



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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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 15:23:24 05/09/18 - 05/15/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/09	06:00				MBA Mortgage Applications	May 4	--	--	-2.5%	--
22)	05/09	07:30				PPI Final Demand MoM	Apr	0.2%	--	0.3%	--
23)	05/09	07:30				PPI Ex Food and Energy MoM	Apr	0.2%	--	0.3%	--
24)	05/09	07:30				PPI Ex Food, Energy, Trade MoM	Apr	0.2%	--	0.4%	--
25)	05/09	07:30				PPI Final Demand YoY	Apr	2.8%	--	3.0%	--
26)	05/09	07:30				PPI Ex Food and Energy YoY	Apr	2.4%	--	2.7%	--
27)	05/09	07:30				PPI Ex Food, Energy, Trade YoY	Apr	--	--	2.9%	--
28)	05/09	09:00				Wholesale Trade Sales MoM	Mar	--	--	1.0%	--
29)	05/09	09:00				Wholesale Inventories MoM	Mar F	0.5%	--	0.5%	--
30)	05/10	07:30				Initial Jobless Claims	May 5	219k	--	211k	--
31)	05/10	07:30				Continuing Claims	Apr 28	1800k	--	1756k	--
32)	05/10	07:30				CPI MoM	Apr	0.3%	--	-0.1%	--
33)	05/10	07:30				CPI Ex Food and Energy MoM	Apr	0.2%	--	0.2%	--
34)	05/10	07:30				CPI YoY	Apr	2.5%	--	2.4%	--
35)	05/10	07:30				CPI Ex Food and Energy YoY	Apr	2.2%	--	2.1%	--
36)	05/10	07:30				CPI Index NSA	Apr	250.700	--	249.554	--
37)	05/10	07:30				CPI Core Index SA	Apr	--	--	256.200	--
38)	05/10	07:30				Real Avg Weekly Earnings YoY	Apr	--	--	0.9%	--
39)	05/10	07:30				Real Avg Hourly Earning YoY	Apr	--	--	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 G641-2020-2 08-May-2018 15:23:24

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

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		15:31:27		05/09/18		-		05/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly		🔍	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	05/09 12:15				Fed's Bostic Speaks on Economic Outlook and Monetary Policy						
22)	05/11 07:30				Fed's Bullard Speaks on U.S. Economy & Monetary Policy						
23)	05/14 01:45				Fed's Mester Speaks at Bank of France Conference						
24)	05/14 08:40				Fed's Bullard Speaks at Crypto Conference in New York						
25)	05/16 07:30				Fed's Bostic to Give Economic Update						
26)	05/17 09:45				Fed's Kashkari Speaks at Moderated Q&A in Minneapolis						
27)	05/18 02:00				Fed's Mester Speaks at ECB on Macroprudential, Monetary Policy						
28)	05/21 13:05				Fed's Harker Speaks in New York						
29)	05/21 16:30				Fed's Kashkari Speaks at Moderated Q&A in Escanaba, MI						
30)	05/23 13:00	🔔		****	FOMC Meeting Minutes	May 2	--	--	--	--	
31)	05/24 13:00				Fed's Harker Speaks About Technology's Impact on Labor Market						
32)	05/25 08:00				Fed's Powell Joins Riksbank's 350th Anniversary Conference						
33)	05/25 10:45				Fed's Evans Speaks on Economic and Policy Outlook						
34)	05/30 13:00				U.S. Federal Reserve Releases Beige Book						

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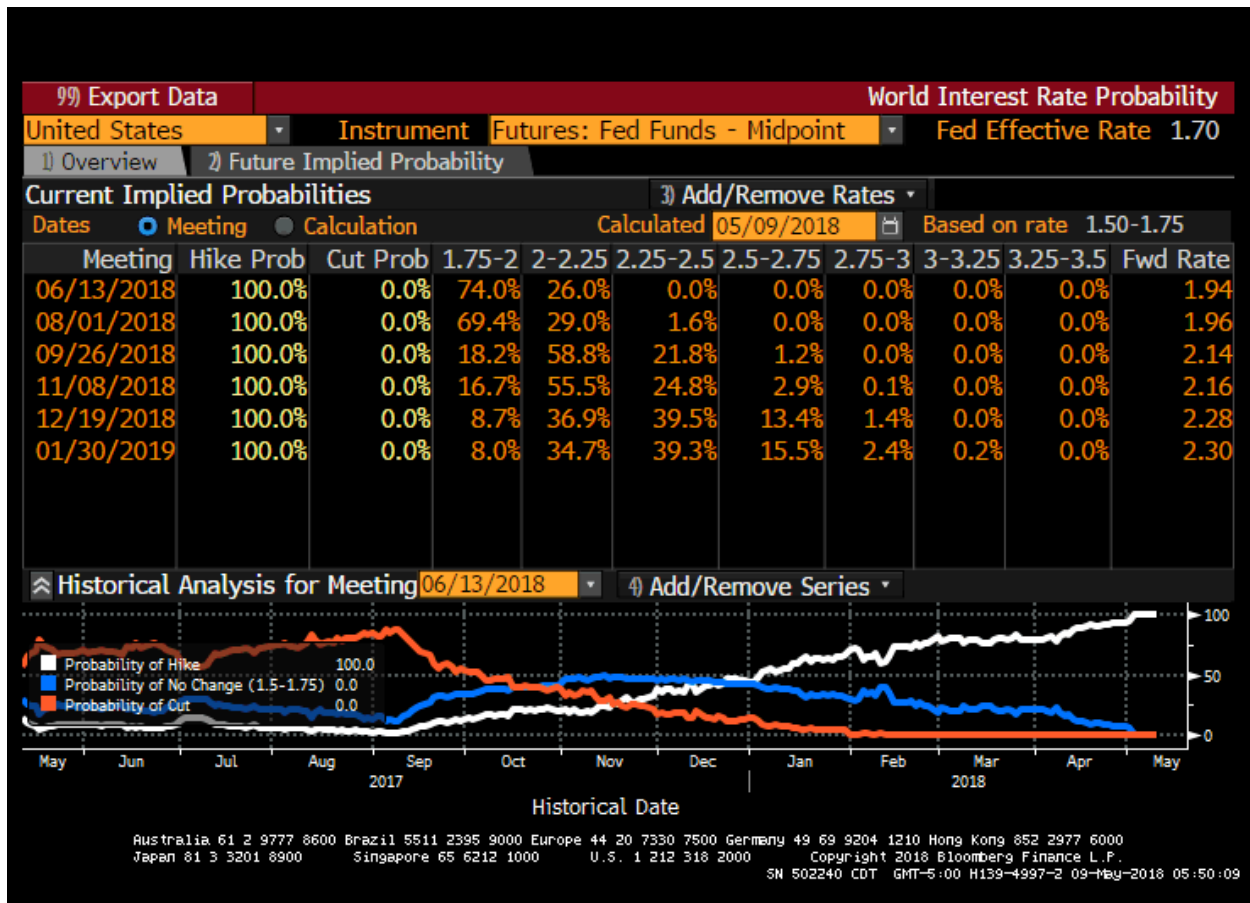
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	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	05/14/2018	05/08/2018	05/10/2018	TBA		\$45	05/01/2018	\$45
3-month	05/10/2018	05/14/2018	05/17/2018	912796NQ8		TBA	05/07/2018	\$48
6-month	05/10/2018	05/14/2018	05/17/2018	912796QJ1		TBA	05/07/2018	\$42
1-year	05/17/2018	05/22/2018	05/24/2018	TBA		TBA	04/24/2018	\$26
<b>Note Auctions</b>								
2-year	05/17/2018	05/22/2018	05/31/2018	TBA		TBA	04/24/2018	\$32
3-year	05/02/2018	05/08/2018	05/15/2018	9128284P2		\$31	04/10/2018	\$30
5-year	05/17/2018	05/23/2018	05/31/2018	TBA		TBA	04/25/2018	\$35
7-year	05/17/2018	05/24/2018	05/31/2018	TBA		TBA	04/26/2018	\$29
10-year	06/07/2018	05/09/2018	05/15/2018	9128284N7		\$25	04/11/2018	\$21
<b>Bond Auctions</b>								
30-year	06/07/2018	05/10/2018	05/15/2018	912810SC3		\$17	04/12/2018	\$13

<b>TIPS Auctions</b>								
5-yr TIPS	TBA	TBA	TBA	TBA		TBA	04/19/2018	\$16
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	05/17/2018	04/25/2018	04/30/2018	9128284K3		\$17	03/28/2018	\$18
<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>

## Libor Set

<b>1-Month Libor Set</b>	<b>1.92851</b>	<b>+.00000</b>	<b>(98.07149)</b>
<b>3-Month Libor Set</b>	<b>2.35575</b>	<b>+.00325</b>	<b>(98.64425)</b>
<b>6-Month Libor Set</b>	<b>2.51813</b>	<b>-.00562</b>	<b>(97.49197)</b>
<b>1-Year Libor Set</b>	<b>2.77094</b>	<b>+.00000</b>	<b>(97.22906)</b>

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## THEY SAID IT

**Now that President Donald Trump has officially withdrawn the U.S. from the Iran Joint Comprehensive Plan of Action, the world has to figure out how to live with that decision. Strategic reappraisals are taking place in Tehran, Europe and, most importantly, Moscow.** <https://www.bloomberg.com/view/articles/2018-05-08/the-iran-deal-netanyahu-and-trump-have-bigger-goals>

There are only two leaders who are happier today than they were yesterday: One is Trump himself; the other is Israeli Prime Minister Benjamin (“Bibi”) Netanyahu. Tearing up the Iran deal was Trump’s call, but it would not have happened without Netanyahu’s stubborn willingness to stand up to the world — and especially Israel’s own generally hawkish security experts.

The prevailing view among Israeli security experts remains one of pragmatic opposition to scrapping the deal. But Netanyahu rejects that view as accepting an unstable status quo when more radical action could achieve lasting change that would enhance Israeli and global security. Bibi may just be right.

In a recent interview with The Daily Beast, former Prime Minister Ehud Barak aired the consensus view: “Is it smarter to tear the deal apart or keep it in place?” he mused. His conclusion: “There’s a lot of logic in maintaining it in place.”

If Iran’s supreme leader, Ayatollah Ali Khamenei, reacts with threats or a visible move to restart Iran’s nuclear weapons program, a devastating, American-backed Israeli military response will likely follow. Netanyahu doesn’t want this (and it’s unlikely Trump does either). What they want in the short-term [is regime change](#) in Tehran. This does not mean an Iraq-style invasion; Trump would never have the public support for that. But tough new American sanctions could destabilize the Iranian regime. So, too, would Iranian casualties and military humiliations of the kind Israel is presently inflicting on Iranian proxies in Syria.

A Middle East without a “Death to America” government in Tehran — or a Hezbollah in Lebanon — has been a key U.S. interest since the administration of Ronald Reagan. Mediterranean seaports in Syria have been a Russian dream since the time of Peter the Great. And brokering a deal like this has been Netanyahu’s goal from the day Donald Trump entered the White House.

**Ayatollah Ali Khamenei, Iran’s supreme leader, dismissed Trump’s Tuesday afternoon speech as “silly and superficial.” He then laid into the U.S. for attempting to thwart Iran at all costs since the 1979 revolution. “The Iranian nation is standing tall and the previous (U.S.) presidents are dead and their bones turning to dust and the Islamic Republic is still here,” he said. “This man, too, will die and his corpse will be eaten by insects.”**

<https://www.bloomberg.com/news/articles/2018-05-09/barbs-flag-burning-and-despair-iran-reacts-to-u-s-deal-exit>

Newspapers aligned with Rouhani’s more moderate political factions repeated the president’s barb from the night before. They also railed against U.S. duplicity but pointed to a future for the nuclear deal -- known formally as the Joint Comprehensive Plan of Action -- minus America. Signatories Germany, France, U.K., China and Russia have all stressed their continued support for the accord.

“The JCPOA stayed, the U.S. left,” was the headline of the Hamshahri, which has the largest circulation in the country. “Coup d’etat of the madman,” said the reformist Hamdeli’s front page.

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The Ettelaat daily declared “the end of the world’s trust in the empire of lies.” In the Iranian chamber, several lawmakers took to the podium ahead of the session’s opening, where they burned the U.S. flag as well as the text of the nuclear deal, state TV reported.

**Trump’s order on Tuesday blocks new contracts immediately and sets 90- and 180-day clocks for companies with existing Iranian business commitments. By August or November, they’ll have to comply with a broad array of sanctions targeting the Iranian Central Bank and Iran’s financial sector, oil industry, shipping and other economic pressure points. Trump made clear he expects to achieve a new deal that lifts the penalties.**

**“The fact is they are going to want to make a new and lasting deal, one that benefits all of Iran and the Iranian people,” Trump said. “When they do, I am ready, willing and able.”**  
<https://www.bloomberg.com/news/articles/2018-05-08/what-s-next-who-gets-hit-when-the-u-s-resumes-iran-sanctions>

The first deadline is Aug. 6. By then, companies must wind down holdings of Iranian sovereign debt or Iranian currency. Any person or company that assists the Iranian government with acquiring or purchasing U.S. dollar banknotes also will be subject to sanctions by that date. Sanctions also snap back into place Aug. 6 on Iran’s trade in gold and other precious metals, graphite and coal, metals such as aluminum and steel, the country’s automobile sector and luxury products such as Iranian-origin carpets and caviar.

Treasury Secretary Steven Mnuchin said in a briefing that companies can request waivers or special licenses to avoid sanctions, and they’ll be determined on a case-by-case basis. Sanctions targeting companies doing business with Iran’s oil industry are reinstated Nov. 4, including penalties against foreign financial institutions that conduct significant transactions with the [Central Bank of Iran](#).

On top of that, the U.S. will impose sanctions on Iran’s energy sector and on petroleum-related transactions with firms including National Iranian Oil Company, Naftiran Intertrade Company, and National Iranian Tanker Company.

[RBC Capital Markets](#) chief commodities strategist Helima Croft [said](#) that “depending on the enforcement rate” she expects Iranian oil exports to be curtailed by between 200,000 and 300,000 barrels per day. By comparison, 1 million to 1.5 million barrels were removed from the market daily when the Obama administration and other world powers jointly sanctioned Iran to force it to the negotiating table before 2015.

The U.S. advised countries that want to avoid sanctions on their financial institutions to reduce their volume of crude oil purchases from Iran during the 180-day wind-down period. The State Department will determine on a case-by-case basis whether countries have sufficiently cut their Iranian imports.

Trump’s announcement is likely to scuttle billions of dollars of deals even before the sanctions fully take effect. All the uncertainty will have a “potentially devastating chilling effect” on business, said Tony Blinken, a former deputy secretary of State under Obama.

Mnuchin said that [Boeing Co.’s](#) license to sell aircraft to Iran will be revoked. The company has signed a \$3 billion deal for 30 737 Max jets with Iran [Aseman](#) airline and a \$16.6 billion deal with national carrier [Iran Air](#) for 80 aircraft.

[Airbus Group](#) SE’s Iran license will also be revoked, Mnuchin said. The company has a contract with Iran for 100 jetliners worth about \$19 billion at list prices. Also endangered: a 20-year, \$5 billion agreement [Total SA](#) and [China National Petroleum Corp.](#) signed to develop part of Iran’s South Pars offshore gas field.

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**“We remember the tragedy of two world wars, the lessons of history,” Putin said at a military parade on Moscow’s Red Square on Wednesday, marking the anniversary of victory over Nazi Germany in World War II. “We understand how serious these threats are. All humankind and countries need to recognize that the world is very fragile.”**

<https://www.bloomberg.com/news/articles/2018-05-09/putin-warns-of-fragile-world-a-day-after-trump-exits-iran-deal>

Russia, which negotiated the nuclear framework with the Islamic Republic together with France, Germany, the U.K., the U.S. and China, on Tuesday said it was ready to consider French proposals for an additional side accord to address Trump’s concerns over the existing deal. Iran has rejected that idea. On Wednesday, Russian Foreign Minister Sergei Lavrov said his country remains committed to the accord, according to RIA Novosti.

**Israel’s Channel 13 television reported Israel attacked rockets and rocket launchers in Syria, without citing any sources. Syrian media claimed the attack on the army base near Damascus targeted Iranian missiles aimed at Israel. The IDF spokesman refused to comment.**

<https://www.bloomberg.com/news/articles/2018-05-08/israel-readies-bomb-shelters-in-north-fearing-iranian-attack>

Israel’s army instructed municipalities in the Golan Heights to open bomb shelters in the northern plateau after noticing “irregular activity” of Iranian forces in Syria that raised fears of an impending attack on Israel. A few hours later, massive explosions were reported at a military base near Damascus in an attack attributed to Israel.

"Defense systems have been deployed and IDF troops are on high alert for an attack," the Israel Defense Forces spokesman said by text message. "The IDF is prepared for various scenarios and warns that any aggression against Israel will be met with a severe response."

**Gunmen set off at least three explosions in the Afghan capital, Kabul, on Wednesday and then battled security forces from buildings they occupied in the latest in a spate of violence to rock the city.**

<https://www.reuters.com/article/us-afghanistan-blasts/attackers-launch-coordinated-strikes-in-afghan-capital-with-bombs-bullets-idUSKBN1IA0VS>

Six wounded were brought into the trauma hospital run by Italian medical aid group Emergency, of whom one was dead on arrival. Health ministry spokesman Wahidullah Majroh said the casualty toll was likely to rise once security forces were able to get a clearer picture of the attack. Islamic State claimed responsibility of one of the three blasts on its Amaq new agency but many officials doubt the group, which has its stronghold in a remote eastern border region of Nangarhar province, has the capacity to mount such complex attacks.

A senior Afghan security official said intelligence services believe the Haqqani network, a militant group affiliated to the Taliban which has a long record of urban attacks, was the real organizer of the attack.

**U.S. President Donald Trump’s plan to withdraw from the 2015 accord to curb Iran’s nuclear program poses fresh uncertainty although Bloomberg Economics reckons that and similar supply shocks account for half of oil’s recent rise.**

### **1. What does it mean for global growth?**

The world economy is enjoying its broadest upswing since 2011 and higher oil prices would drag

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on household incomes and consumer spending, but the impact will vary. Europe is vulnerable given that growth and industrial activity already are moderating and many of the region's countries are oil importers. China is the world's biggest importer of oil and could expect an uptick in inflation -- prices already are tipped to increase 2.3 percent in 2018 from 1.6 percent in 2017. For a sustained hit to global growth, economists say oil would need to push higher and hold those levels. Seasonal effects mean energy costs often increase during the first half of the year before easing. Consumers can also switch energy sources to keep costs down, such as biofuels or natural gas.

## **2. How will Iran impact the the market?**

Oil prices have risen 14 percent this year -- half of this [increase reflects](#) stronger global demand, a Bloomberg Economics model suggests. The rest is likely due to heightened tensions with Iran and other supply shocks. The return of U.S. sanctions could crimp Iranian oil exports, but the global supply shock might be mitigated by increased pumping elsewhere, according to the analysis. Here's a chart.

<https://www.bloomberg.com/news/articles/2018-05-09/here-s-what-oil-at-70-means-for-the-world-economy>

## **3. Who wins from higher oil prices?**

Most of the biggest oil-producing nations are emerging economies. Saudi Arabia leads the way with a net oil production that's almost 21 percent of gross domestic product as of 2016 -- more than twice that of Russia, which is the next among 15 major emerging markets [ranked](#) by Bloomberg Economics.

Other winners could include Nigeria and Colombia. The increase in revenues will help to repair budgets and current account deficits, allowing governments to increase spending that will spur investment.

## **4. Who loses?**

India, China, Taiwan, Chile, Turkey, Egypt and Ukraine are among those on the worry list. Paying more for oil will pressure current accounts and make economies more vulnerable to rising U.S. interest rates. Bloomberg Economics has [ranked](#) major emerging markets based on vulnerability to shifts in oil prices, U.S. rates and protectionism.

Analysts at RBC Capital Markets created an "oil sensitivity index" to judge the economies most exposed in Asia. They warn that Malaysia, Thailand, China and Indonesia could face the most volatility from an oil-price spike.

## **5. What does it mean for the U.S. economy, the world's biggest?**

A run-up in oil prices poses a lot less of a risk to the U.S. economy than it used to, thanks to the boom in shale oil production. The old rule of thumb among economists was that a sustained \$10 per barrel rise in oil prices would shave about 0.3 percent off of U.S. GDP the following year. Now, says Mark Zandi, chief economist at Moody's Analytics, the hit is around 0.1 percent. And that all but dissipates in subsequent years as shale oil production is ramped up in response to the higher prices. The Baker Hughes U.S. rig count already is at a three-year high.

As the U.S. nears the tipping point between net oil importer and exporter, some forecasts are less upbeat. Gregory Daco, the U.S. chief for Oxford Economics, estimates that if WTI crude prices average \$70 a barrel this year, U.S. growth will lose half the 0.7 percentage point gain it would otherwise earn from tax cuts passed earlier in 2018.

Oil-producing states such as North Dakota, Texas and Wyoming should benefit from higher extraction activity, though Daco warns that productivity enhancements could limit that upside. Poorer households have the most to lose. They spend about 8 percent of their pre-tax income on gasoline, compared to about one percent for the top fifth of earners.

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## **6. Will it lead to higher inflation around the world?**

Energy prices often carry a heavy weight in consumer price gauges, prompting policy makers including those at the Fed to focus simultaneously on core indexes that remove volatile food and energy costs. But a substantial run-up in oil prices could provide a more durable uptick for overall inflation as the costs filter through to transportation and utilities and other associated industries.

## **7. What does it mean for central banks?**

If stronger oil prices substantially boost inflation, central bankers on balance will have one less (big) reason to keep monetary policy on hold while the Fed moves ahead in its tightening cycle.

### **The Bank of England's (BOE) Monetary Policy Committee (MPC) meets Thursday and is expected to keep interest rates unchanged, marking a sharp turnaround from early projections just a few weeks ago.**

<https://www.cnn.com/2018/05/09/bank-of-england-rate-hike-looks-set-to-be-postponed.html>

A month ago, short-term interest rates had been pricing in another 25 basis point rate hike with near certainty (90 percent odds). But Governor [Mark Carney](#) lowered expectations after dovish comments he gave in an interview with the BBC, referring to data that was coming in on the "softer side." He added that there "may be some differences of view at the May meeting, but that it is a view we take ... conscious that there are other meetings over the course of the year." Markets were quick to slash hiking odds in May to 50 percent. Only a week later, the first quarter [GDP \(gross domestic product\)](#) print came in at a tepid 0.1 percent quarter on quarter, below consensus of 0.4 percent and the BOE's own forecast of 0.3 percent. Short-term interest rates are now pricing in less than a 10 percent probability of a hike this Thursday.

### **In a latest sign of slow growth in 2018, retail spending contracted by 3.1 percent year-on-year in April after a 2.3 percent rise in March, the British Retail Consortium (BRC) said on Wednesday.**

**That marked the sharpest drop since records began in 1995.**

<https://www.reuters.com/article/us-britain-economy-retail/dismal-uk-retail-figures-add-to-blues-as-bank-of-england-meets-idUSKBN1IA1AX>

While the plunge partly reflects the timing of the sales-boosting Easter holidays — which started in March this year rather than April — the BRC warned of a weak underlying trend. A lack of clarity around Britain's terms of departure from the European Union in less than a year, as well as a slowing euro zone economy, are among reasons cited for Britain's disappointing performance of late.

### **Six Democratic U.S. senators have asked billionaire investor Carl Icahn and Environmental Protection Agency Administrator Scott Pruitt to explain how an Icahn-owned refinery secured a valuable EPA exemption from the nation's biofuels law.**

<https://www.reuters.com/article/us-usa-biofuels-icahn/senators-ask-billionaire-icahn-for-refinery-waiver-details-idUSKBN1IA13K>

Reuters reported last week that EPA granted a small refinery hardship waiver from the nation's biofuel laws to an Oklahoma refinery operated by Icahn's CVR Energy Inc ([CVLN](#)), allowing it to avoid tens of millions of dollars worth of costs related to the U.S. Renewable Fuel Standard.

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## EQUITIES

The S&P is **+11** and the NASDAQ is **+25**.

Particulars for companies to make money (**low interest rates, growth and some wage inflation**) remain in place.

I am dollar cost averaging into a mix of equities.

Currently 70% Equities, 20% Bonds and 10% Money Markets.

Earnings:

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

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

### UK/EUROPE

**In the UK the FTSE closed +0.58%.**

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 +0.01%.**

**The DAX Index closed +0.12%.**

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

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

**Deposit Facility Rate -.40%**

**Next meeting 06/14/18**

### ASIA

#### Japan:

**The TOPIX closed -0.39%.**

**The NIKKEI closed -0.44%.**

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

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

**Next meeting 06/15/18**

#### China:

**The Hang Seng closed +0.44%.**

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

#### 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: 97-62.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-60.5\*\*.

Resistance is at 97-62.5^ and 97-64.5\*\*.

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

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

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: 119-26.5 is the pivot point. Above you should be long, below short.

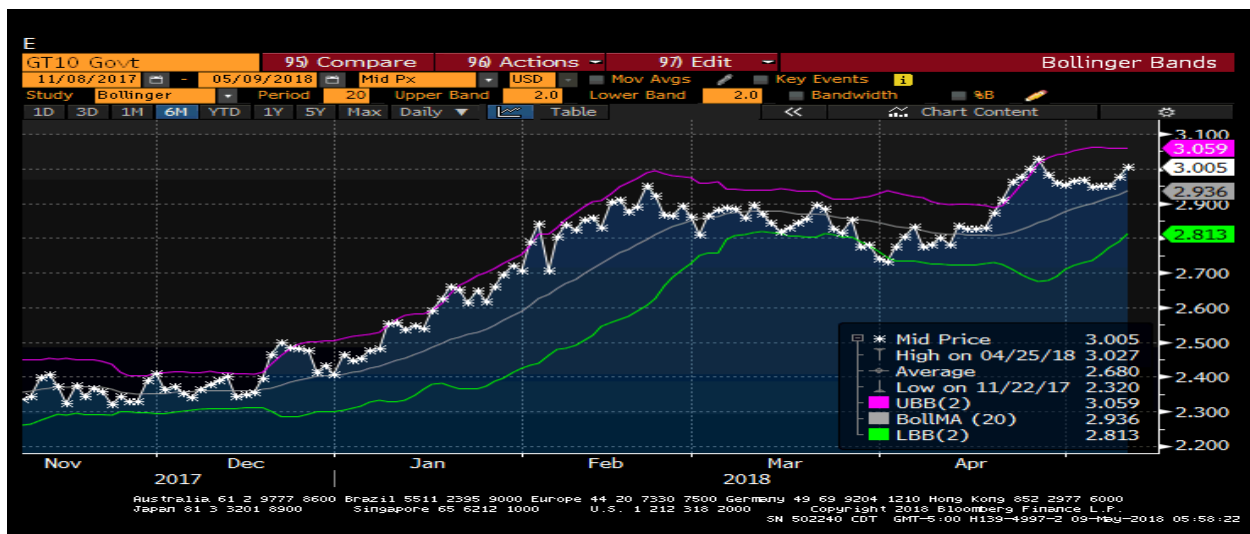
Support is at 118-26.5\*\*

Resistance is at 119-26.5^ and 120-19.5\*\*

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

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

Current Trend has you short TYM8 from 120-19.0 (4/12/18).



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:						04/09/2018		-		05/09/2018		1 Month					
40 Semi Swap						41 Sprs to Gov		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CHE/LCH Spr		46 Combined	
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN				
1) 1 YR	2,568 / 2,571		2,569	0.004			0.1	2,430		2,583	2,532	3.9	1.0				
2) 2 YR	2,779 / 2,781		2,780	0.008			0.1	2,582		2,786	2,720	6.1	1.1				
3) 3 YR	2,879 / 2,881		2,880	0.012			0.2	2,659		2,887	2,811	7.0	1.1				
4) 4 YR	2,927 / 2,929		2,928	0.014			0.2	2,697		2,936	2,854	7.6	1.2				
5) 5 YR	2,950 / 2,960		2,955	0.015			0.2	2,718		2,968	2,878	8.2	1.2				
6) 6 YR	2,976 / 2,978		2,977	0.019			0.3	2,734		2,990	2,895	8.3	1.2				
7) 7 YR	2,992 / 2,993		2,992	0.020			0.3	2,746		3,024	2,909	8.4	1.1				
8) 8 YR	3,006 / 3,009		3,008	0.022			0.3	2,760		3,032	2,923	8.6	1.1				
9) 9 YR	3,023 / 3,023		3,023	0.023			0.3	2,774		3,051	2,936	8.7	1.2				
10) 10 YR	3,037 / 3,038		3,037	0.023			0.3	2,789		3,089	2,950	8.8	1.2				
11) 15 YR	3,082 / 3,084		3,083	0.028			0.4	2,843		3,116	2,997	8.7	1.2				
12) 20 YR	3,093 / 3,095		3,095	0.029			0.4	2,861		3,130	3,012	8.3	1.2				
13) 25 YR	3,080 / 3,083		3,082	0.030			0.4	2,851		3,272	3,000	8.3	1.2				
14) 30 YR	3,061 / 3,062		3,062	0.032			0.5	2,835		3,099	2,981	8.1	1.2				

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 H139-4997-2 09-May-2018 05:50:19

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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.	4 May 2018	1,032	+11	27 April 2018	+155	5 May 2017
Canada	4 May 2018	86	+1	27 April 2018	+4	5 May 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.**

U.S. railroads originated 1,051,026 carloads in April 2018, up 3.3 percent, or 34,020 carloads, from April 2017. U.S. railroads also originated 1,099,000 containers and trailers in April 2018, up 6.8 percent, or 69,630 units, from the same month last year. Combined U.S. carload and intermodal originations in April 2018 were 2,150,026, up 5.1 percent, or 103,650 carloads and intermodal units from April 2017.

In April 2018, 15 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with April 2017. These included: crushed stone, sand & gravel, up 8,466 carloads or 8.6 percent; coal, up 7,337 carloads or 2.4 percent; and grain, up 5,305 carloads or 5.7 percent. Commodities that saw declines in April 2018 from April 2017 included: nonmetallic minerals, down 2,513 carloads or 13 percent; waste & nonferrous scrap, down 1,056 carloads or 7.1 percent; and primary forest products, down 651 carloads or 14.6 percent.

“Total U.S. rail traffic so far this year is a shade below where it was in 2015, but otherwise is higher than it’s been in the last ten years” said AAR Senior Vice President of Policy and Economics John T. Gray. “Additionally, 15 of the 20 commodity categories we track had higher carloads in April 2018 than in April 2017, the most since January 2015. That’s good news for railroads and good news for the economy.”

Excluding coal, carloads were up 26,683 carloads, or 3.8 percent, in April 2018 from April 2017. Excluding coal and grain, carloads were up 21,378 carloads, or 3.5 percent.

Total U.S. carload traffic for the first four months of 2018 was 4,347,225 carloads, up 0.6 percent, or 24,993 carloads, from the same period last year; and 4,595,381 intermodal units, up 5.8 percent, or 250,934 containers and trailers, from last year.

Total combined U.S. traffic for the first 17 weeks of 2018 was 8,942,606 carloads and intermodal units, an increase of 3.2 percent compared to last year.

### **Week Ending April 28, 2018**

Total U.S. weekly rail traffic was 551,498 carloads and intermodal units, up 5.9 percent compared with the same week last year.

Total carloads for the week ending April 28 were 266,453 carloads, up 3.7 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 285,045 containers and trailers, up 8.1 percent compared to 2017.

Nine of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 3,183 carloads, to 78,970; nonmetallic minerals, up 1,866 carloads, to 41,113; and petroleum and petroleum products, up 1,265 carloads, to 10,893. One commodity group posted a decrease compared with the same week in 2017: metallic ores and metals, down 199 carloads, to 24,454.

North American rail volume for the week ending April 28, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 372,452 carloads, up 2.7 percent compared with the same week last year, and 370,863 intermodal units, up 6.3 percent compared with last year. Total combined

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weekly rail traffic in North America was 743,315 carloads and intermodal units, up 4.5 percent. North American rail volume for the first 17 weeks of 2018 was 12,053,949 carloads and intermodal units, up 2.8 percent compared with 2017.

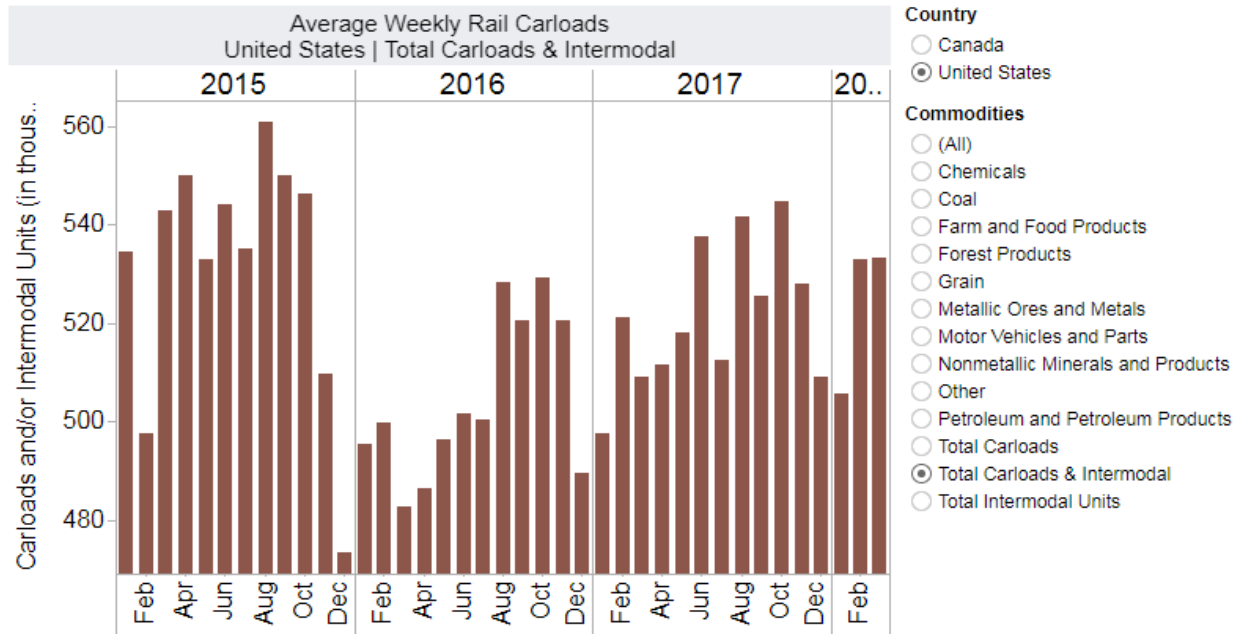
Canadian railroads reported 84,115 carloads for the week, up 1.1 percent, and 68,512 intermodal units, up 3.5 percent compared with the same week in 2017. For the first 17 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 2,465,091 carloads, containers and trailers, up 2.7 percent.

Mexican railroads reported 21,884 carloads for the week and 17,306 intermodal units.

Cumulative volume on Mexican railroads for the first 17 weeks of 2018 was 646,252 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-april-28-2018/>

### 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 railroads.



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

### Trailer Truck Demand (Bloomberg Intelligence) – 05/07/18

Relative North American spot-trucking demand rose 2.1% sequentially to 58.1 in the week ended

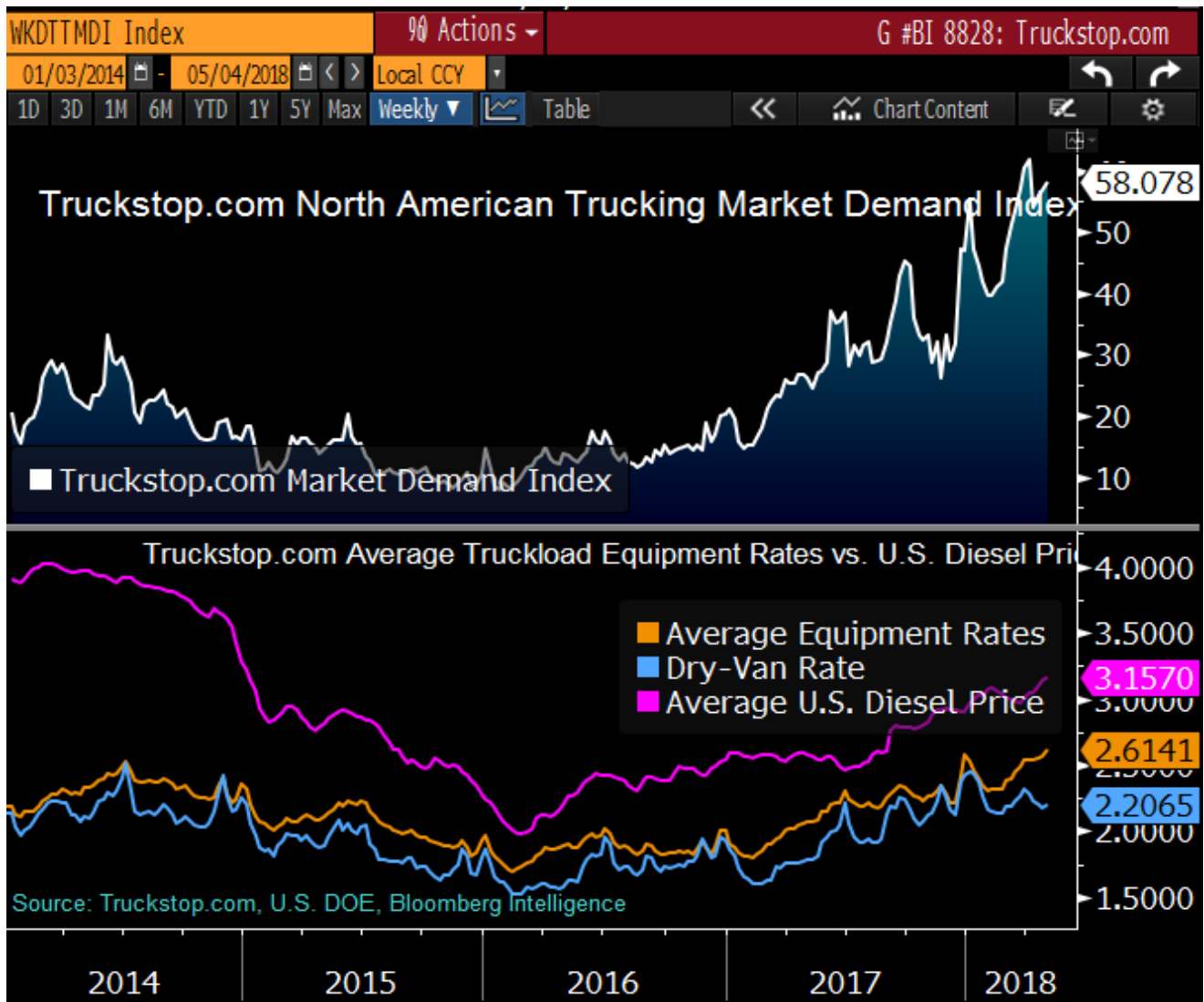
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April 27, based on Truckstop.com's Market Demand Index. Capacity tightened as available loads increased 1.9% and available trucks remained relatively flat (down 0.1%). Average spot rates, excluding fuel surcharges, rose 1.7% for the 13th straight weekly gain and are up 27% this year. Dry-van rates top all equipment types in 2018 (up 32%), which could translate into high-single-digit to mid-teens contractual rate increases.

Companies Impacted: USA Truck, Knight-Swift, J.B. Hunt, Werner, 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:

Lee A Klaskow at [lklaskow1@bloomberg.net](mailto:lklaskow1@bloomberg.net)



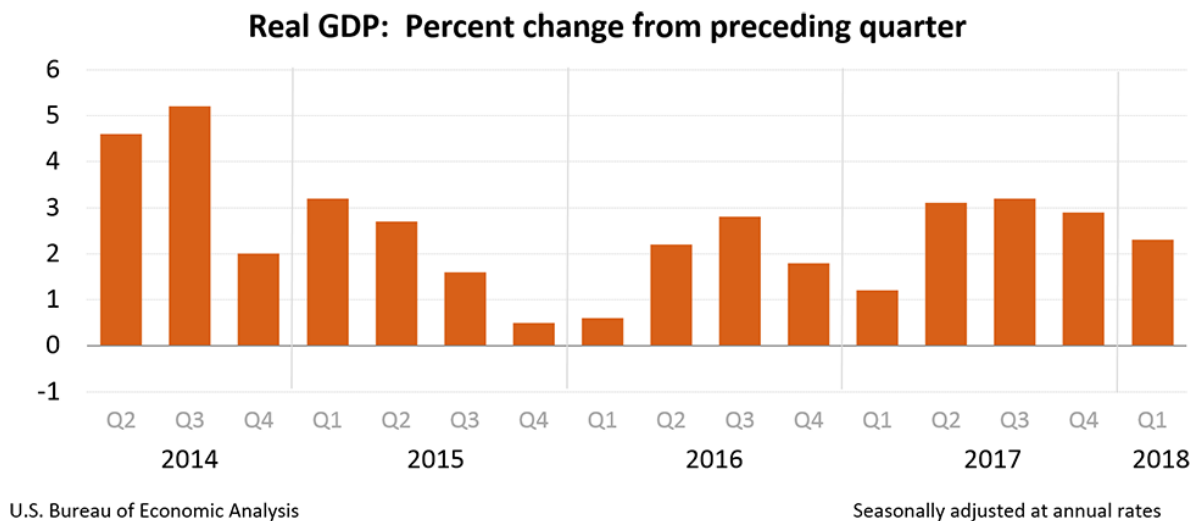
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## GDP

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

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

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



**GDP-2Q is running at \*3.66% as of 5/04/18 v. \*3.73% as of 5/03/18**

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

### **Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.0% —May 3, 2018**

*The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **4.0 percent** on May 3, down from 4.1 percent on May 1. After yesterday's light vehicle sales release from the U.S. Bureau of Economic Analysis (BEA), the nowcasts for second-quarter real consumer spending growth and real nonresidential equipment investment growth declined from 3.3 percent and 9.2 percent, respectively, to 3.0 percent and 8.1 percent respectively. The nowcasts inched back up to 3.1 percent and 8.7 percent after this morning's international trade release from the BEA and U.S. Census Bureau and this morning's manufacturing release from the Census Bureau.*

*The next GDPNow update is **Wednesday, May 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...Q1 2018: 3.0%...April 27, 2018**

The New York Fed Staff Nowcast stands at 3.0% for 2018:Q2.

News from this week's data releases decreased the nowcast for 2018:Q2 by 0.2 percentage point.

News from lower-than-expected construction data, survey data, and imports account.

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

### **St. Louis Fed Real GDP Nowcast... Q2 2018: 3.99%...May 3, 2018**

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

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## MANUFACTURING AT A GLANCE

APRIL 2018

Index	Series Index Apr	Series Index Mar	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	57.3	59.3	-2.0	Growing	Slower	20
New Orders	61.2	61.9	-0.7	Growing	Slower	28
Production	57.2	61.0	-3.8	Growing	Slower	20
Employment	54.2	57.3	-3.1	Growing	Slower	19
Supplier Deliveries	61.1	60.6	+0.5	Slowing	Faster	19
Inventories	52.9	55.5	-2.6	Growing	Slower	4
Customers' Inventories	44.3	42.0	+2.3	Too Low	Slower	19
Prices	79.3	78.1	+1.2	Increasing	Faster	26
Backlog of Orders	62.0	59.8	+2.2	Growing	Faster	15
New Export Orders	57.7	58.7	-1.0	Growing	Slower	26
Imports	57.8	59.7	-1.9	Growing	Slower	15
<b>OVERALL ECONOMY</b>				Growing	Slower	108
<b>Manufacturing Sector</b>				Growing	Slower	20

Average for 12 months - 58.4

High - 60.8

Low - 55.5

<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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