

Open-End Net Fund Flows (\$)	5/18	4/18	YTD (May)
Equity	-8.73B	-9.29B	-33.21B
Taxable Bond	6.37B	8.52B	63.20B
Municipal Bond	0.74B	-1.96B	9.27B
Hybrid	-4.17B	-4.24B	-15.57B
Taxable Money Market	49.75B	-0.97B	-13.77B

Key Interest Rates	6/29/18	12/29/17	6/30/17
Federal Funds Target Rate	2.00%	1.50%	1.25%
ICE LIBOR (3-Month)	2.34%	1.69%	1.30%
2-Year T-Note	2.53%	1.89%	1.38%
10-Year T-Note	2.86%	2.41%	2.31%
Bond Buyer 40	3.98%	3.87%	4.08%

Commodities/U.S. Dollar	6/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.52%	2.55%	-1.21%
TR/CC CRB Commodity Index	-1.21%	3.37%	14.65%
Crude Oil (Barrel)	10.61%	22.72%	61.06%
Natural Gas (per million BTUs)	-1.02%	-1.02%	-3.95%
Gold Bullion (Ounce)	-4.24%	-4.19%	0.98%

Total Return Performance

U.S. Stock Indices	6/18	YTD	12 Mo.
S&P 500	0.62%	2.65%	14.36%
DJIA	-0.49%	-0.73%	16.31%
NASDAQ 100	1.09%	10.65%	26.01%
S&P MidCap 400	0.42%	3.49%	13.49%
Russell 2000	0.72%	7.67%	17.56%
Russell 3000	0.65%	3.22%	14.77%

U.S. Styles/Market Caps	6/18	YTD	12 Mo.
S&P 500 Growth	0.60%	7.28%	20.62%
S&P 500 Value	0.63%	-2.23%	7.57%
S&P MidCap 400 Growth	0.43%	4.71%	15.69%
S&P MidCap 400 Value	0.42%	2.18%	11.15%
Russell 2000 Growth	0.78%	9.68%	21.83%
Russell 2000 Value	0.60%	5.48%	13.13%

Foreign Stock Indices (USD)	6/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-1.10%	-2.77%	7.04%
MSCI Emerging Markets NET	-4.15%	-6.66%	8.20%
MSCI Europe NET	-0.67%	-3.23%	5.28%
MSCI BRIC NET	-4.52%	-4.64%	15.71%
MSCI EM Latin America NET	-3.06%	-11.15%	-0.16%
Nikkei 225	-1.28%	0.55%	15.07%

Barclays Bond Indices	6/18	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.01%	-0.69%	-0.76%
GNMA 30 Year	0.08%	-0.86%	0.11%
Municipal Bond (22+)	-0.13%	-0.66%	2.81%
U.S. Aggregate	-0.12%	-1.62%	-0.40%
Intermediate Corporate	-0.20%	-1.60%	-0.40%
U.S. Corporate High Yield	0.40%	0.16%	2.62%
Global Aggregate	-0.44%	-1.46%	1.36%
EM Hard Currency Aggregate	-0.64%	-3.89%	-0.44%

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

While we acknowledge that the lead story right now is the uncertainty over how far the Trump administration is willing to escalate the use of tariffs in its ongoing global trade negotiations, we believe that there are still a lot of positive stories to tell in the current business/economic climate. One of them is in the U.S. manufacturing sector. A survey by the National Association of Manufacturers (NAM) revealed that 95.1% of U.S. manufacturers polled said they have a positive outlook for their companies as of Q2'18, the highest percentage recorded in the survey's 20-year history, according to its own release. The ISM Manufacturing Index stood at 60.2 in June 2018, according to the Institute for Supply Management/Haver Analytics. Readings above 50 indicate that manufacturing activity is expanding. In the first half of 2018, the index averaged a reading of 59.2, the best first-half showing since 2004, according to Brian Wesbury, Chief Economist at First Trust Advisors L.P.

Stock Market

The S&P 500 Index ("index") closed at 2,718.37 on 6/29/18, 5.38% below its all-time high of 2,872.87, set on 1/26/18, according to Bloomberg. The index posted a total return of 0.62% in June. Eight of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Consumer Staples, up 4.50%, while the worst showing came from Industrials, down 3.31%. In the first half of 2018, the index posted a total return of 2.65%. Six of the 11 sectors were up on a total return basis. The top-performer was Consumer Discretionary, up 11.50%, while the worst showing came from Consumer Staples, down 8.55%. S&P 500 Index companies continue to reward shareholders. Using first quarter preliminary data points, the S&P 500 Index increased its combined outlays (stock dividends + stock buybacks) from \$246.4 billion in Q4'17 to \$298.2 billion in Q1'18, or an increase of 21.02%, according to S&P Dow Jones Indices. The \$298.2 billion distributed in Q1'18 is an all-time high for the index (includes all quarters). The previous record was \$258.1 billion, set in Q1'16. For the 12-month period ended March 2018, stock dividend payouts plus stock buybacks totaled an all-time high of \$1.0 trillion. The outlook for stocks is positive. As previously noted, the S&P 500 Index stood at 2,718.37 on 6/29/18. A Bloomberg survey of 25 equity strategists found that their average year-end price target for the S&P 500 Index was 2,944 as of 6/29/18. The highest estimate was 3,200, while the lowest was 2,750.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 6/29/18 at 2.86%, unchanged from the end of May, according to Bloomberg. The yield stood 33 basis points (bps) higher than its 2.53% average for the 10-year period ended 6/29/18. Short-term lending rates have risen far more than the yield on the 10-year T-note since the Federal Reserve began tightening monetary policy in December 2015. From 12/16/15-6/29/18, the federal funds target rate (upper bound) rose 175 bps to 2.00%, while the yield on the 10-year T-note rose just 56 bps to 2.86%, according to Bloomberg. Brian Wesbury, Chief Economist at First Trust Portfolios L.P., believes the Fed is poised to raise rates another six times by the end of 2019, putting the federal funds target rate (upper bound) at 3.50%. One of the potential options that bond investors can turn to in a rising interest rate climate, particularly with respect to short-term rates, are floating-rate corporate securities. 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 rate over time. Wells Fargo Securities data shows that loan funds reported inflows totaling \$10.9 billion in the first half of 2018 (thru 6/28), compared to outflows totaling \$31.8 billion for high yield bond funds, according to Bloomberg.

Takeaway

The demand for skilled labor is high in the U.S. and abroad. ManpowerGroup reported that its most recent Talent Shortage Survey of nearly 40,000 employers worldwide found that 45% of businesses are struggling to fill job openings, the highest talent shortage in 12 years, according to Cision. Skilled trades workers, sales representatives and engineers are particularly hard to find. More than one-quarter (27%) of employers say applicants lack the hard or soft (communication/problem solving) skills they are seeking. Twice as many employers are now investing in workforce training than four years ago.

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	2718.37	-5.38%	2.65%	1.93%
S&P 500 Growth	1683.61	6/14/2018	363.99	3/9/2009	1633.76	-2.96%	7.28%	1.31%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1088.21	-8.98%	-2.23%	2.65%
S&P MidCap 400	2003.97	6/12/2018	404.62	3/9/2009	1951.67	-2.61%	3.49%	1.55%
S&P MidCap 400 Growth	942.72	6/12/2018	174.44	11/20/2008	912.10	-3.25%	4.71%	1.17%
S&P MidCap 400 Value	662.48	1/23/2018	144.98	3/9/2009	648.11	-2.17%	2.18%	1.95%
S&P 100	1273.99	1/26/2018	322.13	3/9/2009	1194.50	-6.24%	2.00%	2.01%
DJIA	26616.71	1/26/2018	6547.05	3/9/2009	24271.41	-8.81%	-0.73%	2.24%
NASDAQ 100	7280.71	6/20/2018	1036.51	11/20/2008	7040.80	-3.30%	10.65%	0.97%
Russell 2000	1706.99	6/20/2018	343.26	3/9/2009	1643.07	-3.74%	7.67%	1.36%
Russell 2000 Growth	1085.65	6/20/2018	190.73	3/9/2009	1035.01	-4.66%	9.68%	0.64%
Russell 2000 Value	2022.82	6/20/2018	469.32	3/9/2009	1967.65	-2.73%	5.48%	2.10%
Russell 3000	1694.23	1/26/2018	389.61	3/9/2009	1618.99	-4.44%	3.22%	1.82%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	5936.47	-8.50%	-2.77%	3.22%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	164.51	10/27/2008	486.75	-15.09%	-6.66%	2.60%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	18409.33	-57.80%	-20.30%	3.32%
RTS/Russia (USD)	2303.34	6/30/2008	498.20	1/23/2009	1154.16	-49.89%	1.69%	5.37%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	212.17	-13.44%	-9.13%	1.19%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	429.87	-48.34%	-14.45%	2.41%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	2.09	-13.79%	-9.13%	1.74%
Hang Seng (USD)	4241.01	1/26/2018	1420.72	10/27/2008	3690.34	-12.98%	-2.06%	3.68%
MSCI Euro (USD)	1602.91	7/23/2008	682.47	3/9/2009	1356.07	-15.40%	-2.76%	3.41%
S&P 500 Consumer Discretionary	894.32	6/20/2018	125.72	3/9/2009	870.23	-2.69%	11.50%	1.24%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	529.08	-12.58%	-8.55%	3.03%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	561.54	-23.82%	6.81%	3.16%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	263.30	-8.52%	0.32%	3.55%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	441.15	-12.00%	-4.09%	1.84%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	324.55	-12.77%	-3.89%	2.15%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	677.57	-6.62%	1.26%	3.97%
S&P 500 Health Care	1059.33	1/26/2018	252.84	3/5/2009	965.78	-8.83%	1.83%	1.67%
S&P 500 Pharmaceuticals	675.68	1/26/2018	214.50	3/3/2009	602.48	-10.83%	-3.58%	2.78%
NYSE Arca Biotechnology	5018.28	6/20/2018	541.77	3/9/2009	4751.88	-5.31%	12.71%	0.29%
S&P 500 Information Technology	1269.56	6/6/2018	198.51	11/20/2008	1218.64	-4.01%	10.87%	1.16%
Philadelphia Semiconductor	1445.90	3/12/2018	171.32	11/20/2008	1313.70	-9.14%	5.84%	1.73%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	148.12	-19.44%	-8.35%	5.70%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	602.10	-11.29%	-4.69%	2.08%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	363.65	-9.45%	-3.08%	1.99%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	81.59	-64.36%	-3.91%	0.72%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	200.39	-57.68%	3.36%	N/A
ICE BofAML Perpetual Preferred	257.56	12/7/2017	51.79	3/9/2009	256.10	-0.57%	-0.21%	5.57%
ICE BofAML U.S. High Yield Constrained	421.57	1/26/2018	130.37	12/12/2008	417.91	-0.87%	0.07%	6.57%

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