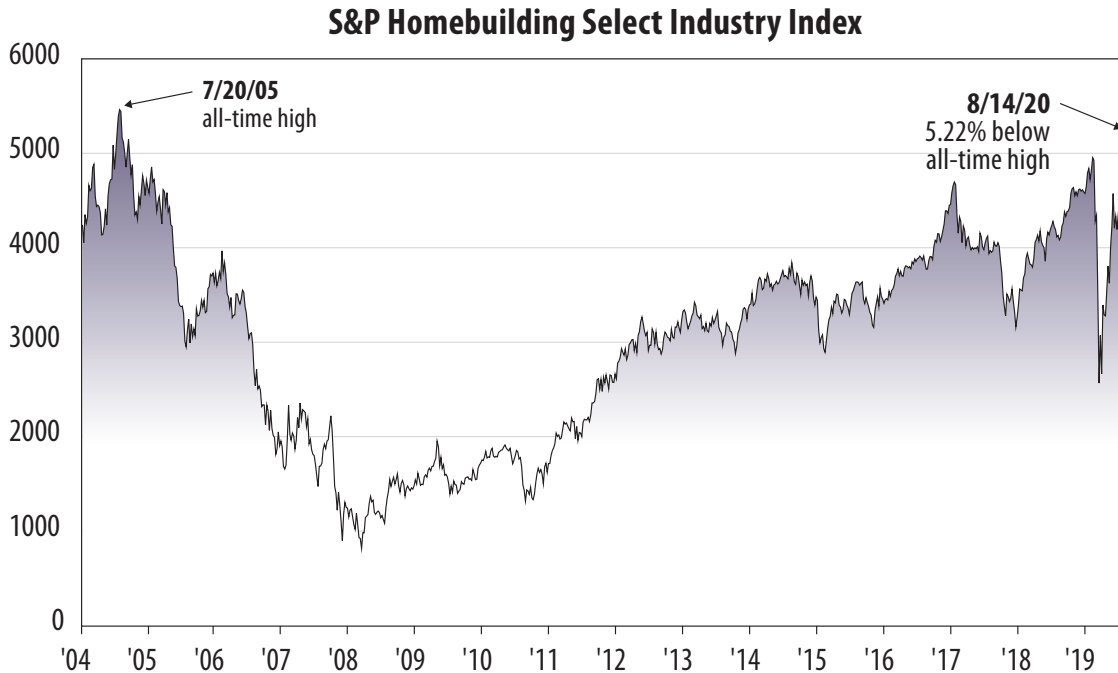


Homebuilder-Related Stocks Closing In On 2005 Historical Peak



Source: Bloomberg. Weekly data points from 12/31/04-8/14/20. 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 8/14/20, the S&P Homebuilding Select Industry Index posted a total return of 15.50%, compared to 5.66% 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. Despite the fallout from the COVID-19 pandemic in 2020, homebuilder-related stocks appear to have maintained their momentum.
3. As indicated in the chart, as of 8/14/20, the S&P Homebuilding Select Industry Index stood 5.22% below its all-time high set on 7/20/05. It has been 15 years since the peak in homebuilding. For comparative purposes, the S&P 500 Index closed 8/14/20 just 0.39% below its all-time high set on 2/19/20, according to Bloomberg.
4. Sentiment for new construction is quite strong. The National Association of Home Builders Market Index (SA) registered a reading of 78 in August 2020, the highest level achieved in two decades, according to Bloomberg. A reading above 50 indicates more builders view conditions as good than poor. Its average level for the 20-year period ended August 2020 was 48. The low for the period was 8 in January 2009.
5. Housing starts in the U.S. totaled an annualized 1.496 million in July, beating the consensus estimate of 1.245 million starts, according to the U.S. Census Bureau.
6. New single-family home sales increased 13.8% in June 2020 to a 776,000 annual rate, according to the U.S. Census Bureau. Bloomberg's consensus estimate called for 700,000 home sales in June.
7. The 2020 and 2021 consensus earnings-per-share estimates (in dollars) for the S&P Homebuilding Select Industry Index were \$286.13 and \$337.55, respectively, as of 8/17/20, according to Bloomberg. Actual earnings totaled \$306.96 per share in 2019.
8. Bloomberg's 2020 and 2021 estimated year-end price-to-earnings (P/E) ratios on the S&P Homebuilding Select Industry Index were 18.72 and 15.87, respectively, as of 8/17/20. The index's 10-year average P/E was 22.62 as of 8/17/20.
9. Look for the rising trend in homebuilding to continue, according to Brian Wesbury, Chief Economist at First Trust Advisors L.P. Wesbury notes that mortgage rates in some instances have dipped below the 3.00% mark for the first time on record, which helps boost affordability, and he notes that some potential homebuyers are shifting away from urban areas to the suburbs in search of more spacious options due to the COVID-19 pandemic.

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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