

Government Shut Down

Today's the day... Or at least it is supposed to be the last day that the government can function without a budget. So why is it that in the shadow of the U.S. Government shutting down the major indexes were all up today? In other words, why aren't investors selling?

The reality of it is most investors see a government shut down as a political stunt, not something that is going to have a material impact on the U.S. Government's ability to pay its debts or obligations. According to FactSet, the U.S. Government has shut down eighteen times since 1976 (chart below), fifty-six percent of the time the market loses value, with an average decline of only 0.6%.

S&P 500 Performance During U.S. Government Shutdowns

Start	End	Length	Return	President	Senate	House
9/30/1976	10/11/1976	10	-3.40%	Ford	Democrat	Democrat
9/30/1977	10/13/1977	12	-3.20%	Carter	Democrat	Democrat
10/31/1977	11/9/1977	8	0.70%	Carter	Democrat	Democrat
11/30/1977	12/9/1977	8	-1.20%	Carter	Democrat	Democrat
9/30/1978	10/18/1978	18	-2.00%	Carter	Democrat	Democrat
9/30/1979	10/12/1979	11	-4.40%	Carter	Democrat	Democrat
11/20/1981	11/23/1981	2	-0.10%	Reagan	Republican	Democrat
9/30/1982	10/2/1982	1	1.30%	Reagan	Republican	Democrat
12/17/1982	12/21/1982	3	0.80%	Reagan	Republican	Democrat
11/10/1983	11/14/1983	3	1.30%	Reagan	Republican	Democrat
9/30/1984	10/3/1984	2	2.20%	Reagan	Republican	Democrat
10/3/1984	10/5/1984	1	0.10%	Reagan	Republican	Democrat
10/16/1986	10/18/1986	1	-0.30%	Reagan	Republican	Democrat
12/18/1987	12/20/1987	1	0.00%	Reagan	Democrat	Democrat
10/5/1990	10/9/1990	5	-2.10%	H.W. Bush	Democrat	Democrat
11/13/1995	11/19/1995	5	1.30%	Clinton	Republican	Republican
12/15/1995	1/6/1996	21	0.10%	Clinton	Republican	Republican
9/30/2013	10/17/2013	16	3.10%	Obama	Democrat	Republican



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In other words, most serious investors understand that the game of “political chicken” with the U.S. Government’s budget hasn’t had a material impact on the stock market. It is simply more static to tune out in order to make wise decisions investing.

Have a wonderful weekend.



Sincerely,

Jeffrey J. Powell

Managing Partner, Chief Investment Officer