



For Professional Advisers Only

Notes From The CIO

12 April 2021



- It seemed quieter in the MBS space last week, although rates continued to be volatile with an upward trend. The agency market's duration has extended from a low of close to 1 year last summer to about 4 years currently, in anticipation of declines in refinancing activity. After significant basis widening, agencies have strengthened versus Treasuries recently
- RMBS have generally outperformed agencies with this year's rate rise as expected, with lower rate sensitivity in most profiles. The incredible strength in US Housing, with the backdrop of fiscal, monetary, and policy support, continues. Affordability remains good despite higher mortgage rates and higher home prices
- This combination of better convexity, fundamental housing strength, and RMBS technical strength from still-rapid prepayments, increased calls, and modest new issuance is supporting RMBS. Most recently we have seen this in firming of CRT subordinated paper despite longer spread duration
- There were no material surprises in last month's remittance data as refi activity remains strong, and forbearance curing continues, albeit at a more modest pace

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