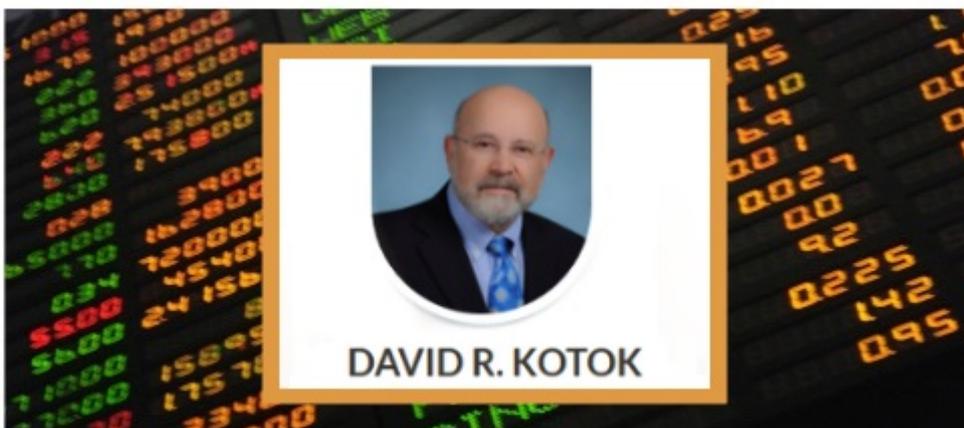


Shutdown. Markets. #2.

We thank many readers for their responses to my January 22 commentary, “Shutdown and Markets” (<https://www.cumber.com/shutdown-and-markets/>).

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Market Commentary



Responses were varied, as expected. Some folks maintained their sense of humor. Others blamed one side or the other and criticized my final sentence, in which I suggested that both sides share a measure of the blame. So let me expand on that point and then offer some responses from our readers. The culprits of this shutdown are now seven to be named. Those names are Trump, Pence, McConnell, Pelosi, Hoyer, Schumer, and Durbin. One could add a lot more names and come up with a list of over 500. We elect them. We get what we vote for.

Below is what some folks think of the situation:

Raphael asked, “Who elected Anne Coulter President and Rush Limbaugh Secretary of State?” Trump has caved in [to] the wrong people, and they will sink him.

Richard G. wrote, “I was at the Winter Antiques show in NY

this weekend. A lot of lookers but few buyers. The effect on the art and antique market is significant. Some of the auctions, such as Sotheby's, [were] reasonably good this weekend. The mega rich are still buying, but the 'somewhat' rich are not feeling as rich! That's the extent of my grass roots research."

Mindy wrote, "Didn't Trump win on the wall?" She meant in 2016 and clarified when I asked her. She also said, "Maybe the markets want the wall, and maybe they are tired of the Dem's BS."

Anonymous wrote, "Markets don't care about the wall. 5.7 billion is a rounding error in a 20 trillion economy. The shutdown has already cost more, and the cost is increasing daily and accelerating exponentially and not arithmetically."

Bob wrote, "Granted. But if a child gets behind the wheel of his dad's car and runs you over, you are still dead. It is childish behavior, but it is starting to have an impact... There is weakness around us. The Fed has hiked rates and damaged the housing sector; the danger is that weakness gets to a critical mass, and then uncontrollable weakness cumulates. I think there is more real risk here. The markets sometimes brake too late or, like Thelma and Louise, keep their foot on the accelerator far too long."

Here is a link to an article ["Shutdown's economic impact is a forceful reminder of why government matters"] by two distinguished economists [Andrew J. Hoffman and Ellen Hughes-Cromwick of the University of Michigan]: (<https://theconversation.com/shutdowns-economic-impact-is-a-forceful-reminder-of-why-government-matters-105940>).

Yesterday at Morning Money, Ben White quotes Pantheon's Ian Shepherdson regarding the shutdown's impact on growth: "Our base case for true Q1 growth was 2.5%, but we expected a print of about 1.75% because of a persistent seasonal adjustment

problem... Adding in our guesstimate of the direct shutdown hit, reported growth looks more like 0.5-to-0.75%. Second-round effects could then bring that number to zero”

White notes, “Sentiment surveys are also declining. The University of Michigan consumer sentiment survey for January dropped from 98.3 to 90.7, the lowest level of Trump’s presidency. The Conference Board’s expectations index recently plunged from 112.3 to 99.1.” (<https://www.politico.com/newsletters/morning-money/2019/01/22/shutdown-continues-to-drag-on-the-economy-487289>).

Fred sent this: “Good points, but your bias was showing. You ignored what I think is the real problem, and McConnell. He, we, and Pelosi all know Trump is a world-class louse. Trump thinks keeping the gov closed will, eventually, force the Mueller probe to stop along with the third branch, the judiciary. He won’t let go because he is now caught in “dictators’ dilemma.” Mueller has him for “bribery” and “treason,” so worry over what “high crimes and misdemeanors” means is now over—when the gov. reopens the path to impeachment begins, and Trump’s entire team knows the process will end Trump as a national figure... I suspect Pelosi mastered the art of decimating bullies by having overcome her five older brothers. She is clearly a master of that art—a capacity that is essential to ending the national scourge of our war-brat-baby president.”

Journalist Joe asked, “Question – do you have any reason to believe small businesses are more vulnerable to the shutdown? I’ve been hearing from SBA lender and borrowers who say they are stalled and very concerned where this is headed. Most businesses don’t have new loans let alone SBA loans in a given month, but maybe this is an important group of expansion-minded firms not getting capital, hiring or building acquisition funds they were counting on. Significant impact beyond what’s measured?” Our response was that we may see this in NFIB survey data in a couple of months. Remember US

government data is shut down.

Glenn said, "Pelosi? Someone must stand up to Trump's BS. He is dangerous. The wall is complete BS which will further feed the ignorance of the Republican base (Fox News-deluded goofballs). Dems are fed-up with a con-man felon in charge."

Joel asked, "Just wondering... at what level would the unemployment rate concern you that the 'slowdown' would impact consumer sentiment and spending? I think with so many looking for or calling for a recession that it won't happen in the traditional way." We thought about this and recalled that TLR (formerly The Liscio Report, <http://www.tlranalytics.com/>) is a high frequency user of state-sourced data and that it is a particularly good reference when federal government data sources are compromised by the shutdown.

Frank asked, "How do we get Pelosi and Trump to stop thinking that each one has the other in a bathtub? Or over a barrel? Or up a tree? Is there a way both of them can agree that they can compromise without appearing to blink? David, I remember you said your dad had words for three levels of craziness. I never knew how to spell them, but the most chaotic level sounded, as I recall, like *ungecacht*. I recall the words of the Notre Dame boosters, to, I think, Rockne, or maybe it was Parseghian, "We're with you, win or tie." (It was before football decided there could be no ties.) Can the bases of both P and T be energized enough to adopt that as something their leaders can hear? Constantine locked all Christian philosophers in a room in Nicaea in 355, I have heard, and would not let them out until they agreed on what Christianity was and what it was not. Can we get his ghost to come and lock D and P in a room? Is there some way of locking them both in a room filled with the misery of 800,000 cries for common sense? *Quo usque tandem abutere?*"

Bob didn't know my father, but he does know who Frank is and was copied on Frank's email to me. Bob answered "*ongepotchket:*

ungepatshkey, ongepotchkeyed, ongepatshky, overly elaborate, excessively decorated, slapped together senselessly. Consider: A shandeh un a charpeh: A shame and a disgrace. So much for a Yiddish lesson.” Thank you, Bob.

We end with a repeat of the famous Churchill Quote and our original final sentence. And we thank Steve Blumenthal for his kind words about our usage of the Churchill quote.

Regarding the shutdown and the behavior of our politicians, we recall Sir Winston Churchill’s take on the messiness of the democratic process. In 1947, in the House of Commons, he said, “Many forms of government have been tried and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except for all those other forms that have been tried from time to time...” (<https://winstonchurchill.org/resources/quotes/the-worst-form-of-government/>). Pelosi and Trump are living testament to Churchill’s sagacity.