



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

ECO <go>  
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 05:59:20 06/01/18 - 06/08/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/01	07:30				Change in Nonfarm Payrolls	May	190k	--	164k	--
22)	06/01	07:30				Two-Month Payroll Net Revision	May	--	--	--	--
23)	06/01	07:30				Change in Private Payrolls	May	190k	--	168k	--
24)	06/01	07:30				Change in Manufact. Payrolls	May	20k	--	24k	--
25)	06/01	07:30				Unemployment Rate	May	3.9%	--	3.9%	--
26)	06/01	07:30				Underemployment Rate	May	--	--	7.8%	--
27)	06/01	07:30				Average Hourly Earnings MoM	May	0.2%	--	0.1%	--
28)	06/01	07:30				Average Hourly Earnings YoY	May	2.6%	--	2.6%	--
29)	06/01	07:30				Average Weekly Hours All Emplo	May	34.5	--	34.5	--
30)	06/01	07:30				Labor Force Participation Rate	May	--	--	62.8%	--
31)	06/01	08:45				Markit US Manufacturing PMI	May F	56.6	--	56.6	--
32)	06/01	09:00				Construction Spending MoM	Apr	0.8%	--	-1.7%	--
33)	06/01	09:00				ISM Manufacturing	May	58.2	--	57.3	--
34)	06/01	09:00				ISM Employment	May	--	--	54.2	--
35)	06/01	09:00				ISM Prices Paid	May	78.0	--	79.3	--
36)	06/01	09:00				ISM New Orders	May	--	--	61.2	--
37)	06/01					Wards Releases May Auto Data -- Excluding GM					
38)	06/01					Wards Total Vehicle Sales	May	16.70m	--	17.07m	--
39)	06/04	09:00				Factory Orders	Apr	-0.5%	--	1.6%	--

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 H367-1170-2 01-Jun-2018 05:59:20

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## Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		14:51:08		06/01/18		-		06/30/18	
Central Banks		All Central Banks		View		Agenda		Weekly		Q	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	05/31-06/02				G-7 Finance Ministers and Central Bankers Meet in Whistler						
22)	06/01 07:55				Fed's Kashkari Speaks in Minneapolis						
23)	06/13 13:00				FOMC Rate Decision (Upper Bou...	Jun 13	2.00%	--	1.75%	--	
24)	06/13 13:00				FOMC Rate Decision (Lower Bo...	Jun 13	1.75%	--	1.50%	--	
25)	06/13 13:30				Fed's Powell Holds Press Conference Following FOMC Decision						
26)	06/19 06:00				ECB's Lane and St. Louis Fed Bullard speak in Sintra, Portugal						
27)	06/20 08:30				Draghi, Lowe and Powell speak in Sintra, Portugal						

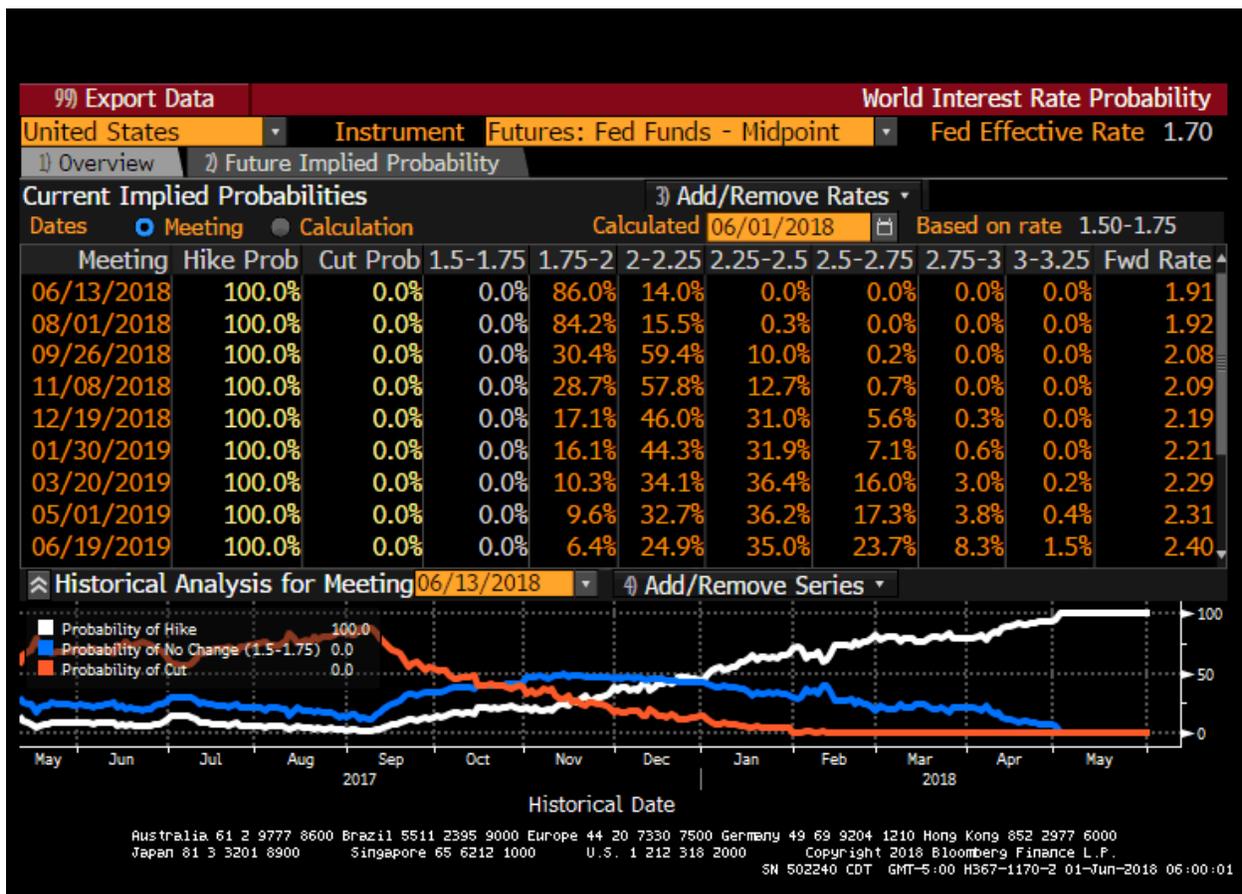
## NI TRE <go>

Previous		Next		Send		Actions		Translate		News: News Story	
05/31/2018 06:01:59 [BN]											
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln			
Cash mgmt	TBA	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50			
4-week	06/04/2018	06/05/2018	06/07/2018	TBA	TBA	TBA	05/29/2018	\$40			
3-month	05/31/2018	06/04/2018	06/07/2018	912796PY9	TBA	TBA	05/29/2018	\$48			
6-month	05/31/2018	06/04/2018	06/07/2018	912796PE3	TBA	TBA	05/29/2018	\$42			
1-year	06/14/2018	06/19/2018	06/21/2018	TBA	TBA	TBA	05/22/2018	\$26			
Note Auctions											
2-year	06/21/2018	06/26/2018	07/02/2018	TBA	TBA	TBA	05/22/2018	\$33			
3-year	06/07/2018	06/11/2018	06/15/2018	TBA	TBA	TBA	05/08/2018	\$31			
5-year	06/21/2018	06/27/2018	07/02/2018	TBA	TBA	TBA	05/23/2018	\$36			
7-year	06/21/2018	06/28/2018	07/02/2018	TBA	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			

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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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**Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, March 2018**  
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Variable	Median <sup>1</sup>				Central tendency <sup>2</sup>				Range <sup>3</sup>			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.7	2.4	2.0	1.8	2.6-3.0	2.2-2.6	1.8-2.1	1.8-2.0	2.5-3.0	2.0-2.8	1.5-2.3	1.7-2.2
December projection	2.5	2.1	2.0	1.8	2.2-2.6	1.9-2.3	1.7-2.0	1.8-1.9	2.2-2.8	1.7-2.4	1.1-2.2	1.7-2.2
Unemployment rate	3.8	3.6	3.6	4.5	3.6-3.8	3.4-3.7	3.5-3.8	4.3-4.7	3.6-4.0	3.3-4.2	3.3-4.4	4.2-4.8
December projection	3.9	3.9	4.0	4.6	3.7-4.0	3.6-4.0	3.6-4.2	4.4-4.7	3.6-4.0	3.5-4.2	3.5-4.5	4.3-5.0
PCE inflation	1.9	2.0	2.1	2.0	1.8-2.0	2.0-2.2	2.1-2.2	2.0	1.8-2.1	1.9-2.3	2.0-2.3	2.0
December projection	1.9	2.0	2.0	2.0	1.7-1.9	2.0	2.0-2.1	2.0	1.7-2.1	1.8-2.3	1.9-2.2	2.0
Core PCE inflation <sup>4</sup>	1.9	2.1	2.1		1.8-2.0	2.0-2.2	2.1-2.2		1.8-2.1	1.9-2.3	2.0-2.3	
December projection	1.9	2.0	2.0		1.7-1.9	2.0	2.0-2.1		1.7-2.0	1.8-2.3	1.9-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.1	2.9	3.4	2.9	2.1-2.4	2.8-3.4	3.1-3.6	2.8-3.0	1.6-2.6	1.6-3.9	1.6-4.9	2.3-3.5
December projection	2.1	2.7	3.1	2.8	1.9-2.4	2.4-3.1	2.6-3.1	2.8-3.0	1.1-2.6	1.4-3.6	1.4-4.1	2.3-3.0

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

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

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

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

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

<http://www.federalreserve.gov/monetarypolicy/files/fomeprojtabl20180321.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.00468</b>	<b>+.00398</b>	<b>(97.99532)</b>
<b>3-Month Libor Set</b>	<b>2.31781</b>	<b>-.00344</b>	<b>(97.68219)</b>
<b>6-Month Libor Set</b>	<b>2.47438</b>	<b>+.00063</b>	<b>(97.52562)</b>
<b>1-Year Libor Set</b>	<b>2.72413</b>	<b>+.00600</b>	<b>(97.27587)</b>

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## THEY SAID IT

**“This is bad news to anybody who cares about the trans-Atlantic alliance,” said Bart Oosterveld, director of the global business and economics program at the Atlantic Council in Washington. “The idea that America’s closest allies represent a threat to its national security is absurd.”**

<https://www.bloomberg.com/news/articles/2018-05-31/trump-s-tariff-assault-risks-sideswiping-his-strongest-allies>

The Trump administration on Friday will impose a 25 percent duty on steel and 10 percent levy on aluminum from the European Union, Canada and Mexico, after refusing their calls for permanent exemptions. The U.S. says the tariffs are needed to protect domestic industry and national security.

The EU and Mexico responded with plans for retaliatory tariffs on everything from Harley-Davidson motorbikes to American cheese, while Canada said it will slap duties on \$12.8 billion worth of U.S. steel, aluminum and other exports.

**The EU said it would take immediate steps to [retaliate](#), while Mexico vowed to impose duties on everything from U.S. flat steel to cheese. Canada’s government announced it will impose tariffs on as much as C\$16.6 billion (\$12.8 billion) of U.S. steel, aluminum and other products from July 1.**

<https://www.bloomberg.com/news/articles/2018-05-31/ross-announces-u-s-imposing-steel-tariffs-on-eu-canada-mexico>

House Speaker Paul Ryan attacked the decision in a statement, saying "today’s action targets America’s allies when we should be working with them to address the unfair trading practices of countries like China."

Canadian Prime Minister Justin Trudeau said the tariffs are an affront to the “long-standing security partnership” and to the Canadian and American soldiers who have fought and died alongside one another.

“We have to believe that at some point common sense will prevail, but we see no sign of that in this action today by the U.S. administration,” Trudeau said at a press conference.

European Commission President Jean-Claude Juncker, speaking in Brussels, characterized it as “a bad day for world trade,” adding “it’s totally unacceptable that a country is imposing unilateral measures when it comes to world trade.”

**In a brief speech to parliament before the vote, Rajoy accepted defeat and wished his successor well. “I will accept as a democrat the result of the vote as it is well-known,” Rajoy said. “I can’t agree with what has been done.”**

<https://www.bloomberg.com/news/articles/2018-06-01/rajoy-falls-paying-price-for-generation-of-corruption-in-spain>

Rajoy, 63, was ousted by a no-confidence vote in Parliament after the anti-establishment group Podemos and Catalan separatist groups lined up behind Socialist leader Pedro Sanchez. Sanchez is due to be sworn in as premier by King Felipe in the coming days.

Elected by a landslide in 2011 as Spain’s property crash spiraled into a full-blown financial crash, Rajoy took a European bailout to fix the country’s banking system and laid the foundations for an economic rebound that’s now in its fifth year.

But the seeds of his demise were there from the start. His 2010 legal challenge to new powers for the Catalan government triggered a resurgence in separatism that would fatally damage his

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authority seven years later when the region threatened to break away from Spain. And prosecutors were already investigating the [PP corruption](#) racket that ultimately forced him out. “He leaves Spain with a more divided society and a political culture that has suffered great damage,” Alejandro Quiroga, professor of Spanish history at Newcastle University, England, said. “The corruption has been brutal.”

**The premier-elect Sanchez made his first public comments since winning the vote on his way out of the chamber.**

**“I am fully aware of the critical moment that our country is facing and I will face all the challenges that our country has with humility” Sanchez told reporters. He said he has “a lot of determination to modernize our country, which is what the Socialist Party has always done.”**

<https://www.bloomberg.com/news/articles/2018-06-01/sanchez-set-to-take-over-as-rajoy-looks-defeated-spain-update>

Sanchez had the backing of the anti-establishment group Podemos and some Catalan separatists in what Rajoy has derided as a “Frankenstein coalition.” The Basque Nationalists also swung behind the motion, handing Sanchez a majority.

Sanchez’s economic adviser Manuel Escudero says the new government will deliver economic stability.

“The Spanish Socialist party is pro-European so we always fulfill our duties vis-a-vis the European Commission,” Escudero said in a Bloomberg Television interview. “Strengthening the euro system is important for us, as is some fiscal harmonization.”

It’s the first time since Spain returned to democracy in 1978 that a prime minister has been ousted by a confidence vote. Sanchez is the first Socialist leader to be directly elected by member and the premier who is not a lawmaker (he resigned his seat in 2016 rather than abstain to let Rajoy take office). He also comes to power after the worst election result in his party’s history.

**Italy’s populist Five Star Movement and League parties prepared to sweep to power in a spectacular reversal of political fortunes that ends three months of deadlock and opens the way to a period of friction with Europe.**

<https://www.bloomberg.com/news/articles/2018-05-31/italy-s-populists-reach-accord-on-government-team-officials-say>

Giuseppe Conte, 53, a law professor with no political experience, will be sworn in as prime minister along with his cabinet, at 4 p.m. local time on Friday by President Sergio Mattarella. The government pieced together after weeks of Byzantine wheeling and dealing during which Five Star’s Luigi Di Maio and the anti-immigrant League’s Matteo Salvini managed to mesh their populist programs only to pull the plug on a government at the last minute after the president vetoed their pick of a euro-skeptic finance minister. With global markets in freefall at the prospect of a possible resurgence of the euro crisis, the populist leaders held on and emerged victorious as their revised cabinet was accepted late on Thursday.

Di Maio and Salvini will serve as deputy premiers, with economist Giovanni Tria, 69, as finance minister. Euro-skeptic economist Paolo Savona, 81, who was rejected as finance minister on Sunday, will be responsible for European affairs, according to a cabinet list, which Conte read to reporters. Savona has repeatedly urged Italy to prepare a plan for dropping the common currency.

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**“Federal action is necessary to stop the further premature retirements of fuel-secure generation capacity,” says a 41-page draft memo circulated before a National Security Council meeting on the subject Friday.**

<https://www.bloomberg.com/news/articles/2018-06-01/trump-said-to-grant-lifeline-to-money-losing-coal-power-plants-jhv94ghl>

Trump administration officials are making plans to order grid operators to buy electricity from struggling coal and nuclear plants in an effort to extend their life, a move that could represent an unprecedented intervention into U.S. energy markets.

The Energy Department would exercise emergency authority under a pair of federal laws to direct the operators to purchase electricity or electric generation capacity from at-risk facilities, according to a memo obtained by Bloomberg News. The agency also is making plans to establish a "Strategic Electric Generation Reserve" with the aim of promoting the national defense and maximizing domestic energy supplies.

**"Let's be straightforward: the newsflow is not good... I know that the current newsflow must give you the feeling that the bank is not getting any respite. That's why I think it's important for me to put this news in perspective," Sewing said in a letter to staff Friday. "At group level, our financial strength is beyond doubt," he added.**

<https://www.cnbc.com/2018/06/01/deutsche-bank-ceo-insists-financial-strength-is-beyond-doubt-despite-rating-downgrade.html>

The new chief executive of [Germany's](#) flagship lender has conceded the bank faces an uphill battle against a barrage of bad "newsflow."

[Deutsche Bank's](#) long-running turmoil was dealt a fresh blow Thursday, when share prices tumbled after it was reported that the Federal Reserve labeled the bank's U.S. business as being in a "[troubled condition](#)."

Less than 24 hours later, influential group Standard & Poor's slashed its credit rating, potentially raising the cost of its borrowing. The ratings agency also questioned whether Deutsche Bank's CEO Christian Sewing would be able to return the bank to profit.

**Close to 230 China A shares debuted on index provider MSCI's emerging markets benchmark on Friday, a move investors expect will attract billions of dollars in inflows to the mainland market.**

<https://www.cnbc.com/2018/06/01/china-a-shares-make-msci-debut-what-analysts-are-saying.html>

"The quantum of dollars right now is relatively small ... but what it does is it starts a process that will include China A shares as a bigger and bigger component of this very important benchmark over time," Jon Howie, head of equity index strategy at BlackRock, told CNBC's "Squawk Box." The move is seen as an important symbolic one, even though the roughly \$22 billion in capital inflows expected to go into A shares is seen as a drop in the bucket compared to the size of China's domestic market.

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## EQUITIES

The S&P is **+12** and the NASDAQ is **+27**.

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

I am dollar cost averaging into a mix of equities.

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

Earnings:

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

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

### UK/EUROPE

**In the UK the FTSE closed +0.70%.**

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 +1.24%.**

**The DAX Index closed +0.95%.**

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 +0.10%.**

**The NIKKEI closed -0.14%.**

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

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

**Next meeting 06/15/18**

#### China:

**The Hang Seng closed +0.08%.**

**The Shanghai Composite closed -0.66%.**

#### 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: 97-67.50 is the pivot. Below the pivot, you should be short, above long. Support is at 97-60.75\*\*.

Resistance is at 97-67.50^ 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: 119-16.0 is the pivot point. Above you should be long, below short.

Support is at 118-01.5\*

Resistance is at 119-16.0^ and 120-30.5\*\*

^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.

(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	-	06/01/2018	1 Month										
40 Semi Swaps		41 Sprs to Gov.	42 Ann Swaps	43 Ann Sprs	44 OIS Swaps	49 CME/LCH Sprs									
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg	+/-BPS	PCS	CMPN	#SD
1) 1 YR	2.537	2.538	2.537	0.011		0.4	2.434	2.585	2.549	-1.1	-0.4				
2) 2 YR	2.709	2.712	2.711	0.016		0.3	2.544	2.832	2.751	-3.9	-0.7				
3) 3 YR	2.788	2.793	2.791	0.020		0.3	2.606	2.952	2.847	-5.4	-0.8				
4) 4 YR	2.831	2.832	2.832	0.023		0.3	2.647	3.015	2.896	-6.3	-0.9				
5) 5 YR	2.854	2.857	2.857	0.025		0.3	2.674	3.055	2.924	-6.6	-0.9				
6) 6 YR	2.875	2.876	2.876	0.027		0.4	2.695	3.081	2.946	-7.0	-0.9				
7) 7 YR	2.892	2.892	2.891	0.028		0.4	2.717	3.114	2.963	-7.1	-1.0				
8) 8 YR	2.908	2.911	2.910	0.029		0.4	2.744	3.122	2.979	-6.8	-0.9				
9) 9 YR	2.925	2.928	2.927	0.030		0.4	2.767	3.140	2.996	-6.8	-0.9				
10) 10 YR	2.943	2.945	2.944	0.032		0.4	2.788	3.182	3.013	-6.8	-0.9				
11) 15 YR	2.990	2.993	2.991	0.030		0.4	2.850	3.205	3.059	-6.6	-0.9				
12) 20 YR	2.999	3.001	3.000	0.030		0.4	2.870	3.214	3.070	-6.9	-1.0				
13) 25 YR	2.987	2.988	2.987	0.029		0.4	2.835	3.201	3.057	-7.0	-1.0				
14) 30 YR	2.965	2.967	2.967	0.028		0.4	2.844	3.178	3.036	-6.9	-1.0				

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 H367-1170-2 01-Jun-2018 06:00:13

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## The Option Lab

### Trade Log:

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

1/64<sup>th</sup> = \$15.625

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

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

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

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

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

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

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

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

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

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## The Fundamentals

### LABOR

#### Bureau of Labor and Statistics

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

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

#### Average Hourly Earnings y/y Department of Labor Department.



#### St. Louis Fed Agriculture Finance Monitor 1st quarter 2018

For the seventeenth consecutive quarter, agricultural bankers in the Eighth Federal Reserve District, on net, reported that farm income had declined compared with a year earlier. This quarter's survey assesses agricultural finance conditions during the first quarter of 2018. Bankers also reported that farm household spending and capital expenditures remained below year-earlier levels in the first quarter. Compared with the previous survey, slightly more bankers were more optimistic about the prospects for farm income, household income, and capital expenditures over the next three months. Quality farmland values fell slightly in the first quarter from a year earlier, as did cash rents on quality farmland. By contrast, 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 electricity<sup>1</sup> were generated at utility-scale facilities in the United States.<sup>2</sup> About 65% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases), about 20% was from nuclear energy, and about 15% was from renewable energy sources.

The U.S. Energy Information Administration (EIA) estimates that an additional 19 billion kWh (or about 0.02 trillion kWh) of electricity generation was from small-scale solar photovoltaic systems in 2016.<sup>3</sup>

### Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016<sup>1</sup>

**Natural gas = 33.8%**

**Coal = 30.4%**

**Nuclear = 19.7%**

**Renewables (total) = 14.9%**

**Hydropower = 6.5%**

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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%<sup>4</sup>**

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

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

## **TRANSPORTS**

### **Association of American Railroads Rail Traffic Report.**

For 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.

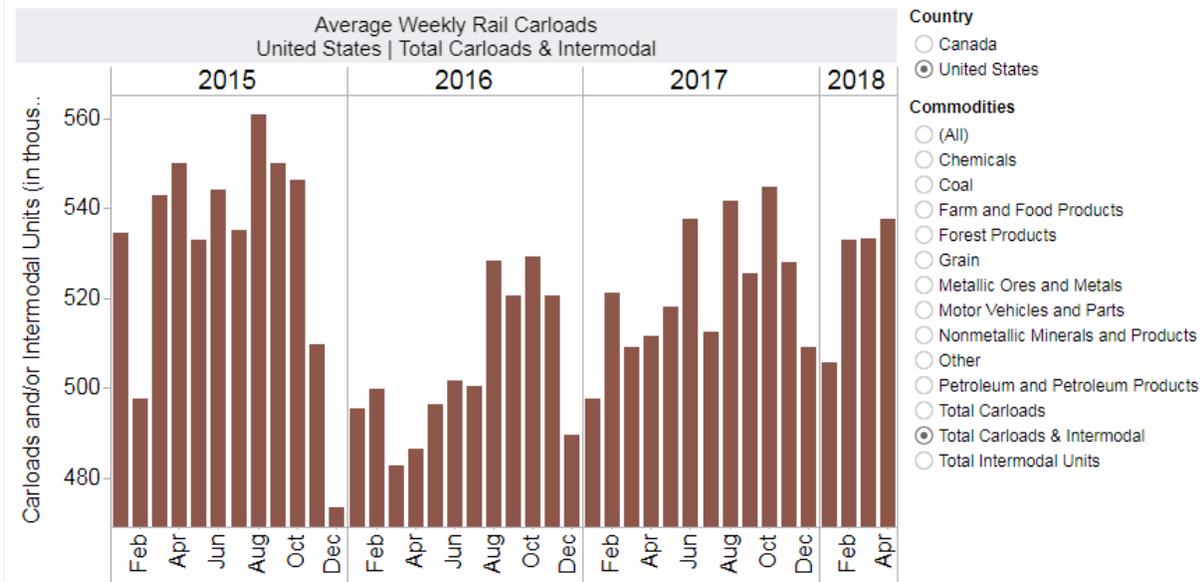
Canadian railroads reported 83,017 carloads for the week, up 9.3 percent, and 66,190 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 21 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 3,081,648 carloads, containers and trailers, up 3.4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

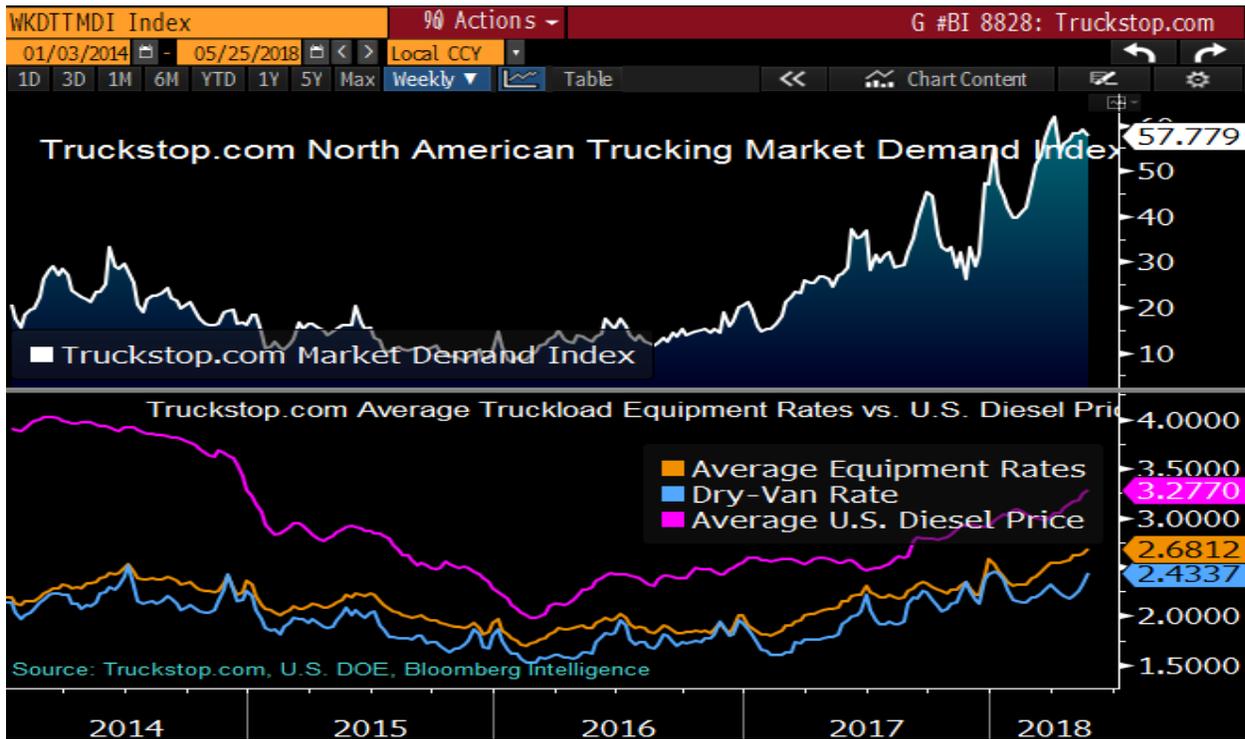
Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%). 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 \*4.12% as of 5/31/18 v. \*3.68% as of 5/25/18**

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

**Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.7 % —May 31, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the

second quarter of 2018 is **4.7 percent** on May 31, up from 4.0 percent on May 25. The nowcast

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of second-quarter real consumer spending growth increased from 3.2 percent to 3.4 percent after this morning's personal income and outlays release from the U.S. Bureau of Economic Analysis (BEA). The nowcasts of the contributions of net exports and inventory investment to second-quarter real GDP growth increased from 0.17 percentage points and 0.76 percentage points, respectively, to 0.43 percentage points and 1.00 percentage points, respectively, after yesterday's Advance Economic Indicators release from the U.S. Census Bureau and the BEA's updates of first-quarter GDP and the National Income and Product Accounts tables released yesterday and today.

*The next GDPNow update is **Friday, June 1**. 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: 4.68%...May 31, 2018**

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

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## MANUFACTURING AT A GLANCE

APRIL 2018

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

Average for 12 months - 58.4

High - 60.8

Low - 55.5

<https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1>

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**US Census Bureau (Manufacturers' Shipments, Inventories and Orders).**

**<http://www.census.gov/manufacturing/m3/>**

**Our Nation in numbers**

**The Constitution gives us four missions...**

- 1. Establish Justice and Ensure Domestic Tranquility.**
- 2. Provide for the Common Defense.**
- 3. Promote the General welfare.**
- 4. Secure the Blessings of Liberty to Ourselves and Our Posterity.**

**[www.usafacts.org](http://www.usafacts.org)**

**US Foreign Assistance**

**<http://foreignassistance.gov/>**

**CBOT Non-Commercial Net Total – Futures Only**

**<http://www.cmegroup.com/trading/interest-rates/cftc-tff/main.html>**

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