
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

July 19, 2024

RETAIL SALES

June headline retail sales were unchanged, control group sales rose 0.9%, and sales ex-autos rose 0.4% all of which were above expectations. May sales were revised up to +0.3%. Adjusting for inflation, sales still remained in positive territory. Auto sales were down 2.3% with a lot of this driven by a ransomware hack that shut down many dealers in June.

Our Take: While recent reports indicate slower spending by U.S. consumers, this report should moderate concerns of an imminent recession. The Federal Open Market Committee will likely view this report as giving the Fed more time to wait for further improvements in inflation before cutting rates.

CHINA

China reported a 4.7% year-over-year increase in GDP, the slowest pace since reopening from COVID and well below expectations. Government efforts to promote high-tech manufacturing did increase industrial production, but domestic consumption remains sluggish and the property sector also continues to be a drag on growth.

Our Take: China continues to rely on infrastructure and manufacturing investment as well as exports to sustain growth. These are areas where government policy can create short term growth, but ultimately China must develop self-sustaining domestic demand.

MUNICIPALS

Long-term municipal debt sales totaled \$246 billion during the first half of 2024. This marks a 36% increase over the first half of 2023. Recent municipal issuance is strong. State and local governments are expected to sell over \$16 billion over the next 30 days which is 68% higher than the 12-month average according to Bloomberg.

Our Take: Many state and local governments are tapping the municipal bond market to secure financing for infrastructure projects. Some are aiming to begin construction projects in the near future amid rising costs. In addition, uncertainty surrounding interest rates and the fall election have led to increased issuance this summer.



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