

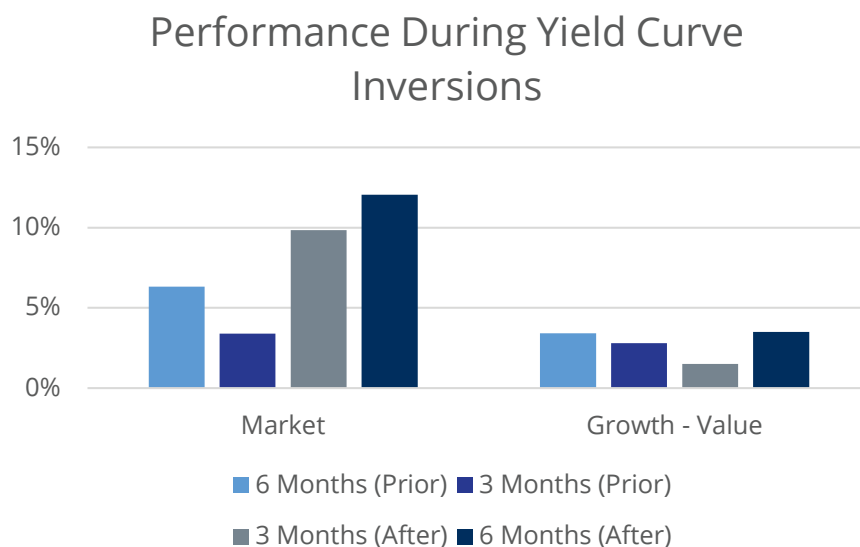
Relative Weight Spotlight

THIS TIME IS DIFFERENT

WHAT WE'VE SEEN

- While originally penned by Sir John Templeton and popularized again by Professors Reinhart and Rogoff, one of the most dangerous statements in finance is “this time is different”. It again has applications to today’s investment environment. And, this time, it was last week’s short-lived inversion of the yield curve as measured by the spread of 3-month yields to 10-year yields, which inverted for the first time since 2007. The “this time” crowd is pointing to the overall low levels of yields and the persistent negative term premium and technical factors that caused the inversion. Which is not to say that bond investors’ fears of the macroeconomic environment aren’t justified. While only time will tell, the fact is that an inverted yield curve has preceded each of the last seven recessions, albeit with a significant lead time in each case.
- Setting aside debates regarding the cause of the inversion, we can compare the performance of U.S. Large Cap equities during previous periods of inversion to provide some insight into how the current period may impact stocks going forward. Looking at the average returns prior and after the inversions in 1989, 1998 and 2006, absolute returns were positive on average. We also observe that Growth outperforms Value on average both heading into and after the inversion. The 2006 inversion saw Value beat Growth, but the trend was the same. In other words, Value was beating Growth before and continued thereafter. Compared to today, the trend is favoring Growth, especially over the last 3 months

GROWTH HAS HISTORICALLY OUTPERFORMED VALUE DURING YIELD CURVE INVERSIONS



Source: Bloomberg Finance, L.P., FTSE Russell, as of April 2, 2019. Data represents the average total returns during yield curve inversions that began in 1989, 1998 and 2006. Market defined as the Russell 1000 Index, Value defined as the Russell 1000 Value Index and Growth defined as the Russell 1000 Growth Index. Past performance is not indicative of future results. One cannot invest directly in an index

MONEY IN MOTION

- Value ETFs continued to see outflows over the last month bringing the rolling 3-month difference in favor of Growth to \$2.77 billion. Rolling 6-month flows remain in favor for Value, but the relative difference has been cut by more than half since peaking in late December 2018. Year-to-date, both Growth and Value are in the red with Growth and Value seeing \$713.06 million and \$3.72 billion of outflows, respectively.
- Flows between the two have exhibited cyclical behavior with similar patterns of behavior being observed in December 2016, December 2017 and June 2018, but the magnitude of the recent move into Value was much greater than prior episodes likely exuberating the recent outflows as investors positioned for a Value comeback that never materialized.

RECENT FLOWS SUGGEST A SIZABLE CUT TO VALUE SENTIMENT RELATIVE TO GROWTH

Value Relative to Growth Rolling Flows



Source: Bloomberg Finance, L.P., as of April 2, 2019. Data represents the relative net flows of U.S.-listed U.S. Large Cap Growth ETFs and U.S. Large Cap Value ETFs specifically targeting exposure to U.S. Large Cap Growth and Value stocks, respectively. For example, when the blue, orange and gray lines are positive, U.S. Large Cap Growth stocks gathered greater flows than U.S. Large Cap Value stocks. On the other hand, when the blue and orange lines are negative, U.S. Large Cap Value stocks gathered less flows than U.S. Large Cap Growth stocks.

WHAT'S NEXT?

- We compare today's macroeconomic data to the data immediately prior to the periods identified above in order to gauge if the past can provide a prologue to the present. This mix of data indicates some broad similarities between all four periods, with some pointing toward today being the most healthy, which provides ammunition to the camp stating that yield curve inversion should not be a significant cause for concern. However, comparing the absolute levels of yields does illustrate a relatively stark contrast, as yields today are considerably lower than prior periods thanks to years of extraordinary monetary policy post the Global Financial Crisis.
- With investor sentiment turning negative and macroeconomic trends providing headwinds to Value, investors may see little reason to stop bidding up the price of Growth companies. However, just as we saw in last fall's sell-off, Growth will likely underperform in a sustained pullback.
- With that being said, it is hard to fight the tape on the momentum behind growth as we enter earnings season. With the question regarding the potential rate cut surrounding the Fed turning from an if to a when, investors will focus on corporate confidence and sustainability of growth, on both the top and bottom lines, throughout earnings season as a catalyst for the next move in the markets.

TODAY'S MACROECONOMIC BACKDROP DISPLAYS SIMILARITIES WITH OTHER CYCLES

| | Apr-89 | Aug-98 | Dec-05 | Feb-19 |
|---------------------------------------|--------|--------|--------|--------|
| ISM Manufacturing PMI (Diffusion) | 52.20 | 49.30 | 55.50 | 54.20 |
| U.S. Unemployment Rate (%) | 5.20 | 4.50 | 4.90 | 3.80 |
| Initial Jobless Claims (Thousands) | 311 | 290 | 340 | 211 |
| Core CPI Inflation Year-over-Year (%) | 4.60 | 2.50 | 2.20 | 2.10 |
| Federal Funds Rate (%) | 9.75 | 5.50 | 4.25 | 2.50 |
| 3-Month Yield (%) | 8.77 | 4.83 | 4.83 | 2.43 |
| 10-Year Yield (%) | 9.05 | 4.98 | 5.12 | 2.72 |

Source: Bloomberg Finance, L.P., as of as of April 2, 2019. Data displays the prior month-end to the yield curve inversions displayed in the first figure.

IMPLEMENTATION IDEAS

- While the curve may no longer be inverted, it remains extremely flat, indicating that growth stocks could remain in the driver's seat. The Direxion Russell 1000 Growth Over Value ETF [RWGV] allows investors to outperform traditional growth strategies thanks to its increased exposure to sectors like Information Technology, Consumer Discretionary and Communication Services.
- While data's on the side of growth, the technology sector remains susceptible to questions regarding increased government regulations and company-specific challenges that could crimp margins. The Direxion Russell 1000 Value Over Growth [RWVG] creates an opportunity for an amplified exposure to value stocks relative to growth with Apple Inc., Microsoft Corporation, Amazon.com, Inc., Facebook Inc., and Alphabet Inc. all having negative positions in the portfolio.

DEFINITIONS

- Russell 1000® Index: The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market
- Russell 1000® Value Index: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- Russell 1000® Growth Index: The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at direxioninvestments.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

Shares of the Direxion Shares are bought and sold at market price (not NAV) and are not individually redeemed from a Fund. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 pm EST (when NAV is normally calculated) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense reimbursements or recoupments and fee waivers in effect during certain periods shown. Absent these reimbursements or recoupments and fee waivers, results would have been less favorable.

Direxion Relative Weight ETFs Risks - Investing involves risk including possible loss of principal. The Funds' investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in or shorting securities or other investments. Investing in, and/or having exposure to, growth and value securities involves risks. Risks of growth securities include the risk of sharp price movement, and susceptibility to increased volatility, which may cause them to perform differently than the market as a whole. Risks of value securities include the risk that their intrinsic value may never be fully realized by the market. There is no guarantee that the returns on the Funds' long or short positions will produce high, or even positive returns and a Fund could lose money if either or both of the Fund's long and short positions produce negative returns. Please see the summary and full prospectuses for a more complete description of these and other risks of the Funds.

Distributor for Direxion Shares: Foreside Fund Services, LLC.
