



For Professional Advisers Only

Notes From The CIO

25 Jan 2021



The hunt for yield continues to positively impact RMBS spreads – new issues have continued to be significantly oversubscribed, which is likely to continue at least until volumes pick up significantly in coming months

- Freddie announced their latest CRT deal, which will price today/tomorrow. The M1, M2, B1 and B2 tranches are 4 to 10 times oversubscribed currently, despite tighter levels – the BBB-rated M1 tranche is likely to yield below 1%, while the B2 spread is likely to be under 500 bps
- Mezzanine paper is generally performing well as the credit curve continues to flatten and fundamentals continue to trend positively. RPL, CRT subs, and legacy passthroughs and mezz structures, along with multifamily mezz were strong performers last week
- AAA RMBS generally are yielding well below 1% now and we continue to see a compression of the AAA – BBB spreads across products. We see CLOs as the most attractive AAA secured debt now, yielding around 1.25% to 1.5%
- Monthly remittance data is available starting today - we continue to see forbearance curing and elevated prepayments across the various subsectors

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