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Government shutdown, what now?

September was a great month for investors. Stock prices increased and home prices advanced for the sixth straight quarter. This has certainly helped consumers and their confidence levels. Home equity is now equal to mortgage debt for the first time since the third quarter of 2007. Sustained gains should continue to improve homeowners' balance sheets.

Discussions about the Fed tapering QE issues are an after-thought as the attention has turned towards the government shutdown. The Fed will remain cautious for the time being.

Should we run for the hills with this Government shutdown? No. Here is a little perspective...

This government shutdown is only a "partial" shutdown. Money still flows into the Treasury Department and flows out for Social Security or to make interest on the debt, for example. Integral workers - such as those in our military, border control, post office, air traffic controllers, and prisons - keep working.

The shutdown applies to what might be considered non-essential services, such as our national parks, or perhaps NASA. Most of these employees get furloughed.

We have not had a government shutdown since 1996 during the President Clinton-Newt Gingrich showdown. During the previous 20 years, from 1976 to 1996, we had 17 shutdowns totaling 110 days. Shutdowns occurred almost every year and ranged from a few hours to 21 days. Most of the shutdowns lasted 3 to 8 days before normalcy was restored.

From an economic standpoint, most shutdowns do not hurt the economy. The last shutdown in 1996 lasted for three weeks and did not seem to interrupt the markets. For instance, the GDP still grew during the shutdown in 1996. Real GDP grew at 2.3% before the shutdown and 2.6% the year after.

The main focal point of the shutdown, Obamacare, may not be a perfect plan, but it is what the majority of Americans wanted with the re-election of President Obama. Many agree it is going to cause some problems, but 72% of Americans are opposed to shutting down the government to stop President Obama's Affordable Care Act. The majority of Americans seem willing to work out the problems in time.

President Obama's health care plan is one hurdle; the larger problem is the budget debt. Treasury Secretary, Jack Lew, said the extraordinary measures being used to avoid breaching the debt ceiling will be exhausted no later than October 17th.

Analysts project Congress will come to a resolution near that deadline. They will not let the Government default on its debt. The issues will get resolved after the grandstanding and political theatre comes to an end.

Let's hope the idiocracy of our elected officials will conclude with some help to our budget problems. If we do not cut the entitlement spending down the road and some of our other spending, our children and grandchildren could face a real economic disaster. As a baby-boomer myself, I can handle the truth. We need more honesty from Washington and less grandstanding from the Republicans and Democrats. It is much better to solve a problem early on before it becomes a much larger problem.

Eventually, we will solve our problems. If we get some stock market sell-off during October then it may be a great time to buy long-term.

Please listen to my most recent audio post for any other updates:
<http://www.johansonfinancial.com/dave%E2%80%99s-perspective>.

Have a great October.