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

July 15, 2022

### INFLATION

Consumer prices rose 1.3% in June, while producer prices jumped 1.1%. Over the past year, consumer prices are up 9.1% and producer prices have increased by 11.3%. While the increase in food and energy prices has had a major effect, core consumer prices have still risen by 5.9% over the trailing twelve months.

**Our Take:** The whole country is laser-focused on inflation and the numbers thus far are not encouraging. Inflation continues to print at levels not seen in 40 years. The June survey was taken as gas prices were hitting their highs, so headline inflation may moderate somewhat in July. However, core inflation is proving to be entrenched and the Fed is likely to continue to quickly raise rates as they struggle to get it under control.

### CHINA

During the second quarter, China's GDP grew at a 0.4% annual rate, the slowest pace since the initial Covid outbreak in Wuhan.

**Our Take:** It will be almost impossible for China to hit its 5.5% growth target for the year.

### RETAIL SALES

Retail sales rose 1.0% in June. The retail sales control group, used to calculate GDP, rose 0.8% in June after falling 0.3% in May.

**Our Take:** Retail sales growth slightly outperformed economist expectations in June. Unfortunately, inflation rose by as much as sales meaning real sales are approximately unchanged. Basically, consumers paid more in June for the same amount of stuff. At least consumers are still spending. That may change if a recession hits.

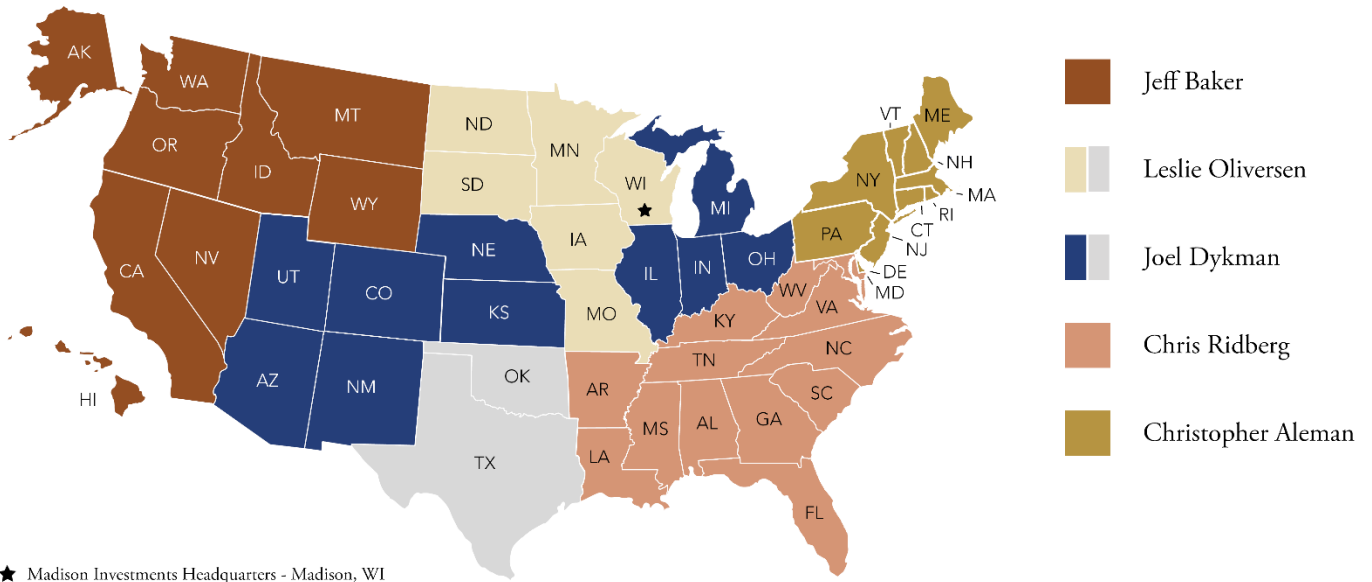
### MUNICIPALS

Florida finished the 2021-22 fiscal year with a \$21.8 billion surplus. This marks the largest surplus in history and is 21% higher than expected, according to state officials. Tax collections in both May and June are expected to exceed expectations, with June collections \$950 million higher than anticipated. Florida's surplus includes \$15.7 billion in unallocated general revenue, \$2.7 billion in the state's rainy-day fund, \$2.8 billion in unallocated trust funds, and \$499 million in the Emergency Preparedness and Response Fund, a newly created fund to be used during a state of emergency.

**Our Take:** Governor Ron DeSantis attributed the state's decision to remain open during the pandemic as a reason for the increase in tax collections. Florida is currently in a healthy fiscal position amid the state's record surplus and strong economic growth, which is good news for bondholders.



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