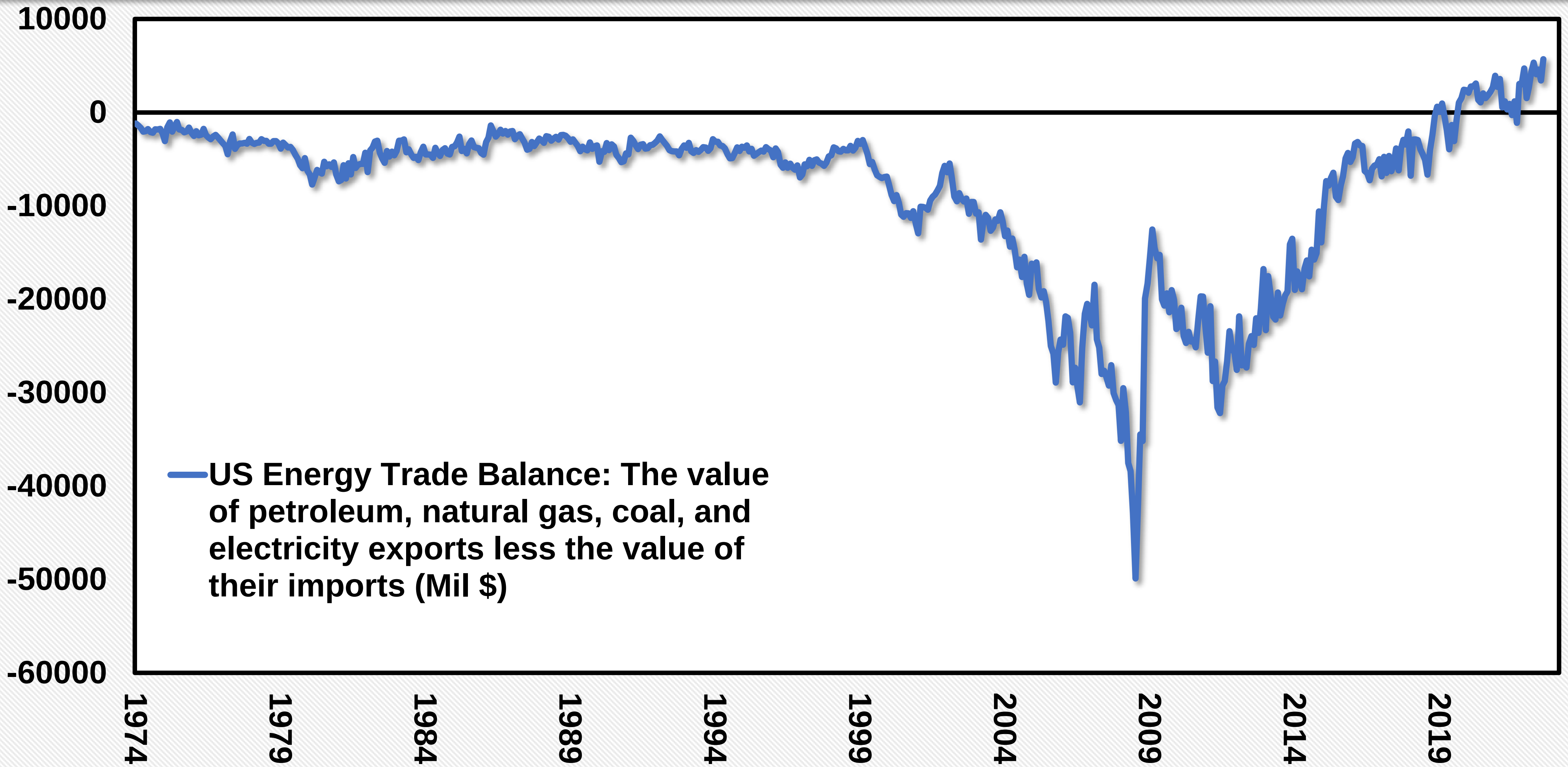
VOLATILITY HAS ARRIVED

Bryce Gill
Economist
First Trust Advisors

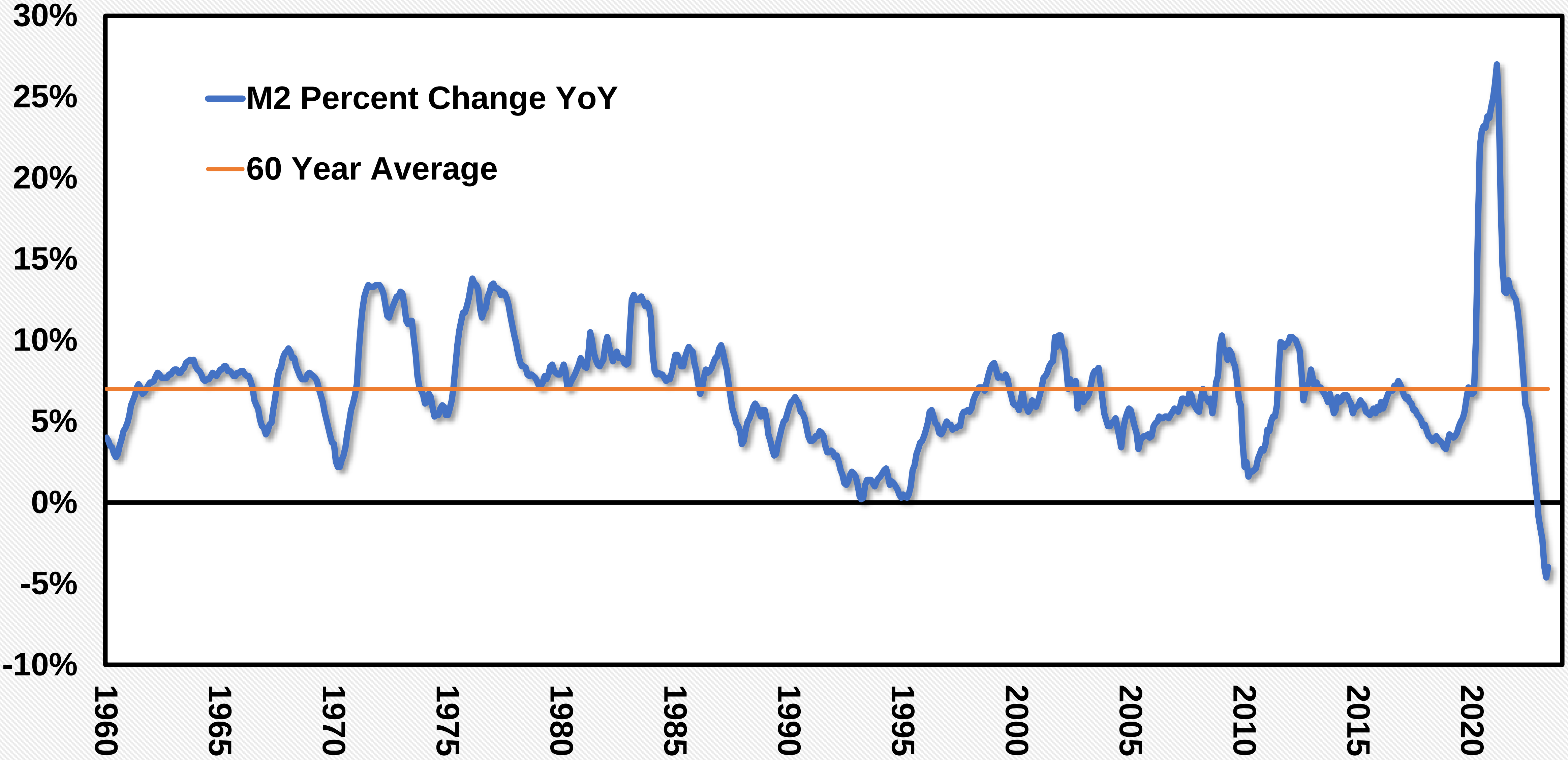
First Trust

End of the Petro-Dollar?



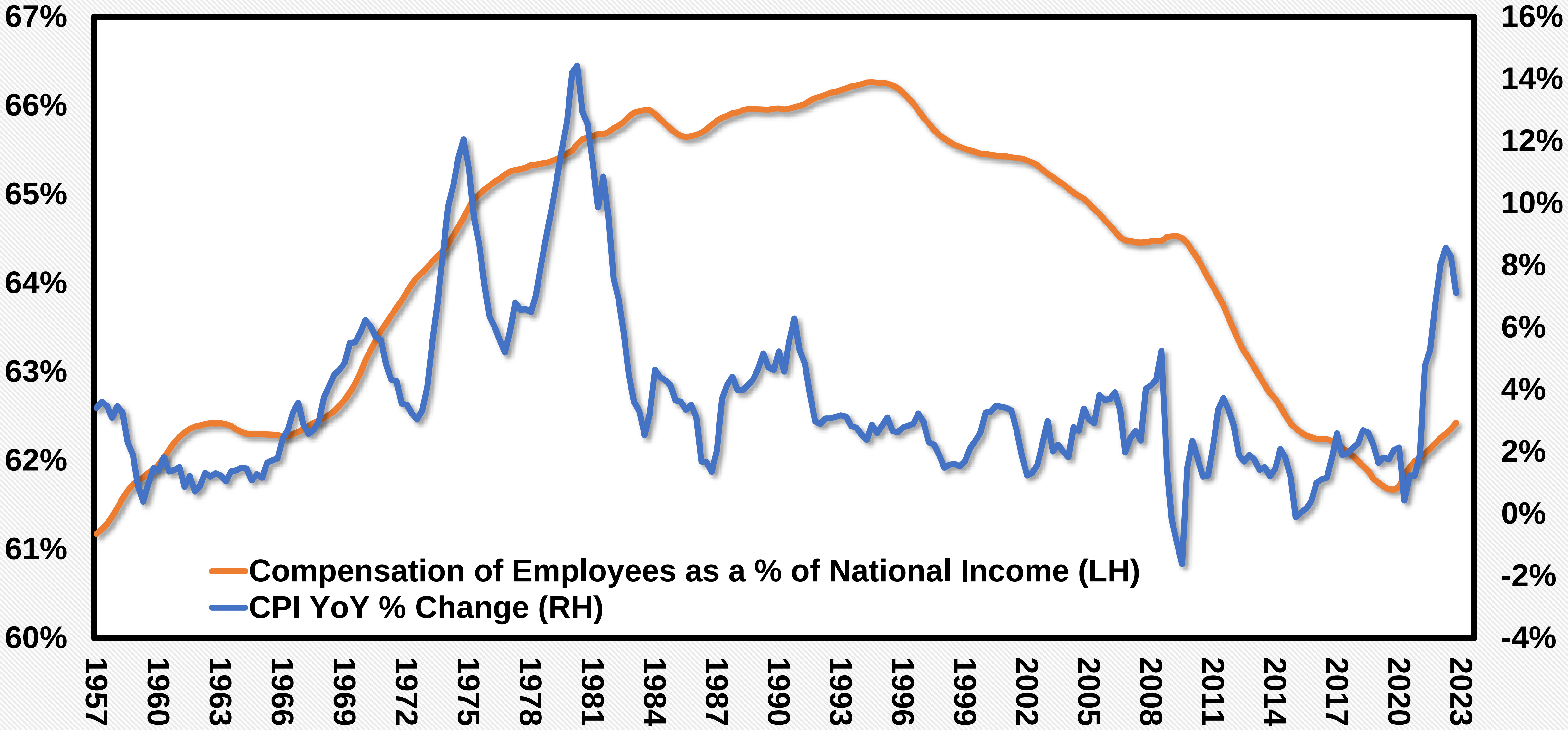
Source: US Census Bureau, Monthly Data Q1 Jan 1974-Aug 2022

The Monetary Tailwind is Ebbing



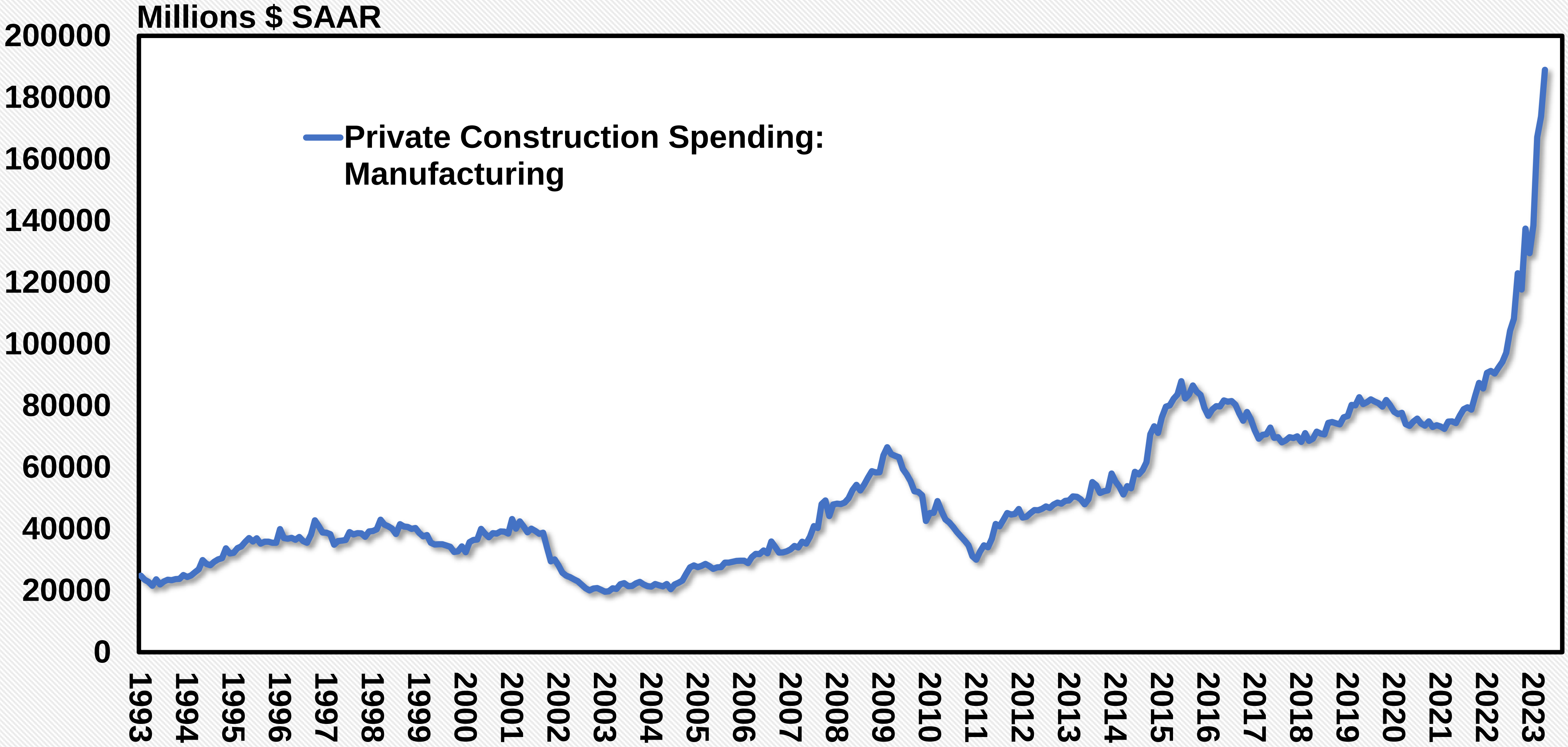
Source: Federal Reserve Board, Monthly Data Jan 1960-May 2023

Tide is Turning on Employee Bargaining Power



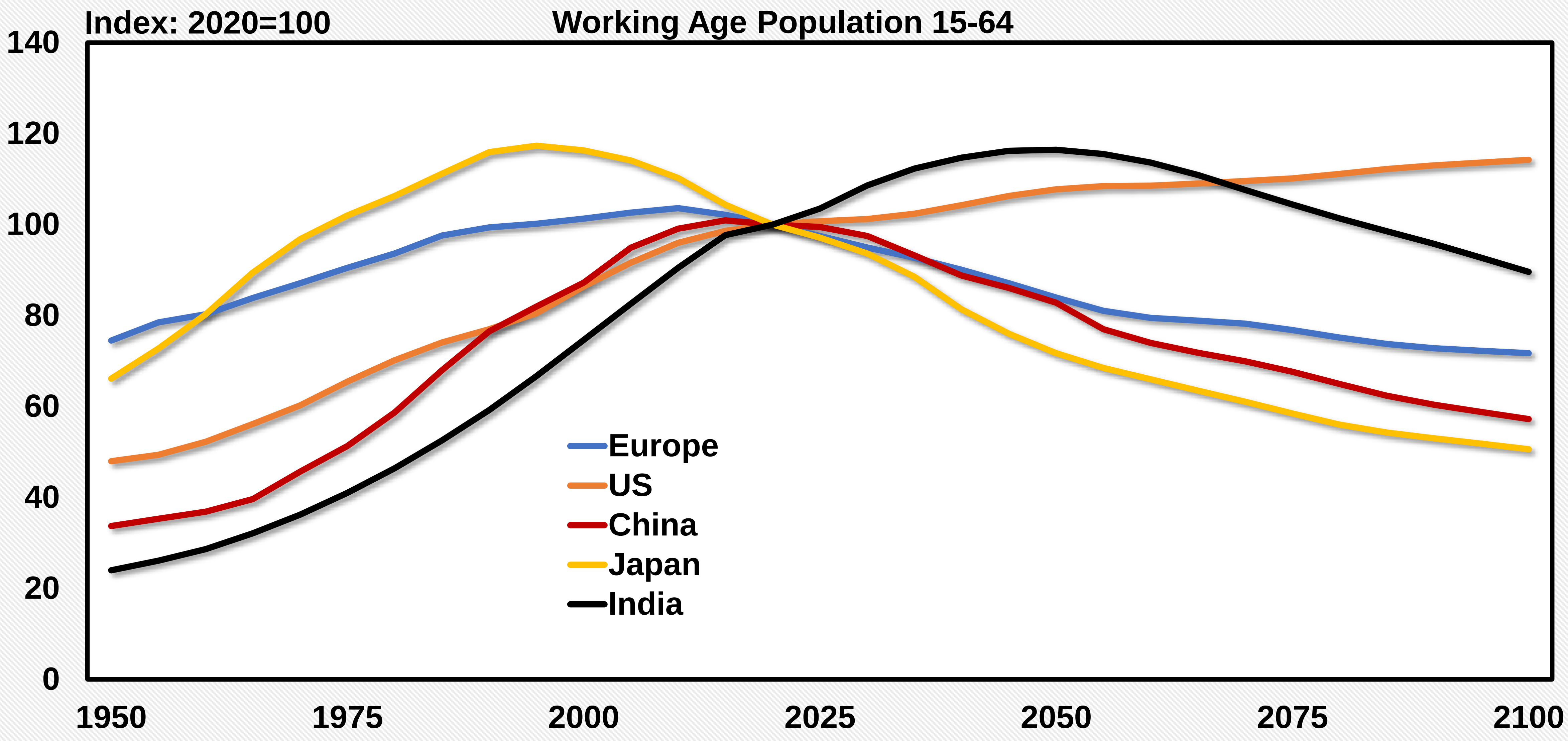
Source: US Census Bureau, Bureau of Economic Analysis, Quarterly Data Q1 1957- Q1 2023

The Reshoring Boom



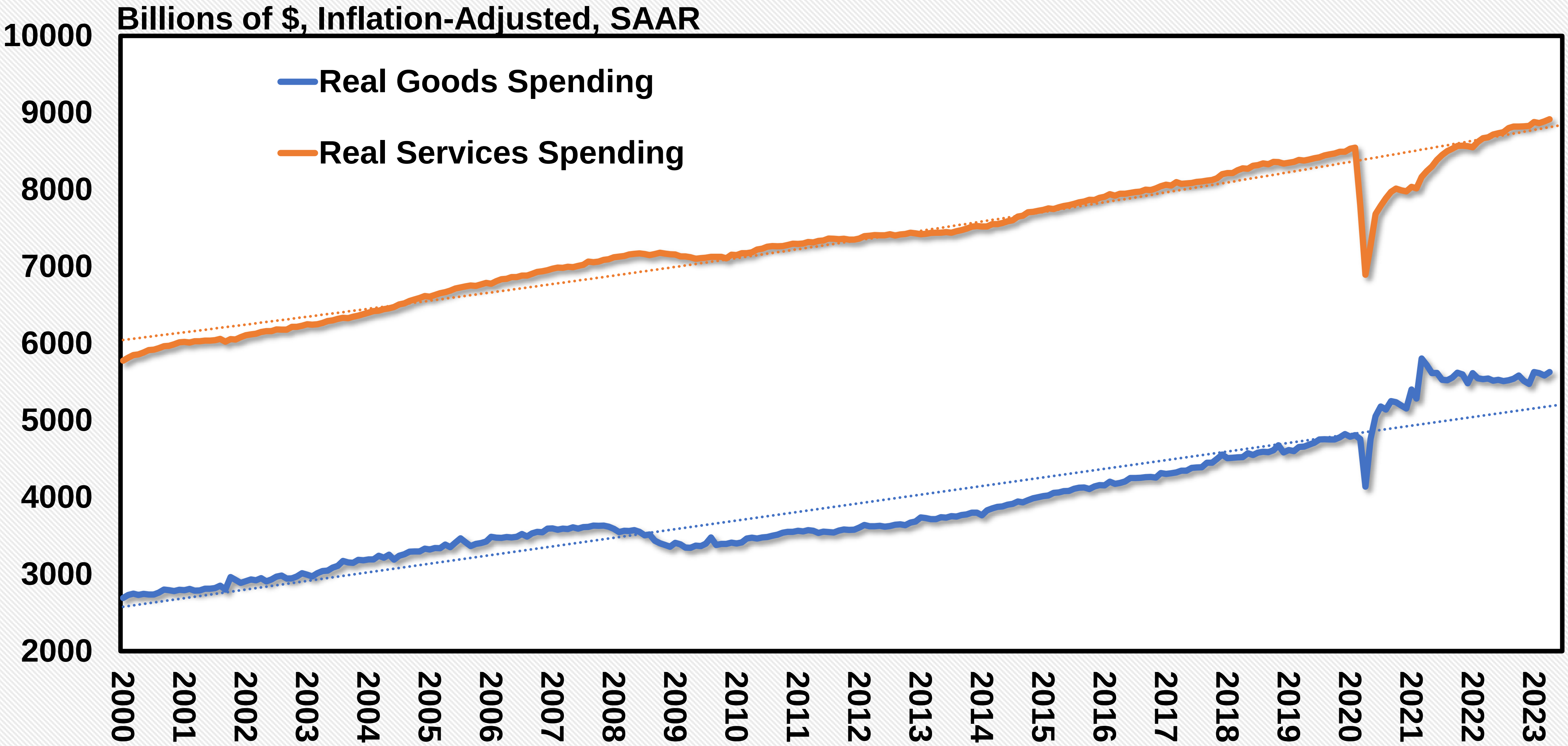
Source: US Census Bureau, Monthly Data Jan 1993 - April 2023

The Big Picture



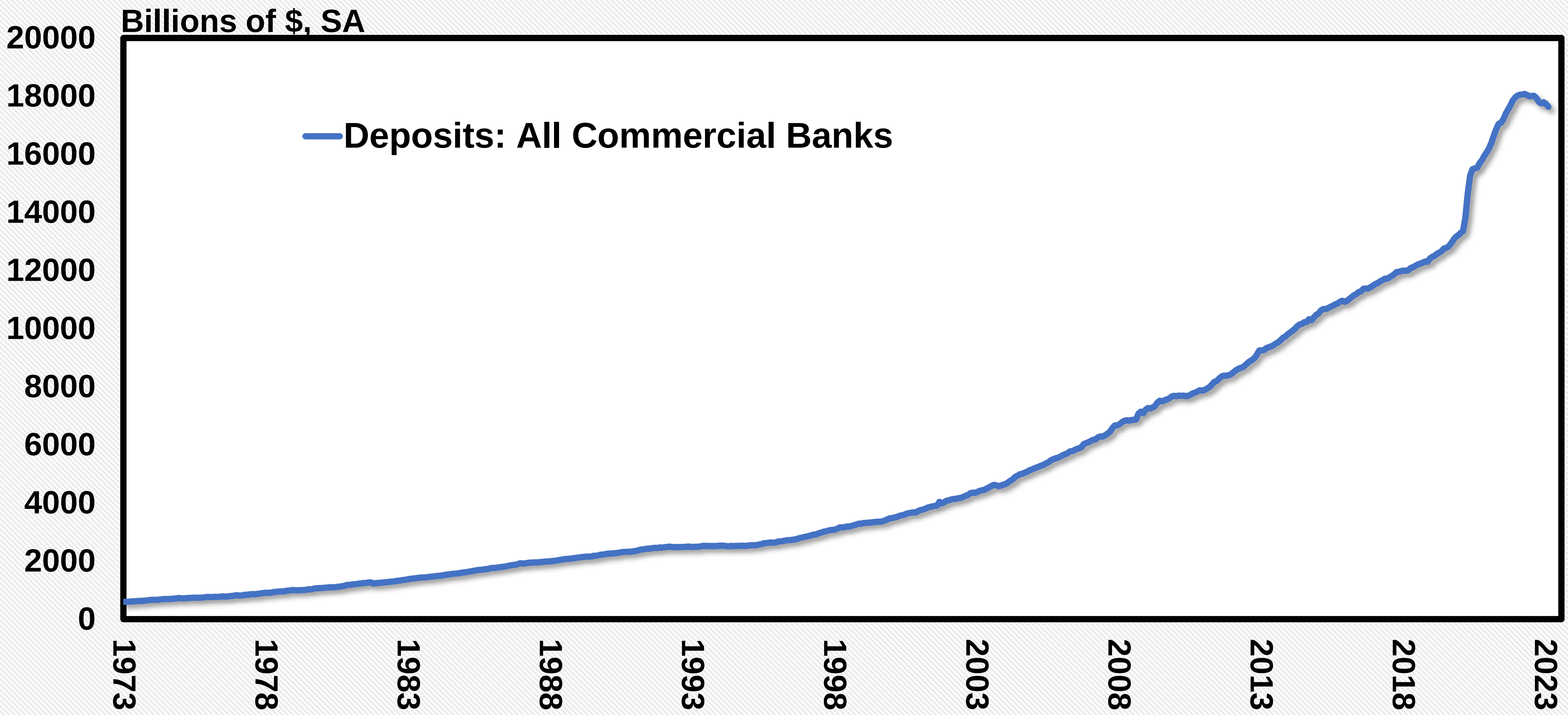
Source: United Nations, Annual Data 1950-2100

The Fastest Shift in Spending Preferences in US History



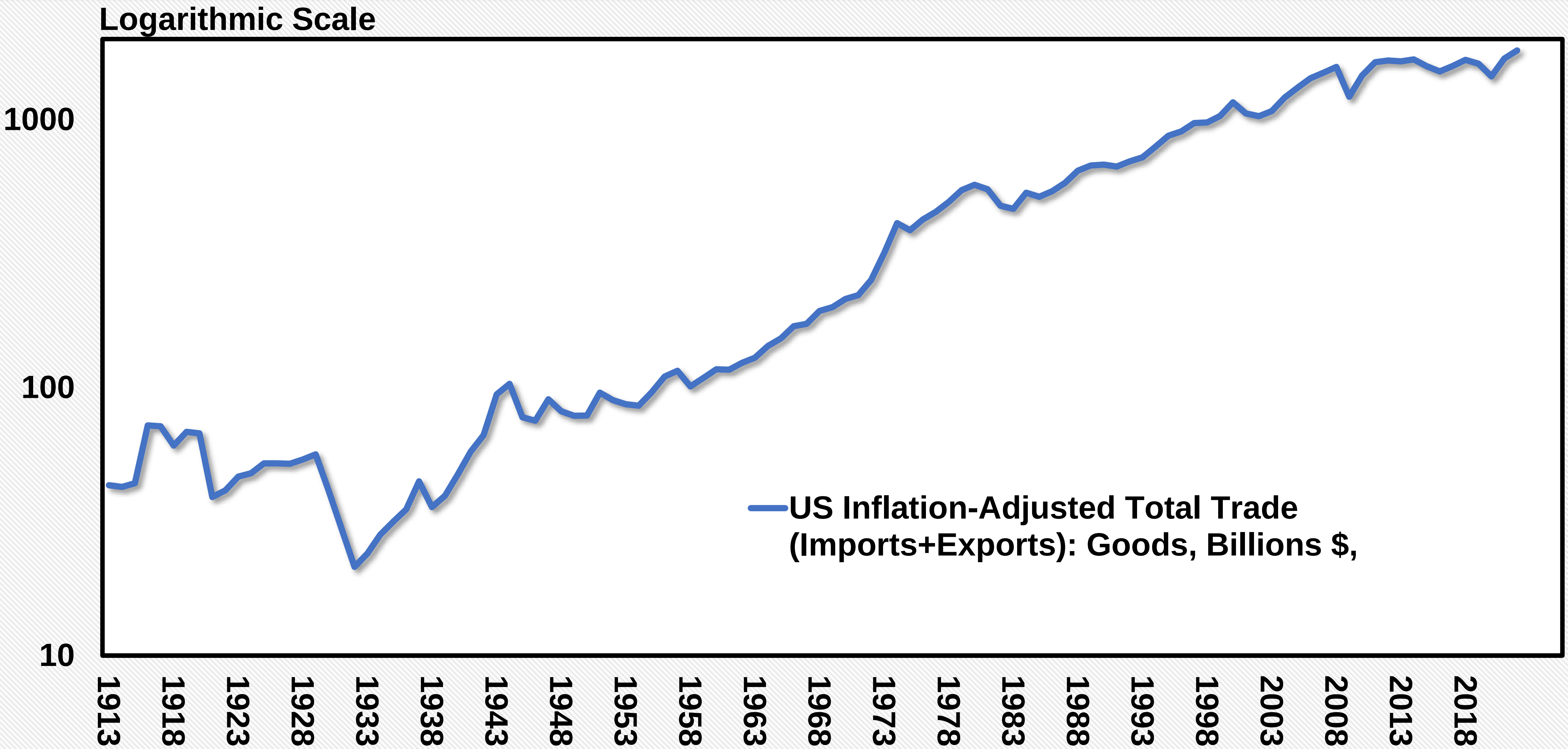
Source: Bureau of Economic Analysis, Monthly Data Jan 2000-Apr 2023

The Source of Bank Failures



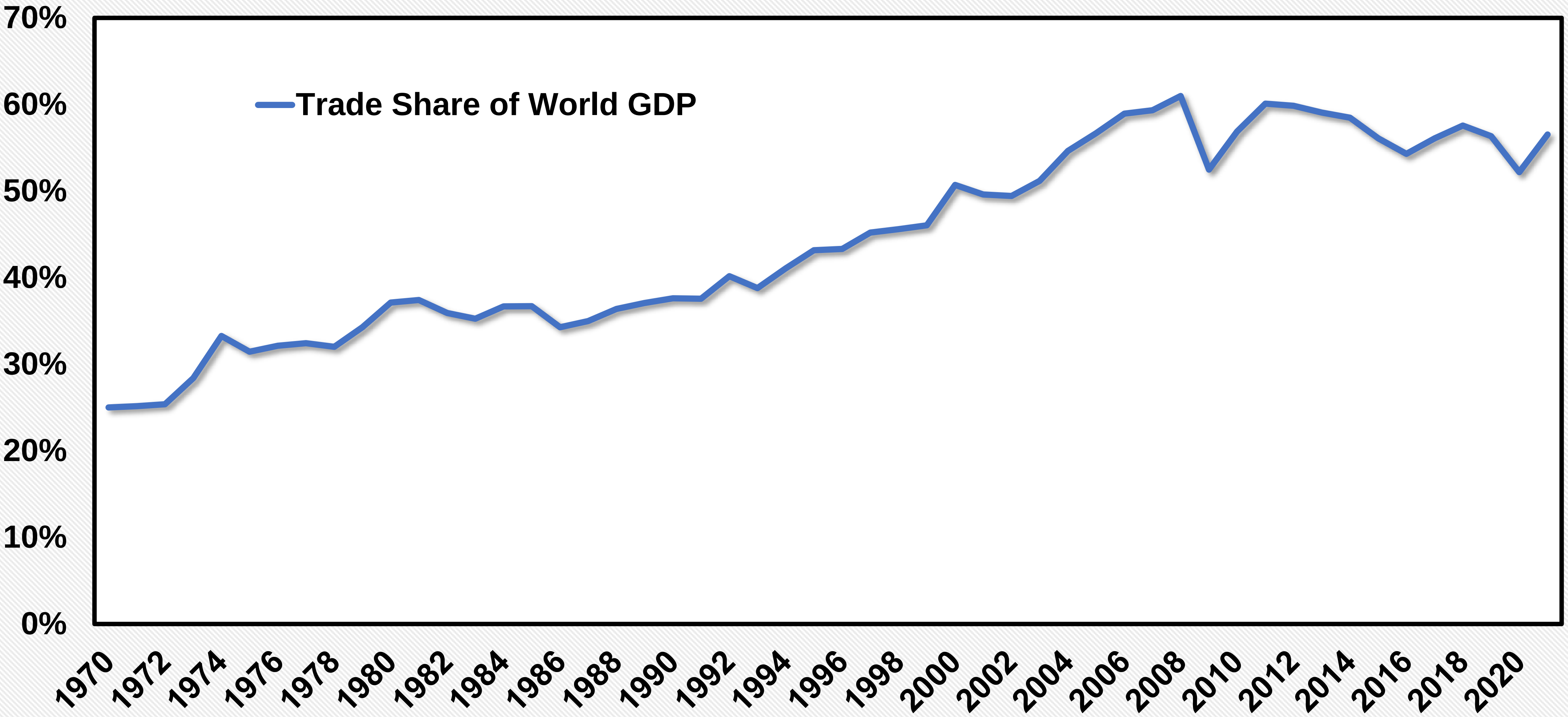
Source: Federal Reserve Board, Monthly Data Jan 1974-Feb 2023

The History of Globalization in One Line



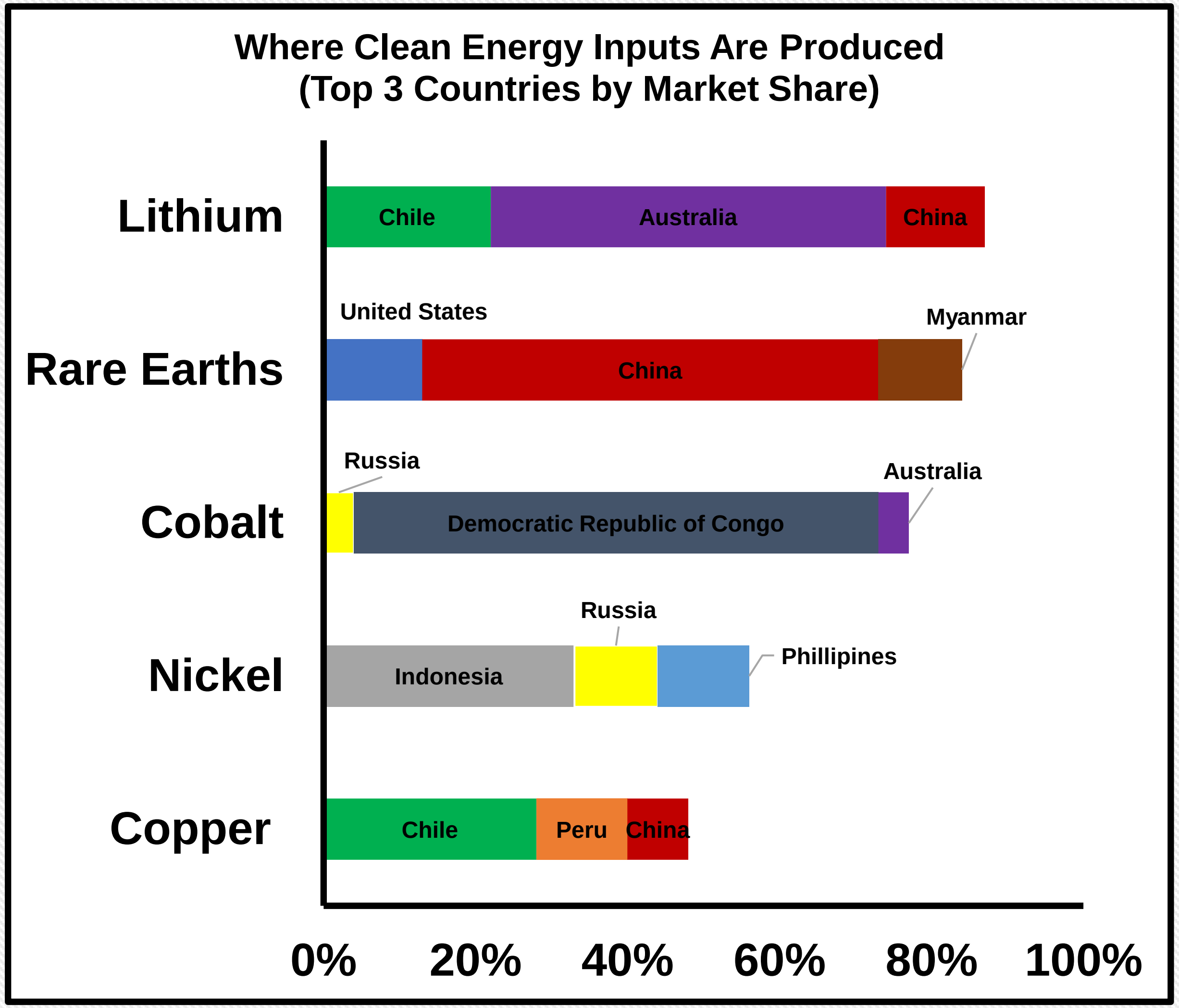
Source: US Census Bureau, Annual Data 1913-2022

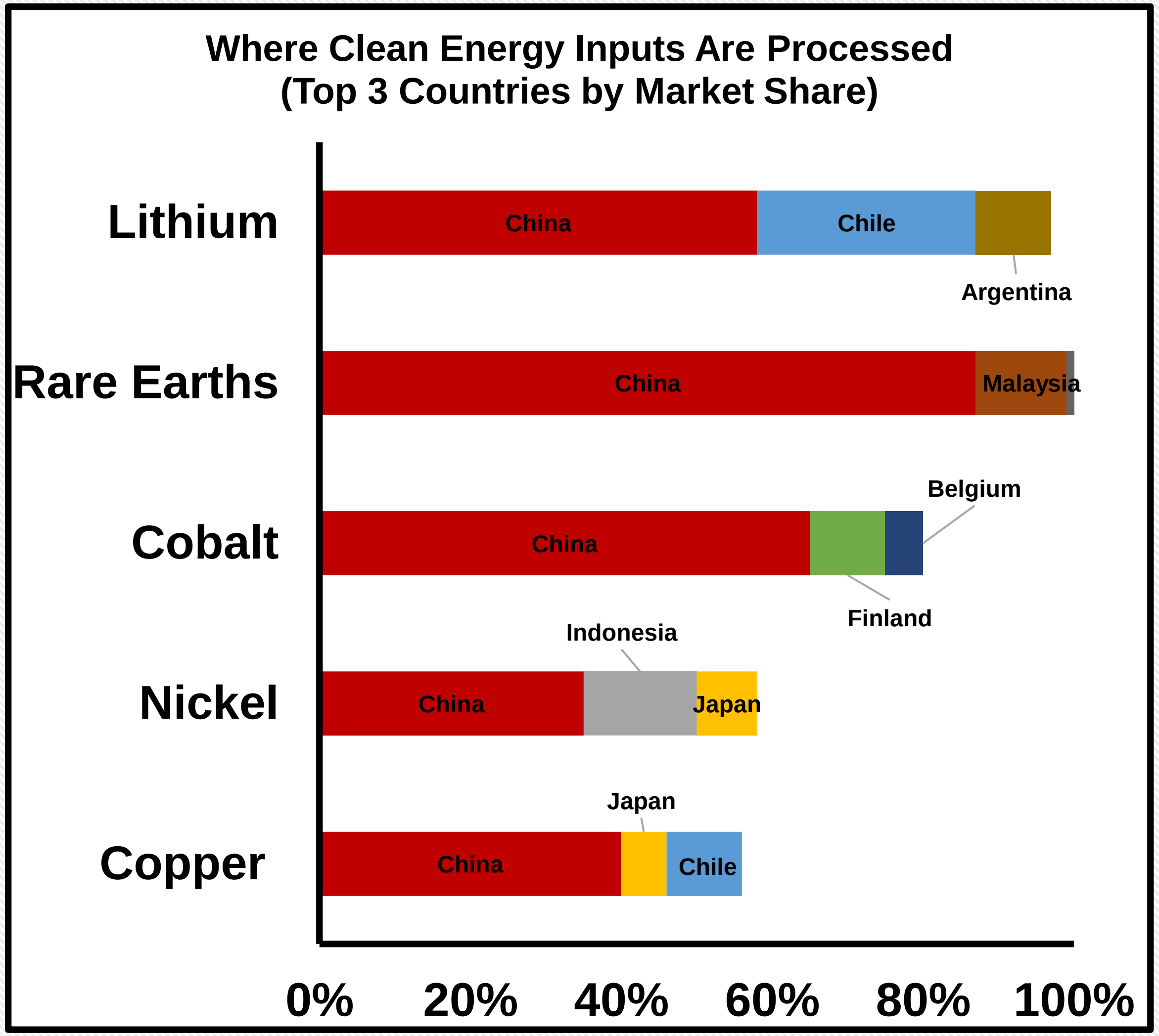
Deglobalization Has Begun



Source: World Bank, Annual Data 1970-2021

Realities of the Green Supply Chain





Source: International Energy Agency, 2019 Data

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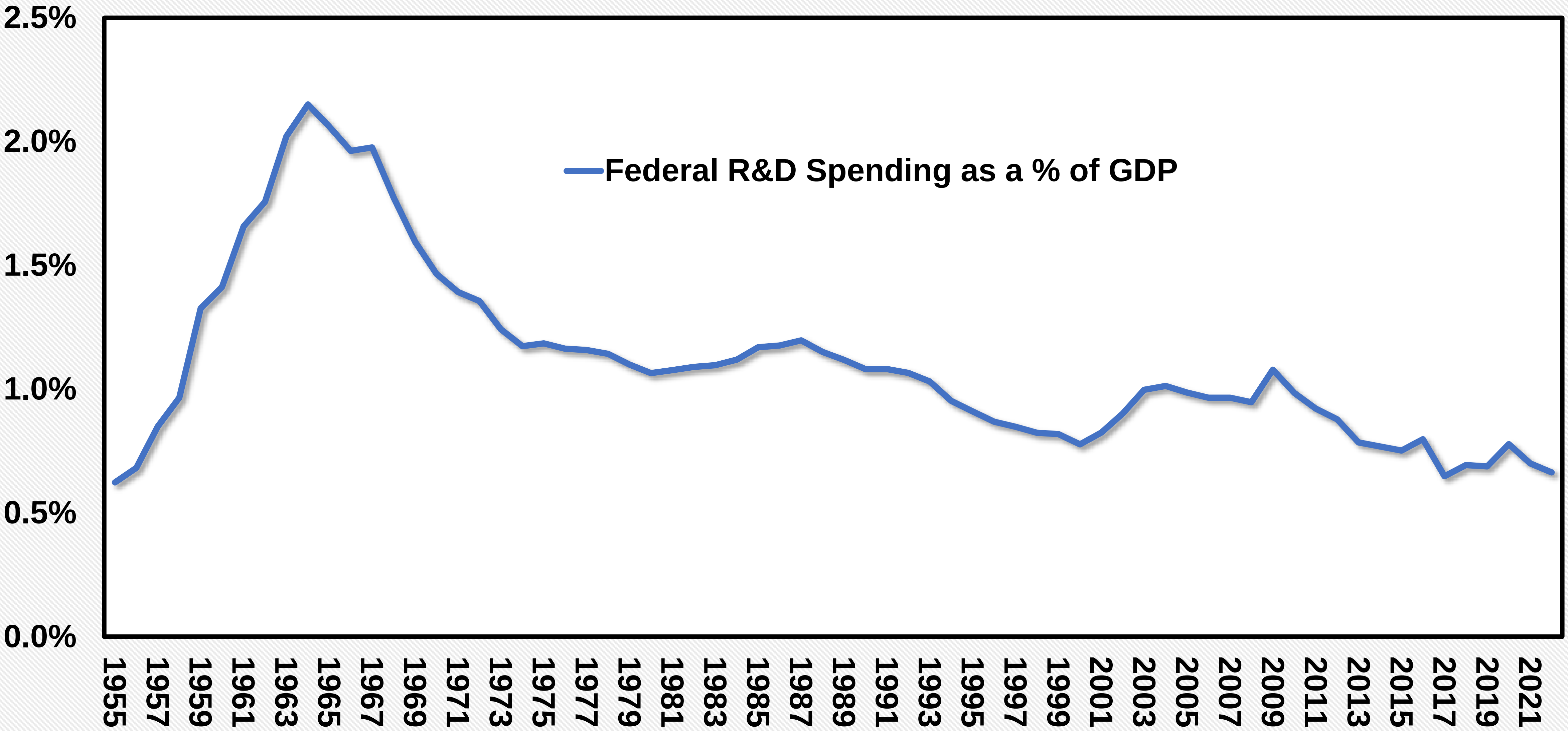
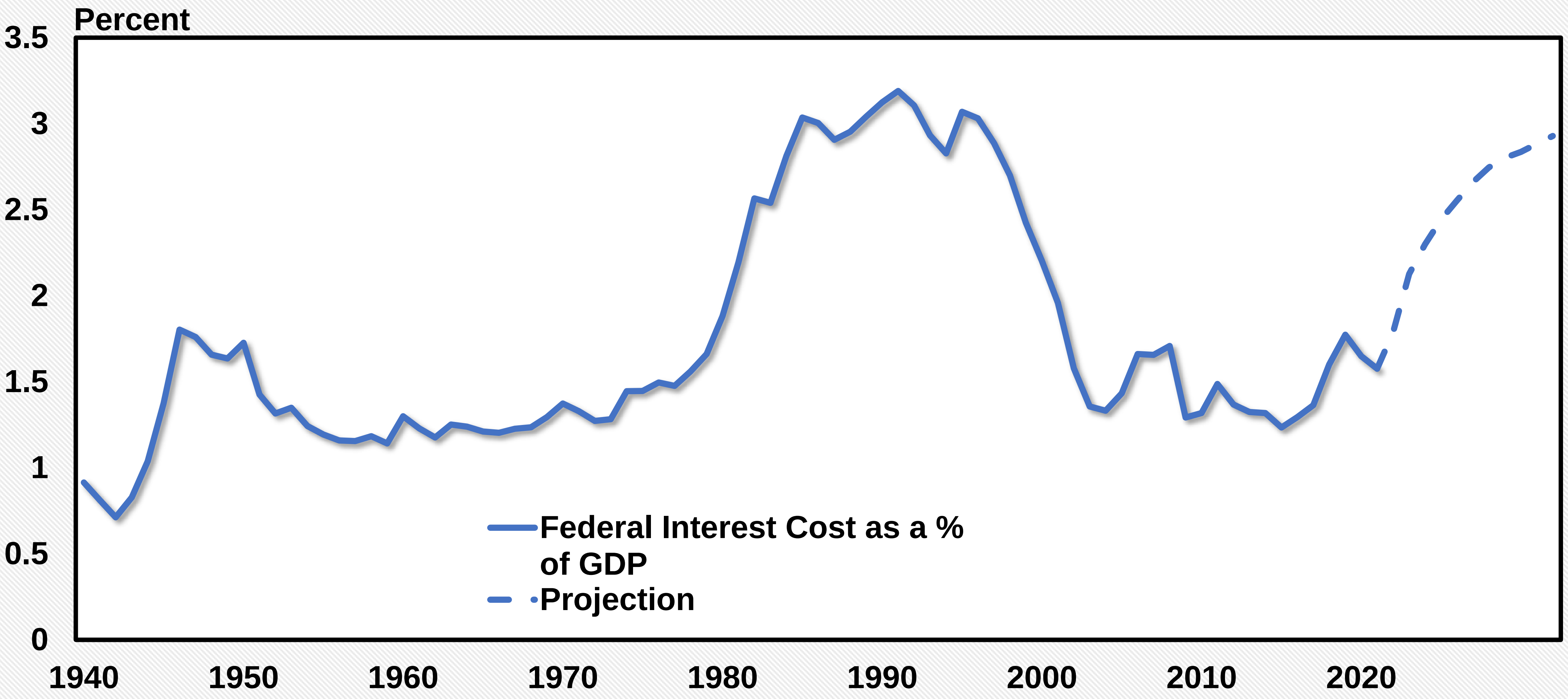
Return of Industrial Policy?



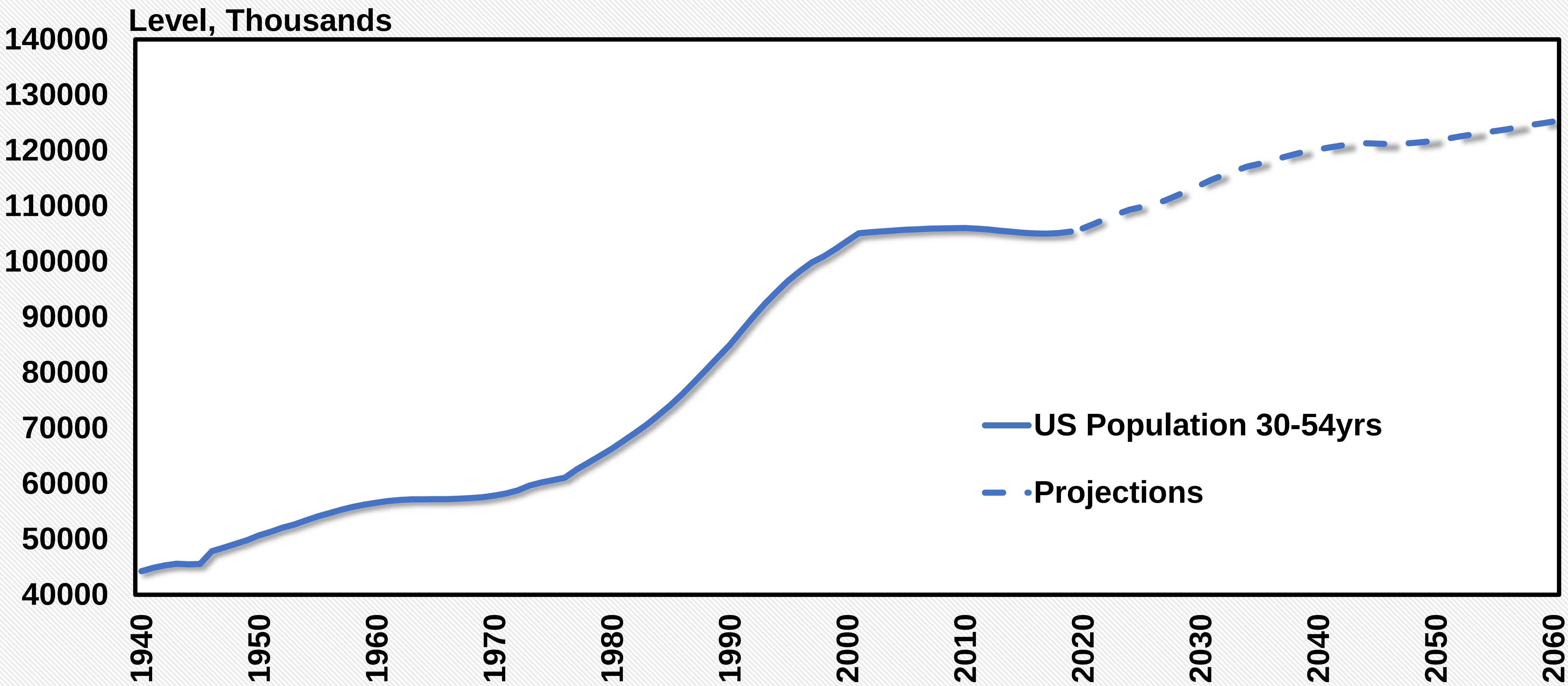
Source: National Center for Science and Engineering Statistics, Annual Data 1955-2022

Interest Costs are Relatively Low Versus History (For Now)



Source: Office of Management and Budget, Annual Data 1940-2021, Projection 2022-2032

Millennials Set to Drive US Growth



Source: US Census Bureau, Annual data 1940-2021, Projections 2022-2060

First Trust
Monday Morning OUTLOOK

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Bryce Gill – Economist

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November 21, 2022

The Aftermath Economy

We will forever believe that locking down the economy for COVID-19 was a massive mistake. There is virtually no evidence that death rates were lowered by government mandates and lockdowns.

Business activity in certain sectors would surely have slowed as individuals protected themselves from COVID: think hotels, cruises, restaurants & bars, amongst other services. But the government didn't have to aggravate the problem by applying a version of medical central planning. Doctors, epidemiologists, and scientists can be very good at coming up with treatments, cures, and vaccines, but they're not equipped to weigh trade-offs that involve costs outside the medical arena, like loss of income or basic freedoms.

There is clear evidence that closing schools caused a harmful loss of learning, which could affect the incomes of future workers for decades, while paying people not to work has warped the labor force.

Economically, the United States ran up about $5 trillion in additional debt and boosted the M2 measure of the money supply by more than 40% during the pandemic, which caused a 40-year high in inflation. In turn, this inflation led politicians to release hundreds of millions of barrels of oil from the strategic petroleum reserve in an attempt to temporarily reduce energy prices.

In other words, the US enters the decades ahead with more debt, less spending power, an undereducated population, and less petroleum put aside for national defense. The US has made the future riskier.

At the same time, no one can know exactly what the near-term future looks like. Right now, the conventional wisdom is that the US faces a recession. Normally, we would disagree with the conventional wisdom, but this time we agree. Unwinding COVID policies will be painful.

Most people think that a recession is coming because the Federal Reserve is lifting interest rates. Last week, the US yield curve was inverted with 2-month Treasury bills yielding more than 30-year notes, suggesting that long-term investors think the Fed has gone too far.

Obviously, raising interest rates has hurt the housing market and imagining more economic damage to other sectors as these rate hikes bite seems straightforward. However, this is the first rate-hiking cycle in an inflationary environment under an "abundant reserve" model of managing monetary policy. The Fed has held interest rates artificially low for a very long time, and at least for now, the entire yield curve is still below current inflation rates.

But the real reason we expect a recession is that COVID policies severely distorted the economy. For example, from February 2020 through September 2022, real personal income increased just 2.6%, while real personal consumption climbed by 6.6%. And this happened with fewer people working because of lockdowns and overly generous unemployment benefits. We estimate that Americans have worked about 30 billion fewer hours during the past 2½ years than would have happened if COVID had never hit.

Yet, federal tax receipts hit 19.6% of GDP in 2022, a near record high, in spite of the lockdowns, while corporate profits jumped 23% between the end of 2019 and the second quarter of this year.

The US borrowed from future generations and handed out pandemic benefits that more than replaced lost earnings. Then it taxed the economic activity that this borrowing created, and kept small businesses closed in many states, while large public companies remained open. The result is that spending, profits, and tax receipts were all artificially lifted above normal. The whole economy got distorted and is still untwisting from those distortions.

It's as if the US economy had a car accident and the emergency responders injected it with morphine. As this morphine continues to wear off – via rate hikes and smaller deficits – it is hard for us to imagine that these above normal trends will continue. In other words, a recession is in the cards.

And with that recession, profits are likely to fall. The combination of lower profits and higher interest rates create a headwind to markets and turbulence for investors.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-23 / 7:30 am	Initial Claims – Nov 19	225K	**222K**		222K
7:30 am	Durable Goods – Oct	+0.4%	**+0.2%**		+0.4%
7:30 am	Durable Goods (Ex-Trans) – Oct	+0.0%	**+0.2%**		-0.5%
9:00 am	New Home Sales – Oct	0.570 Mil	**0.566 Mil**		0.603 Mil
9:00 am	U. Mich Consumer Sentiment- Nov	55.0	**55.5**		54.7

First Trust
2023 Year-End Outlook

S&P 500: 3,900 – Dow: 33,000

Don't be fooled by our year-end forecast. This year, we see "a low for the S&P 500 of about 3,200. However, stocks are likely to bottom within the first few months of the recession as investors realize this is not another Financial Panic like in 2008-09. That would give stocks room for a rally late in the year even if a recession continues, as equities see the light at the end of the tunnel ..."

Monday Morning Outlook: S&P 3,900 - Dow 33,000

GDP: -0.5%

"Our forecast is that the US economy enters a recession around mid-2023 ..."
Monday Morning Outlook: S&P 3,900 - Dow 33,000

"We think growth will undershoot the Fed's forecast in 2023. Instead of growing 0.5% in 2023, we expect real GDP will shrink about 0.5% ..."

Monday Morning Outlook: Still Unprecedented

Unemployment: 4.5%

"We expect something like the recessions in 1990-91 or 2001, when the unemployment rate went up about 2.0 to 2.5 percentage points, not like the soaring unemployment of the Great Recession or the 2020 Lockdown ..."

Monday Morning Outlook: We're Not Already in a Recession

Inflation: 4%+

"For 2023, the Fed is forecasting inflation of 3.1%. We think inflation will overshoot: ending next year above 4.0% ..."

Monday Morning Outlook: Still Unprecedented

Home Prices: -5% – -10%

"We expect a total decline, peak-to-bottom in the 5-10% range, nothing like the 25% drop in 2006-11 ..."

Monday Morning Outlook: The Housing Outlook for 2023

Corporate Profits: -10%

"The bottom line is that while stocks suffered [in 2022] from higher interest rates, the greatest headwind in 2023 should be lower profits ..."

Monday Morning Outlook: S&P 3,900 - Dow 33,000

10-Year Treasury Note Yield: 4.0% – 4.5%

First Trust Economic Team


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Economist

Forecasts as of January 2023.

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LinkedIn: Bryce Gill

Target Outcome ETFs®

INTRODUCTION TO FIRST TRUST TARGET OUTCOME STRATEGIES

MITCH SEEBACH | VICE PRESIDENT | VA

TARGET OUTCOME ETFS & STRUCTURED PRODUCTS

First Trust

First Trust Target Outcome ETFs® were introduced in 2019 to target specific investment goals and provide the potential for a level of buffer protection, growth, and income.

What is a Target Outcome Buffer ETF?

Target Outcome Buffer ETFs are managed using a **Target Outcome Strategy** which seeks to produce predetermined investment outcomes based on the performance of an underlying ETF, using Flexible EXchange® Options (FLEX Options).

FLEX Options are exchange-traded options contracts that provide investors the ability to customize terms of an option, including exercise process, underlying reference assets and expiration dates.

Market Exposure

Exposure to a reference asset (underlying ETF) that is based on a market index

Upside Potential

Exposure to the price returns of the underlying ETF, to a maximum cap

Downside Buffer

Provide a level of protection, typically, 10%, 15% or 25%

Target Outcome Period

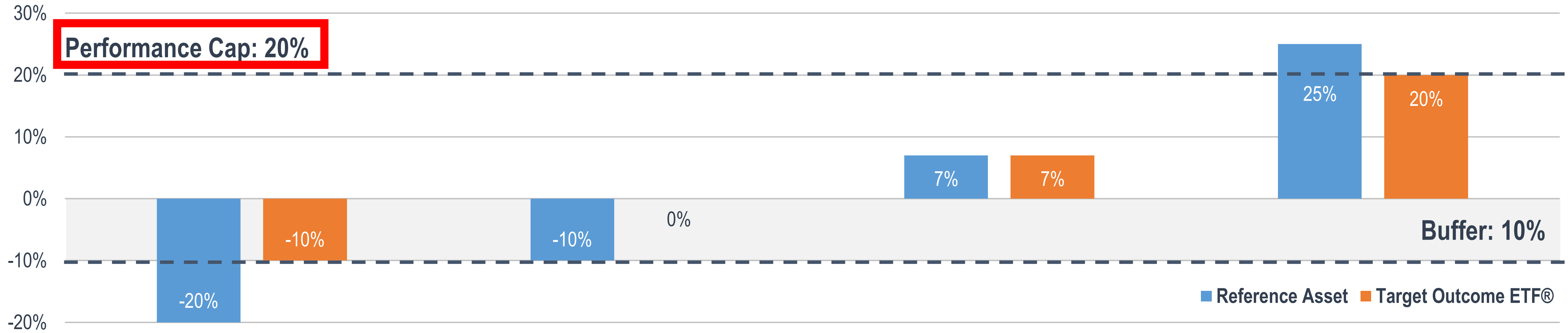
Structured point-to-point returns for a predetermined period

10% BUFFER PERFORMANCE EXAMPLE

First Trust

Potential Return Scenarios at the End of a Target Outcome Period

The hypothetical examples show possible outcomes across four scenarios. The examples assume ETF shares are purchased on the first day of the Target Outcome Period and held until the end of the period.



Negative Scenario	Negative Scenario	Positive Scenario	Positive Scenario
Buffer Exceeded	**Within Buffer Range**	**Within Cap**	**Cap Exceeded**
If the reference asset is down 20%, the ETF would be down just 10% because the first 10% of loss is protected by the buffer.	If the reference asset is down 10%, the ETF would be flat because the first 10% of loss is protected by the buffer.	If the reference asset is up 7%, the ETF would also be up 7% because the ETF participates in upside performance to the 20% maximum cap.	If the reference asset is up 25%, the ETF would be up just 20% because the ETF reached its cap.

The examples are for illustrative purposes only and not indicative of any actual investment. The examples are intended to illustrate potential outcomes at the end of a Target Outcome Period and are based on hypothetical reference asset returns. The examples do not account for payment of fees and expenses and actual returns would be lower. A fund may not be able to achieve the hypothetical returns set forth above.

TARGET OUTCOME PERIOD PERFORMANCE RECAP

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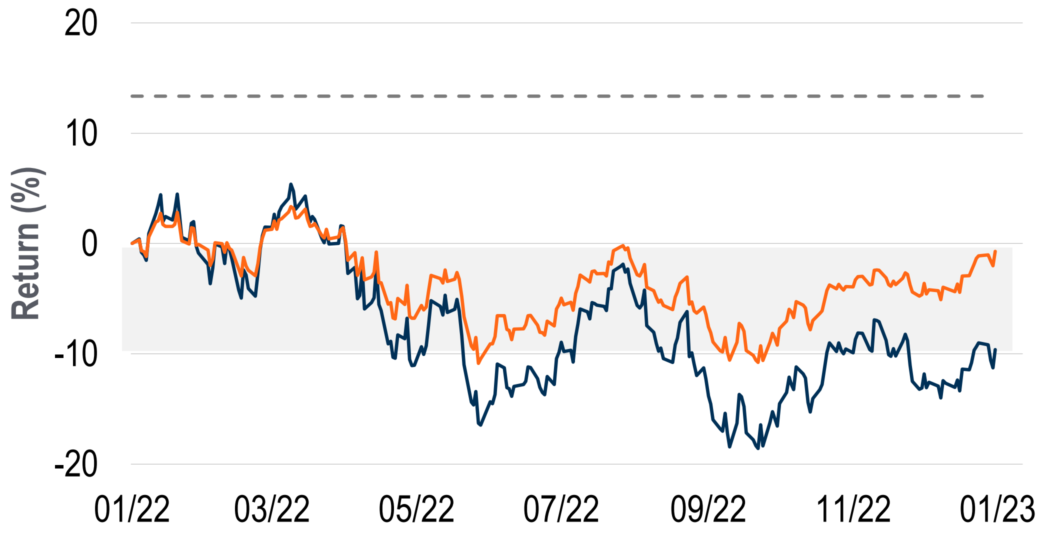
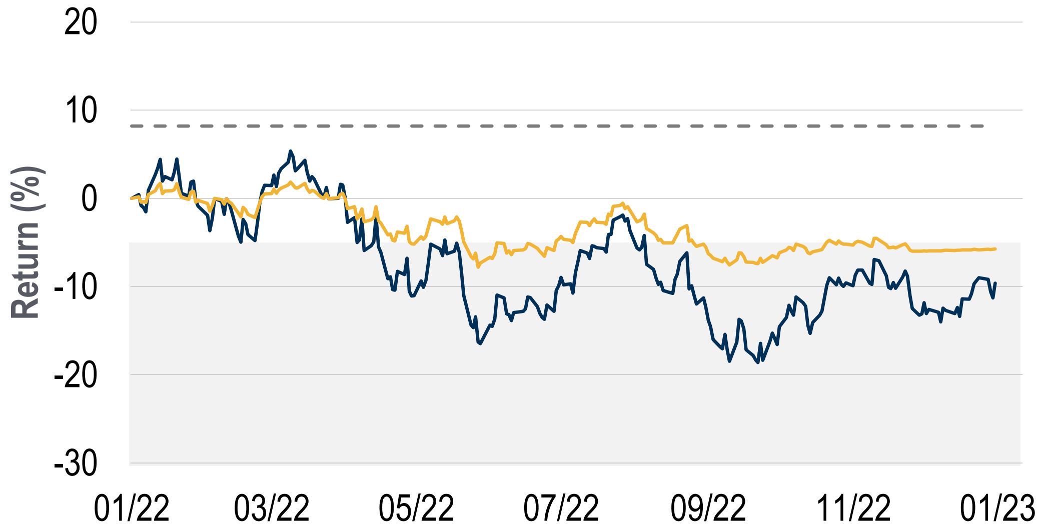
TARGET OUTCOME PERIOD: 1/24/2022 - 1/20/2023

FJAN Cumulative Net Return vs. Reference Asset



— FJAN NAV: -0.73% — SPY: -9.61% - - - Cap ■ Buffer

DJAN Cumulative Net Return vs. Reference Asset



— DJAN NAV: -5.74% — SPY: -9.61% - - - Cap ■ Buffer

Target Outcome Period: 1/24/2022 - 1/20/2023.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

TARGET OUTCOME PERIOD PERFORMANCE RECAP

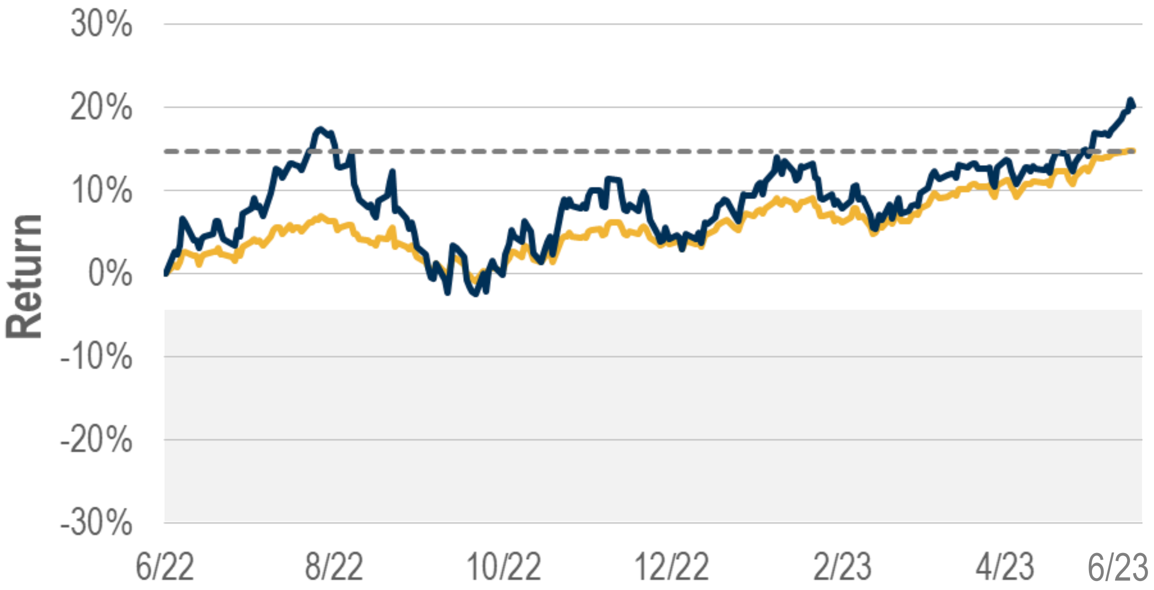
First Trust

TARGET OUTCOME PERIOD: 6/21/2022 - 6/16/2023

FJUN Cumulative Net Return vs. Reference Asset

— FJUN NAV: **19.37%** — SPY: **20.12%** - - - Cap ■ Buffer

DJUN Cumulative Net Return vs. Reference Asset



— DJUN NAV: **14.82%** — SPY: **20.12%** - - - Cap ■ Buffer

Target Outcome Period: 6/21/2022- 6/16/2023.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

TARGET OUTCOME BUFFER ETF PRODUCT LINES

First Trust

FT Cboe Vest U.S. Equity

Buffer ETFs – Offered Monthly 10% Buffer | Based on SPY | Annual Reset	FJAN	FFEB	FMAR	FAPR	FMAY	FJUN	FJUL	FAUG	FSEP	FOCT	FNOV	FDEC
Moderate Buffer ETFs – Offered Monthly 15% Buffer | Based on SPY | Annual Reset	GJAN	GFEB	GMAR	GAPR	GMAY							
Deep Buffer ETFs – Offered Monthly 25% Buffer (-5% to -30%) | Based on SPY | Annual Reset	DJAN	DFEB	DMAR	DAPR	DMAY	DJUN	DJUL	DAUG	DSEP	DOCT	DNOV	DDEC
Enhanced & Moderate Buffer ETFs – Offered Quarterly 15% Buffer | Based on SPY | Annual Reset 2X upside price return to a capped amount			XMAR			XJUN			XSEP			XDEC
FT Cboe Vest Nasdaq-100® Buffer ETFs – Offered Quarterly 10% Buffer | Based on QQQ | Annual Reset			QMAR			QJUN			QSPT			QDEC
FT Cboe Vest International Equity Buffer ETFs – Offered Quarterly 10% Buffer | Based on EFA | Annual Reset			YMAR			YJUN			YSEP			YDEC
FT Cboe Vest Gold Strategy Quarterly Buffer ETF 10% Buffer (-5% to -15%) | Based on GLD | Quarterly Reset			BGLD			BGLD			BGLD			BGLD

FT Cboe Vest U.S. Equity Buffer ETF, FT Cboe Vest International Equity Buffer ETF, and FT Cboe Vest Nasdaq-100® Buffer ETF seek to shield investors from the first 10% of losses over the Target Outcome Period, before fees and expenses. The FT Cboe Vest U.S. Equity Enhance & Moderate Buffer ETF series and the FT Cboe Vest U.S. Equity Moderate Buffer ETF seek to shield investors against losses from the first 15% of losses over the Target Outcome Period, before fees and expenses. FT Cboe Vest U.S. Equity Deep Buffer ETF seeks to shield investors against losses from -5% to -30% over the Target Outcome Period, before fees and expenses. FT Cboe Vest Gold Strategy Quarterly Buffer ETF seeks to shield investors against losses from -5% to -15% over the Target Outcome period, before fees and expenses. GLD: SPDR Gold Trust; SPY: SPDR® S&P 500® ETF Trust; QQQ: Invesco QQQ Trust[SM]; Series 1; EFA: iShares MSCI EAFE ETF

LADDERED BUFFER ETFs

First Trust

Target Outcome ETFs® Fund of Laddered Buffer ETFs

BUFR	BUFD	BUFQ
Laddered 10% Buffered Portfolio	**Laddered 25% Deep Buffer Portfolio**	**Laddered 10% Buffered Portfolio**
FT Cboe Vest Fund of Buffer ETFs	FT Cboe Vest Fund of Deep Buffer ETFs	FT Cboe Vest Fund of Nasdaq-100® ETF
Based on SPY		Based on QQQ

Unlike the Underlying ETFs, the funds themselves do not pursue a defined outcome strategy. The buffer is only provided by the Underlying ETFs. The funds themselves do not provide any buffer against losses. The funds simply seek to provide diversified exposure to the Underlying ETFs. In order to understand each fund's strategy and risks, it is important to understand the strategies and risks of the Underlying ETFs. The funds do not seek to directly experience the full stated caps and buffers of the Underlying ETFs.

10% Buffer ETFs seek to shield investors from the first 10% of losses and 25% Deep Buffer ETFs seek to shield investors from -5% to -30% of losses over a Target Outcome Period, before fees and expenses.

SEEKING TO SMOOTH MARKE … NS

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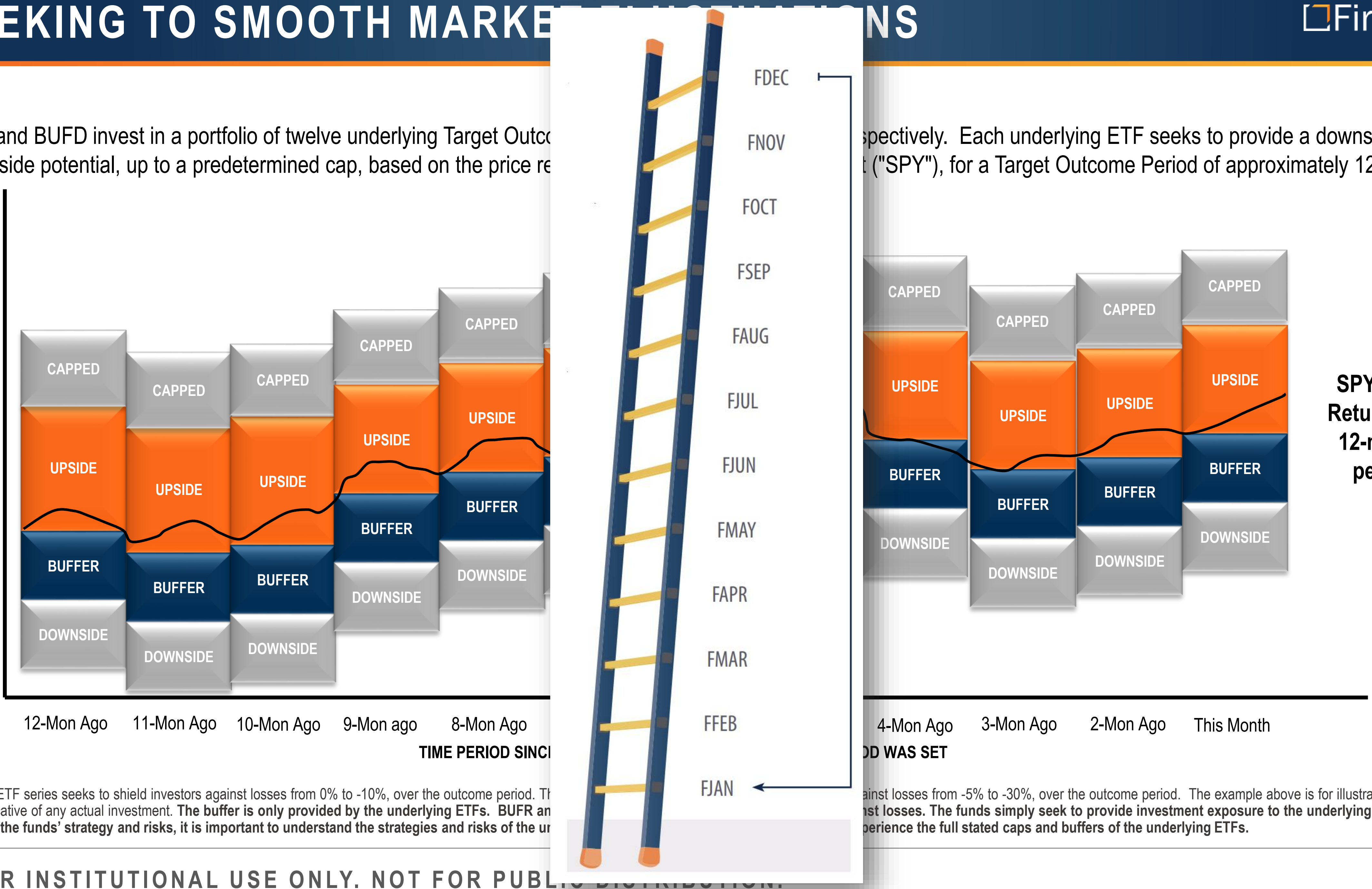
BUFR and BUFD invest in a portfolio of twelve underlying Target Outc … spectively. Each underlying ETF seeks to provide a downside buffer with upside potential, up to a predetermined cap, based on the price re … t ("SPY"), for a Target Outcome Period of approximately 12 months.*



*The Buffer ETF series seeks to shield investors against losses from 0% to -10%, over the outcome period. Th … ainst losses from -5% to -30%, over the outcome period. The example above is for illustrative purposes only and not indicative of any actual investment. **The buffer is only provided by the underlying ETFs. BUFR an … st losses. The funds simply seek to provide investment exposure to the underlying ETFs. In order to understand the funds' strategy and risks, it is important to understand the strategies and risks of the u … perience the full stated caps and buffers of the underlying ETFs.**

DIFFERENT OUTCOME PERIODS HAVE PRODUCED DIFFERENT RESULTS

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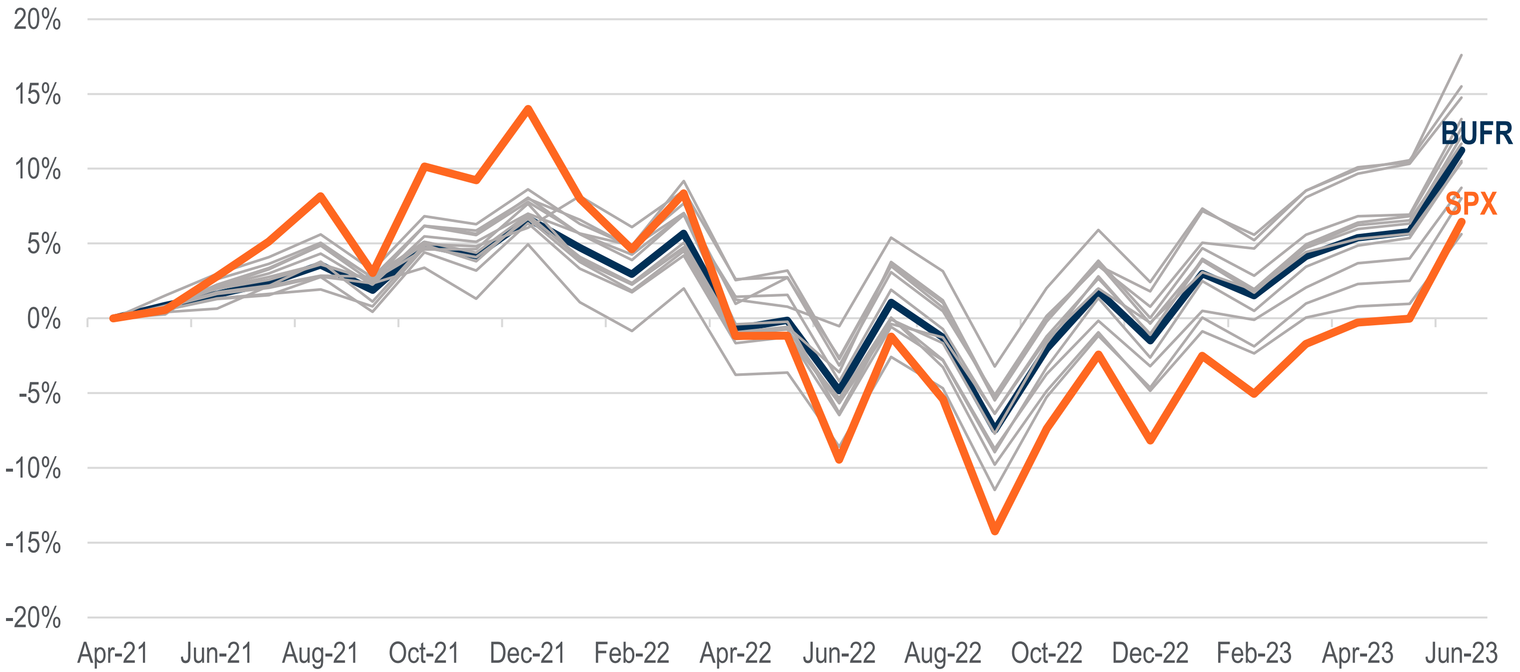
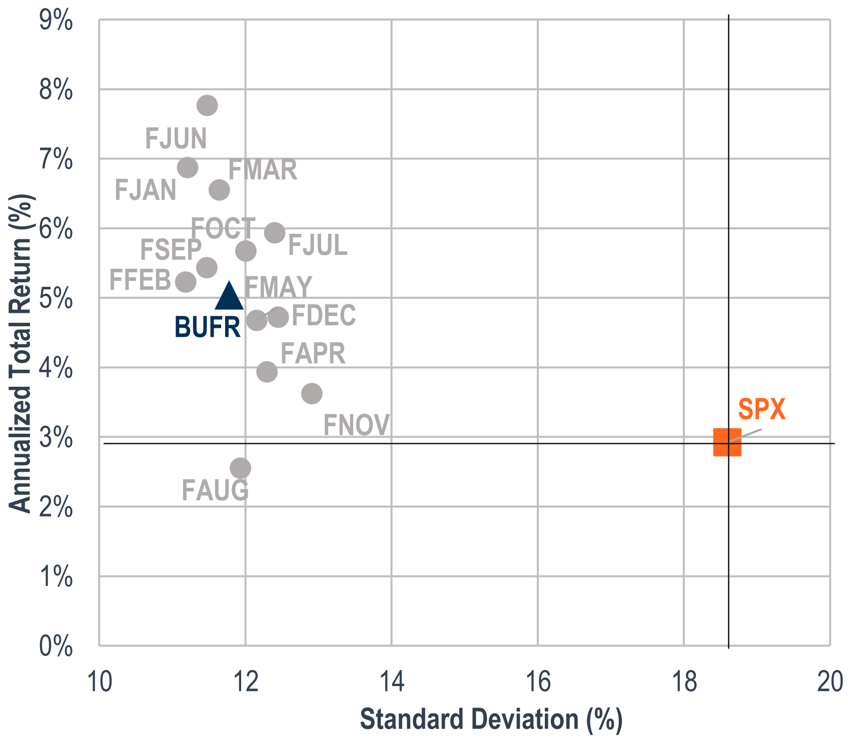
BUFR Cumulative NAV Total Return



Risk-Reward



	FJUN	FJAN	FMAR	FJUL	FOCT	FSEP	FFEB	BUFR	FDEC	FMAY	FAPR	FNOV	SPX	FAUG
Ann. Return	7.77%	6.88%	6.55%	5.94%	5.68%	5.44%	5.23%	5.04%	4.72%	4.68%	3.94%	3.63%	2.92%	2.55%
St. Dev.	11.48%	11.21%	11.64%	12.40%	12.01%	11.47%	11.18%	11.78%	12.45%	12.16%	12.30%	12.91%	18.59%	11.93%

Data is since common inception 6/30/2021 – 6/30/2023. SPX - S&P 500 Index. Index performance for illustrative purposes only. Indexes are unmanaged and an investor cannot invest directly in an index.

Performance data quoted represents past performance. Past performance is not a guarantee of future results and current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares when sold or redeemed, may be worth more or less than their original cost. You can obtain performance information which is current through the most recent month-end by visiting www.ftportfolios.com.

THANK YOU

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