



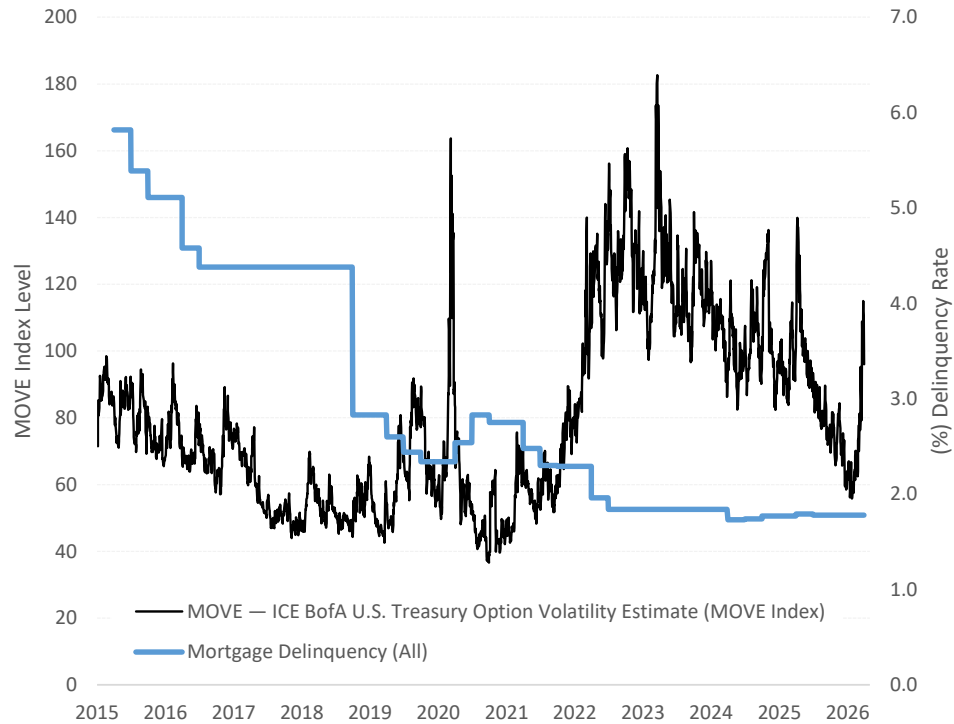
Q2 2026

Mortgage & Private Credit Market Intelligence Report

Systematic Framework for Monitoring Credit Conditions, Housing Risk, and Market Liquidity

The Real Risk Isn't Rates — It's Volatility

Relationship Between Treasury Volatility and Mortgage Delinquency



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart plots the relationship between U.S. Treasury rate volatility (MOVE Index) and the mortgage delinquency rate over time. It's intended to show how changes in interest-rate uncertainty can coincide with shifts in household stress and mortgage performance. The MOVE Index functions as a market-based proxy for rate uncertainty that can tighten financial conditions for housing finance.
- When volatility falls, mortgage markets typically regain capacity: hedging costs ease, spreads stabilize, and borrower payment shocks become more predictable. The post-2008 era shows that even with occasional volatility spikes, delinquency can stay contained when broad market conditions remain strong. A renewed volatility upcycle would be the key risk—less about “rates up” and more about “rate risk.”
- When volatility declines, mortgage markets regain capacity as hedging costs ease and payment predictability improves. The post-2008 period shows that volatility alone does not automatically translate into borrower stress. The primary risk is a renewed volatility upcycle rather than higher rates themselves. For now, delinquency behavior remains constructive.

Bottom Line

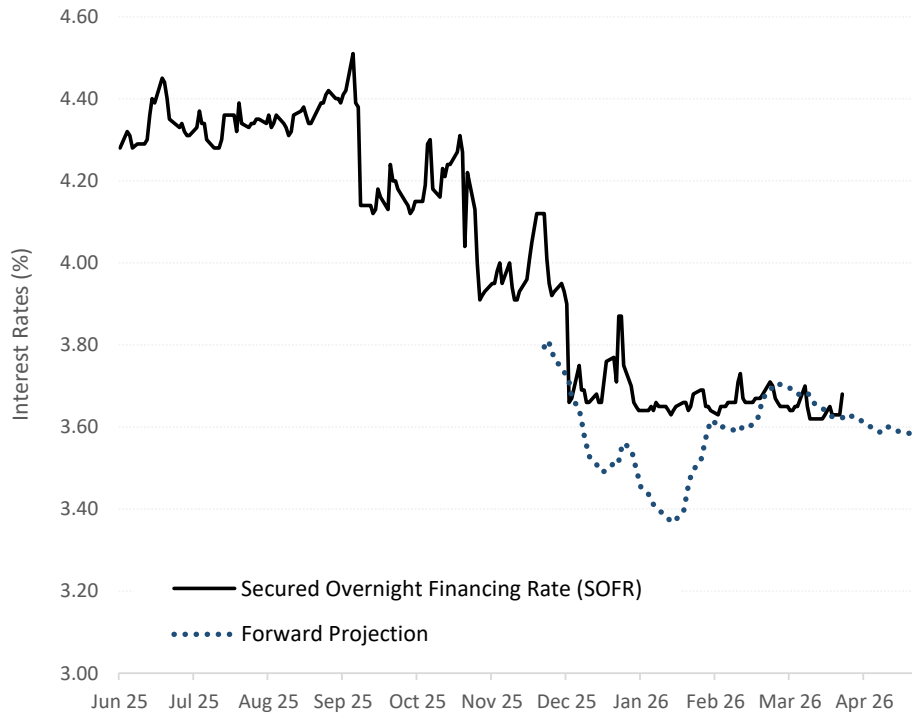
Mortgage defaults are still low, but volatility is rising again due to geopolitical events. Historically, markets don't break because rates are high — they break when volatility spikes. That's the main risk to watch right now.

Positive Sign

Borrowing Costs Are Stabilizing — For Now

Secured Overnight Financing Rate (SOFR)

Daily SOFR rate published by NY Fed.



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks the current level and expected path of SOFR, the primary benchmark for floating-rate credit. Because many private credit loans reset off SOFR, it directly influences asset yields, borrower debt-service costs, and portfolio income.
- A rising or elevated SOFR boosts lender yields but increases borrower payment pressure and slows refinancing activity. A declining or stable SOFR generally supports borrower performance and refinancing optionality. The forward path of SOFR helps set expectations for funding costs and credit conditions over the investment horizon.
- For private credit investors, SOFR is a core driver of both return and risk. Monitoring its trend and outlook informs pricing, structure, and exit assumptions. The key takeaway is that sustained shifts in SOFR flow through quickly to borrower behavior and portfolio performance.

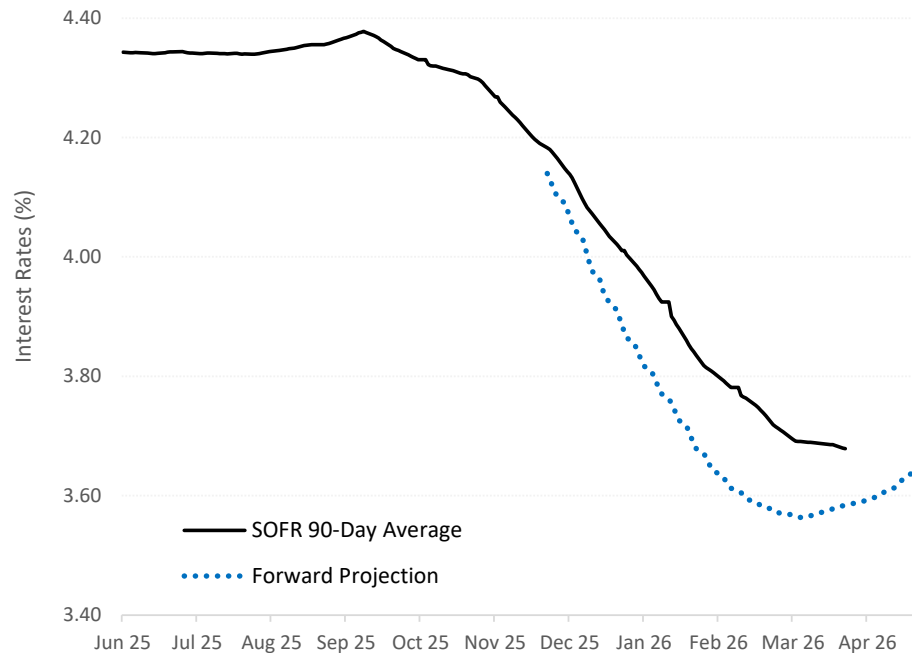
Bottom Line

SOFR appears to be stabilizing, which should reduce uncertainty for both borrowers and lenders. Stable short-term rates make financing easier to plan and structure. The bigger risk right now is not rate levels, but volatility and credit conditions.

Positive Sign

Short-Term Rates Should Ease Slightly

SOFR 90-Day Average
Rolling 90-day average.



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks the go-day average SOFR, which smooths daily rate moves to show the underlying trend in short-term funding costs. For private credit investors, this measure is more informative than the daily rate because it reflects the effective base rate influencing borrower payments and portfolio yields over time.
- Our forecasting tool applies a statistical trend analysis to the recent history of the go-day average. It uses a rolling window of observations, fits a linear regression to quantify the prevailing slope, and then extends that slope forward to estimate the near-term path. In plain terms, it measures the recent rate of change in SOFR and projects that trajectory, which filters out day-to-day noise and focuses on direction.
- The current forecast points to a further gradual decline in the go-day average SOFR. If realized, this would modestly ease borrower debt-service burdens and improve refinancing conditions, while also lowering base-rate-driven yield tailwinds for lenders. For portfolio management, the signal supports realistic yield expectations and reinforces the importance of credit selection as rate support fades.

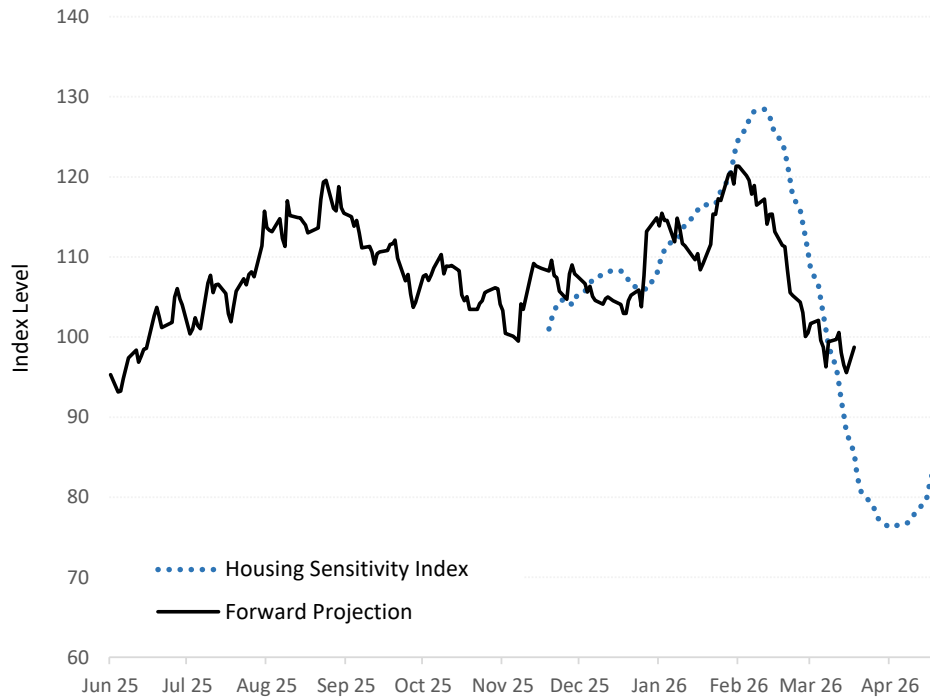
Bottom Line

Our models suggest the go-day average SOFR may drift lower, which would modestly reduce borrowing costs. That said, lower base rates don't automatically mean easier lending — credit spreads and liquidity still matter more at this stage of the cycle.

Positive Sign

Housing Stocks Are Warning, Not Crashing

SPDR S&P Homebuilders ETF Including Forward Forecast



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows the SPDR S&P Homebuilders ETF (XHB) as a proxy for the performance of the homebuilder equity sectors. The dotted forecast line reflects our forecast model for future performance.
- Homebuilder equities often 'price the cycle' faster than housing prices, so drawdowns can serve as early signals of demand softening, affordability constraints, or margin pressure in housing-related businesses. When homebuilder stocks roll-over while home prices remain firm, it typically signals risk to future activity rather than an immediate decline in home values. Conversely, stabilization in equities often aligns with a soft-landing narrative for housing—slower activity, but not a contraction.
- Housing-linked equities have shown relative strength, suggesting that forward-looking markets remain generally constructive on housing activity. Because homebuilder equities tend to adjust quickly to changing conditions, this strength may reflect expectations for resilient demand, manageable affordability dynamics, and stable margins. Continued equity support would be consistent with a soft-landing narrative for the sector—moderating but still healthy activity rather than contraction.

Bottom Line

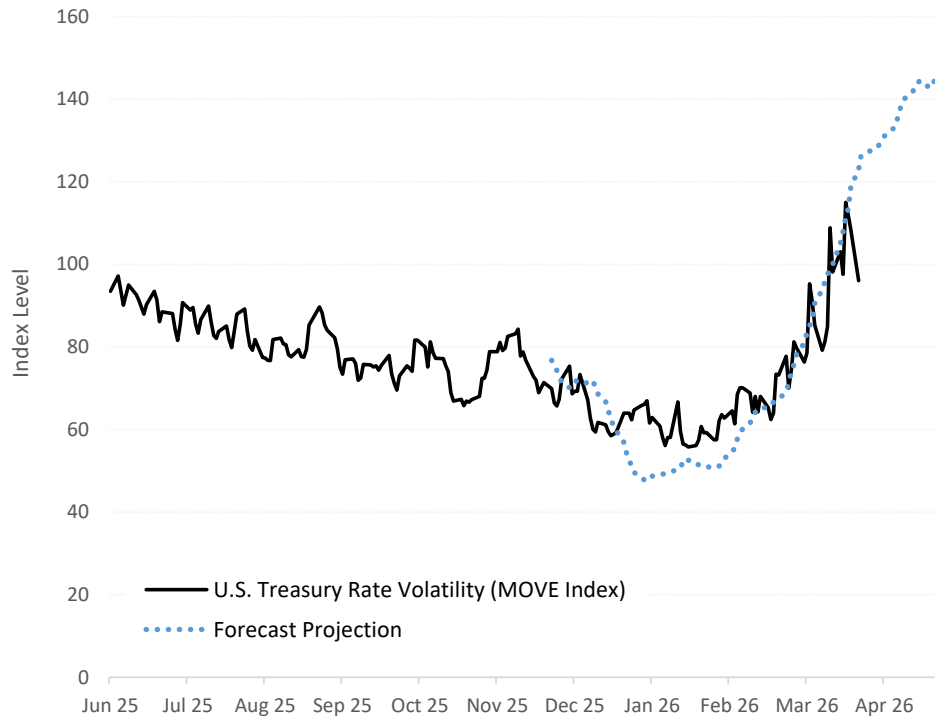
Homebuilder stocks tend to move before housing activity does. Recent volatility appears to be driven more by the broader market and geopolitical pressures than by housing fundamentals. The sector is slowing, but not collapsing.

Neutral Sign

War and Inflation Are Driving Rate Volatility

U.S. Treasury Rate Volatility (MOVE Index)

Implied volatility of U.S. Treasury yields across the curve



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks U.S. Treasury rate volatility (MOVE Index) as well as our forward forecast of the index. MOVE is commonly used as a benchmark for how uncertain markets are about rate outcomes across the Treasury curve. The forecast model illustrates our expected direction of rate-volatility levels.
- A declining MOVE regime typically supports tighter spreads and better market functioning because dealers and investors face lower hedging and balance-sheet costs. If MOVE re-accelerates, mortgage and credit markets can “gap wider” even without a major move in outright yields. For real estate credit, volatility often matters as much as the level of rates because it directly affects liquidity and execution.
- Treasury volatility remains elevated relative to historical norms, keeping uncertainty high across fixed-income markets. Even without large moves in yields, volatility raises hedging costs and reduces balance-sheet efficiency. This environment can cause mortgage and credit spreads to widen unexpectedly.

Bottom Line

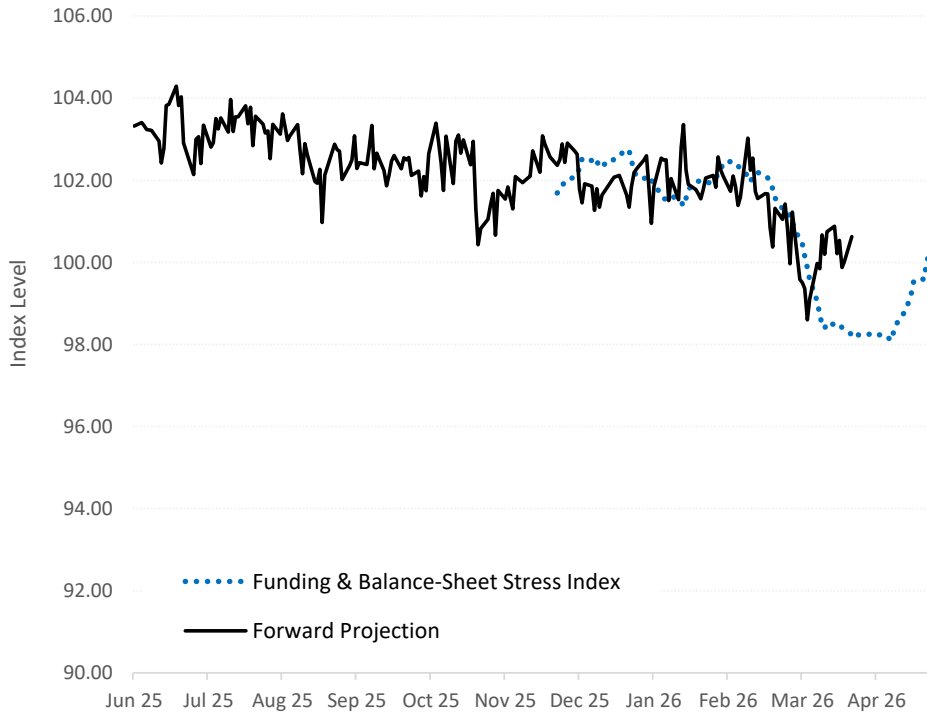
Treasury volatility remains elevated, largely driven by geopolitical tensions and uncertainty around inflation and central bank policy. Even if rates don't move dramatically higher, volatility alone can tighten mortgage and credit markets.

Neutral Sign

Liquidity Is Still the Limiting Factor

Funding & Balance-Sheet Stress Index (FBSSI)

Liquidity and balance-sheet stress indicator



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- The FBSSI is designed to show when market liquidity is getting tighter or easier. It looks at how corporate bonds and mortgage-backed securities are performing relative to each other and uses interest-rate volatility as a secondary signal. When the index rises, it generally means funding conditions are tightening and financial institutions may be less willing or able to take risk. This often happens before credit spreads widen more broadly. When the index falls, it suggests liquidity is improving and balance sheets are under less strain, which tends to support healthier credit markets.
- When balance-sheet stress rises, the market's ability to warehouse mortgages and credit risk diminishes—spreads can widen even if fundamentals are unchanged. If the index is easing, it implies dealers and real-money buyers are re-engaging, supporting better execution and tighter primary/secondary spreads.
- The liquidity stress indicator remains elevated, signaling ongoing balance-sheet constraints among dealers and intermediaries. When funding stress rises, markets struggle to absorb mortgage and credit risk even if fundamentals are unchanged. This typically results in wider spreads and weaker execution. Although conditions are not deteriorating rapidly, they are not yet fully normalized. Liquidity remains a limiting factor rather than a tailwind.

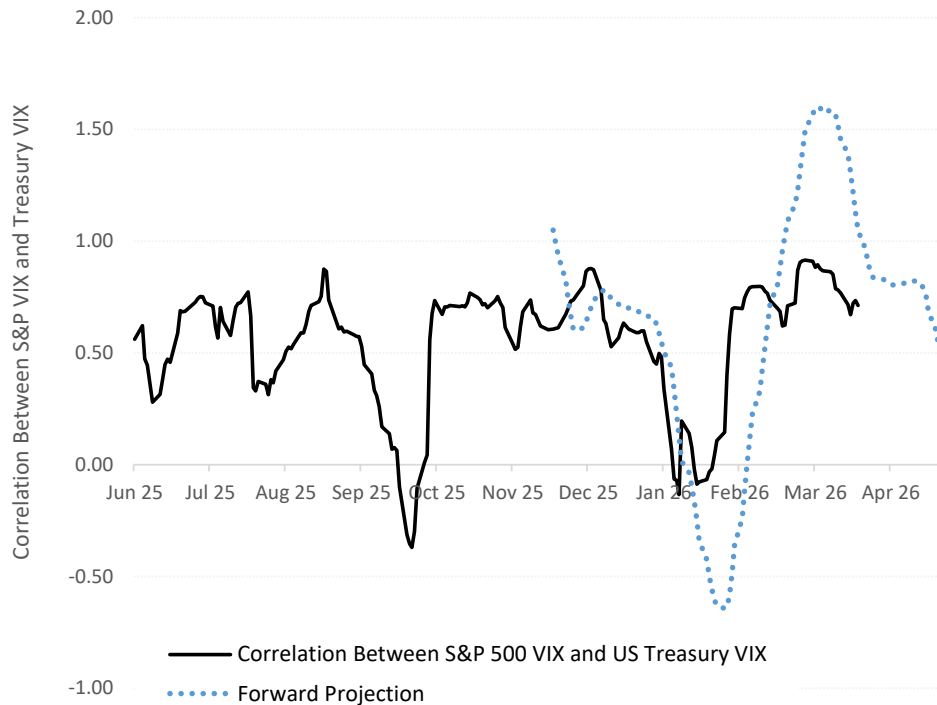
Bottom Line

Liquidity conditions are improving slightly, but dealer balance sheets are still constrained. This means credit spreads can remain wide even if fundamentals are stable. Liquidity — not credit quality — is still the main constraint in the market.

Positive Sign

Markets Are Moving as One Risk Trade

Correlation Between S&P 500 VIX and US Treasury VIX
Relationship between equity and interest-rate volatility



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows the correlation between equity volatility (VIX) and interest-rate volatility (Treasury volatility proxy), with a forward projection. It measures whether risk pricing is becoming more “one-factor,” where shocks transmit across both equities and rates simultaneously. Higher correlation implies less diversification benefit between equity and rates risk.
- When equity and rate volatility become tightly linked, portfolio hedging becomes harder: the same macro surprise can hit both duration and risk assets. A falling correlation is typically constructive—markets can absorb rate moves without disorderly equity repricing. For credit and mortgages, high cross-asset correlation often shows up as wider spreads and poorer liquidity.
- When both risk factors move together, hedging becomes less effective and shocks transmit more broadly. This environment often leads to wider credit spreads and weaker liquidity. A decline in correlation would be constructive, allowing markets to absorb rate moves more efficiently. For now, cross-asset coupling remains a source of fragility.

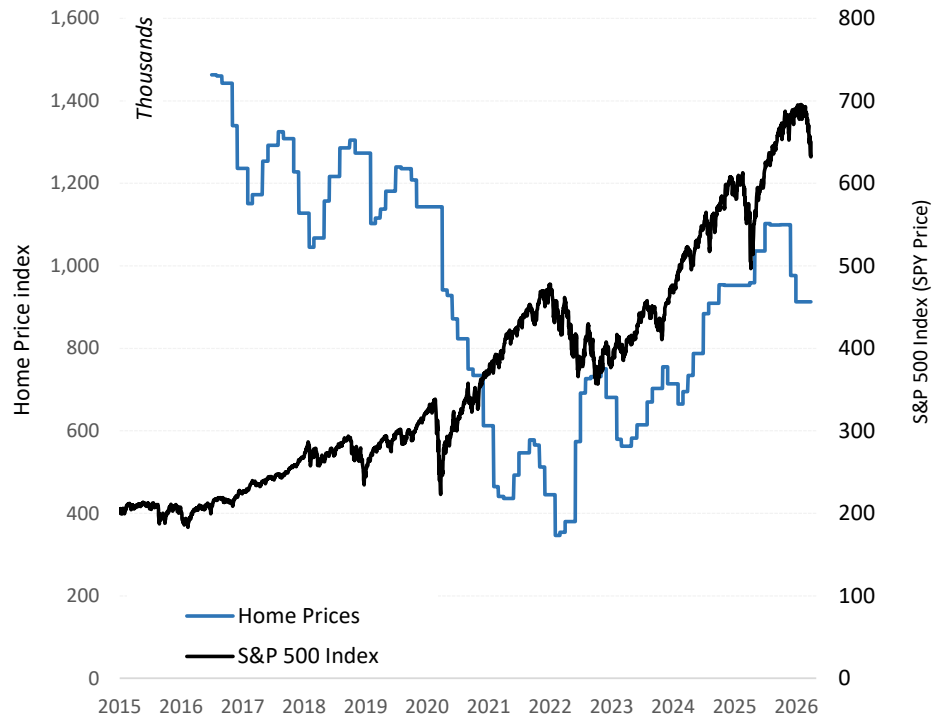
Bottom Line

When equity and rate volatility move together, diversification disappears and shocks spread across markets faster. The recent spike was driven by geopolitical events. If this relationship remains elevated, credit and real estate markets will likely remain volatile.

Negative Sign

Housing Is Lagging the Financial Markets

Relationship Between S&P 500 Performance and Home Price Appreciation



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart compares S&P 500 equity performance (SPY) with the Case-Shiller National Home Price Index over time. It's intended to highlight how household wealth effects and broader risk appetite can coincide with housing price appreciation. The visual is a macro cross-check: financial conditions and housing often move together, but not always at the same speed.
- If equities are strong while housing lags, it can suggest housing is constrained by affordability and rates rather than demand alone. If both are rising, financial conditions are likely supportive and household balance sheets are typically improving. Divergence matters most at turning points—equities can turn first, housing can confirm later.
- Equity markets have adjusted more quickly than housing prices, creating a divergence between financial conditions and real asset pricing. This often occurs when affordability and financing conditions constrain housing despite resilient nominal prices. The risk is not immediate price declines, but slower turnover and reduced demand. Historically, equities tend to turn first, with housing confirming later. The divergence warrants caution rather than complacency.

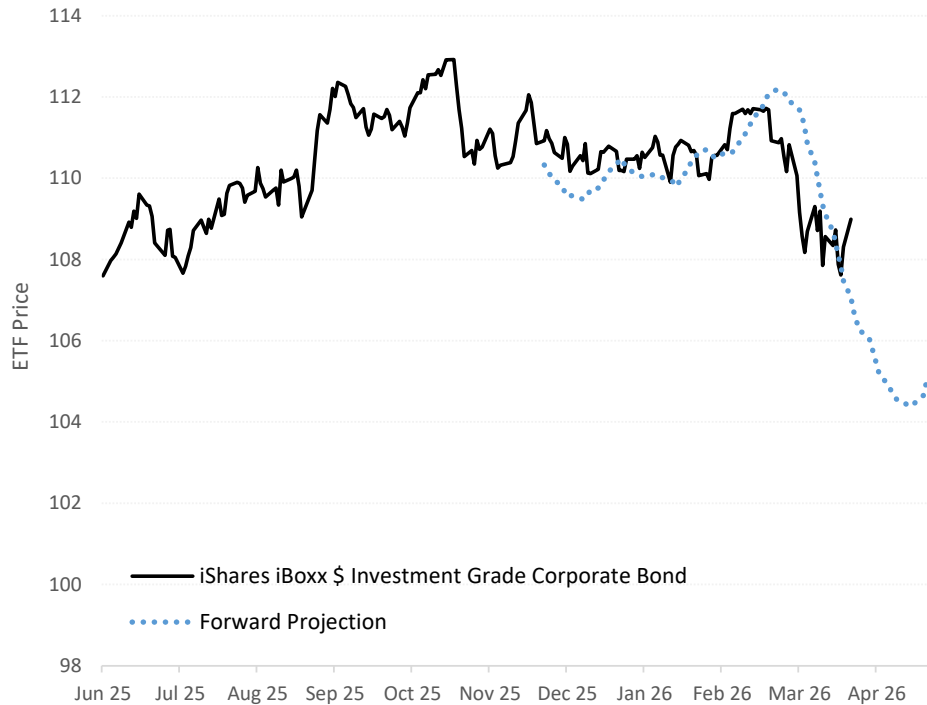
Bottom Line

Equity markets have adjusted faster than housing prices. Historically, equities tend to move first and housing follows later through slower activity and lower transaction volume rather than immediate price declines.

Neutral Sign

Credit Markets Are Starting to Tighten

iShares iBoxx \$ Investment Grade Corporate Bond Core investment-grade credit exposure



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows the price trend and forward forecast for the iShares iBoxx Investment Grade ETF (LQD), a proxy for investment-grade corporate credit conditions. LQD is used as a read-through on risk appetite, funding liquidity, and the broader cost of capital. Its direction often correlates with tightening/easing in credit underwriting behavior.
- Strengthening IG credit prices typically suggest risk-on conditions: tighter spreads, easier refinancing, and better liquidity. Weakness can flag early balance-sheet tightening that bleeds into private credit and real estate leverage. For real assets, credit price stability matters because it anchors loan pricing and refinance feasibility.
- Investment-grade credit prices have softened, signaling reduced risk appetite and tightening funding conditions. Corporate bonds often act as an early indicator for broader credit availability. Weakness here can bleed into private credit and real estate leverage through higher required returns. Stability would support refinancing and deployment, but momentum remains fragile. Credit conditions are no longer a clear tailwind.

Bottom Line

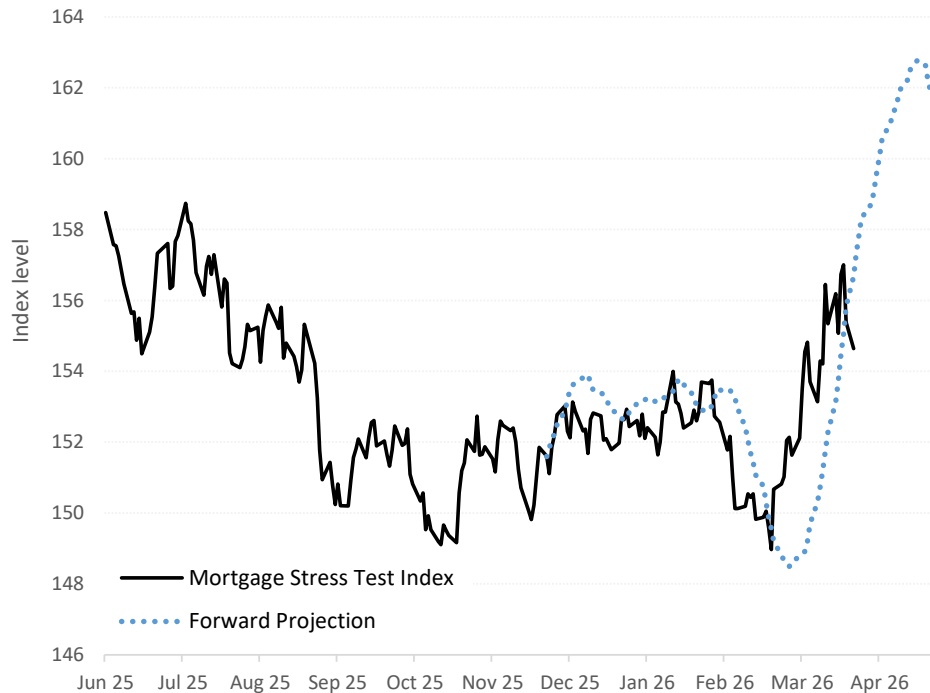
Investment-grade credit is no longer improving, which usually happens before private credit and real estate lending conditions tighten. Credit markets often move first, real estate follows later.

Neutral Sign

Mortgage Spreads Are the Real Problem

Mortgage Stress Test Index

Gauge of systemic risk in housing-related credit



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart presents a mortgage credit tightening/easing gauge designed to blend rate pressure (Treasury), MBS performance, and broad credit risk appetite. It's designed to detect when mortgage credit conditions are becoming stressed (persistent pressure) versus experiencing short-lived shocks. Positive regimes imply tighter mortgage credit transmission and weaker real estate lending tone.
- If the index is rising, it signals that mortgage spreads are widening relative to Treasury movements, which is typically associated with a more difficult environment for loan origination, securitization execution, and mortgage-credit risk taking. In these environments, real estate credit performance tends to depend more on underwriting discipline and asset selection than on broad market dislocation.
- Mortgage credit spreads remain elevated, indicating that mortgage rates are not improving in line with benchmark rates. This reflects capacity constraints, hedging stress, and uneven MBS demand. Persistent spread pressure makes origination and execution more difficult even without higher Treasury yields. Improvement would signal normalization in mortgage market plumbing. For now, mortgage transmission remains strained.

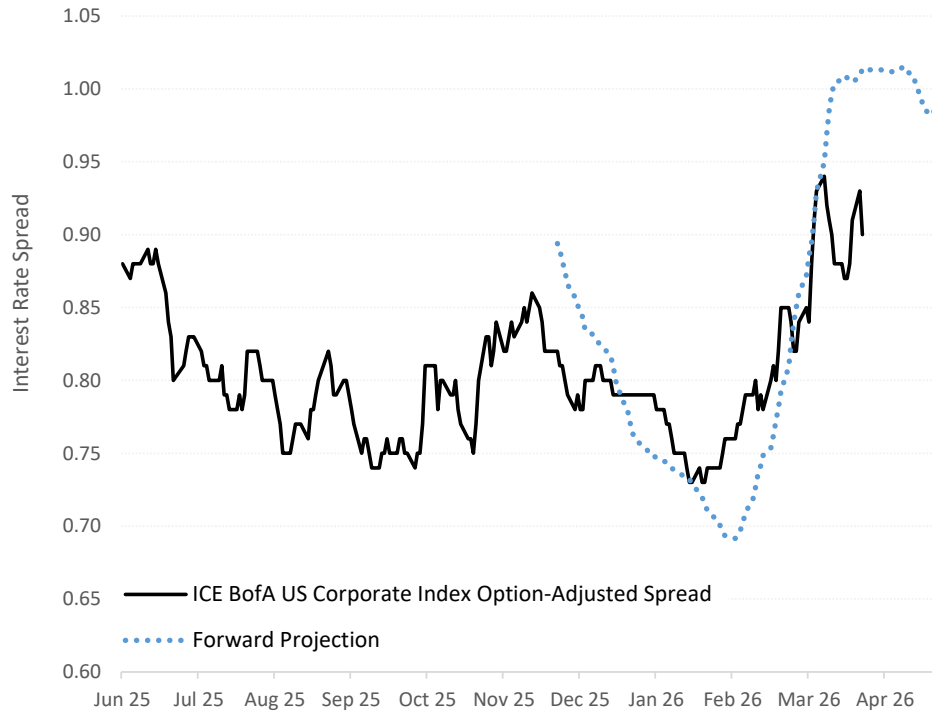
Bottom Line

Mortgage spreads remain elevated, meaning mortgage rates are not improving even when Treasury yields fall. This reflects capacity constraints and volatility in the mortgage market rather than just rate levels.

Neutral Sign

Investors Are Quietly Moving Into Debt

ICE BofA US Corporate Index Option-Adjusted Spread
Benchmark gauge of corporate credit conditions



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks investment-grade corporate option-adjusted spreads (OAS) and includes our forward projection. OAS is a benchmark barometer of corporate credit conditions, reflecting compensation investors demand over Treasuries. It's commonly used as an input to assess broader financial conditions relevant for private credit pricing.
- Tight spreads indicate strong risk appetite and easier funding, which can compress private credit spreads and reduce structural illiquidity premia. Rising spreads are often the earliest warning that refinancing risk and credit selection risk are increasing. For real estate private credit, widening OAS tends to foreshadow higher required coupons and lower leverage tolerance.
- Investment-grade spreads are no longer compressing, suggesting that the era of easy credit pricing has paused. Rising spreads tend to precede tighter underwriting and lower leverage tolerance in private markets. This environment increases refinancing risk and reduces borrower flexibility. If spreads stabilize, conditions may normalize, but that process is incomplete. Risk premia are rebuilding.

Bottom Line

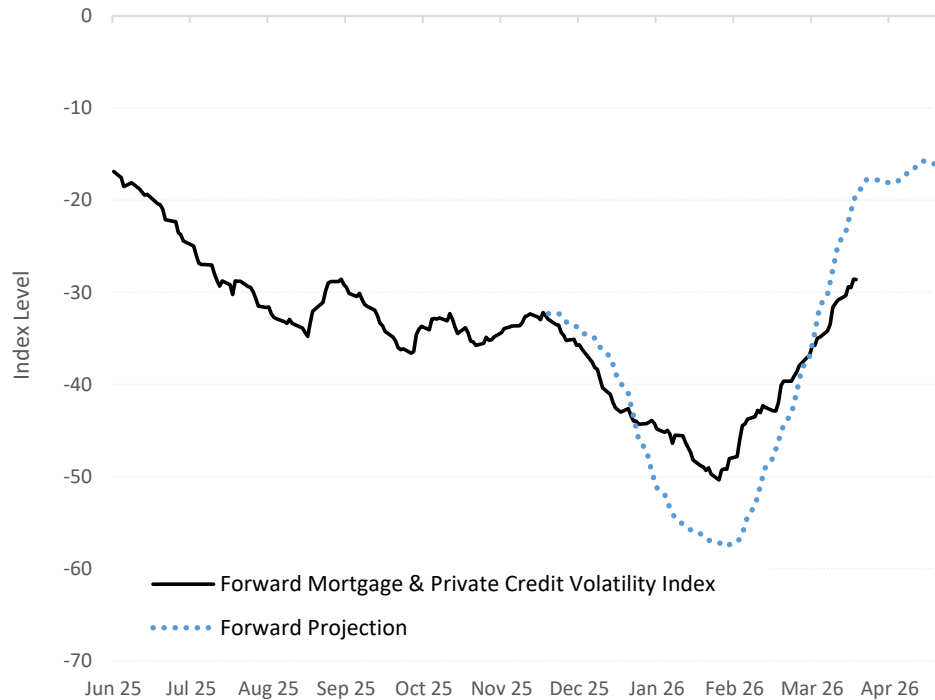
Credit spreads are fairly elevated in the short term, though they have not widened significantly during the recent geopolitical conflict, which may indicate a shift in sentiment toward debt markets.

We believe this supports the broader trend of investors rotating away from riskier assets and toward more traditional sources of capital preservation.

Negative Sign

Private Credit Risk Is Rising Again

Forward Mortgage & Private Credit Volatility Index
Forward-looking private credit risk gauge



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- The FMPC-Vol Index is our forward-looking proprietary Index for tracking expected instability in mortgage and private credit, blending MOVE, mortgage spread volatility, MBS volatility (MBB), mortgage delinquency, and an investment grade bond spread proxy. High or rising readings imply future spread instability and lower leverage tolerance; low readings imply a more predictable pricing environment.
- If the FMPC-Vol index is rising, markets are telling you the cost of risk warehousing is increasing—often a precursor to wider required spreads and tighter underwriting. If it's stable or falling, capital can price risk with more confidence, supporting deployment and refinancing activity. This is a practical “conditions” index: it helps decide whether to prioritize liquidity, seniority, and structure.
- Forward-looking volatility measures point to decreased uncertainty in mortgage and private credit markets. This typically results in lower required spreads and more conservative structures. Stability would allow capital to price risk with greater confidence. At present, the outlook favors a positive outlook.

Bottom Line

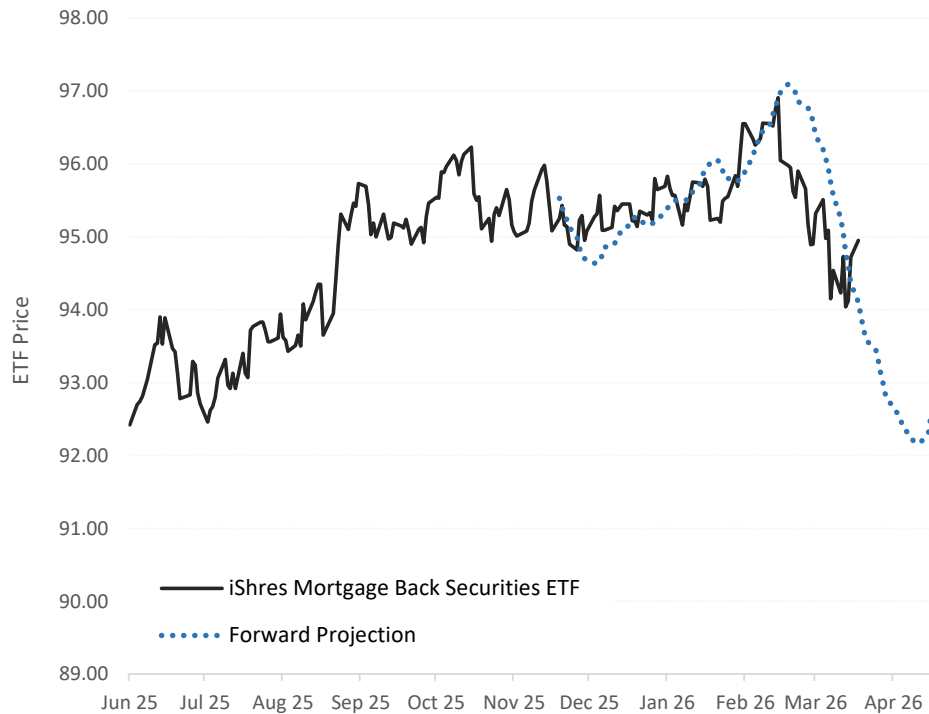
Private credit volatility is rising again, though not yet at prior stress levels. If volatility continues increasing, lenders will likely tighten structures and require higher returns.

Neutral Sign

Mortgage Bonds Are Stabilizing

iShares Mortgage Back Securities ETF

Tracks U.S. agency mortgage-backed securities



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks the price trend and projection for iShares Mortgage Backed Securitas ETF MBB, a proxy for agency mortgage-backed securities sector performance. MBB reflects mortgage spread behavior, prepayment dynamics, and balance-sheet capacity among intermediaries. As a result, it often signals when mortgages are “cheapening” versus Treasuries due to liquidity or convexity.
- Stabilizing MBS prices typically support mortgage rate pass-through and reduce lender pipeline stress. Persistent weakness can imply wider spreads and impaired mortgage transmission even if Treasury yields are stable. For mortgage credit and real estate lenders, MBB is a practical read on whether the securitized mortgage bid is improving or deteriorating.
- Agency MBS prices have been improving, signaling firmer investor demand and better market tone. Stronger MBS performance supports more efficient mortgage rate pass-through and can ease lender pipeline pressure. When MBS prices rise alongside stable Treasury yields, it typically reflects healthier liquidity and balance-sheet capacity among market participants. Continued stabilization would further support mortgage market functioning. While conditions can still shift with volatility, the current bid for securitized mortgages appears more constructive than in prior stress periods.

Bottom Line

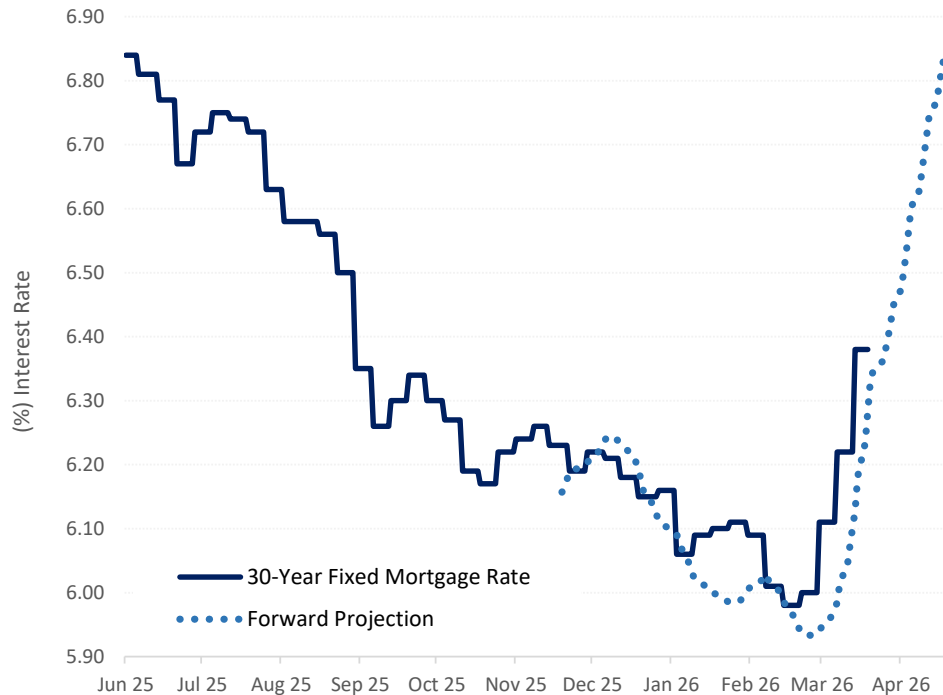
Mortgage-backed securities have remained relatively stable despite equity market volatility, which suggests underlying stability in debt markets. However, our forecasts suggest some potential short-term weakness ahead.

Neutral Sign

Mortgage Rates Are Rising Again

30-Year Fixed Mortgage Rate

Primary reference rate for long-term housing finance



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart tracks the 30-year fixed mortgage rate and a forward projection. It is the primary reference rate for U.S. housing affordability and long-term housing finance. Movements in this rate influence purchase demand, refinance activity, and housing turnover. Our forecast of the 30-year fixed rate is also included.
- Even modest declines in mortgage rates can unlock marginal affordability and improve transaction velocity, but the level still matters for payment shock and qualification. If the projection implies stabilization, it supports a "slow recovery" setup rather than a demand surge. The risk case is renewed rate volatility that re-widens spreads and blocks pass-through to borrowers.
- Mortgage rates have been trending lower, which is gradually improving affordability and supporting transaction activity. While rates are not low by historical standards, the recent decline reduces some of the pressure that previously constrained demand. Easing rate levels can help stabilize volumes and borrower sentiment, even if the recovery is uneven.

Bottom Line

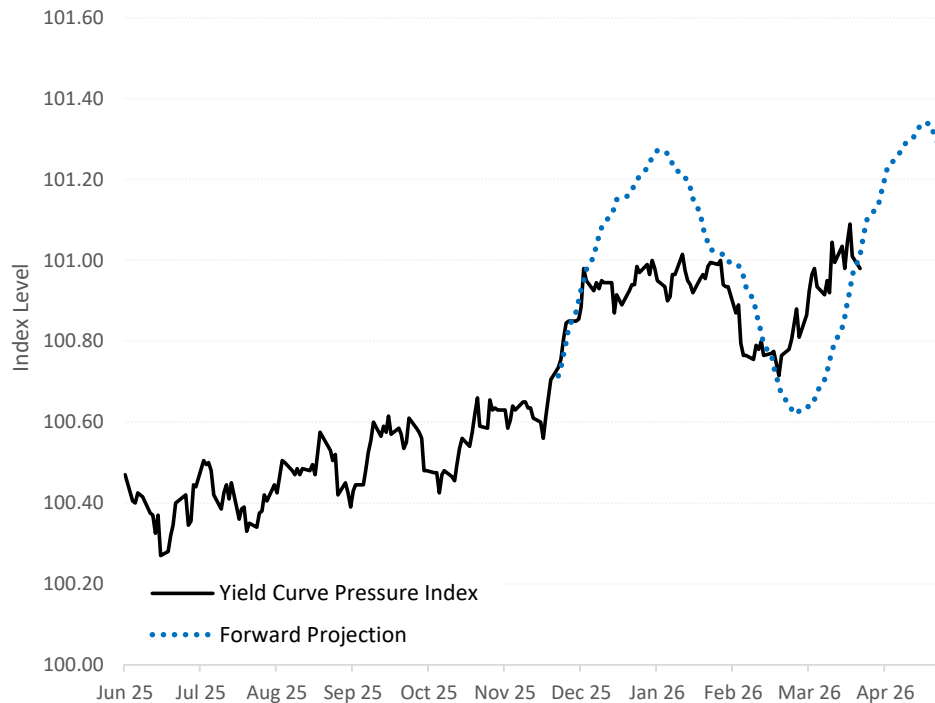
Mortgage rates are rising again and are likely to remain elevated due to geopolitical tensions, inflation uncertainty, and interest rate volatility. Higher borrowing costs will continue to pressure affordability and transaction volume.

Negative Sign

The Yield Curve Still Signals Tight Conditions

Yield Curve Pressure Index

Captures inversion, steepening, and curve dislocation



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- YCPI is a macro context indicator for stress transmitted through the shape of the Treasury yield curve, using relative moves across short, intermediate, and long rates. Curve flattening/inversion typically means this indicator is falling which indicates weaker growth expectations, while a rising indicator aligns with reflation/easing regimes. This is explicitly a sentiment indicator rather than a mortgage-only signal.
- If YCPI is compressing, it reinforces a “macro tightening” message that tends to pressure credit creation and real asset valuations. If YCPI is rising, it can signal normalization of growth expectations and reduced downside tail risk for credit spreads. For real estate private credit, the curve often dictates whether refinance risk is rising (indicator is going up) or receding (indicator is going down).
- The yield curve remains compressed, reflecting tighter financial conditions and muted growth expectations. This environment tends to pressure credit creation and real asset valuations. Steepening would signal easing constraints and reduced downside risk. Until then, refinancing and duration risk remain elevated. The curve continues to reinforce a cautious macro backdrop.

Bottom Line

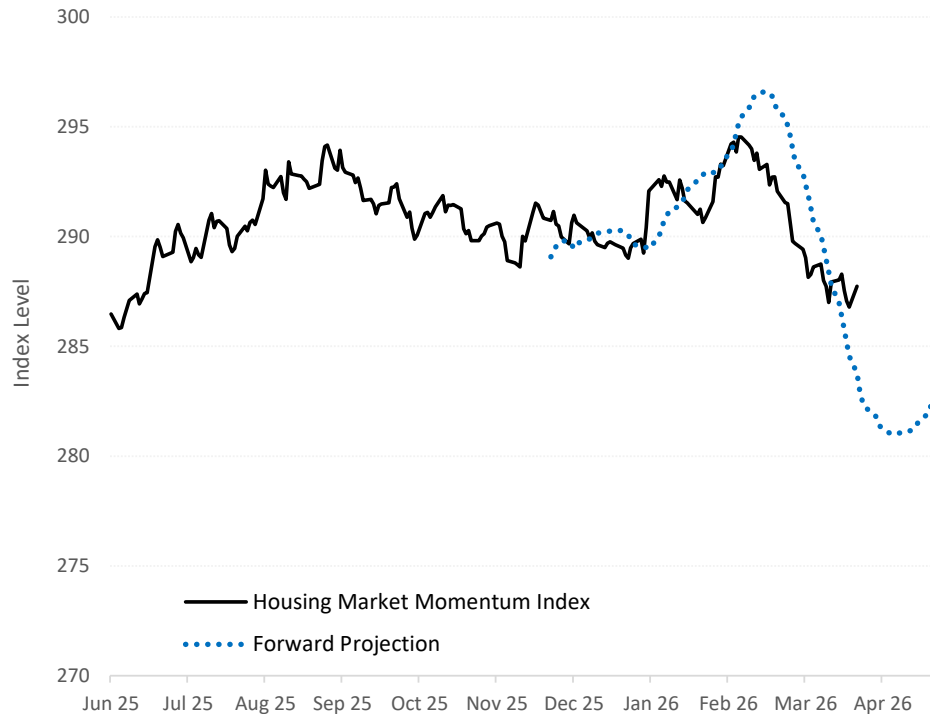
The yield curve continues to reflect tight financial conditions and uncertain growth expectations. Much of the recent volatility is being driven by geopolitical uncertainty and changing expectations for inflation and interest rates.

Neutral Sign

Housing Momentum Is Slowing

Housing Market Momentum Index

Gauge of housing demand, pricing, and activity trends



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- Our HMM Index tracks how strong the housing market is by looking at home prices and homebuilder stocks. If the index is positive, it usually means demand and pricing are getting stronger. If it's negative, it can signal a slowdown ahead. It typically reflects rate pressure with a delay but helps confirm the real direction of housing fundamentals.
- If momentum remains positive while rates are elevated, it usually reflects supply constraints and sticky pricing rather than broad-based demand strength. A rollover is the "confirming signal" that higher rates are finally bleeding into activity, not just sentiment. For credit, weakening momentum raises the importance of borrower cash-flow and exit assumptions.
- Leading indicators are weakening while home prices remain firm, a pattern that often precedes slower housing activity. Prices adjust slowly, especially when supply is constrained. The divergence suggests rising downside risk even without immediate price declines. Confirmation typically comes through volume and liquidity rather than price alone. Credit underwriting should account for this lag.

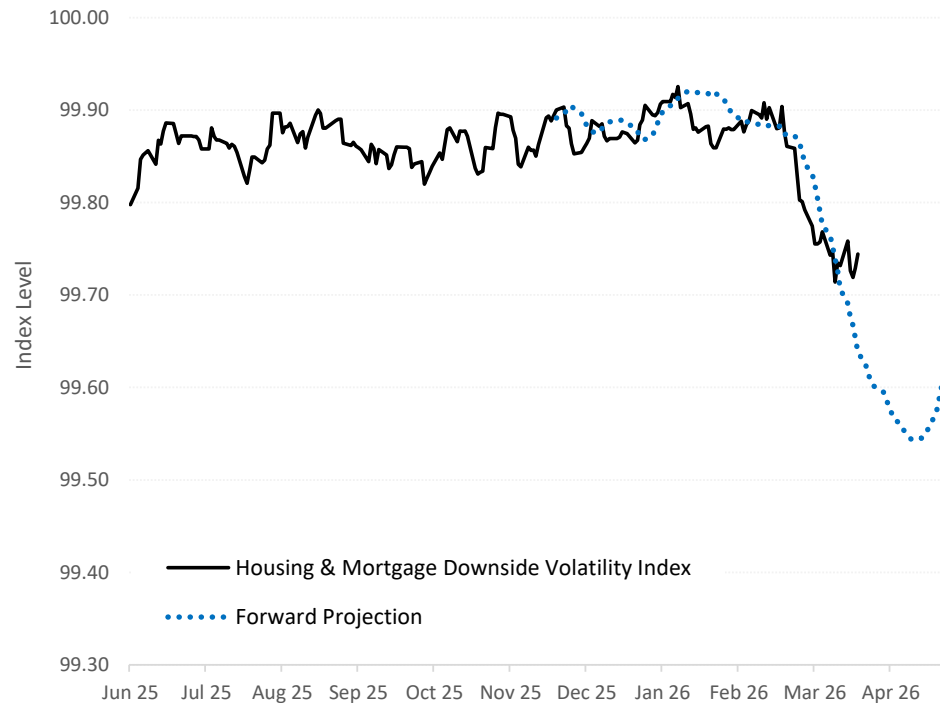
Bottom Line

Housing price momentum is slowing, and our forecasts suggest further short-term weakness. However, if rates decline, affordability improves and housing demand typically stabilizes afterward.

Neutral Sign

Housing Risk Is Falling

Housing & Mortgage Downside Volatility Index *Indicator of negative volatility in housing finance*



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- Our HMDV Index isolates downside-only volatility across housing-linked assets by aggregating negative return contributions from mortgage exposure, housing-sensitive credit, and housing-linked equities. The methodology excludes positive returns to focus purely on the magnitude and synchronization of drawdowns. Conceptually, it's a "stress-of-stress" gauge: how bad downside days are when housing risk sells off.
- If downside volatility is subdued, risk can be underwritten with more confidence—liquidity is usually better and forced selling risk is lower. If downside volatility rises, correlations tend to converge and hedging costs increase, often widening required spreads in private markets. This is the environment where structure (LTV, covenants, DSCR, cash management) becomes more valuable than incremental yield.
- Downside-only volatility across housing-linked assets has increased, indicating more synchronized stress during selloffs. This raises correlation risk and reduces diversification benefits. Elevated downside volatility often leads to wider spreads and tighter liquidity. In these regimes, structure matters more than yield. Risk conditions favor defense over expansion.

Bottom Line

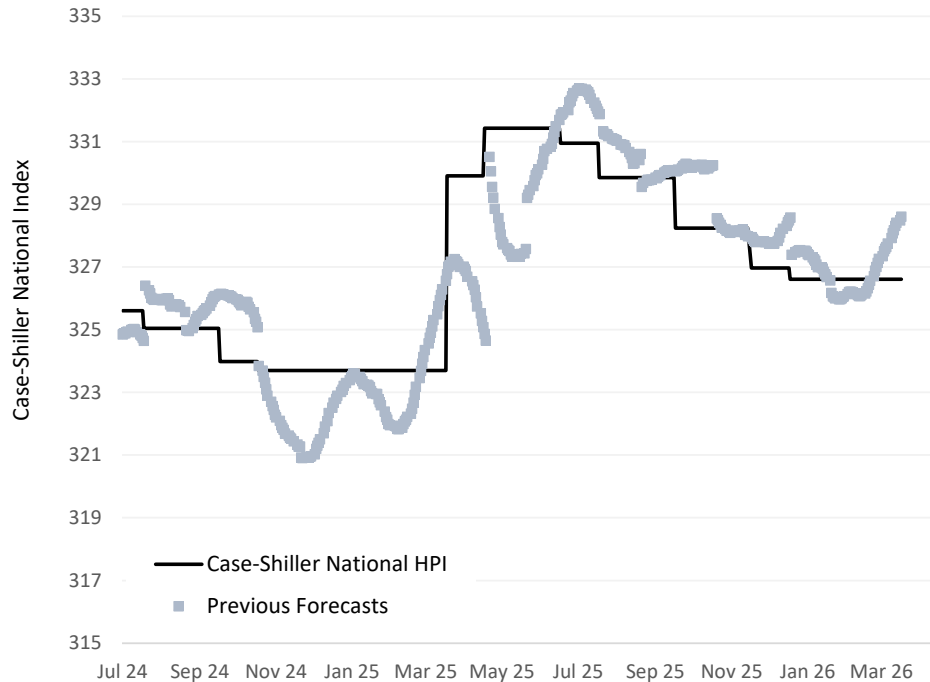
Downside volatility in housing and mortgage markets has started to decline, which is a constructive sign. When volatility falls, liquidity improves and lending conditions typically stabilize.

Positive Sign

Home Prices Are Stabilizing — Forecasts Remain Reliable

Case-Shiller National HPI vs. Previous Forecasts

Comparing realized home prices with ETF-implied forward housing expectations



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This slide compares realized Case-Shiller National HPI to our prior forecast paths, showing how forward expectations evolved versus actual outcomes. It's a calibration view of forecast error and directional accuracy, not just a point forecast. The intent is to validate whether the model is capturing turning points and trend persistence.
- When realized prices run above forecast, it often indicates supply tightness or demand resilience exceeded modeled assumptions. When realized prices fall below forecast, it can imply affordability or financing conditions tightened faster than anticipated. The key takeaway is whether the forecast direction is consistently correct through regime shifts—especially around rate volatility spikes.
- Actual home prices have deviated from prior forecasts, reflecting faster-changing financial conditions. Supply tightness has supported prices beyond earlier assumptions. The key question is whether directional accuracy holds through regime shifts. This slide highlights calibration risk rather than immediate stress. Forecast uncertainty is rising but not yet destabilizing.

Bottom Line

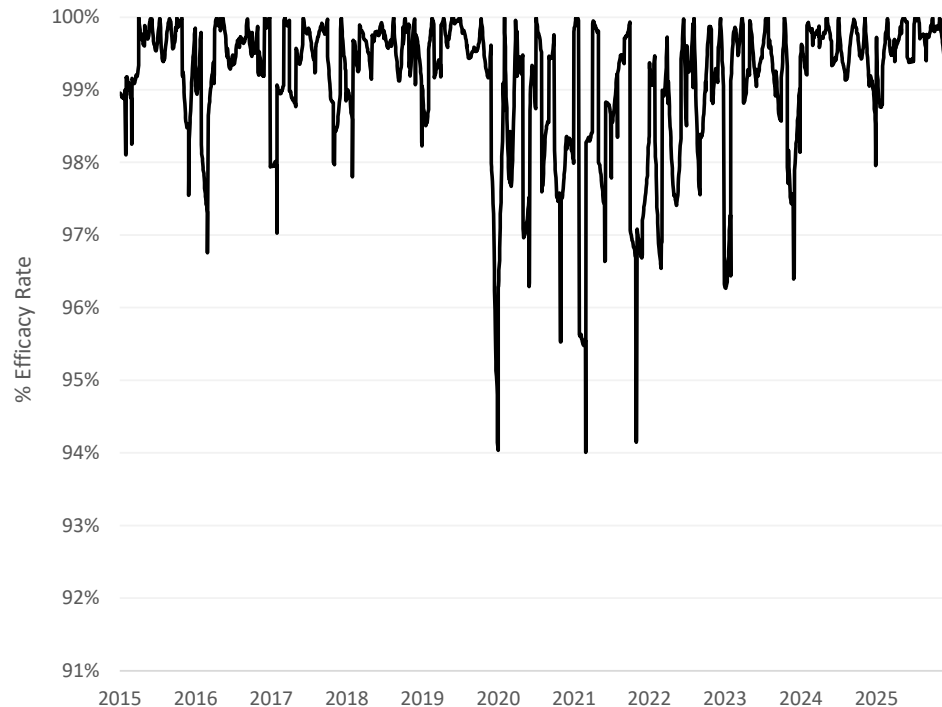
Forecast accuracy has improved due to the stabilization of home prices. Recently forecasts have been slightly high, so we expect projections to gradually adjust lower. Overall, prices are expected to remain relatively stable.

Neutral Sign

Our Model Has Been Directionally Right

Percentage Efficacy of Forward Cash Shiller HPI Forecast

Accuracy rate of forward housing price forecasts



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart summarizes the historical “hit rate” or efficacy of our forward home price forecasting model. It’s a model governance metric: how often the forecast successfully predicted direction or fell within tolerance over the measured period. The purpose is to quantify reliability across different housing regimes.
- A consistently high efficacy rate supports using the model as a decision input for risk posture, not just a narrative tool. If efficacy degrades during volatility regimes, it’s a sign to widen error bands and lean more heavily on leading indicators (rates/vol/spreads). In real estate credit, forecasting is less about precision and more about avoiding being directionally wrong at cycle turns.
- The forecasting model has historically maintained a strong directional hit rate across multiple housing regimes. While precision varies, the model has generally avoided being wrong at major turning points. This supports its use as a risk-posture input rather than a point-estimate tool. Performance during volatility regimes remains the key test. Overall reliability remains constructive.

Bottom Line

The model has historically done a good job predicting direction, which is more important than predicting exact price levels. In real estate credit, avoiding major directional mistakes matters more than precision.

Positive Sign

Mortgage Markets Are More Stressed Than Rates Suggest

Pure Mortgage Market Stress Index

Intrinsic mortgage market stress indicator



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- Our PMS Index aims to isolate housing finance stress by combining mortgage rates, Treasury yields, and agency MBS performance, excluding broader corporate credit. Positive readings indicate mortgage affordability stress and origination/securitization pressure (wider primary-secondary spreads, constrained capacity). Negative readings suggest improving mortgage transmission and stabilizing MBS demand.
- A rising PMSI typically means the mortgage market is “doing worse than rates alone would imply”—a sign of spread, capacity, or volatility issues. If PMSI is easing, mortgage transmission is normalizing, which is constructive for volumes and housing activity at the margin. This is a key lens for whether housing is constrained by the macro rate level or by mortgage-specific market functioning.
- Mortgage-specific stress remains elevated beyond what benchmark rates would imply. This reflects spread pressure, capacity constraints, and volatility rather than pure rate levels. When mortgage markets underperform rates, activity slows disproportionately. Improvement would signal normalization in transmission. For now, mortgage conditions remain restrictive.

Bottom Line

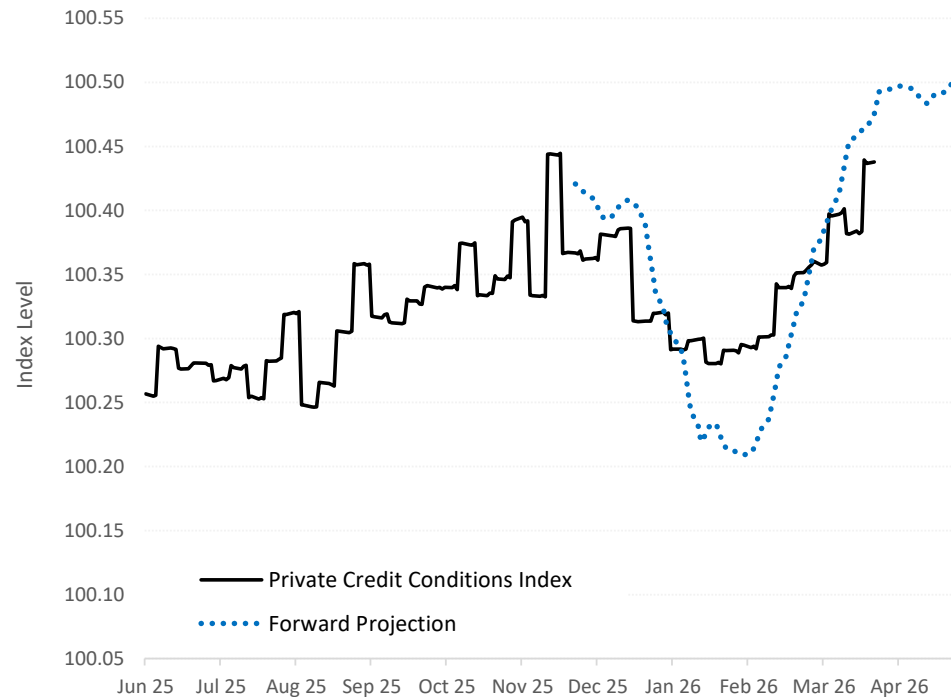
Mortgage-specific stress is rising due to spread pressure, capacity constraints, and volatility — not just higher rates. Geopolitical tensions and rate volatility are contributing to tighter mortgage financing conditions.

Negative Sign

Tight Credit Is Creating Opportunity

Private Credit Conditions Index

Composite gauge of private credit market health



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- Our PCC Index aims to provide an estimate of private lending health by combining corporate credit performance, Treasury rate movements, and systemic financial stress indicators. Positive readings indicate possible tightening underwriting standards, higher required returns, and reduced leverage availability; negative readings suggest a more accommodative private credit environment. It's intended as a deployment/pricing power gauge for direct lending and opportunistic credit.
- When conditions tighten, lenders can demand better structure and pricing, but deal volume can slow and borrower stress can rise. When conditions ease, deployment becomes easier, but competition compresses spreads and weakens protections. For real estate private credit, the best risk-adjusted windows often occur when PCCI is high but stabilizing—stress priced in, liquidity returning.
- Private credit conditions remain tight, supporting stronger lender economics but limiting deal flow. Higher required returns and reduced leverage constrain borrowers. However, stabilization can create attractive risk-adjusted entry points. The environment favors selectivity and structure. Conditions are challenging but potentially constructive.

Bottom Line

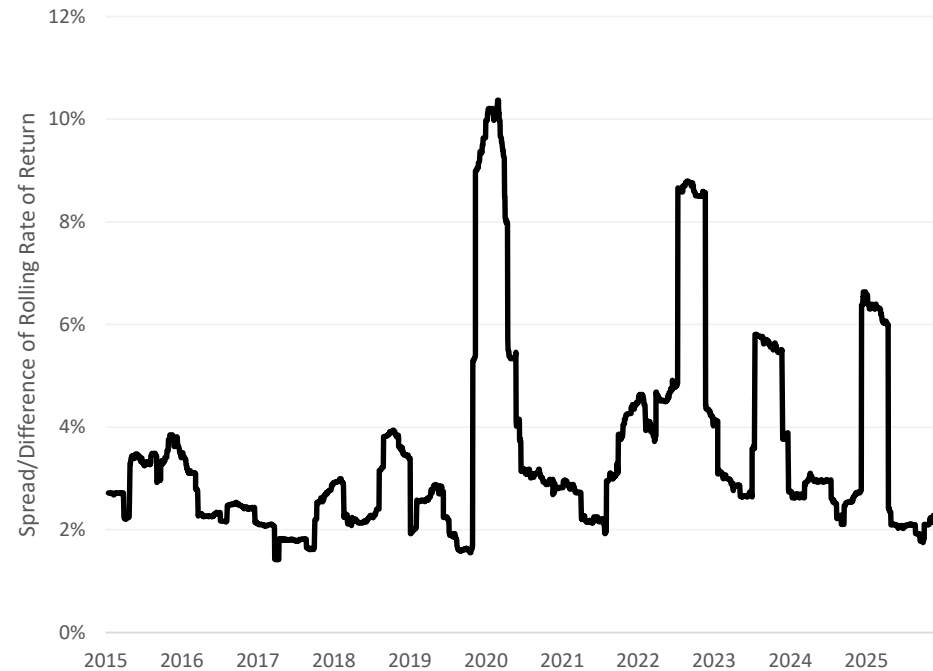
Private credit conditions remain tight, which supports stronger lender returns but slows deal activity. This environment typically creates better risk-adjusted opportunities for disciplined lenders.

Neutral Sign

Real Estate Is Losing Its Diversification Benefit

Price Divergence Between Real Estate vs. Equities

Rolling comparison of worst-quartile real estate returns versus best-quartile S&P 500 days



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart uses a single line to track the rolling gap between the worst quartile of real-estate days and the best quartile of S&P 500 days to illustrate how differently the two markets behave under stress. Rather than showing mirrored drawdowns, it measures cross-asset dispersion. A higher reading indicates increasing divergence between equities and real estate.
- A rising spread indicates increasing cross-asset dispersion: real estate is exhibiting more downside-tail behavior while equities are simultaneously experiencing stronger upside-tail days. This is best interpreted as a regime mismatch across markets rather than a clean “equities lead / real estate follows” signal. A narrowing spread suggests reduced dispersion—either real estate tail weakness is easing, equity upside is less dominant, or both—indicating greater alignment between the two. Persistent divergence is most notable around turning points because it can reflect unresolved cross-asset disagreement, where one market may eventually move to re-align with the other.
- **Equities are absorbing stress faster than real estate, creating a gap that often signals a coming slowdown in housing activity. Housing prices tend to adjust slowly, so this divergence usually shows up first in volume, liquidity, and buyer demand—not immediately in prices.**

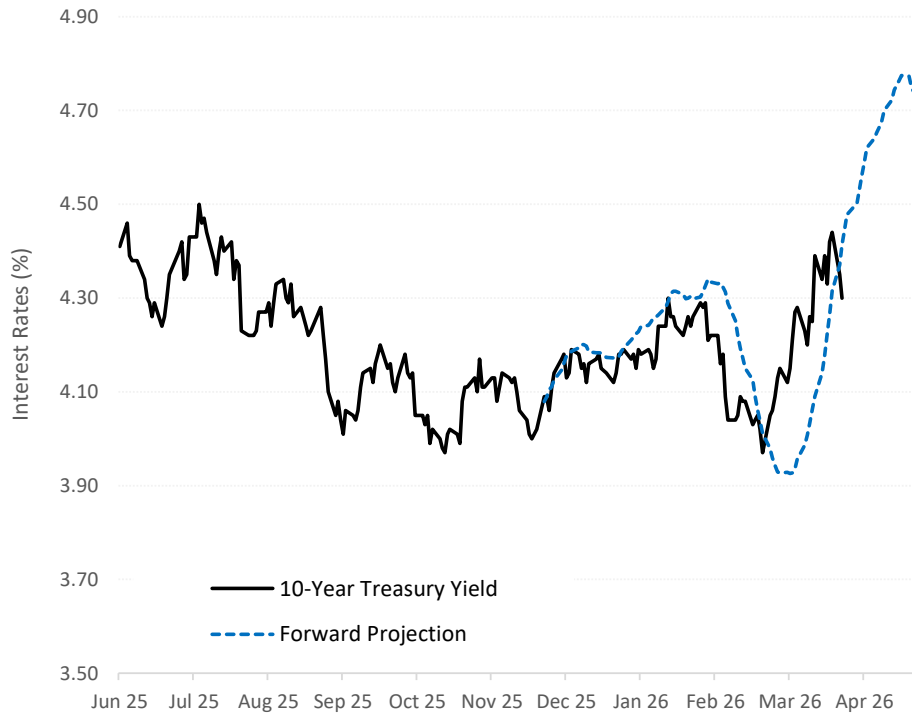
Bottom Line

Real estate stocks are starting to move more closely with the overall stock market. This usually happens in more volatile or bearish environments and reduces diversification benefits.

Negative Sign

Higher Long-Term Rates Are Still a Headwind

U.S. Long-Term Risk-Free Rate 10-Year Treasury yield benchmark (FRED)



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows the 10-year U.S. Treasury yield and our forward forecast. The 10-year yield serves as the benchmark “risk-free” anchor for mortgage rates, discount rates, and capitalization rates across real assets.
- If the projected path trends lower or stabilizes, it supports gradual easing in financing pressure, even if spreads remain volatile. If the forecast implies re-acceleration, real estate credit conditions can tighten through higher coupons, weaker affordability, and tougher refinancing math. What matters most for credit is not only the level but also whether rate volatility stays contained. A higher-for-longer base-rate regime typically forces underwriting to lean more heavily on structure and borrower resilience.
- The 10-year yield is a key benchmark for mortgage and loan pricing. Since it has stayed at relatively high levels, financing conditions remain tight. Even if rates are stable, today’s levels still hurt affordability and slow real estate transactions. For credit markets, higher base rates mean higher loan coupons and less flexibility to refinance. If rates rise again, conditions could tighten quickly and increase the gap between borrowing costs and property cash flow. Overall, the rate environment is still more of a headwind than a help.

Bottom Line

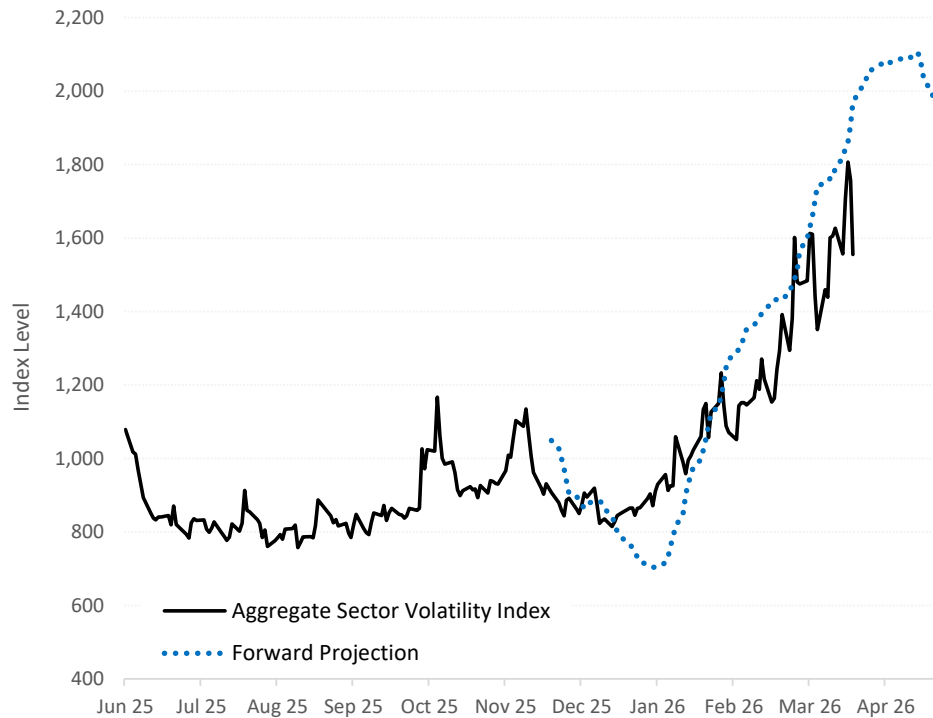
Our forecasts suggest the 10-year Treasury may rise again, which would keep borrowing costs elevated. Geopolitical tensions and inflation uncertainty are likely to keep rates volatile.

Negative Sign

Volatility Is the Biggest Risk Right Now

Aggregate Sector Volatility Index

Composite of volatility across major equity sectors



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- The Aggregate Sector Volatility Index is our internal measure of overall market volatility. Our forecast shows the direction we expect volatility to move. It helps us judge whether markets are calm or uncertain. Volatility matters because it influences liquidity, hedging costs, and how much downside risk investors are expecting.
- When volatility is falling, markets are generally calmer and price movements are more stable. This makes conditions easier for investors and lenders to plan and make decisions. When volatility is rising, it signals more uncertainty and larger price swings, even if interest rates are not moving much. High volatility can increase the chance of sudden market moves and make near-term conditions harder to judge. When volatility settles down, the market environment usually becomes more predictable and easier to work in.
- Higher volatility tightens financial conditions because it increases hedging costs and reduces risk-taking capacity. In real estate credit, this matters because spreads can widen even if yields don't move much. If volatility declines, liquidity improves and markets can absorb issuance more smoothly. As currently framed, volatility still reads as a headwind for credit and mortgage transmission.

Bottom Line

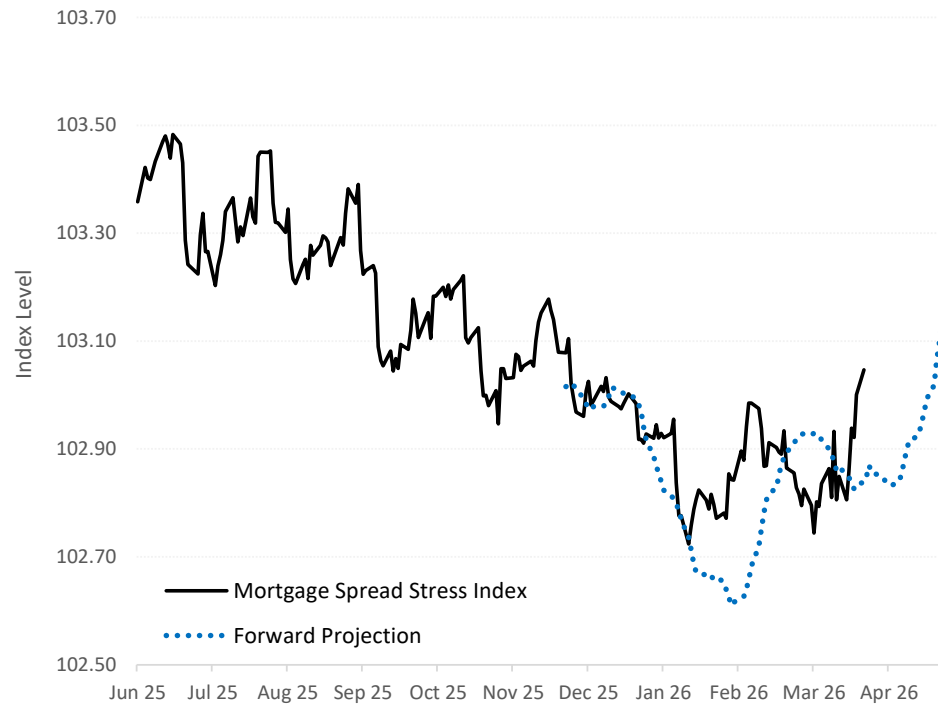
Rising volatility tightens financial conditions even if rates don't move significantly. Much of the volatility is being driven by geopolitical tensions and interest rate uncertainty.

Negative Sign

Investors Are Demanding Higher Returns

Mortgage Spread Stress Index

Gauge of stress in housing finance and mortgage credit



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart presents a key spread series (credit or financing spreads) with history and a forward projection. Spreads are used to represent the market's required compensation for risk relative to Treasuries. The goal is to identify whether risk premia are compressing, widening, or transitioning regimes.
- Tightening spreads typically reflect improving liquidity and stronger risk appetite, which can support refinancing and loan pricing stability. Widening spreads often lead downturn dynamics in private markets by increasing required returns and lowering leverage tolerance. If the spread forecast is rising, it argues for more conservative structures and higher coupons demanded by lenders. If the spread forecast is stabilizing, it can signal that stress is being priced in and conditions may normalize.
- Spreads represent the market's price of risk, and the tone here suggests conditions are not in a clean compression regime. When spreads widen or fail to tighten, lenders demand more yield and underwrite more conservatively. That reduces leverage tolerance and increases refinancing risk for borrowers. Even stabilization at higher levels can keep private-market pricing firm and deal flow slower. The current spread posture remains a caution signal for real asset credit.

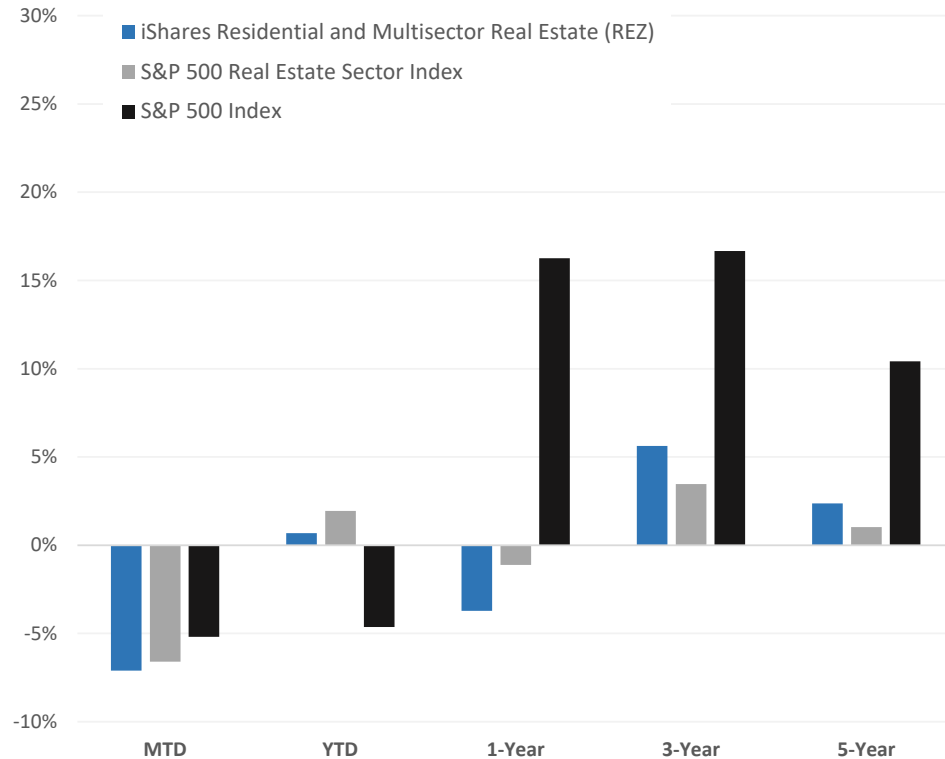
Bottom Line

Risk premiums are rising again, meaning lenders are requiring higher returns and underwriting more conservatively. This typically leads to lower leverage and slower deal activity.

Negative Sign

Real Estate Equities Are Signaling Slower Growth

Real Estate Sector Performance vs. Broad Market



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows the performance of an equity sector proxy relevant to the cycle (often housing/credit-sensitive) across time, with emphasis on trend strength. The goal is to assess whether equity markets are confirming expansion, stagnation, or contraction signals for the real-economy backdrop. Sector equities function as a forward-looking risk barometer.
- Muted or weakening sector performance often signals margin pressure, slower growth expectations, or tighter financial conditions. If equities remain soft while housing prices hold up, it can imply housing is being supported by supply constraints rather than robust demand. If the sector stabilizes, it often aligns with a soft-landing narrative and improved risk pricing. Continued weakness increases the probability that real asset activity slows even if headline prices remain sticky.
- Muted sector equity performance implies markets are discounting slower growth, margin pressure, or tighter financial conditions. Because equities react faster than housing prices, weakness here often shows up first as reduced housing activity rather than immediate price declines. If housing prices remain firm while equities lag, it can mean supply is supporting prices even as demand cools. A sustained rebound would be needed to support a stronger housing confidence signal. As it stands, the equity read-through is still defensive.

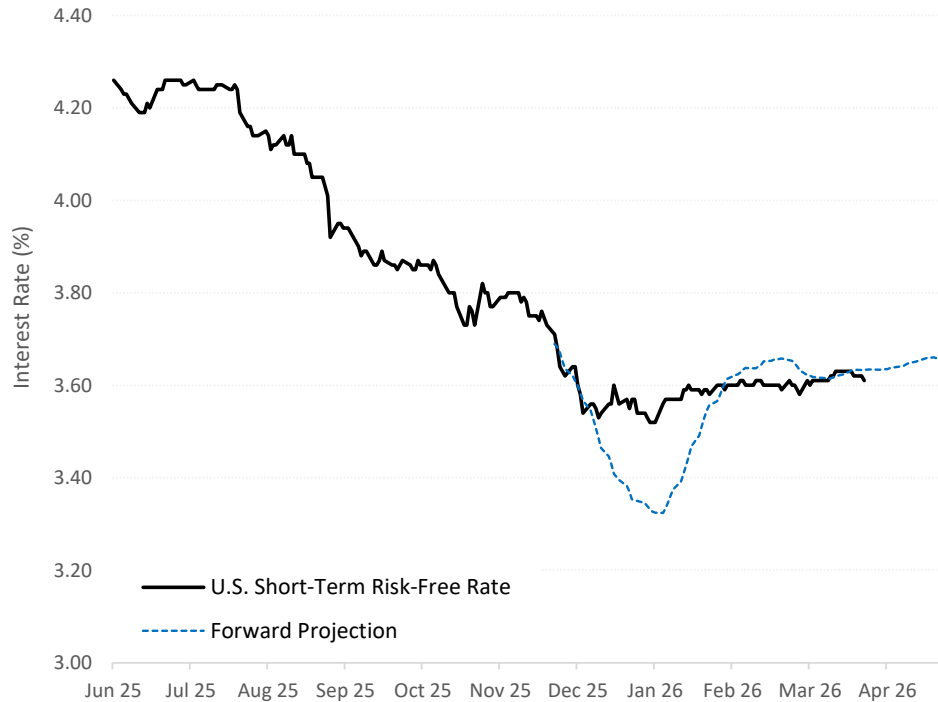
Bottom Line

Real estate equities have underperformed long-term and remain sensitive to interest rates and market volatility. This suggests slower growth expectations for the real estate sector.

Negative Sign

Short-Term Rates Are No Longer Falling

U.S. Short-Term Risk-Free Rate
3-month Treasury bill yield



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows short-term interest rates (policy-sensitive) and our forward projection. Short-term rates influence floating-rate borrowing costs, bank funding costs, and credit creation incentives. The forecast frames a small increase or at least a stabilization of rates in the coming month.
- If short rates are projected to decline, financing friction can ease for floating-rate borrowers and short-duration lenders. If projected to remain elevated, underwriting tends to stay tight and debt service burdens remain a constraint on real asset turnover.
- Short-term rates drive the cost of capital for floating-rate borrowers and influence underwriting tightness across private credit. Elevated short rates increase debt service burdens and reduce borrower flexibility, especially for transitional real estate. Even if the trajectory flattens, the level can keep activity subdued and refinancing difficult. Stability helps planning, but it doesn't automatically restore affordability or liquidity. The current setup remains restrictive enough to be negative for credit formation.

Bottom Line

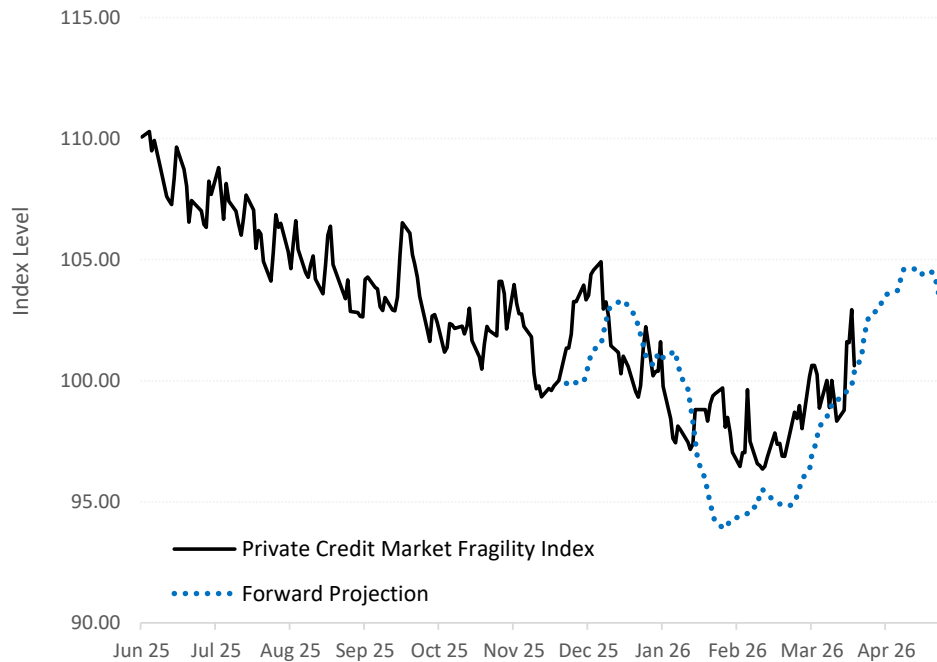
Short-term rates have flattened and are likely to remain elevated in the near term. That means borrowing costs for floating-rate loans will stay high, which continues to pressure borrowers and slow real estate activity. Even without further rate hikes, today's rate levels are still restrictive for credit markets.

Neutral Sign

The System Is Tight, But Not Breaking

Private Credit Market Fragility Index

Indicator of structural weakness and liquidity risk in private lending



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This index is designed as an estimation tool for private credit conditions using signals from related public markets rather than private loans themselves. It uses movements in credit markets, Treasury yields, and broader financial stress to infer whether private credit conditions are becoming more supportive or more cautious. The index does not measure private credit directly but instead translates these external market signals into a practical gauge of risk appetite and lending tone. This approach helps anticipate shifts in private credit conditions before they become visible in private market data.
- The index is calculated by combining corporate credit performance, movements in Treasury yields, and changes in overall financial system stress into a single measure of credit conditions. The goal is to spot turning points where strong risk appetite begins to cool and move back toward normal levels. In simple terms, it helps show where we may be in the credit cycle and whether conditions are getting riskier or more stable.
- The steady decline in the index points to a supportive backdrop for private credit relative to traditional debt markets. This type of environment tends to favor private lending strategies, especially when public bond returns remain modest. Continued stability in the index aligns with ongoing institutional demand for private credit.

Bottom Line

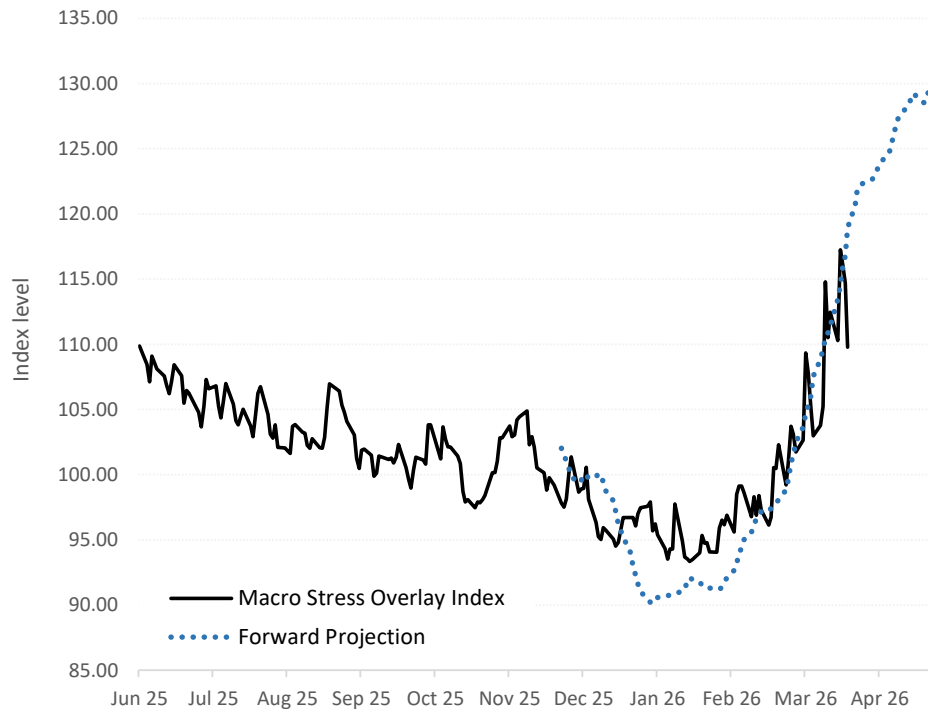
Financial conditions are tight, but markets are still functioning. This is typically the type of environment where conservative lenders perform well because they can demand better structure and pricing while weaker borrowers begin to feel pressure.

Neutral Sign

Stress Is Rising Across Credit Markets

Macro Stress Overlay Index

Top-down indicator of broad financial and macro stress



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This internal index chart is designed to be a cyclical stress indicator with a forward forecast of where conditions may go. It aims to help indicate whether markets are tightening or easing. Stress levels give context for credit and risk appetite.
- When stress rises, lending tightens, spreads widen, and leverage falls. When stress declines, liquidity and pricing improve. If stress is leveling off, the worst tightening may be over, even if conditions are still tight. In real estate credit, the direction of stress often matters more than the level.
- Cyclical stress remaining elevated typically signals tighter credit creation and more fragile risk appetite. In this environment, spreads tend to stay wider and leverage tolerance stays lower. The practical effect is slower transaction velocity and higher emphasis on structure and cash-flow durability. If stress is stabilizing, it can suggest the worst impulse is passing, but conditions can still remain restrictive.

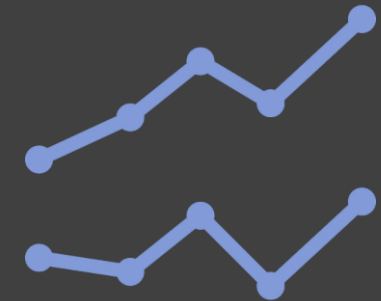
Bottom Line

Market fragility is starting to increase again, largely driven by interest rate volatility and geopolitical uncertainty. This doesn't usually cause immediate problems, but it tends to tighten lending conditions and reduce liquidity over time.

Negative Sign

BDC Index Relative Strength Index

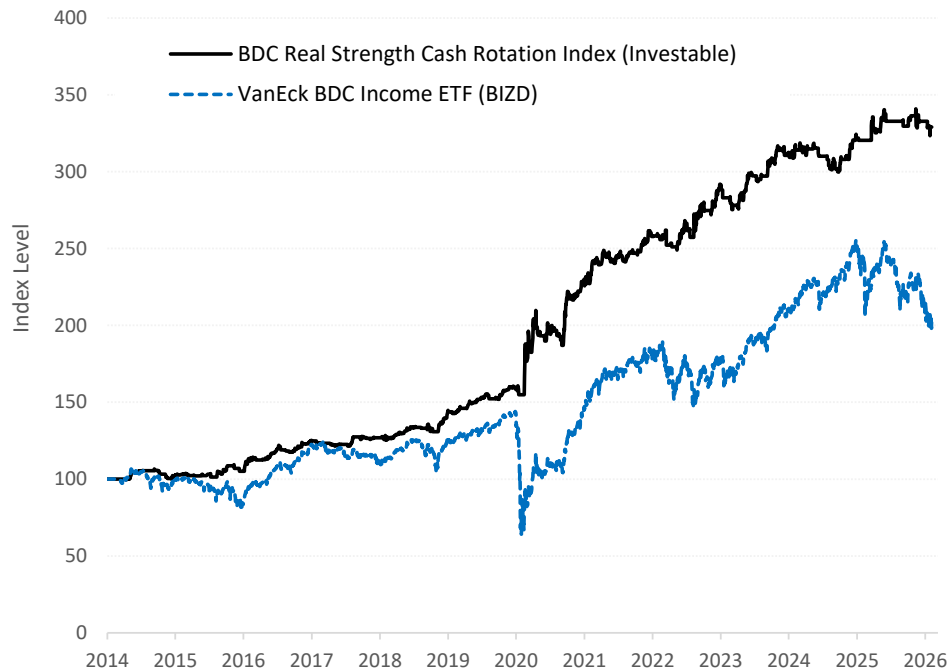
An active indicator that monitors the Business Development Company (BDC) sector's performance versus a passive long-only approach, supporting more informed allocation decisions.



Public Credit Markets Are Stalling

BDC Income Relative Strength Cash Rotation Index

Rotates between BDC income exposure and cash based on relative strength



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart measures the performance of an investable index, that is strong when BDC ETFs are rising and in a positive overall trend. When the underlying holdings are not in positive trend, the index aims to remain in cash. This investable (executable) index helps illustrate the performance of the index relative to periods of a long only holding strategy of the underlying ETF BIZD.
- Outperformance shows improving investor confidence in credit and underwriting. Underperformance can signal worries about credit quality, funding costs, or portfolio health. If relative strength weakens, it may warn that private credit conditions could tighten. Stabilization suggests risk is being absorbed and confidence is improving.
- BDC stocks act as a public signal for private credit sentiment. Weakness can point to concerns about credit quality, funding costs, or income growth. Underperformance often comes before tighter lending and higher return requirements. Stabilization would mean stress is easing, but markets remain cautious and defensive on credit.

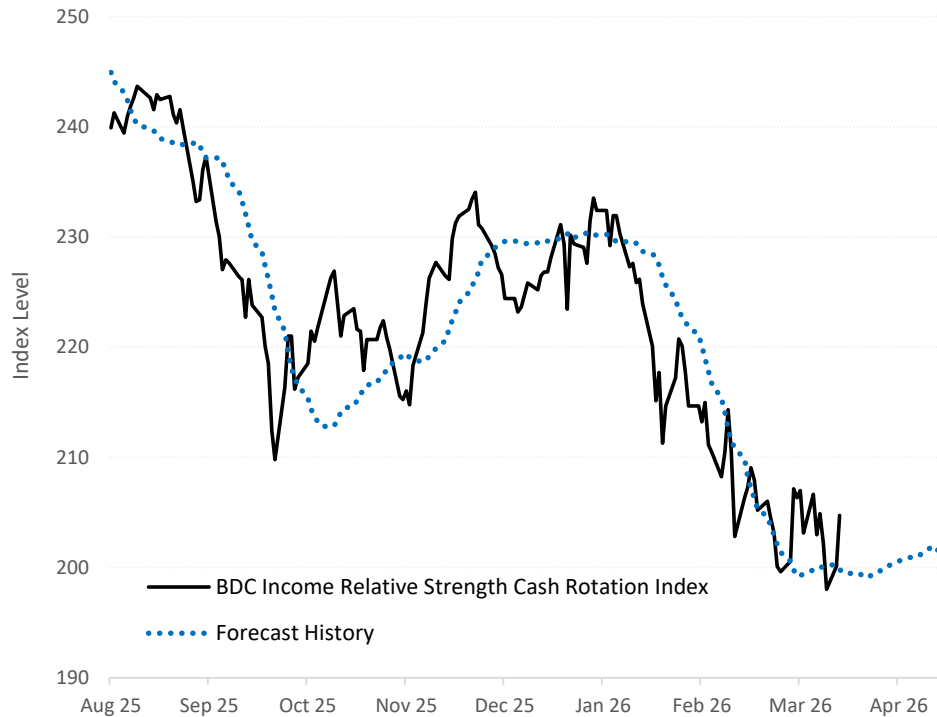
Bottom Line

BDC price performance has been flat, which usually indicates a volatile or uncertain credit environment. Public credit markets often move before private credit, so this suggests lending conditions may remain tight in the near term.

Negative Sign

No Clear Trend in Credit Markets

BDC Income Relative Strength Cash Rotation Index (Investable) vs. Rolling Index Forecast



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows short-term index performance with a projected outlook. It helps assess whether near-term trends may continue or reverse in credit-sensitive equities. The forecast is used to set tactical expectations.
- If the forecast trends higher, it suggests improving credit tone and potentially better liquidity for private lending strategies. If it trends lower, it implies rising caution and an environment where required returns and structures may need to become more defensive. Short-horizon weakness often matters because it can coincide with broader spread repricing. Stabilization supports the view that private credit stress may be peaking rather than accelerating.
- Short-horizon weakness in BDC performance tends to matter because it often aligns with broader spread repricing. If the forecast implies continued softness, it suggests lenders will remain conservative and borrowers face tighter terms. A stabilization phase would be a constructive sign that credit stress is peaking rather than accelerating. Until that happens, the near-term signal supports a defensive posture. The current condition remains more warning than opportunity.

Bottom Line

The outlook for BDCs is mostly flat, which suggests credit markets are in a holding pattern. This usually happens when investors are uncertain about rates, the economy, and geopolitical risks.

Neutral Sign



BDC Index Relative Strength Index - Methodology

Relative Strength BDC Index — Methodology and Framework

The Relative Strength BDC Index is an investable, rules-based index developed to measure the trend direction, stability, and risk behavior of publicly traded Business Development Companies (BDCs). The index is designed to function as both a performance participation tool and a risk-management overlay, dynamically allocating between BDC exposure and cash. Its objective is not to maximize short-term return, but to improve risk trackability and reduce exposure during periods of deteriorating private credit sentiment.

The index uses the VanEck BDC Income ETF (BIZD) as a liquid proxy for BDC performance and compares its behavior against broad fixed-income conditions represented by AGG. Because BDCs are highly sensitive to credit spreads, funding costs, and credit-cycle expectations, their public equity performance often provides a forward-looking signal for private credit conditions. This makes them suitable for systematic trend and stability monitoring.

The allocation process follows a structured momentum framework. First, BIZD must exhibit positive month-to-date performance to qualify for risk exposure. If month-to-date performance is negative, the index allocates to cash, reflecting a defensive posture during weak sentiment regimes. This filter is intended to avoid sustained drawdowns and align exposure with improving credit tone.

When the month-to-date filter is satisfied, the index applies a short-term momentum confirmation rule based on two specific return windows. It compares the cumulative return from the two trading days beginning four days prior with the cumulative return from the most recent four trading days. In practical terms, this tests whether recent performance is improving relative to the immediately preceding short window. If the difference between these two return

sequences is negative — meaning recent returns are stronger than the earlier period — the index allocates to BIZD for the next session. If not, the index remains in cash. This structure helps identify stabilization phases and early momentum shifts rather than chasing extended moves, allowing the index to participate when BDC performance begins to strengthen while stepping aside during fading momentum. Together, these rules create a disciplined framework that seeks participation during constructive private credit environments while stepping aside during periods of instability. As a result, the index can serve as a practical gauge of BDC stabilization, growth rate trends, and directional risk in the private credit ecosystem.

Disclosure

This index is internally developed and maintained for research and monitoring purposes. It is rules-based and investable in concept but does not represent a managed product or investment vehicle. Past performance does not guarantee future results. The methodology relies on market data that may be subject to revision or error. The index is intended as an analytical and informational tool and should not be interpreted as investment advice or a recommendation to buy or sell securities.

Mortgage REIT Relative Strength Cash Rotation Index

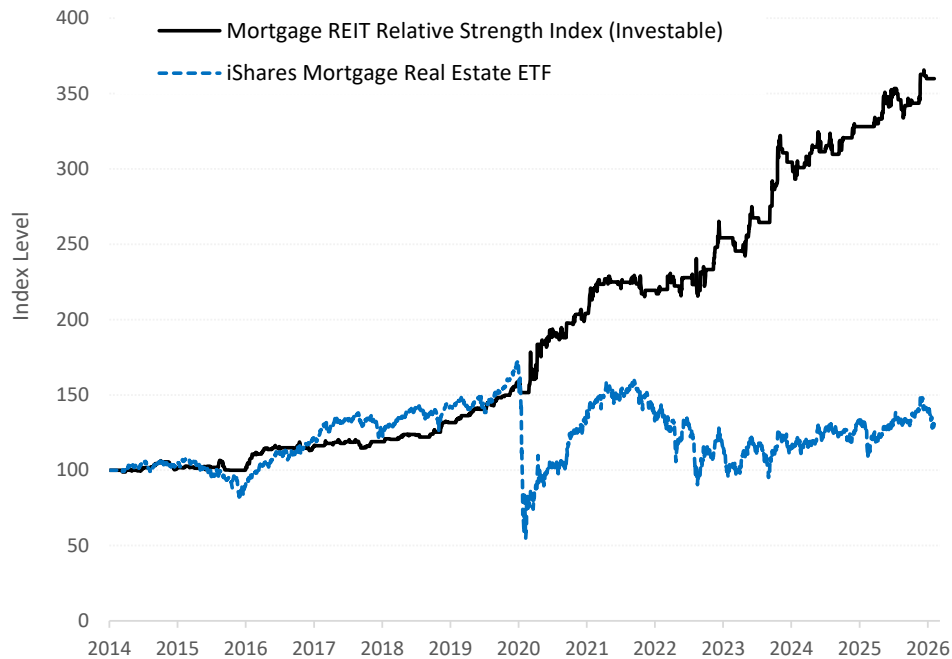
An active indicator that helps assess when REITs are likely to outperform a simple buy-and-hold approach. By monitoring market conditions and sector trends, it seeks to highlight periods when maintaining or reducing REIT exposure may enhance overall portfolio outcomes.



Mortgage Bonds Are Quietly Strengthening

Mortgage REIT Relative Strength Cash Rotation Index

Rotates between mortgage REIT exposure and cash based on relative strength



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows an investable index that holds REIT ETFs during positive trends and moves to cash when trends weaken. It compares this strategy to simply holding the REM ETF. The comparison highlights the long-term risk management benefits of investing only during favorable periods.
- REIT outperformance versus the mortgage sector often signals improving confidence in real estate cash flows and asset valuations relative to financing stress. Mortgage-sector strength relative to REITs can indicate that markets are prioritizing balance-sheet resilience and spread stabilization. If the relationship turns sharply, it can reflect changing expectations around rates, cap rates, and refinancing risk. Persistent relative weakness tends to align with tighter credit and slower transaction activity.
- This relative-strength relationship shows whether investors prefer real estate equity exposure or mortgage/financing-linked exposure. When REITs lag the mortgage sector, it often signals concern about asset valuations, cap rates, or growth outlook. If the mortgage side is weaker, it usually points to financing stress and spread pressure.

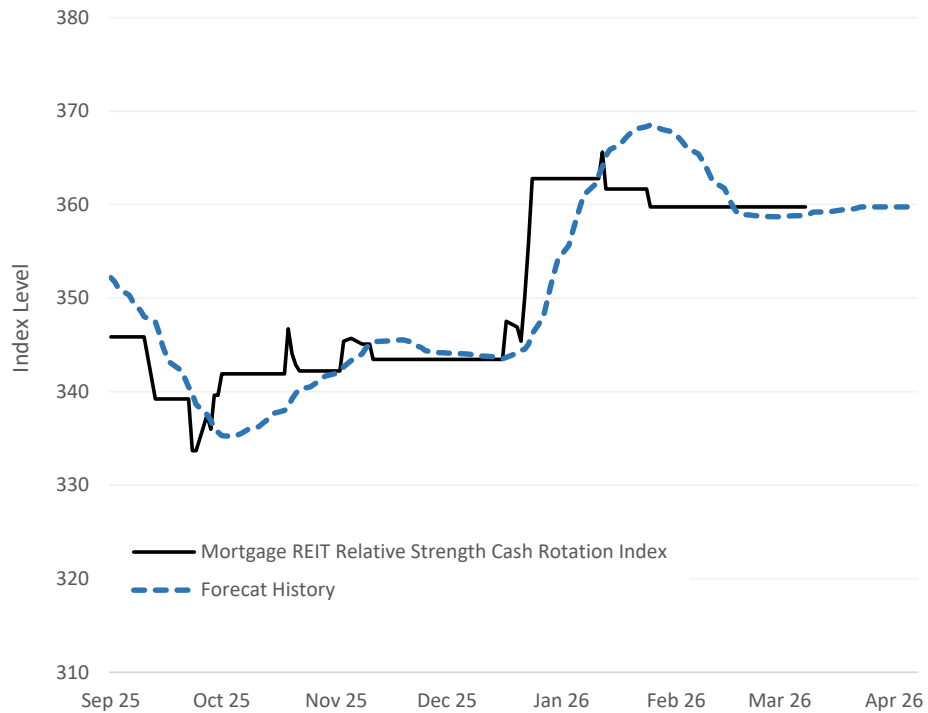
Bottom Line

MBS relative strength has been improving, which suggests institutional demand for mortgage debt is stabilizing. In volatile markets, capital often rotates toward safer credit assets like agency and senior mortgage debt.

Positive Sign

Long-Term Uptrend, Short-Term Flat

Mortgage REIT Relative Strength Cash Rotation Index (Investable) Vs. Forecast History



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows a forecast of the index to provide a projection of REIT relative strength. It helps gauge whether leadership may move to REITs or remain in mortgage-sensitive areas. It's a forward-looking positioning tool.
- Improvement in the forecast suggests better financing conditions and confidence in property values. A decline signals caution about growth, cap rates, and refinancing. Stabilization after weakness can mean stress is being absorbed. This is mainly a tool for timing and managing risk, not predicting exact returns.
- The forward view shows leadership between REITs and mortgage-related sectors is still fragile. Improvement would signal more confidence in valuations and financing. A weak outlook keeps focus on cap-rate and refinancing risk. Even stabilization suggests markets need more evidence before turning positive. Leadership is still uncertain.

Bottom Line

Long-term trends for MBS remain positive, but short-term price action is mostly flat. This usually indicates a stable but cautious credit environment rather than a strong risk-on market.

Neutral Sign



Mortgage REIT Relative Strength Cash Rotation Index

The Mortgage REIT Relative Strength Cash Rotation Index is an internally developed, investable rules-based index designed to measure stabilization trends, growth direction, and risk behavior in mortgage REITs. The framework dynamically rotates between mortgage REIT exposure and cash based on observable market signals. Its objective is to improve risk trackability, participate in constructive mortgage REIT environments, and reduce exposure during periods of instability.

The index uses the iShares Mortgage Real Estate ETF (REM) as a liquid proxy for mortgage REIT performance and compares it against the iShares Core U.S. Aggregate Bond ETF (AGG), which serves as a broad fixed-income benchmark. Mortgage REITs are highly sensitive to interest-rate volatility, funding spreads, and mortgage-market liquidity, making their public equity performance a forward-looking indicator of mortgage credit conditions.

The methodology applies two sequential filters. First, REM must exhibit positive month-to-date performance for the index to take risk exposure. If REM's month-to-date return is negative, the index allocates to cash. This requirement ensures the index only participates when the prevailing trend in mortgage REIT performance is supportive.

When the month-to-date filter is satisfied, the index evaluates relative strength by comparing the trailing six trading days of performance between AGG and REM. If AGG outperforms REM over that period, the index allocates to REM for the following trading day. If AGG does not outperform, the index remains in cash. This rule is intended to identify stabilization phases in fixed income that may precede improvements in mortgage REIT conditions.

Together, these rules form a disciplined rotation framework that seeks exposure during improving mortgage REIT regimes while stepping aside during deteriorating conditions. As a result, the index serves as a practical gauge of mortgage REIT stabilization, trend direction, and risk conditions within rate-sensitive real estate credit markets.

Disclosure

This index is internally developed and maintained for research and monitoring purposes. It is rules-based and investable in concept but does not represent a managed product or investment vehicle. Past performance does not guarantee future results. The methodology relies on market data that may be subject to revision or error. The index is intended as an analytical and informational tool and should not be interpreted as investment advice or a recommendation to buy or sell securities.

MBS Relative Strength Rotation Index

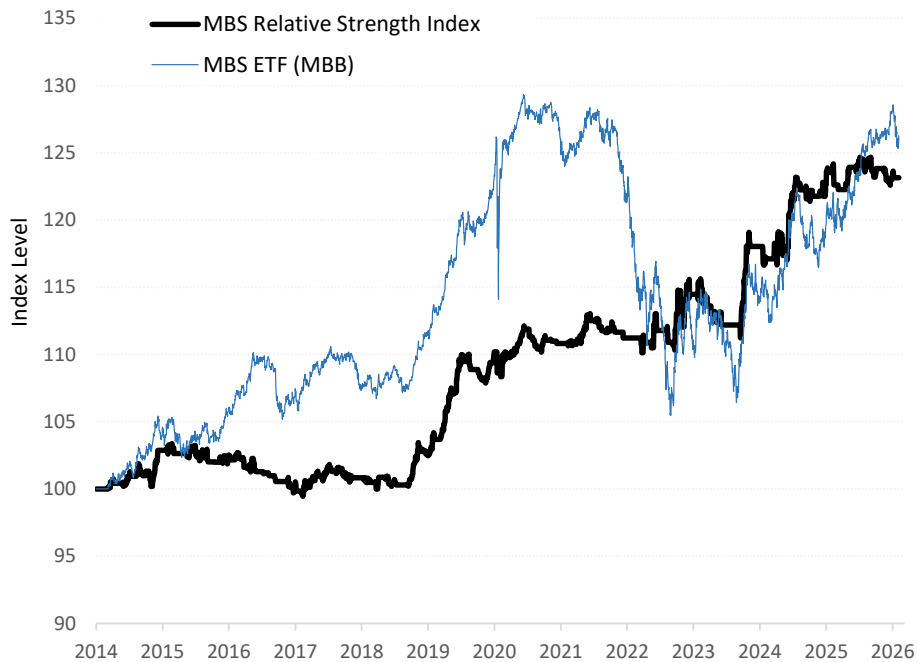
An active indicator designed to track the performance of the mortgage-backed securities (MBS) sector relative to a long-only passive investment. The index employs a rotation strategy that maintains long exposure to MBS during favorable periods and shifts exposure to an aggregate bond index during unfavorable periods.



MBS Positive Price Trends are Sustaining

MBS Relative Strength Rotation Index

Rotates between agency MBS exposure and cash based on relative strength



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows an investable index that holds MBS ETFs when they are trending up and moves to AGG when they are not. It compares this to simply holding the MBS ETF. The comparison highlights the long-term risk management benefit of investing only during favorable periods.
- When MBS performance stabilizes or improves, mortgage rate pass-through tends to be smoother and lender stress eases. Continued weakness can point to wider spreads, tighter balance sheets, or volatility effects.
- Agency MBS performance helps show mortgage liquidity and spread conditions. Weakness keeps mortgage rates high relative to Treasuries and adds stress for lenders. This can slow originations and widen spreads. Improvement would help normalize pricing, but the signal is still a headwind.

Bottom Line

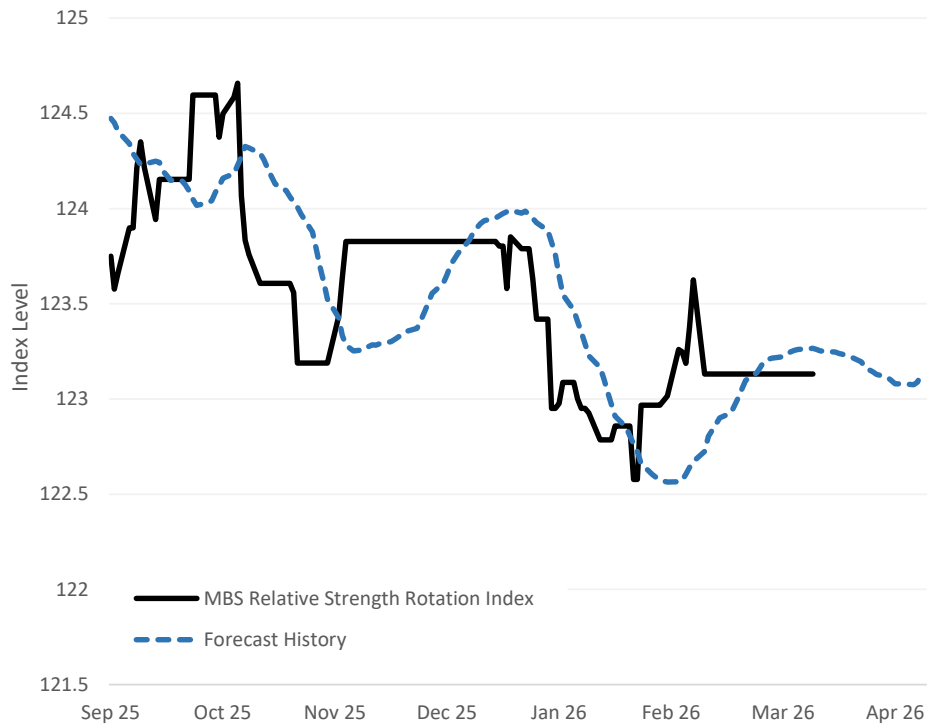
MBS are stabilizing and beginning to improve, which is creating opportunities for a trend-based strategy.

In a broader market environment where equities and credit markets remain volatile, improving MBS performance is a constructive sign for housing finance and lending markets.

Neutral Sign

Forecasting MBS Near Term Performance

MBS Relative Strength Rotation Index (Investable) vs. Forecast History



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart compares home price trends to a set of leading economic indicators to assess whether housing is aligned with or diverging from broader forward-growth signals. Home prices adjust more slowly, while leading indicators tend to move earlier in the cycle. The purpose is to identify early warning signs or confirmation of trend persistence.
- If leading indicators weaken while home prices remain firm, it often suggests that activity risk is rising even if prices have not yet adjusted. If both series rise together, it supports a constructive macro backdrop for housing stability. Divergence at turning points is the key takeaway because it can signal where the next adjustment may emerge. For credit underwriting, weakening leading indicators increase the importance of conservative exit assumptions and borrower cash-flow durability.
- Leading indicators often turn before home prices, so weakness here is a warning that activity may slow even if prices look stable today. Housing can stay firm temporarily due to supply tightness and sticky seller behavior. The usual adjustment shows up first in transaction volume, days on market, and concessions. If leading indicators re-accelerate, it supports a soft-landing setup; if not, housing typically “catches down” with a lag. The current divergence argues for conservative exit assumptions.

Bottom Line

While the long-term charts point to a more growth-oriented trend, short-term indicators suggest a largely flat and stable price profile for the MBS sector.

Relative to the broader market, this stability is notable, as equities and other risk assets have been experiencing more volatility.

Negative Sign



MBS Relative Strength Rotation Index

The MBS Relative Strength Rotation Index is an internally developed, investable rules-based index designed to measure stabilization trends, growth direction, and risk behavior in agency mortgage-backed securities. The framework dynamically rotates between mortgage-backed securities exposure and cash based on observable market signals. Its objective is to improve risk trackability, participate in constructive mortgage market environments, and reduce exposure during periods of instability or weak momentum.

The index uses the iShares MBS ETF (MBB) as a liquid proxy for agency mortgage-backed securities performance. Because agency MBS are highly sensitive to interest-rate volatility, prepayment expectations, and dealer balance-sheet capacity, their performance provides a real-time read on mortgage market liquidity and spread conditions.

The methodology applies a two-step filter. First, MBB must exhibit a positive month-to-date total return for the index to take risk exposure. If the month-to-date return for MBB is zero or negative, the index allocates to cash. This requirement ensures the index only participates when the prevailing trend in mortgage-backed securities is supportive rather than deteriorating.

When the month-to-date condition is satisfied, the index applies a short-term downside-resilience test using a 12-trading-day review window. Daily returns for MBB over the last twelve trading days are ranked, and the first quartile (25th percentile) return is calculated. This focuses on the lower end of the return distribution and emphasizes downside stability rather than average performance. If this first-quartile return is positive, MBB is considered to be demonstrating

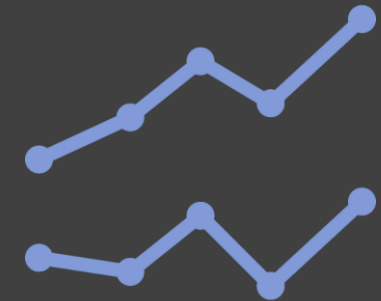
sufficient downside resilience and receives the allocation for the following trading day. If not, the index remains in cash. Together, these rules form a disciplined rotation framework that seeks exposure during improving MBS regimes while stepping aside during deteriorating conditions. As a result, the index serves as a practical gauge of MBS stabilization, trend direction, and risk conditions within rate-sensitive mortgage markets.

Disclosure

This index is internally developed and maintained for research and monitoring purposes. It is rules-based and investable in concept but does not represent a managed product or investment vehicle. Past performance does not guarantee future results. The methodology relies on market data that may be subject to revision or error. The index is intended as an analytical and informational tool and should not be interpreted as investment advice or a recommendation to buy or sell securities.

End of Month Market Regime Summary

Market conditions are improving compared to prior stress periods, with lower volatility and some easing in rate pressure helping stabilize credit and housing. However, liquidity and credit conditions remain tight enough that investors and lenders are still operating cautiously, not aggressively.



Stabilizing Conditions Amid Ongoing Constraints

Markets volatile, but credit remains functional.

Market volatility has clearly increased over the past quarter, largely driven by interest rate uncertainty and geopolitical tensions. However, credit markets are still functioning and capital is still available, just on more conservative terms. This is not a shutdown environment — it's a more cautious lending environment, which is an important distinction.

Higher volatility is creating better lending opportunities.

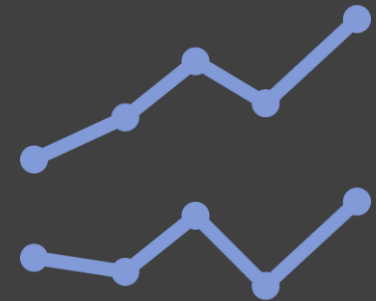
Periods of volatility tend to create better opportunities for lenders because spreads widen, structures become more conservative, and borrowers place a higher value on certainty of execution. In this type of environment, disciplined lenders are often able to achieve better pricing and stronger loan structures than during more competitive periods.

Housing and mortgage markets are stabilizing.

Even with the volatility we're seeing in the broader markets, many housing and mortgage indicators are beginning to stabilize. Home prices, MBS markets, and mortgage REITs are showing signs of stability, which suggests the housing finance system is adjusting to higher rates rather than breaking down.

Bonus Slides Qualitative Factors Only

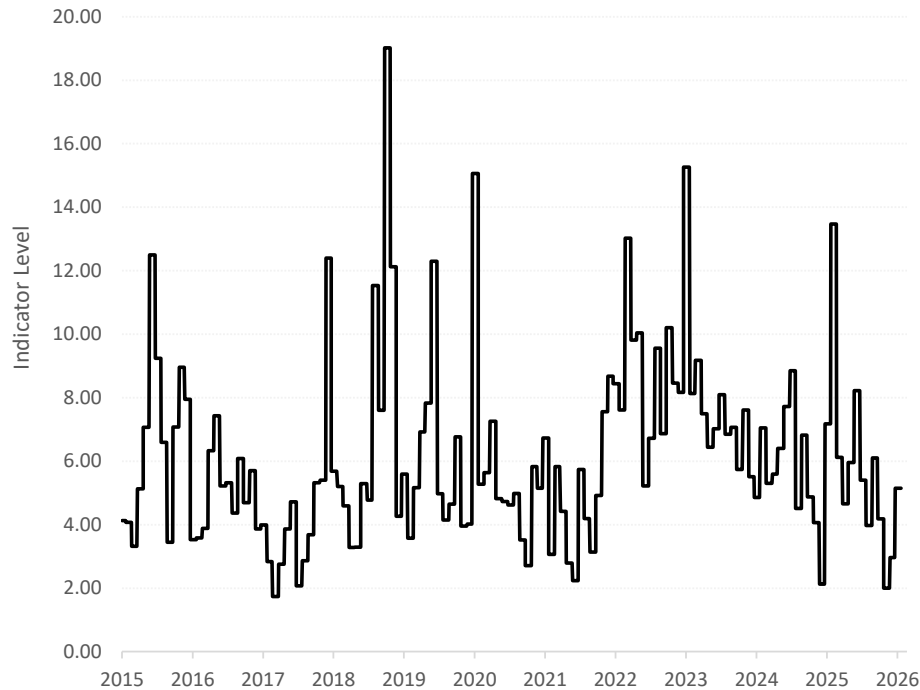
Market conditions are better than they were during the peak stress periods, with some stabilization in housing, credit, and mortgage markets. However, the broader environment is still shaped by geopolitical tensions, rate volatility, and cautious lending behavior. Capital is available, but it is more selective, more conservative, and more expensive.



Real Estate Macro Uncertainty and Equity Market Volatility

Interest Rate News Sentiment & Volatility Index

Baker, Bloom, and Davis — Equity Market Volatility (EMV) Tracker



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows short-term performance of the Baker, Bloom, and Davis Interest Rate News Sentiment and Volatility Index with a projected outlook. It helps assess whether near-term trends in interest rate uncertainty and policy-related volatility may continue or reverse in the broader equity market. The forecast is used to set tactical expectations.
- If the indicator trends higher, it suggests increasing uncertainty around interest rates and policy direction, which can lead to higher equity market volatility and more cautious capital markets activity. If it trends lower, it implies improving visibility on rates and policy, which tends to support risk assets and a more stable financing environment. Short-horizon increases in this index often matter because they can coincide with shifts in rate expectations and broader risk repricing. Stabilization supports the view that policy uncertainty may be peaking rather than accelerating.

Bottom Line

The interest rate news sentiment and volatility index is at historically low levels but has begun to rise off recent lows.

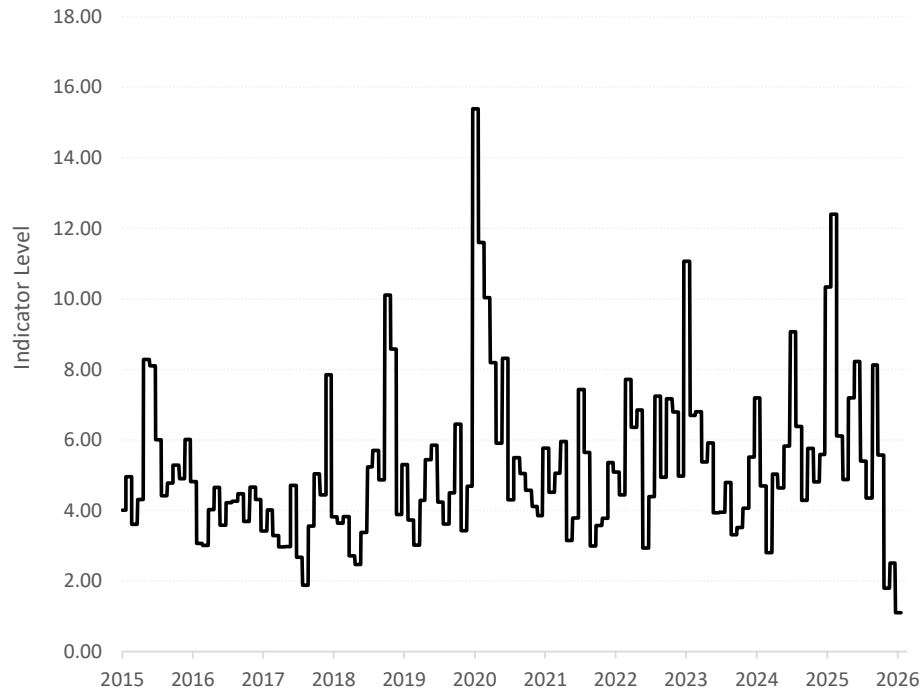
This suggests that while markets had become comfortable with the rate outlook, uncertainty is starting to return, largely driven by geopolitical tensions and shifting expectations around inflation and policy.

Positive Sign

Real Estate Macro Sentiment and Outlook

Macroeconomic News and Outlook: Real Estate Markets

Baker, Bloom, and Davis — Equity Market Volatility (EMV) Tracker



Data sources include Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, and Yahoo Finance. Proprietary indexes and calculations are internally developed.

- This chart shows short-term performance of the Baker, Bloom, and Davis Equity Market Volatility (EMV) Tracker for Macroeconomic News and Outlook related to real estate markets, along with a projected outlook. It helps assess whether near-term trends in macro-driven equity volatility tied to real estate may continue or reverse. The forecast is used to set tactical expectations.
- If the indicator trends higher, it suggests increasing macroeconomic uncertainty surrounding real estate, which can lead to higher volatility in real estate equities, tighter financial conditions, and more cautious lending and investment activity. If it trends lower, it implies improving clarity around the macro environment for real estate, which tends to support transaction activity, asset values, and capital availability. Short-horizon increases in this index often matter because they can coincide with changes in property valuations, lending conditions, and investor risk appetite. Stabilization supports the view that macro uncertainty in real estate may be peaking rather than accelerating.

Bottom Line

The Baker, Bloom, and Davis Macroeconomic News and Outlook Index for real estate is at all-time low levels.

This suggests the broader macro environment for real estate has been relatively stable, even as other parts of the market have experienced increased volatility due to interest rates and geopolitical tensions.

Positive Sign



Disclosures and Additional Information



Forecast Methodology — Trend Projection Framework

The forecasts shown in this report are generated using a rules-based statistical trend projection applied to each index individually. The approach relies only on the recent historical behavior of the index itself and does not incorporate external macro forecasts, analyst assumptions, or subjective inputs. The purpose is to provide a consistent, data-driven indication of short-term directional momentum rather than precise predictions. For each index, the model reviews approximately the most recent month of trading observations. This rolling window captures the latest trend while preventing older data from distorting current conditions. Only valid, observed index values are used in the calculation to ensure the projection reflects actual market behavior. A best-fit curve is then applied to the recent data to estimate the prevailing trajectory of the index. This curve allows for gradual acceleration or deceleration in trends rather than assuming

markets move in a straight line. In practical terms, the model evaluates whether the index trend has been strengthening, flattening, or weakening over time. The forecast extends that observed trend modestly forward to generate a near-term projection. If the index has been rising at an increasing pace, the projection slopes upward; if momentum has been fading, the projection levels off or slopes downward. The output is intended to visually illustrate momentum and trend persistence, not to predict exact future levels. Because the model is purely trend-based, it reacts to changing conditions rather than attempting to anticipate external events. This makes it most useful as a directional guide and regime indicator rather than a market-timing signal. Forecasts are therefore best interpreted as a visualization of recent momentum dynamics.

Research Indexes – Explanations and Methodologies

Data Framework and Input Logic

All proprietary indexes in this report are constructed from a consistent framework that blends macroeconomic rates, housing fundamentals, and market-priced ETF signals. Treasury yields, mortgage rates, and yield spreads capture the cost and availability of financing. Housing series such as listings, price indexes, and delinquency rates represent borrower health and collateral conditions. Market-priced ETFs serve as real-time proxies for liquidity and investor risk appetite, allowing the framework to incorporate forward-looking information rather than relying solely on lagging economic data.

Agency mortgage exposure is represented by MBB, which reflects pricing of agency MBS and therefore embeds prepayment expectations, convexity risk, and dealer balance-sheet capacity. Investment-grade credit conditions are represented by LQD, capturing corporate spread behavior and funding tone. Homebuilder sentiment is represented by XHB, which often leads housing fundamentals because equity markets reprice housing risk faster than price indexes adjust. All series are sourced from public databases such as FRED and widely used financial market data providers, ensuring transparency and repeatability.

Mortgage Credit Stress Index (MCSI)

The Mortgage Credit Stress Index measures whether mortgage credit conditions are tightening or easing by combining three forces: Treasury rate pressure, MBS performance, and corporate credit appetite. Conceptually, the index return each period is calculated as:

$$r_t^{MCSI} = 0.25 R_t^T - 0.45 R_t^{MBS} - 0.30 R_t^C$$

This means rising Treasury yields increase stress, while stronger MBS or credit markets reduce stress. That combined stress return is then applied to the prior index level so that stress compounds during sustained tightening regimes and fades during easing periods. The result is a regime indicator that shows whether mortgage rates, securitization demand, and credit appetite are reinforcing each other or breaking apart.

Pure Mortgage Market Stress Index (PMSI)

The PMSI isolates mortgage-specific stress by excluding corporate credit and focusing on mortgage affordability and mortgage-market liquidity. Its period change is calculated as:

$$r_t^{PMSI} = 0.35 \Delta MR_t + 0.25 R_t^T - 0.40 R_t^{MBS}$$

Mortgage-rate increases and Treasury strength raise the index because they pressure affordability and funding costs, while stronger MBS pricing lowers the index because it reflects healthier mortgage liquidity. The result is compounded into the prior level so that persistent stress builds visibly over time. This index is particularly useful for assessing origination environments and whether mortgage rates are moving efficiently with benchmarks.

Research Indexes – Explanations and Methodologies

Funding & Balance-Sheet Stress Index (FBSSI)

The FBSSI is designed to detect liquidity stress by examining how corporate credit and mortgage securities behave relative to one another and how that relationship is changing. It first measures how unusual current LQD and MBB returns are relative to their recent history, then looks at the difference between them. It also measures whether that difference is accelerating and adds a small adjustment for volatility surprises from the MOVE Index.

In simplified form, the index change is a weighted blend of:

- credit-versus-MBS divergence,
- momentum of that divergence,
- and a capped volatility shock.

Because the focus is on divergence rather than absolute rate moves, the index can flag dealer balance-sheet stress even when rates themselves are stable. Rising values signal tightening liquidity and reduced risk-taking capacity.

Yield Curve Pressure Index (YCPI)

The YCPI converts the shape of the Treasury curve into a macro pressure gauge. It combines the difference between the 10-year and 3-month rates with half the slope between the 30-year and 10-year rates. In plain terms:

$$P_t = (y_{10,t} - y_{3m,t}) + 0.5(y_{30,t} - y_{10,t})$$

This is then expressed around a base level for interpretability. A flattening or inverted curve lowers the index and signals macro tightening. A steepening curve raises it and signals reflationary conditions. This provides macro context for credit and real-estate risk.

Housing Market Momentum Index (HMMI)

The HMMI blends realized price momentum with forward-looking equity signals. Its change each period is approximately:

$$r_t^{HMMI} = 0.40 \Delta CS_t + 0.30 \Delta FHFA_t + 0.30 R_t^{HB}$$

This gives weight to actual home price trends while allowing equity markets to contribute early signals about housing demand. Because home prices adjust slowly, this index often confirms earlier rate-driven stress rather than leading it.

Housing Supply Stress Index (HSSI)

The HSSI evaluates how supply dynamics affect price stability. Its period return is:

$$r_t^{HSSI} = -0.60 \Delta L_t + 0.40 \Delta P_t$$

Listings receive heavier weight because supply shifts often drive market turning points. Rising inventory pushes the index down and signals growing pressure, while falling inventory supports higher readings and price resilience.

Research Indexes – Explanations and Methodologies

Private Credit Market Fragility Index (PCMF)

The PCMF assesses underwriting tone and capital availability using:

$$r_t^{PCMF} = 0.45 R_t^C + 0.25 R_t^T + 0.30 \Delta S_t$$

Weak credit markets, rising rates, and higher systemic stress push the index upward and signal tighter underwriting. Improving credit tone and lower stress pull it downward and signal easier formation. This index is useful for gauging pricing power and deployment conditions.

Mortgage Spread Stress Index (MSSI)

The Mortgage Spread Stress Index (MSSI) focuses on whether mortgage spreads are widening beyond what rate moves alone would imply. The period change in the index is calculated as the change in the mortgage spread plus one-half of the 10-Year Treasury return.

$$r_t^{HSSI} = -0.60 \Delta L_t + 0.40 \Delta P_t$$

This structure makes the mortgage spread the primary driver while allowing broader rate pressure to contribute in a limited way. When mortgage spreads widen even in the absence of large rate shocks, the index rises and signals impaired mortgage transmission, weaker MBS demand, or lender capacity constraints. When spreads compress or move proportionally with rates, the index stabilizes or declines, indicating more efficient mortgage-market functioning and healthier liquidity conditions.

Mortgage Convexity & Liquidity Stress Index (MCLSI)

The MCLSI captures volatility-driven mortgage stress; this reflects the idea that mortgages cheapen when rates rise or volatility spikes, but rally when liquidity improves. High readings often coincide with convexity hedging and “mortgages don’t rally” regimes.

$$r_t^{MCLSI} = 0.30 R_t^T - 0.40 R_t^{MBS} + 0.30 \Delta V_t$$

Forward Mortgage & Private Credit Volatility Index (FMPC-Vol)

FMPC-Vol measures how unusual current mortgage and credit conditions are relative to recent history by standardizing and combining rate volatility, mortgage spread behavior, MBS price volatility, credit spreads, and delinquency trends into a single composite signal. Rather than tracking direction, the index measures the *intensity and breadth of instability* across markets that influence mortgage and private credit pricing. In practical terms, it evaluates whether current conditions are statistically calm or extreme compared to the recent past. Higher readings indicate elevated instability, wider required spreads, and more cautious underwriting conditions, while lower readings reflect more stable, predictable environments where liquidity and pricing conditions are generally more orderly.

$$r_t^{MCLSI} = 0.30 R_t^T - 0.40 R_t^{MBS} + 0.30 \Delta V_t$$

RV_t = rate volatility measure

MSV_t = mortgage spread volatility

$MBSV_t$ = MBS price volatility

IGS_t = investment-grade credit spread level

DD_t = mortgage delinquency deviation



Materials Disclosures

This presentation is provided for informational and research purposes only and does not constitute investment advice, an offer, or a solicitation to buy or sell any security or investment product. The views and opinions expressed reflect market observations as of the preparation date and are subject to change without notice.

This report references proprietary, internally developed indexes and indicators designed to evaluate market conditions, credit tone, relative strength, and risk dynamics across mortgage, real estate, and private credit markets. These indexes are research tools and do not represent live portfolios, managed accounts, or investment funds. While many indexes are constructed using investable reference instruments, they are not intended to represent tradable strategies without further implementation considerations.

Index calculations may incorporate publicly traded ETFs and market-based instruments as proxies for specific asset classes or risk factors. ETF data and market inputs are sourced primarily from public data providers including, but not limited to, the Federal Reserve Economic Data (FRED) database and Yahoo! Finance. Such data is believed to be reliable but cannot be guaranteed for accuracy or completeness. Data may be revised, restated, or subject to reporting delays.

Descriptions of index methodologies in this presentation are summary-level explanations. Full methodologies may include additional rules, filters, weighting schemes, normalization techniques, and calculation procedures not fully described herein. Certain elements of index construction, formula design, and implementation are proprietary. Detailed methodology reports, assumptions, and formal calculation expressions are available upon request for qualified parties.

Certain results presented may reflect hypothetical or back-tested performance. Back-tested results have inherent limitations and do not represent actual trading. They may not reflect the

impact of transaction costs, liquidity constraints, market impact, or behavioral factors. Past performance—actual or simulated—is not a guarantee of future results.

Some charts may include forward-looking estimates or trend projections for illustrative purposes. Such projections are based on current assumptions and historical relationships that may not persist. Actual outcomes may differ materially.

Index values and underlying calculations are typically updated on a monthly or quarterly basis depending on data availability and the nature of the indicator. As a result, certain measures are not intended for high-frequency or real-time trading applications.

This material does not take into account the specific investment objectives, financial situation, or needs of any particular investor. Readers should conduct independent due diligence and consult appropriate financial, legal, and tax professionals before making investment decisions.

By reviewing this presentation, the reader acknowledges that proprietary methodologies and intellectual property contained herein may not be reproduced, redistributed, or used for commercial purposes without prior written permission.