

Open-End Net Fund Flows (\$)	1/19	12/18	YTD (Jan)
Equity	9.54B	-89.36B	9.54B
Taxable Bond	6.52B	-63.58B	6.52B
Municipal Bond	7.90B	-1.98B	7.90B
Hybrid	-0.98B	-28.26B	-0.98B
Taxable Money Market	9.10B	62.68B	9.10B

Key Interest Rates	2/28/19	12/31/18	2/28/18
Federal Funds Target Rate	2.50%	2.50%	1.50%
ICE LIBOR (3-Month)	2.62%	2.81%	2.02%
2-Year T-Note	2.52%	2.49%	2.25%
10-Year T-Note	2.72%	2.69%	2.86%
Bond Buyer 40	4.04%	4.09%	4.02%

Commodities/U.S. Dollar	2/19	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.61%	-0.01%	6.13%
TR/CC CRB Commodity Index	1.73%	7.63%	-5.77%
Crude Oil (Barrel)	6.38%	26.01%	-7.17%
Natural Gas (per million BTUs)	0.00%	-4.42%	5.24%
Gold Bullion (Ounce)	-2.73%	2.72%	-0.14%

Total Return Performance

U.S. Stock Indices	2/19	YTD	12 Mo.
S&P 500	3.21%	11.48%	4.67%
DJIA	4.03%	11.62%	5.95%
NASDAQ 100	2.94%	12.36%	4.68%
S&P MidCap 400	4.24%	15.15%	4.13%
Russell 2000	5.19%	17.02%	5.54%
Russell 3000	3.52%	12.40%	5.04%

U.S. Styles/Market Caps	2/19	YTD	12 Mo.
S&P 500 Growth	4.09%	11.90%	6.50%
S&P 500 Value	2.25%	11.01%	2.67%
S&P MidCap 400 Growth	4.53%	14.25%	2.10%
S&P MidCap 400 Value	3.94%	16.10%	6.34%
Russell 2000 Growth	6.44%	18.73%	6.65%
Russell 2000 Value	3.89%	15.24%	4.39%

Foreign Stock Indices (USD)	2/19	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.57%	9.89%	-5.30%
MSCI Emerging Markets NET	0.22%	9.00%	-9.89%
MSCI Europe NET	3.36%	10.17%	-5.46%
MSCI BRIC NET	1.23%	11.19%	-8.79%
MSCI EM Latin America NET	-3.73%	10.66%	-5.21%
Nikkei 225	0.70%	6.05%	-5.24%

Barclays Bond Indices	2/19	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.08%	0.35%	3.08%
GNMA 30 Year	-0.06%	0.76%	3.78%
Municipal Bond (22+)	0.64%	1.20%	3.89%
U.S. Aggregate	-0.06%	1.00%	3.17%
Intermediate Corporate	0.37%	2.16%	3.54%
U.S. Corporate High Yield	1.66%	6.26%	4.31%
Global Aggregate	-0.58%	0.94%	-0.57%
EM Hard Currency Aggregate	0.71%	3.77%	1.90%

Sources: Bloomberg, Barclays, Investment Company Institute

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Climate

Last month we commented on how positive a few of the major sentiment indices looked despite the plunge in stock prices in Q4'18. This month we wanted to show how well U.S. consumers are doing in the current climate. The S&P/Experian Consumer Credit Default Composite Index stood at 0.90% in January 2019 (most recent), down from 0.95% in January 2018 and well below its 10-year average of 1.87%, according to S&P Dow Jones Indices. The Mortgage Bankers Association reported in February that the number of U.S. homeowners behind on their mortgage payments in Q4'18 declined to the lowest level in 18 years, according to Reuters. The delinquency rate for mortgages on one-to-four-unit homes stood at a seasonally adjusted 4.06%, down 41 basis points from Q3'18 and down 111 basis points from Q4'17. The latest JOLTS (Job Openings and Labor Turnover Survey) report from the Bureau of Labor Statistics revealed that the number of U.S. workers that quit their job in December 2018 was 3.48 million (seasonally adjusted), just a bit below the 3.65 million all-time high reached in August 2018. The survey's inception was December 2000. These U.S. workers are leaving of their own free will, which some economists interpret as a sign of confidence in the labor market. There is a lot of good to focus on in the current climate.

Stock Market

The S&P 500 Index ("index") closed at 2,784.49 on 2/28/19, 4.99% below its all-time high of 2,930.75 set on 9/20/18, according to Bloomberg. The index posted a total return of 3.21% in February. All 11 major sectors that comprise the index were up on a total return basis. The top-performer was Information Technology, up 6.89%, while the worst showing came from Consumer Discretionary, up 0.78%. Year-to-date through February, the S&P 500 Index posted a price-only (does not include dividends) return of 11.1%, according to Bloomberg. Since 1938, when both January and February have been up, the index finished the year in positive territory 29 of 30 times, with an average return of more than 20%, according to S&P Dow Jones Indices. The only down year was 2011 (-0.002%). In 26 of the 30 years, the gains were double-digits, and in 15 of the 30 years, the returns surpassed 20%. Market breadth has improved over last year. The number of S&P 500 stocks in positive territory on 2/28/19 totaled 382, up from 174 on 12/31/18, according to S&P Dow Jones Indices.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 2/28/19 at 2.72%, up 9 basis points (bps) from its 2.63% close on 1/31/19, according to Bloomberg. The yield stood 21 bps above its 2.51% average for the 10-year period ended 2/28/19. Over the past 12 months, the yield on the 10-year T-note hit or surpassed the 3.00% mark three times but could never hold the level for much more than a couple of months. The absence of any inflationary pressure in the U.S., despite the acceleration in economic growth in 2018, and the exceptionally low interest rate climate in Europe and Japan has enabled the yield on the 10-year T-note to remain artificially low, in our opinion. One of the potential areas of concern for the corporate bond market moving forward is the increase in the amount of debt outstanding. The Organization for Economic Cooperation and Development (OECD) reported that total global corporate debt (non-financial companies) doubled over the last decade to \$13 trillion, according to Bloomberg. The OECD notes that about \$4 trillion of this debt will need to be paid off or refinanced over the next three years. That is roughly the current size of the Federal Reserve's balance sheet. The concern is over what may happen to that debt if we experience a slowdown in global growth or encounter a recessionary climate and some companies aren't able to access the capital they need to refinance their debt.

Takeaway

Stock prices have rebounded sharply through the first two months of 2019. President Trump announced in late February that the U.S. and China were close to forging a new trade deal. President Trump enacted the first round of tariffs targeting steel and aluminum on 3/8/18, so it has taken nearly a year to get to this point in the negotiation process. The combination of a new trade agreement with China and the Federal Reserve's decision to adopt a patient approach to any further tightening of monetary policy should bolster investor sentiment in the equities markets, both domestically and abroad, in our opinion.

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	2930.75	9/20/2018	676.53	3/9/2009	2784.49	-4.99%	11.48%	1.97%
S&P 500 Growth	1785.51	10/1/2018	363.99	3/9/2009	1687.12	-5.51%	11.90%	1.49%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1104.80	-7.59%	11.01%	2.51%
S&P MidCap 400	2050.23	8/29/2018	404.62	3/9/2009	1910.34	-6.82%	15.15%	1.70%
S&P MidCap 400 Growth	962.51	9/14/2018	177.31	3/9/2009	884.73	-8.08%	14.25%	1.39%
S&P MidCap 400 Value	680.56	8/29/2018	144.98	3/9/2009	640.66	-5.86%	16.10%	2.02%
S&P 100	1302.80	10/3/2018	322.13	3/9/2009	1223.55	-6.08%	10.32%	2.09%
DJIA	26828.39	10/3/2018	6547.05	3/9/2009	25916.00	-3.40%	11.62%	2.23%
NASDAQ 100	7660.18	8/29/2018	1043.87	3/9/2009	7097.53	-7.35%	12.36%	1.09%
Russell 2000	1740.75	8/31/2018	343.26	3/9/2009	1575.55	-9.49%	17.02%	1.45%
Russell 2000 Growth	1117.18	8/31/2018	190.73	3/9/2009	1011.56	-9.45%	18.73%	0.71%
Russell 2000 Value	2049.42	8/22/2018	469.32	3/9/2009	1849.61	-9.75%	15.24%	2.23%
Russell 3000	1737.97	9/20/2018	389.61	3/9/2009	1649.22	-5.11%	12.40%	1.96%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	5763.93	-11.16%	9.89%	3.49%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	172.98	3/2/2009	485.58	-15.29%	9.00%	2.83%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	25569.62	-41.38%	12.72%	3.56%
RTS/Russia (USD)	2123.56	4/8/2011	539.37	3/2/2009	1188.28	-44.04%	11.51%	5.72%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	200.43	-18.23%	-3.81%	1.37%
Shanghai Composite/China (USD)	832.07	6/12/2015	302.78	3/3/2009	439.36	-47.20%	21.18%	2.29%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.65	3/2/2009	1.95	-19.50%	6.61%	2.03%
Hang Seng (USD)	4241.01	1/26/2018	1462.65	3/9/2009	3647.63	-13.99%	10.82%	3.50%
MSCI Euro (USD)	1544.35	1/26/2018	682.47	3/9/2009	1278.19	-17.23%	9.65%	3.63%
S&P 500 Consumer Discretionary	939.41	9/27/2018	125.72	3/9/2009	867.03	-7.70%	11.16%	1.30%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	559.56	-7.55%	7.60%	3.03%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	479.94	-34.89%	14.02%	3.33%
S&P 500 Utilities	288.33	2/22/2019	113.81	3/9/2009	287.53	-0.28%	7.73%	3.31%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	439.26	-12.37%	11.47%	2.09%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	317.10	-14.77%	14.60%	2.60%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	702.73	-3.15%	12.18%	3.98%
S&P 500 Health Care	1107.28	10/1/2018	252.84	3/5/2009	1058.77	-4.38%	6.07%	1.67%
S&P 500 Pharmaceuticals	723.95	11/30/2018	214.50	3/3/2009	696.08	-3.85%	4.96%	2.52%
NYSE Arca Biotechnology	5400.34	9/27/2018	541.77	3/9/2009	5105.00	-5.47%	20.98%	0.29%
S&P 500 Information Technology	1332.87	10/3/2018	199.62	3/9/2009	1240.23	-6.95%	14.34%	1.53%
Philadelphia Semiconductor	1445.90	3/12/2018	188.97	3/2/2009	1350.20	-6.62%	17.18%	1.84%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	154.00	-16.24%	11.27%	1.48%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	640.33	-5.66%	18.55%	1.98%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	344.05	-14.33%	8.96%	2.16%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	75.85	-66.87%	7.42%	0.81%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	182.75	-50.68%	7.62%	N/A
ICE BofAML Perpetual Preferred	262.91	2/28/2019	51.79	3/9/2009	262.91	0.00%	7.21%	5.77%
ICE BofAML U.S. High Yield Constrained	434.15	2/28/2019	141.21	3/9/2009	434.15	0.00%	6.36%	6.82%

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