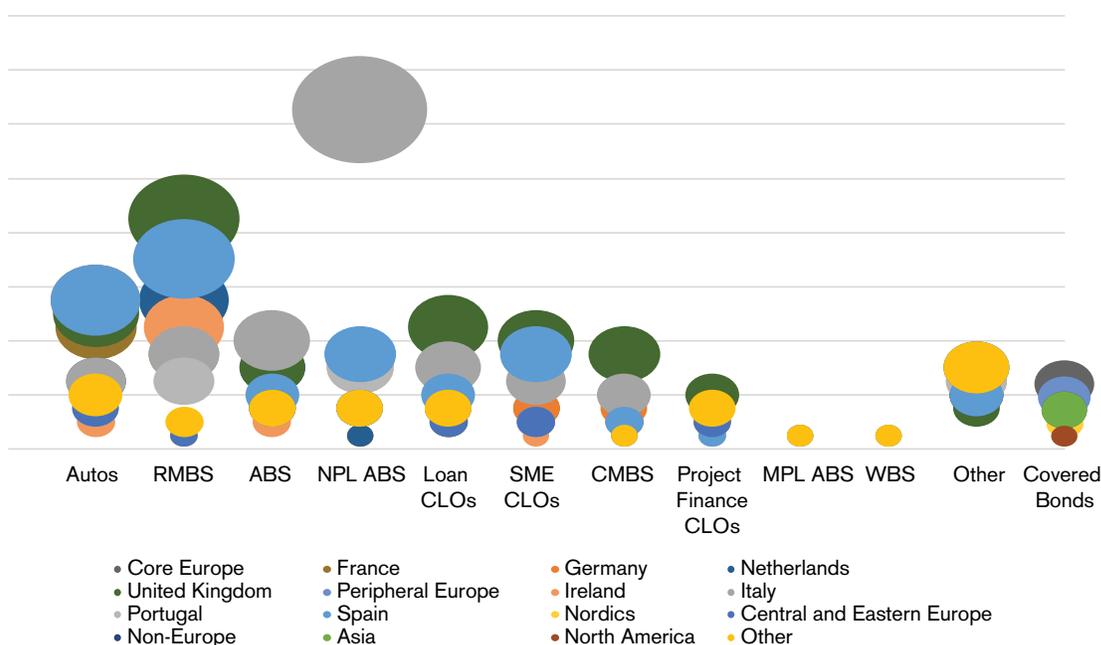


European Structured Finance and Covered Bond 2018 Survey

DBRS Illustrative Insights newsletter, delivering some of the most important and interesting charts commenting on the global economy through easy-to-read infographics, one at a time. This week, we highlight the theme of the **European Structured Finance and Covered Bond 2018 Survey**.



Source: DBRS.

DBRS’s annual survey of market participants within the European securitisation and covered bond markets reveals some interesting insights. Most notable is the improvement in the overall market mood. The attitude of participants is positive, with 67% expecting to increase their participation in securitisation markets and 44% expecting to do so in the covered bond market. This is an increase over 2017 expectations of 48% and 24%, respectively, especially within the securitisation markets.

As shown in the chart above, when survey participants were asked, “Are there any sectors where you expect to see an increase in issuance in the next 12 months?” the results show that there are different aspects of the market that are expected to grow more than others.

The auto asset-backed security (Auto ABS), residential mortgage-backed security (RMBS) and general ABS markets are expected to continue at their current levels of issuance with ongoing growth. RMBS from the United Kingdom is noted

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as a particular area for growth, as well as Spanish RMBS and deals from the Netherlands. Spain, the United Kingdom, France and Germany are all highlighted as high-growth areas for Auto ABS.

The standout sector for growth in the next 12 months is the Italian non-performing loan (NPL) sector, which has a high percentage of the Italian market and is the dominant proportion of NPL securitisations. However, other countries are expected to still participate in the NPL market. Expectations for marketplace-lending transactions remain very muted.

In covered bonds, core Europe is expected to dominate growth, with peripheral European markets showing growth and North America being the laggard. A sector expected to emerge over the next 12 months is project finance collateralised loan obligations, with the United Kingdom and other countries expected to dominate issuance.

Further detail can be found in the [full report available here](#). Other notable aspects of the survey are as follows:

- The number of investors is expected to continue to grow, more so in securitisation than in covered bonds.
 - This is supportive, as investor participation is highlighted as a priority to bolster the securitisation market after regulatory changes.
- Securitisation issuance expectations in 2018 have definitively increased over historical expectations.
 - Average distributed issuance is expected to be EUR 84.0 billion (EUR 6.0 billion more than 2017).
 - Average benchmark covered bond issuance is expected to be EUR 193.0 billion.
- The general themes of respondents' comments include "Get the European Central Bank out of the way," "Regulation needs to be defined" and "Let us get on with some growth!" (These comments echo those heard at the recent IMN Global ABS 2018 conference, [an outline of which can be found here](#).)

Next week, DBRS will host a webinar that delves further into the [survey results](#).

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