
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

September 17, 2021

RETAIL SALES

Retail sales rose 0.7% in August. They had been expected to fall 0.7%. July retail sales growth was revised downward, from -1.1% to -1.8%.

Our Take: While August sales numbers were far better than expected, retail sales remain in a short-term downward trend established in May, but above their pre-pandemic longer-term trend. It is rather difficult to interpret month-to-month retail sales numbers, as the pandemic has upended seasonal adjustments to spending trends. In addition, retail sales are not adjusted for inflation, meaning, all else constant, higher prices result in higher sales. Taken at face value, the August report shows an economy that continues to expand.

INFLATION

The Consumer Price Index rose 0.3% in August and has risen 5.3% year-over-year.

Our Take: Consumer price increases slowed somewhat from their recent pace indicating that perhaps inflation is starting to moderate. However, even if monthly inflation growth continues to slow, it will take quite some time to move from the current 5.3% annual inflation reading to the Fed's 2.0% target.

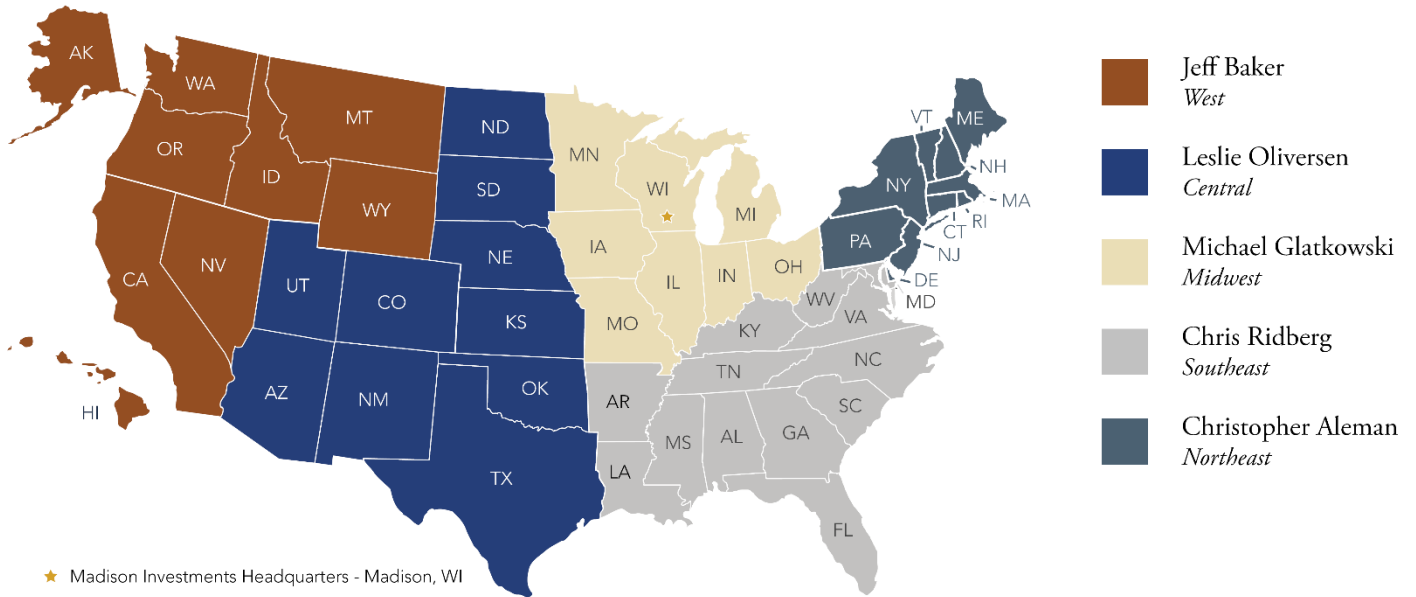
MUNICIPALS

S&P Global Ratings raised California's credit outlook from stable to positive. S&P cited long-term structural balance and high reserves as reasons for the outlook change. S&P's outlook change occurred before the state issued more than \$2 billion of general obligation bonds this week.

Our Take: California continues to rebound from the pandemic. The state collected higher-than-expected tax revenue, especially from high earners. The positive credit outlook and California's improving fiscal health may lead to a decrease in borrowing costs for the state.



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