LORD ABBETT®

WEEKLY FIXED INCOME UPDATE

September 9, 2019

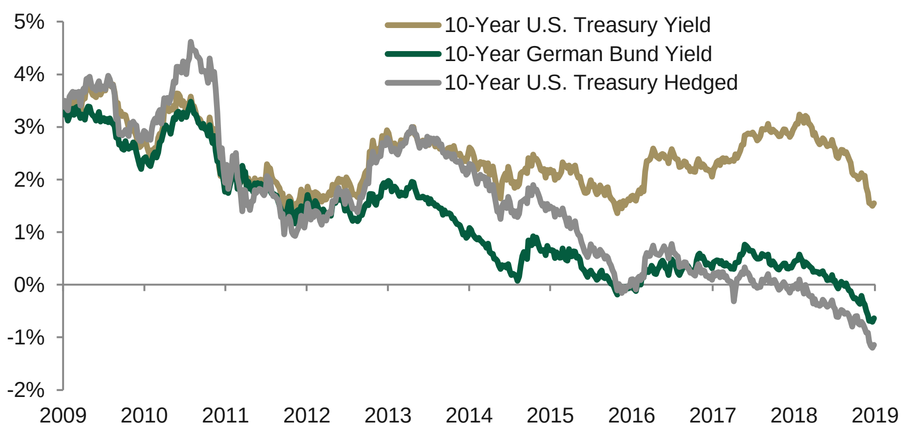
The Week in Review

- U.S. Treasury yields rose across the curve last week as investor sentiment turned positive, although odds of a U.S. Federal Reserve (Fed) rate cut in September are currently near 100%. High yield bonds posted positive returns for the third week in a row. High yield issuance of $3.8 billion was markedly oversubscribed, supporting prices.
- Investment grade issuance is usually strong in September after a lull over the summer but this week broke all records—$71 billion in issuance from 46 issuers. We have not seen 46 deals price in a week since the first week of 1998. Deals were oversubscribed and in general traded up, although the massive supply did weigh on the rest of the market, leaving investment grade corporates modestly down on the week.
- Jobless claims remained very low in the week ended 8/31, suggesting that manufacturing is not as weak as what was implied by the August ISM survey (an indicator of recent U.S. economic activity from the Institute for Supply Management). Even if companies are pessimistic about the future, extremely high job vacancies and rising quit rates are likely to make them reluctant to lay off workers that will be very hard to replace if their fears turn out to be exaggerated. Thus, it appears the U.S. labor market remains very strong.
- Consumer confidence bounced back at the end of August. Consumer surveys show that high confidence is underpinned by a view that the job market is strong. So far, the data supports this view and suggests that steady real income growth will continue to underpin increases in consumer spending.
- The fall in global rates has been pronounced, but there is no free lunch in the U.S. for investors plagued by negative yields. The cost of converting returns into other currencies eliminates the yield advantage for investors. In fact, yields for U.S. treasuries look worse for European investors than their own negatively yielding debt (see **Chart of the Week**).

The Week Ahead

- Wednesday: Purchaser Price Index
- Thursday: Consumer Price Index, Jobless Claims
- Friday: Retail Sales

Chart of the Week: Hedging Costs Can Eliminate Yield Advantage



Fixed Income Market Review

Index Returns — Returns (%)

	1 Week	YTD	1 Year	3 Year	5 Year
U.S. Aggregate	-0.15	8.93	10.12	2.99	3.41
IG Corporates	-0.24	13.66	13.21	4.52	4.69
HY Corporates	0.26	11.43	6.93	6.20	5.00
Bank Loans	0.08	6.03	3.37	4.78	3.93
IG Corporates 1-3 Year	0.01	4.39	5.27	2.54	2.24
Global Aggregate	-0.15	7.26	7.71	1.82	1.81

Treasury Rates

	Yield (%)			Yield Change (bps)		
	Latest	1 Year Low	1 Year High	1 Week Change	YTD Change	1 Year Change
2 Year	1.54	1.43	2.97	+4	-95	-109
5 Year	1.43	1.32	3.09	+5	-108	-131
10 Year	1.56	1.46	3.24	+6	-112	-131
30 Year	2.03	1.95	3.46	+6	-99	-103

Credit Spreads

	Spread (bps)			Spread Change (bps)		
	Latest	1 Year Low	1 Year High	1 Week Change	YTD Change	1 Year Change
IG Corporates	119	105	157	-1	-34	+5
HY Corporates	385	303	537	-8	-141	+44
EM Aggregate	325	272	350	-10	-18	+5
CMBS	69	58	87	-1	-17	+5
MBS	45	27	57	-2	+10	+16
ABS	33	30	53	-1	-20	-6

Other Indicators

	Latest	1 Week Change	YTD Change	1 Year Change
S&P GSCI	404.47	+7.41	+30.14	-55.33
Crude Oil - WTI ($)	56.52	+1.42	+11.11	-11.25
Trade Weighted Dollar*	131.68	+1.02	+3.73	+5.65
5-Yr Breakeven Inflation Rate (%)	1.37	+0.01	-0.12	-0.60

IMPORTANT INFORMATION

The Week in Review
Source: Bloomberg and Lord Abbett. Stock market as represented by the S&P 500 Index.

Chart of the Week
Source: Bloomberg. Data as of 09/06/2019.

Index Returns
Source: Morningstar Direct. Returns shown are total returns for Bloomberg Barclays U.S. Aggregate Bond Index, Bloomberg Barclays U.S. Corporate Bond Index, ICE BofAML U.S. High Yield Master II Constrained Index, Credit Suisse Leveraged Loan Index, ICE BofAML U.S. Corporate 1-3 Year Index, and Bloomberg Barclays Global Aggregate Bond Index.

Treasury Rates
Source: Bloomberg Barclays.

Credit Spreads
Source: Bloomberg Barclays. Credit spreads shown are for Bloomberg Barclays US Agg Corporate Avg OAS, Bloomberg Barclays US Corporate High Yield Avg OAS, Bloomberg Barclays EM USD Aggregate Avg OAS, Bloomberg Barclays US Agg CMBS Avg OAS, Bloomberg Barclays US MBS Fixed Rate Avg OAS, and Bloomberg Barclays US Agg ABS Avg OAS.

Other Indicators
Source: Bloomberg Barclays. *Trade weighted dollar data available on a one week lag. The breakeven inflation rate represents a measure of expected inflation derived from 5-Year Treasury Constant Maturity Securities and 5-Year Treasury Inflation-Indexed Constant Maturity Securities.

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