



Fed Increases Rates to 22-Year High

July 27, 2023

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MARKET MOVING HEADLINES

- The Fed Raises Interest Rates to a 22-year high.
- US new home sales fell more than forecast.
- US house prices fell for the third month.
- Canadian manufacturing sales shrink in June 2023.
- Hong Kong imports drop 12.3% year-over-year in June 2023.
- Coffee rebounds from a six-month low.
- Copper futures surge on Chinese stimulus pledge.
- Wheat futures holds near a five-month high.
- German business confidence at an eight-month low.
- Gasoline futures rose to a one-year high.
- Oil prices hover at a 3-month high.

INTEREST RATES



Interest Rates

US TREASURY MARKET

MATURITY	YIELD	7-DAY CHANGE
3M	5.44%	0.55%
2Y	4.88%	2.74%
5Y	4.14%	4.28%
10Y	3.89%	4.01%
30Y	3.93%	2.34%

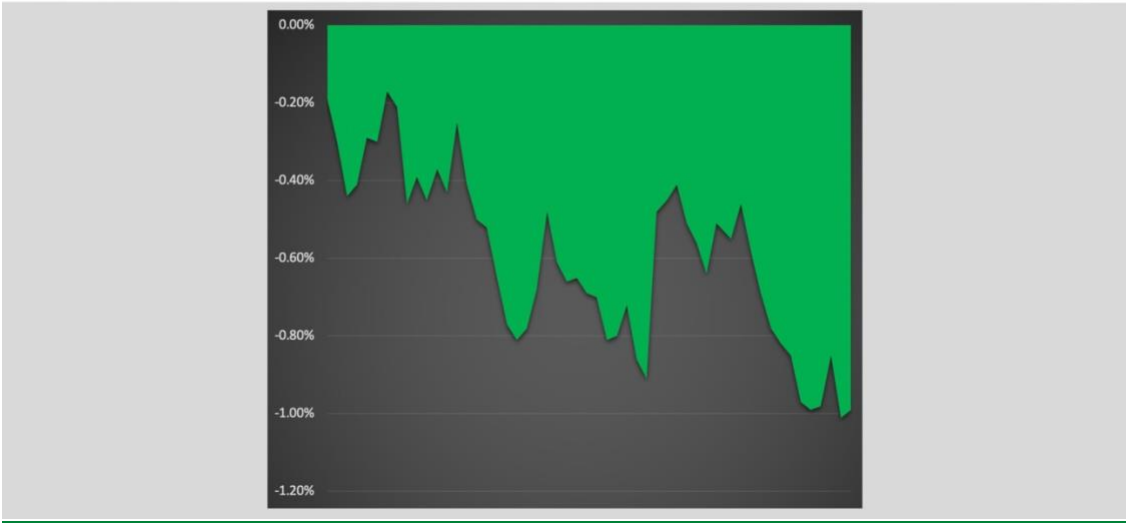


Interest Rates

2Y - 10Y SPREAD

DATE	SPREAD
6/8/23	-0.82%
6/15/23	-0.85%
6/22/23	-0.97%
6/29/23	-0.99%
7/6/23	-0.98%
7/13/23	-0.85%
7/20/23	-1.01%
7/27/23	-0.99%

2Y-10Y SPREAD - PAST 12 MONTHS



CURRENCIES

Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.107	-1.07%
USD/JPY	140.457	0.64%
GBP/USD	1.291	-0.08%
AUD/USD	0.675	-0.30%
USD/CAD	1.323	0.38%
USD/CNY	7.157	-1.05%
USD/CHF	0.863	0.47%
USD/HKD	7.802	-0.09%
USD/MXN	16.871	0.67%
USD/KRW	1274.490	0.65%

COMMODITIES



Commodities

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	82.860	4.50%
WTI Crude Oil	79.050	5.12%
Natural Gas	2.653	1.88%
Gold	1969.820	-0.36%
Silver	24.823	-1.20%
Copper	3.878	2.11%
Steel	3760.000	1.95%
Coffee	163.150	7.05%
Sugar	24.930	2.89%
Cocoa	3552.000	3.71%
Cotton	89.430	5.16%

CONCEPT OF THE WEEK: NET INTEREST INCOME

Net interest income simulation models measure the effect that interest changes will have on net interest income. If calibrated properly, this model will capture the following four types of interest rate risk. The four types include:

- Repricing
- Basis
- Yield Curve
- Option

Net interest income is simply interest income minus interest expense. In the model, a baseline of the balance sheet is established. The baseline is the balance sheet's performance in a static interest rate environment. The balance sheet is then subjected to different interest rate scenarios (stress tests and shock scenarios) and compared to the baseline. A higher variance in these results reflects higher interest rate risk in the balance sheet.

The effectiveness of this model is limited to the quality of the input assumptions.

QUOTE OF THE WEEK

“You are the result of your choices, not your circumstances.” – Seneca

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