

GUGGENHEIM

Macroeconomic and Investment Research

10 Macroeconomic Forecasts for 2016

January 2016

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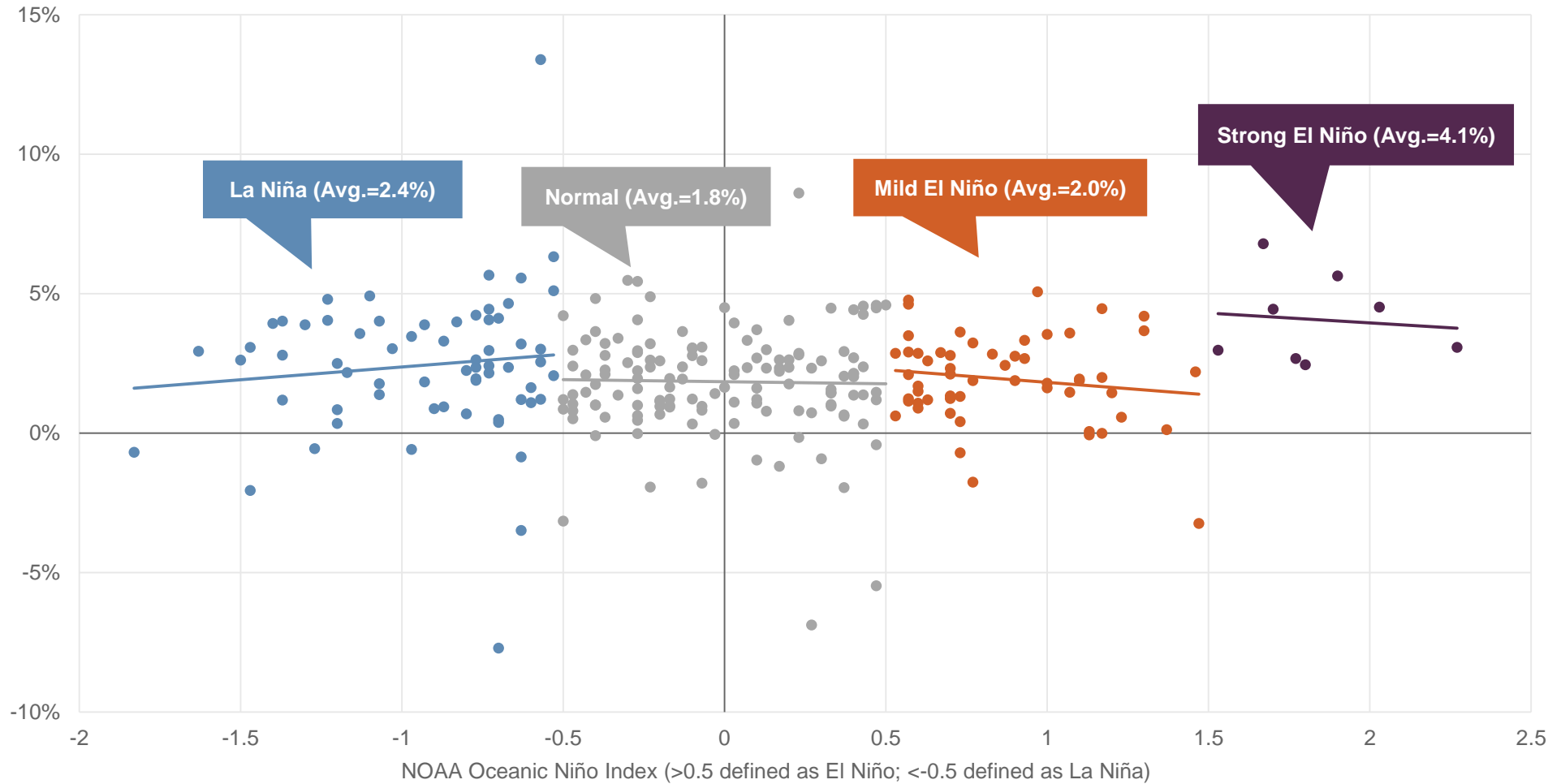
Overview

1. El Niño Will Boost U.S. GDP Growth
2. The U.S. Unemployment Rate Will Approach 4 Percent
3. U.S. Headline CPI Will Jump Due to Base Effects
4. Net Issuance of U.S. Treasury Notes and Bonds Will Fall by \$200 Billion
5. U.S. New Home Construction Will Increase
6. Tighter Labor Market Will Spur Wage Growth
7. Diverging Monetary Policies Will Drive Further Dollar Appreciation
8. The Euro Zone Recovery Will Continue to Strengthen
9. China Will Weaken the RMB to Support Growth
10. World Oil Supply/Demand Will Move Closer to Balance

El Niño Will Boost U.S. GDP Growth

U.S. Personal Consumption Expenditures Contribution to GDP Growth Rises During Strong El Niños (1950-Present)

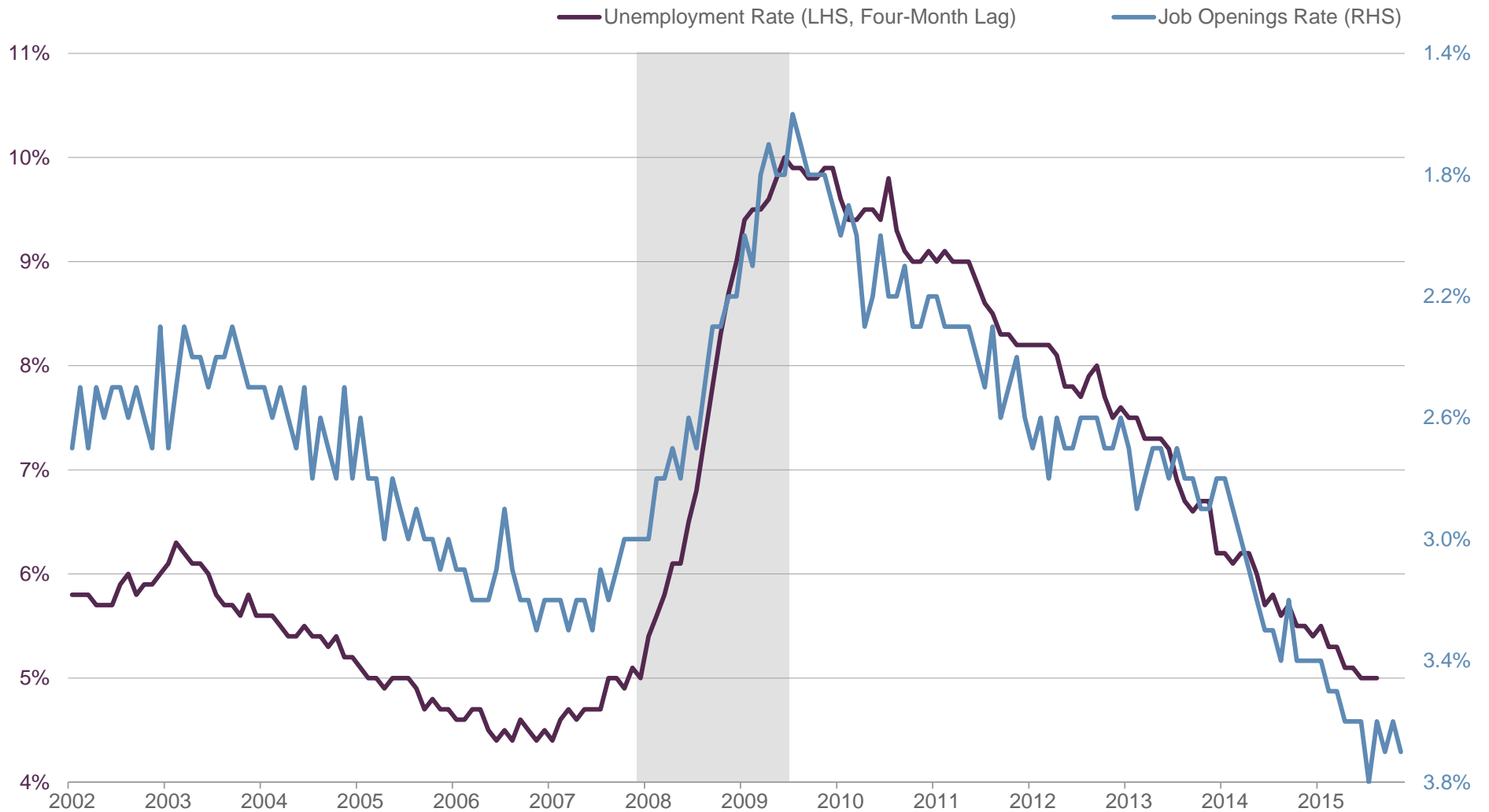
PCE Contribution to Real GDP Growth (QoQ SAAR)



Source: NOAA, Haver Analytics, Bloomberg, Guggenheim Investments. Data as of 3Q2015.

The U.S. Unemployment Rate Will Approach 4 Percent

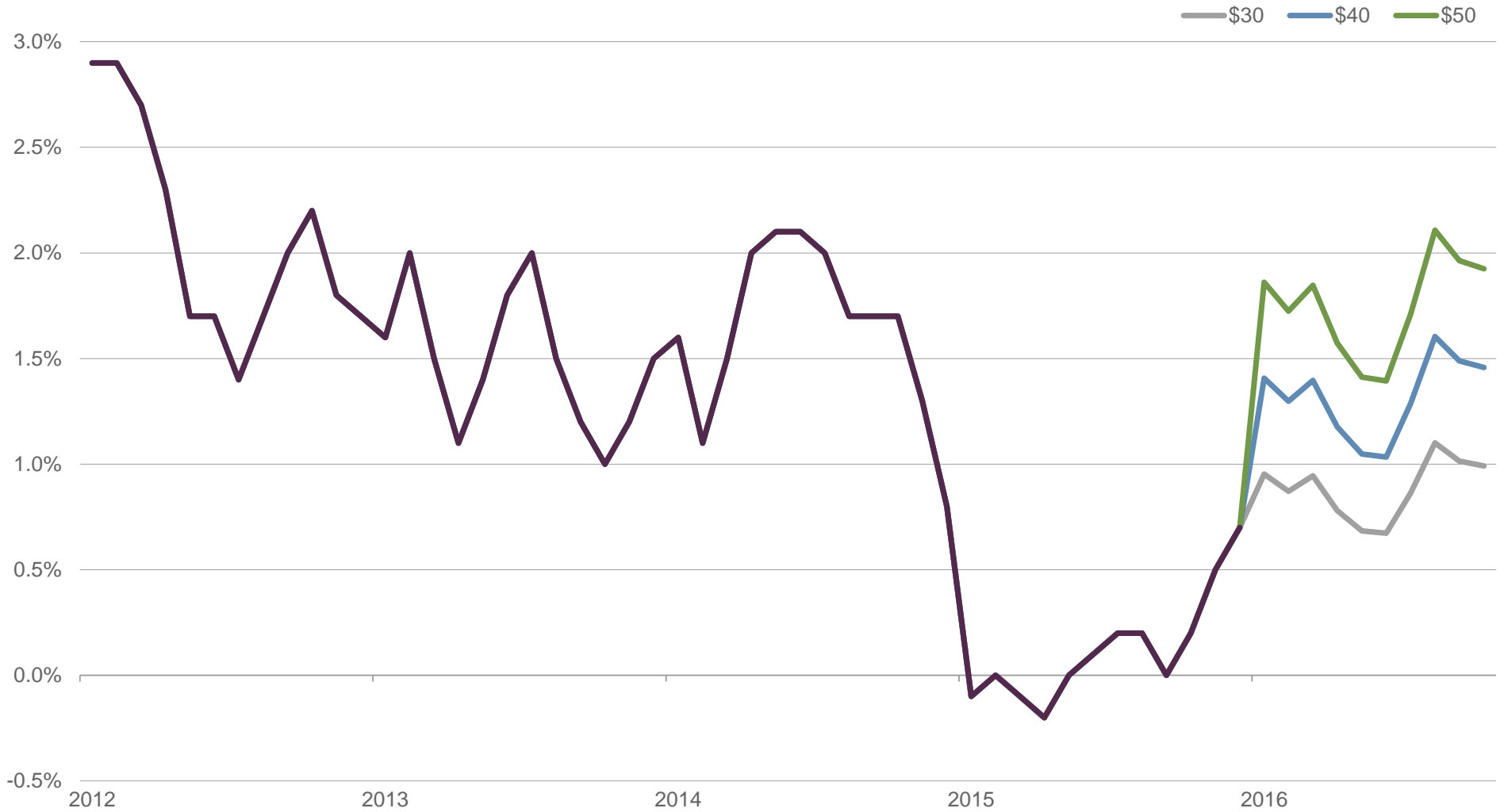
Elevated Job Openings Portend Further Declines in the Unemployment Rate



Source: Bloomberg, Guggenheim Investments. Data as of 11.30.2015. Note: shading area highlights recession.

U.S. Headline CPI Will Jump Due to Base Effects

Headline CPI (YoY%) Is Set to Rise Under Various Oil Price Scenarios



Source: Bloomberg, Guggenheim Investments. Data as of 12.31.2015. Note: Projection assumes constant core CPI of 2.0 percent.

Net Issuance of U.S. Treasury Notes and Bonds Will Fall by \$200 Billion

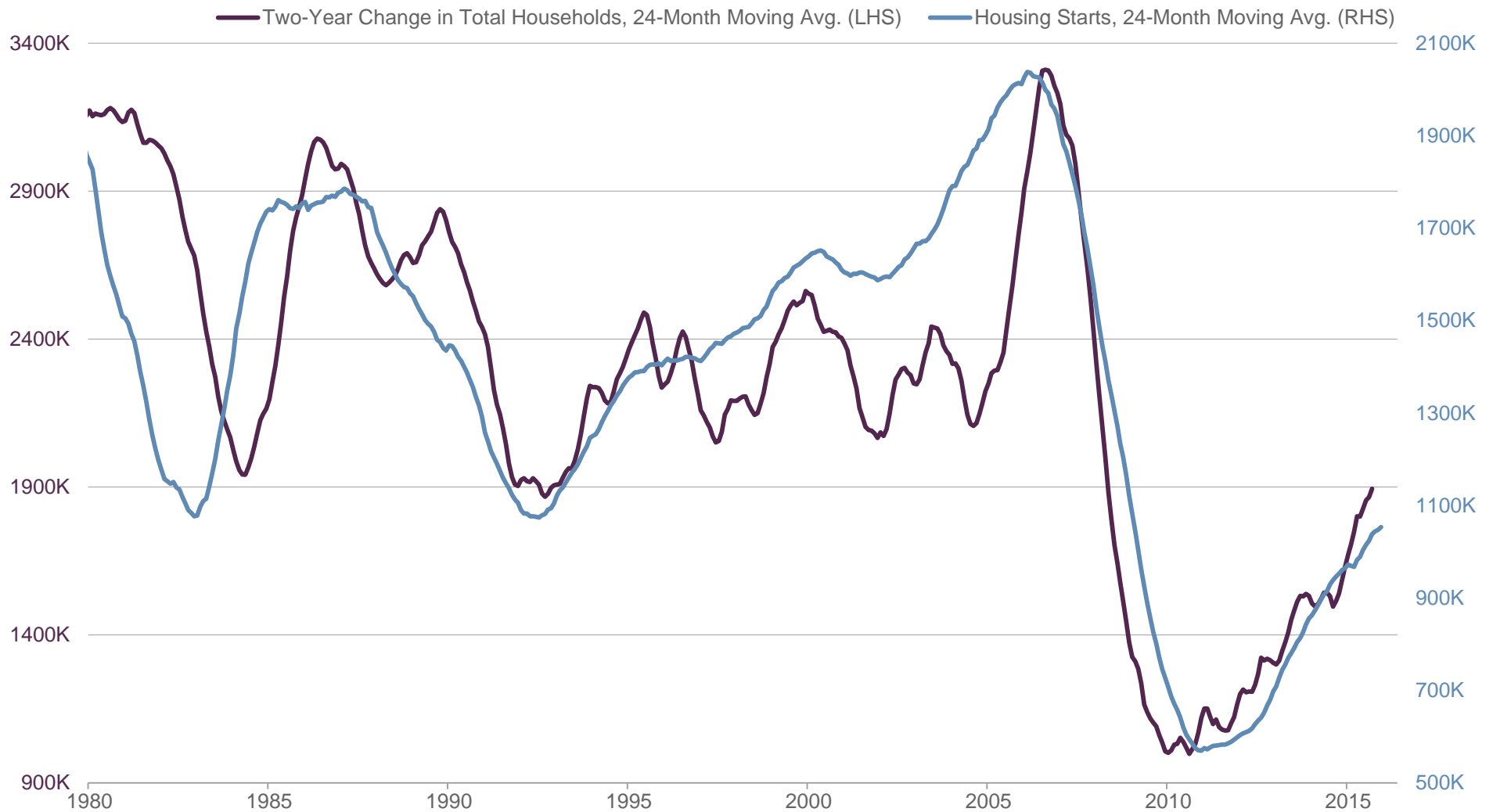
Treasury Will Cut Note Issuance to Make Room for Increased Bill Supply



Source: Guggenheim Investments, Haver Analytics, U.S. Treasury, Federal Reserve. Note: in USD billions. Excludes net issuance of T-bills.

U.S. New Home Construction Will Increase

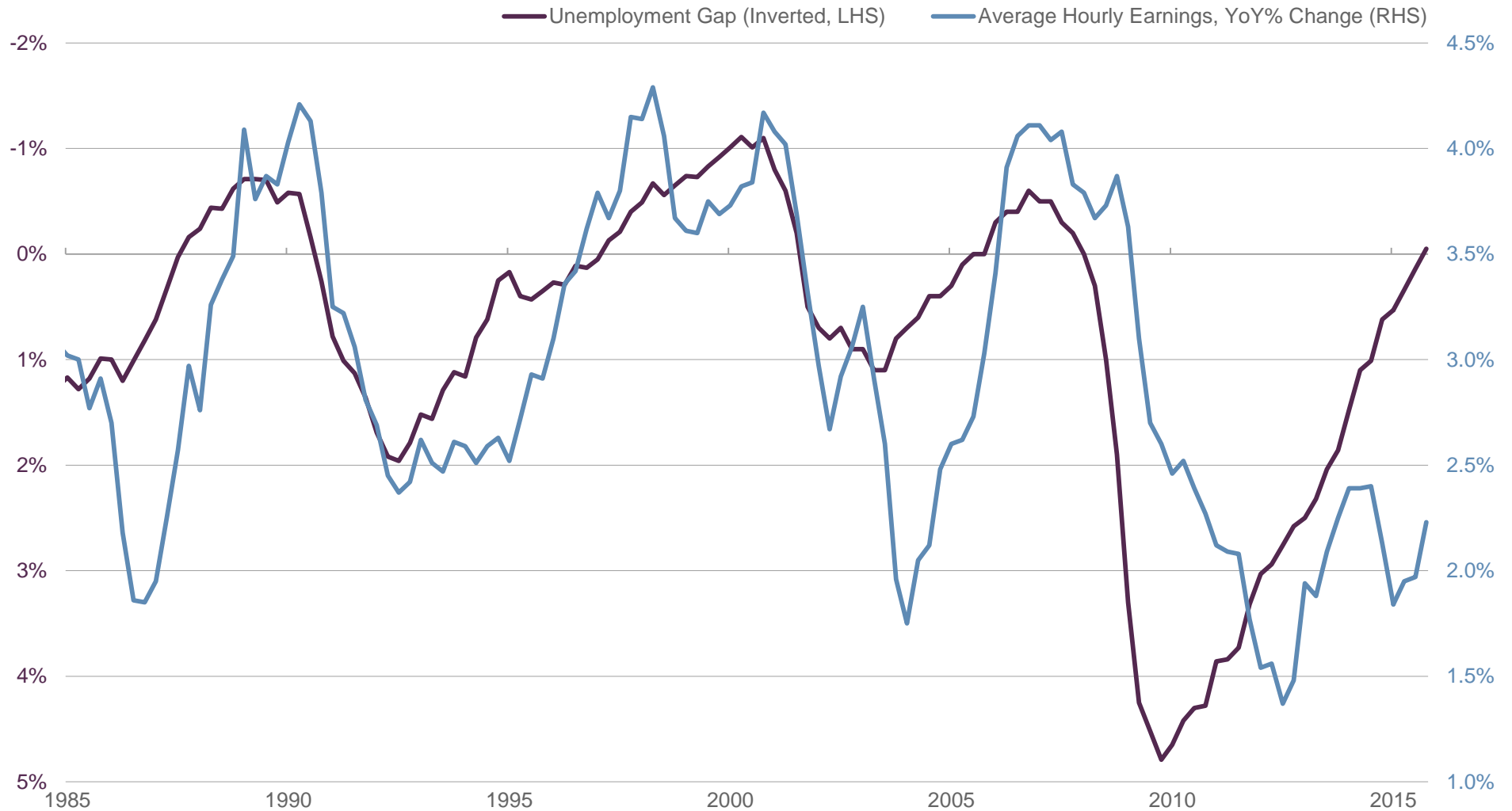
Rising Household Formation Supports a Pickup in New Home Construction



Source: Haver Analytics, Guggenheim Investments. Data as of 12.31.2015.

Tighter Labor Market Will Spur Wage Growth

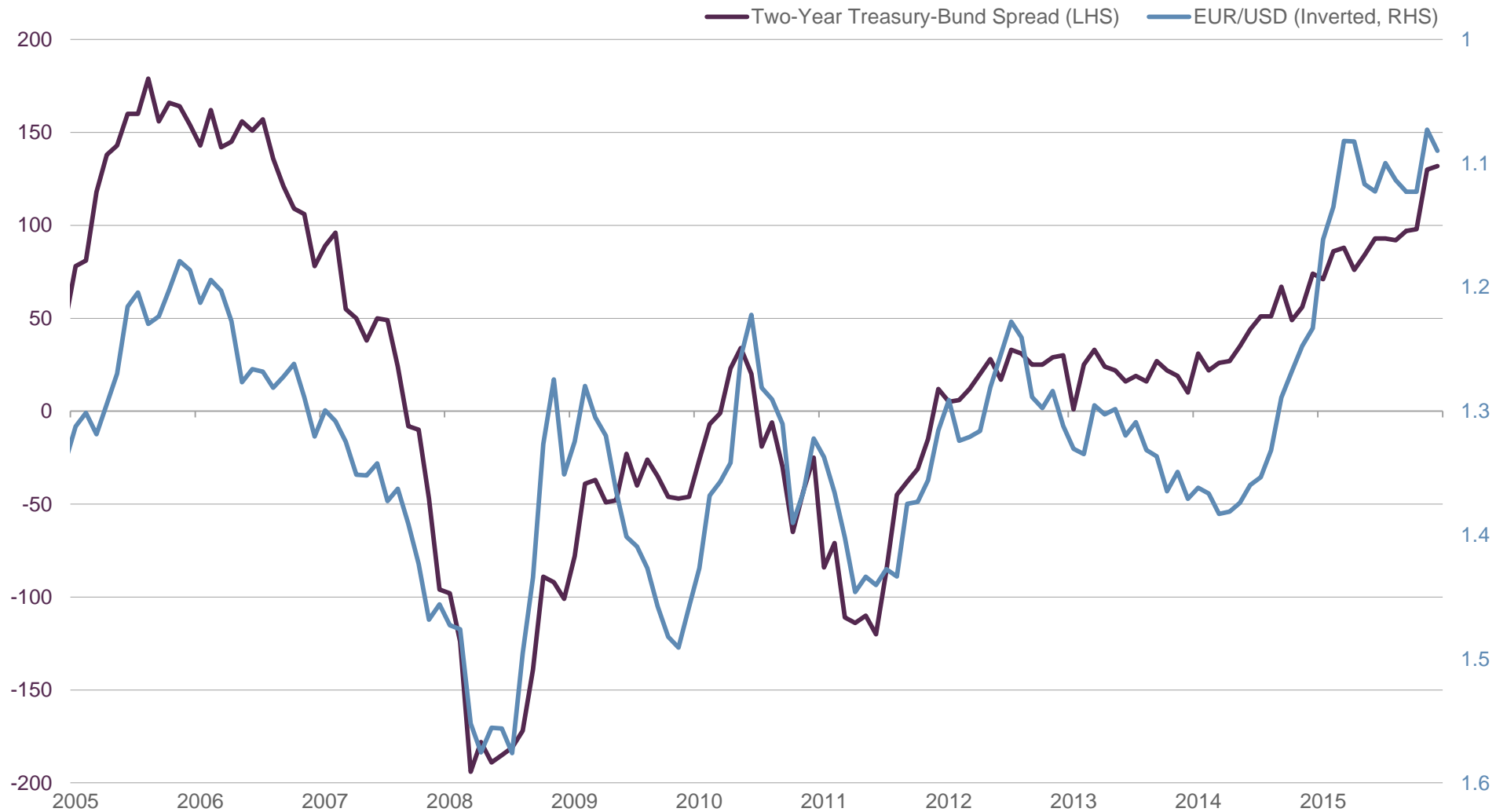
Average Hourly Earnings Are Set to Accelerate as Slack Diminishes



Source: Haver Analytics, Guggenheim Investments. Data as of 12.31.2015. Note: Unemployment Gap is defined as the U3 unemployment rate minus the CBO's NAIUR estimate.

Diverging Monetary Policies Will Drive Further Dollar Appreciation

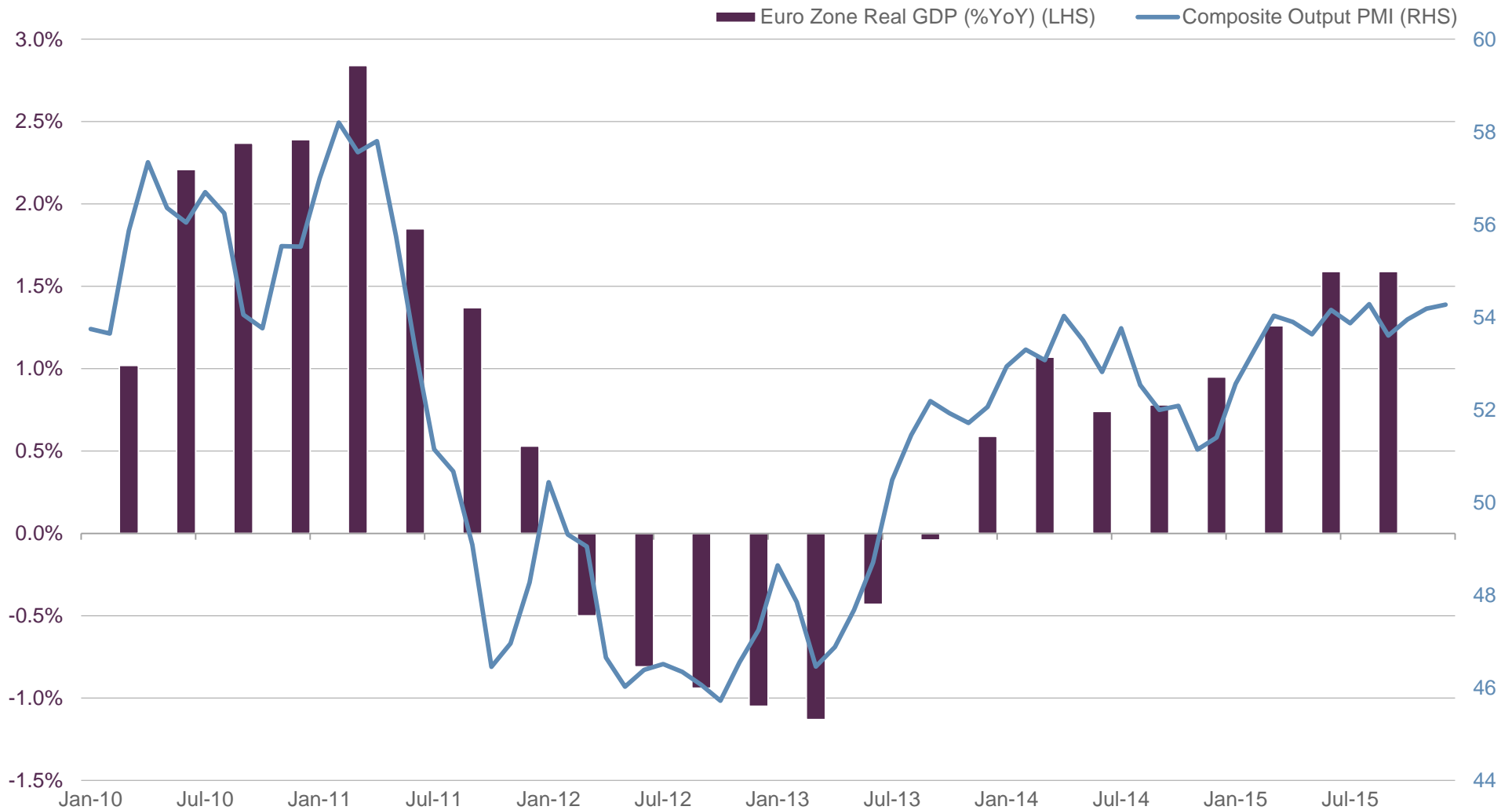
Two-Year Yield Differentials Tend to Drive EUR/USD



Source: Haver Analytics, Bloomberg, Guggenheim Investments. Data as of 12.31.2015.

The Euro Zone Recovery Will Continue to Strengthen

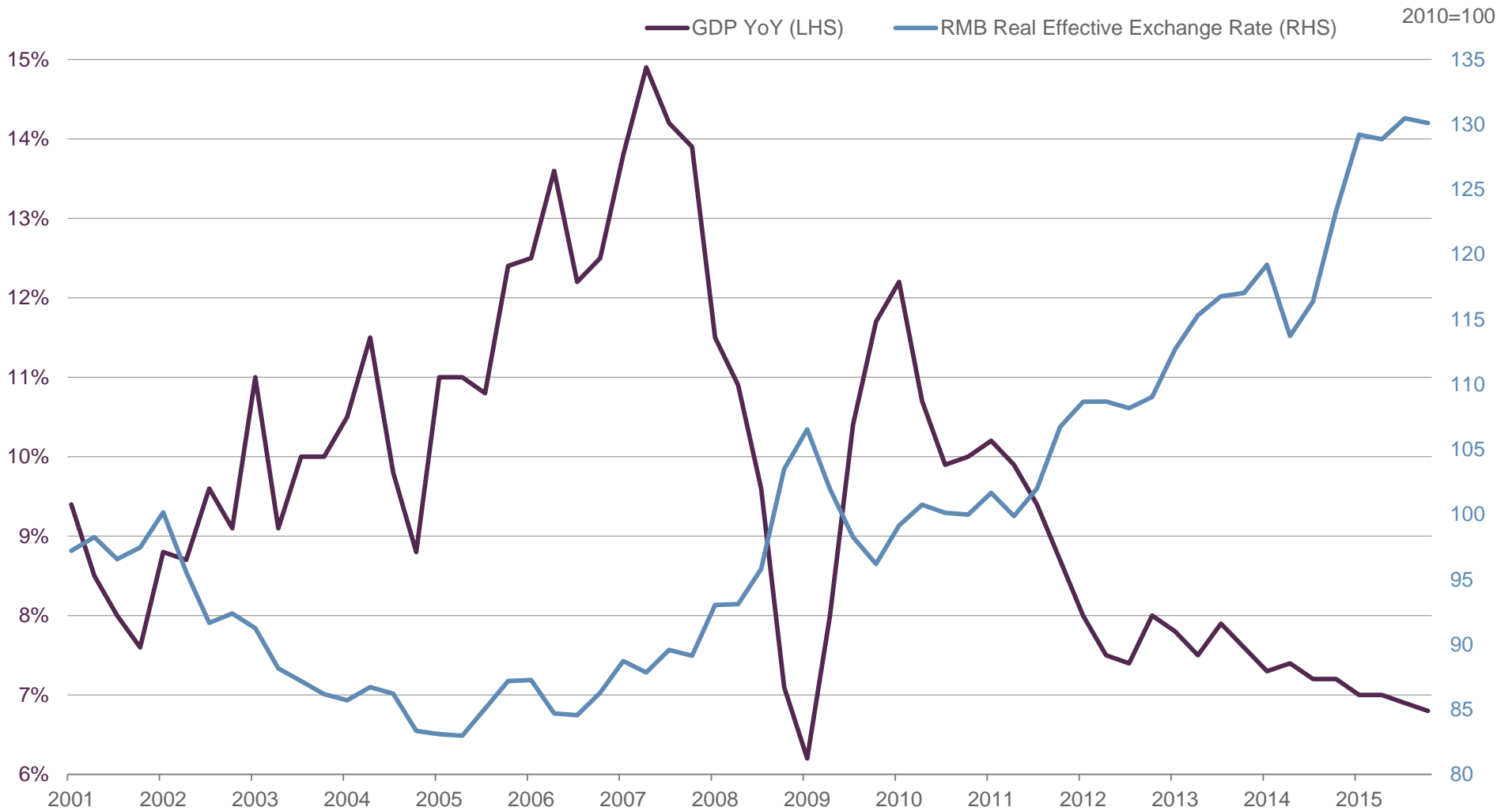
European Central Bank Action Will Support the Euro Zone Economy



Source: Bloomberg, Guggenheim Investments. Data as of 12.31.2015.

China Will Weaken the RMB to Support Growth

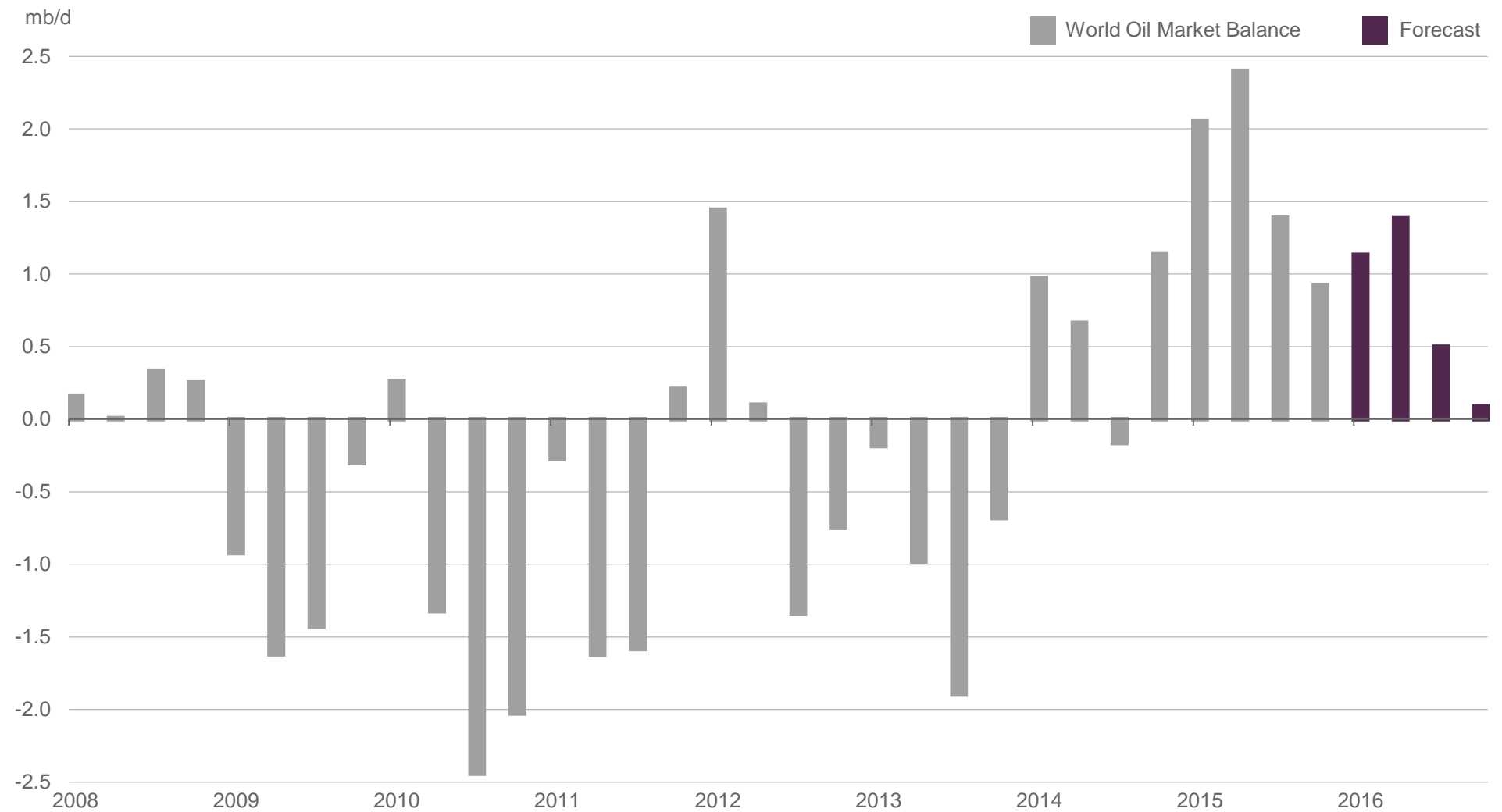
The Chinese Currency Has Continued to Strengthen Even as Growth Has Downshifted



Source: Haver Analytics, Guggenheim Investments. Data as of 4Q2015.

World Oil Supply / Demand Will Move Closer to Balance

Demand Growth Outpacing Supply Growth Will Help Rebalance the World Oil Market in 2H2016



Source: IHS, Guggenheim Investments. Data as of 12.31.2015.

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