



Dysfunction in Washington

Here we are again, for the third time in about 15 months.....24 hours from a would-be government shutdown. When the founding fathers put it on paper in 1789, they made it clear Congress controlled spending with the observation "in consequence of appropriations made by law." But the executive branch used events like war to run up bills on credit that eventually forced the hand of Congress. That's when US lawmakers came up with the Anti Deficiency Act to control Federal spending.

George W Bush's presidency was the first since Nixon not to preside over a shutdown. Reagan had 8 in 2 terms.

Since 1976, there have been 17 shutdown of government:

1976-1979

- 6 shutdowns
- Average length 11 days
- Dow down in 5 out of 6 shutdowns

1981-1990

- 8 shutdowns
- Average length 2 days
- Dow up 6 of the 8

1995-1996

- 2 back-to-back shutdowns
- Dow up during both

This time

- Will be the first shutdown in 18 years
- 800,000 "non-essential" government employees could be furloughed, many more get payroll cut off.

The left leaning media continue to push hard to blame the Republicans for the shutdown, but is that like blaming the quarterback instead of the coach? Where is the accountability from the guy they elected and put in charge?

I suspect a shutdown will happen, but it will not last long and certainly there will NOT be a default on US debt, not a chance of that. The one sticking point between the House and Senate is a medical device maker's tax which kicks in under Obamacare.

Investors have grown weary of the "spoiled children" antics in Washington. Gridlock is usually good for markets but this is getting ridiculous and looks more like tribal negotiations in a third world nation than the greatest superpower on Earth.

Stay tuned,

Vito Finucci
Vice President and Director
Investment Advisor

This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. This commentary is based on information that is believed to be accurate at the time of writing, and is subject to change. All opinions and estimates contained in this report constitute RBC Dominion Securities Inc.'s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Interest rates, market conditions and other investment factors are subject to change. Past performance may not be repeated. The information provided is intended only to illustrate certain historical returns and is not intended to reflect future values or returns. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund.