



RBC Australia | Securitisation Monthly

- RBC expects the public securitisation market to continue its strength into 2025**, absent any significant external shocks. Issuance will be supported by the non-bank RMBS and ABS markets while a return to the long-term average for bank RMBS will likely offset some volume.
- GDP is expected to pick up modestly in 2025** but is largely dependent on household consumption which has remained subdued, an impact of sustained higher interest rates and cost of living pressures. This risk to slower growth should be counterbalanced by firm government expenditure, continued labour market resilience and global monetary policy easing, factors that RBC expects will see GDP rise to 2.3% in CY2025. **Credit is expected to be supported by central bank easing** with RBC forecasting 25bps cuts to the RBA cash rate in February, May and August, bringing the terminal cash rate for the cycle to 3.60%.

- ADI RMBS issuance is expected to be slightly down on 2024 levels** which saw A\$22.46 billion printed across 18 transactions (excluding refinances), up from a A\$10.91 billion 5 year average. The elevated level of issuance in 2024 was partly driven by the final maturity of the RBA's Term Funding Facility in June 2024 which saw some banks access the securitisation market to partially refinance their outstanding drawdowns. The removal of this funding task is likely to see bank RMBS issuance trend towards the long-term average. Notwithstanding this, securitisation is expected to remain an attractive funding tool for the banks, particularly given the strong pricing relativity of RMBS which has seen the spread between senior AAA tranches of major bank RMBS and 5 year major bank senior-unsecured bonds fall to ~9bps. With RMBS also offering potential capital relief benefits and funding diversification, it should continue to form an important part of the bank's funding mix.

- Non-bank RMBS hit a record level of issuance in 2024** of A\$33.89 billion. **RBC anticipates 2025 to be largely in line with this level, or slightly up**, as forecast cash rate decreases should see increased mortgage originations, including for both prime and non-conforming non-bank lenders. Public volumes will be complemented by alternative funding arrangements that diversify funding sources and access different pools of investor capital with structures such as whole-loan sales, forward-flow arrangements and private placements likely to remain prevalent over the course of the year and take some volume out of public markets.
- The ABS market has established a new benchmark level following two consecutive record-breaking years which saw A\$13.68 billion and A\$16.21 billion printed in 2023 and 2024, respectively. **RBC expects ABS issuance to continue to represent ~25% of total securitisation volume in 2025**, led primarily by auto and equipment issuers as non-bank originators continue to gain share in market segments that banks have exited. Issuance will depend on the continued participation of offshore investors which typically comprise ~50% of ABS distribution. This offshore demand should remain steady so long as the relative value to comparable European, UK and Japanese transactions holds, and wider geopolitical conditions are benign. The reemergence of more diverse asset classes during 2024 is a trend that is likely to continue alongside the addition of potential new asset classes in 2025.
- In the absence of any significant external shocks, RBC expects continued price tightening across the capital stack. The degree of **margin compression across senior notes however is likely to be more subdued than the trend witnessed over the last ~18 months** as coverage ratios across non-bank ABS and RMBS for senior AAA tranches have softened with investors being more selective with transaction participation around current pricing levels. The strength of offshore investor demand combined with the increasing universe of domestic ABS investors may see the spread between senior ABS margins and senior non-bank prime RMBS margins, which has averaged 10-15bps over the last 3 years, tighten. **Issue margins on mezzanine tranches have shown no signs of slowing down** with significant levels of oversubscription despite substantial tightening through 2024. Sub-investment grade tranches could tighten further if the expected cash rate cuts alleviate some credit concerns of investors among these lower rated tranches.
- Collateral performance is expected to remain relatively stable** with the main risk to performance deterioration being the expected rise in unemployment which RBC forecasts will increase to 4.5% by the end of 2025. Notwithstanding this, the labour market has remained robust with any increase in unemployment likely to stay below pre-COVID levels. Performance will be supported by expected monetary policy easing and falling inflation which should relieve some pressure for households.

Economic Indicators	Current	Next Release	RBC Forecast
GDP (y/y)	0.80% (Q3 24)	5-Mar-25	1.20%
Unemployment Rate	3.90% (Dec 24)	20-Feb-25	4.50% ¹
Headline CPI (y/y)	2.40% (Q4 24)	30-Apr-25	2.80%
RBA Target Cash Rate	4.35% (Dec 24)	18-Feb-25	4.35%/3.60% ²

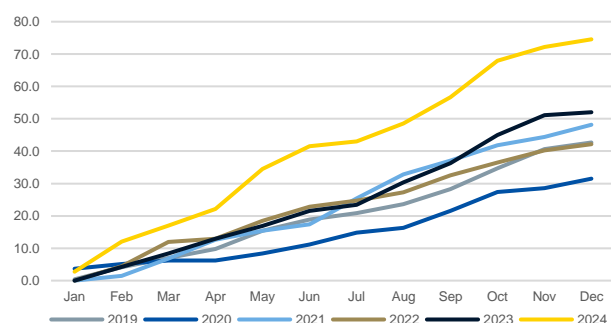
¹ CY2025 end

² Terminal Cash Rate Forecast

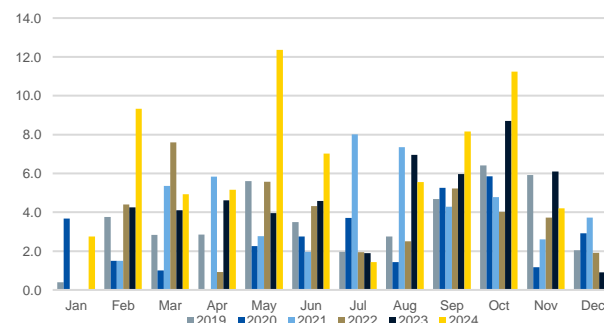
Issuance (A\$m) ³	2022	2023	2024
Asset Class			
RMBS	33,544	36,849	56,347
ABS	6,354	13,679	16,206
CMBS	2,250	1,500	2,000
Currency			
AUD	41,842	51,547	74,298
YEN	-	150	-
USD	306	-	-
GBP	-	331	255
Issuer Type			
Major Bank	1,500	2,000	6,750
Other ADI	6,364	12,050	15,707
Non-Bank	34,284	37,978	52,096
Total	42,148	52,028	74,553

³ Excludes private placements and refinances

Cumulative Monthly Public Securitisation Issuance (A\$bn)

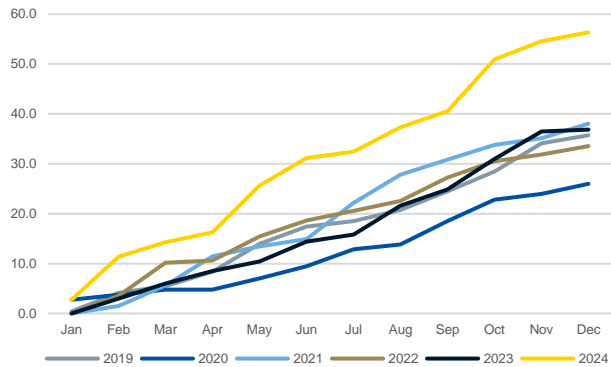


Monthly Public Securitisation Issuance (A\$bn)

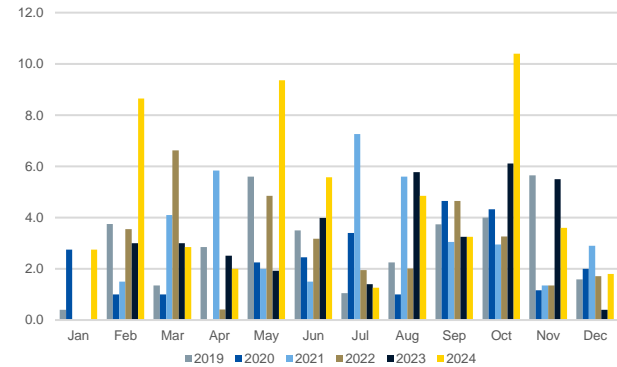


Further Charts

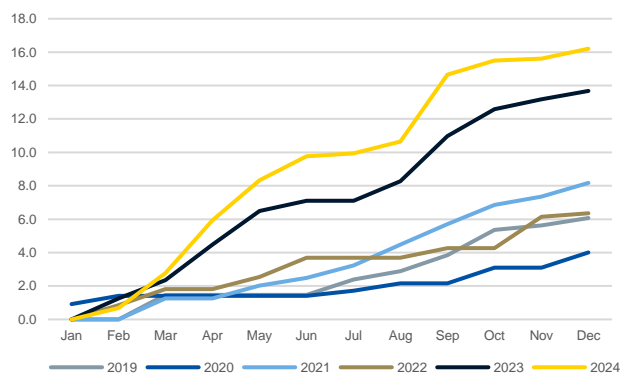
Cumulative Monthly RMBS Issuance (A\$bn)



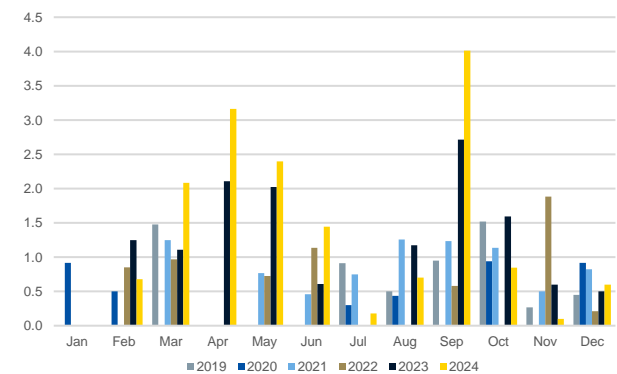
Monthly RMBS Issuance (A\$bn)



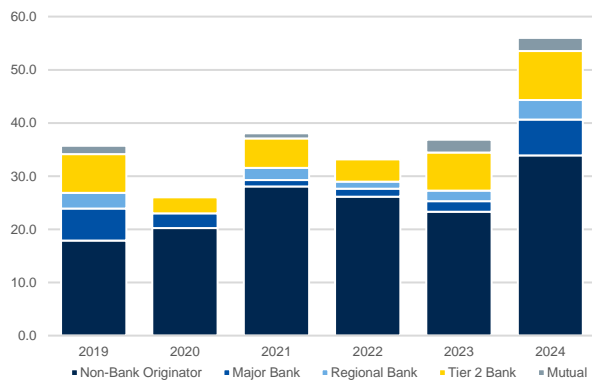
Cumulative Monthly ABS Issuance (A\$bn)



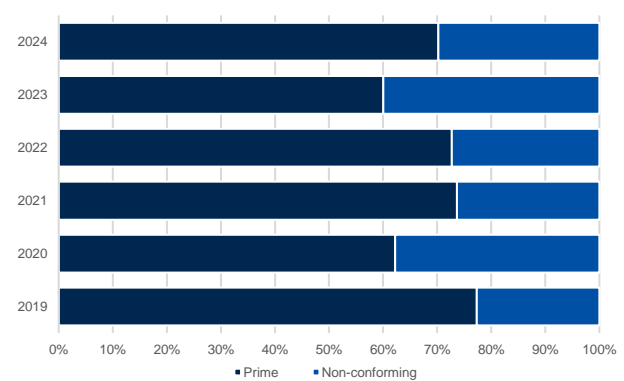
Monthly ABS Issuance (A\$bn)



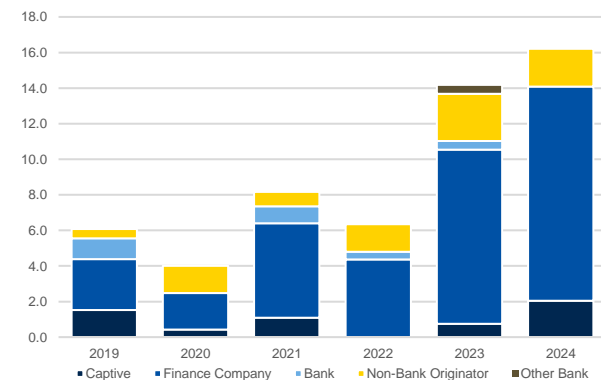
RMBS Issuance by Issuer Type (A\$bn)



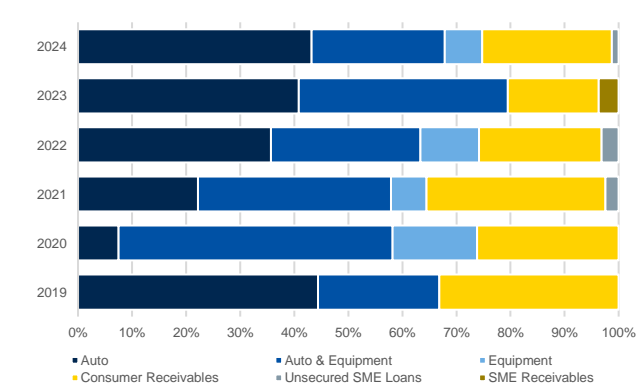
RMBS Issuance by Collateral Type (%)



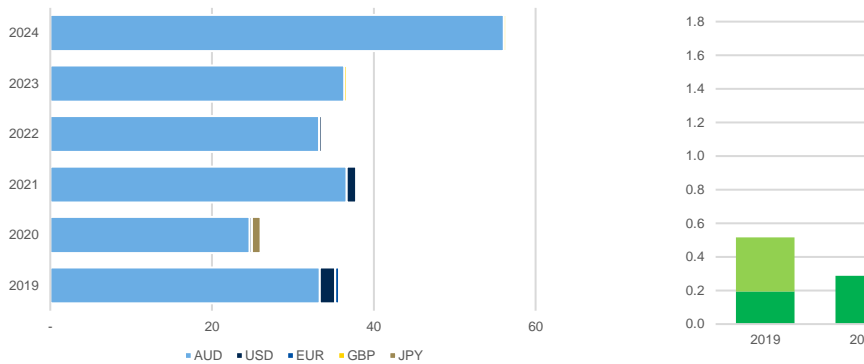
ABS Issuance by Issuer Type (A\$bn)



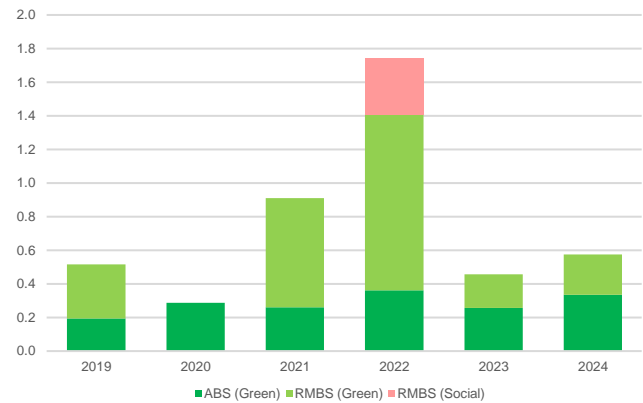
ABS Issuance by Collateral Type (%)



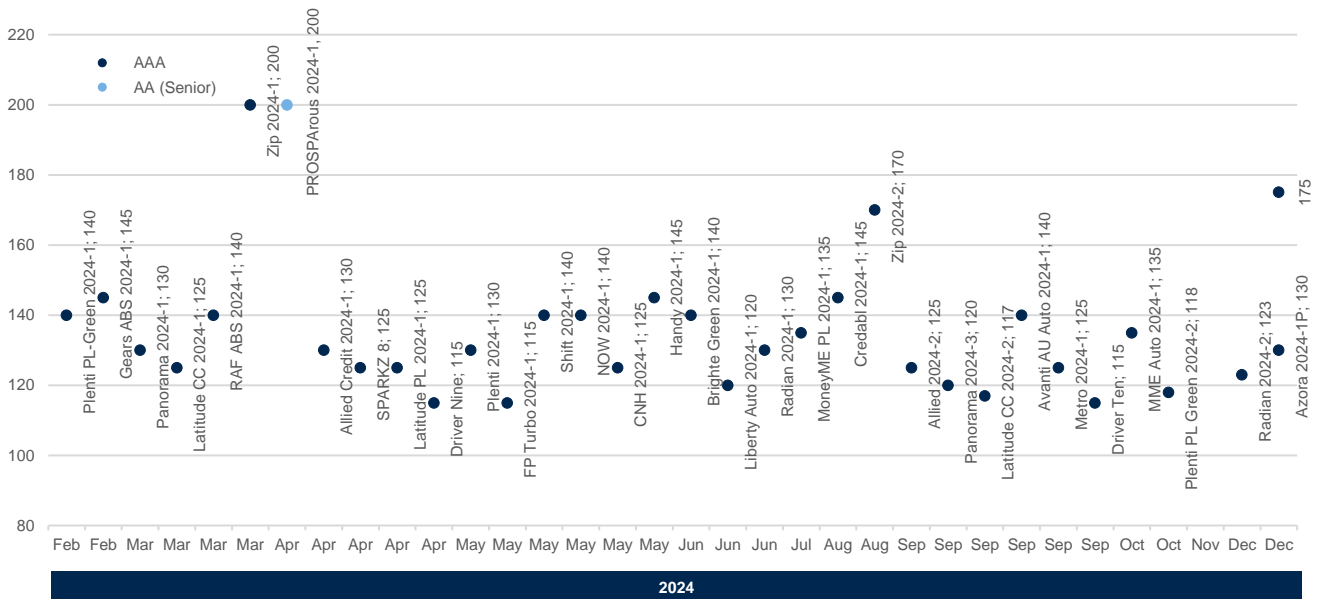
RMBS Issuance by Currency (A\$bn)



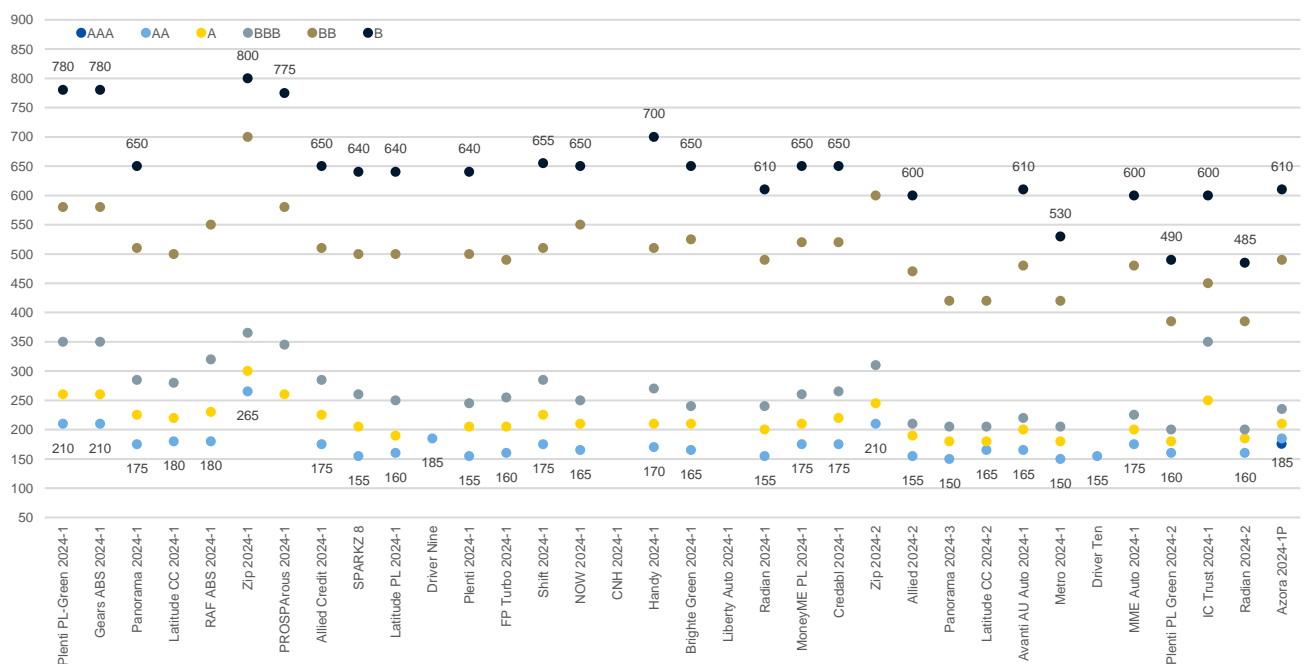
ESG Issuance (A\$bn)



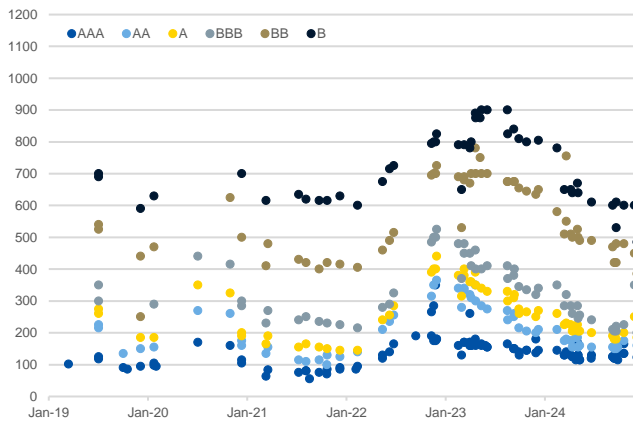
Australian Senior ABS Issue Margins (bps)



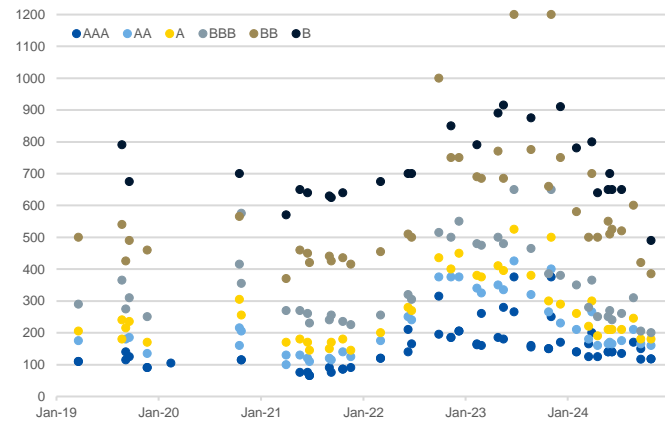
Australian Mezzanine ABS Issue Margins (bps)



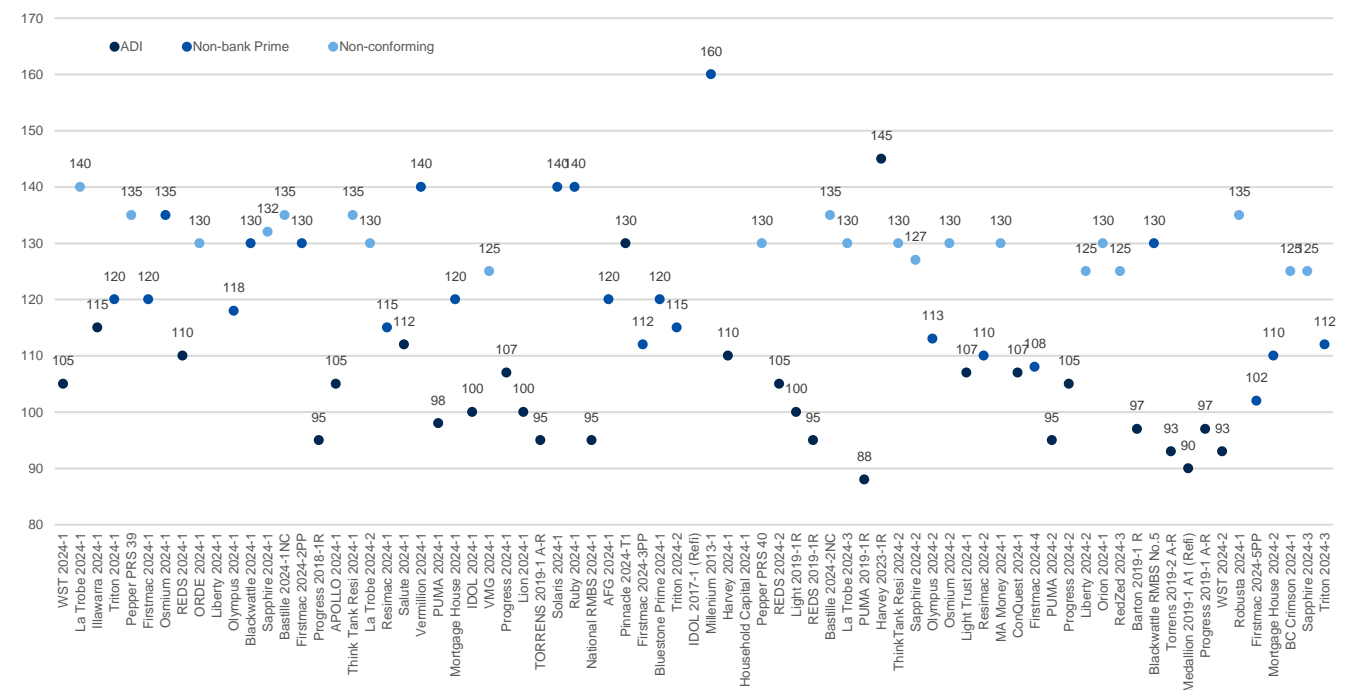
Australian Auto and Equipment ABS Issue Margins (bps)



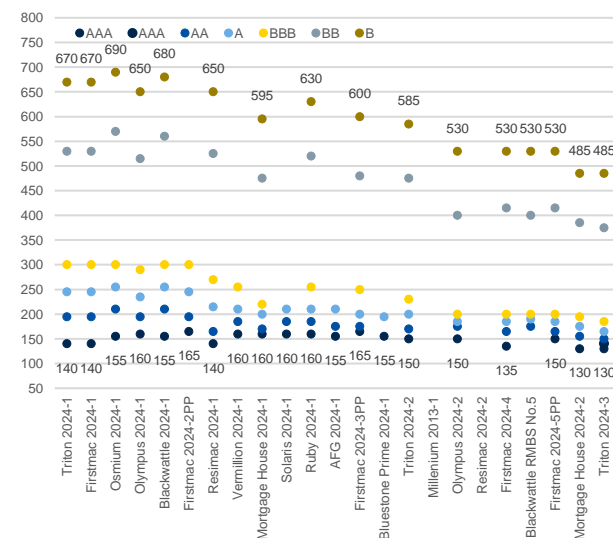
Australian Consumer Receivables ABS Issue Margins (bps)



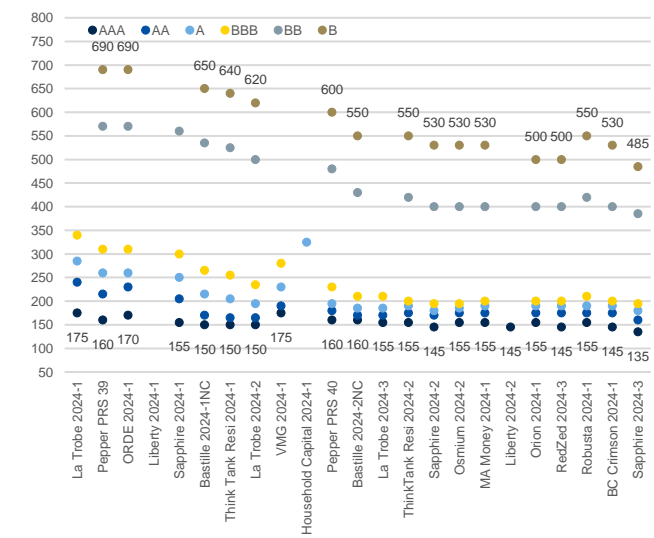
Australian Senior RMBS Issue Margins (bps) (AUD Tranches, WAL >1 year)



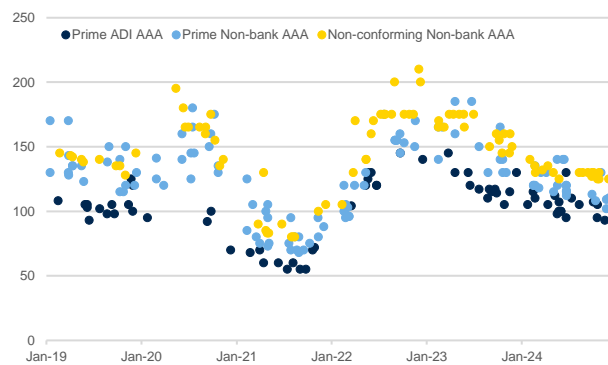
Australian RMBS Non-bank Prime Mezzanine Issue Margins (bps)



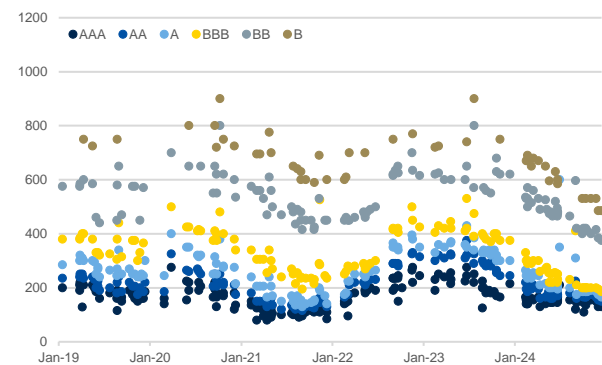
Australian RMBS Non-conforming Mezzanine Issue Margins (bps)



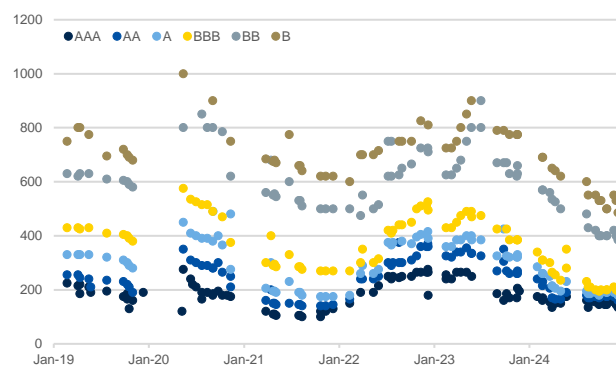
Australian RMBS Prime Senior Issue Margins (bps) (WAL > 1 year)



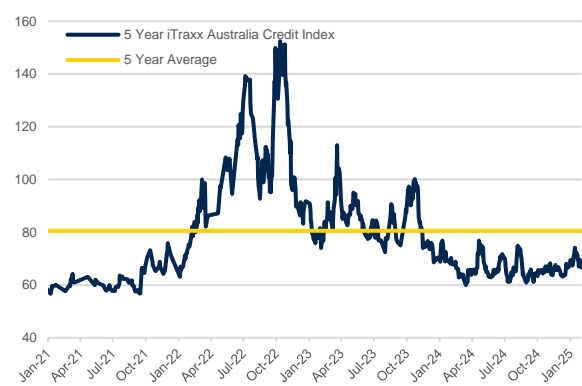
Australian RMBS Prime Non-Senior Issue Margins (bps)



Australian RMBS Non-conforming Non-Senior Issue Margins (bps)



5 Year iTraxx Australia Credit Index (bps)



Source: RBC Capital Markets, KangaNews, Bloomberg

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