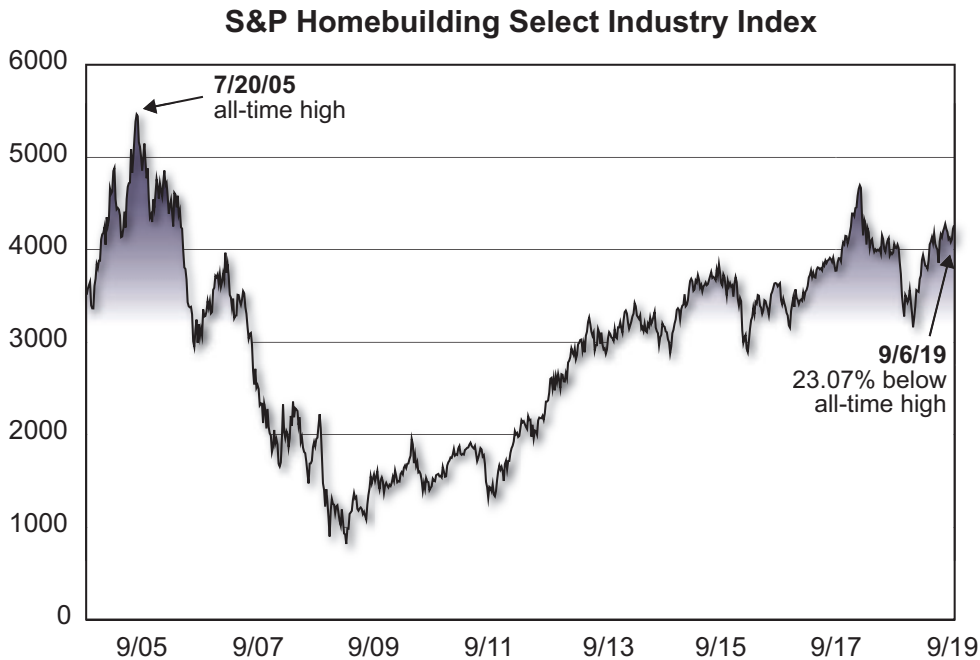


Homebuilder-Related Stocks In Rally Mode In 2019



Source: Bloomberg. Weekly data points from 9/10/04-9/6/19. Daily points used to determine the all-time high on 7/20/05. Past performance is no guarantee of future results.

View from the Observation Deck

1. Year-to-date through 9/6/19, the S&P Homebuilding Select Industry Index posted a total return of 31.44%, compared to 20.50% for the S&P 500 Index, according to Bloomberg.
2. In 2018, the S&P Homebuilding Select Industry Index posted a total return of -25.57%, well below the -4.38% total return on the S&P 500 Index, according to Bloomberg. Homebuilder-related stocks have some ground to make up.
3. As indicated in the chart, as of 9/6/19, the S&P Homebuilding Select Industry Index stood 23.07% below its all-time high (7/20/05). The S&P 500 Index closed 9/6/19 just 1.56% below its all-time high (7/26/19), according to Bloomberg.
4. Sentiment for new construction is upbeat. The National Association of Home Builders Market Index (SA) registered a reading of 66 in August 2019. A reading above 50 indicates more builders view conditions as good than poor. Its average level for the 30-year period ended August 2019 was 50. The high and low for the period was 78 (12/31/98) and 8 (1/31/09), respectively, according to Bloomberg.
5. The 2019, 2020 and 2021 consensus earnings-per-share estimates for the S&P Homebuilding Select Industry Index were \$291.26, \$323.64 and \$359.62, respectively, as of 9/10/19, according to Bloomberg.
6. Bloomberg's 2019, 2020 and 2021 estimated year-end price-to-earnings (P/E) ratios on the S&P Homebuilding Select Industry Index were 14.77, 13.29 and 11.96, respectively, as of 9/10/19. Both are well below the index's three-year average P/E of 14.84.
7. Look for the ongoing recovery in homebuilding to continue, according to Brian Wesbury, Chief Economist at First Trust Advisors L.P. Wesbury notes that mortgage rates are down around 100 basis points from the peak in Q4'18 and wages are growing near the fastest pace in a decade, both of which help boost affordability.

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 Homebuilding Select Industry Index provides investors with an equity benchmark for U.S. traded Homebuilding-related securities. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.