



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 10:18:50 06/11/18 - 06/15/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/12	05:00				NFIB Small Business Optimism	May	105.0	--	104.8	--
22)	06/12	07:30				CPI MoM	May	0.2%	--	0.2%	--
23)	06/12	07:30				CPI Ex Food and Energy MoM	May	0.2%	--	0.1%	--
24)	06/12	07:30				CPI YoY	May	2.8%	--	2.5%	--
25)	06/12	07:30				CPI Ex Food and Energy YoY	May	2.2%	--	2.1%	--
26)	06/12	07:30				CPI Index NSA	May	251.481	--	250.546	--
27)	06/12	07:30				CPI Core Index SA	May	256.897	--	256.450	--
28)	06/12	07:30				Real Avg Weekly Earnings YoY	May	--	--	0.4%	--
29)	06/12	07:30				Real Avg Hourly Earning YoY	May	--	--	0.2%	--
30)	06/12	13:00				Monthly Budget Statement	May	-\$114.5b	--	\$214.3b	--
31)	06/13	06:00				MBA Mortgage Applications	Jun 8	--	--	4.1%	--
32)	06/13	07:30				PPI Final Demand MoM	May	0.3%	--	0.1%	--
33)	06/13	07:30				PPI Ex Food and Energy MoM	May	0.2%	--	0.2%	--
34)	06/13	07:30				PPI Ex Food, Energy, Trade MoM	May	0.2%	--	0.1%	--
35)	06/13	07:30				PPI Final Demand YoY	May	2.9%	--	2.6%	--
36)	06/13	07:30				PPI Ex Food and Energy YoY	May	2.3%	--	2.3%	--
37)	06/13	07:30				PPI Ex Food, Energy, Trade YoY	May	--	--	2.5%	--
38)	06/13	13:00				FOMC Rate Decision (Upper Bou	Jun 13	2.00%	--	1.75%	--
39)	06/13	13:00				FOMC Rate Decision (Lower Bou	Jun 13	1.75%	--	1.50%	--

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 H367-2923-3 08-Jun-2018 10:18:50

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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					

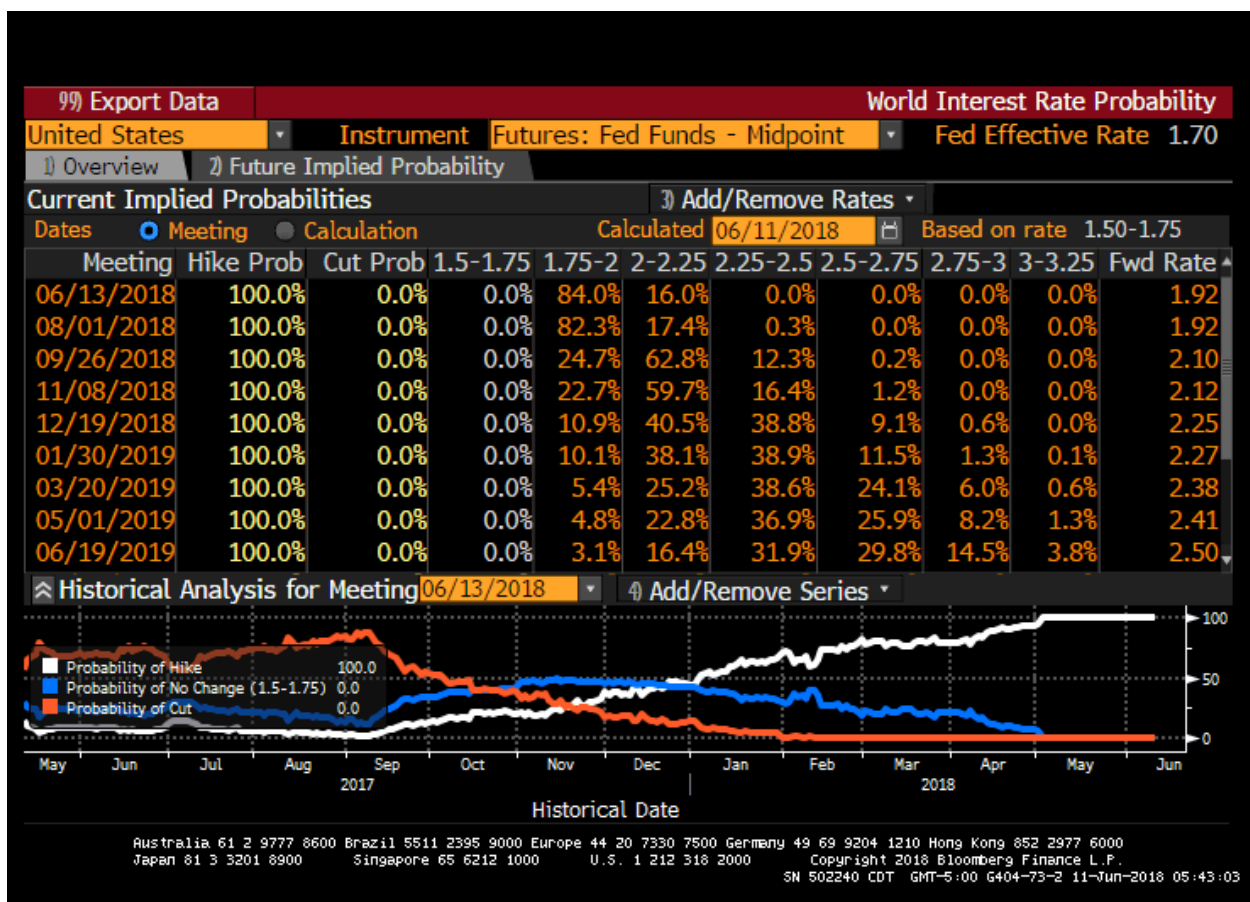
NI TRE <go>

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	2.04738	+.00121	(97.95262)
3-Month Libor Set	2.33263	+.00632	(97.66737)
6-Month Libor Set	2.49313	+.00438	(97.50687)
1-Year Libor Set	2.75794	+.01769	(97.24206)

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THEY SAID IT

If a ship crossing a wide and placid harbor yaws so far that it almost hits the channel markers, its captain might want to have its rudder adjusted. That's what the Federal Reserve is considering as the fed funds rate threatens to slip outside the central bank's target range. The gap between the rate and the Fed's upper bound has narrowed to a 7-1/2 year low, setting off alarm bells from Washington to Wall Street. It's also prompted policy makers to discuss whether shifting tides in short-term markets mean they need to change the way they go about manipulating what is arguably the most important interest rate in the world.

<https://www.bloomberg.com/news/articles/2018-06-10/the-fed-s-fight-for-control-of-its-key-interest-rate-quicktake>

1. What's going on?
2. What is the fed funds rate?
3. How does that work?
4. What about now?
5. What's the IOER?
6. Why is the fed-funds rate rising toward the top of the band?
7. Why does this matter?
8. What is the Fed doing about it?
9. Will it work?

President [Donald Trump](#) and North Korea's [Kim Jong Un](#), who [arrived separately to the Southeast Asian city-state](#) on Sunday, are due to meet face-to-face Tuesday morning at the Capella Hotel, a luxury hotel [located on the resort island of Sentosa](#).

Washington is hoping the bilateral discussions will be the first of many with Kim's government, eventually [culminating with the country surrendering its nuclear capabilities](#). That weapons program has become a threat to neighbors such as Seoul and Tokyo — and potentially even for the U.S. mainland.

For decades, Pyongyang has sought to depict the world's largest economy as an imperialist aggressor for its role in the Korean War while simultaneously blaming Washington for the dire economic situation that's been exacerbated by international sanctions.

The isolated country has long said it's justified in seeking nukes in light of the "extreme and direct nuclear threat" from the U.S., which it accuses of pushing for regime change.

<https://www.cnn.com/2018/06/11/trump-and-north-korea-leader-kim-in-singapore-what-you-should-know.html>

Tuesday's meeting is considered a diplomatic breakthrough given that history, but many experts have said [the summit is a mistake on Washington's part](#) since it legitimizes Kim's regime and places him as an equal to Trump. But, going forward, geopolitical analysts said a realistic goal is for both parties to agree to initial confidence-building measures that will narrow the massive trust deficit that currently exists between them.

Here's a breakdown of the major points behind the historic event.

Concrete results aren't expected

Nuclear policy and security experts simply don't believe Pyongyang will relinquish technology [that's become central to the North Korean identity](#).

In the past, Pyongyang has said it may denuclearize [only if certain conditions are fulfilled](#). Those include [terminating America's military presence in South Korea](#) as well as ending the U.S.

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regional nuclear umbrella, a security arrangement in which Washington promises in-kind retaliation on behalf of close allies if they are attacked with nuclear weapons.

The U.S. will keep economic sanctions in place until North Korea eliminates its nuclear weapons capability, Secretary of State Mike Pompeo said, delivering a stern message to Pyongyang ahead of Tuesday's historic summit between President Donald Trump and Kim Jong Un.

<https://www.bloomberg.com/news/articles/2018-06-11/pompeo-says-sanctions-to-remain-until-north-korea-denuclearizes>

A complete, verifiable and irreversible denuclearization “is the only outcome that the United States will accept,” Pompeo told reporters on Monday evening in Singapore. “If diplomacy doesn’t move in the right direction, sanctions will increase.”

Pompeo spoke as top officials from the two countries continued negotiations in Singapore ahead of the meeting between Trump and Kim. He said that those talks “in fact are moving quite rapidly and will come to a logical conclusion more quickly than anticipated.”

“The Canadian dollar is facing selling pressures as the G-7 summit reinforced the confrontation between Canada and the U.S., particularly concerns about U.S. targeting automobile sector which is a huge blow for Canada,” said Ko Haruki, head of the financial solutions group at CIBC World Markets (Japan) in Tokyo. “CAD is also weighed by fundamentals after a weak employment report last week.”

<https://www.bloomberg.com/news/articles/2018-06-10/canadian-dollar-hardest-hit-as-investors-respond-to-g-7-fallout>

The Canadian dollar fell against all its major peers after U.S. President Donald Trump revoked his support for a joint Group-of-Seven statement and criticized his neighboring leader Justin Trudeau.

The U.S. dollar was steady as investors awaited a series of major risk events this week, including a [summit](#) between Trump and North Korean leader Kim Jong Un in Singapore on Tuesday and meetings of the world’s three-biggest central banks on following days. The Japanese yen halted a two-day winning streak.

U.K. manufacturing output fell the most in 5 1/2 years in April and construction posted a smaller-than- expected gain, casting fresh doubt over the health of the economy. The pound weakened.

<https://www.bloomberg.com/news/articles/2018-06-11/u-k-manufacturing-construction-data-cast-doubt-over-economy>

Factory production shrank 1.4 percent, the most since 2012, the Office for National Statistics said on Monday. Economists had expected an increase. Building output rose 0.5 percent, well short of the strong rebound expected after a snow-blighted March.

There was also disappointing news on trade, as the deficit unexpectedly widened to a 19-month high amid a sharp drop in exports to countries outside the European Union.

Nine out of 13 manufacturing sectors saw output fall in April, led by metals and transport equipment. Production fell 0.5 percent between February and April, the first decline in almost a year, after factories trimmed output for a third consecutive month.

The figures may cause the Bank of England to question its assumption that the pronounced economic slowdown in the first quarter will prove temporary. The central bank has said more interest-rate increases will be needed to bring inflation back to its 2 percent target.

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“I’m certainly in favor of that,” Merkel said in a German television interview. “I’d even wish for that to happen -- that two presidents meet for an extended period of time.”

<https://www.bloomberg.com/news/articles/2018-06-10/merkel-says-trump-reneging-on-g-7-statement-is-depressing>

German Chancellor Angela Merkel said she favors a U.S.-Russian summit, seeking to point global diplomacy forward after a tumultuous meeting of Group of Seven leaders.

Russian President Vladimir Putin wasn’t invited to the G-7 summit in Canada, although U.S.

President Donald Trump suggested he be readmitted. In an echo of Cold War meetings on neutral ground, Austria is encouraging the U.S. to hold a summit with Putin in Vienna, a White House official said last week.

German Transport Minister Andreas Scheuer will try to establish during a meeting on Monday with Daimler Chief Executive Dieter Zetsche how many Mercedes diesel models were possibly fitted with devices to cheat emissions tests, a spokesman said.

<https://www.reuters.com/article/us-germany-emissions-daimler-statement/germany-to-determine-number-of-daimler-cars-fitted-with-defeat-devices-ministry-idUSKBN1J719Z?il=0>

The transport ministry spokesman added that the ministry would issue a statement after the meeting.

Germany sees no immediate solution to the trade dispute with the United States, and Europe must act decisively in the wake of Donald Trump’s decision to impose tariffs on metals, Germany’s economy minister said on Monday.

<https://www.reuters.com/article/us-usa-trade-germany/no-solution-in-sight-to-trade-dispute-with-trump-german-minister-says-idUSKBN1J70ID>

Trump, who has shocked allies by hitting them with tariffs on steel and aluminum, also said he might double down by hitting the auto industry, a particularly sensitive issue for Germany whose car industry relies heavily on the U.S. market.

“It is important that the Europeans act decisively,” German Economy Minister Peter Altmaier told Deutschlandfunk public radio. “At the moment it seems that no solution is in sight, at least not in the short term.”

Mexican Economy Minister Ildefonso Guajardo said on Monday the only way countries re-negotiating the North American Free Trade Agreement (NAFTA) will find a solution is through “sufficient flexibility” to narrow differences.

<https://www.reuters.com/article/us-usa-trade-mexico/mexico-minister-calls-for-flexibility-in-reworking-nafta-idUSKBN1J70FD>

Guajardo said U.S., Mexican and Canadian negotiators will be “engaging strongly” in July to reach an agreement that is “feasible, workable and benefits the three nations involved.

“The only way we will find that solution is if countries involved have sufficient flexibility to be able to find that narrow strip where we have to land,” he said.

“An agreement that does not give us certainty, does not give us rules that have to be obeyed and mechanisms to settle disputes will not be of help for the business community.”

He said there was a “high chance” there will be an agreement on renegotiating NAFTA, but the timing depends on how flexible each country can be.

The United States, Canada and Mexico have been in months of negotiations to rework NAFTA, which President Donald Trump says harms his country.

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EQUITIES

The S&P is **-1** and the NASDAQ is **-2**.

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 +0.95%.

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

BOE Rate +0.50%. (No change).

Next meeting 06/21/18

On the European Continent

The CAC Index closed +0.27%.

The DAX Index closed +0.52%.

On the Continent, the swap curve is slightly flatter with yields mixed.

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

Deposit Facility Rate -.40%

Next meeting 06/14/18

ASIA

Japan:

The TOPIX closed +0.30%.

The NIKKEI closed +0.48%.

In Japan, the swap curve is slightly flatter with yields mixed.

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

Next meeting 06/15/18

China:

The Hang Seng closed +0.34%.

The Shanghai Composite closed -0.47%.

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: 119-08.5 is the pivot point. Above you should be long, below short.

Support is at **117-23.5***

Resistance is at **119-08.5^** 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>

United States		98 Export		99 Settings		Interest Rate Swap Rates								
						Date Range: 05/11/2018 - 06/11/2018		1 Month						
40 Semi Swa		41 Sprs to Gt		42 Ann Swa		43 Ann Spr		44 OIS Swa		45 CHE/LCH S		46 Combine		
USD SemiAnnual 30/360 Swap Rates														
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	PCS	CMPN
1) 1 YR	2.591 / 2.594		2.593	0.013		0.4	2.434	2.597	2.552	4.2	1.2			
2) 2 YR	2.796 / 2.797		2.796	0.017		0.3	2.544	2.832	2.754	4.3	0.7			
3) 3 YR	2.882 / 2.884		2.883	0.020		0.3	2.606	2.952	2.848	3.7	0.5			
4) 4 YR	2.923 / 2.925		2.924	0.020		0.3	2.647	3.015	2.896	2.9	0.4			
5) 5 YR	2.945 / 2.946		2.945	0.018		0.2	2.674	3.055	2.924	2.2	0.3			
6) 6 YR	2.961 / 2.965		2.963	0.018		0.2	2.695	3.081	2.946	1.8	0.2			
7) 7 YR	2.976 / 2.979		2.978	0.018		0.2	2.717	3.114	2.964	1.5	0.2			
8) 8 YR	2.991 / 2.994		2.993	0.017		0.2	2.744	3.122	2.981	1.3	0.2			
9) 9 YR	3.007 / 3.010		3.009	0.017		0.2	2.767	3.140	2.999	1.1	0.1			
10) 10 YR	3.024 / 3.026		3.025	0.017		0.2	2.788	3.182	3.016	1.0	0.1			
11) 15 YR	3.067 / 3.070		3.068	0.016		0.2	2.850	3.205	3.062	0.8	0.1			
12) 20 YR	3.074 / 3.077		3.076	0.018		0.2	2.870	3.214	3.071	0.7	0.1			
13) 25 YR	3.060 / 3.063		3.062	0.018		0.2	2.835	3.201	3.057	0.6	0.1			
14) 30 YR	3.039 / 3.042		3.040	0.018		0.3	2.844	3.178	3.036	0.6	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 502240 CDT GMT-5:00 6404-73-2 11-Jun-2018 05:43:23

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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

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	8 June 2018	1,062	+2	1 June 2018	+135	9 June 2017
Canada	8 June 2018	112	+13	1 June 2018	-20	9 June 2017
International	May 2018	967	-11	April 2018	+10	May 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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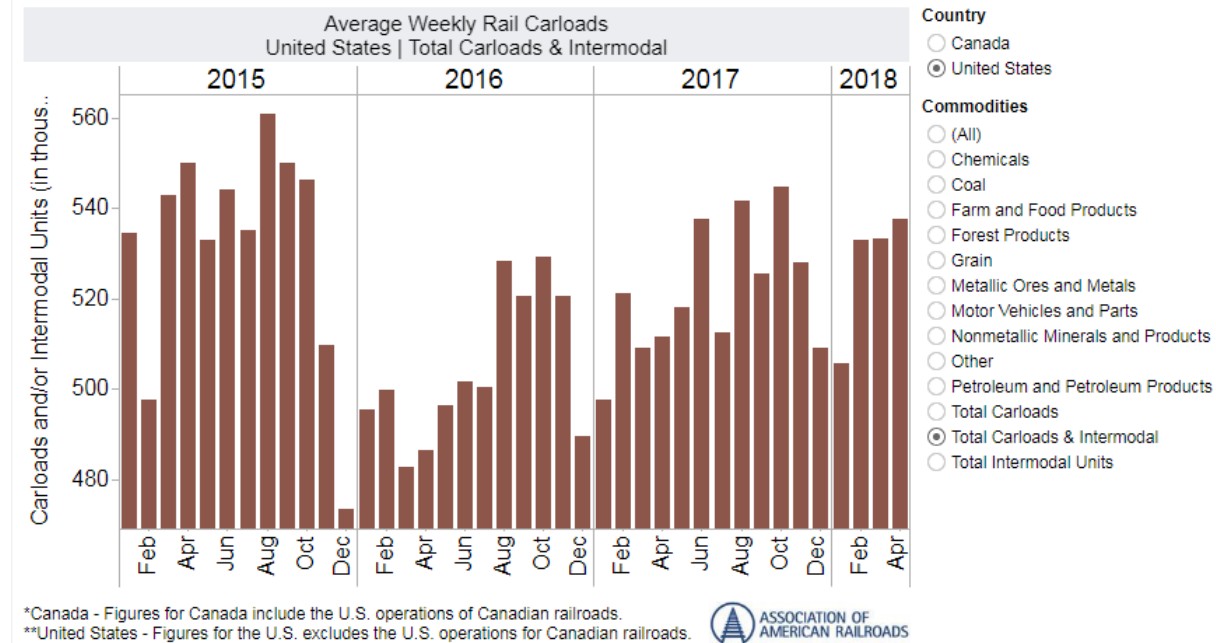
Canadian railroads reported cumulative rail traffic volume of 3,227,394 carloads, containers and trailers, up 3.4 percent.

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

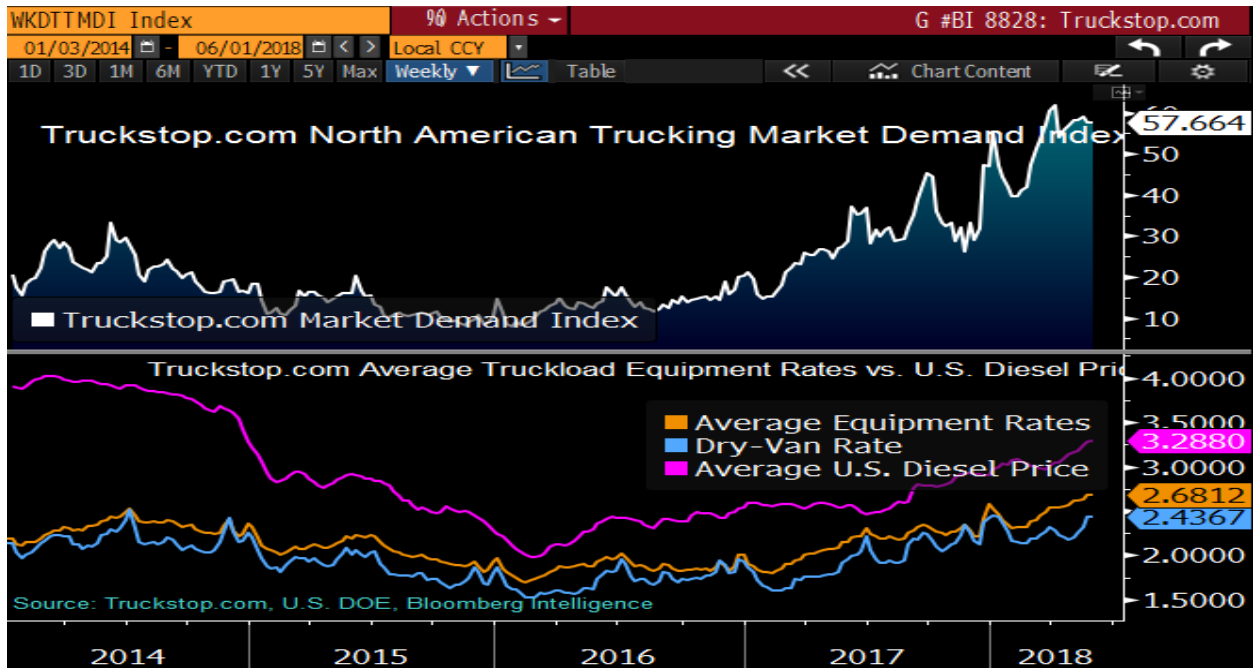
Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%).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

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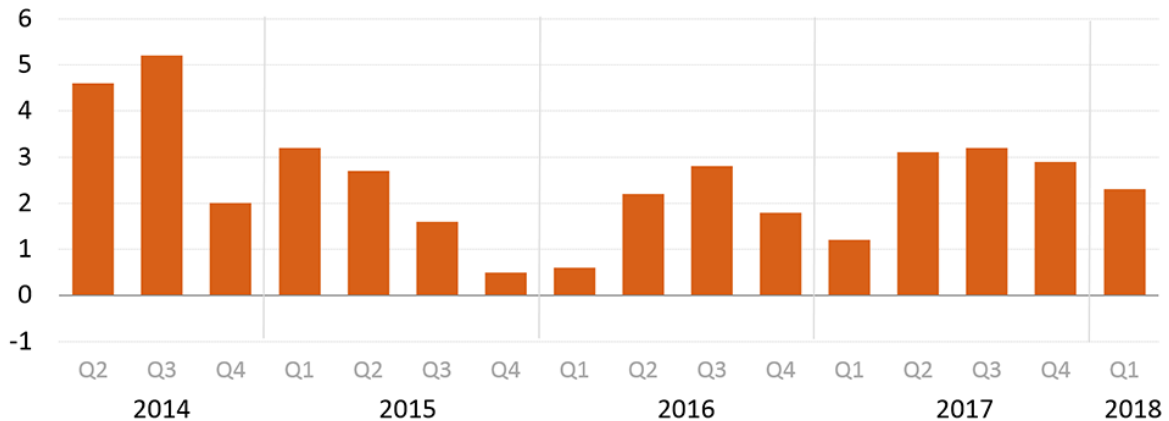
GDP

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 *4.08% as of 6/8/18 v. *4.10% as of 6/6/18

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

Atlanta Fed GDPNow...Q2 2018: 4.6 % —June 8, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **4.6 percent** on June 8, up from 4.5 percent on June 6. After this morning's wholesale trade release from the U.S. Census Bureau, the nowcast of the contribution of inventory investment to second-quarter real GDP growth increased from 0.99 percentage

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points to 1.06 percentage points.

*The next GDPNow update is **Thursday, June 14**. 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: 3.1%...June 8, 2018

The New York Fed Staff Nowcast stands at 3.1% for 2018:Q2 and 2.9% for 2018:Q3.

News from this week's data releases decreased the nowcast for 2018:Q2 by 0.2 percentage point and decreased the nowcast for 2018:Q3 by 0.1 percentage point.

Negative surprises from lower than expected exports and imports data accounted for the decrease.

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

St. Louis Fed Real GDP Nowcast... Q2 2018: 4.55%...June 8, 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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