



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

ECO <go>  
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 15:14:37 04/12/18 - 04/18/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	04/12	07:30				Initial Jobless Claims	Apr 7	230k	--	242k	--
22)	04/12	07:30				Continuing Claims	Mar 31	1843k	--	1808k	--
23)	04/12	07:30				Import Price Index MoM	Mar	0.1%	--	0.4%	--
24)	04/12	07:30				Import Price Index ex Petroleu	Mar	0.2%	--	0.5%	--
25)	04/12	07:30				Import Price Index YoY	Mar	3.8%	--	3.5%	--
26)	04/12	07:30				Export Price Index MoM	Mar	0.2%	--	0.2%	--
27)	04/12	07:30				Export Price Index YoY	Mar	--	--	3.3%	--
28)	04/12	07:45				Bloomberg April United States Economic Survey					
29)	04/12	08:45				Bloomberg Consumer Comfort	Apr 8	--	--	57.2	--
30)	04/13	09:00				JOLTS Job Openings	Feb	6065	--	6312	--
31)	04/13	09:00				U. of Mich. Sentiment	Apr P	100.5	--	101.4	--
32)	04/13	09:00				U. of Mich. Current Conditions	Apr P	--	--	121.2	--
33)	04/13	09:00				U. of Mich. Expectations	Apr P	--	--	88.8	--
34)	04/13	09:00				U. of Mich. 1 Yr Inflation	Apr P	--	--	2.8%	--
35)	04/13	09:00				U. of Mich. 5-10 Yr Inflation	Apr P	--	--	2.5%	--
36)	04/16	07:30				Empire Manufacturing	Apr	19.6	--	22.5	--
37)	04/16	07:30				Retail Sales Advance MoM	Mar	0.3%	--	-0.1%	--
38)	04/16	07:30				Retail Sales Ex Auto MoM	Mar	0.2%	--	0.2%	--
39)	04/16	07:30				Retail Sales Ex Auto and Gas	Mar	0.4%	--	0.3%	--

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-5:00 6599-4008-1 11-Apr-2018 15:14:37

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

1) Calendars ▾		2) Alerts		3) Export ▾		4) Settings ▾		Economic Calendars		
United States		Browse		15:18:18		04/12/18		- 04/30/18		
Central Banks		All Central Banks				View		Agenda ● Weekly 🔍		
	Date	Time	A	M	R	Event				
21)	04/12	16:00				Fed's Kashkari Speaks in Moderated Q&A in Minneapolis				
22)	04/13	07:00				Fed's Rosengren Speaks on Economic Outlook				
23)	04/13	08:00				Fed's Bullard Speaks on Living Standards across U.S. Cities				
24)	04/13	12:00				Fed's Kaplan Speaks in Odessa				
25)	04/16	12:15				Fed's Bostic Speaks on the Economy and Rural Market Trends				
26)	04/17	08:15				Fed's Williams Speaks on Economic Outlook at Event in Madrid				
27)	04/17	09:00				Fed's Quarles to Testify Before House Financial Services panel				
28)	04/17	10:00				Fed's Harker Speaks on the Economics of Equitable Education				
29)	04/17	12:10				Fed's Evans Discusses Economic Outlook				
30)	04/17	16:40				Fed's Bostic to Speak on Economy at Bloomberg Event in Atlanta				
31)	04/18	13:00				U.S. Federal Reserve Releases Beige Book				
32)	04/18	14:00				Fed's Dudley Speaks on Economic Outlook				
33)	04/18	15:30				Fed's Quarles Speaks in Washington				
34)	04/19	08:10				Fed's Quarles Speaks at Institute of International Finance				
35)	04/19	17:45				Fed's Mester Speaks on Economic Outlook and Policy				
36)	04/20	08:40				Fed's Evans Speaks on the Economy and Monetary Policy				

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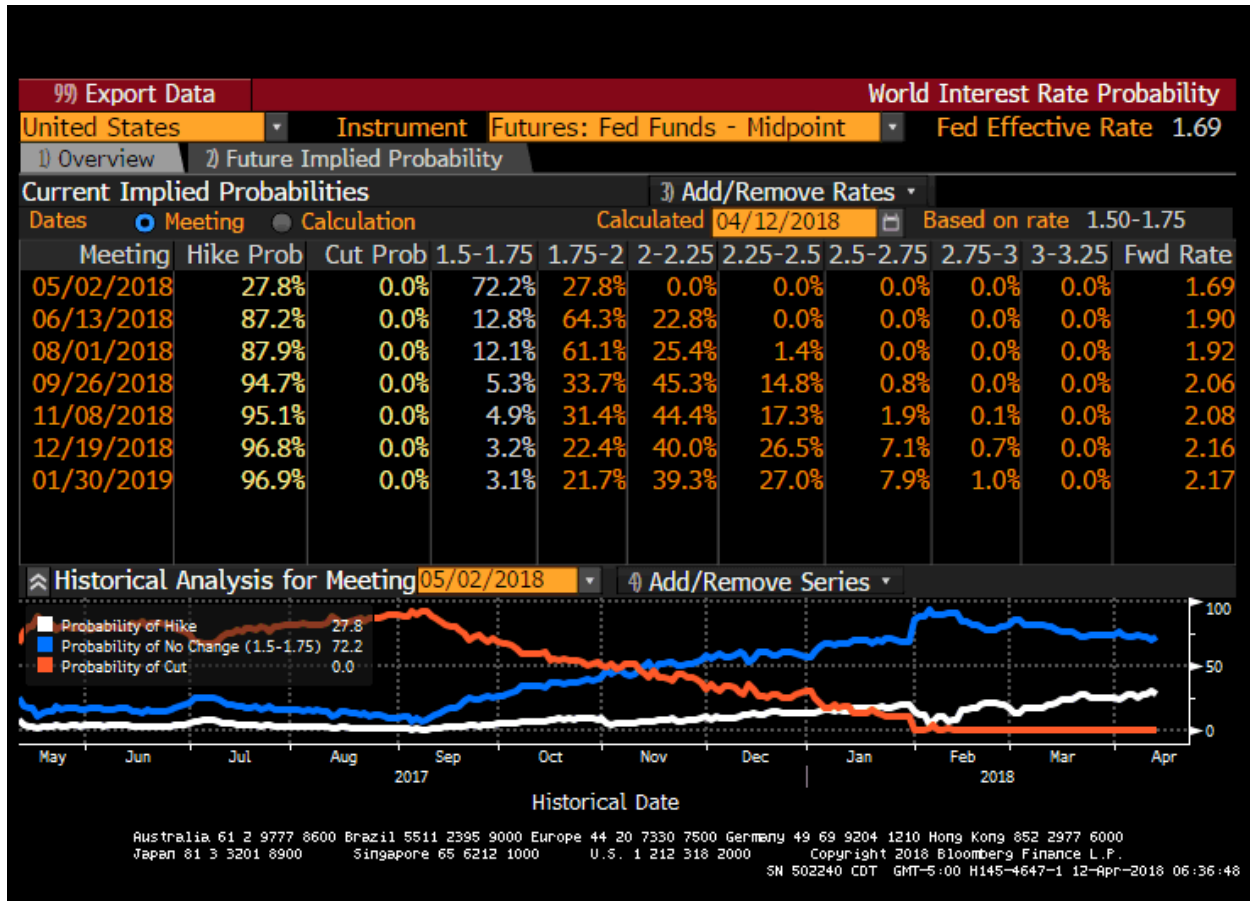
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	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	04/16/2018	04/17/2018	04/19/2018	TBA		TBA	04/10/2018	\$45
3-month	04/12/2018	04/16/2018	04/19/2018	912796MK2		TBA	04/09/2018	\$48
6-month	04/12/2018	04/16/2018	04/19/2018	912796QD4		TBA	04/09/2018	\$42
1-year	04/19/2018	04/24/2018	04/26/2018	TBA		TBA	03/27/2018	\$24
<b>Note Auctions</b>								
2-year	04/19/2018	04/24/2018	04/30/2018	TBA		TBA	03/26/2018	\$30
3-year	05/02/2018	05/08/2018	05/15/2018	TBA		TBA	04/10/2018	\$30
5-year	04/19/2018	04/25/2018	04/30/2018	TBA		TBA	03/27/2018	\$35
7-year	04/19/2018	04/26/2018	04/30/2018	TBA		TBA	03/28/2018	\$29
10-year	05/02/2018	04/11/2018	04/16/2018	9128283W8	R	\$21	03/12/2018	\$21
<b>Bond Auctions</b>								
30-year	05/02/2018	04/12/2018	04/16/2018	912810SA7	R	\$13	03/13/2018	\$13

<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	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
<b>Floating Rate Note</b>								
2-year FRN	04/19/2018	03/28/2018	04/02/2018	9128283T5	R	\$15	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, March 2018**  
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>			
	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 <sup>4</sup>	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

<b>1-Month Libor Set</b>	<b>1.89688</b>	<b>+.00125</b>	<b>(98.10312)</b>
<b>3-Month Libor Set</b>	<b>2.34769</b>	<b>+.00635</b>	<b>(98.65231)</b>
<b>6-Month Libor Set</b>	<b>2.48188</b>	<b>+.00938</b>	<b>(97.51812)</b>
<b>1-Year Libor Set</b>	<b>2.71719</b>	<b>+.00769</b>	<b>(97.28281)</b>

## THEY SAID IT

Saudi Arabia said one missile was **intercepted** over Riyadh, with loud blasts heard in the night sky above the Saudi capital on Wednesday. Two others were shot down over the southern areas of Jazan and Najran, authorities said. The U.S. State Department said the attacks by Yemen's Houthi rebels were "fueled by the Iranian regime's dangerous proliferation of weapons and destabilizing activities in the region."

<https://www.bloomberg.com/news/articles/2018-04-12/real-war-seen-roiling-oil-more-than-trade-war-or-u-s-crude-boom>

The U.S. is aiming to target Syria, where President Bashar al-Assad's forces are backed by Russia and Iran, over a suspected chemical weapons attack. A **warning** that Russia would strike back at American planes or ships launching missiles was communicated directly to the U.S., according to a report in the Kommersant newspaper.

"So far, it's not clear that it will make a large-enough difference to materially impact our policies," Mark Wright, director of research at the Minneapolis Fed, said in an interview. "The impact on inflation is likely to be a one-off, so we would not expect it to flow through into inflation in the medium to longer term. The biggest concern for us would be its effects on the economy."

<https://www.bloomberg.com/news/articles/2018-04-12/fed-sees-gdp-hit-from-trade-war-outweighing-fleeting-inflation>

Minutes of the U.S. central bank's March 20-21 policy meeting, published Wednesday, showed "a strong majority of participants viewed the prospect of retaliatory trade actions by other countries, as well as other issues and uncertainties associated with trade policies, as downside risks for the U.S. economy."

For Fed officials, those concerns seem to far outweigh the one-time increase in prices that tariffs would bring. After all, the effect on inflation would be similar to that of surging oil prices in 2011 as well as the subsequent collapse in 2014: that is, as they like to say, a "transitory" hit with few implications for interest rates.

**Here's some good news for New York City apartment-hunters: Manhattan rents dropped 3.8 percent in March from a year earlier, the most since 2011.**

<https://www.bloomberg.com/news/articles/2018-04-12/pick-a-new-york-city-borough-rents-are-falling-there-and-fast>

The news is even better for tenants looking in Brooklyn and northwest Queens. Rents dropped 6.3 percent and 6.4 percent respectively, and landlords offered so many move-in incentives that they set records for giveaways, according to reports Thursday by appraiser [Miller Samuel Inc.](#) and brokerage [Douglas Elliman Real Estate](#).

"For the renter, it's a pretty good time to jump in," said Hal Gavzie, Douglas Elliman's executive

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manager of leasing. “For the landlords, it’s a little stressful.”

Property owners across the three boroughs are contending with an avalanche of new apartment supply, giving them no choice but to cut prices. They’re stepping up discounts in the name of attracting renters, who are hunting as much for the [best deal](#) as they are for a place to live.

### **Manhattan**

The number of newly signed leases plunged 27 percent from a year earlier, to 3,489.

Net effective rent, or what tenants paid after incentives are subtracted, fell 3.8 percent to a median of \$3,168. It was the biggest annual decline since October 2011.

Forty-two percent of all new leases came with a landlord concession, such as rent-free months or payment of broker’s fees.

### **Brooklyn**

Sweeteners were offered in 48 percent of new leases -- a record share. In March 2017, the portion was just 16 percent.

Net effective rents fell 6.3 percent to a median of \$2,629. It was the fourth consecutive month of year-over-year declines.

### **Queens**

In the borough’s northwest section -- Long Island City, Astoria, Sunnyside and Woodside -- a record 63 percent of new leases included concessions. The rate was 91 percent for deals at new developments, said Jonathan Miller, president of Miller Samuel.

The value of the incentives doubled from a year earlier, to the equivalent of 1.8 months of free rent on average.

The net effective rent fell 6.4 percent to a median of \$2,559.

**The European Commission's proposed tax on [digital services](#) is intended to make companies such as Google and Uber pay more. The idea is that such firms are gaming the rules at the expense of other taxpayers. The issue is real and needs to be addressed -- but the answer under discussion breaks with both established international practice and plain common sense.**

<https://www.bloomberg.com/view/articles/2018-04-11/europe-s-digital-tax-is-a-bad-idea>

Formal talks on the plan are due to [start this week](#). The commission is calling for a 3 percent tax on the turnover of large digital enterprises -- those with EU digital revenues over 50 million euros (\$40.5 million) and total global revenues of over 750 million euros. About half the companies affected would be American, the EU estimates.

The commission says it has been left with little choice. The value generated by digital companies doesn't require a physical presence, making them harder to tax. Digital businesses arrange their affairs to exploit this: They allocate income to low-tax jurisdictions and, according to officials, end up paying an effective tax of roughly 10 percent of profits, less than half of the burden carried by traditional businesses. (One recent [study](#) disputes these numbers.)

Officials acknowledge that the right solution is a thorough overhaul of the corporate tax code, especially as it affects international firms selling digital services -- and that this should be done not unilaterally but in cooperation with other countries, notably the U.S. Efforts are in fact [underway](#), but progress has been slow, and EU officials have chosen to do something, anything, as soon as possible.

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**“The highways we have been using can only carry vehicles passing by, and they are like the 1.0-generation product,” said Zhou Yong, the company’s general manager. “We’re working on the 2.0 and 3.0 generations by transplanting brains and a nervous system.”**  
<https://www.bloomberg.com/news/features/2018-04-11/the-solar-highway-that-can-recharge-electric-cars-on-the-move>

The road to China’s autonomous-driving future is paved with solar panels, mapping sensors and electric-battery rechargers as the nation tests an “intelligent highway” that could speed the transformation of the global transportation industry.

The technologies will be embedded underneath transparent concrete used to build a 1,080-meter-long (3,540-foot-long) stretch of road in the eastern city of Jinan. About 45,000 vehicles barrel over the section every day, and the solar panels inside generate enough electricity to power highway lights and 800 homes, according to builder [Qilu Transportation Development Group Co.](#)

**Researchers have found hundreds of years' worth of critical rare-earth metals beneath [Japanese](#) waters — enough to supply to the world on a "semi-infinite basis," according to [a study published on Tuesday](#).**

**The materials sit in a roughly 965-square-mile Pacific Ocean seabed near Minamitorishima Island, which is located 1,150 miles southeast of Tokyo, according to the study published in Nature Publishing Group's Scientific Reports.**

<https://www.cnbc.com/2018/04/12/japan-rare-earths-huge-deposit-of-metals-found-in-pacific.html>

Rare-earth metals are crucial in the making of high-tech products such as electric vehicles, mobile phones and batteries, and the world has relied on China for almost all of its rare-earth material.

The seabed contains more than 16 million tons of rare-earth oxides, according to the study. That's equivalent to 780 years' worth of yttrium supply, 620 years of europium, 420 years of terbium and 730 years of dysprosium, it added.

The discovery "has the potential to supply these metals on a semi-infinite basis to the world," the study said.

**It may be hard to fathom just how cities could be at risk of a water scarcity crisis when approximately 70 percent of the world is made up of the resource. The stark reality, however, is that the percentage of fresh water probably only amounts to about 2.5 percent, according to often-cited assessments.**

<https://www.cnbc.com/2018/04/11/cape-town-water-crisis-cities-should-prepare-for-water-scarcity.html>

Even then, a significant supply is locked up in ice and snow, which means just 1 percent of all fresh water is easily accessible to the global population.

Inequality in access to water is also quickly becoming a problem. While the affluent can find ways to get access to water— through deliveries or in-built tanks — poorer populations are left to their own devices.

That situation oftentimes leads to water theft — for profit, for survival, or for both.

"It won't be the same exact scenario that Cape Town is facing," Keller said. "It might be pollution, drought, drier climates or significant population growth."

The troubles faced by Cape Town should serve as a "wake-up call" for other countries about the

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realities of increasing [water stress](#), Otto said.

In recent years, California [faced a drought](#) that lasted years, Australia survived the [millennium drought](#), and Sao Paulo faced a [water shortage crisis](#) in 2015 due to both drought and inefficient infrastructures.

Otto summed up the global state of preparedness for water scarcity, saying: "We've either under-invested in measures or allowed existing structures to fall apart."

"The right to water does not mean the right to free water," Felbab-Brown explained, saying many people had misunderstood the UN. "In the same manner that people have to pay for food, they should expect to pay for safe water."

That sentiment hasn't stopped outright water theft on a large scale in countries like [Brazil](#), [India](#) and [Mexico](#). Companies and individuals illegally tap into pipelines and reservoirs, or they find other ways to avoid water meters.

As of now, water smuggling mostly operates within countries' borders, but it will eventually occur on an international scale, Felbab-Brown said.

**Ford Motor Co's (F.N) premium Lincoln brand plans to build as many as five new vehicles in China by 2022, according to two U.S. sources, in a move to expand sales in the world's largest vehicle market that would also blunt the impact of trade U.S-China trade spats.**

<https://www.reuters.com/article/us-ford-motor-china/ford-to-ramp-up-lincoln-rollout-in-china-in-bid-to-catch-rivals-sources-idUSKBN1HJ003>

Ford has said it plans to build an all-new sport utility vehicle in China by the end of 2019, however the company has not detailed future production plans for the Lincoln brand in China beyond that.

"Our localization plans to support the China market are on track and will serve to further drive Lincoln's growth in China," Lincoln spokeswoman Angie Kozleski said. "Beyond that, it would be premature to discuss our future product and production plans or timing."

Sources familiar with Ford's production plans told Reuters the automaker now expects to begin building the new Lincoln Aviator in China in late 2019 or early 2020, along with replacements for the MKC compact crossover and the MKZ midsize sedan, followed in 2021 by the all-new Nautilus, which replaces the Lincoln MKX crossover.

**Missouri Governor Eric Greitens on Thursday faced another day of bipartisan pressure to resign or face impeachment after the release of a report finding that he abused and tried to blackmail a woman with whom he was having an affair.**

<https://www.reuters.com/article/us-missouri-governor/pressure-grows-for-missouri-governor-greitens-to-step-down-idUSKBN1HJ1QH>

The most recent calls for the married father of two to step down came after a special committee of the Republican-controlled state House of Representatives released its 24-page report on Wednesday regarding the scandal.

Attorney General Josh Hawley, a Republican candidate for the U.S. Senate seat held by Democrat Claire McCaskill, said the report "contains shocking, substantial and corroborated evidence of wrongdoing" by the 44-year-old governor.

"The conduct the report details is certainly impeachable, in my judgment," Hawley said in a statement. "The people of Missouri should not be put through that ordeal. Governor Greitens should resign immediately."

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## **EQUITIES**

The S&P is **+12** and the NASDAQ is **+37**.

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:

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

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

#### UK/EUROPE

**In the UK the FTSE closed -0.02%.**

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 +0.21%.**

**The DAX Index closed +0.41%.**

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

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

**Deposit Facility Rate -.40%**

**Next meeting 04/26/18**

#### ASIA

##### Japan:

**The TOPIX closed -0.39%.**

**The NIKKEI closed -0.12%.**

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

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

**Next meeting 04/27/18**

##### China:

**The Hang Seng closed -0.22%.**

**The Shanghai Composite closed -0.87%.**

##### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**7-Day Repo Rate: 2.7603%**

**Reserve Requirement Ratio: 17.00%**

#### THE TREND

EDM8: 97-68.5 is the pivot. Below the pivot, you should be short, above long.

Support is at 97-64.0\*\*.

Resistance is at 97-68.5^ and 97-725\*\*.

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

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

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Current trend has you short from 97-66.5 (4/11/18).



**YTD (per contract)**  
**2018 +34.5 ticks (+\$862.50)**  
**2017 +33.0 ticks (+\$825.00)**

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10yr/TYM8: 120-22.0 is the pivot point. Above you should be long, below short.

Support is at 120-01.0\*\*

Resistance is at 120-22.0^ and 121-10.5\*\*

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

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

I remain flat in TY.



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**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:		03/12/2018		-		04/12/2018		1 Month					
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CME/LCH Sprs		46 Combined	
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	2.481 / 2.486	2.483	0.021		0.7	2.349	2.487	2.421	6.5	2.2			
2) 2 YR	2.638 / 2.641	2.639	0.021		0.9	2.523	2.677	2.597	4.3	1.8			
3) 3 YR	2.711 / 2.715	2.713	0.020		0.7	2.601	2.797	2.688	2.7	0.9			
4) 4 YR	2.747 / 2.749	2.748	0.017		0.5	2.643	2.858	2.733	1.6	0.5			
5) 5 YR	2.766 / 2.768	2.767	0.015		0.4	2.669	2.890	2.760	0.7	0.2			
6) 6 YR	2.780 / 2.782	2.781	0.015		0.4	2.687	2.913	2.779	0.2	0.1			
7) 7 YR	2.792 / 2.793	2.792	0.014		0.3	2.703	2.932	2.796	-0.4	-0.1			
8) 8 YR	2.804 / 2.807	2.805	0.015		0.3	2.718	2.949	2.813	-0.6	-0.1			
9) 9 YR	2.818 / 2.819	2.819	0.014		0.3	2.735	2.966	2.830	-1.0	-0.2			
10) 10 YR	2.833 / 2.834	2.833	0.012		0.3	2.750	2.981	2.848	-1.4	-0.3			
11) 15 YR	2.887 / 2.890	2.888	0.014		0.3	2.804	3.033	2.908	-1.8	-0.4			
12) 20 YR	2.907 / 2.908	2.907	0.014		0.3	2.823	3.047	2.925	-1.7	-0.3			
13) 25 YR	2.898 / 2.899	2.899	0.014		0.3	2.156	3.147	2.919	-2.0	-0.4			
14) 30 YR	2.881 / 2.883	2.882	0.014		0.3	2.798	3.017	2.899	-1.7	-0.3			

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 H145-4647-1 12-Apr-2018 06:37:04

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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).

1/64<sup>th</sup> = \$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.	6 April 2018	1,003	+10	29 March 2018	+164	7 April 2017
Canada	6 April 2018	111	-23	29 March 2018	-21	7 April 2017
International	March 2018	972	-7	February 2018	+29	March 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%**

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**Other gases = 0.3%**

**Other nonrenewable sources = 0.3%**

**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 524,905 carloads and intermodal units, up 3.8 percent compared with the same week last year.

Total carloads for the week ending April 7 were 261,898 carloads, up 4.6 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 263,007 containers and trailers, up 3.1 percent compared to 2017.

Five of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 6,497 carloads, to 81,476; metallic ores and metals, up 2,427 carloads, to 23,401; and chemicals, up 2,138 carloads, to 33,694. Commodity groups that posted decreases compared with the same week in 2017 included motor vehicles and parts, down 759 carloads, to 17,103; nonmetallic minerals, down 587 carloads, to 35,567; and miscellaneous carloads, down 331 carloads, to 9,087.

For the first 14 weeks of 2018, U.S. railroads reported cumulative volume of 3,558,097 carloads, up 0.1 percent from the same point last year; and 3,759,388 intermodal units, up 5.3 percent from last year. Total combined U.S. traffic for the first 14 weeks of 2018 was 7,317,485 carloads and intermodal units, an increase of 2.7 percent compared to last year.

North American rail volume for the week ending April 7, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 365,482 carloads, up 4.3 percent compared with the same week last year, and 349,005 intermodal units, up 4.2 percent compared with last year. Total combined weekly rail traffic in North America was 714,487 carloads and intermodal units, up 4.3 percent. North American rail volume for the first 14 weeks of 2018 was 9,864,299 carloads and intermodal units, up 2.5 percent compared with 2017.

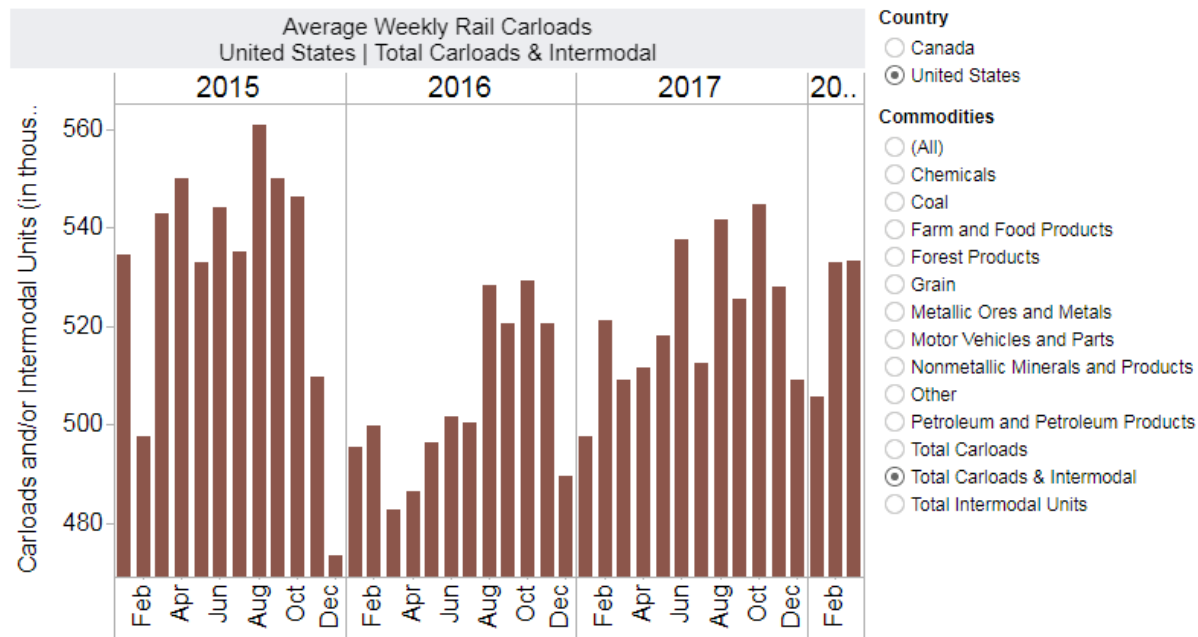
Canadian railroads reported 83,042 carloads for the week, up 6.5 percent, and 69,295 intermodal units, up 10.7 percent compared with the same week in 2017. For the first 14 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 2,016,093 carloads, containers and trailers, up 3 percent.

Mexican railroads reported 20,542 carloads for the week, down 6.3 percent compared with the same week last year, and 16,703 intermodal units, down 2.9 percent. Cumulative volume on Mexican railroads for the first 14 weeks of 2018 was 530,721 carloads and intermodal containers and trailers, down 1.9 percent from the same point last year.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-april-7-2018/>

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## Monthly Rail Traffic Charts



\*Canada - Figures for Canada include the U.S. operations of Canadian railroads.

\*\*United States - Figures for the U.S. exclude the U.S. operations for Canadian



<https://www.aar.org/data-center/rail-traffic-data/>

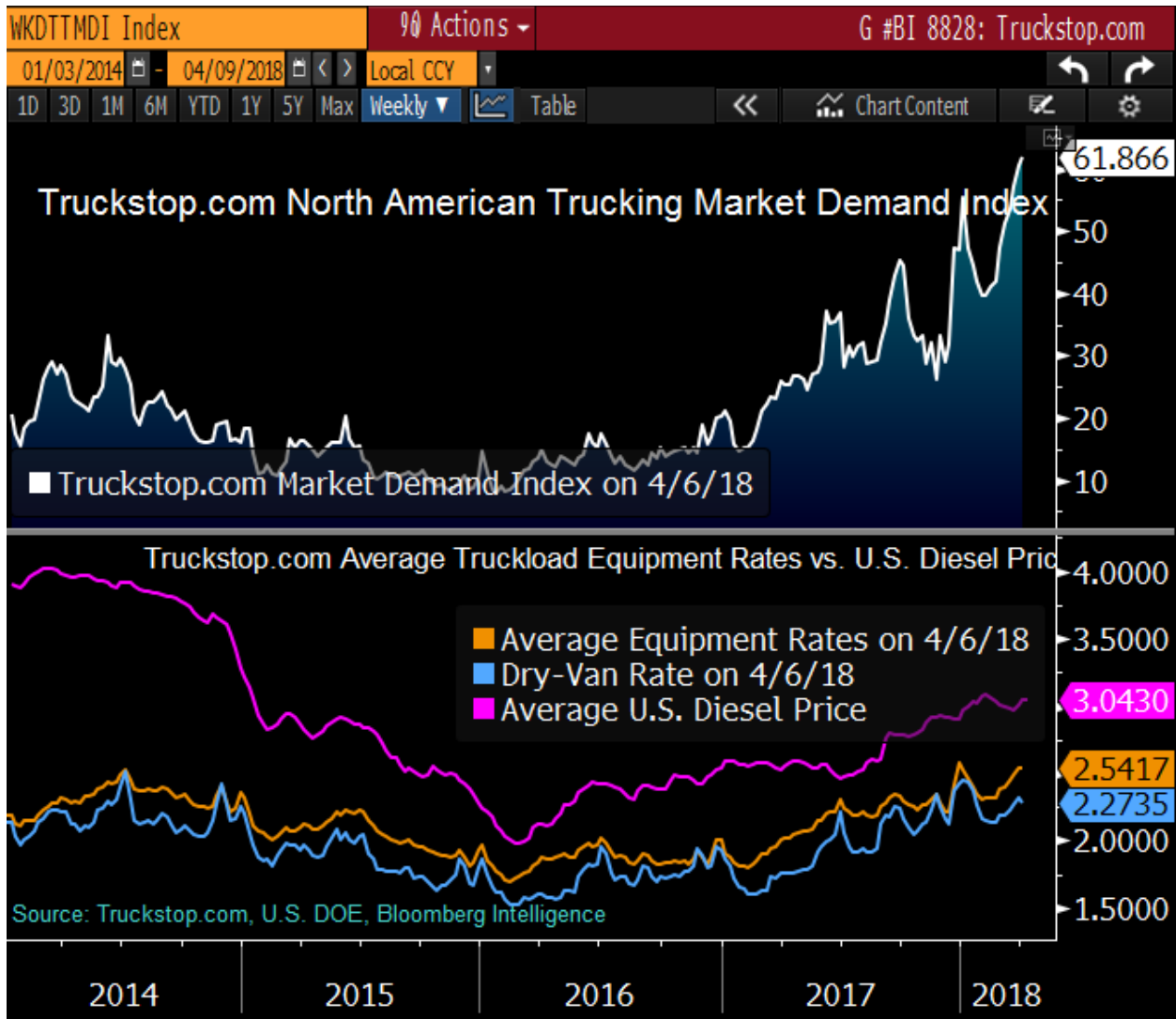
### Trailer Truck Demand

**(Bloomberg Intelligence) – 04/09/18** Truckstop.com Market Demand Index, Average Rates (Bloomberg Intelligence) --Relative North American spot-trucking demand rose 2.4% sequentially to a new high of 61.9 in the week ended April 6, based on Truckstop.com's Market Demand Index. Capacity tightened for the eighth straight week as the 4% increase in available loads outpaced the 1.6% gain in available trucks. Average spot rates, excluding fuel surcharges, rose for the ninth consecutive week (0.7%) and are up 27% this year. Capacity pressures could help truckload carriers with spot market exposure surpass 1Q earnings expectations. Companies Impacted: USA Truck, Knight-Swift, Werner, J.B. Hunt, Schneider, Marten and other publicly traded 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

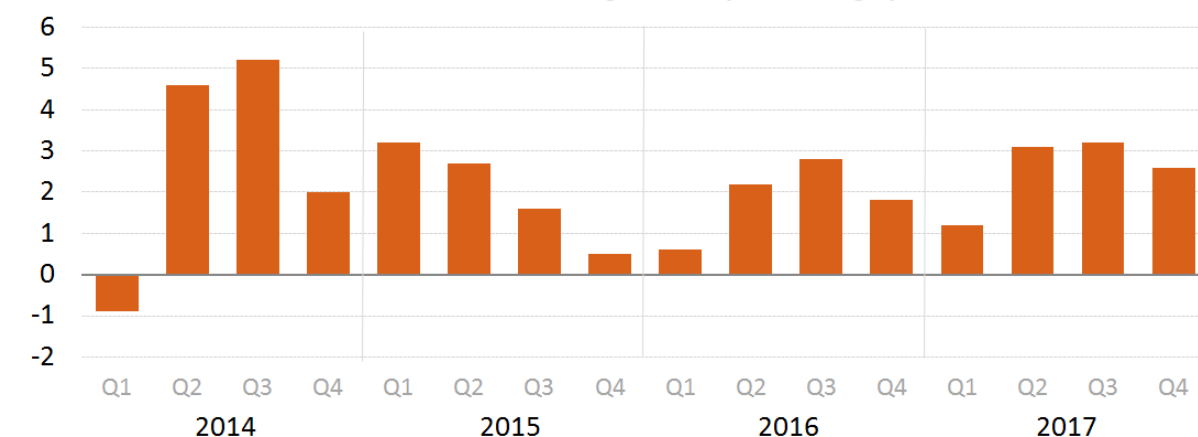
U.S. Department of Commerce, Bureau of economic analysis

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

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

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## Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

**GDP-1Q is running at \*2.22% as of 4/10/18 v. \*2.47% on 4/06/18**

**\*simple average of the three regionals.**

### Atlanta Fed GDPNow...Latest forecast Q1 2018: 2.0% —April 10, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is **2.0 percent** on April 10, down from 2.3 percent on April 5. After the employment report from the U.S. Bureau of Labor Statistics on April 6, the nowcast of first-quarter real consumer spending growth fell from 1.3 percent to 1.1 percent and the nowcast of first-quarter real private fixed investment growth fell from 5.3 percent to 4.5 percent. 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—declined from 1.43 to 0.25 after the employment report.

The next GDPNow update is **Monday, April 16**. 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: 2.8%...April 6, 2018

The New York Fed Staff Nowcast stands at 2.8% for 2018:Q1 and 2.9% for 2018:Q2.

The nowcast for 2018:Q1 moved up by 0.1 percentage point. This increase was largely due to parameter revisions.

The nowcast for 2018:Q2 was broadly unchanged. The positive impact of parameter revisions and a positive surprise from the ISM Prices index were mostly offset by negative surprises from nonfarm payroll employment and the ISM Employment index.

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

### St. Louis Fed Real GDP Nowcast... Q1 2017: 1.87%...April 10, 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
<b>OVERALL ECONOMY</b>				Growing	Slower	107
<b>Manufacturing Sector</b>				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](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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