Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

9 <GO> to Save as Default

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

United States 6) Browse 15:02:40 03/08/18 - 03/14/18

Economic Releases | All Economic Releases | View Agenda Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	03/08 06:30				Challenger Job Cuts YoY	Feb	--	--	-2.8%	--
22)	03/08 07:30				Initial Jobless Claims	Mar 3	220k	--	210k	--
23)	03/08 07:30				Continuing Claims	Feb 24	1919k	--	1931k	--
24)	03/08 08:45				Bloomberg Consumer Comfort	Mar 4	--	--	56.2	--
25)	03/08 11:00				Household Change in Net Worth	4Q	--	--	$1742b	--
26)	03/09 07:30				Change in Nonfarm Payrolls	Feb	200k	--	200k	--
27)	03/09 07:30				Two-Month Payroll Net Revision	Feb	--	--	--	--
28)	03/09 07:30				Change in Private Payrolls	Feb	198k	--	196k	--
29)	03/09 07:30				Change in Manufact. Payrolls	Feb	15k	--	15k	--
30)	03/09 07:30				Unemployment Rate	Feb	4.0%	--	4.1%	--
31)	03/09 07:30				Underemployment Rate	Feb	--	--	8.2%	--
32)	03/09 07:30				Average Hourly Earnings MoM	Feb	0.2%	--	0.3%	--
33)	03/09 07:30				Average Hourly Earnings YoY	Feb	2.8%	--	2.9%	--
34)	03/09 07:30				Average Weekly Hours All Emplo	Feb	34.4	--	34.3	--
35)	03/09 07:30				Labor Force Participation Rate	Feb	62.7%	--	62.7%	--
36)	03/09 09:00				Wholesale Trade Sales MoM	Jan	--	--	1.2%	--
37)	03/09 09:00				Wholesale Inventories MoM	Jan F	0.7%	--	0.7%	--
38)	03/12 13:00				Monthly Budget Statement	Feb	-$202.9b	--	-$192.0b	--
39)	03/13 05:00				NFIB Small Business Optimism	Feb	--	--	106.9	--

Fed Speak Calendar
(All times are CST)

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

United States | 6) Browse | 15:13:02 | 03/08/18 - 04/20/18

Central Banks | All Central Banks | View Agenda Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	03/09 07:40				Fed's Evans live TV interview					
22)	03/09 09:45				Fed's Evans live TV interview					
23)	03/09 11:40				Fed's Rosengren Speaks on Outlook					
24)	03/09 11:45				Fed's Evans Speaks on Monetary Policy					
25)	03/21 13:00				FOMC Rate Decision (Upper Bo...	Mar 21	1.75%	--	1.50%	--
26)	03/21 13:00				FOMC Rate Decision (Lower Bo...	Mar 21	1.50%	--	1.25%	--
27)	03/23 09:30				Fed's Kashkari Speaks in Moderated Q&A					
28)	03/29 12:00				Fed's Harker Speaks on the Economic Outlook					
29)	04/11 13:00				FOMC Meeting Minutes	Mar 21	--	--	--	--
30)	04/18 13:00				U.S. Federal Reserve Releases Beige Book					

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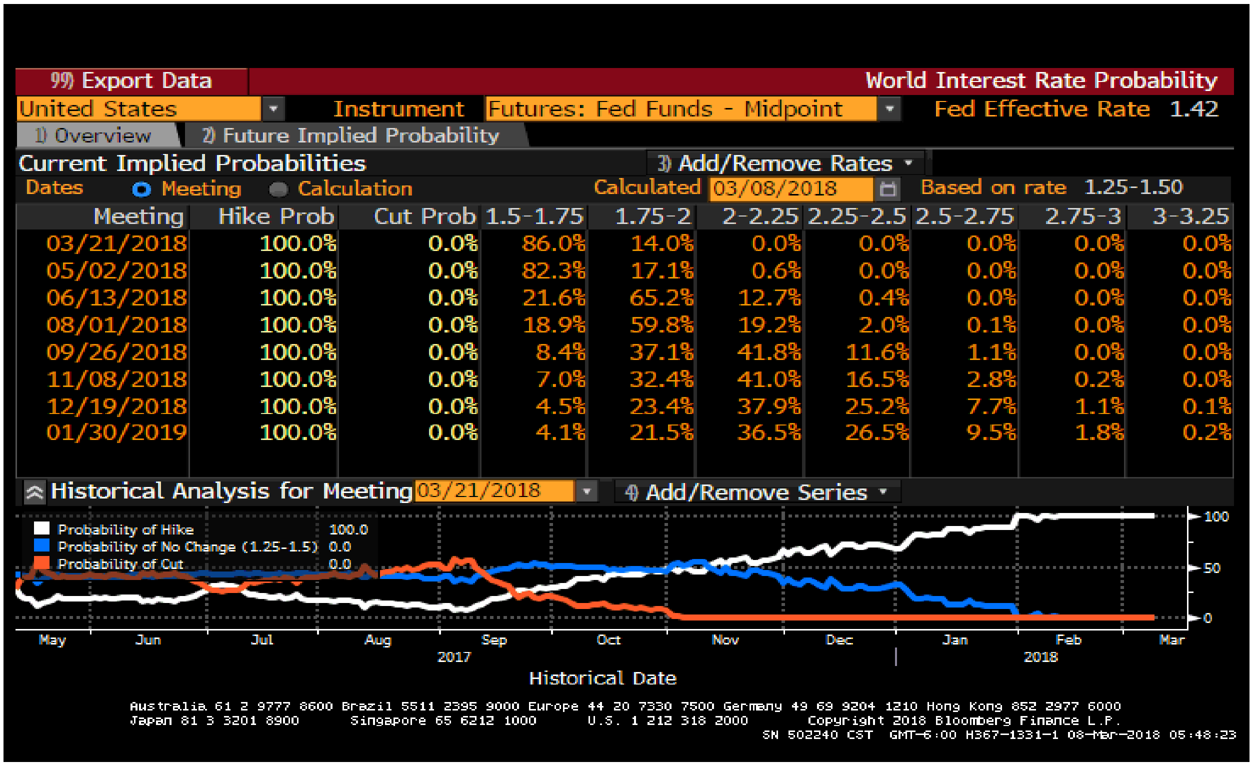
	Next Offer	Next	Date	CUSIP		$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	$50
4-week	03/12/2018	03/13/2018	03/15/2018	TBA		TBA	03/06/2018	$65
3-month	03/08/2018	03/12/2018	03/15/2018	912796PL7		TBA	03/05/2018	$51
6-month	03/08/2018	03/12/2018	03/15/2018	912796NV7		TBA	03/05/2018	$45
1-year	03/22/2018	03/27/2018	03/29/2018	TBA		TBA	02/27/2018	$22
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	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
Bond Auctions								
30-year	03/08/2018	03/13/2018	03/15/2018	912810SA7	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	06/14/2018	06/21/2018	06/29/2018	TBA	R	TBA	02/15/2018	$7
Floating Rate Note								
2-year FRN	03/22/2018	03/28/2018	04/02/2018	TBA	R	TBA	02/21/2018	$15
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	$.025

Implied Probability of Fed Rate Movement (Futures)



99) Export Data | World Interest Rate Probability

United States | Instrument: Futures: Fed Funds - Midpoint | Fed Effective Rate 1.42

1) Overview | 2) Future Implied Probability

Current Implied Probabilities | 3) Add/Remove Rates

Dates: Meeting / Calculation | Calculated 03/08/2018 | Based on rate 1.25-1.50

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%	86.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%
05/02/2018	100.0%	0.0%	82.3%	17.1%	0.6%	0.0%	0.0%	0.0%	0.0%
06/13/2018	100.0%	0.0%	21.6%	65.2%	12.7%	0.4%	0.0%	0.0%	0.0%
08/01/2018	100.0%	0.0%	18.9%	59.8%	19.2%	2.0%	0.1%	0.0%	0.0%
09/26/2018	100.0%	0.0%	8.4%	37.1%	41.8%	11.6%	1.1%	0.0%	0.0%
11/08/2018	100.0%	0.0%	7.0%	32.4%	41.0%	16.5%	2.8%	0.2%	0.0%
12/19/2018	100.0%	0.0%	4.5%	23.4%	37.9%	25.2%	7.7%	1.1%	0.1%
01/30/2019	100.0%	0.0%	4.1%	21.5%	36.5%	26.5%	9.5%	1.8%	0.2%

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	**1.73957**	**+.02163**	**(98.26043)**
3-Month Libor Set	**2.07140**	**+.01415**	**(98.92860)**
6-Month Libor Set	**2.25925**	**+.01375**	**(97.74075)**
1-Year Libor Set	**2.53263**	**+.01407**	**(97.46737)**

THEY SAID IT

"This time, I felt comfortable negotiating," said Shank, who'll make about $54,000 as a customer-service representative at Spectralux Avionics, a maker of aerospace-communications products in the Seattle suburb of Redmond, Washington. "I knew that if they didn't want to pay me what I thought I was worth, then I could walk away."
Stories like Shank's, while growing, are not yet the norm across America, data and surveys show. Amid solid hiring and the lowest unemployment rate since 2000, worker pay has been stubbornly weak in this expansion. Earnings may accelerate -- likely in fits and starts -- once Americans across the board realize the tightest labor market in years means they can switch more easily to better-paying jobs or feel confident enough to press current employers for a raise.
Only 39 percent of Americans tried to negotiate pay in their last job, and younger workers more actively than older ones, according to Robert Half International Inc. data based on a survey of 2,700 workers in 27 cities late last year. A separate survey by the Menlo Park, California-based staffing firm released in June showed that while 90 percent of respondents thought they deserved a raise, just 44 percent planned to ask for it last year, although the share was up from 37 percent in 2016.
"For most people, it's still a difficult conversation to talk about money, no matter how tight the job market is right now, and employers know that," said Paul McDonald, senior executive director at Robert Half.
https://www.bloomberg.com/news/articles/2018-03-08/why-u-s-wages-may-fail-to-repeat-the-surge-that-spooked-markets
"Everyone's going to be focused on whether or not January was a fluke," said Ryan Sweet, a Moody's Analytics Inc. economist in West Chester, Pennsylvania. He said January's gain was "too good to be true," and a pronounced pickup in workers' paychecks "is likely to happen gradually as the labor market tightens further. Don't expect a sudden and significant acceleration."
For now, such reluctance is one reason why it may be premature to conclude that a big wage acceleration is finally under way. January's surge sparked a plunge in stocks starting Feb. 2 on concern the Federal Reserve would raise interest rates faster than anticipated. Labor Department figures due Friday, less than two weeks before policy makers meet, are projected to show hourly pay growth eased to 2.8 percent in the 12 months through February from 2.9 percent.
Part of the jump in hourly earnings in January was due to a shorter average workweek of 34.3 hours, and wages will cool as that's projected to return in February to a more typical 34.4 hours. While some economists expect a similar increase in wages in February, it's partly due to calendar quirks such as a five-week gap between pay periods instead of the usual four, or because the 15th of the month, a payday for many people, fell within the government's survey week.
None of the analysts surveyed by Bloomberg project an acceleration in wages last month.

Bloomberg Economics was dismissive of the earnings spike because it was narrowly concentrated and likely partly driven by a curtailment of hours worked due to severe winter weather in the first part of the month. The length of the workweek is likely to normalize in February, and average hourly earnings should temper slightly as well.

A slower pace of wage growth in February is more likely, according to Michael Hanson, chief U.S. macro strategist at TD Securities USA, because strong readings similar to January were revised away in the past and were followed by unexpectedly weaker prints.

The Fed's Beige Book, based on anecdotal information gathered by its 12 regional banks, reported that "most districts saw employers raise wages and expand benefit packages in response to tight labor market conditions" when it was released Wednesday in Washington.

There are "potentially positive signals" coming from North Korea, Tillerson told reporters Thursday in the Ethiopian capital, Addis Ababa, at the start of a five-nation tour of Africa.

https://www.bloomberg.com/news/articles/2018-03-08/u-s-is-a-long-way-from-talks-with-north-korea-tillerson-says

North Korean President Kim Jong Un has offered to suspend nuclear-weapons tests and hold talks with the U.S. to normalize relations, if the safety of his regime is guaranteed. U.S. President Donald Trump has signaled he's open to the discussions.

"I don't know yet until we are able to meet ourselves face-to-face with representatives of North Korea whether the conditions are right to even begin thinking about negotiations," Tillerson said. "We're a long way from negotiations, we just need to be very clear eyed and realistic about it."

"Here's the situation, and the president has made this public," Navarro said. "There's going to be a provision which will exclude Canada and Mexico until the Nafta thing is concluded one way or another."

https://www.bloomberg.com/news/articles/2018-03-08/canada-mexico-to-get-initial-exemption-from-steel-tariffs

The Trump administration will initially exclude Canada and Mexico from stiff tariffs on steel and aluminum imports, an exemption they would lose if they fail to reach an updated Nafta agreement with the U.S., White House trade adviser Peter Navarro said on Wednesday.

The two nations won't be subject to tariffs on their steel and aluminum if they sign a new North American Free Trade Agreement that meets the satisfaction of the U.S., Navarro said, adding that other American allies could use a similar system to ask for an exemption.

If Nafta talks fall through, Canada and Mexico would face the same tariff as other nations, expected to be 25 percent on steel and 10 percent on aluminum.

Negotiators from the U.S., Canada and Mexico wrapped up the seventh round of Nafta talks this week in Mexico still hoping for a breakthrough on the biggest sticking points. The president hinted at the tariff incentive in a tweet earlier this week, without elaborating on how the trade-off would work.

"Especially given today's globalisation, choosing a trade war is a mistaken prescription. The outcome will only be harmful," Wang said.
"China would have to make a justified and necessary response," he said
https://www.cnbc.com/2018/03/07/china-says-it-will-make-necessary-response-in-event-of-trade-war-with-us.html
Speaking on the sidelines of an annual meeting of China's parliament, Wang said China had no intention of displacing the United States and that the two countries did not have to be rivals but should strive to be partners.
Trump addressed trade with China in tweets on Wednesday, demanding that it lay out plans for reducing its trade surplus with the United States by $1 billion, which appeared to have been raised during a meeting with a top Chinese official last week.
China's latest trade date released on Thursday showed its February exports rose 44.5 percent from a year earlier, beating market expectations, while imports grew 6.3 percent.
Trump is also considering potential trade sanctions against China under a "Section 301" investigation into its intellectual property practices and pressure on foreign companies for technology transfers.
Diplomatic and U.S. business sources say the United States has all but frozen a formal mechanism for talks on commercial disputes with China because it is not satisfied it has met its promises to ease market restrictions.

Experts have identified the areas where an out-of-control Chinese space station could crash down in the coming weeks.
https://www.cnbc.com/2018/03/08/chinas-tiangong-1-space-station-crash-site-narrowed-down.html
Launched in 2011, the 8.5-ton Tiangong-1 space laboratory, also known as "Heavenly Palace" has been gradually decaying and, in 2016, authorities admitted its functions were failing.
In the latest assessment, the U.S.-funded Aerospace Corporation said while it is impossible to plot exactly where the module will touch down, certain regions stand a higher chance.
Aerospace identified northern China, the Middle East, central Italy, northern Spain and the northern states of the US, New Zealand, Tasmania, parts of South America and southern Africa.

The problem facing the sector in a nutshell is too much senior housing stock added in too short a timeframe. With more than 10,000 baby boomers turning 65 each day, it would seem demand would be fairly strong.
http://www.costar.com/News/Article/Senior-Housing-Sector-Suffering-Effects-from-Recent-Supply-Glut/198789
The problem, as noted in the Year-End 2017 Seniors Housing Investor Survey by JLL, is that developers jumped in and built thousands of units of new senior housing, resulting in inventory far outpacing absorption last year, although construction of new units appears to be leveling off.
Overbuilding issues are most prevalent in outlying suburban areas, where product is relatively easy to develop quickly, JLL notes.
While demographics favor the long-term prospects for the senior housing sector, investors are concerned with the market today, which right now is not a pretty picture.
Under pressure from shareholders, several REITs in the senior housing sector are changing operators, slashing dividends, and undertaking strategic reviews.
Elevated senior housing supply remains the biggest issue affecting the senior housing sector,

according to analysts at Morgan Stanley Research. Developers have been very active on the senior housing front, expanding total inventory by 3.2% compared to the long-term average of 2% for the senior housing sector.

For public REITs in the sector, growth is also being hampered by higher prices for the best properties, a higher cost of capital, and operator-specific issues.

Big oil and big corn are touting opposing studies released this week on proposed biofuels policy reforms under consideration by the Trump administration, part of an ongoing clash between the two sides over the future of the program.

https://www.reuters.com/article/us-usa-biofuels-studies/oil-and-corn-tout-dueling-studies-on-future-of-u-s-biofuel-program-idUSKCN1GK1JY?il=0

Valero Energy Corp (VLO.N), a major oil refiner, funded a study by Charles River Associates that supports placing a cap on the price of biofuel blending credits under the U.S. Renewable Fuel Standard (RFS) - a change meant to help refiners that complain the RFS now costs them a fortune.

A rival report from Iowa State University, also released this week, said such a cap on credits would backfire by eroding U.S. demand for corn-based ethanol and potentially lowering corn prices, already under pressure from a supply glut. The corn industry did not directly fund the Iowa State study, but does provide funding to the university.

The studies are meant to inform the administration's deliberations on how, and if, to reform the RFS - which has become a major point of tension between two of President Donald Trump's most important constituencies.

The RFS requires oil refiners to blend increasing amounts of biofuels, mainly corn-based ethanol, into the fuel supply each year, or buy the renewable fuel credits, called RINs, from other companies that do the blending.

The regulation was introduced during the administration of President George W. Bush to help farmers, cut petroleum imports, and improve air quality. But a surge in the price of RINs in recent years has upset merchant refiners who say the policy now costs them hundreds of millions of dollars a year.

Trump waded deeply into the debate last week, urging representatives of both sides to accept a compromise deal that caps prices for the credits while also removing seasonal limits on high-ethanol blend gasolines to expand the biofuels market.

A cap would control costs for small refiners and help them stay afloat, said Brendan Williams, vice president of government relations for refining company PBF Energy (PBF.N).

The biofuels industry likes the idea of expanding high-ethanol blend gasoline sales, but has pushed back on the idea of a cap. "The RFS is a well-designed program," said Brooke Coleman, head of the Advanced Biofuels Business Council. "Part of the whole mechanism working is that the price of RINs may go up, and so you should go long on biofuels."

"It's a strategy to kill the RFS and to kill the economic incentive to blend," said Coleman, referring to a 10-cent cap.

EQUITIES

The S&P is **+5** and the NASDAQ is **+30.**
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>

UK/EUROPE

In the UK the FTSE closed +0.01%.
In the UK, the swap curve is steeper with yields higher.
BOE Rate +0.50%. (No change)
Next meeting 03/22/18

On the European Continent
The CAC Index closed +0.30%.
The DAX Index closed -0.33%.
On the Continent, the swap curve is slightly flatter with yields mixed.
ECB Main Refinancing Operations Rate +0.00% (No change)
Deposit Facility Rate -.40%
Next meeting 03/08/18

ASIA

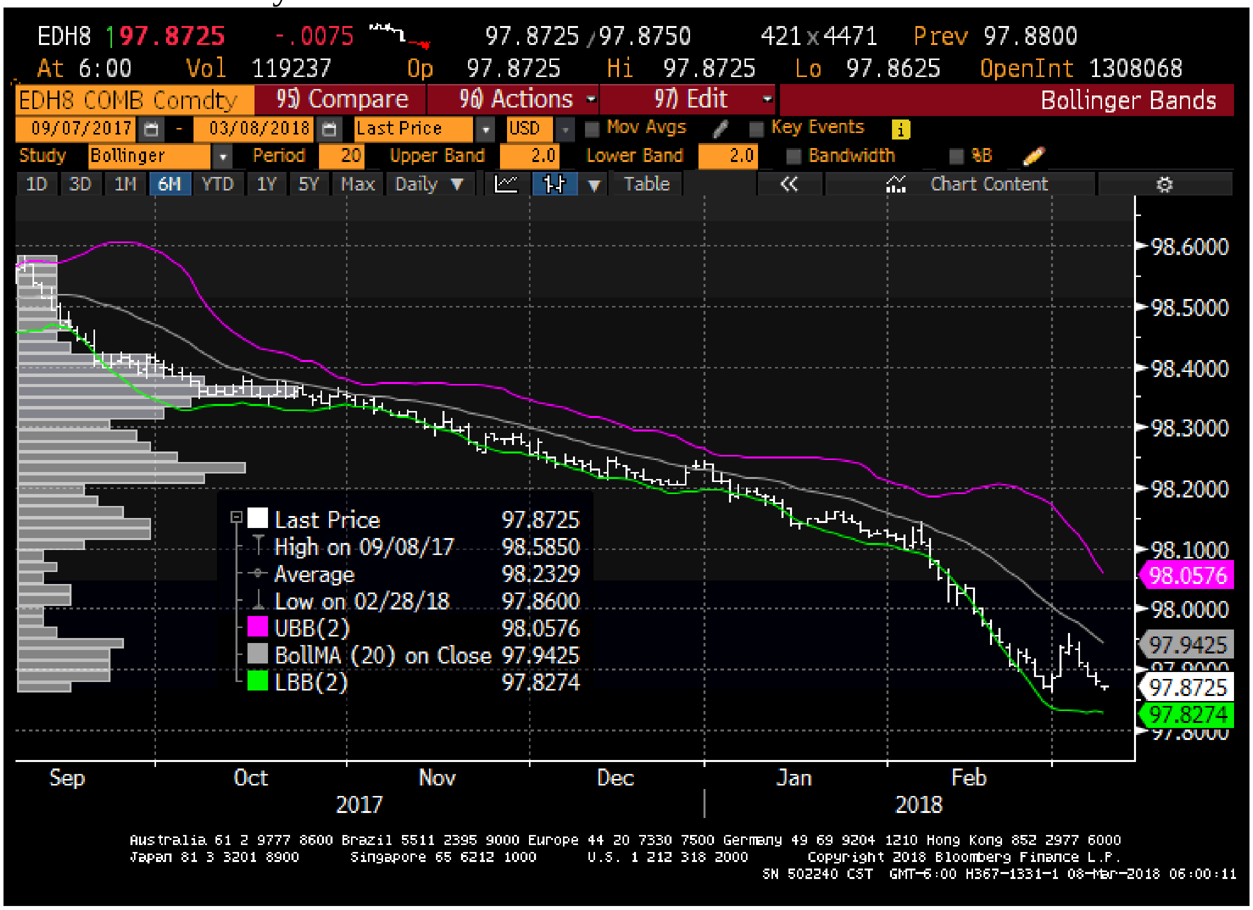
Japan:
The TOPIX closed +0.35%.
The NIKKEI closed +0.54%.
In Japan, the swap curve is steeper with yields largely higher.
BOJ Policy Balance Rate -0.10% (No change)
Next meeting 03/09/18

China:
The Hang Seng closed +1.52%.
The Shanghai Composite closed +0.51%.
PBOC
Deposit Rate: 1.50%
Lending Rate: 4.35%
7-Day Repo Rate: 2.8343%
Reserve Requirement Ratio: 17.00%

THE TREND

EDH8: 97-94.25 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-82.75**.
Resistance is at 97-94.25^ and 98-05.75**.
^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)

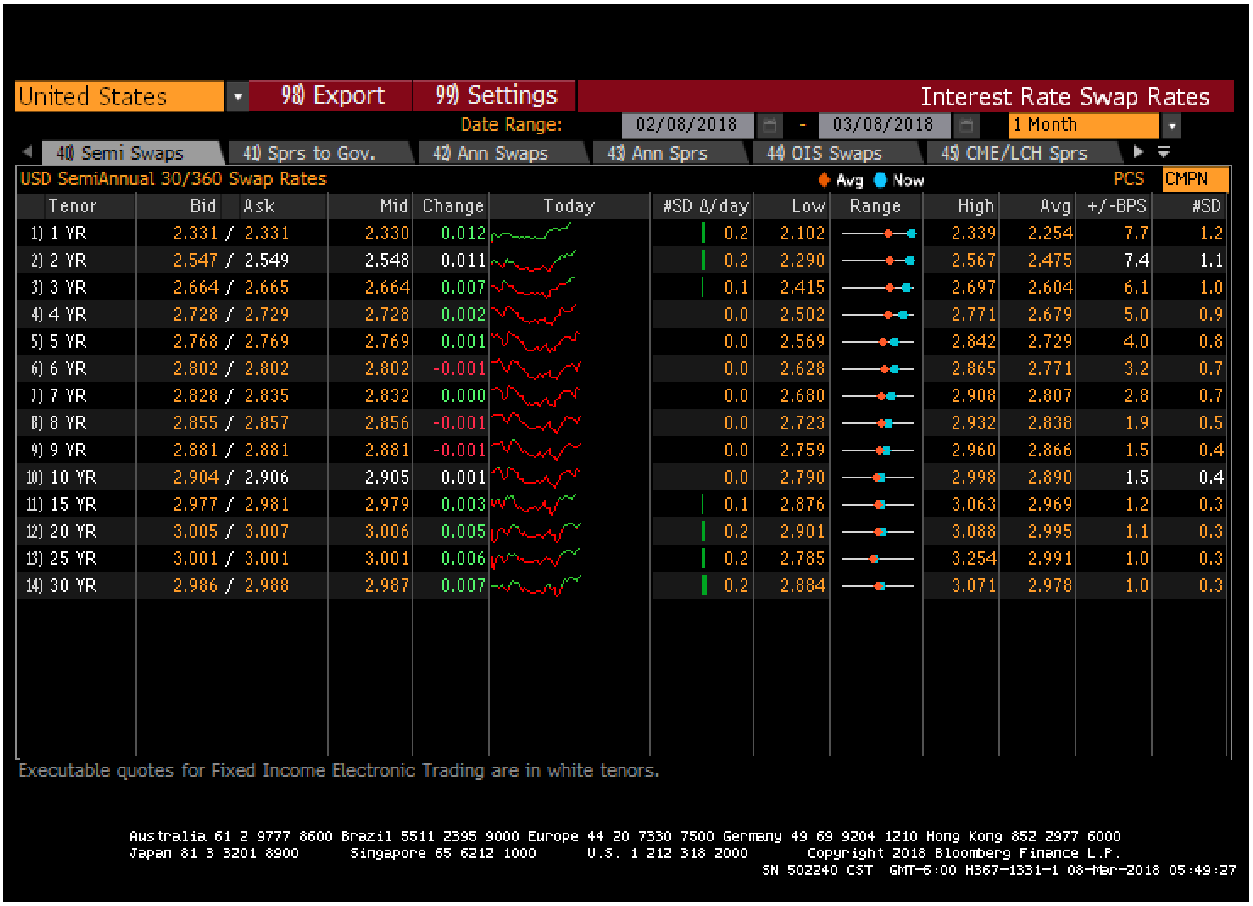
10yr/TYM8: **120-03.0** is the pivot point. Above you should be long, below short.
Support is at **119-18.0****
Resistance is at **120-03.0^** and **120-20.0****
^Pivot Point is a simple 20-day moving average**.**
** 2-STD Deviations from the pivot point

Trend that had you long from 120-06.0 (3/6/18) has rolled over, resulting in a five tick loss. Current trend has you short from 120-01.0 (3/7/18).

YTD (per contract)
(2018) +56.0 futures ticks ($31.25 per tick) or +$1.750.00.
(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.

US-SWAPS

IRSB <GO>



Tenor	Bid / Ask	Mid	Change	Today	#SD Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2.331 / 2.331	2.330	0.012		0.2	2.102		2.339	2.254	7.7	1.2
2) 2 YR	2.547 / 2.549	2.548	0.011		0.2	2.290		2.567	2.475	7.4	1.1
3) 3 YR	2.664 / 2.665	2.664	0.007		0.1	2.415		2.697	2.604	6.1	1.0
4) 4 YR	2.728 / 2.729	2.728	0.002		0.0	2.502		2.771	2.679	5.0	0.9
5) 5 YR	2.768 / 2.769	2.769	0.001		0.0	2.569		2.842	2.729	4.0	0.8
6) 6 YR	2.802 / 2.802	2.802	-0.001		0.0	2.628		2.865	2.771	3.2	0.7
7) 7 YR	2.828 / 2.835	2.832	0.000		0.0	2.680		2.908	2.807	2.8	0.7
8) 8 YR	2.855 / 2.857	2.856	-0.001		0.0	2.723		2.932	2.838	1.9	0.5
9) 9 YR	2.881 / 2.881	2.881	-0.001		0.0	2.759		2.960	2.866	1.5	0.4
10) 10 YR	2.904 / 2.906	2.905	0.001		0.0	2.790		2.998	2.890	1.5	0.4
11) 15 YR	2.977 / 2.981	2.979	0.003		0.1	2.876		3.063	2.969	1.2	0.3
12) 20 YR	3.005 / 3.007	3.006	0.005		0.2	2.901		3.088	2.995	1.1	0.3
13) 25 YR	3.001 / 3.001	3.001	0.006		0.2	2.785		3.254	2.991	1.0	0.3
14) 30 YR	2.986 / 2.988	2.987	0.007		0.2	2.884		3.071	2.978	1.0	0.3

The Option Lab

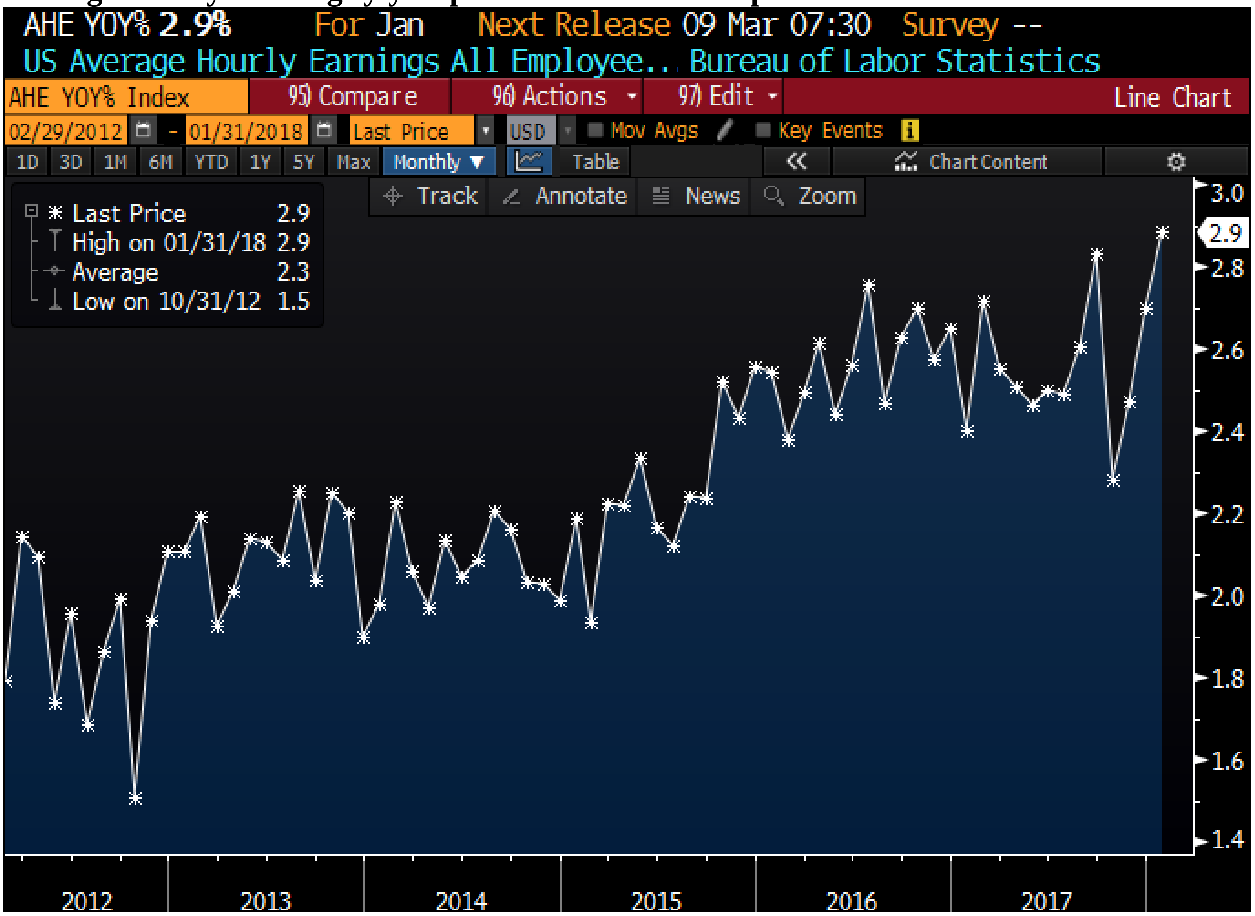
Trade Log:
Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks ($50) per contract (12/07/17).
Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.
The put fly was sold on 2/7/18 for a 1.25 tick ($31.25) winner.

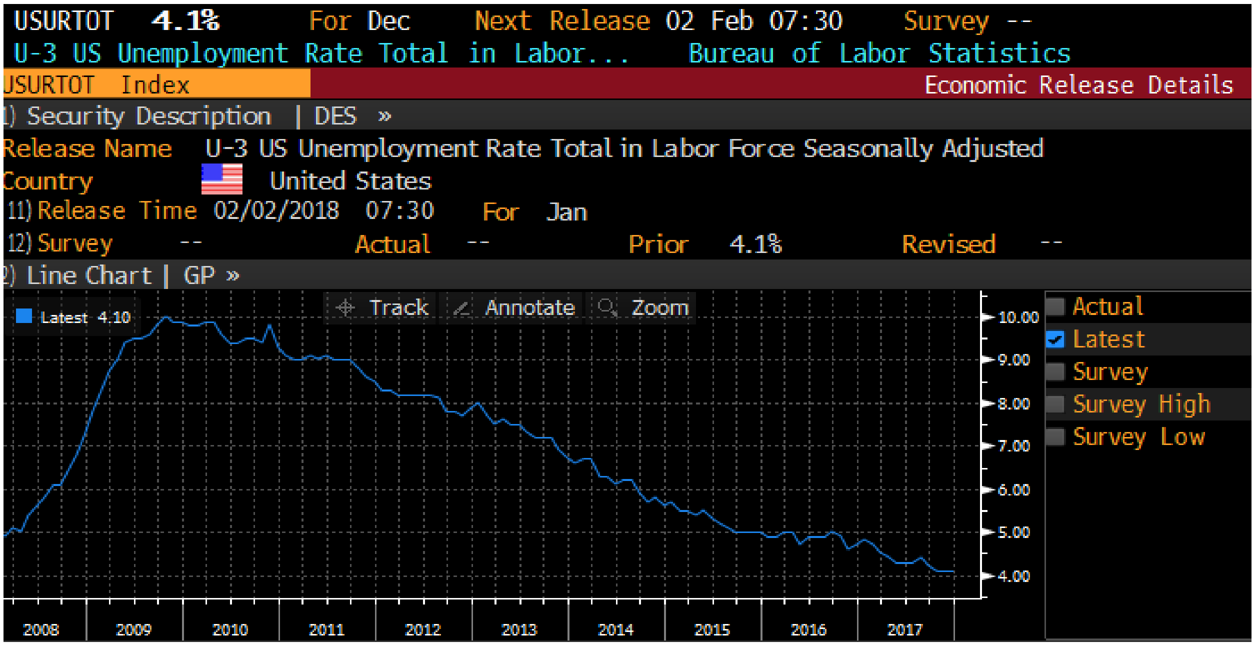
Option Book 2018 YTD realized: +$31.25 per contract.
Option Book 2017 YTD realized: -$228.13 per contract.
Option Book 2016 YTD realized: +$43.75 per contract.

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.	2 March 2018	981	+3	23 Febuary 2018	+225	3 March 2017
Canada	2 March 2018	302	-4	23 Febuary 2018	-33	3 March 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.

The Association of American Railroads (AAR) today reported U.S. rail traffic for the week ending March 3, 2018, as well as volumes for February 2018.

U.S. railroads originated 1,028,141 carloads in February 2018, down 0.3 percent, or 2,753 carloads, from February 2017. U.S. railroads also originated 1,104,001 containers and trailers in February 2018, up 6.9 percent, or 70,970 units, from the same month last year. Combined U.S. carload and intermodal originations in February 2018 were 2,132,142, up 3.3 percent, or 68,217 carloads and intermodal units from February 2017.

In February 2018, nine of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with February 2017. These included: crushed stone, sand & gravel, up 6,329 carloads or 7.5 percent; chemicals, up 4,286 carloads or 3.4 percent; and metallic ores, up 2,510 carloads or 19.4 percent. Commodities that saw declines in February 2018 from February 2017 included: coal, down 5,801 carloads or 1.7 percent; grain, down 4,712 carloads or 5.3 percent; and motor vehicles & parts, down 3,283 carloads or 4.5 percent.

"Rail carloads in February, like in many other recent months, were held back by declines in coal, grain, and motor vehicles," said AAR Senior Vice President John T. Gray. "Declines in those categories are unfortunate, but they don't reflect general weakness in the economy. Excluding them, carloads were up a reasonably solid 2.1% in February. Moreover, February 2018 was the best month ever for carloads of chemicals and the second-best month ever for intermodal. While these are good signs for the broader economy going forward, they are potentially compromised by the uncertainty created by recent developments in trade policy."

Excluding coal, carloads were up 3,048 carloads, or 0.4 percent, in February 2018 from February 2017. Excluding coal and grain, carloads were up 7,760 carloads, or 1.3 percent.

Total U.S. carload traffic for the first two months of 2018 was 2,245,546 carloads, down 2 percent, or 45,184 carloads, from the same period last year; and 2,414,142 intermodal units, up 5 percent, or 115,153 containers and trailers, from last year.

Total combined U.S. traffic for the first nine weeks of 2018 was 4,659,688 carloads and intermodal units, an increase of 1.5 percent compared to last year.

Week Ending March 3, 2018

Total U.S. weekly rail traffic was 544,194 carloads and intermodal units, up 5.8 percent compared with the same week last year.

Total carloads for the week ending March 3 were 264,659 carloads, up 1.3 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 279,535 containers and trailers, up 10.4 percent compared to 2017.

Six of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included chemicals, up 1,941 carloads, to 33,983; miscellaneous carloads, up 1,142 carloads, to 11,766; and nonmetallic minerals, up 899 carloads, to 34,680. Commodity groups that posted decreases compared with the same week in 2017 included grain, down 797 carloads, to 23,198; forest products, down 481 carloads, to 9,813; and motor vehicles and parts, down 239 carloads, to 18,368.

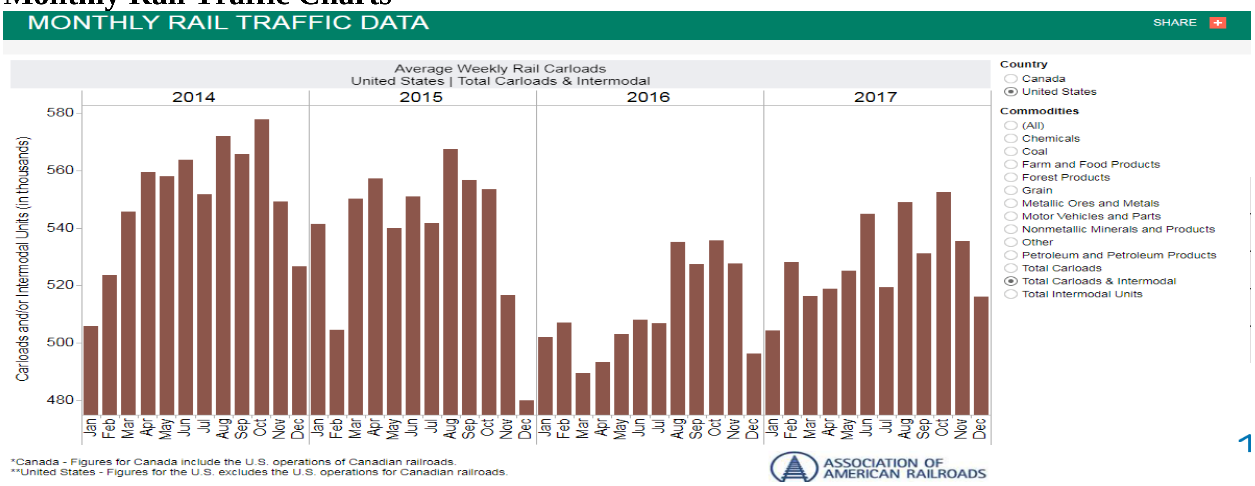
North American rail volume for the week ending March 3, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 366,104 carloads, up 0.9 percent compared with the same week last year, and 368,540 intermodal units, up 10.7 percent compared with last year. Total combined weekly rail traffic in North America was 734,644 carloads and intermodal units, up 5.6 percent. North American rail volume for the first nine weeks of 2018 was 6,263,524 carloads and intermodal units, up 1.2 percent compared with 2017.

Canadian railroads reported 79,469 carloads for the week, down 1.2 percent, and 70,595 intermodal units, up 16.4 percent compared with the same week in 2017. For the first nine weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 1,261,814 carloads, containers and trailers, up 0.7 percent.

Mexican railroads reported 21,976 carloads for the week, up 4.7 percent compared with the same week last year, and 18,410 intermodal units, down 2.8 percent. Cumulative volume on Mexican railroads for the first nine weeks of 2018 was 342,022 carloads and intermodal containers and trailers, down 0.9 percent from the same point last year.

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

Monthly Rail Traffic Charts



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

Trailer Truck Demand
(Bloomberg Intelligence) – 03/05/18

Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) --Relative North American spot-trucking demand jumped 13% sequentially to a 2018 high of 47.4 in the week ended March 2, based on Truckstop.com's Market Demand Index, as a winter storm that ripped through the Mid-Atlantic and Northeast compounded pressure from regulatory capacity constraints. Capacity tightened as the 14% increase in available loads outpaced the 1.1% gain in available trucks. Average spot rates, excluding fuel surcharges, rose for the fourth-straight week (up 3%) to $2.02 a mile.

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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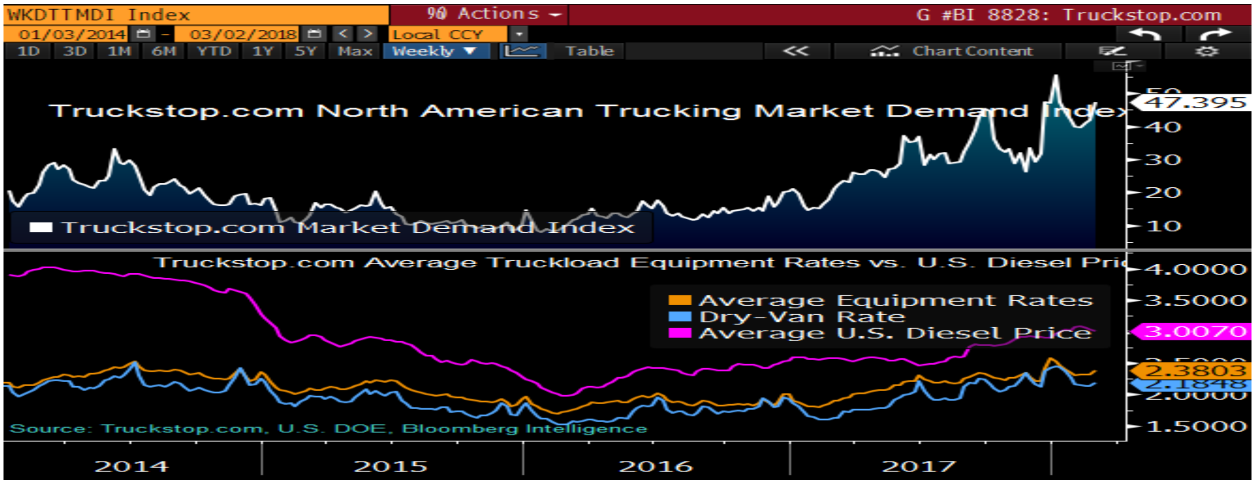
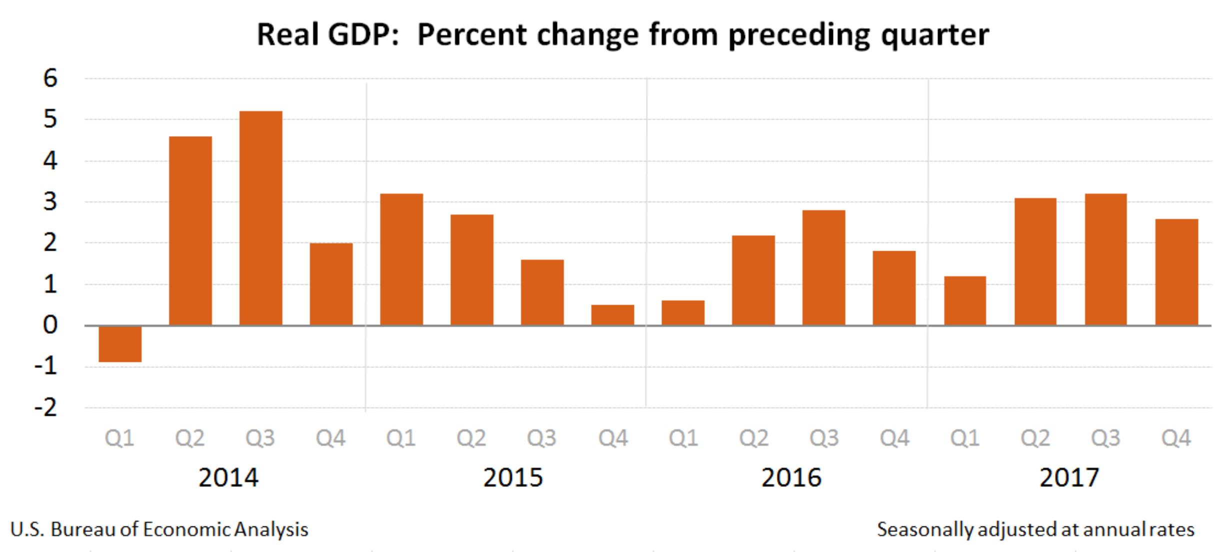


GDP
U.S. Department of Commerce, Bureau of economic analysis
http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets



GDP-1Q is running at *2.87% as of 3/7/18 v. *3.35% on 3/2/18
***simple average of the three regionals.**

Atlanta Fed GDPNow…Latest forecast Q1: 2.8% — March 7, 2018
The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is **2.8 percent** on March 7, down from 3.5 percent on March 1. The nowcasts of first-quarter real consumer spending growth and first-quarter real nonresidential equipment investment growth declined from 2.9 percent and 10.1 percent, respectively, to 2.6 percent and 6.9 percent, respectively, after the light vehicle sales release from the U.S. Bureau of Economic Analysis on March 2. The nowcast of the contribution of net exports to first-quarter real GDP

growth declined from -0.43 percentage points to -0.59 percentage points after this morning's international trade release from the U.S. Census Bureau.

The next GDPNow update is Wednesday, March 9. 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: 2.81%…March 7, 2018
https://fred.stlouisfed.org/series/GDPNOW

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
OVERALL ECONOMY				Growing	Faster	106
Manufacturing Sector				Growing	Faster	18

Average for 12 months - 58.0

High - 60.8

Low - 55.3

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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