



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

9 <GO> to Save as Default

Economic Releases										
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/16 06:00				MBA Mortgage Applications	May 11	--	--	-0.4%	--
22)	05/16 07:30				Revisions: Housing Starts					
23)	05/16 07:30				Housing Starts	Apr	1310k	--	1319k	--
24)	05/16 07:30				Housing Starts MoM	Apr	-0.7%	--	1.9%	--
25)	05/16 07:30				Building Permits	Apr	1350k	--	1354k	1379k
26)	05/16 07:30				Building Permits MoM	Apr	-2.1%	--	2.5%	4.4%
27)	05/16 08:15				Industrial Production MoM	Apr	0.6%	--	0.5%	--
28)	05/16 08:15				Manufacturing (SIC) Production	Apr	0.5%	--	0.1%	--
29)	05/16 08:15				Capacity Utilization	Apr	78.4%	--	78.0%	--
30)	05/16-05/18				Mortgage Delinquencies	1Q	--	--	5.17%	--
31)	05/16-05/18				MBA Mortgage Foreclosures	1Q	--	--	1.19%	--
32)	05/17 07:30				Initial Jobless Claims	May 12	215k	--	211k	--
33)	05/17 07:30				Continuing Claims	May 5	1780k	--	1790k	--
34)	05/17 07:30				Philadelphia Fed Business Outlo	May	21.0	--	23.2	--
35)	05/17 08:45				Bloomberg Economic Expectatio	May	--	--	52.5	--
36)	05/17 08:45				Bloomberg Consumer Comfort	May 13	--	--	55.8	--
37)	05/17 09:00				Leading Index	Apr	0.4%	--	0.3%	--
38)	05/21 07:30				Chicago Fed Nat Activity Index	Apr	--	--	0.10	--
39)	05/22 09:00				Richmond Fed Manufact. Index	May	--	--	-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-6:00 G641-2287-2 15-May-2018 11:06:33

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		15:48:01		05/16/18		-		05/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly		🔍	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/16	07:30				Fed's Bostic to Give Economic Update					
22)	05/16	16:30				Fed's Bullard Speaks to Media					
23)	05/17	09:45				Fed's Kashkari Speaks at Moderated Q&A in Minneapolis					
24)	05/17	12:30				Fed's Kaplan Speaks in Moderated Q&A					
25)	05/18	02:00				Fed's Mester Speaks at ECB on Macroprudential, Monetary Policy					
26)	05/18	08:15				Fed's Kaplan Speaks in Moderated Q&A					
27)	05/18	08:15				Fed's Brainard Speaks About Community Reinvestment Act					
28)	05/21	11:15				Fed's Bostic Speaks to Atlanta Economics Club					
29)	05/21	13:05				Fed's Harker Speaks in New York					
30)	05/21	16:30				Fed's Kashkari Speaks at Moderated Q&A in Escanaba, MI					
31)	05/23	13:00	🔔	----		FOMC Meeting Minutes	May 2	--	--	--	--
32)	05/24	03:15				Fed's Dudley Speaks on Reference Rate Reform at BoE Event					
33)	05/24	13:00				Fed's Harker Speaks About Technology's Impact on Labor Market					
34)	05/25	08:00				Fed's Powell Joins Riksbank's 350th Anniversary Conference					
35)	05/25	10:45				Fed's Kaplan, Evans and Bostic Speak at Dallas Fed					
36)	05/30	13:00				U.S. Federal Reserve Releases Beige Book					

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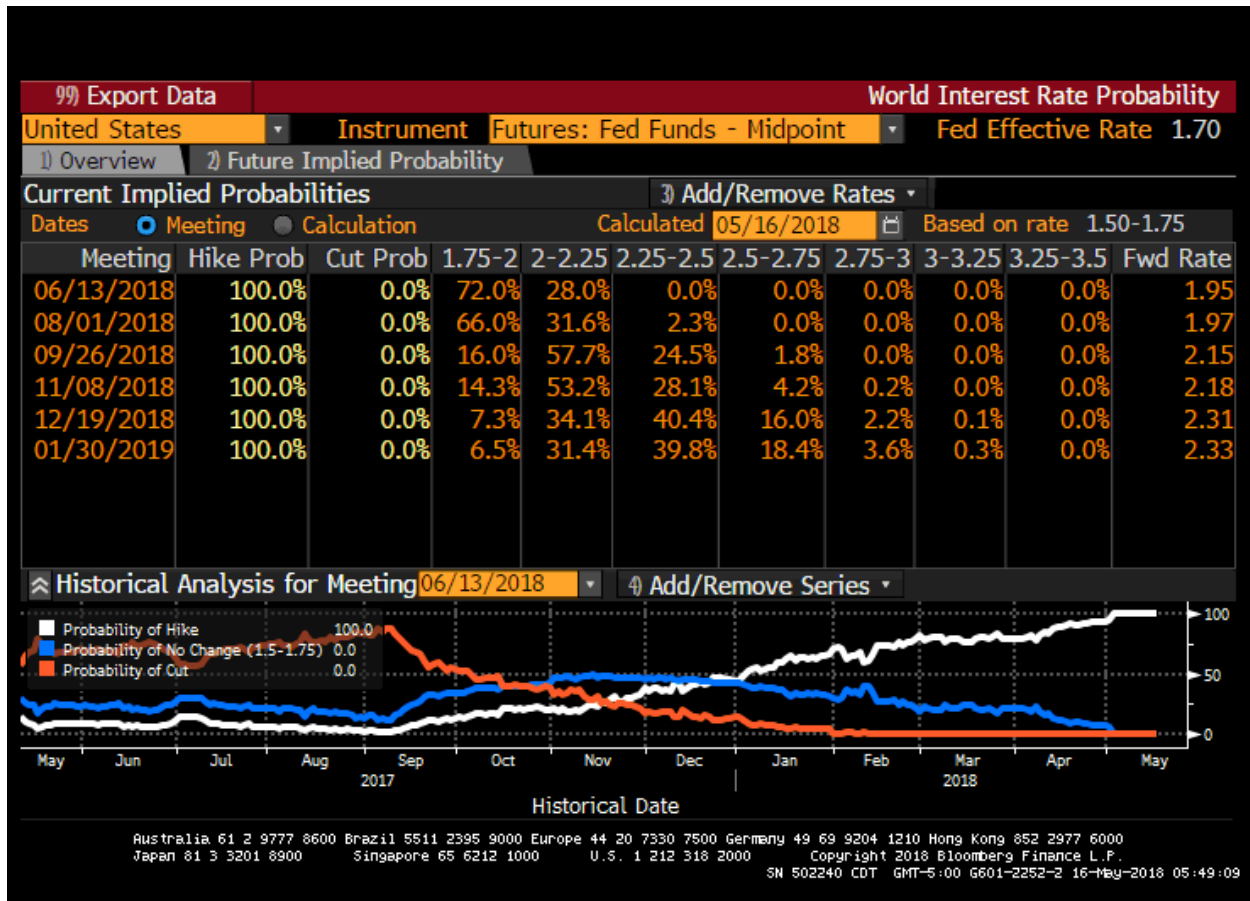
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				News: News Story				
4) Previous 3) Next 66) Send 98) Actions ▾				05/15/2018 13:42:34 [BN] Translate to...				
	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	05/21/2018	05/22/2018	05/24/2018	TBA		TBA	05/15/2018	\$45
3-month	05/17/2018	05/21/2018	05/24/2018	912796PV5		TBA	05/14/2018	\$48
6-month	05/17/2018	05/21/2018	05/24/2018	912796QK8		TBA	05/14/2018	\$42
1-year	05/17/2018	05/22/2018	05/24/2018	912796QH5		TBA	04/24/2018	\$26
Note Auctions								
2-year	05/17/2018	05/22/2018	05/31/2018	9128284Q0		TBA	04/24/2018	\$32
3-year	06/07/2018	06/11/2018	06/15/2018	TBA		TBA	05/08/2018	\$31
5-year	05/17/2018	05/23/2018	05/31/2018	9128284S6		TBA	04/25/2018	\$35
7-year	05/17/2018	05/24/2018	05/31/2018	9128284R8		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	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	03/28/2018	\$18
Buyback Operation								
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 ¹				Central tendency ²				Range ³			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.7	2.4	2.0	1.8	2.6-3.0	2.2-2.6	1.8-2.1	1.8-2.0	2.5-3.0	2.0-2.8	1.5-2.3	1.7-2.2
December projection	2.5	2.1	2.0	1.8	2.2-2.6	1.9-2.3	1.7-2.0	1.8-1.9	2.2-2.8	1.7-2.4	1.1-2.2	1.7-2.2
Unemployment rate	3.8	3.6	3.6	4.5	3.6-3.8	3.4-3.7	3.5-3.8	4.3-4.7	3.6-4.0	3.3-4.2	3.3-4.4	4.2-4.8
December projection	3.9	3.9	4.0	4.6	3.7-4.0	3.6-4.0	3.6-4.2	4.4-4.7	3.6-4.0	3.5-4.2	3.5-4.5	4.3-5.0
PCE inflation	1.9	2.0	2.1	2.0	1.8-2.0	2.0-2.2	2.1-2.2	2.0	1.8-2.1	1.9-2.3	2.0-2.3	2.0
December projection	1.9	2.0	2.0	2.0	1.7-1.9	2.0	2.0-2.1	2.0	1.7-2.1	1.8-2.3	1.9-2.2	2.0
Core PCE inflation ⁴	1.9	2.1	2.1		1.8-2.0	2.0-2.2	2.1-2.2		1.8-2.1	1.9-2.3	2.0-2.3	
December projection	1.9	2.0	2.0		1.7-1.9	2.0	2.0-2.1		1.7-2.0	1.8-2.3	1.9-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.1	2.9	3.4	2.9	2.1-2.4	2.8-3.4	3.1-3.6	2.8-3.0	1.6-2.6	1.6-3.9	1.6-4.9	2.3-3.5
December projection	2.1	2.7	3.1	2.8	1.9-2.4	2.4-3.1	2.6-3.1	2.8-3.0	1.1-2.6	1.4-3.6	1.4-4.1	2.3-3.0

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 12-13, 2017. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the December 12-13, 2017, meeting, and one participant did not submit such projections in conjunction with the March 20-21, 2018, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

4. Longer-run projections for core PCE inflation are not collected.

<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20180321.pdf>

Libor Set

1-Month Libor Set	1.93500	-.00375	(98.06500)
3-Month Libor Set	2.32563	+.00500	(97.67437)
6-Month Libor Set	2.49438	+.00188	(97.50562)
1-Year Libor Set	2.76148	+.00762	(97.23852)

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THEY SAID IT

“If the U.S. is trying to drive us into a corner to force our unilateral nuclear abandonment, we will no longer be interested in such dialogue and cannot but reconsider our proceeding to the DPRK-U.S. summit,” Kim said. He added that Trump risked becoming a “more tragic and unsuccessful president than his predecessors” if he didn’t accept North Korea as a nuclear power.

<https://www.bloomberg.com/news/articles/2018-05-16/north-korea-threatens-to-cancel-trump-summit-over-uke-demands>

Kim Kye Gwan, a vice foreign minister and a top North Korea disarmament negotiator, said the regime was disappointed by recent comments from the U.S. on their goals for the summit, according to a statement published Wednesday by the state-run Korean Central News Agency. Kim said North Korea felt “repugnance” toward National Security Adviser John Bolton and rejected a “Libya model” in which the regime quickly gives away its nuclear weapons.

The comparison only underscores the fears of the Kim regime, which views nuclear weapons as insurance against any U.S.-led military action. Libyan dictator Muammar Qaddafi was brutally killed by NATO-backed rebels two years after the last remnants of his nuclear program were removed.

“Our country is neither Libya nor Iraq, which have met a miserable fate,” Kim Kye Gwan said. “It is absolutely absurd to dare compare the DPRK, a nuclear weapon state, to Libya, which had been at the initial stage of nuclear development.”

The United States is seeking a trade deal with China, White House economic adviser Larry Kudlow said on Tuesday as talks between the world’s two economic powerhouses resume in Washington this week.

<https://www.reuters.com/article/us-usa-trade-china/u-s-looking-for-a-deal-with-china-on-trade-white-house-adviser-idUSKCN1IG01O>

Kudlow, speaking in a live interview with Politico news outlet, said he backed U.S. Treasury Secretary Steven Mnuchin’s efforts to reach an agreement with Beijing and that both countries must take action.

“He is looking for a deal, I support him on that, wholeheartedly, assuming it’s a good deal. He has my support,” Kudlow said, adding that no agreement had been reached yet.

“Both sides should try to lower tariffs as much as possible ... and to take down non-tariff barriers wherever they are,” he told Politico. “Free and open trade, I think that’s the solution. I think that’s where we are as a group.”

“We do think this hiking cycle is quite well advanced,” Sydney-based Mead said at the Bloomberg Invest summit in Sydney. “We also know that the backdrop of the U.S. economy has been pretty strong and going for a long time. At some point we will find these high yields will become an impediment for growth.”

<https://www.bloomberg.com/news/articles/2018-05-15/u-s-10-year-yields-will-be-in-3-3-5-range-pimco-s-mead-says>

The yield on 10-year Treasuries has topped 3 percent and reached the highest since 2011 on Tuesday as concerns about inflation and the pace of Fed rate hikes increased. While there has been a growing consensus for higher rates this year, debate has shifted to the extent of the advance with JPMorgan Chase & Co.’s Jamie Dimon and Franklin Templeton suggesting yields

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are headed toward 4 percent.

“Nothing is pound-the-table cheap,” but rising yields mean investors can gradually reduce their underweight bond positions, Mead said.

Mark Delaney, the chief investment officer of AustralianSuper Pty, the nation’s largest superannuation fund, said he was thinking about buying bonds again after selling almost all holdings last year.

“We sold almost all our bonds in 2017, but now they’re a percent higher -- a percent plus, a bit higher -- we’re starting to think about whether or not we should start closing those short positions,” Delaney said at the summit.

Jeffrey Johnson, head of Asia-Pacific fixed income at Vanguard Investments Australia, said inflation was still seen as anchored. Powerful forces such as demographics, globalization and technology should keep a cap on yields, Johnson told the summit.

Fair value for U.S. 10-year yields would be 3 percent to 3.25 percent, Johnson said. Vanguard has seen evidence of investors getting back into fixed income to take advantage of the higher yields, he added.

Italian bonds slumped as populist parties struggling to form a government discussed a potential government debt write-down worth billions of euros.

<https://www.bloomberg.com/news/articles/2018-05-16/italy-bonds-roiled-as-populists-debate-300-billion-write-down>

League lawmaker Armando Siri told La7 television on Wednesday that the anti-immigrant League and the anti-establishment Five Star Movement are discussing a 250 billion euro (\$300 billion) write-off from the European Central Bank. He was confirming an earlier report on a draft plan by the Huffington Post.

The ECB is barred from directly financing governments under the Maastricht Treaty. An ECB spokesman declined to comment on the leaked draft. The yield on benchmark 10-year notes climbed above 2 percent for the first time since March on the news.

“This is all fairly disruptive stuff for Italian bonds,” said Jason Simpson, a strategist at Societe Generale SA. “The markets had been assuming that they would tone down some of their more radical views.”

Talks between the League led by Matteo Salvini and Five Star headed by Luigi Di Maio are dragging on. “The next hours are the ones in which we will make a decision,” Salvini told reporters in Rome Tuesday. “Either a strong government will start, or we will responsibly say we tried.”

Turkey’s president Recep Tayyip Erdogan [has issued](#) a stark warning to his country’s central bank. If he wins a presidential parliamentary election next month, he says he’ll clamp down on central bank independence to keep interest rates low. This is obviously a terrible idea, and comes at the worst possible moment. The lira [is in freefall](#) and inflation on the rise. Turkey needs a strong monetary authority, not a stooge obeying the president’s bizarre orders.

<https://www.bloomberg.com/view/articles/2018-05-16/erdogan-throws-gasoline-onto-a-raging-fire>

Erdogan has long held wrong-headed views on the impact of interest rates. Unlike the vast majority of economists, he believes a tight monetary policy causes rather than tames inflation. In an interview with Bloomberg TV on Monday, he went a step further, saying he was ready to

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interfere with the central bank if it didn't follow his advice. "It's those who rule the state who are accountable to the citizen," he said.

The latest revelations come more than two months after Russian President [Vladimir Putin](#) touted his nation's growing hypersonic arsenal as "invincible."

The hypersonic glide vehicle, dubbed Avangard, is designed to sit atop an intercontinental ballistic missile. Once launched, it uses aerodynamic forces to sail on top of the atmosphere. <https://www.cnbc.com/2018/05/15/russia-hypersonic-weapon-likely-ready-for-war-by-2020-us-intel.html>

The sources, who spoke to CNBC on the condition of anonymity, said Russia successfully tested the weapon, which could carry a nuclear warhead, twice in 2016. The third known test of the device, called a hypersonic glide vehicle, was carried out in October 2017 and resulted in a failure when the platform crashed seconds before striking its target.

While it is unclear whether Avangard will be outfitted with explosives, the precision and speed of the weapon is believed to pack enough force to obliterate targets.

The weapon, which Moscow has been developing for three decades, can travel at least five times the speed of sound, or about one mile per second.

"These kinds of boost glide vehicles attack the gaps in our missile defense system," Thomas Karako, director of the Missile Defense Project at the Center for Strategic and International Studies, told CNBC.

"The potential double supply shortfall represented by Iran and Venezuela could present a major challenge for producers to fend off sharp price rises and fill the gap, not just in terms of the number of barrels but also in terms of oil quality," the Paris-based organization said.

<https://www.cnbc.com/2018/05/16/iran-and-venezuela-are-a-major-challenge-to-avoiding-oil-price-hikes-iea-warns.html>

"If there is a large shortfall in Iranian exports then clearly that will have an impact on a market that is already quite tight," he said.

"And it's not beyond the realms of possibility that by the end of 2018, production in Venezuela could be several hundred thousand barrels lower than in its today. If that shortfall there coincides with a large shortfall in Iranian exports as the sanctions are implemented that potentially poses a challenge."

It's yet uncertain how much of Iran's supply could be affected under new U.S. sanctions which have yet to be detailed. The IEA noted that the last time sanctions were imposed in 2012 until 2015, production from the world's fifth-largest producer fell by about 1.2 million barrels a day (mb/d) "but only time will tell the extent of the disruption this time round."

In its May report, OPEC (of which Iran is a member) put Iran's daily production at 3.82 million barrels a day, according to both first and secondary sources, [making it the third largest OPEC producer and potentially making any supply loss a challenge](#).

In Venezuela, meanwhile, the IEA noted that "the pace of decline of oil production is accelerating and by the end of this year output could have fallen by several hundred thousand barrels a day." In April, Venezuela's crude oil output sunk to 1.42 mb/d, the lowest level since the early 1950s.

Describing Venezuela as being in "freefall," the IEA said its production collapse was significant.

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A senior official at Iran's state-owned oil supplier met Chinese buyers this week to ask them to maintain imports after U.S. sanctions kick in, three people familiar with the matter said, but failed to secure guarantees from the world's biggest consumer of Iranian oil.

<https://www.reuters.com/article/us-iran-nuclear-china-oil-exclusive/exclusive-iran-asks-chinese-oil-buyers-to-maintain-imports-after-u-s-sanctions-sources-idUSKCN1IH0VL>

China, the world's top crude oil buyer, imported around 655,000 barrels a day on average from Iran in the first quarter of this year, according to official Chinese customs data - equivalent to more than a quarter of Iran's total exports.

Chinese executives did not make firm commitments but said as state oil companies they will fall in line with Beijing's wishes, the person said. The visit was the NIOC marketing chief's second to Beijing this year - he also met with Chinese customers about a month ago.

Tesla will pause production at its California factory for six days at the end of the May to work on fixes to its assembly line for its new Model 3 sedan, sources inside the company told Reuters.

<https://www.cnbc.com/2018/05/15/tesla-is-shutting-down-model-3-production-for-six-more-days.html>

The Silicon Valley luxury electric car maker previously warned of 10 days of temporary shutdowns this quarter as the company addresses manufacturing problems that have delayed volume production of the Model 3 sedan, which is seen as crucial to Tesla's long-term profitability.

Two sources confirmed to Reuters that the next stoppage on the general assembly line at the Fremont, California, plant was scheduled for May 26-31.

Tesla's energy unit lost two executives after CEO [Elon Musk](#) announced a "thorough reorganization" of the company, [Bloomberg reported](#).

<https://www.cnbc.com/2018/05/15/tesla-is-reportedly-losing-two-energy-leaders-amid-musks-reorganization.html>

Stationary storage unit product director Arch Padmanabhan, and Bob Rudd, a former SolarCity executive who led commercial and utility sales, have both left the electric car company, sources told Bloomberg. Padmanabhan told Bloomberg he is working on a new venture.

Padmanabhan and Rudd are just the latest executives to step away from or leave Tesla, as the company faces scrutiny on multiple fronts. They join a growing list of 10 others to depart or take a leave from the company within the past seven months. [The most recent departure was that of senior vice president of engineering Doug Field](#). Tesla on Friday announced he would take a leave of absence.

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EQUITIES

The S&P is **+2** and the NASDAQ is **+10**.

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

I am dollar cost averaging into a mix of equities.

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

Earnings:

www.moneycentral.msn.com/investor/market/earncalendar

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed +0.08%.

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

BOE Rate +0.50%. (No change)

Next meeting 06/21/18

On the European Continent

The CAC Index closed -0.05%.

The DAX Index closed +0.25.

On the Continent, the swap curve is largely unchanged with yields mixed.

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

Deposit Facility Rate -.40%

Next meeting 06/14/18

ASIA

Japan:

The TOPIX closed -0.27%.

The NIKKEI closed -0.44%.

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

BOJ Policy Balance Rate -0.10% (No change)

Next meeting 06/15/18

China:

The Hang Seng closed -0.13%.

The Shanghai Composite closed -0.71%.

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: 97-64.0 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-57.5**.

Resistance is at 97-64.0^ and 97-70.5**.

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

** 2-STD Deviations from the pivot point.

Current trend has you long from 97-65.0 (5/11/18).



YTD (per contract)

2018 +36.0 ticks (+\$900.00)

2017 +33.0 ticks (+\$825.00)

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10yr/TYM8: 119-12.5 is the pivot point. Above you should be long, below short.

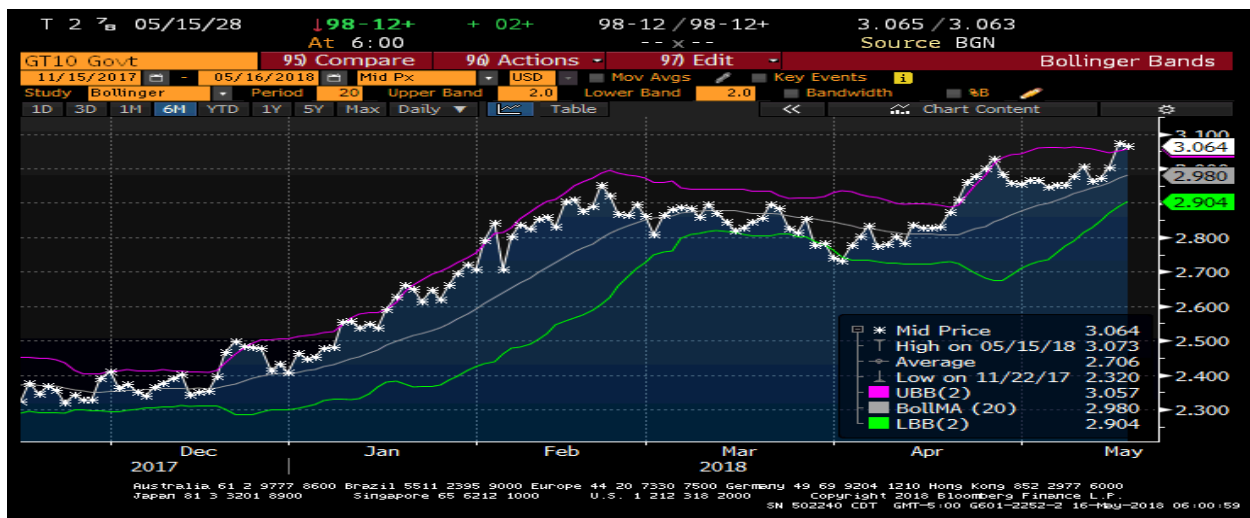
Support is at 118-25.0**

Resistance is at 119-12.5^ and 119-31.5**

^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)

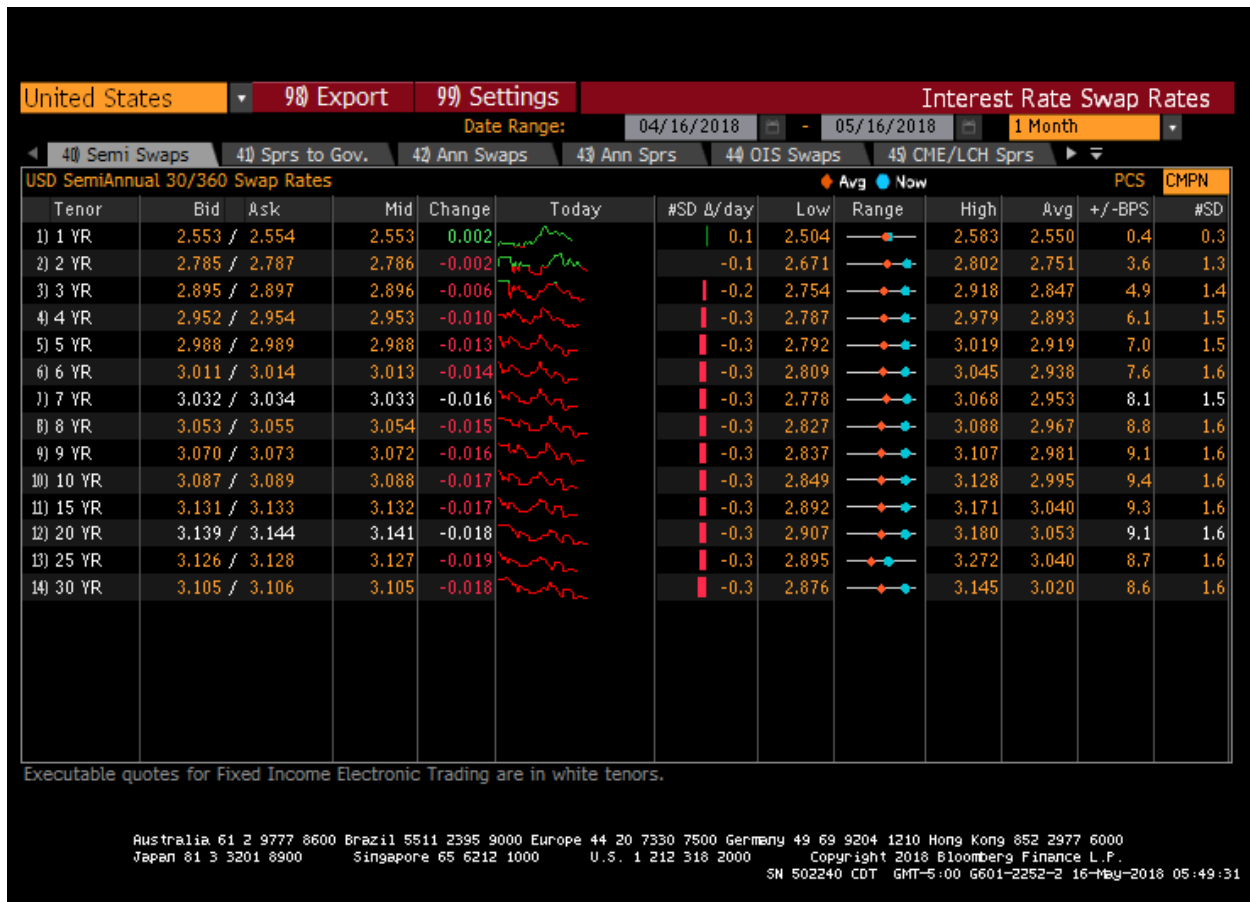
(2018) +52.0 futures ticks (\$31.25 per tick) or +\$1,625.00.

(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>



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The Option Lab

Trade Log:

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

1/64th = \$15.625

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

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

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

1. Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks (\$50) per contract (12/07/17).

Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.

The put fly was sold on 2/7/18 for a 1.25 tick (\$31.25) winner.

Option Book 2018 YTD realized: +\$15.62 per contract.

Option Book 2017 YTD realized: -\$228.13 per contract.

Option Book 2016 YTD realized: +\$43.75 per contract.

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The Fundamentals

LABOR

Bureau of Labor and Statistics

<http://www.bls.gov/news.release/>

CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

Average Hourly Earnings y/y Department of Labor Department.



St. Louis Fed Agriculture Finance Monitor 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, rangeland 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/2018/05/10/2018-first-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 electricity¹ were generated at utility-scale facilities in the United States.² About 65% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases), about 20% was from nuclear energy, and about 15% was from renewable energy sources.

The U.S. Energy Information Administration (EIA) estimates that an additional 19 billion kWh (or about 0.02 trillion kWh) of electricity generation was from small-scale solar photovoltaic systems in 2016.³

Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016¹

Natural gas = 33.8%

Coal = 30.4%

Nuclear = 19.7%

Renewables (total) = 14.9%

Hydropower = 6.5%

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Wind = 5.6%

Biomass = 1.5%

Solar = 0.9%

Geothermal = 0.4%

Petroleum = 0.6%

Other gases = 0.3%

Other nonrenewable sources = 0.3%

Pumped storage hydroelectricity = -0.2%⁴

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

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

TRANSPORTS

Association of American Railroads Rail Traffic Report.

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.

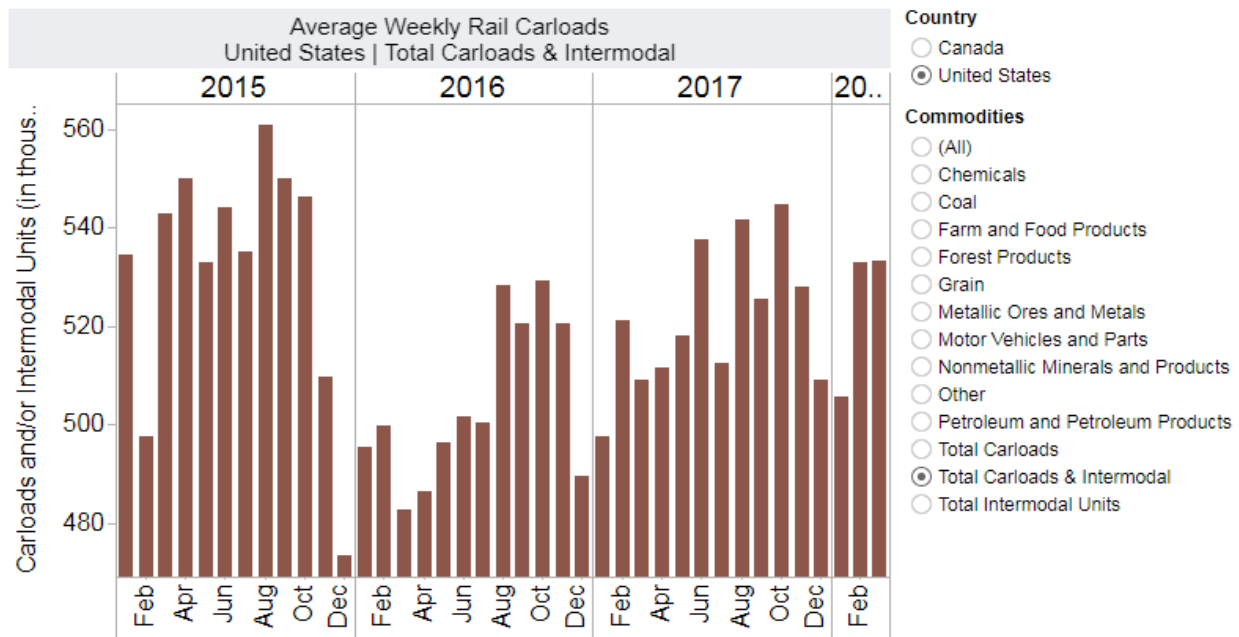
North American rail volume for the week ending May 5, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 371,260 carloads, up 6.4 percent compared with the same week last year, and 366,970 intermodal units, up 7.4 percent compared with last year. Total combined weekly rail traffic in 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) – 05/14/18

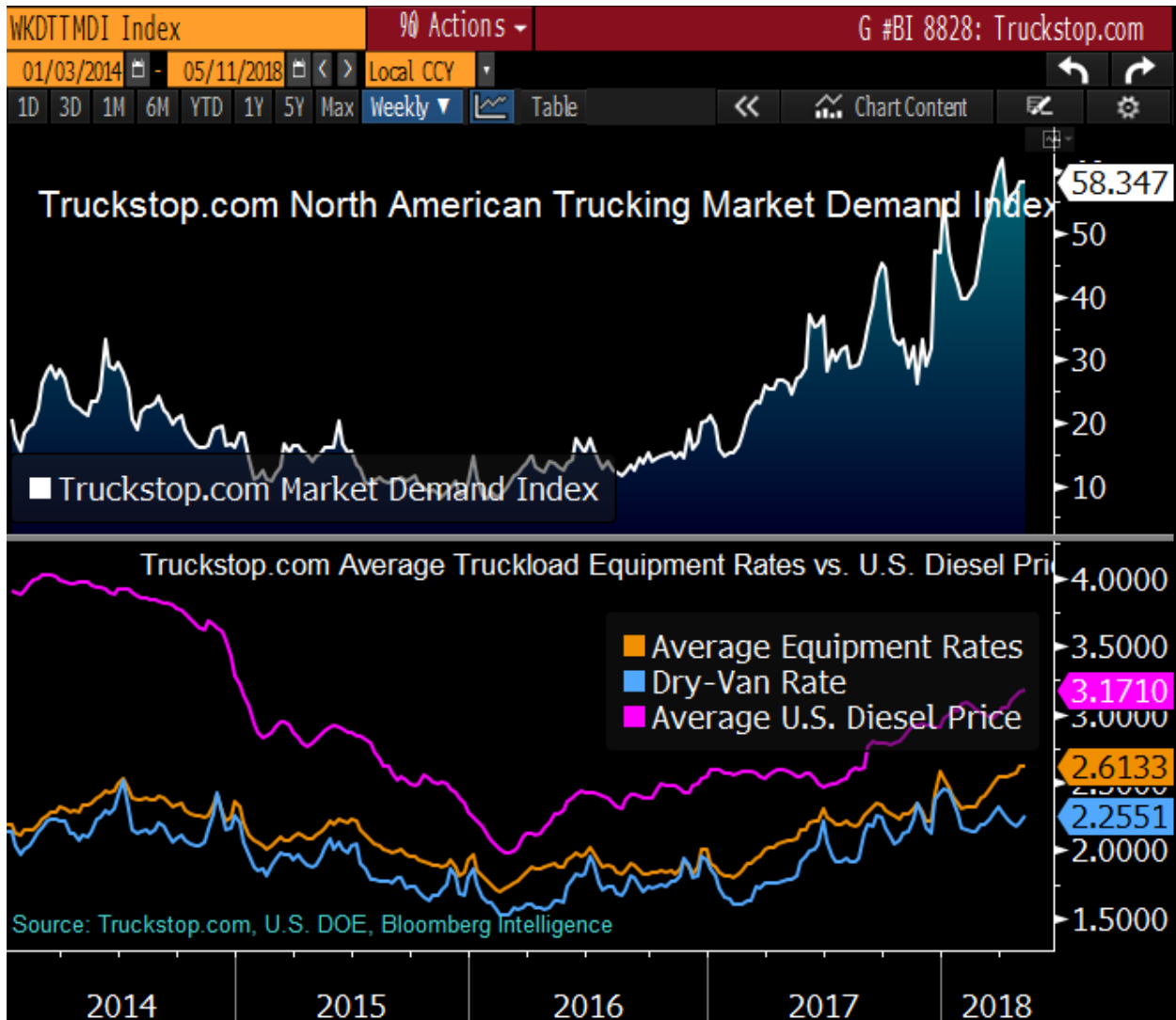
Relative North American spot-trucking demand rose 0.5% sequentially to 58.3 in the week ended May 11, based on Truckstop.com's Market Demand Index. Capacity slightly tightened as growth in available loads (1%) outpaced available trucks (up 0.5%). For the first time in 14 weeks, average spot rates, excluding fuel surcharges, inched lower (down 0.1%). Rates are up 27% in 2018, driven by a number of factors that have tightened capacity including new regulations, economic activity and limited driver availability.

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:

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GDP

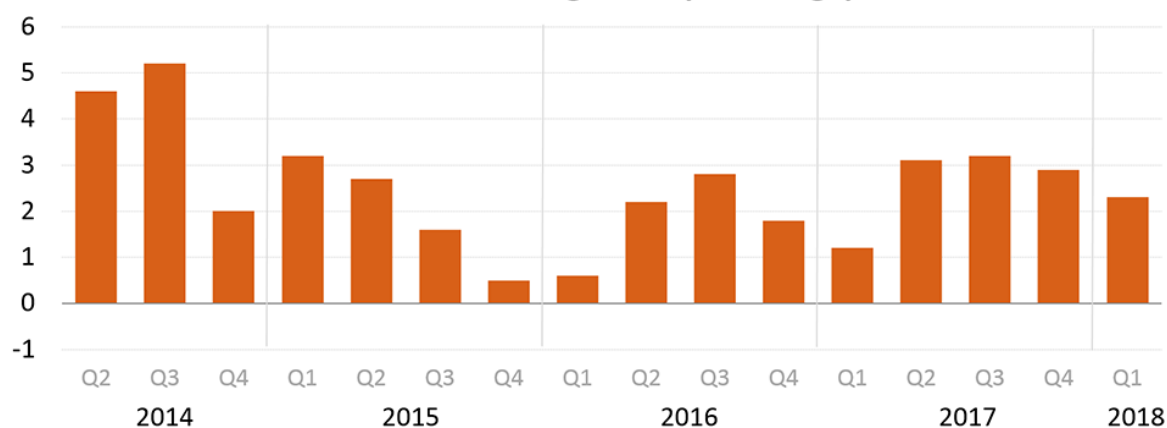
U.S. Department of Commerce, Bureau of economic analysis

<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-2Q is running at *3.72% as of 5/15/18 v. *3.68% as of 5/11/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.1% —May 15, 2018

*The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **4.1 percent** on May 15, up from 4.0 percent on May 9. The nowcast of second-quarter real personal consumption expenditures growth ticked up from 3.0 percent to 3.1 percent after this morning's retail sales release from the U.S. Census Bureau.*

*The next GDPNow update is **Tuesday, May 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: 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: 4.07%...May 15, 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
OVERALL ECONOMY				Growing	Slower	108
Manufacturing Sector				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

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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