

Shutdown and Markets

The stock market is ignoring the shutdown. The bond market is, too. So, too, are commodities, currencies, precious metals, fine art and other collectibles, sovereign debt, and many other asset classes. Those markets are moving for other reasons and not Federal shutdown.

Why?



Markets believe the shutdown is temporary. Market agents look at the childish behavior of our political leaders, roll their eyes in disdain, and move on. Markets are focused on the US-China trade war's winding down, on earnings, and on economic issues.

If the shutdown ends quickly, markets will have ignored it. Pelosi yanks the auditorium and Trump yanks the airplane and market agents wish these folks would do better than playground politics, but market agents move right past the theater.

If the shutdown persists, all this changes as GDP growth

slows, business decisions are deferred, credit problems appear, and 800,000 households run into daily living problems because their salaries are unpaid.

Right now we are still fully invested in our US ETF strategy. We expect the trade war with China to continue to de-escalate (or wind down) on the basis of the Buenos Aires truce.

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.