

The Street

Boehner's Resignation Just Adds More Uncertainty to Markets

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September 25, 2015

If there's anything the markets don't need right now, it's more uncertainty.

The sudden resignation of House Speaker John Boehner has left both Wall Street and Washington wondering what happens next in an already divided U.S. Congress. Most immediately, it raises questions about the likelihood of a threatened government shutdown next week over funding for Planned Parenthood.

"This shows tremendous discord," said Fadel Gheit, a senior analyst at Oppenheimer on Wall Street. "It's not good news for the Republicans."

Analysts are divided on whether a government shutdown will have a major impact on the markets. But at the very least, it creates even more uncertainty for markets already tossed about this fall by confusion over a Federal Reserve rate hike and a slowdown in China's economy.

During the last government shutdown in October 2013, markets took a tumble. For the first week of October, the S&P 500 fell 1.5%, while the NASDAQ Composite Index skidded 2.5%.

Markets on Friday showed little reaction to Boehner's departure, rallying instead on assurances from Fed Chair Janet Yellen that rates are still likely to rise this year.

Boehner's departure, the result of intense pressure from the more conservative elements of his party, is putting the spotlight on House Majority Leader Kevin McCarthy, R.-Calif., as a potential successor. But it still leaves unclear whether this makes a shutdown more or less likely.

Analysts are all over the map on that question.

"My sense is that an October 1 shutdown was never going to be a big macroeconomic event," said Sarah Binder, a professor of political science at George Washington University. "Federal employees eventually get paid, so it's a minor hit if at all to the economy."

Democrats are viewing the move as a sign of weakness within the Republican Party, but conservative thinkers are seeing it as an opportunity to put new pressure on the executive.

"This raises the temperature for a potential government shutdown," said Chris Edwards, a budgetary scholar at the libertarian Cato Institute in Washington. "It's a chance for Republicans to stiffen their spines on spending issues."

Republicans are looking to cut \$50 billion from the federal budget in "non-entitlement discretionary spending"-- federal programs that don't provide any direct financial assistance to citizens. Besides Planned Parenthood, affected programs would include areas like education, energy and housing.

Social Security, Medicare, Medicaid and most Veteran's Administration programs won't be affected either way. Defense spending won't be an issue for the 2016 budget either, as Republicans and Democrats are in agreement.