



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

**ECO <go>**  
 (All times are CST)

No Scheduled Event For Today

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

United States Browse 14:21:21 06/12/18 - 06/18/18

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	2.7%	--	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	251.557	--	250.546	--
27)	06/12	07:30				CPI Core Index SA	May	256.884	--	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	-\$139.5b	--	\$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	2.8%	--	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 6404-73-2 11-Jun-2018 14:21:21

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**Fed Speak Calendar**  
(All times are CST)

1 Calendars		2 Alerts		3 Export		4 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					

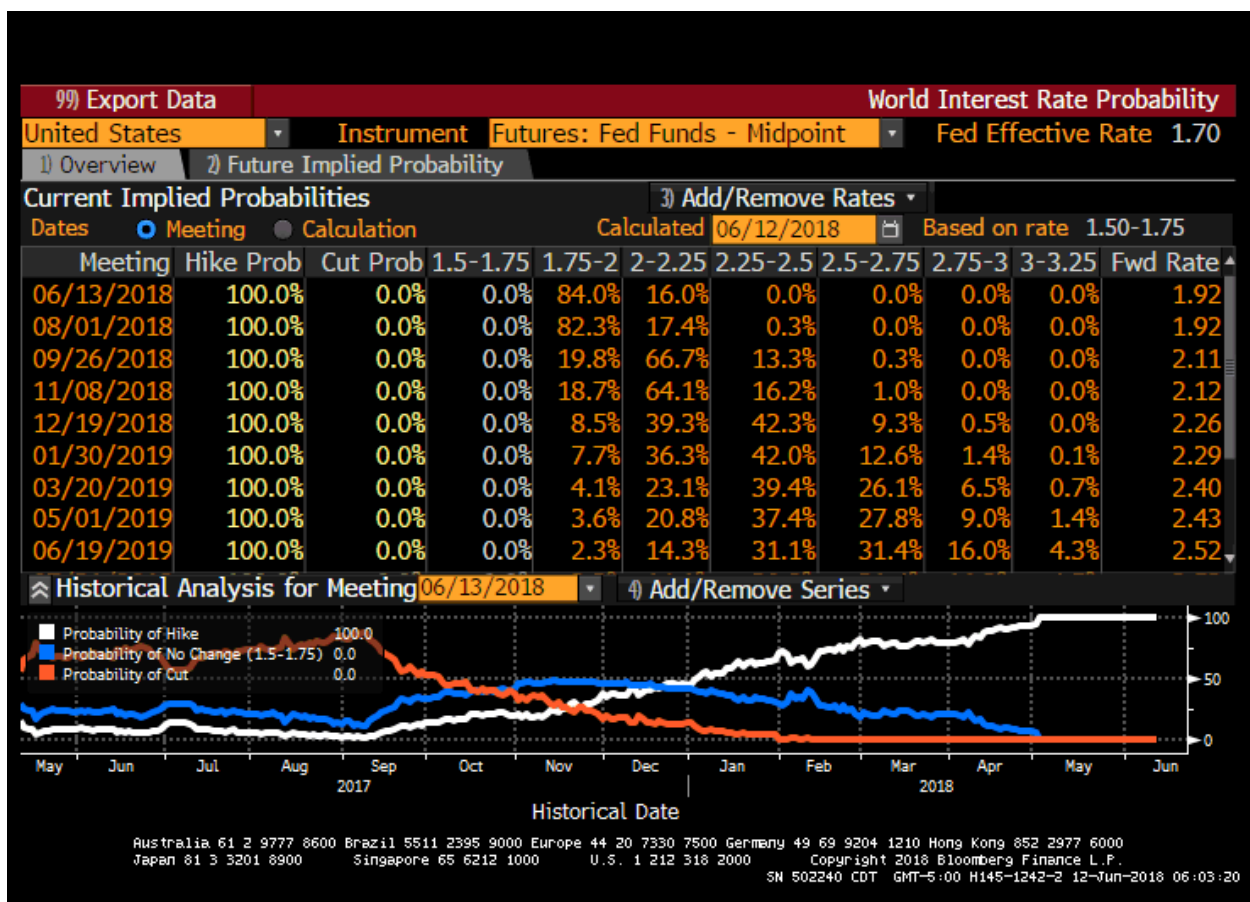
**NI TRE <go>**

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
<b>Bill Auctions</b>	Announcement	Auction	Settles	Numbers	R	Bil	Auction \$ Bln
<b>Cash mgmt</b>	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50
4-week	06/18/2018	06/12/2018	06/14/2018	912796PQ6	\$35	06/05/2018	\$35
3-month	06/14/2018	06/18/2018	06/21/2018	912796PZ6	TBA	06/11/2018	\$48
6-month	06/14/2018	06/18/2018	06/21/2018	912796QP7	TBA	06/11/2018	\$42
1-year	06/14/2018	06/19/2018	06/21/2018	912796QM4	TBA	05/22/2018	\$26
<b>Note Auctions</b>							
2-year	06/21/2018	06/26/2018	07/02/2018	TBA	TBA	05/22/2018	\$33
3-year	07/05/2018	07/10/2018	06/15/2018	TBA	TBA	05/08/2018	\$32
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	07/05/2018	07/11/2018	06/15/2018	TBA	R	05/09/2018	\$22
<b>Bond Auctions</b>							
30-year	07/05/2018	06/12/2018	06/15/2018	912810SC3	R	\$14 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 <sup>1</sup>				Central tendency <sup>2</sup>				Range <sup>3</sup>			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.7	2.4	2.0	1.8	2.6-3.0	2.2-2.6	1.8-2.1	1.8-2.0	2.5-3.0	2.0-2.8	1.5-2.3	1.7-2.2
December projection	2.5	2.1	2.0	1.8	2.2-2.6	1.9-2.3	1.7-2.0	1.8-1.9	2.2-2.8	1.7-2.4	1.1-2.2	1.7-2.2
Unemployment rate	3.8	3.6	3.6	4.5	3.6-3.8	3.4-3.7	3.5-3.8	4.3-4.7	3.6-4.0	3.3-4.2	3.3-4.4	4.2-4.8
December projection	3.9	3.9	4.0	4.6	3.7-4.0	3.6-4.0	3.6-4.2	4.4-4.7	3.6-4.0	3.5-4.2	3.5-4.5	4.3-5.0
PCE inflation	1.9	2.0	2.1	2.0	1.8-2.0	2.0-2.2	2.1-2.2	2.0	1.8-2.1	1.9-2.3	2.0-2.3	2.0
December projection	1.9	2.0	2.0	2.0	1.7-1.9	2.0	2.0-2.1	2.0	1.7-2.1	1.8-2.3	1.9-2.2	2.0
Core PCE inflation <sup>4</sup>	1.9	2.1	2.1		1.8-2.0	2.0-2.2	2.1-2.2		1.8-2.1	1.9-2.3	2.0-2.3	
December projection	1.9	2.0	2.0		1.7-1.9	2.0	2.0-2.1		1.7-2.0	1.8-2.3	1.9-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.1	2.9	3.4	2.9	2.1-2.4	2.8-3.4	3.1-3.6	2.8-3.0	1.6-2.6	1.6-3.9	1.6-4.9	2.3-3.5
December projection	2.1	2.7	3.1	2.8	1.9-2.4	2.4-3.1	2.6-3.1	2.8-3.0	1.1-2.6	1.4-3.6	1.4-4.1	2.3-3.0

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

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

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

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

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

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

## Libor Set

<b>1-Month Libor Set</b>	<b>2.05725</b>	<b>+.00987</b>	<b>(97.94275)</b>
<b>3-Month Libor Set</b>	<b>2.33563</b>	<b>+.00300</b>	<b>(97.66437)</b>
<b>6-Month Libor Set</b>	<b>2.49875</b>	<b>+.00562</b>	<b>(97.50125)</b>
<b>1-Year Libor Set</b>	<b>2.76469</b>	<b>+.00675</b>	<b>(97.23531)</b>

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## THEY SAID IT

**Here is the full text of what the two men signed:**

### **Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People's Republic of Korea at the Singapore Summit**

**President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the State Affairs Commission of the Democratic People's Republic of Korea (DPRK) held a first, historic summit in Singapore on June 12, 2018.**

President Trump and Chairman Kim Jong Un conducted a comprehensive, in-depth, and sincere exchange of opinions on the issues related to the establishment of new U.S.-DPRK relations and the building of a lasting and robust peace regime on the Korean Peninsula. President Trump committed to provide security guarantees to the DPRK, and Chairman Kim Jong Un reaffirmed his firm and unwavering commitment to complete denuclearization of the Korean Peninsula. Convinced that the establishment of new U.S.-DPRK relations will contribute to the peace and prosperity of the Korean Peninsula and of the world, and recognizing that mutual confidence building can promote the denuclearization of the Korean Peninsula, President Trump and Chairman Kim Jong Un state the following:

1. The United States and the DPRK commit to establish new U.S.-DPRK relations in accordance with the desire of the peoples of the two countries for peace and prosperity.
2. The United States and the DPRK will join their efforts to build a lasting and stable peace regime on the Korean Peninsula.
3. Reaffirming the April 27, 2018 Panmunjom Declaration, the DPRK commits to work toward complete denuclearization of the Korean Peninsula.
4. The United States and the DPRK commit to recovering POW/MIA remains, including the immediate repatriation of those already identified.

Having acknowledged that the U.S.-DPRK summit--the first in history--was an epochal event of great significance in overcoming decades of tensions and hostilities between the two countries and for the opening up of a new future, President Trump and Chairman Kim Jong Un commit to implement the stipulations in this joint statement fully and expeditiously. The United States and the DPRK commit to hold follow-up negotiations, led by the U.S. Secretary of State, Mike Pompeo, and a relevant high-level DPRK official, at the earliest possible date, to implement the outcomes of the U.S.-DPRK summit.

President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the State Affairs Commission of the Democratic People's Republic of Korea have committed to cooperate for the development of new U.S.-DPRK relations and for the promotion of peace, prosperity, and security of the Korean Peninsula and of the world.

<https://www.bloomberg.com/news/articles/2018-06-12/trump-and-kim-signed-something-in-singapore-here-s-what-it-says>

**“I don't believe” troop levels are on the agenda, Mattis told reporters at the Pentagon on Monday. Asked if he'd know if such discussions were planned, Mattis said, “Yeah, I sure would.”**

<https://www.bloomberg.com/news/articles/2018-06-11/mattis-suggests-u-s-troops-levels-aren-t-on-trump-kim-agenda>

A discussion about reducing the approximately 28,000 U.S. troops in South Korea “would be between two democracies” and “not something that other countries would have initial domain

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over,” Mattis said. “It starts between our two countries,” so any discussion “would be premature as we wait for the outcome of the negotiations” in Singapore, Mattis added.

Questions about troop levels arose after U.S. officials repeatedly said the Trump administration isn’t pursuing regime change in North Korea and is willing to offer undefined security guarantees to Kim’s regime. Secretary of State Mike Pompeo reiterated that promise during a briefing with reporters in Singapore on Monday.

**China suggested on Tuesday that sanctions relief could be considered for North Korea, after U.S. President Donald Trump and North Korean leader Kim Jong Un pledged to work toward complete denuclearization of the Korean peninsula.**

<https://www.cnn.com/2018/06/12/china-suggests-sanctions-relief-for-north-korea-after-trump-kim-summit.html>

China has signed up for increasingly tough U.N. sanctions against its isolated neighbor following Pyongyang's repeated nuclear and missile tests, but has always said sanctions should be accompanied by talks for a political resolution.

China is North Korea's most important economic and diplomatic backer, despite its anger at Pyongyang's sabre rattling.

Speaking in Beijing following Trump and Kim's [signing of a joint statement](#) at the end of their historic summit in [Singapore](#), Chinese Foreign Ministry spokesman Geng Shuang reiterated that China has always strictly abided by all U.N. resolutions on North Korea.

"The U.N. Security Council resolutions that have been passed say that if North Korea respects and acts in accordance with the resolutions, then sanction measures can be adjusted, including to pause or remove the relevant sanctions," Geng told a daily news briefing.

"China has consistently held that sanctions are not the goal in themselves. The Security Councils actions should support and conform to the efforts of current diplomatic talks towards denuclearising the Korean Peninsula, and promote a political solution for the peninsula."

Beijing has key strategic interests when it comes to North Korea, and has long feared that a collapse of its isolated neighbour could push waves of refugees into northeastern China, or that nuclear war on the Korean peninsula could contaminate swathes of the country.

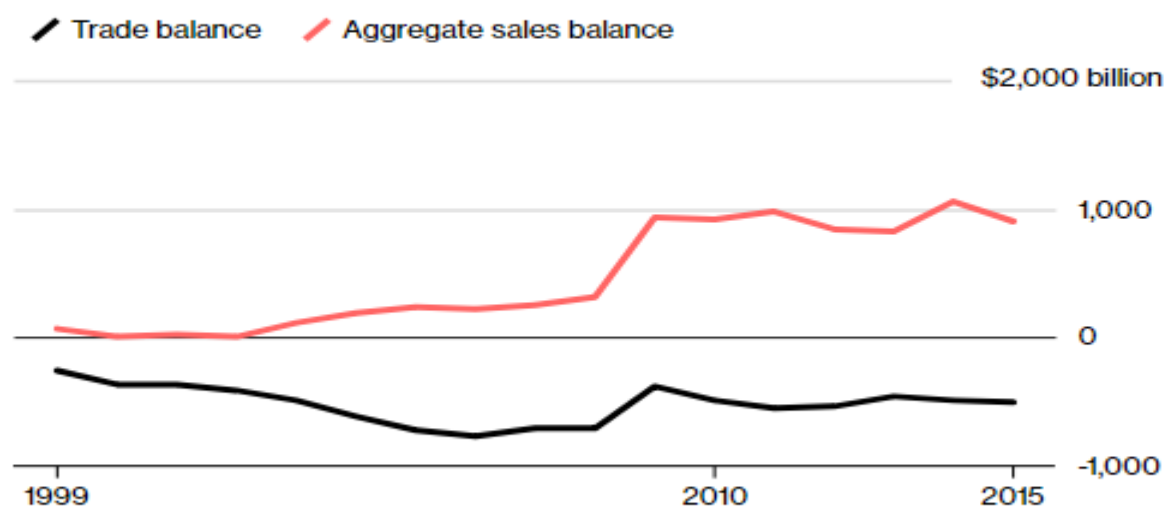
**The U.S. has a surplus of \$20 billion with China and \$1.4 trillion with the rest of the world. That’s not a normal trade balance, of course, where the U.S. registered an annual deficit of more than \$330 billion with China and about \$550 billion [with the world](#) last year, but an "aggregate sales surplus" which measures both direct trade and the sales of multinational companies, according to research by Deutsche Bank AG.**

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<https://www.bloomberg.com/news/articles/2018-06-12/the-1-4-trillion-u-s-surplus-that-trump-s-not-talking-about>

## The Surplus Trump Isn't Talking About

Aggregate sales balance includes trade plus in-country sales of subsidiaries



2016, 2017 data not available from BEA yet

Source: Deutsche Bank, based on Bureau of Economic Analysis data

**Just looking at the goods and services trade deficit is misleading and doesn't capture the true size of U.S. business interests, according to Deutsche Bank economists. While trade and corporate data aren't usually combined, if you add up all trade data, sales by U.S. companies in foreign countries and foreign firms in the U.S., "U.S. companies have sold more to the rest of the world than other countries have sold to the U.S. in the past ten years," writes chief China economist Zhang Zhiwei in the report.**

President Donald Trump's determination to rein in his nation's trade deficit has put him at odds with the developed world, a stance that undermined an acrimonious [G-7 summit](#) in Canada at the weekend. China and the U.S. are meanwhile locked in negotiations to stave off a trade war, with Trump threatening to slap tariffs on at least \$50 billion in Chinese imports after June 15.

For China, the image of a massive trade deficit with the U.S. "is at odds with the fact that Chinese consumers own more iPhones and buy more General Motors cars than U.S. consumers," wrote Zhang in the report. "These cars and phones are sold to China not through U.S. exports but through Chinese subsidiaries of multinational enterprises."

Instead of a growing trade deficit with China, Deutsche Bank estimates there was a small but growing surplus. The increase reflected rising demand of Chinese households for foreign goods and services, driven partly by the wealth effect of China's property boom. The sales surplus with China may exceed \$100 billion by 2020 if the world's two biggest economies avoid a trade war, Zhang estimates.

The U.S. also ran sales surpluses with nations including Mexico and Canada but had deficits with Japan and Germany last year, Zhang wrote.

Not all analysts are convinced Zhang's method is useful. Former U.S. Treasury official Brad Setser says Deutsche Bank is comparing apples and oranges.

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What the sales data does show is that the interests of U.S. firms aren't always the same as the interest of U.S. workers because American firms can profit from growth abroad without exporting from the U.S. and employing U.S. labor, he said.

"Gross sales tell us something about the global position of U.S.-owned firms, and China certainly will look to retaliate against U.S. firms on their operations in China if the trade war spirals out of control," he said.

However, any retaliation against firms in China may also have an effect at home. That is because the success of those firms overseas provides a boost to the U.S. economy and also partly explains why unemployment is lower in the U.S. than in its major trading partners, according to Zhang. Deutsche Bank used data from the U.S. Bureau of Economic Analysis to estimate overseas sales of U.S. companies through 2015. For more recent sales it turned to multinational companies in the Standard and Poor's 500 Index that provide sales reports broken down by country and used those to estimate overall sales by American companies in 2016 and 2017.

**If you supply parts for the iPhone, there are two ways to mitigate the risk of Apple Inc. dumping you: create a component that's difficult to replicate, or find some new customers.**

<https://www.bloomberg.com/view/articles/2018-06-12/dialog-synaptics-in-hell-of-supplying-apple>

Dialog Semiconductor Plc, which derives 77 percent of its revenue from the maker of the iPhone, appears to be taking the latter approach. It's been discussing a [combination](#) with Synaptics Inc., a maker of touch-screen technology and fingerprint sensors far less reliant on Apple for sales.

The deal is a significant effort to [untether](#) from Cupertino, but only underlines the weakness of Dialog's position. As Apple tries to bring more semiconductor design in-house, chipmakers that focus on silicon and get contract manufacturers (usually Taiwan Semiconductor Manufacturing Co.) to make the product for them are far more vulnerable than those with niche expertise.

**Speaking to reporters following a historic meeting with Kim, at which the regime's leader signed an agreement that appeared to commit to [the "complete denuclearization of the Korean Peninsula,"](#) Trump said he hoped relations could also improve, in time, with Iran.**

<https://www.cnn.com/2018/06/12/trump-said-he-wants-a-real-deal-with-iran-now.html>

"I hope that, at the appropriate time, after the sanctions kick in — and they are brutal what we've put on Iran — I hope that they're going to come back and negotiate a real deal because I'd love to be able to do that but right now it's too soon to do that," Trump said.

Relations between the U.S. and Iran started to sour as soon as Trump was elected to the presidency in November 2016, having called an accord to limit Iran's nuclear capabilities — brokered by his predecessor, Barack Obama, and other world powers — [a "terrible deal."](#) Trump followed through on a threat to withdraw the U.S. from the deal in May and said sanctions would be re-imposed on Iran.

[Penalties to be re-imposed by August 6](#) include sanctions on Iran buying or acquiring U.S. dollars, trading gold and other precious metals, sanctions on its sale, supply or trade of metals such as aluminum and steel, as well as sanctions on issuing Iranian debt and its auto sector.

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**"When I got out to the plane, I think that Justin probably didn't know that Air Force One has about 20 televisions. And I see the television and he's giving a news conference about how he will not be pushed around by the United States and I say push him around? We just shook hands. It was very friendly. ... No, I have a good relationship with Justin Trudeau. I really did, other than he had a news conference, that he had because he assumed I was in an airplane and I wasn't watching. He learned. That's going to cost a lot of money for the people of Canada. He learned. You can't do that. You can't do that."**

<https://www.cnbc.com/2018/06/12/trump-says-trudeaus-comments-are-going-to-cost-canada-a-lot-of-money.html>

The comments dashed hopes that Trump had moved on from what he believed to be was a "dishonest" action by Trudeau. The ire directed at the prime minister by Trump and his advisors had confused some trade observers since the comments seemed to be just a reiteration of what the prime minister had said previously and not a personal insult.

Trudeau said after the G-7 meeting that the aluminum and steel tariffs imposed by the U.S. on [Canada](#) on national security grounds were insulting and that "Canadians are polite, we're reasonable, but we also will not be pushed around."

**Voters from across the country will cast their primary election ballots Tuesday in five states that will help to determine control of both the House and Senate in November.**

<https://www.cnbc.com/2018/06/11/maine-nevada-north-dakota-south-carolina-and-virginia-hold-midterm-primary-elections.html>

Races in [Virginia](#), [Nevada](#), [Maine](#), [North Dakota](#) and [South Carolina](#) include challengers in several battleground House elections as well as two of the most hotly contested Senate races in the country.

The contests have stakes for whether the GOP can keep control of both chambers of Congress in November. Here are the races to watch this week:

**The Saudis reported the supply spike following reports that the Trump administration sought assurances that Riyadh would raise output to offset the impact of Washington restoring sanctions on [Iran](#), Saudi Arabia's chief regional rival and OPEC's third biggest producer.**

<https://www.cnbc.com/2018/06/12/saudi-arabias-oil-output-spikes-ahead-of-opec-meeting.html>

OPEC's top producer said it hiked output by 161,000 barrels a day in May. That brought the Saudis' monthly production to just over 10 million barrels a day, pushing it towards the ceiling it agreed to in November, 2017.

The oil cartel's overall output was relatively steady, rising by about 34,000 barrels a day to nearly 31.9 million barrels a day, according to independent sources cited in OPEC's monthly report. That total reflects a Saudi output figure slightly lower than the kingdom reported itself, and a monthly jump that was roughly half as large.

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## EQUITIES

The S&P is **-2** and the NASDAQ is **-6**.

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

I am dollar cost averaging into a mix of equities.

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

Earnings:

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

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

### UK/EUROPE

**In the UK the FTSE closed -0.26%.**

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 -0.18%.**

**The DAX Index closed +0.06%.**

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

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

**Deposit Facility Rate -0.40%**

**Next meeting 06/14/18**

### ASIA

#### Japan:

**The TOPIX closed +0.33%.**

**The NIKKEI closed +0.33%.**

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 +0.13%.**

**The Shanghai Composite closed +0.89%.**

#### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

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**7-Day Repo Rate: 2.7603%**  
**Reserve Requirement Ratio: 17.00%**

**THE TREND**

EDU8: 97-54.0 is the pivot. Below the pivot, you should be short, above long.  
 Support is at 97-48.0\*\*.

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: 119-09.0** is the pivot point. Above you should be long, below short.

Support is at **117-24.5\***

Resistance is at **119-09.0^** and **120-26.0** \*\*^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:		05/12/2018		-		06/12/2018		1 Month					
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CME/LCH Sprs			
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN
1) 1 YR	2.603 / 2.605		2.604	0.011		0.3	2.434	2.605	2.555	5.0	1.4		
2) 2 YR	2.809 / 2.810		2.809	0.013		0.2	2.544	2.832	2.757	5.4	0.9		
3) 3 YR	2.894 / 2.897		2.896	0.015		0.2	2.606	2.952	2.850	4.7	0.7		
4) 4 YR	2.934 / 2.936		2.935	0.016		0.2	2.647	3.015	2.897	3.9	0.5		
5) 5 YR	2.956 / 2.957		2.956	0.016		0.2	2.674	3.055	2.925	3.3	0.4		
6) 6 YR	2.970 / 2.973		2.971	0.014		0.2	2.695	3.081	2.947	2.5	0.3		
7) 7 YR	2.986 / 2.986		2.986	0.015		0.2	2.717	3.114	2.965	2.2	0.3		
8) 8 YR	2.999 / 3.000		2.999	0.014		0.2	2.744	3.122	2.982	1.9	0.2		
9) 9 YR	3.014 / 3.016		3.015	0.014		0.2	2.767	3.140	3.000	1.6	0.2		
10) 10 YR	3.029 / 3.031		3.030	0.014		0.2	2.788	3.182	3.016	1.5	0.2		
11) 15 YR	3.072 / 3.073		3.073	0.013		0.2	2.850	3.205	3.063	1.0	0.1		
12) 20 YR	3.077 / 3.078		3.077	0.011		0.2	2.870	3.214	3.072	0.6	0.1		
13) 25 YR	3.063 / 3.066		3.064	0.013		0.2	2.835	3.201	3.058	0.8	0.1		
14) 30 YR	3.041 / 3.043		3.042	0.011		0.2	2.844	3.178	3.037	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 502340 CDT GMT-5:00 H145-1242-2 12-Jun-2018 06:04:14

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## The Option Lab

### Trade Log:

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

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

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

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

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

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

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

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

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

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

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

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## The Fundamentals

### LABOR

#### Bureau of Labor and Statistics

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

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

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



#### 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.<sup>1</sup> 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.<sup>2</sup>

U.S. electricity generation by source, amount, and share of total in 2017 <sup>1</sup>		
Energy source	Billion kWh	Share of total
<b>Total - all sources</b>	4,015	
<b>Fossil fuels (total)</b>	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%
<b>Nuclear</b>	805	20.0%
<b>Renewables (total)</b>	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 <sup>3</sup>	-6	-0.2%
<b>Other sources</b>	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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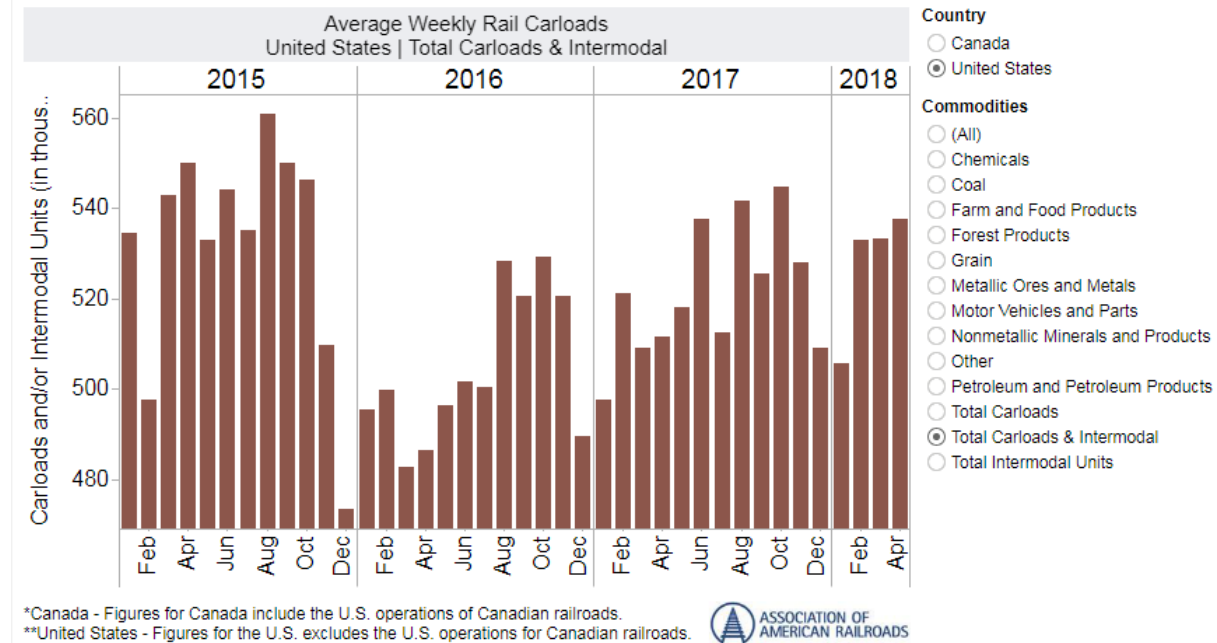
Canadian railroads reported cumulative rail traffic volume of 3,227,394 carloads, containers and trailers, up 3.4 percent.

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

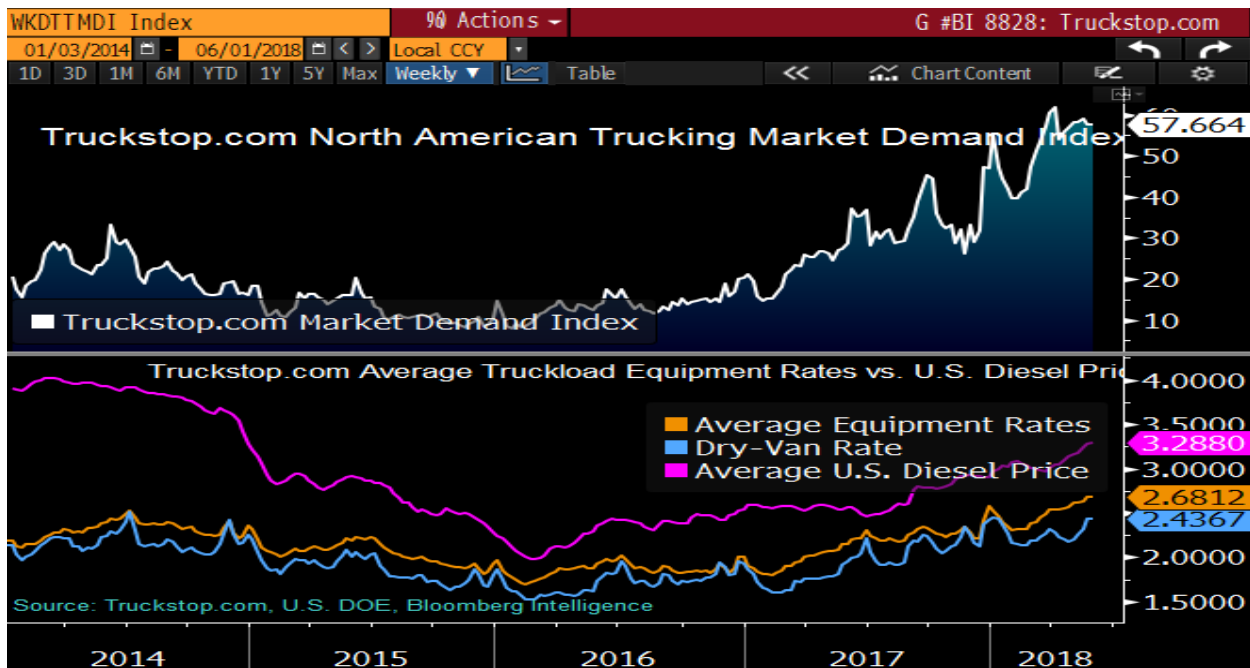
Relative North American spot-trucking demand fell 2.3% sequentially to 57.8 in the week ended May 25, based on Truckstop.com's Market Demand Index. Capacity loosened for just the second time in the past 15 weeks, as the decline in available loads (2.9%) exceeded the decrease in truck availability (0.6%).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

Lee A Klaskow at [lklaskow1@bloomberg.net](mailto:lklaskow1@bloomberg.net)

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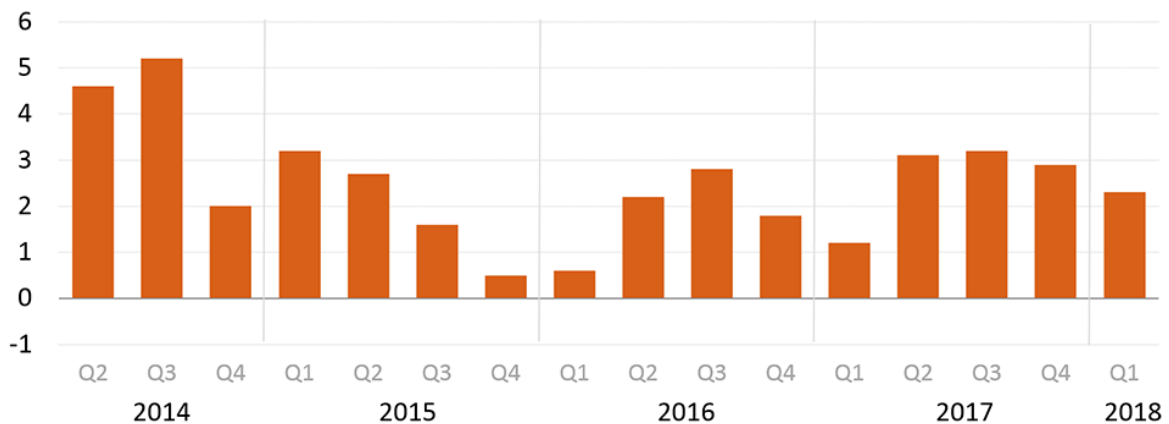
## GDP

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

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

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

### Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

**GDP-2Q is running at \*4.08% 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
<b>OVERALL ECONOMY</b>				Growing	Faster	109
<b>Manufacturing Sector</b>				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](http://www.usafacts.org)

**US Foreign Assistance**

<http://foreignassistance.gov/>

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

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

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