



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

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

United States Browse 15:01:53 04/03/18 - 04/09/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	04/03					Wards Domestic Vehicle Sales	Mar	13.10m	--	12.94m	--
22)	04/03					Wards Total Vehicle Sales	Mar	16.90m	--	16.96m	--
23)	04/04	06:00				MBA Mortgage Applications	Mar 30	--	--	4.8%	--
24)	04/04	07:15				ADP Employment Change	Mar	210k	--	235k	--
25)	04/04	08:45				Markit US Services PMI	Mar F	54.2	--	54.1	--
26)	04/04	08:45				Markit US Composite PMI	Mar F	--	--	54.3	--
27)	04/04	09:00				ISM Non-Manf. Composite	Mar	59.0	--	59.5	--
28)	04/04	09:00				Factory Orders	Feb	1.7%	--	-1.4%	--
29)	04/04	09:00				Factory Orders Ex Trans	Feb	--	--	0.4%	--
30)	04/04	09:00				Durable Goods Orders	Feb F	--	--	3.1%	--
31)	04/04	09:00				Durables Ex Transportation	Feb F	--	--	1.2%	--
32)	04/04	09:00				Cap Goods Orders Nondef Ex Air	Feb F	--	--	1.8%	--
33)	04/04	09:00				Cap Goods Ship Nondef Ex Air	Feb F	--	--	1.4%	--
34)	04/05	06:30				Challenger Job Cuts YoY	Mar	--	--	-4.3%	--
35)	04/05	07:30				Initial Jobless Claims	Mar 31	225k	--	215k	--
36)	04/05	07:30				Continuing Claims	Mar 24	1843k	--	1871k	--
37)	04/05	07:30				Trade Balance	Feb	-\$56.8b	--	-\$56.6b	--
38)	04/05	08:45				Bloomberg Consumer Comfort	Apr 1	--	--	56.8	--
39)	04/06	07:30				Change in Nonfarm Payrolls	Mar	185k	--	313k	--

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 CDT GMT-6:00 H139-1930-2 02-Apr-2018 15:01:53

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		15:05:18		04/02/18		- 04/30/18			
Central Banks		All Central Banks				View		Agenda		Weekly	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	04/04 08:45				Fed's Bullard Speaks on U.S. Economy and Monetary Policy						
22)	04/04 10:00				Fed's Mester Speaks on Diversity in Economics						
23)	04/05 12:00				Fed's Bostic Speaks on Financial Literacy						
24)	04/06 12:30				Fed Chairman Powell to Give Speech on Economic Outlook						
25)	04/07 09:30				Fed's Evans Speaks on the Economy and Monetary Policy						
26)	04/11 13:00				FOMC Meeting Minutes	Mar 21	--	--	--	--	
27)	04/13 08:00				Fed's Bullard Speaks on Living Standards across U.S. Cities						
28)	04/17 08:15				Fed's Williams Speaks at NABE Conference in Madrid						
29)	04/17 09:00				Fed's Quarles to Testify Before House Financial Services panel						
30)	04/17 12:10				Fed's Evans Discusses Economic Outlook						
31)	04/18 13:00				U.S. Federal Reserve Releases Beige Book						
32)	04/19 08:10				Fed's Quarles Speaks at Institute of International Finance Eve						
33)	04/20 08:40				Fed's Evans Speaks on the Economy and Monetary Policy						

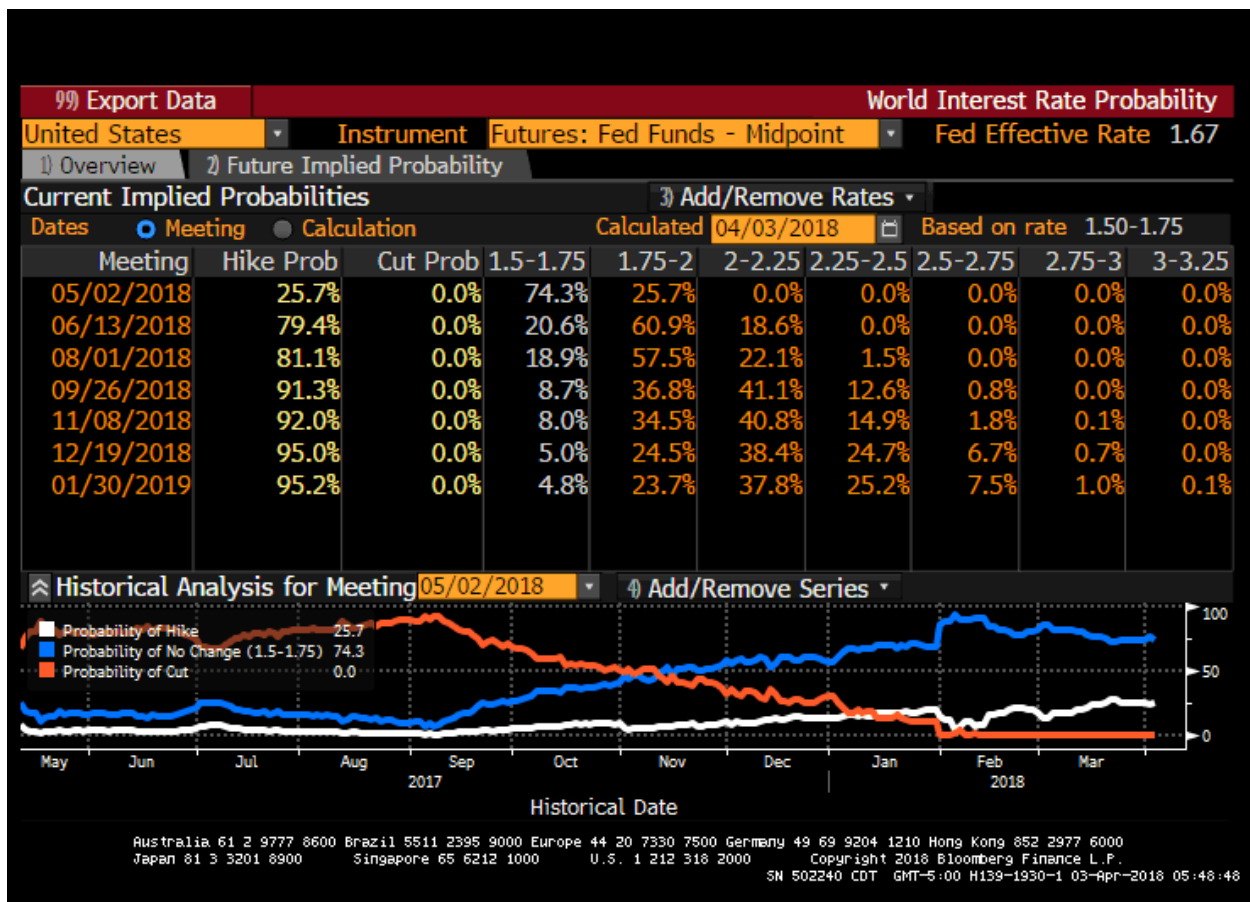
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018
4-week	04/09/2018	04/03/2018	04/05/2018	912796PC7		\$55	03/27/2018
3-month	04/05/2018	04/09/2018	04/12/2018	912796PQ6		TBA	04/02/2018
6-month	04/05/2018	04/09/2018	04/12/2018	912796NZ8		TBA	04/02/2018
1-year	04/19/2018	04/24/2018	04/26/2018	TBA		TBA	03/27/2018
Note Auctions							
2-year	04/19/2018	04/24/2018	04/30/2018	TBA		TBA	03/26/2018
3-year	04/05/2018	04/10/2018	04/16/2018	9128284G2		TBA	03/12/2018
5-year	04/19/2018	04/25/2018	04/30/2018	TBA		TBA	03/27/2018
7-year	04/19/2018	04/26/2018	04/30/2018	TBA		TBA	03/28/2018
10-year	04/05/2018	04/11/2018	04/16/2018	9128283W8	R	TBA	03/12/2018
Bond Auctions							
30-year	04/05/2018	04/12/2018	04/16/2018	912810SA7	R	TBA	03/13/2018

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TIPS Auctions								
5-yr TIPS	04/12/2018	04/19/2018	04/30/2018	TBA	TBA	12/21/2017	\$14	
10-yr TIPS	05/10/2018	05/17/2018	05/31/2018	TBA	R	TBA	03/22/2018	\$11
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	04/19/2018	03/28/2018	04/02/2018	9128283T5	R	\$15	02/21/2018	\$15
Buyback Operation								
Buyback	TBA	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, March 2018
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			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.7	2.4	2.0	1.8	2.6-3.0	2.2-2.6	1.8-2.1	1.8-2.0	2.5-3.0	2.0-2.8	1.5-2.3	1.7-2.2
December projection	2.5	2.1	2.0	1.8	2.2-2.6	1.9-2.3	1.7-2.0	1.8-1.9	2.2-2.8	1.7-2.4	1.1-2.2	1.7-2.2
Unemployment rate	3.8	3.6	3.6	4.5	3.6-3.8	3.4-3.7	3.5-3.8	4.3-4.7	3.6-4.0	3.3-4.2	3.3-4.4	4.2-4.8
December projection	3.9	3.9	4.0	4.6	3.7-4.0	3.6-4.0	3.6-4.2	4.4-4.7	3.6-4.0	3.5-4.2	3.5-4.5	4.3-5.0
PCE inflation	1.9	2.0	2.1	2.0	1.8-2.0	2.0-2.2	2.1-2.2	2.0	1.8-2.1	1.9-2.3	2.0-2.3	2.0
December projection	1.9	2.0	2.0	2.0	1.7-1.9	2.0	2.0-2.1	2.0	1.7-2.1	1.8-2.3	1.9-2.2	2.0
Core PCE inflation ⁴	1.9	2.1	2.1		1.8-2.0	2.0-2.2	2.1-2.2		1.8-2.1	1.9-2.3	2.0-2.3	
December projection	1.9	2.0	2.0		1.7-1.9	2.0	2.0-2.1		1.7-2.0	1.8-2.3	1.9-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.1	2.9	3.4	2.9	2.1-2.4	2.8-3.4	3.1-3.6	2.8-3.0	1.6-2.6	1.6-3.9	1.6-4.9	2.3-3.5
December projection	2.1	2.7	3.1	2.8	1.9-2.4	2.4-3.1	2.6-3.1	2.8-3.0	1.1-2.6	1.4-3.6	1.4-4.1	2.3-3.0

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 December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 12-13, 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 December 12-13, 2017, meeting, and one participant did not submit such projections in conjunction with the March 20-21, 2018, 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/fomcprojtab120180321.pdf>

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Libor Set

1-Month Libor Set	1.87750	-.00563	(98.12250)
3-Month Libor Set	2.32084	+.00909	(98.67916)
6-Month Libor Set	2.45988	+.00738	(97.54012)
1-Year Libor Set	2.67000	+.00737	(97.33000)

THEY SAID IT

The IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) inched up to 55.1 in March from a downwardly revised 55.0 in February, beating the 54.7 consensus forecast in a Reuters poll of economists.

<https://www.reuters.com/article/us-britain-economy-pmi/uk-manufacturing-growth-cools-to-one-year-low-pmi-idUSKCN1HA0XP>

But January's reading was also revised lower and for the first quarter as a whole, the PMI was its lowest in a year, though above its average since Britain exited recession in the third quarter of 2009 following the financial crisis.

This suggested factory output rose at a quarterly rate of about 0.4 percent to 0.5 percent, slowing from 1.3 percent in the fourth quarter of 2017, IHS Markit said.

"It's pretty likely they're going to have to go to the capital markets in the not-too-distant future," said Bruce Clark, a credit analyst at Moody's Investors Service. Tesla has \$1.2 billion of debt maturing in the next 12 months and is expected to burn through \$2 billion of cash this year. After repeatedly missing Model 3 production milestones, raising money could prove difficult, he said. "Their credibility has taken some hits."

<https://www.bloomberg.com/news/articles/2018-04-03/musk-needs-to-recharge-tesla-s-finances-to-make-the-model-3-go>

Tesla is burning through more than \$6,500 of cash every minute and would run out of funds before year-end without more financing, according to data compiled by Bloomberg. Musk has proven adept at raising money before, but it's likely to be more expensive this time. The unsecured bonds Tesla sold just months ago are trading near record lows, and a similar sale is less likely because investors probably would demand a yield of at least 10 percent. That's almost double the 5.3 percent Tesla had to offer last time.

Alternatives include debt that can be converted to stock.

"This is a company about growth, and growth needs financing," said CreditSights analyst Hitin Anand, who estimates that Tesla will have to raise about \$2 billion in the next six months, likely through a combination of equity and convertible debt. "You got lucky the first time around," on the unsecured bond sale, Anand said. "If you test the market a second time and it fails, that loses confidence and hurts the equity even more."

When a Tesla Inc. Model X slammed into a concrete highway barrier in California last month, the vehicle's computers contained a wealth of information about the moments leading to the fatal accident.

<https://www.bloomberg.com/news/articles/2018-04-03/teslas-don-t-have-black-boxes-making-u-s-crash-probes-harder>

The problem for U.S. accident investigators is that the information wasn't easily accessible. The

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data stored on the Tesla is in a proprietary format that can only be accessed by the company. Similarly, the information the vehicles beam to Tesla computers on a regular basis can't be obtained without the company's cooperation.

"It makes a challenging investigation more so," said Peter Goelz, a former managing director at the [National Transportation Safety Board](#) who is now senior vice president at O'Neill & Associates, a Washington lobbying and public relations firm.

Unlike the trove of information contained on an airplane's crash-proof recorders -- the so-called "black boxes" that capture flight data and sounds from the cockpit in an easy-access format -- the NTSB needs the help of automakers such as Tesla to view the information from the growing number of autonomous and semi-autonomous vehicles.

"Reporting sales quarterly better aligns with our business, and the quality of information will make it easier to see how the business is performing," said Kurt McNeil, U.S. vice president, Sales Operations for General Motors.

<https://www.cnbc.com/2018/04/02/gm-drops-monthly-sales-reports-will-report-quarterly-instead.html>

The automaker says dropping monthly sales reports was driven by a number of factors, including the desire to stop the volatility that sometimes exaggerates monthly sales. GM says unusual weather, product launches or incentive campaigns can skew monthly numbers up or down.

"Thirty days is not enough time to separate real sales trends from short-term fluctuations in a very dynamic, highly competitive market," said McNeil.

The move paves the way for other automakers to do the same thing. In the early 1990's, many automakers reported sales every ten days, while [Chrysler](#) posted its numbers on a monthly basis. By the mid-90's all of the major automakers were on a monthly sales schedule.

Will Wall Street and investors care? Maybe not.

Few topics are less conducive to rational debate than the national debt. One of the most divisive questions is whether a country can get into trouble issuing debt in a currency it controls. Surely, a nation would face bigger problems if it borrows in foreign currencies or gold 1 than if it only promises to repay in scrip it can print itself. But how much of an advantage is it to control the borrowing currency?

<https://www.bloomberg.com/view/articles/2018-04-02/inflation-could-help-ease-the-u-s-s-debt-burden>

In the extreme, some people imagine that the U.S. could simply print lots of \$1,000 bills 2 to pay Treasury debt as it comes due. That's not realistic. Investors would treat such an action as a default, and that's what it would be. 3 There would be the same financial and diplomatic repercussions and the same downstream bankruptcies as if the government simply refused to pay. Moreover, the economy would lose its currency. Private debts and nominal contract revenues denominated in dollars would become worthless. The U.S. would be much wiser to negotiate a restructuring.

A more reasonable scenario would be if the U.S. allowed mild inflation to reduce the purchasing power of the dollars needed to repay the debt. 4 The difficulty here is that while inflation reduces the value of the existing debt, it causes investors to demand higher interest on future debt. If the U.S. had the fiscal discipline to pay off debt out of income as it came due, this would not be a problem. But if America had that kind of fiscal discipline, it wouldn't have any debt problems in the first place. 5

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With the F-22 Raptor and the F-35 Lightning II, the U.S. has fielded two of the world's most sophisticated, maneuverable and stealthy fighter jets. They both function as airborne shepherds of America's flock of older combat aircraft, using their state-of-the-art systems to communicate threats and targets on the ground and in the air.

<https://www.bloomberg.com/news/articles/2018-04-02/why-america-s-two-top-fighter-jets-can-t-talk-to-each-other>

Unfortunately, they have a difficult time communicating with each other.

The F-22, originally designed as an air superiority fighter, dates to the mid-1980s and was created to dispense near-invisible lethality against Soviet targets before the enemy knew it was there. The plane's requirements for maximum stealth extended to its communications systems, since they can betray an aircraft's location. But budget considerations and initial optimism about a post-Cold War world cut short its production. In 2009, then-Defense Secretary Robert Gates [ended](#) the program.

And that's where the problem begins. Had the Air Force gotten all the F-22s it wanted—more than double the 183 or so it has—integration of its systems with another fleet of “fifth generation” fighters wouldn't have been as critical. The F-22's Intra-Flight Data Link (IFDL) is much older than the system used on the newer F-35. While the F-22's IFDL protocol can receive data from the F-35 and other allied aircraft, such as the F-16 and Eurofighter Typhoon, it can't transmit the vast array of situational data it collects.

North Korean ruler [Kim Jong Un](#) should be canceled, according to a political scientist who said the U.S. leader isn't prepared for such high-stakes negotiations.

<https://www.cnbc.com/2018/04/03/donald-trump-isnt-prepared-to-meet-kim-jong-un-meeting-experts.html>

The meeting is simply too risky because Trump apparently has a limited knowledge of [North Korea's complex politics](#), Robert Kelly, associate professor at Pusan National University, told CNBC.

Trump "doesn't know a great deal about Korea — we know that he doesn't read very much, he watches a lot of television and his national security staff is sort of in chaos right now," he said, referring to the recent [appointment of National Security Adviser John Bolton](#).

In contrast, "the North Koreans have been working on this stuff for a long time, so they're going to come in there and know every single detail and they're going to be ready to negotiate down deep into the weeds," Kelly stated.

"The first thing Kim Jong Un is going to do in the room is give a 40-minute speech about U.S. war crimes going back to the Korean War," Kelly continued, posing the question of whether the president is "ready to sit there and listen" as Kim talks.

"I realized it's very hard," Sawanobori told CNBC. With few holidays, and working on average 16 hours a day, he said he was "exhausted, and that's why I gave it up."

"Right now, especially in the food service industry, they have a serious lack of labor because people tend to avoid these kinds of jobs, doing daily, repetitive" tasks, he said. "It's very hard and overwhelming for people ... they usually work very long, like 12 hours, or some people work 15 hours a day."

<https://www.cnbc.com/2018/04/02/working-in-japan-robots-might-solve-labor-problems.html>

He explained that the situation is becoming more severe as Japan's population continues to shrink, putting more pressure on active workers.

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He's now president at Connected Robotics, a start-up that is backed by the Japanese arm of early-stage venture firm 500 Startups.

The company plans to sell a robot this summer that, according to Sawanobori, can help restaurants prepare a popular street food called Takoyaki — batter balls filled with minced octopus. He explained that the robot can put the ingredients together on the hot grill pan and tend to balls as they're being cooked.

There were 15 murders in London in February against 14 in New York, according to London's Metropolitan Police Service and the New York Police Department. For March, 22 murders were investigated in London, with 21 reports in New York.

Including January's figures, there have still been more murders in New York, which has a similar-sized population to London, but British politicians and police are increasingly expressing concern about the higher UK numbers, driven by a surge in knife crime.

<https://www.reuters.com/article/us-britain-crime-murder/violent-scourge-on-london-streets-as-murder-figures-overtake-new-york-idUSKCN1HA1DH?il=0>

Britain's most senior officer, London police chief Cressida Dick, said gangs were using online platforms to glamorize violence, adding that disputes between young people could escalate within minutes on social media.

"It makes [violence] faster, it makes it harder for people to cool down," she told the Times. "I'm sure it does rev people up."

China said late on Sunday it will slap an extra 15 percent tariff on ethanol imports from the United States, part of its response to U.S. duties on aluminum and steel imports. The previous duty was 30 percent.

<https://www.reuters.com/article/us-usa-trade-china-ethanol/china-tariffs-on-u-s-ethanol-to-cut-off-imports-in-short-term-idUSKCN1H90RO>

The tariffs, effective Monday, will neutralize cost savings from importing cheaper U.S. ethanol versus domestic supply, said three sources that participate in the market. Ethanol, an alcohol typically produced from corn or sugar, is often mixed with gasoline to reduce air pollution from vehicle emissions.

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EQUITIES

The S&P is **+13** and the NASDAQ is **+42**.

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 -0.21%.

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

BOE Rate +0.50%. (No change)

Next meeting 05/10/18

On the European Continent

The CAC Index closed -0.39%.

The DAX Index closed -0.87%.

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

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

Deposit Facility Rate -.40%

Next meeting 04/26/18

ASIA

Japan:

The TOPIX closed -0.29%.

The NIKKEI closed -0.45%.

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

BOJ Policy Balance Rate -0.10% (No change)

Next meeting 04/27/18

China:

The Hang Seng closed +0.29%.

The Shanghai Composite closed -0.84%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.7603%

Reserve Requirement Ratio: 17.00%

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THE TREND

EDM8: 97-70.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-64.5**.

Resistance is at 97-70.5^ and 97-76.0**.

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

** 2-STD Deviations from the pivot point.

I remain flat until a clearer trend emerges.



YTD (per contract)

2018 +34.5 ticks (+\$862.50)

2017 +33.0 ticks (+\$825.00)

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10yr/TYM8: 120-15.0 is the pivot point. Above you should be long, below short.

Support is at 119-22.5**

Resistance is at 120-15.0^ and 121-08.0**

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

** 2-STD Deviations from the pivot point

I remain flat in TY.



YTD (per contract)

(2018) +52.0 futures ticks (\$31.25 per tick) or +\$1,625.00.

(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.

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US-SWAPS IRSB <GO>

United States		98 Export		99 Settings		Interest Rate Swap Rates							
						Date Range: 03/03/2018 - 04/03/2018		1 Month					
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs			
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN
1) 1 YR	2.414 / 2.418	2.418	2.416	0.007		0.2	2.265	2.466	2.387	3.1	0.7		
2) 2 YR	2.570 / 2.571	2.571	2.571	0.011		0.3	2.462	2.677	2.579	-0.7	-0.2		
3) 3 YR	2.651 / 2.653	2.653	2.652	0.017		0.5	2.565	2.797	2.679	-2.6	-0.8		
4) 4 YR	2.690 / 2.693	2.693	2.691	0.021		0.6	2.628	2.858	2.731	-3.8	-1.0		
5) 5 YR	2.712 / 2.714	2.714	2.713	0.024		0.6	2.669	2.890	2.763	-4.9	-1.3		
6) 6 YR	2.728 / 2.731	2.731	2.729	0.025		0.6	2.687	2.913	2.787	-5.6	-1.3		
7) 7 YR	2.742 / 2.743	2.743	2.743	0.025		0.5	2.703	2.932	2.807	-6.4	-1.4		
8) 8 YR	2.758 / 2.761	2.761	2.759	0.027		0.5	2.718	2.949	2.827	-6.7	-1.4		
9) 9 YR	2.774 / 2.776	2.776	2.775	0.026		0.5	2.735	2.966	2.846	-7.0	-1.4		
10) 10 YR	2.789 / 2.790	2.790	2.790	0.025		0.5	2.750	2.981	2.865	-7.4	-1.5		
11) 15 YR	2.842 / 2.845	2.845	2.843	0.027		0.5	2.804	3.033	2.931	-8.6	-1.6		
12) 20 YR	2.860 / 2.862	2.862	2.861	0.027		0.5	2.823	3.047	2.948	-8.6	-1.5		
13) 25 YR	2.851 / 2.854	2.854	2.852	0.027		0.5	2.156	3.237	2.945	-9.2	-1.7		
14) 30 YR	2.834 / 2.836	2.836	2.835	0.028		0.5	2.798	3.017	2.923	-8.7	-1.5		

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 502340 CDT GMT-5:00 H139-1930-1 03-Apr-2018 05:49:18

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The Option Lab

Trade Log:

2. Long the TY Week-2 120.00 put (at the money) from 8/64ths (3/9/2018).

1/64th = \$15.625

8/64ths = \$125 per contract purchased.

120-00.00 strike price on the option equates to a TY yield of ~2.895%.

TY Week-2 in March expire today (3/9/18). Sold option back out at 7/64ths for a \$15.63 loss.

1. 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: +\$15.62 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.



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.

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

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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.	29 March 2018	993	-2	23 March 2018	+169	31 March 2017
Canada	29 March 2018	134	-27	23 March 2018	-21	31 March 2017
International	February 2018	979	+19	January 2018	+38	February 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 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%

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Petroleum = 0.6%

Other gases = 0.3%

Other nonrenewable sources = 0.3%

Pumped storage hydroelectricity = -0.2%⁴

<https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

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

TRANSPORTS

Association of American Railroads Rail Traffic Report.

For this week, total U.S. weekly rail traffic was 526,521 carloads and intermodal units, up 1.4 percent compared with the same week last year.

Total carloads for the week ending March 24 were 265,756 carloads, up 2.5 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 260,765 containers and trailers, up 0.3 percent compared to 2017.

Six of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 7,979 carloads, to 87,348; chemicals, up 1,756 carloads, to 33,788; and nonmetallic minerals, up 667 carloads, to 35,776. Commodity groups that posted decreases compared with the same week in 2017 included motor vehicles and parts, down 1,717 carloads, to 16,675; miscellaneous carloads, down 1,504 carloads, to 9,417; and petroleum and petroleum products, down 697 carloads, to 9,889.

For the first 12 weeks of 2018, U.S. railroads reported cumulative volume of 3,030,729 carloads, down 0.5 percent from the same point last year; and 3,227,100 intermodal units, up 5.7 percent from last year. Total combined U.S. traffic for the first 12 weeks of 2018 was 6,257,829 carloads and intermodal units, an increase of 2.6 percent compared to last year.

North American rail volume for the week ending March 24, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 369,719 carloads, up 2.5 percent compared with the same week last year, and 347,774 intermodal units, up 2.3 percent compared with last year. Total combined weekly rail traffic in North America was 717,493 carloads and intermodal units, up 2.4 percent. North American rail volume for the first 12 weeks of 2018 was 8,429,626 carloads and intermodal units, up 2.4 percent compared with 2017.

Canadian railroads reported 82,618 carloads for the week, up 3 percent, and 70,986 intermodal units, up 13.5 percent compared with the same week in 2017. For the first 12 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 1,712,693 carloads, containers and trailers, up 2.4 percent.

Mexican railroads reported 21,345 carloads for the week, down 0.03 percent compared with the same week last year, and 16,023 intermodal units, down 8.3 percent. Cumulative volume on Mexican railroads for the first 12 weeks of 2018 was 459,104 carloads and intermodal containers and trailers, down 0.8 percent from the same point last year.

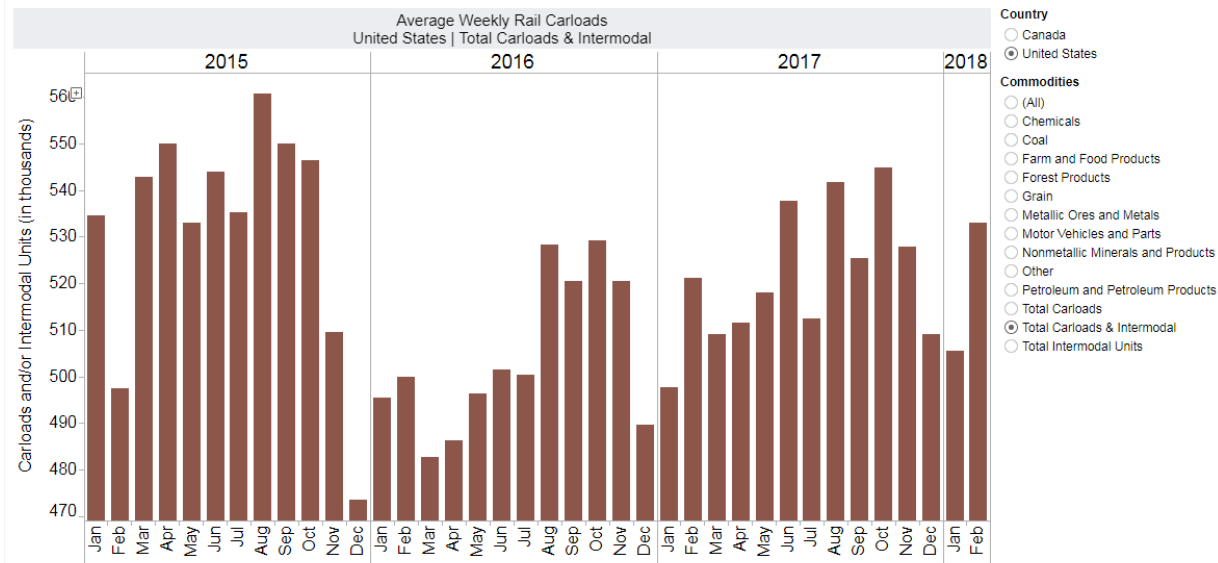
<https://www.aar.org/news/rail-traffic-for-the-week-ending-march-24-2018/>

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Monthly Rail Traffic Charts

MONTHLY RAIL TRAFFIC DATA

SHARE 



*Canada - Figures for Canada include the U.S. operations of Canadian railroads.
 **United States - Figures for the U.S. excludes the U.S. operations for Canadian railroads.



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

Trailer Truck Demand

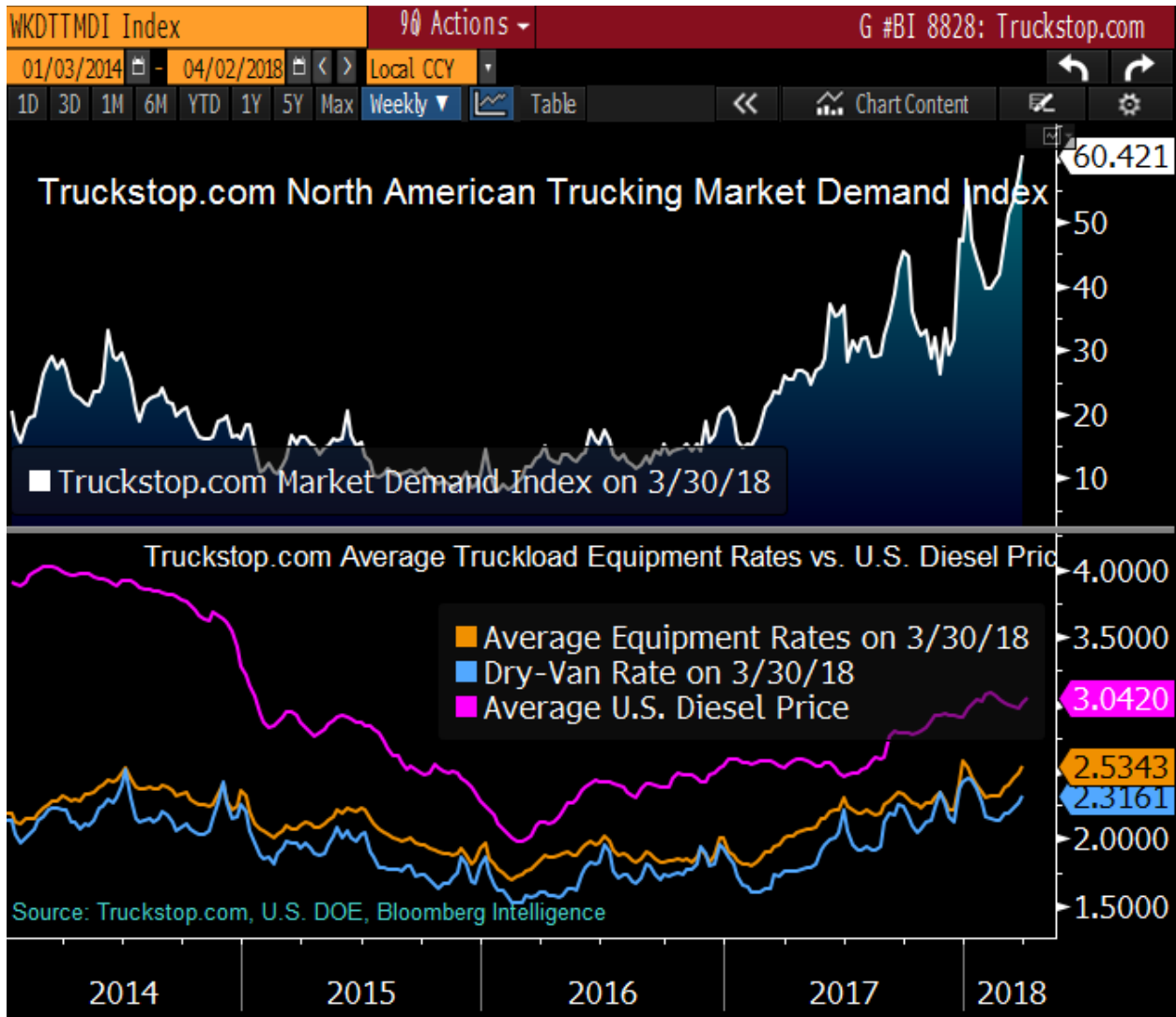
(Bloomberg Intelligence) – 04/02/18 Truckstop.com Market Demand Index, Average Rates (Bloomberg Intelligence) --Relative North American spot-trucking demand rose 5.9% sequentially to a new high of 60.4 in the week ended March 30, based on Truckstop.com's Market Demand Index. Capacity tightened for a seventh straight week as the 8.4% decline in available trucks outpaced the 3% drop in available loads. Average spot rates, excluding fuel surcharges, rose for the eighth consecutive week (1.9%). As of April 1, drivers can be placed out of service for failing to adhere to electronic logging device rules, which could compound rate pressures.

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

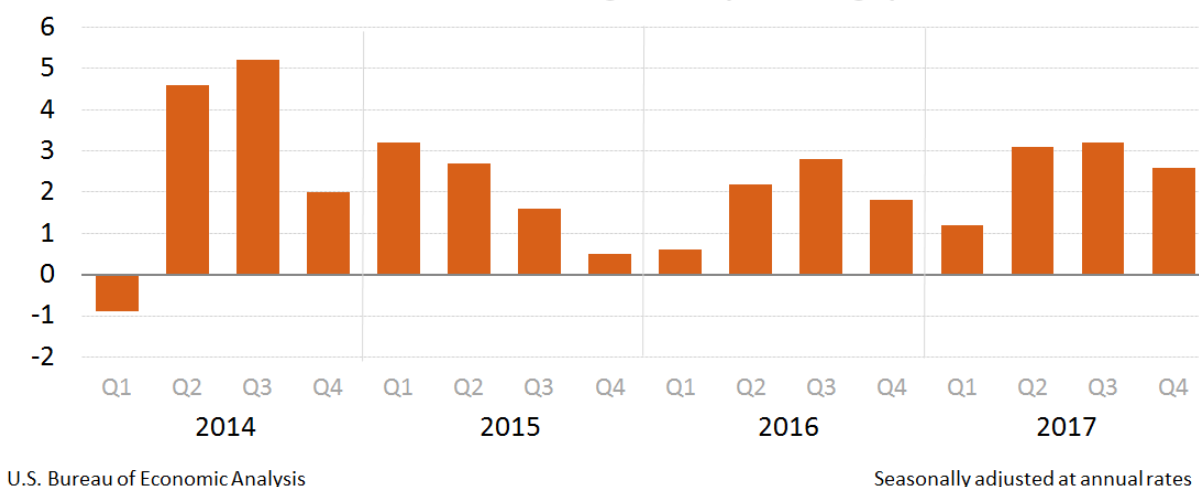
U.S. Department of Commerce, Bureau of economic analysis

<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets

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Real GDP: Percent change from preceding quarter



GDP-1Q is running at *2.77% as of 4/02/18 v. *2.56% on 3/29/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Latest forecast Q1 2018: 2.8% —April 2, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is 2.8 percent on April 2, up from 2.4 percent on March 29. The nowcasts of first-quarter real consumer spending growth and first-quarter real private fixed-investment growth increased from 1.3 percent and 3.9 percent, respectively, to 1.6 percent and 5.6 percent, respectively, after this morning's construction spending release from the U.S. Census Bureau and this morning's Manufacturing ISM Report On Business from the Institute for Supply Management. The model's estimate of the dynamic factor for March—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.48 to 1.54 after the ISM report this morning. The next GDPNow update is Thursday, April 5. 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...Q1 2018: 2.7%...March 30, 2018

The New York Fed Staff Nowcast stands at 2.7% for 2018:Q1 and 2.9% for 2018:Q2. News from this week's data releases decreased the nowcast for 2018:Q1 by 0.2 percentage point and decreased the nowcast for 2018:Q2 by 0.1 percentage point. A negative surprise from personal consumption expenditures accounted for most of the decrease.

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

St. Louis Fed Real GDP Nowcast... Q1 2017: 2.80%...April 2, 2018

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

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MANUFACTURING AT A GLANCE

MARCH 2018

Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.3	60.8	-1.5	Growing	Slower	19
New Orders	61.9	64.2	-2.3	Growing	Slower	27
Production	61.0	62.0	-1.0	Growing	Slower	19
Employment	57.3	59.7	-2.4	Growing	Slower	18
Supplier Deliveries	60.6	61.1	-0.5	Slowing	Slower	18
Inventories	55.5	56.7	-1.2	Growing	Slower	3
Customers' Inventories	42.0	43.7	-1.7	Too Low	Faster	18
Prices	78.1	74.2	+3.9	Increasing	Faster	25
Backlog of Orders	59.8	59.8	0.0	Growing	Same	14
New Export Orders	58.7	62.8	-4.1	Growing	Slower	25
Imports	59.7	60.5	-0.8	Growing	Slower	14
OVERALL ECONOMY				Growing	Slower	107
Manufacturing Sector				Growing	Slower	19

Average for 12 months - 58.2

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

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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