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

June 28, 2024

### INFLATION

The Fed's preferred measure of inflation, the Personal Consumption Expenditures Price Index (PCE), was unchanged in May while the core PCE, excluding food and energy, rose 0.1%. Both the PCE and core PCE are up 2.6% year-over-year.

**Our Take:** The May PCE report was as expected and confirmed the benign May CPI and PPI reports. A September rate cut by the Fed is possible if inflation continues to moderate in the upcoming months.

### PERSONAL INCOME AND SPENDING

Personal income rose 0.5% in May while spending increased 0.2%.

**Our Take:** Solid income and spending numbers indicate that the economy is continuing to chug along. This should allow the Fed to continue to be patient with rates, as waiting for signs of slowing inflation is less painful if economic growth is continuing.

### GDP

The Bureau of Economic Analysis revised first quarter GDP from 1.3% to 1.4%.

**Our Take:** Despite the positive headline, the primary takeaway from the GDP revision was a reduction in consumer spending to a 1.5% increase from the previously reported 2.0% rise. Any sustained slowdown in consumer spending could have a dramatic effect on growth as the U.S. economy is very consumer centric.

### MUNICIPALS

Kansas Governor Laura Kelly signed legislation that offers both the Kansas City Chiefs and Kansas City Royals incentives to move their teams to the state of Kansas. Kansas lawmakers passed bills that would allow the sale of STAR (Sales Tax and Revenue) bonds to help finance stadium construction. The STAR bonds would be repaid using sales tax revenue and liquor tax revenue from the venues and surrounding STAR district establishments along with funds from sports wagering.

**Our Take:** Kansas lawmakers, in a special session, passed the incentive package after voters in Jackson County, Missouri rejected a sales tax increase on last spring's ballot. The sales tax increase would have helped fund a new baseball stadium for the Royals and renovations to GEHA Field at Arrowhead stadium. Kansas politicians seem to be in a better position than those in Missouri as Kansas would be financing stadiums with taxes that wouldn't exist without the new venues. Missouri, on the other hand, must convince voters that new stadiums and upgrades are worth raising taxes that already exist. This same battle is taking place in many other cities as teams push for public funds using the argument that professional sports teams generate economic activity for their host cities. While this is undoubtedly true, the real question is whether the teams cause enough of an increase in economic activity over what would naturally occur in their absence to justify additional taxes on local residents.



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## CONTACT

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