



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 15:10:40 09/04/18 - 09/07/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/04	08:45				Markit US Manufacturing PMI	Aug F	54.5	--	54.5	--
22)	09/04	09:00				Construction Spending MoM	Jul	0.5%	--	-1.1%	--
23)	09/04	09:00				ISM Manufacturing	Aug	57.6	--	58.1	--
24)	09/04	09:00				ISM Employment	Aug	--	--	56.5	--
25)	09/04	09:00				ISM Prices Paid	Aug	69.5	--	73.2	--
26)	09/04	09:00				ISM New Orders	Aug	--	--	60.2	--
27)	09/04	09:04				Wards Total Vehicle Sales	Aug	16.70m	--	16.68m	--
28)	09/05	06:00				MBA Mortgage Applications	Aug 31	--	--	-1.7%	--
29)	09/05	07:30				Trade Balance	Jul	-\$50.0b	--	-\$46.3b	--
30)	09/06	06:30				Challenger Job Cuts YoY	Aug	--	--	-4.2%	--
31)	09/06	07:15				ADP Employment Change	Aug	193k	--	219k	--
32)	09/06	07:30				Nonfarm Productivity	2Q F	2.9%	--	2.9%	--
33)	09/06	07:30				Unit Labor Costs	2Q F	-0.9%	--	-0.9%	--
34)	09/06	07:30				Initial Jobless Claims	Sep 1	213k	--	213k	--
35)	09/06	07:30				Continuing Claims	Aug 25	--	--	1708k	--
36)	09/06	08:45				Bloomberg Consumer Comfort	Sep 2	--	--	58.3	--
37)	09/06	08:45				Markit US Services PMI	Aug F	--	--	55.2	--
38)	09/06	08:45				Markit US Composite PMI	Aug F	--	--	55.0	--
39)	09/06	09:00				ISM Non-Manufacturing Index	Aug	56.8	--	55.7	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 502240 CDT GMT-6:00 6731-4410-3 31-Aug-2018 15:10:40

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		15:37:05		08/27/18		- 09/30/18			
Central Banks		All Central Banks				View		Agenda		Weekly	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/03	13:30				Fed's Evans Speaks on Policy Panel in Argentina					
22)	09/04	09:30				Fed's Evans Discusses Policy Normalization					
23)	09/05	15:00				Fed's Kashkari Speaks at Townhall in Bozeman, Montana					
24)	09/07	07:30				Fed's Rosengren Makes Opening Remarks at Boston Fed Conference					
25)	09/07	08:00				Fed's Mester Moderates Panel at Boston Fed conference					
26)	09/07	11:45				Fed's Kaplan Speaks at Energy Conference in Dallas					
27)	09/10	11:00				Fed's Bostic Discusses Economic Outlook					
28)	09/12	08:30				Fed's Bullard Speaks to CFA Society Chicago					
29)	09/12	13:00				U.S. Federal Reserve Releases Beige Book					
30)	09/13	12:15				Fed's Bostic Gives Speech on Economy and Monetary Policy					
31)	09/26	13:00				FOMC Rate Decision (Upper Bou...	Sep 26	2.25%	--	2.00%	--
32)	09/26	13:00				FOMC Rate Decision (Lower Bou...	Sep 26	2.00%	--	1.75%	--
33)	09/26	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
34)	09/28	15:45				Fed's Williams Speaks in New York at Money Markets Conference					
35)	09/29-10/02					Fed Chair Jerome Powell Delivers Keynote at NABE Conference					

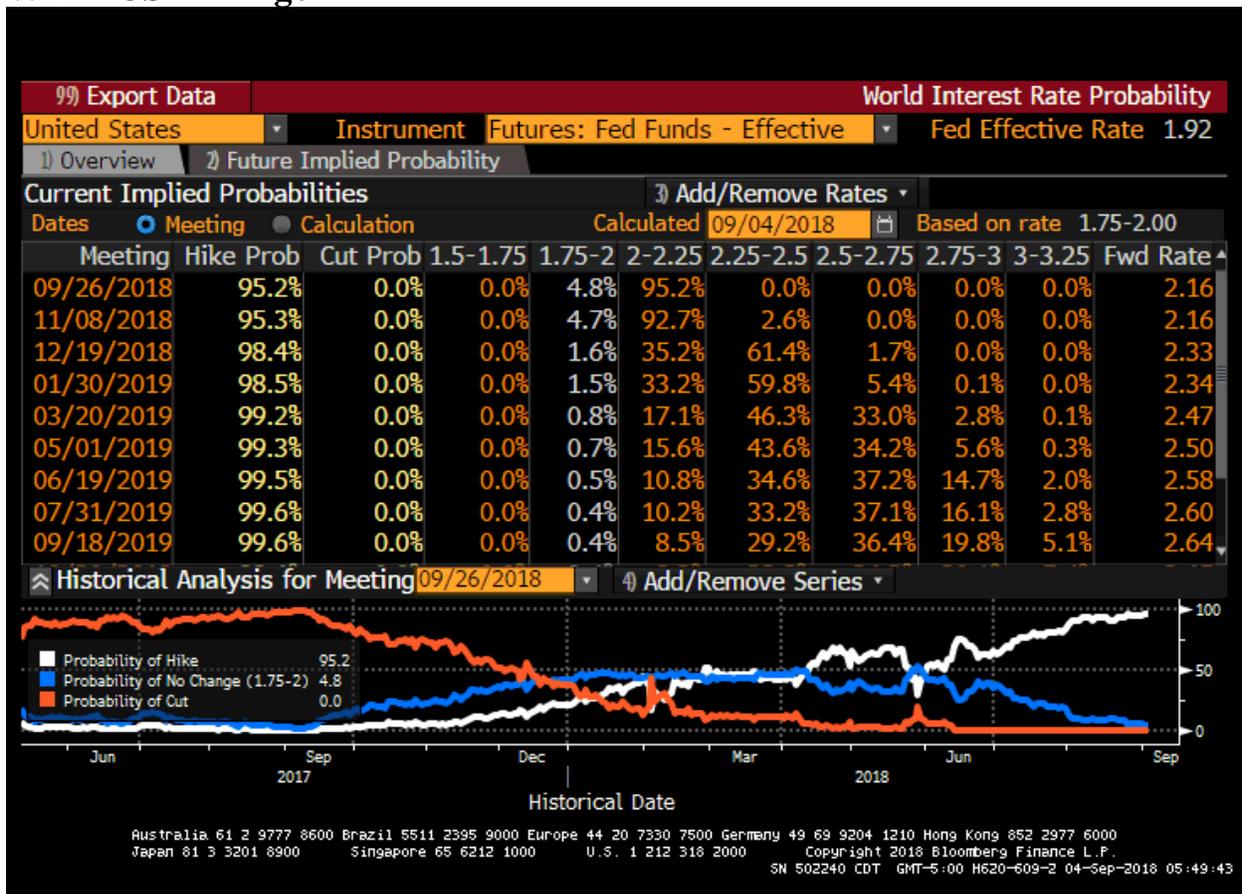
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018
4-week	08/30/2018	09/04/2018	09/06/2018	912796QB8		TBA	08/28/2018
8-week	10/15/2018	10/16/2018	10/18/2018	TBA		TBA	n/a
3-month	08/30/2018	09/04/2018	09/06/2018	912796PE3		TBA	08/27/2018
6-month	08/30/2018	09/04/2018	09/06/2018	912796QZ5		TBA	08/27/2018
1-year	09/06/2018	09/11/2018	09/13/2018	TBA		TBA	08/14/2018
Note Auctions							
2-year	09/20/2018	09/24/2018	10/01/2018	TBA		TBA	08/27/2018
3-year	09/06/2018	09/11/2018	09/17/2018	TBA		TBA	08/07/2018
5-year	09/20/2018	09/25/2018	10/01/2018	TBA		TBA	08/28/2018
7-year	09/20/2018	09/27/2018	10/01/2018	TBA		TBA	08/29/2018
10-year	09/06/2018	09/12/2018	09/17/2018	TBA	R	TBA	08/08/2018
Bond Auctions							
30-year	09/06/2018	09/13/2018	09/17/2018	TBA	R	TBA	08/09/2018

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TIPS Auctions								
5-yr TIPS	12/13/2018	12/20/2018	12/31/2018	TBA	R	TBA	08/23/2018	\$14
10-yr TIPS	09/13/2018	09/20/2018	09/28/2018	TBA	R	TBA	07/19/2018	\$13
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	09/20/2018	09/25/2018	09/28/2018	TBA	R	TBA	08/29/2018	\$18
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA	TBA	TBA	11/15/2017	\$.025

Current Implied Probability of Fed Rate Movement (Futures) WIRP US FFE <go>



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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	2.12031	-.00344	(97.08969)
3-Month Libor Set	2.32275	+.00150	(97.67725)
6-Month Libor Set	2.53900	+.00337	(97.46100)
1-Year Libor Set	2.84288	+.00288	(97.16712)

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THEY SAID IT

“There’s going to be a lot of pressure to get a deal with Canada,” Mark Sobel, a former U.S. Treasury official and now American chairman of the research group OMFIF. “Canada’s the main trading partner for many states, quite a bit of our economic fortunes are entwined with Canada.”

<https://www.bloomberg.com/news/articles/2018-09-04/trump-faces-fight-with-canada-over-nafta-as-china-duties-near>

In an attempt to gain leverage over the government of Justin Trudeau, the president has threatened to leave Canada out of the revised Nafta and proceed with Mexico alone. The White House on Friday gave Congress the required 90-day notification that it would be signing a revised version of the quarter-century-old Nafta with Mexico and would include Canada “if it is willing.”

Both Canadian and U.S. negotiators insist they have been making progress with talks due to resume Wednesday. But they have also bogged down over sensitive issues related to Canada’s highly protected dairy sector and the Trump administration’s zeal to eliminate a dispute-resolution mechanism that Ottawa regards as crucial.

That mechanism – known as Chapter 19 – allows Nafta members to challenge each other’s trade remedy rulings, such as special tariffs levied in anti-dumping cases, before an independent panel. It is seen as a Canadian red line, dating back to 1980s negotiations over a bilateral U.S.-Canada pact that served as a precursor to Nafta as well as the early 1990s Nafta negotiations.

"The midterms aren't going to change anything. If anything, it's going to get worse after the midterms, because you have now for example the (North American Free Trade Agreement) negotiations," Steve Okun, senior advisor at McLarty Associates and board member of the American Chamber of Commerce in Singapore, told CNBC on Monday. He said if the deal is not concluded in the next 30 days, it will probably carry over to the next Congress.

<https://www.cnbc.com/2018/09/03/trade-tensions-with-china-canada-will-be-worse-after-us-midterms.html>

Okun added that the trade war with [China](#) would probably get worse as well.

He explained that Washington is "going to have the inability to get anything done," given that the entire administration will be affected if the Democrats take over.

Simon Lester, associate director at the Center for Trade Policy Studies at think tank the Cato Institute, echoed Okun's sentiment on trade. He added that it's difficult to predict what might happen to trade negotiations if the Democrats are voted in.

The NAFTA deal, for instance, would have to be tailored to make it appealing to the U.S. Congress. Currently, the Republicans are in control of both chambers, so the agreement would be made to appeal to them, he said.

Largely because of the SALT cap dilemma, House Republicans are hitting the pause button on “Tax Reform 2.0” legislation, according to three GOP aides who requested anonymity to speak about the matter. The lawmakers want to weigh the political benefits and risks of a vote on the bill in the coming weeks, and assess if they have enough support to pass it.

<https://www.bloomberg.com/news/articles/2018-09-04/republicans-weigh-abandoning-tax-cut-2-0-after-salt-backlash?srnd=premium>

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The proposal would make the individual changes in last year's overhaul permanent -- including the [\\$10,000 annual cap](#) for state and local tax deductions, one of the law's most disputed provisions. That would put Republican lawmakers in high-tax states like New York, New Jersey and California in the tricky position of either supporting the cap, or voting against tax cuts backed by their party.

Representative Leonard Lance of New Jersey, which has the highest property taxes in the country, said in a statement that he doesn't support a tax bill that includes the SALT provision and thinks the measure would have a better chance of passing without it.

The SALT cap is a non-issue in many solidly Republican districts of low-tax states, where most voters didn't generate a tax bill high enough to exceed the \$10,000 cap.

Anadarko Petroleum Corp said on Monday it had evacuated and shut production at two oil platforms in the Gulf of Mexico ahead of the approach of Gordon, which is expected to come ashore as a hurricane.

<https://www.reuters.com/article/us-global-oil/oil-prices-jump-as-gulf-of-mexico-rigs-evacuated-idUSKCN1LK028>

"With ship-tracking data now pointing at a reduction in Iranian exports, renewed strife in Libya, and Venezuelan export availability hobbled by an accident at the key Jose terminal, the list of bullish headlines is getting longer," said Michael Dei-Michei, head of research at Vienna consultancy JBC Energy.

Barclays bank said on Tuesday oil markets had changed since 2017, when worries about rising supply were more evident.

"U.S. producers are resisting temptation and exercising capital discipline, OPEC and Russia have convinced market participants they are managing the supply of over half of global production, the U.S. is using sanctions more actively, and several key OPEC producers are at risk of being failed states," Barclays said.

"Prices could reach \$80 and higher in the short term," Barclays said. For 2020, it said it expected Brent to average \$75 a barrel, up from its previous forecast of \$55.

"The ECB is unlikely to be worried about today's figures," according to Commerzbank AG economist Christoph Weil. "It seems certain that increasing wage growth will sooner or later also boost inflation."

<https://www.bloomberg.com/news/articles/2018-08-31/euro-area-inflation-unexpectedly-slows-as-trade-risks-escalate?srnd=premium>

Consumer-price growth came in at 2 percent, below the 2.1 percent reading in July that economists expected to see repeated. The core measure, which strips out volatile components such as energy and food, fell to 1 percent, also below expectations.

Inflation rates have leaped toward the [European Central Bank](#)'s goal of just below 2 percent in recent months on the back of higher energy prices, but underlying price pressures are still subdued and only building gradually. After recording the fastest economic growth in a decade in 2017, momentum has moderated this year and uncertainty around the outlook has risen.

Markit's survey showed a "sharp slowdown" in house building in August, while work on civil engineering projects decreased for the first time in five months. New business growth also ebbed, with some respondents noting Brexit-related uncertainty was holding back

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investment.

<https://www.bloomberg.com/news/articles/2018-09-04/u-k-august-construction-growth-slowest-in-three-months?srnd=premium>

U.K. construction growth slowed more than forecast in August, providing further evidence that the nation's economy is losing momentum.

IHS Markit's Purchasing Managers' Index for the industry fell to 52.9 last month from a 14-month high of 55.8 in July, the firm said Tuesday. The reading was the lowest since May and below the 54.9 forecast by economists in a Bloomberg survey. A reading above 50 indicates expansion.

Argentine President Mauricio Macri's fresh push to save his economy from crisis faces the verdict of investors on Tuesday after U.S. markets reopen after the Labor Day holiday.

<https://www.bloomberg.com/news/articles/2018-09-03/judgement-day-awaits-for-plan-to-avert-argentine-economic-crisis?srnd=premium>

The government announced emergency measures Monday including new export taxes in an attempt to regain investor confidence after the peso tumbled 25 percent last month. Trading in the currency on Monday was too thin to judge if the plan was a success or not.

As investors give their response, Treasury Minister Nicolas Dujovne will be meeting with International Monetary Fund Director Christine Lagarde in Washington to request faster payments from a \$50 billion credit line. While the IMF response to Macri's proposals may be positive, the market reaction is less clear. Early reviews on Monday of the new measures were mixed.

The Islamic Republic is "facing an economic and psychological war, and oil, gas and petrochemicals are in the front line," Rouhani said in a speech on Tuesday. "We will make every effort to continue to produce and export oil, though there may be some ups and downs."

<https://www.bloomberg.com/news/articles/2018-09-04/iran-will-exert-every-effort-to-export-oil-as-sanctions-loom?srnd=premium>

Iran's crude output declined 6.4 percent to 3.5 million barrels a day last month, the biggest drop among its peers in the Organization of Petroleum Exporting Countries, data compiled by Bloomberg [show](#). Even though sanctions on its oil exports don't officially take effect until Nov. 4, some customers are already turning away as the U.S. imposes penalties on buyers after President Donald Trump quit a 2015 nuclear accord with the Persian Gulf country.

Iran is pushing ahead with some projects, starting three petrochemical plants on Tuesday. It will open six more facilities by 2020, and the petrochemical industry has "a huge responsibility in meeting the country's foreign exchange demand," Rouhani said.

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“With gas becoming more important than oil, it would therefore make absolutely no sense to close European gas storage capacity while continuing to have large strategic oil stocks that are very seldom used,” Bros said in an OIES [quarterly gas report](#). “If in 1974 oil stocks were needed due to the oil intensity of the EU economy, this is much less the case today.”

<https://www.bloomberg.com/news/articles/2018-09-04/europe-should-get-over-oil-storage-and-look-to-gas-oies-says?srnd=premium>

Strategic oil stocks, developed in the 1970s as a measure to mitigate the impact of supply disruptions, are still crucial even if the share of the commodity in the European Union’s energy mix has dropped to 38 percent from more than 50 percent. Gas storage sites are being closed due to high costs and low profitability, even if the fuel has more than doubled its share to 24 percent. As the world is becoming more electrified and extreme weather patterns are more likely, gas inventories are much more useful than oil stocks that cannot be used to generate power in the EU, Bros said. Before closing about 10 percent of gas storage, the EU should think about alternative mechanisms that could be profitable and increase security of supply.

“The Russians and Iranians would be making a grave humanitarian mistake to take part in this potential human tragedy. Hundreds of thousands of people could be killed. Don’t let that happen!” Trump wrote in a tweet.

<https://www.reuters.com/article/us-mideast-crisis-syria-trump/trump-warns-syria-not-to-recklessly-attack-idlib-province-idUSKCN1LJ252>

A source has told Reuters that Assad is preparing a phased offensive to regain Idlib.

The northern province and surrounding areas are the last major enclave held by insurgents fighting Assad, who has been backed by both Russian and Iranian forces in Syria’s seven-year-old civil war. They are home to some three million civilians.

U.S. Secretary of State Mike Pompeo on Friday said Washington views any government assault on Idlib as an escalation of Syria’s war, and the State Department warned that Washington would respond to any chemical attack by Damascus.

Nikki Haley, the U.S. ambassador to the United Nations, wrote on Twitter late on Monday: “All eyes on the actions of Assad, Russia, and Iran in Idlib. #NoChemicalWeapons”

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EQUITIES

The S&P is **-3** and the NASDAQ is **-3**.

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 -0.42%.

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 -1.02%.

The DAX Index closed -0.68%.

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 -0.22%.

The NIKKEI closed -0.02%.

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 -0.98%.

The Shanghai Composite closed -0.46%.

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

EDZ8: 97-38.50 is the pivot. Below the pivot, you should be short, above long. Support is at 97-38.50** and 97-34.00^.

Resistance is at 97-42.5**.

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

** 2-STD Deviations from the pivot point.

Current trend would have you long 97-36.5 (8/29/18). 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: 120-03.0 is the pivot point. Above you should be long, below short.

Support is at **120-03.0** and **119-13.0**^*

Resistance is at **120-25.0**

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

** 2-STD Deviations from the pivot point

Current trend has you long from 119-18 (8/9/18).



YTD (per contract)

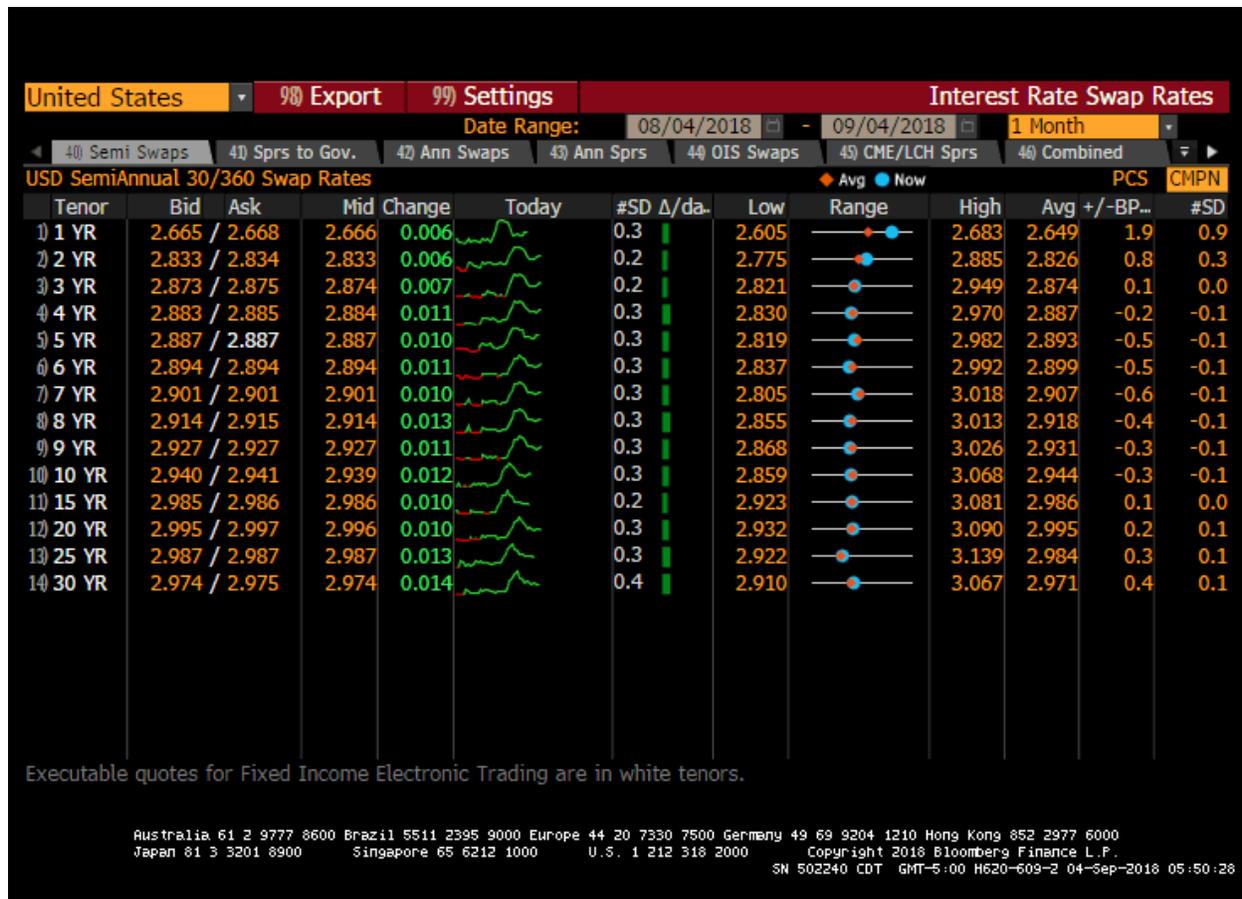
(2018) +108.0 futures ticks (\$31.25 per tick) or +\$3,375.00.

(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 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 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 2nd quarter 2018

The results of this quarter's survey reflect agricultural finance conditions in the Eighth Federal Reserve District during the second quarter of 2018. **For the eighteenth consecutive quarter bankers who responded to the survey on net reported a decline in farm income when compared with the same period a year ago.** Similar to the previous survey, the results of this survey reflect some expectations of improving levels for farm income for the next quarter. While a majority of bankers still expect income to decline next quarter when compared with the third quarter of last year, slightly fewer bankers report that assessment. Bankers reported a similar assessment and outlook for capital spending. Responses about household spending also indicate a decline in that category when compared with responses a year ago. Bankers have reported lower comparative income levels since the fourth quarter of 2013, reaching a low point in the second quarter of 2016. This period correlates with an extended period of depressed prices for commodities. Survey responses indicate that the value of quality farm land fell during the second quarter of 2018 compared with a year ago but that cash rents for that property slightly improved. In contrast, the value for ranchland or pastureland rose during the second quarter while cash rents for that property fell. Responses to bank-related activities indicated that loan demand and available funds increased during the second quarter of 2018 as compared with a year ago. The rate of loan repayment slowed during the second quarter of 2018 on a comparative basis as reported by a majority of bankers. Both fixed and variable interest rates on all categories of loans rose during the quarter, relative to the previous quarter. This quarter's survey asked two special questions. Results of the first question indicate that a significant majority of respondents feel that the University of Missouri's projections that farm income will fall in 2018 by about 6.5 percent is

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about right. The second question asked about the impact lenders expected the new tax law will have on borrowers: Over 71 percent felt it would be either somewhat positive or significantly positive, while only 29 percent felt there would be either no effect or a somewhat negative effect.

<https://research.stlouisfed.org/publications/regional/ag-finance/2018/05/10/2018-first-quarter/>

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.	31 August 2018	1,048	+4	24 August 2018	+105	1 September 2017
Canada	31 August 2018	228	-1	24 August 2018	+27	1 September 2017
International	July 2018	997	+38	June 2018	+38	July 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.

For this week, total U.S. weekly rail traffic was 565,706 carloads and intermodal units, up 3.9 percent compared with the same week last year.

Total carloads for the week ending August 25 were 275,334 carloads, up 1.8 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 290,372 containers and trailers, up 6 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 2,184 carloads, to 22,064; petroleum and petroleum products, up 1,980 carloads, to 11,332; and metallic ores and metals, up 1,587 carloads, to 25,451. Commodity groups that posted decreases compared with the same week in 2017 were coal, down 5,010 carloads, to 91,300; and miscellaneous carloads, down 27 carloads, to 9,881.

For the first 34 weeks of 2018, U.S. railroads reported cumulative volume of 8,901,367 carloads, up 1.7 percent from the same point last year; and 9,417,104 intermodal units, up 6 percent from last year. Total combined U.S. traffic for the first 34 weeks of 2018 was 18,318,471 carloads and intermodal units, an increase of 3.9 percent compared to last year.

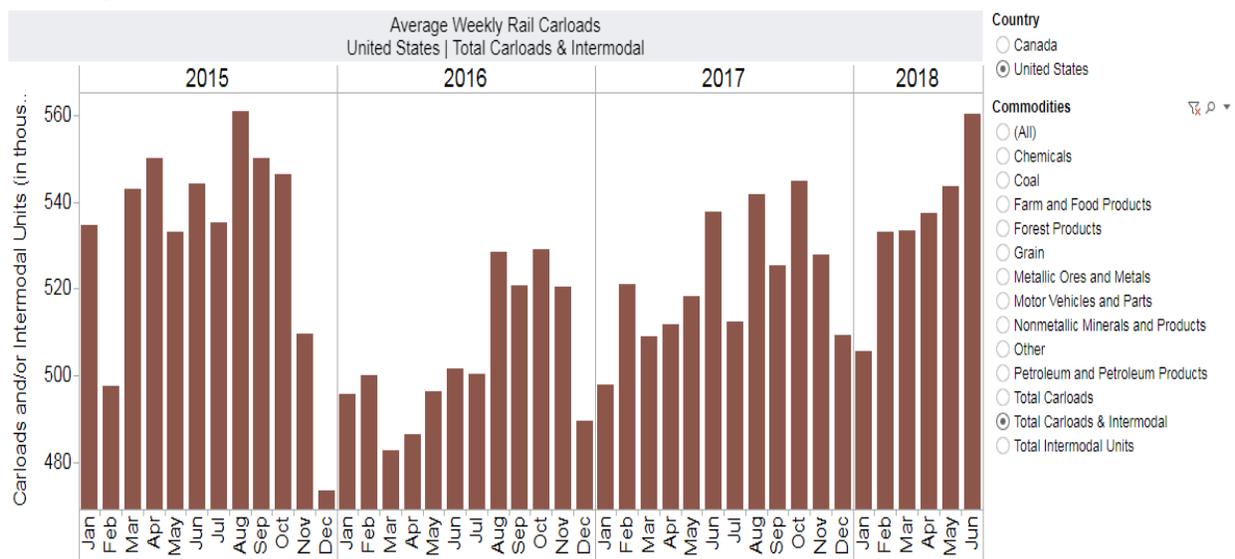
North American rail volume for the week ending August 25, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 381,287 carloads, up 1.6 percent compared with the same week last year, and 383,099 intermodal units, up 4.8 percent compared with last year. Total combined weekly rail traffic in North America was 764,386 carloads and intermodal units, up 3.2 percent. North American rail volume for the first 34 weeks of 2018 was 24,685,171 carloads and intermodal units, up 3.5 percent compared with 2017.

Canadian railroads reported 85,021 carloads for the week, up 3.4 percent, and 72,983 intermodal units, up 2.9 percent compared with the same week in 2017. For the first 34 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,055,944 carloads, containers and trailers, up 3.9 percent.

Mexican railroads reported 20,932 carloads for the week, down 6.6 percent compared with the same week last year, and 19,744 intermodal units, down 4.3 percent. Cumulative volume on Mexican railroads for the first 34 weeks of 2018 was 1,310,756 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-august-25-2018/>

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/>

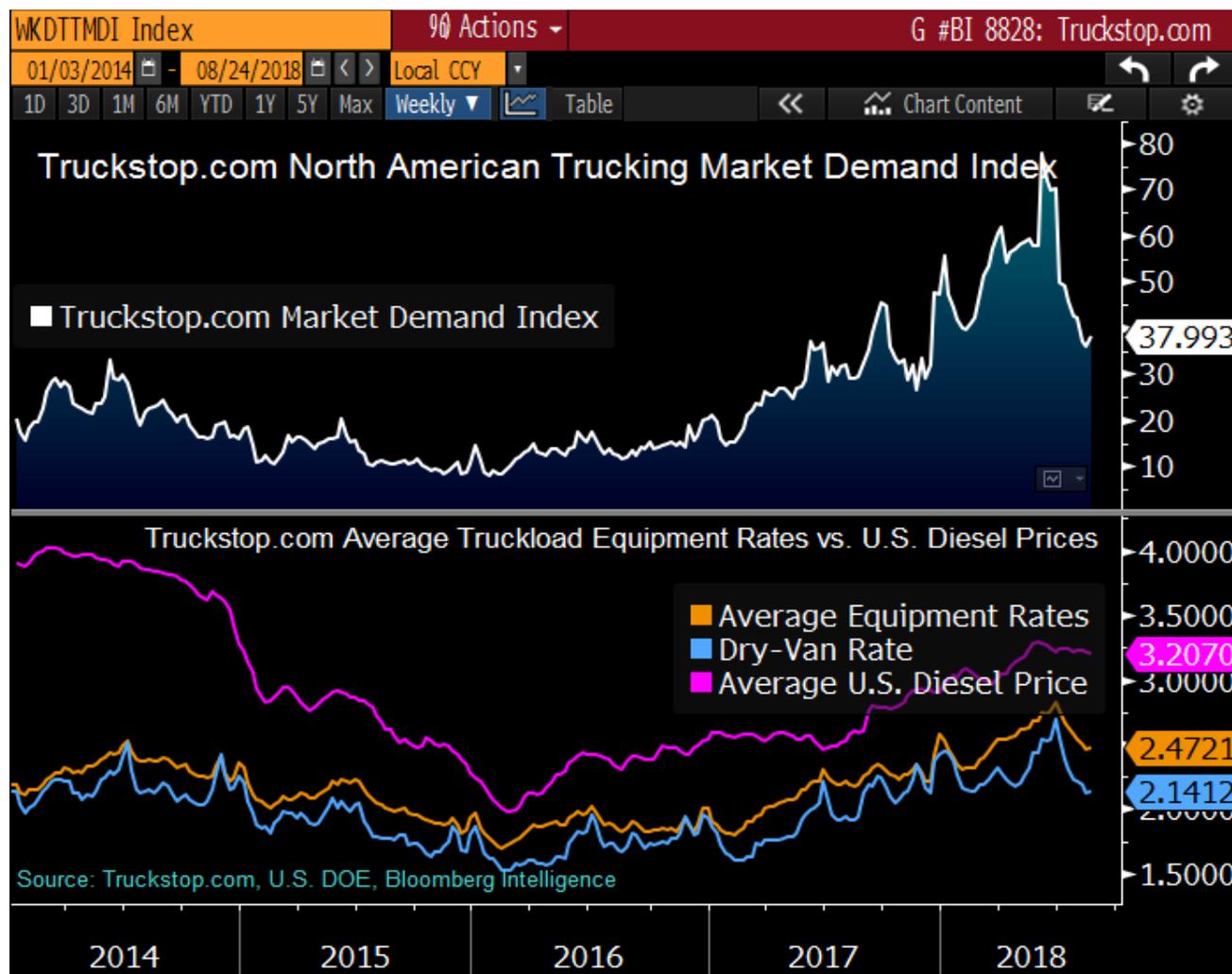
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Trailer Truck Demand (Bloomberg Intelligence) – 08/20/18

Relative North American spot-trucking demand fell 2.8% sequentially to 36.1 in the week ended Aug. 17, based on Truckstop.com's Market Demand Index (MDI), down about 48% from seasonal highs before the July 4 holiday. Capacity remains historically tight, even as it loosened for the seventh-straight week. Growth in spot rates, excluding fuel surcharges, has moderated from peak levels but is 15% higher in 3Q from the prior year. Rates will face harder comps in the coming weeks when they lap spikes from Hurricane Harvey.

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

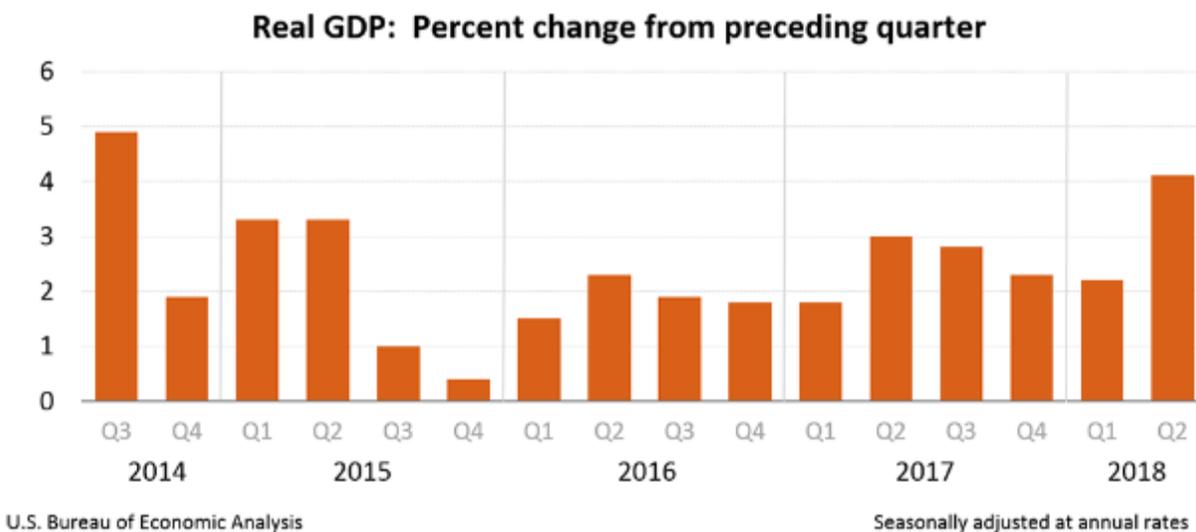
Lee A Klaskow at lklaskow1@bloomberg.net



GDP

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

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GDP-2Q is running at *3.40% as of 08/31/18 v. *3.57% on 08/30/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q3 2018: 4.1 ...August 30, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is **4.1 percent** on August 30, down from 4.6 percent on August 24. After the Advance Economic Indicators release from the U.S. Census Bureau on August 28, the nowcast of the contribution of net exports to third-quarter real GDP growth declined from -0.26 percentage points to -0.64 percentage points and the nowcast of third-quarter real gross private domestic investment growth declined from 16.1 percent to 15.5 percent.

The next GDPNow update is Tuesday, September 4. 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: 2.0%...August 31, 2018

The New York Fed Staff Nowcast for 2018:Q3 stands at 2.0%.

Impacts from this week's data releases were small, leaving the nowcast for 2018:Q3 broadly unchanged.

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

St. Louis Fed Real GDP Nowcast... Q3 2018: 4.09 %...August 30, 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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