
WEEK IN REVIEW | REINHART FIXED INCOME
BY MADISON INVESTMENTS

January 13, 2023

INFLATION

Consumer prices (CPI) fell 0.1% in December. Year-over-year, CPI increased 6.5%, down from 7.1% in the previous month. Core prices, excluding food and energy, were up 0.3% in December and 5.7% over the last twelve months.

Our Take: Inflation continued its moderating trend, led primarily by reductions in energy costs. Prices for core goods also fell as supply chains continue to improve. This month's report makes it more likely that the Fed will increase rates by just 25 basis points at their next meeting. While recent inflation news has been positive, there is still much work to be done. Tight labor markets have the Fed worried that service prices will continue to rise and prevent a return to their long run inflation target of 2%.

MUNICIPALS

California Governor Gavin Newsom released a general-fund budget blueprint for the next fiscal year, which starts on July 1. State officials are projecting a \$22.5 billion budget deficit, six months after projecting a \$100 billion surplus. Governor Newsom's budget plan addresses the shortfall, as he proposed delaying or cutting certain spending measures.

Our Take: Officials warned of a shortfall in November after stock market weakness and lower-than-expected tax collections became apparent. Governor Newsom and lawmakers have time to evaluate and reassess over the course of the next few months as they complete the budgeting process.



CONTACT

Financial Advisors

888.971.7135

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Institutional Investors and Consultants

888.971.7135

Visit us online

madisoninvestments.com

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