



Weekly Economic News & Updates

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WHAT DOES GOVERNMENT SHUT DOWN MEAN- With no agreement reached on border security funding in the spending bill last night, the federal government has initiated partial shutdown procedures. Since the shutdown could continue into the new year, I wanted to flag for you its potential impact on your institutions and customers.

Each government agency has its own contingency plan, but we expect the following programs and agencies will be affected:

- **Banking Agencies.** The federal banking agencies are not funded through congressional appropriations so will remain open. Others, such as the Securities and Exchange Commission, Commodity Futures Trading Commission, and Treasury Department agencies like the IRS and FinCEN, may need to halt some or most operations.
- **Lending Programs.** The Small Business Administration, Federal Housing Administration, USDA and others with lending programs funded by the federal government will likely be at least partially closed. That means loans requiring those offices' approval may not be processed.
- **Regulatory Guidance.** When this happened previously, regulators urged financial institutions to work constructively with customers -- principally federal employees and contractors, who will not be paid during a shutdown.
- **Federal Employees/Contractors.** Federal employees and contractors are most directly affected by a shutdown and many will be off work.
- **Lending Support.** Verification resources from certain government agencies, such as tax transcripts from the IRS, may not be available.
- **Flood Insurance.** Congress passed, and the president signed, a stand-alone bill that extends the National Flood Insurance Program through May 31, 2019, decoupling NFIP authorization from the stalled spending bill and avoiding a program lapse.

FMOC

Federal Reserve policymakers voted unanimously last week to raise the benchmark interest rate by another 0.25%, putting the main overnight lending rate in the 2.25-2.50% range. Investors hoped for a hint of a pause in the Fed's tightening plans, yet no such signal emerged. The central bank's latest dot-plot showed a consensus projection of two hikes rather than three next year, but at the press conference following the rate move, Fed chairman Jerome Powell commented that monetary policy "does not need to be accommodative," and noted that the Fed would continue to thin its balance sheet by up to \$50 billion per month. Stocks dropped significantly in the wake of those statements. During an abysmal week for equities, the Dow Industrials fell 6.87% to 22,445.37; the Nasdaq Composite, 8.36% to 6,332.99; the S&P 500, 7.05% to 2,416.62.

LATEST KEY HOUSING INDICATORS LOOK BETTER- The National Association of Realtors just reported a 1.9% gain for existing home sales in November; that follows a 1.4% October increase. In

WEEKLY QUOTE

"You can't help someone **get up a hill** without getting **closer to the top** yourself."
Norman Schwarzkopf

WEEKLY TIP

*If you receive an **email** about your taxes from the **Internal Revenue Service**, chances are it is **fake**. As a rule, the **I.R.S.** does not initially contact people about tax issues over the Internet.*

WEEKLY RIDDLE

It is known for its **aggressive** styling and performance, yet its name contains the name of a **gentle** mammal. What **make of car** is it?

Last week's answer: The Library

Sources: MarketingPro, Financial Strategies Group, The Baker Group, [wsj.com](http://www.wsj.com), [bigcharts.com](http://www.bigcharts.com), [treasury.gov](http://www.treasury.gov), Randy Baker and Chris Low and Rebecca Kooshak FTN Financial
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addition, builders started more projects last month. The Census Bureau said that groundbreaking improved 3.2% in November as the pace of building permits picked up 5.0%.