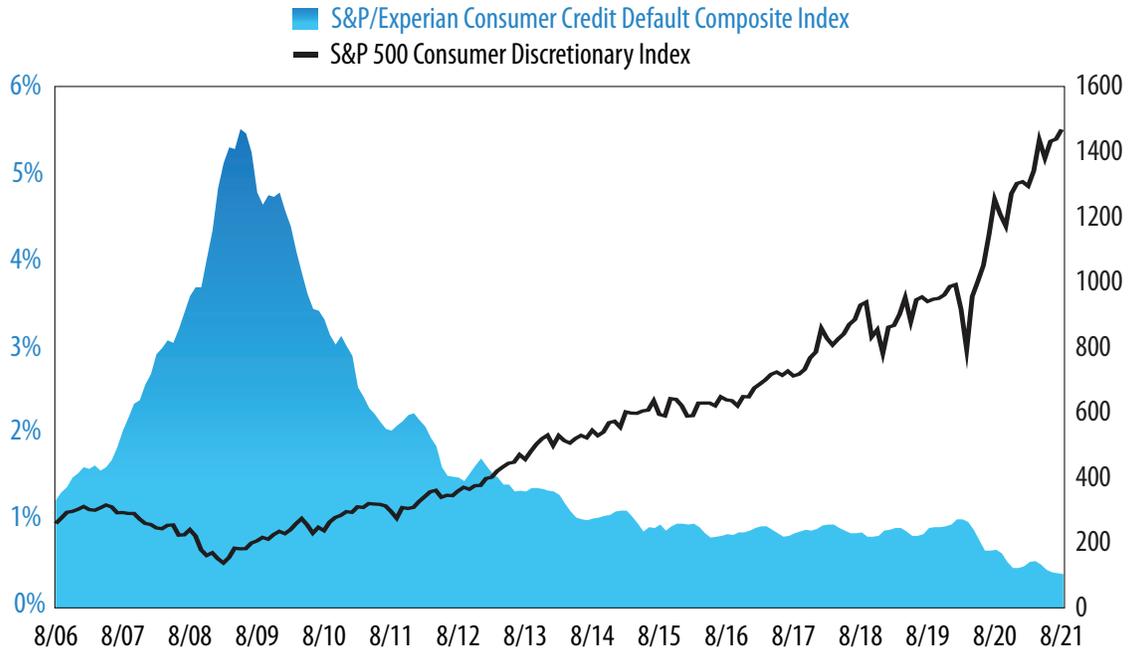


Low U.S. Consumer Credit Default Rate A Nice Tailwind For Discretionary Stocks

Consumer Default Rate vs. Consumer Discretionary Stocks



Source: Bloomberg. Monthly data points from 8/31/06-8/31/21. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. The S&P/Experian Consumer Credit Default Composite Index measures the default rates across first mortgages, bank cards and auto loans.
2. The index registered a default rate of 0.39% in August 2021, a record low, according to Bloomberg. It sits well below its 1.72% average since inception (July 2004) and significantly below its all-time high of 5.51% set in May 2009.
3. The low default rate is encouraging considering it has remained subdued despite the economic fallout from the COVID-19 pandemic.
4. From 2/19/20 (peak in the stock market prior to COVID-19 pandemic) through 9/22/21, the S&P 500 Consumer Discretionary Index posted a total return of 40.60%, the third-highest return of the 11 major sectors that comprise the S&P 500 Index, which was up 33.23% for the period, according to Bloomberg. The top-performing sector was Information Technology, up 53.15%.
5. The consumer's growing acceptance of online shopping has been a big contributing factor to the strong performance of consumer discretionary stocks since the start of 2020 (COVID-19), in our opinion. Ecommerce sales are expected to reach \$933.30 billion in 2021, up 17.9% year-over-year, according to eMarketer.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Consumer Discretionary Index is an unmanaged index which includes the stocks in the consumer discretionary sector of the S&P 500 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.

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