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International

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Economic Alert: Federal Shutdown Seen as Blip Not Bust for Robust U.S. Economy

- Heading into its first business day, the idling of all but essential federal workers and some services comes amid a tight labor market, a soaring stock market and possibly the strongest three quarters of growth in more than a decade.
- A shutdown that usually lasts a week and places 850,000 federal workers on absence, would result in U.S. economic growth falling by 0.1% in first quarter 2018.
- Goldman Sachs Group Inc., in a note on Jan. 18, estimated the drag on GDP at 0.2 % a week, though the effects “would be reversed the next quarter.”
- JPMorgan Chase & Co., said in a recent note that first-quarter real annualized GDP growth would be trimmed by 0.12 % each week until operations resume. Still, the closure “should have no effect on Fed policy”
- Still, if the shutdown turns from a short-term event to a longer one that inhibits consumer spending and business investment, then all bets on this being just an economic blip are off.
- The U.S.’s credit rating was downgraded from AAA to AA+ by Standard & Poor’s in 2011, in part because of concern that the political system had become harmfully gridlocked.

Here are the main moves in markets:

Stocks

- The S&P 500 Index increased 0.25% as of 11:30 a.m. New York time.
- The Stoxx Europe 600 Index rose 0.2 % to the highest in more than two years.
- The MSCI World Index of developed countries gained 0.1 % to the highest on record.
- The MSCI Emerging Market Index jumped 0.4 %, its seventh consecutive advance.
- The U.K.’s FTSE 100 Index increased 0.1 %.

Currencies

- The euro increased 0.3 % to \$1.2244.
- The Bloomberg Dollar Spot Index dipped 0.1 % to the lowest in about three years.
- The British pound gained 0.4 % to \$1.3915, the strongest in 19 months.
- The Japanese yen was unchanged at 110.76 per dollar.

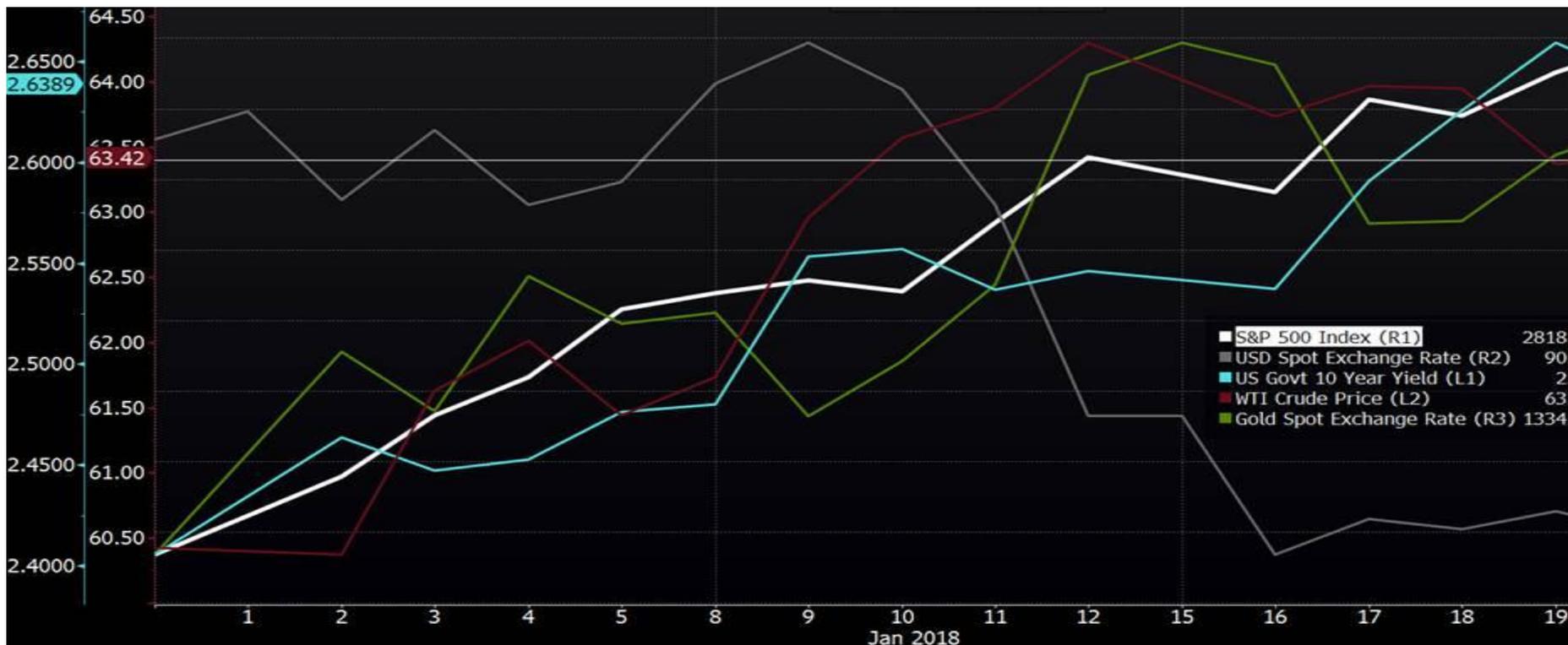
Bonds

- The yield on 10-year Treasuries declined two basis points to 2.64 %, the biggest decrease in more than a week.
- Germany's 10-year yield increased one basis point to 0.58 %.
- Britain's 10-year yield advanced two basis points to 1.359 %, the highest in more than 12 weeks.

Commodities

- Gold climbed 0.15% to \$1,333.83 an ounce.
- West Texas Intermediate crude fell 0.92% at \$63.38 a barrel.

Market movers year-to-date



Source: Bloomberg



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