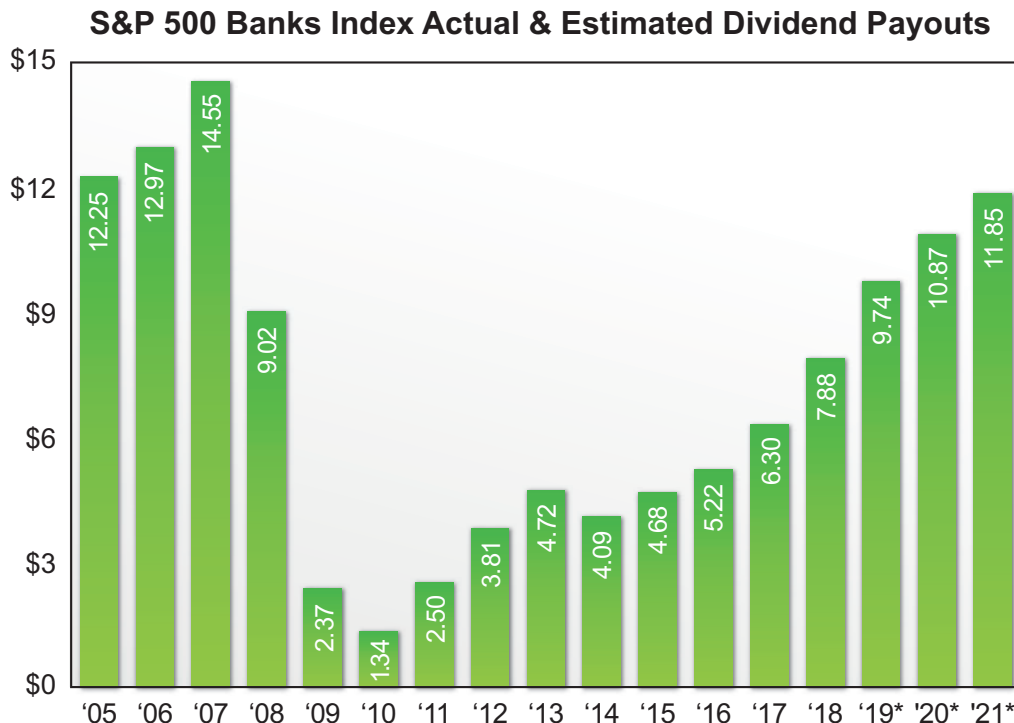


Bank Dividend Payouts Are Trending Higher



Source: Bloomberg. Past performance is no guarantee of future results. *Estimates as of 10/21/19.

View from the Observation Deck

1. Banking institutions are still rebounding from the 2008-2009 financial crisis. The actual and estimated distributions featured in the chart help support this claim.
2. As of the close of trading on 10/21/18, the S&P 500 Banks Index stood 17.11% below its all-time high set on 2/20/07, according to Bloomberg.
3. As indicated in the chart above, the recent bottom in annual dividend distributions for the S&P 500 Banks Index was \$1.34 in 2010. The recovery in dividend payments is now in its ninth year. Even if the \$11.85 per share dividend estimate for 2021 proves accurate, it would still stand 18.56% below 2007's payout.
4. One of the biggest impediments to the recovery in bank stocks has been the relatively flat yield curve in the Treasury market, a byproduct of the ongoing trade conflict between the U.S. and China, in our opinion.
5. The flight to quality in response to the escalation of the trade conflict has triggered a surge in the demand for intermediate- and long-maturity U.S. Treasuries, which has pushed bond yields down substantially.
6. The trade conflict has also led to the tempering of global economic growth projections. Keep in mind, many of the largest U.S. banks have a global presence.
7. A flat yield curve can temper a bank's net interest margin (spread between what a bank earns on its loan portfolio and what it pays its depositors).
8. The outlook for earnings reflects modest growth. As of 10/18/19, Bloomberg's year-over-year consensus earnings growth rate estimates for the S&P 500 Banks Index for 2019, 2020 and 2021 were 2.0%, 3.5% and 6.8%, respectively.
9. We believe that the earnings growth rate projections for 2020 and 2021, in particular, could be adjusted higher for the S&P 500 Banks Index providing the U.S. and China forge a new trade agreement.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Banks Index is capitalization-weighted and comprised of 19 major constituents.

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