



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 05:49:11 08/09/18 - 08/16/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/09	07:30				Initial Jobless Claims	Aug 4	220k	--	218k	--
22)	08/09	07:30				Continuing Claims	Jul 28	1730k	--	1724k	--
23)	08/09	07:30				PPI Final Demand MoM	Jul	0.2%	--	0.3%	--
24)	08/09	07:30				PPI Ex Food and Energy MoM	Jul	0.2%	--	0.3%	--
25)	08/09	07:30				PPI Ex Food, Energy, Trade MoM	Jul	0.2%	--	0.3%	--
26)	08/09	07:30				PPI Final Demand YoY	Jul	3.4%	--	3.4%	--
27)	08/09	07:30				PPI Ex Food and Energy YoY	Jul	2.8%	--	2.8%	--
28)	08/09	07:30				PPI Ex Food, Energy, Trade YoY	Jul	--	--	2.7%	--
29)	08/09	07:45				Bloomberg Aug. United States Economic Survey					
30)	08/09	08:45				Bloomberg Consumer Comfort	Aug 5	--	--	58.6	--
31)	08/09	09:00				Wholesale Inventories MoM	Jun F	0.0%	--	0.0%	--
32)	08/09	09:00				Wholesale Trade Sales MoM	Jun	0.2%	--	2.5%	--
33)	08/10	07:30				CPI MoM	Jul	0.2%	--	0.1%	--
34)	08/10	07:30				CPI Ex Food and Energy MoM	Jul	0.2%	--	0.2%	--
35)	08/10	07:30				CPI YoY	Jul	2.9%	--	2.9%	--
36)	08/10	07:30				CPI Ex Food and Energy YoY	Jul	2.3%	--	2.3%	--
37)	08/10	07:30				CPI Index NSA	Jul	251.963	--	251.989	--
38)	08/10	07:30				CPI Core Index SA	Jul	257.794	--	257.305	--
39)	08/10	07:30				Real Avg Weekly Earnings YoY	Jul	--	--	0.2%	0.5%

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
SN 502240 CDT GMT-5:00 G641-5904-2 09-Aug-2018 05:49:11

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

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
United States		Browse		05:50:25		08/09/18		- 09/30/18			
Central Banks		All Central Banks				View		Agenda		Weekly	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	08/09	12:00				Fed's Evans Speaks to Reporters					
22)	08/14	10:00				New York Fed to Release Q2 2018 Household Debt & Credit Report					
23)	08/20	10:00				Fed's Bostic Speaks on U.S. Economic Outlook in Tennessee					
24)	08/22	13:00				FOMC Meeting Minutes	Aug 1	--	--	--	--
25)	08/23	19:00				Fed Hosts Annual Jackson Hole Central Banking Symposium					
26)	08/24	08:00				Fed Hosts Annual Jackson Hole Central Banking Symposium					
27)	08/25	08:00				Fed Hosts Annual Jackson Hole Central Banking Symposium					
28)	09/05	15:00				Fed's Kashkari Speaks at Townhall in Bozeman, Montana					
29)	09/07	11:45				Fed's Kaplan Speaks at Energy Conference in Dallas					
30)	09/12	08:30				Fed's Bullard Speaks to CFA Society Chicago					
31)	09/12	13:00				U.S. Federal Reserve Releases Beige Book					
32)	09/26	13:00				FOMC Rate Decision (Upper Bou...	Sep 26	2.25%	--	2.00%	--
33)	09/26	13:00				FOMC Rate Decision (Lower Bou...	Sep 26	2.00%	--	1.75%	--
34)	09/26	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
35)	09/29-10/02					Fed Chair Jerome Powell Delivers Keynote at NABE Conference					

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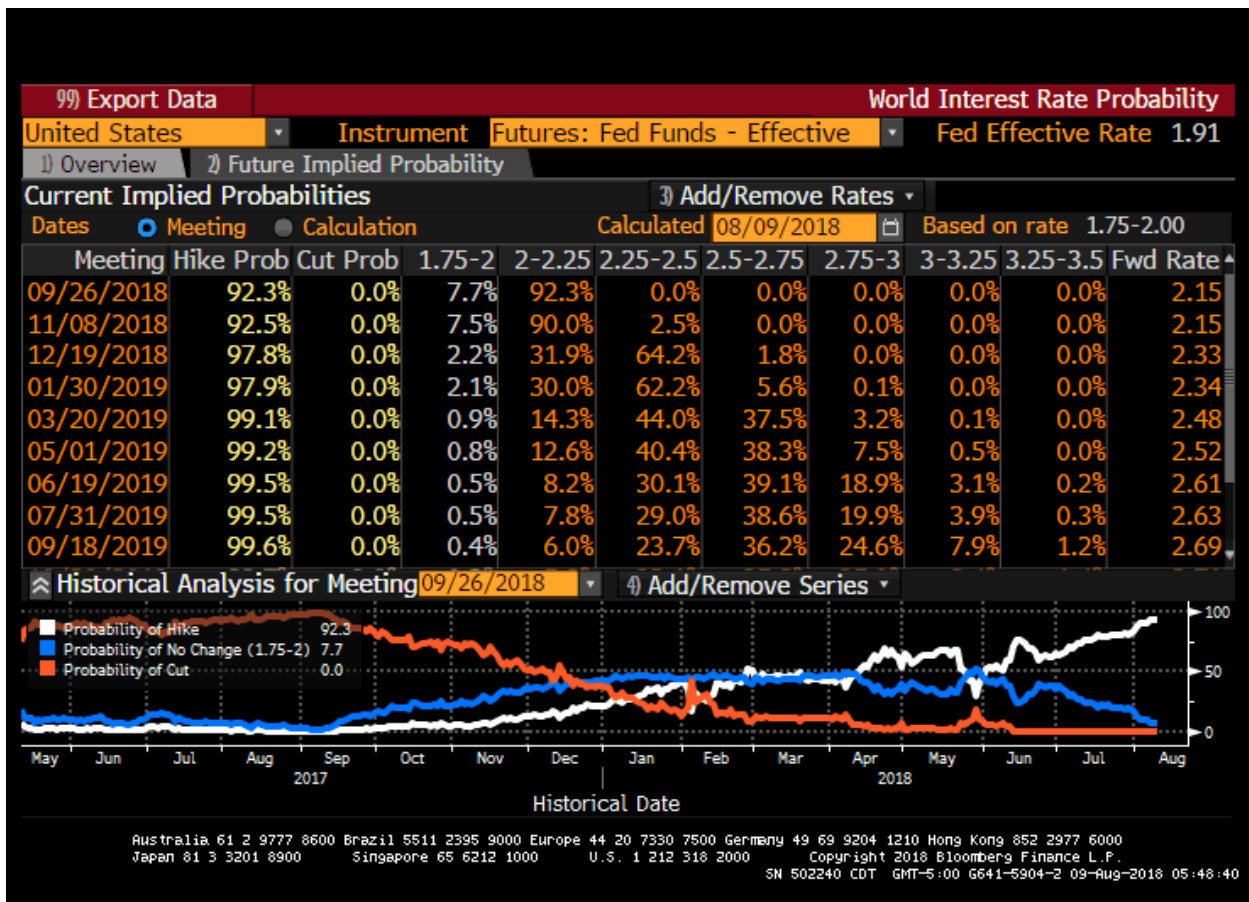
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				News: News Story			
08/08/2018 12:57:50 [BN]							
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	BiL	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50
4-week	08/13/2018	08/14/2018	08/16/2018	TBA	TBA	08/07/2018	\$70
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
<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	09/11/2018	09/17/2018	TBA	TBA	08/07/2018	\$34
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	09/12/2018	09/17/2018	TBA	TBA	08/08/2018	\$26
<b>Bond Auctions</b>							
30-year	09/06/2018	08/09/2018	08/15/2018	912810SD1	\$18	07/12/2018	\$14

<b>TIPS Auctions</b>							
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
<b>Floating Rate Note</b>							
2-year FRN	07/19/2018	06/27/2018	06/29/2018	9128284K3	R	\$16	05/23/2018 \$16
<b>Buyback Operation</b>							
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>2.06731</b>	<b>+.00387</b>	<b>(97.93269)</b>
<b>3-Month Libor Set</b>	<b>2.33800</b>	<b>-.00250</b>	<b>(97.66200)</b>
<b>6-Month Libor Set</b>	<b>2.51713</b>	<b>+.00013</b>	<b>(97.48287)</b>
<b>1-Year Libor Set</b>	<b>2.82750</b>	<b>-.00025</b>	<b>(97.17250)</b>

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## THEY SAID IT

**“The U.S. has been and will remain the main source of incremental crude production globally,” said Den Syahril, an analyst at industry consultant FGE. “With several new refineries starting up over the next couple of years, China would thus be wary of taking a decision that could end up severely hurting its domestic refining industry.”**

<https://www.bloomberg.com/news/articles/2018-08-09/u-s-oil-vanishing-from-chinese-tariffs-reveals-america-s-clout>

China’s original plan to target U.S. crude came at an inopportune time for the country’s buyers. Sinopec’s trading unit, Unipecc, was embroiled in a dispute with Saudi Arabia, saying the producer’s prices were costly and [cutting purchases](#) just as it was [boosting](#) American imports. Less than two months after [threatening](#) to impose levies on imports of U.S. crude and faced with the risk of supply disruptions from Iran and Venezuela, the world’s biggest oil buyer has now spared the commodity. Only fuels such as diesel, gasoline, propane will be hit with duties on [Aug. 23](#), according to China’s commerce ministry. That’s after the nation’s buyers, including top refiner [Sinopec](#), began shunning American supplies to [avoid](#) the risk of tariffs.

**Suppose a Chinese electric carmaker wants to win market share by selling cars with the best cutting-edge battery technology. How does it get that technology? It can hire some engineers, build a lab and try to develop it in-house. It can collaborate with a university research lab to create it. Alternatively, it can buy an American company that already has the technology.**

<https://www.bloomberg.com/view/articles/2018-08-08/trump-is-right-china-should-stop-stealing-the-u-s-s-best-ideas>

The latter move might be profitable for both the acquirer and the target, but it can stifle a whole ecosystem from developing around that company in the U.S. The Chinese company will likely take the battery technology back to China with it, producing the batteries in China and sourcing the parts in China. Had the company not been acquired, it might have spawned a network of American suppliers and customers. Some of its employees would have left and gone to work for those suppliers and customers, or for competitors, or spun off their own businesses. They would have taken their knowledge of the first company’s technologies with them, where those ideas -- whether protected by nondisclosure agreements or not -- would combine with those of others, potentially creating whole new innovations. Instead, since a Chinese company now takes the tech back with it, that virtuous cycle will now happen in China instead, and the U.S. economy as a whole will lose out.

That scenario might be prevented by timely action by the Committee on Foreign Investment in the U.S. CFIUS, as it is known, is officially supposed to deal with risks to national security -- for example, if foreign powers use acquisitions to erode the U.S.’s edge in military technology. In practice, national security concerns can almost never be separated from economic considerations like the scenario described above, because technological dominance has both military and economic implications. When CFIUS successfully persuaded Donald Trump to [block the takeover](#) of American telecommunications-equipment maker Qualcomm Inc. by rival Broadcom Inc., it did so out of fear that the move would lead to cuts in research spending and weaken American dominance in that area of technology, giving a competitive edge to Chinese rival Huawei Technologies Co.

CFIUS has been around since the 1970s, but China’s rise as an economic, technological and

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military rival and Trump's pugnacious approach to trade have generated a burst of deal cancellations in the last two years.

This may only be the beginning, as CFIUS may soon be beefed up considerably. Trump and his Treasury secretary, Steve Mnuchin, are considering using emergency powers to block Chinese investment in U.S. tech companies, and CFIUS [may administer](#) the restrictions. In addition, there has been a bipartisan [legislative effort](#) to strengthen CFIUS, and broaden its oversight to include many minority investments by Chinese companies.

Why minority investments? If a Chinese company buys only a minority stake in a U.S. company, it can't carry out the scenario described above. What it might do is to send its employees to work with the U.S. company, allowing them to copy, learn or steal designs, ideas and process knowledge, and transfer these to Chinese companies. A stronger CFIUS might [prevent that](#). This is probably a good idea. Depriving U.S. companies of Chinese capital isn't a big danger. Thanks to investors like Softbank's [Vision Fund](#) and deep-pocketed U.S. [venture capitalists](#), with tech company valuations soaring, and with interest rates low, companies are hardly starved for capital. The drawbacks of forcing China to go slow on its flood of acquisitions and investments - - at least in the technology industry -- seem minimal.

**[China's](#) factory price inflation cooled in July but not as much as expected, amid a wider slowdown in economic growth as Beijing remains locked in a heated trade dispute with Washington.**

**However, consumer inflation picked up from the previous month, largely due to a rise in non-food prices, official data showed on Thursday.**

<https://www.cnbc.com/2018/08/09/china-cpi-cpi-ppi-rises-above-expectations-in-july-from-a-year-ago.html>

The producer price index (PPI) — a gauge of factory gate inflation — rose 4.6 percent in July from a year earlier, compared with an acceleration to 4.7 percent in June, according to the National Bureau of Statistics.

The consumer price index (CPI) rose 2.1 percent from a year earlier, beating expectations of 1.9 percent, which was unchanged from June's growth, but still within the government's comfort zone of 3 percent.

The IMF said China's headline inflation is expected to rise gradually to around 2.5 percent, while producer price inflation would moderate.

**China's [HNA Group Co.](#) said it's been questioned by the U.S. government's investment-review panel over its ownership of a building in Manhattan near Trump Tower.**

**The Committee on Foreign Investment in the U.S., which assesses deals posing potential national-security risks, raised concerns about some "unique facts and circumstances" regarding the location of the building, a representative for the Chinese company said in a statement. Those issues didn't exist when HNA bought the 850 Third Avenue property, according to the statement. The 21-story building houses one of only two police precincts that are within a mile of Trump Tower, the president's base when he's in New York. HNA said it's taking steps to address concerns voiced by the committee, without providing further detail.**

<https://www.bloomberg.com/news/articles/2018-08-09/hna-gets-foreign-investment-scrutiny-over-manhattan-building-jkm0shlo>

The scrutiny comes amid rising tensions between the U.S. and China's government, which is

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said to have [decided](#) to help HNA pull itself out of recent liquidity challenges. The Chinese conglomerate, which has sold more than \$17 billion in assets to reduce its massive debt load, has been [marketing](#) the Manhattan building among several properties it is considering selling. Trump has been zeroing in on Chinese investment in the U.S. amid his escalating trade war with the world's second-largest economy.

The increased attention has seen some high-profile deals scuppered, such as Chinese billionaire Jack Ma's [attempt](#) to buy Dallas-based payment provider MoneyGram International. [Broadcom Ltd.](#)'s \$117 billion attempt to buy California's [Qualcomm Inc.](#) -- which would have been the largest tech deal in history -- was shot down on [concerns](#) the merger would benefit China's emerging telecommunications giant Huawei Technologies Co.

**“It is clear that major sanctions actions are looming against Russia now either by the Administration, by Congress or both,” Tim Ash, a senior emerging-market strategist at Bluebay Asset Management LLC in London, said. “All bets are off.”**

**The U.S. said it was imposing the new restrictions to punish President Vladimir Putin's government for the March 4 nerve-agent attack on former spy Sergei Skripal and his daughter in the U.K.**

<https://www.bloomberg.com/news/articles/2018-08-08/u-s-sanctions-russia-over-nerve-agent-attack-on-ex-spy-in-u-k>

The latest U.S. restrictions are required under the 1991 Chemical and Biological Weapons Control and Warfare Elimination Act, which mandates punishment of countries that use chemical weapons in violation of international law. The first wave of new sanctions is to take effect Aug. 22. More sweeping measures could come 90 days later.

The moves came just days after a bipartisan group of senators proposed a law mandating [“crushing sanctions”](#) -- including on purchase of new sovereign debt and on big state banks -- to punish Russia for election interference.

**The development “raises the odds that the U.S. will double down on their sanctions” and adds to the “domestic challenges that plague lira-denominated assets,” analysts including Michael Every at Rabobank in London wrote in note to clients.**

<https://www.bloomberg.com/news/articles/2018-08-09/traders-most-bearish-on-lira-in-7-years-as-pastor-saga-drag-on>

The Turkish lira plunged more than 3 percent to 5.4385 per dollar, taking this year's losses to almost 30 percent, after a U.S. official who spoke on condition of anonymity said a Turkish delegation [refused to commit](#) to releasing an American pastor. That raises the prospect of an escalation in the diplomatic row between the NATO allies, which has already taken a toll on Turkey's assets.

**Grain prices have been enjoying a rebound in the last several weeks, but the good times may not last for all crops as a U.S. government report Friday is projected to show near-record American harvests.**

<https://www.bloomberg.com/news/articles/2018-08-09/near-record-u-s-crops-here-s-what-to-watch-in-wasde-data>

The U.S. Department of Agriculture's monthly World Agricultural Supply and Demand Estimates will give traders the agency's first survey-based view of U.S. corn and soybean

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production in 2018. The market will also get an updated look at how much wheat harvests are shrinking as dry spells span the globe.

The report will also be the USDA's first time releasing the WASDE under new measures that end the practice of giving media (including Bloomberg News) embargoed [access](#) to the figures, spurring a race to download the data from the agency's website.

**[Saudi Arabia](#) and [Canada](#) are currently locked in a diplomatic spat over human rights, with both countries refusing to back down despite a breakdown in future trade deals, suspended passenger flights and a flurry of other sanctions.**

<https://www.cnn.com/2018/08/08/saudi-arabia-vs-canada-all-you-need-to-know-about-the-diplomatic-row.html>

In a tweet posted Friday, Canadian officials urged Riyadh to "immediately release" women's rights activists Samar Badawi and Nassima al-Sadah. Both campaigners were arrested in Saudi Arabia in late July, according to Human Rights Watch.

Saudi Arabia's Foreign Ministry took exception to Canada's online plea, calling it a "grave and unacceptable violation of the kingdom's laws and procedures."

Shortly afterwards, the Middle Eastern country announced punitive measures against Ottawa, including the expulsion of the Canadian ambassador.

**Masked police officers pointed semi-automatic rifles from a helicopter that flew low over Mexico City last week as security forces employ unprecedented heavy-handed tactics to combat a rise in levels of drug violence rarely seen in the capital.**

<https://www.reuters.com/article/us-mexico-violence-capital/police-choppers-thump-over-mexico-city-as-drug-crime-rises-idUSKBN1KU0F5>

In a sight more familiar to Mexico's most dangerous border cities, goggled and masked officers hung from open doors, surveying the streets, their weapons trained on the ground 250 meters (820 ft) below.

Although still well below the national average, and comparable to some U.S. cities, the violence in Mexico City is further denting the image of a country whose top resorts of Cancun and Los Cabos have seen gory murders and shootouts soar over the past year.

Just in recent days, Mexico City crime pages reported a man whose body was found in a car, his head on the roof, and another whose limbs were found in an ice box. Earlier this year, an American tourist was killed by a stray bullet at an upscale taco joint.

Police say much of the crime stems from retail drug dealing from violent local gangs, although authorities say at least one of these has links to the Jalisco New Generation Cartel, a major national trafficking group.

Less than 10 percent of crime is reported, statistics body INEGI estimates.

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## EQUITIES

The S&P is +3 and the NASDAQ is +17.

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 -0.72%.**

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

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

**Next meeting 09/13/18**

### On the European Continent

**The CAC Index closed -0.34%.**

**The DAX Index closed -0.19%.**

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 -0.26%.**

**The NIKKEI closed -0.20%.**

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

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

**Next meeting 09/19/18**

### China:

**The Hang Seng closed +0.88%.**

**The Shanghai Composite closed +1.83%.**

### 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 97.56 (7/20/18). 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: 119-22.0** is the pivot point. Above you should be long, below short.

Support is at **118-31.5** and **119-22.0**^\*

Resistance is at **120-12.0**

\*\*^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:						07/09/2018		-		08/09/2018		1 Month	
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs			
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	2.670 / 2.671		2.670	0.000		0.0	2.614	2.694	2.658	1.3	0.7		
2) 2 YR	2.861 / 2.869		2.865	-0.002		-0.1	2.793	2.904	2.852	1.7	0.6		
3) 3 YR	2.925 / 2.930		2.927	-0.002		0.0	2.851	2.975	2.912	1.8	0.5		
4) 4 YR	2.948 / 2.950		2.949	-0.001		0.0	2.863	3.003	2.932	1.8	0.5		
5) 5 YR	2.958 / 2.960		2.959	-0.001		0.0	2.863	3.018	2.940	1.9	0.5		
6) 6 YR	2.967 / 2.970		2.969	-0.001		0.0	2.864	3.030	2.947	2.3	0.5		
7) 7 YR	2.977 / 2.979		2.978	-0.002		0.0	2.856	3.059	2.954	2.4	0.5		
8) 8 YR	2.989 / 2.990		2.989	-0.001		0.0	2.873	3.054	2.964	2.6	0.5		
9) 9 YR	3.000 / 3.002		3.002	-0.001		0.0	2.882	3.067	2.975	2.8	0.5		
10) 10 YR	3.014 / 3.016		3.015	-0.002		0.0	2.892	3.109	2.986	3.0	0.6		
11) 15 YR	3.055 / 3.060		3.058	0.000		0.0	2.922	3.116	3.020	4.1	0.7		
12) 20 YR	3.063 / 3.066		3.064	-0.003		0.0	2.923	3.121	3.023	4.3	0.7		
13) 25 YR	3.054 / 3.059		3.056	-0.001		0.0	2.909	3.154	3.011	4.8	0.8		
14) 30 YR	3.039 / 3.043		3.041	-0.002		0.0	2.891	3.093	2.995	4.9	0.8		

Executable quotes for Fixed Income Electronic Trading are in white tenors.

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
 SN 502240 CDT GMT-5:00 6641-5904-2 09-Aug-2018 05:53:16

## 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.

For this week, total U.S. weekly rail traffic was 570,995 carloads and intermodal units, up 4.2 percent compared with the same week last year.

Total carloads for the week ending August 4 were 279,907 carloads, up 3 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 291,088 containers and trailers, up 5.4 percent compared to 2017.

Eight of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included grain, up 4,204 carloads, to 25,060; petroleum and petroleum products, up 1,456 carloads, to 10,837; and motor vehicles and parts, up 1,111 carloads, to 16,709. Commodity groups that posted decreases compared with the same week in 2017 were miscellaneous carloads, down 1,039 carloads, to 10,227; and nonmetallic minerals, down 508 carloads, to 38,410.

For the first 31 weeks of 2018, U.S. railroads reported cumulative volume of 8,075,614 carloads, up 1.6 percent from the same point last year; and 8,552,787 intermodal units, up 6.1 percent from last year. Total combined U.S. traffic for the first 31 weeks of 2018 was 16,628,401 carloads and intermodal units, an increase of 3.9 percent compared to last year.

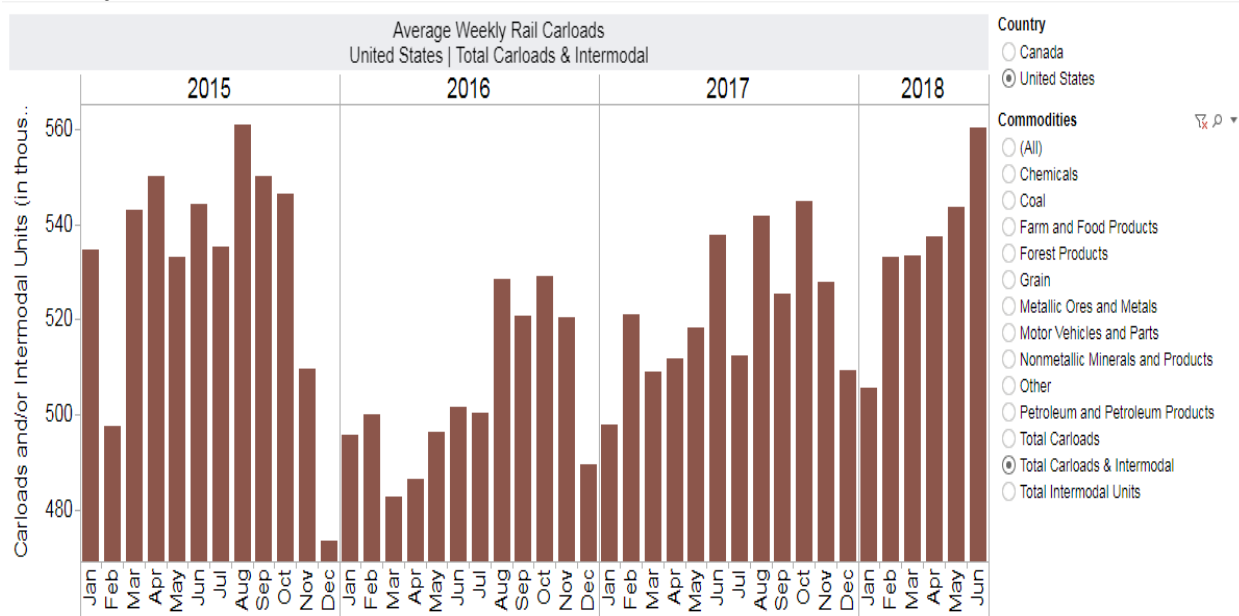
North American rail volume for the week ending August 4, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 385,427 carloads, up 5.1 percent compared with the same week last year, and 383,689 intermodal units, up 5.4 percent compared with last year. Total combined weekly rail traffic in North America was 769,116 carloads and intermodal units, up 5.3 percent. North American rail volume for the first 31 weeks of 2018 was 22,412,208 carloads and intermodal units, up 3.6 percent compared with 2017.

Canadian railroads reported 84,472 carloads for the week, up 10.6 percent, and 73,212 intermodal units, up 5.8 percent compared with the same week in 2017. For the first 31 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 4,593,177 carloads, containers and trailers, up 3.9 percent.

Mexican railroads reported 21,048 carloads for the week, up 14.8 percent compared with the same week last year, and 19,389 intermodal units, up 4.1 percent. Cumulative volume on Mexican railroads for the first 31 weeks of 2018 was 1,190,630 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-august-4-2018/>

### Monthly Rail Traffic Charts



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

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



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

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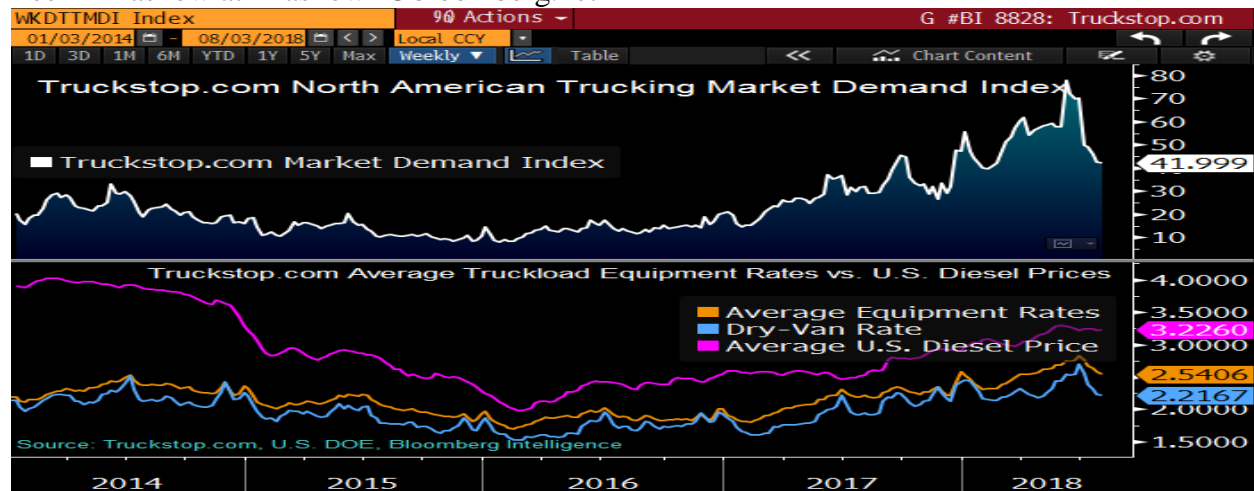
## Trailer Truck Demand

(Bloomberg Intelligence) – 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](mailto:lklaskow1@bloomberg.net)



## GDP

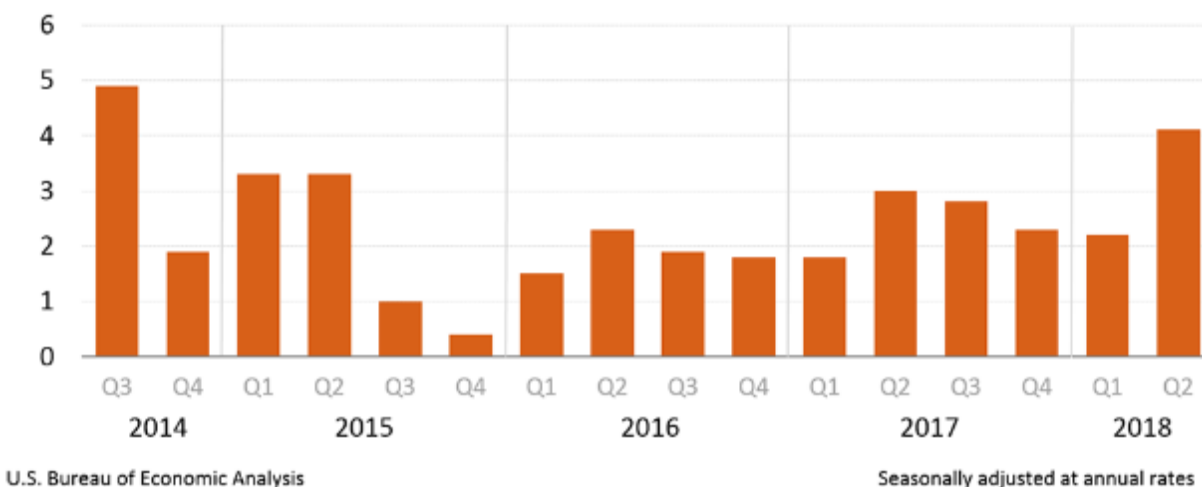
U.S. Department of Commerce, Bureau of economic analysis

<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets

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## Real GDP: Percent change from preceding quarter



**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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