

Agency MBS Market Commentary — July 2025

Executive Summary

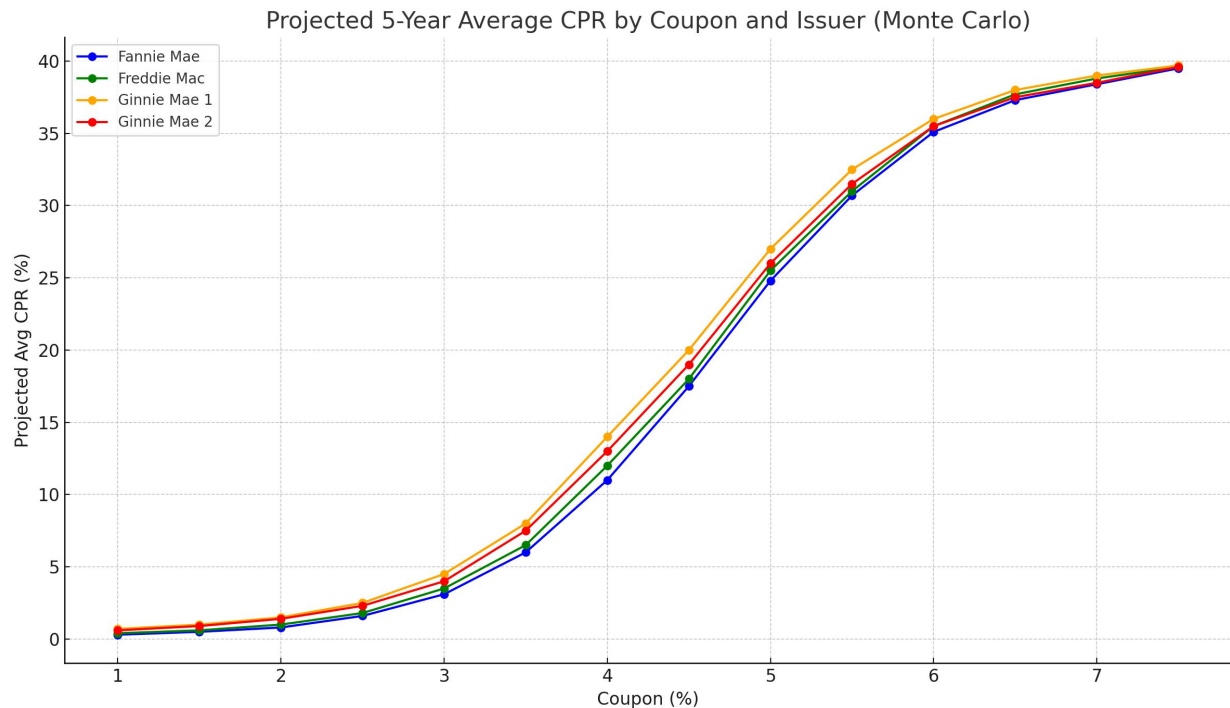
This July commentary discusses prepayment activity observed in June 2025 across Fannie Mae, Freddie Mac, Ginnie Mae 1, and Ginnie Mae 2 pools. A detailed Monte Carlo S-curve analysis (3,000 paths) by issuer reveals clear distinctions in convexity risk. Summarized strategy ranges and pricing recommendations are presented per issuer.

Coupon Heat Map Strategy by Issuer (Summarized Ranges)

| Issuer | Coupon Range (%) | CPR Range (%) | Strategy | Pricing Recommendation |
|-------------|------------------|---------------|--------------|------------------------------------|
| Fannie Mae | 1.0–3.0 | 0.3–3.1 | + Strong Buy | Bid 99–101, accumulate defensively |
| Fannie Mae | 3.5–4.5 | 6.0–17.5 | Neutral | Accumulate selectively near par |
| Fannie Mae | 5.0–7.5 | 24.8–39.5 | - Sell | Offer 104+, reduce exposure |
| | | | | |
| Freddie Mac | 1.0–3.0 | 0.4–3.5 | + Strong Buy | Bid 99–101, accumulate defensively |
| Freddie Mac | 3.5–4.5 | 6.5–18.0 | Neutral | Accumulate selectively near par |
| Freddie Mac | 5.0–7.5 | 25.5–39.6 | - Sell | Offer 104+, reduce exposure |
| | | | | |

| | | | | |
|--------------|---------|-----------|--------------|------------------------------------|
| Ginnie Mae 1 | 1.0–3.0 | 0.7–4.5 | + Strong Buy | Bid 99–101, accumulate defensively |
| Ginnie Mae 1 | 3.5–4.0 | 8.0–14.0 | Neutral | Accumulate selectively near par |
| Ginnie Mae 1 | 4.5–7.5 | 20.0–39.7 | - Sell | Offer 104+, reduce exposure |
| | | | | |
| Ginnie Mae 2 | 1.0–3.0 | 0.6–4.0 | + Strong Buy | Bid 99–101, accumulate defensively |
| Ginnie Mae 2 | 3.5–4.5 | 7.5–19.0 | Neutral | Accumulate selectively near par |
| Ginnie Mae 2 | 5.0–7.5 | 26.0–39.6 | - Sell | Offer 104+, reduce exposure |

Projected CPR Chart by Issuer



Strategy Comparison: July 2025 vs June 2025

Compared to June's strategy (reflecting May activity), the summarized July approach highlights more refined coupon groupings per issuer. Ginnie Mae coupons show wider neutral and sell ranges, while Fannie Mae and Freddie Mac maintain strong buy zones at lower coupons. This supports more targeted allocation and pricing adjustments.

Conclusion

Investors should focus on low-coupon segments where strong buy signals persist, adjust mid-coupon allocations selectively, and reduce high-coupon exposure to mitigate convexity risk. Differentiated issuer-based strategies support more precise portfolio construction.

Source: June 2025 Prepayment Flash Report (analyzed in July 2025) & Monte Carlo S-Curve Model (3,000 paths), May 2025 Commentary Archive