

Open-End Net Fund Flows (\$)	9/21	8/21	YTD (Sep)
Equity	-37.11B	-21.85B	-310.12B
Taxable Bond	22.82B	25.05B	291.75B
Municipal Bond	5.70B	9.21B	74.70B
Hybrid	-0.69B	2.42B	-2.25B
Taxable Money Market	8.16B	27.07B	226.15B

Key Interest Rates	10/29/21	12/31/20	10/30/20
Federal Funds Target Rate	0.25%	0.25%	0.25%
ICE LIBOR (3-Month)	0.13%	0.24%	0.22%
2-Year T-Note	0.50%	0.12%	0.16%
10-Year T-Note	1.56%	0.92%	0.88%
Bond Buyer 40	3.49%	3.46%	3.62%

Commodities/U.S. Dollar	10/21	YTD	12 Mo.
U.S. Dollar Index (DXY)	-0.12%	4.65%	0.09%
Refinitiv/CC CRB Excess Ret.	3.84%	41.66%	64.24%
Crude Oil/WTI (per Barrel)	11.38%	72.24%	133.50%
Natural Gas (per million BTUs)	-7.50%	113.78%	62.09%
Gold Bullion (Ounce)	1.63%	-5.87%	-5.11%

Total Return Performance

U.S. Stock Indices	10/21	YTD	12 Mo.
S&P 500	7.01%	24.03%	42.89%
DJIA	5.93%	18.77%	37.73%
NASDAQ 100	7.94%	23.68%	44.43%
S&P MidCap 400	5.89%	22.32%	48.89%
Russell 2000	4.25%	17.18%	50.77%
Russell 3000	6.76%	22.76%	43.88%

U.S. Styles/Market Caps	10/21	YTD	12 Mo.
S&P 500 Growth	9.08%	27.01%	45.01%
S&P 500 Value	4.59%	20.59%	40.87%
S&P MidCap 400 Growth	7.57%	18.42%	41.70%
S&P MidCap 400 Value	4.43%	26.37%	57.10%
Russell 2000 Growth	4.68%	7.63%	38.44%
Russell 2000 Value	3.81%	27.59%	64.26%

Foreign Stock Indices (USD)	10/21	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.98%	12.44%	35.59%
MSCI Emerging Markets NET	0.99%	-0.27%	16.96%
MSCI Europe NET	4.50%	15.03%	40.93%
MSCI BRIC NET	1.37%	-5.29%	5.62%
MSCI EM Latin America NET	-5.33%	-10.59%	21.93%
Nikkei 225	-4.18%	-3.34%	17.18%

Bloomberg Fixed Income Ind.	10/21	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.57%	-1.71%	-1.57%
GNMA 30 Year	-0.32%	-1.33%	-0.97%
Municipal Bond (22+)	-0.29%	1.28%	4.78%
U.S. Aggregate	-0.03%	-1.58%	-0.48%
Intermediate Corporate	-0.55%	-0.99%	0.71%
U.S. Corporate High Yield	-0.17%	4.36%	10.53%
Global Aggregate	-0.24%	-4.29%	-1.24%
EM Hard Currency Aggregate	-0.48%	-2.23%	2.75%

Sources: Bloomberg and 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

Last month, we cited rising inflation, the Federal Reserve (“Fed”) contemplating how to best deal with the higher-than-expected inflation rate, two infrastructure-related spending bills floundering in Congress and a significant container ship bottleneck situation at some U.S. ports as potential headwinds for the markets, particularly the stock market, in the current climate. One month later, Congress has yet to make any significant headway on the spending bills, missing its 10/31/21 deadline to bring them to the floor for a vote, the container ship log jam at the ports has gotten notably worse and the Fed has yet to act.

Stock Market

The S&P 500 Index closed at an all-time high of 4,605.38 on 10/29/21, according to Bloomberg. The Dow Jones Industrial Average also closed at an all-time high (35,819.56). The S&P MidCap 400 and S&P SmallCap 600 Indices stood 0.56% and 2.66%, respectively, below their record closing highs as of month-end. The S&P 500 Index (“index”) posted a total return of 7.01% in October. All 11 major sectors that comprise the index were up on a total return basis. The top-performer was Consumer Discretionary, up 10.94%, while the worst showing came from Communication Services, up 2.83%. The S&P 500 Index posted a total return of 24.03% over the first 10 months of 2021. All 11 major sectors were up on a total return basis. The index’s top performer was Energy, up 57.93%, while the worst showing came from Consumer Staples, up 8.76%. Data from S&P Dow Jones Indices shows that the all-time quarterly high for S&P 500 Index stock buybacks was \$223 billion in Q4’18, according to CNBC. While the final number for Q3’21 has yet to be reported, stock buybacks are up around 11% from the \$199 billion posted in Q2’21, according to InsiderScore. Buybacks can improve a company’s earnings per share if it reduces its outstanding share count. While some companies are reducing share count, the total shares outstanding for the S&P 500 Index have risen from 300 billion at the end of 2018 to 309 billion in 2021 (YTD), according to S&P Dow Jones Indices. The outlook for corporate earnings remains positive. Bloomberg’s consensus year-over-year earnings growth rate estimates for the S&P 500 Index for 2021, 2022 and 2023 were 46.18%, 7.91% and 9.85%, respectively, as of 10/29/21. Due to the onset of the COVID-19 pandemic, S&P 500 Index earnings growth declined by 12.44% in 2020. The projections for 2022 and 2023 appear to be normalized, in our opinion.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 10/29/21 at 1.56%, up seven basis points (bps) from its 1.49% close on 9/30/21, according to Bloomberg. The 1.56% yield stood 48 bps below its 2.04% average for the 10-year period ended 10/29/21. Of the major bond categories that we track, the top-performer by far on a year-to-date and 12-month total return basis is U.S. high yield corporate bonds (see Bloomberg Fixed Income Indices table). This indicates a risk-on sentiment for bond investors. One of the key indicators for assessing the overall risk-level of high yield corporate bonds is the industry’s speculative-grade default rate. Moody’s reported that its global speculative-grade default rate stood at 2.6% in September, according to its own release. Moody’s puts the historical average default rate at 4.1%. Its baseline scenario sees the default rate declining to 1.7% by December 2021. Moody’s recorded 41 defaults over the first nine months of 2021, down from 171 defaults over the same period a year ago. The U.S. speculative-grade default rate stood at 2.5% in September. Its baseline scenario sees the U.S. default rate declining to 1.5% by December 2021. With the default rate expected to trend lower in the near-term, investors can focus on the direction of interest rates, inflation and bond yields to evaluate their bond holdings.

Takeaway

A monthly survey of the largest money managers by Bank of America found that they have increased their cash holdings due to concerns over inflation and slowing global growth, according to Fox Business. In the second week of October, the average cash balance from respondents was 4.7%, the highest since October 2020. Inflation and the potential for a bond market taper tantrum remained the biggest concerns for managers for an eighth straight month. At the end of September, Federal Reserve Chairman Jerome Powell acknowledged that higher levels of inflation are likely to persist into 2022, though he still believes that inflationary pressures will ease once the supply chain bottlenecks and COVID-19 pandemic subside. We expect that all eyes will be on Chairman Powell the first week in November to see if he announces a tapering schedule to end quantitative easing to combat rising inflation.

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	4605.38	10/29/2021	1158.67	11/25/2011	4605.38	0.00%	24.03%	1.30%
S&P 500 Growth	3253.74	10/29/2021	631.11	11/25/2011	3253.74	0.00%	27.01%	0.66%
S&P 500 Value	1515.70	10/26/2021	521.66	11/25/2011	1501.39	-0.94%	20.59%	2.07%
S&P MidCap 400	2809.72	10/25/2021	812.43	11/25/2011	2794.11	-0.56%	22.32%	1.34%
S&P MidCap 400 Growth	1382.19	10/29/2021	373.82	11/25/2011	1382.19	0.00%	18.42%	0.73%
S&P MidCap 400 Value	882.65	5/7/2021	277.35	11/25/2011	863.35	-2.19%	26.37%	1.88%
S&P 100	2121.95	10/29/2021	522.27	11/25/2011	2121.95	0.00%	24.79%	1.29%
DJIA	35819.56	10/29/2021	11231.78	11/25/2011	35819.56	0.00%	18.77%	1.72%
NASDAQ 100	15850.47	10/29/2021	2150.88	11/25/2011	15850.47	0.00%	23.68%	0.65%
Russell 2000	2360.17	3/15/2021	666.16	11/25/2011	2297.19	-2.67%	17.18%	1.10%
Russell 2000 Growth	1709.62	2/9/2021	383.99	11/25/2011	1561.81	-8.65%	7.63%	0.43%
Russell 2000 Value	2600.57	6/8/2021	876.16	11/25/2011	2486.76	-4.38%	27.59%	1.80%
Russell 3000	2730.66	10/29/2021	683.85	11/25/2011	2730.66	0.00%	22.76%	1.24%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	3418.30	11/25/2011	7772.34	-2.07%	12.44%	2.60%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	622.43	-10.98%	-0.27%	2.40%
Ibovespa/Brazil (USD)	39318.75	3/2/2012	9077.09	1/21/2016	18342.41	-53.35%	-19.92%	6.14%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1843.83	-3.95%	39.27%	4.64%
S&P BSE 500/India (USD)	335.49	10/18/2021	95.89	9/3/2013	319.96	-4.63%	29.05%	1.01%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	553.79	-33.45%	6.30%	2.06%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.53	-13.81%	-3.79%	2.02%
Hang Seng (USD)	4241.01	1/26/2018	2268.93	11/25/2011	3262.23	-23.08%	-4.77%	2.44%
MSCI Euro (USD)	1705.00	9/6/2021	814.62	6/1/2012	1658.09	-2.75%	15.96%	2.27%
S&P 500 Consumer Discretionary	1586.11	10/28/2021	286.72	11/25/2011	1585.72	-0.02%	22.34%	0.52%
S&P 500 Consumer Staples	755.00	8/17/2021	311.48	11/23/2011	741.09	-1.84%	8.76%	2.73%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	436.19	-40.82%	57.93%	3.92%
S&P 500 Utilities	359.13	2/18/2020	167.93	11/23/2011	339.84	-5.37%	9.13%	3.09%
S&P 500 Financials	675.21	10/26/2021	157.44	11/23/2011	669.09	-0.91%	38.46%	1.62%
S&P 500 Banks	453.25	10/22/2021	111.73	11/23/2011	447.00	-1.38%	44.36%	2.03%
FTSE NAREIT All Equity REITs	926.49	9/2/2021	397.10	11/23/2011	908.88	-1.90%	30.21%	2.79%
S&P 500 Health Care	1592.61	9/3/2021	365.52	11/25/2011	1559.32	-2.09%	19.31%	1.45%
S&P 500 Pharmaceuticals	939.83	8/17/2021	301.42	11/25/2011	883.23	-6.02%	15.50%	2.46%
NYSE Arca Biotechnology	6319.77	2/8/2021	1001.60	11/25/2011	5676.84	-10.17%	-0.82%	0.38%
S&P 500 Information Technology	2836.88	10/29/2021	386.87	11/25/2011	2836.88	0.00%	24.70%	0.78%
Philadelphia Semiconductor	3473.60	9/16/2021	343.36	12/19/2011	3451.27	-0.64%	24.63%	1.15%
S&P 500 Telecom Services	288.46	9/1/2021	117.82	11/25/2011	275.13	-4.62%	25.02%	0.79%
S&P 500 Industrials	891.88	8/11/2021	266.96	11/25/2011	883.30	-0.96%	19.15%	1.35%
S&P 500 Materials	556.90	5/17/2021	197.20	11/25/2011	534.41	-4.04%	18.91%	1.73%
Philadelphia Gold & Silver	215.30	11/7/2011	38.84	1/19/2016	129.61	-39.80%	-8.91%	1.74%
Refinitiv/CC CRB Excess Return	325.91	2/24/2012	106.29	4/21/2020	237.70	-27.07%	41.66%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	157.58	11/23/2011	316.20	-1.09%	2.34%	4.01%
ICE BofA U.S. High Yield Constrained	520.99	9/15/2021	264.00	11/25/2011	517.53	-0.66%	4.47%	4.76%

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