

DoubleLine Asset-Backed Securities 2025 Recap & 2026 Outlook

January 2026



Overview

In 2025, the asset-backed securities (ABS) market found itself financing the technology that could drive the future of our economy while simultaneously reeling from a subprime auto lender fraud scandal – making it one of the most riveting years in the ABS market in decades. Adding to the headlines, the market shattered previous records with over \$340 billion in secured debt issuance, directing capital to both consumer and commercial hard-asset financing. The investor base swelled, drawing in institutions and a rapidly growing cohort of wealth platforms. As we look toward a new horizon, 2026 looks to build off this momentum, but with a shifting economic landscape, we examine where investors' attention would be best focused.

Key Takeaways

2025 Asset-Backed Securities Market

- Record issuance and optimism for AI infrastructure amid isolated troubling headlines.

2026 ABS Outlook

- **Consumer:** Macroeconomic weakness (slowing labor growth, falling wages, etc.) meets structural strength (stronger credit enhancement, tighter underwriting).
- **Macro:** Further Federal Reserve rate cuts and U.S. Treasury curve steepening could benefit ABS, particularly the one-to-seven-year segment of the curve, where most deals reside.
- **Opportunity Set:** Telecom and energy lead the ABS-driven capital expenditure (capex) boom. Issuer-level dispersion supports the idea that active selection and diligent credit underwriting will work to shine through in 2026.

Broad Economy: Consumer

Strong financial markets in 2025 masked a weakening economy as slower labor force growth combined with decelerating wage growth, creating friction within the economy and curtailing consumer demand. Together, these forces could result in reduced investment in 2026, further slowing the pace of job creation and shrinking consumer confidence, resulting in a more fragile economy.

The corporate response to a slowing economy has been job cuts, which have been steadily increasing. (Figure 1) The three-month average private payrolls report for November showed an average growth of 75,000 jobs per month, but in his December Federal Open Market Committee meeting speech, Fed Chair Jerome H. Powell indicated these figures might be overstated by 60,000 a month, which, if true, would be well below the breakeven rate. Alternative sources like ADP and Revelio also have indicated growth near zero.

Challenger Job Cuts Annual Cumulative Since 2009

As of December 31, 2025

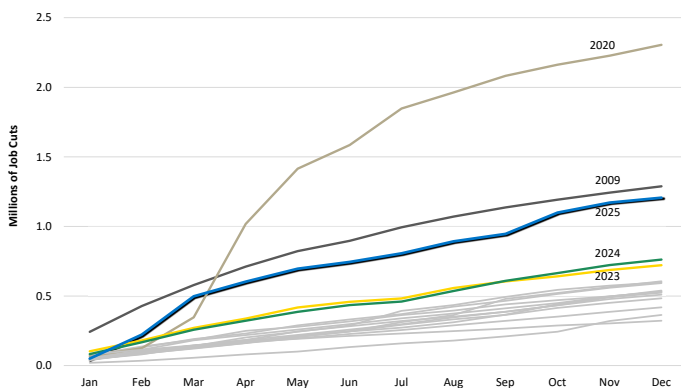


Figure 1

Source: DoubleLine, Challenger, Gray & Christmas, Macrobond

A recent policy risk with potentially sweeping consequences for consumers is the Trump administration's push for credit card issuers to cap interest rates at 10%. Most credit card rates sit well above that threshold, even for borrowers with top-tier credit. If this cap were imposed, the economic fallout could be significant and far-reaching, with the likely outcome a reduction in credit availability across every borrower cohort.

Weak labor growth and a reduction in credit availability would have a direct impact on consumers, the largest component of the U.S. economy. A weaker labor market also coincides with falling wages, and these impacts are reflected in consumer delinquency and default data.

Unsecured personal loan delinquencies are higher than pre-COVID-19 levels, but there has been improvement in recent years, as evidenced by 2024 vintage delinquencies being lower than those of 2022 vintage. (Figure 2) Stabilization rather than runaway deterioration indicates that the post-pandemic stress observed in consumer data has largely been contained due to tighter underwriting standards and improved borrower behavior.

Average 60-Day+ Delinquency Rate by Vintage

As of October 31, 2025

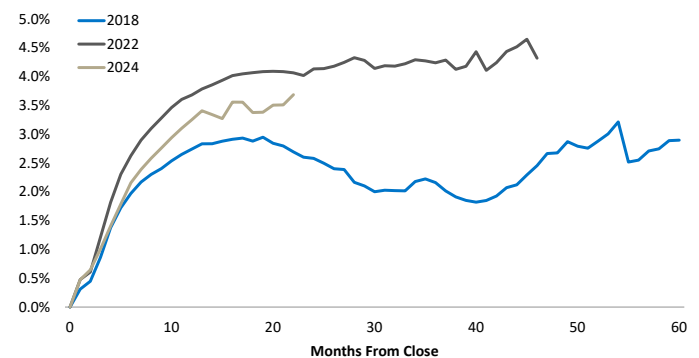


Figure 2

Source: DoubleLine, Intex

While borrower-level stress today is higher than pre-COVID-19 levels, newer consumer ABS vintages feature materially stronger structural protections, particularly senior credit enhancement, making the asset class significantly more resilient to macro volatility than past cycles. (Figure 3)

Average WAC and Credit Enhancement by Vintage

As of December 31, 2025.

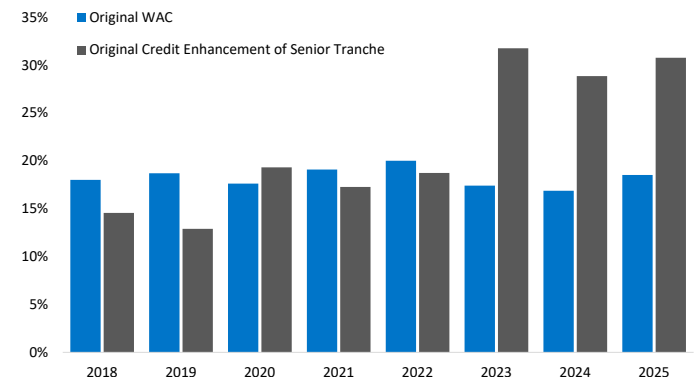


Figure 3

Source: DoubleLine, Intex

WAC = weighted average coupon

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Additionally, recent consumer ABS issuance data highlights meaningful tiering among similarly rated consumer loan issuers, driven by differences in underwriting discipline, borrower selection and product design. The default experience has varied for different issuers, showing that nuances in lending practices are resulting in dispersion of loan outcomes. (Figure 4)

Deal One-Month CDR by Issuer During First 12 Months

As of December 31, 2025

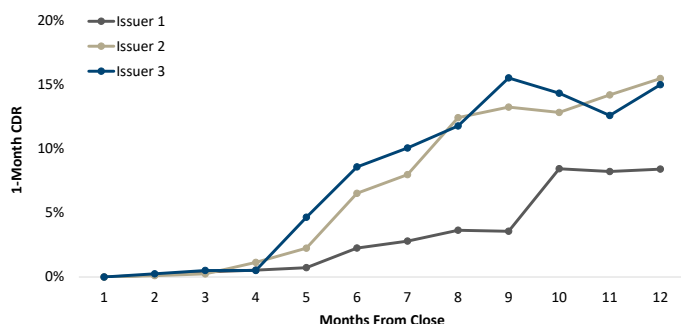


Figure 4

Source: DoubleLine, Intex
CDR = constant default rate

The combination of stabilized delinquencies, structural resilience and issuer-level dispersion supports the case for active management to potentially identify and overweight higher-quality platforms while avoiding weaker performers within the same vintage and rating bands.

Rates: Inflation and Fed Rate Cuts

Tariffs were at the forefront of investor concern during the first quarter of 2025, resulting in jarring market volatility in April. Internally, we coined the term “Tariff Tantrum” to describe this reaction, but like all tantrums, the episode proved short-lived, fading almost as quickly as it began. Investor anxiety centered around the possibility of reigniting inflation into the market. Encouragingly, we have seen domestic corporations and foreign exporters absorb some of these increased costs into their margins, moderating the impact of tariffs on consumers. While the current market is pricing in more of the same, this trend might not continue unabated. (Figure 5) Corporations could be forced to pass through some of these added costs to consumers or have to continue to reduce headcount. Either path could impact the economy.

Fed policy has staunchly focused on fighting inflation, and with the market pricing in two rate cuts for 2026,¹ policymakers and investors alike will be laser focused on Consumer Price Index prints. If the rate cuts materialize, the Treasury yield curve will likely steepen.

U.S. 1-Year / 1 Year Forward Inflation Rate (Based on Inflation Swaps) January 2021 through January 20, 2026

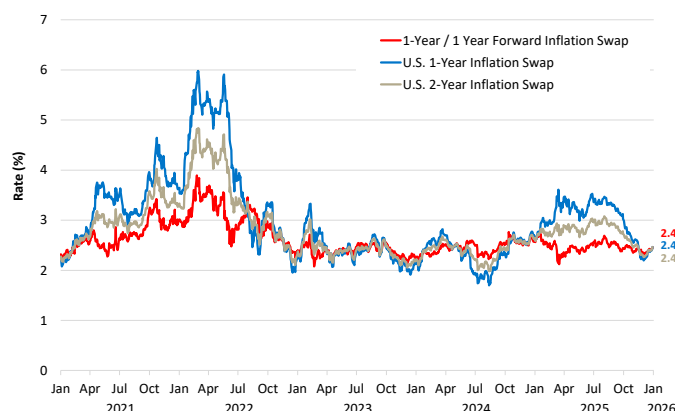


Figure 5

Source: DoubleLine, Bloomberg, Macrobond

ABS transactions, given their tenures and amortizing nature, predominately reside in the one-to-seven-year segment of the term structure. A further steepening of the yield curve could be advantageous to investments exposed to the front and intermediate portion of the curve. (Figure 6)

ABS Sector Spreads vs. Corporate Bond Spreads

As of December 31, 2025

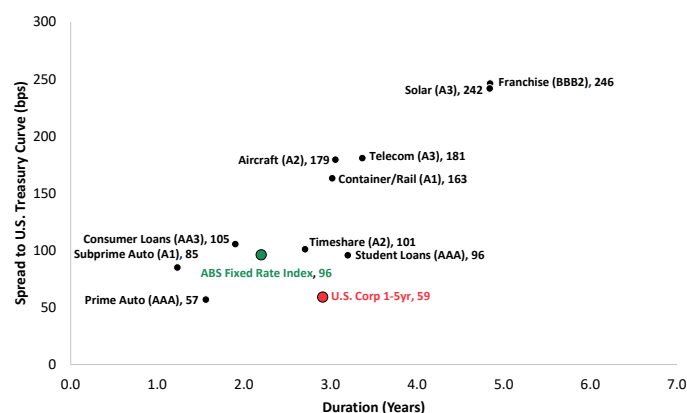


Figure 6

Source: DoubleLine, BofA Research, Bloomberg

¹ Bloomberg WIRP, as of December 31, 2025

2026 Forefront

U.S. economic growth remains resilient as measured by gross domestic product (GDP), with a nominal growth rate of 5.4% and a real growth rate of 2.4% as of September. Much of the growth has been, and is expected to continue to be, driven by capex – in particular, investments related to AI from telecom infrastructure (such as data centers and fiber networks) to power and energy needs. ABS have emerged as a critical source of funds for capital-intensive industries. Two areas of focus are telecom and energy.

Telecom Infrastructure

Telecom infrastructure, particularly tech related, has soared since the advent of AI applications. Putting the current tech infrastructure capex boom in perspective, it is outpacing other investment booms of the 20th and 21st century as a percentage of GDP. (Figure 7) The pace of tech capex is forecast to continue over the next five years.

Tech Capital Spending in 2025 vs. Spending on Major US Infrastructure Projects | Peak Annual Project Percent of GDP
As of January 1, 2026

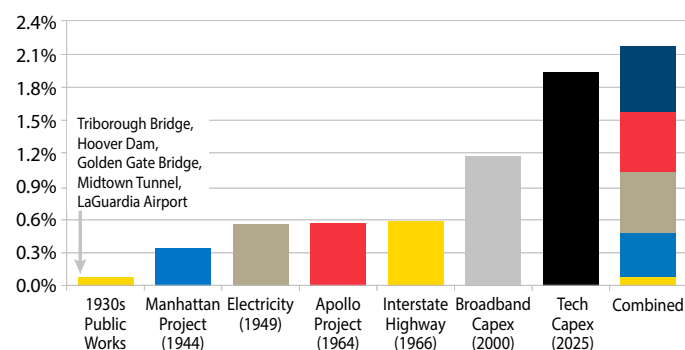


Figure 7

Source: DoubleLine, Manhattan District History, U.S. BEA, Planetary Society, Eno Center for Transportation, San Francisco Fed, Hoover Archives, Baruch, GoldenGate.org, The New York Times, JPMAM

ABS are part of the critical source of capital for both data centers and fiber networks. Not surprisingly, 2025 was a record year for data center ABS, with over \$15 billion in issuance, almost double the previous record of \$8 billion in 2024.² Similarly, fiber network ABS issuance marked a record of over \$10 billion, more than doubling 2024's record of \$4 billion.³ Many analysts predict new issuance records in 2026 for both sectors.

Importantly, the collateral that underpins the ABS bonds (i.e., data centers and fiber networks) are stabilized assets where the infrastructure is built, leases are signed, and assets are generating positive cash flow. In contrast, investments in construction assets contain construction and lease-up risk.

Energy and Power

Energy-related ABS have been expanding their breadth. In 2025, the market experienced the first-of-its-kind securitization of midstream assets as well as securitizations of new ground-mounted solar power plants. Another area of growth is the securitization of producing oil and gas wells.

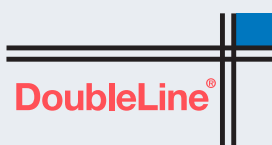
As is the case for other ABS sectors, the collateral that supports energy-related ABS bonds is derived from existing assets with positive cash flows. Telecom and energy are cornerstone examples of how asset owners are using ABS as a growing source of capital.

Conclusion

As we enter 2026, we continue to identify opportunities that arise from a changing economic landscape. With steady cash flows and diverse underlying assets that may perform well even if economic growth moderates, the ABS market could once again be poised for a strong year. Additionally, the sector's duration profile is well situated for widely anticipated Fed rate cuts, making ABS stand out as a compelling option for investors seeking income, resilience and safety. ■

² Source: Finsight

³ Source: Finsight



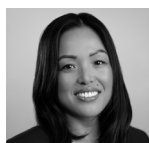
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Author Biographies

**Andrew Hsu, CFA**

Portfolio Manager, Structured Products

Mr. Hsu joined DoubleLine at its inception in 2009. He is the head of the Asset-Backed Securities team and serves as a Portfolio Manager for the DoubleLine Total Return and ABS/Infrastructure Income strategies. Mr. Hsu is a permanent member of the Fixed Income Asset Allocation and Structured Products committees. Prior to that, he was responsible for analysis and trading of structured products, where his focus included residential MBS and ABS transactions. Mr. Hsu's responsibilities have also included structuring and negotiating terms on new-issue transactions and forming strategic partnerships with issuing entities in order to participate in key transactions. Prior to DoubleLine, he worked at TCW from 2002, where he focused on credit analysis for structured product securities and co-managed two structured product funds centered on debt and equity investments. During that time, Mr. Hsu was actively involved with portfolio management decisions and investment analysis, including reverse-engineering complex CDO/CLO structures. He holds a B.S. in Finance from the University of Southern California. Mr. Hsu is a CFA® charterholder.

**Fifi Wong**

Portfolio Manager, Structured Products

Ms. Wong joined DoubleLine at its inception in 2009. She is a Portfolio Manager on the Asset-Backed Securities team and a contributing member of the Structured Products Committee. In her previous role at the firm, Ms. Wong was a Manager on the Risk Management team, focusing on credit research, risk analytics and portfolio surveillance, especially in relation to securitization-oriented strategies. Prior to DoubleLine, she was an Assistant Vice President at TCW, where she was a Structured Products Risk Analyst. Ms. Wong holds a B.S. in Mathematics/Economics from the University of California, Los Angeles.

**Stephan Diaz Ellinghaus**

Specialist, ABS

Mr. Diaz joined DoubleLine in 2021 as a Specialist, ABS, on the Global Infrastructure Investments/ABS team. He is also a member of DoubleLine's Responsible Investment team. Prior to DoubleLine, Mr. Diaz was with Nomura Securities International as an Executive Director. Prior to that, he was with Norddeutsche Landesbank Girozentrale as a Director. Mr. Diaz holds a B.A. in Economics from the Instituto Tecnológico Autónomo de México and an MBA in Business Administration from New York University.

**Michael Fine**

Trader, Structured Products

Mr. Fine joined DoubleLine in 2015 and is currently a Trader on the Asset-Backed Securities team. Previously, he was an Analyst on the Risk Management team focusing on credit research and trading. Prior to DoubleLine, Mr. Fine was with Western Asset Management Co. as an Analyst performing structured credit research and providing portfolio analysis on multi-sector fixed-income portfolios. Prior to that, he was member of the Analytics team. Mr. Fine holds a B.A. in Political Science from the University of California, Los Angeles.

**Razmig Haroun**

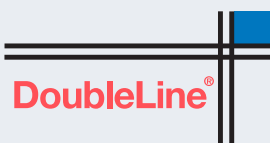
Analyst, Structured Products

Mr. Haroun joined DoubleLine in 2018 as a Pricing Specialist on the Operations team. In 2020, he transitioned to his current position as an Analyst on the Asset-Backed Securities team. Prior to DoubleLine, Mr. Haroun was a Manager on the Valuations team at PNMAC. Prior to that, he was a Portfolio Associate at PIMCO and Brown Brothers Harriman. Mr. Haroun holds a B.S. in Mathematics from the University of California, Los Angeles, and an M.S. in Mathematical Finance from New York University.

**Carl Compton, CFA**

Product Associate, Client Portfolio Management

Mr. Compton joined DoubleLine in 2024 as a Product Associate on the Investor Services team. He is responsible for communicating DoubleLine's portfolio positioning via client engagement, published market commentary, competitor analysis and dedicated strategy content. Prior to DoubleLine, Mr. Compton was with WAMCO as a Product Analyst-IG Credit/LDI. Prior to that, he was with Cincinnati Asset Management as a Junior Credit Analyst. Mr. Compton holds a B.S. in Business Administration from Washington University in St. Louis. He is a CFA® charterholder.



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Asset-Backed Securities (ABS) – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

Basis Points (bps) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Bloomberg World Interest Rate Probability (WIRP) – Statistical function developed by Bloomberg that uses fed funds futures and options to assess the probability of future Federal Open Market Committee (FOMC) decisions. It seeks to calculate the chances of a rate hike at each of the FOMC meetings using futures trading data.

Capital Expenditures (Capex) – Funds used by a company to acquire, upgrade and maintain physical assets such as property, plants, buildings, technology or equipment. Capex is often used to undertake new projects or investments by a company, commonly with the goal of increasing the scope of or adding some economic benefit to operations.

Constant Default Rate (CDR) – Measure of loan defaults within a collateral pool over a period of time.

Duration – A commonly used measure of the potential volatility of the price of debt securities in response to a change in interest rates prior to maturity. Securities with longer duration generally have more volatile prices than securities of comparable quality with shorter duration.

Federal Open Market Committee (FOMC) – Branch of the Federal Reserve System that determines the direction of monetary policy specifically by directing open market operations. The FOMC comprises the seven board governors and five (out of 12) Federal Reserve Bank presidents.

Gross Domestic Product (GDP) – Market value of all final goods and services produced within a country in a given period. GDP is considered an indicator of a country's standard of living.

Weighted Average Coupon (WAC) – Represents the average gross interest rate of the underlying loans or receivables (e.g., auto loans, credit card debt) in an asset-backed security (ABS), weighted by their outstanding principal balance. It is a critical metric for investors to assess yield and cash-flow generation potential of an ABS.

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