

Economics Weekly

Record Profits, Lagging Pay

Equity Research
Macroeconomics

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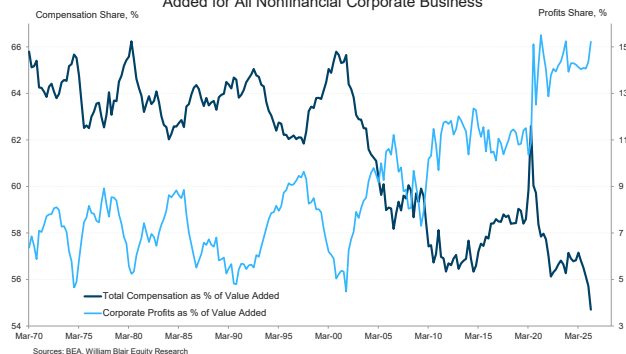


The September employment report showed average hourly earnings up 3.0% from a year earlier, the slowest pace since May 2021. On a year-ago basis, the Employment Cost Index (ECI) has also slipped and is below CPI inflation for the first time since early 2023. At the same time, corporate profit margins sit at their highest level since the series began in 1947, and labor's share of output is the lowest on record. We have long argued that a shrinking pool of available workers could put more upward pressure on wages and threaten those margins. Companies responded to the labor shortage much as we expected, by investing in capital and lifting productivity. What has not followed is a meaningful recovery in wages. **In this *Economics Weekly*, we look at why pay has lagged in a tight labor market, and what that means for the Fed and for investors.**

Productivity Is Rising; Pay Is Not

For most of the past four decades, an abundant supply of workers helped keep wage growth in check and supported corporate profits. The labor shortages in the few years ahead of the pandemic, and during it, started to change that, with compensation's share rising. Following the pandemic, workers remain harder to find, giving employees more leverage and putting pressure on margins, yet compensation's share of output has been falling again sharply. Conversely, profit's share of gross value added has continued to climb (exhibit 1).

Exhibit 1
Employee Compensation Share of Value Added vs Profits Share of Gross Value Added for All Nonfinancial Corporate Business

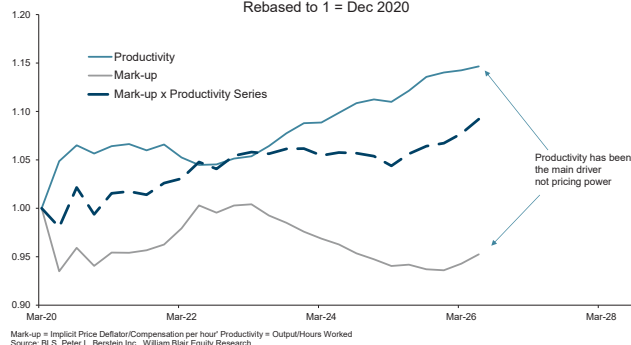


The productivity data show the gap most clearly. Over the past four quarters, output per hour in the nonfarm business sector rose 2.2%, while real hourly compensation fell 0.1%. Workers produced more but received less in inflation-adjusted pay. The difference showed up in profits. Unit profits, the profit nonfinancial corporations earn on each unit of output, rose at a 43% annualized rate in the second quarter, the fastest pace since 2021. Public

companies tell a similar story. The S&P 500 operating margins reached 15.7%—the highest level since 2022.

Margins can widen in two ways: companies can charge more relative to their labor costs or workers can produce more relative to what they are paid. Since 2020, productivity has been the larger contributor to rising margins than mark-ups (exhibit 2). That distinction matters because productivity growth creates room for wages to rise without adding to inflation. Yet, little of that room has been used. Within the ECI for private industry, wages and salaries rose 3.1% over the past year, leaving inflation-adjusted pay down 0.4%. Over the same period, benefit costs increased 3.8%, suggesting a smaller share of compensation growth is flowing through to take-home pay. All in all, workers are generating more output per hour, but their purchasing power is still declining.

Exhibit 2
Productivity & Mark-up
Rebased to 1 = Dec 2020



Why a Tight Labor Market Hasn't Lifted Pay

Small businesses still report difficulty finding workers. According to the NFIB's September jobs report, 26% of owners cited the quality or availability of labor as their single most important problem, 14 points above the historical average. Yet only 6% cited labor costs, the lowest percentage since December 2020, and the net share of owners raising compensation slipped to 28%. We see four reasons pay has lagged the shortage of workers.

The first is a shift in spending from labor toward capital. Business investment has been one of the fastest-growing parts of the economy since the pandemic, with real equipment spending up 13.6% at an annualized rate in the second quarter. Recent productivity gains have come largely from capital deepening. In our latest [quarterly survey](#), our technology analysts noted that higher

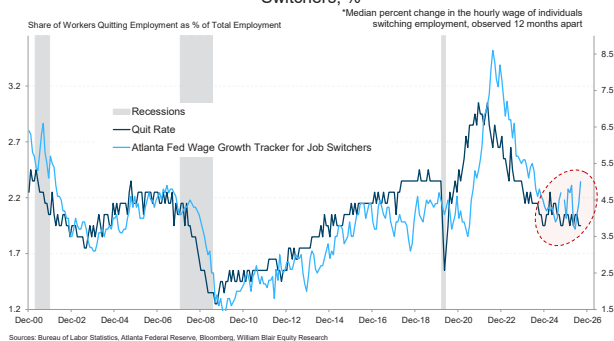
compute costs were being offset by lower spending on labor, with headcount at most companies flat to down. Across the private sector, technology has led job cuts for much of this year, with companies citing AI-driven restructuring and the reallocation of budgets.

The second is a run of shocks to nonlabor costs.

Final-demand producer prices rose 5.4% year-to-date in August, against 3.1% for average hourly earnings. Our latest analyst survey shows the same divergence: the nonlabor input-cost diffusion index rose to 80.6 in the second quarter from 76.2 in the year-ago period, while labor-cost pressures continued to moderate, with this index declining to 61.1 from 64.3.

The third is weaker bargaining power. With both hiring and layoffs low, fewer workers are changing jobs, and changing jobs is typically where the largest pay gains are won. Whether or not AI displacement ultimately proves widespread, the prospect of automation could be reducing workers' willingness to pursue higher compensation, particularly in occupations where firms are publicly discussing AI-driven productivity gains and headcount reductions. However, this could be changing. The Atlanta Fed's Wage Growth Tracker shows that pay for employees switching jobs has been steadily rising relative to those who stay in their jobs. So far, this has not caused the quit rate to increase, though it is worth paying close attention to.

Exhibit 3
Quit Rate (All Workers) vs. Atlanta Fed Wage Growth Tracker for Job Switchers, %



A fourth explanation may be industry composition.

Healthcare has accounted for a disproportionate share of recent job growth, yet wage growth in the sector has remained relatively subdued. Some of this likely reflects normalization from the extraordinary pandemic-related wage pressures seen in 2021 and 2022. Healthcare providers also face reimbursement constraints that can limit the pace of pay increases even when labor remains scarce.

Because healthcare employment has grown faster than many higher-paying sectors, aggregate measures such as average hourly earnings may be understating underlying wage pressures elsewhere in the economy.

Exhibit 4
Average Hourly Earnings: Total vs. Education and Healthcare Services
% Change on Year Ago



Whether the gap closes is the open question. Small-business reports of labor shortages remain well above their historical average (exhibit 5), and they have historically led wage growth by about nine months. Wage growth has started to respond: the Atlanta Fed's tracker rose to 4.1% in August from 3.6% in June (exhibit 6), and our analysts expect labor cost pressures to pick up over the next six months, with the expected labor cost index rising to 66.7 from 61.1. After the 2021-2022 inflation surge, ECI growth trailed CPI for two years before overtaking it in mid-2023. The current shortfall is far smaller. Productivity gains need not produce a modern Engels' pause, a prolonged period in which profits rise while real wages lag. If hiring continues to shift toward healthcare, where labor demand is likely to remain strong for demographic reasons, aggregate wage measures could begin to firm even without a broad acceleration across the rest of the economy.

Exhibit 5
NFIB Single Most Important Problem: Quality of Labor vs. Atlanta Fed Wage Growth Tracker

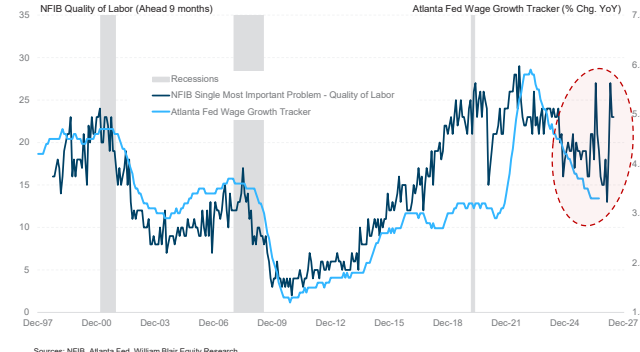
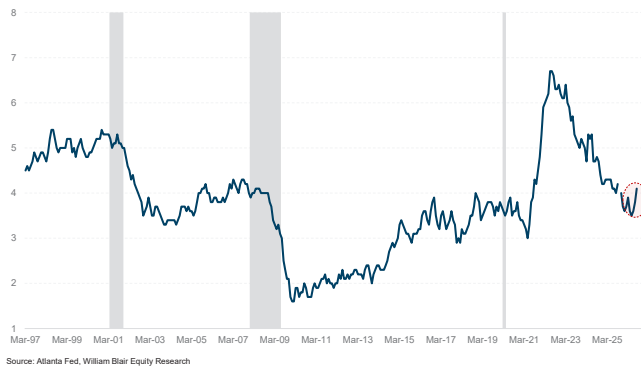


Exhibit 6
Atlanta Fed's Wage Growth Tracker
(3-month average of the median of individuals' 12 month annual rates of change, %)



Source: Atlanta Fed, William Blair Equity Research

What It Means for the Fed

One argument for keeping rates restrictive is to prevent successive “temporary” price shocks from becoming embedded in wage and price setting. That risk appears to have been limited up to now. Average hourly earnings growth has slowed to 3.0%, and the ECI has slipped below CPI inflation. Broad measures of wage growth have not reaccelerated, even though the Atlanta Fed’s tracker has firmed, and even though the labor market remains tight by most measures despite a soft September payroll report.

That does not necessarily mean the Fed is finished. Inflation remains above target, financial conditions are still relatively loose, and productivity growth, especially because of AI adoption, may be stronger than the data currently suggest. More important, recent inflationary pressures have come largely from the supply side of the economy, where monetary policy has less influence over the initial source of the shock.

The strength in margins, however, means that if wage growth strengthens, firms may have greater scope than usual to absorb higher labor costs through margins rather than pass them through to prices. The result is that a recovery in real wages does not need to be as inflationary as it would have been in prior cycles. The third-quarter ECI, due at the end of the month, will show whether compensation is firming, while unit labor costs later in the year will show whether workers are beginning to share more fully in recent productivity gains.

What It Means for Margins and Markets

Whether or when this gap between compensation and margins closes matters well beyond the labor market. Investors have become increasingly comfortable with the current combination of strong productivity growth, rising capital spending, and record margins.

The good news is that a wage catch-up would not necessarily be a negative development for the economy. As noted above, with margins at record highs and labor’s share at a record low, firms have unusual room to absorb higher labor costs, so stronger wage growth could ease some of the pressure on households without reigniting inflation.

For investors, the question is whether margins can remain elevated if compensation begins to recover. The relationship between selling prices, labor costs, and margins bears close watching. As long as productivity growth remains strong, higher wages and healthy margins can coexist. If productivity slows while labor costs accelerate, margins become more vulnerable (exhibit 7).

Exhibit 7
Ratio of Selling Prices to Unit Labor Costs vs. Pretax Profit Margins
for All U.S. Domestic Corporate Business



*PULC = (Implicit Price Deflator/ Unit Labor Costs) x (Output / Hours Worked) or, PULC = Mark-up x Productivity
Source: Bureau of Labor Statistics, Bureau of Economic Analysis, William Blair Equity Research

At the same time, a prolonged shift of income from labor to capital carries broader consequences. Consumption ultimately depends on income growth, and profits have increasingly accrued to higher-income households with lower propensities to spend. If productivity gains continue flowing disproportionately to capital owners, the expansion becomes increasingly dependent on asset values and investment spending, rather than stronger household purchasing power.

That leaves the labor market as one of the most important variables to watch over the coming quarters. If wages begin to follow increasing productivity, the current expansion

becomes more balanced and durable. If they do not, concerns about affordability, inequality, and the distribution of growth are likely to play a larger role in both economic and political debates.

Conclusion

The labor shortage is producing the outcome many expected for productivity and capital spending, but not for wages. Companies have invested, productivity has improved, and margins have reached record levels. What has yet to follow is a meaningful recovery in labor's share of output.

Whether that gap closes will shape the outlook for inflation, monetary policy, and margins. If productivity remains strong, wages can catch up without forcing prices higher or margins sharply lower, creating a more balanced expansion that is less dependent on investment and asset prices. If productivity slows before wages recover, the current balance among worker pay, corporate profits, and elevated inflation will become harder to sustain.

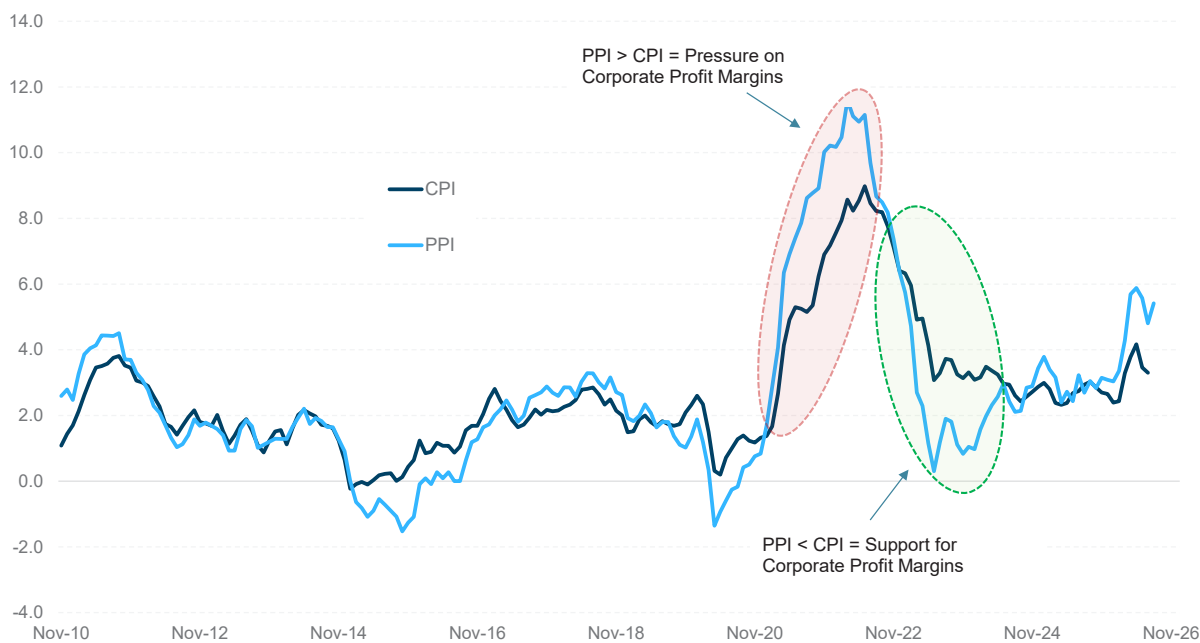
Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
13 Oct.	10:00 a.m.	Existing Home Sales (Sep.)	-2.0%	-0.8	NA	
14 Oct.	8:30 a.m.	Consumer Price Index (Sept.)	0.4%	0.6%	0.5%	
		CPI Less Food & Energy	0.3%	0.2%	0.3%	
15 Oct.	8:30 a.m.	Producer Price Index (Sept.)	0.4%	0.5%	0.6%	
		PPI Less Food & Energy	0.2%	0.3%	0.3%	
15 Oct.	8:30 a.m.	Advance Retail Sales (Sept.)	1.1%	0.3%	0.2%	
		Sales Less Autos	1.3%	0.5%	0.5%	
16 Oct.	9:15 a.m.	Industrial Production (Sept.)	0.0%	0.4%	0.5%	
		Capacity Utilization	76.3%	76.5%	76.5%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: Consumer Price Index

Consumer Prices vs Producer Prices
% Change on Year Ago



Source: Bureau of Labor Statistics, William Blair Equity Research

Economic Scorecard

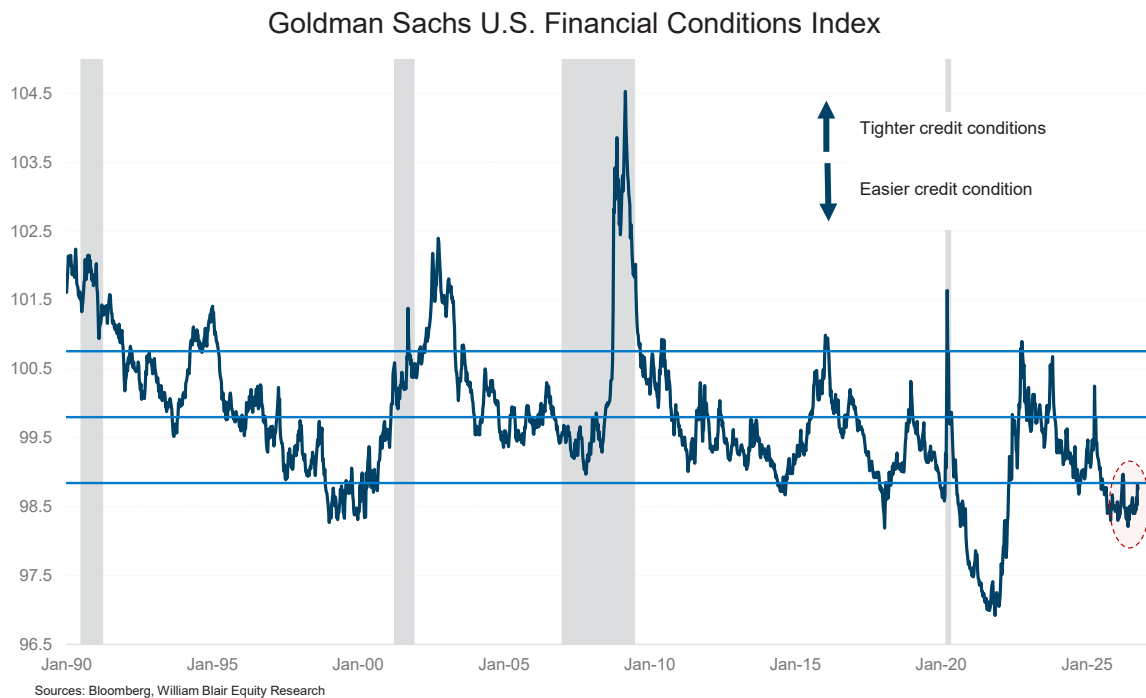
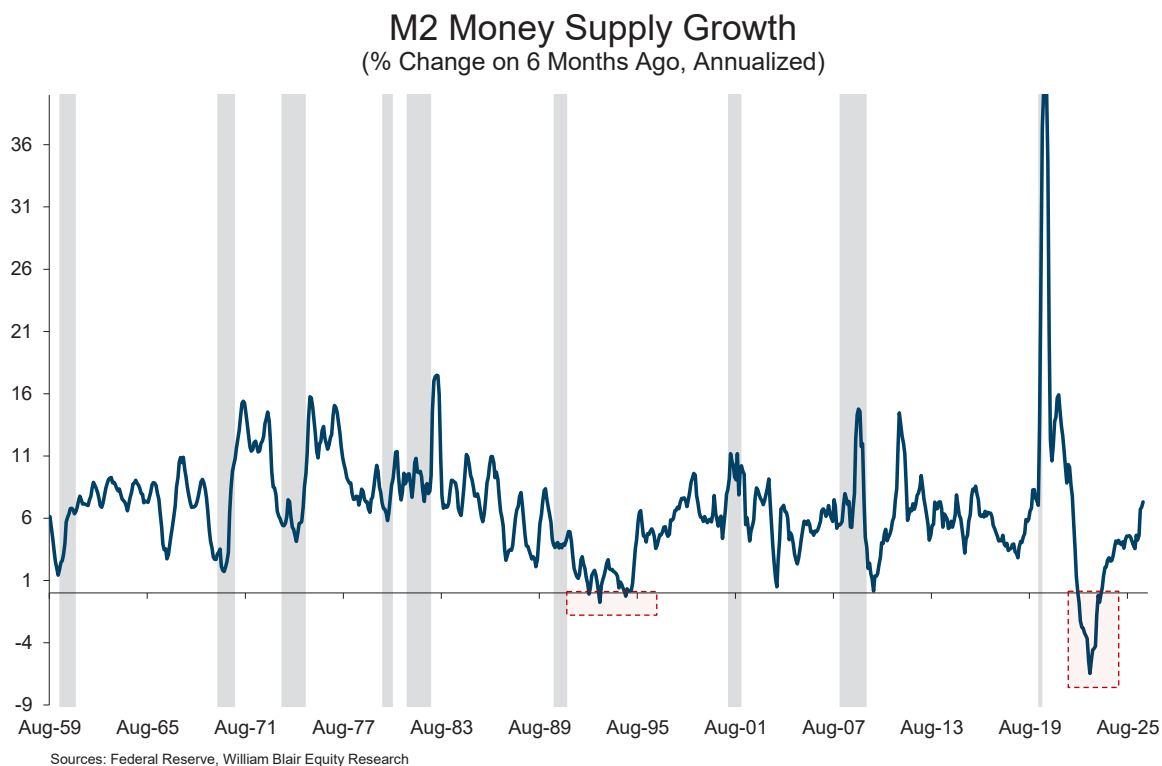
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	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	Sep-26	Oct-26
Growth																			
US Leading Indicators	-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	-1.4	-1.1	-1.0	-0.7		
US Coincident Indicators	1.8	1.1	1.1	1.4	1.2	1.2	1.0	0.8	0.6	0.9	0.8	0.3	0.3	0.6	0.7	0.5	0.7		
US Lagging Indicators	-0.8	-0.1	-0.3	-0.5	-0.4	0.2	0.3	0.3	0.7	0.9	0.6	1.1	1.3	0.7	0.8	1.2	1.3		
Consumer																			
Total Retail Sales	4.6	2.7	3.9	3.7	4.4	3.8	2.8	2.9	2.1	2.2	3.5	3.6	4.1	6.7	5.9	4.5	5.4		
Personal Income	5.8	4.9	4.8	5.1	5.3	5.4	4.9	4.8	4.8	4.8	4.5	4.4	3.7	4.8	4.7	4.5	4.3		
Real Disposable Personal Income	2.5	1.4	1.2	1.6	1.7	1.8	1.4	1.4	1.4	2	1.8	1.3	0.2	1.2	1.5	1.5	1.3		
Real Personal Consumption	3.1	2.4	2.5	2.7	2.9	2.4	2.5	2.3	1.5	2	2.3	1.9	2.2	2.7	2.7	2.3	2.6		
Personal Saving Rate (%)	6.2	5.7	5.5	5.3	5.2	5.1	4.9	4.9	5	5.6	5.3	5.1	4.4	4.4	4.4	4.6	4.1		
Consumer Confidence (Conference Board)**	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	90.2	88.6	81.9	
Employment																			
Employment Growth	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	0.2	0.3	0.2	0.3	0.3	
ASA Temporary Staffing Index	-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	6.3	5.3	
ISM Employment Index Manufacturing*	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	51.2	52.7	
ISM Employment Index Services*	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	47.8	50.1	
Unemployment Rate, %	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	4.1	4.1	4.2	
Average Hourly Earnings	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.3	3.4	3.2	3.1	3	
Initial Jobless Claims (avg. wkly. chg. '000s)	226	233	239	222	231	234	226	221	219	213	216	208	208	215	223	199	208	201	
Job Openings	-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	-0.3	3.5	2.3		
Layoff Announcements	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	-46.1	-38.5	-19.9	
Housing Market																			
Housing Starts	1.5	-3	4.6	12.8	-7.4	-2.8	-7.1	1.5	-7.8	2.4	-9.7	13.1	1	-8.3	4.4	-8.6	-1.2		
New Home Sales	-0.7	-7.2	-2.6	-11.5	1.6	-0.1	3.2	13.2	3	-13.4	-1.7	0.5	-8.6	2.3	1.1	-0.8	-2		
Existing Home Sales	-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	3.8	0.7	-1.2		
Median House Price (Existing Homes)	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.1	-0.7	-3.4	0.5	-2.5	-0.7	-1.3	-5.8		
Existing Homes Inventory (Mths' supply)	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	4.3	4.6		
New Homes Inventory (Mths' supply)	8.6	9.7	9	9.2	8.5	8.2	9	7.7	7.9	9.9	9.3	8.7	9	9.2	8.6	9	8.5		
NAHB Homebuilder Sentiment*	40	34	32	33	32	32	37	38	39	37	37	38	34	37	36	34	35		
Inflation																			
Consumer Price Index	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	3.4	3.4		
CPI Less-food & energy	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	2.5	2.4		
Producer Price Index	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	5.9	5.6	4.8	5.4		
PPI Less-food & energy	3.1	3.2	2.7	3.5	2.9	3	3	3.2	3.4	3.7	3.8	3.9	4.9	4.5	4.8	4.3	4.6		
PCE Price Index	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.7	2.8	2.7	2.8	3.4	3.6	3.8	3.5	3.4	3.4		
PCE Prices Less-food & energy	2.7	2.8	2.8	2.8	2.9	2.8	2.7	2.7	2.9	2.9	3.0	3.1	3.1	3.2	3.0	3.0	3.0		
Business Activity - US																			
Industrial Production	0.9	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.7	1.4	1.7	1.3	1.1	1.4		
New Cap Gds Orders less-aircraft & parts	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	14.9	13.4	14.9		
Business Inventories	2.2	2.5	2.1	1.7	1.6	1.3	1	1.3	1.3	1.2	1.5	1	1.2	2.1	2.8	3.2	3.1	3.8	
ISM Manufacturing PMI*	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	54.6	54.5	
Markit US Manufacturing PMI*	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	53.9	55.9	
ISM Services Index*	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	55.4	54.9	
Markit US Services PMI*	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	56.5	58.8	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	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	54.3	53.9	
Japan Manufacturing PMI Jibun Bank*	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	54.9	54.1	
Caixin China Manufacturing PMI*	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	51.5	52.1	
China Manufacturing PMI*	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	49.8	50.1	
UK Manufacturing PMI Markit/CIPS*	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	51.7	51.9	
France Manufacturing PMI Markit*	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	51.1	50.6	
Currencies***																			
Euro (EUR/USD)	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	-0.6	-3.4	
Renminbi (USD/CNY)	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	-5.8	-5.8	
Yen (USD/Yen)	-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	8.6	6.4	
Sterling (GBP/USD)	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	0.3	-1.3	
Canadian \$ (USD/CAD)	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	0.8	2.2	
Mexican Peso (USD/MXN)	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	-8.9	-1.3	
US Equities																			
S&P 500	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	19.0	14.4	
S&P 400 Midcap	-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	15.6	10.2	
S&P 600 Smallcap	-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	22.1	14.2	
Russell 2000	-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	24.9	14.8	

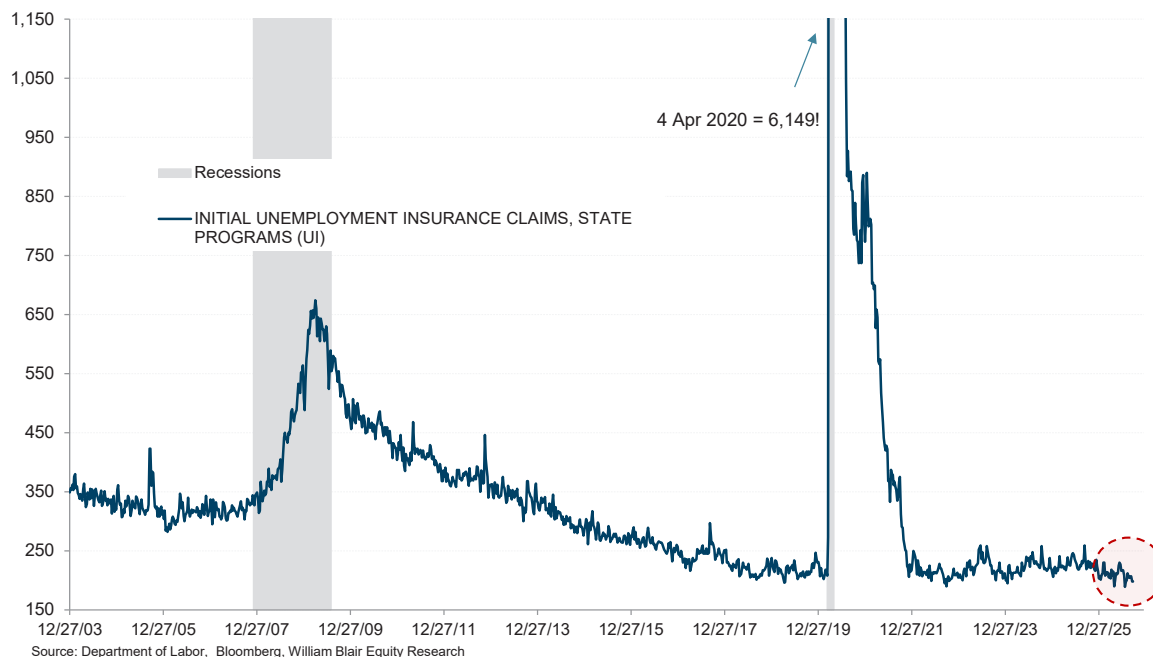
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

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

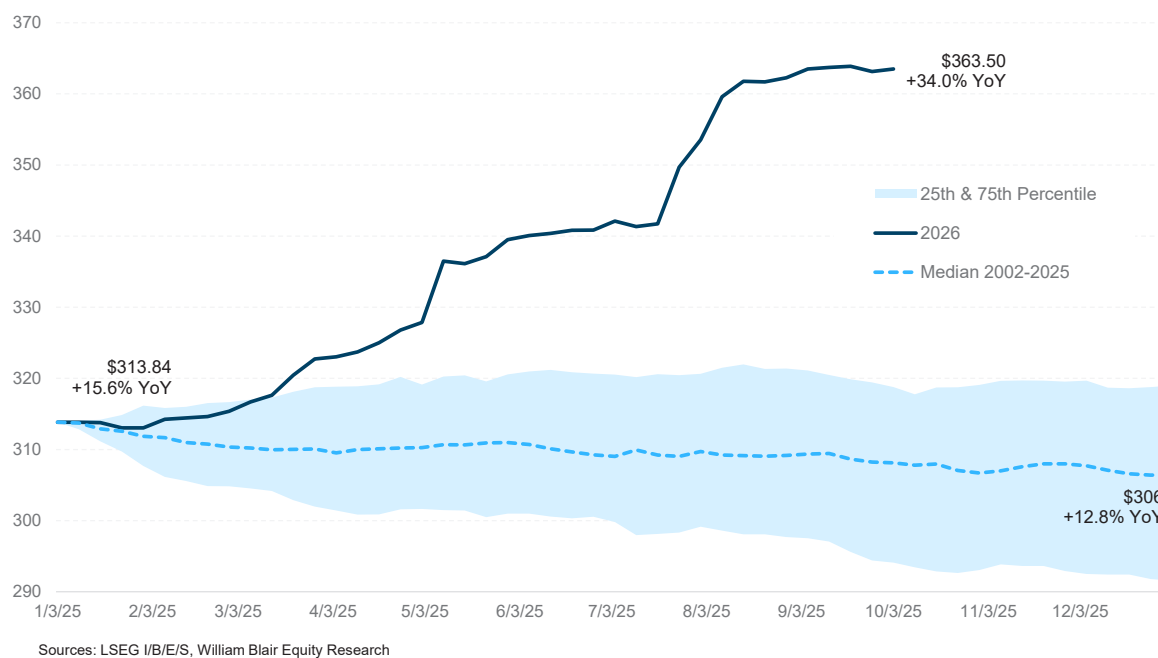
Other Economic Indicators



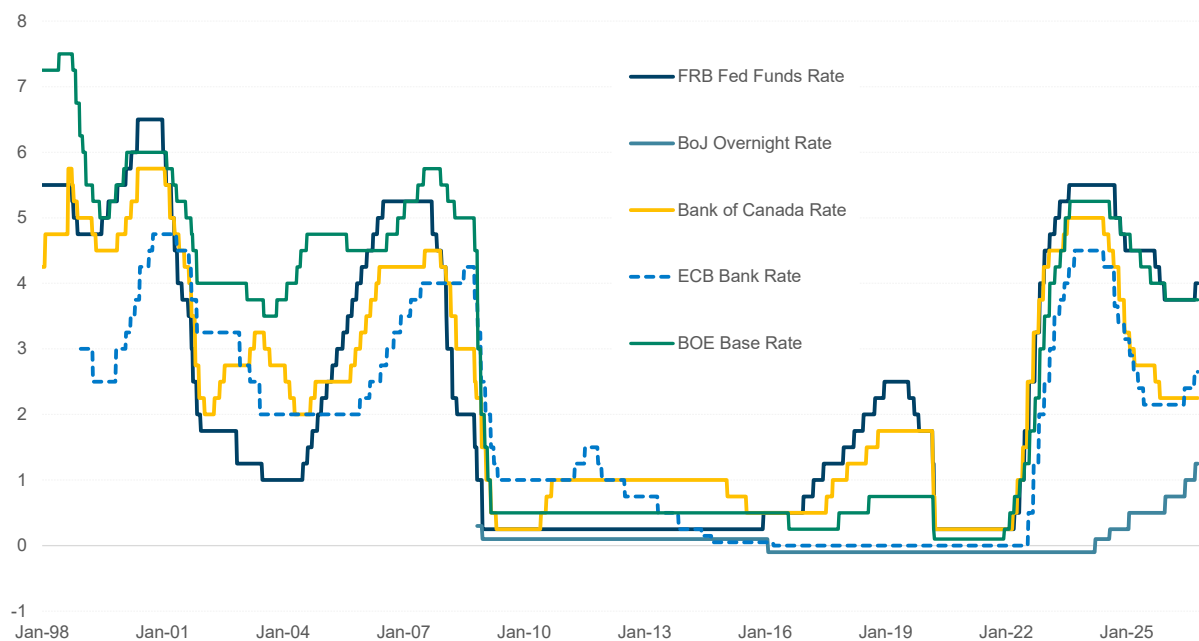
Initial Jobless Claims (‘000s, Seasonally Adjusted)



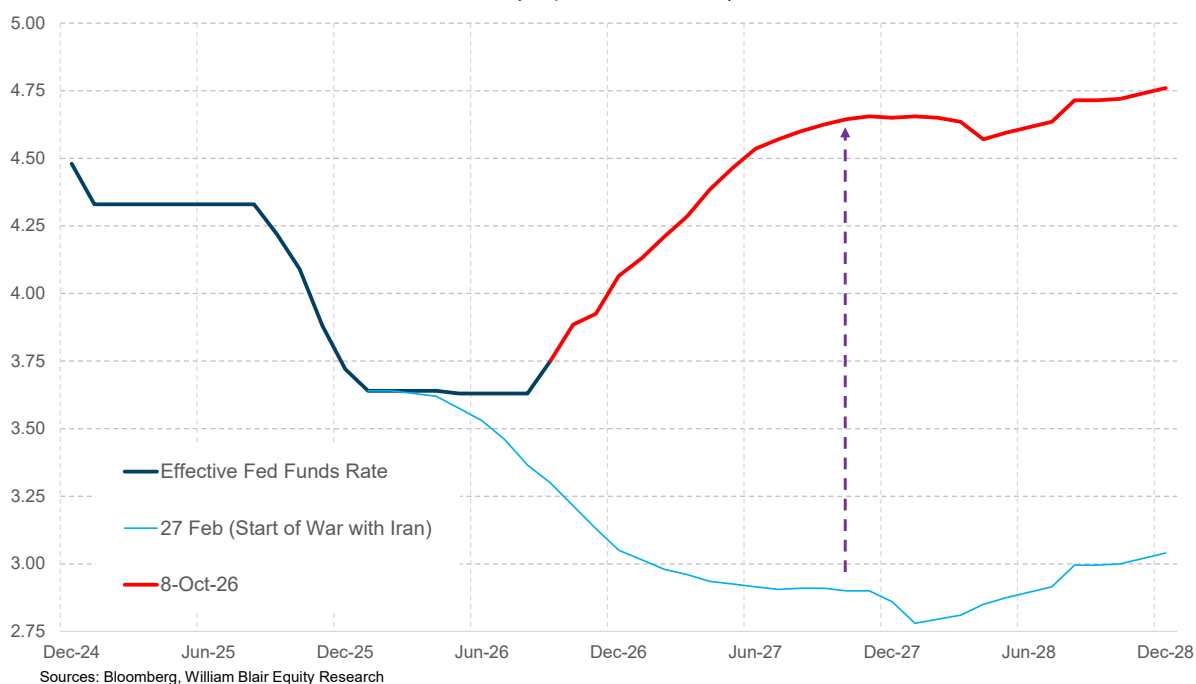
Progression of S&P 500 2026 EPS Estimates, 2026 vs Median 2002-2025 (Rebased to Estimate at End of Q4 2025 of \$313.84 per share)



Central Bank Target Short-Term Interest Rates, %



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



S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 08-Oct-26	Week Ago 01-Oct-26	Month Ago 08-Sep-26	Qtr-to-Date 30-Sep-26	Year-to-Date 31-Dec-25
S&P 500 Index	100.00	1.29	1.20	1.49	13.44
S&P 400 MidCap Index		0.46	-2.90	1.50	10.43
S&P 600 SmallCap Index		0.30	-4.54	0.94	13.82
Dow Jones Industrials		0.60	-2.94	0.64	6.59
Nasdaq Composite		1.20	2.92	1.24	17.00
Communication Services	9.75	2.06	4.21	0.84	4.81
Advertising	0.15	0.17	-9.25	-2.04	-41.73
Broadcasting	0.10	2.83	-4.63	-1.16	-15.93
Cable & Satellite	0.04	2.10	-13.93	1.65	-34.71
Integrated Telecommunication Services	0.61	0.86	-8.35	0.75	-0.44
Interactive Home Entertainment	0.05	2.82	-1.84	0.90	-14.33
Interactive Media & Services	7.77	1.85	6.89	0.70	10.16
Movies & Entertainment	0.75	5.24	-1.36	2.73	-13.31
Publishing & Printing	0.02	1.24	-3.23	0.99	10.04
Wireless Telecommunication Svcs	0.26	5.92	-5.71	5.05	-15.63
Consumer Discretionary	9.16	2.80	-1.55	2.65	-3.81
Apparel Retail	0.31	1.28	4.42	2.03	-0.83
Apparel & Accessories & Luxury Goods	0.07	-1.76	-1.45	0.54	-23.00
Auto Parts & Equipment	0.01	0.54	-3.33	2.76	-33.21
Automobile Manufacturers	2.24	5.50	0.79	5.59	-15.29
Automobile Retail	0.23	1.50	-5.11	1.42	-14.21
Broadline Retail	3.90	2.41	-0.98	2.03	10.39
Casinos & Gaming	0.05	-1.85	-20.45	-4.41	-37.49
Computer & Electronics Retail	0.03	0.80	-1.04	0.18	32.08
Consumer Electronics	0.07	-4.96	-2.63	-6.42	32.33
Distributors	0.02	2.44	-4.39	1.93	3.73
Footwear	0.07	-0.16	-7.08	-0.36	-41.39
Home Furnishings	0.01	-4.54	-7.93	-4.24	9.27
Home Improvement Retail	0.56	4.32	-5.85	3.49	-16.27
Homebuilding	0.13	-2.31	-3.10	-2.10	-11.56
Hotels, Resorts & Cruise Lines	0.70	2.01	-0.29	1.75	-4.14
Leisure Products	0.02	2.80	2.43	5.50	12.80
Restaurants	0.65	1.83	-7.29	2.29	-11.67
Other Specialty Retail	0.06	5.17	-0.70	4.82	-19.83
Consumer Staples	4.89	4.03	1.12	3.73	8.01
Agricultural Products	0.15	2.50	-5.99	2.53	35.92
Brewers	0.01	2.18	-2.37	3.98	-18.77
Consumer Staples Merchandise Retail	2.12	4.24	2.69	4.66	5.47
Distillers & Vintners	0.04	7.88	1.86	7.62	-8.19
Food Distributors	0.05	0.55	-2.05	0.31	6.12
Food Retail	0.08	3.42	-1.65	5.08	-2.76
Household Products	0.68	4.43	1.88	3.36	5.28
Packaged Foods & Meats	0.27	3.33	-5.28	2.62	-6.19
Personal Care Products	0.08	3.61	-5.11	0.91	-2.78
Soft Drinks	0.95	2.16	-2.69	2.13	10.79
Tobacco	0.60	6.58	7.47	5.34	24.70
Energy	3.38	4.03	1.87	6.02	45.71
Integrated Oil & Gas	1.64	2.65	3.19	3.75	39.78
Oil & Gas Equipment & Services	0.22	1.12	-12.94	1.58	23.88
Oil & Gas Exploration & Production	0.62	4.96	-1.07	7.19	30.72
Oil & Gas Refining & Marketing & Transportation	0.52	8.57	13.82	14.10	157.51
Oil & Gas Storage & Transportation	0.39	4.29	-3.40	6.51	26.82

Financials	10.79	1.39	-5.11	1.55	-1.01
Asset Management & Custody Banks	0.88	-0.19	-9.88	0.04	-3.80
Consumer Finance	0.49	2.29	-6.09	2.28	-16.75
Diversified Banks	2.74	0.06	-8.12	-0.11	0.66
Diversified Financial Services	6.33	1.77	-4.30	1.87	-2.15
Financial Exchanges & Data	0.78	2.30	-2.78	2.17	-8.49
Insurance Brokers	0.35	1.74	-6.85	2.53	-12.01
Investment Banking & Brokerage	1.22	-1.30	-12.13	-1.39	1.60
Life & Health Insurance	0.27	2.05	-1.07	1.90	11.99
Multi-Sector Holdings	1.00	2.10	1.03	2.63	1.67
Property & Casualty Insurance	0.84	3.04	-0.24	4.76	4.23
Regional Banks	0.24	0.32	-8.75	0.22	-1.52
Reinsurance	0.02	1.19	0.88	2.18	9.95
Transaction & Payment Processing	1.85	4.12	0.40	4.15	1.92
Health Care	8.85	1.20	0.85	-0.12	8.62
Biotechnology	1.70	1.93	4.88	0.12	23.39
Health Care Distributors	0.33	3.51	1.50	7.77	8.57
Health Care Equipment	1.24	1.24	-0.38	0.18	-20.73
Health Care Facilities	0.15	4.51	9.60	3.85	-6.74
Health Care Services	0.35	3.20	-4.20	2.29	12.00
Health Care Supplies	0.05	-3.25	-10.86	-2.91	-14.10
Life Sciences Tools & Services	0.93	0.84	8.28	-2.47	11.86
Managed Health Care	0.70	2.47	-5.53	1.62	17.47
Pharmaceuticals	3.35	0.14	-0.83	-1.14	15.43
Industrials	7.65	-0.13	-3.23	0.87	8.56
Aerospace & Defense	1.80	-1.24	-7.66	-0.81	-6.16
Agricultural & Farm Machinery	0.25	-2.20	-4.14	-2.82	40.17
Air Freight & Logistics	0.25	0.34	-5.21	1.37	8.50
Building Products	0.40	1.48	1.90	2.98	12.21
Cargo Ground Transportation	0.11	2.13	-8.63	4.07	15.44
Construction & Engineering	0.28	2.37	4.90	4.96	60.05
Construction Machinery & Heavy Trucks	0.76	-2.64	-4.42	-1.34	27.14
Data Processing & Outsourced Services	0.03	2.52	-2.02	2.55	-25.97
Diversified Support Svcs	0.15	2.28	-4.36	2.50	-5.90
Electrical Components & Equipment	0.69	-1.10	-1.59	0.64	18.60
Environmental & Facilities Services	0.26	4.02	-2.75	3.24	-6.96
Heavy Electrical Equipment	0.48	0.51	2.06	3.52	51.68
Human Resource & Employment Services	0.20	2.81	-2.01	5.18	2.84
Industrial Conglomerates	0.23	-0.92	-1.41	-0.78	5.96
Industrial Machinery	0.55	0.04	-1.78	0.91	-0.20
Passenger Airlines	0.15	-2.65	2.88	-1.94	6.78
Passenger Ground Transportation	0.20	3.48	-3.95	2.53	-14.04
Railroads	0.45	2.02	-3.46	2.19	20.33
Research & Consulting Svcs	0.10	1.61	-6.56	2.94	-23.32
Trading Companies & Distributors	0.31	-0.08	0.33	1.86	23.97
Information Technology	37.48	0.44	5.04	1.20	29.39
Application Software	1.80	2.40	8.36	5.42	-11.30
Communications Equipment	1.32	4.36	6.84	6.36	51.36
Electronic Components	0.56	-2.54	-0.37	1.20	38.37
Electronic Equipment & Instruments	0.15	0.08	8.30	1.98	57.01
Electronic Manufacturing Services	0.19	-0.25	1.11	3.02	-1.40
Internet Software & Services	0.14	-2.30	-0.17	-1.01	3.05
IT Consulting & Services	0.53	-0.45	3.91	6.52	-24.28
Semiconductor Equipment	1.61	-3.99	4.01	-0.79	84.44
Semiconductors	15.56	-0.48	3.91	0.19	41.00
Systems Software	7.27	1.57	6.24	1.67	12.69
Technology Distributors	0.02	2.99	-3.18	9.15	2.70
Technology Hardware, Storage & Peripherals	8.31	1.46	6.00	1.14	38.23
Materials	1.54	1.79	-4.12	1.33	8.97
Commodity Chemicals	0.06	3.97	-4.74	4.31	29.12
Construction Materials	0.17	0.49	-7.38	-0.25	-26.71
Copper	0.14	2.68	-7.15	1.63	40.06

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Fertilizers & Agricultural Chemicals	0.03	0.65	-8.66	3.28	22.80
Gold	0.17	0.77	-9.08	0.18	15.72
Industrial Gases	0.40	2.44	0.65	1.17	12.92
Metal & Glass Containers	0.02	3.31	-4.34	4.17	10.19
Paper Packaging	0.13	-1.54	-5.67	-2.40	-1.56
Specialty Chemicals	0.30	1.47	-2.27	0.70	2.98
Steel	0.12	4.03	-3.48	5.43	46.04
Real Estate	1.58	0.28	-6.59	-0.34	2.39
Data Center REITs	0.23	-0.16	-4.53	0.09	24.72
Health Care REITs	0.31	-2.06	-6.92	-3.53	15.88
Hotel & Resort REITs	0.02	0.13	2.13	0.67	30.91
Industrial REITs	0.17	0.87	-6.64	-0.42	1.28
Multi-Family Residential REITs	0.00	-0.26	-7.84	-0.83	-7.31
Office REITs	0.01	-1.53	-9.76	-2.93	-12.09
Other Specialized REITs	0.08	1.06	-5.85	0.69	5.75
Real Estate Service	0.07	2.07	-6.43	3.60	-32.51
Retail REITs	0.21	-0.09	-8.06	-0.58	3.21
Self-Storage REITs	0.11	0.35	-4.96	1.06	6.89
Single-Family Residential REITs	0.11	0.35	-4.96	1.06	6.89
Telecom Tower REITs	0.17	4.24	-6.86	2.82	-10.84
Timber REITs	0.02	3.13	-15.51	0.63	-19.08
Utilities	1.81	3.48	-4.95	4.12	-3.84
Electric Utilities	1.19	3.51	-5.40	4.16	-4.72
Gas Utilities	0.04	2.74	-4.41	2.69	-4.16
Independent Power Producers & Energy Traders	0.09	9.47	2.50	10.38	-2.00
Water Utilities	0.04	0.25	-8.69	-1.00	-1.77
Multi-Utilities	0.47	2.72	-4.82	3.50	-2.02

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

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DOW JONES: 51231.60

S&P 500: 7765.36

NASDAQ: 27193.30

Additional information is available upon request.

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Market Perform (Hold)	28	Market Perform (Hold)	4
Underperform (Sell)	1	Underperform (Sell)	0

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