
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

January 20, 2023

RETAIL SALES

Retail sales fell 1.1% in December. Sales in November were revised lower, to -1.0% from -0.6%.

Our Take: December marked another month of declining retail sales on the heels of a strong October report as spending on goods is clearly declining. Overall consumer spending is still positive, albeit slowing, but is concentrated more on services as consumption patterns continue to return to pre-pandemic normal.

DEBT CEILING

The United States reached its statutory debt limit this week, prompting the Treasury Department to institute “extraordinary measures” to allow it to continue to pay the country’s bills and avoid a government shutdown.

Our Take: Politicians are once again using the debt ceiling as a tool to attempt to force bargaining over potential spending cuts. No one seriously believes the U.S. will default on its debts, but brinksmanship in Congress over the ceiling raises that possibility, however remote. While the exact effects of a default are unknown, they would clearly be devastating to the world’s financial systems.

EUROPEAN CENTRAL BANK (ECB)

Christine Lagarde, along with other ECB governing council members, stated in Davos that inflation remains “way too high” and reiterated the ECB’s commitment to bringing it down to target levels. All of these officials indicated that a 50 basis point hike is likely at the next meeting and probably for multiple meetings after that.

Our Take: The ECB, much like the Fed, is prioritizing the fight against inflation and sees elements of it that will take further action to bring down.

MUNICIPALS

S&P Global Ratings revised its outlook on the public transit sector, lowering its outlook from stable to negative. S&P cited challenges for the sector, including decreased ridership and a depletion of federal pandemic aid, as reasons for the outlook change.

Our Take: Mass-transit ridership peaked in 2014 according to a Bureau of Transportation Statistics as well as an S&P report and hit a low in 2020 during the pandemic. While ridership has rebounded slightly since 2020, S&P reported that ridership has only reached 56% of the 2014 peak. Since the pandemic, workers have been slow to return to the office full time. It is likely that transit agencies will be forced to make route changes and/or increase fares to balance revenue collections and operating costs once the federal pandemic aid is depleted.



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Madison Investment Holdings, Inc. acquired the fixed income management assets of Reinhart Partners, Inc. on June 11, 2021 and now employs the Investment Team that previously managed the assets at Reinhart. The Investment Team manages the assets using substantially the same strategies and objectives as at Reinhart. Performance information dated prior to the purchase reflects that of Reinhart Partners, Inc.

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A basis point is one hundredth of a percent.