

Open-End Net Fund Flows (\$)	3/23	2/23	YTD (Mar)
Equity	-32.5B	-21.7B	-84.4B
Taxable Bond	-17.8B	16.3B	8.1B
Municipal Bond	-2.5B	1.8B	7.3B
Hybrid	-12.0B	-5.9B	-21.1B
Taxable Money Market	362.0B	49.7B	434.0B

Key Interest Rates/Yields	4/28/23	3/31/23	4/29/22
Federal Funds Target Rate	5.00%	5.00%	0.50%
2-Year T-Note	4.01%	4.03%	2.72%
5-Year T-Note	3.49%	3.58%	2.96%
10-Year T-Note	3.43%	3.47%	2.94%
Bond Buyer 40	4.42%	4.40%	4.29%

Commodities/U.S. Dollar	4/23	YTD	12 Mo.
U.S. Dollar Index (DXY)	-0.83%	-1.80%	-1.26%
Refinitiv/CC CRB Excess Ret.	0.16%	-3.45%	-13.01%
Crude Oil/WTI (per Barrel)	1.47%	-4.34%	-26.66%
Natural Gas (per million BTUs)	8.75%	-46.15%	-66.73%
Gold Bullion (Ounce)	1.53%	9.47%	4.57%

Total Return Performance

U.S. Stock Indices	4/23	YTD	12 Mo.
S&P 500	1.56%	9.16%	2.64%
DJIA	2.57%	3.53%	5.64%
Nasdaq 100	0.52%	21.40%	3.99%
S&P MidCap 400	-0.78%	2.98%	1.28%
Russell 2000	-1.80%	0.88%	-3.68%
Russell 3000	1.07%	8.31%	1.47%

U.S. Styles/Market Caps	4/23	YTD	12 Mo.
S&P 500 Growth	1.43%	11.19%	-1.89%
S&P 500 Value	1.71%	6.96%	6.69%
S&P MidCap 400 Growth	-0.51%	4.49%	0.72%
S&P MidCap 400 Value	-1.07%	1.40%	1.61%
Russell 2000 Growth	-1.16%	4.84%	0.69%
Russell 2000 Value	-2.49%	-3.15%	-8.02%

Foreign Stock Indices (USD)	4/23	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.84%	11.09%	7.05%
MSCI Emerging Markets NET	-1.13%	2.78%	-6.51%
MSCI Europe NET	4.15%	15.15%	12.03%
MSCI BRIC NET	-1.94%	-1.11%	-5.74%
MSCI EM Latin America NET	2.69%	6.72%	4.97%
Nikkei 225	0.40%	7.51%	5.75%

Bloomberg Fixed Income Ind.	4/23	YTD	12 Mo.
U.S. Treasury: Intermediate	0.54%	2.82%	0.61%
GNMA 30 Year	0.57%	3.18%	-0.73%
Municipal Bond (22+)	-0.19%	4.07%	0.84%
U.S. Aggregate	0.61%	3.59%	-0.43%
Intermediate Corporate	0.77%	3.29%	1.70%
U.S. Corporate High Yield	1.00%	4.60%	1.22%
Global Aggregate	0.44%	3.46%	-2.31%
EM Hard Currency Aggregate	0.58%	2.87%	0.07%

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

If “April showers bring May flowers”, then May could not have come soon enough for the global banking system. Fresh off the failure of three major banks (Silicon Valley Bank and Signature Bank in the U.S. and Credit Suisse in Switzerland) the U.S. government brokered a deal for a competing financial institution to take ownership of First Republic Bank over the weekend of April 29-30. Weakness in the banking sector can be traced, in part, to the recent surge in interest rates. As central banks raised their target lending rates, the yields offered by Treasuries, money market accounts and other cash alternatives became increasingly compelling. In 2022, total deposits held at U.S. commercial banks fell on a year-over-year basis for the first time since at least 1963. Despite higher rates, headline inflation in each of the countries that comprise the so called “Group of Ten” is above the targets set by their central banks as of 5/2/23. That said, tighter monetary policy does appear to have had an impact on inflation. In the U.S., for example, the trailing 12-month rate on the Consumer Price Index (CPI) declined from 9.1% in June 2022 to 5.0% in March 2023. While declining inflation is welcome news, the potential impact of tighter monetary policy on bank balance sheets and the expected slowdown in worldwide economic growth it could cause is not. The latest global growth forecast from the International Monetary Fund (“IMF”) released in April 2023 sees real gross domestic product rising by 2.8% worldwide in 2023, down from its 3.6% projection in April 2022. In its *World Economic Outlook*, the IMF notes that business and consumer confidence could deteriorate further if the recent banking system turmoil results in sharper and more persistent tightening of global financial conditions than anticipated.

Stock Market

The S&P 500 Index closed April 2023 at 4,169.48, 13.07% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 14.44% and 21.68%, respectively, below their record closing highs as of 4/28/23. In April 2023, the S&P 500 Index posted a total return of 1.56%. Eight of the eleven major sectors that comprise the index registered positive total returns for the month. The top-performer was Communication Services, up 3.78%, while the worst showing came from Industrials, which were down 1.18%. The S&P 500 Index posted a total return of 2.64% over the trailing 12-month period ended 4/28/23. Six of the eleven major sectors were up on a total return basis. The index’s top performer was Energy, up 18.97%, while the worst showing came from Real Estate, down 15.98%. Full-year 2023 earnings estimates declined slightly month-over-month, with forecasted earnings per share falling to \$218.7 as of 4/28/23 from \$219.0 and \$223.1 on 3/31/23 and 1/31/23, respectively. This decrease is reflected in Bloomberg’s consensus 2023 year-over-year (y-o-y) earnings growth rate estimates for the S&P 500 Index, which stood at -2.26% as of 4/28/23. A Bloomberg survey of 24 equity strategists found that their average 2023 year-end price target for the S&P 500 Index was 4,025 as of 4/19/23, according to its own release. As evidenced by the U.S. Stock Indices table to the left, all of the major equity indices we track posted positive total returns on a year-to-date basis. In our view, lower interest rates across much of the yield curve likely provided a significant boost to the valuations of the equity markets (discussed further in the “Bond Market” section below).

Bond Market

The yield on the benchmark 10-year Treasury Note (T-note) closed trading on 4/28/23 at 3.43%, down just 4 basis points (bps) from its 3.47% close on 3/31/23, according to Bloomberg. The 3.43% yield stood 122 bps above its 2.21% average for the 10-year period ended 4/28/23. On a year-to-date (YTD) basis, through 4/28/23, the yield on the 10-year T-note fell by 45 bps, representing a substantial decline in yields. As many investors know, bond yields and prices typically move in opposite directions. In our view, falling yields on the long-end of the curve could be a signal that investors expect the Fed will cut rates in the future as the U.S. economy falls into an economic recession. Notably, U.S. corporate finance trends appear to support that outlook. Total corporate bond issuance plummeted by 57.3% and 26.5% on a year-over-year basis in March and April 2023, respectively, according to data from SIFMA.

Takeaway

Despite higher interest rates, headline inflation remains elevated across much of the globe. With prices on the rise, consumers are spending less. The U.S. personal consumption expenditures index was effectively flat (up less than 0.1%) on a month-over-month basis in March, according to the Bureau of Economic Analysis. Additionally, the recent spike in interest rates led to increased competition for depositors’ assets. As a result, commercial banks in the U.S. saw their first year-over-year decline in total deposits since at least 1963 (start of the data). Total assets held in money market funds hit a record high of \$5.31 trillion on 5/3/23, according to Bloomberg. The Fed’s additional 25 bps rate hike on 5/3/23 may mean the rivalry for deposits could continue over the near-term.

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	1573.09	6/24/2013	4169.48	-13.07%	9.16%	1.66%
S&P 500 Growth	3423.28	12/27/2021	828.96	6/24/2013	2614.49	-23.63%	11.19%	1.35%
S&P 500 Value	1575.22	2/2/2023	735.04	6/24/2013	1524.53	-3.22%	6.96%	2.00%
S&P MidCap 400	2910.70	11/16/2021	1124.70	6/24/2013	2490.40	-14.44%	2.98%	1.89%
S&P MidCap 400 Growth	1427.19	11/16/2021	505.67	6/24/2013	1155.07	-19.07%	4.49%	1.50%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	816.91	-12.40%	1.40%	2.31%
S&P 100	2219.44	1/3/2022	708.77	6/24/2013	1913.12	-13.80%	12.53%	1.58%
DJIA	36799.65	1/4/2022	14659.56	6/24/2013	34098.16	-7.34%	3.53%	2.06%
Nasdaq 100	16573.34	11/19/2021	2848.20	6/24/2013	13245.99	-20.08%	21.40%	0.84%
Russell 2000	2442.74	11/8/2021	924.24	5/1/2013	1768.99	-27.58%	0.88%	1.70%
Russell 2000 Growth	1709.62	2/9/2021	529.40	5/1/2013	1140.24	-33.30%	4.84%	0.89%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2006.09	-24.11%	-3.15%	2.60%
Russell 3000	2804.93	1/3/2022	934.37	6/24/2013	2389.30	-14.82%	8.31%	1.65%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	7412.14	-6.61%	11.09%	3.27%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	499.56	-28.56%	2.78%	3.15%
Ibovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	20884.65	-29.18%	-0.70%	7.28%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1033.57	-46.16%	6.90%	8.60%
S&P BSE 500/India (USD)	337.94	1/13/2022	95.89	9/3/2013	296.19	-12.36%	-0.17%	1.38%
Shanghai Composite/China (USD)	832.07	6/12/2015	317.13	6/27/2013	480.81	-42.22%	7.40%	2.56%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.87	-36.24%	5.75%	2.06%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2534.37	-40.24%	0.37%	4.22%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1579.62	-7.35%	19.15%	3.25%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	430.45	5/1/2013	1152.42	-31.13%	14.95%	1.00%
S&P 500 Consumer Staples	841.99	4/20/2022	402.28	6/20/2013	807.20	-4.13%	4.45%	2.44%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	655.20	-11.11%	-1.56%	4.01%
S&P 500 Utilities	394.81	9/12/2022	183.44	6/20/2013	350.26	-11.28%	-1.44%	3.08%
S&P 500 Financials	688.85	1/12/2022	249.27	5/1/2013	551.42	-19.95%	-2.56%	1.88%
S&P 500 Banks	461.87	1/12/2022	171.62	5/1/2013	293.82	-36.38%	-9.33%	3.58%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	716.94	-26.85%	1.99%	4.31%
S&P 500 Health Care	1664.59	4/8/2022	542.91	5/1/2013	1555.39	-6.56%	-1.37%	1.63%
S&P 500 Pharmaceuticals	1037.48	12/14/2022	431.99	6/24/2013	968.09	-6.69%	-3.59%	2.50%
NYSE Arca Biotechnology	6319.77	2/8/2021	1852.18	6/20/2013	5259.60	-16.78%	-0.35%	0.30%
S&P 500 Information Technology	3107.46	12/27/2021	481.70	4/29/2013	2649.95	-14.72%	22.37%	0.95%
Philadelphia Semiconductor	4039.51	12/27/2021	440.80	5/1/2013	2994.97	-25.86%	18.71%	1.45%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	198.35	-31.24%	25.05%	0.89%
S&P 500 Industrials	905.63	1/4/2022	354.59	5/1/2013	846.11	-6.57%	2.24%	1.77%
S&P 500 Materials	569.63	12/31/2021	234.97	1/25/2016	507.06	-10.98%	4.14%	2.20%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	133.98	-20.14%	11.57%	1.97%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	268.16	-18.64%	-3.45%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	179.47	8/19/2013	282.05	-11.77%	3.86%	7.08%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	313.74	2/11/2016	485.09	-7.09%	4.69%	8.44%

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