



(UBS)

Will investors continue to look through the US government shutdown?

6 October 2025, 18:09 UTC, written by UBS Editorial Team

The US government shutdown last week led to the furloughing of over half a million federal workers after the Senate failed to pass a stopgap spending bill. The news did not halt the rise of the S&P 500, which hit fresh record highs, taking its gains so far in 2025 above 14%.

The indifferent market response to the government shutdown is in line with historical experiences. During the 2013 shutdown, stocks declined only slightly and quickly rebounded even before the government reopened. And while there was more volatility heading into the 35-day shutdown in 2018, we attribute this more to concerns about Fed rate hikes and trade conflicts. What's more, the equity market bottomed out on the third day of the shutdown and was 10% higher by the time the government reopened.

From an economic perspective, although a shutdown could trim around 0.1 percentage points from GDP growth per week, the slowdown should be offset in subsequent quarters, as federal workers receive back-pay.

So, we advise investors to look past shutdown fears and focus on other market drivers, such as the mix of continued Fed rate cuts, strong corporate earnings, and robust AI capex and monetization. That said, if the shutdown proves more lasting or disruptive than expected, gold could prove valuable as a hedge. Given a variety of tailwinds, our base case is for the precious metal to reach USD 4,200 an ounce by the end of the year. Investors will also be on the alert for political developments from France, where on Monday the nation's fifth prime minister in two years submitted his resignation after his deficit-reduction plans failed to win support in the national assembly. Unlike in the US, political developments in France

have proved a drag on equity performance, and uncertainty is likely to remain a headwind. However, we believe shorter-dated French bonds are less sensitive to debt concerns and offer interesting yield considering the low risk of default.

Original report – [Weekly Global: What to watch in the week ahead, 6 October 2025.](#)

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