

European Securitized Products Weekly

Strategies for a (Potential) Euro Recovery

- **ABS Well-Positioned to Benefit from Euro-area Recovery** — Improving economic data, evidenced by limited but positive Euro-area GDP growth, continuing monetary accommodation, and increased investor confidence all bode well for ABS credit and price performance.
- **Good Optionality in UK Non-Conforming** — UK NCRMBS could benefit most from an uptick in prepayments as an improving housing outlook encourages banks to lend more and relax their strict current underwriting standards. UK non-conforming seniors offer 130-190bp for 5–10YR WAL.
- **UK BTL to Benefit from Spread Tightening** — At 110–155bp for 5–10YR WAL, longer duration senior UK BTL RMBS is still trading wide compared to 10y historical averages and provides most upside potential from spread tightening, in our view.
- **Spanish RMBS Best Among Peripherals** — Senior RMBS, with its structural benefits, looks a sensible way to capitalize on early signs that the Spanish real estate crisis is receding. RMBS offers good spread pick-up to sovereign, corporate and covered bonds and benefits from ample liquidity in the secondary market.
- **Add Exposure to Growing New Issue CLOs** — With 13 new deals already done this year, considerably better-enhanced structures and higher coupons than in legacy deals, and a growing real-money investor base, Euro CLOs look well placed to capture an European corporate recovery.

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

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Contents

European Recovery Through ABS	3
Value in ABS Despite Tighter Spreads	3
Time to Play a Recovery in UK Housing	4
Prefer Spain in Peripheral RMBS	5
Euro CLO Primary Market Resurgence	6
New Issuance	8
BWIC Tracker	9
Core RMBS Spreads and Relative Value	11
Peripheral RMBS and Relative Value	12
CMBS and CLO Spreads and Relative Value	13
Consumer ABS Spreads and Relative Value	14
Rating Actions and Trends	15
Recent Key Publications	16
Appendix A-1	17

European Recovery Through ABS

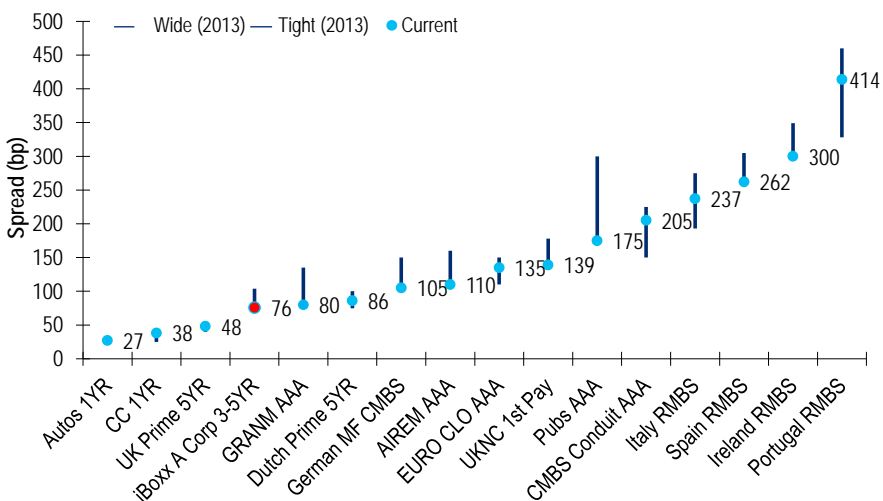
Value in ABS Despite Tighter Spreads

Notwithstanding the uncertainty that hangs over the outcome of the German election on September 23rd and whether any stable government can be formed, or even the fact that many of Europe's macro problems remain, many European assets have seen significant spread tightening over the last 12 months. We think expensive as ABS assets seem compared with the same time last year, there is room for some small upside.

First, there is growing confidence among market participants that Europe is slowly resolving its problems. The most recent indicator was a Bloomberg survey today which polled investors on, among other topics, recovery in the euro-area economy. Forty percent saw a recovery and 34 percent saw the best global opportunities in this area, up from 10 percent and 18 percent, respectively, in May. Second, despite recent tightening, most ABS are trading cheap to plain-vanilla investment-grade corporates (Figure 1). Third, many ABS, especially in peripheral sectors are trading cheap to the sovereigns (which have already seen upside) with Ireland and Spain being good examples. Finally, there is a new-issue momentum in many sectors such as Euro CLOs, Auto ABS, and Dutch RMBS, which holds appeal for real-money buyers as it signifies investor confidence in the product.

Our relative value calls this month capitalize on some of these broad themes. The UK and Spanish housing sectors capture some of the best aspects of the Euro-area improvement. Euro CLOs benefit from growing primary supply and also provide an opportunity to benefit from any improvement in the core Euro corporate sector.

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



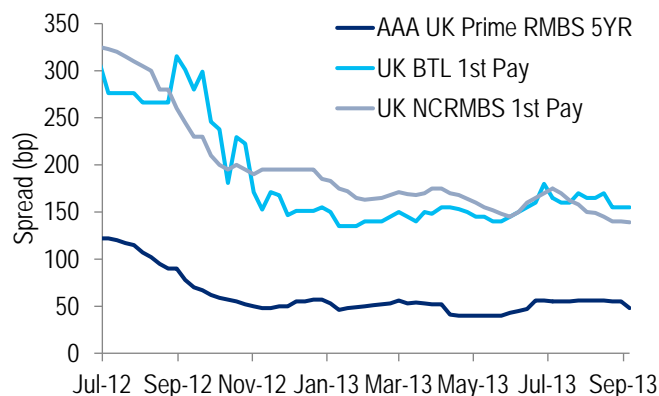
Source: Markit and Citi Research

Time to Play a Recovery in UK Housing

Uptick in prepayments and spread tightening to provide good upside potential

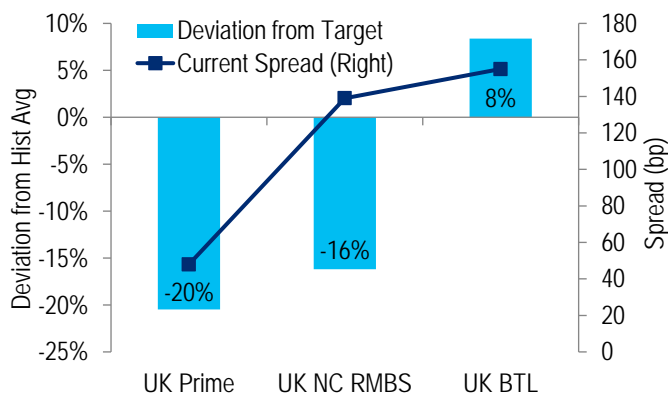
UK RMBS is a sensible play on a recovery in the UK housing market. While UK prime RMBS is trading at very tight levels compared to a year ago owing to supportive technicals, the non-prime sectors still pick-up approximately 60–100bp to prime RMBS, depending on WAL (Figure 2). Spreads on senior UK BTL bonds range from 110–155bp for 5–10YR WAL while UK non-conforming seniors offer 130-190 for a similar range of WALs, based on recent BWIC cover prices. Although, these spreads may still be too tight for many investors, we think that the non-prime sectors provide good upside potential. The non-conforming sectors could potentially benefit most from an uptick in prepayments as an improving housing outlook would encourage banks to lend more and somewhat relax their strict current underwriting standards. We also see more competition among the lenders leading to better conditions for new borrowers. CML recently reported that the share of the six largest lenders in annual mortgage lending fell to 77% in 2012 from 80% in 2011 and was much lower than approximately 91% in 2009. Moreover, constructive macro-economic sentiment backed by a housing recovery should lead to tightening in credit spreads, particularly for UK BTL RMBS, which is still trading wide compared to long-term historical average levels (Figure 3).

Figure 2. Senior UK Prime, BTL and Non-Conforming RMBS Spreads, Jul 2012 – Sep 2013 (bp)



Source: Citi Research

Figure 3. Deviation of Current Spreads from Preceding 10y (excluding Sep '08-09) Averages, as of 6 Sep 2013 (% and bp)



Source: Citi Research

Citi economists expect house prices to rise by about one-third over the next 3–4 years (see [UK Economics Weekly: Housing is Recovering, Not Bubbling](#)). UK house prices rose at an annualized rate of about 8% in the last three months, the fastest gain since early 2010, based on the average of Halifax and Nationwide house price indexes. While London remains the strongest region, house prices are increasing across pretty much all parts of the UK. The housing recovery is supported by low supply, pent-up demand, improving credit availability and the UK government's "Help-to-Buy" schemes. Moreover, the buy-to-let market is also reviving as low interest rates have improved the financial incentives of the BTL landlords. Citi economists argue that the housing market is not even close to the bubble conditions because housing turnover, mortgage approvals, housing starts and the pace of house price growth are still below normal levels, let alone the cyclical peaks of the pre-crisis boom. Also, more interestingly London has become less expensive in global terms in spite of a sharp rise in property prices, according to the annual Mercer survey. This is likely to fuel the already strong interest of foreign investors in London property market further.

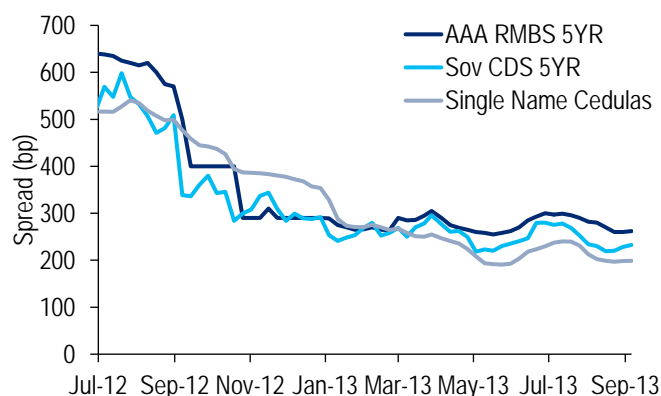
Prefer Spain in Peripheral RMBS

While a full blown housing recovery similar to the UK will not be seen in Spain in the short-term, we see some early signs that Spain's real estate crisis may be receding in some regions. Some of Spain's largest banks are developing properties in the country's biggest cities in an effort to offload them from their balance sheets. The move highlights that Spanish banks believe that there is demand for new properties in selected areas. Also, international investors are increasingly showing interest in Spanish real estate assets, ranging from Sareb disposals to more recently, direct asset sales from Spain's banks. For example, Sareb sold a €245 million loan portfolio to US hedge fund David Kempner and a €100 million package of residential assets to US private equity firm HIG Capital. Bankia sold its property management arm to US fund Cerberus at a price of between €40–90 million. Caixa Bank reached an agreement with Texas Pacific Group (TPG) to sell 51% stake in its real estate management unit for €185 million.

Although these are encouraging signs, it would be premature to conclude that the worst in Spain is behind us as the unemployment rate is very high at 26%, availability of credit is subdued and house prices are still falling. However, we think that RMBS is a relatively safe way to play the potential recovery in Spain and offers good pick-up to assets such as sovereign and covered bonds (Figure 4). RMBS structures are senior friendly as rising defaults lead to accelerated principal payments in senior notes through a mechanism called "artificial write-down". As discussed in our previous note, many secondary Spanish RMBS bonds, mostly first-pay but more seasoned mezz too, offer good value for risk (see [Spanish RMBS: Rain in Spain... But Sunny on Many RMBS](#)). Approximately half of placed first pay notes have credit enhancement higher than 20 times the current stock of seriously delinquent plus defaulted loans and the corresponding ratio for half of the second pay notes is four times.

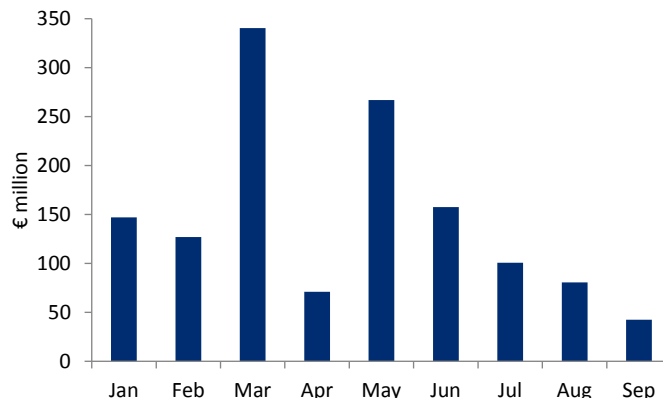
Quite apart from the positive macro outlook and value in structures, Spanish RMBS also enjoys decent liquidity relative to other peripheral sectors. With around €51 billion in placed bonds outstanding, Spain is the largest sector within the peripheral securitized space and consequently the most liquid as well. Approximately €1.3 billion of Spanish BWICs have come to market so far this year and we believe trading volumes outside BWICs were much larger than that figure (Figure 5). Overall, Spain has been quite actively traded sector this year and offers secondary opportunities.

Figure 4. Spain RMBS, Covered and Sovereign CDS Spreads, Jul 12 – Sep 13 (bp)



Source: Markit and Citi Research

Figure 5. Spanish RMBS BWIC Volumes, 2013YTD (€ million, Current Face)

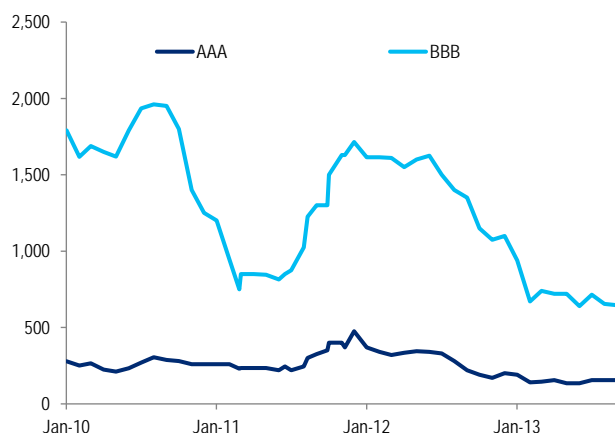


Source: Citi Research

Euro CLO Primary Market Resurgence

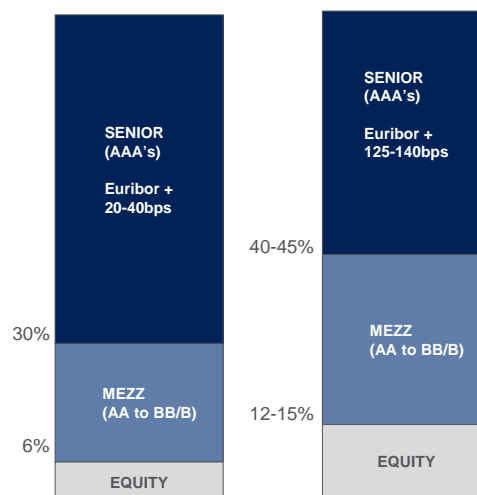
In an increasing sign of the market's confidence, Euro CLO spreads have rallied over the last couple of years (Figure 6). Despite the price appreciation, spreads in the secondary and primary markets suggest that the asset class is cheap to other securitized assets (see [Global Structured Credit Strategy](#)). Moreover, there has been remarkable growth in the primary market, with deals showing considerably better-enhanced structures than pre-crisis deals (Figure 7). Investors wishing to increase their familiarity should also read Standard and Poor's report¹.

Figure 6. Recovery in Euro CLO secondary market spreads (bp)



Source: Citi Research

Figure 7. Evolution of CLO Capital Structure – pre-crisis (left) versus current deals (right)



Source: Citi Research

Issuance stands at €4.5bn year-to-date (versus none for the last couple of years) and should end the year at €6-7bn, which is almost double our forecasts at the beginning of the year. In addition to the higher subordination, these deals include tighter reinvestment constraints and tighter covenants for riskier collateral such as peripheral country credits (Figure 8). The higher coupons on the bonds are also attractive. As with US CLO 2.0s, the majority of the pools consist of senior secured loans. However, a higher proportion of bond issuance from European corporate borrowers means that there may be bigger buckets, relative to the US, for secured fixed rate bonds and GBP-denominated loans in the collateral pool. In both cases, the CLO liabilities are adjusted by issuing fixed-rate and GBP-denominated bonds.

¹ *European CLO 2.0 Bring Greater Simplicity and Flexibility*, Standard & Poor's, June 17 2013

Figure 8. Key Points of Difference between legacy Euro CLO (1.0) and 2013 Euro CLO (2.0)

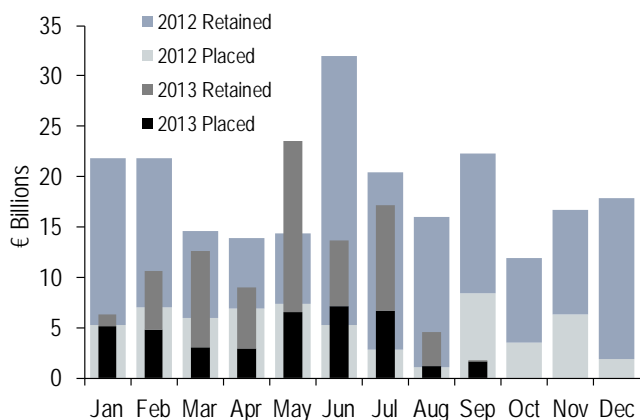
	CLO 2.0	CLO 1.0
Deal Structure		
Reinvestment period, yrs	3.2	6.3
Non-call period, yrs	2	4
Triple-A credit enhancement, %	42.3	30.6
Triple-A credit spread, bp	133	32
Equity tranche size, %	15.4	9.4
Leverage ratio (total debt / equity)	5.8	9.8
Collateral		
Max fixed rate assets, %	19.7	4.4
Max DIP and rescue loans, %	5.3	0.7
Max synthetic securities, %	0	16.5
Max structured finance, %	0	0.7
Max obligors in countries below S&P A-, %	10	N/a

Source: S&P. CLO 1.0 based on sample of deals between March and December 2007. CLO 2.0 based on deals done to end of May 2013.

We recommend that investors take benefit from the higher carry and subordination of these new deals. CLOs, as an asset class, have survived the financial crisis well and the primary market's comeback is testament to this investor confidence.

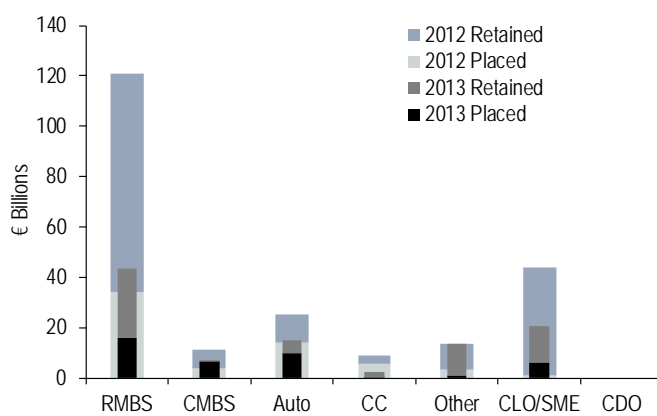
New Issuance

Figure 9. Placed and Retained Issuance by Month, 2012–2013YTD (€ billions)



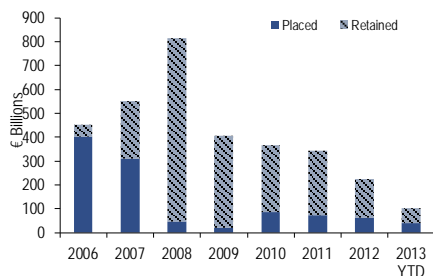
Source: Concept ABS, IFR, Informa and Citi Research

Figure 10. Placed and Retained Issuance by Sector, 2012–2013YTD (€ billions)



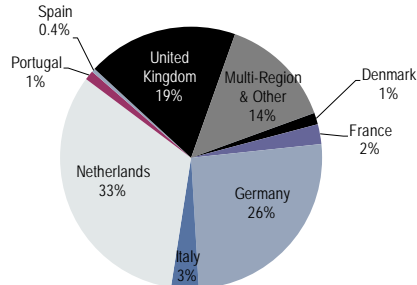
Source: Concept ABS, IFR, Informa and Citi Research

Figure 11. Annual Historical Placed and Retained Issuance, 2006–2013YTD (€ billions)



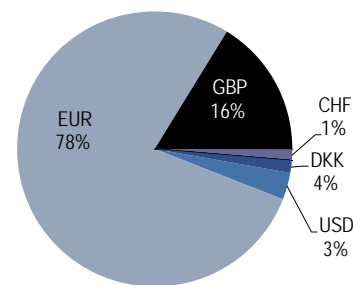
Source: Concept ABS, IFR, Informa and Citi Research

Figure 12. Placed Issuance by Region, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 13. Placed Issuance by Currency, 2013YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa and Citi Research

Figure 14. 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	15,760	33,928	6,401	3,936	9,873	13,921	164	5,591	6,019	990	897	3,459	39,114	61,825
Retained	27,512	87,137	143	7,460	5,132	11,364	2,076	3,067	14,393	42,879	12,654	10,145	61,909	162,052
Total	43,271	121,065	6,543	11,395	15,005	25,285	2,240	8,658	20,413	43,869	13,551	13,604	101,023	223,877

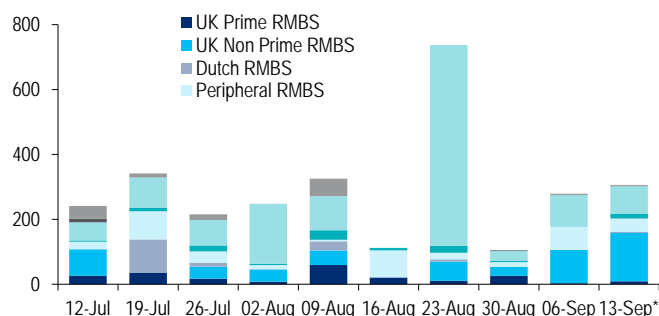
* 2012 complete year

Source: Concept ABS, IFR, Informa and Citi Research

BWIC Tracker

Weekly and Monthly BWIC Volume

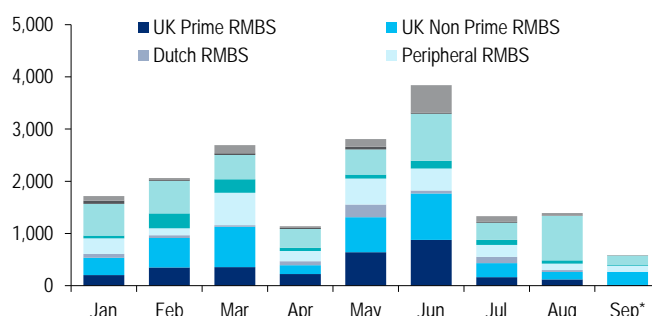
Figure 15. Weekly BWIC Volume by Sector, Jul 13–Sep 13 (\$ eq. million)



* Data until 13 Sep Morning

Source: Citi Research

Figure 16. Monthly BWIC Volume by Sector, 2013YTD (\$ eq. million)

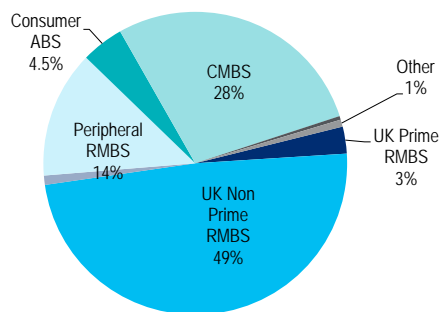


* Data until 13 Sep Morning

Source: Citi Research

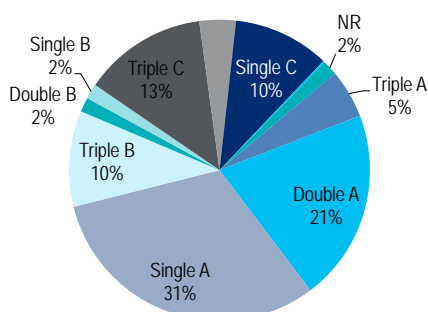
Last Week's BWIC Distribution by Sector, Rating and Currency

Figure 17. BWIC Volume Distribution by Sector, 6 Sep – 13 Sep 2013 (%)



Source: Citi Research

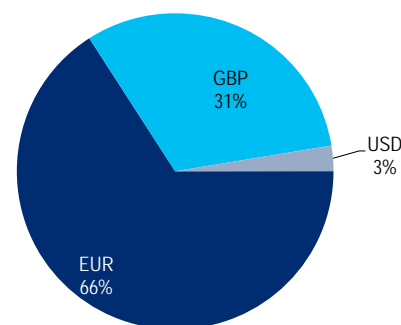
Figure 18. BWIC Volume Distribution by Current Rating*, 6 Sep – 13 Sep 2013 (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

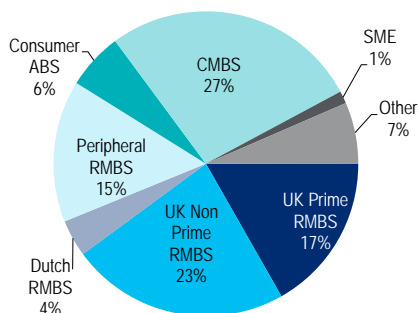
Figure 19. BWIC Volume Distribution by Currency, 6 Sep – 13 Sep 2013 (%)



Source: Citi Research

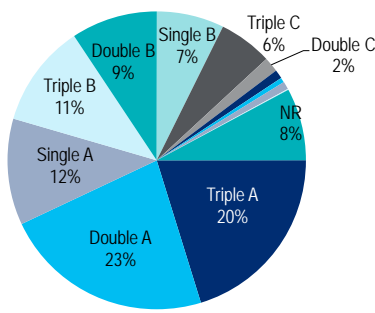
YTD BWIC Distribution by Sector, Rating and Currency

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



Source: Citi Research

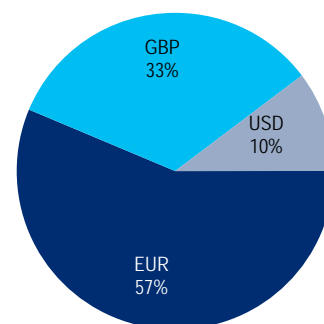
Figure 21. BWIC Volume Distribution by Current Rating*, 2013YTD (%)



* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

Figure 22. BWIC Volume Distribution by Currency, 2013YTD (%)



Source: Citi Research

Figure 23. BWIC Volume and Number of Bonds by Sector and Current Rating*, 6 Sep – 13 Sep 2013 and 2013 YTD

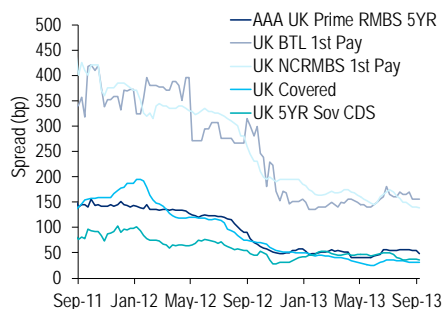
Sector	Rating*	6 Sep – 13 Sep		YTD	
		Volume (MM USD EQ)	Number of Bonds	Volume (MM USD EQ)	Number of Bonds
UK Prime RMBS	Triple A	7.5	3	1,464	269
	Double A	1.3	3	1,175	298
	Single A	-	-	64	7
	Lower and Not Rated	-	-	236	58
	Total	8.8	6	2,940	632
UK Non Prime RMBS	Triple A	-	-	271	45
	Double A	55.0	23	1,686	285
	Single A	92.5	2	772	115
	Lower and Not Rated	1.6	1	1,334	277
	Total	149.1	26	4,062	722
Dutch RMBS	Triple A	-	-	480	106
	Double A	-	-	61	8
	Single A	1.2	2	46	17
	Lower and Not Rated	1.9	1	102	32
	Total	3.0	3	689	163
Peripheral RMBS	Double A	6.7	1	647	41
	Single A	-	-	529	111
	Triple B	21.2	2	577	116
	Double B	2.0	1	265	42
	Single B	3.7	3	141	48
	Triple C	2.0	1	189	55
	Lower and Not Rated	5.9	4	288	119
	Total	41.5	12	2,637	532
CMBS	Triple A	-	-	50	3
	Double A	-	-	165	33
	Single A	-	-	415	72
	Lower and Not Rated	86.2	8	4,170	584
	Total	86.2	8	4,799	692
Consumer ABS	Triple A	8.5	3	680	196
	Double A	-	-	184	16
	Single A	2.4	4	54	33
	Lower and Not Rated	3.0	3	140	68
	Total	13.8	10	1,058	313
SME	Double A	-	-	5	2
	Single A	-	-	67	25
	Triple B	0.7	1	23	18
	Double B	-	-	32	18
	Single B	-	-	40	19
	Lower and Not Rated	0.5	1	65	41
	Total	1.2	2	231	123
Other	Triple A	-	-	607	118
	Double A	-	-	75	14
	Single A	-	-	76	20
	Triple B	-	-	72	14
	Double B	2.3	1	94	16
	Single B	-	-	63	10
	Triple C	-	-	90	10
	Lower and Not Rated	-	-	68	19
	Total	2.3	1	1,144	221
Grand Total		305.9	68	17,558.8	3,398

* We use Bloomberg composite ratings

Source: Bloomberg and Citi Research

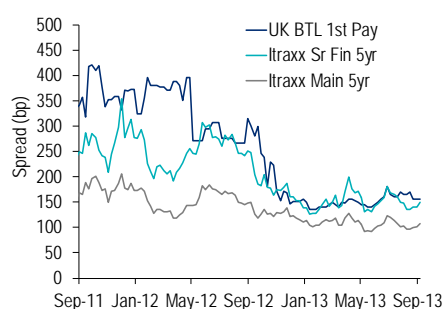
Core RMBS Spreads and Relative Value

Figure 24. UK RMBS Seniors Versus Indexes, Sep 11 – Sep 13



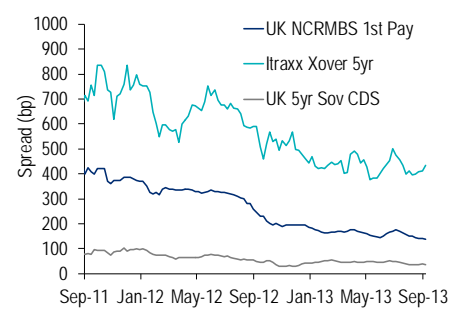
Source: Markit and Citi Research

Figure 25. UK BTL RMBS Seniors Versus Indexes, Sep 11 – Sep 13



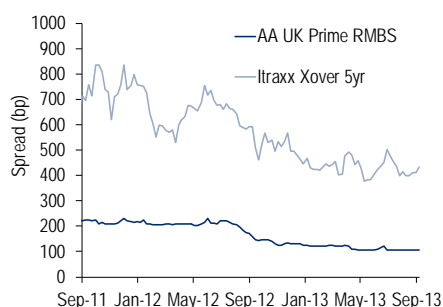
Source: Markit and Citi Research

Figure 26. UK NCRMBS Seniors Versus Indexes, Sep 11 – Sep 13



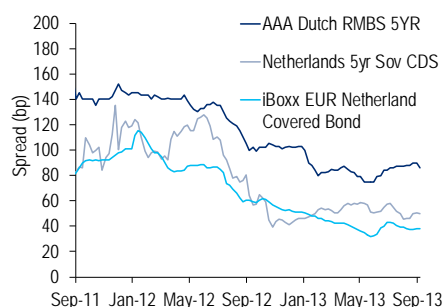
Source: Markit and Citi Research

Figure 27. UK Prime RMBS Subordinates Versus Index, Sep 11 – Sep 13



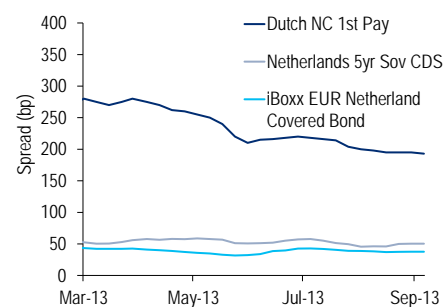
Source: Markit and Citi Research

Figure 28. Dutch RMBS Seniors Versus Indexes, Sep 11 – Sep 13



Source: Markit and Citi Research

Figure 29. Dutch NC 1st Pay Versus Indexes, Mar 13 – Sep 13



Source: Markit and Citi Research

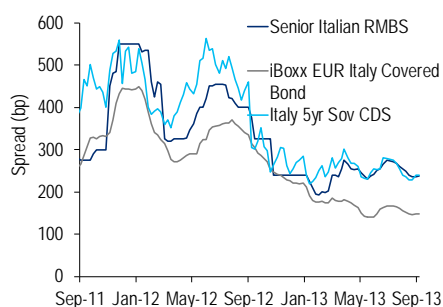
Figure 30. UK Prime, UK NC, UK BTL, Dutch Prime and Dutch NC Spread Changes and Statistics, 2013YTD

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	34	-1	-1	7	-	23	11	38	-4
		AAA 3YR	42	-2	-3	6	-	32	10	47	-5
		AAA 5YR	48	-7	-8	1	-30	40	8	56	-8
		Mezz	105	0	0	-10	-55	105	0	125	-20
	Buy to Let	PARGN 1st Pay	155	0	-10	0	-146	135	20	180	-25
		PARGN 2nd Pay	240	-5	0	-10	-	230	10	275	-35
		PARGN 3rd Pay	360	-5	30	10	-	325	35	375	-15
		AIREM AAA	110	-8	-15	-30	-	104	6	160	-50
		AIREM AA	240	0	0	20	-	189	51	250	-10
		AIREM BBB	325	-5	-3	20	-	293	32	350	-25
	Non-Conforming RMBS	NC 1st Pay	139	-1	-10	-21	-106	139	0	183	-44
		NC 2nd Pay	234	-1	-8	-31	-	220	14	315	-81
	Covered Bonds	iBoxx EUR UK	31	0	-2	0	-42	24	7	50	-19
	Sovereign CDS	Sovereign 5YR	36	-2	-1	-12	-12	36	0	53	-18
Netherlands	Prime RMBS	AAA 1YR	48	-2	0	8	-	33	15	50	-2
		AAA 3YR	69	-1	1	13	-	54	15	76	-7
		AAA 5YR	86	-4	-2	6	-14	75	11	100	-14
		Mezz	185	0	0	-15	-	160	25	200	-15
	Non-Conforming	NC 1st Pay	193	-2	-5	-23	-	193	0	320	-127
		NC 2nd Pay	247	-3	-11	-25	-	247	0	365	-118
		NC 3rd Pay	456	-4	-16	-31	-	456	0	675	-219
	Covered Bonds	iBoxx EUR Netherland	38	1	0	0	-22	32	6	51	-13
	Sovereign CDS	Sovereign 5YR	50	0	4	-2	-14	46	4	59	-9

Source: Markit and Citi Research

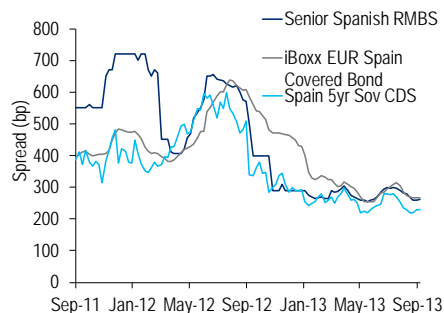
Peripheral RMBS and Relative Value

Figure 31. Italian RMBS Seniors Versus Indexes, Sep 11 – Sep 13



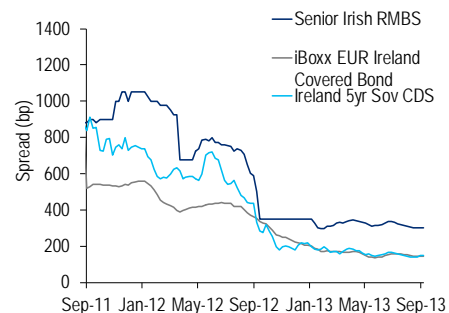
Source: Markit and Citi Research

Figure 32. Spanish RMBS Seniors Versus Indexes, Sep 11 – Sep 13



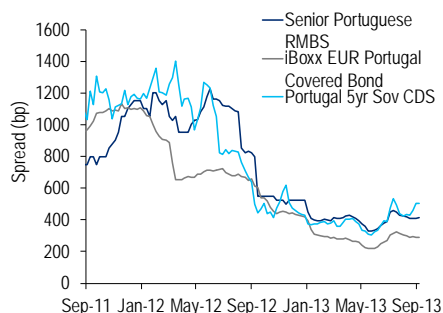
Source: Markit and Citi Research

Figure 33. Irish RMBS Seniors Versus Indexes, Sep 11 – Sep 13



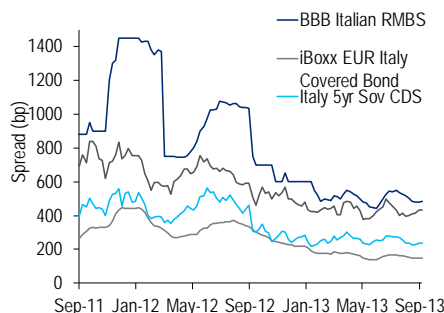
Source: Markit and Citi Research

Figure 34. Portuguese RMBS Seniors Versus Indexes, Sep 11 – Sep 13



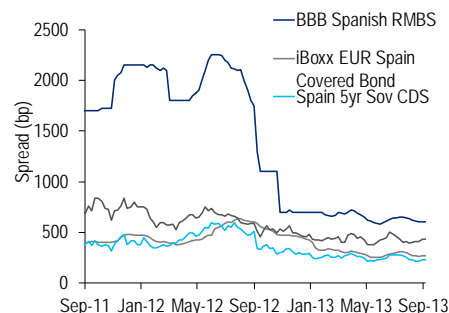
Source: Markit and Citi Research

Figure 35. Italian RMBS Subordinates Versus Indexes, Sep 11 – Sep 13



Source: Markit and Citi Research

Figure 36. Spanish RMBS Subordinates Versus Indexes, Sep 11 – Sep 13



Source: Markit and Citi Research

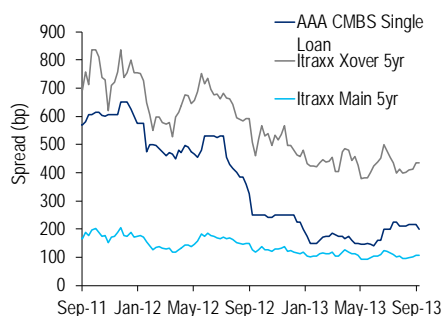
Figure 37. Peripheral RMBS Spread Changes and Statistics, 2013YTD

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	237	2	-11	-18	-138	193	44	275	-38
		AA Italy	287	2	-13	-13	-	255	32	325	-38
		A Italy	352	-3	-33	-23	-	323	29	440	-88
		BBB Italy	483	3	-22	-17	-267	444	39	600	-117
	Covered Bonds	iBoxx EUR Italy	148	1	-3	-10	-166	140	9	211	-63
	Sovereign CDS	Italy Sovereign 5YR	245	6	9	-10	-60	219	25	300	-56
Spain	RMBS	AAA Spain	262	2	-18	-23	-238	255	7	305	-43
		AA Spain	378	3	-12	-7	-	340	38	410	-32
		A Spain	532	-3	-20	-8	-	505	27	690	-158
		BBB Spain	603	-2	-17	-12	-697	585	18	725	-122
	Covered Bonds	iBoxx EUR Spain	268	0	-6	-13	-319	253	15	401	-134
	Sovereign CDS	Spain Sovereign 5YR	233	4	3	-14	-106	218	14	296	-63
Portugal	RMBS	AAA Portugal	414	4	-6	49	-386	328	86	460	-46
		AA Portugal	485	5	-7	35	-	428	57	595	-110
		A Portugal	595	5	-8	45	-	512	83	740	-145
		BBB Portugal	670	5	-10	45	-	594	76	840	-170
	Covered Bonds	iBoxx EUR Portugal	287	-1	-14	40	-325	218	70	392	-104
	Sovereign CDS	Portugal Sovereign 5YR	524	18	92	162	24	304	220	536	-12
Ireland	RMBS	AAA Ireland	300	-2	-5	-25	-200	295	5	349	-49
		AA Ireland	557	2	-1	-23	-	440	117	600	-43
		A Ireland	700	0	-4	-20	-	575	125	750	-50
		BBB Ireland	945	3	-5	-25	-	750	195	1000	-55
	Covered Bonds	iBoxx EUR Ireland	143	0	-4	-6	-209	136	7	200	-56
	Sovereign CDS	Ireland Sovereign 5YR	144	-5	3	-14	-187	140	4	197	-53

Source: Markit and Citi Research

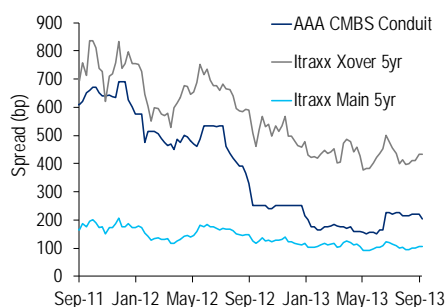
CMBS and CLO Spreads and Relative Value

Figure 38. AAA CMBS Single Loan Versus Indexes, Sep 11 – Sep 13



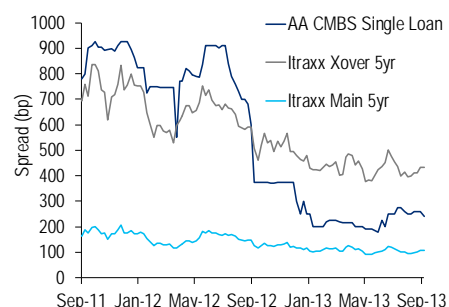
Source: Markit and Citi Research

Figure 39. AAA CMBS Conduit Versus Indexes, Sep 11 – Sep 13



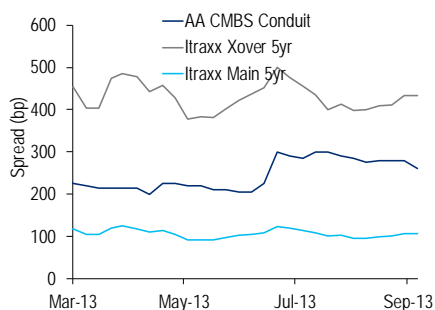
Source: Markit and Citi Research

Figure 40. AA CMBS Single Loan Versus Indexes, Sep 11 – Sep 13



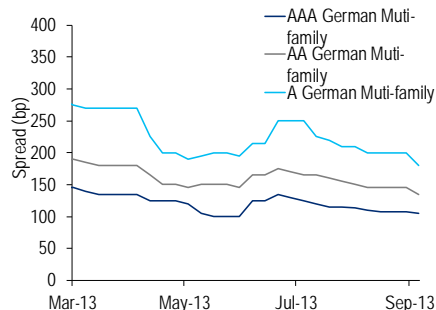
Source: Markit and Citi Research

Figure 41. AA CMBS Conduit Versus Indexes, Mar 13 – Sep 13



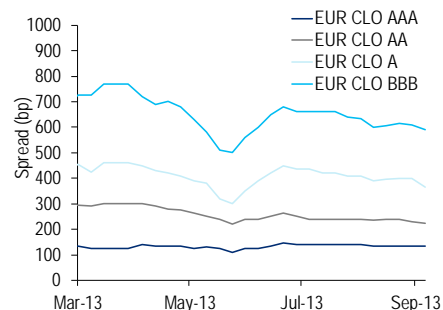
Source: Markit and Citi Research

Figure 42. German Multifamily Spreads, Mar 13 – Sep 13



Source: Citi Research

Figure 43. EUR CLO Spreads, Mar 13 – Sep 13



Source: Citi Research

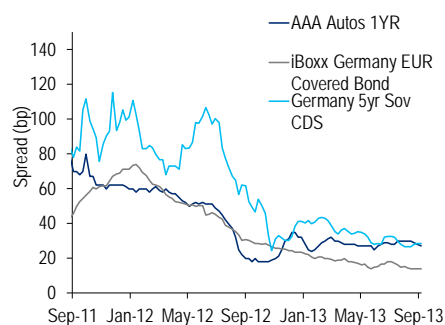
Figure 44. CMBS, WBS and CLO Spread Changes and Statistics, 2013YTD

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	105	-3	-5	-20	-	100	5	150	-45
		AAA Single Loan	200	-15	-10	40	-50	140	60	225	-25
		AAA Conduit	205	-15	-10	40	-45	150	55	225	-20
		AAA Fixed	130	0	15	5	-	110	20	225	-95
		AA German Multi	135	-10	-10	-30	-	135	0	225	-90
		AA Single Loan	240	-20	-10	40	-135	180	60	275	-35
		AA Conduit	260	-20	-15	35	-115	200	60	300	-40
		AA Fixed	165	-10	5	-10	-	155	10	250	-85
		A German Multi	180	-20	-20	-35	-	180	0	350	-170
		A Single Loan	430	-20	5	165	-270	250	180	450	-20
		A Conduit	455	-20	5	165	-245	270	185	475	-20
		A Fixed	275	-10	5	45	-	210	65	495	-220
	CLO	AAA	135	0	0	0	-	110	25	150	-15
		AA	225	-5	-10	-25	-	220	5	300	-75
		A	365	-35	-25	-55	-	300	65	460	-95
		BBB	590	-20	-10	-60	-	500	90	800	-210
	WBS	AAA	175	-10	-5	-10	-	170	5	300	-125
		AA	210	-10	-5	0	-	200	10	350	-140
		A	290	-10	-5	5	-	275	15	425	-135
		BBB	480	-15	-10	70	-	390	90	600	-120

Source: Markit and Citi Research

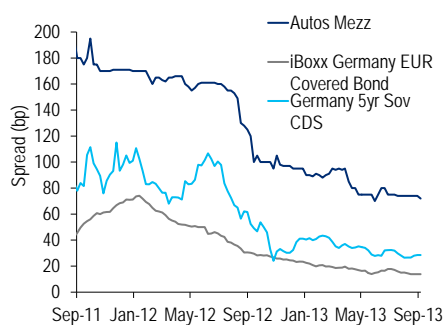
Consumer ABS Spreads and Relative Value

Figure 45. European Auto Seniors Versus Indexes, Sep 11 – Sep 13



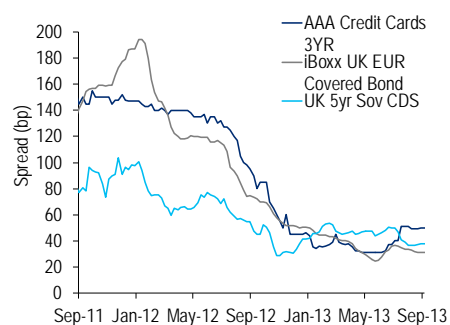
Source: Markit and Citi Research

Figure 46. European Auto Mezz Versus Indexes, Sep 11 – Sep 13



Source: Markit and Citi Research

Figure 47. UK Credit Card ABS Versus Indexes, Sep 11 – Sep 13



Source: Markit and Citi Research

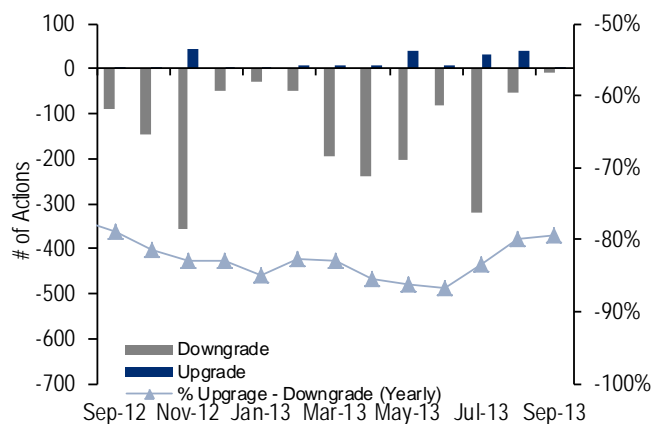
Figure 48. European Autos and UK Credit Card ABS Spread Changes and Statistics, 2013YTD

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	27	-1	-3	-1	7	24	3	32	-5
		3YR	45	0	0	3	-	38	7	45	0
		5YR	60	0	0	0	-	56	4	63	-3
		Mezz	72	-2	-2	-8	-48	70	2	95	-23
Germany	Automobile and Parts Index	iBoxx EUR Automobile & Parts	55	3	5	-3	-62	47	7	91	-36
	Covered Bonds	iBoxx EUR Germany	14	1	0	-2	-16	14	1	23	-8
	Sovereign CDS	Sovereign 5YR	28	-1	1	0	-24	26	2	43	-15
UK	Credit Cards	1YR	38	0	0	12	-	25	13	38	0
		3YR	50	0	1	18	-40	31	19	51	-1
		5YR	57	0	0	14	-33	42	15	63	-6
		Mezz	110	0	0	10	-	89	21	127	-17
	Covered Bonds	iBoxx EUR UK	31	0	-2	0	-42	24	7	50	-19
		Sovereign CDS	36	-2	-1	-12	-12	36	0	53	-18

Source: Markit and Citi Research

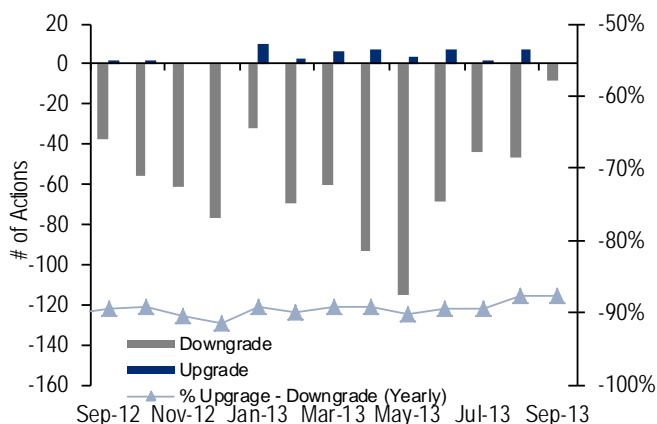
Rating Actions and Trends

Figure 49. European RMBS Rating Upgrades and Downgrades, Sep 12 – Sep 13



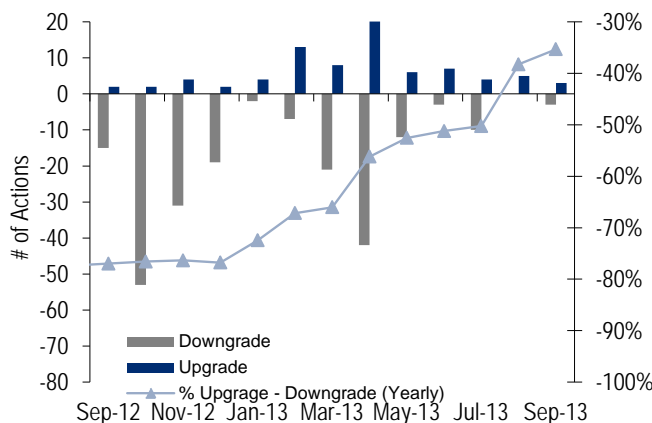
Source: Moody's, S&P and Fitch

Figure 50. European CMBS Rating Upgrades and Downgrades, Sep 12 – Sep 13



Source: Moody's, S&P and Fitch

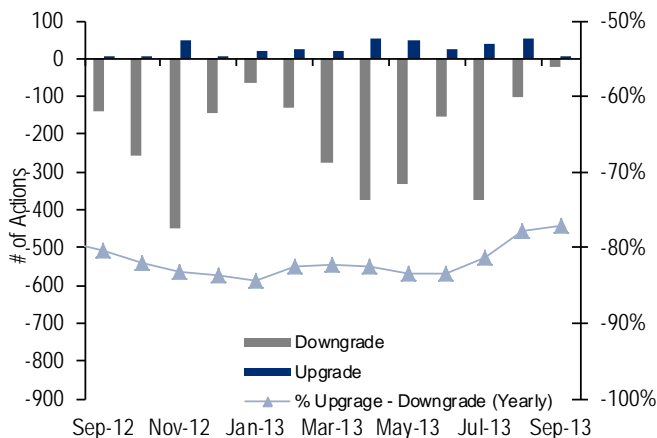
Figure 51. European ABS* Rating Upgrades and Downgrades, Sep 12 – Sep 13



* 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 52. European Total Securitized Products Rating Upgrades and Downgrades, Sep 12 – Sep 13



Source: Moody's, S&P and Fitch

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