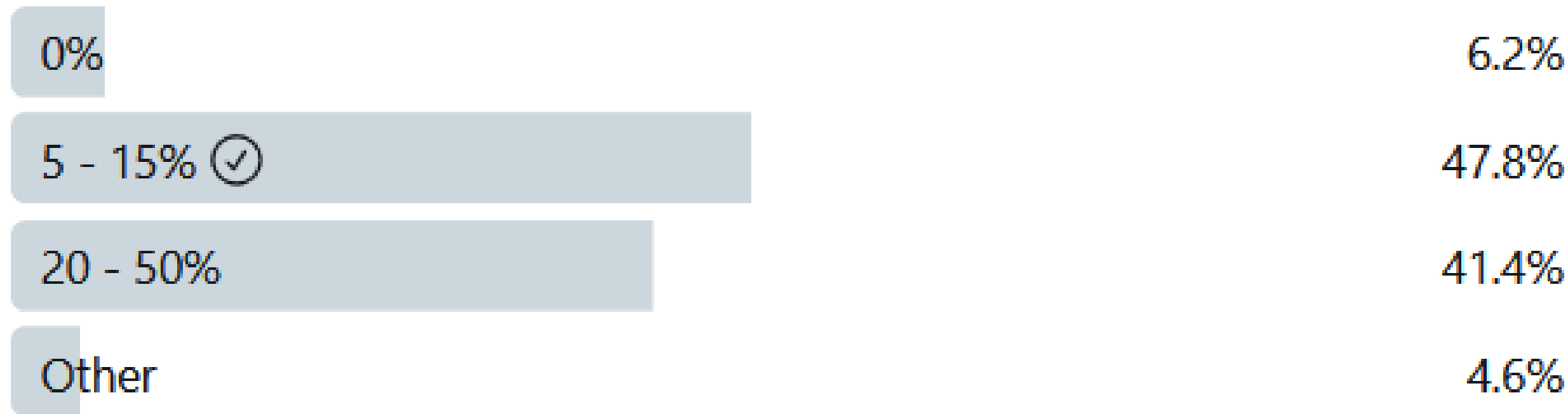


# Market Update

20 Aug 2020

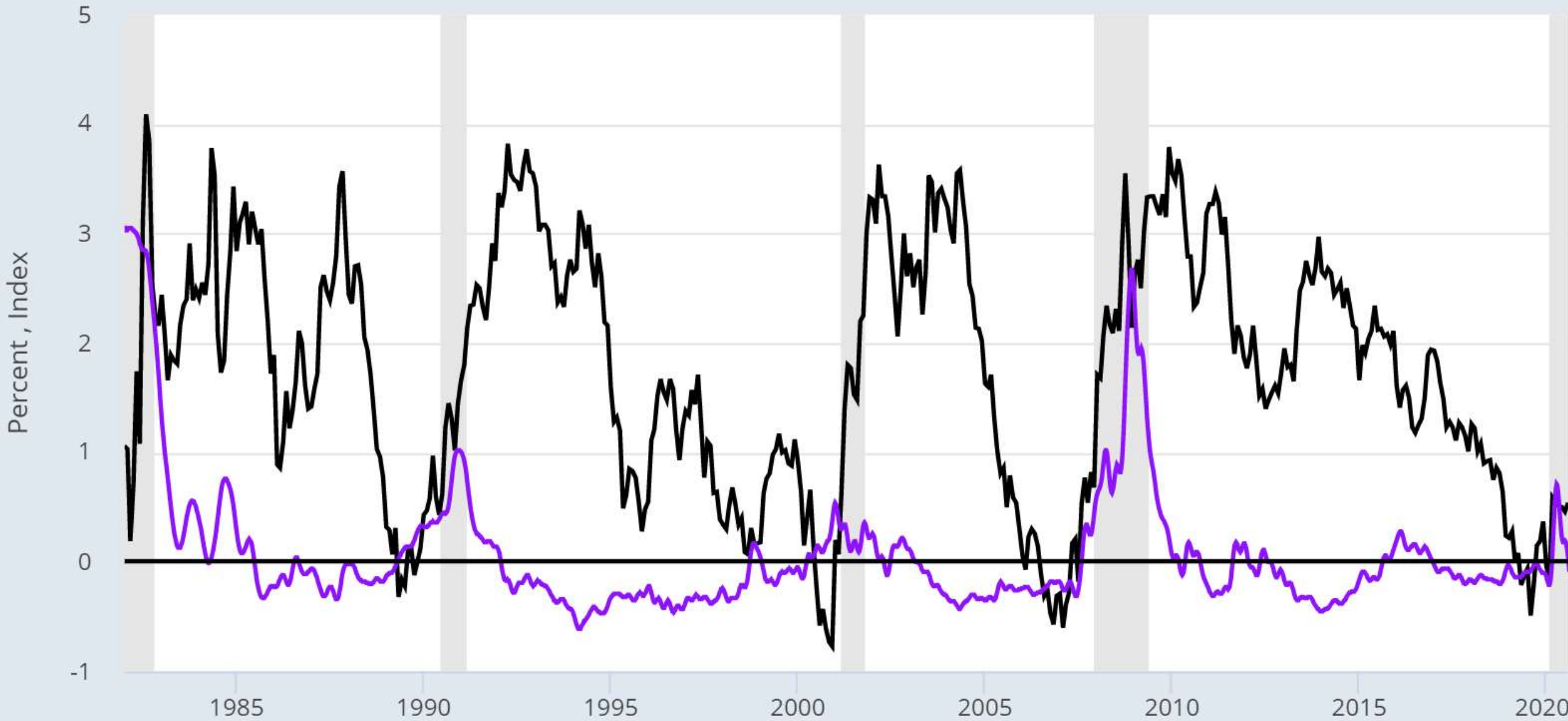
If you were asked to structure a \$5 million portfolio that you couldn't make any changes to for the next decade, how much of it would be allocated to #GOLD?

What else would you include?



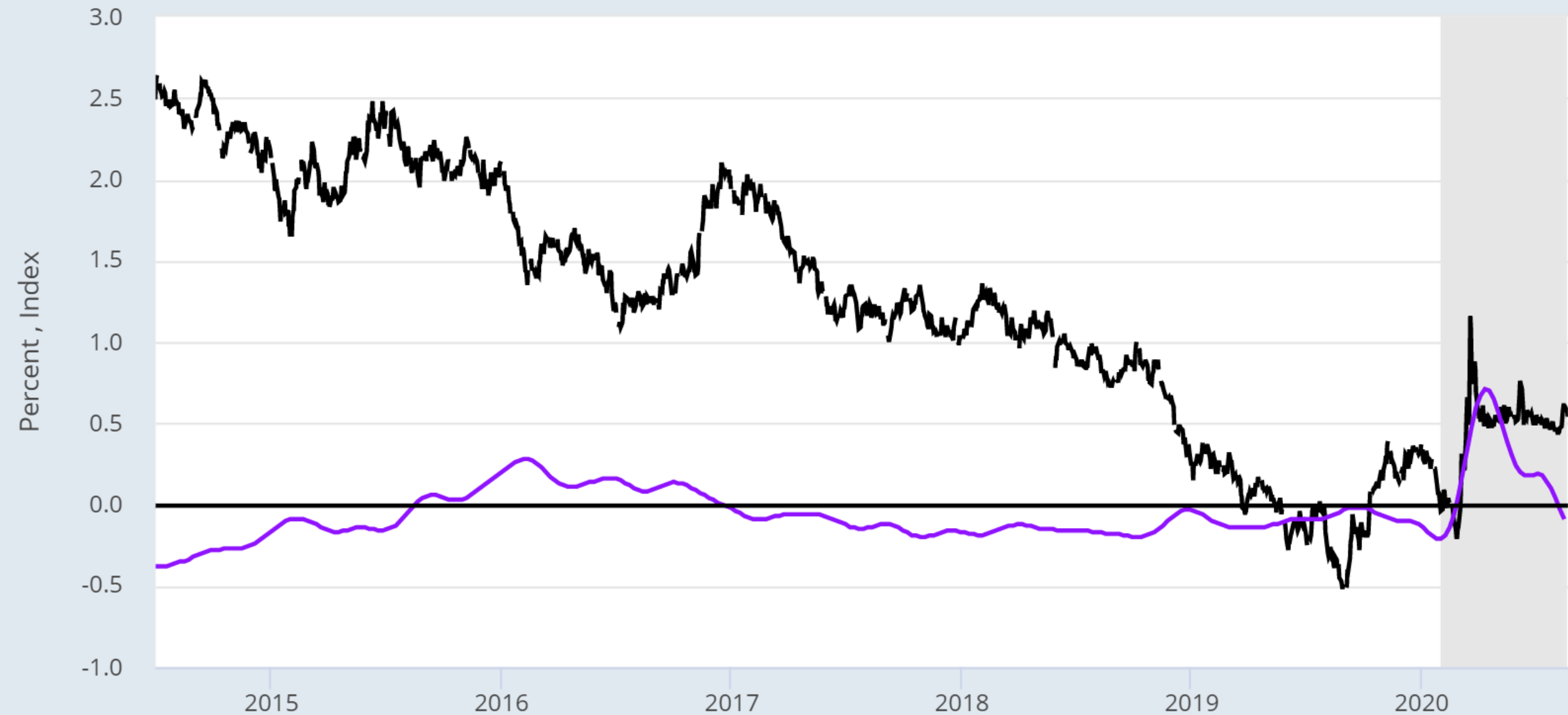
1,959 votes · 15 hours left

— 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity  
 — Chicago Fed National Financial Conditions Credit Subindex

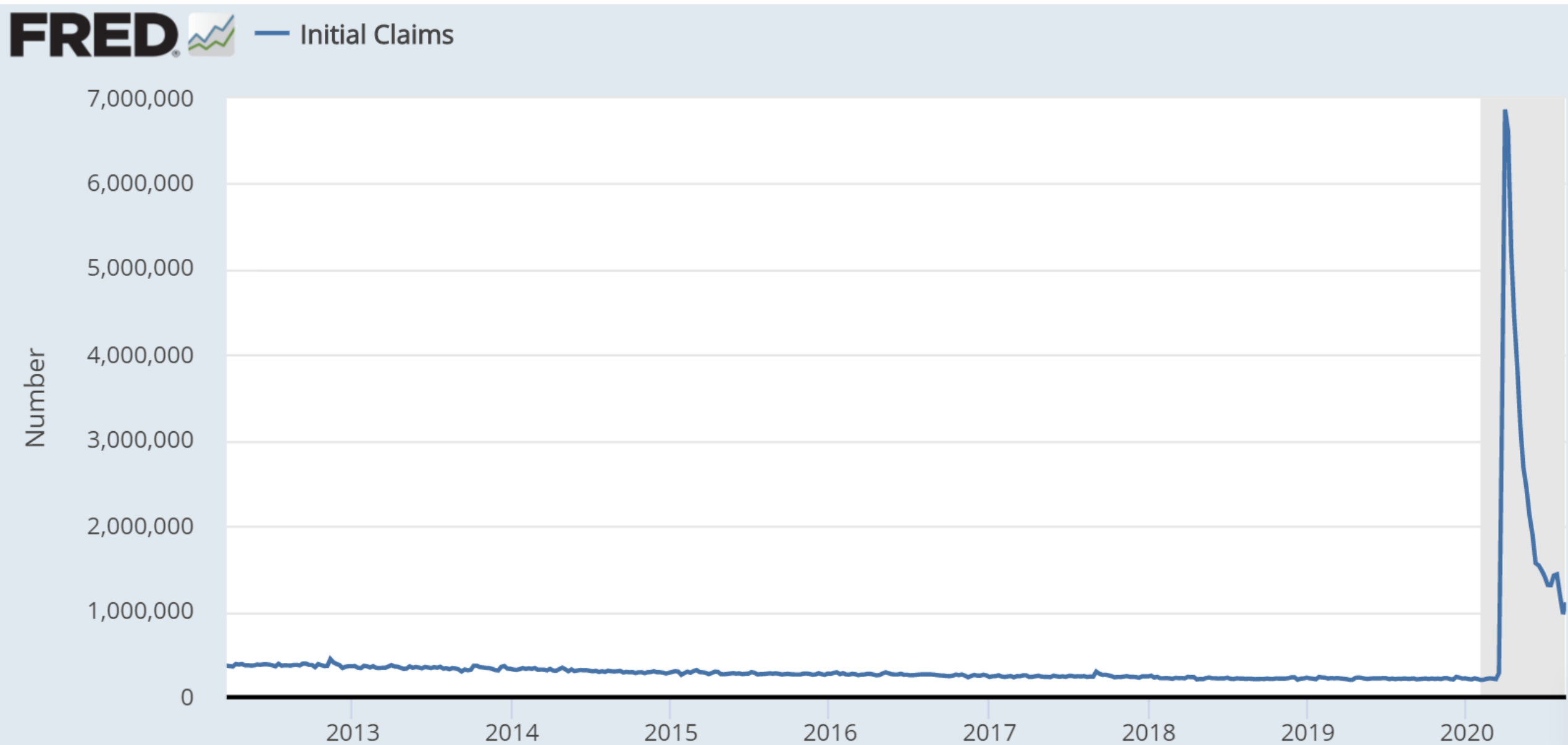


— 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

— Chicago Fed National Financial Conditions Credit Subindex



# Initial claims back above 1M



S&P 500 Index - 1D - SPCFD 360.48 H3390.80 L3354.69 C3385.51 +10.66 (+0.32%)

USD 0

3385.51 0.00 3385.51

10

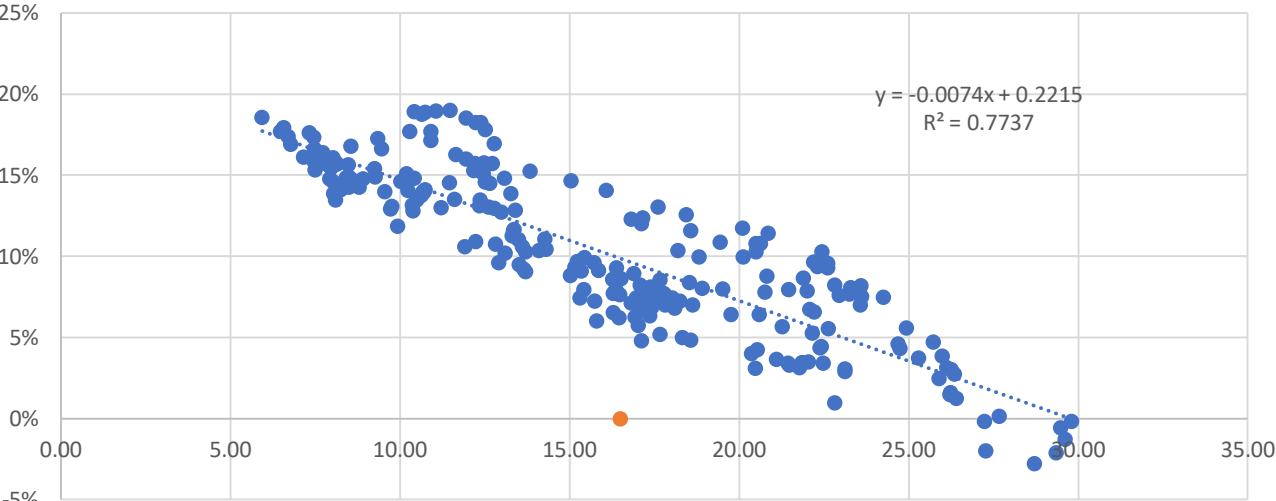


Oct Nov Dec 2020 Feb 3 Apr May Jun Jul Aug

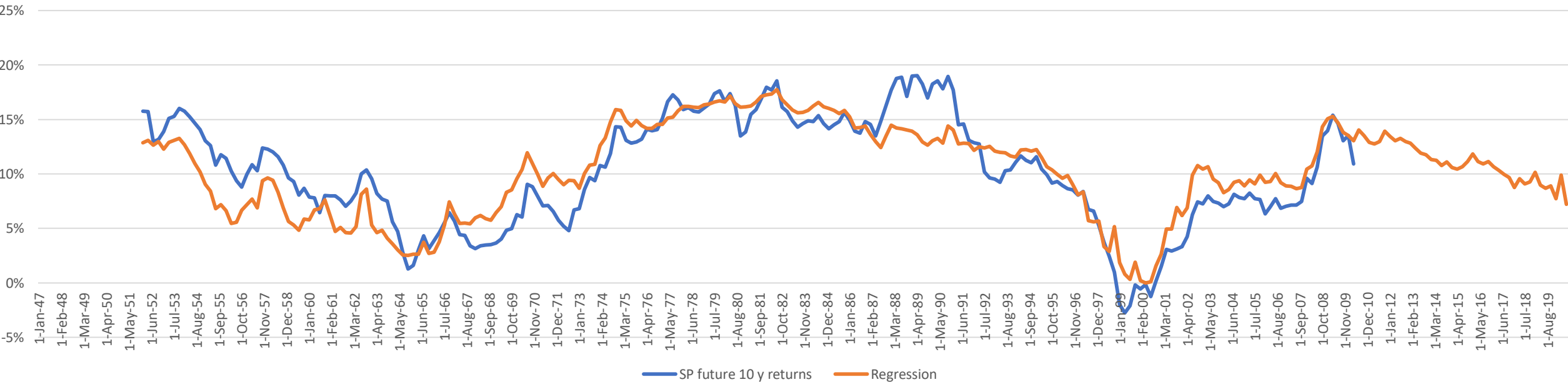


# Equity returns still the highest: 7.2% over next 10 years

CPATAX 15y P/E vs. 10y future returns



Project returns versus realized



# US Government Bonds 10 YR Yield - 1D - TVC

00.683 H0.683 L0.638 C0.653 -0.031 (-4.52%)

0.653 -0.003 0.649

10



-61.26%  
01:03:10  
-69.98%

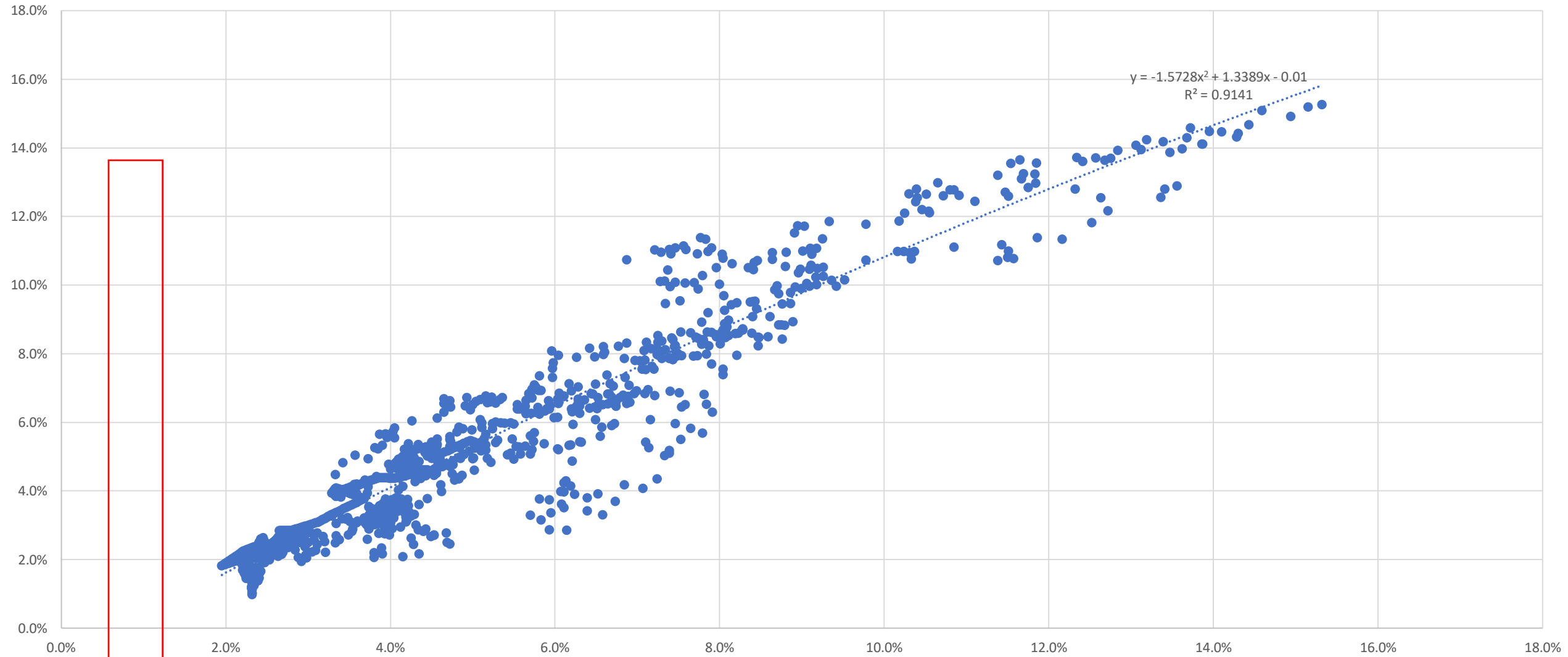


1(-87.65%)



# Bond returns could be negative over next 10 years: 60bps

10Y yield VS 10y bond futrue returns



ISHARES TRUST IBOXX USD INVESTMENT GRADE CORP BOND ETF · 1D · Cboe BZX

O136.24 H136.35 L136.02 C136.20 +0.48 (+0.35%)

135.50 4.50 140.00

10



1 USD

140.00

137.50

136.20

135.00

132.50

130.00

127.50

125.00

122.50

120.00

117.50

116.56

115.00

112.50

110.00

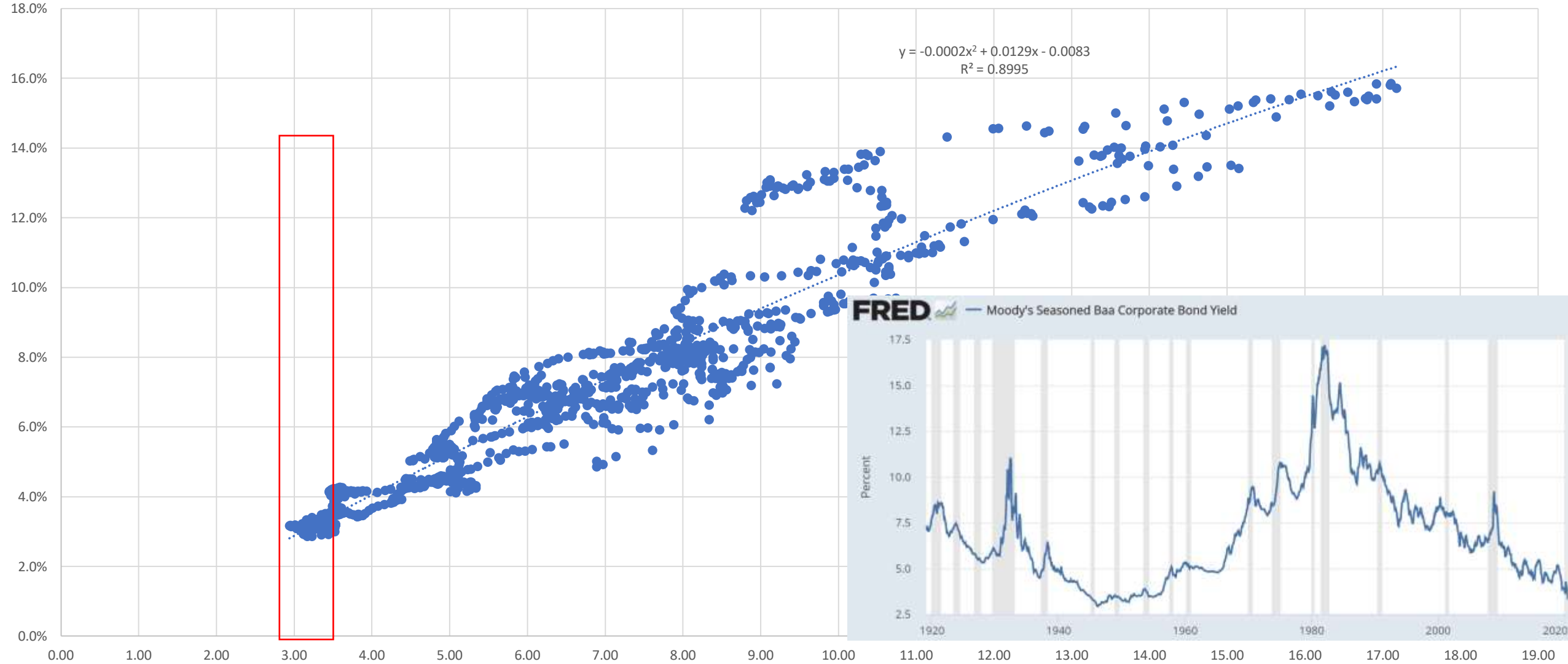
107.50

105.00

102.50

# Credit returns still poor: 331bps (295bps min)

Baa yield vs 10y future returns on Baa credit



# Yield Gap Between Aaa Bonds and S&P 500



Bond yields used to always be higher than dividend yields. Not any more.

Source: Bloomberg. Based on Bloomberg Barclays U.S. Corporate Bond Index.

# Credit and Equity: same battle



- Moody's Seasoned Baa Corporate Bond Yield Relative to Yield on 10-Year Treasury Constant Maturity (left)
- Wilshire 5000 Total Market Full Cap Index (right)



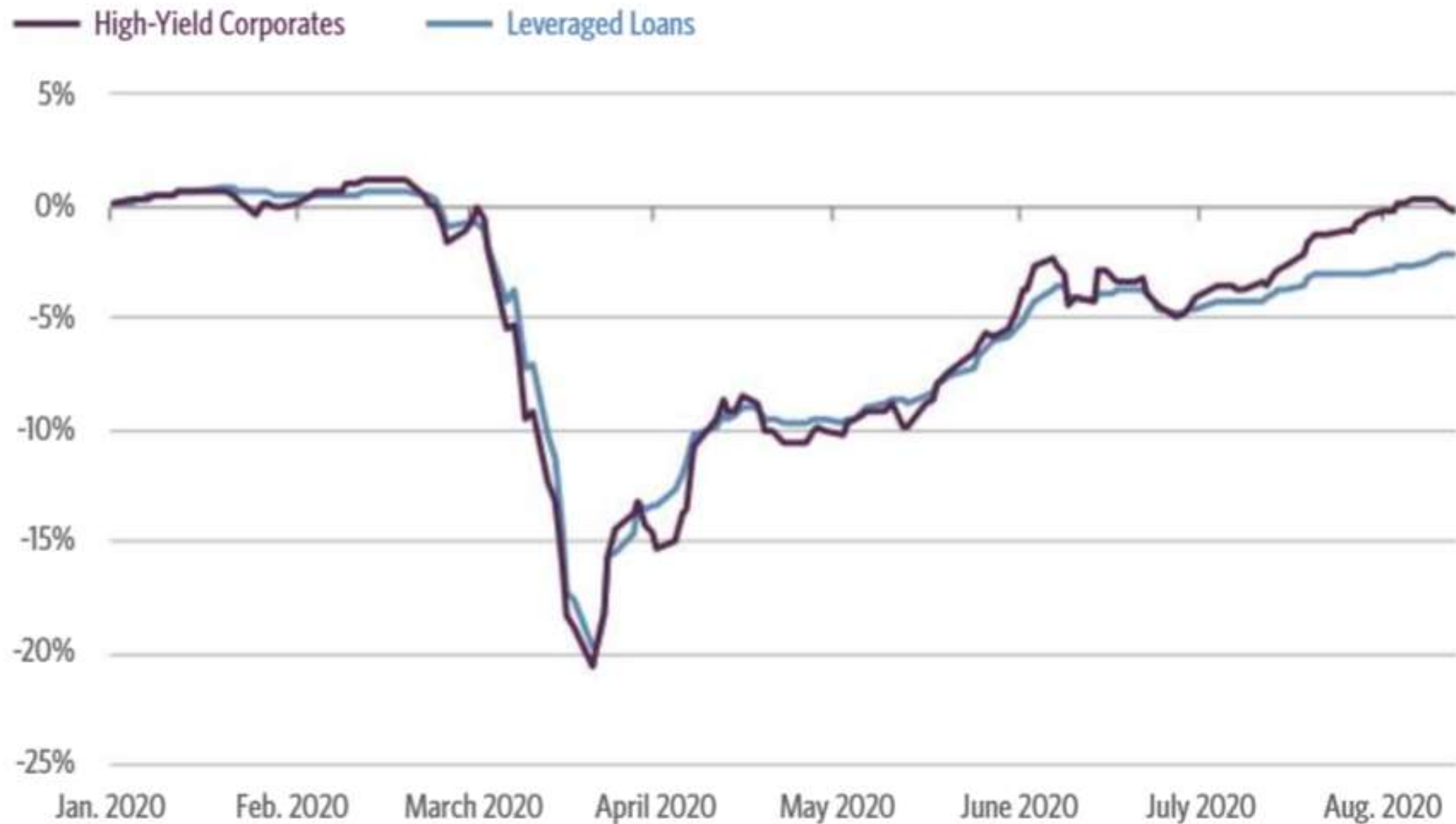
LQD/SPY - 1D - Cboe BZX ⌂ ≈ O0.41 H0.41 L0.40 C0.40 +0.00 (+0.04%)

0.40 0.00 0.40  
v 11



# High-Yield Corporate Bonds and Leveraged Loans Have Largely Recovered

Year-to-Date Total Return



Source: Guggenheim Investments, Bloomberg. Data as of 8.14.2020.

# Credit not a good diversifier to Equities

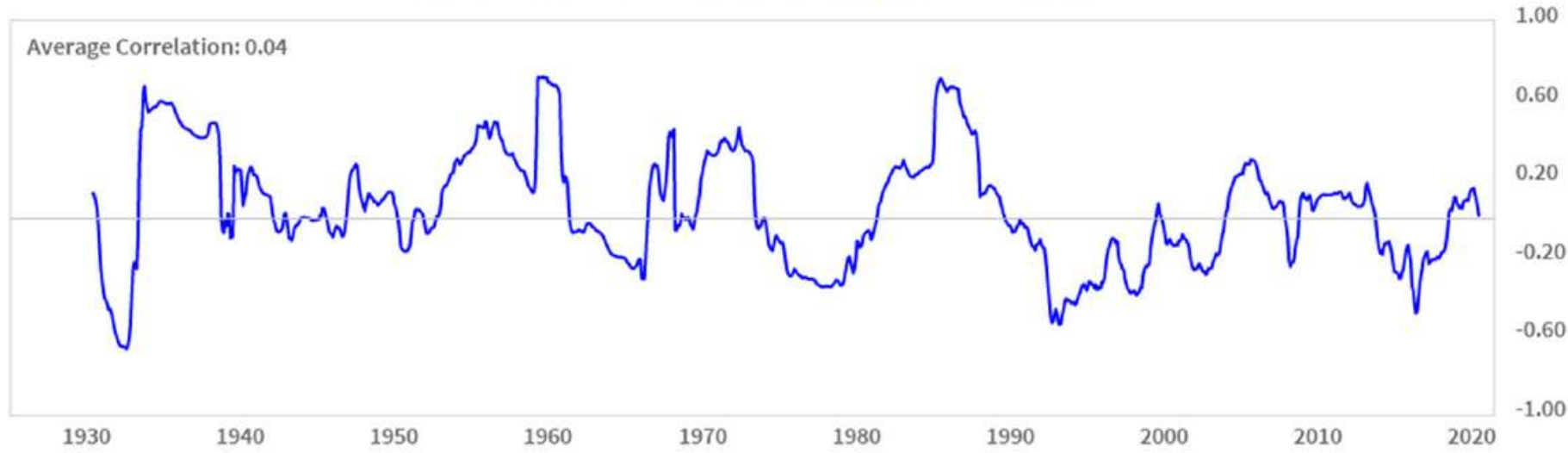
**5-Year Rolling Correlation of S&P and Corporate Spreads  
(Using 6-Month Excess Rolling Returns)**





- -Treasuries can still diversify but the lower the yield the lower the hedge
- -Gold and TIPS then tend to be the best options going forward

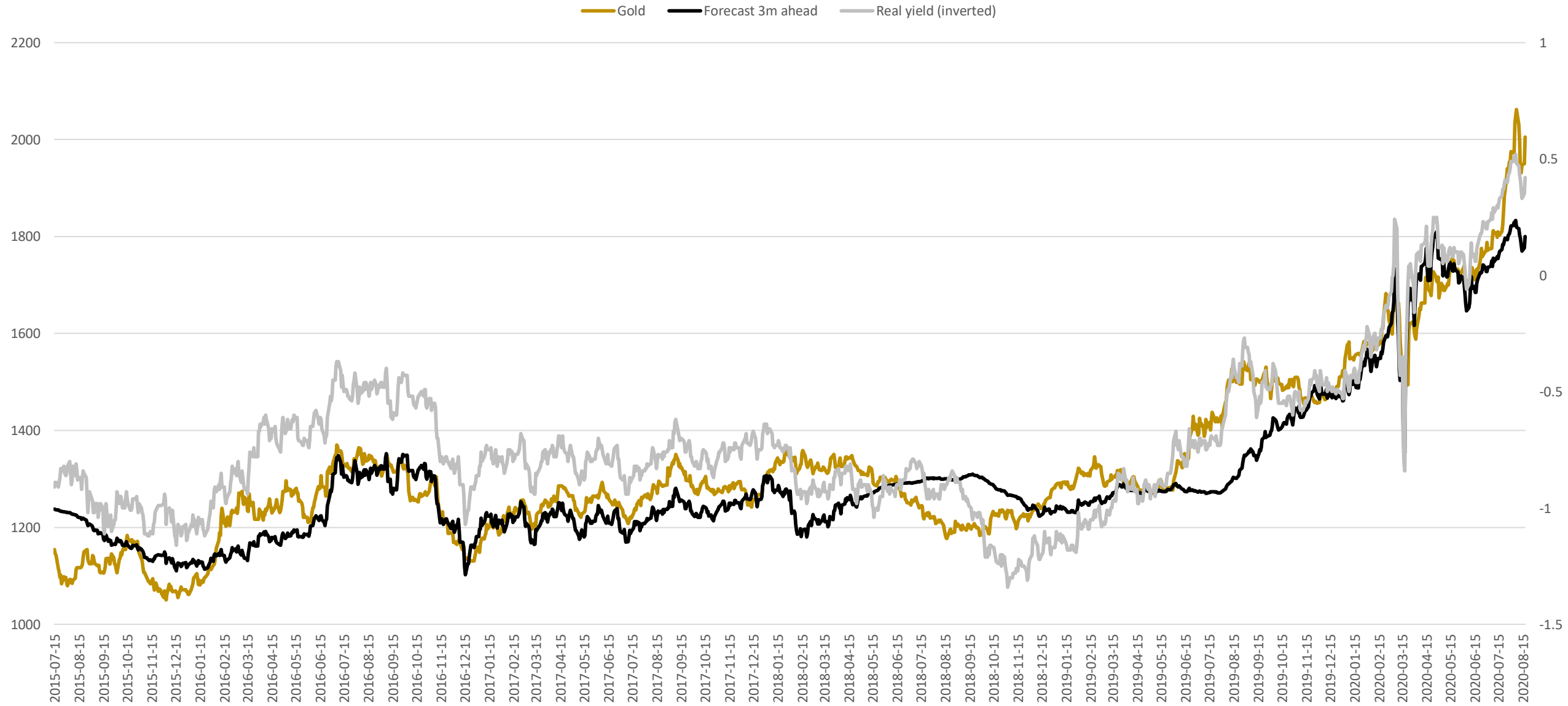
**5-Year Rolling Correlation of S&P and Gold  
(Using 6-Month Excess Rolling Returns)**



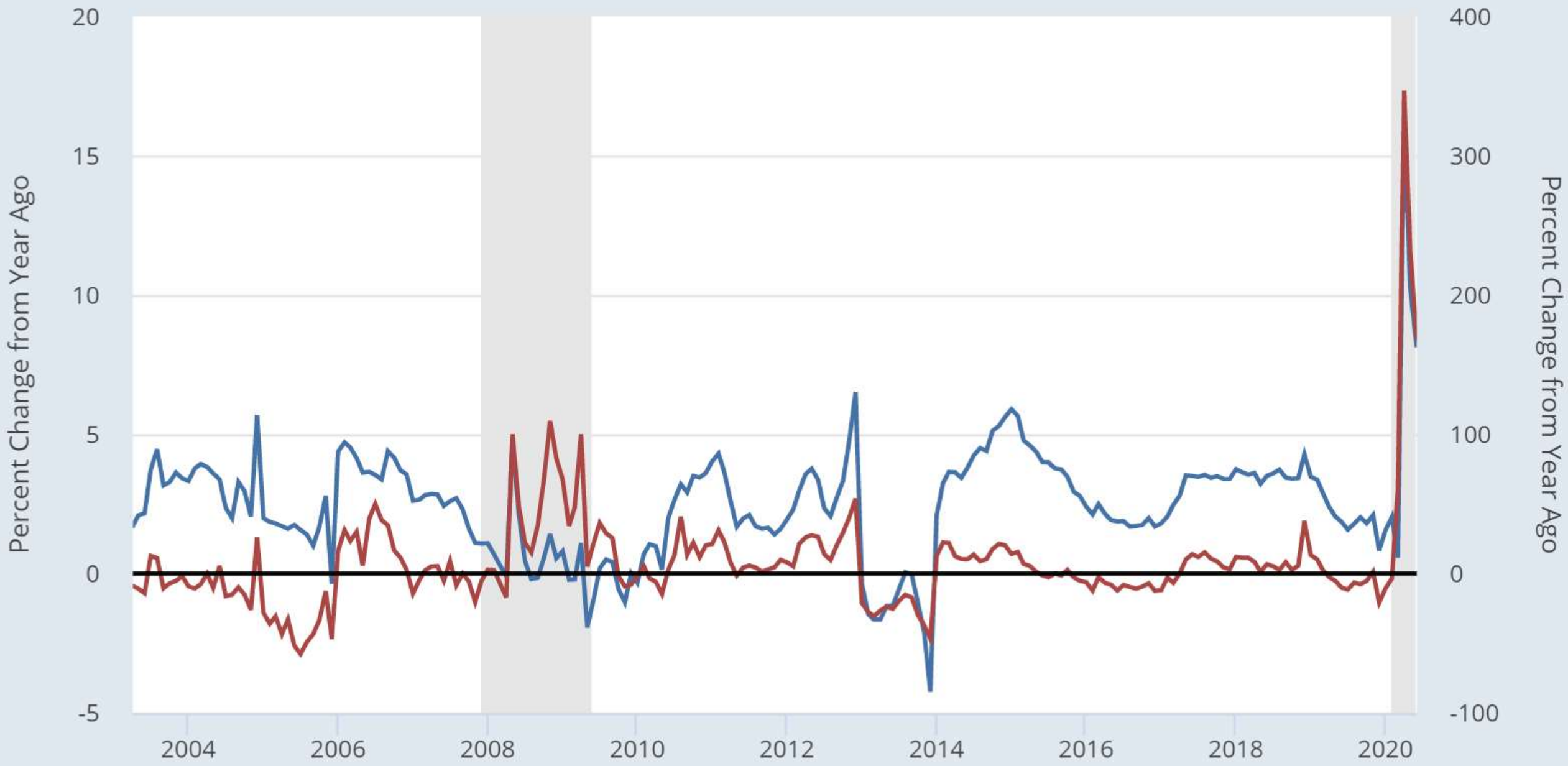
**5-Year Rolling Correlation of S&P and Gold + US ILB (Risk-Matched)  
(Using 6-Month Excess Rolling Returns)**



# Gold probably a little ahead of itself

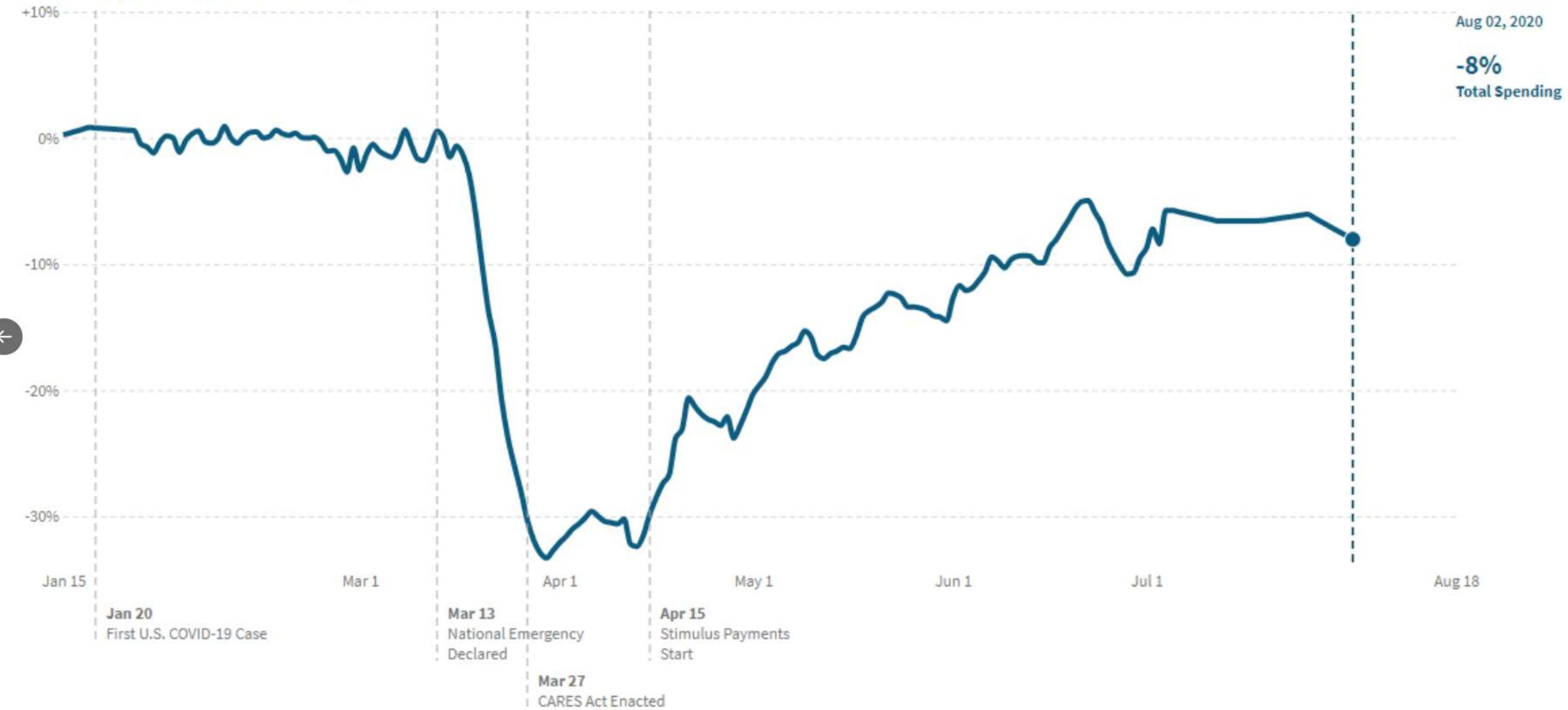


— Real Disposable Personal Income (left)  
— Personal Saving Rate (right)



In **the United States**, as of August 02, 2020, total spending by all consumers decreased by **8%** compared to January 2020.

[DOWNLOAD CHART](#)



# Impact from Biden's policies

## Relative Impact of Different Program Types

Impact	Program Type	Biden Spending Plans (%GDP, Ann)	Biden Funding Plans (%GDP, Ann)
Most Impactful ↓ Least Impactful	Infrastructure Spending	0.6%	-
	Other Direct Spending	0.5%	-
	Cash Transfers / Tax Changes for Needy HHs	1.8%	-
	Broad Household Cash Transfers / Tax Changes	1.0%	-
	Corporate Tax Changes	-	1.5%
	Cash Transfers / Tax Changes for Wealthy HHs	-	0.4%

Biden's proposed spending plans are concentrated in types of policies that tend to be highly impactful, and the levers he plans to use to fund them tend to cause smaller drags



10.01 0.00 10.01

MA 18 close

Vol

XLE/SPY, CBOE BZX 0.11

XLK/SPY, CBOE BZX 0.34

XLV/SPY, CBOE BZX 0.32

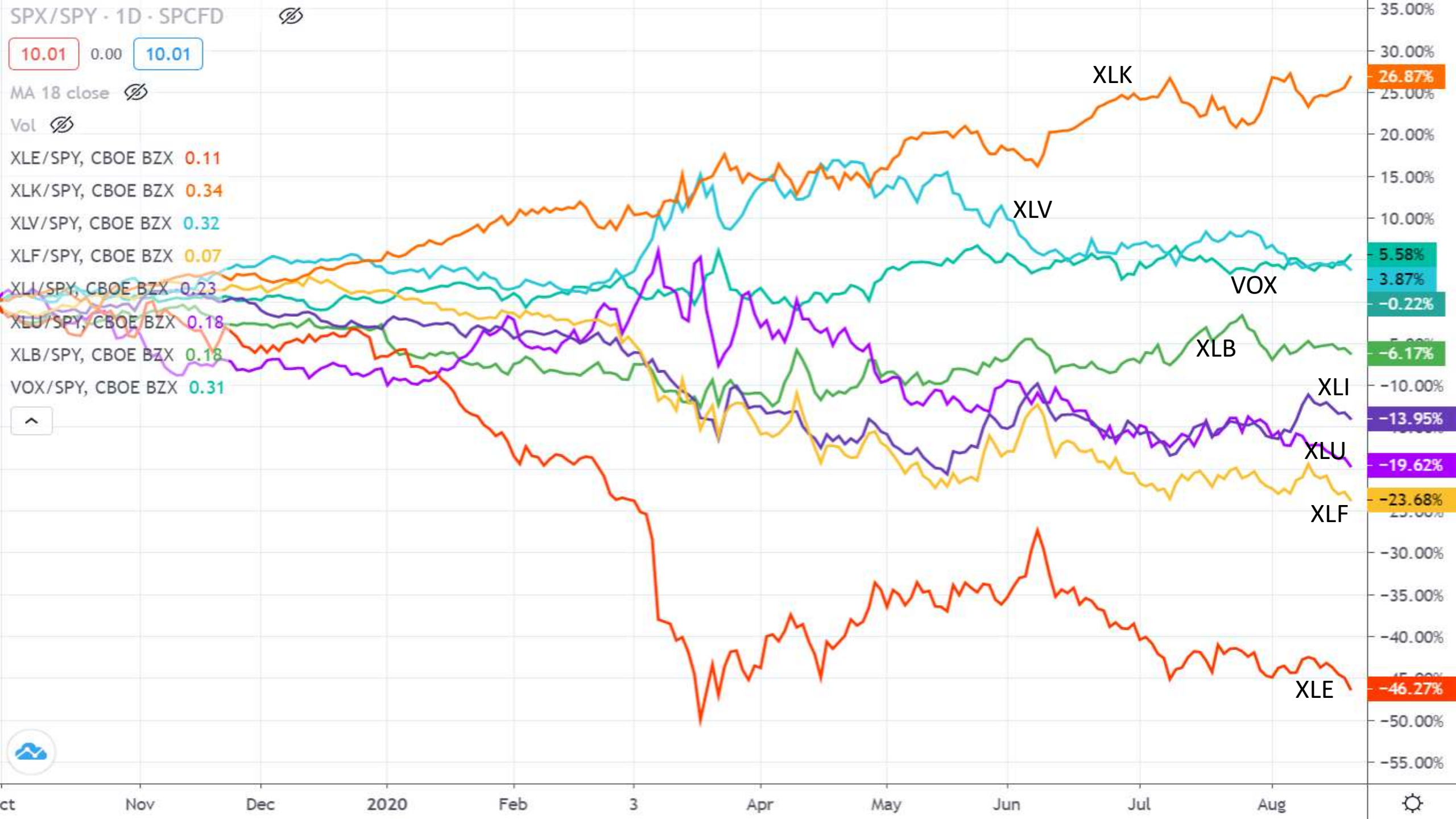
XLF/SPY, CBOE BZX 0.07

XLI/SPY, CBOE BZX 0.23

XLU/SPY, CBOE BZX 0.18

XLB/SPY, CBOE BZX 0.18

VOX/SPY, CBOE BZX 0.31

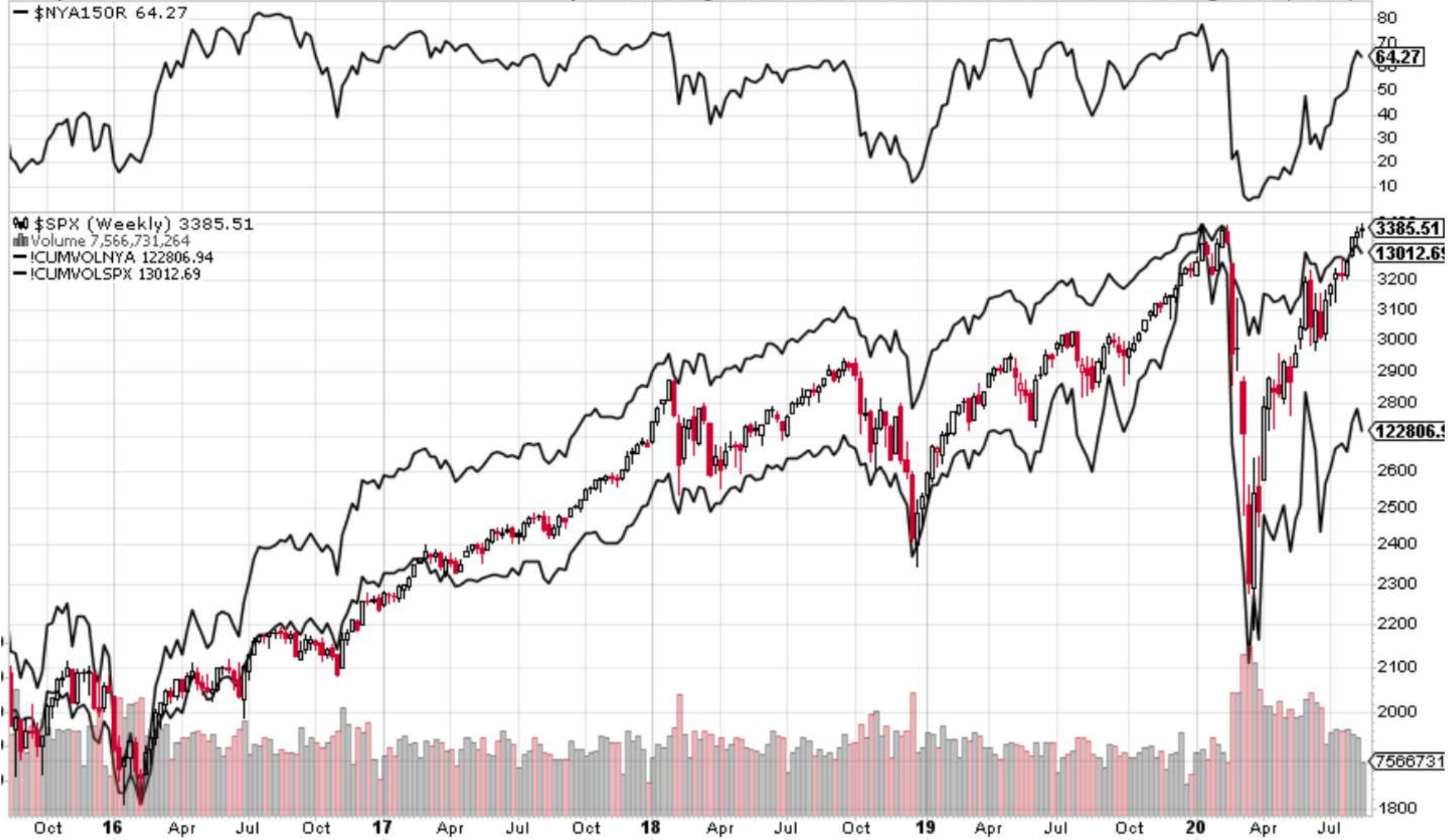


# \$SPX S&P 500 Large Cap Index INDX

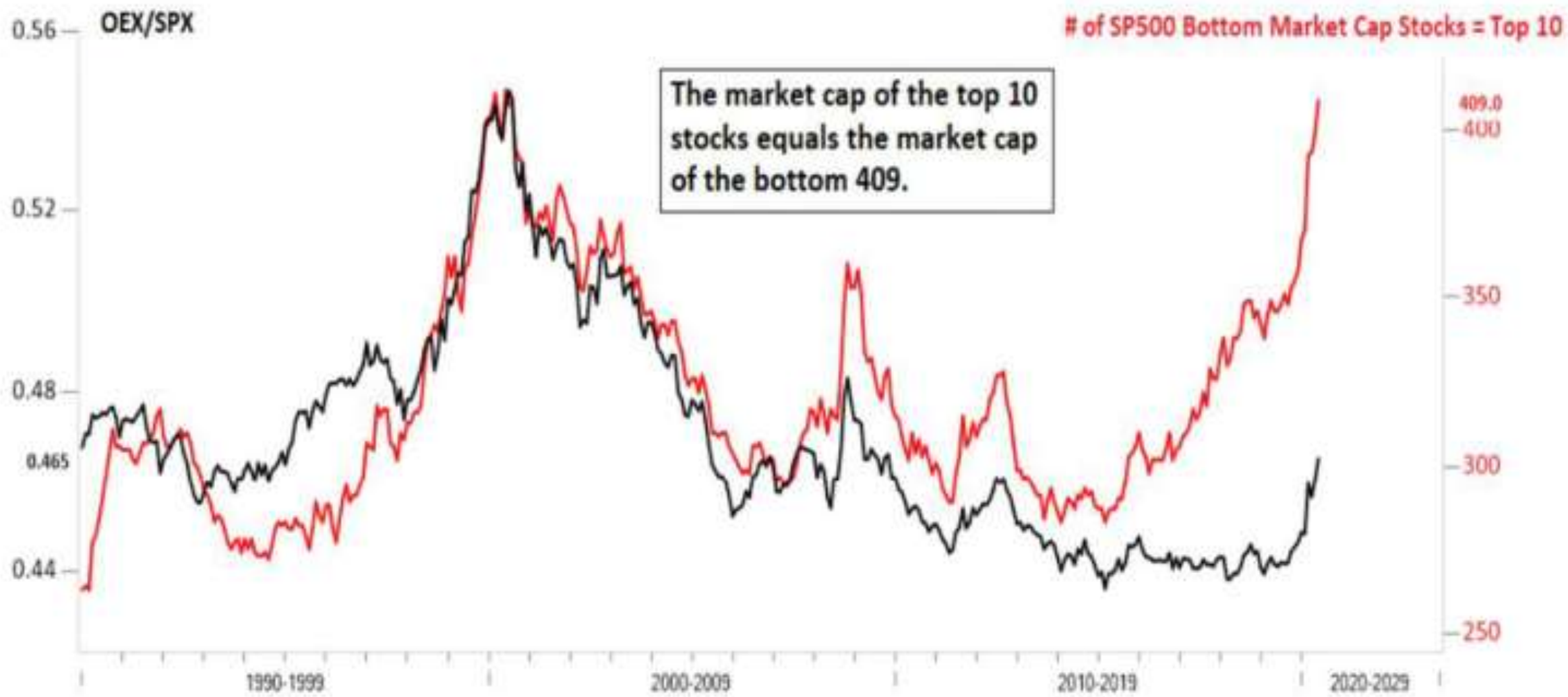
20-Aug-2020

Open 3380.86 High 3399.54 Low 3354.69 Close 3385.51 Volume 7.6B Chg +12.66 (+0.38%) ▲

© StockCharts.com



# Leadership within the SP500 Becoming Extraordinarily Narrow





END

## Biden's Revenue & Spending Proposals (2021-2030, %GDP, Annualized)

Revenues			Spending		
Category	Description	Est	Category	Description	Est
<b>Corporate Taxes: 1.53% GDP</b>	Raise Corporate Rate to 28%	0.60%	<b>Transfers to Most Needy Households: 1.76% GDP</b>	Medicare Public Option & ACA Expansion	1.04%
	Apply 12.4% Payroll Tax Above \$400K	0.45%		Expand Social Security	0.21%
	Industry-Specific Taxes	0.16%		Increase Medicaid Matching % for Elder Care	0.21%
	<i>Real Estate</i>	0.14%		Affordable Housing Agenda	0.30%
	<i>Fossil Fuel</i>	0.01%			
	<i>Drug Advertising</i>	0.01%	<b>General Household Transfers: 1.02% GDP</b>	Universal Pre-K & K-12 Plan	0.39%
	<i>Independent Contractors</i>	0.01%		Higher Education Plan	0.35%
	Raise GILTI (Global Intangible Low-Taxed Income) Rate	0.14%	Paid Family Leave	0.20%	
Phase Out Pass-Through Deduction above \$400K	0.10%	Expanded Tax Credits for Families & Caregivers	0.08%		
15% Minimum Tax on Book Income	0.08%				
<b>Taxes on High Earners: 0.45% GDP</b>	Raise Top Rates & Limit Itemization	0.24%	<b>Infrastructure: 0.6% GDP</b>	Green-Focused Infrastructure Plan	0.60%
	Tax Capital Gains as Ordinary Income (above \$1 Mln) & Repeal Step-Up Basis	0.21%			
<b>Other: -0.13% GDP</b>	Various Tax Cuts	-0.13%	<b>Other Direct Spending: 0.51% GDP</b>	Clean Energy Research & Innovation	0.19%
				"Buy American," Increased Procurement Spending	0.19%
				Early-Stage R&D Funding (Green Energy; Cutting-Edge Research)	0.14%
<b>Total</b>			<b>Total</b>		
<b>1.85%</b>			<b>3.89%</b>		