

Week in Review | Reinhart Fixed Income By Madison Investments

October 10, 2025



Trade

President Trump posted on social media that he saw “no reason” to meet with Chinese President Xi Jinping as had been planned for two weeks from now. The president also stated that “a massive increase of Tariffs” and “many other countermeasures” are also under consideration at present. This announcement drove a sharp risk-off move in markets with Treasuries and gold rallying, while equities and the dollar sank.

Our Take: Trump’s sudden announcement upends market expectations that the U.S. and China were moving towards an agreement that would preserve existing trade flows between the world’s two largest economies. A move back towards decoupling of the U.S. and Chinese economies is a negative for both growth and inflation.

FOMC Minutes

This week the Fed released the minutes from the September FOMC (Federal Open Market Committee) meeting. The minutes show broad agreement on the need to lower interest rates amid signs of labor market weakness and easing inflation pressures. Most participants judged it would be appropriate to “ease policy further over the remainder of this year,” though views differed on whether two or three total cuts would be needed. While some noted that financial conditions “may not be particularly restrictive,” most saw increased downside risks to employment and supported moving policy toward a “more neutral setting.”

Our Take: There was nothing surprising in the minutes. Although opinions differed on the pace, the committee appears aligned on the direction of policy. With signs of softening in the labor market and inflation risks appearing more balanced, the Fed is well positioned to continue its careful, data-driven approach to policy normalization.

France

French Prime Minister Sebastien Lecornu resigned when it became clear that the National Assembly would not support the cabinet being named to fill out his government. Lecornu and French President Emmanuel Macron have been negotiating with center-left and center-right parties to form a government and budget that can pass through the legislature. Both the far left and far right blocs in the assembly are refusing to support any government named by Macron and are calling for snap legislative elections. The spread on French government bonds relative to bunds widened out to levels last seen a year ago, following the fall of the previous government, but then retraced most of this move on optimism that Macron would succeed in forming a government and passing a 2026 budget.

Our Take: Regardless of whether or not Macron is able to avoid snap elections, the current composition of the French legislature leaves the government unable to address France’s fiscal deficits, which are well outside of the allowable limit for Eurozone nations.



Municipals

Washington D.C., which has already experienced the impact of government spending and job cuts this year, is poised to feel continued effects from the government shutdown. The D.C. Policy Center reported this week that Washington D.C. businesses are investing less in the local economy, and a prolonged financial downturn is expected. The report also showed that local businesses are not hiring or expanding due to federal budget cuts and layoffs.

Our Take: There will likely be long-term effects from both the shutdown and the government cuts in the Washington D.C. area. A high concentration of federal workers live in and around Washington D.C. As many have been furloughed or are currently working without pay, a slowdown in discretionary spending in the area is expected. Retail and restaurant establishments near the Capitol have experienced a drop in foot traffic and spending since the shutdown.



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