



Fixed Income Group A Division of RJ O'Brien

The Missile

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(All times are CST)

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

United States Browse 05:56:01 06/27/18 - 07/04/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/27	06:00	🔔	📈	📈	MBA Mortgage Applications	Jun 22	--	--	5.1%	--
22)	06/27	07:30	🔔	📉	📉	Advance Goods Trade Balance	May	-\$69.0b	--	-\$68.2b	-\$67.3b
23)	06/27	07:30	🔔	📈	📈	Wholesale Inventories MoM	May P	0.2%	--	0.1%	--
24)	06/27	07:30	🔔	📉	📉	Retail Inventories MoM	May	--	--	0.6%	0.5%
25)	06/27	07:30	🔔	📈	📈	Durable Goods Orders	May P	-1.0%	--	-1.6%	--
26)	06/27	07:30	🔔	📈	📈	Durables Ex Transportation	May P	0.5%	--	0.9%	--
27)	06/27	07:30	🔔	📈	📈	Cap Goods Orders Nondef Ex Air	May P	0.5%	--	1.0%	--
28)	06/27	07:30	🔔	📈	📈	Cap Goods Ship Nondef Ex Air	May P	0.3%	--	0.9%	--
29)	06/27	09:00	🔔	📈	📈	Pending Home Sales MoM	May	0.5%	--	-1.3%	--
30)	06/27	09:00	🔔	📉	📉	Pending Home Sales NSA YoY	May	--	--	0.4%	--
31)	06/28	07:30	🔔	📈	📈	Initial Jobless Claims	Jun 23	220k	--	218k	--
32)	06/28	07:30	🔔	📈	📈	Continuing Claims	Jun 16	1718k	--	1723k	--
33)	06/28	07:30	🔔	📈	📈	GDP Annualized QoQ	1Q T	2.2%	--	2.2%	--
34)	06/28	07:30	🔔	📈	📈	Personal Consumption	1Q T	1.0%	--	1.0%	--
35)	06/28	07:30	🔔	📈	📈	GDP Price Index	1Q T	1.9%	--	1.9%	--
36)	06/28	07:30	🔔	📈	📈	Core PCE QoQ	1Q T	--	--	2.3%	--
37)	06/28	08:45	🔔	📈	📈	Bloomberg Consumer Comfort	Jun 24	--	--	56.5	--
38)	06/28	10:00	🔔	📉	📉	Kansas City Fed Manf. Activity	Jun	26	--	29	--
39)	06/29	07:30	🔔	📈	📈	Personal Income	May	0.4%	--	0.3%	--

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 G946-3126-2 27-Jun-2018 05:56:01

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Fed Speak Calendar
(All times are CST)

Economic Calendars										
Calendars ▾		Alerts		Export ▾		Settings ▾				
United States			Browse		10:59:40		06/27/18 - 07/31/18			
Central Banks			All Central Banks			View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly <input type="radio"/>				
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	06/27 10:00				Quarles Speaks at Bank Regulation Conference in Idaho					
22)	06/27 11:15				Fed's Rosengren Speaks on Ethics and Economics					
23)	06/28 09:45				Fed's Bullard Speaks on U.S. Economy and Monetary Policy					
24)	06/28 11:00				Fed's Bostic to Meet With Fed Up Coalition in Atlanta					
25)	06/28				Fed Releases Part 2 of Annual Bank Stress Tests					
26)	07/05 13:00				FOMC Meeting Minutes	Jun 13	--	--	--	--
27)	07/13 11:30				Fed's Bostic Holds Town Hall Chat in Northern Virginia					
28)	07/18 13:00				U.S. Federal Reserve Releases Beige Book					

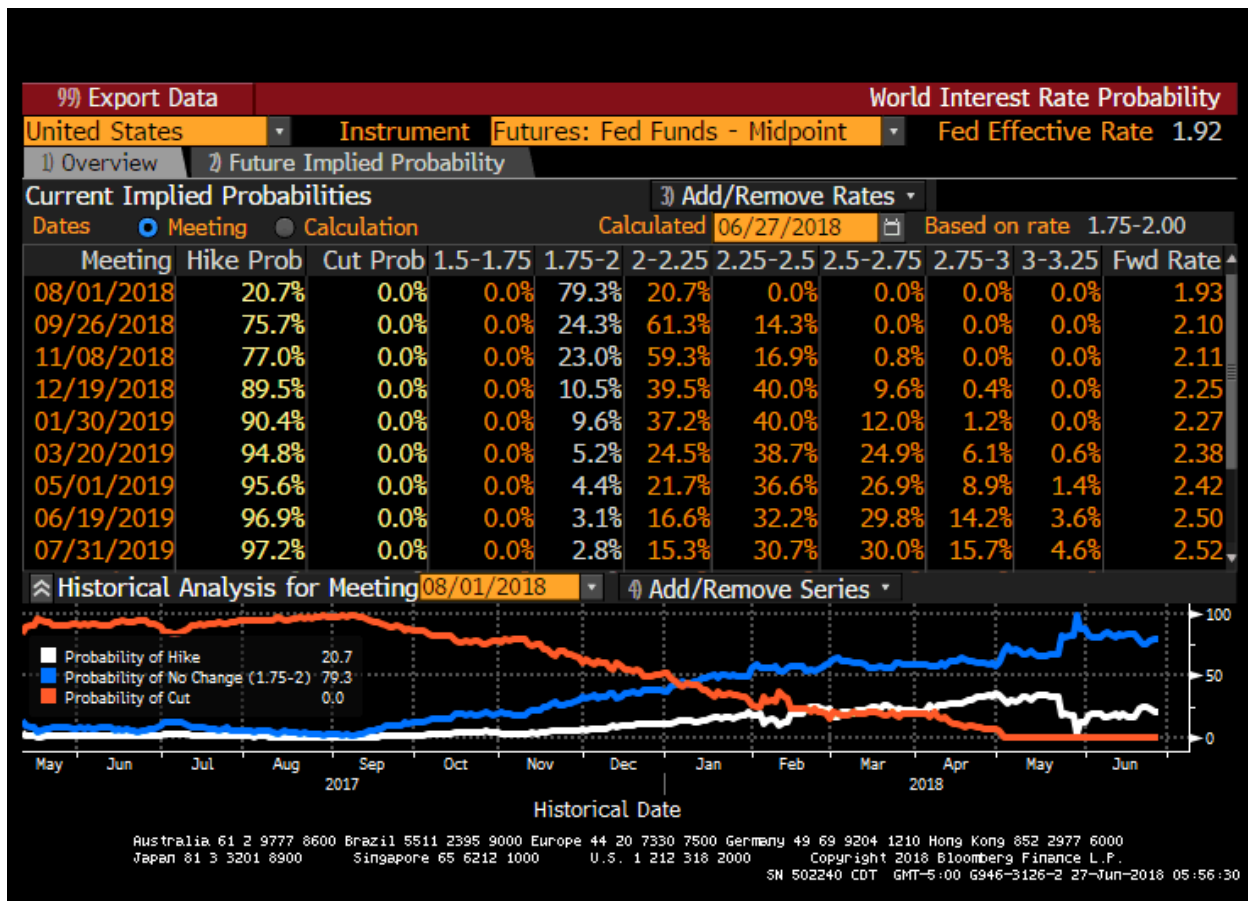
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	06/28/2018	06/26/2018	06/28/2018	912796PS2		\$35	06/19/2018	\$35
3-month	06/28/2018	07/02/2018	07/05/2018	912796QB8		TBA	06/25/2018	\$48
6-month	06/28/2018	07/02/2018	07/05/2018	912796PK9		TBA	06/25/2018	\$42
1-year	07/12/2018	07/17/2018	07/19/2018	TBA		TBA	06/19/2018	\$26
Note Auctions								
2-year	07/19/2018	06/26/2018	07/02/2018	912828XY1		\$34	05/22/2018	\$33
3-year	07/05/2018	07/10/2018	06/15/2018	TBA		TBA	06/11/2018	\$32
5-year	07/19/2018	06/27/2018	07/02/2018	9128284U1		\$36	05/23/2018	\$36
7-year	07/19/2018	06/28/2018	07/02/2018	912828XZ8		\$30	05/24/2018	\$30
10-year	07/05/2018	07/11/2018	06/15/2018	TBA	R	TBA	06/11/2018	\$22
Bond Auctions								
30-year	07/05/2018	07/12/2018	06/15/2018	TBA	R	TBA	05/10/2018	\$14

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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	10/11/2018	10/18/2018	10/31/2018	TBA	R	TBA	06/21/2018	\$5
Floating Rate Note								
2-year FRN	07/19/2018	06/27/2018	06/29/2018	9128284K3	R	\$16	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, June 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	2.8	2.4	2.0	1.8	2.7-3.0	2.2-2.6	1.8-2.0	1.8-2.0	2.5-3.0	2.1-2.7	1.5-2.2	1.7-2.1
March projection	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
Unemployment rate	3.6	3.5	3.5	4.5	3.6-3.7	3.4-3.5	3.4-3.7	4.3-4.6	3.5-3.8	3.3-3.8	3.3-4.0	4.1-4.7
March projection	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
PCE inflation	2.1	2.1	2.1	2.0	2.0-2.1	2.0-2.2	2.1-2.2	2.0	2.0-2.2	1.9-2.3	2.0-2.3	2.0
March projection	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
Core PCE inflation ⁴	2.0	2.1	2.1		1.9-2.0	2.0-2.2	2.1-2.2		1.9-2.1	2.0-2.3	2.0-2.3	
March projection	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	
Memo: Projected appropriate policy path												
Federal funds rate	2.4	3.1	3.4	2.9	2.1-2.4	2.9-3.4	3.1-3.6	2.8-3.0	1.9-2.6	1.9-3.6	1.9-4.1	2.3-3.5
March projection	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

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 March projections were made in conjunction with the meeting of the Federal Open Market Committee on March 20-21, 2018. 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 March 20-21, 2018, meeting, and one participant did not submit such projections in conjunction with the June 12-13, 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/fomcprojtabl20180613.pdf>

Libor Set

1-Month Libor Set	2.09350	-.00838	(97.90650)
3-Month Libor Set	2.33438	-.00125	(97.66562)
6-Month Libor Set	2.50063	-.00187	(97.49937)
1-Year Libor Set	2.76281	-.00813	(97.23719)

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THEY SAID IT

The White House will push Congress to strengthen an inter-agency panel that it will employ as its main tool to curb Chinese investments in sensitive U.S. technologies, Bloomberg News reports, citing senior Trump administration officials.

<https://www.bloomberg.com/news/articles/2018-06-27/trump-decides-against-harshest-measures-on-china-investment>

The strategy is a less confrontational approach toward China than many had expected. The administration had considered employing a little-used national emergency law called the International Emergency Economic Powers Act of 1977 to curb prospective investments, people familiar with the plan said earlier this month.

“What we have now is one particular country, the U.S., that is saying that the system is being unresponsive, but the EU and China are still firmly backing the system,” said Harbinson, who represented Hong Kong, and subsequently the Hong Kong Special Administrative Region of China, in the WTO from 1994 to 2002.

<https://www.cnbc.com/2018/06/27/us-china-trade-spat-isnt-endangering-global-system-former-wto-rep.html>

Harbinson, who now advises clients on trade issues at global communications firm Hume Brophy, likened the global trade body to a plumbing system that was “antiquated” and could either be ripped apart or improved on.

“I think most of the countries that are involved in the WTO see it the second way: Let’s keep the basics, but we need to move forward and improve on that system substantially,” Harbinson said. At the same time, a U.S. withdrawal from multilateral agreements such as the Trans-Pacific Partnership and a shift in White House preference toward bilateral agreements are threatening the viability of large free trade agreements and, consequently, its championing bodies. Still, Harbinson said there's value in the WTO in its ability to “set a lowest common denominator, which is valuable — there’s a back stop.”

“The WTO is sweeping up behind and gradually raising the bar at a multilateral level,” Harbinson told CNBC’s “Squawk Box.” “There’s a lot of activity in the free trade agreement area and I don’t expect that to die down. On the contrary, I think it will ramp up.”

Calling the WTO “basic plumbing” that's part of a global trading system, Harbinson said, “In many cases there are very complex global supply chains and maybe the WTO rules haven’t quite caught up with the latest commercial practices in this area so there is a case I think, that can be made that we need to keep the basic plumbing, but we need to try and improve on it for the future.”

The Canadian government is preparing new measures to prevent a potential flood of steel imports from global producers seeking to avoid U.S. tariffs, according to people familiar with the plans. The Canadian dollar weakened and shares in [Stelco Holdings Inc.](#) soared.

<https://www.bloomberg.com/news/articles/2018-06-26/canada-said-to-prepare-steel-quotas-tariffs-on-china-others>

The measures are said to be a combination of quotas and tariffs aimed at certain countries including China, said the people, asking not to be identified because the matter isn’t public. The moves follow similar “safeguard” measures [being considered](#) by the European Union aimed at warding off steel that might otherwise have been sent to the U.S. It comes alongside Canadian counter-tariffs on U.S. steel, aluminum and other products set to kick in on July 1.

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The steps intensify the fallout from U.S. President [Donald Trump](#)'s trade fight, in particular U.S. tariffs of 25 percent on steel and 10 percent on aluminum that hit Canada, the EU and other nations. The moves have prompted retaliation from the U.S.'s biggest trading partners, and forced companies like Harley-Davidson Inc. to [shift production](#).

Violence hit a record peak in Mexico last year with over 30,000 murders — and it is not slowing down. More than 100 politicians alone have been killed in the lead-up to the country's election this Sunday.

<https://www.cnn.com/2018/06/26/more-than-100-politicians-murdered-in-mexico-ahead-of-election.html>

Public officials and activists in Mexico face deadly threats even in broad daylight. Fernando Puron, a congressional candidate in the border city of Piedras Negras, was taking a selfie with a supporter when a gunman shot him in the head from behind. He was the 112th political hopeful to be killed since September.

The deaths reveal the depth of a crisis Mexico has failed to control: organized crime and criminal infiltration of local governments and law enforcement. And ahead of this weekend's presidential and congressional elections, no candidate has been able to offer a credible plan to fight it.

May was the deadliest month in Mexico since the government first published homicide data 20 years ago, the latest record in what's been three straight years of increasing crime rates.

According to the national registry, 2,890 people were killed in one month — roughly 93 victims per day, or four per hour. Since January, the figure is 13,298: a 21 percent increase on the same period last year.

The [U.S.](#) Supreme Court is due on Wednesday to rule in a major case that threatens a key source of revenue for organized labor, a challenge to the legality of fees that non-union workers in certain states are required to pay to unions representing public employees such as teachers and police.

<https://www.cnn.com/2018/06/27/supreme-court-is-poised-to-issue-a-major-labor-ruling-as-its-term-ends.html>

Based on the Feb. 26 arguments in the case, the conservative-majority court appears likely to disallow the so-called agency fees, which provide millions of dollars to public-sector unions annually. Wednesday marks the last day for rulings in the nine-member court's current term, which began in October. The court has two cases left to decide, the other being a water rights dispute between [Georgia](#) and [Florida](#).

The court may narrow or overturn a 1977 Supreme Court precedent that had allowed the agency fees, collected from millions of non-union workers in lieu of union dues to fund non-political activities like collective bargaining.

Two dozen states require these fees, and an estimated 5 million non-union workers for state and local governments pay them. Federal employees and private-sector workers do not.

Unions contend that mandatory agency fees are needed to eliminate the problem of what they call "free riders" — non-members who benefit from union representation, for example through salary and working conditions obtained in collective bargaining — without paying for it.

Conservative activists have taken aim at the fees as they seek to curb the influence of unions, which often support the Democratic Party and liberal causes. A ruling against the fees would deprive unions of a vital revenue stream, undercut their ability to attract new members and undermine their ability to spend in political races.

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The plaintiff in the case is Mark Janus, a child-support specialist for the state of Illinois who opted not to join the union that represents employees like him, the American Federation of State, County and Municipal Employees (AFSCME).

Lawyers for Janus argued that forcing non-members to pay agency fees to unions whose views they may oppose violates their rights to free speech and free association under the U.S. Constitution's First Amendment. A lower court had ruled against Janus, setting up the Supreme Court showdown.

The justices heard arguments in a similar case in 2016 involving non-union public school teachers in California, and appeared poised to overturn the 1977 precedent. But the death of conservative Justice Antonin Scalia weeks later left the court with an even split of conservatives and liberals, and its 4-4 decision in *Marc*

In Djibouti, where Chinese companies have constructed strategic ports and Africa's first electric transnational railway, Beijing last year [formally launched its first overseas military base](#), which also operates as a logistics and intelligence facility. Many experts now anticipate [more Chinese bases in the years to come](#), with Namibia rumored as a potential location.

<https://www.cnn.com/2018/06/27/china-increases-defence-ties-with-africa.html>

Meanwhile in Tanzania, where the state-run conglomerate [China Merchants Holdings International](#) is hoping to invest in the Bagamoyo mega port, China built a complex designed to train local armed forces earlier this year. And, at the first-ever China-Africa Defense and Security Forum in Beijing on Tuesday, the communist state announced it will provide African countries with "comprehensive support" on matters such as piracy and counter-terrorism. That includes providing technologies, equipment, personnel and strategic advice, local media reported.

Imagine India's GDP growth had collapsed to 3 percent; inflation was about to hit double digits; exports were tanking; and the country's twin deficits – in the government's budget, and in the nation's current account – were out of control.

<https://www.bloomberg.com/view/articles/2018-06-27/want-real-stress-try-bad-loans-in-india-at-20>

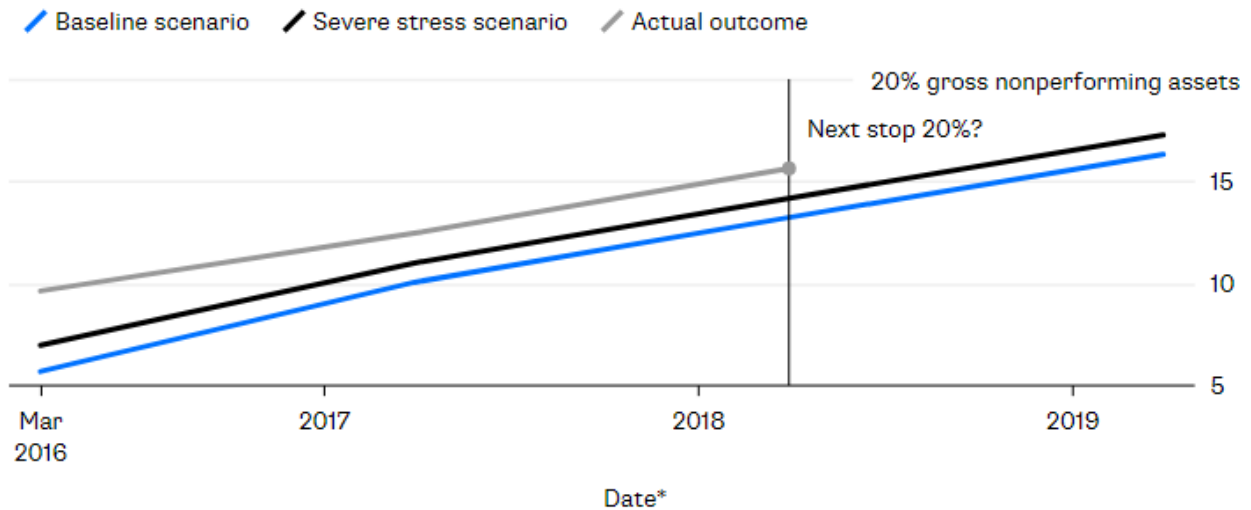
It's only when the Reserve Bank of India tries to imagine such a [dire scenario](#) for March 2019 that its simulation exercise for [bad loans](#) throws up a figure of 17.3 percent of state-run banks' total assets. Since most reasonable investors would dismiss the possibility of economic ruin lurking just around the corner, they're likely to take comfort from the central bank's baseline estimate of distress: 16.3 percent.

While that's still a scary number for a group of lenders that control 70 percent of the banking system's assets, it suggests the bulk of the pain is already in the rear-view mirror. With state-run financial institutions disclosing an aggregate nonperforming asset ratio of 15.6 percent in March, a 0.7 percentage point increase projected over 12 months could even give rise to hopes of a recovery.

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My Crystal Ball Must Be Broken

India's state-run banks have consistently reported much higher nonperforming assets than estimated by the central bank under even its "severe stress" simulations



President Trump didn't disappoint. His lack of concern about the likely collateral damage from re-imposing sanctions on Iran meant that the latest curbs on the country's oil exports were always likely to be much tougher than the originals.

The U.S. is pressing allies to completely halt their purchases of Iranian oil by the end of the wind-down period on Nov. 4.

Rather than make waivers of sanctions more difficult to get -- the Obama administration required a 20 percent reduction in purchases every six months -- the Trump team has decided to ditch them altogether. This time, it's all or nothing. At least that's the narrative at the moment.

<https://www.bloomberg.com/view/articles/2018-06-27/trump-lights-a-fire-under-oil-the-saudis-can-t-douse>

Anyone buying Iranian crude by November can expect to be shut out of the U.S. banking system. Oil companies, shippers and insurers can't afford to lose access to dollars or the banking system. Governments in Europe, Japan, India and South Korea are powerless to protect them -- Iran's oil minister Bijan Namdar Zanganeh admitted as much when he spoke to Bloomberg TV in Vienna -- and companies are halting purchases of the country's oil. Zanganeh said he didn't believe customers would be able to get waivers from the U.S. that would let them go on purchasing cargoes. How right he was.

Even if China goes on buying, sanctions compliance by the rest of Iran's buyers would cut exports of crude and condensate -- a form of light oil extracted from gas fields -- by about 2 million barrels a day. That's going to be a tough hole to fill, as I warned [here](#).

Was it any surprise that before the State Department started briefing on its sanctions plans it emerged that Saudi Arabia was aiming to boost oil production to a record level in July? Probably not. But that would still only offset about half the expected loss of Iranian oil by November. And then there are the other losses to consider.

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EQUITIES

The S&P is **-3** and the NASDAQ is **-17**.

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 +0.71%.

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

BOE Rate +0.50%. (No change).

Next meeting 06/21/18

On the European Continent

The CAC Index closed +0.71%.

The DAX Index closed +0.97%.

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 -0.02%.

The NIKKEI closed -0.31%.

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

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

Next meeting 06/15/18

China:

The Hang Seng closed -1.82%.

The Shanghai Composite closed -1.10%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.7603%

Reserve Requirement Ratio: 17.00%

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THE TREND

EDU8: 97-53.0 is the pivot. Below the pivot, you should be short, above long. Support is at 97-50.0** and 97.53.0^.

Resistance is at 97-55.5**.

^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: 119-22.5 is the pivot point. Above you should be long, below short.

Support is at 119-02.5 and 119-22.5^*

Resistance is at 120-10.5

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

**** 2-STD Deviations from the pivot point**

Current trend has you long from 119-25.0 (6/22/18). I have elected to go flat and wait for a clearer trend.



YTD (per contract)

(2018) +106.0 futures ticks (\$31.25 per tick) or +\$3,312.50.

(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>

Screen saved as c:\Users\rchierici\Desktop\GIF\US swaps.gif

United States 98 Export 99 Settings Interest Rate Swap Rates

Date Range: 05/27/2018 - 06/27/2018 1 Month

40 Semi Swaps 41 Sprs to Gov. 42 Ann Swaps 43 Ann Sprs 44 OIS Swaps 49 CME/LCH Sprs

USD SemiAnnual 30/360 Swap Rates

Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2,583 / 2,589		2,586	-0.018		█	-0.4	2,434		2,638	2,582	0.7	0.2
2) 2 YR	2,768 / 2,770		2,769	-0.024		█	-0.4	2,544		2,862	2,773	-0.2	0.0
3) 3 YR	2,830 / 2,832		2,831	-0.027		█	-0.4	2,606		2,953	2,850	-1.8	-0.3
4) 4 YR	2,854 / 2,856		2,855	-0.029		█	-0.5	2,647		2,992	2,885	-2.9	-0.5
5) 5 YR	2,866 / 2,868		2,867	-0.027		█	-0.5	2,674		3,014	2,904	-3.6	-0.6
6) 6 YR	2,875 / 2,876		2,876	-0.028		█	-0.5	2,695		3,024	2,919	-4.3	-0.8
7) 7 YR	2,885 / 2,886		2,884	-0.027		█	-0.5	2,717		3,040	2,931	-4.6	-0.9
8) 8 YR	2,896 / 2,897		2,897	-0.026		█	-0.5	2,744		3,048	2,944	-4.7	-0.9
9) 9 YR	2,908 / 2,910		2,909	-0.026		█	-0.5	2,767		3,057	2,959	-4.9	-1.0
10) 10 YR	2,922 / 2,924		2,923	-0.024		█	-0.5	2,788		3,077	2,973	-4.9	-1.0
11) 15 YR	2,963 / 2,965		2,964	-0.022		█	-0.5	2,850		3,110	3,015	-5.0	-1.1
12) 20 YR	2,968 / 2,970		2,969	-0.021		█	-0.5	2,870		3,110	3,021	-5.2	-1.2
13) 25 YR	2,954 / 2,958		2,956	-0.022		█	-0.5	2,860		3,176	3,007	-4.9	-1.2
14) 30 YR	2,935 / 2,937		2,936	-0.022		█	-0.5	2,844		3,070	2,986	-4.9	-1.2

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 6946-3126-2 27-Jun-2018 05:57:30

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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.	22 June 2018	1,052	-7	15 June 2018	+111	23 June 2017
Canada	22 June 2018	160	+21	15 June 2018	-10	23 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.

For the first 24 weeks of 2018, U.S. railroads reported cumulative volume of 6,208,034 carloads, up 1.3 percent from the same point last year; and 6,571,354 intermodal units, up 6 percent from last year. Total combined U.S. traffic for the first 24 weeks of 2018 was 12,779,388 carloads and intermodal units, an increase of 3.6 percent compared to last year.

For this week, total U.S. weekly rail traffic was 558,098 carloads and intermodal units, up 4.1 percent compared with the same week last year.

Total carloads for the week ending June 16 were 269,748 carloads, up 1.9 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 288,350 containers and trailers, up 6.3 percent compared to 2017.

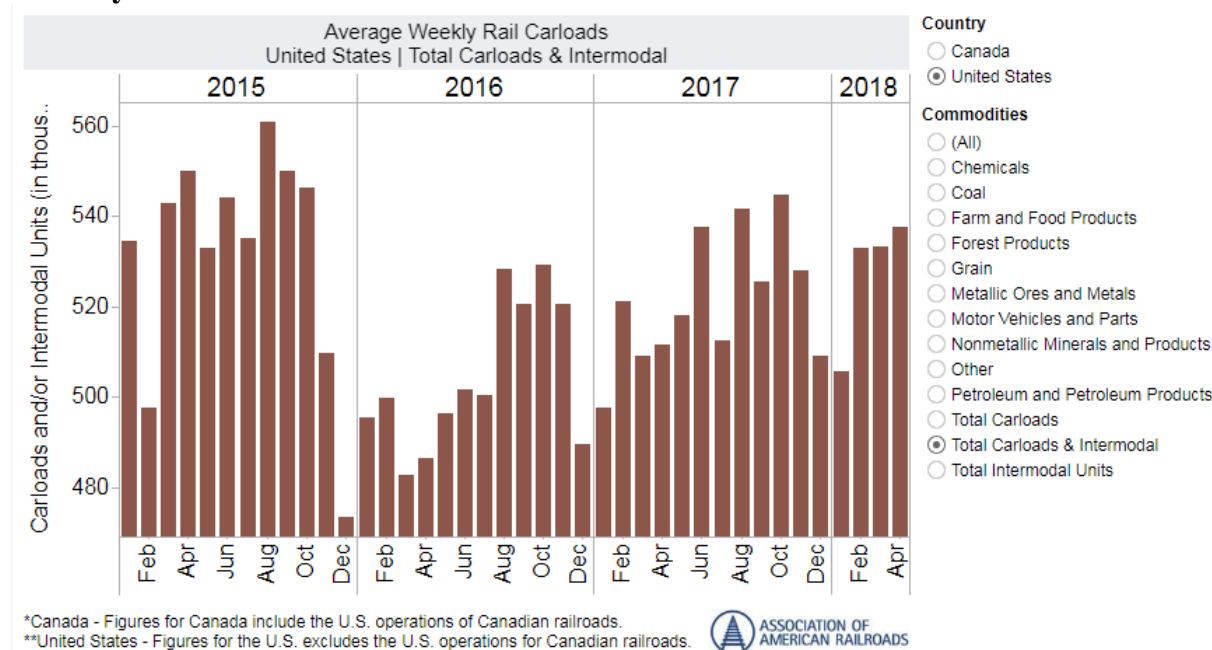
Seven of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 1,924 carloads, to 11,256; nonmetallic minerals, up 1,827 carloads, to 39,994; and grain, up 1,407 carloads, to 23,086. Commodity groups that posted decreases compared with the same week in 2017 were coal, down 1,420 carloads, to 85,538; miscellaneous carloads, down 1,287 carloads, to 9,443; and motor vehicles and parts, down 300 carloads, to 16,891.

North American rail volume for the week ending June 16, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 376,555 carloads, up 2.4 percent compared with the same week last year, and 375,718 intermodal units, up 4.9 percent compared with last year. Total combined weekly rail traffic in North America was 752,273 carloads and intermodal units, up 3.7 percent. North American rail volume for the first 24 weeks of 2018 was 17,225,919 carloads and intermodal units, up 3.2 percent compared with 2017.

Canadian railroads reported 84,254 carloads for the week, up 7 percent, and 69,872 intermodal units, up 3.1 percent compared with the same week in 2017. For the first 24 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 3,533,133 carloads, containers and trailers, up 3.5 percent. Mexican railroads reported 22,553 carloads for the week and 17,496 intermodal units. Cumulative volume on Mexican railroads for the first 24 weeks of 2018 was 913,398 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-june-16-2018/>

Monthly Rail Traffic Charts



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

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Trailer Truck Demand

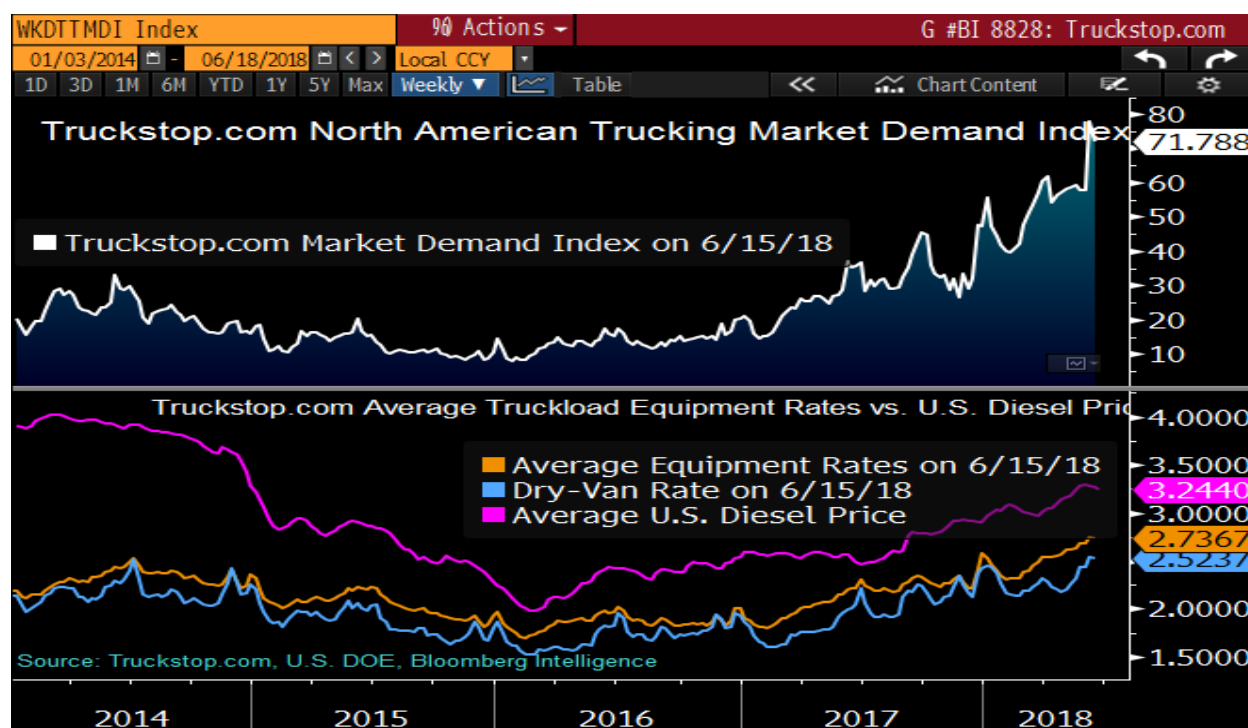
(Bloomberg Intelligence) – 06/18/18

Relative North American spot-trucking demand retreated 8% sequentially to 71.8 in the week ended June 15, based on Truckstop.com's Market Demand Index. The index gave back some of the 35% surge in the previous week from the annual road check inspections June 5-7 across North America, when many drivers park their trucks. The MDI is up about 135% on average in 2018, which indicates very tight market capacity relative to last year. This has driven rates, excluding fuel surcharges, up 26% this year.

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



GDP

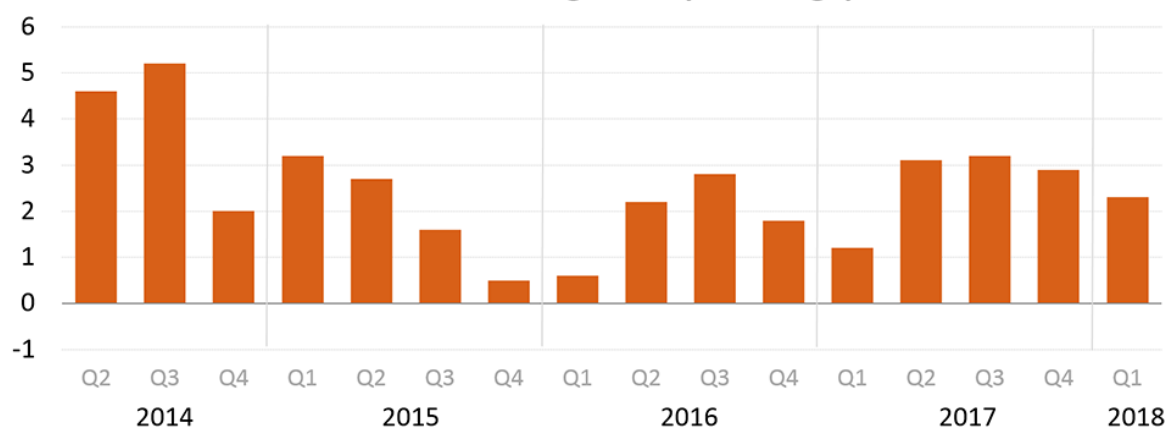
U.S. Department of Commerce, Bureau of economic analysis

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

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

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Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

GDP-2Q is running at *4.10% as of 6/22/18 v. *4.13% as of 6/19/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q2 2018: 4.7 % —June 19, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **4.8 percent** on June 14, up from 4.6 percent on June 8. After this morning's retail sales release from the U.S. Census Bureau, the nowcast of second-quarter real personal consumption expenditures growth increased from 3.4 percent to 3.6 percent.

*The next GDPNow update is **Wednesday, June 27**. 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: 2.9%...June 22, 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: 4.710%...June 19, 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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