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The Missile

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1) Calendars 2) Alerts 3) Export 4) Settings Economic Calendars

United States 6) Browse 12:27:24 02/20/18 - 02/26/18

Economic Releases | All Economic Releases | View Agenda Weekly

#	Date Time	Event	Period	Surv(M)	Actual	Prior	Revised
21)	02/21 06:00	MBA Mortgage Applications	Feb 16	--	--	-4.1%	--
22)	02/21 08:45	Markit US Manufacturing PMI	Feb P	55.5	--	55.5	55.5
23)	02/21 08:45	Markit US Services PMI	Feb P	54.0	--	53.3	--
24)	02/21 08:45	Markit US Composite PMI	Feb P	--	--	53.8	--
25)	02/21 09:00	Revisions: Existing Home Sales					
26)	02/21 09:00	Existing Home Sales	Jan	5.61m	--	5.57m	--
27)	02/21 09:00	Existing Home Sales MoM	Jan	0.7%	--	-3.6%	--
28)	02/21 13:00	FOMC Meeting Minutes	Jan 31	--	--	--	--
29)	02/22 07:30	Initial Jobless Claims	Feb 17	230k	--	230k	--
30)	02/22 07:30	Continuing Claims	Feb 10	1935k	--	1942k	--
31)	02/22 08:45	Bloomberg Economic Expectatio	Feb	--	--	52.5	--
32)	02/22 08:45	Bloomberg Consumer Comfort	Feb 18	--	--	57.0	57.0
33)	02/22 09:00	Leading Index	Jan	0.7%	--	0.6%	--
34)	02/22 10:00	Kansas City Fed Manf. Activity	Feb	18	--	16	--
35)	02/26 07:30	Chicago Fed Nat Activity Index	Jan	--	--	0.27	--
36)	02/26 09:00	New Home Sales	Jan	643k	--	625k	--
37)	02/26 09:00	New Home Sales MoM	Jan	2.9%	--	-9.3%	--
38)	02/26 09:30	Dallas Fed Manf. Activity	Feb	--	--	33.4	--

Fed Speak Calendar
(All times are CST)

1) Calendars · 2) Alerts · 3) Export · 4) Settings · Economic Calendars

United States · 0) Browse · 15:02:26 · 02/14/18 - 03/31/18

Central Banks · All Central Banks · View: Agenda / Weekly

#	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	02/21 13:00				FOMC Meeting Minutes	Jan 31	--	--	--	--
22)	02/22 09:00				Fed's Dudley to Speak at New York Fed Briefing on Puerto Rico					
23)	02/22 11:10				Fed's Bostic Speaks at Banking Conference in Atlanta					
24)	02/23 14:40				Fed's Williams Speaks on Outlook for U.S. Economy					
25)	02/26 07:00				Fed's Bullard Speaks on U.S. Economy and Monetary Policy					
26)	02/28 09:00				Fed's Powell Testifies to House Financial Services Committee					
27)	03/06 06:30				Fed's Dudley Speaks at U.S. Virgin Islands					
28)	03/06 19:30				Fed's Kaplan Speaks at Energy Conference					
29)	03/07 07:00				Fed's Dudley Speaks in Puerto Rico					
30)	03/07 07:00				Fed's Bostic Speaks on the Economic Outlook					
31)	03/07 13:00				U.S. Federal Reserve Releases Beige Book					
32)	03/21 13:00				FOMC Rate Decision (Upper Bo...	Mar 21	1.75%	--	1.50%	--
33)	03/21 13:00				FOMC Rate Decision (Lower Bo...	Mar 21	1.50%	--	1.25%	--

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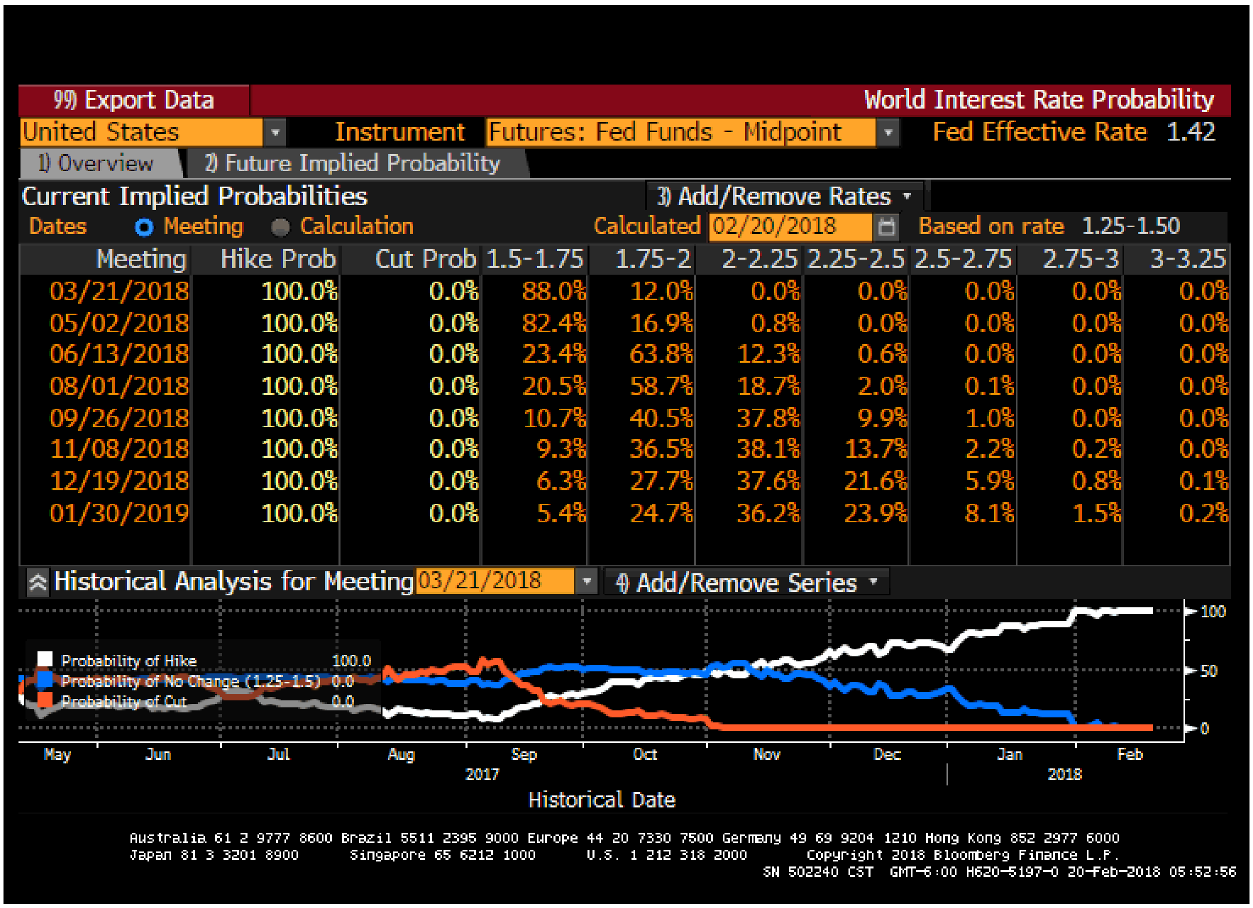
4) Previous · 3) Next · 60) Send · 98) Actions · News: News Story

02/13/2018 14:29:58 [BN] · Translate to...

Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	$50
4-week	02/15/2018	02/20/2018	02/22/2018	912796NX3		TBA	02/13/2018	$50
3-month	02/15/2018	02/20/2018	02/22/2018	912796MB2		TBA	02/12/2018	$48
6-month	02/15/2018	02/20/2018	02/22/2018	912796PV5		TBA	02/12/2018	$42
1-year	02/22/2018	02/27/2018	03/01/2018	TBA		TBA	01/30/2018	$20
Note Auctions								
2-year	02/15/2018	02/20/2018	02/28/2018	9128283Y4		TBA	01/23/2018	$26
3-year	03/08/2018	03/12/2018	03/15/2018	TBA		TBA	02/06/2018	$26
5-year	02/15/2018	02/21/2018	02/28/2018	9128284A5		TBA	01/24/2018	$34
7-year	02/15/2018	02/22/2018	02/28/2018	9128283Z1		TBA	01/25/2018	$28
10-year	03/08/2018	03/12/2018	03/15/2018	TBA	R	TBA	02/07/2018	$24
Bond Auctions								
30-year	03/08/2018	03/13/2018	03/15/2018	TBA	R	TBA	02/08/2018	$16

TIPS Auctions								
5-yr TIPS	04/12/2018	04/19/2018	04/30/2018	TBA		TBA	12/21/2017	$14
10-yr TIPS	03/15/2018	03/22/2018	03/29/2018	TBA	R	TBA	01/18/2018	$13
30-yr TIPS	02/08/2018	02/15/2018	02/28/2018	TBA		TBA	10/19/2017	$5
Floating Rate Note								
2-year FRN	02/15/2018	02/21/2018	02/23/2018	TBA	R	TBA	01/24/2018	$17
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	$.025

Implied Probability of Fed Rate Movement (Futures)



Meeting	Hike Prob	Cut Prob	1.5-1.75	1.75-2	2-2.25	2.25-2.5	2.5-2.75	2.75-3	3-3.25
03/21/2018	100.0%	0.0%	88.0%	12.0%	0.0%	0.0%	0.0%	0.0%	0.0%
05/02/2018	100.0%	0.0%	82.4%	16.9%	0.8%	0.0%	0.0%	0.0%	0.0%
06/13/2018	100.0%	0.0%	23.4%	63.8%	12.3%	0.6%	0.0%	0.0%	0.0%
08/01/2018	100.0%	0.0%	20.5%	58.7%	18.7%	2.0%	0.1%	0.0%	0.0%
09/26/2018	100.0%	0.0%	10.7%	40.5%	37.8%	9.9%	1.0%	0.0%	0.0%
11/08/2018	100.0%	0.0%	9.3%	36.5%	38.1%	13.7%	2.2%	0.2%	0.0%
12/19/2018	100.0%	0.0%	6.3%	27.7%	37.6%	21.6%	5.9%	0.8%	0.1%
01/30/2019	100.0%	0.0%	5.4%	24.7%	36.2%	23.9%	8.1%	1.5%	0.2%

This information is not to be construed as an offer to sell or a solicitation or an offer to buy the commodities herein named. The factual information of this report has been obtained from sources believed to be reliable, but is not necessarily all-inclusive and is not guaranteed as to the accuracy, and is not to be construed as representation by R.J O'Brien & Associates. The risk of trading futures and options can be substantial. Each investor must consider whether this is a suitable investment. Past performance is not indicative of future results.

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, December 2017

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run
Change in real GDP	2.5	2.5	2.1	2.0	1.8	2.4–2.5	2.2–2.6	1.9–2.3	1.7–2.0	1.8–1.9	2.4–2.6	2.2–2.8	1.7–2.4	1.1–2.2	1.7–2.2
September projection	2.4	2.1	2.0	1.8	1.8	2.2–2.5	2.0–2.3	1.7–2.1	1.6–2.0	1.8–2.0	2.2–2.7	1.7–2.6	1.4–2.3	1.4–2.0	1.5–2.2
Unemployment rate	4.1	3.9	3.9	4.0	4.6	4.1	3.7–4.0	3.6–4.0	3.6–4.2	4.4–4.7	4.1	3.6–4.0	3.5–4.2	3.5–4.5	4.3–5.0
September projection	4.3	4.1	4.1	4.2	4.6	4.2–4.3	4.0–4.2	3.9–4.4	4.0–4.5	4.5–4.8	4.2–4.5	3.9–4.5	3.8–4.5	3.8–4.8	4.4–5.0
PCE inflation	1.7	1.9	2.0	2.0	2.0	1.6–1.7	1.7–1.9	2.0	2.0–2.1	2.0	1.5–1.7	1.7–2.1	1.8–2.3	1.9–2.2	2.0
September projection	1.6	1.9	2.0	2.0	2.0	1.5–1.6	1.8–2.0	2.0	2.0–2.1	2.0	1.5–1.7	1.7–2.0	1.8–2.2	1.9–2.2	2.0
Core PCE inflation[4]	1.5	1.9	2.0	2.0		1.5	1.7–1.9	2.0	2.0–2.1		1.4–1.5	1.7–2.0	1.8–2.3	1.9–2.3	
September projection	1.5	1.9	2.0	2.0		1.5–1.6	1.8–2.0	2.0	2.0–2.1		1.4–1.7	1.7–2.0	1.8–2.2	1.9–2.2	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	3.1	2.8	1.4	1.9–2.4	2.4–3.1	2.6–3.1	2.8–3.0	1.1–1.4	1.1–2.6	1.4–3.6	1.4–4.1	2.3–3.0
September projection	1.4	2.1	2.7	2.9	2.8	1.1–1.4	1.9–2.4	2.4–3.1	2.5–3.5	2.5–3.0	1.1–1.6	1.1–2.6	1.1–3.4	1.1–3.9	2.3–3.5

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 19–20, 2017. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the September 19–20, 2017, meeting, and one participant did not submit such projections in conjunction with the December 12–13, 2017, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20171213.pdf

Libor Set

1-Month Libor Set	**1.59375**	**+.00375**	**(98.40625)**
3-Month Libor Set	**1.88494**	**+.01244**	**(98.11506)**
6-Month Libor Set	**2.10613**	**+.00969**	**(97.89387)**
1-Year Libor Set	**2.39063**	**+.00938**	**(97.60937)**

THEY SAID IT

"The meaning of the word 'further' was far from clear," said Roberto Perli, partner at Cornerstone Macro LLC in Washington. "Maybe it was meant to convey a continued string of hikes over time? Who knows? I hope the minutes clarify what they meant."
https://www.bloomberg.com/news/articles/2018-02-20/upon-further-review-fed-may-finally-say-what-that-word-meant
At Chair Janet Yellen's last meeting Jan. 30-31, the central bank pledged twice to make "further gradual adjustments" in interest rates as opposed to just "gradual adjustments" at the prior gathering. While the language was consistent with adding more emphasis to the plan for rate hikes, the minutes of the closed-door meeting, due Wednesday, will probably give details on what message officials wanted to send with the wording tweak.
One possibility is that it was an indication the Federal Open Market Committee was debating raising interest rates by more than the three moves officials had penciled in for 2018. Another idea is that policy makers may have discussed increasing their estimate of the neutral interest rate -- a theoretical level that neither speeds up nor slows down the economy -- in light of new U.S. fiscal stimulus.

"Appetizer, not the main course," is how the bank's strategists led by London-based Andrew Sheets described the correction of late January to early February. Although higher bond yields proved tough for equity investors to digest, the key metric of inflation-adjusted yields didn't break out of their range for the past five years, they said in a note Monday.
https://www.bloomberg.com/news/articles/2018-02-20/morgan-stanley-says-stock-slide-was-just-appetizer-for-real-deal
"It's when growth softens while inflation is still rising that returns suffer most," the strategists wrote. "Strong global growth and a good first-quarter reporting season provided an important offset. We remain on watch for 'tricky hand-off' in the second quarter, as core inflation rises and activity indicators moderate."
JPMorgan Chase & Co. strategists have also pointed to real rates as a potential inflection point for markets, though they identified in December the inflation-adjusted cash rate as the one to watch. That measure has a ways to go until their threshold.

The CNBC/SurveyMonkey Q1 Small Business Confidence Index saw an increase of five points, from 57 to 62, a record high and the largest quarter-to-quarter move the index has seen since CNBC and SurveyMonkey began measuring last year. This is the first survey since President Donald Trump signed the Tax Cuts and Jobs Act into law on December 22, 2017.
https://www.cnbc.com/2018/02/20/small-business-confidence-hits-record-in-2018-after-tax-reform-win.html
In the Q4 survey, small-business owners were split evenly on the core question about the effect that tax policy would have on their business. Opinions have shifted significantly: Twice as many now expect changes in tax policy to have a positive rather than negative effect on their businesses. Forty-six percent of those surveyed say tax policy changes will have a positive effect, up from 38 percent in the fourth quarter. The number of those saying tax policy changes will have a negative impact fell sharply, from 36 percent in the fourth quarter to 23 percent in the most recent survey.
Half of small-business owners are now expecting to see tax cuts in 2018.
Confidence rose among almost all demographic groups, with the largest increases coming from companies with five to nine employees, and small-business owners ages 35–44 and 55–64.

"Every American stands to lose under this proposal, but some would be more heavily impacted than others," says the report from the two organizations that are part of the political network led by Charles and David Koch.
https://www.bloomberg.com/news/articles/2018-02-20/gas-tax-increase-would-hit-trump-states-hardest-koch-groups-say
A federal gas tax increase to help pay for upgrading U.S. roads and bridges would fall hardest on states won by Donald Trump in 2016, according to a report released Tuesday by two groups tied to the billionaire Koch brothers and opposed to increasing the levy.
Raising the gas tax is likely to face hurdles in Congress, where many Republicans have expressed reservations. Opposition to the tax increase puts the Koch political network at odds with the Chamber of Commerce -- the nation's largest business lobby -- which supports the move as the fairest and most efficient way to raise more money for U.S. infrastructure needs.

The chamber has recommended increasing the federal gas tax 5 cents per year during the next five years and indexing it to inflation -- to raise $394 billion over 10 years. The bump would cost an average American about $9 a month more in gas taxes, the chamber said.
The federal per-gallon taxes of 18.4 cents on gasoline and 24.4 cents on diesel were last raised in 1993. Since then, the revenue they generate has declined as inflation has reduced their purchasing power and the average fuel economy of passenger vehicles has increased.

Under a deal Philadelphia Energy Solutions (PES) signed in 2015, the refiner paid minimum quarterly payments of $30 million to terminal owner North Yard Logistics LP - even if little crude arrived. Much of that cash, in turn, flowed to the investors that own both PES and North Yard, led by the Carlyle Group, a global private equity firm with $178 billion in assets.
The deal in effect guaranteed lucrative payouts to Carlyle regardless of whether the refinery benefited from the arrangement. When oil market conditions made the rail shipments unprofitable later that year, the refinery took heavy losses while its investors continued to collect large distributions for two more years.
https://www.reuters.com/article/us-usa-biofuels-pes-bankruptcy-insight/refiner-goes-belly-up-after-big-payouts-to-carlyle-group-idUSKCN1G40I1
The rail contract exemplifies the financial demands Carlyle imposed on PES in the years leading up to the refiner's bankruptcy in January. The Carlyle-led consortium collected at least $594 million in cash distributions from PES before it collapsed, according to a Reuters review of bankruptcy filings. Carlyle paid $175 million in 2012 for its two-thirds stake in the refiner.
More than half the distributions to the Carlyle-led investors were financed by loans against PES assets that the refiner now can't pay back, the filings show. The rest came from the refiner's operating budget and payments PES made under the terminal deal to North Yard, a firm with no offices or employees that PES spun off in 2015.
PES has blamed its bankruptcy on environmental regulations that require all U.S. refiners to cover the costs of blending corn-based ethanol into the nation's gasoline. But the ill-fated train terminal deal and other large payouts to investors played key roles in the refiner's collapse, according to filings and five current or former PES employees who were involved in the refinery's decision-making. The employees spoke to Reuters on condition of anonymity.

At a meeting of the International Atomic Energy Agency in Vienna last September, word spread that Saudi Arabia had identified a handful of countries that could build two nuclear reactors in the kingdom. The U.S. wasn't among them -- until Energy Secretary Rick Perry buttonholed the Saudi delegates and told them America wanted in.
Within weeks, a mostly U.S. consortium headed by Westinghouse Electric Co. had joined the race. Its executives have visited the kingdom. So has Perry, whose intervention was described by two people who attended the meeting. In the next few months, the Saudis are expected to narrow the field to two or three bidders.
https://www.bloomberg.com/news/articles/2018-02-20/as-saudis-go-nuclear-u-s-seeks-an-edge-over-great-power-rivals
A glance at the current list of contenders shows the geopolitical perils that accompany this business opportunity. American allies South Korea and France are on it -- and so are China and Russia, recently designated by the Pentagon as the main U.S. threats. Reactor-building could become another arena of superpower rivalry.

For the Saudis, seeking the technical expertise to move beyond oil and compete with arch-rival Iran, the U.S. is undoubtedly the main strategic partner. But unlike Washington, the kingdom also has cordial ties with the other two giants -- and reasons to keep them sweet. China is its best customer, and Russia is increasingly its partner in policing world oil output.

Both countries are improving ties with the kingdom and “sharpening their strategies,” according to Marc-Antoine Eyl-Mazzega, director of the energy center at the Institut Francais des Relations Internationales in Paris. The effect is to give the Saudis more options, he said: “Riyadh will try to levy that to reinforce its regional positions.”

“You’ve got Israel with nuclear weapons,” says Victor Gilinsky, a former commissioner of the Nuclear Regulatory Commission. “Turkey isn’t far behind. Iran has a nuclear program. Now they’re going to unleash Saudi Arabia? What are we creating here?”

Nuclear energy is a far cry from nuclear weapons but there is overlap. Spent fuel, which can be reprocessed into plutonium for bombs, lasts for thousands of years; enriched uranium needed for the process holds special allure to terrorist groups. To prevent global proliferation, the U.S. has strict standards for what technology can be sold abroad, and what the buyers can do with it. They must sign a so-called “123 agreement,” named after a section of the U.S. Atomic Energy Act. The one signed a decade ago by the U.A.E., whose Korean-built reactor will use some U.S. parts, is stricter than any that went before and has become known as the “gold standard.” The Gulf nation promised there’d be no enrichment or reprocessing of uranium in-country.

“The regulatory gaze and enforcement attention is facing east,” said Juan Zarate, a former Treasury Department and White House official who co-founded the Financial Integrity Network, a consulting group that specializes in preventing illicit financial activities. Many Asian banks “haven’t been leading the pack in terms of financial risk management,” he said.

https://www.bloomberg.com/news/articles/2018-02-20/iran-s-sanctions-evasion-moved-east-after-europe-crackdown

The U.S. effort to put Iran in a financial vice was working. European banks were paying big fines and closing off its money flows, and severe sanctions on the country’s banking and energy sectors were forcing it to the table on a nuclear deal. But as U.S. enforcement officials would soon discover, Iran had found a new channel for its illicit transactions: Asia.

Lenders in South Korea, Taiwan and elsewhere in the region may have played a part, knowingly or otherwise, in helping Iran evade trade sanctions before the nuclear deal and turn some of its oil proceeds into U.S. dollars, according to court testimony, legal filings and people familiar with the matter.

Now that U.S. enforcers have extracted billions of dollars from European banks over sanctions violations, their focus is turning to Asian banks, according to several former U.S. Treasury Department officials who specialize in sanctions work.

EQUITIES

The S&P is **-18** and the NASDAQ is **-51.**
Particulars for companies to make money **(low interest rates, growth and some wage inflation)** remain in place.
I am dollar cost averaging into a mix of equities.
Currently 70% Equities, 20% Bonds and 10% Money Markets.
Earnings:
www.moneycentral.msn.com/investor/market/earncalendar
On Bloomberg type in ACDR <GO>

US-SWAPS
IRSB <GO>

United States | 98) Export | 99) Settings | Interest Rate Swap Rates

Date Range: 01/20/2018 - 02/20/2018 1 Month

40) Semi Swap 41) Sprs to Gov 42) Ann Swaps 43) Ann Sprs 44) OIS Swaps 45) CME/LCH Spr 46) Combined

USD SemiAnnual 30/360 Swap Rates ● Avg ● Now PCS CMPN

Tenor	Bid / Ask	Mid	Change	Today	#SD Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2.250 / 2.250	2.250	0.021		0.3	2.027		2.260	2.121	13.0	2.1
2) 2 YR	2.494 / 2.500	2.497	0.019		0.3	2.207		2.506	2.354	14.5	2.0
3) 3 YR	2.636 / 2.638	2.637	0.021		0.3	2.312		2.650	2.488	15.0	1.9
4) 4 YR	2.716 / 2.717	2.716	0.028		0.3	2.383		2.732	2.570	14.7	1.8
5) 5 YR	2.765 / 2.768	2.767	0.040		0.5	2.438		2.787	2.625	14.3	1.7
6) 6 YR	2.807 / 2.809	2.809	0.039		0.4	2.496		2.835	2.672	13.8	1.6
7) 7 YR	2.842 / 2.849	2.846	0.040		0.4	2.541		2.879	2.712	13.7	1.5
8) 8 YR	2.873 / 2.875	2.874	0.035		0.4	2.577		2.908	2.746	12.9	1.4
9) 9 YR	2.901 / 2.902	2.901	0.034		0.4	2.602		2.938	2.776	12.6	1.3
10) 10 YR	2.922 / 2.925	2.924	0.034		0.4	2.622		2.981	2.801	12.4	1.3
11) 15 YR	2.997 / 2.999	2.998	0.026		0.3	2.699		3.032	2.881	11.9	1.2
12) 20 YR	3.020 / 3.020	3.020	0.019		0.2	2.729		3.053	2.908	11.2	1.2
13) 25 YR	3.013 / 3.016	3.015	0.024		0.3	2.729		3.049	2.907	10.9	1.2
14) 30 YR	2.999 / 3.000	2.999	0.020		0.2	2.720		3.032	2.895	10.5	1.2

Executable quotes for Fixed Income Electronic Trading are in white tenors.

UK/EUROPE

In the UK the FTSE closed -0.33%.

In the UK, the swap curve is flatter with yields mixed.

BOE Rate +0.50%. (No change)

Next meeting 03/22/18

On the European Continent

The CAC Index closed +0.04%.

The DAX Index closed -0.09%.

On the Continent, the swap curve is steeper with yields higher.

ECB Main Refinancing Operations Rate +0.00% (No change)

Deposit Facility Rate -.40%

Next meeting 03/08/18

ASIA

Japan:

The TOPIX closed -0.72%.

The NIKKEI closed -1.01%.

In Japan, the swap curve is steeper with yields higher.

BOJ Policy Balance Rate -0.10% (No change)

Next meeting 03/09/18

China:

The Hang Seng remains closed for the Chinese New Year (Year of the Dog).

The Shanghai Composite remains closed for the Chinese New Year

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.8343%

Reserve Requirement Ratio: 17.00%

THE TREND

EDH8: 98-07.5 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-94.50**.
Resistance is at 98-07.5^ and 98-20.25**.
^Pivot Point is a simple 20-day moving average.
** 2-STD Deviations from the pivot point.

Current trend has you short from 98-22.5.

YTD (per contract)
2018 -2.0 ticks (-$50.00)
2017 +33.0 ticks (+$825.00)

10yr/TYH8: **121-11.5** is the pivot point. Above you should be long, below short.
Support is at **120-02.5****
Resistance is at **121-11.5^** and **122-20.5****
^Pivot Point is a simple 20-day moving average**.**
** 2-STD Deviations from the pivot point
Trend has you short from 122-04.0 (2/6/18).

YTD (per contract)
(2018) +43 futures ticks ($31.25 per tick) or +1343.75.
(2017) +93.0 futures ticks ($31.25 per tick) or +2,906.25.
(2016) +377.5 futures ticks ($31.25 per tick) or +$11,796.88.

The Option Lab

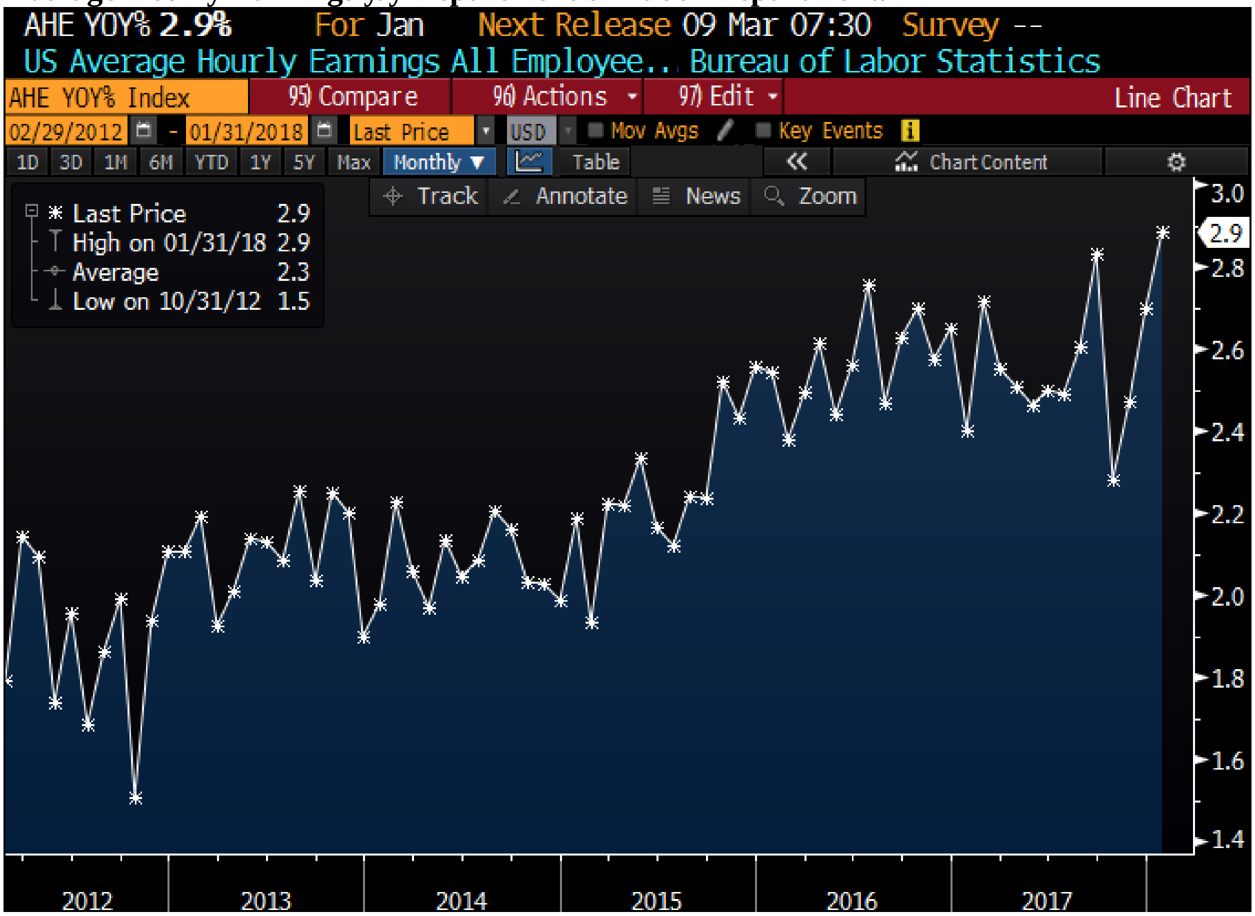
Trade Log:
Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks ($50) per contract (12/07/17).
Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.
The put fly was sold on 2/7/18 for a 1.25 tick ($31.25) winner.

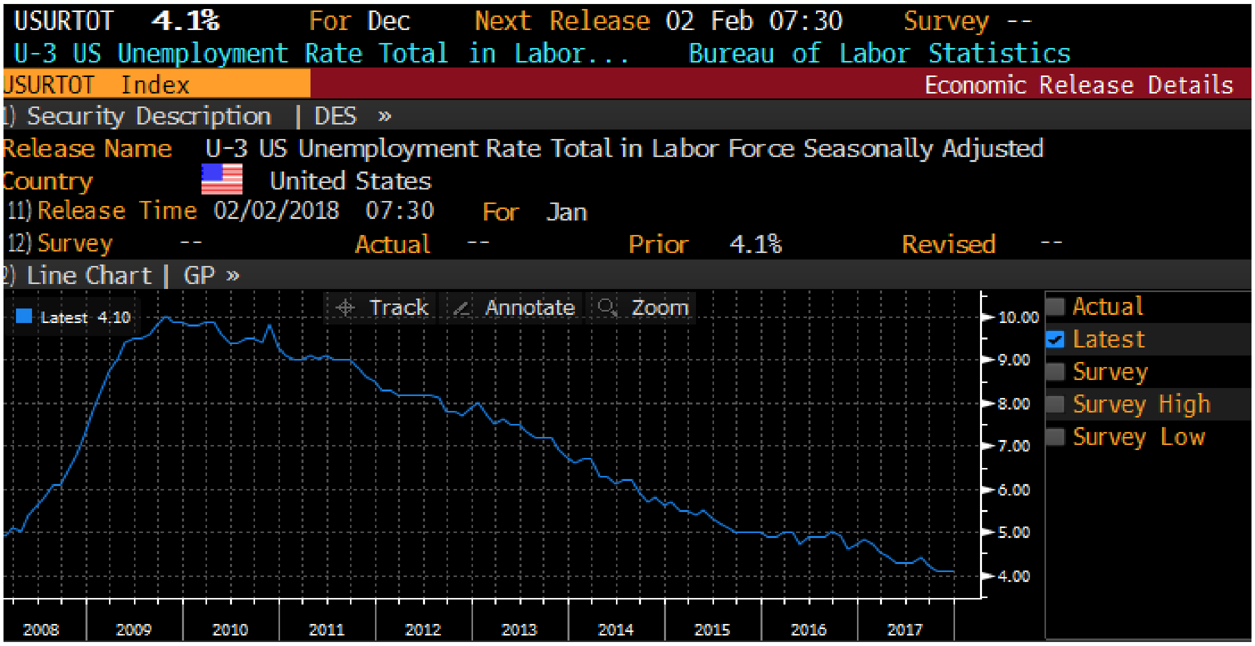
Option Book 2018 YTD realized: +$31.25 per contract.
Option Book 2017 YTD realized: -$228.13 per contract.
Option Book 2016 YTD realized: +$43.75 per contract.

The Fundamentals

LABOR
Bureau of Labor and Statistics
http://www.bls.gov/news.release/
CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

Average Hourly Earnings y/y Department of Labor Department.





St. Louis Fed Agriculture Finance Monitor 4th quarter 2017

A majority of agricultural bankers in the Eighth Federal Reserve District reported that farm income declined during the fourth quarter of 2017 compared with a year earlier. This finding is consistent with the past several surveys. Although bankers were modestly more optimistic about the near-term prospects for farm income, they still expect income in the first quarter of 2018 to fall below year-earlier levels.

Actual and expected farm household spending and capital expenditures also remain below year-earlier levels. Quality farmland and ranch and pastureland values posted solid increases in the fourth quarter from a year earlier. Quality farmland values rose 5 percent in the fourth quarter, while ranchland and pastureland values surged nearly 15 percent. Cash rents for both land categories also increased in the fourth quarter from a year earlier.

Compared with three months earlier, a slightly larger percentage of bankers reported that the demand for bank loans increased in the fourth quarter relative to a year earlier. Some further strengthening in loan demand is expected in the first quarter of 2018. Proportionately more bankers reported an erosion in loan repayment rates between the third and fourth quarters of 2017. Except for interest rates on loans secured by farm real estate, rates on most fixed- and variable-rate loan products were little changed in the fourth quarter compared with the previous quarter.

There were three special questions in this quarter's survey. The first two questions asked bankers about the health of the rural economy in their area. A majority of bankers reported that the economy in their area could be characterized as poor to fair at the end of 2017. About three-quarters of bankers expect no change in local economic conditions in 2018. The final question asked bankers about their expectation for the return on farmland in 2018. Nearly all bankers believe that farmland returns in 2018 will be greater than 0 percent but less than 5 percent.

https://research.stlouisfed.org/publications/regional/ag-finance/2018/02/08/2017-fourth-quarter/

How do Farm Incomes Compare to the average population

https://www.ers.usda.gov/faqs/#Q4

Charge-off Delinquency Rates on Loans and Leases at Commercial Banks
https://www.federalreserve.gov/releases/chargeoff/delallsa.htm

ENERGY
Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	16 February 2018	975	0	9 January 2018	+224	17 February2017
Canada	16 February 2018	318	-7	9 January 2018	-13	17 February 2017
International	January 2018	960	+6	December 2017	+27	January 2017

http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview

What is U.S. electricity generation by energy source?
In 2016, about 4.08 trillion kilowatt hours (kWh) of electricity[1] were generated at utility-scale facilities in the United States.[2] About 65% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases), about 20% was from nuclear energy, and about 15% was from renewable energy sources. The U.S. Energy Information Administration (EIA) estimates that an additional 19 billion kWh (or about 0.02 trillion kWh) of electricity generation was from small-scale solar photovoltaic systems in 2016.[3]
Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016[1]
Natural gas = 33.8%
Coal = 30.4%
Nuclear = 19.7%
Renewables (total) = 14.9%
Hydropower = 6.5%
Wind = 5.6%
Biomass = 1.5%
Solar = 0.9%
Geothermal = 0.4%
Petroleum = 0.6%
Other gases = 0.3%
Other nonrenewable sources = 0.3%

Pumped storage hydroelectricity = -0.2%[4]
https://www.eia.gov/tools/faqs/faq.php?id=427&t=3

Renewable Fuels Association http://www.ethanolrfa.org/

TRANSPORTS

Association of American Railroads Rail Traffic Report.

For this week, total U.S. weekly rail traffic was 519,545 carloads and intermodal units, up 1.6 percent compared with the same week last year.

Total carloads for the week ending February 10 were 251,058 carloads, down 0.5 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 268,487 containers and trailers, up 3.7 percent compared to 2017.

Seven of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included nonmetallic minerals, up 2,046 carloads, to 31,551; chemicals, up 1,224 carloads, to 31,782; and metallic ores and metals, up 1,010 carloads, to 20,396. Commodity groups that posted decreases compared with the same week in 2017 were coal, down 3,729 carloads, to 85,591; motor vehicles and parts, down 1,980 carloads, to 16,693; and grain, down 1,442 carloads, to 19,035.

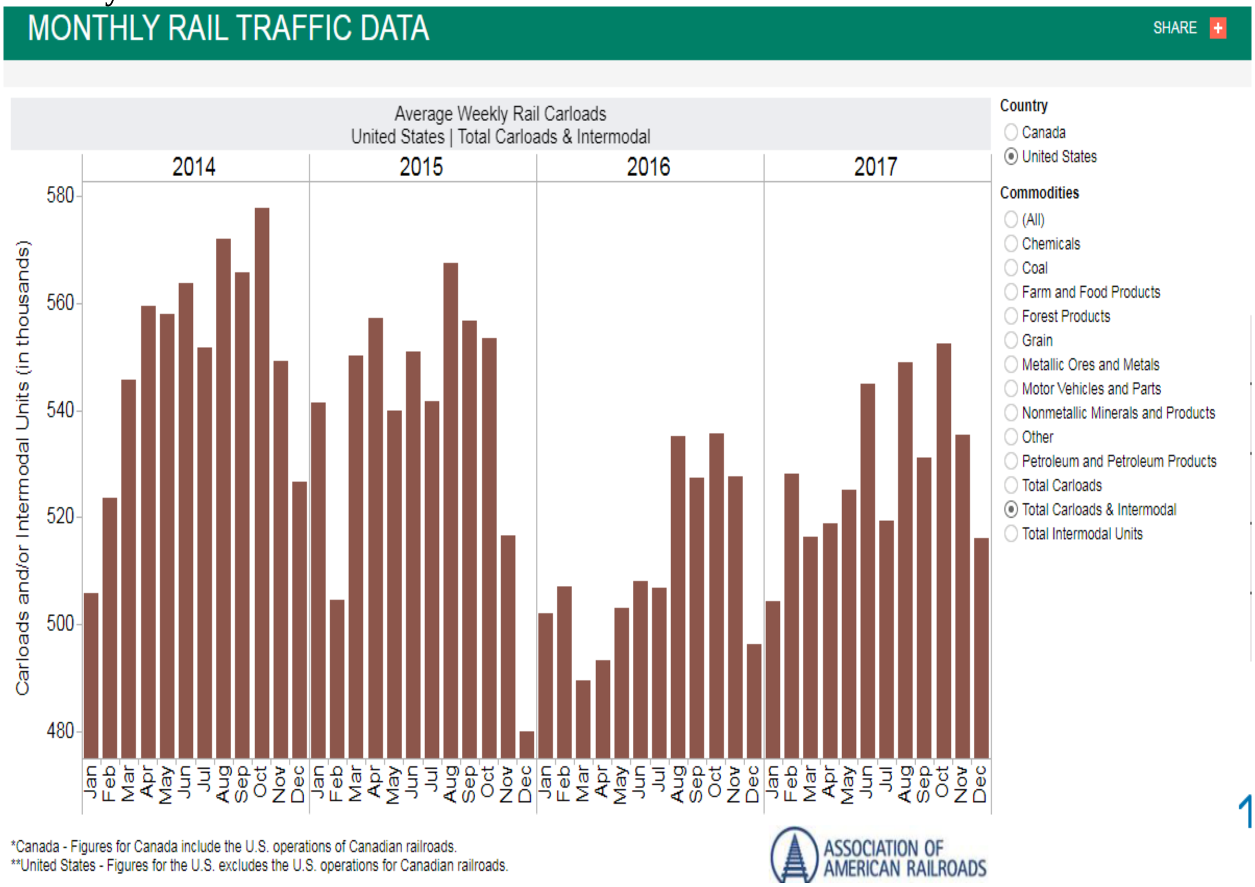
For the first six weeks of 2018, U.S. railroads reported cumulative volume of 1,468,463 carloads, down 2.9 percent from the same point last year; and 1,578,628 intermodal units, up 3.5 percent from last year. Total combined U.S. traffic for the first six weeks of 2018 was 3,047,091 carloads and intermodal units, an increase of 0.3 percent compared to last year.

North American rail volume for the week ending February 10, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 344,660 carloads, down 1.6 percent compared with the same week last year, and 348,177 intermodal units, up 2.8 percent compared with last year. Total combined weekly rail traffic in North America was 692,837 carloads and intermodal units, up 0.6 percent. North American rail volume for the first six weeks of 2018 was 4,101,555 carloads and intermodal units, up 0.3 percent compared with 2017.

Canadian railroads reported 73,983 carloads for the week, down 3.1 percent, and 63,526 intermodal units, up 2.5 percent compared with the same week in 2017. For the first six weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 832,704 carloads, containers and trailers, up 0.6 percent.

Mexican railroads reported 19,619 carloads for the week, down 8.9 percent compared with the same week last year, and 16,164 intermodal units, down 8.9 percent. Cumulative volume on Mexican railroads for the first six weeks of 2018 was 221,760 carloads and intermodal containers and trailers, down 0.8 percent from the same point last year.
https://www.aar.org/newsandevents/Press-Releases/Pages/2018-02-14-railtraffic.aspx

Monthly Rail Traffic Charts



https://www.aar.org/Pages/Freight-Rail-Traffic-Data.aspx

Trailer Truck Demand
(Bloomberg Intelligence) – 02/12/18

Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) --Relative North American spot-trucking demand inched 0.2% lower sequentially to 39.7 in the week ended Feb. 9, based on Truckstop.com's Market Demand Index. Capacity loosened for the fifth straight week, as the 2.4% increase in available trucks outpaced the 2.1% gain in available loads. Average spot rates, excluding fuel surcharges, rose 0.5% to $1.94 a mile, the first sequential gain in 2018. The tightening effects of electronic logging device regulations should support rates, which are up 30% in 2018 from a year ago.

Companies Impacted: USA Truck, Knight-Swift, Werner, J.B. Hunt, Schneider and Marten and other public carriers operate mostly in the contract market with varying spot exposure. Spot can be a leading indicator of contractual pricing. Some carriers are raising spot exposure to take advantage of higher rates.

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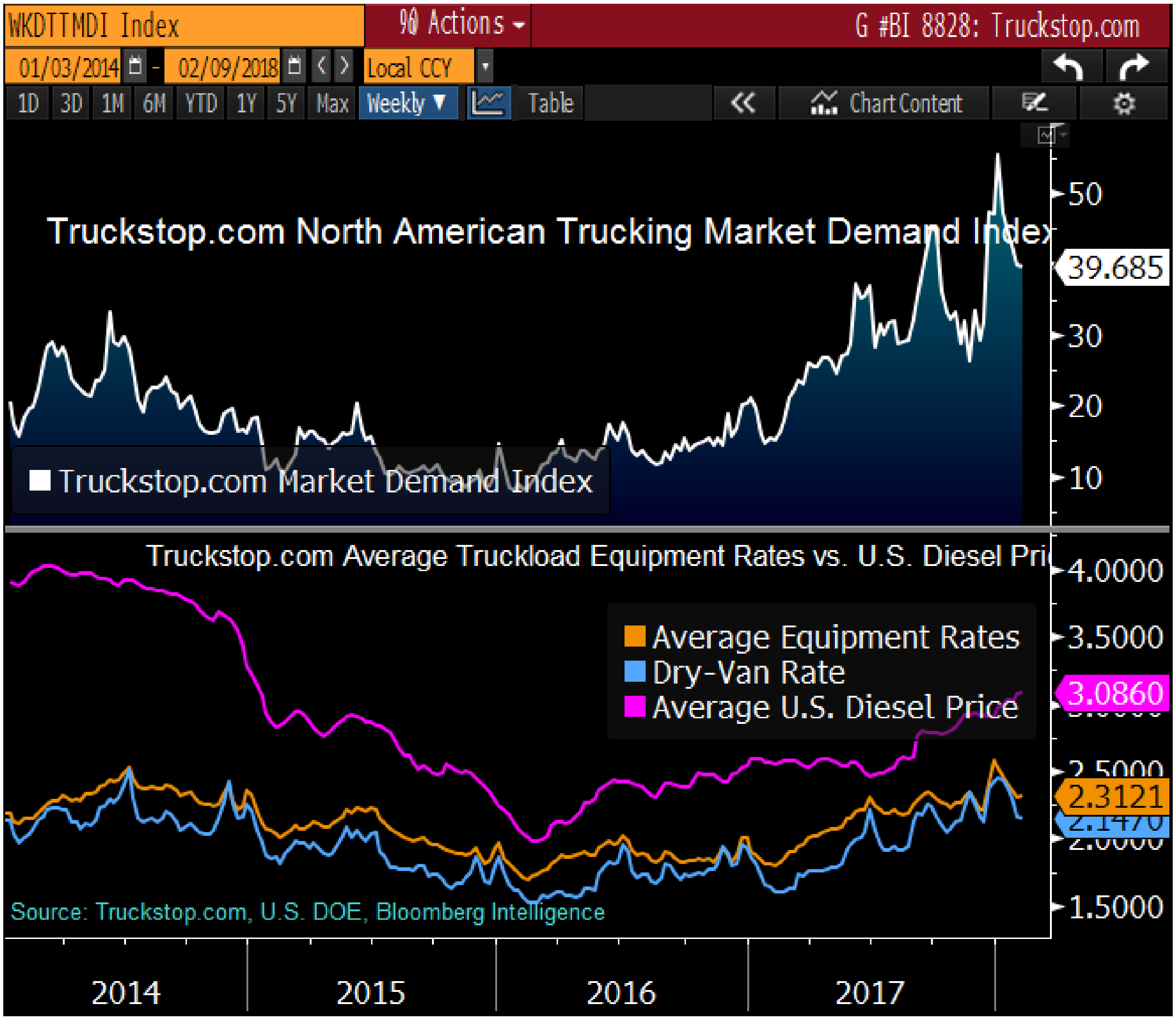
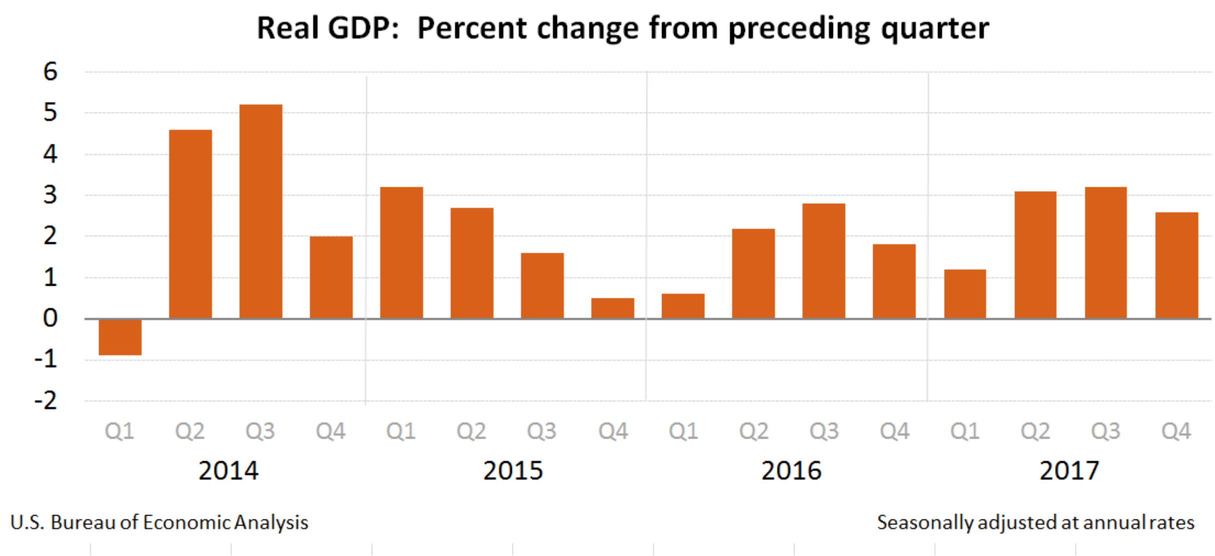


GDP
U.S. Department of Commerce, Bureau of economic analysis
http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets



GDP-1Q is running at 3.18% as of 2/16/18 v. 3.22% on 2/14/18

Atlanta Fed GDPNow…Latest forecast Q1: 3.2% — February 16, 2018
The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is 3.2 percent on February 16, unchanged from February 14. The nowcast of first-quarter real residential investment growth fell from -0.6 percent to -1.7 percent on February 15 after the industrial production release from the Federal Reserve Board of Governors and the Producer Price Index release from the U.S. Bureau of Labor Statistics. The nowcast increased to 0.6 percent after this morning's new residential construction release from the U.S. Census Bureau.
The next GDPNow update is Tuesday, February 27. Please see the "Release Dates" tab below for a full list of upcoming releases.
https://www.frbatlanta.org/cqer/research/gdpnow.aspx

New York Fed Nowcast...Q4 2017: 3.1%...February 16, 2018
News from this week's data releases decreased the nowcast by 0.2 percentage point.
Positive surprises from housing starts and building permits only partly offset negative surprises from retail sales, industrial production, and capacity utilization.
https://www.newyorkfed.org/research/policy/nowcast

St. Louis Fed Real GDP Nowcast… Q1 2017: 3.25%…February 14, 2018
https://fred.stlouisfed.org/series/GDPNOW

Manufacturing at a Glance
December 2017

Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.7	58.2	+1.5	Growing	Faster	16
New Orders	69.4	64.0	+5.4	Growing	Faster	16
Production	65.8	63.9	+1.9	Growing	Faster	16
Employment	57.0	59.7	-2.7	Growing	Slower	15
Supplier Deliveries	57.9	56.5	+1.4	Slowing	Faster	20
Inventories	48.5	47.0	+1.5	Contracting	Slower	3
Customers' Inventories	42.0	45.5	-3.5	Too Low	Faster	6
Prices	69.0	65.5	+3.5	Increasing	Faster	22
Backlog of Orders	56.0	55.0	+1.0	Growing	Faster	11
New Export Orders	58.5	56.0	+2.5	Growing	Faster	22
Imports	57.5	54.5	+3.0	Growing	Faster	11
OVERALL ECONOMY				Growing	Faster	103
Manufacturing Sector				Growing	Faster	16

Average for 12 months - 57.6
High - 60.8
Low - 54.8

https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1

US Census Bureau (Manufacturers' Shipments, Inventories and Orders).
http://www.census.gov/manufacturing/m3/

Our Nation in numbers

The Constitution gives us four missions…
1. Establish Justice and Ensure Domestic Tranquility.
2. Provide for the Common Defense.
3. Promote the General welfare.
4. Secure the Blessings of Liberty to Ourselves and Our Posterity.
www.usafacts.org

US Foreign Assistance
http://foreignassistance.gov/

CBOT Non-Commercial Net Total – Futures Only
http://www.cmegroup.com/trading/interest-rates/cftc-tff/main.html

The Fixed Income Group at R.J. O'Brien

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