

Financial Stability Report

Statement by Governor Lael Brainard

The latest Financial Stability Report underscores the importance of our ongoing work to identify and closely monitor risks to the financial system and to ensure the financial system remains resilient. In particular, the report assesses how key financial system vulnerabilities and strengths have evolved over the last six months. Among other findings, it is noteworthy that households and businesses have decreased their borrowing as a percentage of gross domestic product (GDP), and currently appear to have resources to cover debt burdens, which is an important aspect of resilience in an environment of rising interest rates.

The report explores recent volatility in commodity markets. Russia's unprovoked war in Ukraine has sparked large price movements and margin calls in commodities market and highlighted a potential channel through which large financial institutions could be exposed to contagion. From a financial stability perspective, since most participants access commodities futures markets through a large bank or broker-dealer that is a member of the relevant clearing house, these clearing members are exposed to risk when clients face unusually elevated margin calls. The Federal Reserve is working with domestic and international regulators to better understand the exposures of commodity market participants and their linkages with the core financial system.

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