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Economics Weekly

Inflation Regime Shifts and the Return of Quality GARP Investing

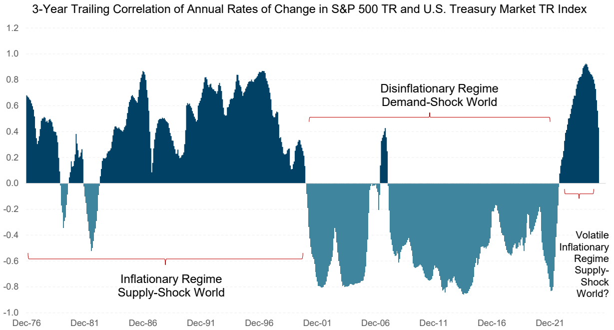
Please refer to important disclosures on pages 13 and 14. Analyst certification is on page 14.

One of our core themes over the last few years has been that the inflation regime has changed following the pandemic. It has flipped from a frictionless supply-side world to one where friction has been introduced and inflation will be slightly higher, on average, and more volatile than in the past. This shift has enormous implications for economic growth, central bank policy, and investors. For equity market investors, we believe one of the key implications will be a renewed focus on valuation (a shift from growth to GARP) and a growing preference for quality stocks. **In this *Economics Weekly,* we lay out the details of what we think this new inflation regime will mean for investors.**

It's a Regime Change

One of the most important metrics we have been highlighting for the last couple of years now is the correlation between the stock market and the bond market (exhibit 1). While the correlation between the two is not set in stone, the relationship tends to be highly persistent for long periods. This relationship seems to be driven by the prevailing inflation regime that the economy is in.

Exhibit 1
Correlation Between Stocks and Bonds
3-Year Trailing Correlation of Annual Rates of Change in S&P 500 TR and U.S. Treasury Market TR Index



Sources: Bloomberg, William Blair Equity Research

In a low and stable inflation regime where the supply of labor and capital is abundant, financial market participants and central banks predominantly need to respond to growth shocks, as opposed to inflation shocks. In this scenario, if there is a negative growth shock, equity markets fall but bonds rally on the back of an expected future rate cut. Conversely, if growth accelerates, equities rally but bonds decline, as the central bank will be forced to raise rates to cool growth and ease inflationary pressures. This meant that for investors during the two decades up to 2020, bonds acted as an incredibly useful counterweight, or ballast, for equity portfolios.

In a higher and/or more volatile inflationary environment that faces greater supply-side friction and capacity constraints, and where inflationary expectations are not well anchored, the primary driver of the correlation flips from growth shocks to inflation shocks. In this environment, inflation quickly becomes the binding constraint for central banks—i.e., they are forced to initially prioritize fighting inflation over stabilizing growth.

As a result, policy becomes more pro-cyclical. When inflation rises, the Fed is less able to "look through" the supply shock in the same way that it would have in the old world—it needs to sound or act more hawkishly by delaying any planned easing; as a result, both bonds and equities decline. Yet, when inflation then falls, both bond and equities perform well, as rates can start to be cut again.

Today, as exhibit 1 depicts, financial markets are telling us that since 2020, the inflation regime has flipped.

Previously, we lived in a hyperglobalized, frictionless, supply-side world, where labor, capital (plant, equipment, and machinery), and importantly energy (due to fracking, energy efficiencies, and renewables) were abundant. Supply was always there to satiate any surge in demand and to limit inflation.

Since COVID, this regime has changed. Supply frictions have been introduced from multiple sources, including:

- Slower labor force growth (retiring baby boomers, a slower birth rate, a pandemic, and stringent immigration restrictions) reducing the pool of available labor;
- Capacity constraints on the availability of capital, due to deglobalization, geopolitical and geo-economic barriers, tariffs, increasingly erratic weather events, and too much pressure being placed on an aging and underinvested capital stock; and
- Massive growth in demand for energy against supply that is not coming online fast enough to meet that demand.

What This Means for Central Bankers

In the old world, the low and stable inflation regime meant for monetary policymakers that there was virtually no upside risk to inflation; it was viewed as a "high-class problem." As a result, the only risk from inflation was thought to be to the downside—deflation from a potential negative demand shock. In this world, policymakers were heavily incentivized to prevent deflation at all costs (make sure “it” doesn’t happen here). This meant the Fed needed to respond more quickly to downside risks by cutting interest rates (the Fed put) and then keeping those rates lower for longer to maintain elevated demand.

This frictionless supply-side world also enabled the emergence of forward guidance—as there was relatively little risk of being surprised by a supply-side shock. This in turn meant that central banks were able to provide policy guidance increasingly further out into the future. It also meant that companies needed to hold less inventory and could plan further ahead.

In today’s world, because supply-side shocks are now more frequent, inflationary expectations are no longer as well anchored. As a result, policymakers have less leeway in looking through these shocks. In effect, inflation risks are now more symmetric than they previously were.

From a monetary policy perspective, the central banks are no longer able to respond as preemptively to downside shocks—i.e., there is still a Fed put, but it now has a lower strike price. In addition, they no longer have the ability to hold those rates at lower-for-longer levels once they do decline.

In such a world, it is more difficult for central banks to provide much in the way of accurate forward guidance, given that there is an increased likelihood that they get it wrong. In turn, those mistakes can have very damaging effects on their reputation and credibility, and can further negatively impact their inflation-fighting ability—as they discovered during the recent “transitory” episode. It is unsurprising, therefore, that one of the changes new Fed Chair Kevin Warsh wants to make is scrapping forward guidance.

What This Means for Investors

In the old world, with limited upside inflation risks, portfolio protection from bonds, a higher Fed put strike price, and rates lower for longer enabled, investors could extend their portfolio duration risk curve and make them less valuation sensitive.

In the current world, as exhibit 1 shows, the stock-to-bond correlation has flipped, and the new positive correlation means that bonds no longer provide portfolio insurance. As a result, the term premium is now positive—why pay a premium (i.e., the negative term premium) for an insurance policy that is no longer providing you with any insurance coverage (exhibit 2)?

Exhibit 2

ACM Estimated Term Premium for 10-Year U.S. T-Note Yield, %

Sources: Bloomberg, New York Fed, San Francisco Fed, William Blair Equity Research

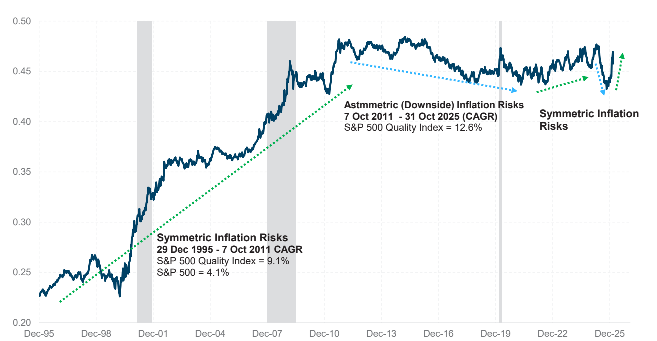
For equity investors, this means a need for greater diversification in the form of a broader portfolio of holdings across the size, sector, and country spectrums. It also means an increased sensitivity to valuation, and a higher equity risk premium to entice investors to take on more duration. Effectively, we view this as a shift from growth to GARP.

Return to Quality

In the equity market, we think one of the repercussions of this old low inflation/low rates regime was a nine-year underperformance of higher-quality stocks (2011-2020), as illustrated in exhibit 3. This was preceded by an (at least) 16-year period of exceptionally strong outperformance by quality stocks, to coincide with the previous more symmetric inflation-risk regime and positive stock-to-bond correlation.

Exhibit 3

Relative Performance of S&P 500 Quality Factor Index to S&P 500



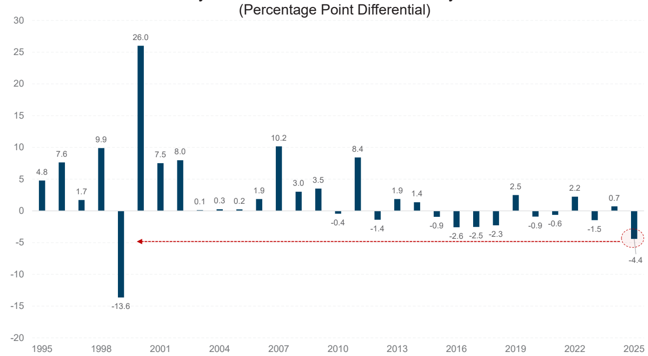
Sources: Bloomberg, William Blair Equity Research

According to S&P, the quality factor index is defined as:

> *[T]he performance of stocks selected on three fundamental measures: return on equity, accruals ratio, and financial leverage ratio. Index constituents are weighted by the product of their market capitalization and quality score, subject to the constraints defined in Constituent Weightings.*

The S&P 500 Quality Index currently contains only about one-fifth (110) of the S&P 500 companies.

Exhibit 4
S&P 500 Quality Index Relative Performance by Year to S&P 500
(Percentage Point Differential)



Sources: Bloomberg, William Blair Equity Research

Notably, in 2025 the S&P 500 Quality Index had its worst performance relative to the aggregate S&P 500 Index since 1999. This was due to the combination of a strong shift toward risk-on sentiment following the April tariff announcement, greater speculation by retail and momentum investors, and the fact that only one of the Mag 7 stocks (Apple) is a constituent of the quality stock index.

While higher-quality stocks will not always outperform the market year in and year out, over time they should (and do) outperform the aggregate index, given their greater earnings stability, better management teams, lower debt levels, and overall better scoring across many metrics. In light of this and combined with more volatile inflation, the stock-to-bond regime shift, the need for portfolio diversification, and a volatile geopolitical and geo-economic environment, in addition to currently attractive valuations following a tough 2025, this is one area that investors should be focusing their attention for longer-term returns and portfolio stability going forward.

Conclusion

A world of moderately higher (but more volatile) inflation, persistent supply-side frictions, more frequent supply shocks, less well-anchored inflationary expectations, and a positive stock-to-bond correlation fundamentally changes how risk is priced and how portfolios behave. This means that the Fed must operate within a tighter set of constraints, resulting in reduced forward guidance, a lower strike price for the Fed put, and a more limited ability to preemptively adjust policy.

For bond investors, it means that these securities are now chosen for their yield rather than portfolio protection, necessitating a positive (and higher) term premium. Whereas for equity investors, it means they will need to both seek greater diversification elsewhere and become more valuation sensitive.

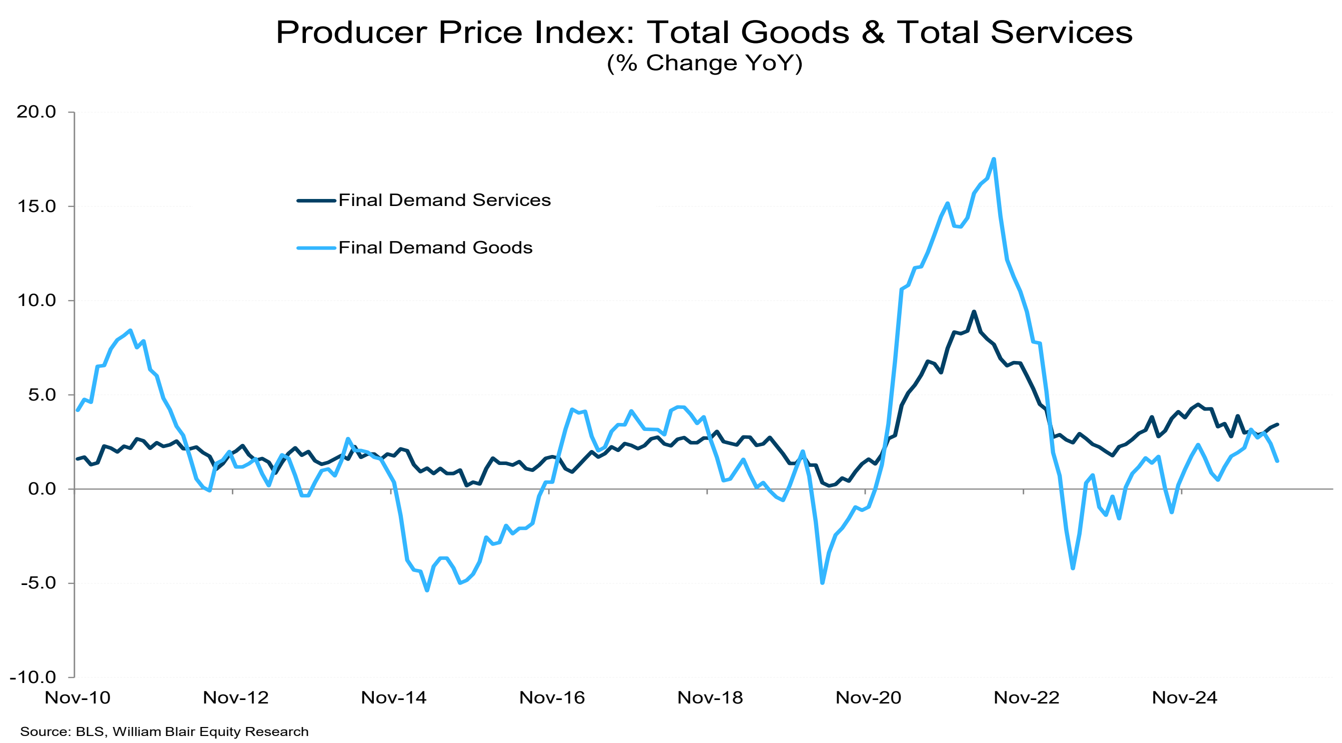
This is a stark change from the world we were in previously, where equity portfolios could be highly concentrated and passively run with bonds as ballast. We think today's world means a change in style from growth to GARP, and also likely hailing the return of quality stock investing for longer-term gains going forward.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
16 Mar	9:15 a.m.	Industrial Production (Feb)	0.7%	0.2%	0.0%	
		Capacity Utilization	76.2%	76.2%	76.2%	
17 Mar	10:00 a.m.	Leading Economic Indicators (Feb)	-0.2%	NA	NA	
18 Mar	8:30 a.m.	Producer Prices Index (Feb)	0.5%	0.2%	0.3%	
		PPI Less-Food & Energy	0.8%	0.3%	0.3%	
18 Mar	10:00 a.m.	Total Factory Orders (Feb)	-0.7%	NA	NA	
		Orders Less-transportation	0.4%	NA	NA	
18 Mar	2:00 p.m.	FOMC Meeting (Upper Band Rate)	3.75%	3.75%	3.75%	
19 Mar	10:00 a.m.	New Home Sales (Jan)	-1.7%	-2.7%	-3.2%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: Producer Prices Index



Economic Scorecard

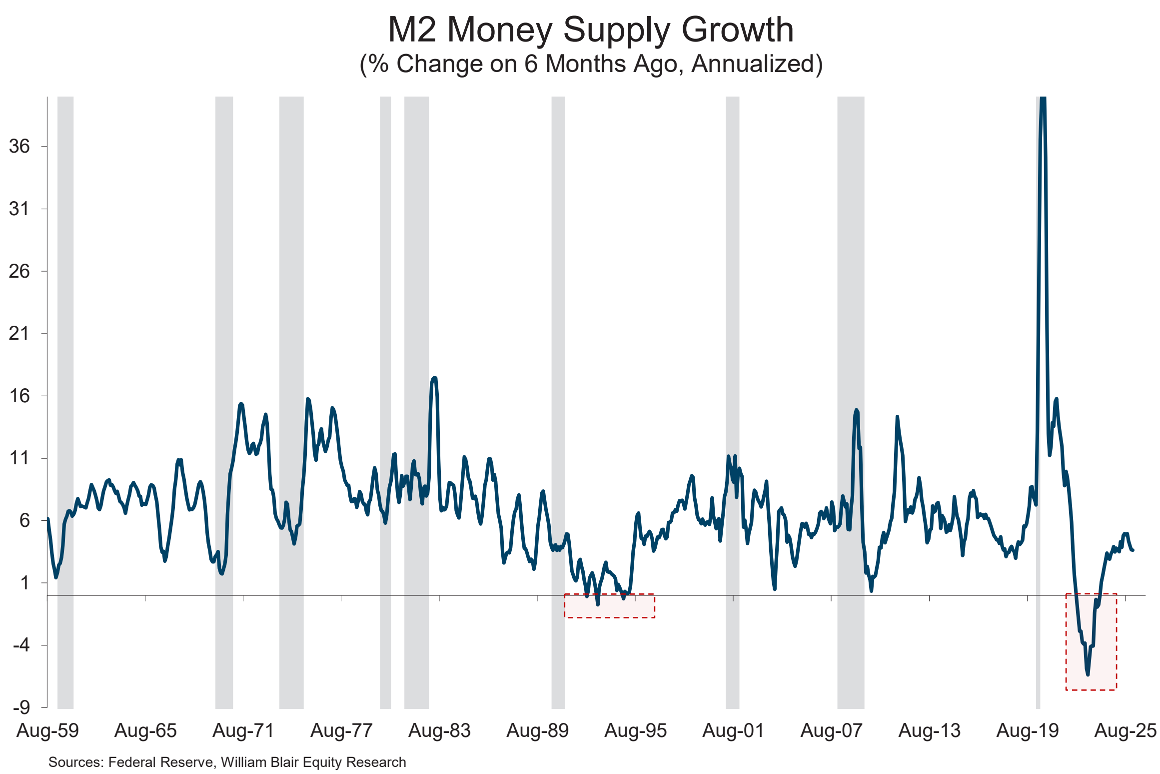
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

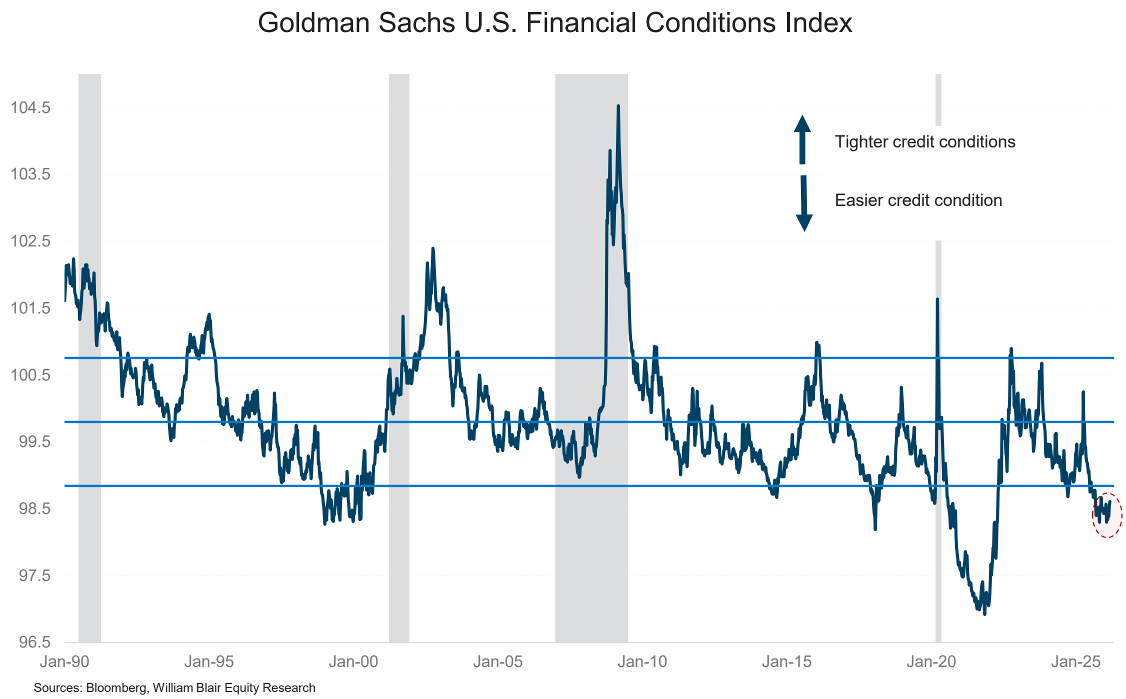
	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Growth																			
US Leading Indicators	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0	-3.5	-3.5	-3.3	-3.3	-3.8	-3.9			
US Coincident Indicators	1.6	1.6	1.3	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	4.5	4.5	3.9	5.1	5	3.4	4.4	4.1	5	4.1	3.2	3.2	2.4	3.2		
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	0.1	
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	3.2	
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	4.4	
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	3.8	
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	
Jop 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	-12.5	
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	-71.9	
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	-1.7		
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	3.3	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	1.8	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	
Renmimbi (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	

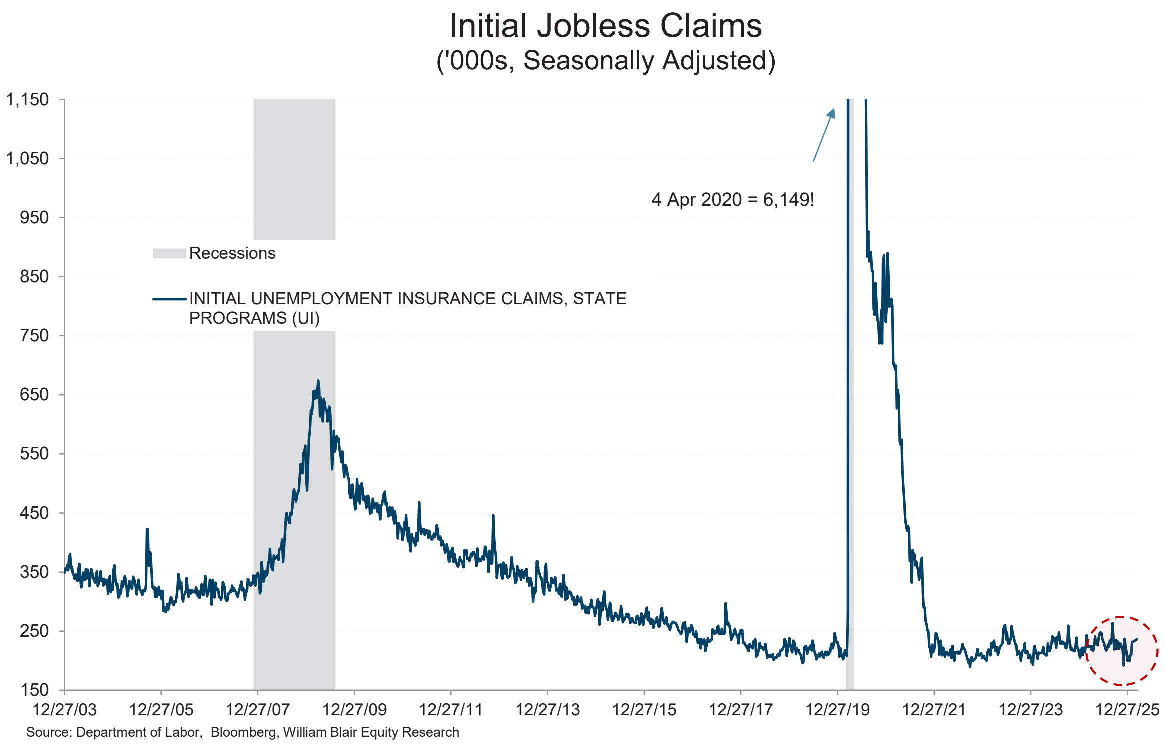
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

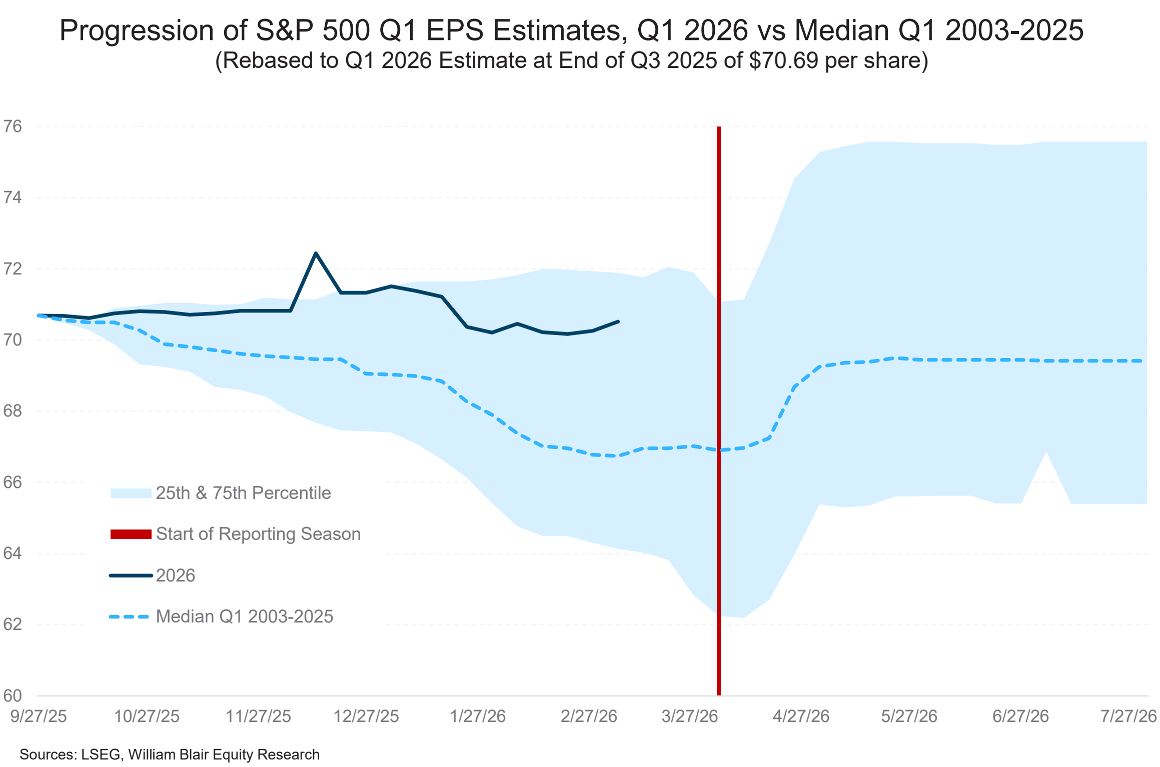
Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

Other Economic Indicators

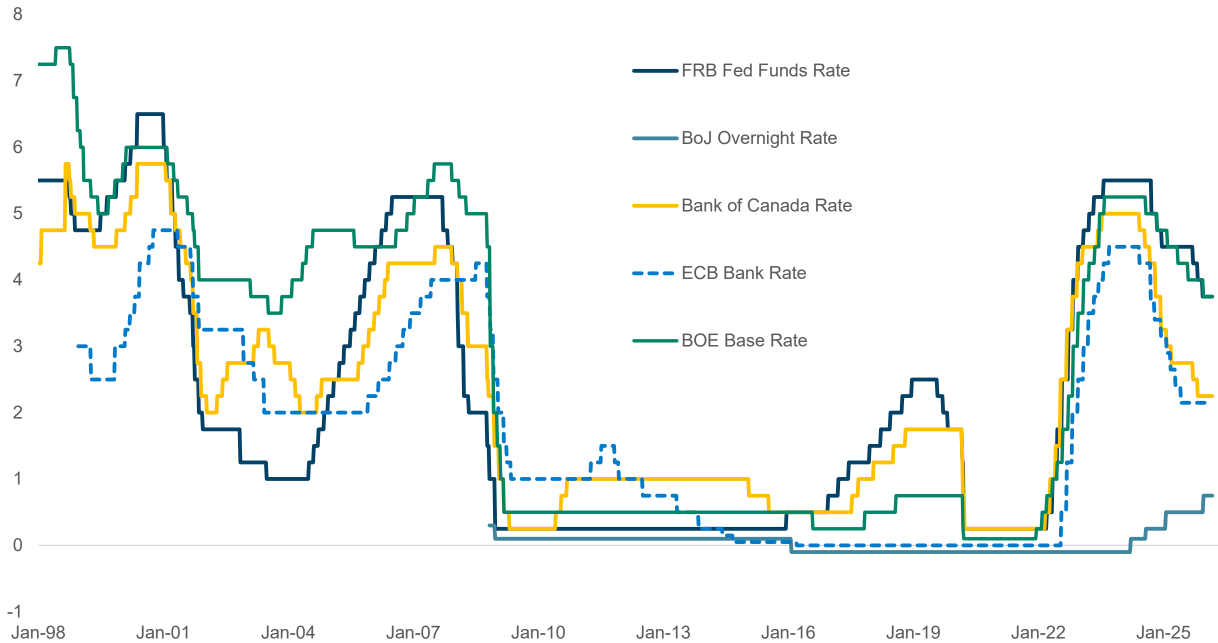





Initial Jobless Claims
('000s, Seasonally Adjusted)
1,150
1,050
950
850
750
650
550
450
350
250
150
Recessions
INITIAL UNEMPLOYMENT INSURANCE CLAIMS, STATE PROGRAMS (UI)
4 Apr 2020 = 6,149!
12/27/03
12/27/05
12/27/07
12/27/09
12/27/11
12/27/13
12/27/15
12/27/17
12/27/19
12/27/21
12/27/23
12/27/25
Source: Department of Labor, Bloomberg, William Blair Equity Research

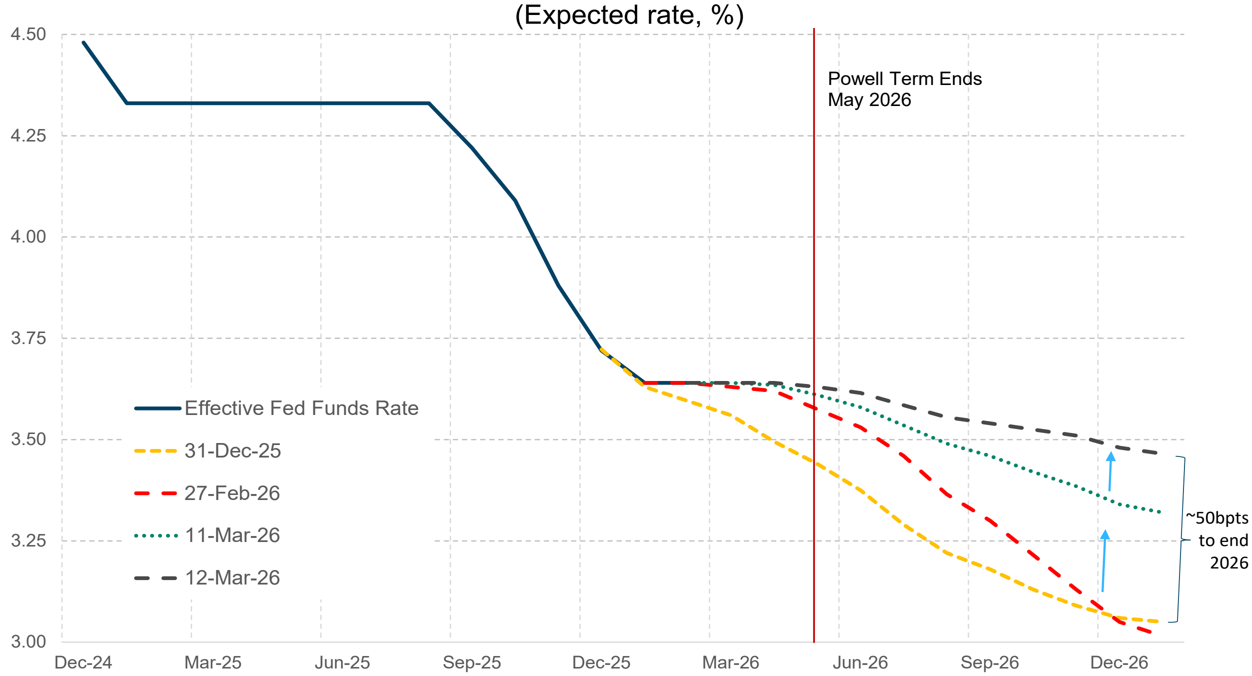

Progression of S&P 500 Q1 EPS Estimates, Q1 2026 vs Median Q1 2003-2025
(Rebased to Q1 2026 Estimate at End of Q3 2025 of $70.69 per share)
76
74
72
70
68
66
64
62
60
25th & 75th Percentile
Start of Reporting Season
2026
Median Q1 2003-2025
9/27/25
10/27/25
11/27/25
12/27/25
1/27/26
2/27/26
3/27/26
4/27/26
5/27/26
6/27/26
7/27/26
Sources: LSEG, William Blair Equity Research

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* 12-Mar-26	Week Ago 05-Mar-26	Month Ago 12-Feb-26	Qtr-to-Date 31-Dec-25	Year-to-Date 31-Dec-25
S&P 500 Index	**100.00**	**-2.31**	**-2.34**	**-2.53**	**-2.53**
S&P 400 MidCap Index		**-4.18**	**-5.22**	**1.28**	**1.28**
S&P 600 SmallCap Index		**-4.35**	**-5.78**	**1.37**	**1.37**
Dow Jones Industrials		**-2.66**	**-5.61**	**-2.88**	**-2.88**
Nasdaq Composite		**-1.92**	**-1.26**	**-4.00**	**-4.00**
Communication Services	**10.53**	**-1.30**	**-0.32**	**-2.06**	**-2.06**
Advertising	0.06	-9.03	10.81	-13.99	-13.99
Broadcasting	0.06	-4.00	1.31	-21.23	-21.23
Cable & Satellite	0.04	-6.46	-9.66	2.10	2.10
Integrated Telecommunication Services	0.84	-3.50	-2.10	14.70	14.70
Interactive Home Entertainment	0.14	-1.17	3.79	-10.31	-10.31
Interactive Media & Services	7.85	-0.50	-1.84	-3.23	-3.23
Movies & Entertainment	1.13	-3.93	11.80	-3.45	-3.45
Publishing & Printing	0.02	-2.38	4.89	-9.81	-9.81
Wireless Telecommunication Svcs	0.38	-2.80	-0.14	5.58	5.58
Consumer Discretionary	**10.21**	**-4.28**	**-2.66**	**-7.45**	**-7.45**
Apparel Retail	0.39	-2.95	2.84	5.26	5.26
Apparel & Accessories & Luxury Goods	0.10	-5.95	-6.84	-4.86	-4.86
Auto Parts & Equipment	0.02	-2.97	-15.58	-7.91	-7.91
Automobile Manufacturers	2.60	-2.65	-5.81	-11.88	-11.88
Automobile Retail	0.29	-4.63	-6.28	-6.78	-6.78
Broadline Retail	3.73	-4.28	5.13	-9.01	-9.01
Casinos & Gaming	0.09	-3.52	-3.86	-14.23	-14.23
Computer & Electronics Retail	0.02	-4.57	-3.50	-6.47	-6.47
Consumer Electronics	0.07	-1.85	16.00	16.21	16.21
Distributors	0.04	-7.93	-26.53	-12.30	-12.30
Footwear	0.13	-6.65	-11.75	-13.01	-13.01
Home Furnishings	0.01	-5.24	-22.83	-5.76	-5.76
Home Improvement Retail	0.77	-6.21	-14.02	-1.28	-1.28
Homebuilding	0.17	-8.36	-17.65	-5.11	-5.11
Hotels, Resorts & Cruise Lines	0.78	-6.94	-7.31	-10.76	-10.76
Leisure Products	0.02	-0.27	-6.36	15.99	15.99
Restaurants	0.87	-2.95	-1.61	0.79	0.79
Other Specialty Retail	0.09	-4.59	-8.93	-0.24	-0.24
Consumer Staples	**5.78**	**-0.48**	**-5.13**	**9.44**	**9.44**
Agricultural Products	0.10	9.68	4.00	30.71	30.71
Brewers	0.01	-7.24	-19.66	-6.40	-6.40
Consumer Staples Merchandise Retail	2.66	1.24	-3.15	13.76	13.76
Distillers & Vintners	0.05	-1.55	-11.73	3.88	3.88
Food Distributors	0.07	-1.01	-5.56	15.23	15.23
Food Retail	0.07	4.74	6.87	19.98	19.98
Household Products	0.80	-2.97	-7.04	5.95	5.95
Packaged Foods & Meats	0.37	-7.22	-11.62	-1.51	-1.51
Personal Care Products	0.09	-7.68	-12.42	-8.09	-8.09
Soft Drinks	1.08	-0.26	-3.76	8.85	8.85
Tobacco	0.62	1.28	-6.20	10.09	10.09
Energy	**3.51**	**1.82**	**5.86**	**27.74**	**27.74**
Integrated Oil & Gas	1.78	2.78	5.15	28.68	28.68
Oil & Gas Equipment & Services	0.25	-4.97	-8.50	19.83	19.83
Oil & Gas Exploration & Production	0.71	2.35	10.32	26.45	26.45
Oil & Gas Refining & Marketing & Transportation	0.34	4.59	15.71	40.32	40.32
Oil & Gas Storage & Transportation	0.44	-0.84	4.29	21.86	21.86

Financials	**11.38**	**-4.81**	**-5.66**	**-11.20**	**-11.20**
Asset Management & Custody Banks	0.88	-8.25	-11.53	-18.28	-18.28
Consumer Finance	0.55	-4.90	-12.69	-22.16	-22.16
Diversified Banks	2.83	-4.84	-8.77	-12.50	-12.50
Diversified Financial Services	6.65	-4.82	-4.72	-11.90	-11.90
Financial Exchanges & Data	0.94	-5.11	6.59	-7.97	-7.97
Insurance Brokers	0.41	-7.81	-0.49	-12.74	-12.74
Investment Banking & Brokerage	1.23	-5.13	-7.89	-12.72	-12.72
Life & Health Insurance	0.27	-4.55	-8.02	-8.29	-8.29
Multi-Sector Holdings	1.10	-1.70	-1.63	-2.14	-2.14
Property & Casualty Insurance	0.94	-2.38	-1.46	-2.38	-2.38
Regional Banks	0.26	-7.64	-13.59	-6.94	-6.94
Reinsurance	0.02	-3.15	-4.10	-5.01	-5.01
Transaction & Payment Processing	1.85	-5.06	-3.74	-13.13	-13.13
Health Care	**9.19**	**-2.51**	**-3.89**	**-3.27**	**-3.27**
Biotechnology	1.70	-1.06	-0.95	5.77	5.77
Health Care Distributors	0.40	0.22	1.84	9.58	9.58
Health Care Equipment	1.65	-5.20	-5.21	-11.95	-11.95
Health Care Facilities	0.21	-0.68	-2.87	10.36	10.36
Health Care Services	0.36	-3.87	-4.40	-0.57	-0.57
Health Care Supplies	0.06	-7.86	-11.59	-8.57	-8.57
Life Sciences Tools & Services	0.75	-8.18	-9.42	-18.88	-18.88
Managed Health Care	0.59	-4.36	-5.32	-17.76	-17.76
Pharmaceuticals	3.47	-0.27	-3.63	2.69	2.69
Industrials	**8.44**	**-4.03**	**-4.51**	**6.31**	**6.31**
Aerospace & Defense	2.30	-3.68	-1.12	7.52	7.52
Agricultural & Farm Machinery	0.26	-0.82	-2.05	25.83	25.83
Air Freight & Logistics	0.32	-5.56	-8.61	7.65	7.65
Building Products	0.46	-5.07	-10.92	5.06	5.06
Cargo Ground Transportation	0.09	-14.76	-5.99	9.41	9.41
Construction & Engineering	0.27	1.95	4.42	33.71	33.71
Construction Machinery & Heavy Trucks	0.82	-1.99	-7.41	16.68	16.68
Data Processing & Outsourced Services	0.03	-7.07	4.06	-20.51	-20.51
Diversified Support Svcs	0.18	-7.19	-3.43	-2.86	-2.86
Electrical Components & Equipment	0.55	-4.05	-8.76	4.85	4.85
Environmental & Facilities Services	0.35	-3.39	1.38	3.61	3.61
Heavy Electrical Equipment	0.37	2.10	1.90	27.32	27.32
Human Resource & Employment Services	0.20	-6.87	-0.78	-18.40	-18.40
Industrial Conglomerates	0.37	-2.96	-7.20	8.85	8.85
Industrial Machinery	0.65	-6.69	-9.40	1.08	1.08
Passenger Airlines	0.14	-8.36	-19.85	-16.60	-16.60
Passenger Ground Transportation	0.24	-3.27	2.46	-10.70	-10.70
Railroads	0.46	-5.84	-6.12	5.08	5.08
Research & Consulting Svcs	0.14	-6.26	2.36	-9.31	-9.31
Trading Companies & Distributors	0.24	-7.64	-6.69	3.02	3.02
Information Technology	**31.50**	**-1.37**	**-1.10**	**-5.50**	**-5.50**
Application Software	2.12	-4.10	9.19	-21.62	-21.62
Communications Equipment	1.00	-1.68	3.28	5.97	5.97
Electronic Components	0.44	-3.57	-5.87	12.17	12.17
Electronic Equipment & Instruments	0.14	-2.17	6.72	25.41	25.41
Electronic Manufacturing Services	0.14	-4.22	-8.60	-6.74	-6.74
Internet Software & Services	0.08	-2.82	1.17	-7.83	-7.83
IT Consulting & Services	0.65	-5.39	-7.04	-21.67	-21.67
Semiconductor Equipment	1.27	-2.65	-3.67	25.13	25.13
Semiconductors	12.54	-0.28	-2.34	-0.02	-0.02
Systems Software	6.33	-1.58	0.69	-16.57	-16.57
Technology Distributors	0.02	-8.71	-10.53	-16.68	-16.68
Technology Hardware, Storage & Peripherals	6.77	-1.37	-2.34	-3.10	-3.10
Materials	**1.92**	**-2.41**	**-5.77**	**8.64**	**8.64**
Commodity Chemicals	0.08	12.02	20.39	65.13	65.13
Construction Materials	0.22	-8.94	-16.73	-13.70	-13.70
Copper	0.14	-5.51	-4.56	16.58	16.58

Fertilizers & Agricultural Chemicals	0.14	9.93	14.61	30.85	30.85
Gold	0.20	-1.39	-3.08	14.65	14.65
Industrial Gases	0.48	1.14	2.79	15.57	15.57
Metal & Glass Containers	0.03	-2.42	-7.54	16.46	16.46
Paper Packaging	0.15	-9.19	-19.74	-2.38	-2.38
Specialty Chemicals	0.38	-4.86	-11.88	3.26	3.26
Steel	0.10	-5.37	-12.25	2.25	2.25
Real Estate	**1.86**	**-2.73**	**-1.81**	**4.85**	**4.85**
Data Center REITs	0.26	1.34	0.90	22.73	22.73
Health Care REITs	0.33	0.39	-0.22	10.44	10.44
Hotel & Resort REITs	0.02	-6.31	-4.30	5.47	5.47
Industrial REITs	0.20	-4.31	-3.28	3.32	3.32
Multi-Family Residential REITs	0.00	-4.48	-3.43	-5.28	-5.28
Office REITs	0.01	-4.94	-10.73	-21.86	-21.86
Other Specialized REITs	0.10	-1.66	0.00	14.33	14.33
Real Estate Service	0.09	-8.20	-3.40	-24.60	-24.60
Retail REITs	0.26	-3.24	-0.26	8.39	8.39
Self-Storage REITs	0.13	-3.77	-0.04	11.88	11.88
Single-Family Residential REITs	0.13	-3.77	-0.04	11.88	11.88
Telecom Tower REITs	0.23	-4.42	-4.19	-0.08	-0.08
Timber REITs	0.03	-6.50	-14.83	-2.79	-2.79
Utilities	**2.38**	**-0.93**	**2.32**	**8.34**	**8.34**
Electric Utilities	1.58	-1.06	3.22	8.73	8.73
Gas Utilities	0.05	0.76	5.07	11.43	11.43
Independent Power Producers & Energy Traders	0.10	-3.93	-3.99	-1.04	-1.04
Water Utilities	0.04	2.69	7.70	5.94	5.94
Multi-Utilities	0.60	-0.45	0.60	8.99	8.99

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

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DOW JONES: 46677.90
S&P 500: 6672.62
NASDAQ: 22312.00

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