STRUCTURED FINANCE ASSOCIATION

SFA Market Snapshot

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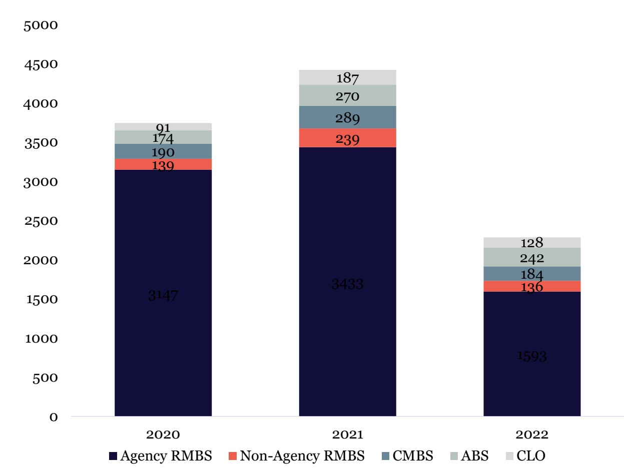
Market Snapshot

Supply and Demand— Higher borrowing costs and increased market uncertainty dampened appetite for new financings across the capital markets, and securitization was no exception. Pricing, as measured by new issue credit spreads over benchmark, moved markedly higher across the securitization spectrum of asset classes. Even for the most liquid asset classes, such as top-tier prime auto ABS, bonds issued in the fourth quarter priced at spreads levels that were multiple times over where a similar bond from the same issuer priced at the beginning of the year.

Year over year, total issuance represented a 48% decline as MBS sectors (agency RMBS, non-agency RMBS and CMBS) pulled back considerably – ending the year at $1.6 trillion, $136 billion and $184 billion, respectively. ABS supply held relatively steady compared to other asset classes, down 10% for the year to $242 billion. ABS sectors saw a meaningful slowdown in supply to consumers (subprime autos, retail auto leases, and student loans) and to certain businesses (aircraft leases, data centers, and container leases).

Issuance in US Securitization Market Reached $2.3 Trillion in 2022

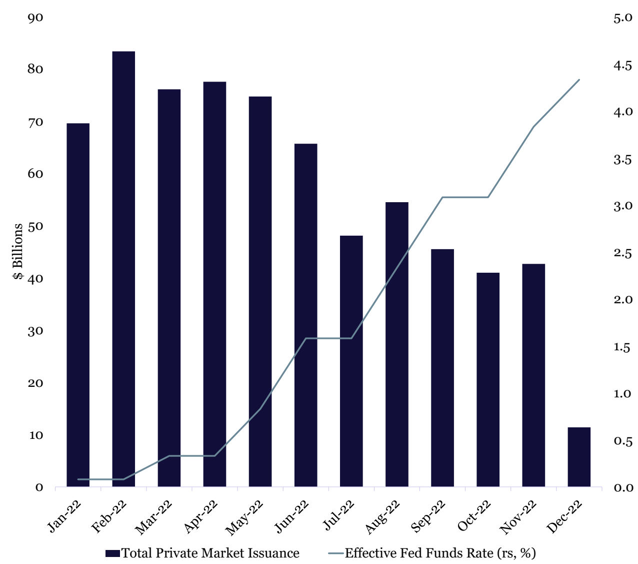


Source: Market Compilation

Year-Over-Year Declines Most in MBS Sectors; ABS Most Stable

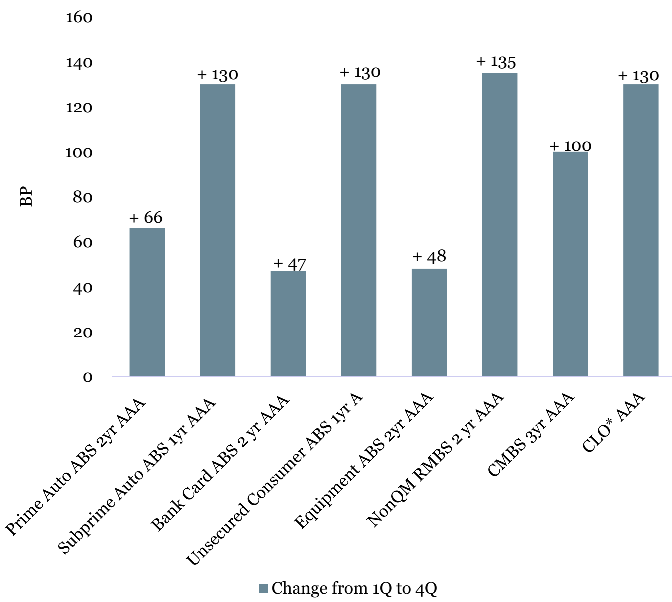
Source: Market Compilation

Issuance was Front-Loaded as Rising Rates Dampened Participation



Source: Deutsche Bank Securitization Research, Board of Governors of the Federal Reserve System [H.15 Selected Interest Rates]

Change to Pricing Spread by Same Issuer Between 1Q and 4Q (Same Bond Type, Tenor and Rating)



**Represents generic new issue. Source: Bloomberg*

Market participants expect supply in 2023 to be down 3% to 15% as the securitization market continues to respond to the Fed's unwavering commitment to return inflation to 2%. According to the December meeting minutes released by the Federal Open Market Committee, "a restrictive policy stance would need to be maintained until the incoming data provided confidence that inflation was on a sustained downward path to 2 percent, which was likely to take some time." Economic projections from this meeting show Fed officials expect unemployment to rise to 4.6% in 2023, from today's 3.7%, as real GDP growth is expected to remain "subdued" at 0.5%.