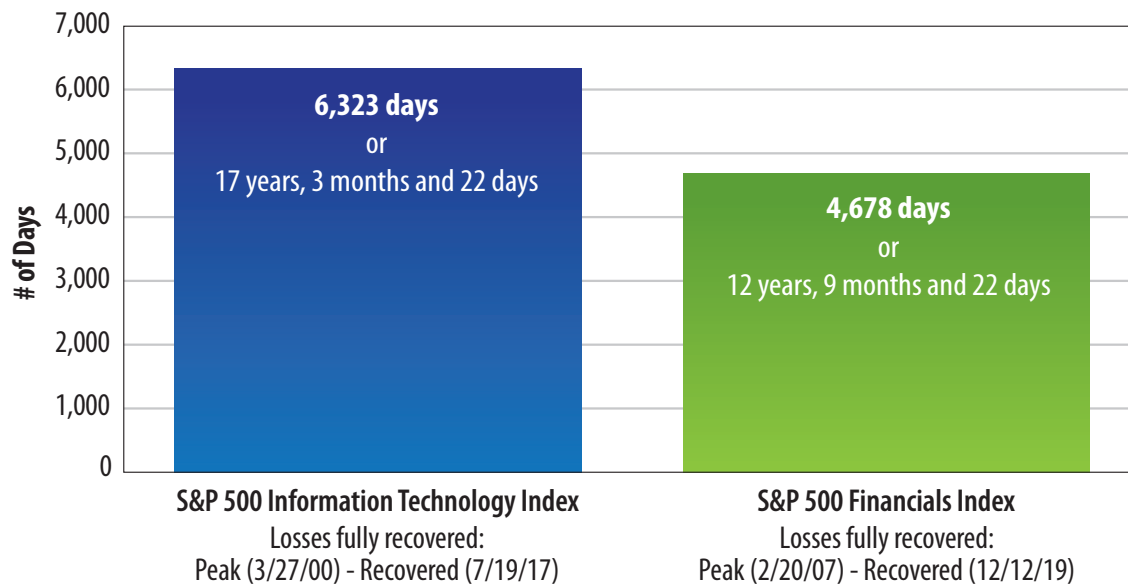


Comparing Two Major Recoveries: Technology vs. Financials

Popping of Dot-Com Bubble vs. Financial Crisis

(Period includes peak to trough to full recovery)



Source: Bloomberg. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. The S&P 500 Index has never failed to fully recover the losses sustained from a bear market (price decline of 20% or more from the most recent peak).
2. On a sector level, Financials and Information Technology have both endured crushing bear markets in the new millennium, and they were similar in scope.
3. On a price-only basis (does not include dividends), the S&P 500 Information Technology Index declined by 82.51% from 3/27/00 through 10/9/02 (peak-to-trough), according to Bloomberg. The S&P 500 Financials Index declined by 83.96% (peak-to-trough) from 2/20/07 through 3/6/09, according to Bloomberg.
4. As indicated in the chart, the losses sustained from the bear market in tech stocks took 6,323 days to fully recover, as measured by the S&P 500 Information Technology Index. Since then (7/19/17-4/28/21), the index posted an aggregate price-only return of 150.81%, compared to 69.10% for the S&P 500 Index, according to Bloomberg.
5. With respect to Financials, the losses sustained from the bear market in financial stocks took 4,678 days to fully recover, as measured by the S&P 500 Financials Index. Since then (12/12/19-4/28/21), the index posted an aggregate price-only return of 17.04%, compared to 32.02% for the S&P 500 Index, according to Bloomberg.
6. It has been 503 days since Financials fully recovered their bear market losses and, as we just noted, the S&P 500 Financials Index has significantly lagged the S&P 500 Index over that period. For comparative purposes, in the first 503 days (7/19/17-12/4/18) after fully recovering its losses, the S&P 500 Information Technology Index had posted an aggregate price-only return of 17.73%, compared to 9.14% for the S&P 500 Index, according to Bloomberg.
7. Financials are off to a prosperous start in 2021. From 12/31/20 through 4/28/21, the S&P 500 Financials Index posted a price-only return of 21.72%, compared to 11.37% for the S&P 500 Index. The outlook for earnings is encouraging as well. As of 4/23/21, Bloomberg's 2021 consensus earnings growth rate estimates for the S&P 500 Financials Index and S&P 500 Index were 40.6% and 28.0%, respectively.
8. The X-Factor in recoveries is time. Investors who endured the plunge in technology stocks but stayed the course were rewarded over time. Perhaps we will be saying the same about financial stocks down the road.

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 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The S&P 500 Information Technology Index and the S&P 500 Financials Index are capitalization-weighted and comprised of S&P 500 constituents representing those specific sectors.

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