

Key Takeaways:

- U.S. Government on the brink of a shutdown.
- The Government will shut down if appropriations bill or Continuing Resolution not passed.
- Only “essential” workers and services will remain operational.
- Senate failed to pass the Continuing Resolution bill passed by the House.
- Government shutdowns have the potential to cut GDP growth.

U.S. Government Preparing for a Shutdown

With just days until an October 1st deadline, the U.S. government is at risk (yet again) of shutting down as Democrats and Republicans remain far apart over government funding measures. The government’s fiscal year ends on September 30th and every year, congress must pass a spending package which determines how the government will spend taxpayer money on specific programs and/or activities over the next fiscal year (October – September). Last week, the House and Senate were on recess, with the House not returning until October, putting the pressure on the Senate to pass a funding package. President Trump canceled a scheduled meeting on September 23rd with Democratic leaders because he was not optimistic on a compromise. In this Weekly Insights, we aim to provide an overview of what a potential government shutdown may look like, and the implications for markets and the economy.

- **Why a shutdown...this time?** In mid September, the GOP-controlled House passed a Continuing Resolutions (CR) bill which would have funded the government at current spending levels through November 21st.

However, the Senate voted down the bill. The sticking point for Democrats is they want an extension of Affordable Care Act subsidies (set to expire at the end of the year) and a reversal of the cuts to Medicaid funding (enacted in Trump’s One Big Beautiful Bill). If Congress can’t agree to a CR by September 30th at midnight, the government shuts down.

- **What does a shutdown mean?** Many government employees could be furloughed and Federal government functions could be suspended. However, “essential” workers and services, such as law enforcement and public safety, will continue, but these workers will not be paid until the government reopens. Military operations, air traffic control, and federal criminal investigations are among services/jobs considered “essential.” One of the key services that would be impacted for investors is data collection and economic data releases.
- **What about markets and the economy?** According to Oxford Economics, every week the government is shut down

translates into a decrease in GDP growth by 0.1 – 0.2 percentage points.¹ We looked at all government shutdowns since 1976 and what it means for the U.S. Dollar and the S&P 500. Our analysis suggests there is little impact on equities as the S&P 500 has declined 0.7% when the shutdown is more than five days and has been flat if it is less than five days. The U.S. Dollar has produced similar returns. Both the S&P 500 and the U.S. Dollar are positive, on average, in the one month time period after the shutdown ends.

The Bottom Line:

President Trump is scheduled to meet with Congressional officials today, but we are not expecting much progress. The last government shutdown (2018-2019) lasted 35 days and was the longest in history. Shutdowns are always dangerous but this time we are facing the potential of a major hurricane, ongoing trade negotiations, a potential solution to the Israel/Gaza conflict and a Russian leader who continues to push limits.

Weekly Economic Recap –

Inflation Remaining Stubborn

U.S. business activity expanded in September at the slowest pace in three months according to the S&P Global Flash Manufacturing PMI reading. Prices paid for materials increased to a four-month high while prices received fell to the lowest level since April. Slower sales led to the largest build in inventories of finished goods going back to 2007.

New home sales in the U.S. unexpectedly increased at the fastest annualized pace since January 2022. The surge in sales comes around a time when 30YR mortgage rates began to fall, pulling some buyers off the sidelines. Inventory of new homes fell to the lowest level this year (490K) as a result. All regions registered higher sales, while the South, the country's largest home-selling region, climbed to the highest since March 2021.

The U.S. economy expanded at the fastest pace since 3Q23 after the government revised its previous estimate of consumer spending higher. Consumer spending expanded at a 2.5% annualized pace, higher than the previous estimate of +1.6%.

Sales of existing homes were flat in August, but decreased marginally from the previous month (-0.2%). Sales were strongest in the Midwest as prices in the region are ~22% below the national median price (\$422,600). Sales of homes priced above \$1 million increased 8% YoY, contributing the most to sales.

The Fed's preferred inflation gauge, PCE Core, increased 2.9% on an annualized basis for the second straight month. The headline reading increased 2.7% YoY, slightly higher than the 2.6% advance last month. Services prices increased at the fastest monthly pace since May (3.6%).

Key Takeaways:

- New home sales surge as buyers come off the sidelines.
- U.S. economy expands at the fastest pace since 3Q23.
- PCE inflation driven higher by services prices.
- Global equities fall on cautious Fed commentary.
- Bond yields rise on uncertain interest rate path.
- Commodities higher by the most since June.

Weekly Market Recap –

Global Equities Fall on Fed Commentary

Equities: The MSCI AC World Index was lower for the first time in four weeks. Investors absorbed cautious Federal Reserve commentary which tempered expectations for rate cuts. All major U.S. equity averages were lower. Large-cap value was the only area of U.S. equities to finish the week higher. Technology underperformed as the Nasdaq posted the worst performance of all major averages. Small-caps, as tracked by the Russell 2000, fell for the first time in eight weeks.

Fixed Income: The Bloomberg Aggregate Index was lower for the second straight week as bond yields climbed amid tempered rate cut expectations. Short-term yields increased more than long-term yields. Floating rate instruments and EM Bonds (USD) were higher as investors weighed Fed commentary that suggested rate cuts are not a set path.

Commodities/FX: The Bloomberg Commodity Index was higher for the second time in three weeks and by the most since June. Crude oil prices were higher by the most since early June as investors weighed inventory drawdowns in the U.S. and Ukrainian drone attacks on Russia's infrastructure. Gold prices were higher and continued to notch record highs on geopolitical and trade tensions.

Fed's Inflation Gauge Remains Stubborn



Footnotes: Data is as of August 2025.

Data Source: FactSet Research Systems, Verdecence Capital Advisors.

Markets Fall on Cautious Fed Commentary

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	46,247	-0.1%	2.0%	7.0%	11.5%	10.1%	MSCI AC World (USD)	977	-0.5%	2.6%	7.7%	16.5%	17.4%		
S&P 500	6,644	-0.3%	2.9%	8.5%	17.1%	14.0%	MSCI EAFE (USD)	2,742	-0.4%	0.9%	4.8%	13.4%	23.8%		
Russell 1000 Growth	4,678	-0.8%	4.0%	11.0%	24.4%	16.2%	MSCI Europe ex UK (USD)	3,051	-0.6%	0.9%	3.1%	12.4%	26.5%		
Russell 1000 Value	1,999	0.1%	1.5%	5.8%	9.8%	11.3%	MSCI Japan (USD)	4,666	0.1%	2.4%	9.6%	14.6%	20.0%		
Russell 2500	4,202	-0.9%	1.9%	9.3%	10.7%	9.3%	MSCI UK (USD)	1,477	0.2%	-0.4%	4.8%	15.9%	24.9%		
Russell 2000	2,434	-0.6%	3.3%	12.5%	11.6%	10.2%	MSCI EM (USD)	1,326	-1.1%	4.2%	8.6%	16.3%	25.6%		
Nasdaq	22,484	-0.6%	4.4%	11.7%	24.5%	17.0%	MSCI Asia ex Japan (USD)	864	-1.6%	3.7%	8.4%	16.9%	24.8%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.4%	-0.3%	1.0%	1.9%	2.7%	5.9%	Bloomberg Commodity Index	262	2.1%	4.2%	3.6%	9.9%	9.8%		
U.S. Govt/Credit	4.3%	-0.3%	0.9%	1.8%	2.5%	5.7%	Crude Oil (USD/bbl)	\$64.4	2.7%	0.3%	-1.2%	-3.8%	-7.4%		
U.S. 10 Year Treasury	4.2%	-0.4%	1.0%	1.7%	1.3%	6.7%	Gold (\$/oz)	\$3,760.0	1.9%	10.7%	16.6%	43.6%	45.5%		
U.S. TIPS (1-10YR)	4.0%	-0.3%	0.1%	2.0%	5.3%	7.1%	Copper	\$477.2	5.1%	6.4%	-5.2%	4.5%	19.3%		
U.S. High Yield	6.7%	-0.2%	0.9%	2.7%	7.5%	7.1%	Wheat	\$519.8	1.6%	-2.9%	-7.9%	-19.2%	-13.3%		
EM Bonds (USD)	6.0%	0.4%	1.4%	3.7%	7.2%	8.6%	U.S. Dollar	98	0.5%	0.1%	0.5%	-2.5%	-9.8%		
Municipal Bonds	3.7%	-0.4%	2.3%	3.0%	1.4%	2.5%	VIX Index	15.3	-1.0%	4.6%	-7.8%	-0.5%	-11.9%		

Footnotes: Data is as of September 26, 2025.

Source: Bloomberg Finance LP, Verdenance Capital Advisors.

¹: https://alpinemacro.com/gps/September25_2025/Hurling_Towards_A_Government_Shutdown.pdf

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