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## WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

September 13, 2024

### INFLATION

The Consumer Price Index (CPI) rose 0.2% in August. The core CPI, excluding food and energy, rose 0.3%. Year-over-year, consumer prices are up 2.5% while core CPI has risen 3.2%. Producer prices (PPI) rose 0.2% in August and are up 1.7% over the last twelve months.

**Our Take:** While the CPI report remains an important indicator, market focus has shifted toward reports which detail the strength of the economy as inflation has continued to moderate. Inflation has clearly slowed enough for the Fed to confidently embark on an easing cycle, which is all but certain to start next week.

### EUROPEAN CENTRAL BANK

The ECB cut its deposit rate 25 basis points and cut the rates on other lending facilities for banks. ECB President Christine Lagarde declined to commit to the timing or extent of any further cuts, stating that the ECB would “remain data-dependent.”

**Our Take:** Similar to the Fed’s likely course, the ECB is moving to normalize monetary policy in response to inflation approaching its target and weak growth. The ECB does not have a dual mandate like the Fed, but many members are concerned about growth levels and the labor market slowing to a point that would drive below-target inflation.

### MUNICIPALS

Fitch Ratings upgraded the City of Atlanta’s issuer default rating, guaranteed bond rating, and general obligation debt rating from AA+ to AAA, an all-time high. City leaders touted the upgrade. Atlanta Mayor Andre Dickens stated, “these ratings reflect responsible, sound fiscal management and confidence in how we do business in this city.” Fitch indicated that Atlanta’s budget reserves have been at least 20% of spending over the last three years. Fitch also cited the city’s strong and diverse economy as reasons for the upgrade.

**Our Take:** In addition to Atlanta’s healthy budget reserves and sound economy, the ratings upgrade follows the implementation of Fitch’s revised local government ratings criteria. Nevertheless, the upgrade should be viewed as a positive for the city, which has taken steps to continue to improve its fiscal health.



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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.

A basis point is one hundredth of a percent.