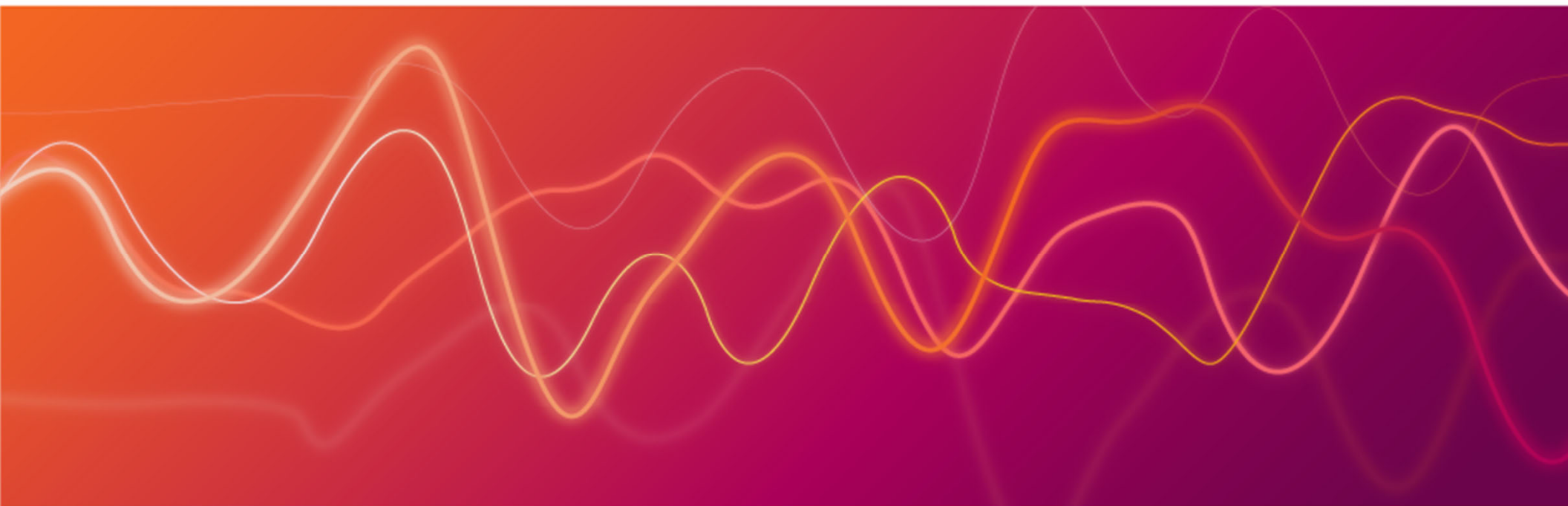




Agency MBS & Housing Market Monitor

Mortgage & Securitized Team

Q1 2025



Important Information and Disclosure

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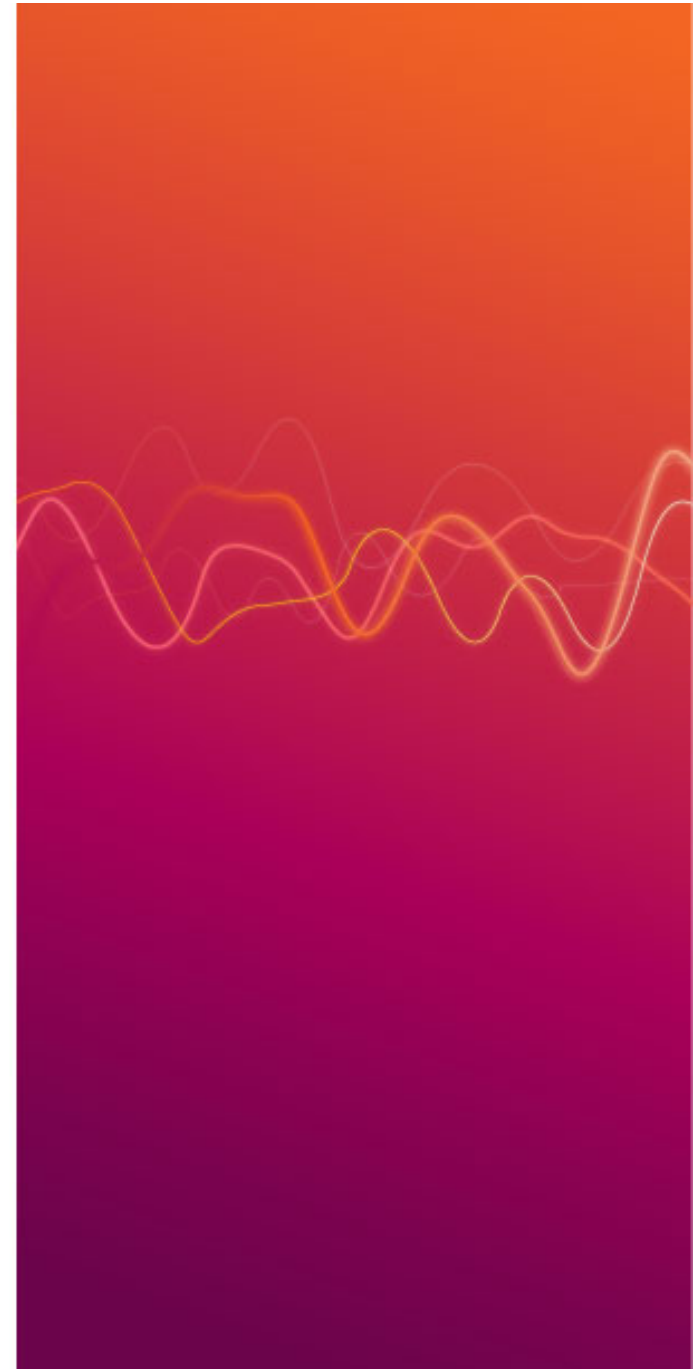


If you are viewing this book on your computer or tablet, **click or tap on the title box to jump to the beginning of each section.**

Data provided is for informational use only. See end of report for important additional information.



Performance Review

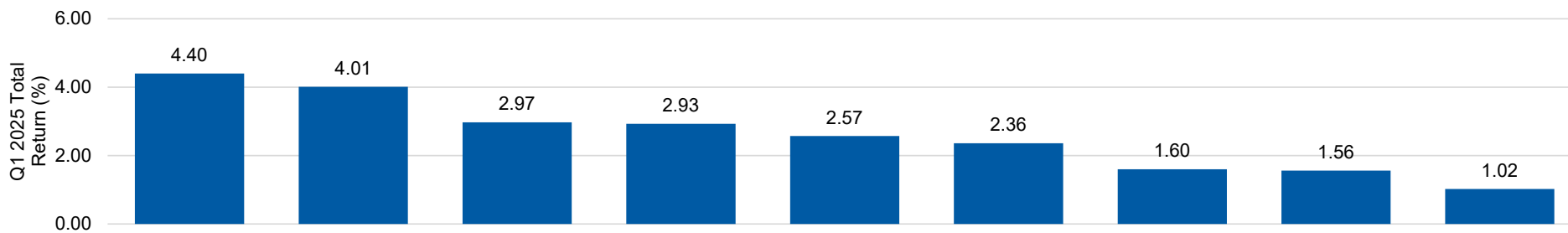


PERFORMANCE REVIEW

Agency MBS Performance

The U.S. Treasury yield curve bull steepened during the first quarter of 2025. While inflationary concerns kept the long-end of the curve relatively stable, yet elevated, the front-end of the curve was pushed lower amidst expectations for more Fed rate cuts than had initially been priced-in. The 2-year yield fell by 36 bps, while the 10-year and 30-year yields fell by 37 bps and 20 bps, respectively.

ICE BofA U.S. Mortgage-Backed Securities Index	Q1 2025	YTD	1-Year	Annualized		
				3-Year	5-Year	10-Year
Total Return (%)	2.97	2.97	5.47	0.55	-0.70	1.11
Price Return (%)	1.80	1.80	0.70	-3.72	-3.53	-1.65
Income Return (%)	0.97	0.97	3.79	3.29	3.11	3.33
Paydown Return (%)	0.21	0.21	0.99	0.98	-0.28	-0.57



	30Y Treasury	10Y Treasury	Agency MBS	5Y Treasury	CMBS	IG Corp	ABS	2Y Treasury	3M Treasury
Yield to Worst (%)	4.58	4.21	5.00	3.95	5.40	5.16	4.99	3.89	4.25
Duration (Years)	16.11	7.91	5.42	4.49	3.75	6.63	2.09	1.90	0.23

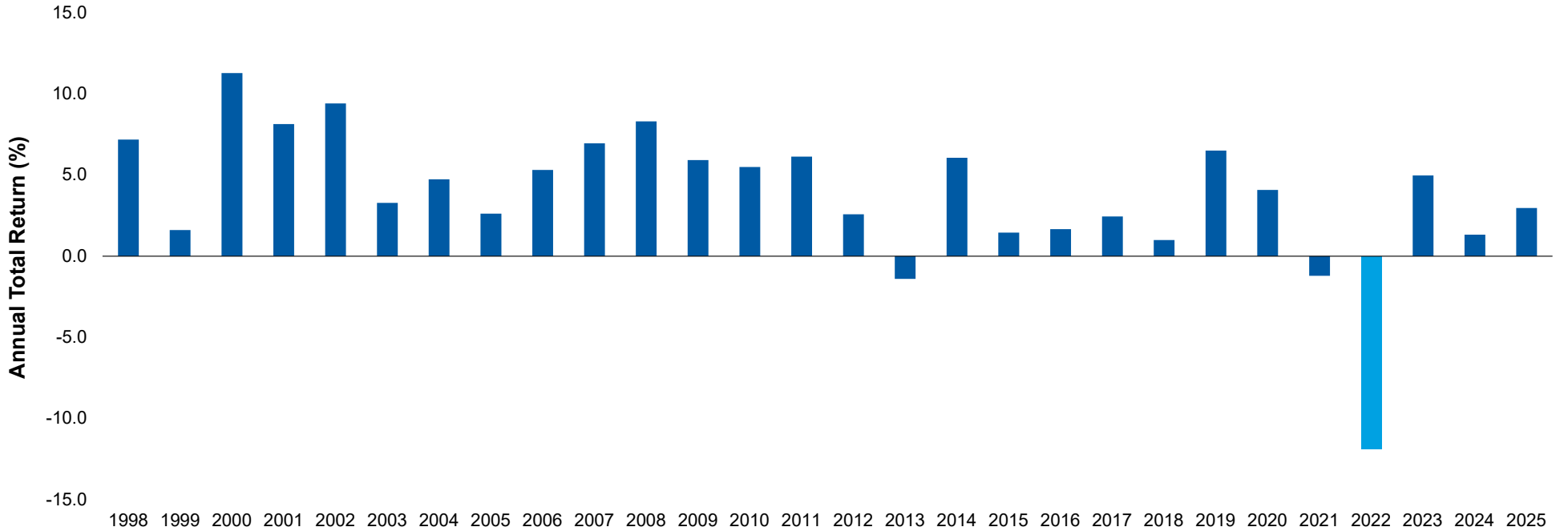
Source: Bloomberg, ICE Data Indices, LLC, as of 3/31/25. Agency MBS represented by ICE BofA US MBS Index. ABS represented by ICE BofA U.S. Fixed-Rate ABS Index. CMBS represented by ICE BofA U.S. Fixed-Rate CMBS Index. IG Corporate represented by ICE BofA US Corporate Index. 3-Month Treasury represented by ICE BofA U.S. 3-Month Treasury Bill Index. 2-Year Treasury represented by ICE BofA Current U.S. 2-Year Treasury Index. 5-Year Treasury represented by ICE BofA Current U.S. 5-Year Treasury Index. 10-Year Treasury represented by ICE BofA Current U.S. 10-Year Treasury Index. 30-Year Treasury represented by ICE BofA Current U.S. 30-Year Treasury Index. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.

PERFORMANCE REVIEW

Agency MBS Annual Returns

The drop in Treasury yields provided a tailwind for most fixed income sectors in Q1 2025, and that was certainly the case with agency MBS. Meanwhile, MBS spreads finished the quarter near where they began, whereas corporate credit spreads broadly widened. The combination of that interest rate rally and stable spreads helped the agency MBS to a total return of 2.97% during the quarter.

ICE BofA US MBS Index – Annual Returns

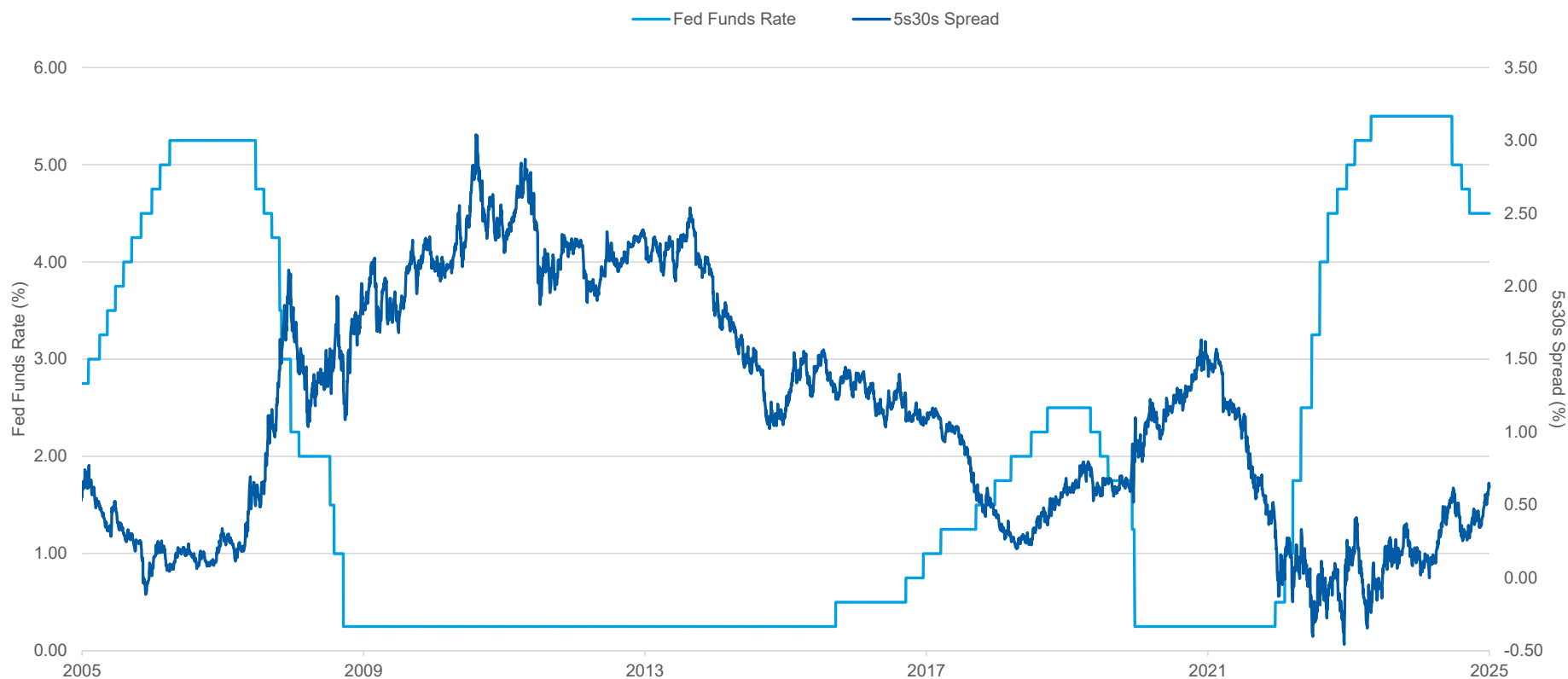


Source: Bloomberg, as of 3/31/25. Agency MBS represented by ICE BofA US MBS Index. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.

PERFORMANCE REVIEW

Treasury Yield Curve and Federal Funds Rate

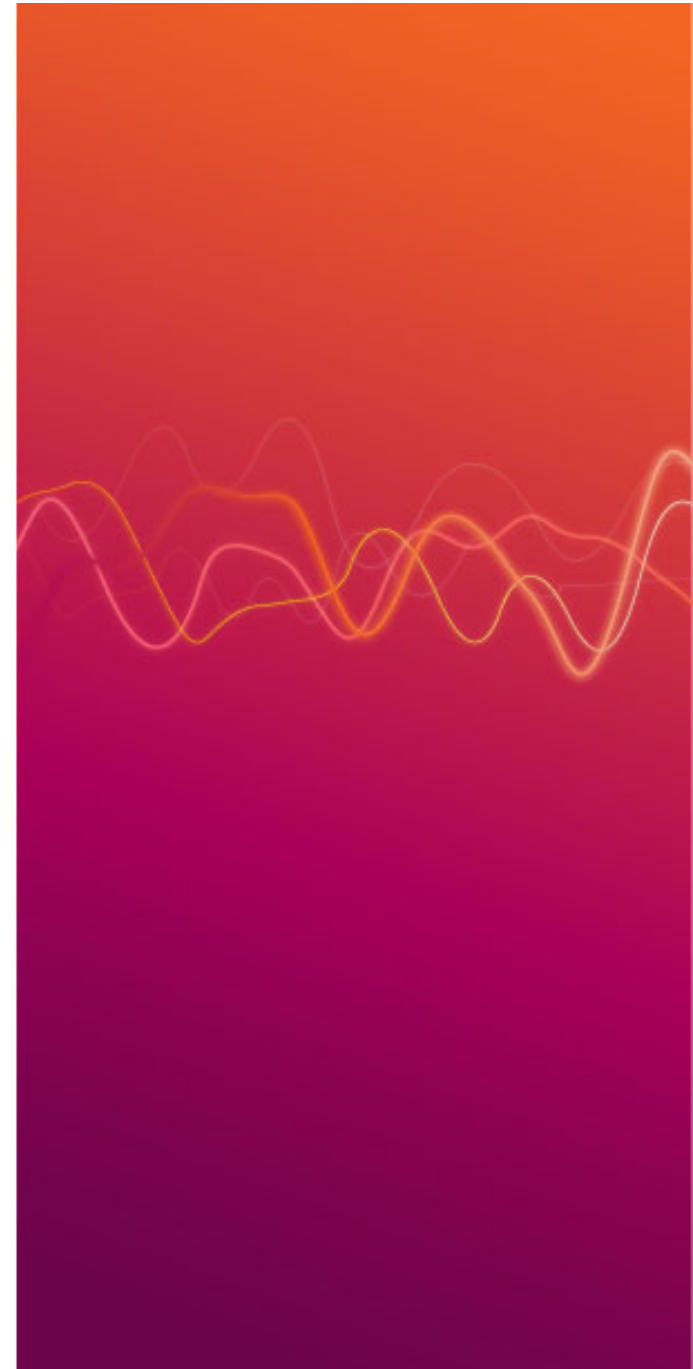
After cutting rates by 100 bps in late 2024, the U.S. Federal Reserve remained on hold during the first quarter of 2025, holding the upper bound of the Federal Funds rate at 4.50%. Growing expectations for additional rate cuts in the quarters ahead pushed the front-end of the yield curve lower, causing a noticeable steepening in the yield curve during the quarter.



Source: Bloomberg. As of 3/31/2025. Past performance is not a reliable indicator of future results.



Housing Market Update



HOUSING MARKET UPDATE

Mortgage Rates

As has been the case for much of the last few years, mortgage rates remained volatile in the first quarter. After spiking in late-2024, mortgage rates reversed course lower, ending the quarter nearly 40 bps lower at 6.65%.

30-Year Fixed-Rate Mortgage Average

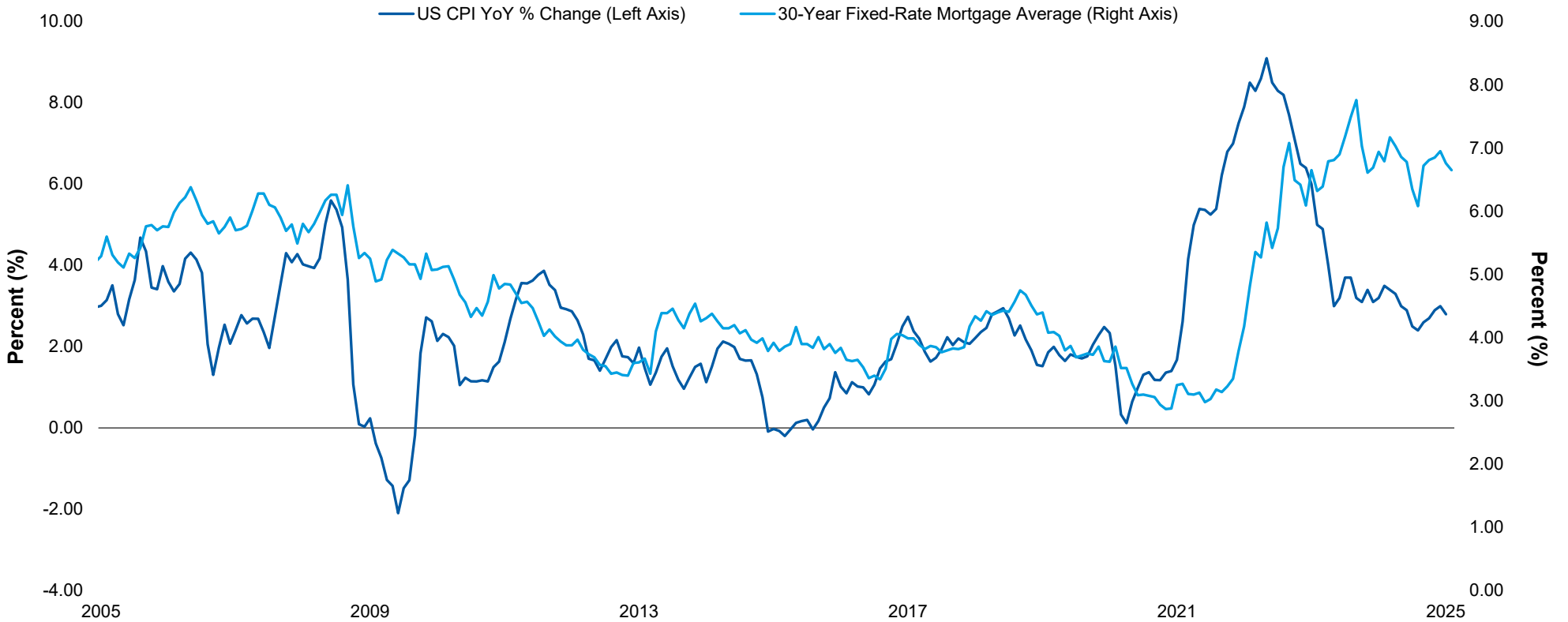


Source: Federal Reserve Economic Data. As of 3/27/25. Past performance is not a reliable indicator of future results. See end of material for important additional information and disclosures.

HOUSING MARKET UPDATE

US Inflation and 30-Year Mortgage Rates

Inflation and mortgage rates tend to have a fairly strong positive correlation. As inflation moderated significantly since its 2022 spike, mortgage rates began to follow suit lower for much of 2024, and that trend has continued into 2025.



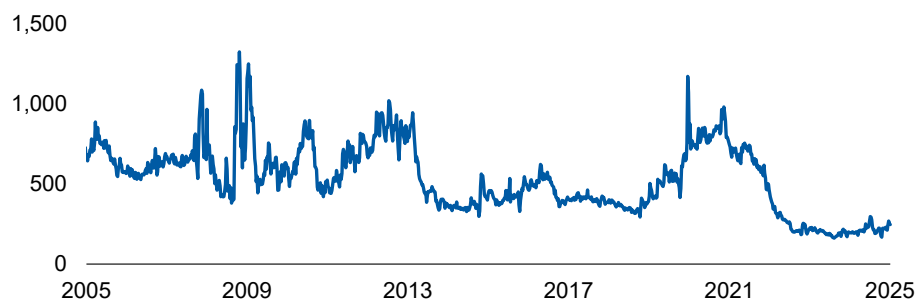
Source: Federal Reserve. As of 3/27/25. CPI represents consumer price index, or inflation. Bloomberg

HOUSING MARKET UPDATE

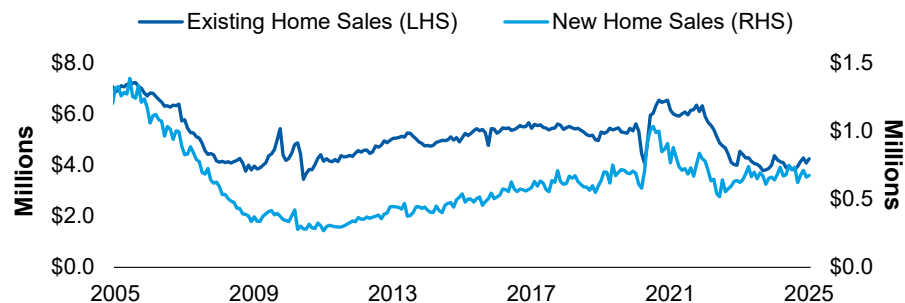
Home Sales

Home sale activity remains extremely depressed relative to history. However, while new and existing home sales remain below-trend, mortgage applications have been picking up in recent months.

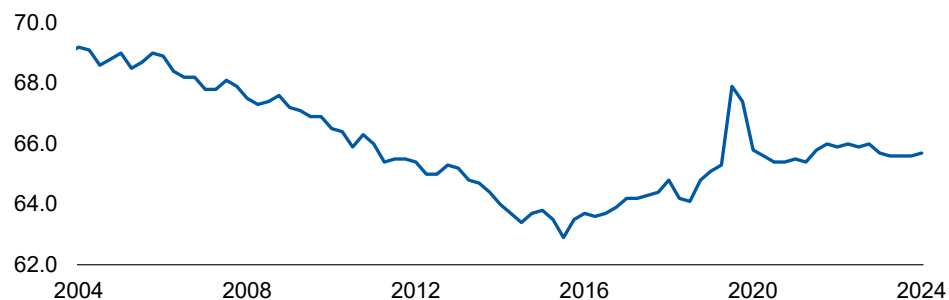
MBA Weekly Mortgage Applications Index¹



New & Existing Home Sales²



U.S. Homeownership Rate (%)³



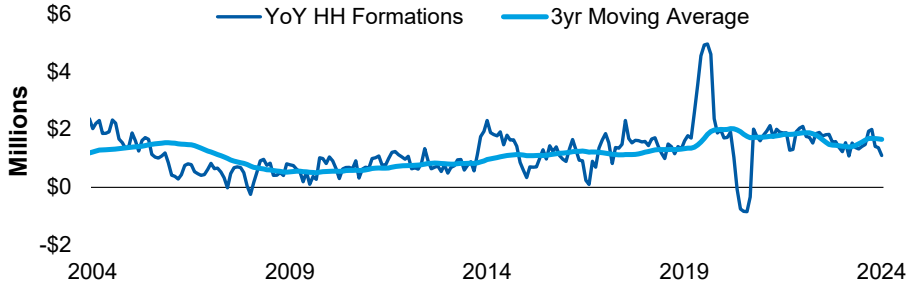
Source: FactSet, Bloomberg. ¹As of 3/21/25. ²As of 2/28/25. Seasonally adjusted annual rate. ³As of 12/31/24.

HOUSING MARKET UPDATE

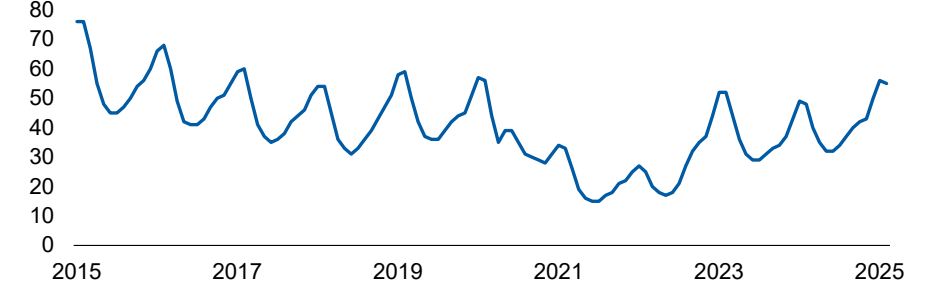
Home Sales (continued)

Housing supply also remains quite low, but contrary to home sales activity, the tightness in supply appears to be easing. The number of single-family homes available for sale has been increasing, as have the months of supply of single-family homes.

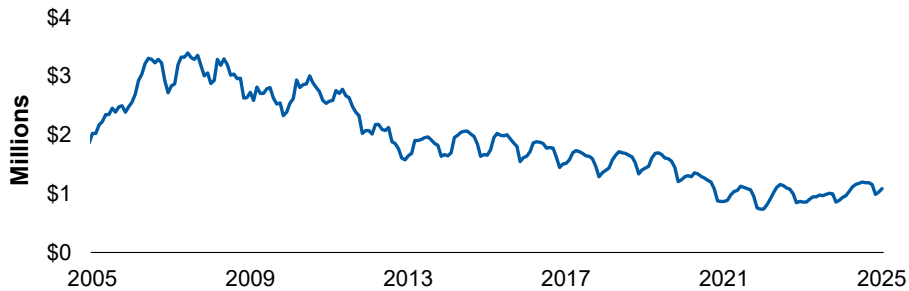
Year-over-Year Change in Household Formations¹



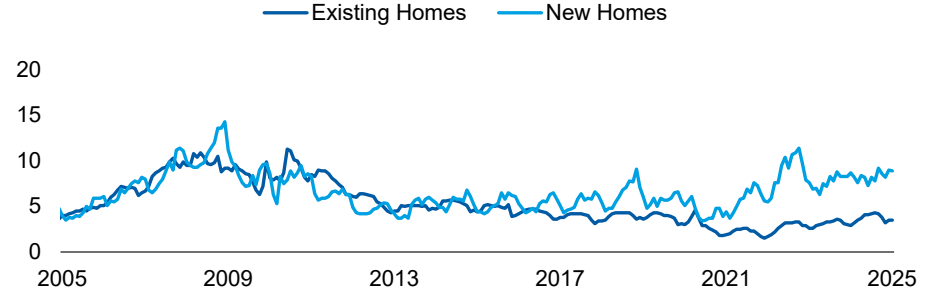
Median Days on Market – National Average²



Single Family Homes Available for Sale²



Months of Supply of Single Family Homes²



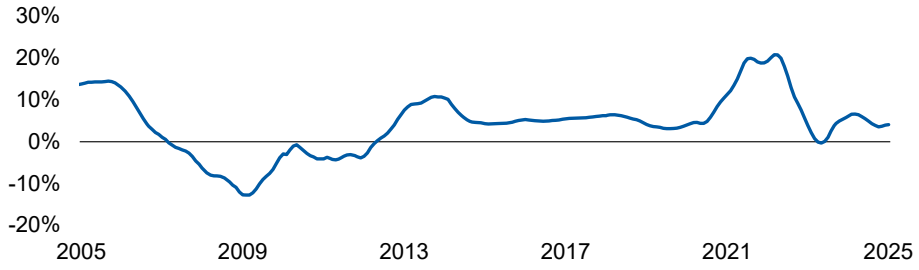
Source: Factset, Bloomberg, Redfin. ¹As of 12/31/24. ²As of 2/28/25.

HOUSING MARKET UPDATE

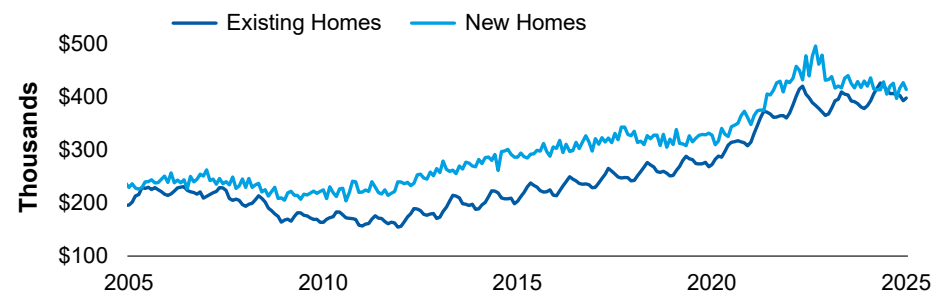
Home Prices

Home prices have continued to rise, mostly thanks to the lack of new supply hitting the market. This is in spite of lessened demand due to the incredibly low level of housing affordability.

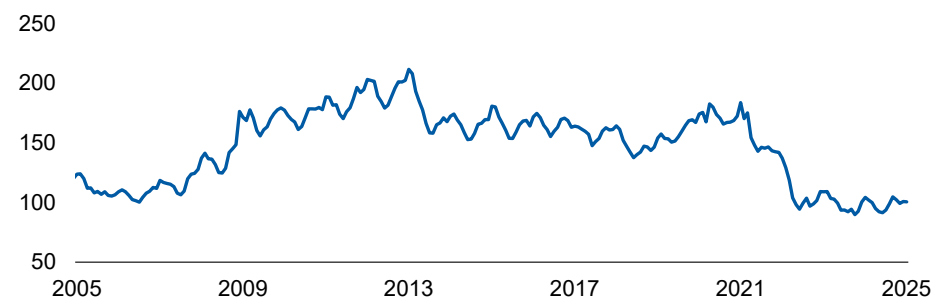
S&P/Case-Schiller U.S. National Home Price Index¹
Year-over-Year % Change



Median Home Prices – New & Existing Homes²



NAR Housing Affordability Index³



Source: FactSet, Bloomberg. ¹As of 1/31/25. ²As of 2/28/25. ³As of 1/31/25

HOUSING MARKET UPDATE

Adjustable-Rate Mortgages (ARM) Share of Origination

As housing has become less affordable, an increasing number of homebuyers are turning to adjustable-rate mortgages, as rates on those products are (for a period of time) lower. While this figure has increased off 2021 lows, it remains well-below the levels seen pre-Financial Crisis.

Adjustable-Rate Mortgages - Share of Origination (%)



Source: Bloomberg as of 3/28/25. Data provided is for informational use only. See end of material for important additional information and disclosures.

HOUSING MARKET UPDATE

Refinancing Activity

The MBA Refinance Index more than doubled during the 1st quarter, however the level of refi activity remains extremely muted relative to its longer-term average.

MBA Refinance Index



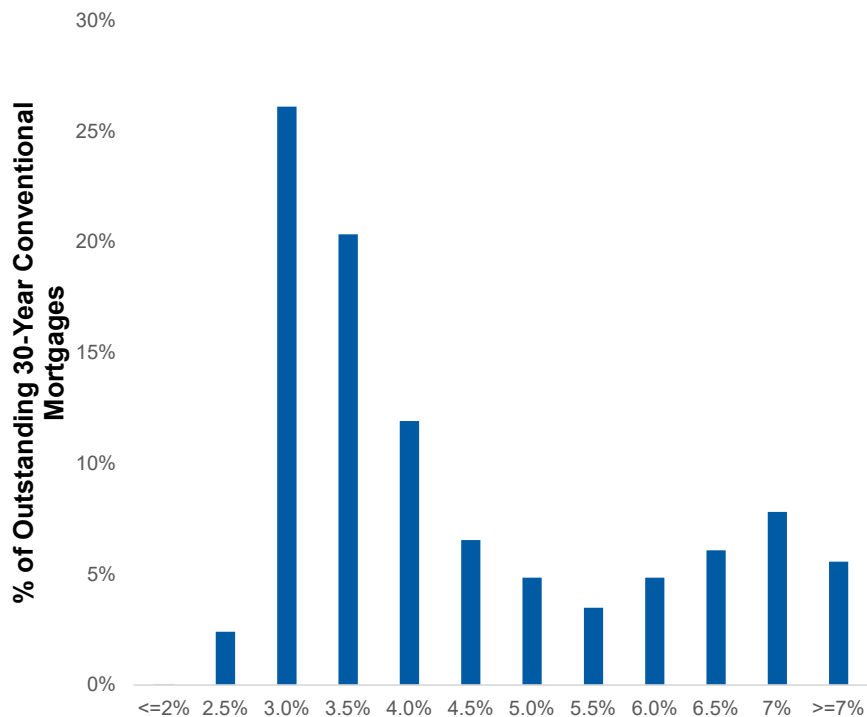
Source: Bloomberg as of 3/21/25. Data provided is for informational use only. See end of material for important additional information and disclosures.

HOUSING MARKET UPDATE

Future Refinancing Potential

With mortgage rates still hovering around 6.5%, refinancing activity is concentrated in only the borrowers with the highest mortgage rates. Today's 30-year fixed-rate mortgage average is still higher than nearly 85% of all outstanding conventional mortgages.

Outstanding Mortgage Borrower Interest Rate



Percentage of Refinanceable Mortgages



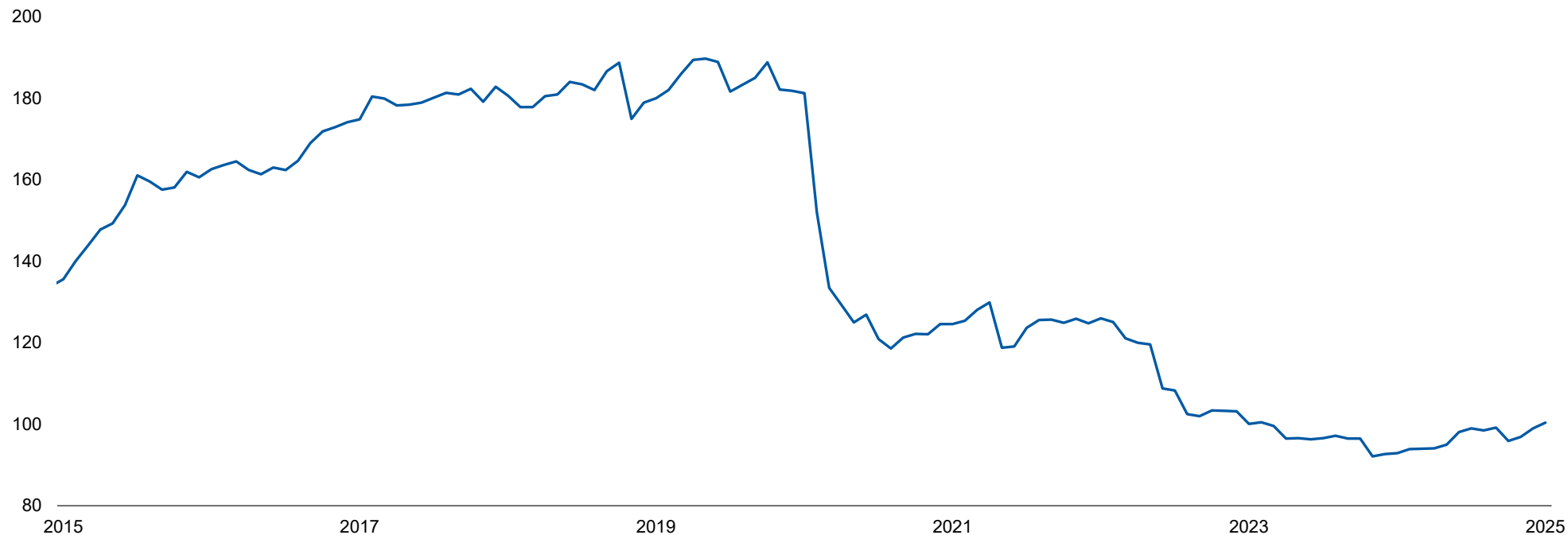
Source: RiskSpan. As of 3/31/25.

HOUSING MARKET UPDATE

Credit Availability

Mortgage credit availability has increased in recent quarters but remains near 10-year lows, as higher mortgage rates have negatively impacted the overall mortgage credit landscape. Higher rates also led to falling cash-out refinance activity, which had previously been on the rise due to higher home prices and growing levels of home equity.

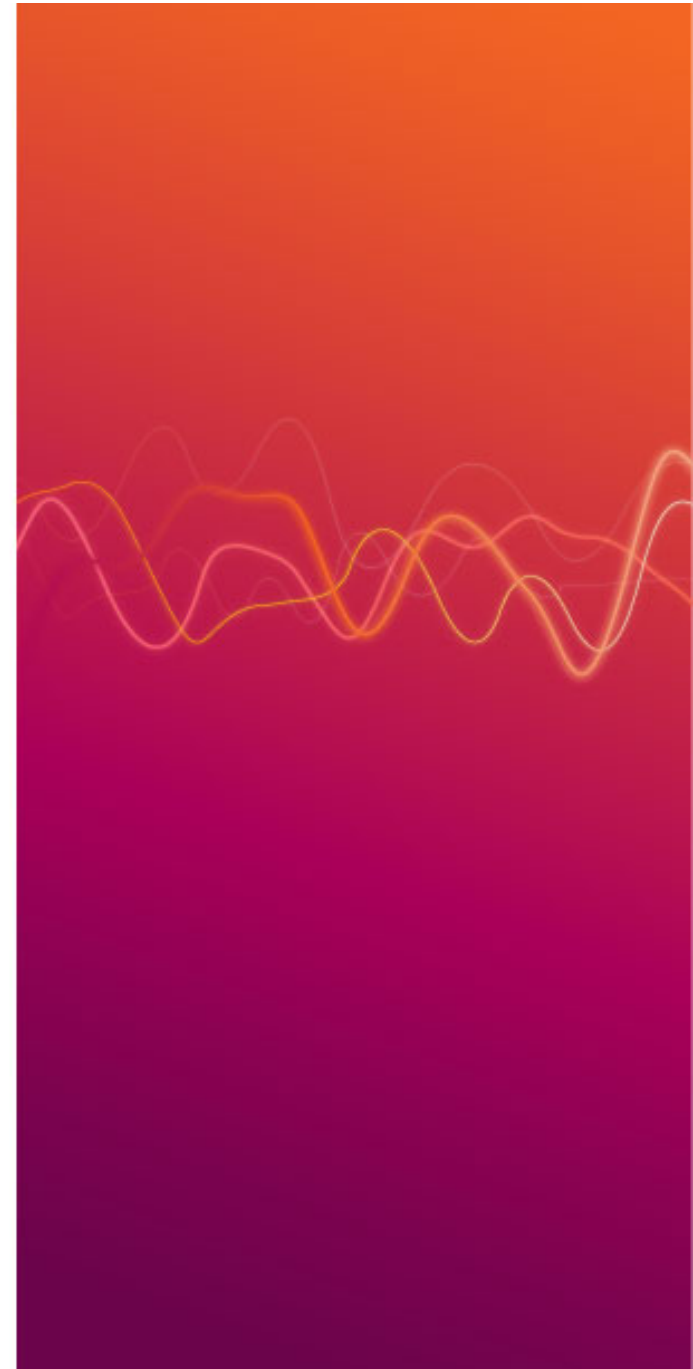
MBA Mortgage Credit Availability Index



Source: Mortgage Bankers' Association, Bloomberg, Freddie Mac. As of 2/28/25.



Agency MBS Market Update

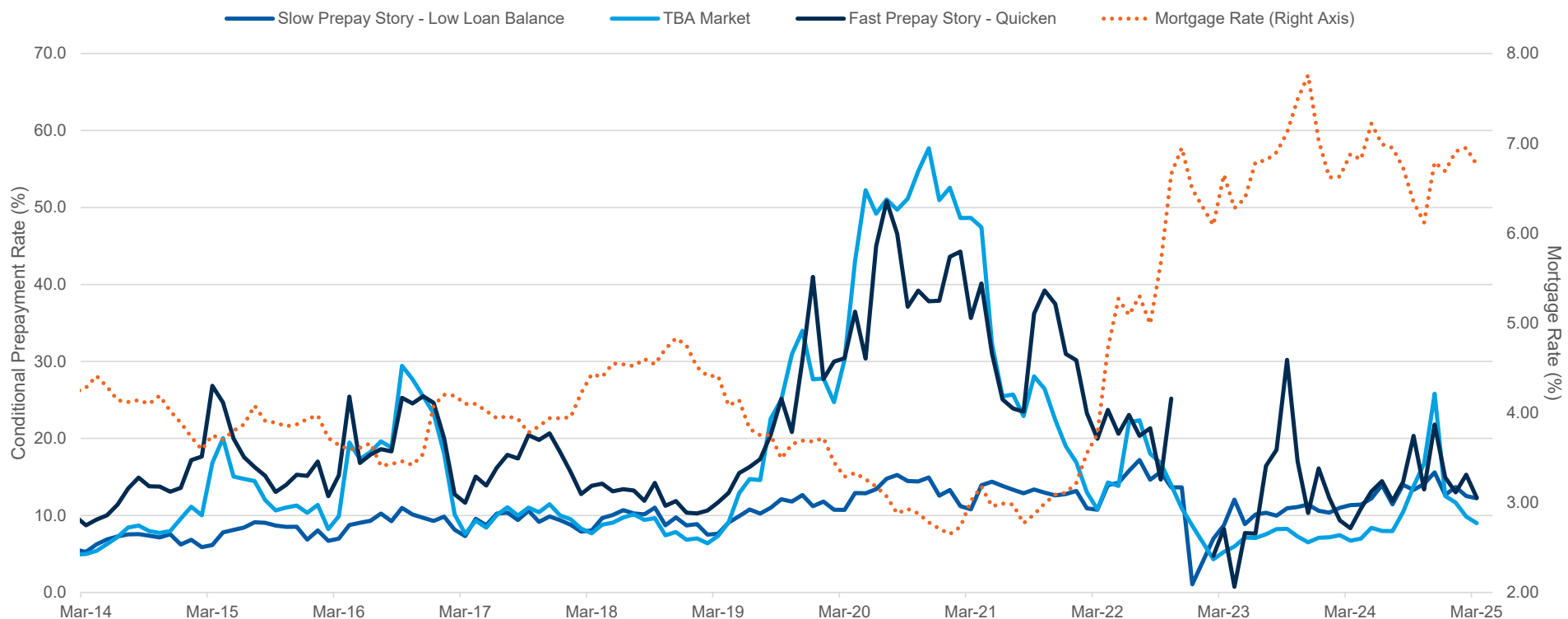


AGENCY MBS MARKET UPDATE

Prepayment Speeds

MBS prepayment speeds remain slow in response to high mortgage rates, although we expect speeds to increase for more recent borrowers as mortgage rates have lowered slightly and the housing market seasonals will pick up in the spring. Importantly, this will cause the speed differentials between different types of collateral to widen.

Mortgage Rates and Prepayment Speeds

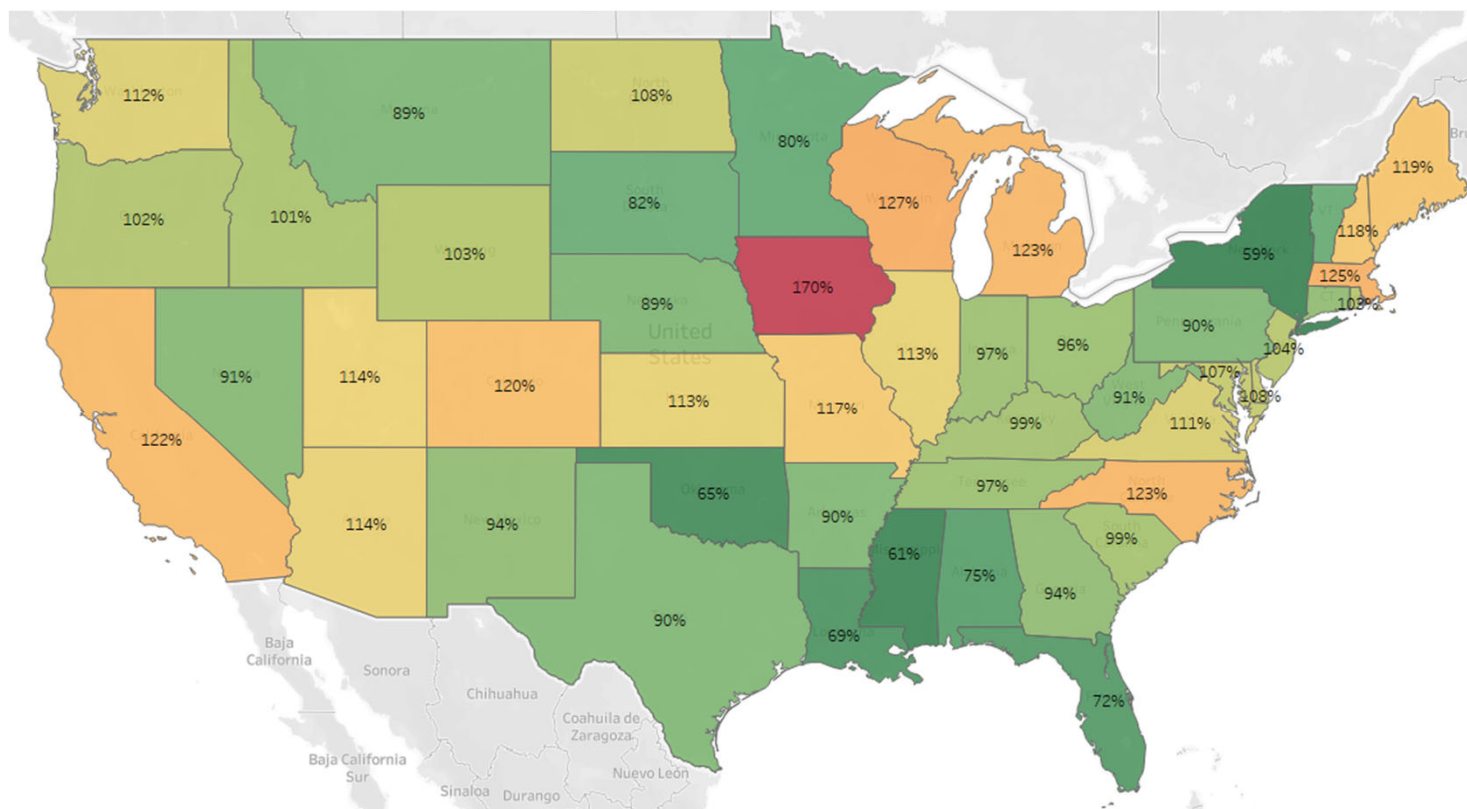


Source: Eaton Vance, RiskSpan. As of 3/31/25. Slow Prepay Story – Low Loan Balance represents an MBS pool in which the underlying mortgages have a low outstanding principal balance. TBA Market represents the generic agency MBS market. Fast Prepay Story – Quicken represents an MBS pool in which the underlying mortgages are serviced by Quicken Loans.

AGENCY MBS MARKET UPDATE

Prepayment Speeds

Prepayment speeds also often vary by geography, as some states may experience greater refinancing or home purchase activity depending on regional housing trends or even state and local regulations. Interestingly, the cooling of the housing market has caused prepaids to dramatically slow in many of the states that had historically had some of the fastest prepayment speeds.



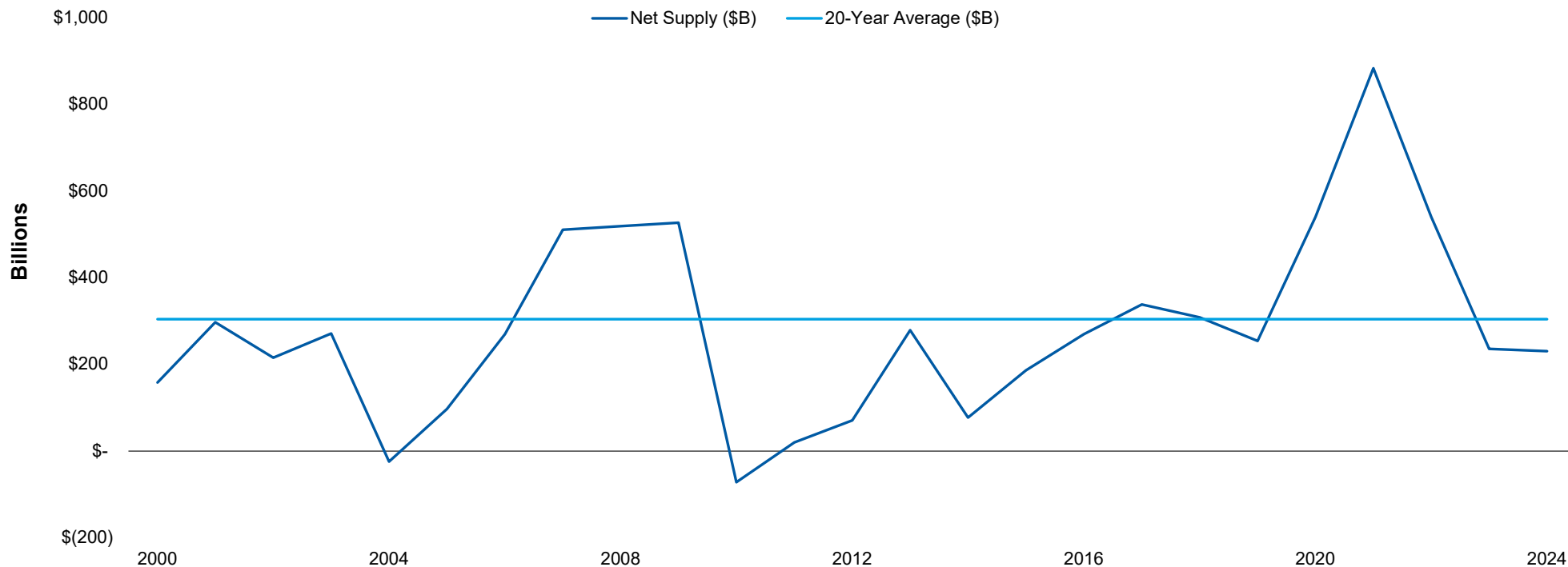
Source: RiskSpan. As of 3/31/25. Percentages reflect aggregate state prepayment speeds across all coupons relative to the aggregate universe prepayment speed across all coupons.

AGENCY MBS MARKET UPDATE

Agency MBS Supply

After hitting a record high in net issuance in 2021, Agency MBS supply has fallen dramatically in each of the last three years as high mortgage rates have dampened refinancing activity and cooled the U.S. housing market.

Agency MBS Net Issuance



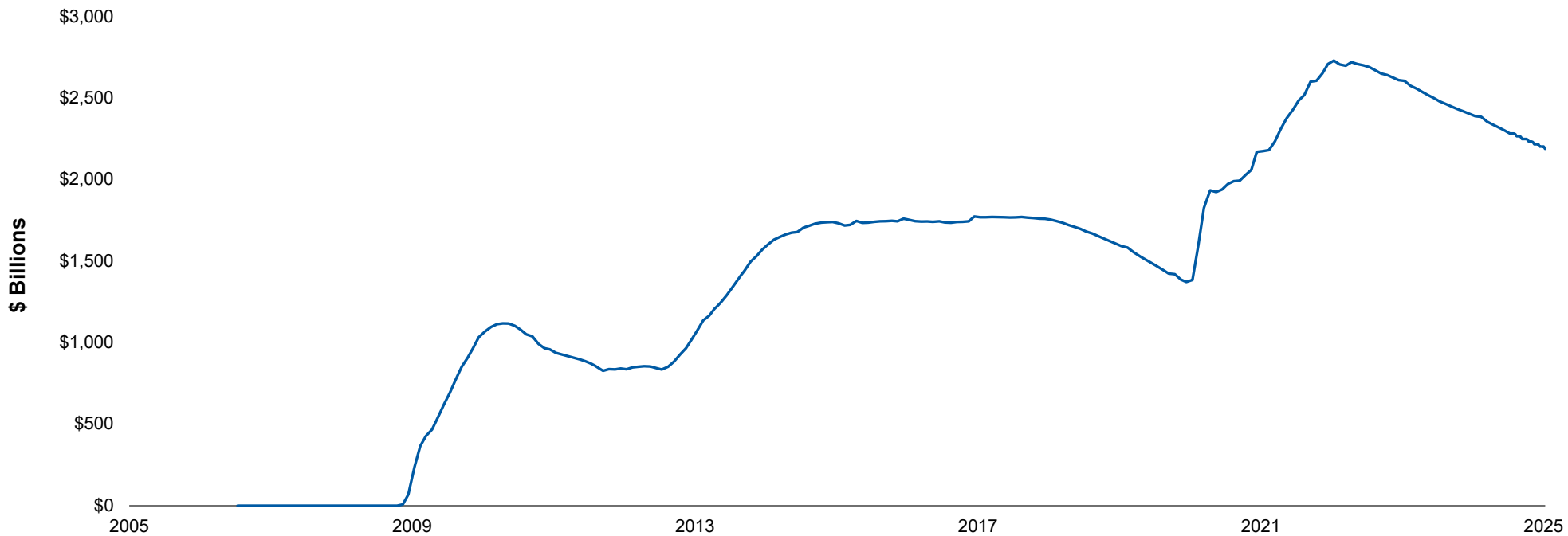
Source: JP Morgan. As of 12/31/24.

AGENCY MBS MARKET UPDATE

Federal Reserve MBS Holdings

The Fed continued its balance sheet reduction in the first quarter, reducing its MBS holdings by nearly \$45 billion. With the Fed now easing monetary policy through cuts to the Fed Funds rate, many market participants are wondering how much longer the Fed's balance sheet runoff will continue.

Fed MBS Holdings



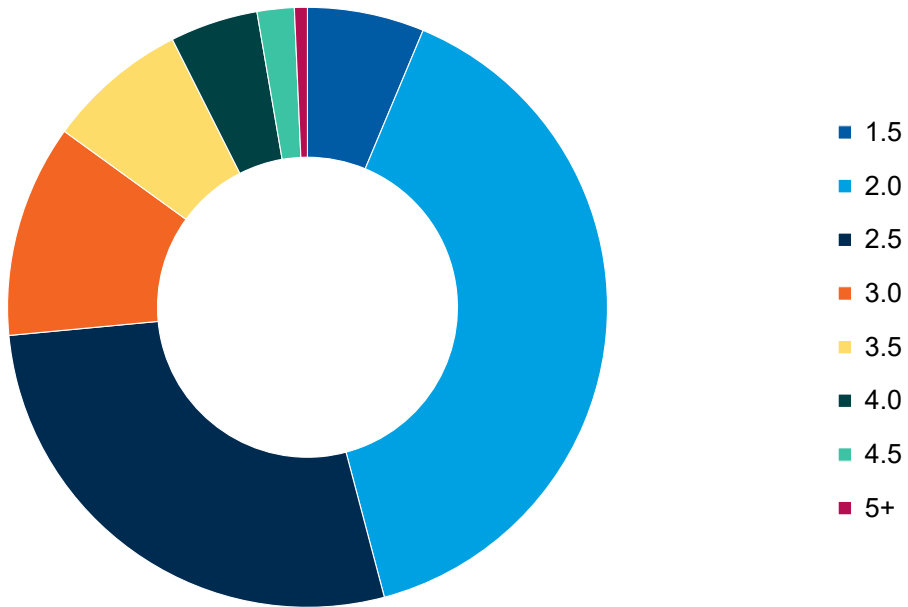
Source: Federal Reserve. As of 3/26/25.

AGENCY MBS MARKET UPDATE

Federal Reserve MBS Holdings (continued)

As the Fed generally focused its quantitative easing (QE) purchases on the coupons where origination was the highest, its MBS portfolio is still dominated by 2% and 2.5% coupon MBS.

Fed MBS Holdings by Coupon (\$B)



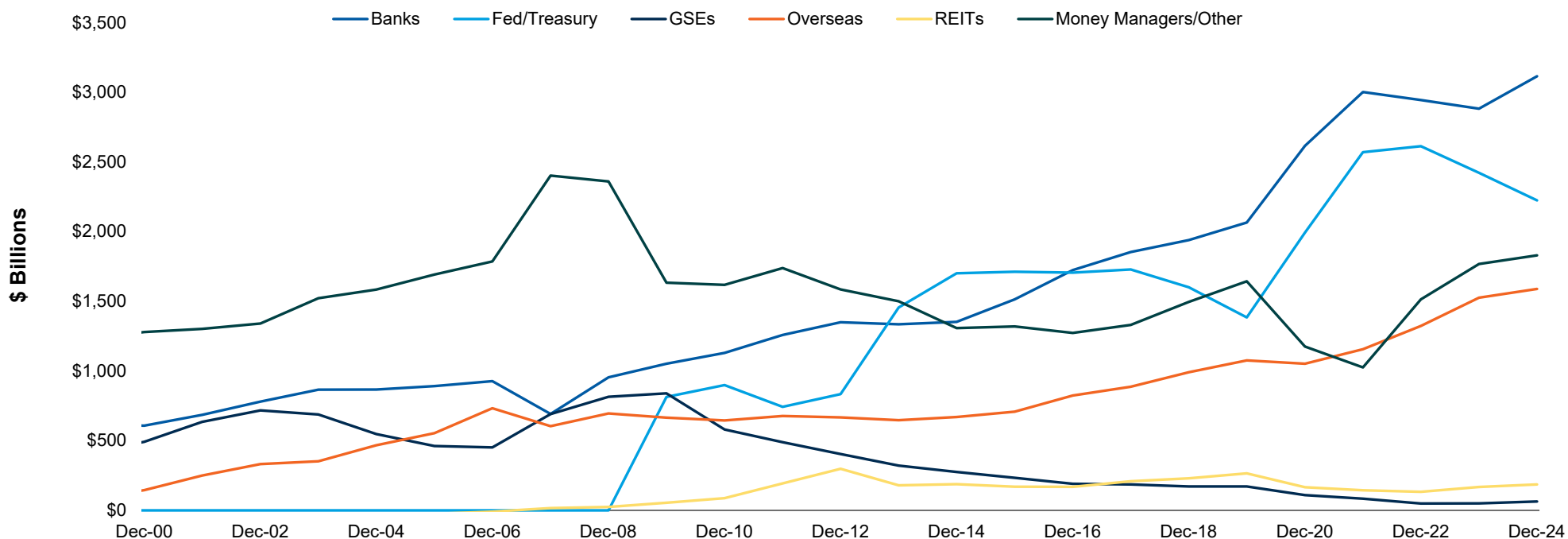
Source: Federal Reserve. As of 3/26/25.

AGENCY MBS MARKET UPDATE

Agency MBS Ownership

The Agency MBS market has an extremely diverse investor base. While the Fed is decreasing the size of its MBS portfolio, money managers have picked up some of that slack. In addition, bank holdings, which had been muted for much of the last few years, are beginning to increase as well.

Agency MBS Holdings (\$B)



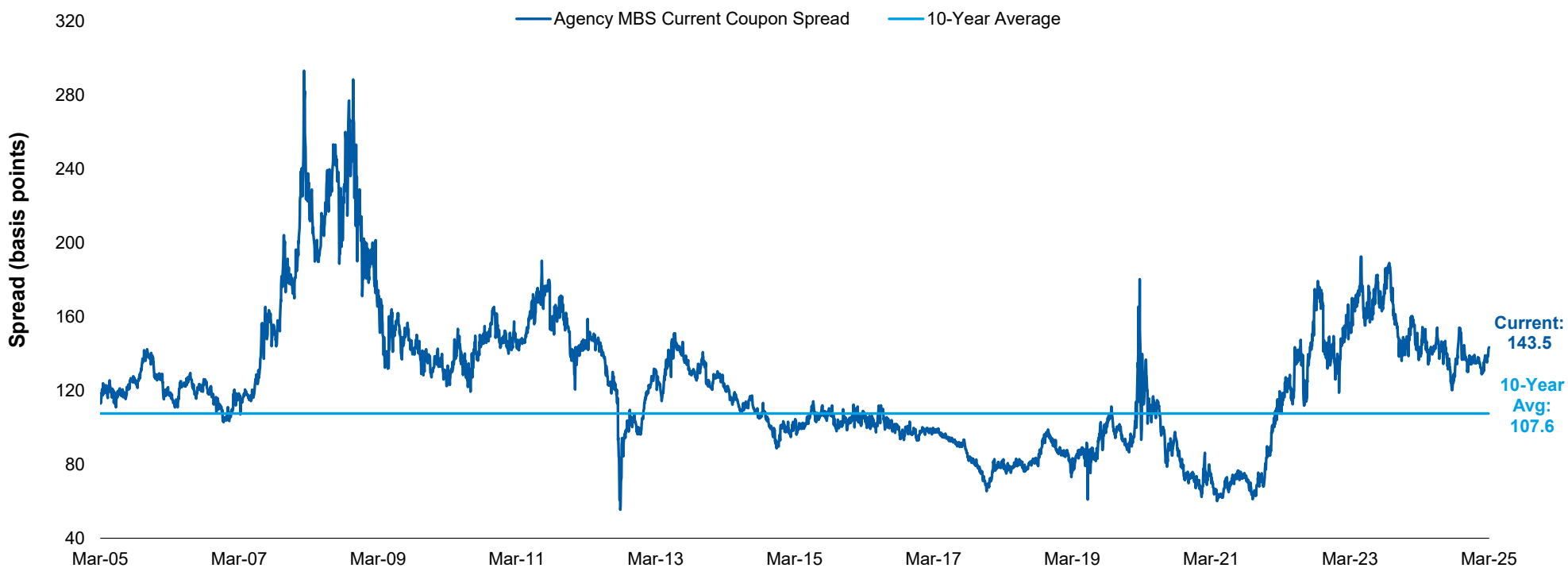
Source: Morgan Stanley. As of 12/31/24.

AGENCY MBS MARKET UPDATE

Current Valuations

Agency MBS spreads widened by 8 basis points in the first quarter. Elevated interest rate volatility and concerns about increased MBS supply due to lower mortgage rates pushed spreads wider. On a historical basis, agency MBS spreads remain more than 30 bps wider than their average over the last 10 years.

Agency MBS Spread vs. U.S. Treasuries



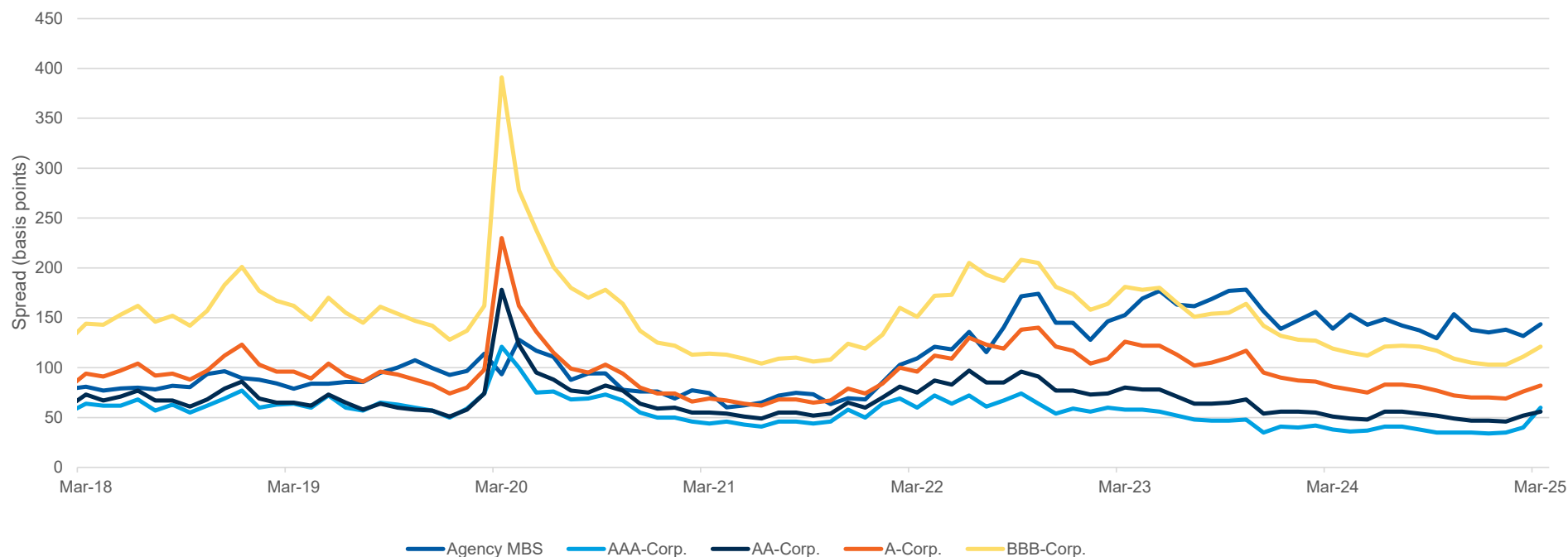
Source: Bloomberg . As of 3/31/25. Agency MBS spread reflects current coupon spread over 5/10yr US Treasury blend. **Past performance is not a reliable indicator of future results.**

AGENCY MBS MARKET UPDATE

Relative Valuations

Though agency MBS spreads widened in the first quarter, the move was much more modest than that of investment grade corporates. An increase in volatility and heightened recession concerns caused corporate spreads to widen by even more during the quarter. Still, agency MBS spreads remain wider than lower-rated IG corporates.

Spread to U.S. Treasuries



Source: Intercontinental Exchange, Bloomberg . As of 3/31/25. Agency MBS spread reflects current coupon spread over 5/10yr US Treasury blend. Corporates represented by ICE BofA US Corporate Indices. **Past performance is not a reliable indicator of future results.** Data provided for informational purposes only. It is not possible to invest directly in an index.

AGENCY MBS MARKET UPDATE

MBS Yields

The rally in interest rates more than offset the negative impact of gradual spread widening in the agency MBS market. While MBS yields have remained somewhat range-bound recently, yields have risen sharply since the pandemic. The yield of the Bloomberg US MBS Index ended the quarter at 4.92%, while the MBS current coupon yield closed March 2025 at 5.51%.

Yield to Worst



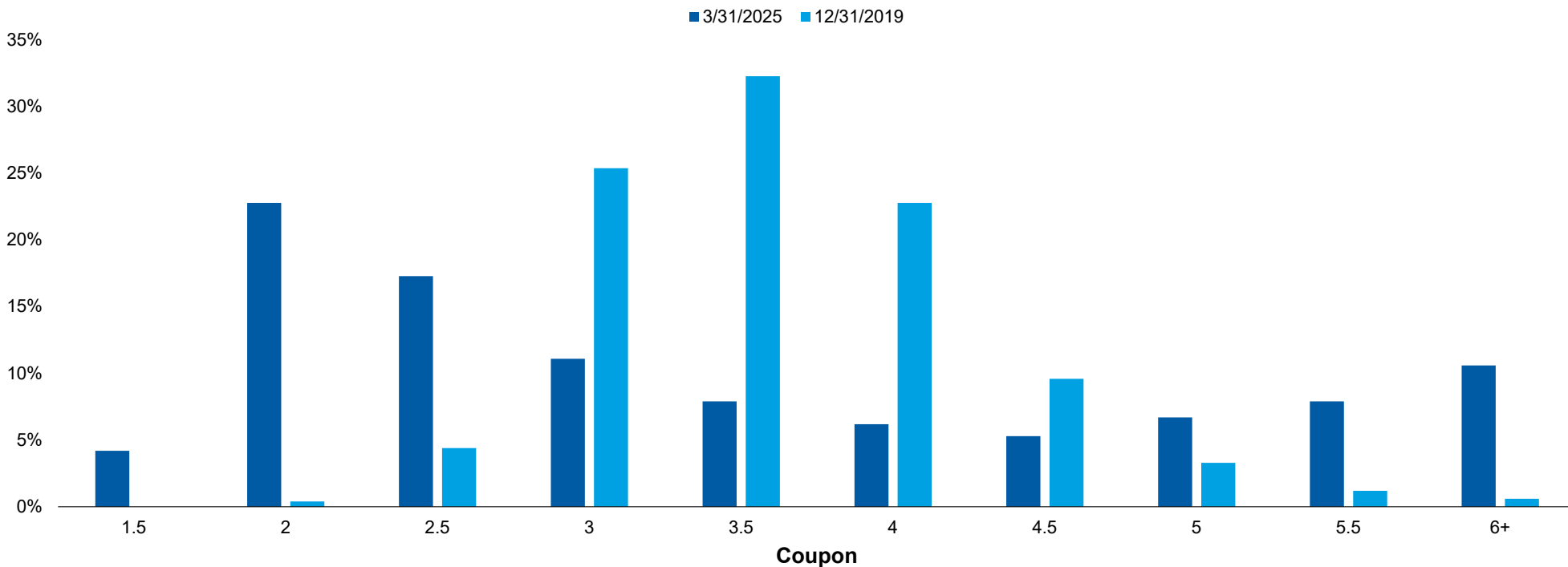
Source: Bloomberg. As of 3/31/25. **Past performance is not a reliable indicator of future results.** Data provided for informational purposes only. It is not possible to invest directly in an index.

AGENCY MBS MARKET UPDATE

MBS Index Composition

The coupon breakdown of the MBS index has changed dramatically since before the pandemic. The sharp drop in mortgage rates combined with a spike in origination of low-coupon MBS in 2020 and 2021 caused the index to become heavily weighted in low-coupon bonds.

Agency MBS Index - Coupon Breakdown



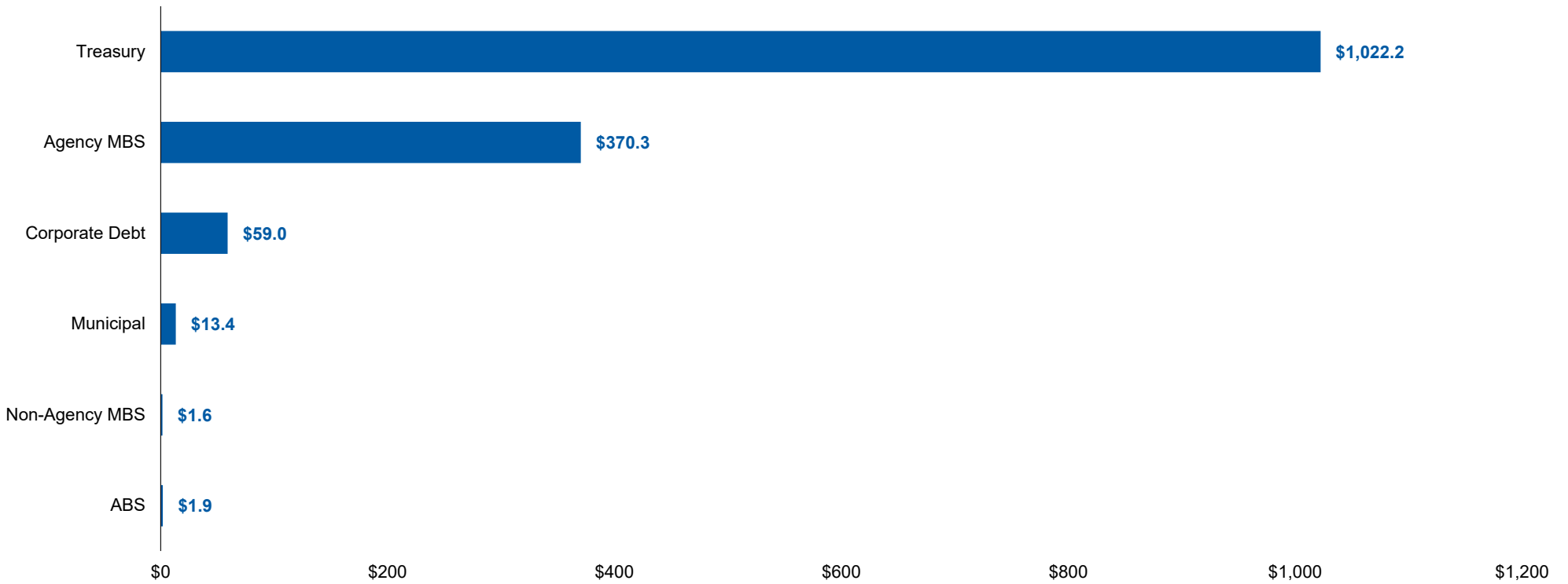
Source: Bloomberg . As of 3/31/25. Agency MBS represented by the Bloomberg US MBS Index. Past performance is not a reliable indicator of future results. Data provided for informational purposes only. It is not possible to invest directly in an index.

AGENCY MBS MARKET UPDATE

Liquidity

The Agency MBS market is the 2nd most liquid U.S. fixed income market, behind only Treasuries.

Average Daily Trading Volume (\$B)



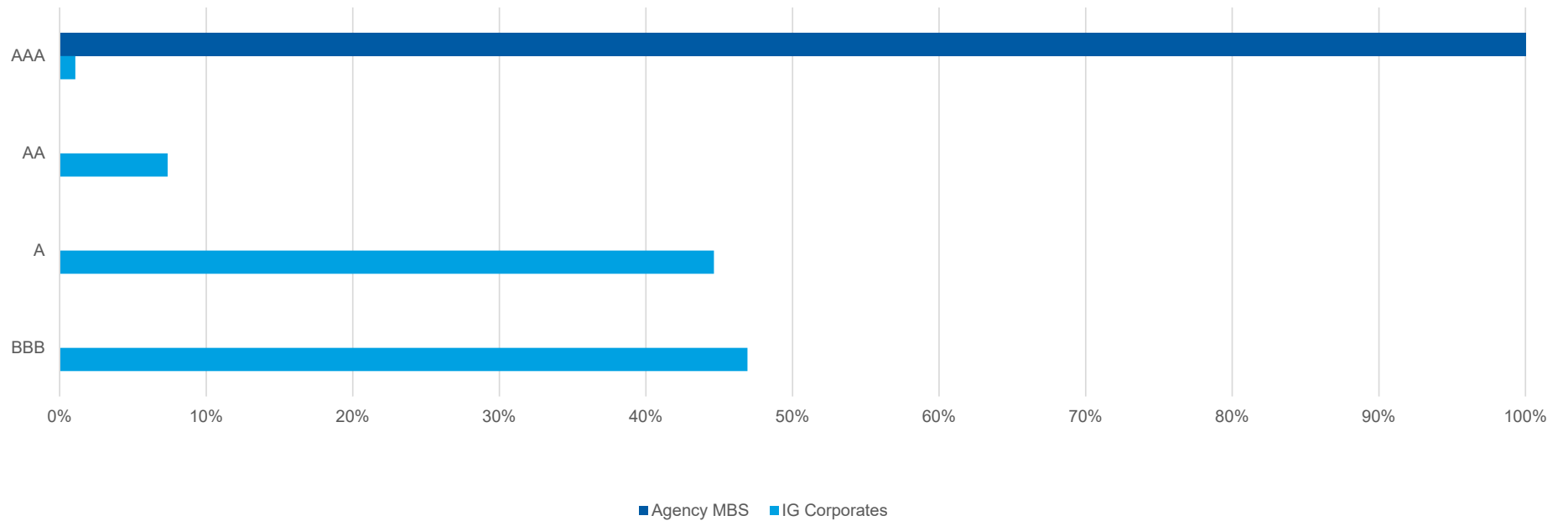
Source: SIFMA. As of 3/5/25.

AGENCY MBS MARKET UPDATE

Credit Quality

Not only do Agency MBS currently offer higher yields than parts of the investment-grade corporate bond market, but they also offer higher credit quality.

Credit Quality Breakdown



Source: Bloomberg, Intercontinental Exchange. As of 3/31/25. Agency MBS represented by Bloomberg US MBS Index. IG Corporates represented by ICE BofA US Corporate Index. Data provided for informational purposes only. It is not possible to invest directly in an index.

IMPORTANT ADDITIONAL INFORMATION

Important Information and Disclosure

INDEX DEFINITIONS:

Bloomberg U.S. Mortgage Backed Securities (MBS) measures agency mortgage-backed pass-through securities issued by GNMA, FNMA, and FHLMC.

Bloomberg CMBS Index tracks the performance of US dollar denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market.

Bloomberg Asset Backed Securities (ABS) Index tracks the performance of US dollar denominated investment grade fixed rate asset backed securities publicly issued in the US domestic market.

ICE BofA U.S. Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market.

ICE BofA U.S. 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month.

ICE BofA Current U.S. 2-Year Treasury Index is a one-security index comprised of the most recently issued 2-year US Treasury note.

ICE BofA Current U.S. 5-Year Treasury Index is a one-security index comprised of the most recently issued 5-year US Treasury note.

ICE BofA Current U.S. 10-Year Treasury Index is a one-security index comprised of the most recently issued 10-year US Treasury note.

ICE BofA Current U.S. 30-Year Treasury Index is a one-security index comprised of the most recently issued 30-year US Treasury bond.

ICE BofA U.S. Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market.

ICE BofA AAA U.S. Corporate Index is a subset of ICE BofA US Corporate Index including all securities rated AAA.

ICE BofA AA U.S. Corporate Index is a subset of ICE BofA US Corporate Index including all securities rated AA1 through AA3, inclusive.

ICE BofA A U.S. Corporate Index is a subset of ICE BofA US Corporate Index including all securities rated A1 through A3, inclusive.

Credit ratings that may be referenced are based on Moody's, S&P or Fitch, as applicable. Credit ratings are based largely on the rating agency's investment analysis at the time of rating and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. Ratings of BBB or higher by Standard and Poor's or Fitch (Baa or higher by Moody's) are considered to be investment grade quality.

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IMPORTANT ADDITIONAL INFORMATION

ABOUT ASSET CLASS COMPARISONS:

Elements of this report include comparisons of different asset classes, each of which has distinct risk and return characteristics. Every investment carries risk, and principal values and performance will fluctuate with all asset classes shown, sometimes substantially. Asset classes shown are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. All asset classes shown are subject to risks, including possible loss of principal invested. The principal risks involved with investing in the asset classes shown are interest-rate risk, credit risk and liquidity risk, with each asset class shown offering a distinct combination of these risks. Generally, considered along a spectrum of risks and return potential, U.S. Treasury securities (which are guaranteed as to the payment of principal and interest by the U.S. government) offer lower credit risk, higher levels of liquidity, higher interest-rate risk and lower return potential, whereas asset classes such as high-yield corporate bonds and emerging market bonds offer higher credit risk, lower levels of liquidity, lower interest-rate risk and higher return potential. Other asset classes shown carry different levels of each of these risk and return characteristics, and as a result generally fall varying degrees along the risk/return spectrum. Costs and expenses associated with investing in asset classes shown will vary, sometimes substantially, depending upon specific investment vehicles chosen. No investment in the asset classes shown is insured or guaranteed, unless explicitly stated for a specific investment vehicle. Interest income earned on asset classes shown is subject to ordinary federal, state and local income taxes, excepting U.S. Treasury securities (exempt from state and local income taxes) and municipal securities (exempt from federal income taxes, with certain securities exempt from federal, state and local income taxes). In addition, federal and/or state capital gains taxes may apply to investments that are sold at a profit. Eaton Vance does not provide tax or legal advice. Prospective investors should consult with a tax or legal advisor before making any investment decision.

An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. As interest rates rise, the value of certain income investments is likely to decline. Investments involving higher risk do not necessarily mean higher return potential. Diversification cannot ensure a profit or eliminate the risk of loss.

Debt securities are subject to risks that the issuer will not meet its payment obligations. Low rated or equivalent unrated debt securities of the type in which a strategy will invest generally offer a higher return than higher rated debt securities, but also are subject to greater risks that the issuer will default. Unrated bonds are generally regarded as being speculative. In emerging (or frontier) countries, these risks may be more significant.

Credit ratings measure the quality of a bond based on the issuer's creditworthiness, with ratings ranging from AAA, being the highest, to D, being the lowest based on S&P's measures. Ratings of BBB- or higher by Standard and Poor's or Fitch (Baa3 or higher by Moody's) are considered to be investment grade quality. Credit ratings are based largely on the rating agency's analysis at the time of rating. The rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition and does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. If securities are rated differently by the rating agencies, the lower rating is applied. Holdings designated as "Not Rated" are not rated by the national rating agencies stated above.

Source of all data: Eaton Vance, as of 3/31/23, unless otherwise specified.

IMPORTANT ADDITIONAL INFORMATION

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