

Open-End Net Fund Flows (\$)	7/23	6/23	YTD (Jul)
Equity	-42.5B	-46.7B	-258.3B
Taxable Bond	10.7B	12.5B	35.8B
Municipal Bond	0.5B	0.4B	5.4B
Hybrid	-6.4B	-7.8B	-54.5B
Taxable Money Market	21.5B	13.2B	627.4B

Key Interest Rates/Yields	8/31/23	7/31/23	8/31/22
Federal Funds Target Rate	5.50%	5.50%	2.50%
2-Year T-Note	4.87%	4.88%	3.50%
5-Year T-Note	4.26%	4.18%	3.35%
10-Year T-Note	4.11%	3.96%	3.20%
Bond Buyer 40	4.64%	4.44%	4.57%

Commodities/U.S. Dollar	8/23	YTD	12 Mo.
U.S. Dollar Index (DXY)	1.73%	0.09%	-4.67%
Refinitiv/CC CRB Excess Ret.	-0.10%	1.50%	-2.93%
Crude Oil/WTI (per Barrel)	2.24%	4.20%	-6.61%
Natural Gas (per million BTUs)	5.09%	-38.15%	-69.67%
Gold Bullion (Ounce)	-1.19%	6.61%	13.40%

### Total Return Performance

U.S. Stock Indices	8/23	YTD	12 Mo.
S&P 500	-1.59%	18.72%	15.92%
DJIA	-2.01%	6.37%	12.58%
Nasdaq 100	-1.50%	42.53%	27.44%
S&P MidCap 400	-2.89%	10.02%	10.66%
Russell 2000	-5.01%	8.93%	4.61%
Russell 3000	-1.93%	18.00%	14.73%

U.S. Styles/Market Caps	8/23	YTD	12 Mo.
S&P 500 Growth	-0.62%	24.15%	13.37%
S&P 500 Value	-2.74%	12.78%	17.23%
S&P MidCap 400 Growth	-2.08%	12.21%	11.21%
S&P MidCap 400 Value	-3.75%	7.72%	9.88%
Russell 2000 Growth	-5.21%	12.66%	6.74%
Russell 2000 Value	-4.82%	4.89%	2.12%

Foreign Stock Indices (USD)	8/23	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-3.87%	10.45%	16.45%
MSCI Emerging Markets NET	-6.16%	4.55%	1.25%
MSCI Europe NET	-3.97%	12.43%	22.51%
MSCI BRIC NET	-6.90%	-0.01%	-3.27%
MSCI EM Latin America NET	-7.28%	15.55%	18.20%
Nikkei 225	-3.89%	13.94%	13.23%

Bloomberg Fixed Income Ind.	8/23	YTD	12 Mo.
U.S. Treasury: Intermediate	0.05%	1.25%	-0.17%
GNMA 30 Year	-0.73%	1.36%	-1.83%
Municipal Bond (22+)	-2.54%	2.66%	1.45%
U.S. Aggregate	-0.64%	1.37%	-1.19%
Intermediate Corporate	-0.18%	2.76%	2.00%
U.S. Corporate High Yield	0.28%	7.13%	7.16%
Global Aggregate	-1.37%	0.74%	-0.09%
EM Hard Currency Aggregate	-1.29%	3.57%	4.80%

Sources: Bloomberg and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

### Climate

In a widely unanticipated and contentious announcement, Fitch Ratings (“Fitch”) lowered their credit rating on U.S. government debt to AA+ (the second-highest rating) from the highest rating of AAA on August 1, 2023. Fitch cited the heightened potential of a near-term economic recession in the U.S. and the rising interest burden of government debt as two factors that contributed to their decision. The move marked the first time the U.S. government’s debt had been downgraded since 2011. Notably, the impact of higher interest rates (interest burden) and stubborn inflation appear to be impacting American consumers as well. Data from the Federal Reserve Bank of New York revealed that total U.S. credit card debt rose to a record \$1.03 trillion in Q2’23. Additionally, the average U.S. bankcard balance stood at \$5,947, its highest level in ten years. Since we expect inflation to lead to increased spending (higher prices mean higher expenditures), rising bankcard balances alone are not necessarily an indication of distress. From our perspective, delinquency and default rates may be a more accurate measure of consumer health. That said, the rate of new credit card and new auto loan delinquencies stood at 7.2% and 7.3%, respectively, in Q2’23, rising above their pre-pandemic levels. Even so, higher interest rates aren’t bad for everyone. Take the bond market for example. After four years of negative real yields (yield minus inflation), bonds are finally providing investors with a rate of return that outpaces inflation, as measured by the change in the 12-month trailing rate of the Consumer Price Index (CPI) (see “Bond Market” section below).

### Stock Market

The S&P 500 Index (“Index”) closed August 2023 at 4,507.66, 6.02% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 9.11% and 16.31%, respectively, below their record closing highs as of 8/31/23. In August 2023, the S&P 500 Index posted a total return of -1.59%. Ten of the eleven major sectors that comprise the index registered negative total returns for the month. The top-performer was Energy up 1.81%, while the worst showing came from Utilities which were down 6.16%. The S&P 500 Index posted a total return of 15.92% over the trailing 12-month period ended 8/31/23. Nine of the eleven major sectors were up on a total return basis. The index’s top performer was Technology, up 33.33%, while the worst showing came from Utilities which fell by 12.65%. Full-year 2023 earnings estimates were revised slightly upward month-over-month, with forecasted earnings per share of \$218.5 as of 9/1/23, up from \$215.7 on 7/28/23, but down from \$227.8 where they stood on 12/30/22. Bloomberg’s consensus 2023 year-over-year earnings growth rate estimates for the Index stood at -2.41% as of 9/1/23. A Bloomberg survey of 23 equity strategists found that their average 2023 year-end price target for the S&P 500 Index was 4,318 as of 8/21/23, according to its own release.

### Bond Market

The yield on the benchmark 10-year Treasury Note (T-note) closed trading on 8/31/23 at 4.11%, up 15 basis points (bps) from its 3.96% close on 7/31/23, according to Bloomberg. The 4.11% yield stood 185 bps above its 2.26% average for the 10-year period ended 8/31/23. On a year-to-date (YTD) basis, through 8/31/23, the yield on the 10-year T-note rose by 23 bps. The yield on the 2-year T-note stood 76 bps higher than the yield on the 10-year T-note at the end of August. This marks 14 months in a row where the yield curve has remained inverted between these two benchmarks. Historically, inverted yield curves have a good track record of indicating that an economic recession could be in the making. The 2/10 yield curve was inverted for six to twenty-four months before all but one U.S. recession between 1955 and 2018. That said, not all of the news is negative. The CPI stood at 3.2% at the end of July 2023, representing a decline of 5.9 percentage points from its most recent high of 9.1% set at the end of June 2022. The combined effect of rising yields and falling inflation means that after four years of negative real yields (yield minus CPI), bonds are once again providing investors with positive rates of return. The real yield on the 10-year T-note stood at 0.76% on 7/31/23, up from -6.08% on 6/30/22.

### Takeaway

As indicated by July’s CPI reading of 3.2%, the Federal Reserve (“Fed”) has made significant progress in its battle with rising prices. That said, inflation remains well-above the Fed’s stated goal of 2.0% and appears to be taking a toll on the American consumer. The Federal Reserve Bank of San Francisco reported that as of June 2023, U.S. households held less than \$190 billion of the excess savings they had accumulated after the onset of the pandemic recession. The bank estimates that these reserves are likely to be depleted sometime in Q3’23, which could lead to a slowdown in consumer spending. In addition, a recent LendingClub survey revealed that 61% of U.S. adults were living paycheck to paycheck in July 2023. Suffice it to say, rising prices are not just a domestic issue. Ten of the eleven countries that comprise the so-called “Group of Ten” reported headline inflation numbers that were higher than their target rates in August, with Switzerland being the only outlier. As the world battles rising prices, growth appears to be slowing. The latest global growth forecast from the International Monetary Fund released in July 2023 sees worldwide real gross domestic product rising by 3.0% in 2023, down from 6.3% and 3.5% in 2021 and 2022, respectively.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4796.56	1/3/2022	1639.77	9/3/2013	4507.66	-6.02%	18.72%	1.54%
S&P 500 Growth	3423.28	12/27/2021	870.04	9/3/2013	2905.21	-15.13%	24.15%	1.21%
S&P 500 Value	1644.72	7/31/2023	760.73	9/3/2013	1596.08	-2.96%	12.78%	1.93%
S&P MidCap 400	2910.70	11/16/2021	1181.48	9/3/2013	2645.47	-9.11%	10.02%	1.68%
S&P MidCap 400 Growth	1427.19	11/16/2021	533.27	9/3/2013	1234.71	-13.49%	12.21%	1.38%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	861.85	-7.58%	7.72%	2.00%
S&P 100	2219.44	1/3/2022	733.31	9/3/2013	2113.84	-4.76%	25.07%	1.46%
DJIA	36799.65	1/4/2022	14776.53	10/8/2013	34721.91	-5.65%	6.37%	2.07%
Nasdaq 100	16573.34	11/19/2021	3091.76	9/3/2013	15501.07	-6.47%	42.53%	0.83%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	1899.68	-22.23%	8.93%	1.65%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1222.15	-28.51%	12.66%	0.69%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2154.39	-18.50%	4.89%	2.57%
Russell 3000	2804.93	1/3/2022	980.85	9/3/2013	2588.11	-7.73%	18.00%	1.52%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	7369.66	-7.15%	10.45%	3.31%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	508.19	-27.32%	4.55%	2.93%
Ibovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	23517.11	-20.25%	11.81%	5.30%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1059.17	-44.82%	14.12%	5.26%
S&P BSE 500/India (USD)	337.94	1/13/2022	95.89	9/3/2013	324.67	-3.93%	10.32%	1.32%
Shanghai Composite/China (USD)	832.07	6/12/2015	320.10	3/20/2014	429.81	-48.35%	-1.62%	2.76%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.93	-34.24%	9.40%	2.01%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2343.75	-44.74%	-4.86%	3.82%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1530.93	-10.21%	17.56%	3.37%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	459.58	9/3/2013	1344.81	-19.63%	34.63%	0.87%
S&P 500 Consumer Staples	841.99	4/20/2022	406.25	9/3/2013	763.99	-9.26%	-0.25%	2.59%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	677.49	-8.09%	3.27%	3.72%
S&P 500 Utilities	394.81	9/12/2022	185.34	9/5/2013	317.74	-19.52%	-9.31%	3.47%
S&P 500 Financials	688.85	1/12/2022	263.53	10/8/2013	570.68	-17.15%	1.53%	1.86%
S&P 500 Banks	461.87	1/12/2022	180.19	2/11/2016	296.64	-35.77%	-7.25%	3.62%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	704.81	-28.09%	1.48%	4.13%
S&P 500 Health Care	1664.59	4/8/2022	572.18	9/3/2013	1549.31	-6.93%	-1.17%	1.67%
S&P 500 Pharmaceuticals	1037.48	12/14/2022	439.25	9/3/2013	1020.30	-1.66%	2.68%	2.42%
NYSE Arca Biotechnology	6319.77	2/8/2021	2021.33	10/9/2013	5290.74	-16.28%	0.34%	0.26%
S&P 500 Information Technology	3207.29	7/18/2023	506.63	9/3/2013	3121.19	-2.68%	44.66%	0.81%
Philadelphia Semiconductor	4039.51	12/27/2021	461.64	9/3/2013	3670.93	-9.12%	46.18%	1.24%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	229.72	-20.36%	45.16%	0.79%
S&P 500 Industrials	936.97	8/1/2023	381.90	9/3/2013	912.89	-2.57%	11.13%	1.66%
S&P 500 Materials	569.63	12/31/2021	234.97	1/25/2016	520.84	-8.57%	7.76%	2.01%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	117.86	-29.74%	-1.27%	2.04%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	281.91	-14.47%	1.50%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	181.67	9/13/2013	282.42	-11.65%	3.99%	7.35%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	313.74	2/11/2016	496.92	-4.83%	7.25%	8.54%

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