

Weekly Mosaic – The Recovery

Week of July 28th, 2025

54.6

PMI Composite,
Seasonally Adjusted
(Preliminary)

An early look at economic activity for July came in above expectations of 52.7. While the manufacturing took a step back to 49.5 from a previous 52.9, the services sector provided a positive surprise, coming in at 55.2, ahead of the anticipated 53.0.

217K

Initial Jobless
Claims

Initial Jobless Claims appear to be following a similar pattern to the previous two years, with weekly claims rising into mid-year before falling back towards levels that aren't indicative of material weakness in the labor market.

-0.3%

Leading Economic
Index, Seasonally
Adjusted, Month-
over-Month

The ten-component Leading Economic Index fell by more than anticipated in June, while May's reading was revised higher from -0.1% to flat. Encouragingly, the Coincident Economic Index rose by +0.3% in June after being flat for the previous two months.

Top of Mind

The stock and credit market recoveries off the "Liberation Day" induced lows have been familiar in some respects, yet odd in others. High beta stocks have led the way higher, which is typical in rapid market recoveries; however, small cap stocks have continued to lag their large cap peers.

This dynamic is atypical, as in many market recoveries, small cap stocks are among the market leaders.

A possible reason for small caps lagging in this recovery is that the Federal Reserve didn't ride to the rescue by providing emergency support to the markets via reducing the policy rate, reinstituting quantitative easing, or creating yet another new liquidity facility. Thereby not providing ample relief for the more interest rate-sensitive small caps compared to their large cap peers.

As the Federal Reserve meets this week, there is little anticipation of an interest rate cut being delivered as the latest round of inflation data showed prices ticking higher and the labor market remains stable.

Despite the lack of imminent monetary policy relief, the long and variable lags of the 1% of interest rate cuts delivered in the back half of last year could begin to show up, and the policy rate is anticipated to be another 1% lower by this time next year.

Index Returns

As of 7/25/2025 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	1.47	3.03	9.42	19.92	19.00
Russell Mid Cap TR	1.44	3.60	8.61	16.54	13.61
Russell 2000 TR	0.95	4.00	2.14	3.11	9.14
MSCI EAFE NR	1.92	1.40	21.12	18.77	15.53
MSCI EM NR	0.70	3.11	18.85	19.74	11.19
Bloomberg US Agg Bond TR	0.37	-0.40	3.60	4.49	1.90
Bloomberg Intermediate Corporate Bond TR	0.26	0.06	4.51	6.65	4.68
Bloomberg High Yield Corporate TR	0.35	0.48	5.07	9.12	8.53
Bloomberg Commodities TR	-1.48	1.72	7.35	11.83	0.36

Price Levels

	7/25/2025	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	97.65	97.68	99.47	107.44	104.36
10 Year Treasury Yield	4.38	4.28	4.26	4.62	4.25
West Texas Crude (WTI) \$/bbl	65.17	65.98	63.85	74.97	79.43



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.

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.

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.

CASH						Excess cash position is being driven by our active underweight to international equities.
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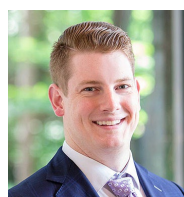
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Multi-Asset Solutions Team



Patrick Ryan, CFA
Chief Investment Strategist, Head of Multi-Asset Solutions, Portfolio Manager



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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.

Purchasing Managers' Index™ (PMI™) is a survey-based economic indicator designed to provide a timely insight into business conditions.

The Conference Board Leading Economic Index (LEI) is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. These variables have historically turned downward before a recession and upward before an expansion.

The Coincident Economic Activity Index includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries.

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.

