Equity Research
Economics

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Economics Weekly

Second-Quarter Earnings Preview

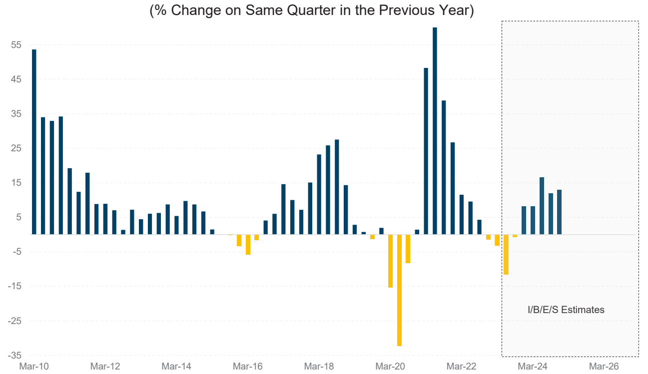
Please refer to important disclosures on pages 14 and 15. Analyst certification is on page 14.

The second-quarter earnings season is now underway, with 77 S&P 500 companies having reported. Of these companies, 79.2% have surprised to the upside, 15.6% to the downside, and 5.2% have been in line. This is a little above the average surprise factor of 74% (or 75.7% for the second quarter) since 2013. **In this *Economics Weekly,* we break down the past quarter's earnings and preview the main factors that we will be looking for from a macro perspective.**

It's Confession Time

According to the latest I/B/E/S Refinitiv collection of analysts' estimates, earnings are expected to have declined 11.5% in the second quarter compared to a year ago. This would be the third consecutive quarterly decline and the largest quarterly decline since the second quarter of 2002. Hence, by this measure it would suggest that the economy has already been experiencing an earnings recession (exhibit 1).

Exhibit 1.
S&P 500 EPS
(% Change on Same Quarter in the Previous Year)



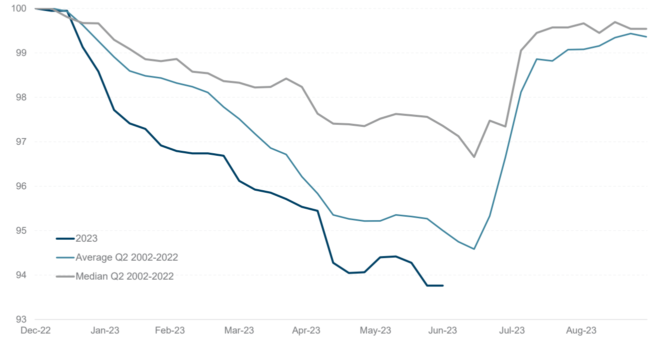
Sources: I/B/E/S Refinitiv, William Blair Equity Research

Analysts are expecting this to be the trough in earnings, with third-quarter earnings expected to be 9.1% higher than the second.

A look at today's earnings estimates relative to the typical pattern shows that analysts have been slightly more conservative over the course of this second quarter compared to the average trend in second-quarter estimates over the last 22 years.

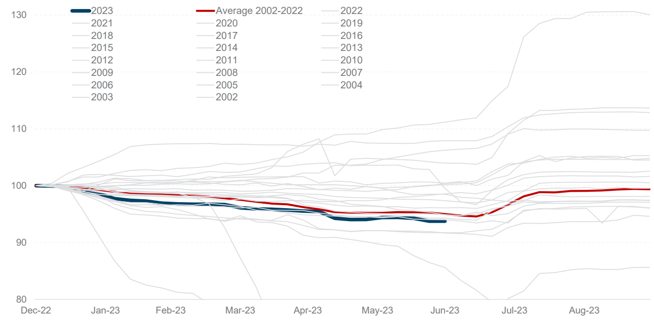
As exhibits 2 and 3 show, while second-quarter estimates from the start of the year typically fall by 5.4% to trough in the second week of July, today's have fallen by 6.2%. We note that the average is being heavily skewed by the collapse in earnings in 2009 and 2020, whereas a look at the median decline shows a fall of 3.3%.

Exhibit 2.
Progression of Q2 EPS Estimates (Average & Median 2002-2022) vs 2023 Estimates
($/share)



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

Exhibit 3.
Progression of Q2 EPS Estimates 2002-2022 vs 2023 Estimates
($/share)



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

The exhibits also show that as "the confession" season gets underway, these beaten-down estimates start to move up significantly as companies' actual earnings "beat" guidance. From the mid-July trough in expectations, earnings have historically increased by 5.1% to the end the reporting period, ending up only 0.6% lower than start-of-year estimates.

First-quarter earnings estimates followed the same pattern, but were significantly worse than the historical average (exhibit 4).

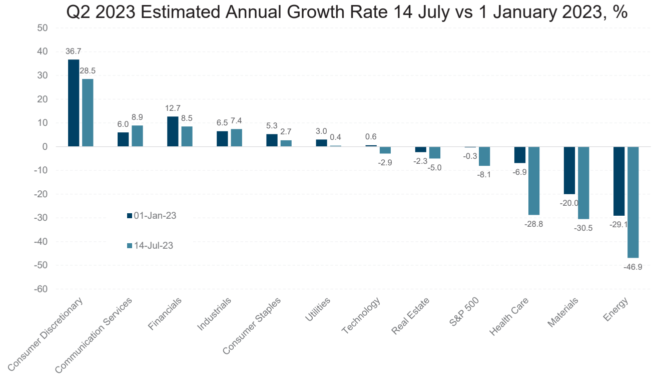
Exhibit 4.
Progression of Q1 EPS Estimates (Average 2003-2022) vs 2023 Estimates
($/share)

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

Scratching a little below the surface, exhibit 5 shows that 6 of 11 sectors are expected to report year-over-year growth, while 5 sectors are anticipated to fall.

Exhibit 5.

Q2 2023 Estimated Annual Growth Rate 14 July vs 1 January 2023, %



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

The most significant earnings increase is from consumer discretionary stocks, which are expected to have increased 28.5% annually (though this is much lower than the 36.7% rise expected at the start of the year).

The biggest area of weakness is from the energy companies, where the fall in the price of energy over the past quarter due to slowing global growth has come as a major surprise to the market.

In terms of sectors where growth expectations have fared the worst relative to estimates at the start of the year, the two worst performers have been healthcare, where growth estimates have fallen from -6.9% to -28.8%, and energy, down from -29.1% to -46.9%. In fact, only two sectors have increased their estimates from the start of the year: communication services (8.9% vs. 6.0%) and industrials (7.4% vs. 6.5%).

What to Look for This Season

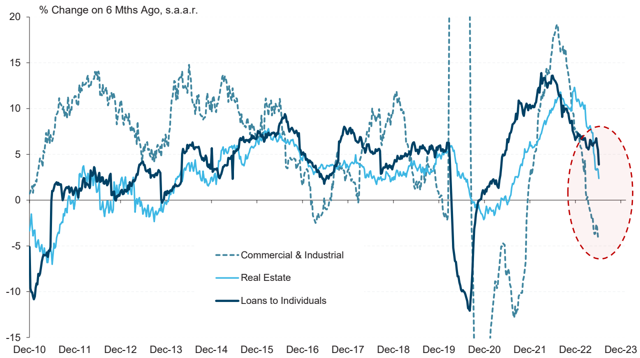
From a macro perspective, we will keep an eye on three important areas. **Perhaps the most important factor we will monitor will be the impact from higher interest rates and the general economic outlook companies provide.**

First out of the gate here were last week's earnings from the largest banks, which were surprisingly upbeat. There seemed to be little immediate adverse impact from the Silicon Valley Bank failure that took place in March.

Nevertheless, it will be important to gauge the impact that the decline in bank lending is having on bank profitability and the profitability of their borrowers (exhibit 6). This decline has been a result of both higher interest rates and tighter bank lending standards.

Exhibit 6.

US Bank Loans



Source: Federal Reserve, William Blair Equity Research

Furthermore, while many of these larger banks have been profiting from the increase in their depositor base, the smaller banks have suffered. This pain is likely to be on display in the form of squeezed net interest margins. JP Morgan CEO Jamie Dimon also warned that having to pay higher deposit rates would increasingly impact his bank and other large banks going forward.

More broadly, we are keen to hear from companies about the impact that we have already seen in weaker commercial and industrial loans, as well as real estate and consumer loans. Judging from the comments we have been hearing from many of the manufacturing companies (for example, in the various manufacturing surveys and the Beige Book), the interest rate situation is starting to restrain growth. This has been the result of both actual financing conditions and the uncertainty around the expected impact going forward, which is creating more caution.

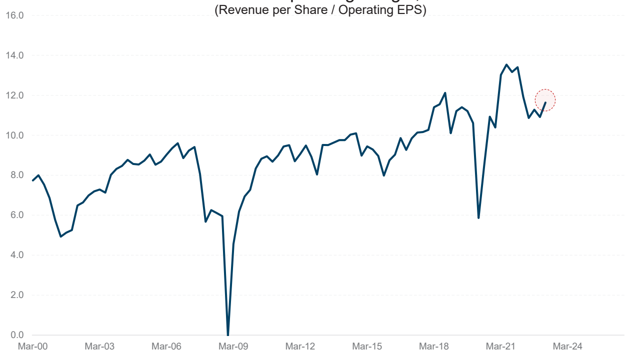
Similarly, we also will be keeping a sharp ear out for any comments related to weakness in the commercial real estate space, either from the banks or companies themselves, as greater stress is likely here in the coming quarters.

We also already know that many companies have been liquidating their inventories, and with prices coming down—particularly for raw commodities—some of the profits yielded in previous quarters from inflated inventory profits will now be given back.

The second important factor will be the extent to which companies still feel they can pass through price increases.

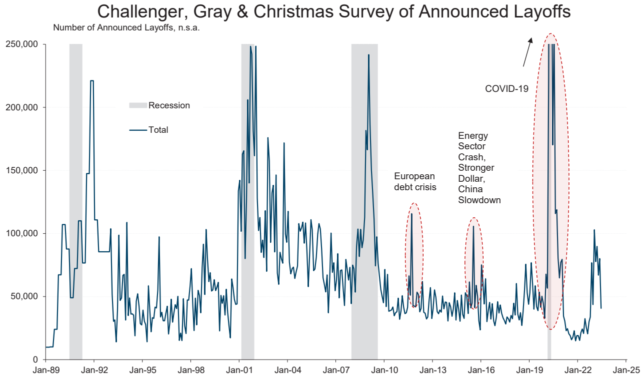
"Greedflation" has been one of the biggest tailwinds to corporate profitability over the last couple of years, helping to keep margins high (exhibit 7). However, price inflation is now decelerating, and as this week's retail sales report again highlighted, after adjusting for inflation, retail sales are now 1.6% lower than June 2022 (exhibit 8). Ultimately, this should start to be visible in margins being more tangibly squeezed.

Exhibit 7.
S&P 500 Operating Margin, %
(Revenue per Share / Operating EPS)



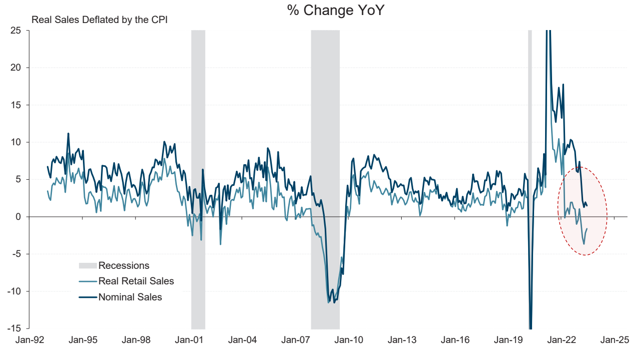
Sources: Standard & Poor's, William Blair Equity Research

Exhibit 9.
Challenger, Gray & Christmas Survey of Announced Layoffs



Source: Challenger, Gray, Christmas; William Blair Equity Research; Measures layoff announcements from US-based companies

Exhibit 8.
Inflation Adjusted Retail Sales vs Nominal Retail Sales, % Change YoY



Sources: BLS, William Blair Equity Research

The third factor we will closely monitor is any sign that it is becoming more difficult for companies to hoard labor.

So far, the economic data we have seen over the past quarter are not indicative of such pressures (exhibit 9). Instances of layoff announcements that increased through the first quarter on the back of layoffs in tech and the financials have so far not spread to other sectors.

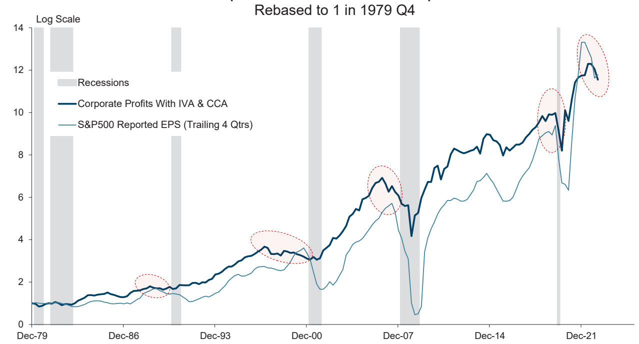
A feature of this current economic cycle is that companies are cognizant of just how hard and expensive it was to find, train, and retain these workers, and they are not yet prepared to let them go at the first whiff of economic weakness—something they were very ready to do in the past. As growth slows, however, these compensation pressures, and presumably lower productivity levels (more workers sitting around doing less), should take its toll on margins.

In addition, we will very closely watch the behavior of corporate profits from the National Income and Product Accounts (NIPA).

This measure is for profitability of all U.S. corporate businesses (public and private). NIPA is a useful gauge as it is a far more conservative measure of corporate profitability than the inflated profits reported to Wall Street. This is because it takes into account the profits that companies report to the government for tax return purposes. As a result, they generally tend to lead the economy in terms of recessions and S&P 500 profits, given that companies are quicker to declare tax losses than earnings losses to investors.

Exhibit 10 shows that this time around S&P 500 profits peaked ahead of NIPA profits; however, NIPA profits are now firmly confirming this peak, and definitely not indicative yet of any trough in earnings in the coming quarters.

Exhibit 10.
S&P500 Reported EPS vs NIPA Corporate Profits
Rebased to 1 in 1979 Q4



Sources: BEA, S&P, William Blair Equity Research

Conclusion

While this earnings seasons is really just getting underway, in terms of the surprise factors it has so far been on trend—with a rising number of positive surprises and falling negative and in-line surprises. Second-quarter earnings are expected to be exceptionally poor, where the progression of analysts lowering their earnings estimates over the last 6 months has been far worse than either the historical average or the median.

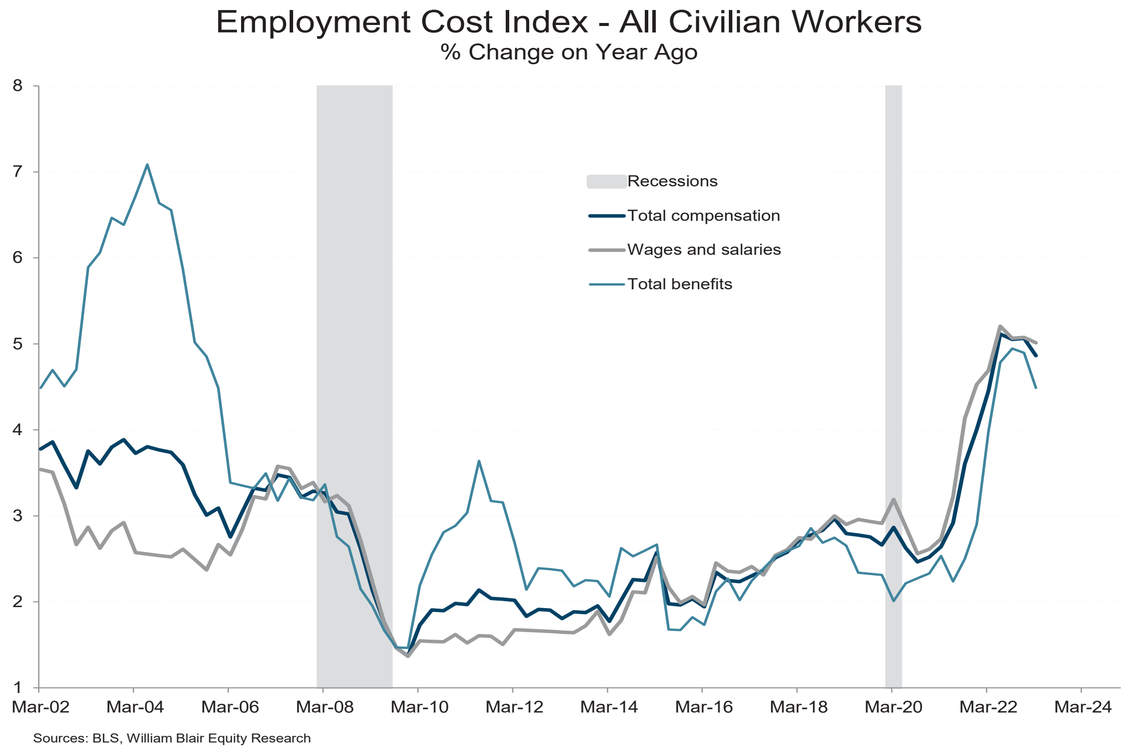
Many believe this will mark the trough in earnings, as it will be the third consecutive quarterly decline. For that, we will have to wait and see. We will be watching four main areas that are likely to exert margin pressure. The first is the extent to which higher interest rates are slowing growth and who is being impacted the most. Second will be the extent to which companies have yet again been able to engage in "greedflation," or marking up prices to compensate for lower volume growth. As prices have started to come back down, and consumers are increasingly balking at higher prices, this is likely to put more downward pressure on margins. Lastly, we are keen to see how much of a toll unit labor costs are taking as companies hoard labor, fearful of no economic downturn, or not being able to hire them back once the economy recovers. Furthermore, NIPA data through the first quarter, which tend to lead S&P 500 profits and the economy more generally, are showing no signs of turning.

Highlights in the Week Ahead

Date	Time (EDT)	Indicator	Last	Consensus	WB Estimate	Actual
25 July	10:00 a.m.	Consumer Confidence (July)	109.7	112.0	111.5	
26 July	10:00 a.m.	New Home Sales (June)	12.2%	-5.5%	-6.3%	
26 July	2:00 p.m.	FOMC Meeting (Upper bound)	5.25%	5.50%	5.5%	
27 July	8:30 a.m.	GDP (Q2 Advance)	2.0%	1.8%	1.7%	
27 July	8:30 a.m.	Durable Goods Orders (June)	1.8%	0.4%	0.0%	
		Orders Less-transporation	0.7%	0.1%	-0.1%	
28 July	8:30 a.m.	Employment Cost Index (Q2)	1.2%	1.1%	1.1%	
28 July	8:30 a.m.	Personal Income (June)	0.4%	0.5%	0.4%	
		Personal Spending	0.1%	0.4%	0.3%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: Employment Cost Index



Economic Scorecard

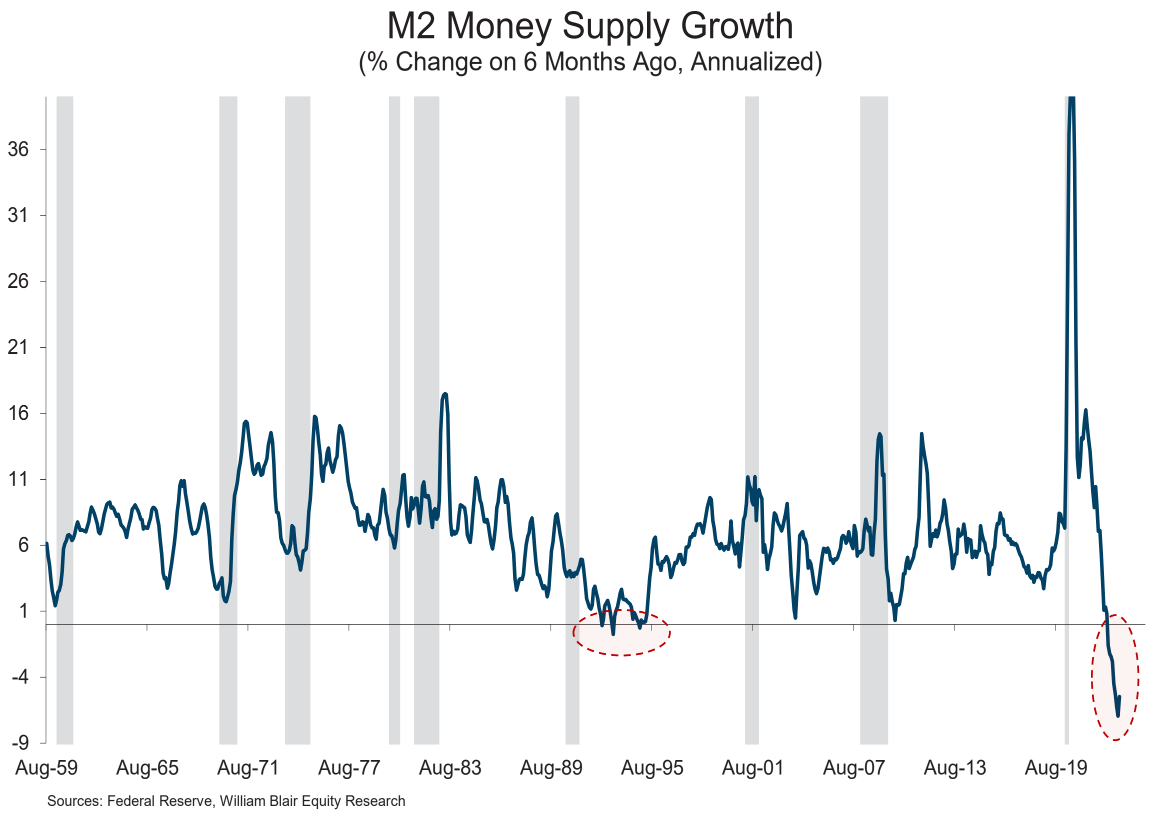
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

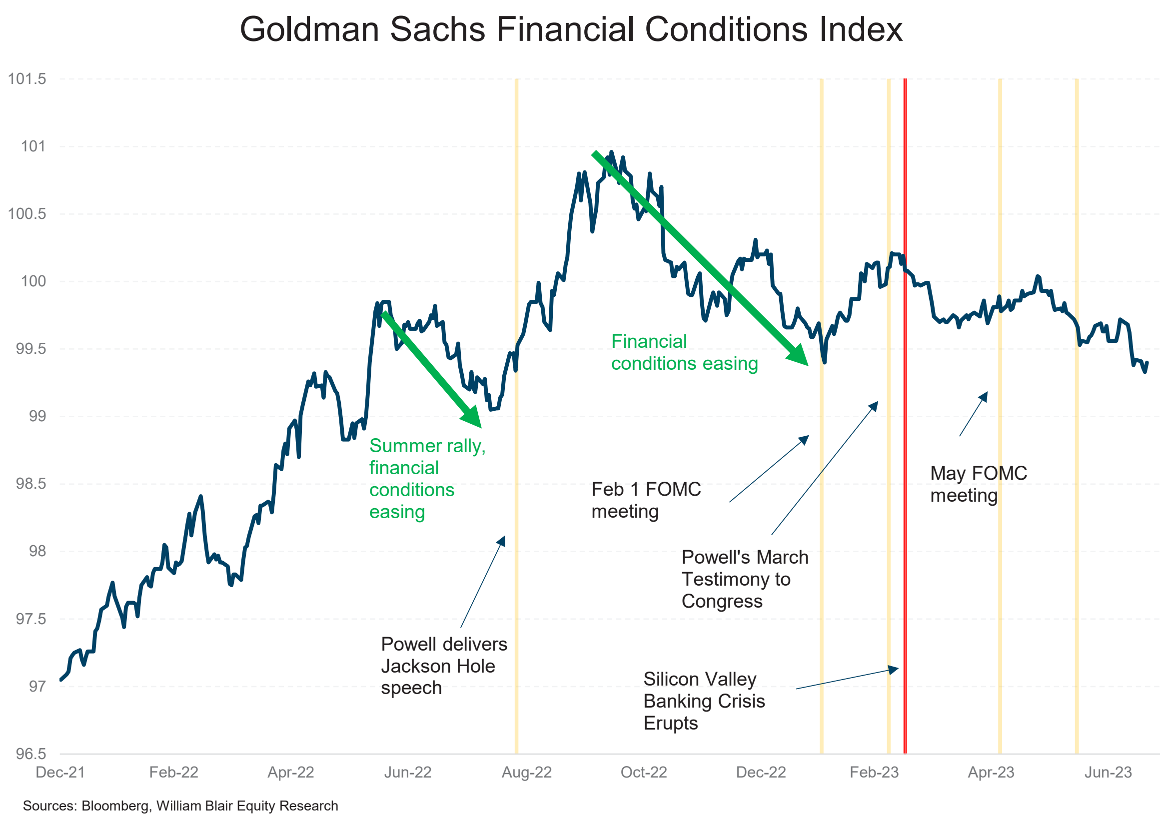
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Growth																			
US Leading Indicators	6.7	7.0	6.0	4.4	2.8	1.3	-0.3	-1.1	-1.6	-3.2	-4.6	-6.0	-6.0	-6.8	-7.9	-8.0	-7.8		
US Coincident Indicators	3.0	4.1	2.6	2.6	2.4	1.8	2.0	2.2	2.4	1.9	1.4	1.5	1.5	1.3	1.4	1.3	1.6		
US Lagging Indicators	3.8	2.1	6.4	4.8	5.5	6.7	6.6	7.4	7.5	7.4	7.6	7.5	6.7	6.7	5.6	5.0	4.0		
Consumer																			
Total Retail Sales	13.3	17.8	8.4	8.9	9.7	9.3	10.3	10.2	9.4	8.8	6.1	6	7.4	5.3	2.2	1.3	2.0	1.5	
Personal Income	-2.4	5.6	-12.1	1.4	3.9	4.3	3.9	4.2	5.6	5.4	5	4.9	5.8	5.6	5.5	5.5	5.5		
Real Disposable Personal Income	-11.5	-3.4	-21.6	-7.4	-4.8	-4.7	-4.6	-4.1	-2.6	-2.3	-2	-1.5	2.4	2.8	3.5	3.5	4		
Real Personal Consumption	5.6	6.7	2.3	2.4	2.6	2.1	2.2	2.3	2.1	1.7	1.4	1.9	2.6	2.4	2.1	2.2	2.1		
Personal Saving Rate (%)	4.7	4.5	3.8	3.6	3.4	2.7	3.5	3.2	3	3	3.5	3.7	4	4.3	4.6	4.3	4.6		
Consumer Confidence (Conference Board)**	111.1	105.7	107.6	108.6	103.2	98.4	95.3	103.6	107.8	102.2	101.4	109	106	103.4	104	103.7	102.5	109.7	
Employment																			
Employment Growth	5.0	5.2	4.9	4.9	4.8	4.5	4.4	4.2	4.0	3.7	3.4	3.2	3.3	2.8	2.7	2.6	2.6	2.5	
ASA Temporary Staffing Index	17.6	17.9	13.9	11.6	11.2	9.2	9.3	9.3	5.4	1.1	0.2	1.0	-2.1	-6.1	-6.5	-6.8	-5.9	-6.6	
ISM Employment Index Manufacturing*	53.8	52.7	55.3	51.2	50.2	48.1	49.8	54.2	49.3	49.9	48.9	50.8	50.6	49.1	46.9	50.2	51.4	48.1	
ISM Employment Index Services*	52.2	49	53.5	49.7	50.3	48.7	49.5	50.2	52.3	49.2	50.6	49.4	50	54	51.3	50.8	49.2	53.1	
Unemployment Rate, %	4	3.8	3.6	3.6	3.6	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7	3.6	
Average Hourly Earnings	5.7	5.3	5.9	5.8	5.5	5.4	5.4	5.4	5.1	4.9	5	4.8	4.4	4.7	4.3	4.4	4.4	4.4	
Initial Jobless Claims (avg. wkly. chg. '000s)	240	222	218	216	212	217	216	210	191	202	213	209	200	219	238	239	230	254	
Jop Openings	60.1	49.5	43.2	26.6	16.3	8.9	4.6	-7.0	-0.3	-7.9	-4.3	-5.0	-8.0	-14.0	-19.0	-12.2	-14.1	-10.4	
Layoff Announcements	-76	-55.9	-30.1	6	-15.8	58.8	36.3	30.3	67.6	48.3	416.5	129.1	440	410.1	319.4	175.9	286.7	25.2	
Housing Market																			
Housing Starts	4.2	24.5	0.8	21.5	-3.6	-6	-13.9	-4.5	-6.2	-8.9	-16.6	-24.1	-19.7	-18.9	-19.4	-25.2	1	-8.1	
New Home Sales	-10.1	1	-16.8	-24.6	-11	-21.4	-28.6	-7.5	-23.6	-15.1	-24.6	-23.4	-19.9	-19.1	-7.1	11.3	20		
Existing Home Sales	-3.4	-4.1	-5.5	-6.5	-8.9	-14.8	-19.9	-20.2	-24.0	-28.2	-35.2	-34.0	-36.9	-23.1	-22.1	-23.0	-20.4		
Median House Price (Existing Homes)	15.4	18.1	21.2	21.7	15.4	15.5	17.8	8.9	15.6	16.3	7.4	17	0.4	1.4	1.4	-12.2	-7.6		
Existing Homes Inventory (Mths' supply)	1.9	1.9	2.1	2.2	2.4	2.7	2.9	3	3	3.2	3.4	3.5	3.4	2.9	2.8	2.8	2.8		
New Homes Inventory (Mths' supply)	5.8	6.2	7	8.5	8.3	9.5	10.1	8.7	9.7	9.7	9.4	8.5	8.1	8.4	7.9	7.6	6.7		
NAHB Homebuilder Sentiment*	83	81	79	77	69	67	55	49	46	38	33	31	35	42	44	45	50	55	
Inflation																			
Consumer Price Index	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	6.4	6	5	4.9	4	3	
CPI Less-food & energy	6	6.4	6.5	6.2	6	5.9	5.9	6.3	6.6	6.3	6	5.7	5.6	5.5	5.6	5.5	5.3	4.8	
Producer Price Index	10.1	10.4	11.7	11.2	11.1	11.2	9.7	8.7	8.5	8.2	7.4	6.4	5.7	4.7	2.7	2.1	0.9	0.1	
PPI Less-food & energy	8.6	8.9	9.7	9	8.6	8.3	7.6	7.2	7.2	6.9	6.3	5.7	5	4.6	3.3	3	2.6	2.4	
PCE Price Index	6.1	6.4	6.8	6.4	6.5	7	6.4	6.3	6.3	6.1	5.7	5.3	5.4	5	4.2	4.3	3.8	3.8	
PCE Prices Less-food & energy	5.2	5.4	5.4	5.0	4.9	5.0	4.7	4.9	5.2	5.1	4.8	4.6	4.7	4.7	4.6	4.7	4.6	4.6	
Business Activity - US																			
Industrial Production	2.3	6.6	4.4	4.6	3.7	3.2	3.0	3.1	4.5	3.1	1.9	0.6	1.5	0.9	0.2	0.5	0.0	-0.4	
New Cap Gds Orders less-aircraft & parts	10.1	9.3	8	4.8	9.5	7.6	6.3	8.2	5.6	5	3.2	1	5.6	2.7	1.9	1	3.1	3.1	
Business Inventories	13.5	14.3	15.4	17.9	19	20.1	20.5	19.6	19.4	18.3	16.8	15.1	12.6	10.7	8.8	6.2	5.2	3.5	
ISM Manufacturing PMI*	57.6	58.4	57	55.9	56.1	53.1	52.7	52.9	51	50	49	48.4	47.4	47.7	46.3	47.1	46.9	46	
Markit US Manufacturing PMI*	55.5	57.3	58.8	59.2	57	52.7	52.2	51.5	52	50.4	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3	
ISM Services Index*	60.4	57.2	58.4	57.5	56.4	56	56.4	56.1	55.9	54.5	55.5	49.2	55.2	55.1	51.2	51.9	50.3	53.9	
Markit US Services PMI*	51.2	56.5	58	55.6	53.4	52.7	47.3	43.7	49.3	47.8	46.2	44.7	46.8	50.6	52.6	53.6	54.9	54.4	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	59.8	58.4	56.9	54.6	54.8	52	49.3	49.1	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6	
Japan Manufacturing PMI Jibun Bank*	55.4	52.7	54.1	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49	48.9	48.9	47.7	49.2	49.5	50.6	49.8	
Caixin China Manufacturing PMI*	49.1	50.4	48.1	46	48.1	51.7	50.4	49.5	48.1	49.2	49.4	49	49.2	51.6	50	49.5	50.9	50.5	
China Manufacturing PMI*	50.1	50.2	49.5	47.4	49.6	50.2	49	49.4	50.1	49.2	48	47	50.1	52.6	51.9	49.2	48.8	49	
UK Manufacturing PMI Markit/CIPS*	57.3	58	55.2	55.8	54.6	52.8	52.1	47.3	48.4	46.2	46.5	45.3	47	49.3	47.9	47.8	47.1	46.5	
France Manufacturing PMI Markit*	55.5	57.2	54.7	55.7	54.6	51.4	49.5	50.6	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46	
Currencies* **																			
Euro (EUR/USD)	-7.4	-7.1	-5.7	-12.3	-12.2	-11.6	-13.9	-14.9	-15.4	-14.5	-8.2	-5.8	-3.3	-5.7	-2.1	4.5	-0.4	4.1	
Renmimbi (USD/CNY)	-1.0	-2.5	-3.2	2.1	4.7	3.8	4.4	6.7	10.4	14.0	11.4	8.5	6.2	9.9	8.4	4.7	6.5	8.3	
Yen (USD/Yen)	10.0	7.9	9.9	18.7	17.4	22.1	21.5	26.3	30.1	30.5	22.0	13.9	13.0	18.4	9.2	5.1	8.3	6.3	
Sterling (GBP/USD)	-1.9	-3.7	-4.7	-9.0	-11.3	-12.0	-12.5	-15.5	-17.1	-16.2	-9.3	-10.7	-8.4	-10.4	-6.1	-0.1	-1.3	4.3	
Canadian $ (USD/CAD)	-0.5	-0.5	-0.5	4.6	4.8	3.8	2.6	4.1	9.1	10.0	5.0	7.3	4.7	7.7	8.1	5.5	7.3	2.9	
Mexican Peso (USD/MXN)	0.3	-1.9	-2.8	0.9	-1.5	0.9	2.5	0.3	-2.4	-3.7	-10.2	-5.0	-8.7	-10.6	-9.2	-11.9	-10.0	-14.9	
US Equities																			
S&P 500	21.6	14.8	14.0	-1.2	-1.7	-11.9	-6.0	-12.6	-16.8	-15.9	-10.7	-19.4	-9.7	-9.2	-9.3	0.9	1.2	17.6	
S&P 400 Midcap	12.6	6.6	3.2	-8.3	-7.8	-15.8	-7.1	-11.7	-16.6	-12.9	-4.8	-14.5	0.7	-2.3	-6.7	-0.4	-4.3	15.6	
S&P 600 Smallcap	9.3	2.9	-0.1	-9.7	-9.9	-18.0	-7.6	-13.4	-20.0	-13.1	-7.4	-17.4	-2.5	-5.1	-10.4	-5.5	-8.9	7.8	
Russell 2000	-2.2	-6.9	-6.8	-17.8	-17.8	-26.1	-15.3	-18.9	-24.5	-19.6	-14.2	-21.6	-4.8	-7.4	-12.9	-5.1	-6.1	10.6	

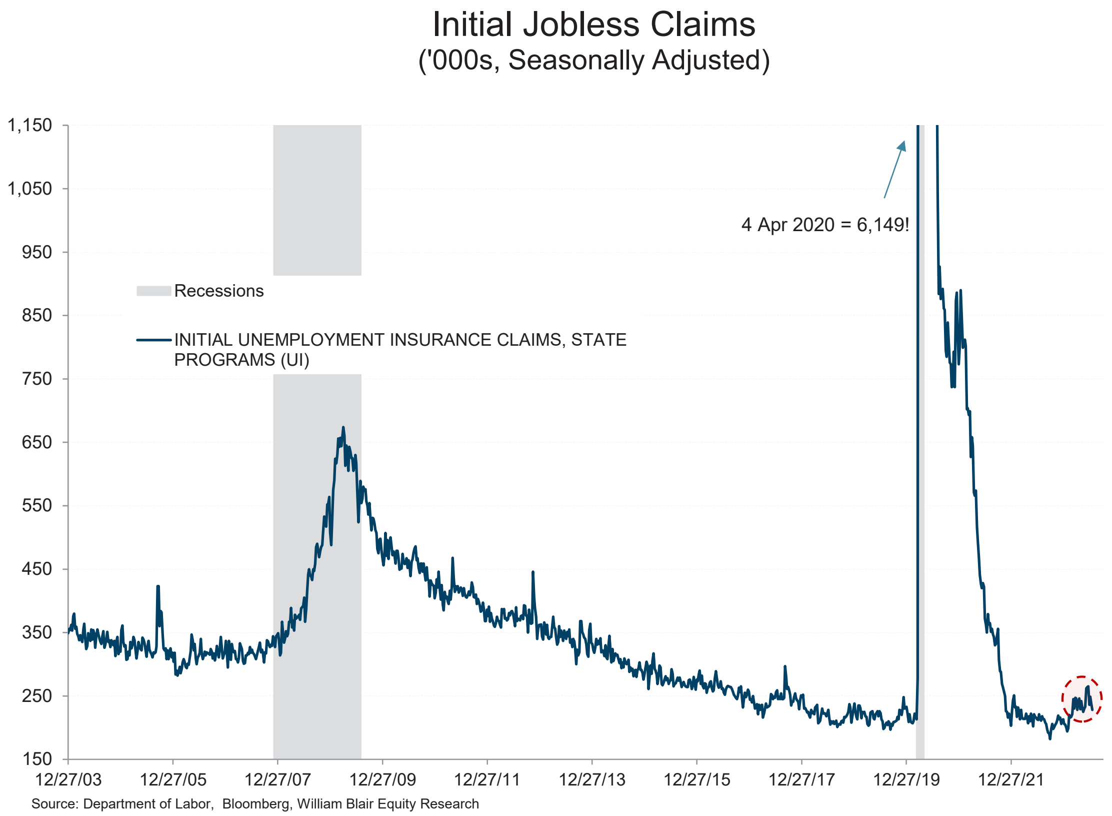
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

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

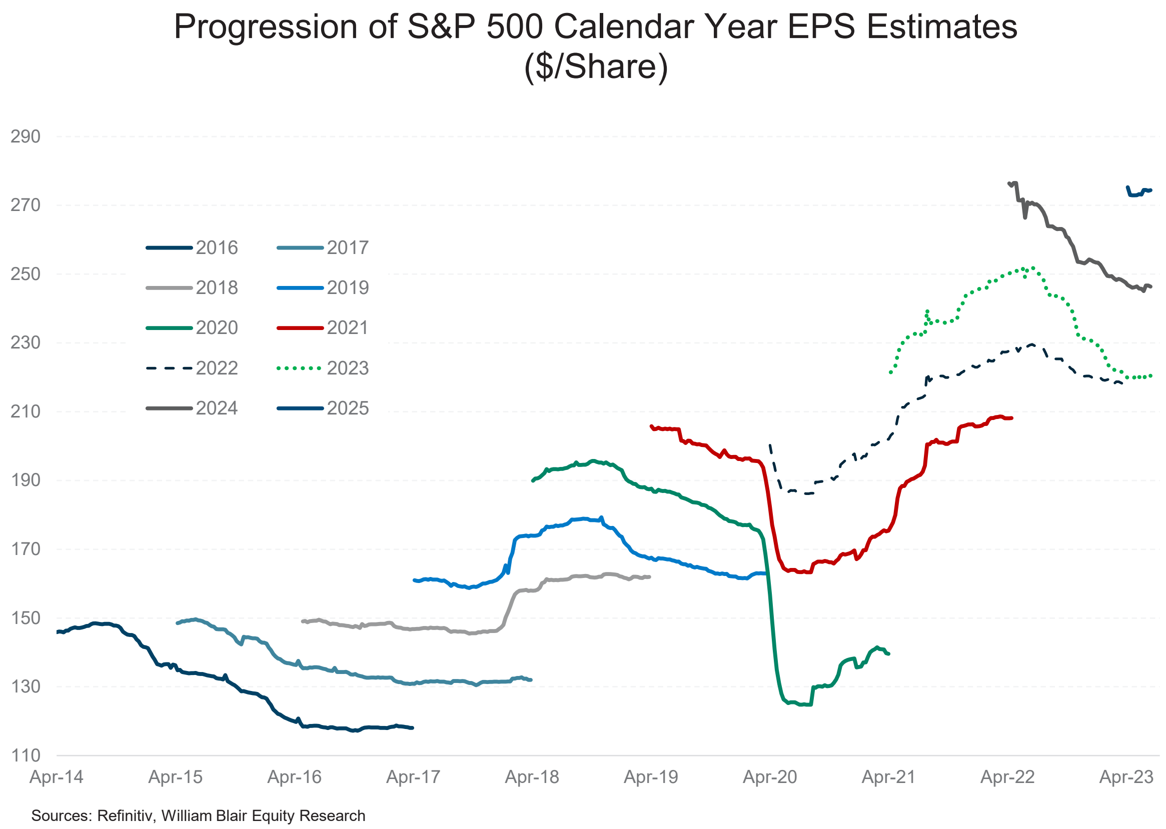
Other Economic Indicators





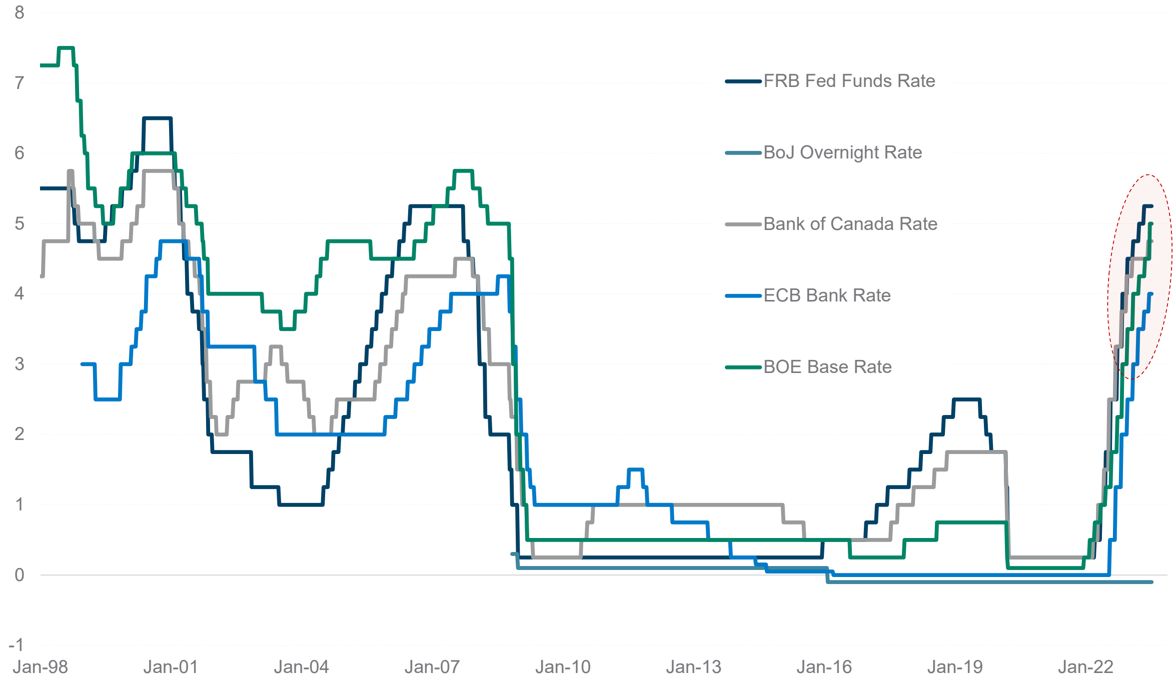


Initial Jobless Claims
('000s, Seasonally Adjusted)
1,150
1,050
950
850
750
650
550
450
350
250
150
4 Apr 2020 = 6,149!
Recessions
INITIAL UNEMPLOYMENT INSURANCE CLAIMS, STATE PROGRAMS (UI)
12/27/03
12/27/05
12/27/07
12/27/09
12/27/11
12/27/13
12/27/15
12/27/17
12/27/19
12/27/21
Source: Department of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



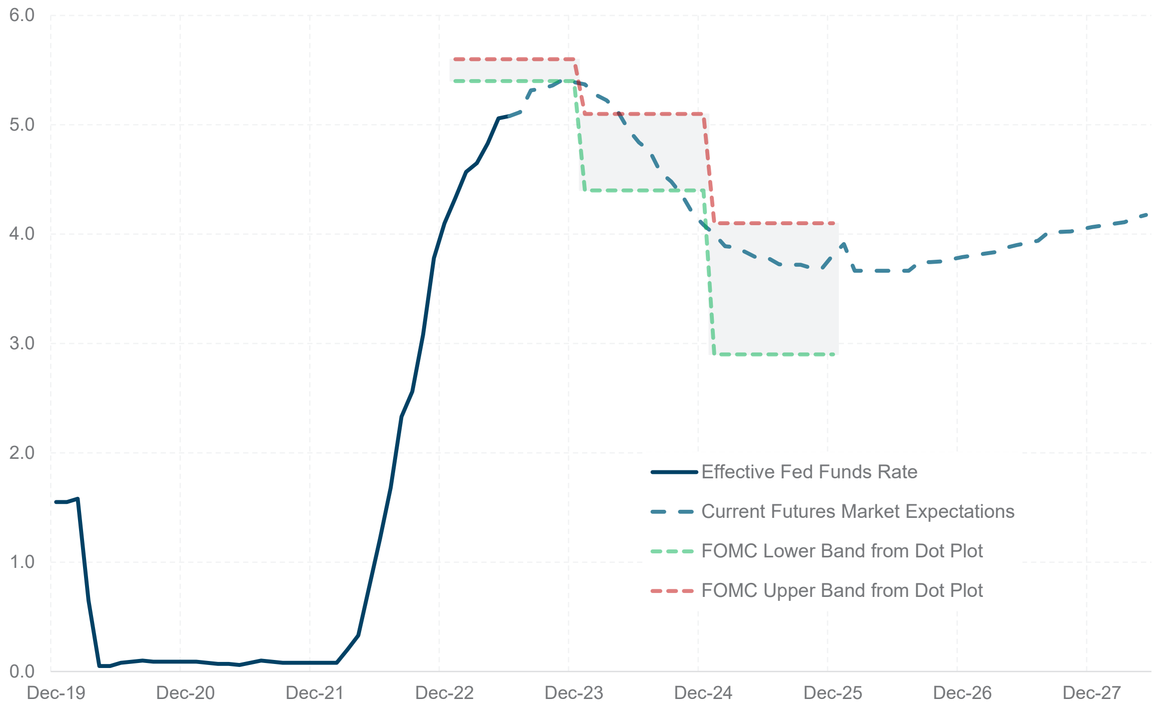
Progression of S&P 500 Calendar Year EPS Estimates
($/Share)
290
270
250
230
210
190
170
150
130
110
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Apr-14
Apr-15
Apr-16
Apr-17
Apr-18
Apr-19
Apr-20
Apr-21
Apr-22
Apr-23
Sources: Refinitiv, William Blair Equity Research

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* 20-Jul-23	Week Ago 13-Jul-23	Month Ago 30-Jun-23	Qtr-to-Date 30-Jun-23	Year-to-Date 30-Dec-22
S&P 500 Index	**100.00**	**0.55**	**1.90**	**1.90**	**18.11**
S&P400 MidCap Index		**0.45**	**3.41**	**3.41**	**11.58**
S&P600 SmallCap Index		**1.07**	**3.67**	**3.67**	**8.94**
Dow Jones Industrials		**2.41**	**2.38**	**2.38**	**6.27**
Nasdaq Composite		**-0.53**	**2.00**	**2.00**	**34.37**
Communication Services	**8.65**	**-3.12**	**0.43**	**0.43**	**36.17**
Advertising	0.08	-6.44	-4.86	-4.86	10.63
Broadcasting	0.07	-1.94	-0.40	-0.40	4.43
Cable & Satellite	0.62	1.81	4.65	4.65	20.84
Integrated Telecommunication Services	0.63	-2.96	-8.93	-8.93	-17.16
Interactive Home Entertainment	0.35	1.99	7.12	7.12	21.98
Interactive Media & Services	5.39	-4.00	1.27	1.27	59.36
Movies & Entertainment	1.05	-3.18	-1.22	-1.22	23.10
Publishing & Printing	0.03	-2.15	1.95	1.95	9.19
Wireless Telecommunication Svcs	0.43	-0.42	0.86	0.86	0.07
Consumer Discretionary	**11.15**	**-2.05**	**0.59**	**0.59**	**33.10**
Apparel Retail	0.35	0.60	0.56	0.56	4.09
Apparel & Accessories & Luxury Goods	0.06	-2.13	1.10	1.10	-3.19
Auto Parts & Equipment	0.10	-2.91	7.51	7.51	21.33
Automobile Manufacturers	2.43	-5.40	-0.04	-0.04	92.54
Automobile Retail	0.31	-1.20	-0.51	-0.51	5.01
Broadline Retail	3.53	-3.02	-0.03	-0.03	26.45
Casinos & Gaming	0.22	-1.56	4.46	4.46	30.54
Computer & Electronics Retail	0.05	2.85	2.04	2.04	4.25
Consumer Electronics	0.05	-0.90	2.23	2.23	15.53
Distributors	0.13	-4.77	-5.22	-5.22	1.35
Footwear	0.34	-0.29	-2.57	-2.57	-8.10
Home Furnishings	0.02	-3.89	7.00	7.00	7.98
Home Improvement Retail	1.17	1.19	2.61	2.61	5.12
Homebuilding	0.29	-2.06	0.90	0.90	43.27
Hotels, Resorts & Cruise Lines	0.71	0.86	4.02	4.02	43.18
Household Appliances	0.02	-3.54	1.80	1.80	7.08
Housewares & Specialties	0.01	0.60	14.36	14.36	-23.94
Leisure Products	0.02	-2.35	-1.44	-1.44	4.63
Restaurants	1.19	0.50	0.35	0.35	13.13
Other Specialty Retail	0.14	-1.18	-2.63	-2.63	-4.99
Consumer Staples	**7.31**	**1.65**	**1.39**	**1.39**	**1.35**
Agricultural Products	0.16	4.54	10.01	10.01	-11.85
Brewers	0.04	5.04	6.41	6.41	35.99
Hypermarkets	2.07	2.61	1.95	1.95	9.68
Distillers & Vintners	0.18	5.68	7.89	7.89	13.41
Drug Retail	0.07	1.68	6.14	6.14	-19.06
Food Distributors	0.10	2.82	1.56	1.56	-1.43
Food Retail	0.09	1.83	1.83	1.83	7.36
Household Products	1.31	0.91	-1.01	-1.01	0.33
Packaged Foods & Meats	0.95	2.09	0.58	0.58	-0.57
Personal Products	0.11	-5.69	-7.19	-7.19	-26.54
Soft Drinks	1.64	2.09	2.71	2.71	1.70
Tobacco	0.60	-1.45	0.65	0.65	-2.00
Energy	**4.15**	**-0.13**	**2.60**	**2.60**	**-4.84**
Integrated Oil & Gas	1.98	-0.97	-2.13	-2.13	-8.70
Oil & Gas Equipment & Services	0.48	-0.94	13.52	13.52	5.60
Oil & Gas Exploration & Production	1.08	0.63	6.34	6.34	-4.74
Oil & Gas Refining & Marketing & Transportation	0.37	3.15	6.24	6.24	0.83
Oil & Gas Storage & Transportation	0.33	-0.36	3.95	3.95	1.20
Financials	**12.55**	**2.61**	**4.85**	**4.85**	**3.26**
Asset Management & Custody Banks	0.71	0.71	6.26	6.26	4.00
Consumer Finance	0.56	-1.40	0.33	0.33	17.13
Diversified Banks	2.90	5.50	8.89	8.89	7.31
Financial Exchanges & Data	1.13	1.82	3.98	3.98	15.72
Insurance Brokers	0.66	1.39	-0.29	-0.29	12.61
Investment Banking & Brokerage	1.07	9.10	11.92	11.92	-2.28

Life & Health Insurance	0.41	3.22	6.66	6.66	-6.29
Multi-line Insurance	0.19	2.42	4.20	4.20	-3.05
Multi-Sector Holdings	1.16	0.89	1.64	1.64	12.20
Property & Casualty Insurance	0.78	5.49	0.98	0.98	-5.21
Regional Banks	0.32	3.49	12.86	12.86	-29.59
Reinsurance	0.04	3.20	6.79	6.79	10.20
Health Care	**13.42**	**3.96**	**1.50**	**1.50**	**-0.86**
Biotechnology	1.93	3.50	3.60	3.60	-7.51
Health Care Distributors	0.34	1.21	-1.03	-1.03	13.68
Health Care Equipment	2.70	1.05	0.92	0.92	13.51
Health Care Facilities	0.23	-2.80	-5.26	-5.26	17.75
Health Care Services	0.59	6.09	6.29	6.29	-12.43
Health Care Supplies	0.14	-4.96	-2.04	-2.04	35.45
Life Sciences Tools & Services	1.60	1.98	2.31	2.31	-3.59
Managed Health Care	1.79	11.99	4.81	4.81	-6.51
Pharmaceuticals	4.12	4.18	-0.84	-0.84	-2.54
Industrials	**8.68**	**1.01**	**2.51**	**2.51**	**11.97**
Aerospace & Defense	1.69	-0.82	-0.06	-0.06	-1.22
Agricultural & Farm Machinery	0.33	7.34	8.50	8.50	2.54
Air Freight & Logistics	0.60	1.31	4.70	4.70	17.94
Building Products	0.44	1.07	4.22	4.22	19.36
Construction & Engineering	0.07	0.86	1.80	1.80	40.34
Construction Machinery & Heavy Trucks	0.61	2.21	5.83	5.83	13.24
Data Processing & Outsourced Services	0.05	0.74	2.15	2.15	25.07
Diversified Support Svcs	0.24	1.55	1.05	1.05	27.32
Electrical Components & Equipment	0.57	1.08	2.44	2.44	19.26
Environmental & Facilities Services	0.36	2.33	0.07	0.07	13.55
Human Resource & Employment Services	0.47	3.25	8.59	8.59	12.81
Industrial Conglomerates	0.82	0.08	1.32	1.32	13.77
Industrial Machinery	0.87	0.09	0.70	0.70	17.34
Passenger Airlines	0.23	0.45	1.81	1.81	34.01
Railroads	0.66	1.86	3.69	3.69	3.89
Research & Consulting Svcs	0.23	-1.62	-0.78	-0.78	11.36
Trading Companies & Distributors	0.27	0.95	-0.69	-0.69	29.54
Information Technology	**28.38**	**0.09**	**1.54**	**1.54**	**44.24**
Application Software	2.34	-0.06	5.24	5.24	42.87
Communications Equipment	0.86	1.33	1.56	1.56	13.15
Electronic Components	0.20	-3.63	-2.32	-2.32	8.34
Electronic Equipment & Instruments	0.20	-2.27	0.19	0.19	3.52
Electronic Manufacturing Services	0.12	-0.30	1.28	1.28	23.65
Internet Software & Services	0.09	-1.14	-2.25	-2.25	6.18
IT Consulting & Services	1.07	0.28	2.28	2.28	7.52
Semiconductor Equipment	0.81	-4.72	-4.95	-4.95	22.72
Semiconductors	6.42	-1.63	3.57	3.57	80.91
Systems Software	8.14	1.00	1.46	1.46	44.42
Technology Distributors	0.07	0.12	2.67	2.67	5.50
Technology Hardware, Storage & Peripherals	8.07	1.26	-0.33	-0.33	47.49
Materials	**2.47**	**0.00**	**1.01**	**1.01**	**7.69**
Commodity Chemicals	0.17	-1.97	-0.53	-0.53	6.96
Construction Materials	0.15	0.02	-1.25	-1.25	30.82
Copper	0.15	-0.45	4.73	4.73	10.24
Diversified Chemicals	0.03	-0.90	4.61	4.61	7.54
Fertilizers & Agricultural Chemicals	0.21	4.10	1.91	1.91	-9.12
Gold	0.09	-6.64	-0.50	-0.50	-10.06
Industrial Gases	0.65	1.08	0.26	0.26	11.26
Metal & Glass Containers	0.05	1.90	-1.34	-1.34	12.30
Paper Packaging	0.17	0.23	2.85	2.85	-7.35
Specialty Chemicals	0.68	-0.32	1.91	1.91	10.71
Steel	0.15	-2.90	-0.98	-0.98	19.02
Real Estate	**2.50**	**-0.96**	**1.88**	**1.88**	**3.76**
Health Care REITs	0.19	1.67	3.38	3.38	12.38
Hotel & Resort REITs	0.03	-1.80	3.80	3.80	8.85
Industrial REITs	0.29	-2.51	0.92	0.92	9.79
Office REITs	0.08	1.98	7.85	7.85	-13.58
Real Estate Service	0.17	0.81	4.47	4.47	10.84
Residential REITs	0.35	0.06	3.07	3.07	12.74
Retail REITs	0.30	2.13	5.94	5.94	1.69
Specialized REITs	0.13	4.49	5.80	5.80	9.52

Utilities	**2.56**	**0.47**	**2.97**	**2.97**	**-4.41**
Electric Utilities	1.68	0.40	2.53	2.53	-4.79
Gas Utilities	0.05	1.48	5.01	5.01	9.02
Independent Power Producers & Energy Traders	0.04	0.00	5.31	5.31	-24.10
Water Utilities	0.07	1.03	2.93	2.93	-3.59
Multi-Utilities	0.72	0.53	3.73	3.73	-3.03

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

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DOW JONES: 35225.20
S&P 500: 4534.87
NASDAQ: 14063.30

Additional information is available upon request.

Current Rating Distribution (as of July 20, 2023):

Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	74	Outperform (Buy)	8
Market Perform (Hold)	26	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	50

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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