

# Macro Themes for 2026

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Macro Themes is a quarterly publication from our Macroeconomic Research and Market Strategy Group that updates our baseline economic outlook and spotlights key areas of research. At the beginning of each year, we take the opportunity to present themes for the year ahead. In the following pages, we share our top macro themes for 2026.

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9. Innovation Will Bring the Future into Focus
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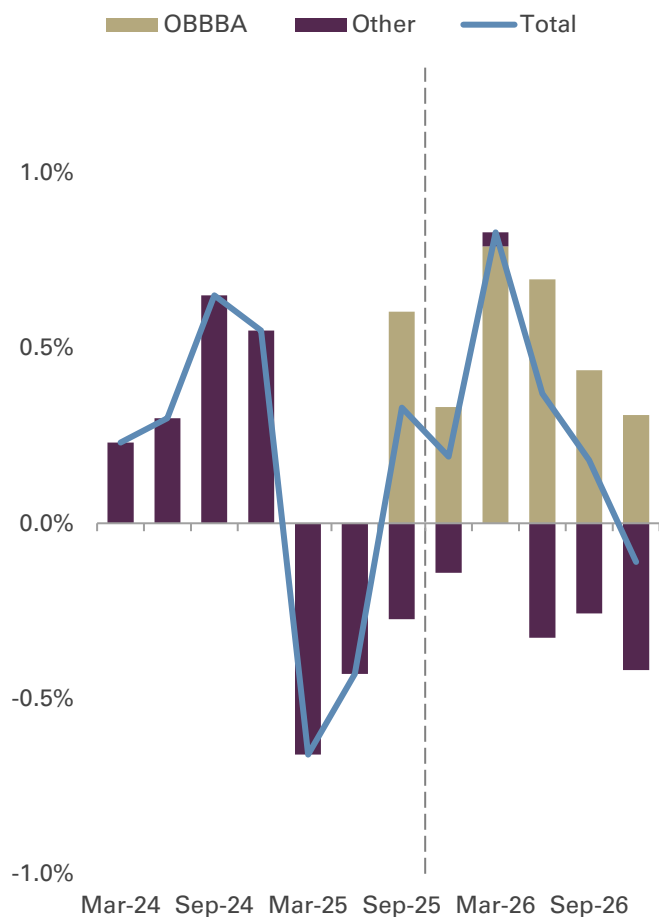
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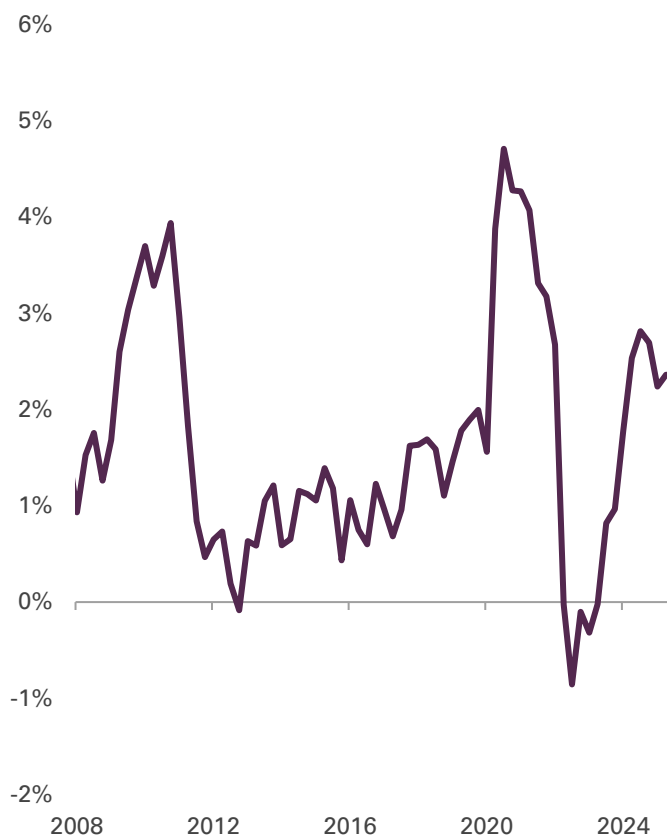
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# The U.S. Economy Will Move Toward Equilibrium

## Fiscal Impulse to Surge in the First Half, Then Fade Act. and Proj. Contrib. to Real GDP\*, QoQ SAAR



## Productivity Growth Likely to Stay Elevated Business Sector Labor Productivity, 8Q Annualized Chg.

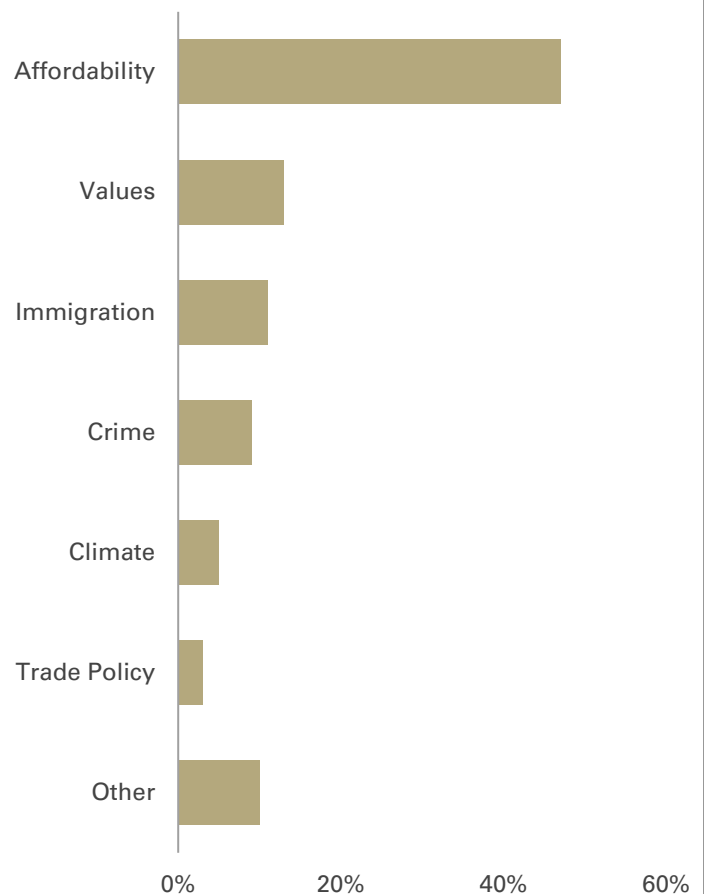


- Following a year shaped by policy volatility, the U.S. economy appears poised to move toward equilibrium by the end of 2026, creating a constructive backdrop for U.S. assets.
- In the first half of 2026, we believe fiscal policy will provide a roughly 60 basis point boost to growth as retroactive tax cuts from the Big Beautiful Bill (BBB) expand household refunds and investment incentives broaden capex spending.
- AI investment is likely to be an ongoing source of strength. AI companies, scaling their cloud services businesses, continue to lift capital expenditure (capex) plans, pulling up forecasts for related investments in power and equipment.
- Strong growth in the first half should moderate later in the year as the fiscal impulse fades. At the same time, solid productivity growth appears likely to sustain economic potential, even as labor force growth slows.
- This sets the stage for the economy to move into balance in the second half of 2026, with solid growth and cooling inflation.
- A positive macro backdrop should be constructive for U.S. assets. While shocks to the AI investment thesis or the labor market remain risks, our base case is for healthy returns.

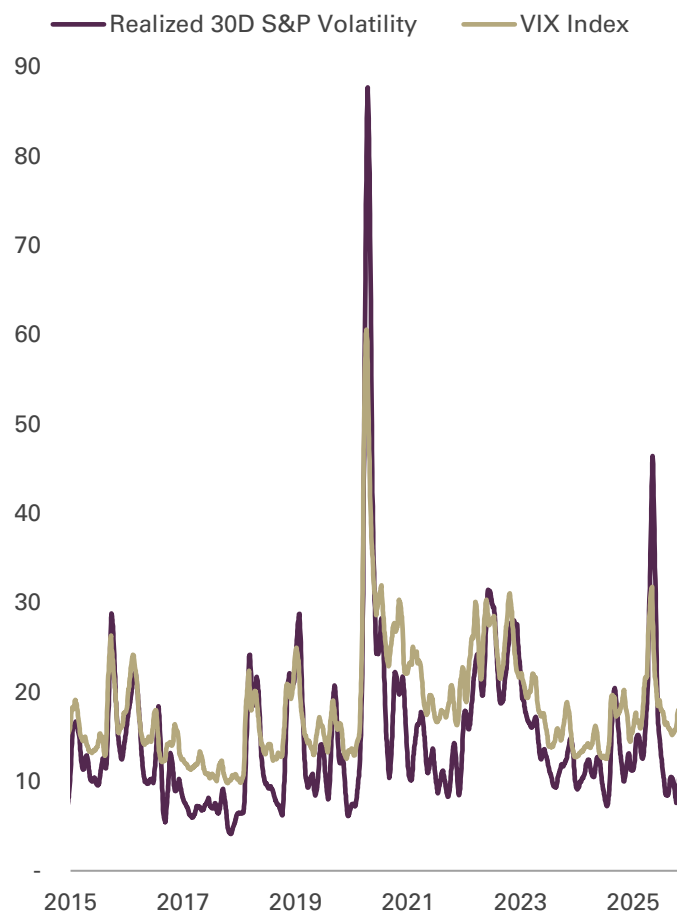
Source: Guggenheim, Brookings, BLS. \*Excluding government shutdown impacts. Actual data as of 9.30.2025.

# Domestic Policy Will Focus on Kitchen Table Issues, Supporting Growth

## Voters Concerned About Affordability, Not Trade Most important issue (% respondents)



## Less Disruptive Policy Should Support Lower Volatility Realized S&P Volatility and VIX, 30-Day Moving Avg.

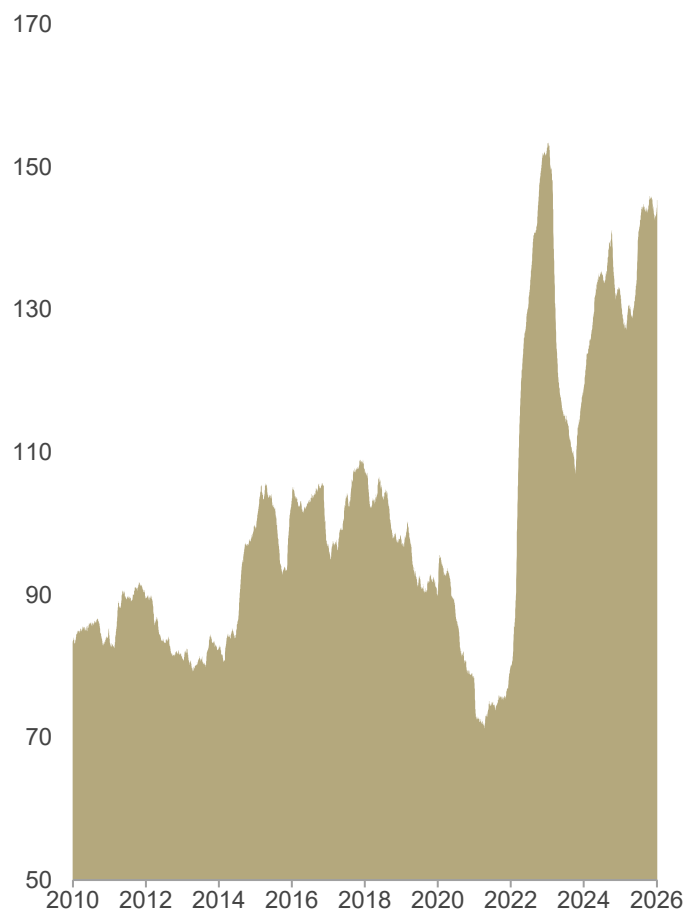


- With midterm elections looming, the administration's domestic policy focus will turn to the kitchen table issues most salient to voters.
- Promoting growth will be a priority for the administration, and deregulatory efforts should accelerate. New stimulus is also likely, although fiscal constraints should moderate potential for overstimulation.
- After years of elevated inflation, affordability remains consumers' primary concern. Against this backdrop, tariff levels are likely to stay relatively steady, even as negotiations and court cases create noise.
- Broader affordability concerns are more complex to address. As the administration grapples with intractable issues, it will continue to float unconventional policy ideas that create sector-specific volatility.
- On balance, new economic policies are likely to provide ballast for the economy in 2026. This should limit potential for the scale of policy-driven turbulence observed in 2025. More contained volatility creates an attractive environment for carry in fixed income.

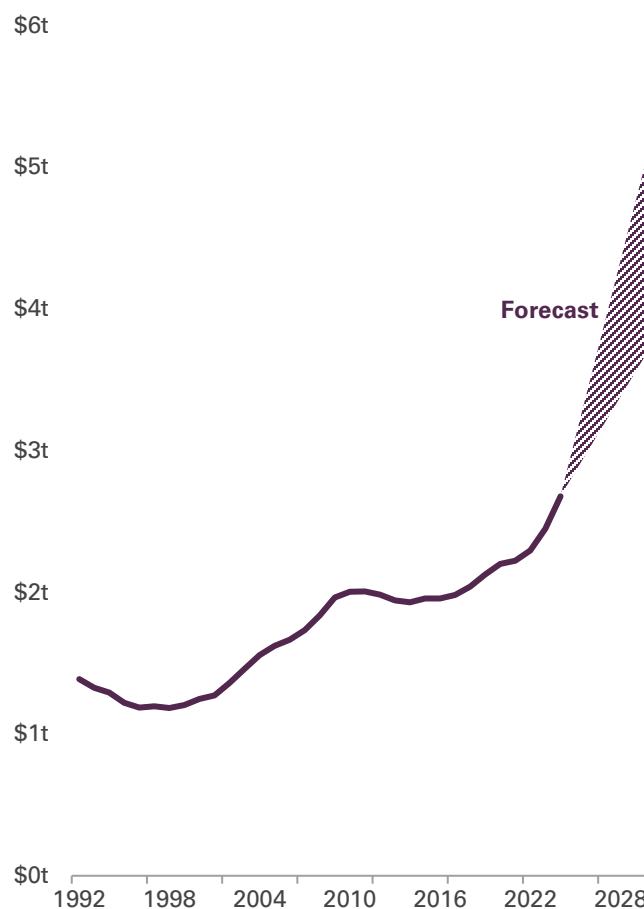
Source: Guggenheim Investments, Harvard Harris Poll, Bloomberg. RHS data as of 12.31.2025, LHS December 2025.

# Strategic Rivalry Will Keep Global Powers Focused on Security

## Great Power Rivalry Keeps Geopolitical Risk Elevated Geopolitical Risk Index, 365-Day Moving Average



## Defense Budgets Set to Climb Amid Security Push Global Military Spending, 2023, \$ trillions

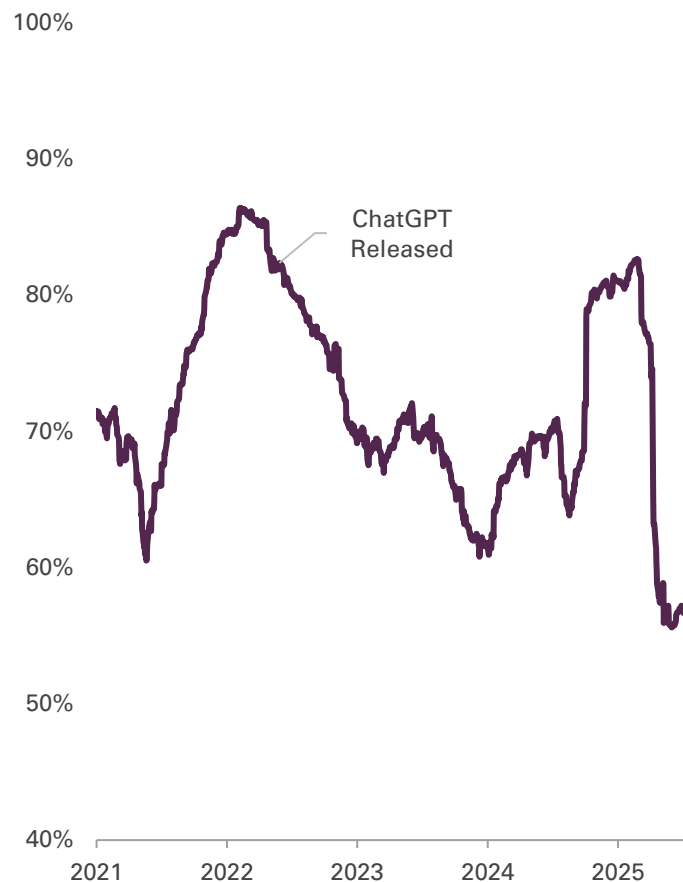


- Competition among major powers will keep geopolitical risk elevated in 2026, as countries seek to secure economic advantage and national security. Although markets have been resilient to geopolitical tensions, sharper escalation is a tail risk.
- With multilateral cooperation waning and tensions high, national security concerns will continue to drive military spending. Governments are likely to prioritize deterrence and defense modernization, with greater investment in advanced capabilities.
- Industrial policy is also likely to gain traction as countries secure critical resources and supply chains. AI will play a prominent role in these efforts to foster strategic technological advantage.
- Trade will remain a fault line as global economies face mounting de-industrialization pressure from Chinese excess capacity. This will drive more restrictive trade policies and scrutiny of imports in politically sensitive sectors.
- Deep economic interdependence will encourage leaders to seek compromise, but the risk of miscalculation and escalation will remain elevated. If a shock emerges that shifts the fundamental outlook, global markets will respond.

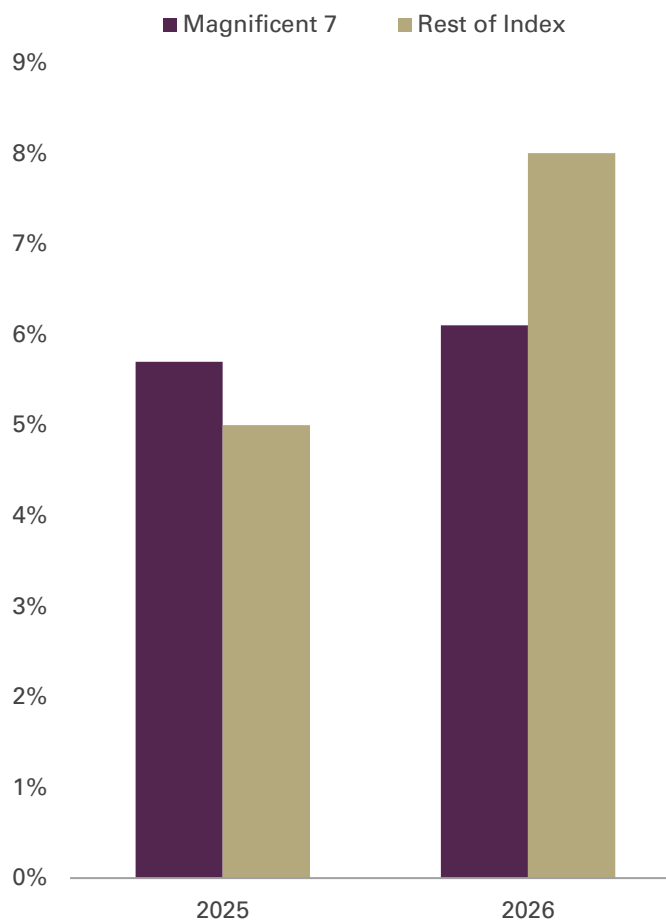
Source: Guggenheim Investments, Bloomberg, Matteo Iacoviello. Data as of 1.5.2026. \*The upper end of the forecast assumes NATO military spending at 5% of GDP, and the lower end assumes 3%.

# Equity Returns Will Broaden as the Expansion Benefits More Firms

## Tech Valuations are Becoming Less Correlated 6m Correl. of Daily Price Changes in AI Early Movers\*



## Earnings Growth Should Broaden in 2026 Exp. Contr. To S&P 500 EPS Growth, 2025 & 2026



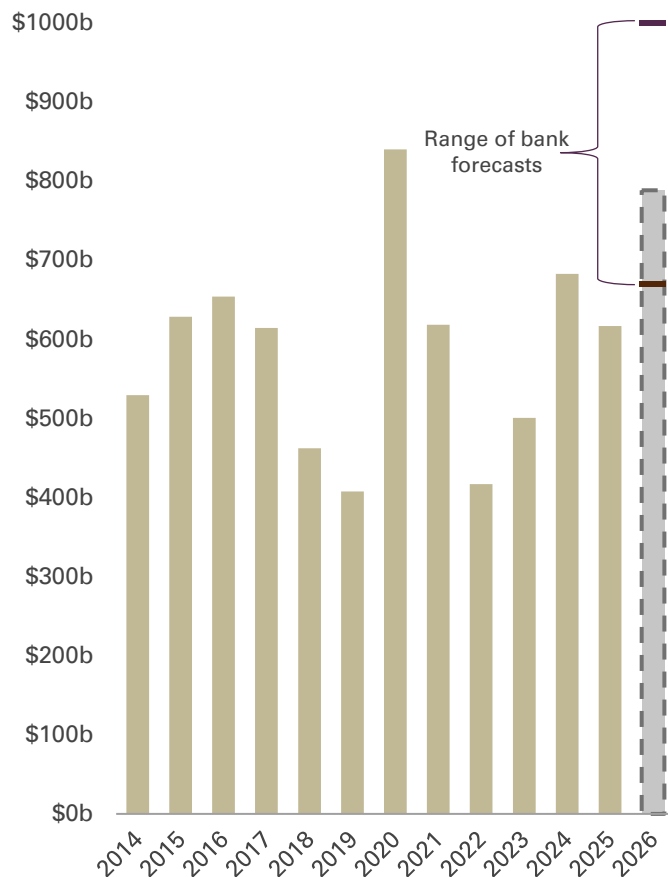
- In 2026, a supportive macro backdrop and intensifying AI competition will broaden equity performance beyond AI leaders. This sets the stage for solid, but more moderate, equity performance than in recent years.
- AI-related stocks soared in 2025 and their daily return correlation peaked at over 80 percent. More recently, intensifying competition and concerns about massive capex plans have led investors to become more discerning. Greater differentiation should continue to provide a healthy check on valuations in 2026.
- At the same time, the positive macro backdrop will foster expanding equity leadership. Lower rates, fading tariff effects and fiscal stimulus will lift earnings beyond the technology sector. As a result, companies outside the Magnificent 7 should contribute more to S&P 500 profit growth than in 2025.
- This backdrop should promote solid equity performance, although elevated valuations lean against the chances for a continuation of recent extraordinary performance. Since 1950, there has been only one period during which S&P returns averaged more than 20% per year over a four-year period.
- The environment favors diversified portfolios that capitalize on broadening equity performance, and the still attractive yields in fixed income.

Source: Guggenheim Investments, Bloomberg. Data as of 1.6.26. \*Average correlation is based on the daily price performance across Apple, Meta, Amazon, Google, Nvidia, Microsoft, Tesla, Broadcom. Measured as the average correlation of each company's daily performance to the group-average daily change, calculated on a rolling 6-month basis.

# The U.S. Will Enter a Corporate Re-Leveraging Cycle

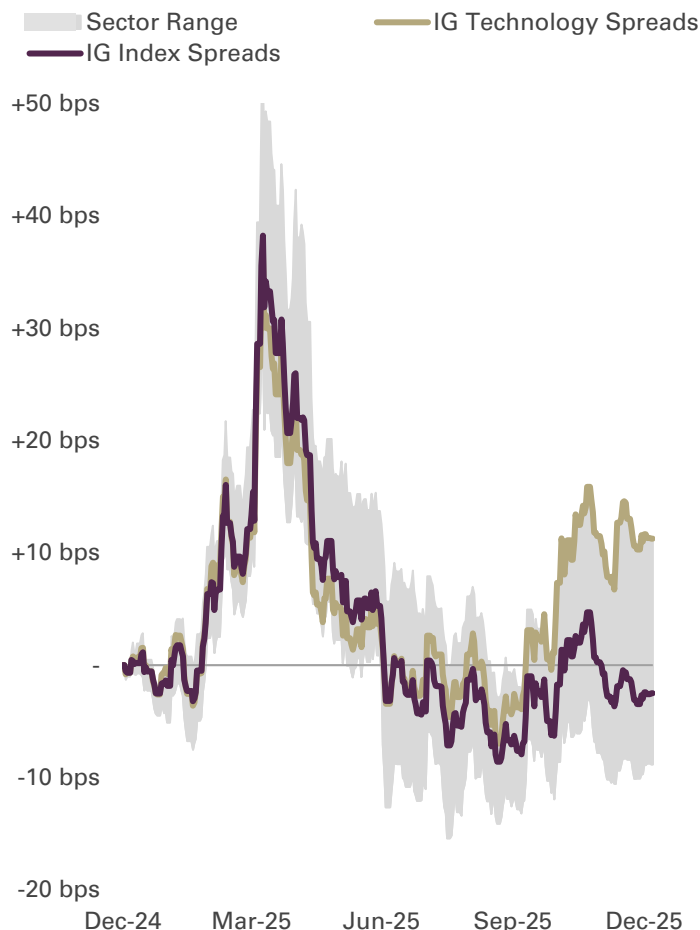
## Net Credit Supply Will Increase in 2026

IG Corp Net Issuance and Bank Forecast, Avg & Range



## Increased Credit Supply May Weigh on Tech Spreads

IG Credit Spreads, Cumulative Change Since 12.31.2024

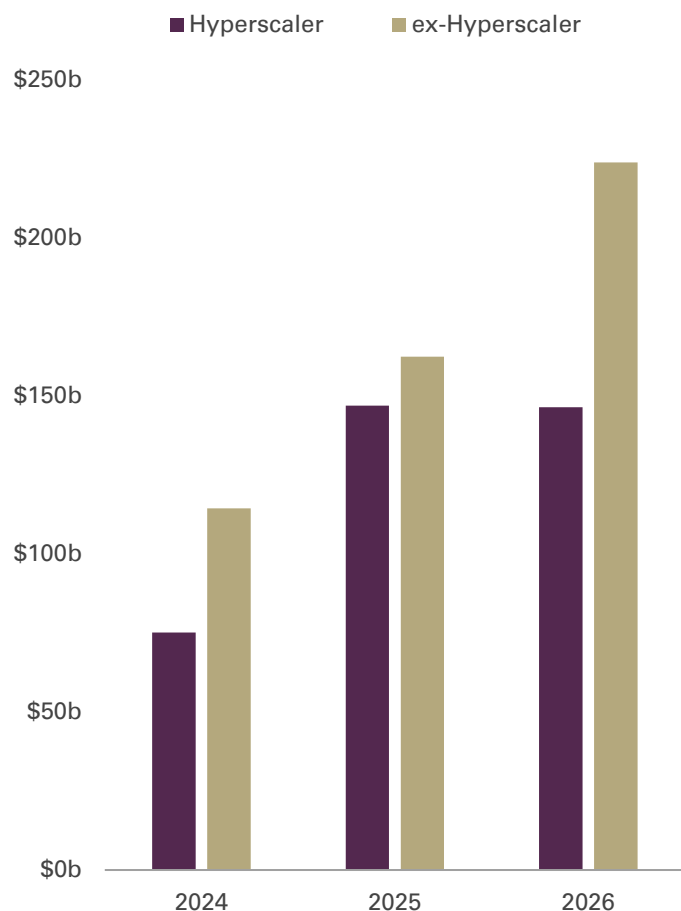


- After years of subdued debt issuance, the U.S. will enter a re-leveraging cycle in 2026, with the strongest net issuance in years.
- Although technology companies have recently funded large investments with cash flows, they are increasingly turning to debt markets for financing. With capex plans continuing to rise, issuance to support data center development and related infrastructure should continue to climb in 2026.
- The constructive macro backdrop is also likely to encourage expanded borrowing. Mergers and acquisitions (M&A) momentum seems likely to persist after 2025's near-record \$4.4 trillion in deals, as lower uncertainty and a friendly regulatory environment spur activity.
- Net investment grade corporate issuance, in particular, could exceed record levels. This supply may exert upward pressure in credit spreads—similar to recent widening in investment grade technology spreads. This will offer investors more attractive entry points for augmenting their credit exposure.
- Spread widening should be contained by robust investor demand, both domestically and abroad, and strong corporate fundamentals.

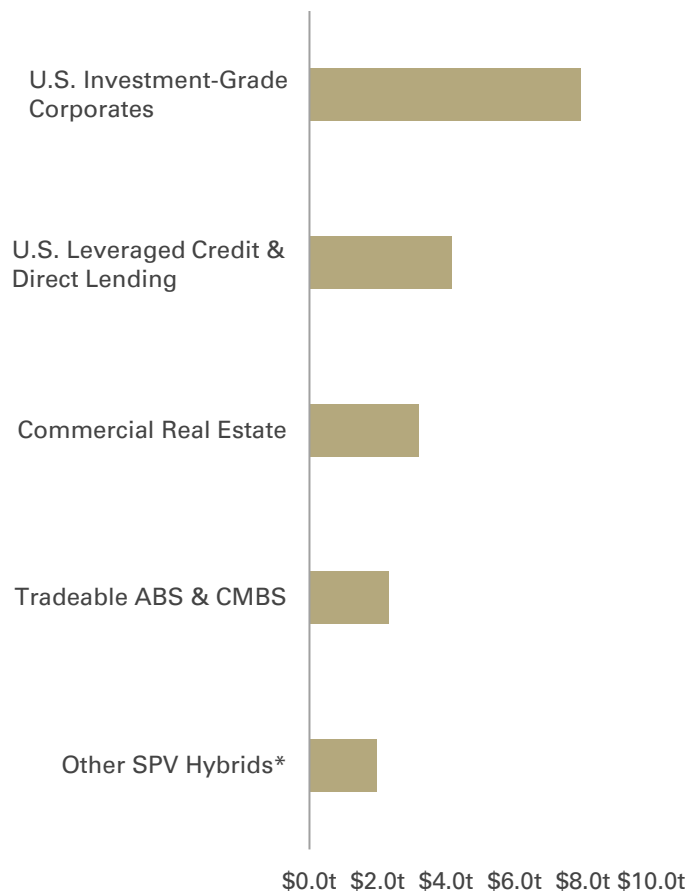
Source: Guggenheim Investments, Morgan Stanley, Goldman Sachs, JP Morgan, BofA Global Research, Barclays, Deutsche Bank, Bloomberg. LHS data as of 12.31.2025, RHS data as of 1.6.2026.

# Infrastructure Investment Will Span Sectors, Increasing Complexity

## 2026 Capex Will Rise, Including from Non-Hyperscalers S&P 1500 Bottom-Up Analyst Forecast of Capex Growth



## Financing for Capital Projects Will Span Sectors USD Market Outstanding



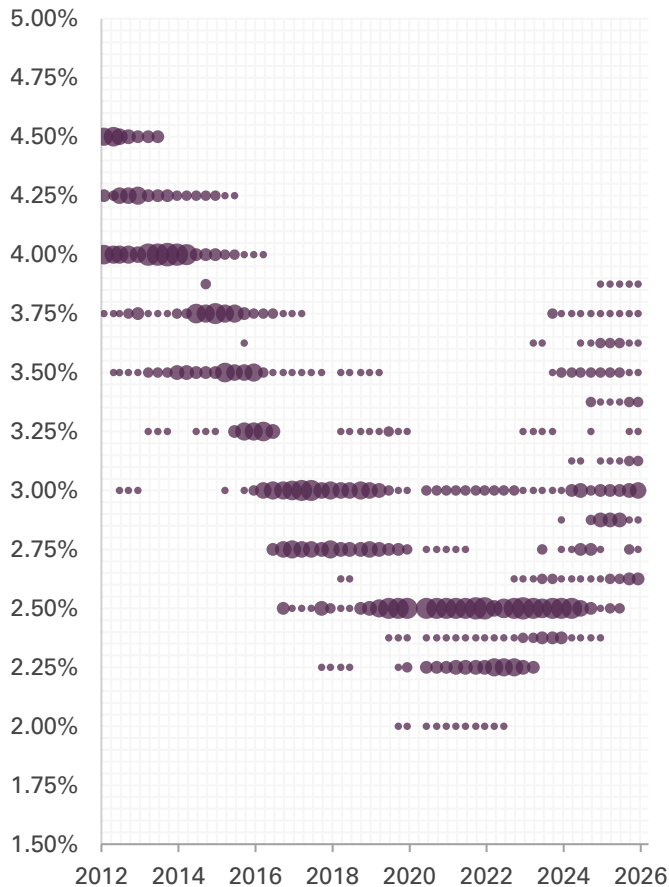
- Infrastructure and capital investment are set to accelerate in 2026. As issuers pursue opportunistic asset-based funding across sectors, complexity will rise in fixed income markets.
- Lower rates and tax policy changes should broaden investment in 2026 beyond technology. The reversal of the bonus-depreciation phase-down, more favorable interest deductibility, and housing incentives under the Big Beautiful Bill and the Infrastructure Investment and Jobs Act will improve after-tax returns on investments.
- Issuers will need to tap a broad set of fixed income sectors to fund this investment given the constraints on issuance imposed by their relative sizes. Deal terms are also likely to become more bespoke and blur the lines between corporates, ABS, and hybrid SPVs.
- For investors, the growing breadth and complexity of infrastructure financing raises the importance of assessing risk and return across markets and structures. This favors investors with integrated credit capabilities rather than those operating within a single market or sector.

Source: Guggenheim Investments, Bloomberg. Hyperscalers include Microsoft, Meta, Amazon, Google and Oracle. \*Other SPV Hybrids are bonds of comparable structures to the bonds issued by Beignet Investor LLC in 2025.

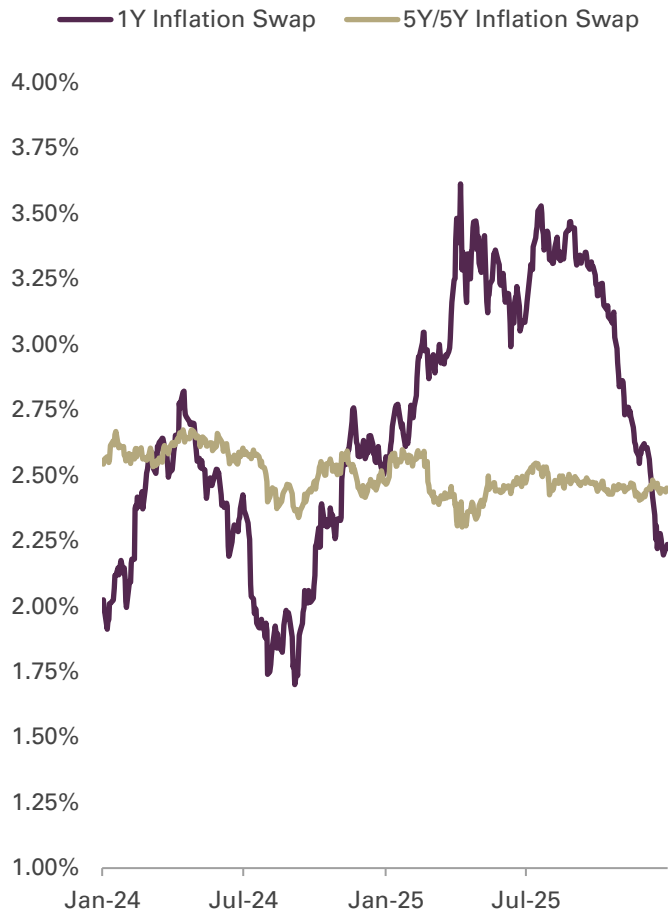


# Policy Rates Will Ease Further, as Inflation Finally Cools

## FOMC Has Differing Views on Policy Restrictiveness FOMC SEP\*, Long-Run Fed Funds Rate



## Disinflation Should Clear the Path for Easing Forward Inflation Rates Implied by Inflation Swaps

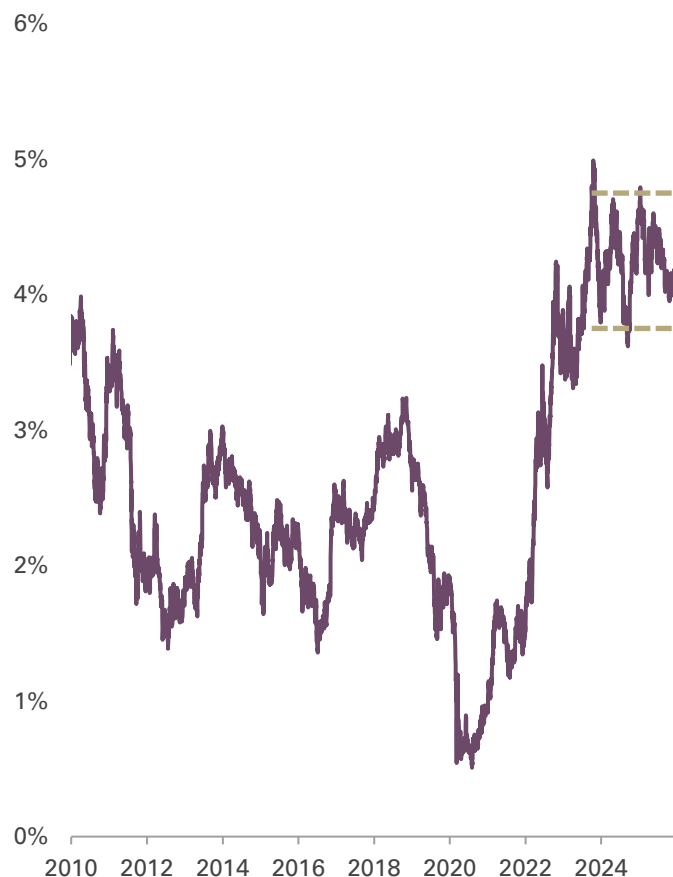


- Although Federal Open Market Committee (FOMC) participants hold dispersed views on policy in 2026, the resumption of disinflation should pave the way for further easing.
- Inflation remained stubbornly above target in 2025 and the labor market continued to cool, creating challenges to both sides of the Fed's mandate.
- Most FOMC participants project improving conditions this year—with stable unemployment and lower inflation. However, there remains a diversity of views about the path of policy, reflecting differing perspectives on the balance of risks and restrictiveness of policy.
- Over the course of 2026, the disinflationary trend should re-emerge, aligning the FOMC on further easing. With tariff rates stable, passthrough should fade. Cooler labor markets and stable inflation expectations should also limit the potential for broader price pressures.
- The transition to a new Chair may lift uncertainty. However, economic conditions will be more more salient to rates, absent credible threats to independence.
- Overall, we expect gradual easing to provide a stable backdrop for US assets. A vulnerable labor market remains a downside risk. The Fed has room to ease further if needed, providing ballast for markets.

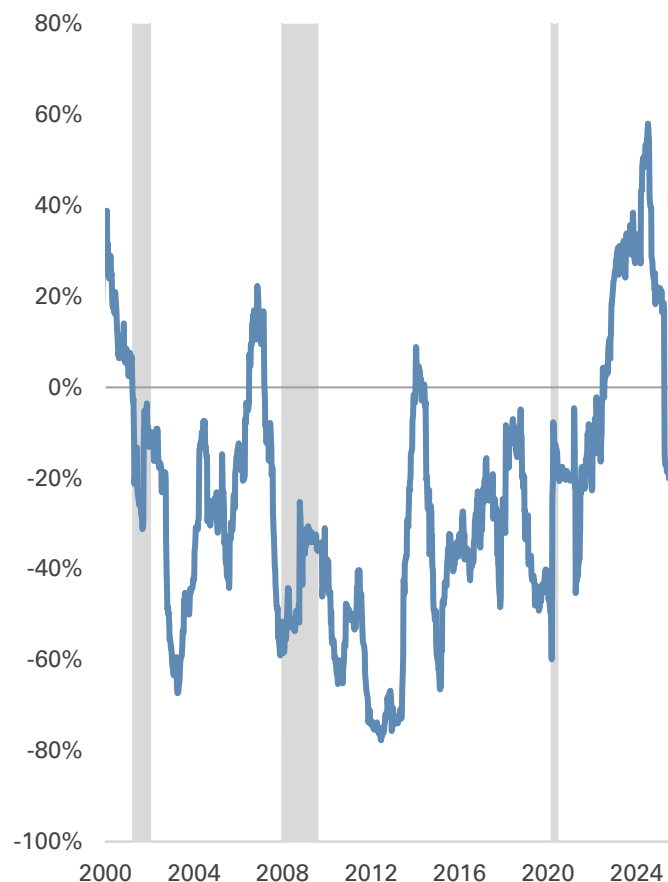
Source: Guggenheim Investments, Bloomberg. Data as of 12.31.2025. \* SEP = Summary of Economic Projections

# U.S. 10-Year Yield Will Remain in a Multi-Year Trading Range

## Yields are Likely to Remain in a Range 10-Year U.S. Treasury Yield



## Bonds Will Continue to Diversify Equity Exposure 1-Yr Correl. of Treasury & S&P 500 Weekly Returns

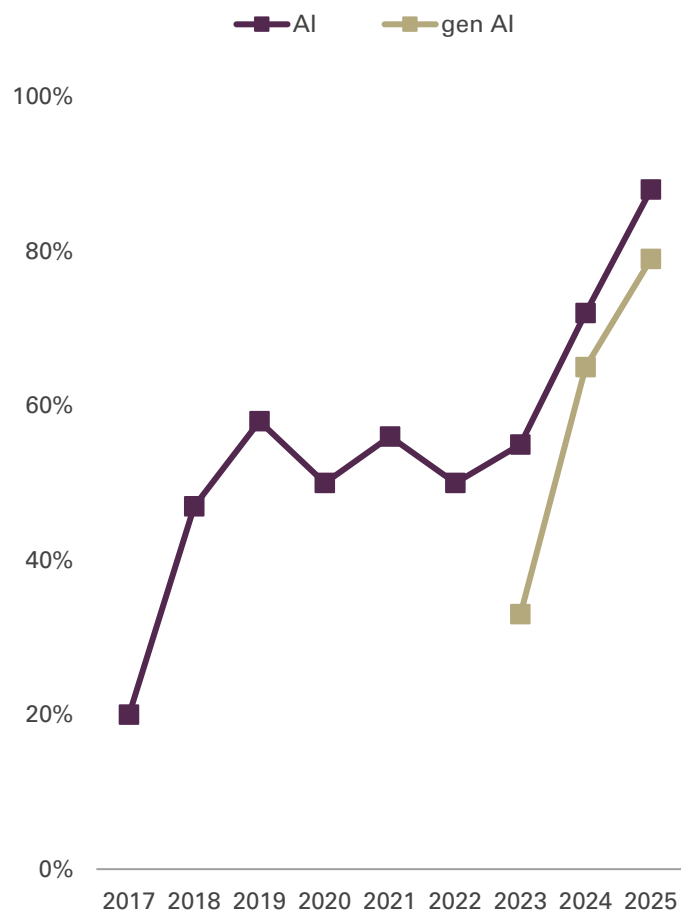


- With the economy moving toward balance in 2026, the 10-year Treasury yield should remain in the trading range established in recent years, anchored by moderate growth and higher, but stable, term premiums.
- Although U.S. deficits remain wide, lower coupon issuance in 2026 should help limit upward pressure on yields. The Fed's reserve management purchases will allow Treasury to delay coupon size increases, and larger Treasury buybacks will offer some stability to the long end.
- Global fiscal pressures remain. We believe the U.S. 30-year yield could re-test 5 percent if investor concerns about global supply intensify, but volatility is likely to be brief, absent a de-anchoring of inflation expectations.
- With the Fed easing gradually, we expect modest further steepening of the yield curve, encouraging greater lending and carry trades across fixed income. Yields seem unlikely to fall below their multi-year range, absent a material weakening in the economy.
- Higher, range bound yields offer investors attractive income. They also provide important diversification to equity risk, as correlations between equity and bond portfolios are likely to remain negative.
- On balance, we see a stable backdrop for U.S. rates, with opportunity for tactical duration management.

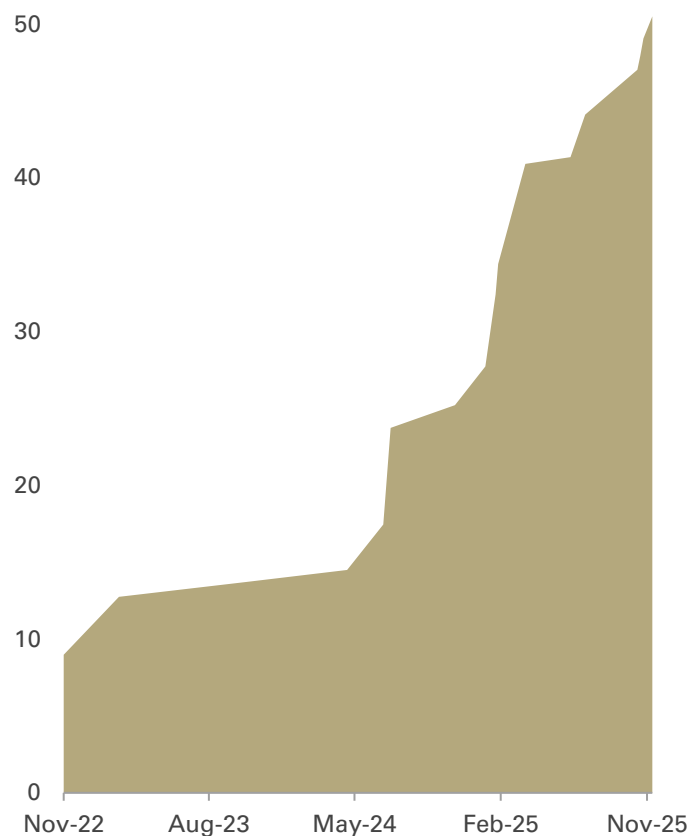
Source: Guggenheim Investments, Bloomberg, Treasury returns based on the Bloomberg U.S. Treasury Index. Shaded area represents U.S. recessions.

# Innovation Will Bring the Future into Focus

## AI Adoption Has Increased Rapidly % Using AI in at least 1 Business Function



## AI Model Capabilities Continue to Improve Artificial Analysis Intelligence Index\* for Frontier Models

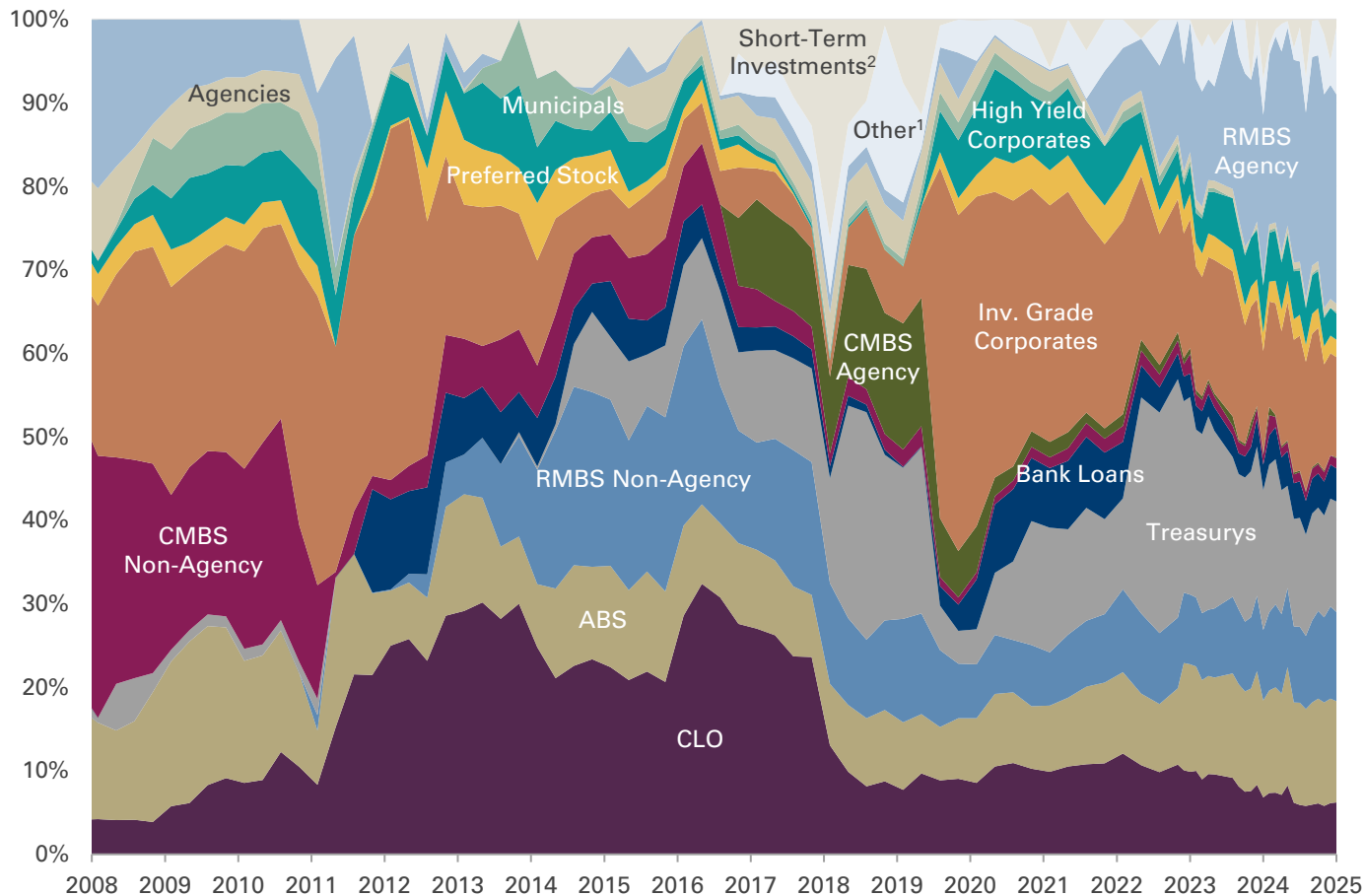


- Firms have rapidly increased their AI investment, with surveys showing over 80 percent using AI in at least one function. 2026 should bring AI's capabilities into sharper focus, and its implications for long run growth.
- A large share of AI users remain in the experimenting or piloting phase and are not yet observing sizable productivity gains from the investment. This could change as frontier model capabilities continue to advance rapidly.
- In 2026, expanding innovation in automation, software integration, and robotics should begin to clarify AI's capabilities. As firms re-imagine operations in sectors like health care, agriculture and food service—cases will emerge that highlight potential efficiency gains. AI's use in scientific research may also reveal its capacity as an inventive tool.
- Key risks of AI will also come into sharper focus, as potential consequences for security and labor markets become more apparent.
- Greater clarity on the costs and benefits of AI have the potential to drive markets in 2026. Tangible efficiency gains could lift the value of potential adopters, and support optimism on longer run growth. However, disappointment around the timeline for these capabilities, as well as the prospect of another DeepSeek moment, continue to represent downside market risks.

Source: Guggenheim Investments, McKinsey, Artificial Analysis, Data as of December 2025. \*Artificial Analysis Intelligence Index v4.0 incorporates 10 evaluations: GDPval-AA,  $\tau^2$ -Bench Telecom, Terminal-Bench Hard, SciCode, AA-LCR, AA-Omniscience, IFBench, Humanity's Last Exam, GPQA Diamond, CritPt

# A Broader Opportunity Set Will Favor Active Management

## Guggenheim's Dynamic Sector Rotation Reflects Changing Opportunity Set Over Time Core Plus Strategy: Allocations Over Time (11.30.2008–11.30.2025)



- The 2026 macro backdrop remains supportive for markets, with growth moving toward balance and domestic policy becoming less disruptive.
- Within this environment, 10-year Treasury yields are expected to remain range-bound, supporting income generation and restoring diversification benefits in fixed income.
- As capital investment and re-leveraging accelerate, a broader and faster wave of credit is emerging across public and private markets, which could increase dispersion. This will shift the source of excess returns away from broad beta toward cross-sector relative value and credit selection.
- We believe this environment favors active fixed-income approaches that can navigate dispersion and allocate flexibly across markets and structures.
- As we enter the year, opportunities are most compelling where there is still excess risk premium in our view, including Agency mortgage-backed securities, structured credit and select real-asset lending. Those views are likely to shift as the year progresses. With opportunities tied to infrastructure and capital investment cycles that will take time to mature, managers with integrated credit platforms that can assess risks and opportunities across structures are better positioned to capture them.

Source: Guggenheim Investments. Allocations are based on representative accounts, include cash and exclude hedges and leverage. The representative account changed on 12.31.2011 to a more accurate representation of what a potential investor would receive. 1. Other includes Foreign Governments and Agencies, Military Housing, CML, Leverage and Fixed Income - Other. 2. Short-Term Investments include Cash, Commercial Paper, Foreign Government – Short Term and T-Bills. Portfolio characteristics for the Core Plus Fixed Income strategy are based on a representative account that was chosen because it is the account within the composite which generally and over time most closely reflects the portfolio management style of the composite. Shown for illustrative purposes.

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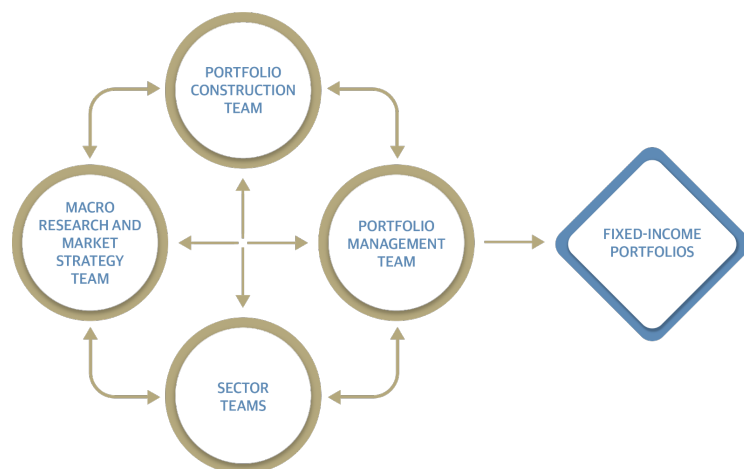
**Investing involves risk, including the possible loss of principal.** In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations ("CLOs"), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate. There is no guarantee that an active manager's views will produce the desired results or expected returns, which may lead to underperformance. Actively managed investments generally charge higher fees than passive strategies, which could affect performance. In addition, active and frequent trading that can accompany active management, also called "high turnover," may lead to higher brokerage costs and have a negative impact on performance. Further, active and frequent trading may lead to adverse tax consequences.

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Guggenheim's fixed-income portfolios are managed by a systematic, disciplined investment process designed to mitigate behavioral biases and lead to better decision-making. Our investment process is structured to allow our best research and ideas across specialized teams to be brought together and expressed in actively managed portfolios. We disaggregated fixed-income investment management into four primary and independent functions—Macroeconomic Research, Sector Teams, Portfolio Construction, and Portfolio Management—that work together to deliver a predictable, scalable, and repeatable process. Our pursuit of compelling risk-adjusted return opportunities typically results in asset allocations that differ significantly from broadly followed benchmarks.



## Guggenheim Investments

Guggenheim Investments has more than \$359 billion<sup>1</sup> in total assets across fixed income, equity and alternative strategies. We focus on the return and risk needs of insurance companies, corporate and public pension funds, sovereign wealth funds, endowments and foundations, consultants, wealth managers, and high-net-worth investors. Our 220+ investment professionals perform rigorous research to understand market trends and identify undervalued opportunities in areas that are often complex and underfollowed. This approach to investment management has enabled us to deliver innovative strategies providing diversification opportunities and attractive long-term results.

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.