
Weekly Market Flash

It's Shutdown Time Again

September 26, 2025

Stop us if you've heard this one before. The US government shuts down for some defined span of time, markets barely notice, and for everyone who doesn't work for the federal government, life goes on more or less as normal. Well, there might be some disgruntled folks at closed national parks, if it gets that far. But that's about it. So it looks like the government will be shutting down again next week, on September 30, unless some completely unexpected series of talks emerge between the parties, where currently none exist. So, more of the same, right? Or is this time different and markets should be paying more attention?

Dysfunctional In Their Own Unique Ways

Government shutdowns are like the unhappy families of Tolstoy's opening line in "Anna Karenina" – each one is dysfunctional in its own special way. The government has actually shut down a number of times over the previous few decades, of which three stand out in particular. In November 1995, then-President Clinton refused to sign off on a slew of budget cuts demanded by Newt Gingrich's Republicans, the latter of whom also threatened to refuse to raise the debt ceiling limit (familiar, no?). The shutdown – actually two shutdowns with a brief interlude between them – lasted from November 14, 1994 to January 6, 1996. During that time the S&P 500 gained 4.7 percent amid an otherwise perky period of economic growth.

During the administration of Barack Obama, one of the most perennially contentious issues was the Affordable Care Act, which galvanized Republican opposition like nothing else. In October 2013 the ACA was the key issue in a failure by Congress to either appropriate funds for the following fiscal year or to rig up a continuing resolution for interim funding. A shutdown ensued, lasting for seventeen days during which all but the most critical government functions were curtailed, 800,000 federal workers were furloughed and another 1.3 million continued to work in some form without knowing when they would next be paid. The shutdown generated major daily news headlines during this period. Again, though, the stock market barely paid attention. The S&P 500 rose 1.6 percent from October 1 to October 17.

The longest shutdown to date lasted for 35 days from December 22, 2018 to January 25, 2019. The Congressional Budget Office estimated that this prolonged shutdown cost the US economy \$11 billion, as about a third of all government operations were completely non-functional for this period. This time, the main point of dispute was disagreement over \$5.7 billion in funding for Trump's border wall between the US and Mexico. After a great amount of fudging and performative Kabuki drama on all sides, the shutdown fizzled out and life went on. Meanwhile, the S&P 500 actually rose 10.5 percent over this 35-day period (the stock market's movements during this time actually had almost nothing to do with the shutdown and everything to do with the Fed, near the end of a period of monetary tightening).

Health Care, Rescissions and Mass Firings

So what can we expect next week, when the government appears poised to shut down again? Well, the issues on the table would appear to be intractable. Messaging on the Democratic side appears to have settled around the issue of health insurance subsidies which are due to expire, with House minority leader Jeffries insisting on a measure to protect these subsidies and related health care benefits in the form of "ironclad" legislation. More generally, the Democrats are trying to figure out how to stop a repeat of the last budget go-around earlier this year, when they agreed to a continuation in funding only to have some

elements of that funding yanked away by the Republicans in the Recissions Act of 2025 (recission being the technical term for “we said you could have this but we’re taking it away now, and you can’t stop us”).

None of this appears to be ruffling any feathers on the Republican side, and in fact the White House has threatened to use the shutdown as an excuse to implement mass federal firings throughout the swath of government agencies. The strategic logic on the Republican side appears to be that the pain caused by such broad-based evisceration of agency personnel will be too much for the Democrats (who, they assume, would bear the brunt of the blame), causing them to fold. A veritable game of chicken is at hand.

The markets, as usual, are not paying attention to much or any of this. History would seem to be on their side: a government shutdown becomes a real, economically consequential event if it goes on indefinitely, but eventually something will give and some messy compromise will get the funds flowing again. That’s how it has always worked, and the S&P 500 has the receipts.

The problem this time is that the general creditability of the US system is not exactly riding high these days, either here or elsewhere in the world among dollar-denominated asset holders. We don’t expect this looming shutdown to last indefinitely or even that it will break that prior record of 35 days. But the dysfunction is just one more indication that things are not working as they should, and this concern will be very much on our minds as we start to plan our allocation strategy for 2026.

Masood Vojdani
President & CEO

Arian Vojdani
Principal & Investment Adviser

Katrina Lamb, CFA
Head of Investment Strategy & Research

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MV Capital Management, Inc.’s current written disclosure statement discussing our advisory services and fees is available for review upon request.