



Fixed Income Group A Division of RJ O'Brien

**The Missile**

[www.fixedincomegroup.com](http://www.fixedincomegroup.com)

ECO <go>  
(All times are CST)

1) Calendars										2) Alerts										3) Export										4) Settings										Economic Calendars									
United States																				Browse					14:38:15					03/05/18					- 03/10/18														
Economic Releases										All Economic Releases										View Agenda Weekly																													
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised																																							
21)	03/05 08:45				Markit US Services PMI	Feb F	--	--	55.9	--																																							
22)	03/05 08:45				Markit US Composite PMI	Feb F	--	--	55.9	--																																							
23)	03/05 09:00				ISM Non-Manf. Composite	Feb	58.5	--	59.9	--																																							
24)	03/06 09:00				Factory Orders	Jan	--	--	1.7%	--																																							
25)	03/06 09:00				Factory Orders Ex Trans	Jan	--	--	0.7%	--																																							
26)	03/06 09:00				Durable Goods Orders	Jan F	--	--	--	--																																							
27)	03/06 09:00				Durables Ex Transportation	Jan F	--	--	--	--																																							
28)	03/06 09:00				Cap Goods Orders Nondef Ex Air	Jan F	--	--	--	--																																							
29)	03/06 09:00				Cap Goods Ship Nondef Ex Air	Jan F	--	--	--	--																																							
30)	03/07 06:00				MBA Mortgage Applications	Mar 2	--	--	--	--																																							
31)	03/07 07:15				ADP Employment Change	Feb	--	--	234k	--																																							
32)	03/07 07:30				Nonfarm Productivity	4Q F	--	--	-0.1%	--																																							
33)	03/07 07:30				Unit Labor Costs	4Q F	--	--	2.0%	--																																							
34)	03/07 07:30				Trade Balance	Jan	-\$54.0b	--	-\$53.1b	--																																							
35)	03/07 13:00				U.S. Federal Reserve Releases Beige Book																																												
36)	03/07 14:00				Consumer Credit	Jan	--	--	\$18.447b	--																																							
37)	03/08 06:30				Challenger Job Cuts YoY	Feb	--	--	-2.8%	--																																							
38)	03/08 07:30				Initial Jobless Claims	Mar 3	--	--	--	--																																							
39)	03/08 07:30				Continuing Claims	Feb 24	--	--	--	--																																							



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**Fed Speak Calendar**  
 (All times are CST)

Economic Calendars											
1) Calendars ▾		2) Alerts		3) Export ▾		4) Settings ▾					
United States				Browse		05:53:48		03/05/18  - 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)	03/05	12:15				Fed's Quarles Speaks on Foreign Bank Regulation					
22)	03/06	06:30				Fed's Dudley Speaks at U.S. Virgin Islands					
23)	03/06	18:00				Fed's Brainard to Speak in New York					
24)	03/06	19:30				Fed's Kaplan Speaks at Energy Conference					
25)	03/07	07:00				Fed's Dudley Speaks in Puerto Rico					
26)	03/07	07:00				Fed's Bostic Speaks on the Economic Outlook					
27)	03/07	13:00				U.S. Federal Reserve Releases Beige Book					
28)	03/09	11:40				Fed's Rosengren Speaks on Outlook					
29)	03/09	11:45				Fed's Evans Speaks on Monetary Policy					
30)	03/21	13:00				FOMC Rate Decision (Upper Bo...	Mar 21	1.75%	--	1.50%	--
31)	03/21	13:00				FOMC Rate Decision (Lower Bo...	Mar 21	1.50%	--	1.25%	--
32)	03/29	12:00				Fed's Harker Speaks on the Economic Outlook					

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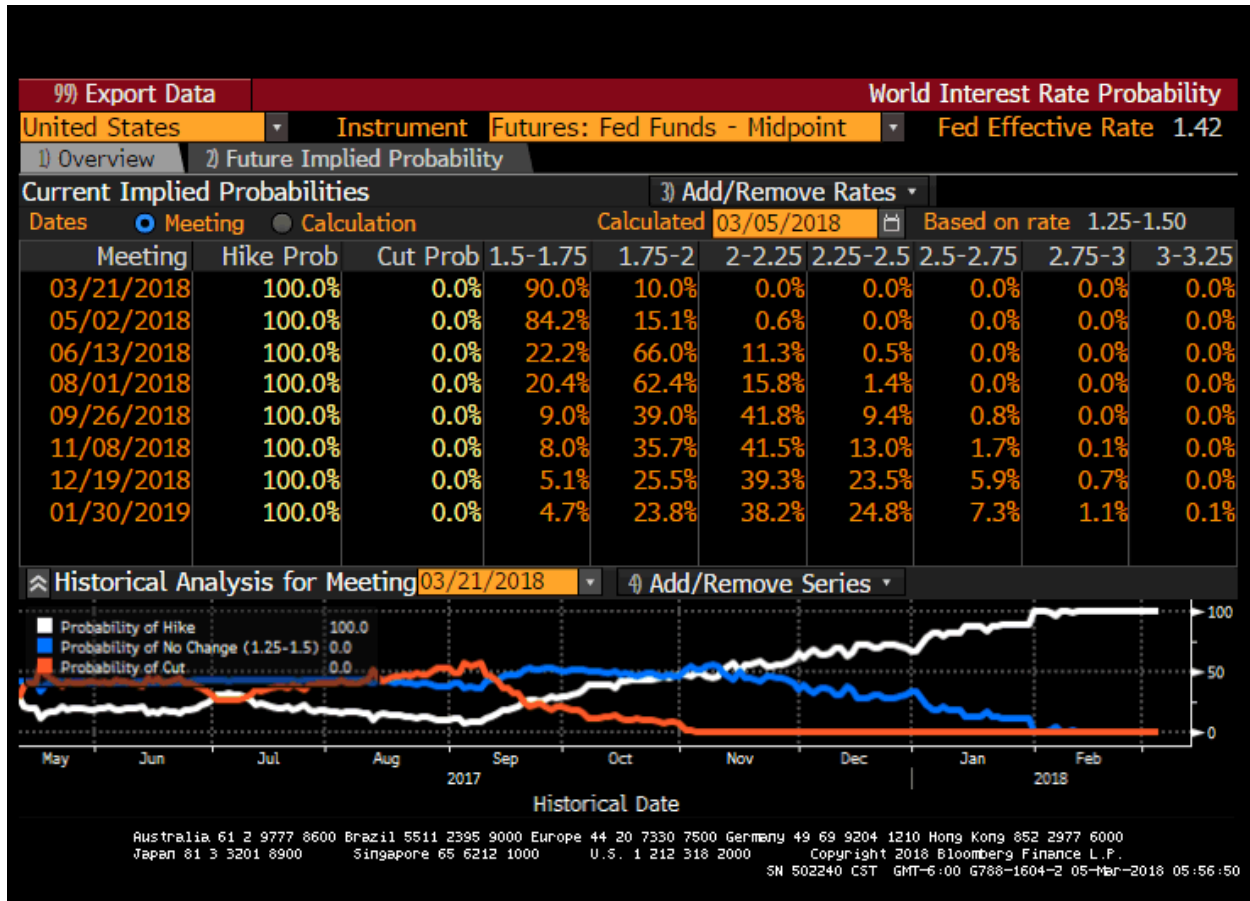
NI TRE <go>

4) Previous 3) Next 66) Send 98) Actions ▾							News: News Story	
03/02/2018 10:06:52 [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	03/05/2018	03/06/2018	03/08/2018	912796NY1		TBA	02/27/2018	\$60
3-month	03/08/2018	03/05/2018	03/08/2018	912796PJ2		\$51	02/26/2018	\$51
6-month	03/08/2018	03/05/2018	03/08/2018	912796PY9		\$45	02/26/2018	\$45
1-year	03/22/2018	03/27/2018	03/29/2018	TBA		TBA	02/27/2018	\$22
<b>Note Auctions</b>								
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	9128284B3		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	9128283W8	R	TBA	02/07/2018	\$24
<b>Bond Auctions</b>								
30-year	03/08/2018	03/13/2018	03/15/2018	912810SA7	R	TBA	02/08/2018	\$16

<b>TIPS Auctions</b>								
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	06/14/2018	06/21/2018	06/29/2018	TBA	R	TBA	02/15/2018	\$7
<b>Floating Rate Note</b>								
2-year FRN	03/22/2018	03/28/2018	04/02/2018	TBA	R	TBA	02/21/2018	\$15
<b>Buyback Operation</b>								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$.025

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# 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 <sup>1</sup>					Central tendency <sup>2</sup>					Range <sup>3</sup>				
	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
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 <sup>4</sup>	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

<b>1-Month Libor Set</b>	<b>1.70170</b>	<b>+.01120</b>	<b>(98.29830)</b>
<b>3-Month Libor Set</b>	<b>2.03480</b>	<b>+.00971</b>	<b>(98.96520)</b>
<b>6-Month Libor Set</b>	<b>2.22929</b>	<b>+.00086</b>	<b>(97.77071)</b>
<b>1-Year Libor Set</b>	<b>2.49749</b>	<b>+.00125</b>	<b>(97.50251)</b>

## THEY SAID IT

**“We expect further disruptive trade developments over the coming months, including stalled Nafta negotiations and potential restrictions on Chinese trade and investment,” Phillips wrote on Friday.**

<https://www.bloomberg.com/news/articles/2018-03-05/trump-trade-crackdown-shows-america-first-happening-at-last>

The president's decision to impose 25 percent tariffs on imported steel and 10 percent on aluminum raises the probability his administration will take a hawkish approach to other trade issues, such as talks to overhaul Nafta, Goldman Sachs economist Alec Phillips said in a research note.

Negotiators from the U.S., Canada and Mexico have been hunkered down in Mexico City for more than a week in the seventh round of talks to work out an update to Nafta.

But talks have been bogged down over U.S. proposals designed to reduce its trade deficit, such as tighter content requirements on cars. Goldman sees the stalemate continuing, along with a “good chance” Trump will at some point follow through on his threat to withdraw from the pact. The talks look set to extend beyond a goal of end-March.

The next shoe to drop could be an investigation by Trump's top trade negotiator, Robert

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Lighthizer, into whether China is flouting U.S. intellectual-property rights. Goldman expects the administration to impose restrictions on Chinese investment as a result of the so-called 301 [probe](#), and may even go further. Trump has said he wants to impose a big “fine” as part of that investigation.

To be sure, it’s not the first time the U.S. has cracked down on foreign steel. Ronald Reagan and George W. Bush both imposed [barriers on imports](#), but the U.S. steel industry has continued to struggle in the decades since. “We’ve been here before,” said Robert Holleyman, a partner at law firm Crowell and Moring LLP who served as deputy U.S. trade representative in the Obama administration.

Tariffs probably won’t address China’s “massive excess capacity” in steel, the fundamental problem for U.S. producers, since Chinese steel exports account for a small share of U.S. consumption, Holleyman said.

With his move on steel, Trump is invoking a seldom-used clause of a 1962 law that gives him the authority to curb imports if they undermine national security. World Trade Organization rules allow members to restrict trade that imperil their “essential security interests.” Other countries are expected to challenge the tariffs at the Geneva-based trade body, in what will be the first test of the security provision since the WTO was born in 1995, said Gary Hufbauer, a trade expert at the Peterson Institute of International Economics in Washington.

WTO Director-General Roberto Azevedo on Friday said there’s a “real” risk of worsening disputes because of the tariffs, and that a trade war doesn’t suit any nation’s interests. “The potential for escalation is real, as we have seen from the initial responses of others,” Azevedo said. “The WTO is clearly concerned at the announcement of U.S. plans.”

Hufbauer thinks the U.S. would win a WTO case, though. And even before then, other governments will be emboldened to impose their own barriers in the name of national security, he said. “That really opens a Pandora’s box,” said Hufbauer.

**“Punitive duties can’t be the answer,” Bernhard Mattes, president of Germany’s VDA automotive industry association, said in a statement.**

**“A trade war between the USA and Europe must be avoided at all costs. In such a trade war there are only losers on all sides.”**

<https://www.reuters.com/article/us-usa-trade-autos-germany/u-s-europe-trade-war-must-be-avoided-german-carmakers-idUSKBN1GH1F7>

German exports amounted to 494,000 cars last year - a fall of a quarter since 2013.

More than half of the vehicles made in the United States by German carmakers are exported, the VDA added, supporting the U.S. foreign trade balance.

Trump’s threat to launch a trade war has encountered resistance from fellow Republicans, including Senator Lindsey Graham of South Carolina, where a BMW plant employs 9,000 workers.

**“Everybody is very concerned,” Wilson told Reuters on Friday. “We’ve seen it in the stock market and level of CEO calls I’ve been getting over the last 24 hours how much this is a concern and how much of this overrides everything else.”**

<https://www.reuters.com/article/us-trade-nafta-autos/as-nafta-weighs-trumps-tariffs-drive-new-u-s-auto-concerns-idUSKCN1GF0K4>

The U.S. auto parts industry employs about 880,000 workers and MEMA represents motor vehicle parts manufacturers, the largest U.S. manufacturing sector and largest employer of

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manufacturing jobs in the United States.

Some of MEMA's members would be deeply affected by Trump's tariffs because they rely on specialty steel and aluminum products imported from Europe, Asia and other regions, said Wilson, speaking on the sidelines of the North American Free Trade Agreement talks.

Some of the products that are imported are as specialized as steel tire cords used to reinforce tires, or cylinders used for auto fuel injectors.

**"You have trucks going up like in parking garages - six or seven stories in the air," said Moghadam, describing some of Prologis' recently completed warehouse projects at a March 1 conference presented by University of San Diego's Burnham-Moores Center for Real Estate.**

**"But that's our future," he told the crowd of more than 600 at Hilton San Diego Bayfront Hotel. "I don't know if it's going to happen in the next 10 years, but it will eventually have to happen."**

<https://www.costar.com/News/Article/Prologis-Sees-More-Opportunities-Amid-Disruption-in-Global-Logistics-Market/198704>

Moghadam told attendees how his company has recently 'gone vertical' in developing several highly-amenitized warehouses and other logistics facilities in land-constrained markets like Tokyo and Seattle.

The continued growth of e-commerce was cited by panelists as a major shaper of supply-and-demand for both industrial and retail space for the coming decades.

There is opportunity for growth even in mature markets like Japan, where Moghadam said companies are investing significantly in consolidating operations housed in outdated facilities into larger and more efficient ones.

Also, as consumers globally demand quick delivery of goods, facilities will need to be built closer to urban centers, and developers like Prologis must adjust planning for those logistics centers to address limitations including land constraints, and in the case of Japan, seismic and soil conditions among other factors.

"I have not seen the consumer become any more patient over the last 10 years," Moghadam said of the e-commerce delivery influence on warehouse location and planning decisions, adding, "Think of industrial as the old retail. You count rooftops and you count dollars in the pockets of the people in those rooftops."

**New data and commentary from federal financial regulators are pointing to signs of increased risks in CRE lending.**

**Notably, the amount of delinquent multifamily and owner-occupied property loans on the books of U.S. banks increased in the fourth quarter of last year, according to statistics released this week by the Federal Deposit Insurance Corp. (FDIC).**

**And while the increases and total volumes are small, the uptick marks a change in the trend after multifamily delinquency levels hit the lowest mark ever recorded by the FDIC. The FDIC also reported a second quarterly increase in delinquencies for owner-occupied property loans, although by a low 0.4% to \$6.74 billion.**

**The change in multifamily loan delinquency was more dramatic percentagewise, increasing 14.4% from the third quarter to the fourth quarter of 2017 to \$1.08 billion. That change in direction follows decreases of 4%, 8.1% and 9.8% over the first three quarters of 2017.**

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<https://www.costar.com/News/Article/Feds-See-Increased-CRE-Lending-Risk-as-Valuations-Peak-and-Low-Interest-Rate-Environment-Comes-to-an-End/198608>

The FDIC data follows the Federal Reserve's latest Monetary Policy Report that noted growing vulnerability in the commercial real estate sector.

"Valuation pressures continue to be elevated across a range of asset classes, including equities and commercial real estate," the Fed noted in its report.

"In a sign of increasing valuation pressures in commercial real estate markets, net operating income relative to property values (referred to as capitalization rates) have been declining relative to Treasury yields of comparable maturity for multifamily and industrial properties. While these spreads narrowed further from already low levels, they are wider than in 2007," the report noted.

**“I take note that, in the world we live in, you can fight for great ideas, but you can’t do that without taking into account a brutal context,” Macron told reporters during a news conference with the Quebec prime minister.**

**“And Italy has, it’s undeniable, suffered for months and months under the pressure of migration. This very strong migration pressure is a context we should keep in mind,” Macron said.**

<https://www.reuters.com/article/us-italy-election-macron/italian-elections-a-reminder-of-brutal-migration-context-macron-says-idUSKBN1GH1XJ?il=0>

French President Emmanuel Macron said on Monday Italian election results were a reminder that Europeans should not only fight for lofty ideas but also take into account ordinary citizens’ efforts to cope with the strains of immigration.

**A South Korean delegation met North Korean leader Kim Jong Un on Monday, a South Korean official said, after arriving in the North on a visit aimed at encouraging North Korea and the United States to talk.**

<https://www.reuters.com/article/us-northkorea-missiles-southkorea/visiting-south-korean-delegation-meets-north-korean-leader-kim-idUSKBN1GH030>

Both North Korea and the United States have expressed a willingness to talk, but U.S. President Donald Trump demands the North first gives up its nuclear weapons program.

The North, which has vowed never to give up its nuclear deterrent against what it sees as U.S. hostility, says it will not sit down to talks under preconditions.

Reclusive North Korea, which has made no secret of its pursuit of a nuclear-tipped missile capable of reaching the mainland United States in defiance of U.N. Security Council resolutions, is also concerned about a joint U.S.-South Korea military exercise, which it sees as preparation for war.

South Korean officials have said the drill will start next month as planned, after being postponed for the Winter Olympics held last month in South Korea.

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# EQUITIES

The S&P is **-6** and the NASDAQ is **+8**.

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](http://www.moneycentral.msn.com/investor/market/earncalendar)

**On Bloomberg type in ACDR <GO>**

# US-SWAPS

**IRSB <GO>**

United States		90 Export	99 Settings	Interest Rate Swap Rates										
Date Range:		02/05/2018	-	03/05/2018	1 Month									
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CHE/LCH Sprs				
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	#SD	
1) 1 YR	2.274 / 2.277	2.276	-0.006			-0.1	2.034	2.339	2.221	5.7	0.7			
2) 2 YR	2.486 / 2.486	2.486	-0.013			-0.2	2.207	2.567	2.444	4.2	0.6			
3) 3 YR	2.597 / 2.599	2.598	-0.018			-0.2	2.312	2.697	2.574	2.5	0.3			
4) 4 YR	2.663 / 2.664	2.664	-0.020			-0.3	2.383	2.771	2.651	1.3	0.2			
5) 5 YR	2.707 / 2.707	2.707	-0.022			-0.3	2.438	2.842	2.704	0.3	0.1			
6) 6 YR	2.745 / 2.746	2.745	-0.021			-0.4	2.496	2.865	2.748	-0.2	0.0			
7) 7 YR	2.778 / 2.779	2.779	-0.020			-0.4	2.544	2.908	2.787	-0.8	-0.1			
8) 8 YR	2.807 / 2.808	2.808	-0.018			-0.3	2.586	2.932	2.820	-1.2	-0.2			
9) 9 YR	2.835 / 2.837	2.835	-0.017			-0.3	2.622	2.960	2.849	-1.3	-0.2			
10) 10 YR	2.860 / 2.861	2.861	-0.015			-0.3	2.652	2.998	2.874	-1.3	-0.3			
11) 15 YR	2.938 / 2.940	2.939	-0.013			-0.3	2.744	3.063	2.955	-1.5	-0.3			
12) 20 YR	2.965 / 2.966	2.964	-0.012			-0.3	2.778	3.088	2.982	-1.6	-0.3			
13) 25 YR	2.960 / 2.960	2.960	-0.011			-0.2	2.779	3.254	2.978	-1.8	-0.4			
14) 30 YR	2.948 / 2.948	2.948	-0.010			-0.2	2.773	3.071	2.965	-1.7	-0.4			

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 6788-1604-2 05-Mar-2018 05:56:28

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## UK/EUROPE

**In the UK the FTSE closed +0.16%.**

In the UK, the swap curve is slightly steeper with yields mixed.

**BOE Rate +0.50%. (No change)**

**Next meeting 03/22/18**

## On the European Continent

**The CAC Index closed +0.29%.**

**The DAX Index closed +0.58%.**

On the Continent, the swap curve is largely unchanged with yields mixed.

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

**Deposit Facility Rate -.40%**

**Next meeting 03/08/18**

## ASIA

### Japan:

**The TOPIX closed -0.79%.**

**The NIKKEI closed -0.66%.**

In Japan, the swap curve is flatter with yields lower.

**BOJ Policy Balance Rate -0.10% (No change)**

**Next meeting 03/09/18**

### China:

**The Hang Seng closed -2.28%.**

**The Shanghai Composite closed +0.07%.**

### 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

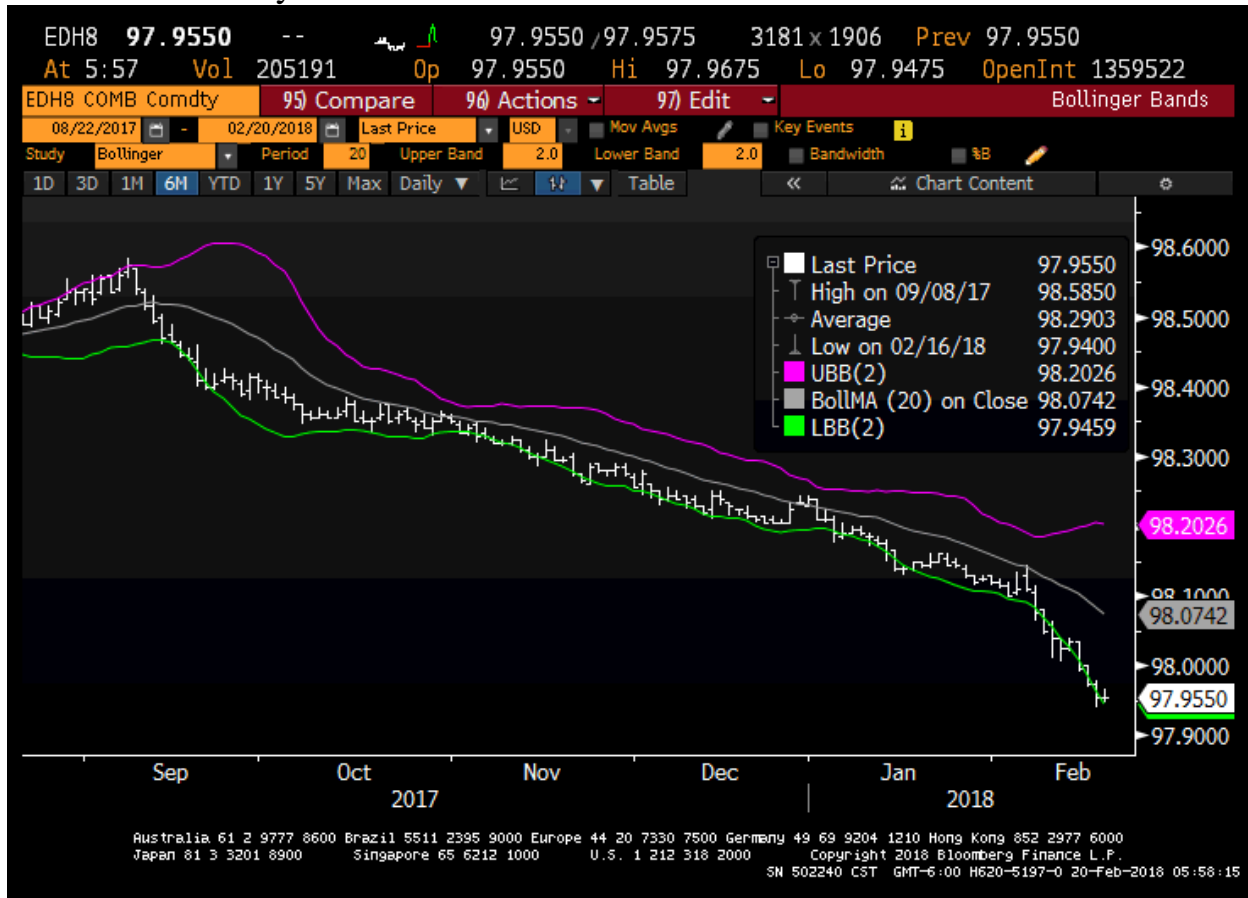
EDH8: 97-97.5 is the pivot. Below the pivot, you should be short, above long.  
Support is at 97-83.0\*\*.

Resistance is at 97-97.5^ and 98-12.0\*\*.

^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/TYM8: 120-06.5 is the pivot point. Above you should be long, below short.**

**Support is at 119-16.0\*\***

**Resistance is at 120-06.5^ and 120-29.5\*\***

^Pivot Point is a simple 20-day moving average.

\*\* 2-STD Deviations from the pivot point

**Trend has you long from 120-08.0 (3/2/18).**



[https://www.google.com/images/branding/googlelogo/2x/googlelogo\\_color\\_272x92dp.png](https://www.google.com/images/branding/googlelogo/2x/googlelogo_color_272x92dp.png)



**YTD (per contract)**

**(2018) +69 futures ticks (\$31.25 per tick) or +2156.25.**

**(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

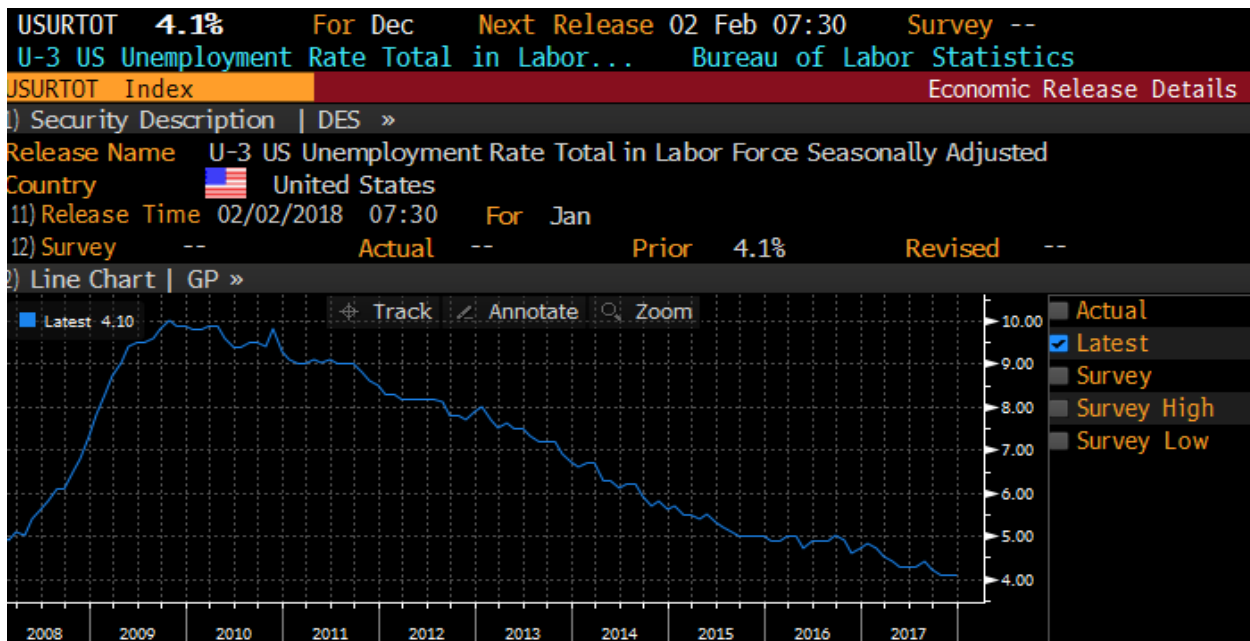
<http://www.bls.gov/news.release/>

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=irol-rigcountsoverview>

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

In 2016, about 4.08 trillion kilowatt hours (kWh) of electricity<sup>1</sup> were generated at utility-scale facilities in the United States.<sup>2</sup> 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.<sup>3</sup>

#### Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016<sup>1</sup>

**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%<sup>4</sup>**

<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 528,440 carloads and intermodal units, up 2.8 percent compared with the same week last year.

Total carloads for the week ending February 24 were 251,970 carloads, down 1.3 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 276,470 containers and trailers, up 6.7 percent compared to 2017.

Four of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 781 carloads, to 85,600; petroleum and petroleum products, up 602 carloads, to 10,047; and farm products excl. grain, and food, up 103 carloads, to 16,494.

Commodity groups that posted decreases compared with the same week in 2017 included grain, down 1,157 carloads, to 20,143; motor vehicles and parts, down 1,093 carloads, to 17,527; and nonmetallic minerals, down 1,044 carloads, to 31,511.

For the first eight weeks of 2018, U.S. railroads reported cumulative volume of 1,980,887 carloads, down 2.4 percent from the same point last year; and 2,134,607 intermodal units, up 4.3 percent from last year. Total combined U.S. traffic for the first eight weeks of 2018 was 4,115,494 carloads and intermodal units, an increase of 1 percent compared to last year.

North American rail volume for the week ending February 24, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 346,089 carloads, down 2.7 percent compared with the same week last year, and 363,753 intermodal units, up 6.4 percent compared with last year. Total combined weekly rail traffic in North America was 709,842 carloads and intermodal units, up 1.8 percent. North American rail volume for the first eight weeks of 2018 was 5,528,880 carloads and intermodal units, up 0.7 percent compared with 2017.

Canadian railroads reported 72,911 carloads for the week, down 6.7 percent, and 68,277 intermodal units, up 6.1 percent compared with the same week in 2017. For the first eight weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 1,111,750 carloads, containers and trailers, level with the same week last year.

Mexican railroads reported 21,208 carloads for the week, down 4.8 percent compared with the same week last year, and 19,006 intermodal units, up 2.9 percent. Cumulative volume on Mexican railroads for the first eight weeks of 2018 was 301,636 carloads and intermodal containers and trailers, down 1.1 percent from the same point last year.

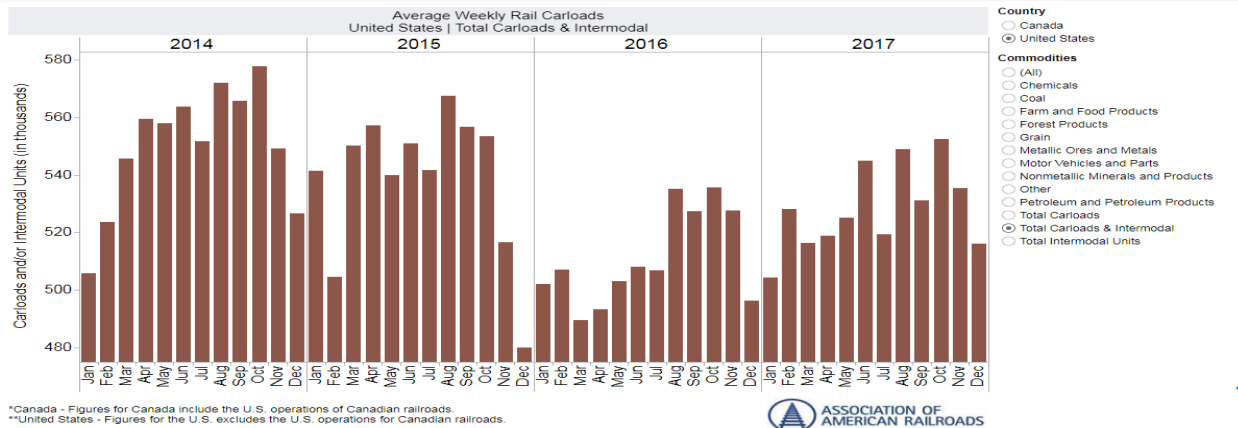
<https://www.aar.org/newsandevents/Press-Releases/Pages/2018-02-28-railtraffic.aspx>

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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

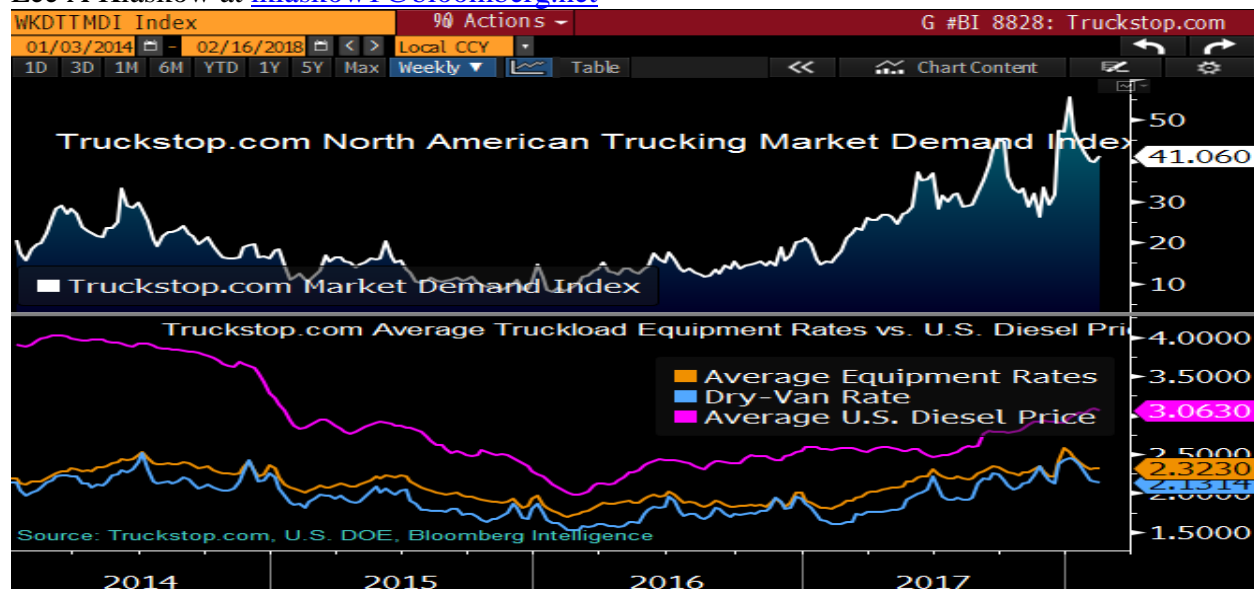
(Bloomberg Intelligence) – 02/20/18

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:

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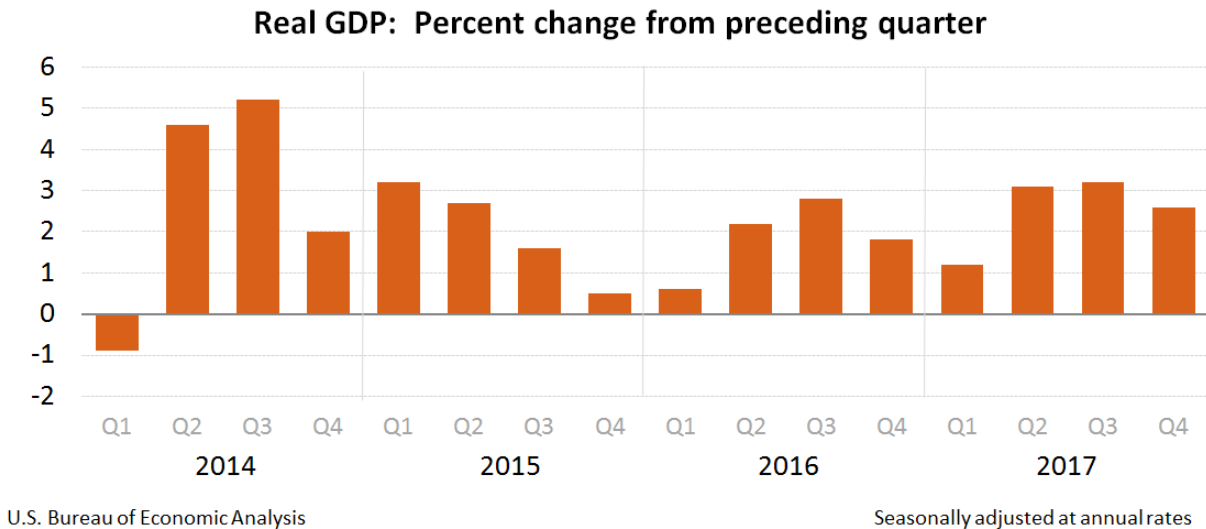


## GDP

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 3.35% as of 3/2/18 v. 3.17% on 2/16/18**

### Atlanta Fed GDPNow...Latest forecast Q1: 3.5% — March 1, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is 3.5 percent on March 1, up from 2.6 percent on February 27. The nowcasts of first-quarter real consumer spending growth and first-quarter real private fixed-investment growth increased from 2.0 percent and 2.7 percent, respectively, to 2.9 percent and 4.4 percent, respectively, after this morning's data releases. The model's estimate of the dynamic factor for February—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.23 to 1.68 after this morning's Manufacturing ISM Report On Business from the Institute for Supply Management.

*The next GDPNow update is Wednesday, March 7. 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: 3.0%...March 2, 2018

News from this week's data releases decreased the nowcast by 0.1 percentage point.

Negative surprises from new home sales and personal consumption expenditures were partially offset by positive surprises from the ISM manufacturing survey.

<https://www.newyorkfed.org/research/policy/nowcast>

### St. Louis Fed Real GDP Nowcast... Q1 2017: 3.54%...March 1, 2018

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

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## MANUFACTURING AT A GLANCE

February 2018

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	60.8	59.1	+1.7	Growing	Faster	18
New Orders	64.2	65.4	-1.2	Growing	Slower	26
Production	62.0	64.5	-2.5	Growing	Slower	18
Employment	59.7	54.2	+5.5	Growing	Faster	17
Supplier Deliveries	61.1	59.1	+2.0	Slowing	Faster	17
Inventories	56.7	52.3	+4.4	Growing	Faster	2
Customers' Inventories	43.7	45.6	-1.9	Too Low	Faster	17
Prices	74.2	72.7	+1.5	Increasing	Faster	24
Backlog of Orders	59.8	56.2	+3.6	Growing	Faster	13
New Export Orders	62.8	59.8	+3.0	Growing	Faster	24
Imports	60.5	58.4	+2.1	Growing	Faster	13
<b>OVERALL ECONOMY</b>				Growing	Faster	106
<b>Manufacturing Sector</b>				Growing	Faster	18

Average for 12 months - 58.0

High - 60.8

Low - 55.3

<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](http://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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