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Economics Weekly

Is This Dollar Regime Change?

Please refer to important disclosures on pages 15 and 16. Analyst certification is on page 15.

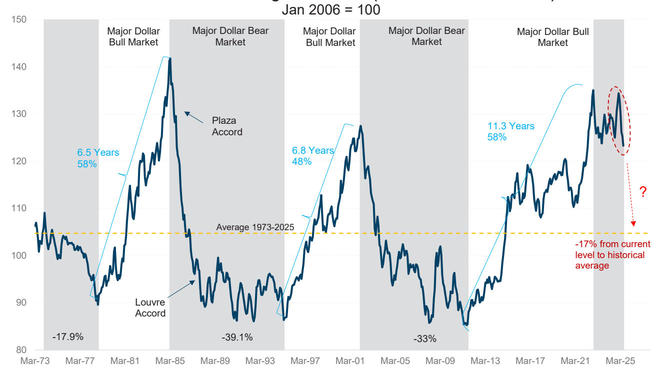
We believe the term "currency strategist" could often be described as an oxymoron. Most studies show that forward exchange rates have little predictive power, and most foreign-exchange forecasts are backward-looking; they chase momentum and the macro consensus, and their accuracy is even lower than most other economic forecasts. Thus, former Fed Chair Alan Greenspan used to say that the current spot rate is almost always the best estimate of the expected future rate. This is certainly true in the near term, when forecasting the exchange rate often comes down to simply charting and technical analysis (lines of support/resistance, chart patterns, oscillators, etc.). Over longer term, however, currencies tend to adhere to their economic fundamentals, and therefore, the accuracy of forecasts tends to increase. **In this *Economics Weekly,* we reassess the current dollar regime and why we might now be at a turning point for the currency.**

Dollar Bear Market and Regime Change

The overwhelming consensus among economists at the start of the year had been that the dollar will weaken during 2025; unfortunately, such strong consensus often proves to be a good contrarian indicator, and while it has been correct through the first half of the year, it would not be surprising if the dollar recovers some of this earlier weakness through the second. This would also be consistent with some recent wins for the Trump administration: the passage of the One Big Beautiful Bill Act (OBBB), progress in the Middle East, and trade agreements being made in principle with the U.K., China, and Vietnam—and, we are told, soon-to-be-announced deals with India and the EU.

In exhibit 1, we chart the performance of the real (inflation adjusted) trade-weighted dollar against other advanced economies since the currency was depegged from gold (1971) and officially fully floated in 1973. As shown, the currency tends to move in major regimes, of which there have been three major bull markets and three major bear markets, with the average length for each approximately 8 years. During bull markets the dollar has increased an average of 55%, and during bear markets it has fallen by an average of 30%.

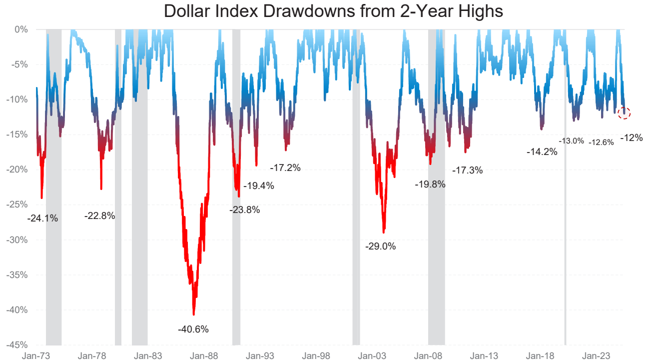
Exhibit 1
Real U.S. Trade-Weighted Dollar (Advanced Economies)
Jan 2006 = 100



Sources: Federal Reserve, William Blair Equity Research; Shaded areas = dollar bear markets

If we are now in a fourth major dollar bear market, the bull market peak looks to have been reached in October 2022—the month prior to the midterm elections and about halfway through the Fed's tightening cycle. The performance since then has been relatively trendless, with the dollar almost recovering that peak in January 2025. Since then, however, the dollar has started to decline quite sharply. The drawdown from the two-year high in the DXY dollar index has been 12% (exhibit 2), and year-to-date the DXY index is 10.2% lower. If the currency were to fall to its historical average, this would equate to a 17% decline from the current level.

Exhibit 2
Dollar Index Drawdowns from 2-Year Highs



Sources: Bloomberg, William Blair Equity Resarch; Shaded areas = recessions

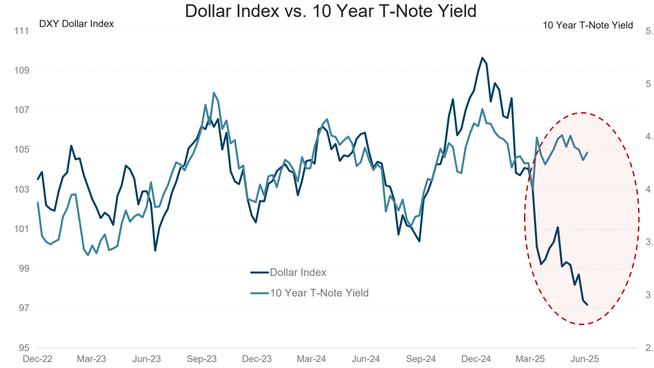
This decline raises two important questions: Is this now the start of another major dollar bear market? And, is this also the start of the end of the dollar being the world's reserve currency of choice?

Historically, dollar bull markets have tended to end badly for many of those countries that are linked to the currency. For example, the early 1980s bull market ended with the Latin American debt crisis, and the 1990s bull market ended with the Asian crisis and the Russian debt default. As the dollar strengthens, countries that are pegged to the dollar—often commodity-exporting emerging markets—find their products becoming less internationally competitive. Meanwhile, they have also tended to borrow in dollar-denominated debt, which has to be repaid in a more expensive currency at typically higher rates of interest. The fact that this past dollar bull market has not so far ended in a major emerging market crisis is a testament to many of these economies learning the hard lessons of the last Asian crisis. They have taken great pains to mend their balance sheets and to increase borrowing in domestic currencies.

If this is the start of a major regime change to a dollar bear market and/or the waning influence of the dollar as the world's reserve currency, what might happen next?

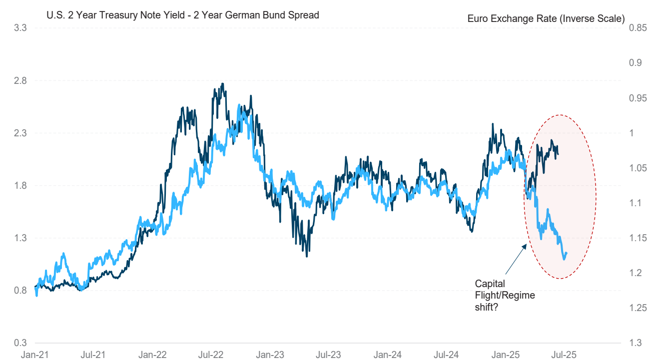
Changing Near-Term Dynamics
Near-term shifts in the dollar following the global financial crisis and the advent of quantitative easing seem to have meant that the dollar has been driven more by risk-on/risk-off global capital flows, as opposed to changing interest rate differentials, which is what typically drives such shifts in the currency. Following the Fed's recent tightening cycle, the renewed start of easing, and widening interest rate gaps between the U.S. and other foreign economies, interest rate differentials seem to be back in the driver's seat.

Exhibit 3
Dollar Index vs. 10 Year T-Note Yield



Sources: Bloomberg, William Blair Equity Research

Exhibit 4
2 Year T-Note - Bund Spread vs. Euro



Sources: Bloomberg, William Blair Equity Research

Looking at the Bigger Picture

There are a number of important reasons to suspect further diversification away from the dollar and continued dollar weakness.

First, in the old dollar regime, periods of dollar weakness would normally also be accompanied by declining interest rates. For example, foreign investors would rush to lock in higher yields before the currency loses further ground, the Fed would react to any dollar weakness by starting to lower interest rates, or a risk-on environment might encourage bond investors to move out of bonds into foreign assets, while also expecting the Fed to lower rates in a softer inflationary environment. Yet, as shown in exhibits 3 and 4, that is decidedly not happening this time around.

The dollar has been declining and bond yields have moved slightly higher—both in absolute terms, relative to other fixed bonds such as German bunds, and across the yield curve. While this does not prove that a major regime change is underway, it is the type of behavior that we would necessarily expect to see if such a change was actually underway.

What Is Driving This Change?

While this could be just mean reversion following an 11- to 15-year bull run—where the dollar simply became too strong and investors found themselves overallocated to dollars, and economic growth also started to suffer—we suspect it is more than that. It is likely no coincidence that the break in the dollar-bond relationship coincided exactly with the April 2 tariff announcements.

The reality is that the dollar's reserve status is largely a function of free and open capital markets, extremely large and highly liquid pools of capital, a strong and stable government, and importantly, a global security umbrella. Just as important, however, has been the absence of any global alternatives to the dollar.

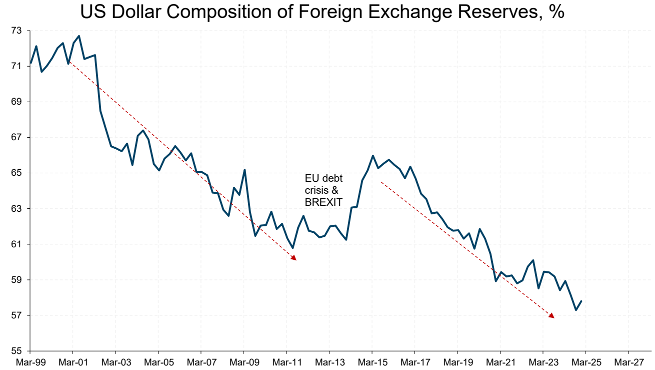
Yet, there are several reasons to believe that while the dollar may not be losing its reserve status, some of the pillars that have helped support its status are starting to erode and other spheres of influence are also starting to emerge. These reasons are explored below.

Lack of Fiscal Rectitude

Many of these changes did not start with President Trump and have been in motion for many years now; however, the current administration seems to be both accelerating and formalizing the transition. For example, there has been a complete reluctance and/or inability by either party to rein in budget deficits that are now expected to be 6% or higher for the foreseeable future—well above the 3% level at which the deficit is believed to be roughly sustainable. This lack of fiscal rectitude and rising debt burden is starting to encourage foreign investors, including foreign official investors, to look for greater reserve diversification. We can see this in the continued decline in the dollar's share of forex reserves (exhibit 5).

Exhibit 5

US Dollar Composition of Foreign Exchange Reserves, %



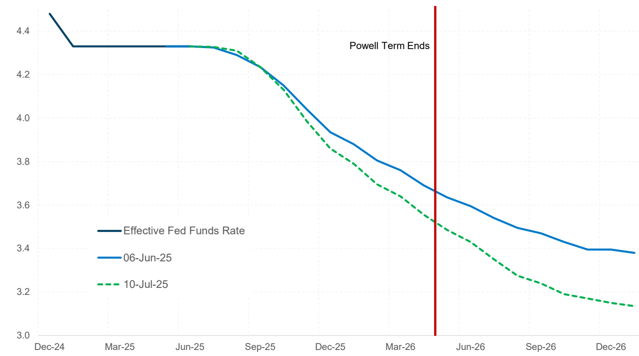
Sources: IMF, William Blair Equity Research

Central Bank Independence

An independent central bank is another important (but not binding) pillar helping support the dollar's role as a reserve currency. As such, the currency's status is not being helped by the continued attacks on the Fed by the president—with his very vocal desire to have the Fed Chair replaced with someone more compliant and who will start to aggressively lower interest rates as soon as they get into office. Futures market participants, for example, are already starting to price in lower interest rates after May 2026 than was the case just one month ago, before attacks on the Fed were stepped up (exhibit 6).

Exhibit 6

Fed Funds Rate, Futures Market Expectations & FOMC Projections, %



Sources: Bloomberg, William Blair Equity Research

Weaponized or Commercializing Swap Lines?

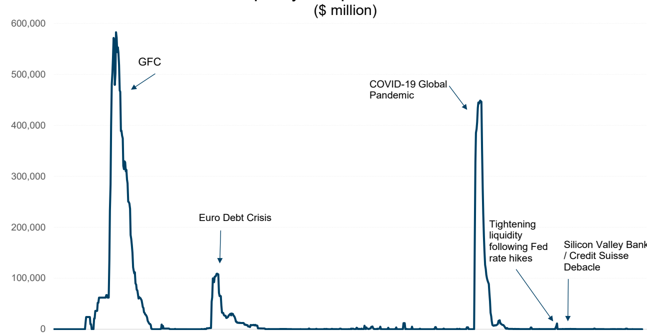
In the past one of the main reasons foreign central banks have been so willing to hold their foreign-exchange reserves in dollars has been due to the presence of the Fed's forex swap facility (exhibit 7). While the establishment of a permanent facility is relatively recent, the Fed had always been quick to act as a dollar lender of last resort during past crises, swapping foreign currencies for dollars to allow foreign companies the necessary capital to meet their dollar obligations and thereby helping avoid a much deeper market collapse.

If the central bank were to decide as some are suggesting that: 1) access to this facility could be used as leverage in other areas of negotiations, or 2) it might start to charge a fee or commission for its use, then this too would be a major step toward diminishing the attractiveness of the dollar as a safe haven. Other central banks have established their own swap facilities, but none are anywhere near as important as the Fed's.

Exhibit 7

Central Bank Liquidity Swaps with the Federal Reserve

($ million)



Sources: Federal Reserve, William Blair Equity Research

Taxing Foreign Investors
The recent attempt to include a clause in the OBBB—section 899, or the so-called "revenge tax"—that sought to increase and enforce a withholding tax on foreign domestic investment would have been a clear deterrent to foreign investment had it been included in the final draft of the bill. The message would have been that while we are happy for foreigners to come and have access to our capital markets, this is a service for which we are now going to charge a fee.

While the section was not included in the final bill, even seriously raising these potential outcomes starts to raise doubt in investors' minds, and again could start to eat away at their confidence in the sanctity of the U.S.'s free and open capital markets.

Openness to Trade and the Multilateral Approach
The U.S.'s openness to trade is another important determinant of the dollar's status. It is still very much the case that the vast majority of trade is invoiced in dollars, and most foreign-currency exchanges run through dollars. Hence, establishing barriers to trade will necessarily reduce the need for holding that currency.

Furthermore, the Trump administration's reluctance to engage with foreigners on a multilateral basis—i.e., its attempts to distance itself from international regulatory agreements such as Basel III and to downgrade and reduce funding to other major global organizations—is also consistent with a reduction of globalization and foreign interest in holding dollar assets.

A Replay of the Nixon Shock?

History of course doesn't repeat, but it does rhyme. As we have mentioned in past *Economic Weeklies* this year, we think what is happening today closely mirrors the sentiment and some of the steps the Nixon administration took in 1971, when it shocked the world by: 1) breaking away from the gold standard; 2) imposing 10% tariffs on all foreign goods; and 3) imposing wage and price controls.

The thinking behind what became known as the Nixon Shock has been clearly and entertainingly written about in Jeffrey Garten's book, Three Days at Camp David: How a Secret Meeting in 1971 Transformed the Global Economy. In the following excerpt from this book, it is uncanny how similar the quotes from then Treasury Secretary John Connally, who was the driving force behind these changes (along with others such as Paul Volcker), sound to those of President Trump today:

> *Connally gave no ground. His remarks were characterized as "uncompromising, hardnosed." He said the United States had done a massive amount for other countries over the past quarter century and that now it was payback time. He demanded a redistribution of monetary trade, and defense burdens. Further, there would be no contemplation of U.S. retreat on the import surtax until his demands for exchange rate realignment and for a more equitable sharing of economic and defense burdens were acted upon. He went on to say that there should be no doubt that the United States had been a champion of open trade. "We believe in it, we fostered it, we spent much of the resources of the nation to support it and bring it about over the past twenty-five years…." And he pointed a finger at those countries whose governments had large trade surpluses and to the consequences of not reaching agreement. "But no nation should, over any period of time, assume that the export markets should be used for the purpose of providing prosperity at home to the detriment of other nations around the world…. Let me conclude by simply saying that I suppose we of all countries would be most aggrieved to see a deterioration in the expansive world trade policies that have been built up in the last quarter century."*

Ultimately, what Treasury Secretary Connally was proposing sounds very much like the proposed Mar-a-Lago accord of today. While this plan has been roundly dismissed by the Trump administration, the reality is that many of the measures it is taking are consistent with such an accord.

It is also the case that President Trump has at times called for a weaker dollar; however, the administration and Treasury Secretary Bessent have taken the official position of saying they are in favor of a strong dollar. Whether this should be considered as more lip service to prevent a major dollar crisis should they suggest otherwise, we do not know. The truth is that much of what this administration is doing and much of what it wants to achieve, with regard to shrinking its current account deficit and reordering the global trading system, would be greatly aided by a weaker currency.

Conclusion

The recent dollar weakness and its break with past correlations is raising concerns that we may be at the start of a major dollar bear market and perhaps a major regime change away from the dollar being the world's reserve currency of choice. There should be no doubt that the dollar is expensive, having risen in real terms by close to 60% over the last 14 years. This rise will have played an additional role in the erosion of the U.S. manufacturing base. Hence, it would be unsurprising to discover that U.S. policymakers were today looking for ways to depreciate the currency without sparking a major destabilizing currency crisis in what have become hyperglobalized and heavily interlinked global financial markets.

We do not think the Trump administration's intention is to dismantle the status of the dollar as the world's reserve currency. The reality is they like the positive factors that come with the "exorbitant privilege," just not the negative ones that also accompany it. Furthermore, there is still no other viable alternative to the dollar with financial markets that are deep enough, open enough, and liquid enough to be able to absorb the scale of global financial flows from surplus nations.

Ultimately, a much greater shift will not be possible without a major change on the part of the Chinese to redirect their growth strategy away from the large surplus-generating export/investment-led model and more toward a deficit-generating consumption-based model, also accompanied by more open capital markets. The EU would similarly need to take further steps toward establishing a fiscal union with much deeper capital markets.

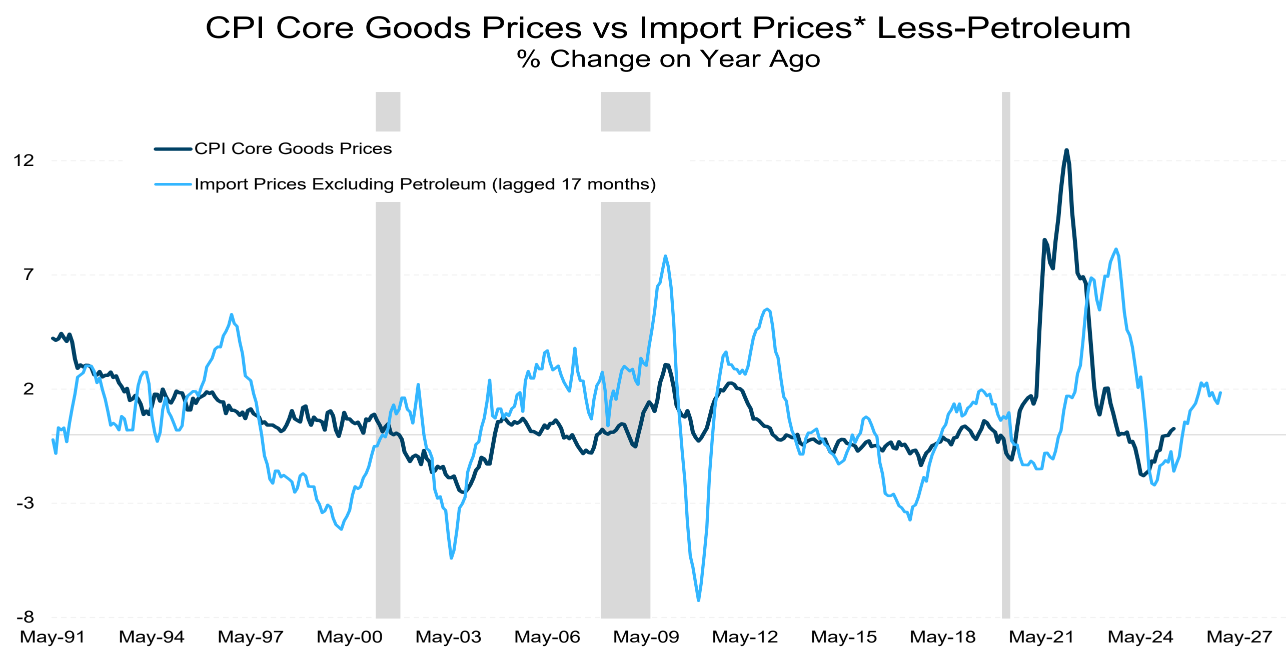
Nevertheless, the tectonic plates are starting to shift, and we are beginning to see signs that the dollar has started to lose some of its prior status. Where we are potentially moving is in the direction of a more decentralized role for the dollar, with other alternatives, such as the euro, renminbi, and digital currency offerings, emerging as more viable avenues of diversification.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
15 July	8:30 a.m.	Consumer Price Index (June)	0.1%	0.3%	0.3%	
		CPI Less-food & energy	0.1%	0.3%	0.3%	
16 July	8:30 a.m.	Producer Price Index (June)	0.1%	0.2%	0.1%	
		PPI Less-food & energy	0.1%	0.2%	0.2%	
16 July	9:15 a.m.	Industrial Production (June)	-0.2%	0.1%	-0.1%	
		Cpacity Utilization	77.4%	77.4%	77.3%	
16 July	2:00 p.m.	Fed's Beige Book				
17 July	8:30 a.m.	Retail Sales (June)	-0.9%	0.0%	-0.3%	
		Sales Less-autos	-0.3%	0.3%	0.1%	
18 July	8:30 a.m.	Housing Starts (June)	-9.8%	3.5%	1.0%	
		Building Permits	-2.0%	-1.7%	-2.0%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: CPI Inflation



*Import prices do not include tariffs or excise duties paid by US importers, though falling prices could reflect foreigners "paying all/part of the tariff"
Sources: Bureau of Labor Statistics, William Blair Equity Research

Economic Scorecard

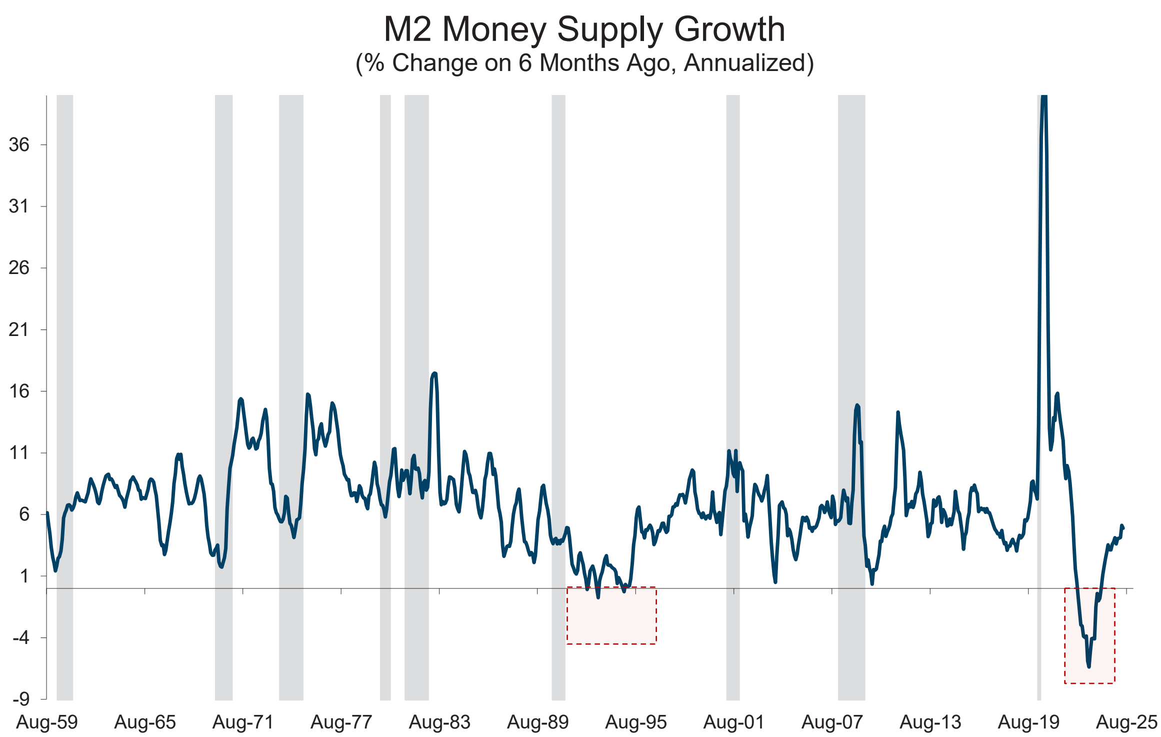
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Growth																			
US Leading Indicators	-7.0	-6.5	-5.5	-5.4	-5.0	-4.5	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.5	-4.3	-4.0		
US Coincident Indicators	1.6	2.0	2.1	1.7	1.9	2.1	1.7	1.7	1.6	1.6	1.3	1.7	1.6	1.6	1.9	2.2	1.9		
US Lagging Indicators	1.2	1.2	1.2	1.4	1.2	1.1	1.0	0.8	0.3	0.1	0.0	0.1	-0.1	0.1	-0.3	-0.3	0.5		
Consumer																			
Total Retail Sales	0	2	3.4	2.6	2.8	2	3	1.9	2	3.1	3.9	4.6	4.6	3.9	5.1	5.0	3.3		
Personal Income	6	5.9	5.9	5.7	5.5	5.4	5.3	5	4.8	5.2	5.1	5.2	4.3	4.6	4.7	5.3	4.5		
Real Disposable Personal Income	3.7	3.3	3.1	2.8	2.8	2.7	2.6	2.4	2.4	2.5	2.3	2.2	1.3	1.5	1.9	2.7	1.7		
Real Personal Consumption	1.9	2.1	2.7	2.4	2.8	2.9	2.9	2.9	3.2	3.1	3.1	3.1	2.9	2.5	2.8	2.9	2.2		
Personal Saving Rate (%)	5.5	5.4	5.2	5.1	4.9	4.8	4.3	4.2	3.8	4.1	3.9	3.5	4.2	4.4	4.4	4.9	4.5		
Consumer Confidence (Conference Board)**	110.9	104.8	103.1	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	93	
Employment																			
Employment Growth	1.5	1.4	1.5	1.5	1.4	1.3	1.3	1.2	1.3	1.2	1.3	1.3	1.3	1.2	1.1	1.1	1.1	1.2	
ASA Temporary Staffing Index	-12.2	-9.4	-8.2	-9.3	-10.2	-9.9	-12.5	-12.2	-12.0	-9.5	-6.6	-21.0	-8.2	-7.5	-8.7	-6.4	-5.8	-5.3	
ISM Employment Index Manufacturing*	47.2	46.1	47.5	48.2	50.4	48.4	43.6	45.8	44.6	44.8	48.1	45.4	50.3	47.6	44.7	46.5	46.8	45	
ISM Employment Index Services*	50.2	48	48.5	46.6	47.5	46.7	51	49.6	48.2	52.2	50.9	51.3	52.3	53.9	46.2	49	50.7	47.2	
Unemployment Rate, %	3.7	3.9	3.9	3.9	4	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4	4.1	4.2	4.2	4.2	4.1	
Average Hourly Earnings	4.3	4.2	4.2	4	4.1	3.9	3.6	4	3.9	4.1	4.2	4	3.9	3.9	3.9	3.8	3.8	3.7	
Initial Jobless Claims (avg. wkly. chg. '000s)	210	211	216	210	222	237	237	230	225	236	219	222	218	227	223	226	235	241	
Jop Openings	-18.5	-14.2	-15.5	-23.7	-15.1	-19.4	-12.8	-17.6	-23.5	-10.9	-7.3	-12.5	-8.3	-11.4	-11.0	-2.9	-1.7	4.8	
Layoff Announcements	-20	8.8	0.7	-3.3	-20.3	19.8	9.2	1	53.4	50.9	26.8	11.4	-39.5	103.2	204.8	62.7	47	-1.6	
Housing Market																			
Housing Starts	1.5	10.9	-4.7	2.3	-16.9	-6.6	-13.4	5.6	-1	-1.2	-14.5	-0.5	-1.7	-4	3.3	0.5	-4.6		
New Home Sales	4.8	3.5	6.3	8.1	-10	-0.4	1.1	7.4	5.3	-8.8	10.7	11.7	-2.8	-2.4	-4.8	0.4	-6.3		
Existing Home Sales	-2.0	-3.4	-3.3	-2.6	-3.1	-5.1	-2.5	-3.7	-3.0	3.1	6.7	9.7	2.3	-0.9	-2.4	-2.0	-0.7		
Median House Price (Existing Homes)	5.4	-2.9	-0.6	-0.5	-1.6	-0.9	-1.6	-8	-1.2	2.1	-7.4	1.1	-0.2	-1.4	-7.5	-0.9	3		
Existing Homes Inventory (Mths' supply)	3.5	3.3	3.5	3.5	3.5	3.8	3.7	3.9	4	3.9	3.8	3.7	3.9	3.8	4.2	4.3	4.3		
New Homes Inventory (Mths' supply)	8.1	8.4	8.1	7.7	8.5	8.4	7.9	8.2	7.9	9.3	8.7	8.2	9	9.3	9.2	8.3	9.8		
NAHB Homebuilder Sentiment*	44	48	51	51	45	43	41	39	41	43	46	46	47	42	39	40	34	32	
Inflation																			
Consumer Price Index	3.1	3.2	3.5	3.4	3.3	3	2.9	2.5	2.4	2.6	2.7	2.9	3	2.8	2.4	2.3	2.4		
CPI Less-food & energy	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8		
Producer Price Index	1.0	1.6	2	2.3	2.5	2.9	2.4	2.1	2.1	2.8	2.9	3.5	3.8	3.4	3.3	2.5	2.6		
PPI Less-food & energy	2.0	2.1	2.3	2.5	2.7	3.3	2.6	2.8	3.3	3.6	3.4	3.7	3.9	3.7	3.9	3.2	3		
PCE Price Index	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.6	2.7	2.3	2.2	2.3		
PCE Prices Less-food & energy	3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.7	2.9	2.7	2.6	2.7		
Business Activity - US																			
Industrial Production	-1.2	-0.1	-0.3	-0.8	0.0	0.9	-0.5	-0.1	-0.7	-0.4	-0.9	0.4	1.4	1.2	1.2	1.4	0.6		
New Cap Gds Orders less-aircraft & parts	-2.5	2.2	-1.5	2.1	-2.8	-4	-0.6	-1.8	0.5	0.2	-1.1	1.9	3.3	-0.9	2.2	0.5	2.1		
Business Inventories	-0.1	-0.2	0.3	0.2	0.6	1.1	1.5	2.1	2.1	1.9	2.2	2.6	1.9	2.5	2.3	2.5	2.2		
ISM Manufacturing PMI*	48.9	47.6	49.8	48.8	48.5	48.3	47	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49	48.7	48.5	49	
Markit US Manufacturing PMI*	50.7	52.2	51.9	50	51.3	51.6	49.6	47.9	47.3	48.5	49.7	49.4	51.2	52.7	50.2	50.2	52	52.9	
ISM Services Index*	53.2	52.2	51.3	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54	52.8	53.5	50.8	51.6	49.9	50.8	
Markit US Services PMI*	52.5	52.3	51.7	51.3	54.8	55.3	55	55.7	55.2	55	56.1	56.8	52.9	51	54.4	50.8	53.7	52.9	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	45.5	42.5	41.9	42.5	45.4	43.5	43.2	42.4	40.6	43	43	42.5	45	46.5	48.3	48.4	48.3	49	
Japan Manufacturing PMI Jibun Bank*	48	47.2	48.2	49.6	50.4	50	49.1	49.8	49.7	49.2	49	49.6	48.7	49	48.4	48.7	49.4	50.1	
Caixin China Manufacturing PMI*	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4	48.3	50.4	
China Manufacturing PMI*	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1	50.2	50.5	49	49.5	49.7	
UK Manufacturing PMI Markit/CIPS*	47	47.5	50.3	49.1	51.2	50.9	52.1	52.5	51.5	49.9	48	47	48.3	46.9	44.9	45.4	46.4	47.7	
France Manufacturing PMI Markit*	43.1	47.1	46.2	45.3	46.4	45.4	44	43.9	44.6	44.5	43.1	41.9	45	45.8	48.5	48.7	49.8	48.1	
Currencies* **																			
Euro (EUR/USD)	-0.4	2.2	-0.5	-3.2	1.5	-1.8	-1.6	1.9	5.3	2.9	-2.9	-6.2	-4.2	-4.0	0.2	6.2	4.6	10.0	
Renmimbi (USD/CNY)	6.1	3.6	5.1	4.7	1.9	0.2	1.2	-2.3	-3.8	-2.7	1.6	2.8	1.1	1.2	0.5	0.4	-0.6	-1.4	
Yen (USD/Yen)	12.9	10.1	13.9	15.8	12.9	11.5	5.4	0.4	-3.8	0.2	1.1	11.5	5.6	0.4	-0.9	-9.3	-8.4	-10.5	
Sterling (GBP/USD)	3.0	5.0	2.3	-0.6	2.4	-0.5	0.2	3.6	9.6	6.1	0.9	-1.7	-2.3	-0.4	2.3	6.7	5.6	8.6	
Canadian $ (USD/CAD)	1.0	-0.5	0.2	1.7	0.4	3.3	4.7	-0.1	-0.4	0.4	3.3	8.6	8.2	6.5	6.3	0.2	0.8	-0.5	
Mexican Peso (USD/MXN)	-8.6	-6.8	-8.2	-4.8	-3.8	7.0	11.2	15.8	13.0	11.0	17.2	22.7	20.1	20.5	23.6	14.4	14.3	2.3	
US Equities																			
S&P 500	18.9	28.4	27.9	20.8	26.3	22.7	20.3	25.3	34.4	36.0	32.1	23.3	24.7	16.8	6.8	10.6	12.0	13.6	
S&P 400 Midcap	3.0	11.1	21.3	14.9	23.9	11.7	13.5	16.9	24.8	30.9	31.3	12.2	18.6	7.1	-4.2	-0.3	0.6	5.9	
S&P 600 Smallcap	-0.1	4.5	13.8	10.4	18.1	6.6	12.0	15.1	23.5	27.6	30.9	6.8	14.5	4.5	-5.0	-3.6	-3.4	2.8	
Russell 2000	0.8	8.3	17.9	11.6	18.3	8.4	12.5	16.7	24.9	32.1	34.6	10.0	17.5	5.3	-5.3	-0.5	-0.2	6.2	

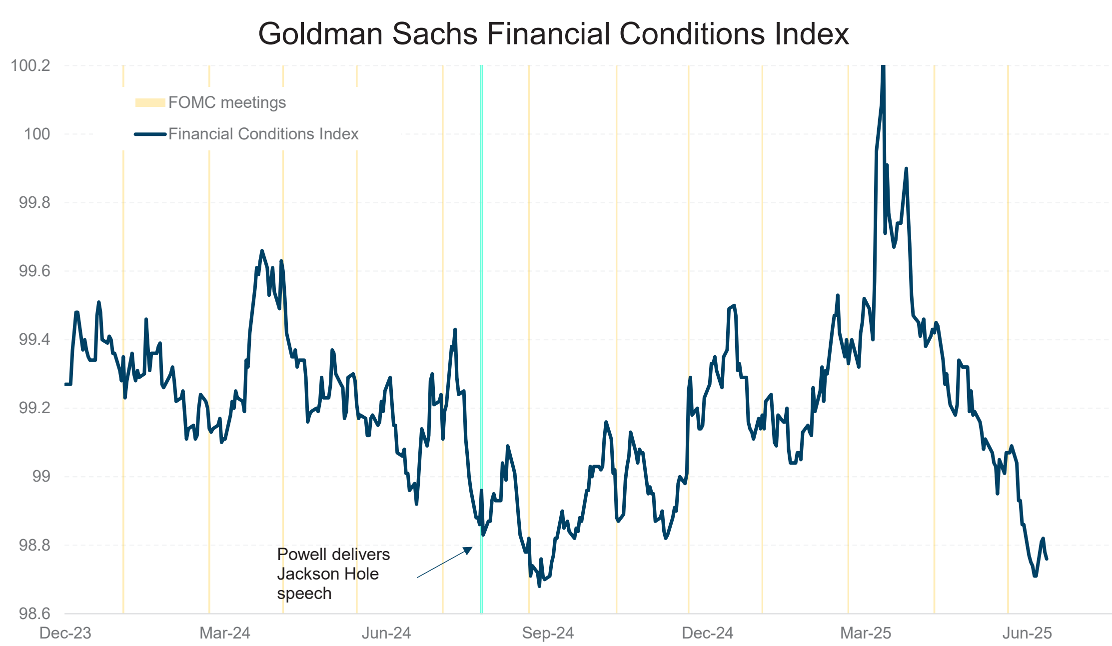
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

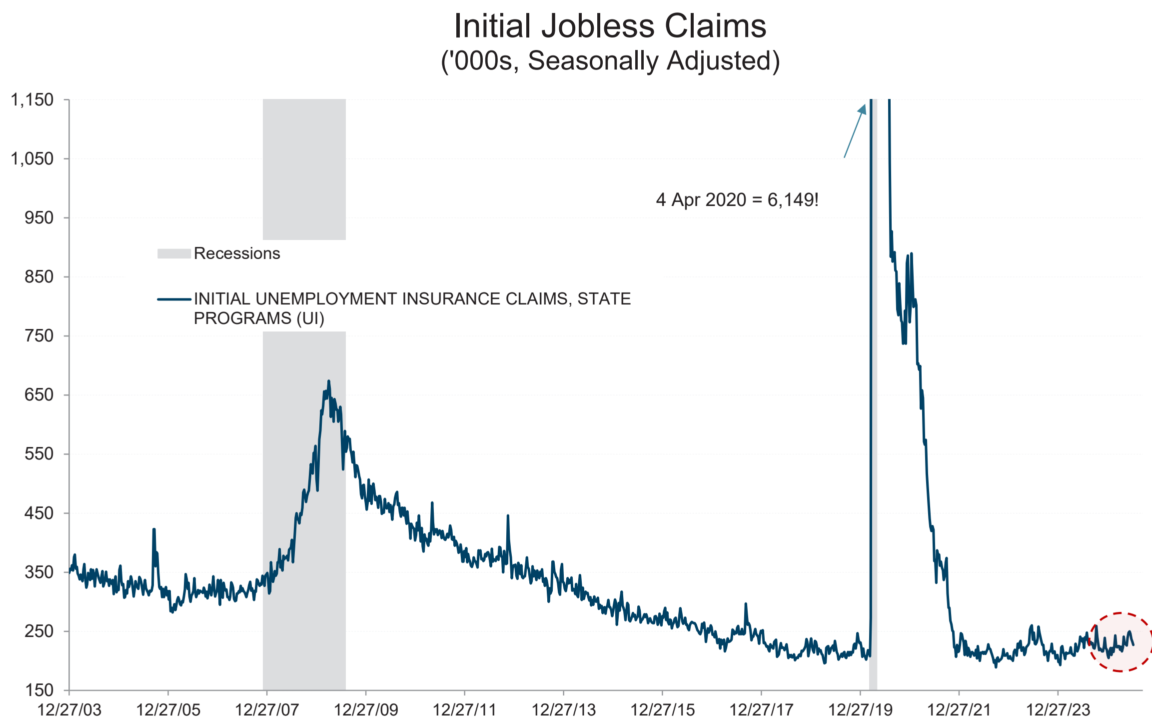
Other Economic Indicators



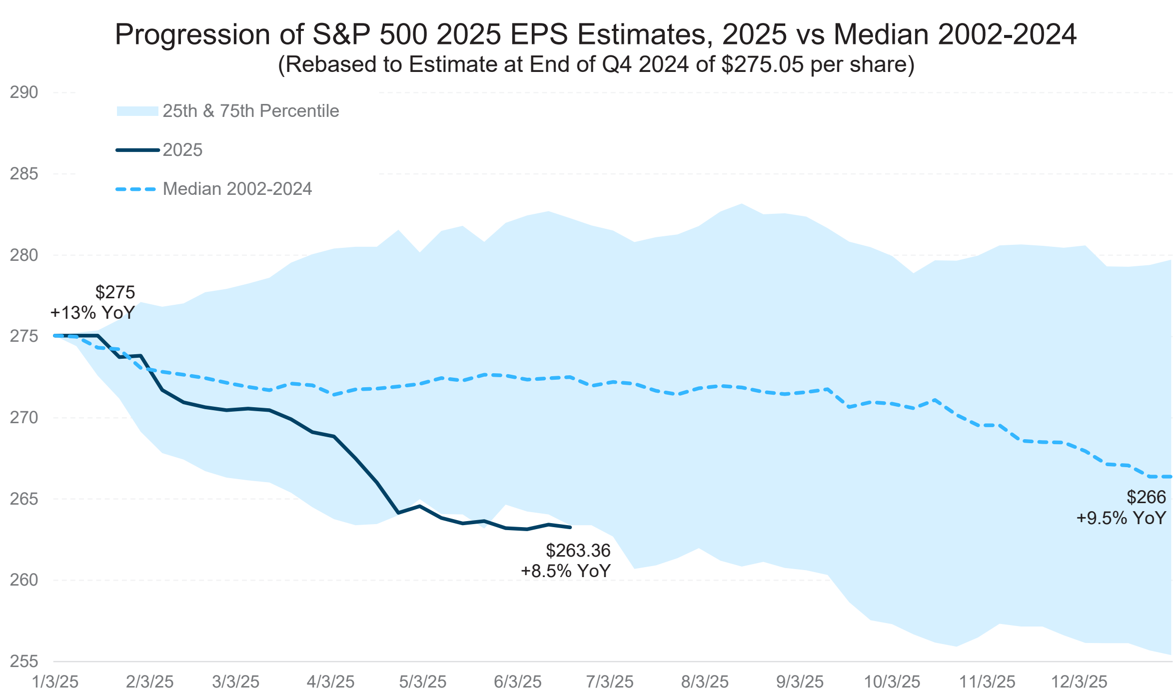
Sources: Federal Reserve, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

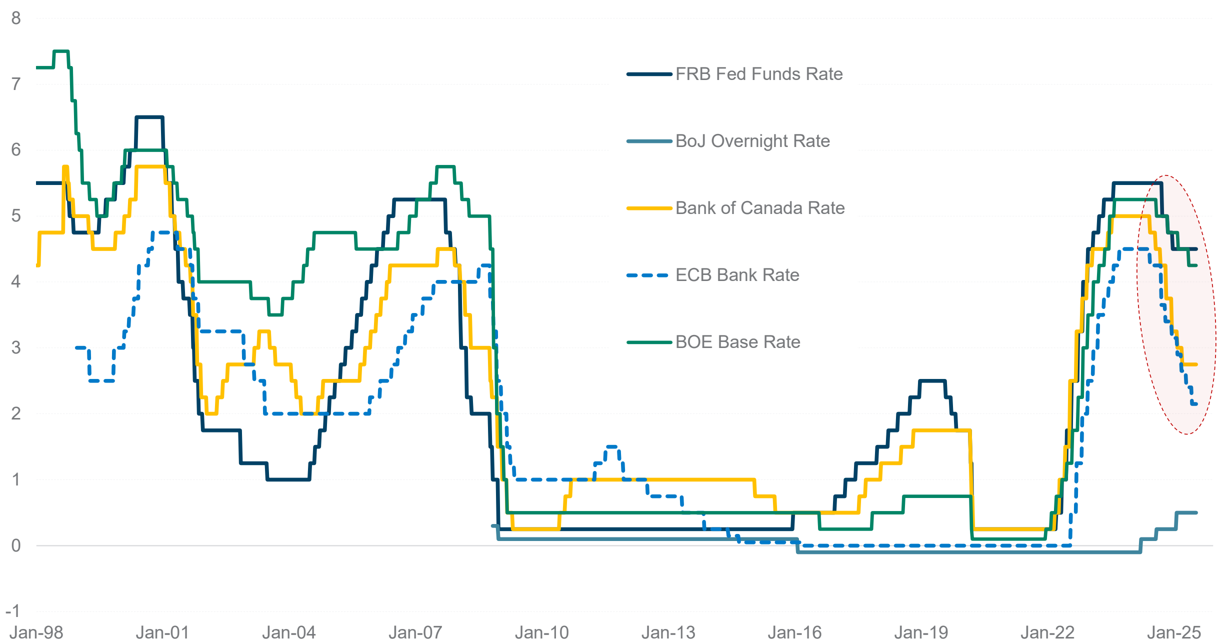


Source: Department of Labor, Bloomberg, William Blair Equity Research



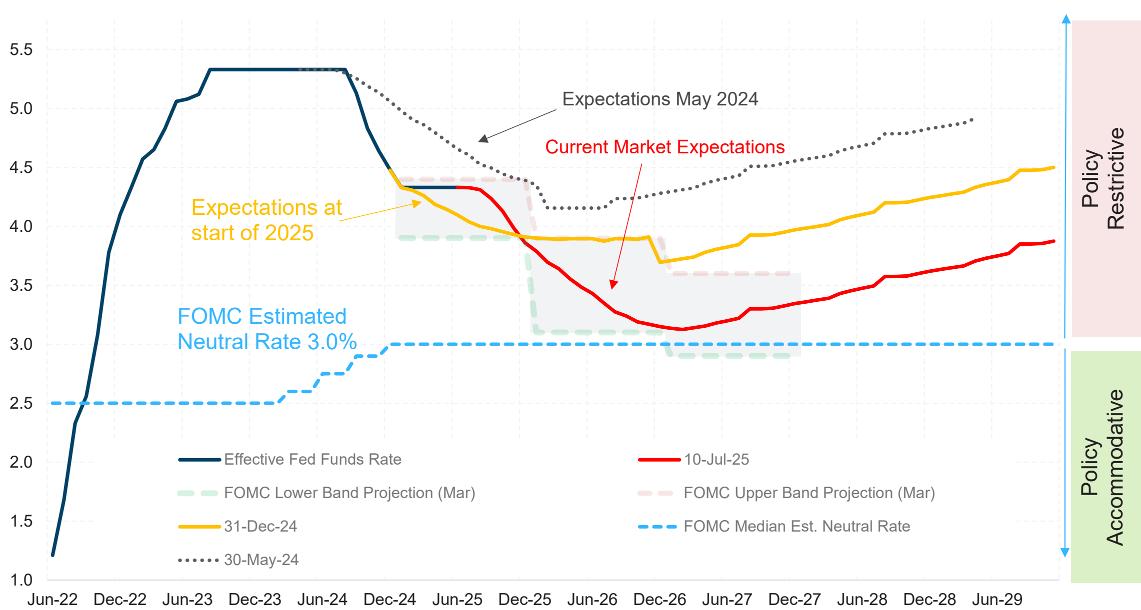
Sources: LSEG, William Blair Equity Research

Central Bank Target Short-Term Interest Rates, %



Sources: Bloomberg, William Blair Equity Research

Fed Funds Rate Futures Market Expectations & FOMC Projections, %



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 10-Jul-25	Week Ago 03-Jul-25	Month Ago 10-Jun-25	Qtr-to-Date 30-Jun-25	Year-to-Date 31-Dec-24
S&P 500 Index	**100.00**	**0.02**	**4.00**	**1.22**	**6.78**
S&P 400 MidCap Index		**0.25**	**4.31**	**3.11**	**2.51**
S&P 600 SmallCap Index		**0.77**	**4.38**	**4.29**	**-1.23**
Dow Jones Industrials		**-0.40**	**4.16**	**1.26**	**4.95**
Nasdaq Composite		**0.14**	**4.64**	**1.28**	**6.83**
Communication Services	**9.91**	**-0.97**	**1.11**	**-1.48**	**8.99**
Advertising	0.04	-1.63	2.16	2.09	-13.18
Broadcasting	0.06	0.16	3.89	0.40	17.35
Cable & Satellite	0.34	-2.07	-0.72	-0.98	-1.32
Integrated Telecommunication Services	0.69	-3.02	-3.74	-3.77	13.08
Interactive Home Entertainment	0.15	-2.28	1.39	-4.11	14.72
Interactive Media & Services	6.60	-0.05	1.25	-0.25	5.64
Movies & Entertainment	1.52	-2.91	3.76	-5.07	28.05
Publishing & Printing	0.03	-0.16	6.46	-0.05	9.06
Wireless Telecommunication Svcs	0.48	-5.23	-3.73	-4.24	3.36
Consumer Discretionary	**11.00**	**-0.20**	**1.99**	**1.50**	**-2.79**
Apparel Retail	0.33	-1.16	-2.74	1.02	-1.60
Apparel & Accessories & Luxury Goods	0.11	1.63	4.13	4.99	-10.31
Auto Parts & Equipment	0.03	-2.73	0.29	3.46	11.88
Automobile Manufacturers	2.01	-1.50	-3.62	-1.42	-20.74
Automobile Retail	0.28	-0.23	0.39	1.44	13.42
Broadline Retail	4.40	-0.49	2.07	1.35	1.64
Casinos & Gaming	0.12	4.97	19.40	15.42	6.46
Computer & Electronics Retail	0.03	2.25	-1.59	9.82	-14.08
Consumer Electronics	0.08	1.41	3.66	4.35	5.59
Distributors	0.07	0.75	-0.07	5.27	2.06
Footwear	0.19	-2.14	12.94	4.53	-13.38
Home Furnishings	0.01	2.70	7.45	8.58	-4.45
Home Improvement Retail	0.92	0.28	1.43	2.05	-4.99
Homebuilding	0.21	4.67	6.79	6.87	-1.42
Hotels, Resorts & Cruise Lines	1.01	0.75	8.50	3.05	14.23
Leisure Products	0.02	-0.70	11.98	4.45	37.90
Restaurants	1.06	0.57	3.87	1.29	6.16
Other Specialty Retail	0.10	2.80	7.87	5.81	8.72
Consumer Staples	**6.08**	**-1.42**	**-1.05**	**-0.48**	**4.58**
Agricultural Products	0.08	-1.23	8.98	1.41	5.60
Brewers	0.02	0.75	-4.60	3.58	-13.10
Distillers & Vintners	0.07	0.38	1.05	6.18	-22.33
Drug Retail	0.02	0.78	1.85	0.70	23.90
Food Distributors	0.07	0.36	2.58	2.27	1.31
Food Retail	0.09	1.26	8.07	-1.42	15.63
Household Products	0.97	-1.26	-2.14	0.10	-4.87
Packaged Foods & Meats	0.53	-2.79	-2.10	-0.36	-4.57
Personal Products	0.11	0.89	6.78	4.45	5.45
Soft Drinks	1.08	-1.47	-1.08	0.02	2.59
Tobacco	0.70	0.38	0.80	-0.50	38.04
Energy	**3.13**	**1.99**	**5.35**	**4.81**	**3.83**
Integrated Oil & Gas	1.49	3.00	7.18	7.05	6.06
Oil & Gas Equipment & Services	0.20	1.86	2.38	6.66	-6.83
Oil & Gas Exploration & Production	0.74	0.78	2.34	2.73	0.03
Oil & Gas Refining & Marketing & Transportation	0.29	5.29	14.02	12.34	24.75
Oil & Gas Storage & Transportation	0.40	-1.68	0.03	-4.69	-3.82

Financials	**13.83**	**-0.92**	**3.53**	**0.59**	**9.03**
Asset Management & Custody Banks	1.19	2.34	11.28	5.66	4.02
Consumer Finance	0.73	-0.38	9.71	3.03	15.61
Diversified Banks	3.28	-2.31	7.55	0.87	15.20
Financial Exchanges & Data	1.27	0.93	8.01	1.44	14.91
Insurance Brokers	0.60	-0.11	0.46	-1.11	3.08
Investment Banking & Brokerage	1.19	-0.52	10.11	1.30	19.89
Life & Health Insurance	0.32	-1.94	0.45	-1.73	-3.07
Multi-Sector Holdings	1.18	-1.39	-2.62	-1.54	5.51
Property & Casualty Insurance	1.06	-2.44	-2.94	-4.17	3.45
Regional Banks	0.30	0.21	10.89	5.66	6.80
Reinsurance	0.03	0.88	1.24	0.17	-6.07
Transaction & Payment Processing	2.54	-1.13	-3.36	0.19	4.74
Health Care	**9.46**	**0.61**	**0.82**	**1.13**	**-0.90**
Biotechnology	1.61	2.72	3.83	5.95	9.86
Health Care Distributors	0.36	-0.57	3.30	-2.04	28.47
Health Care Equipment	2.17	-0.52	1.21	-1.00	8.20
Health Care Facilities	0.19	0.36	4.07	-0.86	22.24
Health Care Services	0.40	-2.97	-0.28	-5.23	22.27
Health Care Supplies	0.08	2.16	5.20	5.71	-4.69
Life Sciences Tools & Services	0.85	1.11	2.87	5.09	-13.51
Managed Health Care	0.75	-2.53	-6.35	-8.37	-34.30
Pharmaceuticals	3.06	1.65	-0.08	3.20	-1.23
Industrials	**8.70**	**0.89**	**4.78**	**2.12**	**14.34**
Aerospace & Defense	2.18	1.33	4.51	0.62	27.06
Agricultural & Farm Machinery	0.26	-0.34	0.66	2.11	22.54
Air Freight & Logistics	0.30	-0.63	2.54	3.46	-14.03
Building Products	0.56	0.72	5.33	2.76	15.31
Cargo Ground Transportation	0.09	0.35	3.16	6.05	-4.85
Construction & Engineering	0.10	-1.66	8.98	0.53	20.26
Construction Machinery & Heavy Trucks	0.60	2.11	9.77	4.51	7.18
Data Processing & Outsourced Services	0.05	-1.46	-1.82	-1.83	5.53
Diversified Support Svcs	0.25	-1.80	-3.28	-2.60	2.98
Electrical Components & Equipment	0.61	-0.53	8.68	2.22	8.67
Environmental & Facilities Services	0.40	-0.65	-2.39	-1.24	12.79
Heavy Electrical Equipment	0.27	4.32	15.92	1.93	63.98
Human Resource & Employment Services	0.37	-1.02	-4.10	-0.38	3.16
Industrial Conglomerates	0.43	0.01	5.97	2.26	10.34
Industrial Machinery	0.72	0.56	4.15	3.76	4.03
Passenger Airlines	0.16	11.03	9.69	15.26	-2.09
Railroads	0.48	0.18	4.04	2.91	5.66
Research & Consulting Svcs	0.21	0.42	1.03	0.66	7.61
Trading Companies & Distributors	0.28	1.46	4.25	4.51	11.93
Information Technology	**33.18**	**0.38**	**7.73**	**1.84**	**9.68**
Application Software	2.66	-1.42	-0.39	-1.02	5.93
Communications Equipment	0.90	0.07	6.63	0.33	6.60
Electronic Components	0.30	-1.24	5.51	-0.49	31.98
Electronic Equipment & Instruments	0.16	0.98	5.89	3.67	3.77
Electronic Manufacturing Services	0.14	-0.43	10.53	2.99	30.81
Internet Software & Services	0.12	-1.70	-0.61	-2.73	0.40
IT Consulting & Services	0.96	-3.29	-2.78	-2.82	2.37
Semiconductor Equipment	0.79	2.36	11.10	5.61	28.84
Semiconductors	11.86	2.10	12.52	2.90	20.52
Systems Software	9.05	-0.37	7.25	0.59	18.78
Technology Distributors	0.04	-1.34	0.54	0.62	3.26
Technology Hardware, Storage & Peripherals	6.19	-0.51	5.17	3.48	-13.89
Materials	**1.93**	**0.49**	**3.60**	**4.14**	**9.31**
Commodity Chemicals	0.08	5.83	2.39	13.60	-19.55
Construction Materials	0.13	1.43	1.97	3.31	7.19
Copper	0.12	3.08	11.90	8.90	23.98
Fertilizers & Agricultural Chemicals	0.14	-2.26	4.64	0.83	26.62
Gold	0.12	-0.20	13.74	2.60	60.61

Industrial Gases	0.53	-0.68	0.09	1.14	9.68
Metal & Glass Containers	0.03	-0.56	6.14	4.12	5.93
Paper Packaging	0.20	1.95	7.24	9.44	-5.05
Specialty Chemicals	0.48	-0.01	0.51	3.63	2.09
Steel	0.10	3.64	10.13	9.40	21.93
Real Estate	**2.03**	**-0.51**	**-1.14**	**0.35**	**2.07**
Data Center REITs	0.24	-2.60	-11.59	-3.61	-13.58
Health Care REITs	0.28	0.48	1.79	0.80	10.61
Hotel & Resort REITs	0.02	2.28	3.17	7.94	-5.37
Industrial REITs	0.18	0.36	-0.98	3.13	2.56
Multi-Family Residential REITs	0.00	0.15	-2.48	0.26	-4.70
Office REITs	0.02	2.10	-3.58	4.17	-5.49
Real Estate Service	0.14	1.41	6.23	3.60	13.05
Retail REITs	0.26	-1.60	-0.22	0.07	-2.28
Self-Storage REITs	0.15	-2.58	-3.74	-0.56	-2.34
Single-Family Residential REITs	0.15	-2.58	-3.74	-0.56	-2.34
Telecom Tower REITs	0.32	-0.01	3.26	0.17	17.96
Timber REITs	0.03	-0.94	-5.07	1.91	-6.99
Utilities	**2.34**	**0.87**	**2.71**	**1.08**	**8.91**
Electric Utilities	1.50	0.67	2.40	1.27	8.84
Gas Utilities	0.05	1.37	0.91	0.17	10.85
Independent Power Producers & Energy Traders	0.14	2.52	17.79	2.75	34.57
Water Utilities	0.05	1.88	0.99	2.57	14.61
Multi-Utilities	0.60	0.87	0.76	0.17	3.91

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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DOW JONES: 44650.60
S&P 500: 6280.46
NASDAQ: 20418.50

Additional information is available upon request.

Current Rating Distribution (as of July 11, 2025):

Coverage Universe	**Percent**	**Inv. Banking Relationships ***	**Percent**
Outperform (Buy)	71	Outperform (Buy)	11
Market Perform (Hold)	28	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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