



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 11:16:05 08/03/18 - 08/09/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/03	07:30	↗	🔔	📊	Trade Balance	Jun	-\$46.5b	--	-\$43.1b	--
22)	08/03	07:30	↗	🔔	📊	Change in Nonfarm Payrolls	Jul	192k	--	213k	--
23)	08/03	07:30	🔔		📊	Two-Month Payroll Net Revision	Jul	--	--	--	--
24)	08/03	07:30	🔔		📊	Change in Private Payrolls	Jul	190k	--	202k	--
25)	08/03	07:30	🔔		📊	Change in Manufact. Payrolls	Jul	25k	--	36k	--
26)	08/03	07:30	🔔		📊	Unemployment Rate	Jul	3.9%	--	4.0%	--
27)	08/03	07:30	🔔		📊	Underemployment Rate	Jul	--	--	7.8%	--
28)	08/03	07:30	🔔		📊	Average Hourly Earnings MoM	Jul	0.3%	--	0.2%	--
29)	08/03	07:30	🔔		📊	Average Hourly Earnings YoY	Jul	2.7%	--	2.7%	--
30)	08/03	07:30	🔔		📊	Average Weekly Hours All Employee	Jul	34.5	--	34.5	--
31)	08/03	07:30	🔔		📊	Labor Force Participation Rate	Jul	--	--	62.9%	--
32)	08/03	08:45	↗	🔔	📊	Markit US Services PMI	Jul F	56.2	--	56.2	--
33)	08/03	08:45	↗	🔔	📊	Markit US Composite PMI	Jul F	--	--	55.9	--
34)	08/03	09:00	↗	🔔	📊	ISM Non-Manf. Composite	Jul	58.6	--	59.1	--
35)	08/06-08/10		🔔		📊	Mortgage Delinquencies	2Q	--	--	4.63%	--
36)	08/06-08/10		🔔		📊	MBA Mortgage Foreclosures	2Q	--	--	1.16%	--
37)	08/07	09:00	🔔		📊	JOLTS Job Openings	Jun	--	--	6638	--
38)	08/07	14:00	🔔		📊	Consumer Credit	Jun	\$16.000b	--	\$24.559b	--
39)	08/08	06:00	↗	🔔	📊	MBA Mortgage Applications	Aug 3	--	--	-2.6%	--

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 H142-3575-3 02-Aug-2018 11:16:06

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Fed Speak Calendar
(All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		11:17:55		08/02/18		-		08/31/18	
Central Banks		All Central Banks				View		Agenda		Weekly	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	08/08 07:45				Fed's Barkin Speaks in Roanoke, Virginia						
22)	08/14 10:00				New York Fed to Release Q2 2018 Household Debt & Credit Report						
23)	08/22 13:00				FOMC Meeting Minutes	Aug 1	--	--	--	--	
24)	08/23 19:00				Fed Hosts Annual Jackson Hole Central Banking Symposium						
25)	08/24 08:00				Fed Hosts Annual Jackson Hole Central Banking Symposium						
26)	08/25 08:00				Fed Hosts Annual Jackson Hole Central Banking Symposium						

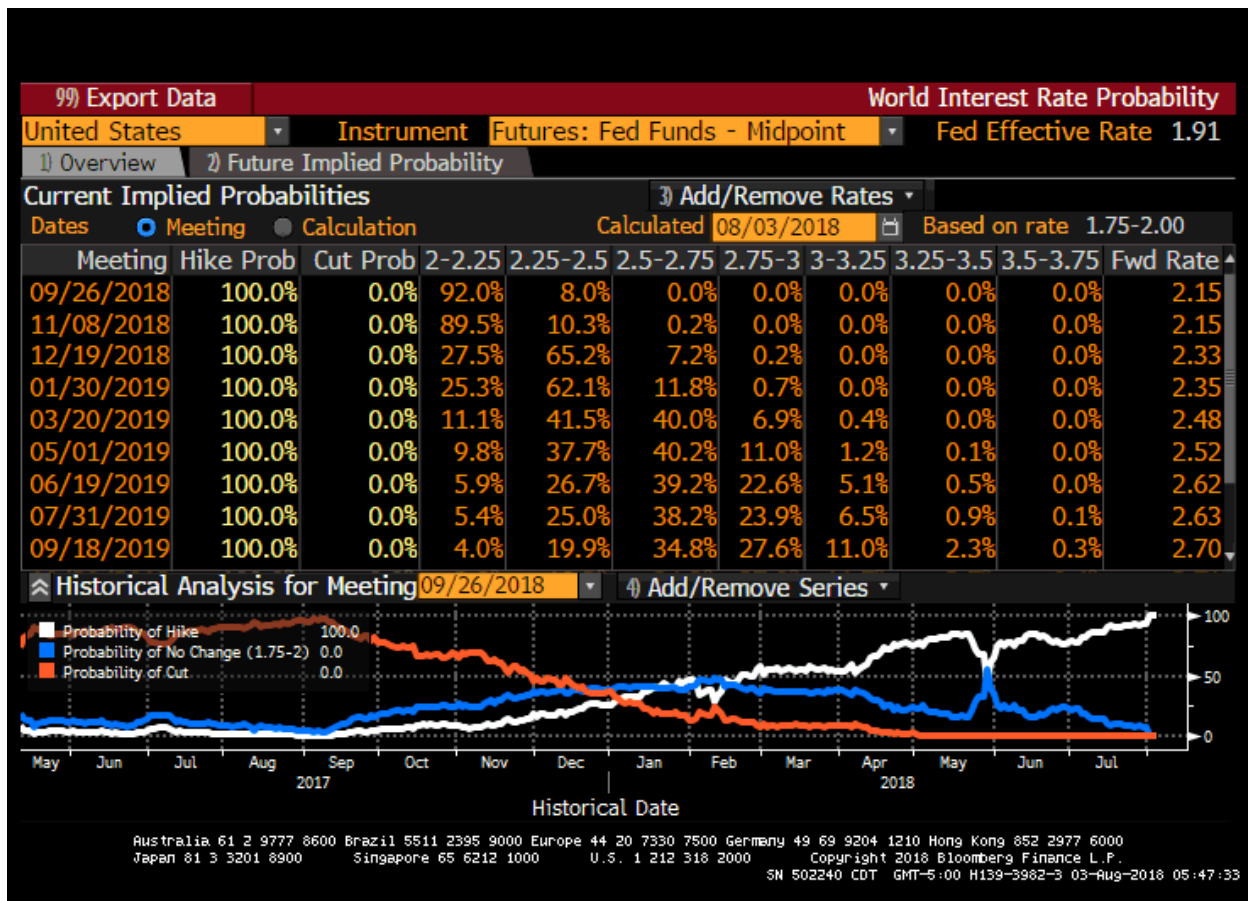
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Previous		Next		Send		Actions		Translate		News: News Story	
08/01/2018 07:37:25 [BN]											
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior				
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction				
Cash mgmt	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50				
4-week	08/06/2018	08/07/2018	08/09/2018	TBA	TBA	07/31/2018	\$65				
3-month	08/02/2018	08/06/2018	08/09/2018	912796PD5	TBA	07/30/2018	\$51				
6-month	08/02/2018	08/06/2018	08/09/2018	912796QW2	TBA	07/30/2018	\$45				
1-year	08/09/2018	08/14/2018	08/16/2018	TBA	TBA	07/17/2018	\$26				
Note Auctions											
2-year	08/23/2018	08/27/2018	08/31/2018	TBA	TBA	07/24/2018	\$35				
3-year	09/06/2018	08/07/2018	08/15/2018	9128284W7	\$34	07/10/2018	\$33				
5-year	08/23/2018	08/28/2018	08/31/2018	TBA	TBA	07/25/2018	\$36				
7-year	08/23/2018	08/29/2018	08/31/2018	TBA	TBA	07/26/2018	\$30				
10-year	09/06/2018	08/08/2018	08/15/2018	9128284V9	\$26	07/11/2018	\$22				
Bond Auctions											
30-year	09/06/2018	08/09/2018	08/15/2018	912810SD1	\$18	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	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/fomeproitabl20180613.pdf>

Libor Set

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

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THEY SAID IT

What Economists Are Saying Ahead of Friday's U.S. Jobs Report

<https://www.bloomberg.com/news/articles/2018-08-03/what-economists-are-saying-ahead-of-friday-s-u-s-jobs-report>

NatWest Markets (185,000)

“Our forecast for July assumes payback in two sectors, construction and manufacturing, as both those industries showed exceptional strength in recent months. Continued healthy hiring likely occurred across most other major industries,” economists Michelle Girard and Kevin Cummins wrote. “Hourly earnings may have stayed benign in July. The 15th of the month did not fall into the July employment survey week (which was Sunday, July 8 through Saturday, July 14). As a result, increases in bi-monthly pay may not have been captured, leading to another moderate increase in earnings,” they said, projecting an annual gain of 2.6 percent.

Wells Fargo (198,000)

“Recent hiring strength, which is remarkably strong at this stage of the business cycle, has benefited from the rebound in the goods-producing sectors (manufacturing and mining). With extended goods-producing gains, we also look for broad-based strength elsewhere, including construction and professional business services,” economist Sam Bullard wrote.

Nomura (195,000)

“While we expect a solid increase in employment growth, there is some risk that manufacturing employment gains slow somewhat in July from the notable 36,000 gain in June,” wrote analysts led by chief U.S. economist Lewis Alexander. “Part of the outsized growth in manufacturing employment in June stemmed from a 12,000 increase in employment at motor vehicles and parts firms. Some of this gain was possibly due to a transitory ramp-up in light truck production following disruptions in May. Moreover, this series can show unusual behavior during the summer months as many auto plants temporarily shut down for retooling.”

Jefferies (215,000)

“July seasonally adjusted private payrolls have tended to be solid and less erratic than other months that feature big swings in unadjusted payrolls and seasonal adjustments,” Ward McCarthy and Thomas Simons wrote. “Our expectations for a dip in the unemployment rate is based primarily the expectation that the size of the labor force will be steady and that many of the 499,000 unemployed June entrants to the labor force will find a job.”

Barclays (175,000)

Analysts led by Michael Gapen, chief U.S. economist, are projecting a 160,000 gain in private payrolls. “This would represent some modest slowing from the recent pace of hiring and, in our view, could reflect increasing concerns over protectionism.”

Bloomberg Economics (220,000)

“The two major themes looming over the July jobs report are sustainability and vulnerability,” Carl Riccadonna and Tim Mahedy wrote in their [preview](#). “The question of sustainability pertains to the ability of the economy to generate GDP growth on par with the second quarter’s gangbusters 4 percent reading. The vulnerability issue stems from concerns that a trade-war escalation may be exerting a toll on the factory sector in particular.” Even so, they don’t “anticipate a slowdown to be evident in the July hiring data, based on the resilience of corporate sentiment in the month, in addition to the fact that the overall price tag of tariffs implemented to date is manageable.”

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(This Should be in the segment called, They Didn't Say it)

The U.S. has been unable to persuade China to cut Iranian oil imports, according to two officials familiar with the negotiations, dealing a blow to President Donald Trump's efforts to isolate the Islamic Republic after his withdrawal from the 2015 nuclear accord.

<https://www.bloomberg.com/news/articles/2018-08-03/china-is-said-to-reject-u-s-request-to-cut-iran-oil-imports>

Beijing has, however, agreed not to ramp up purchases of Iranian crude, according to the officials, who asked not to be identified because discussions with China and other countries continue. That would ease concerns that China would work to undermine U.S. efforts to isolate the Islamic Republic by purchasing excess oil.

China -- the world's top crude buyer and Iran's No. 1 customer -- has said previously that it opposed unilateral sanctions and lifted monthly oil imports from the country by 26 percent in July. It accounted for 35 percent the Iranian exports last month, according to [ship-tracking data](#) compiled by Bloomberg.

The vast annual military operation known as the Rim of the Pacific Exercise (simply RIMPAC in Pentagon jargon) just concluded on the beaches of Southern California with a huge demonstration of an amphibious assault, which involves sending troops ashore from warships at sea — a highly complex maneuver whether D-Day or present day.

The exercise is held every two years all over the Pacific Basin, and is the largest international maritime exercise in the world. It is globally regarded by naval officers as the Olympic Games of naval power. Run by the U.S. Pacific Fleet, which is headquartered in Pearl Harbor, it normally includes warships and troops from every branch of the U.S. armed forces, and those of than 20 foreign nations.

<https://www.bloomberg.com/view/articles/2018-08-02/u-s-was-right-to-give-china-s-navy-the-boot>

They have been held since the early 1970s, and include nations not only from the Western Pacific rim — Japan, South Korea, Australia, New Zealand, Brunei, Vietnam, Thailand, Singapore and so on — but also from the Pacific coast of South America, including Mexico, Peru, Chile and Colombia.

But this year, in a break with recent tradition, China was “disinvited” in May because of its militarization of a variety of artificial islands in the volatile South China sea, where it is sending troops and setting up combat-aircraft, runways and missile systems.

While I've repeatedly criticized Trump for his dealings with allies and foes, cutting Beijing “out of the pattern” this year was the right decision. It deprived China of not only the chance to observe and learn about allied naval practices, but also of the prestige of engaging with the top navies in the world. The increasing involvement of India — the obvious strategic counterweight to China — as well as this year's addition of Vietnam — a growing naval actor deeply concerned about Chinese dominance in the South China Sea — sends a powerful signal.

“We have to create a situation where it's more painful for them to continue their bad practices than it is to reform,” Ross said in an interview on Fox Business Network on Thursday. The U.S. will keep turning up the pressure on China for as long as the country refuses to level the economic playing field, said Ross.

<https://www.bloomberg.com/news/articles/2018-08-03/ross-signals-more-tariff-pain-ahead-in-china-trade-battle>

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“The reason for the tariffs to begin with was to try and convince the Chinese to modify their behavior. Instead they have been retaliating. So the president now feels that it’s potentially time to put more pressure on, in order to modify their behavior,” he said. Commerce Secretary Wilbur Ross signaled there is more pain ahead unless China changes its economic system, as the Asian nation repeated it will never surrender to U.S. trade threats.

Speaking to reporters after meeting Pompeo on the sidelines of a regional summit in Singapore, Chinese State Councillor Wang Yi said Pompeo told him he was “was willing to maintain constructive contact”.

<https://www.reuters.com/article/us-asean-singapore-china-usa/china-says-it-wants-to-resolve-differences-with-u-s-on-equal-footing-idUSKBN1KO12M>

“As two members of the U.N. Security Council and the world’s largest two economies, we should of course maintain talks at all times,” Wang said.

“Cooperation is the only correct choice for the United States and China. It’s the universal expectation of the international community. Opposition can only bring dual loss and will hurt the peaceful and stable development of the world,” he added.

“We are willing to resolve the concerns of both sides via talks on the basis of an equal footing and mutual respect. He (Pompeo) was accommodating on this as a direction, and said that he does not want current frictions to continue,” Wang said.

China is willing to resolve differences with the United States on an equal footing, the Chinese government’s top diplomat said on Friday after meeting U.S. Secretary of State Mike Pompeo, but added they did not address their trade war too specifically.

The Pacific Northwest city has been one of the greatest beneficiaries of the recent wave of Chinese buyers of U.S. real estate. Both Chinese investors and families hoping to send their kids to American universities have fueled demand for housing in Seattle, which has long enjoyed a strong Asian culture.

<https://www.cnbc.com/2018/08/02/seattle-housing-market-is-under-pressure-as-chinese-buying-dries-up.html>

In just the last two years, that demand increased dramatically. In 2016, nearby Canadian city Vancouver slapped a 25 percent tax on international homebuyers in an effort to cool its own overheated housing market. Chinese investors, who had been strong in that market, simply moved south of the border to escape the tax.

"Chinese buyers are flooding into Seattle," said Jonathan Woloshin of UBS in a 2016 interview. But the Chinese yuan's recent fall in value against the U.S. dollar has made housing more expensive for Chinese buyers. Now, Woloshin said, Seattle could see the opposite of the buying frenzy it had two years ago.

"I'm not telling you there is going to be a crash in prices, but do I think there is going to be a drop in the rate of increase? yes," said Woloshin.

“Chairman Kim made a commitment to denuclearize,” Pompeo told reporters. “The world demanded that they (North Korea) do so in the U.N. Security Council resolutions. To the extent they are behaving in a manner inconsistent with that, they are a) in violation of one or both the U.N. Security Council resolutions and b) we can see we still have a ways to go to achieve the ultimate outcome we’re looking for.”

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<https://www.reuters.com/article/us-asean-singapore-northkorea-usa/pompeo-says-north-korea-weapons-work-counter-to-denuclearization-pledge-idUSKBN1K00Z5>

North Korean Foreign Minister Ri Yong Ho is also in Singapore and will attend the same regional meeting as Pompeo on Saturday, but the State Department has not said whether the two will meet.

Following his talks with Ri, China's top diplomat, State Councillor Wang Yi, said he hoped North Korea and the United States continue to move forward to implement their leaders' agreement.

"China all along has believed that the consensus reached by U.S. and North Korea's leaders meeting in Singapore is very precious," Wang told reporters.

"That is, at the same time as realizing denuclearization of the Korean peninsula, to establish a peace mechanism. This direction is without a doubt correct," he said.

China is North Korea's most important economic and diplomatic supporter and fought for the North in the 1950-53 Korean War against the U.S.-led United Nations forces that backed South Korea.

Rhodium -- a byproduct of platinum mining that's used in the chemical sector and by the auto industry in catalytic converters -- has more than trebled in value since the start of 2017. The silver-white element, named after the Greek word for rose, could go even higher as output is squeezed by the woes facing South Africa's [platinum industry](#).

<https://www.bloomberg.com/news/articles/2018-08-03/world-s-priciest-precious-metal-set-to-blossom-as-shortage-looms>

Rhodium, which can resist high temperatures and outperforms other platinum-group metals in removing nitrogen oxides from car exhausts, recently traded at a seven-year high of \$2,350 an ounce. It could go to \$3,000 an ounce in the near term, said Nikos Kavalis, a founding partner of consultancy Metals Focus.

With no primary mines for rhodium, supply will be cut as Impala Platinum Holdings Ltd. and Lonmin Plc shut [unprofitable shafts](#) to weather the lower platinum prices brought by the switch from diesel cars. Stable demand and dwindling supply in a rhodium market dominated by a small number of active players is a recipe for another price explosion, said Gerry Dawson, a consultant who has traded precious metals for two decades since working at refiner Heraeus Metals New York LLC.

As platinum miners curb production, rhodium output will drop, causing prices to rally further, Dawson said. That could rekindle visions of the market a decade ago, when rhodium topped \$10,000 an ounce after five years of a supply deficit were compounded by South African power shortages that curbed mine output.

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EQUITIES

The S&P is **+4** and the NASDAQ is **+14**.

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 +0.67%.

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

BOE Rate +0.50%. (No change).

Next meeting 08/02/18

On the European Continent

The CAC Index closed +0.31%.

The DAX Index closed +0.47%.

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 -0.54%.

The NIKKEI closed +0.06%.

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 -0.14%.

The Shanghai Composite closed -1.00%.

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: 119-25.0 is the pivot point. Above you should be long, below short.

Support is at **119-00.5** and **119-25.0**^{^*}

Resistance is at **120-18.0**

**[^]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:		07/03/2018		-		08/03/2018		1 Month						
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs				
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg	+/-BPS	PCS	CMFN
1) 1 YR	2,680 / 2,682	2,682	2,681	-0.001		0.0	2,602	2,602	2,694	2,649	3.3	1.5		
2) 2 YR	2,883 / 2,885	2,885	2,884	-0.006		-0.2	2,786	2,786	2,904	2,841	4.5	1.4		
3) 3 YR	2,948 / 2,951	2,951	2,950	-0.009		-0.2	2,846	2,846	2,975	2,902	4.9	1.3		
4) 4 YR	2,974 / 2,977	2,977	2,975	-0.009		-0.2	2,862	2,862	3,003	2,921	5.6	1.3		
5) 5 YR	2,986 / 2,988	2,988	2,987	-0.011		-0.2	2,854	2,854	3,018	2,927	6.0	1.3		
6) 6 YR	2,996 / 2,999	2,999	2,997	-0.012		-0.2	2,864	2,864	3,030	2,933	6.6	1.3		
7) 7 YR	3,006 / 3,010	3,010	3,008	-0.013		-0.2	2,856	2,856	3,059	2,939	7.0	1.3		
8) 8 YR	3,019 / 3,020	3,020	3,019	-0.012		-0.2	2,873	2,873	3,054	2,948	7.3	1.3		
9) 9 YR	3,030 / 3,033	3,033	3,031	-0.013		-0.2	2,882	2,882	3,067	2,958	7.4	1.3		
10) 10 YR	3,044 / 3,045	3,045	3,045	-0.012		-0.2	2,883	2,883	3,109	2,969	7.6	1.3		
11) 15 YR	3,082 / 3,083	3,083	3,082	-0.011		-0.2	2,919	2,919	3,116	3,000	8.3	1.4		
12) 20 YR	3,088 / 3,089	3,089	3,088	-0.010		-0.2	2,915	2,915	3,121	3,002	8.7	1.4		
13) 25 YR	3,078 / 3,078	3,078	3,077	-0.010		-0.2	2,889	2,889	3,154	2,988	8.9	1.4		
14) 30 YR	3,061 / 3,063	3,063	3,062	-0.008		-0.1	2,880	2,880	3,093	2,972	9.2	1.4		

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 H139-3982-3 03-Aug-2018 05:47:59

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.

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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.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 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

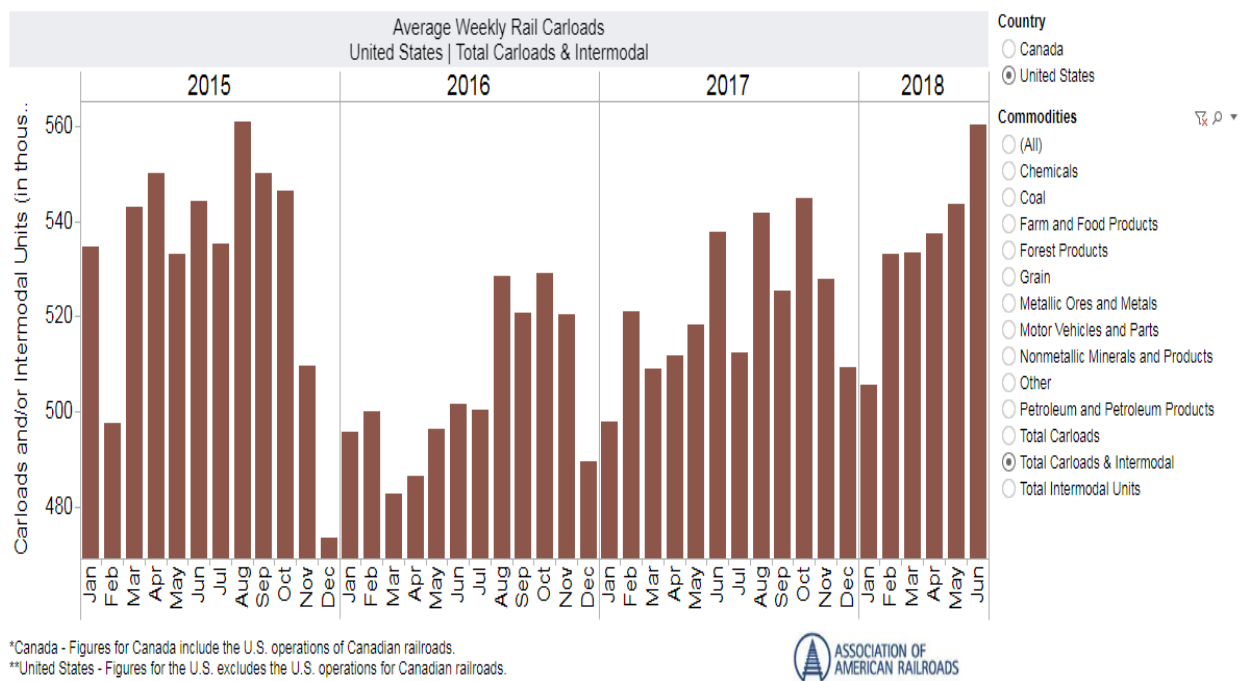
Total U.S. weekly rail traffic was 559,154 carloads and intermodal units, up 3 percent compared with the same week last year.

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



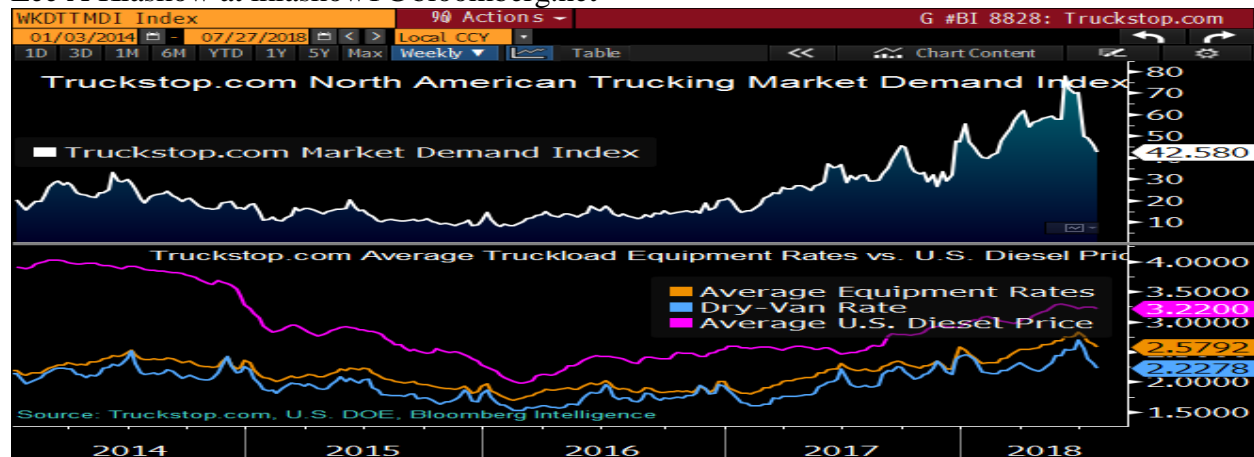
<https://www.aar.org/data-center/rail-traffic-data/>

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



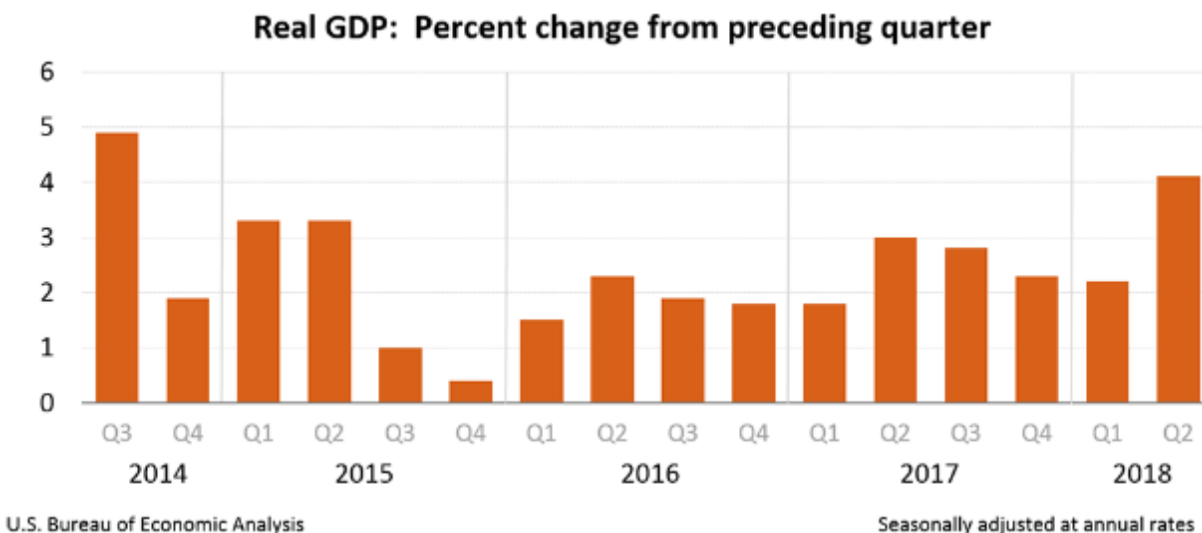
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GDP

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
OVERALL ECONOMY				Growing	Slower	111
Manufacturing Sector				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

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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