Weekly Mosaic – Fed Independence

Week of July 21st, 2025

Madison INVESTMENTS

+0.3%
Industrial Production, Month-over-Month

Industrial production is showing signs of life with June's reading coming in above the anticipated +0.1%, and May's figure was revised higher to 0.0% from -0.2%.

+0.5%
Retail Sales Control Group, Seasonally Adjusted, Month-over-Month

The June Retail Sales numbers were strong as the Control Group, a component of GDP, came in above the anticipated +0.3%. While June was a solid print, May's figure was revised lower from +0.4% to +0.2%.

+0.2%
Core CPI, Seasonally Adjusted, Month-over-Month

Excluding food and energy, the Consumer Price Index came in below consensus expectations of +0.30% on a monthly basis, with the year-over-year reading also increasing less than anticipated at +2.9%, relative to the anticipated +3.0% in June.

Top of Mind

With over a trillion dollars in interest payments a year, it's understandable why the Trump administration is pleading directly to Federal Reserve (Fed) Chairman Jerome Powell to aggressively cut interest rates. However, the question remains: Does the Fed need to cut, and what would be the secondary impacts if it did?

Given the seemingly stable labor market and inflation hovering above its 2% target for price stability, the Fed can afford to be patient in its wait-and-see approach, per its dual mandate.

If the Fed were to move forward with reducing the Federal Funds rate, it isn't a given that longer-term yields, such as the bellwether 10-year Treasury and closely linked mortgage rates, would follow suit, possibly resulting in a steeper yield curve much like we saw at the end of 2024.

To directly impact longer-term interest rates, the Fed would need to institute a version of yield curve control (buying long-term Treasuries) like the Bank of Japan had implemented.

This would likely cause additional US dollar weakness. When combined with the accommodative fiscal policy provided by the One Big Beautiful Bill, it could create a reflationary environment that the US economy doesn't necessarily need, yet.

Index Returns

As of 7/18/2025 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	0.61	1.54	7.83	15.10	19.82
Russell Mid Cap TR	0.78	2.13	7.07	13.83	14.66
Russell 2000 TR	0.24	3.03	1.19	3.30	10.43
MSCI EAFE NR	-0.29	-0.52	18.83	13.75	15.73
MSCI EM NR	1.68	2.39	18.02	15.50	11.19
Bloomberg US Agg Bond TR	0.04	-0.77	3.22	3.75	2.12
Bloomberg Intermediate Corporate Bond TR	0.24	-0.20	4.23	6.23	4.90
Bloomberg High Yield Corporate TR	0.14	0.13	4.70	8.82	9.16
Bloomberg Commodities TR	1.33	3.25	8.96	11.10	1.14

Price Levels

	7/18/2025	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	98.48	98.91	99.38	109.35	104.17
10 Year Treasury Yield	4.43	4.38	4.33	4.61	4.20
West Texas Crude (WTI) $/bbl	67.32	75.89	65.07	78.56	84.17

Current Positioning

Cautiously optimistic while intentionally avoiding some of the most expensive areas of the equity and credit markets.

	Min			Neutral			Max	
EQUITIES			■					Guarding against elevated levels of complacency and stretched valuations.
U.S. Equity				■				Relative advantages remain attractive; however, valuations have become less attractive. Our longstanding overweight to US equities relative to international equities remains.
Large			■					The balance sheet strength of many large cap companies remains attractive. However, their valuations are among the richest relative to other segments of US and international equities.
Mid				■				Absolute and relative valuations combined with a higher percentage of domestically driven supply chains and sales, combine to position mid-cap stocks attractive.
Small					■			Valuations continue to remain attractive against large caps and stand to benefit from less onerous regulations. Within small caps, we are focused on quality companies able to navigate an elevated interest rate environment.
Value					■			Overweight Energy and Financials while avoiding the cheapest valued companies, leading us away from deep value sectors and industries.
Growth			■					Driven by an underweight to Consumer Discretionary and Communication Services, neutral weight Technology.
International			■					International equity valuations are attractive and central banks around the world have largely shifted toward easing monetary policy.
Developed Markets				■				Overweight Japanese and Eurozone equities relative to benchmark.
Emerging Markets					■			Attractive valuations, global monetary easing, and stimulative measures in China, position emerging Asian equities to potentially benefit from multiple tailwinds.

	Min			Neutral			Max	
FIXED INCOME				■				We believe opportunities within fixed income markets are attractive over the mid- to long-term time periods while recognizing volatility could persist over the short-term.
Duration			■					Slightly underweight duration as uncertainty around growth and inflation persist.
Treasury				■				Neutral US Treasuries, favor the securitized sector.
Corporate			■					Prefer short-term and intermediate-term investment grade corporate credit relative to long-term. High-quality bias remains with little value offered in the form of spreads across the high yield universe.
MBS/Securitized							■	Attractive relative yield, adequate spreads, and strong implied credit quality position the asset class attractively, specifically residential mortgages.

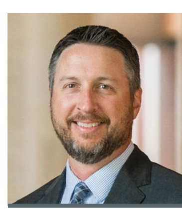
	Min			Neutral			Max	
ALTERNATIVES	■							
Commodities	■							A persistent lack of a durable geopolitical risk premium, lower global trade, and slower global economic growth combine for a challenging environment for commodities moving forward.

	Min			Neutral			Max	
CASH					■			Excess cash position is being driven by our active underweight to international equities.

Mosaic by Madison Investments

Mosaic by Madison Investments represents Madison's global multi-asset product suite spanning the risk spectrum with a series of distinct portfolios across ETF/Mutual Fund and ETF mandates. Madison's Multi-Asset Solutions team has deep experience monitoring worldwide macroeconomic trends and their associated investment implications. Risk management and a commitment to consistency are key components of our philosophy and process. We believe that efficient asset allocation and downside volatility mitigation should lead to increased long-term client investment success.

Multi-Asset Solutions Team



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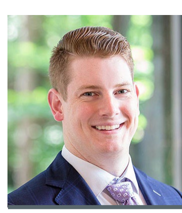

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The S&P 500® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index.

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The MSCI EAFE (Europe, Australasia & Far East) Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,138 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

The Bloomberg Commodity Total Return index (BCOM) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg US Intermediate Corporate Bond Index measures performance of United States dollar-denominated investment grade, fixed-rate, taxable corporate bond securities with maturities greater than or equal to one year, but less than ten years, that are issued by U.S and non-U.S. industrial, utility and financial issuers.

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All investing involves risks including the possible loss of principal. There can be no assurance the asset allocation portfolios will achieve their investment objectives. The portfolios may invest in equities which are subject to market volatility. In addition to the general risk of investing, the portfolio is subject to additional risks including investing in bond and debt securities, which includes credit risk, prepayment risk and interest rate risk. When interest rates rise, bond prices generally fall. Securities rated below investment grade are more sensitive to economic, political and adverse development changes.

Equity risk is the risk that securities held by the fund will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the fund participate, and the particular circumstances and performance of particular companies whose securities the fund holds. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Commodity values can be very volatile. They can be impacted by world or local events, government regulations and economic conditions. Investments in commodities can lose value.

Each portfolio is subject to the risks and expenses of the underlying funds in direct proportion to the allocation of assets among the underlying funds.

Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The federal funds rate is the target interest rate range set by the Federal Open Market Committee (FOMC) for banks to lend or borrow excess reserves overnight. It influences monetary and financial conditions, short-term interest rates, and the stock market.

Bond Spread is the difference between yields on differing debt instruments of varying maturities, credit ratings, and risk, calculated by deducting the yield of one instrument from another.

Yield Curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes: normal (upward-sloping curve), inverted (downward-sloping curve), and flat.