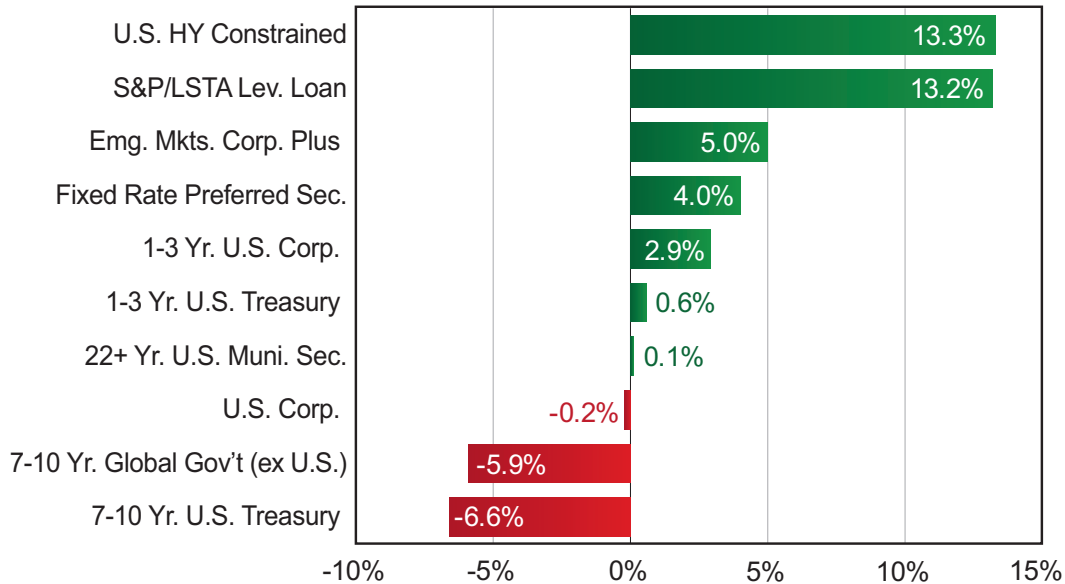


How Bonds Have Fared Since 7/8/16

Bond Index Cumulative Total Returns (7/8/16-11/23/18)



Source: Bloomberg. Past performance is no guarantee of future results.
Index returns reflect the performance of ICE BofAML Indices except for the S&P/LSTA Leveraged Loan Index.

View from the Observation Deck

1. The yield on the benchmark 10-year Treasury note (T-note) closed at an all-time low of 1.36% on 7/8/16, according to data from Bloomberg.
2. For comparative purposes, its all-time closing high was set on 9/30/81 at 15.84%, while its average yield has been 6.18% from 1/5/62 to 11/26/18.
3. From 7/8/16-11/23/18, the yield on the 10-year T-note rose from 1.36% to 3.04%, or an increase of 168 basis points (bps). It closed as high as 3.24% (11/8/18) in the period.
4. Since the Federal Reserve ("Fed") began raising rates on 12/16/15, the federal funds target rate (upper bound) has increased from 0.25% to 2.25%, or an increase of 200 bps, according to Bloomberg.
5. The cumulative total returns in the chart indicate that corporate bonds have outperformed the other major categories since the yield on the 10-year-T-note began its upward climb from its all-time low on 7/8/16, followed by shorter-maturity bonds.
6. The strength of the U.S. economy supports further rate hikes by the Fed, in our opinion. We are expecting another hike in December 2018, with the Fed currently signaling three more hikes in 2019.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The ICE BofAML U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The S&P/LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The ICE BofAML Emerging Markets Corporate Plus Index tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. The ICE BofAML Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The ICE BofAML 1-3 Year U.S. Corporate Index is a subset of the ICE BofAML U.S. Corporate Index including all securities with a remaining term to maturity of less than 3 years. The ICE BofAML 1-3 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity of less than 3 years. The ICE BofAML 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofAML U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofAML 7-10 Year Global Government (ex U.S.) Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency with a remaining term to maturity between 7 to 10 years, excluding those denominated in U.S. dollars. The ICE BofAML 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years.

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