

The Fed published the Survey of Salient Risk to Financial Stability, Debt Ceiling negotiation headed to the White House, and Wall Street closed down.

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The U.S. & European stock markets continue behaving timidly as they await tomorrow's CPI reading and the U.S. debt ceiling negotiations. The negotiations headed to the White House at the request of President Biden, which could point that the leader may be getting closer to a deal; the negotiations include House Speaker Kevin McCarthy, Senate Majority Leader Chuck Schumer, House Minority Leader Hakeem Jeffries, and Senate Minority Leader Mitch McConnell, which so much at stake we can only hope a solution is reached.

As we analyze the continued risks to the markets and the economy, the Federal Reserve Published its Financial Stability Report. The Fed highlights its Survey of Salient Risk to Financial Stability as part of the report. The survey includes the opinions of 25 N.Y. Fed contacts range from broker-dealers, investment funds, research and advisory firms, and universities.

Below are the Top 5 Risks:

1. **Persistent inflation and monetary tightening:** The continued inflation has led the economy into a higher rate cycle with restrictive monetary policy and has been the top issue since 2021.
2. **Stress in the banking sector and nonbank financial institutions:** the closures of three banks have led many to believe that many other banks are as vulnerable, complicating matters for the Fed.
3. **Commercial Real Estate:** the \$5.6 trillion commercial real estate could become a source of trouble for banks.
4. **Geopolitical Risks:** the rising problems in the U. S. and China relations, mixed with China and Taiwan with a possible U.S. involvement. Finally, the continued Russian-Ukraine war.
5. **Debt Limit:** should Congress fail to raise the Debt Limit before June 1; the U.S. would default on its obligations creating a "Constitutional Crisis".

To download the report, click here: [Financial Stability Report, May 2023 \(federalreserve.gov\)](https://www.federalreserve.gov/financialstability/20230509)

Key Economic Data:

- **China Exports YoY:** fell to 8.48%, compared to 14.79% last month.
- **China Imports YoY:** fell to -7.92%, compared to -1.39% last month.
- **China Trade Balance:** rose to \$90.21 billion, up from \$88.19 billion the previous month, increasing 2.29%.

Puerto Rico COVID-19 Update:

- Daily Cases: 72
- Positivity Rate: 17.87%
- Hospitalizations: 124
- Deaths: 1
- Source P R. Department of Health.

Eurozone Summary:

- Stoxx 600 closed at 464.98, down 1.96 points or 0.42%.
- FTSE 100 closed at 7,764.09, down 14.29 points or 0.18%.
- Dax Index closed at 15,955.48, up 2.65 points or 0.02%.

Wall Street Summary:

- Dow Jones Industrial Average closed at 33,561.81, down 56.88 or 0.17%.
- S&P 500 closed at 4,119.17, up 18.95 points or 0.46%.
- Nasdaq Composite closed at 12,179.55, down 77.37 points or 0.63%.
- Birling Capital Puerto Rico Stock Index closed at 2,316.39, down 17.32 points or 0.74%.
- Birling Capital U.S. Bank Stock Index closed at 3,582.44, up 4.48 points or 0.15%.
- U.S. Treasury 10-year note closed at 3.53%.
- U.S. Treasury 2-year note closed at 4.01%.

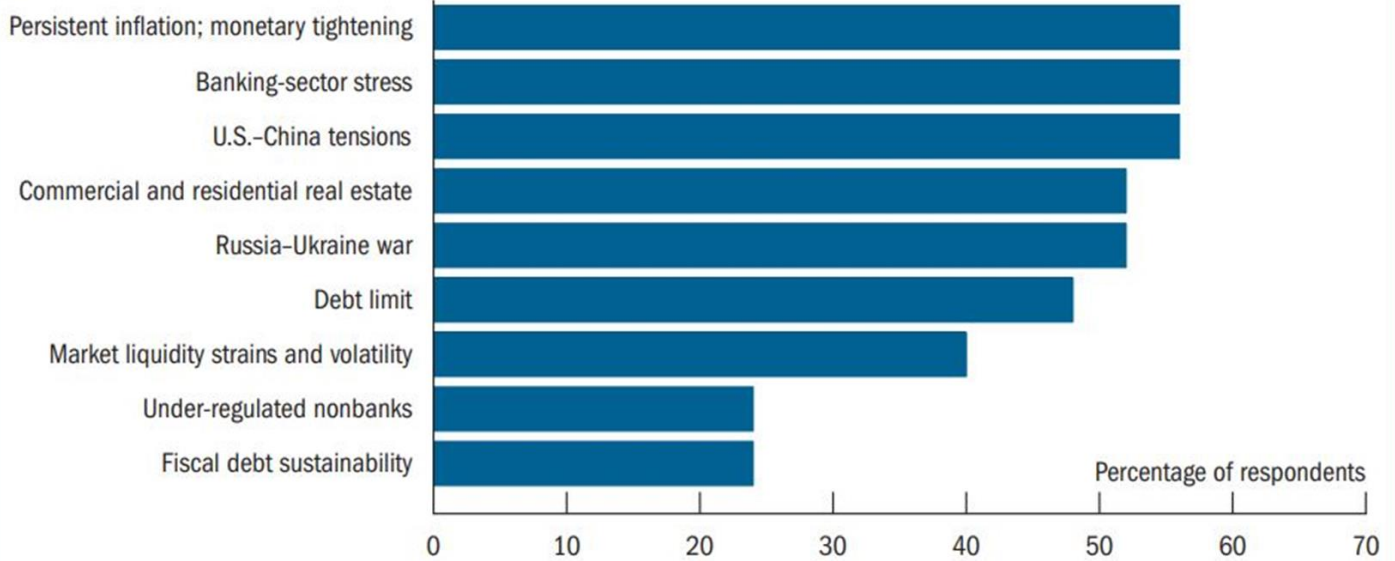


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Federal Reserve Bank

Top Risks

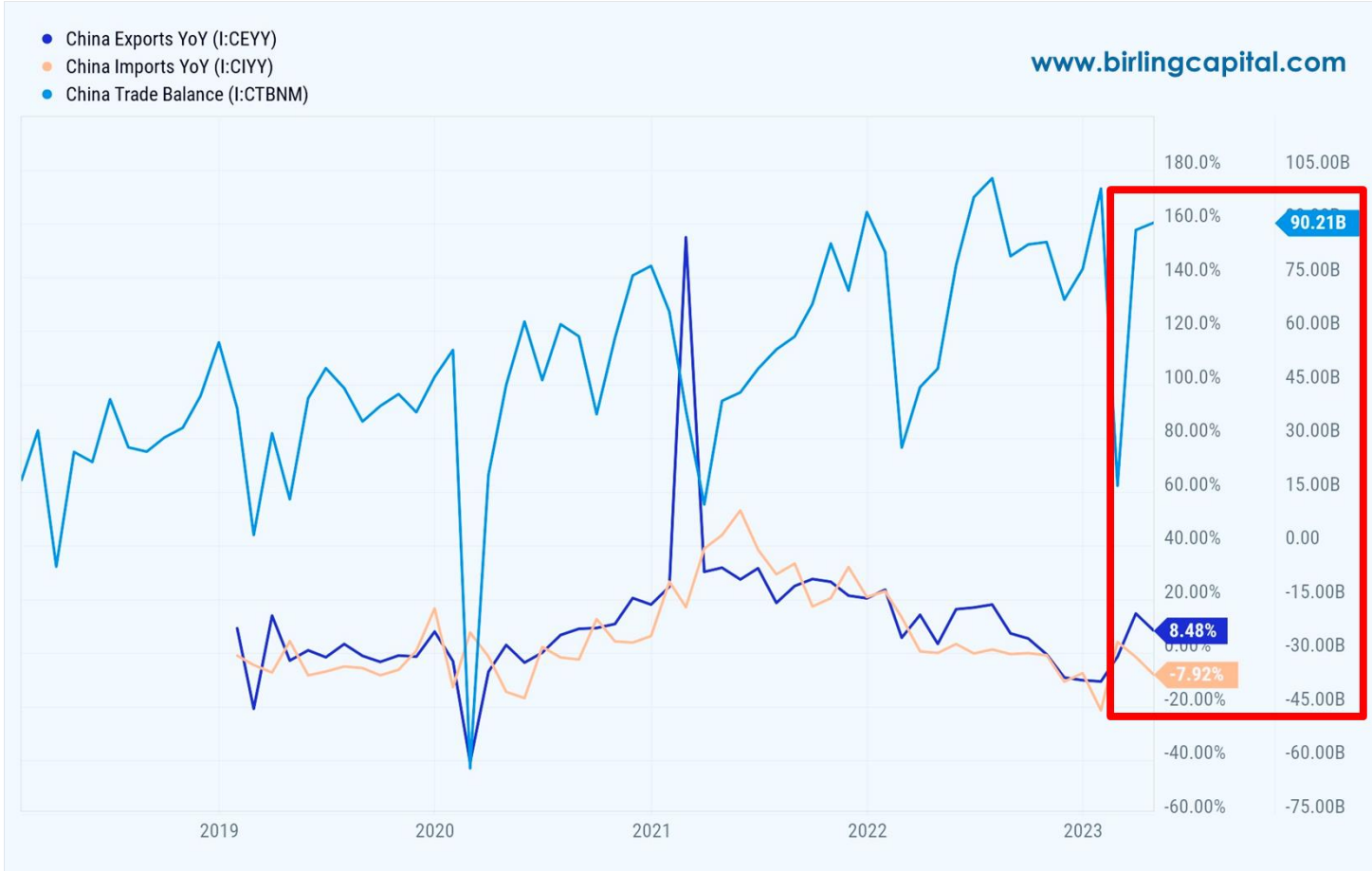
Figure A. Spring 2023: Most cited potential risks over the next 12 to 18 months



Source: Federal Reserve Bank of New York survey of 25 market contacts from February to April.



China Exports, China Imports & China Trade Balance

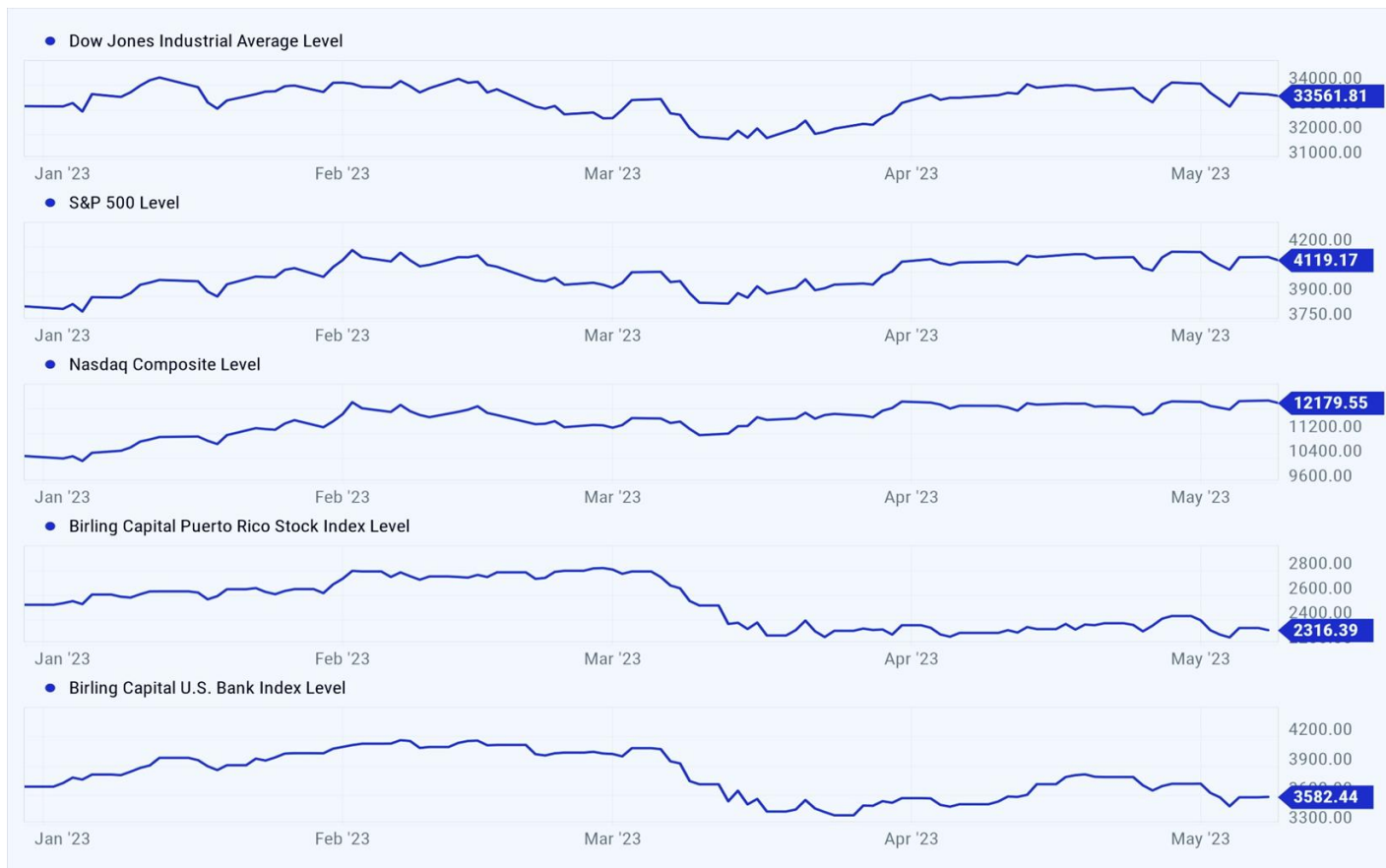




Wall Street Recap

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