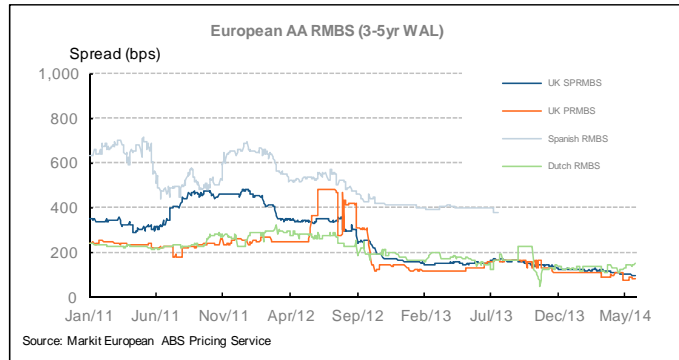
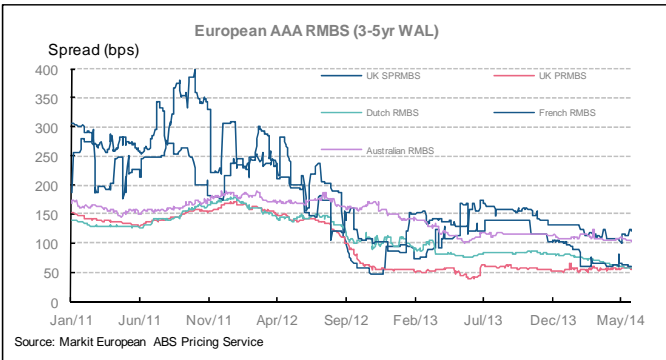


## European ABS pricing and sectors

BWICs again were the most prevalent subject in the European ABS secondary market. Spreads remained stable but tightened significantly for the Spanish RMBS sector towards the end of May. There was significant oversubscription in the primary issuance especially for the new French CFHL-1 2014. Northern Rock announced a tender for the Whinstone deal. The tender came in for series 1X at 102 for the B tranches and 108 for the C tranches.

Sector	Spread Mid (bps) Apr2014	Spread Mid (bps) May2014
ALL Auto Lease AAA Float (1-4)	45	48
ALL Auto Loan AAA Float (1-4)	38	38
ALL CMBS AAA Float (3-5)	82	81
ALL Credit Card AAA Float (1-4)	29	30
Australia RMBS AAA Float (3-5)	93	103
Italy RMBS AA Float (1-3)	124	126
Netherlands RMBS AAA Float (1-3)	41	41
Spain RMBS AA Float (5-8)	180	145
United Kingdom Granite AAA Float (1-3)	65	67
United Kingdom PRMBS ex. Granite AAA Float (1-3)	38	35
United Kingdom SPRMBS AAA Float (1-3)	114	117





## Primary market

The much awaited French RMBS CFHL-1 2014 was the largest issuance this month with a total placed issuance of €907mn. The A1 and A2a tranches were issued with a margin of 37bps and 65bps, respectively.

The UK RMBS sector saw the first issuance of the year for non-conforming RMBS, with Moorgate 2014-1's five placed tranches. The other non-conforming RMBS from the UK was the single tranche Newstone Mortgage Securities No.1 PLC. Chestnut Financing 2014 was the third issuance for this month from the UK, a single placed Prime RMBS.

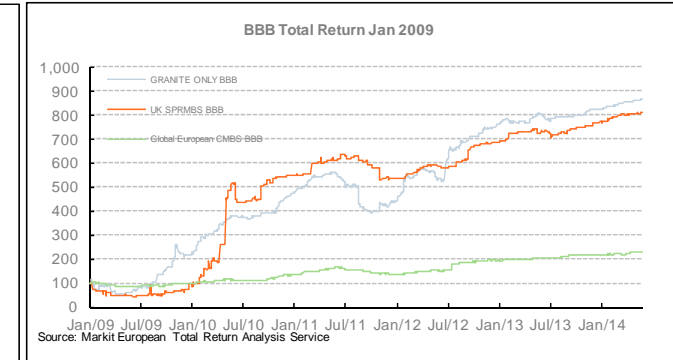
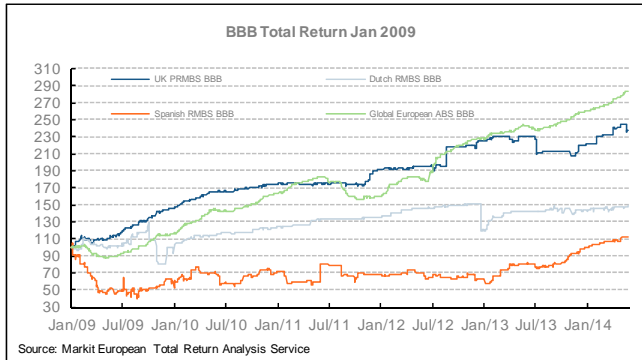
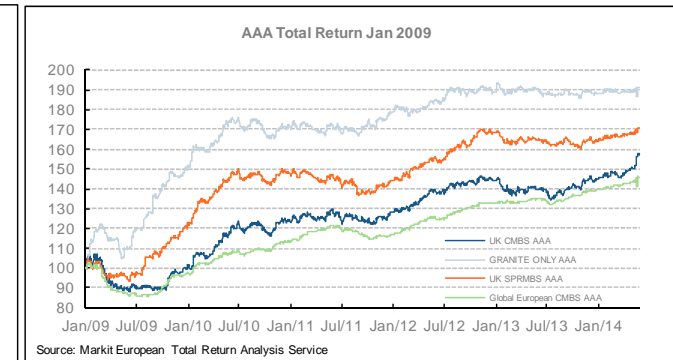
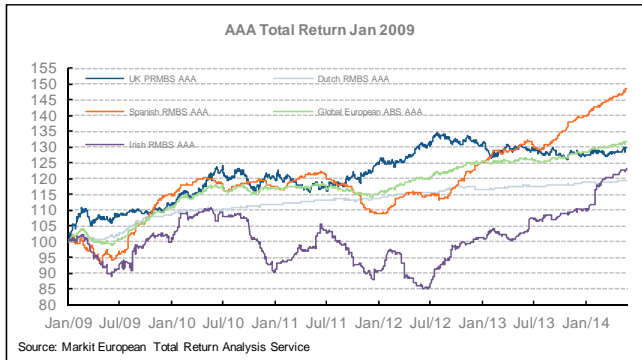
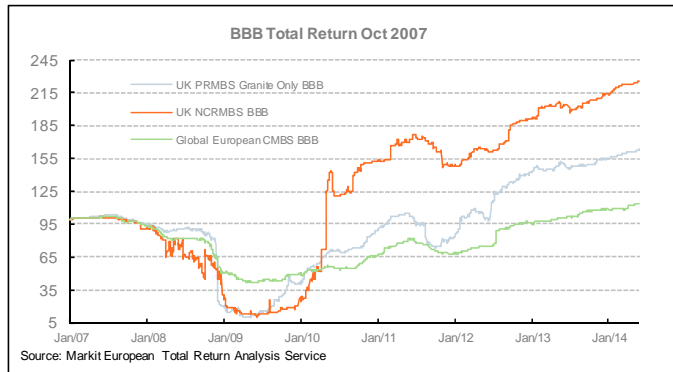
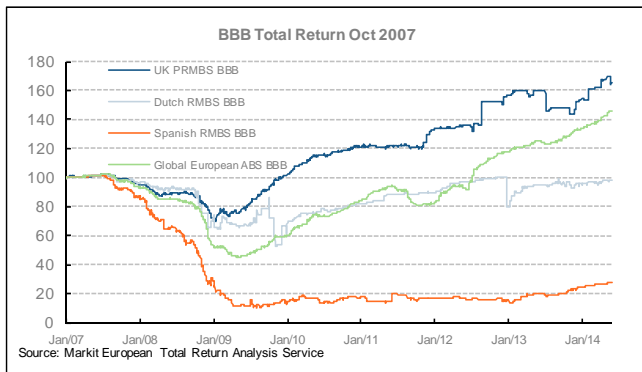
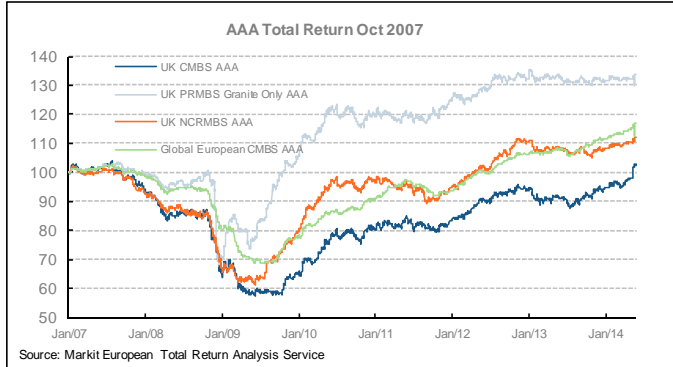
The remaining RMBS issuance for this month were all Dutch. DMPL XII was the largest of these with two placed tranches.

In the primary Auto Loan market; A-Best 9 and Globaldrive Auto Recievables 2014-A were both issued with 1 placed tranche. The German Globaldrive was the largest of these with a total issuance of €500mn.

The European CLO primary market saw the issuance of two deals, both with six placed tranches. Both of these deals range in size from €300mn to €442mn. Both priced their senior tranche at a margin of 145bps and 140bps, 5bps wider than the April

Primary Market (Source: Markit RCD)					
Deal	Country/Sector	Class	Av Rating	Spread (bp)	Amount (€mn)
Moorgate 2014-1	UK/ NCRMBS	A1	AAA	90	435.5
		B1	AA	110	72.3
		C1	A	150	57.8
		D1	BBB	180	23.6
		E1	BB	230	34.8
Newstone Mortgage Securities No.1 PLC	UK/ NCRMBS	A1	AAA	98	268.5
Avoca CLO XI	European/ CLO	A1	AAA	140	275
		B2	AA	200	61
		C	A	260	24.5
		D	BBB	350	31.5
		E	BB	470	32.5
		F	B	590	17.5
Hypenn RMBS II	Netherlands/ RMBS	A1	AAA	55	130
		A2	AAA	88	270
Arbour CLO Ltd	European/ CLO	A	AAA	145	208.8
		B2	AA	200	20
		C2	A	250	10.8
		D	BBB	315	19.8
		E	BB	500	26.7
		F	B	575	12.1
CFHL-1 2014	France/ RMBS	A1	AAA	37	428
		A2a	AAA	65	376
		B	AA	120	33
		C	A	150	28
		D	BBB	200	19
E	BB	300	23		
Chestnut Financing 2014	UK/ PRMBS	A	AAA	75	329.2
Globaldrive Auto Recievables 2014-A	German/ Auto Loan	A	AAA	35	500
Pearl 2	Netherland/ RMBS	A	AAA	46	618.7
A-Best 9	Italy/ Auto Loans	A	AA	75	437.5
DMPL XII	Netherlands/ RMBS	A1	AAA	38	197
		A2	AAA	62	610.3

European total return



# US ABS market

## Overview

From a macro perspective rates continue to grind lower and equities have rallied significantly over the last few weeks, with certain indices reaching all-time highs. The general market view is that it is unlikely rates are going to go higher anytime soon and that the Fed will extend its reinvestment of additional paper by using pay downs. As a result, most agency paper has been relatively better bid of late, and other fixed rate structured paper is feeling the boost.

### CLOs

---

The top of the capital structure is proving to be very stable as spreads have remained rather range bound despite the continued ample supply of new issue paper.. On average we are seeing 2-3 deals per week, bringing the year to date issuance number to around \$45bn. We did see weakness lower in the capital structure on some recent vintage US paper, but both Europe and seasoned US paper were well bid and ended the month slightly tighter.

Generic Markets (DM)			
Vintage	1.0	2.0	Eur.
AAA Amortizing	80-110	N/A	90-110
AAA	120-145	145-160	115-125
AA	145-190	205-225	170-215
A	180-220	300-325	280-315
BBB	260-325	410-430	400-430
BB	450-590	600-630	580-635

### Non-agency RMBS

---

Overall, Alt-A continued to perform this month with median prices up slightly since the beginning of the month, with SNR and SSNR bonds moving up by approximately a half a point. During the latter half of the month BWIC activity was subdued, which is to be expected given the holiday. Of particular interest, we observed a greater percentage of bonds DNT vs. earlier in the month where we observed the majority of bonds covering at or through price talk.

### Consumer ABS

---

Spreads for the consumer ABS market were generally tighter across the board through the month of May despite a decrease in BWIC and new issue activity in the space, especially toward the long holiday weekend.

Subordinate bonds backed by FFELP student loans were the outperformers this month with this sector tightening approximately 21 bps. Prime autos were generally 1 to 2 bps tighter for both seniors and subordinates. Subprime autos were 1 bps tighter for seniors and anywhere from 3 to 6 bps tighter for subordinates. FFELP seniors were 1 to 2 bps tighter while private seniors were 5 to 6 bps tighter. Credit card subordinates were anywhere from 2 to 7 bps tighter. Please see the table below for our generic spreads by asset class:

**Markit Structured Finance Research**

**Generic Spreads by Sector**

Prime Auto Loan	WAL	Spread
Class A	FIX 0-2	9
	2+	19
Class B	FIX 0-2	27
	2+	43

**Subprime Auto Loan**

Subprime Auto Loan	WAL	Spread
Class A	FIX 0-1	20
	1+	32
Class B	FIX 0-2	31
	2+	69

**Credit Card**

Class A	FIX 0-3	16
	3+	31
Class A	FLT 0-3	9
	3+	26

**Credit Card**

Class B	FIX 0-3	51
	3+	106
Class B	FLT 0-3	37
	3+	54

**FFELP Student Loan**

Class A	FLT 0-5	40
	5+	62
Class B	FLT 5+	229

**Private Student Loan**

Class A	FLT 0-2	63
	2-5	91
Class B	FLT 5-10	248

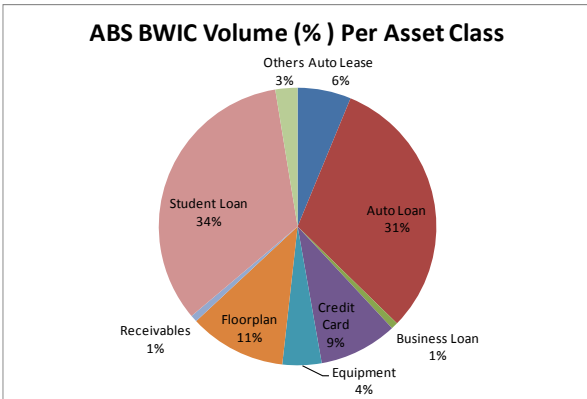
New issue totaled \$14.2 billion for the month of May across 20 deals, a steep drop off from the high of \$19.3 billion we experienced last month. New deals backed by cards and autos accounted for much of the activity this month. Please see the table below for a breakdown across each asset class:

**US New Issue ABS\***

Asset Class	Amount (mm)	Number of Deals
Auto	5,820.00	7
Card	5,820.00	6
Equipment	840.00	3
Floorplan	-	-
Rate Reduction	-	-
Student Loan (FFELP)	1,810.00	4
Student Loan (Private)	-	-
Total	14,290.00	20

\*April 25 - May 21

BWIC activity was significantly down this month with approximately \$2.5 billion in bonds out for the bid compared to \$3.0 billion in April. Auto-related bonds accounted for approximately 50% of all BWIC activity with both private and FFELP student loans accounting for ~34%. Please see the chart below for a breakdown across each asset-class:



## Agency

---

The National Information Center released consolidated financial statements for bank holding companies for Q1 2014. Banks increased their holdings of Agency MBS to \$9.3 billion, with \$8.1 billion coming from CMOs. FHFA is considering raising guarantee fees across the board, opening up the credit box to underserved borrowers, and subsidizing their guarantee fee with the increase of higher credit borrower's fee. We saw a similar number of PACs offered week-over-week and a slight reduction of sequential and pass-through securities.

### Philippe Pagnotta

**Director, Structured Finance**

Markit

Tel: +44 20 7260 2214

Email: [philippe.pagnotta@markit.com](mailto:philippe.pagnotta@markit.com)

### Matthew Fiordaliso

**Director, Structured Finance**

Markit

Tel: +1 212 205 1295

Email: [matthew.fiordaliso@markit.com](mailto:matthew.fiordaliso@markit.com)

### Taher Miah

**Associate, Structured Finance**

Markit

Tel: +44 20 7260 2218

Email: [taher.miah@markit.com](mailto:taher.miah@markit.com)