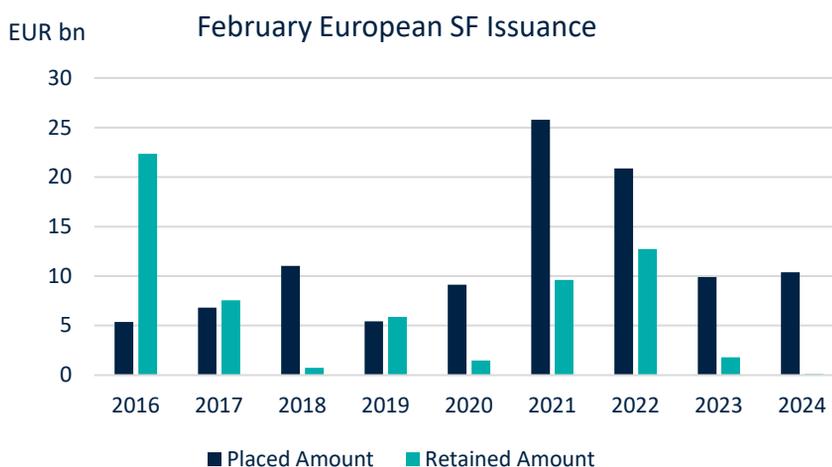


European Structured Finance February 2024 in Review

- ❖ Uptick in CLO activity drives February's deal count
- ❖ RMBS market (all UK) and auto ABS contribute three deals each
- ❖ Disinflation trend continues but certain measures of price levels remain sticky
- ❖ Focus moves to March central bank meetings

- In February, 24 deals were recorded as placed with investors for around EUR10.4bn. Not all were new issues, however, as in the CLO sector a reset, a refi and a reissue priced while three more managers sold Class F delayed draw tranches. There were, however, 11 new CLOs making it the busiest month since March 2022 by volumes (EUR4.47bn).
- Three auto ABS priced too, with deals out of Germany, Finland and the UK. There were also three UK RMBS. Two were backed by newly originated owner-occupied and BTL mortgages, while the third deal represented the second refinancing of a batch of legacy mortgages sold by UKAR back in 2018. A Belgian/Luxembourgish consumer loan ABS completed the set.
- As with January's deals, issuers attracted strong demand for mezzanine paper with several tranches printing well inside IPTs. Final order books were pared back in some instances as originators took those final steps tighter, but not to the detriment of transactions.
- CLO spreads have been maintained at the tightest levels seen this year. Triple As are around the 150bp mark while Single B printed at 900bp are massively inside the wides of 1500bp seen last year. More managers are contemplating delayed draw note sales, with the tightest pricing achieved so far being 800bp for these Single B tranches.
- In broader market news, central bankers remained keen in February to talk down hype of rate cuts, and MPC meeting minutes reflected this. US inflation data, via the PCE measure, edged lower as forecast and while the GDP figure was revised lower it was still robust. The US labour market remains strong too with jobless claims stable.
- In the EU, wage growth peaked in Q4 2023. However, services inflation remains sticky and the latest CPI print added weight to the argument of delaying rate cuts, as headline HICP in February was above forecast at 2.6%, although still below 2.8% previously. Core HICP was 3.1% from 3.3%, and above the 2.9% expectation. Wage growth did at least ease back in Q4 2023 from its peak in the previous quarter. Attention now switches to the March meetings, with the ECB due on 7th the Fed on the 20th and the Bank of England on the 21st.

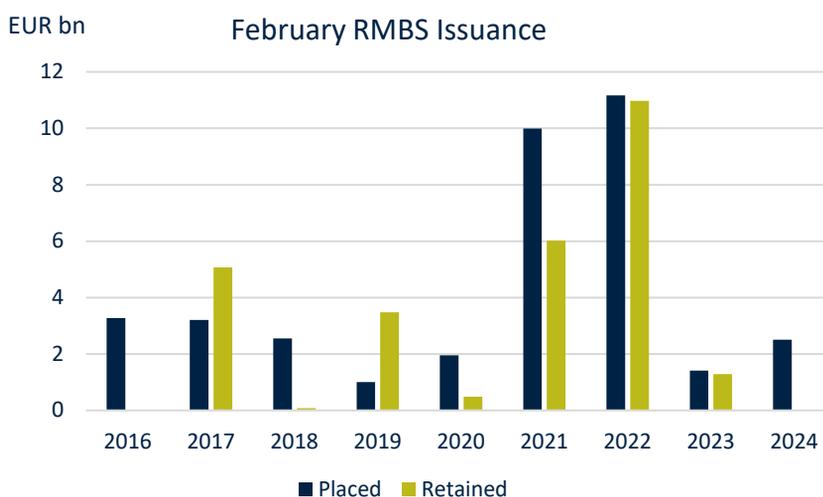


Source: IGM

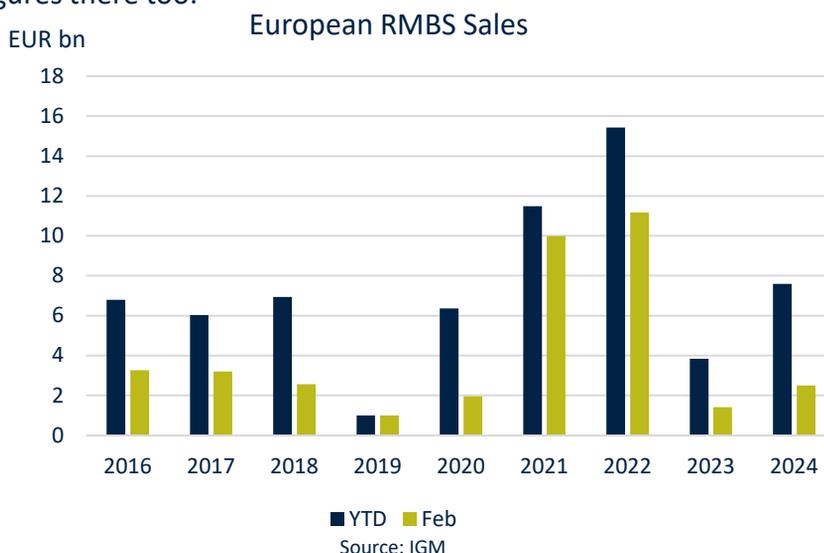
UK Focus For RMBS

- ❖ UK trio accounts for all RMBS in February, and nine of ten deals YTD
- ❖ Supply volumes marginally ahead of January
- ❖ YTD supply lagging peaks achieved in 2021 and 2022 by some margin

- Three UK deals accounted for RMBS supply in February. Two were new issues, from West One Secured Loans Limited and UK Mortgage Lending Ltd. The third was a refi of legacy loans mainly originated by Bradford & Bingley first sold by UKAR in 2018. Barclays was the sponsor.
- Elstree Funding No.4 pooled second-lien owner-occupied and first lien BTL loans, and Polaris 2024-1 was backed by non-conforming owner-occupied and BTL mortgages. The refinancing was Durham Mortgages A.
- February RMBS sales hit EUR2.5bn equivalent, versus January's EUR2.7bn. Little paper was retained, unlike in February 2022 (EUR11.2bn). 14 RMBS have priced YTD, of which four have been retained in full (all in January). Of the ten deals placed, nine have come from the UK so that anticipated increase in prime EUR supply to refinance TLTRO has not materialized yet.



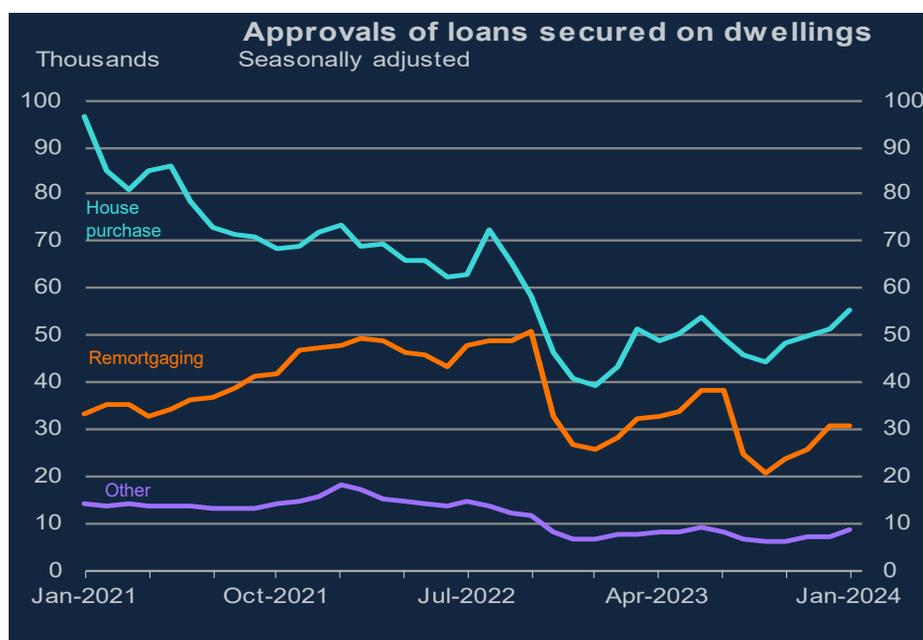
- YTD RMBS sales reached EUR7.6bn, more than double the EUR3.8bn in 2023. However, February 2024's figures are skewed by the Durham preplaced refi, which was close to GBP1.3bn. The year's of 2021 and 2022 stand out, but large preplacements had an outsized affect on the figures there too.



Early Optimism For Mortgage Markets?

- ❖ UK mortgage approvals at 15-month high in January
- ❖ UK house prices show first annual rise since January 2023
- ❖ ECB lending survey shows anticipation of first net demand growth since Q1 2022

- UK mortgage approvals, an indication of future housing market activity, rose 7% in January 2024 to 55,227, the highest since October 2022 (Bank of England). The effective rate on new mortgages also ticked lower. Lender Nationwide, meanwhile, reported a 1.2% y-o-y increase in house prices, the first annual rise since January 2023 as lower rates instilled a little optimism into the housing market at the start of the year.



Source: Bank of England

- The ECB’s bank lending survey also showed an improving tone in the housing sector. The ECB said banks had underestimated the decline in demand for mortgages since Q4 2022 but expected an improvement in net demand in Q1 2024, the first positive reading since Q1 2022.

Changes in demand for loans to households for house purchase, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



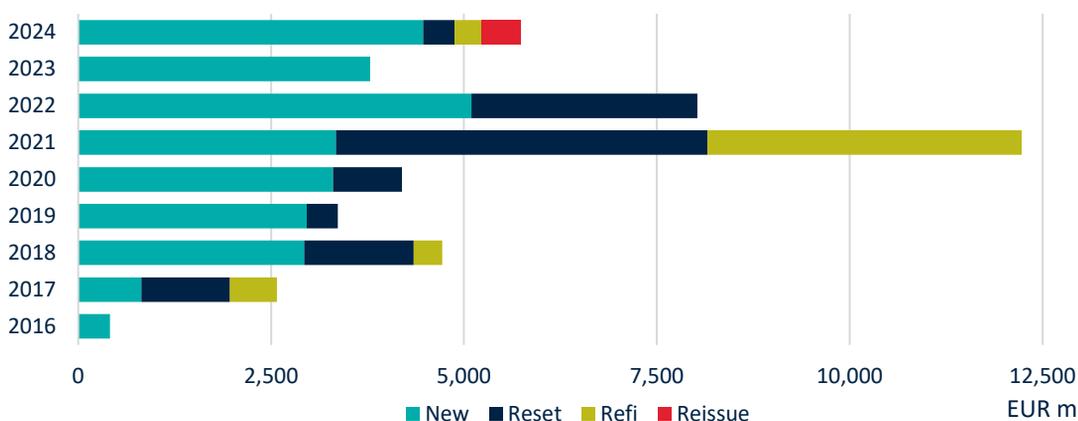
Source: ECB

Busiest Month For CLOs Since March 2022

- ❖ Eleven new CLOs make for highest volumes since March 2022
- ❖ YTD supply at EUR5.8bn in highest January/February total since GFC
- ❖ Supply includes 10 reinvestment and one static deal

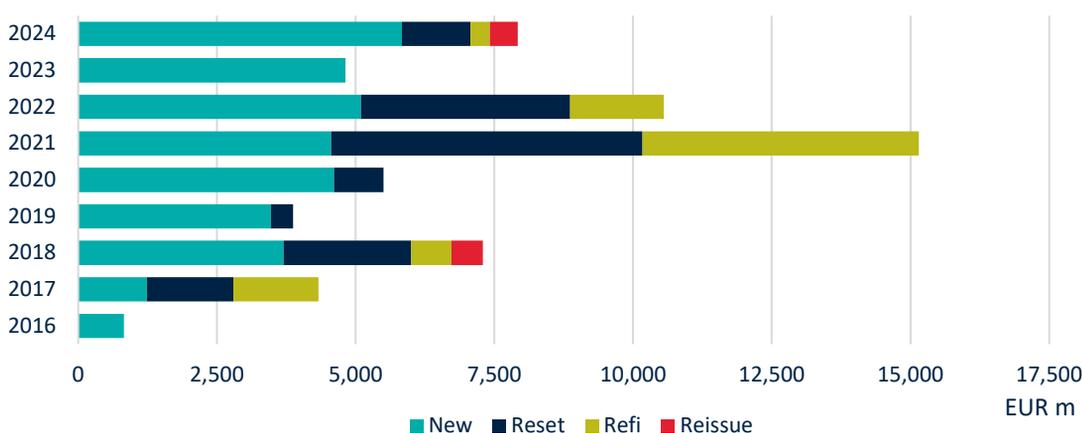
- Eleven new issue CLOs priced in February for EUR4.47bn (busiest since March 2022 when EUR4.7bn priced), including the first static trade of 2024, taking the YTD total to EUR5.837bn from 14 transactions. There were also one each of a reset, refinancing and reissue, while three managers took the opportunity to sell previously not offered delayed draw Single B notes. The refinancing was the first since January 2022.
- February supply included the tightest CLOs for two years, in both the reinvestment and static sectors. Avoca CLO XXIX, RRE 17 and CVC Cordatus Loan Fund XXX all printed with Triple As at 148bp. The static Palmer Square European Loan Funding 2024-1 came at 125bp.

February Euro CLO Issuance by Type



- Despite the pick-up in CLO activity in February, the EUR4.47bn total still lags the EUR5.1bn placed in February 2022. There were no deals in January that year, and so the 2024 YTD total of EUR5.8bn is the highest for the opening two months since the crisis. Even in the record breaking 2021, with the year ended with EUR38.6bn, the January and February supply totaled EUR4.56bn.

YTD Euro CLO Issuance



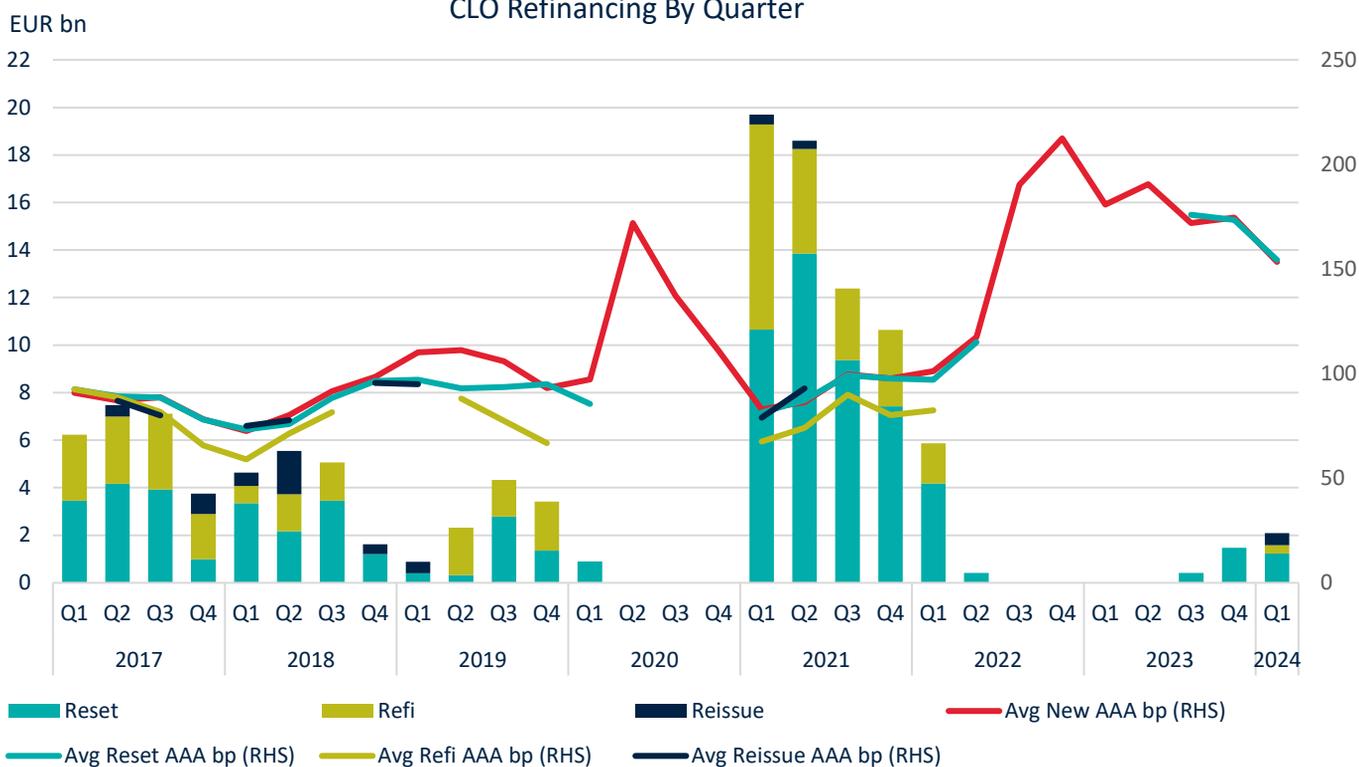
Source: IGM

Triple A Average At Two-year Tight

- ❖ Tightening trend maintained
- ❖ Repricing activity picks up, hitting EUR2bn YTD to exceed whole year 2023 total
- ❖ One each in reset, refi and reissue

- So far this year, new issue Triple A tranches on reinvestment deals have averaged 153.46bp. In Q4 2023 the average was 174.6bp, marginally higher than the 172bp in Q2 but below the 190.6bn in Q2 and 180.8bp in Q1 2023.

CLO Refinancing By Quarter



Source: IGM

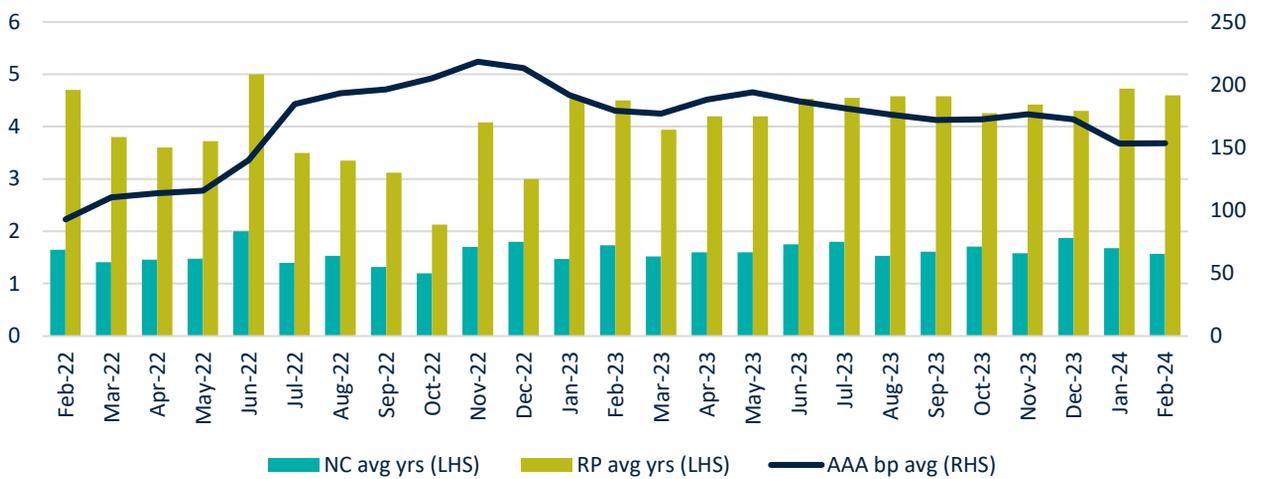
- The chart above shows how repricing activity surged in Q1 and Q2 2021 as spreads returned to the lowest level for several years after a Covid-related spike in mid-2020. However, throughout 2022 markets were hit by several destabilizing events. But in recent months, the latest tightening episode has allowed managers to reprice certain high coupon deals launched in 2022 and 2023. This started with Triple As pricing over 200bp, reset in the mid-150s.
- Repricing activity has been on an upward trend since Q3 2023, touching the EUR2bn mark this year. This is the highest amount since Q1 2022 (pre Russia’s invasion of Ukraine) and more than the whole of 2023.
- So far this year, EUR1.236bn of resets have been priced, alongside a EUR348.5m refinancing and a reissue of a fund for EUR502.5m. The refi and reissue were both in February, while a EUR410.4m reset printed this month following EUR825.6m from two deals in January.
- In 2021, EUR61.3bn of deals were repriced (EUR41.3bn of resets, EUR19.3bn of refinancing and EUR767m of reissuance).

CLO Price Range Narrows

- ❖ New issue Triple As averaging low-150bp area
- ❖ Non-call and reinvestment preferences still around 1.5-years and 4.5-years
- ❖ Junior tranche pricing range narrows as spreads settle

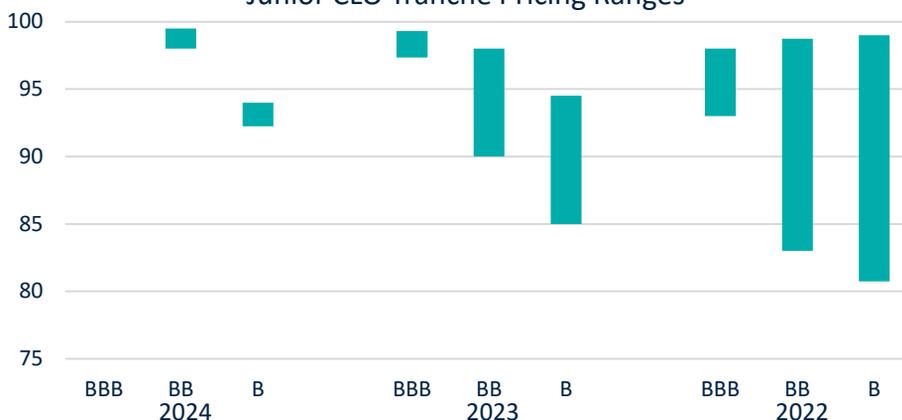
- CLO spreads continued the downward trend started in May 2023. In February, Triple As averaged 153.5bp, most flat to the 153.33bp in January (reinvestment deals only). January's average was the lowest senior spread since June 2022.
- Senior tranches range from 148bp to 170bp across ten reinvestment trades. In fact eight of those were in an even narrower spread of 148bp to 157bp. In the month, one of the ten reinvestment deals had 1-year non-call period, two were 2-years and seven were ~1.5-years. Nine of the ten had ~4.5-year reinvestment periods. One permitted reinvestment for 5-years.

European CLO Averages



- The average non-call period in February was 1.57-years and reinvestment period ~4.6-years, which were marginally shorter than in January. Par subordination, meanwhile, continues to trend lower. The February average of 38.55% was the lowest since 38.1% in March 2022. The monthly average Triple A par subordination has been below 40% since January 2023 (40.39%).
- Where disclosed, the YTD discount to par is less than in H2 2022 and 2023. YTD, the deepest Single B price discount was 7 points. In 2023 the lowest disclosed Single B price was 85. In 2022 it was 80.73 (contributing to a 1500bp DM). In Q1 2022 Single Bs priced as high as 99.

Junior CLO Tranche Pricing Ranges

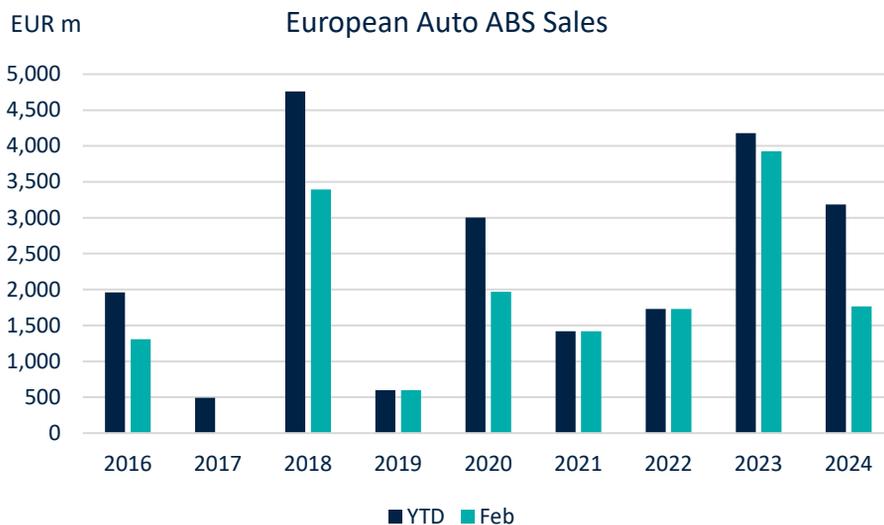


Source: IGM

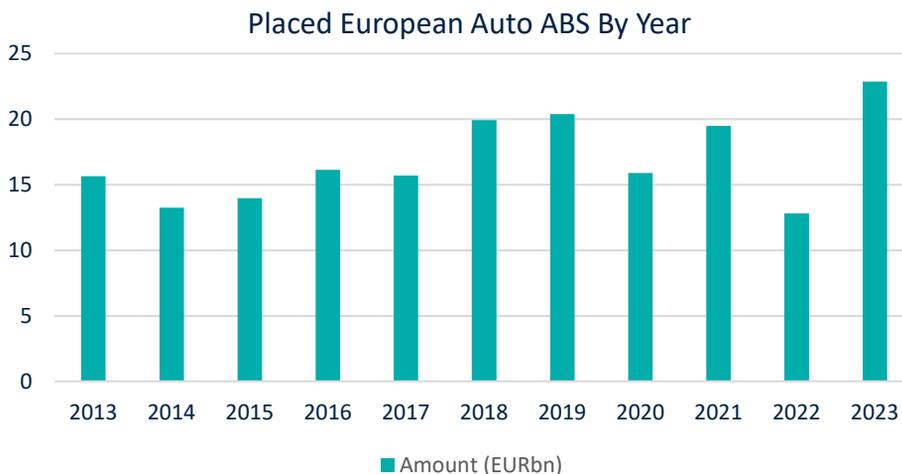
Three Deals, Three Countries In Autos

- ❖ Finnish, UK and German auto supply on offer
- ❖ February volumes edge ahead of January
- ❖ YTD total of ~EUR3.2bn trails 2023 by EUR1bn

- Three auto ABS priced in February for EUR1.765bn, to follow January’s two deals. New ABS came from Finland, the UK and Germany. LocalTapiola got the market moving on the first day of the month with Tommi 5. On the 15th Volkswagen Financial Services (UK) Limited priced Driver UK Eight, and on the 23rd BMW Bank GmbH sold Bavarian Sky German Auto Loans 13 deal. The deals found decent demand. The EUR1.765bn equivalent of notes attracted EUR3bn of demand. The Finnish and German Triple As were around 2x covered.
- The EUR1.42bn of paper placed in January was followed by EUR1.765bn in February, with the YTD total around EUR3.2bn. This is about EUR1bn lower than at the same stage in 2023, and EUR1.6bn below 2018, but above most other recent years.



- The auto ABS sector registered a strong recovery in 2023, with issuance volumes nearing EUR23bn, close to double the EUR12.8bn placed in a very subdued 2022. And while ABS sales surged past the previous peaks in 2018, 2019 and 2021, new car registrations are still trailing the pre-Covid volumes of 2019. That year, however, was actually very slow for ABS although there is a time lag between auto loan and origination and securitisation.

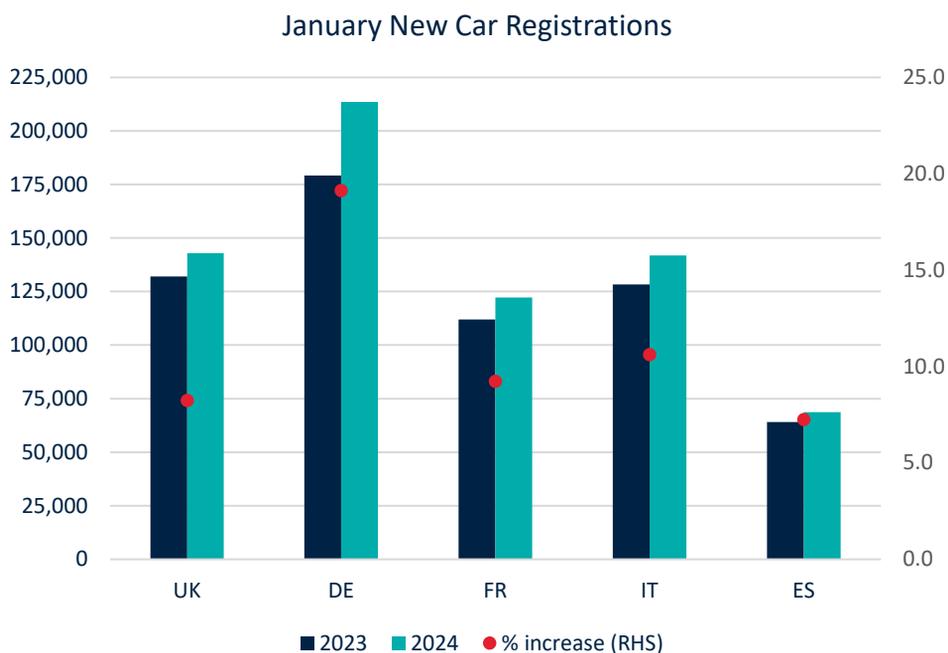


Source: IGM

Auto Registrations Make Positive Start

- ❖ New car registrations show positive start to 2024
- ❖ UK production in January up 21%
- ❖ EU January new car registrations rise 12.1%

- UK new car registration data was only available for January at the time of writing, but it showed the market beginning 2024 with optimism, as did car production numbers. According to the Society of Motor Manufacturers and Traders (SMMT), UK new car registrations were up 8.2% in January year-on-year (best opening month since 2020) to 142,876.
- New vehicle production in January 2024 was up 21%, the best January since 2021, with most of the production destined for export (75.8% of the 82,997 units), the SMMT said.
- For the full year 2023, new car manufacturing was up 16.8% in 2022, and taking into account commercial vehicles, the increase was 17%. Combined unit production was 1.025 million in 2023, the first 1 million plus figure since 2019, according to SMMT numbers.
- In the EU, new car registrations in January rose 12.1%, to recover from a 3.3% annual decline in December 2023. The main markets in the EU all experienced strong growth.
- Germany stood out in January 2024 with a 19.1% increase to 213,553 over the previous January, according to The European Automobile Manufacturers' Association (ACEA). Italy posted the second highest proportional growth among the main markets of 10.6% to 141,885. France was third with a 9.2% rise to 122,284 and Spain posted a 7.3% gain to 68,685.
- For 2023 as a whole, EU new car registrations were up 13.9% versus 2022. Among the main markets double digit growth was seen in Italy (18.9%), Spain (16.7%) and France (16.1%). Germany, however, underperformed with an increase in registrations of just 7.3% year-on-year, ACEA said.



Source: UK data SMMT; EU data ACEA

European SF Volume Report Appendix

- European Structured Finance Volume Report- [January 2024](#)
- European Structured Finance Volume Report – [Full Year 2023](#)
- European Structured Finance Volume Report – [November 2023](#)
- European Structured Finance Volume Report – [October 2023](#)
- European Structured Finance Volume Report – [Q3 2023](#)
- European Structured Finance Volume Report – [August 2023](#)
- European Structured Finance Volume Report – [July 2023](#)
- European Structured Finance Volume Report – [H1 2023](#)
- European Structured Finance Volume Report – [May 2023](#)
- European Structured Finance Volume Report – [April 2023](#)
- European Structured Finance Volume Report – [Q1 2023](#)
- European Structured Finance Volume Report – [February 2023](#)
- European Structured Finance Volume Report – [January 2023](#)
- European Structured Finance Volume Report – [Full Year 2022](#)