

A CYCLICAL BEAR MARKET COULD UNFOLD QUICKLY— BUT NOT UNTIL H1 2019

Ask **the** PORTFOLIO
MANAGER

Should investors be concerned about a flattening U.S. yield curve?

Transcript of a video recorded on May 30, 2018.

Equities follow credit. Generally, my colleagues on the fixed income side have a more reliable interpretation of the macroeconomic world than equity investors. But today, the yield curve is still positively sloped. It's not consistent with an imminent recession.

Once that slope becomes inverted, which will probably happen in the first half of 2019, then that judgment changes. Then that sets off a number of dynamics which make recession much more likely.

What could be different this cycle? Ultimately, we think that the cyclical bear market, when it comes, will be relatively severe, but normal in price, but it could be compressed in time. In other words, it could all unfold pretty quickly.

That's because there's two particular buyers of equities through this bull market that have become unusual. The first is passive flows. Passive flows are momentum-driven, and they operate under the illusion that the liquidity will be there to allow them to execute their strategy when the trend changes.

I'm not convinced that's the case. I think that there's an authentic correction to unfold when passive finally sells, in part because I don't think the liquidity will be there.

The other key leg of support for the bull market has been the corporate buybacks, and those corporate buybacks are heavily dependent on the health of the corporate bond market, and the health of the corporate bond market is very dependent on a positively sloped yield curve.

By the time that you're operating in a world where the yield curve inverts, I think two of those major sources of support for equities will begin to wane. That's when late cycle really does mean end of cycle.

WATCH VIDEO

Video recorded 5/30/18.

Before investing carefully consider the fund's investment objectives, risk, charges, and expenses. Please see the prospectus and the summary prospectus containing this and other information which can be obtained by calling 1-800-583-6959. Read it carefully before investing.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. The material has been prepared for informational purposes only, and is not intended to provide, and should not be relied upon for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.



MICHAEL GRANT
Co-CIO, Sr.
Co-Portfolio
Manager, Head of
Global Long/Short
Strategies

CALAMOS[®]
INVESTMENTS

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com
© 2018 Calamos Investments LLC. All Rights Reserved.
Calamos[®] and Calamos Investments[®] are registered trademarks
of Calamos Investments LLC.
801170 0618