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SFA Market Snapshot

October 19, 2023

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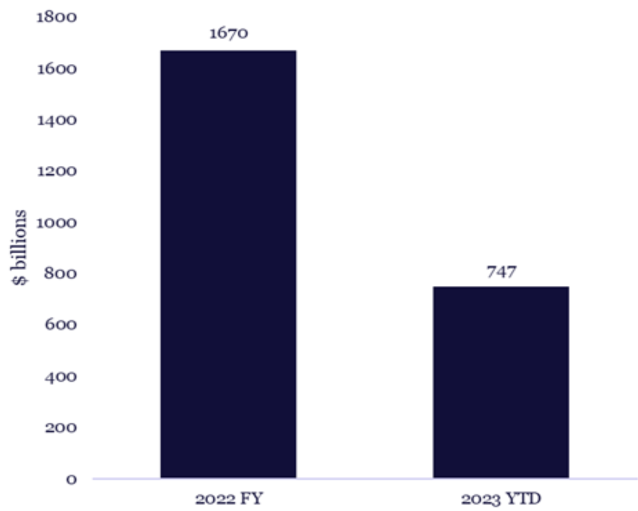
Issuance Across Asset Classes and Trends We're Watching

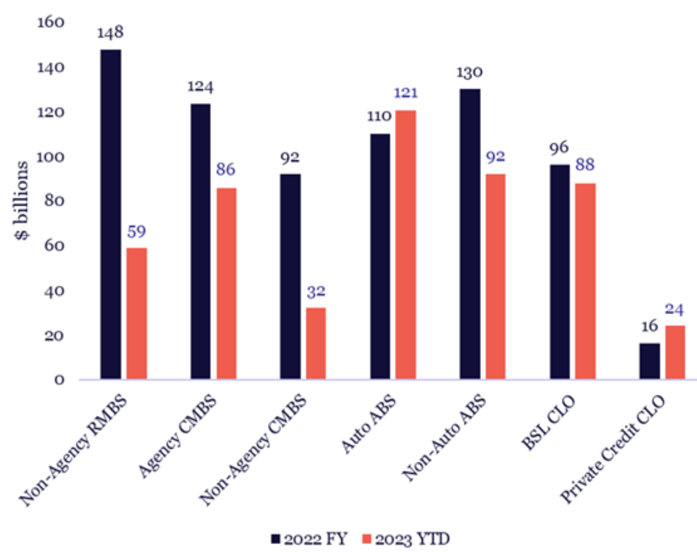
Moving through the fourth quarter, agency RMBS is on track to finish the year at half of 2022 total issuance. Roughly 61% of U.S. home mortgages have an interest rate below 4%, leaving homeowners reluctant to sell or refinance. A look across asset classes shows the continued impact of higher interest rates with issuance in non-agency RMBS ytd at 60% of last year's total ($59 billion of $148 billion) and non-agency CMBS is at 65% of 2022's total ($32 billion of $92 billion). Auto ABS issuance, buoyed by double-digit percentage sales gains and as yet undaunted by high loan rates or union strikes, shows a 10% increase from 2022. Private Credit CLOs is also noteworthy, growing 50% to $24 billion

Agency RMBS



Source: JPM Securitized Products Weekly

Non-Agency RMBS, ABS, CMBS and CLO



Source: JPM Securitized Products Weekly

What we're watching

At-Risk Student Loan Borrowers

On October 1, over 43 million borrowers faced repaying their student loans after a 3.5-year hiatus. In a June update on borrower vulnerability, the Consumer Financial Protection Bureau (CFPB) estimates that one in 13 of these student loan borrowers are currently behind in other payment obligations and one in five are at-risk for delinquency. The report also highlighted a consistent rise in delinquency for non-student debt and indicated that student loan borrowers tend to prioritize other debts over their student loans.

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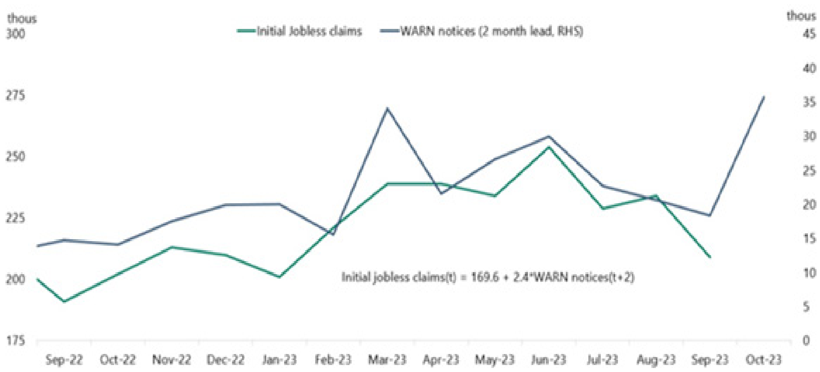
Jobless Moving Higher?

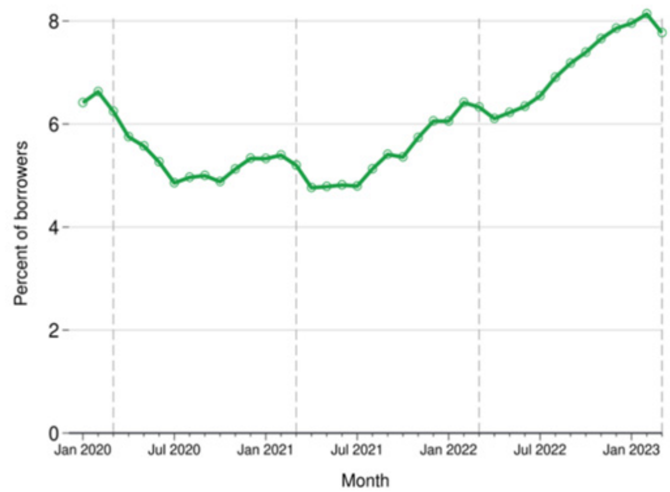
Apollo Chief Economist Torsten Slok writes that the recent increase in Worker Adjustment and Retraining Notification (WARN) notices suggests "that initial jobless claims in October will rise over the coming weeks to a level between 250k and 300k." Seasonally adjusted initial jobless claims peaked at 265,000 in June, averaging 229,000 in 2023. WARN notices mandate employers with over 100 employees to provide 60- or 90-days' notice for layoffs affecting 50 or more workers. Shifts in WARN notices have been shown to precede changes in the unemployment rate. Slok's analysis follows data released by the Bureau of Labor Statistics that shows September payrolls increased by 336,000, surpassing the 12-month average of 267,000; the unemployment rate remained steady at 3.8%.

Rise in WARN Notices Indicates Rise in Jobless Claims



Source: Department of Labor, Haver Analytics, Federal Reserve Bank of Cleveland, Apollo Chief Economist

Student Loan Borrowers Estimated 60+ Days Delinquent on Other Credit Products (percent)



Source: CFPB CCP