6 Reasons for Optimism:

Asset-backed security (ABS) professionals have reasons to be optimistic, according to Capital One’s annual market survey. The survey was taken at a time of stable credit standards, strong investor demand and a flattening yield curve, all of which contributed to strong returns in 2017.

1. Major interest in buy-side ABS
   - Interest in asset-backed securities continues to grow as more investors enter the market each year.

2. Uncertainty around regulatory requirements slightly down
   - Forty-eight percent saw uncertainty around regulatory requirements as the most significant risk to their businesses in 2018 compared to 58% from 2017.

3. Underwriting standards expected to loosen
   - More than half of ABS professionals surveyed are optimistic that underwriting standards will continue to loosen in the year ahead, compared to 46% in 2017.

4. FinTech unlocks enormous potential
   - As companies look to financial technologies to offer greater opportunity, industry professionals see the highest potential in alternative lending (31%) and infrastructure-based technologies, such as blockchain or API (30%).

5. Highest growth sectors
   - The residential mortgage sector is predicted to continue on its current growth trajectory, attracting new players to this dynamic space.

6. Credit risk remains within bounds
   - ABS professionals are more aware of potential credit risk in 2018 and slightly fewer respondents believe credit quality will improve or remain the same. Fifty-eight percent have a positive or neutral outlook, as compared to 65% in 2017.

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