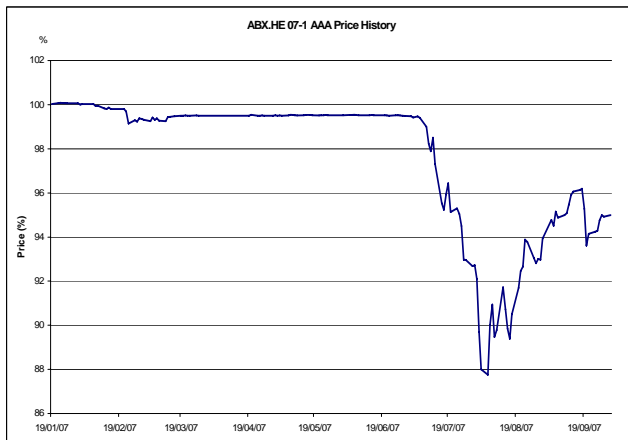


U.S. Synthetic Indices

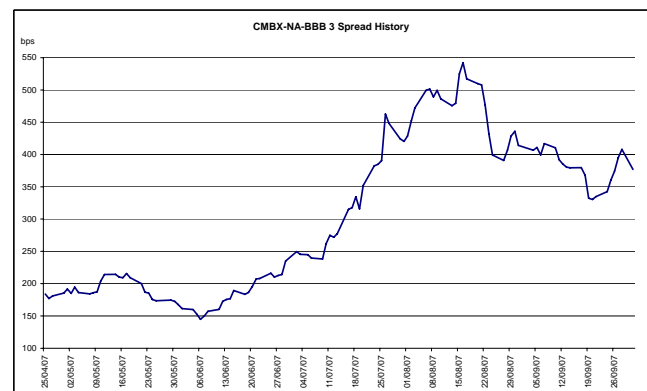
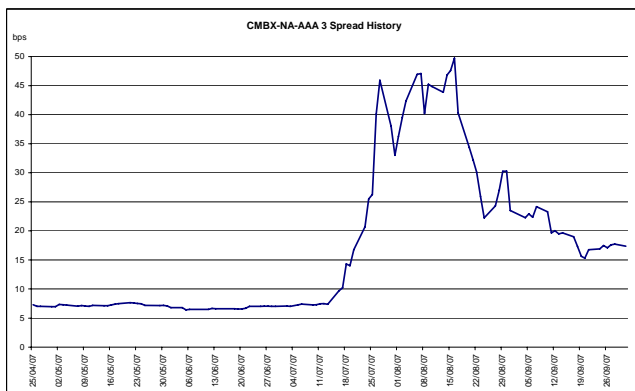
A Week in Review: 26 September – 03 October 2007

ABX.HE is a synthetic index of U.S. home equity asset backed securities that provides market participants with a liquid, standardised product to go long or short the U.S. home equity ABS market. Since their launch in January 2006, the ABX indices have become a widely traded and closely watched indicator of the health of the North American sub-prime market. The ABX.HE BBB and BBB- sub-indices have largely traded under par and last week, on 28 September, the ABX.HE.BBB-.07-1 closed at a record low of 29.39 cents on the dollar.

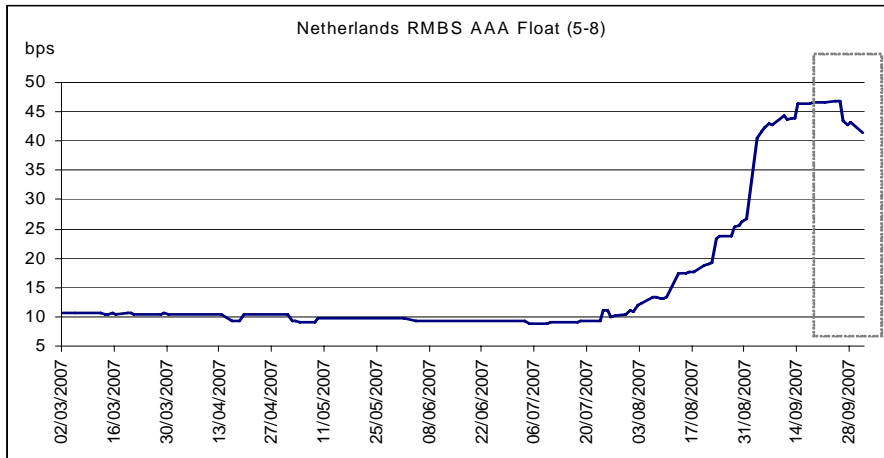
For the past several months, the price of the ABX.HE indices has been dropping dramatically. More recently, however, the AAA, AA and A sub-indices have staged a marked recovery compared to the BBB and BBB- sub-indices. As demonstrated in the charts below, ABX HE.AAA.07-1 has recovered almost 58% of its losses since an all time low of 87.75 on 6 August this year:



The CMBX indices – which reference U.S. commercial mortgage backed securities – have experienced a recovery across both the senior and subordinated sub-indices. As illustrated by the charts below, from an all time high on 16 August, spreads have tightened by 32 bps and 134 bps on the AAA.3 and BBB.3 indices respectively.



In Europe, the securitisation markets experienced one of their most positive weeks in the last two months. However, just as their recent poor performance cannot be explained by any major delinquencies or any reported negative growth, last week's rally cannot be explained by any major positive macroeconomic announcement. It would appear that Europe is simply mirroring the performance of U.S. markets. The Dutch market saw spread tightening and deals being priced (which remained on balance sheet):



Given the gradual improvement of market sentiment, we expect the European market to stabilise in the coming weeks.

ABS Deteriorators							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
HOLMF10 3 M1 EUR	Holmes Fing No 10 PLC	XS0262871386	105.207	21.76	A	PRMBS	1.815
HOLMF10 3 M2 GBP	Holmes Fing No 10 PLC	XS0262876930	104.547	21.38	A	PRMBS	1.815
GRANMAST05-1 2005-1 M2 EUR	Granite Master Issuer plc 2005 1	XS0210929757	138.669	17.21	A	PRMBS	2.479
HOLMF10 3 C2 GBP	Holmes Fing No 10 PLC	XS0262878126	172.971	16.7	BBB	PRMBS	1.81
MOUNDFIN3 1 C2 EUR	Mound Fing NO 3 PLC	XS0166574680	172.552	16.64	BBB	PRMBS	0.875
ABS Improvers							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
EMERMORT4 4 A EUR	Emerald Mtgs No 4 plc	XS0260593727	43.782	-11.18	AAA	RMBS	4.487
PERMANFIN9 9 5A GBP	Perm Fing No 9 Plc	XS0248268137	37.338	-4.79	AAA	PRMBS	4.954
EMACNL05-1 2005-1 A EUR	E MAC NL 2005 I BV	XS0216513118	47.177	-4.76	AAA	RMBS	3.908
HOLMMAST07-1 2007-1 3A2 EU	Holmes Master Issuer PLC 2007 1	XS0292750253	48.512	-4.25	AAA	PRMBS	3.545
GRANMAST05-4 2005-4 A6 GBP	Granite Master Issuer plc 2005 4	XS0229614465	61.03	-3.77	AAA	PRMBS	4.88

Philippe Pagnotta

ABS Analyst, Structured Finance

Markit

Tel: +44 20 7260 2214

Email: philippe.pagnotta@markit.com

For more information on Markit's ABS products, please contact: sfsales@markit.com

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