

Open-End Net Fund Flows (\$)	6/18	5/18	YTD (Jun)
Equity	-20.81B	-8.73B	-54.02B
Taxable Bond	8.91B	6.37B	72.11B
Municipal Bond	1.37B	0.74B	10.64B
Hybrid	-7.52B	-4.17B	-23.10B
Taxable Money Market	-29.33B	49.75B	-43.10B

Key Interest Rates	7/31/18	12/29/17	7/31/17
Federal Funds Target Rate	2.00%	1.50%	1.25%
ICE LIBOR (3-Month)	2.35%	1.69%	1.31%
2-Year T-Note	2.67%	1.89%	1.35%
10-Year T-Note	2.96%	2.41%	2.30%
Bond Buyer 40	4.01%	3.87%	4.03%

Commodities/U.S. Dollar	7/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.08%	2.64%	1.82%
TR/CC CRB Commodity Index	-2.92%	0.35%	6.51%
Crude Oil (Barrel)	-7.27%	13.80%	37.05%
Natural Gas (per million BTUs)	-4.79%	-5.76%	-0.36%
Gold Bullion (Ounce)	-2.46%	-6.54%	-3.39%

Total Return Performance

U.S. Stock Indices	7/18	YTD	12 Mo.
S&P 500	3.72%	6.47%	16.23%
DJIA	4.83%	4.07%	18.75%
NASDAQ 100	2.76%	13.71%	24.30%
S&P MidCap 400	1.76%	5.31%	14.48%
Russell 2000	1.74%	9.54%	18.73%
Russell 3000	3.32%	6.64%	16.38%

U.S. Styles/Market Caps	7/18	YTD	12 Mo.
S&P 500 Growth	3.44%	10.97%	21.60%
S&P 500 Value	4.05%	1.74%	10.41%
S&P MidCap 400 Growth	1.38%	6.15%	16.35%
S&P MidCap 400 Value	2.16%	4.39%	12.47%
Russell 2000 Growth	1.71%	11.56%	22.87%
Russell 2000 Value	1.77%	7.34%	14.40%

Foreign Stock Indices (USD)	7/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.46%	-0.38%	6.50%
MSCI Emerging Markets NET	2.20%	-4.61%	4.36%
MSCI Europe NET	3.33%	-0.01%	5.63%
MSCI BRIC NET	1.14%	-3.55%	7.73%
MSCI EM Latin America NET	9.22%	-2.96%	0.71%
Nikkei 225	0.20%	0.77%	13.94%

Barclays Bond Indices	7/18	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.20%	-0.89%	-1.28%
GNMA 30 Year	0.01%	-0.86%	-0.33%
Municipal Bond (22+)	0.02%	-0.64%	1.84%
U.S. Aggregate	0.02%	-1.59%	-0.80%
Intermediate Corporate	0.44%	-1.17%	-0.68%
U.S. Corporate High Yield	1.09%	1.25%	2.60%
Global Aggregate	-0.17%	-1.62%	-0.48%
EM Hard Currency Aggregate	1.58%	-2.37%	-0.08%

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

Real GDP growth rose 4.1% on an annualized basis in Q2'18, the best quarterly showing since the 4.9% annualized growth rate posted in Q3'14, according to the Bureau of Economic Analysis. One of the goals behind the Tax Cuts and Jobs Act (12/22/17) was to push the pace of economic growth above the 3.0% level and then sustain it for a number of years, according to the Council of Economic Advisors. Economic growth (as measured by real GDP) has averaged just 2.3% in the current expansion (Q3'09-Q2'18). Looking ahead, we will be monitoring the impact of the escalating trade tariff battle on corporate earnings. As of 7/25/18, 40% of the 146 S&P 500 companies that had reported Q2'18 earnings mentioned tariffs on their conference calls, according to CNBC.

Stock Market

The S&P 500 Index ("index") closed at 2,816.29 on 7/31/18, 1.97% below its all-time high of 2,872.87, set on 1/26/18, according to Bloomberg. The index posted a total return of 3.72% in July. All 11 major sectors that comprise the index were up on a total return basis. The top-performer was Industrials, up 7.32%, while the worst showing came from Real Estate, up 1.08%. YTD through 7/31/18, the index posted a total return of 6.47%. Eight of the 11 sectors were up on a total return basis. The top-performer was Consumer Discretionary, up 13.54%, while the worst showing came from Telecommunication Services, down 6.22%. At its current pace, the 6.47% YTD total return on the S&P 500 Index equates to an annualized total return of 11.28%, according to Bloomberg. For comparative purposes, from 1926-2017, the S&P 500 Index posted an average annual total return of 10.16%, according to Ibbotson Associates/Morningstar. We believe that if economic growth and corporate earnings rise as expected, and if the U.S. succeeds in forging new trade agreements with its major trading partners, the S&P 500 Index has the potential to close 2018 with a total return in excess of its current pace. Brian Wesbury, Chief Economist at First Trust Advisors L.P., still has the S&P 500 Index reaching 3,100 by the close of 2018, or a price gain of 10.07% from its closing value of 2,816.29 on 7/31/18.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 7/31/18 at 2.96%, up 10 basis points (bps) from the close on 6/29/18, according to Bloomberg. The yield stood 44 bps higher than its 2.52% average for the 10-year period ended 7/31/18. While the 3.00% mark has been somewhat of a psychological ceiling for the yield on the 10-year T-note dating back to the end of 2013, it has closed above it nine times this year. The highest the yield got at the close of trading was 3.11% on 5/17/18. Despite rising inflation, the yield doesn't seem to want to hold above 3.00%. The year-over-year change in the rate on the Consumer Price Index jumped from 1.6% in June 2017 to 2.9% in June 2018 (most recent), according to data from the Bureau of Labor Statistics. That indicates that inflation is currently consuming nearly the entire 2.96% yield on the 10-year T-note as of 7/31/18. It is getting harder to achieve a positive total return by investing in bonds, as evidenced by the 12-month total returns posted by the Barclays Bond Indices. If U.S. GDP growth remains robust like it was in Q2'18 (+4.1% annualized) in the quarters ahead, it could get even more challenging to generate an annual total return that is commensurate with the yields currently offered on fixed-rate bonds, particularly those that carry an investment-grade credit rating, in our opinion. In all fairness, we have been expecting yields on intermediate and longer-term maturities to rise for quite some time and it has yet to happen to any significant degree. We do expect bond investors to eventually demand more yield further out on the curve, but are wondering what the catalyst will be considering Federal Reserve rate hikes and rising inflation have not been enough to move the needle much to date. JPMorgan Chase's CEO Jamie Dimon believes that the yield on the 10-year T-note should be 4.00% in the current climate and warns that investors should be prepared to see it ascend to 5.00% or even higher, according to Bloomberg.

Takeaway

In July 2018, the U.S. economy began its 10th year of the current economic expansion. Ironically, the current climate in the U.S. is actually improving despite being at such a late stage in the cycle. From 1945-2009, the average U.S. expansion lasted 58.4 months, or just a little under five years, according to the National Bureau of Economic Research. As evidenced by the returns in the table labeled U.S. Styles/Market Caps, equity investors have favored growth stocks over their value counterparts on a YTD and 12-month basis.

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	2816.29	-1.97%	6.47%	1.84%
S&P 500 Growth	1733.17	7/25/2018	363.99	3/9/2009	1688.82	-2.56%	10.97%	1.28%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1130.36	-5.45%	1.74%	2.50%
S&P MidCap 400	2009.15	7/9/2018	404.62	3/9/2009	1984.49	-1.23%	5.31%	1.53%
S&P MidCap 400 Growth	943.78	7/19/2018	174.44	11/20/2008	924.21	-2.07%	6.15%	1.16%
S&P MidCap 400 Value	667.34	7/9/2018	144.98	3/9/2009	661.42	-0.89%	4.39%	1.91%
S&P 100	1273.99	1/26/2018	322.13	3/9/2009	1241.76	-2.53%	6.19%	1.95%
DJIA	26616.71	1/26/2018	6547.05	3/9/2009	25415.19	-4.51%	4.07%	2.15%
NASDAQ 100	7508.59	7/25/2018	1036.51	11/20/2008	7231.98	-3.68%	13.71%	0.99%
Russell 2000	1706.99	6/20/2018	343.26	3/9/2009	1670.81	-2.12%	9.54%	1.34%
Russell 2000 Growth	1085.65	6/20/2018	190.73	3/9/2009	1052.49	-3.05%	11.56%	0.63%
Russell 2000 Value	2036.29	7/9/2018	469.32	3/9/2009	2000.81	-1.74%	7.34%	2.06%
Russell 3000	1694.23	1/26/2018	389.61	3/9/2009	1670.96	-1.37%	6.64%	1.82%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	6082.34	-6.25%	-0.38%	3.15%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	164.51	10/27/2008	497.44	-13.22%	-4.61%	2.64%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	21099.57	-51.63%	-8.65%	3.03%
RTS/Russia (USD)	2123.56	4/8/2011	498.20	1/23/2009	1173.06	-44.76%	5.88%	5.38%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	223.72	-8.73%	-3.97%	1.17%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	421.62	-49.33%	-15.28%	2.32%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	2.06	-14.83%	-10.03%	1.96%
Hang Seng (USD)	4241.01	1/26/2018	1420.72	10/27/2008	3641.70	-14.13%	-2.55%	3.80%
MSCI Euro (USD)	1581.42	8/6/2008	682.47	3/9/2009	1404.53	-11.19%	0.83%	3.32%
S&P 500 Consumer Discretionary	899.06	7/17/2018	125.72	3/9/2009	885.15	-1.55%	13.54%	1.22%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	549.60	-9.19%	-4.83%	2.94%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	569.16	-22.78%	8.32%	2.63%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	268.11	-6.85%	2.19%	3.48%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	463.85	-7.47%	0.97%	1.76%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	347.87	-6.50%	3.20%	2.03%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	680.68	-6.19%	1.87%	3.96%
S&P 500 Health Care	1059.33	1/26/2018	252.84	3/5/2009	1028.39	-2.92%	8.57%	1.59%
S&P 500 Pharmaceuticals	675.68	1/26/2018	214.50	3/3/2009	657.79	-2.65%	5.34%	2.55%
NYSE Arca Biotechnology	5132.77	7/26/2018	541.77	3/9/2009	5023.58	-2.13%	19.15%	0.29%
S&P 500 Information Technology	1309.37	7/25/2018	198.51	11/20/2008	1243.45	-5.03%	13.19%	1.14%
Philadelphia Semiconductor	1445.90	3/12/2018	171.32	11/20/2008	1367.48	-5.42%	10.22%	1.67%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	149.60	-18.63%	-6.22%	5.67%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	645.78	-4.86%	2.29%	1.93%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	374.38	-6.77%	-0.21%	1.94%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	77.30	-66.24%	-8.94%	0.77%
TR/CC CRB Commodity	416.40	7/31/2008	155.01	2/11/2016	194.53	-53.28%	0.34%	N/A
ICE BofAML Perpetual Preferred	258.13	7/6/2018	51.79	3/9/2009	257.10	-0.40%	0.18%	5.61%
ICE BofAML U.S. High Yield Constrained	422.65	7/31/2018	130.37	12/12/2008	422.65	0.00%	1.21%	6.58%

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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.