



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

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

United States Browse 14:23:12 05/31/18 - 06/06/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/31	06:30				Challenger Job Cuts YoY	May	--	--	-1.4%	--
22)	05/31	07:30				Personal Income	Apr	0.3%	--	0.3%	--
23)	05/31	07:30				Personal Spending	Apr	0.4%	--	0.4%	--
24)	05/31	07:30				Real Personal Spending	Apr	0.2%	--	0.4%	--
25)	05/31	07:30				PCE Deflator MoM	Apr	0.2%	--	0.0%	--
26)	05/31	07:30				PCE Deflator YoY	Apr	2.0%	--	2.0%	--
27)	05/31	07:30				PCE Core MoM	Apr	0.1%	--	0.2%	--
28)	05/31	07:30				PCE Core YoY	Apr	1.8%	--	1.9%	--
29)	05/31	07:30				Initial Jobless Claims	May 26	228k	--	234k	--
30)	05/31	07:30				Continuing Claims	May 19	1733k	--	1741k	--
31)	05/31	08:45				Chicago Purchasing Manager	May	58.3	--	57.6	--
32)	05/31	08:45				Bloomberg Consumer Comfort	May 27	--	--	55.2	--
33)	05/31	09:00				Pending Home Sales MoM	Apr	0.4%	--	0.4%	--
34)	05/31	09:00				Pending Home Sales NSA YoY	Apr	--	--	-4.4%	--
35)	06/01	07:30				Change in Nonfarm Payrolls	May	190k	--	164k	--
36)	06/01	07:30				Two-Month Payroll Net Revision	May	--	--	--	--
37)	06/01	07:30				Change in Private Payrolls	May	190k	--	168k	--
38)	06/01	07:30				Change in Manufact. Payrolls	May	20k	--	24k	--
39)	06/01	07:30				Unemployment Rate	May	3.9%	--	3.9%	--

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 H141-2041-1 30-May-2018 14:23:12

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Fed Speak Calendar (All times are CST)

Economic Calendars											
Calendars ▾		Alerts ▾		Export ▾		Settings ▾					
United States		Browse		14:28:09		05/31/18		- 06/30/18			
Central Banks		All Central Banks				View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly					
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/31	05:00				Fed's Bullard Takes Part in MNI Roundtable in Tokyo					
22)	05/31	11:30				Fed's Bostic Speaks in Moderated Q&A in Orlando					
23)	05/31	12:00				Fed's Brainard Speaks on Economic and Monetary Policy Outlook					
24)	05/31	19:30				Fed's Kaplan Speaks in Dallas					
25)	05/31-06/02					G-7 Finance Ministers and Central Bankers Meet in Whistler					
26)	06/01	07:55				Fed's Kashkari Speaks in Minneapolis					
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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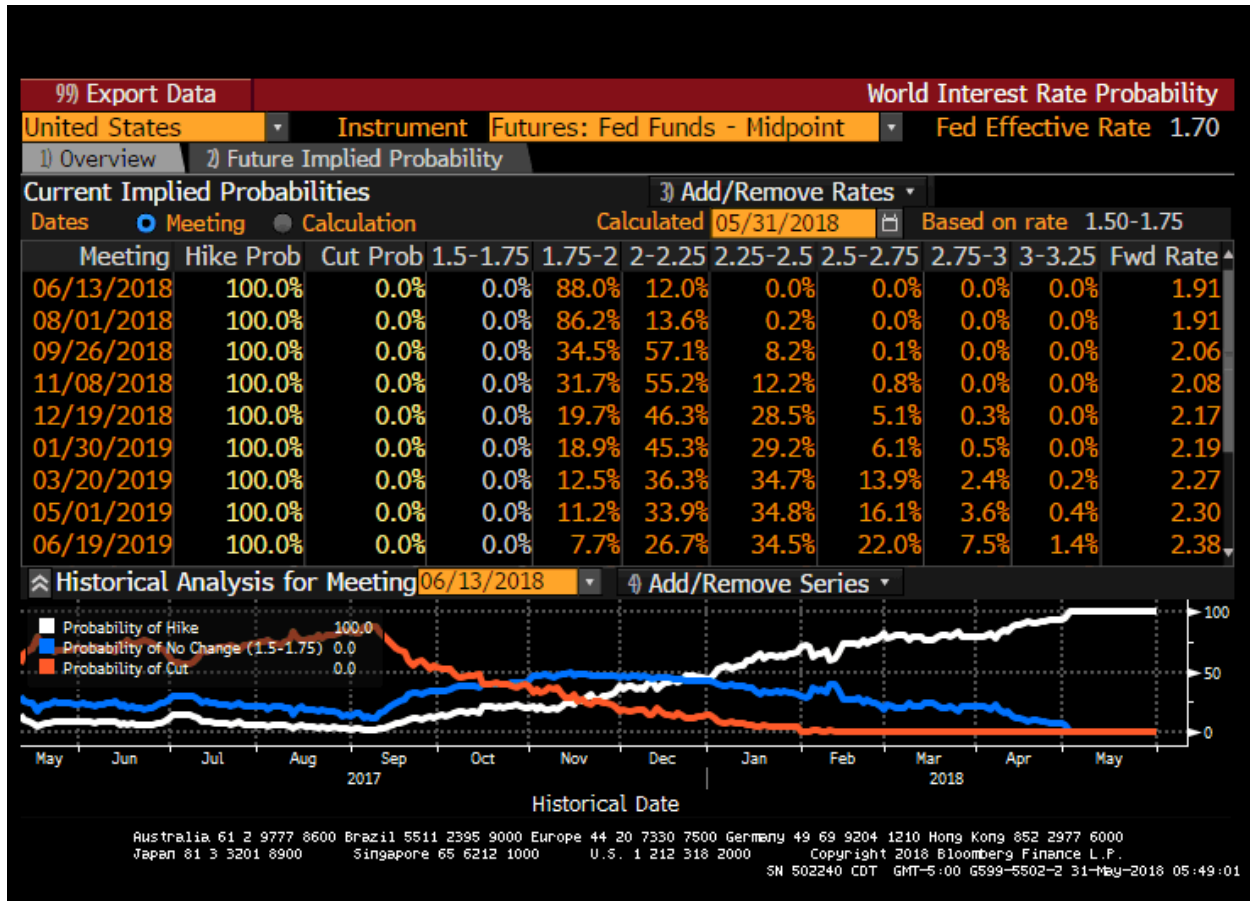
NI TRE <go>

4) Previous				3) Next		66) Send		98) Actions ▾		99) Translate ▾		News: News Story	
05/31/2018 06:01:59 [BN]												<input type="checkbox"/>	<input type="checkbox"/>
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	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													
30-year	06/07/2018	06/12/2018	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				

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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	2.00070	+0.01824	(97.99930)
3-Month Libor Set	2.32125	+0.02094	(97.67875)
6-Month Libor Set	2.47375	+0.00687	(97.52625)
1-Year Libor Set	2.71813	+0.01813	(97.28187)

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THEY SAID IT

Companies announced plans to cut 31,517 jobs in May, a 13 percent decrease from April, a private survey reported Thursday.

The 207,977 planned job cuts announced in 2018 is more than 6.2 percent higher than the same period of 2017.

<https://www.cnn.com/2018/05/31/challenger-jobs-report-planned-cuts-slow-in-may-as-retail-leads.html>

"On average, job cuts are at their lowest in May and June. Companies typically make their staffing moves at the beginning of the year or in the fourth quarter," CEO John Challenger said in a statement.

May's results held closer to April, which bucked the trend of increasing job cut announcements. Planned cuts hit a high in March, when the most job cut announcements were made in a single month in nearly two years.

Euro-area inflation hit the fastest pace in more than year, some good news for [European Central Bank](#) officials debating the future policy path just as turmoil in Italy revives memories of the debt crisis.

<https://www.bloomberg.com/news/articles/2018-05-31/euro-area-inflation-accelerates-to-fastest-in-more-than-a-year>

The 1.9 percent rate, effectively in line with the ECB's goal, was up from just 1.2 percent in April and above the 1.6 percent reading forecast by economists. The core measure rose to 1.1 percent, also better than anticipated.

Stronger-than-anticipated figures in [Germany](#) and Spain on Wednesday hinted at an upside surprise, with the rate in the former reaching a 15-month high.

Italians' flirtation with parties critical of the European Union is reminding the bloc why it wants to show the U.K. what it will lose with Brexit. It doesn't want Britain to enjoy the same benefits of membership once it's gone in case it tempts others to follow.

<https://www.bloomberg.com/news/articles/2018-05-30/italy-panic-is-bad-news-for-u-k-as-eu-seeks-brexite-consequences>

The [turmoil](#) in Italy will only strengthen EU governments' resolve that the U.K. suffer the consequences of its decision, three people familiar with the Brexit negotiations said. What makes it worse for the U.K. is that the Italian crisis, with an early election looming, coincides with the most crucial time in the U.K.'s withdrawal process.

The Italy situation "complicates matters," pro-EU Labour lawmaker Hilary Benn, who leads the U.K.'s influential House of Commons Brexit Committee, told Bloomberg TV in an interview. "One of the motivations for the EU in these negotiations is -- as they've said repeatedly and publicly -- that the U.K. can't have as good a deal outside the European Union as we have had inside."

Italy's anti-establishment political leaders Matteo Salvini and Luigi Di Maio were due to meet on Thursday for last-ditch talks to resurrect a coalition government and avert a new snap election, the prospect of which has rattled global markets.

<https://www.reuters.com/article/us-italy-politics/salvini-di-maio-to-meet-in-last-ditch-bid-to-avert-italian-election-idUSKCN1IW0Z5>

Salvini, who flew to Rome for political talks, told Italians to be patient while he considers

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proposals to exit the political crisis, which erupted this week when President Sergio Mattarella rejected a proposed coalition that included a skeptic of the euro as economy minister. A source in the anti-establishment 5-Star party said its leader Di Maio would meet Salvini, head of the far-right League, early on Thursday afternoon.

“Britain’s history as an island nation adjacent to mainland Europe is that when we try to pull away from Europe’s problems and close ourselves off to them they have a horrible habit of infecting us anyway,” Malloch-Brown told BBC Radio 4’s Today show.

“Appeasement in the 1930s -- you name it. For centuries Britain has ignored events on continental Europe at its peril.”

Soros is funding [Best for Britain](#), a campaign group chaired by Malloch-Brown, which is pushing for a second referendum on the final divorce deal with the EU.

In this article

<https://www.bloomberg.com/news/articles/2018-05-30/brexit-u-k-risks-repeat-of-nazi-appeasement-error-lord-says>

A former U.K. Foreign Office minister and ex-deputy secretary-general of the United Nations said cutting ties with the European Union risks a repeat of isolationist mistakes of the past, including Nazi appeasement.

Mark Malloch-Brown, a non-affiliated lawmaker who sits in Parliament’s upper House of Lords, was speaking after financier George Soros, who is funding a campaign to block Brexit, said the EU is having an [“existential crisis”](#). The peer raised Neville Chamberlain’s attempt to reach a deal with Adolf Hitler in the 1930s when he was asked why Britain should stay close to such a troubled organization.

Bond guru Bill Gross had a really bad day on Tuesday. In fact, it was the steepest loss for his \$2.1 billion [Janus Henderson Global Unconstrained Bond Fund](#) since its inception in 2014.

And, on the face of it, that’s fine — all investors have their victories and setbacks. But what’s strange is that Gross seemed to be [positioned against](#) his own advice and suffered greatly because of it.

<https://www.bloomberg.com/view/articles/2018-05-30/bill-gross-was-wide-awake-during-his-nightmare>

Some numbers just jump off a screen, and an effective duration of [minus 4.58 years](#) certainly qualifies. Usually a positive number, duration measures the gain or loss for a given move in bonds. In Gross’s case, an increase in yields would net a substantial profit. It boils down to a big bet against the overall market. (For context, the Bloomberg Barclays U.S. Aggregate Bond Index has a duration of more than six years.)

Tariffs already in place between the EU and US.

http://trade.ec.europa.eu/doclib/docs/2015/january/tradoc_152998.1%20Trade%20in%20goods%20and%20customs%20tariffs.pdf

German Chancellor Angela Merkel said on Thursday that the European Union would give a “smart, determined and jointly agreed” response if the United States decides to impose tariffs on European steel and aluminum imports.

<https://www.reuters.com/article/us-usa-trade-germany-merkel/europe-will-give-determined-response-to-any-u-s-tariffs-merkel-idUSKCN1IW1LE?il=0>

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“We don’t know the decision yet but if tariffs were to be imposed, then we have a clear stance within the European Union,” Merkel said during a news conference in Lisbon.

“We are convinced that these tariffs are not in line with WTO rules,” Merkel said, pointing to a joint decision by European Union leaders to demand a permanent exemption from the U.S. tariffs and offer broader trade talks on a certain basis.

Sears Holdings on Thursday announced another round of store closures as it reported worse-than-expected first-quarter earnings, where same-store sales tumbled nearly 12 percent.

<https://www.cnn.com/2018/05/31/sears-results-loss-of-3-point-93-a-share-vs-1-point-51-a-share-loss-expected.html>

Sears shares fell more than 9 percent in premarket trading on the news. The stock has tumbled more than 50 percent from a year ago to trade around \$3.20.

Looking for cash to cover its looming debts, the department store chain is currently in the midst of evaluating an offer from its CEO [Eddie Lampert's](#) hedge fund, ESL Investments, where the company would sell certain assets — including the Kenmore brand.

According to the American Trucking Associations, there's a shortage of roughly 50,000 truck drivers across the country. And it's hitting both businesses and consumers in the wallet.

<https://www.cnn.com/2018/05/28/truck-driver-shortage-higher-shipping-costs-amazon-retail.html>

[Companies are complaining](#) about how the driver shortage is affecting their business.

Meanwhile, the cost of convenient shipping is starting to catch up with consumers.

Amazon recently [hiked its Prime membership](#) to \$119 a year from \$99 a year. The retail giant said one of the reasons for the price jump was increased shipping costs.

U.S. assertions that China is militarizing the South China Sea are “ridiculous”, China said on Thursday, after U.S. Defense Secretary Jim Mattis said Washington would confront China’s actions in the disputed waterways.

<https://www.reuters.com/article/us-china-southchinasea-usa/china-rejects-ridiculous-u-s-accusation-of-south-china-sea-militarization-idUSKCN1IW0ZL>

“The United States military presence in the South China Sea is greater than that of China and other countries that surround the seas combined,” Chinese foreign ministry spokeswoman Hua Chunying said at a regular briefing.

Hua also questioned whether U.S. Navy “freedom of navigation” operations were really about preserving the right for ships to sail through the region or an attempt to maintain hegemony.

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EQUITIES

The S&P is +0 and the NASDAQ is +3.

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 +0.12%.

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

BOE Rate +0.50%. (No change)

Next meeting 06/21/18

On the European Continent

The CAC Index closed +0.14%.

The DAX Index closed -0.42%.

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 +0.65%.

The NIKKEI closed +0.83%.

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 +1.37%.

The Shanghai Composite closed +1.78%.

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: 97-67.25 is the pivot. Below the pivot, you should be short, above long. Support is at 97-60.25**.

Resistance is at 97-67.25^ 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: 119-14.5 is the pivot point. Above you should be long, below short.

Support is at 118-03.0*

Resistance is at 119-14.5^ and 120-26.5**

^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.

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(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: 05/01/2018 - 05/31/2018 1 Month						
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 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	2.504 / 2.507	2.505	0.012			0.4	2.434	2.585	2.549	-4.2	-1.3	
2) 2 YR	2.680 / 2.682	2.681	0.024			0.4	2.544	2.832	2.752	-7.0	-1.3	
3) 3 YR	2.761 / 2.763	2.762	0.028			0.4	2.606	2.952	2.849	-8.6	-1.3	
4) 4 YR	2.802 / 2.803	2.802	0.028			0.4	2.647	3.015	2.898	-9.5	-1.3	
5) 5 YR	2.826 / 2.828	2.827	0.028			0.4	2.674	3.055	2.926	-9.8	-1.3	
6) 6 YR	2.844 / 2.847	2.846	0.025			0.3	2.695	3.081	2.949	-10.2	-1.4	
7) 7 YR	2.861 / 2.864	2.862	0.022			0.3	2.717	3.114	2.966	-10.3	-1.4	
8) 8 YR	2.880 / 2.880	2.880	0.021			0.3	2.744	3.122	2.982	-10.2	-1.4	
9) 9 YR	2.895 / 2.898	2.896	0.018			0.2	2.767	3.140	2.999	-10.2	-1.4	
10) 10 YR	2.912 / 2.915	2.913	0.018			0.2	2.788	3.182	3.016	-10.1	-1.4	
11) 15 YR	2.960 / 2.962	2.961	0.014			0.2	2.850	3.205	3.062	-10.0	-1.4	
12) 20 YR	2.969 / 2.971	2.970	0.012			0.2	2.870	3.214	3.073	-10.3	-1.5	
13) 25 YR	2.957 / 2.957	2.957	0.010			0.1	2.835	3.201	3.060	-10.3	-1.5	
14) 30 YR	2.935 / 2.936	2.936	0.008			0.1	2.844	3.178	3.039	-10.3	-1.5	

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 6599-5502-2 31-May-2018 05:49:32

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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 the first 21 weeks of 2018, U.S. railroads reported cumulative volume of 5,414,483 carloads, up 1.2 percent from the same point last year; and 5,736,006 intermodal units, up 5.9 percent from last year. Total combined U.S. traffic for the first 21 weeks of 2018 was 11,150,489 carloads and intermodal units, an increase of 3.6 percent compared to last year.

For this week, total U.S. weekly rail traffic was 565,502 carloads and intermodal units, up 4.4 percent compared with the same week last year.

Total carloads for the week ending May 26 were 273,226 carloads, up 3 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 292,276 containers and trailers, up 5.8 percent compared to 2017.

Eight of the 10-carload commodity groups posted an increase compared with the same week in 2017.

They included chemicals, up 2,474 carloads, to 33,674; coal, up 2,088 carloads, to 84,674; and metallic ores and metals, up 1,519 carloads, to 25,939. Commodity groups that posted decreases compared with the same week in 2017 were motor vehicles and parts, down 846 carloads, to 16,874; and miscellaneous carloads, down 845 carloads, to 9,417.

North American rail volume for the week ending May 26, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 376,995 carloads, up 3.4 percent compared with the same week last year, and 376,449 intermodal units, up 5 percent compared with last year. Total combined weekly rail traffic in North America was 753,444 carloads and intermodal units, up 4.2 percent. North American rail volume for the first 21 weeks of 2018 was 15,028,105 carloads and intermodal units, up 3.2 percent compared with 2017.

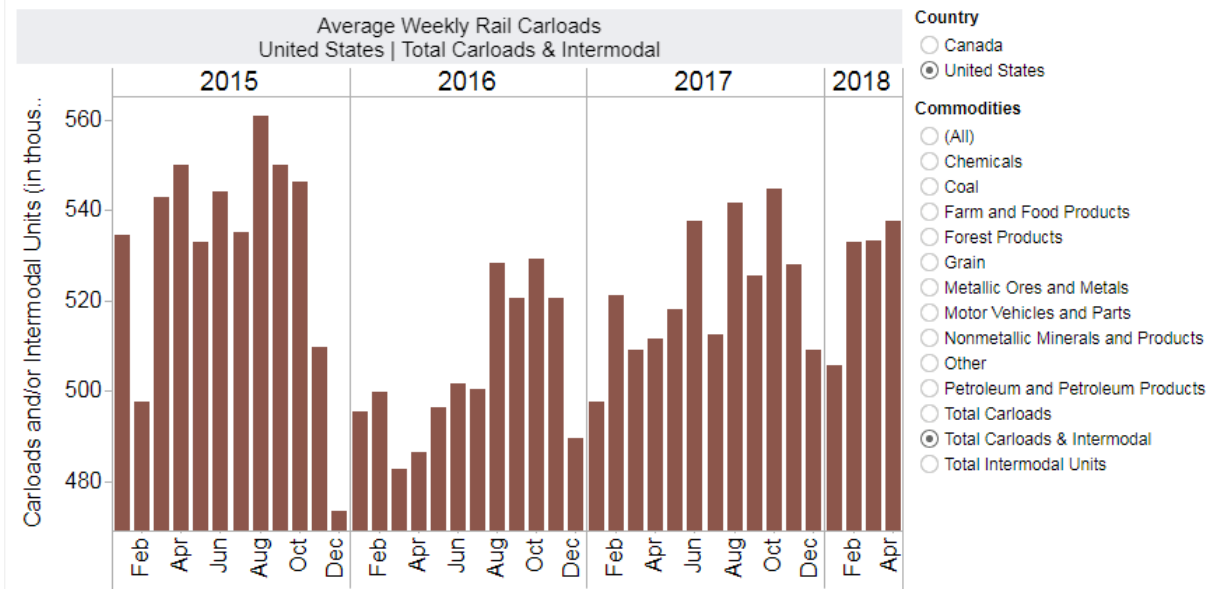
Canadian railroads reported 83,017 carloads for the week, up 9.3 percent, and 66,190 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 21 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 3,081,648 carloads, containers and trailers, up 3.4 percent.

Mexican railroads reported 20,752 carloads for the week and 17,983 intermodal units. Cumulative volume on Mexican railroads for the first 21 weeks of 2018 was 795,968 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-may-26-2018/>

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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

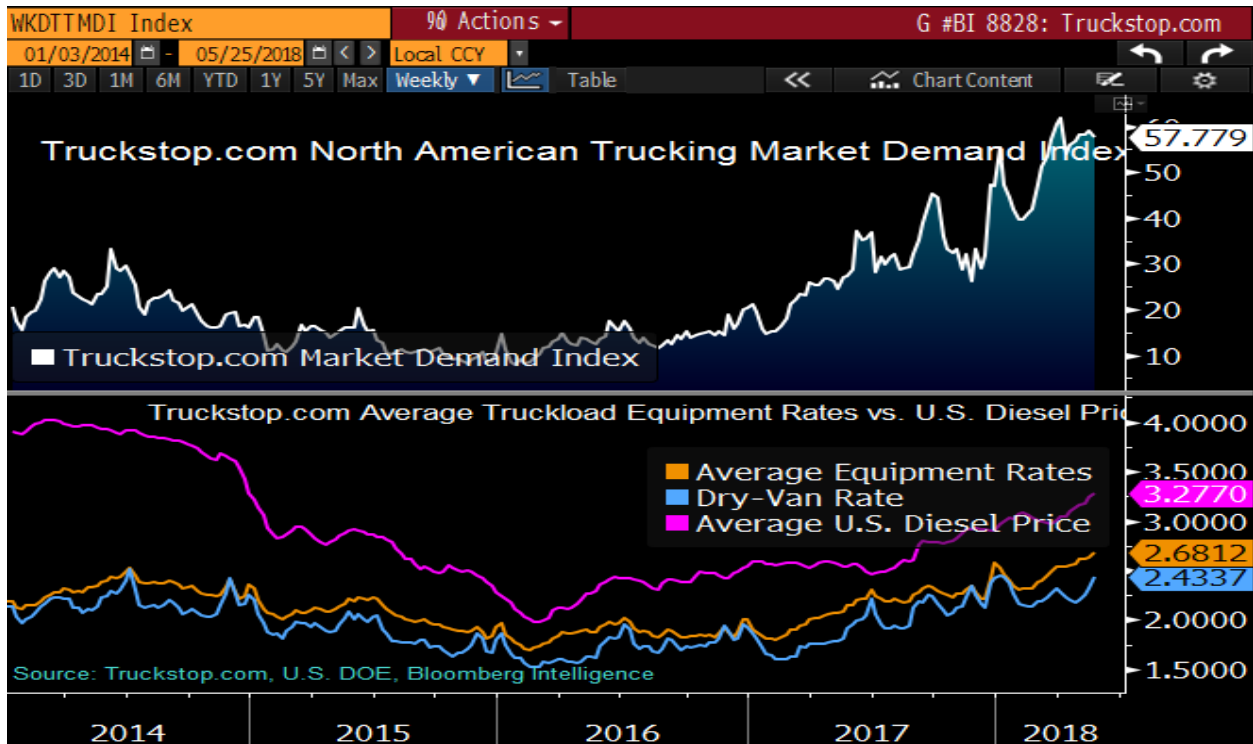
Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%). 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:

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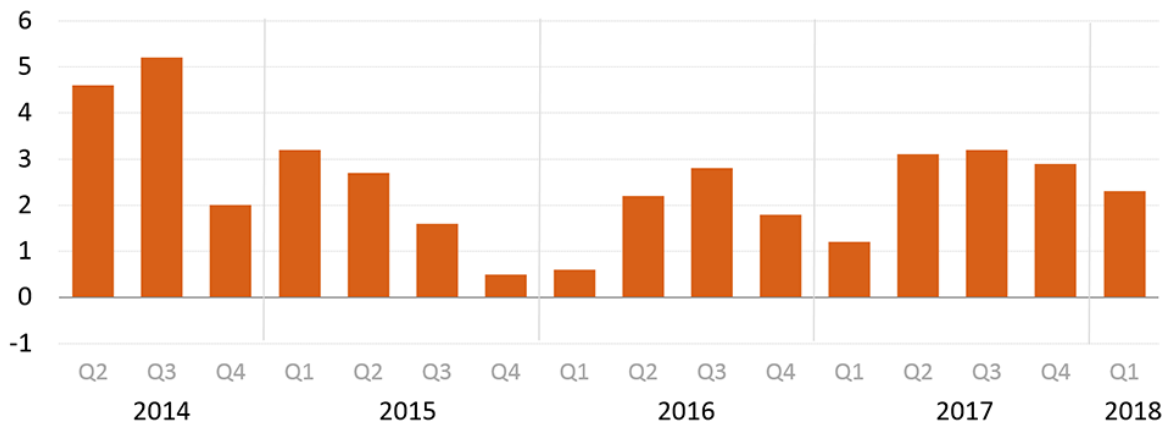
GDP

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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