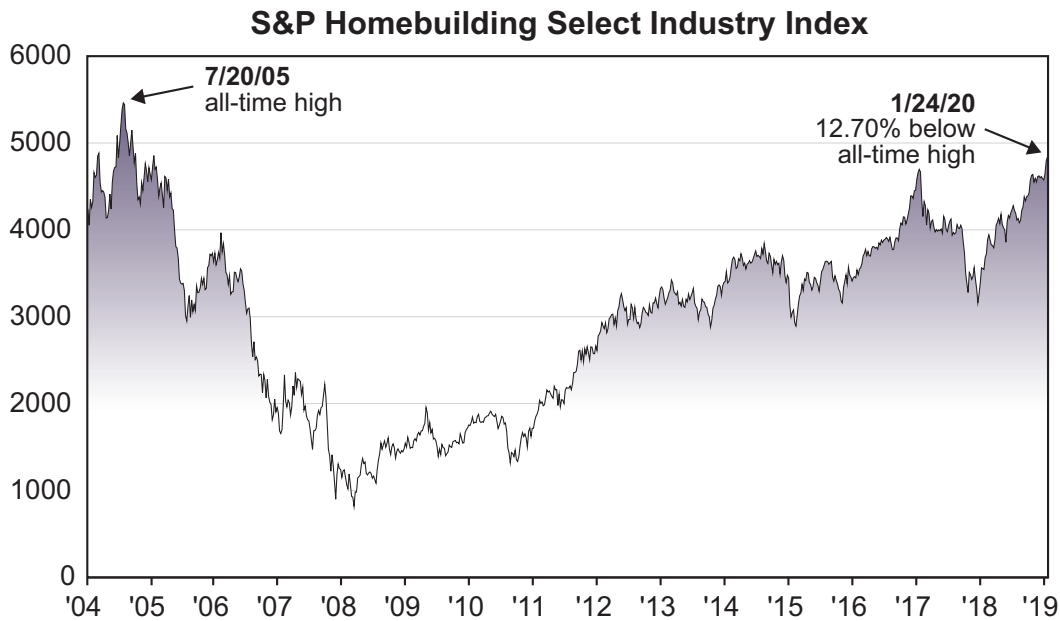


Homebuilder-Related Stocks Still Below 2005 Historical Peak



Source: Bloomberg. Weekly data points from 12/31/04-1/24/20. Daily points used to determine the all-time high on 7/20/05. Past performance is no guarantee of future results.

View from the Observation Deck

1. Year-to-date through 1/24/20, the S&P Homebuilding Select Industry Index posted a total return of 5.57%, compared to 2.10% for the S&P 500 Index, according to Bloomberg.
2. In 2019, the S&P Homebuilding Select Industry Index posted a total return of 41.98%, well above the 31.49% total return on the S&P 500 Index, according to Bloomberg. Homebuilder-related stocks appear to have some momentum on their side.
3. As indicated in the chart, as of 1/24/20, the S&P Homebuilding Select Industry Index stood 12.70% below its all-time high set on 7/20/05. The S&P 500 Index closed 1/24/20 just 1.03% below its all-time high set on 1/17/20, according to Bloomberg.
4. Sentiment for new construction is quite strong. The National Association of Home Builders Market Index (SA) registered a reading of 75 in January 2020. A reading above 50 indicates more builders view conditions as good than poor. Its average level for the 20-year period ended January 2020 was 48. The high and low for the period was 76 (12/31/19) and 8 (1/31/09), respectively, according to Bloomberg.
5. The 2019, 2020 and 2021 consensus earnings-per-share estimates (in dollars) for the S&P Homebuilding Select Industry Index were \$302.62, \$325.08 and \$357.95, respectively, as of 1/27/20, according to Bloomberg.
6. Bloomberg's 2019, 2020 and 2021 estimated year-end price-to-earnings (P/E) ratios on the S&P Homebuilding Select Industry Index were 15.16, 14.88 and 13.52, respectively, as of 1/27/20. The index's three-year average P/E was 14.89 as of 1/27/20.
7. Look for the rising trend in homebuilding to continue over the next few years, according to Brian Wesbury, Chief Economist at First Trust Advisors L.P. Wesbury notes that mortgage rates are down around 110 basis points from the peak in late 2018 and wages continue to grow at a healthy pace, both of which help boost affordability.

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 or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P Homebuilding Select Industry Index provides investors with an equity benchmark for U.S. traded Homebuilding-related securities. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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