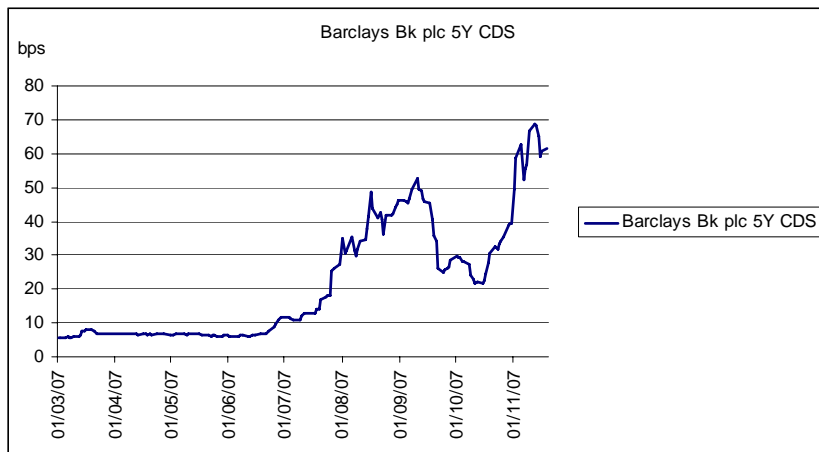


The European CMBS Market

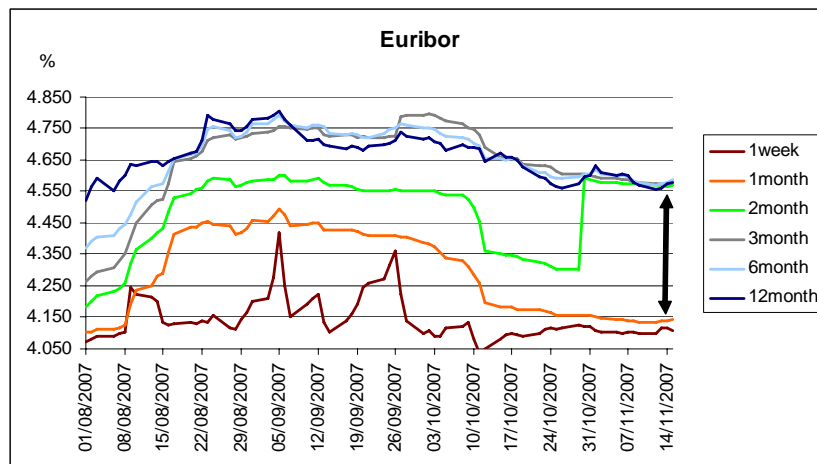
A Week in Review: 13 – 20 November 2007

No major economic indicators were published last week however ABS spreads in the market were generally wider than those seen in the previous week.

The market appeared to focus on financial institutions and their CDS spreads. Both HSBC and Barclays announced write-downs as a result of their sub-prime exposure. While these losses were expected, both Barclays' and HSBC's CDS spreads reached record highs.



As displayed below, the EURIBOR 2-month interbank lending rate shot up in the first few days of November as banks sought to lighten their balance sheets going into year-end. It is anticipated that the liquidity in the market as a whole will remain under pressure in the final few weeks of the year.

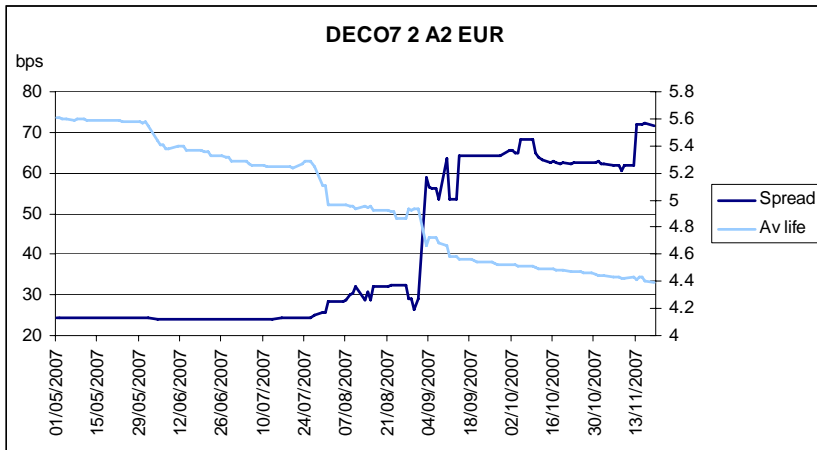


In terms of European ABS, this week saw Northern Rock in the midst of swirling speculation over potential buyers. ING has been touted as a potential acquirer and such a move could result in positive synergies for the Granite Master Trust if ING were to decide to extend its own mortgage activities.

ABS Deteriorators							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
HOLMF10 3 C1 EUR	Holmes Fing No 10 PLC	XS0262872277	213.918	23.33	BBB	PRMBS	1.661
UCH15 15 A EUR	Fondo de Titul de Activos UCI 15	ES0380957003	77.279	18.79	AAA	RMBS	4.472
PERMAN7 4 C GBP	Perm Fing NO 7 PLC	XS0215355081	222.277	16.77	BBB	PRMBS	2.826
SAECURE3 3 A EUR	Saecure 3 Bv	XS0178551825	41.129	11.28	AAA	RMBS	1.947
DECO7 2 A2 EUR	DECO 7 Pan Europe 2 plc	XS0246470214	70.242	10.52	AAA	CMBS	4.401

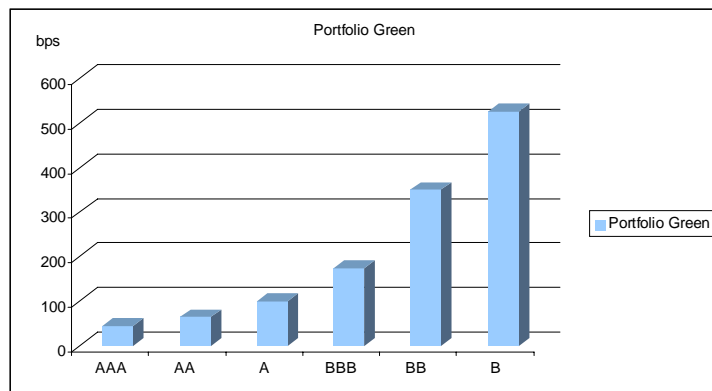
ABS Improvers							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
GRANMORT04-1 2 C EUR	Granite Mtgs 04 1 Plc	XS0184563897	236.754	-9.83	BBB	PRMBS	1.343
GRANMORT04-1 3 C GBP	Granite Mtgs 04 1 Plc	XS0184567534	218.496	-6.92	BBB	PRMBS	1.357
VELA-HOME4 4 A1 EUR	Vela Home Srl 4	IT0004101991	46.243	-1.63	AAA	RMBS	3.676
BANCAJ10 10 A2 EUR	BANCAJA 10 Fondo Titul Activos	ES0312872015	65.314	-1.28	AAA	RMBS	4.047
BBVA-AUT2 2 A EUR	Bbva Autos 2 Fondo de Titul de Activos	ES0333761007	51.708	-1.22	AAA	Auto Loan	1.455

This week's top movers, and the presence of Deco 7 Pan Europe 2, give us the opportunity to analyse the CMBS sector. The portfolio for this deal consists of 10 commercial mortgage loans secured over properties in Germany, Switzerland and the Netherlands.

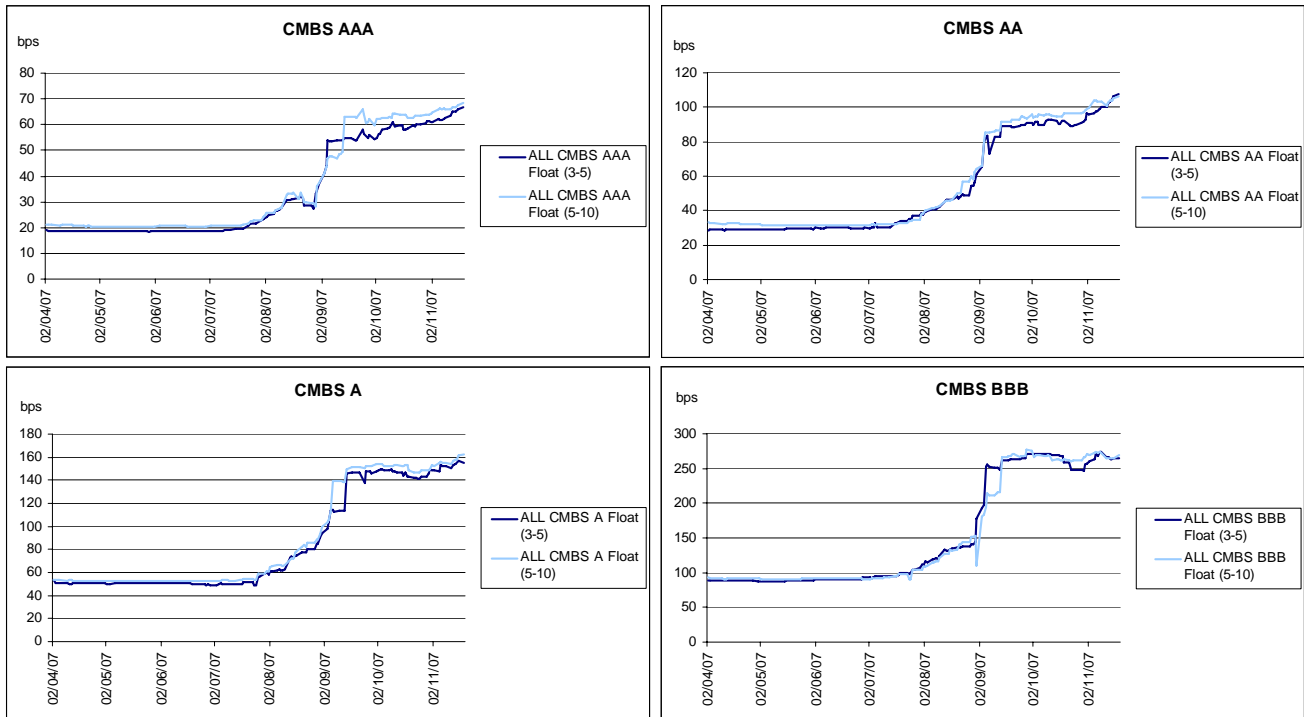


Spreads in the secondary market appear, once again, to be wider than those in the primary market if we compare the levels of Deco 7 to the recently priced Portfolio GREEN German CMBS which consists primarily of commercial mortgages despite the presence of a few residential mortgages (~20%).

	Portfolio Green (bps)	Issue Size	% of total portfolio
AAA	45	425,500	74%
AA	65	40,000	7%
A	100	40,000	7%
BBB	175	35,000	6%
BB	350	20,000	3%
B	525	16,000	3%



This is also confirmed by our CMBS sector curves which are well above the primary spreads published for the Portfolio GREEN deal:



The distortion that we see here between the primary and the secondary market is becoming a recurring feature of the European ABS market due to the fact that the secondary market is not reflective of the risk of a security but, increasingly, more reflective of where the potential buyers are ready to bid for paper in a very illiquid market.

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