



October 1, 2025

Dear Valued Investor,

The October 1 deadline has passed, and the U.S. government has shut down. History suggests that shutdowns tend to be short-lived and have minimal sustained impact on the economy or the stock market. There are several essential services that will continue during the shutdown uninterrupted, including Social Security payments, Medicare and Medicaid payments, FAA air traffic control operations, and other vital services to Americans.

Investors have smartly looked past budget disruptions throughout history, rightly focusing on traditional fundamental drivers of the economy and stock market such as corporate earnings, consumer spending, business investment, inflation, and interest rates. That said, sectors heavily reliant on government contracts — such as defense and life sciences — may experience some short-term volatility. An extended shutdown, which could delay key economic data releases, including the October 3 jobs report, could detract slightly from economic growth but is unlikely to be material, in our view.

Since 1976, the U.S. has experienced 20 shutdowns, averaging just eight days in duration. The longest, in 2018–2019, lasted 34 days. Importantly, the S&P 500 has historically posted average gains of 1.2% and 2.9% in the one- and three-month periods following budget resolutions, underscoring the market's resilience, though past performance does not guarantee future results. Even if investors ignore the government shutdown, a pause may be in order given how far stocks have come since April — even as more tariffs are absorbed.

While we see rising odds of a 5–10% pullback, risk to this bull market appears low thanks to a resilient economy, strong earnings, the resumption of the Fed's rate-cutting cycle, and long-term catalysts like AI-driven productivity gains and fiscal stimulus from the One Big Beautiful Bill Act (OBBBA). Against that backdrop, a pullback could offer an attractive buying opportunity.

In short, while near-term volatility is possible, the broader outlook remains constructive. We encourage investors to emphasize stock market fundamentals over negotiations on reopening the government and consider pullbacks as potential buying opportunities.

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All data is provided as of October 1, 2025

All index data from FactSet.

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