

Open-End Net Fund Flows (\$)	9/23	8/23	YTD (Sep)
Equity	-33.9B	-40.8B	-333.1B
Taxable Bond	-9.2B	0.9B	27.5B
Municipal Bond	-6.6B	-2.0B	-3.5B
Hybrid	-11.9B	-11.1B	-77.3B
Taxable Money Market	60.2B	106.5B	790.0B

Key Interest Rates/Yields	10/31/23	9/29/23	10/31/22
Federal Funds Target Rate	5.50%	5.50%	3.25%
2-Year T-Note	5.09%	5.05%	4.49%
5-Year T-Note	4.86%	4.61%	4.23%
10-Year T-Note	4.93%	4.57%	4.05%
Bond Buyer 40	5.54%	5.05%	5.23%

Commodities/U.S. Dollar	10/23	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.46%	3.03%	-4.36%
Refinitiv/CC CRB Excess Ret.	-1.19%	1.23%	2.56%
Crude Oil/WTI (per Barrel)	-10.76%	0.95%	-6.37%
Natural Gas (per million BTUs)	22.06%	-20.11%	-43.75%
Gold Bullion (Ounce)	7.91%	9.20%	21.55%

### Total Return Performance

U.S. Stock Indices	10/23	YTD	12 Mo.
S&P 500	-2.10%	10.68%	10.12%
DJIA	-1.26%	1.44%	3.17%
Nasdaq 100	-2.04%	32.61%	27.45%
S&P MidCap 400	-5.34%	-1.33%	-1.11%
Russell 2000	-6.82%	-4.48%	-8.62%
Russell 3000	-2.65%	9.40%	8.35%

U.S. Styles/Market Caps	10/23	YTD	12 Mo.
S&P 500 Growth	-2.41%	15.26%	11.89%
S&P 500 Value	-1.73%	5.69%	7.65%
S&P MidCap 400 Growth	-4.86%	1.63%	0.97%
S&P MidCap 400 Value	-5.88%	-4.44%	-3.41%
Russell 2000 Growth	-7.71%	-2.88%	-7.66%
Russell 2000 Value	-5.97%	-6.51%	-10.00%

Foreign Stock Indices (USD)	10/23	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-4.22%	2.22%	12.56%
MSCI Emerging Markets NET	-3.89%	-2.14%	10.80%
MSCI Europe NET	-3.73%	3.93%	15.74%
MSCI BRIC NET	-3.81%	-4.90%	13.01%
MSCI EM Latin America NET	-4.77%	7.50%	3.65%
Nikkei 225	-4.48%	4.24%	12.04%

Bloomberg Fixed Income Ind.	10/23	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.34%	-0.07%	1.41%
GNMA 30 Year	-1.92%	-3.66%	-0.80%
Municipal Bond (22+)	-1.98%	-3.96%	3.26%
U.S. Aggregate	-1.58%	-2.77%	0.36%
Intermediate Corporate	-0.75%	0.59%	3.75%
U.S. Corporate High Yield	-1.16%	4.63%	6.23%
Global Aggregate	-1.20%	-3.38%	1.72%
EM Hard Currency Aggregate	-1.31%	-0.26%	7.83%

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

The financial markets battled a myriad of headwinds in October, from geopolitical uncertainty resulting from war (the conflicts between Israel and Hamas and Russia and Ukraine), to slowing global economic growth and sticky inflation. We will discuss this further in the “Stock Market” section below, but we believe the recent surge in Treasury bond yields, stronger than expected U.S. economic data, and the Federal Reserve’s (“Fed”) revelation that rates may need to stay higher for longer, could be catalysts for the recent sell-off in the broader equity markets. As many investors are likely aware, the S&P 500 Index (“Index”) fell back into a correction on 10/27/23, when it closed at 4,117.37, 10.28% below its most recent high of 4,588.96 (which occurred on 7/31/23). Real U.S. gross domestic product (GDP) grew by 4.9% in Q3’23. Consumer spending, which rose by 4% in the quarter, was responsible for 2.7 percentage points of the total increase in GDP. Whether the consumer can keep up this pace of spending remains to be seen, especially given recent news that excess savings from the pandemic-era stimulus has likely been depleted. Additionally, the Federal Reserve Board revealed that the inflation-adjusted median net worth of American households rose by 37% to \$193,000 over the three year period ended December 2022, however, much of that increase can be attributed to less liquid assets such as real estate. Americans’ median net housing value (the value of a home minus the debt owed on it) rose to a record \$201,000 over the period.

### Stock Market

The S&P 500 Index closed October 2023 at 4,193.80, 12.57% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. As of 10/31/23, the S&P MidCap 400 and S&P SmallCap 600 Indices stood 18.70% and 26.05%, respectively, below their record closing highs. In October 2023, the S&P 500 Index posted a total return of -2.10%. Ten of the eleven major sectors that comprise the index registered negative total returns for the month. The top-performer was Utilities, up 1.29%, while the worst showing came from Energy which was down 5.97%. The S&P 500 Index posted a total return of 10.12% over the trailing 12-month period ended 10/31/23. Five of the eleven major sectors were up on a total return basis. The index’s top performer was Communication Services, up 35.77%, while the worst showing came from Utilities which fell by 7.72%. October marked the third consecutive monthly decline in the Index and ushered in the Index’s first price correction since the new bull market began on 6/8/23. In our view, the recent upward momentum in Treasury yields could be putting downward pressure on equity valuations. Over the three month period ended 10/31/23, the Index experienced a total return of -8.25%. The yield on the benchmark 10-year Treasury note (T-note) rose by 97 basis points (bps) over the same time frame.

### Bond Market

The yield on the benchmark 10-year T-note closed trading on 10/31/23 at 4.93%, up 36 bps from its 4.57% close on 9/29/23, according to Bloomberg. The 4.93% yield stood 264 bps above its 2.29% average for the 10-year period ended 10/31/23. On a year-to-date (YTD) basis, through 10/31/23, the yield on the 10-year T-note rose by 106 bps. The yield on the 2-year T-note stood 16 bps higher than the yield on the 10-year T-note at the end of October. This marks 16 months in a row where the yield curve has remained inverted between these two benchmarks. Notably, the 2/10 yield curve was inverted for six to twenty-four months before all but one U.S. recession between 1955 and 2018. As revealed in the “Key Interest Rates/Yields” and “Fixed Income” sections to the left, while each of the fixed income indices we track posted negative total returns in October, the yields on longer duration fixed income securities moved sharply higher than their short duration counterparts. Inflation, as measured by the 12-month change in the consumer price index (CPI), stood at 3.7% at the end of September 2023, down from its most recent high of 9.1% in June 2022. Investors in search of income may want to take note; the net effect of higher yields and lower inflation is that real yields (yield minus inflation) are trending in a positive direction. The real yield on the 10-year T-note stood at 1.23% on 10/31/23, up from 0.87% on 9/29/23, and significantly higher than when it stood at -2.62% on 12/30/22.

### Takeaway

The Fed’s revelation that interest rates could remain “higher for longer” sent a ripple throughout the financial markets, pushing bond yields upwards and igniting a selloff within the broader equity markets. The yield on the 10-Year T-note rose by 52 bps between 9/20/23 (the meeting in which the “higher for longer” mantra was quoted) and the close on 10/31/23. For comparison, the S&P 500 Index posted a total return of -4.61% over the same period. Higher rates have yet to have a notable impact on consumer spending, as evidenced by the Q3 GDP data, but corporations certainly appear to be feeling the pressure. S&P Global Market Intelligence reported that a total of 516 U.S. corporations filed for bankruptcy protection on a year-to-date basis through 9/30/23, up from a total of 263 corporate bankruptcy filings over the same period last year. Higher interest rates and Treasury bond yields have also sapped demand for commercial property loans. Data from Trepp revealed that just \$28.2 billion of loans converted into commercial mortgage-backed securities have been issued in 2023, the lowest figure since 2011.

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	4796.56	1/3/2022	1741.89	2/3/2014	4193.80	-12.57%	10.68%	1.65%
S&P 500 Growth	3423.28	12/27/2021	931.31	11/7/2013	2692.87	-21.34%	15.26%	1.30%
S&P 500 Value	1644.72	7/31/2023	788.67	2/11/2016	1491.68	-9.30%	5.69%	2.07%
S&P MidCap 400	2910.70	11/16/2021	1218.55	3/23/2020	2366.40	-18.70%	-1.33%	1.91%
S&P MidCap 400 Growth	1427.19	11/16/2021	570.39	2/3/2014	1115.87	-21.81%	1.63%	1.60%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	762.16	-18.27%	-4.44%	2.27%
S&P 100	2219.44	1/3/2022	772.29	2/3/2014	1977.32	-10.91%	17.21%	1.56%
DJIA	36799.65	1/4/2022	15372.80	2/3/2014	33052.87	-10.18%	1.44%	2.19%
Nasdaq 100	16573.34	11/19/2021	3321.41	11/7/2013	14409.78	-13.05%	32.61%	0.90%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	1662.28	-31.95%	-4.48%	1.86%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1052.70	-38.42%	-2.88%	0.79%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	1913.59	-27.61%	-6.51%	2.87%
Russell 3000	2804.93	1/3/2022	1044.90	11/7/2013	2394.59	-14.63%	9.40%	1.64%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	6820.62	-14.06%	2.22%	3.47%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	475.68	-31.97%	-2.14%	3.02%
Ibovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	22372.79	-24.13%	6.37%	5.49%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1079.88	-43.74%	16.74%	5.15%
S&P BSE 500/India (USD)	337.94	1/13/2022	115.53	11/12/2013	319.46	-5.47%	8.65%	1.34%
Shanghai Composite/China (USD)	832.07	6/12/2015	320.10	3/20/2014	412.60	-50.41%	-5.40%	2.85%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.68	-42.56%	-4.24%	2.22%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2186.81	-48.44%	-10.74%	4.15%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1405.86	-17.55%	8.14%	3.61%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	485.19	2/3/2014	1207.03	-27.86%	20.92%	0.93%
S&P 500 Consumer Staples	841.99	4/20/2022	409.84	2/3/2014	717.39	-14.80%	-5.92%	2.76%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	652.01	-11.54%	-0.34%	3.65%
S&P 500 Utilities	394.81	9/12/2022	189.09	12/13/2013	302.87	-23.29%	-13.31%	3.62%
S&P 500 Financials	688.85	1/12/2022	264.89	2/11/2016	537.67	-21.95%	-4.08%	2.00%
S&P 500 Banks	461.87	1/12/2022	180.19	2/11/2016	277.02	-40.02%	-12.97%	3.90%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	629.06	-35.82%	-8.61%	4.67%
S&P 500 Health Care	1664.59	4/8/2022	606.07	11/7/2013	1451.16	-12.82%	-7.17%	1.80%
S&P 500 Pharmaceuticals	1038.11	9/12/2023	471.03	10/31/2013	942.03	-9.26%	-5.00%	2.61%
NYSE Arca Biotechnology	6319.77	2/8/2021	2052.02	11/7/2013	4556.42	-27.90%	-13.56%	0.26%
S&P 500 Information Technology	3207.29	7/18/2023	542.63	10/31/2013	2903.54	-9.47%	34.69%	0.88%
Philadelphia Semiconductor	4039.51	12/27/2021	495.20	11/7/2013	3215.89	-20.39%	28.32%	1.46%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	217.76	-24.51%	37.87%	0.83%
S&P 500 Industrials	936.97	8/1/2023	412.06	3/23/2020	832.11	-11.19%	1.45%	1.83%
S&P 500 Materials	569.63	12/31/2021	234.97	1/25/2016	478.64	-15.97%	-0.66%	2.19%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	111.25	-33.69%	-6.52%	2.14%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	281.15	-14.70%	1.23%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	182.78	12/26/2013	270.26	-15.46%	-0.49%	8.01%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	313.74	2/11/2016	484.95	-7.12%	4.66%	9.53%

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