

# Week in Review | Reinhart Fixed Income By Madison Investments

July 18, 2025



## Fed

The Trump administration stepped up pressure on Fed Chairman Jerome Powell. Several administration officials stated that cost overruns for the Fed headquarters renovations would be reason to fire Powell for cause. Treasury Secretary Scott Bessent stated that the search for Powell's replacement as chair is underway, and several Fed and administration officials were named as candidates. Bessent also stated that Powell should step down from the Board of Governors when his term as chair ends. Some of the candidates named for chair made the case for reducing rates at the upcoming July meeting. President Trump reportedly showed a termination letter for Powell to some members of Congress but later said that he is not planning on firing Powell after markets reacted poorly to news of the letter and reports that Trump would fire him.

**Our Take:** While reasonable arguments can be made that Fed policy should be looser, tighter, or where it currently is, market participants are in broad agreement that they do not want to see a significant undermining of the Fed's independence to conduct monetary policy.

## Inflation

The Consumer Price Index (CPI) rose 0.3% in June while the core CPI, excluding food and energy, rose 0.2%. Year-over-year, consumer prices are up 2.7% while core CPI has risen 2.9%. Producer prices (PPI) were unchanged during the month and have risen 2.3% over the last twelve months.

**Our Take:** There was some evidence in this week's reports that inflation is creeping higher in tariff-related sectors, though overall inflation remained modest. Inflation as measured by the CPI continues to stubbornly hover slightly above the Fed's 2% target, so the Fed is unlikely to cut rates at their July meeting. Instead, they will continue to monitor future inflation reports to better ascertain the longer-term effects of tariffs.

## Retail Sales

Retail sales rose 0.6% in June, outperforming expectations of a 0.1% increase. The retail sales control group, which feeds GDP calculations, rose 0.5% versus expectations of a 0.3% increase.

**Our Take:** Retail sales jumped in June following down months in both April and May. Sales for the year still suggest a slowing economy, though many at the Fed will likely consider June's increase as evidence that a rate cut is not necessary at their July meeting.

## Municipals

Brightline Trains Florida, which operates rail service between Miami and Orlando, confirmed that it would defer interest on \$1.2 billion of tax-exempt bonds. The deferral of the interest payment, due July 15, is permitted under its bond agreements. However, the unpaid interest will accrue a 2% penalty. A default would occur after three delays.



**Our Take:** Brightline experienced lower-than-expected ridership in 2024 and increasing costs. While the deferral of the interest payments is permitted, it is also a signal that Brightline is struggling. Both Fitch and S&P downgraded Brightline to junk in May and both rating agencies have a negative outlook on the credit.



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Consumer Price Index (CPI) measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.

