

Industry Group Shifts During Government Shutdown

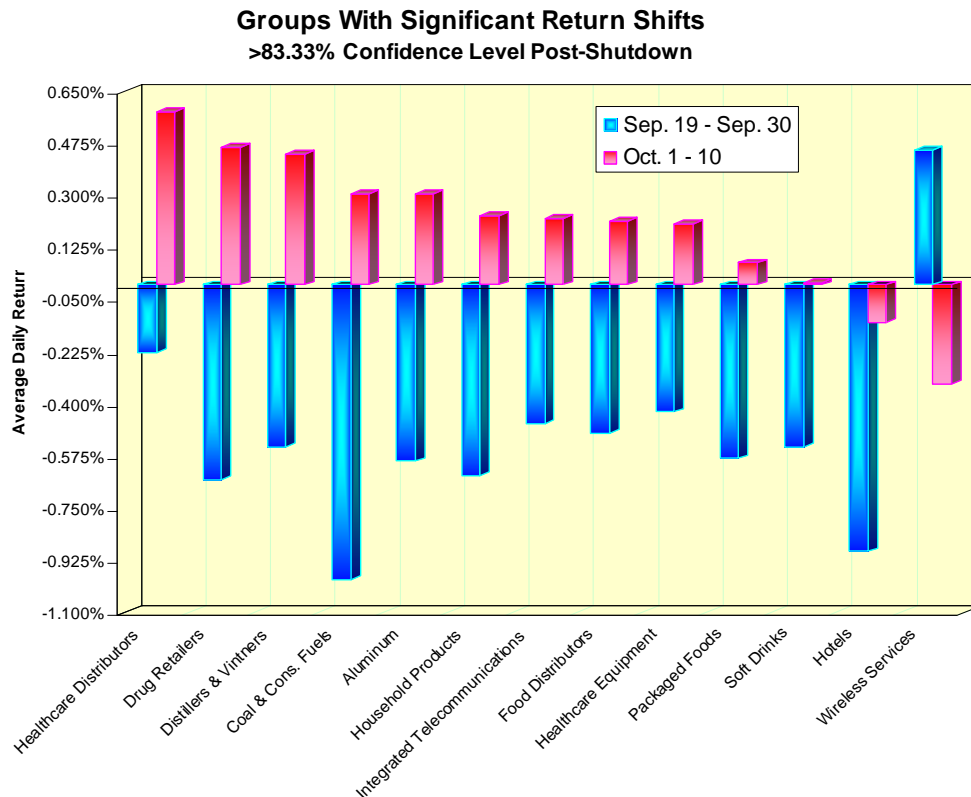
What sort of merciful God allows a government shutdown to close national parks and keep assorted pundits' mouths open? The worst aspect of our various manufactured crises is the endless parade of camera-chasing know-it-alls, few of whom have demonstrated an ability to forecast snow in January, to opine on the market outcomes of shutdowns, closures, defaults and other manifestations of our hard-to-watch political system.

What Changed?

Let's ask ourselves a relatively simple question: Which industry groups' total return streams changed significantly between October 1st start of the shutdown and the October 10th date of this writing in comparison to the period between the September 18, 2013 FOMC meeting and September 30, 2013? I will use an 83.33% confidence interval here as that gives us 5-to-1 odds of a significant change.

The answer is only 13 of the 144 industry groups in the S&P Supercomposite changed, and here is the good part: Only one of those groups, wireless services, saw a shift from positive to negative average daily returns. This group consists of Crown Castle International (CCI), NTELOS Holdings (NTLS), Telephone & Data Systems (TDS) and USA Mobility (USMO). The other twelve groups all saw shifts from negative to either positive or in the case of hotels to less-negative average daily returns after they shut the lights in Washington.

If federal spending is so important, and it is, then why did only one group's returns shift lower when it was threatened? The obvious answer is the market in general saw through the political posturing better than did the pundits. Call it the Alfred E. Neuman School of investment management: What, me worry?



I should note three of the groups involved were distillers & vintners, packaged foods and soft drinks. Americans: When the going gets tough, we sit in front of the TV with beer and pretzels; the Founding Fathers not only would be proud, they would probably join us on the sofa. Other groups in this list include healthcare equipment and healthcare distributors; perhaps this was in some sort of hope the medical equipment tax in ObamaCare would be repealed.

There is a second and much larger list involved, and that is the 39 groups whose returns were unchanged at a similar confidence interval. No sectoral themes are apparent in this list, which is just as well. This list's large size is a tribute to inertia: Just like people, industry groups' preferred course of action is no action at all. For all of the bloviating about how we were in some sort of end-of-days crisis, three times as many industry groups were unchanged as changed significantly.

**Groups With Insignificant Return Shifts
<16.67% Confidence Level Post-Shutdown**

