

Notes From The CIO

11 May 2021



- Friday's significant employment data miss ended up being close to a non-event for the bond market, other than giving the Fed even more cover to maintain their accommodative policy. Rates dropped sharply and then reversed as quickly. Overall, the 10-year yield declined 5 bps on the week, remaining in its recent range
- The economic news had little impact on RMBS. Jumbo AAA profiles underperformed Agencies and Treasuries slightly - on supply and extension concerns - but mezzanine profiles continued to improve
- Longer duration RPL profiles and Legacy bonds with model duration performed well, and have become less attractive in our view. Agency CRT – including FNMA and Freddie Mac multifamily CRT programs tightened but remain attractive and continue to have strong policy support, especially given the announcement of the new GSE lower income borrower refinancing initiatives. This provides another example of the administration's resolve to bolster the housing market along with the economy, offering a positive tailwind for mortgage credit, particularly in CRT
- Housing fundamentals data continues to be positive – Agency mortgage delinquencies last month declined again; while personal income and mortgage rates more than offset HPA leading to better affordability statistics

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