Monthly Market Update

November 2026

Madison INVESTMENTS

- Market leadership broadened beyond technology in October, as investors rotated away from the largest AI-related stocks and into the broader market.
- Rising rates are challenging the economics of the AI boom, raising questions about the sustainability of hyperscaler spending and the timing and magnitude of returns on investment.
- Consumer strength remains uneven across income levels: Higher-income households continue to spend, supported by stock market wealth, while lower-income consumers are increasingly impacted by rising food and energy costs.

The concerns we've been expressing regarding the AI boom and the dominance of technology in the major indices became market drivers in October. The S&P 500 dipped -0.9% for the month, while the equal-weighted S&P 500 rose 5.0%. Some 70% of stocks in the S&P were positive. This reflects a massive rotation away from the Mag 7 and hyperscalers into the rest of the market. Small and mid cap stocks also benefited. Sector performance clearly illustrates this as well, with Technology and Communication Services falling -7% and -15%, respectively, the only negative returns within the eleven S&P sectors. Double-digit positive returns were generated by Energy, Consumer Staples, Utilities, and Health Care. The overarching concern remains the massive size of AI spending and the extent and timing of the potential return on this capital investment.

Interest rates and the bond market played a role as well. Not only do higher rates give investors an alternative to stocks, but data center development costs have long since exceeded hyperscaler cash flow, forcing them into the debt markets to finance their expanding investments. This is at a time when rising memory prices and growing grassroots antipathy to data center development projects are escalating costs. Higher Treasury and other sovereign debt rates provide investors with viable choices and have given some observers pause regarding the hyperscalers' ability to raise the needed capital at a reasonable cost. Any pullback in data center expansion would reverberate throughout the economy since their construction and equipping have been a major driver of overall growth.

One bright note has been the solidity of the American consumer, even as consumer sentiment remains quite low. Some of this can be attributed to the persistent gap between higher earning households and lower earning ones. For instance, high gas and heating oil prices have a much larger percentage impact on lower-income households. The price pressures on gas and food show no signs of abating. In surveys, the lower income households report distress, while higher income households continue to spend behind the sustained wealth effect of the stock market.

In the meantime, the markets seem fundamentally indifferent to the November elections, probably because even a blue wave would leave the government divided. A deadlocked government is typically seen as a positive for stocks. In other news, concerns over the downsides of technological innovation were only heightened by the record-breaking hack of industry-leading cryptocurrency firm Binance. It's still unclear how much AI was involved in the theft and laundering of the billions stolen. The losses, blamed on state hackers from North Korea, certainly sent a chill through investors who believed that the blockchain technology behind crypto made holdings inviolably secure.

Altogether, lessons from the month confirm some of our longstanding beliefs and concerns. The idea that index investing provides guaranteed diversification is belied by the S&P 500's technology weighting. One of the major benefits of the active management we champion is recognizing the dangers of overconcentration and working to ensure investors are truly diversified.

U.S. Equities (%)

	October	YTD	1 Year	3 Year	5 Year	10 Year
DJ Industrial Average	1.8	9.1	10.6	18.2	9.7	13.4
S&P 500	-0.9	11.8	12.1	23.4	12.1	15.4
Russell 1000	-0.7	11.5	11.8	23.2	11.4	15.2
Russell 1000 Value	4.4	24.5	28.7	23.3	11.8	12.1
Russell 1000 Growth	-6.1	-0.2	-2.6	22.3	10.4	17.7
Russell Midcap	3.2	15.4	16.6	20.5	7.5	11.9
Russell 2000	0.6	14.4	14.8	20.8	5.6	10.4

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

	October	YTD	Weight
Communication Services	-15.1	-11.3	8.4
Consumer Discretionary	3.9	-2.1	9.0
Consumer Staples	11.6	18.3	4.9
Energy	14.0	59.9	3.9
Financials	5.9	4.5	12.2
Health Care	9.9	21.0	10.3
Industrials	0.3	8.9	8.2
Information Technology	-6.8	19.6	37.5
Materials	6.6	16.0	1.7
Real Estate	5.1	10.7	1.8
Utilities	10.2	3.9	2.1

U.S. Equity Characteristics - S&P 500

	October	12/31/25
Price/Earnings Ratio (NTM)	18.4	22.2
Weighted Avg. Market Cap ($B)	1,542.8	1,430.6
Dividend Yield (%)	1.1	1.1

International Equities (%)

	October	YTD	1 Year	3 Year	5 Year	10 Year
ACWI	-1.6	11.2	12.3	22.3	10.1	12.4
ACWI ex USA	-2.8	11.0	14.3	21.1	8.4	9.1
MSCI EAFE	-0.7	9.5	13.5	19.7	8.6	9.2
Emerging Markets	-8.0	13.5	14.1	22.3	6.9	8.1
China	-7.0	-18.0	-21.1	8.7	-4.1	2.8
Japan	-4.2	17.6	17.4	21.6	9.6	9.0
Germany	0.9	0.5	5.3	21.3	7.3	7.7
United Kingdom	2.4	10.8	16.6	21.5	12.2	9.4
India	1.2	-13.9	-13.6	4.3	1.9	7.4

Key Asset Prices

	October	12/31/25
EUR/USD	1.12	1.17
USD/CAD	1.40	1.37
USD/JPY	157.47	156.80
GBP/USD	1.34	1.34
Bitcoin ($)	77,434.8	87,508.8
Gold ($/oz)	3,880.0	4,324.0
Crude Oil (WTI) ($/bbl)	107.6	57.3

Fixed Income (%)

	October	YTD	1 Year	3 Year	5 Year	10 Year
Government Bond	2.3	-0.5	-0.2	4.4	-0.5	1.0
Municipal	3.9	-0.5	-0.2	4.5	0.6	2.0
U.S. Aggregate Bond	2.4	-0.5	-0.1	5.5	-0.2	1.5
Investment Grade Corporate	2.1	-0.9	-0.5	6.3	0.0	2.3
High Yield	0.3	0.4	1.6	8.6	3.7	5.0

U.S. Treasury Yields (%)

	October	12/31/25
3-Month	4.16	3.67
6-Month	4.25	3.59
2-Year	4.56	3.47
5-Year	4.71	3.73
10-Year	4.94	4.18
30-Year	5.31	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.

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

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, supranationals 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.

Diversification does not assure a profit or protect against loss in a declining market.

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