

Special Commentary — January 26, 2026

## Government Shutdown Watch: Shutdown Odds Rising

### Summary

- The odds of a government shutdown starting on January 31 have risen sharply. The deal that was struck in November to end the record 43-day shutdown resulted in a continuing resolution extending government funding for most federal agencies (accounting for ~90% of annual discretionary spending) through January 30. That bill provided full-year appropriations for three of the 12 annual appropriation bills (Agriculture, Military Construction and Veteran Affairs and the Legislative branch) accounting for the remaining ~10% of the annual discretionary budget.
- Over the past few weeks, the House of Representatives [passed the nine remaining](#) fiscal year (FY) 2026 appropriations bills on a bipartisan basis, and the Senate was widely expected to package them into one bill and pass it into law before the January 31 deadline. If enacted, this bill would keep federal discretionary spending roughly flat compared to FY 2025, and it would take another shutdown off the table until October 1 at the earliest.
- As recently as Friday, a shutdown seemed quite unlikely. Prediction markets such as Polymarket pegged the odds of a shutdown at roughly 10% as of Friday evening.
- The shooting by federal agents that occurred in Minneapolis on Saturday has changed the outlook. Importantly, one of the nine annual appropriations bills passed by the House is Homeland Security, which houses Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). In the wake of the incident, some Senate Democrats who were widely expected to support the budget bill have pulled their support until there have been some policy and process reforms to CBP/ICE.
- Even if all 53 Republicans vote for the bill, it would take at least seven Democrats to clear the de facto 60 vote threshold in the Senate, leaving the process at a stalemate. As of this writing, Polymarket traders priced the odds of a shutdown starting Saturday at roughly 80%, which strikes us as reasonable based on what we know now.
- The situation is still highly fluid, and anything can happen, but the deadline for action is imminent. It will be difficult to get a new bill through both chambers in less than a week as the House is scheduled to be on recess this week and the Senate is just coming back into town on Monday/Tuesday. Bad weather throughout much of the country further compounds the time crunch.
- If a short shutdown occurs, this would delay but not cancel the BLS/BEA produced economic data that are slated to be released in the coming weeks, such as the January employment report (scheduled for Feb. 6) and the January CPI report (Feb. 11). That said, if the shutdown was much longer, like the one that occurred last fall, there once again could be severe disruptions that result in lower quality and/or missing data.
- As was the case last fall, a shutdown starting Saturday would not impact the debt ceiling. The U.S. Treasury's borrowing capacity would not be exhausted, and Treasury security auction and interest payments would continue as scheduled.
- Should another extended shutdown occur, it would leave the FOMC in a tricky spot. The lack of visibility that arises from receiving limited economic data could thrust an already divided FOMC into a period of stasis. Fed officials lamented the lack of clarity on inflation during the last shutdown. We expect they would again use this argument to delay additional cuts. We have maintained that [the window is closing](#) for the Fed to cut rates again under Chair Powell, and another extended shutdown would not help.

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