

Weekly Mosaic – Observations

Week of September 22nd, 2025

-0.25%

Federal Reserve
Policy Rate Cut

After a nine-month pause, the Federal Reserve restarted monetary easing, cutting the Fed Funds Rate by -0.25%. In a turn of events, their Summary of Economic Projections (SEP) indicated that the Fed anticipates cutting interest rates at both of its next two meetings as well.

+0.74%

Retail Sales, Control
Group, Seasonally
Adjusted, Month-
over-Month

The US Consumer continued to spend in August, with all measures of Retail Sales coming in above expectations. This surprising strength contributed to a bump in the Federal Reserve Bank of Atlanta's GDPNow Forecast for the 3rd quarter, bringing it to +3.4%.

6.4%

MBA 30-Year
Mortgage Rate

The interest rate on the flagship 30-year mortgages fell to its lowest level since last September. Despite mortgage rates moving lower, NAHB Home Builder sentiment remains at depressed levels.

Top of Mind

The valuation of the flagship S&P 500 Index remains in frothy territory as the current price to forward earnings stands at 22.7x. While past performance isn't indicative of future returns, we'd like to note a few historical observations that are relevant today despite elevated valuations.

When the old adage of "sell in May and go away" proves to be a poor strategy, as it did this year with May, June, July, and August all producing positive returns, results for the S&P 500 over the remainder of the year have been positive 84% of the time.

This year, the S&P 500 notched 21 new all-time highs through the end of August. Since 1955, there have been 19 occurrences in which 20 or more new all-time highs were established, with the flagship index producing positive results over the remainder of each of these years 89% of the time.

Lastly, there have been twelve occurrences of the Federal Reserve (Fed) cutting interest rates with the S&P 500 within 1% of its all-time high since the mid-1980s; in each of these instances, returns over the next twelve months have been favorable. On Wednesday of last week, the Fed cut interest rates by -0.25% after having been on pause for nine months, while the S&P 500 was within 0.1% of its all-time high.

Index Returns

As of 9/19/2025 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	1.25	7.71	14.39	18.17	21.35
Russell Mid Cap TR	0.04	5.19	10.28	11.71	14.16
Russell 2000 TR	2.19	12.89	10.88	10.19	12.18
MSCI EAFE NR	-0.18	4.06	24.30	15.76	18.68
MSCI EM NR	1.19	10.17	26.99	24.40	15.38
Bloomberg US Agg Bond TR	-0.19	2.09	6.20	2.62	4.11
Bloomberg Intermediate Corporate Bond TR	0.02	2.16	6.70	5.14	6.27
Bloomberg High Yield Corporate TR	0.34	2.65	7.34	7.65	9.94
Bloomberg Commodities TR	-0.71	1.89	7.52	9.91	0.61

Price Levels

	9/19/2025	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	97.64	98.22	98.71	104.09	100.61
10 Year Treasury Yield	4.13	4.29	4.38	4.25	3.72
West Texas Crude (WTI) \$/bbl	63.56	64.19	75.72	68.52	72.86



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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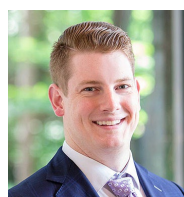
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Multi-Asset Solutions Team



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



Stuart Dybdahl, CFA, CAIA
Portfolio Manager, Analyst



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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 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.

The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

MBA 30-Year Mortgage Rate: average 30-year fixed mortgage lending rate measured during the reported week and backed by the Mortgage Bankers Association.

Price-to-Earnings (P/E) Ratio: measures how expensive a stock is. It is calculated by the weighted average of a stock's current price divided by the company's earnings per share of stock in a portfolio.

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.

