

Open-End Net Fund Flows (\$)	1/18	12/17	YTD (Jan)
Equity	-7.16B	-38.33B	-7.16B
Taxable Bond	36.96B	14.60B	36.96B
Municipal Bond	10.08B	-1.18B	10.08B
Hybrid	-0.97B	-3.98B	-0.97B
Taxable Money Market	-57.00B	46.89B	-57.00B

Key Interest Rates	2/28/18	12/29/17	2/28/17
Federal Funds Target Rate	1.50%	1.50%	0.75%
ICE LIBOR (3-Month)	2.02%	1.69%	1.06%
2-Year T-Note	2.25%	1.89%	1.26%
10-Year T-Note	2.86%	2.41%	2.39%
Bond Buyer 40	4.02%	3.87%	4.23%

Commodities/U.S. Dollar	2/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	1.66%	-1.64%	-10.39%
TR/CC CRB Commodity Index	-1.74%	0.05%	1.75%
Crude Oil (Barrel)	-4.77%	2.02%	14.13%
Natural Gas (per million BTUs)	-11.00%	-9.49%	-3.61%
Gold Bullion (Ounce)	-1.58%	0.66%	5.10%

Total Return Performance

U.S. Stock Indices	2/18	YTD	12 Mo.
S&P 500	-3.69%	1.83%	17.09%
DJIA	-3.96%	1.69%	23.10%
NASDAQ 100	-1.22%	7.38%	30.01%
S&P 400	-4.43%	-1.69%	9.51%
Russell 2000	-3.86%	-1.35%	10.51%
Russell 3000	-3.69%	1.39%	16.21%

U.S. Styles/Market Caps	2/18	YTD	12 Mo.
S&P 500 Growth	-2.02%	5.06%	24.90%
S&P 500 Value	-5.48%	-1.57%	8.61%
S&P MidCap 400 Growth	-3.85%	0.33%	14.36%
S&P MidCap 400 Value	-5.06%	-3.81%	4.47%
Russell 2000 Growth	-2.86%	0.93%	18.41%
Russell 2000 Value	-4.96%	-3.79%	2.99%

Foreign Stock Indices (USD)	2/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-4.75%	-0.31%	18.87%
MSCI Emerging Markets NET	-4.61%	3.34%	30.51%
MSCI Europe NET	-5.88%	-0.79%	20.54%
MSCI BRIC NET	-5.30%	5.56%	36.36%
MSCI EM Latin America NET	-3.61%	9.07%	21.10%
Nikkei 225	-2.05%	2.32%	23.32%

Barclays Bond Indices	2/18	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.30%	-1.27%	-0.64%
GNMA 30 Year	-0.83%	-1.92%	-0.39%
Municipal Bond (22+)	-0.42%	-2.26%	4.30%
U.S. Aggregate	-0.95%	-2.09%	0.51%
Intermediate Corporate	-0.77%	-1.56%	1.13%
U.S. Corporate High Yield	-0.85%	-0.26%	4.18%
Global Aggregate	-0.89%	0.29%	6.01%
EM Hard Currency Aggregate	-1.55%	-1.23%	5.27%

Sources: Bloomberg, Barclays, 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

We believe it is hard to make a case against the near-term prospects for the U.S. economy when more and more people are entering the workforce each month, are starting to earn more, are about to keep more (think tax cuts), are doing a respectable job of paying their bills and are feeling the most confident they have about the economy since 2000. The Conference Board's Consumer Confidence Index stood at a reading of 130.8 in February, the highest level since November 2000 (132.6), according to its own release. The S&P/Experian Consumer Credit Default Composite Index stood at 0.95% in January 2018, below the index's 1.97% average since it commenced in July 2004 and well below its high of 5.51% reached in May 2009, according to Bloomberg.

Stock Market

The S&P 500 Index closed at 2,713.83 on 2/28/18, 5.54% below its all-time high of 2,872.87, set on 1/26/18, according to Bloomberg. The index posted a total return of -3.69% in February. Ten of the 11 major sectors that comprise the S&P 500 Index were down on a total return basis. The top-performer was Information Technology, up 0.10%, while the worst showing came from Energy, down 10.82%. After posting a strong January, the S&P 500 Index experienced a quick correction as it transitioned into February. From 1/26/18 through 2/8/18, the index declined by 10.10%. All 11 sectors were down over the period. The last time the S&P 500 Index endured a correction it lasted 266 days (5/21/15-2/11/16) and the index declined by 12.81%, according to Bloomberg. The 10.10% correction in the S&P 500 Index from 1/26/18 through 2/8/18 appears to us to have brought an end to the low volatility climate investors enjoyed throughout all of 2017. The Chicago Board Options Exchange Volatility Index (VIX) uses S&P 500 Index options activity to gauge investors' expectations of volatility. Its average reading for the 20-year period ended 12/29/17 was 20.39. In 2017, the VIX Index averaged 11.10, the lowest on record, according to Bloomberg. The VIX Index also registered the lowest one-day close on record at 9.14 (11/3/17). We attribute some of the spike in volatility to the recent rise in interest rates and some renewed inflation fears. The Consumer Price Index (CPI) was up 0.5% in January 2018, according to the Bureau of Labor Statistics. While it was up just 2.1% from a year ago, the CPI was 4.4% higher (annualized) for the three-month period ended January 2018. What might this portend for equity investors? From 1928 through 2017, the S&P 500 Index posted a median return of about 16% in the years in which inflation was below 3.0%, according to Bloomberg. When inflation was above 3.0%, the median return was around 6.5%. A bump in inflation does not a sell signal make, in our opinion.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) rose 15 basis points (bps) in February 2018 to 2.86%, according to Bloomberg. The yield stood 30 bps higher than its average yield of 2.56% for the 10-year period ended 2/28/18. As was the case last month, the rise in bond yields put some pressure on bond prices (see Barclays Bond Indices). If the recent passage of The Tax Cuts and Jobs Act is successful in helping to accelerate economic growth in the U.S. in the quarters ahead, we believe that investors should prepare for the possibility of interest rates trending upward, albeit not necessarily dramatically higher. Another potential threat to bond valuations could be higher inflation, which we discussed in the section on stocks. It has heated up some over the past three months. Keep in mind, the Federal Reserve has indicated that it is contemplating initiating 3-4 hikes in the federal funds target rate in 2017, which could potentially help keep inflation in check. We believe that credit risk does not appear to be a concern in the near-term. Moody's reported that its global speculative-grade default rate stood at 2.8% in January, according to its own release. Moody's sees the rate falling to 1.7% by December 2018. Moody's puts the historical average default rate at 4.2% since 1983.

Takeaway

The days of extraordinarily low interest rate levels are likely behind us. The U.S. economy is poised to grow at a faster clip moving forward thanks to the federal corporate and individual tax cuts, in our opinion. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is expecting 3%-plus real GDP growth for 2018. From Q3'09-Q4'17 (current expansion), real GDP growth has averaged just 2.2%, according to the Bureau of Economic Analysis. We believe another sign that growth is still a theme with traction is the continued outperformance of growth stocks relative to value stocks (see U.S. Styles/Market Caps).

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	2872.87	1/26/2018	676.53	3/9/2009	2713.83	-5.54%	1.83%	1.88%
S&P 500 Growth	1667.73	1/26/2018	363.99	3/9/2009	1607.38	-3.62%	5.06%	1.29%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1104.71	-7.60%	-1.57%	2.55%
S&P MidCap 400	1995.23	1/26/2018	404.62	3/9/2009	1864.61	-6.55%	-1.69%	1.56%
S&P MidCap 400 Growth	933.56	1/26/2018	174.44	11/20/2008	877.75	-5.98%	0.33%	1.10%
S&P MidCap 400 Value	662.48	1/23/2018	144.98	3/9/2009	614.42	-7.25%	-3.81%	2.06%
S&P 100	1273.99	1/26/2018	322.13	3/9/2009	1201.87	-5.66%	1.98%	2.00%
DJIA	26616.71	1/26/2018	6547.05	3/9/2009	25029.20	-5.96%	1.69%	2.11%
NASDAQ 100	7022.97	1/26/2018	1036.51	11/20/2008	6854.42	-2.40%	7.38%	1.00%
Russell 2000	1610.71	1/23/2018	343.26	3/9/2009	1512.45	-6.10%	-1.35%	1.36%
Russell 2000 Growth	1002.96	1/26/2018	190.73	3/9/2009	954.69	-4.81%	0.93%	0.75%
Russell 2000 Value	1960.40	1/23/2018	469.32	3/9/2009	1807.54	-7.80%	-3.79%	2.05%
Russell 3000	1694.23	1/26/2018	389.61	3/9/2009	1600.15	-5.55%	1.39%	1.80%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	6086.41	-6.18%	-0.31%	3.06%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	164.51	10/27/2008	538.86	-5.99%	3.34%	2.35%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	26282.86	-41.12%	13.79%	2.78%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1285.47	-48.33%	11.41%	4.77%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	225.08	-8.17%	-4.03%	1.20%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	514.83	-38.13%	1.30%	1.87%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	2.24	-7.46%	-2.63%	1.60%
Hang Seng (USD)	4241.01	1/26/2018	1420.72	10/27/2008	3941.16	-7.07%	3.14%	3.26%
MSCI Euro (USD)	1841.89	5/19/2008	682.47	3/9/2009	1439.45	-21.85%	0.85%	3.10%
S&P 500 Consumer Discretionary	868.00	1/26/2018	125.72	3/9/2009	827.35	-4.68%	5.54%	1.29%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	548.98	-9.30%	-6.30%	2.99%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	490.67	-33.43%	-7.42%	3.54%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	247.70	-13.94%	-6.81%	3.75%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	478.88	-4.47%	3.51%	1.59%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	358.04	-3.77%	5.32%	1.82%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	612.49	-15.59%	-10.00%	4.32%
S&P 500 Health Care	1059.33	1/26/2018	252.84	3/5/2009	971.88	-8.26%	1.90%	1.61%
S&P 500 Pharmaceuticals	675.68	1/26/2018	214.50	3/3/2009	614.78	-9.01%	-2.45%	2.73%
NYSE Arca Biotechnology	4939.86	1/29/2018	541.77	3/9/2009	4576.21	-7.36%	8.42%	0.25%
S&P 500 Information Technology	1208.38	2/26/2018	198.51	11/20/2008	1188.55	-1.64%	7.73%	1.16%
Philadelphia Semiconductor	1392.86	1/23/2018	171.32	11/20/2008	1362.02	-2.21%	8.99%	1.45%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	153.36	-16.59%	-6.55%	5.46%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	642.76	-5.30%	1.15%	1.92%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	372.92	-7.14%	-1.33%	1.89%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	78.27	-65.81%	-8.17%	0.72%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	193.95	-59.04%	0.04%	N/A
ICE BofA ML Perpetual Preferred	257.56	12/7/2017	51.79	3/9/2009	253.19	-1.70%	-1.34%	5.60%
ICE BofA ML U.S. High Yield Constrained	421.57	1/26/2018	130.37	12/12/2008	416.42	-1.22%	-0.28%	6.43%

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