William Blair

Equity Research
Macroeconomics

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

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

Economics Weekly
Why Wait?

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

> *Today, we're at a hinge point in history, and it's up to each of us, myself included, to meet this moment. The Fed's number one objective is to get monetary policy right. That's our clear and constant aim, the star we steer by. And if we get policy right, and we will, the inflation surge of the last five years will be a thing of the past.*
>
> – Fed Chair Kevin Warsh, 15 July 2026

Consensus is firmly in the camp that the Fed will not raise rates next week, with not one of the 175 economists polled by Bloomberg forecasting a rate increase (or a cut). The futures market, meanwhile, is attaching only a 21.9% probability to an increase, and those odds increase to 68.2% when looking out to the September FOMC meeting. **In this *Economics Weekly,* we discuss several reasons the Fed could decide to pull the trigger next week and not wait until September.**

No Forward Guidance

The above quote is one of many from Chair Warsh highlighting his view that inflation has been above target for the last five years. It indicates that he thinks inflation has been much more ingrained than the Fed previously believed, and he is determined to change this. Doing nothing and once again hoping that inflation is naturally heading back down would be inconsistent with that view.

In the old regime, if the Fed was planning to change rates at an upcoming meeting but the consensus was firmly skewed in the no-change camp, it would follow the market's interpretation of its guidance and not change rates. This discrepancy would likely then lead to a scramble for intelligence to learn why the guidance around an increase that had been issued had failed to be perceived by the market. If the Fed still wanted to raise rates despite the market thinking otherwise, the chair would be forced to have a quiet word with Nick Timiraos, chief economics correspondent at the *WSJ,* to leak the news and in turn prep the market for the change—this was exactly what happened during the blackout period ahead of the June 2022 FOMC meeting.

If new Fed Chair Warsh knows that the Fed will almost certainly raise rates and wants to firmly get his message across that forward guidance has been jettisoned, what better way to achieve this than a surprise rate increase at this upcoming FOMC meeting? This would also have the added corollary of helping burnish his credentials as an inflation hawk and not someone in the pocket of President Trump.

If there is now going to be little in the way of explicit forward guidance under a Warsh Fed, investors and Fed watchers will undoubtedly spend more time tweaking natural language processing models that parse Fed speak for hawkish or dovish tilts. In exhibit 1, we plot Bloomberg's NLP model against the 2-year T-note yield (using z-scores to better compare the two series). As shown, Fed speak has become progressively more hawkish over the last few months, and this has not been matched by the behavior of the 2-year yields.

Exhibit 1
Bloomberg Natural Language Processing Model of Fed Speak (Hawkish vs. Dovish) & 2 Year T-Note Yield
(z-score, 2022 - 2026)

Sources: Bloomberg, William Blair Equity Research

The Data Support an Increase

Regime Change

In the old Fed regime, there would be little question that in light of the last CPI inflation report—which came in lower than expected—the Fed would push any thought of a rate increase in July to September. Its hope would be that this was the start of a trend, with more positive surprises to follow.

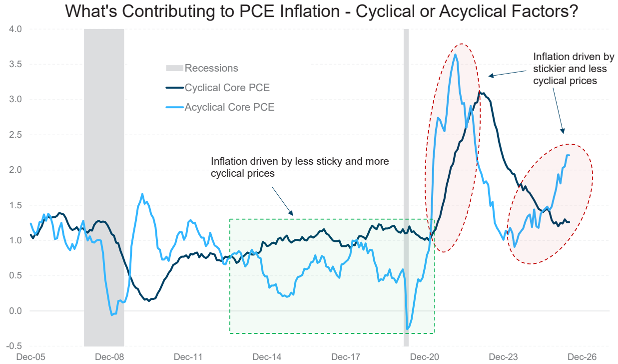
Yet, the evidence over the last few weeks suggests that this softer reading was likely more of a one-off event than the start of a new trend lower. Most of the weakness in the headline number was related to much lower energy prices, which are now soaring once again as the conflict in the Middle East has reemerged. The weakness in the core reading, meanwhile, was related to a weird decline in automobile insurance over the last two months, which is unlikely to continue, and the deceleration in shelter prices, which may be coming to an end as indicated by more forward-looking measures such as the Zillow Rental Price Index. We are also starting to see the adverse impact of the latest super El Niño on commodity prices, goods prices are reaccelerating on the back of the continued capex boom, and a structurally tight labor market is keeping labor costs elevated.

Looking at inflation from the perspective of the new regime, inflation is viewed as a choice (words that may come back to haunt Chair Warsh). In Warsh's view the old Fed should have acted more aggressively on consistently high inflation rather than believing that it should look through each successive temporary supply shock and that lower inflation was always just around the corner, negating the need for higher rates.

As we have continued to point out for several years now, we are in a new supply shock/scarcity-driven inflation regime, one defined by shortages of labor (due to the aging workforce, low birth rate, and immigration restrictions) and shortages of "stuff" (due to deglobalization, wars, geopolitical pressures, tariffs, inclement weather, and an increasing desire to hold more inventory "just in case"). In this world, inflation is stickier. It no longer has a 2% ceiling, and it is stuck in a higher 2.5%-3.0% range and with more volatility around that band as supply shocks occur with increasing frequency (exhibit 2).

Exhibit 2

What's Contributing to PCE Inflation - Cyclical or Acyclical Factors?



Sources: San Francisco Fed, William Blair Equity Research

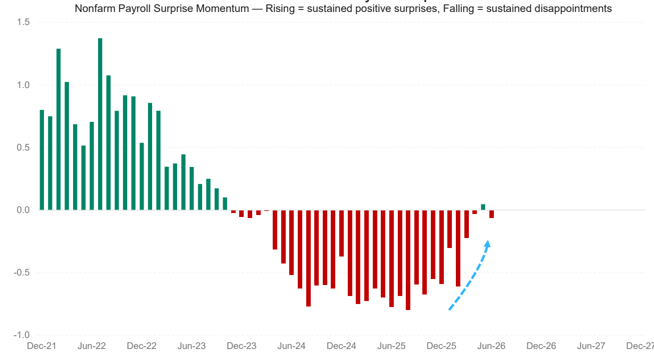
Employment Growth Is Stable and Tentatively Reaccelerating

At 4.2%, the unemployment rate exactly matches the Fed's effective estimate of NAIRU. Growth in employment, meanwhile, is tentatively reaccelerating. William Blair's surprise index for total nonfarm payrolls compares actual changes in nonfarm payrolls to the Bloomberg median consensus expectation. As illustrated in exhibit 3, the index shows a clear reversal from the last two years when employment growth continued to surprise to the downside. Sentiment at the start of 2026 had been deeply negative, with many (such as Fed Governor Waller) declaring the labor market to be on the cusp of a sharp deterioration and that as many as three rate cuts would be needed to prevent disaster.

Exhibit 3

William Blair Nonfarm Payroll Suprises Index

Nonfarm Payroll Surprise Momentum — Rising = sustained positive surprises, Falling = sustained disappointments



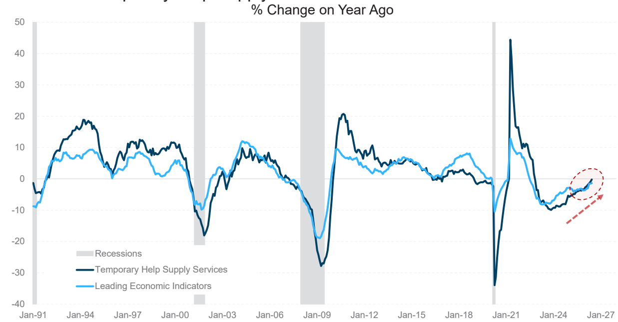
Sources: Bloomberg, Bureau of Labor Statistics, William Blair Equity Research

Furthermore, as our colleague Trevor Romeo pointed out in his note on staffing companies last week, in conjunction with what we are seeing in the actual data, companies are also taking on more temporary staff—a move that has historically been a good leading indicator for economic growth (exhibit 4). This looks to be more than just a World Cup phenomenon. It is likely down to the continued strong economic growth related to the capital investment boom, and the view that the conflict in the Middle East (so far at least) is not resulting in the worst-case scenarios that were being painted when the war erupted. This is instilling greater confidence in companies that they just need to get on with it.

Exhibit 4

Temporary Help Supply Services vs. Conference Board's LEI

% Change on Year Ago

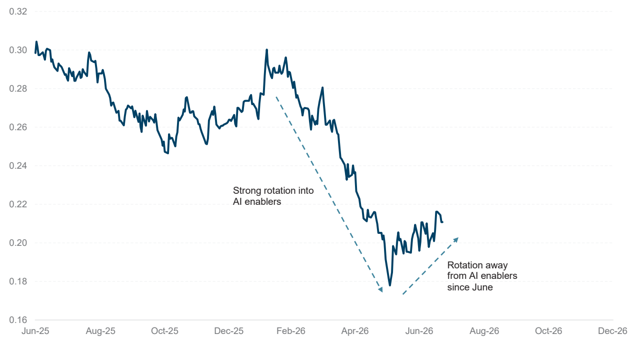


Sources: Bloomberg, Bureau of Labor Statistics, Conference Board, William Blair Equity Research

Financial Conditions and a Rising R-star

Despite recent extreme volatility in some sectors of the equity market, investors do not appear to be leaving the market. Rather, they are rotating into sectors that will be AI beneficiaries from adoption and into previously oversold companies where AI-related obsolescence might not be as destructive as previously thought—i.e., there may be disruption but, ultimately, some winners will emerge (exhibit 5).

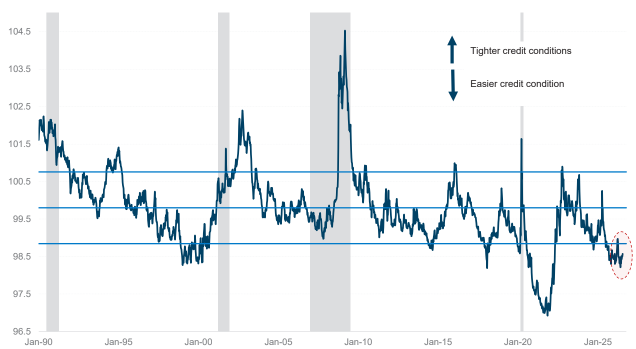
Exhibit 5
S&P 500 Excluding AI Enablers / Bloomberg US AI Enablers & Adopters Index



Source: Bloomberg, William Blair Equity Research

Furthermore, most measures of financial conditions continue to suggest that, in aggregate, conditions are still extremely loose (exhibit 6).

Exhibit 6
Goldman Sachs U.S. Financial Conditions Index

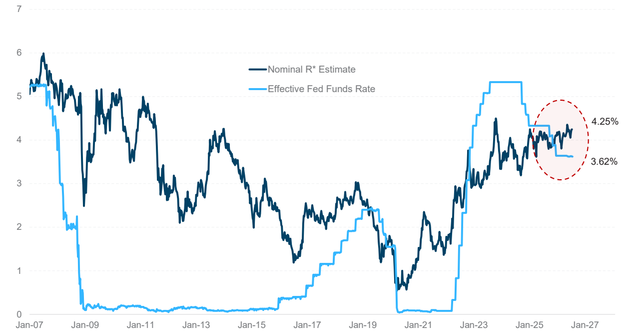


Sources: Bloomberg, William Blair Equity Research

Lastly, exhibit 7 shows a rough gauge of r-star using 5-year, 5-year forward OIS swap rates, relative to the effective fed funds rate. It shows that since COVID the market has been rerating estimated potential future growth higher, and that rate continues to increase. The more it moves above the fed funds rate without the Fed adjusting rates accordingly, the looser monetary policy becomes—i.e., passive easing.

The effective fed funds rate is currently 62 basis points away from neutral. Should the Fed want rates to become restrictive, based on this measure, rates would have to move significantly higher than that estimated r-star rate of 4.25% and stay there for longer.

Exhibit 7
Market Implied Estimate of R* & Effective Fed Funds Rate, %
5Year-5Year Forward OIS Swap Rate - 5Year-5Year Breakeven Inflation Rate



Sources: Bloomberg, William Blair Equity Research

Conclusion

The case for waiting until September to raise rates is understandable, but it is also increasingly hard to square with the message Chair Warsh has been trying to send and the economic data. After five years of waiting and hoping that temporary supply shocks would subside and inflation would move back to target, inflation is still too high and is assuredly not heading in the right direction.

The recent softer CPI print does not look overly convincing and is likely to move higher again in the coming months. In addition, the labor market is no longer deteriorating and is tentatively reaccelerating. Lastly, financial conditions remain easy, and market-implied neutral rates continue to move higher on the back of stronger productivity growth and an AI innovation boom.

The old Fed regime might still have argued for patience, especially given that the markets are not pricing in a July increase (or decrease). In the new Warsh regime, however, this could prove a good opportunity to demonstrate that forward guidance is dead. It would also show that he means business when it comes to fighting inflation.

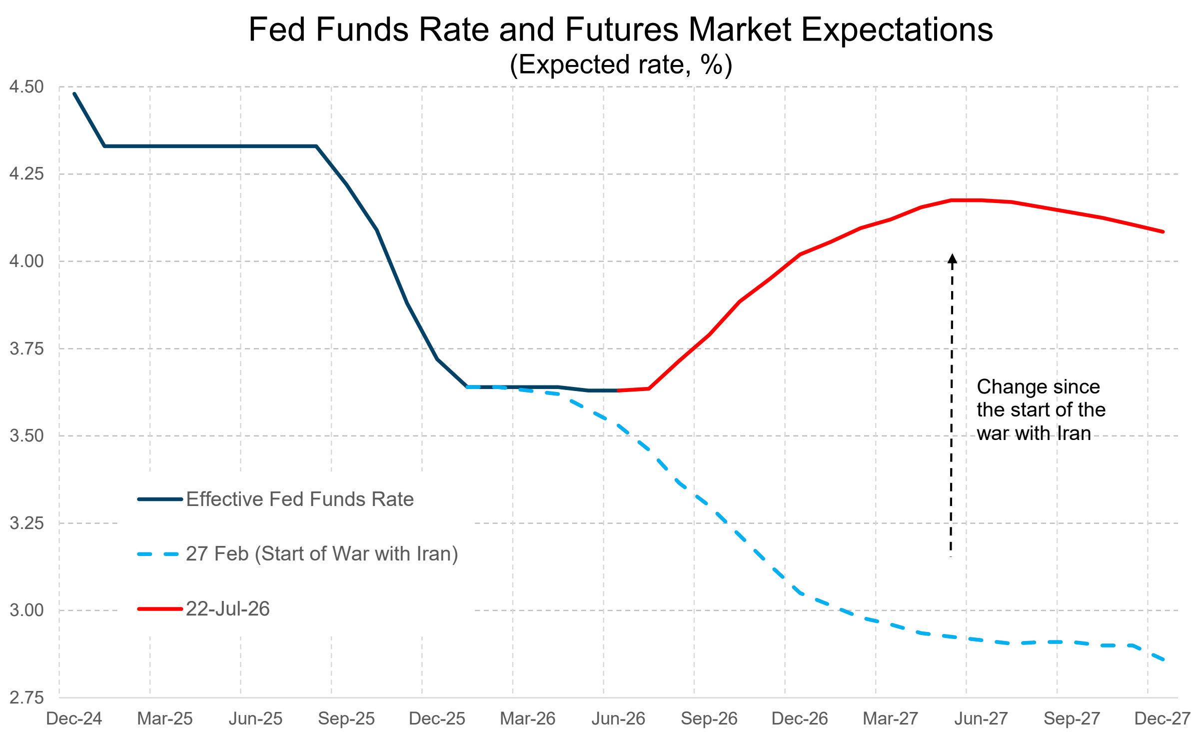
This does not mean a July increase is the base case; the bar for surprising markets remains high and would certainly be accompanied by some uncomfortable volatility. However, if the committee already believes inflation will remain above target and the labor market is no longer weakening, delaying action until September may achieve little beyond preserving market expectations. Under the prior regime, avoiding surprises was often viewed as a policy objective in itself. Under the new regime, restoring anti-inflation credibility may be viewed as the higher priority.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
27 Jul	8:30 a.m.	Durable Goods Orders (June)	-4.5%	1.5%	2.4%	
		Orders Less-Transportation	1.4%	0.9%	1.1%	
28 Jul	10:00 a.m.	Consumer Confidence (July)	91.2	92.0	92.3	
29 Jul	2:00 p.m.	FOMC Meeting	3.75%	3.75%	4.00%	
30 Jul	8:30 a.m.	Personal Income (June)	0.7%	0.3%	0.3%	
		Personal Spending	0.7%	0.4%	0.3%	
30 Jul	8:30 a.m.	GDP (Q2 Advance)	2.1%	2.3%	2.1%	
31 Jul	8:30 a.m.	Employment Cost Index (Q2)	0.9%	0.8%	0.9%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: FOMC Meeting



Sources: Bloomberg, William Blair Equity Research

Economic Scorecard

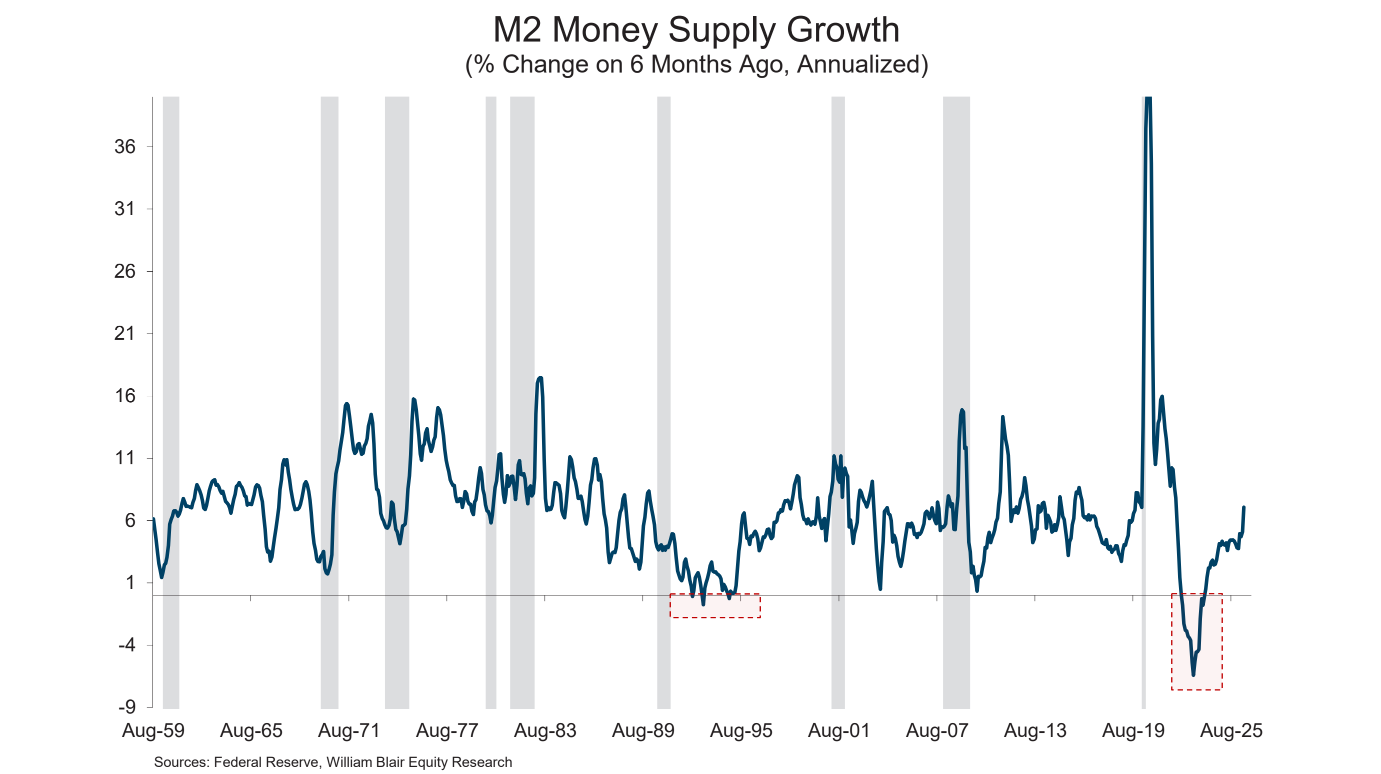
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

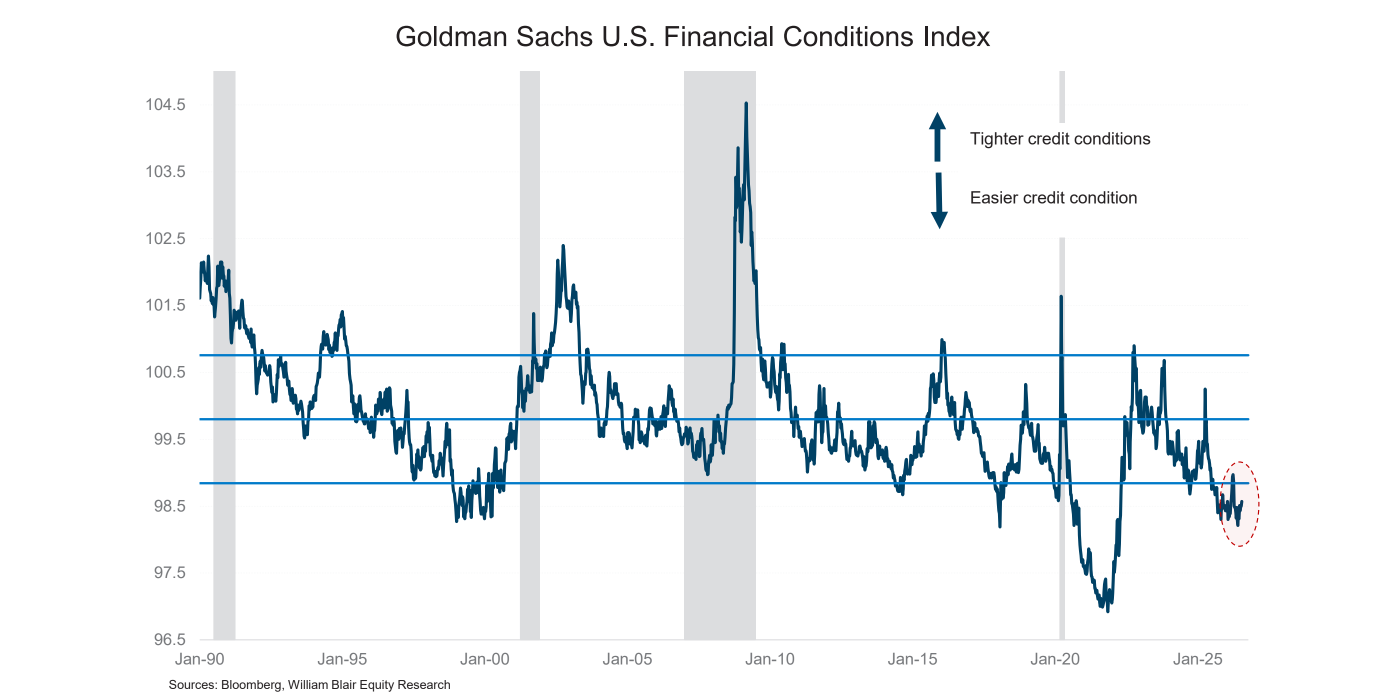
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Growth																			
US Leading Indicators	-2.8	-3.0	-3.3	-4.1	-3.7	-3.8	-3.4	-3.5	-3.2	-3.1	-3.7	-3.7	-3.6	-3.1	-3.0	-1.6	-1.5		
US Coincident Indicators	1.4	1.4	1.8	1.8	1.1	1.1	1.4	1.2	1.2	1.0	0.8	0.6	0.9	0.8	0.3	0.2	0.6		
US Lagging Indicators	-0.6	-0.5	-0.6	-0.8	-0.1	-0.3	-0.5	-0.4	0.2	0.3	0.3	0.7	0.9	0.6	1.1	1.5	0.9		
Consumer																			
Total Retail Sales	4.5	3.8	5.2	5.1	3.1	4	4.1	5	4.1	3.2	3.2	2.4	3.3	4.2	4.2	5.1	7.3	6.7	
Personal Income	5	5	5.2	5.6	4.5	4.3	4.8	5.1	5.1	4.5	4.4	4.2	4.1	3.5	3.3	2.6	3.8		
Real Disposable Personal Income	1.8	1.8	2.3	2.8	1.5	1.2	1.7	1.8	1.8	1.3	1	0.8	1.4	0.8	0	-1.1	0		
Real Personal Consumption	3.3	2.7	3.2	3.1	2.5	2.5	2.6	2.8	2.4	2.5	2.2	1.6	2	2.4	1.9	1.7	2.1		
Personal Saving Rate (%)	5.1	5.2	5.1	5.5	4.9	4.6	4.5	4.4	4.3	3.9	3.8	3.6	4.4	3.8	3.5	3	3		
Consumer Confidence (Conference Board)**	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	92.2	93.8	90.6	91.2	
Employment																			
Employment Growth	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	0.2	0.2	0.3	0.3	
ASA Temporary Staffing Index	-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	6.1	5.4	5.1	6.5	
ISM Employment Index Manufacturing*	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	48.7	46.4	48.6	49.7	
ISM Employment Index Services*	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	45.2	48	47.9	51.2	
Unemployment Rate, %	4	4.2	4.2	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	
Average Hourly Earnings	4	4.1	4.2	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.4	3.5	
Initial Jobless Claims (avg. wkly. chg. '000s)	219	226	223	226	233	239	222	231	234	226	221	219	213	216	208	208	215	223	
Jop Openings	-11.3	-14.2	-15.3	-5.7	-6.1	-2.9	-4.5	-8.0	3.3	-2.8	-9.5	-10.2	-2.6	-4.4	-0.9	6.9	3.9		
Layoff Announcements	-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	-78	-20.9	3.4	-4.5	
Housing Market																			
Housing Starts	-1.8	-4.1	3.8	1.5	-3	4.6	12.8	-7.4	-2.8	-7.1	1.5	-7.8	2.4	-9.7	13.1	1	-7		
New Home Sales	-2.6	-1.8	-3.7	-0.7	-7.2	-2.6	-11.5	1.6	-0.1	3.2	13.2	3	-13.4	-1.7	1.2	-10.7	-6.8		
Existing Home Sales	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	-0.5	-0.3	0.5	3.7		
Median House Price (Existing Homes)	-0.2	-1.4	-5.4	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.1	-0.7	-4.8	0.7	0		
Existing Homes Inventory (Mths' supply)	3.9	4	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4	4.2	4.3	4.3	4.3	4.2		
New Homes Inventory (Mths' supply)	9	9.4	9.3	8.6	9.7	9	9.2	8.5	8.2	9	7.7	7.9	9.9	9.3	8.7	9.3	10.3		
NAHB Homebuilder Sentiment*	47	42	39	40	34	32	33	32	32	37	38	39	37	37	38	34	37		
Inflation																			
Consumer Price Index	3	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	
CPI Less-food & energy	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	
Producer Price Index	3.8	3.4	3.2	2.4	2.7	2.4	3.2	2.7	3	2.8	3.1	3.1	3.1	3.4	4.3	5.7	6	5.5	
PPI Less-food & energy	3.9	3.7	3.8	3.1	3.2	2.7	3.5	2.9	3	3	3.2	3.4	3.7	3.8	3.9	4.9	4.6	4.7	
PCE Price Index	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1		
PCE Prices Less-food & energy	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.4		
Business Activity - US																			
Industrial Production	0.9	0.8	0.6	0.9	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.6	1.3	1.6	1.1	
New Cap Gds Orders less-aircraft & parts	3.3	-0.9	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.2	4.1	8	2.9	5.9	10.8	11.1	10.1		
Business Inventories	1.8	2.5	2.2	2.5	2.1	1.7	1.6	1.4	1	1.3	1.3	1.2	1.5	1	1.2	2.1	2.8	3.1	
ISM Manufacturing PMI*	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	52.7	52.7	54	53.3	
Markit US Manufacturing PMI*	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	52.3	54.5	55.1	53.9	
ISM Services Index*	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	54	53.6	54.5	54	
Markit US Services PMI*	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	49.8	51	50.7	51.2	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	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	52.2	51.4	50.1	50.3	
Japan Manufacturing PMI Jibun Bank*	48.7	49	48.4	48.7	49.4	50.1	49	49.7	48.5	48.2	48.7	50	51.5	53	51.6	55.1	54.5	54.8	
Caixin China Manufacturing PMI*	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	50.8	52.2	51.8	51.7	
China Manufacturing PMI*	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	50.4	50.3	50	50.3	
UK Manufacturing PMI Markit/CIPS*	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	51	53.7	53.9	52.5	
France Manufacturing PMI Markit*	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	50	52.8	49.7	51.2	
Currencies*																			
Euro (EUR/USD)	-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	6.8	3.6	2.7	-3.1	
Renmimbi (USD/CNY)	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	-5.0	-6.1	-6.0	-5.3	
Yen (USD/Yen)	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	5.8	9.4	10.6	12.9	
Sterling (GBP/USD)	-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	2.4	2.1	0.0	-3.4	
Canadian $ (USD/CAD)	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	-3.3	-1.6	0.4	4.3	
Mexican Peso (USD/MXN)	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	-12.4	-11.0	-10.7	-6.7	
US Equities																			
S&P 500	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	16.3	29.4	28.2	20.9	
S&P 400 Midcap	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	15.7	27.6	24.1	24.2	
S&P 600 Smallcap	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	18.5	36.6	31.2	35.3	
Russell 2000	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	24.1	42.6	41.3	39.0	

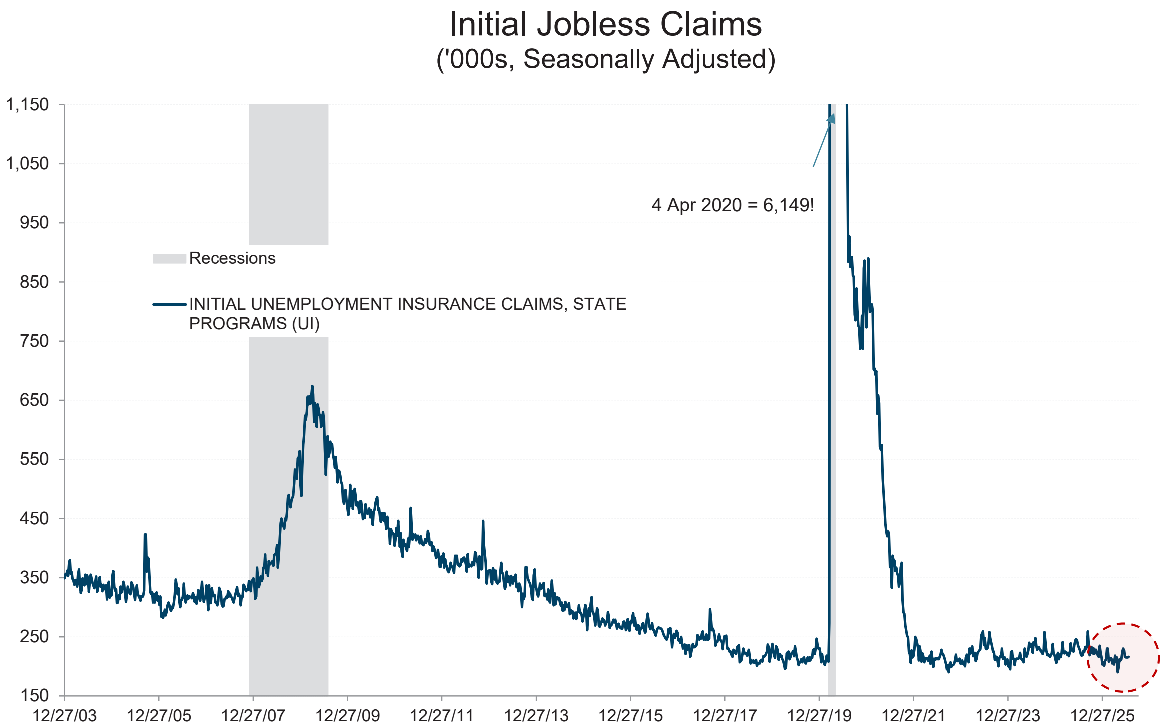
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

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

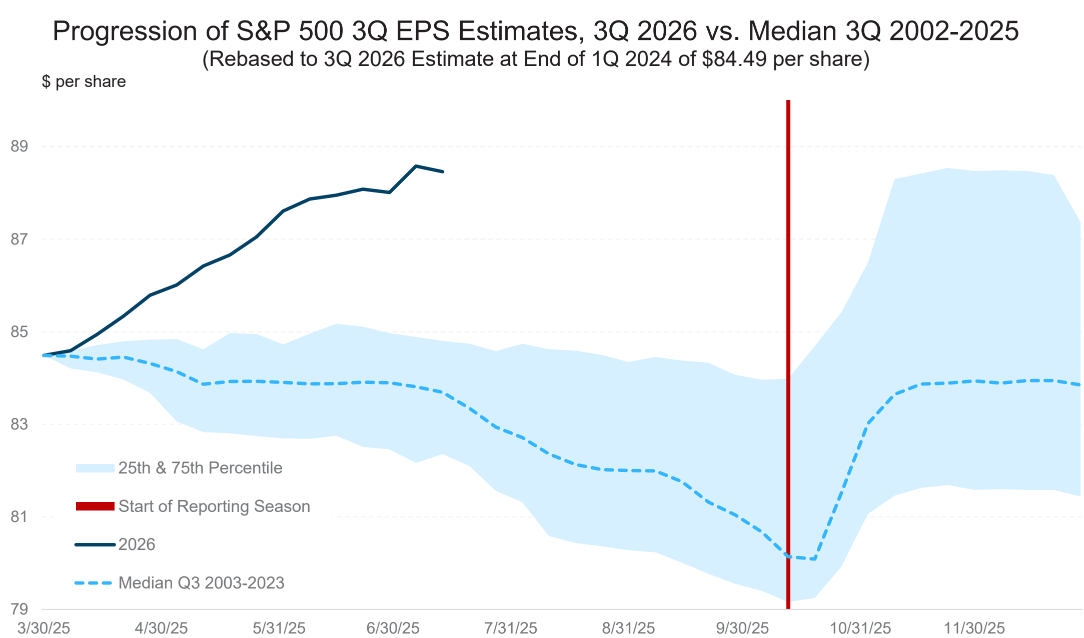
Other Economic Indicators



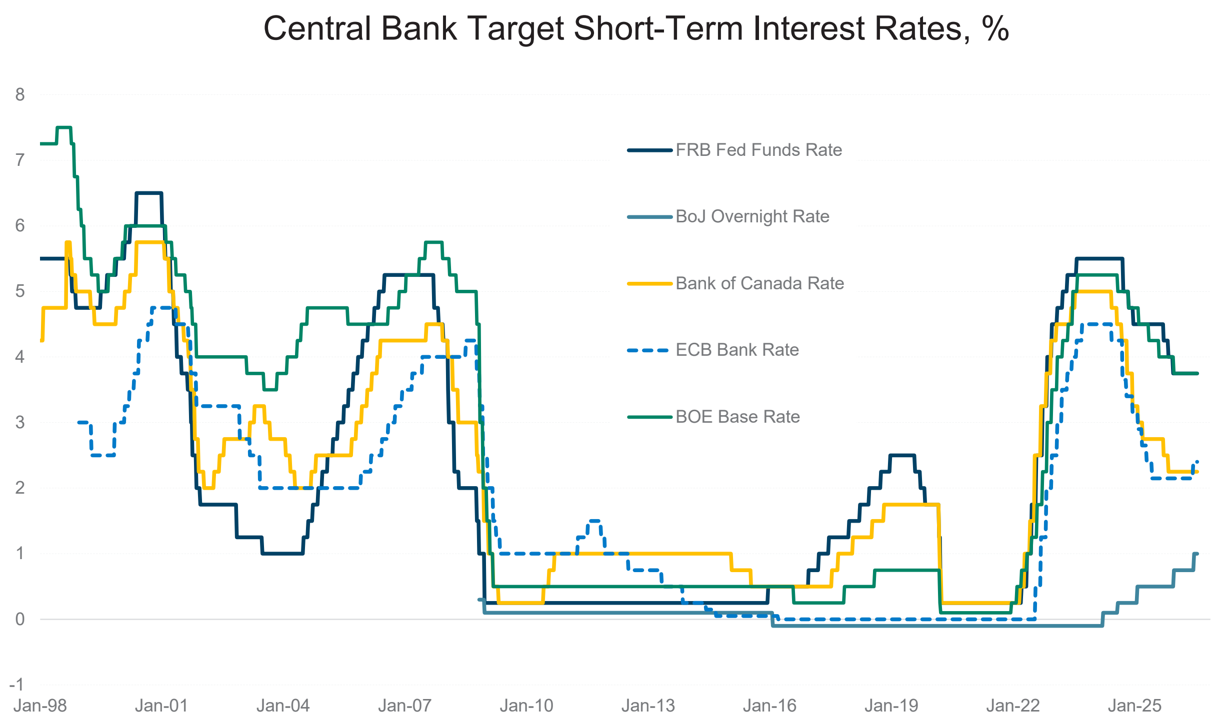




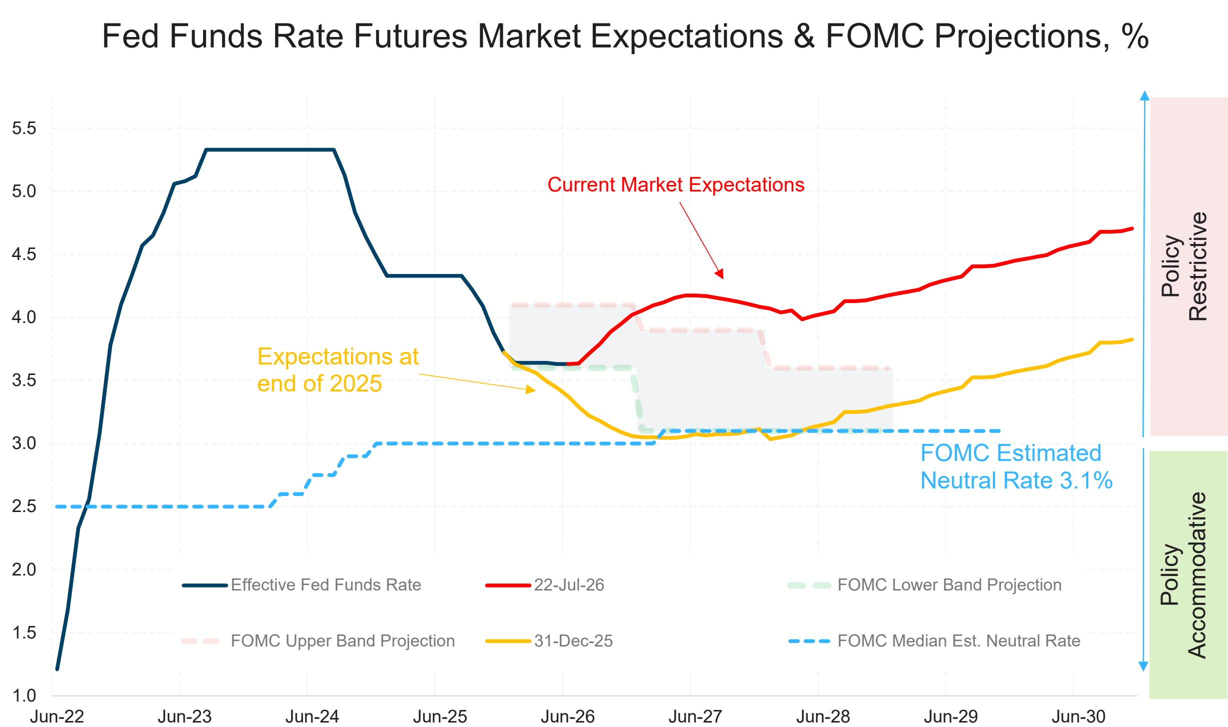
Source: Department of Labor, Bloomberg, William Blair Equity Research



Sources: LSEG I/B/E/S, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 23-Jul-26	Week Ago 16-Jul-26	Month Ago 23-Jun-26	Qtr-to-Date 30-Jun-26	Year-to-Date 31-Dec-25
S&P 500 Index	**100.00**	**-1.67**	**0.58**	**-1.21**	**8.22**
S&P 400 MidCap Index		**-0.72**	**0.05**	**-2.16**	**14.04**
S&P 600 SmallCap Index		**-1.51**	**1.34**	**-2.35**	**20.05**
Dow Jones Industrials		**-1.60**	**0.09**	**-1.16**	**7.59**
Nasdaq Composite		**-2.88**	**-1.76**	**-4.10**	**8.16**
Communication Services	**9.25**	**-8.76**	**-4.20**	**-5.03**	**-4.61**
Advertising	0.04	-8.65	3.24	3.14	-24.35
Broadcasting	0.05	-3.81	7.97	2.38	-26.27
Cable & Satellite	0.04	-2.44	-8.46	-10.40	-29.28
Integrated Telecommunication Services	0.61	-0.29	-3.28	3.07	-5.24
Interactive Home Entertainment	0.14	-1.54	-1.05	-2.83	-3.80
Interactive Media & Services	7.24	-9.82	-4.11	-6.08	-1.47
Movies & Entertainment	0.83	-6.60	-6.37	-3.61	-20.68
Publishing & Printing	0.02	-8.31	5.33	6.04	0.69
Wireless Telecommunication Svcs	0.27	-11.63	-7.67	1.61	-16.07
Consumer Discretionary	**9.10**	**-7.73**	**-4.01**	**-7.08**	**-8.11**
Apparel Retail	0.36	-0.63	-4.28	3.59	7.33
Apparel & Accessories & Luxury Goods	0.08	-4.43	-6.06	-5.23	-11.96
Auto Parts & Equipment	0.02	-5.33	-8.66	-8.60	-15.25
Automobile Manufacturers	2.03	-16.18	-14.34	-21.40	-26.06
Automobile Retail	0.24	-5.74	-3.86	-7.65	-15.16
Broadline Retail	3.75	-6.39	-0.18	-1.97	1.65
Casinos & Gaming	0.08	-1.23	-4.71	-1.98	-16.47
Computer & Electronics Retail	0.03	-1.01	12.35	11.27	26.15
Consumer Electronics	0.07	-4.34	1.56	1.08	18.36
Distributors	0.02	-4.46	12.75	1.75	-2.84
Footwear	0.09	-8.86	-4.15	-0.80	-30.99
Home Furnishings	0.01	-4.08	1.24	-9.33	0.66
Home Improvement Retail	0.64	-6.67	-1.41	-8.06	-8.64
Homebuilding	0.14	-6.34	-5.72	-10.70	-6.46
Hotels, Resorts & Cruise Lines	0.74	-4.37	-3.59	-4.68	-4.43
Leisure Products	0.02	6.41	5.41	5.77	6.52
Restaurants	0.71	-4.90	-1.02	-3.27	-7.54
Other Specialty Retail	0.05	-1.08	3.23	1.38	-30.13
Consumer Staples	**5.00**	**-3.05**	**-1.66**	**-0.16**	**6.55**
Agricultural Products	0.10	4.47	12.83	13.47	46.28
Brewers	0.01	-4.16	0.83	2.77	-14.22
Consumer Staples Merchandise Retail	2.18	-3.91	-5.12	-1.97	3.27
Distillers & Vintners	0.04	-4.05	-9.06	-6.40	-5.46
Food Distributors	0.06	-0.63	3.09	-2.21	10.91
Food Retail	0.10	0.26	1.38	5.10	6.22
Household Products	0.71	-3.12	-1.82	-0.35	4.68
Packaged Foods & Meats	0.30	-2.83	1.05	2.37	-1.97
Personal Care Products	0.08	-1.67	-0.02	-0.29	-5.01
Soft Drinks	0.97	-4.35	-1.32	-1.14	8.25
Tobacco	0.61	0.10	5.06	4.01	20.79
Energy	**3.26**	**4.69**	**9.75**	**12.46**	**32.69**
Integrated Oil & Gas	1.60	6.88	11.57	15.76	29.73
Oil & Gas Equipment & Services	0.22	-1.40	-3.41	0.42	21.72
Oil & Gas Exploration & Production	0.63	5.95	7.78	10.68	25.08
Oil & Gas Refining & Marketing & Transportation	0.39	2.17	24.20	20.50	79.52
Oil & Gas Storage & Transportation	0.42	0.87	2.47	3.91	29.54

Financials	**11.70**	**-1.63**	**3.58**	**4.04**	**1.90**
Asset Management & Custody Banks	0.97	-3.34	4.68	7.50	1.05
Consumer Finance	0.56	-5.53	0.57	-0.14	-12.19
Diversified Banks	3.12	0.22	2.92	4.58	8.35
Diversified Financial Services	6.68	-2.84	3.27	3.82	-1.67
Financial Exchanges & Data	0.80	-4.06	6.61	10.33	-10.87
Insurance Brokers	0.40	-3.81	10.13	6.35	-5.55
Investment Banking & Brokerage	1.44	-1.79	-0.69	5.55	14.02
Life & Health Insurance	0.29	-1.27	3.93	5.98	13.56
Multi-Sector Holdings	1.00	-0.46	-0.40	-1.91	-2.35
Property & Casualty Insurance	0.91	3.23	5.32	3.03	6.61
Regional Banks	0.28	-4.32	3.47	1.78	10.51
Reinsurance	0.02	0.63	9.31	5.13	10.67
Transaction & Payment Processing	1.82	-3.74	8.70	3.83	-3.84
Health Care	**8.87**	**-0.25**	**5.98**	**1.60**	**4.20**
Biotechnology	1.58	-1.08	6.49	0.99	9.53
Health Care Distributors	0.32	-1.61	5.62	4.75	-0.04
Health Care Equipment	1.26	-5.11	-0.25	0.07	-23.74
Health Care Facilities	0.13	-2.28	-1.96	-2.84	-20.92
Health Care Services	0.40	1.49	5.68	3.96	23.67
Health Care Supplies	0.06	-4.96	3.59	-0.83	-4.73
Life Sciences Tools & Services	0.80	0.66	15.09	6.83	-3.03
Managed Health Care	0.80	0.45	2.66	0.94	27.69
Pharmaceuticals	3.48	1.99	7.43	1.05	14.31
Industrials	**8.45**	**0.99**	**2.12**	**-1.83**	**17.28**
Aerospace & Defense	2.17	2.60	2.91	0.43	8.35
Agricultural & Farm Machinery	0.24	1.84	3.05	-3.83	31.03
Air Freight & Logistics	0.30	-1.78	5.71	4.79	24.15
Building Products	0.46	0.41	1.39	-3.34	17.92
Cargo Ground Transportation	0.14	-1.95	3.38	3.85	48.18
Construction & Engineering	0.29	5.11	-6.23	-8.36	59.43
Construction Machinery & Heavy Trucks	0.91	3.03	-5.17	-10.70	45.67
Data Processing & Outsourced Services	0.02	-5.66	5.92	5.44	-35.30
Diversified Support Svcs	0.16	-2.09	11.46	12.56	-5.51
Electrical Components & Equipment	0.74	2.95	-0.69	-4.87	21.73
Environmental & Facilities Services	0.30	-3.33	5.52	3.90	-0.30
Heavy Electrical Equipment	0.40	-0.49	-0.37	-12.23	57.78
Human Resource & Employment Services	0.20	-4.85	10.88	9.52	-3.79
Industrial Conglomerates	0.24	6.66	6.74	7.14	16.02
Industrial Machinery	0.60	-1.93	2.20	-1.35	4.68
Passenger Airlines	0.17	-5.47	-6.17	-13.50	10.89
Passenger Ground Transportation	0.21	-6.93	-1.09	-4.50	-15.66
Railroads	0.52	2.54	16.15	11.43	32.49
Research & Consulting Svcs	0.11	-3.12	8.65	6.22	-20.18
Trading Companies & Distributors	0.28	1.19	4.24	-0.77	30.68
Information Technology	**35.38**	**0.19**	**-0.10**	**-2.48**	**16.46**
Application Software	1.62	-8.06	0.16	-2.99	-31.89
Communications Equipment	1.28	3.84	-2.60	-3.25	39.02
Electronic Components	0.57	2.88	-10.58	-23.67	34.26
Electronic Equipment & Instruments	0.14	2.81	-2.01	-5.13	39.53
Electronic Manufacturing Services	0.20	2.19	-9.98	-12.61	0.58
Internet Software & Services	0.08	-4.69	4.90	2.16	1.85
IT Consulting & Services	0.46	-5.11	-13.04	-16.05	-38.87
Semiconductor Equipment	1.78	0.65	-9.52	-24.69	95.43
Semiconductors	15.32	3.68	-0.73	-2.63	32.78
Systems Software	5.63	-5.50	0.57	-0.27	-16.41
Technology Distributors	0.02	-3.10	0.09	-7.44	-4.43
Technology Hardware, Storage & Peripherals	8.26	-0.87	5.35	6.59	31.26
Materials	**1.73**	**-1.06**	**-1.31**	**-1.40**	**9.53**
Commodity Chemicals	0.06	6.01	4.02	14.69	36.33
Construction Materials	0.20	-6.47	-9.93	-7.20	-15.04
Copper	0.13	8.44	-1.40	0.97	25.02

Fertilizers & Agricultural Chemicals	0.13	3.10	14.02	7.39	33.52
Gold	0.15	4.28	-3.19	1.41	-5.14
Industrial Gases	0.44	-2.39	-0.04	-1.83	18.84
Metal & Glass Containers	0.02	-1.46	2.88	-0.27	17.48
Paper Packaging	0.14	-2.23	1.36	-2.76	2.90
Specialty Chemicals	0.33	-5.07	-4.29	-7.19	0.29
Steel	0.13	2.34	-0.09	6.96	45.59
Real Estate	**1.80**	**-1.00**	**0.57**	**2.38**	**12.28**
Data Center REITs	0.25	2.75	-7.63	-0.59	27.32
Health Care REITs	0.36	2.15	12.72	8.24	30.80
Hotel & Resort REITs	0.02	1.23	-0.59	1.05	39.16
Industrial REITs	0.20	-3.29	-0.09	7.12	13.67
Multi-Family Residential REITs	0.00	-2.06	3.30	-0.46	5.43
Office REITs	0.02	-3.98	5.44	2.31	0.53
Other Specialized REITs	0.10	-0.07	-4.16	-1.16	18.95
Real Estate Service	0.07	-6.80	-1.15	-0.45	-32.24
Retail REITs	0.26	-1.39	3.94	2.17	19.52
Self-Storage REITs	0.13	-3.03	-1.78	-0.58	17.51
Single-Family Residential REITs	0.13	-3.03	-1.78	-0.58	17.51
Telecom Tower REITs	0.19	-3.68	-9.03	-0.14	-9.41
Timber REITs	0.02	-3.31	-3.27	-1.26	-0.21
Utilities	**2.15**	**1.56**	**2.41**	**1.86**	**8.17**
Electric Utilities	1.42	1.72	2.69	2.22	7.55
Gas Utilities	0.04	0.00	4.07	3.35	6.21
Independent Power Producers & Energy Traders	0.10	8.87	3.52	5.60	4.52
Water Utilities	0.04	0.06	6.17	2.15	3.00
Multi-Utilities	0.55	0.26	1.17	0.24	10.99

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

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DOW JONES: 51711.60
S&P 500: 7408.30
NASDAQ: 25137.70

Additional information is available upon request.

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Coverage Universe	**Percent**	**Inv. Banking Relationships ***	**Percent**
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Market Perform (Hold)	26	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

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