

---

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

December 9, 2022

### INFLATION

Producer prices (PPI) rose 0.3% in November. Excluding food and energy (core PPI), prices rose 0.4%. Year-over-year, PPI has risen 7.4% while core PPI is up 6.2%.

**Our Take:** November producer prices were higher than anticipated, reversing a bit of the lower-than-expected October PPI report. Consumer prices will be reported next Tuesday, and it will be interesting to see if they are also higher than expected. Either way, the November PPI report further evidences the fact that the fight to contain inflation will likely progress in an uneven fashion.

### CHINA

The Chinese government announced drastically relaxed Covid guidelines that effectively meant an end to the “Covid-Zero” policy that has been in place thus far in the pandemic. Markets reacted positively and many economists expect a strong rebound in Chinese growth due to the policy change.

**Our Take:** Xi’s insistence on the Covid-Zero policy has clearly been hampering Chinese economic activity. How quickly growth will return will depend on how severe the likely uptick in infections, hospitalizations, and deaths turns out to be. Given the lower level of immunity in the Chinese population thanks to Covid-Zero, less effective vaccines and lower vaccination rates among vulnerable populations, the economic boost from the policy change could be both delayed and smaller than markets are expecting.

### MUNICIPALS

The Minnesota Management and Budget Office released figures indicating that the state will enter the 2023 legislative session with a \$17.6 billion budget surplus. Previously released figures indicated a \$12.1 billion budget surplus. Budget officials stated that “strong collections and lower-than-expected spending” along with leftover, unspent funds from the 2022 budget led to the record surplus.

**Our Take:** The Minnesota Legislature could not agree on certain spending proposals last year, which left \$7 billion unspent. Lawmakers will begin budget planning next month for the upcoming fiscal period and will be aided by the cushion of the surplus. Minnesota Governor Tim Walz is expected to release his budget proposal on January 24th while lawmakers will begin their 2023 legislative session on January 3.



---

## CONTACT

### Financial Advisors

---

**888.971.7135**

Find your Regional Director on our [coverage map](#) or by visiting [madisoninvestments.com/contact](http://madisoninvestments.com/contact).

### Institutional Investors and Consultants

---

**888.971.7135**

### Visit us online

---

[madisoninvestments.com](http://madisoninvestments.com)

---

## 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.

---

## DISCLOSURES

"Madison" and/or "Madison Investments" is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC ("MAM"), and Madison Investment Advisors, LLC ("MIA"), which also includes the Madison Scottsdale office. MAM and MIA are registered as investment advisers with the U.S. Securities and Exchange Commission. Madison Funds are distributed by MFD Distributor, LLC. MFD Distributor, LLC is registered with the U.S. Securities and Exchange Commission as a broker-dealer and is a member firm of the Financial Industry Regulatory Authority. The home office for each firm listed above is 550 Science Drive, Madison, WI 53711. Madison's toll-free number is 800-767-0300.

Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Although the information in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

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.