

Notes From The CIO

17 May 2021



- Just as the significant employment data miss a week ago ultimately had little impact on yields, last week's higher than expected CPI and PPI prints resulted in just a 4 basis point rise in the 10-year Treasury yield week over week. TBAs performed well versus Treasuries, but Agency pools continued to underperform as payups declined with the outlook for some decline in prepayment speeds in the future
- RMBS sectors were generally firm during the week, supported by continued positive housing and economic data. Longer duration legacy and RPL bonds rose in price on an expectation for positive loan performance above prior expectations
- Earlier this year, the FHFA implemented a cap on the amount of non-owner occupied mortgages that the GSEs can purchase. This is likely to lead to an increase in RMBS issuance, which we believe may lead to additional investment opportunities going forward

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