

Notes From The CIO

9 August 2021



- The Non-Agency RMBS sector has remained fairly steady over the last several weeks despite significant volatility in rates and some broader macro volatility. RMBS kept pace with Agencies during July's sharp drop in rates, and has generally outperformed Agencies with last week's sharp rise in rates
- Mezzanine spreads across RMBS have been gradually compressing but still remain attractive in our view as the credit curve remains steep
- New issue activity has been steady but secondary trading has been muted as the summer progresses. However, bid lists have been met with strong demand
- Housing fundamentals have remained strong: home price appreciation continues to break records, now ~17% year over year nationally; loans in forbearance continue to decline; and general housing activity remains robust
- Home affordability has continued to benefit from low mortgage rates, helping to offset rising prices. Affordability is roughly equal to its long term average
- RMBS credit ratings upgrades have picked up as we get further away from the start of the pandemic. This has been supported by credit curing, home price appreciation and several quarters of significant structural delevering across many profiles

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