"The Impact of Government Shutdowns**"**

By Tommy Williams, CFP®

Hope floats. Optimism about possible pro-growth economic policies (including tax reform and deregulation) helped U.S. stock indices finish higher last week, according to Barron's. It wasn't all smooth sailing, though. Stocks bobbed up and down as investors' optimism was weighted by concerns about a possible debt ceiling battle and government shutdown.


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CNN offered some insight to the historic economic impact of government shutdowns on productivity: *"The last time the government was forced to close up shop – for 16 days in late 2013 – it cost taxpayers $2 billion in lost productivity, according to the Office of Management and Budget. Two earlier ones – in late 1995 and early 1996 – cost the country $1.4 billion."*

For investors, it's important to distinguish between a shutdown's potential effect on the U.S. economy and its possible impact on U.S. stock markets. A source cited by The New York Times reported: *"…during all 18 government shutdowns, starting in 1976…the Standard & Poor's 500-stock index averaged just a 0.6 percent loss over the course of those closures. Early on in shutdown history, investors reacted very negatively. Closures in 1976 and 1977 coincided with 3 percent declines in the [S&P 500].*

As investors grew more accustomed to shutdowns, they seemed to become more blasé about them. During the mid-1990s and the 2013 closure, for instance, stocks actually rose. They gained 3.1 percent during the 2013 stoppage."

Bond investors were relatively calm last week, according to Financial Times. Although, there were signs of *"debt ceiling jitters."* Yields on U.S. Treasuries that mature in October (when a shutdown could have occurred) rose on concerns investors might not be repaid in a timely way. We will see, politically, the results of a 90 day deal to keep the government open.

I think the best advice is: No matter what happens in September and October, keep your eyes on the horizon and your long-term goals.

Meanwhile, on the subject of demographic shifts. Millennials are killing it! A recent article in Buzzfeed listed headlines announcing the various things Millennials have "killed" or are "killing." The list included Big Oil, the NFL, the workday, the cereal industry, and bar soap.

Here's another industry that is being undermined by millennials' preferences: cable and satellite television. Millennials are leading a viewing revolution. They are unwilling to ante up for cable and satellite subscriptions, preferring less expensive Internet and streaming services that provide content via the World Wide Web.

A 2017 survey from Videology found more than half of millennial men (ages 18 to 34) have stopped paying for cable, and Forbes reported:

"…on average, the 30-and-under crowd's primary means of consuming content is through mobile devices, streaming, and online. That's in sharp contrast to the over-30 crowd who still rely on television for an average of more than 80 percent of their film and TV show viewing."

The waning popularity of cable and satellite TV appears to have a lot to do with cost. The typical household paid more than $1,200 a year, on average, for cable and satellite television in 2016, according to Nerdwallet – and the cost increased in 2017. Consumer Reports wrote, *"Most pay TV companies have announced modest price hikes, but there are also new hidden fees."*

Budget-minded millennials may be having an influence on older generations whose preferences appear to be changing, too. GfK, a market research company, reported: *"New findings…show that U.S. TV households are embracing alternatives to cable and satellite reception. Levels of broadcast-only reception [a.k.a. antenna reception] and Internet-only video subscriptions have both risen over the past year, with fully one-quarter (25 percent) of all U.S. TV households now going without cable and satellite reception."*

So, what kind of savings can be generated when you cut the cable? It all depends on what you currently pay, but it may be worth crunching the numbers. Equally important, what happened to the price of tin foil for the antennas?

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