

Market Instability and the Government Shutdown: The Debt Ceiling “Will Get Resolved With A Big Sell-Off”

By [Zero Hedge](#)

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We all know how this latest installment of Beltway theater ends: the negotiations continue until the 11th hour and 59th minute or maybe just after midnight, followed by a market flush, followed by a prompt compromise which retroactively fixes everything that was wrong, and with the US debt ceiling being [raised by another \\$1.1 trillion](#).

Below is Deutsche Bank's Jim Reid commenting on precisely this.

Over the last 12-24 hours the small cracks that have appeared in financial markets over the last week have started to edge open a little bit wider. On the plus side this may start to help concentrate the minds of the politicians a bit more after another day of stalemate and lack of urgency. Our thoughts are that this will get resolved when either the market forces the issue with a big sell-off or when we get closer to an as yet unspecified hard-date as to when the US runs out of money. On the latter, one concrete thing we did learn yesterday is that Treasury Secretary Jack Lew will testify to the Senate Finance Committee tomorrow at 8:30am (ET) to discuss the debt ceiling including issues of how hard the 17th of October date is. This meeting may give us some improved clarity as to when 1 minute to midnight is going to be in this crisis. The perception is that it's actually nearer the end of the month.

And therein lies the problem: because everyone has seen this play out countless times, nobody wants to be the marginal seller that pushes the market lower “just enough” to get the compromise, and then see it rip higher before they can get back in. Of course, that the only reason for getting back in is because the “market” is a centrally-planned, artificial abortion of the central planners' five-year long, and ongoing, experiment with “monetizing” everything that is not nailed down, goes without saying.

All that matters is the year end bonus, which in an age in which the Fed is the best performing hedge fund in the world (net of its massive mark to market losses of course), is getting increasingly more difficult to obtain. As for what happens on January 2 with the return on other people's money, well that most likely is someone's else problem.

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