



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

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(All times are CST)

9 <GO> to Save as Default

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

United States Browse 13:16:47 09/26/17 - 10/27/17

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/26	08:00				S&P CoreLogic CS 20-City MoM SA	Jul	0.20%	--	0.11%	--
22)	09/26	08:00				S&P CoreLogic CS 20-City YoY NSA	Jul	5.70%	--	5.65%	--
23)	09/26	08:00				S&P CoreLogic CS 20-City NSA Index	Jul	--	--	200.54	--
24)	09/26	08:00				S&P CoreLogic CS US HPI YoY NSA	Jul	--	--	5.77%	--
25)	09/26	08:00				S&P CoreLogic CS US HPI NSA Index	Jul	--	--	192.60	--
26)	09/26	09:00				New Home Sales	Aug	585k	--	571k	--
27)	09/26	09:00				New Home Sales MoM	Aug	2.5%	--	-9.4%	--
28)	09/26	09:00				Conf. Board Consumer Confidence	Sep	120.0	--	122.9	--
29)	09/26	09:00				Conf. Board Present Situation	Sep	--	--	151.2	--
30)	09/26	09:00				Conf. Board Expectations	Sep	--	--	104.0	--
31)	09/26	09:00				Richmond Fed Manufact. Index	Sep	13	--	14	--
32)	09/27	06:00				MBA Mortgage Applications	Sep 22	--	--	-9.7%	--
33)	09/27	07:30				Durable Goods Orders	Aug P	1.0%	--	-6.8%	--
34)	09/27	07:30				Durables Ex Transportation	Aug P	0.3%	--	0.6%	--
35)	09/27	07:30				Cap Goods Orders Nondef Ex Air	Aug P	0.3%	--	1.0%	--
36)	09/27	07:30				Cap Goods Ship Nondef Ex Air	Aug P	0.3%	--	1.2%	--
37)	09/27	09:00				Pending Home Sales MoM	Aug	-0.5%	--	-0.8%	--
38)	09/27	09:00				Pending Home Sales NSA YoY	Aug	-0.5%	--	-0.5%	--
39)	09/28	07:30				GDP Annualized QoQ	2Q T	3.0%	--	3.0%	--

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 2017 Bloomberg Finance L.P.  
SN 502240 CDT GMT-5:00 G601-5175-3 25-Sep-2017 13:16:47

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## Fed Speak Calendar (All times are CST)

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars	
	United States		Browse	13:20:37		09/26/17	-	10/05/17	
Central Banks		All Central Banks		View		Agenda		Weekly	
Date	Time	A	M	R	Event				
21)	09/26	08:30			Fed's Mester Moderates Session NABE				
22)	09/26	09:30			Fed's Brainard Speaks on Labor Market Disparities				
23)	09/26	10:30			Fed's Bostic Speaks to the Atlanta Press Club				
24)	09/26	11:45			Yellen Speaks on Inflation, Uncertainty, and Monetary Policy				
25)		09/26			Fed's Yellen and Mester Speak at NABE Annual Conference				
26)	09/27	12:30			Fed's Bullard Speaks on Economy and Monetary Policy				
27)	09/27	13:00			Fed's Brainard Speaks at Minority Banker Forum				
28)	09/27	18:00			Fed's Rosengren to Speak to Money Marketeers in New York				
29)	09/28	08:45			Fed's George Speaks on Economy and Monetary Policy				
30)	09/28	09:00			Fed's Fischer Speaks at BOE Independence Conference, London				
31)	09/28	12:30			Fed's Raphael Bostic to Speak about Careers in Economics				
32)	09/29	10:00			Fed's Harker Speaks at Fintech Event on Consumers and Banking				
33)	10/02	13:00			Fed's Kaplan Speaks in El Paso				
34)	10/04	14:15			Fed's Yellen to Speak on Community Banking in St. Louis				
35)	10/05	08:15			Fed's Williams Speaks at Community Banking Conference				
36)	10/05	09:00			Fed's Harker Speaks at Workforce Conference				
37)	10/05	15:30			Fed's George Speaks at Workforce Conference				

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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	09/08/2017	\$20
4-week	10/02/2017	09/26/2017	09/28/2017	912796LZ0		\$35	09/19/2017	\$35
3-month	09/28/2017	10/02/2017	10/05/2017	912796LC1		TBA	09/25/2017	\$42
6-month	09/28/2017	10/02/2017	10/05/2017	912796NY1		TBA	09/25/2017	\$36
1-year	10/05/2017	10/10/2017	10/12/2017	TBA		TBA	09/12/2017	\$20
<b>Note Auctions</b>								
2-year	10/19/2017	09/26/2017	10/02/2017	9128282X7		\$26	08/28/2017	\$26
3-year	10/05/2017	10/11/2017	10/16/2017	TBA		TBA	09/11/2017	\$24
5-year	10/19/2017	09/27/2017	10/02/2017	9128282W9		\$34	08/28/2017	\$34
7-year	10/19/2017	09/28/2017	10/02/2017	9128282Y5		\$28	08/29/2017	\$28
10-year	10/05/2017	10/11/2017	10/16/2017	TBA	R	TBA	09/12/2017	\$20
<b>Bond Auctions</b>								
30-year	10/05/2017	10/12/2017	10/16/2017	TBA	R	TBA	09/13/2017	\$12

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TIPS Auctions									
5-yr TIPS	12/14/2017	12/21/2017	12/29/2017		TBA	R	TBA	08/24/2017	\$14
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
Floating Rate Note									
2-year FRN	09/21/2017	09/27/2017	09/29/2017		TBA	R	TBA	08/23/2017	\$13
Buyback Operation									
Buyback		TBA	TBA	TBA		TBA	TBA	04/19/2017	\$.025

<b>1-Month Libor Set</b>	<b>1.23444</b>	<b>-.00223</b>	<b>(98.76556)</b>
<b>3-Month Libor Set</b>	<b>1.33083</b>	<b>+.00111</b>	<b>(98.66917)</b>
<b>6-Month Libor Set</b>	<b>1.49711</b>	<b>+.00000</b>	<b>(98.50289)</b>
<b>1-Year Libor Set</b>	<b>1.77567</b>	<b>+.00084</b>	<b>(98.22433)</b>

### Median Federal Reserve Projections

For release at 2:00 p.m., EDT, September 20, 2017

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2017  
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>				
	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run
Change in real GDP	2.4	2.1	2.0	1.8	1.8	2.2-2.5	2.0-2.3	1.7-2.1	1.6-2.0	1.8-2.0	2.2-2.7	1.7-2.6	1.4-2.3	1.4-2.0	1.5-2.2
June projection	2.2	2.1	1.9	n.a.	1.8	2.1-2.2	1.8-2.2	1.8-2.0	n.a.	1.8-2.0	2.0-2.5	1.7-2.3	1.4-2.3	n.a.	1.5-2.2
Unemployment rate	4.3	4.1	4.1	4.2	4.6	4.2-4.3	4.0-4.2	3.9-4.4	4.0-4.5	4.5-4.8	4.2-4.5	3.9-4.5	3.8-4.5	3.8-4.8	4.4-5.0
June projection	4.3	4.2	4.2	n.a.	4.6	4.2-4.3	4.0-4.3	4.1-4.4	n.a.	4.5-4.8	4.1-4.5	3.9-4.5	3.8-4.5	n.a.	4.5-5.0
PCE inflation	1.6	1.9	2.0	2.0	2.0	1.5-1.6	1.8-2.0	2.0	2.0-2.1	2.0	1.5-1.7	1.7-2.0	1.8-2.2	1.9-2.2	2.0
June projection	1.6	2.0	2.0	n.a.	2.0	1.6-1.7	1.8-2.0	2.0-2.1	n.a.	2.0	1.5-1.8	1.7-2.1	1.8-2.2	n.a.	2.0
Core PCE inflation <sup>4</sup>	1.5	1.9	2.0	2.0		1.5-1.6	1.8-2.0	2.0	2.0-2.1		1.4-1.7	1.7-2.0	1.8-2.2	1.9-2.2	
June projection	1.7	2.0	2.0	n.a.		1.6-1.7	1.8-2.0	2.0-2.1	n.a.		1.6-1.8	1.7-2.1	1.8-2.2	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	2.9	2.8	1.1-1.4	1.9-2.4	2.4-3.1	2.5-3.5	2.5-3.0	1.1-1.6	1.1-2.6	1.1-3.4	1.1-3.9	2.3-3.5
June projection	1.4	2.1	2.9	n.a.	3.0	1.1-1.6	1.9-2.6	2.6-3.1	n.a.	2.8-3.0	1.1-1.6	1.1-3.1	1.1-4.1	n.a.	2.5-3.5

Notes: 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 June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 13-14, 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 June 13-14, 2017, meeting, and one participant did not submit such projections in conjunction with the September 19-20, 2017, 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.

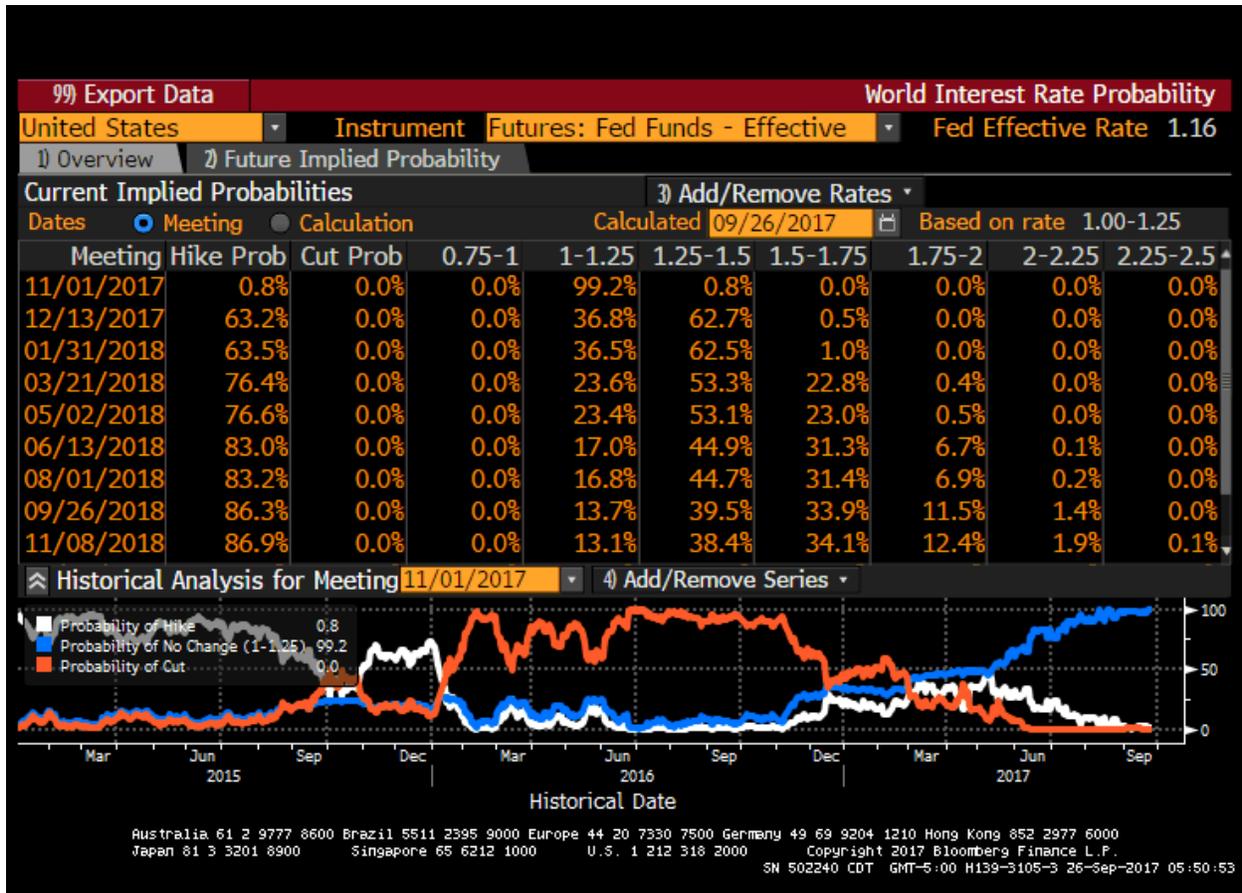
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

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

<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtab120170920.pdf>

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## Implied Probability of Fed Rate Movement (Futures)



### THEY SAID IT

**A Republican tax-cut plan due to be unveiled on Wednesday is expected to call for a new rate for "pass-through" businesses of about 25 percent, which would bring huge tax savings to millions of U.S. business owners, a lobbyist familiar with the negotiations said.**  
<https://www.cnbc.com/2017/09/26/republican-tax-plan-expected-to-include-new-pass-through-business-rate.html>

About 95 percent of American businesses are pass-throughs such as sole proprietorships, partnerships, and S-corporations, according to the Brookings Institution, a Washington think tank. The name comes from the profits and losses of such businesses that pass through directly to their owners, unlike public corporations.

Pass-through profits are now taxed at top individual income-tax rates as high as 39.6 percent, higher than the top corporate income tax rate of 35 percent — a disparity that pass-through business owners have long complained about.

The Republican framework is also expected to call for cutting the corporate income tax rate to a target range of 18 to 23 percent, down from the current rate of 35 percent, sources familiar with the negotiations said.

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**"The top 10 percent of health-care spenders contributed 49 percent of total out-of-pocket spending in 2016," the report said. That top 10 percent on average spent 9 percent of their take-home pay on out-of-pocket health costs.**

<https://www.cnn.com/2017/09/25/out-of-pocket-health-costs-hit-old-poor-women-hardest.html>

Low-income Americans, older people and women pay a greater share of their incomes toward out-of-pocket health costs than do others, [according to a new report issued Tuesday.](#)

The broad analysis of spending by more than 2 million Americans also found that there is a strong correlation between when people tend to pay their out-of-pocket health costs and the months of March and April, when most people get their income tax refunds.

And the report from the [JP Morgan Chase](#) Institute found that out-of-pocket health spending was highly concentrated among relatively few families.

"The reality is that many American families don't have the cash buffer to withstand the volatility created by out-of-pocket health-care payments," said Diana Farrell, president and CEO of JP Morgan Chase Institute.

**"We've not declared war on North Korea," White House spokeswoman Sarah Sanders said Monday. "And frankly the suggestion of that is absurd. We continue to seek the peaceful denuclearization of the Korean Peninsula."**

<https://www.bloomberg.com/news/articles/2017-09-25/north-korea-has-right-to-shoot-down-u-s-aircraft-minister-says>

"There's not a 'precision strike' that solves the problem," McMaster, an Army lieutenant general, said at an event in Washington hosted by the Institute for the Study of War. "There's not a military blockade that can solve the problem. What we hope to do is avoid war, but we cannot discount that possibility."

McMaster declined to comment on the extent to which North Korea's deeply-buried nuclear program was vulnerable to U.S. military strikes -- an assessment made of Iran before the 2015 framework agreement designed to stop its nuclear program.

He acknowledged that every military option assumed a reaction from North Korea that endangered South Korean citizens, adding it's "foremost in our minds." That danger "is certainly taken into consideration in all our planning and war gaming, table-top exercise efforts,"

McMaster said.

**North Korea appears to have boosted defenses on its east coast, South Korea's Yonhap news agency said on Tuesday, after the North said U.S. President [Donald Trump](#) had declared war and that it would shoot down U.S. bombers flying near the peninsula.**

<https://www.cnn.com/2017/09/26/north-korea-appears-to-bolster-defenses-after-flight-by-us-bombers-as-rhetoric-escalates.html>

Yonhap suggested the reclusive North was, in fact, bolstering its defenses by moving aircraft to its east coast and taking other measures after U.S. bombers flew close to the Korean peninsula at the weekend.

The unverified Yonhap report said the United States appeared to have disclosed the flight route of the bombers intentionally because North Korea seemed to be unaware. South Korea's National Intelligence Service was unable to confirm the report immediately.

**A conflict on the Korean peninsula would have "catastrophic consequences", and Russia's foreign ministry is working "behind the scenes" on finding a political solution to the North Korea crisis, the RIA news agency cited a senior Russian diplomat as saying on Tuesday.**

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<https://www.cnbc.com/2017/09/26/russian-foreign-ministry-working-behind-scenes-to-resolve-north-korea-crisis-ria.html>

Cited by RIA, Mikhail Ulyanov, the head of the non-proliferation and arms controls department at Russia's foreign ministry, also said the U.S. approach to North Korea was a dead end and the tool of sanctions against the North had almost been exhausted.

**China's gasoline and diesel exports to North Korea and iron ore imports from the isolated nation fell in August as trade continued to slow after the United Nations' latest sanctions, customs data showed on Tuesday.**

<http://www.reuters.com/article/us-china-economy-trade-northkorea-gasoli/chinas-fuel-exports-to-north-korea-slow-further-customs-idUSKCN1C10N5?il=0>

The release comes after data on Saturday showed China's trade with North Korea jumped in August even after the U.N. sanctions, mainly driven by a rise in imports.

The data also showed China imported 1.6 million tonnes of coal from North Korea, the first since February when Beijing banned purchases of the fuel from its northern neighbor.

It was not immediately clear why the data showed shipments had resumed. A customs official said she would investigate the matter.

**The Permian Basin of Texas and New Mexico holds 60 billion to 70 billion barrels of yet-to-be pumped crude oil, according to a study by IHS Markit Ltd.**

<https://www.bloomberg.com/news/articles/2017-09-25/permian-super-basin-holds-up-to-3-3-trillion-in-untapped-oil>

The Permian region's so-called recoverable resources would be enough to supply every refinery in the U.S. for 12 years and have a market value of about \$3.3 trillion at current prices for West Texas Intermediate oil, the domestic benchmark.

IHS spent three years studying output data from more than 440,000 wells to calculate the amount of crude remaining within the sprawling, mile-thick rock formation that pumps more oil than any other U.S. field, the London-based researcher said in a statement on Monday. The estimate may grow as IHS geologists and data scientists extend their analytical techniques to deeper geological zones.

**At least two East Coast refineries are making less gasoline and diesel as rough Atlantic seas hamper the transfer of crude oil from ships to barges for delivery to the facilities, people familiar with operations say.**

**[Philadelphia Energy Solutions Inc.](#), which operates the largest oil-refining complex serving the New York Harbor market, was said to [cut rates](#) about 20 percent. [Delta Air Lines Inc.](#)'s Monroe Trainer in Pennsylvania, which was processing 30 percent less crude as of Sept. 23, may have to resort to using feedstock like vacuum gasoil in its main processing units because it's running out of crude, the people said.**

<https://www.bloomberg.com/news/articles/2017-09-25/rough-seas-slow-crude-deliveries-to-u-s-east-coast-refineries>

Philadelphia Energy also ordered as many as eight train loads of Bakken crude from North Dakota to supplement crude quickly at its 335,000 barrel-a-day refinery. Crude from the Midwest is looking more attractive to coastal refiners as U.S. benchmark West Texas Intermediate crude sank to the steepest discount since 2015 to Brent, the international marker. The Trainer refinery was forced to cut rates after running above its 185,000 barrel-a-day nameplate capacity last week.

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## EQUITIES

The S&P is **-1** and the NASDAQ is **+9**.

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 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 +0.02%.**

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

**BOE Rate +0.25%.**

**Next meeting 11/02/17**

**On the European Continent**

**The CAC Index closed +0.09%.**

**The DAX Index closed +0.24%.**

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

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

**Deposit Facility Rate **-0.40%****

**Next meeting 10/26/17**

## ASIA

**Japan:**

**The TOPIX closed +0.00%.**

**The NIKKEI closed **-0.33%**.**

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

**BOJ Basic Loan rate 0.30%**

**Next meeting 10/31/17**

**China:**

**The Hang Seng closed +0.05%.**

**The Shanghai Composite closed +0.06%.**

**PBOC**

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

EDZ7: 98-56.0 is the pivot. Below the pivot you should be short, above long. Support is at 98-48.0\*\*.

Resistance is at 98.56.0 and 98-64.0\*.

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

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

Trend has us short from 98.550 (9/14/17).



**YTD +8.0 futures ticks (\$25 per tick) or +\$200.00 per one contract traded.**

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**10yr/TYZ7: 126-17.5 is the pivot point. Above you should be long, below short.**

**Support is at 125-11.5\*\***

**Resistance is at 126-17.5 and 127-23.0\*\***

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

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

**Current trend has you short from 126-21.5 (9/12/17).**



**YTD (2017) +80.0 futures ticks (\$31.25 per tick) or +2500.00 per one contract traded.**

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

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# US-SWAPS IRSB <GO>

United States		98 Export		99 Settings		Interest Rate Swap Rates							
		Date Range:		08/26/2017 - 09/26/2017		1 Month							
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CME/LCH Sprs		46 Combined	
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMFN
1) 1 YR	1.543 / 1.546	1.544	0.001			0.0	1.393	1.559	1.477	6.9	1.4		
2) 2 YR	1.692 / 1.697	1.694	0.004			0.1	1.485	1.718	1.595	10.2	1.4		
3) 3 YR	1.789 / 1.791	1.790	0.003			0.0	1.554	1.826	1.685	10.6	1.3		
4) 4 YR	1.861 / 1.863	1.862	0.004			0.0	1.590	1.909	1.763	10.0	1.2		
5) 5 YR	1.908 / 1.918	1.913	-0.008			-0.1	1.683	1.983	1.834	8.4	1.0		
6) 6 YR	1.982 / 1.987	1.984	0.000			0.0	1.749	2.046	1.903	8.3	1.0		
7) 7 YR	2.040 / 2.042	2.041	0.000			0.0	1.813	2.107	1.967	7.4	0.9		
8) 8 YR	2.091 / 2.092	2.091	-0.004			-0.1	1.872	2.161	2.030	6.2	0.8		
9) 9 YR	2.138 / 2.140	2.139	-0.003			0.0	1.926	2.211	2.080	6.0	0.8		
10) 10 YR	2.181 / 2.183	2.182	-0.004			-0.1	1.976	2.271	2.127	5.6	0.8		
11) 15 YR	2.328 / 2.332	2.330	-0.004			-0.1	2.151	2.401	2.292	4.0	0.6		
12) 20 YR	2.399 / 2.401	2.400	-0.006			-0.1	2.236	2.471	2.376	2.6	0.5		
13) 25 YR	2.428 / 2.431	2.430	-0.008			-0.1	2.274	2.499	2.405	2.6	0.5		
14) 30 YR	2.438 / 2.441	2.439	-0.006			-0.1	2.289	2.507	2.420	2.2	0.4		

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 2017 Bloomberg Finance L.P.  
 SN 502240 CDT GMT-5:00 H139-3105-3 26-Sep-2017 05:51:07

## The Option Lab

**Option Book 2017 YTD realized: -\$228.13 per one contract.**  
**Option Book 2016 YTD realized: +\$43.75 per one contract.**

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## The Fundamentals

### LABOR

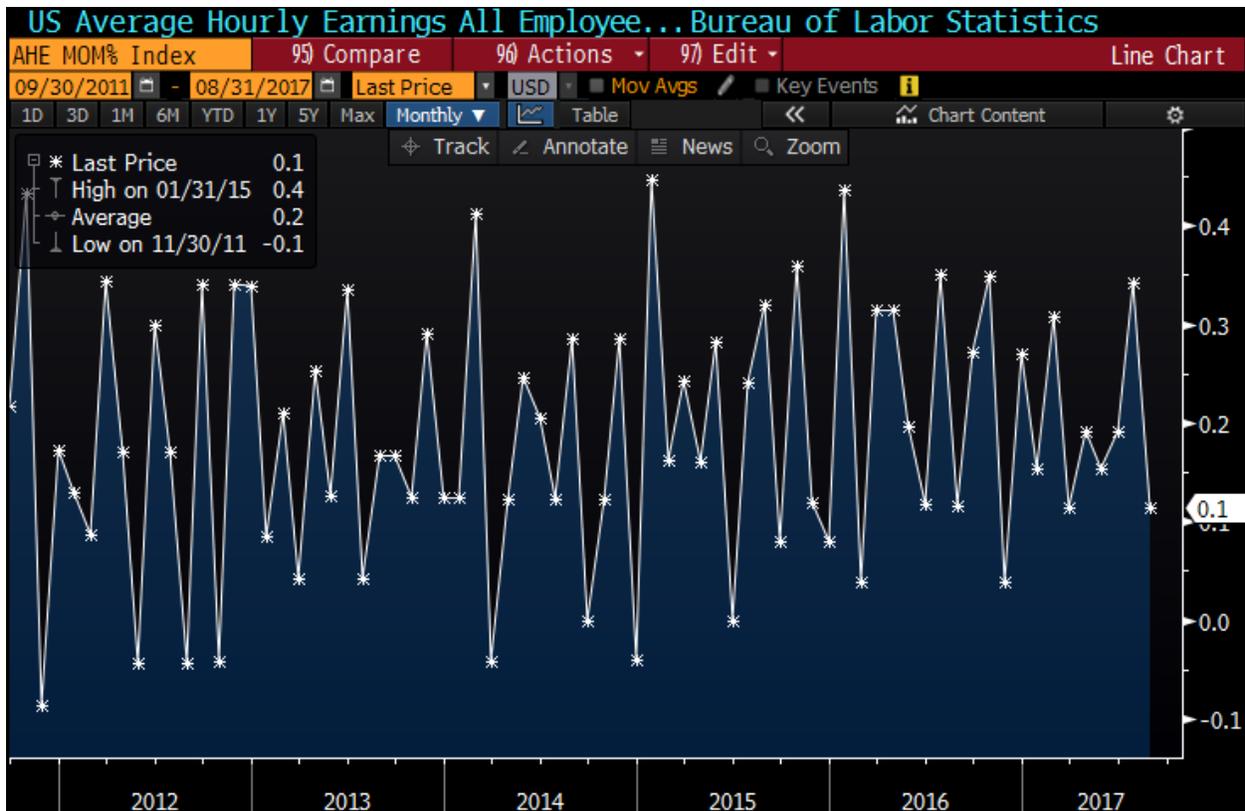
#### Bureau of Labor and Statistics

<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 Agriculture Finance Monitor 2nd quarter 2017

According to the latest survey of agricultural bankers in the Eighth Federal Reserve District, farm income during the second quarter of 2017 declined relative to the second quarter of last year. Respondents have consistently reported lower year-over-year levels of income since the fourth quarter of 2013. This period correlates with an extended period of declining prices for commodities. Both survey results and comments from bankers indicate the long-term effect has had a negative impact on the financial condition of their borrowers. For the second-quarter 2017 survey, the impact of lower income shows up in lower household spending and lower capital spending compared with the same quarter a year ago. Furthermore, a majority of respondents feel these trends will continue into the third quarter of 2017, with lower income and spending relative to the same period last year. Values for quality farmland and levels of cash rents for farmland also declined over the past year

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## How do Farm Incomes Compare to the average population

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

### Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	22 September 2017	935	-1	15 September 2017	+424	23 September 2016
Canada	22 September 2017	220	+8	15 September 2017	+82	23 September 2016
International	August 2017	952	-7	July 2017	+15	July 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%**

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**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 the first 37 weeks of 2017, U.S. railroads reported cumulative volume of 9,570,798 carloads, up 4.1 percent from the same point last year; and 9,860,655 intermodal units, up 3.4 percent from last year. Total combined U.S. traffic for the first 37 weeks of 2017 was 19,431,453 carloads and intermodal units, an increase of 3.7 percent compared to last year.

North American rail volume for the week ending September 16, 2017, on 13 reporting U.S., Canadian and Mexican railroads totaled 362,507 carloads, up 0.002 percent compared with the same week last year, and 353,452 intermodal units, up 4.1 percent compared with last year. Total combined weekly rail traffic in North America was 715,959 carloads and intermodal units, up 2 percent. North American rail volume for the first 37 weeks of 2017 was 25,760,998 carloads and intermodal units, up 5.1 percent compared with 2016.

Canadian railroads reported 86,678 carloads for the week, up 11.9 percent, and 72,269 intermodal units, up 17.5 percent compared with the same week in 2016 and the most for any week in history for Canadian railroads. For the first 37 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 5,325,540 carloads, containers and trailers, up 11.6 percent.

Mexican railroads reported 15,058 carloads for the week, up 2.9 percent compared with the same week last year, and 11,180 intermodal units, up 7.6 percent. Cumulative volume on Mexican railroads for the first 37 weeks of 2017 was 1,004,005 carloads and intermodal containers and trailers, up 0.7 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-09-20-railtraffic.aspx>

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

For this week, total U.S. weekly rail traffic was 530,774 carloads and intermodal units, down 1.4 percent compared with the same week last year.

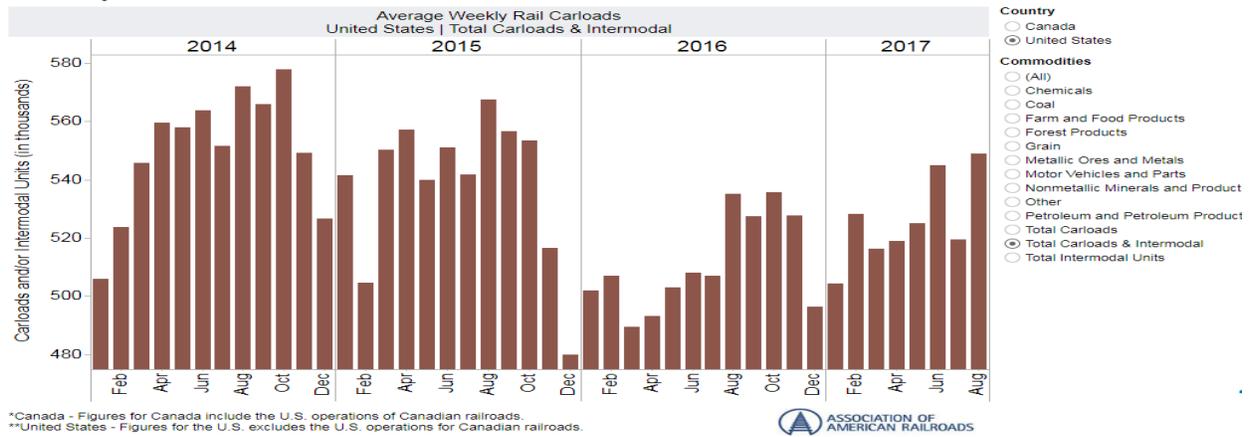
Total carloads for the week ending September 16 were 260,771 carloads, down 3.6 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 270,003 containers and trailers, up 0.9 percent compared to 2016.

One of the 10-carload commodity groups posted an increase compared with the same week in 2016. It was metallic ores and metals, up 3,292 carloads, to 24,696. Commodity groups that posted decreases compared with the same week in 2016 included petroleum and petroleum products, down 2,552 carloads, to 9,083; motor vehicles and parts, down 2,063 carloads, to 16,605; and farm products excl. grain, and food, down 1,943 carloads, to 14,625.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-09-20-railtraffic.pdf>

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## Monthly Rail Traffic Charts



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

## Trailer Truck Demand

(Bloomberg Intelligence) – 09/25/17

Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) --Relative North American spot trucking demand jumped 10% sequentially to 42.7 in the week ended Sept. 22, as measured by Truckstop.com's Market Demand Index. Capacity tightened, as a 7% jump in available loads outpaced a 2% decline in available trucks. Average spot rates (up 1.6%) remain boosted by hurricane-driven demand. Emergency relief shipments, which typically compensate for return-trip deadhead miles and lure carriers from other regions, should continue to keep rates elevated.

The Market Demand Index has climbed 113% on average vs. last year. Total rates have increased 12%, driven by 29% 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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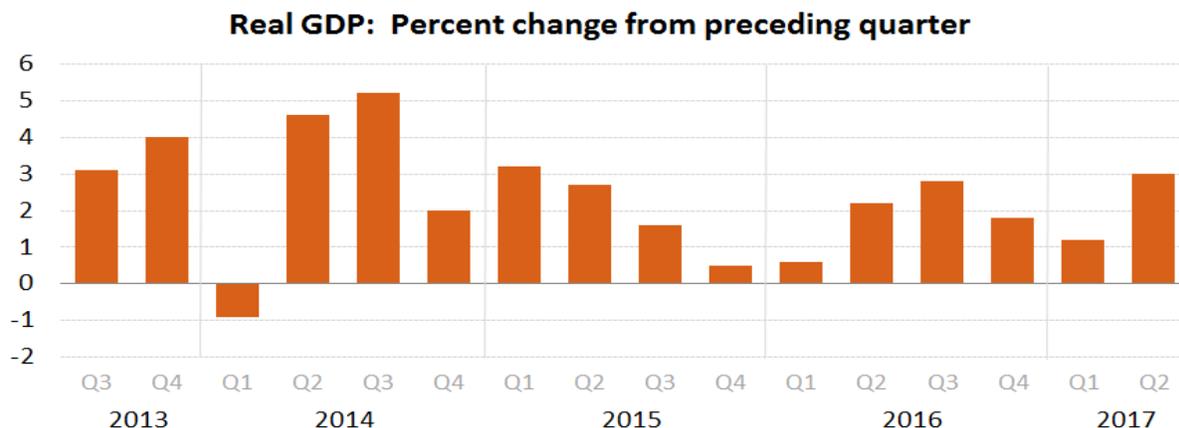


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U.S. Department of Commerce, Bureau of economic analysis

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

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



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

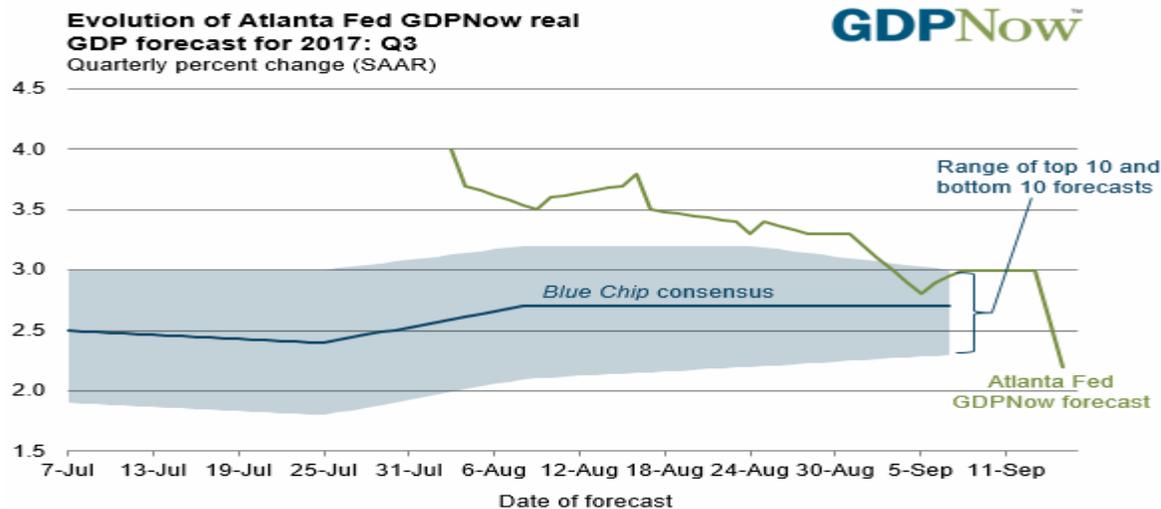
**GDP-3Q running around 1.70% as of September 19, down from 1.70% on September 15.**

**Atlanta Fed GDPNowcast Latest forecast...September 19, 2017**

The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2017 is **2.2 percent** on September 19, unchanged from September 15. The forecast of third-quarter real residential investment growth is -2.6 percent, virtually unchanged from last Friday, after this morning's new residential construction release from the U.S. Census Bureau. The forecast of the contribution of net exports to third-quarter real GDP growth declined from -0.11 percentage points to -0.16 percentage points after this morning's Import/Export Price Indexes release from the U.S. Bureau of Labor Statistics.

*The next GDPNow update is **Wednesday, September 27**. Please see the "Release Dates" tab below for a full list of upcoming releases.*

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

**New York Fed Nowcast...Q3 stands at 1.6%...September 22, 2017**

News from this week's data releases increased the nowcast for both quarters by 0.2 percentage point.

Positive surprises from housing data accounted for the increase.

[https://www.newyorkfed.org/medialibrary/media/research/policy/nowcast/nowcast\\_2017\\_0915.pdf?la=en](https://www.newyorkfed.org/medialibrary/media/research/policy/nowcast/nowcast_2017_0915.pdf?la=en)

**St. Louis Fed Real GDP Nowcast... Q3 2017: 2.78%...September 22, 2017**

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

<b>MANUFACTURING AT A GLANCE</b>						
<b>August 2017</b>						
<b>Index</b>	<b>Series Index Aug</b>	<b>Series Index Jul</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>PMI®</b>	<b>58.8</b>	<b>56.3</b>	<b>+2.5</b>	<b>Growing</b>	<b>Faster</b>	<b>12</b>
<b>New Orders</b>	<b>60.3</b>	<b>60.4</b>	<b>-0.1</b>	<b>Growing</b>	<b>Slower</b>	<b>12</b>
<b>Production</b>	<b>61.0</b>	<b>60.6</b>	<b>+0.4</b>	<b>Growing</b>	<b>Faster</b>	<b>12</b>
<b>Employment</b>	<b>59.9</b>	<b>55.2</b>	<b>+4.7</b>	<b>Growing</b>	<b>Faster</b>	<b>11</b>
<b>Supplier Deliveries</b>	<b>57.1</b>	<b>55.4</b>	<b>+1.7</b>	<b>Slowing</b>	<b>Faster</b>	<b>16</b>
<b>Inventories</b>	<b>55.5</b>	<b>50.0</b>	<b>+5.5</b>	<b>Growing</b>	<b>From Unchanged</b>	<b>1</b>

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Customers' Inventories	41.0	49.0	-8.0	Too Low	Slower	2
Prices	62.0	62.0	0	Increasing	Same	18
Backlog of Orders	57.5	55.0	+2.5	Growing	Faster	7
New Export Orders	55.5	57.5	-2.0	Growing	Slower	18
Imports	54.5	56.0	-1.5	Growing	Slower	7
<b>OVERALL ECONOMY</b>				Growing	Faster	99
<b>Manufacturing Sector</b>				Growing	Faster	12

<i>Month</i>	<i>PMI®</i>		<i>Month</i>	<i>PMI®</i>
Aug 2017	58.8		Feb 2017	57.7
Jul 2017	56.3		Jan 2017	56.0
Jun 2017	57.8		Dec 2016	54.5
May 2017	54.9		Nov 2016	53.5
Apr 2017	54.8		Oct 2016	52.0
Mar 2017	57.2		Sep 2016	51.7
Average for 2017 – 56.7 Average for 12 months – 55.4 High – 58.8 Low – 51.7				

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

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

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

**Our Nation in numbers**

The Constitution gives us four missions...

1. Establish Justice and Ensure Domestic Tranquility.
2. Provide for the Common Defense.
3. Promote the General welfare.
4. Secure the Blessings of Liberty to Ourselves and Our Posterity.

[www.usafacts.org](http://www.usafacts.org)

**US Foreign Assistance**

<http://foreignassistance.gov/>

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

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

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