

# On the minds of investors

December 24, 2018

## A shutdown for the holidays?

Last Friday, at midnight, the U.S. government shut down for the third time this year. This shutdown closed about a quarter of federal offices, and nine agencies have begun to implement contingency plans as the timing of any resolution remains uncertain. The inability to pass a bill which would continue to fund the government stemmed from a disagreement over funding for a wall on the border of the U.S. and Mexico, and recent reports out of Washington do not make it sound like policymakers are close to making a deal. While the direct impact on markets should be minimal, this shutdown does come in the wake of a particularly tumultuous week for the administration.

Recent history might suggest that a resolution will come quickly, but it is not clear how things will play out this time around. President Trump has been adamant that he will only agree to a plan which contains \$5 billion in funding for the border wall, rejecting a bipartisan Senate agreement to fund the government until February at the end of last week. While some are calling for a rocky road ahead, and both houses of Congress have stated that they will not be coming back to Washington until December 27, the Democrats will take control of the House on January 3<sup>rd</sup>. Importantly, this leaves only a few days to get a deal done before Congressional majorities change, which could encourage the Republicans to work quickly. There is the potential for the shutdown to drag into 2019, but there also seems to be room for a deal to emerge in the interim.

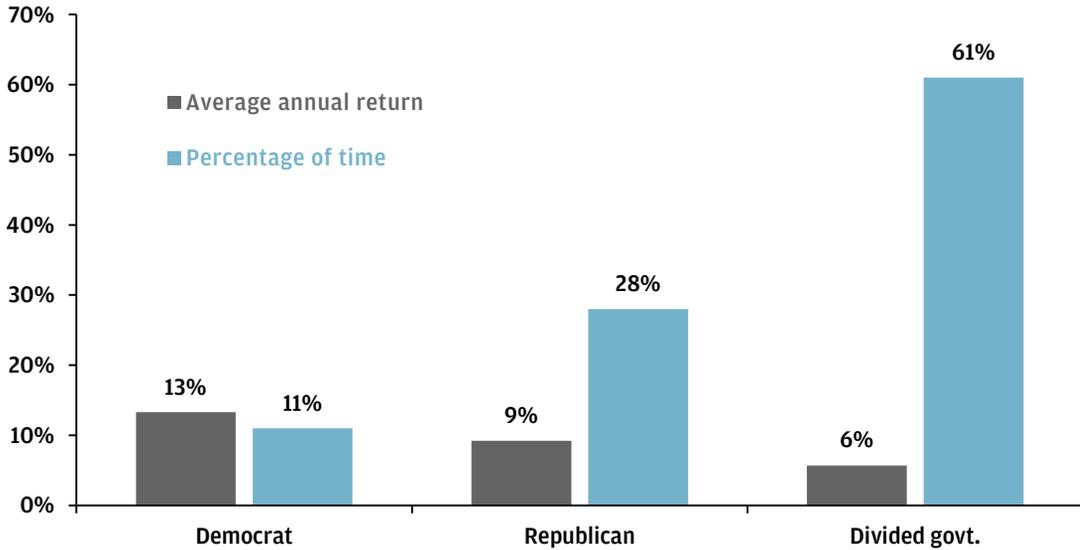
Markets have opened up in the red, reflecting lack of progress in Washington over the weekend, continued concerns about the trajectory of global growth, and the impact of further Fed tightening. It would not be surprising for market volatility to continue into the end of the year, and investors should be sure that portfolios are



David M. Lebovitz  
*Global Market Strategist*

appropriately positioned for where we are in the cycle. That said, we do not see room for the shut down to have a significant impact on the trajectory of economic growth. Furthermore, as shown in the chart below, average equity market returns have been positive regardless of the composition of the U.S. government. The key at this juncture will be for investors to separate the signal from the noise, and avoid allowing emotion to dictate investment decisions.

**EXHIBIT 1: GOVERNMENT COMPOSITION MATTERS, BUT LESS SO OVER THE LONG-RUN**  
S&P 500 return by government control, 6-month rolling price return



Source: Standard & Poor's, Office of the President, FactSet, J.P. Morgan Asset Management.  
Data are as of December 24, 2018.

For the purposes of MiFID II, the JPM Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any MiFID II / MiFIR requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our [Company's Privacy Policy](#). For further information regarding our regional privacy policies please refer to the [EMEA Privacy Policy](#); for locational Asia Pacific privacy policies, please click on the respective links: [Hong Kong Privacy Policy](#), [Australia Privacy Policy](#), [Taiwan Privacy Policy](#), [Japan Privacy Policy](#) and [Singapore Privacy Policy](#).

This communication is issued by the following entities: in the United Kingdom by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions by JPMorgan Asset Management (Europe) S.à r.l.; in Hong Kong by JF Asset Management Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited; in Singapore by JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), or JPMorgan Asset Management Real Assets (Singapore) Pte Ltd (Co. Reg. No. 201120355E); in Taiwan by JPMorgan Asset Management (Taiwan) Limited; in Japan by JPMorgan Asset Management (Japan) Limited which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Cth) by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919); in Brazil by Banco J.P. Morgan S.A.; in Canada for institutional clients' use only by JPMorgan Asset Management (Canada) Inc., and in the United States by JPMorgan Distribution Services Inc. and J.P. Morgan Institutional Investments, Inc., both members of FINRA; and J.P. Morgan Investment Management Inc.

In APAC, distribution is for Hong Kong, Taiwan, Japan and Singapore. For all other countries in APAC, to intended recipients only.

Copyright 2018 JPMorgan Chase & Co. All rights reserved.

**MI-OTM\_GOVERNMENT SHUTDOWN\_12 24 18**

0903c02a82487a87