

U.S. Debt Ceiling negotiations hit a Roadblock, U.K. CPI fell to 8.70%, and Wall Street closed down.

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The U.S. and European stock markets continued their downward trend fueled by the U.S. Debt Ceiling negotiations that have hit a roadblock, and even though the meetings continue among the principal negotiators and President Biden, we do not see a clear path to a deal.

The two sides have opposing views of what is needed for a deal; Democratic negotiators have now put potential tax increases on the table for discussion, and Republicans will not allow any significant tax changes to be added to any deal. However, the main point of contention concerns the level of caps on the growth of future federal spending. Democrats may agree to caps on some federal spending over the next two or three years, while Republicans passed a bill requiring ten years. Caps on the growth of federal expenditures in the range of 2% -4 % over two or three years is a satisfactory compromise.

We don't see any debt ceiling increase bill with the clean extension favored by Democrats that could pass in the Senate without a negotiated settlement.

Another solution will likely be negotiated with the bill, including modest deficit reduction measures, and a final bill will pass and become law by the June deadline. If the U.S. is to meet the June 1 deadline, significant progress must happen during the rest of the week and into the weekend; otherwise, meeting the June 1 deadline becomes all the more difficult.

Meanwhile, in Europe, the recently reported CPI reading for the U.K. fell to 8.70%, a 13.86% decrease; it failed to meet the consensus estimates, and the U.K. Central Bank is expected to increase rates further. In the U.K., Food is leading the inflation increase, with Eggs, Cheese, and Sugar up more than 30% from a year ago.

Lastly, a point made by Jamie Dimon, Chairman & CEO of JP Morgan Chase, during the Banks Investor Day he said, **"The easiest way for a Bank to retain Capital is not to make the next loan, and we are going to see that plus we will see much higher rates"**.

The Banking sector faces a Crisis of Confidence and large deposit outflows, which have slowed; liquidity remains robust, and the bank loan production by small banks was up \$7 billion.

Lastly, as the year presses on, we must remember that there are multiple sources of uncertainty ahead in the Macro environment that, include:

- The overall health of the consumer
- Interaction of higher interest rates with High Inflation.
- Debt Ceiling and Other Geopolitical Issues
- The ongoing war in Ukraine
- U.S. / China Relations

Our Favorite Indices Year-to-Date Returns:

Now let's take a look at the Year-to-Date returns of the five indices we follow ranked from better to worse:

- **Nasdaq Composite** has a return of 19.28%.
- **S&P 500** has a return of 7.18%.
- **Dow Jones Industrial Average** has a return of -1.05%.
- **Birling Capital U.S. Bank Stock Index** has a return of -1.81%.
- **Birling Capital Puerto Rico Stock Index** has a return of -2.65%.

Key Economic Data:

- **Eurozone Unemployment Rate:** fell to 6.50%, compared to 6.60% last month.
- **Germany Ifo Business Climate Index:** fell to 91.70, down from 93.40 last month, decreasing - 1.82%.
- **Germany Ifo Business Expectations Index:** fell to 88.60, down from 91.70 last month, declining - 3.38%.
- **Germany Ifo Business Situation Index:** fell to 94.80, down from 95.10 last month, decreasing - 0.32%.
- **U.K. Consumer Price Index YoY:** fell to 8.70%, compared to 10.10% last month, dropping 13.86%.
- **U.K. Core Consumer Price Index YoY:** rose to 6.83%, compared to 6.19% last month.
- **U.K. Producer Price Index: Output YoY:** fell to 5.41%, compared to 8.51% last month.
- **U.K. Producer Price Index: Input YoY:** fell to 3.97%, compared to 7.24% last month.

Eurozone Summary:

- **Stoxx 600** closed at 466.19, down 2.72 points or 0.58%.
- **FTSE 100** closed at 7,762.95, down 8.04 points or 0.10%.
- **Dax Index** closed at 16,152.86, down 71.13 points or 0.44%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 32,799.92, down 255.59 or 0.77%.
- **S&P 500** closed at 4,115.24, down 30.34 points or 0.73%.
- **Nasdaq Composite** closed at 12,484.16, down 76.08 points or 0.61%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,454.06, up 21.03 points or 0.86%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,620.02, up 3.93 points or 0.11%.
- **U.S. Treasury 10-year note** closed at 3.73%.
- **U.S. Treasury 2-year note** closed at 4.31%.

Eurozone Unemployment Rate, Germany Ifo Business Climate Index, Germany Ifo Business Expectation Index, Germany Ifo Business Situation Index, UK CPI, UK PPI-Output & UK PPI-Input

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- Eurozone Unemployment Rate (I:EURSM)
- Germany Ifo Business Climate Index (I:GIBCI)
- Germany Ifo Business Expectations Index (I:GIBEI)
- Germany Ifo Business Situation Index (I:GIBSI)
- UK Core Consumer Price Index YoY (I:UKCCPIYY)
- UK Consumer Price Index YoY (I:UKCCXRBU)
- UK Producer Price Index: Output YoY (I:UKPPIOYY)
- UK Producer Price Index: Input YoY (I:UKPPIIYY)





Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 5/24/23





Wall Street Recap

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