



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

9 <GO> to Save as Default

Economic Calendars											
1) Calendars		2) Alerts		3) Export		4) Settings					
United States		Browse		15:21:02		07/11/18		07/17/18			
Economic Releases											
All Economic Releases											
View Agenda Weekly											
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/11	06:00				MBA Mortgage Applications	Jul 6	--	--	-0.5%	--
22)	07/11	07:30				PPI Final Demand MoM	Jun	0.2%	--	0.5%	--
23)	07/11	07:30				PPI Ex Food and Energy MoM	Jun	0.2%	--	0.3%	--
24)	07/11	07:30				PPI Ex Food, Energy, Trade MoM	Jun	0.2%	--	0.1%	--
25)	07/11	07:30				PPI Final Demand YoY	Jun	3.1%	--	3.1%	--
26)	07/11	07:30				PPI Ex Food and Energy YoY	Jun	2.6%	--	2.4%	--
27)	07/11	07:30				PPI Ex Food, Energy, Trade YoY	Jun	--	--	2.6%	--
28)	07/11	09:00				Wholesale Trade Sales MoM	May	0.5%	--	0.8%	--
29)	07/11	09:00				Wholesale Inventories MoM	May F	0.5%	--	0.5%	--
30)	07/12	07:30				Initial Jobless Claims	Jul 7	225k	--	231k	--
31)	07/12	07:30				Continuing Claims	Jun 30	1730k	--	1739k	--
32)	07/12	07:30				CPI MoM	Jun	0.2%	--	0.2%	--
33)	07/12	07:30				CPI Ex Food and Energy MoM	Jun	0.2%	--	0.2%	--
34)	07/12	07:30				CPI YoY	Jun	2.9%	--	2.8%	--
35)	07/12	07:30				CPI Ex Food and Energy YoY	Jun	2.3%	--	2.2%	--
36)	07/12	07:30				CPI Index NSA	Jun	252.092	--	251.588	--
37)	07/12	07:30				CPI Core Index SA	Jun	257.361	--	256.889	--
38)	07/12	07:30				Real Avg Weekly Earnings YoY	Jun	--	--	0.3%	--
39)	07/12	07:30				Real Avg Hourly Earning YoY	Jun	--	--	0.0%	--

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 2018 Bloomberg Finance L.P.
SN 502240 CDT GMT-6:00 G660-1366-3 10-Jul-2018 15:21:02

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Fed Speak Calendar
(All times are CST)

Economic Calendars										
Calendars		Alerts		Export		Settings		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	--	--	--	--

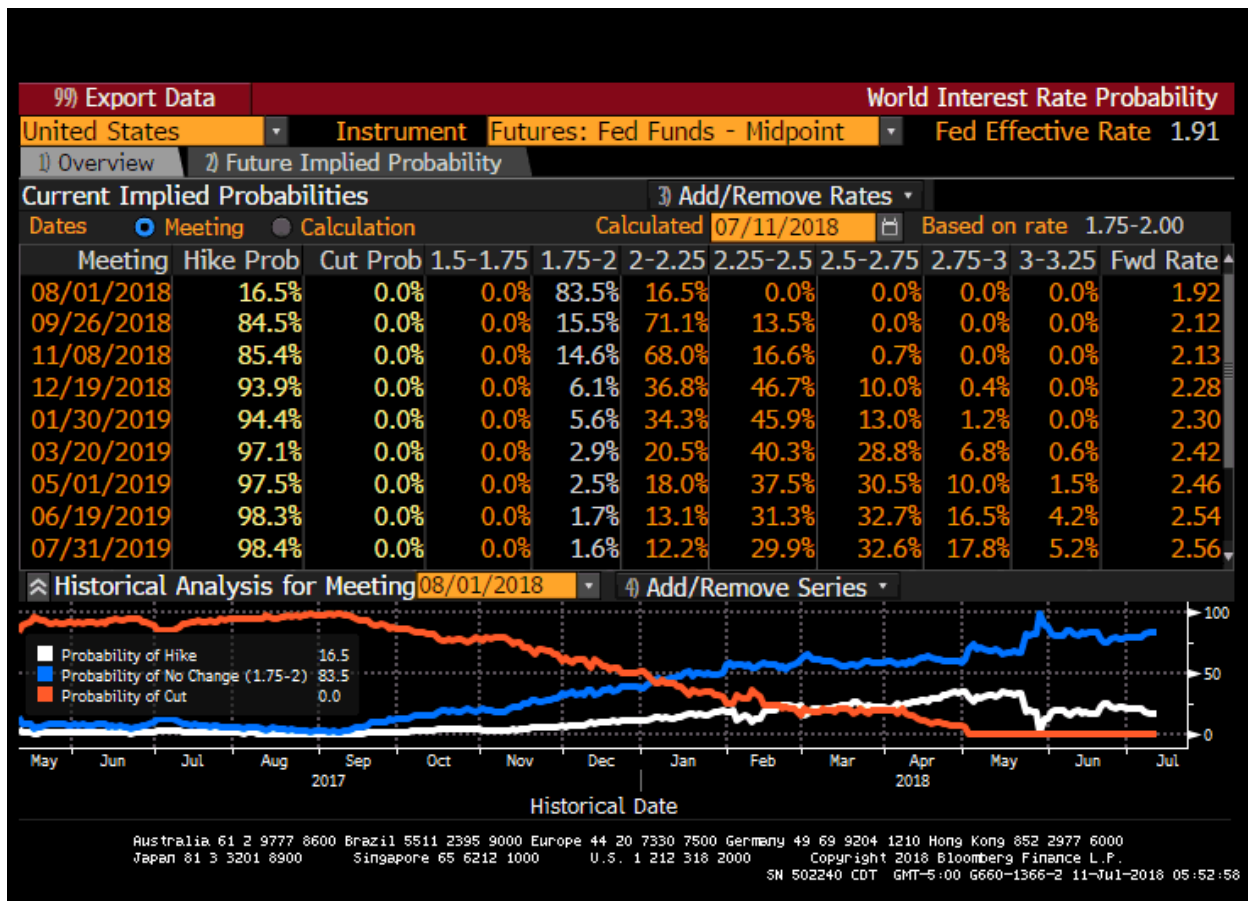
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News: News Story									
Previous		Next		Send		Actions		Translate	
07/10/2018 12:32:22 [BN]									
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln	
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50	
4-week	07/16/2018	07/17/2018	07/19/2018	TBA		TBA	07/10/2018	\$35	
3-month	07/12/2018	07/16/2018	07/19/2018	912796QD4		TBA	07/09/2018	\$48	
6-month	07/12/2018	07/16/2018	07/19/2018	912796QT9		TBA	07/09/2018	\$42	
1-year	07/12/2018	07/17/2018	07/19/2018	912796QR3		TBA	06/19/2018	\$26	
Note Auctions									
2-year	07/19/2018	07/24/2018	07/31/2018	TBA		TBA	06/26/2018	\$34	
3-year	08/01/2018	08/07/2018	08/15/2018	TBA		TBA	07/10/2018	\$33	
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	08/01/2018	07/11/2018	06/15/2018	9128284N7	R	\$22	06/11/2018	\$22	
Bond Auctions									
30-year	08/01/2018	07/12/2018	06/15/2018	912810SC3	R	\$14	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	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 ¹				Central tendency ²				Range ³			
	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 ⁴	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

1-Month Libor Set	2.07425	+.00775	(97.92575)
3-Month Libor Set	2.33700	-.00044	(97.66300)
6-Month Libor Set	2.51238	+.00043	(97.48762)
1-Year Libor Set	2.77844	-.00250	(97.22156)

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THEY SAID IT

"China is shocked at the U.S. action," the Commerce Ministry said in a statement on its website Wednesday. "To protect the core interests of the nation and its people, China's government is, as in the past, forced to retaliate."

<https://www.bloomberg.com/news/articles/2018-07-10/u-s-is-said-to-move-forward-on-200-billion-china-tariff-list>

China vowed to fightback against the Trump administration's plans to impose tariffs on an additional \$200 billion in Chinese goods, escalating a trade war between the world's two biggest economies.

Beijing described the latest U.S. move as "totally unacceptable" bullying, and urged other countries to join China to protect free trade and multilateralism. China promised to lodge complaints at the World Trade Organization but didn't detail what its retaliatory measures would be.

While China may jack up existing tariffs beyond the 25 percent level imposed so far, it could also inflict significant pain by increasing regulatory oversight of American companies, slowing down approvals processes, canceling orders for U.S. goods or encouraging consumer boycotts.

Big American companies including Walmart Inc. and General Motors Co. host large operations in China and have plans for expansion that could be stymied. China has used these tactics before, notably against South Korea and Japan during previous political spats, with carmakers from the two nations among the victims.

<https://www.bloomberg.com/news/articles/2018-07-11/china-has-arsenal-of-non-tariff-weapons-to-hit-back-at-trump>

One example: Japanese [automakers](#) took a major hit in their China sales in 2012 after the fight over disputed islands in the East China Sea worsened. Another: China put a huge [dent](#) in tourism in South Korea by banning package tours in 2017 amid a dispute over a missile shield. Then there's the currency. China has pleased trading partners in recent times by allowing greater appreciation of the yuan, but there is no guarantee it will stick to this. The yuan is the [worst-performing](#) currency in Asia since mid-June, sliding more than 3 percent

And of course there's also the "nuclear option." While it seems unlikely as China would also suffer greatly, it could offload some of its huge hoard of U.S. Treasuries.

Given the Trump administration's stated aim of maintaining its advantage in manufacturing prowess over China, there are some curious inclusions on Wednesday's list of new tariffs.

Among them are rare-earths, an esoteric collection of minerals with strange names (yttrium, praseodymium), high-tech applications and a history of scarcity. They're used in everything from hybrid vehicles to electronic gadgets and military hardware.

<https://www.bloomberg.com/news/articles/2018-07-11/trump-s-tariff-list-targets-high-tech-minerals-that-u-s-needs>

China's grip on rare-earths supply is so strong that the U.S. joined with other nations earlier this decade in a World Trade Organization case to force the nation to export more of the materials, not less, after prices spiked amid a global shortage. The WTO ruled in favor of the U.S., while prices eventually slumped as manufacturers turned to alternatives.

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Imposing duties will “bring home to the American public the reality of how much of what they use in everyday life contains these technology metals,” Jack Lifton, the Michigan-based founder of rare earth consulting service Technology Metals Research LLC, said by phone. “The Chinese mine the rare-earths, they separate them, they refine them. This is the long-term trend and a 10 percent tariff will not do anything to stir any domestic production in the U.S.”

“There’s no question we’ll see a financial crisis sooner or later because we must remember we’re coming off from a period of cheap money,” the veteran investor in developing nations said in an interview in Singapore. “There’s going to be a real squeeze for many of these companies that depended upon cheap money to keep on going.”

<https://www.bloomberg.com/news/articles/2018-07-11/mobius-sees-trade-war-as-just-a-warm-up-act-for-financial-crisis>

For Mark Mobius, there may be worse to come even after the U.S. fired new shots in its trade war with China: a further 10 percent drop in emerging-market stocks and a global financial crisis.

Tighter liquidity as the Federal Reserve and European Central Bank normalize monetary policy has weighed on emerging markets this year, along with the rising dollar and [deteriorating](#) trade backdrop. The dispute between the U.S. and China will probably worsen as President Donald Trump is unlikely to suffer much blow-back from his tariffs, as their inflationary impact will be matched by rising U.S. wages at a time when unemployment is low, Mobius said.

Developing-nation currencies have also been under pressure, with the MSCI Emerging Markets Currency Index dropping around 6 percent from a high in late March. That’s forcing central banks from Turkey to Argentina and Indonesia to raise rates to defend their currencies.

While the rate hikes are a “short-term fix,” they could be counter-productive for countries with high amounts of debt, Mobius said, adding that governments need to put their finances in order to restore investor confidence.

Despite all the gloom, the 81-year-old investor Mobius, sees the slump as a buying opportunity and is seeking to raise funds.

“It’s very sad when Germany makes a massive oil and gas deal with Russia where we’re supposed to be guarding against Russia and Germany goes out and pays billions and billions of dollars a year to Russia,” Trump said before meeting with NATO Secretary General Jens Stoltenberg on Wednesday morning.

Trump pressed on: “If you look at it, Germany is a captive of Russia, because they supply -- they got rid of their coal plants, got rid of their nuclear, they’re getting so much of the oil and gas from Russia. I think it’s something NATO has to look at.”

<https://www.bloomberg.com/news/articles/2018-07-11/trump-brings-grievances-to-nato-summit-worrying-u-s-allies>

The broadside came at the opening of a two-day summit of North Atlantic Treaty Organization leaders that risks being overshadowed by Trump’s public questioning of the value of the generations-old alliance. The president, who is due to meet with Russian President Vladimir Putin in Finland next week, has linked U.S. spending for Europe’s defense with America’s trade deficit with the world’s largest trading bloc.

Merkel and Trump will talk on the sidelines of NATO at 3:15 p.m. local time and White House Press Secretary Sarah Huckabee Sanders expects Trump to make his case about “Germany being beholden to Russia because of its dependence on Russia for natural gas.”

Germany seems unfazed by the attack. On her arrival, Merkel said Germany was doing its bit for

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NATO, and cited operations in Afghanistan as evidence it was helping defend U.S. interests. Defense Minister Ursula von der Leyen responded to the Nord Stream criticism in a BBC interview at the NATO summit in Brussels: “We can cope with it. We’ve heard him before and seen the tweets. We have an independent energy supply, we are an independent country, we are just diversifying.”

“Half the alliance — 16 of the 29 countries — don’t even spend 1.5 percent (of gross domestic product) let alone 2 percent that we all agreed on four years ago (at a NATO summit) in Wales,” Michael Fallon, who served as secretary of state for defense from 2014 to 2017, said Tuesday.

<https://www.cnbc.com/2018/07/11/trumps-nato-criticism-is-valid-europe-isnt-spending-enough-on-def.html>

“Four years on, and not enough European countries are making progress towards it and they need to do that and the president’s criticisms are quite valid.”

Trump is due to attend a NATO summit in Brussels on Wednesday and the thorny issue of how much the alliance’s individual members spend on defense is certain to arise. On Tuesday, Trump was still tweeting his annoyance.

In 2014, NATO members agreed to target spending 2 percent of gross domestic product (GDP) on defense, although the contributions remain voluntary. In 2017, only the U.S., U.K., Greece, Poland and Estonia reached the 2 percent target.

[In 2017, the U.S. spent \(at current exchange rates\) an estimated \\$685.9 billion on defense,](#) NATO data shows, the U.K. spent \$55.3 billion and Germany \$45 billion, compared to Canada’s \$22.4 billion. [The U.S. represented a 71.1 percent share of the alliance’s combined defense expenditure.](#)

NATO collects defense expenditure data from each member’s defense ministry. The latest data from the organization, released Tuesday, estimated that for 2018 the U.S. will spend 3.5 percent of GDP on defense, while NATO Europe and Canada are expected to both spend 1.47 percent. Hans Binnendijk, from the Center for Transatlantic Relations, and Magnus Nordenman, from the Atlantic Council think tank, concluded in a report entitled [“NATO’s Value to the U.S.: By the Numbers”](#) and published in April that the U.S.’ relationship “with its friends and allies is not a one-way street, where the United States makes, and the allies take.”

They noted that the specified NATO commitment of 2 percent of GDP “is the most visible metric used to measure allied political commitment to burden-sharing across the alliance. However, that metric does not measure the output and quality of allied defense contributions. It says even less about how NATO relates to broader U.S. security and economic interests.” For instance, the writers noted: “France and the U.K. contribute about 30 percent of the total ballistic-missile-submarine deterrent fleet held by NATO members” and that “NATO countries also host sites for U.S. B-61 nuclear gravity bombs, and maintain dual-capable aircraft for nuclear delivery, which further enhance deterrence.”

With these other strategic interests in mind, Fallon said the U.S., which has 1.3 million military personnel with around 15 percent of these stationed outside the U.S., mainly in Europe and Asia, would not withdraw troops from NATO operations.

“There’s no sign of that. On the contrary, they’ve sent troops into Poland, they’re deploying more in Europe and they’ve been committing more to NATO operations, particularly in Afghanistan. So there’s going to be a lot of lively discussion, but I don’t see any sign of withdrawal.”

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“There are not many other places apart from Russia where Germany can get a lot of gas quickly,” said Jonathan Stern, chairman and senior research fellow at the Natural Gas Research Programme of the Oxford Institute for Energy Studies.

<https://www.bloomberg.com/news/articles/2017-07-03/german-addiction-to-russia-gas-raises-alarm-in-merkel-s-backyard>

Already Europe’s biggest gas user, **Germany gets about 40 percent of what it consumes from Russia**, the world’s largest exporter, according to industry consultant Wood Mackenzie Ltd. in London. That dependence is only going to increase by 2025 to more than 50 percent, especially with output from the Netherlands, Germany’s western neighbor, set to drop in coming years. The Gazprom project, known as Nord Stream 2, also will allow for deliveries elsewhere in Europe, making Germany an even more important hub for distributions across the continent. Russia already supplies more than 20 countries with gas used to run power plants, heat homes and make chemicals.



Source: Nord Stream 2

Ahead of President Donald Trump’s high-profile visit to the U.K., the American government’s representatives in the country are warning U.S. citizens to lay low during what is planned to be three days of large-scale protests.

<https://www.cnbc.com/2018/07/11/the-us-embassy-in-london-is-advising-americans-to-keep-a-low-profile.html>

Several demonstrations are scheduled across the U.K. from July 12 to 14 to voice widespread opposition to Trump and his policies. They’re expected to be attended by thousands and will

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mandate a large police presence and several road closures. Though mostly concentrated in central London, some protests will take place in the Scottish cities of Edinburgh and Glasgow, among others.

The [U.S. embassy in London listed on its website](#) a number of actions to take this week, including keeping “a low profile.”

More than 50,000 Americans live in London, and have so far faced no notable violence stemming from animosity toward the U.S. president.

A former [Apple Inc.](#) engineer was arrested on charges of stealing driverless car secrets for a Chinese startup after he passed through the security checkpoint at San Jose International Airport to board a flight to China.

<https://www.bloomberg.com/news/articles/2018-07-10/ex-apple-employee-charged-with-stealing-secrets-for-chinese-firm>

Xiaolang Zhang was accused by U.S. prosecutors of downloading files containing proprietary information as he prepared to leave the iPhone maker in April and start work for Guangzhou-based [Xiaopeng Motors](#). according to a criminal complaint filed Monday in federal court in San Jose, California.

A hardware engineer for Apple’s autonomous vehicle development team, Zhang was granted access to confidential company databases, according to the complaint. After he took paternity leave he told Apple in April he was moving back to China to work at Xmotors. Apple grew more suspicious after seeing his increased network activity and visits to the office before he resigned, according to the complaint.

Earlier this year, China said it would scrap foreign ownership caps for companies making fully electric or plug-in hybrid vehicles in 2018 and all automotive ventures by 2022. The announcement marked a major policy shift in the world’s top car market that has capped foreign ownership in the sector at 50 percent for over two decades.

<https://www.reuters.com/article/us-tesla-china/after-tesla-deal-shanghai-to-speed-up-cancellation-of-foreign-ownership-limits-idUSKBN1K10B2>

Huang Ou, deputy director of the Shanghai Commission of Economy and Information Technology, told reporters at a press conference that the city government was engaged in preparations to support the Tesla project, set to be Shanghai’s biggest foreign-invested project. “The next step is for the city government to do the support work to allow the project to go into operation as quickly as possible,” he said.

“In line with state plans, we will speed up the cancellation of foreign ownership restrictions in the car manufacturing sector,” he said.

Huang declined to comment, however, on the size of the project or when the construction of a plant with capacity to produce 500,000 Tesla battery electric cars a year - large by auto industry standards - would start.

Tesla Inc ([TSLA.O](#)) Chief Executive Officer Elon Musk landed a deal on Tuesday to build a new and wholly owned auto plant in Shanghai, the company’s first factory outside the United States. It would double the size of the electric car maker’s global manufacturing.

The deal was announced as Tesla raised prices on U.S.-made vehicles it sells in China to offset the cost of tariffs imposed by the Chinese government on U.S. imports in retaliation for U.S. President Donald Trump’s heavier duties on Chinese goods.

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EQUITIES

The S&P is **-18** and the NASDAQ is **-54**.

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

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed -1.10%.

In the UK, the swap curve is flatter with yields lower.

BOE Rate +0.50%. (No change).

Next meeting 08/02/18

On the European Continent

The CAC Index closed -1.13%.

The DAX Index closed -1.17%.

On the Continent, the swap curve is flatter with yields lower.

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

Deposit Facility Rate -.40%

Next meeting 07/26/18

ASIA/Japan:

The TOPIX closed -0.83%.

The NIKKEI closed -1.19%.

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

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

Next meeting 07/31/18

China:

The Hang Seng closed -1.29%.

The Shanghai Composite closed -1.76%.

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

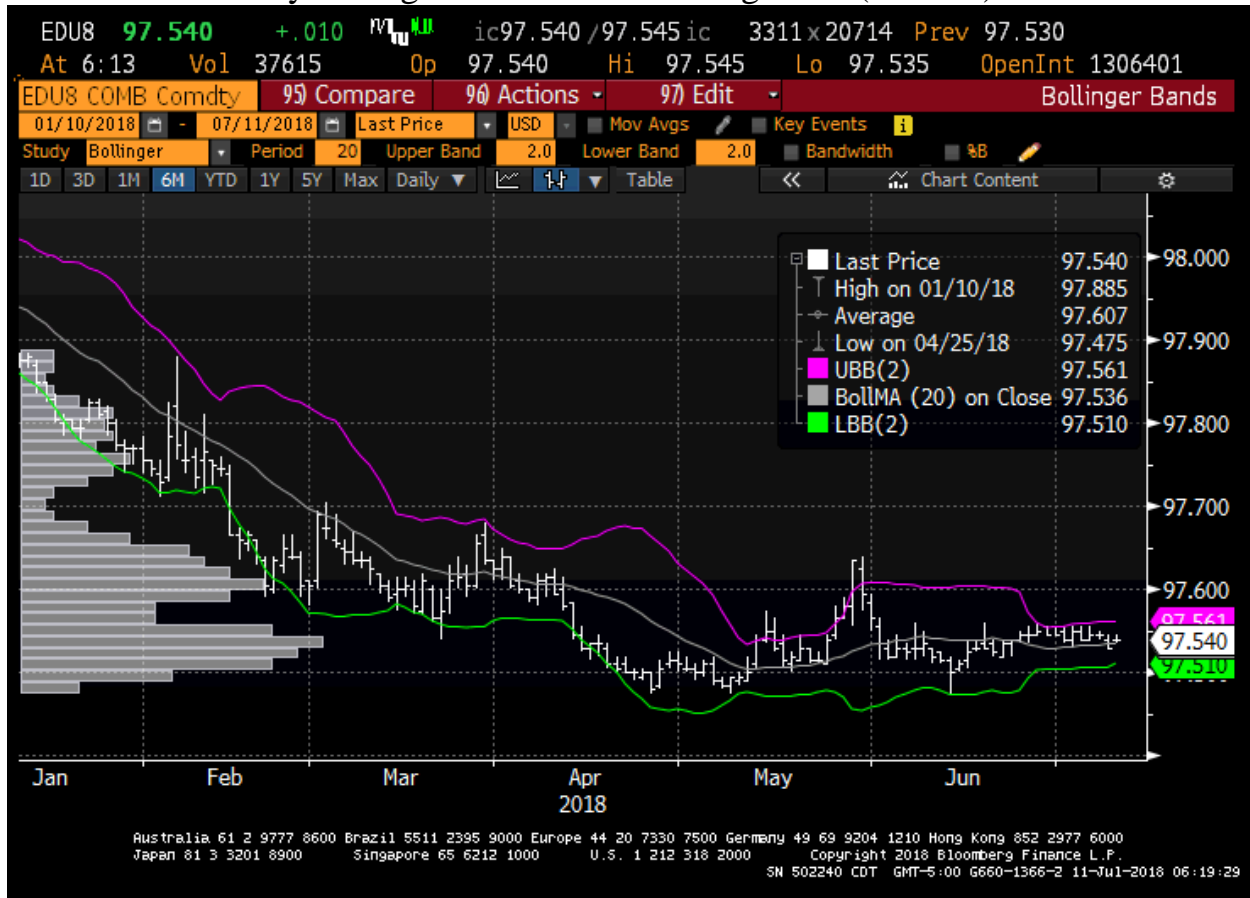
EDU8: 97-53.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-51.0** and 97.53.5^.

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: 119-30.5 is the pivot point. Above you should be long, below short.

Support is at 119-10.0 and 119-30.5^*

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:						06/11/2018 - 07/11/2018		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	#SD
1) 1 YR	2.628 / 2.630		2.629	-0.002			-0.2	2.570		2.638	2.612	1.8	1.6
2) 2 YR	2.810 / 2.814		2.812	-0.004			-0.2	2.758		2.862	2.807	0.7	0.4
3) 3 YR	2.868 / 2.870		2.869	-0.006			-0.3	2.817		2.953	2.876	-0.5	-0.2
4) 4 YR	2.885 / 2.888		2.886	-0.003			-0.1	2.840		2.992	2.900	-1.3	-0.5
5) 5 YR	2.888 / 2.889		2.889	-0.001			0.0	2.845		3.014	2.909	-2.0	-0.6
6) 6 YR	2.887 / 2.893		2.890	-0.004			-0.1	2.855		3.024	2.917	-2.4	-0.7
7) 7 YR	2.892 / 2.896		2.894	-0.004			-0.1	2.803		3.040	2.924	-2.8	-0.8
8) 8 YR	2.900 / 2.902		2.901	-0.006			-0.2	2.872		3.048	2.933	-3.2	-0.8
9) 9 YR	2.908 / 2.910		2.909	-0.008			-0.2	2.883		3.057	2.944	-3.4	-0.9
10) 10 YR	2.918 / 2.924		2.921	-0.005			-0.1	2.883		3.077	2.956	-3.1	-0.8
11) 15 YR	2.947 / 2.948		2.948	-0.009			-0.2	2.919		3.110	2.991	-4.2	-1.0
12) 20 YR	2.944 / 2.946		2.945	-0.010			-0.2	2.915		3.110	2.992	-4.6	-1.0
13) 25 YR	2.930 / 2.932		2.931	-0.014			-0.3	2.889		3.154	2.976	-4.4	-1.0
14) 30 YR	2.911 / 2.913		2.912	-0.012			-0.3	2.880		3.070	2.957	-4.4	-1.0

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 6660-1366-2 11-Jul-2018 05:55:32

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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).

1/64th = \$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 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

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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=iro-l-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/>

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

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generated at utility-scale facilities in the United States.¹ 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 2017.²

U.S. electricity generation by source, amount, and share of total in 2017¹		
Energy source	Billion kWh	Share of total
Total - all sources	4,015	
Fossil fuels (total)	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%
Nuclear	805	20.0%
Renewables (total)	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 ³	-6	-0.2%
Other sources	13	0.3%

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

TRANSPORTS

Association of American Railroads Rail Traffic Report.

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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.

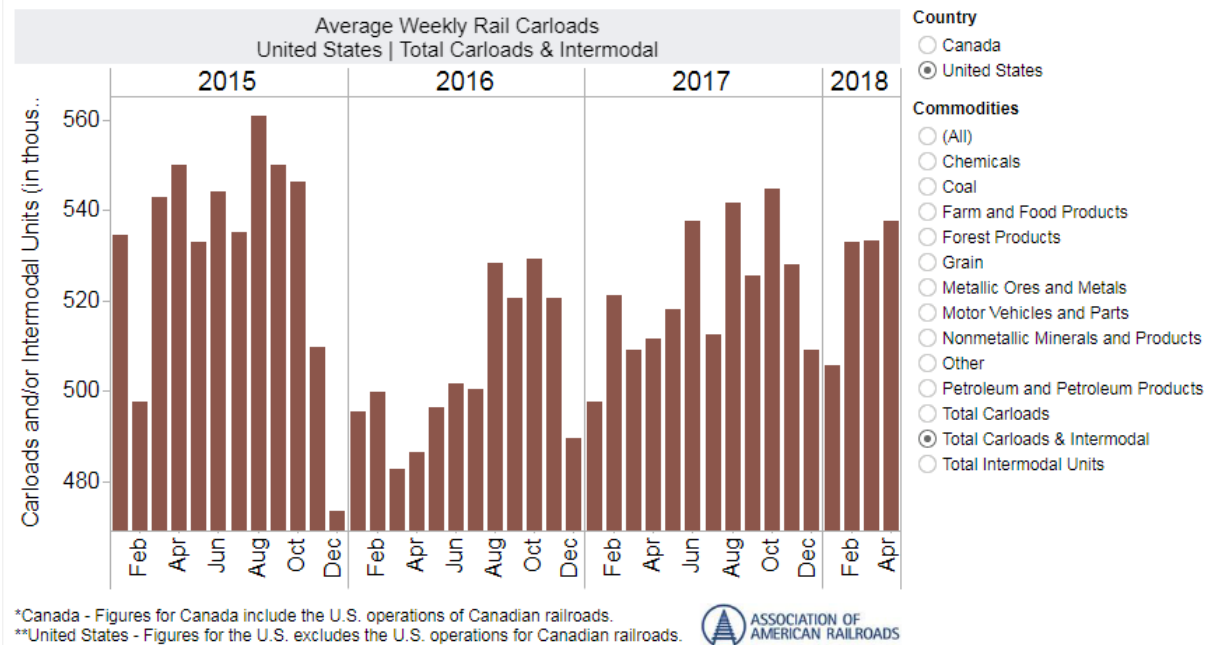
Canadian railroads reported 84,694 carloads for the week, up 7.1 percent, and 69,286 intermodal units, up 4.6 percent compared with the same week in 2017. For the first 26 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 3,840,282 carloads, containers and trailers, up 3.6 percent.

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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



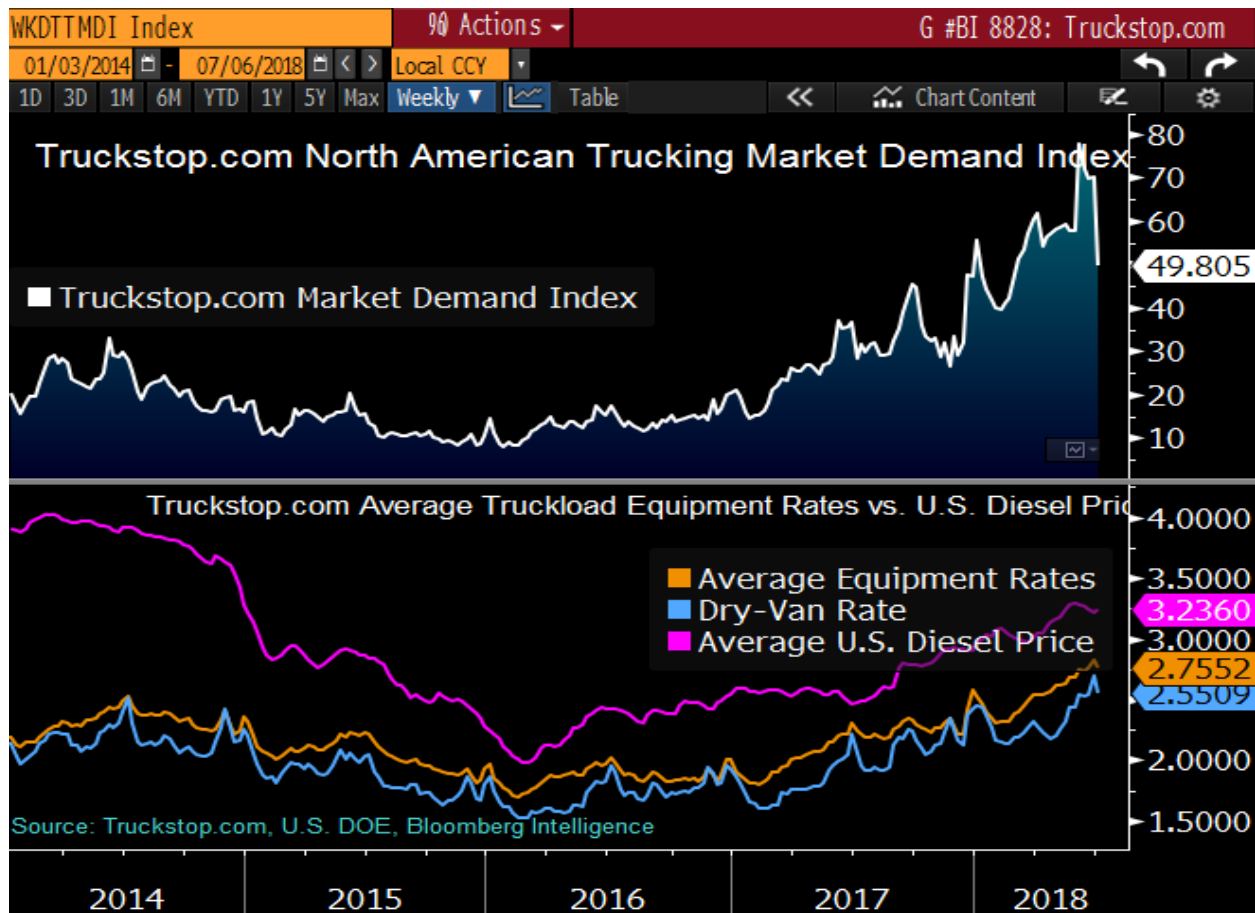
<https://www.aar.org/data-center/rail-traffic-data/>

Trailer Truck Demand (Bloomberg Intelligence) – 07/02/18

Relative North American spot-trucking demand inched 0.5% higher sequentially to 70 in the week ended June 29, based on Truckstop.com's Market Demand Index. The MDI has climbed 125% on average in 2018, which indicates very tight market capacity relative to last year. Average spot rates, excluding surcharges, jumped 2.5% for one of the largest sequential gains of 2018. Rates are up 25% this year as limited driver availability, economic activity and regulatory constraints have created the strongest pricing environment in recent history. 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

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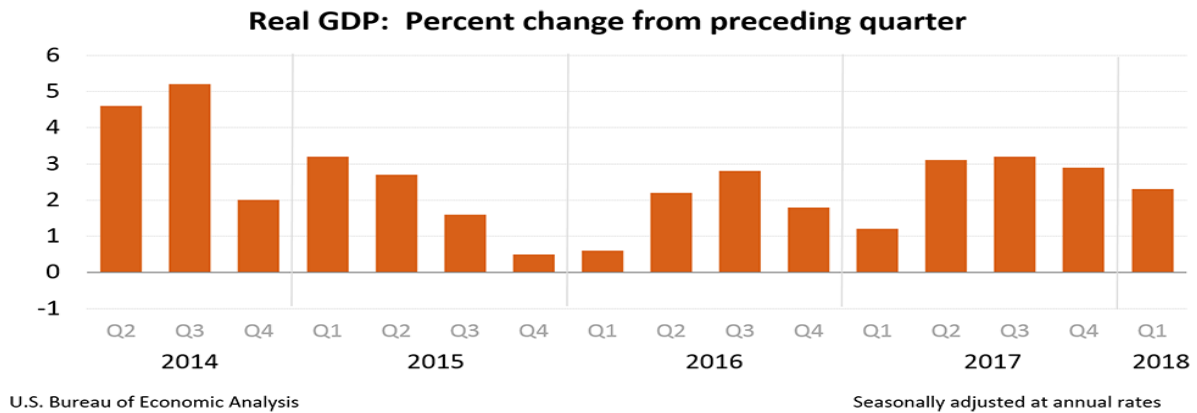
GDP

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

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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
OVERALL ECONOMY				Growing	Faster	110
Manufacturing Sector				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

US Foreign Assistance

<http://foreignassistance.gov/>

CBOT Non-Commercial Net Total – Futures Only

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

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

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

johncoleman@bloomberg.net

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

robpowell@bloomberg.net

Jeff Bauman
312-286-0491
jeffbau@bloomberg.net

Rich Goldblatt
312-373-5450
800-367-3650
© 312-515-6019
futuristic@bloomberg.net

Rocco Chierici
312-373-5439
800-367-3650
© 312-515-3069
rocco1@bloomberg.net

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

brachwalski@bloomberg.net

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

dsobolewski@bloomberg.net

Evan Vollman
312-373-5452
800-367-3650
evollman@bloomberg.net

Corrine Abele
312-373-4847
800-367-3349
cabele@rjobrien.com

Matthew Surwillo
312-373-4958
800-367-3349
msurwillo@rjobrien.com

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