

EMEA RMBS And ABS Monitor Q3 2024

Oct. 23, 2024

This report does not constitute a rating action

Key Takeaways

- During Q3 2024, rating actions were up 52% quarter-on-quarter to 291, driven primarily by a rise in affirmations to 203, compared to 133 in the previous quarter. Downgrades remained consistent with the previous quarter at 18, slightly up from 17, while upgrades increased significantly to 70 from 42. The affected tranches related to 31 transactions, representing 7% of our rated ABS and RMBS universe. Several affirmations related to legacy U.K. nonconforming transactions' senior and mezzanine classes of notes, which have a counterparty rating cap.
- We reviewed 16 ABS and 88 RMBS transactions--22% of our total rated ABS and RMBS universe--through our rating actions and annual review surveillance process.
- The number of new transactions we rated almost halved compared with Q2 2024, 17 versus 33. We rated seven new ABS (of which four out of an existing platform/trust; Q2 2024: 11) and 10 new RMBS (Q2 2024: 22) transactions. The issuances were geographically concentrated in the most common jurisdictions, with RMBS transactions comprising assets primarily from the U.K. and Ireland and ABS from Germany and the U.K. Notably, we rated the first issuance of an RMBS transaction in Israel.
- Rating actions mainly covered affirmations (70% of classes reviewed), upgrades (24%), and downgrades (6%). There were over 70% negative actions at noninvestment-grade levels, with rating downgrades at investment-grade primarily limited to one notch.
- Rating action severities were 1.7 notches for downgrades and 1.5 notches for upgrades.
- Most rating affirmations were concentrated in U.K. RMBS transactions (41%), followed by German ABS transactions (18%). U.K. transactions accounted for 43% of upgrades, followed by Netherlands (19%) and Germany (17%). A significant proportion of downgrades were in U.K. transactions (89%, all related to nonconforming legacy transactions), followed by Ireland (12%, related to a reperforming transaction). The ABS sector accounted for more than a third of rating affirmations (from the U.K., Germany, and South Africa) related to the issuance of new notes, whereby we affirmed the existing notes within the same ABS trust.
- We upgraded 12 ABS tranches and affirmed 73 tranches. No negative actions were taken on ABS transactions. Most upgrades were driven by increased credit enhancement and good performance.

Our report includes a downloadable data set covering surveillance actions, new ratings, rating transitions, and a list of our recent publications (available to RatingsDirect on Capital IQ subscribers only).

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