

REASONS TO BE BULLISH ON EQUITIES



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EQUITIES CONTINUE TO DEMONSTRATE RESILIENCY

- For the 37th time since the start of 1950, the S&P 500 Index fully recouped the losses it sustained during its most recent correction. (A correction is defined as a 10.00% - 19.99% decline in price from the previous peak.)
- The S&P 500 Index plunged 19.78% from its all-time closing high of 2,930.75 on 9/20/18 to 2,351.10 on 12/24/18 (95 calendar days). It closed at 2,933.68 on 4/23/19, establishing a new all-time closing high.
- Since 4/23/19, the S&P 500 Index has established many new highs. Its previous new all-time closing high was set at 3,025.86 on 7/26/19. Most recently, it closed at 3096.63 on 11/14/2019 for a new all-time closing high.
- Since 1950, the S&P 500 Index has endured a correction, on average, every 1.89 years. 23 of the 37 corrections lasted 104 or fewer calendar days.

Source: The Motley Fool. Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Investors cannot invest directly in an index.

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A SNAPSHOT OF WHERE INTEREST RATE AND YIELD LEVELS STOOD AT THE END OF PAST BULL MARKETS

Day Bull Market Ended (S&P 500 Index)	Fed Funds Target Rate (Upper Bound)	10-Year T-Note Yield
9/30/19 (Ongoing)	1.75%	1.88%
10/9/07	4.75%	4.65%
3/24/00	6.00%	6.19%
8/25/87	6.75%	8.72%
11/28/80	18.00%	12.72%
1/11/73	5.75%	6.43%

Source: Bespoke Investment Group, Bloomberg. Past performance is no guarantee of future results.

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POTENTIAL POSITIVE CATALYSTS FOR THE MARKET

- A new trade agreement between the U.S. and China. (Tariff conflict is 18 months old and counting.)
- A Brexit agreement between the United Kingdom and the European Union. (Brexit vote occurred on 6/23/16.)
- A U.S. infrastructure spending plan. (Likely would garner bipartisan support in Congress.)
- The continuation of generous spending on dividends, stock buybacks and mergers and acquisitions. (21% federal corporate tax rate helps.)
- The Federal Reserve ("Fed") maintaining an accommodative monetary policy. (No significant inflationary pressure provides cover for the Fed.)
- More U.S. job growth. (Looking for monthly nonfarm payrolls to exceed 100,000.)

Source: First Trust Advisors. There can be no assurance that any of the catalysts will occur.

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REAL GDP GROWTH HAS AVERAGED JUST 2.3% IN THE CURRENT RECOVERY (Q3'09-Q2'19)

REAL GROSS DOMESTIC PRODUCT (GDP)

Source: Bureau of Economic Analysis. Data from 1Q06 - 2Q19 (latest data available), seasonally adjusted annual rate. There can be no assurance that past trends will continue.

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WE DO NOT SEE A RECESSION LOOMING, GIVEN THE ROBUST LABOR MARKET

JOB OPENINGS

Source: Bureau of Labor Statistics. Data from 1Q06 - 8/19 (latest data available), total nonfarm, seasonally adjusted. There can be no assurance that past trends will continue or forecasts will be realized.

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SPECULATIVE-GRADE BOND DEFAULT RATES DO NOT PORTEND A RECESSION

- If the U.S. were on the brink of entering a recession it would likely be reflected in the default projections.
- Moody's reported that its trailing 12-month global speculative-grade default rate stood at 2.4% in September 2019, according to its own release. They see the rate rising to 3.6% in September 2020.
- Moody's puts the historical average trailing 12-month default rate at 4.1% for all rated speculative-grade issuers since 1983.
- The U.S. speculative-grade default rate stood at 3.2% in September 2019. Moody's sees the default rate rising to 3.7% in September 2020.

Source: Moody's Investor Service, 9/30/19. There can be no assurance that past trends will continue or forecasts will be realized.

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U.S. TRADE IS EXPANDING DESPITE RUMORS TO THE CONTRARY

VALUE OF TOTAL TRADE (IMPORTS + EXPORTS)

Source: Federal Reserve Board/Federal Analytics, 1995 - 6/19 (latest data available), seasonally adjusted. There can be no assurance that past trends will continue.

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CORPORATE PROFITS HAVE A SIGNIFICANT INFLUENCE ON THE DIRECTION OF STOCK PRICES OVER TIME

CORPORATE PROFITS AFTER TAX

Source: Federal Reserve Board/Federal Analytics, 1995 - 2019 (latest data available), seasonally adjusted. There can be no assurance that past trends will continue.

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