



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 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						

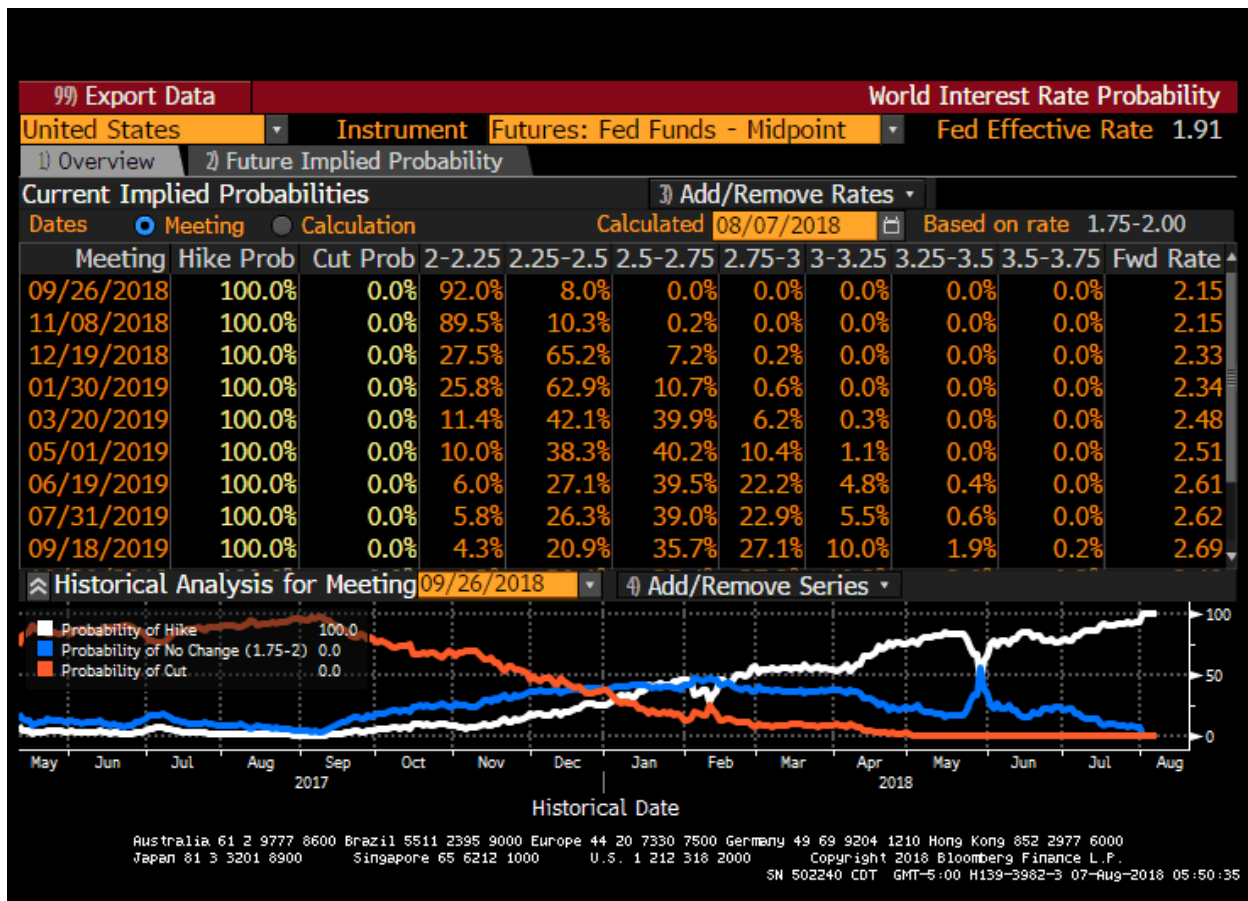
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Previous		Next		Send		Actions		Translate		News: News Story	
08/06/2018 13:46:43 [BN]										🔍	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln			
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50			
4-week	08/13/2018	08/07/2018	08/09/2018	912796PY9		\$70	07/31/2018	\$65			
3-month	08/09/2018	08/13/2018	08/16/2018	912796QJ1		TBA	08/06/2018	\$51			
6-month	08/09/2018	08/13/2018	08/16/2018	912796QX0		TBA	08/06/2018	\$45			
1-year	08/09/2018	08/14/2018	08/16/2018	912796QV4		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	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	2.07113	-.01143	(97.92887)
3-Month Libor Set	2.34144	-.00181	(97.65856)
6-Month Libor Set	2.52238	+.00075	(97.47762)
1-Year Libor Set	2.82431	-.00257	(97.17569)

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THEY SAID IT

The latest bit of America's energy sector to feel the over-the-shoulder lash is the liquefied natural gas-export business. On Friday, LNG joined the list of goods that [China will hit with tariffs](#) in retaliation for U.S. ones. This is problematic when you consider China has taken 13 percent of U.S. LNG exports (and more like a quarter last winter), according to Bloomberg New Energy Finance.

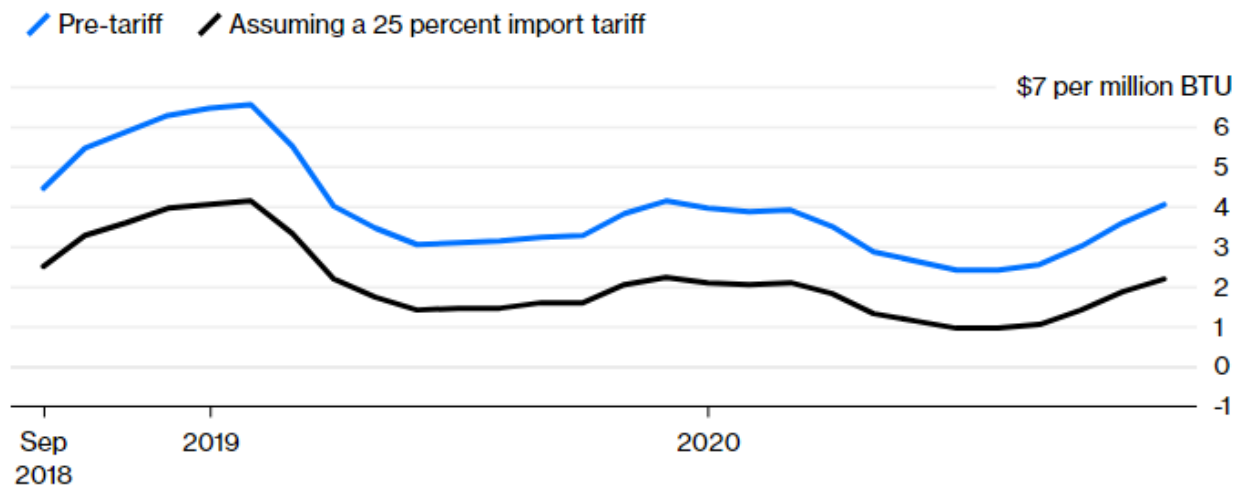
<https://www.bloomberg.com/view/articles/2018-08-06/china-s-lng-tariffs-could-slam-permian-oil-producers>

As I wrote [here](#) about U.S. oil, a tariff imposed by one of the world's largest importers of fuel will act as an effective tax on exporters. China buys U.S. LNG on the spot market, so its demand is very sensitive to the spread between benchmark U.S. natural gas prices and Asian prices. That spread has to absorb the cost of converting U.S. gas into a liquid (typically a 15 percent premium) and shipping it across the world (about \$2 per million BTU via the Panama Canal, according to BNEF's LNG Shipping Calculator).

Using futures prices for Henry Hub natural gas and the Japan-Korea Marker (JKM) as proxies, here's what happens to the theoretical netback, or margin, of an exporter on the U.S. Gulf Coast selling LNG to Shanghai if a 25 percent tariff is imposed:

The Sound Of Gas Escaping

Implied margins for a Gulf Coast LNG exporter selling into Shanghai fall by almost half on average over the next 12 months due to tariffs



Source: Bloomberg New Energy Finance, Bloomberg, Bloomberg Opinion analysis

Note: JKM futures less Henry Hub futures plus 15 percent premium, plus \$1.93 shipping cost (via Panama Canal). Lower line adds 25 percent tariff to costs.

The really fun thing about the LNG trade, though, is that, like with most other trades, everything is connected. So apart from the LNG sector, these tariffs could really cause problems for a bigger business up the pipe: the Permian basin's oil producers.

How so? A side-effect of the surge in Permian oil output is a similar surge in [associated gas](#) that comes up alongside it. As long as oil prices encourage more fracking for oil, the gas essentially comes for free. This is a problem in west Texas because, short of coming up with an ingenious method allowing local residents to breathe the stuff, there isn't enough demand there to take it all. Hence, gas priced in Waha, Texas, trades at a discount of almost 80 cents per million BTU, or 28 percent, to the Henry Hub benchmark.

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Just as lifting the crude-oil export ban helped alleviate a similar problem in oil a couple of years ago, so the ability to get gas to the Gulf Coast and ship it worldwide is a vital escape valve here. In an analysis published in May, Sanford C. Bernstein estimated that rising associated gas production – the vast majority of it from the Permian basin – would be enough to meet most of the increase in domestic U.S. demand and exports through 2025. And given that U.S. gas demand is barely growing – in part because it is in a knife fight with [renewable energy](#) in markets such as Texas and California – exports are key.

The editorial in the official China Daily underscored an increasingly aggressive stance adopted by Chinese state media against Trump, a shift from their previous approach of tempering any direct criticism against the U.S. president.

<https://www.reuters.com/article/us-usa-trade-china/chinese-newspaper-mocks-trumps-claim-of-winning-trade-war-as-wishful-thinking-idUSKBN1KS02G>

On Monday, the overseas edition of the Communist Party's People's Daily newspaper singled out Trump, saying he was starring in his own "street fighter-style deceitful drama of extortion and intimidation".

In a separate commentary, in the People's Daily overseas edition, a researcher at the Commerce Ministry reiterated this stance, saying China was strong and resilient enough to weather the trade dispute.

"We absolutely have reason to believe that during this complex trade friction, and relying on the domestic market, China can continue to enhance its leading position in the global economic and industrial system," researcher Mei Xinyu wrote.

Recent data showed growth in the world's second largest economy has already started to cool. The government has responded by releasing more liquidity into the banking system, encouraging lending and promising a more "active" fiscal policy.

"For the Chinese leadership, stabilizing the domestic economy, pursuing the ['Made in China 2025'](#) modernization program, defending the power structure constructed by [Chinese President] [Xi Jinping](#) and pursuing the global ambitions set out by the Communist Party take precedence over the trade war with the U.S.," Jonathan Fenby, China research chairman at TS Lombard, wrote in the note.

<https://www.cnbc.com/2018/08/06/domestic-issues-not-trade-war-are-chinas-top-priorities-ts-lombard.html>

Still, the trade dispute, which has [roiled global markets](#) and [unsettled the business community](#) in recent months, has had an impact. Fenby acknowledged that news flow out of the White House has "disrupted Beijing's planning and made it reluctant to enter into a re-run of the spring negotiations" that U.S. President [Donald Trump](#) had "overturned."

Another reason that Beijing is expected to hold out has to do with the country's leadership, which has put its faith in the strength of a Party-led system to carry out the conflict, Fenby wrote. That made it "even more essential ... to avoid any weakening of their ruling mechanism by bowing to U.S. calls for less state involvement," he added.

"Defending the Party State is the top priority for Xi and will frame the leadership's resistance to U.S. demands that would strike at the power structure they head."

TS Lombard, meanwhile, was fairly sanguine on the impact of the trade war on growth prospects.

"The impact of Trump's trade war on growth will be manageable. Chinese growth was already

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headed towards slower growth, but proactive fiscal and monetary policies should keep aggregate demand well supported," it said in a note. "However, given the prospect that the trade conflict will drag out into next year owing to new tariffs and retaliations, policy will undoubtedly remain fluid."

Indian officially entered the ongoing global trade war in June [when it announced retaliatory tariffs](#) against Washington's steel and aluminum import duties. If implemented, the South Asian nation risks a targeted response from President [Donald Trump's](#) White House.

<https://www.cnbc.com/2018/08/07/us-india-trade-dispute-may-be-trouble-for-prime-minister-modi.html>

New Delhi's proposed tariff hikes on 29 U.S. products — including almonds, apples, walnuts and certain stainless steel products — are worth \$241 million and were meant to go into effect on Aug. 4.

But Prime Minister [Narendra Modi's](#) government decided last week to delay the hikes, and may postpone tariffs until next month amid ongoing negotiations with U.S. officials, according to local news outlets.

If the two countries cannot reach a deal, New Delhi's tariffs will go ahead as planned — a move that could push Washington to respond with India-specific actions, [similar to what it's done with China](#). That, in turn, could spell trouble ahead for Modi [as he campaigns for re-election next year](#), analysts say.

If the White House turns its attention to India's biggest exports to the U.S. — such as diamonds, seafood, auto parts and medicine — that could be risky for Modi and the Indian economy, said Amitendu Palit, a senior fellow specializing in trade and economic policy at the National University of Singapore.

As the currency tumbled, Turkish policymakers changed [reserve rules](#) to boost banks' foreign-exchange liquidity -- a measure seen by analysts as insufficient to prop up the lira.

<https://www.bloomberg.com/news/articles/2018-08-06/turkey-crisis-deepens-as-sanctions-threat-sends-lira-to-new-low>

The lira slumped as much as 6.3 percent Monday before rising 1.1 percent Tuesday after a report Turkish officials will head to the U.S. The rate on 10-year bonds hovered just below 20 percent after President Recep Tayyip Erdogan said on Saturday that Turkey will [respond](#) in kind to U.S. sanctions over a detained American pastor.

"This is chump change and the fact that this is all they can do while the lira is in free-fall is quite disappointing," said Win Thin, a strategist at Brown Brothers Harriman in New York.

With the lira already under pressure from one of the largest current-account deficits in emerging markets, escalating tension has pushed the currency's loss this year to 28 percent against the dollar. That has hampered the ability of companies to repay their foreign-currency loans, stoked inflation and put pressure on the central bank to keep raising rates. The bank is scheduled to next meet on Sept. 13.

The booming U.S. economy is continuing to suck in German goods from cars to chemicals, even amid repeated criticism from the Trump administration and threats of tariffs on Europe. Still, the latest figures show how tensions could flare up again, despite Trump's

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agreement with European Commission President Jean-Claude Juncker to refrain from any action while the two sides negotiate.

<https://www.bloomberg.com/news/articles/2018-08-07/trump-tariff-threats-have-done-little-to-shrink-german-surplus>

The nation's exports to the U.S. exceeded imports by 24.4 billion euros (\$28.3 billion) in the first half of the year, German data showed on Tuesday. That's barely changed from the 24.5 billion euros in the same period of 2017.

"If you stab someone in the back and then say you want talks, then the first thing you have to do is remove the knife," Rouhani said in a televised address. Rouhani's speech came after reports of protesters taking to the streets in recent days complaining about the faltering economy and rising prices, and chanting: "Death to inflation! Death to unemployment!" according to [The Wall Street Journal](https://www.cnbc.com/2018/08/06/us-aims-to-crush-iran-oil-sector-in-next-wave-of-sanctions.html).

<https://www.cnbc.com/2018/08/06/us-aims-to-crush-iran-oil-sector-in-next-wave-of-sanctions.html>

As a [first wave of U.S. sanctions were reimposed](#) Monday on Iran's financial, automotive, aviation and metals sectors, Iran President Hassan Rouhani lashed back, saying President [Donald Trump](#)'s call for talks between the two countries was not honest and was only for show in America.

"There's no way there's sanctions relief before an agreement is reached. Then the Iranians don't gain anything from talking," said Matthew Reed, vice president at Foreign Report. "The White House has set a very high bar for what they think Iranian conduct should be. This is not just about the nuclear agreement. It's about everything the Iranians do and get away with in the region."

U.S. officials have said they want Iranian exports to drop to zero by November though they have also said they will talk to countries and companies that are trying to cut back.

"I am pleased that many international firms have already announced their intent to leave the Iranian market, and several countries have indicated that they will reduce or end imports of Iranian crude oil. We urge all nations to take such steps to make clear that the Iranian regime faces a choice: either change its threatening, destabilizing behavior and reintegrate with the global economy, or continue down a path of economic isolation," Trump said in a statement Monday.

Mattress Firm Inc, the largest U.S. mattress retailer, is considering a potential bankruptcy filing as it seeks ways to get out of costly store leases and shut some of its 3,000 locations that are losing money, people familiar with the matter said.

<https://www.reuters.com/article/us-mattressfirm-restructuring-exclusive/exclusive-mattress-firm-explores-u-s-bankruptcy-to-close-stores-idUSKBN1KR21K>

Mattress Firm's South African parent, Steinhoff International Holdings NV ([SNHJ.J](#)), has been working on a deal to restructure the debt of some subsidiaries with its creditors, following an accounting scandal. Creditors agreed last month to hold off on their debt claims for three years. Steinhoff acquired Mattress Firm for \$3.8 billion in 2016.

Both Houston-headquartered Mattress Firm and Steinhoff are working with consulting firm AlixPartners LLP, the two sources said this week. AlixPartners helps companies plan and execute turnaround strategies, and is often brought in to lay the ground for bankruptcy.

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EQUITIES

The S&P is **+6** and the NASDAQ is **+20**.

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 +0.25%.

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

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 steeper with yields 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 steeper with yields higher.

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 97-52.5** 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: 119-24.5 is the pivot point. Above you should be long, below short.

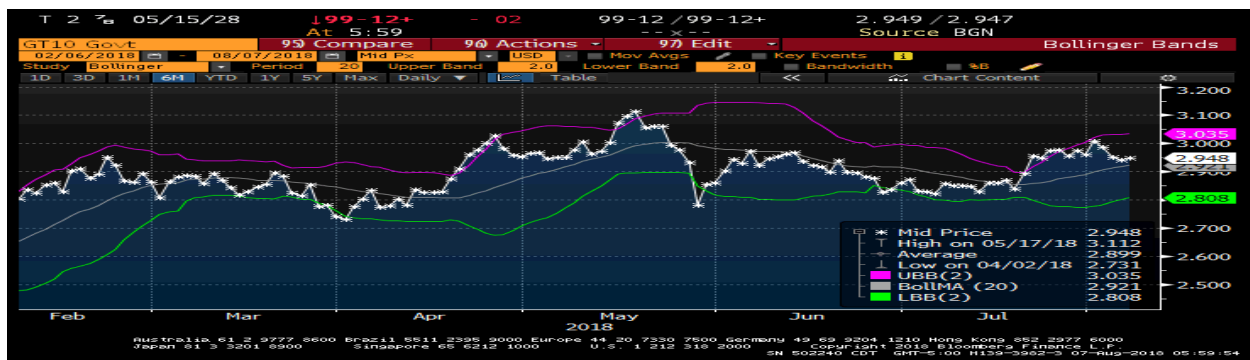
Support is at 119-00.5 and 119-24.5^*

Resistance is at 120-16.0

**^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)

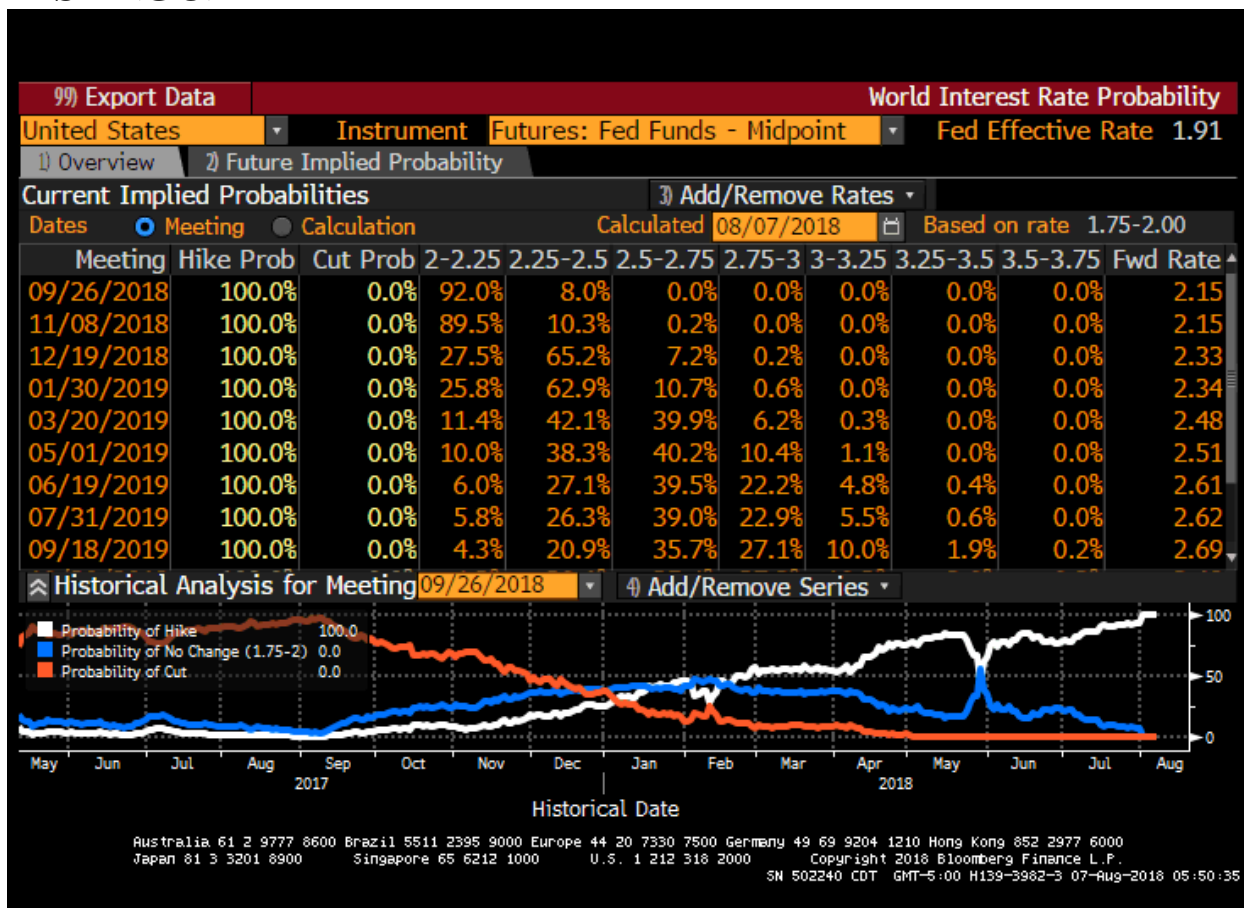
(2018) +98.0 futures ticks (\$31.25 per tick) or +\$3,062.50.

(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>



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.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

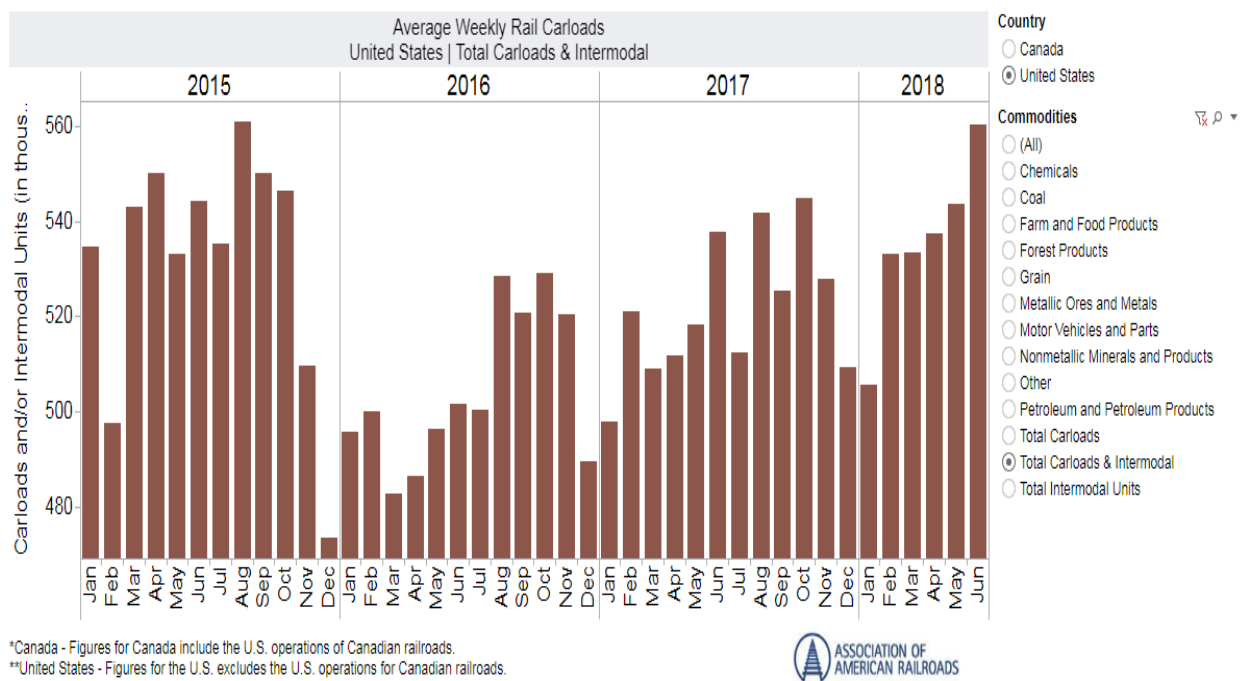
Total U.S. weekly rail traffic was 559,154 carloads and intermodal units, up 3 percent compared with the same week last year.

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/>

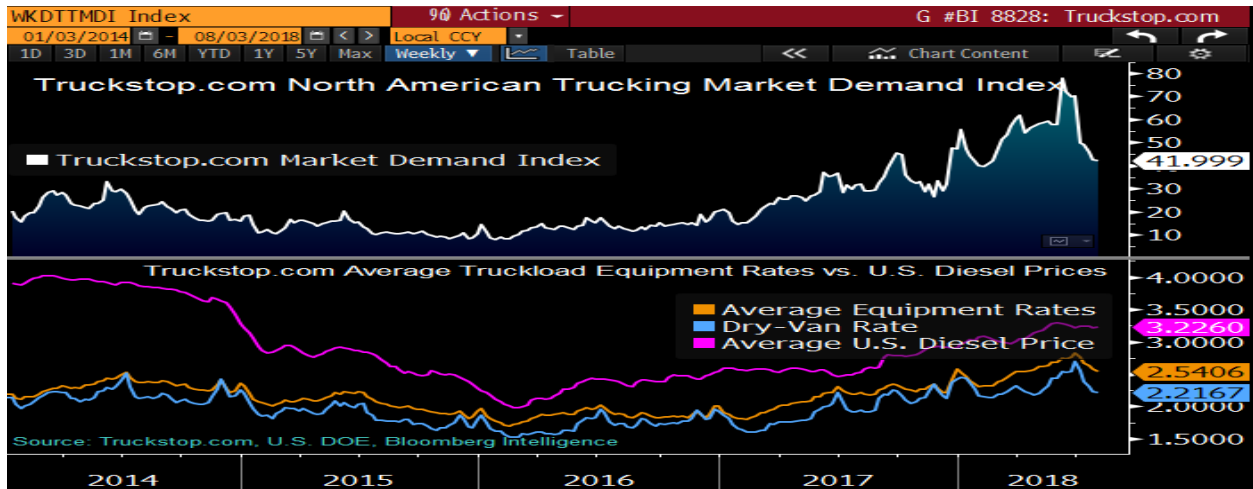
Trailer Truck Demand (Bloomberg Intelligence) – 08/06/18

Relative North American spot-trucking demand fell 1.4% sequentially to 42 in the week ended Aug. 3, based on Truckstop.com's Market Demand Index (MDI), down about 67% from seasonal highs before the July 4 holiday. Capacity remains historically tight even as it loosened for the fifth straight week. Growth in spot rates, excluding fuel surcharges, has moderated from peak levels but remains 16% higher in 3Q from a year prior, decelerating from 24% in 2Q and 27% in 1Q. Spot rates face tougher comparisons in late August.

Companies Affected: 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, which many carriers expect to rise in the high-single digits to mid-teens in 2018.

Lee A Klaskow at lklaskow1@bloomberg.net

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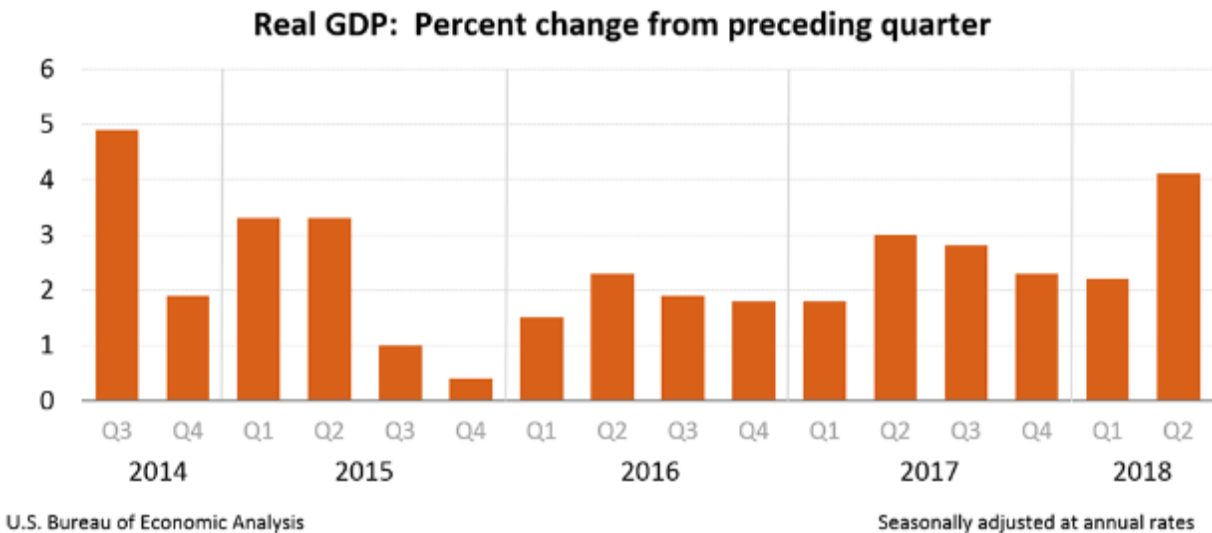


GDP

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 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

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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
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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