

---

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

March 8, 2024

### EMPLOYMENT

Nonfarm payrolls rose by 275,000 jobs in February, but revisions to the previous two months' reports subtracted 167,000 jobs. The unemployment rate rose from 3.7% to 3.9% while labor force participation remained unchanged at 62.5%. Average hourly earnings grew by 0.1% and are up 4.3% year-over-year.

**Our Take:** The employment report was a bit of a mixed bag. Headline job growth was strong but was tempered by revisions and the household survey (used in calculating the unemployment rate), which showed a reduction of 115,000 jobs. In addition, average hourly earnings came in lower than expected, though on the heels of a large increase in January. All in all, it seems as though the employment sector is still relatively strong, but kinks in the armor are starting to appear.

### POWELL TESTIMONY

This week, Federal Reserve Chairman Jerome Powell provided his semiannual monetary policy report to Congress. His remarks echoed those he made following last month's FOMC meeting, suggesting rate cuts "will likely be appropriate at some point this year" but that the Fed is in no hurry to normalize rates. He added the Committee can be patient until it has "gained greater confidence that inflation is moving sustainably to 2%."

**Our Take:** There was nothing surprising in the Chairman's testimony. The Fed's consistent message has been that it can remain patient and wait for continued improvement in inflation before taking the first step in cutting rates.

### CHINA

At the National People's Congress (NPC), Chinese Premier Li Qiang announced a 2024 GDP growth goal of 5%, the same as the 2023 goal. Li did not give many specifics of how the government would support achieving this goal, and many economists expressed doubt that it could be done without significant monetary and fiscal stimulus. Li's announcements around fiscal policy did not indicate a big increase in fiscal support.

**Our Take:** While the 5% goal is in line with last year's numbers, 2023 had the benefit of comparing to 2022, when the country was in the COVID-zero lockdown for much of the year. It is difficult to see how China can credibly achieve the 5% goal when consumers are not spending, foreign investment is fleeing the country, exports are under pressure from supply chain realignments, youth unemployment is at very high levels, and overinvestment in property and infrastructure is leading to a potential debt-deflation spiral. If the reported growth number does end up meeting the goal, markets are likely to be very skeptical of it.

### MUNICIPALS

The Illinois First District Appellate Court overturned a Cook County Circuit Court's rejection of a referendum to be placed on the March 19 ballot that would change the city of Chicago's real estate transfer tax. The referendum, if approved, would lower Chicago's real estate transfer tax on properties sold for under \$1 million but increase the real estate transfer tax on properties sold for over \$1 million. According to the referendum, the additional funds generated from the nicknamed "mansion tax" would be "used for the purpose of addressing homelessness, including providing permanent affordable housing and the services necessary to obtain and maintain permanent housing in the city of Chicago."



**Our Take:** Voters will decide on the measure later this month. If passed, it will take time to determine the full financial effect. Supporters of the referendum claim that the measure could generate \$100 million each year for homelessness services while reducing the amount of tax owed for 94% of the transactions within the city. Opponents are concerned that the tax would reduce demand for commercial real estate in the city and could lead to an overall reduction in taxes collected.

---

## CONTACT

---

### Financial Advisors

**888.971.7135**

Find your Regional Director on our [coverage map](#) or by visiting [madisoninvestments.com/contact](http://madisoninvestments.com/contact).

---

### Institutional Investors and Consultants

**888.971.7135**

---

### Visit us online

[madisoninvestments.com](http://madisoninvestments.com)

---

## ABOUT REINHART FIXED INCOME

Quality, stability, and predictability are the hallmarks of the Reinhart Fixed Income management philosophy. We believe that successful fixed income management is a product of understanding the role bonds play in a specific client's investment strategy and developing unique portfolios to meet the objectives of the client. Reinhart Fixed Income is part of Madison Investments, an independent investment manager providing active, high-quality, and high-conviction portfolios since 1974.

---

## DISCLOSURES

“Madison” and/or “Madison Investments” is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC (“MAM”), and Madison Investment Advisors, LLC (“MIA”). MAM and MIA are registered as investment advisers with the U.S. Securities and Exchange Commission. Madison Funds are distributed by MFD Distributor, LLC. MFD Distributor, LLC is registered with the U.S. Securities and Exchange Commission as a broker-dealer and is a member firm of the Financial Industry Regulatory Authority. The home office for each firm listed above is 550 Science Drive, Madison, WI 53711. Madison’s toll-free number is 800-767-0300.

Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

Although the information in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm’s judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

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.

Quality refers to the bond ratings provided by the various third-party ratings agencies. Stability and predictability refer to the cash flow of individual securities and not to the market value or performance of portfolio holdings. There is no guarantee this strategy will lead to investment success.

In addition to the ongoing market risk applicable to portfolio securities, bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond’s maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer.