



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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

ECO <go>ok  
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 09:56:16 08/02/18 - 08/08/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/02	06:30				Challenger Job Cuts YoY	Jul	--	--	19.6%	--
22)	08/02	07:30				Initial Jobless Claims	Jul 28	220k	--	217k	--
23)	08/02	07:30				Continuing Claims	Jul 21	1750k	--	1745k	--
24)	08/02	08:45				Bloomberg Consumer Comfort	Jul 29	--	--	59.0	--
25)	08/02	09:00				Factory Orders	Jun	0.7%	--	0.4%	--
26)	08/02	09:00				Factory Orders Ex Trans	Jun	--	--	0.7%	--
27)	08/02	09:00				Durable Goods Orders	Jun F	--	--	1.0%	--
28)	08/02	09:00				Durables Ex Transportation	Jun F	--	--	0.4%	--
29)	08/02	09:00				Cap Goods Orders Nondef Ex Air	Jun F	--	--	0.6%	--
30)	08/02	09:00				Cap Goods Ship Nondef Ex Air	Jun F	--	--	1.0%	--
31)	08/03	07:30				Trade Balance	Jun	-\$46.5b	--	-\$43.1b	--
32)	08/03	07:30				Change in Nonfarm Payrolls	Jul	190k	--	213k	--
33)	08/03	07:30				Two-Month Payroll Net Revision	Jul	--	--	--	--
34)	08/03	07:30				Change in Private Payrolls	Jul	190k	--	202k	--
35)	08/03	07:30				Change in Manufact. Payrolls	Jul	25k	--	36k	--
36)	08/03	07:30				Unemployment Rate	Jul	3.9%	--	4.0%	--
37)	08/03	07:30				Underemployment Rate	Jul	--	--	7.8%	--
38)	08/03	07:30				Average Hourly Earnings MoM	Jul	0.3%	--	0.2%	--
39)	08/03	07:30				Average Hourly Earnings YoY	Jul	2.7%	--	2.7%	--

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 H139-3982-2 01-Aug-2018 09:56:16

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

Calendars		Alerts		Export		Settings		Economic Calendars	
United States		Browse		14:54:55		08/02/18		08/08/18	
Central Banks		All Central Banks				View		Agenda	
Date		Time		A		M		R	
08/08		07:45						Fed's Barkin Speaks in Roanoke, Virginia	

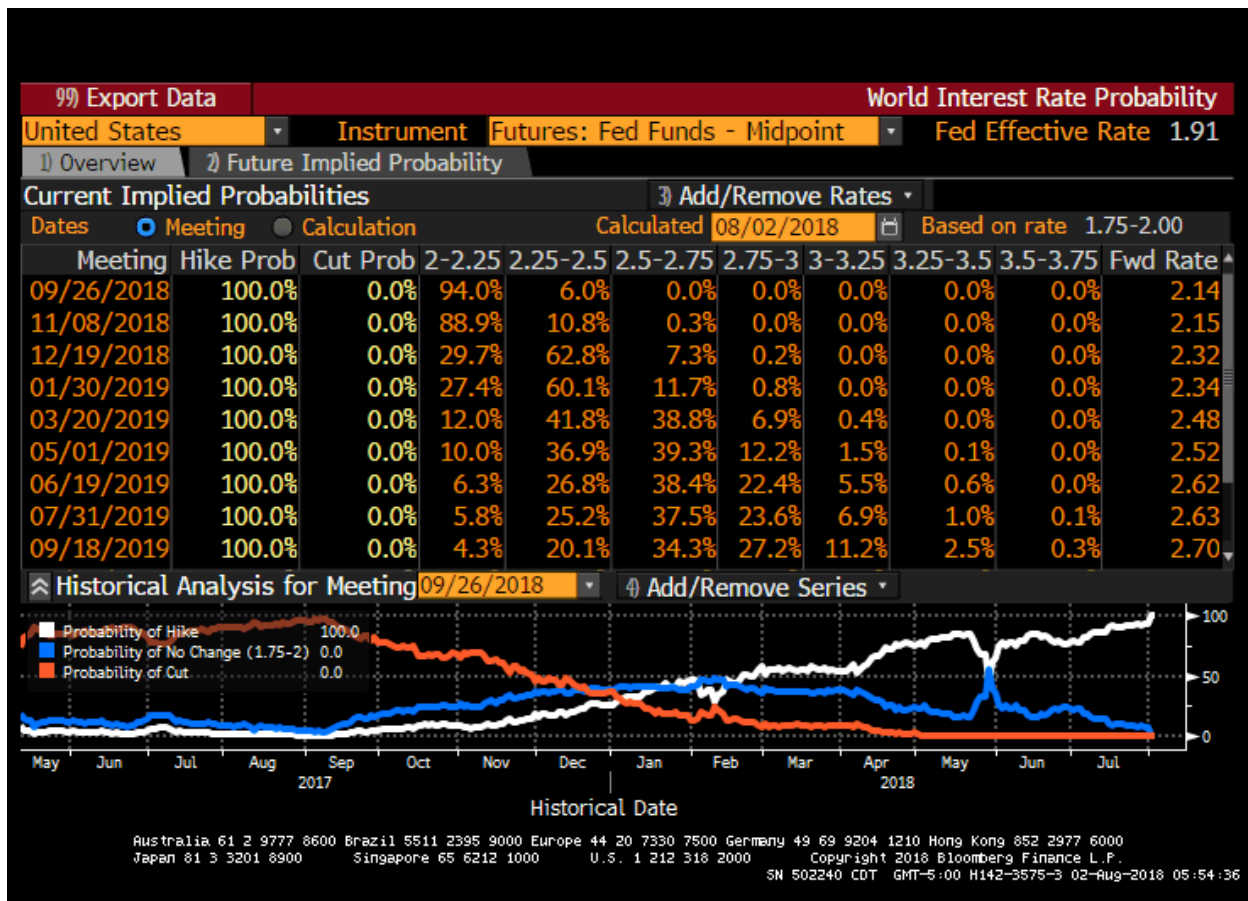
**NI TRE <go>**

Previous		Next		Send		Actions		Translate		News: News Story	
08/01/2018		07:37:25		[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	08/06/2018	08/07/2018	08/09/2018	TBA	TBA	TBA	07/31/2018	\$65			
3-month	08/02/2018	08/06/2018	08/09/2018	912796PD5	TBA	TBA	07/30/2018	\$51			
6-month	08/02/2018	08/06/2018	08/09/2018	912796QW2	TBA	TBA	07/30/2018	\$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	09/06/2018	08/07/2018	08/15/2018	9128284W7	\$34	TBA	07/10/2018	\$33			
5-year	08/23/2018	08/28/2018	08/31/2018	TBA	TBA	TBA	07/25/2018	\$36			
7-year	08/23/2018	08/29/2018	08/31/2018	TBA	TBA	TBA	07/26/2018	\$30			
10-year	09/06/2018	08/08/2018	08/15/2018	9128284V9	\$26	TBA	07/11/2018	\$22			
Bond Auctions											
30-year	09/06/2018	08/09/2018	08/15/2018	912810SD1	\$18	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 <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/fomeproitabl20180613.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.08019</b>	<b>-.00194</b>	<b>(97.91981)</b>
<b>3-Month Libor Set</b>	<b>2.34050</b>	<b>-.00775</b>	<b>(97.65950)</b>
<b>6-Month Libor Set</b>	<b>2.53050</b>	<b>-.00313</b>	<b>(97.46950)</b>
<b>1-Year Libor Set</b>	<b>2.82775</b>	<b>-.00438</b>	<b>(97.17225)</b>

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## THEY SAID IT

**Jacob Parker, the vice president for China operations for the U.S.-China Business Council in Beijing. While China can likely do more to cut tariffs and reduce its trade surplus with the U.S. beyond [previous offers](#), there are still wide differences between the two on structural issues including technology transfers, he said.**

**“When we talk to the U.S. government, they indicate that there needs to be specific, immediate, measurable action,” Parker said in an interview on Thursday. “This can’t be a promise for some future liberalization. Both the business community and the U.S. government are just suffering from this promise fatigue from China.”**

**<https://www.bloomberg.com/news/articles/2018-08-02/trump-needs-specifics-from-china-to-unjam-talks-u-s-group-says>**

To restart trade negotiations with the U.S., China must offer a package of measures that slashes the bilateral trade surplus, lowers import tariffs, provides better protection for intellectual property and stops forced technology transfers.

The U.S.-China Business Council is a Washington-based group representing about 200 companies doing business in China. Here are some key areas Parker says China must make progress on to entice the U.S. back to the negotiating table:

### **Tariffs**

While China now imposes about three times the number of tariffs as the U.S., the Trump administration has indicated it wants China’s import tariffs to mirror those in the U.S. Parker said. Slashing that many tariffs would be challenging but it wouldn’t be a surprise for additional flexibility from China, he said. The Chinese International Import Expo in Shanghai that’s scheduled for November would be a good opportunity to announce further cuts, he said.

### **Trade Deficit**

At earlier talks China offered to increase purchases of U.S. energy and agricultural products by between \$75 billion to \$100 billion, Parker said. The next step might be to broaden that offer to include sectors such as technology, financial services and cloud computing, he said.

“We’ve seen parts of this package offered in the past but I think the Chinese government underestimated the need to address the structural issues in their previous negotiations,” Parker. “That now seems to be dawning on them a little bit more.”

### **intellectual Property Rights**

China must impose criminal penalties for commercial-scale infringement of intellectual property, according to Parker, who claimed that police shut factories and confiscate products and equipment now, but soon after the factories reopen. “These people should go to prison so there’s a real deterrent,” he says. “That’s something that China could implement fairly quickly.”

### **Forced Technology Transfers**

Foreign companies being forced to transfer technology to domestic Chinese partners was among key sticking points in previous negotiations, Parker said. According to conversations with both sides, the U.S. views any joint venture requirement as a de-facto technology transfer requirement whereas the Chinese view them as allowed under World Trade Organization rules, he said.

### **Made in China 2025**

The Trump administration is concerned that subsidies for industry under China’s controversial [Made in China 2025](#) plan, which aims for global dominance in 10 key strategic industries, are so great that they may distort global markets, says Parker.

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**The Senate voted 87-10 for the John S. McCain National Defense Authorization Act, or NDAA. The annual act authorizes U.S. military spending but is used as a vehicle for a broad range of policy matters as it has passed annually for more than 50 years.**

<https://www.reuters.com/article/us-usa-defense-spending/massive-u-s-defense-policy-bill-passes-without-strict-china-measures-idUSKBN1KM5WT>

Since it cleared the House of Representatives last week, the bill now goes to Trump, who is expected to sign it into law.

The NDAA strengthens the Committee on Foreign Investment in the United States (CFIUS), which reviews proposed foreign investments to weigh whether they threaten national security. The NDAA authorizes spending \$7.6 billion for 77 F-35 Joint Strike Fighter jets, made by Lockheed Martin Corp.

It would prohibit delivery of the advanced aircraft to fellow NATO member Turkey at least until after the production of report, another measure that was stricter in earlier versions of the bill. U.S. officials have warned Ankara that a Russian missile defense system Turkey plans to buy cannot be integrated into the NATO air and missile defense system. They are also unhappy about Turkey's detention of an American pastor.

**U.S. Republican senator Rand Paul is due to lead a U.S. delegation to Moscow and will meet Russian members of parliament on Aug. 6, Russian agencies cited senior lawmaker Konstantin Kosachov as saying on Thursday.**

<https://www.reuters.com/article/us-usa-russia-senator-visit/u-s-senator-paul-to-meet-russian-lawmakers-in-moscow-on-aug-6-agencies-idUSKBN1KN1A1>

**“There is a deep, far-reaching political consensus in Pakistan for a continued strong partnership with Beijing,” said Michael Kugelman, a senior associate for South Asia at the Woodrow Wilson Center in Washington. “This is especially true now, with Pakistan’s relationship with America facing an uncertain future.”**

<https://www.bloomberg.com/news/articles/2018-08-01/china-s-2-billion-pakistan-loan-shows-desire-to-keep-khan-close>

If there were any doubts about China's intent to keep ties close with its all-weather ally Pakistan, Beijing demolished them with a [reported](#) \$2 billion loan just days after the election of a new Pakistani premier.

peaking at a regular press briefing on July 30, Geng Shuang, a spokesman for China's foreign ministry [said](#) China welcomed the new government. Khan “will likely try to balance the U.S. and China, but China and Pakistan are mutually dependent,” said Wang Yiwei, director of Renmin University's Institute of International Affairs in Beijing. “He won't be able to change that.”

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**The BoE's nine rate-setters were unexpectedly unanimous in their vote to raise rates to 0.75 from 0.50 percent, the level at which they have spent most of the past decade apart from 15 months after the Brexit vote when they were cut even lower.**

<https://uk.reuters.com/article/uk-britain-boe/bank-of-england-poised-to-raise-rates-in-the-face-of-brexit-risk-idUKKBN1KM6BC>

The BoE said Britain's economy, while growing more slowly than in the past ahead of Brexit, was operating at almost its "speed limit," or full capacity, raising the prospect of more home-grown inflation pressure ahead.

But the message for interest rates remained one of gradual and limited increases as the central bank saw inflation only a fraction above its 2 percent target over the next few years.

The central bank said inflation in two years' time was likely to be 2.09 percent, above the BoE's 2 percent target.

The BoE said it expected Britain's economy would grow by 1.4 percent this year, unchanged from its forecast in May, but it nudged up its forecast for growth in 2019 to 1.8 percent from a previous projection of 1.7 percent.

Wages were likely to be growing by an annual 2.5 percent at the end of this year, a bit slower than forecast in May, before picking up to 3.25 percent in 2019, unchanged from before.

**"Thank you to Chairman Kim Jong Un for keeping your word & starting the process of sending home the remains of our great and beloved missing fallen! I am not at all surprised that you took this kind action," Trump wrote in a Twitter message.**

<https://www.reuters.com/article/us-northkorea-usa-remains-trump/trump-thanks-north-koreas-kim-keeping-word-on-war-remains-hopes-to-see-him-soon-idUSKBN1KN0GA>

U.S. President Donald Trump said on Thursday he looked forward to meeting Kim Jong Un soon and thanked the North Korean leader for sending the suspected remains of U.S. soldiers killed in the 1950-1953 Korean War back to the United States.

**"It prolongs the period of profitability after the turnaround," said Fotis Giannakoulis, a New York-based shipping analyst at the bank. "The more you scrap, the more you bring the recovery forward and accelerate its speed. The market will strengthen with high scrapping even with smallest growth in demand."**

<https://www.bloomberg.com/news/articles/2018-08-01/oil-tanker-owners-scrap-most-ships-in-decades-as-imo-2020-awaits>

A 19-month curtailment of OPEC cargoes, and environmental regulations that are proving uneconomical to comply with, have got owners purging the supertanker fleet at the fastest pace since the 1980s, according to [Global Marketing Systems Inc.](#), one of the world's top buyers of obsolete ships for scrap.

While the demolition surge -- sending vessels to be ripped apart on the beaches of India and Bangladesh -- reflects the worst charter rates for owners in decades, scrapping often helps set the stage for market recoveries. Morgan Stanley estimates that the global fleet of so-called very large crude carriers could lack 100 million barrels of transportation capacity by late 2020.

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## EQUITIES

The S&P is **-15** and the NASDAQ is **-49**.

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 -1.31%.**

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

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

**Next meeting 08/02/18**

### On the European Continent

**The CAC Index closed -0.77%.**

**The DAX Index closed -1.77%.**

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 09/13/18**

### Japan:

**The TOPIX closed -1.00%.**

**The NIKKEI closed -1.03%.**

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

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

**Next meeting 09/19/18**

### China:

**The Hang Seng closed -2.21%.**

**The Shanghai Composite closed -2.00%.**

### 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: 97-55.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-52.5\*\* and 97.55.5^.

Resistance is at 97-58.5\*\*.

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

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

Current trend would have you long. 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: 119-26.5 is the pivot point. Above you should be long, below short.**

**Support is at 119-01.5 and 119-26.5^\***

**Resistance is at 120-20.0**

\*\*^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:		07/02/2018		08/02/2018		1 Month								
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		45 CHE/LCH Spr:		46 Combined		
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg	+/-BPS	PCS	CMPN
1) 1 YR	2.683 / 2.687	2.685	-0.003				-0.1	2.594	2.694	2.646	4.1	1.8		
2) 2 YR	2.889 / 2.891	2.890	-0.010				-0.3	2.769	2.904	2.838	5.3	1.7		
3) 3 YR	2.956 / 2.958	2.957	-0.014				-0.4	2.828	2.975	2.899	5.9	1.6		
4) 4 YR	2.982 / 2.983	2.982	-0.017				-0.4	2.849	3.003	2.918	6.5	1.6		
5) 5 YR	2.994 / 2.996	2.995	-0.018				-0.4	2.854	3.018	2.924	7.1	1.6		
6) 6 YR	3.006 / 3.007	3.006	-0.021				-0.4	2.860	3.030	2.930	7.7	1.6		
7) 7 YR	3.016 / 3.017	3.016	-0.022				-0.4	2.856	3.059	2.935	8.1	1.6		
8) 8 YR	3.026 / 3.029	3.027	-0.025				-0.5	2.873	3.054	2.944	8.5	1.6		
9) 9 YR	3.040 / 3.041	3.040	-0.023				-0.4	2.882	3.067	2.954	8.7	1.6		
10) 10 YR	3.049 / 3.055	3.052	-0.025				-0.4	2.883	3.109	2.965	9.0	1.6		
11) 15 YR	3.087 / 3.089	3.088	-0.024				-0.4	2.919	3.116	2.996	9.3	1.6		
12) 20 YR	3.092 / 3.094	3.092	-0.025				-0.4	2.915	3.121	2.997	9.7	1.6		
13) 25 YR	3.080 / 3.081	3.080	-0.024				-0.4	2.889	3.154	2.983	9.8	1.6		
14) 30 YR	3.064 / 3.065	3.065	-0.023				-0.4	2.880	3.093	2.966	9.9	1.6		

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 H142-3575-3 02-Aug-2018 05:54:52

## 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.

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**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

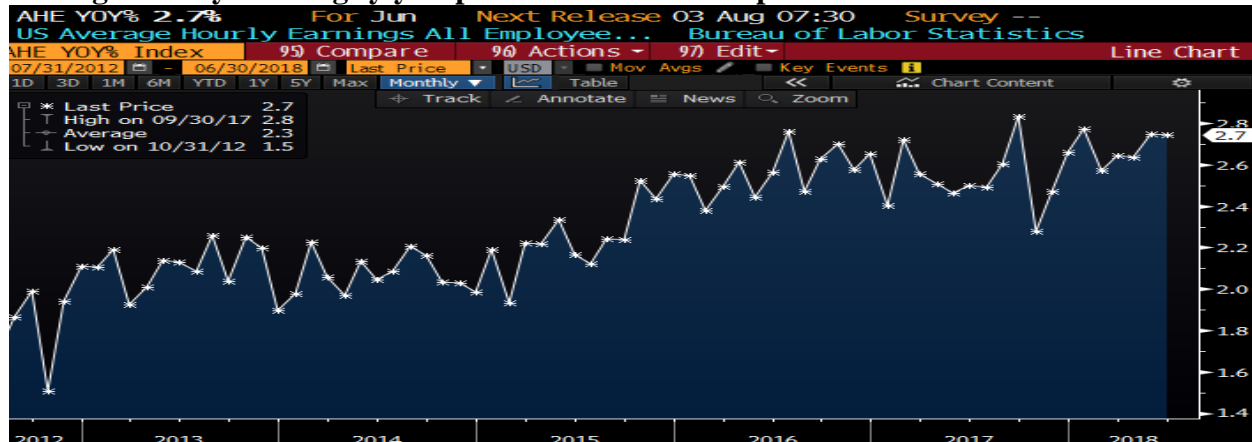
### LABOR

#### 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 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/>

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## How do Farm Incomes Compare to the average population

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

### Baker Hughes Rig Count

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	27 July 2018	1,048	+2	20 July 2018	+90	28 July 2017
Canada	27 July 2018	223	+12	20 July 2018	+3	28 July 2017
International	June 2018	959	-8	May 2018	-1	June 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.

Total U.S. carload traffic for the first seven months of 2018 was 7,795,707 carloads, up 1.6 percent, or 122,377 carloads, from the same period last year; and 8,261,699 intermodal units, up 6.1 percent, or 477,415 containers and trailers, from last year.

“Rail traffic continues to reflect the strength of the U.S. economy across all major industry sectors, with 15 of the 20 commodity categories we track having higher carloads in July 2018 than in July 2017” said AAR Senior Vice President of Policy and Economics John T. Gray. “July saw especially strong gains in commodities related to the energy sector — and also in categories tied to consumer spending, including automotive and intermodal traffic. Still of concern, though, is the potential negative impacts that could result from the ongoing discussions around trade.”

U.S. railroads originated 1,048,293 carloads in July 2018, up 3.5 percent, or 35,208 carloads, from July 2017. U.S. railroads also originated 1,108,142 containers and trailers in July 2018, up 6.9 percent, or 71,782 units, from the same month last year. Combined U.S. carload and intermodal originations in July 2018 were 2,156,435, up 5.2 percent, or 106,990 carloads and intermodal units from July 2017.

<https://www.aar.org/news/rail-traffic-for-july-and-the-week-ending-july-28-2018/>

In July 2018, 15 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with July 2017. These included: grain, up 12,066 carloads or 14.7 percent; petroleum & petroleum products, up 9,661 carloads or 27 percent; and chemicals, up 5,649 carloads or 4.6 percent. Commodities that saw declines in July 2018 from July 2017 included: coal, down 9,313 carloads or 2.7 percent; nonmetallic minerals, down 2,917 carloads or 15.6 percent; and metallic ores, down 592 carloads or 2.3 percent.

Excluding coal, carloads were up 44,521 carloads, or 6.7 percent, in July 2018 from July 2017. Excluding coal and grain, carloads were up 32,455 carloads, or 5.5 percent.

Total combined U.S. traffic for the first 30 weeks of 2018 was 16,057,406 carloads and intermodal units, an increase of 3.9 percent compared to last year.

Week Ending July 28, 2018

Total U.S. weekly rail traffic was 559,154 carloads and intermodal units, up 3 percent compared with the same week last year.

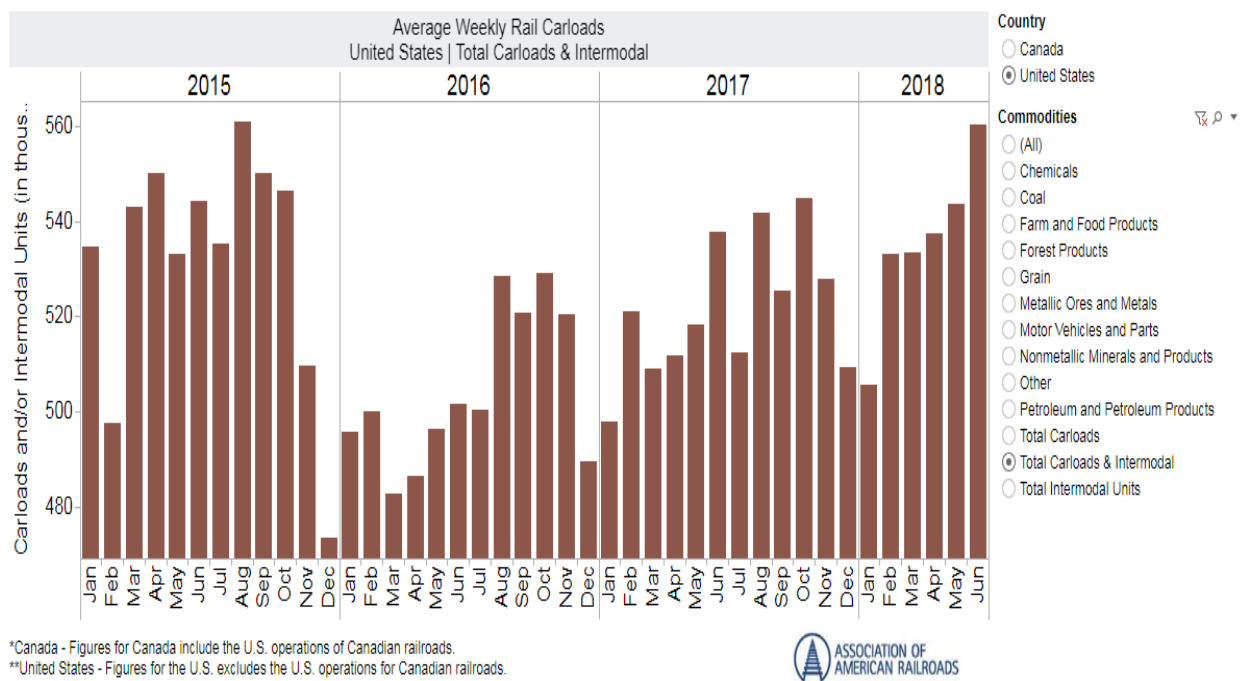
Total carloads for the week ending July 28 were 271,234 carloads, up 1.2 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 287,920 containers and trailers, up 4.8 percent compared to 2017.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-july-28-2018/>

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## Monthly Rail Traffic Charts



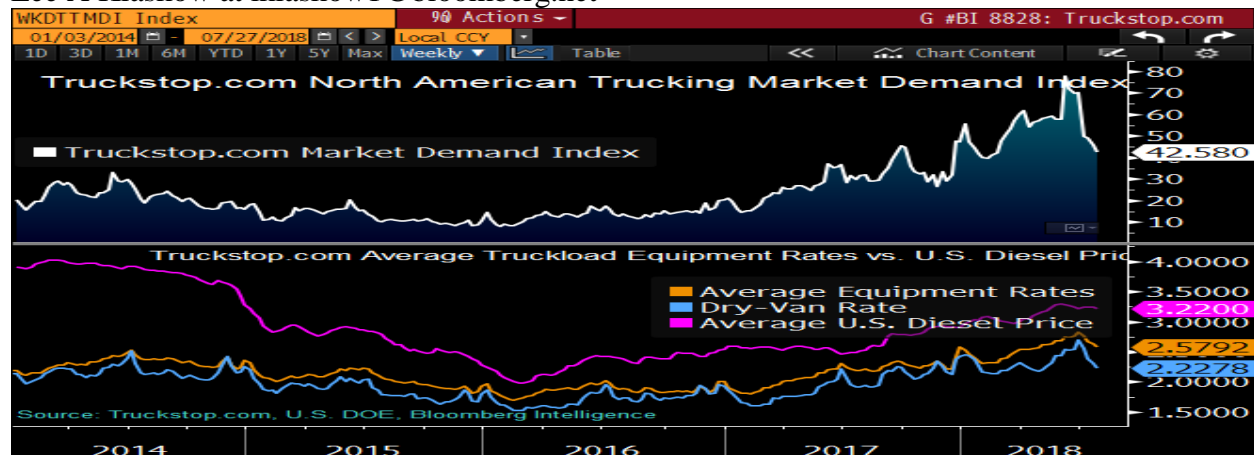
<https://www.aar.org/data-center/rail-traffic-data/>

## Trailer Truck Demand (Bloomberg Intelligence) – 07/30/18

Relative North American spot-trucking demand fell 6.5% sequentially to 42.6 in the week ended July 27, based on Truckstop.com's Market Demand Index (MDI), down about 39% from seasonal highs before the July 4 holiday. Capacity loosened for the fourth straight week as available loads declined 4.8%, while available trucks increased 1.9%. Spot-rate declines, excluding fuel surcharges, over the past four weeks have been led by dry-van (down 20%), though rates for the equipment type are still about 13% higher vs. one 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.

Lee A Klaskow at [lklaskow1@bloomberg.net](mailto:lklaskow1@bloomberg.net)



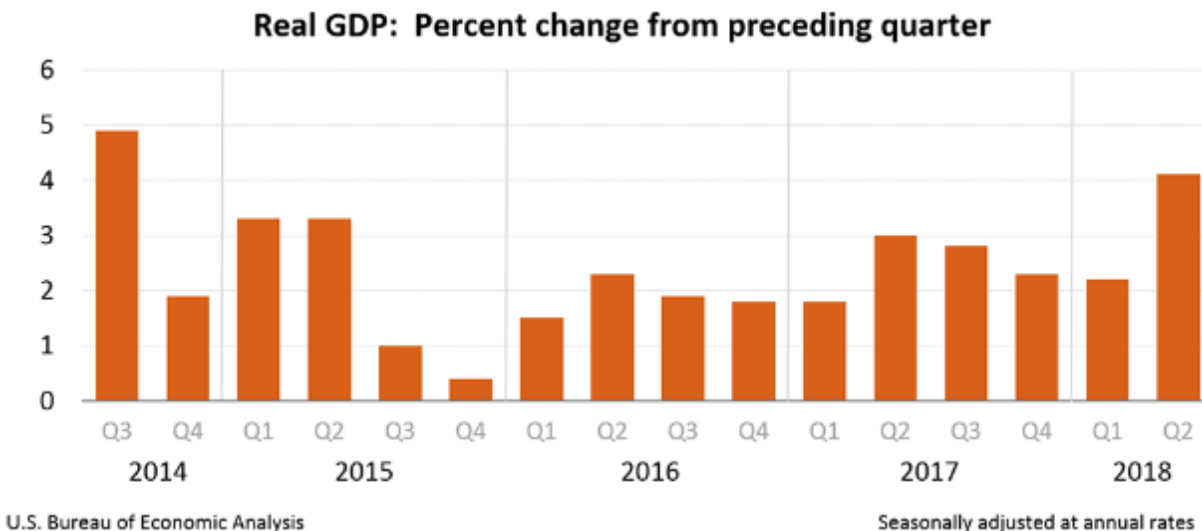
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## GDP

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



**GDP-2Q is running at \*3.75% as of 7/31/18 v. 3.75 on 7/31/18**

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

### **Atlanta Fed GDPNow...Q3 2018: 5.0 ...August 1, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is 5.0 percent on August 1, up from 4.7 percent on July 31. The nowcasts of third-quarter real consumer spending growth and third-quarter real private fixed investment growth increased from 3.1 percent and 5.2 percent, respectively, to 3.4 percent and 5.8 percent, respectively, after this morning's construction spending report from the U.S. Census Bureau and this morning's Manufacturing ISM Report On Business from the Institute for Supply Management. The model's estimate of the dynamic factor for July—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.21 to 0.52 after the ISM report this morning.

*The next GDPNow update is Friday, August 3. 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...Q3 2018: 2.8%...July 27, 2018**

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

News from this week's data releases increased the nowcast for 2018:Q3 by 0.4 percentage point. Positive surprises from manufacturing data accounted for most of the increase.

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

### **St. Louis Fed Real GDP Nowcast... Q3 2018: %...August 1, 2018**

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

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## MANUFACTURING AT A GLANCE

JULY 2018

Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	58.1	60.2	-2.1	Growing	Slower	23
New Orders	60.2	63.5	-3.3	Growing	Slower	31
Production	58.5	62.3	-3.8	Growing	Slower	23
Employment	56.5	56.0	0.5	Growing	Faster	22
Supplier Deliveries	62.1	68.2	-6.1	Slowing	Slower	22
Inventories	53.3	50.8	2.5	Growing	Faster	7
Customers' Inventories	39.4	39.7	-0.3	Too Low	Faster	22
Prices	73.2	76.8	-3.6	Increasing	Slower	29
Backlog of Orders	54.7	60.1	-5.4	Growing	Slower	18
New Export Orders	55.3	56.3	-1.0	Growing	Slower	29
Imports	54.7	59.0	-4.3	Growing	Slower	18
<b>OVERALL ECONOMY</b>				Growing	Slower	111
<b>Manufacturing Sector</b>				Growing	Slower	23

Average for 12 months - 59.1

High - 60.8

Low - 57.3

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

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**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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