

Open-End Net Fund Flows (\$)	5/17	4/17	YTD (May)
Equity	0.95B	-13.49B	-34.08B
Taxable Bond	23.41B	12.55B	103.49B
Municipal Bond	2.13B	2.45B	11.65B
Hybrid	-2.28B	-2.26B	-10.73B
Taxable Money Market	10.57B	-21.27B	-76.59B

Key Interest Rates	6/30/17	12/30/16	6/30/16
Federal Funds Target Rate	1.25%	0.75%	0.50%
LIBOR (3-Month)	1.30%	1.00%	0.65%
2-Year T-Note	1.38%	1.19%	0.58%
10-Year T-Note	2.31%	2.45%	1.47%
Bond Buyer 40	4.08%	4.25%	3.75%

Commodities/U.S. Dollar	6/17	YTD	12 Mo.
U.S. Dollar Index (DXY)	-1.33%	-6.44%	-0.53%
TR/CC CRB Commodity Index	-2.78%	-9.21%	-9.24%
Crude Oil (Barrel)	-4.72%	-14.30%	-4.74%
Natural Gas (per million BTUs)	-0.98%	-18.28%	4.11%
Gold Bullion (Ounce)	-2.33%	7.87%	-5.93%

### Total Return Performance

U.S. Stock Indices	6/17	YTD	12 Mo.
S&P 500	0.62%	9.34%	17.89%
DJIA	1.74%	9.35%	22.12%
NASDAQ 100	-2.40%	16.78%	29.39%
S&P 400	1.62%	5.99%	18.56%
Russell 2000	3.46%	4.98%	24.57%
Russell 3000	0.90%	8.93%	18.50%

U.S. Styles/Market Caps	6/17	YTD	12 Mo.
S&P 500 Growth	-0.39%	13.33%	19.29%
S&P 500 Value	1.90%	4.85%	15.85%
S&P MidCap 400 Growth	1.15%	8.53%	17.89%
S&P MidCap 400 Value	2.14%	3.24%	18.46%
Russell 2000 Growth	3.44%	9.96%	24.37%
Russell 2000 Value	3.49%	0.53%	24.83%

Foreign Stock Indices (USD)	6/17	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	0.09%	12.82%	19.49%
MSCI Emerging Markets NET	1.01%	18.43%	23.75%
MSCI Europe NET	-1.09%	15.36%	21.11%
MSCI BRIC NET	0.70%	16.82%	25.37%
MSCI EM Latin America NET	0.66%	10.12%	15.01%
Nikkei 225	0.53%	9.82%	20.35%

Barclays Bond Indices	6/17	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.27%	1.21%	-1.33%
GNMA 30 Year	-0.50%	0.89%	-0.20%
Municipal Bond (22+)	-0.25%	4.54%	-1.30%
U.S. Aggregate	-0.10%	2.27%	-0.31%
Intermediate Corporate	-0.04%	2.67%	1.68%
U.S. Corporate High Yield	0.14%	4.93%	12.70%
Global Aggregate	-0.09%	4.41%	-2.18%
EM Hard Currency Aggregate	0.00%	5.82%	5.76%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

### Climate

Now that we have reached the midpoint of 2017, one of the more interesting questions looming, in our opinion, is the following: Will any of the major fiscal/economic policies that President Donald Trump campaigned on become legislation by year-end? The repeal effort of the Affordable Care Act ("Obamacare") is underway, with tax reform waiting in the wings. House Speaker Paul Ryan wants to pass a "tax overhaul" by the end of this year, according to CNBC. Ryan believes that the U.S. cannot achieve a 3% GDP growth rate without tax reform. On a year-to-date basis, with the exception of Energy/Commodities, the markets have rewarded investors with some solid returns (see tables), and that is without the introduction of a lower cost method of providing health coverage or tax reform.

### Stock Market

The S&P 500 Index closed at 2,423.41 on 6/30/17, 1.22% below its all-time high of 2,453.46, established on 6/19/17, according to Bloomberg. The all-time high of 2,453.46 on 6/19/17 marked the 24th all-time closing high for the index this year, according to Bespoke Investment Group. It notes that the S&P 500 Index has registered over 50 closing highs in a calendar year just four times since 1929. The most closing highs (77) was set in 1995. The S&P 500 Index posted a total return of 0.62% in June. Five of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Financials, up 6.43%, while the worst showing came from Telecom. Services, down 2.92%. In the first half of 2017, the S&P 500 Index posted a total return of 9.34%. Nine of the 11 major sectors were up. The top-performer was Information Technology, up 17.23%, while the worst showing came from Energy, down 12.61%. From 11/8/16 (date Donald Trump was elected 45th President of the United States) through 6/30/17, the S&P 500 Index posted a total return of 14.78%, according to Bloomberg. Ten of the 11 major sectors were up. The top-performer was Financials, up 24.79%, while the worst showing came from Energy, down 4.76%. The following percentages reflect where the average stock stood in each of the major S&P 500 Index sectors relative to their respective 52-week highs as of 6/30/17: -5.15% (Financials); -6.87% (Utilities); -7.19% (Industrials); -7.31% (Health Care); -8.66% (Information Technology); -9.29% (Materials); -12.25% (Consumer Staples); -13.13% (Real Estate); -14.76% (Consumer Discretionary); -18.11% (Telecom. Services); and -24.35% (Energy), according to Bloomberg.

### Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 2.31% on 6/30/17, up 11 basis points (bps) from 2.20% on 5/31/17, according to Bloomberg. It was 84 bps higher than a year ago (1.47% on 6/30/16), but 38 bps lower than the 10-year average of 2.69%. The yield has been below the 3.00% mark for 42 months (3.03% on 12/31/13), according to Bloomberg. We believe the absence of any significant inflationary pressures in the U.S. and abroad, coupled with the low yields available on the majority of government bonds trading worldwide, has created a relatively stable climate for owning bonds. As indicated in the table featuring fund flows (top left), investors poured a net \$115.14 billion into bond funds (taxable + municipal) through the first five months of 2017. That is more than the \$106.65 billion in net inflows registered for all of 2016, according to data from the Investment Company Institute. Looking ahead, after having raised the federal funds rate by another 25 bps to 1.25% (upper bound) in June, Brian Wesbury, Chief Economist at First Trust Advisors L.P., expects the Federal Reserve to make one last rate hike in 2017 at its meeting in September.

### Takeaway

Investors have some good reasons to be optimistic about the markets heading into the second half of 2017. For bond investors, interest rates and inflation are still low by historical measures. As Brian Wesbury often notes, the Fed's current approach to interest rate hikes has not made monetary policy tighter, just less loose. We believe bond investors should also take some comfort in knowing that Moody's Investors Service sees the default rate on U.S. speculative-grade bonds declining from 3.9% in May 2017 to 2.9% at the end of December 2017. For equity investors, the potential for corporate/individual tax reform, as well as the chance for regulatory reform and infrastructure spending at some point in the near future, are reasons to be upbeat, in our opinion. Remember, the stock market is a discounting mechanism that processes current and potential future events.

Data as of 6/30/17

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2453.46	6/19/2017	676.53	3/9/2009	2423.41	-1.22%	9.34%	1.97%
S&P 500 Growth	1399.53	6/2/2017	363.99	3/9/2009	1374.37	-1.80%	13.33%	1.62%
S&P 500 Value	1057.51	3/1/2017	307.16	3/9/2009	1037.13	-1.93%	4.85%	2.41%
S&P MidCap 400	1769.34	6/13/2017	404.62	3/9/2009	1746.65	-1.28%	5.99%	1.72%
S&P MidCap 400 Growth	808.93	6/19/2017	174.44	11/20/2008	798.15	-1.33%	8.53%	1.30%
S&P MidCap 400 Value	609.68	3/1/2017	144.98	3/9/2009	594.33	-2.52%	3.24%	2.18%
S&P 100	1081.24	6/19/2017	322.13	3/9/2009	1067.71	-1.25%	8.89%	2.15%
DJIA	21528.99	6/19/2017	6547.05	3/9/2009	21349.63	-0.83%	9.35%	2.33%
NASDAQ 100	5885.30	6/8/2017	1036.51	11/20/2008	5646.92	-4.05%	16.78%	1.14%
Russell 2000	1425.98	6/13/2017	343.26	3/9/2009	1415.36	-0.75%	4.98%	1.43%
Russell 2000 Growth	864.05	6/28/2017	190.73	3/9/2009	855.21	-1.02%	9.96%	0.87%
Russell 2000 Value	1825.27	3/1/2017	469.32	3/9/2009	1772.82	-2.87%	0.53%	1.99%
Russell 3000	1452.82	6/19/2017	389.61	3/9/2009	1436.82	-1.10%	8.93%	1.90%
MSCI World Net (ex U.S.) (USD)	5616.01	6/2/2017	2131.84	3/9/2009	5545.86	-1.25%	12.82%	3.12%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	449.85	-4.97%	18.43%	2.45%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	19015.08	-57.40%	2.88%	3.16%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1000.96	-59.77%	-11.72%	5.45%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	203.94	-9.78%	26.46%	1.18%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	471.90	-43.29%	6.29%	1.76%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	2.09	-8.53%	24.66%	1.49%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	3300.36	-19.15%	18.69%	3.41%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1323.34	-33.35%	17.41%	3.26%
S&P 500 Consumer Discretionary	732.96	6/2/2017	125.72	3/9/2009	714.06	-2.58%	11.00%	1.42%
S&P 500 Consumer Staples	588.35	6/5/2017	199.80	3/9/2009	566.83	-3.66%	8.03%	2.81%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	477.91	-35.16%	-12.61%	2.90%
S&P 500 Utilities	274.95	6/16/2017	113.81	3/9/2009	263.77	-4.07%	8.75%	3.43%
S&P 500 Financials	493.90	7/3/2007	81.74	3/6/2009	409.59	-17.07%	6.88%	1.66%
S&P 500 Banks	394.30	7/3/2007	49.02	3/5/2009	299.25	-24.11%	6.31%	1.88%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	672.20	-7.36%	4.87%	4.06%
S&P 500 Health Care	932.20	6/22/2017	252.84	3/5/2009	916.93	-1.64%	16.07%	1.60%
S&P 500 Pharmaceuticals	647.69	8/1/2016	214.50	3/3/2009	628.85	-2.91%	10.26%	2.53%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3859.60	-12.91%	25.69%	0.38%
S&P 500 Information Technology	984.72	6/8/2017	198.51	11/20/2008	940.28	-4.51%	17.23%	1.36%
Philadelphia Semiconductor	1138.25	6/8/2017	171.32	11/20/2008	1034.91	-9.08%	15.21%	1.68%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	154.03	-16.22%	-10.74%	5.06%
S&P 500 Industrials	592.65	6/19/2017	132.83	3/9/2009	582.92	-1.64%	9.51%	2.09%
S&P 500 Materials	344.57	6/13/2017	108.33	3/2/2009	337.42	-2.08%	9.21%	2.01%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	80.78	-64.72%	2.79%	0.59%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	174.78	-63.09%	-9.21%	N/A
BofA ML Perpetual Preferred	251.76	6/28/2017	51.79	3/9/2009	251.68	-0.03%	8.35%	5.34%
BofA ML U.S. High Yield Constrained	408.65	6/14/2017	130.37	12/12/2008	407.64	-0.25%	4.90%	6.11%

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