

# The Dutch RMBS Market

## A Week in Review: 10 – 17 October 2007

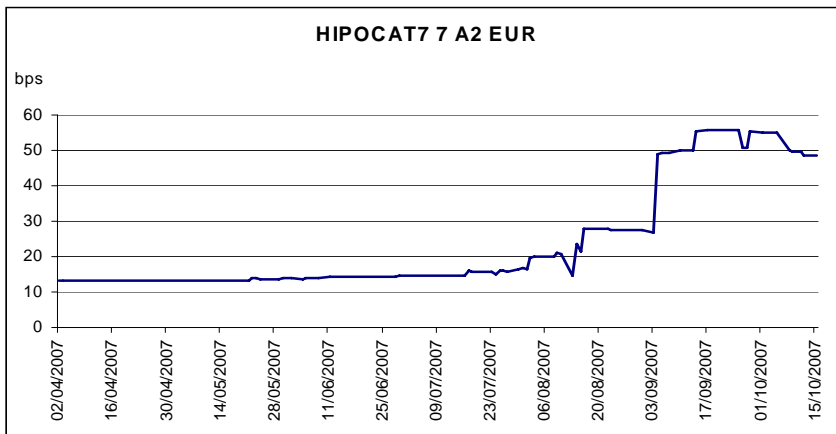
Last week, Bank of America, Citigroup and JP Morgan met to discuss the creation of a joint-venture fund to acquire qualifying assets from SIVs. Funding itself by issuing ABCP and with backing in the form of liquidity support, the vehicle will help support existing SIVs by removing some of their short term funding needs. The asset-backed market is also expected to benefit because with the existence of a joint-venture fund, the quantity of secondary paper being offered in to the general market would be expected to be less.

In Europe, just like last week, our Top 5 deteriorators are dominated by triple B Granite securities. This is due to rumours of a possible buy-out by a Virgin-led consortium. If these rumours are true and the acquisition does happen, it may trigger a rating downgrade of Granite bonds because of the role of the bank within the Master Trust.

Our Top 5 improvers are once again dominated by some Dutch and Spanish securities.

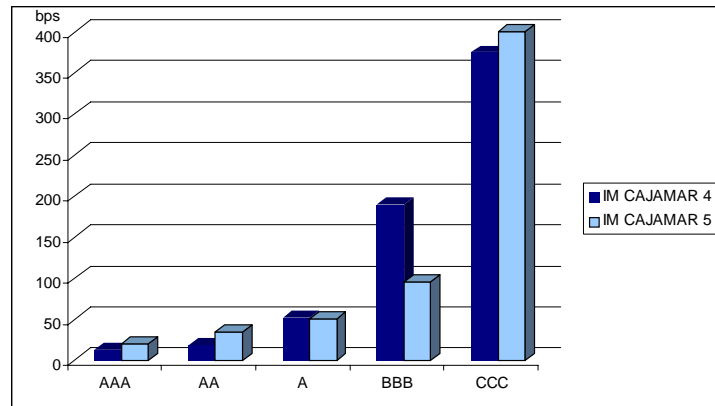
ABS Deteriorators							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
GRANMORT04-1 2 C EUR	Granite Mtgs 04 1 Plc	XS0184563897	218.133	7.66	BBB	PRMBS	1.438
GRANMAST06-3 2006-3 C3 EUR	Granite Master Issuer plc 2006 3	XS0268039699	264.639	7.43	BBB	PRMBS	5.029
GRANMORT03-3 2 C EUR	GRANITE Mtgs 03 3 PLC	XS0176410420	222.173	6.45	BBB	PRMBS	0.931
GRANMAST06-2 2006-2 C2 EUR	Granite Master Issuer plc 2006 2	XS0252430136	256.768	6.14	BBB	PRMBS	3.776
GRANMORT04-1 3 C GBP	Granite Mtgs 04 1 Plc	XS0184567534	220.156	5.83	BBB	PRMBS	1.444
ABS Improvers							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
HIPOCAT7 7 A2 EUR	Hipocat 7	ES0345783015	45.177	-7.94	AAA	RMBS	2.739
STORM61 2006-1 A2 EUR	Storm 2006 1 BV	XS0243911756	28.121	-6.23	AAA	RMBS	4.759
STORM05 1 A EUR	STORM 2006 BV	XS0219048641	28.745	-6.13	AAA	RMBS	3.716
SAECURE4 4 A EUR	SAECURE 4 BV	XS0192771516	29.517	-5.53	AAA	RMBS	3.189
FTASH3 3 A2 EUR	Fondo Titul Activos SANTANDER Hipo 3	ES0338093018	59.299	-5.19	AAA	RMBS	4.757

With a limited YoY growth in 2007 and reports of accounting irregularities at Astroc Mediterraneo the Spanish RMBS market has faced some difficulties this year. Delinquency numbers however, have not risen sharply and pool performance generally remains in line with expectations. Over recent weeks we have observed spread stabilisation followed by slight tightening as highlighted by the graph and sector analytics below.

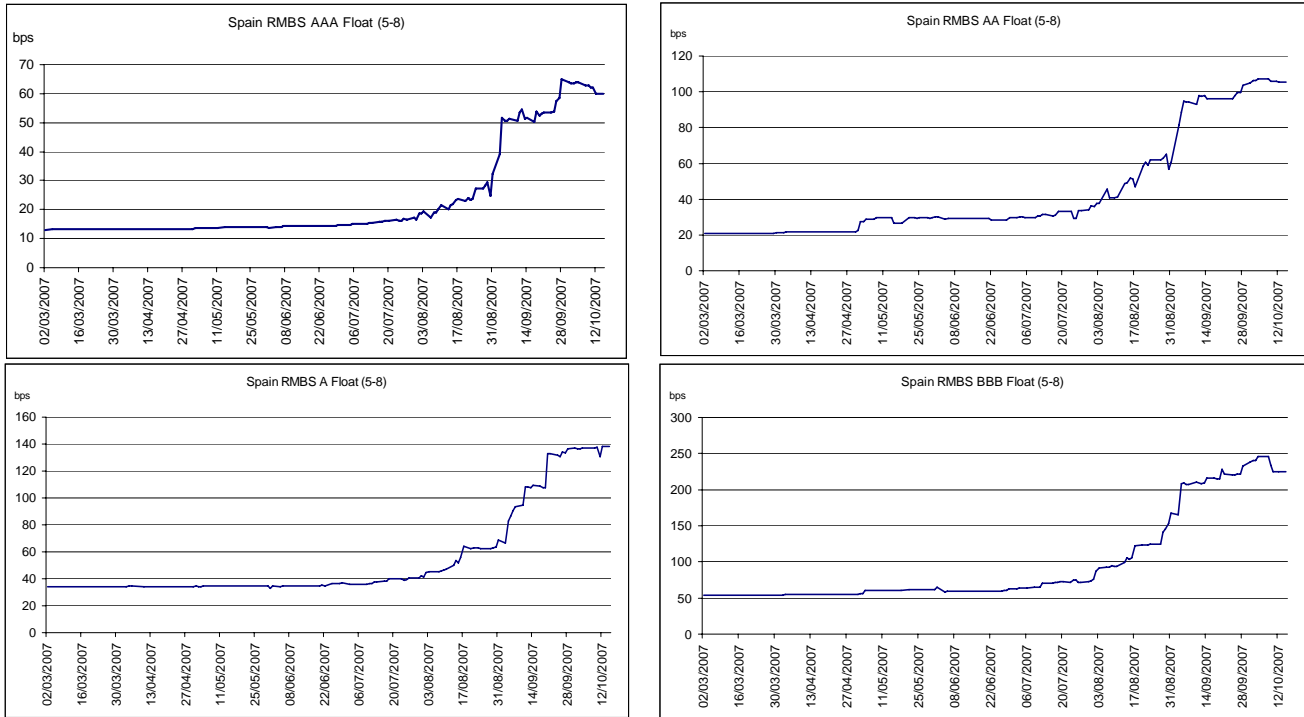


One of the latest deals to be priced in Spain was Cajamar 5 at the end of September 2007. Margins are much wider than for the previous issue from this program (September 2006) but remain reasonable. This rare primary issue shows where the primary market values Spanish RMBS risk. It should be noted however that it is totally uncorrelated to the current secondary market spreads.

Rating	IM CAJAMAR 4	IM CAJAMAR 5
AAA	13	20
AA	19	35
A	52	50
BBB	190	95
CCC	375	400



As we saw with the Dutch Market last week, the Spanish spreads are stabilising or even tightening but still remain some of the widest in Europe.



Investors should continue to observe this market because of the unpredictability of factors such as YoY growth and interest rates, however with current spreads double what they were in 2002 - the worst period in terms of personal indebtedness and house prices and given that the primary market is indicating margins are too wide, we should expect to see spreads tighten in the near future.

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