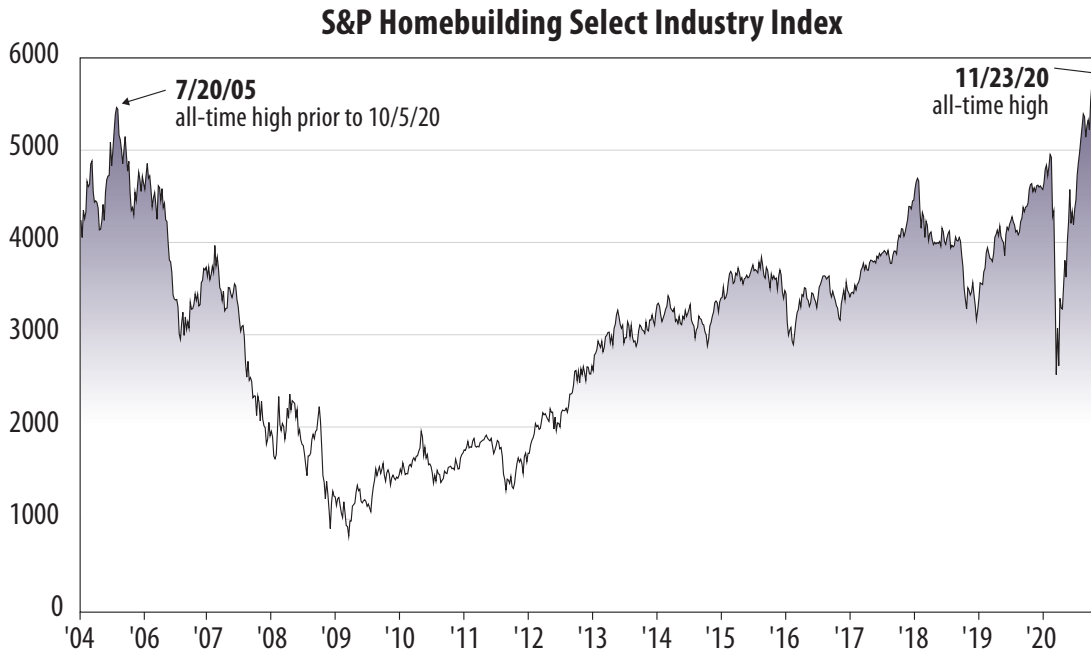


Homebuilder-Related Stocks Have Finally Surpassed Their 2005 Peak



Source: Bloomberg. Weekly data points from 12/31/04-11/27/20. Daily points used to determine the all-time highs. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. As indicated in the chart, as of 10/5/20 (see 7/20/05 mark), the S&P Homebuilding Select Industry Index finally set a new all-time closing high. We say finally because it took over 15 years to do so. The previous peak was set on 7/20/05. The closing high set on 10/5/20 has since been eclipsed. The most recent all-time closing high was set on 11/23/20.
2. Year-to-date through 11/30/20, the S&P Homebuilding Select Industry Index posted a total return of 26.56%, compared to 14.02% for the S&P 500 Index, according to Bloomberg.
3. 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. Despite the fallout from the COVID-19 pandemic in 2020, homebuilder-related stocks appear to have maintained their momentum.
4. Sentiment for new construction is quite strong. The National Association of Home Builders Market Index (SA) registered a reading of 90 in November 2020, the highest reading in the history of the index, according to its own release. The previous high was 85. A reading above 50 indicates more builders view conditions as good than poor. Its average reading for the 20-year period ended November 2020 was 49. The low for the period was 8 in January 2009.
5. Housing starts in the U.S. totaled an annualized 1.530 million in October 2020, beating the consensus estimate of 1.460 million starts, according to the U.S. Census Bureau. Starts were up 14.2% year-over-year in October.
6. While new single-family home sales declined by 0.3% to an annual rate of 999,000 in October 2020, it did beat the consensus estimate of 975,000, according to the U.S. Census Bureau. Sales were up 41.5% year-over-year in October.
7. The 2020, 2021 and 2022 consensus earnings-per-share estimates (in dollars) for the S&P Homebuilding Select Industry Index were \$346.12, \$397.95 and \$446.29, respectively, as of 12/1/20, according to Bloomberg. Actual earnings totaled \$307.04 per share in 2019.
8. Bloomberg's 2020, 2021 and 2022 estimated year-end price-to-earnings (P/E) ratios on the S&P Homebuilding Select Industry Index were 16.58, 14.42 and 12.86, respectively, as of 12/1/20. The index's 5-year average P/E was 15.15 as of 12/1/20.
9. Lawrence Yun, chief economist for the National Association of Realtors, has stated that demand for larger-sized homes will carry over into 2021 and that home prices are in no danger of declining because of a housing shortage, according to *The Orange County Register*.

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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