



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 15:00:28 06/04/18 - 06/08/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/04	09:00				Factory Orders	Apr	-0.5%	--	1.6%	--
22)	06/04	09:00				Factory Orders Ex Trans	Apr	--	--	0.3%	--
23)	06/04	09:00				Durable Goods Orders	Apr F	--	--	-1.7%	--
24)	06/04	09:00				Durables Ex Transportation	Apr F	--	--	0.9%	--
25)	06/04	09:00				Cap Goods Orders Nondef Ex Air	Apr F	--	--	1.0%	--
26)	06/04	09:00				Cap Goods Ship Nondef Ex Air	Apr F	--	--	0.8%	--
27)	06/05	08:45				Markit US Services PMI	May F	55.7	--	55.7	--
28)	06/05	08:45				Markit US Composite PMI	May F	--	--	55.7	--
29)	06/05	09:00				JOLTS Job Openings	Apr	6300	--	6550	--
30)	06/05	09:00				ISM Non-Manf. Composite	May	57.6	--	56.8	--
31)	06/06	06:00				MBA Mortgage Applications	Jun 1	--	--	-2.9%	--
32)	06/06	07:30				Revisions: Trade Balance					
33)	06/06	07:30				Nonfarm Productivity	1Q F	0.6%	--	0.7%	--
34)	06/06	07:30				Unit Labor Costs	1Q F	2.8%	--	2.7%	--
35)	06/06	07:30				Trade Balance	Apr	-\$49.2b	--	-\$49.0b	--
36)	06/07	07:30				Initial Jobless Claims	Jun 2	225k	--	221k	--
37)	06/07	07:30				Continuing Claims	May 26	1745k	--	1726k	--
38)	06/07	07:45				Bloomberg June United States Economic Survey					
39)	06/07	08:45				Bloomberg Consumer Comfort	Jun 3	--	--	55.2	--

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 15:00:28

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		05:48:04		06/04/18		06/30/18			
Central Banks		All Central Banks		View		Agenda		Weekly			
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/13	13:00				FOMC Rate Decision (Upper Bou...	Jun 13	2.00%	--	1.75%	--
22)	06/13	13:00				FOMC Rate Decision (Lower Bo...	Jun 13	1.75%	--	1.50%	--
23)	06/13	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
24)	06/19	06:00				ECB's Lane and St. Louis Fed Bullard speak in Sintra, Portugal					
25)	06/20	08:30				Draghi, Lowe and Powell speak in Sintra, Portugal					

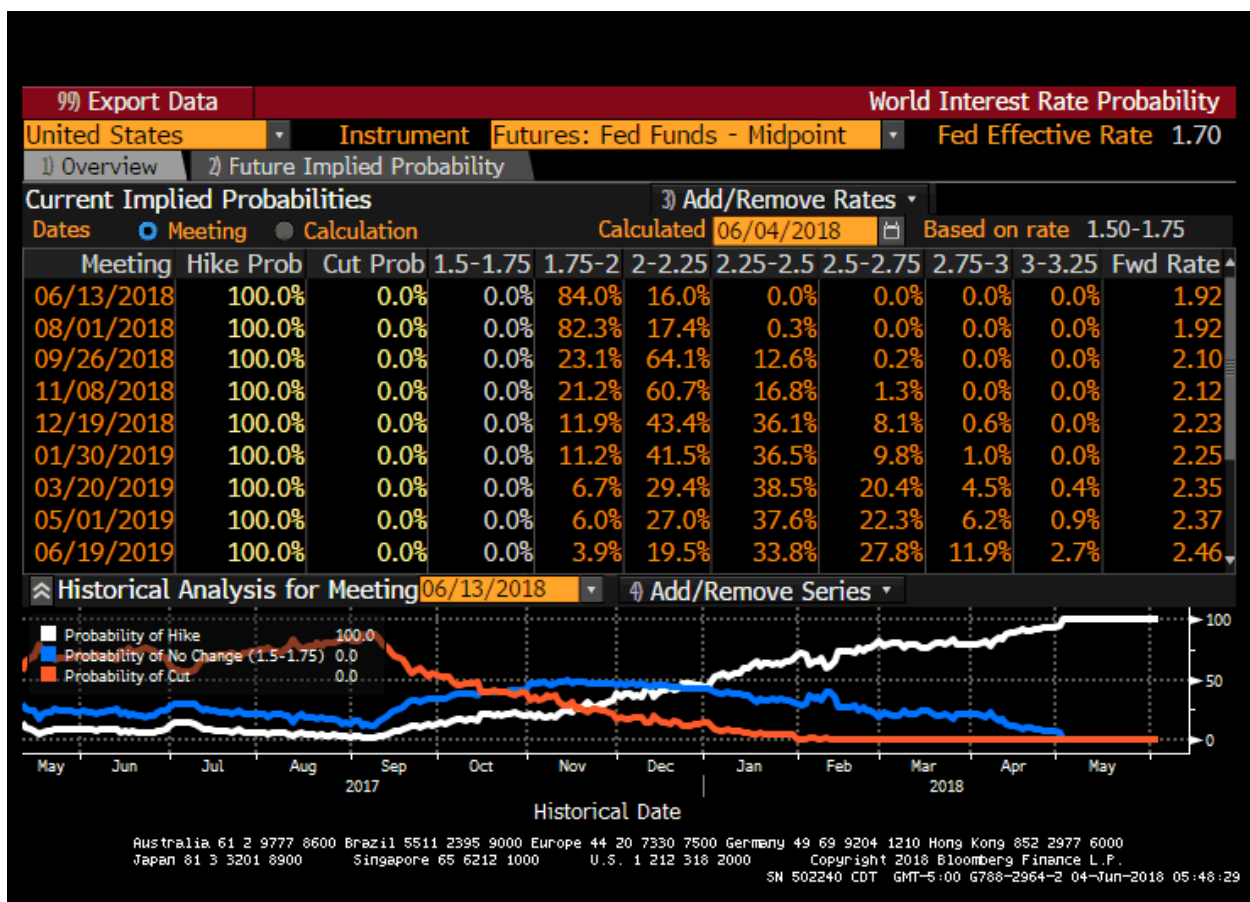
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Previous		Next		Send		Actions		Translate		News: News Story		
05/31/2018		06:01:59		[BN]								
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln				
Cash mgmt	TBA	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50				
4-week	06/04/2018	06/05/2018	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

Percent

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/fomeprojtabl20180321.pdf>

Libor Set

1-Month Libor Set	2.01297	+.00829	(97.98703)
3-Month Libor Set	2.31381	-.00400	(97.68619)
6-Month Libor Set	2.48400	+.00962	(97.51600)
1-Year Libor Set	2.74011	+.01598	(97.25989)

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THEY SAID IT

“We still have a few days to avoid an escalation. We still have a few days to take the necessary steps to avoid a trade war between the EU and the U.S.,” French Finance Minister Bruno Le Maire said after a meeting of G-7 finance ministers and central bank governors in Whistler, British Columbia.

<https://www.bloomberg.com/news/articles/2018-06-03/u-s-allies-push-trump-for-change-of-heart-as-trade-war-looms>

“Don’t blame Trump,” Kudlow said on “Fox News Sunday.” “Blame China, blame Europe, blame NAFTA, blame those who don’t want reciprocal trading, tariff rates and protectionism.” Finance chiefs from the group of wealthy nations emerged from three days of talks on Saturday “unanimous” in their condemnation of Trump’s decision to impose tariffs on steel and aluminum, promising to press ahead with retaliatory measures unless Trump steps back. Trump, for his part, spent time during his weekend retreat at Camp David tweeting that “stupid trade” could “no longer be tolerated. The president said the tariffs being charged against other countries would help to fund the U.S. government, and repeated his refrain that the U.S. could not lose a trade war in a international climate where the rules were already stacked against American business. He specifically noted the size of the trade deficit with China as he defended his moves.

“The U.S. has been ripped off by other countries for years on Trade, time to get smart!” Trump tweeted Saturday.

“If the U.S. rolls out trade measures including tariffs, all the agreements reached in the negotiations won’t take effect,” state-run Xinhua News Agency reported Sunday, citing a statement from the Chinese team that met with a U.S. delegation led by Commerce Secretary Wilbur Ross.

France’s Le Maire opened the door to negotiations over U.S. tariffs, but said the ball is in Trump’s court. “We want to avoid a trade war,” he said. “But everything is ready.”

“Our objective is to make sure we have fair and balanced trade,” Mnuchin said in the Canadian ski resort town. “There was a comment out there that it was the G-6 plus one. It was not. It’s the G-7. We believe in the G-7.”

Trade tensions between the U.S. and China are unlikely to be resolved by the existing architecture that governs world trade, according to Stephen Olson, Hong Kong-based Research Fellow at the Hinrich Foundation Ltd.

The world’s two biggest economies need to agree on a new framework that will allow both of their economic systems to co-exist, something the World Trade Organization doesn’t have the capacity to resolve, said Olson, who was a former U.S. government trade negotiator.

<https://www.bloomberg.com/news/articles/2018-06-04/u-s-china-need-new-trade-framework-says-former-negotiator>

Are we in a trade war?

“As of today, we are not in a trade war, but I think the danger is certainly escalating.

The application of the steel and aluminum tariffs to the European Union and Canada and Mexico is certainly a very significant escalation and we are certain that those trading partners will retaliate. At that point, the question becomes will the U.S. administration retaliate against that retaliation.”

What kind of scenarios are you expecting?

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“I would have to say that the current administration is arguably the most unpredictable administration in modern American history, so anyone who makes prognostications does so at their own risk. I would, however, point to a couple of scenarios. There is some speculation that at the end of the day this might actually be a negotiating tactic and in fact Secretary Ross made the comment to the effect that the reason the tariffs had to go into effect on Canada and Mexico was because there was insufficient progress in renegotiating NAFTA. So it remains to be seen, but that may actually be the end game here.”

Should trade balances be viewed as a score card?

“This is one of the most concerning aspects of Secretary Ross’s weekend visit to Beijing. The primary objective seemed to be to somehow negotiate down the size of the U.S. trade deficit with China. Doing so, unless the U.S. addresses its imbalance between savings and investment, will in all probability simply transfer that trade deficit from China to other countries and it would also get us dangerously close to the territory of managed trade. Trade negotiations should be about removing restrictions to cross-border access, it should not be about arbitrarily divvying up slices of market share.”

Can trade be viewed in a binary way?

“As the size and sophistication of China’s economy grows, its state directed model of capitalism is increasingly coming into conflict with the traditional Western model of free markets, free trade and a hands-off government approach to the market place, and what we are seeing now is that the rules of global trade are not really capable to help these two competing economic systems to get along.”

What kind of model is needed?

“Given the experience we had with the Doha round, I am not terribly optimistic that this is something that can be addressed within the context of the WTO. It might be more realistic for the U.S. and China to try to work out some kind of a modus operandi, some kind of framework that would let these two countries to continue their trade and investment partnership, because after all this has been a trade and investment relationship that has been very mutually beneficial. Now is the time really for the U.S. and China to figure out how can these two systems co-exist with each other, because it is clear both are here to stay.”

Would it be better to let sleeping dogs lie?

“Because of the size of China’s economy and its growing technological sophistication, I think these friction points are just going to increase in frequency, so I don’t think we can let sleeping dogs lie, this is an issue that has to be addressed.”

Three days after being sworn in, Italy’s new populist government is preparing for one final hurdle before it sets about trying to overhaul European Union rules and the established order: a confidence vote in both houses of parliament.

<https://www.bloomberg.com/news/articles/2018-06-04/italy-s-populist-government-prepares-to-face-parliament-vote>

Parliamentary approval will be sought this week for the 18-member cabinet of Prime Minister Giuseppe Conte, a 53-year-old law professor with no political experience. The anti-establishment Five Star Movement and the anti-immigrant League currently hold a majority in both houses, although in the 320-seat senate the two groups only have 14 votes more than the opposition. While this first vote is likely to go smoothly as the parties have already agreed on the list of ministers and government program, some analysts predict difficult times ahead in future parliamentary ballots as the two parties spar over which of their expensive electoral promises to keep first.

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On Sunday, Five Star leader Luigi Di Maio said a universal basic income for poorer Italians will be among the first measures he plans to put before the parliament. League's leader Matteo Salvini, who has promised voters hefty tax cuts, said over the weekend that he plans to cut 5 billion euros (\$5.8 billion) worth of assistance to asylum seekers in order to recover funds to keep his electoral pledges.

Yet the sum is small compared with the implementation of the full Five Star and League program, which also includes scrapping a pension reform that had helped balance Italy's precarious finances during the economic crisis. Corriere della Sera estimated the cost of the populist program at as much as 100 billion euros. That's ambitious for Italy, which has the second highest debt burden in Europe after Greece, and one that could put it on a collision course with the euro-zone's fiscal discipline.

The [hot-and-cold relationship between the world's two largest economies](https://www.cnbc.com/2018/06/04/us-china-ties-in-focus-as-american-institute-in-taiwan-launches-new-office.html) could potentially take a turn for the worse on June 12. Not because of the anticipated [U.S.-North Korea summit](https://www.reuters.com/article/us-northkorea-usa-military/north-korea-shakes-up-top-military-brass-ahead-of-trump-summit-u-s-official-idUSKCN1IZ0XY) scheduled for that day, but due to a new office building in [Taiwan](https://www.reuters.com/article/us-northkorea-usa-military/north-korea-shakes-up-top-military-brass-ahead-of-trump-summit-u-s-official-idUSKCN1IZ0XY).

<https://www.cnbc.com/2018/06/04/us-china-ties-in-focus-as-american-institute-in-taiwan-launches-new-office.html>

The American Institute in Taiwan, a non-profit that operates as the de-facto U.S. embassy in Taipei, is set to launch its new office that day and a senior U.S. official — many theorize it could be National Security Advisor [John Bolton](https://www.reuters.com/article/us-northkorea-usa-military/north-korea-shakes-up-top-military-brass-ahead-of-trump-summit-u-s-official-idUSKCN1IZ0XY) — is widely expected to attend.

The \$250 million facility is reportedly twice the size of the current building and represents a major strengthening of U.S.-Taiwan relations. But it could also add strain to a U.S.-China relationship that's [already weighed down by trade tensions](https://www.reuters.com/article/us-northkorea-usa-military/north-korea-shakes-up-top-military-brass-ahead-of-trump-summit-u-s-official-idUSKCN1IZ0XY).

Not only is China unhappy "with the scope and scale of the U.S. relationship with Taiwan, particularly in the security field," the country "also objects to U.S. actions that suggest that its relationship with Taiwan is actually official," Richard Bush, senior fellow at the Brookings Institution, said in a recent note for the U.S.-based think tank: "If it had its way, it would probably prefer that Washington have a simple trade office in Taipei, as other countries have."

North Korea's top three military officials have been removed from their posts, a senior U.S. official said, a move analysts said on Monday could support efforts by the North's young leader to jump-start economic development and engage with the world.

<https://www.reuters.com/article/us-northkorea-usa-military/north-korea-shakes-up-top-military-brass-ahead-of-trump-summit-u-s-official-idUSKCN1IZ0XY>

Kim Jong Un is preparing for a high-stakes summit with U.S. President Donald Trump in Singapore on June 12, the first such meeting between a North Korean leader and a sitting U.S. president.

The U.S. official, who spoke on Sunday on condition of anonymity, was commenting on a report by South Korea's Yonhap news agency that all three of the North's top military officials were believed to have been replaced.

Kim's motivation remains unclear but analysts said the shake-up allows him and the ruling party to tighten control over the Korean People's Army (KPA) at a critical time of international engagement and domestic development.

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Russia has invited North Korean leader Kim Jong Un to visit the country, Kremlin spokesman Dmitry Peskov said on Monday.

<https://www.reuters.com/article/us-northkorea-missiles-kremlin-kim/kremlin-invites-north-koreas-kim-to-russia-idUSKCN1J013S>

Peskov said Kim may visit Russia as part of an economic forum held in the far eastern city of Vladivostok in September.

The Kremlin's invitation comes days after Russian Foreign Minister Sergei Lavrov visited North Korea.

The spread between [West Texas Intermediate](#) and [Brent](#) crude futures prices has widened to new extremes recently, and this is a bullish development.

The spread has reached more than \$11, the largest since mid-2015. WTI is trading a little over \$65 per barrel, while European Brent crude, the international benchmark for oil, is trading near \$76.

This is more than double the size since the beginning of May, and this deep discount will become extremely attractive as producers work through the pipeline constraints.

<https://www.cnbc.com/2018/06/04/crude-oils-bullish-sign-the-growing-spread-between-wti-and-brent.html>

Both contracts peaked on May 22 before selling off sharply due in part to OPEC production decisions and technical selling. While Brent has recovered back into the middle of this range, WTI remains relatively muted — rising domestic shale production and the inability to move this crude through the pipeline and to the Gulf of Mexico are two key catalysts.

These pipeline constraints have stockpiled crude oil throughout Texas and Oklahoma, and federal data this week estimated another production record.

A self-driving car service could be on Tokyo's public roads in time for the 2020 Olympics as Japan looks to drive investment in new technology to drive economic growth, according to a government strategic review announced on Monday.

<https://www.reuters.com/article/us-japan-economy-strategy/japan-looks-to-launch-driverless-car-system-in-tokyo-by-2020-idUSKCN1J00VN>

The strategy, presented at a meeting chaired by Prime Minister Shinzo Abe, also includes plans to allow the development of virtual power plants by the fiscal year ending March 2022.

The proposals are part of a larger package of fiscal and economic policies the government aims to compile by the end of the month.

The review said the government plans to begin testing a driverless car system on public roads sometime this fiscal year with the goal of launching a self-driving car service for the 2020 Tokyo Olympics. The government will then try to commercialize this system as early as 2022.

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EQUITIES

The S&P is +9 and the NASDAQ is +29.

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 +0.83%.

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 +0.36%.

The DAX Index closed +0.11%.

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 +0.37%.

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

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

Next meeting 06/15/18

China:

The Hang Seng closed +1.66%.

The Shanghai Composite closed +0.52%.

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

EDU8: 97-53.50 is the pivot. Below the pivot, you should be short, above long. Support is at 97-46.50**.

Resistance is at 97-53.50^ and 97-61.0**.

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

** 2-STD Deviations from the pivot point.

Current trend has you short from 97-53.5 (6/1/18).



YTD (per contract)

2018 +38.0 ticks (+\$950.00)

2017 +33.0 ticks (+\$825.00)

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10yr/TYM8: 119-16.5 is the pivot point. Above you should be long, below short.

Support is at 118-01.5*

Resistance is at 119-16.5^ and 120-31.5**

^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: 05/04/2018 - 06/04/2018		1 Month					
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs			
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN
1) 1 YR	2,564 / 2,566	2,566	2,565	0.015		0.5	2.434	2.585	2.550	2.550	1.6	0.5	
2) 2 YR	2,754 / 2,755	2,755	2,755	0.014		0.3	2.544	2.832	2.752	2.752	0.2	0.0	
3) 3 YR	2,835 / 2,836	2,836	2,836	0.014		0.2	2.606	2.952	2.848	2.848	-1.1	-0.2	
4) 4 YR	2,872 / 2,875	2,875	2,873	0.013		0.2	2.647	3.015	2.896	2.896	-2.1	-0.3	
5) 5 YR	2,892 / 2,894	2,894	2,893	0.012		0.2	2.674	3.055	2.924	2.924	-3.0	-0.4	
6) 6 YR	2,910 / 2,911	2,911	2,910	0.012		0.2	2.695	3.081	2.947	2.947	-3.6	-0.5	
7) 7 YR	2,920 / 2,926	2,926	2,923	0.009		0.1	2.717	3.114	2.964	2.964	-3.8	-0.5	
8) 8 YR	2,937 / 2,939	2,939	2,938	0.009		0.1	2.744	3.122	2.980	2.980	-4.1	-0.5	
9) 9 YR	2,952 / 2,954	2,954	2,953	0.009		0.1	2.767	3.140	2.998	2.998	-4.4	-0.6	
10) 10 YR	2,967 / 2,968	2,968	2,968	0.008		0.1	2.788	3.182	3.014	3.014	-4.6	-0.6	
11) 15 YR	3,011 / 3,013	3,013	3,012	0.009		0.1	2.850	3.205	3.060	3.060	-4.7	-0.6	
12) 20 YR	3,019 / 3,020	3,020	3,019	0.007		0.1	2.870	3.214	3.071	3.071	-5.1	-0.7	
13) 25 YR	3,004 / 3,006	3,006	3,005	0.007		0.1	2.835	3.201	3.058	3.058	-5.2	-0.7	
14) 30 YR	2,983 / 2,984	2,984	2,984	0.008		0.1	2.844	3.178	3.037	3.037	-5.2	-0.7	

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 6788-2964-2 04-Jun-2018 05:48:44

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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>

Baker Hughes Rig Count

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.	1 June 2018	1,060	+1	25 May 2018	+144	2 June 2017
Canada	1 June 2018	99	+18	25 May 2018	0	2 June 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%

Wind = 5.6%

Biomass = 1.5%

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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.

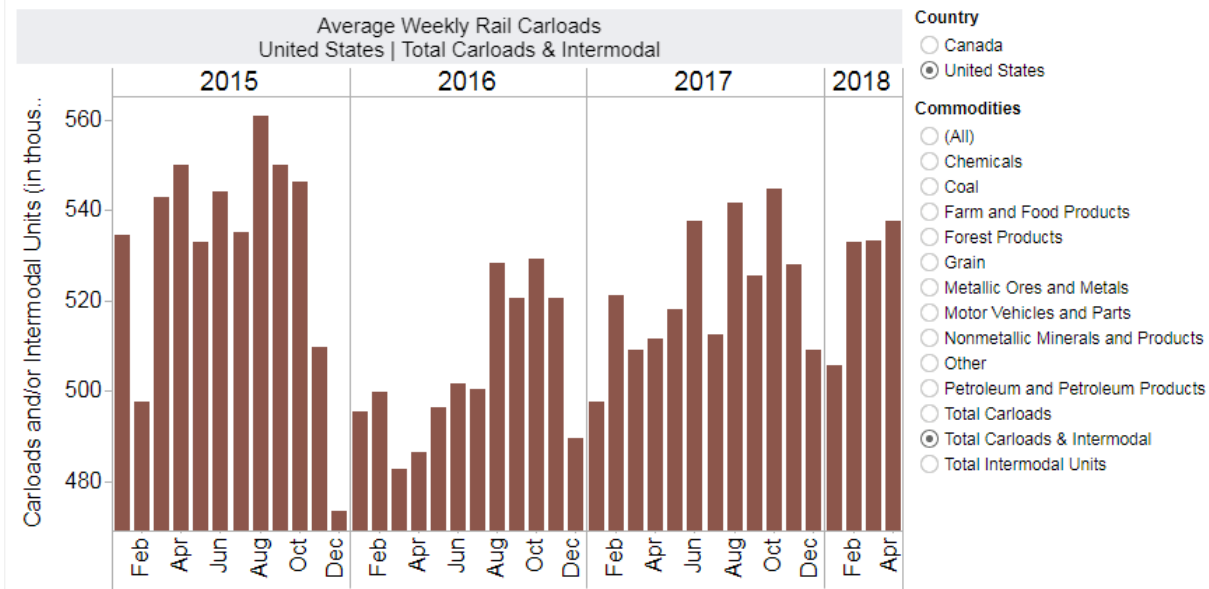
North American rail volume for the week ending May 26, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 376,995 carloads, up 3.4 percent compared with the same week last year, and 376,449 intermodal units, up 5 percent compared with last year. Total combined weekly rail traffic in North 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/>

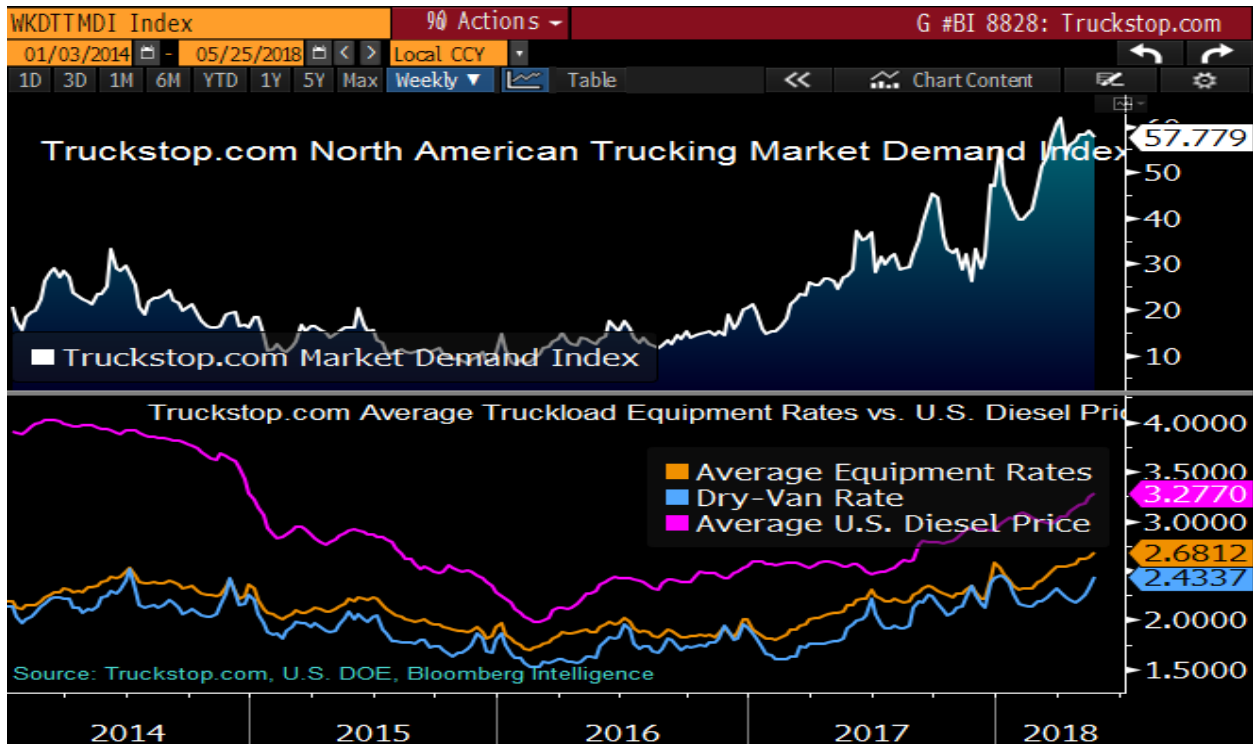
Trailer Truck Demand (Bloomberg Intelligence) – 05/28/18

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:
 Lee A Klaskow at lklaskow1@bloomberg.net

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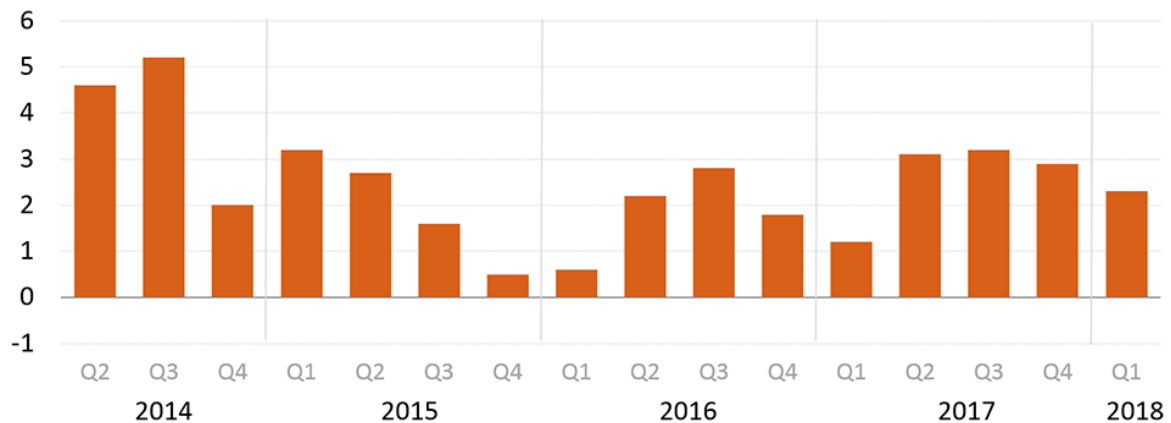
GDP

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 *4.31% as of 6/1/18 v. *4.12% as of 5/31/18

*simple average of the three regionals.

Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.8 % —June 1, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **4.8 percent** on June 1, up from 4.7 percent on May 31. The nowcasts

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for second-quarter real consumer spending growth and second-quarter real private fixed investment growth increased from 3.4 percent and 4.6 percent, respectively, to 3.5 percent and 5.4 percent, respectively, after the employment report from the U.S. Bureau of Labor Statistics, the construction spending report from the U.S. Census Bureau, and the Manufacturing ISM Report On Business from the Institute for Supply Management were released this morning.

*The next GDPNow update is **Wednesday, June 6**. 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...Q2 2018: 3.3%...June 1, 2018

The New York Fed Staff Nowcast stands at 3.3% for 2018:Q2.

This week's data releases increased the nowcast for 2018:Q2 by 0.3 percentage point.

Positive surprises from personal consumption expenditures, wholesale inventories, and construction data accounted for the increase.

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

St. Louis Fed Real GDP Nowcast... Q2 2018: 4.84%...June 1, 2018

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

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MANUFACTURING AT A GLANCE
MAY 2018

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	58.7	57.3	+1.4	Growing	Faster	21
New Orders	63.7	61.2	+2.5	Growing	Faster	29
Production	61.5	57.2	+4.3	Growing	Faster	21
Employment	56.3	54.2	+2.1	Growing	Faster	20
Supplier Deliveries	62.0	61.1	+0.9	Slowing	Faster	20
Inventories	50.2	52.9	-2.7	Growing	Slower	5
Customers' Inventories	39.6	44.3	-4.7	Too Low	Faster	20
Prices	79.5	79.3	+0.2	Increasing	Faster	27
Backlog of Orders	63.5	62.0	+1.5	Growing	Faster	16
New Export Orders	55.6	57.7	-2.1	Growing	Slower	27
Imports	54.1	57.8	-3.7	Growing	Slower	16
OVERALL ECONOMY				Growing	Faster	109
Manufacturing Sector				Growing	Faster	21

Average for 12 months - 58.7

High - 60.8

Low - 56.5

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

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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