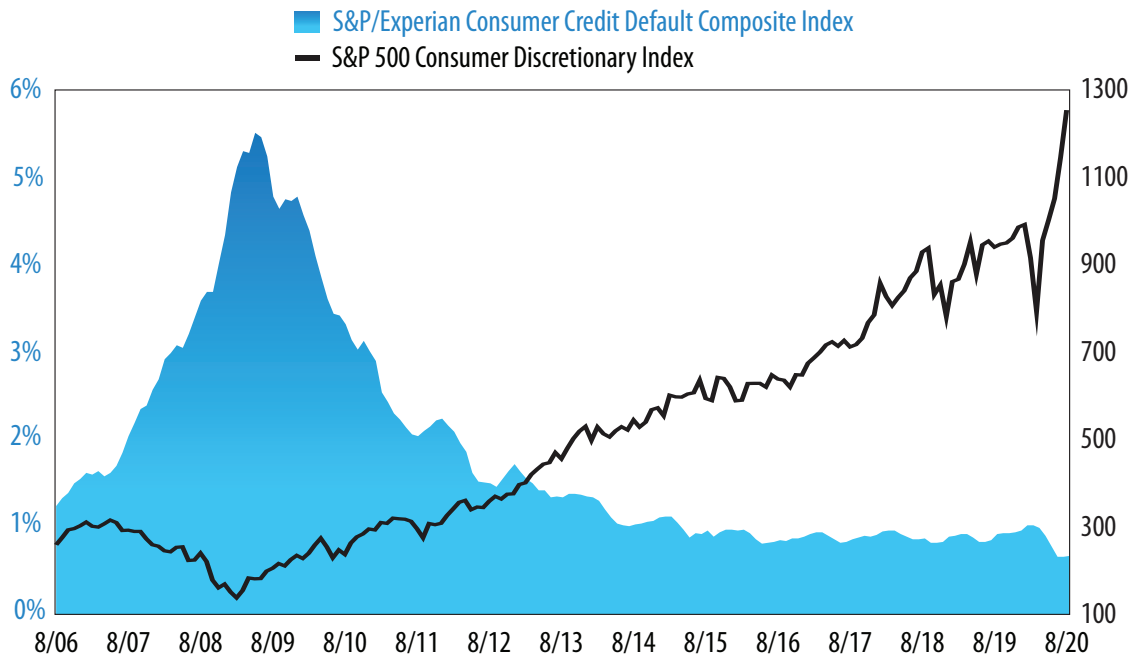


# Low U.S. Consumer Credit Default Rate A Nice Tailwind For Discretionary Stocks

## Consumer Default Rate vs. Consumer Discretionary Stocks



Source: Bloomberg. Data from 8/31/06-8/31/20. **Past performance is no guarantee of future results.**

### View from the Observation Deck

1. The S&P/Experian Consumer Credit Default Composite Index measures the default rates across first mortgages, bank cards and auto loans.
2. The index registered a default rate of just 0.67% in August 2020, well below its 1.79% average since inception (July 2004) and significantly below its all-time high of 5.51% set in May 2009. It sits just above its all-time low of 0.66% set in June 2020, according to Bloomberg.
3. The low default rate is encouraging considering it has remained subdued despite the economic fallout from the COVID-19 pandemic.
4. Year-to-date through 10/14/20, the S&P 500 Consumer Discretionary Index posted a total return of 29.66%, the second-highest return of the 11 major sectors that comprise the S&P 500 Index, which was up 9.59% for the period, according to Bloomberg. The top-performing sector was Information Technology, up 34.47%.
5. The consumer's growing acceptance of online shopping has been a big contributing factor to the strong performance of consumer discretionary stocks in 2020 (COVID-19), in our opinion. Ecommerce sales are expected to reach \$794.50 billion this year, up 32.4% year-over-year, according eMarketer.

*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. Investors cannot invest directly in an index. The S&P 500 Consumer Discretionary Index is an unmanaged index which includes the stocks in the consumer discretionary sector of the S&P 500 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.*

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