

Hello Everyone,

I was once told, "Show me how a man spends money and I'll tell you all about him in under five minutes. Is he spending at the casino or on kids' shoes? New cars or retirement accounts?"

Maybe the same can also be said for governments. Should we spend on a wall or not?

Today's missive looks at how government actions can affect the markets---or not. Why is there sometimes a connection and sometimes not?

Even if no absolute answer is offered--and there isn't--- I hope you still find some food for thought in this quick 2-3 minute read.

Signed, Your I-Am-Offering-You-More-Questions-Today-Than-Answers Financial Advisor,

Greg

KKOB 01.28.2019 Government Shutdown

Bob: So, Greg, you avoided the government shutdown for over a month, but now that a three-week pause is in effect you want to go there, right?

Greg: I do. And, I avoided it on purpose because it never really made much sense to me. Here's why:

- By the Social Security Administration's own admission, they are underfunded by \$50 trillion. Plus, we have a \$22 trillion debt with another \$100-150 trillion in unfunded promises to Medicaid, Medicare, military retirements, etc.

Bob, those issues are 10,000 times more expensive than the wall, but we're not shutting down government to tackle those.

So, foolish me. A month ago, I thought it was about the wall. But, clearly, it's not.

Bob: I agree. There must be something bigger at play...and it has to be more than just playing politics. I know many of our listeners believe the same. But I don't know what that bigger thing is.

Greg: Neither do I. Upcoming elections? Irrational hatred of Trump? Supposed three-dimensional chess with the Deep State?

But, since my beat is money, my job is to look for the connection to the world of investing.

So, let's start with this---why hasn't this drama affected stocks? I mean a week or two of "*Oh, it'll resolve itself*," warrants market apathy. But, if uncertainty supposedly makes money nervous, don't you think we might be getting closer to a, "*Wait. This is different. Maybe it won't be resolved well.*" moment?

Bob: I would think so.... but, you're right. So far, the shutdown hasn't negatively impacted Wall Street. And, I don't think anyone can guess when it will-----or, if it ever does.

Greg: I agree. So, let me pose some philosophical questions to your listeners.

How is it some parts of society have can suffer a crisis without other parts feeling the pain? For instance, right now in France, it is obvious people have lost faith in their government. The Yellow Jackets are out every weekend. Violence is escalating. Macron's government may collapse. To me, that's a governmental crisis.

Yet, French and European markets are----by-and-large---ignoring all this. So, it's a little like here. Our **government's dysfunction** is not leading to a **financial crisis**...which is good.

Or, let's do another one---but this time in reverse. Back in 2008---when Lehman failed----we seemed to be on the verge of a **financial** collapse. But, back then, no one believed that would lead to the **government's** collapse. So, Bob, in that case, financial dysfunction was not leading to a governmental crisis...which is good, too.

Bob: So, what you're saying is---maybe investors put too much emphasis on the connection between government and the stock market. Right?

Greg: Sometimes. Now watch me contradict myself. Venezuela's financial collapse quickly led to groceries not being delivered to stores. That then cascaded into a cultural collapse where people had to live in fear of being killed for a roll of toilet paper. And, now, it appears this will doom Venezuela's political structure. So, in this case, the financial crisis

started a domino effect that brought down all Venezuela's institutions.

So, circling back, why do some collapses stay contained and eventually get resolved, while others metastasize and destroy everything in their paths? And, then----based on what we are seeing now out of the Republicans and Democrats what should American investors do?

Bob: That's tough. I'd say investors have to make a call about the nature of the crisis. If they think it is going to grow like a cancer—like in Venezuela---they will behave much differently than if they think it'll blow over.

And—looking at today--- since our markets are ignoring the shutdown drama, most must think our crisis is more political-theater than a real crisis.

Greg: I think that's solid analysis.

Bob: But having said that, I would keep my guard up---- because I know sentiment can change quickly. And the longer this drags-on, the greater chance there is of a mistake. And, we're out of time. How do people reach you?

Greg: Well said. My number is 508-550, 508 triple 5 zero. Or, go to my website at zanettifinancial.com.

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