

Open-End Net Fund Flows (\$)	8/19	7/19	YTD (Aug)
Equity	-22.29B	-41.22B	-179.20B
Taxable Bond	1.12B	27.41B	123.73B
Municipal Bond	7.78B	8.97B	63.69B
Hybrid	-7.64B	-2.80B	-34.85B
Taxable Money Market	84.41B	75.19B	311.30B

Key Interest Rates	9/30/19	12/31/18	9/28/18
Federal Funds Target Rate	2.00%	2.50%	2.25%
ICE LIBOR (3-Month)	2.09%	2.81%	2.40%
2-Year T-Note	1.62%	2.49%	2.82%
10-Year T-Note	1.67%	2.69%	3.06%
Bond Buyer 40	3.59%	4.09%	4.12%

Commodities/U.S. Dollar	9/19	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.47%	3.34%	4.47%
TR/CC CRB Commodity Index	2.10%	2.44%	-10.87%
Crude Oil/WTI (per Barrel)	-1.87%	19.07%	-26.18%
Natural Gas (per million BTUs)	1.75%	-20.75%	-22.59%
Gold Bullion (Ounce)	-3.76%	14.39%	23.01%

## Total Return Performance

U.S. Stock Indices	9/19	YTD	12 Mo.
S&P 500	1.87%	20.55%	4.25%
DJIA	2.05%	17.51%	4.21%
NASDAQ 100	0.83%	23.42%	2.73%
S&P MidCap 400	3.06%	17.86%	-2.51%
Russell 2000	2.08%	14.15%	-8.92%
Russell 3000	1.76%	20.09%	2.91%

U.S. Styles/Market Caps	9/19	YTD	12 Mo.
S&P 500 Growth	0.29%	21.06%	3.25%
S&P 500 Value	3.74%	20.01%	5.55%
S&P MidCap 400 Growth	1.28%	18.32%	-2.53%
S&P MidCap 400 Value	4.97%	17.36%	-2.49%
Russell 2000 Growth	-0.82%	15.31%	-9.67%
Russell 2000 Value	5.13%	12.80%	-8.27%

Foreign Stock Indices (USD)	9/19	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.81%	13.57%	-0.95%
MSCI Emerging Markets NET	1.91%	5.89%	-2.02%
MSCI Europe NET	2.72%	13.72%	-0.75%
MSCI BRIC NET	1.09%	8.55%	2.79%
MSCI EM Latin America NET	2.62%	6.32%	6.70%
Nikkei 225	3.99%	13.07%	-3.35%

Barclays Bond Indices	9/19	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.45%	5.22%	7.58%
GNMA 30 Year	0.01%	5.30%	7.36%
Municipal Bond (22+)	-0.76%	9.67%	11.30%
U.S. Aggregate	-0.53%	8.52%	10.30%
Intermediate Corporate	-0.23%	8.94%	9.57%
U.S. Corporate High Yield	0.36%	11.41%	6.36%
Global Aggregate	-1.02%	6.32%	7.60%
EM Hard Currency Aggregate	-0.06%	9.61%	9.07%

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

While one does not have to look hard to find negative headlines and gloomy predictions in the financial news media these days, the fact is that the U.S. economy, minus some recent weakness in the manufacturing sector, is on solid footing. The Labor Department reported that the U.S. unemployment rate dipped from 3.7% to 3.5% in September, its lowest level since December 1969, according to Bloomberg. Nonfarm payrolls grew by 136,000 in September. Thanks to a strong job market and better debt management post 2008-2009 financial crisis, the U.S. consumer seems to be in good shape, in our opinion. The National Retail Federation (NRF) announced on 10/3/19 that it expects 2019 holiday retail sales (November and December), excluding autos, gasoline and restaurant sales, to increase between 3.8% and 4.2% year-over-year to a total of between \$729.9 billion and \$730.7 billion, according to its own release. The NRF noted that the average rate of increase over the past five years was 3.7%.

## Stock Market

The S&P 500 Index ("index") closed at 2,976.74 on 9/30/19, 1.62% below its all-time high of 3,025.86 on 7/26/19, according to Bloomberg. The index posted a total return of 1.87% in September. Ten of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Financials, up 4.64%, while the worst showing came from Health Care, down 0.17%. Year-to-date through September, the index posted a total return of 20.55%. All 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 31.37%, while the worst showing came from Health Care, up 5.64%. A Bloomberg survey of 21 equity strategists found that their average 2019 year-end price target for the S&P 500 Index was 2,952 as of 9/17/19, according to its own release. The highest estimate was 3,250. The lowest estimate was 2,500. One of the strategists offered a 2020 year-end price target of 3,350. The consensus 2020 estimated earnings growth rate for the S&P 500 Index among analysts tracked by Bloomberg stood at 9.99% as of 9/27/19, according to its own release. That is far more optimistic than the 2.54% estimate for 2019. U.S. companies continue to bring home billions of dollars of cash holdings sitting overseas. The passage of the Tax Cuts and Jobs Act in December 2017 reduced the tax rate on repatriated foreign profits to 15.5% for cash holdings and 8.0% for more illiquid assets. Data just released from the Commerce Department indicates that U.S. companies repatriated \$88.3 billion in Q2'19, according to Bloomberg. Since tax reform was passed in 2017, U.S. companies have repatriated nearly \$1 trillion.

## Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 9/30/19 at 1.67%, up 17 basis points (bps) from its 1.50% close on 8/30/19, according to Bloomberg. The yield stood 77 bps below its 2.44% average for the 10-year period ended 9/30/19. Keep in mind that the yield on this key benchmark closed at 3.24% on 11/8/18. Interest rates were headed in the right direction at that time because they were being driven higher due to a strengthening U.S. economy. We now know that economic growth has been tempered since then, in large part, by the escalation in the tariff battle between the U.S. and China. The people that have been negatively impacted the most by the sustained low interest rate climate are savers, in our opinion. In April 2019, Wells Fargo analyst Mike Mayo reported that American savers have lost an estimated \$500 billion to \$600 billion in interest payments on bank accounts and money market funds due to the Federal Reserve's policies following the 2008-2009 financial crisis, according to MSN. As savers suffer, however, bond investors continue to prosper from the decline in interest rates (see YTD returns in the "Barclays Bond Indices" table).

## Takeaway

Last month we noted that we thought that equities were in need of a catalyst to trend higher and we still believe it. The S&P 500 Index has not been able to rally beyond its all-time high reached in the last week of July. While we believe that the optimum catalyst would be a new trade deal with China, perhaps a better-than-expected Q3'19 earnings season would do the trick. President Trump's use of tariffs to forge better deals with the U.S.'s major trading partners will hit the 19-month mark in October. The combination of a lack of guidance on when a deal might be reached with China, in particular, and the uncertainty surrounding the 2020 elections could be making some investors a bit apprehensive. Stay tuned.

Data as of 9/30/19

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	3025.86	7/26/2019	1022.58	7/2/2010	2976.74	-1.62%	20.55%	1.92%
S&P 500 Growth	1858.74	7/26/2019	527.67	10/2/2009	1809.42	-2.65%	21.06%	1.47%
S&P 500 Value	1195.51	1/26/2018	486.55	7/2/2010	1176.92	-1.56%	20.01%	2.44%
S&P MidCap 400	2050.23	8/29/2018	659.15	10/30/2009	1935.48	-5.60%	17.86%	1.78%
S&P MidCap 400 Growth	962.51	9/14/2018	286.80	10/2/2009	908.30	-5.63%	18.32%	1.47%
S&P MidCap 400 Value	680.56	8/29/2018	237.28	10/30/2009	639.97	-5.96%	17.36%	2.09%
S&P 100	1339.87	7/26/2019	463.84	7/2/2010	1315.25	-1.84%	19.96%	2.01%
DJIA	27359.16	7/15/2019	9487.67	10/2/2009	26916.83	-1.62%	17.51%	2.28%
NASDAQ 100	8016.95	7/26/2019	1662.49	10/2/2009	7749.45	-3.34%	23.42%	1.04%
Russell 2000	1740.75	8/31/2018	562.40	11/2/2009	1523.37	-12.49%	14.15%	1.58%
Russell 2000 Growth	1117.18	8/31/2018	307.12	10/30/2009	978.18	-12.44%	15.31%	0.80%
Russell 2000 Value	2049.42	8/22/2018	779.75	11/4/2009	1785.71	-12.87%	12.80%	2.36%
Russell 3000	1779.48	7/26/2019	600.06	10/2/2009	1742.70	-2.07%	20.09%	1.87%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	3249.15	5/25/2010	5956.96	-8.18%	13.57%	3.48%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	296.24	1/21/2016	471.72	-17.71%	5.89%	2.96%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	25154.37	-42.33%	10.89%	2.72%
RTS/Russia (USD)	2123.56	4/8/2011	628.41	1/20/2016	1333.91	-37.19%	32.15%	7.05%
S&P BSE 500/India (USD)	245.12	1/24/2018	95.89	9/3/2013	209.57	-14.50%	1.48%	1.29%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	406.41	-51.16%	14.81%	2.39%
KOSPI/South Korea (USD)	2.42	1/29/2018	1.24	5/25/2010	1.72	-29.01%	-5.57%	2.10%
Hang Seng (USD)	4241.01	1/26/2018	2087.46	10/4/2011	3328.48	-21.52%	4.21%	3.80%
MSCI Euro (USD)	1544.35	1/26/2018	814.62	6/1/2012	1298.34	-15.93%	14.71%	3.57%
S&P 500 Consumer Discretionary	989.17	7/15/2019	208.77	10/2/2009	947.27	-4.24%	22.46%	1.27%
S&P 500 Consumer Staples	630.18	9/4/2019	260.72	10/1/2009	629.38	-0.13%	23.28%	2.74%
S&P 500 Energy	737.09	6/23/2014	371.08	7/2/2010	437.13	-40.70%	6.00%	3.91%
S&P 500 Utilities	329.42	9/26/2019	141.65	6/1/2010	328.49	-0.28%	25.40%	3.01%
S&P 500 Financials	501.29	1/26/2018	151.85	10/3/2011	465.54	-7.13%	19.60%	2.07%
S&P 500 Banks	372.05	2/1/2018	105.73	8/22/2011	331.96	-10.78%	21.91%	2.81%
FTSE NAREIT All Equity REITs	790.45	9/4/2019	297.66	10/28/2009	785.64	-0.61%	28.48%	3.57%
S&P 500 Health Care	1107.28	10/1/2018	324.13	7/1/2010	1043.38	-5.77%	5.64%	1.78%
S&P 500 Pharmaceuticals	723.95	11/30/2018	268.30	6/4/2010	665.37	-8.09%	1.86%	2.75%
NYSE Arca Biotechnology	5400.34	9/27/2018	821.04	10/30/2009	4215.65	-21.94%	0.10%	0.35%
S&P 500 Information Technology	1452.75	7/24/2019	324.92	10/2/2009	1413.36	-2.71%	31.37%	1.40%
Philadelphia Semiconductor	1622.02	7/24/2019	293.48	11/3/2009	1558.76	-3.90%	36.97%	1.79%
S&P 500 Telecom Services	183.85	7/1/2016	100.96	5/26/2010	167.26	-9.03%	21.74%	1.36%
S&P 500 Industrials	678.74	1/26/2018	221.11	10/30/2009	654.89	-3.51%	22.58%	1.97%
S&P 500 Materials	401.59	1/26/2018	170.73	7/2/2010	364.66	-9.19%	17.11%	2.17%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	88.40	-61.39%	26.14%	1.02%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	173.94	-53.06%	2.44%	N/A
ICE BofAML Perpetual Preferred	281.19	9/27/2019	124.41	11/3/2009	280.96	-0.08%	14.57%	5.20%
ICE BofAML U.S. High Yield Constrained	456.88	9/23/2019	212.84	10/2/2009	455.15	-0.38%	11.50%	6.36%

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