

Notes From The CIO

24 May 2021



- Yields drifted lower last week, and are now modestly lower than April month-end despite continued talk about inflation and Fed tapering. As a result, mortgage rates remain in the 3% range, which will support continued refi activity
- RMBS sectors were generally firm again last week. New issues have continued to meet significant demand, and currently expectations are for about \$150 billion of new issuance, resulting in just slightly positive net issuance given the high level of newer issue bond refinancing and Legacy paydown activity – we believe the market will readily absorb this issuance
- Remittance activity this week should continue to provide positive tailwinds for RMBS. \$1.2 billion of Agency CRT paydowns will provide capital for new purchase activity and potentially spread compression, while more loans will have exited forbearance programs. About 2.2 million loans remain in forbearance according to Black Knight
- The next round of monthly home price appreciation is reported this week – the market expects continued strength after last month's ~12% year-over-year growth nationally. Street research desks continue to expect HPA to remain elevated through 2021
- An FHFA report about the CRT program since 2013 shows that CRT bonds have performed extremely well. Investors have earned ~\$15 billion in interest income without suffering material principal losses to date

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