

European Securitized Products Weekly

Stay in Front to Catch the Rally

- **Lag in ABS Rally Suggests Possible Upside** — Liquid credit index markets, initially spooked by early QE taper fears, have reacted well to soothing commentary from the Fed and forward guidance from the ECB and the BoE, but most European ABS markets are still at year-to-date wide levels and have room to recover.
- **Overweight Short-duration Assets in Light of Uncertainty** — The threat of 'gappy' markets due to low trading volumes, illiquidity during summer holidays, and possibility of further peripheral headlines boost the appeal of short-duration longs to benefit from a future spread rally.
- **Granite Bonds our Top Choice** — At EURIBOR + 125bp for 2YR risk, Granite bonds are near their year-to-date wides and offer upside opportunities if UK policy initiatives to boost homeownership accelerate pool prepayments.
- **Short-dated Euro CLO Seniors Look Attractive** — Amortizing CLO 1.0 seniors with 1-2YR WAL are trading at 120-150bp and are cheap to other core similar WAL securitized assets such as autos, credit card ABS, and UK prime.
- **Auto ABS Offers Abundant Short-dated Opportunities** — Mezzanine auto ABS from top-tier originators offer spreads around 75bp but those who want to sacrifice originator-tiering for seniority can also benefit from the recent widening by picking up slightly shorter first-pay bonds from less established originators in the primary market.

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

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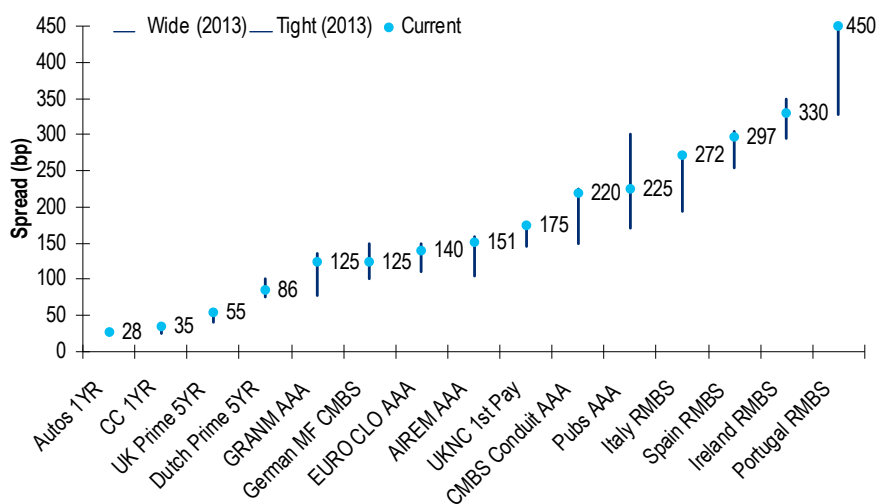
Relative Value in Choppy Markets

The liquid markets such as credit indices have reacted well to the soothing statements from central banks on both sides of the Atlantic in the last two weeks. The structured finance markets have not rallied much, which implies that, in theory, there could be some upside from current levels. While that is our base case, the gyrations in the index markets make us wary of being long duration risk.

On the policy side, statements are quite supportive. Bernanke's comments this week on the need for highly accommodative monetary policy in the US for the foreseeable future complement similar statements in Europe. There was forward guidance from both the ECB and the Bank of England that calmed markets which had become increasingly worried, after Bernanke's testimony to Congress in late May, about the impact of a tapering of the Fed's QE program. The assurances by the European central banks last week that rates are likely to stay low for an extended period have definitely helped in lifting the mood and any further non-standard measures by the ECB could lead to another credit rally. In the index markets, iTraxx Main and Crossover spreads have already tightened roughly 17% from their wide levels in June.

ABS markets have lagged such a substantial rally. Most securitized sectors are still trading close to their year-to-date wide levels and many offer good value at current prices plus room for upside (see Figure 1). Therefore we believe that now is not the time to leave money in cash, but nor would we take large price risk by investing in long duration assets. Liquidity is low (explaining some of the stickiness and lack of transparency in pricing) and may even decline as August holidays approach, potentially leading to 'gappy' markets. Moreover any concrete support by the central banks (such as another LTRO or SME ABS revival plan) may only happen after the markets have taken another beating. Overall, we think that investing in short-duration core securitized products is a sensible strategy to position for the uncertainties ahead.

Figure 1. Current Senior Securitized Spreads Compared to 2013 Widest and Tightest Levels, 2013YTD (bp)

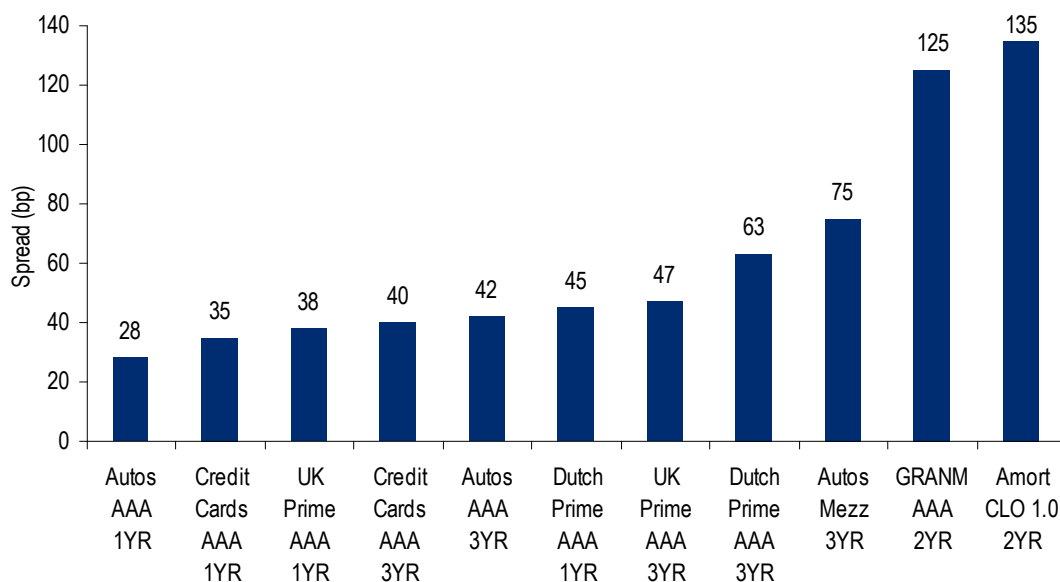


Source: Citi Research

Short Duration Opportunities

- **Granite Top Pick.** At EURIBOR +125bp, Granite senior bonds (2YR WAL) are trading close to their year-to-date wide levels and pick up roughly 82bp to similar maturity UK prime RMBS (see Figure 2). Granite senior notes are amortizing rapidly after the non-asset trigger breach because the seller share is locked out of receiving principal payments. Moreover, Granite notes offer good upside potential from uptick in prepayments if the UK government's "Help-to-Buy" scheme is successful.
- **Short-dated Mezz Auto Attractive.** Mezzanine auto ABS notes from top tier German captive originators offer attractive spreads of EURIBOR +75bp for relatively short 2–3YR WAL. The functioning auto ABS primary market provides abundant opportunities for investors to add such an exposure.
- **Value in Amortizing Euro CLOs.** Amortizing short-dated Euro CLOs (less than 2YR WAL) offer EURIBOR +120–150bp, which is significantly higher than spreads on other short-duration assets like autos and credit card ABS and UK prime RMBS. Although corporate default rates are ticking up in Europe, many CLO seniors have substantial enhancement to withstand high defaults.

Figure 2. Spread Comparison of Select Short Duration (<3YR WAL) Core Securitized Sectors, as of 5 Jul 2013 (bp)



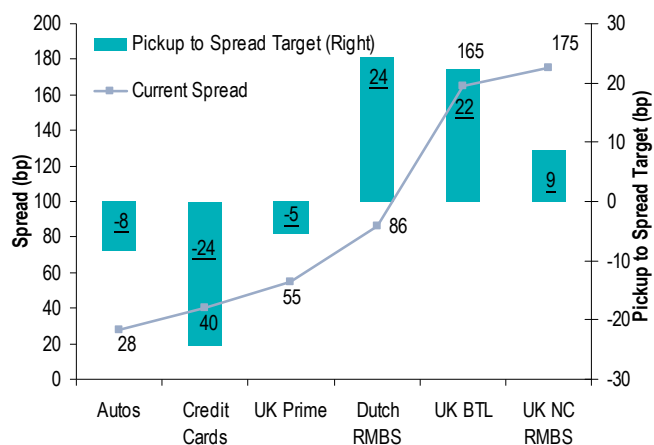
Source: Citi Research

Pickups to Historical Averages

We compare current spreads across various securitized sectors to their 10YR averages discarding the period of extreme stress (Sep 2007 – Sep 2008) that followed the US subprime crisis. We believe such a comparison enables investors to gauge which sectors are relatively cheap or expensive to long term historical averages. We find that peripheral RMBS sectors remain attractive at EURIBOR +272–450bp, offering pick ups of 77–198bp to long term averages. Dutch RMBS, UK BTL, and non-conforming RMBS are the only core securitized sectors cheap to historical averages where as UK prime, autos, and credit cards trade at tighter spreads than their historical averages.

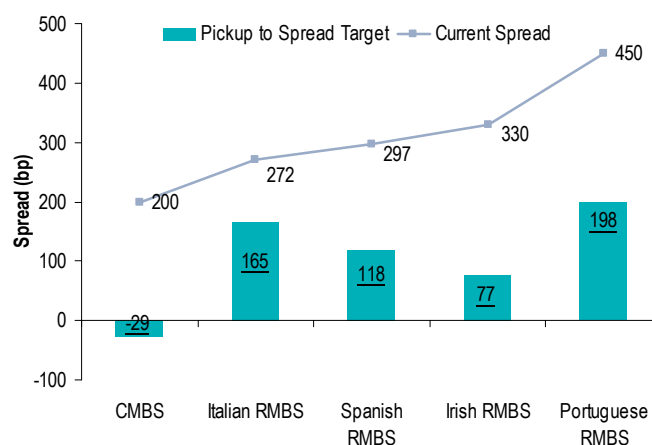
- **UK BTL Cheap.** The UK BTL sector at LIBOR +165bp picks up 22bp to our long-term spread target. Low interest rates and high rents ameliorate the risk of default in the short term and increasing house prices in London and the South East should further support the BTL sector.
- **Opportunity in UK NC RMBS.** At LIBOR +175bp, UK NC RMBS picks up 9bp to historical averages. UK NC RMBS senior bonds have appreciable credit enhancement and most are rated triple-A by at least one rating agency. The UK government's help-to-buy scheme is expected to increase the availability of high LTV mortgages and may lead to increasing prepayments in non-conforming pools, providing good optionality for UK non-conforming bonds.
- **UK Prime Fairly Valued.** We find UK prime RMBS fairly valued at LIBOR +55bp, which is only 5bp tighter to our long term spread targets (Figure 3). The lack of primary supply due to the Bank of England's ongoing Funding for Lending Scheme provides strong technicals and should support UK prime spreads going forward.
- **Peripheral RMBS Pickup to Targets.** Italian, Spanish, Irish, and Portuguese RMBS trade 165bp, 118bp, 77bp, and 198bp wide respectively to historical averages (Figure 4). Recent political turmoil has adversely impacted Portuguese RMBS spreads causing them to widen 105bp in the past four weeks.

Figure 3. Core Sectors Spread Pickup to Spread Targets, as of 5 July 2013 (bp)



Source: Citi Research

Figure 4. CMBS and Peripheral Sectors Spread Pickup to Spread Targets, as of 5 July 2013 (bp)



Source: Citi Research

Summary of Recommendations

We outline our recommendations below in Figure 5.

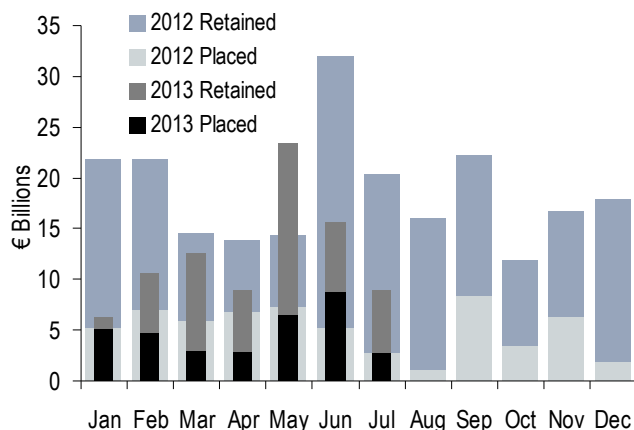
Figure 5. European Securitized Products Sector Recommendations

Category	Sector	Senior	Subordinate	Comments
Top Calls				
	Spanish RMBS	Overweight	Marketweight	Further house price drop likely but low levered mortgages and robust structures benefit senior notes
	UK Credit Cards	Overweight	Overweight	Short WAL, attractive pickup to comparable US credit cards with equivalent credit performance
	Autos	Overweight	Overweight	Short duration, high quality. Very few comparable short and high quality credit alternatives to this sector
Core				
	UK Prime RMBS	Marketweight	Marketweight	Spreads likely to remain range bound
	UK BTL RMBS	Marketweight	Marketweight	Although fundamentals are strong with rising rents, long duration makes it vulnerable to overall softening
	Italian RMBS	Marketweight	Marketweight	Although relatively low LTVs are positive, falling house prices and rising unemployment concern us
	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
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 SME ABS	Overweight	Marketweight	High subordination and low duration for seniors; rapid amortization to benefit mezz
Other				
	Euro CLO	Marketweight	Marketweight	Seniors protected, liquidity will improve with new-issue technicals; mezz prone to portfolio deterioration
	CMBS	Marketweight	Underweight	Seniors are protected but a large maturity pipeline in 2013 and beyond to impact recoveries

Source: Citi Research

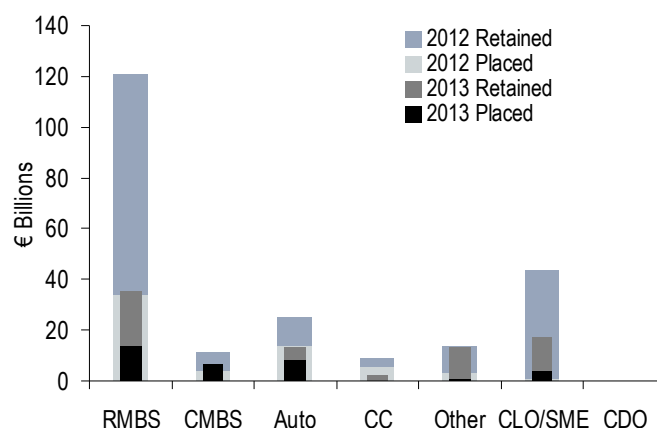
New Issuance

Figure 6. Placed and Retained Issuance by Month, 2012–2013YTD (€ billions)



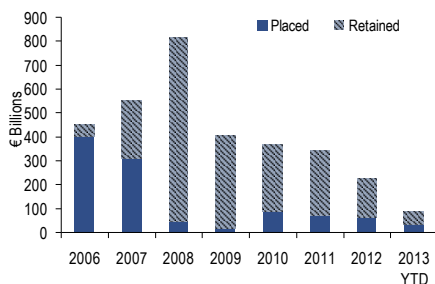
Source: Concept ABS, IFR, Informa and Citi Research

Figure 7. Placed and Retained Issuance by Sector, 2012–2013YTD (€ billions)



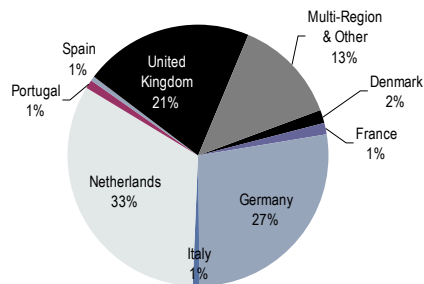
Source: Concept ABS, IFR, Informa and Citi Research

Figure 8. Annual Historical Placed and Retained Issuance, 2006–2013YTD (€ billions)



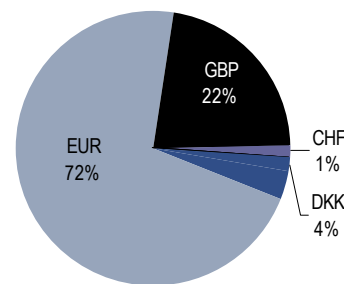
Source: Concept ABS, IFR, Informa and Citi Research

Figure 9. Placed Issuance by Region, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 10. Placed Issuance by Currency, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 11. 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	14,087	33,928	6,314	3,936	8,525	13,921	164	5,591	4,056	990	803	3,459	33,948	61,825
Retained	21,492	87,137	143	7,460	4,811	11,364	2,076	3,067	13,319	42,879	12,654	10,145	54,494	162,052
Total	35,579	121,065	6,456	11,395	13,335	25,285	2,240	8,658	17,374	43,869	13,457	13,604	88,442	223,877

* 2012 complete year

Source: Concept ABS, IFR, Informa and Citi Research

Figure 12. Recent Placed Issuance, 7 Jun — 11 Jul 2013

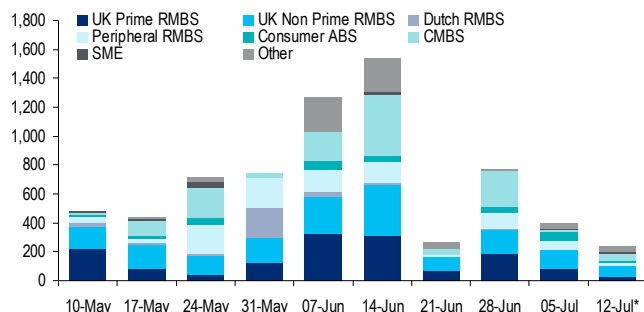
Deal Name	BBG	Originator	Transaction Type	Tranche	Currency	Size(MM)	Fitch/Moodys/S&P/DBRS	WAL	Index	Margin	CE	Closing Date
Orange 2013-10 BV	LionORANL RMBS2013-10	ING	RMBS - Prime Netherlands	A	EUR	1866.916	AAA/ Aaa/-/-		3mE	150bp	9.15%	3-Jul
				B	EUR	57.538	AA+/ Aa1/-/-		3mE	281bp	6.35%	
				C	EUR	46.236	A+/ Aa3/-/-		3mE	425bp	4.10%	
				D	EUR	40.071	BBB+/ Baa1/-/-		3mE	625bp	2.15%	
				E	EUR	33.907	BB+/ Ba2/-/-		3mE	850bp	0.50%	
				F	EUR	10.275	NR/ NR/-/-		3mE	VAR	0.00%	
Albion No.2 plc	ALBIN 2	Leeds Building Society	RMBS - Prime UK	A	GBP	300	AAA/ Aaa/-/-	3.12YR	3mL	85bp	11.00%	3-Jul
				Z VFN	GBP	26.1	NR/ NR/-/-	N/A	3mL	N/A	0.00%	
Alba 2013-1 Plc	ALBA 2013-1	Edus, Paratus, Amber, Kensington	RMBS - Non A Conforming UK		GBP	200.2	-/-/AAA-	3.5YR	1mL	165bp	34.55%	19-Jun
Debussy plc	DTC-	Toys R Us Properties (UK)	CMBS - Single Usage Collateral UK	A	GBP	184.2	-/-/A-	7YR	Fixed cpn = 5.95%			14-Jun
				B	GBP	52.6	-/-/NR/-	7YR	Fixed cpn = 8.25%			
				C	GBP	23.32	-/-/NR/-	7YR	Fixed cpn = 10.25%			
Phedina Hypotheken 2013-I BV	PHEHY 2013-1	BNP Paribas	RMBS - Prime Netherlands	A1	EUR	175	AAA/-/ AAA/-	1.92YR	3mE	30bp	7.00%	13-Jun
				A2	EUR	765	AAA/-/ AAA/-	4.96YR	3mE	85bp	7.00%	
				B	EUR	25	AA/-/ A+/-	5YR	3mE		4.50%	
				C	EUR	20	BBB/-/ A/-	5YR	3mE		2.50%	
				D	EUR	15	NR/-/ NR/-	5YR	3mE		1.00%	
German Residential Funding 2013-1 Ltd	GRF 2013-1	Gagfah	CMBS - Single Usage Collateral Germany	A	EUR	1244.4	AAA/-/AAA	5.2YR	3mE	115bp		13-Jun
				B	EUR	239.8	AA/-/AA	5.2YR	3mE	160bp		
				C	EUR	137	A/-/A	5.2YR	3mE	210bp		
				D	EUR	274.1	BBB/-/BBB	5.2YR	3mE	350bp		
				E	EUR	102.8	BBB/-/BBB (lo)	5.2YR	3mE	415bp		
				F	EUR	105.2	NR/-/NR	5.2YR	N/A	N/A		
Lanark Issuer Series 2013-1	MasterLAN 2013-1	Clydesdale Bank	RMBS - Prime UK	1A1	USD	300m	AAA/ Aaa/ AAA/-	2.92YR	3m\$L	50 bps	17.30%	7-Jun
				1A2	GBP	350m	AAA/ Aaa/ AAA/-	2.92YR	3mL	45 bps	17.30%	

Source: Concept ABS, IFR, Informa and Citi Research

BWIC Tracker

Weekly and Monthly BWIC Volume

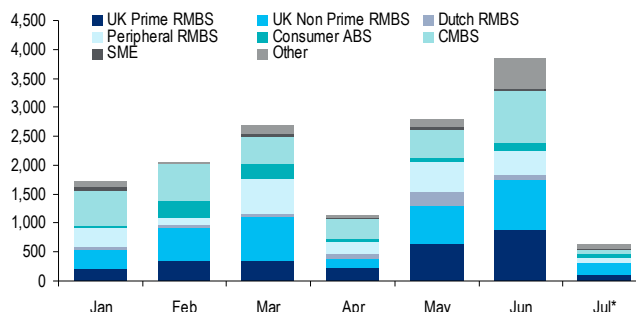
Figure 13. Weekly BWIC Volume by Sector, May 13–Jul 13 (\$ eq. million)



* Data until 12 Jul Morning

Source: Citi Research

Figure 14. Monthly BWIC Volume by Sector, 2013YTD (\$ eq. million)

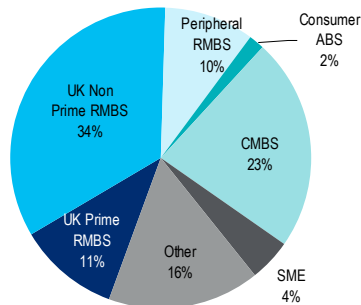


* Data until 12 Jul Morning

Source: Citi Research

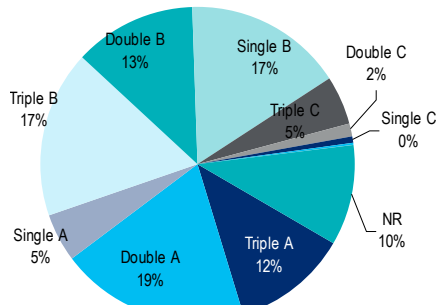
Last Week's BWIC Distribution by Sector, Rating and Currency

Figure 15. BWIC Volume Distribution by Sector, 5 Jul – 12 Jul 2013 (%)



Source: Citi Research

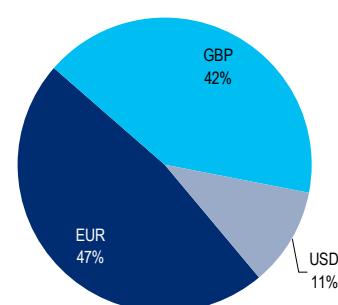
Figure 16. BWIC Volume Distribution by Current Rating*, 5 Jul – 12 Jul 2013 (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

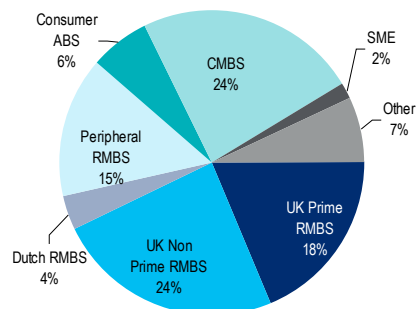
Figure 17. BWIC Volume Distribution by Currency, 5 Jul – 12 Jul 2013 (%)



Source: Citi Research

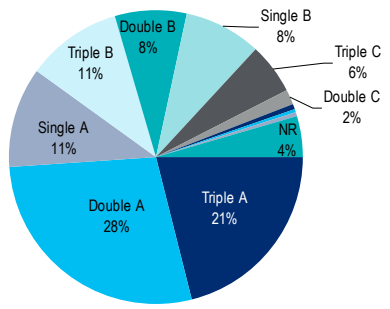
YTD BWIC Distribution by Sector, Rating and Currency

Figure 18. BWIC Volume Distribution by Sector, 2013YTD (%)



Source: Citi Research

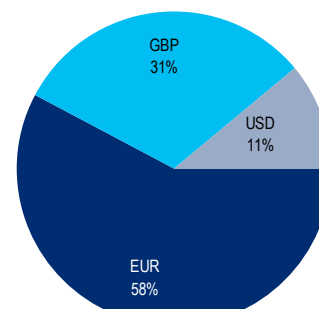
Figure 19. BWIC Volume Distribution by Current Rating*, 2013YTD (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

Figure 20. BWIC Volume Distribution by Currency, 2013YTD (%)



Source: Citi Research

Figure 21. BWIC Volume and Number of Bonds by Sector and Current Rating*, 5 Jul – 12 Jul 2013 and 2013 YTD

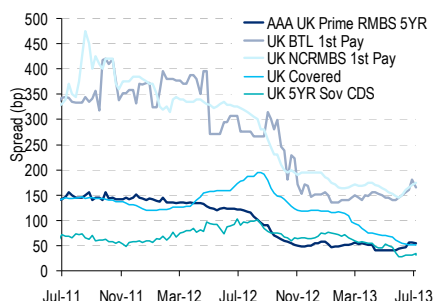
Sector	Rating*	5 Jul – 12 Jul		YTD	
		Volume (MM USD EQ)	Number of Bonds	Volume (MM USD EQ)	Number of Bonds
UK Prime RMBS	Triple A	-	-	1,333.6	236
	Double A	21.3	3	1,131.0	264
	Single A	-	-	64.3	7
	Lower and Not Rated	4.8	1	224.1	44
	Total	26.1	4	2,753.1	551
UK Non Prime RMBS	Triple A	7.1	1	265.7	37
	Double A	18.4	4	1,590.8	246
	Single A	12.3	6	577.4	87
	Lower and Not Rated	43.6	9	1,169.9	235
	Total	81.3	20	3,603.9	605
Dutch RMBS	Triple A	-	-	343.0	82
	Double A	-	-	56.2	6
	Single A	-	-	33.1	12
	Lower and Not Rated	-	-	98.8	27
	Total	-	-	531.1	127
Peripheral RMBS	Double A	-	-	651.0	46
	Single A	-	-	413.0	83
	Triple B	5.3	1	479.2	93
	Double B	-	-	188.2	40
	Single B	1.3	1	124.3	40
	Triple C	4.4	3	165.1	43
	Lower and Not Rated	12.7	5	245.4	99
	Total	23.6	10	2,266.1	444
CMBS	Triple A	-	-	49.6	3
	Double A	-	-	425.6	45
	Single A	-	-	388.7	72
	Lower and Not Rated	54.4	11	2,642.2	462
	Total	54.4	11	3,506.2	582
Consumer ABS	Triple A	-	-	594.7	151
	Double A	-	-	192.6	25
	Single A	-	-	40.1	16
	Lower and Not Rated	3.7	2	121.3	58
	Total	3.7	2	948.7	250
SME	Double A	-	-	4.8	2
	Single A	-	-	67.1	25
	Triple B	0.3	1	21.0	15
	Double B	6.9	1	31.5	18
	Single B	0.5	1	39.7	18
	Lower and Not Rated	3.0	3	63.3	39
	Total	10.7	6	227.4	117
Other	Triple A	21.3	3	549.7	104
	Double A	6.6	1	98.7	23
	Single A	-	-	45.9	9
	Triple B	-	-	68.7	13
	Double B	-	-	89.7	14
	Single B	-	-	56.6	10
	Triple C	-	-	88.3	9
	Lower and Not Rated	11.2	2	55.1	16
	Total	39.2	6	1,052.6	198
Grand Total		239.1	59	14,889.2	2,874

* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

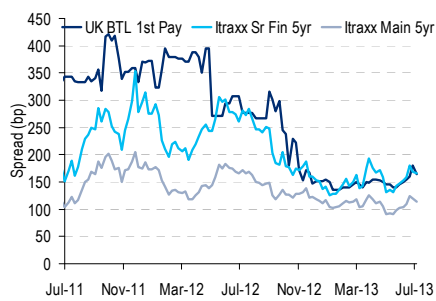
Core RMBS Spreads and Relative Value

Figure 22. UK RMBS Seniors Versus Indexes, Jul 11 – Jul 13



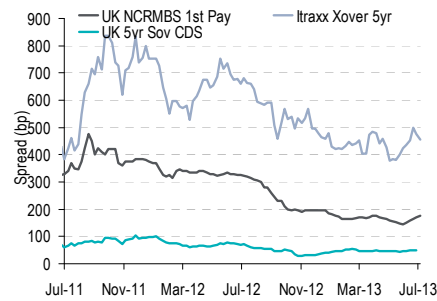
Source: Markit and Citi Research

Figure 23. UK BTL RMBS Seniors Versus Indexes, Jul 11 – Jul 13



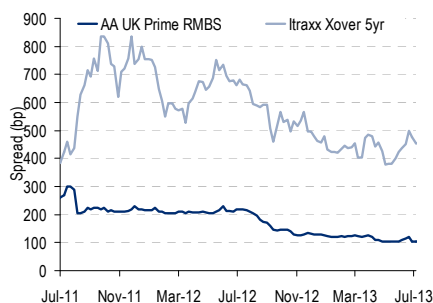
Source: Markit and Citi Research

Figure 24. UK NCRMBS Seniors Versus Indexes, Jul 11 – Jul 13



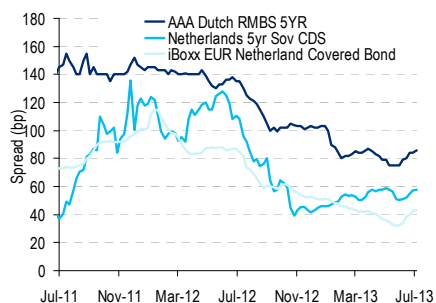
Source: Markit and Citi Research

Figure 25. UK Prime RMBS Subordinates Versus Index, Jul 11 – Jul 13



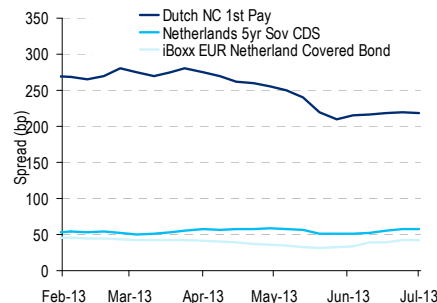
Source: Markit and Citi Research

Figure 26. Dutch RMBS Seniors Versus Indexes, Jul 11 – Jul 13



Source: Markit and Citi Research

Figure 27. Dutch NC 1st Pay Versus Indexes, Feb 13 – Jul 13



Source: Markit and Citi Research

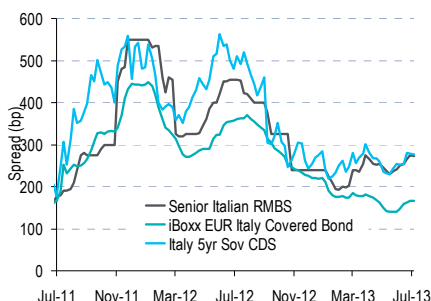
Figure 28. UK Prime, UK NC, UK BTL, Dutch Prime and Dutch NC Spread Changes and Statistics, 2013YTD

Country	Product	Product Detail	Current	Δ1-week	Δ1-month	Δ 1-quarter	Δ1-year	2013 Low	Δ From Low	2013 High	Δ From High
UK	Prime RMBS	AAA 1YR	38	1	13	9	-	23	15	38	0
		AAA 3YR	47	1	13	12	-	32	15	47	0
		AAA 5YR	55	-1	10	14	-67	40	15	56	-1
		Mezz	105	0	-5	-5	-115	105	0	125	-20
	Buy to Let	PARGN 1st Pay	165	-15	15	10	-111	135	30	180	-15
		PARGN 2nd Pay	255	-20	5	-5	-	230	25	275	-20
		PARGN 3rd Pay	350	-25	5	-20	-	325	25	375	-25
		AIREM AAA	151	-9	16	13	-	104	47	160	-9
		AIREM AA	245	-5	25	16	-	189	56	250	-5
		AIREM BBB	335	25	30	25	-	293	42	336	-1
Netherlands	Non Conforming RMBS	NC 1st Pay	175	5	25	5	-148	145	30	183	-8
		NC 2nd Pay	270	-5	35	20	-	220	50	315	-45
	Covered Bonds	iBoxx EUR UK	37	1	9	2	-76	24	12	50	-13
		Sovereign CDS	50	0	4	5	-22	42	8	53	-3
	Prime RMBS	AAA 1YR	45	2	6	5	-	33	12	45	0
		AAA 3YR	63	2	8	-5	-	54	9	76	-13
		AAA 5YR	86	2	7	3	-49	75	11	100	-14
		Mezz	185	-15	-10	0	-	160	25	200	-15
	Non Conforming	NC 1st Pay	218	-2	3	-52	-	210	8	320	-102
		NC 2nd Pay	278	-2	8	-32	-	265	13	365	-87
		NC 3rd Pay	498	-2	13	-52	-	475	23	675	-177
	Covered Bonds	iBoxx EUR Netherland	28	-1	1	0	-19	24	4	32	-4
		Sovereign CDS	42	-1	1	0	-	38	4	45	-3

Source: Markit and Citi Research

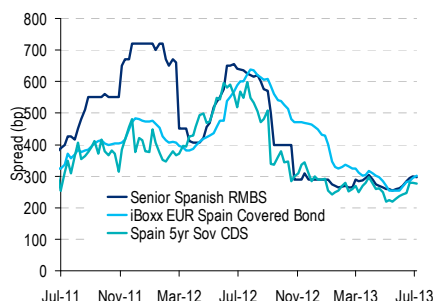
Peripheral RMBS and Relative Value

Figure 29. Italian RMBS Seniors Versus Indexes, Jul 11 – Jul 13



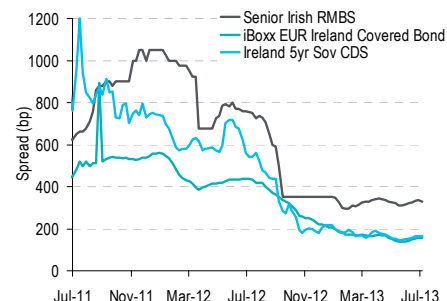
Source: Markit and Citi Research

Figure 30. Spanish RMBS Seniors Versus Indexes, Jul 11 – Jul 13



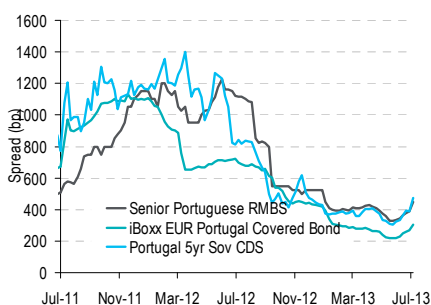
Source: Markit and Citi Research

Figure 31. Irish RMBS Seniors Versus Indexes, Jul 11 – Jul 13



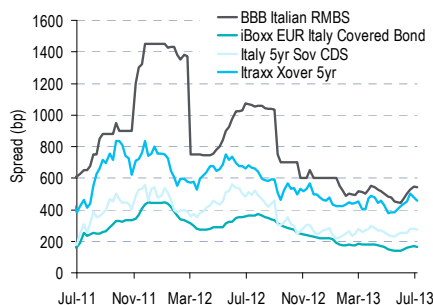
Source: Markit and Citi Research

Figure 32. Portuguese RMBS Seniors Versus Indexes, Jul 11 – Jul 13



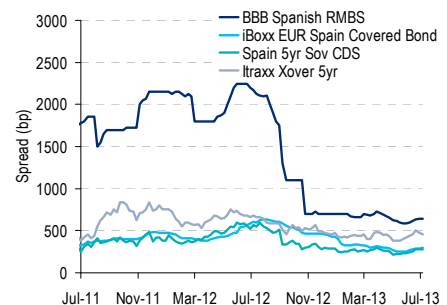
Source: Markit and Citi Research

Figure 33. Italian RMBS Subordinates Versus Indexes, Jul 11 – Jul 13



Source: Markit and Citi Research

Figure 34. Spanish RMBS Subordinates Versus Indexes, Jul 11 – Jul 13



Source: Markit and Citi Research

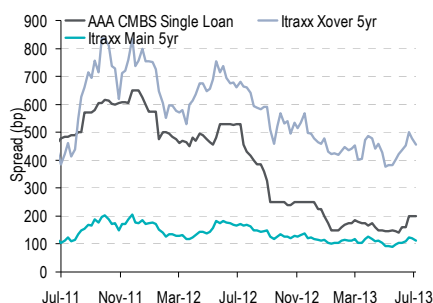
Figure 35. Peripheral RMBS Spread Changes and Statistics, 2013YTD

Country	Product	Product Detail	Current	Δ1-week	Δ1-month	Δ 1-quarter	Δ1-year	2013 Low	Δ from Low	2013 High	Δ from High
Italy	RMBS	AAA Italy	272	-3	22	17	-182	193	79	275	-3
		AA Italy	322	-3	34	27	-	255	67	325	-3
		A Italy	407	-3	57	22	-	323	84	440	-33
		BBB Italy	542	-3	72	17	-528	444	98	600	-58
	Covered Bonds	iBoxx EUR Italy	166	-1	18	-8	-195	140	26	211	-46
	Sovereign CDS	Italy Sovereign 5YR	276	-3	24	9	-234	219	56	300	-25
Spain	RMBS	AAA Spain	297	-3	27	22	-341	255	42	305	-8
		AA Spain	398	-2	23	8	-	340	58	400	-2
		A Spain	560	-5	40	-15	-	505	55	690	-130
		BBB Spain	640	-5	40	-50	-1535	585	55	725	-85
	Covered Bonds	iBoxx EUR Spain	302	9	36	1	-300	253	48	401	-100
	Sovereign CDS	Spain Sovereign 5YR	275	-4	35	15	-294	218	57	296	-20
Portugal	RMBS	AAA Portugal	450	60	105	30	-665	328	122	450	0
		AA Portugal	525	50	82	25	-	428	97	595	-70
		A Portugal	640	45	110	40	-	512	128	740	-100
		BBB Portugal	720	45	105	15	-	594	126	840	-120
	Covered Bonds	iBoxx EUR Portugal	305	39	78	40	-390	218	88	392	-86
	Sovereign CDS	Portugal Sovereign 5YR	472	81	135	65	-369	304	168	472	0
Ireland	RMBS	AAA Ireland	330	-5	10	-10	-425	295	35	349	-19
		AA Ireland	595	-5	25	40	-	440	155	600	-5
		A Ireland	745	-5	30	35	-	575	170	750	-5
		BBB Ireland	990	-10	30	15	-	750	240	1000	-10
	Covered Bonds	iBoxx EUR Ireland	156	1	15	-13	-281	136	20	200	-43
	Sovereign CDS	Ireland Sovereign 5YR	163	-2	10	-12	-377	144	19	197	-34

Source: Markit and Citi Research

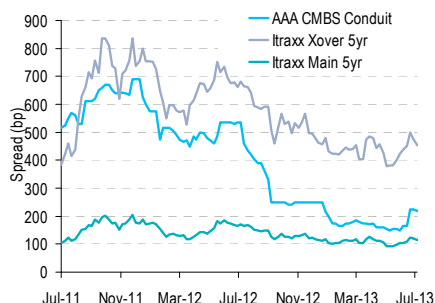
CMBS and CLO Spreads and Relative Value

Figure 36. AAA CMBS Single Loan Versus Indexes, Jul 11 – Jul 13



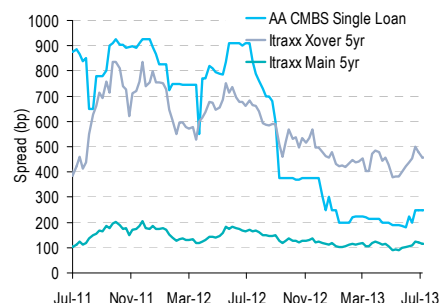
Source: Markit and Citi Research

Figure 37. AAA CMBS Conduit Versus Indexes, Jul 11 – Jul 13



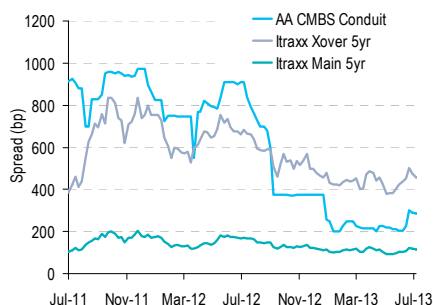
Source: Markit and Citi Research

Figure 38. AA CMBS Single Loan Versus Indexes, Jul 11 – Jul 13



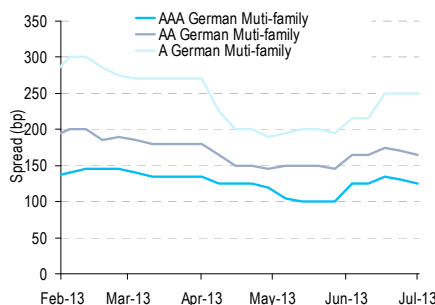
Source: Markit and Citi Research

Figure 39. AA CMBS Conduit Versus Indexes, Jul 11 – Jul 13



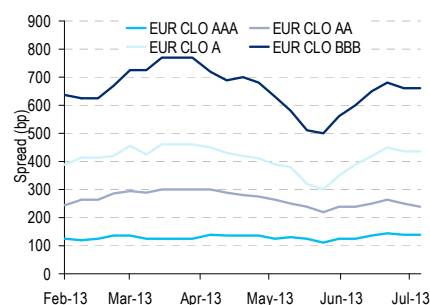
Source: Markit and Citi Research

Figure 40. German Multifamily Spreads, Feb 13 – Jul 13



Source: Citi Research

Figure 41. EUR CLO Spreads, Feb 13 – Jul 13



Source: Citi Research

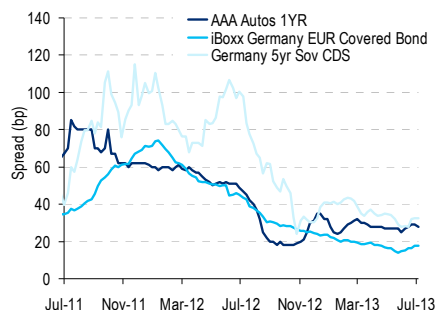
Figure 42. CMBS, WBS and CLO Spread Changes and Statistics, 2013YTD

Country	Product	Product Detail	Current	Δ1-week	Δ1-month	Δ 1-quarter	Δ1-year	2013 Low	Δ from Low	2013 High	Δ from High
Europe	CMBS	AAA German Multi	125	-5	0	0	-	100	25	150	-25
		AAA Single Loan	200	0	40	40	-330	140	60	200	0
		AAA Conduit	220	-5	55	60	-315	150	70	225	-5
		AAA Fixed	145	-5	20	-20	-	110	35	225	-80
		AA German Multi	165	-5	0	0	-	145	20	225	-60
		AA Single Loan	250	0	25	50	-660	180	70	250	0
		AA Conduit	285	-5	80	85	-625	200	85	300	-15
		AA Fixed	190	0	15	0	-	155	35	250	-60
		A German Multi	250	0	35	25	-	190	60	350	-100
		A Single Loan	400	0	135	100	-963	250	150	400	0
		A Conduit	400	-25	110	100	-963	270	130	425	-25
		A Fixed	300	0	70	10	-	210	90	495	-195
	CLO	AAA	140	0	15	5	-	110	30	150	-10
		AA	240	-10	0	-50	-	220	20	300	-60
		A	435	0	45	5	-	300	135	460	-25
		BBB	660	0	60	-30	-	500	160	800	-140
	WBS	AAA	225	0	40	20	-	170	55	300	-75
		AA	250	0	40	0	-	200	50	350	-100
		A	350	0	65	0	-	275	75	425	-75
		BBB	575	-25	165	95	-	390	185	600	-25

Source: Markit and Citi Research

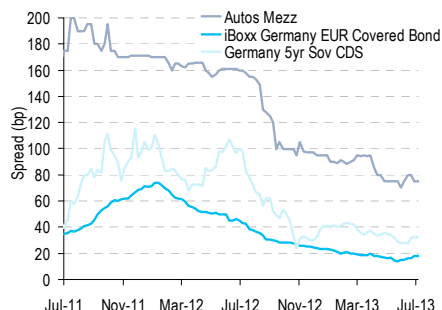
Auto and Credit Card ABS Spreads and Relative Value

Figure 43. European Auto Seniors Versus Indexes, Jul 11 – Jul 13



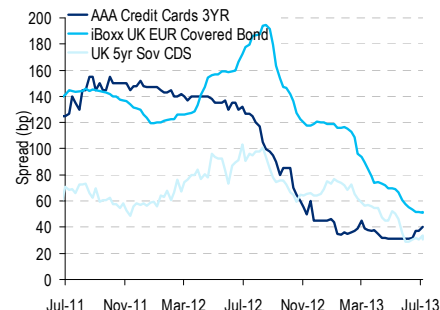
Source: Markit and Citi Research

Figure 44. European Auto Mezz Versus Indexes, Jul 11 – Jul 13



Source: Markit and Citi Research

Figure 45. UK Credit Card ABS Versus Indexes, Jul 11 – Jul 13



Source: Markit and Citi Research

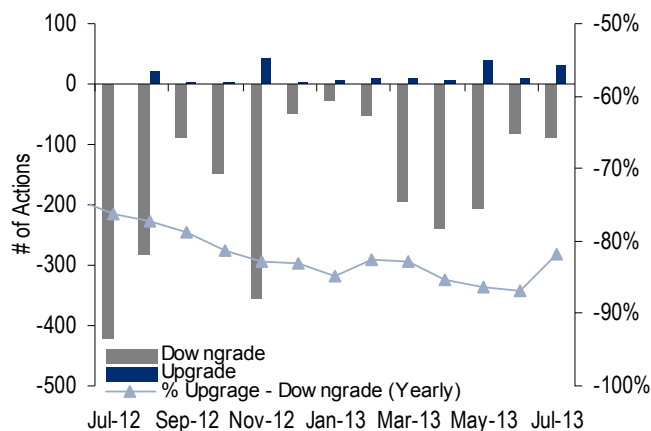
Figure 46. European Autos and UK Credit Card ABS Spread Changes and Statistics, 2013YTD

Country	Product	Product	Current	Δ1-week	Δ1-month	Δ 1-quarter	Δ1-year	2013 Low	Δ from Low	2013 High	Δ from High
Europe	Autos	1YR	28	-1	1	0	-19	24	4	32	-4
		3YR	42	-1	1	0	-	38	4	45	-3
		5YR	60	-1	1	0	-	56	4	63	-3
		Mezz	75	0	0	-5	-85	70	5	95	-20
Germany	Automobile and Parts Index	iBoxx EUR Automobile & Parts	65	-1	12	-6	-51	53	12	91	-26
		Covered Bonds	18	0	3	0	-26	14	4	23	-5
		Sovereign CDS	32	0	4	-2	-65	28	4	43	-11
UK	Credit Cards	1YR	35	5	10	9	-	25	10	35	0
		3YR	40	3	9	8	-87	31	9	45	-5
		5YR	50	2	8	7	-77	42	8	63	-13
		Mezz	110	0	16	15	-	89	21	127	-17
	Covered Bonds	iBoxx EUR UK	37	1	9	2	-76	24	12	50	-13
		Sovereign CDS	50	0	4	5	-22	42	8	53	-3

Source: Markit and Citi Research

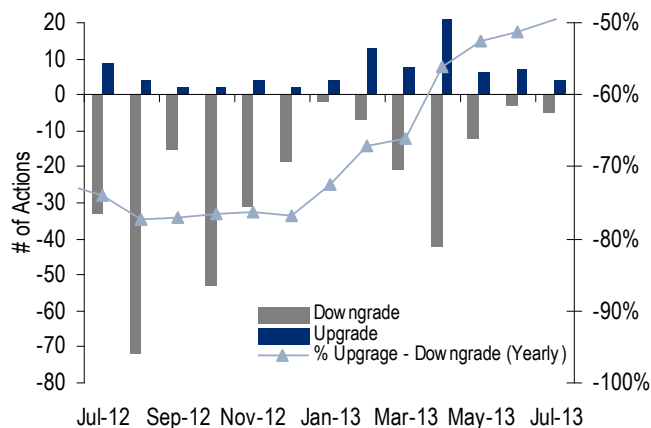
Rating Actions and Trends

Figure 47. European RMBS Rating Upgrades and Downgrades, Jul 12 – Jul 13



Source: Moody's, S&P and Fitch

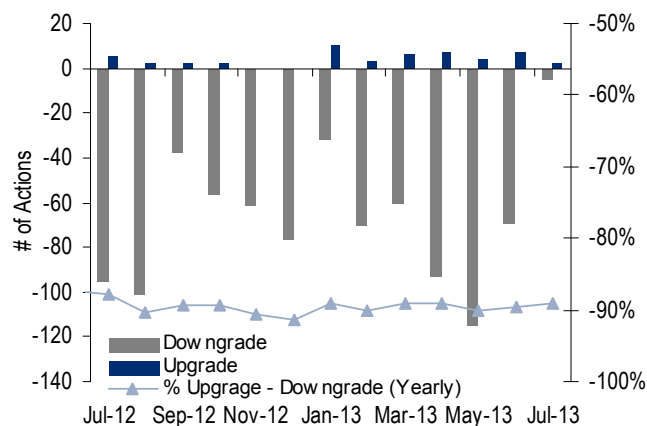
Figure 49. European ABS* Rating Upgrades and Downgrades, Jul 12 – Jul 13



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

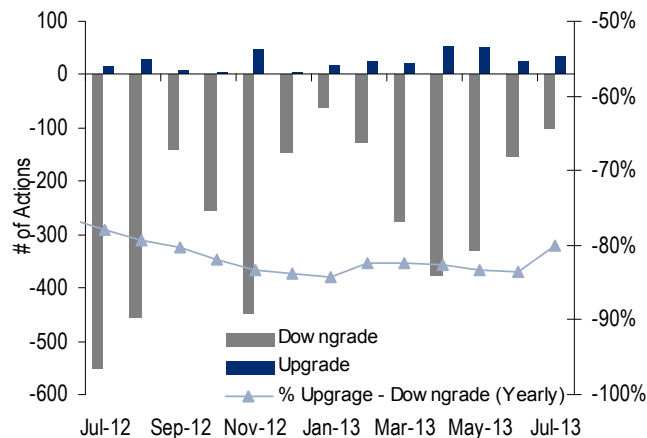
Source: Moody's, S&P and Fitch

Figure 48. European CMBS Rating Upgrades and Downgrades, Jul 12 – Jul 13



Source: Moody's, S&P and Fitch

Figure 50. European Total Securitized Products Rating Upgrades and Downgrades, Jul 12 – Jul 13



Source: Moody's, S&P and Fitch

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

Notes

Appendix A-1

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