
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

January 12, 2024

INFLATION

The Consumer Price Index (CPI) rose 0.3% in December as did the core CPI, excluding food and energy. CPI is up 3.4% year-over-year while core CPI has risen 3.9%. The Producer Price Index (PPI) fell 0.1% in December while the core PPI rose 0.2%. PPI has risen 1.0% over the last twelve months while the core PPI is up 2.5%.

Our Take: Consumer prices were a little bit higher than expected, primarily in the core CPI report. Current inflation levels show the Fed has not yet achieved its goal of 2% inflation and that a rate cut in March may be premature.

MIDDLE EAST

The US and UK launched airstrikes against Houthi rebels in Yemen in response to Houthi attacks on Red Sea shipping. Houthi leaders vowed a response.

Our Take: Tensions in the Middle East continue to escalate. Both oil prices and shipping prices have risen as a result. Additionally, ships that normally use the Red Sea are being rerouted around Africa to avoid the violence. This will lead to increased delivery times and weakened supply chains for some products, potentially increasing inflationary pressure for as long as the conflict continues.

MUNICIPALS

Several local business owners and representatives appeared in front of the Clark County Commission in Las Vegas this week to ask for compensation due to disruption before, during, and after the Formula 1 race, which was held in November. Business owners claim that roadwork and infrastructure improvements for the race impacted their revenue and have asked that Clark County, the Las Vegas Convention and Visitors Authority, and Formula 1 provide compensation. One estimate indicated that local businesses lost \$23 million due to blocked entrances and road closures.

Our Take: The 2023 race marked the first Formula 1 race in the city since 1982, so it is not surprising that there were growing pains leading up to the race. However, local government should be cautious when a private enterprise is using public thoroughfares to the detriment of other private businesses.



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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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In addition to the ongoing market risk applicable to portfolio securities, bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Producer Price Index (PPI) is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services.

