

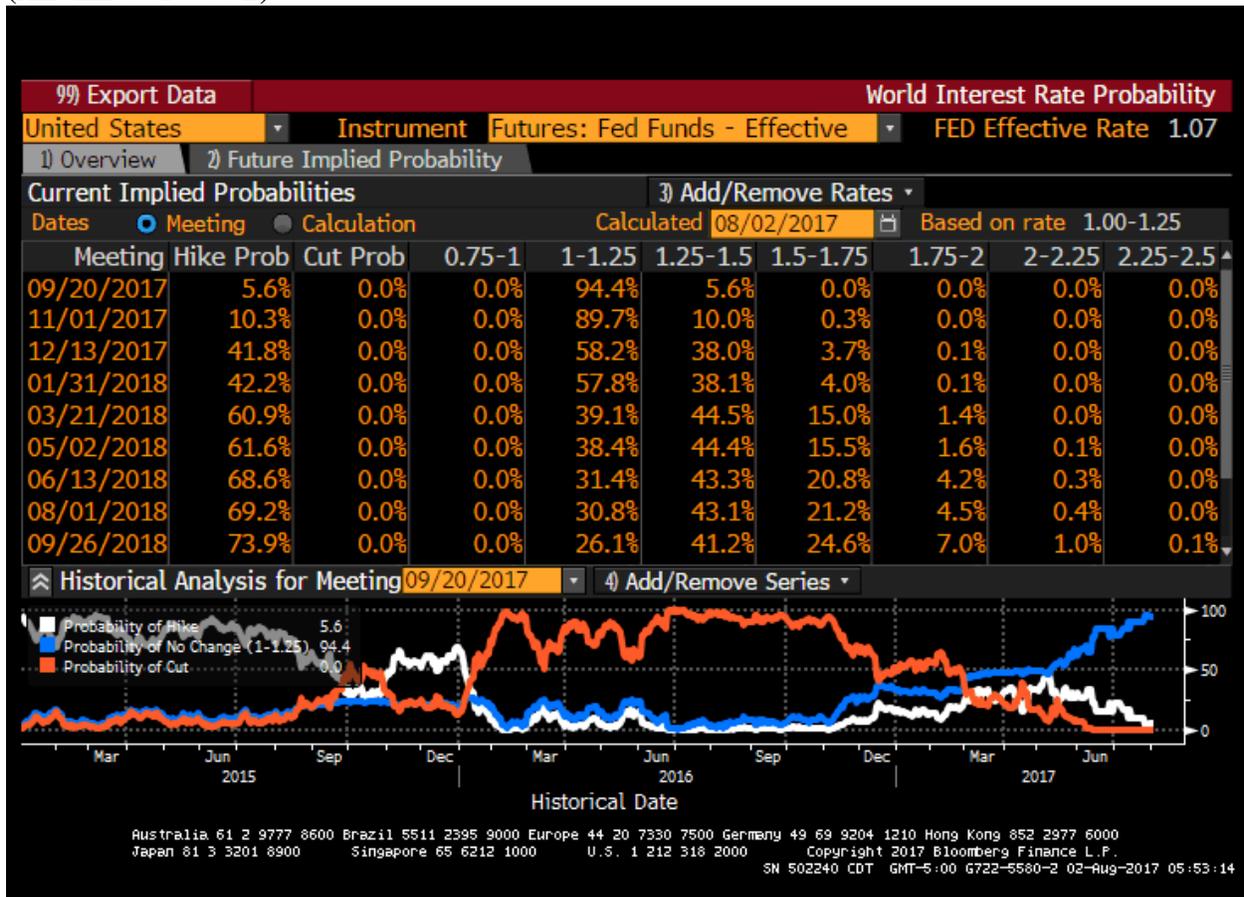


Fixed Income Group A Division of RJ O'Brien

## The Missile

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

ECO <go>  
(All times are CST)



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## Fed Speak Calendar

(All times are CST)

1) Calendars ▾		2) Alerts		3) Export ▾		4) Settings ▾		Economic Calendars			
	United States	Browse		15:01:46		07/29/17		- 08/31/17			
Central Banks		All Central Banks				View		Agenda		Weekly	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/02	11:00				Fed's Mester Speaks to Community Banking Conference					
22)	08/02	14:30				Fed's Williams Speaks in Las Vegas on Monetary Policy					
23)	08/07	10:45				Fed's Bullard Speaks on U.S. Economy in Nashville, TN					
24)	08/07	12:25				Fed's Kashkari Speaks in Bloomington, MN					
25)	08/10	09:00				Fed's Dudley to Hold Press Briefing					
26)	08/11	08:40				Fed's Kaplan Speaks in Arlington, Texas					
27)	08/11	10:30				Fed's Kashkari Speaks to Independent Community Bankers of Minn					
28)	08/16	13:00				FOMC Meeting Minutes	Jul 26	--	--	--	--
29)	08/24-08/26					Kansas City Fed hosts annual Jackson Hole Policy Symposium					

## 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	TBA \$20
4-week	08/07/2017	08/01/2017	08/03/2017	912796LR8		\$45	07/25/2017 \$45
3-month	08/03/2017	08/07/2017	08/10/2017	912796KX6		TBA	07/31/2017 \$39
6-month	08/03/2017	08/07/2017	08/10/2017	912796NR6		TBA	07/31/2017 \$33
1-year	08/10/2017	08/15/2017	08/17/2017	TBA		TBA	07/18/2017 \$20
<b>Note Auctions</b>							
2-year	08/24/2017	08/28/2017	08/31/2017	TBA		TBA	07/25/2017 \$26
3-year	08/02/2017	08/08/2017	08/15/2017	9128282Q2		TBA	07/11/2017 \$24
5-year	08/24/2017	08/28/2017	08/31/2017	TBA		TBA	07/26/2017 \$34
7-year	08/24/2017	08/29/2017	08/31/2017	TBA		TBA	07/27/2017 \$28
10-year	08/02/2017	08/09/2017	08/15/2017	9128282R0		TBA	07/12/2017 \$20
<b>Bond Auctions</b>							
30-year	08/02/2017	08/10/2017	08/15/2017	912810RY6		TBA	07/13/2017 \$12
<b>TIPS Auctions</b>							
5-yr TIPS	08/17/2017	08/24/2017	08/31/2017	TBA	R	TBA	04/20/2017 \$16
10-yr TIPS	09/14/2017	09/21/2017	09/29/2017	TBA	R	TBA	07/20/2017 \$13
30-yr TIPS	10/12/2017	10/19/2017	10/31/2017	TBA	R	TBA	06/22/2017 \$5
<b>Floating Rate Note</b>							
2-year FRN	08/17/2017	08/23/2017	08/25/2017	TBA	R	TBA	07/26/2017 \$17
<b>Buyback Operation</b>							
Buyback	TBA	TBA	TBA	TBA		TBA	04/19/2017 \$.025

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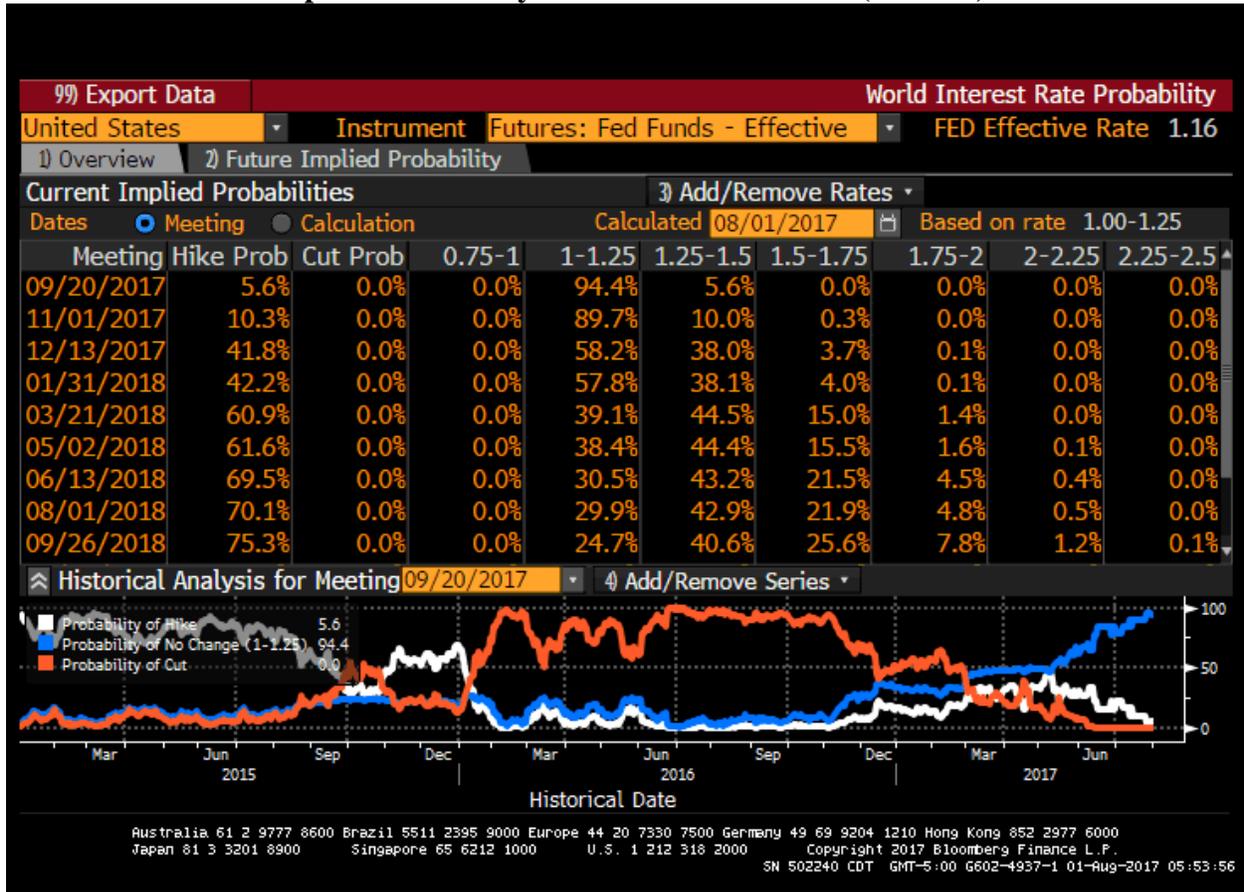
1-Month Libor Set	1.23056	-0.00111	(98.76944)
3-Month Libor Set	1.31278	+0.00222	(98.68722)
6-Month Libor Set	1.45167	+0.00000	(98.54833)
1-Year Libor Set	1.72567	+0.00000	(98.27433)

Federal Reserve Target Fed Fund Rate Projections (Median)				
Year Ending	2017	2018	2019	Longer
Rate	1.40	2.10	3.00	3.00

Median Federal Reserve Projections

<http://www.federalreserve.gov/monetarypolicy/files/fomcproitabl20170614.pdf>

Implied Probability of Fed Rate Movement (Futures)



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## THEY SAID IT

**Eurostat said industrial producer prices in the 19-country currency bloc increased 2.5 percent on the year in June, slowing from an upwardly revised 3.4 percent rise in May and a 4.3 percent surge in April.**

<http://www.reuters.com/article/us-eurozone-economy-ppi-idUSKBN1AI0ZR?i=0>

The June figure was the lowest this year in a further sign that inflationary pressures are easing, complicating European Central Bank's plans to begin a gradual tightening of its monetary policy in autumn.

Headline inflation was stable at 1.3 percent in July, far from its 2.0 percent peak reached in February, according to preliminary estimates released by Eurostat this week. The ECB's target is for an inflation rate below, but close to 2 percent.

On the month, prices eased in June by 0.1 percent, in line with market expectations. In May industrial prices went down by 0.3 percent on the month, slightly less than the 0.4 percent fall previously estimated by Eurostat.

Eurostat's estimates showed a slowdown of industry inflation also in its core indicator that excludes volatile energy prices, with a year-on-year 2.2 percent rise in June after a 2.4 percent increase in May a 2.6 percent rise in April.

**At an emergency summit in Berlin called by the government, the chief executives of [Volkswagen AG](#), [Daimler AG](#) and [BMW AG](#) will face off with ministers and state leaders to convince them that, despite the steady drumbeat of negative news, diesel has a future. With protesters gathered outside the transport ministry and Greenpeace scaling the building to hang a sign, the government made a last-minute decision to move the gathering to the interior ministry, which has a more secure exterior.**

<https://www.bloomberg.com/news/articles/2017-08-02/germany-makes-last-ditch-play-to-save-diesel-at-emergency-summit>

There's a lot at stake for all sides. German automakers need diesel as a stop-gap technology to buy time to catch up with the electric offerings of Tesla Inc. and [Nissan Motor Co.](#) And with less than two months until a federal election, Chancellor Angela Merkel, whose ruling bloc runs the ministry overseeing carmakers, has to ward off criticism that the government is too lenient on carmakers while also not endangering the country's 800,000 industry jobs.

**The only real wild card in the U.S. car market is the replacement rate, which is to say how often cars and trucks make their way to the junkyard. This is perhaps where auto executives should have seen the slowdown coming. In the past two decades, about 13 million vehicles were dropping out of the U.S. fleet every year, far less than the number of new vehicles sold over the past five years. Customers keen to upgrade kept the market running hot for awhile, but that imbalance finally caught up with automakers. As more vehicles stayed in the driveway, fewer came off the lot.**

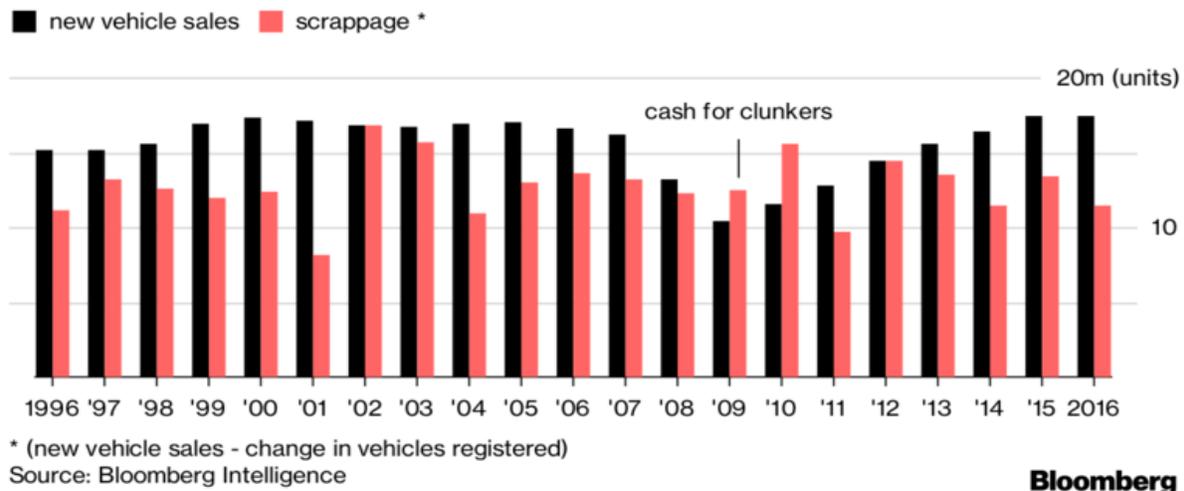
<https://www.bloomberg.com/news/articles/2017-08-02/the-real-reason-car-sales-are-falling>

Americans still tend to own slightly more than one vehicle apiece, but they are keeping those vehicles longer. The average car or truck on U.S. roads today was made in 2005. They're still on the road because, well, they're still on the road. Vehicles made in the past 15 to 20 years are vastly more reliable than their predecessors.

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## Underscrapped

For years, dealerships have been moving cars out much faster than junkyards are moving them in.



Meanwhile, the accelerating pace of innovation may be making things even worse. With each advancement in electric powertrains and autonomous driving, it's easier to envision a game-changing machine, the prospect of which shifts some would-be buyers into the wait-and-see category. Why buy a new car now when the car of your dreams is just over the horizon?

### (Democrats late to the Party)

**"This plan would level the playing field for American workers by ensuring our workers aren't competing in a race to the bottom on wages and labor protections," strategy documents state.**

<https://www.cnbc.com/2017/08/02/democrats-call-for-new-outsourcing-tax.html>

Democrats' proposals include penalizing businesses that move jobs or their headquarters out of the United States. Companies would have to pay a corporate tax rate of 35 percent on any profits held overseas before relocating. Currently, businesses are able to defer those taxes until the money is brought back to the country.

Companies would also be prevented from deducting the expense of moving those jobs. On the other hand, businesses that bring jobs back to America would receive a tax credit for 20 percent of those costs.

Government contractors would face more stringent requirements under Democrats' plan, including a public "shame list" for those that regularly send jobs overseas. In addition, the proposal would require companies that outsource to add as much as 10 percent to their estimated costs, making them less competitive.

**"It's still sheikhs versus shale," said John Driscoll, director of JTD Energy Services in Singapore and a former oil trader whose career spans nearly 40 years. "I would put an average price for [the third quarter] at just under \$50. In the past year it's like Brent was following the U.S. speed limit: 55 max."**

<https://www.cnbc.com/2017/08/01/oil-survey-sheikhs-versus-shale-to-keep-prices-capped-at-50-in-q3-experts-say.html>

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Warren Gilman, CEO of CEF Holdings offered the lowest forecast at \$40 a barrel for the third quarter. "Growing supply will require further cuts from OPEC if they want a higher price," Gilman said.

Seasonal factors may prove supportive in the current quarter: Gulf producers could hold back oil from the export market to feed higher demand from domestic power generators during the summer, coinciding with strong U.S. gasoline demand.

"U.S. demand seems pretty steady despite low oil prices and the lowest summer gas prices in years," said Rachel Ziamba, managing director of emerging markets research at 4CAST-RGE.

"I'm a tad more constructive on India and China."

Crude inventories chalked up their fourth weekly decline, falling 7.2 million barrels in the week ending July 21, as improved product margins encouraged U.S. refiners to process more crude.

That put total crude stockpiles below 2016's level for the first time this year. Still, U.S. crude inventories remain stubbornly above the five-year average.

JTD Energy's Driscoll said he expected "greater threats" to OPEC and non-OPEC supply cuts.

"Any perception that there will be 'leakage' will take air out of the balloon."

UBS, meanwhile, projected that OPEC will remain "steadfast" in its commitment to restrain oil output, but assigned a 20 to 30 percent probability of a breakdown in the OPEC deal, which could translate to a short-term price drop to between \$30 and \$35.

### **(Never going to happen Mr. El-Erian)**

**To win the price-setting game, oil producers need to address two related issues: They must maintain prices at a relatively high level without losing more market share to nontraditional producers, and they need to retain unity amid geopolitical tensions and disparities in domestic economic and financial situations.**

<https://www.bloomberg.com/view/articles/2017-08-02/opec-s-game-theory-dilemma>

The easiest way to achieve this -- absent a major exogenous shock to oil production -- is through a large increase in energy demand. This is unlikely to happen anytime soon. The alternative is better supply management. Here, OPEC members have essentially three types of approaches available, and each comes with implementation challenges.

The first is to try to establish and lead a broad coalition that includes non-OPEC producers and involves some type of understanding with nontraditional suppliers.

The second approach is for OPEC to try to strengthen its recent alignment with producers outside the cartel by seeking tighter production curbs and stronger verification and enforcement mechanisms, and adding the incentive of a stabilization fund that would help the more pressured producers through multiple cash crunches.

The third approach would be for OPEC to go all out to meaningfully disrupt the current production of nontraditional suppliers and, simultaneously, cripple the flow of funds for their investment needs.

**"Simplification, standardization and deflation are repositioning the oil industry for better profitability and cash generation in the current environment than in 2013-14 when the oil price was above \$100 a barrel," the analysts said.**

<https://www.bloomberg.com/news/articles/2017-08-02/who-needs-100-oil-majors-making-more-cash-at-50-goldman-says>

Integrated giants like BP Plc and [Royal Dutch Shell Plc](#) have adapted to lower prices by cutting costs and improving operations, analysts at the bank including Michele Della Vigna said in a

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research note Wednesday. European majors made more cash during the first half of this year, when Brent averaged \$52 a barrel, than they did in the first half of 2014 when prices were \$109. In the second quarter, Europe's big oil companies generated enough cash from operations to cover 91 percent of their capital expenses and dividends, showing that they're close to being able to fund shareholder payments with business-generated revenue, according to Goldman. That will give companies the ability to stop paying dividends by issuing new stock, which has diluted major European energy shares by 3 to 13 percent since 2014.

Next year, dividends from big European energy firms are expected yield 6 percent, backed by an estimated 6 percent free cash flow yield, Goldman said. That compares to an estimated 3.6 percent dividend yield for the STOXX Europe 600 Index as a whole, according to the report.

**“We can confirm that Kurt Kelty has left the company to explore new opportunities and we want to thank him for everything he’s done for Tesla,” the company said in an emailed statement Tuesday, noting that his responsibilities will be “distributed among Tesla’s existing teams.”**

<https://www.bloomberg.com/news/articles/2017-08-01/tesla-s-long-time-battery-technology-director-kelty-departs>

[Tesla Inc.’s](#) director of battery technology has left the company, the latest in a raft of management departures from the automaker introducing its new Model 3 electric car. Kurt Kelty, who joined Tesla in 2006, was one of the longest-serving executives at the automaker led by Chief Executive Officer [Elon Musk](#). He previously worked more than 14 years at Panasonic Corp., Tesla’s partner on the battery gigafactory near Reno, Nevada. Kelty led negotiations with Panasonic on that plant, according to his LinkedIn profile.

**China's finance ministry has issued guidelines on overseas investment of state-owned enterprises (SOEs), amid a campaign to tighten controls on outbound investment and financial risks.**

<http://www.reuters.com/article/us-china-economy-soe-idUSKBN1A11BO?il=0>

SOEs have been leading China's "go out" drive with growing overseas investments, but they have encountered problems of low returns on investment and weak profitability, the ministry said.

The guidelines will help "strengthen financial management of overseas investment of state-owned enterprises, prevent financial risks and improve investment efficiency," the ministry said in a statement on Wednesday.

The guidelines covered areas of investment decisions, financial management, cost control, dividend distribution and foreign exchange business.

In January, China issued regulatory rules on outbound investments by centrally-controlled state firms, in a bid to tighten controls on money moving out of the country and stabilize a faltering yuan.

**“No amount of sanctions will stop Kim Jong Un from having his ICBM,” said Andrei Lankov, a professor of Korean studies at [Kookmin University](#) in Seoul, who has written several books on North Korea. “As long as the Kim family stays in power -- and they’re likely to stay in power for a long time -- denuclearization is not possible. Period.”**

<https://www.bloomberg.com/news/articles/2017-08-01/north-korea-s-missiles-may-be-too-advanced-for-more-sanctions>

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The U.S. has said it won't call another meeting of the United Nations Security Council after the latest missile test, with Ambassador Nikki Haley saying another resolution would be pointless. The U.S. and Japan both blame China and Russia -- veto-wielding members of the Security Council that oppose more sanctions -- for propping up Kim's regime.

That leaves U.S. President [Donald Trump](#) with limited options. A military strike could have devastating consequences for the Korean peninsula. At the same time the U.S. is loath to make the concessions that Kim demands to get him to the negotiating table.

China fears a collapse of Kim's regime could lead to a refugee crisis and U.S. troops on its border. Even though relations between the neighbors have been frosty of late, China still accounts for about 90 percent of North Korea's total trade.

Trump, who blasted China on Twitter for doing "NOTHING" on North Korea, is considering trade restrictions and sanctions against the world's second-biggest economy, Politico reported on Monday. In June, his administration sanctioned a regional Chinese bank, a shipping company and two Chinese citizens over dealings with North Korea.

**"Trump is wrong in his assumption that Beijing can single-handedly handle the matter. As Beijing has said, repeatedly, it does not have the kind of 'control' over [Pyongyang](#) that the U.S. president believes it does," said English-language newspaper China Daily in an unsigned editorial.**

<https://www.cnbc.com/2017/08/01/north-korea-crisis-china-says-trump-wrong-that-it-can-fix-problem.html>

In its editorial, China Daily said Pyongyang's constant saber-rattling is a threat to China too, as the world's second largest economy "feels threatened by the damage Pyongyang's nuclear weapons ambitions may inflict on its immediate neighborhood."

"For that reason, although U.S. President Donald Trump has expressed frustration at what he considers Beijing's failure to dissuade Pyongyang from its nuclear adventure, Beijing has every reason to feel unfairly burdened with a task that is obviously beyond it, especially as it has been working diligently to broker a peaceful resolution to the crisis," it added.

"Nor will Beijing accept Trump's allegation that it has done nothing. From Beijing's perspective, it has significantly increased the pressure on Pyongyang by doing everything the strengthened UN sanctions regime requires of it."

**"We do not seek a regime change, we do not seek a collapse of the regime, we do not seek an accelerated reunification of the peninsula, we do not seek an excuse to send our military north of the 38th Parallel," Tillerson said.**

**"We are not your enemy ... but you are presenting an unacceptable threat to us, and we have to respond. And we hope that at some point they will begin to understand that and we would like to sit and have a dialogue with them."**

<https://www.cnbc.com/2017/08/01/tillerson-says-us-would-like-dialogue-with-north-korea-at-some-point.html>

The United States does not seek to topple the [North Korean](#) government and would like dialogue with Pyongyang at some point, but only on the understanding that it can never be a nuclear power, Secretary of State [Rex Tillerson](#) said on Tuesday.

Speaking to reporters at the State Department days after Pyongyang tested its second intercontinental ballistic missile (ICBM), Tillerson reiterated that Washington sought to persuade North Korea to give up its missile and nuclear weapons programs through peaceful pressure.

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## EQUITIES

The S&P is +1 and the NASDAQ is +43.

Particulars for companies to make money (**low interest rates, positive growth and some wage inflation**) remain in place. I am dollar cost averaging into a mix of equities.

Currently 65% Equities, 20% Bonds and 15% 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 -0.30%.**

In the UK, yields are mixed with the yield curve flatter.

**BOE Rate +0.25%.**

**Next meeting 08/03/17**

## On the European Continent

**The CAC Index closed -0.07%.**

**The DAX Index closed -0.11%.**

On the Continent, yields are lower with the yield curve flatter.

**ECB Main Refinancing Operations Rate +0.00%**

**Deposit Facility Rate -.40%**

**Next meeting 09/07/17**

## ASIA

### Japan:

**The TOPIX closed +0.36%.**

**The NIKKEI closed +0.47%.**

In Japan yields are mixed with the yield curve largely unchanged.

**BOJ Basic Loan rate 0.30%**

**Next meeting 09/21/17**

### China:

**The Hang Seng closed +0.24%.**

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

### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

EDU7: 98-66.0 is the pivot. Below the pivot you should be short, above long. Support is at 98-66.0\* and 98-68.5\*\*.

Resistance is at 98-64.0\*.

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

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

Trend that had you long from 98.59 (5/2/17) has rolled over but, I have elected to over-ride all sell signals and remain long.



**YTD -0.5 futures ticks (\$25 per tick) or -\$12.50 per 1 contract traded.**

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**10yr/TYU7: 125-23.5 is the pivot point. Above you should be long, below short.**

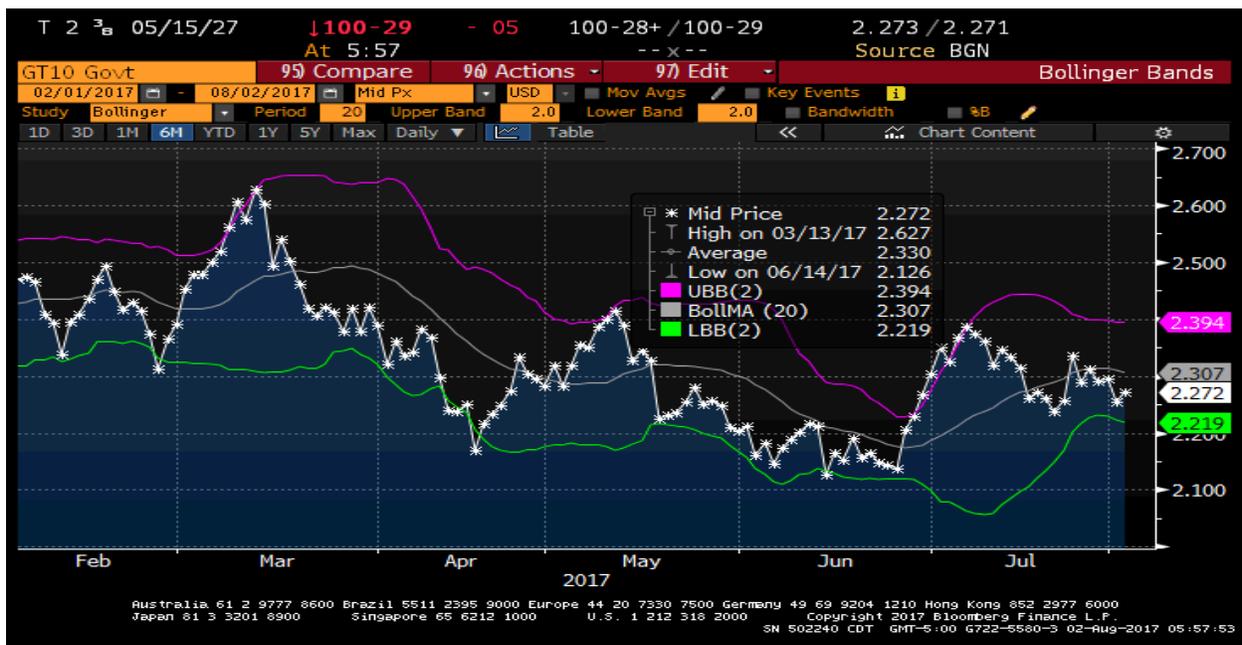
**Support is at 125-23.5, 124-28.0\*\***

**Resistance is at 126-19.0\*\***

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

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

**Current trend has you long from 125-21.0 (7/26/17).**

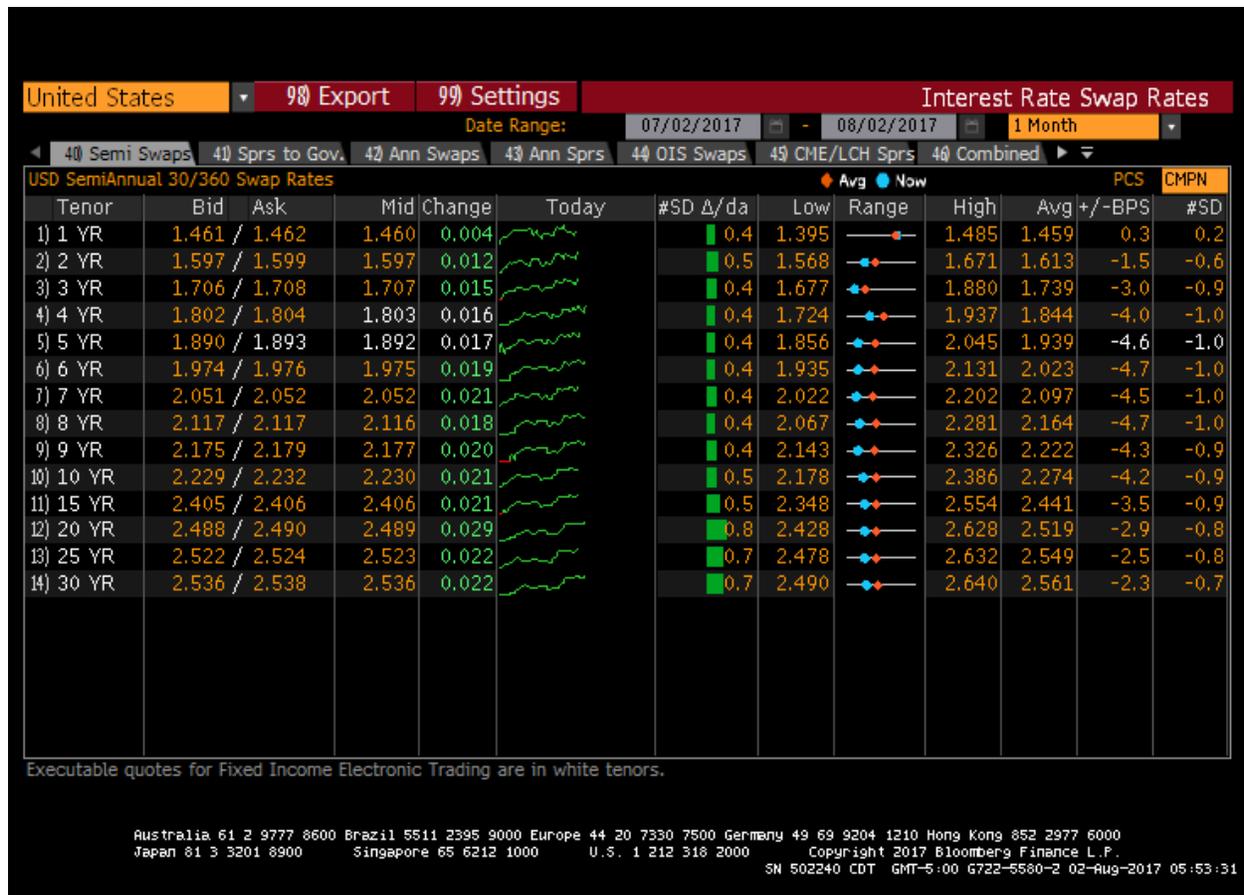


**YTD (2017) +50.5 futures ticks (\$31.25 per tick) or +1,703.13 per 1 contract traded.**

**YTD (2016) +377.5 futures ticks (\$31.25 per tick) or +\$11,796.88 per 1 contract traded.**

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# US-SWAPS IRSB <GO>



## The Option Lab

**Option Book 2017 YTD realized: -\$228.13 per 1 contract.**

**Option Book 2016 YTD realized: +\$43.75 per 1 contract.**

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## The Fundamentals

### LABOR

#### Bureau of Labor and Statistics

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

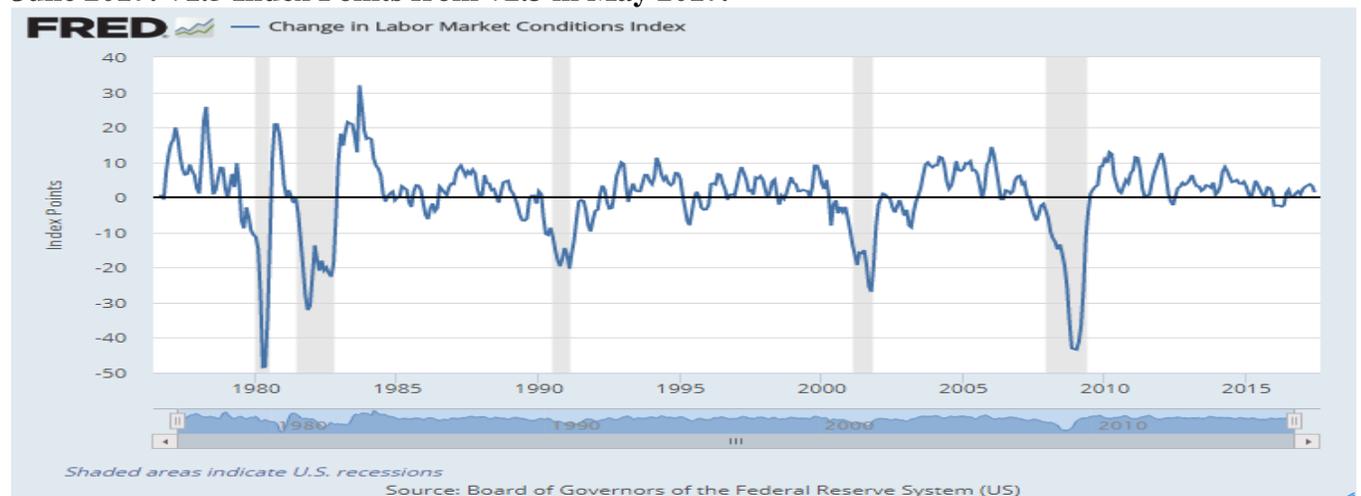
CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

#### Labor Department (Weekly Unemployment Claims).

[http://www.doleta.gov/ETA\\_News\\_Releases/](http://www.doleta.gov/ETA_News_Releases/)

#### St. Louis Fed Labor Market Conditions Index

June 2017: +1.5 Index Points from +2.3 in May 2017.



<https://research.stlouisfed.org/fred2/series/FRBLMCI>

#### St. Louis Fed Agriculture Finance Monitor 1st quarter 2017

Farm income declined in the first quarter of 2017 from a year earlier.

Proportionately more bankers reported that farm households continued to trim household expenditures and capital spending in the first quarter.

Slightly more bankers reported that declines in farm incomes and farm household expenditures.

Quality farmland and rangeland or pastureland values rose sharply in the first quarter from a year earlier, your largest increase in three years.

However, the majority of bankers expect farmland values to decline in the second quarter. Cash rents for quality farmland and rangeland or pastureland declined slightly in the first quarter.

Interest rates on fixed rate loans secured by farm real estate have increased by only 10 basis points over the past four quarters (0.10 percentage points).

62% of Bankers polled, cited their top concern for 2017 was a possible further decline in farm incomes.

<https://files.stlouisfed.org/files/htdocs/publications/ag-finance/2017-05-11/2017-first-quarter.pdf>

#### How do Farm Incomes Compare to the average population

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

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## 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.	28 July 2017	958	+8	21 July 2017	+495	29 July 2016
Canada	28 July 2017	220	+14	21 July 2017	+101	29 July 2016
International	June 2017	960	+3	May 2017	+33	June 2016

<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%**

**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/>

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## TRANSPORTS

### Association of American Railroads Rail Traffic Report.

For this week, total U.S. weekly rail traffic was 534,152 carloads and intermodal units, up 1.1 percent compared with the same week last year.

Total carloads for the week ending July 22 were 256,863 carloads, down 2 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 277,289 containers and trailers, up 4.1 percent compared to 2016.

Three of the 10 carload commodity groups posted an increase compared with the same week in 2016. They were coal, up 5.3 percent to 88,304 carloads; nonmetallic minerals, up 2.9 percent to 38,630 carloads; and forest products, up 1.9 percent to 10,388 carloads. Commodity groups that posted decreases compared with the same week in 2016 included grain, down 15.8 percent to 20,316 carloads; miscellaneous carloads, down 15.2 percent to 9,258 carloads; and motor vehicles and parts, down 13.2 percent to 12,696 carloads.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-07-26-railtraffic.aspx>

### Weekly Rail Traffic Report and Charts.

For the first 29 weeks of 2017, U.S. railroads reported cumulative volume of 7,448,686 carloads, up 5.7 percent from the same point last year; and 7,670,677 intermodal units, up 2.9 percent from last year. Total combined U.S. traffic for the first 29 weeks of 2017 was 15,119,363 carloads and intermodal units, an increase of 4.3 percent compared to last year.

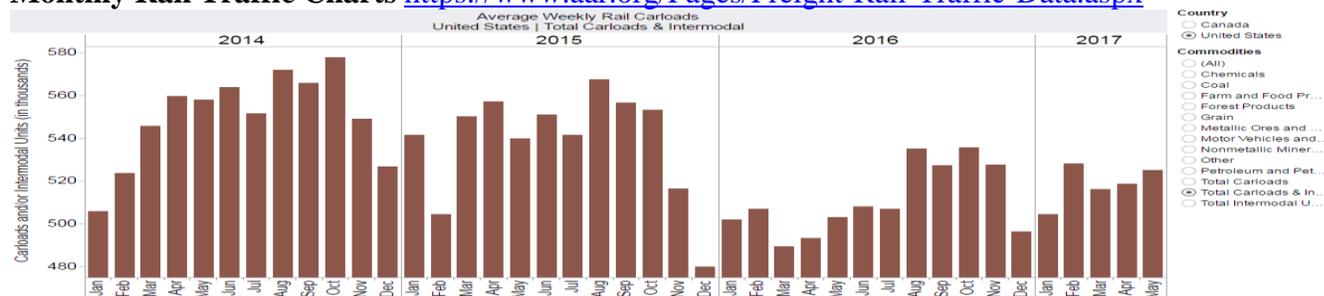
North American rail volume for the week ending July 22, 2017, on 13 reporting U.S., Canadian and Mexican railroads totaled 348,537 carloads, up 0.1 percent compared with the same week last year, and 356,487 intermodal units, up 5.5 percent compared with last year. Total combined weekly rail traffic in North America was 705,024 carloads and intermodal units, up 2.8 percent. North American rail volume for the first 29 weeks of 2017 was 20,030,682 carloads and intermodal units, up 5.5 percent compared with 2016.

Canadian railroads reported 74,663 carloads for the week, up 6.5 percent, and 67,374 intermodal units, up 9.3 percent compared with the same week in 2016. For the first 29 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 4,127,599 carloads, containers and trailers, up 11.5 percent.

Mexican railroads reported 17,011 carloads for the week, up 6.9 percent compared with the same week last year, and 11,824 intermodal units, up 19.4 percent. Cumulative volume on Mexican railroads for the first 29 weeks of 2017 was 783,720 carloads and intermodal containers and trailers, down 1 percent from the same point last year.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-07-26-railtraffic.pdf>

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



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## Trailer Truck Demand

(Bloomberg Intelligence) – 07/31/17

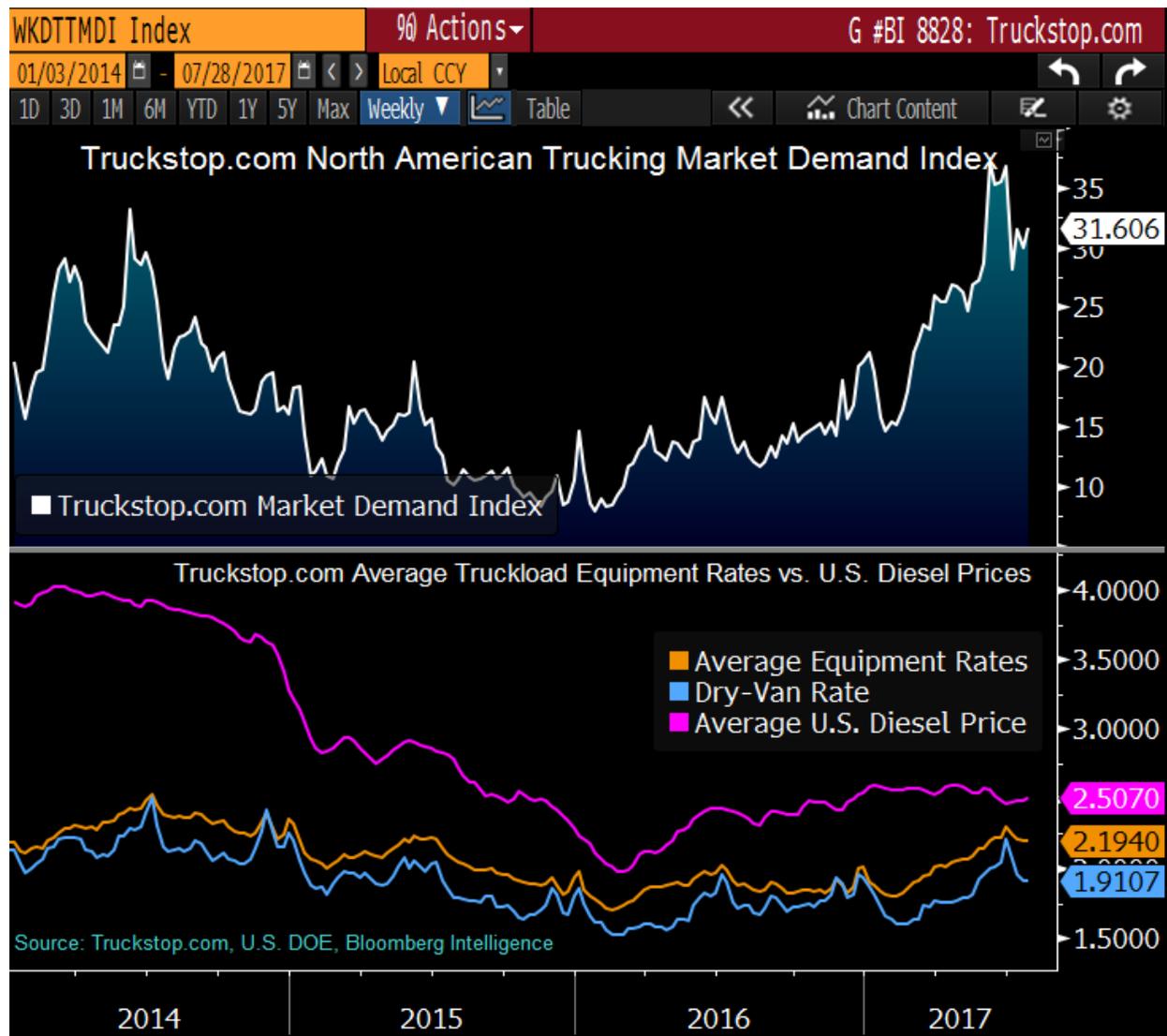
Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) -- Relative North American spot trucking demand rose 5.7% sequentially to 31.6 in the week ended July 28, as measured by Truckstop.com's Market Demand Index. Capacity tightened as the number of available trucks fell 5.3%, while available loads remained flat. Average spot rates flattened after three weeks of decelerating declines, with temperature-controlled loads (up 2.5%) showing the most strength. Rates had support from fuel surcharges (up 1%), which have inched higher in four straight weeks.

The Market Demand Index has climbed 100% on average vs. last year. Total rates have increased 9%, driven by 31% higher fuel surcharges. USA Truck and Knight are the truckload carriers most exposed to the spot market. Swift, Werner, J.B. Hunt and Marten have little exposure.

To contact the analyst for this research:

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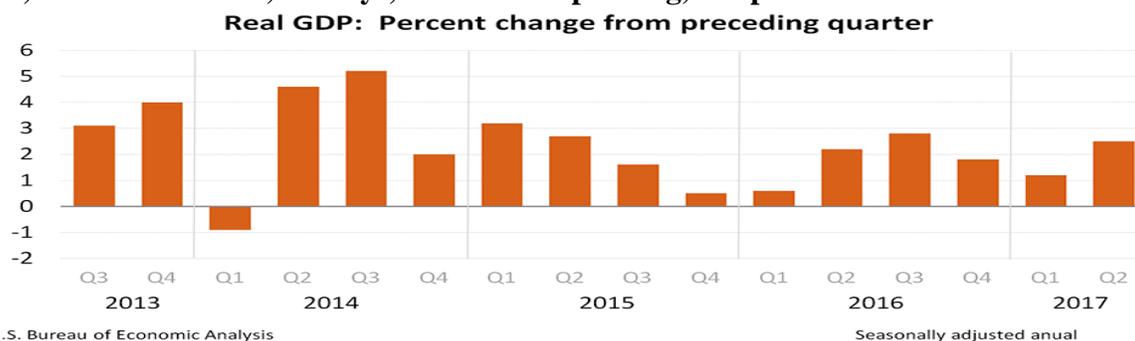
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GDP (2Q running around 2.40% as of July 27)

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

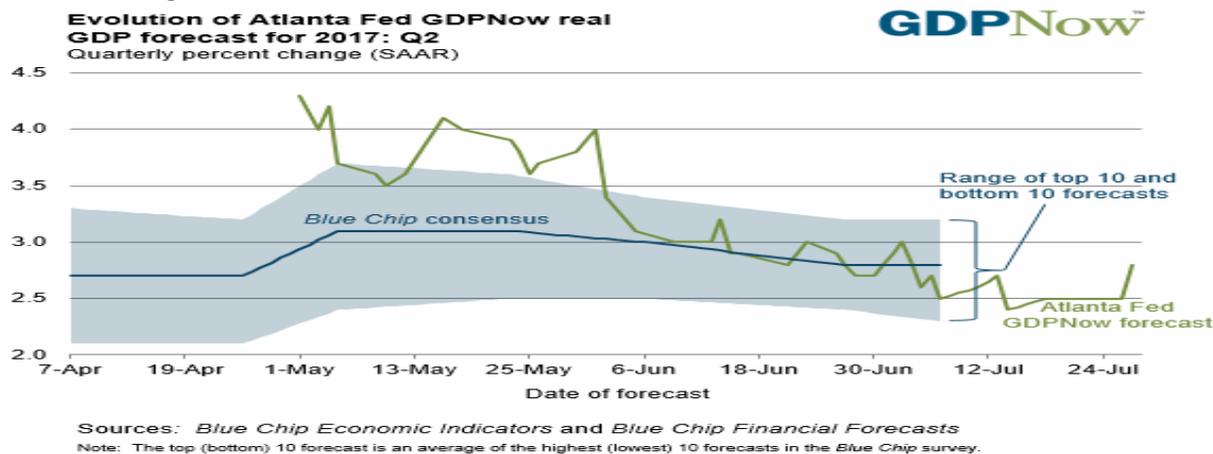
<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

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



### Atlanta Fed GDPNowcast Latest forecast... 2.8 percent... July 27, 2017

The final GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2017 is **2.8 percent** on July 27, up from 2.5 percent on July 19. The forecast of the contribution of inventory investment to second-quarter growth increased from 0.54 percentage points to 0.82 percentage points after this morning's advance reports on durable manufacturing and wholesale and retail inventories from the U.S. Census Bureau.



<https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1>

New York Fed Nowcast...Q2 stands at 2.0%...July 21, 2017

Q3 stands at 1.8%.

[https://www.newyorkfed.org/medialibrary/media/research/policy/nowcast/nowcast\\_2017\\_0721.pdf?la=en](https://www.newyorkfed.org/medialibrary/media/research/policy/nowcast/nowcast_2017_0721.pdf?la=en)

St. Louis Fed Real GDP Nowcast... Q2 2017: 2.39%...July 27, 2017

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

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<b>MANUFACTURING AT A GLANCE</b>						
<b>July 2017</b>						
<b>Index</b>	<b>Series Index Jul</b>	<b>Series Index Jun</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>PMI®</b>	<b>56.3</b>	<b>57.8</b>	<b>-1.5</b>	<b>Growing</b>	<b>Slower</b>	<b>11</b>
<b>New Orders</b>	<b>60.4</b>	<b>63.5</b>	<b>-3.1</b>	<b>Growing</b>	<b>Slower</b>	<b>11</b>
<b>Production</b>	<b>60.6</b>	<b>62.4</b>	<b>-1.8</b>	<b>Growing</b>	<b>Slower</b>	<b>11</b>
<b>Employment</b>	<b>55.2</b>	<b>57.2</b>	<b>-2.0</b>	<b>Growing</b>	<b>Slower</b>	<b>10</b>
<b>Supplier Deliveries</b>	<b>55.4</b>	<b>57.0</b>	<b>-1.6</b>	<b>Slowing</b>	<b>Slower</b>	<b>15</b>
<b>Inventories</b>	<b>50.0</b>	<b>49.0</b>	<b>+1.0</b>	<b>Unchanged</b>	<b>From Contracting</b>	<b>1</b>
<b>Customers' Inventories</b>	<b>49.0</b>	<b>50.5</b>	<b>-1.5</b>	<b>Too Low</b>	<b>From Too High</b>	<b>1</b>
<b>Prices</b>	<b>62.0</b>	<b>55.0</b>	<b>+7.0</b>	<b>Increasing</b>	<b>Faster</b>	<b>17</b>
<b>Backlog of Orders</b>	<b>55.0</b>	<b>57.0</b>	<b>-2.0</b>	<b>Growing</b>	<b>Slower</b>	<b>6</b>
<b>New Export Orders</b>	<b>57.5</b>	<b>59.5</b>	<b>-2.0</b>	<b>Growing</b>	<b>Slower</b>	<b>17</b>
<b>Imports</b>	<b>56.0</b>	<b>54.0</b>	<b>+2.0</b>	<b>Growing</b>	<b>Faster</b>	<b>6</b>
<b>OVERALL ECONOMY</b>				<b>Growing</b>	<b>Slower</b>	<b>98</b>
<b>Manufacturing Sector</b>				<b>Growing</b>	<b>Slower</b>	<b>11</b>

#### **THE LAST 12 MONTHS**

<i>Month</i>	<i>PMI®</i>		<i>Month</i>	<i>PMI®</i>
<b>Jul 2017</b>	<b>56.3</b>		<b>Jan 2017</b>	<b>56.0</b>
<b>Jun 2017</b>	<b>57.8</b>		<b>Dec 2016</b>	<b>54.5</b>
<b>May 2017</b>	<b>54.9</b>		<b>Nov 2016</b>	<b>53.5</b>
<b>Apr 2017</b>	<b>54.8</b>		<b>Oct 2016</b>	<b>52.0</b>
<b>Mar 2017</b>	<b>57.2</b>		<b>Sep 2016</b>	<b>51.7</b>
<b>Feb 2017</b>	<b>57.7</b>		<b>Aug 2016</b>	<b>49.4</b>
<b>Average for 2017 – 56.4 PMI®</b> <b>Average for 12 months – 54.7 PMI®</b> <b>High – 57.8</b> <b>Low – 49.4</b>				

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<https://www.instituteforsupplymangement.org/ismreport/mfgrob.cfm>

**US Census Bureau (Manufacturers' Shipments, Inventories and Orders).**

<http://www.census.gov/manufacturing/m3/>

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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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