



Historic Default Averted - Debt Ceiling Deal is Signed into Law

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MARKET MOVING HEADLINES

- The Biden-McCarthy debt ceiling bill signed into law.
- The Bank of Canada unexpectedly raised the target for its overnight rate by 25bps.
- US car prices fall in the US for 2nd month.
- The US trade deficit widens to a six-month high.
- US mortgage applications fell for the fourth week in a row.
- Copper extends rebound to a 1-month high.
- Germany industrial output recovers in April.
- UK house prices fall for first time since 2012.
- The Japan leading economic index at its highest in five months.
- Exports from China shrank 7.5% year-over-year to a 3-month low.

INTEREST RATES



Interest Rates

US TREASURY MARKET

MATURITY	YIELD	7-DAY CHANGE
3M	5.31%	-2.21%
2Y	4.59%	3.38%
5Y	3.94%	4.23%
10Y	3.77%	3.01%
30Y	3.92%	1.29%

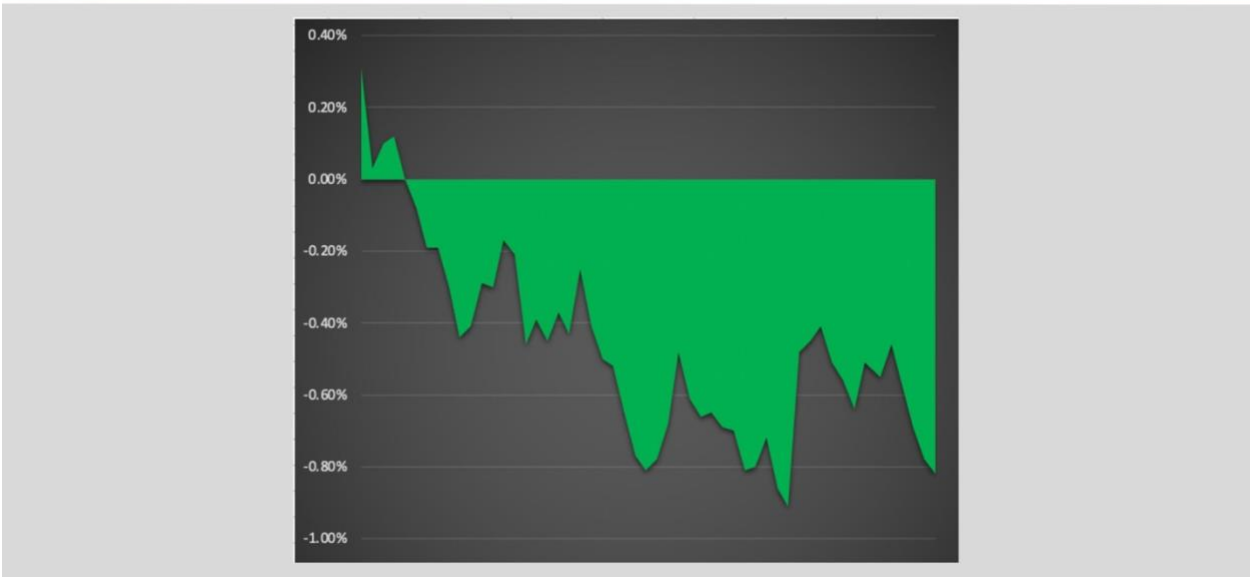


Interest Rates

2Y - 10Y SPREAD

DATE	SPREAD
4/17/23	-0.64%
4/24/23	-0.51%
5/4/23	-0.55%
5/11/23	-0.46%
5/18/23	-0.58%
5/25/23	-0.69%
6/1/23	-0.78%
6/8/23	-0.82%

2Y-10Y SPREAD - PAST 12 MONTHS



CURRENCIES



Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.071	0.66%
USD/JPY	139.875	0.06%
GBP/USD	1.246	0.56%
AUD/USD	0.667	3.25%
USD/CAD	1.336	-1.76%
USD/CNY	7.138	0.11%
USD/CHF	0.908	-0.66%
USD/HKD	7.842	0.14%
USD/MXN	17.328	-2.27%
USD/KRW	1304.380	-1.59%

COMMODITIES



Commodities

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	77.597	5.92%
WTI Crude Oil	72.957	6.17%
Natural Gas	2.315	0.83%
Gold	1951.230	-0.71%
Silver	23.587	0.44%
Copper	3.748	11.38%
Steel	3681.000	5.96%
Coffee	184.550	3.36%
Sugar	24.600	-1.68%
Cocoa	3098.000	3.06%
Cotton	84.850	2.20%

CONCEPT OF THE WEEK: MARKET RISK

Market risk refers to the potential for financial losses arising from adverse movements in overall market conditions. It is the risk that a change in interest rates, commodity prices or currency exchange rates will affect the broader market. Market risk is also known as systematic risk.

Market risk can arise from several sources, including:

1. **Economic Factors:** Changes in macroeconomic variables such as interest rates, inflation rates, GDP growth, and employment levels can impact the overall market and subsequently impact a company's financial performance.
2. **Market Volatility:** Fluctuations in market prices and volatility can lead to market risk. High volatility can increase the probability of market swings and makes it challenging to predict future market movements.
3. **Geopolitical and Regulatory Events:** Political instability, changes in government policies, trade disputes, or new regulations can introduce uncertainty in the market, causing fluctuations in interest rates, currencies, and commodity prices.

4. **Liquidity Risk:** Market risk can arise from a lack of market liquidity, where it becomes difficult to buy or sell assets without significantly impacting their prices. Illiquid markets can lead to increased price volatility and potential losses.
5. **Systemic Risk:** This refers to risks that are inherent in the entire financial system and can affect all market participants. Examples include financial crises, banking failures, or major disruptions in the global economy.

Organizations can actively manage market risk through various strategies including hedging and diversification – which will be next week’s “Concept of the Week”.

QUOTE OF THE WEEK

“The key to risk management is never putting yourself in a position where you cannot survive the worst-case scenario.” – Nassim Nicholas Taleb, Author of “The Black Swan”

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