



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 12:24:37 08/06/18 - 08/10/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/07	09:00				JOLTS Job Openings	Jun	--	--	6638	--
22)	08/07	14:00				Consumer Credit	Jun	\$15.500b	--	\$24.559b	--
23)	08/08	06:00				MBA Mortgage Applications	Aug 3	--	--	-2.6%	--
24)	08/09	07:30				Initial Jobless Claims	Aug 4	220k	--	218k	--
25)	08/09	07:30				Continuing Claims	Jul 28	--	--	1724k	--
26)	08/09	07:30				PPI Final Demand MoM	Jul	0.2%	--	0.3%	--
27)	08/09	07:30				PPI Ex Food and Energy MoM	Jul	0.3%	--	0.3%	--
28)	08/09	07:30				PPI Ex Food, Energy, Trade MoM	Jul	--	--	0.3%	--
29)	08/09	07:30				PPI Final Demand YoY	Jul	3.4%	--	3.4%	--
30)	08/09	07:30				PPI Ex Food and Energy YoY	Jul	2.8%	--	2.8%	--
31)	08/09	07:30				PPI Ex Food, Energy, Trade YoY	Jul	--	--	2.7%	--
32)	08/09	07:45				Bloomberg Aug. United States Economic Survey					
33)	08/09	08:45				Bloomberg Consumer Comfort	Aug 5	--	--	58.6	--
34)	08/09	09:00				wholesale Inventories MoM	Jun F	0.0%	--	0.0%	--
35)	08/09	09:00				wholesale Trade Sales MoM	Jun	--	--	2.5%	--
36)	08/10	07:30				CPI MoM	Jul	0.2%	--	0.1%	--
37)	08/10	07:30				CPI Ex Food and Energy MoM	Jul	0.2%	--	0.2%	--
38)	08/10	07:30				CPI YoY	Jul	3.0%	--	2.9%	--
39)	08/10	07:30				CPI Ex Food and Energy YoY	Jul	2.3%	--	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-6:00 H139-3982-3 03-Aug-2018 12:24:37

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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						

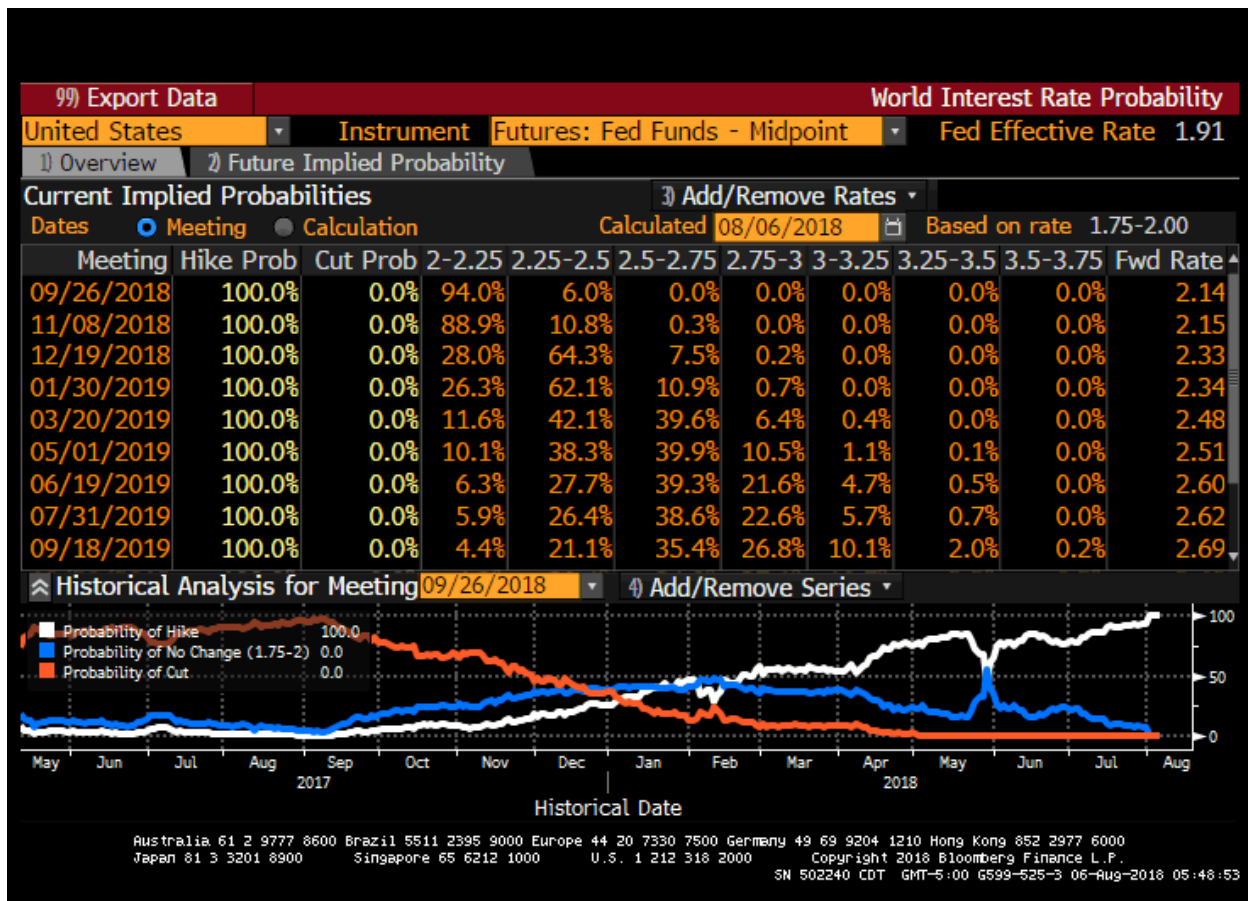
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Previous		Next		Send		Actions		Translate		News: News Story	
08/01/2018 07:37:25 [BN]											
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior				
<b>Bill Auctions</b>	<b>Announcement</b>	<b>Auction</b>	<b>Settles</b>	<b>Numbers</b>	<b>R</b>	<b>Bil</b>	<b>Auction</b>	<b>\$ Bln</b>			
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				
<b>Note Auctions</b>											
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				
<b>Bond Auctions</b>											
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 <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>2.08256</b>	<b>+.00237</b>	<b>(97.91744)</b>
<b>3-Month Libor Set</b>	<b>2.34325</b>	<b>+.00275</b>	<b>(97.65675)</b>
<b>6-Month Libor Set</b>	<b>2.52163</b>	<b>-.00310</b>	<b>(97.47837)</b>
<b>1-Year Libor Set</b>	<b>2.82688</b>	<b>-.00042</b>	<b>(97.17312)</b>

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## THEY SAID IT

**"The positioning here is that the other countries are all free trade and the U.S. is not. If that's really what we're saying then just drop all tariffs and all non-tariff barriers. Go down to zero. That would be better outcome for the whole world," Bullard told CNBC's "Squawk Box Europe" Monday.**

<https://www.cnbc.com/2018/08/06/feds-james-bullard-says-other-countries-wont-wipe-tariffs.html>

Countries espousing free trade in response to U.S. trade war threats should just drop all their own tariffs to zero — but they won't, says St. Louis Federal Reserve Bank President James Bullard.

"Why is that not going happen? Because they're protecting their industries, that's why it's not going to happen. So, they're protectionist."

Beijing heavily subsidizes domestic industries, creating an uneven playing field for global competition, and has strict foreign ownership limits on most sectors. It does not allow foreign investors equal access to its industries, and engages in practices like forced technology transfers, which require international businesses operating in China to share their technology and operate without adequate protection of their intellectual property. U.S. and other foreign businesses operating on the ground have [long called for reforms](#) in these areas.

In terms of tariffs, the European Union has in fact been a bigger offender than the U.S.

According to calculations by the Munich-based Ifo Center for International Economics, the unweighted average EU customs duty on American goods is 5.2 percent, versus the U.S. rate of 3.5 percent.

Some examples of steeper EU tariffs on U.S. products include a tax of 20 percent tax on grapes and 17 percent on apples. But the U.S. also imposes higher duties on particular European goods, like its 20 percent tax on certain milk products and 25 percent tax on small trucks. Each instance can be seen as protection of domestic industries.

**"We should always plan for the worse and hope for the best. I think the idea that you're inevitably going to have a recession just because you've had an expansion for a while is not really right," Bullard told CNBC's "Squawk Box Europe." "The U.S. expansion, the growth rate has been very slow since the financial crisis ... The level of output is actually quite a bit below where it would be if you had a more normal expansion so that kinda argues for the idea that maybe the expansion can go on for a while longer."**

<https://www.cnbc.com/2018/08/06/fed-member-james-bullard-says-waiting-for-an-inevitable-recession-is.html>

Bullard mentioned Australia as an example of a country where the economic expansion has lasted for a "very long time," "25 years or more."

However, Bullard, who is not currently a voting member of the central bank, noted that U.S. businesses are "very worried" about trade frictions with other countries.

"The companies I talk to ... are very concerned about the trade situation and it's certainly top of (the) mind for everybody. But at the same time their businesses are doing very well, so there's a bit of a conflict between whether they think they should go ahead and invest or whether they should wait and see how the trade situation evolves."

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**“We have really rebuilt China, and it’s time that we rebuild our own country now,” Trump said Saturday during about an hour of free-wheeling remarks at a rally outside Columbus, Ohio. China’s market declines weaken that nation’s bargaining power in the escalating trade war, he added.**

<https://www.bloomberg.com/news/articles/2018-08-06/china-prepared-for-long-trade-war-with-u-s-state-media-says>

China is prepared for a “protracted war” and doesn’t fear sacrificing short-term economic interests, according to an [editorial](#) in the nationalist Global Times on Sunday evening.

“Considering the unreasonable U.S. demands, a trade war is an act that aims to crush China’s economic sovereignty, trying to force China to be a U.S. economic vassal.”

“Chinese buyers don’t have any bargaining power on these products. Even if the trade war escalates, China would rather lift the 25 percent tariffs to 50 percent, instead of imposing any tariffs on integrated circuits or big airplanes,” according to Larry Hu, head of China economics at Macquarie Securities Ltd. in Hong Kong. “What’s the point of imposing tariffs? Chinese companies would have to pay all the additional costs.”

“In the face of the bullying of the Donald Trump administration, Beijing must remain sober-minded and never let emotion override reason when deciding how to respond,” according to an [editorial](#) by the China Daily, the flagship state-run English newspaper. “Given China’s huge market, its systemic advantage of being able to concentrate resources on big projects, its people’s tenacity in enduring hardships and its steadiness in implementing reform and opening-up policies, the country can survive a trade war.”

**China’s largest refiner, Sinopec, will delay making any purchases of U.S. oil for September amid concern that the Asian giant will slap tariffs on American crude, making imports more expensive, according to a person familiar with the matter. Beijing [declined](#) to stop imports from Iran, dealing a blow to U.S. efforts to isolate the Islamic Republic, though it agreed not to increase shipments, according to officials familiar with the negotiations.**

<https://www.bloomberg.com/news/articles/2018-08-03/sinopec-is-said-to-delay-u-s-oil-purchases-amid-tariff-concerns>

Petroleum was left off the list of products on which Beijing said [Friday](#) it plans to levy duties of 5 percent to 25 percent as soon as the Trump Administration enacts measures. The world’s biggest oil importer took a record volume from the U.S. in June, increasing the potential hit to American producers if China does enact tariffs.

**The first round of U.S. nuclear sanctions on Iran snaps back into place on Monday, and although it pales in comparison to a raft of penalties yet to come, experts say it sends a clear signal that Washington is willing to pummel the Iranian economy.**

<https://www.cnbc.com/2018/08/03/trumps-1st-round-of-iran-sanctions-sends-message-this-is-not-a-test.html>

President [Donald Trump](#) gave banks and companies 90 days to prepare for the return of some sanctions after he abandoned the 2015 Iran nuclear deal in May. Since then, Iran's currency, the rial, has [plummeted](#) and the Iranian economy is faltering, [sparking protests](#) across the country.

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**Just three hours after a drone carrying explosives detonated over Venezuelan President Nicolas Maduro during a parade Saturday, the first suspects were already in questioning. By Sunday evening, a [half-dozen](#) had been whisked away.**

<https://www.bloomberg.com/news/articles/2018-08-06/as-his-soldiers-fled-wildly-maduro-s-vulnerability-was-exposed>

The episode also serves to underscore just how tenuous Maduro's grip on power is as the country sinks ever deeper into economic disarray. A largely unheard of group by the name of Soldados de Franela (or "T-Shirt Soldiers" for the shirts they use to cover their faces) claimed responsibility for the attack.

**Canada's remarks are "an affront to the kingdom that requires a sharp response to prevent any party from attempting to meddle with Saudi sovereignty," the ministry said.**

<https://www.bloomberg.com/news/articles/2018-08-05/saudi-arabia-suspends-diplomatic-ties-with-canada>

Saudi Arabia suspended diplomatic ties and new trade dealings with Canada in response to Canada's call for the release of women's rights activists -- a dramatic escalation that highlights the kingdom's increasingly assertive foreign policy under Crown Prince Mohammed bin Salman. Saudi Arabia recalled its ambassador to Ottawa and ordered the Canadian envoy to Riyadh to [leave within 24 hours](#), according to a Foreign Ministry [statement](#). Canada is "seeking greater clarity" about the matter, a spokeswoman for Foreign Minister Chrystia Freeland said.

The Saudi Foreign Ministry cited remarks last week by Freeland and the Canadian embassy in Riyadh, criticizing the arrests of women's rights activists including Samar Badawi. She is a Canadian citizen whose brother Raif Badawi, a blogger who was critical of the government, was already in jail in the kingdom.

**The key [OPEC oil producers](#) seem to be finding it harder than expected to sell their output overseas. The probable resulting build-up in their stockpiles should at least help them offset the drop in Iranian supplies as U.S. sanctions start to bite deeper.**

**Crude oil exports from the five Persian Gulf Arab members of OPEC fell by about 1.1 million barrels a day last month, after surging in June, according to [Bloomberg tanker tracking](#).**

<https://www.bloomberg.com/view/articles/2018-08-05/saudi-arabia-is-starting-to-stockpile-oil-again>

In any case, much of the seasonal increase in oil demand would already have happened by June and summer temperatures in Saudi Arabia haven't been that high this year. Bloomberg data show temperatures this year dipping below their average for the prior five years from mid-July, although 91 degrees Fahrenheit is plenty hot enough. Still, there's unlikely to have been an abnormally big upswing in oil consumption for power generation.

Saudi stockpiles fell by 95 million barrels, or 29 percent, between October 2015 and the end of April 2018, according to JODI data. That's the lowest since 2011. Yet this depletion may be coming to an end. Inventories rose for the first time in seven months in May. There's clearly room for them to keep rising and good reason too.

The return of U.S. sanctions on Iran has already hit the country's oil exports, and it's almost certainly going to get worse. Bloomberg tanker tracking in July shows the country's crude and condensate exports have already fallen by about 430,000 barrels a day, or 15 percent, from their April peak.

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## EQUITIES

The S&P is +3 and the NASDAQ is +10.

Particulars for companies to make money (**low interest rates, growth and some wage inflation**) remain in place.

I am dollar cost averaging into a mix of equities.

Currently 70% Equities, 20% Bonds and 10% Money Markets.

Earnings:

[www.moneycentral.msn.com/investor/market/earncalendar](http://www.moneycentral.msn.com/investor/market/earncalendar)

**On Bloomberg type in ACDR <GO>**

### UK/EUROPE

**In the UK the FTSE closed +0.25%.**

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

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

**Next meeting 09/13/18**

### On the European Continent

**The CAC Index closed +0.25%.**

**The DAX Index closed +0.28%.**

On the Continent, the 2s/10s swap curve is unchanged with yields slightly higher.

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

**Deposit Facility Rate -.40%**

**Next meeting 09/13/18**

### Japan:

**The TOPIX closed -0.56%.**

**The NIKKEI closed -0.08%.**

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 +0.52%.**

**The Shanghai Composite closed -1.29%.**

### 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: 97-56.0 is the pivot. Below the pivot, you should be short, above long. Support is at 97-52.0\*\* and 97.56.0^.

Resistance is at 97-59.5\*\*.

^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.

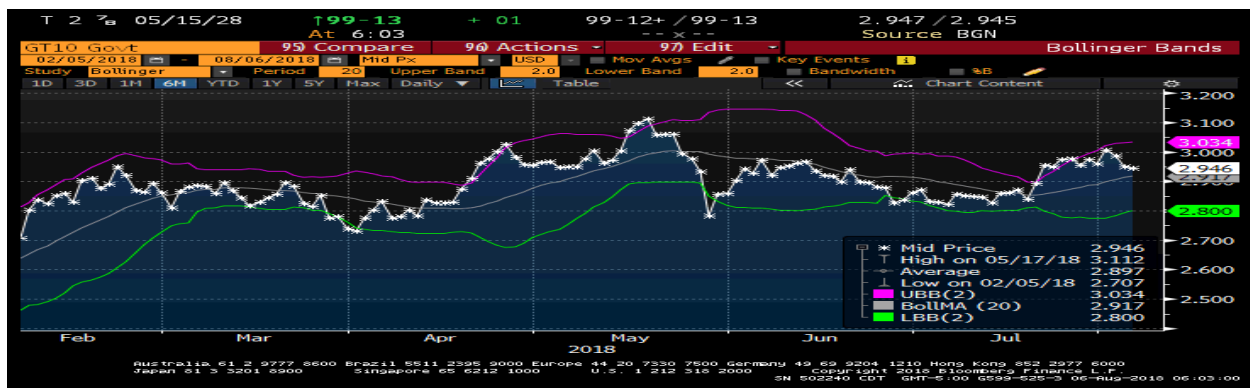
Support is at **119-01.0** and **119-25.0**^\*

Resistance is at **120-16.5**

\*\*^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)**

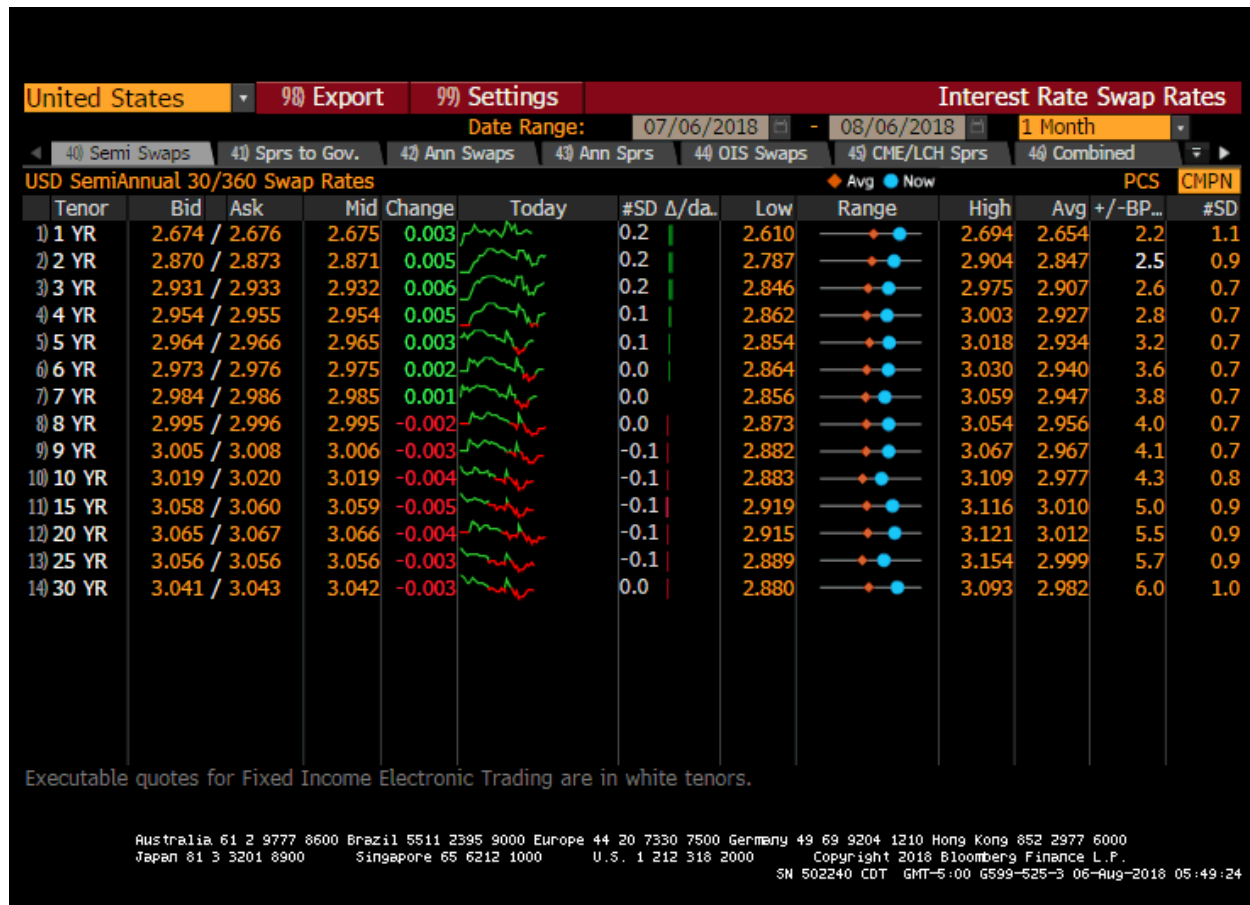
**(2018) +98.0 futures ticks (\$31.25 per tick) or +\$3,062.50.**

**(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>



## The Option Lab

### Trade Log:

2. Bought the TY Week-2 120.00 put (at the money).

Paid 8/64ths (\$125) per contract (3/9/2018).

The 120-00.00 strike price on the option equates to a TY yield of ~2.895%.

On March 9, the put was sold back at 7/64ths for a \$15.63 loss.

1. Bought 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.

On February 2, the put fly was sold back at 1.25 ticks for a \$31.25 win.

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.



#### 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>

## Charge-off Delinquency Rates on Loans and Leases at Commercial Banks

<https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

### 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.	3 August 2018	1,044	-4	27 July 2018	+90	4 August 2017
Canada	3 August 2018	223	+0	27 July 2018	+6	4 August 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

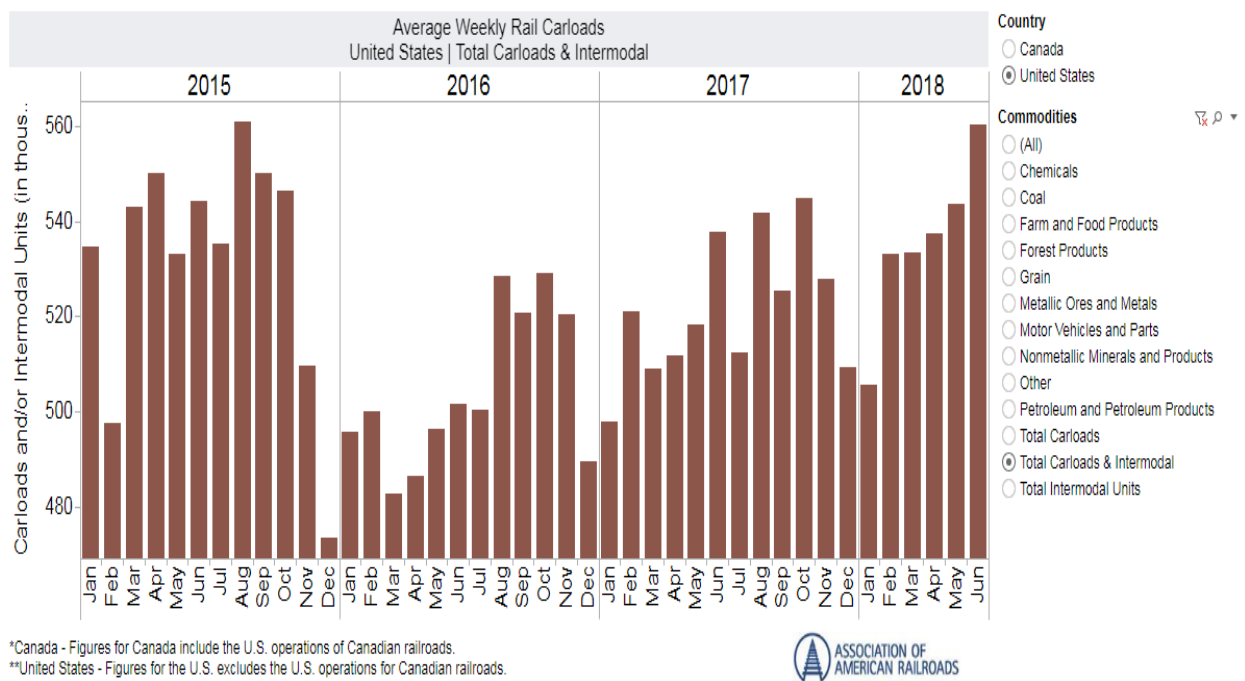
Total U.S. weekly rail traffic was 559,154 carloads and intermodal units, up 3 percent compared with the same week last year.

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



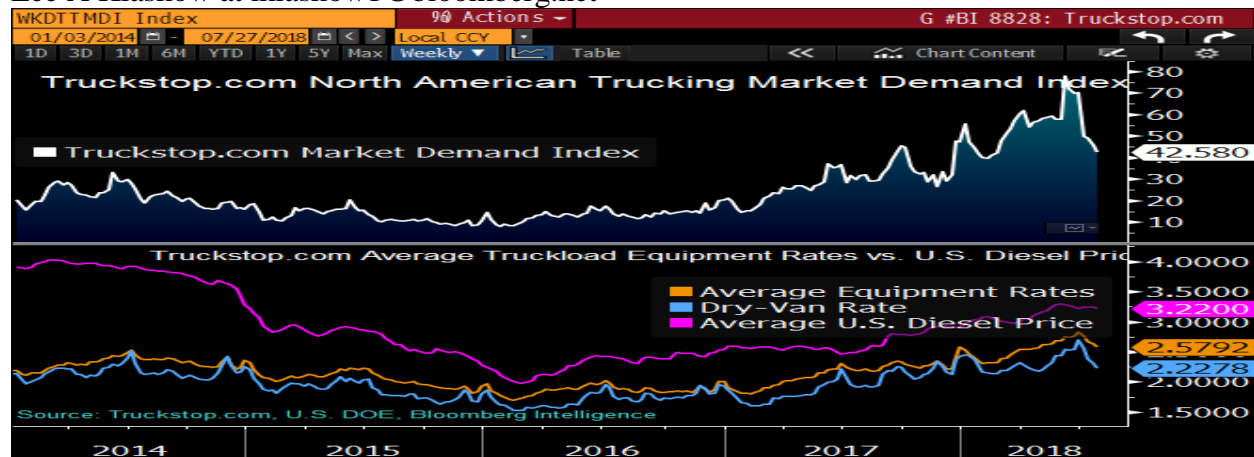
<https://www.aar.org/data-center/rail-traffic-data/>

## 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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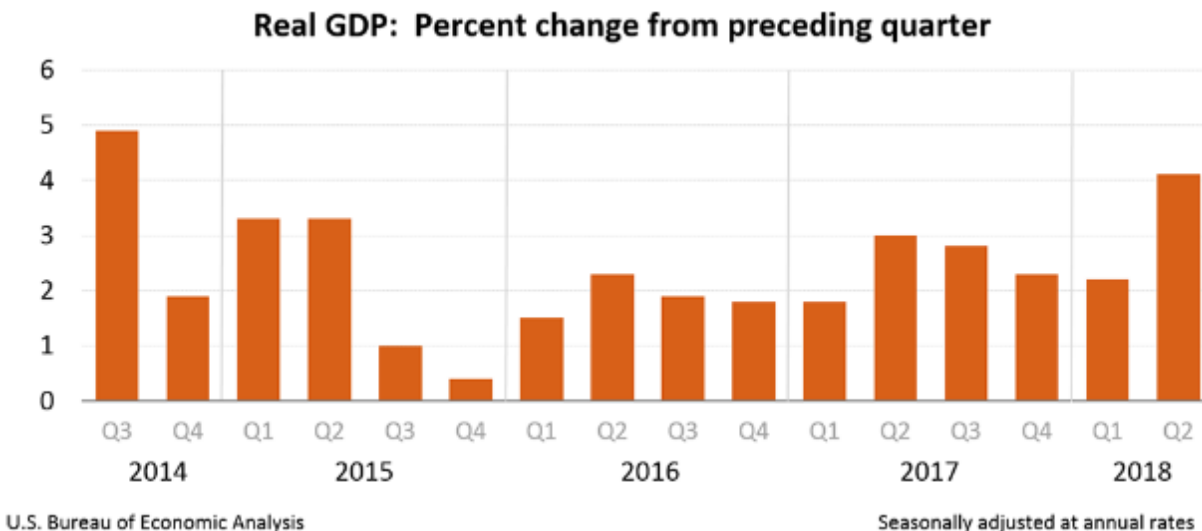


## GDP

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 08/03/18 v. 3.75 on 07/31/18**

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

### **Atlanta Fed GDPNow...Q3 2018: 4.4 ...August 3, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is **4.4 percent** on August 3, down from 5.0 percent on August 1. After this morning's data releases, the nowcasts of third-quarter real consumer spending growth and third-quarter real private fixed investment growth declined from 3.4 percent and 5.9 percent, respectively, to 2.9 percent and 4.2 percent, respectively. These declines more than offset an increase in the nowcast of the contribution of inventory investment to third-quarter real GDP growth from 1.80 percentage points to 1.95 percentage points.

*The next GDPNow update is Thursday, August 9. 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: 2.6%...August 3, 2018**

The New York Fed Staff Nowcast for 2018:Q3 stands at 2.6%.

News from this week's data releases decreased the nowcast for 2018:Q3 by 0.2 percentage point. Negative surprises from exports and imports data and from the ISM surveys accounted for most of the decrease.

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

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

[johncoleman@bloomberg.net](mailto:johncoleman@bloomberg.net)

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

[robpowell@bloomberg.net](mailto:robpowell@bloomberg.net)

Jeff Bauman  
312-286-0491  
[jeffbau@bloomberg.net](mailto:jeffbau@bloomberg.net)

Rich Goldblatt  
312-373-5450  
800-367-3650  
© 312-515-6019  
[futuristic@bloomberg.net](mailto:futuristic@bloomberg.net)

Rocco Chierici  
312-373-5439  
800-367-3650  
© 312-515-3069  
[rocco1@bloomberg.net](mailto:rocco1@bloomberg.net)

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

[brachwalski@bloomberg.net](mailto:brachwalski@bloomberg.net)

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

[dsobolewski@bloomberg.net](mailto:dsobolewski@bloomberg.net)

Evan Vollman  
312-373-5452  
800-367-3650  
[evollman@bloomberg.net](mailto:evollman@bloomberg.net)

Corrine Abele  
312-373-4847  
800-367-3349  
[cabele@rjobrien.com](mailto:cabele@rjobrien.com)

Matthew Surwillo  
312-373-4958  
800-367-3349  
[msurwillo@rjobrien.com](mailto:msurwillo@rjobrien.com)

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