

Week in Review | Reinhart Fixed Income By Madison Investments

October 31, 2025



The Fed

As expected, the Fed cut rates by 25 basis points this week, bringing the federal funds rate to a range of 3.75%-4.00%, citing increased downside risks to employment amid a cooling labor market and inflation that remains somewhat elevated. There were two dissenting votes this week, with one member favoring a 50 basis point cut while another preferred no change. In his post meeting remarks, Fed Chair Jerome Powell noted there were "strongly differing views" on how to proceed in December and that further reduction at that meeting is "not a foregone conclusion, far from it". He added that "policy is not on a preset path" and the Fed will remain data dependent as it balances both sides of its dual mandate. Treasury rates rose following Powell's press conference remarks.

Our Take: There was no surprise with this week's rate cut. However, the split vote and accompanying remarks hint at growing divisions within the Fed. The Committee appears increasingly cautious amid greater uncertainty about the path ahead. With policy moving closer to neutral, future moves will depend on incoming data and how quickly the economy responds to previous easing. This increases the uncertainty around the timing and extent of further Fed cuts.

Trade

The Trump administration announced a trade deal with China that cuts the tariffs related to fentanyl, extends the "truce" on reciprocal tariffs, scales back restrictions on U.S. technology exports, commits China to purchases of U.S. soybeans and delays Chinese export restrictions on rare earth metals for a year. Separately, the U.S. and South Korea finalized their trade agreement announced in July.

Our Take: This week's agreement with China removes the immediate threat of triple digit tariffs on Chinese imports. The temporary truce nature of the deal leaves the uncertainty surrounding the trade relationship between the world's two largest economies in place. The Chinese government is likely to take note of the leverage that the country's dominance in rare earth metals has given them in negotiations with the U.S.

Municipals

The Center for Research on the Wisconsin Economy released a report this week which indicated that poor Wisconsin Badger football performance could lead to not only lower revenue within the football program but also lead to a decline in spending in the city of Madison and the state of Wisconsin. The report estimates that the city could lose up to \$160 million and the state could lose \$280 million due to "reduced attendance, gameday spending, tourism and reputational value." The University of Wisconsin Athletic Department disputed the findings, stating: "Although we do not believe that this study portrays a complete and accurate representation of the economic factors around the football program, we all share a common interest in its successful future."



Our Take: Wisconsin sports fan tourism dollars will likely be spent in other places, some within the state. Major universities with successful athletic programs, especially football, will have a positive economic impact on their city and state as fans spend money on merchandise and at local restaurants and hotels as they support their team. Smaller cities like Madison will feel a greater effect of lower gameday tourist spending compared to larger, more economically diversified that draw a broader base of tourist spending.



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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.

