

GUGGENHEIM

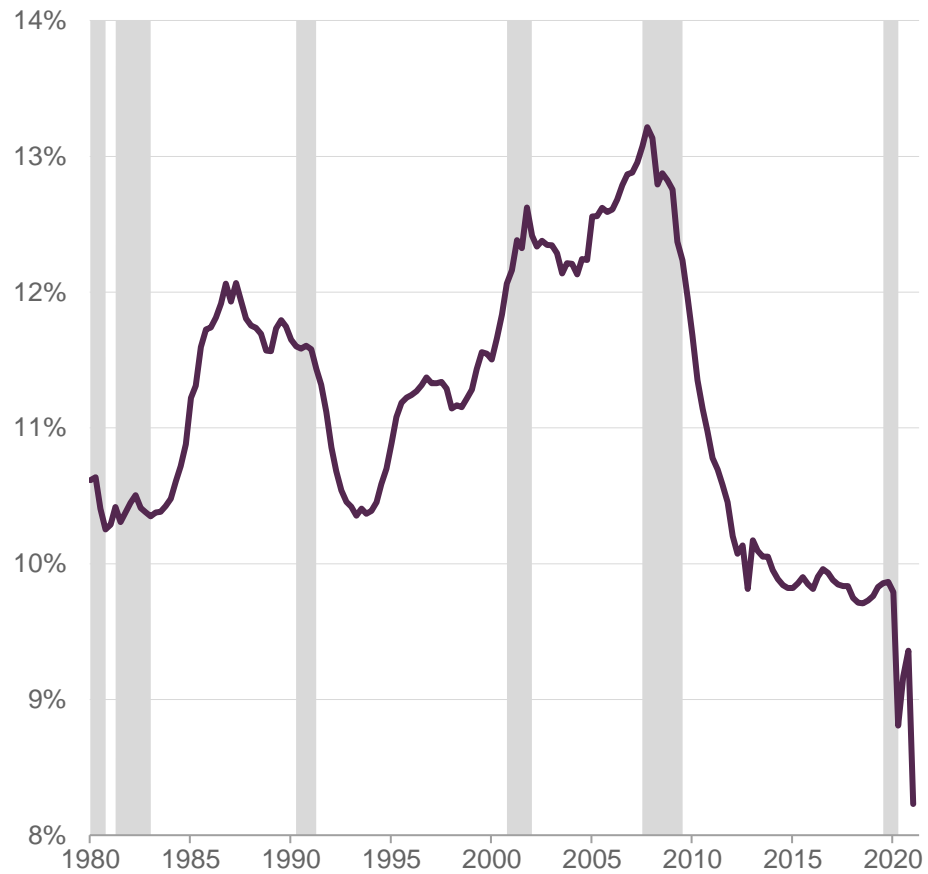
Guggenheim Investments

Guggenheim Macroeconomic and Credit Market Outlook

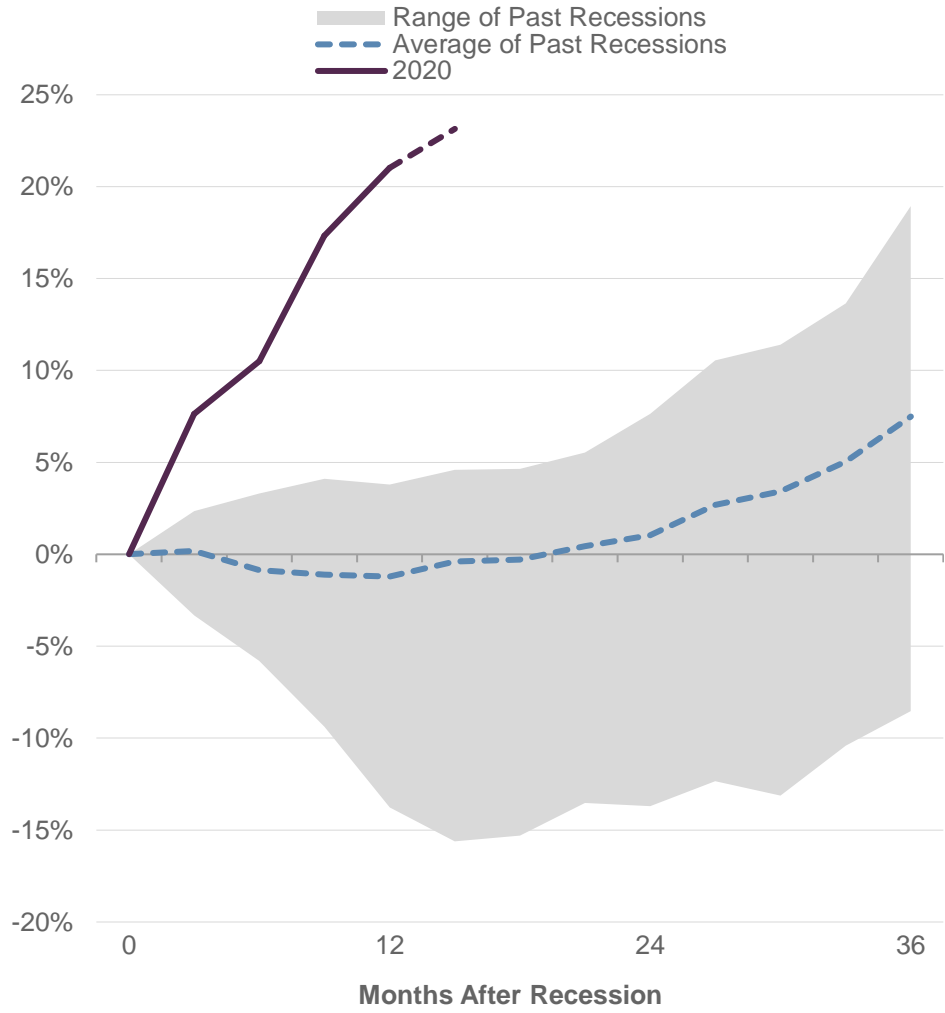
September 20, 2021

Household Balance Sheets Are in Great Shape

Household Debt Service Ratio



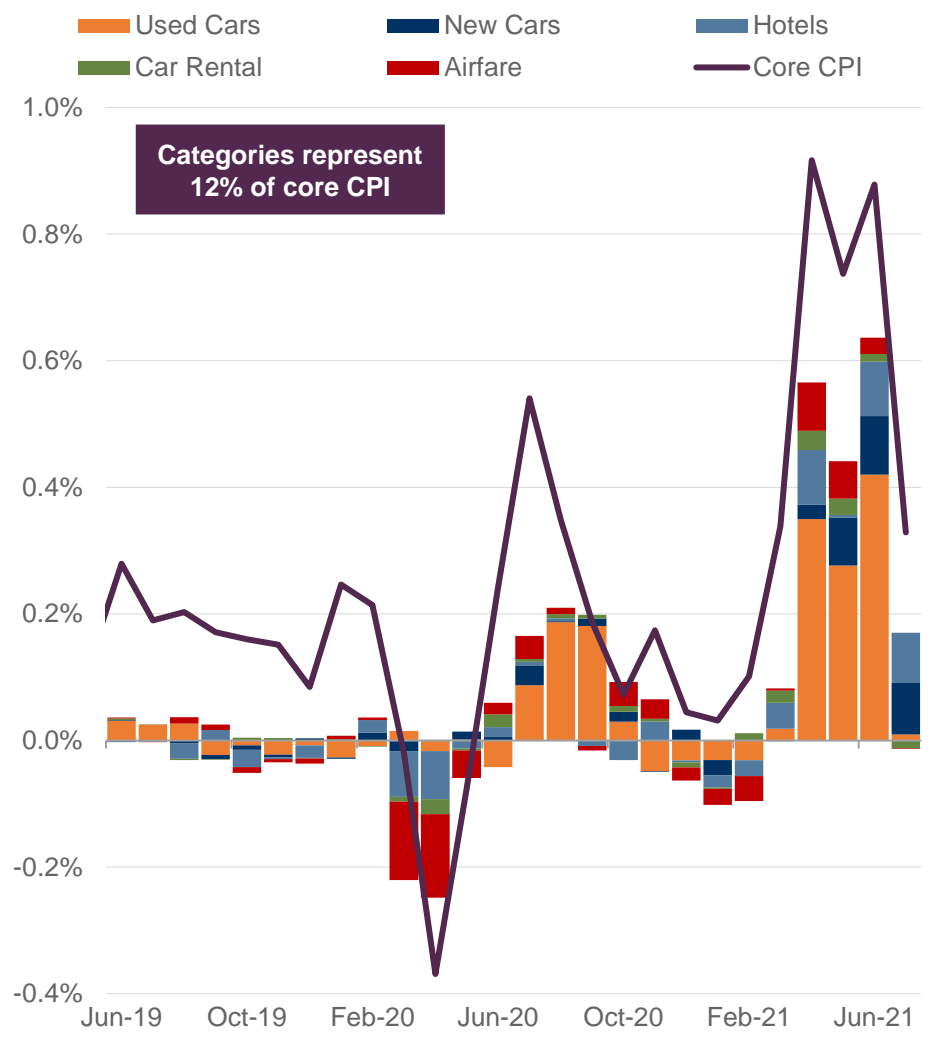
Real Household Net Worth, Cumulative Change Since Recession Start



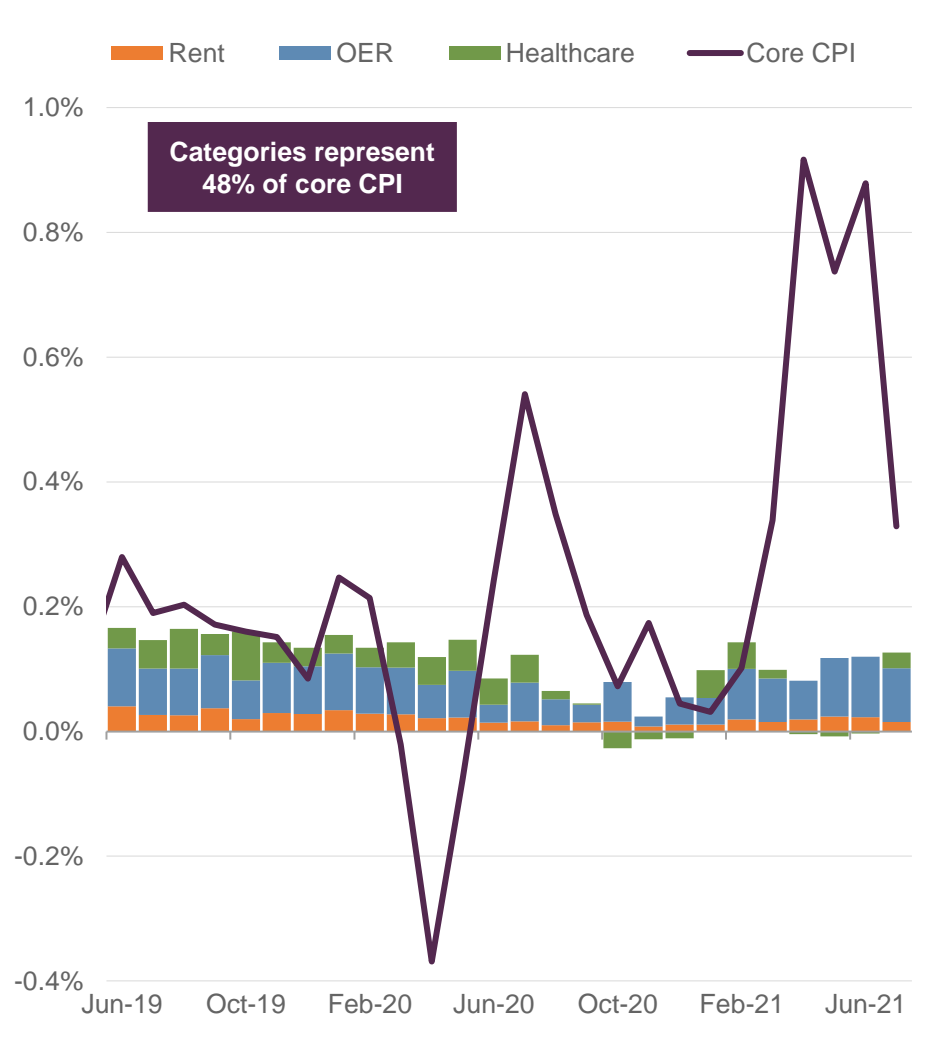
Source: Guggenheim Investments, Haver Analytics. Data as of 03/31/2021, with estimate for Q2 net worth. Shaded areas represent periods of recession.

Transitory Inflation Drivers Are Beginning to Subside

Jump in COVID Sensitive Inflation is Transitory Core CPI, Contribution to MoM% Change



More Durable Inflation Categories Remain Tame Core CPI, Contribution to MoM% Change



Source: Guggenheim Investments, Haver Analytics. Data as of 07/31/2021. OER stands for owners' equivalent rent of primary residence.

The Fed Will Keep Short-Term Rates at Zero Until...

Full Employment

“...labor market conditions have reached levels consistent with the Committee's assessments of maximum employment...”

Inflation

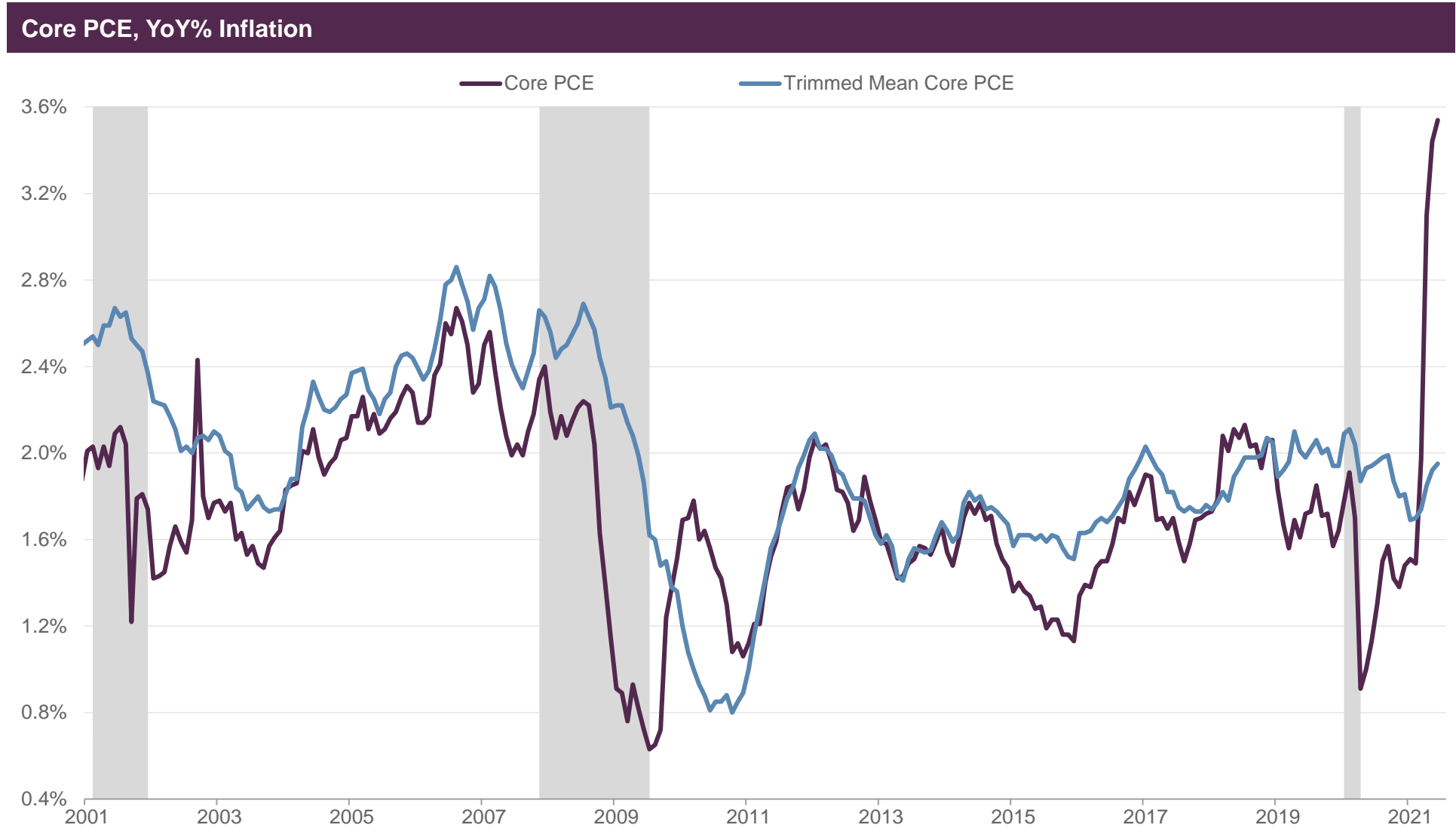
“...and inflation has risen to 2 percent...”

Inflation Outlook

“...and [inflation] is on track to moderately exceed 2 percent for some time.”

Source: Guggenheim Investments, Federal Reserve Board. As of 06/16/2021.

Inflation Is Much Milder When Excluding Volatile, Transitory Categories

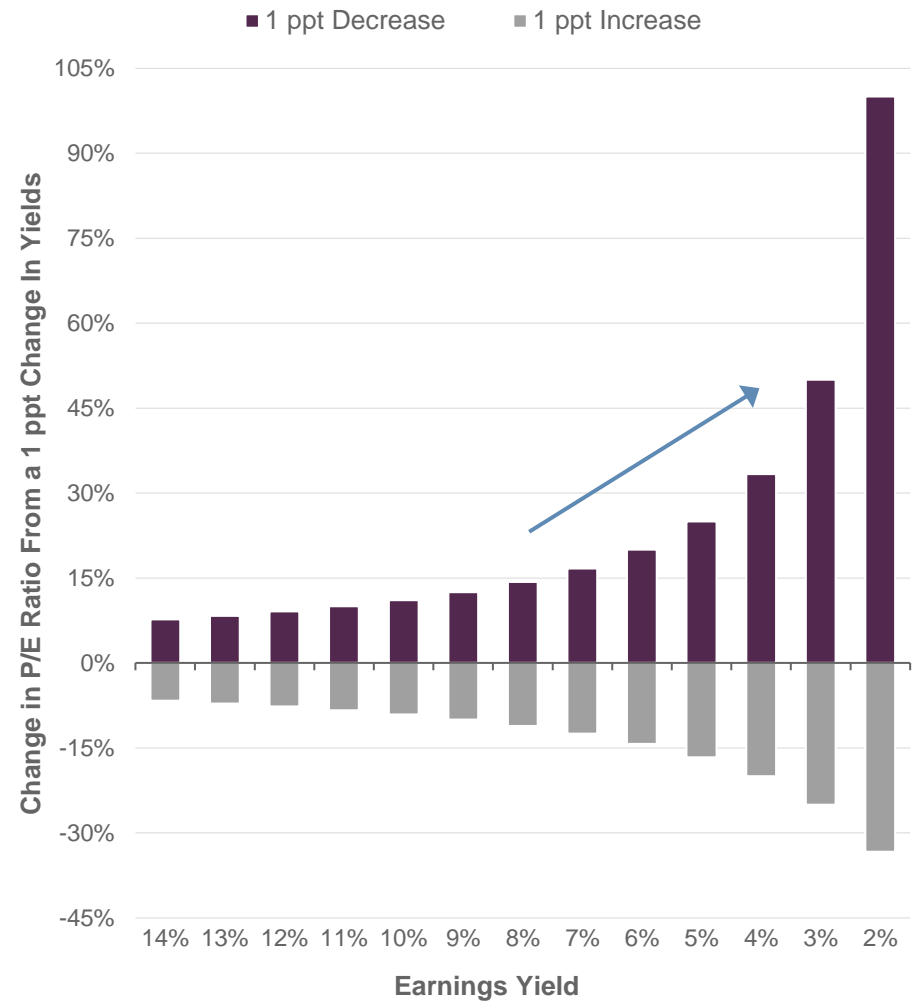
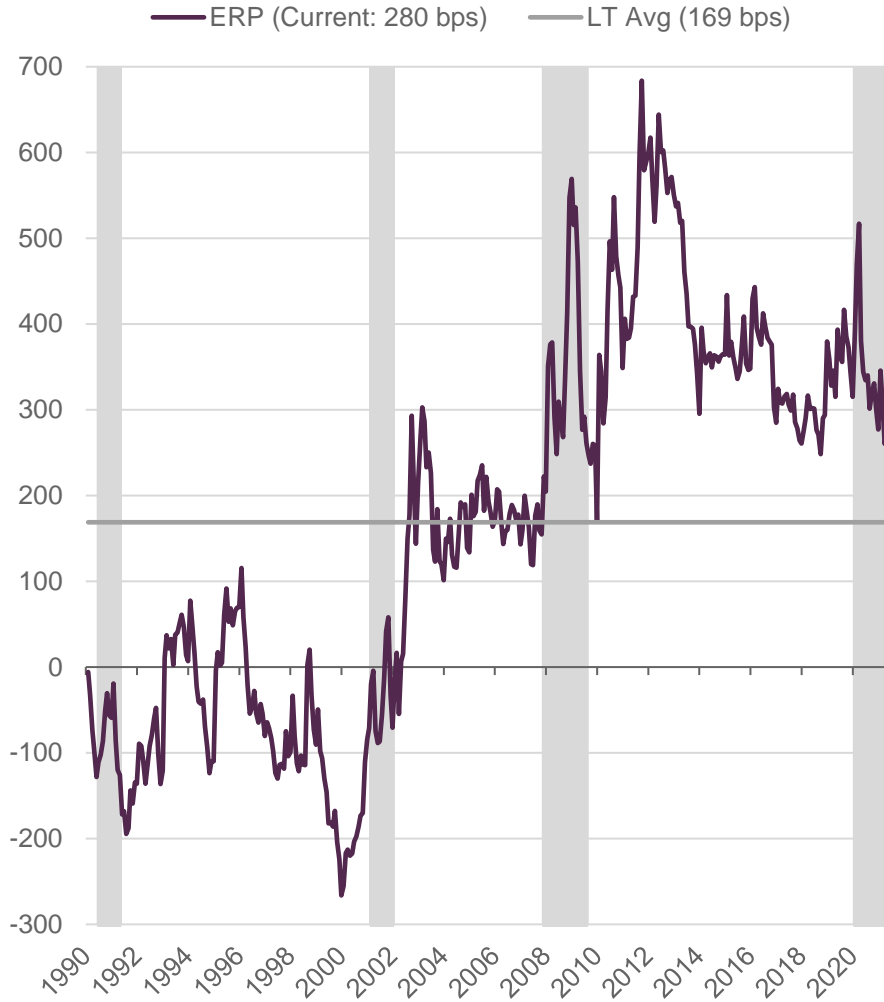


Source: Guggenheim Investments, Haver Analytics. Data as of 06/30/2021. Shaded areas represent periods of recession.

We Believe Low Rates Explain Today's Lofty Equity Valuations

Equity risk premium (ERP) is well above its long-term average

Lower rates (earnings yields) translate into increasingly large increases in equity P/E ratios the further rates fall



Source: Guggenheim Investments, Bloomberg, Haver, Robert J. Shiller. Note: Data as of 05/27/2021. Shaded areas represent periods of recession.

We Expect a Later Liftoff and a Higher Terminal Rate Than the Market

Fair Value of 10-Year Treasury Yield as a Function of Fed Liftoff Timing & Terminal Rate

Peak Federal Funds Rate In Next Hiking Cycle*

Red Box: Market Pricing

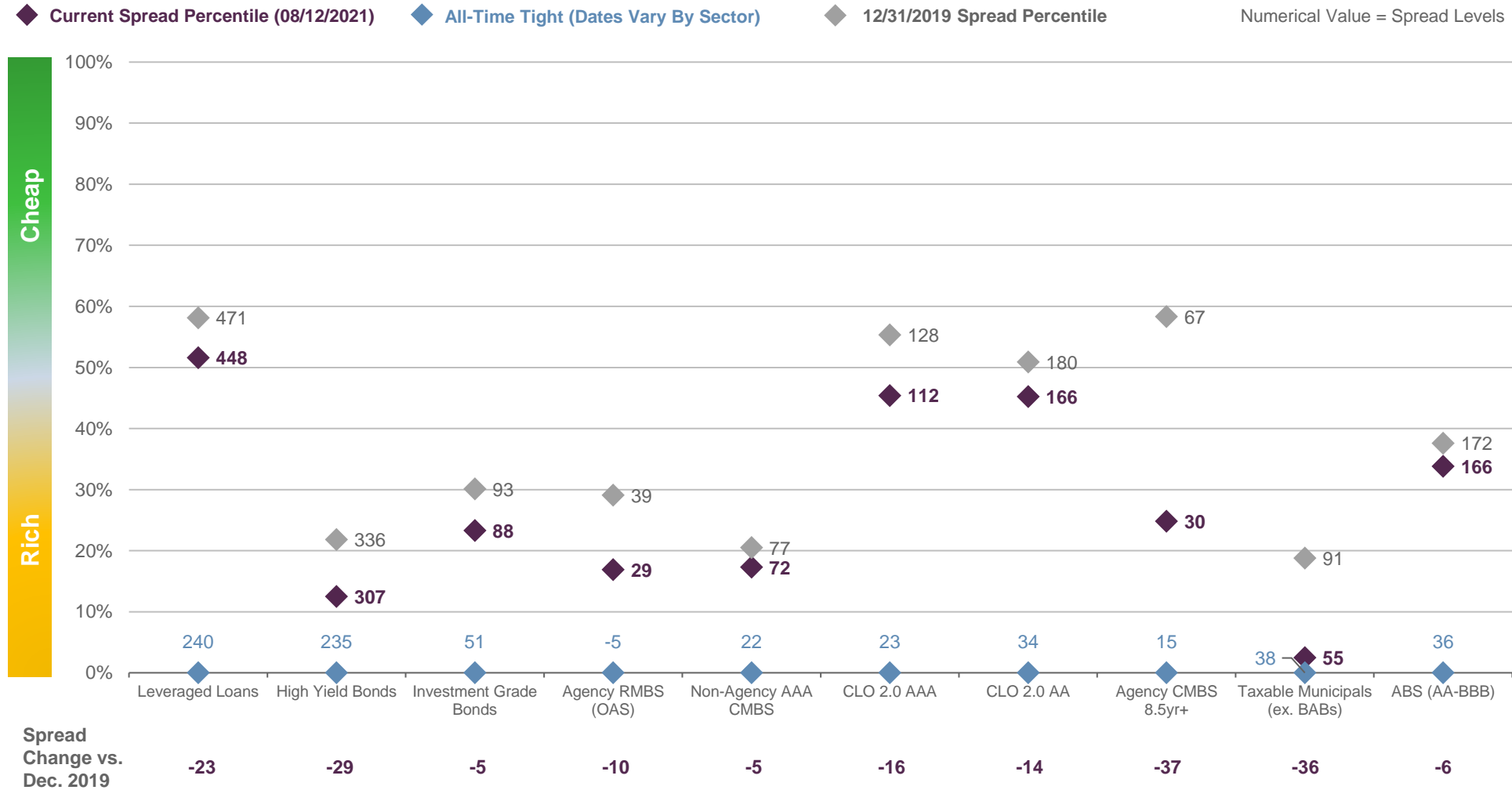
Gray Box: Guggenheim House View

		Peak Federal Funds Rate In Next Hiking Cycle*								
		0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	2.50
Date of First Rate Hike^	Mar-22	0.75	0.96	1.15	1.33	1.50	1.66	1.80	1.93	2.05
	Jun-22	0.74	0.94	1.13	1.30	1.47	1.62	1.75	1.88	1.99
	Sep-22	0.72	0.92	1.10	1.27	1.43	1.57	1.70	1.82	1.92
	Dec-22	0.71	0.90	1.08	1.24	1.39	1.53	1.65	1.76	1.86
	Mar-23	0.70	0.88	1.05	1.21	1.35	1.48	1.60	1.71	1.80
	Jun-23	0.69	0.86	1.03	1.18	1.31	1.44	1.55	1.65	1.73
	Sep-23	0.67	0.84	1.00	1.15	1.28	1.39	1.50	1.59	1.67
	Dec-23	0.66	0.83	0.98	1.11	1.24	1.35	1.45	1.53	1.61
	Mar-24	0.65	0.81	0.95	1.08	1.20	1.31	1.40	1.48	1.54
	Jun-24	0.64	0.79	0.93	1.05	1.16	1.26	1.35	1.42	1.48
	Sep-24	0.62	0.77	0.90	1.02	1.13	1.22	1.30	1.36	1.42
	Dec-24	0.61	0.75	0.88	0.99	1.09	1.17	1.25	1.30	1.35
Date of First Rate Hike^	Mar-25	0.60	0.73	0.85	0.96	1.05	1.13	1.20	1.25	1.29
	Jun-25	0.59	0.71	0.83	0.93	1.01	1.08	1.14	1.19	1.22
	Sep-25	0.57	0.69	0.80	0.89	0.97	1.04	1.09	1.13	1.16
	Dec-25	0.56	0.67	0.77	0.86	0.93	1.00	1.04	1.08	1.10
	Mar-26	0.55	0.66	0.75	0.83	0.90	0.95	0.99	1.02	1.03
	Jun-26	0.54	0.64	0.72	0.80	0.86	0.91	0.94	0.96	0.97
	Sep-26	0.52	0.62	0.70	0.77	0.82	0.86	0.89	0.90	0.90
Dec-26	0.51	0.60	0.67	0.73	0.78	0.82	0.84	0.84	0.84	

Source: Guggenheim Investments, Bloomberg. Data as of 08/10/2021. ^Assumes rate hikes occur once every other quarter in 25bp increments until terminal rate is reached. *Lower end of federal funds target range.

Value Remains in Credit

Fixed Income Spread Percentiles (% of Time Spent at or Below Current Spreads Historically)



Source: Guggenheim Investments, Credit Suisse, BAML, Bloomberg Barclays, ICE BofA. Data as of 08/12/2021.

Index Legend: Credit Suisse Leveraged Loan Index, Credit Suisse High-Yield Corporate Bond Index, Bloomberg Barclays Investment-Grade Corporate Bond Index, Bloomberg Barclays US Aggregate Index (Agency Bond subset), Historical CLO spreads provided by Bank of America Merrill Lynch Research, current CLO spreads based on JP Morgan CLOIE Index, Non-agency CMBS spreads provided by JP Morgan Research, ICE BofA AA-BBB US Asset Backed Securities.

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