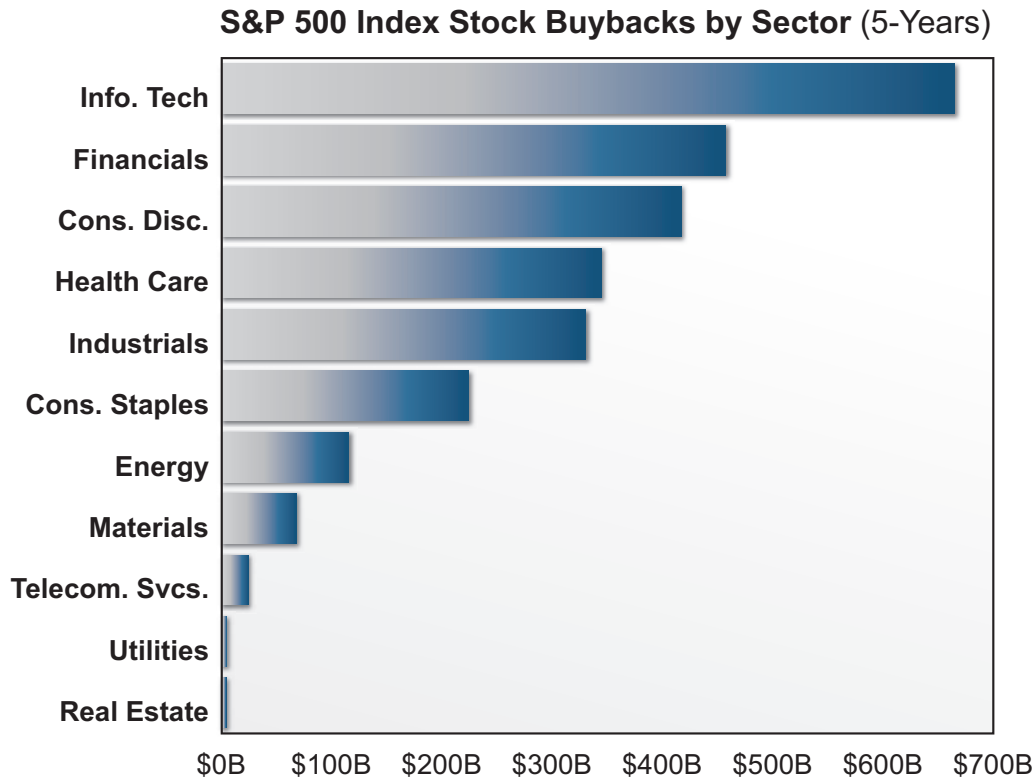


Stock Buybacks Are Expected To Rise Markedly Thanks To Tax Reform



Source: S&P Dow Jones Indices. Data thru 12/31/17.

View from the Observation Deck

1. The Tax Cuts & Jobs Act, signed into law on 12/22/17, lowered the federal corporate tax rate from 35% to 21% beginning in 2018.
2. The new tax law also established a 15.5% tax rate on cash and equivalent profits (liquid assets) and an 8.0% tax rate on reinvested foreign earnings (non-liquid assets) repatriated to the U.S.
3. In Q4'17, S&P 500 Industrials (Old), defined as the S&P 500 minus Financials, Transportation, Real Estate and Utilities companies, had cash and equivalent holdings totaling an all-time high of \$1.636 trillion, according to S&P Dow Jones Indices. We believe that the new tax law could potentially push that total higher moving forward, as well as provide additional capital for stock buybacks.
4. S&P Dow Jones Indices estimates that S&P 500 Index companies spent \$519.40 billion on buybacks in 2017 and \$2.66 trillion for the five-year period ended 2017.
5. As indicated in the chart, Information Technology was the most active sector with respect to buyback activity over the past five years. Technology companies repurchased stock valued at \$664.8 billion. Financials and Consumer Discretionary followed with buybacks totaling \$457.3 billion and \$417.1 billion, respectively.
6. Goldman Sachs analysts estimate that companies in the S&P 500 Index will spend \$650 billion on stock buybacks in 2018, while JPMorgan Chase & Co. strategists see that figure approaching \$800 billion, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.

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 and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.