

ABOVE THE FRAY

Stocks Can Still Go Up When the Government Shuts Down

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The US government shut down after Congress was unable to reach a funding agreement. This is the 11th shutdown since 1981.¹ During these shutdowns, many nonessential functions of the government cease. In most cases, the fiscal shortfall was resolved within a few days. However, four shutdowns lasted at least five days.

How did stocks fare during these prolonged episodes? The US market ended higher at the conclusion of three and was flat in the other.

So, while a shutdown may be a nuisance,² history suggests it's probably not cause for concern in your portfolio.

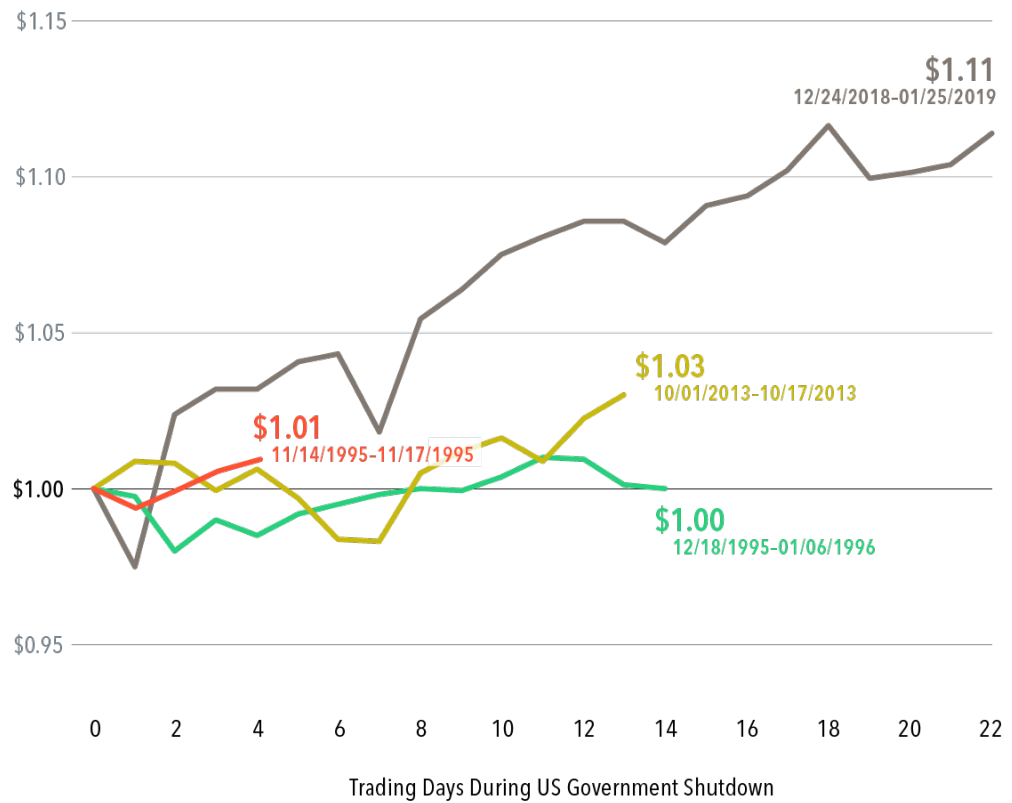
Exhibit 1
Government
Shutdowns Since 1981

DATE FUNDING ENDED	DURATION (DAYS)	DATE FUNDING RESTORED
11/20/1981	2	11/23/1981
09/30/1982	1	10/02/1982
10/03/1984	1	10/05/1984
10/16/1986	1	10/18/1986
10/05/1990	3	10/09/1990
11/13/1995	5	11/19/1995
12/15/1995	21	01/06/1996
09/30/2013	16	10/17/2013
01/19/2018	2	01/22/2018
12/21/2018	34	01/25/2019
10/01/2025	?	-

Funding-gap and shutdown dates are sourced from the [US House of Representatives: History, Art & Archives](#).

Exhibit 2

Growth of Wealth for the Fama/French Total US Market Index During Government Shutdowns Lasting at Least Five Days, Since 1981



Past performance is not a guarantee of future results. Actual investment returns may be lower.

Data presented in the Growth of \$1 chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. See "Index Description" for a description of the Fama/French index data.

INDEX DESCRIPTION

Fama/French Total US Market Research Index: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Kenneth R. French—Data Library (dartmouth.edu).

Results shown during periods prior to each index's inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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1. The appropriations process through which the federal government budget is allocated became stricter about shutting down government operations in the event of a funding gap after legal opinions issued in 1980 and 1981.

2. Especially for those with travel plans, since the impacted services may include the Transportation Security Administration (TSA).

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