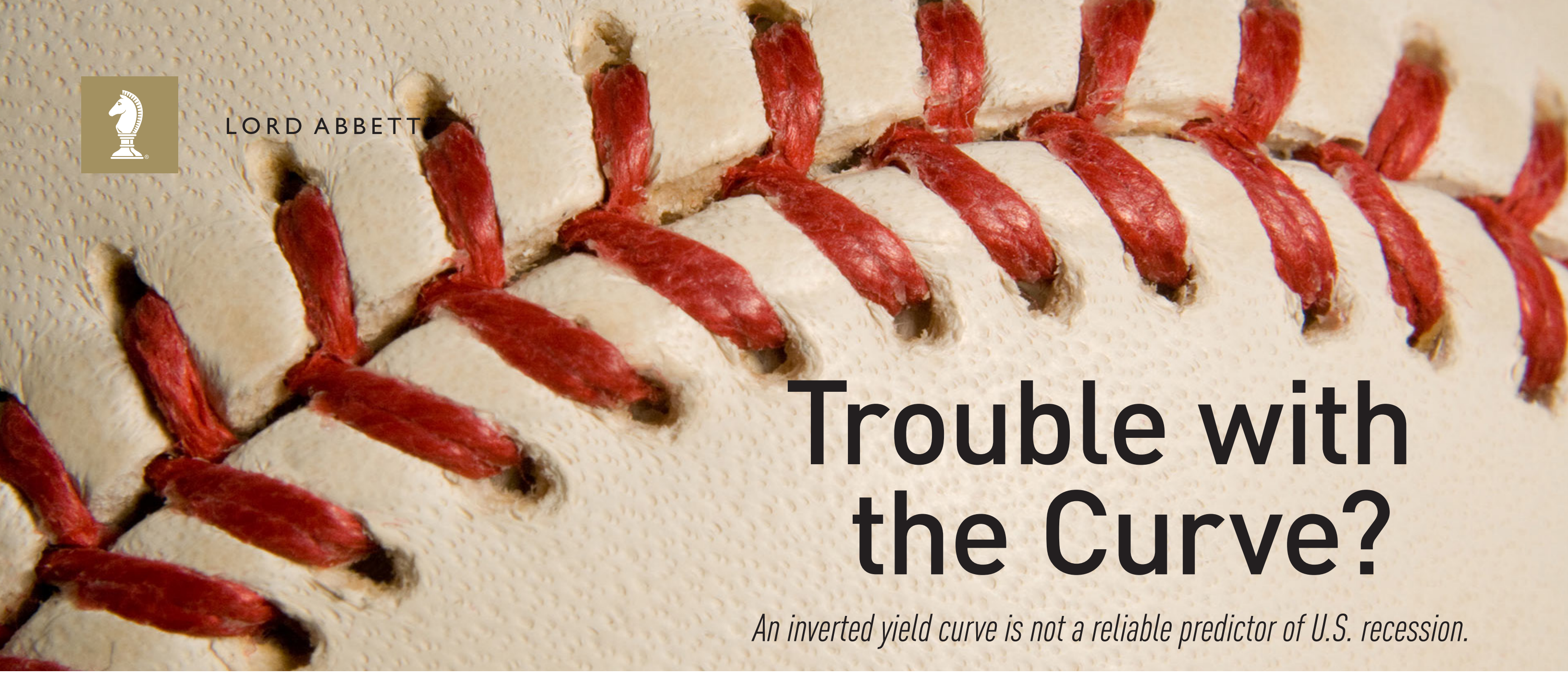

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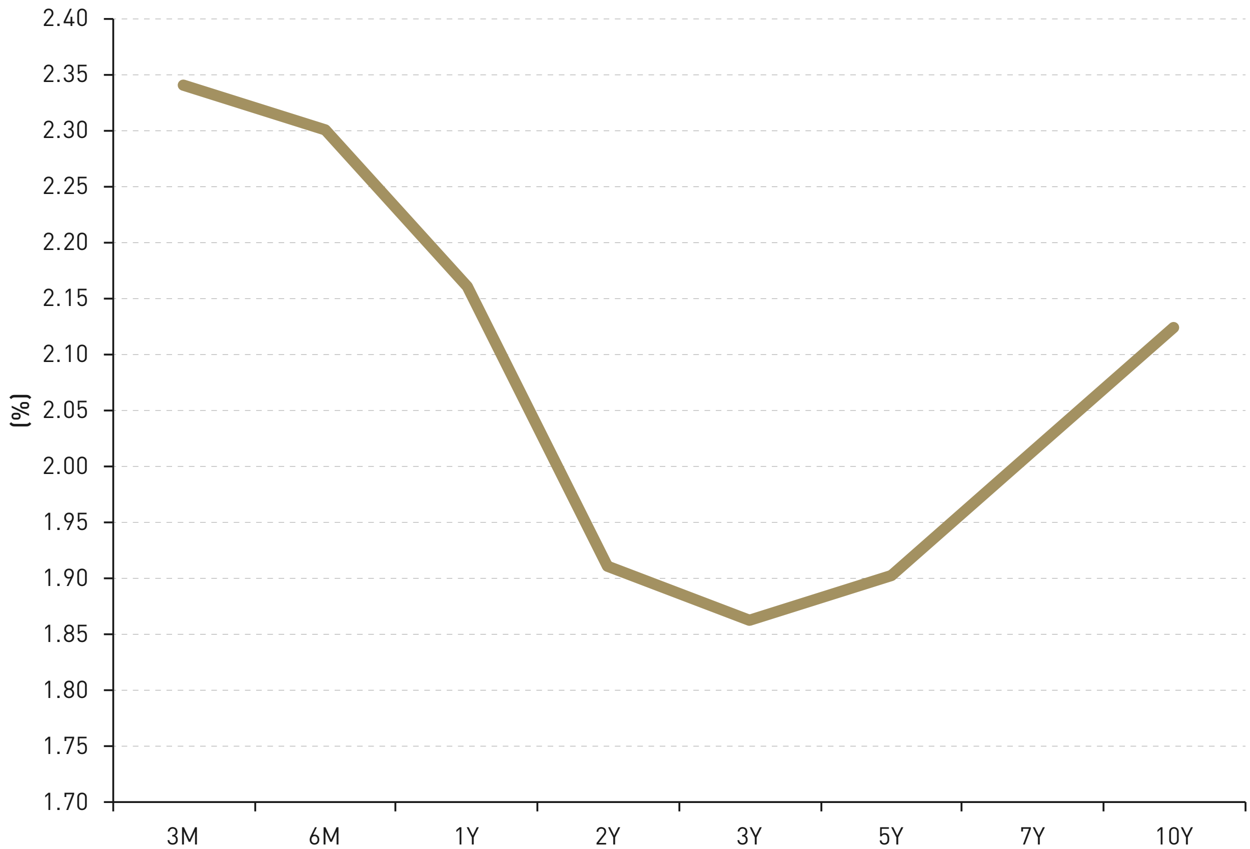
Trouble with the Curve?

An inverted yield curve is not a reliable predictor of U.S. recession.

The U.S. Treasury yield curve recently inverted, with long-term rates falling below short-term rates.

State of Inversion: The U.S. Treasury Yield Curve

Yield on U.S. Treasuries for indicated maturities, as of June 4, 2019



Source: Bloomberg. Chart represents yield of U.S. Treasury securities across available maturities as of June 4, 2019.

The historical data are for illustrative purposes only, do not represent the performance of any specific portfolio managed by Lord Abbett or any particular investment, and are not intended to predict or depict future results. Investors may experience different results.

Past performance is not a reliable indicator or guarantee of future results.

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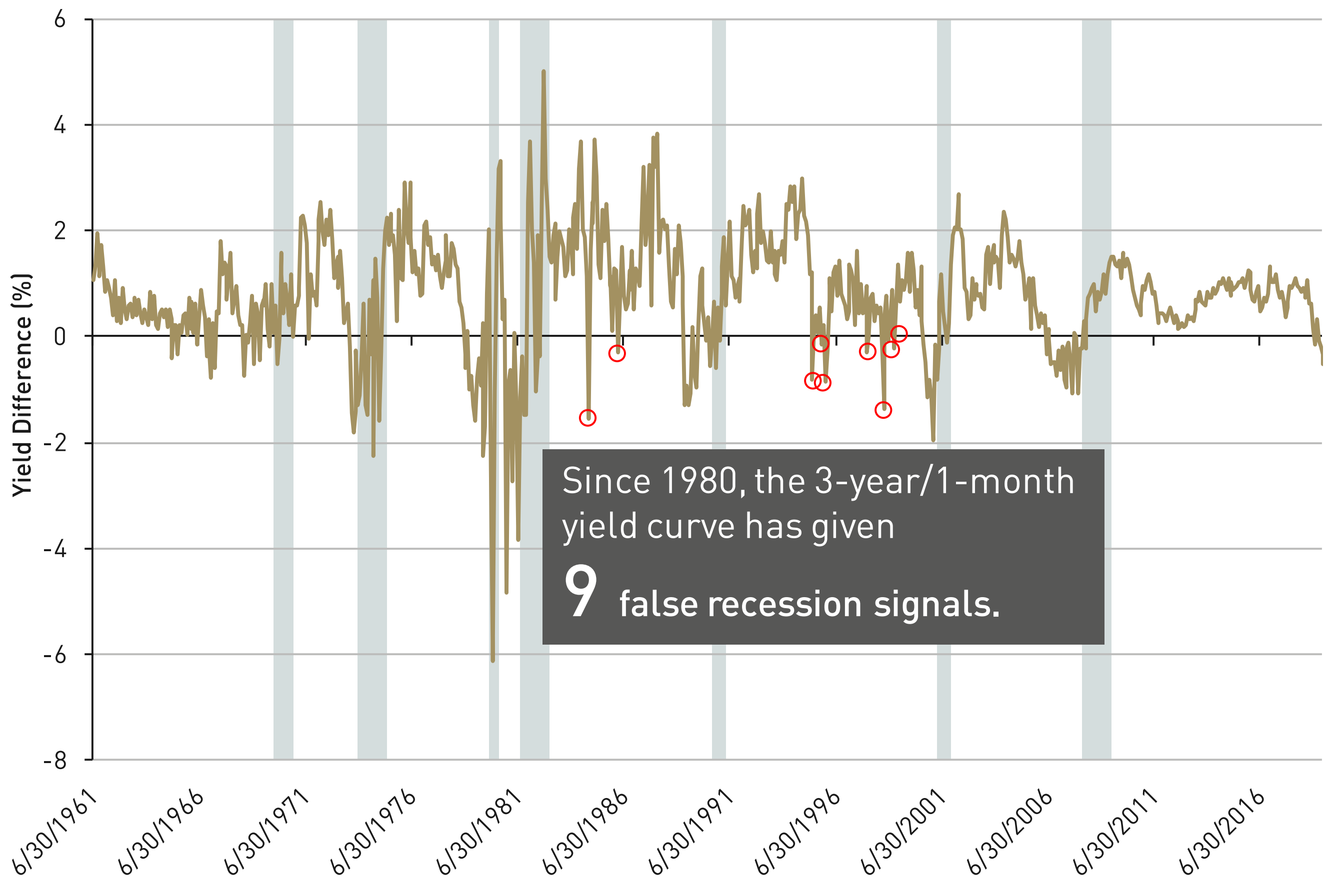
Why might this be a concern? An inverted yield curve is often seen as a predictor of recession. Indeed, the last five U.S. recessions have been preceded by inversions. *But not every inversion is immediately followed by a recession.*

An Inverted Yield Curve Signals Recession—Except When It Doesn't

Yield curve differential of the three-year U.S. Treasury note and the one-month U.S. Treasury bill (monthly except for endpoint), June 30, 1961–June 4, 2019



Source: Bloomberg. Shaded areas indicate recessionary periods. False signals are points at which the yield curve inverted and then subsequently turned positive without occurrence of recession.

Performance quoted above is historical. Yield curve represents differential between three-year and one-month U.S. Treasury yields. The historical data are for illustrative purposes only, do not represent the performance of any specific portfolio managed by Lord Abbett or any particular investment, and are not intended to predict or depict future results. Investors may experience different results.

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Instead of a narrow focus on the yield curve, Lord Abbett experts suggest examining a broad range of indicators to gauge the health of the U.S. economy. By those lights, **the decade-long U.S. expansion appears poised to continue**.

What Are Key Recession Indicators Signaling?

U.S. Recession Predictor Checklist	Yes	No
Index of Leading Indicators (Apr. 2019)		x
Bloomberg Consumer Comfort Index (6/2/2019)		x
FOMC Projections (3/20/2019)		x
Chicago Fed National Activity Index (Apr. 2019)		x
Philadelphia Fed 50-State Diffusion Index (Apr. 2019)		x
3-Month/10-Year U.S. Treasury Curve Inversion (3/22/2019)	✓	
Atlanta Fed NOWCast (6/3/2019)		x

Source: The Conference Board; Bloomberg; U.S. Federal Reserve; and the U.S. Federal Reserve Banks of Chicago, Philadelphia, and Atlanta. Data are most recent available (as of June 6, 2019).

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"In our view, the strength of recent economic indicators, along with measures of U.S. financial conditions, have negated the recession warning given by the inverted yield curve and suggest the end of the current economic expansion is not on the horizon yet."

Giulio Martini,
Lord Abbett Director of Strategic Asset Allocation

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Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that markets will perform in a similar manner under similar conditions in the future. Past performance is not a guarantee or a reliable indicator of future results.

Treasuries are debt securities issued by the U.S. government and secured by its full faith and credit. Income from Treasury securities is exempt from state and local taxes.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. One such comparison involves the two-year and 10-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

The **Composite Index** of Leading Indicators is used to predict the direction of global economic movements in future months. The monthly index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

The **Bloomberg Consumer Comfort Index** measures Americans' perceptions on three important variables: the state of the economy, personal finances, and whether it's a good time to buy needed goods or services. A new index reading is generated every week.

The **Federal Open Market Committee (FOMC)**, the policy-setting arm of the U.S. Federal Reserve, issues projections of the rate of U.S. economic growth at the conclusion of its meetings in March, June, September, and December of each year.

The **Chicago Fed National Financial Conditions Index** is a gauge of U.S. financial conditions. The index tracks measures of financial stress and tightness of credit markets.

The **Philadelphia Fed 50-State Diffusion Index i**s a combination of a monthly coincident indexes prepared for each of the 50 U.S. states. The coincident indexes combine four state-level indicators to summarize current economic conditions in a single statistic.

Using its GDPNow forecasting model, the **Atlanta Fed's NOWCast** offers an advance projection of the official estimate of U.S. gross domestic product (GDP) prior to its quarterly release by the U.S. Bureau of Economic Analysis (BEA) by estimating GDP growth using a methodology similar to the one used by the BEA.

Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

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