



**Fed rate increase and First Republic Bank failure leads this week's headlines**

**May 4, 2023**

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**MARKET MOVING HEADLINES**

- As widely expected, the US Fed raised its benchmark borrowing rate by 0.25%.
- The US Treasury announces plan to buy-back illiquid off-the-run Treasury securities.
- First Republic Bank becomes the second largest bank failure in the US.
- Chinese manufacturing activity unexpectedly shrank in April.
- US construction spending rises more than expected.
- India factory activity growth at 4-month high.
- Japanese consumer sentiment hits 15-month peak.
- South Korea imports fall the most in nearly three years.
- Corn futures remain close to a 1-month low amid strong supply.
- Gasoline futures fall to a 4-month low.

## INTEREST RATES



### Interest Rates

#### US TREASURY MARKET

MATURITY	YIELD	7-DAY CHANGE
3M	5.23%	1.95%
2Y	3.93%	0.00%
5Y	3.40%	-2.30%
10Y	3.38%	-1.17%
30Y	3.68%	-0.27%

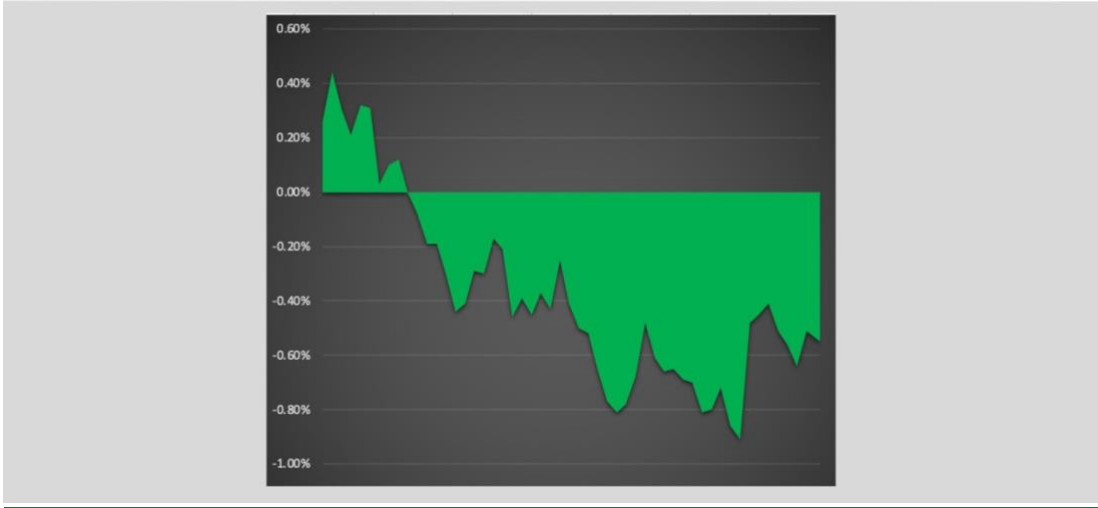


### Interest Rates

#### 2Y - 10Y SPREAD

DATE	SPREAD
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%
4/17/23	-0.64%
4/24/23	-0.51%
5/4/23	-0.55%

## 2Y-10Y SPREAD - PAST 12 MONTHS



## CURRENCIES

### Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.105	0.09%
USD/JPY	135.276	1.28%
GBP/USD	1.255	0.72%
AUD/USD	0.668	1.37%
USD/CAD	1.360	-0.37%
USD/CNY	6.916	-0.39%
USD/CHF	0.887	-0.45%
USD/HKD	7.850	0.01%
USD/MXN	17.905	-1.22%
USD/KRW	1332.010	-0.46%

**COMMODITIES**



**Commodities**

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	72.373	-6.78%
WTI Crude Oil	68.817	-7.33%
Natural Gas	2.122	-8.22%
Gold	2024.260	1.69%
Silver	25.406	2.17%
Copper	3.872	0.83%
Steel	3643.000	-1.17%
Coffee	185.850	-5.11%
Sugar	25.220	-4.87%
Cocoa	3100.000	-2.39%
Cotton	78.900	0.69%

**CONCEPT OF THE WEEK: COMMODITY PRICE RISK**

Measuring commodity price risk involves assessing the potential impact of changes in commodity prices on a company's financial performance. There are various ways to measure commodity price risk, including:

1. **Sensitivity Analysis:** This involves analyzing the impact of changes in commodity prices on a company's financial performance, such as revenue, cost of goods sold, and profit margins. By examining the sensitivity of financial performance to commodity price changes, companies can better understand the potential impact of commodity price fluctuations on their operations.
2. **Value at Risk (VaR) Analysis:** This involves calculating the potential loss in the value of a company's commodity portfolio over a specified time period based on a certain level of confidence. VaR analysis provides a quantitative measure of the potential downside risk of commodity price changes.
3. **Stress Testing:** This involves simulating extreme scenarios of commodity price changes and assessing the potential impact on a company's financial performance. By stress testing different

scenarios, companies can identify potential vulnerabilities and develop contingency plans to manage commodity price risk.

4. **Scenario Analysis:** This involves analyzing the impact of different scenarios of commodity price changes on a company's financial performance. Scenario analysis helps companies better understand the potential impact of different commodity price scenarios and develop strategies to manage commodity price risk.

These are just a few ways to measure commodity price risk. The specific approach will depend on the type of commodity, the nature of the company's operations, and the level of risk exposure. It is important for companies to regularly monitor and assess commodity price risk to effectively manage their exposures and protect their financial performance.

## QUOTE OF THE WEEK

"A ship in harbor is safe, but that is not what ships are built for." – John A. Shedd

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