

Open-End Net Fund Flows (\$)	12/17	11/17	YTD (Dec)
Equity	-37.96B	-16.44B	-159.27B
Taxable Bond	14.58B	13.60B	233.82B
Municipal Bond	-1.18B	1.36B	26.32B
Hybrid	-3.99B	-3.42B	-33.69B
Taxable Money Market	46.89B	54.91B	106.37B

Key Interest Rates	1/31/18	12/29/17	1/31/17
Federal Funds Target Rate	1.50%	1.50%	0.75%
ICE LIBOR (3-Month)	1.78%	1.69%	1.03%
2-Year T-Note	2.14%	1.89%	1.21%
10-Year T-Note	2.71%	2.41%	2.45%
Bond Buyer 40	3.95%	3.87%	4.25%

Commodities/U.S. Dollar	1/18	6 Mo.	12 Mo.
U.S. Dollar Index (DXY)	-3.25%	-4.02%	-10.43%
TR/CC CRB Commodity Index	1.82%	8.07%	2.78%
Crude Oil (Barrel)	7.13%	29.02%	22.57%
Natural Gas (per million BTUs)	1.69%	7.53%	-3.85%
Gold Bullion (Ounce)	2.27%	5.72%	10.79%

Total Return Performance

U.S. Stock Indices	1/18	YTD	12 Mo.
S&P 500	5.72%	5.72%	26.40%
DJIA	5.88%	5.88%	34.80%
NASDAQ 100	8.70%	8.70%	37.36%
S&P 400	2.87%	2.87%	17.59%
Russell 2000	2.61%	2.61%	17.16%
Russell 3000	5.27%	5.27%	25.15%

U.S. Styles/Market Caps	1/18	YTD	12 Mo.
S&P 500 Growth	7.23%	7.23%	32.67%
S&P 500 Value	4.14%	4.14%	19.34%
S&P MidCap 400 Growth	4.35%	4.35%	22.74%
S&P MidCap 400 Value	1.32%	1.32%	12.23%
Russell 2000 Growth	3.90%	3.90%	24.88%
Russell 2000 Value	1.23%	1.23%	9.93%

Foreign Stock Indices (USD)	1/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	4.66%	4.66%	26.24%
MSCI Emerging Markets NET	8.33%	8.33%	41.01%
MSCI Europe NET	5.40%	5.40%	29.60%
MSCI BRIC NET	11.47%	11.47%	48.61%
MSCI EM Latin America NET	13.15%	13.15%	30.12%
Nikkei 225	4.46%	4.46%	27.65%

Barclays Bond Indices	1/18	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.98%	-0.98%	-0.04%
GNMA 30 Year	-1.10%	-1.10%	0.88%
Municipal Bond (22+)	-1.84%	-1.84%	5.56%
U.S. Aggregate	-1.15%	-1.15%	2.15%
Intermediate Corporate	-0.79%	-0.79%	2.70%
U.S. Corporate High Yield	0.60%	0.60%	6.60%
Global Aggregate	1.19%	1.19%	7.46%
EM Hard Currency Aggregate	0.32%	0.32%	8.41%

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

U.S. economic activity is expected to accelerate in Q1'18, which is something considering the current recovery is already the third-longest expansion on record, according to Bloomberg. The Atlanta Federal Reserve upped its real GDP estimate from an annualized 4.2% to 5.4% on 2/1/18. Brian Wesbury, Chief Economist at First Trust Advisors L.P., sees growth coming in at around a 4.0% annual rate. Wesbury is forecasting a real GDP growth rate of 3.5% for 2018. It would be the fastest pace since 2003. The combination of higher economic growth, continued job growth, higher wages and lower individual and corporate tax rates (Tax Cuts & Jobs Act) could help push interest rates and inflation higher moving forward. The Federal Reserve is expected to do its part to help mitigate the potential fallout from rising interest rates by hiking the federal funds target rate at least three times in 2018.

Stock Market

The S&P 500 Index closed at 2,823.81 on 1/31/18, 1.71% below its all-time high of 2,872.87, set on 1/26/18, according to Bloomberg. The index posted a total return of 5.72% in January. Its price-only return (dividends not included) was 5.62%. Nine of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Consumer Discretionary, up 9.32%, while the worst showing came from Utilities, down 3.07%. Strategas searched for the 10 biggest January price-only gains for the S&P 500 Index since 1950, and found the returns ranged from 5.8% (1980) to 13.2% (1987), according to CNBC. In all 10 instances, the strong performance in January was followed by a full year gain. The average return was 22.3%. In all 10 instances, the S&P 500 Index experienced intra-year selloffs ranging from 4% (1961) to 34% (1987). The average correction was 11.8%. From 11/8/16 (date Donald Trump was elected 45th President) through 1/31/18, the S&P 500 Index posted a total return of 35.20%. All 11 sectors were up on a total return basis. The top-performer was Financials, up 51.83%, while the worst showing came from Utilities, up 8.43%. As indicated by the returns in the U.S. Styles/Market Caps table, growth stocks significantly outperformed value stocks in both January and over the past 12 months. Ironically, investors favored blend mutual funds and exchange-traded funds (ETFs) over growth funds in 2017. Morningstar data shows that U.S. Large Blend funds reported estimated net inflows totaling \$103.0 billion in 2017, compared to net outflows totaling \$56.2 billion for U.S. Large Growth funds. U.S. Mid-Cap Blend funds took in a net \$7.9 billion, compared to net outflows of \$8.5 billion for U.S. Mid-Cap Growth funds. U.S. Small Blend funds experienced net inflows totaling \$6.7 billion, versus net outflows totaling \$5.1 billion for U.S. Small Growth funds.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) rose 30 basis points (bps) in January 2018 to 2.71%, according to Bloomberg. The yield stood 14 bps higher than its average yield of 2.57% for the 10-year period ended 1/31/18. The Barclays Bond Indices table of returns shows the negative impact the sell-off in Treasuries had on other investment-grade bonds in January. One of the potential options that bond investors can turn to in a rising interest rate climate are floating-rate corporate securities (not shown in table). In a climate such as this one, where economic growth is poised to accelerate, we believe that senior loans (bank/leveraged loans) are worthy of consideration. The income distributed by senior loans, which tend to be speculative-grade in quality, floats with the direction of short-term interest rates. Loans are typically indexed to a benchmark such as the 3-month LIBOR rate, which tends to track the direction of the federal funds target rate over time. Morningstar data shows that U.S. Bank Loan mutual funds and ETFs reported estimated net inflows totaling \$13.5 billion in 2017.

Takeaway

Stronger economic growth may be on the horizon. Bond investors need to be aware of the potential for higher interest rates. The last time the yield on the 10-year T-note was 3.00% or above was on 12/31/13 (3.03%). Equity investors need to know the following: Data from Standard & Poor's shows that, from 1953 through March 2012, U.S. stocks posted their best returns when the yield on the 10-year T-note rose to around 4.0%, according to *Businessweek*. Stock prices usually retrench when the yield tops 6.0%. The 2018 consensus earnings growth rate estimate for the S&P 500 Index from Wall Street analysts is 16.8%, according to FactSet. Revenue growth is forecast to come in at 6.4%. Both reflect strength, in our opinion.

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	2872.87	1/26/2018	676.53	3/9/2009	2823.81	-1.71%	5.72%	1.80%
S&P 500 Growth	1667.73	1/26/2018	363.99	3/9/2009	1643.27	-1.47%	7.23%	1.24%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1172.00	-1.97%	4.14%	2.40%
S&P MidCap 400	1995.23	1/26/2018	404.62	3/9/2009	1953.97	-2.07%	2.87%	1.46%
S&P MidCap 400 Growth	933.56	1/26/2018	174.44	11/20/2008	914.08	-2.09%	4.35%	1.03%
S&P MidCap 400 Value	662.48	1/23/2018	144.98	3/9/2009	648.30	-2.14%	1.32%	1.94%
S&P 100	1273.99	1/26/2018	322.13	3/9/2009	1251.42	-1.77%	5.91%	1.91%
DJIA	26616.71	1/26/2018	6547.05	3/9/2009	26149.39	-1.76%	5.88%	2.00%
NASDAQ 100	7022.97	1/26/2018	1036.51	11/20/2008	6949.99	-1.04%	8.70%	0.97%
Russell 2000	1610.71	1/23/2018	343.26	3/9/2009	1574.98	-2.22%	2.61%	1.28%
Russell 2000 Growth	1002.96	1/26/2018	190.73	3/9/2009	983.36	-1.95%	3.90%	0.70%
Russell 2000 Value	1960.40	1/23/2018	469.32	3/9/2009	1905.30	-2.81%	1.23%	1.93%
Russell 3000	1694.23	1/26/2018	389.61	3/9/2009	1664.68	-1.74%	5.27%	1.72%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	6389.96	-1.51%	4.66%	2.96%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	164.51	10/27/2008	564.92	-1.45%	8.33%	2.17%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	26853.26	-39.84%	16.26%	2.30%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1282.36	-48.46%	11.14%	4.86%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	240.97	-1.69%	2.58%	1.10%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	553.63	-33.46%	8.94%	1.78%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	2.40	-0.98%	4.19%	1.33%
Hang Seng (USD)	4241.01	1/26/2018	1420.72	10/27/2008	4204.57	-0.86%	9.79%	3.12%
MSCI Euro (USD)	1841.89	5/19/2008	682.47	3/9/2009	1525.47	-17.18%	6.74%	3.00%
S&P 500 Consumer Discretionary	868.00	1/26/2018	125.72	3/9/2009	857.88	-1.17%	9.32%	1.23%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	595.65	-1.58%	1.59%	2.75%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	553.45	-24.91%	3.81%	3.11%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	259.07	-9.99%	-3.07%	3.56%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	493.45	-1.56%	6.48%	1.51%
S&P 500 Banks	371.71	1/26/2018	49.02	3/5/2009	368.80	-0.78%	8.27%	1.73%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	662.09	-8.75%	-2.94%	3.99%
S&P 500 Health Care	1059.33	1/26/2018	252.84	3/5/2009	1019.08	-3.80%	6.65%	1.52%
S&P 500 Pharmaceuticals	675.68	1/26/2018	214.50	3/3/2009	643.75	-4.73%	1.66%	2.58%
NYSE Arca Biotechnology	4939.86	1/29/2018	541.77	3/9/2009	4771.68	-3.40%	13.01%	0.24%
S&P 500 Information Technology	1203.89	1/26/2018	198.51	11/20/2008	1189.88	-1.16%	7.63%	1.14%
Philadelphia Semiconductor	1392.86	1/23/2018	171.32	11/20/2008	1361.50	-2.25%	8.71%	1.43%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	165.00	-10.26%	0.55%	5.07%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	671.32	-1.09%	5.31%	1.85%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	394.50	-1.76%	4.14%	1.82%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	87.66	-61.71%	2.81%	0.65%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	197.38	-58.32%	1.81%	N/A
ICE BofA ML Perpetual Preferred	257.56	12/7/2017	51.79	3/9/2009	252.08	-2.13%	-1.77%	5.54%
ICE BofA ML U.S. High Yield Constrained	421.57	1/26/2018	130.37	12/12/2008	420.34	-0.29%	0.66%	6.16%

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