

Open-End Net Fund Flows (\$)	1/24	12/23	YTD (Jan)
Equity	-45.1B	-75.5B	-45.1B
Taxable Bond	26.1B	-6.7B	26.1B
Municipal Bond	6.2B	-1.7B	6.2B
Hybrid	-8.3B	-9.0B	-8.3B
Taxable Money Market	66.4B	22.4B	66.4B

Key Interest Rates/Yields	2/29/24	1/31/24	2/28/23
Federal Funds Target Rate	5.50%	5.50%	4.75%
2-Year T-Note	4.62%	4.21%	4.82%
5-Year T-Note	4.25%	3.84%	4.18%
10-Year T-Note	4.25%	3.91%	3.92%
Bond Buyer 40	4.36%	4.71%	4.67%

Commodities/U.S. Dollar	2/24	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.85%	2.79%	-0.68%
FTSE/Core CRB Excess Ret.	0.98%	4.26%	1.94%
Crude Oil/WTI (per Barrel)	3.18%	9.23%	1.57%
Natural Gas (per million BTUs)	-11.43%	-26.01%	-32.29%
Gold Bullion (Ounce)	0.31%	-0.83%	11.87%

Total Return Performance

U.S. Stock Indices	2/24	YTD	12 Mo.
S&P 500	5.34%	7.11%	30.43%
DJIA	2.50%	3.84%	22.03%
Nasdaq 100	5.41%	7.40%	51.11%
S&P MidCap 400	5.93%	4.12%	13.01%
Russell 2000	5.65%	1.54%	10.00%
Russell 3000	5.41%	6.58%	28.58%

U.S. Styles/Market Caps	2/24	YTD	12 Mo.
S&P 500 Growth	7.30%	10.40%	38.58%
S&P 500 Value	3.05%	3.35%	21.66%
S&P MidCap 400 Growth	9.71%	9.31%	20.85%
S&P MidCap 400 Value	1.92%	-1.23%	5.23%
Russell 2000 Growth	8.12%	4.65%	14.15%
Russell 2000 Value	3.27%	-1.42%	5.55%

Foreign Stock Indices (USD)	2/24	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.71%	2.15%	14.01%
MSCI Emerging Markets NET	4.76%	-0.11%	8.73%
MSCI Europe NET	1.56%	1.44%	12.60%
MSCI BRIC NET	5.34%	-0.57%	3.70%
MSCI EM Latin America NET	-0.16%	-4.95%	22.39%
Nikkei 225	5.38%	9.96%	31.98%

Bloomberg Fixed Income Ind.	2/24	YTD	12 Mo.
U.S. Treasury: Intermediate	-1.07%	-0.85%	3.58%
GNMA 30 Year	-1.62%	-2.09%	2.47%
Municipal Bond (22+)	0.15%	-0.74%	7.23%
U.S. Aggregate	-1.41%	-1.68%	3.33%
Intermediate Corporate	-0.89%	-0.70%	6.02%
U.S. Corporate High Yield	0.29%	0.29%	11.03%
Global Aggregate	-1.26%	-2.62%	3.10%
EM Hard Currency Aggregate	0.31%	-0.33%	8.43%

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

Continued disinflation, strong consumer spending, and the possibility of multiple cuts to the federal funds target rate acted as catalysts for a sustained rally in U.S. equities to start the year. Year-to-date (YTD) through 2/29/24, the S&P 500 Index enjoyed a total return of 7.11%. The tech-heavy NASDAQ 100 Index increased by 7.40% over the same period, driven in part by sustained exuberance regarding the potential impact of Artificial Intelligence (AI). That said, recent economic data could hint at mounting headwinds. Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index, stood at 3.1% at the end of January, down from its most recent high of 9.1%, but well above the Fed's target rate of 2.0%. In January, PCE prices (the Federal Reserve's ("Fed") preferred measure of inflation) and the so-called "Super Core" rose by 2.4% and 3.5%, respectively, on a trailing 12-month basis, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. If inflation remains stubbornly high, it could prompt the Fed to postpone rate cuts. Consumer sentiment is waning and delinquency rates are rising. The University of Michigan's Survey of Consumers stood at a reading of 76.9 in February, down from 79.0 in January and eight points below its historical average. Data from the Federal Reserve Bank of St. Louis revealed that the delinquency rate on credit card balances stood at 3.10% at the end of Q4'23, its highest level since Q4'11 when it came in at 3.25%. In Q4'23, 2.66% of auto loans transitioned to serious delinquency, up from 2.22% in Q4'22.

Stock Market

The S&P 500 Index ("Index") stood at an all-time high of 5,096.27 at the end of February 2024, according to data from Bloomberg. As of 2/29/24, the S&P MidCap 400 and S&P SmallCap 600 Indices remained 0.69% and 10.98%, respectively, below their record closing highs. In February, the Index posted a total return of 5.34%. All of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Consumer Discretionary, up 8.71%, while the worst showing came from Utilities which were up 1.12%. The S&P 500 Index posted a total return of 30.43% over the trailing 12-month period ended 2/29/24. Ten of the 11 major sectors were up on a total return basis. The Index's top performer was Information Technology, up 58.85%, while the worst showing came from Utilities which fell by 1.19%. Fourth quarter earnings and revenue growth showed continued strength. With 485 of the 503 companies that comprise the Index reporting for the quarter, 74% beat their earnings estimates. Additionally, as of 2/29/24, the overall blended earnings rate (actual results combined with estimates for companies yet to report) stood at 4.0% for the quarter. Should that figure hold it will represent the second consecutive quarter of year-over-year earnings growth for the Index. Revenues have grown at a consistent pace. As of 2/29/24, the blended revenue growth rate for the Index stood at 4.2%, marking the 13th consecutive quarter of revenue growth for the companies that comprise the Index.

Bond Market

The yield on the benchmark 10-year T-note closed trading on 2/29/24 at 4.25%, up 34 basis points (bps) from its 3.91% close on 1/31/24, according to Bloomberg. The 4.25% yield stood 192 bps above its 2.33% average for the 10-year period ended 2/29/24, but 74 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood 37 bps higher than the yield on the 10-year T-note at the end of February, up from a difference of 30 bps in January. This marks 20 months in a row where the yield curve has remained inverted between these two benchmarks. The likelihood of an early-year rate cut by the Fed appears to be diminishing, and yields are creeping higher. As many investors are likely aware, bond prices and yields typically move in opposite directions. The yield on the 10-year T-note has risen by 37 bps YTD, which is reflected in the performance of several of the U.S. bond indices we track in the "Bloomberg Fixed Income" section to the left.

Takeaway

Given the combination of developments in AI and strong earnings and revenue growth among the companies that comprise the S&P 500 Index, we don't find it surprising that the Index rose to another record high in February. Nevertheless, investors would be well-served to temper their expectations, in our opinion. Recent economic data and Fed commentary lend support to the idea that interest rates may not come down as quickly as expected, and markets could adjust if that is the case. On 12/29/23, the federal funds futures market was pricing in six rate cuts totaling 158 bps in 2024. As of 2/29/24, the same market indicated just three cuts for a total of 85 bps were priced in for the year. That said, earnings and revenue growth have been compelling and could be the anchor that equity markets need to ride out an incoming storm, in our opinion.

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	5096.27	2/29/2024	1815.69	4/11/2014	5096.27	0.00%	7.11%	1.40%
S&P 500 Growth	3423.28	12/27/2021	964.97	4/11/2014	3341.59	-2.39%	10.40%	0.65%
S&P 500 Value	1770.94	2/23/2024	788.67	2/11/2016	1768.61	-0.13%	3.35%	2.31%
S&P MidCap 400	2910.70	11/16/2021	1218.55	3/23/2020	2890.67	-0.69%	4.12%	1.59%
S&P MidCap 400 Growth	1427.19	11/16/2021	572.55	10/13/2014	1403.91	-1.63%	9.31%	0.98%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	902.39	-3.23%	-1.23%	2.29%
S&P 100	2414.87	2/22/2024	804.90	4/11/2014	2413.27	-0.07%	8.21%	1.32%
DJIA	39131.53	2/23/2024	15660.18	2/11/2016	38996.39	-0.35%	3.84%	1.83%
Nasdaq 100	18043.85	2/29/2024	3446.85	4/11/2014	18043.85	0.00%	7.40%	0.82%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2054.84	-15.88%	1.54%	1.51%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1342.84	-21.45%	4.65%	0.63%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2293.62	-13.23%	-1.42%	2.39%
Russell 3000	2922.16	2/29/2024	1067.34	2/11/2016	2922.16	0.00%	6.58%	1.39%
MSCI World Net (ex U.S.) (USD)	8060.13	2/27/2024	4189.62	2/11/2016	8038.30	-0.27%	2.15%	3.03%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	533.26	-23.74%	-0.11%	2.70%
Ibovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	25892.04	-12.20%	-6.59%	5.20%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1127.32	-41.27%	4.65%	11.48%
S&P BSE 500/India (USD)	387.68	2/23/2024	123.20	3/3/2014	383.34	-1.12%	4.02%	1.15%
Shanghai Composite/China (USD)	832.07	6/12/2015	320.10	3/20/2014	419.43	-49.59%	0.13%	2.81%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.98	-32.54%	-3.85%	1.78%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2108.98	-50.27%	-3.37%	4.19%
MSCI Euro (USD)	1706.46	2/27/2024	865.50	3/18/2020	1693.78	-0.74%	3.89%	3.03%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	493.55	4/11/2014	1485.31	-11.23%	4.87%	0.74%
S&P 500 Consumer Staples	841.99	4/20/2022	431.55	3/3/2014	789.20	-6.27%	3.89%	2.86%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	653.14	-11.39%	2.79%	3.55%
S&P 500 Utilities	394.81	9/12/2022	200.74	3/11/2014	313.71	-20.54%	-1.93%	3.58%
S&P 500 Financials	688.85	1/12/2022	264.89	2/11/2016	670.05	-2.73%	7.32%	1.66%
S&P 500 Banks	461.87	1/12/2022	180.19	2/11/2016	370.77	-19.72%	6.30%	2.99%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	734.11	-25.10%	-3.03%	4.04%
S&P 500 Health Care	1720.80	2/23/2024	644.74	4/11/2014	1686.41	-2.00%	6.32%	1.58%
S&P 500 Pharmaceuticals	1130.39	2/23/2024	503.36	4/11/2014	1111.00	-1.72%	12.83%	2.26%
NYSE Arca Biotechnology	6319.77	2/8/2021	2367.69	4/14/2014	5186.94	-17.93%	-4.25%	0.22%
S&P 500 Information Technology	3748.57	2/29/2024	575.11	4/11/2014	3748.57	0.00%	10.51%	0.69%
Philadelphia Semiconductor	4726.92	2/29/2024	549.47	10/13/2014	4726.92	0.00%	13.37%	0.92%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	272.50	-5.53%	11.01%	0.73%
S&P 500 Industrials	1022.56	2/29/2024	412.06	3/23/2020	1022.56	0.00%	6.29%	1.54%
S&P 500 Materials	569.63	12/31/2021	234.97	1/25/2016	550.91	-3.29%	2.30%	1.95%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	105.37	-37.19%	-16.02%	2.20%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	275.08	-16.54%	4.26%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	193.13	3/3/2014	308.19	-3.59%	3.61%	6.69%
ICE BofA U.S. High Yield Constrained	527.45	2/29/2024	313.74	2/11/2016	527.45	0.00%	0.33%	8.02%

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