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

May 10, 2024

### THE FED

There was a fair amount of chatter from Federal Open Market Committee (FOMC) members this week with each one providing their perspective on the restrictiveness of current policy and the progress of the fight against inflation overall. Starting off the week, Richmond Fed President Tom Barkin conveyed confidence the current level of interest rates will restrict growth and slow inflation but noted the “full impact of higher rates is yet to come.” New York Fed President John Williams also thinks the current level of policy is appropriate and added that rate cuts will come “eventually.” Boston Fed President Susan Collins thinks rates will have to stay higher longer since economic activity and inflation are above expectations this year. Like the others, San Francisco Fed President Mary Daly thinks the current policy is restrictive but that it will “take more time to just bring inflation down.”

**Our Take:** Although there are some nuanced differences, two consistent themes have emerged from FOMC members, both doves and hawks alike. First, current policy is restrictive, but it will take more time to work. Second, rate cuts will eventually be appropriate, but later than originally anticipated.

### MUNICIPALS

Massachusetts Governor Maura Healey has proposed a \$4.1 billion housing bond bill, which includes a plan to address affordable housing. Within the bill is a provision that allows municipalities to levy a transfer fee of 0.5% to 2% on commercial and residential sales over \$1 million. The proceeds from the transfer fee, nicknamed “the mansion tax”, would be used to fund affordable housing projects.

**Our Take:** Lawmakers could begin debate on the proposal later this month. Supporters of the transfer fee stated that many Massachusetts municipalities, including Boston, have already expressed interest in implementing a similar fee and many Massachusetts communities need additional affordable housing options. Opponents believe that the new fees would lead to a decrease in occupancy and assessed values for commercial properties.



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## CONTACT

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### Financial Advisors

**888.971.7135**

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### Institutional Investors and Consultants

**888.971.7135**

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