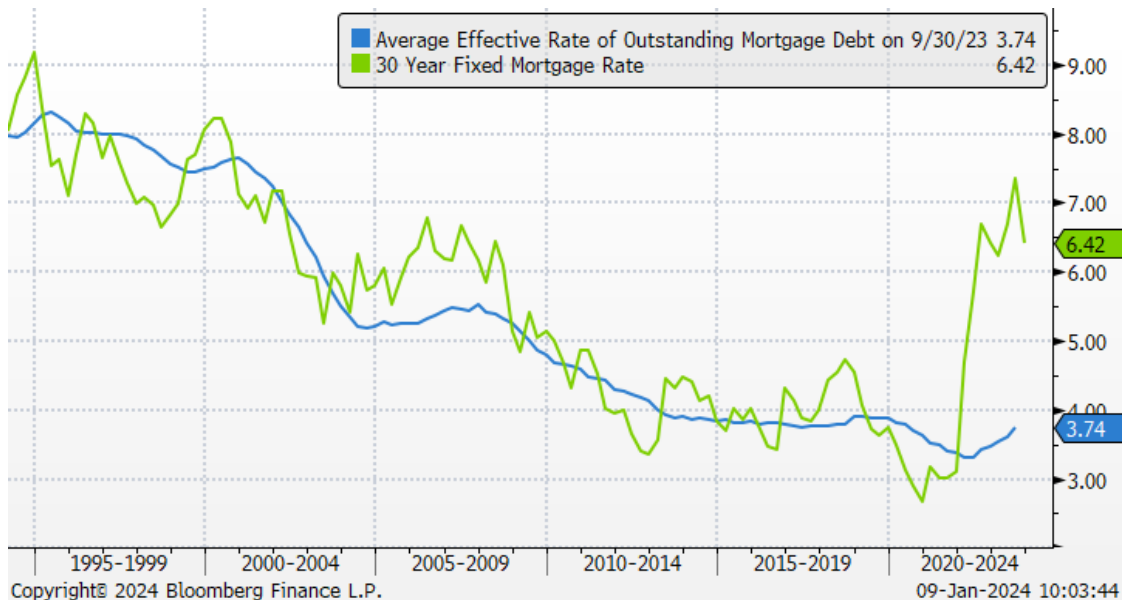


01.09.2024

Effective Mortgage Rate



- Despite the substantial increase in mortgage rates since the start of 2022, **the average rate of all outstanding mortgage debt is still lower than it was in 2019 (3.9%)**.
- Around 14 million borrowers refinanced their mortgages during the pandemic, taking advantage of mortgage rates which averaged ~3% between Q3 2020 and Q4 2021.
- Furthermore, homeowners have relied more on fixed-rate mortgages. In 2007, roughly 30% of all outstanding mortgages were adjustable rate. At the end of 2021, **only 3% of mortgages were adjustable rate**.
- These factors have helped insulate homeowners from the rapid rise in interest rates. And is one of the reasons why the transmission of tighter monetary policy has been more muted compared to past tightening cycles.
- Mortgage-backed securities (MBS), an area of the bond market in which we have a favorable view, will also benefit from these factors. An additional tailwind for this sector is that home prices have risen by nearly 50% since the start of 2020.
- **In short, MBS will benefit from strong interest coverage ratios and higher levels of homeowner equity.**

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