



First Quarter 2026

Fixed-Income Sector Views



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Scorecard

Yield Matrix

	AAA	AA	A	BBB	BB	B
Corporate Bonds	4.7%	4.6%	4.7%	5.0%	5.6%	6.5%
Asset-Backed Securities	4.2%	4.8%	5.3%	6.0%	-	-
Collateralized Loan Obligations	4.6%	5.0%	5.3%	6.3%	10.3%	-
Non-Agency CMBS	4.5%	5.6%	6.9%	10.2%	-	-
Tax-Free Munis	3.4%	3.5%	3.9%	4.5%	5.0%	5.4%

Index / Sector	Spread / Discount Margin / Muni Ratio	QOQ Change bps	YOY Change bps	Spread Percentile (Decade)	4Q return %
Bloomberg U.S. Aggregate Bond Index	27 bps	-1	-3	0%	1.1%
Bloomberg Investment-Grade Corporate Bond Index	77 bps	-1	-1	3%	0.8%
Bloomberg High Yield Index	268 bps	-12	7	3%	1.3%
S&P UBS Leveraged Loan Index	455 bps	1	-20	37%	0.9%
Palmer Square CLO Index AAA	114 bps	1	16	13%	1.3%
ICE BofA AA-BBB US ABS Index	172 bps	0	13	39%	1.2%
Bloomberg Taxable Municipal Bond Index	73 bps	4	-3	2%	1.4%
Bloomberg Tax-Free Municipal Bond Index	84%	-2%	4%	17%	1.6%
Bloomberg U.S. Agency MBS Index	22 bps	-6	-13	13%	1.7%
Bloomberg U.S. Agg-Eligible Non-Agency CMBS Index	121 bps	-5	-4	51%	1.4%

Sector Pairs (Spread and Return Differences)

BBB-A Corp.	33 bps	0	4	9%	-0.1%
BBB-BB Corp	68 bps	-5	9	7%	0.7%
BB-B Corp	103 bps	-12	9	16%	0.1%
AAA CLO - IG Corp	37 bps	2	16	58%	0.4%
AA/BBB ABS - IG Corp	95 bps	1	14	67%	0.1%

Source: Guggenheim Investments, Bloomberg, S&P UBS, ICE Index Services, Palmer Square. Data as of 12.31.2025. Municipal bond valuations are commonly measured as the ratio between their yield and a comparable-maturity U.S. Treasury yield. This methodology accounts for munis' tax-exempt interest, which typically results in lower nominal yields compared to taxable Treasuries. This contrasts with corporate bonds, where valuation is primarily expressed as a spread over Treasuries.

Positioned for a Bond-Friendly Environment

Fixed income offers attractive yield and total return potential with easing monetary policy, but credit selection is critical amid tighter valuations.

The economic backdrop for portfolio positioning is broadly supportive for fixed income, with solid growth and moderating inflation. Our baseline U.S. economic outlook projects an economy closer to equilibrium by the end of 2026, supported by strong productivity growth, artificial intelligence (AI) business investment, and some fiscal stimulus early in the year. We expect sticky core inflation will ease in the second half of the year as tariff pass through fades and rent and wage pressures cool. Lower inflation should allow the Federal Reserve (Fed) to resume rate cuts later in the year to a neutral rate of 3 percent, helping ease pressure on interest-sensitive industries.

Credit and Risk Positioning

Our investment approach is guided by key market dynamics: Real yields are very attractive; the Fed is easing; credit spreads are near historic tightness with little differentiation between high and low quality securities; investor demand for credit is robust, absorbing heavy issuance; and corporate fundamentals are strong, with divergence among industries more vulnerable to tariffs and interest rates.

In this environment, our positioning remains primarily defensive, prioritizing income generation and diversification. We prefer higher quality credit, particularly structured credit, where spreads remain wider relative to fundamental risk, and defensive assets like infrastructure and energy, which offer some inflation protection and downside resilience. We favor high carry instruments, including non-Agency residential mortgage-backed securities (RMBS), senior collateralized loan obligations (CLO) tranches, and commercial asset-backed securities (ABS). In corporate credit, we prefer investment grade financials, where supply is expected to remain stable, as well as select industrial and utility credits. We are maintaining liquidity to take advantage of market overshoots when they occur.

Duration and Interest Rate Views

The Treasury yield curve has steepened dramatically and, if expectations for the Fed's terminal rate declines further, we would expect more steepening, as upward pressure from growing fiscal deficits keeps long rates elevated, and the 10-year Treasury yield remains rangebound between 3.75 and 4.75 percent. In this steeper curve environment, we are positioning a bit further out on the curve, including in longer maturity Treasury Inflation-Protected Securities (TIPS), enabling roll down—or price gains as time to maturity shrinks and yields decline—to become an additional driver of return. We are also taking positions in short maturities and tactically rotating in and out of the 10-year tenor as it moves within its range. Divergent global central bank policies create additional opportunities in sovereign markets outside the United States.

As the Fed balances sticky inflation against a softening labor market, and downside risks to a stabilizing economy remain prevalent, higher quality credit offers attractive real yields, potential price appreciation, and portfolio diversification. Still, with credit performance diverging across industries and spreads remaining tight, active selection and risk management are critical.

By Anne Walsh, Steve Brown, Adam Bloch, and Evan Serdensky

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

AI Investment and Fiscal Stimulus to Bolster Early 2026 Growth

Gradual disinflation expected as wage and rent pressures ease.

In 2026, we expect the U.S. economy to show solid real gross domestic product (GDP) growth a bit above 2 percent, while inflation is expected to resume its cooling trend. The third-quarter real GDP reading revealed positive underlying growth momentum, highlighting two primary drivers: robust consumer spending—benefiting from the wealth effect of rising asset prices—and a continued boost from AI investment.

In the first half of 2026, the expansion should be further supported by a rebound following the government shutdown, additional fiscal stimulus and support from monetary and financial conditions. This strong growth impulse is likely to moderate in the second half as fiscal stimulus fades, allowing the economy to move toward equilibrium.

The labor market remains a downside risk to our outlook, but conditions are cooling only gradually. Private sector payroll growth slowed from a three-month average of 203,000 in January 2025 to 29,000 in December, with gains highly concentrated in healthcare. The unemployment rate has trended up since last summer, indicating that slower job growth reflects lower labor demand, not just slowing labor force growth. Fortunately, jobless claims remain low, and business sector financial health remains solid, with limited pressure on profit margins that typically precedes a wave of layoffs. We expect conditions to stabilize in

2026 as growth improves, while remaining attentive to the risk of a sharper deterioration that could weigh on consumer spending.

We expect core inflation to remain sticky over the next few months as gradual tariff passthrough continues. However, the bigger story for 2026 is likely to be one of fundamental inflation drivers resuming their downward trend. Leading measures of rent inflation continue to soften, which should lead to further downside for this large category of the inflation basket. And the softer labor market means wage pressures are easing, which should ease services inflation. We expect year-over-year core personal consumption expenditures inflation to fall to around 2.5 percent by the fourth quarter of 2026, with monthly readings somewhat closer to the Fed's 2 percent target.

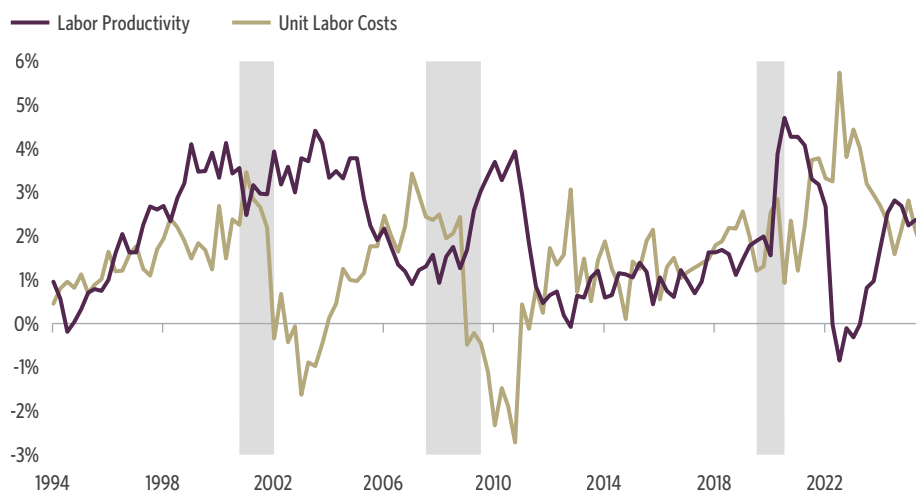
The outlook for solid growth, a stable labor market, and gradual disinflation reflects productivity growth that is expected to be relatively strong, continuing the trend of recent years and some nascent gains from AI adoption in 2026. The Fed's latest Summary of Economic Projections also show supply side optimism, with most participants seeing strong growth and lower inflation. Despite this, views on the path for monetary policy remain dispersed, highlighting different perspectives on neutral rates and the balance of risks to the Fed's dual mandate. As the disinflationary trend becomes more apparent later in the year, we see the Fed easing to a neutral rate of 3–3.25 percent.

By Matt Bush and Maria Giraldo

Productivity growth has picked up over the last several quarters, which should allow the economy to maintain solid growth rates without generating inflationary pressure.

Solid Productivity Growth Should Help Sustain Growth and Ease Inflation

Labor Productivity, 8Q Annualized Change



Source: Guggenheim Investments, Haver Analytics. Data as of 6.30.2025. Gray areas represent recession.

Constructive Duration Outlook as Fed Eases Toward Neutral

Duration and TIPS offer value as the Fed nears neutral amid moderating inflation.

The Fed’s late 2025 easing, supported by softer labor markets, moved its policy closer to neutral and underpinned strong fixed-income performance. Looking to 2026, our expectation for additional rate cuts supports a constructive stance on duration, particularly in shorter maturities. Additionally, a steepening yield curve and divergent global central bank policies present opportunities for strategic positioning across sovereign markets and yield curves, while inflation linked securities remain attractive.

Sector Commentary

- The Fed implemented 75 basis points of rate cuts in the final quarter of 2025, mirroring the easing trajectory observed in 2024. Treasuries posted a total return of 6.3 percent, while TIPS outperformed with a 7.0 percent return.
- In December, the Fed reduced rates by 25 basis points and announced reserve management purchases (RMPs) of \$40 billion per month. This larger-than-expected measure is anticipated to bolster front-end Treasury securities.
- Moderating inflation and softer labor market conditions will facilitate the Fed’s move toward a neutral policy rate by year-end. We expect a brief pause in rate adjustments, followed by further cuts in 2026.
- Fixed-income markets remain well-positioned for additional easing, with shorter-duration Treasuries likely to benefit from favorable monetary policy dynamics and reserve management activity.

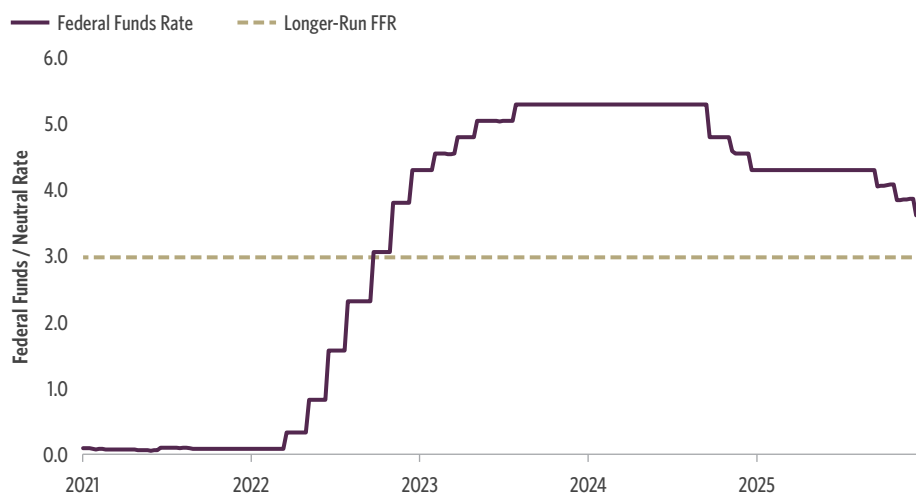
Investment Themes

- Treasury market forward yields in the front end look attractive relative to the Fed’s terminal rate pricing and should support front-end Treasuries. This trend could steepen the yield curve to new cycle highs and lower front-end Treasury yields, enhancing relative value opportunities.
- Divergent central bank policies across developed markets create opportunities to express tactical duration views in sovereign markets outside the United States in 2026, particularly in regions with contrasting monetary policy trajectories.
- Longer maturity TIPS offer relative value. Real yields may decline further, while medium-term breakeven inflation premiums are expected to rise, favoring longer maturity TIPS.
- With the Treasury yield curve steep and likely to move steeper, roll-down may become a strong driver of fixed-income total returns in 2026.

By Kris Dorr and Tad Nygren

Moderating inflation and softer labor market conditions facilitated the Fed’s move toward a neutral policy rate by year-end. We expect a brief pause in rate adjustments, followed by further cuts in 2026.

The Effective Fed Funds Rate Is Closing in on the Estimated Neutral Rate



Source: Guggenheim Investments, Bloomberg. Data as of 12.31.2025.

Long-Duration Supply to Drive Curve Steepening Trends

A modest widening in spreads is likely during the first half of 2026.

Despite robust primary issuance in 2025, investment grade (IG) credit spreads ended the year nearly unchanged year over year, with all-in yields declining to 4.81 percent from 5.33 percent. Fundamentals are expected to remain supportive, although technicals may weaken as gross and net supply increase. Softer technicals, coupled with expectations for lower rates and spreads near generational lows, suggest a modest widening in spreads is likely during the first half of 2026, underscoring the importance of strategic positioning in IG portfolios.

Sector Commentary

- Gross IG issuance for 2026 is projected to be \$1.7-2.0 trillion, driven by hyperscaler AI financing and merger and acquisition (M&A) activity.
- Expectations for 2026 hyperscaler capital expenditures surged last year, rising from \$315 billion to approximately \$535 billion, with the related IG issuance estimated at \$250-300 billion and an additional \$100 billion tied to AI-adjacent financing.
- M&A supply is expected to surpass 2015's record \$230 billion, supported by a backlog of \$125 billion. Net issuance is anticipated to rise year over year, with long-duration supply increasing as AI financing and M&A funding shift toward longer maturities.
- While IG spreads may widen, elevated derivatives and options volumes should temper volatility, as the realized-to-implied volatility ratio remains subdued at approximately 0.6, mitigating large gaps in the market. These dynamics underscore a complex yet resilient outlook for 2026 corporate bond spreads.

Investment Themes

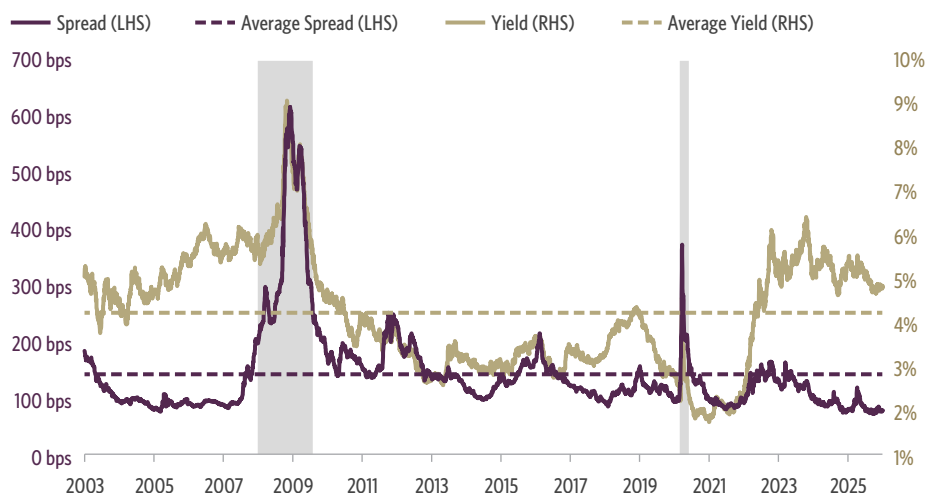
- Despite record issuance anticipated in 2026, financial sector supply—including banks, insurance, and real estate investment trusts (REITs)—is projected to remain stable versus 2025, with strong fundamentals supporting financials over nonfinancials.
- Preferred and hybrid securities in financials, as well as select industrial and utility credits, offer attractive carry and potential total return opportunities if yields rise modestly.
- Elevated issuance volumes and larger tranche sizes are likely to drive new issue concessions higher, enhancing relative value. After flattening in 2025, we expect heavy longer-dated supply will steepen the credit curve in 2026.
- Sector dispersion will persist, with underperforming areas such as technology, media, and telecommunications, utilities, and business development companies presenting idiosyncratic opportunities, emphasizing the importance of selective credit analysis.

By Justin Takata

Softer technicals, coupled with expectations for lower rates and spreads near generational lows, suggest a modest widening in spreads is likely during the first half of 2026, underscoring the importance of strategic positioning in IG portfolios.

We Expect Spreads to Widen Modestly in the First Half

Bloomberg IG Spread/Yield Snapshot (Long-Term View)



Source: Guggenheim Investments, Bloomberg. Data as of 12.31.2025. Gray areas represent recession periods.

Supportive Technicals Power Strong Year for High Yield

Tight spreads highlight the importance of disciplined credit selection.

High yield clipped coupons in the fourth quarter, marking 13 consecutive quarters of positive performance. For the year, high yield was up 8.5 percent supported by strong investor inflows, limited net issuance, and low default rates. However, CCC-rated credits underperformed in the fourth quarter, reflecting dispersion in lower quality segments. With nearly half the market trading at spreads below 200 basis points, disciplined credit selection will remain critical for managing risks and identifying opportunities in the evolving high yield market.

Sector Commentary

- Spreads on the ICE BofA U.S. High Yield Master II Constrained Index were largely flat in the quarter at 281 basis points.
- The Bloomberg High Yield Index posted a 1.3 percent total return for the fourth quarter, marking its 13th consecutive quarter of positive performance.
- Full year returns highlight outperformance by higher quality credit, with BB-rated, B-rated, and CCC-rated bonds returning 8.9 percent, 8.4 percent, and 6.5 percent, respectively.
- New issuance totaled \$66 billion in the fourth quarter and \$329 billion for the full year, with approximately 70 percent allocated to refinancing activities.

Investment Themes

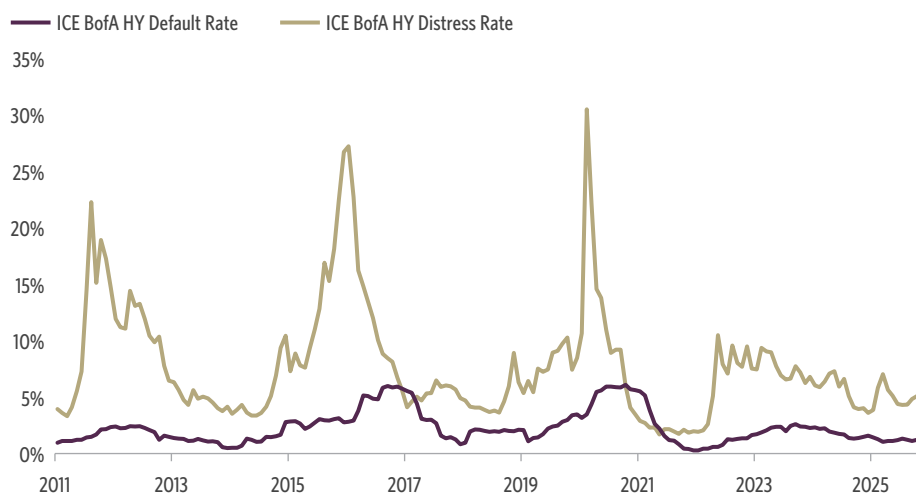
- High yield corporate bonds attracted \$17.9 billion in net inflows in 2025, including \$3.7 billion in the fourth quarter, driven by expectations of Fed rate cuts and attractive coupons.
- Refinancing activity dominates primary issuance, constraining net supply and keeping spreads near historically tight levels. This dynamic supports selective investment opportunities.
- Roughly half of the high yield market is trading at spreads inside 200 basis points. Returns in 2026 are expected to be more muted compared to 2025, emphasizing the importance of disciplined credit selection.
- Issuers in the high yield market exhibit strong credit fundamentals, with a trailing 12-month par-weighted default rate of 1.2 percent, well below the 20-year average of 3.5 percent. The distress rate remains modest and we expect defaults to remain subdued.

By Thomas Hauser and Ravi Tamboli

Issuers in the high yield market exhibit strong credit fundamentals, with a trailing 12-month par-weighted default rate of 1.2 percent, well below the 20-year average of 3.5 percent. The distress rate remains modest and we expect defaults to remain subdued.

Muted Distress Rate Indicates Low Default Expectations Going Forward

Distress rate = bonds trading > 1,000bps option-adjusted spread



Source: Guggenheim Investments, Bloomberg, BAML, Pitchbook. Data as of 12.31.2025.

Bank Loans

Loans Conclude a Mostly Coupon-Clipping Year

Price decrease slightly drags down returns in the fourth quarter, year-to-date trends continue.

The leveraged loan index returned 1.19 percent in the fourth quarter, which brought full-year returns to 5.94 percent. The positive print represents 14 consecutive positive quarters for bank loans. Looking at the year to date, loans experienced some spread tightening, mostly driven by a lowering of nominal spreads via robust repricing activity. A persistent demand surplus driven by record CLO issuance provided support for secondary levels, although they were slightly lower year over year. Defaults hovered closer to long-term averages, but we anticipate them to move higher in the near- to mid-term.

Sector Commentary

- After back-to-back banner years, the 5.94 percent annual return for loans in 2025 brings the asset class more in-line with its 10-year and 20-year average annualized returns of 5.78 percent and 4.93 percent, respectively. The return for 2025 was all coupon driven, with price return slightly negative.
- For the year, BBs outperformed, up 6.42 percent, with single-Bs close behind at 5.86 percent. CCCs underperformed amidst sustained credit stress, returning 3.08 percent.
- The weighted average price of the index dropped by 0.5 basis points during the quarter, moving from 96.42 to 95.92. The full-year price move was approximately the same.
- The three-year discount margin of the index widened marginally during the fourth quarter, ending the year at 455 basis points, 20 basis points tighter year to date. The three-year yield of the index decreased by around 100 basis points in 2025, finishing at 7.86 percent as base rate expectations and nominal spreads decreased.

Investment Themes

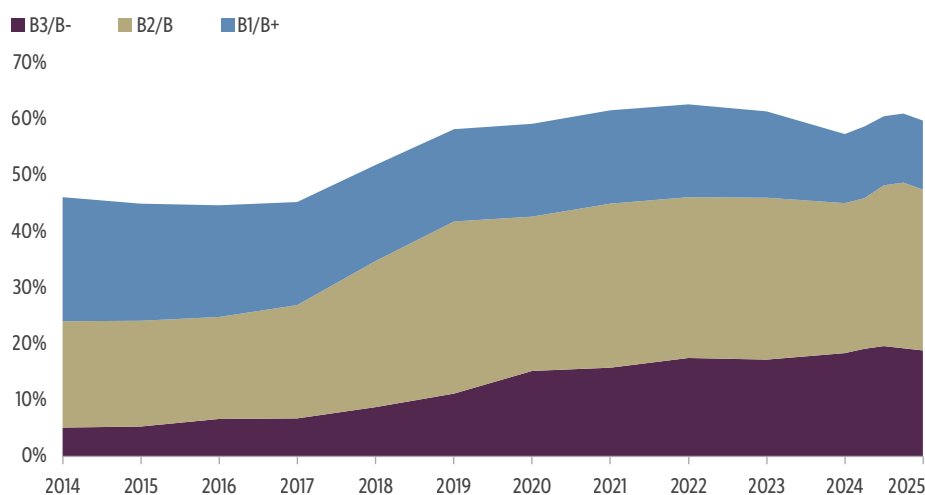
- On the primary issuance front, 2025 was the second busiest year ever with around \$1 trillion in total issuance, although a pickup in M&A-related issuance did not materialize with the majority (about 70 percent) of issuance related to loan repricings and refinancings. We expect more of the same in 2026.
- On the demand front, CLO issuance hit an all-time record with \$207 billion issued during the year, slightly offset by retail fund outflows of \$7.4 billion.
- In terms of positioning, we believe it is prudent to trim risk ahead of what we expect to be a prolonged period of volatility.
- While we expect the U.S. economy broadly to perform well, the bank loan market remains susceptible to increased volatility given these risks. Positioning the portfolio appropriately today will put us in a good position to take advantage of a market selloff.

By Thomas Hauser, Joe Bowen, and Brian McAuliff

Credit selection remains important amid some signs of fundamentals weakening and recovery rates under pressure. The B3/B- portion of the Index now represents around 20 percent of market value, versus around 5 percent a decade ago, exemplifying the increased tail risk in the market.

Rise in B3/B- Credit Indicates Elevated Tail Risk, Highlighting Credit Selection

S&P UBS Leveraged Loan Index Single-B Composition



Source: Guggenheim Investments, S&P UBS, Pitchbook. Data as of 12.31.2025.

Fundraising Concentration and Competitive Dynamics

Manager selection is key to navigating competitive market dynamics.

Private debt fundraising has reached record levels, largely driven by private wealth inflows. This has intensified deal competition and compressed spreads, particularly in the upper middle market, where deal sizes often exceed \$1 billion. These dynamics highlight the critical role of manager selection, favoring those who have raised an amount of capital that is appropriately sized for the opportunity set. Such alignment enables managers to navigate competitive pressures effectively while optimizing investment outcomes amid heightened competition for deals.

Sector Commentary

- Perpetual private wealth vehicles raised \$86.4 billion in the first half of 2025, up over 50 percent year over year. Approximately 55 percent (\$47.5 billion) was allocated to private debt strategies, including nontraded business development companies and interval funds.
- Mega-alternatives managers are increasingly targeting retail inflows, which commonly account for 25 percent of total inflows. In some cases, mega-alts managers have seen inflows from the private wealth market make up 50 percent of total new capital raised.
- Policy tailwinds, such as new pathways into 401(k) plans, are broadening access to private credit. Collaborations between alternative-focused managers and large traditional managers are being explored to capture additional inflows from the private wealth channel, enhancing private debt distribution.

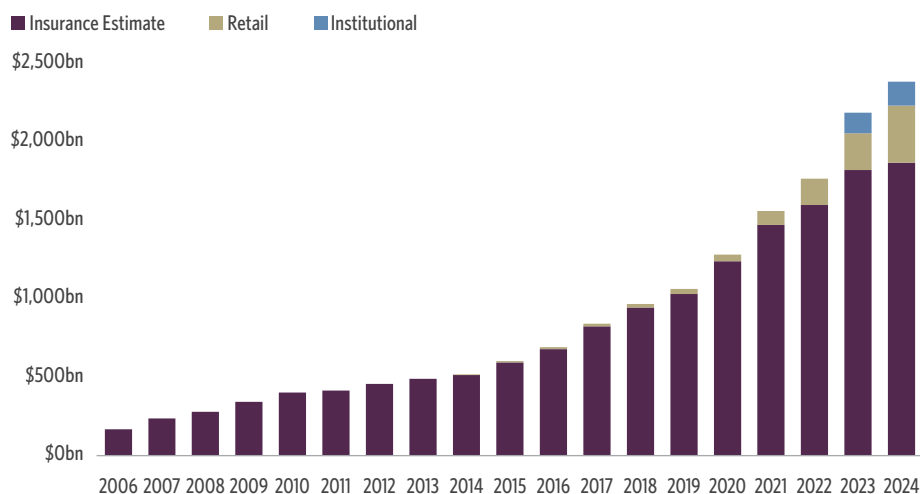
Investment Themes

- We continue to seek opportunities with strong risk-adjusted returns, supported by competitive pricing and robust documentation standards.
- Strategic patience in capital allocation enhances portfolio quality and mitigates risk, ensuring disciplined investment execution.
- Amid heightened competition, we are prioritizing breadth, depth, and discipline in deal sourcing to identify high quality investments.
- We believe our focus on disciplined execution and strategic patience positions our private debt platform to outperform peers in delivering compelling investment outcomes.

By Joe McCurdy, Joe Bowen, Mark Pridmore, and Zac Huwald

Mega-alternatives managers increasingly target retail inflows, with some aiming for 25 percent or more of total inflows. Outliers have seen inflows from the private wealth market close to 50 percent of total new capital raised.

Retail Channel Flows Are Increasingly Prominent in Private Debt



Source: Guggenheim Investments, Pitchbook. Data as of 12.31.2024. Note: retail and insurance figures are as of 6.30.2025.

Diverse Profiles and Income Advantage Amid Growing Issuance

Opportunities in consumer and digital infrastructure ABS, relative value in AA-A-rated CLO tranches.

ABS credit spreads remain elevated relative to investment-grade corporate bonds, currently ranking in the 70th percentile, a reasonable entry point for the asset class. ABS issuance hit a record at \$340 billion in 2025, although paydowns and refinancing activity were significant, yielding a net issuance of only \$46 billion. CLO new issuance reached around \$200 billion, driven by strong demand across the capital structure, expanding the market size by \$88 billion. Strong demand also supported increased CLO refinancing and reset activity.

Sector Commentary

- New commercial ABS issuance has been concentrated in data center, fiber, whole business, and aircraft collateral types. Data center issuance nearly doubled in 2025 to over \$15 billion and is expected to increase meaningfully in the coming years to fund the widely expected infrastructure buildout. Data center ABS will face its first large maturity wall in 2026 on first generation issuance from the 2021-2022 time period, with approximately \$6 billion coming due. The market has become more efficient at pricing deals, with those backed by longer leases to more creditworthy hyperscale tenants pricing at lower credit spreads than deals backed by shorter leases to enterprise tenants.
- CLO credit spreads widened marginally during the quarter. CLO manager views on loan borrower health is cautiously optimistic overall, with concerns focusing on idiosyncratic credit issues. CLO overcollateralization ratios and exposure to CCC-rated collateral remain at benign levels, underscoring the sector’s resilient initial conditions amid evolving macroeconomic conditions.

Investment Themes

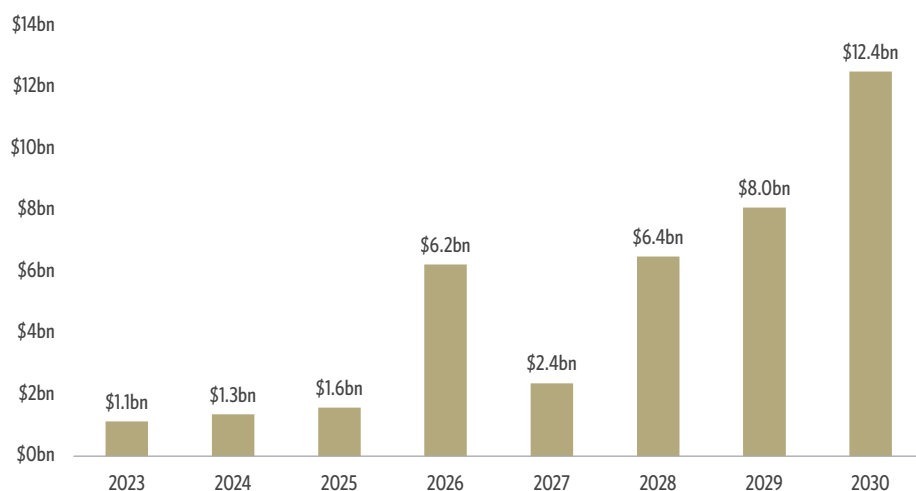
- We favor senior tranches of commercial ABS backed by stable, cash-generative collateral including franchise royalties, select fiber networks, and aircraft. In consumer ABS, subsectors such as home improvement loans offer exposure to higher quality borrowers with structural downside protection through amortization and credit enhancement. In digital infrastructure, selectivity is increasingly important as unprecedented capital expenditures drive large ABS supply and new capacity. Our focus is on supply/demand dynamics and the impact of technological advances on legacy assets.
- Attractive relative value and strong structural enhancements support our favorable view of AA and A rated CLO tranches backed by both broadly syndicated and private credit loans. We see select higher risk and reward opportunities in BB-rated and equity tranches. In the near term, somewhat muted drivers of CLO economics could dampen new supply, supporting CLO prices and spreads in the secondary market.

By Karthik Narayanan, Michael Liu, and Scott Kanouse

Data center ABS will face its first large maturity wall in 2026 on first generation issuance from the 2021-2022 time period, with approximately \$6 billion coming due.

Data Center ABS Will Face Its First Major Maturity Wall in 2026

Data center anticipated repayment dates (ARDs)



Source: Guggenheim Investments, Bloomberg, Intex, Morgan Stanley. Data as of 12.31.2025.

Commercial Mortgage-Backed Securities

Carry On, Wayward Son

Demand for quality income from CMBS adds technical tailwinds while fundamentals remain mixed.

CMBS outperformed the broader bond market in 2025 but lagged investment grade corporate bonds. We expect CMBS relative return performance to be mixed in the first quarter. Higher quality CMBS—notably commercial real estate (CRE) CLOs financing top tier lenders and single asset/single borrower deals backed by premium buildings and sponsors—are positioned to outperform: modest economic growth should support CRE fundamentals in aggregate, and capital markets conditions remain constructive on top-tier fixed income. However, lower quality CMBS performance dispersion is a meaningful risk, and active management remains key.

Sector Commentary

- Non-Agency U.S. CMBS issuance is expected to hit a post-Global Financial Crisis (GFC) high. Leading bank researchers forecast \$160 billion or more of volume this year, up from \$145 billion in 2025 and well above the \$45 billion trough seen in the correction of 2023.
- All else being equal, investor demand should overwhelm supply. The number of firms participating in the CMBS markets set a new post-GFC record in 2025 as investors increasingly seek out high quality fixed income across all sectors.
- Legacy credit remains a drag on both sentiment and investor capacity. JPMorgan forecasts that only two-thirds of CMBS loans maturing next year will refinance as scheduled; the balance will require loan extensions or workouts to resolve.
- Credit standards have been slipping in recent and new issue CMBS, with leverage closer to pre-COVID levels, potentially creating future performance issues.

Investment Themes

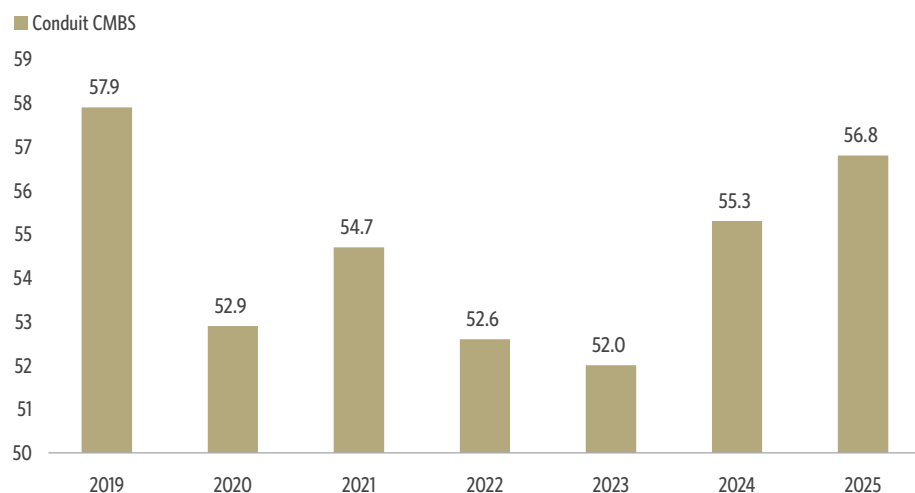
- Credit dispersion is apparent in the CMBS market, where losses on investment-grade bonds—including in those originally rated AAA—have been realized in recent years. Careful security selection and active portfolio management remain critical.
- Credit issues continue to plague corners of the CRE market, including various office submarkets and poorly positioned lodging properties. Lower quality CMBS, including many conduit mezzanine bonds and other “higher beta” names, are at risk of meaningful underperformance.
- Traditional credit structuring and underwriting remain our focus across markets and property types. We prefer credit-enhanced CMBS securities collateralized by high quality and/or diverse collateral and supported by capable sponsors, especially in CRE CLO and SASB markets. We also favor multifamily-related CMBS credit.

By Tom Nash and Hongli Yang

Credit standards have been slipping in recent and new issue CMBS, with leverage closer to pre-COVID levels, potentially creating future performance issues.

Loan to Value Ratio of Conduit CMBS Is Approaching Pre-COVID Levels

Loan-to-Value Ratio of Conduit CMBS by Vintage



Source: Guggenheim Investments, Barclays Research. Data as of 12.31.2025.

Value in NA RMBS Senior Securities

Maintain senior positioning in a slowing housing market.

Persistent affordability challenges will keep housing activity subdued and growth in home prices modest. Despite these headwinds, tight lending standards, substantial home equity cushions, and labor market strength underpin stable mortgage credit performance. Limited housing activity should constrain prepayment speeds, which makes senior NA RMBS securities particularly attractive and an overweight for us for income-focused mandates seeking income over price appreciation.

Sector Commentary

- New-issue volume rose 33 percent to \$217 billion in 2025—the highest total since the GFC. Despite the substantial increase in volume, spreads remained resilient, ending the year unchanged from the previous year as investor demand remained supportive.
- Although the average 30-year fixed mortgage rate declined approximately 70 basis points year over year, housing affordability remains challenging. The housing affordability index sits near its historical low, pushing home sales to record lows.
- Consensus forecasts for home price growth in 2026 range from 0–3 percent, underscoring tepid demand in the housing market. We don't expect demand to improve materially in 2026, as mortgage rates would need to decline by roughly 100 basis points to improve affordability by a modest 10 percent.

Investment Themes

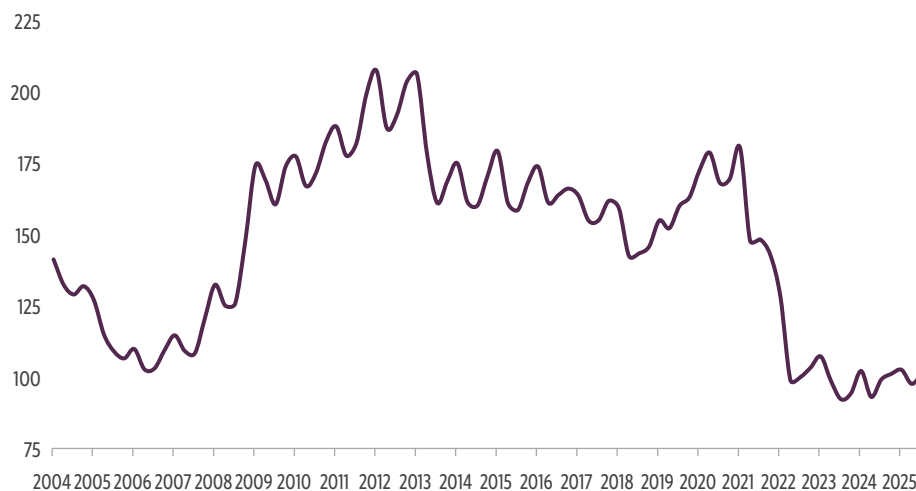
- Moderate headwinds to home price growth reinforce our preference for senior securities, which offer attractive income relative to even lower-rated and longer duration corporate bond indexes, combined with structures designed to mitigate extension risk. These securities are structured to withstand a broad range of credit stress scenarios, making them attractive for investors seeking stability and income.
- Investment-grade securities from non-QM transactions and senior securities from closed-end second lien and home equity line of credit transactions offer yields of 5.0–5.5 percent for AAA to A-rated tranches, with three- to four-year expected average maturities providing both income and maturity advantages relative to A-rated corporate bond indexes. Their credit profiles and structural features limit both credit and extension risk.

By Karthik Narayanan and Roy Park

Consensus forecasts for home price growth in 2026 range from 0–3 percent, underscoring tepid demand in the housing market. We don't expect demand to improve materially in 2026, as mortgage rates would need to decline by roughly 100 basis points to improve affordability by a modest 10 percent.

Persistent Affordability Challenges Will Keep Housing Activity Subdued

Housing Affordability Composite Index



Source: Guggenheim Investments, National Association of Realtors, Bloomberg. Data as of 9.30.2025.

Outperformance Expectations Come to Fruition

Improved funding dynamics and GSE portfolios to backstop Agency MBS valuations going forward.

One of our largest overweights, Agency MBS delivered 8.61 percent total returns and 1.71 percent excess returns for 2025, outperforming investment-grade corporate excess returns by 52 basis points and leading the Bloomberg U.S. Aggregate Index. Gains were driven by strong 30-year MBS performance, particularly 3–5 percent coupons priced at \$90–\$100, while higher prepayment expectations weighed on coupons above 6 percent in late 2025. Avoiding exposure to GNMA securities further supported relative outperformance within the MBS Index.

Sector Commentary

- Spreads tightened steadily throughout the quarter, with December delivering exceptionally strong performance. However, elevated valuations for lower coupon securities may require sustained investor inflows to maintain current levels.
- Par coupon MBS in the 30-year 5 percent range offer reasonable valuations and improving income potential, making them a preferred allocation for new investments. These securities are well-positioned to benefit from the anticipated return of bank buyers and the expansion of government-sponsored enterprise (GSE) portfolios in 2026.
- The Fed's shift to reserve management in December enhanced to-be-announced funding levels, increasing the sector's attractiveness to levered investors such as hedge funds and mortgage real estate investment trusts. This dynamic provides additional technical support for Agency MBS valuations, as these investors continue to exert growing influence on mortgage spreads.

Investment Themes

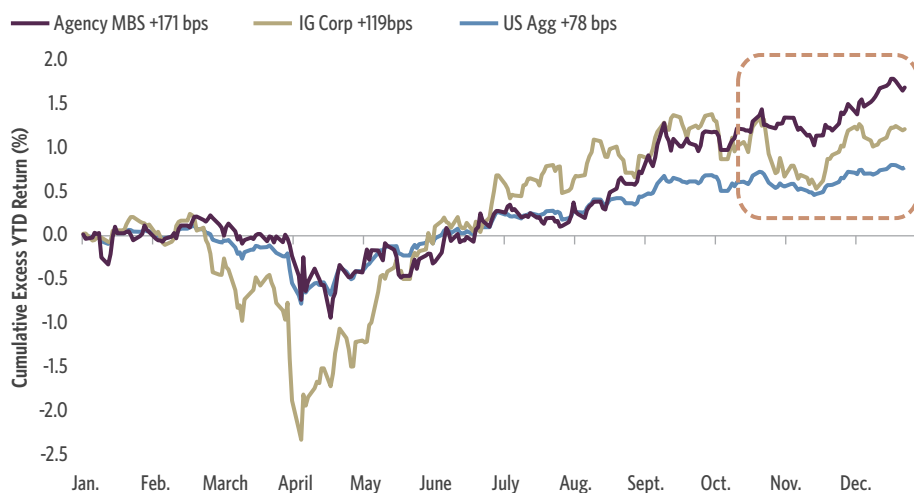
- Housing policy risk remains elevated ahead of anticipated reforms in 2026. However, the Trump administration's focus on mortgage rates and the expansion of the GSE portfolio provide downside protection against adverse policy impacts on the convexity profile of existing mortgages.
- Multiple supportive factors—including uncapped Standing Repo Facility access, the GSE portfolio backstop, the Trump administration's emphasis on housing affordability, and a dovish incoming FOMC chair—establish a strong policy framework that mitigates significant downside risk for Agency MBS.
- In the event of sector weakness, we expect a robust policy response, with intervention likely preempting meaningful spread widening. This asymmetric risk profile underscores the defensive nature of Agency MBS while preserving upside potential for investors.

By Louis Pacilio

Agency MBS delivered 8.61 percent total returns and 1.71 percent excess returns for 2025, outperforming investment-grade corporate excess returns by 52 basis points and leading the Bloomberg U.S. Aggregate Index.

Agency MBS Was the Best Performing Agg Subsegment in 2025

Cumulative Excess Returns (2025)



Source: Guggenheim Investments, Bloomberg. Data as of 12.31.2025.

Coupon Income to Anchor Q1 Municipal Bond Returns

Constrained municipal issuance supports favorable market dynamics.

Municipal bond performance will likely be driven by coupon income, with limited price appreciation potential at current valuations. We expect state budget discussions around federal Medicaid to pick up pace late in the second quarter.

Sector Commentary

- After reaching one-year highs in April, tax exempt/Treasury yield ratios began 2026 near the low ends of their three-year ranges. Ratios in the five- and 10-year maturities sit in the low-60s, versus a three-year range of 55–88 percent. Notably, the 30-year ratio has rallied to 87 percent compared to a three-year range of 79–101 percent despite retail investors' focus on front-end paper. Continued curve flattening has steadily reduced the attractiveness of long-dated munis.
- Taxable municipal spreads tightened during the fourth quarter, beginning 2026 approximately 22 basis points tighter than IG corporates at the index level. Supply remained low for 2025, totaling \$33 billion and down 14 percent from 2024. Other than state housing agencies, most municipalities are unlikely to issue taxable debt given current relative valuations between exempts and taxables. Thus taxable muni spreads are likely to follow IG corporate spreads for most of the year.

Investment Themes

- The first quarter typically sees strong reinvestment demand from principal and interest (P&I) payments, and we expect \$152 billion of principal and interest for the first quarter, up slightly from \$149 billion for the same period last year, providing support for new issuance.
- Current valuations leave few obvious sources of outperformance. Yield ratios are hovering around three-year averages, and the municipal slope has flattened significantly since the summer, outperforming the Treasury slope.
- Cuts to federal Medicaid funding enacted by the OBBBA will take effect at the end 2026, after the midterm elections. A couple of states have made small changes around eligibility and benefit levels, but we have not seen wholesale changes in most states. The majority have a June fiscal year end, so we expect state budget discussions around Medicaid to pick up in May or June for fiscal 2027.

By Allen Li and Michael Park

After reaching one-year highs in April, tax exempt/Treasury yield ratios began 2026 near the low ends of their three-year ranges. Ratios in the five- and 10-year maturities sit in the low-60s, versus a three-year range of 55–88 percent.

Yield Ratios Are Hovering Around Three-Year Averages

AAA Muni/Treasury Yield Ratios



Source: Guggenheim Investments, LSEG. Data as of 1.2.2026.

Secular Trends and AI Drive Real Asset Growth into 2026

Real assets continue to benefit from robust deal flow and strong thematic tailwinds.

Real assets are well positioned entering 2026, supported by secular trends, including decarbonization, AI investment, and market expectation for lower interest rates. Infrastructure debt issuance reached \$449 billion in 2025, driven by energy transition and grid modernization. More private capital will be needed to fund a global infrastructure funding gap that is estimated to be \$15 trillion by 2040. Commercial real estate shows recovery potential, with stabilizing values, increased institutional capital flows, easing rates, and resilient demand across multifamily, retail, and industrial sectors—bolstering growth prospects for 2026.

Sector Commentary

- Infrastructure transactions remain robust. Easing inflation and cost of capital declines should make valuations more compelling, especially for longer-duration regulated and contracted assets.
- Modern infrastructure investment is critical for electrification and the digital economy. We favor reliable dispatchable resources while avoiding technology, construction, and commodity risks.
- Refinancing will dominate infrastructure investment, with about \$1 trillion in debt refinancing expected over three years.
- Declining interest rates may stabilize valuations by reducing cap rates and borrowing costs, creating opportunities in markets with strong fundamentals.
- Office properties face elevated vacancies, leading to a flight to quality and a focus on well-located, amenity-rich assets.

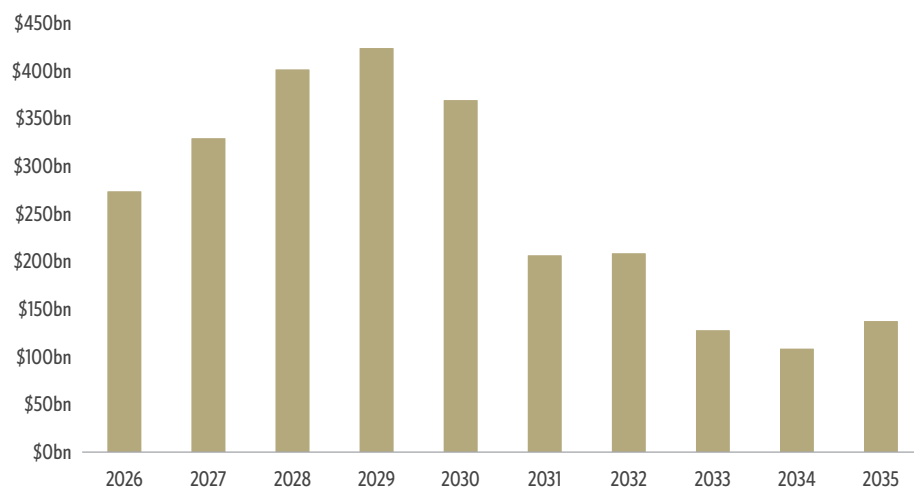
Investment Themes

- Doubling electricity demand by 2030 creates opportunities in grid-connected and behind-the-meter generation resources. AI-driven investments in data centers, power, storage, and transmission are expected to offer stable, contracted returns, supporting long-term capital deployment.
- Reshoring trends, supported by federal policies and geopolitical shifts, are driving multi-year investments in U.S.-based logistics, ports, intermodal hubs, telecom equipment, and supply chains.
- Amid rising homeownership costs, we see ongoing demand for rental housing, presenting attractive investment opportunities in both traditional multifamily units and in alternative living sectors like student housing, senior living, and co-living spaces.
- Specialty real estate sectors, including data centers, healthcare facilities, senior living, and cold storage, are benefiting from demographic shifts and technological advancements.

By John Tanyeri

The infrastructure market faces a notable refinancing wall through 2030 as a significant amount of legacy debt reaches maturity. This dynamic is expected to drive sustained refinancing activity, particularly for assets requiring bespoke structuring or flexible capital solutions.

Global Debt Maturing is Expected to Peak in 2029



Source: Guggenheim Investments, InfraLogic. Data as of 12.31.2025. Historical view 1.2021-12.2025.

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Duration is a measure of sensitivity of a price of a bond to a change in interest rates. In general, the higher the duration, the more the bond's price will change with interest rate movements.

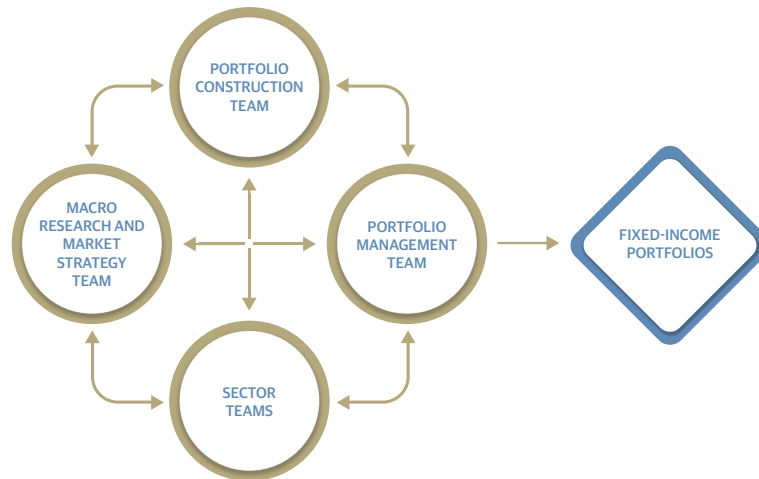
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1. Total Assets are as of 12.31.2025 and includes \$248.4bn in Assets Under Management (AUM), plus \$111.3 bn Assets Under Supervision (AUS) for a total of more than \$359 bn. AUM includes leverage of \$14.2bn. AUS includes assets for which GI provides non-advisory services and may include review, analysis, research, reporting, sourcing and evaluation of assets, and business operations consulting. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Wealth Solutions, LLC, Guggenheim Private Investments, LLC, Guggenheim Investments Loan Advisors, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC.