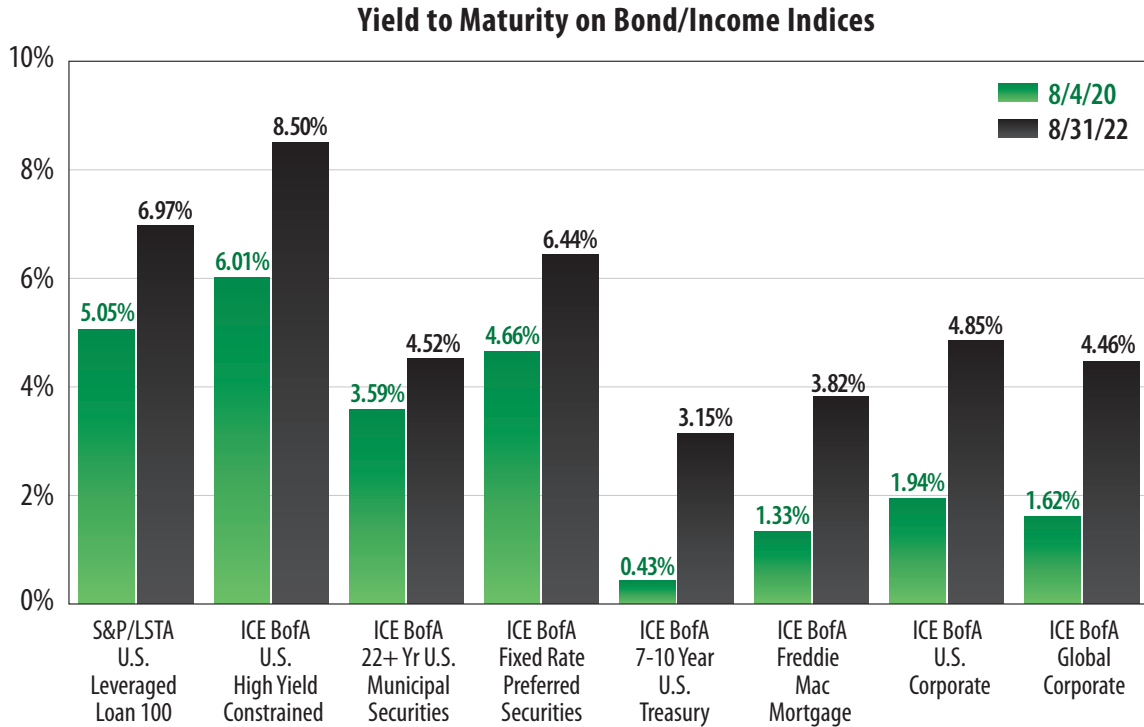


A Snapshot Of Bond Yields



Source: Bloomberg. The S&P/LSTA U.S. Leveraged Loan 100 Index reflects a weighted average yield. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. The benchmark 10-year Treasury Note (T-note) hit an all-time closing low of 0.51% on 8/4/20, according to Bloomberg.
2. From 8/4/20-8/31/22, the yield on the 10-year T-note surged from 0.51% to 3.20%, or an increase of 269 basis points.
3. Keep in mind, while the markets are currently laser focused on the Federal Reserve's ("Fed") tightening of monetary policy, the Fed did not begin hiking interest rates until March 2022. Since then, the Fed has raised the federal funds target rate (upper bound) by 225 basis points, from 0.25% to 2.50%. While aggressive, that is still 44 basis points lower than the 269 basis point move in the 10-year T-note since 8/4/20.
4. For the 30-year period ended 8/31/22, the federal funds target rate (upper bound) averaged 2.46%, in line with the 2.50% current target rate, according to Bloomberg.
5. Investors should prep for additional rate hikes. Cleveland Fed President Loretta Mester recently announced that she thinks the Fed should take the federal funds rate to 4% or higher by early next year and then hold it there. She does not foresee the Fed cutting rates in 2023.
6. The trailing 12-month Consumer Price Index (CPI) rate stood at 8.5% in July 2022, up 7.5 percentage points from its 1.0% reading in July 2020, according to the Bureau of Labor Statistics. That is significantly higher than its 2.4% average rate for the 30-year period ended 7/31/22. Robust inflation (CPI) is the primary catalyst behind the surge in interest rates and bond yields, in our opinion.
7. We intend to monitor bond yields moving forward. Current levels are clearly more attractive than where they sat two years ago and they could go higher in the months ahead.

*Disclosure text/definitions*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The ICE BofA 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The S&P/LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market. The ICE BofA 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years. The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets. The ICE BofA Freddie Mac Mortgage Backed Securities Index is a subset of the ICE BofA U.S. Mortgage Backed Securities Index including all generics representing pools issued by Freddie Mac.

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