

Current Stock Valuation Levels vs. March 2000 Levels

Price-to-Earnings (P/E) Ratio Comparison

Index	As of 3/31/00	3/31/00 - 7/20/18 Avg.	2018 Year-End Est.
S&P 500	28.91	18.66	17.52
S&P MidCap 400	25.43	21.12	18.55
S&P SmallCap 600	23.43	22.99	20.22
S&P 500 Consumer Disc.	28.63	22.20	21.84
S&P 500 Consumer Staples	19.43	18.99	18.11
S&P 500 Energy	22.40	20.33	18.82
S&P 500 Financials	16.18	17.64	13.20
S&P 500 Health Care	29.52	19.79	16.31
S&P 500 Industrials	25.37	18.61	17.30
S&P 500 Info. Tech.	73.07	26.30	19.54
S&P 500 Materials	19.91	20.03	15.95
S&P 500 Telecom. Services	28.97	17.58	10.18
S&P 500 Utilities	14.31	15.32	17.05

Source: Bloomberg. Past performance is no guarantee of future results. 2018 Year-End Est. as of 7/20/18.

View from the Observation Deck

1. The longest bull market in history ended on 3/24/00, as measured by the S&P 500 Index, according to Bespoke Investment Group. It lasted 4,494 days, or a little over 12 years and 3 months.
2. The current bull market (3/9/09-7/20/18) is the second-longest on record at 3,420 days, or a little over 9 years and 4 months. The current bull market still lags the longest bull market by just under three years.
3. As indicated in the table, with a P/E ratio of 73.07, the information technology sector had clearly achieved bubble status by the end of the longest bull market. Technology companies were the backbone of the internet revolution.
4. Fast-forward to today, the information technology sector is the second-best performing sector in the current bull market behind the consumer discretionary sector, yet its 2018 year-end P/E estimate of 19.54 is well below its 26.30 average from 3/31/00-7/20/18.
5. Due to strong corporate earnings, forward-looking P/E ratios for many of the indices featured in the table are still attractive relative to their respective averages since 3/31/00, in our opinion.
6. For comparative purposes, the average P/E ratio on the S&P 500 Index was 16.75 for the 50-year period ended 7/20/18, just a bit below its 2018 year-end P/E estimate of 17.52, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market, while the S&P SmallCap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization.

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