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Economics Weekly

Iran, Energy, and the New Rules of Global Power



War has erupted in the Middle East once again. To understand why this is happening (beyond the obvious removal of the nuclear threat from a dodgy player), one needs to take a step back and look at the situation above the fog of war. What we see from this vantage point is the eruption of a kinetic hot war, in what has been an ongoing cold war for many years now between the U.S., China, and to some degree Russia. From this perspective, Iran seems to be more of a skirmish in the global fight for control of the flow of energy, the domination of technology, and national security. **In this *Economics Weekly*, we attempt to lay out our view of the conflict, how this fits into the global geopolitical framework, and what this might mean for financial markets.**

When Two Become One—Economic Policy Is Security Policy

Perhaps the single best starting point for contextualizing the current conflict is to simply read the slim 29-page November 2025 [National Security Strategy](#) (NSS) paper produced by the Office of the President.

The document highlights the U.S. economic and security priorities, which include rebuilding industrial capacity and reclaiming strategic dominance in areas such as defense, energy, critical materials, pharmaceuticals, manufacturing, and technology (e.g., semiconductors). These are all areas where the U.S. suddenly found itself exposed and vulnerable during the pandemic.

We continue to refer to a quote from Treasury Secretary Bessent during his April 2025 [interview](#) with Tucker Carlson, where he captures the administration's strategic view in a nutshell:

*So, I think that this is the beginning of a process. We're going to reindustrialize. We've gone to a highly financialized economy. We've stopped making things—especially a lot of things that are relevant for national security. I think one of the few good outcomes from COVID was we had a beta test for what maybe a kinetic war with a large adversary could look like. And it turned out that these highly efficient supply chains were not strategically secure. So we don't make our own medicines. We don't make our own semiconductors. We don't make our own ships anymore. So I think if I were to say, "Was there any good outcome from COVID?" it was—it woke the world up to these supply chain problems. **So economic security is national security.** [Emphasis added]*

As Bessent mentions, and as the NSS report is also quite explicit in highlighting, economic policy has now merged with national security policy. This is a major transition in government policy that cannot be overemphasized, but it was not started by President Trump. The strategy was also pursued by the Biden administration with its "small yard, high fence"—i.e., restricting Chinese access to critical technologies and protecting critical trade routes (the small yard), coupled with intense controls, such as export controls, military barriers, and regulatory investment restrictions (the high fence). The Trump administration is pushing this strategy much further.

The traditional tools of economic policy, such as monetary and fiscal policy, which are normally used independently of each other to achieve the goals of growth, stability, and employment, are still very much in use; however, they are now subsumed into a broader strategic framework—statecraft. This strategic policy choice demands that all of the nation's resources, very much including military and economic power, are more explicitly redirected toward achieving the nation's desired economic and security outcomes.

Previously, economic policy would have been used as the guiding hand behind directionally nudging cyclical economic growth and free trade with like-minded nations. Now, the view is that to achieve structural economic growth—which includes low and stable prices, industrial capacity, technological dominance, and national security—full statecraft is required. Or, as the NSS states, "[a]chieving these goals requires marshaling every resource of our national power."

We see this already playing out in several ways:

- Decisions to take government stakes in strategic companies—e.g., semiconductors and rare earths;
- Encouraging greater foreign dependence on U.S. for critical supplies—e.g., the EU gets 25% of its LNG from the U.S., up from 0% before the Ukraine invasion;
- Control of the flow of energy, either directly by controlling the producers (e.g., Venezuela) or indirectly via areas that might represent choke holds for transportation (e.g., Panama Canal, the Red Sea, and, the administration hopes, the Strait of Hormuz and Greenland);
- Control of monetary policy, by attempting to control the Fed; and
- A drive to further entrench dollar dominance via the greater integration of stablecoins into the global financial system.

Where Does Iran Fit In?

With the emergence of U.S. energy independence and following the June 2025 Operation Midnight Hammer, the U.S. felt it could downgrade the Middle East from what used to be a central arena for U.S. strategy to one that just required “careful management,” as outlined in the NSS document written in November 2025:

For half a century at least, American foreign policy has prioritized the Middle East above all other regions. The reasons are obvious: the Middle East was for decades the world’s most important supplier of energy, was a prime theater of superpower competition, and was rife with conflict that threatened to spill into the wider world and even to our own shores....

*Conflict remains the Middle East’s most troublesome dynamic, but there is today less to this problem than headlines might lead one to believe. **Iran—the region’s chief destabilizing force—has been greatly weakened by Israeli actions since October 7, 2023, and President Trump’s June 2025 Operation Midnight Hammer, which significantly degraded Iran’s nuclear program.... Syria remains a potential problem, but with American, Arab, Israeli, and Turkish support may stabilize and reassume its rightful place as an integral, positive player in the region.***

As this administration rescinds or eases restrictive energy policies and American energy production ramps up, America’s historic reason for focusing on the Middle East will recede....

America will always have core interests in ensuring that Gulf energy supplies do not fall into the hands of an outright enemy, that the Strait of Hormuz remain open, that the Red Sea remain navigable, that the region not be an incubator or exporter of terror against American interests or the American homeland, and that Israel remain secure....

But the days in which the Middle East dominated American foreign policy in both long-term planning and day-to-day execution are thankfully over—not because the Middle East no longer matters, but because it is no longer the constant irritant, and potential source of imminent catastrophe, that it once was. It is rather emerging as a place of partnership, friendship, and investment—a trend that should be welcomed and encouraged. [Emphasis added]

As stated in the NSS, the goal with regard to existing governance in the region no longer seems to be to seek regime change, but rather to drop “*America’s misguided experiment with hectoring these nations—especially the Gulf monarchies—into abandoning their traditions and historic forms of government. We should encourage and applaud reform when and where it emerges organically, without trying to impose it from without. The key to successful relations with the Middle East is accepting the region, its leaders, and its nations as they are while working together on areas of common interest.*”

Up to now, this seemed to have meant tolerating the existing Iranian regime as long as it played ball. Yet, it appears that this is no longer the case, and Iran’s status has switched from managed control to once again being a core security concern.

Iran’s strategic importance has been relatively well known, but it has become even clearer this week with the effective closure of the Strait of Hormuz.

While Iran produces an estimated 3% of global crude oil supply, the reality is that it controls the 20% of total global supply that passes through the strait. Geo-economically, Iran touches many pressure points in the new AI- and data-driven economy, not only with regard to its leverage over shipping routes, but also in the need for energy to support continued leadership in AI and data infrastructure, semiconductors, and industrial capacity—all of which are now very closely tied up with national security.

Who is impacted most by the war in Iran? According to the [U.S. EIA](#):

... 84% of the crude oil and condensate and 83% of the liquefied natural gas that moved through the Strait of Hormuz went to Asian markets in 2024. China, India, Japan, and South Korea were the top destinations for crude oil moving through the Strait of Hormuz to Asia, accounting for a combined 69% of all Hormuz crude oil and condensate flows in 2024. These markets would likely be most affected by supply disruptions at Hormuz.

Exhibit 1 shows the origin and destination of crude oil and condensate that pass through the strait.

Exhibit 1
20% of Global Energy Supply Passes Through the Strait of Hormuz
Volume of crude oil and petroleum products transported through the Strait of Hormuz 1Q2025 (million b/d)

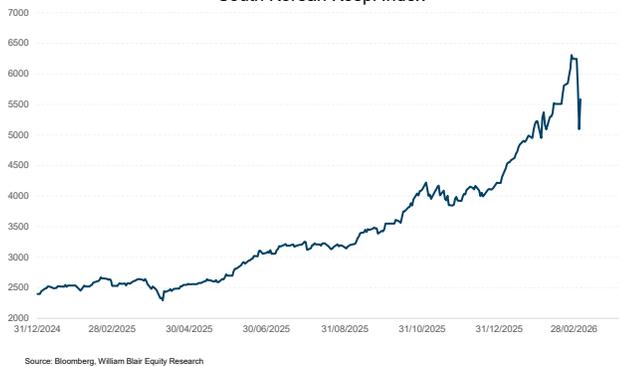
Origin		Destination	
Saudi Arabia	5.3	China	5.4
UAE	1.8	India	2.1
Iraq	3.2	South Korea	1.7
Kuwait	1.4	Japan	1.6
Qatar	0.6	Other Asia	2.0
Iran	1.5	Europe	0.5
Other	0.3	United States	0.4
		Saudi Arabia	0.0
		Other	0.6

Source: U.S. Energy Information Administration analysis based on Vortexa tanker tracking, William Blair Equity Research

As shown, China, an ally of Iran, receives around 5% of the total that passes through the strait, highlighting the importance of the strait (and therefore the U.S.’s interest in its control). As a result, it is also possible (albeit unlikely) that China could end up helping the U.S. clear the strait if the closure persists. For the moment, China is known to have been stockpiling many different commodities, including energy, possibly in preparation for just such an event.

Yet, it is not just China—other nations such as South Korea are highly dependent on energy from the region. This energy is not just crucial in keeping the lights on in homes, but also for powering the factories and fabs that produce the semiconductor chips that are helping fuel the AI boom. This is something that investors have clearly taken note of, given the 20% decline in South Korea’s Kospi Composite Index in just a matter of days.

Exhibit 2
South Korean Kospi Index



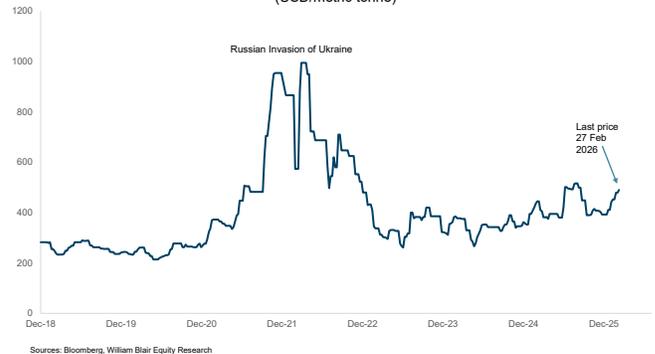
War and Disruption to Energy and Fertilizer Supplies

Iran was closed off to most of the world through a wall of sanctions imposed by the U.S. in 1979. This has meant that there has been virtually no direct trade between Iran and the West; hence, of the three major channels for contagion—trade, financial markets, and confidence—the trade channel looks negligible.

Iran’s key export is energy, and this will be the main transmission channel for an effect on global growth. The most directly impacted would be China and other Asian economies, should the strait remain closed—as well as the other Gulf states that export these products, many of which have been suffering aerial bombardments.

This disruption to energy supplies is tangibly impacting the price and availability of fertilizer. An estimated 45% of global urea exports come from the Gulf, and 25% of the world’s supply of fertilizer moves through the Strait of Hormuz. This has become even more critical at the moment, as we have already entered the planting season across most of Europe and Asia. Hence, even if the war was resolved and the strait opened today, it would likely take days and weeks for tankers to ship products from one port to another. This will delay and/or diminish crop production while also raising prices.

Exhibit 3
Middle East Urea Granular Spot Price (USD/metric tonne)

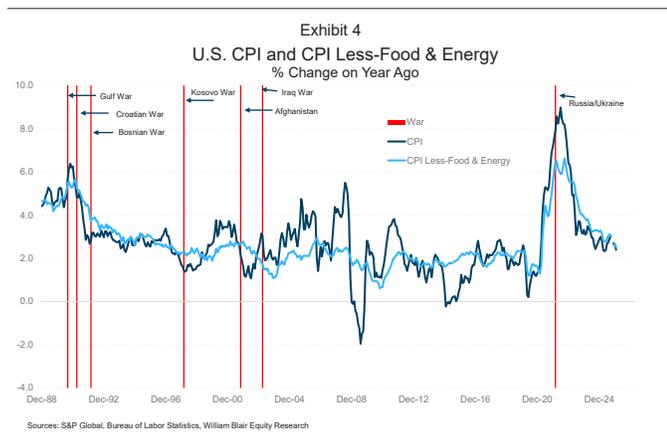


Another Reason for Inflation to Remain Sticky

For the U.S., the most direct risks emerge from two main channels: rising energy prices and its inflationary impact, and the impact across financial markets.

Crude oil has thus far risen by 21%, from \$67 per barrel of Brent crude in mid-February to \$81 at the time of writing; however, the reality is that the increase in energy prices is very muted relative to past wars in the Middle East. During the first Gulf War, for example, Brent crude jumped over 150%.

Nevertheless, the increase will have an impact on the headline rate of inflation and, to a lesser extent, the core inflation measures. We view the rise in energy prices as yet another likely reason inflation remains sticky in the 2.5%-3.0% range, rather than drifting back down to 2% as many market participants have been expecting (exhibit 4).



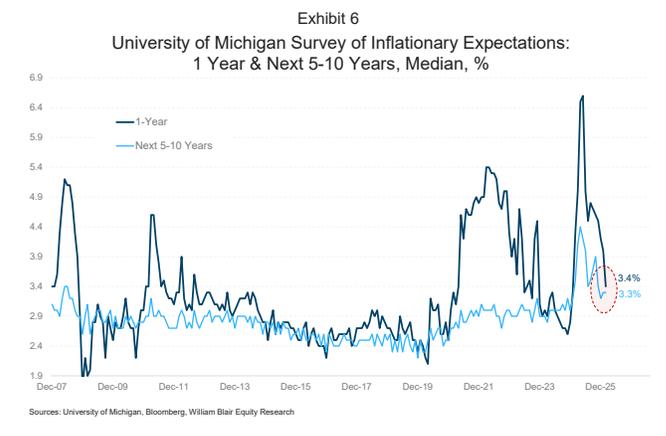
What Does This Mean for the Fed?

When energy price changes are driven by supply-side events—and because these prices are both volatile and act as a tax on consumption—central banks typically view them as relative price changes (e.g., you pay more for gas at the pump and then have less to spend on groceries at the supermarket). This often results in only a limited sustained change in the aggregate price basket, and the standard procedure is to “look through” such events.

Yet, central banks only really feel comfortable doing this when inflationary expectations are well anchored. When they are not, even though the supply shock might not last long (it’s not a purely monetary phenomenon), the inflationary impact could still be extended. This would happen

if households were to view inflation as sticky and start to demand higher wages, thereby forcing companies to raise prices and setting in motion a mini wage-price spiral. This was one of the reasons inflation remained high following COVID and the start of the Russia and Ukraine war.

Unfortunately, it would be hard to argue that inflationary expectations are well-anchored today (exhibits 5 and 6). Consumers are still reeling from the recent price surge. We also know that while central bankers tend to think of inflation as purely a rate of change, consumers tend to think more about price levels. That is, consumers anchor the prices for certain goods and services in their minds—such as the cost of the weekly shop.



From this perspective, while bankers and economists might view this as just a one-off price increase, consumers view it as yet more inflation and higher grocery prices. As a result, regardless of whether this particular event is a one-off price increase, a continuing series of such increases (COVID, Russia and Ukraine war, tariffs, immigration restrictions) in the end adds up to inflation that remains high.

Thus, central banks this time around are likely to find themselves in a trickier position. At the very least, they might have to start reining in talk of further rate cuts and perhaps even raise the possibility of a rate hike—which some members of the Fed have already begun to do. For example, this week Minneapolis Fed President Neel Kashkari mentioned the need for the Fed to not make a “Transitory 2.0” mistake.

While the press is doing a very good job at generating downside scenarios for the current episode in the Gulf—many of which we need to take extremely seriously—a key upside that many are not discussing is that this conflict could end up stabilizing a region that for years has been a hotbed for manufacturing terrorism.

One win for the U.S., therefore, could be not only reducing the nuclear threat, but also having to devote less money and resources to a region of never-ending conflict. Opening the scope a little wider, if the U.S. is also able to gain effective control of the Strait of Hormuz, just as it now has tremendous influence over the Red Sea, the Panama Canal, Venezuela, and potentially the Northern Route via a deal with Greenland, this puts it in a very strong geostrategic position. This possibility will certainly give President Xi something to talk about when he is due to meet with President Trump at the end of this month.

Financial Market Implication

As we continue to highlight, one downside of a shift in economic policy away from the central bankers driving the economic policymaking and back toward fiscal policymakers, is that policy decisions become less transparent and their impact less quantifiable. Fiscal policymakers are also not skilled at speaking to financial markets, nor at providing forward guidance in the same manner the Fed does.

Rather, policies are rarely based on near-term economic data, but are more often related to much wider structural economic and security priorities (as well as often being tied to election calendars). Many of these decisions are also much harder to reverse in comparison to monetary policy decisions—as the saying goes, “there’s nothing as permanent as a temporary government solution.”

Financial market participants have a much harder time estimating the impact of, for example, a \$300 billion 10-year spending bill, which might be front-loaded or back-loaded and have different multipliers across different economic sectors, compared to a rate cut of 25 or 50 basis points. The result is that this regime shift in policymaking

is one that is also likely to be accompanied by increased market volatility.

As a result, investors are likely to be more limited in their willingness to push themselves further out along the duration risk curve—or at least they will demand a higher risk premium for doing so. While this does not imply growth will necessarily suffer, it does suggest that investors will need to pay greater attention to valuation, they will likely gravitate to higher quality stocks, and we will continue to see a shift from [growth to GARP](#).

Conclusion

Viewed through a wider strategic lens, the war involving Iran is less an isolated regional conflict and more an intensifying global competition for economic power, technological dominance, and national security. U.S. policy has undergone a structural shift in which economic tools—energy production, industrial policy, supply-chain control, and even monetary influence—are now being explicitly subordinated to achieve national security objectives. In this framework, Iran represents not just the elimination of a nuclear or regional threat, but the capture of a critical player in the global struggle over energy flows and strategic chokepoints, particularly the Strait of Hormuz.

The transmission channel for the conflict is energy, where higher energy prices, potential fertilizer shortages, and supply disruptions threaten to dampen global growth. They will also likely be yet another factor in helping to keep inflation sticky above 2.5%. While the rise in oil prices so far remains modest compared to past conflicts in the region, for consumers it might be seen as yet another in a growing sequence of supply-side shocks keeping inflation elevated and expectations unanchored. This places central banks, including the Fed, in a more constrained position—it limits their ability to “look through” supply shocks and makes them more cautious in decisions about lowering interest rates.

For financial markets, the broader implication is that this is further evidence of a regime shift toward statecraft and away from technocratic fine-tuning by central bankers. This shift in policy drivers is likely to be accompanied by increased volatility and more caution around longer-duration risk-taking. For investors, this means a higher demanded risk premia and a greater emphasis on valuation, quality, and durable growth.

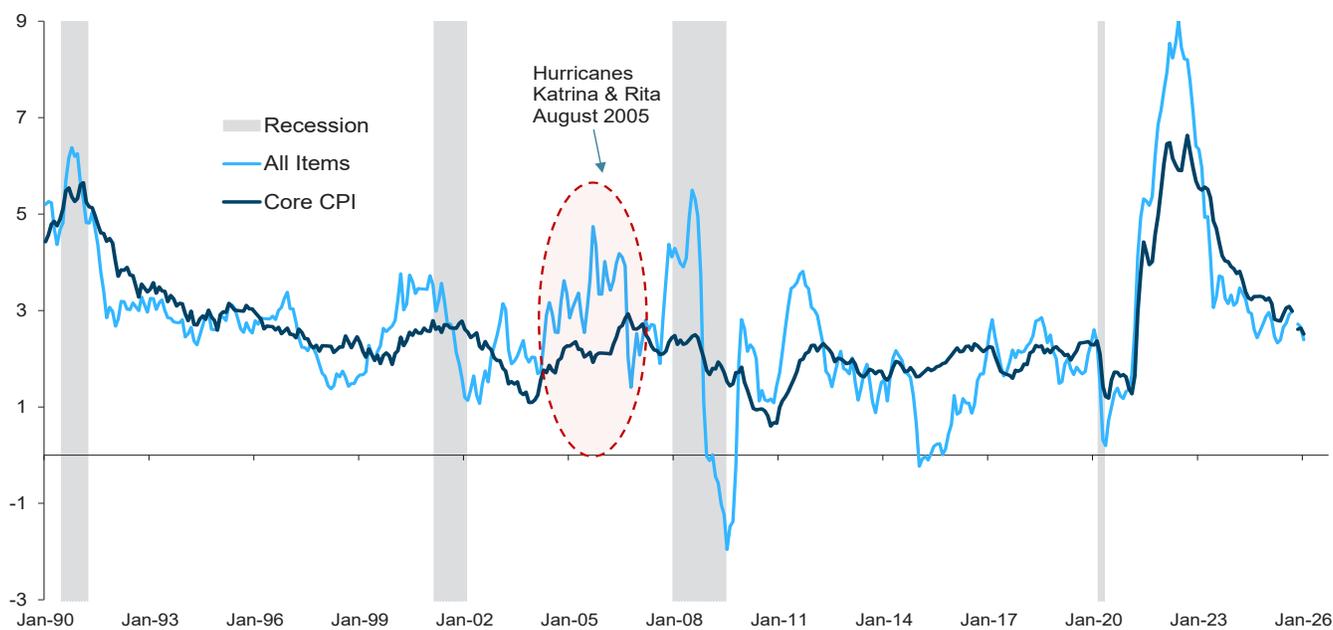
Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
10 Mar	6:00 a.m.	NFIB Small Business Survey (Feb)	99.3	NA	NA	
11 Mar	8:30 a.m.	Consumer Price Index (Feb)	0.2%	0.2%	0.2%	
		CPI Less-food & energy	0.3%	0.2%	0.2%	
12 Mar	8:30 a.m.	Trade Balance (Jan)	-\$70.3bn	NA	NA	
12 Mar	8:30 a.m.	Housing Starts (Jan)	6.2%	-3.8%	-1.5%	
		Building Permits	NA	NA	NA	
13 Mar	8:30 a.m.	Personal Income (Jan)	0.3%	0.4%	0.3%	
		Personal Spending	0.4%	0.3%	0.4%	
13 Mar	8:30 a.m.	Durable Goods Orders (Jan)	-1.4%	1.7%	0.9%	
		Orders Less-transportation	1.0%	NA	1.5%	
13 Mar	10:00 a.m.	JOLTS Job Openings (Jan)	6542K	NA	NA	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: Consumer Price Index

CPI All Items & Core CPI - % Change on Year Ago



Source: Bureau of Labor Statistics, William Blair Equity Research

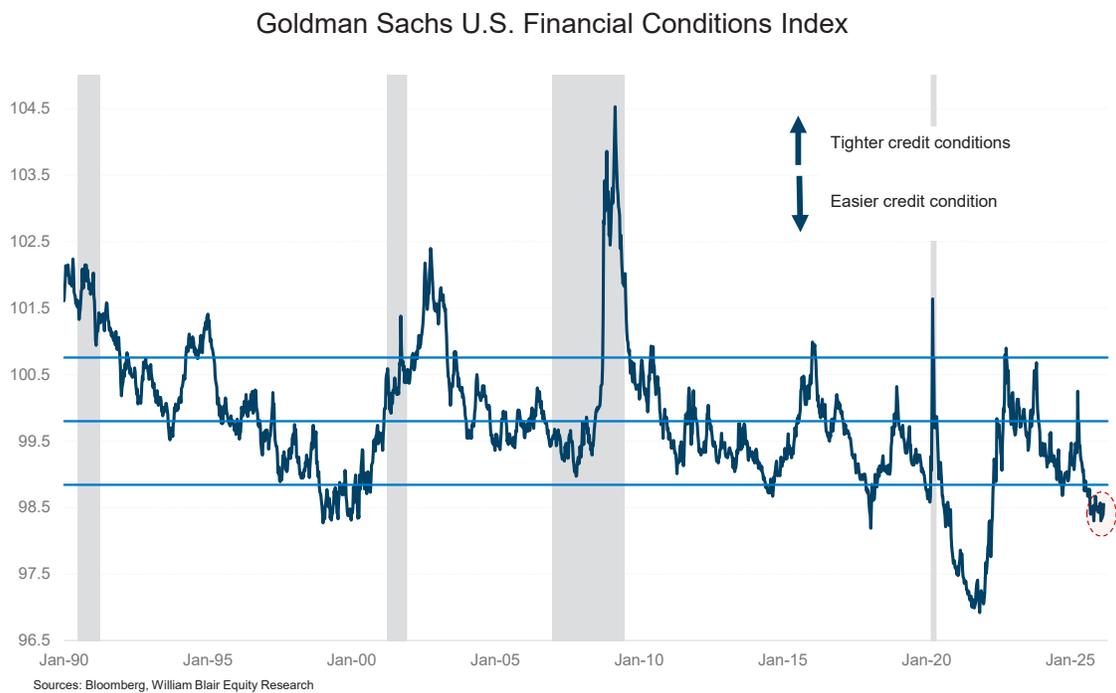
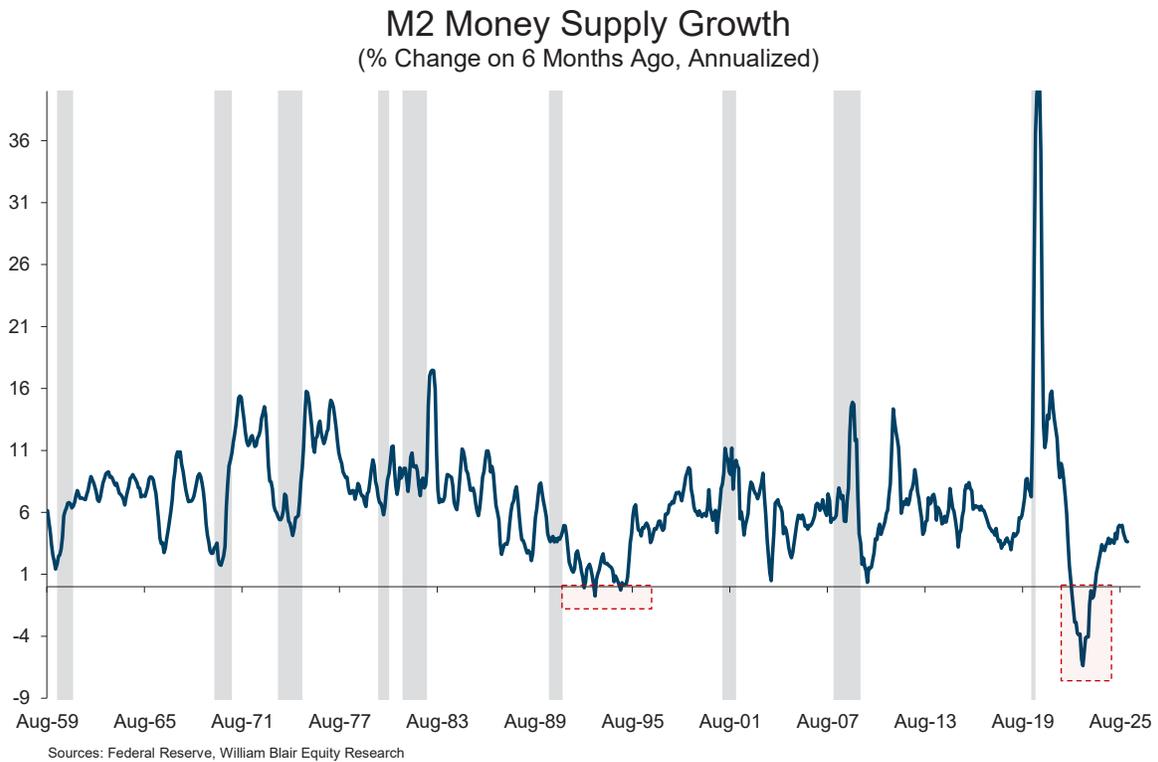
Economic Scorecard

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

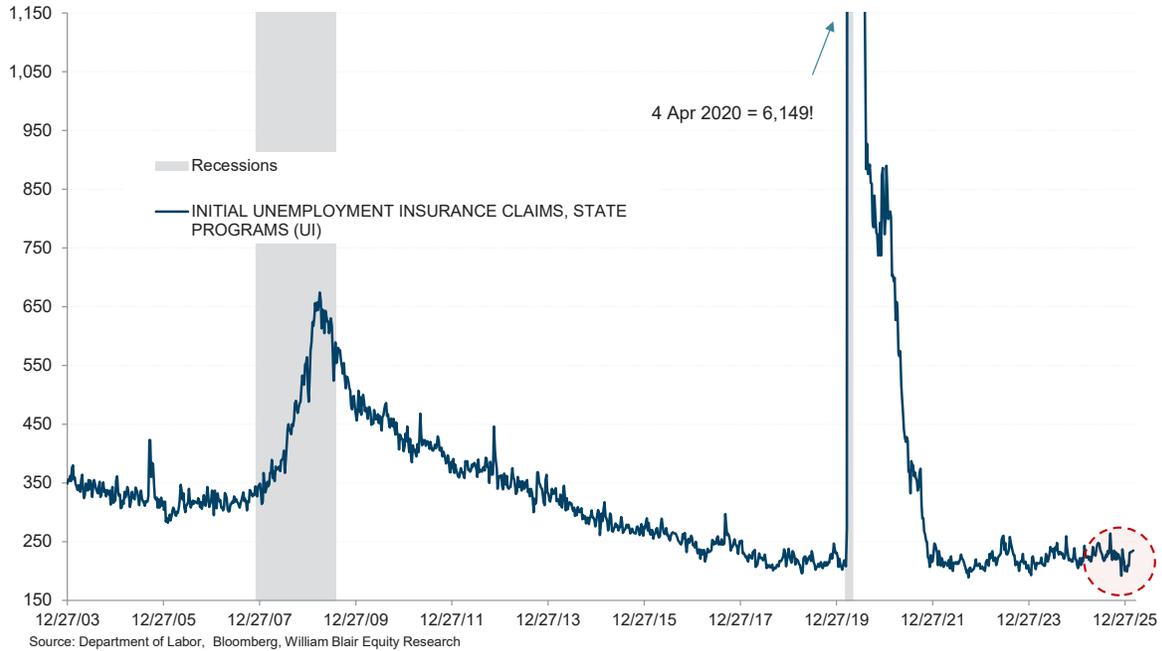
	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Growth																			
US Leading Indicators	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0	-3.5	-3.5	-3.3	-3.3	-3.8	-3.9			
US Coincident Indicators	1.6	1.6	1.3	1.7	1.5	1.5	1.8	2.0	1.4	1.3	1.6	1.3	1.1	1.1	1.1	0.7			
US Lagging Indicators	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	1.0	0.8	1.2			
Consumer																			
Total Retail Sales	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	5.3	5.5	5.3	5.3	5	5	5.2	5.6	4.5	4.3	4.6	4.7	4.7	4.4	4.4	4.3			
Real Disposable Personal Income	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	1.1	1	0.9			
Real Personal Consumption	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	2.5	2.4	1.7			
Personal Saving Rate (%)	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	3.7	3.6			
Consumer Confidence (Conference Board)**	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	89	91.2	
Employment																			
Employment Growth	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	-12.0	-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*	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	48.8	
ISM Employment Index Services*	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	51.8	
Unemployment Rate, %	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	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)	225	236	219	222	218	227	223	226	235	241	221	231	235	225	215	219	213	216	
Job Openings	-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	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	-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	5.3	-8.8	10.7	11.7	-2.8	-2.4	-4.6	-1.8	-5.7	-1.3	-10	1.9	0.3	5.6	12.3	3.8			
Existing Home Sales	-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	-4.4		
Median House Price (Existing Homes)	-1.2	2.1	-7.4	1.1	-0.2	-1.4	-5.4	-0.4	2.5	-1.2	-7.4	3	-1	-5.4	0	-2	-2		
Existing Homes Inventory (Mths' supply)	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	4.2		
New Homes Inventory (Mths' supply)	7.9	9.3	8.7	8.2	9	9.3	9.2	8.5	9.6	9.1	9.3	8.4	8.1	9	7.7	7.6			
NAHB Homebuilder Sentiment*	41	43	46	46	47	42	39	40	34	32	33	32	32	37	38	39	37	36	
Inflation																			
Consumer Price Index	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	2.4		
CPI Less-food & energy	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	2.5		
Producer Price Index	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	2.9		
PPI Less-food & energy	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	3.6			
PCE Price Index	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	2.9			
PCE Prices Less-food & energy	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	2.8	2.8	3.0			
Business Activity - US																			
Industrial Production	-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	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	7.9			
Business Inventories	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*	47.3	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	52.4	
Markit US Manufacturing PMI*	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	51.6	
ISM Services Index*	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	56.1	
Markit US Services PMI*	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	51.7	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	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	50.9	
Japan Manufacturing PMI Jibun Bank*	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	53	
Caixin China Manufacturing PMI*	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	52.1	
China Manufacturing PMI*	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	49	
UK Manufacturing PMI Markit/CIPS*	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	51.7	
France Manufacturing PMI Markit*	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	50.1	
Currencies***																			
Euro (EUR/USD)	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	13.9	
Renminbi (USD/CNY)	-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	-5.7	
Yen (USD/Yen)	-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	3.6	
Sterling (GBP/USD)	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	7.2	
Canadian \$ (USD/CAD)	-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	-5.7	
Mexican Peso (USD/MXN)	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	-16.2	
US Equities																			
S&P 500	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	15.5	
S&P 400 Midcap	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	15.5	
S&P 600 Smallcap	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	15.9	
Russell 2000	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	21.7	

* 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

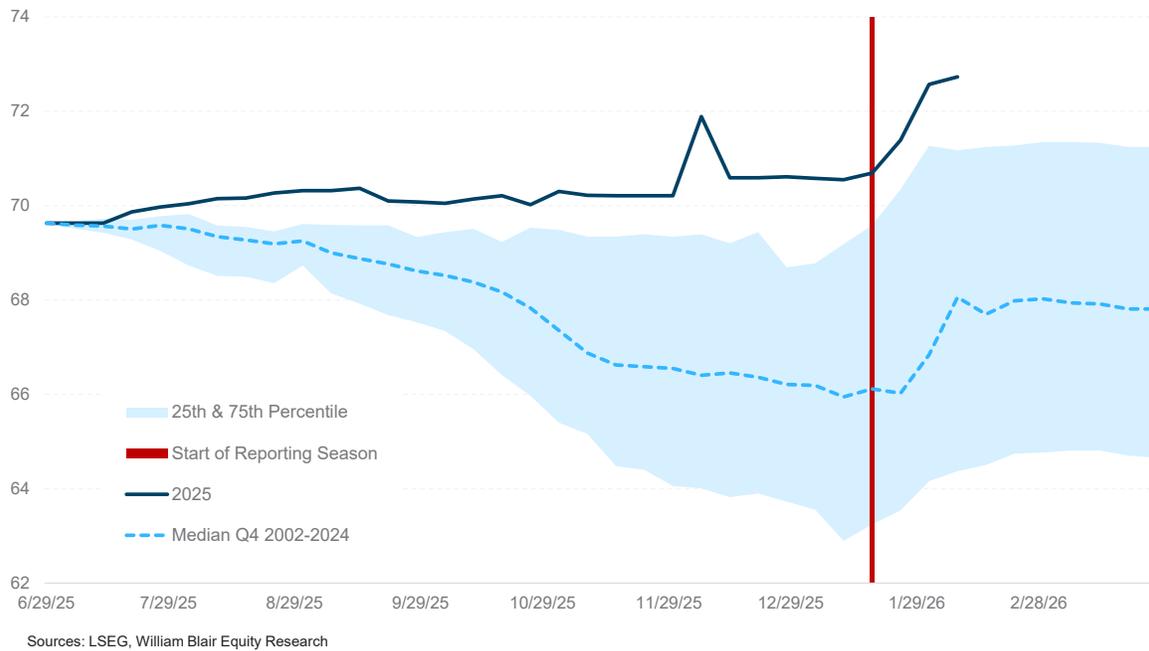
Other Economic Indicators



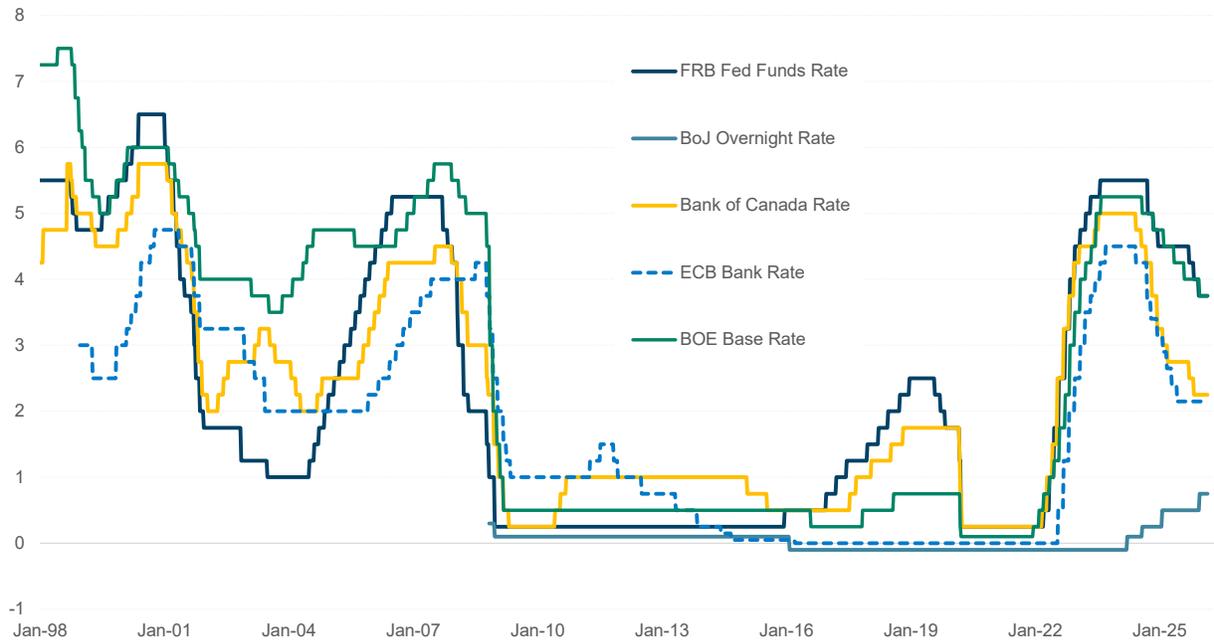
Initial Jobless Claims ('000s, Seasonally Adjusted)



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)

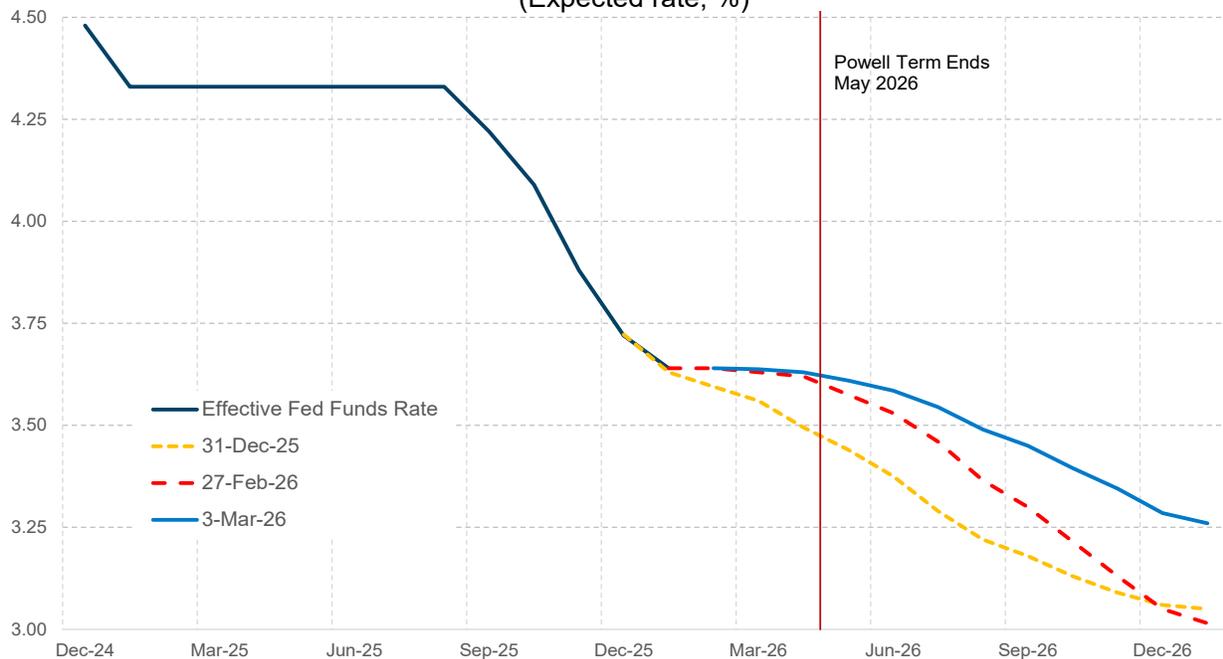


Central Bank Target Short-Term Interest Rates, %



Sources: Bloomberg, William Blair Equity Research

Fed Funds Rate and Futures Market Expectations (Expected rate, %)



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 05-Mar-26	Week Ago 26-Feb-26	Month Ago 05-Feb-26	Qtr-to-Date 31-Dec-25	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	-1.13	0.48	-0.22	-0.22
S&P 400 MidCap Index		-3.08	0.39	5.70	5.70
S&P 600 SmallCap Index		-2.86	-0.76	5.98	5.98
Dow Jones Industrials		-3.12	-1.95	-0.23	-0.23
Nasdaq Composite		-0.57	0.92	-2.12	-2.12
Communication Services	10.41	0.40	-3.31	-0.77	-0.77
Advertising	0.06	6.90	19.51	-5.45	-5.45
Broadcasting	0.06	3.39	-7.62	-17.95	-17.95
Cable & Satellite	0.05	0.68	2.87	9.16	9.16
Integrated Telecommunication Services	0.85	4.50	6.29	18.86	18.86
Interactive Home Entertainment	0.14	-0.25	5.11	-9.25	-9.25
Interactive Media & Services	7.70	-1.27	-6.87	-2.74	-2.74
Movies & Entertainment	1.15	8.16	12.61	0.50	0.50
Publishing & Printing	0.02	-0.13	-0.24	-7.60	-7.60
Wireless Telecommunication Svcs	0.39	3.47	9.25	8.62	8.62
Consumer Discretionary	10.40	0.56	-1.03	-3.31	-3.31
Apparel Retail	0.39	2.54	6.18	8.46	8.46
Apparel & Accessories & Luxury Goods	0.10	-6.81	3.65	1.16	1.16
Auto Parts & Equipment	0.02	-6.27	-9.42	-5.10	-5.10
Automobile Manufacturers	2.61	-1.63	0.91	-9.48	-9.48
Automobile Retail	0.30	0.38	-2.02	-2.26	-2.26
Broadline Retail	3.80	5.31	-1.52	-4.94	-4.94
Casinos & Gaming	0.09	-2.19	-3.01	-11.11	-11.11
Computer & Electronics Retail	0.02	4.36	-3.79	-1.99	-1.99
Consumer Electronics	0.07	-5.50	20.88	18.40	18.40
Distributors	0.04	-0.60	-18.58	-4.75	-4.75
Footwear	0.13	-9.39	-6.71	-6.82	-6.82
Home Furnishings	0.01	-12.86	-17.03	-0.55	-0.55
Home Improvement Retail	0.80	-3.60	-5.97	5.25	5.25
Homebuilding	0.18	-5.50	-7.05	3.54	3.54
Hotels, Resorts & Cruise Lines	0.81	-1.63	-0.15	-4.11	-4.11
Leisure Products	0.02	-4.97	-0.06	16.30	16.30
Restaurants	0.87	-1.34	0.48	3.86	3.86
Other Specialty Retail	0.09	-3.84	-5.39	4.56	4.56
Consumer Staples	5.66	-3.75	-2.28	9.97	9.97
Agricultural Products	0.09	-2.61	0.91	19.17	19.17
Brewers	0.01	-1.96	-7.88	0.90	0.90
Consumer Staples Merchandise Retail	2.57	-0.58	-0.96	12.37	12.37
Distillers & Vintners	0.05	-5.96	-10.82	5.52	5.52
Food Distributors	0.07	-3.75	1.37	16.41	16.41
Food Retail	0.07	6.54	7.35	14.55	14.55
Household Products	0.80	-5.77	-2.50	9.20	9.20
Packaged Foods & Meats	0.38	-2.93	-3.40	6.15	6.15
Personal Care Products	0.09	-8.41	0.26	-0.44	-0.44
Soft Drinks	1.06	-5.13	-2.96	9.14	9.14
Tobacco	0.60	-7.81	-4.19	8.69	8.69
Energy	3.36	2.54	7.13	25.45	25.45
Integrated Oil & Gas	1.69	2.13	4.64	25.19	25.19
Oil & Gas Equipment & Services	0.25	-7.05	-0.06	26.10	26.10
Oil & Gas Exploration & Production	0.68	5.26	12.32	23.55	23.55
Oil & Gas Refining & Marketing & Transportation	0.32	9.74	12.01	34.16	34.16
Oil & Gas Storage & Transportation	0.43	1.28	10.74	22.89	22.89

Financials	11.69	-2.38	-3.92	-6.71	-6.71
Asset Management & Custody Banks	0.93	-3.21	-4.38	-10.93	-10.93
Consumer Finance	0.57	-7.64	-11.74	-18.15	-18.15
Diversified Banks	2.91	-4.76	-7.53	-8.05	-8.05
Diversified Financial Services	6.83	-1.59	-2.62	-7.43	-7.43
Financial Exchanges & Data	0.96	1.63	4.26	-3.02	-3.02
Insurance Brokers	0.44	0.98	-2.86	-5.34	-5.34
Investment Banking & Brokerage	1.27	-6.70	-5.20	-8.01	-8.01
Life & Health Insurance	0.27	-3.18	-3.24	-3.92	-3.92
Multi-Sector Holdings	1.09	-0.45	-0.69	-0.45	-0.45
Property & Casualty Insurance	0.94	-0.83	-0.04	-0.01	-0.01
Regional Banks	0.28	-5.45	-10.72	0.76	0.76
Reinsurance	0.02	-1.48	2.13	-1.92	-1.92
Transaction & Payment Processing	1.91	2.01	-1.70	-8.49	-8.49
Health Care	9.20	-2.19	-0.71	-0.78	-0.78
Biotechnology	1.68	0.36	2.21	6.91	6.91
Health Care Distributors	0.39	-3.76	-1.70	9.34	9.34
Health Care Equipment	1.70	-3.92	-0.71	-7.13	-7.13
Health Care Facilities	0.21	1.01	2.37	11.13	11.13
Health Care Services	0.36	-1.31	1.46	3.44	3.44
Health Care Supplies	0.06	-6.32	-2.30	-0.78	-0.78
Life Sciences Tools & Services	0.80	-1.67	-5.62	-11.66	-11.66
Managed Health Care	0.60	-1.76	1.81	-14.02	-14.02
Pharmaceuticals	3.40	-2.72	-1.64	2.96	2.96
Industrials	8.59	-2.64	2.07	10.77	10.77
Aerospace & Defense	2.33	-0.41	5.62	11.62	11.62
Agricultural & Farm Machinery	0.25	-4.64	4.41	26.87	26.87
Air Freight & Logistics	0.33	-5.69	-5.21	13.99	13.99
Building Products	0.47	-4.77	-1.86	10.67	10.67
Cargo Ground Transportation	0.10	3.96	3.06	28.35	28.35
Construction & Engineering	0.26	-4.01	12.36	31.15	31.15
Construction Machinery & Heavy Trucks	0.82	-5.29	2.99	19.05	19.05
Data Processing & Outsourced Services	0.04	4.16	-1.37	-14.46	-14.46
Diversified Support Svcs	0.19	2.89	1.87	4.66	4.66
Electrical Components & Equipment	0.56	-6.17	-1.83	9.28	9.28
Environmental & Facilities Services	0.35	2.75	5.35	7.25	7.25
Heavy Electrical Equipment	0.35	-7.01	10.50	24.70	24.70
Human Resource & Employment Services	0.21	2.67	-3.15	-12.38	-12.38
Industrial Conglomerates	0.37	-2.85	-0.78	12.17	12.17
Industrial Machinery	0.68	-3.92	-2.18	8.32	8.32
Passenger Airlines	0.15	-14.94	-12.55	-8.99	-8.99
Passenger Ground Transportation	0.25	0.85	0.30	-7.68	-7.68
Railroads	0.48	-2.08	2.90	11.59	11.59
Research & Consulting Svcs	0.15	0.66	3.77	-3.26	-3.26
Trading Companies & Distributors	0.26	1.71	-1.24	11.54	11.54
Information Technology	31.17	-0.70	2.86	-4.18	-4.18
Application Software	2.16	8.58	11.92	-18.27	-18.27
Communications Equipment	1.00	1.82	2.79	7.78	7.78
Electronic Components	0.45	-9.07	11.33	16.32	16.32
Electronic Equipment & Instruments	0.14	-5.29	14.40	28.20	28.20
Electronic Manufacturing Services	0.14	-9.68	1.90	-2.63	-2.63
Internet Software & Services	0.08	4.94	1.36	-5.16	-5.16
IT Consulting & Services	0.67	4.82	-10.36	-17.21	-17.21
Semiconductor Equipment	1.28	-8.25	7.87	28.53	28.53
Semiconductors	12.27	-0.83	4.96	0.26	0.26
Systems Software	6.26	3.06	5.58	-15.23	-15.23
Technology Distributors	0.03	0.75	-11.70	-8.74	-8.74
Technology Hardware, Storage & Peripherals	6.70	-4.68	-5.22	-1.76	-1.76
Materials	1.92	-4.61	0.75	11.32	11.32
Commodity Chemicals	0.07	14.49	14.90	47.41	47.41
Construction Materials	0.24	-7.58	-7.70	-5.22	-5.22
Copper	0.14	-8.37	5.81	23.37	23.37

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Fertilizers & Agricultural Chemicals	0.12	0.44	7.43	19.03	19.03
Gold	0.20	-8.93	6.97	16.27	16.27
Industrial Gases	0.46	-1.33	4.53	14.27	14.27
Metal & Glass Containers	0.03	-5.12	-4.49	19.35	19.35
Paper Packaging	0.16	-5.01	-3.41	7.50	7.50
Specialty Chemicals	0.39	-7.46	-2.90	8.54	8.54
Steel	0.11	-1.73	-5.37	8.05	8.05
Real Estate	1.87	-0.74	5.18	7.79	7.79
Data Center REITs	0.25	1.05	14.45	21.11	21.11
Health Care REITs	0.33	-1.77	6.35	10.01	10.01
Hotel & Resort REITs	0.02	-1.67	5.05	12.58	12.58
Industrial REITs	0.20	-3.37	1.25	7.98	7.98
Multi-Family Residential REITs	0.00	-1.12	3.09	-0.83	-0.83
Office REITs	0.01	-9.31	-12.19	-17.79	-17.79
Other Specialized REITs	0.10	-1.09	11.30	16.27	16.27
Real Estate Service	0.10	-1.47	-11.67	-17.87	-17.87
Retail REITs	0.26	-1.27	2.99	12.02	12.02
Self-Storage REITs	0.14	0.55	7.72	16.26	16.26
Single-Family Residential REITs	0.14	0.55	7.72	16.26	16.26
Telecom Tower REITs	0.23	2.23	10.69	4.55	4.55
Timber REITs	0.03	0.45	-7.79	3.97	3.97
Utilities	2.34	-0.71	8.31	9.35	9.35
Electric Utilities	1.56	-0.52	9.35	9.90	9.90
Gas Utilities	0.05	0.95	8.09	10.58	10.58
Independent Power Producers & Energy Traders	0.11	-6.55	11.95	3.00	3.00
Water Utilities	0.04	0.23	7.12	3.17	3.17
Multi-Utilities	0.59	-0.35	5.26	9.48	9.48

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

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DOW JONES: 47954.70

S&P 500: 6830.71

NASDAQ: 22749.00

Additional information is available upon request.

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Market Perform (Hold)	25	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

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