



US Economic Optimism Lowest in 12-Months

August 10, 2023

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MARKET MOVING HEADLINES

- US inflation in July 2023 comes in lower than expected boosting equity markets.
- US household debt reaches new high.
- Copper sinks to a 1-month low.
- The IBD/TIPP economic optimism index in the US fell to 40.3 in August 2023, the lowest in 12 months.
- Inflation in Chile dropped for the 8th consecutive month to 6.5%.
- The US trade deficit narrowed to a 3-month low of \$65.5 billion in June 2023.
- Cocoa futures ease from a 12-year high.
- European natural gas prices rise to an 8-week high.
- Mexico inflation rate falls for the six month.
- US mortgage rates rise to the highest level since November 2022.

INTEREST RATES

Interest Rates

US TREASURY MARKET

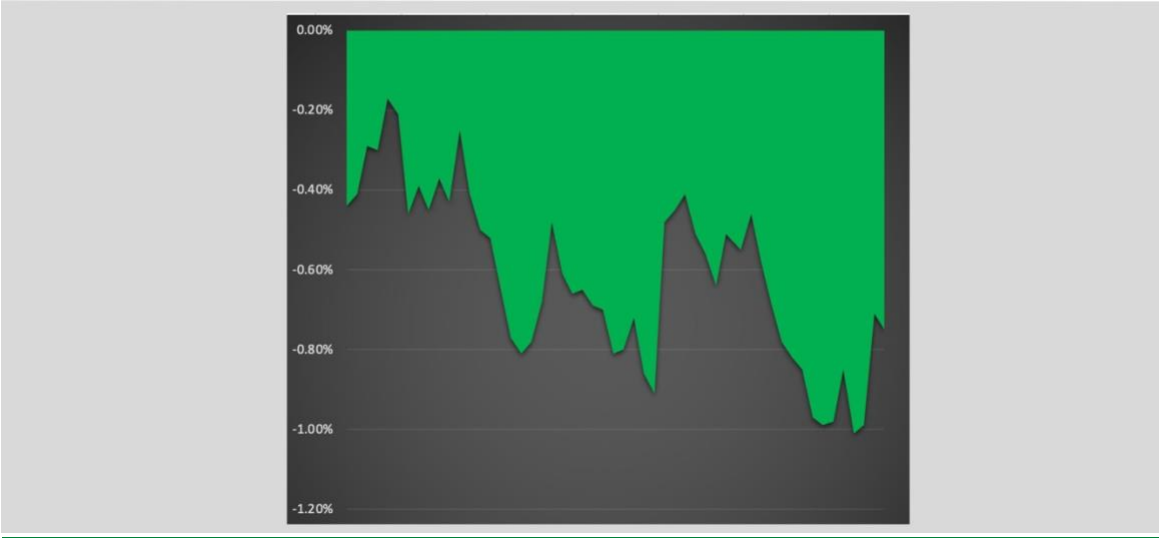
MATURITY	YIELD	7-DAY CHANGE
3M	5.45%	0.55%
2Y	4.76%	-2.86%
5Y	4.11%	-4.64%
10Y	4.01%	-4.30%
30Y	4.18%	-3.02%

Interest Rates

2Y - 10Y SPREAD

DATE	SPREAD
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%
8/3/23	-0.71%
8/10/23	-0.75%

2Y-10Y SPREAD - PAST 12 MONTHS



CURRENCIES

Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.098	0.37%
USD/JPY	143.519	0.58%
GBP/USD	1.274	0.31%
AUD/USD	0.654	-0.15%
USD/CAD	1.342	0.45%
USD/CNY	7.228	0.63%
USD/CHF	0.876	0.11%
USD/HKD	7.821	0.17%
USD/MXN	17.074	-1.16%
USD/KRW	1315.410	1.21%

COMMODITIES



Commodities

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	87.177	2.35%
WTI Crude Oil	84.173	2.86%
Natural Gas	2.953	15.67%
Gold	1920.720	-0.64%
Silver	22.761	-3.36%
Copper	3.793	-2.07%
Steel	3625.000	-1.68%
Coffee	161.400	-2.03%
Sugar	23.580	-1.83%
Cocoa	3311.000	-5.16%
Cotton	86.180	1.09%

CONCEPT OF THE WEEK: CASH FLOW AT RISK

Cash flow at risk (CFaR) is a financial risk management metric that quantifies the potential impact of adverse changes in cash flows on a company's financial performance. It is a measure used by businesses to assess their exposure to financial risk, particularly in terms of cash flow variability.

CFaR estimates the potential loss in cash flow that a company might experience under different adverse scenarios, typically based on changes in key variables such as sales, costs, interest rates, exchange rates, and other relevant factors. By calculating CFaR, a company can gain insights into the potential financial impact of unexpected events and make informed decisions about risk mitigation strategies.

The CFaR calculation involves three main steps:

1. **Identifying Key Variables:** Companies need to identify the key variables that significantly affect their cash flows. These variables could include factors like sales volumes, pricing, production costs, and interest rates.
2. **Generating Scenarios:** A range of possible scenarios is created for each key variable, representing different levels of adverse change. These scenarios could be based on historical data, market trends, or expert judgement.

3. Quantifying Impact: For each scenario, the company calculates the resulting cash flows and compares them to the baseline or expected cash flows. The difference between the baseline and the cash flows under each scenario represents the potential impact on cash flow. CFaR is often expressed as a percentile, indicating the likelihood of cash flow falling below a certain level.

By understanding CFaR, companies can better allocate resources, develop risk management strategies, and assess the potential consequences of various business decisions. It's an essential tool for managing financial risk and ensuring the resilience of a company's operations in the face of uncertain events.

QUOTE OF THE WEEK

"The only thing we know about the future is that it will be different." – Peter Drucker

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