

Equity Research  
Economics

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# Economics Weekly

## Dealing With a Stronger Dollar



After plenty of to-ing and fro-ing about the impact of cutting rates ahead of the Fed, the ECB confirmed that with inflation now effectively at the 2% target, a rate cut should be expected at next week's monetary policy committee meeting. As this decision found its way into the consensus, the euro has moved lower and fallen almost 3% since the start of the year against the dollar. Conversely, the Fed is seemingly backing out on expected rate cuts, with the market now pricing in just 25 basis points through the end of this year and around 100 basis points over the entirety of the expected easing cycle. At the start of the year, seven rate cuts were priced in for this year alone. While much of this is due to stickier inflation in the U.S., it also relates to ongoing U.S. exceptionalism and few signs that Europe is anywhere near catching up. This suggests that even when the Fed does decide to lower rates and the dollar likely eases a little cyclically, structurally however, the dollar is likely to remain relatively stronger. **In this *Economics Weekly*, we take a look at what is driving the dollar, its impact on inflation, and the S&P 500 sectors that perform best and worst with a stronger dollar.**

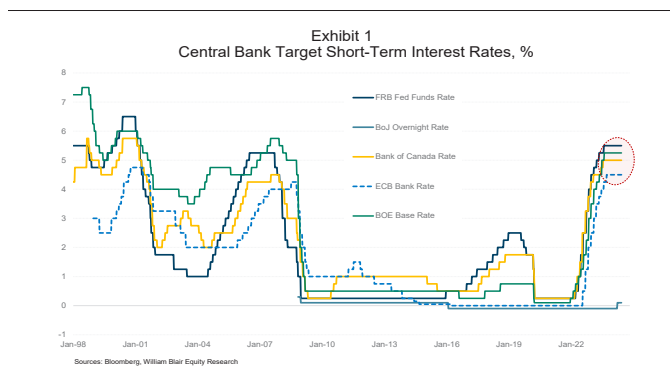
## Inflation and U.S. Exceptionalism

For the last two decades—effectively since inflation was tamed and the risks to inflation were more toward the downside than the upside—major changes in the value of the dollar were largely the result of risk-on/risk-off moves in financial markets.

While the dollar smile theory still tends to be roughly appropriate, in a world that has been awash with global liquidity due to QE and fiscal support, we believe a “dollar sponge” analogy has actually been much more descriptive.

That is, when liquidity is plentiful and growth is strong, the dollar sponge gets squeezed and that liquidity floods the international capital markets searching for yield, resulting in a weaker dollar; when growth starts to weaken, the dollar as the sponge once again starts to soak up liquidity, as investors look for the safety of dollar assets.

Interest rate differentials have seemingly played a small role in the dollar moves, simply because inflation rates were tamed globally and global interest rates as a result were joined at the hip—differentials were relatively small (exhibit 1).



Yet, in the last year or so, we have witnessed the return of interest rate differentials driving dollar returns—at least across developed economies, such as Canada, the U.K., Japan, the EU, and Sweden. The dollar has also been strengthening against the renminbi, though this is less about rate differentials and more the result of Chinese policy efforts to support growth without resorting to boosting consumer demand. This also does not seem to be a policy decision that the Chinese are keen to change in the near term and further devaluation seems likely.

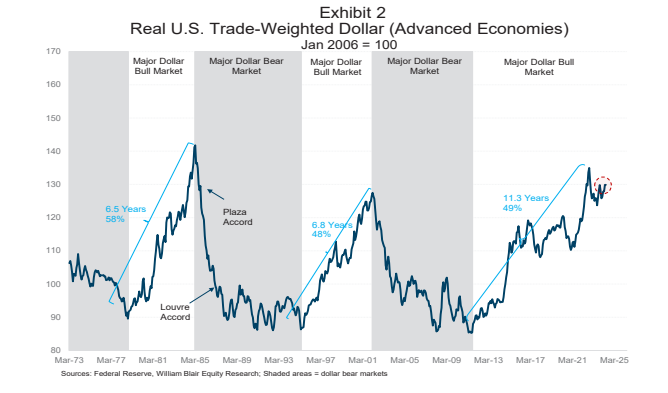
The dollar strength is also very much the result of U.S. exceptionalism, where growth is being driven by massive technological innovation; developments around energy, with the U.S. now a net energy exporter; the return of top-down industrial growth policies; as well as relatively more favorable demographics, accentuated by a surge in immigration.

Conversely, growth is struggling across Europe and the U.K., with no clear path to growth ahead. The U.K., for example, does not seem to have followed its Brexit decision with policy choices that would have allowed it to reap rewards of that decision—such as striking any significant trade deals or lowering taxes and regulation to encourage greater investment. The upcoming election seems to be promising more of the same. Germany, meanwhile, is still heavily reliant on its traditional manufacturing base, of which autos is a big share, and which is a model that was built around cheap Russian gas input prices against strong and steady demand from China for its end-markets.

## The Good and the Bad of a Stronger Dollar

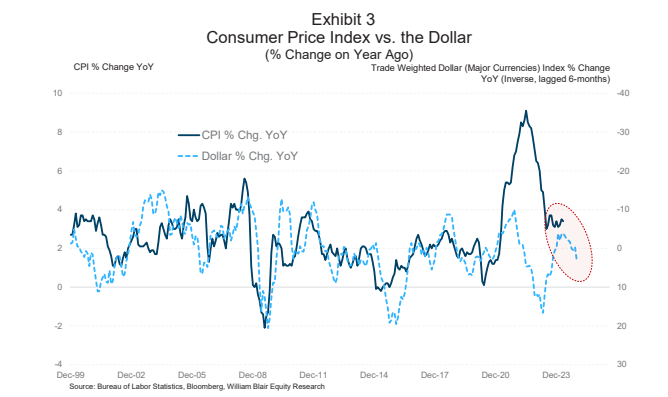
This is now the third great dollar bull market since President Nixon deshacked it from gold in 1971 (exhibit 2). Over the years, a common refrain from the anti-Fed crowd has been that the central bank has been steadily devaluing the currency ever since. However, as the chart shows, in

real terms, with this most recent peak, the dollar seems to be in a wide trading range, rather than a structural downward trend.



While a stronger dollar might be helpful for the Fed in its battle against inflation (exhibit 3), the risk is that a stronger dollar also eventually starts to break things as it ratchets up pressure on the global financial system, which remains very dollar-based.

In the 1980s, the stronger dollar resulted in the Latin American debt crisis, and in the 1990s it resulted in the Asian Financial Crisis and the Russian debt default. Lessons were learnt from those crises, and many of these countries have built reserves and shifted their growth strategies to cushion themselves from the dollar's strength. Yet, as research from the BIS has shown over the last few years, this has not been the case with the foreign private sector in many emerging market nations, which have once again committed the original sin of taking out large amounts of dollar-denominated debt.



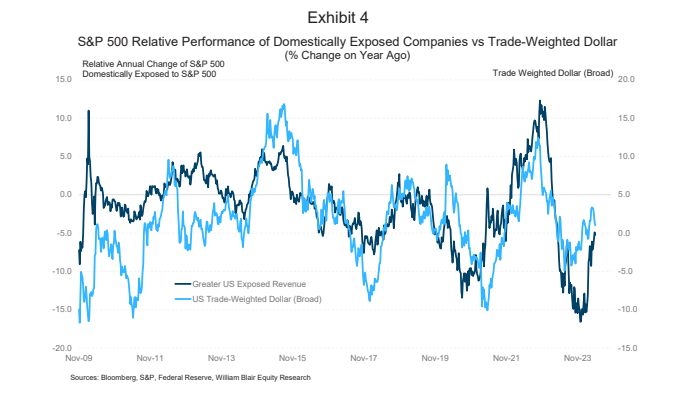
Furthermore, as much as President Trump would have liked a weaker dollar during his years in office and views trade deficits as losing against other countries, under his

watch, the dollar still soared and did not recede until the pandemic.

## A Sector View

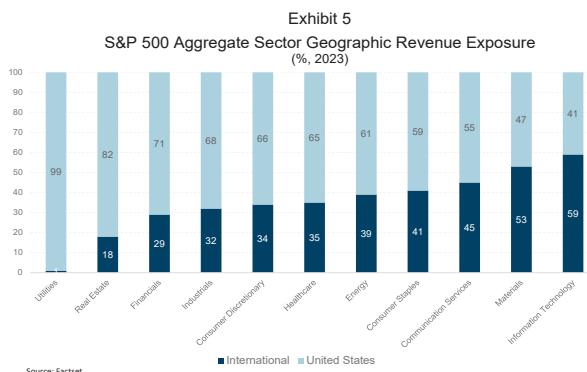
In terms of corporate America, with roughly 40% of S&P 500 revenues coming from abroad, a stronger dollar will make those related earnings less valuable due to translation. And the reality is that few companies rely on foreign-currency hedging as an offset.

Exhibit 4 shows the relative performance of S&P 500 companies that have greater-than-average domestic revenue exposure against the performance of the trade-weighted dollar for a broad basket of currencies. While domestically facing companies have been significantly underperforming those companies with greater foreign exposure for the last year, the recent improvement in the dollar has been helping to reverse that weakness.

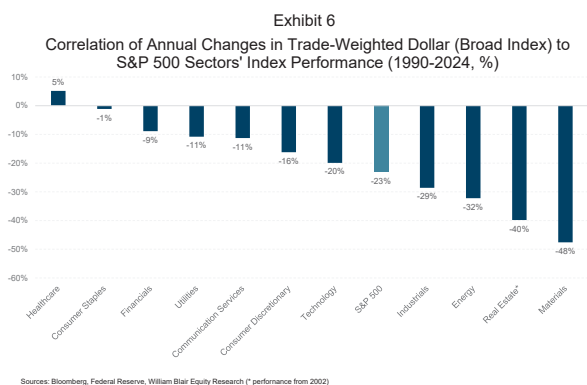


With the potential for dollar strength to continue for a while longer, it is worth looking at the sectors that are most and least exposed to foreign revenues.

Exhibit 5 shows the share of foreign revenues generated for each of the S&P 500 sectors, with utilities, real estate, financials, industrials, and consumer discretionary, having the least exposure. Conversely, communication services, materials, and information technology have the largest exposure. Now that the U.S. is a net energy exporter, this share of foreign revenues has increased in more recent years.



Similarly, exhibit 6 shows that the correlations of sector price performance against the trade-weighted dollar are roughly in line with the expected results, with healthcare actually having the only positive correlation over this period. The main exception is real estate, where its strongly negative correlation to the dollar is more likely the result of the index starting in 2002 and the fallout from the GFC.



## Conclusion

The dollar, and what is driving it, are once again having a greater impact on financial markets. In the last couple of decades, the fact that inflation was generally the same across Western developed economies meant there was relative little divergence between interest rates, and the dollar was thus more like a sponge being driven by risk-on/risk-off-related liquidity flows. As inflation and economic growth rates have started to diverge once again between the U.S. and other trading nations, the influence of interest rate differentials is once again resurfacing.

While there is a strong possibility that the U.S. will end up lowering rates in the coming year, U.S. economic growth exceptionalism suggests that the dollar is likely to remain structurally strong. However, a stronger dollar also brings with it more pressure on the financial system and increases the risk of something breaking.

When looking at sector performance relative to the dollar, unsurprisingly, those areas with lower foreign revenue exposure tend to perform better during instances of a stronger dollar, as there is less of a translation penalty. If this dollar strength is set to continue, investors should once again look at areas with a positive, or less of a negative, correlation with the currency. Smaller- and midcap stocks should also fall into this bucket, as they are more domestically orientated companies relative to the large.

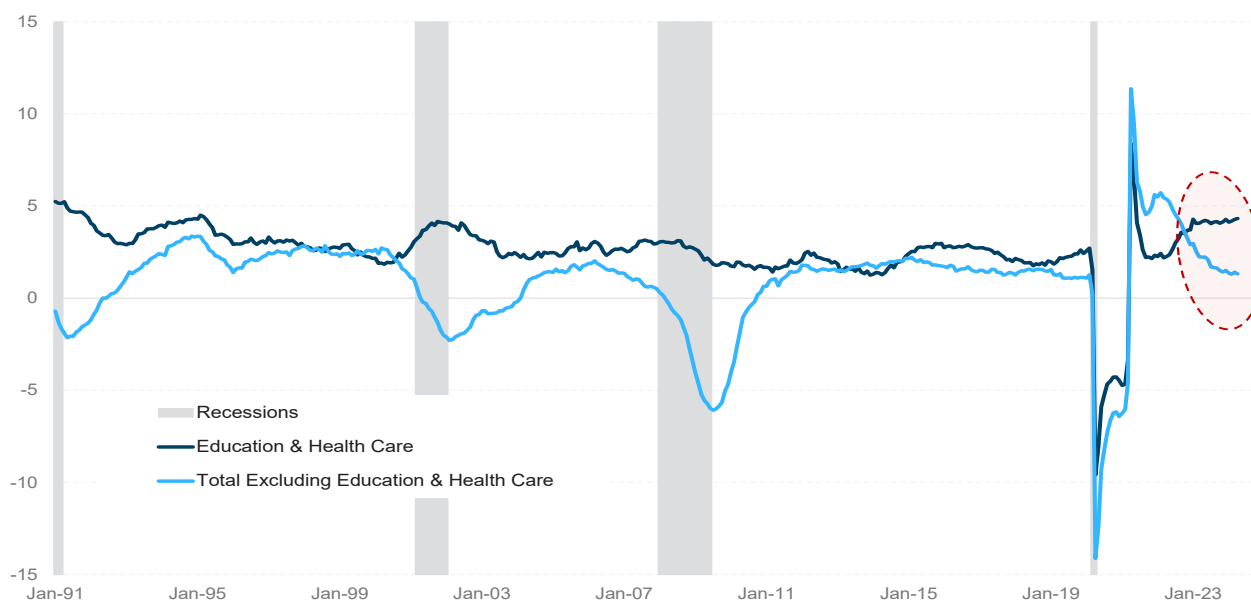
## Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
3 Jun	10:00 a.m.	ISM Manufacturing Index (May)	49.2	49.6	49.5	
4 Jun	10:00 a.m.	JOLTS Report (April)	8488K	8300K	N/A	
4 Jun	10:00 a.m.	Factory Orders (April)	1.6%	0.7%	0.5%	
5 Jun	10:00 a.m.	ISM Services Index (May)	49.4	50.7	49.8	
6 Jun	8:30 a.m.	Productivity (Q1 Final)	0.3%	0.3%	0.3%	
7 Jun	8:30 a.m.	Nonfarm Payrolls (May)	175K	180K	150K	
		Unemployment Rate	3.9%	3.9%	3.9%	
		Average Hourly Earning	0.2%	0.3%	0.3%	

Sources: Bloomberg, William Blair Equity Research

## Indicator of the Week: Employment Situation

Growth in Nonfarm Payrolls: Cyclical vs Non-Cyclical Growth  
(% Change on Year Ago)



Sources: Bureau of Labor Statistics, William Blair Equity Research

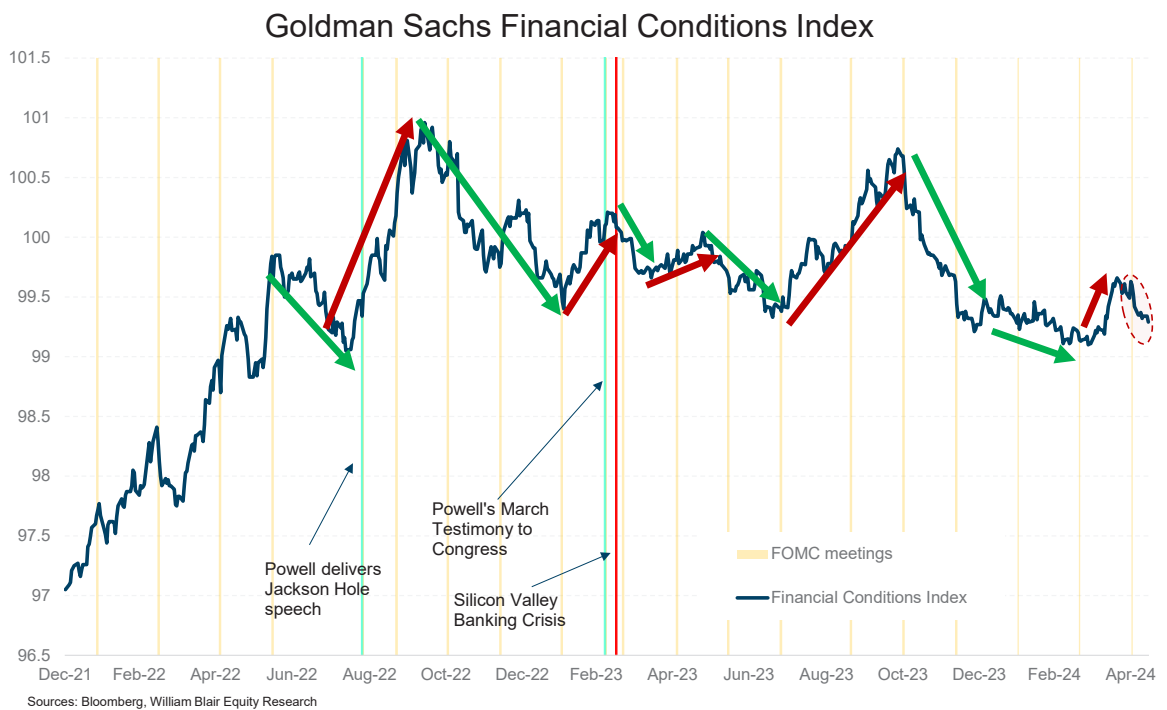
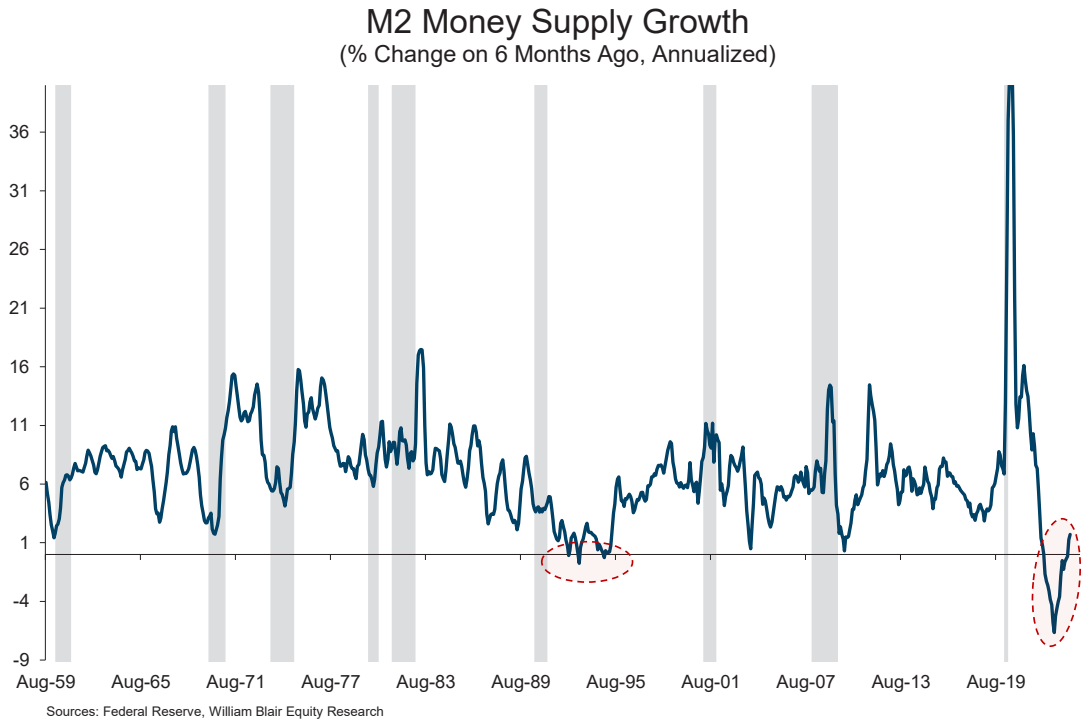
# Economic Scorecard

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

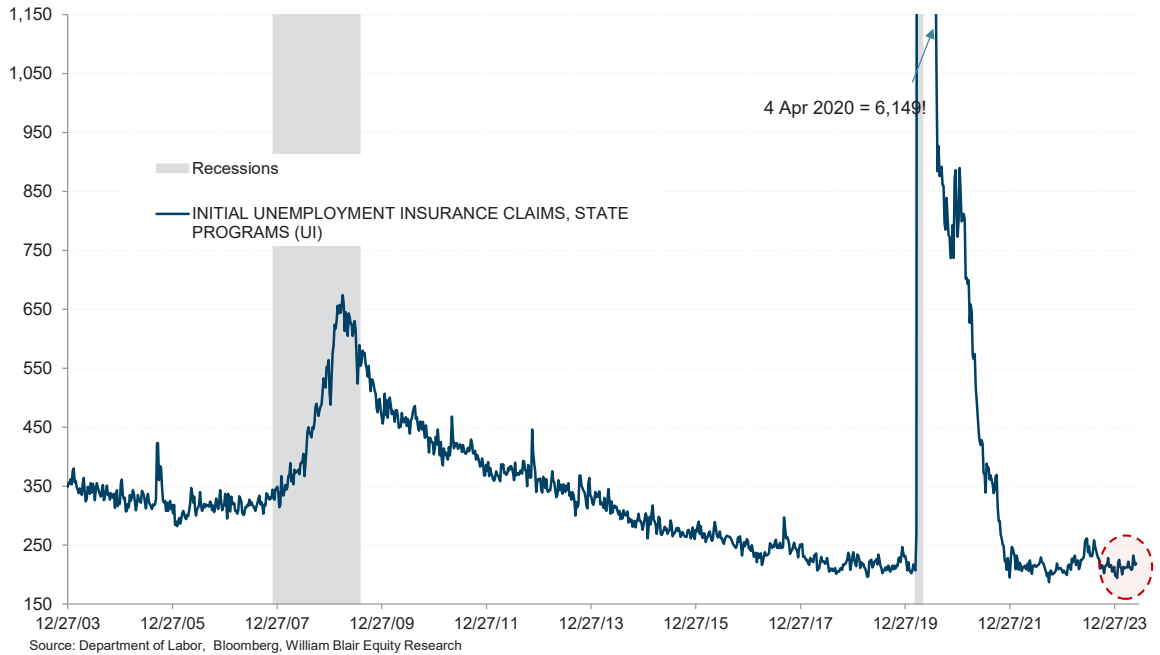
	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
<b>Growth</b>																			
US Leading Indicators	-5.1	-6.4	-6.1	-7.0	-8.0	-8.3	-8.2	-8.1	-7.8	-7.9	-8.1	-8.1	-7.6	-7.2	-7.2	-6.4	-5.5	-5.4	
US Coincident Indicators	0.8	0.8	1.5	1.4	1.4	1.4	1.7	1.8	1.7	1.4	1.3	1.4	1.9	2.1	1.4	1.5	1.6	1.7	
US Lagging Indicators	7.4	7.4	6.3	6.1	5.5	4.9	3.7	2.9	2.3	1.8	1.0	1.3	1.3	0.3	0.9	1.0	1.0	1.4	
<b>Consumer</b>																			
Total Retail Sales	5.6	5.4	7.7	5.5	2.2	1.7	2.2	1.6	2.9	3	4.2	2.7	4	5.5	0.3	2.1	3.8	3.0	
Personal Income	4.6	4.5	5.8	5.7	5.8	5.7	5.6	5.4	4.9	4.9	4.8	4.4	4.7	4.9	4.9	4.7	4.7	4.7	
Real Disposable Personal Income	-1.6	-0.9	3.2	3.5	4.4	4.5	5	5.3	4.4	4.1	3.9	3.8	4.2	4.2	2.1	1.7	1.4	1.4	
Real Personal Consumption	0.9	1.3	2.3	2.3	1.7	1.6	1.8	2.1	2.5	2	2.1	2.1	2.9	3.3	1.9	2.3	3.1	3.1	
Personal Saving Rate (%)	3.3	3.4	4.4	4.7	5.2	5.2	5.3	4.8	4.4	4.5	3.9	4	4	3.9	4.1	3.6	3.2	3.2	
Consumer Confidence (Conference Board)**	101.4	109	106	103.4	104	103.7	102.5	110.1	114	108.7	104.3	99.1	101	108	110.9	104.8	103.1	97.5	102
<b>Employment</b>																			
Employment Growth	3.3	3.0	3.2	2.8	2.5	2.5	2.5	2.4	2.1	2.1	2.0	1.9	1.9	2.0	1.8	1.8	1.9	1.8	
ASA Temporary Staffing Index	0.2	1.0	-2.1	-6.1	-6.5	-6.8	-5.9	-6.6	-4.7	-4.8	-5.5	-7.5	-7.6	-5.5	-12.2	-9.4	-8.2	-9.3	
ISM Employment Index Manufacturing*	49.3	50.2	50	48.8	47.8	49.4	50.3	49.1	45	48.6	50.9	47.1	46.1	47.5	47.1	45.9	47.4	48.6	
ISM Employment Index Services*	50.4	49.8	50.4	53.6	51.1	51.2	49.7	52.9	50.9	54.1	52.5	50.4	50.6	43.8	50.5	48	48.5	45.9	
Unemployment Rate, %	3.6	3.5	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	
Average Hourly Earnings	5.1	4.9	4.6	4.7	4.6	4.7	4.6	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	4.1	3.9	
Initial Jobless Claims (avg. wkly. chg. '000s)	210	208	203	214	224	217	227	252	234	245	217	211	218	206	210	209	215	210	
Jop Openings	-4.3	-4.4	-7.3	-15.8	-21.0	-15.9	-18.8	-18.6	-23.7	-7.5	-13.7	-17.5	-16.5	-19.2	-16.1	-10.5	-11.8	-14.3	
Layoff Announcements	416.5	129.1	440	410.1	319.4	175.9	286.7	25.2	-8.2	266.9	58.2	8.8	-40.8	-20.2	-20	8.8	0.7	-3.3	
<b>Housing Market</b>																			
Housing Starts	-16.7	-23.7	-20.5	-19.4	-20	-25.2	2.8	-8.2	5.8	-14.1	-7.3	-5.2	6.3	17	1.1	10.1	-4.1	-0.6	
New Home Sales	-24.3	-24.2	-19.9	-20	-9.7	8	14.4	22.7	34.9	1.2	24.8	16.6	2.5	3.5	3.9	1	3.3	-7.7	
Existing Home Sales	-34.8	-33.7	-36.7	-23.1	-22.7	-23.7	-20.9	-19.4	-16.7	-15.2	-15.3	-14.3	-6.7	-5.8	-1.7	-3.3	-3.0	-1.9	
Median House Price (Existing Homes)	1.9	4.2	-1.3	7.7	4.5	-5.1	-1.9	-3.3	-1.6	2.1	-1.9	-9.3	0.4	-2.2	5.4	-3.6	0.1	3.9	
Existing Homes Inventory (Mths supply)	3.4	3.3	3.3	2.9	2.9	2.9	2.9	2.9	3	3	3.2	3.4	3.5	3.6	3.5	3	3.4	3.4	
New Homes Inventory (Mths supply)	9.2	8.6	8.3	8.4	8.1	7.5	6.9	7.7	7.3	7.9	7.5	7.9	8.8	8.2	8.3	8.9	8.5	9.1	
NAHB Homebuilder Sentiment*	33	31	35	42	44	45	50	55	56	50	44	40	34	37	44	48	51	51	45
<b>Inflation</b>																			
Consumer Price Index	7.1	6.5	6.4	6	5	4.9	4	3	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	
CPI Less-food & energy	6	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4	4	3.9	3.9	3.8	3.8	3.6	
Producer Price Index	7.4	6.4	5.7	4.7	2.7	2.3	1.1	0.3	1.1	1.9	1.8	1.1	0.8	1.1	1	1.6	1.8	2.2	
PPI Less-food & energy	6.3	5.7	5	4.6	3.3	3.1	2.8	2.5	2.7	2.5	2.3	2.2	1.9	1.8	2	2.1	2.1	2.4	
PCE Price Index	5.9	5.4	5.5	5.2	4.4	4.4	4	3.2	3.3	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.7		
PCE Prices Less-food & energy	5.1	4.9	4.9	4.8	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	2.9	2.8	2.8		
<b>Business Activity - US</b>																			
Industrial Production	1.9	0.6	1.5	0.9	0.2	0.4	0.1	-0.4	0.1	-0.1	-0.2	-0.8	-0.2	1.1	-0.7	0.1	0.1	-0.4	
New Cap Gds Orders less-aircraft & parts	3.2	1	5.6	2.7	1.9	1	3.2	1.4	0.4	0.6	0.5	0.8	1.4	0.8	-0.2	3.2	-0.9	3.1	
Business Inventories	16.3	14.6	12	10.2	8.2	5.9	4.6	2.9	1.5	0.8	0.5	0.7	0.3	-0.1	0.2	0.3	0.7	0.7	
ISM Manufacturing PMI*	48.9	48.1	47.4	47.7	46.5	47	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	
Markit US Manufacturing PMI*	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3	49	47.9	49.8	50	49.4	47.9	50.7	52.2	51.9	50	
ISM Services Index*	55.2	49	54.7	55	51.2	52.3	51	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	
Markit US Services PMI*	46.2	44.7	46.8	50.6	52.6	53.6	54.9	54.4	52.3	50.5	50.1	50.6	50.8	51.4	52.5	52.3	51.7	51.3	
<b>Business Activity - International</b>																			
Germany Manufacturing PMI Markit/BME*	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6	38.8	39.1	39.6	40.8	42.6	43.3	45.5	42.5	41.9	42.5	
Japan Manufacturing PMI Jibun Bank*	49	48.9	48.9	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48	47.2	48.2	49.6	
Caixin China Manufacturing PMI*	49.4	49	49.2	51.6	50	49.5	50.9	50.5	49.2	51	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	
China Manufacturing PMI*	48	47	50.1	52.6	51.9	49.2	48.8	49	49.3	49.7	50.2	49.5	49.4	49	49.2	49.1	50.8	50.4	
UK Manufacturing PMI Markit/CIPS*	46.5	45.3	47	49.3	47.9	47.8	47.1	46.5	45.3	43	44.3	44.8	47.2	46.2	47	47.5	50.3	49.1	
France Manufacturing PMI Markit*	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46	45.1	46	44.2	42.8	42.9	42.1	43.1	47.1	46.2	45.3	
<b>Currencies***</b>																			
Euro (EUR/USD)	-8.2	-5.8	-3.3	-5.7	-2.1	4.5	-0.4	4.1	7.6	7.8	7.9	7.0	4.6	3.1	-0.4	2.2	-0.5	-3.2	
Renmibi (USD/CNY)	11.4	8.5	6.2	9.9	8.4	4.7	6.5	8.3	5.9	5.3	2.6	0.2	0.6	2.9	6.1	3.6	5.1	4.7	
Yen (USD/Yen)	22.0	13.9	13.0	18.4	9.2	5.1	8.3	6.3	6.8	4.7	3.2	2.0	7.3	7.6	12.9	10.1	13.9	15.8	
Sterling (GBP/USD)	-9.3	-10.7	-8.4	-10.4	-6.1	-0.1	-1.3	4.3	5.5	9.0	9.2	6.0	4.7	5.4	3.0	5.0	2.3	-0.6	
Canadian \$ (USD/CAD)	5.0	7.3	4.7	7.7	8.1	5.5	7.3	2.9	3.1	2.9	-1.8	1.8	1.1	-2.3	1.0	-0.5	0.2	1.7	
Mexican Peso (USD/MXN)	-10.2	-5.0	-8.7	-10.6	-9.2	-11.9	-10.0	-14.9	-17.8	-15.4	-13.5	-8.9	-9.8	-13.0	-8.6	-6.8	-8.2	-4.8	
<b>US Equities</b>																			
S&P 500	-10.7	-19.4	-9.7	-9.2	-9.3	0.9	1.2	17.6	11.1	14.0	19.6	8.3	12.0	24.2	18.9	28.4	27.9	20.8	
S&P 400 Midcap	-4.8	-14.5	0.7	-2.3	-6.7	-0.4	-4.3	15.6	8.6	8.8	13.6	-2.7	-0.5	14.4	3.0	11.1	21.3	14.9	
S&P 600 Smallcap	-7.4	-17.4	-2.5	-5.1	-10.4	-5.5	-8.9	7.8	3.4	3.6	8.1	-9.3	-5.9	13.9	-0.1	4.5	13.8	10.4	
Russell 2000	-14.2	-21.6	-4.8	-7.4	-12.9	-5.1	-6.1	10.6	6.3	3.0	7.2	-10.0	-4.1	15.1	0.8	8.3	17.9	11.6	

\* 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)

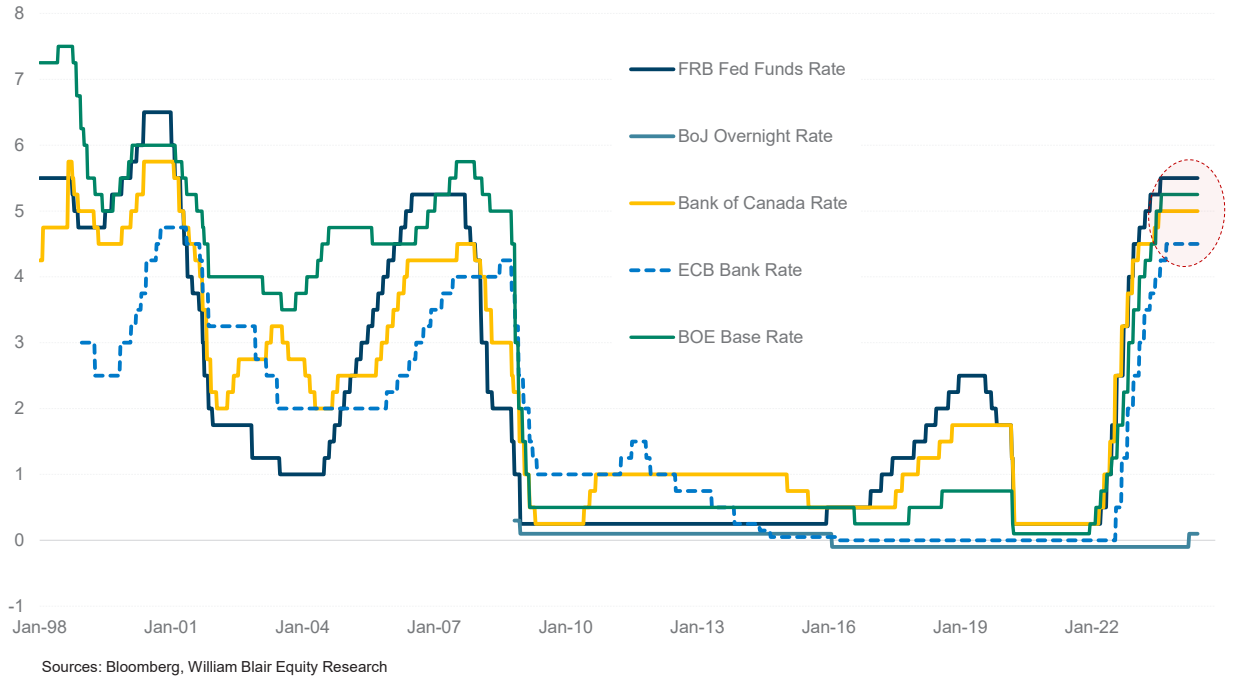


### Progression of Calendar Year S&P 500 EPS Estimates (\$ per share)

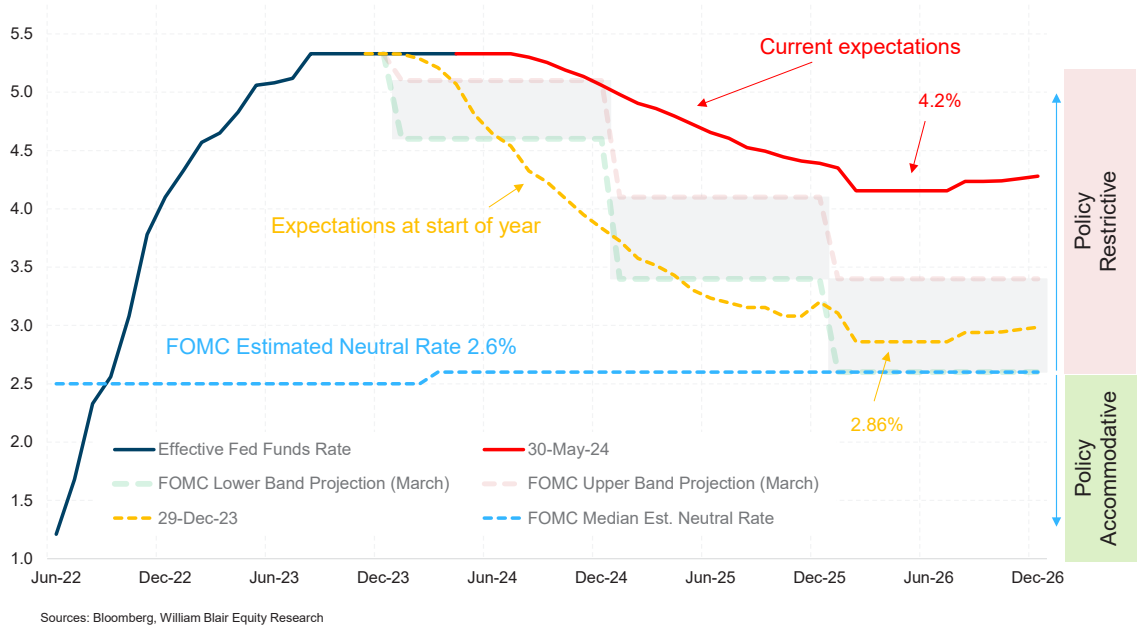




### Central Bank Target Short-Term Interest Rates, %



### Fed Funds Rate Futures Market Expectations & FOMC Projections, %



## S&amp;P 500 Sector Performance

Global Industry Classification System	Current Weight* 30-May-24	Week Ago 23-May-24	Month Ago 30-Apr-24	Qtr-to-Date 28-Mar-24	Year-to-Date 29-Dec-23
<b>S&amp;P 500 Index</b>	<b>100.00</b>	<b>-0.61</b>	<b>3.97</b>	<b>-0.36</b>	<b>9.76</b>
<b>S&amp;P400 MidCap Index</b>		<b>-0.08</b>	<b>3.09</b>	<b>-3.18</b>	<b>6.04</b>
<b>S&amp;P600 SmallCap Index</b>		<b>0.52</b>	<b>3.75</b>	<b>-2.17</b>	<b>-0.21</b>
<b>Dow Jones Industrials</b>		<b>-2.44</b>	<b>0.78</b>	<b>-4.26</b>	<b>1.12</b>
<b>Nasdaq Composite</b>		<b>0.01</b>	<b>6.89</b>	<b>2.18</b>	<b>11.50</b>
<b>Communication Services</b>	<b>9.54</b>	<b>0.12</b>	<b>5.97</b>	<b>3.62</b>	<b>19.75</b>
Advertising	0.06	-3.02	-0.95	-6.00	0.42
Broadcasting	0.05	2.64	8.31	6.79	1.28
Cable & Satellite	0.42	0.84	2.84	-9.57	-14.56
Integrated Telecommunication Services	0.65	1.68	3.06	-2.22	6.14
Interactive Home Entertainment	0.14	0.72	7.04	2.58	-2.60
Interactive Media & Services	6.63	-0.44	6.60	6.89	25.98
Movies & Entertainment	1.11	1.62	5.73	-4.53	20.06
Publishing & Printing	0.03	3.95	13.04	2.70	9.17
Wireless Telecommunication Svcs	0.44	3.47	3.98	4.58	6.47
<b>Consumer Discretionary</b>	<b>10.32</b>	<b>0.28</b>	<b>0.04</b>	<b>-4.32</b>	<b>0.23</b>
Apparel Retail	0.36	4.00	9.31	-0.07	7.42
Apparel & Accessories & Luxury Goods	0.12	2.40	-9.16	-18.19	-29.41
Auto Parts & Equipment	0.07	1.64	13.24	2.50	-6.94
Automobile Manufacturers	1.46	2.12	-2.51	0.02	-23.46
Automobile Retail	0.25	-0.60	-4.80	-14.13	2.60
Broadline Retail	4.18	-0.92	2.42	-0.61	17.80
Casinos & Gaming	0.14	-1.62	-2.64	-17.01	-13.63
Computer & Electronics Retail	0.04	17.12	10.74	-0.59	4.18
Consumer Electronics	0.07	0.02	12.67	9.34	26.63
Distributors	0.10	-2.55	-6.07	-13.38	-6.12
Footwear	0.31	5.25	6.17	2.15	-10.19
Home Furnishings	0.02	2.47	2.86	-9.38	14.61
Home Improvement Retail	0.99	0.25	-2.64	-14.53	-4.52
Homebuilding	0.29	1.76	2.52	-8.72	3.28
Hotels, Resorts & Cruise Lines	0.84	0.35	0.22	-4.81	2.66
Household Appliances	0.01	4.18	-5.05	-24.71	-26.03
Leisure Products	0.02	-0.08	-1.63	6.68	18.10
Restaurants	0.94	-1.14	-6.69	-7.21	-5.85
Other Specialty Retail	0.13	1.23	1.84	-6.85	6.57
<b>Consumer Staples</b>	<b>6.53</b>	<b>-1.11</b>	<b>0.85</b>	<b>-0.23</b>	<b>6.57</b>
Agricultural Products	0.10	0.20	2.78	-2.16	-10.97
Brewers	0.02	-0.93	-7.06	-20.86	-13.05
Hypermarkets	2.21	1.17	8.01	4.73	18.31
Distillers & Vintners	0.13	-0.28	-3.55	-10.14	-3.15
Drug Retail	0.03	-3.51	-13.20	-29.05	-41.06
Food Distributors	0.08	-1.68	-3.59	-11.74	-2.02
Food Retail	0.08	-2.49	-6.14	-9.01	13.72
Household Products	1.19	-1.93	-1.42	-0.25	10.25
Packaged Foods & Meats	0.71	-3.11	-5.17	-4.81	-2.98
Personal Products	0.14	-2.95	-8.30	-16.20	-14.18
Soft Drinks	1.32	-2.43	-1.46	-1.03	1.62
Tobacco	0.51	-0.31	4.37	6.98	7.96
<b>Energy</b>	<b>3.74</b>	<b>-0.33</b>	<b>-3.37</b>	<b>-4.21</b>	<b>7.94</b>
Integrated Oil & Gas	1.89	0.48	-3.17	-1.31	10.46
Oil & Gas Equipment & Services	0.36	-0.30	-3.12	-11.75	-7.88
Oil & Gas Exploration & Production	0.84	-0.72	-5.87	-5.14	4.49
Oil & Gas Refining & Marketing & Transportation	0.37	-4.01	-4.76	-13.98	11.59
Oil & Gas Storage & Transportation	0.36	0.60	3.39	2.71	16.07

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<b>Financials</b>	<b>12.39</b>	<b>-0.67</b>	<b>1.57</b>	<b>-2.81</b>	<b>8.83</b>
Asset Management & Custody Banks	0.81	-1.84	2.54	-6.40	-2.16
Consumer Finance	0.59	0.06	-1.15	-0.81	17.25
Diversified Banks	3.00	-0.12	2.44	-0.74	14.39
Financial Exchanges & Data	1.04	-2.96	1.60	-3.79	-3.67
Insurance Brokers	0.58	-1.19	2.41	-5.43	6.10
Investment Banking & Brokerage	1.00	-1.40	3.26	3.25	8.88
Life & Health Insurance	0.37	0.42	4.09	-2.68	5.69
Multi-line Insurance	0.13	1.06	3.01	-1.33	13.27
Multi-Sector Holdings	1.18	0.68	2.99	-2.83	14.56
Property & Casualty Insurance	0.98	0.82	2.23	-1.01	21.24
Regional Banks	0.28	-1.48	0.13	-3.97	2.55
Reinsurance	0.04	0.30	6.03	-2.26	9.88
Transaction & Payment Processing	2.38	-1.44	-1.57	-6.20	4.00
<b>Health Care</b>	<b>11.95</b>	<b>-2.27</b>	<b>0.81</b>	<b>-4.42</b>	<b>3.61</b>
Biotechnology	1.85	-1.90	4.90	-2.96	2.22
Health Care Distributors	0.33	0.43	-0.86	-3.26	10.68
Health Care Equipment	2.29	-0.55	0.42	-5.54	3.88
Health Care Facilities	0.22	6.10	8.29	0.67	23.53
Health Care Services	0.46	-0.53	-9.76	-16.26	-8.89
Health Care Supplies	0.10	-1.69	-5.41	-16.73	-8.21
Life Sciences Tools & Services	1.34	-4.32	-0.30	-4.74	2.57
Managed Health Care	1.45	-6.79	-0.84	-3.75	-7.37
Pharmaceuticals	3.91	-1.68	1.65	-2.84	10.64
<b>Industrials</b>	<b>8.50</b>	<b>-1.44</b>	<b>0.28</b>	<b>-3.36</b>	<b>6.86</b>
Aerospace & Defense	1.94	-0.65	1.90	4.26	6.50
Agricultural & Farm Machinery	0.22	-2.87	-5.89	-10.32	-7.88
Air Freight & Logistics	0.41	-0.54	-3.96	-8.43	-8.33
Building Products	0.51	-2.12	2.08	1.68	15.92
Construction & Engineering	0.09	1.16	8.20	7.68	29.64
Construction Machinery & Heavy Trucks	0.64	-2.69	1.08	-6.69	15.32
Data Processing & Outsourced Services	0.05	-2.97	1.18	-4.47	-4.88
Diversified Support Svcs	0.26	-2.98	-0.59	-5.69	9.30
Electrical Components & Equipment	0.65	-1.50	2.39	-0.05	17.58
Environmental & Facilities Services	0.41	-1.38	-0.70	-1.50	13.73
Human Resource & Employment Services	0.36	-5.54	-2.56	-6.48	-2.69
Industrial Conglomerates	0.41	0.15	3.51	0.33	14.42
Industrial Machinery	0.81	-1.85	-1.21	-6.63	4.52
Passenger Airlines	0.16	-3.63	-1.73	-2.47	9.89
Railroads	0.56	-1.46	-2.61	-9.03	-5.98
Research & Consulting Svcs	0.22	-1.62	5.86	-2.68	5.59
Trading Companies & Distributors	0.28	-2.51	-2.38	-11.66	8.29
<b>Information Technology</b>	<b>30.59</b>	<b>-0.35</b>	<b>9.96</b>	<b>3.96</b>	<b>16.93</b>
Application Software	2.05	-11.14	-6.31	-14.30	-11.94
Communications Equipment	0.80	-0.57	3.61	-3.66	2.43
Electronic Components	0.25	-1.23	10.33	14.50	30.61
Electronic Equipment & Instruments	0.16	-2.68	-2.81	-7.88	-4.35
Electronic Manufacturing Services	0.13	-0.79	3.97	-1.53	2.27
Internet Software & Services	0.07	-2.65	-5.33	-13.75	-20.69
IT Consulting & Services	0.92	-5.32	-3.42	-15.94	-11.92
Semiconductor Equipment	0.98	0.11	9.79	4.96	27.84
Semiconductors	10.22	3.69	19.12	13.12	59.89
Systems Software	8.11	-3.64	5.45	-2.36	9.01
Technology Distributors	0.07	-3.77	-7.87	-12.88	-1.97
Technology Hardware, Storage & Peripherals	6.84	2.41	12.18	10.99	-0.40
<b>Materials</b>	<b>2.27</b>	<b>-0.13</b>	<b>1.95</b>	<b>-2.75</b>	<b>5.45</b>
Commodity Chemicals	0.16	0.46	-0.52	-2.48	3.76
Construction Materials	0.15	-1.16	-2.42	-7.27	12.81
Copper	0.17	2.17	4.75	11.25	22.88
Fertilizers & Agricultural Chemicals	0.15	-0.92	0.33	-5.33	3.77
Gold	0.11	1.61	3.08	16.88	1.21
Industrial Gases	0.58	-0.60	0.04	-4.49	2.48

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Metal & Glass Containers	0.05	0.15	-1.31	1.93	19.37
Paper Packaging	0.17	0.37	10.77	3.97	14.59
Specialty Chemicals	0.60	-0.01	3.56	-4.82	1.89
Steel	0.13	-1.93	0.09	-13.93	0.87
<b>Real Estate</b>	<b>2.13</b>	<b>-0.04</b>	<b>3.03</b>	<b>-5.85</b>	<b>-7.13</b>
Data Center REITs	0.26	-0.07	5.76	-4.99	-1.12
Health Care REITs	0.21	2.51	7.49	9.07	7.63
Hotel & Resort REITs	0.03	-1.87	-5.62	-13.88	-8.53
Industrial REITs	0.22	1.83	5.41	-17.40	-19.30
Multi-Family Residential REITs	0.00	-2.08	0.54	1.79	1.33
Office REITs	0.06	-2.15	-1.71	-10.13	-11.24
Real Estate Service	0.13	-4.82	-8.07	-14.99	-8.33
Retail REITs	0.28	0.92	0.83	-4.26	-4.61
Self-Storage REITs	0.17	-1.60	4.24	-5.95	-11.88
Single-Family Residential REITs	0.17	-1.60	4.24	-5.95	-11.88
Telecom Tower REITs	0.34	1.79	8.71	-5.21	-14.04
Timber REITs	0.05	-1.29	-1.49	-17.24	-14.52
<b>Utilities</b>	<b>2.39</b>	<b>0.94</b>	<b>6.68</b>	<b>8.38</b>	<b>12.27</b>
Electric Utilities	1.57	1.02	7.70	9.61	15.28
Gas Utilities	0.04	-1.23	-4.50	-5.28	-2.86
Independent Power Producers & Energy Traders	0.11	8.50	31.25	31.03	22.05
Water Utilities	0.05	-1.81	3.24	3.33	-4.33
Multi-Utilities	0.61	-0.15	1.85	3.41	4.99

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

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DOW JONES: 38111.50

S&P 500: 5235.48

NASDAQ: 16737.10

Additional information is available upon request.

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Market Perform (Hold)	28	Market Perform (Hold)	3
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