

Economics Weekly

There's Something About Kevin

Equity Research
Macroeconomics

23 January 2026

Richard de Chazal, CFA
rdechazal@williamblair.com
+44 20 7868 4489

Louis Mukama
lmukama@williamblair.com
+1 312 364 8867



William Blair

Treasury Secretary Scott Bessent, who is leading the search for the next Fed chair, said this week that the president will announce his nomination for the role as soon as next week, after Davos. Up until last week, that choice was widely believed to be Kevin Hassett. Yet, following comments by the president, the market now believes Hassett's chances have been quashed, and punters have significantly upped the chances for Kevin Warsh being appointed chair. **In this *Economics Weekly* and ahead of what could be next week's announcement, we discuss the leading candidates for the role.**

New Fed "Chair" in February?

Fed Governor Stephen Miran's short term on the Board of Governors, which began on September 16 (to fill in for the departed Adriana Kugler) is due to end January 31. Therefore, the president's choice for the next Fed chair could be given Miran's seat on the board starting in February and then be appointed as Fed chair when Powell's term expires in May.

Whether Chair Powell decides to remain on the board as a governor to finish out the rest of his 14-year term (which expires January 31, 2028) is not yet clear.

Historically, most Fed chairs have immediately relinquished their seats as governors after their term as chair ends—but not all (e.g., Marriner Eccles remained as a governor for another 3 years and 5 months). If Chair Powell does resign as governor, the president could decide to reappoint Stephen Miran back to the board to serve out the rest of Powell's term as governor.

Thom Tillis—A Fly in the Ointment

A presidential nomination to the Fed's board first needs to be vetted and confirmed by the Senate Banking Committee, and is then passed over to the floor of the Senate for a simple majority vote.

The Senate Banking Committee currently comprises 13 Republicans and 11 Democrats. The problem at the moment, however, is that Republican Senator Thom Tillis, who sits on the powerful banking committee, is outraged at the Grand Jury investigation into Fed Chair Powell and has declared that he will block any new Fed nominations—meaning a 12-12 vote, assuming all Democrats vote against the nomination—until the investigation into Chair Powell is dropped, or until he retires next January.

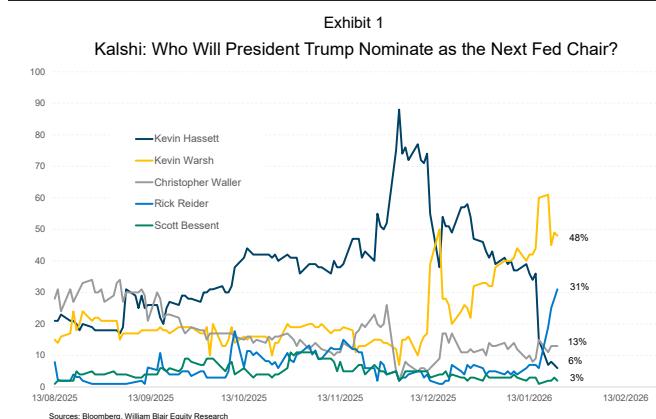
This blockage could be circumvented if Senate Majority Leader John Thune goes for the nuclear option of bypassing the banking committee and bringing the vote directly to the Senate floor. However, this would come with significant political costs and may not be supported by all Republicans—the Senate is currently split 53-47.

What Was Actually Said About Hassett

I see Kevin's in the audience, and I just want to thank you. You were fantastic on television today. I actually want to keep you where you are if you want to know the truth. Kevin Hassett is so good, I'm saying, wait a minute, if I move him, these Fed guys, certainly the one we have now, they don't talk much. I would lose you. It's a serious concern to me. So I just want to say thank you very much. You've done incredible. We don't want to lose him, Susie. But we'll see how it all works out. Okay?

—President Donald Trump, [16 January 2026](#)

Following these remarks, the former White House chief strategist in the first Trump administration, Steve Bannon, simply texted "DEAD" in reference to Hassett being appointed as the next Fed chair. In the betting markets, odds of a Hassett appointment collapsed from a December peak of 88% to just 6% today (exhibit 1).



Yet, watching the clip of the president speaking, we felt his comments could just as easily have been interpreted as the president giving Kevin Hassett a pat on the back for a job well done—effectively saying that while he'd love to have him stay, he was also very sorry to lose him to the Fed. In our view, therefore, it is too early to write Hassett off entirely. And, as President Trump said: "we'll see how it all works out" in the next week or so.

William Blair

There is no doubt that Kevin Hassett is qualified for the role. He is a Ph.D. economist and professor, with five years of experience working at the Fed; he co-authored the infamous Dow 36,000 book, while also having worked as the head of the Council of Economic Advisors; and as the current director of the National Economic Council he coordinates economic policy across the government. And as one colleague recently told us, "He does have a nice smile."

Having said that, doubts seem to have been raised about Hassett's chances given his support for the Department of Justice's investigation into Jerome Powell. This seems to be where the battle lines are drawn in the fight over Fed independence. While the president would seemingly still like to see Hassett in the role, his strong ties to the Trump administration might be perceived by the Senate Banking Committee as too tight, and the committee is keen to reassert the Fed's institutional independence. In addition, the Supreme Court seems ready to throw out the case against Fed Governor Lisa Cook, which might also harden that stance.

What About the Other Kevin?

Kevin Warsh is now the frontrunner for the role. Warsh holds a bachelor's degree from Stanford University and a law degree from Harvard. He began his career as an investment banker and was appointed to the Fed's Board of Governors in 2006. As the youngest-ever Fed governor at the age of 35, Warsh brought with him all his Wall Street knowledge and contacts, which Chairman Bernanke (an academic who woefully lacked these) found invaluable during the financial crisis.

In September 2008, when the likes of Kansas City Fed President Thomas Hoenig and Dallas Fed President Richard Fisher were still worried about inflation and were reluctant to move on rates, Warsh was market savvy enough to recognize that something much more concerning was unfolding—as can be found in the minutes to that September FOMC meeting [here](#) (Warsh's comments begin on page 59).

Currently, Warsh is a [visiting fellow](#) at the Hoover Institution, but he still has close Wall Street ties. In particular, he is an advisor to Stanley Druckenmiller's Duquesne Family Office, where both Druckenmiller and Warsh have close ties with Treasury Secretary Scott Bessent.

Warsh has been a strong early supporter of President Trump; though when it comes to the Fed, he is most noted for his distaste for QE and the use of the Fed's balance

sheet, except under the most extraordinary circumstances. His views, which were laid out in this [WSJ op-ed](#) back in 2014, ruffled many feathers at the Fed at the time, but have remained consistent to today. Historically, he has also been viewed as more of a hawk than a dove.

As to what former Fed Chair Bernanke felt about the op-ed and Warsh, this is from his memoir *The Courage to Act*:

Hoenig's comments irked me, but, despite hearing from a few FOMC colleagues who were piqued at Warsh's op-ed, I was comfortable with it. I never questioned Kevin's loyalty or sincerity. He had always participated candidly and constructively, as a team player, in our deliberations. And I was grateful that he had voted for the second round of asset purchases despite his unease. I saw his public comments more as an indictment of policymakers outside the Fed than as an attack on Fed policies. Kevin would leave the Board three months later, but not because of any policy disagreement. We had agreed when he was appointed in 2006 that he would stay for about five years. We remain close to this day.

Warsh sees QE as suppressing yields, distorting price discovery, and promoting both financial market bubbles and excessive government debt creation. He also views it as subsidizing Wall Street at the expense of Main Street.

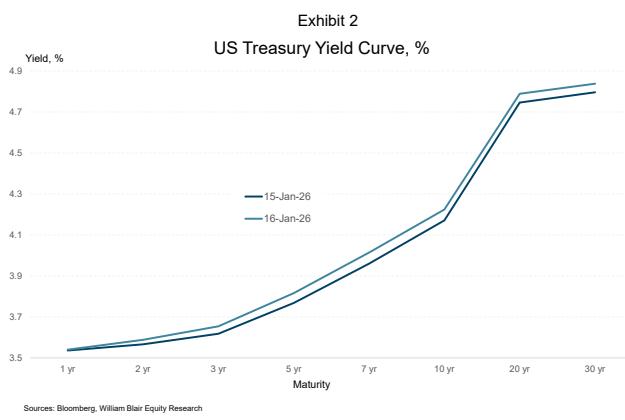
A Warsh appointment would therefore put him directly at odds with the Fed's recent move to restart balance sheet expansion under the premise of reserve management purchases in order to stabilize the repo market. Warsh views this as a further move down the road toward fiscal dominance (i.e., the central bank becoming increasingly subordinate to the government's fiscal needs).

From his perspective, a bloated balance sheet works at cross-purposes with interest rates—asset purchases are preventing the Fed from lowering rates further. Conversely, balance sheet shrinkage would open the door to further rate cuts, which Warsh believes would in turn help lower mortgage rates and ease the housing affordability crisis.

Warsh recognizes the current bloated size of U.S. government debt and the importance of the Fed's role in helping to stabilize that. Therefore, he argues that any balance sheet reduction would need to be done in tandem with reductions in government spending/debt issuance, and private sector investors would also inevitably end up having to absorb more of that debt onto their own balance sheets. Importantly, he also notes (for example, [here](#)) that

this might result in at least a temporarily higher yield until a new equilibrium was reached; in short, we would end up with a steeper yield curve.

This perception from the market was obvious following President Trump's downplaying Hassett's prospects and the rerating of Warsh's. There was an almost immediate level shift upward in the Treasury yield curve, which took place before the Greenland saga (exhibit 2).



The Rest of the Pack

As shown in exhibit 1, on page 2, the betting markets currently rank BlackRock's chief investment officer of fixed income, Rick Rieder, as the second most likely candidate for the position. And his prospects are rising steadily.

Rieder is not a Ph.D. economist, but he is a well-known bond fund manager with a strong track record and deep institutional knowledge of financial market plumbing. He is also known for his regular media appearances and insightful commentary on the economy and Fed policy. While he is currently a member of the Federal Reserve's Investment Advisory Committee on Financial Markets, he has never worked at the Fed. He is also not well-known in Washington political circles. Hence, to the extent that the position of Fed chair requires being as much a politician as a monetary policymaker, this could be perceived as a weak spot by Senate lawmakers in Washington, even though it could endear him to members of the Trump administration.

The third-ranked candidate is Fed Governor Christopher Waller, and he is very much a Fed insider and is exceptionally well qualified for the role. He would easily be viewed as the favorite choice among most economists inside and outside the Fed. However, while he is strongly in favor of lowering interest rates further, he is also quite independently minded—a quality which likely counts

against him in the search criteria from this administration relative to other qualities they prize more highly.

Lastly, the president has mentioned on many occasions that he would like Treasury Secretary Bessent to assume the role. Secretary Bessent has so far been steadfast in his desire to remain at the Treasury—a job he actively lobbied the president for ahead of the election. However, this would not be the first time that the person in charge of the search committee ended up with the position themselves (as the old saying goes: if you want the job, chair the committee).

The betting market currently only attaches a 3% probability of Bessent at the Fed, though as a former successful macro hedge fund manager and clearly capable and feisty Treasury secretary, he too would be highly qualified for the role.

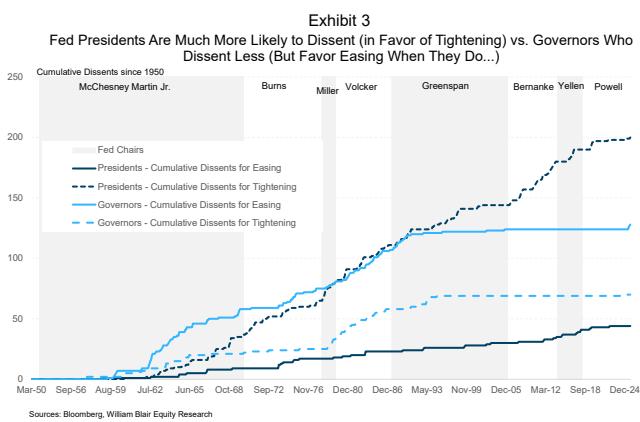
How Much Does Independence Matter?

Just about all economic research shows that central banks with greater operational independence to pursue their mandated goals tend to be more successful at maintaining lower rates of inflation and more stable economic growth. More politicized central banks typically result in greater instances of boom and bust cycles.

That said, an independent central bank is likely to be more consequential for emerging markets, which often lack policy credibility. Still, large developed economies should play an important role in being looked to as the gold standard for monetary independence.

In reality, most central banks are likely less independent than they profess to be. For example, there is a lot of shared information between the Treasury and the Fed, and it is common custom for the Fed chair and the Treasury secretary to have weekly breakfasts together.

The Bank of England was only granted its operational independence in 1997, and the U.K. economy managed to survive in the years before that. It is also noteworthy that Fed governors (who are political appointees) dissent far less at FOMC meetings than regional Fed presidents (who are not). And when the governors do dissent, it is overwhelmingly in favor of easing, not raising rates (exhibit 3).



It would also be foolish to rule out Treasury Secretary Bessent for the role, given the president's stated desire for him to take the position and his clear ability to fill the position, despite his reluctance to give up the role of Treasury secretary.

Ultimately, all these candidates are well qualified for the role, though each brings their own particular nuance from a policy perspective. We still see the Kevins as the two most likely choices, followed by Bessent and Rieder. While Christopher Waller would make an excellent chair, the fact that he is such a Fed insider, coupled with his clear independent streak, likely diminishes his attractiveness in the eyes of this administration.

Conclusion

Treasury Secretary Bessent told us this week that the president's nomination for Fed chair would likely be announced in the coming week. Recent comments by the president seemed to negate the chances of that appointment being Kevin Hassett, though we would not rule him out. However, Hassett's prospects may have been diminished by his perceived support for the Department of Justice's investigation into Fed Chair Jerome Powell.

This has put Kevin Warsh into pole position for the role. As a former member of the Board of Governors and as someone who works in the financial markets and also has contacts in Washington, he is well qualified for the role. Warsh has been very vocal about the size of the Fed's balance sheet, which he believes is keeping rates higher than they might otherwise be and also subsidizing Wall Street over Main Street. He would likely be in opposition to the Fed's recent move to restart balance sheet expansion. But reversing this policy would likely require some reduction in government spending, which might be a difficult ask at the moment. In addition, it would also require private sector investors having to add more Treasury debt holdings to their portfolios, which many might be reluctant to do without some greater yield incentive.

The surprising second candidate in the running, according to the betting markets, is now Rick Rieder from BlackRock. He is a Wall Street veteran with well-honed financial plumbing skills and market knowledge. However, Rieder has spent less time in and around Washington than even the academics Bernanke and Yellen who both did stints on the Council of Economic Advisors. While this may endear him to the Trump administration, being less of a known entity could give him a bumpier path through the Senate.

Highlights in the Week Ahead

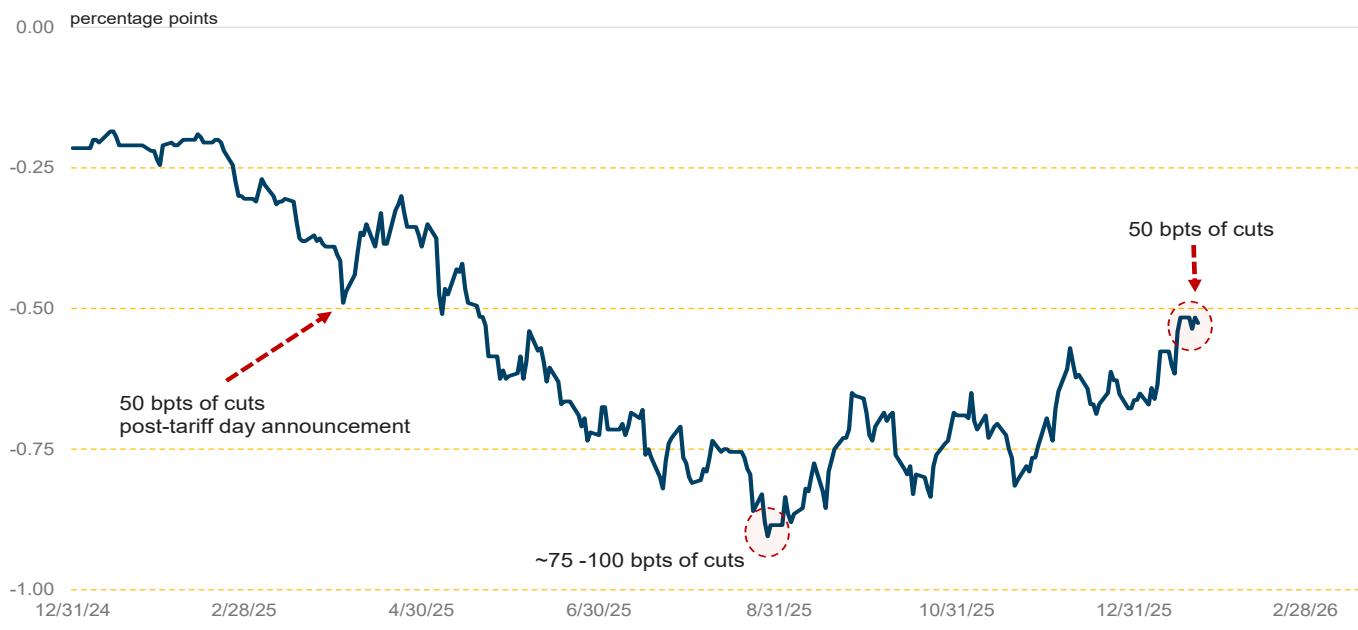
Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
26 Jan	8:30 a.m.	Durable Goods Orders (Nov)	-2.2%	3.0%	1.0%	
		Orders Less-transportation	0.1%	0.2%	0.0%	
27 Jan	10:00 a.m.	Consumer Confidence (Jan)	89.1	90.1	90.8	
28 Jan	2:00 p.m.	FOMC meeting	3.75%	3.75%	3.75%	
29 Jan	8:30 a.m.	Nonfarm Productivity (Q3 Final)	4.9%	4.9%	4.9%	
29 Jan	8:30 a.m.	Trade Balance (Nov)	-\$29.4bn	-\$44.6bn	-\$35.0	
30 Jan	8:30 a.m.	Producer Prices Index (Dec)	0.2%	0.2%	0.2%	
		PPI Less-food & energy	0.0%	0.2%	0.2%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: FOMC Meeting

Expected Change in Fed Funds Rate in 2026

(percentage point change in Fed funds rate from rate at start of 2026)



Sources: Bloomberg, William Blair Equity Research

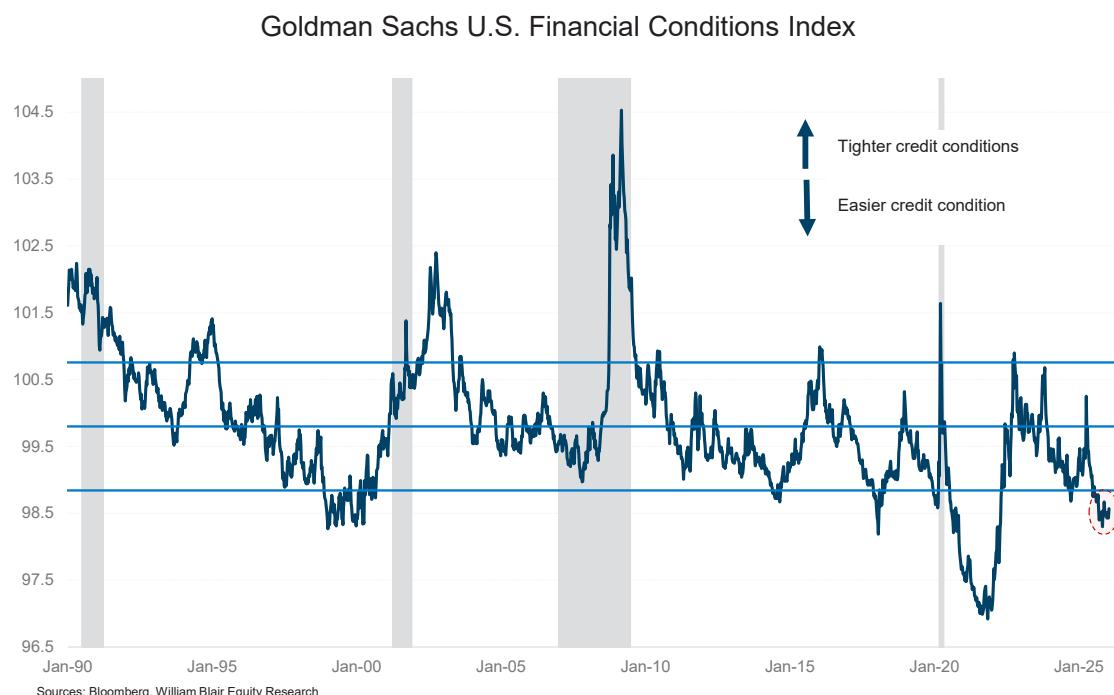
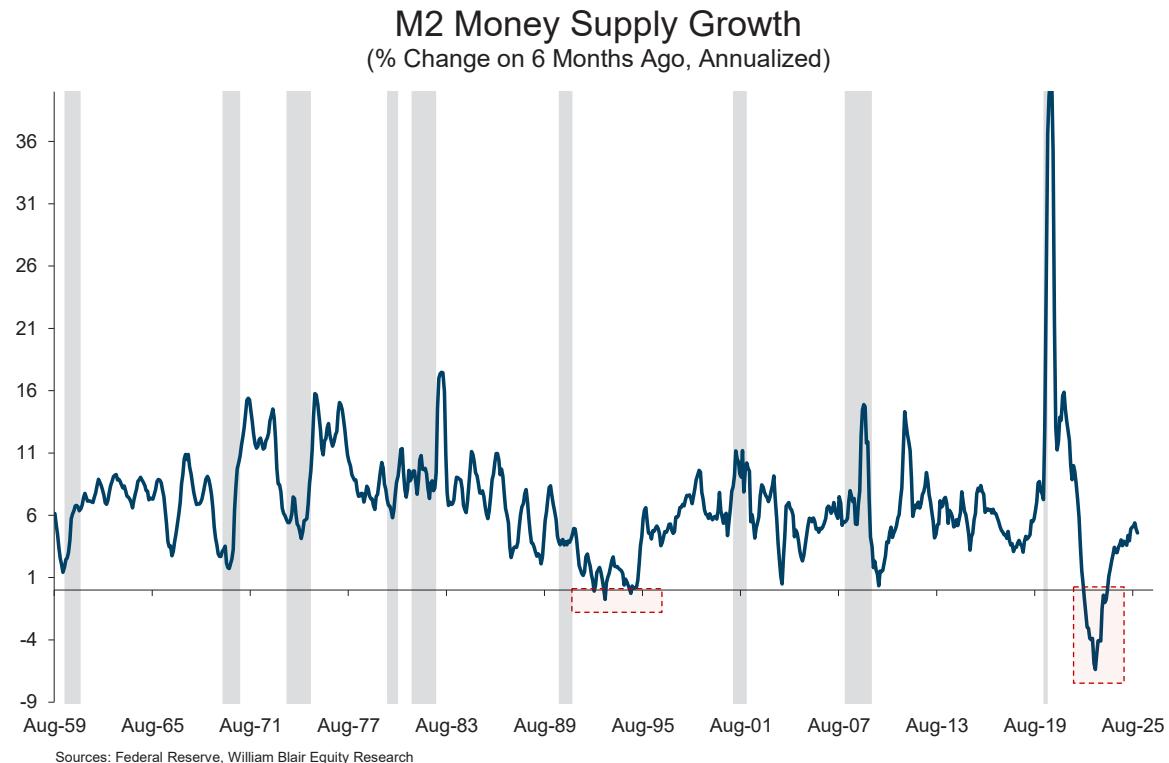
Economic Scorecard

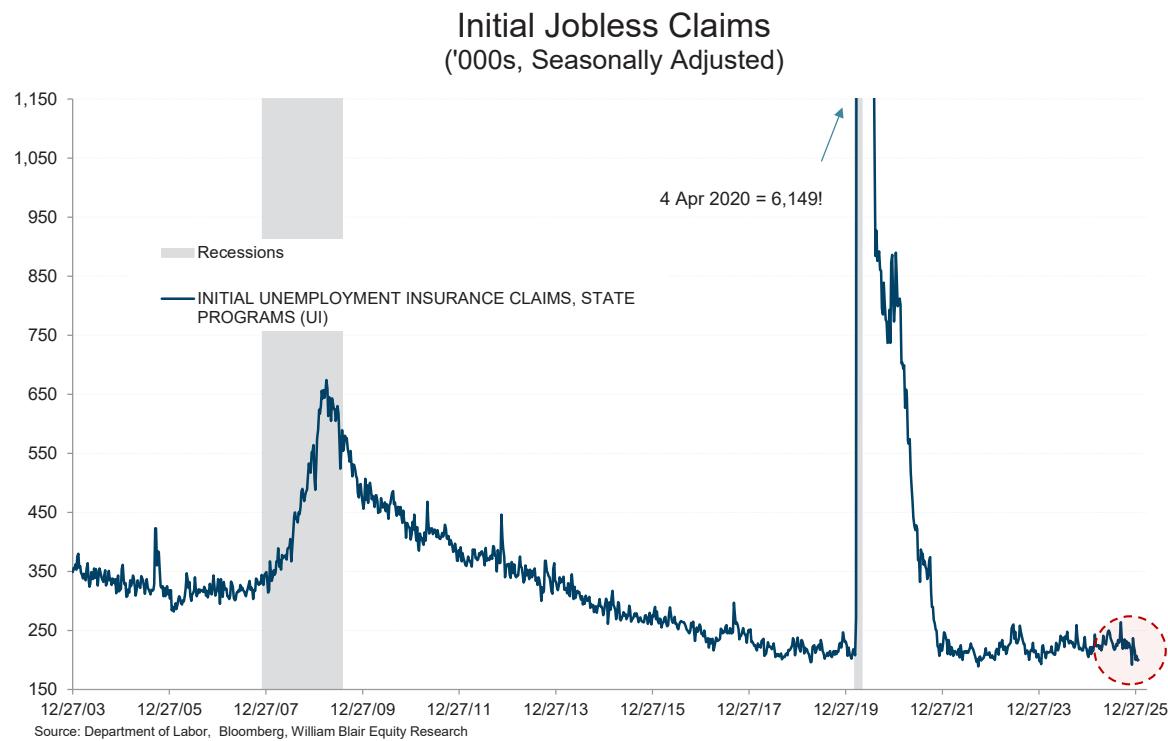
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	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	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Growth																			
US Leading Indicators	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-3.9	-3.4	-3.4	-3.4	-3.3			
US Coincident Indicators	1.7	1.7	1.6	1.6	1.3	1.7	1.5	1.5	1.8	2.0	1.4	1.4	1.6	1.5	1.4				
US Lagging Indicators	1.0	0.8	0.3	0.1	0.0	0.1	-0.1	0.1	-0.1	-0.2	0.7	0.4	0.4	0.5	1.1				
Consumer																			
Total Retail Sales	3	1.8	2	3.2	3.9	4.6	4.6	3.9	5.1	5	3.4	4.4	4.1	5	4.1	3.3	3.3		
Personal Income	5.6	5.4	5.3	5.5	5.3	5.3	5	5	5.2	5.6	4.5	4.3	4.6	4.8	4.8				
Real Disposable Personal Income	2.9	2.8	2.8	2.7	2.4	2.2	1.8	1.8	2.3	2.8	1.5	1.2	1.5	1.6	1.5				
Real Personal Consumption	3	3	3.4	3.3	3.2	3.6	3.3	2.7	3.2	3.1	2.5	2.5	2.6	2.8	2.4				
Personal Saving Rate (%)	5.3	5.2	4.8	5	4.9	4.3	5.1	5.2	5.1	5.5	4.9	4.6	4.3	4.1	4				
Consumer Confidence (Conference Board)**	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9	89.1	
Employment																			
Employment Growth	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	0.9	0.8	0.7	0.5	0.4	
ASA Temporary Staffing Index	-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	-0.9	0.8	1.5	4.5	7.3	
ISM Employment Index Manufacturing*	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	43.8	45.3	46	44	44.9	
ISM Employment Index Services*	51	49.6	48.2	52.2	50.9	51.3	52.3	53.9	46.2	49	50.7	47.2	46.4	46.5	47.2	48.2	48.9	52	
Unemployment Rate, %	4.2	4.2	4.1	4.1	4.2	4.1	4	4.2	4.2	4.2	4.3	4.1	4.3	4.3	4.4	4.4	4.5	4.4	
Average Hourly Earnings	3.6	4	3.9	4.1	4.2	4	3.9	3.9	3.9	3.8	3.8	3.7	3.9	3.8	3.7	3.7	3.6	3.8	
Initial Jobless Claims (avg. wkly. chg. '000s)	237	230	225	236	219	222	218	227	223	226	235	241	221	231	235	225	215	219	
Jop Openings	-12.8	-17.6	-23.5	-10.9	-7.3	-12.5	-8.3	-11.4	-11.0	-2.9	-2.4	-0.7	-3.9	-5.5	7.8	-2.2	-11.0	-4.8	
Layoff Announcements	9.2	1	53.4	50.9	26.8	11.4	-39.5	103.2	204.8	62.7	47	-1.6	139.8	13.3	-25.8	175.3	23.5	-8.3	
Housing Market																			
Housing Starts	-13.4	5.6	-1	-1.2	-14.5	-0.5	-1.7	-4	3.3	0.9	-2.6	4.1	12.3	-7.2	-3.8	-7.8			
New Home Sales	1.1	7.4	5.3	-8.8	10.7	11.7	-2.8	-2.4	-4.6	-1.8	-5.7	-1.3	-10	2.6	2.9	18.7			
Existing Home Sales	-2.5	-3.7	-3.0	3.1	6.7	9.7	2.3	-0.9	-2.4	-2.0	-0.5	0.0	0.8	1.8	3.9	2.0			
Median House Price (Existing Homes)	-1.6	-8	-1.2	2.1	-7.4	1.1	-0.2	-1.4	-5.4	-0.4	2.5	-1.2	-7.4	3.5	-3.6	-8			
Existing Homes Inventory (Mths' supply)	3.7	3.9	3.9	3.9	3.8	3.7	3.9	3.8	4.2	4.3	4.3	4.4	4.3	4.4	4.3				
New Homes Inventory (Mths' supply)	7.9	8.2	7.9	9.3	8.7	8.2	9	9.3	9.2	8.5	9.6	9.1	9.3	8.3	7.9	7.9			
NAHB Homebuilder Sentiment*	41	39	41	43	46	46	47	42	39	40	34	32	33	32	32	37	38	39	
Inflation																			
Consumer Price Index	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	2.9	3	3	2.7		
CPI Less-food & energy	3.2	3.2	3.3	3.3	3.2	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3	3	2.6		
Producer Price Index	2.4	2.1	2.1	2.8	2.9	3.5	3.8	3.4	3.2	2.4	2.7	2.4	3.2	2.7	3	2.8	3		
PPI Less-food & energy	2.6	2.8	3.3	3.6	3.4	3.7	3.9	3.7	3.8	3.1	3.2	2.7	3.5	2.9	2.9	2.9	3		
PCE Price Index	2.6	2.4	2.3	2.5	2.6	2.7	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8				
PCE Prices Less-food & energy	2.8	2.9	2.8	3.0	3.0	3.0	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8				
Business Activity - US																			
Industrial Production	-0.9	-0.4	-1.2	-1.0	-1.6	-0.3	0.9	0.8	0.6	0.9	0.1	0.6	1.9	1.2	2.0	2.1	2.7		
New Cap Gds Orders less-aircraft & parts	-0.6	-1.8	0.5	0.2	-1.1	1.9	3.3	-0.9	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.4	6.4		
Business Inventories	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	1.4	1	1.3	1.4		
ISM Manufacturing PMI*	47	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49	48.7	48.5	49	48	48.7	49.1	48.7	48.2	47.9	
Markit US Manufacturing PMI*	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	53	52	52.5	52.2	51.8	
ISM Services Index*	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	52	50	52.4	52.6	54.4	
Markit US Services PMI*	55	55.7	55.2	55	56.1	56.8	52.9	51	54.4	50.8	53.7	52.9	55.7	54.5	54.2	54.8	54.1	52.5	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	43.2	42.4	40.6	43	43	42.5	45	46.5	48.3	48.4	48.3	49	49.1	49.8	49.5	49.6	48.2	47	
Japan Manufacturing PMI Jibun Bank*	49.1	49.9	49.7	49.2	49	49.6	48.7	49	48.4	48.7	49.4	50.1	49	49.7	48.6	48.2	48.7	50	
Caixin China Manufacturing PMI*	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	50.5	51.2	50.6	49.9	50.1	
China Manufacturing PMI*	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	49.4	49.8	49	49.2	50.1	
UK Manufacturing PMI Markit/CIPS*	52.1	52.5	51.5	49.9	48	47	48.3	46.9	44.9	45.4	46.4	47.7	48	47	46.2	49.7	50.2	50.6	
France Manufacturing PMI Markit*	44	43.9	44.6	44.5	43.1	41.9	45	45.8	48.5	48.7	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7	
Currencies***																			
Euro (EUR/USD)	-1.6	1.9	5.3	2.9	-2.9	-0.2	-4.2	-4.0	0.2	6.2	4.6	10.0	5.4	5.8	5.4	6.0	9.7	13.4	
Renminbi (USD/CNY)	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	0.6	1.5	0.0	-2.4	-4.3	
Yen (USD/Yen)	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	0.6	3.0	1.3	4.3	-0.3	
Sterling (GBP/USD)	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	2.9	0.5	2.0	3.9	7.7	
Canadian \$ (USD/CAD)	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	1.8	2.9	0.5	-0.2	-4.6	
Mexican Peso (USD/MXN)	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	-5.4	-7.0	-7.4	-10.2	-13.5	
US Equities																			
S&P 500	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	14.4	16.1	19.9	13.5	16.4	
S&P 400 Midcap	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	5.3	4.5	4.8	-1.7	5.9	
S&P 600 Smallcap	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	1.8	1.9	3.8	-4.0	4.2	
Russell 2000	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	6.7	9.3	12.9	2.7	11.3	

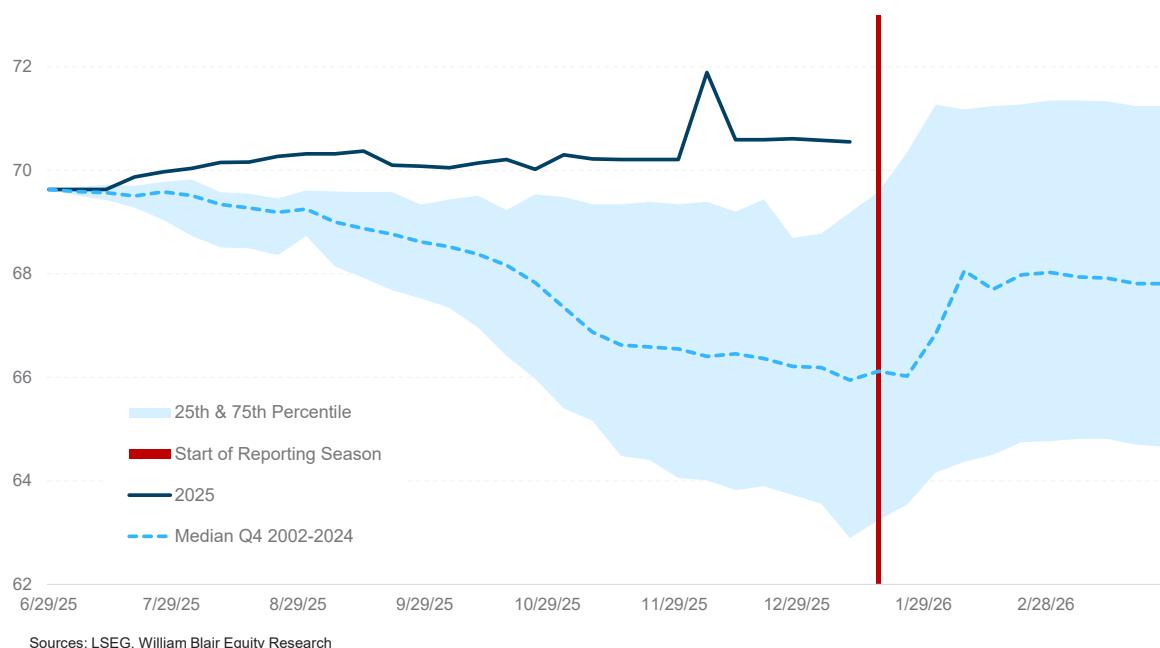
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar
 Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

Other Economic Indicators

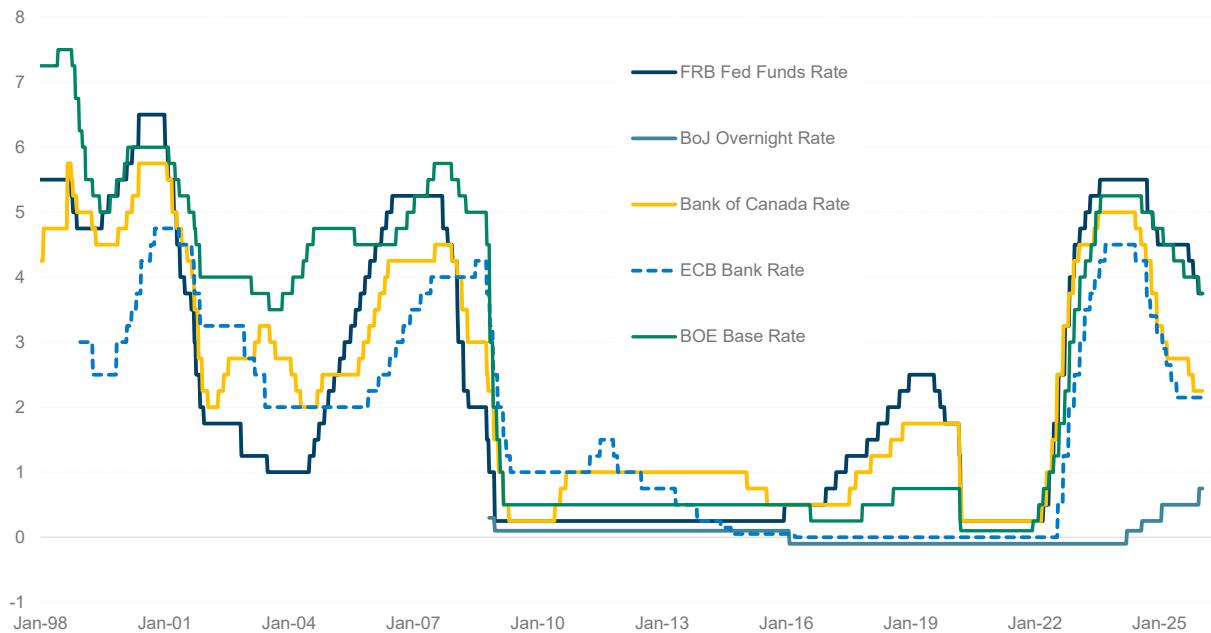




Progression of S&P 500 Q4 EPS Estimates, Q4 2025 vs Median Q4 2002-2024
(Rebased to Q4 2025 Estimate at End of Q2 2025 of \$69.5 per share)

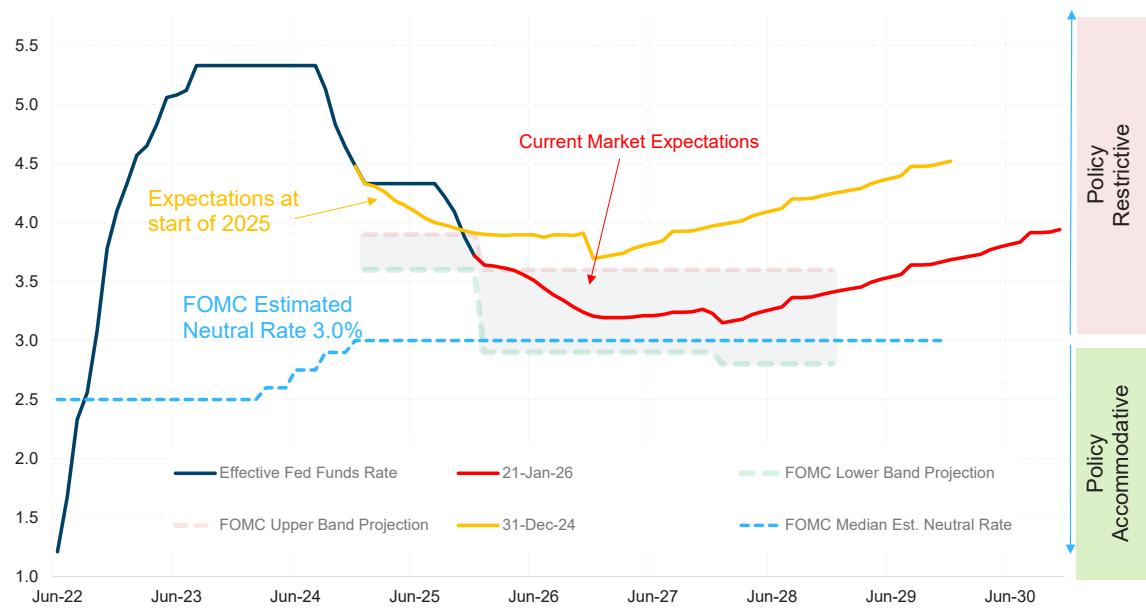


Central Bank Target Short-Term Interest Rates, %



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* 22-Jan-26	Week Ago 15-Jan-26	Month Ago 22-Dec-25	Qtr-to-Date 31-Dec-25	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	-0.45	0.51	0.99	0.99
S&P 400 MidCap Index	0.14	4.23	6.56	6.56	
S&P 600 SmallCap Index	1.08	5.64	8.45	8.45	
Dow Jones Industrials	-0.12	2.11	2.75	2.75	
Nasdaq Composite	-0.40	0.03	0.83	0.83	
Communication Services	10.52	0.19	2.11	1.34	1.34
Advertising	0.06	-0.60	-0.80	-2.31	-2.31
Broadcasting	0.07	-0.52	-2.63	-2.22	-2.22
Cable & Satellite	0.04	-1.00	-6.68	-8.54	-8.54
Integrated Telecommunication Services	0.69	0.60	-0.46	-2.46	-2.46
Interactive Home Entertainment	0.15	-0.58	-1.31	-2.86	-2.86
Interactive Media & Services	8.05	0.72	3.85	3.26	3.26
Movies & Entertainment	1.10	-3.16	-5.99	-6.60	-6.60
Publishing & Printing	0.02	0.30	2.24	2.91	2.91
Wireless Telecommunication Svcs	0.33	-2.76	-5.30	-8.69	-8.69
Consumer Discretionary	10.60	-0.24	0.32	2.42	2.42
Apparel Retail	0.36	-2.22	-0.63	0.88	0.88
Apparel & Accessories & Luxury Goods	0.10	-3.22	-3.04	-1.07	-1.07
Auto Parts & Equipment	0.03	-6.15	0.43	1.89	1.89
Automobile Manufacturers	2.55	2.21	-7.41	0.08	0.08
Automobile Retail	0.33	5.34	8.74	10.13	10.13
Broadline Retail	4.00	-1.62	2.74	1.63	1.63
Casinos & Gaming	0.10	-1.69	-9.52	-6.51	-6.51
Computer & Electronics Retail	0.02	-1.59	-5.95	0.19	0.19
Consumer Electronics	0.06	-3.05	0.16	1.61	1.61
Distributors	0.05	0.25	10.99	12.92	12.92
Footwear	0.15	0.90	11.77	1.96	1.96
Home Furnishings	0.01	1.27	15.35	14.59	14.59
Home Improvement Retail	0.84	0.13	11.01	11.66	11.66
Homebuilding	0.18	-3.11	6.75	8.71	8.71
Hotels, Resorts & Cruise Lines	0.83	-0.96	-3.35	-0.88	-0.88
Leisure Products	0.02	2.14	8.82	8.23	8.23
Restaurants	0.86	-0.54	-0.43	2.65	2.65
Other Specialty Retail	0.09	3.80	7.24	9.76	9.76
Consumer Staples	5.38	0.24	5.60	5.96	5.96
Agricultural Products	0.08	1.68	18.90	19.70	19.70
Brewers	0.01	-1.74	6.90	6.60	6.60
Consumer Staples Merchandise Retail	2.44	-0.43	8.42	8.41	8.41
Distillers & Vintners	0.06	1.35	10.61	14.72	14.72
Food Distributors	0.06	-2.95	3.03	4.27	4.27
Food Retail	0.06	0.26	0.58	0.27	0.27
Household Products	0.77	3.14	5.84	5.37	5.37
Packaged Foods & Meats	0.37	-2.33	0.51	1.64	1.64
Personal Care Products	0.10	3.06	6.88	7.81	7.81
Soft Drinks	0.98	0.72	0.74	2.00	2.00
Tobacco	0.58	-1.30	5.81	5.97	5.97
Energy	2.92	2.70	10.75	9.43	9.43
Integrated Oil & Gas	1.48	2.24	12.25	10.24	10.24
Oil & Gas Equipment & Services	0.24	4.94	23.71	23.59	23.59
Oil & Gas Exploration & Production	0.56	1.51	3.98	3.31	3.31
Oil & Gas Refining & Marketing & Transportation	0.26	0.56	10.33	10.96	10.96
Oil & Gas Storage & Transportation	0.37	6.58	8.03	6.29	6.29

William Blair

	12.23	-1.04	-2.96	-1.92	-1.92
Financials					
Asset Management & Custody Banks	1.07	-2.70	0.97	2.94	2.94
Consumer Finance	0.67	1.26	-4.36	-1.98	-1.98
Diversified Banks	3.01	-0.77	-4.65	-3.70	-3.70
Diversified Financial Services	7.33	-1.29	-1.96	-0.82	-0.82
Financial Exchanges & Data	1.03	-0.57	2.88	3.69	3.69
Insurance Brokers	0.44	-1.79	-3.48	-3.15	-3.15
Investment Banking & Brokerage	1.43	-1.86	2.28	4.88	4.88
Life & Health Insurance	0.28	-2.26	-3.10	-1.72	-1.72
Multi-Sector Holdings	1.05	-1.65	-3.09	-3.61	-3.61
Property & Casualty Insurance	0.87	0.30	-6.52	-6.16	-6.16
Regional Banks	0.28	0.93	1.81	4.62	4.62
Reinsurance	0.02	0.16	-4.16	-5.20	-5.20
Transaction & Payment Processing	1.95	-0.91	-6.61	-5.82	-5.82
Health Care	9.37	0.77	1.76	2.15	2.15
Biotechnology	1.57	3.94	0.57	1.34	1.34
Health Care Distributors	0.36	-2.34	1.22	1.38	1.38
Health Care Equipment	1.78	-2.70	-4.02	-2.65	-2.65
Health Care Facilities	0.18	-3.05	-2.35	-0.88	-0.88
Health Care Services	0.36	0.73	3.85	3.65	3.65
Health Care Supplies	0.07	-0.25	0.92	3.04	3.04
Life Sciences Tools & Services	0.94	0.12	7.16	7.05	7.05
Managed Health Care	0.74	2.00	8.89	7.20	7.20
Pharmaceuticals	3.38	1.74	2.79	2.93	2.93
Industrials	8.20	-0.18	5.31	6.70	6.70
Aerospace & Defense	2.23	-1.81	6.58	8.05	8.05
Agricultural & Farm Machinery	0.22	1.43	11.44	12.20	12.20
Air Freight & Logistics	0.31	-0.17	7.08	8.93	8.93
Building Products	0.43	0.91	1.97	2.51	2.51
Cargo Ground Transportation	0.09	0.67	9.76	11.92	11.92
Construction & Engineering	0.22	4.06	12.18	14.64	14.64
Construction Machinery & Heavy Trucks	0.77	0.71	10.74	13.00	13.00
Data Processing & Outsourced Services	0.04	-4.36	-8.08	-6.00	-6.00
Diversified Support Svcs	0.18	-0.81	2.06	3.63	3.63
Electrical Components & Equipment	0.55	1.26	7.49	8.79	8.79
Environmental & Facilities Services	0.34	2.57	2.71	3.37	3.37
Heavy Electrical Equipment	0.28	3.03	-0.02	1.24	1.24
Human Resource & Employment Services	0.26	-0.77	-1.89	-0.54	-0.54
Industrial Conglomerates	0.36	-0.35	8.22	8.48	8.48
Industrial Machinery	0.67	-0.14	5.13	6.57	6.57
Passenger Airlines	0.16	-3.50	-3.52	-0.17	-0.17
Passenger Ground Transportation	0.27	-2.16	1.60	1.04	1.04
Railroads	0.42	-0.31	-1.43	-0.28	-0.28
Research & Consulting Svcs	0.15	-1.29	0.43	1.55	1.55
Trading Companies & Distributors	0.26	2.22	9.46	12.13	12.13
Information Technology	31.47	-1.21	-2.07	-1.86	-1.86
Application Software	2.34	-3.77	-14.08	-10.40	-10.40
Communications Equipment	0.86	0.83	-0.53	-0.05	-0.05
Electronic Components	0.42	-0.57	11.02	11.33	11.33
Electronic Equipment & Instruments	0.12	2.66	9.44	10.62	10.62
Electronic Manufacturing Services	0.15	-4.09	1.03	3.19	3.19
Internet Software & Services	0.08	1.64	-2.52	-0.66	-0.66
IT Consulting & Services	0.82	-0.78	0.10	1.84	1.84
Semiconductor Equipment	1.23	-0.09	22.47	25.21	25.21
Semiconductors	12.36	0.12	3.37	2.28	2.28
Systems Software	6.77	-1.62	-7.48	-6.89	-6.89
Technology Distributors	0.03	-2.26	-7.32	-5.07	-5.07
Technology Hardware, Storage & Peripherals	6.29	-2.95	-6.37	-6.49	-6.49
Materials	1.86	1.25	8.14	9.03	9.03
Commodity Chemicals	0.06	1.35	19.86	20.32	20.32
Construction Materials	0.26	1.35	0.95	2.49	2.49
Copper	0.13	-1.85	16.21	15.87	15.87

William Blair

Fertilizers & Agricultural Chemicals	0.11	1.87	9.33	9.55	9.55
Gold	0.21	6.55	16.03	21.87	21.87
Industrial Gases	0.42	0.82	5.80	5.03	5.03
Metal & Glass Containers	0.02	0.72	7.59	6.27	6.27
Paper Packaging	0.15	-2.93	5.72	5.22	5.22
Specialty Chemicals	0.39	1.18	9.00	10.11	10.11
Steel	0.11	2.75	6.61	8.60	8.60
Real Estate	1.74	-1.49	1.90	1.73	1.73
Data Center REITs	0.21	-1.15	4.11	3.11	3.11
Health Care REITs	0.29	-2.22	-0.87	-0.15	-0.15
Hotel & Resort REITs	0.02	1.84	0.97	6.09	6.09
Industrial REITs	0.18	-4.58	-0.72	-0.78	-0.78
Multi-Family Residential REITs	0.00	-0.96	-1.90	-2.60	-2.60
Office REITs	0.02	-2.55	-5.84	-3.09	-3.09
Other Specialized REITs	0.09	0.18	7.72	6.04	6.04
Real Estate Service	0.12	1.34	2.16	3.09	3.09
Retail REITs	0.24	0.79	2.82	3.33	3.33
Self-Storage REITs	0.13	-2.24	9.75	10.41	10.41
Single-Family Residential REITs	0.13	-2.24	9.75	10.41	10.41
Telecom Tower REITs	0.22	-3.24	1.02	-0.97	-0.97
Timber REITs	0.03	-0.03	13.00	13.09	13.09
Utilities	2.10	-2.06	0.51	0.06	0.06
Electric Utilities	1.37	-1.89	-0.09	-0.49	-0.49
Gas Utilities	0.04	-2.87	-1.16	-1.33	-1.33
Independent Power Producers & Energy Traders	0.10	-9.15	0.25	-0.19	-0.19
Water Utilities	0.04	-1.34	-0.08	0.82	0.82
Multi-Utilities	0.54	-1.11	2.28	1.57	1.57

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

IMPORTANT DISCLOSURES

This report is available in electronic form to registered users via R*Docs™ at <https://williamblairlibrary.bluematrix.com> or www.williamblair.com.

Please contact us at +1 312 236 1600 or consult <https://www.williamblair.com/equity-research/coverage> for all disclosures.

Richard de Chazal attests that 1) all of the views expressed in this research report accurately reflect his/her personal views about any and all of the securities and companies covered by this report, and 2) no part of his/her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed by him/her in this report. We seek to update our research as appropriate. Other than certain periodical industry reports, the majority of reports are published at irregular intervals as deemed appropriate by the research analyst.

DOW JONES: 49384.00

S&P 500: 6913.35

NASDAQ: 23436.00

Additional information is available upon request.

Current Rating Distribution (as of January 22, 2026):

Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	72	Outperform (Buy)	11
Market Perform (Hold)	28	Market Perform (Hold)	3
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.

The compensation of the research analyst is based on a variety of factors, including performance of his or her stock recommendations; contributions to all of the firm's departments, including asset management, corporate finance, institutional sales, and retail brokerage; firm profitability; and competitive factors.

OTHER IMPORTANT DISCLOSURES

Stock ratings and valuation methodologies: William Blair & Company, L.L.C. uses a three-point system to rate stocks. Individual ratings reflect the expected performance of the stock relative to the broader market (generally the S&P 500, unless otherwise indicated) over the next 12 months. The assessment of expected performance is a function of near-, intermediate-, and long-term company fundamentals, industry outlook, confidence in earnings estimates, valuation (and our valuation methodology), and other factors. Outperform (O) - stock expected to outperform the broader market over the next 12 months; Market Perform (M) - stock expected to perform approximately in line with the broader market over the next 12 months; Underperform (U) - stock expected to underperform the broader market over the next 12 months; not rated (NR) - the stock is not currently rated. The valuation methodologies include (but are not limited to) price-to-earnings multiple (P/E), relative P/E (compared with the relevant market), P/E-to-growth-rate (PEG) ratio, market capitalization/revenue multiple, enterprise value/EBITDA ratio, discounted cash flow, and others. Stock ratings and valuation methodologies should not be used or relied upon as investment advice. Past performance is not necessarily a guide to future performance.

The ratings and valuation methodologies reflect the opinion of the individual analyst and are subject to change at any time.

Our salespeople, traders, and other professionals may provide oral or written market commentary, short-term trade ideas, or trading strategies-to our clients, prospective clients, and our trading desks-that are contrary to opinions expressed in this research report. Certain outstanding research reports may contain discussions or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Investing in securities involves risks. This report does not contain all the material information necessary for an investment decision. Always refer to the most recent report on a company or issuer. Our asset management and trading desks may make investment decisions that are inconsistent with recommendations or views expressed in this report. We will from time to time have long or short positions in, act as principal in, and buy or sell the securities referred to in this report. Our research is disseminated primarily electronically, and in some instances in printed form. Research is simultaneously available to all clients. This research report is for our clients only. No part of this material may be copied or duplicated in any form by any means or redistributed without the prior written consent of William Blair & Company, L.L.C.

This is not in any sense an offer or solicitation for the purchase or sale of a security or financial instrument.

The factual statements herein have been taken from sources we believe to be reliable, but such statements are made without any representation as to accuracy or completeness or otherwise, except with respect to any disclosures relative to William Blair or its research analysts. Opinions expressed are our own unless otherwise stated and are subject to change without notice. Prices shown are approximate.

This report or any portion hereof may not be copied, reprinted, sold, or redistributed or disclosed by the recipient to any third party, by content scraping or extraction, automated processing, or any other form or means, without the prior written consent of William Blair. Any unauthorized use is prohibited.

If the recipient received this research report pursuant to terms of service for, or a contract with William Blair for, the provision of research services for a separate fee, and in connection with the delivery of such research services we may be deemed to be acting as an investment adviser, then such investment adviser status relates, if at all, only to the recipient with whom we have contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing). If such recipient uses these research services in connection with the sale or purchase of a security referred to herein, William Blair may act as principal for our own account or as riskless principal or agent for another party. William Blair is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

For important disclosures, please visit our website at williamblair.com.

This material is distributed in the United Kingdom and the European Economic Area (EEA) by William Blair International, Ltd., authorised and regulated by the Financial Conduct Authority (FCA). William Blair International, Limited is a limited liability company registered in England and Wales with company number 03619027. This material is only directed and issued to persons regarded as Professional investors or equivalent in their home jurisdiction, or persons falling within articles 19 (5), 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not "relevant persons."

This report is being furnished in Brazil on a confidential basis and is addressed to the addressee personally, and for its sole benefit. This does not constitute an offer or solicitation for the purchase or sale of a security by any means that would constitute a public offering in Brazil under the regulations of the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*) or an unauthorized distribution under Brazilian laws and regulations. The securities are authorized for trading on non-Brazilian securities markets, and this report and all the information herein is intended solely for professional investors (as defined by the applicable Brazilian regulation) who may only acquire these securities through a non-Brazilian account, with settlement outside Brazil in a non-Brazilian currency.

"William Blair" and "R*Docs" are registered trademarks of William Blair & Company, L.L.C. Copyright 2026, William Blair & Company, L.L.C. All rights reserved.

William Blair & Company, L.L.C. licenses and applies the SASB Materiality Map® and SICSTM in our work.