



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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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 11:17:54 07/25/18 - 07/31/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/25	06:00				MBA Mortgage Applications	Jul 20	--	--	-2.5%	--
22)	07/25	09:00				New Home Sales	Jun	668k	--	689k	--
23)	07/25	09:00				New Home Sales MoM	Jun	-3.1%	--	6.7%	--
24)	07/26	07:30				Advance Goods Trade Balance	Jun	-\$66.9b	--	-\$64.8b	-\$64.8b
25)	07/26	07:30				Wholesale Inventories MoM	Jun P	0.3%	--	0.6%	--
26)	07/26	07:30				Initial Jobless Claims	Jul 21	215k	--	207k	--
27)	07/26	07:30				Continuing Claims	Jul 14	1733k	--	1751k	--
28)	07/26	07:30				Retail Inventories MoM	Jun	--	--	0.4%	0.4%
29)	07/26	07:30				Durable Goods Orders	Jun P	3.0%	--	-0.4%	--
30)	07/26	07:30				Durables Ex Transportation	Jun P	0.5%	--	0.0%	--
31)	07/26	07:30				Cap Goods Orders Nondef Ex Air	Jun P	0.5%	--	0.3%	--
32)	07/26	07:30				Cap Goods Ship Nondef Ex Air	Jun P	0.4%	--	0.2%	--
33)	07/26	08:45				Bloomberg Consumer Comfort	Jul 22	--	--	58.8	--
34)	07/26	10:00				Kansas City Fed Manf. Activity	Jul	25	--	28	--
35)	07/27	07:30				Revisions: GDP					
36)	07/27	07:30				GDP Annualized QoQ	2Q A	4.2%	--	2.0%	--
37)	07/27	07:30				Personal Consumption	2Q A	3.0%	--	0.9%	--
38)	07/27	07:30				GDP Price Index	2Q A	2.3%	--	2.2%	--
39)	07/27	07:30				Core PCE QoQ	2Q A	2.2%	--	2.3%	--

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 H620-3009-2 24-Jul-2018 11:17:54

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Fed Speak Calendar
(All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		14:42:57		07/23/18		-		08/31/18	
Central Banks		All Central Banks				View		Agenda		Weekly	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
08/01	13:00				FOMC Rate Decision (Upper Bou...	Aug 1	2.00%	--	2.00%	--	
08/01	13:00				FOMC Rate Decision (Lower Bo...	Aug 1	1.75%	--	1.75%	--	
08/22	13:00				FOMC Meeting Minutes	Aug 1	--	--	--	--	

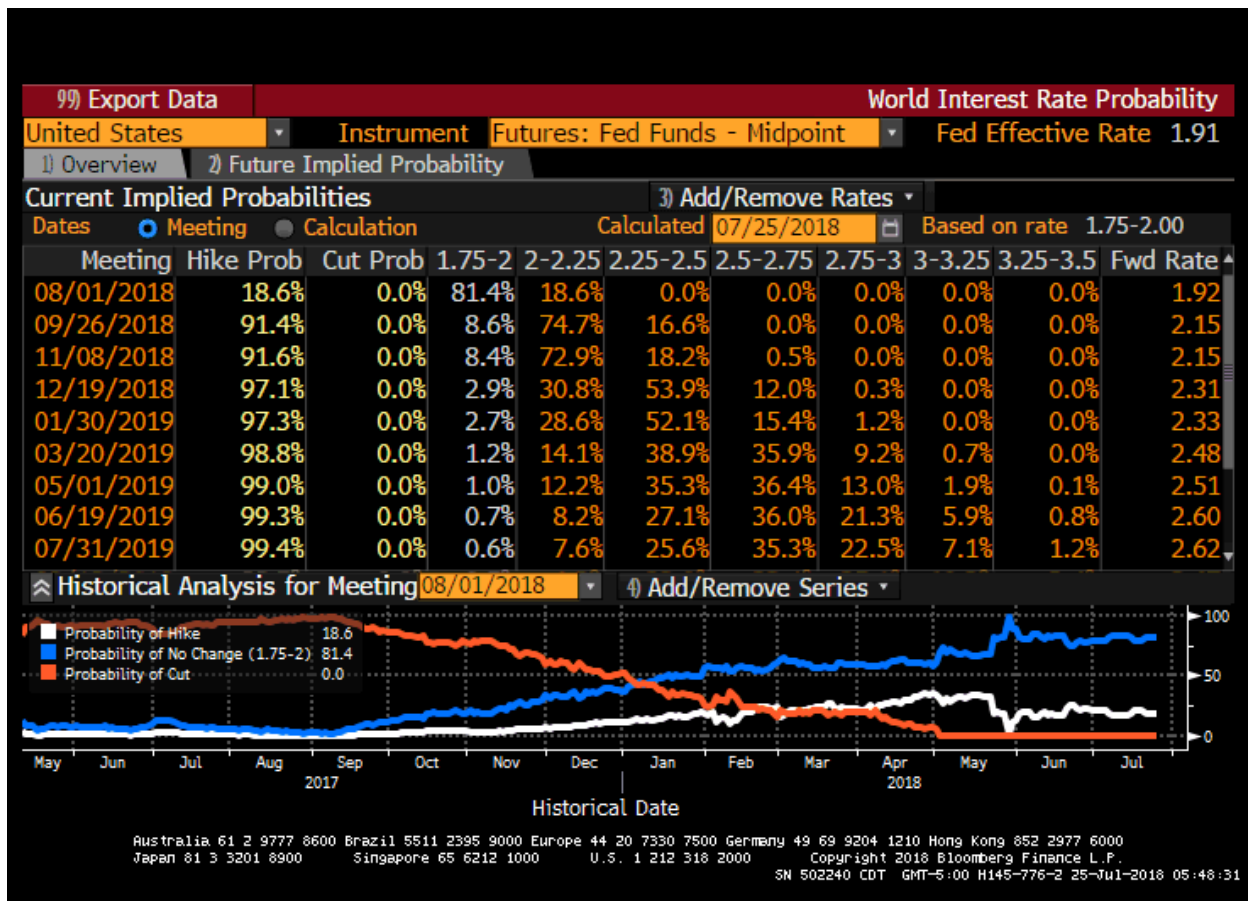
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Previous		Next		Send		Actions		Translate		News: News Story	
07/24/2018 13:00:06 [BN]											
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior				
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln			
Cash mgmt	TBA	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50			
4-week	07/30/2018	07/31/2018	08/02/2018	TBA	TBA	TBA	07/24/2018	\$55			
3-month	07/26/2018	07/30/2018	08/02/2018	912796QF9	TBA	TBA	07/23/2018	\$51			
6-month	07/26/2018	07/30/2018	08/02/2018	912796PP8	TBA	TBA	07/23/2018	\$45			
1-year	08/09/2018	08/14/2018	08/16/2018	TBA	TBA	TBA	07/17/2018	\$26			
Note Auctions											
2-year	08/23/2018	08/27/2018	08/31/2018	TBA	TBA	TBA	07/24/2018	\$35			
3-year	08/01/2018	08/07/2018	08/15/2018	TBA	TBA	TBA	07/10/2018	\$33			
5-year	08/23/2018	07/25/2018	07/31/2018	912828Y61	\$36	TBA	06/27/2018	\$36			
7-year	08/23/2018	07/26/2018	07/31/2018	912828Y79	\$30	TBA	06/28/2018	\$30			
10-year	08/01/2018	08/08/2018	08/15/2018	TBA	TBA	TBA	07/11/2018	\$22			
Bond Auctions											
30-year	08/01/2018	08/09/2018	08/15/2018	TBA	TBA	TBA	07/12/2018	\$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	2.07688	+0.00675	(97.92312)
3-Month Libor Set	2.33688	+0.00200	(97.66312)
6-Month Libor Set	2.52250	+0.00000	(97.47750)
1-Year Libor Set	2.80775	-0.00025	(97.19225)

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THEY SAID IT

“I have an idea for them. Both the U.S. and the E.U. drop all Tariffs, Barriers and Subsidies!” Trump [said](#) in a Tuesday night tweet. “That would finally be called Free Market and Fair Trade! Hope they do it, we are ready - but they won’t!”

<https://www.bloomberg.com/news/articles/2018-07-25/trump-suggests-cutting-all-tariffs-ahead-of-key-meeting-with-eu>

European Commission President Jean-Claude Juncker and EU Trade Commissioner Cecilia Malmstrom are due to meet with Trump in Washington on Wednesday. They plan to signal the bloc’s willingness to negotiate a bilateral trade agreement on manufactured goods, or a so-called [plurilateral sectoral agreement](#) between all major car exporters, which would cut or eliminate tariffs on automobiles globally.

The commission, which manages trade relations on behalf of all 28 nations in the EU, is preparing a list of retaliatory measures on American goods worth \$20 billion should the U.S. impose car tariffs, Malmstrom said. “It would be more general, like farming goods, machines, high-technology products and others,” she said in an interview with Swedish newspaper Dagens Nyheter.

While refusing to negotiate under threat of new tariffs, Juncker should say that the EU shares Trump’s avowed aim of free and fair trade — and is ready to enter into new talks to devise a comprehensive free-trade agreement with the United States. Trump wants a level playing field? So does Europe, Juncker should say. Let the two sides start work on that forthwith. And there’s plenty more for them to cooperate on. Lower the regulatory barriers that interfere with U.S.-EU trade in goods and services; address chronic overcapacity in the global steel industry; modernize the World Trade Organization so it can act more quickly to resolve disputes.

<https://www.bloomberg.com/view/articles/2018-07-25/how-jean-claude-juncker-should-respond-to-trump-on-trade>

Chances are, Trump won’t buy it. He’s no fan of the Transatlantic Trade and Investment Partnership, which pushed in this direction and stalled two years ago. But that was somebody else’s idea. The opportunity for rebranding might appeal, and [senior members](#) of the administration have said they’re open to the possibility of a new initiative. Trump could seize on this to claim that his strong-arm strategy is working — to promote the free and fair trade he says he wants. That would be a win for Trump, for the U.S., and for Europe as well.

"My thoughts are the thoughts of farmers. They want trade, not aid. It’s really just that simple," said Senator Ron Johnson, a Republican from Wisconsin.

<https://www.bloomberg.com/news/articles/2018-07-24/trump-administration-said-to-ready-plan-for-trade-struck-farmers>

The planned mix of direct payments to farmers, commodity purchases for food-aid programs, and stepped up promotion of new export markets buoyed markets looking for new sources of demand for U.S. products. The announcement raised futures of soybeans, a crop heavily dependent on trade with China, to their highest price in two weeks, but it didn’t win over skeptics on Capitol Hill, including Republicans from politically important agricultural states. Agricultural goods covered would include major commodities like soybeans, wheat and milk as well as crops including legumes and nuts, depending on the program. Farmer signups will begin

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later this year after the fall harvest, according to the U.S. Department of Agriculture, with more details on administration due by the Labor Day holiday in September.

Farmer groups welcomed the assistance, but with a catch: They'd like a resolution of trade dispute.

“We expect (ECB President) Mario Draghi to aim for a ‘Goldilocks’ tone at the July 26 press conference — not too hawkish, not too dovish,” said Mark Wall, the chief economist at Deutsche Bank, in a research note.

“The ECB only recently made a commitment to unchanged rates for the next year to lean against trade and volatility risks and avoid an unwarranted tightening of financial conditions.”

<https://www.cnbc.com/2018/07/24/the-european-central-bank-is-set-to-hold-steady-amid-heightened-risks-.html>

The ECB has committed itself to stop buying new bonds at the end of this year, but the onus clearly now is on the reinvestment of these purchases (as part of its crisis-era stimulus program) and its refined rate guidance. The euro zone's central bank pledged to keep its key interest rate at minus 0.4 percent “at least through the summer of 2019” during its last meeting.

The risks now are that the ECB is unwinding its monetary stimulus right at a time when the economy could head south. For now, it seems the ECB is convinced the region's economy will remain resilient.

“In this geopolitical situation we need Germany and Japan to close ranks,” Maas said.

“Alone, it will be tough for us to be a ‘rule maker’ in this multipolar world. When we combine our powers, we can perhaps become something like a ‘rule shaper’ -- designers and motors of the international order.”

<https://www.bloomberg.com/news/articles/2018-07-25/germany-seeks-japan-alliance-to-counter-trump-s-america-first>

Germany and Japan should join forces as the “nucleus of a multilateralist alliance” to defend the geopolitical system against disruptive forces like U.S. President Donald Trump, Russia and China, according to Germany's foreign minister.

U.S. trade protectionism and Trump's “America First” doctrine are a challenge for both Germany and Japan, Heiko Maas said in a speech in Tokyo on Wednesday. He accused the U.S. president of stoking global uncertainty through his habit of “questioning alliances built up over decades.”

What happened the last time these two teamed up?

<https://www.youtube.com/watch?v=j7O-SUEh-54>

Earlier this year, China demanded that foreign firms, and airlines in particular, not refer to Taiwan as a non-Chinese territory on their websites. The White House in May slammed the demand as “Orwellian nonsense.”

<https://www.reuters.com/article/us-usa-airlines-china-american-airlines/u-s-airlines-change-taiwan-reference-on-websites-ahead-of-chinese-deadline-idUSKBN1KF05D>

The three biggest U.S. airlines changed how they refer to self-ruled Taiwan on their websites to avoid Chinese penalties ahead of a Wednesday deadline - revisions Beijing described as “positive developments”.

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Duke Buckner was enjoying his breakfast at the Renaissance Tel Aviv Hotel, looking out on the city marina, on the day that time stuttered. Buckner oversees marketing and business development for [Microsemi Corp.](#), an American communications and defense contractor, and he gets a copy of emailed error reports for its equipment. It's rare to get more than one in a given day. But on the morning of Jan. 26, 2016, they flooded his inbox. He forgot about breakfast.

The complaints had to do with Microsemi's timing receivers for the Global Positioning System, the ubiquitous satellite navigation technology that was built for the U.S. military and has found its way into all our pockets. GPS isn't just for maps. It's also a kind of vast, spaceborne clock. Computers all over Earth use it to determine what time it is, down to billionths of a second. When there's the slightest disagreement among those computers, things fall apart.

Microsemi's timing receivers were frantically issuing error messages because of just such a discrepancy. "In normal operation, these things don't generate alarms for years," Buckner says. "So when one goes off a lot of times, people don't know what to do." Over the next 11 hours, cellphone towers lost their connections, U.S. police and fire stations reported communications errors, BBC radio signals were interrupted, and the telescope that tracks asteroids in Earth's orbit went offline.

<https://www.bloomberg.com/news/features/2018-07-25/the-world-economy-runs-on-gps-it-needs-a-backup-plan>

The root cause was a bug in the GPS network. When the U.S. Air Force, which operates the 31 satellites, decommissioned an older one and zeroed out its database values, it accidentally introduced tiny errors into the database, skewing the numbers. By the time Buckner's inbox started blowing up, several satellites were transmitting bad timing data, running slow by 13.7 millionths of a second.

Each satellite carries several atomic clocks that are supposed to measure time by tracking how often the electrons at its core jump from one energy state to another. The satellites then transmit that data, along with their locations in orbit, toward Earth. On the ground, the GPS receiver in your phone relies on the consistency of those ultraprecise calculations to determine where you are, where the nearest decent bowl of pho is, and so on. (Yes, Einstein fans, the receiver accounts for the space clocks ticking a little slower than the ones on Earth.)

It's tough to overstate how GPS-dependent the world economy has become since the U.S. Department of Defense started giving the service away to the public in 2000. There are 2 billion GPS receivers in use around the world, a number that Europe's satellite navigation agency estimates will hit 7 billion by 2022. Along with the telecommunications industry, banks, airlines, electric utilities, cloud computing businesses, and TV broadcasters require constantly precise GPS timing. Emergency services do, too, as do military forces. The U.S. Department of Homeland Security has designated 16 sectors of infrastructure as "critical," and 14 of them depend on GPS.

Most critical services, and financial markets, have backups—their own atomic clocks, perhaps, or connections to slightly less precise tools. But some of those backups depend on GPS timing, and might last only a few minutes. "GPS is the single point of failure for the entire modern economy," says Representative John Garamendi, a California Democrat who's been warning about the hazards for years as a member of the House committees on armed services and on transportation and infrastructure. "No cellphone, no ATM machine will work."

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The 11-hour run of intermittent chaos that ruined Buckner's breakfast was just a hint of what's possible. That was an innocent mistake, after all, not a concerted attack on the GPS network. Yet U.S. politicians have done little to safeguard the system since then.

Besides Garamendi, one of the loudest voices pleading to shore up GPS vulnerabilities is Dana Goward, who runs the nonprofit [Resilient Navigation and Timing Foundation](#). (Founded in 2013, it's backed by defense contractors and related companies.) A former Coast Guard helicopter pilot, Goward doesn't equivocate when asked what a widespread GPS outage would mean. It's like ignoring warnings to reinforce airplane cockpit doors before Sept. 11, he says, or the alarms about New Orleans's creaky levees before Hurricane Katrina: "People will die."

Watch SpaceX's 14th launch this year as company tries catch the rocket's nosecone with a boat.

<https://www.cnbc.com/2018/07/25/spacex-iridium-7-launch-will-try-to-catch-rocket-nosecone-with-a-boat.html>

SpaceX will also attempt to catch the rocket's fairing – the bulbous nose cone on top of the rocket — after the launch using a high speed boat known as "Mr. Steven." This will be the company's fourth attempt at such a feat.

Mr. Steven has a net strung up behind it to capture the fairing. After three close misses earlier this year, SpaceX upgraded the net, expanding its area to four times the size of previous attempts. The fairing returns to Earth at about eight times the speed of sound after the launch, so SpaceX has the fairing rigged with its own propulsion and guidance systems, as well as large parachutes, to slow it down. Fairings represent about 10 percent of the cost of a rocket, the company has said, with each Falcon 9 launch coming with a price tag starting at \$62 million.

“A portion of last month's year-over-year sales decline reflects one less business day for deals to be recorded compared with June 2017,” noted Andrew LePage, a CoreLogic analyst. “But affordability and inventory constraints are likely the main culprits in last month's sales slowdown, which applied to all six of the region's counties and across most of the major price categories.”

<https://www.cnbc.com/2018/07/24/southern-california-home-sales-crash-a-warning-sign-to-the-nation.html>

Sales fell 1.1 percent compared with May, but the average change from May to June, going back to 1988, is a 6 percent gain.

The weakness was especially apparent in sales of newly built homes, which were 47 percent below the June average. Part of that is that builders are putting up fewer homes, so there is simply less to sell.

The idea of a computer program learning by itself, growing in knowledge and becoming increasingly sophisticated may be a scary one. It's even scarier when it's learning to attack things.

<https://www.cnbc.com/2018/07/20/ai-cyberattacks-artificial-intelligence-threatens-cybersecurity.html>

Far from the killer robots of “[Blade Runner](#),” machine learning applications are designed to train a computer to fulfill a certain task on its own. Machines are essentially “taught” to complete that task by doing it over and over, learning the many obstacles that could inhibit them.

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EQUITIES

The S&P is **-5** and the NASDAQ is **-11**.

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 -0.61%.

In the UK, the 2s/10s swap curve is slightly flatter with yields mixed.

BOE Rate +0.50%. (No change).

Next meeting 08/02/18

On the European Continent

The CAC Index closed +0.03%.

The DAX Index closed -0.21%.

On the Continent, the 2s/10s 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

Japan:

The TOPIX closed +0.38%.

The NIKKEI closed +0.46%.

In Japan, the 2s/10s swap curve is flatter with yields lower.

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

Next meeting 07/31/18

China:

The Hang Seng closed +0.90%.

The Shanghai Composite closed -0.07%.

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: 97-54.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-52.0** and 97.54.5^.

Resistance is at 97-57.5**.

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

** 2-STD Deviations from the pivot point.

We are hovering around the pivot. I have elected to remain flat.



YTD (per contract)

2018 +36.5 ticks (+\$912.50)

2017 +33.0 ticks (+\$825.00)

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10yr/TYU8: 120-03.0 is the pivot point. Above you should be long, below short.

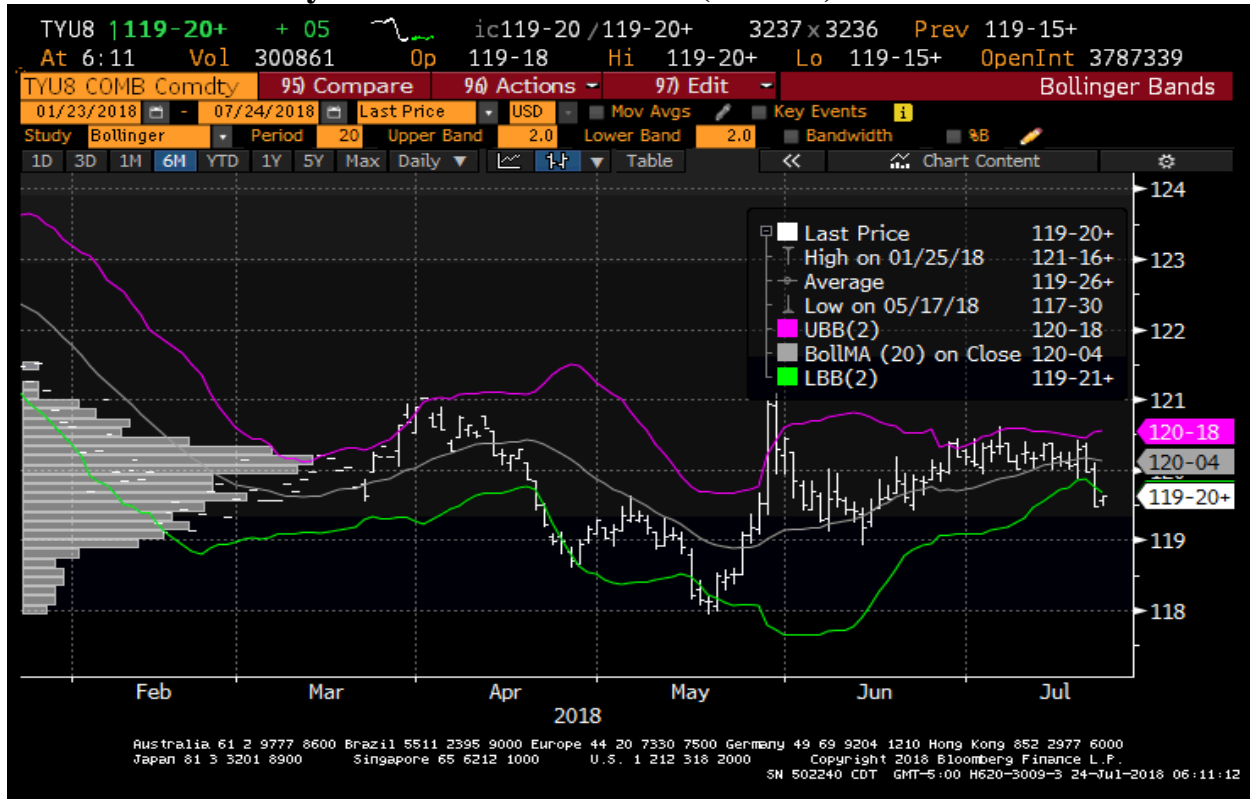
Support is at **119-19.5** and **120-03.0**^{^*}

Resistance is at **120-18.5**

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

** 2-STD Deviations from the pivot point

Current trend has you short from 120-03.0 (7/20/19).



YTD (per contract)

(2018) +98.0 futures ticks (\$31.25 per tick) or +\$3,062.50.

(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:		06/25/2018	-	07/25/2018	1 Month								
40 Semi Swaps		41 Sprs to Gov.	42 Ann Swaps	43 Ann Sprs	44 OIS Swaps	45 CME/LCH Sprs							
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2.646	2.649	2.648	-0.001		0.0		2.580		2.675	2.628	2.1	1.1
2) 2 YR	2.847	2.848	2.847	-0.003		-0.2		2.758		2.865	2.814	3.4	1.5
3) 3 YR	2.912	2.913	2.913	-0.006		-0.3		2.817		2.929	2.873	4.1	1.8
4) 4 YR	2.938	2.940	2.939	-0.005		-0.2		2.840		2.956	2.892	4.9	2.0
5) 5 YR	2.950	2.951	2.950	-0.007		-0.3		2.845		2.969	2.897	5.3	2.0
6) 6 YR	2.958	2.958	2.958	-0.006		-0.2		2.855		2.979	2.902	5.6	2.0
7) 7 YR	2.965	2.966	2.965	-0.007		-0.2		2.803		2.997	2.907	5.9	2.0
8) 8 YR	2.974	2.975	2.974	-0.007		-0.2		2.872		2.998	2.915	6.0	2.0
9) 9 YR	2.984	2.985	2.984	-0.008		-0.3		2.882		3.009	2.925	6.0	2.0
10) 10 YR	2.992	3.002	2.997	-0.008		-0.2		2.883		3.045	2.936	6.6	2.1
11) 15 YR	3.025	3.025	3.024	-0.011		-0.3		2.919		3.054	2.967	5.8	1.9
12) 20 YR	3.027	3.029	3.028	-0.010		-0.3		2.915		3.058	2.967	6.1	1.9
13) 25 YR	3.014	3.014	3.014	-0.011		-0.3		2.889		3.154	2.953	6.2	1.9
14) 30 YR	2.997	2.998	2.997	-0.010		-0.3		2.880		3.031	2.936	6.2	1.9

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 H145-776-2 25-Jul-2018 05:48:51

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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.	20 July 2018	1,046	-8	13 June 2018	+96	21 July 2017
Canada	20 July 2018	211	+14	13 June 2018	+5	21 July 2017
International	June 2018	959	-8	May 2018	-1	June 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/>

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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.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 2017 ¹		
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/>

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TRANSPORTS

Association of American Railroads Rail Traffic Report.

Total carloads for the week ending July 14 were 271,207 carloads, up 3.8 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 287,857 containers and trailers, up 6.1 percent compared to 2017.

Eight of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included motor vehicles and parts, up 2,772 carloads, to 15,076; petroleum and petroleum products, up 2,609 carloads, to 11,950; and grain, up 1,976 carloads, to 24,779. Commodity groups that posted decreases compared with the same week in 2017 were coal, down 1,909 carloads, to 84,511; and farm products excl. grain, and food, down 165 carloads, to 16,353.

For the first 28 weeks of 2018, U.S. railroads reported cumulative volume of 7,259,135 carloads, up 1.5 percent from the same point last year; and 7,686,093 intermodal units, up 6.2 percent from last year. Total combined U.S. traffic for the first 28 weeks of 2018 was 14,945,228 carloads and intermodal units, an increase of 3.9 percent compared to last year.

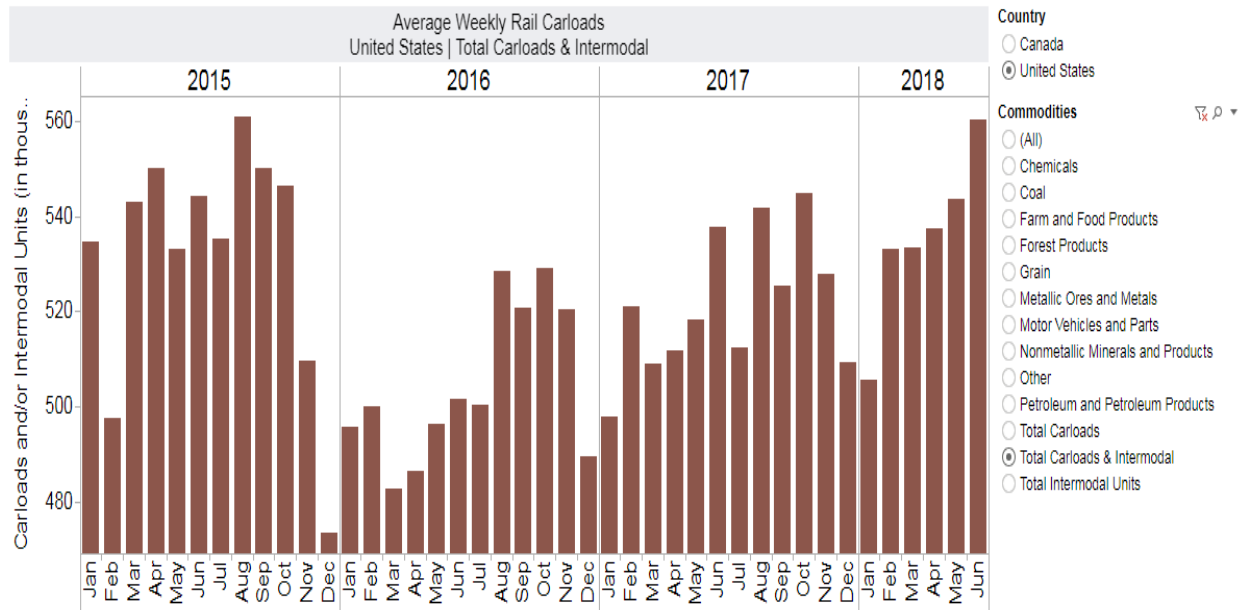
North American rail volume for the week ending July 14, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 374,909 carloads, up 4.6 percent compared with the same week last year, and 374,090 intermodal units, up 4.7 percent compared with last year. Total combined weekly rail traffic in North America was 748,999 carloads and intermodal units, up 4.7 percent. North American rail volume for the first 28 weeks of 2018 was 20,148,123 carloads and intermodal units, up 3.5 percent compared with 2017.

Canadian railroads reported 82,620 carloads for the week, up 9.3 percent, and 68,170 intermodal units, up 1.8 percent compared with the same week in 2017. For the first 28 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 4,133,176 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 21,082 carloads for the week, down 1.9 percent compared with the same week last year, and 18,063 intermodal units, down 4.6 percent. Cumulative volume on Mexican railroads for the first 28 weeks of 2018 was 1,069,719 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-july-14-2018/>

Monthly Rail Traffic Charts



*Canada - Figures for Canada include the U.S. operations of Canadian railroads.

**United States - Figures for the U.S. excludes the U.S. operations for Canadian railroads.



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

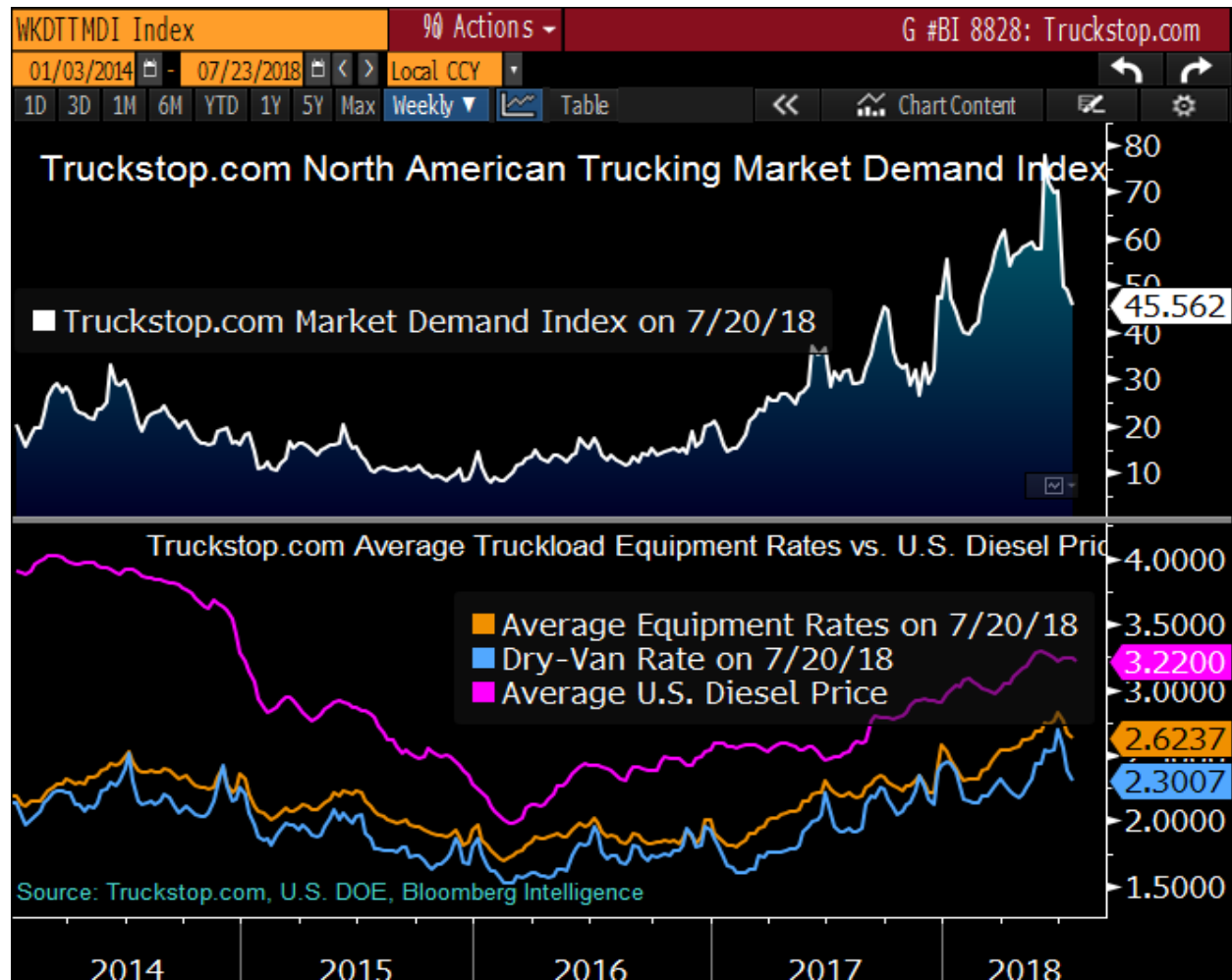
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Trailer Truck Demand

(Bloomberg Intelligence) – 07/23/18

(Bloomberg Intelligence) -- Relative North American spot-trucking demand fell 6.8% sequentially to 45.6 in the week ended July 20, based on Truckstop.com's Market Demand Index (MDI), down about 35% from seasonal highs before the July 4th holiday. Capacity loosened for the third straight week as available loads declined 6.6%, while truck availability inched slightly higher (0.3%). Average spot rates, excluding fuel surcharges, (down 1.8%) also declined for the third consecutive week. Rates are still about 16% higher vs. the same period a year ago.

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 pricing can be a leading indicator of contractual pricing. Some carriers are raising spot exposure to take advantage of higher rates.



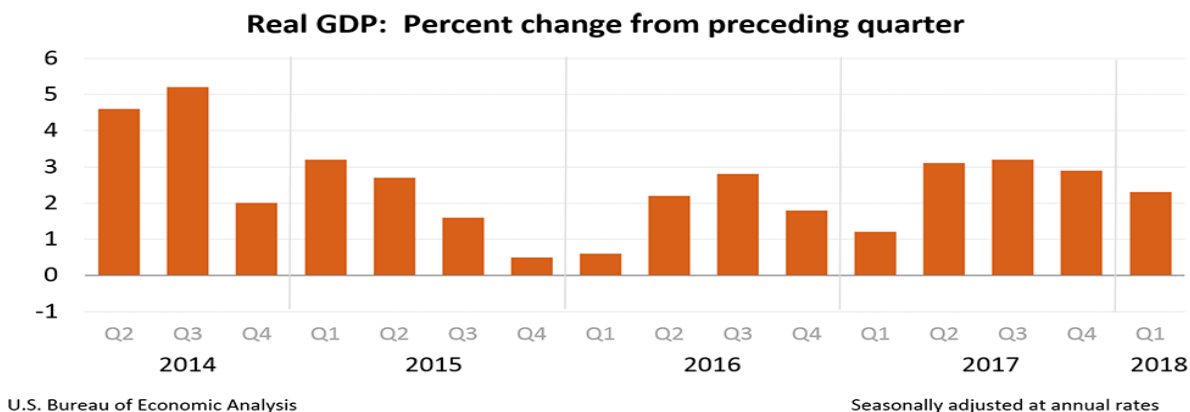
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GDP

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 *3.94% as of 7/18/18 v. *3.94% as of 7/16/18

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

Atlanta Fed GDPNow...Q2 2018: 4.5 %...July 18, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is 4.5 percent on July 18, unchanged from July 16. After the Federal Reserve Board of Governors' industrial production release on Wednesday, July 17, modest increases in the nowcasts of second-quarter real consumer spending growth and second-quarter real private fixed investment growth were offset by a decrease in the nowcast of second-quarter real private inventory investment. The nowcast of second-quarter real residential investment growth inched down from 0.4 percent to 0.0 percent after this morning's new residential construction release from the U.S. Census Bureau.

*Bureau of Economic Analysis. The next GDPNow update is **Wednesday, July 26.***

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: 2.7%...July 20, 2018

The New York Fed Staff Nowcast stands at 2.7% for 2018:Q2 and 2.4% for 2018:Q3.

News from this week's data releases decreased the nowcast for 2018:Q2 by 0.1 percentage point and decreased the nowcast for 2018:Q3 by 0.2 percentage point.

The largest negative surprises came from housing data and were only partially offset by positive surprises from industrial production and capacity utilization data.

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

St. Louis Fed Real GDP Nowcast... Q2 2018: 4.51%...July 18, 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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