



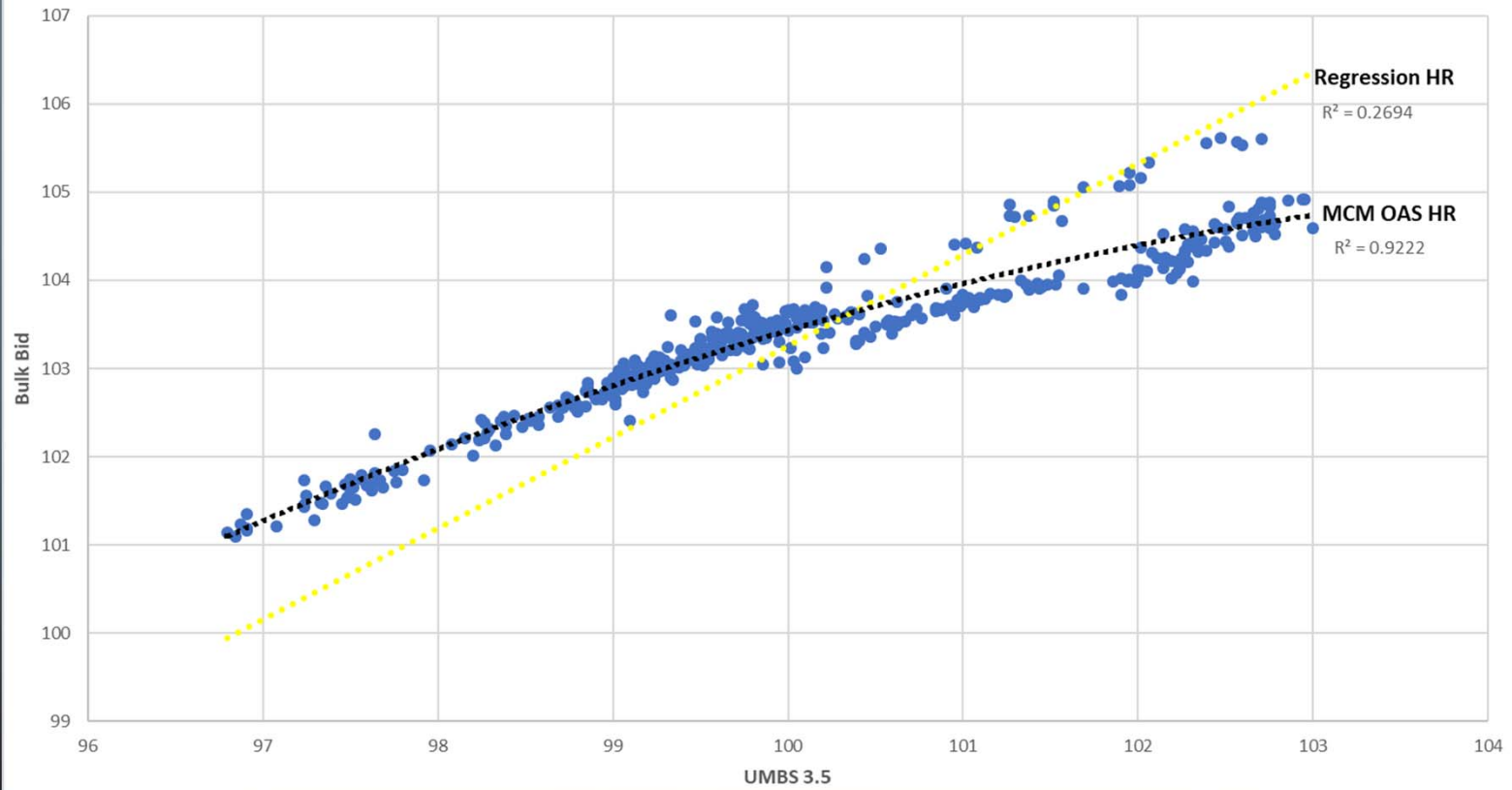
MCM ANALYTICS

REGRESSION VS. MCM OAS HEDGE RATIOS

MCM

MORTGAGE CAPITAL MANAGEMENT

UMBS 3.5 PRICE vs Bulk Bid 4.0 PRICE
1/2/18 - 9/17/19





Why Hedged Mortgage Pipelines should not be hedged with linear hedge ratios.

The above graph clearly shows that if a regression-based hedge ratio (or linear OAS or duration based HR) is used to calculate the pricing of hedged positions significant errors will be and have been made

Questions:

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