



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

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(All times are CST)

9 <GO> to Save as Default

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars		
United States		Browse		15:10:25		05/14/18		05/18/18		
Economic Releases		All Economic Releases		View		Agenda		Weekly		
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/14-05/18				Mortgage Delinquencies	1Q	--	--	5.17%	--
22)	05/14-05/18				MBA Mortgage Foreclosures	1Q	--	--	1.19%	--
23)	05/15 07:30				Empire Manufacturing	May	15.0	--	15.8	--
24)	05/15 07:30				Retail Sales Advance MoM	Apr	0.3%	--	0.6%	--
25)	05/15 07:30				Retail Sales Ex Auto MoM	Apr	0.5%	--	0.2%	--
26)	05/15 07:30				Retail Sales Ex Auto and Gas	Apr	0.4%	--	0.3%	--
27)	05/15 07:30				Retail Sales Control Group	Apr	0.4%	--	0.4%	--
28)	05/15 09:00				Business Inventories	Mar	0.1%	--	0.6%	--
29)	05/15 09:00				NAHB Housing Market Index	May	70	--	69	--
30)	05/15 15:00				Total Net TIC Flows	Mar	--	--	\$44.7b	--
31)	05/15 15:00				Net Long-term TIC Flows	Mar	--	--	\$49.0b	--
32)	05/16 06:00				MBA Mortgage Applications	May 11	--	--	-0.4%	--
33)	05/16 07:30				Revisions: Housing Starts					
34)	05/16 07:30				Housing Starts	Apr	1310k	--	1319k	--
35)	05/16 07:30				Housing Starts MoM	Apr	-0.7%	--	1.9%	--
36)	05/16 07:30				Building Permits	Apr	1350k	--	1354k	1379k
37)	05/16 07:30				Building Permits MoM	Apr	-2.1%	--	2.5%	4.4%
38)	05/16 08:15				Industrial Production MoM	Apr	0.6%	--	0.5%	--
39)	05/16 08:15				Manufacturing (SIC) Production	Apr	0.5%	--	0.1%	--

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 H142-5037-3 11-May-2018 15:10:25


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

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		15:13:57		05/14/18		-		05/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly			
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/14	01:45				Fed's Mester Speaks at Bank of France Conference					
22)	05/14	08:40				Fed's Bullard Speaks at Crypto Conference in New York					
23)	05/15	07:00				Fed's Kaplan discusses Outlook for Energy Market, Economy					
24)	05/15	09:00				Fed Nominees Clarida and Bowman Testify Before Senate Panel					
25)	05/15	12:00				Fed's Williams to Speak at Economic Club of Minnesota					
26)	05/16	07:30				Fed's Bostic to Give Economic Update					
27)	05/16	16:30				Fed's Bullard Speaks to Media					
28)	05/17	09:45				Fed's Kashkari Speaks at Moderated Q&A in Minneapolis					
29)	05/17	12:30				Fed's Kaplan Speaks in Moderated Q&A					
30)	05/18	02:00				Fed's Mester Speaks at ECB on Macroprudential, Monetary Policy					
31)	05/18	08:15				Fed's Kaplan Speaks in Moderated Q&A					
32)	05/18	08:15				Fed's Brainard Speaks About Community Reinvestment Act					
33)	05/21	11:15				Fed's Bostic Speaks to Atlanta Economics Club					
34)	05/21	13:05				Fed's Harker Speaks in New York					
35)	05/21	16:30				Fed's Kashkari Speaks at Moderated Q&A in Escanaba, MI					
36)	05/23	13:00				FOMC Meeting Minutes	May 2	--	--	--	--
37)	05/24	03:15				Fed's Dudley Speaks on Reference Rate Reform at BoE Event					
38)	05/24	13:00				Fed's Harker Speaks About Technology's Impact on Labor Market					
39)	05/25	08:00				Fed's Powell Joins Riksbank's 350th Anniversary Conference					

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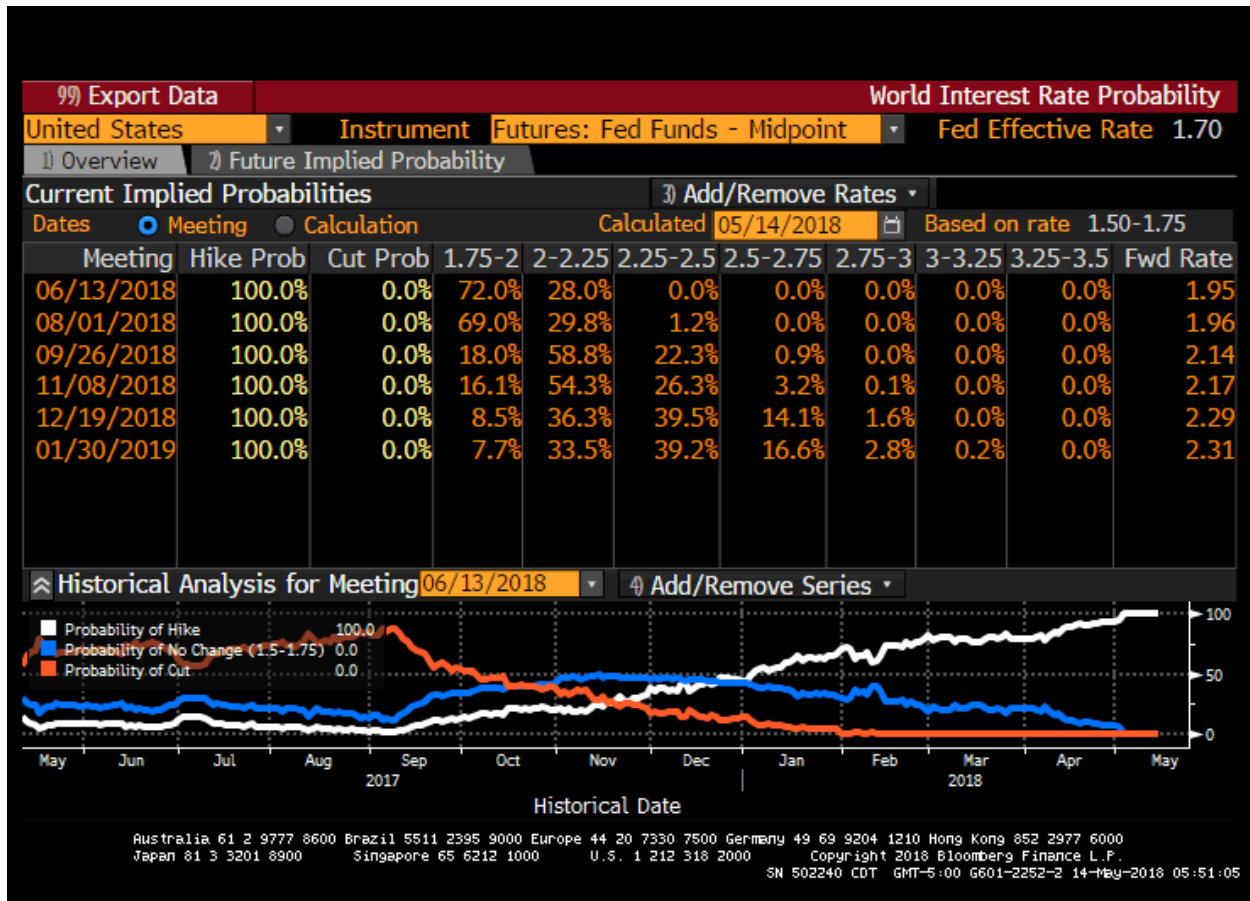
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News: News Story								
4 Previous	3 Next	60 Send	98 Actions					
05/10/2018 13:06:55 [BN]							Translate to...  	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50
4-week	05/14/2018	05/15/2018	05/17/2018	TBA	TBA	TBA	05/08/2018	\$45
3-month	05/17/2018	05/14/2018	05/17/2018	912796NQ8	\$48	TBA	05/07/2018	\$48
6-month	05/17/2018	05/14/2018	05/17/2018	912796QJ1	\$42	TBA	05/07/2018	\$42
1-year	05/17/2018	05/22/2018	05/24/2018	TBA	TBA	TBA	04/24/2018	\$26
Note Auctions								
2-year	05/17/2018	05/22/2018	05/31/2018	TBA	TBA	TBA	04/24/2018	\$32
3-year	06/07/2018	06/11/2018	06/15/2018	TBA	TBA	TBA	05/08/2018	\$31
5-year	05/17/2018	05/23/2018	05/31/2018	TBA	TBA	TBA	04/25/2018	\$35
7-year	05/17/2018	05/24/2018	05/31/2018	TBA	TBA	TBA	04/26/2018	\$29
10-year	06/07/2018	06/11/2018	06/15/2018	TBA	R	TBA	05/09/2018	\$25
Bond Auctions								
30-year	06/07/2018	06/12/2018	06/15/2018	TBA	R	TBA	05/10/2018	\$17

TIPS Auctions								
5-yr TIPS	TBA	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
Floating Rate Note								
2-year FRN	05/17/2018	04/25/2018	04/30/2018	9128284K3	\$17	TBA	03/28/2018	\$18
Buyback Operation								
Buyback	TBA	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/fomcprojtabl20180321.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>1.93375</b>	<b>+0.01504</b>	<b>(98.06625)</b>
<b>3-Month Libor Set</b>	<b>2.33000</b>	<b>-0.01250</b>	<b>(97.67000)</b>
<b>6-Month Libor Set</b>	<b>2.50063</b>	<b>-0.01437</b>	<b>(97.49927)</b>
<b>1-Year Libor Set</b>	<b>2.75748</b>	<b>-0.00831</b>	<b>(97.24252)</b>

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## THEY SAID IT

"I think we have to be taking into account the health of U.S. economy, in terms of are we on a sustained fiscal path?" Mester replied. "And I do think that's something we should be thinking of now as we go forward, and not waiting till things get too far out of hand."

<https://www.cnn.com/2018/05/14/fed-mester-central-bank-raise-rates.html>

U.S. debt-to-GDP reached 104 percent in 2017, its highest level since 1946, when it hovered around 120 percent. Total U.S. debt has surpassed \$21 trillion this year, a more than 120 percent increase from a decade ago.

Meanwhile, publicly-held U.S. debt-to-GDP — debt that the federal government owes to those outside the government — is 75 percent, but is [expected to double by 2047](#), pushed upward by a raft of recent government spending and stimulus programs. The non-partisan [Congressional Budget Office](#) reported that a continuation of the current fiscal trajectory could take the current ratio up to 150 percent of GDP in 30 years, putting the U.S. in the same camp as Greece or Italy. Some government officials have pointed to this as a warning sign that could impact more than the economy. Earlier this year, National Intelligence Director [Daniel Coats](#) called rising debt a [national security threat](#).

"The failure to address our long-term fiscal situation has increased the national debt to over \$20 trillion and growing," Coats said during a Congressional hearing in February. "This situation is unsustainable as I think we all know, and represents a dire threat to our economic and national security."

Still, ratings agencies continue to show [confidence in the U.S. economy](#), with Moody's and Fitch in April reiterating their AAA gold-standard rating for America's credit standing. They reason that even with Washington's growing debt pile, it has sufficient resources to retain its global reputation.

The U.S. and China signaled a desire to avoid a costly trade war after President Donald Trump offered a lifeline to beleaguered telecom equipment maker ZTE Corp. and China's Xi Jinping dispatched his top economic adviser to Washington.

<https://www.bloomberg.com/news/articles/2018-05-14/china-s-economy-chief-flying-to-u-s-after-trump-s-u-turn-on-zte>

Vice Premier Liu He -- who is Xi's top aide for economic matters -- will travel Tuesday to the U.S. for trade talks with Treasury Secretary Steven Mnuchin, the Chinese Ministry of Foreign Affairs said Monday in Beijing. Bloomberg News had earlier reported Liu's travel plans, citing two people familiar with the matter.

Meanwhile, Chinese regulators have restarted their review of Qualcomm Inc.'s application to acquire NXP Semiconductors NV, Bloomberg reported Monday, citing people familiar with the process. The work had been shelved earlier in reaction to growing U.S. trade tensions.

The hottest oil stock from the U.S. shale boom has never pumped a single barrel of crude.

<https://www.bloomberg.com/news/articles/2018-05-14/the-130-year-old-bankruptcy-that-created-a-5-billion-oil-giant>

[Texas Pacific Land Trust](#), a listed land bank created out of a railroad bankruptcy more than a century ago, has climbed more than 2,200 percent since 2010, outperforming the stocks of shale oil producers, service companies and prospectors alike. It's now worth more than \$5 billion.

Its secret: vast tracts of mineral rights in the Permian Basin, the world's hottest major oil region,

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earning revenues from the likes of Chevron Corp., which have to pay the trust when they produce from its land.

The idea of bringing down U.S. drug prices is [universally popular](#). The hard choices, trade-offs and political fortitude needed to actually do it, however, are a harder sell. So here we are, with a drug-pricing plan so toothless that biotech shares soared as it was unveiled by President Donald Trump on Friday afternoon.

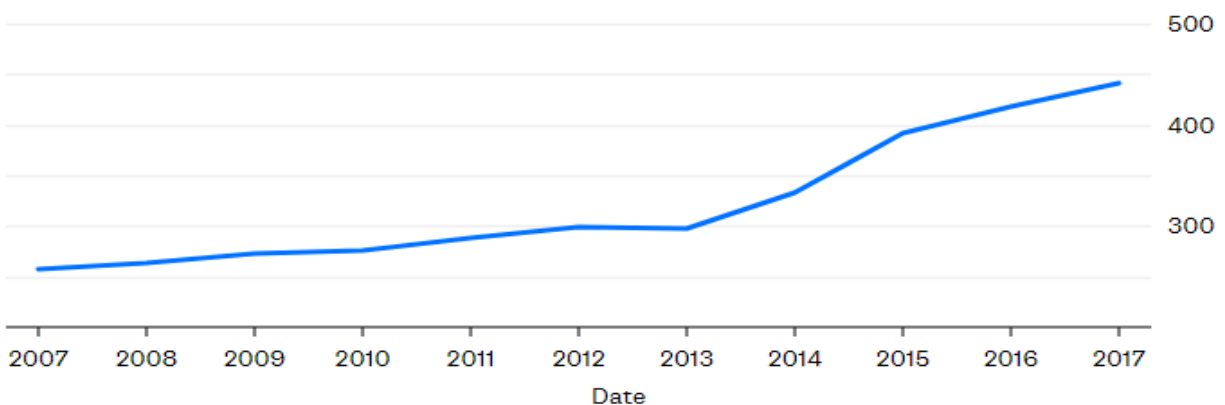
<https://www.bloomberg.com/view/articles/2018-05-13/trump-drug-plan-shows-why-high-prices-persist>

Some of Trump's initiatives will be only mildly impactful, like changes to the Medicare Part D drug benefit that might slightly lower costs to the government and seniors. Other proposals are vague and may never be pursued, like changes to the drug-rebate system. Still others are nonsensical political theater, like the notion that other countries can be compelled to raise drug prices, and that this will somehow lower U.S. prices.

The few immediate actions outlined in the plan — like ending a rule that makes it hard for pharmacists to steer patients to lower-priced options and forcing drugmakers to include the list price of drugs in advertisements — will be visible in a campaign year and allow the administration to claim it is taking action. But they won't actually stop soaring drug spending.

**Drug spending is growing at a possibly unsustainable rate in the U.S.**

■ Total branded U.S. drug sales (pre-rebate)



Source: Bloomberg

Trump's plan could have had more teeth if he followed through on a policy he once endorsed, and has been criticized for not pursuing: allowing Medicare to directly negotiate drug prices. But here again is another example where trade-offs would be required. Nine out of 10 Americans are in favor of giving the government the power to negotiate, according to [a Kaiser poll](#). But that number would drop precipitously if they knew what the government would have to do in order to make the policy effective.

To [gain any leverage](#) with drugmakers, the government would need to be able to refuse Medicare coverage of certain medications because they are too expensive, and firmly steer patients to cheaper treatments. That is, the more restrictive the government is allowed to be, the bigger the potential impact on prices. But enacting such restrictions would be enormously unpopular. It's one thing when it's a private company making you jump through hoops, it's another entirely when Uncle Sam is telling your grandmother she can't have a potentially lifesaving medicine.

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Italy's populist duo has all but completed a governing plan that includes a flat tax as low as 15 percent, a guaranteed income for the poor and a lower retirement age as they prepare to seek a green light from the president on Monday.

<https://www.bloomberg.com/news/articles/2018-05-14/italy-populists-go-all-in-on-pricey-vows-preparing-to-take-power>

The parties' economic program costs between 65 billion euros (\$78 billion) and 100 billion euros, according to an estimate in newspaper Corriere della Sera on Monday, adding that the flat tax is the most expensive measure.

The two leaders continue to keep quiet about whom they will nominate as prime minister. Salvini would like economist Giulio Sapelli, a former board member of energy giant Eni, while Di Maio proposes Giuseppe Conte, a law professor at Florence University, Corriere said.

Policies in the draft so far include a tax set at 15 percent, and at 20 percent for families with a yearly income of more than 80,000 euros, (\$96,000) according to a League official who declined to be named discussing a confidential document. A Five Star official said tax rates have yet to be defined. Italy's current income tax rates range from 23 to 43 percent.

Five Star expects the citizen's income to cost about 17 billion euros a year, but the head of Italy's pension agency estimates the price to be as much as 30 billion euros. No funding measures in the draft were disclosed. Italy has the second highest debt burden in Europe after Greece.

With Chancellor Angela Merkel warning that faith in the international order is at stake, Germany, France and the U.K. are embarking on a diplomatic mission to salvage what they can of the accord, both to keep Iran on side and to shield European companies from U.S. sanctions that threaten billions of dollars of investment.

<https://www.bloomberg.com/news/articles/2018-05-14/europe-steps-up-efforts-to-salvage-iran-accord-ditched-by-trump>

Foreign ministers from the U.K., France and Germany are due to sit down with their Iranian counterpart, Javad Zarif, in Brussels on Tuesday to discuss how to move forward. European Union leaders will then take up Iran at an informal dinner in Sofia the following day. German Economy Minister Peter Altmaier meanwhile heads to Russia on Monday to help prepare a meeting between Merkel and President Vladimir Putin set for the end of the week in Sochi.

"Today is the big day when we will cross the fence and tell Israel and the world we will not accept being occupied forever," said Gaza science teacher Ali, who declined to give his last name.

<https://www.reuters.com/article/us-israel-usa-protests-palestinians/israeli-forces-kill-ten-in-gaza-protests-as-anger-mounts-over-u-s-embassy-idUSKCN1IF0M8>

Israeli troops killed at least 16 Palestinians along the Gaza border on Monday, health officials said, as demonstrators streamed to the frontier on the day the United States prepared to open its embassy in Jerusalem.

Protests intensified on the 70th anniversary of Israel's founding, with loudspeakers on Gaza mosques urging Palestinians to join a "Great March of Return". Black smoke from tyres burned by demonstrators rose into the air at the border.

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[OPEC](https://www.cnbc.com/2018/05/14/opec-raises-oil-output-forecast-warns-about-global-growth-uncertainty.html) on Monday forecast that U.S. drillers will account for most of the growth in oil production this year, but warned that the global economic growth picture is clouded by uncertainty, in part due to American trade policy and sanctions.

<https://www.cnbc.com/2018/05/14/opec-raises-oil-output-forecast-warns-about-global-growth-uncertainty.html>

The 14-member oil producer group slightly raised its forecast for global oil demand in 2018, pointing to strong economic growth in developed and emerging economies in the first quarter. It now expects the world to consume 98.85 million barrels a day, up 1.65 million barrels a day from last year.

Meanwhile, OPEC anticipates drillers outside its group will pump 59.62 million barrels a day this year, or 1.72 million barrels a day more than last year. U.S. drillers will account for about 89 percent of that growth, with Canada, Brazil, the UK and Kazakhstan also pumping more, according to OPEC.

U.S. drillers are producing a record 10.7 million barrels a day, according to preliminary weekly data from the Energy Information Administration. The United States is quickly approaching top producer Russia, which pumps about 11 million barrels a day.

The growth of the shale industry will strengthen the U.S. for the next 15 to 20 years, Borealis Chief Executive Mark Garrett told CNBC on Sunday.

<https://www.cnbc.com/2018/05/13/us-shale-story-has-been-very-positive-for-borealis-ceo-says.html>

"We're very positive on the U.S. because the shale oil, the shale gas, we think that the ethane pricing, and the ethane through to polyethylene — and you could even go through into polypropylene from the propane — we think that will be very strong for the next 15-20 years out the U.S.," Garrett said in an interview with CNBC's [Hadley Gamble](#).

"So we've actually got a large project with Total, we're building a \$3.2 billion complex near Houston. And we think that that's going to be the future. The U.S. for the next 15-20 years looks very promising."

Garrett added that President Donald Trump's tax cuts "have not been bad for business."

Former House majority leader Eric Cantor is among a growing number of Washington insiders encouraging the U.S.'s involvement in a nuclear energy program for [Saudi Arabia](#).

<https://www.cnbc.com/2018/05/13/former-gop-leader-eric-cantor-supports-nuclear-deal-with-saudi-arabia.html>

Asked by CNBC's [Hadley Gamble](#) on Sunday if it was the right move for the Donald Trump administration to support the [Islamic kingdom's nuclear energy pursuits](#), Cantor replied, "I think there's a lot of commitment and respect mutually in terms of the U.S. and the Saudi Arabian government, and the trust factor is there."

"(Saudi Arabia) is an extremely important and strategic ally of the U.S.," Cantor added. "And for us to want to see that country become a full participant in the global economy and the geopolitical arena is something that I think is in the interest of all Americans and certainly of our government and our strategic interests."

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## EQUITIES

The S&P is +5 and the NASDAQ is +15.

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 -0.20%.**

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 -0.29%.**

**The DAX Index closed -0.43%.**

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 +0.61%.**

**The NIKKEI closed +0.47%.**

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 +1.35%.**

**The Shanghai Composite closed +0.34%.**

#### 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: 97-63.0 is the pivot. Below the pivot, you should be short, above long. Support is at 97-59.0\*\*.

Resistance is at 97-63.0^ and 97-67.5\*\*.

^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: 119-18.0 is the pivot point. Above you should be long, below short.**

**Support is at 118-29.0\*\***

**Resistance is at 119-18.0^ and 120-06.5\*\***

^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).**



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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: 04/14/2018 - 05/14/2018 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	2,539 / 2,542	2,540	-0.003			-0.2	2,504	2,583	2,549	-0.8	-0.5		
2) 2 YR	2,751 / 2,755	2,753	-0.004			-0.2	2,671	2,791	2,748	0.7	0.3		
3) 3 YR	2,854 / 2,856	2,855	0.000			0.0	2,754	2,888	2,842	1.4	0.5		
4) 4 YR	2,902 / 2,905	2,904	0.001			0.0	2,787	2,936	2,887	1.8	0.5		
5) 5 YR	2,930 / 2,932	2,931	0.001			0.0	2,792	2,974	2,911	2.1	0.5		
6) 6 YR	2,947 / 2,951	2,949	0.003			0.1	2,809	2,990	2,929	2.2	0.5		
7) 7 YR	2,963 / 2,965	2,964	0.004			0.1	2,778	3,024	2,944	2.1	0.5		
8) 8 YR	2,978 / 2,980	2,979	0.005			0.1	2,827	3,032	2,957	2.3	0.5		
9) 9 YR	2,991 / 2,995	2,993	0.005			0.1	2,837	3,051	2,971	2.4	0.5		
10) 10 YR	3,008 / 3,009	3,009	0.006			0.1	2,849	3,089	2,984	2.5	0.5		
11) 15 YR	3,047 / 3,052	3,050	0.008			0.2	2,892	3,116	3,029	2.3	0.5		
12) 20 YR	3,059 / 3,060	3,059	0.009			0.2	2,907	3,130	3,042	1.8	0.4		
13) 25 YR	3,045 / 3,046	3,046	0.007			0.1	2,895	3,272	3,030	1.6	0.3		
14) 30 YR	3,024 / 3,026	3,025	0.012			0.2	2,876	3,099	3,010	1.6	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 6601-2252-2 14-May-2018 05:51:19

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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 1st quarter 2018

For the seventeenth consecutive quarter, agricultural bankers in the Eighth Federal Reserve District, on net, reported that farm income had declined compared with a year earlier. This quarter's survey assesses agricultural finance conditions during the first quarter of 2018. Bankers also reported that farm household spending and capital expenditures remained below year-earlier levels in the first quarter. Compared with the previous survey, slightly more bankers were more optimistic about the prospects for farm income, household income, and capital expenditures over the next three months. Quality farmland values fell slightly in the first quarter from a year earlier, as did cash rents on quality farmland. By contrast, ranchland or pastureland values rose sharply in the first quarter, as did cash rents on this type of land. Judging from the expectations for several farm-related metrics reported last quarter, respondents generally believe that economic conditions in the farm economy in the first quarter of 2018 were modestly better than anticipated three months earlier. Interest rates on four of the six fixed- and variable-rate loan categories rose slightly in the first quarter. There were three special questions in this quarter's survey. Results from the first question indicated that nearly all bankers made loans to row crop farmers, while roughly three-quarters made loans to farmers with cattle operations. The second and third special questions looked at off-farm income for farmers. Nearly four of five bankers reported that half or less of the farmers they lend to have full- or part-time off-farm jobs. A similar percentage

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indicated that half or less of the farmers they lend to would have difficulty servicing their farm-related debt without off-farm income.

<https://research.stlouisfed.org/publications/regional/ag-finance/2018/05/10/2017-fourth-quarter/>

### How do Farm Incomes Compare to the average population

<https://www.ers.usda.gov/faqs/#Q4>

### Charge-off Delinquency Rates on Loans and Leases at Commercial Banks

<https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

## ENERGY

### Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	11 May 2018	1,045	+13	4 May 2018	+160	12 May 2017
Canada	11 May 2018	79	-7	4 May 2018	-1	12 May 2017
International	April 2018	978	+6	March 2018	+22	April 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%**

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**Biomass = 1.5%**

**Solar = 0.9%**

**Geothermal = 0.4%**

**Petroleum = 0.6%**

**Other gases = 0.3%**

**Other nonrenewable sources = 0.3%**

**Pumped storage hydroelectricity = -0.2%<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 545,937 carloads and intermodal units, up 7.5 percent compared with the same week last year.

Total carloads for the week ending May 5 were 265,563 carloads, up 6.4 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 280,374 containers and trailers, up 8.5 percent compared to 2017.

Nine of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included nonmetallic minerals, up 4,192 carloads, to 41,092; coal, up 4,023 carloads, to 77,468; and grain, up 3,250 carloads, to 25,100. One commodity group posted a decrease compared with the same week in 2017: miscellaneous carloads, down 2,575 carloads, to 8,201.

For the first 18 weeks of 2018, U.S. railroads reported cumulative volume of 4,612,788 carloads, up 0.9 percent from the same point last year; and 4,875,755 intermodal units, up 5.9 percent from last year. Total combined U.S. traffic for the first 18 weeks of 2018 was 9,488,543 carloads and intermodal units, an increase of 3.4 percent compared to last year.

North American rail volume for the week ending May 5, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 371,260 carloads, up 6.4 percent compared with the same week last year, and 366,970 intermodal units, up 7.4 percent compared with last year. Total combined weekly rail traffic in North America was 738,230 carloads and intermodal units, up 6.9 percent. North American rail volume for the first 18 weeks of 2018 was 12,792,179 carloads and intermodal units, up 3 percent compared with 2017.

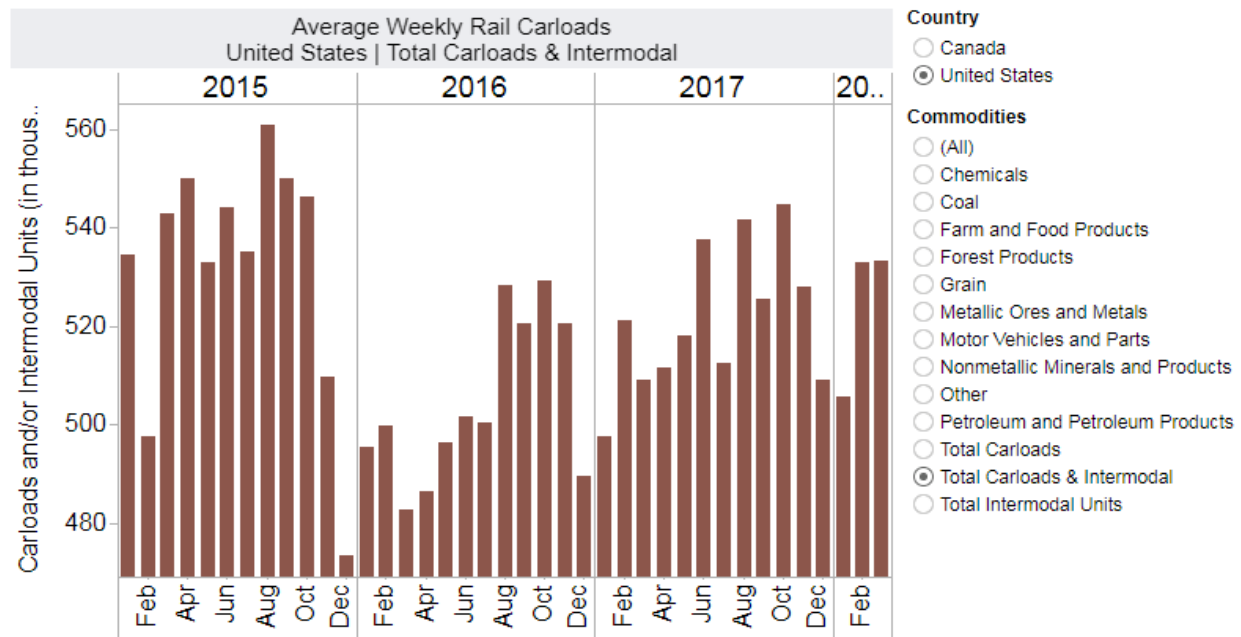
Canadian railroads reported 86,114 carloads for the week, up 5.8 percent, and 71,685 intermodal units, up 7 percent compared with the same week in 2017. For the first 18 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 2,622,890 carloads, containers and trailers, up 2.9 percent. Mexican railroads reported 19,583 carloads for the week and 14,911 intermodal units. Cumulative volume on Mexican railroads for the first 18 weeks of 2018 was 680,746 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-may-5-2018/>

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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 railroads.



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

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

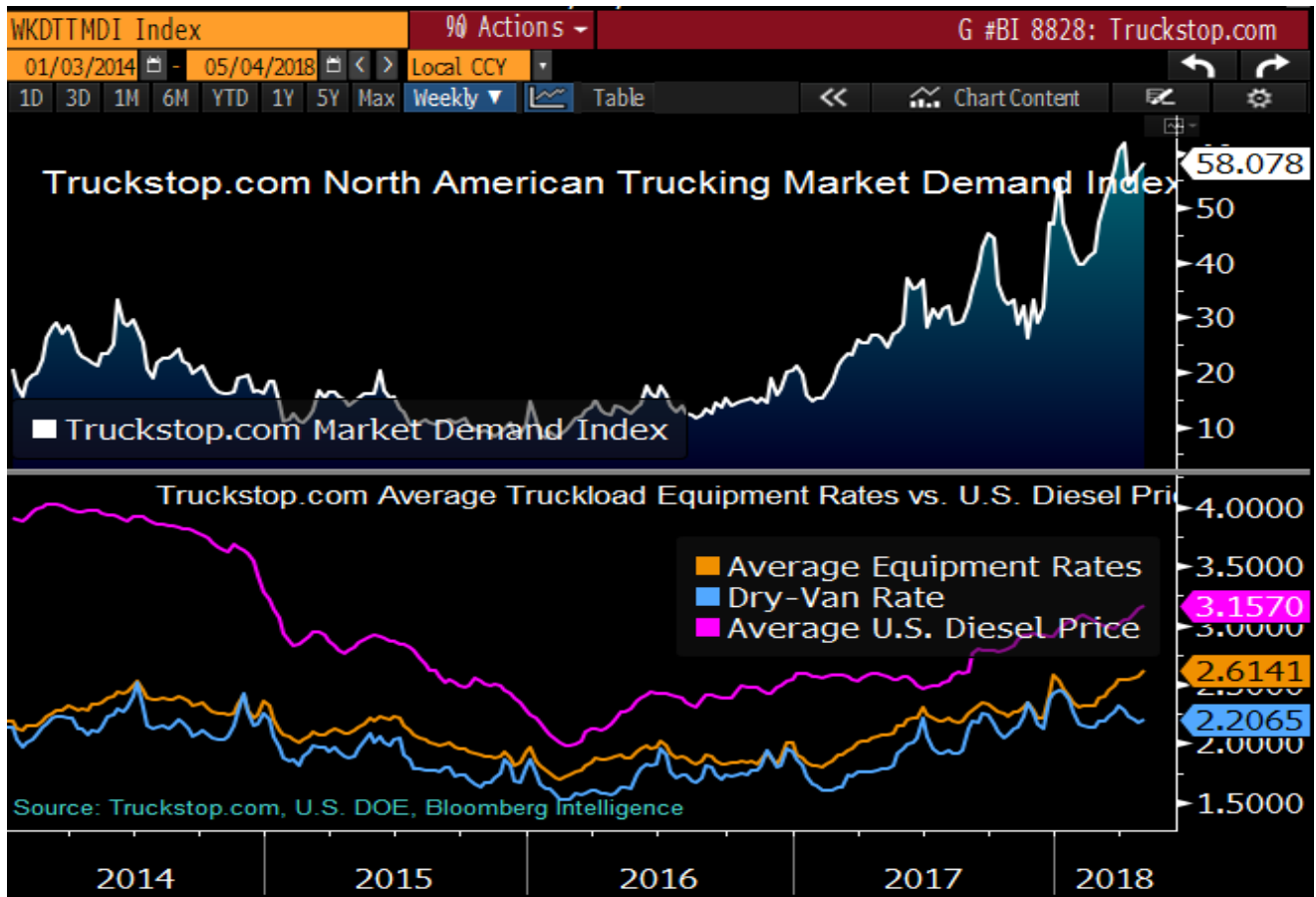
Relative North American spot-trucking demand rose 2.1% sequentially to 58.1 in the week ended April 27, based on Truckstop.com's Market Demand Index. Capacity tightened as available loads increased 1.9% and available trucks remained relatively flat (down 0.1%). Average spot rates, excluding fuel surcharges, 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 [klaskow1@bloomberg.net](mailto:klaskow1@bloomberg.net)

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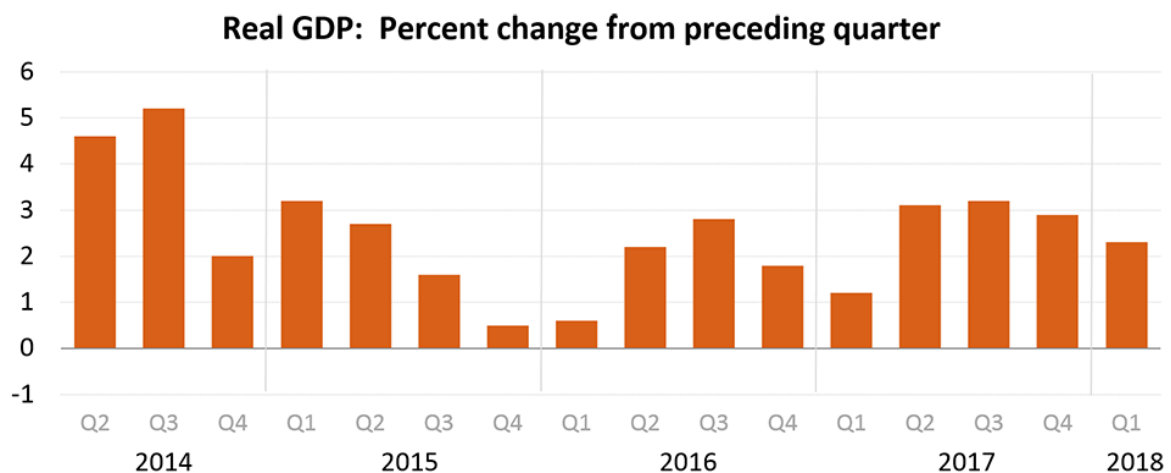


## GDP

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



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

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**GDP-2Q is running at \*3.68% as of 5/11/18 v. \*3.68% as of 5/09/18**  
**\*simple average of the three regionals.**

**Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.0% —May 9, 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 9, unchanged from May 3. The nowcasts of second-quarter real consumer spending growth and second-quarter real private fixed investment growth inched down from 3.1 percent and 5.6 percent, respectively, to 3.0 percent and 5.4 percent, respectively, after Friday's employment report from the U.S. Bureau of Labor Statistics. The nowcast of the contribution of inventory investment to second-quarter real GDP growth increased from 0.67 percentage points to 0.78 percentage points after this morning's wholesale trade release from the U.S. Census Bureau.*

*The next GDPNow update is **Tuesday, 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%...May 11, 2018**

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

News from this week's data releases left the nowcast for 2018:Q2 broadly unchanged.

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

**St. Louis Fed Real GDP Nowcast... Q2 2018: 4.03%...May 9, 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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