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

November 19, 2021

### RETAIL SALES

Retail sales rose 1.7% in October.

**Our Take:** The report was better than expected and retail sales remain well above their pre-pandemic trend, primarily for two reasons. First, government stimulus provided consumers with funds to spend. Second, retail sales are reported in nominal dollars, meaning inflation drives retail sales higher. Inflation-adjusted retail sales rose by just 0.1% in October, nowhere near as strong as the headline growth suggests.

### DEBT CEILING

Yellen stated that the Treasury “x-date” when the Treasury would run out of funds without a debt ceiling increase is December 15. McConnell and Schumer met to discuss the need for an increase, and McConnell expressed confidence that Republicans would find a way to allow Democrats to raise the ceiling and avoid a default.

**Our Take:** Much like in October, there is almost no chance that the Treasury will be allowed to default. The only question is whether the Republicans will be able to force the Democrats into using the reconciliation process to raise the debt ceiling until after the midterm elections or if they will allow legislation raising the ceiling for a few months to come to a floor vote through the normal Senate rules.

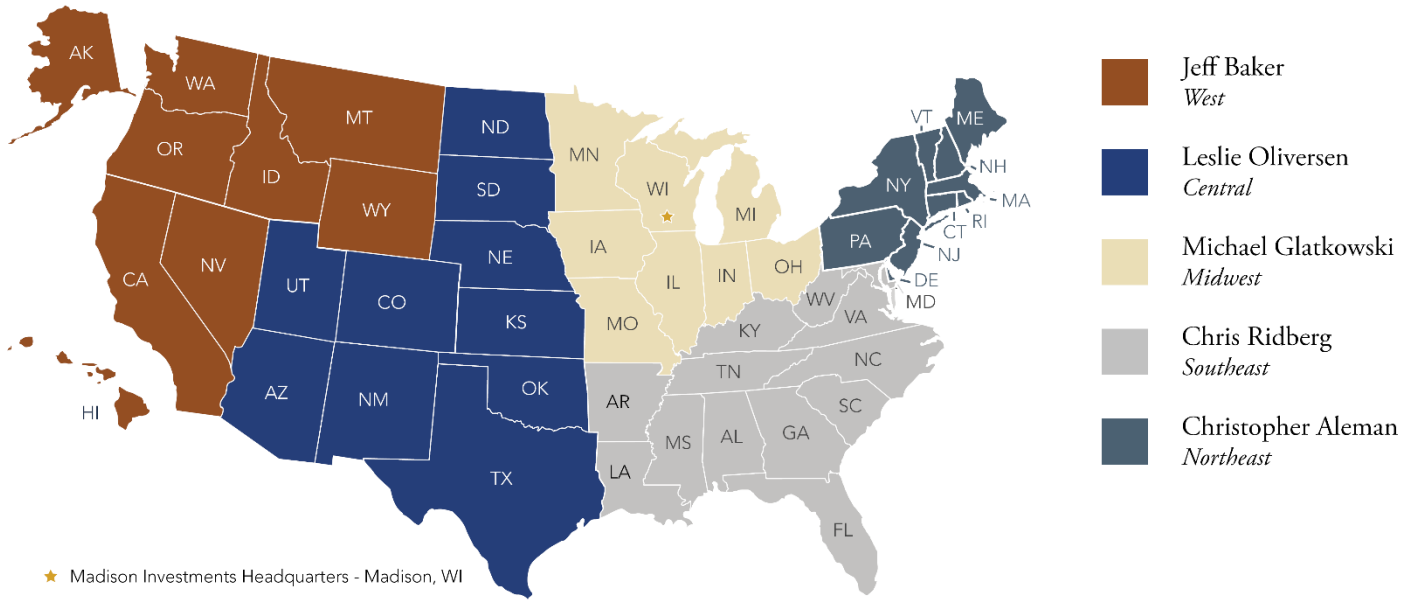
### MUNICIPALS

President Biden signed the \$1.2 trillion Infrastructure Investment and Jobs Act into law. The bipartisan bill includes \$110 billion for roads and bridges, \$40 billion for bridge repair and replacement, \$39 billion for modernizing public transit, \$25 billion for airport repair and maintenance and \$17 billion in port infrastructure improvements. The bill did not include any municipal bond provisions or ways for municipal issuers to lower their costs associated with financing projects.

**Our Take:** Even though the bill did not contain any direct relief for issuers, the new law will lower the amount of funding needed from state and local governments to pay for certain projects. Lower-than-expected infrastructure spending at the state and local level is good news for municipal bondholders.



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