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Equity Research
Macroeconomics

18 July 2025

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# Economics Weekly

## Stablecoins the Great Disrupter?

Please refer to important disclosures on pages 13 and 14. Analyst certification is on page 13.

Last week, we discussed the status of the U.S. dollar and how we may be at a point of cyclical change, whereby further dollar depreciation is likely over the coming years due to a number of factors. The elephant in the room we did not discuss was stablecoins. The topic has continued to grow, and this week (dubbed Crypto Week by the House of Representatives) it gained even more attention with progress on passing through Congress the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act), the CLARITY Act (Digital Asset Market Clarity Act), and the Anti-CBDC Surveillance State Act legislation. **In this *Economics Weekly,* we discuss the topic of stablecoins, what's attractive and not attractive about them, what risks they pose, why the central bankers worry about them, and why fiscal policymakers favor them.**

## Four Main Types of Tokens

There are four primary digital tokens emerging: cryptocurrencies, stablecoins, CBDCs (central bank digital currencies), and tokenized money market funds.

Cryptocurrencies are a medium of exchange in select areas, but are still not widely accepted globally. They are not stores of value given their volatility, and it would be a stretch to call them units of account. Overall, they do not adhere to the strict definition of money, even though they purport themselves as a new form of currency. Furthermore, they are not legal tender, they are backed entirely by thin air and are worth only what the next buyer is willing to pay for them. There are seemingly no barriers to entry in establishing them, they are issued by decentralized networks, they are highly volatile, there is little regulation around them, and the process of mining for them consumes unconscionable amounts of energy that could be used for much more productive purposes.

Stablecoins by contrast come in various forms but are all backed by something (fiat/collateral/algorithm), which helps avoid the volatility experienced by the cryptocurrencies. Typically, stablecoins are backed 1:1, meaning that for every token coin in circulation, the issuer holds an equivalent amount of a reserve asset in custody in case of redemption.

Tokenized money market funds are also similar to stablecoins. They are roughly what they say on the tin, digital money market funds that are generally backed by T-bills and money market mutual funds (MMMFs). Tokenized money market funds are issued by asset managers and experience low volatility, but crucially, compared to stablecoins, are permitted to offer a yield to holders.

CBDCs are similar but are issued by a country's central bank and are backed entirely by fiat. As a result, they experience no volatility, as they are fully state guaranteed.

Hence, stablecoins, tokenized MMMFs, and CBDCs demonstrate much more moneyness compared to cryptocurrencies.

The use-cases for these tokens are as forms of currency where transactions are secure, rapid, anonymous, and not tracked by governments. Digital assets more generally, including CBDCs, are simply an expedient way of safely disintermediating the banks, lowering transaction costs, and accelerating payments.

## Stablecoins—Still Working Out the Kinks

Stablecoins are viewed as a solution for the unbanked and for many inhabitants of emerging market countries who are plagued by unstable monetary regimes, corruption, high inflation, sanctions, and capital controls. They also do not need to be mined in the same way as cryptocurrencies.

The reality, however, is that there are many different types of stablecoins, including the most secure ones that follow a narrow-bank model and are backed 1:1 by Treasurys, gold, and/or MMMFs. Others can be backed by commercial banks or soon consumer credit companies. Less secure, or riskier, ones can be backed by cryptocurrencies or other commodities. There are even synthetic coins established to mimic or track the behavior of other stablecoins.

The amount of risk stablecoins engender will therefore depend on the reliability of the issuer, how regulated they are, their ability to protect privacy and data, and the assets used to back the coins. But even the seemingly less risky issuers can face risk by association, just as in a traditional bank run.

Like bank runs, if there is no deposit insurance and uninsured users lose faith in one particular issuer, all could decide to start a run on the "bank." This would force the coin operators to liquidate their safe assets used to back the coins, which in turn would cause those assets to lose value. This would also impact other entities holding those safe assets and cause runs on other stablecoins deemed less risky due to guilt by association, which could result in "depegs."

For example, Circle, which is the second-largest stablecoin operator after El Salvador–based Tether, held $3.3 billion in cash, or 8% of its total reserves, at Silicon Valley Bank. The company was briefly forced to depeg as the price of USDC coin dropped to $0.88. The company reaffirmed its commitment to 1:1 redemption and promised to cover any shortfalls. Still, it quickly regained its peg after the Fed bailed out SVB and promised to make all its depositors whole.

## The GENIUS Act

The GENIUS Act, which now has the backing of the House and has already been passed in the Senate, attempts to limit this risk by 1) requiring rigorous reserve and redemption requirements, 2) mandating 1:1 backing with U.S. dollars or highly liquid assets like T-bills, and 3) requiring public disclosures and the auditing of reserve holdings, as well as several other measures to wrap a regulatory blanket around stablecoins. Tether, for example, could fall under the GENIUS Act if it seeks to operate as a legal payment stablecoin within the U.S. financial system, even though it is not based in the U.S.

The questions then raised include: What would happen should Tether get into trouble—would these entities or their respective governments have the support of the Fed, and would swap lines be extended? At this point, it is not clear, but seems unlikely.

The fact that 99% of stablecoins issued are dollar-denominated is also viewed as a huge risk by the European Central Bank. The bank is worried that users will take out liabilities in dollars and receive assets in euros—meaning they are left with potentially large currency mismatches. Similarly, the ECB could start to lose control over monetary policy if money leaves not only the traditional banking system, but also euros completely. Its solution—which is in the works—is a digital euro, an ECB CBDC. This, of course, raises its own set of problems: Who would store their money in the traditional banking system, when they could store it in digital euros with the ultrasafe ECB, with much lower transaction costs and faster payments delivery?

Not surprisingly, the traditional banking system globally is also extremely worried about being disenfranchised. If it is cheaper, faster, easier, and more secure to undertake digital transactions, who needs bank deposits? Even U.S. banks are concerned that money could start to flood out of the traditional (highly regulated) banks and into these stablecoins, which would be incredibly disruptive to the financial system. With fewer deposits, banks would extend less credit, which in turn could slow economic growth if there is less of a money multiplier. At least two major banks—J.P. Morgan and Citi—have decided to jump into the game with their own stablecoins; more are likely to follow.

The government's new Anti-CBDC Surveillance State Act resolves the problem in the U.S. of having too good a mousetrap by simply banning the Fed from issuing a CBDC. The ECB is searching for a different solution. Meanwhile China's PBoC has developed its own digital yuan, entitling it to even greater control and surveillance over financial participants.

Importantly, the GENIUS Act also bans stablecoin issuers from paying interest on their holdings if they want to qualify as a regulated entity, with the goal to help reduce competition with traditional deposit-takers. This may not be so bad for these issuers given that their primary avenue for revenue generation is by reaping the spread between the return on the safe asset and the expense of operating the coin, which is relatively low, especially when these companies have very limited human capital.

## Concerns for Open Market Operations

The BIS estimates that the combined assets under management of these stablecoins amount to a little north of $200 billion. But the BIS and others such as the Treasury Borrowing Advisory Committee estimate that this could grow to $3 trillion by 2030.

The BIS also notes that "dollar-backed stablecoins purchased nearly $40 billion of U.S. T-bills in 2024, similar to the largest U.S. government money market funds and larger than most foreign purchases." This has piqued the interest of fiscal policymakers who see the potential for a huge new buyer of Treasury securities.

Money flows of this size could soon start to have a large impact on monetary policy. If, for example, T-bill demand rises sharply from the nonbank coin operators, this would start to pull funds away from the Fed's reverse repo account, which it uses to regulate the level of interest rates. This in turn could help suppress short-term yields, making it harder for the Fed to raise interest rates when it wanted to. Something similar happened following the pandemic when MMMFs and other nonbanks all increased their demand for short-term paper, creating significant ripples across the repo market.

Similarly, users who store their assets in non–interest-paying stablecoin deposits would be less interest-rate sensitive than those who choose to hold their funds in traditional interest-yielding deposits. Hence, this could again make the economy less sensitive to monetary policy decisions from the Fed.

These problems are viewed as significant and surmountable by Fed Governor Christopher Waller. Governor Waller in a speech earlier this year cited several of the main obstacles to stablecoins and how they could be overcome. Last week he again stated that he does not mind shaking up the traditional banking system and is very much in favor of introducing new competition to the financial system. Competition, after all, is the very nature of a healthy free market economy that can help reduce costs to consumers over time. He believes that it will be up to the traditional banks to compete or lose market share.

## Promotes Continued Dollar Dominance

> *This is one of the things I have always argued with stablecoins is these things are going to broaden the reach of the dollar across the globe. They're going to make it even more of a reserve currency than it is now. And, you know, 90 plus percent of all transactions in this world, these are dollar denominated. They could be in any fiat currency. Could do it in a pound. But everyone wants dollar-denominated stablecoins. So, if we can get good regulation, allows these things to go out, this will only strengthen the dollar as a reserve currency.*
>
> – Fed Governor Waller, Atlantic Council GeoEconomics Center Event, February 6, 2025

Aside from the fact that stablecoins introduce a whole new pocket of demand for shorter-term Treasury securities, their attractiveness from a U.S. policymaker perspective is that they also promote continued dollar dominance. Hence, their continued growth should be dollar positive or at least help act as a countervailing force against other factors pulling it lower.

If this is the case, then how does this jibe with President Trump's desire for a weaker currency and its use as vehicle to promote greater export growth and the return of manufacturing?

One way stablecoins could help weaken the dollar would be if foreign central banks decided to convert their reserve holdings (which are inactive reserves held on the Fed's balance sheet) into some form of ultrasafe stablecoin. In so doing, this would maintain the same level of demand for dollars, but increase its supply, by moving inactive reserves into active dollars that are then used to purchase even more short-term Treasury securities.

## Conclusion

Of the four main types of digital currencies, stablecoins look to be gaining the most traction. The recent passage of the GENIUS Act in the Senate and signs that it will soon also be passed in the House have once again raised interest in this newish segment of financial markets.

The reality is that some of these new digital dollars are indeed high-quality safe assets, particularly if they are designed as narrow-banks (i.e., match digital dollars 1:1 with a safe asset, potentially even master accounts at the Fed). Others carry significant risks.

These digital tokens have the potential to act as a huge disrupter for the finance industry and the traditional deposit-taking banking sector. For now, the GENIUS Act and the anti-CBDC legislation are seemingly tempering any adverse effects to these banks by not allowing regulated token operators to pay interest on their deposits. In addition, the Fed will not be permitted to establish its own CBDC (which might be too good a mousetrap!). Banks, however, are completely free to establish their own stablecoins if they feel they need to compete in this new market.

For fiscal policymakers, these coins have two big attractions. They are potentially a new and very large source of demand for short-term Treasury securities. They also help promote continued dollar dominance at a time when it feels as though the dollar's status of reserve currency of choice is coming under threat.

For monetary policymakers, this potentially makes their job that much harder, as it moves more dollars out of the traditional banking system and into the shadow banks where they have less control.

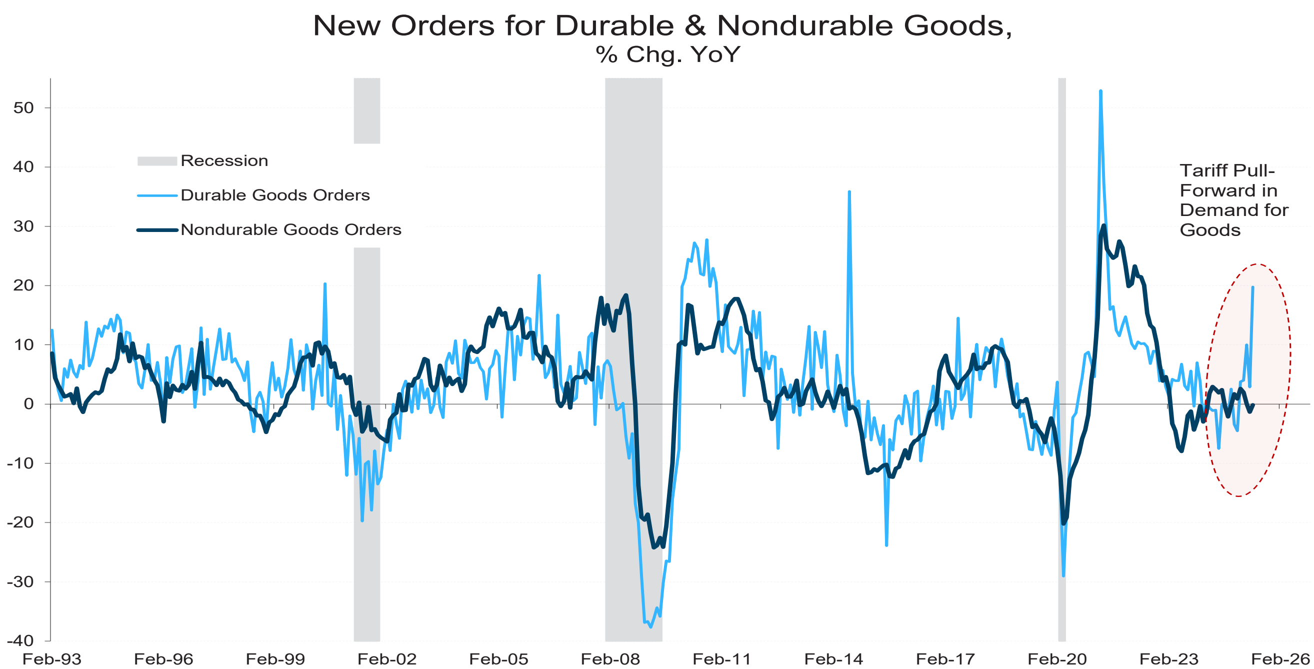
Ultimately, Pandora's box has now been opened, and digital currencies are not going to disappear. It is up to the regulators to find the best way to manage these in such a way as not to allow them to create a whole new set of systemic risks for the financial system. After all, as the saying goes—it's not the assets that you think are the most risky that get you into trouble, it's the ones you think are the safest but actually aren't.

## Highlights in the Week Ahead

| Date | Time (ET) | Indicator | Last | Consensus | WB Estimate | Actual |
|---|---|---|---|---|---|---|
| 21 July | 10:00 a.m. | Leading Indicators (June) | -0.1% | -0.2% | -0.1% | |
| 23 July | 10:00 a.m. | Existing Home Sales (June) | 0.8% | -0.7% | NA | |
| 24 July | 10:00 a.m. | New Home Sales (June) | -13.7% | 4.3% | 5.2% | |
| 25 July | 10:00 a.m. | New Durable Goods Orders (June) | 16.4% | -10.3% | -12.0% | |
| | | Orders Less-transportation | 0.5% | 0.0% | -1.0% | |

Sources: Bloomberg, William Blair Equity Research

## Indicator of the Week: Durable Good Orders




Source: Bureau of the Census, William Blair Equity Research

# Economic Scorecard

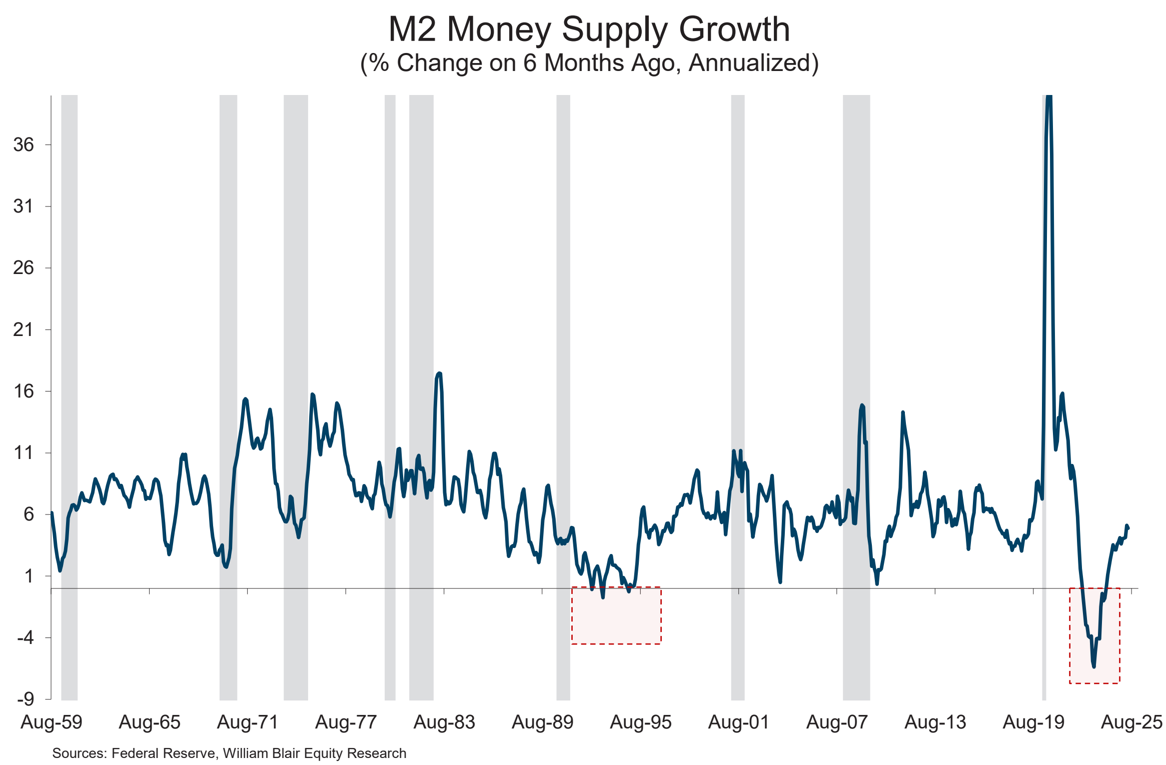
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

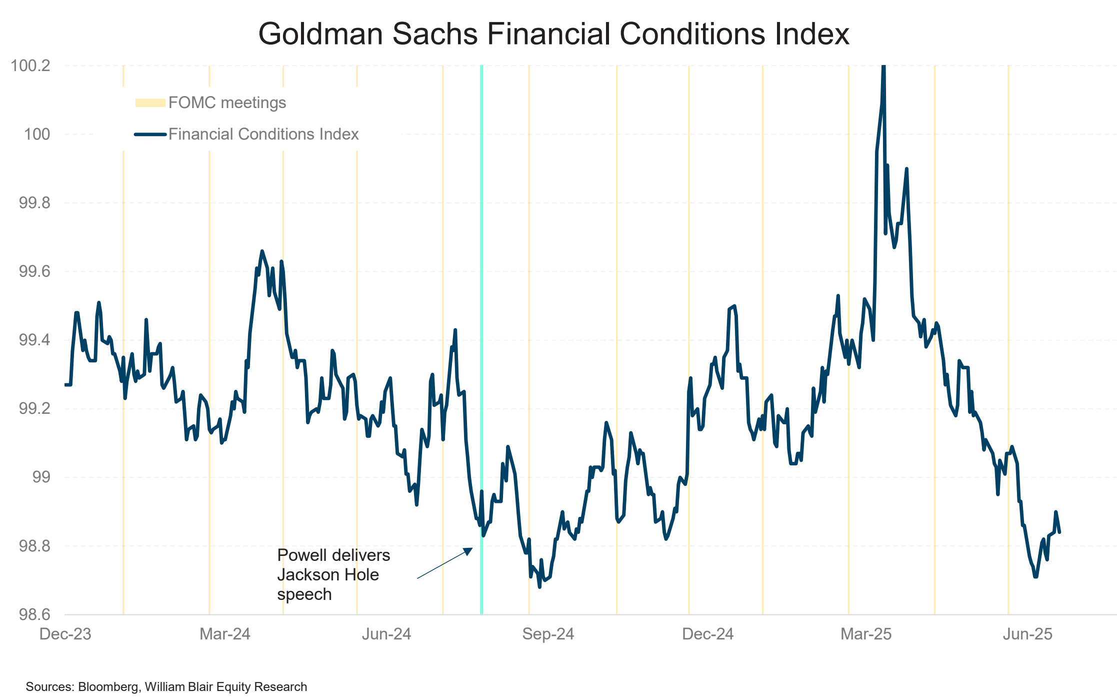
| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Growth** | | | | | | | | | | | | | | | | | | | |
| 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 | 3 | 1.9 | 2 | 3.1 | 3.9 | 4.6 | 4.6 | 3.9 | 5.1 | 5.0 | 3.3 | 3.9 | |
| 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 | 2.7 | |
| 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 | 2.9 | |
| 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 | 3.2 | 2.5 | 2.7 | 2.3 | |
| 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 | 3.1 | 3.2 | 2.6 | |
| 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 | 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 | 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 | 1.1 | 1.3 | 0.7 | | |
| 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 | 1.2 | 1.5 | 2.1 | 2.1 | 1.9 | 2.2 | 2.6 | 1.9 | 2.5 | 2.3 | 2.5 | 2.2 | 1.7 | |
| 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

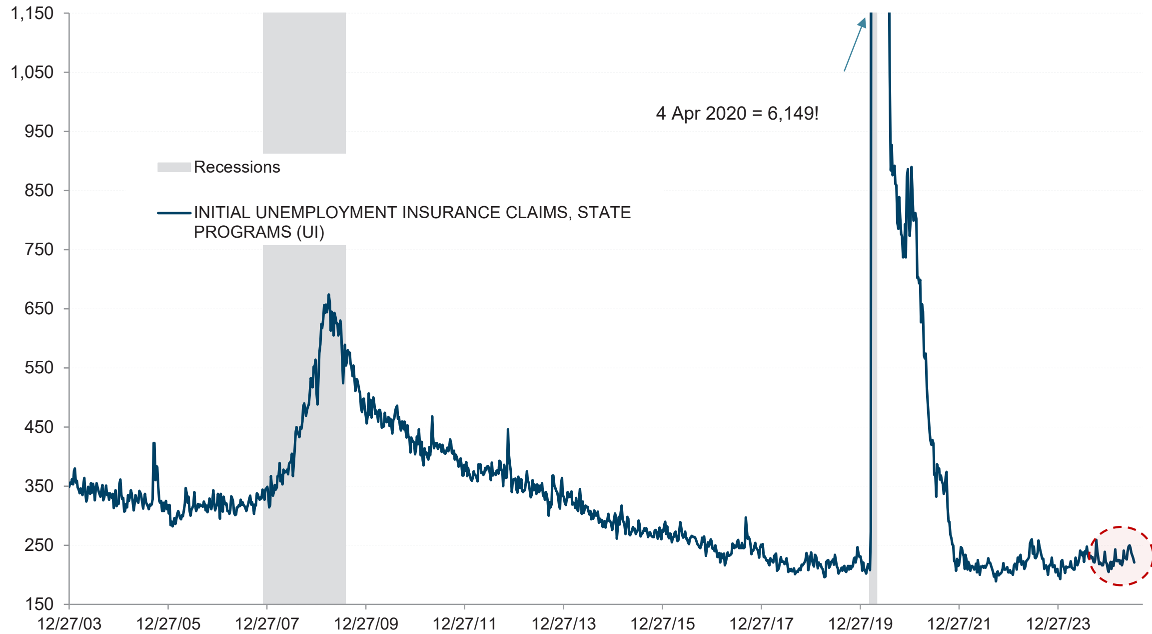
Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

## Other Economic Indicators



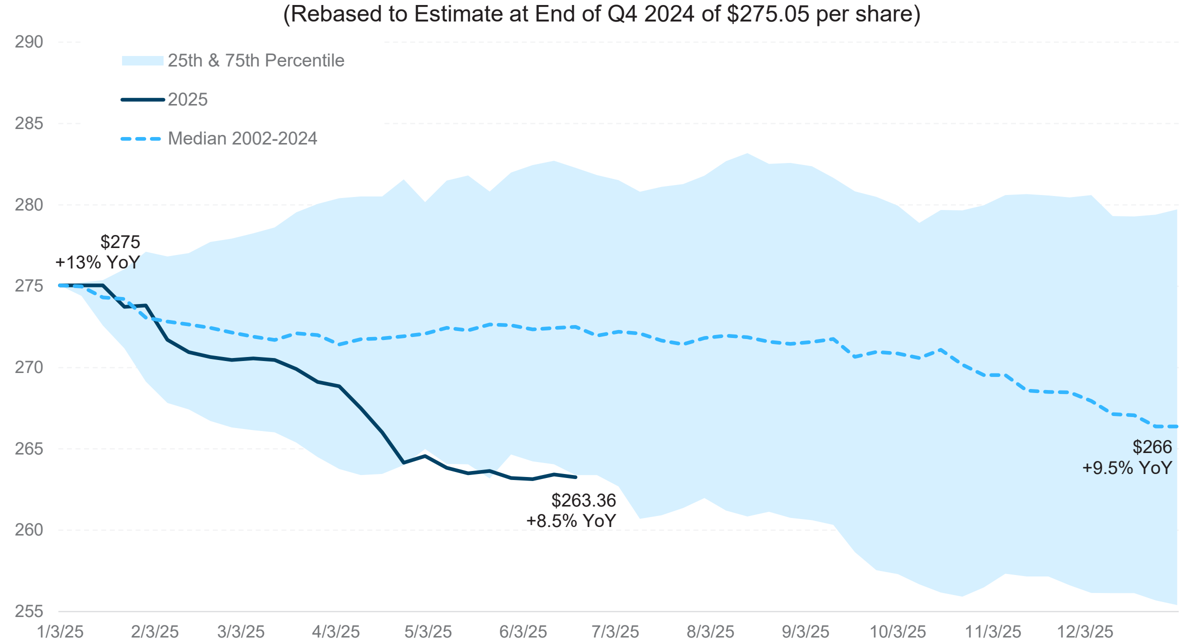



## Initial Jobless Claims
('000s, Seasonally Adjusted)



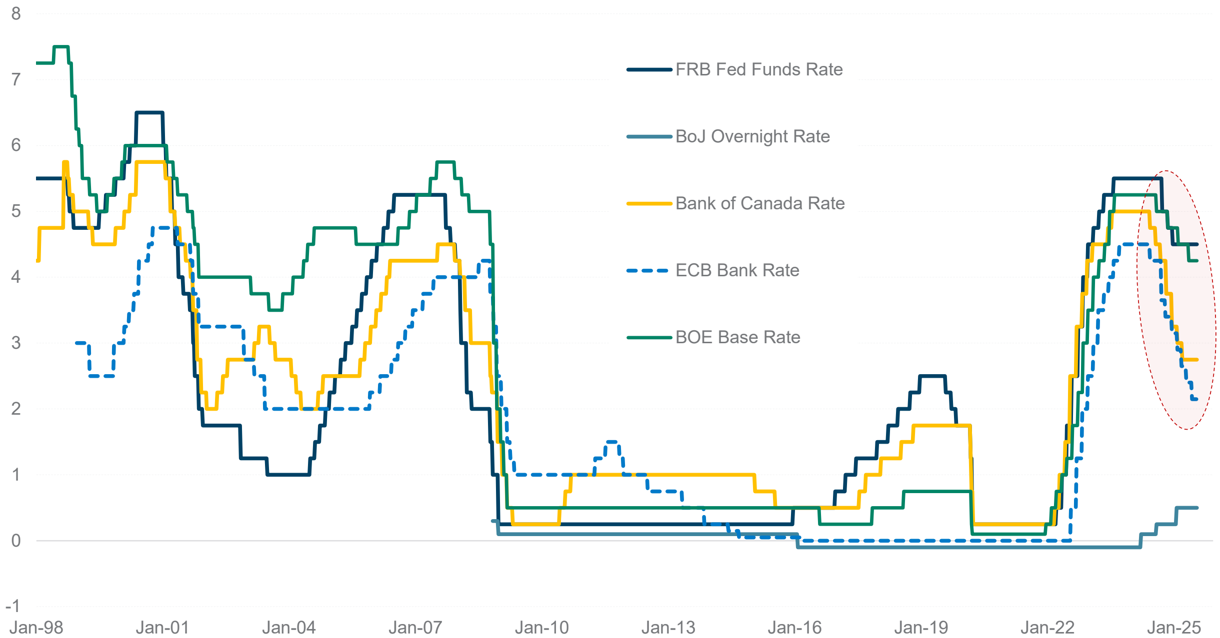

Source: Department of Labor, Bloomberg, William Blair Equity Research

## Progression of S&P 500 2025 EPS Estimates, 2025 vs Median 2002-2024
(Rebased to Estimate at End of Q4 2024 of $275.05 per share)



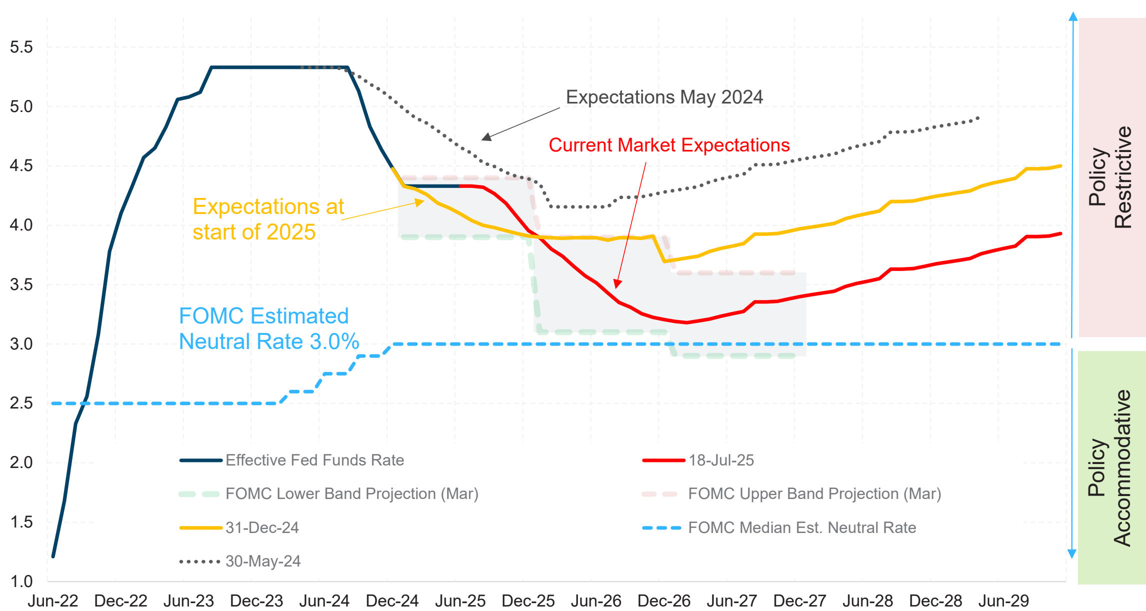

Sources: LSEG, William Blair Equity Research

## 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* 17-Jul-25 | Week Ago 10-Jul-25 | Month Ago 17-Jun-25 | Qtr-to-Date 30-Jun-25 | Year-to-Date 31-Dec-24 |
|---|---|---|---|---|---|
| **S&P 500 Index** | **100.00** | **0.27** | **5.26** | **1.49** | **7.07** |
| **S&P 400 MidCap Index** | | **-0.81** | **5.30** | **2.27** | **1.68** |
| **S&P 600 SmallCap Index** | | **-1.09** | **6.39** | **3.15** | **-2.31** |
| **Dow Jones Industrials** | | **-0.37** | **5.37** | **0.88** | **4.56** |
| **Nasdaq Composite** | | **1.24** | **6.99** | **2.53** | **8.16** |
| | | | | | |
| **Communication Services** | **9.90** | **0.12** | **2.50** | **-1.36** | **9.11** |
| Advertising | 0.04 | -3.49 | 3.33 | -1.47 | -16.21 |
| Broadcasting | 0.06 | 0.04 | 5.36 | 0.44 | 17.40 |
| Cable & Satellite | 0.33 | -2.59 | 0.96 | -3.55 | -3.87 |
| Integrated Telecommunication Services | 0.67 | -2.42 | -2.28 | -6.10 | 10.35 |
| Interactive Home Entertainment | 0.15 | -0.77 | -0.97 | -4.85 | 13.84 |
| Interactive Media & Services | 6.60 | 0.19 | 2.64 | -0.07 | 5.84 |
| Movies & Entertainment | 1.54 | 1.80 | 4.57 | -3.36 | 30.36 |
| Publishing & Printing | 0.03 | 1.55 | 8.85 | 1.51 | 10.75 |
| Wireless Telecommunication Svcs | 0.47 | -0.49 | 2.53 | -4.72 | 2.85 |
| | | | | | |
| **Consumer Discretionary** | **10.96** | **-0.11** | **4.51** | **1.39** | **-2.89** |
| Apparel Retail | 0.33 | -1.29 | -0.26 | -0.29 | -2.87 |
| Apparel & Accessories & Luxury Goods | 0.11 | 0.37 | 8.62 | 5.39 | -9.98 |
| Auto Parts & Equipment | 0.03 | -0.44 | 3.95 | 3.01 | 11.39 |
| Automobile Manufacturers | 2.06 | 2.46 | 1.66 | 1.01 | -18.79 |
| Automobile Retail | 0.27 | -1.79 | 1.92 | -0.37 | 11.39 |
| Broadline Retail | 4.41 | 0.71 | 4.13 | 2.06 | 2.36 |
| Casinos & Gaming | 0.11 | -3.04 | 17.56 | 11.91 | 3.22 |
| Computer & Electronics Retail | 0.03 | -8.21 | -2.48 | 0.80 | -21.13 |
| Consumer Electronics | 0.08 | 3.49 | 13.97 | 7.99 | 9.28 |
| Distributors | 0.07 | -3.23 | 3.15 | 1.87 | -1.24 |
| Footwear | 0.19 | -2.41 | 17.48 | 2.02 | -15.47 |
| Home Furnishings | 0.01 | -2.26 | 13.02 | 6.12 | -6.62 |
| Home Improvement Retail | 0.88 | -3.89 | 2.99 | -1.92 | -8.69 |
| Homebuilding | 0.20 | -5.11 | 8.03 | 1.41 | -6.46 |
| Hotels, Resorts & Cruise Lines | 1.00 | -0.30 | 12.34 | 2.74 | 13.89 |
| Leisure Products | 0.02 | 0.11 | 14.35 | 4.56 | 38.05 |
| Restaurants | 1.04 | -1.37 | 3.04 | -0.09 | 4.71 |
| Other Specialty Retail | 0.10 | 0.59 | 8.12 | 6.44 | 9.36 |
| | | | | | |
| **Consumer Staples** | **6.06** | **-0.03** | **0.76** | **-0.51** | **4.55** |
| Agricultural Products | 0.07 | -3.01 | -5.21 | -1.64 | 2.43 |
| Brewers | 0.02 | 1.06 | 2.03 | 4.68 | -12.18 |
| Distillers & Vintners | 0.07 | -0.32 | 7.74 | 5.84 | -22.58 |
| Drug Retail | 0.02 | -0.43 | 1.05 | 0.27 | 23.37 |
| Food Distributors | 0.07 | 0.58 | 4.93 | 2.86 | 1.90 |
| Food Retail | 0.09 | 2.14 | 9.51 | 0.68 | 18.10 |
| Household Products | 0.95 | -2.11 | -1.37 | -2.01 | -6.87 |
| Packaged Foods & Meats | 0.53 | 1.79 | 1.67 | 1.42 | -2.86 |
| Personal Products | 0.11 | 0.79 | 6.04 | 5.27 | 6.28 |
| Soft Drinks | 1.11 | 2.99 | 4.61 | 3.01 | 5.66 |
| Tobacco | 0.69 | -1.00 | -2.18 | -1.49 | 36.66 |
| | | | | | |
| **Energy** | **3.05** | **-2.47** | **-1.60** | **2.23** | **1.27** |
| Integrated Oil & Gas | 1.44 | -2.60 | -1.00 | 4.27 | 3.30 |
| Oil & Gas Equipment & Services | 0.20 | -3.46 | -3.32 | 2.97 | -10.06 |
| Oil & Gas Exploration & Production | 0.73 | -1.59 | -4.05 | 1.09 | -1.56 |
| Oil & Gas Refining & Marketing & Transportation | 0.27 | -5.91 | 1.64 | 5.70 | 17.38 |
| Oil & Gas Storage & Transportation | 0.40 | -0.43 | -0.58 | -5.10 | -4.24 |

| | | | | | |
|---|---|---|---|---|---|
| **Financials** | **13.71** | **-0.42** | **4.79** | **0.17** | **8.57** |
| Asset Management & Custody Banks | 1.19 | 2.04 | 16.51 | 7.81 | 6.14 |
| Consumer Finance | 0.71 | -2.18 | 10.24 | 0.79 | 13.09 |
| Diversified Banks | 3.27 | 0.12 | 9.17 | 1.00 | 15.34 |
| Financial Exchanges & Data | 1.27 | 0.44 | 8.90 | 1.88 | 15.41 |
| Insurance Brokers | 0.59 | -1.24 | -0.76 | -2.34 | 1.80 |
| Investment Banking & Brokerage | 1.18 | -0.64 | 8.95 | 0.65 | 19.12 |
| Life & Health Insurance | 0.31 | -1.48 | 0.35 | -3.19 | -4.51 |
| Multi-Sector Holdings | 1.16 | -1.02 | -2.09 | -2.55 | 4.44 |
| Property & Casualty Insurance | 1.05 | -0.51 | -3.47 | -4.66 | 2.93 |
| Regional Banks | 0.29 | -1.70 | 13.72 | 3.86 | 4.98 |
| Reinsurance | 0.03 | -1.89 | 0.30 | -1.72 | -7.85 |
| Transaction & Payment Processing | 2.49 | -1.45 | -1.30 | -1.26 | 3.22 |
| **Health Care** | **9.16** | **-2.81** | **-0.29** | **-1.71** | **-3.69** |
| Biotechnology | 1.57 | -2.49 | 3.43 | 3.31 | 7.13 |
| Health Care Distributors | 0.35 | -1.22 | -1.55 | -3.24 | 26.90 |
| Health Care Equipment | 2.10 | -2.87 | 0.09 | -3.84 | 5.09 |
| Health Care Facilities | 0.18 | -4.58 | -2.37 | -5.40 | 16.64 |
| Health Care Services | 0.38 | -3.14 | -4.88 | -8.20 | 18.44 |
| Health Care Supplies | 0.08 | -4.53 | 6.22 | 0.92 | -9.01 |
| Life Sciences Tools & Services | 0.82 | -3.90 | 3.41 | 0.99 | -16.88 |
| Managed Health Care | 0.70 | -5.96 | -12.59 | -13.83 | -38.21 |
| Pharmaceuticals | 2.99 | -1.83 | 0.71 | 1.32 | -3.03 |
| **Industrials** | **8.73** | **0.69** | **6.70** | **2.82** | **15.13** |
| Aerospace & Defense | 2.23 | 2.53 | 6.96 | 3.16 | 30.27 |
| Agricultural & Farm Machinery | 0.25 | -3.86 | -4.58 | -1.84 | 17.81 |
| Air Freight & Logistics | 0.28 | -3.71 | 1.19 | -0.37 | -17.21 |
| Building Products | 0.57 | 1.37 | 8.31 | 4.16 | 16.89 |
| Cargo Ground Transportation | 0.09 | -4.11 | 5.25 | 1.69 | -8.76 |
| Construction & Engineering | 0.11 | 4.69 | 10.95 | 5.24 | 25.90 |
| Construction Machinery & Heavy Trucks | 0.60 | 0.86 | 12.45 | 5.40 | 8.10 |
| Data Processing & Outsourced Services | 0.05 | -0.59 | -0.66 | -2.40 | 4.91 |
| Diversified Support Svcs | 0.25 | -0.01 | -1.40 | -2.61 | 2.98 |
| Electrical Components & Equipment | 0.63 | 3.83 | 12.50 | 6.13 | 12.83 |
| Environmental & Facilities Services | 0.40 | 0.02 | -2.12 | -1.22 | 12.82 |
| Heavy Electrical Equipment | 0.28 | 5.71 | 16.68 | 7.75 | 73.34 |
| Human Resource & Employment Services | 0.36 | -1.29 | -3.02 | -1.67 | 1.83 |
| Industrial Conglomerates | 0.44 | 0.83 | 9.00 | 3.10 | 11.25 |
| Industrial Machinery | 0.72 | -0.13 | 7.42 | 3.62 | 3.89 |
| Passenger Airlines | 0.16 | -1.06 | 19.88 | 14.04 | -3.13 |
| Railroads | 0.48 | -0.90 | 5.21 | 1.98 | 4.71 |
| Research & Consulting Svcs | 0.21 | -0.14 | 2.78 | 0.53 | 7.46 |
| Trading Companies & Distributors | 0.28 | 0.90 | 8.57 | 5.46 | 12.94 |
| **Information Technology** | **33.75** | **1.97** | **9.84** | **3.84** | **11.84** |
| Application Software | 2.70 | 1.94 | 2.97 | 0.90 | 7.99 |
| Communications Equipment | 0.91 | 0.98 | 8.80 | 1.32 | 7.65 |
| Electronic Components | 0.31 | 3.71 | 9.23 | 3.20 | 36.88 |
| Electronic Equipment & Instruments | 0.17 | 1.60 | 9.88 | 5.33 | 5.43 |
| Electronic Manufacturing Services | 0.14 | 1.22 | 9.89 | 4.24 | 32.41 |
| Internet Software & Services | 0.11 | -1.58 | -2.92 | -4.26 | -1.19 |
| IT Consulting & Services | 0.94 | -2.28 | -4.64 | -5.04 | 0.04 |
| Semiconductor Equipment | 0.78 | -1.20 | 8.25 | 4.35 | 27.30 |
| Semiconductors | 12.30 | 4.09 | 16.84 | 7.11 | 25.45 |
| Systems Software | 9.24 | 2.12 | 6.74 | 2.72 | 21.30 |
| Technology Distributors | 0.04 | 0.16 | 5.38 | 0.79 | 3.42 |
| Technology Hardware, Storage & Peripherals | 6.11 | -1.07 | 7.55 | 2.38 | -14.81 |
| **Materials** | **1.88** | **-2.41** | **3.05** | **1.63** | **6.68** |
| Commodity Chemicals | 0.07 | -4.64 | 0.73 | 8.32 | -23.29 |
| Construction Materials | 0.12 | -2.44 | 1.84 | 0.80 | 4.58 |
| Copper | 0.12 | -5.83 | 7.47 | 2.56 | 16.75 |
| Fertilizers & Agricultural Chemicals | 0.14 | -2.55 | -3.48 | -1.74 | 23.40 |
| Gold | 0.12 | -2.99 | -0.90 | -0.46 | 55.81 |

| | | | | | |
|---|---|---|---|---|---|
| Industrial Gases | 0.52 | -1.53 | 1.39 | -0.41 | 8.01 |
| Metal & Glass Containers | 0.03 | -0.57 | 4.99 | 3.53 | 5.33 |
| Paper Packaging | 0.19 | -3.02 | 7.49 | 6.13 | -7.92 |
| Specialty Chemicals | 0.47 | -1.72 | 4.88 | 1.86 | 0.33 |
| Steel | 0.10 | -2.79 | 8.58 | 6.35 | 18.53 |
| | | | | | |
| **Real Estate** | **2.02** | **0.20** | **0.47** | **0.55** | **2.27** |
| Data Center REITs | 0.25 | 2.82 | -7.48 | -0.89 | -11.14 |
| Health Care REITs | 0.29 | 2.56 | 4.73 | 3.38 | 13.45 |
| Hotel & Resort REITs | 0.02 | -3.14 | 3.15 | 4.56 | -8.33 |
| Industrial REITs | 0.18 | -1.83 | 1.27 | 1.24 | 0.69 |
| Multi-Family Residential REITs | 0.00 | 0.07 | -0.84 | 0.33 | -4.64 |
| Office REITs | 0.02 | -1.78 | -3.78 | 2.31 | -7.17 |
| Real Estate Service | 0.14 | -1.52 | 5.58 | 2.03 | 11.34 |
| Retail REITs | 0.26 | -0.29 | 0.92 | -0.22 | -2.57 |
| Self-Storage REITs | 0.15 | -1.50 | -2.22 | -2.05 | -3.80 |
| Single-Family Residential REITs | 0.15 | -1.50 | -2.22 | -2.05 | -3.80 |
| Telecom Tower REITs | 0.32 | 0.63 | 3.88 | 0.80 | 18.70 |
| Timber REITs | 0.03 | -1.91 | -0.73 | -0.03 | -8.77 |
| | | | | | |
| **Utilities** | **2.32** | **-0.27** | **3.09** | **0.81** | **8.62** |
| Electric Utilities | 1.49 | -0.14 | 3.18 | 1.13 | 8.69 |
| Gas Utilities | 0.05 | 0.58 | 1.95 | 0.75 | 11.49 |
| Independent Power Producers & Energy Traders | 0.13 | -5.47 | 4.93 | -2.88 | 27.21 |
| Water Utilities | 0.05 | -0.33 | 0.92 | 2.23 | 14.24 |
| Multi-Utilities | 0.60 | 0.55 | 2.75 | 0.72 | 4.48 |

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

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DOW JONES: 44484.50
S&P 500: 6297.36
NASDAQ: 20885.70

Additional information is available upon request.

**Current Rating Distribution (as of July 17, 2025):**

| Coverage Universe | Percent | Inv. Banking Relationships * | Percent |
|---|---|---|---|
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| Market Perform (Hold) | 28 | Market Perform (Hold) | 2 |
| Underperform (Sell) | 1 | Underperform (Sell) | 0 |

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