

# Monthly Market Update

May 2026

## Highlights:

- Despite geopolitical uncertainty, equities surged, with the S&P 500 rebounding 10.5% in April and recovering prior declines to restore positive year-to-date performance.
- Solid economic data and AI optimism powered markets higher, with large technology companies once again leading.
- Broad earnings strength persisted, with high margins and continued growth across sectors, reinforcing equity gains despite concerns around consumer sentiment and rising costs.
- Rising oil prices increased inflationary pressures, reducing expectations for near-term rate cuts despite solid economic growth and leadership changes at the Federal Reserve.

Stock investors who either held steady through April's fluctuations or wrote off the early weeks of our conflict with Iran as a passing or inconsequential phenomenon were rewarded as the S&P 500 rose 10.5%, reversing the losses of March as the year-to-date return bounced back to 5.7%. Both the NASDAQ and S&P 500 hit new all-time highs during the month. While oil prices and daily stock valuations fluctuated with the fortunes of war and the oscillating news regarding the Strait of Hormuz, the underlying strength of the U.S. economy, corporate earnings, and labor market supported the steady upward trend for the stock market. Optimism over the productivity boost from artificial intelligence (AI) proved to be the main engine for the market as big tech once again took the lead. Earnings reports at month end were strong for these companies, even as the enormous spending on AI infrastructure gave some investors pause.

The earnings story was particularly powerful, overcoming at least for the moment the potential liability of sharply higher gas prices and lagging consumer sentiment, which hit new all-time lows during the month. Corporate earnings for the first quarter

were on track for double-digit year-over-year gains for the sixth-straight quarter. S&P 500 companies reported a blended net profit margin for Q1 of 13.4%, the highest in more than 15 years. While the gains in the Tech sector were significant, positive earnings surprises came from a variety of sectors, including Industrials, Health Care, and Materials. Large oil companies stand to join the earnings winners as they benefit from higher crude and gas prices, which could remain elevated for some time, even if the conflict in the Middle East is settled.

As higher oil prices percolate through the economy, expectations for future rate cuts have continued to drop, in spite of the shift in leadership at the Federal Reserve. Chairman-in-waiting Kevin Warsh is presumed to be more dovish than Powell. However, the broad inflationary effect of gasoline prices in the midst of a healthy economy (Q1 GDP growth was a solid 2.0%) lowers the likelihood of imminent rate cuts. Warsh has also championed reducing the Fed's balance sheet, which ballooned during and following the financial crisis of 2008. Doing so without disrupting the delicate liquidity issues in the short-term markets remains a challenge.

The conflict in the Middle East and the disruption of commerce in the Persian Gulf have worldwide ramifications. The impacts are complex. For instance, as oil prices rise, other commodities that may seem unconnected also tend to rise. We've witnessed jumps in the prices for copper and aluminum. Few companies are unaffected by the rise in input and transportation costs. We are carefully monitoring the web of effects and our holdings' ability to adjust to new conditions. The strength of corporate moats and the excellence of management are two qualities we value in our holdings and believe make them well-suited to weather the complications that are likely to persist or even escalate over the remainder of the year.



### U.S. Equities (%)

	April	YTD	1 Year	3 Year	5 Year	10 Year
DJ Industrial Average	7.2	3.8	24.2	15.5	10.0	13.2
S&P 500	10.5	5.7	31.1	21.7	13.1	15.3
Russell 1000	10.1	5.5	30.4	21.5	12.3	15.0
Russell 1000 Value	8.2	10.4	29.3	16.8	10.3	11.2
Russell 1000 Growth	11.9	1.0	30.6	25.4	13.8	18.3
Russell Midcap	7.3	8.7	25.8	16.2	7.7	11.6
Russell 2000	12.2	13.2	44.4	18.2	5.7	11.0

### U.S. Equity Characteristics - S&P 500

	April	12/31/25
Price/Earnings Ratio (NTM)	20.9	22.2
Weighted Avg. Market Cap (\$B)	1,493.8	1,430.6
Dividend Yield (%)	1.1	1.1

### International Equities (%)

	April	YTD	1 Year	3 Year	5 Year	10 Year
ACWI	10.2	6.6	31.0	19.8	10.7	12.3
ACWI ex USA	9.7	8.9	32.2	17.4	8.4	9.1
MSCI EAFE	7.5	6.1	24.6	15.3	8.8	8.8
Emerging Markets	14.7	14.5	46.7	20.7	6.1	9.2
China	3.6	-5.6	12.4	9.7	-4.5	5.5
Japan	9.2	10.6	30.6	19.0	8.8	9.0
Germany	8.6	-0.6	9.0	15.7	6.9	7.7
United Kingdom	5.2	7.3	28.8	16.8	12.6	8.5
India	9.2	-10.6	-9.8	8.1	6.6	8.7

### Fixed Income (%)

	April	YTD	1 Year	3 Year	5 Year	10 Year
Government Bond	-0.1	-0.1	2.5	2.4	-0.3	1.1
Municipal	1.1	1.0	6.3	3.3	0.9	2.2
U.S. Aggregate Bond	0.1	0.1	4.1	3.5	0.2	1.7
Investment Grade Corporate	0.5	0.0	5.3	4.5	0.7	2.6
High Yield	1.7	1.2	8.8	8.9	4.4	5.9

### U.S. Equity Sectors - S&P 500 (%)

	April	YTD	Weight
Communication Services	18.5	10.3	11.0
Consumer Discretionary	11.7	1.5	10.0
Consumer Staples	3.1	11.0	4.9
Energy	-3.5	33.5	3.5
Financials	5.6	-4.3	12.0
Health Care	-0.4	-5.3	8.5
Industrials	7.9	12.9	8.8
Information Technology	17.5	6.7	35.0
Materials	2.7	12.7	1.9
Real Estate	8.8	11.8	1.9
Utilities	2.1	10.5	2.4

### Key Asset Prices

	April	12/31/25
EUR/USD	1.17	1.17
USD/CAD	1.36	1.37
USD/JPY	156.66	156.80
GBP/USD	1.36	1.34
Bitcoin (\$)	76,304.3	87,508.8
Gold (\$/oz)	4,631.0	4,324.0
Crude Oil (WTI) (\$/bbl)	108.6	57.3

### U.S. Treasury Yields (%)

	April	12/31/25
3-Month	3.68	3.67
6-Month	3.71	3.59
2-Year	3.88	3.47
5-Year	4.02	3.73
10-Year	4.40	4.18
30-Year	4.98	4.84



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Dow Jones Industrial Average® (The Dow®): a price-weighted measure of 30 US blue-chip companies, covering all industries except transportation and utilities.

S&P 500® Index: large cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the US.

Russell 1000® Index: measures the performance of the 1,000 largest companies in the Russell 3000® Index.

Russell 1000® Growth Index: designed to track those securities within the broader Russell 1000 Index that FTSE Russell has determined exhibit growth characteristics.

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Russell 2000® Index: a small cap market index which measures the performance of the smallest 2,000 companies in the Russell 3000® Index.

Russell Midcap® Index: measures the performance of the mid cap segment of the US equity universe.

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MSCI ACWI ex USA Index: captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 23 Emerging Markets countries.

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

Emerging Markets - MSCI Emerging Market Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

China - MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares,

Red chips, P chips and foreign listings (e.g. ADRs).

Japan - MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

Germany - MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market.

United Kingdom - MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market.

India - MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

Government Bond - Bloomberg US Government Index measures the performance of US Treasury and Agency Indices, including Treasuries and US agency debentures.

Municipal - Bloomberg US Municipal Index covers the USD-denominated long-term tax-exempt bond market and has four main sectors: state and local general obligation, revenue, insured, and prerefunded bonds.

US Aggregate Bond - Bloomberg US 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.

Investment Grade Corporate - Bloomberg US Credit Index measures the investment grade, USD-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supnationals and local authorities.

High Yield - 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 Bloomberg EM country definition, are excluded.

Weighted Avg. Market Cap: measures the size of the companies in which the portfolio invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

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.

Dividend Yield: the portfolio's weighted average of the underlying holdings and not the yield of the portfolio.

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.

Nasdaq Composite Index: a market-capitalization-weighted stock index that tracks the performance of over 3,500 stocks listed on the Nasdaq exchange, with a strong emphasis on technology and growth companies.

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