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Economics Weekly
Let the Market Decide

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

One of the key points that came out of last week's FOMC meeting was that Fed Chair Kevin Warsh wants the bond market to do more of the heavy lifting with regard to fighting inflation and promoting economic growth. He feels that the market in recent decades has been molly-coddled by the Fed and it is high time for greater price discovery. **In this *Economics Weekly* we discuss why that view is sensible in this new inflation regime, but why greater price discovery is also a euphemism for increased market volatility.**

What Warsh Said

Warsh's opening remarks at the press conference for the July 28-29 FOMC meeting included:

> *Two economic developments are worth highlighting. The first is a very notable change since our last meeting 42 days ago: nominal and real yields are materially higher across the Treasury curve. In fact, some of the increases in market interest rates between FOMC meetings are among the most significant in the last two decades, ranking around the top decile or so.*
>
> *But if the Committee didn't change its policy rate, what happened? In the intermeeting period, market attention centered on real data and real economic developments. Prices reacted in real time to incoming information, and the reduction in forward guidance may have been a factor.* ***Market participants are learning to play the ball, not the referee—and market prices will continue to respond in the direction and magnitude they see fit. This is, in my view, a change for the better—and we are just getting started.*** *After all, the central bank need not always and everywhere be the center of attention. I understand the desire for rolling forecasts and commentary from this Committee. But for our part, we need to observe market reaction to developments, direct and unfiltered. I want to stress, of course, that decisions by this Committee matter a great deal. And where necessary and appropriate, we will not hesitate to act. [Emphasis added]*

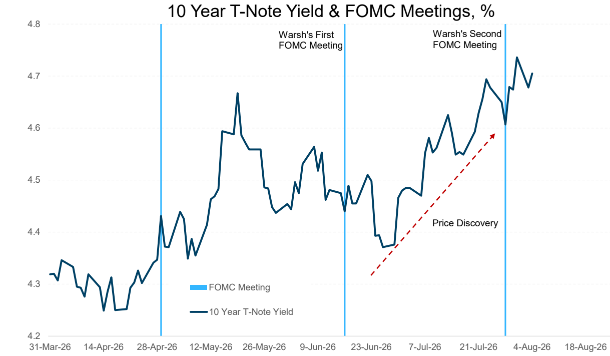
Later, in a response to question from Jonnelle Marte from Bloomberg, Warsh also remarked:

> *Surprise is not the objective function. Surprise is not what we're solving for. We have a clear North Star. What we're solving for is how to make the best decisions. Almost everything else should be in service to that goal.* ***By not spoon-feeding markets, by not previewing our decisions, by not sort of giving nudges and leans, my colleagues and I have found in the intermeeting period what we're getting is the views from a very accomplished economist.*** *That's the internals of financial markets. Instead of just repeating or echoing what we're saying back to us, they're giving us somewhat, not perfect, their own judgment. So, surprises are not the objective. [Emphasis added]*

Exhibits 1 and 2 show what happened to the 10-year T-note yield and the yield curve in the intermeeting period to which Chair Warsh is alluding.

Exhibit 1

10 Year T-Note Yield & FOMC Meetings, %

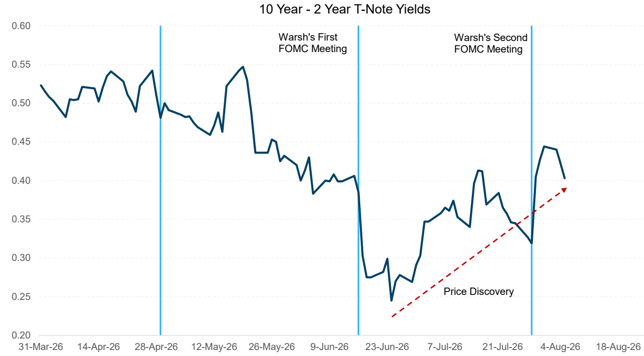


Sources: Bloomberg, William Blair Equity Research

Exhibit 2

Yield Curve

10 Year - 2 Year T-Note Yields



Sources: Bloomberg, William Blair Equity Research

Longer-term yields rose, and by much more than shorter-term yields, with the curve re-steepened. Chair Warsh seems delighted with this result, ostensibly because it means the Fed has less work to do if financial conditions are tightening on their own accord.

While we have seen Warsh as pursuing more of a Nicholas Nassim Taleb (*Antifragile*) or Hyman Minsky (stability breeds instability) view, some have been starting to reference Mervyn King's Maradona Theory of monetary policy. Given that King is a hero of Warsh's and has just been appointed to his communications task force, the theory fits well.

In his 2005 Mais Lecture King told us that:

> *Maradona ran 60 yards from inside his own half beating five players before placing the ball in the English goal. The truly remarkable thing, however, is that, Maradona ran virtually in a straight line. How can you beat five players by running in a straight line? The answer is that the English defenders reacted to what they expected Maradona to do. Because they expected Maradona to move either left or right, he was able to go straight on.*
>
> *Monetary policy works in a similar way. Market interest rates react to what the central bank is expected to do. In recent years the Bank of England and other central banks have experienced periods in which they have been able to influence the path of the economy without making large moves in official interest rates. They headed in a straight line for their goals. How was that possible? Because financial markets did not expect interest rates to remain constant. They expected that rates would move either up or down. Those expectations were sufficient – at times – to stabilise private spending while official interest rates in fact moved very little.*

Warsh clearly likes the idea of markets doing some of the Fed's work. But King's point is also that Maradona could only run in a straight line because the defenders believed he might go left or right. The same is true for monetary policy. The central bank can only do less if markets believe it is still willing to pivot left or right when necessary. If that belief fades, then the straight-line strategy loses credibility and starts to look more like Fed inaction.

Notably, King's analogy correctly places the central bank as another player on the pitch and not the referee, which Warsh seem to believe is the Fed's role.

More Price Discovery = More Volatility

We have consistently argued that not having forward guidance is not the end of the world. The reality is that since 2020, we are in a new inflation regime. It is now more volatile due to the reintroduction of supply-side frictions that had not been apparent in the previous two decades, when due to globalization, helpful demographics, and a favorable geopolitical climate there were very few supply-side constraints. In that environment, the chances of getting forward guidance correct were extremely high, and central bank credibility therefore rose.

In today's environment, as the transitory episode and others that followed has made clear, inflation is much more volatile and harder to forecast, forward guidance is therefore much more difficult to accurately provide, and issuing it comes with greater risk to that important central bank credibility. Hence, in Warsh's view, it would be better to dispense with it.

There are two clear examples of when forward guidance has gone wrong. The first was that the Fed almost certainly realized in late 2021 that emergency QE was no longer necessary—the housing market, for example, was on fire, and inflation was over 5%—but continued with it well into 2022, simply because it had tied its policy framework to specific labor market and inflation outcomes, and also wanted to avoid the risk of another "taper tantrum" if it broke that guidance.

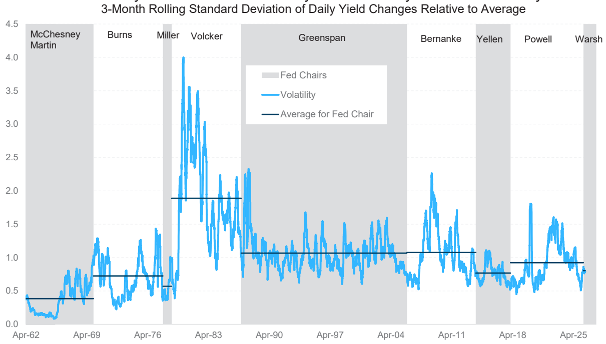
The other episode was during the June 2022 ECB meeting when President Lagarde famously refused to raise interest rates on the basis that the ECB had similarly not provided any guidance toward the change. The ECB felt it was better to preserve guidance, rather than doing what the inflation data was calling for and raise interest rates. By the time the July meeting rolled around, however, the inflation situation had deteriorated so much that it was forced to abandon its guidance regardless and lift rates by 50 basis points.

Warsh is also well aware that monetary policy worked perfectly well without guidance for decades. Forward guidance only emerged during the Bernanke Fed in response to the GFC (when Warsh was on the Board). At the time, the Fed had brought rates to zero and also needed to ease them further (below the zero lower rate bound), and it could only achieve this through a combination of QE and forward guidance. In fact, one of the main channels through which QE works is as a hard form of forward guidance—as long as the Fed is still conducting QE, it is simultaneously also promising not to raise interest rates. In this new inflation regime, this policy no longer seems necessary.

Rates Were More Volatile Before Forward Guidance

Treasury market volatility during the Greenspan Fed, before forward guidance, was more volatile than in the following years (exhibit 3). The Yellen Fed shows volatility that was exceptionally low during her tenure, and it would have been lower during Powell's were it not for the pandemic and other subsequent inflation shocks.

Exhibit 3
Volatility Ratio: 10-Year Treasury Yield Volatility Relative to History
3-Month Rolling Standard Deviation of Daily Yield Changes Relative to Average



Sources: Bloomberg, William Blair Equity Research

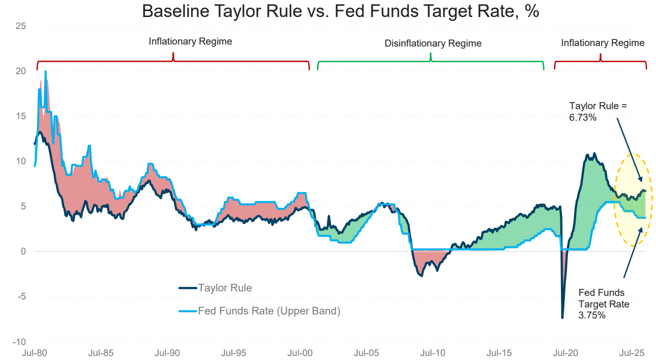
What Warsh is effectively telling us, therefore, is that forward guidance was good at reducing volatility and price discovery, and we should expect bond market volatility to rise in the coming quarters as short and long rates are forced to dive either left and right, while Chair Warsh takes the funds rate straight up the middle to achieve his 2% inflation goal.

Warsh still needs to build that credibility, however, which is why we think short rates will need to rise in September and at least a couple more times after that. Not tightening will risk greater bond vigilantism. Financial markets also have a history of overshooting, and markets are already starting to test this Fed's resolve to fight inflation.

The Taylor rule today is already pointing to a fund rate that should be 6.75% (exhibit 4), 3 percentage points higher than today's rate. In the meantime, this is also clearly pointing to further pressure on long-term bond yields to move higher.

Both short and long rates were consistently above the Taylor Rule during the last higher inflation regime, though understandably switched to being consistently below it during the disinflationary regime of 2000-2020. If we are now in a more balanced inflation regime, or even one where the risks are once again skewed to the upside, we should expect rates to once again more closely adhere to a Taylor-type rule.

Exhibit 4
Baseline Taylor Rule vs. Fed Funds Target Rate, %



Sources: Bloomberg, William Blair Equity Research

Conclusion

Warsh wants the Fed to matter less for financial markets. Mervyn King famously said he wanted central banks to be boring and they should not garner the market's attention, in the way they continue to do today. Warsh's view may be correct—central banks have been playing too big a role in market in recent decades, and some greater price discovery is now necessary, especially if the inflation regime really has changed. If that is the case, it also means that forward guidance becomes more of a liability than asset with regard to the bank's credibility and deserves to be abandoned. But there is a cost. Less guidance means more price discovery, and more price discovery means more volatility. Until Warsh has established that markets can trust the Fed to move when it needs to, the bond market is likely to keep testing the Fed's reaction function, which at the moment puts greater upside risk on bond yields and points toward further curve steepening.

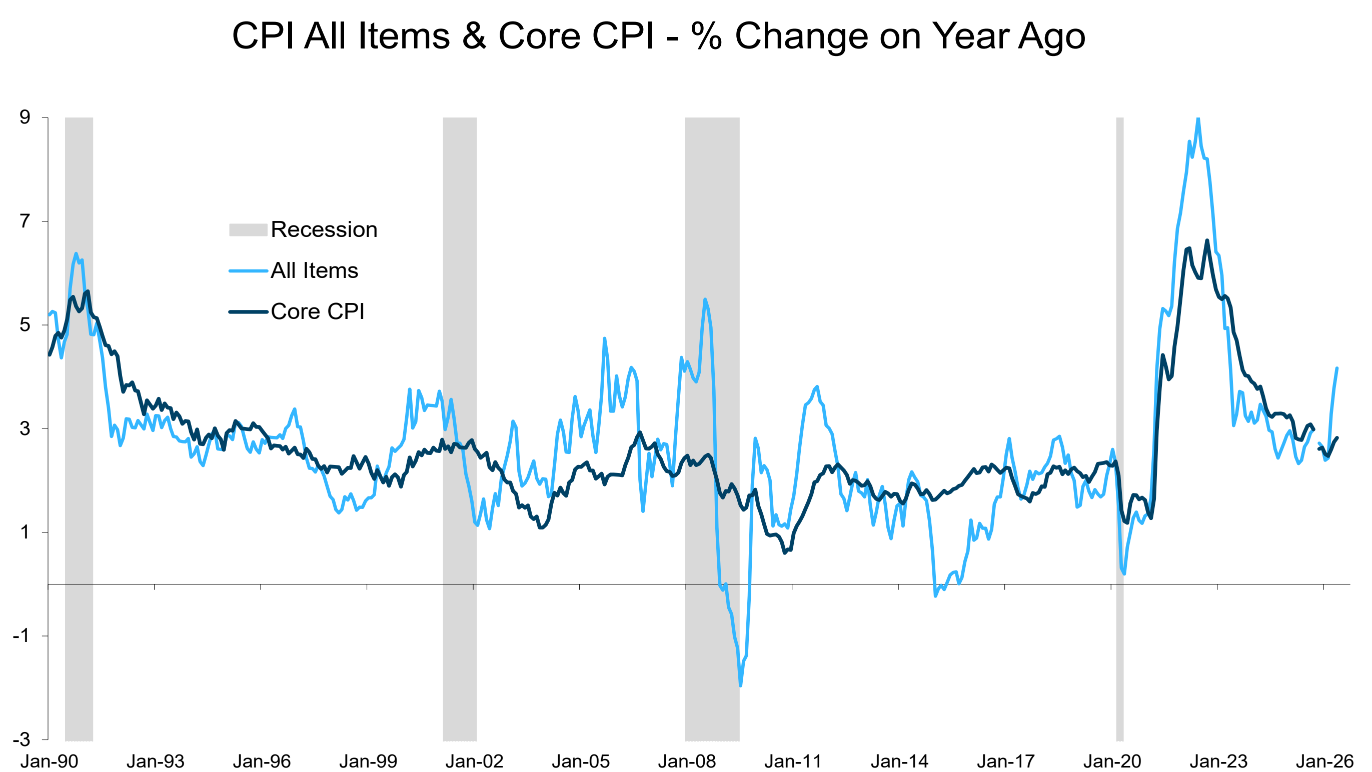
7 August 2026

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
12 Aug	8:30 a.m.	Consumer Price Index (July)	-0.4%	0.2%	0.3%	
		CPI Less-Food & Energy	0.0%	0.2%	0.2%	
13 Aug	8:30 a.m.	Producer Price Index (July)	-0.3%	0.2%	0.4%	
		PPI Less-food & energy	0.2%	0.3%	0.3%	
14 Aug	8:30 a.m.	Advance Retail Sales (July)	0.2%	0.3%	0.3%	
		Sales Less-autos	-0.2%	0.2%	0.3%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: Consumer Price Index



Source: Bureau of Labor Statistics, William Blair Equity Research

Economic Scorecard

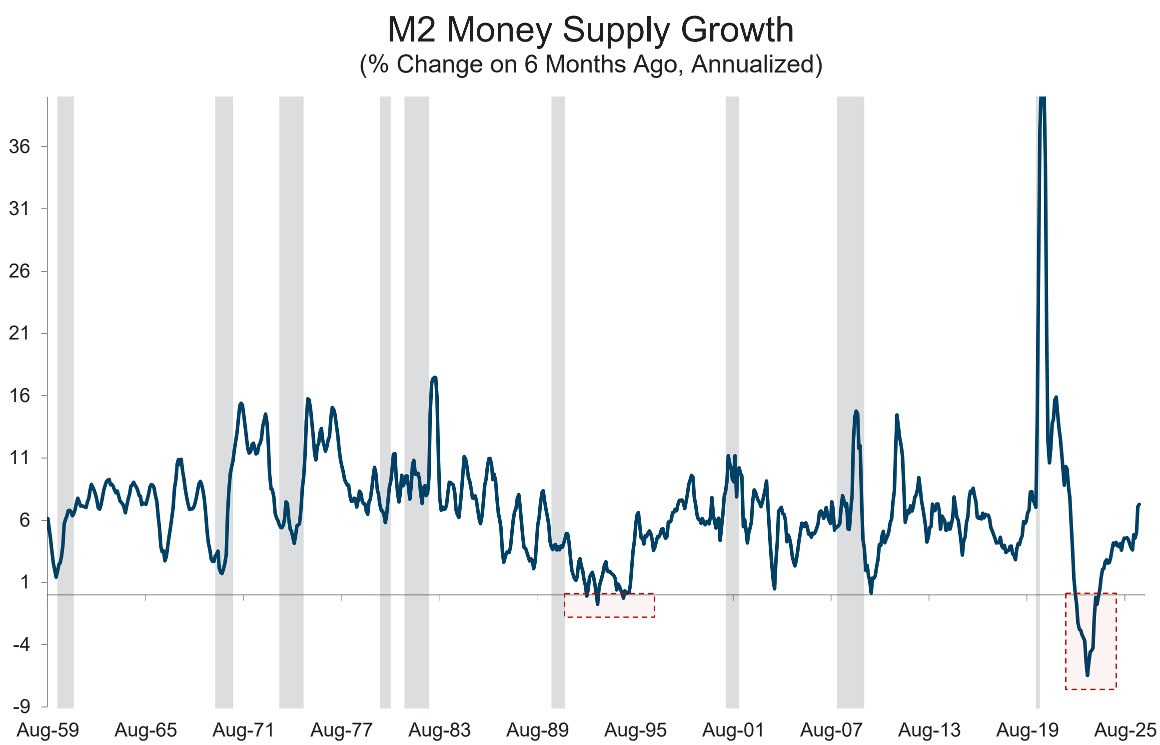
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	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	Aug-26
Growth																			
US Leading Indicators	-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	-1.4		
US Coincident Indicators	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	0.7		
US Lagging Indicators	-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	1.0		
Consumer																			
Total Retail Sales	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	5.2	5.6	4.5	4.3	4.8	5.1	5.1	4.5	4.4	4.2	4.1	3.5	3.3	2.7	3.9	3.9		
Real Disposable Personal Income	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	0.1	0.5		
Real Personal Consumption	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	1.9	2.4	2.5		
Personal Saving Rate (%)	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	2.8	2.7		
Consumer Confidence (Conference Board)**	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	92.2	90.8	
Employment																			
Employment Growth	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	-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	2.5	
ISM Employment Index Manufacturing*	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	52.8	
ISM Employment Index Services*	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	47.4	
Unemployment Rate, %	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	4.1	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)	226	223	226	233	239	222	231	234	226	221	219	213	216	208	208	215	223	203	
Jop Openings	-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	3.1	2.2		
Layoff Announcements	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	-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	3.5		
New Home Sales	-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	0.5	-7.8	-0.6	-5.6		
Existing Home Sales	-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	2.8		
Median House Price (Existing Homes)	-1.4	-5.4	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.1	-0.7	-3.4	0.5	-3	-2.7		
Existing Homes Inventory (Mths' supply)	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	4.3		
New Homes Inventory (Mths' supply)	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	9.4	9.3		
NAHB Homebuilder Sentiment*	42	39	40	34	32	33	32	32	37	38	39	37	37	38	34	37	36		
Inflation																			
Consumer Price Index	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	3.1	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	3.4	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	3.7	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	2.7	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	3.7		
PCE Prices Less-food & energy	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	3.3		
Business Activity - US																			
Industrial Production	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	-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	14.8		
Business Inventories	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	0	
ISM Manufacturing PMI*	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	55.6	
Markit US Manufacturing PMI*	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	53.9	
ISM Services Index*	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	54.1	
Markit US Services PMI*	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	54.6	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	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	52.2	
Japan Manufacturing PMI Jibun Bank*	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	54.5	
Caixin China Manufacturing PMI*	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	50.9	
China Manufacturing PMI*	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	49.2	
UK Manufacturing PMI Markit/CIPS*	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	51.9	
France Manufacturing PMI Markit*	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	49.8	
Currencies* **																			
Euro (EUR/USD)	-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	1.0	
Renmimbi (USD/CNY)	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	-6.2	
Yen (USD/Yen)	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	4.4	
Sterling (GBP/USD)	-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	2.1	
Canadian $ (USD/CAD)	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	1.2	
Mexican Peso (USD/MXN)	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	-8.1	
US Equities																			
S&P 500	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	18.1	
S&P 400 Midcap	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	19.3	
S&P 600 Smallcap	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	31.5	
Russell 2000	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	32.5	

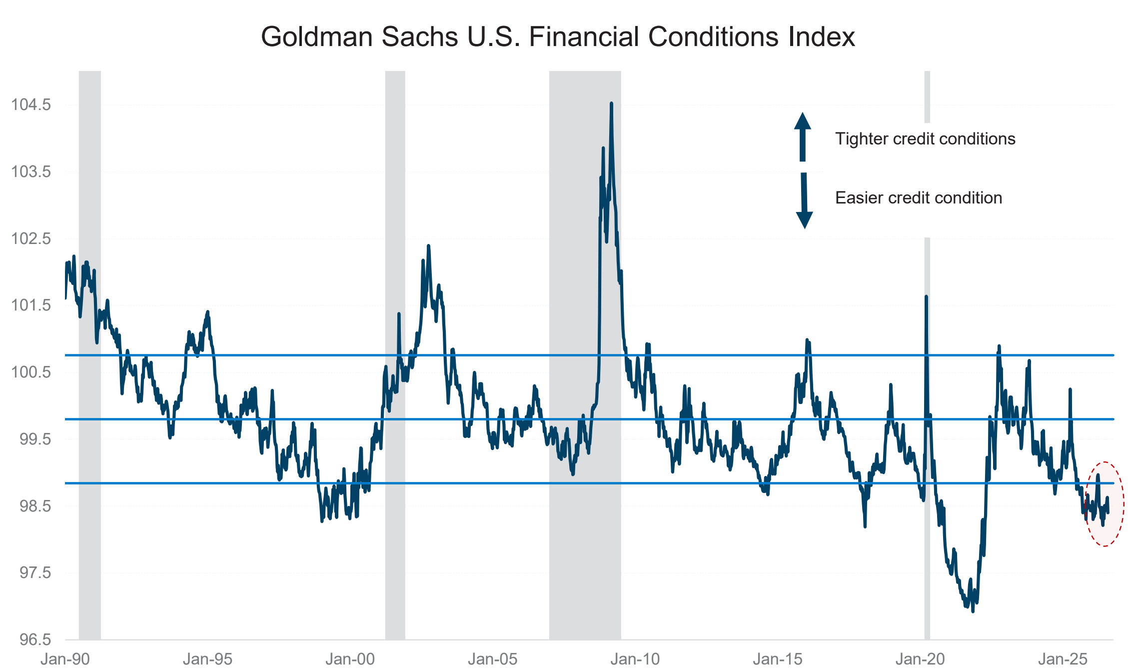
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

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

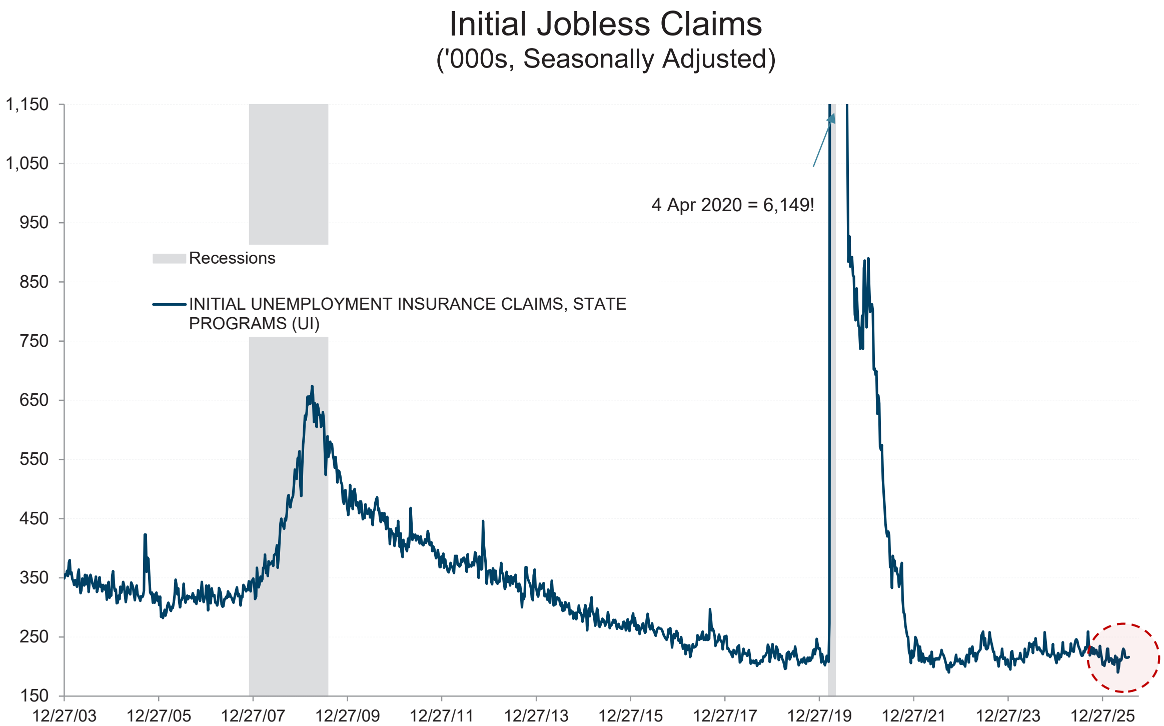
Other Economic Indicators



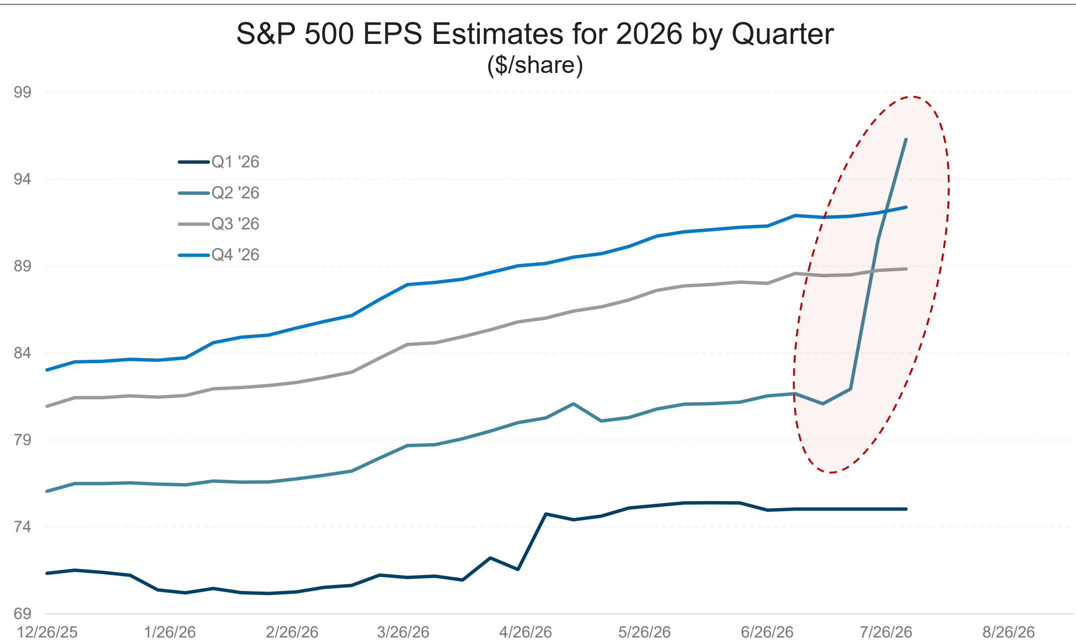
Sources: Federal Reserve, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

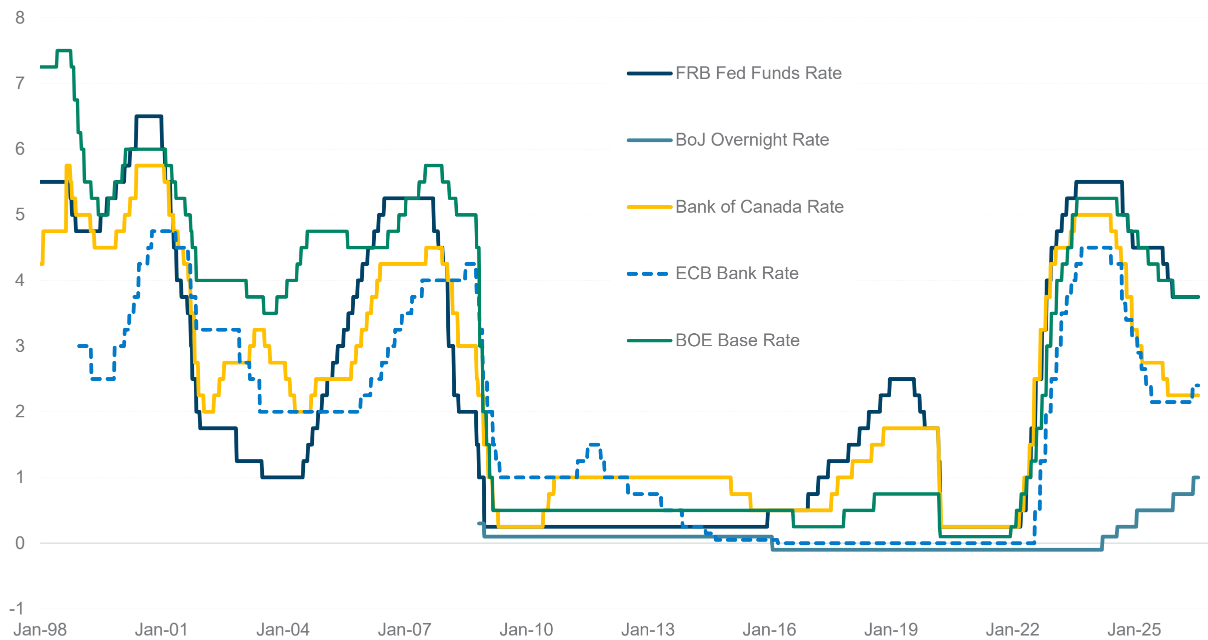


Source: Department of Labor, Bloomberg, William Blair Equity Research



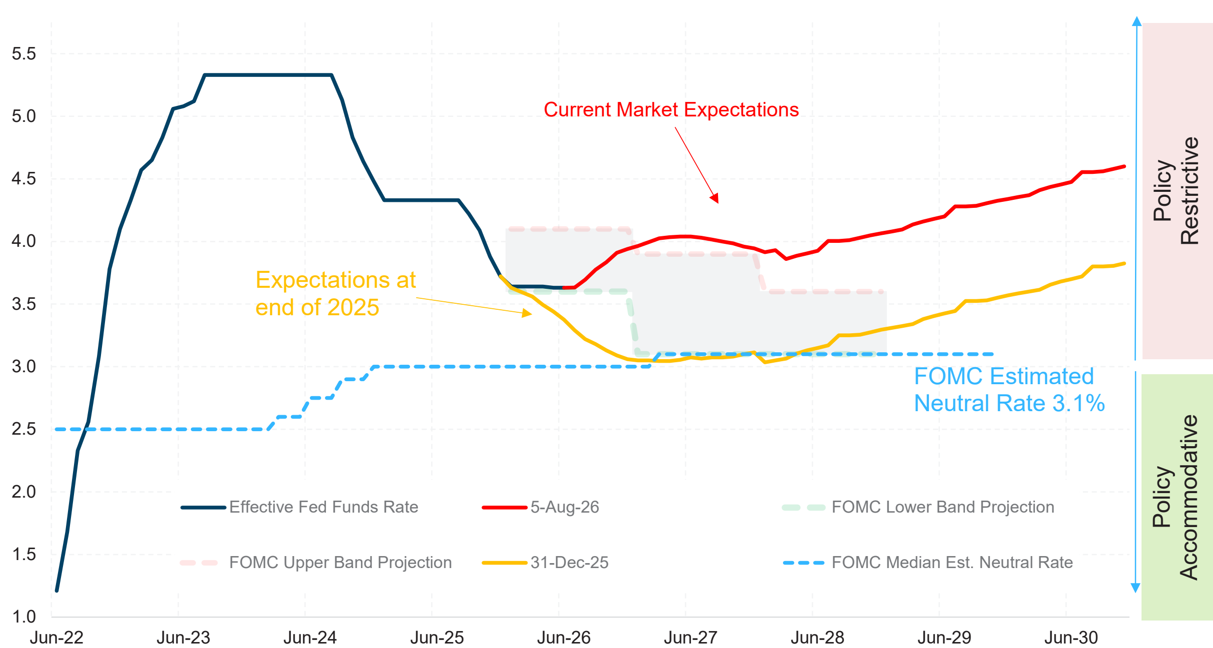
Sources: LSEG, I/B/E/S, William Blair Equity Research

Central Bank Target Short-Term Interest Rates, %



Sources: Bloomberg, William Blair Equity Research

Fed Funds Rate Futures Market Expectations & FOMC Projections, %



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 06-Aug-26	Week Ago 30-Jul-26	Month Ago 06-Jul-26	Qtr-to-Date 30-Jun-26	Year-to-Date 31-Dec-25
S&P 500 Index	**100.00**	**3.66**	**2.29**	**2.81**	**12.63**
S&P400 MidCap Index		**1.86**	**0.45**	**-0.47**	**16.01**
S&P600 SmallCap Index		**1.54**	**0.68**	**-0.38**	**22.47**
Dow Jones Industrials		**3.21**	**1.56**	**2.99**	**12.11**
Nasdaq Composite		**4.88**	**0.87**	**0.51**	**13.37**
Communication Services	**9.68**	**6.31**	**-1.26**	**2.13**	**2.58**
Advertising	0.19	-12.23	-13.71	-6.02	-31.07
Broadcasting	0.05	6.56	7.60	14.25	-17.72
Cable & Satellite	0.05	5.99	1.24	-2.71	-23.21
Integrated Telecommunication Services	0.63	2.85	12.11	10.43	1.53
Interactive Home Entertainment	0.06	-4.54	-5.51	-3.93	-4.88
Interactive Media & Services	7.56	7.66	-2.18	1.52	6.51
Movies & Entertainment	0.86	3.32	0.50	3.92	-14.49
Publishing & Printing	0.02	5.86	11.77	19.82	13.79
Wireless Telecommunication Svcs	0.27	3.82	-1.00	7.30	-11.36
Consumer Discretionary	**9.60**	**7.64**	**1.33**	**2.29**	**1.16**
Apparel Retail	0.37	1.42	10.93	10.60	14.59
Apparel & Accessories & Luxury Goods	0.09	4.87	7.51	7.09	-0.51
Auto Parts & Equipment	0.01	-20.30	-22.48	-24.57	-30.05
Automobile Manufacturers	1.96	2.44	-20.99	-21.11	-25.79
Automobile Retail	0.25	6.61	4.71	0.45	-7.72
Broadline Retail	4.20	15.21	11.21	13.91	18.10
Casinos & Gaming	0.07	-3.86	-0.28	-0.81	-15.47
Computer & Electronics Retail	0.02	-8.88	2.59	5.46	19.56
Consumer Electronics	0.08	1.45	23.10	27.08	48.81
Distributors	0.03	6.38	3.21	12.55	7.47
Footwear	0.09	-0.93	-4.05	1.48	-29.40
Home Furnishings	0.01	10.76	13.98	9.14	21.16
Home Improvement Retail	0.66	4.62	-0.87	-0.91	-1.54
Homebuilding	0.14	0.57	-4.72	-7.95	-3.58
Hotels, Resorts & Cruise Lines	0.78	1.92	5.53	5.47	5.76
Leisure Products	0.02	-3.00	17.59	11.02	11.82
Restaurants	0.74	0.76	1.76	3.71	-0.88
Other Specialty Retail	0.06	7.81	16.28	14.16	-21.33
Consumer Staples	**4.92**	**-0.33**	**0.82**	**1.98**	**8.83**
Agricultural Products	0.08	-1.81	-0.33	1.64	31.04
Brewers	0.01	2.07	9.14	8.85	-9.15
Consumer Staples Merchandise Retail	2.16	0.14	1.77	1.38	6.79
Distillers & Vintners	0.04	0.89	3.02	-2.69	-1.72
Food Distributors	0.06	-0.43	0.14	0.92	14.47
Food Retail	0.09	-2.47	0.65	3.95	5.06
Household Products	0.69	2.09	-0.97	0.87	5.95
Packaged Foods & Meats	0.30	-0.84	3.43	5.79	1.30
Personal Care Products	0.08	-0.17	-1.00	3.12	-1.76
Soft Drinks	0.98	-1.99	0.68	3.45	13.28
Tobacco	0.57	-1.57	-0.43	1.02	17.32
Energy	**3.04**	**-1.41**	**10.06**	**10.09**	**29.89**
Integrated Oil & Gas	1.51	-1.38	13.22	13.64	27.36
Oil & Gas Equipment & Services	0.23	4.71	11.91	8.86	31.94
Oil & Gas Exploration & Production	0.57	-3.45	6.96	5.32	19.02
Oil & Gas Refining & Marketing & Transportation	0.36	-3.33	12.98	18.19	76.09
Oil & Gas Storage & Transportation	0.38	-0.17	-0.29	-1.45	22.86

Financials	**11.59**	**1.36**	**2.87**	**7.63**	**5.41**
Asset Management & Custody Banks	0.98	2.70	7.76	13.32	6.52
Consumer Finance	0.55	2.78	0.52	4.62	-8.01
Diversified Banks	3.03	1.69	2.55	6.47	10.31
Diversified Financial Services	6.68	1.34	3.00	8.13	2.41
Financial Exchanges & Data	0.77	-2.62	0.74	11.17	-10.19
Insurance Brokers	0.41	-0.39	5.89	13.49	0.80
Investment Banking & Brokerage	1.36	1.64	-3.16	4.00	12.34
Life & Health Insurance	0.29	0.69	6.53	11.27	19.22
Multi-Sector Holdings	1.03	2.93	3.56	4.84	4.37
Property & Casualty Insurance	0.89	1.49	1.06	5.71	9.38
Regional Banks	0.27	1.30	1.46	3.45	12.32
Reinsurance	0.02	-1.33	-0.69	3.67	9.14
Transaction & Payment Processing	1.88	0.40	6.42	10.87	2.69
Health Care	**8.67**	**0.60**	**1.37**	**3.43**	**6.08**
Biotechnology	1.53	-1.25	-0.55	1.91	10.52
Health Care Distributors	0.32	2.64	7.31	10.77	5.70
Health Care Equipment	1.32	2.69	3.51	9.39	-16.63
Health Care Facilities	0.14	3.39	-0.89	5.95	-13.78
Health Care Services	0.36	-5.96	-2.16	-1.84	16.77
Health Care Supplies	0.06	-1.89	-1.07	3.27	-0.79
Life Sciences Tools & Services	0.79	1.54	7.96	10.26	0.09
Managed Health Care	0.74	-2.05	-3.72	-2.44	23.42
Pharmaceuticals	3.36	1.53	0.98	1.34	14.63
Industrials	**8.34**	**3.63**	**-0.42**	**-0.33**	**19.07**
Aerospace & Defense	2.18	2.85	0.11	4.88	13.16
Agricultural & Farm Machinery	0.23	2.56	-3.21	-3.07	32.06
Air Freight & Logistics	0.27	0.83	-3.63	-2.85	15.10
Building Products	0.44	7.05	-1.07	-3.09	18.23
Cargo Ground Transportation	0.13	0.84	-3.10	-3.99	36.99
Construction & Engineering	0.28	1.19	-1.40	-8.49	59.21
Construction Machinery & Heavy Trucks	0.85	3.99	-7.34	-13.57	41.00
Data Processing & Outsourced Services	0.03	6.45	13.80	20.30	-26.18
Diversified Support Svcs	0.15	-2.14	9.16	14.04	-4.26
Electrical Components & Equipment	0.72	10.55	0.40	-3.02	24.09
Environmental & Facilities Services	0.28	0.63	-0.83	1.52	-2.58
Heavy Electrical Equipment	0.37	1.87	-13.17	-14.86	53.05
Human Resource & Employment Services	0.21	3.56	14.15	22.15	7.30
Industrial Conglomerates	0.27	1.64	9.59	10.20	19.34
Industrial Machinery	0.62	5.82	5.27	5.20	11.63
Passenger Airlines	0.18	3.89	-2.18	-4.23	22.79
Passenger Ground Transportation	0.20	0.14	-2.69	-2.34	-13.76
Railroads	0.49	1.88	4.75	8.12	28.56
Research & Consulting Svcs	0.11	3.61	7.88	13.61	-14.63
Trading Companies & Distributors	0.34	3.84	1.31	0.58	32.46
Information Technology	**35.49**	**5.32**	**4.29**	**2.24**	**22.10**
Application Software	1.60	7.96	4.88	11.47	-21.73
Communications Equipment	1.33	9.11	7.03	3.74	49.06
Electronic Components	0.58	13.42	-5.92	-19.38	41.80
Electronic Equipment & Instruments	0.15	9.79	9.12	3.40	52.07
Electronic Manufacturing Services	0.20	7.65	-0.58	-9.34	4.33
Internet Software & Services	0.08	-0.01	8.60	8.42	8.09
IT Consulting & Services	0.51	5.62	-7.73	-1.08	-27.96
Semiconductor Equipment	1.61	4.67	-12.41	-29.52	82.89
Semiconductors	14.94	8.50	3.43	-1.33	34.55
Systems Software	6.87	10.62	22.38	26.83	6.30
Technology Distributors	0.02	-2.47	5.79	0.95	4.23
Technology Hardware, Storage & Peripherals	7.60	-5.56	-1.65	2.33	26.01
Materials	**1.69**	**1.21**	**0.02**	**2.26**	**13.59**
Commodity Chemicals	0.06	1.10	12.96	13.17	34.53
Construction Materials	0.19	1.79	-9.25	-7.12	-14.96
Copper	0.14	7.47	11.77	8.41	34.24

Fertilizers & Agricultural Chemicals	0.11	-11.03	-6.24	-4.02	19.33
Gold	0.16	10.10	7.36	12.88	5.59
Industrial Gases	0.41	-2.86	-7.94	-3.88	16.37
Metal & Glass Containers	0.02	-3.34	0.29	1.17	19.18
Paper Packaging	0.15	-0.49	4.96	5.64	11.79
Specialty Chemicals	0.32	4.09	0.65	2.61	10.88
Steel	0.14	4.98	19.09	19.01	62.00
Real Estate	**1.74**	**-1.23**	**1.32**	**1.89**	**11.75**
Data Center REITs	0.25	0.18	7.48	3.34	32.36
Health Care REITs	0.34	-0.37	0.73	3.16	24.67
Hotel & Resort REITs	0.02	-6.82	0.56	-1.39	35.79
Industrial REITs	0.19	-4.82	-0.76	2.71	8.99
Multi-Family Residential REITs	0.00	-0.35	-4.80	-2.47	3.31
Office REITs	0.02	-3.99	-1.65	3.77	1.97
Other Specialized REITs	0.09	-0.83	2.33	-1.96	17.99
Real Estate Service	0.08	-0.97	4.50	8.34	-26.26
Retail REITs	0.24	-3.71	-1.70	-1.02	15.80
Self-Storage REITs	0.13	2.23	1.50	2.85	21.56
Single-Family Residential REITs	0.13	2.23	1.50	2.85	21.56
Telecom Tower REITs	0.18	-1.59	3.50	3.01	-6.55
Timber REITs	0.03	8.30	8.76	6.31	7.44
Utilities	**1.93**	**-2.88**	**-4.25**	**-4.38**	**1.54**
Electric Utilities	1.27	-2.86	-3.42	-3.70	1.31
Gas Utilities	0.04	-1.31	-1.07	-0.17	2.59
Independent Power Producers & Energy Traders	0.08	-4.16	-8.19	-8.95	-9.89
Water Utilities	0.04	-1.45	1.30	2.46	3.31
Multi-Utilities	0.50	-2.96	-6.28	-6.11	3.96

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

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DOW JONES: 53885.10
S&P 500: 7709.96
NASDAQ: 26348.30

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Market Perform (Hold)	27	Market Perform (Hold)	3
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