



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 <G0> to Save as Default

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

United States Browse 10:49:15 09/11/18 - 09/17/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/11	05:00				NFIB Small Business Optimism	Aug	108.0	--	107.9	--
22)	09/11	09:00				JOLTS Job Openings	Jul	6675	--	6662	--
23)	09/11	09:00				Wholesale Trade Sales MoM	Jul	0.1%	--	-0.1%	--
24)	09/11	09:00				Wholesale Inventories MoM	Jul F	0.7%	--	0.7%	--
25)	09/12	06:00				MBA Mortgage Applications	Sep 7	--	--	-0.1%	--
26)	09/12	07:30				PPI Final Demand MoM	Aug	0.2%	--	0.0%	--
27)	09/12	07:30				PPI Ex Food and Energy MoM	Aug	0.2%	--	0.1%	--
28)	09/12	07:30				PPI Ex Food, Energy, Trade Mo	Aug	0.2%	--	0.3%	--
29)	09/12	07:30				PPI Final Demand YoY	Aug	3.2%	--	3.3%	--
30)	09/12	07:30				PPI Ex Food and Energy YoY	Aug	2.7%	--	2.7%	--
31)	09/12	07:30				PPI Ex Food, Energy, Trade YoY	Aug	--	--	2.8%	--
32)	09/12	13:00				U.S. Federal Reserve Releases Beige Book					
33)	09/13	07:30				CPI MoM	Aug	0.3%	--	0.2%	--
34)	09/13	07:30				CPI Ex Food and Energy MoM	Aug	0.2%	--	0.2%	--
35)	09/13	07:30				CPI YoY	Aug	2.8%	--	2.9%	--
36)	09/13	07:30				CPI Ex Food and Energy YoY	Aug	2.4%	--	2.4%	--
37)	09/13	07:30				CPI Index NSA	Aug	252.366	--	252.006	--
38)	09/13	07:30				CPI Core Index SA	Aug	258.431	--	257.930	--
39)	09/13	07:30				Real Avg Weekly Earnings YoY	Aug	--	--	0.1%	--

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 H142-4689-2 10-Sep-2018 10:49:16

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## Fed Speak Calendar (All times are CST)

Calendars		Alerts	Export	Settings	Economic Calendars					
	United States	Browse	10:55:56	09/11/18	-	09/30/18				
Central Banks		All Central Banks	View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly							
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/12 08:30				Fed's Bullard Speaks to CFA Society Chicago					
22)	09/12 11:45				Fed's Brainard Speaks in Detroit					
23)	09/12 13:00				U.S. Federal Reserve Releases Beige Book					
24)	09/13 09:00				Fed's Quarles Testifies to Senate Banking Committee					
25)	09/13 12:15				Fed's Bostic Gives Speech on Economy and Monetary Policy					
26)	09/14 08:00				Fed Evans Speaks in Fort Wayne, Indiana					
27)	09/14 09:00				Fed's Rosengren Speaks at Brookings Conference					
28)	09/26 13:00				FOMC Rate Decision (Upper Bou...	Sep 26	2.25%	--	2.00%	--
29)	09/26 13:00				FOMC Rate Decision (Lower Bou...	Sep 26	2.00%	--	1.75%	--
30)	09/26 13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
31)	09/27 11:30				Fed's Kaplan Speaks at Forum for Minority Banking					
32)	09/28 07:30				Fed's Barkin Speaks at Forum for Minorities in Banking					
33)	09/28 15:45				Fed's Williams Speaks in New York at Money Markets Conference					

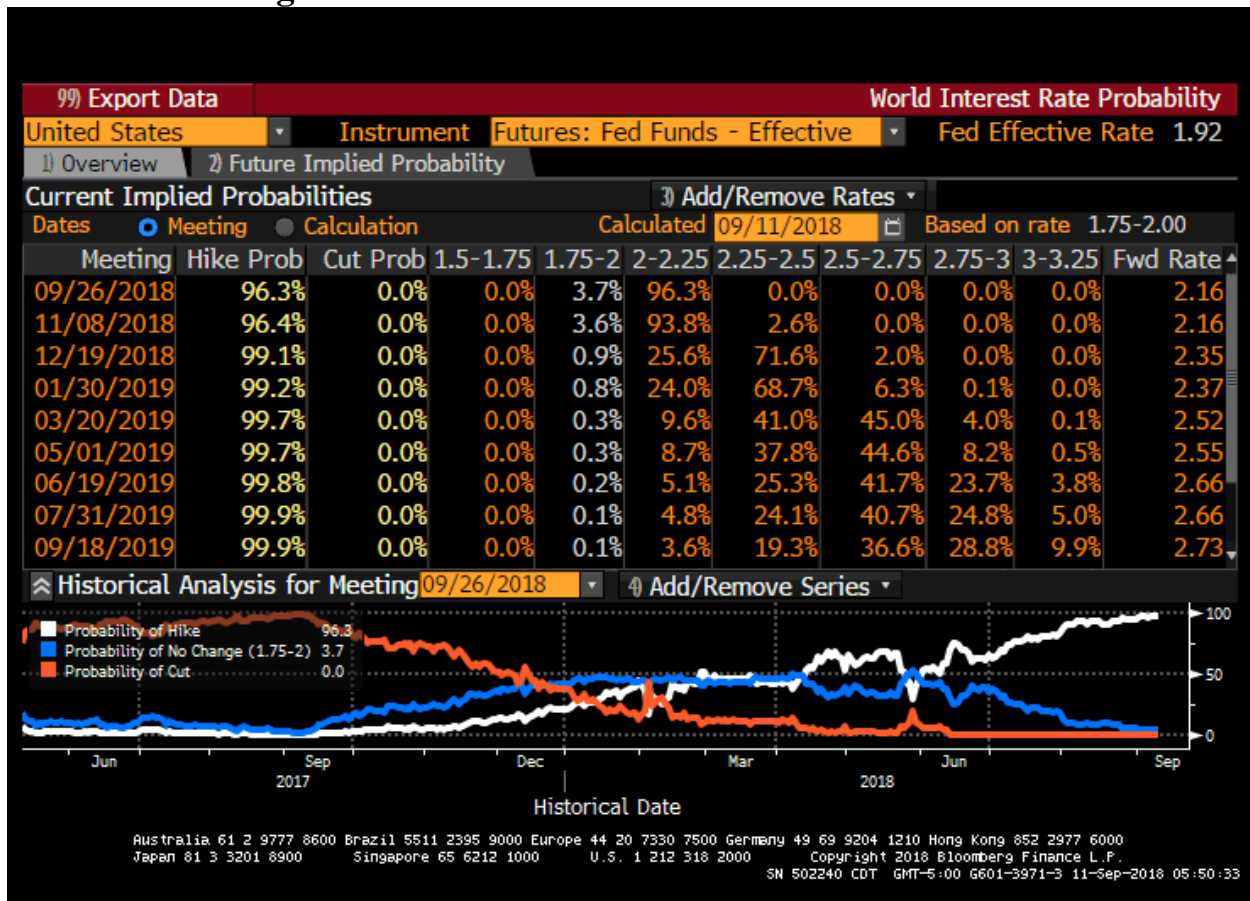
## NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
<b>Bill Auctions</b>	<b>Announcement</b>	<b>Auction</b>	<b>Settles</b>	<b>Numbers</b>	<b>R</b>	<b>Bil</b>	<b>\$ Bln</b>
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018 \$50
4-week	09/17/2018	09/11/2018	09/13/2018	912796N28		\$45	09/04/2018 \$55
8-week	10/15/2018	10/16/2018	10/18/2018	TBA		TBA	n/a n/a
3-month	09/13/2018	09/17/2018	09/20/2018	912796QP7		TBA	09/10/2018 \$48
6-month	09/13/2018	09/17/2018	09/20/2018	912796RC5		TBA	09/10/2018 \$42
1-year	10/04/2018	09/11/2018	09/13/2018	912796RA9		\$26	08/14/2018 \$26
<b>Note Auctions</b>							
2-year	09/20/2018	09/24/2018	10/01/2018	TBA		TBA	08/27/2018 \$36
3-year	10/04/2018	09/11/2018	09/17/2018	9128285A4		\$35	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	10/04/2018	09/12/2018	09/17/2018	9128284V9	R	\$23	08/08/2018 \$26
<b>Bond Auctions</b>							
30-year	10/04/2018	09/13/2018	09/17/2018	912810SD1	R	\$15	08/09/2018 \$18

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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 <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>2.14794</b>	<b>+.00900</b>	<b>(97.05206)</b>
<b>3-Month Libor Set</b>	<b>2.33425</b>	<b>+.00000</b>	<b>(97.66575)</b>
<b>6-Month Libor Set</b>	<b>2.55775</b>	<b>+.01625</b>	<b>(97.44225)</b>
<b>1-Year Libor Set</b>	<b>2.86850</b>	<b>+.00587</b>	<b>(97.13150)</b>

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## THEY SAID IT

**“The small business engine continues to roar with the dramatic change in economic policies since November 2016,” survey authors William Dunkelberg and Holly Wade said in the report.**

<https://www.bloomberg.com/news/articles/2018-09-11/u-s-small-business-optimism-at-record-high-on-hiring-spending?srnd=premium>

Small businesses are increasingly optimistic as the economic expansion enters its 10th year and the Trump administration prioritizes industry deregulation and tax cuts. Companies have been boosting inventories to match robust consumer demand for goods and services.

While the gauge of intent to hire reached a record, finding qualified workers remains a problem. Of companies trying to fill a position in the month, 89 percent reported finding few or no qualified applicants. At the same time, reports of higher compensation were unchanged at a net 32 percent of firms and plans to raise pay decreased 1 point to a net 21 percent.

### Other Details

- A record 25% of owners cited “quality of labor” as the single most important problem facing their company
- 34% said now is a good time to expand business, up two points from prior month
- Businesses that expect higher real sales down 3 points to 26%
- Six of 10 index components increased from the prior month

**“If the U.S. further escalates the tariff war, the impact on China will be larger,” they wrote in the note. While the overall impact is still manageable, the rising unemployment could become a major policy concern, they wrote. “If unemployment increases sharply, it will change the policy reaction function and the risk is biased towards bolstered policy easing.”**

<https://www.bloomberg.com/news/articles/2018-09-11/the-trade-war-will-likely-cost-china-700-000-jobs-jpmorgan-says>

The tariff battle with the U.S. will probably cost China 700,000 jobs, or more in the event of further escalation.

The job losses would come if the U.S. imposes 25 percent tariffs on \$200 billion in Chinese exports and China retaliates by devaluing its currency by 5 percent and adding to levies on U.S. goods, according to economists led by Haibin Zhu at JPMorgan Chase & Co. If China doesn’t retaliate at all, 3 million people could lose their jobs, they wrote in a research note Tuesday.

**China will seek permission from the World Trade Organization (WTO) to impose sanctions on the U.S. next week, according to the WTO's meeting agenda.**

**The request comes at a time of escalating trade tensions between the world's two largest economies, with President Donald Trump saying last week he was "ready to go" on tariffs for another \$267 billion on Chinese goods "if he wants."**

<https://www.cnbc.com/2018/09/11/china-reportedly-set-to-ask-wto-for-permission-to-impose-sanctions-on-us.html>

That would follow planned charges on \$200 billion of Chinese goods in several industries, including technology. Beijing has vowed to retaliate if the U.S. takes any new steps on trade. China's WTO request cites Washington's non-compliance with a ruling in a dispute over U.S. dumping duties. It is likely to lead to years of legal wrangling over the case for sanctions. China will seek authorization at a special meeting of the WTO's Dispute Settlement Body on Friday September 21.

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**A group composed of [Russian](#) and [Chinese](#) businesses is considering 73 joint investment projects cumulatively worth more than \$100 billion, according to a Tuesday statement. Cooperation between China and Russia is an issue of global importance as both nations try to achieve economic stability despite the pain of U.S. penalties — sanctions against Russia, and an escalating tariff war against China. Beijing and Moscow have had a rocky relationship, but the two governments have publicly sought closer ties in recent years.**  
<https://www.cnbc.com/2018/09/11/russia-china-consider-investments-worth-more-than-100-billion.html>

The group overseeing the potential billions in investment is the Russian-Chinese Business Advisory Committee, which held an annual meeting this week during the Eastern Economic Forum in Vladivostok, Russia.

The committee includes more than 150 representatives from "leading Russian and Chinese companies," according to a statement from the Russia-China Investment Fund. The RCIF was established in 2012 by China's state-owned China Investment Corporation and Russian sovereign wealth fund the Russian Direct Investment Fund.

The announcement said seven projects worth a total of \$4.6 billion had already been implemented as a result of work by the China-Russia group.

**Russia is showing a diplomatic pivot to the east with China this year, with several thousands of its troops, participating in some of the military exercises taking place in the Siberian and the Far Eastern regions of Russia. Mongolia is also sending troops to be involved in the drills.**

**The Pentagon will be watching Russia and China's expanding military capabilities, as well the upcoming "war games," very closely, according to a former U.S. national security official.**

**"I'm not sure that the Pentagon is terribly surprised by this (military exercise)," Lincoln Bloomfield, Distinguished Fellow and Chairman Emeritus at the Stimson Center, a nonpartisan policy research center, told CNBC on Tuesday.**

<https://www.cnbc.com/2018/09/11/russia-war-games-vostok-2018-will-be-the-biggest-war-games-since-1981.html>

As many as 300,000 Russian troops are expected to take part in large-scale military drills as part of "Vostok 2018," Russia's annual military training exercises taking place between September 11-17.

Aside from personnel, up to 36,000 tanks, infantry fighting vehicles, armoured personnel carriers and other vehicles will be involved, Russia's Ministry of Defence said in a statement on their website on Tuesday. In addition, over 1,000 aircraft, helicopters and drones, and 80 ships and supply vessels will take part. [Vostok 2018 will also see the Russian military practice massive airstrikes and measures against cruise missiles.](#)

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**"The primary purpose of the letter was to request and look to schedule another meeting with the president," White House press secretary Sarah Huckabee Sanders told reporters at the press briefing Monday. It was a request, she said, "which we are open to and already in the process of coordinating."**

<https://www.cnn.com/2018/09/10/second-trump-meeting-with-north-korean-leader-kim-jong-un-in-the-works.html>

President [Donald Trump](#) has received what the White House said is a "very warm, very positive letter" from North Korean leader [Kim Jong Un](#), requesting a follow-up meeting with Trump after the summit in Singapore earlier this year.

**Add oil tankers breaking down at sea to the list of things shipping companies are worrying about as they brace for a once-in-a-generation overhaul to the kind of fuel the industry must consume.**

**From Jan. 1, 2020, the vast majority of the world's merchant fleet will have to use fuel containing no more than 0.5 percent sulfur, down from 3.5 percent in most parts of the world today. The change is expected to upend both shipping and refining industries, with analysts forecasting higher oil prices, slower-sailing ships, and some observers even warning of risks to world trade.**

<https://www.bloomberg.com/news/articles/2018-09-11/shippers-fear-engine-failures-as-industry-forced-to-upgrade-fuel?srnd=premium>

The International Association of Independent Tanker Owners, the largest trade group for operators of ships moving everything from oil to gas to chemicals, is among those concerned. While individual fuels may not be problematic, mixes could be dangerous, according to Dragos Rauta, technical director at the trade group better known as Intertanko.

"The way the different products work together can produce instability of fuel which can create sediments that can damage the pumps and engines eventually," he said.

**In a forest clearing roughly the size of Cleveland, building-sized trucks dump tons of oily soil into a massive crushing facility, while conveyors move the dirt on the other end to a plant where hot water and solvents will turn it into heavy crude for U.S. refineries.**

<https://www.bloomberg.com/news/articles/2018-09-11/cleveland-sized-mine-signals-the-path-for-an-oil-sands-revival?srnd=premium>

Welcome to Fort Hills, a [Suncor Energy Inc.](#) oil-sands mine in northern Alberta that had its formal opening on Monday.

The sprawling complex in Canada's freezing wilderness was thought to mark the end of an era for big projects of its kind, but its lower carbon emissions, combined with lower costs, may offer a blueprint for new mines, say analysts including Wood Mackenzie Ltd.'s Mark Oberstoetter. A return of investments to the oil sands, even if timid, would follow similar moves offshore. In April, [Royal Dutch Shell Plc.](#) decided to proceed with its 100,000 barrel-a-day Vito project in the Gulf of Mexico.

"We are starting to see a return to the big projects," said Oberstoetter, lead analyst for Canadian upstream research at the firm.

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## EQUITIES

The S&P is **-10** and the NASDAQ is **-18**.

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 -0.53%.**

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

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

**Next meeting 09/13/18**

### On the European Continent

**The CAC Index closed -0.18%.**

**The DAX Index closed -0.52%.**

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

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

**Deposit Facility Rate -.40%**

**Next meeting 09/13/18**

### Japan:

**The TOPIX closed +0.67%.**

**The NIKKEI closed +1.30%.**

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 -0.72%.**

**The Shanghai Composite closed -0.18%.**

### 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: 97-38.00 is the pivot. Below the pivot, you should be short, above long. Support is at 97-38.00\*\* and 97-34.50^.

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/TYZ8: 120-03.5 is the pivot point. Above you should be long, below short.**

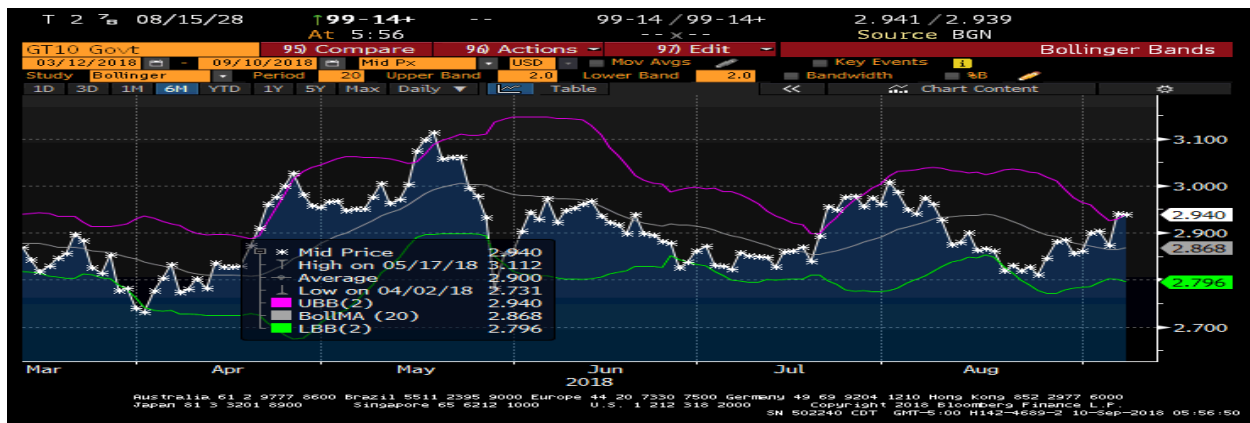
**Support is at 120-03.5 and 119-17.5^\***

**Resistance is at 120-21.5**

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

\*\* 2-STD Deviations from the pivot point

**Current trend has you short from 120-00.0 (9/4/18).**



**YTD (per contract)**

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

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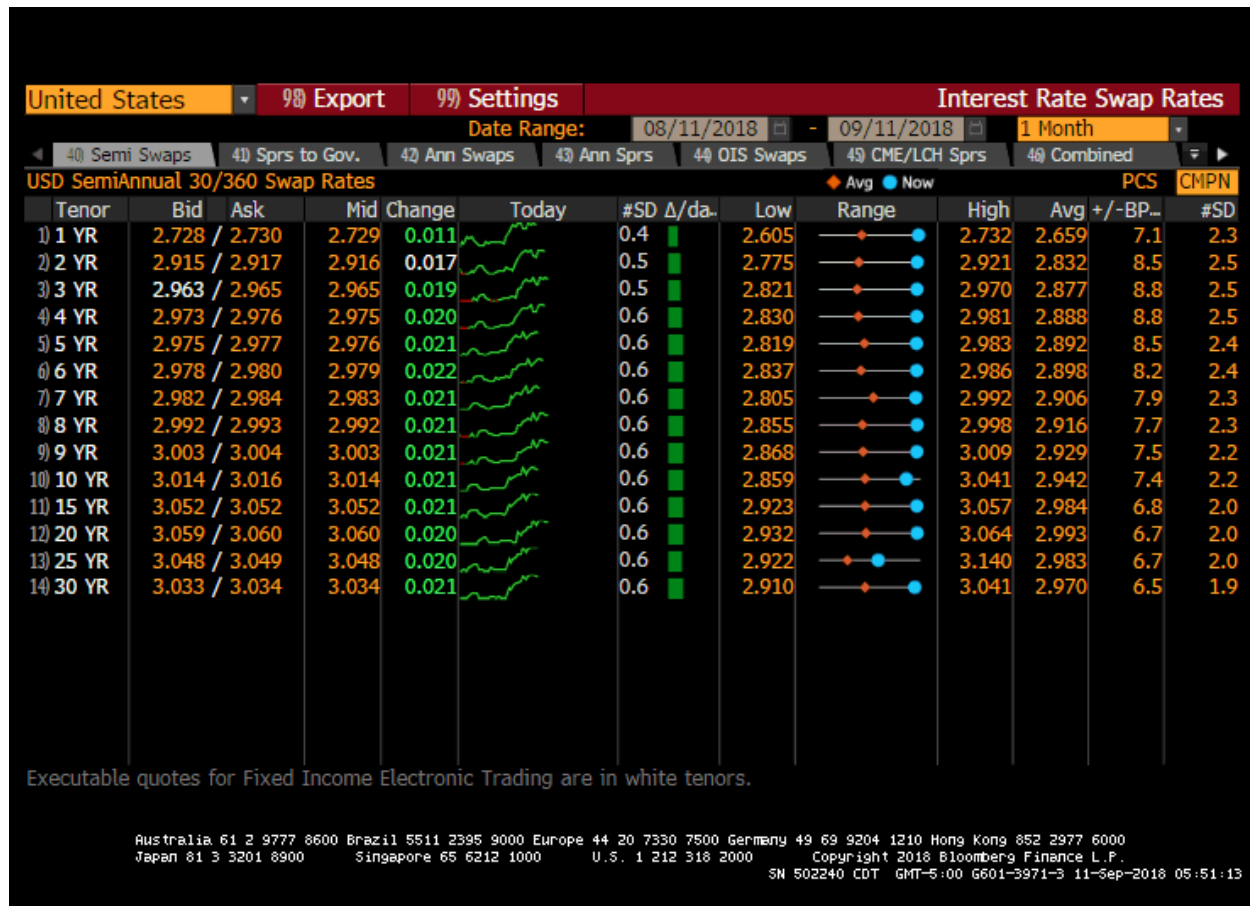
**(2017) +93.0 futures ticks (\$31.25 per tick) or +\$2,906.25.**

**(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 rangeland 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

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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 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.	7 September 2018	1,048	+0	31 August 2018	+104	8 September 2017
Canada	7 September 2018	204	-24	31 August 2018	+2	8 September 2017
International	July 2018	997	+38	June 2018	+38	July 2017

<http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=iro-l-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

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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/>

### **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

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was from small-scale solar photovoltaic systems in 2017.<sup>2</sup>

<b>U.S. electricity generation by source, amount, and share of total in 2017<sup>1</sup></b>		
<b>Energy source</b>	<b>Billion kWh</b>	<b>Share of total</b>
<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/>

## **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.

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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.

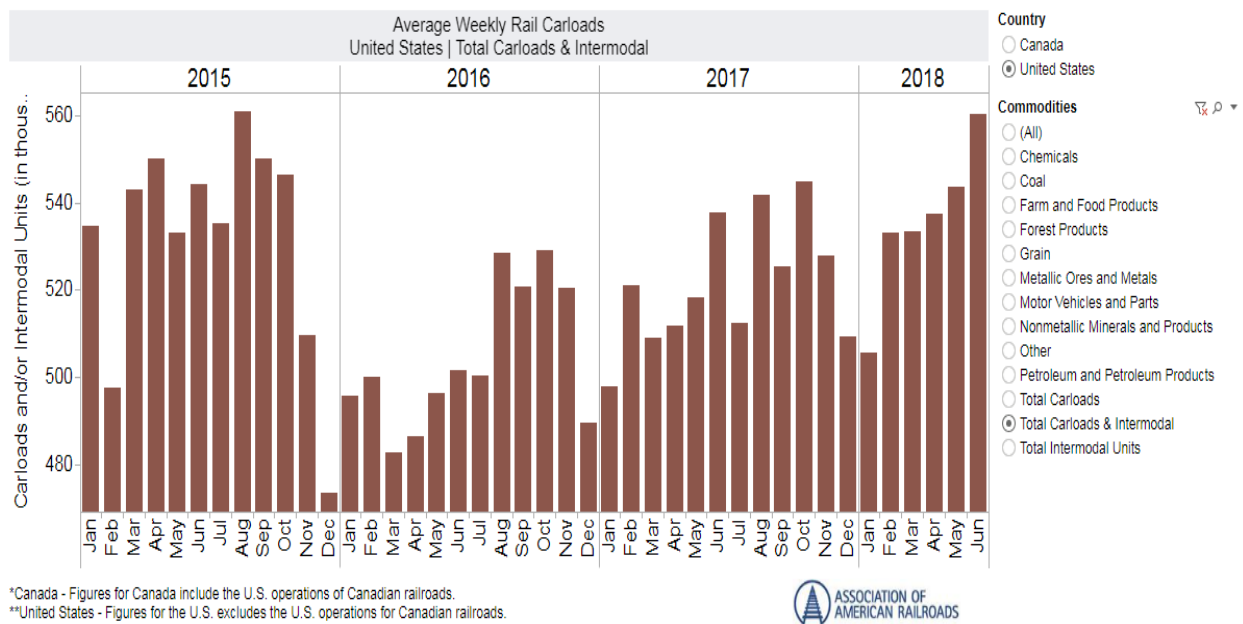
Canadian railroads reported 86,902 carloads for the week, up 5.3 percent, and 72,870 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 35 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,215,716 carloads, containers and trailers, up 3.9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

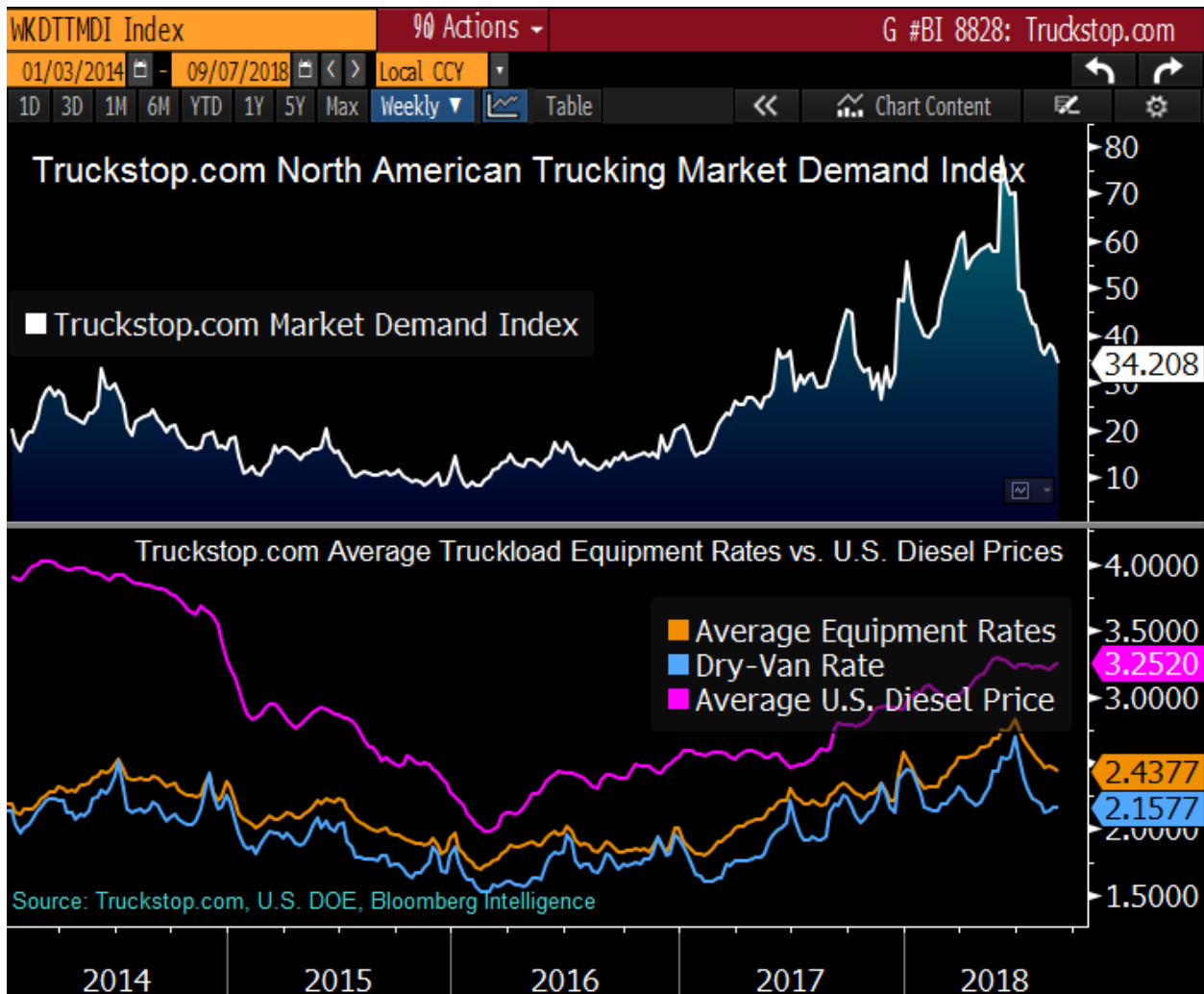
### Trailer Truck Demand (Bloomberg Intelligence) – 09/10/18

Relative North American spot-trucking demand declined 8.3% sequentially to 34.2 in the week ended Sept. 7, based on Truckstop.com's Market Demand Index. Capacity remains historically tight, even as it loosened for the ninth time in the past 10 weeks from seasonal highs. Spot rates (up 4.3% from 2017) are lapping tough comparisons from demand spikes following Hurricane Harvey. Hurricane Florence, which could make landfall on the Southeastern U.S. as early as Friday, may spark upward rate pressure in the coming weeks.

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

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## GDP

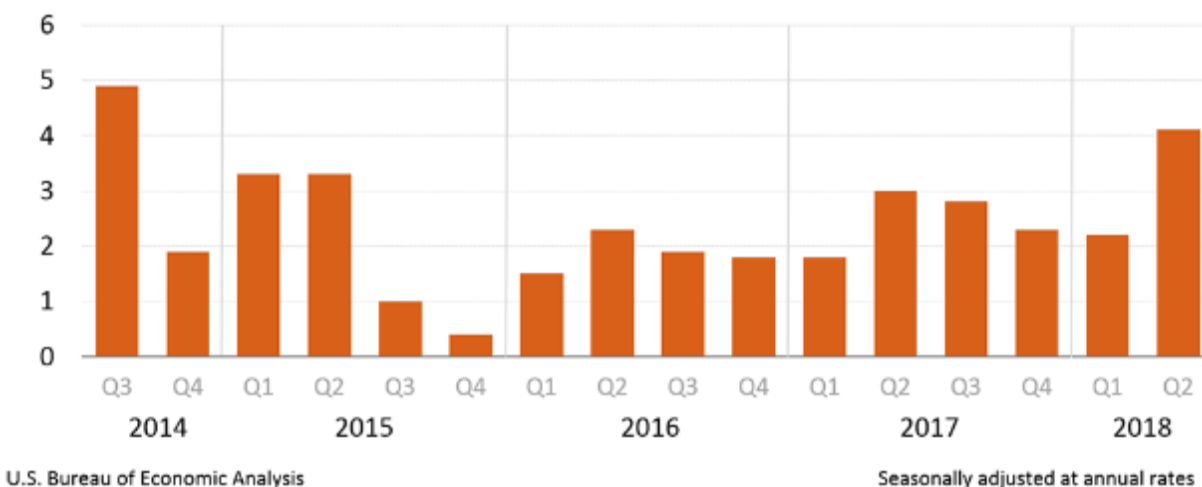
U.S. Department of Commerce, Bureau of economic analysis

<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 \*3.65% as of 09/05/18 v. \*3.59% on 09/05/18**  
**\*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: 2.2%...September 7, 2018**

The New York Fed Staff Nowcast stands at 2.2% for 2018:Q3 and 2.8% for 2018:Q4.

News from this week's data releases increased the nowcast for 2018:Q3 by 0.2 percentage point and increased the nowcast for 2018:Q4 by 0.8 percentage point.

Positive surprises from the ISM manufacturing survey drove the increase.

<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
<b>OVERALL ECONOMY</b>				Growing	Faster	112
<b>Manufacturing Sector</b>				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](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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