

# HedgeTalk Newsletter

Rates | Currencies | Commodities

April 6, 2023

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## MARKET MOVING HEADLINES

- OPEC announced a surprise cut in oil output which could impact inflation and the Fed’s monetary policy
- US job openings fall below 10 million for the first time since May 2021
- Finland officially becomes a member of NATO
- Former President Trump arraigned in New York court on 34 counts
- US manufacturing decline eases in March
- Israel raises interest rates by 25bps
- Chile economic activity unexpectedly falls by 0.5% year-over-year in February
- Mexican business confidence rises to a 15-month high
- Lithium carbonate prices plummeted by 55% year-to-date as robust output and low demand raise expectations of a supply surplus in 2023
- Gold prices surged to \$2,016 an ounce, the highest level since March 2022

**INTEREST RATES**

 **Interest Rates**

**US TREASURY MARKET**

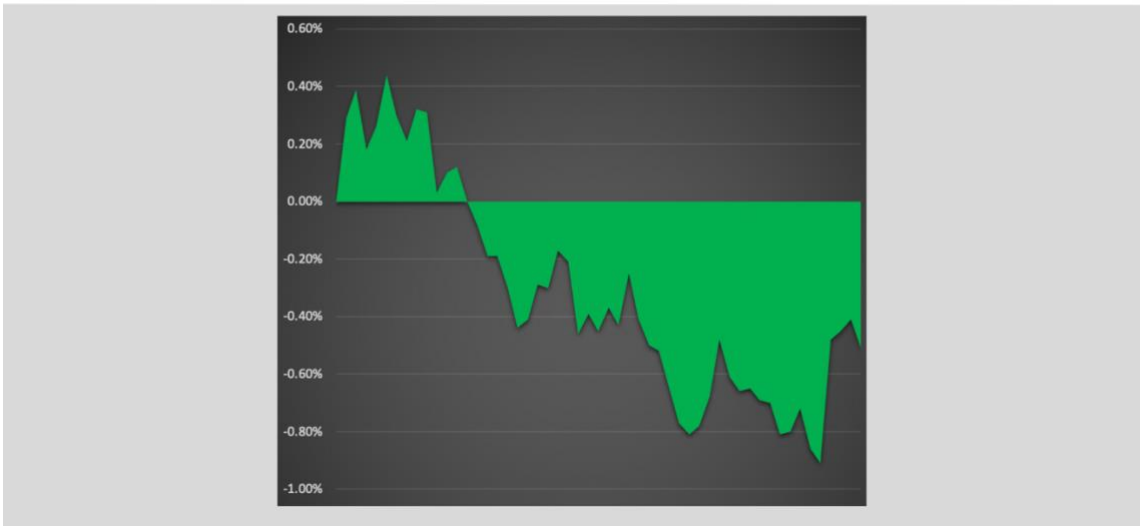
MATURITY	YIELD	7-DAY CHANGE
3M	4.83%	1.52%
2Y	3.71%	-9.08%
5Y	3.32%	-9.62%
10Y	3.29%	-7.83%
30Y	3.57%	-5.54%

 **Interest Rates**

**2Y - 10Y SPREAD**

DATE	SPREAD
2/13/23	-0.80%
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%

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



## CURRENCIES

### Currencies

CURRENCY PAIR	PRICE	7-DAY CHANGE
EUR/USD	1.09	0.80%
USD/JPY	130.95	-1.29%
GBP/USD	1.25	1.27%
AUD/USD	0.67	0.55%
USD/CAD	1.35	-0.79%
USD/CNY	6.88	-0.18%
USD/CHF	0.90	-1.67%
USD/HKD	7.85	0.00%
USD/MXN	18.33	1.44%
USD/KRW	1315.74	0.99%

**COMMODITIES**



## Commodities

COMMODITY	PRICE	7-DAY CHANGE
Brent Crude Oil	84.35	7.42%
WTI Crude Oil	79.95	9.24%
Natural Gas	2.15	-2.70%
Gold	2019.87	2.80%
Silver	24.88	6.62%
Copper	3.99	-2.55%
Steel	4032.00	-3.03%
Coffee	180.45	6.15%
Sugar	22.86	7.48%
Cocoa	2895.00	0.59%
Cotton	81.72	-1.35%

**CONCEPT OF THE WEEK: RISK VERSUS SPECULATION**

There are many types of derivatives that are used for taking on risk – that speculate on the movement of interest rates, currency exchange rates, and commodity prices. When hedging, one is ***not*** guessing the direction that interest rates, currency exchange rates, and commodity prices will move. Instead, they are mitigating the risk of loss should any of those items move in a direction that negatively impacts the organization. ***Not hedging a risk is speculation.*** If an entity decides to not hedge an exposure, that entity is in effect speculating that rates, currencies, or commodities will not move in a direction that will adversely impact their institution.

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## Concept of the Week

### RISK VERSUS SPECULATION

HEDGING	SPECULATING
Pursuing a strategy to prevent a pre-existing risk, due to changing market dynamics, from impacting earnings	Betting on the direction that interest rates, currency exchange rates and commodity prices will move with the hope of earning profits
Managing the volatility of adverse price and rate movements	Seeking out volatile markets, and trading in and out of underlying assets whose value is impacted by the movement of rates and prices
Seeking protection against undesired fluctuations in rates and prices	Taking on risk to generate profits from fluctuating rates and prices
Seeking risk adverse outcomes – securing income and margins	Take on risk deliberately with the hope to earn profits

### QUOTE OF THE WEEK

“Don’t be fearful of risks. Understand them, manage them, and minimize them to an acceptable level.”  
-Unknown

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