GUGGENHEIM

Turning Points

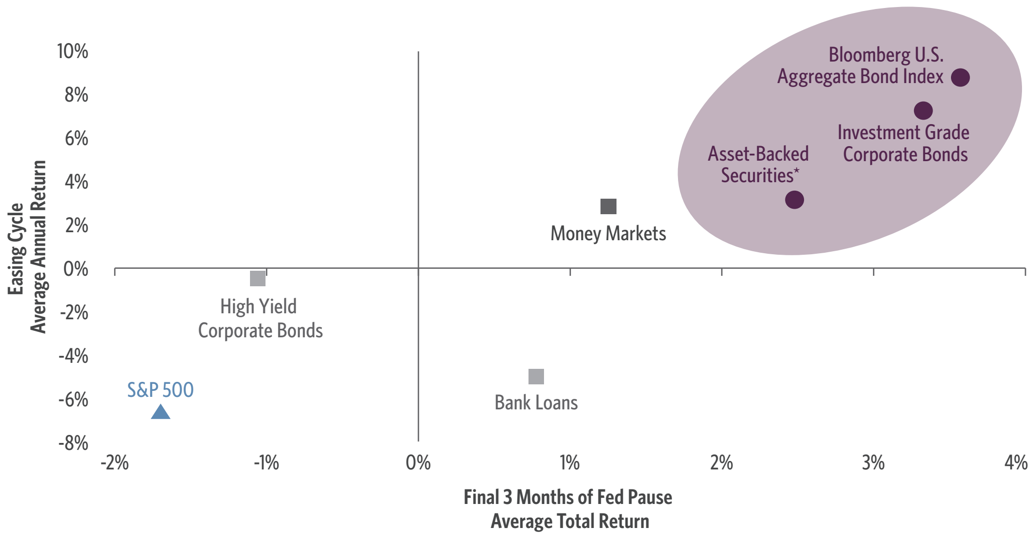
The Case for Allocating to Higher Quality Fixed Income Now

With the Fed coming to the end of the pause phase in the current policy cycle and soon to start easing (lowering rates), history suggests there is a window of opportunity for strategic portfolio allocations.

Our analysis of turning points in the last five Fed policy cycles uncovered potentially attractive total return opportunities. In both the final three months of the pause phases and the subsequent easing periods, the Bloomberg U.S. Aggregate Bond Index, Investment Grade Corporates and Asset-Backed Securities all outperformed riskier assets. Unsurprisingly, higher quality fixed-income also performed better than cash sitting on the sidelines in money markets.

With policy easing becoming increasingly more likely, the opportunity cost of not allocating to higher quality fixed income may rise.

Asset Class Performance at the End of Fed Pause and During Easing Cycles



*Fixed rate

Past performance does not guarantee future results. Source: FactSet, Morningstar and Guggenheim Analysis. **Investment Grade Corporates:** Bloomberg U.S. Corporate Bond Index. **Asset-Backed Securities:** Bloomberg US Asset-Backed Securities Index. **High Yield:** Bloomberg U.S. Corporate High Yield Bond Index. **Bank Loans:** Credit Suisse Leveraged Loan Index. **Money Markets:** Bloomberg U.S. Treasury Bill 1-3 Month Index. **Time periods used:** For pausing cycles Mar-95 to Jun-95, Apr-97 to Aug-98, Jun-00 to Dec-00, Jul-06 to Aug-07 and Jan-19 to Jun-19. For easing cycles: Jul-95 to Jan-96, Sep-98 to Nov-98, Jan-01 to Jun-03, Sep-07 to Dec-08 and Jul-19 to Mar-20.

For more information, visit GuggenheimInvestments.com

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