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## WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

May 13, 2022

### INFLATION

April consumer prices (CPI) rose 0.3%. Year-over-year, CPI increased 8.3%. Producer prices (PPI) also rose in April, up 0.5% for the month. On a trailing twelve-month basis, PPI is 11.0% higher.

**Our Take:** Inflation moderated ever so slightly in April compared to March but obviously remains well above the Fed's 2% target and exceeded economist expectations. Inflation continues to be broad-based, and causes such as the war in Ukraine and China's zero-COVID policy don't figure to be going away soon. Additionally, energy prices, which fell in April, have now surpassed March highs. Continued higher-than-expected inflation reports could cause the Fed to tighten more aggressively.

### MUNICIPALS

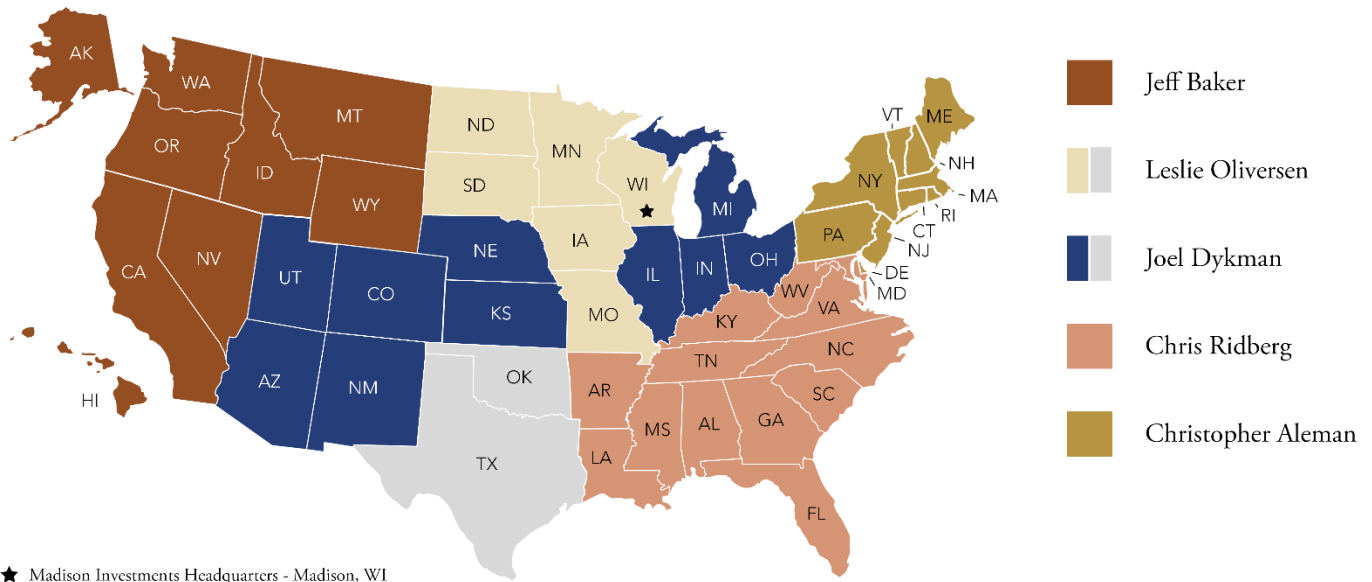
Illinois received two credit upgrades. Fitch Ratings upgraded Illinois by two notches, from BBB- to BBB+. S&P Global Ratings raised its rating from BBB to BBB+. S&P cited "improvement in the state's financial flexibility." In addition, S&P indicated that the state's timely budget adoption, along with its revenue surplus, reflects longer-term financial stability.

**Our Take:** Illinois, like many other states, has experienced higher-than-expected tax collections. Illinois' revenue growth, along with federal pandemic aid, has helped the nation's lowest-rated state improve its fiscal health. The upgrades are good news for bondholders and may lead to decreased borrowing costs in the future.



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