
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

June 10, 2022

INFLATION

The Consumer Price Index (CPI) rose 1.0% in May, outpacing expectations of a 0.7% increase. The CPI is 8.6% higher than a year ago. Core prices (excluding food and energy) also increased more quickly than expected, rising 0.6% in May and 6.0% year-over-year.

Our Take: After just a 0.3% CPI rise in April, there was hope that inflation was starting to moderate. This week's May report dashed those hopes. The Fed remains likely to hike rates by 50 basis points at each of its next two meetings but may have to be more aggressive at future meetings if inflation reports do not substantially improve.

ECB MEETING

The European Central Bank (ECB) announced an end to asset purchases, stated that it expects to raise its policy rate 25bps in July and likely 50bps in September, and stated that risks to this rate outlook are to the upside.

Our Take: The ECB is joining the Fed in moving into a monetary tightening phase, although the ECB is months behind the Fed in this process. The ECB has an even narrower path than the Fed to contain rampant inflation without spiking unemployment and causing a recession. The ECB and the EU will also likely face additional challenges, as different member nations' economies may call for different monetary policy stances, but the ECB can only deliver a single policy for the whole Eurozone. The projected rise in rates to combat inflation will also likely revive concerns about the fiscal situation of some large, heavily indebted Eurozone nations.

MUNICIPALS

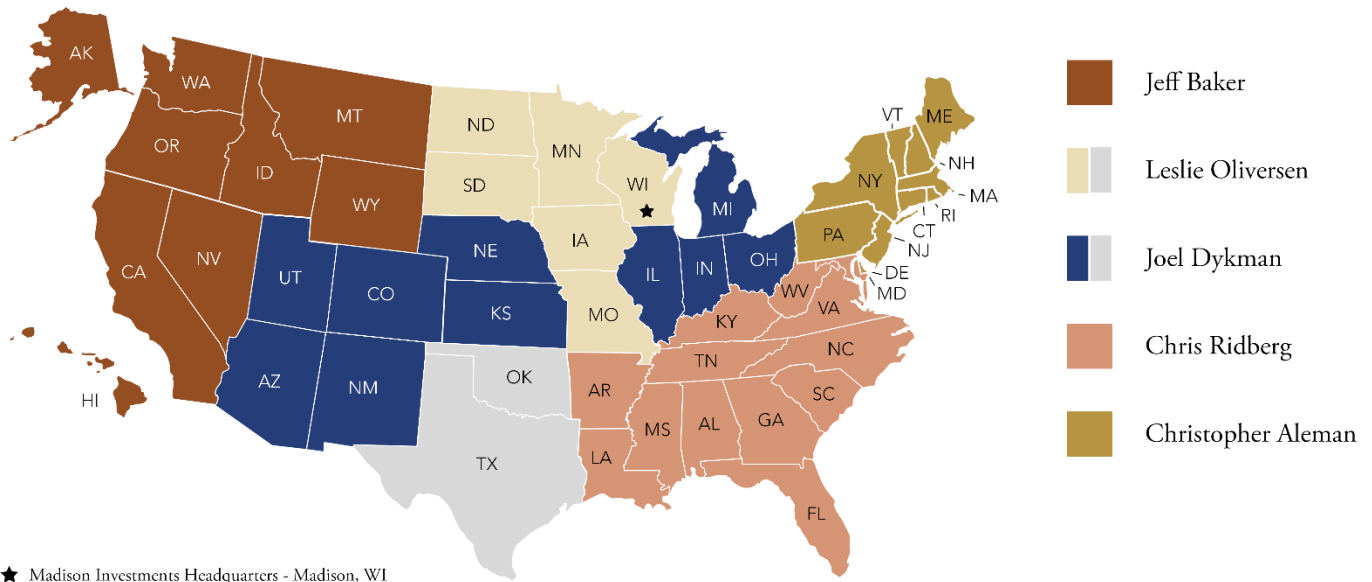
South Dakota voters rejected Amendment C, which would have required a 60% majority to pass future ballot measures that increased taxes or spending by \$10 million over five years. Currently, a simple majority is needed to pass ballot issues. Two-thirds of voters cast a "no" vote on the proposed constitutional amendment.

Our Take: Had Amendment C passed, the 60% majority would have made it more difficult to pass spending and tax proposals on South Dakota ballots. Many believe that the vote on Amendment C, which was expedited to be placed on the June ballot, was rushed through in preparation for Amendment D, a Medicaid expansion amendment, which will appear on the state's November ballot.



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