



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

ECO <go>  
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 14:12:26 08/04/17 - 08/08/17

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/04	07:30	🔊	🔊	🔊	Change in Nonfarm Payrolls	Jul	180k	--	222k	--
22)	08/04	07:30	🔊	🔊	🔊	Two-Month Payroll Net Revision	Jul	--	--	--	--
23)	08/04	07:30	🔊	🔊	🔊	Change in Private Payrolls	Jul	180k	--	187k	--
24)	08/04	07:30	🔊	🔊	🔊	Change in Manufact. Payrolls	Jul	5k	--	1k	--
25)	08/04	07:30	🔊	🔊	🔊	Unemployment Rate	Jul	4.3%	--	4.4%	--
26)	08/04	07:30	🔊	🔊	🔊	Average Hourly Earnings MoM	Jul	0.3%	--	0.2%	--
27)	08/04	07:30	🔊	🔊	🔊	Average Hourly Earnings YoY	Jul	2.4%	--	2.5%	--
28)	08/04	07:30	🔊	🔊	🔊	Average Weekly Hours All Employ	Jul	34.5	--	34.5	--
29)	08/04	07:30	🔊	🔊	🔊	Labor Force Participation Rate	Jul	--	--	62.8%	--
30)	08/04	07:30	🔊	🔊	🔊	Underemployment Rate	Jul	--	--	8.6%	--
31)	08/04	07:30	🔊	🔊	🔊	Trade Balance	Jun	-\$44.5b	--	-\$46.5b	--
32)	08/07	14:00	🔊	🔊	🔊	Consumer Credit	Jun	\$16.000b	--	\$18.410b	--
33)	08/07-08/11		🔊	🔊	🔊	Mortgage Delinquencies	2Q	--	--	4.71%	--
34)	08/07-08/11		🔊	🔊	🔊	MBA Mortgage Foreclosures	2Q	--	--	1.39%	--
35)	08/08	05:00	🔊	🔊	🔊	NFIB Small Business Optimism	Jul	103.8	--	103.6	--
36)	08/08	09:00	🔊	🔊	🔊	JOLTS Job Openings	Jun	--	--	5666	--

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. 1 212 316 2000 Copyright 2017 Bloomberg Finance L.P.  
 SN 502240 CDT GMT-5:00 H145-5316-2 03-Aug-2017 14:12:26

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## Fed Speak Calendar

(All times are CST)

1) Calendars ▾		2) Alerts		3) Export ▾		4) Settings ▾		Economic Calendars			
	United States	Browse		15:02:54		08/03/17		- 08/31/17			
Central Banks		All Central Banks				View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly					
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/07	10:45				Fed's Bullard Speaks on U.S. Economy in Nashville, TN					
22)	08/07	12:25				Fed's Kashkari Speaks in Bloomington, MN					
23)	08/10	09:00				Fed's Dudley to Hold Press Briefing					
24)	08/11	08:40				Fed's Kaplan Speaks in Arlington, Texas					
25)	08/11	10:30				Fed's Kashkari Speaks to Independent Community Bankers of Minn					
26)	08/16	13:00				FOMC Meeting Minutes	Jul 26	--	--	--	--
27)	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
Cash mgmt	TBA	TBA	TBA	TBA		TBA	TBA \$20
4-week	08/07/2017	08/08/2017	08/10/2017	TBA		TBA	08/01/2017 \$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	09/07/2017	08/08/2017	08/15/2017	9128282Q2		\$24	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	09/07/2017	08/09/2017	08/15/2017	9128282R0		\$23	07/12/2017 \$20
<b>Bond Auctions</b>							
30-year	09/07/2017	08/10/2017	08/15/2017	912810RY6		\$15	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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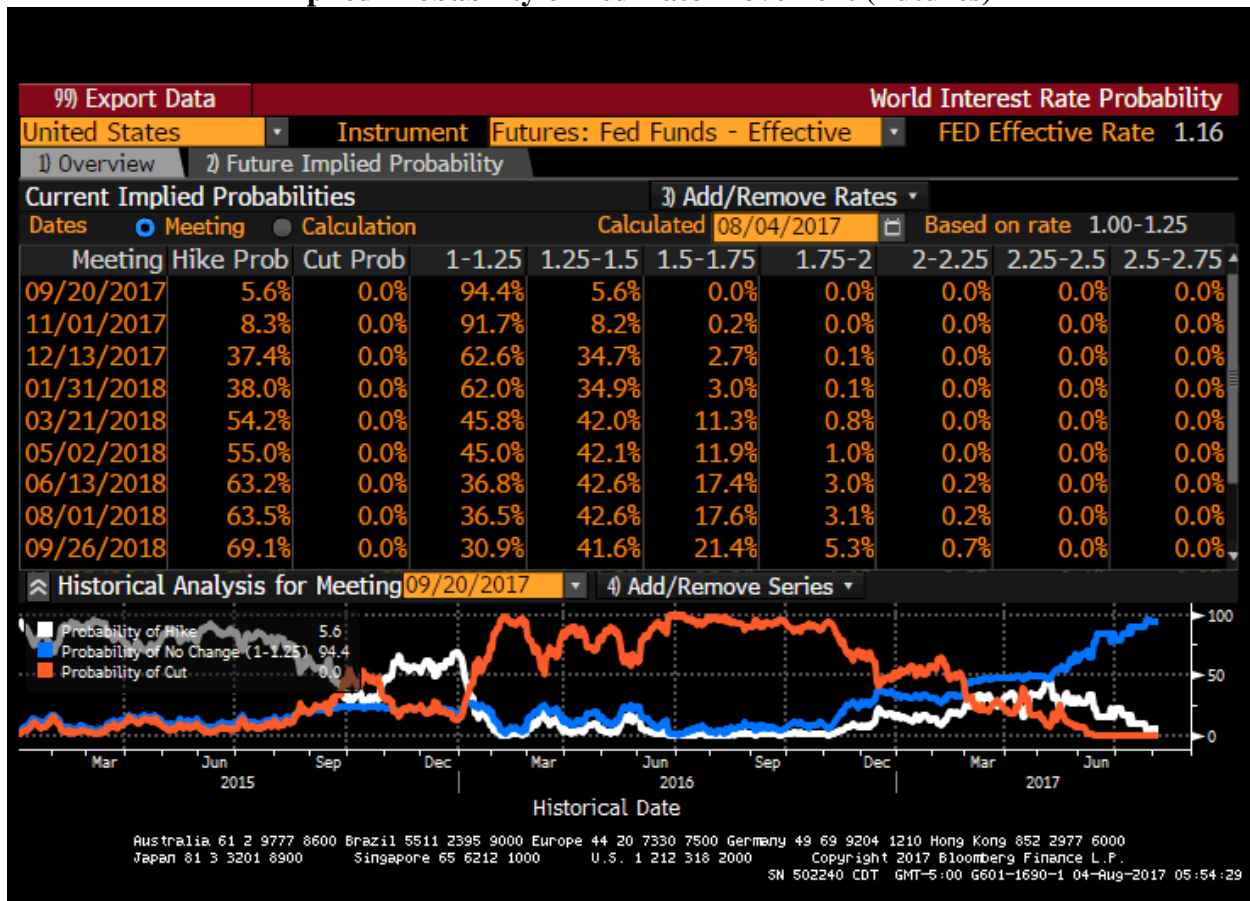
1-Month Libor Set	1.22889	-.00167	(98.77111)
3-Month Libor Set	1.31194	+.00027	(98.68806)
6-Month Libor Set	1.44944	-.00167	(98.55056)
1-Year Libor Set	1.72289	-.00278	(98.27711)

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

**Grand juries are how federal prosecutors conduct their investigations. The grand jury has the subpoena power that prosecutors need to compel reluctant witnesses to testify under oath. Grand jury subpoenas are also how prosecutors gather documents such as bank records, emails and corporate papers from entities or people who might not produce them voluntarily.**

**If a preliminary inquiry suggests there is nothing to a case, prosecutors might never empanel a grand jury. They and the FBI might conduct voluntary interviews, examine readily available documents and determine that no more formal inquiry is warranted.**  
[https://www.washingtonpost.com/blogs/post-partisan/wp/2017/08/03/why-muellers-use-of-a-grand-jury-confirms-what-we-already-knew/?utm\\_term=.b0815dc5ce53](https://www.washingtonpost.com/blogs/post-partisan/wp/2017/08/03/why-muellers-use-of-a-grand-jury-confirms-what-we-already-knew/?utm_term=.b0815dc5ce53)

Grand jury proceedings take place in secret, so there is often not a lot of news about what is happening in the room.

But someone who receives a subpoena to testify or produce documents is not bound by those secrecy rules. They are free to disclose — to the media or to anyone else — that they received a grand jury subpoena or testified in the grand jury. It may be that someone who just received a subpoena contacted a reporter and that has resulted in the “breaking news” stories.

The reality is that any investigation serious enough to warrant the appointment of a special counsel was always likely to involve a grand jury. It was always going to drag on for months. In a case this complex, it takes a long time to investigate the various allegations, subpoena and review relevant documents, and put relevant witnesses before the grand jury. If there are grants of immunity or plea deals to be negotiated, that takes time as well.

**“This is one of the most sophisticated plots that has ever been attempted on Australian soil,” Australian Federal Police Deputy Commissioner Michael Phelan told reporters Friday. “We could very well have had a catastrophic event.” Australian police say they thwarted one of the most sophisticated terrorism plots the nation has ever faced after two men allegedly attempted to smuggle a homemade bomb onto a Etihad Airways PJSC flight and then tried to turn it into a device to disperse chemicals.**

<https://www.bloomberg.com/news/articles/2017-08-03/australia-terror-suspects-charged-over-plot-to-bomb-etihad-plane>

The suspects, aged 49 and 32, face life in prison if found guilty of terrorism charges.

Authorities allege they tried to take an improvised explosive device, made with military-grade explosives provided by Islamic State, onto the flight from Sydney on July 15, but didn’t get through check-in. When that plot failed, officers allege the men took the bomb apart and began turning it into a device that could disperse chemicals.

**The vast majority of S&P 500 companies don’t have enough money set aside to meet all their obligations to current and future retirees. There’s a [total gap of at least \\$375 billion](#) for the 200 largest plans. This is how they got here.**

<https://www.bloomberg.com/news/articles/2017-08-04/how-america-dug-a-375-billion-pension-hole>

1975 to 1999

Assets in U.S. pension plans go from \$186 billion to more than \$2 trillion. A booming stock market helps the funds grow, since many are largely invested in equities.

2000 to 2005

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The dot-com bubble bursts and markets tumble, pushing many big corporate pension plans into the red after having a surplus. Bankruptcies of companies including United Airlines Inc. put a burden on the Pension Benefit Guaranty Corp., the government agency that backstops plans.  
2006

President George W. Bush signs the Pension Protection Act, which promises to make pensions safer—and less likely to end up in the hands of the PBGC.  
2008

The new law puts stricter funding requirements on companies with plans but comes just in time for the financial crisis and a brutal recession. Pension plans lose about 15 percent of their value in a single year.

Post-Crisis

The market climbs back, though not enough to make pensions whole. That's partly due to low interest rates: The accounting value of a pension liability rises when rates fall, because it becomes more difficult to earn the money needed to meet future costs. Companies are also spending money on stock buybacks and acquisitions to boost shareholder returns, sometimes at the expense of pension obligations. General Electric Co. has spent \$45 billion on buybacks in recent years—and has a pension shortfall of \$31 billion. The company says it will put \$3 billion into its plan in 2017 and 2018.

Now

Companies are eager to get out of the pension business. Most prefer 401(k) plans, where the employee alone bears the risk of falling short at retirement. More are also offloading their pension plans, paying insurance companies to take them on instead. Only about two dozen companies in the S&P 500 have overfunded pensions. Nine of them are banks.

**Chinese business owners say their profit margins have been "squeezed to the extreme" by rising rent and labour costs – and 80 per cent want taxes and levies cut to ease their burden.**

**That's according to the results of a nationwide survey of 14,709 companies released on Tuesday, relating to the three years from 2014, by the Chinese Academy of Fiscal Sciences, a think tank affiliated with the Ministry of Finance.**

<https://www.cnb.com/2017/08/03/chinese-firms-say-profit-margins-squeezed-to-extreme-by-rising-costs.html>

Their sentiments reflect limited progress in the push to "cut costs for business" – one of the biggest economic goals under President Xi Jinping, along with reducing excess capacity and cutting debt levels.

As businesses complain about the tax burden in China – including 25 per cent income tax and 17 per cent value-added tax – the situation is changing elsewhere. In the United States, President Donald Trump is pressing ahead with corporate tax cut plans, while Indian Prime Minister Narendra Modi is pushing the country's biggest tax overhaul since independence.

**Initial coin offerings (ICOs) have become a primary means of fundraising for projects built on [block-chain technology](#). Companies create and issue digital tokens that can be used to pay for goods and services on their platform or stashed away as an investment. They put out whitepapers describing the platform, software or product they're trying to build, and then people buy those tokens using widely-accepted crypto-currencies (like bitcoin and ethereum) or fiat currencies like the U.S. dollar.**

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<https://www.cnbc.com/2017/08/04/icos-may-be-seen-as-securities-by-u-s-and-singapore-regulators.html>

All of that is done without any regulatory oversight, and that has regulators — and members of the financial industry — worried about the potential of widespread money laundering and fraud. Digital currencies are pseudonymous, decentralized and encrypted, making it harder to track each of the transactions made, and the individuals behind them. Theoretically, anyone with an internet connection and a digital wallet can be part of a coin sale event. That, many worry, leaves plenty of room for people to launder money or finance terrorism activities and engage in other fraudulent behaviors — especially in countries where corruption is rampant.

Regulators in the United States and Singapore have in recent weeks highlighted the risks of money laundering and fraud that investors face when buying into a digital token sale.

On August 1, Singapore's financial regulatory body and central bank, the Monetary Authority of Singapore (MAS), [said in a missive](#) that ICOs are "vulnerable to money laundering and terrorist financing risks due to the anonymous nature of the transactions, and the ease with which large sums of monies may be raise in a short period of time."

Traditional anti-money laundering framework requires fund-raising companies to do their due diligence in areas like knowing the customer, validation of their identity and tracking their sources of wealth, according to Phillipps, who previously worked with regulator Australian Securities and Investments Commission.

The regulatory framework also requires companies to structure their products — a process that can sometimes be expensive.

Phillipps said ICOs and crypto-currencies are just new avenues for an age-old problem: "People would endlessly look for ways to avoid having to go through all the regulatory efforts, the compliance and so on."

**“We are aware of the situation. This is a law enforcement matter and it would be inappropriate to comment further,” the U.K. National Cyber Security Centre said in a statement.**

<https://www.bloomberg.com/news/articles/2017-08-03/ransom-virus-researcher-detained-in-u-s-legal-group-eff-says>

A self-taught computer-security researcher credited with stopping a devastating cyber-attack that crippled British hospitals in May was arrested on charges that he created malware used to hack banking systems in Canada and Europe, the U.S. said.

Marcus Hutchins, who started blogging under the pseudonym MalwareTech when he was a teenager, was arrested Wednesday in Las Vegas, the [Justice Department](#) said in a statement.

Court documents unsealed Thursday show he was indicted in July on several charges of computer misconduct relating to the creation and distribution of the Kronos banking Trojan, a type of malicious program that steals usernames and passwords for banking websites from infected machines.

According to federal investigators, in 2014 and 2015, more than a year before the WannaCry outbreak, Hutchins wrote the Kronos malware, advertised it for sale in online hacker forums and split thousands of dollars in profits with at least one other defendant, whose name was redacted in the indictment. While Kronos is one of many widely used forms of banking Trojans, Hutchins is accused of being a supplier, and not actually hacking people's computers to install the malware.

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**After years of delay, India's navy is preparing to take delivery of one of the world's stealthiest and most deadly fighting tools: the INS Kalvari, an attack submarine named after a deep-sea tiger shark.**

<https://www.bloomberg.com/news/articles/2017-08-03/race-to-revamp-india-submarine-force-amid-rising-china-threat>

The commissioning later this month of the Scorpene class submarine is a milestone in India's effort to rebuild its badly depleted underwater fighting force, and the first of six on order. It comes as China's military expands its fleet to nearly 60 submarines -- compared to India's 15 -- and increases its forays into the Indian Ocean in what New Delhi strategists see as a national security challenge.

A Chinese Yuan-class diesel-powered submarine entered the Indian ocean in May and is still lurking, according to an Indian naval officer who asked not to be identified, citing policy. It's an unwelcome reminder of China's rapidly expanding naval strength at a time when Indian and Chinese soldiers are engaged in a border dispute stand-off in Bhutan. China's defense ministry didn't respond to a faxed request for comment.

Since 1996, India's attack submarine fleet has dwindled to 13 diesel-electric vessels from 21 as the navy failed to replace retired boats. The entire fleet -- a mixture of Russian-origin Kilo class vessels and German HDW submarines -- is at least 20 years old. All have been refitted to extend their operational lives until at least 2025.

**How China consumes — or doesn't — American entertainment is of major importance to the U.S. film and television industry, which is the world's largest and supports around 2 million jobs in the country with a reported \$134 billion in wages. Although box office growth decelerated in China in 2016, Reuters calculations showed the country contributed \$1.8 billion in revenues to the 20 highest grossing Hollywood films. For comparison, all U.S. box office sales stood at \$11.4 billion in 2016.**

<https://www.cnbc.com/2017/08/03/hollywood-blackout-china-is-giving-domestically-made-films-a-boost.html>

While the Hollywood blackout is unofficial, the absence of foreign films scheduled for release in the country around the middle of July to late August this year suggests the regulation is already in effect. Neither a representative for China's Ministry of Foreign Affairs nor its State Administration of Press, Publication, Radio, Film and Television immediately replied to a request for comment on the practice.

A summer tradition of sorts, the blackout usually takes place during the lucrative holiday months when students go on vacation. The blackout also tends to be enforced during China's week-long Lunar New Year national holiday in the first half of the year.

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## **EQUITIES**

The S&P is +2 and the NASDAQ is +8.

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 +0.11%.**

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

**BOE Rate +0.25%.**

**Next meeting 09/14/17**

## **On the European Continent**

**The CAC Index closed +0.20%.**

**The DAX Index closed +0.14%.**

On the Continent, yields are higher with the yield curve steeper.

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

**Deposit Facility Rate -.40%**

**Next meeting 09/07/17**

## **ASIA**

### **Japan:**

**The TOPIX closed -0.15%.**

**The NIKKEI closed -0.38%.**

In Japan yields are lower with the yield curve flatter.

**BOJ Basic Loan rate 0.30%**

**Next meeting 09/21/17**

### **China:**

**The Hang Seng closed +0.12%.**

**The Shanghai Composite closed -0.33%.**

### **PBOC**

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

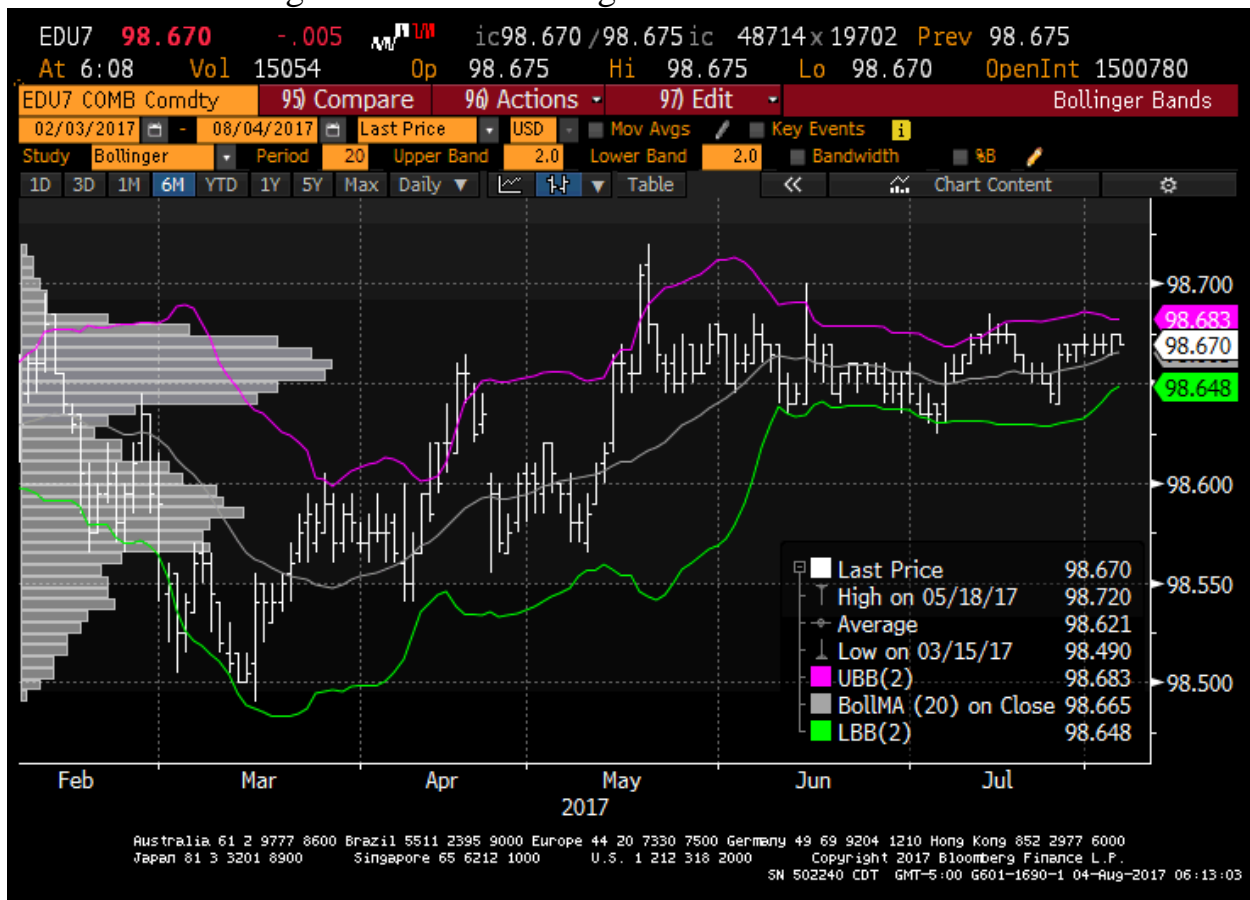
EDU7: 98-66.5 is the pivot. Below the pivot you should be short, above long.  
Support is at 98-66.5\* and 98-68.5\*\*.

Resistance is at 98-65.0\*.

\*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: 125-28.0 is the pivot point. Above you should be long, below short.**

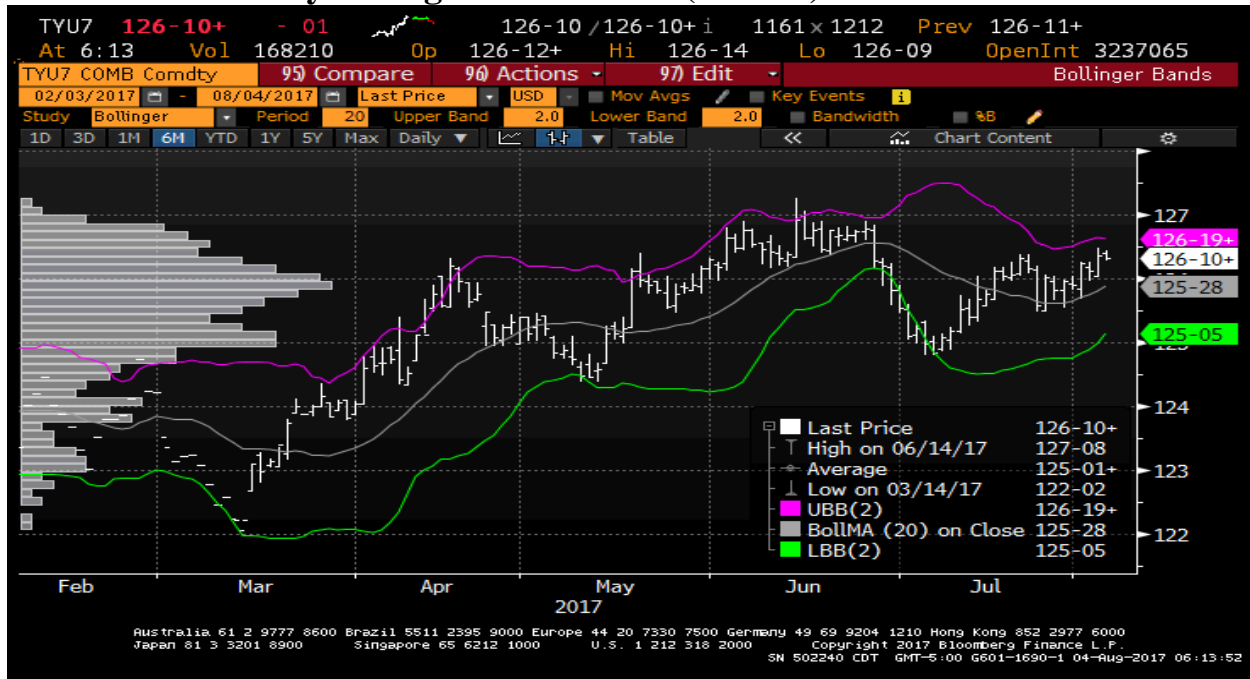
**Support is at 125-28.0, 125-05.0\*\***

**Resistance is at 126-19.5\*\***

\*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).**

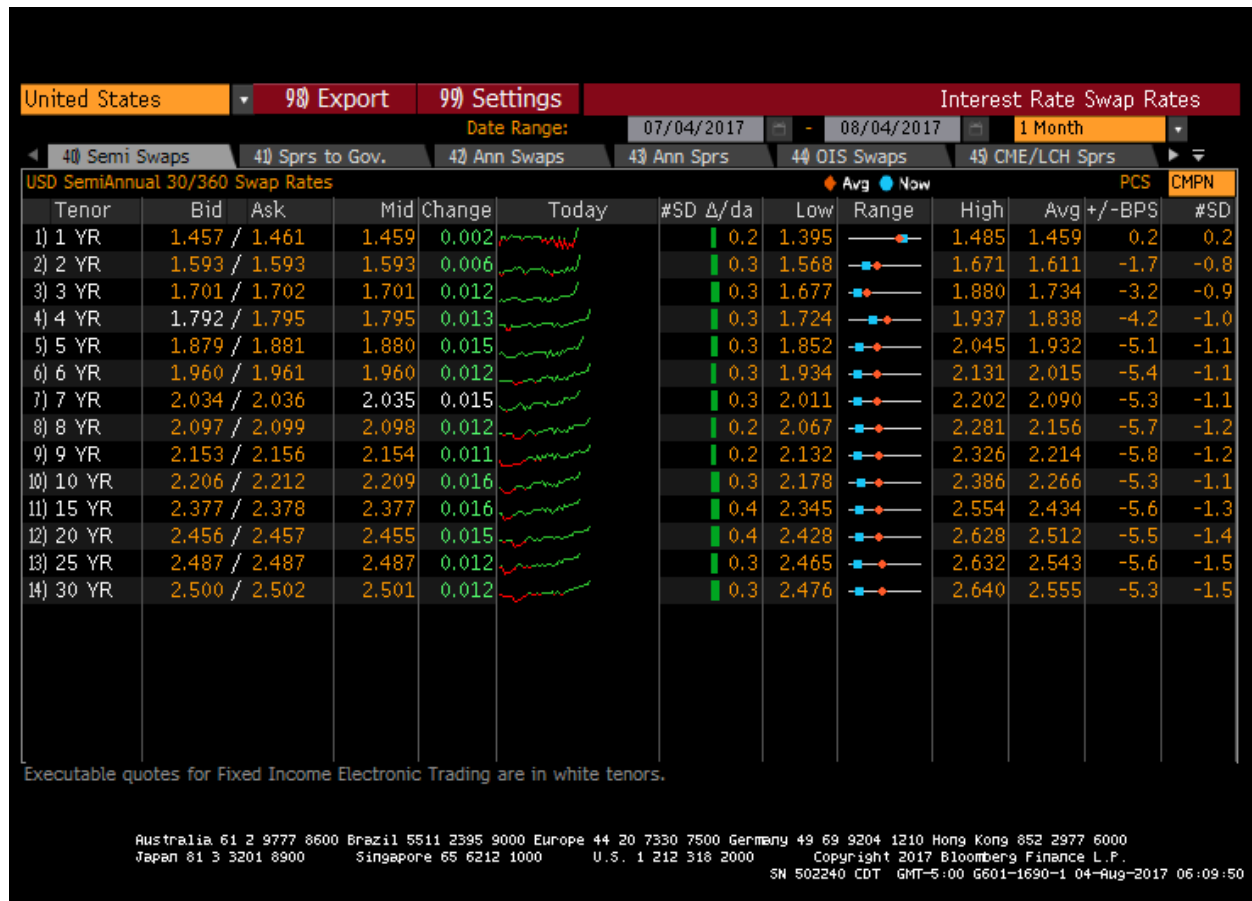


**YTD (2017) +50.5 futures ticks (\$31.25 per tick) or +1,703.13 per 1 contract traded.**

**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/>

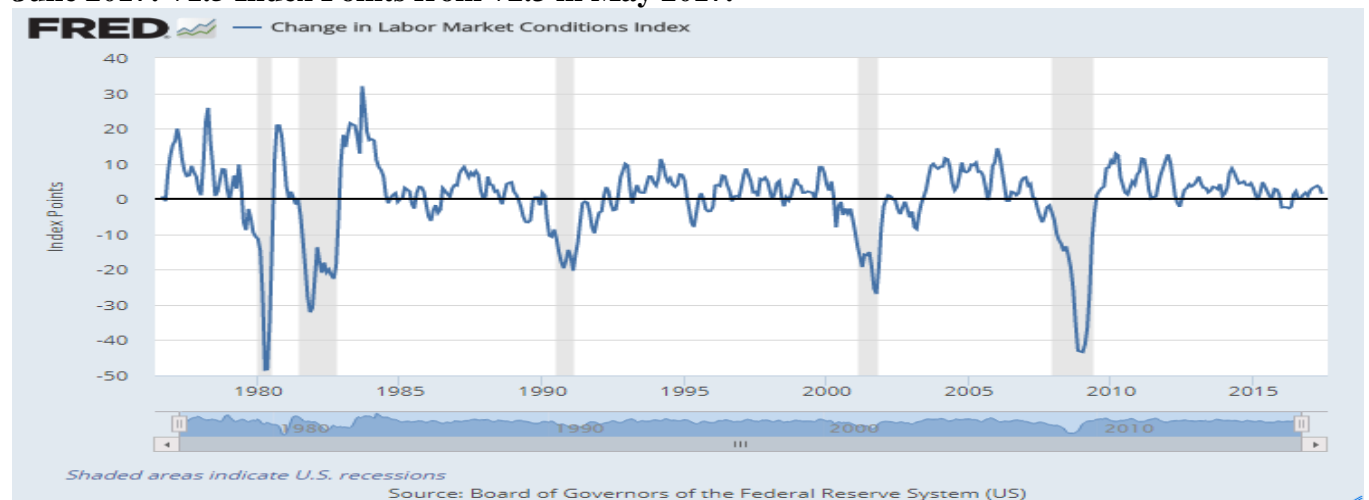
CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

#### 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.**

Total U.S. weekly rail traffic was 550,356 carloads and intermodal units, up 2.5 percent compared with the same week last year.

Total carloads for the week ending July 29 were 270,006 carloads, down 1.5 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 280,350 containers and trailers, up 6.8 percent compared to 2016.

Three of the 10 carload commodity groups that AAR follows weekly posted an increase compared with the same week in 2016. They were nonmetallic minerals, up 6.5 percent to 40,192 carloads; coal, up 2.4 percent to 92,430 carloads; and chemicals, up 1.7 percent to 31,556 carloads. Commodity groups that posted decreases compared with the same week in 2016 included grain, down 16 percent to 20,725 carloads; petroleum and petroleum products, down 14.2 percent to 8,910 carloads; and motor vehicles and parts, down 13.9 percent to 15,008 carloads.

North American rail volume for the week ending July 29, 2017 on 13 reporting U.S., Canadian and Mexican railroads totaled 363,946 carloads, up 0.7 percent compared with the same week last year, and 362,580 intermodal units, up 9.6 percent compared with last year. Total combined weekly rail traffic in North America was 726,526 carloads and intermodal units, up 4.9 percent. North American rail volume for the first 30 weeks of 2017 was 20,757,326 carloads and intermodal units, up 5.4 percent compared with 2016.

Canadian railroads reported 77,869 carloads for the week, up 8.4 percent, and 71,202 intermodal units, up 14.9 percent compared with the same week in 2016, making this the single best week ever for Canadian intermodal rail traffic. For the first 30 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 4,276,788 carloads, containers and trailers, up 11.5 percent.

Mexican railroads reported 16,071 carloads for the week, up 3.7 percent compared with the same week last year, and 11,028 intermodal units, up 73.4 percent. Cumulative volume on Mexican railroads for the first 30 weeks of 2017 was 810,819 carloads and intermodal containers and trailers, down 0.3 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-08-02-railtraffic.aspx>

### **Weekly Rail Traffic Report and Charts.**

U.S. railroads originated 1,019,239 carloads in July 2017, down 0.6 percent, or 6,079 carloads, from July 2016. U.S. railroads also originated 1,058,354 containers and trailers in July 2017, up 5.6 percent, or 55,997 units, from the same month last year. Combined U.S. carload and intermodal originations in July 2017 were 2,077,593, up 2.5 percent, or 49,918 carloads and intermodal units from July 2016.

In July 2017, nine of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with July 2016. These included: crushed stone, sand & gravel, up 15 percent or 13,458 carloads; coal, up 4 percent or 13,097 carloads; and chemicals, up 1.5 percent or 1,842 carloads. Commodities that saw declines in July 2017 from July 2016 included: grain, down 14 percent or 13,325 carloads; motor vehicles & parts, down 12.9 percent or 7,544 carloads; and petroleum & petroleum products, down 15.4 percent or 6,508 carloads.

"The decline in total rail carloads in July 2017 from July 2016 was very small at 0.6 percent, but it was the first carload decline since October 2016," said AAR Senior Vice President John T. Gray. "Beginning in July last year, certain categories of rail traffic — coal and grain in particular

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— saw a surge in rail volumes. That surge suddenly made comparisons to this year much tougher. That largely explains July's carload decline. Meanwhile, intermodal continues to do well — July's 5.6% gain is the sixth straight year-over-year monthly increase, and intermodal is on track to set a new annual record this year."

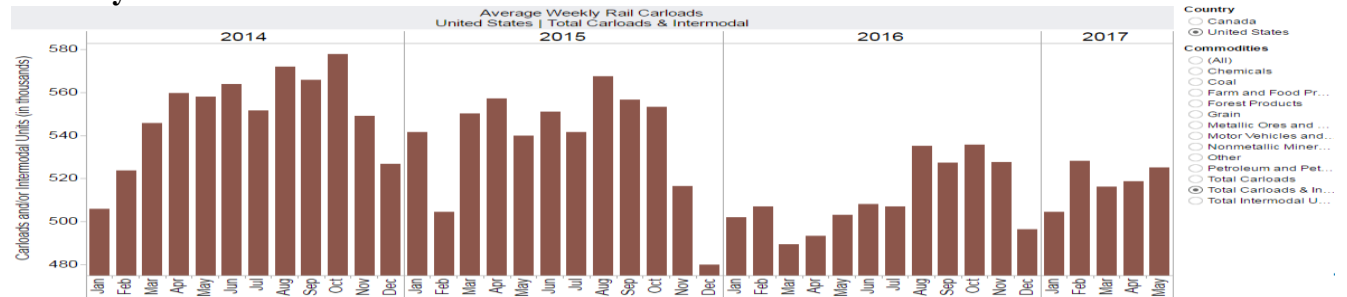
Excluding coal, carloads were down 2.8 percent, or 19,176 carloads, in July 2017 from July 2016. Excluding coal and grain, carloads were down 1 percent, or 5,851 carloads.

Total U.S. carload traffic for the first seven months of 2017 was 7,718,692 carloads, up 5.4 percent, or 397,999 carloads, from the same period last year; and 7,951,027 intermodal units, up 3.1 percent, or 235,512 containers and trailers, from last year.

Total combined U.S. traffic for the first 30 weeks of 2017 was 15,669,719 carloads and intermodal units, an increase of 4.2 percent compared to last year.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-08-02-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

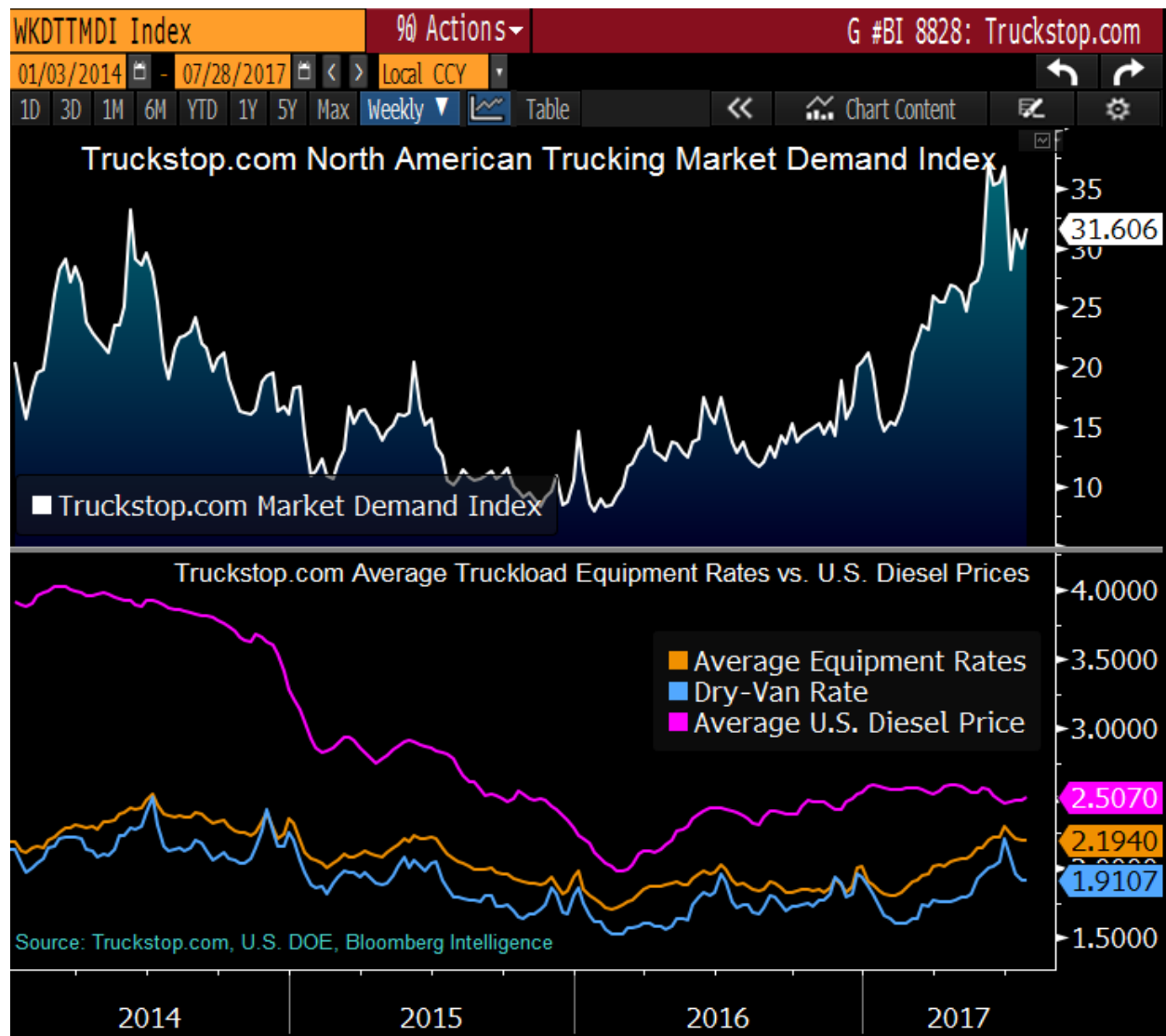
Truckstop.com Market Demand Index, Average Rates

(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:

Lee A Klaskow at [klaskow1@bloomberg.net](mailto:klaskow1@bloomberg.net)



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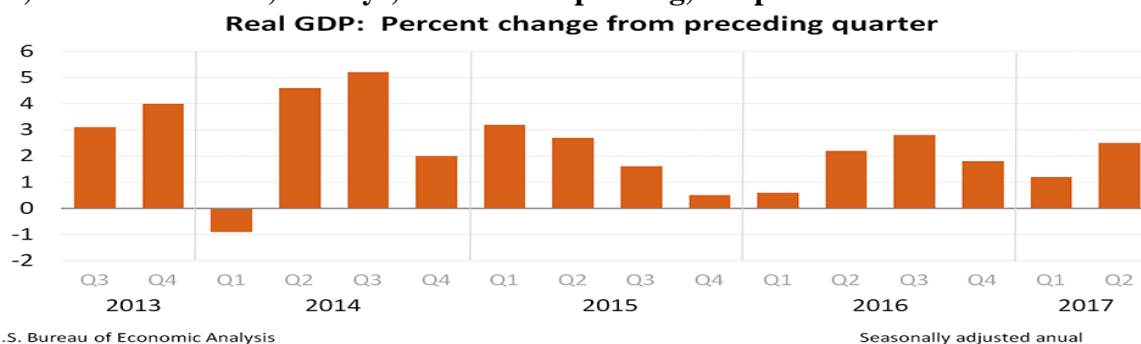


GDP (2Q running around 2.40% as of July 27)

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

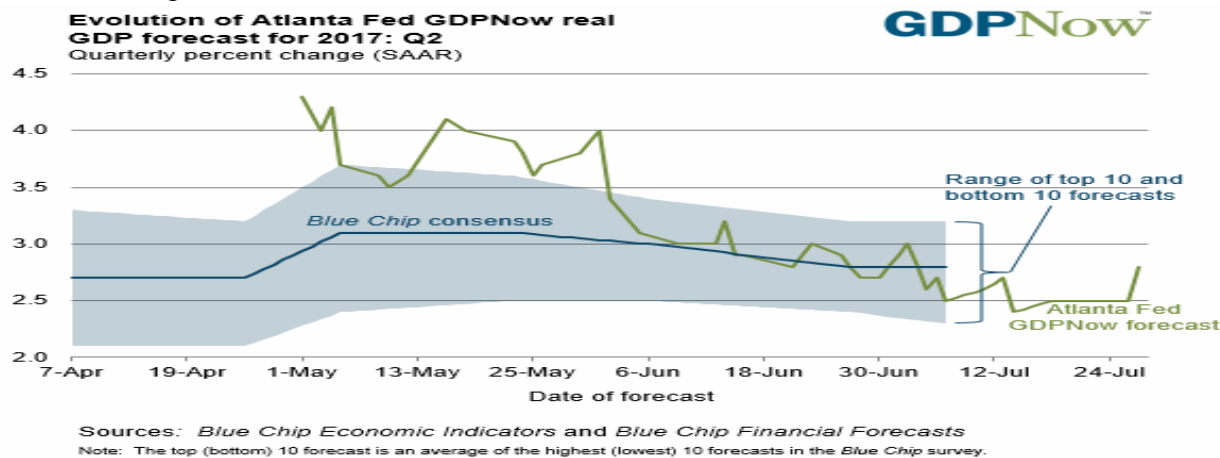
<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

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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**MANUFACTURING AT A GLANCE**  
**July 2017**

<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**

<b>Month</b>	<b>PMI®</b>		<b>Month</b>	<b>PMI®</b>
<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/>

**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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## The Fixed Income Group at R.J. O'Brien

**John Coleman**  
312-373-5190  
800-367-3349  
© 312-515-3067

[johncoleman@bloomberg.net](mailto:johncoleman@bloomberg.net)

**Rob Powell**  
312-373-5197  
800-367-3349  
© 312-560-7112

[robpowell@bloomberg.net](mailto:robpowell@bloomberg.net)

**Jeff Bauman**  
312-286-0491

[jeffbau@bloomberg.net](mailto:jeffbau@bloomberg.net)

**Rich Goldblatt**  
312-373-5450  
800-367-3650  
© 312-515-6019

[futuristic@bloomberg.net](mailto:futuristic@bloomberg.net)

**Rocco Chierici**  
312-373-5439  
800-367-3650  
© 312-515-3069

[rocco1@bloomberg.net](mailto:rocco1@bloomberg.net)

**Brian Rachwalski**  
312-373-5191  
800-367-3349  
© 312-515-3066

[brachwalski@bloomberg.net](mailto:brachwalski@bloomberg.net)

**Dan Sobolewski**  
312-373-5191  
800-367-3349  
© 312-505-6364

[dsobolewski@bloomberg.net](mailto:dsobolewski@bloomberg.net)

**Evan Vollman**  
312-373-5452  
800-367-3650

[evollman@bloomberg.net](mailto:evollman@bloomberg.net)

**Corrine Abele**  
312-373-4847  
800-367-3349

[cabele@rjobrien.com](mailto:cabele@rjobrien.com)

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