

European Securitized Products Weekly

Likes and Dislikes from Global ABS Conference

- **UK NCRMBBS Favourite Prime Substitute** — High subordination, top rating from at least one agency, and 100–150bp pick up to UK prime RMBS make UK non-conforming a favourite choice for many investors especially in the low interest rate environment.
- **Peripherals Attractive but Mind Idiosyncratic Risks** — Many traditional fund managers seemed to be gradually losing their aversion for peripheral names but acknowledged the need to understand idiosyncratic risks in these less pristine sectors. Researchers highlighted that loan level data could help in analyzing deal-specific risks and could lead to better pricing. In contrast, opponents argued that peripherals do not offer enough yield for the headline risk.
- **Value in German Multifamily but CRE Outlook Negative** — While many investors found value in German multi-family CMBS, the outlook for other commercial properties appears negative. CRE panelists were particularly nervous about the twin effect of falling property prices and conservative lending multiples on the ability to refinance legacy loans.
- **Prime RMBS Supported at Tight Spreads** — Although the government-supported liquidity measures have compressed core country prime RMBS yields to levels that are low for many fund managers, the sector is well-supported by demand from investors with mandates restricting peripheral investments.
- **Regulation and Securitization Learning to Co-exist** — Even as the securitization industry is adapting to stricter regulatory requirements, there were some encouraging remarks from the regulators too. The progress on the ECB/EIB SME plan in the near future would be a key determinant of the future course of regulatory action.

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Notes from Global ABS Conference

Varied Preferences but Growing Interest in Illiquid Sectors

Across a number of relative value panels we attended at the Global ABS Conference 2013, we noticed a growing interest for higher yielding illiquid assets. Key favourites overall were UK non-conforming, subordinated core-country tranches, Euro CLOs, and Spanish RMBS (though opinions were strongly divided on the subject of peripheral assets). That's not to say prime RMBS did not have supporters; many bank investors still prefer investing in core country RMBS, but the government-supported liquidity measures have just made their yields too unattractive for others. Of course not every mandate allows the purchase of peripheral country securitizations (or other distressed debt) but even relatively traditional fund managers seemed to be gradually losing their aversion for peripheral names and non-prime mortgage collateral. For instance, many real money investors acknowledged that there is value in certain Spanish and Irish RMBS deals. However, portfolio managers and researchers also argued for the need to understand idiosyncratic risks in these less pristine sectors. The loan level data from European Data Warehouse project could help in analyzing deal-specific risks and could lead to better pricing.

Funds are one of the largest buyers of European ABS today and their views are also influenced by their end clients (many of whom are pensions and insurance companies). Banking clients have different motivations and return on regulatory capital net of funding is very important for banks that are still looking to buy. For such clients ratings and ECB eligibility are also key considerations. Insurance companies, on the other hand, look at the uncertainty around Solvency II and many shy away from assets where capital charges could substantially rise. Pension funds are more willing to take illiquid risk, whereas banks tend to favor more liquid assets. In addition to hard guidelines, investors are also sensitive to informal local regulatory concerns such as total amount of peripheral assets.

Excluding regulatory pressures, Euro CLOs and German multi-family CMBS found a broad level of support (perhaps explaining their primary market revival), though one investor said not all deals were equally diversified. Within CLOs, there was some division on whether amortizing CLO 1.0s (both senior and mezz debt) represented better value than the primary market. UK non-conforming also had supporters — investors found higher subordination and the pick-up of about 100–150bp to UK prime very attractive especially at a time when UK rates were still expected to be low. Many investors would even buy junior mezz in this collateral class.

Peripherals faced divided opinions but found a strong degree of support from some smaller funds and on the research panel. Opponents thought investors were not paid enough for the headline risk. New policy changes in peripheral countries could affect portfolio servicing and was cited as a risk that is difficult to hedge (mention was made several times of changes in foreclosure laws in Ireland and Spain). A large fund argued that it was better to buy mezz debt from core country ABS for yield. Another investor argued that peripheral RMBS was no longer attractive on relative value ground though they had bought previously.

Excluding German multi-family, we did not find a broad level of support for commercial real-estate. Though there was still 3–4 years room in the CMBS legal final maturity wall, panelists were nervous about the twin effect of a drop in property prices and conservative lending multiples on the ability to refinance legacy loans. The few panelists (and there were some) who found value in CMBS said they usually underwrote the loans. Also, the relatively flat European CMBS curve provides opportunities to find short-dated payoffs without much spread give-up. A participant in the ABS researchers' panel also voiced the case for investing in UK pub deals.

Several investors emphasized that ABS was cheap relative to corporate and government bonds and in many cases benefited from sticky prices (an example was comparing peripheral RMBS with sovereign). The versatility of ABS in being able to satisfy different risk appetites (through differences in collateral quality and subordination) was also useful for portfolio managers. The relative value between covered bonds and RMBS had also switched since last year with RMBS now looking cheap to covered bonds.

To summarize, the discussions were varied, illustrating the variety of the European ABS sector but also showed the sector's lack of depth and macro-headlines affecting investments.

Regulation and Securitization Learning to Live Together

As always, regulation was another widely discussed topic across many panels at the conference. The market participants seemed cautiously optimistic about the likelihood of securitization surviving harsh regulatory treatment and regaining its spot as an important funding tool for the real economy in the longer term. The functioning (and in some cases growing) primary markets like auto ABS and Dutch RMBS are testament to strong investor demand in these products in spite of harsher regulatory treatment. Mortgage and auto originators, especially those without strong deposit bases, viewed securitization as an important component of future funding.

Though new stricter regulations and technical standards (CRA III, CLO risk retention, CRD IV, and impending money market rules) continue to threaten the market, the impact (for example, of risk retention) is not drastic in many sectors, such as prime RMBS where issuers already hold a material economic interest in their programs. Other sectors such as CLOs and CMBS will be more severely impacted because of the risk retention requirements. Only managers who have the internal capital to provide the required retention amount will survive, thus limiting investor choice in the CLO managers in whom they can invest. Within CMBS, pooled deals from various originators will be difficult to execute.

Even as the securitization industry is adapting to the type of transactions that can be originated, there were some encouraging remarks from the regulators too. The most noteworthy change from last year was the acknowledgement that securitization could be instrumental in the economic recovery of Europe. There is hope that regulators will look beyond the US sub-prime mortgage experience and will consider the merits of well-performing ABS sectors as a viable funding tool. ECB's SME plan is the first positive step in this direction. Sharon Bowles, one of the keynote speakers, mentioned that ECB is working with EIB to create a simple securitization structure for reviving the SME ABS market. Another keynote speaker, Emil Paulis from the European Commission mentioned that the commission asked the European insurance regulator EIOPA to consider revising Solvency II risk weights of certain ABS, which could help in long-term funding of the real economy. Although these are positive developments, we think that the progress on the SME plan in the near future would be a key determinant of the future course of regulatory action in relation to the broader securitization market. Overall, therefore, this year saw a shift in the regulator's focus from disaster control to exploring the role of securitization in funding economic growth, but much work still needs to be done before the securitization market can be called healthy.

News and Events

Regulation and Policy

- **€8-€12billion SME lending Proposal on the Horizon.** The EU Commission will present a proposal next week aimed at mobilising €8-12 billion annually in lending to SME's, Spanish newspaper *El Pais* reported. The lending will involve guarantees from the EU budget and the EIB, together with the state-owner credit institutions such as the German KfW and the Spanish ICO.
- **Germany and Greece to Discuss SME Initiative.** Reuters reported that German finance minister Wolfgang Schäuble indicated in a statement that he would be visiting Greece to discuss how Germany and Greece can use the German-Spanish SME agreement as a template to help Greek SME's.
- **€6billion Loan for Portuguese SME's Approved.** According to Bloomberg, EIB, the European Commission, and Portuguese authorities agreed on a €6 billion credit line for Portuguese banks, which would be used to lend to SME's.
- **European Bank Resolution Mechanism Needed:Asmussen.** Jörg Asmussen, a member of the ECB executive board said that the Euro zone should agree to a centralized process for winding down insolvent banks, reported Financial Times. The European Commission had stated in a draft proposal that it sees itself taking the power to resolve banks while Asmussen preferred a new European institution for the same.
- **Irish Bank Stress Tests Delayed until 2014.** International lenders allowed Irish bank stress tests to be delayed until 2014, reports Financial Times. The new round of tests would impose a less stringent core tier one ratio limit compared to the 10.5% limit during the 2011 stress tests.

Housing and Rental Markets

- **UK Gross Mortgage Lending Increases 21%: CML.** According to a Council of Mortgage Lenders' estimate gross mortgage lending increased 21% month-over-month to £14.7 billion in May from £12.2 billion in the previous month. According to the report, the May reading is the highest since October 2008.
- **ONS house price index at Post Crisis High.** The UK ONS house price index increased to 179.7 in April from 177.3 in the previous month. This reading is a post crisis high and was last exceeded in July 2008 when the index registered 180.2.
- **SAREB to Reduce Real Estate Asking Price.** Spain's bad bank SAREB will reduce its real estate selling prices due the lack of progress made so far in disposing off properties, *El Confidencial* reports. The decision to reduce asking prices will accelerate the drop in house prices but could also help the housing market to find a bottom sooner.
- **Spanish Bad Loans Rise in April.** Doubtful loans increased to €167.1 billion about 10.9% of outstanding loans in April from €162.3 billion approximately 10.5% of outstanding loans in the previous month according to Bank of Spain data. The proportion of bad loans reached a high of 11.2% in November 2012 following which banks started offloading some of their bad assets to SAREB.
- **Non-Performing Loans to Increase in Spain:IMF.** The IMF said that Spanish non-performing loans would increase in the coming months as a difficult economic outlook diminishes the capacity of households and businesses to repay debts, reported Reuters.

- **Italian Bad Loans Rise in April.** Italian non performing loans increased 22.3% year-over-year to 7% of total outstanding in April from 6.9% in the previous month. Citi economists commented that the pace of increase of NPL's is accelerating, creating a major impediment to new lending.

Macroeconomic News

- **Netherlands Unemployment Rate Reaches New High.** Netherlands unemployment rate increased to 8.3% in May from 8.2% in the previous month. The Dutch unemployment rate reached an all time high and increased for the ninth consecutive month in May 2013.

CRE News

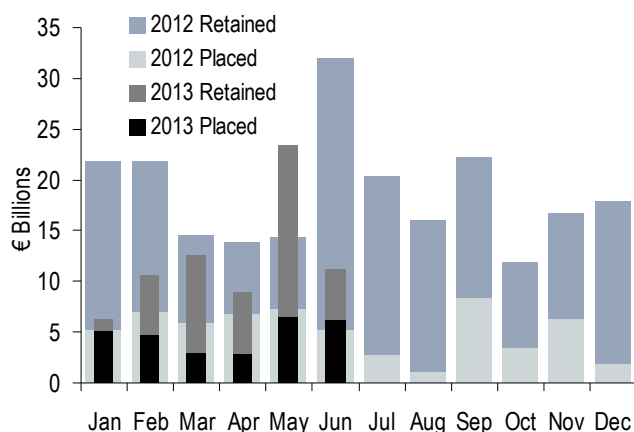
- **Chinese Property Developer to Invest £700 million in London.** Chinese property developer, Wanda concluded a deal to develop a hotel at the Nine Elms regeneration site in London. This deal follows last month's investment of £1 billion by Advanced Business Park to develop Royal Albert Dock in London.
- **CBRE Appointed to Sell QVC's Chiswick Park Headquarters.** CBRE has been appointed to sell QVC's headquarters at Chiswick Park for £69 million, reported Property Week. The price implies a yield of 5.5% for the property, which has 120,000 sq ft of available space.

Other News

- **Co-operative Bank Restructuring Plan to Close Capital Gap.** Co-operative bank group has agreed to a debt restructuring plan to close the capital shortfall of £1.5 billion, reported Financial Times. The deal will include a bail-in of the junior bond holders who will now be offered shares in the bank. The restructuring will raise £1 billion in 2013 and another £500 million next year.

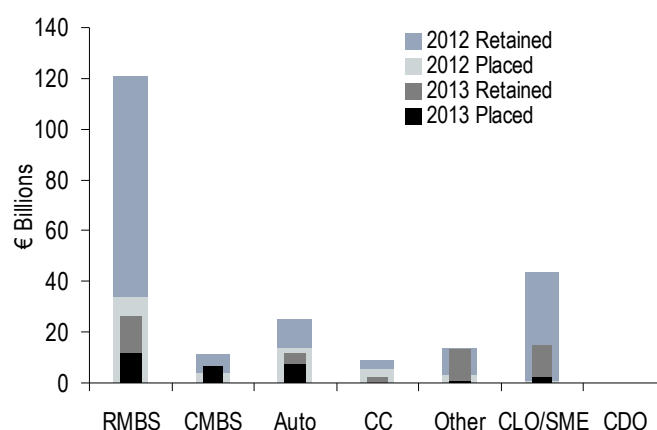
New Issuance

Figure 1. Placed and Retained Issuance by Month, 2012–2013YTD (€ billions)



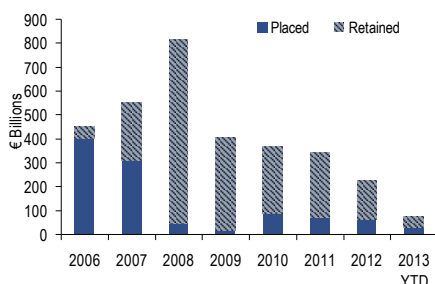
Source: Concept ABS, IFR, Informa and Citi Research

Figure 2. Placed and Retained Issuance by Sector, 2012–2013YTD (€ billions)



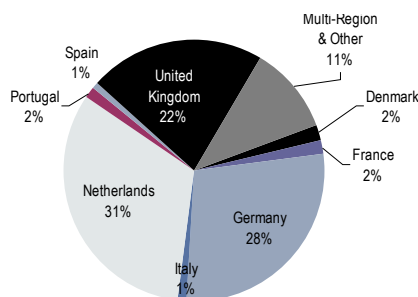
Source: Concept ABS, IFR, Informa and Citi Research

Figure 3. Annual Historical Placed and Retained Issuance, 2006–2013YTD (€ billions)



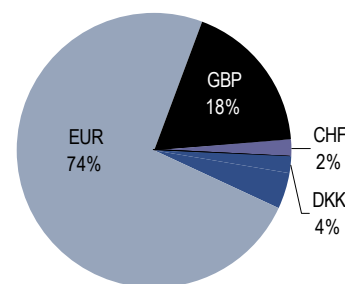
Source: Concept ABS, IFR, Informa and Citi Research

Figure 4. Placed Issuance by Region, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 5. Placed Issuance by Currency, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 6. 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	11,635	33,928	6,314	3,936	7,261	13,921	164	5,591	2,501	990	803	3,459	28,678	61,825
Retained	14,604	87,137	143	7,460	4,605	11,364	2,076	3,067	12,330	42,879	12,654	10,145	46,412	162,052
Total	26,240	121,065	6,456	11,395	11,867	25,285	2,240	8,658	14,831	43,869	13,457	13,604	75,090	223,877

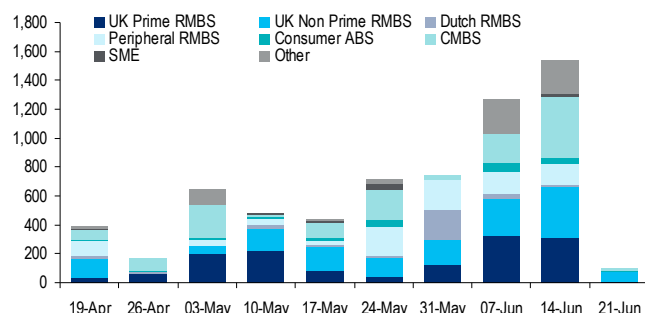
* 2012 complete year

Source: Concept ABS, IFR, Informa and Citi Research

BWIC Tracker

Weekly and Monthly BWIC Volume

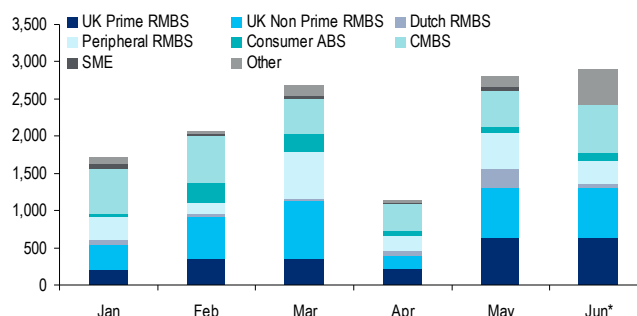
Figure 7. Weekly BWIC Volume by Sector, Apr 13–Jun 13 (\$ eq. million)



* Data until 21 Jun 2013

Source: Citi Research

Figure 8. Monthly BWIC Volume by Sector, 2013YTD (\$ eq. million)

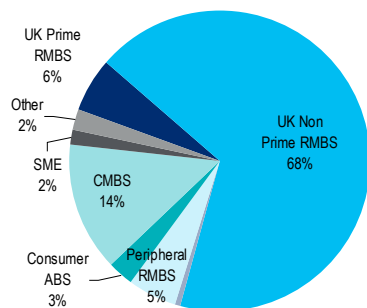


* Data until 21 Jun 2013

Source: Citi Research

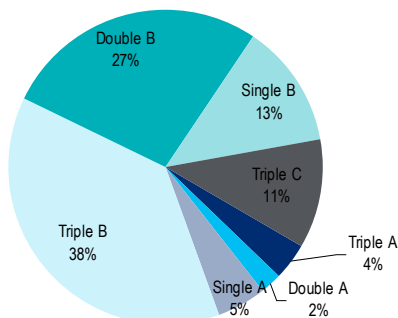
Last Week's BWIC Distribution by Sector, Rating and Currency

Figure 9. BWIC Volume Distribution by Sector, 14 Jun – 21 Jun 2013 (%)



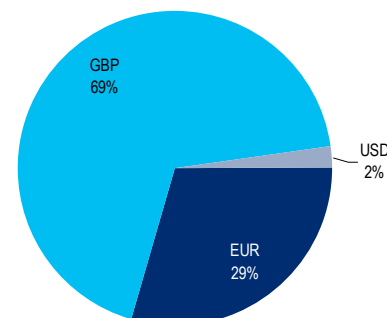
Source: Citi Research

Figure 10. BWIC Volume Distribution by Current Rating*, 14 Jun – 21 Jun 2013 (%)



* We use Bloomberg composite ratings
Source: Bloomberg and Citi Research

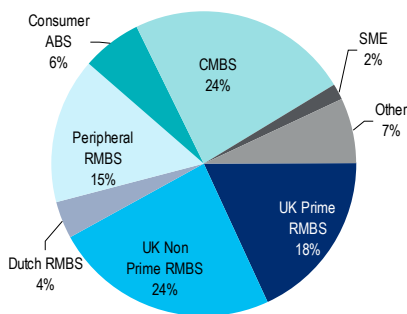
Figure 11. BWIC Volume Distribution by Currency, 14 Jun – 21 Jun 2013 (%)



Source: Citi Research

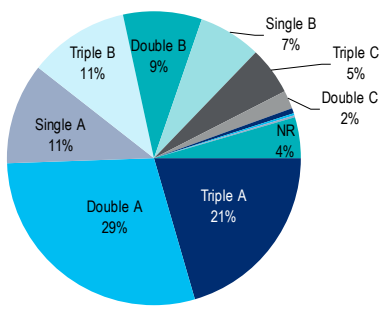
YTD BWIC Distribution by Sector, Rating and Currency

Figure 12. BWIC Volume Distribution by Sector, 2013YTD (%)



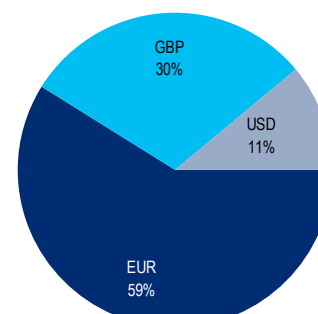
Source: Citi Research

Figure 13. BWIC Volume Distribution by Current Rating*, 2013YTD (%)



* We use Bloomberg composite ratings
Source: Bloomberg and Citi Research

Figure 14. BWIC Volume Distribution by Currency, 2013YTD (%)



Source: Citi Research

Figure 15. BWIC Volume and Number of Bonds by Sector and Current Rating*, 14 Jun – 21 Jun 2013 and 2013 YTD

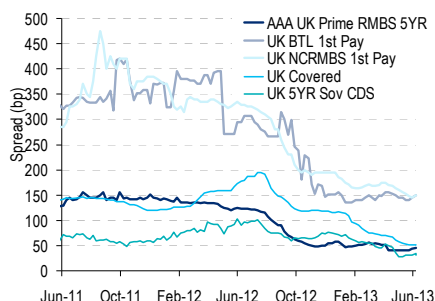
Sector	Rating*	14 Jun – 21 Jun		YTD	
		Volume (MM USD EQ)	Number of Bonds	Volume (MM USD EQ)	Number of Bonds
UK Prime RMBS	Triple A	3.7	3	1106.0	209
	Double A	1.9	1	1055.6	225
	Single A	-	-	53.3	6
	Lower and Not Rated	-	-	187.3	36
	Total	5.7	4	2402.3	476
UK Non Prime RMBS	Triple A	-	-	257.3	34
	Double A	0.2	1	1434.8	216
	Single A	-	-	527.1	73
	Lower and Not Rated	66.3	9	970.0	203
	Total	66.5	10	3189.2	526
Dutch RMBS	Triple A	-	-	343.0	82
	Double A	-	-	56.2	6
	Single A	-	-	33.1	12
	Lower and Not Rated	0.4	1	93.3	26
	Total	0.4	1	525.6	126
Peripheral RMBS	Double A	-	-	597.7	42
	Single A	-	-	412.9	81
	Triple B	1.8	2	428.7	83
	Double B	3.6	1	157.4	32
	Single B	-	-	100.8	30
	Triple C	-	-	154.8	39
	Lower and Not Rated	-	-	203.1	78
	Total	5.4	3	2055.4	385
CMBS	Triple A	-	-	49.6	3
	Double A	-	-	412.1	43
	Single A	3.1	1	318.0	62
	Lower and Not Rated	10.5	8	2387.9	407
	Total	13.6	9	3167.7	515
Consumer ABS	Triple A	-	-	515.4	123
	Double A	-	-	191.9	24
	Single A	0.7	2	39.6	14
	Lower and Not Rated	2.0	2	95.5	47
	Total	2.7	4	842.5	208
SME	Double A	0.0	1	4.8	2
	Single A	1.3	4	55.5	21
	Triple B	0.0	1	32.4	17
	Double B	0.2	1	24.6	17
	Single B	-	-	38.6	16
	Lower and Not Rated	0.1	1	55.6	30
	Total	1.6	8	211.4	103
Other	Triple A	-	-	472.3	85
	Double A	-	-	82.1	19
	Single A	-	-	45.9	9
	Triple B	1.4	2	68.7	13
	Double B	0.7	1	89.7	14
	Single B	-	-	26.9	8
	Triple C	-	-	88.3	9
	Lower and Not Rated	-	-	43.9	14
	Total	2.1	3	917.7	171
Grand Total		97.8	42	13311.8	2510

* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

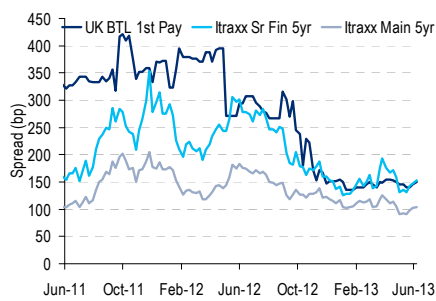
Core RMBS Spreads and Relative Value

Figure 16. UK RMBS Seniors Versus Indexes, Jun 11 – Jun 13



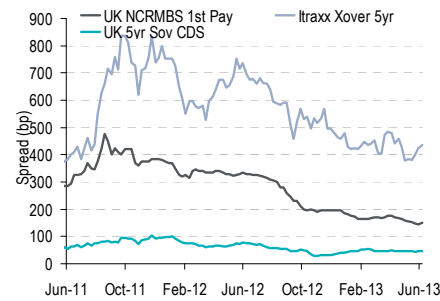
Source: Citi Research

Figure 17. UK BTL RMBS Seniors Versus Indexes, Jun 11 – Jun 13



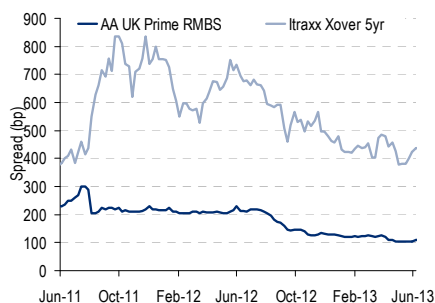
Source: Citi Research

Figure 18. UK NCRMBS Seniors Versus Indexes, Jun 11 – Jun 13



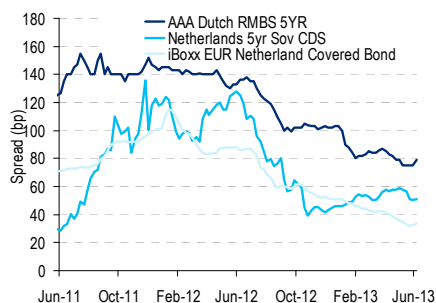
Source: Citi Research

Figure 19. UK Prime RMBS Subordinates Versus Index, Jun 11 – Jun 13



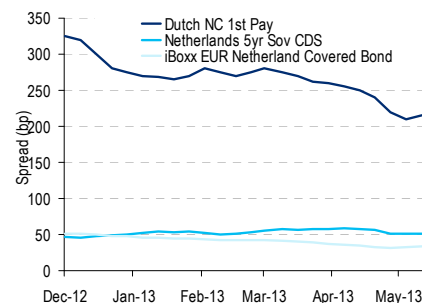
Source: Citi Research

Figure 20. Dutch RMBS Seniors Versus Indexes, Jun 11 – Jun 13



Source: Citi Research

Figure 21. Dutch NC 1st Pay Versus Indexes, Dec 12 – Jun 13



Source: Citi Research

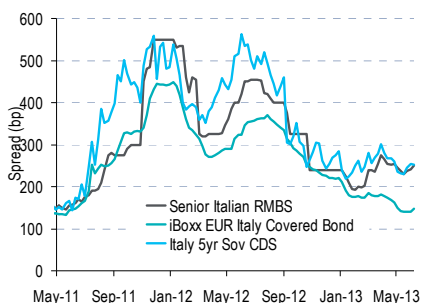
Figure 22. UK Prime, UK NC, UK BTL, Dutch Prime and Dutch NC Spread Changes and Statistics, 2013YTD

Country	Product	Product Detail	Current	Δ1-week	Δ1-month	Δ1-Quarter	Δ1-year	2013 Low	Δ From Low	2013 High	Δ From High
UK	Prime RMBS	AAA 1YR	25	2	-1	-8	-	23	2	36	-11
		AAA 3YR	34	1	2	-6	-	32	2	43	-9
		AAA 5YR	45	2	5	-9	-78	40	5	56	-11
		Mezz	110	5	5	-11	-103	105	5	125	-15
	Buy to Let	PARGN 1st Pay	150	5	5	10	-144	135	15	155	-5
		PARGN 2nd Pay	250	10	15	5	-	230	20	260	-10
		PARGN 3rd Pay	345	15	20	5	-	325	20	370	-25
		AIREM AAA	135	0	20	-8	-	104	31	145	-10
		AIREM AA	220	-10	0	15	-	189	31	230	-10
		AIREM BBB	305	5	10	-19	-	293	12	336	-31
UK	Non Conforming RMBS	NC 1st Pay	150	5	-5	-18	-178	145	5	183	-33
		NC 2nd Pay	235	15	10	-20	-	220	15	315	-80
	Covered Bonds	iBoxx EUR UK	27	2	0	-13	-89	24	3	50	-23
		Sovereign CDS	46	1	-1	1	-29	42	4	53	-8
Netherlands	Prime RMBS	AAA 1YR	39	1	1	3	-	33	6	40	-1
		AAA 3YR	55	1	1	-12	-	54	1	76	-21
		AAA 5YR	79	4	4	-5	-57	75	4	100	-21
		Mezz	195	10	10	15	-	160	35	195	0
	Non Conforming	NC 1st Pay	215	5	-35	-55	-	210	5	320	-105
		NC 2nd Pay	270	5	-25	-45	-	265	5	365	-95
		NC 3rd Pay	485	10	-35	-65	-	475	10	675	-190
	Covered Bonds	iBoxx EUR	34	2	-1	-8	-52	32	2	51	-17
		Netherlands	51	0	-7	1	-74	46	5	59	-8
	Sovereign CDS	Sovereign 5YR	51	0	-7	1	-74	46	5	59	-8

Source: Citi Research

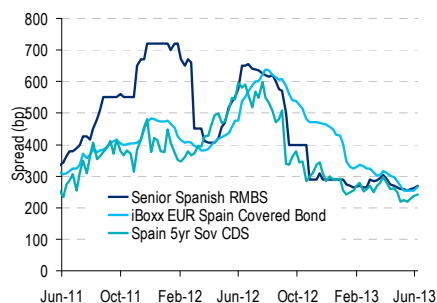
Peripheral RMBS and Relative Value

Figure 23. Italian RMBS Seniors Versus Indexes, Jun 11 – Jun 13



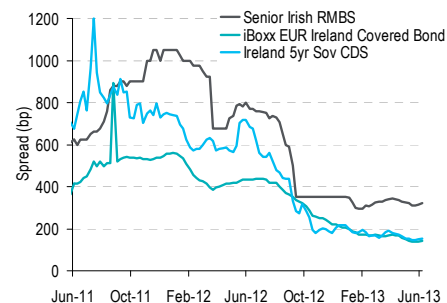
Source: Citi Research

Figure 24. Spanish RMBS Seniors Versus Indexes, Jun 11 – Jun 13



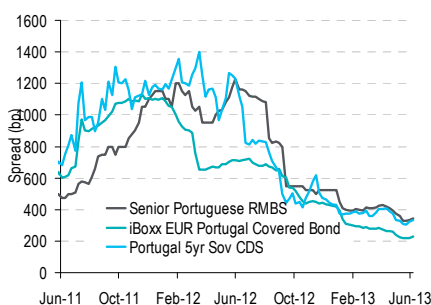
Source: Citi Research

Figure 25. Irish RMBS Seniors Versus Indexes, Jun 11 – Jun 13



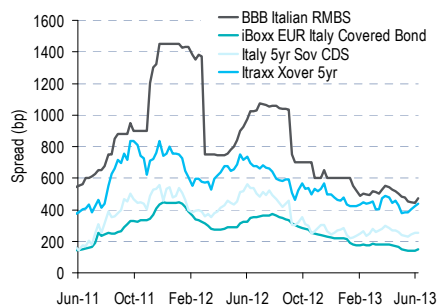
Source: Citi Research

Figure 26. Portuguese RMBS Seniors Versus Indexes, Jun 11 – Jun 13



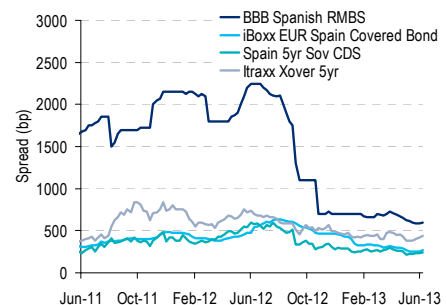
Source: Citi Research

Figure 27. Italian RMBS Subordinates Versus Indexes, Jun 11 – Jun 13



Source: Citi Research

Figure 28. Spanish RMBS Subordinates Versus Indexes, Jun 11 – Jun 13



Source: Citi Research

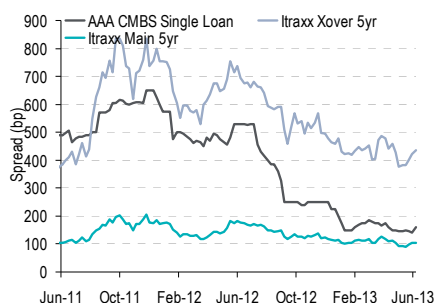
Figure 29. Peripheral RMBS Spread Changes and Statistics, 2013YTD

Country	Product	Product Detail	Current	Δ1-week	Δ1-month	Δ1-Quarter	Δ1-year	2013 Low	Δ from Low	2013 High	Δ from High
Italy	RMBS	AAA Italy	250	8	12	14	-200	193	57	275	-25
		AA Italy	288	14	12	11	-	255	33	320	-32
		A Italy	350	25	10	-15	-	323	27	440	-90
		BBB Italy	470	26	-5	-30	-555	444	26	600	-130
	Covered Bonds	iBoxx EUR Italy	148	7	5	-30	-198	140	8	211	-63
	Sovereign CDS	Italy Sovereign 5YR	252	-3	20	-18	-284	219	32	300	-49
Spain	RMBS	AAA Spain	270	8	12	-16	-380	255	15	305	-35
		AA Spain	375	10	5	5	-	340	35	400	-25
		A Spain	520	15	0	-50	-	505	15	690	-170
		BBB Spain	600	15	-15	-80	-1650	585	15	725	-125
	Covered Bonds	iBoxx EUR Spain	266	10	11	-36	-273	253	13	401	-136
	Sovereign CDS	Spain Sovereign 5YR	241	5	17	-29	-339	218	23	296	-55
Portugal	RMBS	AAA Portugal	345	13	-15	-63	-815	328	17	449	-104
		AA Portugal	443	15	-7	-32	-	428	15	595	-152
		A Portugal	530	18	0	-65	-	512	18	740	-210
		BBB Portugal	615	21	-20	-80	-	594	21	840	-225
	Covered Bonds	iBoxx EUR Portugal	228	8	3	-51	-478	218	10	392	-164
	Sovereign CDS	Portugal Sovereign 5YR	336	14	7	-23	-784	304	33	406	-70
Ireland	RMBS	AAA Ireland	320	6	0	-9	-450	295	25	349	-29
		AA Ireland	570	20	10	40	-	440	130	570	0
		A Ireland	715	20	5	35	-	575	140	720	-5
		BBB Ireland	960	25	0	30	-	750	210	985	-25
	Covered Bonds	iBoxx EUR Ireland	141	3	0	-25	-293	136	5	200	-58
	Sovereign CDS	Ireland Sovereign 5YR	154	4	-1	-15	-530	144	9	197	-44

Source: Citi Research

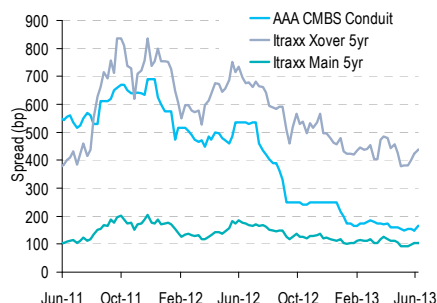
CMBS and CLO Spreads and Relative Value

Figure 30. AAA CMBS Single Loan Versus Indexes, Jun 11 – Jun 13



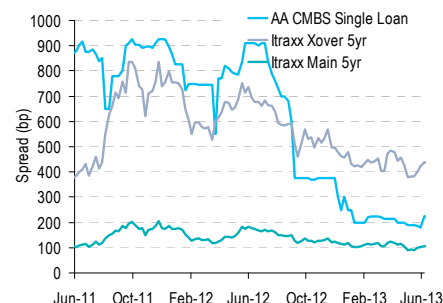
Source: Citi Research

Figure 31. AAA CMBS Conduit Versus Indexes, Jun 11 – Jun 13



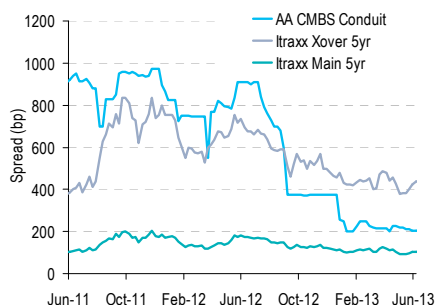
Source: Citi Research

Figure 32. AA CMBS Single Loan Versus Indexes, Jun 11 – Jun 13



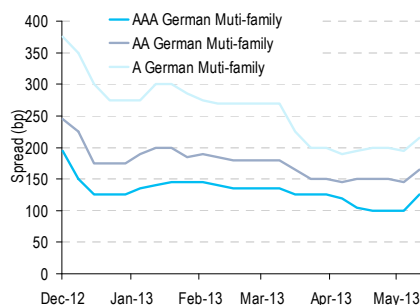
Source: Citi Research

Figure 33. AA CMBS Conduit Versus Indexes, Jun 11 – Jun 13



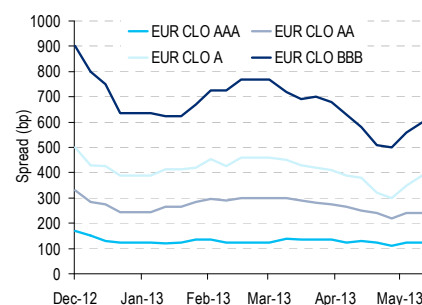
Source: Citi Research

Figure 34. German Multifamily Spreads, Dec 12 – Jun 13



Source: Citi Research

Figure 35. EUR CLO Spreads, Dec 12 – Jun 13



Source: Citi Research

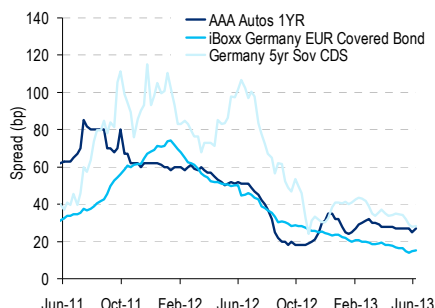
Figure 36. CMBS, WBS and CLO Spread Changes and Statistics, 2013YTD

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	25	20	-10	-	100	25	150	-25
		AAA Single Loan	160	20	15	-15	-370	140	20	185	-25
		AAA Conduit	165	15	15	-10	-370	150	15	200	-35
		AAA Fixed	125	10	5	-50	-	110	15	225	-100
		AA German Multi	165	20	15	-15	-	145	20	225	-60
		AA Single Loan	225	45	35	10	-685	180	45	250	-25
		AA Conduit	205	0	-15	-10	-705	200	5	250	-45
		AA Fixed	175	15	15	-25	-	155	20	250	-75
		A German Multi	215	20	20	-55	-	190	25	350	-135
		A Single Loan	265	15	0	-45	-1098	250	15	360	-95
		A Conduit	290	20	15	-20	-1073	270	20	365	-75
		A Fixed	230	15	10	-70	-	210	20	495	-265
	CLO	AAA	125	0	-5	0	-	110	15	150	-25
		AA	240	0	-10	-60	-	220	20	300	-60
		A	390	40	10	-70	-	300	90	460	-70
		BBB	600	40	20	-170	-	500	100	800	-200
	WBS	AAA	185	15	5	-25	-	170	15	300	-115
		AA	210	10	-10	-50	-	200	10	350	-140
		A	285	10	-10	-75	-	275	10	425	-140
		BBB	410	20	-10	-80	-	390	20	550	-140

Source: Citi Research

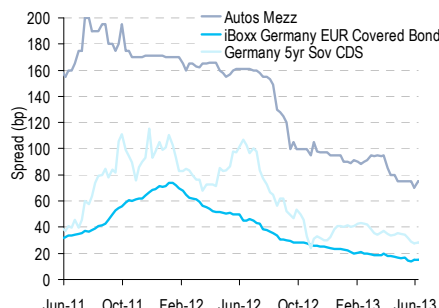
Auto and Credit Card ABS Spreads and Relative Value

Figure 37. European Auto Seniors Versus Indexes, Jun 11 – Jun 13



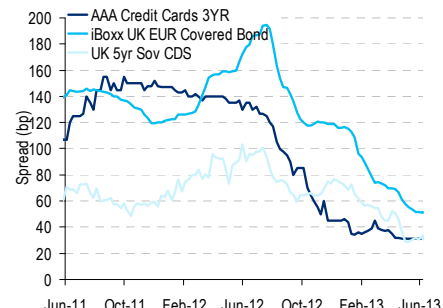
Source: Citi Research

Figure 38. European Auto Mezz Versus Indexes, Jun 11 – Jun 13



Source: Citi Research

Figure 39. UK Credit Card ABS Versus Indexes, Jun 11 – Jun 13



Source: Citi Research

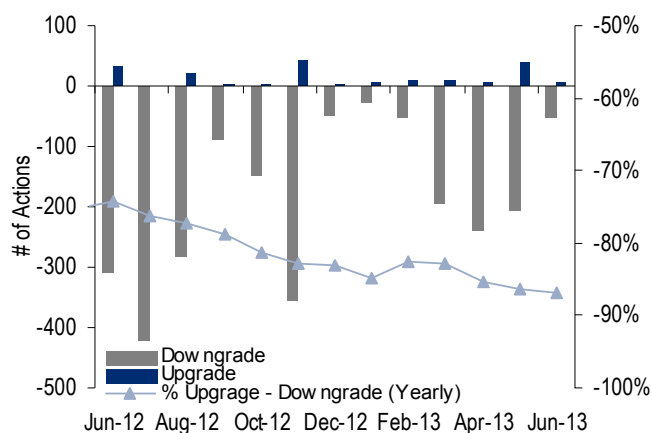
Figure 40. European Autos and UK Credit Card ABS Spread Changes and Statistics, 2013YTD

Country	Product	Product	Current	Δ1-week	Δ1-month	Δ1-Quarter	Δ1-year	2013 Low	Δ from Low	2013 High	Δ from High
Europe	Autos	1YR	27	2	0	-3	-24	24	3	32	-5
		3YR	41	1	0	-3	-	38	3	45	-4
		5YR	59	1	0	-1	-	56	3	63	-4
		Mezz	75	5	0	-20	-86	70	5	95	-20
Germany	Automobile and Parts Index	iBoxx EUR Automobile & Parts	53	-1	-9	-14	-64	53	0	91	-38
		iBoxx EUR Germany	15	1	-1	-3	-30	14	1	23	-7
		Sovereign CDS	28	1	-6	-6	-78	28	1	43	-15
UK	Credit Cards	1YR	25	0	0	-5	-	25	0	35	-10
		3YR	31	0	0	-7	-104	31	0	45	-14
		5YR	42	0	0	-8	-89	42	0	63	-21
		Mezz	94	0	0	2	-	89	5	127	-33
	Covered Bonds	iBoxx EUR UK	27	2	0	-13	-89	24	3	50	-23
	Sovereign CDS	Sovereign 5YR	46	1	-1	1	-29	42	4	53	-8

Source: Citi Research

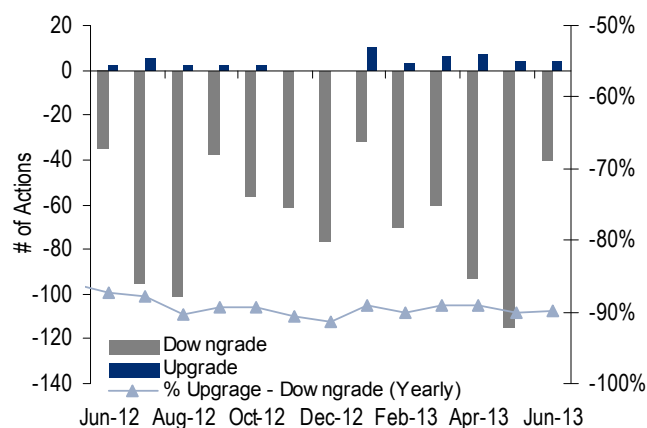
Rating Actions and Trends

Figure 41. European RMBS Rating Upgrades and Downgrades, Jun 12 – Jun 13



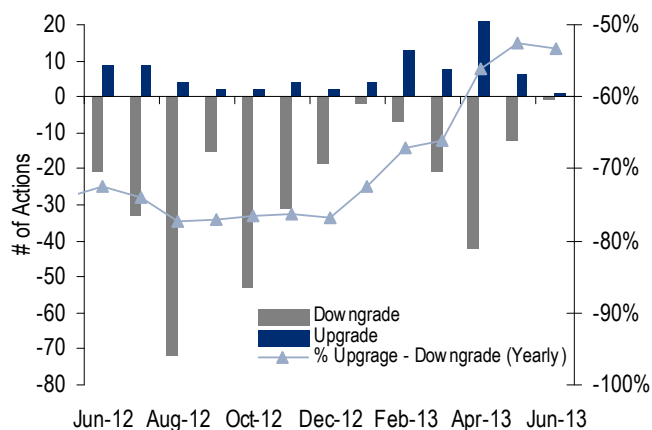
Source: Moody's, S&P and Fitch

Figure 42. European CMBS Rating Upgrades and Downgrades, Jun 12 – Jun 13



Source: Moody's, S&P and Fitch

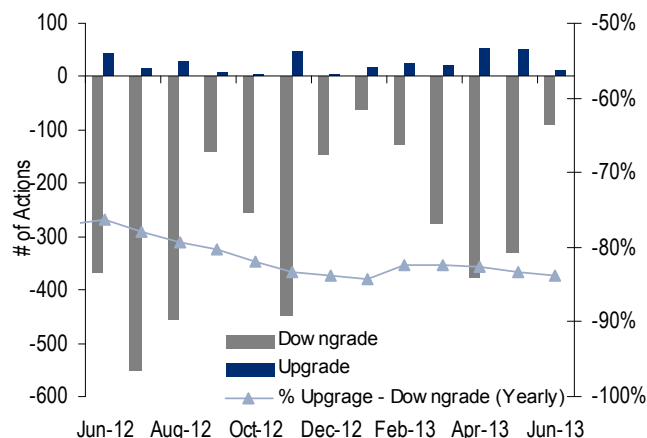
Figure 43. European ABS* Rating Upgrades and Downgrades, Jun 12 – Jun 13



* 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 44. European Total Securitized Products Rating Upgrades and Downgrades, Jun 12 – Jun 13



Source: Moody's, S&P and Fitch

Notes

Notes

Appendix A-1

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