



Research Corner  
Thursday, April 23, 2020

## Research Corner - Market Signals

| Secondary Market Spreads (bp) |          |          |                   |                   |                   |          |
|-------------------------------|----------|----------|-------------------|-------------------|-------------------|----------|
|                               | 3yr Card | 2yr Auto | 2yr Subprime Auto | 2yr Private SLABS | AAA 5yr Cash 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      |
| 4/17/2020                     | 68       | 100      | 160               | 215               | 105               | 175      |

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           |
| 4/17/2020 | 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  |
| 4/17/2020                       | 525  |

Source: Market Compilation

| New Issue (\$ bns) |             |       |       |      |
|--------------------|-------------|-------|-------|------|
|                    | Non-AG RMBS | CMBS  | ABS   | CLO  |
| 1/20/2020          | 11.05       | 14.03 | 21.49 | 4.48 |
| 2/20/2020          | 11.49       | 7.94  | 19.36 | 9.89 |
| 3/20/2020          | 7.47        | 4.31  | 7.26  | 3.41 |
| 4/20/2020          | 0.32        | 0     | 4.11  | 2.37 |

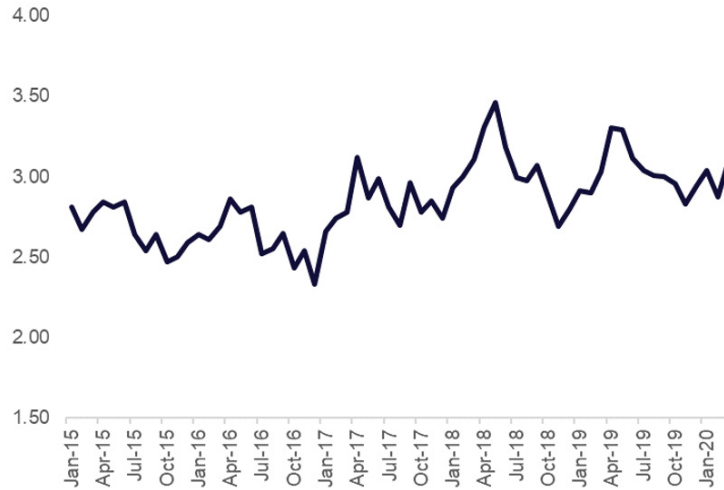
Source: Deutsche Bank Research

Despite an absence of a launch date and other operational details, TALF-eligible ABS continued to perform well, with spreads, which reflects bond price, moving closer to pre-COVID levels. The exception to this has been CMBS and CLOs, which saw modest spread weakening. This may be due, at least in part, to the limitations placed on these asset classes by the TALF program. RMBS and Personal Installment Loan ABS, which are currently not eligible for TALF and continue to experience limited trading, have not yet seen a meaningful improvement in spreads.

GM Financial and Santander Consumer USA came to market last week with two new ABS offerings, ending a month-long lockdown of the new issue ABS market. The two auto ABS transactions were followed, in short order, by three other auto ABS and one non-agency RMBS. With 20+ companies filing SEC Form ABS-15G so far this month, and a more receptive new issue market, we expect more activity in the coming weeks. (Form ABS-15G contain due diligence documents and must be filed at least 5 days before an ABS offering, as mandated by the Dodd-Frank Act.)

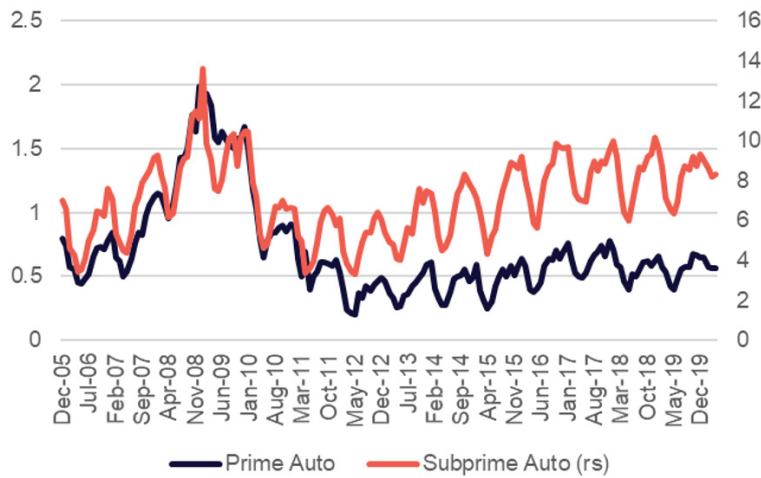
# ABS Performance

Prime Credit Card Chargeoffs (%)



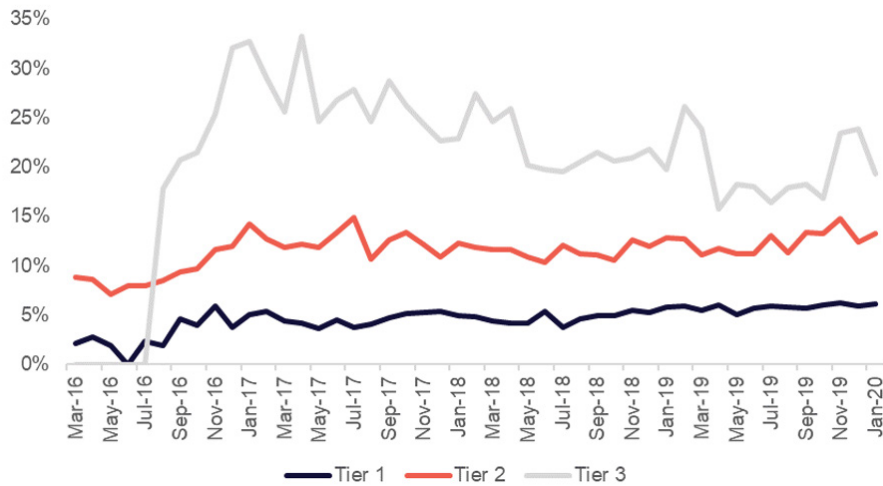
Source: Fitch Ratings

Auto ABS annualized net loss rate (%)



Source: S&P Global

Personal Installment Loans -  
Ann. Net Loss Rate

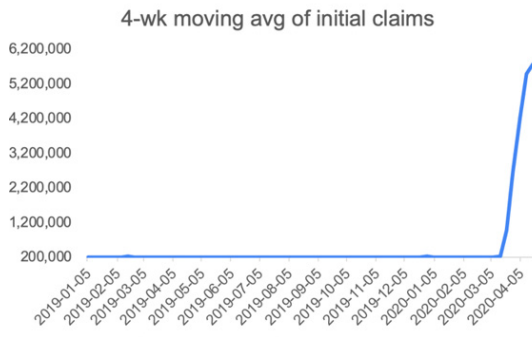


Source: KBRA

# What We're Watching

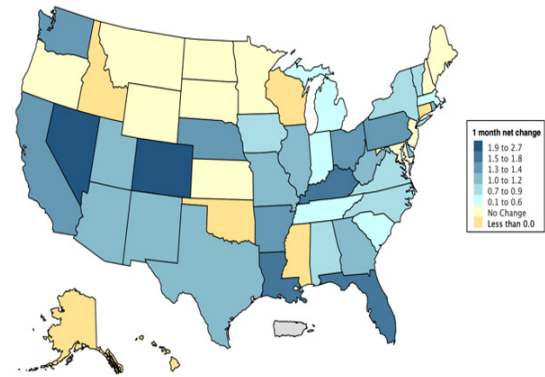
We continue to watch jobs data. After three straight weeks of staggering increases, jobless claims fell for the second consecutive week. For the week ending April 23, initial jobless claims reached 4.4 million, a drop of 810,000 from the week before. Since March 21, over 25 million Americans have filed for unemployment. Although consumers were financially robust heading into the crisis, we expect to start to see the impact of joblessness, forbearance and deferrals on ABS/RMBS portfolios in the coming weeks. We will continue to follow the rating agencies' response to the crisis as COVID-19 related rating actions tick up.

Initial jobless claims improve for second week in a row  
4wk moving average = 5.786 mm.



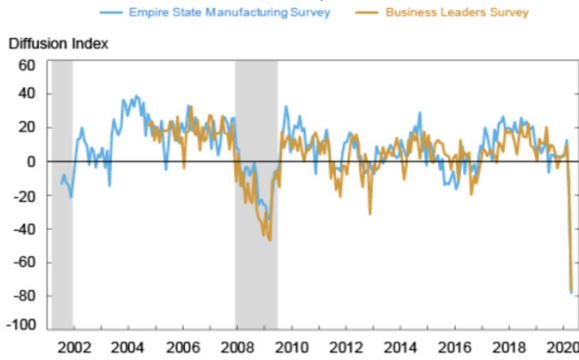
Source: fred.stlouisfed.org

NV, CO, LA, KY, FL saw largest rise in unemployment in March - (+1.5 to +2.7% month over month)



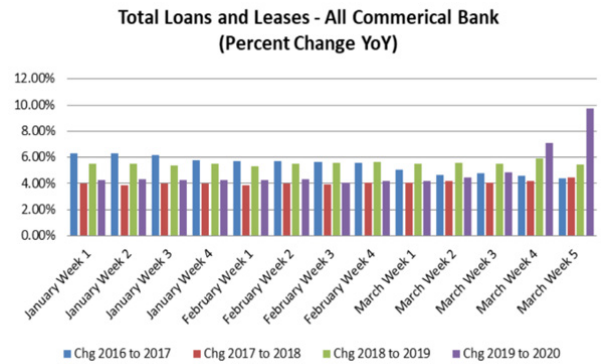
Source: data.bls.gov

New York Fed Business Survey indexes fall to new low in April



Source: Federal Reserve Bank of New York

With Fed support, banks increased lending to consumers and small businesses in March



Source H.8 Assets and Liabilities of Commercial Banks, Federal Reserve

Fitch Ratings:  
COVID-19 related ABS rating actions

|      | Downgrades | Rating Outlook Negative | Rating Watch Negative |
|------|------------|-------------------------|-----------------------|
| ABS  | 4          | 89                      | 64                    |
| CDO  |            | 36                      | 134                   |
| CMBS | 55         | 66                      | 203                   |
| RMBS | 4          |                         | 74                    |

Source: Fitch Ratings. Time Period March 19 to April 16

Black Knight:  
Mortgage loans in forbearance reaches 2.9 million

|   | As of Apr 16, 2020    |
|---|-----------------------|
| Total Loans in Forbearance                              | 2.9 million           |
| UPB of Loans in Forbearance                             | \$651 billion         |
| Share of Loans in Forbearance                           | 5.50%                 |
| Active Loan Count                                       | 53 million            |
| Est. Monthly P&I Advances on Increase since Apr 3, 2020 | \$3.6 billion<br>190% |

Source: Black Knight McDash Flash Forbearance Report