
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

November 17, 2023

INFLATION

The Consumer Price Index (CPI) was unchanged in October and rose 3.2% year-over-year. Core CPI, excluding food and energy, increased 0.2% and 4.0% over the same time periods. The Producer Price Index (PPI) fell 0.5% while core PPI was unchanged. Over the past year PPI has risen 1.3% while core PPI grew by 2.4%.

Our Take: Inflation readings were softer than anticipated, leading market participants to believe that the Fed will be on hold for the foreseeable future. The “higher for longer” Fed stance remains as core service inflation is still proving to be difficult to tame.

RETAIL SALES

Retail sales fell 0.1% in October. The retail sales control group, which feeds GDP calculations, rose 0.2%.

Our Take: Retail sales outperformed in October, declining less than expected. Additionally, September sales were revised higher. Despite a better-than-expected report, early Q4 spending was soft. It appears that consumers were either taking a break from strong third quarter spending or that spending is slowing down.

MUNICIPALS

Many U.S. states' tax revenues have been declining recently. September marked the 14th month in a row of decreased total state tax revenue measured on an inflation-adjusted basis according to a report from the Urban Institute.

Our Take: Overall, slowing economic growth along with a decline in the stock market has led to lower tax revenue. States may be forced to raise taxes, cut spending, or tap into rainy-day funds in order to meet their budget needs.



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ABOUT REINHART FIXED INCOME

Quality, stability, and predictability are the hallmarks of the Reinhart Fixed Income management philosophy. We believe that successful fixed income management is a product of understanding the role bonds play in a specific client's investment strategy and developing unique portfolios to meet the objectives of the client. Reinhart Fixed Income is part of Madison Investments, an independent investment manager providing active, high-quality, and high-conviction portfolios since 1974.

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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.

Quality refers to the bond ratings provided by the various third-party ratings agencies. Stability and predictability refer to the cash flow of individual securities and not to the market value or performance of portfolio holdings. There is no guarantee this strategy will lead to investment success.

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.