

European RMBS And ABS Monitor Q1 2024

April 29, 2024

This report does not constitute a rating action

Key Takeaways

- During Q1 2024, rating actions were up 10% quarter-on-quarter to 161, comprising 81 affirmations, 49 upgrades, and 31 downgrades. The affected tranches related to 33 transactions, representing 6.9% of rated ABS and RMBS. Stable credit performance and transaction deleveraging triggered most upgrades.
- We reviewed 18 ABS and 119 RMBS transactions--26% of our total rated ABS and RMBS universe--through rating actions and annual review surveillance process.
- We rated two new ABS (Q4 2023: 12) and 15 new RMBS (Q4 2023: 9) transactions. The issuances were geographically diverse. The ABS transactions comprised assets from the U.K. and Luxembourg, and the RMBS issuances comprised assets from France, the U.K. (including prime, nonconforming, and buy-to-let collateral), the Netherlands, and Ireland.
- Rating actions mainly covered affirmations (50.3% of classes reviewed), upgrades (30.4%), and downgrades (19.3%), with negative actions affecting classes originally rated from 'AA+' to 'B-'.
- Rating action severities were three notches for downgrades and 1.2 notches for upgrades.
- Most RMBS affirmations were concentrated in U.K. transactions (48%), followed by Ireland (22%), France (16%), Spain (10%), and Italy (4%). U.K. transactions accounted for 45% of upgrades, followed by Portugal (38%), Spain (7%), and Italy and Ireland (5% each). A significant proportion of downgrades were in U.K. transactions (83%, of which 35% were nonconforming), followed by Ireland (17%, all reperforming).
- We upgraded seven ABS tranches, affirmed 12, and downgraded eight. All negative rating actions were in the U.K. auto sector (Dowson 2022-1 and 2022-2 transactions). Most upgrades were driven by increased credit enhancement and improved performance, rather than our assumptions.

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