Key Takeaways

- There were 146 rating actions during Q4 2023, including 83 affirmations, 57 upgrades, and six downgrades. The rating actions related to 33 deals, representing 7% of the ABS and RMBS transactions we rate. Most upgrades continued to reflect stable credit performance and transaction deleveraging.

- We reviewed eight ABS and 65 RMBS transactions through our annual review surveillance process, representing 13% of the ABS and RMBS deals we rate.

- We rated 12 new ABS and nine new RMBS transactions in Europe, across a diverse range of jurisdictions. ABS transactions comprised U.K., German, Dutch, Irish, Italian, and French assets. RMBS issuance covered the same jurisdictions, except for Germany.

- Rating transitions were mainly affirmations (56.8% of the classes reviewed) and upgrades (39.0%). We only downgraded 4.1% of the classes reviewed, with negative actions relating to classes originally rated ‘A’ and below.

- Rating action severities were 2.1 notches and 1.7 notches for downgrades and upgrades, respectively.

- The U.K. RMBS sector accounted for most affirmations (50) and upgrades (30), reflecting stable credit performance and higher credit enhancement thanks to deleveraging. All six of our downgrades related to the U.K. nonconforming RMBS sector, where arrears continued to surge amid ongoing cost-of-living pressures and the high interest rate environment. This sector however also accounted for 42% of all affirmations and 21% of all upgrades, as increased credit enhancement supported senior and mezzanine classes.

- In the ABS sector we upgraded 19 tranches, accounting for one third of all upgrades. We did not take any negative rating actions. Most upgrades reflected increased credit enhancement and better-than-expected 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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