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

September 23, 2022

### THE FED

This week, the Fed raised interest rates by 75 basis points to a target range of 3.0%-3.25%, a move that was highly anticipated by the market. What was less expected was the change in the dot plot from this month's Summary of Economic Projections (SEP). According to SEP, the Fed expects to raise rates to 4.4% by year-end and as high as 4.6% in 2023 in order to fight rising inflation. This implies an additional 125 basis point increase this year with 25 basis points to follow next year. With only two policy meetings left in 2022, the Fed is likely to have another 75 basis point increase before year-end. In his post-meeting remarks, Chairman Jerome Powell insisted the Fed is "strongly committed" to bringing inflation back down to its 2% goal and that it will take "forceful and active steps" to return to price stability.

**Our Take:** With a 75 basis point increase at each of its past three meetings, the Fed continues to move aggressively in its fight against inflation. Price stability is the top priority. The Fed remains committed to raising rates as high as necessary and maintaining a more restrictive policy stance until it sees real progress against inflation.

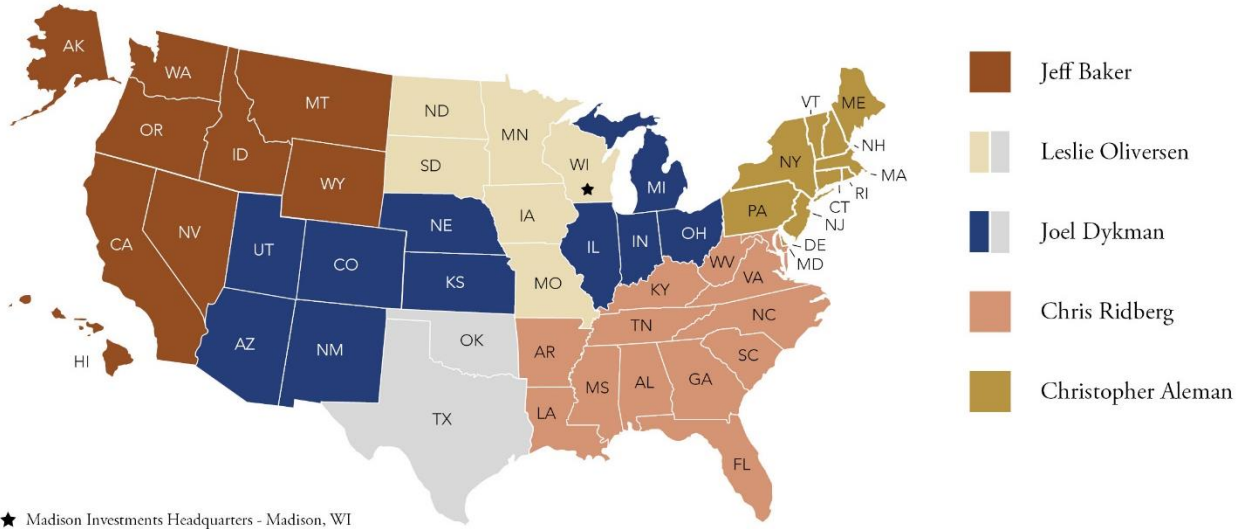
### MUNICIPALS

S&P Global Ratings changed its outlook on the San Francisco Bay Area Rapid Transit District (BART) from stable to negative. S&P stated that "longer-term social-capital demographic changes and modifications in rider preferences" may occur, leading to a loss of ridership. BART has struggled with decreased ridership since the start of the pandemic.

**Our Take:** S&P cited concerns about uncertainty in predicting future ridership numbers. Workers have been slow to return to the office in San Francisco and many workers maintain a hybrid schedule. In addition, some San Francisco commuters are now choosing to drive themselves instead of taking public transportation.



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