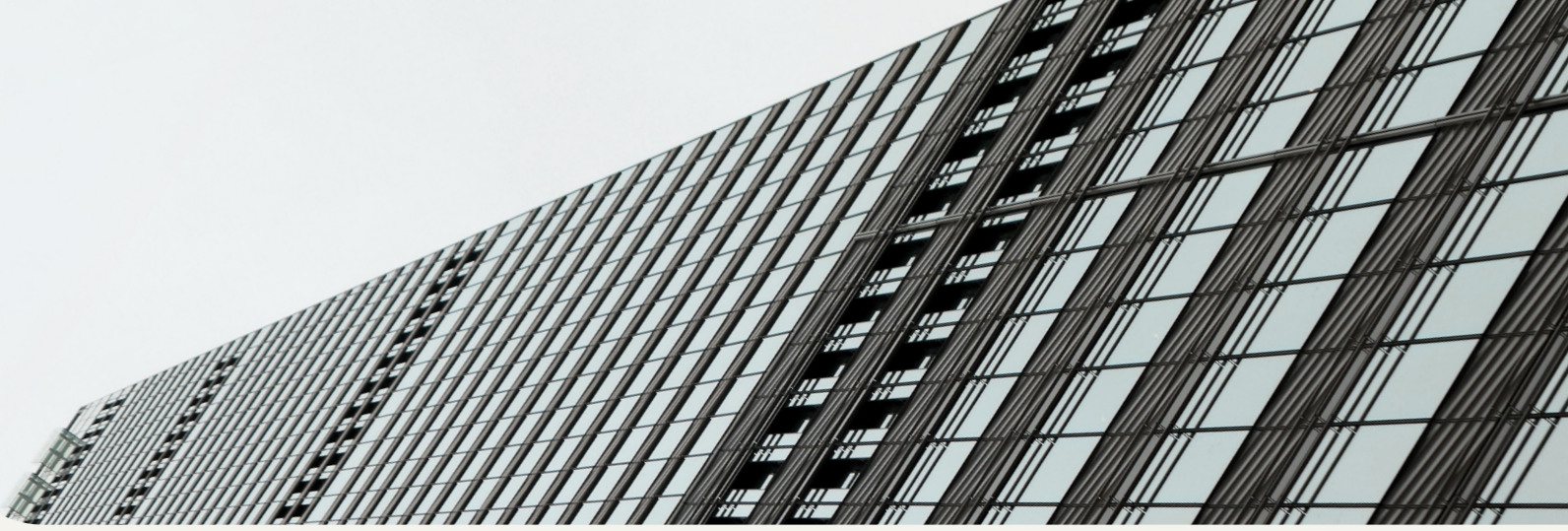




Fourth Quarter 2026

Fixed-Income Sector Views

GUGGENHEIM
INVESTMENTS



Scorecard

Yield Matrix

	12 Month	2 Year	5 Year	7 Year	10 Year	30 Year
Treasurys	4.5%	4.9%	5.1%	5.2%	5.3%	5.6%
	AAA	AA	A	BBB	BB	B
Corporate Bonds	5.8%	5.9%	5.9%	6.2%	7.1%	8.3%
Leveraged Loans	-	-	-	-	7.2%	9.1%
Asset-Backed Securities	5.2%	5.7%	6.3%	7.1%	-	-
Collateralized Loan Obligations	5.6%	5.9%	6.1%	7.3%	12.5%	-
Taxable Munis	5.6%	5.8%	6.0%	6.8%	-	-
Tax-Free Munis	4.6%	4.7%	5.0%	5.4%	5.8%	-

Spread and Performance

Index / Sector	Spread / Discount Margin / Muni Ratio	QOQ Change bps	YOY Change bps	Spread Percentile (Decade)	Yield	Yield Percentile (Decade)	3Q26 Return %
Bloomberg U.S. Aggregate Bond Index	31 bps	5	3	14%	5.6%	100%	-3.5%
Bloomberg Investment-Grade Corporate Bond Index	80 bps	6	7	11%	6.0%	99%	-3.9%
Bloomberg High Yield Index	313 bps	48	42	28%	8.4%	87%	-1.8%
S&P UBS Leveraged Loan Index	482 bps	-18	31	54%	9.6%	86%	2.1%
Palmer Square CLO Index AAA	114 bps	1	4	18%	5.6%	81%	1.2%
ICE BofA AA-BBB US ABS Index	145 bps	-17	-22	11%	6.4%	83%	-0.6%
Bloomberg Taxable Municipal Bond Index	69 bps	1	-7	3%	5.8%	100%	-4.4%
Bloomberg Tax-Free Municipal Bond Index	92%	12%	2%	38%	4.8%	100%	-6.3%
Bloomberg U.S. Agency MBS Index	43 bps	19	13	66%	5.9%	100%	-4.3%
Bloomberg U.S. Agg-Eligible Non-Agency CMBS Index	110 bps	1	-12	49%	6.1%	91%	-1.4%

Sector Pairs (Spread and Return Differences)

High Yield Corporates - IG Corp	233 bps	42	36	37%	2.3%	34%	2.1%
AAA CLO - IG Corp	34 bps	-5	-3	49%	-0.5%	22%	5.2%
AA/BBB ABS - IG Corp	65 bps	-23	-29	32%	0.4%	40%	3.3%

Source: Guggenheim Investments, Bloomberg, S&P UBS, ICE Index Services, Palmer Square. Data as of 9.30.2026. 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 Treasurys. This contrasts with corporate bonds, where valuation is primarily expressed as a spread over Treasurys.

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High Yields, High Quality

Highest yields in nearly 20 years provide attractive opportunities, but tail risks mandate selectivity.

Higher starting yields, solid growth, and limited scope for Treasury yields to move materially higher create an appealing environment for fixed income. Our baseline U.S. economic outlook calls for real gross domestic product (GDP) to grow slightly more than 2 percent this year and into next. Consumer spending will likely moderate as tax refunds deplete, wage growth cools, and high gasoline prices erode purchasing power, but a stable labor market should provide a floor. Our baseline view sees the Federal Reserve (Fed) lifting rates in December to 4.125 percent and then holding rates constant until there is a clear moderating trend in core Personal Consumption Expenditures (PCE) inflation. Still, the economy relies on AI investment, and any decline in the outlook for that spending poses a risk to our view.

Credit and Risk Positioning

Our investment approach is guided by several key dynamics: yields are attractive at their highest levels since 2007, with what we believe is limited scope for Treasury yields to move materially higher; credit spreads in many sectors remain near all-time tights; and credit fundamentals are strong overall but weakening in industries more exposed to tariffs, technology shifts, and interest rates.

In this environment, our positioning emphasizes income generation and diversification. We prefer high carry instruments within defensive sectors, including senior commercial ABS and non-Agency RMBS, where complexity provides excess premium. Within corporate credit, we remain up in quality.

Duration and Interest Rate Views

The Treasury yield curve has flattened, with the market now pricing in more rate hikes than even the most hawkish Federal Open Market Committee (FOMC) participant and with the Treasury accelerating its long-end buybacks. We think much of the repricing is behind us and are positioned for a slight re-steepening. We continue to believe Treasury Inflation-Protected Securities offer a compelling risk-reward profile, providing meaningful upside if the Fed hikes less than currently priced in and a durable hedge if inflation reaccelerates.

The economy remains resilient, the Fed has positioned itself as a determined fighter against above-target inflation, and term premiums remain elevated from concerns over government debt levels, which leave us to navigate increased volatility and an array of tail risks to our base case. Against this backdrop, we believe rigorously vetted higher quality credit offers attractive yields, potential price appreciation, and portfolio ballast to weather the range of outcomes.

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

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

Resilient Growth, Stubborn Inflation

AI fuels growth, but energy-driven inflation keeps more Fed hikes in play.

The U.S. economic expansion remains resilient, with real GDP expected to grow slightly more than 2 percent this year and next. AI-related capital spending continues to fuel growth, but investment is broadening across sectors. Tax provisions in the One Big Beautiful Bill Act, strong corporate profits, and lean inventories are supporting activity across much of the economy, while the industrial sector is also benefiting from AI demand. Consumer spending faces some headwinds as the tax boost fades, wage growth cools, and elevated gasoline prices erode purchasing power. Still, a steady labor market that is showing signs of strengthening should support spending, while strong gains in household wealth help offset modest real income growth. Because these gains largely reflect AI-driven market optimism, however, both consumer spending and business investment remain vulnerable to a shift in the AI narrative.

Inflation readings have shown modest progress in recent months, helped by the recent downward revisions and some cooler readings over the summer. But the 12-month rate of core PCE remains stuck around 3 percent, while

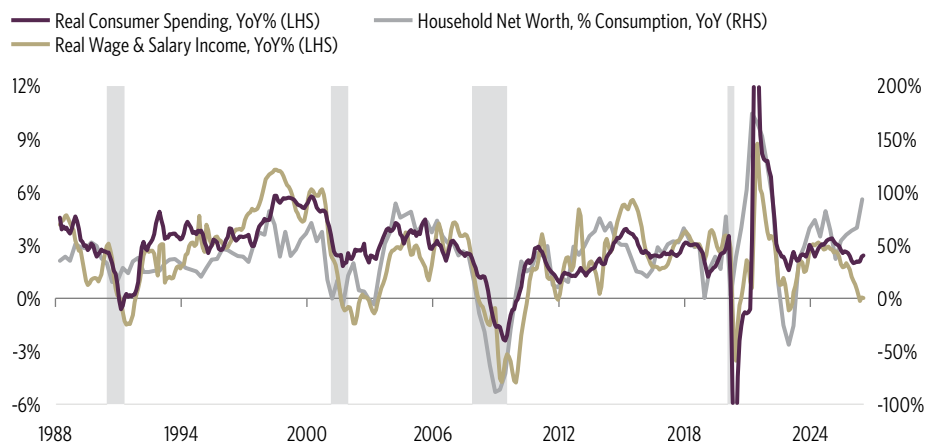
robust growth and war-related energy price spikes threaten to prolong this stickiness. Refined-product energy prices, particularly diesel, have hit new highs in recent weeks, and broader commodity prices have also moved higher. And while the worst of the memory cost spillover to consumer software prices looks to be behind us, more AI effects on consumer tech hardware could lie ahead. Altogether we see the year-over-year rate of core PCE staying around 3 percent through year end, before moderating to around 2.5 percent in 2027.

The September Fed hike revealed the FOMC believes the economy is strengthening, increasing its growth projections even as the expected path of policy rates moves up. For now, the restart of rate hikes does not appear designed to derail this economic strength, but rather to limit upside risks to inflation by “removing a dose of accommodation.” We think the Fed will hike once more in 2026 before they hold and assess the inflation trend. Should it decide more actively restrictive policy is called for, there is a risk of additional hikes, an outcome on which the market is putting a high probability.

By Matt Bush and Maria Giraldo

A steady labor market that is showing signs of strengthening should support spending, while strong gains in household wealth help offset modest real income growth.

Strong Wealth Gains Cushioning Consumers From Softening Wages



Source: Guggenheim Investments, BEA, Federal Reserve, Haver. Data as of 7.31.2026 for spending and income, 6.30.2026 for net worth. Spending and income are 3-month moving averages.

RATES

Oil Shock, Rate Shock—Value Emerges

The global fixed-income selloff has left yields at compelling levels.

Third quarter markets were dominated by the Middle East conflict's impact on oil prices, which rose more than 40 percent and reignited global inflation concerns. Multiple G10 central banks resumed tightening, pushing sovereign yields significantly higher and flattening yield curves. Adding to the volatility, Fed Chair Warsh began steering the FOMC away from forward guidance. The global fixed-income selloff has left yields at compelling levels not seen in 20+ years. Energy markets must stabilize and inflation must moderate before yields can move materially lower from here.

Sector Commentary

- The continuing Middle East conflict pushed Brent crude oil prices from \$70/barrel to more than \$100/barrel, reigniting global inflation concerns. In response, the Fed, the European Central Bank, the Reserve Bank of New Zealand, the Reserve Bank of Australia, and the Bank of Japan each raised their policy rate by 25-basis points, with Japan's overnight rate reaching a 31-year high of 1.25 percent.
- Amid market crosscurrents, U.S. Treasury yields rose by 50–75 basis points, and the yield curve flattened. The move was global: 10-year sovereigns across most other G10 markets climbed more than 50 basis points, most strikingly in Japan, where the 10-year note rose above 3 percent for the first time since 1996.
- Compounding the Treasury market's difficulties, Warsh's first few meetings as Fed Chair proved trying as markets questioned the FOMC's resolve to tighten amid elevated inflation, though the Sept. 16 hike was generally welcomed.

Investment Themes

- Yields are unlikely to move materially lower until energy markets stabilize and inflation moderates. We do not expect that transition in the near term, but we believe it will occur before the hiking path currently priced by the market is fully realized. The front end should benefit if that hiking cycle is not fully realized.
- With policy rate pricing and yields now settling into a materially higher range, we think much of the repricing is behind us. Combined with increased Treasury focus on long-end buybacks, multi-decade yield highs, and attractive carry and rolldown in the 15–20 year sector, these factors lead us to favor opportunistically adding duration.
- Agency callable bond spreads to Treasuries have widened to levels not seen in several years. Higher yields across the curve, wider spreads, elevated volatility, and large dealer inventories have left recent callable Agency structures clearing at attractive coupons for yield-oriented investors.

By Kris Dorr and Tad Nygren

Yields are unlikely to move materially lower until energy markets stabilize and inflation moderates. We do not expect that transition in the near term, but we believe it will occur before the hiking path currently priced in by the market is fully realized.

Oil Volatility Triggers a Spike in Yields

Recent Moves in Treasury Yields Following Oil Prices



Source: Guggenheim Investments, Bloomberg. Data as of 9.30.2026.

INVESTMENT-GRADE CORPORATE BONDS

Tight Spreads Persist Amid Record Issuance and Rate Volatility

Record issuance and AI financing split the market while spreads held firm.

Despite geopolitical tensions, Fed policy uncertainty, record corporate issuance, and a sharp backup in U.S. Treasury rates that drove Bloomberg Corporate Investment Grade Index total returns to -3.9 percent in the third quarter, mutual funds and ETFs saw inflows, supported by historically high all-in yields. As a result, investment-grade corporate spreads traded in a tight range and near historical tightness throughout the third quarter.

Sector Commentary

- At around \$300 billion year to date, AI/datacenter/hyperscaler debt financing was the most influential driver of investment-grade spreads through the third quarter. Dispersion between AI-related spreads and industrials continued to widen alongside steeper hyperscaler credit curves. Concessions on the largest primary issuances appeared to reflect limits on investor exposure and single-name sizing rather than a broader repricing of risk.
- Credit curves excluding AI/tech continued to flatten. The combination of limited long-duration industrial supply, secondary selling in front-end bonds, and issuers shifting primary issuance inside 10 years as rates rose suggests that supply mix, more than volume, has been the dominant technical factor.
- Second quarter fundamentals revealed marginally lower net leverage and higher earnings before interest, taxes, depreciation, and amortization (EBITDA) margins. We expect fundamentals to soften in the third quarter as input and corporate funding costs rise.

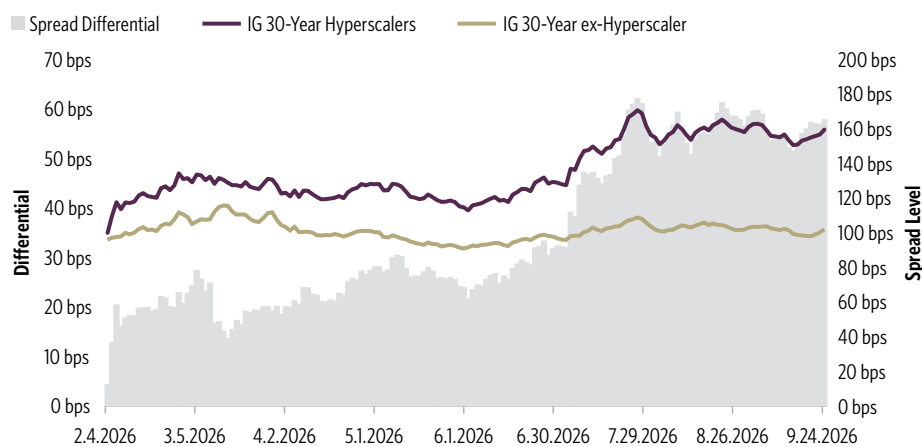
Investment Themes

- For spread-based buyers, the front end looks attractive relative to intermediate maturities, while yield-based buyers should still favor longer duration.
- We continue to favor hybrid and preferred securities when priced appropriately. The deluge of supply year-to-date has created good coupon carry but mediocre performance. We are watching for larger pricing concessions and adding opportunistically in these structures.
- Although issuance will slow in the fourth quarter, market estimates put compute financing alone in 2027 at \$250–350 billion. That figure excludes direct supply from hyperscalers, which continue to raise their capital spending forecasts quarterly.

By Justin Takata

Dispersion between AI-related spreads and industrials continued to widen alongside steeper hyperscaler credit curves.

Dispersion and Credit Curve in Hyperscalers Continue to Increase



Source: Guggenheim Investments, Bloomberg. Data as of 9.30.2026.

Rates Rise, Spreads Widen, Selection Matters

Overall, credit fundamentals remain sound based on interest coverage and leverage metrics.

High yield posted negative quarterly performance amid strong macroeconomic data coupled with materially higher interest rates. Year-to-date performance remains slightly positive. Credit spreads broke out of their recent trading range, widening to 312 basis points by quarter-end. Dispersion among sectors also increased: energy outperformed amid higher oil prices, while communications lagged. New issuance was active with several mega deals coming to market.

Sector Commentary

- Spreads on the ICE BofA U.S. High Yield Master II Constrained Index widened in the third quarter to 312 basis points from 275 basis points last quarter.
- The high yield index returned -1.8 percent in the third quarter as Treasury yields rose and spreads widened across rating categories. BBs returned -1.8 percent versus -1.3 percent for Bs, as BB spreads widened slightly more and their longer duration added to the losses. CCCs widened the most and were the weakest quarterly performers at -3.5 percent.
- Quarterly new issuance of \$81 billion fell 30 percent from the year-ago quarter, which was the largest quarterly volume since 2021. Higher rates pushed refinancing down to about 37 percent of volume, well below prior quarters, while new-money issuance for M&A and AI/data center projects stayed active.
- High yield quarterly fund flows consisted of \$1.8 billion of outflows concentrated in September, coinciding with the market weakness.

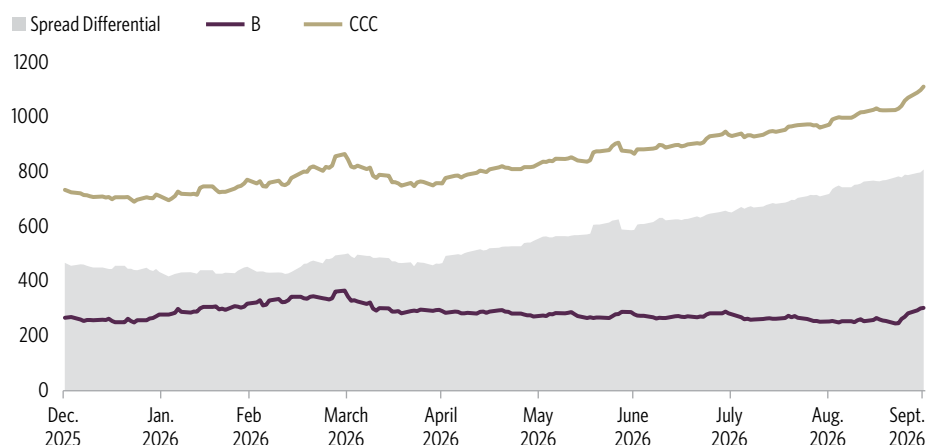
Investment Themes

- AI and datacenter issuance represented about 25 percent of quarterly issuance and continues to grow as a share of the market.
- Overall, credit fundamentals remain sound based on interest coverage and leverage metrics. The trailing 12-month par-weighted default rate is 1.7 percent, well below the 20-year average of 3.5 percent. The distress rate remains modest, and we expect defaults to stay subdued.
- Beneath the surface, however, performance is diverging. CCCs, which account for about 9 percent of the market, have returned -2.4 percent year to date, compared with slightly positive performance for the broader index. The gap between CCC and B spreads has widened by about 340 basis points this year. We view this as evidence that stress is concentrated in weaker capital structures rather than signaling broad deterioration, making credit selection increasingly important.

By Thomas Hauser and Ravi Tamboli

The gap between CCC and B spreads has widened by about 340 basis points this year. We view this as evidence that stress is concentrated in weaker capital structures rather than signaling broad deterioration, making credit selection increasingly important.

The Gap Between B and CCC Spreads Widened in the Third Quarter



Source: Guggenheim Investments, Bloomberg. Data as of 9.30.2026.

BANK LOANS

Loans Deliver a Strong Quarter, Avoiding Rate Volatility

The technology sector led a positive quarter in loans.

The leveraged loan market as measured by the S&P UBS Leveraged Loan Index returned 2.03 percent in the third quarter, its strongest quarterly return of the year. This brought the index's year-to-date return to 3.42 percent, extending its recovery from a negative first quarter and putting it materially ahead of more rate-sensitive asset classes. Primary market activity was busiest in September, which included several mega-deals. Demand was robust during the period, driven by strong CLO demand.

Sector Commentary

- Sector returns varied more widely than in previous quarters. Technology rebounded strongly, returning 4.47 percent—more than double the index. Even in a strong quarter, there were two negative returning sectors, Housing at negative 0.61 percent and Media/Telecom at negative 0.08 percent.
- Spreads, measured by three-year discount margins, tightened mildly, going from 500 basis points to 482 basis points at quarter-end. The larger move was in three-year yields, which rose by 69 basis points from 8.93 percent to 9.62 percent at quarter end as base rate expectations were recalibrated.
- On the supply side for the quarter, repricing activity declined, but the \$107 billion of refinancing and \$30 billion of LBO/M&A activity were in line with the previous two quarters. Issuance was robust in September, with volume reaching \$50 billion, the highest tally since January. Third quarter demand was the strongest of the year, driven by \$46 billion of CLO issuance, a 35 percent increase from the second quarter.

Investment Themes

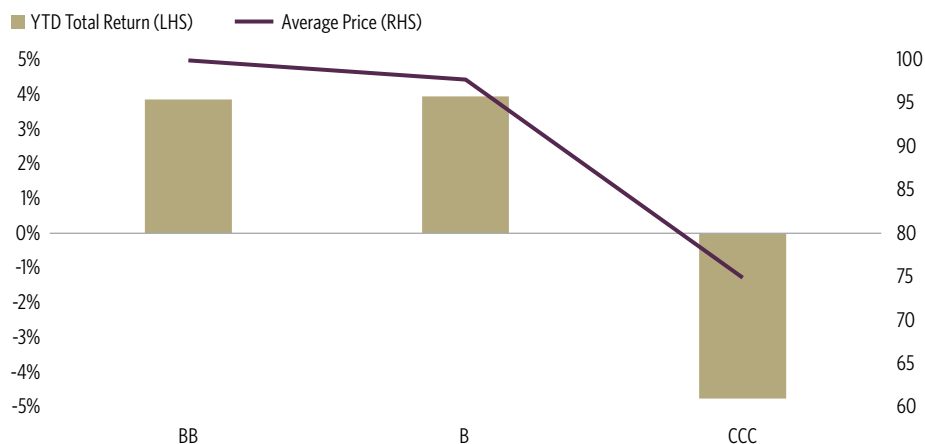
- We expect volatility to persist for the foreseeable future as the market works to refinance \$125 billion of the lowest-rated issuance maturing before the end of 2028 and as liability management exercises continue to erode first lien recoveries. Technology issuers make up about 60 percent of this cohort.
- As base rates rise, all-in coupons will remain high and attractive for floating rate buyers but will pressure interest coverage of levered issuers.
- We maintain an up-in-quality bias given the market's tail risks and continue to believe credit selection will be critical, as evidenced by sector return dispersion in the third quarter. For businesses that we view as insulated from some of these risks and that have appropriate capital structures, we continue to look to add to positions on weakness.

By Thomas Hauser, Alastair McKeever, and Brian McAuliff

We maintain an up-in-quality bias given the market's tail risks and continue to believe credit selection will be critical, as evidenced by sector return dispersion in the third quarter.

Higher-Rated Tranches Outperformed CCC-Rated Loans

Leveraged Loan Index Ratings Performance YTD



Source: Guggenheim Investments, S&P UBS Leveraged Loan Index. Data as of 9.30.2026.

*Interquartile range defined as difference between 3rd quartile and 1st quartile breakpoints.

Improved Technical Backdrop

Fourth-quarter direct lending rewards structure and manager selection.

The current direct lending environment rewards sound deal structures and thoughtful manager selection. Retail redemption pressure and reduced business development company (BDC) deployment widened senior paper spreads by as much as 50–100 basis points. Existing credit is softening in parallel, with defaults at series highs but overwhelmingly expressed through amendments and unstructured payment in kind (PIK), rather than payment defaults. The technical backdrop is more favorable than last year, though returns will likely be driven by structure and manager selection rather than market beta.

Sector Commentary

- New-issue unitranche is pricing near Secured Overnight Financing Rate (SOFR)+525 basis points on average after widening 50–100 basis points since January, with software spreads ranging from SOFR+550 basis points to SOFR+1,000 basis points. The base rate has turned higher after the Fed's September rate hike, pushing all-in direct lending yields back toward double digits.
- The widening is a capital-supply event, not a credit event. Gross fundings at the 12 largest BDCs fell to \$5.7 billion in the first quarter of 2026 from \$9 billion in the fourth quarter of 2025, as non-traded vehicles absorbed accelerating redemptions and listed BDCs favored stock buybacks over new originations.
- Deal supply, not dry powder, is now the binding constraint. U.S. sponsors deployed \$545.1 billion across only 3,926 deals in the first half of 2026, with exits running near a third of the 2025 count. A reopened exit channel is the swing factor that could compress spreads again.

Investment Themes

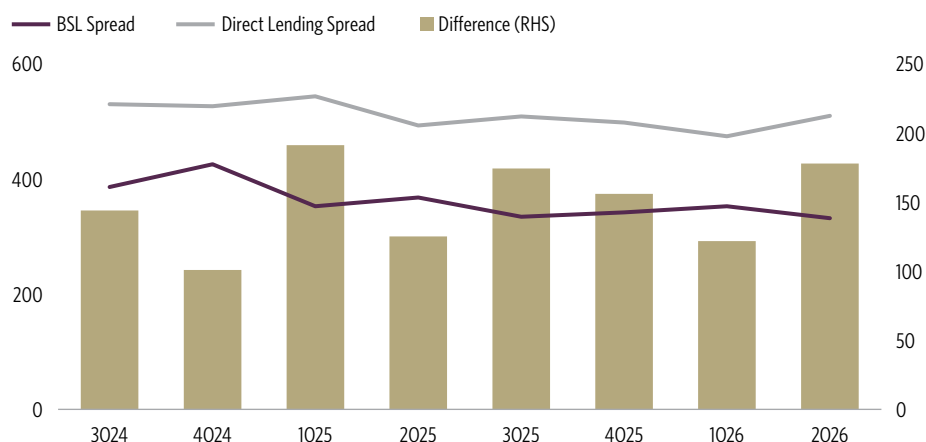
- Forward return potential has improved since the start of the year, and negotiating leverage has shifted toward institutionally funded managers rather than through the wealth channel, where redemption queues continue to constrain activity.
- Fitch's trailing 12-month default rate reached a record 6.3 percent through August, though roughly 88 percent of events were interest deferrals, PIK substitutions, or stressed extensions rather than payment defaults. Median interest coverage held at 1.6x, but median EBITDA growth posted the largest quarterly decline on record.
- Direct lending volume fell 55 percent quarter over quarter to \$33.6 billion in the second quarter, the lowest since 2023, as private equity-backed and LBO activity declined. Fundraising rebounded to \$16.3 billion over the same period. Competition from the syndicated loan market has picked up, with a record ~\$12 billion of direct lending deals refinanced into broadly syndicated loans (BSL) so far in the third quarter. This supports a continued focus on selectivity and pricing discipline.

By Joe McCurdy and Mark Pridmore

Retail redemption pressures and reduced BDC deployment have supported wider direct lending spreads.

Retail Redemptions and Slower BDC Lending Push Direct Lending Spreads Wider

Spread of LBOs financed in BSL (all borrowers) vs direct lending market



Source: Pitchbook, LCD. Data through June 30, 2026. Direct lending analysis is based on transactions covered by LCD News.

Record Supply, Selective Opportunities

With relative value compressed, the opportunity is in specialized commercial ABS and AAA–A CLOs.

ABS credit spreads tightened over the quarter as broader markets rallied. The spread advantage of index level ABS relative to investment-grade corporates fell below the long-term average, offering more selective relative value opportunities. Year-to-date ABS gross issuance hit \$274.1 billion, exceeding last year's record pace. Recent spread tightening in the bank loan market has pressured interest-rate arbitrage, which supports new CLO issuance. If CLO borrowing costs do not tighten further, market activity will likely stay focused on refinancing and reset transactions.

Sector Commentary

- **ABS:** New commercial ABS issuance has been concentrated in aircraft, data center, fiber networks, and franchise whole business deals. Aviation ABS issuance of \$12 billion through the third quarter is already a record—exceeding prior peak issuance in 2019 of \$10 billion—with elevated supply met by strong investor demand. In addition, fiber network-backed deals by residential and enterprise issuers have increased as companies diversify funding sources away from traditional corporate markets. We expect data center issuance to remain elevated, although investors are becoming more selective.
- **CLOs:** CLO spreads tightened quarter over quarter and loan prices remained relatively stable as markets continued to navigate the impacts of a broader software disruption and the ongoing Middle East conflict. As a result, overcollateralization ratios and exposure to low-rated and stressed collateral remain at healthy levels albeit with greater deal-to-deal dispersion across lower-rated junior tranches.

Investment Themes

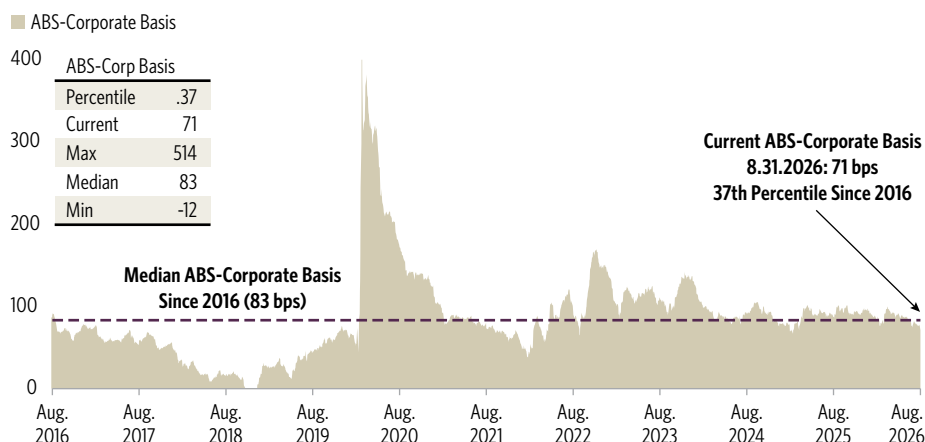
- **ABS:** We continue to prefer senior commercial ABS backed by durable, cash-generative assets, including franchise royalties, fiber networks, and aircraft. Within consumer ABS, we see value in subsectors such as home improvement loans, where stronger borrower profiles, amortization, and credit enhancement provide downside protection. In digital infrastructure, we remain selective as heavy capital spending drives elevated issuance and new capacity. We are focused on collateral quality, supply-demand dynamics, and the impact of technological change on legacy assets.
- **CLOs:** Attractive relative value and healthy credit fundamentals support our view that CLOs offer compelling investment opportunities, especially AAA–A rated tranches. In the near term, we expect the market to tentatively consider BB and equity CLO tranches as it digests idiosyncratic risks emanating from the software sector and the Middle East conflict. Weaker interest rate arbitrage should dampen new CLO creation as managers focus on refinancing deals with relatively higher borrowing costs.

By Karthik Narayanan, Michael Liu, and Scott Kanouse

The historically modest spread pick-up of ABS relative to corporates suggests limited value in widely followed ABS areas. We favor deployment in specialized commercial ABS subsectors.

Commercial ABS Looks Attractive vs. Mainstream ABS, Liquid Credit Subsectors

ABS Spreads Relative to Corporates



Source: Guggenheim Investments, Barclays Research, Bloomberg ICE BofA AA-BBB ABS index. Data as of 8.31.2026

Elevated Rates Complicate Commercial Mortgage Refi

We favor senior CMBS with conservatively sized capital structures amid persistently high mortgage rates.

Spreads for top-tier, investment-grade CMBS generally tightened 5–10 basis points quarter-over-quarter due to persistent demand from yield-focused investors. While market technicals remain constructive, the higher interest rate backdrop creates headwinds for commercial real estate given the financing-sensitive nature of the asset class. We continue to favor senior, credit-enhanced exposure in commercial real estate (CRE) CLOs and single asset/single borrower deals backed by institutional sponsors and diversified collateral pools.

Sector Commentary

- Record fixed-annuity sales (\$317 billion in 2025) and investment-grade inflows (over \$300 billion year to date—the most in seven years) should support strong demand for higher quality CMBS, which continues to offer attractive all-in yields. Non-Agency CMBS supply expectations of \$180 billion set post-Global Financial Crisis (GFC) highs as bond buyers continue to buy new production at tighter spreads.
- Arguably the greatest limitation on further non-Agency CMBS growth is higher Treasury yields, which disincentivize commercial property owners from acquiring or refinancing buildings, creating fewer commercial mortgages to finance.
- Higher rates are changing the collateral composition of the CMBS market. As the curve steepens, floating rate mortgages (which have a lower all-in cost today, but an uncertain cost in the future) have become more common than fixed rate mortgages in newly securitized CMBS pools.
- The backlog of specially serviced loans continues to build as resolution timelines have extended, underscoring the need for active surveillance.

Investment Themes

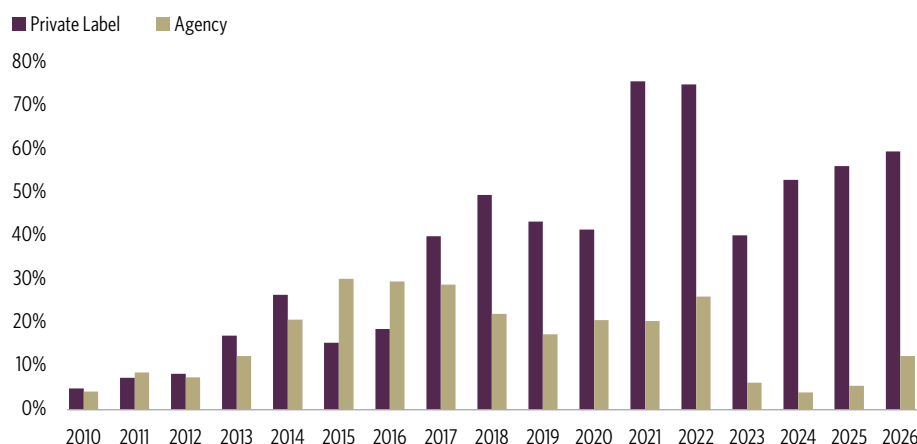
- Credit dispersion is evident in the CMBS market, where losses on investment-grade bonds (including those originally rated AAA) have been realized in recent years. Careful security selection and active portfolio management remain critical.
- Credit issues continue to plague corners of the CRE market, including various office submarkets and poorly positioned lodging properties. Lower quality CMBS—including many conduit mezzanine bonds and other higher-beta names—remains at risk of meaningful underperformance.
- Elevated rates should continue to serve as a headwind for already muted refinancings and have the potential to marginally increase serious delinquencies as more loans within the CMBS universe suffer maturity defaults.
- Unlike the run-up in rates in 2022 and 2023, we do not anticipate higher mortgage rates—which have nearly doubled since 2021—will trigger another wholesale repricing of commercial real estate. Mortgage rates should increase more modestly as continued strong demand supports ongoing spread compression.

By Tom Nash, Hongli Yang, and Zach Johnson

Since 2021, private label CMBS issuance has been dominated by floating-rate paper. Only recently has the percentage of floating-rate Agency CMBS started to increase. As rates remain elevated, we anticipate the strong demand for shorter term, floating-rate financing to continue.

Floating-Rate Transactions Dominate Private Label Issuance

U.S. CMBS floating % of total originations by origination year



Source: Guggenheim Investments, J.P. Morgan, Trepp, 1010data. Data as of 9.18.2026.

Non-Agency RMBS: Resilience Through the Repricing

Entry points and relative value have improved across the non-Agency RMBS market

Rising inflation pushed U.S. Treasury yields higher by 50–80 basis points across the curve quarter over quarter. The non-Agency RMBS market absorbed the move without disruption as credit spreads held firm. Sustained issuance and stable investor demand underscore the sector's stable technical footing while tight lending standards, substantial home equity cushions, and a healthy labor market continue to underpin fundamental mortgage credit performance.

Sector Commentary

- As global tensions pushed oil prices up and drove inflation higher, rates rose in response, and mortgage rates followed, reaching their highest level since January 2025. The average 30-year fixed mortgage rate ended the quarter at 7.28 percent.
- Despite the volatility in rates, spreads were rangebound for most of the quarter. Non-qualified mortgage (non-QM) AAA spreads tightened from 130 basis points to 120 before widening back to 140 by quarter end.
- Elevated interest rates are expected to keep home price growth in check and suppress housing activity. Mortgage refinancings should also fall sharply, further limiting any meaningful pickup in loan originations. Prepayment activity is therefore likely to slow considerably in the near term.

Investment Themes

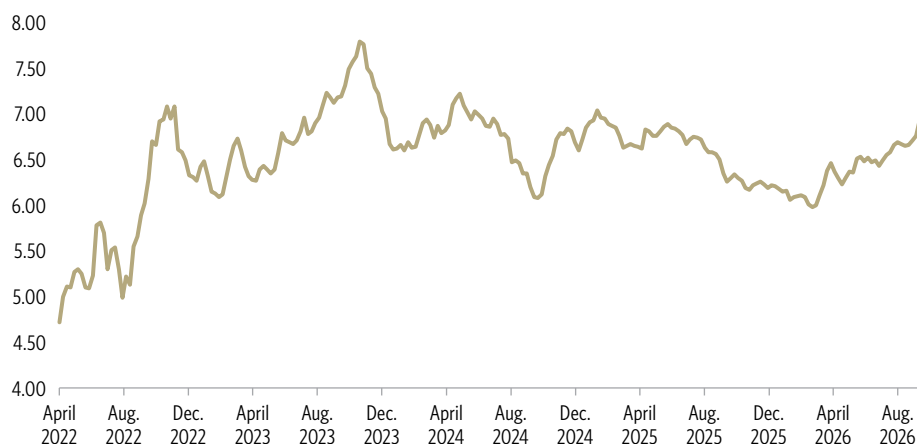
- Non-Agency mortgages offer an advantage over their Agency counterparts, with a better convexity profile and structural features that limit credit and extension risk. Elevated rates also create a favorable entry point across the dollar price spectrum, as discounted bonds present price appreciation potential for total-return buyers, while bonds at or near par with higher coupons generate attractive carry income.
- The most compelling opportunities lie among the senior tranches of the non-Agency RMBS market. These securities benefit from the subordination below them and short weighted average lives, offering a defensive profile against both credit and market risk.
- AAA–A rated non-QM tranches, senior closed-end second lien securities, and home equity line of credit securities stand out across the sector. Yields of 6.20–6.50 percent and expected weighted average lives of three to four years offer a more compelling risk-adjusted profile than comparably rated corporate bonds, particularly at recent historically tight levels of corporate credit spreads.

By Karthik Narayanan and Roy Park

As global tensions pushed oil prices up and drove inflation higher, rates rose in response, and mortgage rates followed, reaching their highest level since January 2025. The average 30-year fixed mortgage rate ended the quarter at 7.28 percent.

The Average 30-Year Fixed Mortgage Rate Is at its Highest Level since January of 2025

U.S. 30-Year Fixed Mortgage Rate (April 2022–September 2026)



Source: Guggenheim Investments, Freddie Mac, Bloomberg. Data as of 10.01.2026.

Defensive Carry Amid a More Symmetric Setup

Risks remain, but the entry level is far more attractive than earlier in the year.

Agency MBS posted its weakest quarter of 2026 as rates sold off to multi-decade highs, the yield curve flattened, and volatility increased, pressuring the sector with volatility not seen since March/April 2025. Spread underperformance relative to U.S. Treasuries worsened in late September as the Fed's rate hike failed to stem rising Treasury yields. Higher rates have created the more symmetric range of future spreads that we favor as an entry point for the longer-term investment horizon, where the current-coupon MBS spread sits well above the year-to-date average.

Sector Commentary

- Current coupon Agency MBS spreads now sit well above the year-to-date average. With the Merrill Lynch Option Volatility Estimate Index well off its recent lows, the distribution of spread outcomes from here is becoming far more symmetric than it was at the start of the quarter with the opportunity for spread compression now back on the table.
- Primary mortgage rates have moved above 7 percent, which will channel new production primarily into 6 and 6.5 percent coupons. Only two premium coupons remain among actively traded MBS—6.5s and 7s—and together they account for less than 3 percent of the Bloomberg U.S. MBS Index.
- 30-year 5–5.5 percent coupon MBS are now out of the production window and are approaching full duration extension as prepayment speeds slow. Short-duration subsectors outperformed relatively despite the front end leading the selloff, while index coupons (2s–3s) were buoyed by passive inflows chasing higher all-in yields and a more favorable convexity profile.

Investment Themes

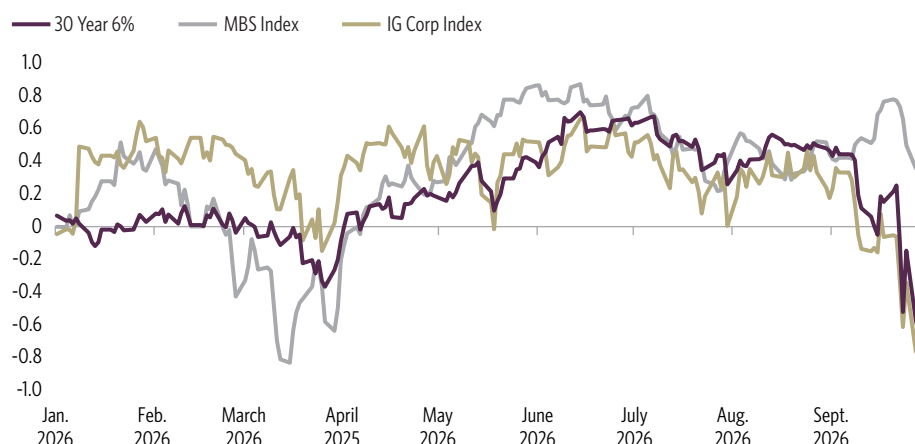
- We currently favor buying MBS on weakness in production coupons (6s/6.5s) for higher spreads and better To-Be-Announced (TBA) carry. Underperformance of MBS relative to investment-grade corporates is notable, and valuations should attract sector rotation from crossover buyers.
- Risks remain, but the entry level is far more attractive than earlier in the year. We are selectively seeking defensive carry trades that maximize carry per unit of spread duration to withstand further widening events and limit partial duration to the long end.
- We prefer production coupons (6s/6.5s) in both conventional (Fannie Mae and Freddie Mac) and Ginnie Mae form—trading at or below parity—in addition to front-sequential collateralized mortgage obligation (CMO) structures off this collateral.
- TBA contracts offer implied financing levels well inside SOFR, which could persist given the smaller float versus 5s and 5.5s, the CMO takeout and limited supply at current primary mortgage rates.

By Louis Pacilio

Higher rates have created the more symmetric range of future spreads that we favor as an entry point for the longer-term investment horizon, where the current-coupon MBS spread sits well above the year-to-date average.

Spread Widening Has Driven Excess Returns Negative Year to Date

Year-to-Date Excess Return



Source: Guggenheim Investments, Bloomberg. Data as of 9.30.2026. Indexes used include the Bloomberg U.S. Mortgage Backed Securities Index and the Bloomberg U.S. Corporate Bond Index.

MUNICIPAL BONDS

Muni Underperformance Sets Up an Attractive Entry Point

Attractive valuations create a good opening to increase tax-exempt exposure.

Tax exempt valuations have significantly underperformed as supply outpaced reinvestment demand and Treasury volatility spiked. As a result, the highest yields since 2007–2008 and improved valuations make tax exempts attractive for most investors.

Sector Commentary

- Due to a combination of technical headwinds and interest rate volatility, tax exempt municipal assets significantly underperformed Treasuries and most other fixed-income asset classes during the third quarter. Ratios are 70/75/90 percent in 5/10/30-year tenors respectively, compared to 62/67/86 percent at the end of the second quarter. The AAA tax exempt slope from 1–30 year munis flattened 23 basis points during the quarter, lagging the 8 basis point steepening in the Treasury curve.
- Taxable municipal spreads widened by 2 basis points during the third quarter, outperforming an 8 basis point widening in investment-grade corporates. Supply remains low year to date, up 1 percent year over year to \$26 billion and comprising just 6 percent of total municipal issuance. The light primary calendar continues to provide support for taxable spreads.

Investment Themes

- Due to the severe drawdown going into the fourth quarter, tax exempts have become significantly more attractive for investors, especially those subject to high income taxes. Absolute yields on AAA munis are at their highest levels since the GFC 18 years ago.
- The market still faces some technical headwinds early in the fourth quarter, when new issuance is likely to exceed reinvestment demand from principal and interest payments. We expect the setup to turn bullish by December based on seasonal patterns. Instead of waiting for the “bottom” in valuations, we believe investors should be adding exposure today given the adjusted valuations.
- We prefer high coupon bonds with long call protections and investment grade securities over high yield at current valuations. Credit fundamentals have peaked, and ratings are more likely to migrate downwards than upwards.

By Allen Li and Michael Park

Due to the severe drawdown going into the fourth quarter, tax exempts have become significantly more attractive for investors, especially those subject to high income taxes. Absolute yields on AAA munis are at their highest levels since the GFC 18 years ago.

Absolute Yields on AAA Munis Are at Their Highest Levels Since the GFC

AAA Muni Yields



Source: Guggenheim Investments, LSEG. Data as of 9.30.2026.

REAL ASSETS

Driven by AI Investment, Interest Rates, and Inflation

Power connectivity and selective capital deployment in a higher rate environment.

Real assets enter the fourth quarter with strong structural demand as AI investment, rising electricity demand, energy security, and supply chain investment continue to support infrastructure. The opportunity extends beyond data centers to generation, transmission, storage, cooling, and connectivity. Scarce grid capacity, construction constraints, and more expensive refinancing make project readiness and contracted cash flows central to underwriting. Commercial real estate conditions are improving, but income growth, property quality, and local supply matter more than broad exposure to the asset class.

Sector Commentary

- Infrastructure activity remains resilient, with capital increasingly focused on contracted, inflation-linked, cash flowing assets amid macro and geopolitical uncertainty.
- Behind-the-meter opportunities are becoming more prevalent as a way of addressing AI-driven demand needs more quickly, avoiding the long lead times and substantial infrastructure upgrades and enhancements required for new generation to be grid interconnected.
- Refinancing remains an important source of transactions. Given the recent rise in interest rates, debt originated at lower rates may require more equity, revised amortization, or recapitalization when it matures. The pressure extends to portions of the data center buildout.
- Commercial real estate leasing and capital market activity have improved, but performance varies sharply. Lower industrial vacancy and strong multifamily absorption in the third quarter, alongside a quality-led office recovery, point to pockets of strength, though general property fundamentals remain weak.

Investment Themes

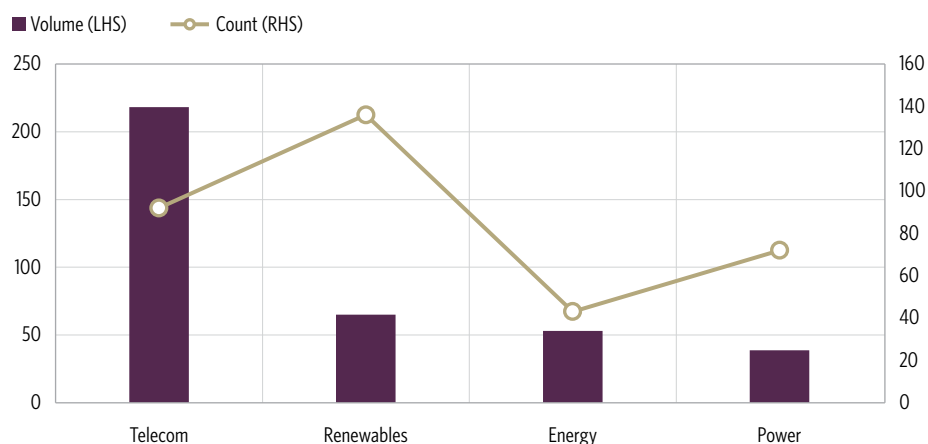
- AI and electrification continue to accelerate infrastructure demand, while geopolitical conflict is strengthening the case for energy security and increased investment in resource real assets.
- Real estate sales activity is increasing as owners begin to accept the higher-for-longer rate environment and special servicing becomes more active. Valuations below peak averages are creating compelling opportunities.
- We continue to provide structured capital selectively. For example, senior debt, preferred equity, and recapitalizations can fill funding gaps where asset quality is sound but existing leverage no longer works. We favor conservative cash flow assumptions, meaningful sponsor equity, and controls over additional debt and distributions.
- We are prioritizing cash flow over thematic exposure. We look for long-term contracts, creditworthy and diversified counterparties, enforceable inflation linkage, and a clear path from committed capital to operating cash flow. We also stress test for higher rates, slower lease-up, delayed energization, and weaker exit multiples.

By John Tanyeri

Telecom infrastructure continues to lead sector volumes at ~\$218bn YTD, as AI-driven network densification, data center growth, 5G buildout, and early 6G pilots sustain demand for digital connectivity investment to support accelerating data throughput requirements.

AI Demand Shows Up in Deal Flow as Telecom Far Outpaces Energy and Power

Volume Year-to-Date by Sector (USD \$B)



Source: Guggenheim Investments, Infralogic. Data as of 9.30.2026.



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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. Investors in **asset-backed securities**, including **mortgage-backed securities**, **collateralized loan obligations (CLOs)**, and other structured finance investments generally receive payments that are part interest and part return of principal. These payments may vary based on the rate at which the underlying borrowers pay off their loans. Some asset-backed securities, including mortgage-backed securities, may have structures that make their reaction to interest rates and other factors difficult to predict, causing their prices to be volatile. These instruments are particularly subject to interest rate, credit and liquidity and valuation risks. **High yield bonds** may present additional risks because these securities may be less liquid, and therefore more difficult to value accurately and sell at an advantageous price or time, and present more credit risk than investment grade bonds. The price of high yield securities tends to be subject to greater volatility due to issuer-specific operating results and outlook and to real or perceived adverse economic and competitive industry conditions. **Bank loans**, including loan syndicates and other direct lending opportunities, involve special types of risks, including credit risk, interest rate risk, counterparty risk and prepayment risk. Loans may offer a fixed or floating interest rate. Loans are often generally below investment grade, may be unrated, and can be difficult to value accurately and may be more susceptible to liquidity risk than fixed-income instruments of similar credit quality and/or maturity. **Municipal bonds** may be subject to credit, interest, prepayment, liquidity, and valuation risks. In addition, municipal securities can be affected by unfavorable legislative or political developments and adverse changes in the economic and fiscal conditions of state and municipal issuers or the federal government in case it provides financial support to such issuers. A company's **preferred stock** generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Investments in **real estate** securities are subject to the same risks as direct investments in real estate, which is particularly sensitive to economic downturns. **Private debt** investments are generally considered illiquid and not quoted on any exchange; thus they are difficult to value. The process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties and may not be accurate. Further, the level of discretion used by an investment manager to value private debt securities could lead to conflicts of interest.

S&P bond ratings are measured on a scale that ranges from **AAA** (highest) to **D** (lowest). Bonds rated **BBB-** and above are considered investment-grade while bonds rated **BB+** and below are considered speculative grade.

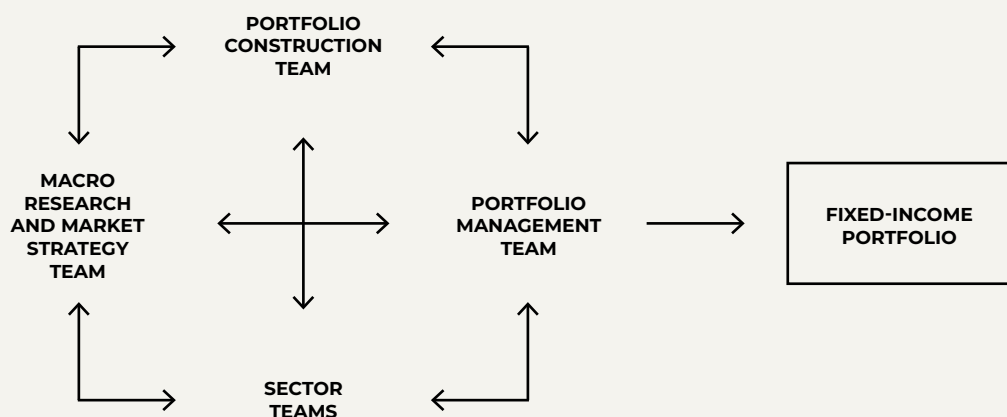
One **basis point** is equal to 0.01 percent. Likewise, 100 basis points equals 1 percent. **Beta** is a statistical measure of volatility relative to the overall market. A positive beta indicates movement in the same direction as the market, while a negative beta indicates movement inverse to the market. Beta for the market is generally considered to be 1. A beta above 1 and below -1 indicates more volatility than the market. A beta between 1 to -1 indicates less volatility than the market. **Carry** is the difference between the cost of financing an asset and the interest received on that asset. **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. **Hyperscalers** are large-scale cloud service providers that offer highly scalable and flexible computing infrastructure to businesses and organizations. **Dry powder** refers to highly liquid assets, such as cash or money market instruments, that can be invested when more attractive investment opportunities arise.

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Guggenheim's Investment Process

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.



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For more information, visit [GuggenheimInvestments.com](https://www.guggenheiminvestments.com).

1. Total Assets are as of 6.30.2026 and includes \$251.9B in Assets Under Management (AUM), plus \$115.8B Assets Under Supervision (AUS) for a total of more than \$367.7B. AUM includes leverage of \$14.8B. 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.

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