



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

9 <GO> to Save as Default

1) Calendars 2) Alerts 3) Export 4) Settings Economic Calendars

United States Browse 06:02:26 09/06/18 - 09/13/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/06	06:30				Challenger Job Cuts YoY	Aug	--	--	-4.2%	--
22)	09/06	07:15				ADP Employment Change	Aug	200k	--	219k	--
23)	09/06	07:30				Nonfarm Productivity	2Q F	3.0%	--	2.9%	--
24)	09/06	07:30				Unit Labor Costs	2Q F	-0.9%	--	-0.9%	--
25)	09/06	07:30				Initial Jobless Claims	Sep 1	213k	--	213k	--
26)	09/06	07:30				Continuing Claims	Aug 25	1720k	--	1708k	--
27)	09/06	08:45				Bloomberg Consumer Comfort	Sep 2	--	--	58.3	--
28)	09/06	08:45				Markit US Services PMI	Aug F	55.2	--	55.2	--
29)	09/06	08:45				Markit US Composite PMI	Aug F	--	--	55.0	--
30)	09/06	09:00				ISM Non-Manufacturing Index	Aug	56.8	--	55.7	--
31)	09/06	09:00				Factory Orders	Jul	-0.6%	--	0.7%	--
32)	09/06	09:00				Factory Orders Ex Trans	Jul	--	--	0.4%	--
33)	09/06	09:00				Durable Goods Orders	Jul F	-1.7%	--	-1.7%	--
34)	09/06	09:00				Durables Ex Transportation	Jul F	--	--	0.2%	--
35)	09/06	09:00				Cap Goods Orders Nondef Ex Air	Jul F	--	--	1.4%	--
36)	09/06	09:00				Cap Goods Ship Nondef Ex Air	Jul F	--	--	0.9%	--
37)	09/07	07:30				Change in Nonfarm Payrolls	Aug	198k	--	157k	--
38)	09/07	07:30				Two-Month Payroll Net Revision	Aug	--	--	--	--
39)	09/07	07:30				Change in Private Payrolls	Aug	195k	--	170k	--

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 G602-3943-1 06-Sep-2018 06:02:26

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		06:03:23		09/06/18		-		09/30/18	
Central Banks		All Central Banks				View		Agenda		Weekly	
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/06	09:00				Fed's Williams Speaks at University of Buffalo					
22)	09/06	10:00				Bank of Russia Governor Nabiullina speaks at IMF					
23)	09/07	07:30				Fed's Rosengren Makes Opening Remarks at Boston Fed Conference					
24)	09/07	08:00				Fed's Mester Moderates Panel at Boston Fed conference					
25)	09/07	11:45				Fed's Kaplan Speaks at Energy Conference in Dallas					
26)	09/10	11:00				Fed's Bostic Discusses Economic Outlook					
27)	09/12	08:30				Fed's Bullard Speaks to CFA Society Chicago					
28)	09/12	13:00				U.S. Federal Reserve Releases Beige Book					
29)	09/13	12:15				Fed's Bostic Gives Speech on Economy and Monetary Policy					
30)	09/14	09:00				Fed's Rosengren Speaks at Brookings Conference					
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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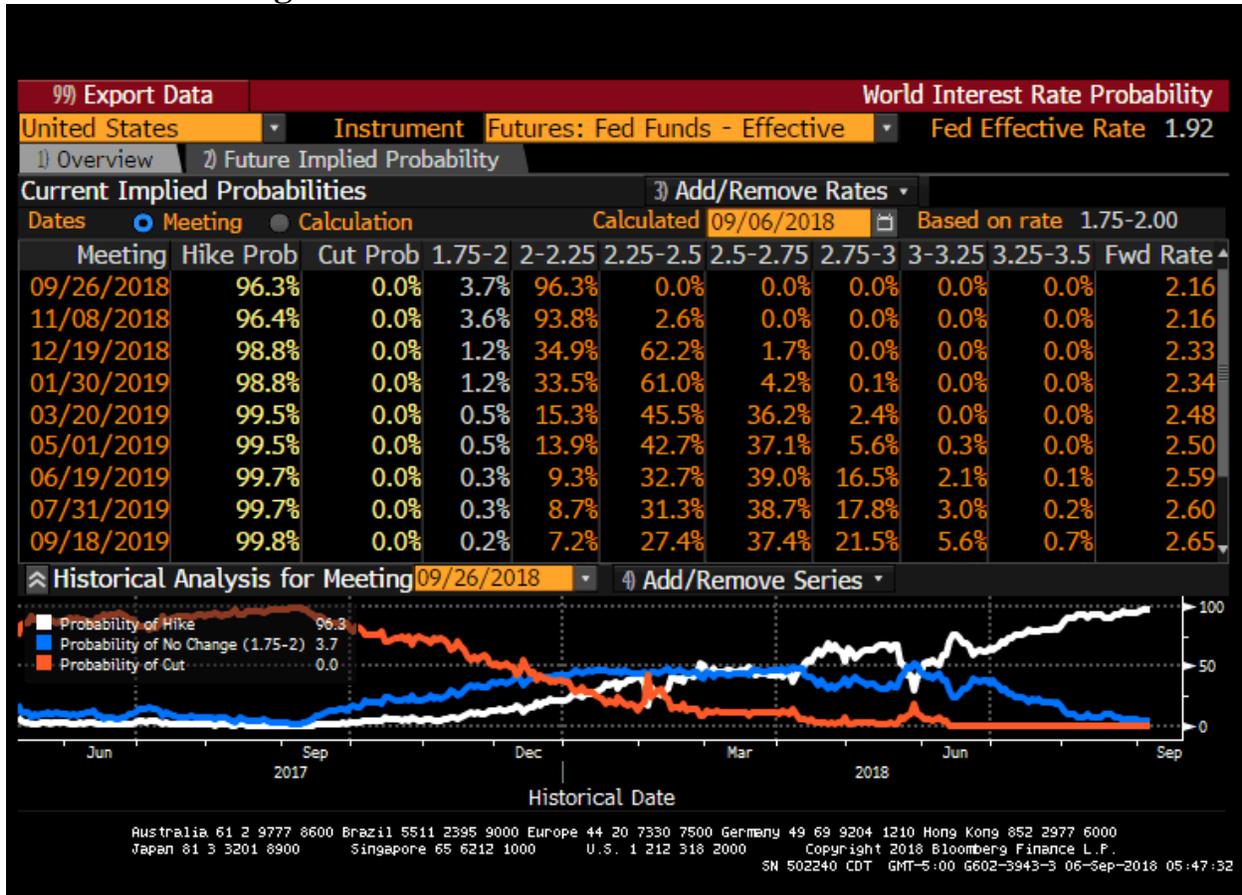
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	09/10/2018	09/11/2018	09/13/2018	TBA		TBA	09/04/2018	\$55
8-week	10/15/2018	10/16/2018	10/18/2018	TBA		TBA	n/a	n/a
3-month	09/06/2018	09/10/2018	09/13/2018	912796QN2		TBA	09/04/2018	\$48
6-month	09/06/2018	09/10/2018	09/13/2018	912796RB7		TBA	09/04/2018	\$42
1-year	09/06/2018	09/11/2018	09/13/2018	912796RA9		TBA	08/14/2018	\$26
Note Auctions								
2-year	09/20/2018	09/24/2018	10/01/2018	TBA		TBA	08/27/2018	\$36
3-year	09/06/2018	09/11/2018	09/17/2018	9128285A4		TBA	08/07/2018	\$34
5-year	09/20/2018	09/25/2018	10/01/2018	TBA		TBA	08/28/2018	\$37
7-year	09/20/2018	09/27/2018	10/01/2018	TBA		TBA	08/29/2018	\$31
10-year	09/06/2018	09/12/2018	09/17/2018	9128284V9	R	TBA	08/08/2018	\$26
Bond Auctions								
30-year	09/06/2018	09/13/2018	09/17/2018	912810SD1	R	TBA	08/09/2018	\$18

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	11/15/2017	\$.025

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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	2.13256	+.01206	(97.06744)
3-Month Libor Set	2.32706	+.01025	(97.67294)
6-Month Libor Set	2.54419	+.00363	(97.45581)
1-Year Libor Set	2.84906	+.00512	(97.15094)

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THEY SAID IT

The United States and Canada have made progress in talks to revise the North American Free Trade Agreement, and officials from the two sides will work together into the night to flesh out areas for further discussion, Canadian Foreign Minister Chrystia Freeland said on Wednesday.

<https://www.reuters.com/article/us-trade-nafta/nafta-talks-make-progress-u-s-canadian-officials-to-work-into-night-idUSKCN1LL0CM>

“We sent them (the officials) a number of issues to work on and they will report back to us in the morning, and we will then continue our negotiations,” Freeland told reporters on leaving the U.S. Trade Representative’s office in Washington on Wednesday.

Freeland sounded upbeat as she emerged from a day of talks with top U.S. trade negotiator Robert Lighthizer, although she cautioned that no trade deal was done until the last issue was nailed down.

Canada wants a permanent exemption from Trump’s steel and aluminum tariffs and the threat of auto tariffs to be removed. It also wants to continue protections for its dairy industry and defend lumber exports to the United States, which have been hit with duties.

As the two sides met for talks, new economic data showed that the U.S. trade deficit with Canada grew to \$3.1 billion in July. This could provide ammunition to Trump, who has accused Canada of “cheating” Americans.

“Although some say the neutral rate is difficult to observe, stocks see the barrier quite clearly,” Bannister wrote. “A ‘maximum tolerable peak’ for the fed funds above the neutral rate has been associated with bear markets since the late-90s global-debt boom.”

<https://www.bloomberg.com/news/articles/2018-09-06/two-more-fed-hikes-could-trigger-a-bear-market-stifel-says?srnd=premium>

Bannister’s indicator combines an estimate of the neutral rate -- in theory the interest rate that neither stimulates nor holds back the economy -- with projections for the federal funds rate. The central bank’s long-term projection of its policy rate has risen from 2.8 percent at the end of 2017 to 2.9 percent [in June](#). The median forecast of economists surveyed by Bloomberg has the Fed Funds rate reaching 3 percent by the end of the second quarter of 2019.

According to Stifel, the Fed faces the dilemma of going above neutral in 2019 to forestall late-cycle inflation or remaining below it and fostering speculative bubbles in financial assets.

“Weighing stability versus mandate, we believe the Fed has no realistic option other than to follow its projected dot-plot path, eventually revealing the speculative excesses created in the past decade,” he said.

“Jay has a complicated landscape to navigate,” said Institute of International Finance chief economist Robin Brooks, referring to the current Fed chairman by his nickname. “The U.S. economy is strong but stresses are building in emerging markets.”

<https://www.bloomberg.com/news/articles/2018-09-06/u-s-oasis-of-prosperity-risks-becoming-emerging-market-sinkhole?srnd=premium>

Investors are betting that the Federal Open Market Committee will persevere with its third rate hike this year when it meets this month. They’re less certain of what comes afterward, even though policy makers themselves have provisionally penciled in gradual rate increases through next year and into 2020.

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“There are countries like Turkey and others having political challenges, economic challenges,” Minneapolis Fed President Neel Kashkari said Wednesday in an event at Montana State University. “Those could lead to some type of contagion around the world potentially. And then maybe if we have companies exporting to emerging markets, they could be directly affected by that.”

Marc Chandler, head of currency strategy at Brown Brothers Harriman & Co., said the Fed’s stance is key. “I’m not looking for the emerging-market cycle to turn until we get closer to the end of the Fed’s tightening cycle,” he told Bloomberg Television on Sept. 4.

“At this point what we’re seeing in the EM space is nowhere near enough to give the Fed pause,” said Peter Hooper, chief economist for Deutsche Bank Securities in New York.

“Unlike 20 years ago, the underlying fundamentals of emerging markets are generally sound,” said Nathan Sheets, chief economist at PGIM Fixed Income and a former U.S. Treasury undersecretary for international affairs.

“It’s quite important what happens to China,” said David Hensley, director of global economics for JPMorgan Chase in New York. “If it were to look like it were slowing dramatically or to have some real problems with financial stability, that would change the equation.”

Fourteen years ago, a Brazilian farmer named Ruthardo Grun says he was terrorized by armed thugs who shot at him, burned down his shack, and chased him from land he was preparing to farm. Little did he know his battle to get the property back would end up pitting him against a company controlled by the world’s richest school: Harvard University.

<https://www.bloomberg.com/news/articles/2018-09-06/harvard-s-foreign-farmland-investment-mess?srnd=premium>

The university’s endowment invested in the Brazilian company years after the events Grun describes. But a lawsuit Grun and five other farmers filed is just one of the long-running property conflicts Harvard inherited when it bet big on Brazilian agriculture almost a decade ago, accumulating vast tracts on the country’s impoverished northeastern frontier. The ongoing disputes include charges of so called land grabbing—the falsification of property titles and displacement of villagers—by companies Harvard later invested in. “I’d like to leave a piece of land to my four children, but I don’t know if it will be possible,” Grun says.

“As the scope of tariffs extends to more Chinese exports, the marginal side effects will likely rise for the U.S., and the marginal damage to China will likely decline,” Deutsche Bank AG economists Zhiwei Zhang and Yi Xiong wrote in a note dated Sept. 4. They estimate the \$200 billion list has \$78 billion worth of consumer goods versus only \$3.7 billion in the \$50 billion list.

<https://www.bloomberg.com/news/articles/2018-09-05/china-to-play-waiting-game-as-u-s-trade-pain-worsens-deutsche>

For China’s economy, the analysts lay out two scenarios:

- If a trade deal cannot be reached (their baseline case), China will likely keep monetary policy loose, raise the fiscal deficit to boost infrastructure investment, and let the yuan depreciate to 7.4 in 2019 (it was trading around 6.83 mid-morning in Hong Kong). This scenario is positive for commodities.
- If a trade deal is reached, China will likely bring the currency back to around 6.5 to the U.S. dollar, buy more U.S. agricultural and energy goods, open the service sector to foreign firms, and normalize monetary and fiscal policies to a neutral stance. This is a

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scenario positive for equities and negative for commodities as China wouldn't need to boost infrastructure investment as much.

“China may follow a ‘wait and see’ strategy in the next few months before the U.S. midterm election is over in November,” the economists wrote. “There is a good reason to follow such a strategy in our view: the trade war will likely become painful for the U.S. soon as well.”

Beijing expressed anger on Thursday after a British Royal Navy warship sailed close to islands claimed by China in the South China Sea late last month, saying Britain was engaged in “provocation” and that it had lodged a strong complaint.

<https://www.reuters.com/article/us-britain-china-southchinasea-exclusive/exclusive-british-navy-warship-sails-near-south-china-sea-islands-angering-beijing-idUSKCN1LM017>

The HMS Albion, a 22,000 ton amphibious warship carrying a contingent of Royal Marines, exercised its “freedom of navigation” rights as it passed near the Paracel Islands, two sources, who were familiar with the matter but who asked not to be identified, told Reuters.

The Albion was on its way to Ho Chi Minh City, where it docked on Monday following a deployment in and around Japan.

U.S. Attorney General [Jeff Sessions](#) will meet with state attorneys general later this month to discuss concerns that tech companies “may be hurting competition and intentionally stifling the free exchange of ideas on their platforms,” the Department of Justice said in a statement Wednesday.

<https://www.cnbc.com/2018/09/05/jeff-sessions-sets-tech-competition-meeting-with-stateattorneys-general.html>

The proposed meeting between the country's top prosecutor and state officials is the first major signal of potential antitrust action against Silicon Valley and follows recent claims by President [Donald Trump](#) of political bias and censorship by major social media firms.

Germany's factory activity slowed unexpectedly in July, offering more evidence that President Donald Trump's aggressive trade rhetoric is affecting confidence.

<https://www.cnbc.com/2018/09/06/trump-tariff-threats-affect-germany-as-july-factory-orders-slow.html>

The German Federal Statistics Office reported Thursday that industrial orders for July fell 0.9 percent from the previous month. A consensus forecast of economists gathered by Reuters had predicted a rise of 1.8 percent.

The main driver was a decrease in foreign orders, which fell 3.4 percent from June to July. Orders for German goods from outside the euro area were down 4.0 percent.

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EQUITIES

The S&P is +2 and the NASDAQ is +6.

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 -0.20%.

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

BOE Rate +0.50%. (No change).

Next meeting 09/13/18

On the European Continent

The CAC Index closed +0.25%.

The DAX Index closed +0.16%.

On the Continent, the 2s/10s swap curve is steeper with yields mixed.

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

Deposit Facility Rate -.40%

Next meeting 09/13/18

Japan:

The TOPIX closed -0.74%.

The NIKKEI closed -0.41%.

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

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

Next meeting 09/19/18

China:

The Hang Seng closed -0.99%.

The Shanghai Composite closed -0.47%.

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 97-35.00^.

Resistance is at 97-42.0**.

^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: 120-04.0 is the pivot point. Above you should be long, below short.

Support is at **120-04.0** and **119-17.0**^{^*}

Resistance is at **120-22.5**

******[^]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)

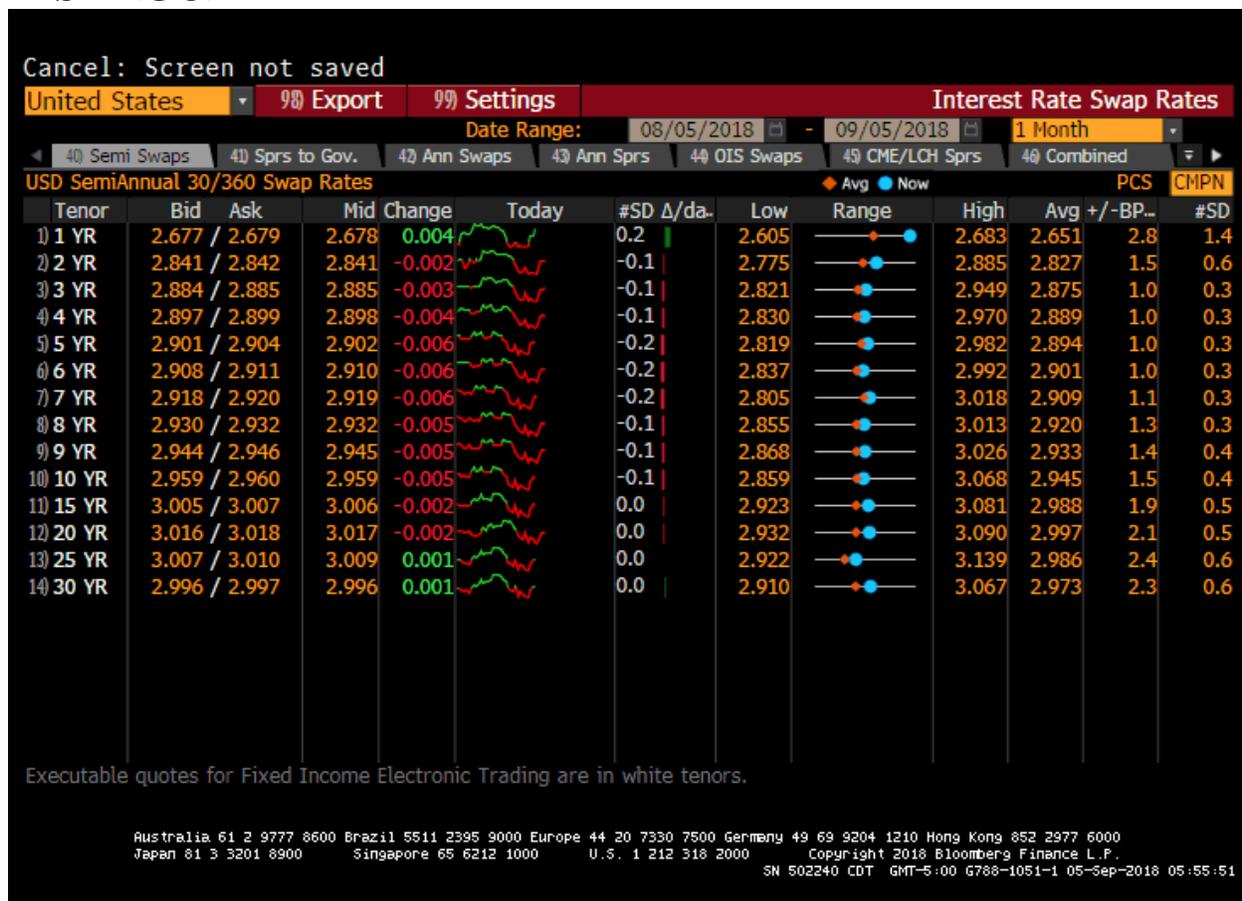
(2018) +108.0 futures ticks (\$31.25 per tick) or +\$3,375.00.

(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 2017¹		
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.

U.S. railroads originated 1,386,026 carloads in August 2018, up 3.8 percent, or 50,335 carloads, from August 2017. U.S. railroads also originated 1,442,920 containers and trailers in August 2018, up 5.1 percent, or 70,198 units, from the same month last year. Combined U.S. carload and intermodal originations in August 2018 were 2,828,946, up 4.5 percent, or 120,533 carloads and intermodal units from August 2017.

In August 2018, 16 of the 20-carload commodity categories tracked by the AAR each month saw carload gains compared with August 2017. These included: grain, up 18,989 carloads or 19.8 percent; petroleum & petroleum products, up 12,780 carloads or 28.8 percent; and chemicals, up 11,911 carloads or 7.8 percent. Commodities that saw declines in August 2018 from August 2017 included: coal, down 15,410 carloads or 3.2 percent; nonmetallic minerals, down 4,034 carloads or 16.6 percent; and metallic ores, down 1,061 carloads or 3.2 percent.

“August was a very good month for U.S. rail traffic with 16 of the 20 carload commodity categories the AAR tracks registering higher carloads in August 2018 than in August 2017, the most since January 2015,” said AAR Senior Vice President of Policy and Economics John T. Gray. “The U.S. economy has been improving since the 2016 slow down and freight railroads are committed to maintaining the economic momentum by moving goods safely and efficiently for their customers. Still a concern, however, trade policy discussions that add a level of uncertainty to future economic growth.”

Excluding coal, carloads were up 65,745 carloads, or 7.6 percent, in August 2018 from August 2017.

Excluding coal and grain, carloads were up 46,756 carloads, or 6.1 percent.

Total U.S. carload traffic for the first eight months of 2018 was 9,181,733 carloads, up 1.9 percent, or 172,712 carloads, from the same period last year; and 9,704,619 intermodal units, up 6 percent, or 547,613 containers and trailers, from last year.

Total combined U.S. traffic for the first 35 weeks of 2018 was 18,886,352 carloads and intermodal units, an increase of 4 percent compared to last year.

Week Ending September 1, 2018

Total U.S. weekly rail traffic was 567,881 carloads and intermodal units, up 7.8 percent compared with the same week last year.

Total carloads for the week ending September 1 were 280,366 carloads, up 9.6 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 287,515 containers and trailers, up 6 percent compared to 2017.

Nine of the 10-carload commodity groups posted an increase compared with the same week in 2017.

They included chemicals, up 8,450 carloads, to 33,408; petroleum and petroleum products, up 4,588 carloads, to 12,222; and grain, up 4,420 carloads, to 22,633. One commodity group posted a decrease compared with the same week in 2017: coal, down 2,533 carloads, to 92,084.

North American rail volume for the week ending September 1, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 387,637 carloads, up 8 percent compared with the same week last year, and 379,747 intermodal units, up 5.4 percent compared with last year. Total combined weekly rail traffic in North America was 767,384 carloads and intermodal units, up 6.7 percent. North American rail volume for the first 35 weeks of 2018 was 25,452,555 carloads and intermodal units, up 3.6 percent compared with 2017.

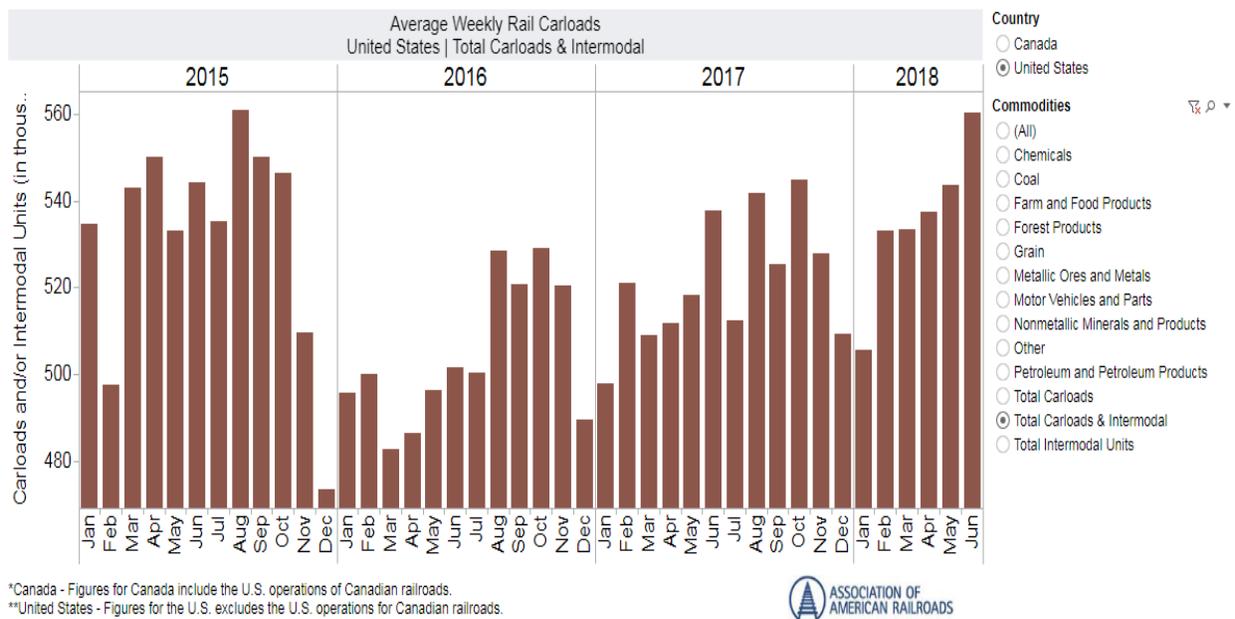
Canadian railroads reported 86,902 carloads for the week, up 5.3 percent, and 72,870 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 35 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,215,716 carloads, containers and trailers, up 3.9 percent.

Mexican railroads reported 20,369 carloads for the week, down 1.9 percent compared with the same week last year, and 19,362 intermodal units, up 0.6 percent. Cumulative volume on Mexican railroads for the first 35 weeks of 2018 was 1,350,487 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-september-1-2018/>

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Monthly Rail Traffic Charts



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

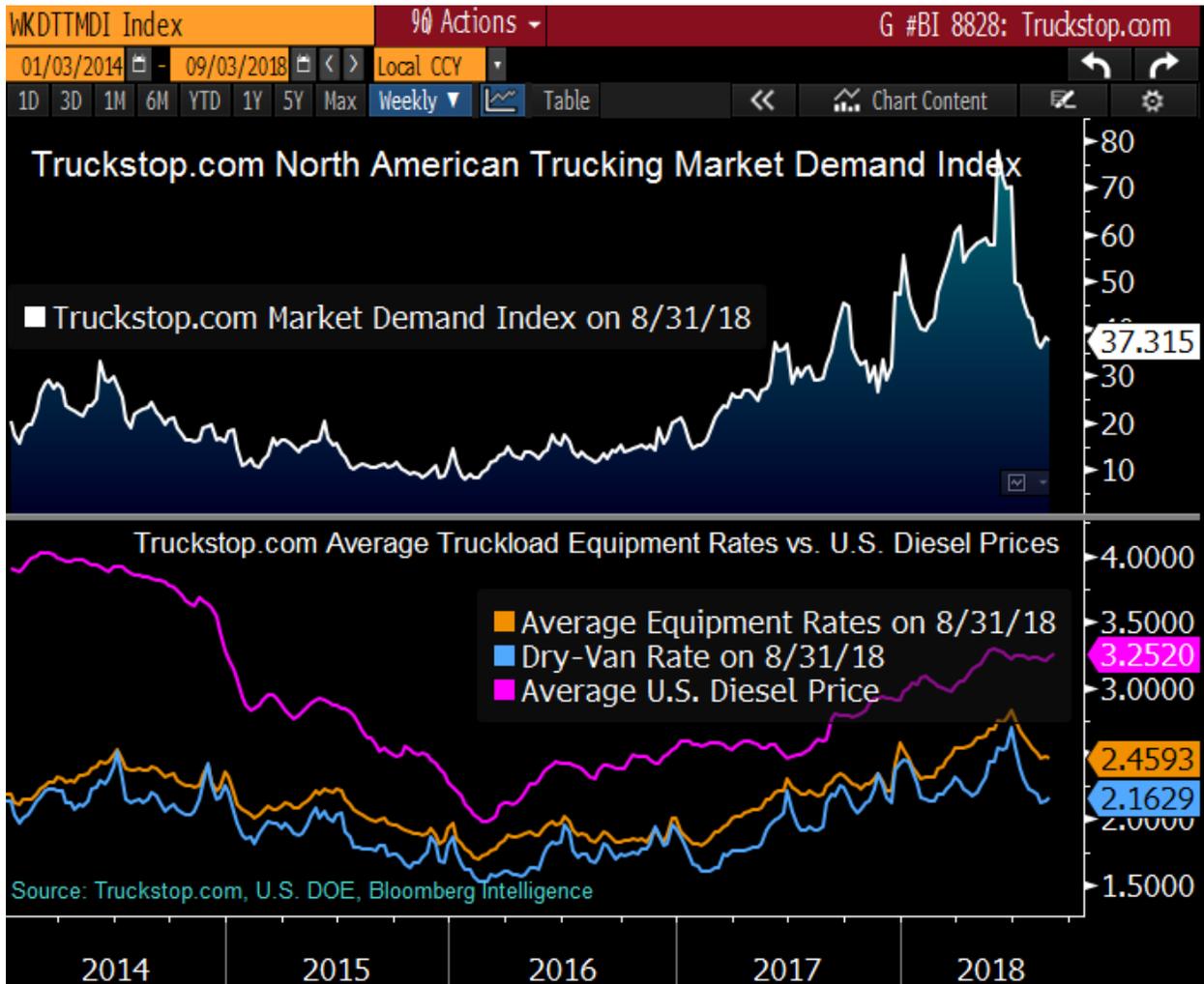
Trailer Truck Demand (Bloomberg Intelligence) – 09/04/18

Relative North American spot-trucking demand declined 1.8% sequentially to 37.3 in the week ended Aug. 31, based on Truckstop.com's Market Demand Index. Capacity remains historically tight, even as it loosened for the eighth time in the past nine weeks from seasonal highs. Spot rates now face tougher comparisons from demand spikes following Hurricane Harvey. Dry-van spot rates, excluding fuel surcharges, were down 2.8% last week vs. last year, yet average rates in the quarter remain about 13% higher from 3Q17.

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.

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GDP

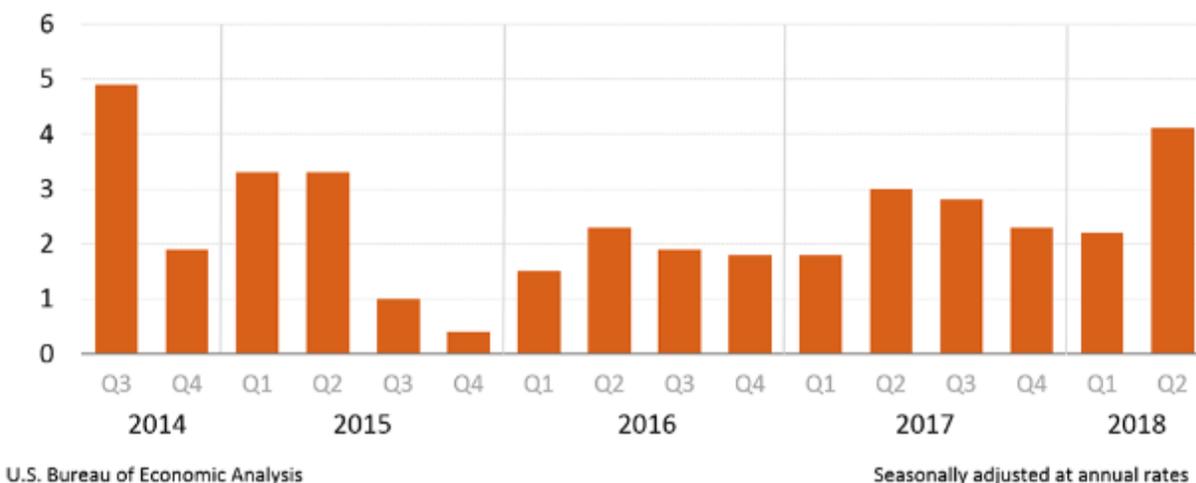
U.S. Department of Commerce, Bureau of economic analysis

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

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

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Real GDP: Percent change from preceding quarter



GDP-2Q is running at *3.59% as of 09/05/18 v. *3.79% on 09/04/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q3 2018: 4.4 ...September 5, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is **4.4 percent** on September 5, down from 4.7 percent on September 4. After this morning's international trade release from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis (BEA), the nowcast of the contribution of net exports to third-quarter real GDP growth declined from -0.70 percentage points to -0.76 percentage points. After this morning's light vehicle sales release from the BEA, the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real gross private domestic investment growth declined from 3.6 percent and 16.9 percent, respectively, to 3.3 percent and 16.4 percent, respectively.

The next GDPNow update is Tuesday, September 11. 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: 4.36 %...September 5, 2018

<https://fred.stlouisfed.org/series/GDPNOW>

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MANUFACTURING AT A GLANCE
AUGUST 2018

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	61.3	58.1	+3.2	Growing	Faster	24
New Orders	65.1	60.2	+4.9	Growing	Faster	32
Production	63.3	58.5	+4.8	Growing	Faster	24
Employment	58.5	56.5	+2.0	Growing	Faster	23
Supplier Deliveries	64.5	62.1	+2.4	Slowing	Faster	23
Inventories	55.4	53.3	+2.1	Growing	Faster	8
Customers' Inventories	41.0	39.4	+1.6	Too Low	Faster	23
Prices	72.1	73.2	-1.1	Increasing	Slower	30
Backlog of Orders	57.5	54.7	+2.8	Growing	Faster	19
New Export Orders	55.2	55.3	-0.1	Growing	Slower	30
Imports	53.9	54.7	-0.8	Growing	Slower	19
OVERALL ECONOMY				Growing	Faster	112
Manufacturing Sector				Growing	Faster	24

Average for 12 months - 59.3

High - 61.3

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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