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Episode 79: 10 Macro Themes Driving Markets in 2026

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Jay Diamond: Hi everybody, and welcome to Macro Markets with Guggenheim Investments, where we invite leaders from our investment team to offer their analysis of the investment landscape and the economic outlook. I'm Jay Diamond, head of thought leadership for Guggenheim Investments, and I'll be hosting today. Now this is the first podcast in the new year for us. So I want to begin by thanking all of our listeners for your support.

If you have a minute, please rate us five stars, which helps other folks find us. And remember, if you have any questions for any of our podcast guests, please send them to Macro Markets at Guggenheim investments.com, and we'll try to answer them on a future episode or offline. Now today we're diving into our newly published big picture outlook of the year ahead.

Our ten macro themes for 2026, which lays out the key forces that we think will shape the investment landscape in the year ahead. Now, your final link to the Macro Themes Chart pack in our show notes and on the Guggenheim Investments website. Now, our Macro Economic Research and Market Strategy group did the heavy lifting on the macro themes.

And joining us today to discuss it is the head of that group, Patricia Zobel. Welcome back, Patricia, and thanks for taking the time to chat with us today.

Patricia Zobel: Well, thanks for having me on. I'd like to tell everyone Happy New Year. I think it's still okay to say that at this juncture, and it's a pleasure to start the year with a discussion on what lies ahead in 2026.

Jay Diamond: Patricia, before we dive into the macro themes, do set the stage for us, please, which the purpose of the macro themes and how does it inform our investment strategy?

Patricia Zobel: The purpose of the macro themes is really to identify longer running factors that will drive returns for our investors and clients. Each year we take some time to reflect on the year behind us and what we learned, and then we try to think about the underlying forces that will really shape the environment ahead. This is an important exercise for us because it helps us take a step back from the day to day and focus on the trends that ultimately drive markets over a longer horizon. I mean, the intent for us is to cut through the noise and think about how the environment will shape opportunities that create long-run value for our clients.

Jay Diamond: What's the involvement of the portfolio management team in this exercise?

Patricia Zobel: Just like the Guggenheim investment process, the macro themes are a collaborative undertaking. It starts with myself and the macro team sharing ideas about global trends and their implications for markets. And then we have iterative discussions with the PM team, particularly Anne Walsh and Steve Brown, the CIOs, to really hone in on what matters and their investment views.

There's a lot happening in the world, particularly right now. So the key for us is to figure out where to focus, and you'll see somewhat greater focus in Guggenheim’s macro themes on trends driving credit and rates reflecting what's important for our clients. To me, the iterative discussion is an important process because it results in better outcomes. And this is also fundamental to Guggenheim core principles.

Jay Diamond: Now, of course, we have to help people judge the utility and value of these themes. So before we look ahead to 2026, how did we do with our ten themes for 2025?

Patricia Zobel: It's a great question, and maybe I'm biased, but looking back, I think last year's macro themes held up pretty well. We expected a disruptive global policy environment, and we expected that to create significant market volatility too. And this we thought reflected discontent among the global populace after the pandemic and years of elevated inflation. The year certainly delivered on that front, both in terms of the policy volatility and the market volatility.

Still, we expected the U.S. economy to outperform as strong underlying fundamentals and robust investment created resilience. And we expected yields to remain in a higher range against that backdrop, and strong demand for corporate credit to keep spreads narrow. So, we anticipated there would be pretty attractive returns for fixed income investors. All of that worked out pretty well. We think that the world evolved in a manner that those things came to fruition.

I would say we also expected equity gains to moderate because of valuations. U.S. equities still had strong performance last year. But if you look globally other markets outperformed. So I give ourselves 50% on that one.

Jay Diamond: But I think we also had a good investment year. So clearly these themes, if they are truly being incorporated to our investment process, paid off.

Patricia Zobel: We like to think that they provided the backdrop.

Jay Diamond: Okay. So, with that as a Segway, let's talk about the ten macro themes for 2026, which for our discussion today I have grouped into four broad categories: policy themes, economic themes, market outlook, themes, and what I call our action theme. So, let's begin with the policy backdrop. And if you're following along in the ten macro themes chart book, everyone, this is the domestic policy. We'll focus on kitchen table issues supporting growth; strategic rivalries will keep global powers focused on security. It's a turbulent year for policy in 2025. How might that shift go in 2026?

Patricia Zobel: It certainly was a turbulent year last year, and we expect the domestic policy environment this year to evolve. With midterms looming, the administration's focus is going to shift away from the stark direction shifts in macro policy that they enacted in 2025, and instead, we expect them to focus on kitchen table type issues that are most important to voters.

Surveys are pretty clear, after years of elevated inflation, voters number one concern is affordability for things like housing and medical care, where prices have risen faster than real incomes. I think the challenge for the administration is that a lot of these problems are difficult to solve. For example, the high cost of housing has multifaceted drivers, including local regulations and local conditions. So these are hard to address at the national level. So what you've seen and what we expect to continue is the administration turning to unconventional policy approaches. This may affect some market sectors like we saw in response to higher GSE mortgage purchases or potential caps on credit card rates. We think you could continue to see that type of micro volatility this year.

But what we think is that the chances for the market wide volatility that you saw in 2025 have dissipated somewhat, as they really want to keep that growth going and market stable as they approach the election, even as the administration will continue to challenge norms and institutions. You should expect that to continue. But we think the macro policy changes that you saw in 2025 will be less.

Jay Diamond: One of their themes references the global policy environment. How does that play into this idea of a strategic rivalry?

Patricia Zobel: That's certainly what we see in the global macroeconomic environment is a strategic rivalry between global powers. And we view this as something of a transformational shift occurring in the environment and with them increasingly directly competing to secure economic advantage and national security. Tensions are high and multilateral cooperation is certainly waning. But we think countries have strong incentives to find areas of agreement on things like security and trade because they're interconnected economically.

But we do see tail risk of miscalculation, and that's really something that we're watching in 2026.

Jay Diamond: So this leads us up to the next bucket of themes, which again I've called the macro-outlook bucket. The themes in this bucket are the U.S. economy will move towards equilibrium; policy rates will ease toward neutral as inflation cools; U.S. yields will remain in a multiyear trading range; and innovation will bring the future into focus. So, Patricia, your theme suggests a pretty positive environment for growth. What is driving that?

Patricia Zobel: So as you know, we're pretty constructive on the outlook for the economy this year. The economy is entering 2026 with solid growth momentum and still robust fundamentals. And plus there are several tailwinds in the first half of this year that will be coming to fruition. So the first is fiscal stimulus. Retroactive tax cuts are going to support consumers through tax refunds, which estimates suggest could be as high as $100 billion to consumers in the first and early second quarters of this year.

Business incentives are also going to kick in, encourage investment, and these should help broaden out what has been to date a pretty narrow expansion focused on AI investment and high income consumers. Of course, AI investment will continue to be a source of strength in 2026. Hyperscaler investment should continue to rise and is projected to be over $500 billion this year.

And there also be related investments in things like power. And this is something that we noted last year as well. We expect that to continue to drive growth this year. So it sets up the first half for pretty strong growth, probably what we would consider to be above trend. Still, we see the economy moving toward equilibrium in the second half as fiscal stimulus fades.

And that'll reduce demand. And as productivity growth remains pretty strong it has been pretty strong, and we expect it to remain so—this will allow for solid growth without inflationary pressures heating up.

Jay Diamond: So where does this leave your view on the Fed's future path of monetary policy?

Patricia Zobel: Well, it's been a challenging time for monetary policy over the course of the last year because there have been challenges to both the inflation and labor market sides of the Fed's mandate. And this has really left the committee pretty divided on the path of policy ahead. The December SEP showed that FOMC participants still have fairly wide projections for the fed funds rate in 2026, and that's unusual given the fact that their economic projections were actually all pretty aligned.

I think that reflects differences in opinion on the restrictiveness of policy and the balance of risks. Our base case is for these tensions to diminish in 2026, and for that to lead to them cutting rates back to around 3%. As inflation cools, it will help align FOMC participants on further easing by demonstrating that policy has been restrictive enough and that nominal rates can come down.

Jay Diamond: So how does the economic outlook and your monetary policy view shape your overall rates outlook?

Patricia Zobel: With moderate growth and higher but stable, what we think is stable term premiums, we see Treasury yields remaining in the multi-year range that they've been in both last year and the year before. So absent an unforeseen shock to inflation expectations we don't see the ten-year yield going above for 475 on a sustained basis. Fiscal concerns remain in the background.

And in particular I think for global economies. You see other countries really having their fiscal outlooks affecting their bond markets, but the U.S. deficit shouldn't worsen materially this year unless policy shifts. And Fed bill purchases should help keep coupon issuance pretty stable. So we think the upper end of the range in Treasury yields is 475. At the lower end of the range we see positive longer-run growth environment for the US., keeping yields above 3.75, unless there's a real shock to the outlook or the economy. Higher range-bound yields create what we see as a pretty attractive backdrop for fixed income, you know, with strong carry and opportunity for active managers to adjust duration. Higher yields also create diversification to equity risk and investor portfolios. So we think it's a pretty attractive environment.

Jay Diamond:

Which is a good lead into the next bucket of themes, which I'm calling the market outlook themes, which are mostly related to what I think is a force multiplier in our current economy, AI. And these themes are: Infrastructure investment will span sectors and increase complexity; equity returns will broaden as the expansion benefits more firms; And finally, the U.S. will enter a corporate re leveraging cycle. So what are the opportunities for investors here?

Patricia Zobel: We think the fixed income opportunity set is going to be pretty strong in 2026. I think it's true that AI is going to be a big driver this year. But the backdrop that we discussed—less macro disruption from policy, growth returning to equilibrium, and the fed easing, really sets up a pretty constructive environment for risk assets performance to broaden out beyond tech in 2026.

Equity leadership seems set to expand. In recent years, gains in equity markets have been heavily concentrated in tech stocks. These gains were supported by their strong earnings growth and, as a matter of fact, in 2025, Mag seven companies contributed more to S&P earnings than the other 493 companies combined. But in 2026, earnings should expand out as fiscal incentives kick in and tariff effects fade.

This sets us up for pretty positive equity returns, but we'll say again this year, maybe not the outsized returns that you saw in the last few years. Competition is heating up in the AI space. And we think that's going to cap valuations there and keep returns somewhat moderate.

Jay Diamond: And what about the corporate really re-leveraging.

Patricia Zobel: We think that's going to be a big theme for fixed income investors. And with yields still pretty attractive we think that there's going to be a lot more opportunity, expanded opportunity in fixed income markets. This is really going to be driven by the AI infrastructure investment, but also rising business CapEx and M&A, and that's going to expand issuance across sectors.

So we expect net issuance could rise substantially after several years in which net debt issuance in the U.S. had been pretty constrained. And estimates suggest that it could exceed even record levels, possibly maybe over $900 billion, by some estimates. This has the potential to create some modest spread widening. The low fixed income net supply was one of those factorsolding spreads tight. But we think the positive fundamentals and the strong investor demand for U.S. credit is going to keep that contained.

Jay Diamond: So this brings us to our concluding theme, the action theme, which is called a broader opportunity set will favor active management. Explain this theme.

Patricia Zobel: This highlights our conclusion across the themes that we had. Again, we examined the themes that we thought would be important for the fixed income investors, and we think it really captures some of what we think is going to provide attractive opportunities in 2026, but also a need for investors to be cognizant of the new complexity that is going to be present in fixed income markets.

So, first of all, I would say in terms of the fixed income opportunity, with the macro economy moving into balance and the Fed easing, it sets up again a good environment, a positive environment for yields to provide attractive income for investors. Record new issuance in credit from across sectors, not just AI, is likely to expand the opportunity set Modestly wider spreads should provide opportunities for new investment, but that will be, as we said, modest and not challenging for existing investors. I think one of the things that we would see next year, though, is that complexity, as we said, is going to increase across fixed income markets. What you see is that as investors invest in infrastructure, you're going to see more asset-based financing and funding across markets because of the very large infrastructure supercycle that we're about to see.

And that just creates more structures that require managers that can assess the risks associated with those structures and look across markets and find the best risk-adjusted opportunities. But overall, I think it's an environment that favors carry. We're looking at an environment where we can monetize this lower vol environment and still take advantage of still elevated yields. So we think it's going to be a good environment for active managers next year.

Jay Diamond: This is great. We'll check back in a year to see how we've done. But Patricia, now that we've kind of gone through all the themes, how would you sum up the overarching takeaway that you'd like to leave with our listeners?

Patricia Zobel: What I would leave investors with is that we see a positive backdrop for U.S returns in 2026. First, it's, corporate profitability is going to expand and this should create a good environment for risk assets broadly. But the environment is going to be complex and it's going to favor managers that have experience across fixed income markets and managers that know how to actively adjust positions. And so, we think it's a good environment for active fixed income managers.

Jay Diamond: Terrific. Again Patricia, thank you so much for your time. The beginning of the year is very busy. so I appreciate it. Before I let you go, do you have any final thoughts to share?

Patricia Zobel: I would again wish our listeners a Happy New Year and we appreciate your interest in our views. And we hope to be back next year and discuss other ones.

Jay Diamond: Great. So thank you again, Patricia, for your time and for your insight. I hope you can come visit again with us soon. And thanks to all of you who have joined us for the podcast today. Again, if you like what you're hearing, please rate us five stars. And if you have any questions for Patricia Zobel or any of our other podcast guests, please send them to us at Macro Markets at Guggenheim Investments, dot com and we will do our best to answer them on a future episode or offline.

I'm Jay Diamond, and we look forward to gathering again for the next episode of Macro Markets with Guggenheim Investments. In the meantime, for more of our thought leadership, including our Ten Macro Themes for 2026, please visit us at Guggenheim investments.com/perspectives. So long.

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