# Weekly Mosaic – Raising the Bar

Week of October 19th, 2026

Madison INVESTMENTS

**97.9**
NFIB Small Business Index

Small business sentiment declined in September to 97.9 from a previous reading of 98.7 as the inflation components remained elevated and a top concern for respondents.

**+0.30%**
Core CPI, Seasonally Adjusted, Month-over-Month

Excluding food and energy, the Consumer Price Index increased by 0.30% compared to August. This was a surprise above the estimated increase of 0.20%.

**+0.80%**
Retails Sales, Seasonally Adjusted, Month-over-Month

Retail Sales rose in September, coming in 0.5% higher than anticipated. However, the Retail Sales Control Group, which feeds into GDP calculations, was softer at 0.15% compared to expectations of 0.30%.

## Top of Mind

Third-quarter earnings season is picking up steam this week, with 85 S&P 500 companies scheduled to report results.

Earnings estimates for the third quarter are expected to grow 27% on a year-over-year basis, well ahead of long-term averages.

Analysts' quarterly earnings estimates have historically started at optimistic, elevated levels and then continually revised lower leading up to a given reporting season.

As we noted previously, this historical trend has not held, as the AI capital expenditure cycle has continued to accelerate. Third-quarter estimates have followed suit, rising nearly 2% over the last three months.

The bar has been raised yet again, and unlike much of the recent past, stocks aren't necessarily priced to perfection. We believe this encouraging backdrop will reward stocks that continue to deliver on fundamentals.

## Index Returns

| As of 10/16/2026 (%) | 1-Week | QTD | YTD | 1-Year | 3-Year |
|---|---|---|---|---|---|
| S&P 500 TR | -1.94 | 0.15 | 12.91 | 16.89 | 22.12 |
| Russell Mid Cap TR | -1.19 | 1.72 | 13.77 | 15.70 | 17.81 |
| Russell 2000 TR | -3.04 | -2.67 | 10.67 | 11.66 | 17.49 |
| MSCI EAFE NR | 1.43 | -0.08 | 10.25 | 14.06 | 18.70 |
| MSCI EM NR | -5.15 | -4.89 | 17.35 | 19.93 | 22.31 |
| Bloomberg US Agg Bond TR | 0.88 | 1.32 | -1.63 | -1.67 | 4.76 |
| Bloomberg Intermediate Corporate Bond TR | 0.53 | 0.94 | -0.65 | -0.13 | 5.87 |
| Bloomberg High Yield Corporate TR | -0.33 | -0.09 | 0.01 | 1.38 | 8.28 |
| Bloomberg Commodities TR | 0.42 | 2.04 | 35.57 | 41.03 | 16.36 |

## Price Levels

| | 10/16/2026 | 1 Mo | 3 Mo | 6 Mo | 1-Year |
|---|---|---|---|---|---|
| US Dollar Index | 101.84 | 100.25 | 100.77 | 98.10 | 98.34 |
| 10 Year Treasury Yield | 5.08 | 5.01 | 4.55 | 4.24 | 3.97 |
| West Texas Crude (WTI) $/bbl | 101.40 | 103.62 | 83.43 | 85.91 | 58.29 |

# 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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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 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.

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

National Federation of Independent Business (NFIB) Small Business Optimism Index: a combination of ten seasonally adjusted components. It provides an indication of the health of small businesses in the US.

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.