

Small-Capitalization (Cap) Stocks Leading The Way In 2018

**Mega-, Large-, Mid- & Small-Cap Stock Indices (Total Returns)
Relative To U.S. Dollar (Price Change)**

Year	U.S. Dollar Index	S&P SmallCap 600 Index	S&P MidCap 400 Index	S&P 500 Index	S&P 100 Index
2018 (5/22)	1.61%	7.67%	3.12%	2.68%	2.07%
2017	-9.87%	13.23%	16.24%	21.83%	21.96%
2016	3.63%	26.56%	20.74%	11.96%	11.37%
2015	9.26%	-1.97%	-2.18%	1.38%	2.64%
2014	12.79%	5.76%	9.77%	13.69%	12.74%
2013	0.33%	41.31%	33.50%	32.39%	30.39%
2012	-0.51%	16.33%	17.88%	16.00%	16.05%
2011	1.46%	1.02%	-1.73%	2.11%	3.18%
2010	1.50%	26.31%	26.64%	15.06%	12.51%
2009	-4.24%	25.57%	37.38%	26.46%	22.29%

Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. While it is not always the case (see 2014 returns in table), there are some who believe that the recent strength in the U.S. dollar, if sustained, could provide a boost to small-cap stocks moving forward. Small-caps lagged their larger counterparts significantly in 2017, when the dollar was weak.
2. Small-cap companies are expected to benefit from having a more concentrated domestic revenue exposure, according to MarketWatch. As such, small-caps are less vulnerable to a stronger U.S. dollar and trade tensions, which can potentially negatively impact foreign sales of the big multinationals.
3. With respect to revenue streams, small-caps have the highest domestic exposure at 79% of total sales in 2017, compared to 73% for mid-caps and 71% for large-caps, according to S&P Dow Jones Indices.
4. The outlook for corporate earnings appears to favor small-caps at this time. As of 4/30/18, Bloomberg's consensus earnings growth rate estimates for the indices in the table were as follows (2018 & 2019): S&P SmallCap 600 (31.60% & 18.37%); S&P MidCap 400 (22.62% & 12.27%); S&P 500 (17.54% & 9.97%); and S&P 100 (16.34% & 9.76%).
5. Small-caps also stand to benefit from the Trump administration's deregulation efforts, according to MarketWatch.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. There can be no assurance that any of the projections cited will occur. 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. The S&P 100 Index is a capitalization-weighted index based on 100 highly capitalized stocks selected from the S&P 500 for which options are listed. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P Small Cap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. The U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies.

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