

## Will there be a Government Shutdown in Two Weeks? Will it Matter?

At midnight on March 14, funding for federal government operations are set to expire once again. If a new agreement isn't reached, nonessential government operations will cease. This has been a recurring (and exhausting) headline for decades, but the existing dysfunctional political environment suggests the outcome could be different.

The objective for members of congress within the shrinking two-week window is to pass 12 separate spending bills, although this hasn't happened in almost three decades and is seemingly impossible in the current partisan arena. Predictably, both parties are blaming the other side. The most likely "fix" is yet another continuing resolution that allows current spending to continue through the end of the fiscal year in September. Yesterday, House Speaker Mike Johnson said a stopgap measure is "becoming inevitable" as efforts at negotiation have failed up to this point.

Most government shutdowns are brief, seldom lasting more than a day. Unfortunately, a notable exception is the 34-day closure that began on December 22, 2018, during President Trump's initial term in office. Similar to today, the GOP controls both houses of Congress, but Senate passage requires a 60% vote, requiring some bipartisan support.

Elon Musk, a polarizing political figure in the new administration, appears to favor shutting the government down, responding to a post on his social media platform last week with an enthusiastic "SOUNDS GREAT." Trump has not offered a clear opinion.

In the increasingly likely event an agreement cannot be reached, most mandatory spending, including Social Security and Medicare benefits would be unaffected. However, discretionary spending including funding for public health programs, transportation funds, and support for low income individuals would pause. Essential military funding would continue.

Government employees would be furloughed or work without pay until the shutdown ends. Any economic damage is usually made up in subsequent periods, but consumer confidence has eroded over the past month and a poorly functioning federal government would only add to concerns.

*Scott McIntyre, CFA*  
HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com

*Greg Warner, CTP*  
HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com

*Most government shutdowns are brief, seldom lasting more than a day. Unfortunately, a notable exception is the 34-day closure that began on December 22, 2018, during President Trump's initial term in office.*

## Market Indications as of 11:15 A.M. Central Time

DOW	Up 165 to 43,598 (HIGH: 45,014)
NASDAQ	Down -163 to 18,912 (HIGH: 20,174)
S&P 500	Down -19 to 5,937 (HIGH: 6,144)
1-Yr T-bill	current yield 4.13%; opening yield 4.10%
2-Yr T-note	current yield 4.09%; opening yield 4.08%
3-Yr T-note	current yield 4.07%; opening yield 4.06%
5-Yr T-note	current yield 4.11%; opening yield 4.10%
10-Yr T-note	current yield 4.29%; opening yield 4.27%
30-Yr T-bond	current yield 4.55%; opening yield 4.52%

*The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.*

*Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.*