

Notes From The CIO

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- The RMBS market is already in record territory for YTD post-GFC new issuance, with heavy supply expected in Agency CRT, Non-QM, Jumbo 2.0, Mortgage Insurance CRT, and SFR in the fourth quarter
- Despite this ~\$175 billion of expected new issuance, net issuance will be close to zero given continued elevated prepayment and call activity
- The new issuance has softened senior spreads modestly, but mezzanine paper remains firmly supported by still-attractive relative value and a very strong housing market, consumer credit quality, and the market's technical strength
- This week's \$1 billion Fannie Mae CAS CRT new issue, its first since March 2020 is well oversubscribed, while the next \$1 billion Freddie Mac STACR CRT new issue has been announced – the structural changes of these Q4 2021 deals have further enhanced the already attractive relative value and total return prospects of pre-existing subordinated CRT bonds
- The recent price stability of most RMBS profiles continues to reflect the sector's attractiveness during periods of rising rates

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