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## UPDATE OF INVESTMENT IMPLICATIONS OF GOVERNMENT SHUTDOWN

We are now approaching two weeks into the partial government shutdown due to the disagreement between President Trump and Congressional Democrats over \$5 billion in funding for a border wall. The end of the shutdown of about a quarter of the federal government is uncertain, with both sides seemingly unwilling to compromise. However, we do not think the shutdown will be material to the stock market and economy.

Since 1976, there have been 19 partial government shutdowns ranging from 2-22 days. While economic activity was marginally weaker in the first month after a shutdown, it rebounded quickly in subsequent months. The stock market impact is also marginal with the S&P 500 Index typically flat during shutdowns.

The last meaningful government shutdown occurred from October 1, 2013 until October 17, 2013. Over that timeframe, the stock market (as measured by the S&P 500 Index) was actually up 2.25% while the 10-year Treasury yield moved down from 2.65% to 2.59%. Underlying economic data, Chinese trade negotiations, and Federal Reserve interest rate policy are much more important to the markets than a partial government shutdown.

### What does a partial government shutdown involve?

Funding for the Homeland Security Department, Justice, Interior, Agriculture and other agencies — comprising a quarter of the federal government — are currently being impacted by the shutdown. Congress has already funded most of the government, including the Defense and Labor departments.

Shutdowns over budget disagreements are different (and less grave) than what would happen if the U.S. breached its debt ceiling and defaulted on some of its obligations. This has never happened.

### We Remain Favorable towards Economic Growth and Stocks:

Despite recent stock market volatility, we remain positive on the economy and ultimately stock prices. Leading economic indicators continue to signal further economic growth with minimal odds of a recession at this time. We hold a positive outlook for the economy in 2019, although the pace of growth should be slower than in 2018. Consequently, we continue to view current volatility as a correction in an ongoing bull market.

***In sum, we expect any political standoff to be relatively short-lived and exact little, if any, longer-term impact to the economy or financial markets.***

#### Disclaimer:

Past performance is no guarantee of future performance and future returns are not guaranteed. There are risks associated with investing in stocks such as a loss of original capital or a decrease in the value of your investment.

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