



Good morning!

The federal government shutdown that began on Saturday 12/22/18 is now in its 12th day. The problem: Congress has passed just 5 of the 12 spending bills that it is required to complete each year. Those 5 bills however represent 75% of the anticipated \$1.25 trillion of discretionary government spending for fiscal year 2019, i.e., the 12 months ending 9/30/19 (note that the USA will spend an additional \$3.10 trillion in mandatory expenses during the fiscal year). The remaining 7 spending bills that have yet to pass a disgruntled Congress have left 9 government departments without funding, including Homeland Security. 800,000 federal workers have been impacted, including 420,000 “essential” workers who are required to work without pay and 380,000 employees that have been furloughed, i.e., they will stay home and not receive any pay (source: BTN Research).

Arguably the biggest surprise of 2018 was the collapse in the price of crude oil. At \$45.41 a barrel at year-end, oil prices are down 24% since 12/31/17, down 41% since 10/03/18 and down 11% during the month of December. Fears of a slowing global economy coupled with expectations of robust production from US shale oil producers have steamrolled in the short-run the December 2018 announcement from OPEC and Russia to cut production by 1.2 million barrels a day in 2019 (source: BTN Research).

The S&P 500 finished 2018 down 4.4% (total return), its first “down year” since 2008. Over the last 50 years (1969-2018), the S&P 500, a \$22 trillion index as of 12/31/18, has gained +9.8% per year (source: BTN Research).

Notable Numbers for the Week:

1. **UP vs. DOWN** - The split between “up” and “down” trading days for the S&P 500 over the **last 50 years** (i.e., 1969-2018, encompassing a total of 12,611 trading days) is **53% “up” and 47% “down.”** The split during calendar year 2018 (there were 251 trading days last year) **was also 53/47** (source: BTN Research).
2. **COST OF HOUSING** - The average interest rate nationwide on a **30-year fixed rate mortgage** was 4.55% at the end of 2018. The **record low** national average was 3.31% as of 11/22/12 or just over **6 years ago** (source: Freddie Mac).
3. **BAILOUT NOT NEEDED** - No US bank **failed in 2018**, the first calendar year to achieve that result **since 2006** (source: Federal Deposit Insurance Corporation).
4. **OVERSPENDING** - The **national debt** of the United States was **\$21.867 trillion** as of Friday 12/28/18, an increase of **\$11.3 trillion** over the **last 10 years** (source: Treasury Department).

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