



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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(All times are CST)

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

United States Browse 08:51:17 07/03/18 - 07/09/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/03	09:00	↔	🔊	📈	Factory Orders	May	0.0%	--	-0.8%	--
22)	07/03	09:00	🔊	🔊	📉	Factory Orders Ex Trans	May	--	--	0.4%	--
23)	07/03	09:00	↔	🔊	📈	Durable Goods Orders	May F	-0.5%	--	-0.6%	--
24)	07/03	09:00	🔊	🔊	📉	Durables Ex Transportation	May F	--	--	-0.3%	--
25)	07/03	09:00	↔	🔊	📈	Cap Goods Orders Nondef Ex Air	May F	--	--	-0.2%	--
26)	07/03	09:00	↔	🔊	📈	Cap Goods Ship Nondef Ex Air	May F	--	--	-0.1%	--
27)	07/03	09:00	🔊	🔊	📉	Wards Total Vehicle Sales	Jun	17.00m	--	16.81m	--
28)	07/04	06:00	↔	🔊	📈	MBA Mortgage Applications	Jun 29	--	--	-4.9%	--
29)	07/05	06:30	🔊	🔊	📉	Challenger Job Cuts YoY	Jun	--	--	-4.8%	--
30)	07/05	07:15	↔	🔊	📈	ADP Employment Change	Jun	190k	--	178k	--
31)	07/05	07:30	↔	🔊	📈	Initial Jobless Claims	Jun 30	225k	--	227k	--
32)	07/05	07:30	↔	🔊	📈	Continuing Claims	Jun 23	1718k	--	1705k	--
33)	07/05	08:45	↔	🔊	📈	Bloomberg Consumer Comfort	Jul 1	--	--	57.3	--
34)	07/05	08:45	↔	🔊	📈	Markit US Services PMI	Jun F	56.5	--	56.5	--
35)	07/05	08:45	↔	🔊	📈	Markit US Composite PMI	Jun F	--	--	56.0	--
36)	07/05	09:00	↔	🔊	📈	ISM Non-Manf. Composite	Jun	58.3	--	58.6	--
37)	07/05	13:00	🔊	🔊	📉	FOMC Meeting Minutes	Jun 13	--	--	--	--
38)	07/06	07:30	↔	🔊	📈	Trade Balance	May	-\$43.6b	--	-\$46.2b	--
39)	07/06	07:30	↔	🔊	📈	Change in Nonfarm Payrolls	Jun	195k	--	223k	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
SN 502240 CDT GMT-5:00 6946-3126-2 02-Jul-2018 08:51:17

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## Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		11:59:15		06/29/18		-		08/31/18	
Central Banks		All Central Banks						View		Agenda	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/05	13:00				FOMC Meeting Minutes	Jun 13	--	--	--	--
22)	07/12	07:30				Fed's Kashkari Speaks on Panel Discussing Immigration					
23)	07/13	11:30				Fed's Bostic Holds Town Hall Chat in Northern Virginia					
24)	07/18	13:00				U.S. Federal Reserve Releases Beige Book					
25)	08/01	13:00				FOMC Rate Decision (Upper Bou...	Aug 1	2.00%	--	2.00%	--
26)	08/01	13:00				FOMC Rate Decision (Lower Bo...	Aug 1	1.75%	--	1.75%	--
27)	08/22	13:00				FOMC Meeting Minutes	Aug 1	--	--	--	--

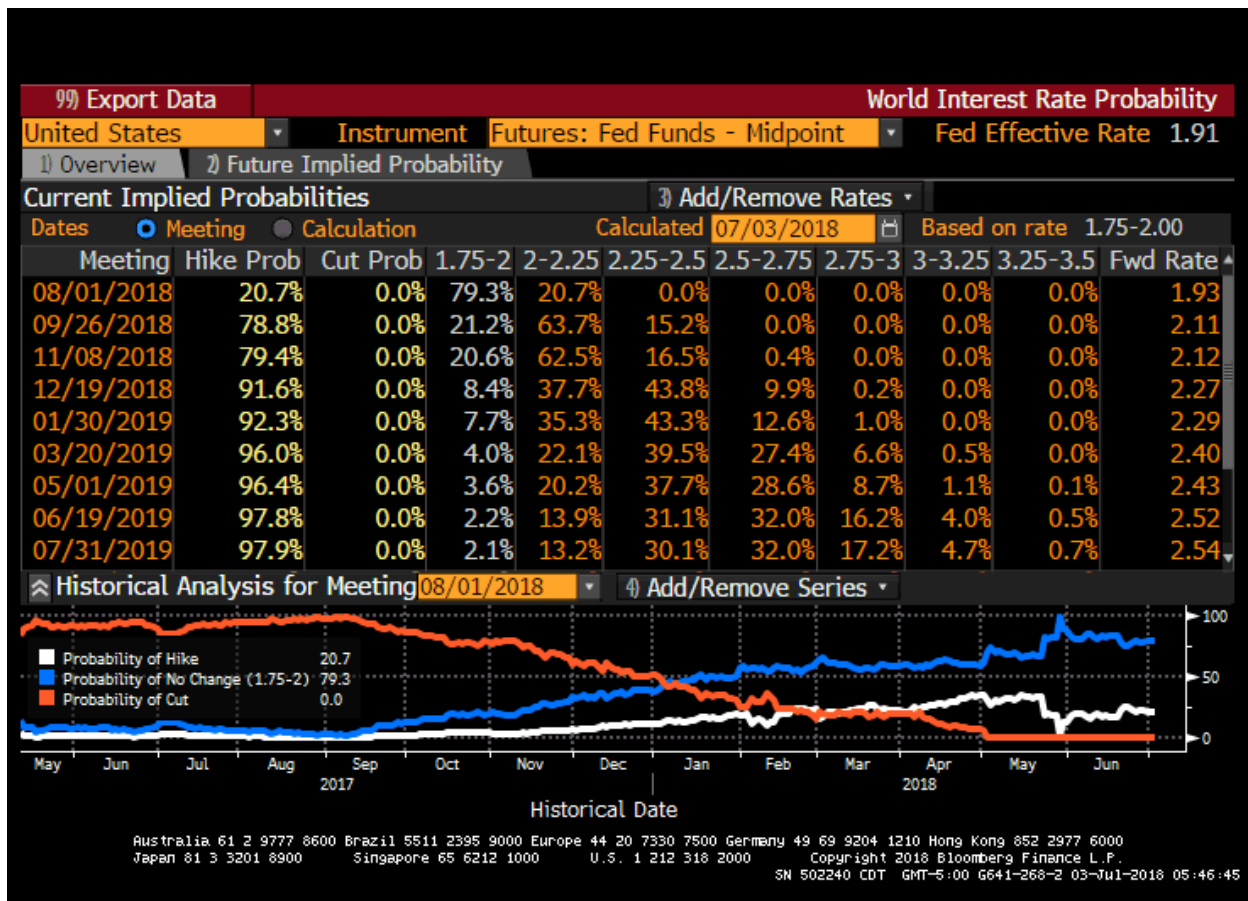
## NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
<b>Bill Auctions</b>	<b>Announcement</b>	<b>Auction</b>	<b>Settles</b>	<b>Numbers</b>	<b>R</b>	<b>Bil</b>	<b>Auction</b>
<b>Cash mgmt</b>	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50
4-week	07/09/2018	07/10/2018	07/12/2018	TBA	TBA	07/02/2018	\$35
3-month	07/05/2018	07/09/2018	07/12/2018	912796N28	TBA	07/02/2018	\$48
6-month	07/05/2018	07/09/2018	07/12/2018	912796QS1	TBA	07/02/2018	\$42
1-year	07/12/2018	07/17/2018	07/19/2018	TBA	TBA	06/19/2018	\$26
<b>Note Auctions</b>							
2-year	07/19/2018	07/24/2018	07/31/2018	TBA	TBA	06/26/2018	\$34
3-year	07/05/2018	07/10/2018	06/15/2018	912828Y20	TBA	06/11/2018	\$32
5-year	07/19/2018	07/25/2018	07/31/2018	TBA	TBA	06/27/2018	\$36
7-year	07/19/2018	07/26/2018	07/31/2018	TBA	TBA	06/28/2018	\$30
10-year	07/05/2018	07/11/2018	06/15/2018	9128284N7	R	06/11/2018	\$22
<b>Bond Auctions</b>							
30-year	07/05/2018	07/12/2018	06/15/2018	912810SC3	R	05/10/2018	\$14

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TIPS Auctions								
5-yr TIPS	08/16/2018	08/23/2018	08/31/2018	TBA	R	TBA	04/19/2018	\$16
10-yr TIPS	07/12/2018	07/19/2018	07/31/2018	TBA		TBA	05/17/2018	\$11
30-yr TIPS	10/11/2018	10/18/2018	10/31/2018	TBA	R	TBA	06/21/2018	\$5
Floating Rate Note								
2-year FRN	07/19/2018	06/27/2018	06/29/2018	9128284K3	R	\$16	05/23/2018	\$16
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$.025

## Current Implied Probability of Fed Rate Movement (Futures)



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**Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, June 2018**  
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median <sup>1</sup>				Central tendency <sup>2</sup>				Range <sup>3</sup>			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.8	2.4	2.0	1.8	2.7-3.0	2.2-2.6	1.8-2.0	1.8-2.0	2.5-3.0	2.1-2.7	1.5-2.2	1.7-2.1
March projection	2.7	2.4	2.0	1.8	2.6-3.0	2.2-2.6	1.8-2.1	1.8-2.0	2.5-3.0	2.0-2.8	1.5-2.3	1.7-2.2
Unemployment rate	3.6	3.5	3.5	4.5	3.6-3.7	3.4-3.5	3.4-3.7	4.3-4.6	3.5-3.8	3.3-3.8	3.3-4.0	4.1-4.7
March projection	3.8	3.6	3.6	4.5	3.6-3.8	3.4-3.7	3.5-3.8	4.3-4.7	3.6-4.0	3.3-4.2	3.3-4.4	4.2-4.8
PCE inflation	2.1	2.1	2.1	2.0	2.0-2.1	2.0-2.2	2.1-2.2	2.0	2.0-2.2	1.9-2.3	2.0-2.3	2.0
March projection	1.9	2.0	2.1	2.0	1.8-2.0	2.0-2.2	2.1-2.2	2.0	1.8-2.1	1.9-2.3	2.0-2.3	2.0
Core PCE inflation <sup>4</sup>	2.0	2.1	2.1		1.9-2.0	2.0-2.2	2.1-2.2		1.9-2.1	2.0-2.3	2.0-2.3	
March projection	1.9	2.1	2.1		1.8-2.0	2.0-2.2	2.1-2.2		1.8-2.1	1.9-2.3	2.0-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.4	3.1	3.4	2.9	2.1-2.4	2.9-3.4	3.1-3.6	2.8-3.0	1.9-2.6	1.9-3.6	1.9-4.1	2.3-3.5
March projection	2.1	2.9	3.4	2.9	2.1-2.4	2.8-3.4	3.1-3.6	2.8-3.0	1.6-2.6	1.6-3.9	1.6-4.9	2.3-3.5

Note: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The March projections were made in conjunction with the meeting of the Federal Open Market Committee on March 20-21, 2018. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the March 20-21, 2018, meeting, and one participant did not submit such projections in conjunction with the June 12-13, 2018, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

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

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

<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtab120180613.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.08588</b>	<b>-.01406</b>	<b>(97.91412)</b>
<b>3-Month Libor Set</b>	<b>2.33725</b>	<b>-.00525</b>	<b>(97.66275)</b>
<b>6-Month Libor Set</b>	<b>2.50688</b>	<b>-.00281</b>	<b>(97.49312)</b>
<b>1-Year Libor Set</b>	<b>2.77313</b>	<b>+.00157</b>	<b>(97.22687)</b>

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## THEY SAID IT

**"After significant engagement with China Mobile, concerns about increased risks to U.S. law enforcement and national security interests were unable to be resolved," said the statement, which quoted David Redl, assistant secretary for communications and information at the U.S. Department of Commerce, which NTIA is part of.**

<https://www.cnbc.com/2018/07/03/us-government-asks-fcc-to-deny-china-mobiles-license-request.html>

China Mobile, the world's largest telecom carrier with 899 million subscribers, did not immediately respond to Reuters' request for comment.

The [U.S.](#) government moved on Monday to block [China Mobile](#) from offering services to the U.S. telecommunications market, recommending its application be rejected because the government-owned firm posed national security risks.

The Federal Communications Commission (FCC) should deny China Mobile's 2011 application to offer telecommunication services between the United States and other countries, the National Telecommunications and Information Administration (NTIA) said in a statement posted on its website.

China Mobile Communications, a state-owned firm, owned almost 73 percent of China Mobile, according to Thomson Reuters data as of December.

In its recommendation, the NTIA said that its assessment rested "in large part on China's record of intelligence activities and economic espionage targeting the US, along with China Mobile's size and technical and financial resources."

It said the company was "subject to exploitation, influence and control by the Chinese government" and that its application posed "substantial and unacceptable national security and law enforcement risks in the current national security environment".

U.S. senators and spy chiefs warned in February that China was trying, via means such as telecommunications firms, to gain access to sensitive U.S. technologies and intellectual properties.

**Last year the Federal Reserve paid about \$26 billion in interest on the money banks kept deposited there, up from the zero dollars it paid before the financial crisis a decade ago. For many people, this is a source of distress. The more the Fed pays in interest to banks, the lower its profit, the less it pays into the Treasury, and the more taxpayers have to pick up the slack. It seems like a boondoggle, but the Fed regards its payments as a routine instrument of monetary policy, no more political than steering a supertanker.**

<https://www.bloomberg.com/news/articles/2018-06-29/how-the-fed-got-in-trouble-for-enacting-sensible-monetary-policy>

The Fed's interest payments didn't arouse concern when they began in 2008 because interest rates were extremely low, meaning the payouts were tiny. Once the Fed started raising rates at the end of 2015, critics took to the internet to rage about what they considered an outrageous heist.

Payments to banks have risen further since then. This January the Federal Reserve System announced it [spent \\$25.9 billion](#) in interest last year, "primarily associated with reserve balances held by depository institutions." Deutsche Bank estimates that the payments will rise to about \$39 billion this year. In June the [Fed raised](#) the top of the federal funds rate range to 2 percent and the interest rate on reserves to just below that: 1.95 percent.

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In an interview this year, Representative Andy Barr, a Kentucky Republican, said the payments to banks resemble U.S. Department of Agriculture payments to farmers not to grow crops. “That is distortionary,” says Barr, who chairs the House Financial Services subcommittee on monetary policy and trade, which has jurisdiction over the Federal Reserve. “I’m arguing that it diverts resources away from the American people into a very unproductive place, and that is parked at the Federal Reserve.”

**Since the Fed raised rates on June 13 for only the seventh time since the financial crisis, the Dow has fallen by more than 1,000 points, while the S&P 500 has dropped 2 percent. The Fed sell-off is just beginning, says Chad Morganlander, portfolio manager at Washington Crossing Advisors.**

<https://www.cnbc.com/2018/07/02/the-fed-not-trade-could-bring-another-correction-to-markets.html>

“We believe that they’ll raise rates two more times in 2018 and an additional, perhaps, one or two times in 2019,” he said. “Keep in mind liquidity also is being drained from the system. The Fed’s reducing their balance sheet and ECB has signaled that they also want to readjust.”

The Fed is more than likely to raise its federal funds rate by another 25 basis points at its late September meeting, according to CME Group fed funds futures. The chances of a fourth rate hike in December sits at 46 percent.

The technical indicators are also pointing to further downside for the stock market, according to Craig Johnson, chief market technician at Piper Jaffray.

“We are now starting to break below our 200-day moving average in the Dow, not a great sign,” Johnson said on Monday’s “Trading Nation.”

The index “has been doing nothing except for consolidating sideways for the entire year,” said Johnson. “We continue to think there’s going to be headwinds emerging in the second half here and we’re going to continue to see this market likely go nowhere.”

**[Guiyang Rural Commercial Bank Co.](https://www.bloomberg.com/news/articles/2018-07-03/chinese-bank-s-capital-almost-wiped-out-as-loan-rules-tightened), based in the southwestern Guizhou province, was downgraded by China Chengxin International Credit Rating Co. after its non-performing loans rose to 7.8 billion yuan (\$1.2 billion) in 2017 from 841 million yuan two years ago. That caused the lender’s capital adequacy ratio to fall below 1 percent, compared with 11.8 percent at the end of 2016, Chengxin said in a [statement](#) dated June 29.**

<https://www.bloomberg.com/news/articles/2018-07-03/chinese-bank-s-capital-almost-wiped-out-as-loan-rules-tightened>

Guiyang Rural’s woes stem from recent moves by Chinese regulators to force lenders to classify as non-performing all loans that are overdue for more than 90 days, the ratings company said. Such overdue loans accounted for about 24 percent of Guiyang Rural’s total advances in 2017, resulting in a fourfold jump in the bank’s NPL ratio, to 20 percent of total loans, Chengxin said. The move to reclassify all loans overdue for 90 days or more will lead to a 14 percent jump in Chinese banks’ non-performing loans, with most of the impact falling on city and rural commercial lenders, according to analysts at UBS Group AG. “We think the very purpose of these new rules is to bring the smaller banks in line,” UBS analyst Jason Bedford wrote in a note dated June 20.

“There are other banks out there in a very similar situation to Guiyang Rural Commercial Bank,” Bedford said by email Tuesday. Those most at risk of having their profit and capital eroded, should they top up bad-loan provisioning to 150 percent of NPLs, include Bank of Liuzhou Co., Shandong Guangrao Rural Commercial Bank Co. and Laishang Bank Co., he said.

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**Chinese companies have reneged on about 16.5 billion yuan (\$2.5 billion) of public bond payments so far this year, compared with the high of 20.7 billion yuan seen in all of 2016, according to data compiled by Bloomberg. Strains are set to get worse if the trends of credit-rating companies are anything to go by -- agencies including Dagong Global Rating Co. have been downgrading firms by an unprecedented margin.**

<https://www.bloomberg.com/news/articles/2018-07-02/china-heads-for-record-defaults-and-downgrades-tip-further-pain>

“Corporate profits have worsened this year and are unlikely to improve against the backdrop of an economic slowdown,” Li Shi, general manager of the rating and bond-research department at China Chengxin International Credit Rating Co. “Refinancing will continue to be tough as long as the crackdown on shadow banking continues.”

Borrowers have missed payments on at least 20 domestic bonds so far this year, according to data compiled by Bloomberg. There was about 66.3 billion yuan of defaulted notes outstanding at the end of May, or 0.39 percent of corporate bonds outstanding, [PBOC data](#) show. While still small, that share may be poised to rise.

**There are lots of opportunities for crypto-currency to go missing—some inherent to buying internet money, some involving crime. Below, a few common ways of going virtually broke.**

<https://www.bloomberg.com/news/articles/2018-06-29/cryptocurrency-all-the-ways-you-can-lose-your-bitcoin>

### **Phone Porting**

Pretty basic: Scammers hijack people’s mobile accounts by calling their carriers and impersonating them. The thieves get their victims’ numbers transferred to new devices and ultimately gain access to crypto accounts.

### **51 Percent Attack**

This hasn’t happened yet, but it’s every crypto enthusiast’s greatest fear. If a nefarious syndicate were to gain control of more than half of the Bitcoin network’s computing power, it could tamper with the process of verifying transactions and potentially spend the same Bitcoins twice.

### **Ransom Demands**

Everyone from local officials to large corporations has fallen victim to [ransomware attacks](#), which often involve hackers holding computer files hostage until the victim pays a fee in crypto. In June 2017 a South Korean web provider paid hackers \$1 million in Bitcoin. Although many payments aren’t publicized, it’s the largest ransomware demand known to have been paid.

### **Exchange Issues**

It seems as if every week another cryptocurrency exchange says it’s been breached by hackers who’ve run off with customer funds. Investors can also lose money on exchanges because of technology glitches or account holds that freeze funds and prevent buying or selling during significant market movements.

### **Fraudulent ICOs**

Investors have poured billions of dollars into [initial coin offerings](#), only to find their savings drained. In April two founders of an ICO promoted by boxer Floyd Mayweather were [brought up on federal charges](#) of raising more than \$25 million for a planned digital currency without registering the offering. (Mayweather wasn’t accused of wrongdoing.)

### **Overhyped Stocks**

Dozens of struggling businesses used the buzz around crypto to boost their stock market value in late 2017 and early 2018. (Long Island Iced Tea Corp. [changed its name](#) to Long Blockchain

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Corp., but it couldn't raise the capital to mine crypto.) Traditional investors looking for exposure to the nascent industry bought in, but the gains didn't last, and some companies got in trouble with regulators.

### **Lost Keys**

There might be no worse self-inflicted crypto wound than buying Bitcoin low (say, in 2013) and trying to sell high (say, at the end of 2017), then realizing that you lost your private key. D'oh!

### **Twitter Scams**

Fraudsters on social media have devised a new twist on an age-old con: If you send them one Ether coin, they'll send you 100 back! Sound too good to be true? It is. Still, scammers have tried to fool people's followers by making fake accounts (with real names and photos) to lure victims into thinking that they were being offered a great deal from a reputable source.

### **Wrong Addresses**

Unlike credit card transactions, Bitcoin payments are irreversible. If you send digital tokens somewhere you didn't mean to, you're out of luck unless the other party agrees to return your funds.

Facing scrutiny for his financial holdings, Commerce Secretary [Wilbur Ross](#) has revealed to CNBC that last year he shorted shares in two more companies than previously had been reported. Ross disclosed to CNBC that in May 2017 he shorted the stock of both [Air Lease](#) and [Ocwen Financial Corporation](#).

<https://www.cnbc.com/2018/07/02/wilbur-ross-shorted-two-additional-shares-as-commerce-secretary.html>

He maintains that he executed those trades for the same reason as three other recently revealed short sales that have raised eyebrows: to avoid any impression that his financial holdings represented a potential conflict of interest.

The secretary noted that he had been in the process of divesting himself of known stakes in the companies before becoming aware of the fact he had been awarded additional small stakes in each of the five firms as a benefit of having served on their boards of directors. Those shares were held in accounts he had been unaware of, he said.

Manhattan real estate had its worst second quarter since the financial crisis, with prices and sales dropping and inventory rising, according to a new report.

<https://www.cnbc.com/2018/07/02/manhattan-real-estate-has-worst-second-quarter-since-financial-crisis.html>

Total sales in Manhattan fell 17 percent in the second quarter compared to a year ago, according a report from Douglas Elliman and Miller Samuel Real Estate Appraisers and Consultants. The average sales price fell 5 percent to \$2.1 million.

### **(Germany and Austria can't even get an immigration deal...)**

The German coalition government has been salvaged after Chancellor Angela Merkel reached a compromise with interior minister and the leader of the Christian Social Union (CSU), Horst Seehofer, ending a bitter standoff over immigration.

A political crisis was avoided Monday evening when Seehofer dropped his threat to resign after hours of talks with Merkel. The leader of the CSU, the Bavarian sister party of the Christian Social Union (CSU), [said that the two leaders had agreed on how to prevent illegal immigration between Germany and Austria](#).

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<https://www.cnbc.com/2018/07/03/merkel-averts-political-collapse-with-a-deal-on-migration.html>

The deal's details, [reported by Deutsche Welle](#), involves a "new border regime" that will prevent asylum seekers entering Germany whose "asylum procedures are the responsibility of other EU nations." It also requires transit centers for migrants at the border. It was also reported that in cases where such agreements cannot be reached, they would nevertheless be rejected "on the basis of an agreement with the Republic of Austria."

However, Austria said Tuesday that it was prepared to take measures for the protection of its own southern borders if the German coalition deal goes into force, Reuters reported. Austria's statement did not go into any more detail but has piqued curiosity given that it borders Italy and Slovenia to the south.

Secretary of State [Mike Pompeo](#) will travel to North Korea on July 5 to meet with North Korean leader [Kim Jong Un](#), White House press secretary [Sarah Huckabee Sanders](#) said Monday.

The event this week will be at least the second known meeting between Pompeo and Kim. The two men will meet "to continue the ongoing and important work of denuclearization on the Korean peninsula," Sanders said at a press briefing.

<https://www.cnbc.com/2018/07/02/secretary-of-state-pompeo-will-meet-kim-jong-un-on-july-5-white-house.html>

Pompeo will then travel to two different countries to discuss denuclearization with other stakeholders in the ongoing negotiations with North Korea, she said in a statement to CNBC. On July 7, Pompeo will depart for Tokyo to discuss North Korean denuclearization and "other bilateral and regional issues" with leaders from Japan and South Korea. He will then fly to Hanoi, Vietnam, to discuss denuclearization with Vietnamese leaders.

Pompeo will also visit Abu Dhabi in the United Arab Emirates and Brussels, Belgium to accompany Trump to the NATO summit from July 11 to 12.

**Libya's National Oil Corp declared force majeure on loadings from Zueitina and Hariga ports on Monday, resulting in 850,000 bpd of supplies being disrupted.**

<https://www.reuters.com/article/us-global-oil/oil-climbs-on-libya-force-majeure-canada-outage-idUSKBN1JT035>

"The (oil) complex is regaining lost ground this morning," Tamas Varga, analyst at London brokerage PVM Oil Associates said. "The Libyan force majeure on oil loadings from the country's eastern ports certainly helps."

Hussein Sayed, market strategist at brokerage FXTM, agreed:

"Oil bulls seem to have returned after Libya suspended oil exports from two key ports," Sayed said.

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## EQUITIES

The S&P is **+10** and the NASDAQ is **+33**.

Particulars for companies to make money (**low interest rates, growth and some wage inflation**) remain in place.

I am dollar cost averaging into a mix of equities.

Currently 70% Equities, 20% Bonds and 10% Money Markets.

Earnings:

[www.moneycentral.msn.com/investor/market/earncalendar](http://www.moneycentral.msn.com/investor/market/earncalendar)

**On Bloomberg type in ACDR <GO>**

### UK/EUROPE

**In the UK the FTSE closed +0.54%.**

In the UK, the swap curve is steeper with yields higher.

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

**Next meeting 08/02/18**

### On the European Continent

**The CAC Index closed +0.98%.**

**The DAX Index closed +1.31%.**

On the Continent, the swap curve is slightly flatter with yields mixed.

**ECB Main Refinancing Operations Rate +0.00% (No change).**

**Deposit Facility Rate -.40%**

**Next meeting 07/26/18**

### ASIA

#### Japan:

**The TOPIX closed -0.15%.**

**The NIKKEI closed -0.12%.**

In Japan, the swap curve is steeper with yields higher.

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

**Next meeting 07/31/18**

#### China:

**The Hang Seng closed -1.41%.**

**The Shanghai Composite closed +0.41%.**

#### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**7-Day Repo Rate: 2.7603%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

EDU8: 97-53.0 is the pivot. Below the pivot, you should be short, above long. Support is at 97-50.5\*\* and 97.53.0^.

Resistance is at 97-55.5\*\*.

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

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

New trend would have you long but I have elected to go flat. (6/26/18).



### YTD (per contract)

2018 +36.5 ticks (+\$912.50)

2017 +33.0 ticks (+\$825.00)

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**10yr/TYU8: 119-24.0** is the pivot point. Above you should be long, below short.

Support is at **119-03.5** and **119-24.0**<sup>^\*</sup>

Resistance is at **120-13.0**

\*\*<sup>^</sup>Pivot Point is a simple 20-day moving average.

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

**Current trend has you long from 119-25.0 (6/22/18).**

**I have elected to go flat and wait for a clearer trend.**



**YTD (per contract)**

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

**(2017) +93.0 futures ticks (\$31.25 per tick) or +\$2,906.25.**

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

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# US-SWAPS IRSB <GO>

United States		98 Export		99 Settings		Interest Rate Swap Rates											
Date Range:						06/03/2018		-		07/03/2018		1 Month					
40 Semi Swaps						41 Sprs to Gov		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CME/LCH Spr		46 Combined	
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg	+/-BPS	PCS	CMPN	#SD		
1) 1 YR	2,623 / 2,625		2,624	0.004		0.3	2,548	2,638	2,601	2,601	2.4	1.4					
2) 2 YR	2,816 / 2,818		2,817	0.005		0.2	2,729	2,862	2,800	2,800	1.7	0.8					
3) 3 YR	2,885 / 2,886		2,885	0.006		0.2	2,808	2,953	2,875	2,875	1.1	0.4					
4) 4 YR	2,908 / 2,910		2,909	0.008		0.3	2,840	2,992	2,906	2,906	0.4	0.1					
5) 5 YR	2,917 / 2,918		2,917	0.009		0.3	2,845	3,014	2,920	2,920	-0.2	-0.1					
6) 6 YR	2,921 / 2,922		2,922	0.008		0.3	2,855	3,024	2,931	2,931	-0.9	-0.3					
7) 7 YR	2,926 / 2,927		2,926	0.007		0.2	2,803	3,040	2,941	2,941	-1.4	-0.4					
8) 8 YR	2,934 / 2,935		2,934	0.007		0.2	2,872	3,048	2,953	2,953	-1.8	-0.5					
9) 9 YR	2,943 / 2,945		2,944	0.006		0.2	2,884	3,057	2,965	2,965	-2.1	-0.6					
10) 10 YR	2,953 / 2,955		2,955	0.006		0.2	2,896	3,077	2,978	2,978	-2.2	-0.6					
11) 15 YR	2,983 / 2,985		2,984	0.005		0.1	2,933	3,110	3,016	3,016	-3.2	-0.8					
12) 20 YR	2,980 / 2,982		2,981	0.005		0.1	2,934	3,110	3,019	3,019	-3.8	-0.9					
13) 25 YR	2,967 / 2,967		2,967	0.006		0.2	2,919	3,160	3,005	3,005	-3.8	-1.0					
14) 30 YR	2,947 / 2,948		2,948	0.007		0.2	2,899	3,070	2,984	2,984	-3.6	-0.9					

Executable quotes for Fixed Income Electronic Trading are in white tenors.

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
 SN 502240 CDT GMT-5:00 G641-268-2 03-Jul-2018 05:47:13

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## The Option Lab

### Trade Log:

2. Long the TY Week-2 120.00 put (at the money) from 8/64ths (3/9/2018).

1/64<sup>th</sup> = \$15.625

8/64ths = \$125 per contract purchased.

120-00.00 strike price on the option equates to a TY yield of ~2.895%.

TY Week-2 in March expire today (3/9/18). Sold option back out at 7/64ths for a \$15.63 loss.

1. Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks (\$50) per contract (12/07/17).

Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.

The put fly was sold on 2/7/18 for a 1.25 tick (\$31.25) winner.

**Option Book 2018 YTD realized: +\$15.62 per contract.**

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

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

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## The Fundamentals

### LABOR

#### Bureau of Labor and Statistics

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

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

#### Average Hourly Earnings y/y Department of Labor Department.



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

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

#### St. Louis Fed Agriculture Finance Monitor 1st quarter 2018

For the seventeenth consecutive quarter, agricultural bankers in the Eighth Federal Reserve District, on net, reported that farm income had declined compared with a year earlier. This quarter's survey assesses agricultural finance conditions during the first quarter of 2018. Bankers also reported that farm household spending and capital expenditures remained below year-earlier levels in the first quarter. Compared with the previous survey, slightly more bankers were more optimistic about the prospects for farm income, household income, and capital expenditures over the next three months. Quality farmland values fell slightly in the first quarter from a year earlier, as did cash rents on quality farmland. By contrast, ranchland or pastureland values rose sharply in the first quarter, as did cash rents on this type of land. Judging from the expectations for several farm-related metrics reported last quarter, respondents generally believe that economic conditions in the farm economy in the first quarter of 2018 were modestly better than anticipated three months earlier. Interest rates on four of the six fixed- and variable-rate loan categories rose slightly in the first quarter. There were three special questions in this quarter's survey. Results from the first question indicated that nearly all bankers made loans to row crop farmers, while roughly three-quarters made loans to farmers with cattle operations. The second and third special

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questions looked at off-farm income for farmers. Nearly four of five bankers reported that half or less of the farmers they lend to have full- or part-time off-farm jobs. A similar percentage indicated that half or less of the farmers they lend to would have difficulty servicing their farm-related debt without off-farm income.

<https://research.stlouisfed.org/publications/regional/ag-finance/2018/05/10/2018-first-quarter/>

## How do Farm Incomes Compare to the average population

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

### Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	29 June 2018	1,047	-5	22 June 2018	+107	30 June 2017
Canada	29 June 2018	172	+12	22 June 2018	-17	30 June 2017
International	May 2018	967	-11	April 2018	+10	May 2017

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

### EV Outlook 2018

#### Executive summary:

Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. Electric cars accounted for 39% of new car sales in Norway in 2017 – the world’s most advanced market of electric cars in terms of sales share. 2 Iceland and Sweden, the next two most successful markets, achieved 11.7% and 6.3% electric car sales share, respectively, in 2017. 3 More than half of global sales of electric cars were in the People’s Republic of China (hereafter, “China”), where electric cars had a market share of 2.2% in 2017. Electric cars sold in the Chinese market more than doubled the amount delivered in the United States, the second-largest electric car market globally. Electrification of other transport modes is also developing quickly, especially for two-wheelers and buses. In 2017, sales of electric buses were about 100 000 and sales of two-wheelers are estimated at 30 million; for both modes, the vast majority was in China.

<https://www.iea.org/gevo2018/>

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

In 2017, about 4,015 billion kilowatthours (kWh) (or 4.01 trillion kWh) of electricity were generated at utility-scale facilities in the United States.<sup>1</sup> About 63% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases). About 20% was from nuclear energy, and about 17% was from renewable energy sources. The U.S. Energy Information Administration estimates that an additional 24 billion kWh of electricity generation was from small-scale solar photovoltaic systems in 2017.<sup>2</sup>

U.S. electricity generation by source, amount, and share of total in 2017 <sup>1</sup>		
Energy source	Billion kWh	Share of total
<b>Total - all sources</b>	4,015	
<b>Fossil fuels (total)</b>	2,495	62.7%
Natural gas	1,273	31.7%
Coal	1,208	30.1%
Petroleum (total)	21	0.5%
Petroleum liquids	13	0.3%
Petroleum coke	9	0.2%
Other gases	14	0.4%
<b>Nuclear</b>	805	20.0%
<b>Renewables (total)</b>	687	17.1%
Hydropower	300	7.5%
Wind	254	6.3%
Biomass (total)	64	1.6%
Wood	43	1.1%
Landfill gas	11	0.3%
Municipal solid waste (biogenic)	7	0.2%
Other biomass waste	3	0.1%
Solar (total)	53	1.3%
Photovoltaic	50	1.2%
Solar thermal	3	0.1%
Geothermal	16	0.4%
Pumped storage hydropower <sup>3</sup>	-6	-0.2%
<b>Other sources</b>	13	0.3%

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

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## TRANSPORTS

### Association of American Railroads Rail Traffic Report.

For the first 25 weeks of 2018, U.S. railroads reported cumulative volume of 6,476,498 carloads, up 1.3 percent from the same point last year; and 6,860,230 intermodal units, up 5.9 percent from last year. Total combined U.S. traffic for the first 25 weeks of 2018 was 13,336,728 carloads and intermodal units, an increase of 3.6 percent compared to last year.

For this week, total U.S. weekly rail traffic was 557,340 carloads and intermodal units, up 3.7 percent compared with the same week last year.

Total carloads for the week ending June 23 were 268,464 carloads, up 2.5 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 288,876 containers and trailers, up 4.9 percent compared to 2017.

Nine of the 10-carload commodity groups posted an increase compared with the same week in 2017.

They included metallic ores and metals, up 2,297 carloads, to 24,786; grain, up 2,237 carloads, to 24,104; and chemicals, up 2,059 carloads, to 32,422. One commodity group posted a decrease compared with the same week in 2017: coal, down 3,103 carloads, to 83,006.

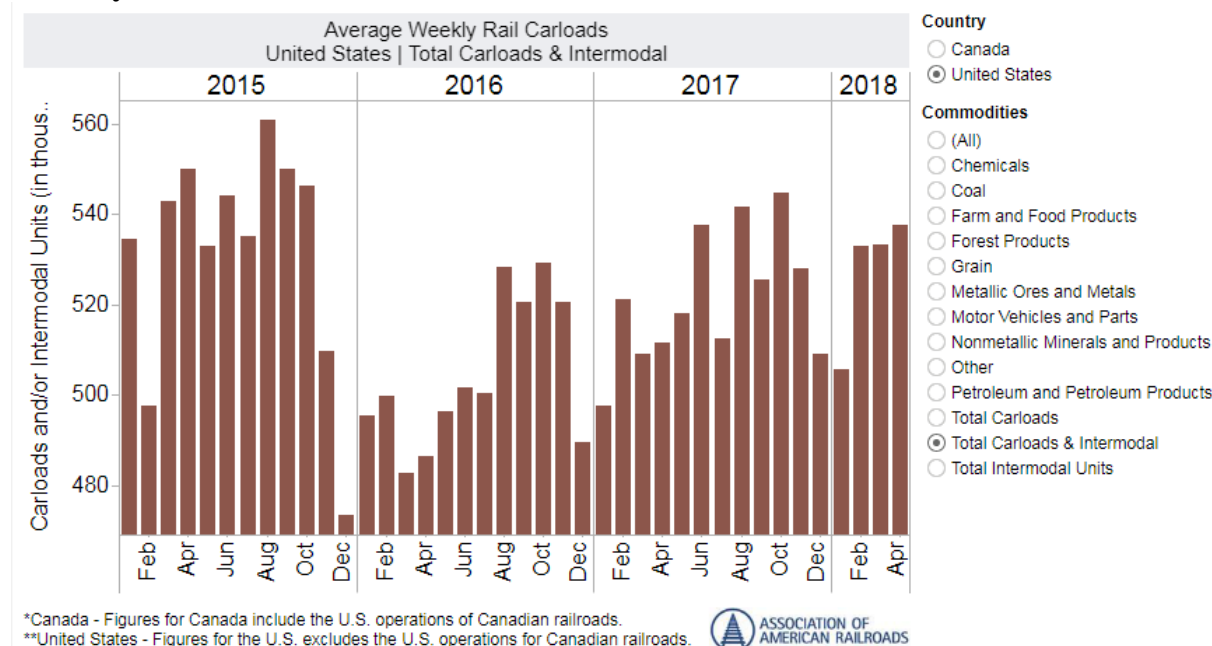
North American rail volume for the week ending June 23, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 373,229 carloads, up 2.8 percent compared with the same week last year, and 376,161 intermodal units, up 3.9 percent compared with last year. Total combined weekly rail traffic in North America was 749,390 carloads and intermodal units, up 3.3 percent. North American rail volume for the first 25 weeks of 2018 was 17,975,309 carloads and intermodal units, up 3.2 percent compared with 2017.

Canadian railroads reported 83,301 carloads for the week, up 6.5 percent, and 69,868 intermodal units, up 4.1 percent compared with the same week in 2017. For the first 25 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 3,686,302 carloads, containers and trailers, up 3.5 percent.

Mexican railroads reported 21,464 carloads for the week and 17,417 intermodal units. Cumulative volume on Mexican railroads for the first 25 weeks of 2018 was 952,279 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-june-23-2018/>

### Monthly Rail Traffic Charts



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

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## Trailer Truck Demand

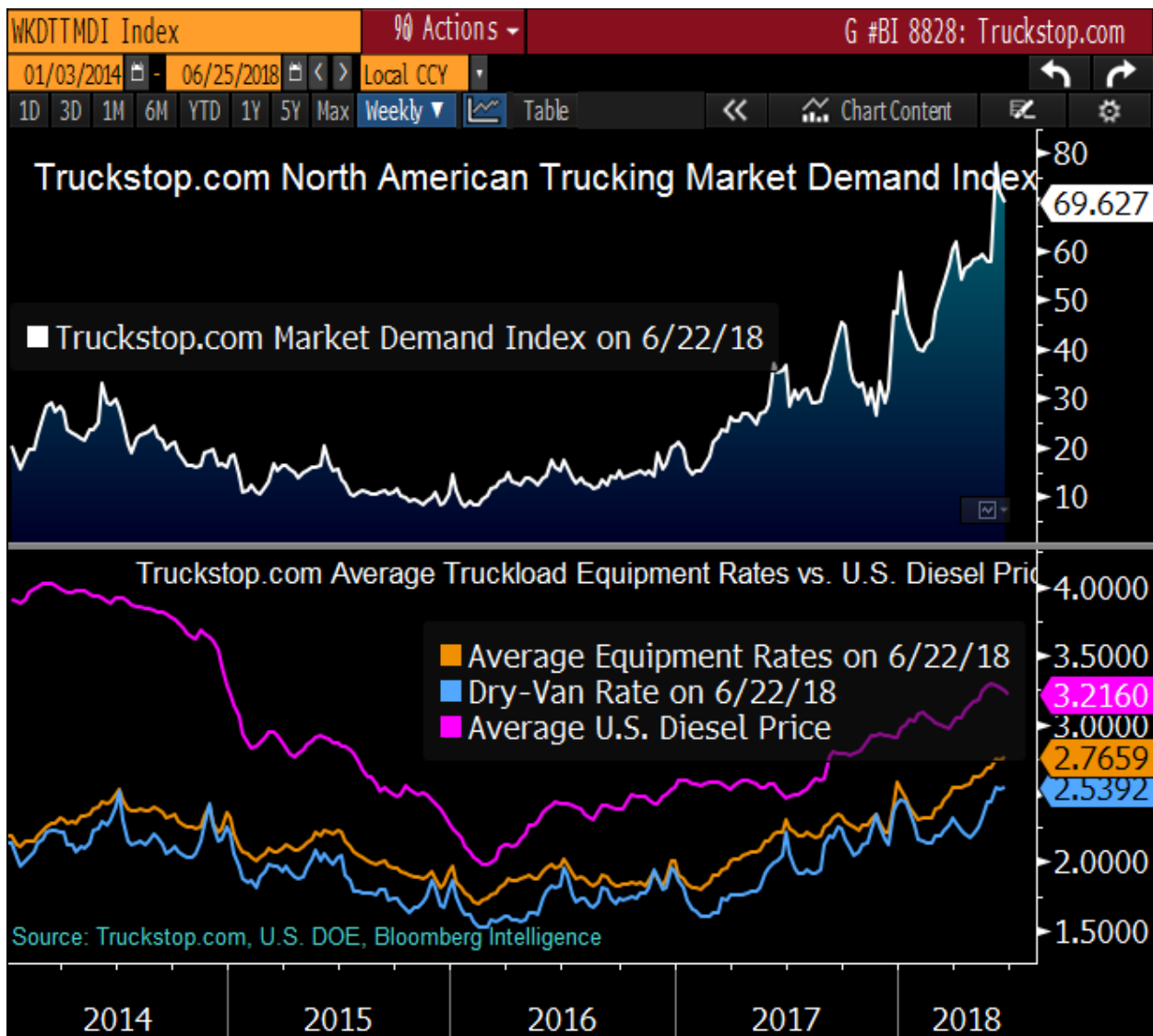
(Bloomberg Intelligence) – 06/25/18

Relative North American spot-trucking demand retreated 3% sequentially to 69.6 in the week ended June 22, based on Truckstop.com's Market Demand Index. For the second straight week, the index gave back some of the 35% surge from the annual road check inspections on June 5-7 across North America, when many drivers park their trucks. The MDI has climbed about 127% on average in 2018, which indicates very tight market capacity relative to last year. This has driven rates, excluding fuel surcharges, up 26% this year.

Companies Impacted: USA Truck, Knight-Swift, J.B. Hunt, Werner and other publicly traded carriers operate mostly in the contract market with varying spot exposure. Spot can be a leading indicator of contractual pricing. Some carriers are raising spot exposure to take advantage of higher rates.

To contact the analyst for this research:

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



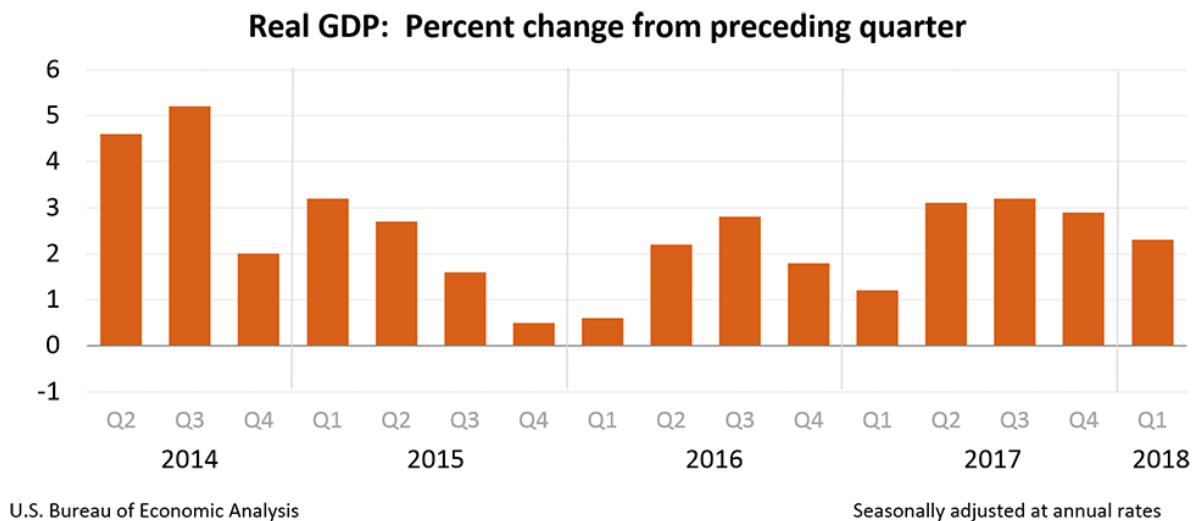
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## GDP

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

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

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



**GDP-2Q is running at \*3.48% as of 6/29/18 v. \*3.61% as of 6/27/18**  
**\*simple average of the three regionals.**

### **Atlanta Fed GDPNow...Q2 2018: 3.8 % —June 29, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is **3.8 percent** on June 29, down from 4.5 percent on June 27. The nowcast of second-quarter real personal consumption expenditures growth declined from 3.7 percent to 2.7 percent after this morning's personal income and outlays report from the U.S. Bureau of Economic Analysis. *The next GDPNow update is **Monday, July 2.*** Please see the "Release Dates" tab below for a full list of upcoming releases.  
<https://www.frbatlanta.org/cqer/research/gdpnow.aspx>

### **New York Fed Nowcast...Q2 2018: 2.8%....June 29, 2018**

The New York Fed Staff Nowcast stands at 2.8% for 2018:Q2 and 2.5% for 2018:Q3. News from this week's data releases decreased the nowcast for both quarters by 0.1 percentage point. Negative surprises from the advance durable goods report and personal consumption expenditures data were only partially offset by a positive surprise from new home sales data.  
<https://www.newyorkfed.org/research/policy/nowcast>

### **St. Louis Fed Real GDP Nowcast... Q2 2018: 3.83%...June 29, 2018**

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

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**MANUFACTURING AT A GLANCE**  
MAY 2018

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	58.7	57.3	+1.4	Growing	Faster	21
New Orders	63.7	61.2	+2.5	Growing	Faster	29
Production	61.5	57.2	+4.3	Growing	Faster	21
Employment	56.3	54.2	+2.1	Growing	Faster	20
Supplier Deliveries	62.0	61.1	+0.9	Slowing	Faster	20
Inventories	50.2	52.9	-2.7	Growing	Slower	5
Customers' Inventories	39.6	44.3	-4.7	Too Low	Faster	20
Prices	79.5	79.3	+0.2	Increasing	Faster	27
Backlog of Orders	63.5	62.0	+1.5	Growing	Faster	16
New Export Orders	55.6	57.7	-2.1	Growing	Slower	27
Imports	54.1	57.8	-3.7	Growing	Slower	16
<b>OVERALL ECONOMY</b>				Growing	Faster	109
<b>Manufacturing Sector</b>				Growing	Faster	21

Average for 12 months - 58.7

High - 60.8

Low - 56.5

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

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

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

**Our Nation in numbers**

The Constitution gives us four missions...

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

[www.usafacts.org](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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