



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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ECO <go>  
(All times are CST)

No Scheduled Event For Today

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

United States Browse 15:26:24 04/10/18 - 04/16/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	04/10	05:00				NFIB Small Business Optimism	Mar	107.0	--	107.6	--
22)	04/10	07:30				PPI Final Demand MoM	Mar	0.1%	--	0.2%	--
23)	04/10	07:30				PPI Ex Food and Energy MoM	Mar	0.2%	--	0.2%	--
24)	04/10	07:30				PPI Ex Food, Energy, Trade MoM	Mar	0.2%	--	0.4%	--
25)	04/10	07:30				PPI Final Demand YoY	Mar	2.9%	--	2.8%	--
26)	04/10	07:30				PPI Ex Food and Energy YoY	Mar	2.6%	--	2.5%	--
27)	04/10	07:30				PPI Ex Food, Energy, Trade YoY	Mar	--	--	2.7%	--
28)	04/10	09:00				Wholesale Trade Sales MoM	Feb	0.1%	--	-1.1%	--
29)	04/10	09:00				Wholesale Inventories MoM	Feb F	0.8%	--	1.1%	--
30)	04/11	06:00				MBA Mortgage Applications	Apr 6	--	--	-3.3%	--
31)	04/11	07:30				CPI MoM	Mar	0.0%	--	0.2%	--
32)	04/11	07:30				CPI Ex Food and Energy MoM	Mar	0.2%	--	0.2%	--
33)	04/11	07:30				CPI YoY	Mar	2.4%	--	2.2%	--
34)	04/11	07:30				CPI Ex Food and Energy YoY	Mar	2.1%	--	1.8%	--
35)	04/11	07:30				CPI Index NSA	Mar	249.576	--	248.991	--
36)	04/11	07:30				CPI Core Index SA	Mar	256.200	--	255.751	--
37)	04/11	07:30				Real Avg Weekly Earnings YoY	Mar	--	--	0.6%	--
38)	04/11	07:30				Real Avg Hourly Earning YoY	Mar	--	--	0.4%	0.3%
39)	04/11	13:00				Monthly Budget Statement	Mar	-\$186.0b	--	-\$215.2b	--

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 H139-4441-1 09-Apr-2018 15:26:24

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

Economic Calendars											
Calendars ▾		Alerts		Export ▾		Settings ▾		United States			
United States		Browse		15:28:28		04/10/18		04/30/18			
Central Banks		All Central Banks		View		Agenda		Weekly			
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	04/10	03:30				Fed's Kaplan Speaks in Beijing					
22)	04/10	17:30				Fed's Bostic Speaks at Event on Fair Housing in the U.S.					
23)	04/11	13:00				FOMC Meeting Minutes	Mar 21	--	--	--	--
24)	04/12	16:00				Fed's Kashkari Speaks in Moderated Q&A in Minneapolis					
25)	04/13	07:00				Fed's Rosengren Speaks on Economic Outlook					
26)	04/13	08:00				Fed's Bullard Speaks on Living Standards across U.S. Cities					
27)	04/13	12:00				Fed's Kaplan Speaks in Odessa					
28)	04/16	12:15				Fed's Bostic Speaks on the Economy and Rural Market Trends					
29)	04/17	08:15				Fed's Williams Speaks at NABE Conference in Madrid					
30)	04/17	09:00				Fed's Quarles to Testify Before House Financial Services panel					
31)	04/17	12:10				Fed's Evans Discusses Economic Outlook					
32)	04/18	13:00				U.S. Federal Reserve Releases Beige Book					
33)	04/18	14:00				Fed's Dudley Speaks on Economic Outlook					
34)	04/18	15:30				Fed's Quarles Speaks in Washington					
35)	04/19	08:10				Fed's Quarles Speaks at Institute of International Finance Eve					
36)	04/20	08:40				Fed's Evans Speaks on the Economy and Monetary Policy					

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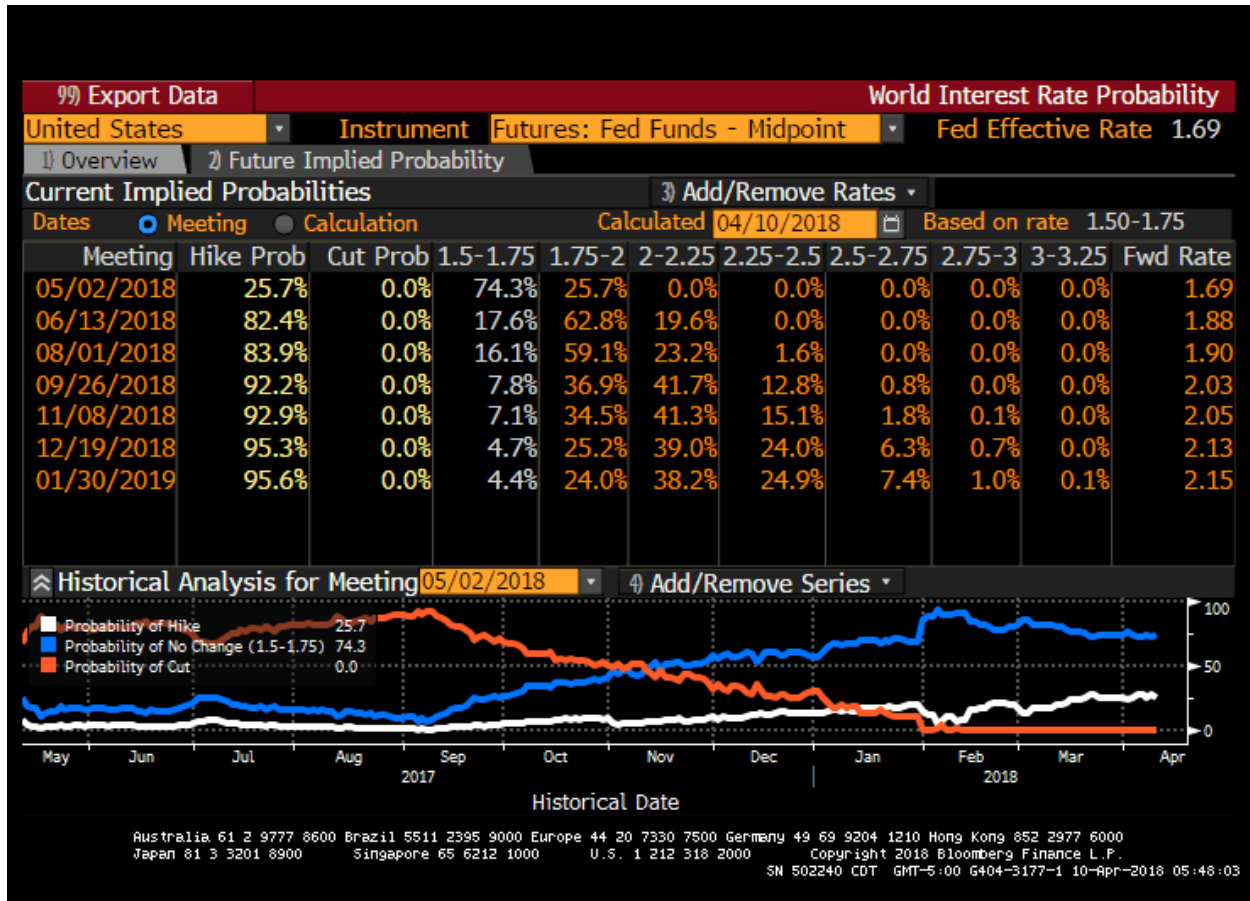
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	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	04/16/2018	04/10/2018	04/12/2018	912796PF0		\$45	04/03/2018	\$55
3-month	04/12/2018	04/16/2018	04/19/2018	912796MK2		TBA	04/09/2018	\$48
6-month	04/12/2018	04/16/2018	04/19/2018	912796QD4		TBA	04/09/2018	\$42
1-year	04/19/2018	04/24/2018	04/26/2018	TBA		TBA	03/27/2018	\$24
<b>Note Auctions</b>								
2-year	04/19/2018	04/24/2018	04/30/2018	TBA		TBA	03/26/2018	\$30
3-year	05/02/2018	04/10/2018	04/16/2018	9128284G2		\$30	03/12/2018	\$28
5-year	04/19/2018	04/25/2018	04/30/2018	TBA		TBA	03/27/2018	\$35
7-year	04/19/2018	04/26/2018	04/30/2018	TBA		TBA	03/28/2018	\$29
10-year	05/02/2018	04/11/2018	04/16/2018	9128283W8	R	\$21	03/12/2018	\$21
<b>Bond Auctions</b>								
30-year	05/02/2018	04/12/2018	04/16/2018	912810SA7	R	\$13	03/13/2018	\$13

<b>TIPS Auctions</b>								
5-yr TIPS	04/12/2018	04/19/2018	04/30/2018	TBA		TBA	12/21/2017	\$14
10-yr TIPS	05/10/2018	05/17/2018	05/31/2018	TBA	R	TBA	03/22/2018	\$11
30-yr TIPS	06/14/2018	06/21/2018	06/29/2018	TBA	R	TBA	02/15/2018	\$7
<b>Floating Rate Note</b>								
2-year FRN	04/19/2018	03/28/2018	04/02/2018	9128283T5	R	\$15	02/21/2018	\$15
<b>Buyback Operation</b>								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$.025

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# 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

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/fomcprojtab120180321.pdf>

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## Libor Set

<b>1-Month Libor Set</b>	<b>1.89438</b>	<b>-.00275</b>	<b>(98.10562)</b>
<b>3-Month Libor Set</b>	<b>2.33903</b>	<b>+.00173</b>	<b>(98.66097)</b>
<b>6-Month Libor Set</b>	<b>2.46750</b>	<b>-.00313</b>	<b>(97.53250)</b>
<b>1-Year Libor Set</b>	<b>2.70419</b>	<b>-.00406</b>	<b>(97.29581)</b>

## THEY SAID IT

Xi pledged a “new phase of opening up” in his keynote address Tuesday to the Boao Forum for Asia, China’s answer to Davos. While the speech offered little new policy, Xi affirmed or expanded on proposals to increase imports, lower foreign-ownership limits on manufacturing and expand protection to intellectual property -- all central issues in Trump’s trade gripes.

<https://www.bloomberg.com/news/articles/2018-04-09/xi-set-for-landmark-economic-speech-as-trump-trade-fight-simmers>

Pledges to further open financial sector by year-end

Endorses lower foreign-ownership caps for carmakers

Commits to cutting tariffs on car imports

Vows greater intellectual property-rights protection

Supports accelerated process to join World Trade Organization’s government-procurement agreement

Plans annual events to facilitate increased imports

**What our economists say...**

**“The U.S. side will likely want to see deeds, not just words, before it considers softening its protectionist stance,” Bloomberg Economics Chief Asia Economist Tom Orlik wrote in a note. “Even so, with Xi’s speech positioning China as conciliatory, the chances of a damaging trade war appear a shade lower.”**

**"The upside could be big because business as usual wasn't getting the job done in opening up the market in China," said Daniel Rosen, founder and China director of research and consulting firm Rhodium Group.**

<https://www.cnn.com/2018/04/10/american-companies-in-china-have-much-at-stake-in-the-trade-dispute.html>

"It is really not so much about trade as about China's rise as a technology power and U.S. efforts to contain this rise and prevent China from dominating key sectors going forward," Paul Triolo, practice head for geotechnology at consulting firm Eurasia Group, said in an email.

"Hence the investment action will be a critical piece of this," he said.

U.S. companies invested \$14 billion in China last year, an increase of about \$200,000 from 2016, bringing cumulative investment in the country to \$256 billion, according to one of two studies released Tuesday by the National Committee on U.S.-China Relations and Rhodium Group.

On the other hand, the value of announcements for new Chinese transactions in the U.S. fell by nearly 90 percent in 2017, and the value of completed deals dropped by more than a third to \$29 billion, one of the reports showed. The sharpness of the decline was mostly the result of record-high Chinese investment in the U.S. in 2016 and Beijing's crackdown on capital flight. The Trump administration has also significantly increased its scrutiny on Chinese deals, citing national security issues.

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The latest annual survey from the American Chamber of Commerce in China found that its members "continue to feel foreign business are less welcome in China than they once were." More than half of member companies also said they still believe intellectual property leakage and data security threats are higher in China than other parts of the world, the January report said. "American businesses already have hundreds and hundreds of billions of dollars in investment in China on the ground, most of which is producing profits every year. They have a tremendous amount of skin in the game," Rosen said. "They have to take an active stance in this space whether they like it or not."

"What we need China to do at this junction is not to open up whole new sectors but just to allow U.S. companies to own their companies," he said. "Then we could see a rapid uptick of U.S. investment in China" due to companies buying up stakes in financial services, automobiles and other industries.

### **China has filed a World Trade Organization complaint challenging U.S. President Donald Trump's tariff hike on imported steel and aluminum, the trade body said Tuesday.**

<https://www.cnn.com/2018/04/10/china-files-trade-complaint-against-us-over-steel-tariffs.html>

China has requested 60 days of consultations with the United States on the steel and aluminum dispute, according to the WTO. If that fails, the next step could be for Beijing to request a ruling from a panel of trade experts.

Beijing says Trump's decision to impose additional duties of 25 percent on steel and 10 percent aluminum violate international trade rules.

Steel and aluminum are among Chinese industries in which supply exceeds demand. China's trading partners complain its mills are exporting their surplus at improperly low prices, threatening jobs in the United States and Europe.

The United States buys little Chinese steel and aluminum following earlier tariff hikes meant to offset what Washington says are improper subsidies to producers. But economists said Beijing responded in order to show it would defend itself.

**"I do not believe that the first impact of tariffs (and retaliatory tariffs) has been fully priced into assets like industrial real estate," he said. "And I would argue that the impact of a first round of tariffs on the pricing of industrial real estate is minimal."**

<https://www.costar.com/News/Article/Could-Industrial-Real-Estate-Get-Caught-in-Trade-War-Crossfire-/199792>

If fears of a full-scale trade war come to fruition, Callahan sees a different story unfolding. He said the risk to industrial real estate becomes worrisome if a full-scale trade war erupts and slows down the overall economy.

"A no-growth economy hurts everyone," said Callahan.

Callahan echoes what many in the industrial real estate market are saying now about how rising protectionism and a threat of trade war are affecting the U.S. industrial real estate market.

"It would have to be a pretty massive trade war for it to impact industrial real estate directly," said Rene Circ, director of U.S. industrial research for CoStar, adding that anything that impacts the entire economy would certainly affect industrial real estate.

"It has been on investors' minds since Trump took office because there has been discussion about trade wars and what happens if," said Mike Kendall, Western region executive managing director of Investment Services for Colliers International in Irvine, California. "There should be an impact eventually in industrial, but it hasn't happened yet. The real estate market is not like

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the stock market. The stock market is real time. In real estate, it takes a lot longer to find its way into the process and pricing. Since it [threat of trade war] is so new, we haven't seen it yet." A more immediate concern is rising construction materials and development costs, since most of our steel and aluminum is imported from Canada, Mexico and South Korea. Jeff Givens, senior vice president at Los Angeles office and industrial developer and owner Kearny Real Estate Co., said he has colleagues who already are hitting pause on new development projects.

"I've heard from others who are in the bidding process [for a new project], with their different subcontractors involved in steel and other commodities that are being discussed [for increased tariffs]," he said. "They have pulled their current bids and are reevaluating, I have a colleague who was ready to go forward on a big-box warehouse and the steel providers said the bid we gave you six months ago is no longer valid; we'll get back to you."

**Another weekend, another major retail bankruptcy. This time it was privately held Nine West Holdings Inc., a women's shoe and apparel wholesaler, which filed for bankruptcy after racking up about \$1.6 billion in debt, the second-largest amount of debt on rating agencies' list of 'loans of concern' last year.**

**Coincidentally, the company also reported \$1.6 billion in revenue in fiscal 2017.**

[https://www.costar.com/News/Article/\\$16-Billion-in-Debt-Buries-Nine-West/199851](https://www.costar.com/News/Article/$16-Billion-in-Debt-Buries-Nine-West/199851)

Private equity firm Sycamore Partners Management acquired the company and affiliated brands in the 2014 for \$2.2 billion.

In total, approximately \$925 million of new debt and equity was raised in connection with the 2014 acquisition. Its current annual interest expense is approximately \$113.9 million, compared with just \$88.1 million of adjusted EBITDA in fiscal year 2017.

Over 80% of Nine West's sales come from wholesale distribution and sales to department stores, off-price retailers and mass merchants. Its wholesale units include such brands as Anne Klein, Bandolino, Gloria Vanderbilt and Jessica Simpson.

However, it also operates 70 brick and mortar retail stores - all of which it plans on closing and has petitioned the courts to allow it to cancel the leases on those stores.

**Toy maker Mattel announced on Monday that it is closing its New York office, as part of a previously announced \$650 million cost savings plan.**

<https://www.cnbc.com/2018/04/09/toy-maker-mattel-is-shuttering-its-new-york-office.html> The closing, which will take place in phases through the rest of the year, will affect roughly 100 employees.

The office was not a strategic location for the company, a spokesperson told CNBC. Most or all of the employees will be relocated to one of its other principal locations in the U.S., he said.

They include: Los Angeles, East Aurora (its Fisher-Price store), Middleton, Wisconsin (its American Girl store) and London (its Thomas & Friends store).

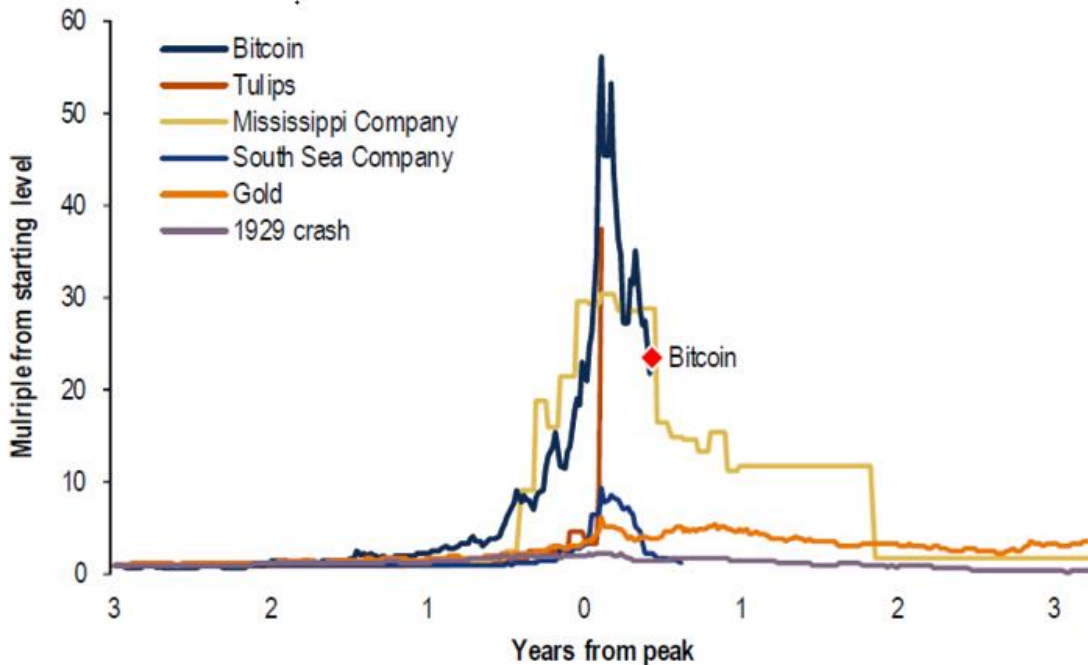
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The greatest bubble in history is popping, according to Bank of America Corp. The cryptocurrency is tracking the downfalls of the other massive asset-price bubbles in history less than one year out from its record, analysts lead by Chief Investment Strategist Michael Hartnett wrote in a note Sunday.

<https://www.bloomberg.com/news/articles/2018-04-09/bitcoin-seen-popping-like-the-greatest-bubbles-by-bofa>

**Chart 2: The greatest asset price bubbles in history**



Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Garber (2000), Frehen (2012), Bloomberg

The cryptocurrency has fallen more than 65 percent since peaking in December at \$19,511. Bitcoin rose 2.2 percent to \$6,750 on Monday.

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**The most punitive U.S. sanctions yet to descend on Russian companies and oligarchs are battering the nation's assets as the Kremlin scrambles to contain the damage.**

<https://www.bloomberg.com/news/articles/2018-04-09/russia-government-said-to-look-for-ways-to-help-sanctioned-oligarchs>

In the first trading day since dozens of Russian tycoons and companies were slapped with penalties, Moscow-traded stocks headed for the biggest drop in four years, the currency slid the most in the world and the nation's credit risk soared.

Among those named by sanctions were Oleg Deripaska, who owns aluminum giant United Co. Rusal. Revealing the potential ripple effect of being cut off from its western clients, Rusal said on Monday it was highly likely to default on debt. Its shares tumbled 28 percent in Moscow.

**The Russian military has been jamming some U.S. military [drones operating in the skies over Syria](#), seriously affecting American military operations, according to four U.S. officials.**

<https://www.nbcnews.com/news/military/russia-has-figured-out-how-jam-u-s-drones-syria-n863931>

The Russians began jamming some smaller [U.S. drones](#) several weeks ago, the officials said, after a series of suspected chemical weapons attacks on civilians in rebel-held eastern Ghouta. The Russian military was concerned the U.S. military would retaliate for the attacks and began jamming the GPS systems of [drones operating in the area](#), the officials explained.

Jamming, which means blocking or scrambling a drone's reception of a signal from a GPS satellite, can be uncomplicated, according to Dr. Todd Humphreys, the director of the Radionavigation Laboratory at the University of Texas at Austin.

U.S. analysts first caught the Russian military jamming drones in eastern Ukraine four years ago, after the invasion of Crimea, according to Humphreys. He said the jammers were initially detected as faint signals from space, bouncing off the earth's surface. The jammers "had a pretty significant impact" on the United Nations surveillance drones that were attempting to monitor the area, grounding the fleet for days and halting intelligence gathering from the air.

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## EQUITIES

The S&P is **+29** and the NASDAQ is **+100**.

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 +0.52%.**

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

**BOE Rate +0.50%. (No change)**

**Next meeting 05/10/18**

### On the European Continent

**The CAC Index closed +0.69%.**

**The DAX Index closed +1.11%.**

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 04/26/18**

### ASIA

#### Japan:

**The TOPIX closed +1.65%.**

**The NIKKEI closed +1.66%.**

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

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

**Next meeting 04/27/18**

#### China:

**The Hang Seng closed +1.29%.**

**The Shanghai Composite closed +0.23%.**

#### 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

EDM8: 97-69.0 is the pivot. Below the pivot, you should be short, above long.  
Support is at 97-65.5\*\*.

Resistance is at 97-69.0^ and 97-725\*\*.

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

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

I remain flat until a clearer trend emerges.



### YTD (per contract)

2018 +34.5 ticks (+\$862.50)

2017 +33.0 ticks (+\$825.00)

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**10yr/TYM8: 120-20.5** is the pivot point. Above you should be long, below short.

Support is at **119-31.5\*\***

Resistance is at **120-20.5^** and **121-10.0\*\***

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

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

**I remain flat in TY.**



**YTD (per contract)**

**(2018) +52.0 futures ticks (\$31.25 per tick) or +\$1,625.00.**

**(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:						03/10/2018		-		04/10/2018		1 Month	
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs			
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN
1) 1 YR	2,432 / 2,435		2,434	-0.003			-0.1	2,349		2,466	2,415	2.0	0.8
2) 2 YR	2,592 / 2,595		2,594	0.001			0.1	2,523		2,677	2,594	0.2	0.1
3) 3 YR	2,674 / 2,679		2,676	0.006			0.2	2,601		2,797	2,686	-0.7	-0.2
4) 4 YR	2,716 / 2,719		2,717	0.010			0.3	2,643		2,858	2,732	-1.3	-0.4
5) 5 YR	2,739 / 2,745		2,742	0.012			0.3	2,669		2,890	2,760	-1.5	-0.4
6) 6 YR	2,758 / 2,760		2,759	0.014			0.3	2,687		2,913	2,780	-1.9	-0.4
7) 7 YR	2,772 / 2,776		2,774	0.015			0.3	2,703		2,932	2,797	-2.0	-0.4
8) 8 YR	2,788 / 2,792		2,790	0.015			0.3	2,718		2,949	2,814	-2.3	-0.5
9) 9 YR	2,804 / 2,806		2,805	0.016			0.3	2,735		2,966	2,831	-2.5	-0.5
10) 10 YR	2,816 / 2,826		2,821	0.015			0.3	2,750		2,981	2,849	-2.4	-0.5
11) 15 YR	2,876 / 2,879		2,877	0.018			0.3	2,804		3,033	2,910	-3.1	-0.6
12) 20 YR	2,896 / 2,899		2,897	0.018			0.3	2,823		3,047	2,927	-2.7	-0.5
13) 25 YR	2,888 / 2,892		2,890	0.018			0.4	2,156		3,147	2,921	-3.0	-0.6
14) 30 YR	2,872 / 2,875		2,873	0.018			0.3	2,798		3,017	2,901	-2.6	-0.5

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 6404-3177-1 10-Apr-2018 05:49:45

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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.



#### St. Louis Fed Agriculture Finance Monitor 4th quarter 2017

A majority of agricultural bankers in the Eighth Federal Reserve District reported that farm income declined during the fourth quarter of 2017 compared with a year earlier. This finding is consistent with the past several surveys. Although bankers were modestly more optimistic about the near-term prospects for farm income, they still expect income in the first quarter of 2018 to fall below year-earlier levels.

Actual and expected farm household spending and capital expenditures also remain below year-earlier levels. Quality farmland and ranch and pastureland values posted solid increases in the fourth quarter from a year earlier. Quality farmland values rose 5 percent in the fourth quarter, while ranchland and pastureland values surged nearly 15 percent. Cash rents for both land categories also increased in the fourth quarter from a year earlier.

Compared with three months earlier, a slightly larger percentage of bankers reported that the demand for bank loans increased in the fourth quarter relative to a year earlier. Some further strengthening in loan demand is expected in the first quarter of 2018. Proportionately more bankers reported an erosion in loan repayment rates between the third and fourth quarters of 2017. Except for interest rates on loans secured by farm real estate, rates on most fixed- and variable-rate loan products were little changed in the fourth quarter compared with the previous quarter.

<https://research.stlouisfed.org/publications/regional/ag-finance/2018/02/08/2017-fourth-quarter/>

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## How do Farm Incomes Compare to the average population

<https://www.ers.usda.gov/faqs/#Q4>

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

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

## ENERGY

### Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	29 March 2018	993	-2	23 March 2018	+169	31 March 2017
Canada	29 March 2018	134	-27	23 March 2018	-21	31 March 2017
International	February 2018	979	+19	January 2018	+38	February 2017

<http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview>

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

In 2016, about 4.08 trillion kilowatt hours (kWh) of electricity<sup>1</sup> were generated at utility-scale facilities in the United States.<sup>2</sup> About 65% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases), about 20% was from nuclear energy, and about 15% was from renewable energy sources. The U.S. Energy Information Administration (EIA) estimates that an additional 19 billion kWh (or about 0.02 trillion kWh) of electricity generation was from small-scale solar photovoltaic systems in 2016.<sup>3</sup>

### Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016<sup>1</sup>

**Natural gas = 33.8%**

**Coal = 30.4%**

**Nuclear = 19.7%**

**Renewables (total) = 14.9%**

**Hydropower = 6.5%**

**Wind = 5.6%**

**Biomass = 1.5%**

**Solar = 0.9%**

**Geothermal = 0.4%**

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**Petroleum = 0.6%**

**Other gases = 0.3%**

**Other nonrenewable sources = 0.3%**

**Pumped storage hydroelectricity = -0.2%<sup>4</sup>**

<https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

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

## **TRANSPORTS**

### **Association of American Railroads Rail Traffic Report.**

For this week, total U.S. weekly rail traffic was 526,521 carloads and intermodal units, up 1.4 percent compared with the same week last year.

Total carloads for the week ending March 24 were 265,756 carloads, up 2.5 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 260,765 containers and trailers, up 0.3 percent compared to 2017.

Six of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 7,979 carloads, to 87,348; chemicals, up 1,756 carloads, to 33,788; and nonmetallic minerals, up 667 carloads, to 35,776. Commodity groups that posted decreases compared with the same week in 2017 included motor vehicles and parts, down 1,717 carloads, to 16,675; miscellaneous carloads, down 1,504 carloads, to 9,417; and petroleum and petroleum products, down 697 carloads, to 9,889.

For the first 12 weeks of 2018, U.S. railroads reported cumulative volume of 3,030,729 carloads, down 0.5 percent from the same point last year; and 3,227,100 intermodal units, up 5.7 percent from last year. Total combined U.S. traffic for the first 12 weeks of 2018 was 6,257,829 carloads and intermodal units, an increase of 2.6 percent compared to last year.

North American rail volume for the week ending March 24, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 369,719 carloads, up 2.5 percent compared with the same week last year, and 347,774 intermodal units, up 2.3 percent compared with last year. Total combined weekly rail traffic in North America was 717,493 carloads and intermodal units, up 2.4 percent. North American rail volume for the first 12 weeks of 2018 was 8,429,626 carloads and intermodal units, up 2.4 percent compared with 2017.

Canadian railroads reported 82,618 carloads for the week, up 3 percent, and 70,986 intermodal units, up 13.5 percent compared with the same week in 2017. For the first 12 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 1,712,693 carloads, containers and trailers, up 2.4 percent.

Mexican railroads reported 21,345 carloads for the week, down 0.03 percent compared with the same week last year, and 16,023 intermodal units, down 8.3 percent. Cumulative volume on Mexican railroads for the first 12 weeks of 2018 was 459,104 carloads and intermodal containers and trailers, down 0.8 percent from the same point last year.

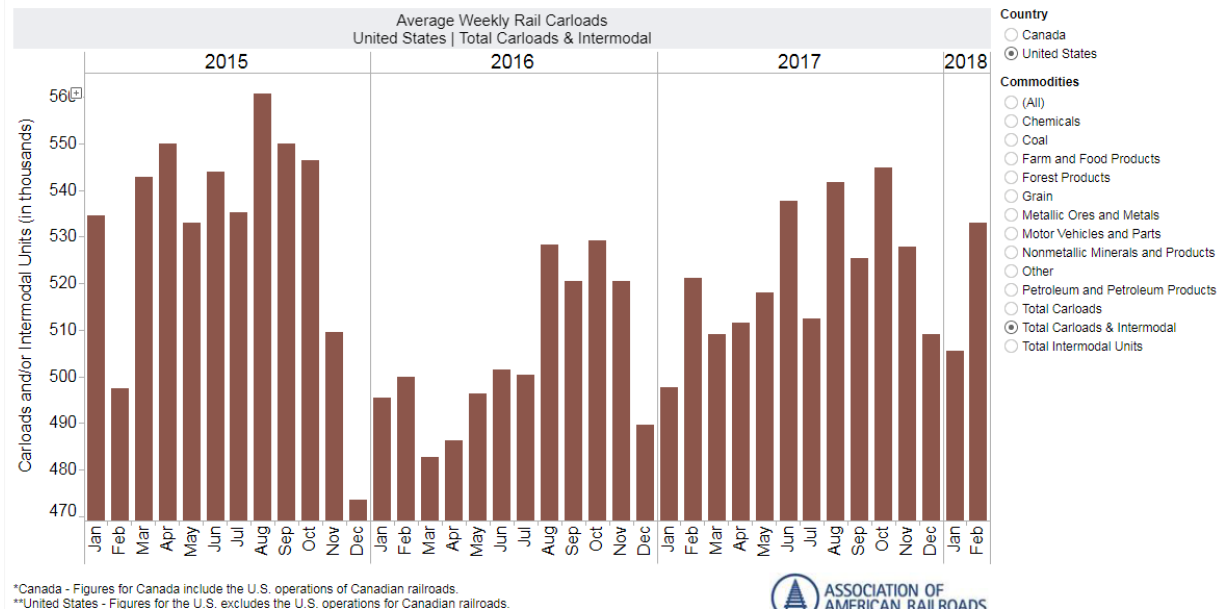
<https://www.aar.org/news/rail-traffic-for-the-week-ending-march-24-2018/>

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## Monthly Rail Traffic Charts

### MONTHLY RAIL TRAFFIC DATA

SHARE 



<https://www.aar.org/Pages/Freight-Rail-Traffic-Data.aspx>

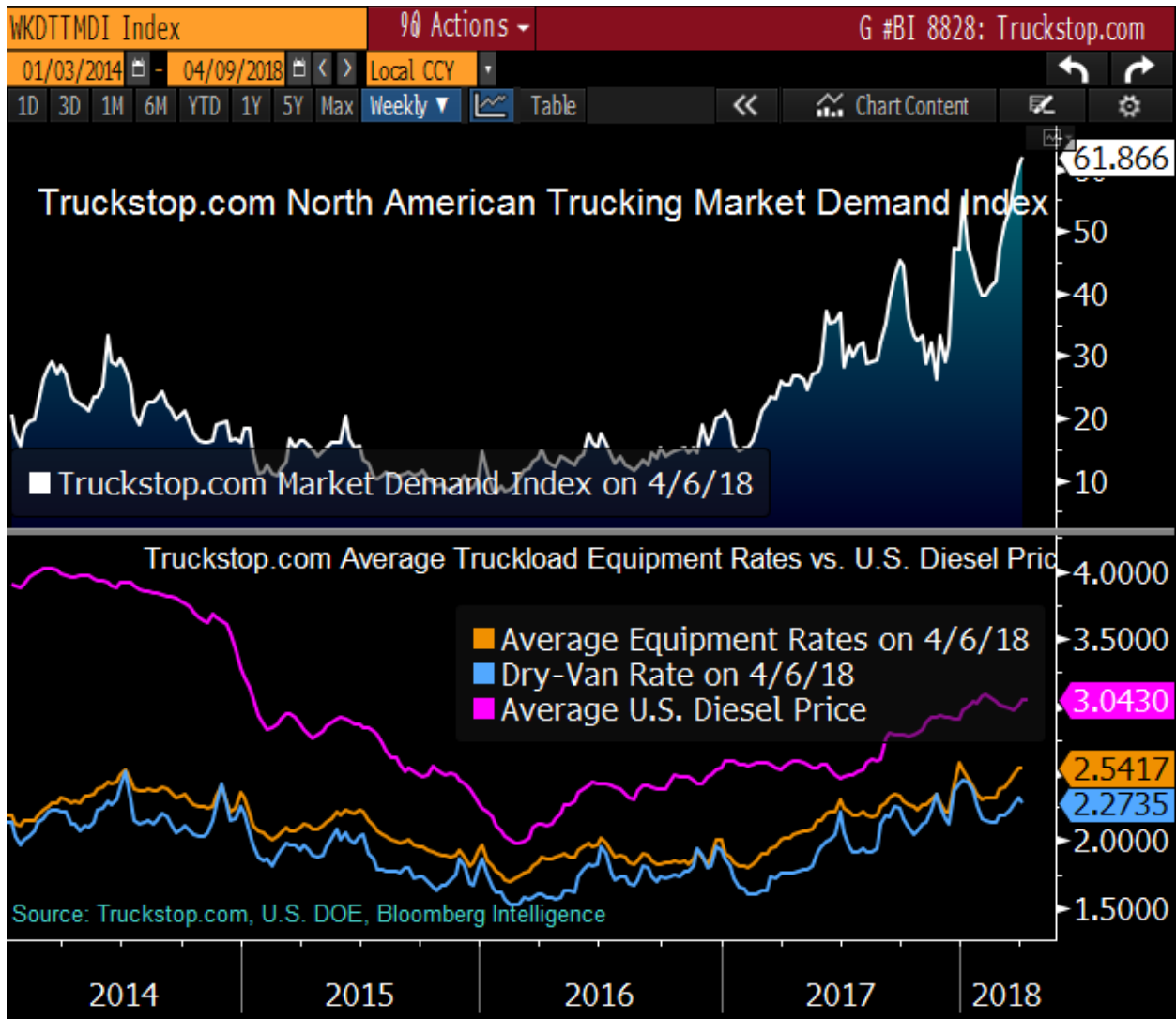
## Trailer Truck Demand

**(Bloomberg Intelligence) – 04/09/18** Truckstop.com Market Demand Index, Average Rates (Bloomberg Intelligence) --Relative North American spot-trucking demand rose 2.4% sequentially to a new high of 61.9 in the week ended April 6, based on Truckstop.com's Market Demand Index. Capacity tightened for the eighth straight week as the 4% increase in available loads outpaced the 1.6% gain in available trucks. Average spot rates, excluding fuel surcharges, rose for the ninth consecutive week (0.7%) and are up 27% this year. Capacity pressures could help truckload carriers with spot market exposure surpass 1Q earnings expectations. Companies Impacted: USA Truck, Knight-Swift, Werner, J.B. Hunt, Schneider, Marten 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

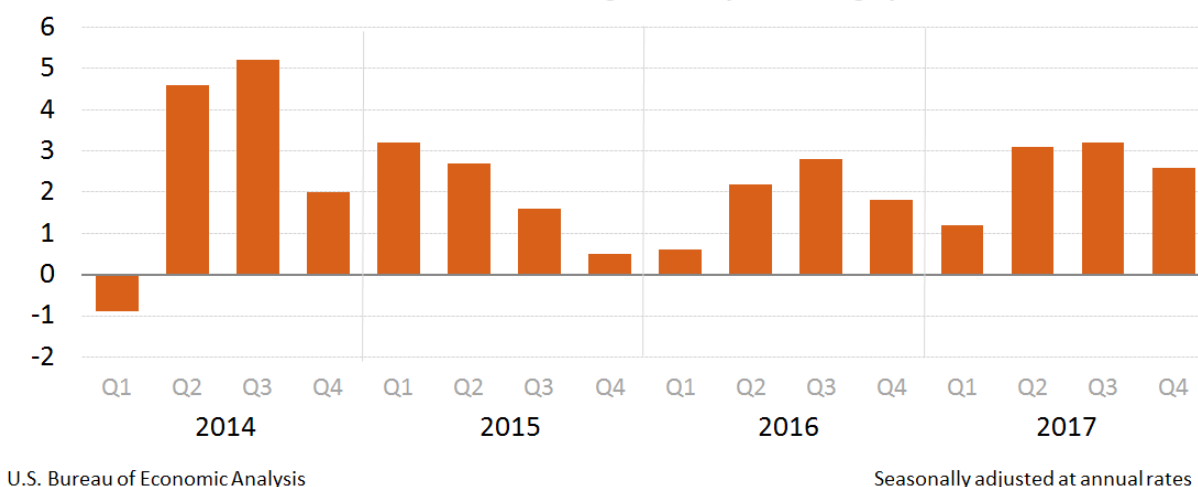
U.S. Department of Commerce, Bureau of economic analysis

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

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

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## Real GDP: Percent change from preceding quarter



**GDP-1Q is running at \*2.47% as of 4/06/18 v. \*2.44% on 4/05/18**

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

### **Atlanta Fed GDPNow...Latest forecast Q1 2018: 2.3% —April 5, 2018**

*The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2018 is 2.3 percent on April 5, down from 2.8 percent on April 2. The nowcast of the contribution of inventory investment to first-quarter real GDP growth fell from 1.21 percentage points to 1.05 percentage points after yesterday's manufacturing release from the U.S. Census Bureau and yesterday's light vehicle sales release from the U.S. Bureau of Economic Analysis (BEA). The nowcast of the contribution of net exports to first-quarter growth declined from -0.65 percentage points to -0.72 percentage points after this morning's international trade release from the Census Bureau and the BEA. The nowcast of first-quarter real consumer spending growth fell from 1.6 percent on April 2 to 1.3 percent this morning.*

*The next GDPNow update is Tuesday, April 10. 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...Q1 2018: 2.8%...April 6, 2018**

*The New York Fed Staff Nowcast stands at 2.8% for 2018:Q1 and 2.9% for 2018:Q2.*

*The nowcast for 2018:Q1 moved up by 0.1 percentage point. This increase was largely due to parameter revisions.*

*The nowcast for 2018:Q2 was broadly unchanged. The positive impact of parameter revisions and a positive surprise from the ISM Prices index were mostly offset by negative surprises from nonfarm payroll employment and the ISM Employment index.*

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

### **St. Louis Fed Real GDP Nowcast... Q1 2017: 2.32%...April 5, 2018**

<https://fred.stlouisfed.org/series/GDPNOW>

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## MANUFACTURING AT A GLANCE

MARCH 2018

Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.3	60.8	-1.5	Growing	Slower	19
New Orders	61.9	64.2	-2.3	Growing	Slower	27
Production	61.0	62.0	-1.0	Growing	Slower	19
Employment	57.3	59.7	-2.4	Growing	Slower	18
Supplier Deliveries	60.6	61.1	-0.5	Slowing	Slower	18
Inventories	55.5	56.7	-1.2	Growing	Slower	3
Customers' Inventories	42.0	43.7	-1.7	Too Low	Faster	18
Prices	78.1	74.2	+3.9	Increasing	Faster	25
Backlog of Orders	59.8	59.8	0.0	Growing	Same	14
New Export Orders	58.7	62.8	-4.1	Growing	Slower	25
Imports	59.7	60.5	-0.8	Growing	Slower	14
<b>OVERALL ECONOMY</b>				Growing	Slower	107
<b>Manufacturing Sector</b>				Growing	Slower	19

Average for 12 months - 58.2

High - 60.8

Low - 55.3

<https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1>

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**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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