STRUCTURED
FINANCE
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Research Corner
Thursday, April 16, 2020

STRUCTURED FINANCE ASSOCIATION

Research Corner - Market Signals

Secondary Market Spreads (bp)						
	3yr Card	2yr Auto	2yr Subprime Auto	2yr Private SLABS	AAA 5yr CMBS	AAA CLOs
1/30/2020	16	11	20	47	53	116
2/28/2020	31	23	30	68	60	120
3/6/2020	71	80	105	99	72	230
3/13/2020	201	220	265	239	87	230
3/20/2020	326	370	665	439	125	350
3/27/2020	226	195	295	319	136	250
4/3/2020	96	120	275	305	120	275
4/14/2020	81	110	180	225	90	165

Source: Deutsche Bank Research

	AAA 3yr Non QM RMBS	AAA 3yr Jumbo RMBS
3/1/2020	80	135
3/16/2020	Low 500s	Mid 500s
3/26/2020	Mid 300s	Low to mid 300s
4/3/2020	Low 300s	Mid to Hi 300s
4/10/2020	Low 300s	Low 200s

Source: Market Compilation

Personal Installment Loans (Sr)	
2/28/2020	76
3/13/2020	1250
3/20/2020	750
3/27/2020	675
4/3/2020	650
4/14/2020	575

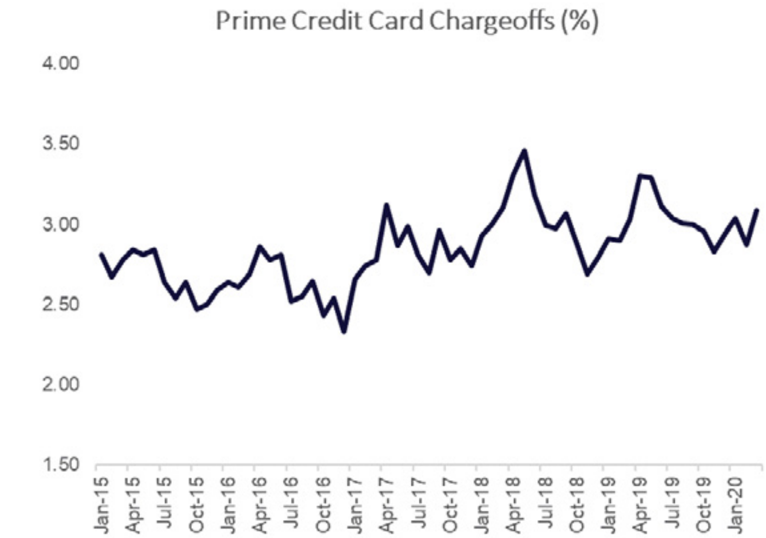
Source: Market Compilation

New Issue ($ bns)				
Year	Non-AG	CMBS	ABS	CLO
Jan-20	11.05	14.03	21.49	4.48
Feb-20	11.49	7.94	19.36	9.89
Mar-20	7.47	4.31	7.26	3.41
Apr-20	0	0	0	0.92

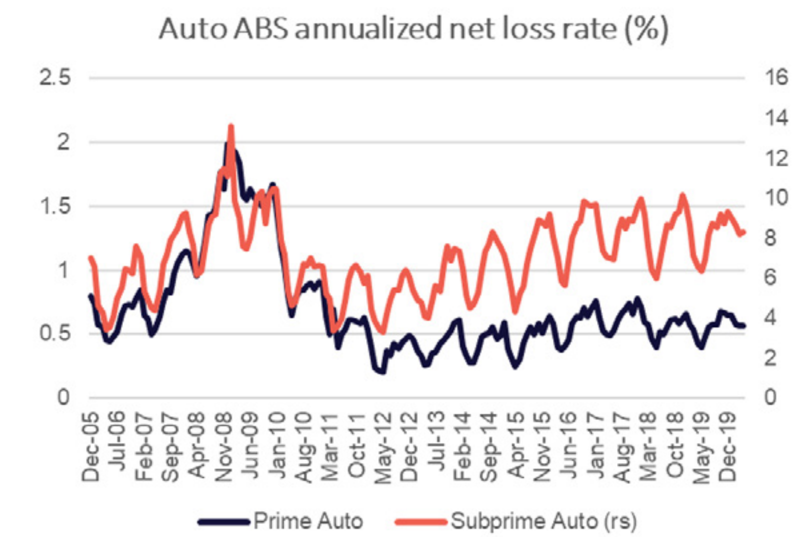
Source: Deutsche Bank Research

In March, consumer ABS spreads, which reflect both liquidity and perceived credit risk, widened sharply. Liquidity in the secondary markets had deteriorated and new issuance activity became scant. Following the March 23 announcement, collateral that was clearly designated as TALF-eligible experienced meaningful spread tightening in the secondary market, some of it by as much as 50%. We saw the same phenomenon again when, following the April 9 expansion, the secondary market spreads of newly-distinguished-as-eligible triple-A CLOs and CMBS tightened on the day by 30-50 bp. Meanwhile, spreads on asset classes that did not make the TALF cut, such as ABS backed by personal installment loans and private label mortgages, languished with significantly less to no tightening from the current historically wide levels.

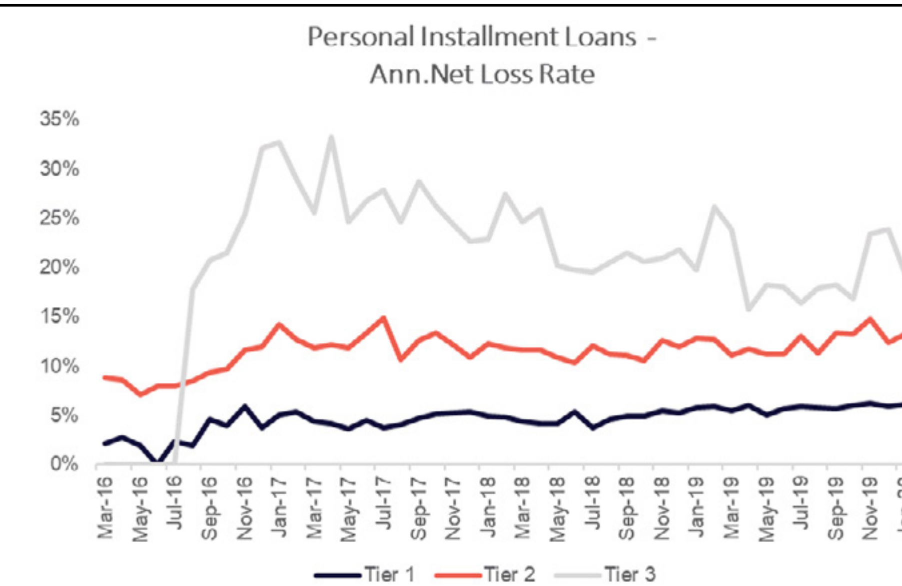
ABS Performance



Source: Fitch Ratings



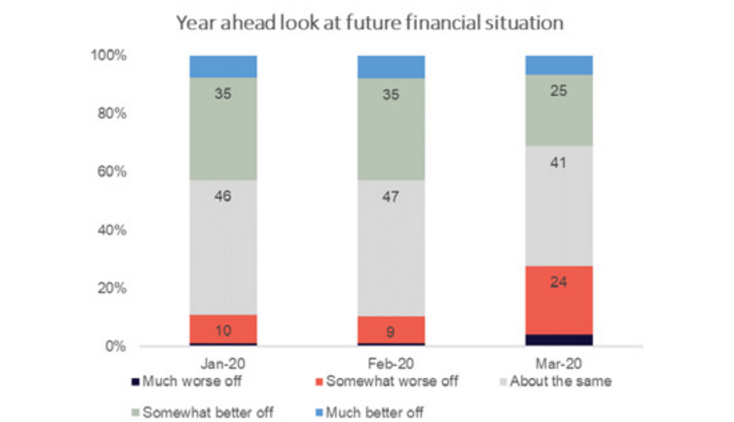
Source: S&P Global



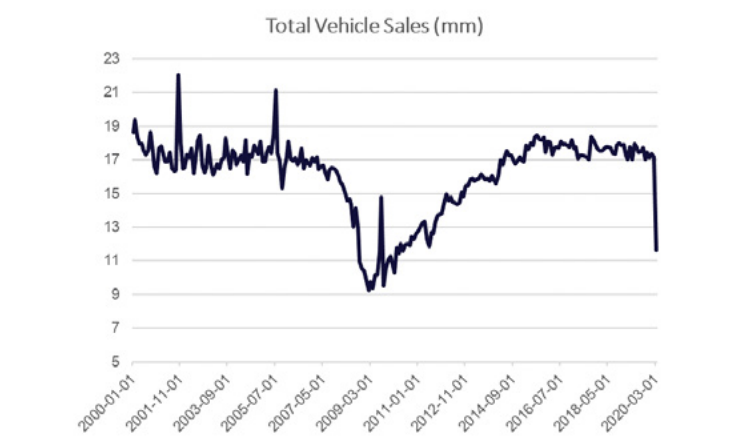
Source: KBRA

What We're Watching

Source: https://fred.stlouisfed.org



Survey of Consumer Expectations, © 2013-18 FRBNY



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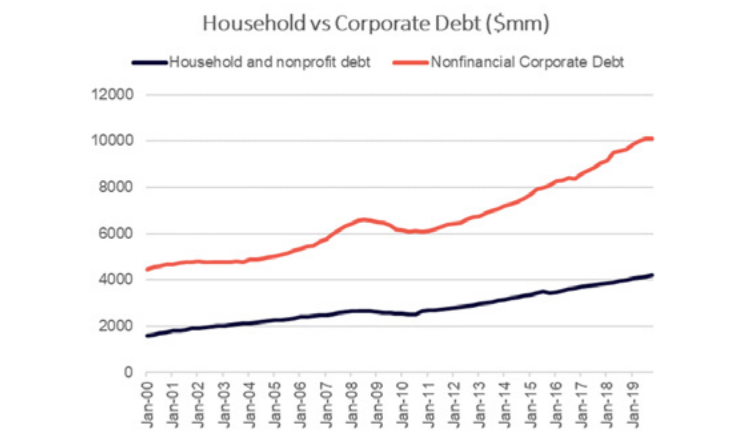

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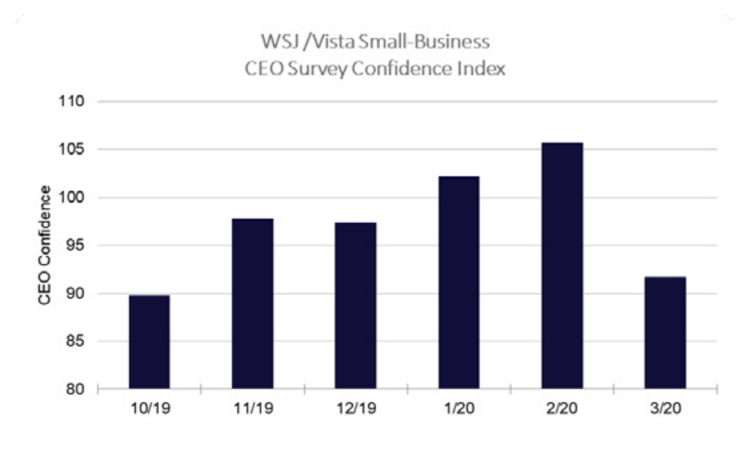
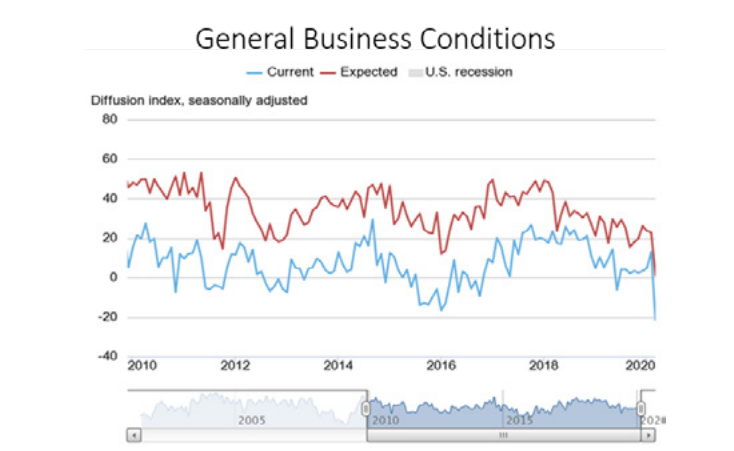


Source: https://vistageindex.com/?ym=202003



March 2020 Empire State Manufacturing Survey

The outbreak of COVID-19 has resulted in supply and demand shocks never before known to the world economy. The full impact of this outbreak on the U.S. economy remains uncertain. We are watching jobs data given the historically strong correlation between unemployment and consumer defaults. In the week ending April 11, jobless claims came in at 5.2 million; the advance seasonally adjusted insured unemployment rate was 8.2 percent for the week ending April 4 We are also watching mortgage forbearance requests, which grew by an average of 1583% in March, according to the April MBA survey. The permanency of job loss and household debt levels will also weigh heavily on consumer confidence and behavior. The ability of the stimulus package to mitigate the effects of temporary joblessness will depend on how quickly money can be distributed to consumers and businesses during these challenging times.