First Trust TALKING POINTS

Data through August 2024

Open-End Net Fund Flows ($)	7/24	6/24	YTD (July)
Equity	-60.4B	-38.7B	-321.0B
Taxable Bond	11.2	-5.5B	106.4
Municipal Bond	2.4B	-0.6B	13.8B
Hybrid	-11.0B	-8.7B	-66.2B
Taxable Money Market	27.4B	-6.0B	82.7B

Key Interest Rates/Yields	8/30/24	7/31/24	8/31/23
Federal Funds Target Rate	5.50%	5.50%	5.50%
2-Year T-Note	3.92%	4.26%	4.87%
5-Year T-Note	3.70%	3.91%	4.26%
10-Year T-Note	3.90%	4.03%	4.11%
Bond Buyer 40	4.31%	4.34%	4.64%

Commodities/U.S. Dollar	8/24	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.30%	0.36%	-1.85%
FTSE/CC CRB Excess Ret.	-0.39%	5.01%	-1.73%
Crude Oil/WTI (per Barrel)	-5.60%	2.65%	-12.05%
Natural Gas (per million BTUs)	4.47%	-15.39%	-23.16%
Gold Bullion (Ounce)	3.21%	20.89%	28.63%

Total Return Performance

U.S. Stock Indices	8/24	YTD	12 Mo.
S&P 500	2.43%	19.52%	27.12%
DJIA	2.03 %	11.75%	22.06%
Nasdaq 100	1.18%	16.96%	27.30%
S&P MidCap 400	-0.08%	12.22%	18.72%
Russell 2000	-1.50%	10.38%	18.44%
Russell 3000	2.18%	18.18%	26.13%

U.S. Styles/Market Caps	8/24	YTD	12 Mo.
S&P 500 Growth	2.18%	24.60%	30.49%
S&P 500 Value	2.96%	14.09%	23.60%
S&P MidCap 400 Growth	-0.74%	15.54%	20.92%
S&P MidCap 400 Value	0.64%	8.71%	16.41%
Russell 2000 Growth	-1.11%	11.73%	17.64%
Russell 2000 Value	-1.88%	9.14%	19.22%

Foreign Stock Indices (USD)	7/24	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	3.34%	11.86%	19.45%
MSCI Emerging Markets NET	1.61%	9.55%	15.07%
MSCI Europe NET	3.94%	12.34%	19.79%
MSCI BRIC NET	1.53%	8.98%	11.12%
MSCI EM Latin America NET	2.57%	-12.62%	0.35%
Nikkei 225	1.84%	12.28%	20.08%

Bloomberg Fixed Income Ind.	8/24	YTD	12 Mo.
U.S. Treasury: Intermediate	1.09%	3.17%	6.26%
GNMA 30 Year	1.50%	2.90%	7.00%
Municipal Bond (22+)	0.66%	1.71%	8.34%
U.S. Aggregate	1.44%	3.07%	7.30%
Intermediate Corporate	1.30%	4.35%	8.95%
U.S. Corporate High Yield	1.63%	6.29%	12.55%
Global Aggregate	2.37%	1.86%	6.90%
EM Hard Currency Aggregate	2.25%	6.15%	12.36%

Sources: Bloomberg and Investment Company Institute

Climate

In August, the Bureau of Labor Statistics (BLS) reported that the U.S. added 818,000 fewer jobs than originally forecast over the 12-month period from April 2023 to March 2024. The news came on the heels of lackluster manufacturing and employment data in July, and may have paved the way for the Federal Reserve ("Fed") to begin cutting rates as early as September. Interest rate cuts could prove to be welcome news to U.S. consumers, who appear to be struggling under increased debt service payments. Total U.S. household debt stood at a record $17.80 trillion at the end of Q2'24. Delinquencies on credit card balances, which accounted for $1.14 trillion of the total, are rising. The share of credit card balances that were seriously delinquent (90+ days) stood at 10.9% in Q2'24, its highest level since Q1'12. Another area that stands to benefit from easing monetary policy is commercial real estate. More than $2.2 trillion in commercial real estate debt is set to mature between the start of 2024 and the end of 2027, according to data firm, Trepp. As the majority of that debt will require refinancing, lower interest rates could ease the pressure on commercial properties, which have seen vacancy rates skyrocket since the pandemic.

Stock Market

The S&P 500 Index ("Index") stood at 5,648.40 on 8/30/24, down 0.33% from its all-time high of 5,667.20 set on 7/16/24, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood -0.75% and -3.65%, respectively, below their all-time highs as of the same date. In August, the Index posted a total return of 2.43%. Nine of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Consumer Staples, up 5.94%, while the worst showing came from Energy, which was down 1.70%. The Index posted a total return of 27.12% over the trailing 12-month period ended 8/30/24. Each of the 11 major sectors were positive on a total return basis. The Index's top performer was Information Technology, up 38.73%, while the worst showing came from Energy which increased by 6.29%. The S&P MidCap 400 and S&P SmallCap 600 Indices declined by 0.08% and 1.44% on a total return basis, respectively, in August. With the second quarter earnings season drawing to a close, 78.7% of reporting companies (494 of 503 in the Index) announced earnings that beat expectations, up from 76.2% over the same period last year. The three S&P 500 Index sectors with the highest percentage of companies that beat earnings estimates and their totals were as follows: Financials (87.1%), Health Care (85.7%), and Industrials (81.8%). FactSet reported that the blended, year-over-year (y-o-y), earnings growth rate for the Index stood at 11.3% as of 9/6/24, the highest quarterly earnings growth rate since Q4'21, and the fourth consecutive quarter of y-o-y earnings growth for the Index.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 3.90% at the close of trading on 8/30/24, representing a decline of 13 basis points (bps) from its 4.03% close on 7/31/24, according to data from Bloomberg. The 3.90% yield stood 148 bps above its 2.42% average for the 10-year period ended 8/30/24 and 109 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.92% on 8/30/24, representing a decline of 34 bps from when it stood at 4.26% on 7/31/24. As many investors are likely aware, bond prices and yields typically move in opposite directions. Each of the U.S. fixed income asset classes we track posted positive total returns in August (see "Bloomberg Fixed Income" section). The increasing likelihood of a September rate cut (discussed in the "Climate" section above) is a potential catalyst for this development. On 8/30/24, the federal funds futures market had priced in one cut totaling 33 bps at the Fed's meeting on 9/18/24.

Takeaway

The likelihood of a September rate cut appears to have strengthened amidst continued disinflation and weaker than expected economic reports in July and August. It is important to note that equity markets are forward-looking discounting mechanisms, meaning the price of an efficient market should reflect the sum-effect of present and future (expected) events. Have the equity markets already "priced in" the Fed's expected decision? We can't know. From our perspective, earnings and revenue growth are likely to be among the key determinants for equity valuations going forward. According to data from Bloomberg, as of 8/30/24, Index earnings are estimated to increase by 9.57% and 14.51% in 2024 and 2025, respectively. Likewise, revenue for the Index is estimated to increase by 4.97% in 2024 and 5.98% in 2025. Fixed income investors are tasked with answering the same question. While bondholders stand to benefit from higher valuations amidst significant rate cuts, we can't know the depth and timing of what the Fed has in store. The months ahead could prove pivotal as the Fed works to secure a soft landing for the U.S. economy.

First Trust High/Low Snapshot

Data as of 8/30/24

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	5667.20	7/16/2024	1829.08	2/11/2016	5648.40	-0.33%	19.52%	1.30%
S&P 500 Growth	3919.29	7/10/2024	1009.73	10/16/2014	3759.89	-4.07%	24.60%	0.63%
S&P 500 Value	1930.28	8/30/2024	788.67	2/11/2016	1930.28	0.00%	14.09%	2.17%
S&P MidCap 400	3115.02	7/16/2024	1218.55	3/23/2020	3091.52	-0.75%	12.22%	1.51%
S&P MidCap 400 Growth	1515.34	7/16/2024	572.55	10/13/2014	1776.15	-2.59%	15.54%	1.03%
S&P MidCap 400 Value	982.73	8/30/2024	373.28	3/23/2020	982.73	0.00%	8.71%	2.02%
S&P 100	2757.75	7/10/2024	819.58	8/25/2015	2712.66	-1.64%	22.42%	1.22%
DJIA	41563.08	8/30/2024	15660.18	2/11/2016	41563.08	0.00%	11.75%	1.78%
Nasdaq 100	20675.38	7/10/2024	3765.28	10/16/2014	19574.64	-5.32%	16.96%	0.80%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2217.63	-9.22%	10.38%	1.42%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1429.10	-16.41%	11.73%	0.61%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2510.56	-5.03%	9.14%	2.24%
Russell 3000	3230.62	7/16/2024	1067.34	2/11/2016	3218.49	-0.38%	18.18%	1.29%
MSCI World Net (ex U.S.) (USD)	8802.77	8/30/2024	4189.62	2/11/2016	8802.77	0.00%	11.86%	3.01%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	584.79	-16.37%	9.55%	2.66%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	24046.40	-18.45%	-13.25%	6.38%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	446.52	8/30/2024	129.66	3/23/2020	446.52	0.00%	22.11%	1.05%
Shanghai Composite/China (USD)	832.07	6/12/2015	385.39	10/18/2018	400.74	-51.84%	-1.82%	2.99%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.00	-31.83%	-2.03%	2.05%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2307.18	-45.60%	9.39%	4.37%
MSCI Euro (USD)	1789.52	5/15/2024	865.50	3/18/2020	1766.89	-1.26%	11.22%	3.19%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	500.86	10/15/2014	1500.16	-10.35%	6.37%	0.74%
S&P 500 Consumer Staples	883.90	8/27/2024	454.85	10/16/2014	882.60	-0.15%	17.68%	2.62%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	695.86	-7.14%	11.35%	3.29%
S&P 500 Utilities	394.81	9/12/2022	206.51	9/4/2015	385.51	-2.36%	22.55%	2.95%
S&P 500 Financials	759.21	8/30/2024	264.89	2/11/2016	759.21	0.00%	22.57%	1.50%
S&P 500 Banks	461.87	1/12/2022	180.19	2/11/2016	436.38	-5.52%	26.81%	2.63%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	821.20	-16.21%	10.72%	3.64%
S&P 500 Health Care	1829.71	8/30/2024	696.64	10/16/2014	1829.71	0.00%	16.31%	1.51%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	516.92	10/16/2014	1216.04	0.00%	24.95%	2.12%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5871.89	-7.09%	8.52%	0.23%
S&P 500 Information Technology	4616.32	7/10/2024	612.98	10/16/2014	4298.51	-6.88%	27.14%	0.62%
Philadelphia Semiconductor	5904.54	7/10/2024	549.47	10/13/2014	5158.82	-12.63%	24.25%	0.86%
S&P 500 Communication Services	322.31	7/5/2024	130.86	12/24/2018	300.95	-6.63%	23.11%	0.78%
S&P 500 Industrials	1110.78	8/30/2024	412.06	3/23/2020	1110.78	0.00%	16.26%	1.45%
S&P 500 Materials	593.39	8/30/2024	234.97	1/25/2016	593.39	0.00%	11.21%	1.80%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	153.91	-8.26%	23.77%	1.47%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	277.03	-15.95%	5.01%	N/A
ICE BofA Perpetual Preferred	322.11	8/29/2024	203.17	9/12/2014	321.34	-0.24%	8.03%	6.33%
ICE BofA U.S. High Yield Constrained	558.87	8/30/2024	313.74	2/11/2016	558.87	0.00%	6.31%	7.47%

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.

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Source: Bloomberg