STRUCTURED FINANCE ASSOCIATION

SFA Market Snapshot

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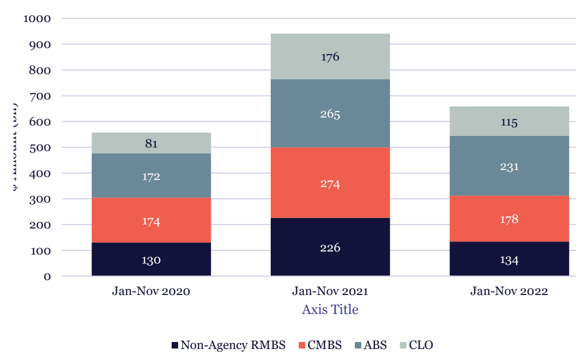
Market Snapshot

Supply and Demand— New issuance across non-agency RMBS, CMBS, ABS and CLO has reached $659 billion, 30% below this time last year as challenging market conditions and higher funding costs continue to keep some issuers on the sidelines. Non-agency RMBS currently stands 41% below this time last year; CMBS and CLOs sectors lag by 35%.

ABS supply has been relatively steady compared to other asset classes, down 13% year over year. Market participants expect supply in 2023 to be slightly lower-- down 3% to 15%. Slowdown in issuance may come from ABS backed by subprime loans, such as unsecured consumer and to some extent subprime autos, as credit concerns cool demand for some of these products and interest rates, which are expected to continue moving higher,
continue to dampen borrower demand.

Issuance 2020-YTD 2022

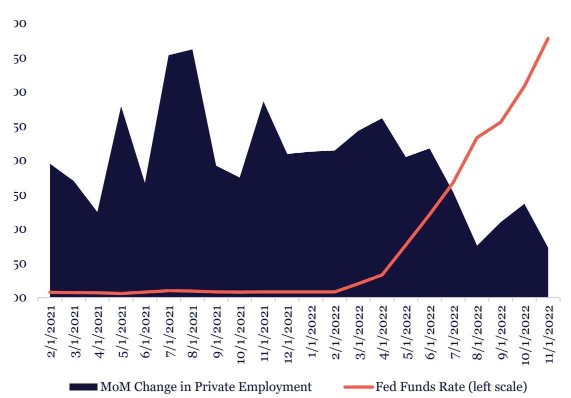


Source: Deutsche Bank Research

Some promising data that the Fed may be gaining ground in the inflation fight — including lower-than-expected October PCE inflation data and private payrolls increasing less than expected— has led to broad speculation that the pace of rate increases may slow in December.

But two data points does not a trend make. In his November 30 speech, Fed Chairman Jerome Powell cautioned that while we could see a smaller interest rate hike in December than in the past four moves, "the timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation, and the length of time it will be necessary to hold policy at a restrictive level." Chair Powell presented three macroeconomic conditions that would indicate inflation falling to FOMC's target 2%: a slowing in the growth of aggregate demand, a deceleration in housing costs generally led by the market rate on new rental leases, and a return to balance of the labor market with supply/demand (currently at a 1:1.7 ratio workers available for job openings) moderating.

Private Employment and Fed Rates



Source: Board of Governors of the Federal Reserve System