2021 Investment Outlook

LORD ABBETT®

TAXABLE FIXED INCOME

A panel of Lord Abbett Portfolio Managers identified three key themes for investors to consider within taxable fixed income in the year ahead.

The Search for Income in a Low-Yield Environment

Investors seeking income in today's low-yield environment may find themselves adding more risk to their portfolios. The U.S. Federal Reserve's intent to maintain low short-term interest rates likely means relative stability of the yield curve and low interest rate volatility, which may contribute to a greater investor focus on riskier assets. To maintain portfolio diversification in the pursuit of income, investors may want to consider a multi-sector approach.

Strategic Cash Management

In today's challenging low-to-negative yield environment, investors who need a certain level of liquidity in their portfolios may want to consider a short duration strategy designed to provide income while mitigating interest-rate risk. As a reminder, duration is a measure of the sensitivity of a bond's returns to changes in interest rates; a higher duration signals greater risk from rising rates.

Global Diversification

The breadth, strength and timing of recoveries among developing and emerging markets from COVID-inflicted economic damage have been diverse. China's economy, for example is operating at nearly pre-pandemic levels while sentiment measures in manufacturing and industrials sectors have exceeded pre-crisis levels. Investors seeking to diversify their fixed income portfolios may want to consider adding global exposure via select emerging markets.

Talk to your financial professional about investment opportunities for 2021 and beyond.
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A Note about Risk: The value of investments in fixed-income securities will change as interest rates fluctuate and in response to market movements. Generally, when interest rates rise, the prices of debt securities fall, and when interest rates fall, prices generally rise. Fixed-income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower-rated securities are subject to greater credit risk, default risk, and liquidity risk. Credit risk is the risk that debt issuers will become unable to make timely interest payments, and at worst will fail to repay the principal amount. Treasuries are debt securities issued by the U.S. government and secured by its full faith and credit. Income from U.S. Treasury securities is exempt from state and local taxes. Although U.S. government securities are guaranteed as to payments of interest and principal, their market prices are not guaranteed and will fluctuate in response to market movements. The municipal bond market may be impacted by unfavorable legislative or political developments and adverse changes in the financial conditions of state and municipal issuers or the federal government in case it provides financial support to the municipality. Income from the municipal bonds held could be declared taxable because of changes in tax laws. Certain sectors of the municipal bond market have special risks that can affect them more significantly than the market as a whole. Because many municipal instruments are issued to finance similar projects, conditions in these industries can significantly affect an investment. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state and local taxes may apply. Investments in Puerto Rico and other U.S. territories, commonwealths, and possessions may be affected by local, state, and regional factors. These may include, for example, economic or political developments, erosion of the tax base, and the possibility of credit problems. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors, and each investor should evaluate their ability to invest long term, especially during periods of downturn in the market.

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