



Inflation and Jobs Data Lead this Week's Headlines

April 13, 2023


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MARKET MOVING HEADLINES

- US inflation rate below forecasts at 5% in March 2023
- US economy adds less jobs than expected in March 2023
- The unemployment rate in the US edged down to 3.5% in March 2023
- The dollar strengthened sharply on Monday with the US dollar index (DXY) hitting 103
- Natural gas prices surge by more than 8%
- Chile posts widest trade surplus in nearly 16 years
- Car production in Mexico rises to over 2-year high
- Russian ruble depreciates to it lowest in a year and below pre-war levels
- The IMF revises its global growth forecasts lower by 0.1% to 2.8% for 2023
- Lithium carbonate prices have sunk by 60% year-to-date
- The NFIB Small Business Optimism Index in the US falls to a three-month low

INTEREST RATES

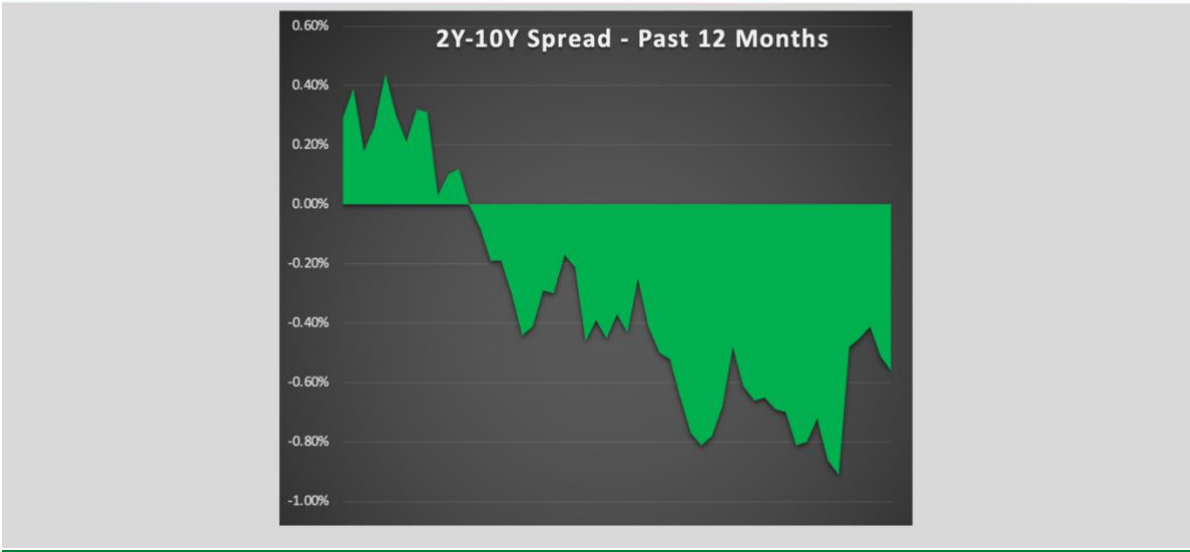
 **Interest Rates** US TREASURY MARKET

MATURITY	YIELD	7-DAY CHANGE
3M	4.83%	3.73%
2Y	3.71%	7.82%
5Y	3.32%	5.72%
10Y	3.29%	4.66%
30Y	3.57%	2.80%

 **Interest Rates** 2Y - 10Y SPREAD

DATE	SPREAD
2/20/23	-0.72%
2/27/23	-0.86%
3/6/23	-0.91%
3/13/23	-0.48%
3/20/23	-0.45%
3/27/23	-0.41%
4/3/23	-0.51%
4/10/23	-0.56%

2Y-10Y SPREAD - PAST 12 MONTHS



CURRENCIES



Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.09	0.74%
USD/JPY	130.95	1.70%
GBP/USD	1.25	0.10%
AUD/USD	0.67	-0.42%
USD/CAD	1.35	-0.25%
USD/CNY	6.88	-0.05%
USD/CHF	0.90	-1.07%
USD/HKD	7.85	-0.01%
USD/MXN	18.33	-1.49%
USD/KRW	1315.74	0.53%

COMMODITIES

 **Commodities**

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	84.35	3.75%
WTI Crude Oil	79.95	4.52%
Natural Gas	2.15	-1.97%
Gold	2019.87	-0.61%
Silver	24.88	1.63%
Copper	3.99	2.28%
Steel	4032.00	-1.49%
Coffee	180.45	5.40%
Sugar	22.86	5.07%
Cocoa	2895.00	1.93%
Cotton	81.72	1.06%

CONCEPT OF THE WEEK: HEDGE ACCOUNTING TREATMENT FOR DERIVATIVES

When using derivatives for hedging risk, it is important to apply the proper accounting treatment relative to the hedging strategy. By applying hedge accounting, the derivative’s periodic changes in value can be kept from adversely impacting earnings. The hedge accounting treatment is determined by:

- The intended use of the derivative, and
- The hedge designation elected at the inception of the hedge

The most likely hedge accounting scenarios are shown below.



Concept of the Week

HEDGE ACCOUNTING TREATMENT
FOR DERIVATIVES

FAIR VALUE HEDGE	CASH FLOW HEDGE
The gain or loss of the derivative is recognized in earnings	The gain or loss of the derivative is reported in other comprehensive income (OCI)
The gain or loss of the hedged item is also recognized in earnings	The derivative is later reclassified to earnings
The two entries offset one another minimizing earnings volatility	The derivative reclassification coincides with earnings recognition of the hedged item
	The derivative reclassification coincides with earnings recognition of the hedged item

Applying the appropriate hedge accounting is the best way to ensure earnings volatility does not occur due to hedging activity.

QUOTE OF THE WEEK

“There are three ways to deal with risk: avoid it, retain it, or transfer it.” - Garret Gunderson

Author: John Trefethen, Director and Co-Founder

Mobile: [612-868-6013](tel:612-868-6013)

Office: [952-746-6040](tel:952-746-6040)

Email: jtrefethen@hedgestar.com

HedgeStar Media Contact:

Megan Roth, Marketing Manager

Office: 952-746-6056

Email: mroth@hedgestar.com

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