

“Flying Blind” in the Shutdown?

Published October 8, 2025

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Key Takeaways

- With the federal government shutdown delaying major economic data releases, investors are left navigating markets without key signals just as rate decisions remain in play.
- While past shutdowns often included debt ceiling standoffs, this one does not, removing one major risk but still clouding short-term visibility for the economy.
- Investors may need to rely on alternative private data sources and anecdotal Fed insights until the shutdown ends and a backlog of economic indicators is released.

As the money and bond markets enter the second calendar week of the federal government shutdown, I thought it would be prudent to offer some insights and answer some questions our team has been fielding. While it doesn't seem as if an end is in immediate sight for the shutdown, as we've seen this year, developments and headlines can change quickly. Here are some key takeaways:

The Facts:

- The House of Representatives has already passed a stopgap bill that the Senate has thus far not been able to pass as well
- At this point, the Senate may keep trying to pass this stopgap bill to potentially end the shutdown, or a new round of negotiations between Republicans and Democrats will need to occur at some point
- If an agreement is reached, both houses of Congress would, once again, need to vote on the measure to send to the president's desk
- As of this writing, no announcements have been made (or numbers involved), but it appears as if the Trump administration could attempt to make some furloughed federal government workers permanent layoffs

No Debt Ceiling

- Perhaps the most noteworthy difference between this shutdown and ones in the recent past is that there is NO debt ceiling aspect to the current situation
- The One Big Beautiful Bill Act already increased the debt ceiling by \$5 trillion to \$41 trillion
- This increased amount should keep the debt ceiling as a "non-issue" for at least the next year or two

- As a result, the U.S. Treasury (UST) market will be operating as usual, with no concerns of redemptions, coupon payments or new issuance to be considered

Economic Data

- Economic data releases from the major federal agencies will either be delayed or postponed altogether, as we just saw with the September Employment Situation report not being released at its scheduled time/date
- If the shutdown continues through the weeks ahead, that would mean economic indicators such as the Consumer Price Index (CPI), Retail Sales and Gross Domestic Product (GDP)/Personal Consumption Expenditures (PCE) would more than likely not be released either

Alternative Private Data Sources

- Although official public data releases may be impacted, private sources of data are still available, such as:
 - ISM and [S&P Global PMI Manufacturing and Services Indexes](#)
 - Johnson Redbook Weekly Same Store Sales (represents about 9,000 general merchandise retailers)
 - Ward's Automotive report, which provides monthly motor vehicle sales
 - ADP & Challenger, which provide employment-related data
- ISM and [S&P Global PMI Manufacturing and Services Indexes](#)
- Johnson Redbook Weekly Same Store Sales (represents about 9,000 general merchandise retailers)
- Ward's Automotive report, which provides monthly motor vehicle sales
- ADP & Challenger, which provide employment-related data

The Fed & Rates

- Despite the shutdown, the bar was high for the Fed not to cut rates at this month's FOMC meeting, and for the UST market, that remains the expectation
- Chairman Powell's description of the September rate cut as a "risk management" move also favors another 25-basis-point (bp) reduction in Fed Funds
- The Federal Open Market Committee can also rely on its regional bank system for anecdotal reports such as it uses for its Beige Book
- The UST 10-Year yield should stay range-bound until the econ data starts flowing again

Bottom Line

Typically, when disruptions such as a shutdown occur, there can be some economic impact from a short-term perspective. However, any adverse effects tend to get reversed in the following weeks, months or

calendar quarter. One difference to watch this time around surrounds the potential for the aforementioned federal worker layoffs, but as of this writing, it is difficult to draw any meaningful conclusions from an economic standpoint.

Final thought: Once the shutdown does end, and depending on how long it was, get ready for a plethora of economic data to be released.