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## Economics Weekly

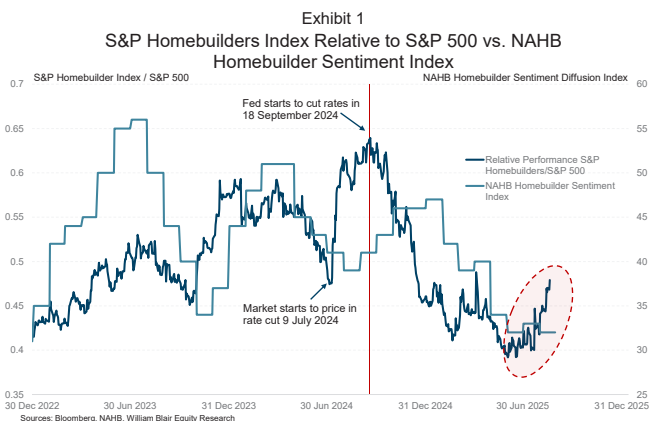
Has Something Fundamental Changed  
in the Housing Market?



The National Association of Homebuilders (NAHB) is normally not a joyous bunch even at the best of times, and its August survey results suggest that its mood has continued to darken. The Homeowners Sentiment Index fell to 32—the lowest level since December 2022 (a reading above/below 50 marks expansion/contraction in sentiment). Nevertheless, this is not the message we are seeing from investors. The S&P Homebuilder Index has increased by 32% since early June, against the S&P 500 Index up just 8%. **In this *Economics Weekly*, we discuss the current housing market and what may or may not have changed to merit such a shift in market sentiment.**

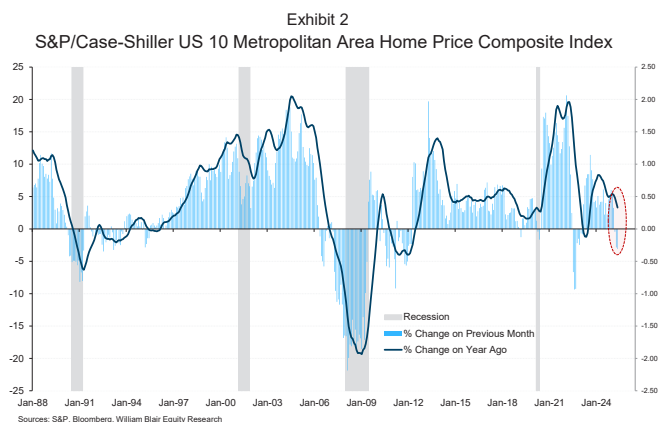
## I'll Have Whatever They're Having

Whatever investors are reading in the tea leaves with regard to the housing market, the homebuilders are just not seeing it, as indicated in exhibit 1. Instead, the NAHB index has been in contraction territory for the last 16 consecutive months, and the latest reading of 32 is one of the lowest in the last decade.



The homebuilders continue to cite the usual list of grievances, including falling demand due to what they see as onerously high interest rates and excessive regulation preventing the development of new land and new builds. In fact, the latest NAHB survey indicates just how bad the situation is: 37% of homebuilders are being forced to lower their prices, and those prices are being lowered on average by 5% (the same rate since last November). Furthermore, the use of sales incentives (buydowns or teaser rates) increased to 66% in August from 62% in July and is at the highest percentage in the post-COVID period.

The most recent Case-Shiller/S&P house price reading (for May) showed a third consecutive monthly decline, with a below-average annual rate of change of 3.3% (exhibit 2). Prices are also outright falling annually in 3 of the 20 major cities in the U.S. that were sampled (Tampa -2.4%, Dallas and San Francisco -0.6%). Prices increased the most in New York (7.4%) and Chicago (6.1%).



Returning to exhibit 1, most of the surge in stock market sentiment around the homebuilders—just like during 2024—is being built solely on the back of expected future rate cuts.

As the exhibit highlights, that episode turned out to be a classic “buy the rumor, sell the fact” event. The relative performance started to increase in July 2024, and its peak (September 19) perfectly coincided with the Fed’s first rate cut (September 18). Conversely, the NAHB sentiment index only started to rise when the actual cutting began in September 2024 and then peaked four months later in January 2025.

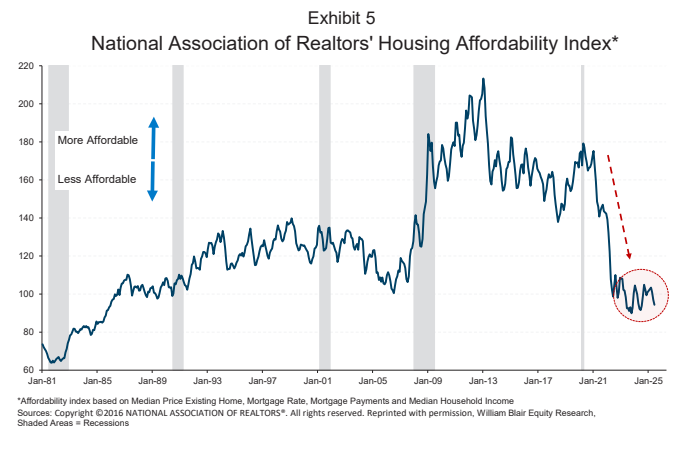
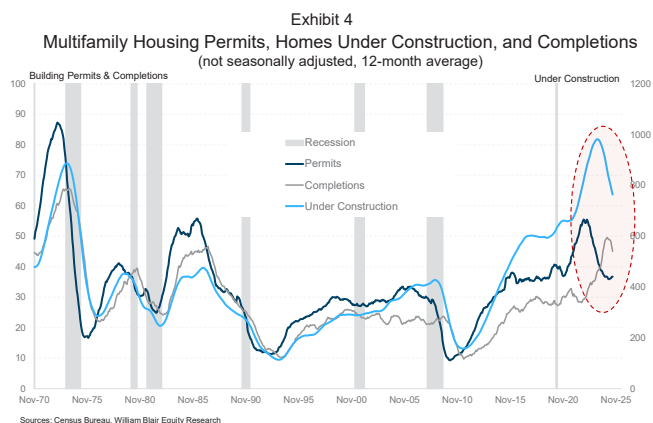
The chart, therefore, suggests that very similar risks could arise today, unless something more fundamental has changed in the housing market.

## Supply-Side Changes?

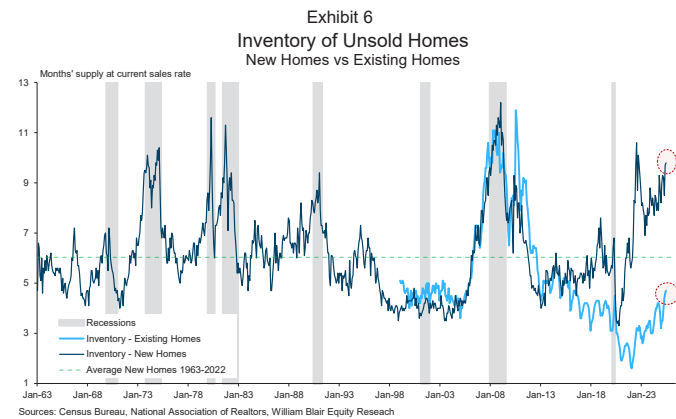
Over the last several years, the homebuilders have had a relatively open field in terms of limited competition from existing homeowners who were reluctant to move for fear of losing their existing low mortgage rates, as shown in exhibit 3.

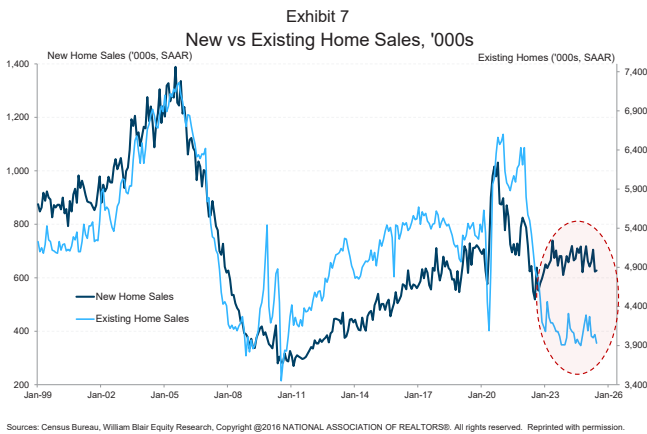


The homebuilders took full advantage of this by ramping up construction (exhibit 4). Unfortunately, this coincided with the Fed taking up interest rates to quell inflation and a subsequent collapse in affordability (exhibit 5). As a result, the builders' inventory began to soar and is now the highest since 2022, and prior to that during the global financial crisis.

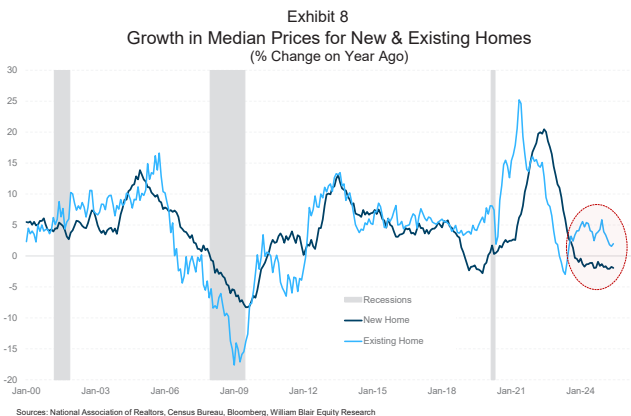


While existing homeowners for the most part have been willing and able to wait it out, life also happens (marriages, divorces, births, deaths, employment changes, etc.). They can only stay on the sidelines for so long before they are forced to move. Exhibit 6 suggests that the inventory of existing homes available for sale has been rising, but sellers are seemingly still demanding too high a price, as actual sales remain incredibly depressed (exhibit 7).



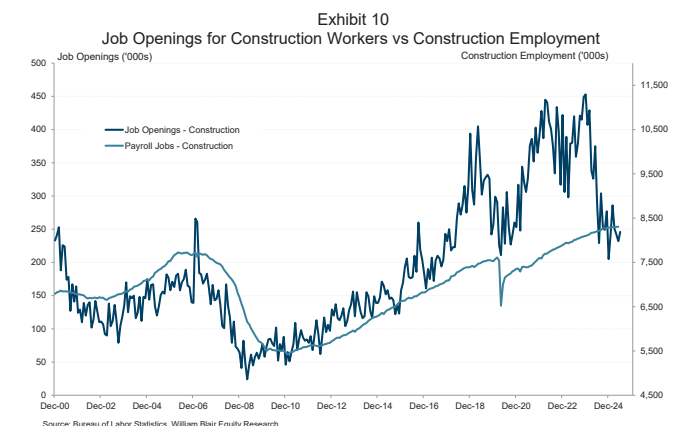
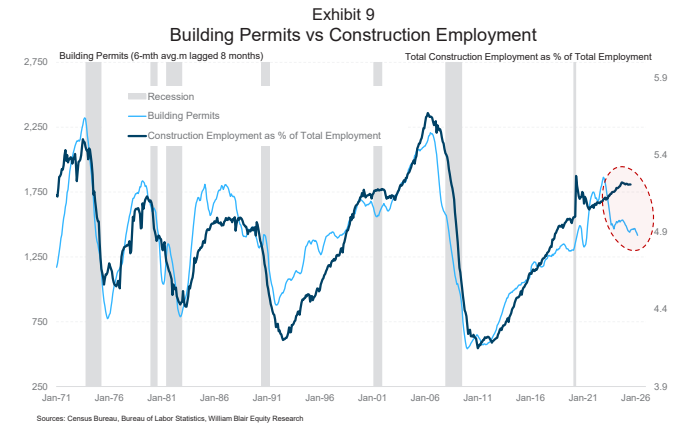


Without any palpable lowering of interest rates or a dramatic improvement in employment and income to increase affordability, price is the factor being forced to absorb the pressure and help clear the market. Though, again, so far only the homebuilders have been making these adjustments and existing homeowners less so (exhibit 8).



While selling prices are falling at one end, costs are increasing for the builders at the other end, on the back of the tariff changes and supply-chain disruptions. What was notable in the latest NAHB survey, however, was the lack of any mention of labor shortages and labor costs. Considering that the foreign worker share of the labor in the construction industry is second highest to agriculture (43% versus 32%), much more stringent immigration restrictions would normally be expected to have a much greater impact on this industry. The reason it is not at the moment is that it has coincided with the aggregate slowdown in the

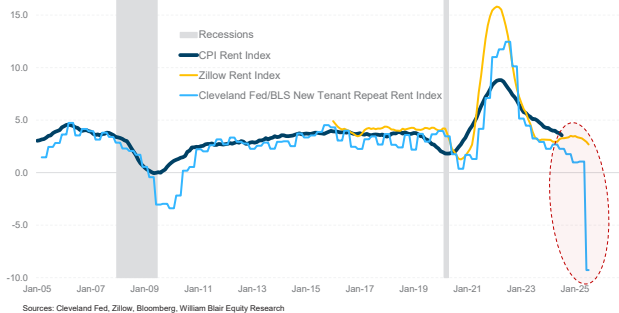
construction industry—when building fewer homes, there is less need for workers to build them (exhibits 9 and 10).



Tightened immigration controls could also be one possible contributing reason for the sharp decline in the New Tenant Repeat Rent Index (exhibit 11). While the suspiciously large 9.3% decline will certainly be revised higher in the coming quarters, the direction of travel for new rental prices is likely to have been the same. What happens going forward will depend in part on the level of vacancies.

Exhibit 11

CPI Rent Price Index vs. Zillow Rent Price Index & Cleveland Fed/BLS's New Tenant Repeat Rent Index  
(% Change on Year Ago, CPI Rent Index lagged 12 months)

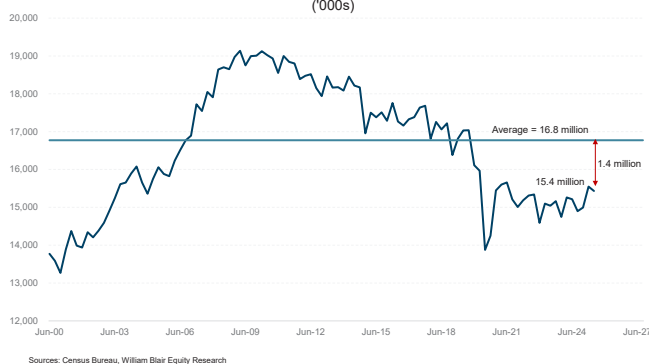


## The Supply–Demand Gap and Rising Vacancy Rates

In contrast to the years following the GFC, demand for (affordable) housing today is still strong, and there is an ongoing structural shortage of homes in the U.S.

It is difficult to get an accurate estimate of the size of the U.S. housing shortfall, but we made an attempt in exhibit 12. As shown, the difference between the current level of vacancies (to rent or buy) and the historical average is 1.4 million—down from almost 3 million in 2020.

Exhibit 12  
Housing Units Vacant ('000s)



Another gauge is to look at the flow of housing starts and household formations over a longer-term 10-year rolling period—i.e., if the growth in supply has been keeping up with the growth in demand. Over the last decade, this has not been the case, with formations outpacing starts, as shown in exhibit 13. More recently, however, starts are again higher than formations, suggesting this gap is

starting to shrink (exhibit 14) and vacancies could also start to turn as new home completions start to decline.

Exhibit 13

Housing Supply (Starts) vs. Demand Gap (Household Formations)

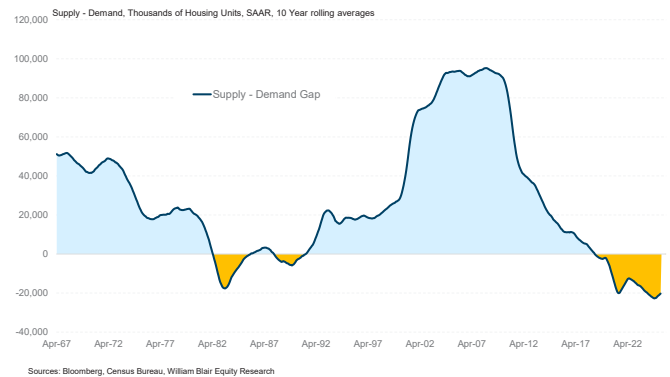
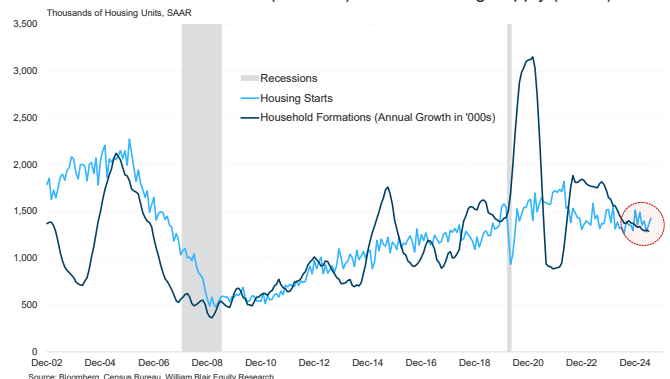


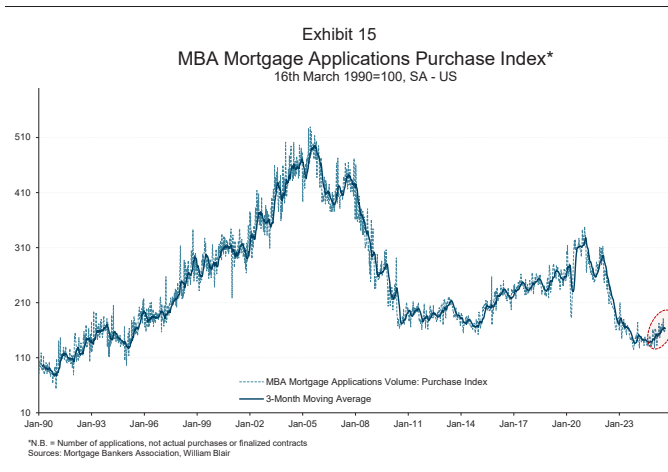
Exhibit 14

Household Formations (Demand) Versus Housing Supply (Starts)



## Credit Conditions and Mortgage Applications

The latest Senior Loan Officers' Opinion Survey from the Fed indicates no significant changes in standards with regard to mortgage lending from commercial banks. Mortgage applications, however, have started to move a little higher, possibly signaling a bottom in the market, despite the ongoing economic uncertainty around growth, inflation, and in particular, employment (exhibit 15).



stock markets have a history of sniffing out the bottom long before anyone else. It is quite possible that the market could interpret today's data, and the small improvement in mortgage applications, with the view that—at the very least—the situation is unlikely to get much worse. Furthermore, with rate cuts, there is a potential for the housing market to gradually gain momentum in the coming quarters, giving the rally a little more staying power than in the past.

## Conclusion

The outperformance of the S&P Homebuilder Index over the last few months is a clear signal the market believes something has changed, or is starting to change, in the housing market.

Yet, parsing through the fundamental data for housing reveals little evidence of any such change on the supply-side. Homebuilder sentiment is extremely poor, building costs are rising, house prices are falling, inventories of new homes are still extremely high, and more existing homes are starting to come to the market, representing increased competition for the homebuilders. So, it's still not a pretty picture on the supply-side.

On the demand-side, homebuyers have seen no improvement in affordability, though there is some evidence to suggest they are becoming a little more active in the market, looking at the small increase in mortgage applications. The recent monthly price declines are also starting to create some movement. Whether this interest continues will depend on the employment picture and, in large part, the impact from tariffs on companies' willingness and ability to retain workers.

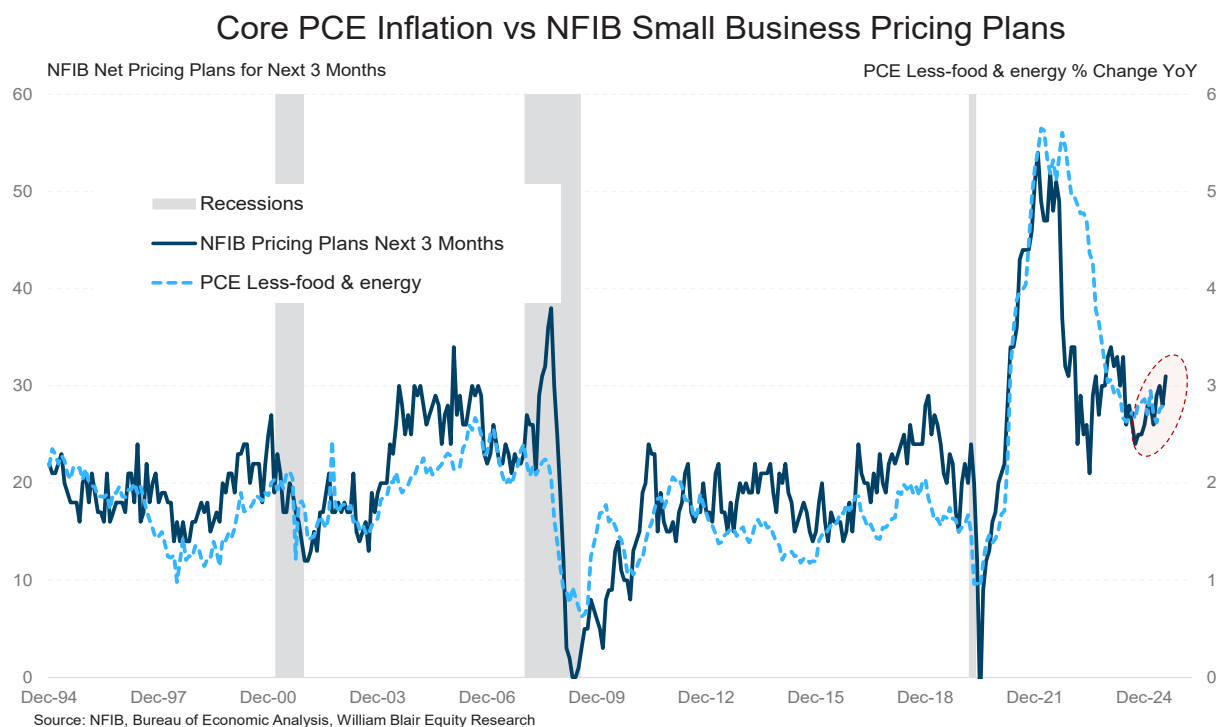
If most of the run-up in the homebuilding stocks has been on the back of rate cut expectations, then there is a clear risk that performance will fade when those rate cuts finally transpire. It is worth remembering that fixed-rate mortgages are priced off of 10-year yields, not the short end of the yield curve (though ARMs are priced off of SOFR). It suggests we could see a repeat of what happened last year—a short rally that then fades. However,

## Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
25 Aug	10:00 a.m.	New Home Sales (July)	0.6%	-0.2%	0.1%	
26 Aug	8:30 a.m.	Durable Goods Orders (July)	-9.4%	-3.4%	-4.5%	
		Orders Less-transportation	0.2%	0.1%	-0.1%	
26 Aug	10:00 a.m.	Consumer Confidence (August)	97.2	96.8	97.0	
28 Aug	8:30 a.m.	GDP (Q2 Second Revision)	3.0%	3.1%	3.1%	
29 Aug	8:30 a.m.	Personal Income (July)	0.3%	0.4%	0.3%	
		Personal Spending	0.3%	0.5%	0.5%	

Sources: Bloomberg, William Blair Equity Research

## Indicator of the Week: PCE Price Index





## Economic Scorecard

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

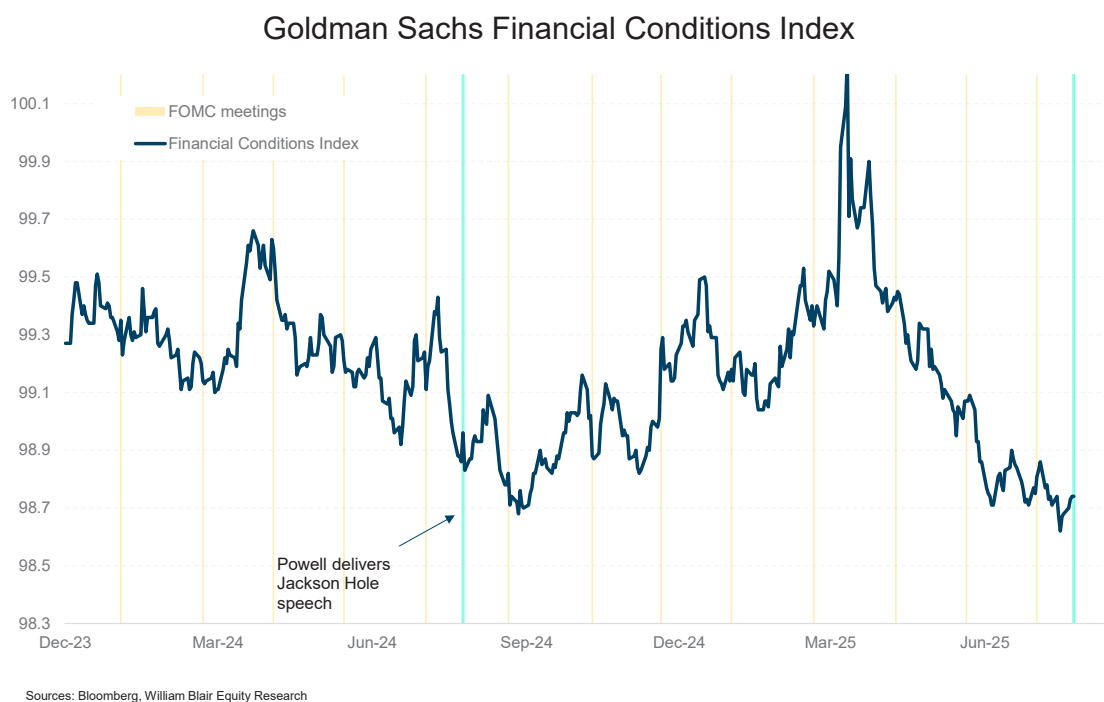
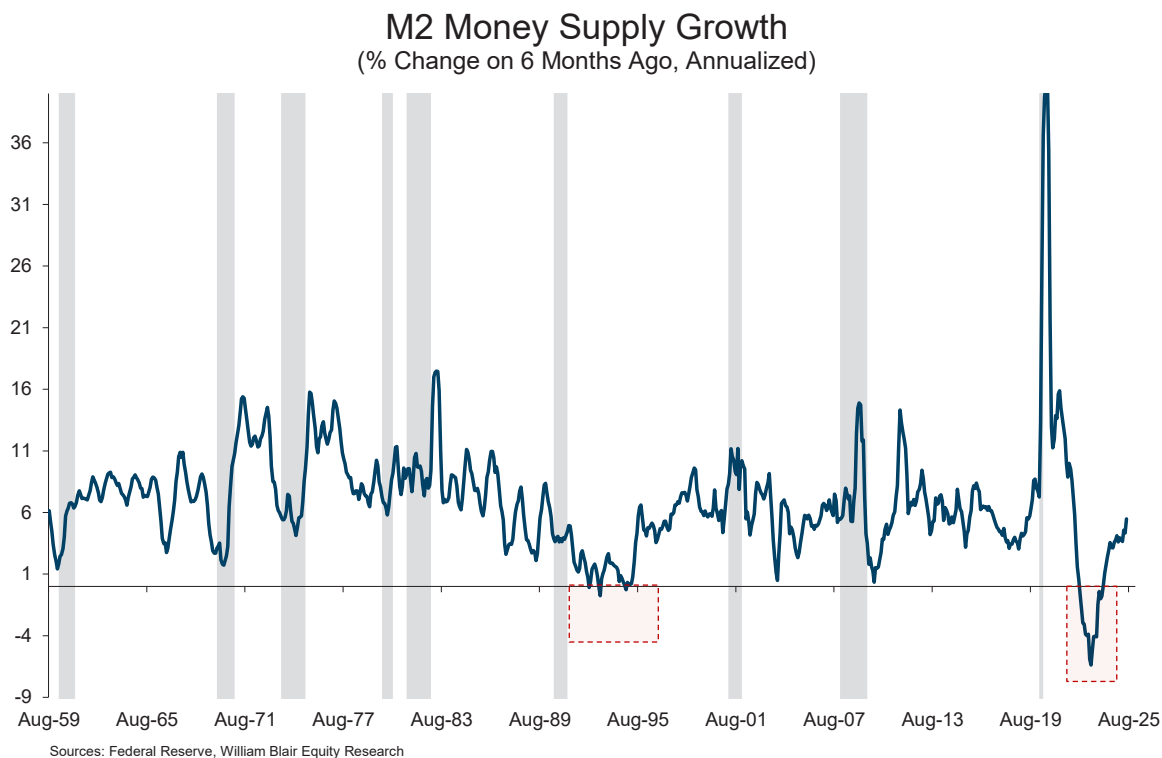
	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
<b>Growth</b>																			
US Leading Indicators	-6.5	-5.5	-5.4	-5.0	-4.5	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0		
US Coincident Indicators	2.0	2.1	1.7	1.9	2.1	1.7	1.7	1.6	1.6	1.3	1.7	1.5	1.5	1.9	2.0	1.5	1.4		
US Lagging Indicators	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	-0.1	0.0	0.8	0.7		
<b>Consumer</b>																			
Total Retail Sales	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	3.4	4.4	3.9	
Personal Income	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	5.4	4.6	4.7		
Real Disposable Personal Income	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	1.7		
Real Personal Consumption	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	2.1		
Personal Saving Rate (%)	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	5	4.5	4.5		
Consumer Confidence (Conference Board)**	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	95.2	97.2	
<b>Employment</b>																			
Employment Growth	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	1.0	1.0	1.0	
ASA Temporary Staffing Index	-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	-0.8	
ISM Employment Index Manufacturing*	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	43.4	
ISM Employment Index Services*	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	46.4	
Unemployment Rate, %	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	4.2	
Average Hourly Earnings	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	3.8	3.9	
Initial Jobless Claims (avg. wkly. chg. '000s)	211	216	210	222	237	237	230	225	236	219	222	218	227	223	226	235	241	221	
Jop Openings	-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	-2.4	0.3	-0.9	
Layoff Announcements	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	139.8	
<b>Housing Market</b>																			
Housing Starts	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	0.9	-2.6	2.3	12.9	
New Home Sales	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	-4.6	-1.9	-6.3	-6.6		
Existing Home Sales	-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	-0.5	0.0		
Median House Price (Existing Homes)	-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	-5.4	-0.5	2	-2.9		
Existing Homes Inventory (Mths' supply)	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	4.4		
New Homes Inventory (Mths' supply)	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	8.5	9.7	9.8		
NAHB Homebuilder Sentiment*	48	51	51	45	43	41	39	41	43	46	46	47	42	39	40	34	32	33	32
<b>Inflation</b>																			
Consumer Price Index	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	2.7	
CPI Less-food & energy	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	3.1	
Producer Price Index	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	2.4	2.7	2.4	3.3	
PPI Less-food & energy	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	3.8	3.1	3.2	2.6	3.7	
PCE Price Index	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	2.4	2.6	2.6	
PCE Prices Less-food & energy	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	2.8	2.8	2.8	
<b>Business Activity - US</b>																			
Industrial Production	-0.1	-0.3	-0.8	0.0	0.9	-0.5	-0.1	-0.7	-0.4	-0.9	0.4	1.4	1.1	1.1	1.3	0.8	0.8	1.4	
New Cap Gds Orders less-aircraft & parts	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	2.2	4.6		
Business Inventories	-0.2	0.3	0.2	0.6	1.2	1.6	2.1	2.1	1.9	2.2	2.6	1.9	2.5	2.3	2.5	2.2	1.7	1.6	
ISM Manufacturing PMI*	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	48	
Markit US Manufacturing PMI*	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	49.8	
ISM Services Index*	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	50.1	
Markit US Services PMI*	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	55.7	
<b>Business Activity - International</b>																			
Germany Manufacturing PMI Markit/BME*	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	49.1	
Japan Manufacturing PMI Jibun Bank*	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	48.9	
Caixin China Manufacturing PMI*	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	49.5	
China Manufacturing PMI*	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	49.3	
UK Manufacturing PMI Markit/CIPS*	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	48	
France Manufacturing PMI Markit*	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	48.2	
<b>Currencies***</b>																			
Euro (EUR/USD)	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	5.4	
Renminbi (USD/CNY)	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	-0.4	
Yen (USD/Yen)	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	0.5	
Sterling (GBP/USD)	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	2.7	
Canadian \$ (USD/CAD)	-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	0.3	
Mexican Peso (USD/MXN)	-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	1.4	
<b>US Equities</b>																			
S&P 500	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	14.8	
S&P 400 Midcap	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	1.7	
S&P 600 Smallcap	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	-6.3	
Russell 2000	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	-1.9	

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

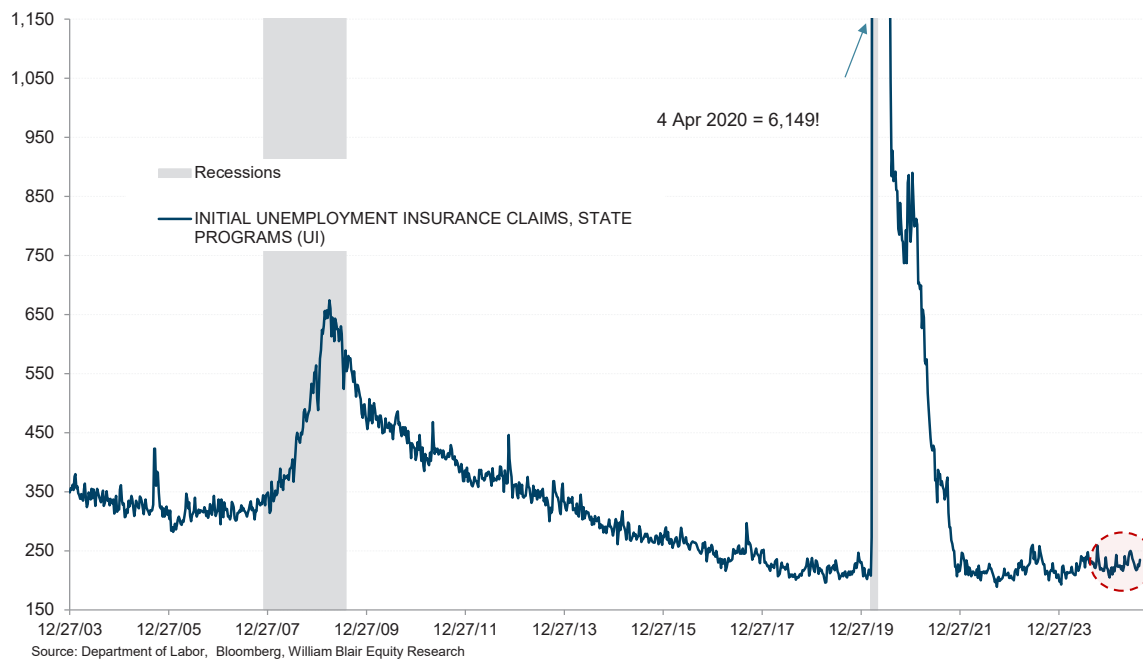
Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair



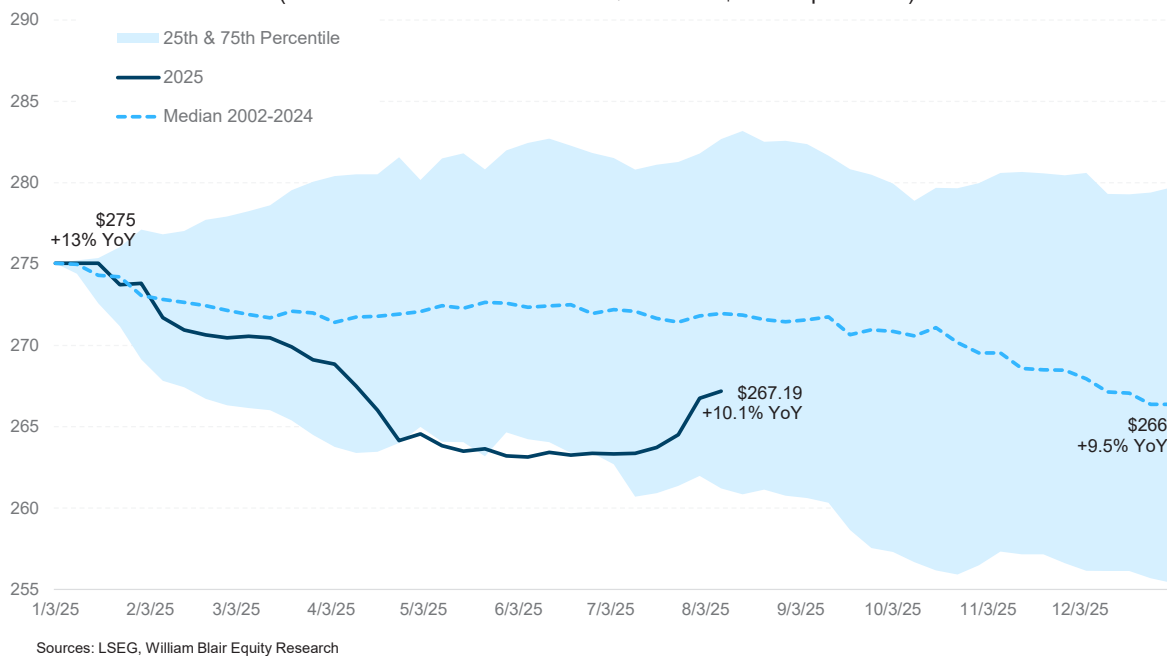
## Other Economic Indicators



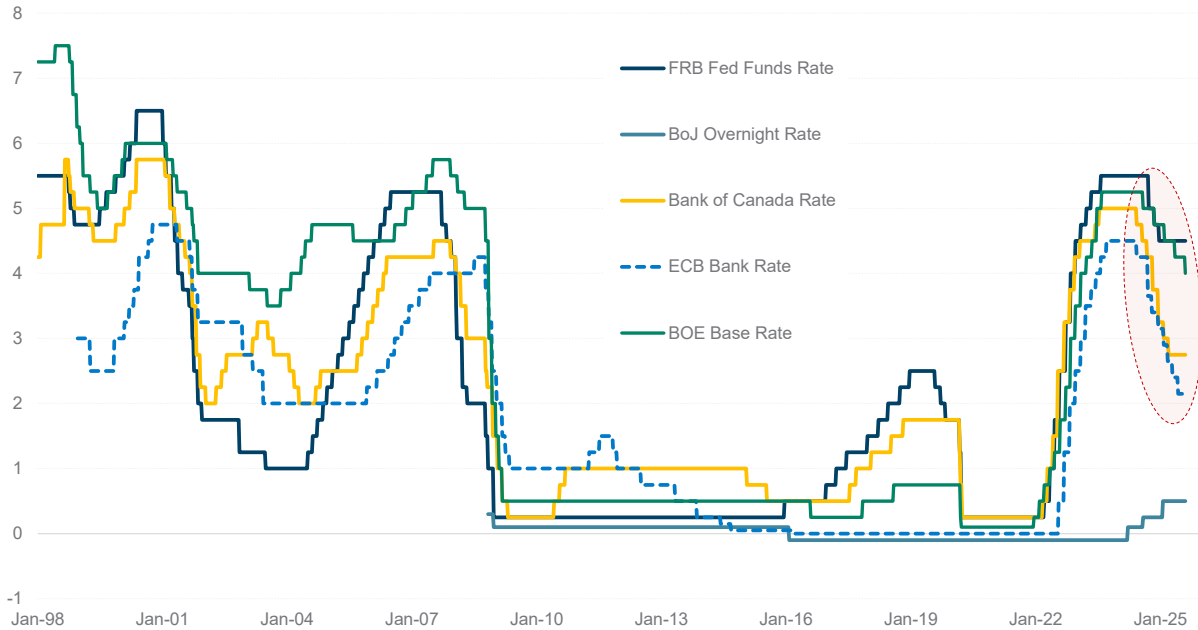
### Initial Jobless Claims (‘000s, Seasonally Adjusted)



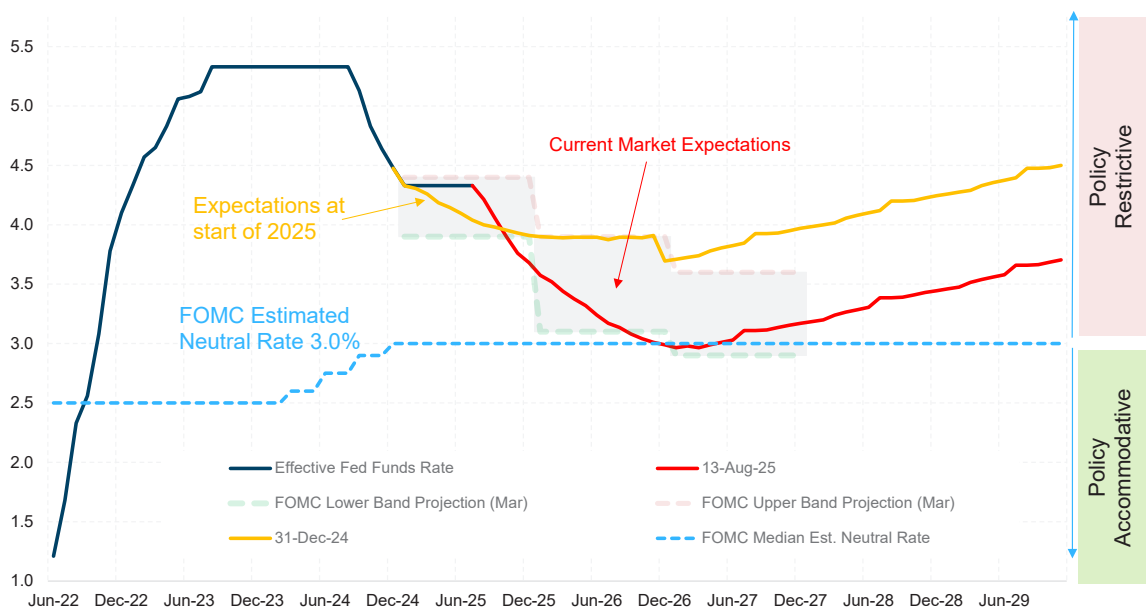
### Progression of S&P 500 2025 EPS Estimates, 2025 vs Median 2002-2024 (Rebased to Estimate at End of Q4 2024 of \$275.05 per share)



## Central Bank Target Short-Term Interest Rates, %



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



## S&amp;P 500 Sector Performance

Global Industry Classification System	Current Weight* 21-Aug-25	Week Ago 14-Aug-25	Month Ago 21-Jul-25	Qtr-to-Date 30-Jun-25	Year-to-Date 31-Dec-24
<b>S&amp;P 500 Index</b>	<b>100.00</b>	<b>-1.52</b>	<b>1.02</b>	<b>2.66</b>	<b>8.31</b>
<b>S&amp;P 400 MidCap Index</b>		<b>-0.69</b>	<b>0.57</b>	<b>2.13</b>	<b>1.54</b>
<b>S&amp;P 600 SmallCap Index</b>		<b>-1.00</b>	<b>2.08</b>	<b>4.21</b>	<b>-1.30</b>
<b>Dow Jones Industrials</b>		<b>-0.28</b>	<b>1.04</b>	<b>1.57</b>	<b>5.27</b>
<b>Nasdaq Composite</b>		<b>-2.81</b>	<b>0.60</b>	<b>3.59</b>	<b>9.27</b>
<b>Communication Services</b>	<b>10.36</b>	<b>-2.22</b>	<b>2.98</b>	<b>3.29</b>	<b>14.26</b>
Advertising	0.09	2.86	-17.30	-19.57	-31.60
Broadcasting	0.08	1.02	7.45	6.97	25.03
Cable & Satellite	0.29	2.08	-10.03	-12.34	-12.64
Integrated Telecommunication Services	0.73	2.92	6.79	2.82	20.83
Interactive Home Entertainment	0.15	-3.23	4.72	0.21	19.90
Interactive Media & Services	7.01	-3.31	4.45	7.20	13.53
Movies & Entertainment	1.46	-1.42	-2.42	-8.00	24.09
Publishing & Printing	0.03	-0.10	2.18	0.17	9.29
Wireless Telecommunication Svcs	0.53	3.14	10.98	8.35	16.96
<b>Consumer Discretionary</b>	<b>11.07</b>	<b>-2.11</b>	<b>0.32</b>	<b>3.33</b>	<b>-1.03</b>
Apparel Retail	0.36	2.29	9.72	12.00	9.10
Apparel & Accessories & Luxury Goods	0.10	1.31	-7.83	-3.08	-17.21
Auto Parts & Equipment	0.03	0.11	7.78	9.02	17.89
Automobile Manufacturers	2.05	-4.20	-1.99	1.61	-18.30
Automobile Retail	0.30	2.09	8.91	10.99	24.09
Broadline Retail	4.38	-3.82	-2.74	1.68	1.98
Casinos & Gaming	0.11	-0.93	2.47	12.72	3.96
Computer & Electronics Retail	0.03	0.91	9.37	7.84	-15.63
Consumer Electronics	0.08	-2.33	1.52	10.00	11.31
Distributors	0.07	-2.80	1.07	2.87	-0.26
Footwear	0.19	-0.12	2.41	6.34	-11.88
Home Furnishings	0.01	-3.65	13.57	18.44	4.23
Home Improvement Retail	0.98	-0.21	10.90	10.19	2.59
Homebuilding	0.23	-1.77	17.22	18.32	9.14
Hotels, Resorts & Cruise Lines	0.96	1.66	-1.89	0.61	11.52
Leisure Products	0.02	-1.41	2.24	7.57	42.03
Restaurants	1.02	-0.53	-0.60	-1.48	3.25
Other Specialty Retail	0.10	0.76	5.54	13.70	16.83
<b>Consumer Staples</b>	<b>6.11</b>	<b>0.75</b>	<b>1.82</b>	<b>0.95</b>	<b>6.09</b>
Agricultural Products	0.08	2.63	12.72	12.25	16.88
Brewers	0.02	0.99	3.56	7.59	-9.73
Distillers & Vintners	0.07	-2.07	-0.25	3.32	-24.42
Drug Retail	0.02	1.25	5.82	6.19	30.65
Food Distributors	0.07	-1.82	1.27	5.25	4.26
Food Retail	0.09	3.16	-0.83	-0.43	16.80
Household Products	0.95	2.59	1.80	-0.78	-5.70
Packaged Foods & Meats	0.51	0.93	-1.55	-1.10	-5.28
Personal Products	0.11	0.51	-1.49	4.40	5.40
Soft Drinks	1.12	1.01	3.31	4.96	7.66
Tobacco	0.70	4.88	1.43	0.88	39.95
<b>Energy</b>	<b>2.98</b>	<b>0.54</b>	<b>0.98</b>	<b>1.26</b>	<b>0.30</b>
Integrated Oil & Gas	1.50	1.08	2.24	3.97	3.00
Oil & Gas Equipment & Services	0.20	0.93	3.76	5.53	-7.82
Oil & Gas Exploration & Production	0.63	-0.98	1.14	-0.26	-2.88
Oil & Gas Refining & Marketing & Transportation	0.26	2.04	-3.70	2.52	13.85
Oil & Gas Storage & Transportation	0.38	-0.35	-2.23	-8.30	-7.46

<b>Financials</b>	<b>13.65</b>	<b>-0.64</b>	<b>0.45</b>	<b>0.40</b>	<b>8.83</b>
Asset Management & Custody Banks	1.16	-3.74	-0.14	6.31	4.67
Consumer Finance	0.68	-1.82	0.33	-1.41	10.63
Diversified Banks	3.22	-0.91	-0.11	1.35	15.74
Financial Exchanges & Data	1.23	-1.97	-2.20	-0.91	12.25
Insurance Brokers	0.59	2.56	2.14	-1.37	2.81
Investment Banking & Brokerage	1.18	-3.11	1.23	2.75	21.61
Life & Health Insurance	0.32	1.54	5.47	1.04	-0.34
Multi-Sector Holdings	1.22	1.96	2.99	0.58	7.79
Property & Casualty Insurance	1.07	0.63	3.92	-1.41	6.44
Regional Banks	N/A	-1.39	-1.18	3.04	4.15
Reinsurance	0.03	3.24	5.48	2.41	-3.97
Transaction & Payment Processing	2.52	0.18	-0.91	-2.17	2.27
<b>Health Care</b>	<b>9.34</b>	<b>2.28</b>	<b>4.47</b>	<b>1.44</b>	<b>-0.60</b>
Biotechnology	1.61	1.56	5.63	6.98	10.93
Health Care Distributors	0.35	3.25	-0.33	-3.78	26.19
Health Care Equipment	2.13	0.59	2.36	-1.35	7.81
Health Care Facilities	0.19	2.72	10.64	4.99	29.45
Health Care Services	0.41	4.73	9.28	-1.51	27.06
Health Care Supplies	0.07	-1.13	-8.05	-9.21	-18.14
Life Sciences Tools & Services	0.87	-1.45	12.48	8.92	-10.36
Managed Health Care	0.73	9.58	9.71	-8.83	-34.63
Pharmaceuticals	2.98	2.99	1.90	2.70	-1.71
<b>Industrials</b>	<b>8.55</b>	<b>-0.39</b>	<b>-0.04</b>	<b>1.97</b>	<b>14.17</b>
Aerospace & Defense	2.22	-0.20	0.71	3.59	30.81
Agricultural & Farm Machinery	0.24	1.65	-1.91	-4.27	14.88
Air Freight & Logistics	0.27	-2.10	-3.73	-4.99	-21.05
Building Products	0.53	-1.41	-4.01	-1.50	10.54
Cargo Ground Transportation	0.08	-0.85	-6.77	-5.67	-15.36
Construction & Engineering	0.10	0.19	-5.13	0.03	19.67
Construction Machinery & Heavy Trucks	0.61	-0.69	3.01	6.82	9.56
Data Processing & Outsourced Services	0.06	0.62	7.91	7.32	15.37
Diversified Support Svcs	0.24	-0.92	-0.29	-2.96	2.61
Electrical Components & Equipment	0.58	-2.55	-4.62	-0.35	5.93
Environmental & Facilities Services	0.40	1.29	1.71	0.19	14.43
Heavy Electrical Equipment	0.30	-3.08	7.09	14.53	84.23
Human Resource & Employment Services	0.36	2.46	1.06	-0.93	2.60
Industrial Conglomerates	0.40	-0.77	-4.54	-3.79	3.81
Industrial Machinery	0.69	-1.24	-0.93	0.70	0.96
Passenger Airlines	0.16	-1.31	-0.62	13.85	-3.30
Passenger Ground Transportation	0.36	3.10	3.37	1.00	56.22
Railroads	0.48	0.67	1.56	3.75	6.52
Research & Consulting Svcs	0.20	0.37	-1.69	-2.18	4.57
Trading Companies & Distributors	0.29	-0.42	6.51	10.56	18.41
<b>Information Technology</b>	<b>33.48</b>	<b>-3.61</b>	<b>0.25</b>	<b>4.13</b>	<b>12.16</b>
Application Software	2.60	-2.86	-2.39	-1.34	5.59
Communications Equipment	0.96	-2.69	4.96	6.28	12.92
Electronic Components	0.34	-1.63	8.77	13.53	50.58
Electronic Equipment & Instruments	0.16	-2.69	-2.75	2.18	2.28
Electronic Manufacturing Services	0.15	-3.90	5.47	10.87	40.82
Internet Software & Services	0.10	2.04	-7.63	-10.94	-8.08
IT Consulting & Services	0.83	1.92	-13.66	-17.73	-13.33
Semiconductor Equipment	N/A	-10.40	-8.79	-4.41	16.61
Semiconductors	12.31	-4.36	1.35	8.11	26.63
Systems Software	8.87	-3.07	-2.61	-0.25	17.79
Technology Distributors	0.04	-1.15	-7.17	-8.07	-5.66
Technology Hardware, Storage & Peripherals	6.42	-3.36	5.55	9.31	-9.03
<b>Materials</b>	<b>1.88</b>	<b>0.39</b>	<b>0.74</b>	<b>3.29</b>	<b>8.43</b>
Commodity Chemicals	0.06	2.59	-14.29	-7.70	-34.64
Construction Materials	0.13	-1.78	7.73	9.99	14.12
Copper	0.11	-1.32	-7.68	-3.76	9.56
Fertilizers & Agricultural Chemicals	0.13	1.50	-2.23	-4.14	20.39

## William Blair

Gold	0.14	2.35	17.09	20.30	88.31
Industrial Gases	0.53	0.60	1.67	2.81	11.50
Metal & Glass Containers	0.03	-1.73	-9.13	-6.03	-4.39
Paper Packaging	0.18	0.98	-3.69	1.69	-11.77
Specialty Chemicals	0.47	0.18	1.66	3.88	2.33
Steel	0.09	-0.96	-1.86	6.00	18.14
<b>Real Estate</b>	<b>2.01</b>	<b>1.47</b>	<b>-0.87</b>	<b>0.38</b>	<b>2.10</b>
Data Center REITs	0.24	-0.84	-4.41	-4.22	-14.13
Health Care REITs	0.31	2.90	2.86	7.79	18.29
Hotel & Resort REITs	0.02	1.06	0.44	5.14	-7.82
Industrial REITs	0.18	2.40	0.50	3.11	2.54
Multi-Family Residential REITs	0.00	1.27	-5.43	-5.62	-10.30
Office REITs	0.02	1.85	-3.76	-1.56	-10.68
Other Specialized REITs	0.11	0.19	-3.44	-4.89	-0.53
Real Estate Service	0.15	0.40	8.53	11.91	22.12
Retail REITs	0.27	1.77	4.60	4.55	2.09
Self-Storage REITs	0.14	1.95	-1.99	-3.65	-5.38
Single-Family Residential REITs	0.14	1.95	-1.99	-3.65	-5.38
Telecom Tower REITs	0.30	2.54	-6.12	-3.90	13.16
Timber REITs	0.03	-2.02	2.87	0.31	-8.46
<b>Utilities</b>	<b>2.39</b>	<b>-0.47</b>	<b>1.53</b>	<b>4.40</b>	<b>12.50</b>
Electric Utilities	1.54	0.01	1.42	4.56	12.37
Gas Utilities	0.05	0.40	5.42	8.23	19.76
Independent Power Producers & Energy Traders	0.13	-5.23	0.25	0.75	31.95
Water Utilities	0.05	1.71	2.12	4.86	17.18
Multi-Utilities	0.62	-0.84	1.74	4.51	8.41

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

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DOW JONES: 44785.50

S&P 500: 6370.17

NASDAQ: 21100.30

Additional information is available upon request.

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Market Perform (Hold)	28	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

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