
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

September 20, 2024

THE FED

This week the Fed cut rates by 50 basis points to 4.75%-5.0%, in what some see as an aggressive start to rate normalization. The new dot plot shows the Fed expects another 50 basis points in cuts this year and an additional 100 basis points in 2025. The post-meeting statement reflected a somewhat positive assessment of economic conditions noting that growth continued at a “solid pace” despite a slower pace of hiring. This sentiment was echoed by Fed Chairman Jerome Powell during his post-meeting press conference. He noted that although price pressures “remain elevated,” the Fed has gained greater confidence that inflation is moving toward its target of 2%. He added the Fed remains committed to its dual mandate of price stability and maximum employment with risks from both sides coming into better balance.

Our Take: Despite the strong opening move of a 50-basis point cut, the Fed was careful to note that this is not an indicator of the pace of cuts going forward. Powell noted the Fed is in no rush to cut rates. There is still uncertainty in the outlook and the Fed will continue its patient approach to policy going forward.

RETAIL SALES

Retail sales rose 0.1% in August. Control group sales (which feed GDP calculations) rose 0.3%.

Our Take: August sales were better than expected. Real sales (excluding the effects of inflation) have risen in nearly every month this year. The consumer continues to drive economic growth, keeping the chances of a recession at bay.

MUNICIPALS

The Bureau of Transportation Statistics reported that 77.2 million domestic passengers and 12.5 million international passengers flew on United States airlines flights in June. This marks an increase of 6.7% over June 2023 and an increase of 7% over June 2019. Along with the increase in passenger traffic, municipal airport issuance has reached \$12.3 billion according to Bloomberg, an increase of more than 100% compared to 2023.

Our Take: The demand for air travel has led to crowded terminals along with additional baggage and check-in desk needs. Due to the increase in airport passenger traffic, airports feel able to tackle capital improvement projects, facilities updates, and other expansion projects.



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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.

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A basis point is one hundredth of a percent.