

# Government Shutdown: The Six Risk Factors Investors Need to Watch and Wall Street Closes Higher.

September 28, 2023

by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets closed with gains following some critical economic data that showed some positives and signs of softening, all amid the new narrative that the Fed will keep the rate higher for longer.

The U.S. economy continues to move along nicely, as evidenced by the latest second quarter GDP estimate that rose to 2.1% GDP, while unchanged for the last revision, the number is below the forecast of 2.3%; also, the GDPNow for the third quarter was reported yesterday to be 4.9% GDP, the question will the economy soften or remain growing?

The other economic development was the latest jobless claims came in at 204,000, rising 0.99% and below the economist consensus estimates of 215,000 or 5.11%.

The jobs market remains quite resilient as YTD 2023, the jobless claims have been between a low of 194,000 on January 21, 2023, and a high of 265,000 on June 17, 2023.

One thing people must contend with is that the recent Fed signal of higher rates for longer forced the market correction we have seen these past few days, impacting prices and valuations.

The latest Washington headache is the impending government shutdown that, depending on its duration, typically leads to some vital economic consequences:

1. **Reduced Economic Activity:** Government shutdowns can disrupt government services and payments to government employees and contractors. This reduction in economic activity can hurt overall economic growth.
2. **Credit Rating Agencies:** Credit rating agencies such as Standard & Poor's, Moody's, and Fitch assess the creditworthiness and issue credit ratings. Moody's warned that a shutdown would affect the U.S. credit rating.
3. **Uncertainty:** Shutdowns create uncertainty in financial markets and among businesses and consumers. This uncertainty can decrease consumer and business spending and investment, slowing economic growth.
4. **Delayed Economic Data:** During a government shutdown, critical economic data, such as employment reports and GDP figures, can be delayed. This lack of timely information can make it difficult for investors and policymakers to accurately assess the state of the economy.
5. **Impact on Federal Reserve Policy:** The Federal Reserve may respond to a government shutdown by adjusting its monetary policy. If a shutdown threatens economic stability, the Fed may consider delaying interest rate hikes or even implementing rate cuts to support the economy.

6. **Inflation and Interest Rates:** The impact of inflation and interest rates can be mixed. A prolonged government shutdown that significantly disrupts economic activity could put downward pressure on inflation as demand for goods and services weakens. The central bank (the Federal Reserve) may consider lower interest rates to stimulate economic growth. Conversely, if a shutdown affects the government's ability to manage its finances and service its debt, it could increase interest rates as investors demand higher yields to compensate for perceived risk.

It's important to note that the actual impact of a government shutdown can vary depending on the duration and severity of the shutdown, broader economic conditions, and the policy response.

### Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** 204,000, up from 202,000 last week, increasing 0.99%.
- **U.S. Total Vehicle Sales:** fell to 15.55 million, down from 16.27 million, decreasing -4.44%.
- **U.S. Pending Home Sales YoY:** is at -13.97%, compared to -15.49% last month.
- **30-Year Mortgage Rate:** rose to 7.19%, compared to 7.18% last week.
- **Eurozone Economic Sentiment Indicator:** fell to 93.30, down from 93.60 last month.
- **Eurozone Consumer Confidence Indicator:** is at -17.80, down from -16.00 last month.
- **Germany Consumer Price Index YoY:** fell to 4.50%, compared to 6.10% last month.
- **Japan Consumer Confidence Index:** fell to 36.20, down from 37.10 last month, decreasing -2.43%.
- **Japan Industrial Production Index MoM:** fell to -0.42%, compared to 1.05% last month.

### Eurozone Summary:

- **Stoxx 600** closed at 448.50, up 1.59 points or 0.36%.
- **FTSE 100** closed at 7,601.85, up 8.63 points or 0.11%.
- **Dax Index** closed at 15,323.50, up 106.05 points or 0.70%.

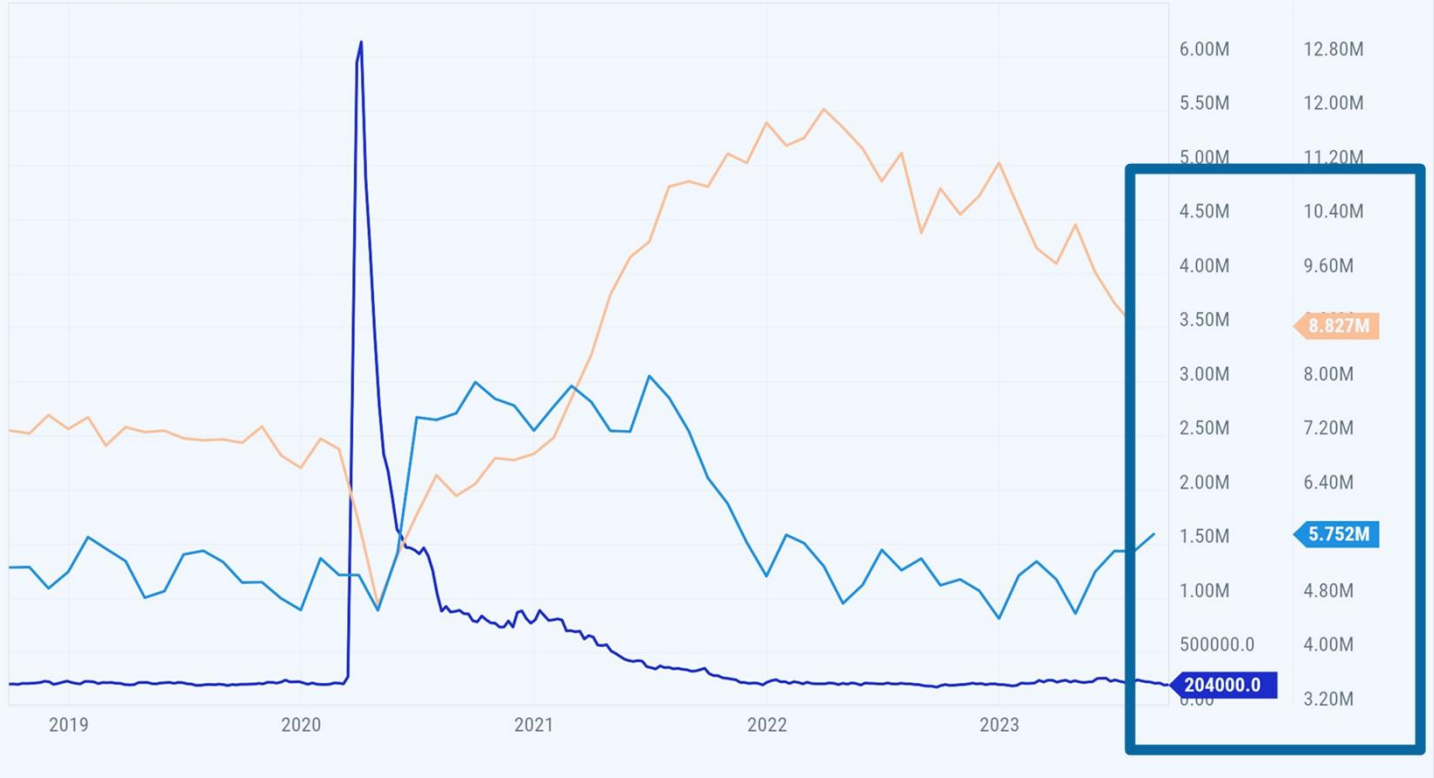
### Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,666.34, up 116.07 points or 0.35%.
- **S&P 500** closed at 4,299.70, up 25.19 points or 0.59%.
- **Nasdaq Composite** closed at 13,201.28, up 108.43 points or 0.83%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,696.67, up 22.08 points or 0.86%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,587.82, up 5.13 points or 0.14%.
- **U.S. Treasury 10-year note** closed at 4.59%.
- **U.S. Treasury 2-year note** closed at 5.04%.



# US Unemployment claims rose 0.99% to 204,000

- US Initial Claims for Unemployment Insurance
- US Job Openings: Total Nonfarm
- US Unemployed Persons: Job Seeker





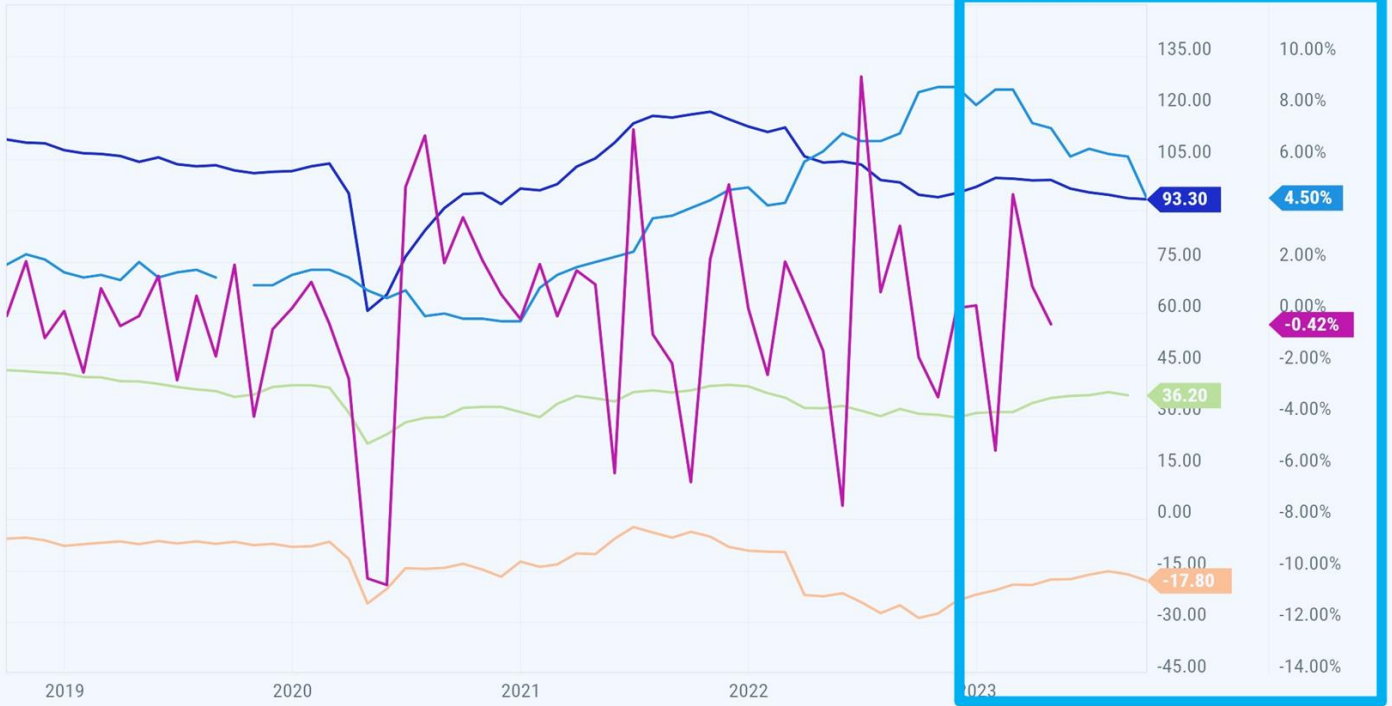
# US Total Vehicle Sales, US Pending Home Sales & 30-Year Mortgage Rate





# EU Economic Sentiment Indicator, EU Consumer Confidence Indicator, Germany CPI, Japan Consumer Confidence Index & Japan Industrial Production Index

- Eurozone Economic Sentiment Indicator (I:EESI)
- Eurozone Consumer Confidence Indicator (I:ECCISM)
- Germany Consumer Price Index YoY (I:GCCPNGCS)
- Japan Consumer Confidence Index (I:JPCCI)
- Japan Industrial Production Index MoM (I:JCIIP)





# Wall Street Recap

## September 28, 2023

[www.birlingcapital.com](http://www.birlingcapital.com)



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.