



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

ECO <go>
(All times are CST)

9 <G0> to Save as Default

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

United States Browse 05:49:46 05/30/18 - 06/06/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/30	06:00				MBA Mortgage Applications	May 25	--	--	-2.6%	--
22)	05/30	07:15				ADP Employment Change	May	190k	--	204k	--
23)	05/30	07:30				GDP Annualized QoQ	1Q S	2.3%	--	2.3%	--
24)	05/30	07:30				Personal Consumption	1Q S	1.2%	--	1.1%	--
25)	05/30	07:30				GDP Price Index	1Q S	2.0%	--	2.0%	--
26)	05/30	07:30				Core PCE QoQ	1Q S	2.5%	--	2.5%	--
27)	05/30	07:30				Advance Goods Trade Balance	Apr	-\$71.0b	--	-\$68.0b	-\$68.3b
28)	05/30	07:30				Retail Inventories MoM	Apr	--	--	-0.4%	-0.5%
29)	05/30	07:30				Wholesale Inventories MoM	Apr P	0.5%	--	0.3%	0.4%
30)	05/30	13:00				U.S. Federal Reserve Releases Beige Book					
31)	05/31	06:30				Challenger Job Cuts YoY	May	--	--	-1.4%	--
32)	05/31	07:30				Personal Income	Apr	0.3%	--	0.3%	--
33)	05/31	07:30				Personal Spending	Apr	0.4%	--	0.4%	--
34)	05/31	07:30				Real Personal Spending	Apr	0.2%	--	0.4%	--
35)	05/31	07:30				PCE Deflator MoM	Apr	0.2%	--	0.0%	--
36)	05/31	07:30				PCE Deflator YoY	Apr	2.0%	--	2.0%	--
37)	05/31	07:30				PCE Core MoM	Apr	0.1%	--	0.2%	--
38)	05/31	07:30				PCE Core YoY	Apr	1.8%	--	1.9%	--
39)	05/31	07:30				Initial Jobless Claims	May 26	228k	--	234k	--

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 H141-2041-2 30-May-2018 05:49:46

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		12:44:35		05/29/18		-		06/30/18	
Central Banks		All Central Banks		View		Agenda		Weekly		♀	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/30	13:00				U.S. Federal Reserve Releases Beige Book					
22)	05/30	14:00				Fed to Hold Board Meeting to Discuss Volcker Rule Changes					
23)	05/31	05:00				Fed's Bullard Takes Part in MNI Roundtable in Tokyo					
24)	05/31	11:30				Fed's Bostic Speaks in Moderated Q&A in Orlando					
25)	05/31	12:00				Fed's Brainard Speaks on Economic and Monetary Policy Outlook					
26)	05/31-06/02					G-7 Finance Ministers and Central Bankers Meet in Whistler					
27)	06/13	13:00	🔔	📶		FOMC Rate Decision (Upper Bou...	Jun 13	2.00%	--	1.75%	--
28)	06/13	13:00	🔔	📶		FOMC Rate Decision (Lower Bo...	Jun 13	1.75%	--	1.50%	--
29)	06/13	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
30)	06/19	06:00				ECB's Lane and St. Louis Fed Bullard speak in Sintra, Portugal					
31)	06/20	08:30				Draghi, Lowe and Powell speak in Sintra, Portugal					

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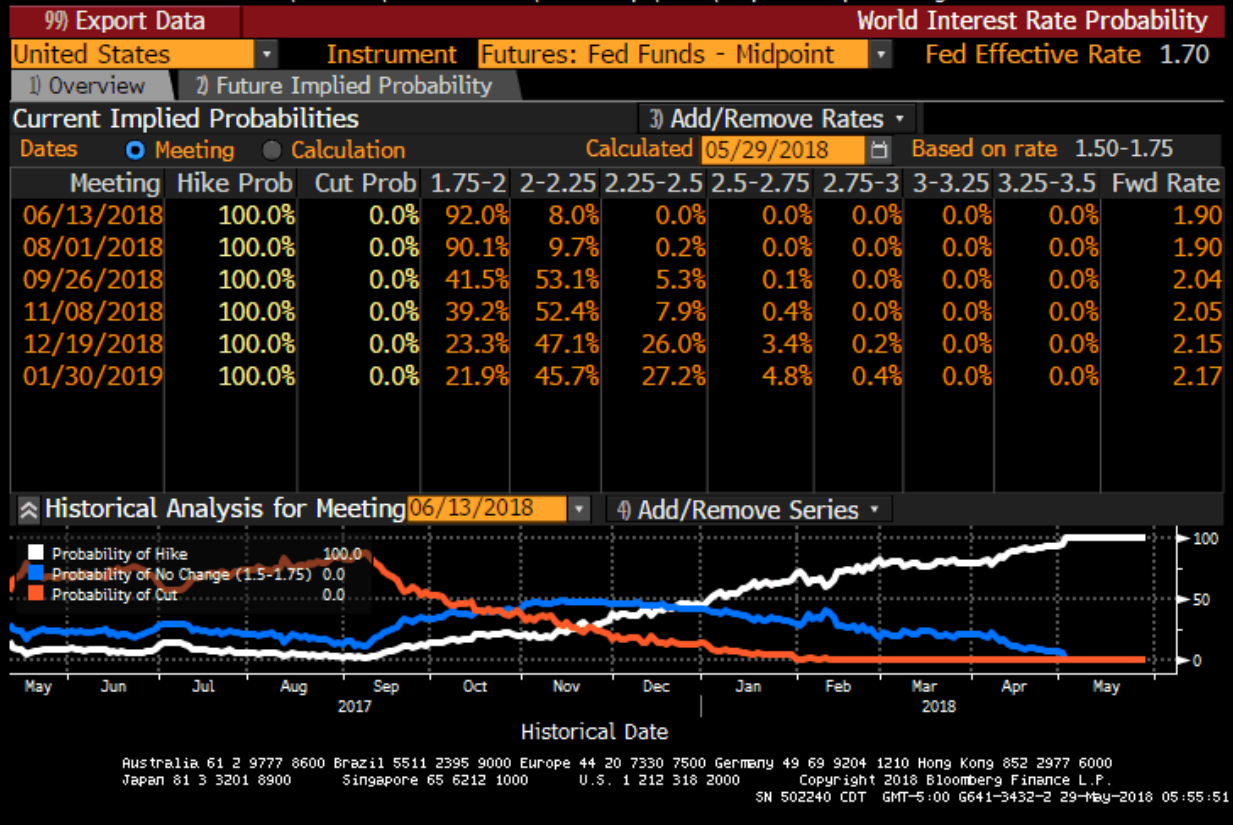
	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bl	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	06/04/2018	06/05/2018	06/07/2018	TBA		TBA	05/29/2018	\$40
3-month	05/31/2018	06/04/2018	06/07/2018	912796PY9		TBA	05/29/2018	\$48
6-month	05/31/2018	06/04/2018	06/07/2018	912796PE3		TBA	05/29/2018	\$42
1-year	06/14/2018	06/19/2018	06/21/2018	TBA		TBA	05/22/2018	\$26
Note Auctions								
2-year	06/21/2018	06/26/2018	07/02/2018	TBA		TBA	05/22/2018	\$33
3-year	06/07/2018	06/11/2018	06/15/2018	TBA		TBA	05/08/2018	\$31
5-year	06/21/2018	06/27/2018	07/02/2018	TBA		TBA	05/23/2018	\$36
7-year	06/21/2018	06/28/2018	07/02/2018	TBA		TBA	05/24/2018	\$30
10-year	06/07/2018	06/11/2018	06/15/2018	TBA	R	TBA	05/09/2018	\$25
Bond Auctions								
20-year	06/07/2018	06/11/2018	06/15/2018	TBA	R	TBA	05/10/2018	\$17

TIPS Auctions								
5-yr TIPS	08/16/2018	08/23/2018	08/31/2018	TBA	R	TBA	04/19/2018	\$16
10-yr TIPS	07/12/2018	07/19/2018	07/31/2018	TBA		TBA	05/17/2018	\$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	06/21/2018	06/27/2018	06/29/2018	TBA	R	TBA	05/23/2018	\$16
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$.025

Implied Probability of Fed Rate Movement (Futures)

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Screen saved as C:\Users\rchierici\Desktop\GIF\implied prob..gif



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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	1.98246	+.00215	(98.01754)
3-Month Libor Set	2.30031	-.00688	(97.69969)
6-Month Libor Set	2.46688	-.00312	(97.53312)
1-Year Libor Set	2.70000	-.00750	(97.30000)

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THEY SAID IT

The Socialists, Spain's biggest opposition party, are negotiating on two fronts for the support they need to oust Prime Minister Mariano Rajoy in a no-confidence vote Friday, according to people briefed on the talks.

<https://www.bloomberg.com/news/articles/2018-05-30/spanish-opposition-plan-to-topple-rajoy-seen-gaining-momentum>

The party has made inroads in the past 24 hours but the result is likely to remain in the balance until the last moment as six different opposition groups jostle for advantage ahead of a potential election, according to the people, who asked not to be named discussing political strategy. A Socialist press officer declined to comment.

Just a day after voting alongside the PP to pass the delayed 2019 budget, the centrist group Ciudadanos withdrew its support for the minority administration and demanded a snap election.

The Socialists called on the prime minister to resign and filed the no-confidence motion.

One option for Socialist leader Pedro Sanchez would be to persuade the left-wing group Podemos along with Catalan and Basque Nationalists to make him premier. Podemos has signaled it's on board and the Catalans are ready to make a similar commitment, according to the people, who asked not to be named discussing political strategy.

Sanchez has proposed a short-term government that would introduce new support for poorer Spaniards, ensure the new regional government in Catalonia respects the constitution and clean up politics before calling elections. He hasn't said how long he'd plan to stay in power.

Jose Luis Abalos, a senior Socialist official, met with Aitor Esteban, head of the Basque Nationalists' parliamentary group, in Madrid Tuesday. The talks were inconclusive with the Basques looking for firmer commitments that Sanchez will deliver more spending to their region and hold off elections, according to a separate person briefed on those talks. A spokesman for the Basques didn't immediately respond to messages seeking comment.

Both the Basques and the Catalans are wary of fresh elections because the biggest beneficiary would most likely be Ciudadanos leader Albert Rivera, who has pledged to keep regional powers in check and review the Basques' special funding arrangements.

Several strategists say there is little chance the euro zone's third-largest economy will move to leave the single currency, creating a continent-wide crisis of confidence. But internal chaos and a new election could make for a rocky summer for markets and even put a dent in European economic growth.

<https://www.cnbc.com/2018/05/29/heres-why-markets-are-so-scared-of-the-latest-italian-political-drama.html>

Italy moved to the foreground as the latest source of angst for markets, after a weekend of drama in which President Sergio Mattarella on Sunday blocked the formation of a government that would have been decidedly against the euro.

The anti-establishment 5-Star Movement, Italy's biggest party, and the far-right League party picked euro critic Paolo Savona as their economy minister. The two parties, both critical of Europe's single currency, had won more than half the votes in March's parliamentary elections. Mattarella vetoed the choice and instead asked [Carlo Cottarelli, a former IMF official](#), to form a temporary government, but both parties object to him, and a new vote is now expected in late July.

"The chaos in Europe is pushing down U.S. interest rates so money is flowing to the U.S., fleeing Europe, making people think, that [with falling interest rates], coupled with the rising

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dollar, that the Fed responds by maybe having second thoughts about the trajectory of Fed policy," said Marc Chandler, head of foreign exchange strategy at Brown Brothers Harriman. "It also is a risk to the real economy because Europe's a big trading partner."

"The Fed is going to raise in June, raise in September and then they're going to play it by ear," said Peter Bookvar, CIO at Bleakley Advisory Group.

"China are paying their tariffs," Ross told the panel at an economic development forum in Paris on Wednesday, in response to EU criticism of sweeping import tariffs the White House announced on its trade partners all over the world in March.

<https://www.cnbc.com/2018/05/30/tariffs-shouldnt-stop-us-from-negotiating-wilbur-ross-tells-the-eu.html>

"China hasn't used that as an excuse not to negotiate... It's only the EU that is insisting we can't negotiate if there are [tariffs](#)," he added.

President Donald Trump's protectionist move, which would impose a 25 percent levy on all steel imports and 10 percent on aluminum, garnered instant criticism upon its announcement from Republicans and Democrats alike and saw trade partners threatening to retaliate. The administration has delayed the imposition of the levies, extending negotiations with partners Canada, the EU and Mexico by 30 days to the tail end of May. Leaders now await a decision from Washington.

EU lawmakers have said they are open to discussions, but would not "negotiate under threat" — this was reiterated by Dutch Foreign Trade and Development Minister Sigrid Kaag, also on the panel, who expressed a stark difference in opinion from her American counterpart.

"EU leaders have expressed the expectation that there should be an unlimited exemption," Kaag said in response to Ross, pointing out that the U.S. and Europe are historic allies across a number of areas from trade to security, making them a wholly different case to China.

"We're finding ourselves in a situation we shouldn't be at," she said, adding that, "dialogue with the U.S. remains primordial... the fact China continues negotiations I don't think applies to us in this case, I don't think that's an argument. I understand, but I disagree."

Kaag said the European bloc would wait for a decision in the coming days, reiterating that the U.S. remains very important and that she believed they would find a way forward.

"I'm sure we will, and there can be negotiations with or without tariffs in place," Ross said. "God knows, there are plenty of tariffs the EU has on us. So it's not that you can't talk just because there are tariffs."

Poland is willing to spend \$1.5 billion to \$2 billion to entice the U.S. to build a permanent military base there, according to a Defense Ministry [proposal](#). The plan offers a strong incentive for the U.S. to consider moving at least some of its forces from Germany, especially since the current deployment makes little military sense.

<https://www.bloomberg.com/view/articles/2018-05-30/why-the-u-s-should-move-its-troops-from-germany-to-poland>

Placing U.S. bases in Germany after World War II was a response to the need to deter a Soviet attack and prevent Germany from becoming a military threat again. The second goal appears to be irrelevant today. Higher military spending is [unpopular](#) with German voters, and the government is unwilling to raise its defense budget to the 2 percent of economic output required by the North Atlantic Treaty Organization. The proposed spending level for next year is 1.3 percent.

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In addition, the theoretical front line in a conflict between Russia and NATO no longer runs through Germany, which today is buffered from Russia by a number of countries, including the Baltic states and Poland. Germans feel safe, and they're among [the least inclined](#) to defend a NATO ally against a Russian attack.

There will be enough electric cars on the road for roughly every person in Japan — the world's 11th most populous country — in just more than two decades, according to the International Energy Agency (IEA).

<https://www.cnbc.com/2018/05/30/electric-vehicles-will-grow-from-3-million-to-125-million-by-2030-iea.html>

Electric vehicle (EV) ownership will balloon to about 125 million by 2030, spurred by policies that encourage drivers, fleets and municipalities to purchase clean-running cars, the policy advisor to energy-consuming nations forecast on Wednesday.

That marks a big jump from 2017, when the IEA estimated there were 3.1 million electric vehicles in use, up 54 percent from the previous year.

IEA's 22-year outlook still leaves plenty of room for fossil fuel-powered vehicles. Forecasts put the world's total car count at roughly 2 billion somewhere in the 2035 to 2040 window.

Trump was addressing supporters in a campaign-style rally in Nashville, Tennessee when he returned to the wall he wants built on the U.S. southern border to keep out illegal immigrants.

<https://www.reuters.com/article/us-usa-trump-wall/trump-and-mexican-president-spar-over-border-wall-again-idUSKCN1IV033>

“In the end, Mexico is going to pay for the wall,” Trump told the crowd. “They do absolutely nothing to stop people from going through Mexico, from Honduras and all these other countries ... They do nothing to help us.”

About an hour later, Mexico's President Enrique Pena Nieto took to Twitter to hit back.

“President @realDonaldTrump: NO. Mexico will NEVER pay for a wall. Not now, not ever. Sincerely, Mexico (all of us),” Pena Nieto wrote in English. He then repeated the tweet in Spanish.

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EQUITIES

The S&P is **+13** and the NASDAQ is **+20**.

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 +0.26%.

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

BOE Rate +0.50%. (No change)

Next meeting 06/21/18

On the European Continent

The CAC Index closed -0.32%.

The DAX Index closed +0.46%.

On the Continent, the swap curve is steeper 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 -1.46%.

The NIKKEI closed -1.52%.

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

BOJ Policy Balance Rate -0.10% (No change)

Next meeting 06/15/18

China:

The Hang Seng closed -1.40%.

The Shanghai Composite closed -2.53%.

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: 97-67.0 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-59.75**.

Resistance is at 97-67.0^ and 97-74.0**.

^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: 119-13.0 is the pivot point. Above you should be long, below short.

Support is at 118-04.5**

Resistance is at 119-13.0^ and 120-21.0**

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

** 2-STD Deviations from the pivot point

Current trend has you long from 119-10.0 (5/23/18)



YTD (per contract)

(2018) +93.0 futures ticks (\$31.25 per tick) or +\$2,906.25.

(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: 04/29/2018 - 05/29/2018 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	#SD
1) 1 YR	2.486 / 2.488	2.488	-0.027				-1.2	2.469	2.585	2.555	-6.8	-3.1
2) 2 YR	2.656 / 2.657	2.656	-0.026				-0.7	2.624	2.832	2.764	-10.7	-2.7
3) 3 YR	2.736 / 2.736	2.736	-0.033				-0.7	2.694	2.952	2.862	-12.6	-2.6
4) 4 YR	2.777 / 2.779	2.778	-0.051				-1.0	2.731	3.015	2.912	-13.3	-2.6
5) 5 YR	2.799 / 2.802	2.802	-0.071				-1.3	2.750	3.055	2.940	-13.8	-2.6
6) 6 YR	2.822 / 2.823	2.823	-0.101				-1.9	2.768	3.081	2.963	-14.0	-2.6
7) 7 YR	2.840 / 2.844	2.842	-0.100				-1.8	2.786	3.114	2.980	-13.7	-2.4
8) 8 YR	2.861 / 2.861	2.861	-0.071				-1.2	2.805	3.122	2.995	-13.5	-2.3
9) 9 YR	2.880 / 2.880	2.880	-0.084				-1.5	2.824	3.140	3.012	-13.2	-2.3
10) 10 YR	2.897 / 2.898	2.897	-0.100				-1.7	2.842	3.182	3.028	-13.0	-2.2
11) 15 YR	2.953 / 2.953	2.953	-0.094				-1.6	2.901	3.205	3.074	-12.0	-2.1
12) 20 YR	2.967 / 2.967	2.967	-0.090				-1.6	2.916	3.214	3.085	-11.8	-2.1
13) 25 YR	2.952 / 2.958	2.955	-0.089				-1.6	2.835	3.272	3.072	-11.5	-2.1
14) 30 YR	2.936 / 2.938	2.937	-0.087				-1.6	2.891	3.178	3.051	-11.3	-2.1

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 6641-3432-2 29-May-2018 05:56:20

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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.	25 May 2018	1,059	+13	18 May 2018	+151	26 May 2017
Canada	25 May 2018	81	-2	18 May 2018	-12	26 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 546,415 carloads and intermodal units, up 3.6 percent compared with the same week last year.

Total carloads for the week ending May 19 were 261,273 carloads, up 1.2 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 285,142 containers and trailers, up 5.9 percent compared to 2017 and the third-highest week ever.

Six of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included nonmetallic minerals, up 2,518 carloads, to 40,836; chemicals, up 1,440 carloads, to 31,862; and petroleum and petroleum products, up 986 carloads, to 10,655. Commodity groups that posted decreases compared with the same week in 2017 included grain, down 1,656 carloads, to 22,225; motor vehicles and parts, down 778 carloads, to 17,006; and coal, down 371 carloads, to 78,519.

For the first 20 weeks of 2018, U.S. railroads reported cumulative volume of 5,141,257 carloads, up 1.1 percent from the same point last year; and 5,443,730 intermodal units, up 5.9 percent from last year. Total combined U.S. traffic for the first 20 weeks of 2018 was 10,584,987 carloads and intermodal units, an increase of 3.6 percent compared to last year.

North American rail volume for the week ending May 19, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 366,260 carloads, up 2.3 percent compared with the same week last year, and 372,668 intermodal units, up 4.6 percent compared with last year. Total combined weekly rail traffic in North America was 738,928 carloads and intermodal units, up 3.4 percent. North American rail volume for the first 20 weeks of 2018 was 14,274,661 carloads and intermodal units, up 3.2 percent compared with 2017.

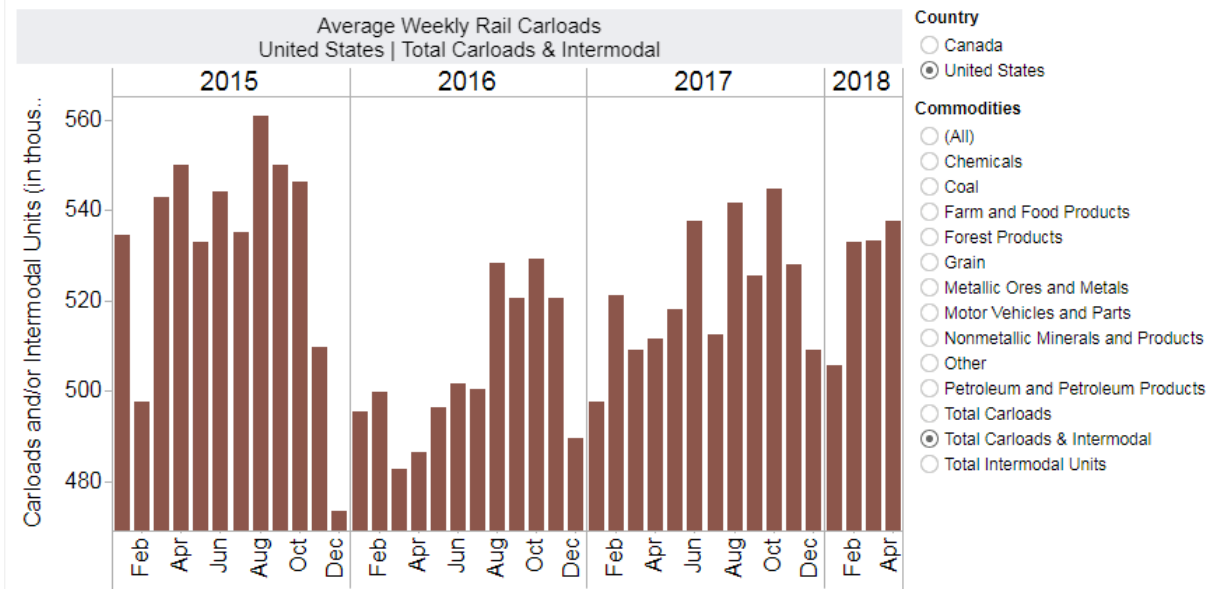
Canadian railroads reported 83,575 carloads for the week, up 8.3 percent, and 70,974 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 20 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 2,932,441 carloads, containers and trailers, up 3.2 percent.

Mexican railroads reported 21,412 carloads for the week and 16,552 intermodal units. Cumulative volume on Mexican railroads for the first 20 weeks of 2018 was 757,233 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-may-19-2018/>

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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. excludes the U.S. operations for Canadian railroads.



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

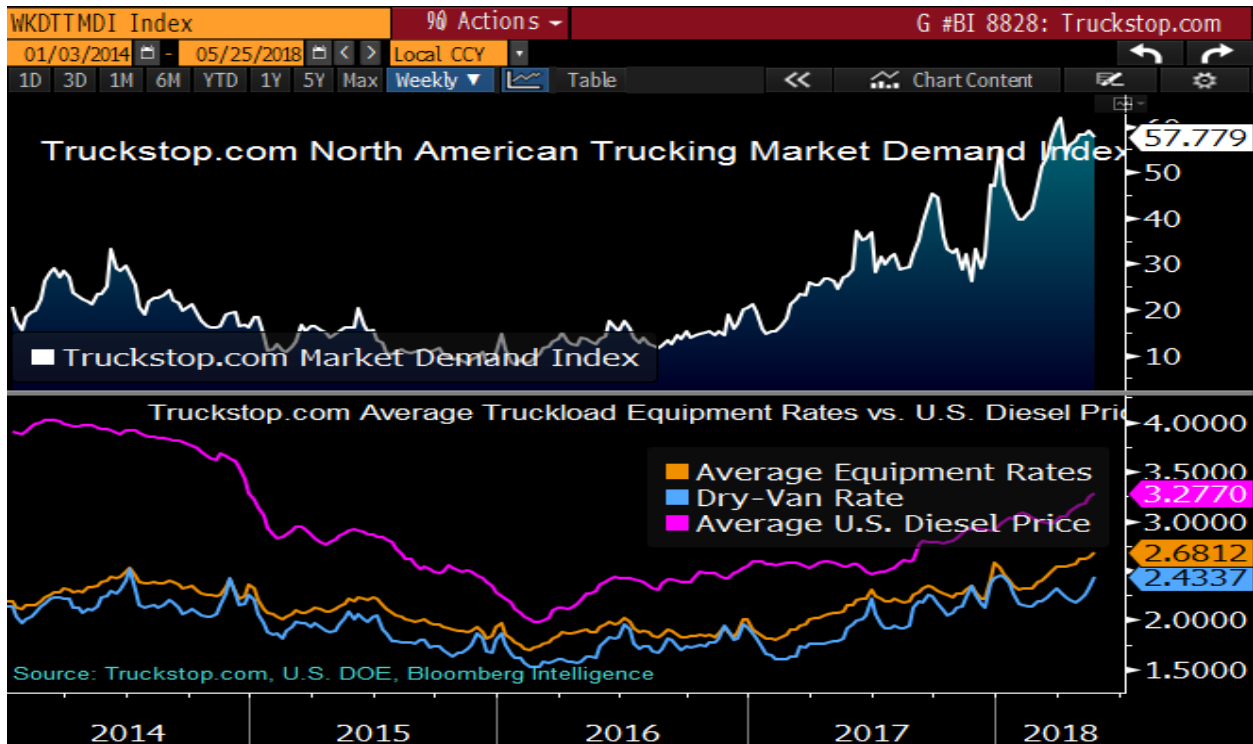
Trailer Truck Demand (Bloomberg Intelligence) – 05/28/18

Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%). Still, average spot rates, excluding fuel surcharges, rose 2.2% to a new high of \$2.31 a mile. Limited driver availability, economic activity and regulatory constraints have created the strongest pricing environment in recent history.

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

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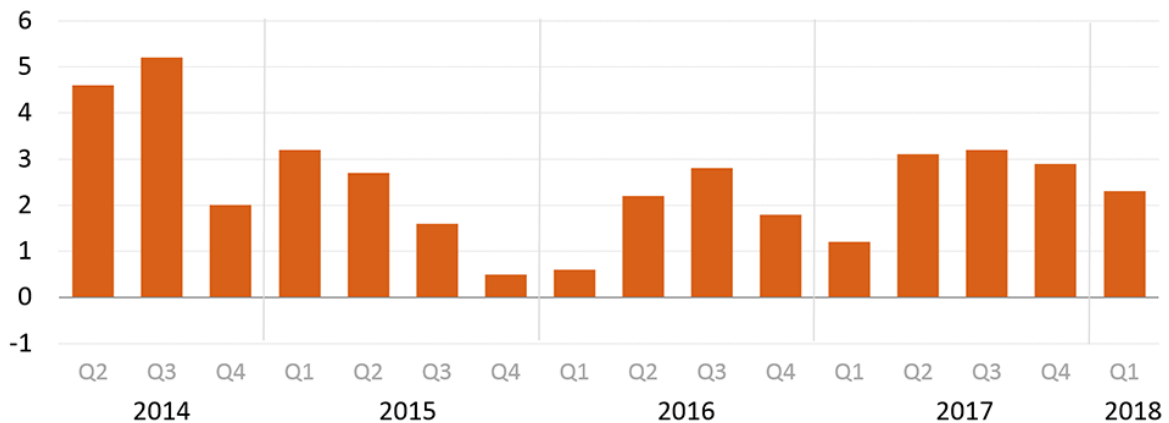
GDP

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

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

GDP-2Q is running at *3.68% as of 5/25/18 v. *3.81% as of 5/18/18

*simple average of the three regionals.

Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.0% —May 25, 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 25, down from 4.1 percent on May 16. After

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increasing from 3.3 percent to 5.4 percent following Wednesday's reports on new-home sales and costs from the U.S. Census Bureau, the nowcast of second-quarter real residential investment growth fell back down to 1.1 percent following Thursday's existing-home sales release from the National Association of Realtors.

*The next GDPNow update is **Thursday, May 31**. 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 25, 2018

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

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

Negative surprises from the advance durable goods report accounted for the decrease.

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

St. Louis Fed Real GDP Nowcast... Q2 2018: 4.04%...May 25, 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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