Week in Review | Reinhart Fixed Income
By Madison Investments

September 19, 2025

The Fed

As expected, the Fed cut rates by 25 basis points this week, bringing the federal funds rate to a range of 4.00%–4.25%. The move follows signs of cooling job growth and inflation that remains above target. The updated Summary of Economic Projections (“dot plot”) shows the Fed expects two more cuts this year and one in 2026, with greater uncertainty in the path beyond. The Federal Open Market Committee (FOMC) statement and Chair Powell’s remarks reflect a shift toward a more neutral stance, as the Fed balances upside inflation risks with growing downside risks to employment and watches for further tariff-related price pressures.

Our Take: This week’s cut reflects a shift in focus toward rising labor market risks, even as inflation remains above target. The Fed is cautiously moving toward a more neutral stance as it seeks to balance inflation and employment concerns.

Retail Sales

Retail sales rose 0.6% in August, outpacing expectations of a 0.2% increase. The retail sales control group, which feeds GDP calculations, rose 0.7% versus expectations of a 0.4% increase.

Our Take: Retail sales in the third quarter point to relatively strong consumer demand and an improving economy.

Municipals

Municipal issuance has topped $400 billion year-to-date through the end of last week. This amount is approximately 17% higher than the same period last year according to Bloomberg. Outstanding municipal debt as of the end of June had reached $4.3 trillion according to the Securities Industry and Financial Markets Association (SIFMA), a 3.7% year-over-year increase.

Our Take: State and local governments continue to tap the municipal bond market at a strong pace this year. Many municipal issuers issued debt in advance of the One Big Beautiful Bill as uncertainty surrounding changes to municipal bonds existed prior to its passage. In addition, costs for infrastructure projects have risen, leading to a need for additional funding. Issuance could remain strong through the end of the year, especially if state and local governments find it favorable to refinance existing debt at lower interest rates.

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About Reinhart Fixed Income

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A basis point is one hundredth of a percent.

The federal funds rate is the target interest rate range set by the Federal Open Market Committee (FOMC) for banks to lend or borrow excess reserves overnight. It influences monetary and financial conditions, short-term interest rates, and the stock market.

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