



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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 (All times are CST)

9 <GO> to Save as Default

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

United States Browse 14:44:37 06/06/18 - 06/12/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/06	06:00				MBA Mortgage Applications	Jun 1	--	--	-2.9%	--
22)	06/06	07:30				Revisions: Trade Balance					
23)	06/06	07:30				Nonfarm Productivity	1Q F	0.6%	--	0.7%	--
24)	06/06	07:30				Unit Labor Costs	1Q F	2.8%	--	2.7%	--
25)	06/06	07:30				Trade Balance	Apr	-\$49.0b	--	-\$49.0b	--
26)	06/07	07:30				Initial Jobless Claims	Jun 2	221k	--	221k	--
27)	06/07	07:30				Continuing Claims	May 26	1738k	--	1726k	--
28)	06/07	07:45				Bloomberg June United States Economic Survey					
29)	06/07	08:45				Bloomberg Consumer Comfort	Jun 3	--	--	55.2	--
30)	06/07	11:00				Household Change in Net Worth	1Q	--	--	\$2076b	--
31)	06/07	14:00				Consumer Credit	Apr	\$14.000b	--	\$11.622b	--
32)	06/08	09:00				Wholesale Trade Sales MoM	Apr	--	--	0.3%	--
33)	06/08	09:00				Wholesale Inventories MoM	Apr F	0.0%	--	0.0%	--
34)	06/12	05:00				NFIB Small Business Optimism	May	104.8	--	104.8	--
35)	06/12	07:30				CPI MoM	May	0.2%	--	0.2%	--
36)	06/12	07:30				CPI Ex Food and Energy MoM	May	0.2%	--	0.1%	--
37)	06/12	07:30				CPI YoY	May	2.7%	--	2.5%	--
38)	06/12	07:30				CPI Ex Food and Energy YoY	May	2.2%	--	2.1%	--
39)	06/12	07:30				CPI Index NSA	May	--	--	250.546	--

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 6599-5502-3 05-Jun-2018 14:44:37

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Fed Speak Calendar
(All times are CST)

Economic Calendars											
United States		Browse		05:48:04		06/04/18		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)	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					

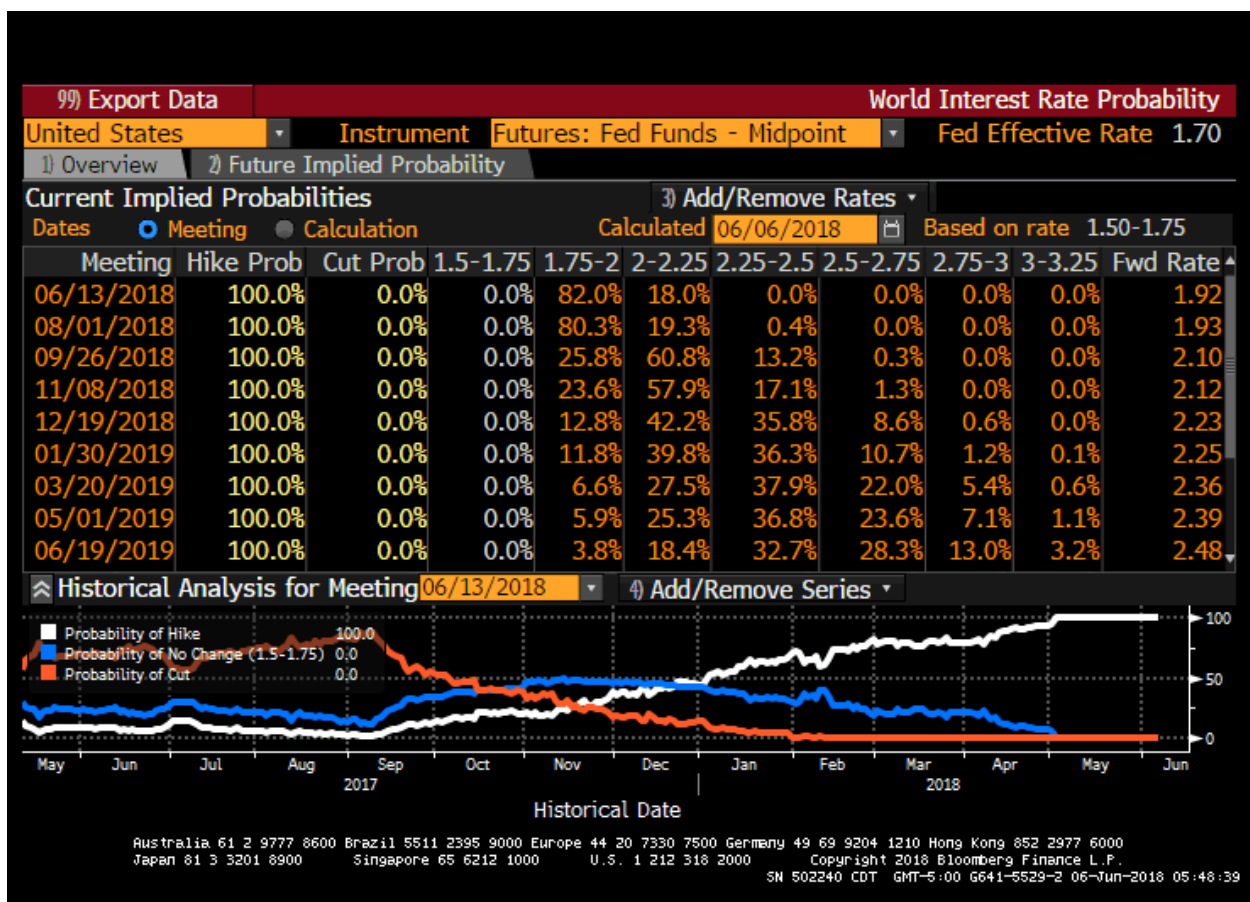
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News: News Story									
4) Previous		3) Next		66) Send		98) Actions		99) Translate	
06/05/2018 13:56:18 [BN]									
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln	
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50	
4-week	06/11/2018	06/12/2018	06/14/2018	TBA		TBA	06/05/2018	\$35	
3-month	06/07/2018	06/11/2018	06/14/2018	912796NV7		TBA	06/04/2018	\$48	
6-month	06/07/2018	06/11/2018	06/14/2018	912796QN2		TBA	06/04/2018	\$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	9128284T4		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	9128284N7	R	TBA	05/09/2018	\$25	
Bond Auctions									
30-year	06/07/2018	06/12/2018	06/15/2018	9128284N7	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

Current 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	2.02961	+.00507	(97.97039)
3-Month Libor Set	2.32088	+.00169	(97.67912)
6-Month Libor Set	2.48375	+.00412	(97.51625)
1-Year Libor Set	2.74088	+.00250	(97.25912)

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THEY SAID IT

China has [offered to boost purchases](#) of American goods by about \$25 billion this year, showing particular willingness to step up imports of crude oil, coal and farm products, according to people briefed on trade talks between the two countries. The Chinese offer comes days after U.S. Commerce Secretary Wilbur Ross visited Beijing for talks over how to reduce China's goods-trade surplus and diffuse an escalating trade war.

<https://www.bloomberg.com/news/articles/2018-06-06/america-s-wells-mines-and-farms-targeted-by-china-trade-offer>

Here is a closer look at the commodities that may be affected by trade talks:

Crude

China was the second-largest buyer of U.S. crude exports in 2017

Coal

U.S. shipments counted for just a sliver of China's total 2017 imports of the fuel.

Soybeans

China is the world's top soybean importer and America's largest buyer in trade worth \$14 billion last year.

Cotton

China was the top destination after Vietnam.

Ethanol

China could also increase its ethanol imports as the government [expands](#) its use in vehicles nationwide.

LNG

The Asian nation is set to become the world's largest LNG importer in the next decade.

LPG

There's a lot of room left for China to increase imports of liquefied petroleum gas, fuel that's used mainly for cooking, heating and transportation.

Commerce Department spokesman James Rockas said on Tuesday that "no definitive agreement has been signed by both parties."

<https://www.cnbc.com/2018/06/05/chinese-telecom-zte-signs-agreement-in-principle-with-us-to-lift-commerce-department-ban-reuters-citing-sources.html>

[ZTE](#) has signed an agreement in principle that would lift a U.S. Commerce Department ban on buying from U.S. suppliers, allowing the Chinese telecommunications equipment maker to get back into business, according to sources familiar with the matter.

ZTE ceased major operations in May and has been on life support since the seven-year ban was imposed in April, after it broke a 2017 agreement by illegally shipping goods to Iran and North Korea.

The deal includes a \$1 billion fine against ZTE plus \$400 million in escrow in the event of future violations, sources said, adding that the terms were in line with Reuters reporting on the U.S. demands on Friday.

The Commerce Department plans to amend its settlement agreement from last year and count the \$361 million ZTE paid as a part of that, allowing the U.S. to claim a total penalty of as much as \$1.7 billion, sources said.

Over the weekend, ZTE signed the agreement in principle drawn up by the United States, but the amended settlement agreement has not yet been signed, sources said.

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“This animal is the sneaky sort and victims rarely see it coming,” said Charles Gave, founder of the Hong-Kong based asset-allocation consultancy, in a note to clients Wednesday. “If a bear market is to unfold, this will probably start outside of the U.S.”

<https://www.bloomberg.com/news/articles/2018-06-06/world-bear-market-would-likely-start-in-euro-zone-gavekal-says>

The likely location would be the euro zone, Gave said, where the single currency system “has now been destroying southern European economies for 20 years and local populations are increasingly unwilling to take the beating.”

Two indicators developed by the researcher, one technical and one fundamental, paint a “worrying picture” in non-U.S. markets, according to the report. They show stocks outside America have started to underperform, and risk appetite is falling, it said.

The MSCI World ex-U.S. Index has fallen over 1 percent over the last three months, compared with almost a 1 percent gain in the S&P 500 Index, according to data compiled by Bloomberg. Treasuries have returned about a half a percent over the same period.

While noncommittal on whether a bear market will follow, Gave concluded the “easy” period for investors from mid-2016 to the end of 2017 is probably over.

“My recommendation remains to focus on high-quality Asian bonds, while equities should be chosen on merit rather than by geographical location,” Gave said.

EU members have given broad support to a European Commission plan to set 25 percent duties on up to 2.8 billion euros (\$3.3 billion) of U.S. exports in response to what is seen as illegal U.S. action. EU exports that are now subject to U.S. tariffs are worth 6.4 billion euros.

<https://www.reuters.com/article/us-usa-trade-eu/eu-plans-to-hit-u-s-imports-with-duties-from-july-idUSKCN1J2146?il=0>

“The Commission expects to conclude the relevant procedure in coordination with member states before the end of June so that the new duties start applying in July,” Commissioner Maros Sefcovic told a news conference on Wednesday after he and other commissioners endorsed the plan for duties on U.S. imports.

“Trump is still pushing for denuclearization, as he should, but he now has more realistic expectations for how long it will take,” he explained, adding that “as long as the North is not conducting nuclear and missile tests, there is no rush.”

<https://www.cnbc.com/2018/06/06/june-12-summit-donald-trump-softens-tone-on-north-korea.html>

The president is now recognizing the reality of the situation, according to Tom Collina, director of policy at Ploughshares Fund, a public foundation against nuclear weapons.

Trump's new measured approach now appears to be more in line with the [preferences of Kim's government](#), which wants a nuanced, lengthy process of disarmament accompanied by concessions such as sanctions relief and security guarantees.

“Much can still go wrong,” echoed Bruce Jones, vice president and director of the foreign policy program at think tank the Brookings Institution, adding that “the risks of war are higher now than before the drive to the summit.”

By conveying to Kim that he is genuinely willing to go to war, make peace, and walk away from a deal if it is not a good one, Trump has confronted Kim “with an existential choice: a genuine deal, or war,” Jones explained.

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The number of vacancies is pulling well ahead of the number the Bureau of Labor Statistics counts as unemployed. This year is the first time the level of the unemployed exceeded the jobs available since the BLS started tracking JOLTS numbers in 2000.

<https://www.cnn.com/2018/06/05/there-are-more-jobs-than-people-out-of-work.html>

As of April, the total workers looking and eligible for jobs fell to 6.35 million, a decrease from 6.58 million the previous month. The number fell further in May to 6.06 million, though there is no comparable JOLTS data for that month.

Under normal circumstances, the mismatch would be creating a demand for higher wages.

However, average hourly earnings rose just 2.7 percent annualized in May, up one-tenth of a point from April.

"Given these trends, the sluggish wage growth rate is even more perplexing," said Cathy Barrera, chief economist at Zip Recruiter, an online employment marketplace. "If employers want to fill these 6.7 million job openings, they are either going to have to raise wages or find more clever and creative ways to recruit workers off the sidelines."

Employers have been [complaining for years about a skills mismatch](#), or the inability to find workers with the right training for the positions available. In the meantime, companies are adding other incentives to retain workers and pull new ones in.

The total "quits" rate has been nudging higher this year and was at 2.3 percent in April, the highest since 2005 and above the 2.1 percent rate a year ago and the 1.3 percent bottom set in 2010. Barrera said the rate should be higher.

"While more people are getting into jobs, folks aren't moving around much once they do," she said. "Unfortunately, the lack of mobility means that employers face little pressure to raise wages. They just aren't competing over jobholders."

While oil and energy jobs increased 5.2 percent nationally in the last year, the numbers were more than double that in Houston — up 12.4 percent, according to the LinkedIn Workforce Report, a monthly analysis of employment trends.

<https://www.cnn.com/2018/06/06/the-jobs-are-in-houston-according-to-the-linkedins-workforce-report.html>

The report, released Wednesday, also showed that Houston's tight labor market, with more jobs than people in some fields, makes the city especially desirable for job seekers. In February 2016, there were more than 16,000 people with the skills to work in trades like petroleum engineering, energy and geology. Two years later, that number had dropped to fewer than 14,000 people. Other industries in the city with skills shortages include marketing, event management, construction and nonprofit fundraising. Houston was hit hard by Hurricane Harvey last summer, perhaps another reason why America's fourth largest city is now a hot spot for some industries.

An acute shortage of affordable homes in the United States will continue over the coming year, according to a majority of property market analysts polled by Reuters, driving prices up faster than inflation and wage growth.

<https://www.reuters.com/article/us-usa-property-poll/u-s-house-prices-to-rise-at-twice-the-speed-of-inflation-and-pay-reuters-poll-idUSKCN1J20G3>

Supply has not been able to keep up with rising demand, making homeownership less affordable. Annual average earnings growth has remained below 3 percent even as house price rises have averaged more than 5 percent over the last few years.

The latest poll of nearly 45 analysts taken May 16-June 5 showed the S&P/Case Shiller composite index of home prices in 20 cities are expected to gain a further 5.7 percent this year.

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EQUITIES

The S&P is +5 and the NASDAQ is +10.

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

I am dollar cost averaging into a mix of equities.

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

Earnings:

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

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed +0.36%.

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 +0.02%.

The DAX Index closed +0.32%.

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

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

Deposit Facility Rate -.40%

Next meeting 06/14/18

ASIA

Japan:

The TOPIX closed +0.15%.

The NIKKEI closed +0.38%.

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 +0.53%.

The Shanghai Composite closed +0.03%.

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: 97-54.0 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-47.5**.

Resistance is at 97-54.0^ and 97-60.5**.

^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/TYU8: 119-06.0 is the pivot point. Above you should be long, below short.

Support is at **117-21.5***

Resistance is at **119-06.0^** and **120-23.0****

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

** 2-STD Deviations from the pivot point

Current trend has you long from 118-31.0 (5/23/18)



YTD (per contract)

(2018) +98.0 futures ticks (\$31.25 per tick) or +\$3,062.25.

(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: 05/06/2018 - 06/06/2018 1 Month							
40 Semi Swaps		40 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	2.577 / 2.579	2.578	2.578	0.011		0.3	2.434	2.585	2.551	2.8	0.9		
2) 2 YR	2.776 / 2.779	2.778	2.778	0.014		0.3	2.544	2.832	2.754	2.5	0.4		
3) 3 YR	2.864 / 2.866	2.865	2.865	0.018		0.3	2.606	2.952	2.849	1.6	0.2		
4) 4 YR	2.906 / 2.908	2.907	2.907	0.019		0.3	2.647	3.015	2.898	1.0	0.1		
5) 5 YR	2.929 / 2.930	2.930	2.930	0.020		0.3	2.674	3.055	2.926	0.5	0.1		
6) 6 YR	2.948 / 2.949	2.948	2.948	0.022		0.3	2.695	3.081	2.948	0.1	0.0		
7) 7 YR	2.964 / 2.965	2.965	2.965	0.023		0.3	2.717	3.114	2.965	-0.1	0.0		
8) 8 YR	2.981 / 2.981	2.981	2.981	0.024		0.3	2.744	3.122	2.982	-0.1	0.0		
9) 9 YR	2.995 / 2.998	2.997	2.997	0.024		0.3	2.767	3.140	2.999	-0.2	0.0		
10) 10 YR	3.012 / 3.014	3.013	3.013	0.025		0.3	2.788	3.182	3.016	-0.2	0.0		
11) 15 YR	3.057 / 3.059	3.058	3.058	0.023		0.3	2.850	3.205	3.062	-0.3	0.0		
12) 20 YR	3.062 / 3.066	3.064	3.064	0.022		0.3	2.870	3.214	3.072	-0.6	-0.1		
13) 25 YR	3.049 / 3.049	3.049	3.049	0.021		0.3	2.835	3.201	3.059	-1.0	-0.1		
14) 30 YR	3.027 / 3.028	3.027	3.027	0.020		0.3	2.844	3.178	3.037	-0.9	-0.1		

Executable quotes for Fixed Income Electronic Trading are in white tenors.

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
 SN 502340 CDT GMT-5:00 6641-5529-2 06-Jun-2018 05:48:51

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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.



Charge-off Delinquency Rates on Loans and Leases at Commercial Banks

<https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

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, ranchland 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

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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 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>

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>

EV Outlook 2018

Executive summary:

Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. Electric cars accounted for 39% of new car sales in Norway in 2017 – the world’s most advanced market of electric cars in terms of sales share. 2 Iceland and Sweden, the next two most successful markets, achieved 11.7% and 6.3% electric car sales share, respectively, in 2017. 3 More than half of global sales of electric cars were in the People’s Republic of China (hereafter, “China”), where electric cars had a market share of 2.2% in 2017. Electric cars sold in the Chinese market more than doubled the amount delivered in the United States, the second-largest electric car market globally. Electrification of other transport modes is also developing quickly, especially for two-wheelers and buses. In 2017, sales of electric buses were about 100 000 and sales of two-wheelers are estimated at 30 million; for both modes, the vast majority was in China.

<https://www.iea.org/gevo2018/>

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What is U.S. electricity generation by energy source?

In 2017, about 4,015 billion kilowatthours (kWh) (or 4.01 trillion kWh) of electricity were generated at utility-scale facilities in the United States.¹ About 63% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases). About 20% was from nuclear energy, and about 17% was from renewable energy sources. The U.S. Energy Information Administration estimates that an additional 24 billion kWh of electricity generation was from small-scale solar photovoltaic systems in 2017.²

U.S. electricity generation by source, amount, and share of total in 2017 ¹		
Energy source	Billion kWh	Share of total
Total - all sources	4,015	
Fossil fuels (total)	2,495	62.7%
Natural gas	1,273	31.7%
Coal	1,208	30.1%
Petroleum (total)	21	0.5%
Petroleum liquids	13	0.3%
Petroleum coke	9	0.2%
Other gases	14	0.4%
Nuclear	805	20.0%
Renewables (total)	687	17.1%
Hydropower	300	7.5%
Wind	254	6.3%
Biomass (total)	64	1.6%
Wood	43	1.1%
Landfill gas	11	0.3%
Municipal solid waste (biogenic)	7	0.2%
Other biomass waste	3	0.1%
Solar (total)	53	1.3%
Photovoltaic	50	1.2%
Solar thermal	3	0.1%
Geothermal	16	0.4%
Pumped storage hydropower ³	-6	-0.2%
Other sources	13	0.3%

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

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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.

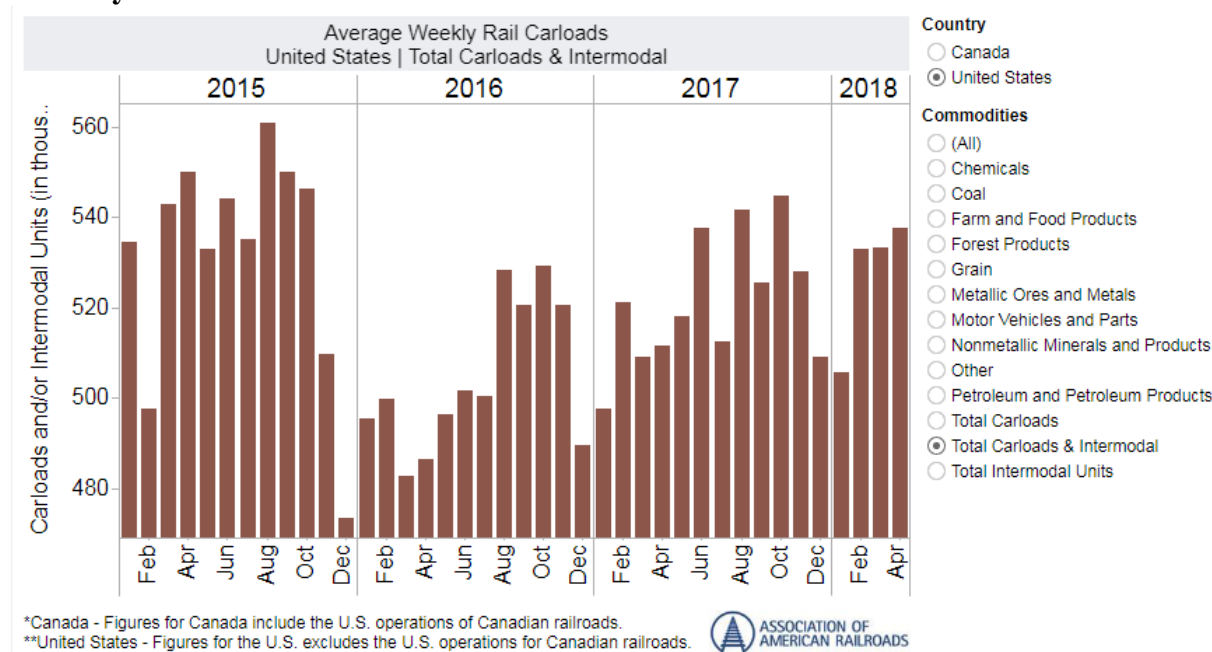
North American rail volume for the week ending May 26, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 376,995 carloads, up 3.4 percent compared with the same week last year, and 376,449 intermodal units, up 5 percent compared with last year. Total combined weekly rail traffic in North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

Monthly Rail Traffic Charts



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

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Trailer Truck Demand

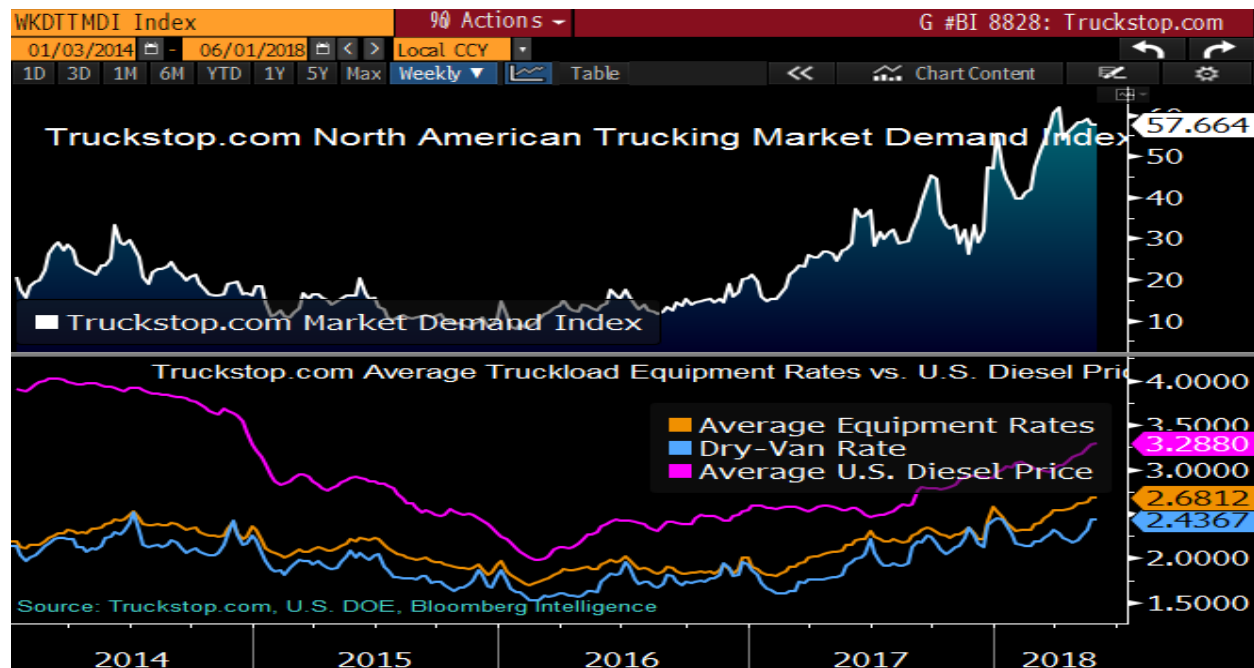
(Bloomberg Intelligence) – 06/04/18

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

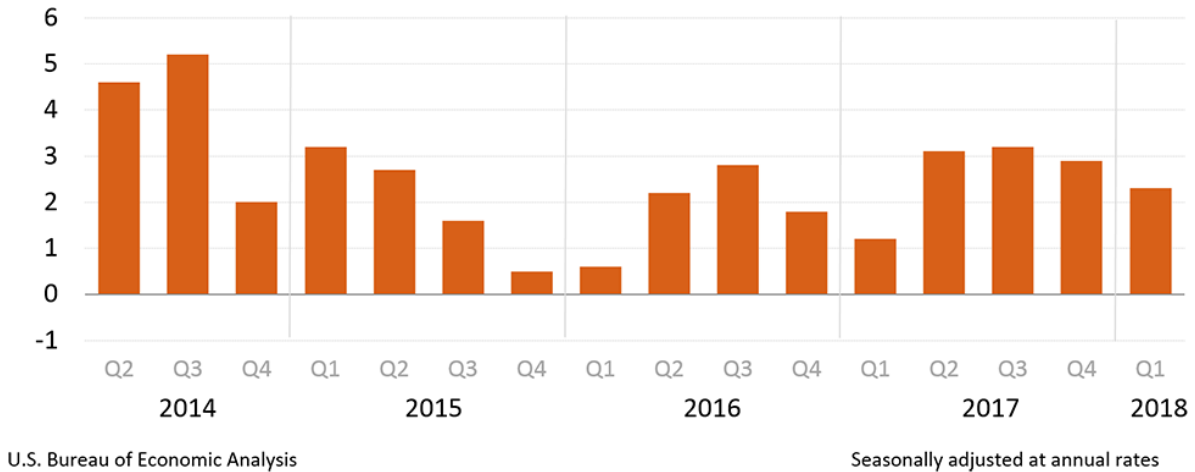
U.S. Department of Commerce, Bureau of economic analysis

<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets

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Real GDP: Percent change from preceding quarter



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. Post employment report from the US Bureau of Labor Statistics, the nowcasts 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. 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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