



The U.S Shutdown. Should We Be Worried?

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You may have seen in the press that the U.S. Government, from the 1st of October, has entered a state of ‘shutdown’. Now I am sure this is not the first headline you have read out of Washington this year that made you take a second glance – and I proffer it is unlikely to be the last.

However, staying on the topic at hand. Each year, the U.S. Congress must agree on how to spend government money for the upcoming fiscal year (which starts October 1). On occasion, lawmakers don’t agree on either the budget or a temporary extension. Thus, parts of the federal government temporarily have no legal authority to spend. A state of shutdown ensues. It is critical to remember that this occurrence is not rare; in fact, there have been 20 funding gaps since 1976. The longest of which, in 2018, lasted 35 days and ended with the then President, Donald Trump, backing down from his refusal to reopen the government until his border wall was funded. What was it Mark Twain said about history and rhyming?

The absence of an extension this month hinged on divisions between Republicans and Democrats on including health care subsidies and Medicaid funding as well as other contentious policy debates. To me, this shutdown is wholly emblematic of the inevitable strain of the bellicose partisanship that sweeps the streets of America through to the halls of Congress. The consequences of this trend are ubiquitous. This shutdown specifically means non-essential federal operations and many federal employees are placed on unpaid furlough while essential services continue under ‘excepted’ status. These include national security, air traffic control, border protection and some health services. President Trump has also proclaimed ‘a lot’ of government workers will now be fired. At the least, as many as 750,000 workers could be furloughed, costing roughly [\\$400m](#) each day.

As investors, we are monitoring three key areas affected by the shutdown. Firstly, departments that see work paused historically have included the Bureau of Economic Analysis (BEA) & Bureau of Labor Statistics (BLS). As a result, we're likely to see delays to key data releases, from payrolls this week through to inflation figures at the end of the month. The Federal Reserve is in a precarious spot as it looks to juggle a seemingly weakening labour market with slightly sticky inflation. At TAM, individual data points are less significant than the trend they form over time. Breaking the sequence can evoke short term volatility but historically shutdowns have not led to lasting market declines.

Secondly, U.S. GDP growth, the expansion of the economy's overall output, can dip while federal spending and some private activities slow. Estimates often suggest a loss of c. 0.1 to 0.2 percentage points (annualised) of GDP growth per week of shutdown. However, historically furloughed workers have received backpay and growth has subsequently rebounded.

The last point concerns not viewing this shutdown in a vacuum. It has occurred at a moment where the U.S.'s political context is under scrutiny. The dollar has seen its worst start to a year since 1973 while familiar bells ring out harping the end of U.S. exceptionalism. We will be watching changes to the U.S.'s term premium (whether investors command higher returns to warrant holding U.S. treasuries) as the shutdown continues, as a signal of how it is being viewed within this wider context. As for the equity market, while the headlines can sound alarming, our constructive view on U.S. equities remains unchanged. It is apposite to differentiate between the American political climate and the internationally focused companies which are listed to the New York Stock Exchange. Their global earnings base, dominant market positions, innovation leadership, and strong balance sheets mean we must exercise discernment. Reminding ourselves that politics and the stock market are far from isolated topics but the noise around one does not always spell danger for the other.

While headlines around U.S. fiscal politics can be unsettling, it is worth remembering that shutdowns are a recurring feature rather than a structural break in the American system. Markets have navigated many such episodes before, and historically their effects have, at worst, been short-lived and largely reversible once funding resumes. At TAM, we remain focused on the broader trends rather than any single data point or political drama. We are monitoring developments closely, particularly around economic data disruptions and potential shifts in sentiment, but our investment stance remains grounded in long-term fundamentals. Periods like this also reinforce a timeless principle: diversification is king. A well-balanced portfolio, spread across asset classes, sectors, and geographies, is one of the best defences against short-term volatility and political noise. Team this with patience and discipline and you have the cornerstones of a sound investment philosophy. TAM's portfolios are therefore mindful of moments like these but built with a bigger picture in mind. Shutdowns may make headlines, but they rarely change the long-term story.

If you would like to speak with us about anything in this note, or to discuss our discretionary investment management services in general, please get in touch with our UK business development manager David Terry today.

