

European Securitized Products Weekly

Italian RMBS and Granite Stand Out

- **Italian RMBS Top Pick** — At EURIBOR +265bp, senior Italian RMBS offer good value despite political and macro headlines. Italian RMBS fundamentals are the strongest among peripheral countries with low leverage and relatively stable house prices. Italian RMBS pick up 87bp to covered bonds and 47bp to senior unsecured.
- **Opportunity in GRANM** — GRANM offers good optionality due to the potential uptick in prepayments starting 2014 if the UK government's "Help-to-Buy" schemes are successful. GRANM seniors at EURIBOR +100bp pickup 48bp to 5YR UK prime for a much shorter WAL of around 2 years, even at current low prepayment rates.
- **UK BTL Good Prime Alternative** — Senior UK BTL notes offer good relative value to UK prime RMBS and have negligible credit risk, in our view. Shorter 3–6 YR WAL BTL notes are particularly attractive to similar maturity UK prime RMBS, while longer WAL notes could become part of a strategy to benefit from tightening credit spreads.
- **Cheaper AA Euro CLO to Benefit from New Issue Momentum** — Double-A rated secondary Euro CLO debt is attractively priced relative to January levels, and should benefit from appetite for primary market deals.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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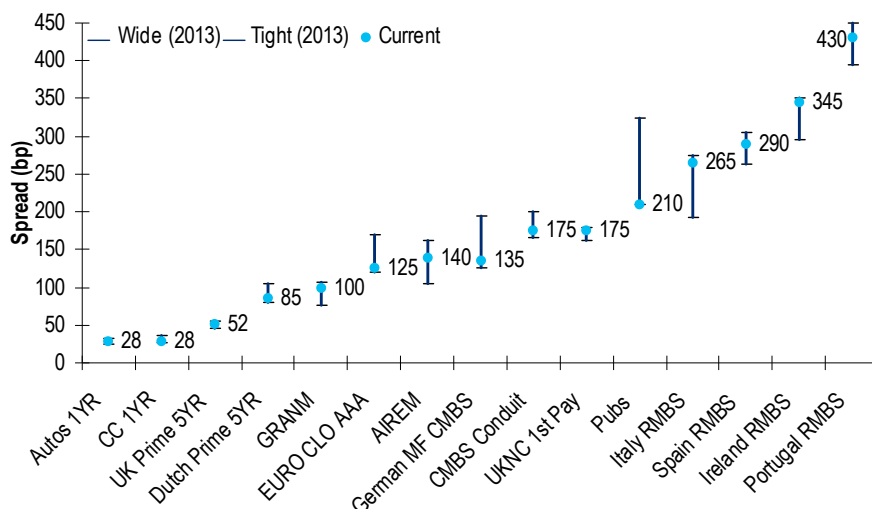
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Survey of Relative Value

Many securitized sectors look attractive once again after the backup in spreads following inconclusive Italian elections and the Cypriot sovereign and bank bailout agreement. The potential risks of a Cypriot bail-in model being applied to other peripheral countries in the future reinforces our preference for secured assets like securitized and covered bonds over unsecured credit. The principal recovery for securitized assets in extreme scenarios similar to the Cyprus situation is likely to be higher than unsecured bonds. Moreover, we think that senior tranches of many peripheral RMBS and SME sectors are well protected to withstand huge collateral losses unlike unsecured bonds where losses on senior classes are not highly unlikely.

We think there is good value in certain peripheral and CLO sectors and they offer better entry points than earlier this year at current spreads. Peripheral RMBS sectors are currently trading close to their year-to-date widest levels and have tightening potential, as demonstrated by the tight spreads following the January rally (Figure 1). Senior Italian RMBS widened 72bp since February while Spanish, Irish, and Portuguese RMBS widened 24bp, 49bp, and 34bp, respectively. In addition, GRANM and AIREM spreads widened significantly and look attractive at current levels. We see these two shelves as good UK prime alternatives offering attractive 48–88bp pick up to 5YR UK prime RMBS at EURIBOR +52bp. Double-A rated secondary Euro CLO debt at EURIBOR +300bp is attractively priced relative to January levels, and is likely to benefit from momentum in the new issue market. New issue spreads are tighter, but the bonds have greater subordination.

Figure 1. Senior Securitized Current Spreads Compared to 2013 Wide and Tight, 2013YTD (bp)



Source: Citi Research

Peripheral RMBS Relative Value

Senior peripheral RMBS offer attractive pickups to other comparable sectors like unsecured corporate credit, covered bonds, and sovereigns. We recommend investors take advantage of better entry points for adding exposure to good quality peripheral sectors.

- **Italian RMBS Top Pick.** Italian RMBS offer good value at current levels despite the negative political and macro-economic headlines. Senior Italian RMBS widened 72bp since February and are currently trading around the EURIBOR

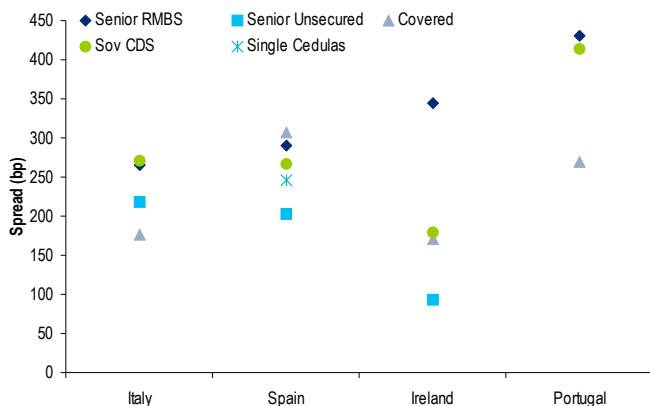
+265bp area. The fundamentals of Italian RMBS are the strongest among peripheral countries with a low average LTV of 56% and relatively stable house prices. Senior Italian RMBS traded tighter than 5YR sovereigns CDS during the past three years and current spreads are at par, suggesting further tightening in RMBS is likely.

■ **Peripheral RMBS Attractive to Unsecured.** Senior peripheral RMBS offer attractive pickup to senior unsecured corporate credit. We estimate that Italian, Spanish, and Irish senior RMBS trade 47–251bp wide to average spreads of the *iBoxx € Corporate Senior* index constituents from the respective countries (Figure 2).

■ **Spanish RMBS Expensive vs Covered? Not Really.** At first glance, senior Spanish RMBS (EURIBOR +290bp) seems expensive compared to the *iBoxx € Spain Covered* index at around +306bp. However, RMBS picks up roughly 44bp to the *iBoxx Single Cedulas* index at +246bp. Inclusion of multi cedulas which trade significantly wider than single cedulas affects the aggregate covered index spreads. Refer to [Spanish Cedula Market in Focus](#) for more details on the Spanish covered bond market.

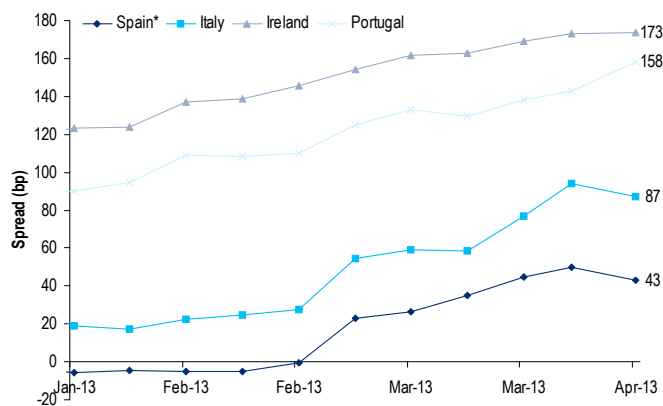
■ **Attractive Basis between RMBS and Covered.** The basis between RMBS and covered bonds widened across all peripheral countries since January, further boosting the attractiveness of RMBS. For instance, Italian RMBS is currently trading 87bp wider to Italian covered bonds and Spanish RMBS picks up 43bp to single cedulas (Figure 3). The RMBS versus covered basis in Italy and Spain was much lower at 19bp and -5bp, respectively, in January.

Figure 2. Relative Value Between RMBS, Unsecured, Covered, and Sovereign, as of 5 Apr 2013 (bp)



Source: Markit and Citi Research

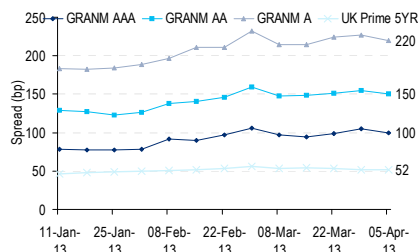
Figure 3. Basis between Peripheral RMBS and Covered Bond, Jan 2013 – Apr 2013 (bp)



* Spain basis based on single cedulas spreads

Source: Markit and Citi Research

Figure 4. GRANM Spreads Compared to UK Prime, 11 Jan 2013 – 5 Apr 2013 (bp)



Source: Citi Research

Buying Opportunity in Granite

We think that Granite (GRANM) notes offer good upside potential from current levels due to the potential uptick in prepayments if the UK government's "Help-to-Buy" schemes are successful. Even at the current low prepayment rate, GRANM seniors pickup 48bp to 5YR UK prime for a much shorter WAL of around 2 years. GRANM spreads across the stack have underperformed generic UK prime RMBS this year and are 21–37bp wider than January tightens, depending on the seniority. In contrast, UK prime spreads have remained roughly stable. We recommend investing in GRANM at current levels because of the following reasons:

- **Short WAL.** GRANM is one of the few UK securitized sectors offering triple digit spreads for relatively short WALs. GRANM first pays and second pays have WALs of 2YR and 5YR, respectively, at 12.5% CPR. GRANM notes are amortizing faster since the non-asset trigger breach because about 24% seller share is locked out from receiving any principal cash flows.
- **Good Optionality.** GRANM offers good optionality, in our view, due to potential increase in prepayments. The success of "Help to Buy" schemes announced in the UK 2013 budget will increase the availability of high LTV mortgages starting in 2014. The so called "mortgage prisoners" who wish to refinance or move homes but do not have sufficient equity will benefit from the new schemes, leading to higher prepayments. Please refer to [UK Budget Could Increase RMBS Prepayments](#) for details.
- **Benign Housing Outlook.** The neutral to positive outlook for house prices will not only keep losses in check but will also allow more people to refinance, if they build up sufficient equity. Citi economists expect nominal house prices to move sideways for 2–3 more years, following which a meaningful recovery could start. We think there is limited downside from current levels because of the absence of overbuilding and forthcoming UK government policy initiatives which should support house prices.

UK BTL Offers Good Relative Value to Prime RMBS

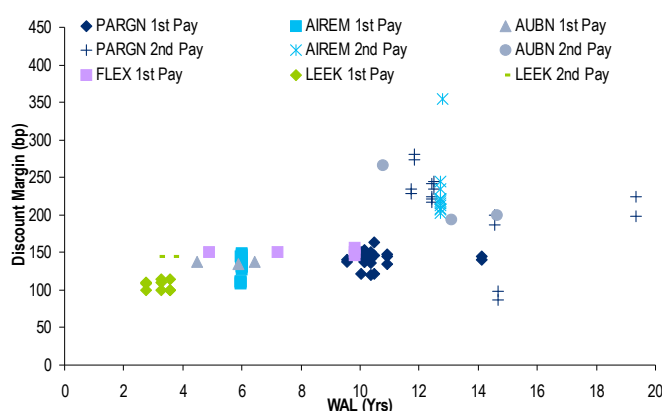
We recently concluded a detailed analysis of the UK buy-to-let (BTL) sector and found that senior-most tranches of all the BTL deals we examined experience no credit losses even in our fairly conservative scenario. We think that senior UK BTL RMBS notes are a very good UK prime substitute. Moreover, several mezzanine notes are also well protected, offering attractive pickups to seniors for slightly longer WAL.. The BTL sector offers a wide range of WALs from 3–14 years. Shorter WAL notes are particularly attractive compared to similar maturity UK prime RMBS, while longer WAL notes could become part of a strategy to benefit from tightening credit spreads. We anticipate UK BTL spreads will tighten further and trade closer to UK prime. We highlight our main findings below; please refer to [UK buy-to-Let RMBS: Cheap for Prime Quality but Mind Back-end Risks](#) for details.

- **Senior Classes Money Good.** The senior-most classes of all the deals we analyzed are money good in our stress scenario, implying negligible credit risk. Senior BTL classes are good alternatives to UK prime RMBS, offering attractive pickups ranging from 48–112bp. The discount margins on these BTL bonds range from 100–164bp for WALs ranging from 3–14 years (Figure 5).

■ **Value in Short Duration First Pays.** Short WAL (3–6YR) senior notes of LEEK, AIREM, AUBN, and FLEX offer good value compared to similar maturity UK prime RMBS at EURIBOR+ 43–52bp. These BTL notes are not only money good but also relatively short duration compared to PARGN senior notes, pursuant to our analysis. Spreads for LEEK, AIREM, AUBN, and FLEX senior notes range from roughly EURIBOR +100–150bp (Figure 6).

■ **Certain Second Pays Attractive.** We like certain second pay notes because they offer a significant spread pickup to seniors for a small increase in WALs. PARGN 8, 9, and 11 second pays pick up 82–136bp to corresponding first pays for only 1.7–2.4YR longer WALs. Similarly FLEX 4 second pays pick up 89bp for roughly same WAL as the corresponding first pay (Figure 6). At the same time, these second-pays receive their entire principal under our assumed stresses.

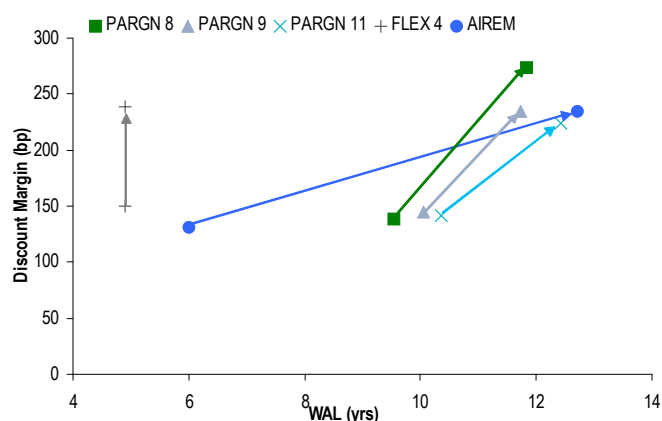
Figure 5. Relative Value Among UK BTL Shelves — Estimated DMs and WALs



* LEEK WALs to optional redemption dates

Source: INTEX and Citi Research

Figure 6. Attractive Pickups for 2nd Pays — Estimated Change in DM and WAL from 1st to 2nd Pay Notes of Select BTL Deals



Source: INTEX and Citi Research

Euro CLO — Slow but Steady

Structured finance investors who have been seeing a dearth of new issuance are comforted by the fact that the market is about to price its third new Euro CLO this year. There are a few significant differences among the deals. The two deals from Cairn and Apollo are expected to have a collateral pool based primarily on first-lien senior secured bank loans. In contrast, Dryden XXVII Euro CLO, managed by Pramerica Investment Management, will have 20-40% of its portfolio in fixed-rate assets. A pre-sale report from Fitch shows that the indicative portfolio consists of 63.5% loans and 36.5% bonds (approximately 31.5% are not senior secured). Dryden's collateral pool reflects a substantial amount of leveraged finance issuance that is being placed in the bond markets. Loan-only portfolios may have a more challenging time to ramp up – a Moody's report stated that Cairn CLO III done this year was only 50% ramped up as of the closing date. Investors are wary of credits from peripheral countries; Dryden XXVII, for example, has a 15% maximum bucket for countries that have a Fitch rating below A-.

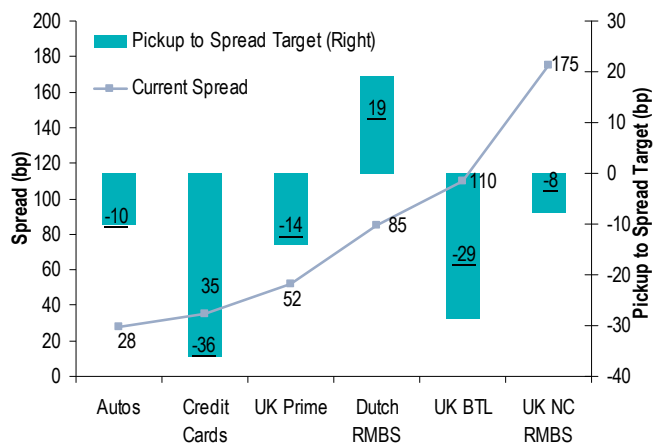
Relative Value Framework

Most core country securitized sectors except Dutch RMBS are expensive to our spread targets. Peripheral RMBS is still cheap at EURIBOR +265–430bp, offering pick ups of 95–188bp to our spread targets.

Pickups to Spread Targets

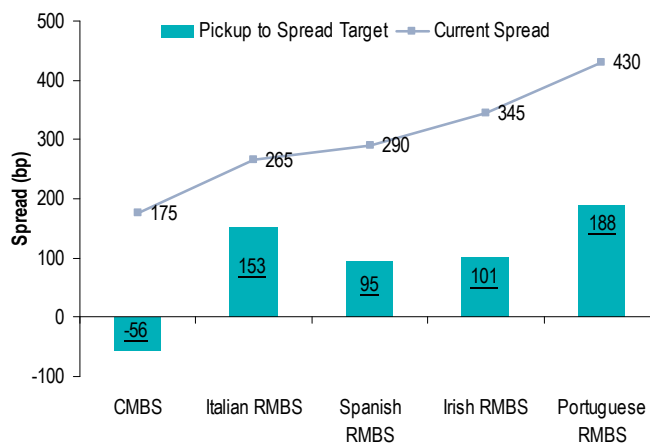
- **Autos and Credit Cards Expensive.** At LIBOR +35bp and EURIBOR +28bp, 3YR UK credit cards and 1YR European autos are expensive to our spread target (Figure 7). The dearth of short duration core assets combined with good collateral performance will support these sectors going forward.
- **Dutch RMBS Attractive.** At EURBOR +85bp, senior Dutch RMBS picks up 19bp to our long term spread target (Figure 7). Dutch RMBS is the only core sector that is cheap to our spread target; also the 32bp spread differential between triple-A 5YR Dutch RMBS and UK prime RMBS remains wide compared to historical levels.
- **UK Prime Tight.** UK prime RMBS currently trades at LIBOR +52bp, around 14bp tighter to our long term spread targets (Figure 7). The ongoing FLS program will continue to provide very positive technicals for UK prime, supporting spreads in the near to medium term.
- **Peripheral RMBS Remain Cheap.** Peripheral RMBS sectors offer attractive pickups to our long term spread targets. Italian, Spanish, Irish, and Portuguese RMBS trade 153bp, 95bp, 101bp, and 188bp wide respectively to historical averages (Figure 8).
- **Value in CLOs.** The new issue CLO senior tranche spreads (135bp for AAA, 190bp for AA) do not look as wide as some other securitized products such as UK non-conforming, but benefit from high subordination and a slowly growing new issue market which could benefit the product's future liquidity.
- **CMBS Available at a Premium.** European CMBS has rallied 25bp since the start of 2013 and currently trades at EURIBOR +175bp, which is 56bp tighter to our spread target.

Figure 7. Core Sectors Spread Pickup to Spread Targets, as of 5 April 2013 (bp)



Source: Citi Research

Figure 8. CMBS and Peripheral Sectors Spread Pickup to Spread Targets, as of 5 Apr 2013 (bp)

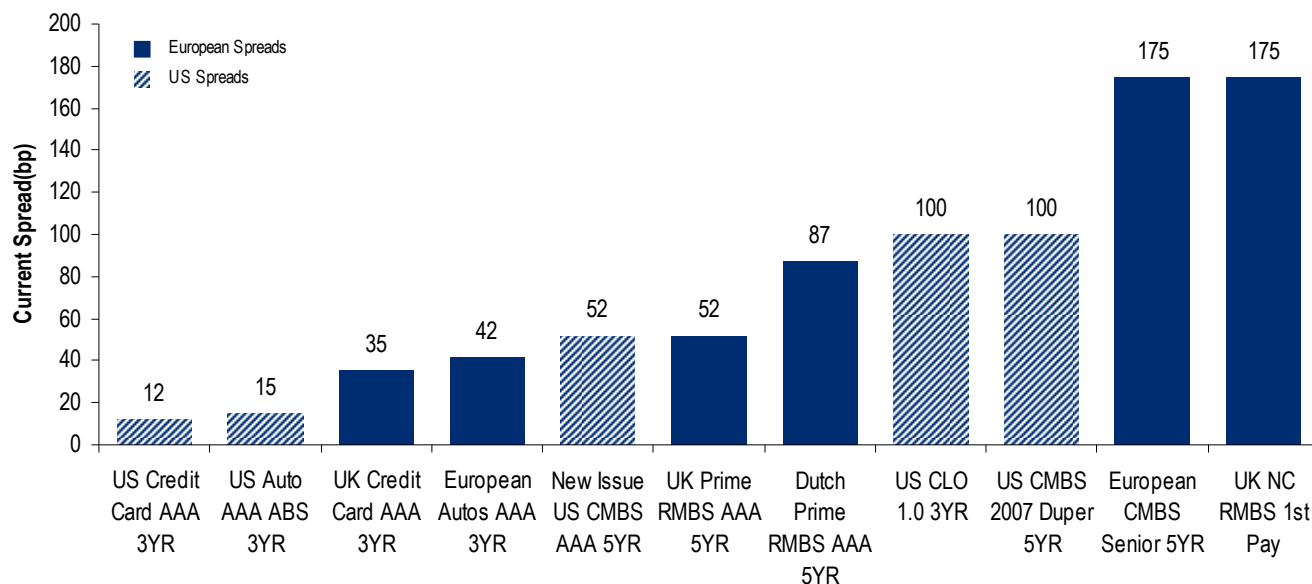


Source: Citi Research

European Securitized Attractive to US

- **European CMBS and UK NC Cheaper than US CMBS and CLO.** European CMBS at EURIBOR+175bp and UK non-conforming RMBS at LIBOR +175bp offer attractive pickup to US CMBS 2007 Duper at SWAPS +100bp and US CLO 1.0 at LIBOR +100bp (Figure 9).
- **Autos and Credit Cards Cheap to US Counterparts.** 3YR European autos (EURIBOR +42bp) and 3YR UK credit cards (EURIBOR +35bp) offer attractive pickups to US autos (SWAPS +15bp) and credit cards (SWAPS +12bp).
- **Value in CLO.** Though the second new Euro CLO priced this week shows there is not a big difference in spreads between Euro and US CLO 2.0s (new Euro deals have higher subordination, though) investors who take a judicious look at the secondary market may be able to pick up north of 100bps for Euro CLO double-As over USD CLO 1.0 AAs. Though subordination is still attractive for the Euro deals, be prepared for more stressed collateral buckets among other differences.

Figure 9. Selected Securitized Product Spreads to SWAPS, LIBOR and EURIBOR Comparisons, as of 5 Apr 2013 (bp)



Source: Citi Research

Summary of Recommendations

We outline our recommendations below in Figure 10.

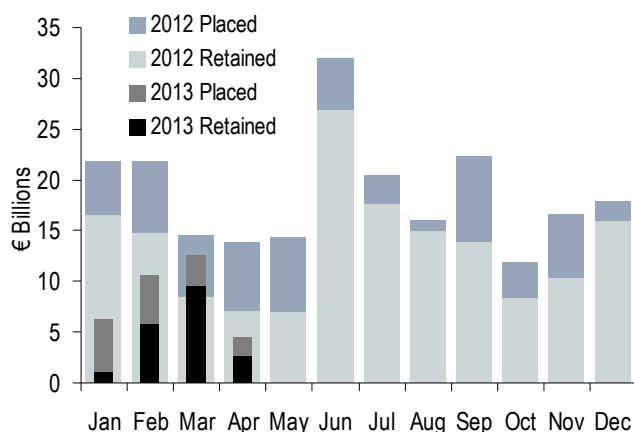
Figure 10. European Securitized Products Sector Recommendations

Category	Sector	Senior	Subordinate	Comments
Top Calls				
	Italian RMBS	Overweight	Overweight	Low LTVs, relatively low house price declines, and positive net mortgage lending
	UK Credit Cards	Overweight	Overweight	Short WAL, attractive pickup to comparable US credit cards with equivalent credit performance
	UK BTL RMBS	Overweight	Overweight	Strong fundamentals like rising rents and falling homeownership, supported by low interest rates
Core				
	UK Prime RMBS	Marketweight	Marketweight	Favourable technicals to support spreads
	UK NCRMBS	Marketweight	Underweight	Credit performance likely to deteriorate fast when interest rates rise but we think seniors are well protected
	Dutch RMBS	Marketweight	Underweight	Falling house prices and rising unemployment a concern but strong demand for core RMBS a positive
	Australian RMBS	Overweight	Marketweight	Credit performance better than UK prime RMBS, low doc loans potential concern for subordinates
	Autos	Overweight	Overweight	Short duration, high quality. Very few comparable short and high quality credit alternatives to this sector
Peripherals				
	Irish RMBS	Marketweight	Underweight	Very high indexed LTVs to impact subordinate recoveries but tender likelihood to support spreads
	Portuguese RMBS	Marketweight	Underweight	No major housing boom but high unemployment and negative economic growth outlook a concern
	Spanish RMBS	Marketweight	Underweight	Further house price drop likely but bad bank plan and possibility of tenders overall positive for the sector
Other				
	CMBS	Marketweight	Underweight	Seniors are protected but a large maturity pipeline in 2013 and beyond to impact recoveries
	Pubs	Underweight	Underweight	This sector requires in-depth bespoke corporate analysis

Source: Citi Research

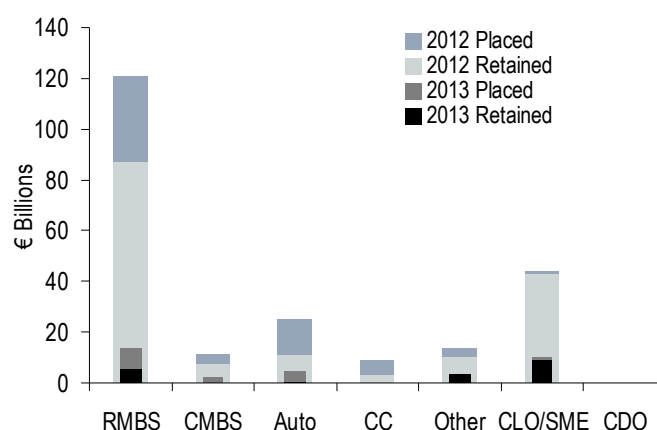
New Issuance

Figure 11. Placed and Retained Issuance by Month, 2012–2013YTD (€ billions)



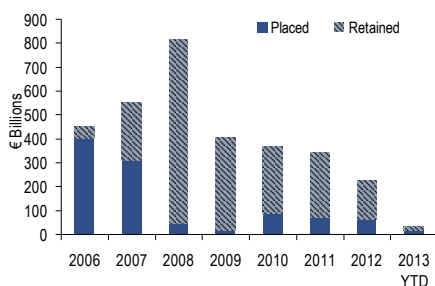
Source: Concept ABS, IFR, Informa and Citi Research

Figure 12. Placed and Retained Issuance by Sector, 2012–2013YTD (€ billions)



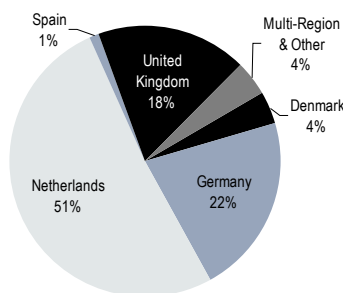
Source: Concept ABS, IFR, Informa and Citi Research

Figure 13. Annual Historical Placed and Retained Issuance, 2006–2013YTD (€ billions)



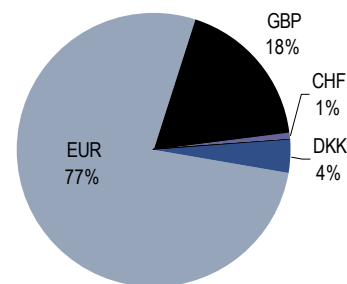
Source: Concept ABS, IFR, Informa and Citi Research

Figure 14. Placed Issuance by Region, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 15. Placed Issuance by Currency, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 16. Placed and Retained Issuance by Sector, 2012* and 2013YTD (€ million)

	RMBS(MM)		CMBS(MM)		Autos(MM)		Credit Card ABS(MM)		CLO/SME(MM)		Other(MM)		Total(MM)	
	2013YTD	2012	2013YTD	2012	2013YTD	2012	2013YTD	2012	2013YTD	2012	2013YTD	2012	2013YTD	2012
Placed	7,612	33,928	2,387	3,936	4,076	13,921	156	5,591	647	990	0	3,459	14,878	61,825
Retained	5,779	87,137	143	7,460	501	11,364	8	3,067	9,512	42,879	3,202	10,145	19,145	162,052
Total	13,391	121,065	2,530	11,395	4,578	25,285	164	8,658	10,159	43,869	3,202	13,604	34,023	223,877

* 2012 complete year

Source: Concept ABS, IFR, Informa and Citi Research

Figure 17. Recent Placed Issuance, 21 Feb — 11 Apr 2013

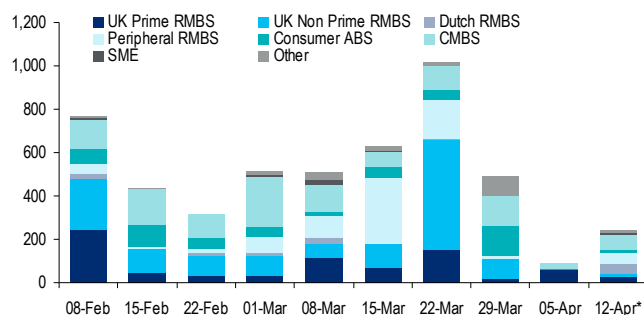
Deal Name	BBG	Transaction Type	Tranche	Currency	Size(MM)	Fitch/Moodys/S&P /DBRS	WAL	Index	Margin	CE	Closing Date
Storm 2013-II	STORM 2013-2	RMBS Prime Netherlands	A1	EUR	150	AAA/Aaa/AAA/-	1.9YR	3mE	40bp	7.00%	11-Apr
			A2	EUR	550	AAA/Aaa/AAA/-	4.8YR	3mE	83bp	7.00%	
			B	EUR	17.1	AA-/Aa1/AA+/-	4.8YR	3mE	TBD	4.70%	
			C	EUR	13.1	BBB+/Aa2/AA/-	4.8YR	3mE	TBD	3.00%	
			D	EUR	14.5	BB/A1/A/-	4.8YR	3mE	TBD	1.00%	
Dryden CLO XXVII - Euro CLO 2013 Plc	DRYD 2013- 27X	CLO - Arbitrage	E	EUR	7.5	BB/Baa3/NR/-	4.8YR	3mE	TBD	0.00%	10-Apr
			A-1A	EUR	69	AAA-/AAA/-		MidSwaps	135bp	41.75%	
			A-1B	EUR	100.5	AAA-/AAA/-		6mE	135bp	41.75%	
			B-Flt	EUR	21.6	NR/-/AA/-		6mE	190bp	31.10%	
			B-Fxd	EUR	9.4	NR/-/AA/-		MidSwaps	190bp	31.10%	
			C-Flt	EUR	6.4	NR/-/A/-		6mE	290bp	24.90%	
			C-Fxd	EUR	11.6	NR/-/A/-		MidSwaps	290bp	24.90%	
			D	EUR	13	NR/-/BBB/-		6mE	400bp	20.45%	
Swiss Credit Card Issuance No.2 Ltd	SCARD	Credit Card ABS	E	EUR	17.5	NR/-/BB+/-		6mE	475bp	14.40%	10-Apr
			Equity	EUR	51	NR/-/NR/-		N/A	N/A	0.00%	
			A	CHF	189.8	AAA-/AAA/-		MidSwaps	24bp	5.10%	
Citadel 2010-II (remarketing)	CITAD 2010- 2	RMBS - Prime Netherlands	B	CHF	6.2	A/-/A+/-		MidSwaps	160bp	2.00%	3-Apr
			C	CHF	4	BBB/-/BBB+/-		MidSwaps	250bp	0.00%	
			A	EUR	597	AAA-/AAA/-	2.15YR	3mE	120 bps (Priced at 95bp)	24.90%	
IM Cajamar Empresas 5 FTA	IMCEM 2013- 5	CLO - Balance Sheet Spain	A1	EUR	175	A+/-/A (lo)	1.7YR	Fixed Rate	cpn = 3.178%	37.00%	3-Apr
			A2	EUR	365	A+/-/A (lo)	3.18YR	1mE	150bp	37.00%	
			B	EUR	135	CCC/-/CCC	8.85YR	1mE	450bp	17.00%	
Asset-Backed European Securitisation Transaction (A- BEST) Eight plc	ABEST 8	Auto ABS	A	GBP	218.8	AAA-/AAA/-	0.86YR	1mL	47bp	27.00%	27-Mar
			B	GBP	41.3	A/-/A/-	1.98YR	1mL	115bp	13.20%	
			S	GBP	39.7	NR/-/NR/-	N/A	Fixed		1.50%	
Saecure 13 NHG BV	SAEC 13	RMBS - Prime Netherlands	A1	EUR	275.1	AAA-/AAA/-	1.9YR	3mE	40bp	9.90%	26-Mar
			A2	EUR	848.3	AAA-/AAA/-	5YR	3mE	82bp	9.90%	
			B	EUR	48.1	NR/-/NR/-	5YR	3mE	0bp	6.00%	
			C	EUR	62	NR/-/NR/-	5YR	3mE	0bp	1.00%	
Intu (SGS) Finance plc	-	CMBS - Single Usage Collateral UK	D	EUR	12.5	NR/-/NR/-	5YR	Zero	Coupon	0.00%	7-Mar
			Series 1 10yr	GBP	450	-/-/A/-	10YR	UKT4/22	210bp		
E-Carat SA Compartment 5	ECAR 2013-1	Auto ABS Germany	Series 1 15yr	GBP	350	-/-/A/-	15YR	UKT6/28	205bp		22-Feb
			A	EUR	500	AAA-/AAA/-	1.64YR	MidSwaps	61bp	12.40%	
			B	EUR	30.6	AA/-/AA/-	3.33YR	MidSwaps	100bp	6.90%	
VCL Multi-Compartment SA Comp VCL 17	VCL 17	Auto ABS Germany	Sub loan	EUR	27.9	NR/-/NR/-	N/A	N/A	N/A	0.00%	21-Feb
			A	EUR	697.5	-/Aaa/AAA/-	1.29YR	1mE	25bp	8.20%	
			B	EUR	21	-/A1/A+/-	1.88YR	1mE	75bp	5.40%	

Source: Concept ABS, IFR, Informa and Citi Research

BWIC Tracker

Weekly and Monthly BWIC Volume

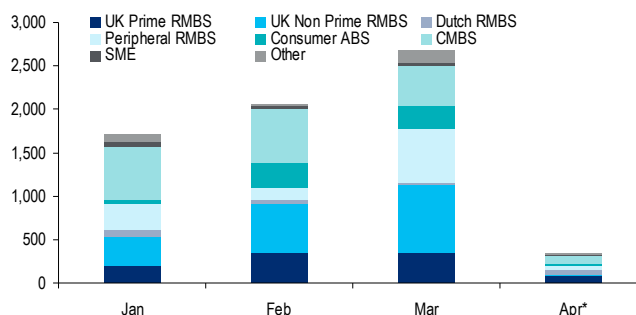
Figure 18. Weekly BWIC Volume by Sector, Feb 13 –Apr 13 (\$ eq. million)



* Data until 11 April 2013

Source: Citi Research

Figure 19. Monthly BWIC Volume by Sector, 2013YTD (\$ eq. million)

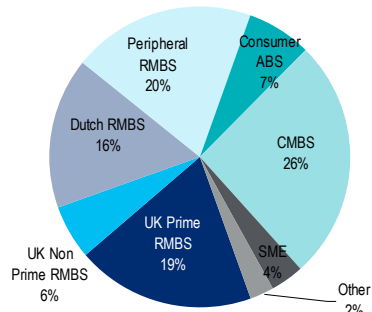


* Data until 11 April 2013

Source: Citi Research

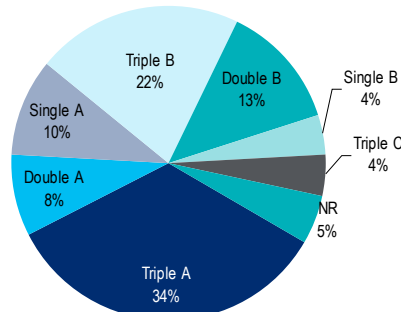
Last Week's BWIC Distribution by Sector, Rating and Currency

Figure 20. BWIC Volume Distribution by Sector, 5 Apr – 11 Apr 2013 (%)



Source: Citi Research

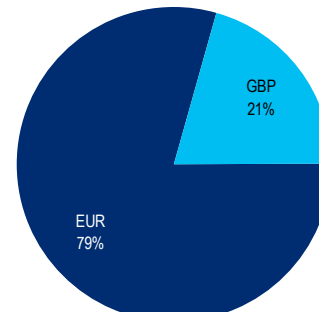
Figure 21. BWIC Volume Distribution by Current Rating*, 5 Apr – 11 Apr 2013 (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

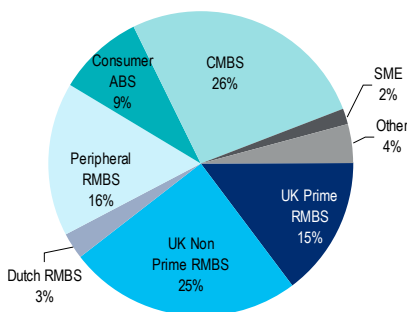
Figure 22. BWIC Volume Distribution by Currency, 5 Apr – 11 Apr 2013 (%)



Source: Citi Research

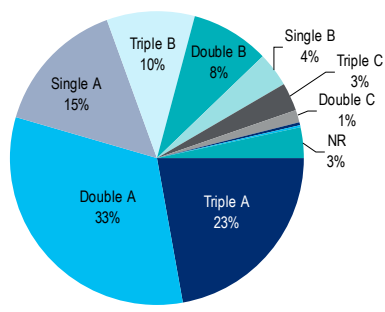
YTD BWIC Distribution by Sector, Rating and Currency

Figure 23. BWIC Volume Distribution by Sector, 2013YTD (%)



Source: Citi Research

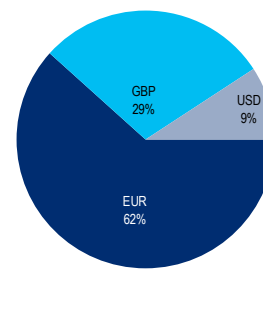
Figure 24. BWIC Volume Distribution by Current Rating*, 2013YTD (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

Figure 25. BWIC Volume Distribution by Currency, 2013YTD (%)



Source: Citi Research

Figure 26. BWIC Volume and Number of Bonds by Sector and Current Rating*, 5 Apr–11 Apr 2013 and 2013 YTD

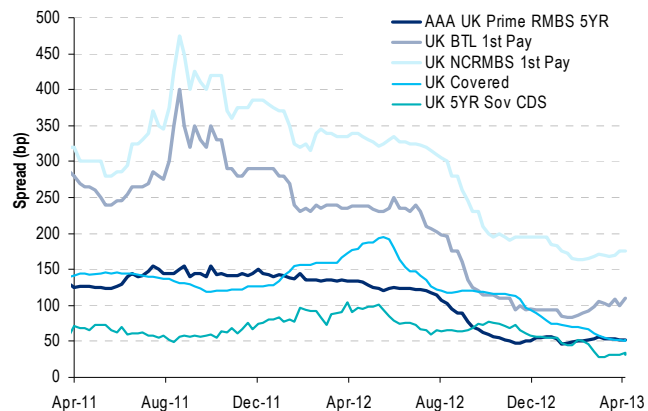
Sector	Rating*	Week Ending 11-Apr-13		YTD	
		Volume (MM USD EQ)	Number of Bonds	Volume (MM USD EQ)	Number of Bonds
UK Prime RMBS	Triple A	27.8	10	620.7	142
	Double A	-	2	316.7	121
	Single A	-	-	25.9	3
	Lower and Not Rated	22.8	-	28.0	7
	Total	50.6	12	991.3	273
UK Non Prime RMBS	Triple A	-	-	160.3	20
	Double A	-	-	924.1	103
	Single A	-	1	254.4	23
	Lower and Not Rated	15.6	5	344.1	78
	Total	15.6	6	1682.9	224
Dutch RMBS	Triple A	21.3	8	133.5	59
	Double A	13.3	1	18.0	2
	Single A	-	-	4.7	3
	Lower and Not Rated	9.2	1	43.2	9
	Total	43.8	10	199.5	73
Peripheral RMBS	Double A	1.7	2	243.3	25
	Single A	20.6	3	395.7	60
	Triple B	14.1	5	166.6	48
	Double B	0.4	1	106.3	18
	Single B	1.3	2	33.3	12
	Triple C	8.0	1	39.4	14
	Lower and Not Rated	6.6	3	126.2	51
	Total	52.7	17	1110.9	228
CMBS	Triple A	2.5	1	43.0	2
	Double A	5.1	2	465.7	36
	Single A	4.1	2	295.1	52
	Lower and Not Rated	56.7	7	985.7	142
	Total	68.4	12	1789.5	232
Consumer ABS	Triple A	17.6	4	374.8	100
	Double A	0.9	1	187.0	20
	Single A	-	-	19.4	6
	Lower and Not Rated	-	-	38.8	23
	Total	18.4	5	620.0	149
SME	Double A	-	-	4.8	1
	Single A	-	-	18.8	10
	Triple B	9.6	1	16.8	7
	Double B	-	-	26.4	18
	Single B	-	-	24.7	8
	Lower and Not Rated	0.3	1	34.2	23
	Total	9.9	2	125.7	67
Other	Triple A	-	-	180.2	43
	Double A	-	-	18.9	7
	Single A	-	-	17.0	5
	Triple B	-	-	19.1	3
	Double B	-	-	11.3	3
	Single B	-	-	5.7	1
	Triple C	-	-	4.0	2
	Lower and Not Rated	6.3	1	19.7	5
	Total	6.3	1	275.8	69
Grand Total		265.7	65	6795.6	1315

* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

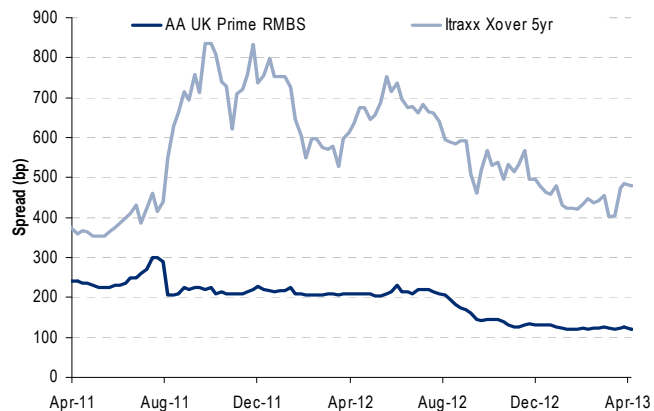
Relative Value Charts

Figure 27. UK RMBS Seniors Versus Indexes, Apr 11 – Apr 13



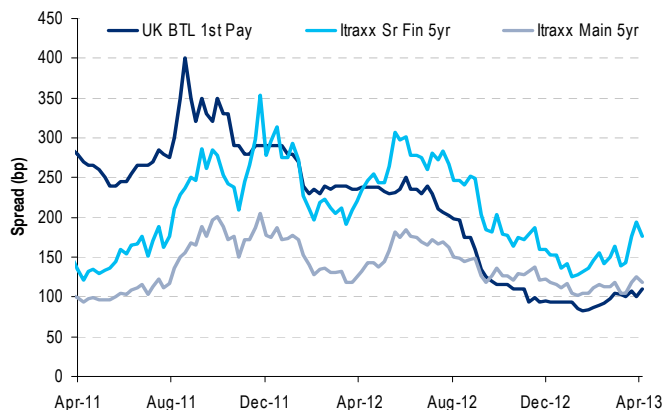
Source: Markit and Citi Research

Figure 28. UK Prime RMBS Subordinates Versus Index, Apr 11 – Apr 13



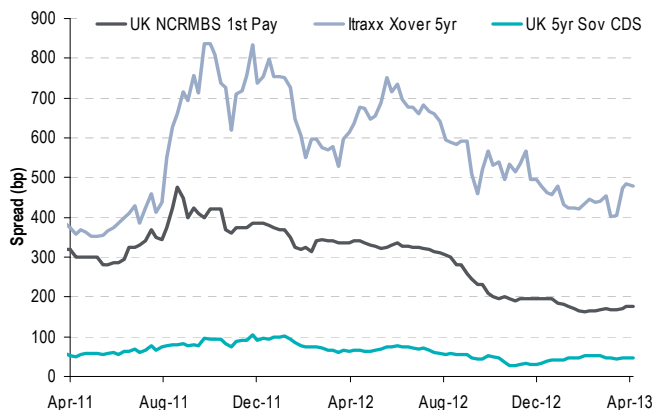
Source: Markit and Citi Research

Figure 29. UK BTL RMBS Seniors Versus Indexes, Apr 11 – Apr 13



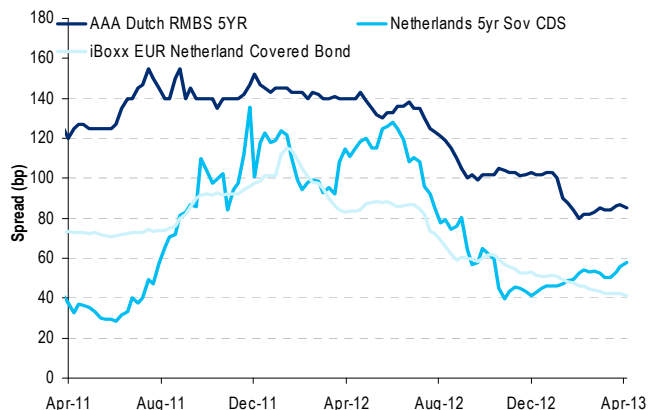
Source: Markit and Citi Research

Figure 30. UK NCRMBS Seniors Versus Indexes, Apr 11 – Apr 13



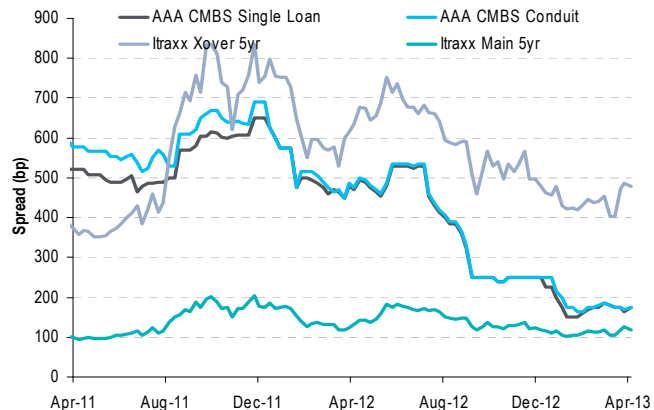
Source: Markit and Citi Research

Figure 31. Dutch RMBS Seniors Versus Indexes, Apr 11 – Apr 13



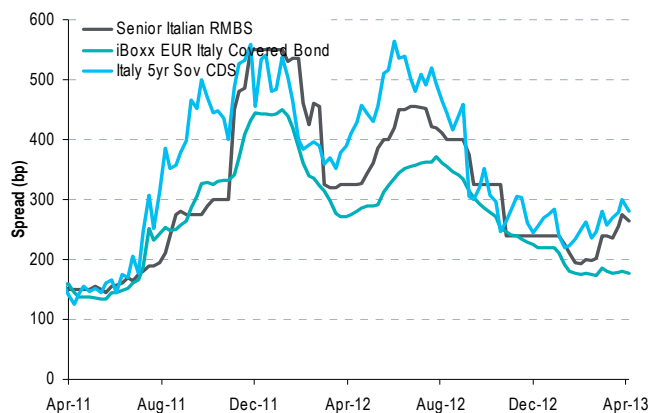
Source: Markit and Citi Research

Figure 32. CMBS Senior Spreads Versus Indexes, Apr 11 – Apr 13



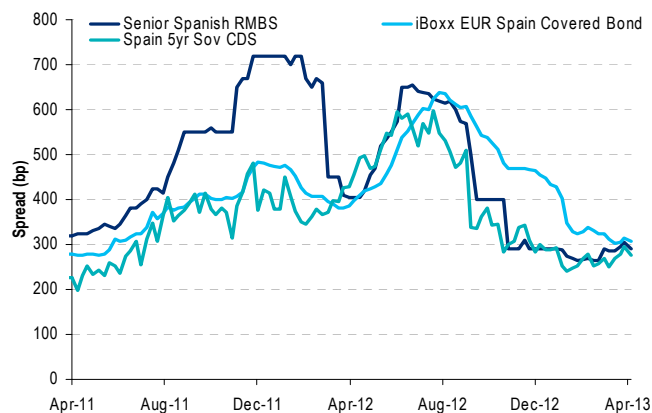
Source: Markit and Citi Research

Figure 33. Italian RMBS Seniors Versus Indexes, Apr 11 – Apr 13



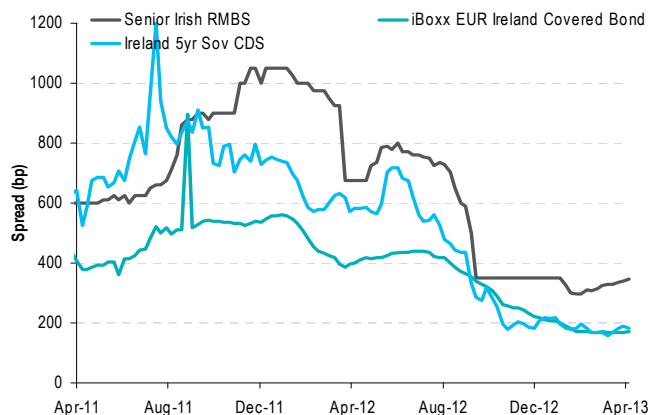
Source: Markit and Citi Research

Figure 34. Spanish RMBS Seniors Versus Indexes, Apr 11 – Apr 13



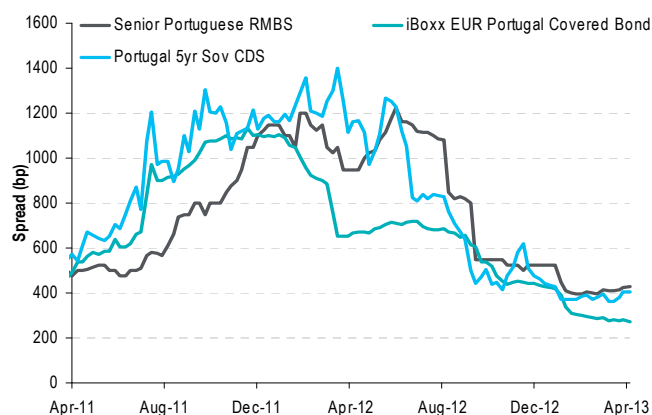
Source: Markit and Citi Research

Figure 35. Irish RMBS Seniors Versus Indexes, Apr 11 – Apr 13



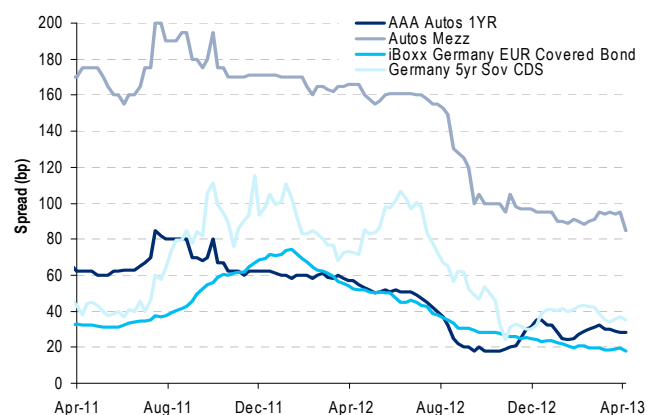
Source: Markit and Citi Research

Figure 36. Portuguese RMBS Seniors Versus Indexes, Apr 11 – Apr 13



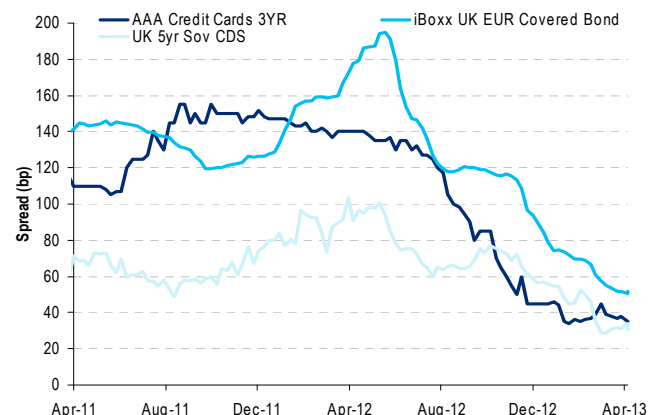
Source: Markit and Citi Research

Figure 37. Auto ABS Spreads Versus Indexes, Apr 11 – Apr 13



Source: Markit and Citi Research

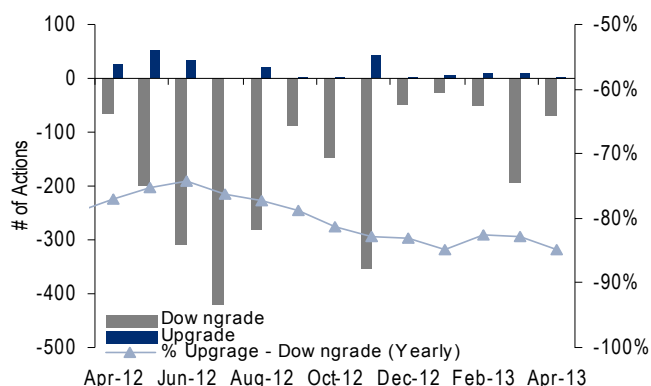
Figure 38. Credit Card ABS Spreads Versus Indexes, Apr 11 – Apr 13



Source: Markit and Citi Research

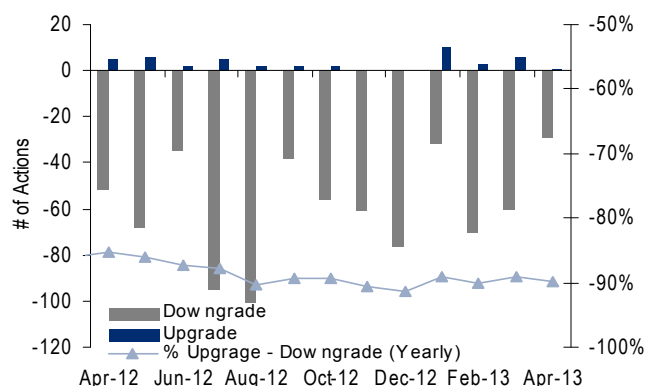
Rating Actions and Trends

Figure 39. European RMBS Rating Upgrades and Downgrades, Apr 12 – Apr 13



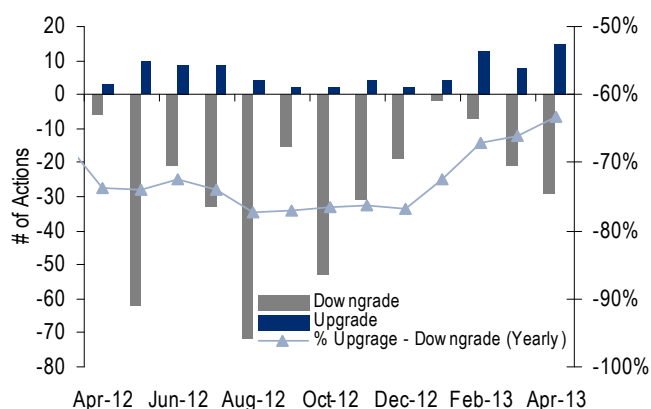
Source: Moody's, S&P and Fitch

Figure 40. European CMBS Rating Upgrades and Downgrades, Apr 12 – Apr 13



Source: Moody's, S&P and Fitch

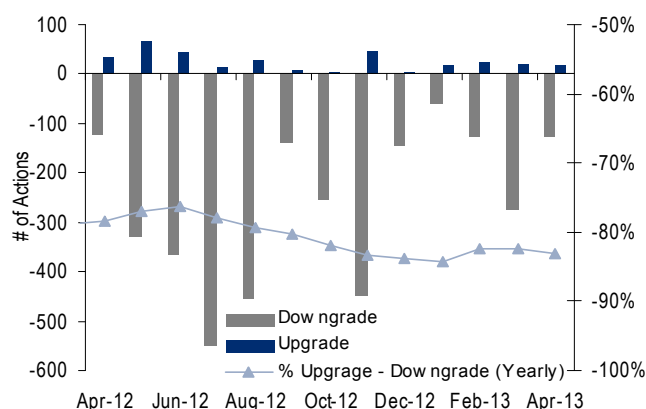
Figure 41. European ABS* Rating Upgrades and Downgrades, Apr 12 – Apr 13



* ABS includes – European Lease ABS, European Consumer ABS, SME ABS, Auto ABS, UK Credit Card ABS, NPL ABS, European CLO

Source: Moody's, S&P and Fitch

Figure 42. European Total Securitized Products Rating Upgrades and Downgrades, Apr 12 – Apr 13



Source: Moody's, S&P and Fitch

In this report we recommend the ABS security GRANM. The creators of GRANM are Northern Rock Plc.

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In this report we recommend the ABS security LEEK. The creators of LEEK are Britannia.

In this report we recommend the ABS security FLEX. The creators of FLEX are Mortgage Trust.

Appendix A-1

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