

The European ABS Market

A Week in Review: 01 – 14 April 2010

European ABS Pricing and Sectors

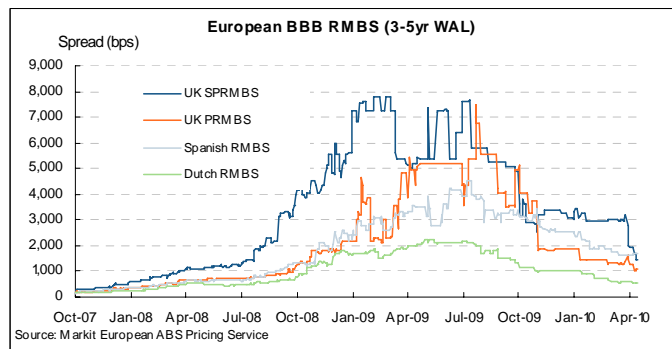
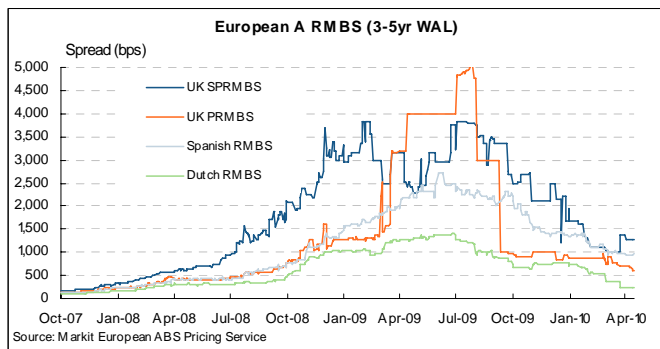
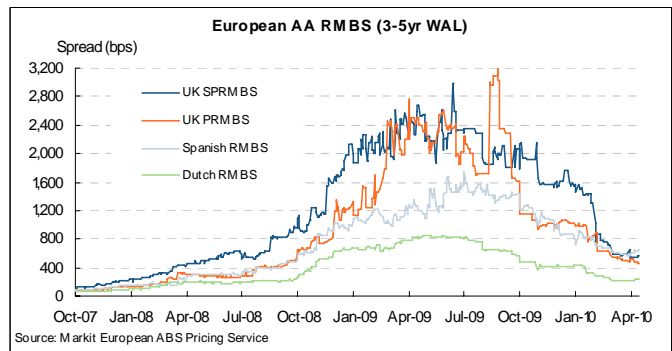
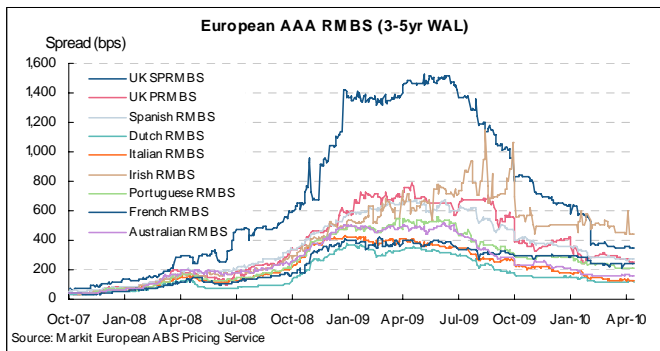
Over the last two weeks most of the senior tranches have remained unchanged. It seems that the attention of the ABS investors is now on mezzanine and junior tranches as price improvement has been seen only in this area. It is interesting to mention that today, compared to a year ago, the B tranche of a deal, in general, is traded at a similar price to where the A tranche was traded a year ago.

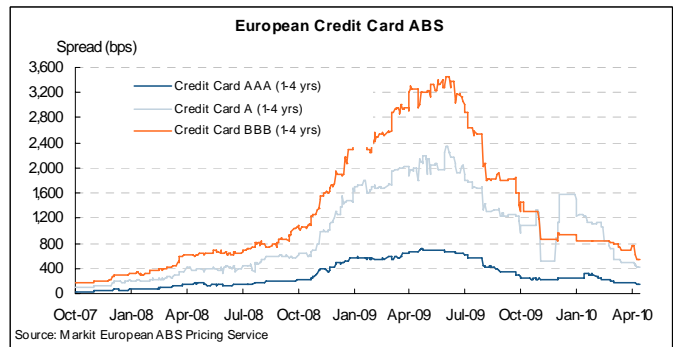
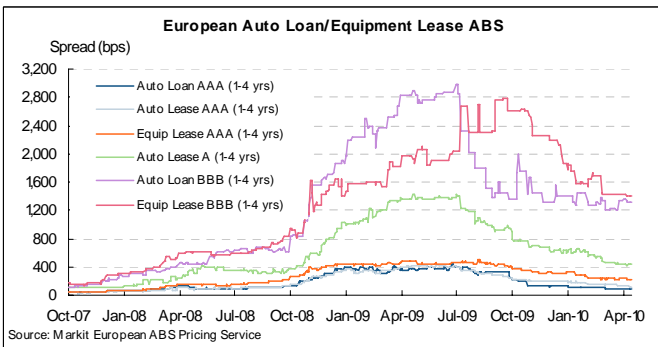
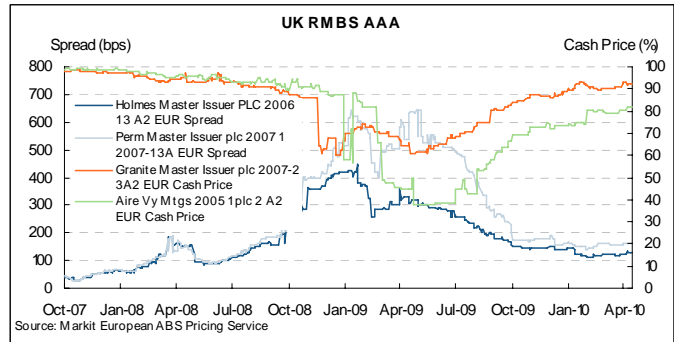
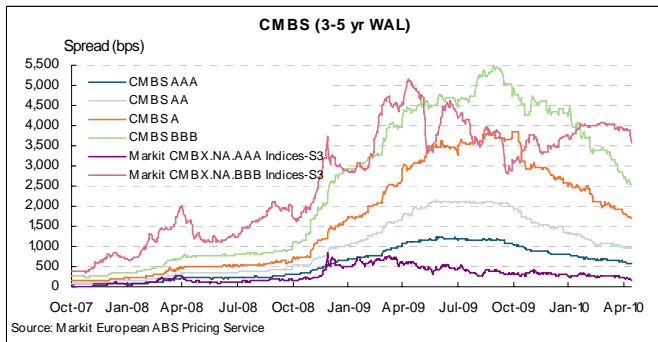
As of today Granite AAA, AA, A and BBB are traded respectively at 91.75, 75, 62 and 40.

Dutch RMBS AAAs are now in the 95 basis points area and UK Prime AAAs are at 120 basis points. CMBS cash price are still improving. The most notable sector curves improvements are from BBB UK Non-Conforming, UK Credit Card and Auto ABS.

Regarding the Greek RMBS we are not able to provide AAA curves since most of the senior tranches have been downgraded and are now traded at 425 basis points.

With interest rates still remaining stable and low, residential and commercial property price still increasing, and the Greek situation starting to be more certain, it seems that Q2 of 2010 could be another quarter where we should expect spreads to tighten.





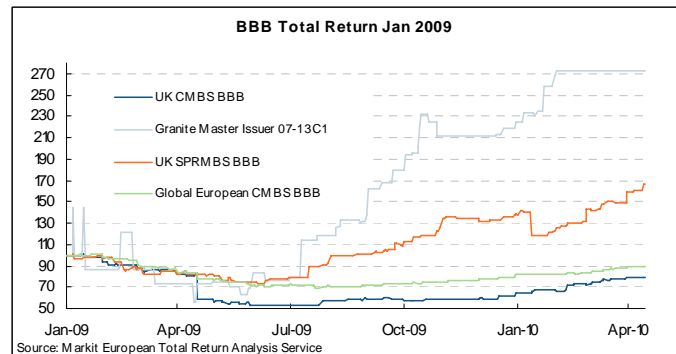
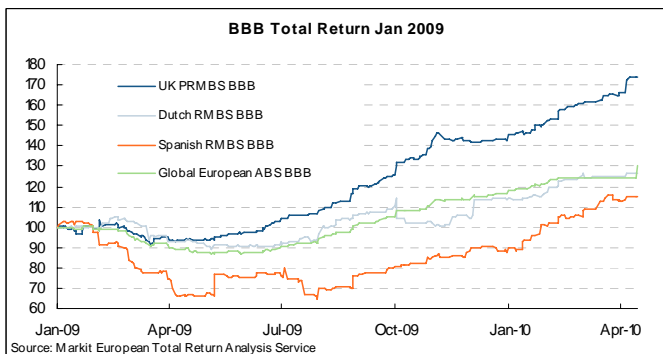
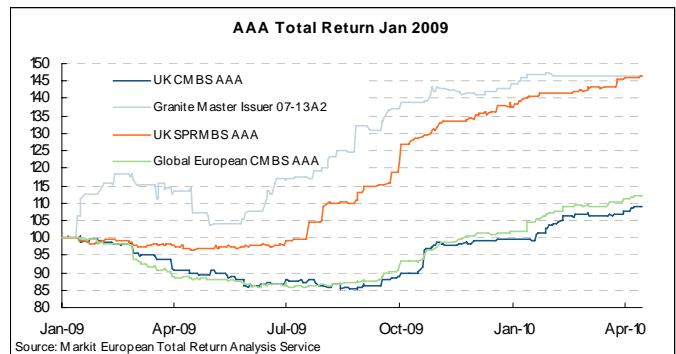
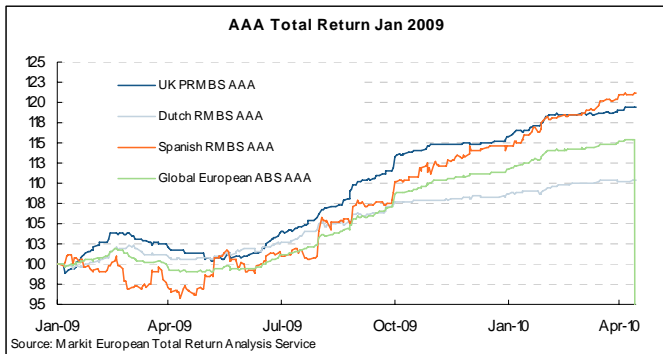
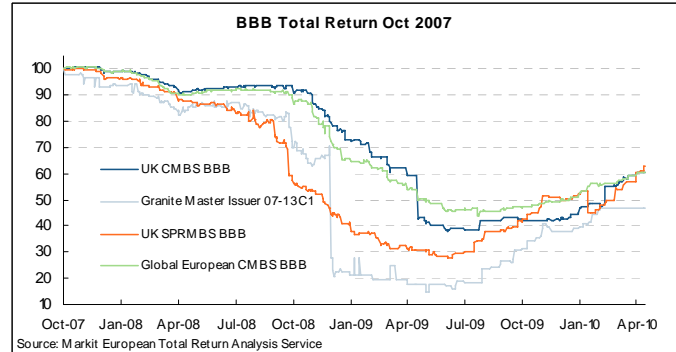
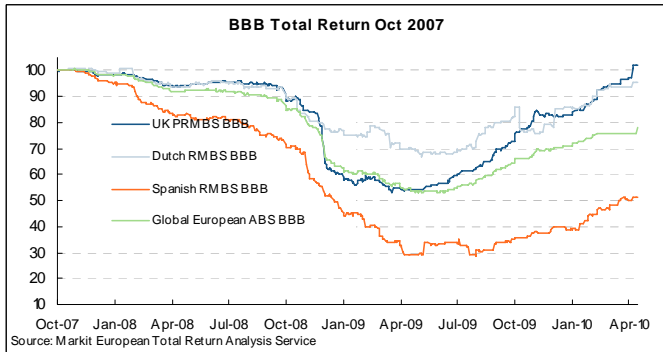
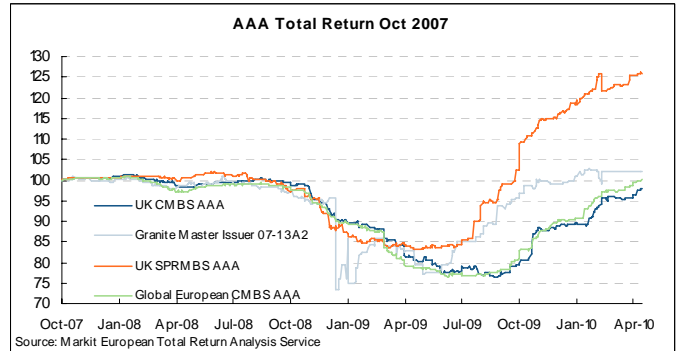
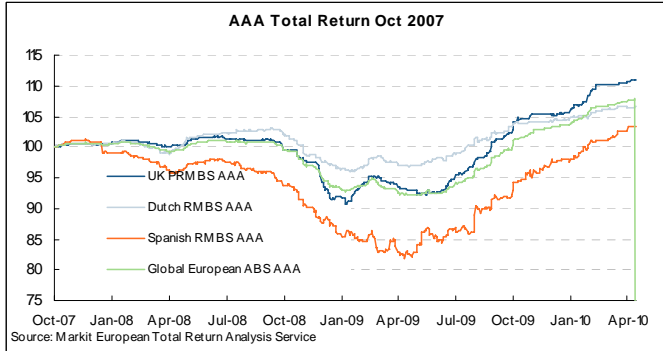
Top 5 Price Movers

The only securities where we saw some spread widening are mainly Spanish, Irish and UK Non-conforming RMBS. The improvers are UK Prime, Dutch, Italian RMBS and Credit Card ABS.

Top 5 ABS Improvers (Source: Markit European ABS Pricing Service)										
Deal Name	Series	Class	Ccy	Isin	Spread (bp)	Change (bp)	Rating	Sector	Avg Life(yr)	
Chester Asset Recs Dgs Issuer Ltd	1	A	GBP	XS0197427924	149	-21.67	AAA	Credit Card	1.3	
Chester Asset Recs Dgs 2004 1 PLC	UK2004	A	GBP	XS0188611783	146	-21.67	AAA	Credit Card	3.8	
IM PASTOR 2 Fondo Titul Hipo	2	A	EUR	ES0347861009	303	-19.68	AAA	RMBS	3.3	
Granite Master Issuer plc 2006 4	2006-4	A4	GBP	US38741YDB20	268	-19.53	AAA	PRMBS	3.3	
Granite Master Issuer plc 2006 2	2006-2	A4	GBP	US38741YBR99	267	-19.53	AAA	PRMBS	3.3	
ABS Deteriorators (Source: Markit)										
Deal Name	Series	Class	Ccy	Isin	Spread (bp)	Change (bp)	Rating	Sector	Avg Life(yr)	
Vela Home Srl 1	1	A2	EUR	IT0003473755	139	29.38	AAA	RMBS	1.9	
Rural Hipo VIII Fondo de Titul de Activos	8	A2a	EUR	ES0366367011	287	28.45	AAA	RMBS	6.1	
Kildare Secs Ltd	2456	A2	USD	XS0286335210	302	27.50	AAA	RMBS	1.5	
Fondo de Titul Hipo Hipotebansa IX	9	A	EUR	ES0338676002	243	24.31	AAA	RMBS	1.6	
Southern Pacific Secs 06 1 plc	2006-1	A2A	EUR	XS0240948397	351	20.73	AAA	SPRMBS	2.8	

European Total Return

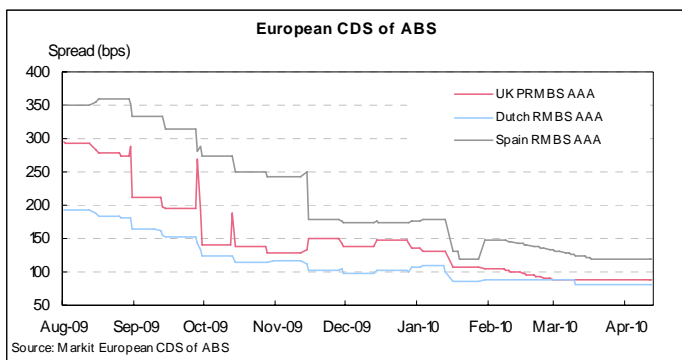
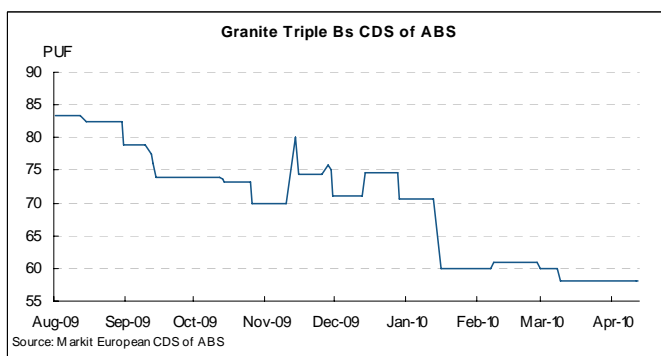
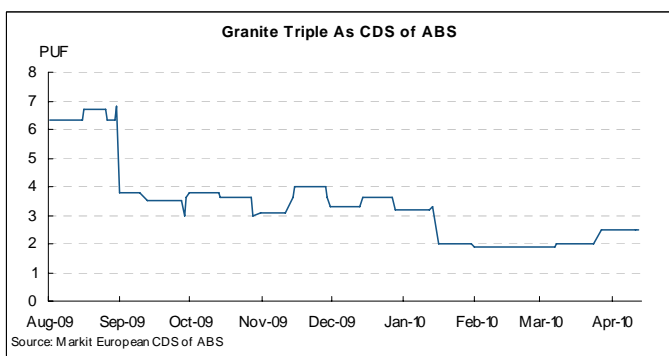
Our total return curves are still not affected by delinquencies and are directly correlated to the cash price improvement of these securities.



European CDS of ABS

Synthetic levels have remained unchanged since last month. There is still not much activity to report on this market.

European CDS of ABS AAA (Source: Markit European CDS of ABS Service)									
Deal Name	Series	Class	Currency	Isin	Levels (24Mar10)	Levels (15Apr10)	Cash Levels	Basis	
Arkle Master Issuer plc Series 2006-2	2006-2	3A2	EUR	XS0277508692	90	90	115	-25	
Delphinus 2006-1 B.V.	2006-1	A	EUR	XS0256323972	90	90	120	-30	
Permanent Master Issuer plc Series 2007-1	2007-1	3A	EUR	XS0288090342	115	115	130	-15	
Gracechurch Mortgage Financing plc 2007-1	2007-1	3A2	EUR	XS0302999064	100	100	115	-15	
Holmes Master Issuer PLC Series 2007-1	2007-1	3A2	EUR	XS0292750253	85	85	105	-20	
Granite Master Issuer plc Series 2007-2 Notes	2007-2	3A2	EUR	XS0298974840	3 (%) + 50dm	2.5 (%) + 50dm	92	-4(%)	
Bankinter 14, Fondo de Titulizacion Hipotecaria	14	A2	EUR	ES0313271019	190	190	230	-40	



Primary Market and Rating Actions

Interestingly the only deal priced over the last two weeks was public: Storm 2010-1 which is another Dutch RMBS. The two senior tranches, A1 and A2, were priced at respectively 80 and 100 basis points and both were successful since they are now traded at respectively 70 and 95 basis points. With the very low activity in term of private placements, it seems that more issuers are working to publicly place their new deals.

Primary Market (Source: Markit European ABS Performance)					
Deal	Country/Sector	Class	Av Rating	Spread (bp)	Amount (€ mn)
Storm 2010-1	Dutch/RMBS	A1	AAA	80	240
		A2	AAA	100	703
		B	AA	n.a	30
		C	A	n.a	16
		D	BBB	n.a	20
		E	n.a	n.a	10

Despite still seeing a significant number of downgrades it is important to note that more and more deals are getting upgraded.

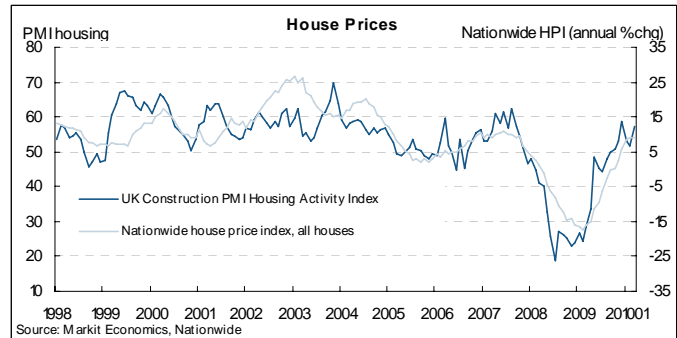
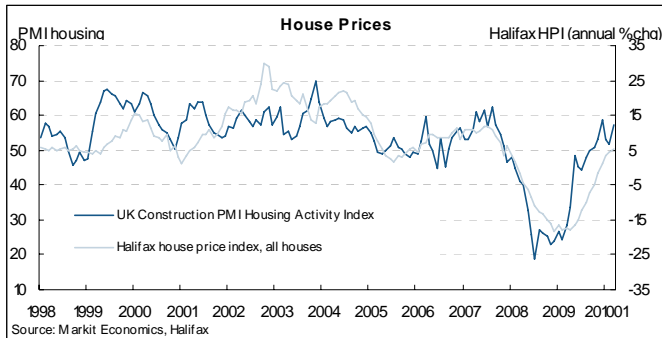
Deals Affected by Rating Actions (Source: Markit European ABS Performance)		
Deal	Country/Sector	Action
Alburn Real Estate Capital 6	UK/CMBS	Downgraded
Anaptyxi SME	Greek/SME CLO	Downgraded
Axia Finance I, III	Greek/SME CLO	Downgraded
BBVA Autos 2	Spanish/Auto ABS	Downgraded
Daneion 2007-1	Greek/ABS	Downgraded
Epic Brodie	UK/CMBS	Downgraded
Gaia Lease	Greek/ABS	Downgraded
GAT FTGENCAT 2005	Spanish/SME CLO	Upgraded
German Residential Asset Note	German/CMBS	Downgraded
Irida 2009-1	Greek/ABS	Downgraded
Kion Mtge Finance I, II, III	Greek/RMBS	Downgraded
Opera Finance	UK/CMBS	Downgraded
Pan European Indu Properties IV	UK/CMBS	Upgraded
Praxis Finance I, II	Greek/SME CLO	Downgraded
Preferred Residential Sec 7, 8	UK/SPRMBS	Upgraded
Santander Consumer Spain Auto 07-1	Spanish/Auto ABS	Downgraded
Southern Pacific Securities 04-2	UK/SPRMBS	Upgraded
Southern Pacific Securities 06-1	UK/SPRMBS	Downgraded
Themelion I, II, III, IV, V, VI	Greek/RMBS	Downgraded
Titan Europe 2006-2	UK/CMBS	Downgraded
VCL 8	German/Auto ABS	Upgraded
Windermere XI	UK/CMBS	Downgraded

Economics Data

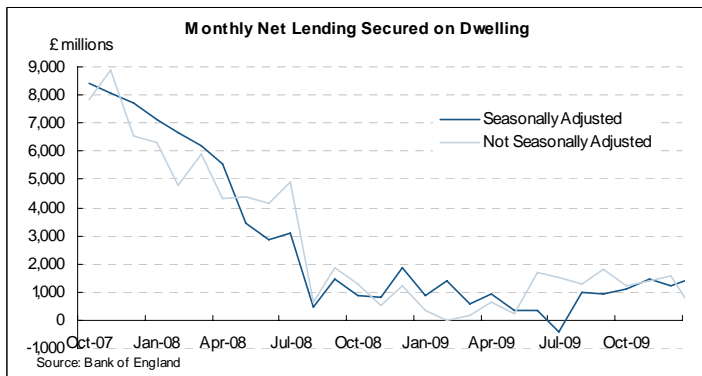
The Nationwide Housing Index month on month decrease of February 2010 of 0.8% has been cancelled by a 0.7% increase in March. The year on year is now showing a 9% growth.

Halifax Housing Index reached a year on year growth of 5.2% after a month on month growth of 1.1%.

These improvements are confirmed by Markit Construction PMI which hit a strong 53.1 mainly due to the Housing Activity (57.3) and the Commercial Activity (53.9).



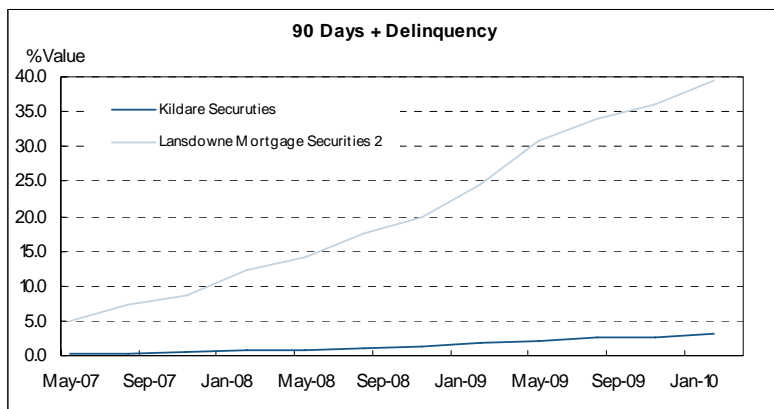
Despite these improvements the monthly Lending Secured on Dwelling are remaining low for both the seasonally and not seasonally adjusted curves.



ABS Performance Highlight: Irish RMBS

News coming from within Ireland seems to suggest that the economy is on the road to recovery, Consumers are beginning to spend again, while house prices are starting to stabilise, or even rise as is the case in Dublin. The KBC Ireland/Economic and Social Research Institute (ESRI) consumer sentiment index rose to 61.9 in March compared to 59.4 from February. With the better news potentially to come in the economy, we have an update on the Irish RMBS sector, which follows on from our August 09 issue.

We will follow up with Lansdowne Mortgage Securities No.2 issued in December 2006 and Kildare Securities Limited issued in March 2007.



We can see from the delinquency graph that worryingly the 90 days + delinquencies for Lansdowne has continued to increase, from 30.93% to 39.36% and the total percentage of delinquencies stood at 50% as of the end of February report. Kildare Securities has also seen an increase in delinquency rate, however it is not as worrying for the overall pool performance; current 90 days + delinquencies sit at 3.2%.

With just under €2 billion still left in outstanding assets, we see that no losses have been incurred as of yet. However, we are now starting to see properties repossessed with the deal. Currently, 5 loans are in repossession for balance of €1.7 million. However, with an excess spread of 0.54 per cent and a reserve fund of €41 million (2.16% of the outstanding pool balance) the level of support for the deal is still high, should any losses be incurred from the repossessed properties.

Lansdowne with a much higher delinquency rate which has seen many pass through into repossessions, current outstanding repossession are 39 loans for a balance of €8.3 million. These have led to a cumulative loss value for the deal of just over €2.2 million. The excess spread for the deal is currently covering any losses with the current excess spread at 0.22%; however, this is decreasing over time. The reserve fund for the deal is still intact at €5,250,000, or 2.23% of the outstanding pool balance.

The progress of the transactions shows that the Lansdowne deal continues to deteriorate. For the moment the deal has enough credit protection, however, with increasing delinquencies and falling excess spread there still could be a negative impact on the bonds. Kildare continues to show robust performance with good level of credit support for any future issues.

Philippe Pagnotta

ABS Analyst, Structured Finance

Markit

Tel: +44 20 7260 2214

Email: philippe.pagnotta@markit.com

David Bruce

ABS Analyst, Structured Finance

Markit

Tel: +44 20 7260 2112

Email: david.bruce@markit.com

Roman Kalyuzhny

ABS Analyst, Structured Finance

Markit

Tel: +44 20 7260 2203

Email: roman.kalyuzhny@markit.com

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

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