



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

ECO <go>
(All times are CST)

No Scheduled Event For Today

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

United States Browse 07:12:50 02/23/18 - 03/02/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	02/26	07:30				Chicago Fed Nat Activity Index	Jan	0.25	--	0.27	--
22)	02/26	09:00				New Home Sales	Jan	650k	--	625k	--
23)	02/26	09:00				New Home Sales MoM	Jan	4.0%	--	-9.3%	--
24)	02/26	09:30				Dallas Fed Manf. Activity	Feb	30.0	--	33.4	--
25)	02/27	07:30				Advance Goods Trade Balance	Jan	-\$72.3b	--	-\$71.6b	-\$72.3b
26)	02/27	07:30				Wholesale Inventories MoM	Jan P	--	--	0.4%	--
27)	02/27	07:30				Retail Inventories MoM	Jan	--	--	0.2%	--
28)	02/27	07:30				Durable Goods Orders	Jan P	-2.5%	--	2.8%	--
29)	02/27	07:30				Durables Ex Transportation	Jan P	0.4%	--	0.7%	--
30)	02/27	07:30				Cap Goods Orders Nondef Ex Air	Jan P	0.5%	--	-0.6%	--
31)	02/27	07:30				Cap Goods Ship Nondef Ex Air	Jan P	--	--	0.4%	--
32)	02/27	08:00				House Price Purchase Index Qo	4Q	--	--	1.4%	--
33)	02/27	08:00				FHFA House Price Index MoM	Dec	0.4%	--	0.4%	--
34)	02/27	08:00				S&P CoreLogic CS 20-City NSA I	Dec	--	--	204.21	--
35)	02/27	08:00				S&P CoreLogic CS 20-City MoM	Dec	0.60%	--	0.75%	--
36)	02/27	08:00				S&P CoreLogic CS 20-City YoY N	Dec	6.30%	--	6.41%	--
37)	02/27	08:00				S&P CoreLogic CS US HPI NSA I	Dec	--	--	195.94	--
38)	02/27	08:00				S&P CoreLogic CS US HPI YoY N	Dec	--	--	6.21%	--
39)	02/27	09:00				Richmond Fed Manufact. Index	Feb	15	--	14	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 G602-4000-2 23-Feb-2018 07:12:51

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Fed Speak Calendar
(All times are CST)

Economic Calendars											
Calendars ▾		Alerts ▾		Export ▾		Settings ▾		United States			
United States		Browse		07:11:11		02/23/18		03/31/18			
Central Banks		All Central Banks				View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly 🔍					
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	02/23	09:15				Fed's Dudley and Rosengren Speak on Panel on Fed Balance Sheet					
22)	02/23	10:00				Fed Releases February 2018 Monetary Policy Report to Congress					
23)	02/23	12:30				ECB's Coeure, Fed's Mester Participate in Panel in New York					
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)	02/26	14:15				Fed's Quarles Gives Assessment of U.S. Economy					
27)	02/28	07:30				Fed Powell's Congressional Testimony is Released					
28)	02/28	09:00				Fed's Powell Testifies to House Financial Services Committee					
29)	03/06	06:30				Fed's Dudley Speaks at U.S. Virgin Islands					
30)	03/06	19:30				Fed's Kaplan Speaks at Energy Conference					
31)	03/07	07:00				Fed's Dudley Speaks in Puerto Rico					
32)	03/07	07:00				Fed's Bostic Speaks on the Economic Outlook					
33)	03/07	13:00				U.S. Federal Reserve Releases Beige Book					
34)	03/09	11:45				Fed's Evans Speaks on Monetary Policy					
35)	03/21	13:00	🔔	📶		FOMC Rate Decision (Upper Bo...	Mar 21	1.75%	--	1.50%	--
36)	03/21	13:00	🔔	📶		FOMC Rate Decision (Lower Bo...	Mar 21	1.50%	--	1.25%	--

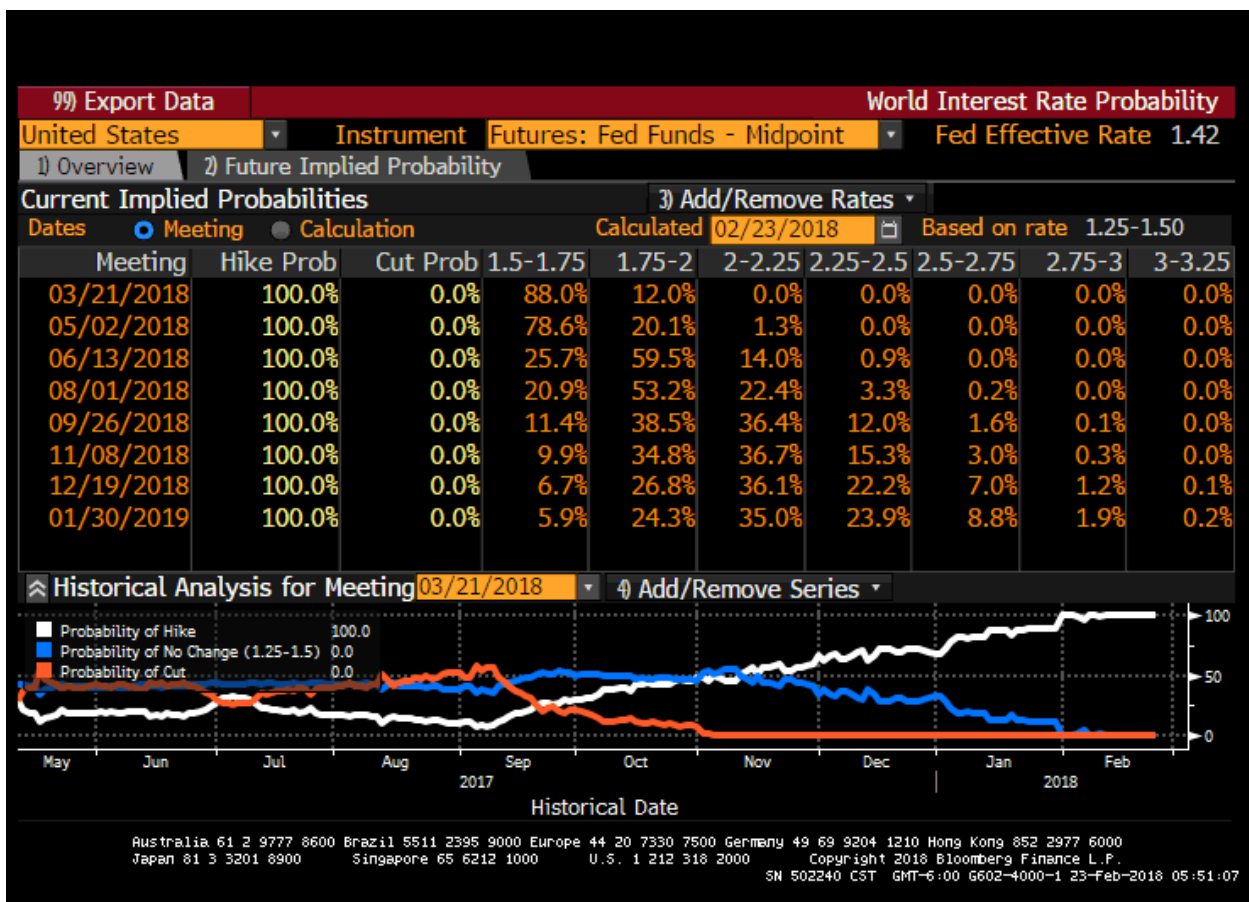
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				News: News Story				
4) Previous	3) Next	66) Send	98) Actions ▾					
02/23/2018 05:39:18 [BN]				Translate to... <input type="text"/> <input type="button" value="Q"/>				
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	
							\$ Bln	
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	02/26/2018	02/27/2018	03/01/2018	TBA		TBA	02/20/2018	\$55
3-month	03/01/2018	02/26/2018	03/01/2018	912796PH6		\$51	02/20/2018	\$51
6-month	03/01/2018	02/26/2018	03/01/2018	912796PW3		\$45	02/20/2018	\$45
1-year	03/22/2018	02/27/2018	03/01/2018	912796PT0		\$22	01/30/2018	\$20
Note Auctions								
2-year	03/22/2018	03/26/2018	04/02/2018	TBA		TBA	02/20/2018	\$28
3-year	03/08/2018	03/12/2018	03/15/2018	TBA		TBA	02/06/2018	\$26
5-year	03/22/2018	03/27/2018	04/02/2018	TBA		TBA	02/21/2018	\$35
7-year	03/22/2018	03/28/2018	04/02/2018	TBA		TBA	02/22/2018	\$29
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)

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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

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	1.63105	+0.01050	(98.36895)
3-Month Libor Set	1.95625	+0.01262	(98.04375)
6-Month Libor Set	2.18188	+0.01888	(97.81812)
1-Year Libor Set	2.45969	+0.01000	(97.54031)

THEY SAID IT

"All told, we are seeing some signs of a slowdown in the retail market," said McCullough, noting that retail absorption totaled about 69 million square feet for 2017, down about 30% from 2016 and 2015 levels, with developers expecting to deliver roughly 80 million square feet of new retail space in 2018 as demand from retail tenants begins to soften. "Given the slowdown in demand and some uptick in supply, we might anticipate the national retail vacancy rate, which went flat in 2017, to start to rise modestly in 2018," McCullough said.

<http://www.costar.com/News/Article/Declining-Occupancy-Rent-Growth-Spreading-to-Top-Tier-of-Best-Located-US-Retail-Properties/198402>

One sign of the softening market conditions is a moderate rise in vacancies and flat-lining of rental rate growth in recent quarters at the country's top located and most productive Class A malls, urban luxury centers and shopping centers. These properties have consistently logged the highest location quality scores, as ranked by CoStar's proprietary formula measuring the combined effects of demographics, density of surrounding commercial property and market competition on individual retail centers.

While retailers are readily absorbing some new supply entering the market, especially spaces of 20,000 square feet and below, larger boxes in certain centers that are ranked in the top 10

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percentiles of location quality are in many cases taking longer to lease up, reflecting broader weakness among U.S. power center tenants.

Meanwhile, at the opposite end of the quality spectrum, the number of "zombie" power centers with vacancy rates of 40% or more has increased 60% since 2016, due to a spike in store closures by Kmart, Toys R Us and other big-box retailers and grocers. The closures and bankruptcy filings are mounting weekly and likely will not abate any time soon. Toys R Us plans to close another 200 stores and lay off corporate personnel, in addition to 170 previously announced store closures, the Wall Street Journal reported Thursday. On Wednesday, Northeast supermarket chain Tops Markets LLC filed for Chapter 11 bankruptcy protection.

"Apartments are hot as a pistol right now, and there is still tremendous growth in the Southeast," said Don Hegermiller, AVR's director of multifamily properties. "Apartments are in demand and we put together a portfolio that's effectively a core portfolio. You don't often see a portfolio like this coming to market."

<http://www.costar.com/News/Article/Major-CRE-Investor-Set-to-Exit-Hot-Southeast-Multifamily-Market/198319>

AVR Realty, a national real estate investment and development firm based in Yonkers, NY, is shopping a 13-property, 3,760-unit portfolio of rentals in North and South Carolina, Georgia and Florida. Cushman & Wakefield is marketing the package, which is estimated to attract bids of about \$850 million, or an average of \$226,000 per unit.

The properties represent the last of AVR's holdings of existing apartments in the Southeast region.

What's more, in somewhat of a contrarian play, AVR isn't planning to plow the proceeds of the sale into new apartment acquisitions in the region, but instead plans to target hotels and other asset classes that comprise its diverse portfolio.

AVR officials say the move is largely driven by investor demand and current pricing for apartments in the region, and that its decision to sell shouldn't be read as a sign it feels the Southeast rental market has peaked, they say.

AVR has already cashed out several of its positions in the apartment sector. Last year, the company sold over \$800 million worth of apartments, including a \$510 million deal to sell 11 properties in South Carolina, Tennessee, Louisiana and Georgia to Carlton Associates and investor David Werner last August.

Released within 24 hours of each other this week, the [minutes](#) of the Federal Reserve and the European Central Bank policy meetings in January make for a fascinating "compare-and-contrast" exercise. They highlight common economic optimism, identify similar analytical challenges, but point to different risks. They also show that policy makers may be sidestepping a global risk factor that could attract more attention in the quarters ahead.

<https://www.bloomberg.com/view/articles/2018-02-23/ecb-and-fed-share-an-economic-outlook-but-part-ways-on-risks>

The Fed: Members of the Federal Open Market Committee have revised upward their growth expectations, [citing](#) "accommodative financial conditions, the recently enacted tax legislation, and an improved global economic outlook." These drive "gains in household and business spending" that, in turn, indicate "substantial underlying economic momentum."

The ECB: Like the FOMC, the Governing Council of the ECB welcomed improved economic prospects in its policy discussions last month. It assessed the economic expansion as "robust and broad-based." As in the U.S., growth is being driven by both private consumption and business

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investment. And like its U.S. counterpart, the ECB believes the resulting growth outcome could be running above its estimate of potential.

“The elites don’t care not one whit about America’s school system and school children,” LaPierre told a friendly audience of conservatives outside Washington. “Their goal is to eliminate the Second Amendment and our firearms freedoms so they can eradicate all individual freedoms.”

<https://www.reuters.com/article/us-usa-guns/u-s-gun-lobby-slams-anti-gun-elites-after-florida-school-massacre-idUSKCN1G61KZ>

Senate Democratic leader Chuck Schumer condemned LaPierre’s comments and said the NRA was “once again spewing pathetic, out of touch ideas, blaming everything but guns.”

LaPierre, speaking at the annual gathering of the Conservative Political Action Conference, portrayed the NRA as the true protector of the country’s schoolchildren and offered free training to those who want to bear arms to protect schools.

“We must immediately harden our schools,” he said. “Every day, young children are being dropped off at schools that are virtually wide open, soft targets for anyone bent on mass murder.” It should not be easier to shoot up a school than a bank or a jewelry store, he added.

LaPierre attacked Democrats by name including Senators Kamala Harris, Elizabeth Warren and Christopher Murphy and also took a swipe at the FBI for failing to follow up on a tip about the alleged shooter in the Parkland massacre. The FBI has said it failed to act on the tip.

Florida Governor Rick Scott also criticized the FBI for failing so far to provide details about why it did not respond to the tip. “Family members and loved ones of the victims deserve answers today,” Scott said in a statement.

“A gun-free zone to a killer, or somebody that wants to be a killer, that’s like going in for the ice cream,” Trump said. “They’re not going to walk into a school if 20 percent of the teachers have guns.”

“Anyone who pushes arming teachers doesn’t understand teachers and doesn’t understand our schools. Adding more guns to schools may create an illusion of safety, but in reality it would make our classrooms less safe,” said Randi Weingarten, the president of the American Federation of Teachers union.

“We are estimating that we could have pay back within a year-and-a-half based on energy usage as well as lower maintenance cost,” Monkmeyer told Reuters in an interview from his office in Columbus, Ohio.

“The maintenance savings can be enormous as well. Just because the engines are much simpler in terms of the number of parts and the complexities of the parts.”

<https://www.reuters.com/article/us-dhl-tesla/numbers-starting-to-add-up-for-tesla-trucks-dhl-executive-idUSKCN1G71DW>

Jim Monkmeyer, president, Transportation at DHL Supply Chain, was among the first to order the trucks Silicon Valley billionaire Elon Musk’s company is expected to begin churning out in 2019. He says the 10 trucks ordered are a test run and that he is still years away from switching the majority of his fleet of trucks to electric. But he is taking heed of a major shift away from diesel and the money it could save DHL.

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U.S. President [Donald Trump](#) has called a meeting early next week with key senators and Cabinet officials to discuss potential changes to biofuels policy, which is coming under increasing pressure after a Pennsylvania refiner blamed the regulation for its bankruptcy, according to four sources familiar with the matter.

<https://www.cnn.com/2018/02/23/trump-calls-a-meeting-on-biofuels-policy-after-a-refiner-blames-regulation-on-its-bankruptcy-filing.html>

The meeting comes as the oil industry and corn lobby powerful forces in Washington clash over the future of the Renewable Fuel Standard (RFS), a decade-old regulation that requires refiners to cover the cost of mixing biofuels such as corn-based ethanol into their fuel.

Trump's engagement reflects the high political stakes of protecting jobs in a key electoral state. Oil refiner Philadelphia Energy Solutions (PES), which employs more than a thousand people in Philadelphia, declared bankruptcy last month and blamed the regulation for its demise.

The meeting, scheduled for Tuesday, will include Republican Senators [Ted Cruz](#) of Texas, Chuck Grassley and [Joni Ernst](#) of Iowa, along with Environmental Protection Agency Administrator [Scott Pruitt](#), Agriculture Secretary Sonny Perdue, and potentially Energy Secretary [Rick Perry](#), according to the four sources, who asked not to be named because they were not authorized to speak publicly on the matter.

China's government seized temporary control of Anbang Insurance Group Co. and will prosecute founder Wu Xiaohui for alleged fraud, cementing the downfall of a politically-connected dealmaker whose aggressive global expansion came to symbolize the financial overreach of China's debt-laden conglomerates.

<https://www.bloomberg.com/news/articles/2018-02-23/china-regulators-to-take-control-of-anbang-insurance-for-1-year-jdz9l5fp>

The surprise move furthers President Xi Jinping's anti-corruption and de-leveraging campaigns while providing a government backstop for the high-yield investment [products](#) that Anbang sold to hordes of Chinese citizens. It suggests that after months of clamping down on acquisitive tycoons, China is increasingly focused on insulating the economy from their shaky finances.

U.S. President Donald Trump on Friday called on Mexico to do more to prevent violent illegal immigrants from El Salvador from entering the United States, again pushing his long-proposed border wall but stopping short of saying Mexico would fund it.

<https://www.reuters.com/article/us-usa-immigration-trump/trump-urges-mexico-to-block-illegal-immigrants-from-el-salvador-idUSKCN1G71CM>

Trump, in a post on Twitter, said U.S. law enforcement was removing gang members from El Salvador but that they continued to return, adding: "El Salvador just takes our money, and Mexico must help MORE with this problem. We need The Wall!"

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EQUITIES

The S&P is +11 and the NASDAQ is +31.

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: 01/23/2018 - 02/23/2018 1 Month													
40 Semi Swaps 41 Sprs to Gov. 42 Ann Swaps 43 Ann Sprs 44 OIS Swaps 45 CHE/LCH Sprs 46 Combined													
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2,276 / 2,278	2,277	0.002			0.0	2.027	2.304	2.146	13.2	1.7		
2) 2 YR	2,498 / 2,502	2,500	-0.008			-0.1	2.207	2.547	2.378	12.4	1.5		
3) 3 YR	2,629 / 2,633	2,632	-0.011			-0.1	2.312	2.692	2.513	12.0	1.3		
4) 4 YR	2,704 / 2,706	2,705	-0.016			-0.2	2.383	2.771	2.593	11.3	1.2		
5) 5 YR	2,748 / 2,752	2,750	-0.022			-0.2	2.438	2.842	2.648	10.4	1.1		
6) 6 YR	2,790 / 2,791	2,791	-0.023			-0.2	2.496	2.865	2.694	9.8	1.0		
7) 7 YR	2,825 / 2,828	2,826	-0.024			-0.2	2.541	2.908	2.734	9.5	1.0		
8) 8 YR	2,853 / 2,855	2,854	-0.029			-0.3	2.577	2.932	2.767	8.8	0.9		
9) 9 YR	2,881 / 2,882	2,881	-0.030			-0.3	2.602	2.960	2.797	8.4	0.9		
10) 10 YR	2,905 / 2,906	2,906	-0.030			-0.3	2.622	2.998	2.822	8.4	0.9		
11) 15 YR	2,989 / 2,989	2,989	-0.032			-0.3	2.699	3.063	2.902	8.7	0.9		
12) 20 YR	3,015 / 3,017	3,016	-0.033			-0.3	2.729	3.088	2.930	8.8	0.9		
13) 25 YR	3,012 / 3,015	3,014	-0.032			-0.3	2.729	3.141	2.928	8.7	0.9		
14) 30 YR	3,000 / 3,003	3,002	-0.032			-0.3	2.720	3.071	2.915	8.8	0.9		

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

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
 SN 502240 CST GMT-6:00 G602-4000-1 23-Feb-2018 05:51:18

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UK/EUROPE

In the UK the FTSE closed -0.16%.

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 -0.08%.

The DAX Index closed +0.13%.

On the Continent, the swap curve is flatter with yields lower.

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

Deposit Facility Rate -.40%

Next meeting 03/08/18

ASIA

Japan:

The TOPIX closed +0.82%.

The NIKKEI closed +0.72%.

In Japan, the swap curve is slightly flatter with yields mixed.

BOJ Policy Balance Rate -0.10% (No change)

Next meeting 03/09/18

China:

The Hang Seng closed +0.97%.

The Shanghai Composite closed +0.63%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.8343%

Reserve Requirement Ratio: 17.00%

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THE TREND

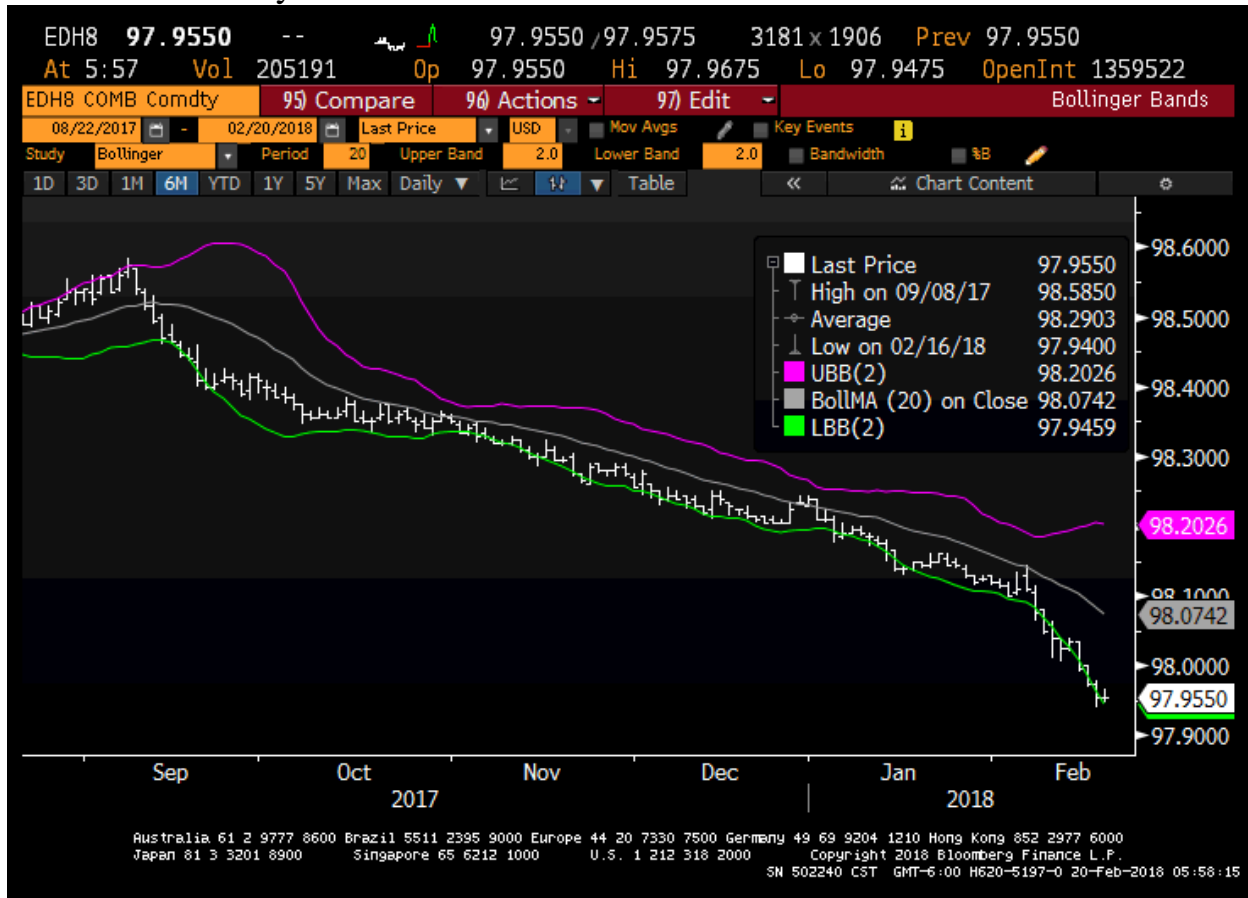
EDH8: 98-04.0 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-88.75**.

Resistance is at 98-04.0^ and 98-19.0**.

^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)**

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10yr/TYH8: 120-31.5 is the pivot point. Above you should be long, below short.

Support is at **119-30.5****

Resistance is at **120-31.5^** and **122-01.0****

^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.

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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.

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The Fundamentals

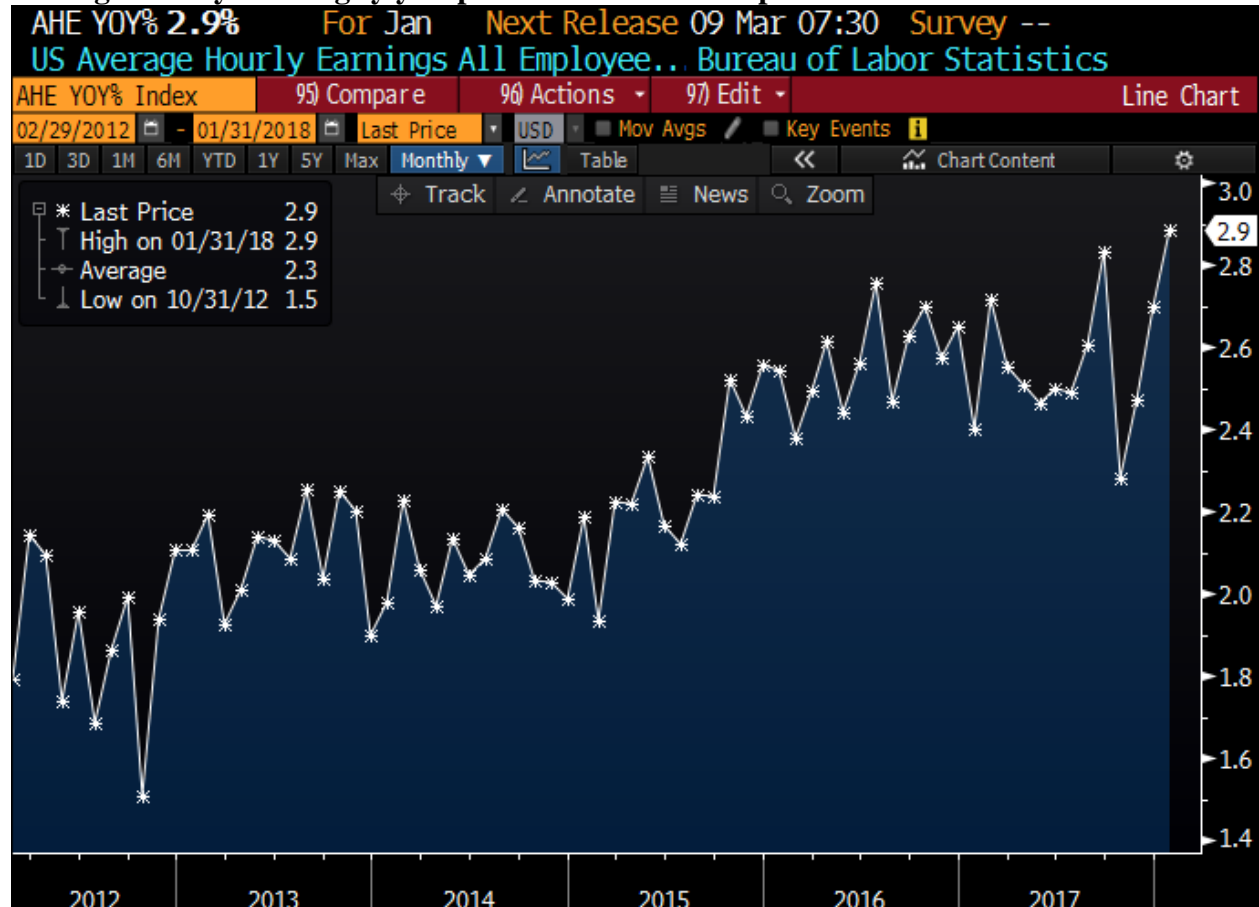
LABOR

Bureau of Labor and Statistics

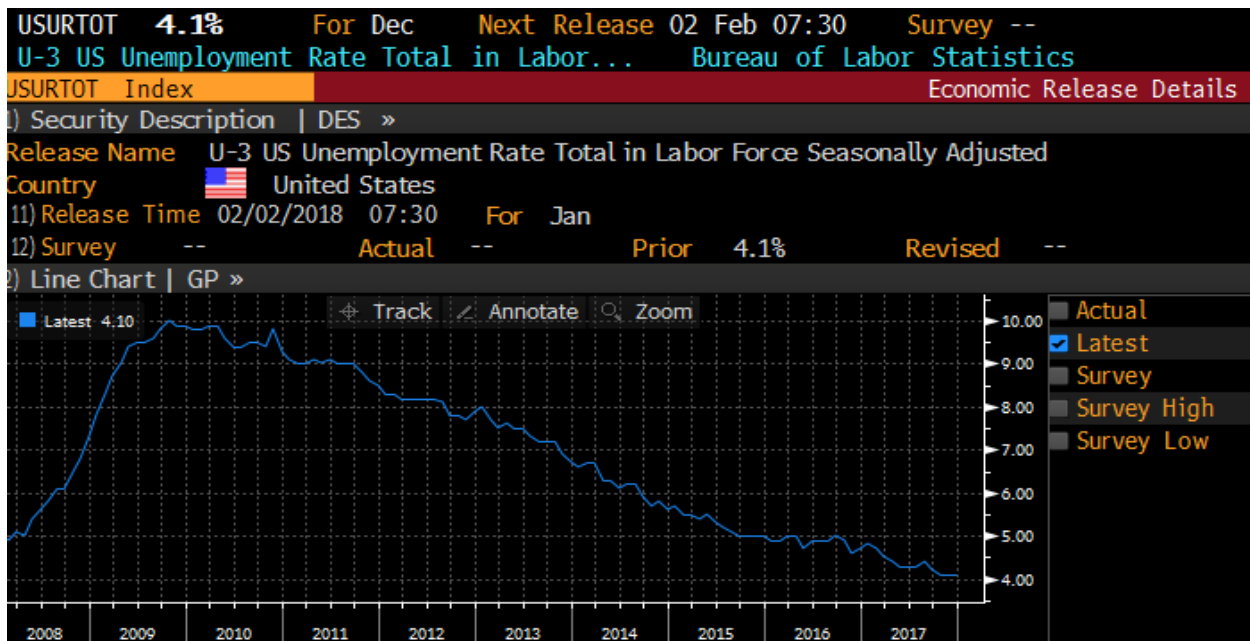
<http://www.bls.gov/news.release/>

CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

Average Hourly Earnings y/y Department of Labor Department.



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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>

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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 February 2017
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=iro-l-rigcountsoverview>

What is U.S. electricity generation by energy source?

In 2016, about 4.08 trillion kilowatt hours (kWh) of electricity¹ 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 2016¹

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%

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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 the first seven weeks of 2018, U.S. railroads reported cumulative volume of 1,728,917 carloads, down 2.6 percent from the same point last year; and 1,858,137 intermodal units, up 4 percent from last year. Total combined U.S. traffic for the first seven weeks of 2018 was 3,587,054 carloads and intermodal units, an increase of 0.7 percent compared to last year.

North American rail volume for the week ending February 17, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 353,799 carloads, down 2.5 percent compared with the same week last year, and 363,684 intermodal units, up 6 percent compared with last year. Total combined weekly rail traffic in North America was 717,483 carloads and intermodal units, up 1.6 percent. North American rail volume for the first seven weeks of 2018 was 4,819,038 carloads and intermodal units, up 0.5 percent compared with 2017.

Canadian railroads reported 71,591 carloads for the week, down 9.6 percent, and 66,267 intermodal units, up 6.9 percent compared with the same week in 2017. For the first seven weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 970,562 carloads, containers and trailers, up 0.1 percent.

Mexican railroads reported 21,754 carloads for the week, up 1 percent compared with the same week last year, and 17,908 intermodal units, down 7 percent. Cumulative volume on Mexican railroads for the first seven weeks of 2018 was 261,422 carloads and intermodal containers and trailers, down 1.1 percent from the same point last year.

For this week, total U.S. weekly rail traffic was 539,963 carloads and intermodal units, up 3.1 percent compared with the same week last year.

Total carloads for the week ending February 17 were 260,454 carloads, down 0.6 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 279,509 containers and trailers, up 6.8 percent compared to 2017.

Five of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included nonmetallic minerals, up 1,689 carloads, to 34,048; chemicals, up 1,102 carloads, to 33,104; and petroleum and petroleum products, up 208 carloads, to 10,097.

Commodity groups that posted decreases compared with the same week in 2017 included coal, down 2,978 carloads, to 87,962; grain, down 1,316 carloads, to 21,495; and miscellaneous carloads, down 235 carloads, to 9,056.

For the first seven weeks of 2018, U.S. railroads reported cumulative volume of 1,728,917 carloads, down 2.6 percent from the same point last year; and 1,858,137 intermodal units, up 4 percent from last year. Total combined U.S. traffic for the first seven weeks of 2018 was 3,587,054 carloads and intermodal units, an increase of 0.7 percent compared to last year.

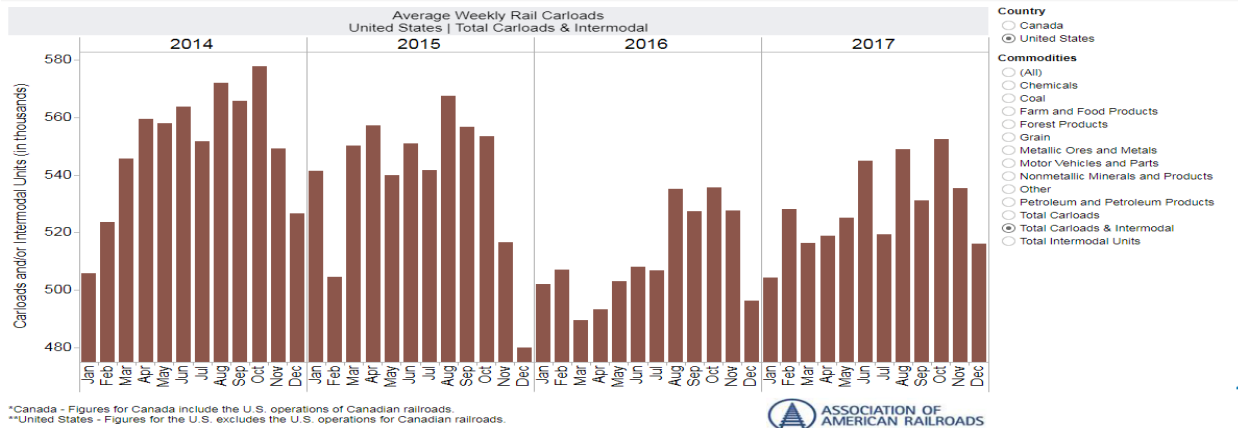
<https://www.aar.org/newsandevents/Press-Releases/Pages/2018-02-21-railtraffic.aspx>

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Monthly Rail Traffic Charts

MONTHLY RAIL TRAFFIC DATA

SHARE



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

Trailer Truck Demand

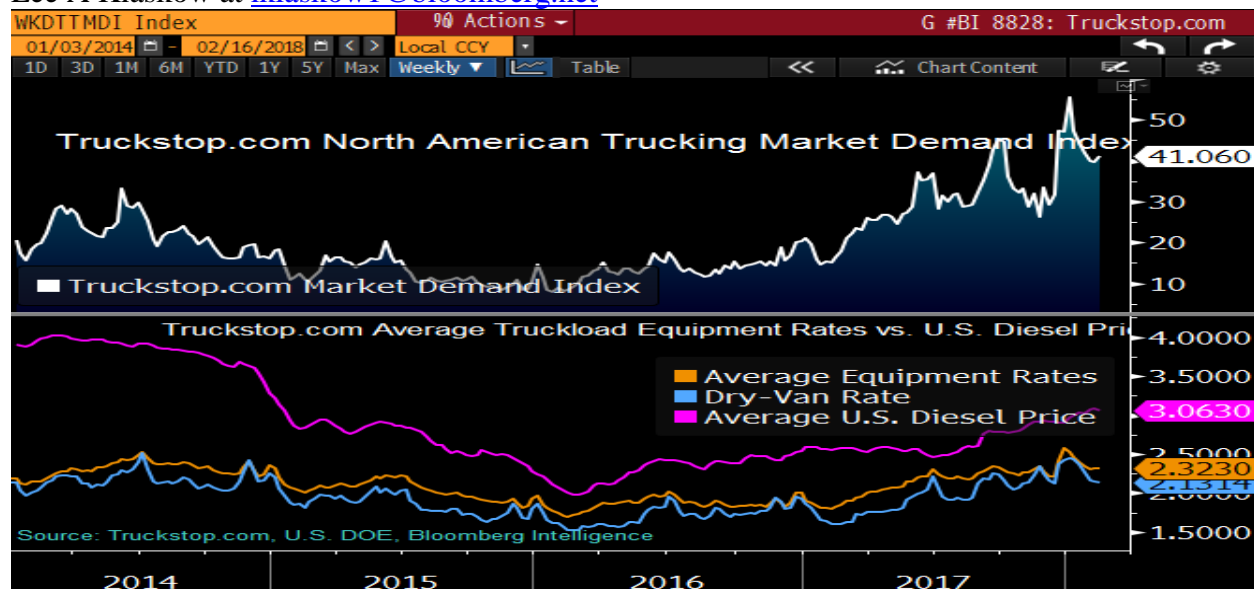
(Bloomberg Intelligence) – 02/20/18

Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) --Relative North American spot-trucking demand rose 3.5% sequentially to 41.1 in the week ended Feb. 16, based on Truckstop.com's Market Demand Index. Capacity tightened for the first time in six weeks, as the 1% increase in available loads outpaced the 2.4% decline in available trucks. Average spot rates, excluding fuel surcharges, rose for the second straight week (up 0.8%) to \$1.96 a mile. Electronic logging device capacity pressures should continue to support rates in 2018, which are up 29% from a year ago. Companies Impacted: USA Truck, Knight-Swift, Werner, J.B. Hunt, Schneider, 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.

To contact the analyst for this research:

Lee A Klaskow at lklaskow1@bloomberg.net



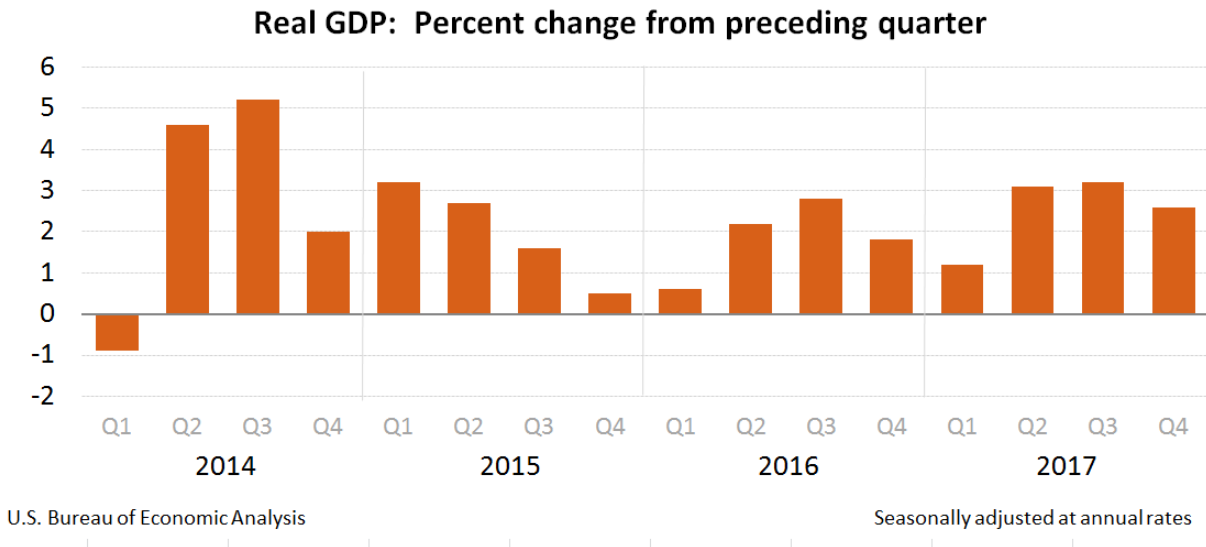
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GDP

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 3.17% 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: 3.20%...February 16, 2018

<http://fred.stlouisfed.org/series/GDPNOW>

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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>

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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>

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

John Coleman
312-373-5190
800-367-3349
© 312-515-3067

johncoleman@bloomberg.net

Rob Powell
312-373-5197
800-367-3349
© 312-560-7112

robpowell@bloomberg.net

Jeff Bauman
312-286-0491
jeffbau@bloomberg.net

Rich Goldblatt
312-373-5450
800-367-3650
© 312-515-6019
futuristic@bloomberg.net

Rocco Chierici
312-373-5439
800-367-3650
© 312-515-3069
rocco1@bloomberg.net

Brian Rachwalski
312-373-5191
800-367-3349
© 312-515-3066

brachwalski@bloomberg.net

Dan Sobolewski
312-373-5191
800-367-3349
© 312-505-6364

dsobolewski@bloomberg.net

Evan Vollman
312-373-5452
800-367-3650
evollman@bloomberg.net

Corrine Abele
312-373-4847
800-367-3349
cabele@rjobrien.com

Matthew Surwillo
312-373-4958
800-367-3349
msurwillo@rjobrien.com

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