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**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 14:16:15 07/09/18 - 07/13/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/09	14:00				Consumer Credit	May	\$12.000b	--	\$9.262b	--
22)	07/10	05:00				NFIB Small Business Optimism	Jun	105.8	--	107.8	--
23)	07/10	09:00				JOLTS Job Openings	May	6660	--	6698	--
24)	07/11	06:00				MBA Mortgage Applications	Jul 6	--	--	-0.5%	--
25)	07/11	07:30				PPI Final Demand MoM	Jun	0.2%	--	0.5%	--
26)	07/11	07:30				PPI Ex Food and Energy MoM	Jun	0.2%	--	0.3%	--
27)	07/11	07:30				PPI Ex Food, Energy, Trade MoM	Jun	--	--	0.1%	--
28)	07/11	07:30				PPI Final Demand YoY	Jun	3.1%	--	3.1%	--
29)	07/11	07:30				PPI Ex Food and Energy YoY	Jun	2.6%	--	2.4%	--
30)	07/11	07:30				PPI Ex Food, Energy, Trade YoY	Jun	--	--	2.6%	--
31)	07/11	09:00				Wholesale Trade Sales MoM	May	--	--	0.8%	--
32)	07/11	09:00				Wholesale Inventories MoM	May F	0.4%	--	0.5%	--
33)	07/12	07:30				Initial Jobless Claims	Jul 7	226k	--	231k	--
34)	07/12	07:30				Continuing Claims	Jun 30	--	--	1739k	--
35)	07/12	07:30				CPI MoM	Jun	0.2%	--	0.2%	--
36)	07/12	07:30				CPI Ex Food and Energy MoM	Jun	0.2%	--	0.2%	--
37)	07/12	07:30				CPI YoY	Jun	2.9%	--	2.8%	--
38)	07/12	07:30				CPI Ex Food and Energy YoY	Jun	2.3%	--	2.2%	--
39)	07/12	07:30				CPI Index NSA	Jun	252.060	--	251.588	--

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 6404-3970-2 06-Jul-2018 14:16:15

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

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		09:12:02		07/06/18 - 08/31/18					
Central Banks		All Central Banks						View Agenda Weekly			
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	07/11 15:30				Fed's Williams Speaks with Community Leaders in Brooklyn						
22)	07/12 07:30				Fed's Kashkari Speaks on Panel Discussing Immigration						
23)	07/12 11:15				Fed's Harker Speaks at Rocky Mountain Economic Summit						
24)	07/13 10:00				Fed Releases Monetary Policy Report to Congress						
25)	07/13 11:30				Fed's Bostic Holds Town Hall Chat in Northern Virginia						
26)	07/17 09:00				Powell to Deliver Semi-Annual Testimony Before Senate Panel						
27)	07/18 13:00				U.S. Federal Reserve Releases Beige Book						
28)	08/01 13:00				FOMC Rate Decision (Upper Bou...	Aug 1	2.00%	--	2.00%	--	
29)	08/01 13:00				FOMC Rate Decision (Lower Bo...	Aug 1	1.75%	--	1.75%	--	
30)	08/22 13:00				FOMC Meeting Minutes	Aug 1	--	--	--	--	

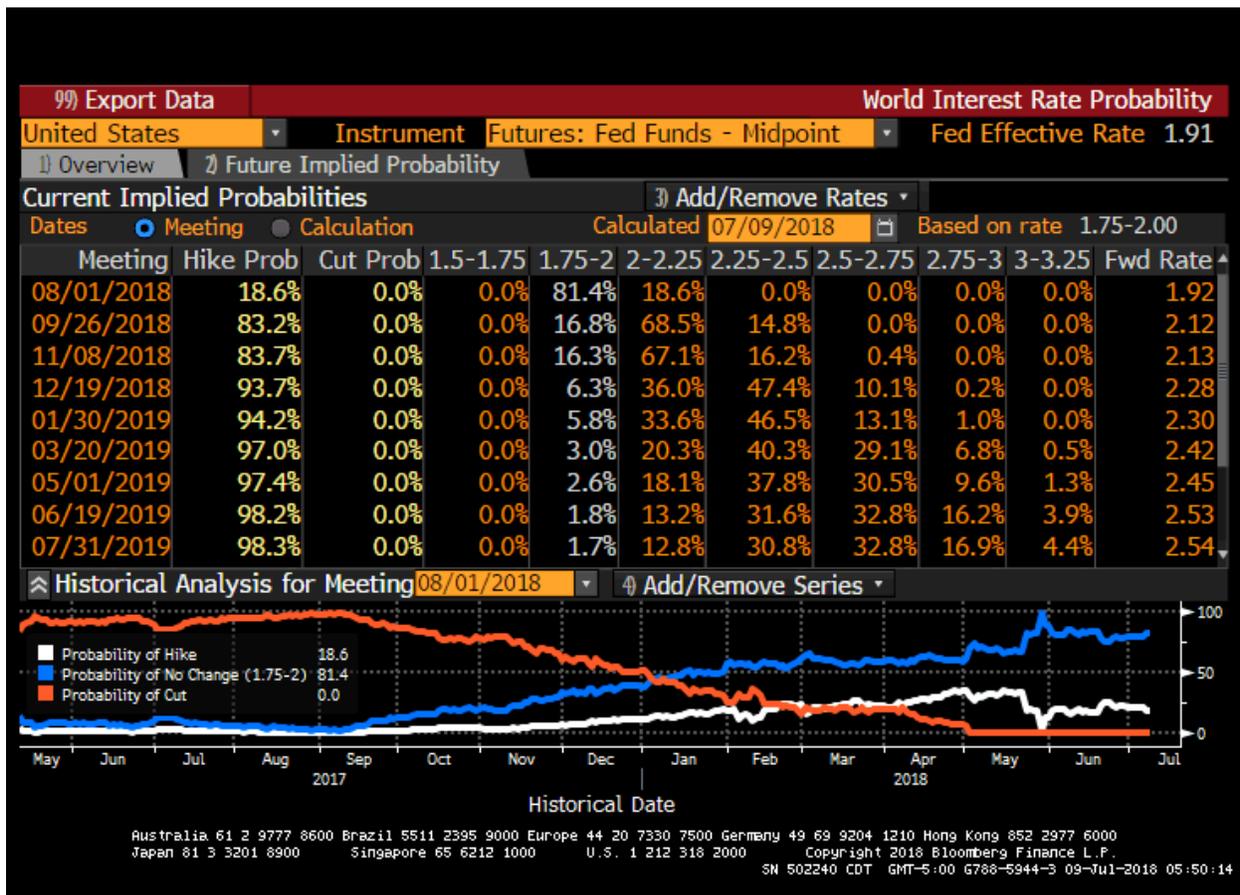
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
<b>Bill Auctions</b>	<b>Announcement</b>	<b>Auction</b>	<b>Settles</b>	<b>Numbers</b>	<b>R</b>	<b>Bil</b>	<b>\$ Bln</b>
<b>Cash mgmt</b>	TBA	TBA	TBA	TBA		TBA	02/13/2018 \$50
<b>4-week</b>	07/09/2018	07/10/2018	07/12/2018	TBA		TBA	07/02/2018 \$35
<b>3-month</b>	07/05/2018	07/09/2018	07/12/2018	912796NZ8		TBA	07/02/2018 \$48
<b>6-month</b>	07/05/2018	07/09/2018	07/12/2018	912796QS1		TBA	07/02/2018 \$42
<b>1-year</b>	07/12/2018	07/17/2018	07/19/2018	TBA		TBA	06/19/2018 \$26
<b>Note Auctions</b>							
<b>2-year</b>	07/19/2018	07/24/2018	07/31/2018	TBA		TBA	06/26/2018 \$34
<b>3-year</b>	07/05/2018	07/10/2018	06/15/2018	912828Y20		TBA	06/11/2018 \$32
<b>5-year</b>	07/19/2018	07/25/2018	07/31/2018	TBA		TBA	06/27/2018 \$36
<b>7-year</b>	07/19/2018	07/26/2018	07/31/2018	TBA		TBA	06/28/2018 \$30
<b>10-year</b>	07/05/2018	07/11/2018	06/15/2018	9128284N7	R	TBA	06/11/2018 \$22
<b>Bond Auctions</b>							
<b>30-year</b>	07/05/2018	07/12/2018	06/15/2018	912810SC3	R	TBA	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/fomcprojtabl20180613.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.07750</b>	<b>-.00875</b>	<b>(97.92250)</b>
<b>3-Month Libor Set</b>	<b>2.33313</b>	<b>+.00169</b>	<b>(97.66687)</b>
<b>6-Month Libor Set</b>	<b>2.50875</b>	<b>+.00062</b>	<b>(97.49125)</b>
<b>1-Year Libor Set</b>	<b>2.77594</b>	<b>+.00219</b>	<b>(97.22406)</b>

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## THEY SAID IT

**“Did you sleep well last night?” Kim Yong Chol, Pompeo’s North Korean interlocutor, asked the top U.S. diplomat Saturday morning before the two men resumed talks over North Korea’s nuclear weapons program.**

**Pompeo replied that he had but Kim, aware of the pressure on the secretary of state to conclude an agreement, pressed further.**

**“But we did have very serious discussions on very important matters yesterday,” Kim said.**

**“So thinking about those discussions you might have not slept well last night.”**

**“Director Kim, I slept just fine,” Pompeo replied curtly.**

<https://www.bloomberg.com/news/articles/2018-07-09/pompeo-caught-between-trump-s-short-fuse-and-kim-s-intransigence>

Before flying to Tokyo on Saturday, Pompeo cast a positive spin on his two days of talks in Pyongyang, calling them “productive” even though there was no breakthrough. But just hours later, a statement in North Korean state media called the secretary’s approach “gangster-like” and “cancerous.”

Aware that the Singapore summit was almost derailed by escalating North Korean rhetoric that infuriated Trump, Pompeo quickly dismissed the statement as posturing.

“I was there for the event, I know actually what precisely took place,” Pompeo told reporters in Tokyo on Sunday. “When we spoke to them about the scope of denuclearization, they did not push back.”

While former Secretary of State John Kerry’s negotiations with foreign leaders could extend for hours, and frequently ran late, Pompeo has taken the opposite approach. His diplomatic meetings are short, and he has frequently wrapped them up early, as he did with North Korean negotiators in New York in June. And in another contrast with Kerry, he keeps his interactions with the media brief, sometimes even starting press conferences early.

“He will call a spade a spade whether you’re a fellow Republican or a Democrat or a member of the media or for that matter another country’s foreign minister,” said Republican Senator Tom Cotton of Arkansas, an ally from the days when they served in the House of Representatives together. “I think that’s helpful in diplomacy because so often diplomats get tied in knots trying to choose exactly the right words as opposed to just getting to the rub of the matter.”

Urban, who recommended Pompeo to the president to fill the CIA slot, recalled a recruiting poster at West Point with the slogan “At West Point, much of the history we teach was made by the people we taught.” Under those words are the faces of graduates Dwight Eisenhower, George Patton, Ulysses Grant and Robert E. Lee.

“Guys at West Point are going to be studying Mike Pompeo,” Urban said. “He’s as consequential as any of them.”

**“I think what we’re seeing is the difficult choices over Brexit suddenly having to be confronted,” Ian Begg, a professorial research fellow at the LSE’s European Institute, told CNBC’s “Squawk Box Europe” Monday.**

**“For the last six months, or even since the referendum, the can has been kicked down the road about making those hard choices between being in the single market or not being in it, in the customs union or not in the customs union. And when it comes to that, one side has**

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to lose,” he said.

<https://www.cnn.com/2018/07/09/what-happens-to-brex-it-now-after-davis-resignation.html>

he resignation of a key driver of the U.K.’s Brexit process is a blow for British Prime Minister Theresa May, but analysts believe she can survive the departure.

Brexit Secretary David Davis resigned Sunday evening, [objecting to May’s withdrawal plan that seeks to maintain close economic ties with the European Union \(EU\)](#), rather than a harder separation favored by Davis and other so-called “Brexiters.” Former Housing Minister Dominic Raab was named as Davis' successor on Monday morning.

Analysts are seeing the latest move as a “crunch point” for May, but that the vagaries of British politics and need for leadership just nine months before the official Brexit date could mean that she can soldier on.

**The [Tesla](#) chief executive on Sunday shared a video via Twitter, demonstrating a “tiny, kid-size submarine” being used to transport a person across a pool.**

**The vessel’s structure was made from the liquid oxygen transfer tube of a Falcon rocket, manufactured by Musk’s space exploration business SpaceX.**

<https://www.cnn.com/2018/07/09/elon-musk-sends-kid-size-submarine-to-help-thai-cave-rescue-mission.html>

The submarine weighs 40 kilograms when dry, and Musk even raised the possibility of creating a compartment to add a music player to soothe the anxiety of the boys traveling in it.

Rescuers have ramped up efforts to save the boys and their soccer coach, who were discovered trapped inside the flooded Tham Luang cave in the Chiang Rai province last week.

Musk said it would take 17 hours to deliver the mini-submarine. “Hopefully, (it will be) useful,” he said on Twitter. “If not, perhaps it will be in a future situation.”

On Saturday, he [sent engineers from two of his companies](#), SpaceX and tunneling firm The Boring Company, to examine the situation and see if there was anything they could do to help.

**North Atlantic Treaty Organization leaders are due to arrive at the alliance’s shiny new headquarters in Brussels on Wednesday bracing for what could be yet another bruising encounter with President Donald Trump.**

<https://www.bloomberg.com/news/articles/2018-07-09/is-nato-next-on-trump-s-chopping-block>

The U.S. commander in chief has a familiar stick to wield: the shortfall in defense spending; or as Trump puts it, allies’ refusal to “pay what they owe.” Trump has given plenty of advance warning of his line of attack, with letters dispatched to NATO leaders who don't yet meet the target of 2 percent of gross domestic product.

**Samsung Life Insurance Co. is [under pressure to sell its stake](#) in Samsung Electronics Co., a holding that’s key to the Lee family’s control of the smartphone and semiconductor giant, Bloomberg News reported Thursday. New legislation may force Samsung Life to change the way it values the stake, pushing it over a regulatory threshold that bars insurers from putting more than 3 percent of their assets into stock or bonds of an affiliate.**

<https://www.bloomberg.com/news/articles/2018-07-05/samsung-shows-south-korea-s-chaebol-reform-is-like-pulling-teeth>

At present, the Korean Insurance Business Act allows Samsung Life to value the shares at acquisition cost, or about 0.6 trillion won (\$540 million), equal to 0.2 percent of total assets. The

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market value is 24 trillion won, or about 9 percent of assets. Another group company, Samsung Fire & Marine Insurance Co., has also used acquisition cost to value its stake in Samsung Electronics.

The possible sale is a contentious issue, with significant implications for South Korea's regulatory system and shareholder rights.

**“The vessel has to be able to perform her tasks in extremely harsh conditions,” says Mika Hovilainen, an icebreaker specialist at [Aker Arctic Technology Inc.](#), the Helsinki company that designed the ships. “Systems have to work properly in a very wide range of temperatures.”**

<https://www.bloomberg.com/news/articles/2018-07-09/russia-is-building-320-million-icebreakers-to-carve-new-arctic-routes>

Until factories open on the moon or Mars, there's no less hospitable an industrial workplace than Yamal LNG, a \$27 billion liquid natural gas plant that lies in Russian territory 375 miles north of the Arctic Circle. In the winter, when there's zero sun for more than two months, temperatures reach -13F on land and -58F in the blinding fog out at sea. But there's a lot of fossil fuel in this wasteland—44 trillion cubic feet, the equivalent of about 8 billion barrels of oil. So Yamal LNG, controlled by Russian natural gas producer [Novatek](#), has brought together partners to spend an unprecedented sum on a new kind of transportation that will be here much faster than self-driving cars or a casual afternoon spaceflight.

Conventional tankers still can't handle the ice in the Arctic's Kara Sea—even though it's slowly but surely melting because of global warming. It would be extremely costly and time-consuming to provide smaller icebreaking ships as escorts for the tankers. That's why an international collaboration of ship designers, engineers, builders, and owners is creating a minimum of fifteen 1,000-foot-long, \$320 million tankers to break the ice themselves.

The tankers are the widest gas carriers ever built, at about 164 feet. Fully loaded, each carries the same volume as about 1 million barrels of oil. Together, the 15 will be able to carry 16.5 million tons of liquefied natural gas a year—enough to supply half of South Korea's annual consumption, and close to the eventual output of Yamal LNG. They'll travel west to Europe in the winter and east to Asia in the summer, moving through ice that's up to 7 feet thick.

**A British woman died on Sunday after she was poisoned by the same nerve agent that struck a former Russian spy in March and triggered a crisis in relations between Western capitals and Moscow.**

<https://www.reuters.com/article/us-britain-poison/uk-woman-dies-after-poisoning-by-soviet-era-nerve-agent-idUSKBN1JY0YI>

Dawn Sturgess, 44, died after she was exposed to Novichok on June 30 in western England, just a few miles from where Russian double agent Sergei Skripal and his daughter were attacked with the same poison four months ago.

**The United States says it wants to reduce oil exports from Iran, the world's fifth biggest oil producer, to zero by November, in a move that will oblige other big producers such as Saudi Arabia to pump more.**

<https://www.reuters.com/article/us-global-oil/oil-prices-climb-on-global-demand-u-s-sanctions-on-iran-idUSKBN1JZ03I>

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But Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries have little spare capacity and oil demand has risen faster than supply over the last year. At the same time, exports from several OPEC producers, including Venezuela and Libya, have been falling.

**The U.S. president's spontaneous approach to negotiations, and the inscrutable style of the Kremlin leader, make predicting the outcome of the summit with any accuracy close to impossible.**

**We do however, have a reasonable idea of the issues the two leaders and their aides will have mapped out before the meeting: the areas where they each want something from their counterpart, and the places they are willing to give ground.**

<https://www.reuters.com/article/us-usa-russia-summit-issues-explainer/the-issues-on-the-table-when-trump-and-putin-meet-idUSKBN1JZ0W7>

### **ARMS RACE RHETORIC**

Both Trump and Putin have been using bellicose rhetoric about their nuclear arsenals, drawing their countries closer to a new arms race. Trump has said the U.S. nuclear capability needs renewing. He told Reuters last year, "if countries are going to have nukes, we're going to be at the top of the pack." Putin in March this year unveiled an array of new nuclear weapons, and warned Western governments "now they need to take account of a new reality." An arms race would be dangerous and expensive for both sides. An agreement to scale back the rhetoric would be a win for both Putin and Trump. Progress towards extending the New Start arms treaty, which expires in 2021, would give substance to that agreement.

### **SANCTIONS RELIEF**

Putin would like Trump to soften sanctions that Washington imposed over the annexation of Ukraine's Crimea region and backing for separatists in eastern Ukraine, involvement in the Syrian civil war and allegations of Russian meddling in the U.S. elections in 2016. While a 2017 law bars Trump from easing many sanctions without Congress' approval, he can offer some relief without a nod from Congress. The Republican president, who did not want to sign the law and has missed several deadlines for imposing sanctions included in it, could send a signal that the administration does not plan to expand the list of Russian firms and individuals subject to economic and travel restrictions. That would unfreeze much-needed investment and lending from international investors who, at the moment, are reluctant to commit to Russia for fear of the sanctions' impact.

### **SYRIAN DEAL**

Washington ally Israel is anxious that, with the conflict in Syria entering its end game, Iranian and Iran-backed forces will be left gathered around Israel's borders. At the summit, Trump may ask Putin, the most powerful outside player in Syria since Russia's military intervention there, to use his influence with Tehran to curb Iran's military presence. This would be tough to deliver for Putin: it would risk a rupture with his allies in Tehran, and could leave Russian forces having to do the lion's share of the remaining fighting in Syria, a burden that Moscow does not want to shoulder.

### **DIPLOMATIC TIT-FOR-TAT**

Russia's diplomatic presence in the United States, and the U.S. missions in Russia, are depleted after two rounds of tit-for-tat diplomatic expulsions in the past two years. The first was over alleged Russian meddling in the U.S. election, and the second, this year, was in response to the poisoning in England of former Russian spy Sergei Skripal and his daughter. Putin and Trump could agree in Helsinki to restore the full complement of diplomatic staff. That would not change

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the substance of the U.S.-Russia relationship, but it would be a symbol of a new start.

### **RUSSIA'S BACKYARD**

Since Russia's annexation of Crimea in 2014, the NATO alliance has stepped up military exercises in eastern Europe. The aim, according to NATO leaders, is to reassure alliance members who fear a Russian incursion. That has angered Russia. It says NATO is bearing down on its backyard. The Kremlin has likened it to Russia stationing missiles in Mexico. If Trump scaled back the exercises, that would be a big win for Putin. Two senior NATO diplomats told Reuters they are prepared for a worst-case scenario that Trump would announce a freeze on U.S. military exercises or withdraw troops from the Baltics in a gesture to Putin. At the NATO summit in Brussels that precedes Helsinki, NATO states will seek Trump's assurances that he will stand firm on the exercises.

### **UKRAINIAN ALLY**

Washington has stood by Ukraine's pro-Western leaders in their stand-off with Russia. That has included the United States providing Kiev with hundreds of millions of dollars worth of military aid. Helsinki would be a triumph for Putin if he persuaded Trump to drop that military aid. Ukrainian officials say they have assurances from Trump aides he won't do this, but acknowledge anything can happen when Trump and Putin are in a room together. In return, the Russian leader could make concessions over eastern Ukraine, where pro-Moscow separatists control swathes of territory. Diplomats say there is a deal to be done allowing armed international peacekeepers to patrol the area. However, Putin will not contemplate any concessions over Crimea.

**“We received clear assurances from the American side that Ukrainian interests will be confirmed and protected (at the summit),” said a Ukrainian diplomat, speaking on condition of anonymity because of the sensitivity of the matter.**

**“It is important for us that no nasty surprise happens behind our backs, and we received assurances (from the U.S. side) that this will not happen.”**

**<https://www.reuters.com/article/us-usa-russia-summit-ukraine/wary-ukraine-wins-u-s-assurances-ahead-of-trump-putin-summit-idUSKBN1JZ18H>**

Trump and Putin will discuss a range of issues including arms control, Syria and U.S. economic sanctions against Moscow at their summit, which could potentially prove a game-changer for Ukraine.

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## EQUITIES

The S&P is **+11** 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 +0.38%.**

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 +0.54%.**

**The DAX Index closed +0.22%.**

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

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

**Deposit Facility Rate -.40%**

**Next meeting 07/26/18**

### ASIA

#### Japan:

**The TOPIX closed +1.20%.**

**The NIKKEI closed +1.21%.**

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

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

**Next meeting 07/31/18**

#### China:

**The Hang Seng closed +1.32%.**

**The Shanghai Composite closed +2.47%.**

#### 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: 97-53.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-50.5\*\* and 97.53.5^.

Resistance is at 97-56.0\*\*.

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

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

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: 119-28.5 is the pivot point. Above you should be long, below short.**

**Support is at 119-06.0 and 119-28.5^\***

**Resistance is at 120-19.0**

**\*\*^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:	06/09/2018	-	07/09/2018	1 Month				
40 Semi Swaps		41 Sprs to Gov.	42 Ann Swaps	43 Ann Sprs	44 OIS Swaps	49 CME/LCH Sprs						
USD SemiAnnual 30/360 Swap Rates												
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	#SD
1) 1 YR	2.624	2.625	2.624	0.010		1.0	2.570	2.638	2.610	1.5	1.5	
2) 2 YR	2.809	2.812	2.811	0.016		0.9	2.758	2.862	2.806	0.7	0.4	
3) 3 YR	2.872	2.874	2.873	0.021		0.8	2.817	2.953	2.876	-0.2	-0.1	
4) 4 YR	2.891	2.893	2.892	0.022		0.8	2.840	2.992	2.902	-0.8	-0.3	
5) 5 YR	2.898	2.899	2.898	0.025		0.8	2.845	3.014	2.911	-1.2	-0.4	
6) 6 YR	2.900	2.903	2.901	0.027		0.8	2.855	3.024	2.920	-1.7	-0.5	
7) 7 YR	2.902	2.908	2.905	0.026		0.7	2.803	3.040	2.926	-1.8	-0.5	
8) 8 YR	2.909	2.912	2.911	0.026		0.7	2.872	3.048	2.936	-2.4	-0.6	
9) 9 YR	2.919	2.921	2.920	0.026		0.6	2.883	3.057	2.947	-2.5	-0.6	
10) 10 YR	2.927	2.931	2.929	0.025		0.6	2.883	3.077	2.958	-2.7	-0.7	
11) 15 YR	2.953	2.957	2.957	0.027		0.6	2.919	3.110	2.994	-3.6	-0.8	
12) 20 YR	2.952	2.954	2.953	0.027		0.6	2.915	3.110	2.995	-4.1	-0.9	
13) 25 YR	2.934	2.940	2.937	0.026		0.6	2.889	3.116	2.980	-4.0	-0.9	
14) 30 YR	2.918	2.920	2.919	0.029		0.6	2.880	3.070	2.960	-4.0	-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 502340 CDT GMT-5:00 6788-5944-3 09-Jul-2018 05:51:12

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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.	06 July 2018	1,052	+5	29 June 2018	+100	07 July 2017
Canada	06 July 2018	182	+10	29 June 2018	+7	07 July 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.**

U.S. railroads originated 1,080,769 carloads in June 2018, up 2.0 percent, or 21,098 carloads, from June 2017. U.S. railroads also originated 1,159,973 containers and trailers in June 2018, up 6.3 percent, or 68,689 units, from the same month last year. Combined U.S. carload and intermodal originations in June 2018 were 2,240,742, up 4.2 percent, or 89,787 carloads and intermodal units from June 2017.

In June 2018, 14 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with June 2017. These included: petroleum & petroleum products, up 7,411 carloads or 19.7 percent; crushed stone, sand & gravel, up 7,276 carloads or 7.1 percent; and chemicals, up 4,608 carloads or 3.7 percent. Commodities that saw declines in June 2018 from June 2017 included: coal, down 9,396 carloads or 2.7 percent; nonmetallic minerals, down 3,552 carloads or 18.8 percent; and waste & nonferrous scrap, down 618 carloads or 3.8 percent. “Rail traffic in June was consistent with a healthy economy,” said AAR Senior Vice President of Policy and Economics John T. Gray. “In June, 14 of the 20 commodity categories the AAR tracks each month saw carload gains — the third straight month in which at least 14 categories were up. That’s the longest such streak since late 2014. Meanwhile, record intermodal volume for June speaks to the high value proposition that rail customers associate with intermodal service. For now, things are looking good for the railroads and the economy despite the many threats, such as a potential trade war, that could bring change quickly.”

Excluding coal, carloads were up 30,494 carloads, or 4.3 percent, in June 2018 from June 2017.

Excluding coal and grain, carloads were up 25,979 carloads, or 4.2 percent.

Total U.S. carload traffic for the first six months of 2018 was 6,747,414 carloads, up 1.3 percent, or 87,169 carloads, from the same period last year; and 7,153,557 intermodal units, up 6.0 percent, or 405,633 containers and trailers, from last year.

Total combined U.S. traffic for the first 26 weeks of 2018 was 13,900,971 carloads and intermodal units, an increase of 3.7 percent compared to last year.

### **Week Ending June 30, 2018**

Total U.S. weekly rail traffic was 564,243 carloads and intermodal units, up 4.6 percent compared with the same week last year.

Total carloads for the week ending June 30 were 270,916 carloads, up 0.7 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 293,327 containers and trailers, up 8.5 percent compared to 2017.

Eight of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 2,494 carloads, to 11,354; chemicals, up 1,739 carloads, to 33,563; and metallic ores and metals, up 738 carloads, to 26,054.

Commodity groups that posted decreases compared with the same week in 2017 were coal, down 4,635 carloads, to 83,214; and grain, down 7 carloads, to 23,433.

North American rail volume for the week ending June 30, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 377,509 carloads, up 2.7 percent compared with the same week last year, and 380,866 intermodal units, up 8.8 percent compared with last year. Total combined weekly rail traffic in North America was 758,375 carloads and intermodal units, up 5.7 percent. North American rail volume for the first 26 weeks of 2018 was 18,733,684 carloads and intermodal units, up 3.3 percent compared with 2017.

Canadian railroads reported 84,694 carloads for the week, up 7.1 percent, and 69,286 intermodal units, up 4.6 percent compared with the same week in 2017. For the first 26 weeks of 2018,

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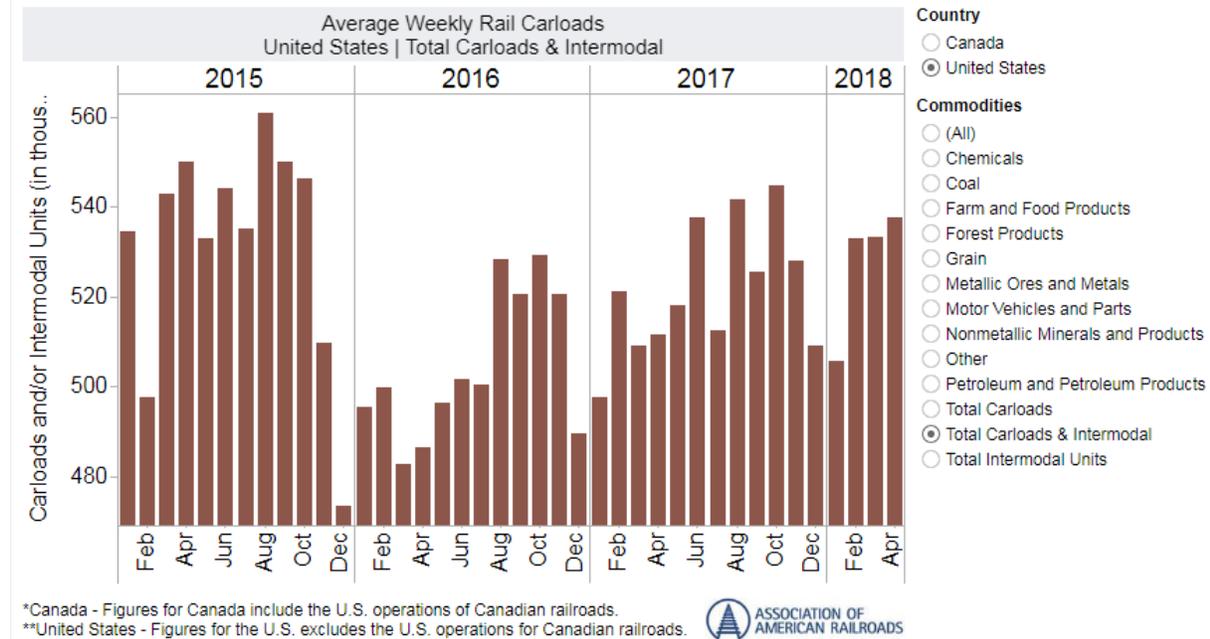
Canadian railroads reported cumulative rail traffic volume of 3,840,282 carloads, containers and trailers, up 3.6 percent.

Mexican railroads reported 21,899 carloads for the week and 18,253 intermodal units.

Cumulative volume on Mexican railroads for the first 26 weeks of 2018 was 992,431 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-june-30-2018/>

### Monthly Rail Traffic Charts



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

### Trailer Truck Demand (Bloomberg Intelligence) – 06/25/18

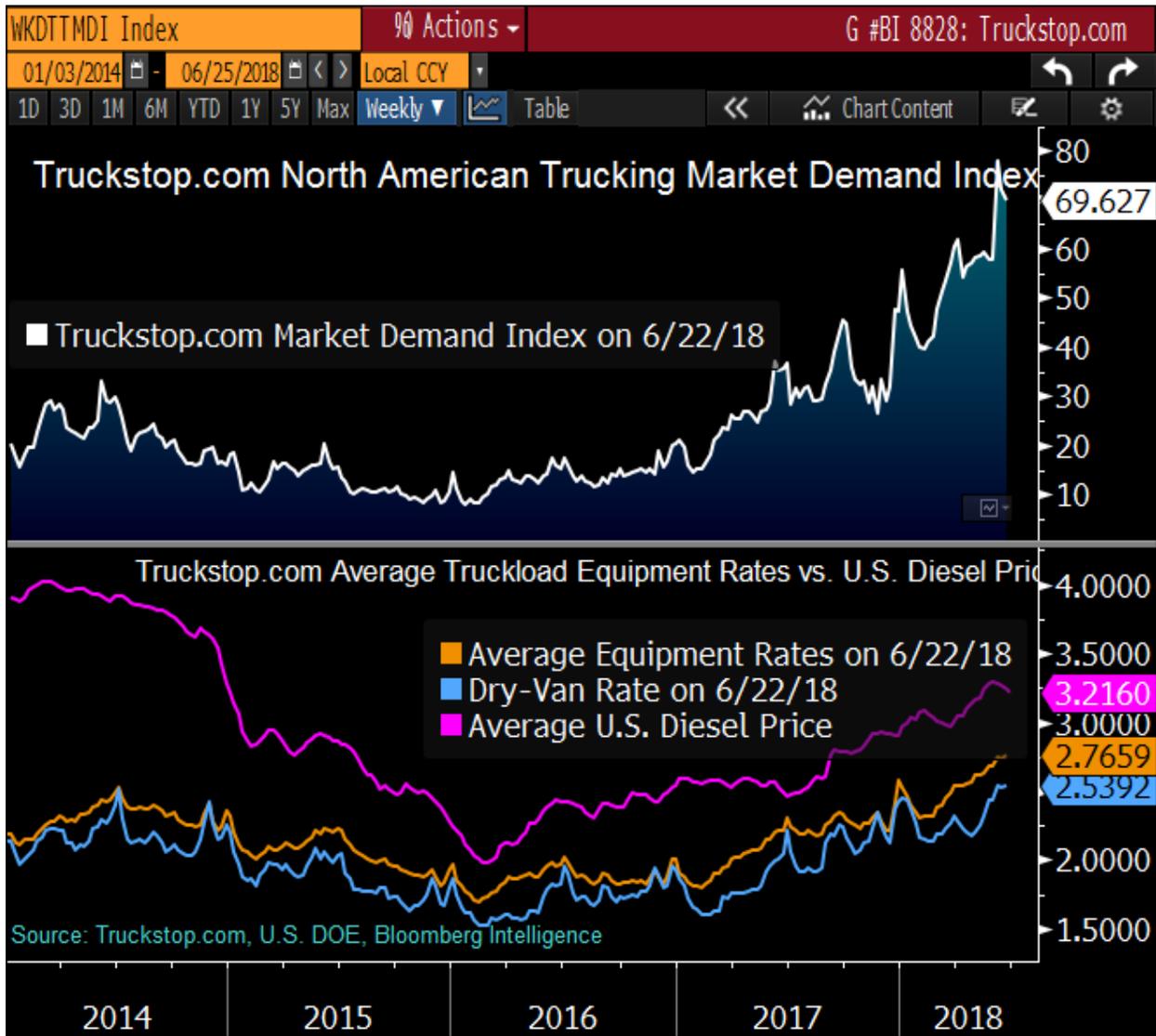
Relative North American spot-trucking demand retreated 3% sequentially to 69.6 in the week ended June 22, based on Truckstop.com's Market Demand Index. For the second straight week, the index gave back some of the 35% surge from the annual road check inspections on June 5-7 across North America, when 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 [lklaskow1@bloomberg.net](mailto:lklaskow1@bloomberg.net)

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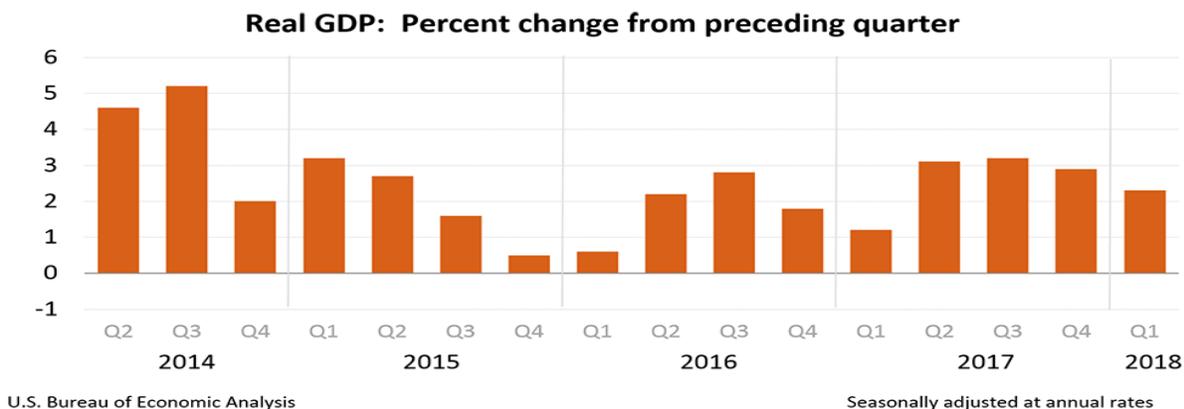
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## GDP

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 7/6/18 v. \*3.66% as of 7/2/18**

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

### **Atlanta Fed GDPNow...Q2 2018: 3.8 % —July 6, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is 3.8 percent on July 6, down from 4.1 percent on July 2. Since the last GDPNow update on Monday, July 2, the nowcasts of second-quarter real consumer spending growth and second-quarter real gross private domestic investment growth have declined from 2.9 percent and 7.1 percent, respectively, to 2.7 percent and 6.0 percent, respectively. These declines more than offset an increase in the nowcast of the contribution of net exports to second-quarter real GDP growth from 0.62 percentage points to 0.70 percentage points after this morning's international trade release from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis.

*Bureau of Economic Analysis. The next GDPNow update is **Wednesday, July 11.***

*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%...July 6, 2018**

The New York Fed Staff Nowcast stands at 2.8% for 2018:Q2 and 2.7% for 2018:Q3.

News from this week's data releases left the nowcast for 2018:Q2 broadly unchanged and increased the nowcast for 2018:Q3 by 0.2 percentage point.

Positive surprises from the ISM manufacturing survey accounted for the increase.

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

### **St. Louis Fed Real GDP Nowcast... Q2 2018: 3.84%...July 6, 2018**

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

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## MANUFACTURING AT A GLANCE

JUNE 2018

Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	60.2	58.7	+1.5	Growing	Faster	22
New Orders	63.5	63.7	-0.2	Growing	Slower	30
Production	62.3	61.5	+0.8	Growing	Faster	22
Employment	56.0	56.3	-0.3	Growing	Slower	21
Supplier Deliveries	68.2	62.0	+6.2	Slowing	Faster	21
Inventories	50.8	50.2	+0.6	Growing	Faster	6
Customers' Inventories	39.7	39.6	+0.1	Too Low	Slower	21
Prices	76.8	79.5	-2.7	Increasing	Slower	28
Backlog of Orders	60.1	63.5	-3.4	Growing	Slower	17
New Export Orders	56.3	55.6	+0.7	Growing	Faster	28
Imports	59.0	54.1	+4.9	Growing	Faster	17
<b>OVERALL ECONOMY</b>				Growing	Faster	110
<b>Manufacturing Sector</b>				Growing	Faster	22

Average for 12 months - 59.0

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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