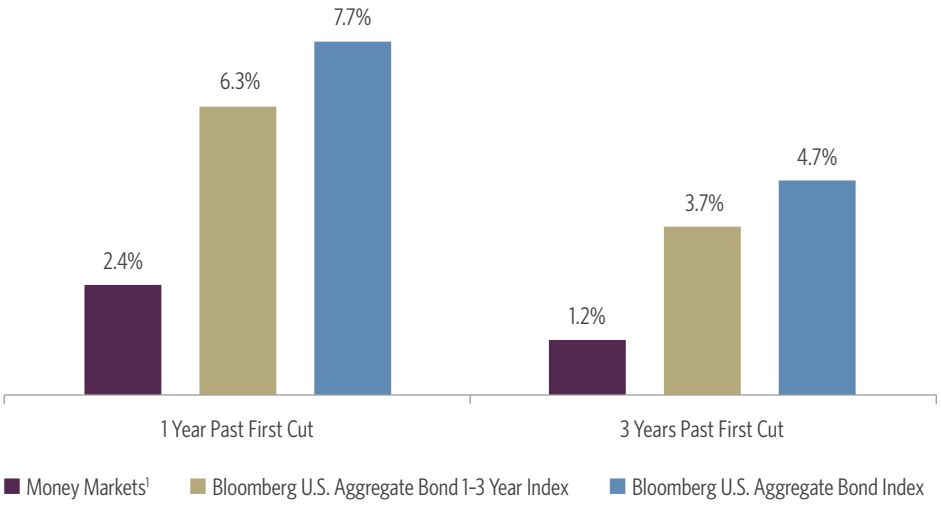
GUGGENHEIM

Positioning for Expected Rate Cuts

For much of the past two years, the opportunity cost of moving into money markets has been low. While the Federal Reserve (Fed) was aggressively hiking, investments with price sensitivity to changing interest rates (duration) suffered, while yields on money market instruments, which by definition do not have duration, increased to over 5 percent.

We believe the opportunity cost of not switching to longer duration fixed income is set to rise. As the Fed ends the pause phase of the cycle and starts easing, history shows that extending duration in fixed income has led to outperformance versus money markets. We examined the past three turning points in Fed cycles, analyzing returns over the one-year and three-year periods after the Fed began to cut rates. During each of these periods, adding duration would have been more attractive than allocating to cash from a total return perspective.

Performance During Last Three Easing Cycles



As the Fed ends the pause phase of the cycle and starts easing, history shows that extending duration in fixed income has led to outperformance versus money markets.

Source: Guggenheim Investments and Factset. **Past performance does not guarantee future results.**

1. Money Markets are represented by the Bloomberg U.S. Tr Bills: 1-3 Months Index.

As interest rates rise, the value of a bond generally decreases and vice versa. Index performance is for illustrative purposes only and does not represent any specific investment product. Indexes are unmanaged and are not available for direct investment. Bonds, including longer duration bonds, are generally risker than money markets. Time periods used for analysis were: Dot.com easing lasted from 1.3.2001 until 6.25.2003, Financial Crisis easing lasted from 9.18.2007 to 12.16.2008, and COVID easing lasted from 8.1.2019 to 6.16.2020. An easing is the period between the first Fed rate cut and the last rate cut. Returns greater than one year are annualized.

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A **bond** is a debt obligation, like an IOU. Investors who buy **corporate bonds** are lending money to the company issuing the bond. In return, the company makes a legal commitment to pay interest on the principal and, in most cases, to return the principal when the bond comes due, or matures. Like all investments, **bonds carry risks** and are subject to market fluctuations. When interest rates go up, the price of the bond goes down and vice versa. One key risk to a bondholder is that the company may fail to make timely payments of interest or principal. If that happens, the company will default on its bonds. This **default risk** makes the creditworthiness of the company—that is, its ability to pay its debt obligations on time—an important concern to bondholders. **1-3 year bonds** are considered short-term bonds and are subject to less volatility than long-term bonds, which are more subject to reinvestment risk. In general, corporate bonds are not insured. **Index performance is for illustration purposes only and is not meant to represent any investment product.** Returns do not reflect any management fees, transaction costs or expenses. The indices are unmanaged and not available for direct investment. **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasurys, government-related and corporate securities, MBS (Agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The **Bloomberg U.S. Aggregate Bond 1–3 Year Index** measures the performance of publicly issued investment grade corporate, U.S. Treasury and government agency securities with remaining maturities of one to three years. The **Bloomberg U.S. Treasury Bills**: **1-3 Months Index** tracks the market for Treasury bills issued by the U.S. government with time to maturity between 1 and 3 months. U.S. Treasury bills are issued in fixed maturity terms of 4, 8, 13, 17, 26, and 52 weeks. The U.S. Treasury Bills: 1-3 Months Index is a component of the U.S. Short Treasury Index.

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Investing involves risk, including the possible loss of principal. Corporate bonds ("bonds") are subject to the possibility that interest rates could change. Changes in interest rates may adversely affect the value and liquidity of, and income generated by, bonds. Interest rates may change as a result of a variety of factors, and the change may be sudden and significant, with unpredictable impacts on the financial markets. Bonds with longer durations are more sensitive to changes in interest rates and subject to more volatility than those with shorter durations. Generally, when interest rates increase, the values of bonds decline and when interest rates decrease, their values rise.

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