



Fixed Income Group A Division of RJ O'Brien

The Missile

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 14:01:39 06/08/18 - 06/14/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/08	07:45				Bloomberg June United States Economic Survey					
22)	06/08	09:00				Wholesale Trade Sales MoM	Apr	--	--	0.3%	--
23)	06/08	09:00				Wholesale Inventories MoM	Apr F	0.0%	--	0.0%	--
24)	06/12	05:00				NFIB Small Business Optimism	May	104.8	--	104.8	--
25)	06/12	07:30				CPI MoM	May	0.2%	--	0.2%	--
26)	06/12	07:30				CPI Ex Food and Energy MoM	May	0.2%	--	0.1%	--
27)	06/12	07:30				CPI YoY	May	2.7%	--	2.5%	--
28)	06/12	07:30				CPI Ex Food and Energy YoY	May	2.2%	--	2.1%	--
29)	06/12	07:30				CPI Index NSA	May	--	--	250.546	--
30)	06/12	07:30				CPI Core Index SA	May	--	--	256.450	--
31)	06/12	07:30				Real Avg Weekly Earnings YoY	May	--	--	0.4%	--
32)	06/12	07:30				Real Avg Hourly Earning YoY	May	--	--	0.2%	--
33)	06/12	13:00				Monthly Budget Statement	May	--	--	\$214.3b	--
34)	06/13	06:00				MBA Mortgage Applications	Jun 8	--	--	4.1%	--
35)	06/13	07:30				PPI Final Demand MoM	May	0.3%	--	0.1%	--
36)	06/13	07:30				PPI Ex Food and Energy MoM	May	0.2%	--	0.2%	--
37)	06/13	07:30				PPI Ex Food, Energy, Trade MoM	May	0.2%	--	0.1%	--
38)	06/13	07:30				PPI Final Demand YoY	May	2.9%	--	2.6%	--
39)	06/13	07:30				PPI Ex Food and Energy YoY	May	2.3%	--	2.3%	--

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 G660-2798-3 07-Jun-2018 14:01:39

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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					

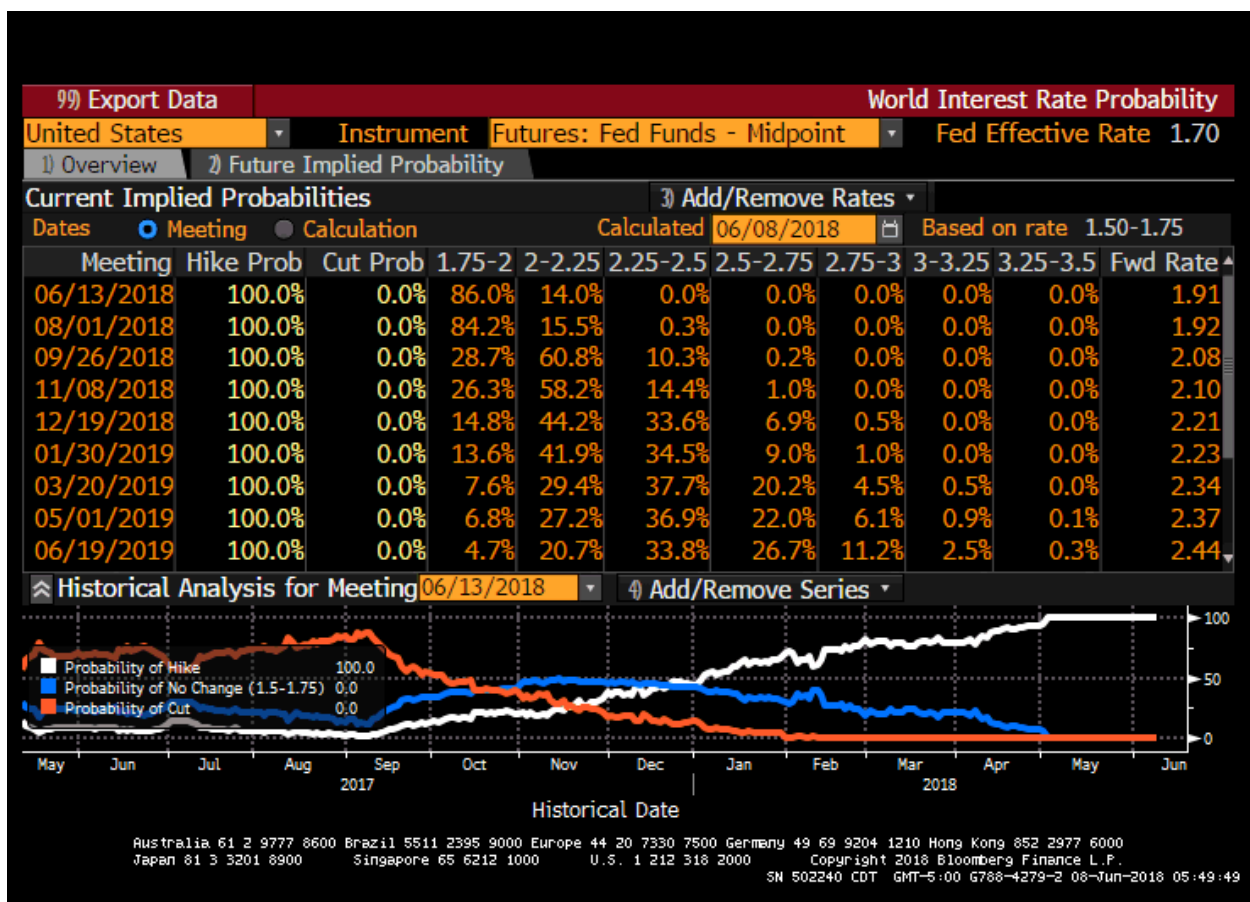
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Previous		Next		Send		Actions		Translate		News: News Story	
06/05/2018 13:56:18 [BN]											
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln			
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50			
4-week	06/11/2018	06/12/2018	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	2.04617	+.00249	(97.95383)
3-Month Libor Set	2.32631	-.00082	(97.67369)
6-Month Libor Set	2.48875	-.00313	(97.51125)
1-Year Libor Set	2.74025	-.01350	(97.25975)

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THEY SAID IT

In a tweet, Trump accused the U.S. allies of levying "massive tariffs" and creating "non-monetary barriers."

<https://www.cnn.com/2018/06/07/trump-ribs-trudeau-macron-on-trade-ahead-of-g7-summit.html>

French President Emmanuel Macron in a tweet had threatened to exclude U.S. from a joint statement issued every year at the G-7 summit.

"The American President may not mind being isolated, but neither do we mind signing a 6 country agreement if need be. Because these 6 countries represent values, they represent an economic market which has the weight of history behind it and which is now a true international force," Macron tweeted.

Also on Thursday night, Trump attacked Trudeau over the dairy industry, claiming that Canada is "killing" U.S. agriculture.

Canada bought 31 percent of U.S. milk exports and 5.3 percent of its cheese exports in 2016, according to data from MIT's Observatory of Economic Complexity.

Canada - Import Tariffs

<https://www.export.gov/article?id=Canada-Import-Tariffs>

Although Canada eliminated tariffs on all industrial and most agricultural products imported from the United States under the terms of NAFTA, tariffs and **tariff-rate quotas (TRQs) remain in place on dairy and poultry tariff lines**. Canada announced the elimination of MFN tariffs on baby clothing and athletic equipment (valued at C\$76 million annually) in its 2013 federal budget. Canada proposed to permanently eliminate tariffs on mobile offshore drilling units in its 2014 federal budget.

Import Policies

Agricultural Supply Management

Canada uses supply-management systems to regulate its dairy, chicken, turkey, and egg industries. The regime involves production quotas, producer marketing boards to regulate price and supply, and tariff-rate quotas (TRQs) for imports. **Canada's supply-management regime severely limits the ability of U.S. producers to increase exports to Canada above TRQ levels**. Under the current system, U.S. imports above quota levels are subject to high tariffs (e.g., 245 percent for cheese, 298 percent for butter).

"With the global growth story losing some of its shine, tariff-related rhetoric increasing in volume and a populist government taking office in Italy, investors opted for liquidity in early June," Cameron Brandt, director of research, wrote in a note. European equity and emerging-market fixed income were [big losers](#).

<https://www.bloomberg.com/news/articles/2018-06-08/money-markets-see-biggest-inflows-since-2013-in-dash-for-cash>

At \$45 billion, U.S. funds were the biggest beneficiaries of the \$55 billion inflow in the week through June 6 -- the second-highest on record -- according to EPFR Global. Allocations into U.S. inflation-protected bond vehicles also hit their highest since the fourth quarter of 2016, according to the data provider.

Money managers can also snap up positive real returns on cash-like instruments in the U.S., effectively for the first time since the crisis. Three-month U.S. Treasury bills yield about 1.9 percent, up from 1.4 percent at the start of the year.

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Still, EPFR data suggest bullish sentiment endures. U.S. equity funds extended their longest inflow streak since the fourth quarter of 2017, and Chinese bond funds saw the highest allocation in over 17 months, according to EPFR.

“Investors did respond -- cautiously -- to some of the bright spots in the global growth picture,” said Brandt.

Bernanke said the \$1.5 trillion in personal and corporate tax cuts and a \$300 billion increase in federal spending signed by President Donald Trump “makes the Fed’s job more difficult all around” because it’s coming at a time of very low U.S. unemployment.

<https://www.bloomberg.com/news/articles/2018-06-07/bernanke-says-u-s-economy-faces-wile-e-coyote-moment-in-2020>

“What you are getting is a stimulus at the very wrong moment,” Bernanke said Thursday during a policy discussion at the American Enterprise Institute, a Washington think tank. “The economy is already at full employment.”

The stimulus “is going to hit the economy in a big way this year and next year, and then in 2020 Wile E. Coyote is going to go off the cliff,” Bernanke said, referring to the hapless character in the Road Runner cartoon series.

The degree of slowdown as stimulus fades is a matter of debate among economists, with some predicting the effects could last beyond two years if the U.S. boosts its capital stock and upgrades its workforce during this period of strong growth. Congress could also write new spending laws to smooth out the program, Bernanke noted.

“The business establishment is underestimating the risks this populist government brings,” said Carlo Alberto Carnevale Maffe, professor of business strategy at Milan’s Bocconi University. “This coalition wants to make massive changes in many business sectors. And it has nothing to lose.”

<https://www.bloomberg.com/news/articles/2018-06-08/italy-inc-is-sleepwalking-into-an-ambush-by-populist-crusaders>

Despite a bond-market selloff that has pushed Italy’s 10-year yields to 3 percent for the first time in four years, Italy’s business elite wasn’t exactly glued to the television screens as professor-turned premier Giuseppe Conte set out his plan to flout European Union budget rules.

The anti-establishment Five Star Movement and the nationalist League have attacked executives facing legal investigations, questioned multibillion-euro infrastructure investments in high-speed rail and gas pipelines, and plan to accelerate the shift away from carbon-emitting power plants. They say their election result gives them a mandate to force companies to the table if they refuse to cooperate.

“Five Star on its own got 11 million votes, so big business and banks are going to have to deal with us,” said senior Five Star lawmaker Carla Ruocco, adding that her party made contact with companies in the energy and aerospace industries before the election.

Ruocco said the new administration is “open to big business” with public investment and a national energy plan.

“The big companies will have to do their part,” said Davide Crippa, a Five Star lawmaker with responsibility for energy policy. “We want to reduce energy consumption, to use 100 percent renewable energy by 2050 so we need to boost research -- that’s something the big companies can afford.”

Five Star has been particularly critical of Leonardo CEO Alessandro Profumo, who is due to face

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trial in Milan on charges of false accounting and market manipulation relating to his time at troubled lender Banca Monte dei Paschi di Siena SpA.

“We will demonstrate that we always operated correctly in the interests of the institution and its shareholders, in close collaboration with the Bank of Italy” and the stock market regulator, Profumo said in an emailed statement. “I maintain total trust in the judiciary.”

Austria’s right-wing government plans to shut seven mosques and could expel dozens of imams in what it said was “just the beginning” of a push against radical Islam and foreign funding of religious groups that Turkey condemned as racist.

<https://www.reuters.com/article/us-austria-politics-islam/austria-to-shut-down-mosques-expel-foreign-funded-imams-idUSKCN1J40X1>

The coalition government, an alliance of conservatives and the far right, came to power soon after Europe’s migration crisis on promises to prevent another influx and restrict benefits for new immigrants and refugees.

The moves follow a “law on Islam”, passed in 2015, which banned foreign funding of religious groups and created a duty for Muslim organizations to have “a positive fundamental view towards (Austria’s) state and society”.

“Political Islam’s parallel societies and radicalizing tendencies have no place in our country,” said Chancellor Sebastian Kurz, who, in a previous job as minister in charge of integration, steered the Islam bill into law.

Apple shares fell 2 percent in U.S. premarket trading on Friday, after a report said the firm told its supply chain to make 20 percent fewer parts for iPhones in the second half of 2018.

<https://www.cnbc.com/2018/06/08/apple-shares-falls-2-percent-after-nikkei-report-about-iphone-parts-orders.html>

The [Nikkei](#) newspaper, citing unnamed industry sources, reported that Apple was placing less orders as it is taking a "cautious" approach toward upcoming iPhone shipments this year.

The company is [reportedly](#) set to launch three new iPhone models in the latter half of 2018, which is when it usually presents new phones.

The Nikkei said that Apple expects shipments of 80 million units for the new phones, compared to the 100 million units it had placed orders for last year.

U.S. authorities are transferring into federal prisons about 1,600 Immigration and Customs Enforcement (ICE) detainees, officials told Reuters on Thursday, in the first large-scale use of federal prisons to hold detainees amid a Trump administration crackdown on people entering the country illegally.

<https://www.cnbc.com/2018/06/08/us-sending-1600-immigration-detainees-to-federal-prisons.html>

An ICE spokeswoman told Reuters five federal prisons will temporarily take in detainees awaiting civil immigration court hearings, including potential asylum seekers, with one prison in Victorville, California, preparing to house 1,000 people.

President Donald Trump has made his hard-line stance on immigration an integral part of his presidency and has promised to build a wall along the U.S.-Mexican border to stem the flow of migrants. He has also promised to keep immigrants targeted for deportation locked up "pending the outcome of their removal proceedings."

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Under former President Barack Obama, many immigrants without serious criminal records were allowed to await their court dates while living in the United States. Others were housed in immigration detention facilities or local jails. ICE has used federal prisons in the past but not on this scale, sources said.

China's efforts to connect the world's third-biggest bond market with the international financial system are hitting dual headwinds -- a climb in global borrowing costs, and the country's own campaign to reduce financial leverage.

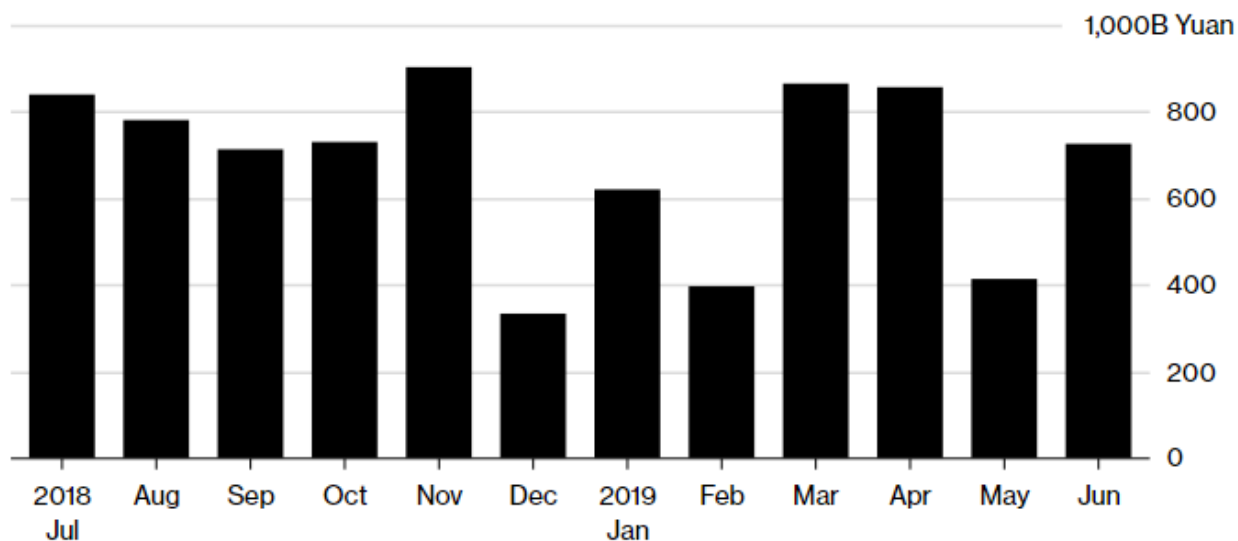
The dynamics have contributed to defaults by 12 bond issuers in 2018 through June 4, after 18 for the whole of 2017, according to Fitch Ratings. Firms from JPMorgan Chase & Co. to Fidelity International are warning to [prepare for more](#). But with about 8.2 trillion yuan (\$1.3 trillion) of domestic corporate and local-government securities due to mature in the coming 12 months, it's an open question whether China is prepared to let chips fall where they may.

<https://www.bloomberg.com/news/articles/2018-06-07/china-s-11-trillion-bond-market-faces-test-with-rising-defaults>

Authorities started shifting away from the old model of implicit guarantees for practically all debt securities in 2014, allowing defaults for the first time. The idea: tap market discipline to punish inefficient companies and encourage a more productive capital allocation. Given the massive size of the market -- now more than \$11 trillion, with a further half trillion or so in dollar bonds -- it was always going to be a delicate transition. Where would the lines be drawn on who goes bust? A global-standard credit-ratings industry could hardly be engineered overnight. And who would staff credit-research teams and risk-control desks? Not to mention creating a derivatives market to hedge risks.

Great Wall of Maturities

A total of 8.2 trillion yuan of bonds are set to mature next 12 months



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The chairman of ZTE apologized to staff and customers on Friday after the Chinese technology firm agreed to pay a \$1 billion fine to the United States to end a ban that has crippled key businesses, including smartphones.

<https://www.cnbc.com/2018/06/08/chinas-zte-apologizes-pledges-reboot-after-agreeing-to-pay-1-billion-fine-to-us.html>

The ban, which traces back to a breach of the U.S. embargo on trade with Iran, had prevented China's second largest telecoms equipment maker by revenue from buying the U.S. components it relies on to make phones and other devices.

In addition to the fine, ZTE agreed to overhaul its leadership in exchange for lifting the ban. In a memo to staff, Chairman Yin Yimin said ZTE would look to get back into business as soon as possible, and hold those responsible for the breach accountable, a company source said.

"Despite its relatively low public profile as a player in the North Korea negotiations, Russia's behind-the-scenes ability to throw a wrench in the process should not be underestimated," Elizabeth Economy, director of Asia studies at the Council on Foreign Relations, said in a Thursday note.

<https://www.cnbc.com/2018/06/08/trump-kim-summit-russia-plays-an-important-role.html>

President [Vladimir Putin's](#) government plays "a critical role as a behind-the-scenes negotiator, spoiler, and unholy ally," so it shouldn't be sidelined in nuclear negotiations, she said.

Putin has the ear of both Pyongyang and Seoul, thanks to years of steady relations with both neighbors. Moscow has attempted to play the role of honest broker in the past by promoting inter-Korean diplomacy.

"Beijing will be advocating that the price for peace should be a full withdrawal of U.S. troops from [South Korea](#)," said Hugo Brennan, senior politics analyst for Asia at Verisk Maplecroft, a risk consultancy.

<https://www.cnbc.com/2018/06/08/what-china-wants-from-the-trump-kim-summit.html>

But first, China may be trying to angle itself back into the game after [earlier speculation](#) that the country was responsible for an earlier derailment of Trump and Kim's meeting. That was as Beijing was becoming increasingly nervous that a potential reunification of North and South Korea may bring U.S. troops closer to its doors.

Despite that risk, suggestions that China wants to "spoil the party at any cost" are "wide off the mark," Brennan said.

After all, Beijing has a strategic interest in reduced tensions on the Korean Peninsula. The Chinese also would not want to put Trump's ["fire and fury"](#) threat to the test, said Brennan.

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EQUITIES

The S&P is **-13** and the NASDAQ is **-5**.

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 -0.61%.

In the UK, the swap curve is flatter with yields lower.

BOE Rate +0.50%. (No change).

Next meeting 06/21/18

On the European Continent

The CAC Index closed -0.33%.

The DAX Index closed -0.82%.

On the Continent, the swap curve is flatter with yields lower.

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

Deposit Facility Rate -.40%

Next meeting 06/14/18

ASIA

Japan:

The TOPIX closed -0.42%.

The NIKKEI closed -0.56%.

In Japan, the swap curve is largely unchanged with yields mixed.

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

Next meeting 06/15/18

China:

The Hang Seng closed -1.76%.

The Shanghai Composite closed -1.36%.

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: 97-54.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-48.5**.

Resistance is at 97-54.5^ 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: 119-08.0 is the pivot point. Above you should be long, below short.

Support is at **117-23.0***

Resistance is at **119-08.0^** and **120-25.5 ****

^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>

Cancel: Screen not saved

United States 98 Export 99 Settings Interest Rate Swap Rates

Date Range: 05/08/2018 - 06/08/2018 1 Month

40 Semi Swap 40 Sprs to Gov 42 Ann Swap: 43 Ann Sprs 44 OIS Swap: 45 CHE/LCH Spi 46 Combinec

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	2,562 / 2,564	2,564	2,563	-0.014		█	-0.4	2,434		2,597	2,552	1.2	0.4
2) 2 YR	2,748 / 2,750	2,750	2,749	-0.019		█	-0.4	2,544		2,832	2,754	-0.4	-0.1
3) 3 YR	2,830 / 2,830	2,830	2,830	-0.020		█	-0.3	2,606		2,952	2,848	-1.8	-0.3
4) 4 YR	2,868 / 2,869	2,869	2,868	-0.017		█	-0.2	2,647		3,015	2,896	-2.8	-0.4
5) 5 YR	2,889 / 2,890	2,890	2,890	-0.015		█	-0.2	2,674		3,055	2,924	-3.4	-0.5
6) 6 YR	2,906 / 2,908	2,908	2,907	-0.013		█	-0.2	2,695		3,081	2,946	-3.8	-0.5
7) 7 YR	2,924 / 2,924	2,924	2,924	-0.012		█	-0.2	2,717		3,114	2,964	-4.0	-0.5
8) 8 YR	2,939 / 2,940	2,940	2,940	-0.012		█	-0.2	2,744		3,122	2,981	-4.0	-0.5
9) 9 YR	2,955 / 2,957	2,957	2,956	-0.011		█	-0.1	2,767		3,140	2,998	-4.1	-0.6
10) 10 YR	2,972 / 2,973	2,973	2,972	-0.009		█	-0.1	2,788		3,182	3,014	-4.2	-0.6
11) 15 YR	3,019 / 3,019	3,019	3,019	-0.007		█	-0.1	2,850		3,205	3,060	-4.1	-0.6
12) 20 YR	3,026 / 3,026	3,026	3,025	-0.006		█	-0.1	2,870		3,214	3,070	-4.4	-0.6
13) 25 YR	3,012 / 3,012	3,012	3,012	-0.005		█	-0.1	2,835		3,201	3,056	-4.4	-0.6
14) 30 YR	2,991 / 2,992	2,992	2,992	-0.004		█	-0.1	2,844		3,178	3,035	-4.3	-0.6

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 6788-4279-2 08-Jun-2018 05:58:04

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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.

U.S. railroads originated 1,319,420 carloads in May 2018, up 3.2 percent, or 41,078 carloads, from May 2017. U.S. railroads also originated 1,398,203 containers and trailers in May 2018, up 6.6 percent, or 86,010 units, from the same month last year. Combined U.S. carload and intermodal originations in May 2018 were 2,717,623, up 4.9 percent, or 127,088 carloads and intermodal units from May 2017.

In May 2018, 15 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with May 2017. These included: crushed stone, sand & gravel, up 16,811 carloads or 13.7 percent; chemicals, up 9,368 carloads or 6.1 percent; and coal, up 6,707 carloads or 1.7 percent. Commodities that saw declines in May 2018 from May 2017 included: nonmetallic minerals, down 4,187 carloads or 17 percent; metallic ores, down 2,254 carloads or 6.6 percent; and all other carloads, down 2,076 carloads or 6.9 percent.

“In May, U.S. rail carloads were higher in 15 of the 20 carload commodity categories the AAR tracks, including nearly all of the major ones,” said AAR Senior Vice President of Policy and Economics John T. Gray. “In addition, intermodal volume in May was the second highest for any month in history. Right now, the economy is clicking, and railroads are both beneficiaries and enablers of that. One potential cloud on the horizon, though, involves trade. Freight railroads are essential to the flow of goods and rely on sensible trade policy. We’re hopeful that federal policymakers will recognize that an unnecessary trade war would do far more harm than good.” Excluding coal, carloads were up 34,371 carloads, or 3.9 percent, in May 2018 from May 2017. Excluding coal and grain, carloads were up 31,198 carloads, or 4.1 percent.

Total U.S. carload traffic for the first five months of 2018 was 5,666,645 carloads, up 1.2 percent, or 66,071 carloads, from the same period last year; and 5,993,584 intermodal units, up 6 percent, or 336,944 containers and trailers, from last year.

Total combined U.S. traffic for the first 22 weeks of 2018 was 11,660,229 carloads and intermodal units, an increase of 3.6 percent compared to last year.

Week Ending June 2, 2018

Total U.S. weekly rail traffic was 509,740 carloads and intermodal units, up 3.2 percent compared with the same week last year, which also included the Memorial Day holiday.

Total carloads for the week ending June 2 were 252,162 carloads, up 0.2 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 257,578 containers and trailers, up 6.3 percent compared to 2017.

Eight of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included nonmetallic minerals, up 1,690 carloads, to 36,410; petroleum and petroleum products, up 1,629 carloads, to 10,810; and chemicals, up 1,392 carloads, to 31,129. Commodity groups that posted decreases compared with the same week in 2017 were coal, down 6,380 carloads, to 76,242; and grain, down 332 carloads, to 22,537.

North American rail volume for the week ending June 2, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 352,936 carloads, up 1.5 percent compared with the same week last year, and 339,482 intermodal units, up 3.2 percent compared with last year. Total combined weekly rail traffic in North America was 692,418 carloads and intermodal units, up 2.3 percent. North American rail volume for the first 22 weeks of 2018 was 15,720,523 carloads and intermodal units, up 3.2 percent compared with 2017.

Canadian railroads reported 79,929 carloads for the week, up 6.4 percent, and 65,817 intermodal units, down 2.2 percent compared with the same week in 2017. For the first 22 weeks of 2018,

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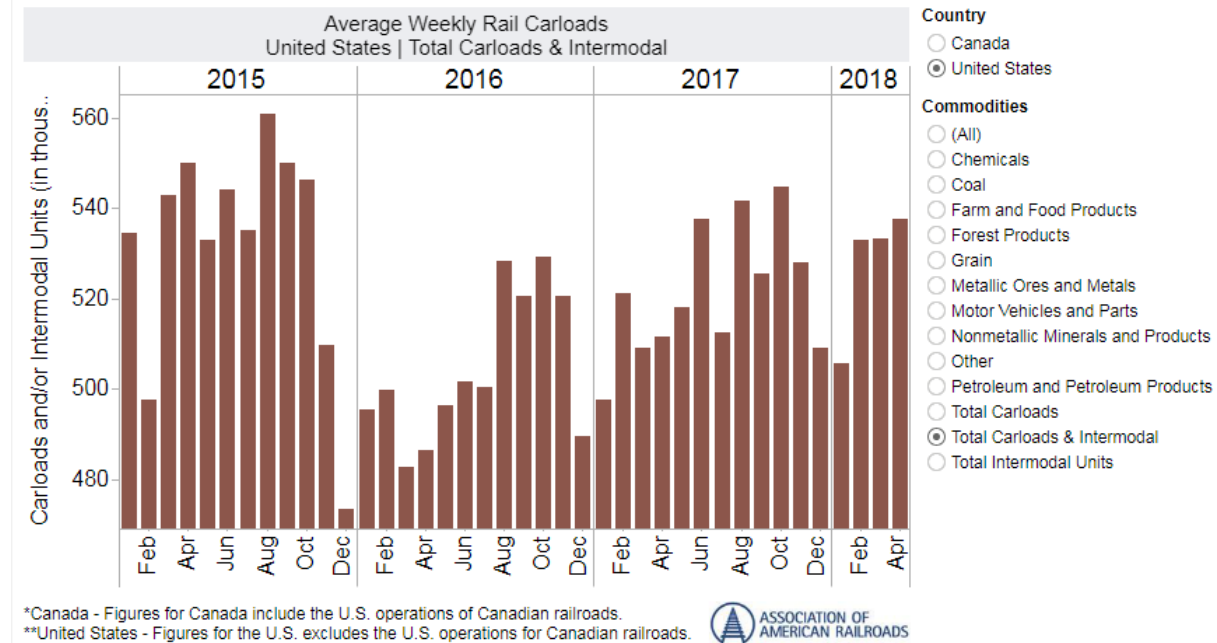
Canadian railroads reported cumulative rail traffic volume of 3,227,394 carloads, containers and trailers, up 3.4 percent.

Mexican railroads reported 20,845 carloads for the week and 16,087 intermodal units.

Cumulative volume on Mexican railroads for the first 22 weeks of 2018 was 832,900 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-june-2-2018/>

Monthly Rail Traffic Charts



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

Trailer Truck Demand

(Bloomberg Intelligence) – 06/04/18

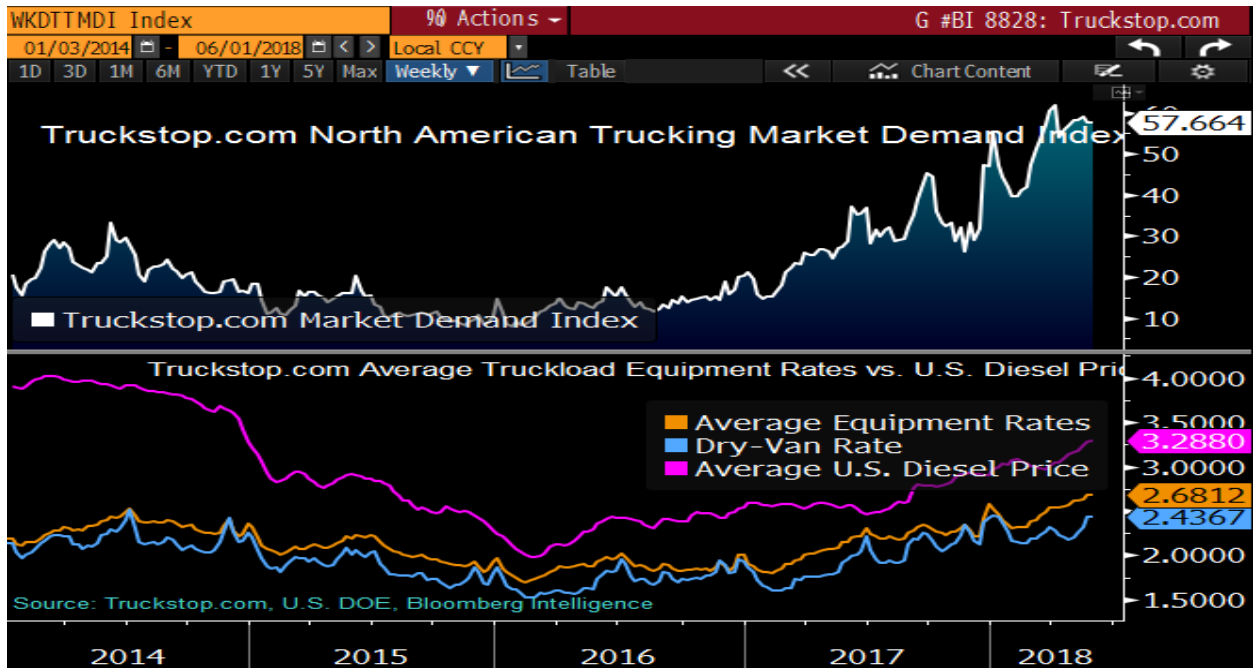
Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%).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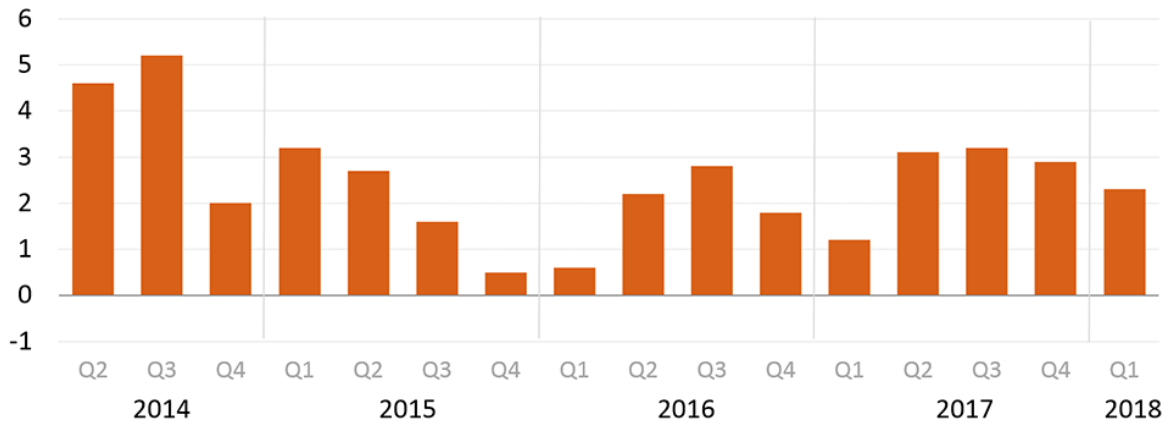
GDP

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

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

GDP-2Q is running at *4.10% as of 6/6/18 v. *4.31% as of 6/1/18

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

Atlanta Fed GDPNow...Latest forecast Q2 2018: 4.5 % —June 6, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is 4.5 percent on June 6, down from 4.8 percent on June 1. On Monday, June 4, the nowcasts for second-quarter real consumer spending growth and second-quarter real private nonresidential equipment investment growth decreased from 3.5 percent and 6.1 percent, respectively. This information is not to be construed as an offer to sell or a solicitation or an offer to buy the commodities herein named. The factual information of this report has been obtained from sources believed to be reliable, but is not necessarily all-inclusive and is not guaranteed as to the accuracy, and is not to be construed as representation by R.J O'Brien & Associates. The risk of trading futures and options can be substantial. Each investor must consider whether this is a suitable investment. Past performance is not indicative of future results.

respectively, to 3.3 percent and 4.3 percent, respectively, after a manufacturing report from the U.S. Census Bureau and the light vehicle sales release from the U.S. Bureau of Economic Analysis (BEA). This morning, the nowcast of the contribution of net exports to second-quarter real GDP growth inched down from 0.42 percentage points to 0.31 percentage points after the international trade release from the Census Bureau and the BEA.

*The next GDPNow update is **Friday, June 8**. 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: 4.49%...June 6, 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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