Weekly Mosaic – A French Downgrade

Week of October 12th, 2026

Madison INVESTMENTS

+3.9%
Consumer 1-Year Inflation Expectations

The Federal Reserve Bank of New York's Survey of Consumers showed an increase in inflation expectations across both the 1-year and 3-year time horizons, while 5-year inflation expectations remained unchanged at 3.0%.

54.9
ISM Services PMI, Seasonally Adjusted

The headline ISM Services report for September was roughly in line with expectations of 55.1. All major subcomponents remained in expansion, including the price index, which increased from 72.6 in August to 74.0.

46.3
Consumer Sentiment, Univ of Michigan, Not Seasonally Adjusted

An early look at consumer sentiment from the University of Michigan's Consumer Survey came in below expectations of 47.7, as well as a prior reading of 48.1.

Top of Mind

Since the beginning of the year, US interest rates have risen significantly across the short-, intermediate-, and long-term parts of the yield curve.

While concerns about the US fiscal outlook persist, it is encouraging that the US dollar has strengthened alongside rising rates. This stands in stark contrast to the UK's 2022 "mini-budget" episode, when gilt yields moved sharply higher while the British pound sold off.

The inflationary implications from the sustained rise in energy prices since March of this year have pushed the Federal Reserve and other central banks off the sidelines. Energy-induced inflation has driven a shift in monetary policy, pushing interest rates higher across developed markets.

France has been a notable standout, as its bond yields have moved sharply higher and intervention in its markets is difficult since it cannot simply print more euros. This dynamic has French OATs trading at yield levels similar to those on Greek government bonds.

Index Returns

As of 10/9/2026 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	1.17	2.13	15.14	17.35	23.28
Russell Mid Cap TR	1.42	2.94	15.14	15.38	18.49
Russell 2000 TR	-0.90	0.38	14.14	15.10	18.51
MSCI EAFE NR	-0.54	-1.49	8.69	12.93	18.54
MSCI EM NR	0.03	0.27	23.71	26.73	24.96
Bloomberg US Agg Bond TR	0.39	0.44	-2.48	-1.56	4.62
Bloomberg Intermediate Corporate Bond TR	0.39	0.40	-1.17	0.02	5.84
Bloomberg High Yield Corporate TR	0.20	0.24	0.34	1.91	8.55
Bloomberg Commodities TR	1.79	1.61	35.01	41.33	16.59

Price Levels

	10/9/2026	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	102.21	98.82	100.95	98.65	99.54
10 Year Treasury Yield	5.24	4.84	4.56	4.32	4.14
West Texas Crude (WTI) $/bbl	91.92	97.26	72.45	98.34	62.36

Current Positioning

Reasonably constructive, while continuing to monitor the risks associated with potentially higher levels of inflation and a potential slowdown in capex spending by the AI hyperscalers.

	Min / Neutral / Max	
EQUITIES		Valuations have improved as fundamentals remain strong. Portfolios are underweight the market cap and sectors with the most demanding valuations, favoring more reasonably valued areas of the market.
U.S. Equity		Relative advantages remain attractive, and valuations have continued to improve across the market cap spectrum. Portfolios are overweight US stocks relative to international stocks.
Large		The persistence of earnings growth from large cap companies has been astounding. However, their valuations remain at a premium to other segments of US and international equities.
Mid		Mid-cap stocks remain attractively positioned, as absolute and relative valuations stand to continue benefiting from a broadening equity market.
Small		Valuations remain attractive against large caps, and fundamentals continue to improve.
Value		Overweight 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; however, the risk of higher energy prices and inflation threatens further monetary support by the various global central banks.
Developed Markets		Underweight developed markets relative to the benchmarks, with a neutral weight to European and Japanese equities.
Emerging Markets		Emerging market stocks remain attractive relative to developed market stocks.
FIXED INCOME		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		Underweight duration, specifically long-duration Treasuries, as economic growth continues to surprise to the upside and inflation remains above target, with a growing risk of moving higher.
Treasury		Underweight US Treasuries, favor the securitized sector and high-quality corporate credit.
Corporate		Prefer intermediate and long-corporate bond exposure. High-quality bias remains, with little value offered in the form of spreads across the high-yield universe.
MBS/Securitized		Attractive relative yield, fair spreads, and strong implied credit quality position, specifically within residential mortgages and asset-backed securities.
ALTERNATIVES		
EM Local Currency Debt		Emerging market (EM) local currency debt stands to continue benefiting from falling real rates, rising asset prices in EM, and rising currencies.
CASH		Neutral weight cash, as we believe there are attractive opportunities outside.

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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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

Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, USD-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 USD-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.

Survey of Consumer Expectations: a monthly survey of US households by the New York Federal Reserve Bank. The survey collects timely information on consumers' expectations and decisions on a broad variety of topics, including but not limited to inflation, household finance, labor market, and housing market.

The ISM Services PMI®: a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries. An index reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the US conducted by the University of Michigan.

French OATs ("Obligations Assimilables du Trésor"): medium- and long-term government bonds issued by Agence France Trésor, typically with maturities from 2 to 50 years and a fixed annual coupon. They are France's primary instrument for long-term sovereign financing and serve as key benchmarks in euro-denominated bond markets.

Federal funds rate: 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.

Yield Curve: 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.

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.