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Modern Day Engels' Pause Is Not the Inevitable Outcome of AI



There is no shortage of confusion around AI and what impact it will have on economic growth and, more importantly, the labor market. The reality, of course, is that no one really knows how this will play out. What we can do is construct a few stylized scenarios, select the one we mostly agree on as being the best for humanity, and with government intervention (nudges, guardrails, tax policy, and regulation) start to drive in that direction. A recent [viral post](#) seems to suggest that the economic stagnation experienced during the first industrial revolution (dubbed Engels' pause) is the inevitable outcome of the current AI revolution. **In this *Economics Weekly*, we construct a few scenarios around the current AI revolution and why we should not view that outcome as an unfortunate accident, but rather as a result of the decisions we make today.**

Do We Need a New Growth Model?

The standard neoclassical or Solow-Swan economic growth model states that:

$$\text{Output} = \text{Labor Force Growth} + \text{Growth in the Capital Stock} + \text{Technology}$$

The equation simply tells us that economic growth is driven by a combination of how much capital (i.e., plant, equipment, and machinery) we have and how many workers are available to use that stock of capital. Productivity, or technological progress, comes in at the end as an exogenous factor, or the secret sauce, and when added to the mix yields those magical synergies from both of those other factors combined.

In one future scenario—the one depicted by many of the techno-pessimists (or are they optimists?) and that financial market participants have started to discount over the last month—the labor component of the Solow growth equation is essentially eliminated, and we are left with simply capital and productivity.

If machines can achieve artificial general intelligence (where they maintain expert-level intelligence across all fields), move, speak, and act just like humans (e.g., kung fu fighting robots from China), and yield their own technological progress, human life faces a clear existential threat. Certainly it is hard to see how they find relevance enough to feature as a cost (or income for those labor recipients) in the production process.

Engels' Pause for Thought

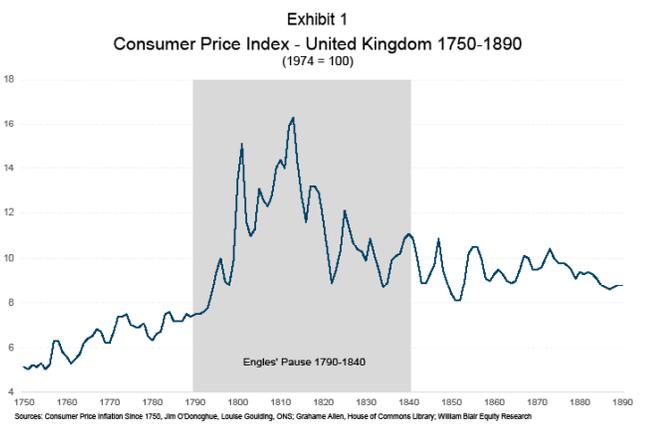
Probably the closest historical example we can draw to today's scenario is Engels' pause, which took place during the first industrial revolution and is named after the social theorist Friedrich Engels, who wrote about the plight of workers.

The pause lasted for approximately 50 years (from 1790 to 1840) and started almost 80 years after the introduction of the first commercially successful steam engine in 1712. While the steam engine drove massive increases in both output and productivity, it took close to 100 years for its benefits to diffuse across the economy.

What caused the pause is the fact that the gains from those improvements, the corporate profits, were not shared equally across all divisions of labor. A rising tide did not lift all boats. Rather, the spoils were overwhelmingly reaped by the owners of capital (e.g., the mill and factory owners and the owners of land, infrastructure, and patents), who then reinvested their profits into building new mills, factories, and technologies.

During this period, labor was abundant and possessed very little bargaining power; workers' rights were virtually nonexistent. Today, the labor market is structurally tightening and workers' rights across most Western nations are entrenched.

Back then, labor was increasingly displaced, and real wages fell despite deflation across much of the economy (exhibit 1). Unfortunately, that was not the case for food and accommodation costs, which remained high due to the Corn Laws and severe overcrowding. That "surplus" population led to poor sanitation, while the belching factories resulted in a new problem—pollution. These were the conditions so vividly captured in the works of Charles Dickens and William Blake (for example, in Blake's 1794 poem [London](#)).



Where We Go From Here Is Up to Us

The Invisible Hand

Engels' pause should be seen as a clarion call. If nothing changes, we too could face a similar future, only with data servers as the new steam engines.

Left unchecked, this pause could be even worse, given that technologically advanced machines are targeting not just physical capabilities, but cognitive ones as well. It is quite possible that in this scenario we emerge into a world where only a small handful of dominant technology companies control vast swaths of the tech sector and a broadening range of other industries as they vertically integrate. This would be a scenario where all but a few highly skilled workers remain employed and the rest displaced, resulting in ever deeper levels of inequality across the economy.

The Visible Fist

An alternative scenario, and the one some countries seem to already be heading toward, is where the state retains control of the data, algorithms, and production. Even greater and more intrusive surveillance is introduced, and AI is used to manage and optimize labor and capital for society, rather than to empower workers. While this may help reduce inequality, judging from past communist experiments, it comes at a very high cost of personal liberty and autonomy, uneven living standards, stifled innovation, and a very unhappy population.

The Guiding Hand

The most realistic scenario likely to emerge across Western democracies involves a pro-worker direction for AI, but it will need to happen less by accident and more by design. Governments must necessarily introduce stricter antitrust legislation that is fit for the 21st century and

suitable guardrails around the use of AI. This is a more flexible scenario that explicitly recognizes the lump of labor fallacy of economics.

The fallacy rests on the belief that there is only a finite amount of work in an economy and, therefore, only a fixed number of jobs to carry out those tasks. It takes the view that the introduction of new technology, or new immigrants, reduces the amount of work left for everyone else and that such changes should be avoided.

In reality, while these factors can often be extremely disruptive and harmful to segments of the labor market, we know that labor is ultimately capable of evolving and creating jobs that never previously existed. Recent introductions include drone pilots, robot engineers, specialist technology engineers, gamers, podcasters, and influencers.

The "godfather of AI," Geoffrey Hinton, famously stated in 2016 that medical schools should stop producing radiologists as it was "completely obvious" that within about five years machine learning would be able to outperform them at both image recognition and interpretation. Since then, Hinton has admitted he was wrong about this prediction, as the number of radiologists has been steadily rising. In fact, radiologists have been able to adapt their work to incorporate AI, which frees up more time to work even harder in other areas.

Indeed, a recent [study](#) from the *Harvard Business Review* has found that rather than reducing work, AI has intensified it. The authors wrote:

In an eight-month study of how generative AI changed work habits at a U.S.-based technology company with about 200 employees, we found that employees worked at a faster pace, took on a broader scope of tasks, and extended work into more hours of the day, often without being asked to do so. Importantly, the company did not mandate AI use (though it did offer enterprise subscriptions to commercially available AI tools). On their own initiative workers did more because AI made "doing more" feel possible, accessible, and in many cases intrinsically rewarding.

The authors also admitted that there was a danger of too much intensity and workload creep, which can lead to "cognitive fatigue, burnout, and weakened decision-making" once the excitement of experimenting fades.

Their solution is the establishment of a set of practices that include:

- Taking intentional pauses;
- Better sequencing—“*batching non-urgent notifications, holding updates until natural breakpoints, and protecting focus windows in which workers are shielded from interruptions. Rather than reacting to every AI-generated output as it appears, sequencing encourages work to advance in coherent phases*”; and
- Human grounding—i.e., creating more opportunities for human-to-human connection.

Sadly, those intentional pauses might still be coming in the form of red tape, given that this is still one thing that technological evolution seems incapable of sending to an early grave.

Conclusion

A modern-day Engels’ pause is not a foregone consequence of the AI revolution, but a function of the collective choices we make today. History shows that technological breakthroughs can generate long periods of stagnation and inequality when productivity gains accrue primarily to the owners of capital, as opposed to the workers. AI, with its ability to substitute for both physical and cognitive tasks, represents a clear risk of Engels’ pause being repeated.

Left to the “invisible hand,” the AI revolution risks concentrating economic power, displacing large segments of workers, and deepening inequality. It has the potential to produce a more severe and prolonged pause than that of the first industrial revolution. A heavy-handed, state-controlled, “visible fist” alternative may limit inequality, but at the cost of liberty, innovation, and quite likely joy. Yet, these outcomes are not inevitable.

The most credible path forward for advanced democracies lies in a “guiding hand” approach. This is likely to take the form of modernized antitrust policy, more thoughtful regulation, and pro-worker AI adoption that recognizes that labor is capable of evolving to meet new challenges. Evidence from recent experience suggests that AI can complement rather than replace workers, intensifying and reshaping work rather than eliminating it—provided institutions adapt alongside technology. In this sense, whether AI delivers broad-based prosperity or a new Engels’ pause is ultimately a matter of design, not destiny.

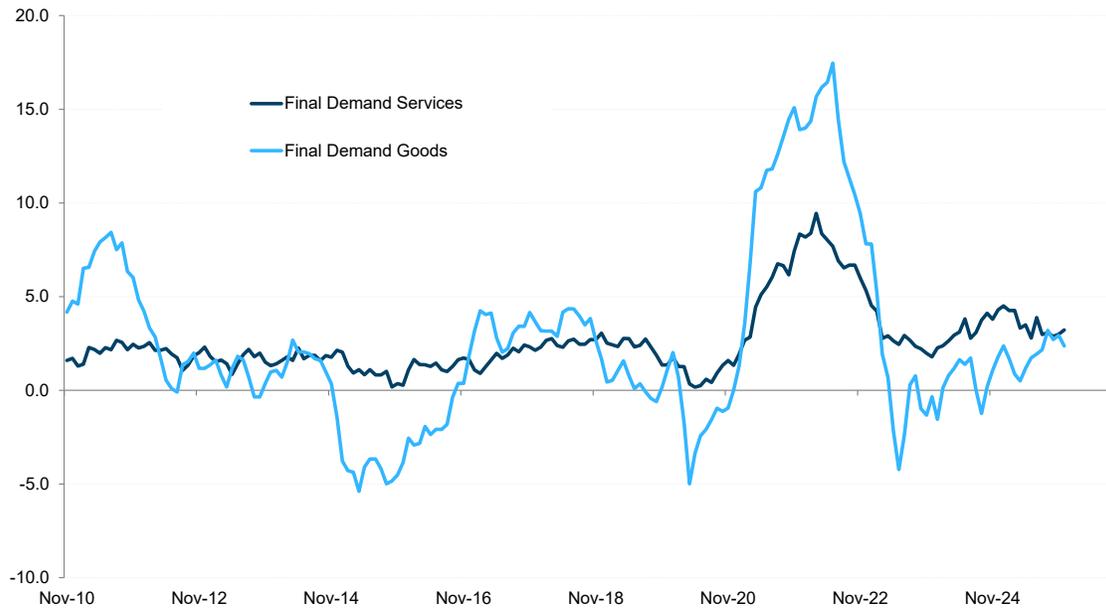
Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
23 Feb	10:00 a.m.	Factory Orders (Dec)	2.7%	1.0%	1.3%	
		Orders Less-transportation	0.2%	NA	0.4%	
24 Feb	10:00 a.m.	Consumer Confidence (Feb)	84.5	87.5	88.0	
27 Feb	8:30 a.m.	Producer Price Index (Jan)	0.5%	0.3%	0.3%	
		Prices Less-food & energy	0.7%	0.3%	0.3%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: Producer Price Index

Producer Price Index: Total Goods & Total Services
(% Change YoY)



Source: BLS, William Blair Equity Research

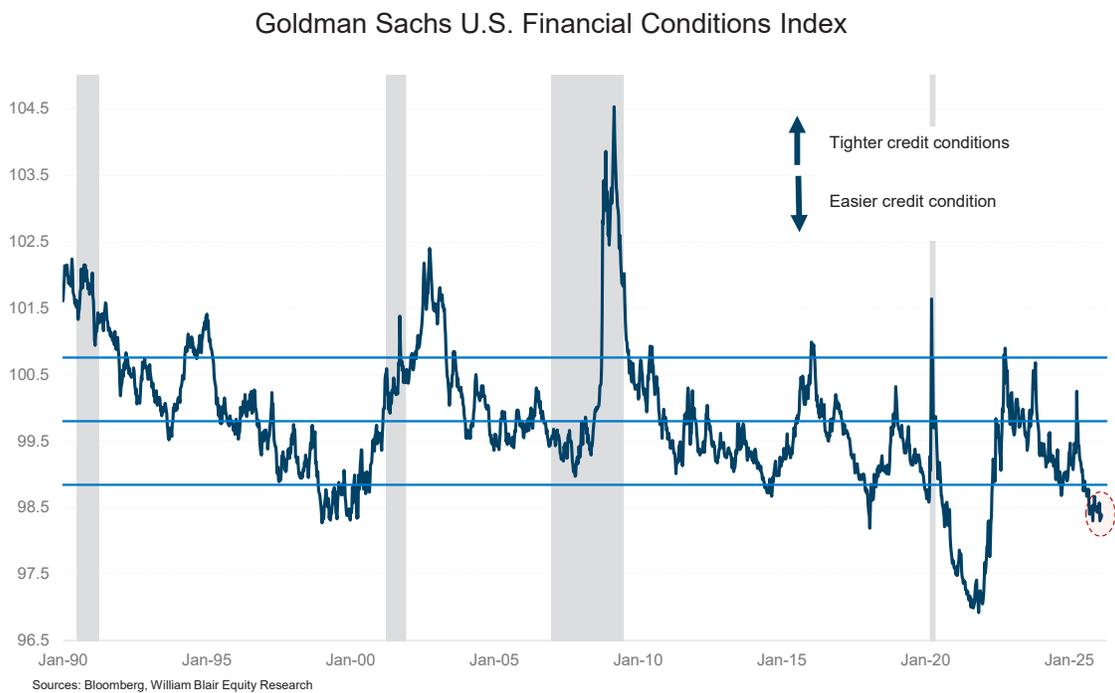
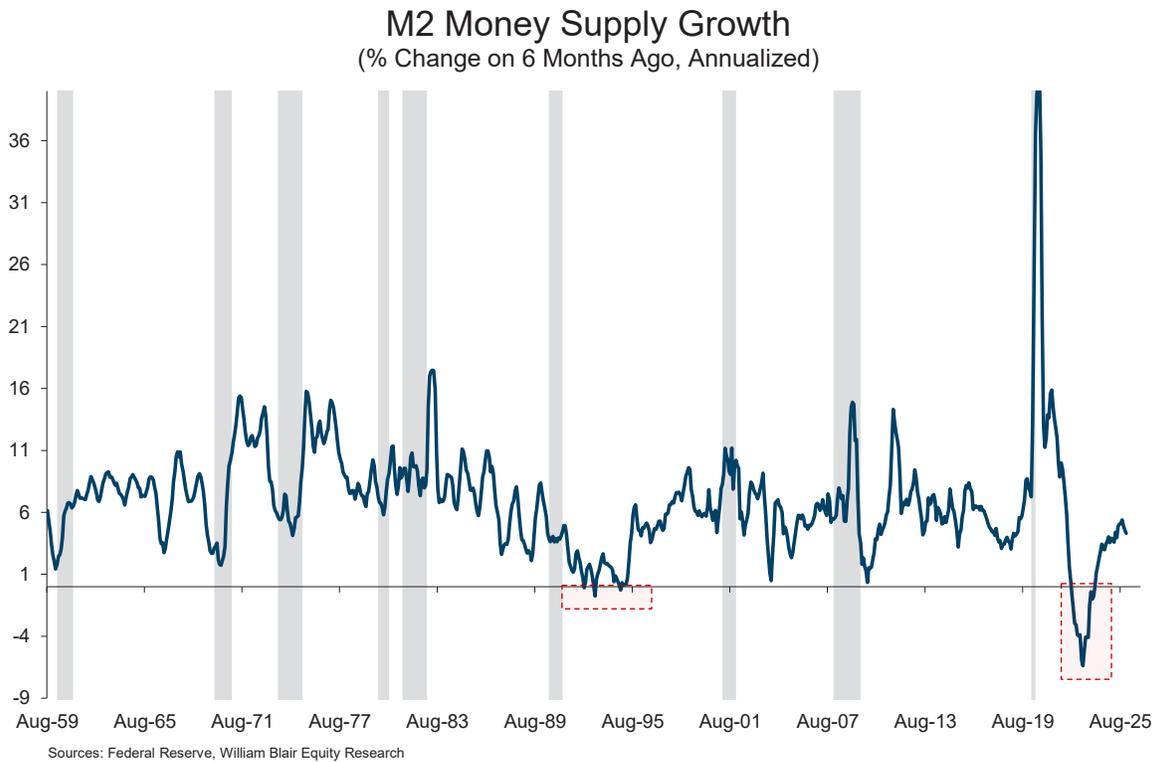
Economic Scorecard

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

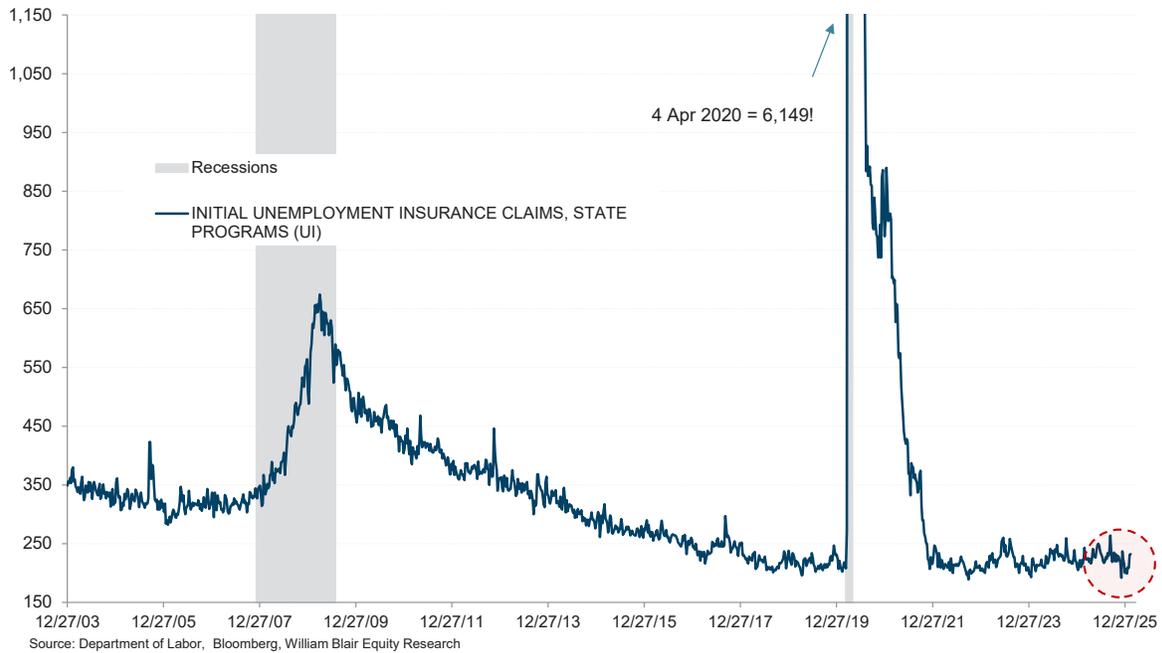
	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Growth																			
US Leading Indicators	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0	-3.5	-3.5	-3.3	-3.2	-3.7			
US Coincident Indicators	1.7	1.6	1.6	1.3	1.7	1.5	1.5	1.8	2.0	1.4	1.3	1.6	1.4	1.1	1.1	1.2			
US Lagging Indicators	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	1.2	1.0	0.8			
Consumer																			
Total Retail Sales	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	3.2	3.3	2.4		
Personal Income	5.4	5.3	5.5	5.3	5.3	5	5	5.2	5.6	4.5	4.3	4.6	4.7	4.7	4.3	4.3			
Real Disposable Personal Income	2.8	2.8	2.7	2.4	2.2	1.8	1.8	2.3	2.8	1.5	1.2	1.5	1.5	1.5	1.2	1			
Real Personal Consumption	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	2.6	2.6			
Personal Saving Rate (%)	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	3.7	3.5			
Consumer Confidence (Conference Board)**	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	94.2	84.5	
Employment																			
Employment Growth	1.0	1.0	0.9	0.9	0.9	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.3	0.2	0.1	0.2	
ASA Temporary Staffing Index	-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	2.3	
ISM Employment Index Manufacturing*	46.2	44.7	44.6	48.3	45.4	49.7	47.1	44.4	46.2	46.1	45.1	44.9	44.3	45.4	45.8	44.1	44.8	48.1	
ISM Employment Index Services*	50	48.5	52.2	50.8	51	51.4	53.4	46	49.2	50.4	47.7	46.9	46.9	47.6	48.1	48.7	51.7	50.3	
Unemployment Rate, %	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	4.3	
Average Hourly Earnings	3.9	3.9	4	4.2	4.1	4	4.1	4.2	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	
Initial Jobless Claims (avg. wkly. chg. '000s)	230	225	236	219	222	218	227	223	226	235	241	221	231	235	225	219	213	213	
Jop Openings	-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	-13.7	-12.9	-15.7	
Layoff Announcements	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	117.8	
Housing Market																			
Housing Starts	5.6	-1	-1.2	-14.5	-0.5	-1.7	-4	3.3	0.9	-2.6	4.1	12.3	-7.2	-2.1	-5.9	2.1	-7.3		
New Home Sales	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	18.7			
Existing Home Sales	-3.7	-3.0	3.1	6.2	8.6	1.7	-1.0	-2.7	-1.5	-0.5	0.5	0.8	2.3	4.4	2.2	-1.2	1.9		
Median House Price (Existing Homes)	-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	-8			
Existing Homes Inventory (Mths' supply)	3.9	3.9	3.9	3.8	3.8	3.9	4	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4		
New Homes Inventory (Mths' supply)	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	7.9			
NAHB Homebuilder Sentiment*	39	41	43	46	46	47	42	39	40	34	32	33	32	32	37	38	39	37	
Inflation																			
Consumer Price Index	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	2.7		
CPI Less-food & energy	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3	3	2.6	2.6		
Producer Price Index	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	3		
PPI Less-food & energy	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	3	3	3.1	3.3		
PCE Price Index	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	2.7	2.8			
PCE Prices Less-food & energy	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	2.7	2.8			
Business Activity - US																			
Industrial Production	-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	1.9	1.8	2.1	1.3	2.3	
New Cap Gds Orders less-aircraft & parts	-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	6.2	4.1	7.5		
Business Inventories	2.1	2.1	1.9	2.2	2.7	1.9	2.5	2.3	2.5	2.2	1.7	1.6	1.4	1	1.3	1.3	1.2		
ISM Manufacturing PMI*	47.7	47.3	47	48.4	49.2	50.5	50	48.9	48.8	48.6	49	48.4	48.9	48.9	48.8	48	47.9	52.6	
Markit US Manufacturing PMI*	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	52.4	
ISM Services Index*	51.8	54.6	55.5	52.4	53.5	52.6	53.2	50.8	51.6	50.2	50.8	50.5	51.9	50.3	52	52.4	53.8	53.8	
Markit US Services PMI*	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	52.7	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	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	49.1	
Japan Manufacturing PMI Jibun Bank*	49.9	49.7	49.2	49	49.6	48.7	49	48.4	48.7	49.4	50.1	49	49.7	48.5	48.2	48.7	50	51.5	
Caixin China Manufacturing PMI*	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	50.3	
China Manufacturing PMI*	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	49.3	
UK Manufacturing PMI Markit/CIPS*	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	51.8	
France Manufacturing PMI Markit*	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	51.2	
Currencies***																			
Euro (EUR/USD)	1.9	5.3	2.9	-2.9	-6.2	-4.2	-4.0	0.2	6.2	4.6	10.0	5.4	5.8	5.4	6.0	9.7	13.4	14.4	
Renminbi (USD/CNY)	-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	-4.0	
Yen (USD/Yen)	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	-0.3	
Sterling (GBP/USD)	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	10.4	
Canadian \$ (USD/CAD)	-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	-6.4	
Mexican Peso (USD/MXN)	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	-15.6	
US Equities																			
S&P 500	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	14.9	
S&P 400 Midcap	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	6.1	
S&P 600 Smallcap	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	7.0	
Russell 2000	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	14.3	

* 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

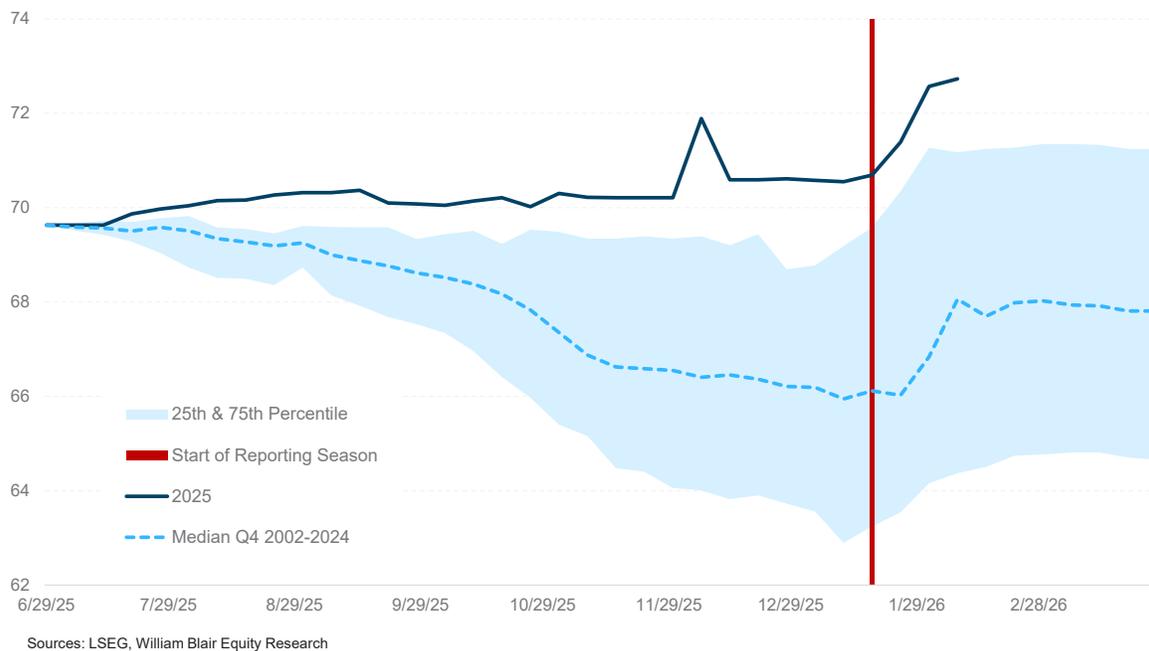
Other Economic Indicators



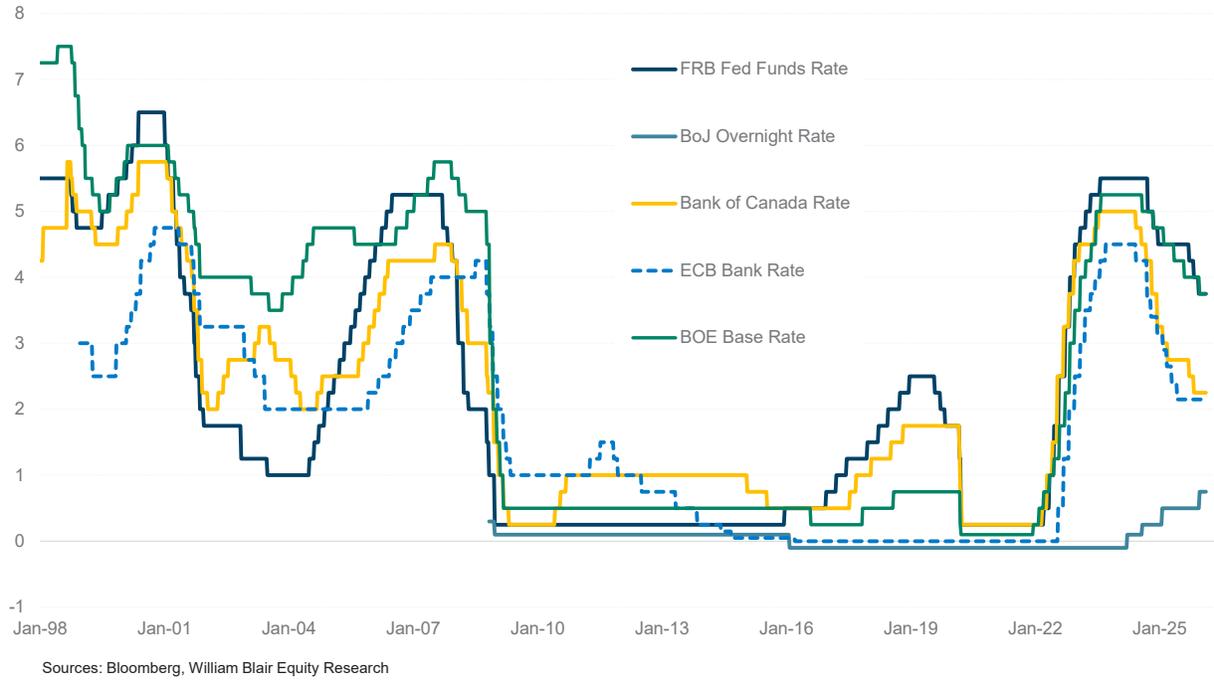
Initial Jobless Claims ('000s, Seasonally Adjusted)



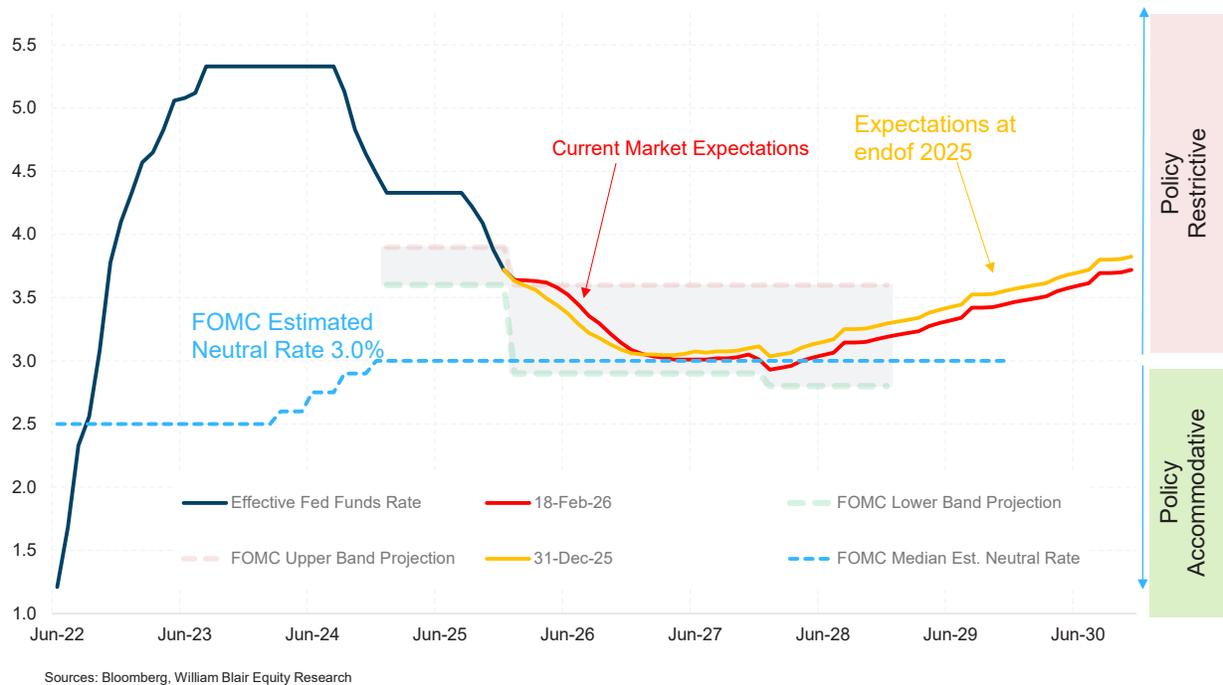
Progression of S&P 500 Q4 EPS Estimates, Q4 2025 vs Median Q4 2002-2024 (Rebased to Q4 2025 Estimate at End of Q2 2025 of \$69.5 per share)



Central Bank Target Short-Term Interest Rates, %



Fed Funds Rate Futures Market Expectations & FOMC Projections, %



S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 19-Feb-26	Week Ago 12-Feb-26	Month Ago 16-Jan-26	Qtr-to-Date 31-Dec-25	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	0.43	-1.13	0.24	0.24
S&P 400 MidCap Index		1.50	2.26	8.47	8.47
S&P 600 SmallCap Index		1.11	1.71	8.77	8.77
Dow Jones Industrials		-0.11	0.07	2.77	2.77
Nasdaq Composite		0.38	-3.54	-2.41	-2.41
Communication Services	10.15	-1.08	-3.21	-2.81	-2.81
Advertising	0.06	12.02	-10.09	-13.05	-13.05
Broadcasting	0.05	0.76	-19.86	-21.65	-21.65
Cable & Satellite	0.05	-2.75	22.02	9.92	9.92
Integrated Telecommunication Services	0.81	-2.19	19.70	14.59	14.59
Interactive Home Entertainment	0.14	2.28	-8.81	-11.61	-11.61
Interactive Media & Services	7.64	-1.58	-4.76	-2.97	-2.97
Movies & Entertainment	1.01	2.18	-7.90	-11.76	-11.76
Publishing & Printing	0.02	3.68	-11.71	-10.85	-10.85
Wireless Telecommunication Svcs	0.38	0.29	15.56	6.04	6.04
Consumer Discretionary	10.22	0.37	-6.88	-4.56	-4.56
Apparel Retail	0.38	1.87	0.69	4.27	4.27
Apparel & Accessories & Luxury Goods	0.10	2.99	4.65	5.19	5.19
Auto Parts & Equipment	0.03	-3.06	2.35	5.74	5.74
Automobile Manufacturers	2.65	-1.11	-5.24	-7.48	-7.48
Automobile Retail	0.30	-1.67	-6.13	-2.19	-2.19
Broadline Retail	3.54	2.71	-14.23	-11.10	-11.10
Casinos & Gaming	0.10	4.44	0.37	-6.83	-6.83
Computer & Electronics Retail	0.02	2.21	-2.15	-0.94	-0.94
Consumer Electronics	0.07	18.00	13.22	18.21	18.21
Distributors	0.04	-19.09	-14.63	-3.42	-3.42
Footwear	0.15	6.32	4.38	4.80	4.80
Home Furnishings	0.01	-3.98	4.33	17.26	17.26
Home Improvement Retail	0.84	-2.86	-0.23	11.53	11.53
Homebuilding	0.19	-2.24	2.90	12.65	12.65
Hotels, Resorts & Cruise Lines	0.79	-2.81	-5.38	-6.42	-6.42
Leisure Products	0.02	-0.56	17.17	23.17	23.17
Restaurants	0.86	0.74	0.73	3.20	3.20
Other Specialty Retail	0.09	-0.25	3.20	9.27	9.27
Consumer Staples	5.76	-2.22	6.71	12.80	12.80
Agricultural Products	0.09	-0.14	8.47	25.50	25.50
Brewers	0.01	-11.09	-1.23	3.58	3.58
Consumer Staples Merchandise Retail	2.58	-3.43	3.76	13.42	13.42
Distillers & Vintners	0.06	-4.63	0.93	12.24	12.24
Food Distributors	0.07	-0.27	13.79	21.69	21.69
Food Retail	0.07	-3.58	7.03	8.24	8.24
Household Products	0.82	-1.39	10.14	12.39	12.39
Packaged Foods & Meats	0.39	-3.79	4.51	7.21	7.21
Personal Care Products	0.10	2.46	3.24	7.53	7.53
Soft Drinks	1.08	-0.70	11.10	12.32	12.32
Tobacco	0.63	-1.68	6.91	15.38	15.38
Energy	3.29	1.80	15.04	22.84	22.84
Integrated Oil & Gas	1.66	1.31	14.59	23.98	23.98
Oil & Gas Equipment & Services	0.27	2.06	13.63	33.67	33.67
Oil & Gas Exploration & Production	0.65	3.59	17.23	18.74	18.74
Oil & Gas Refining & Marketing & Transportation	0.29	-0.05	10.93	21.20	21.20
Oil & Gas Storage & Transportation	0.42	2.26	17.61	19.50	19.50

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Financials	11.89	0.83	-4.34	-5.08	-5.08
Asset Management & Custody Banks	0.97	0.69	-11.90	-7.00	-7.00
Consumer Finance	0.61	-0.26	-9.66	-11.07	-11.07
Diversified Banks	3.09	1.50	-0.44	-2.65	-2.65
Diversified Financial Services	6.86	0.67	-7.39	-6.92	-6.92
Financial Exchanges & Data	0.89	4.62	-13.98	-9.67	-9.67
Insurance Brokers	0.42	3.96	-7.75	-8.83	-8.83
Investment Banking & Brokerage	1.33	1.78	-9.08	-3.57	-3.57
Life & Health Insurance	0.28	-0.76	0.16	-1.06	-1.06
Multi-Sector Holdings	1.08	-0.62	0.74	-1.14	-1.14
Property & Casualty Insurance	0.92	-0.92	5.67	-1.84	-1.84
Regional Banks	0.30	0.10	4.53	7.80	7.80
Reinsurance	0.02	2.02	7.57	1.05	1.05
Transaction & Payment Processing	1.87	-0.25	-5.10	-9.98	-9.98
Health Care	9.35	0.74	0.88	1.39	1.39
Biotechnology	1.67	0.24	9.71	7.04	7.04
Health Care Distributors	0.39	2.43	6.45	10.21	10.21
Health Care Equipment	1.73	2.16	-4.17	-5.10	-5.10
Health Care Facilities	0.21	-1.29	12.96	12.16	12.16
Health Care Services	0.36	-0.64	2.71	3.34	3.34
Health Care Supplies	0.07	1.05	1.49	4.51	4.51
Life Sciences Tools & Services	0.81	0.40	-14.42	-10.08	-10.08
Managed Health Care	0.62	3.26	-12.59	-10.31	-10.31
Pharmaceuticals	3.50	-0.07	5.65	6.48	6.48
Industrials	8.76	2.07	5.63	13.64	13.64
Aerospace & Defense	2.34	3.52	1.36	12.56	12.56
Agricultural & Farm Machinery	0.28	10.68	28.69	42.19	42.19
Air Freight & Logistics	0.35	2.19	11.78	20.38	20.38
Building Products	0.49	-0.58	14.60	17.26	17.26
Cargo Ground Transportation	0.10	4.55	10.90	21.68	21.68
Construction & Engineering	0.26	5.83	18.98	35.52	35.52
Construction Machinery & Heavy Trucks	0.86	0.66	12.98	26.84	26.84
Data Processing & Outsourced Services	0.03	3.37	-19.41	-21.04	-21.04
Diversified Support Svcs	0.18	1.47	-2.08	2.07	2.07
Electrical Components & Equipment	0.59	0.59	6.20	15.60	15.60
Environmental & Facilities Services	0.34	1.29	2.36	3.52	3.52
Heavy Electrical Equipment	0.36	2.21	22.46	27.70	27.70
Human Resource & Employment Services	0.20	2.02	-16.33	-16.10	-16.10
Industrial Conglomerates	0.38	-1.83	5.30	15.14	15.14
Industrial Machinery	0.71	1.37	5.73	13.10	13.10
Passenger Airlines	0.17	-0.42	1.51	3.62	3.62
Passenger Ground Transportation	0.24	2.41	-14.03	-10.74	-10.74
Railroads	0.48	0.80	13.10	12.83	12.83
Research & Consulting Svcs	0.14	3.62	-10.57	-8.19	-8.19
Trading Companies & Distributors	0.26	1.60	2.16	12.17	12.17
Information Technology	31.06	0.40	-3.52	-4.07	-4.07
Application Software	1.93	2.32	-19.08	-26.55	-26.55
Communications Equipment	0.98	3.67	7.39	6.38	6.38
Electronic Components	0.47	2.86	9.15	22.57	22.57
Electronic Equipment & Instruments	0.13	1.83	10.87	19.67	19.67
Electronic Manufacturing Services	0.15	3.50	-1.37	5.60	5.60
Internet Software & Services	0.08	1.43	-5.29	-7.60	-7.60
IT Consulting & Services	0.68	-2.06	-20.52	-17.47	-17.47
Semiconductor Equipment	1.35	5.51	7.02	37.05	37.05
Semiconductors	12.51	0.39	-0.04	2.78	2.78
Systems Software	6.05	-0.82	-13.59	-17.81	-17.81
Technology Distributors	0.03	-2.10	-5.75	-8.83	-8.83
Technology Hardware, Storage & Peripherals	6.69	-0.49	3.41	-1.27	-1.27
Materials	1.99	0.50	8.07	15.87	15.87
Commodity Chemicals	0.06	-4.01	11.78	31.66	31.66
Construction Materials	0.26	0.10	1.67	3.76	3.76
Copper	0.14	0.86	6.58	23.19	23.19

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Fertilizers & Agricultural Chemicals	0.12	3.93	11.86	18.66	18.66
Gold	0.22	6.16	9.89	25.59	25.59
Industrial Gases	0.46	1.98	10.14	14.66	14.66
Metal & Glass Containers	0.03	-1.04	17.74	24.65	24.65
Paper Packaging	0.17	-2.54	11.65	18.54	18.54
Specialty Chemicals	0.42	-1.40	6.63	15.54	15.54
Steel	0.11	-4.58	5.69	11.18	11.18
Real Estate	1.85	0.70	2.90	7.54	7.54
Data Center REITs	0.24	-3.29	11.95	17.63	17.63
Health Care REITs	0.33	0.52	7.11	11.26	11.26
Hotel & Resort REITs	0.02	2.71	7.96	13.20	13.20
Industrial REITs	0.20	1.95	4.38	8.91	8.91
Multi-Family Residential REITs	0.00	0.69	-0.86	-1.24	-1.24
Office REITs	0.02	5.34	-8.44	-7.80	-7.80
Other Specialized REITs	0.10	2.41	7.69	17.08	17.08
Real Estate Service	0.10	9.31	-17.26	-14.68	-14.68
Retail REITs	0.26	2.32	6.95	11.18	11.18
Self-Storage REITs	0.13	1.75	0.17	13.88	13.88
Single-Family Residential REITs	0.13	1.75	0.17	13.88	13.88
Telecom Tower REITs	0.23	-1.55	-0.61	2.68	2.68
Timber REITs	0.03	-5.51	-5.58	7.85	7.85
Utilities	2.28	1.72	5.96	7.70	7.70
Electric Utilities	1.50	1.84	6.41	7.27	7.27
Gas Utilities	0.05	0.67	4.98	6.76	6.76
Independent Power Producers & Energy Traders	0.11	4.90	5.42	8.11	8.11
Water Utilities	0.04	2.33	-1.49	0.66	0.66
Multi-Utilities	0.59	0.92	5.56	9.33	9.33

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

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S&P 500: 6861.89

NASDAQ: 22682.70

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