



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 10:34:15 09/25/18 - 10/01/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/25	08:00				FHFA House Price Index MoM	Jul	0.3%	--	0.2%	--
22)	09/25	08:00				S&P CoreLogic CS 20-City MoM SA	Jul	0.10%	--	0.11%	--
23)	09/25	08:00				S&P CoreLogic CS 20-City YoY NSA	Jul	6.20%	--	6.31%	--
24)	09/25	08:00				S&P CoreLogic CS 20-City NSA Inde	Jul	--	--	213.07	--
25)	09/25	08:00				S&P CoreLogic CS US HPI NSA Inde	Jul	--	--	204.48	--
26)	09/25	08:00				S&P CoreLogic CS US HPI YoY NSA	Jul	--	--	6.24%	--
27)	09/25	09:00				Richmond Fed Manufact. Index	Sep	20	--	24	--
28)	09/25	09:00				Conf. Board Consumer Confidence	Sep	132.0	--	133.4	--
29)	09/25	09:00				Conf. Board Present Situation	Sep	--	--	172.2	--
30)	09/25	09:00				Conf. Board Expectations	Sep	--	--	107.6	--
31)	09/26	06:00				MBA Mortgage Applications	Sep 21	--	--	1.6%	--
32)	09/26	09:00				New Home Sales	Aug	630k	--	627k	--
33)	09/26	09:00				New Home Sales MoM	Aug	0.5%	--	-1.7%	--
34)	09/26	13:00				FOMC Rate Decision (Upper Bound)	Sep 26	2.25%	--	2.00%	--
35)	09/26	13:00				FOMC Rate Decision (Lower Bound)	Sep 26	2.00%	--	1.75%	--
36)	09/26	13:00				Interest Rate on Excess Reserves	Sep 27	--	--	1.95%	--
37)	09/27	07:30				Advance Goods Trade Balance	Aug	-\$70.5b	--	-\$72.2b	-\$72.0b
38)	09/27	07:30				Wholesale Inventories MoM	Aug P	0.3%	--	0.6%	--
39)	09/27	07:30				Retail Inventories MoM	Aug	--	--	0.4%	0.5%

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 502240 CDT GMT-6:00 G602-2613-2 24-Sep-2018 10:34:15

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Fed Speak Calendar

(All times are CST)

Economic Calendars											
1) Calendars		2) Alerts		3) Export		4) Settings					
United States				Browse		12:23:48		09/21/18 - 10/24/18			
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)	09/26	13:00				FOMC Rate Decision (Upper ...	Sep 26	2.25%	--	2.00%	--
22)	09/26	13:00				FOMC Rate Decision (Lower ...	Sep 26	2.00%	--	1.75%	--
23)	09/26	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					
24)	09/27	11:30				Fed's Kaplan Speaks at Forum for Minority Banking					
25)	09/28	07:30				Fed's Barkin Speaks at Forum for Minorities in Banking					
26)	09/28	15:45				Fed's Williams Speaks in New York at Money Markets Conference					
27)	10/01	08:02				Fed's Bostic Speaks on Economic Development					
28)	10/01	11:15				Fed's Rosengren Speaks on the U.S. Outlook and Monetary Policy					
29)	10/02	09:00				Fed's Quarles Testifies to Senate Banking Committee					
30)	10/02	11:00				Fed's Chairman Powell Speaks at NABE Conference in Boston					
31)	10/03	05:30				Fed's Evans Speaks in London					
32)	10/03	07:05				Fed's Barkin Speaks at Economic Conference in West Virginia					
33)	10/03	13:15				Fed's Mester Speaks at Community Banking Conference					
34)	10/04	08:15				Fed's Quarles Speaks at Community Banking Conference					
35)	10/10	17:00				Fed's Bostic Speaks on Economic Outlook					
36)	10/12	11:30				Fed's Bostic Discusses Recruitment, Economics & Public Policy					
37)	10/17	13:00				FOMC Meeting Minutes	Sep 26	--	--	--	--
38)	10/19	08:00				Fed's Kaplan Speaks in New York					
39)	10/24	13:00				U.S. Federal Reserve Releases Beige Book					

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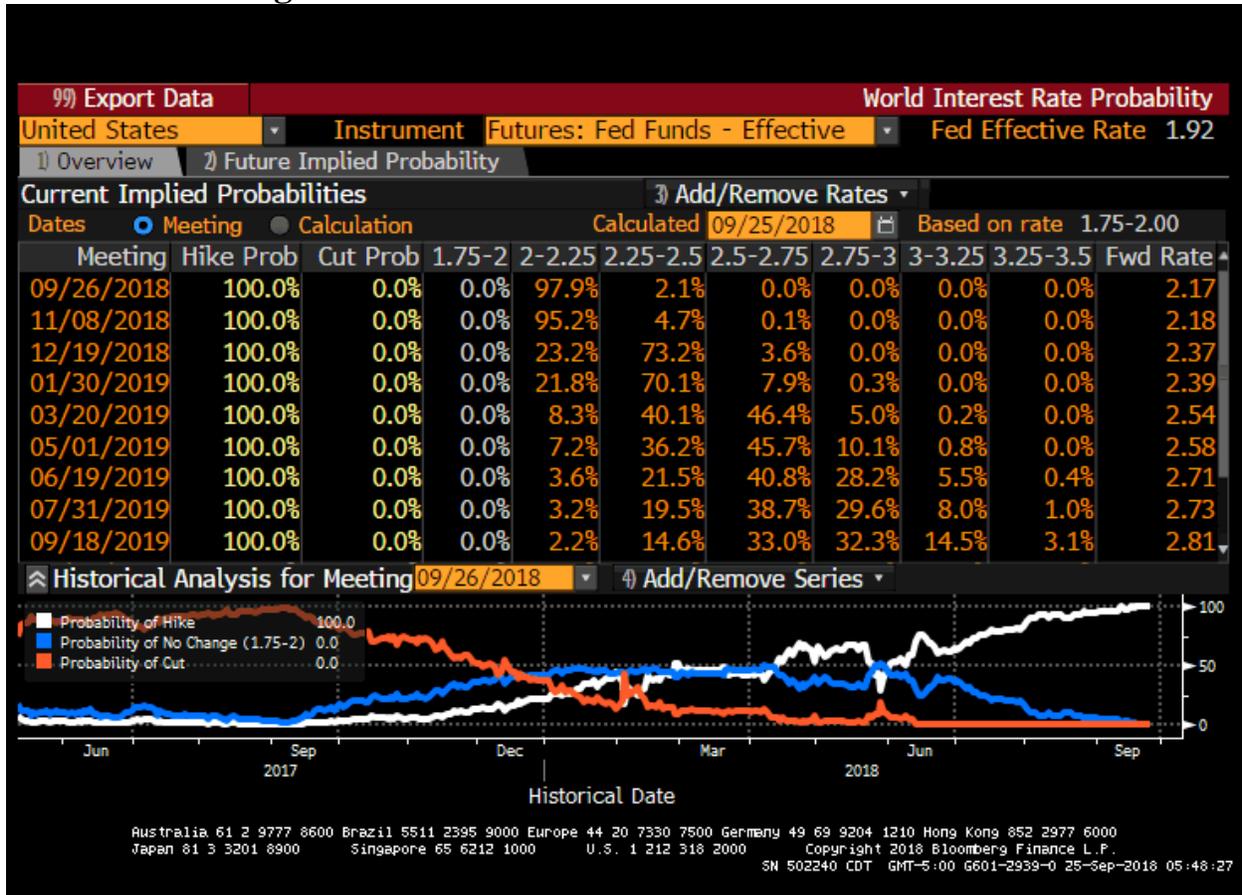
	Next Offer	Next	Date	CUSIP		\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	10/01/2018	09/25/2018	09/27/2018	912796QE2		\$40	09/18/2018	\$40
8-week	10/15/2018	10/16/2018	10/18/2018	TBA		TBA	n/a	n/a
3-month	09/27/2018	10/01/2018	10/04/2018	912796PK9		TBA	09/24/2018	\$48
6-month	09/27/2018	10/01/2018	10/04/2018	912796PK9		TBA	09/24/2018	\$42
1-year	10/04/2018	10/09/2018	10/11/2018	TBA		TBA	09/11/2018	\$26
Note Auctions								
2-year	10/18/2018	10/23/2018	10/31/2018	TBA		TBA	09/24/2018	\$37
3-year	10/04/2018	10/10/2018	10/15/2018	TBA		TBA	09/11/2018	\$35
5-year	10/18/2018	09/25/2018	10/01/2018	9128285D8		\$38	08/28/2018	\$37
7-year	10/18/2018	09/27/2018	10/01/2018	9128285C0		\$31	08/29/2018	\$31
10-year	10/04/2018	10/10/2018	10/15/2018	TBA	R	TBA	09/12/2018	\$23
Bond Auctions								
30-year	10/04/2018	10/11/2018	10/15/2018	TBA	R	TBA	09/13/2018	\$15

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)

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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	2.23006	+0.01187	(97.76994)
3-Month Libor Set	2.38100	+0.00737	(97.61900)
6-Month Libor Set	2.59538	+0.00175	(97.40462)
1-Year Libor Set	2.91188	+0.00300	(97.08812)

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THEY SAID IT

"Fed funds increases in September and December are as certain as certain can be," John Donaldson, director of fixed income at Haverford Trust Co., wrote in response to the survey. "Their real challenge starts after the first increase in 2019, which will bring the rate to 2.75 percent, or finally back to even to inflation."

<https://www.cnbc.com/2018/09/25/cnbc-fed-survey-fed-to-hike-rates-two-more-times-this-year.html>

A full 98 percent of the 46 respondents, who include economists, fund managers and strategists, see the Fed hiking rates a quarter point at its meeting this week to a new range of between 2 and 2 ¼ percent. And 96 percent believe another quarter-point hike is coming in December.

Respondents see the funds rate rising by another two quarter-point hikes (50 basis points) in 2019, which would bring it to a range of 2.75 to 3 percent. After that, divisions set in, with about half the group seeing a third hike in 2019.

About 60 percent of the group sees the Fed raising rates above neutral to slow the economy. The average respondents see the funds rate eventually ending this hiking cycle at 3.3 percent.

"This means that the U.S. bond market will reach a decision point sometime in the next year, when market participants will have to decide whether the Fed will go beyond current market pricing," said Tony Crescenzi, executive vice president at PIMCO. "If and when it does, U.S. Treasuries will move higher."

A fifth of the group say a "fed policy mistake" is one of the biggest threats facing the expansion, second only to trade protectionism.

"In practical terms this will mean that EU member states will set up a legal entity to facilitate legitimate financial transactions with Iran, and this will allow European companies to continue trade with Iran," Mogherini said after meeting with representatives of the other signatories: the U.K., France, Germany, Russia, China plus Iran. This will be "in accordance with European Union law, and could be opened to other partners in the world," she said.

<https://www.bloomberg.com/news/articles/2018-09-25/eu-defies-trump-with-plan-to-enable-continued-trade-with-iran>

The [European Union](#), China and Russia backed a mechanism to allow "legitimate" business to continue with Iran, a plan aimed at sidestepping American sanctions and allowing international trade to continue unimpeded as President Donald Trump pursues his "America First" agenda. The push for such a channel, announced by EU foreign affairs chief Federica Mogherini in New York late on Monday, reflects growing calls in countries such as France and Germany for the EU to adopt tools that will allow it to pursue its foreign-policy goals with less recourse to an unpredictable U.S. ally. A chief catalyst was Trump's decision to withdraw from the Iran nuclear deal even as world powers urged the U.S. to stick to its mandate.

(Changing human behavior...)

"The challenge is, they've engaged in so many egregious practices that it's far more difficult to make a deal with China than it would be with Mexico," [Peter Navarro](#), director of the National Trade Council at the White House, said on CNBC's "Closing Bell" Monday.

<https://www.cnbc.com/2018/09/24/navarro-says-china-engages-in-so-many-egregious-practices-its-tougher-to-get-a-trade-deal.html>

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The former economics professor and author of "The Coming China Wars," has been notoriously hawkish on trade. Navarro said the goal now is structural realignment where all countries the U.S. trades with engage in "free, fair, and reciprocal" agreements.

Establishing a new trade deal with China could be significantly tougher than it was with Mexico, according to one of President Trump's top advisors.

Navarro pushed back on the reports and said to be cautious when taking "cues from what's reported in the press."

"Our position is really simple: We're happy to listen to the Chinese, we want to talk and the Chinese are well aware of the issues we have raised," Navarro said.

(...is very difficult)

“Now that the United States has adopted such a huge trade restriction measure ... how can the negotiations proceed? It’s not an equal negotiation,” Wang said, stressing the United States has abandoned its mutual understanding with China.

<https://www.reuters.com/article/us-usa-trade-china-talks/china-says-u-s-putting-knife-to-its-neck-hard-to-proceed-on-trade-idUSKCN1M509S>

China also accused the United States of engaging in “trade bullyism”, and said Washington was intimidating other countries to submit to its will, according to a white paper on the dispute published by China’s State Council, or cabinet, on Monday.

While Vice Commerce Minister Wang said he still hopes “there is a way out” if both sides treat each other with sincerity, analysts say neither side looks to be in the mood to compromise in the increasingly bitter dispute, raising the risk of a lengthy battle that could chill the global economy by discouraging business investment and disrupting trade.

U.S. exporters including LNG suppliers would “certainly” be hurt, but Beijing’s retaliation would provide opportunities to other LNG-exporting countries, Vice Commerce Minister Wang said, adding that Australia is an important source of the fuel for China.

“China is a big and powerful nation, so whether it is a confrontation with China economically or militarily, it would come at a huge price,” the state-backed Global Times said in an editorial on Tuesday.

“As such, it is an attractive prospect for other countries including the United States to coexist with China peacefully,” said the newspaper, which is published by the ruling Communist Party’s People’s Daily.

Luo Wen, a vice minister at the Ministry of Industry and Information, told a news conference that the government is aware that some foreign companies are considering relocating out of China as the trade row threatens to heighten their risks and costs.

But he said the government is working to accommodate their needs and reduce their tax burdens.

China’s economic data, [never easy to track](#) in the best of times, have become almost indecipherable in 2018. While the headline numbers on GDP growth, retail sales and debt tell reassuring stories that (unsurprisingly) match government objectives, the underlying statistics paint a very different and conflicting picture. What does this tell us about the state of the economy?

<https://www.bloomberg.com/view/articles/2018-09-23/china-must-get-to-grips-with-dodgy-economic-data>

Market watchers constantly pore over a range of numbers, looking for irregularities. From short sellers of Chinese companies listed overseas to academic economists developing creative methods to mirror GDP growth, there’s no dearth of analysts and no lack of data to peruse.

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A simple idea motivates much of this work: Can you match a data point or variable to another data point or variable that should logically be correlated? In other words, if real GDP growth is 10 percent and electricity consumption is down 10 percent, something is probably off. Whether comparing a company's shipments with its revenue or official inflation with product prices, it's essential to match data points.

Using those methods, underlying Chinese data in 2018 are a mess. According to the National Bureau of Statistics, the consumer price index for pork declined 9.6 percent in the year to date through July, but weekly wholesale market prices for pork are effectively flat. Meanwhile, a 22-province price index shows a decline of only 3.4 percent. As pork, the most widely consumed meat in China, [anchors the CPI basket](#), any discrepancy can have a significant pass-through impact on headline inflation data.

There are other examples. Earlier this year, eagle-eyed Chinese netizens noticed that while the statistics bureau was reporting industrial profit growth of 16 percent so far in 2018, the numbers didn't add up. Calculating the changes month by month and comparing each month with a year earlier, you get a profit decline of 8.1 percent.

The government says the discrepancy results from [different samples](#), excluding firms that fell below a certain size during the year. But that's as if a teacher excluded all the students in a class who received a poor grade, then announced that the average score had increased. Given the lack of transparency, we are left to wonder about many issues that produce such inconsistent data.

“Renewal of our trade deal with South Korea is much-needed good news and help for our farmers and ranchers as the agricultural economy struggles,” Zippy Duvall, the federation’s president, said in a statement Monday. “Securing export markets for our products is critical, and we encourage the administration to continue to push for conclusion of other trade agreements.”

<https://www.bloomberg.com/news/articles/2018-09-24/new-u-s-south-korea-pact-spurs-hopes-for-nafta-china-deals>

President Donald Trump and his South Korean counterpart Moon Jae-in signed the agreement Monday on the sidelines of the United Nations General Assembly, the first major trade deal the U.S. president has forged amid rising trade tensions. It's welcome news for U.S. farmers worried that the closing of export markets, especially China, will exacerbate the impact of low prices due to expanding supplies of corn, soybeans, beef, pork and chicken.

South Korea is the sixth-largest export market for U.S. agriculture, buying \$6.9 billion worth of farm goods last year, according to the American Farm Bureau Federation. The free-trade agreement with the two countries has helped make South Korea the second-largest importer of U.S. beef after Japan by sales. U.S. pork exports have also risen.

The U.K. opposition Labour Party plans to vote down Theresa May’s divorce agreement with the European Union, and sees a second referendum as a way of avoiding a chaotic no-deal Brexit.

<https://www.bloomberg.com/news/articles/2018-09-25/labour-sees-second-referendum-as-tool-to-avoid-no-deal-brexitsrnd=premium>

Labour's Brexit spokesman Keir Starmer set out what he called a “sequenced, structured,” strategy for the next few months in Parliament, when May is expected to put the Brexit deal she negotiates with Brussels to lawmakers for approval. Labour will vote against the deal, and if it manages to defeat the government, the party will push for a general election.

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If that's not possible, "then an option must be a public vote" as a way of avoiding a no-deal exit, Starmer said. "We shouldn't go to 'no deal' because that would be catastrophic."

The Palestinian economy in the Gaza Strip is collapsing under a decade-long blockade, as well as decisions by the [Palestinian Authority](#) and U.S. government to reduce payments to the area, the World Bank said Tuesday.

<https://www.bloomberg.com/news/articles/2018-09-25/palestinian-economy-in-gaza-is-collapsing-world-bank-says?srnd=premium>

The economy contracted by 6 percent in the first quarter of 2018, and there are indications of further deterioration since then, the report said. Unemployment is at 70 percent, and every second person is living in poverty. The report will be presented to the biannual meeting of the Ad Hoc Liaison committee, an international donor group for Gaza, in New York on Thursday.

"A combination of war, isolation, and internal division has left Gaza in a crippling economic state and exacerbated the human distress," said Marina Wes, World Bank country director for the West Bank and Gaza. "The economic and social situation in Gaza has been declining for over a decade but has deteriorated exponentially in recent months and has reached a critical point."

"Strong competition drove down costs for the program, resulting in \$1.7 billion in savings to the taxpayer," Secretary of the Air Force Heather Wilson said in a statement.

<https://www.cnbc.com/2018/09/24/boeing-wins-2point4-billion-contract-to-replace-air-forces-aging-iconic-huey-choppers-that-guard-americas-nukes.html>

The U.S. Air Force has selected Boeing to replace the service's aging fleet of UH-1N Iroquois helicopters, which are currently tasked with security missions as well as protecting America's nuclear missile arsenal.

The long-awaited Pentagon contract is worth \$2.4 billion for up to 84 aircraft. The service awarded Boeing approximately \$375 million for the first four helicopters on Monday.

Three defense companies were in the running for the lucrative Pentagon contract: Sierra Nevada Corp., Boeing partnered with Leonardo, and Sikorsky, a unit of Lockheed Martin.

Both Sierra Nevada and Sikorsky offered derivatives of the Black Hawk medium lift-utility helicopter and Boeing alongside Leonardo is pitching the MH-139, a militarized version of Leonardo's AW139 commercial aircraft.

"The MH-139 is is an aircraft that the Air Force doesn't have to go and pay to develop because it's already flying," Rick Lemaster, Director of Global Sales and Marketing for Boeing's Vertical Lift and Military Aircraft programs, told CNBC in a prior interview. He added that more than 250 governments already use the civilian version of the helicopter.

"The life cycle of the aircraft is notionally a 30-year life cycle and will be able to save the Air Force about a billion dollars in terms of buying and operating over that time frame. That's real money," he added.

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EQUITIES

The S&P is +7 and the NASDAQ is +12.

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 +0.46%.

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

BOE Rate +0.50%. (No change).

Next meeting 11/01/18

On the European Continent

The CAC Index closed +0.36%.

The DAX Index closed +0.33%.

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 10/25/18

Japan:

The TOPIX closed +1.02%.

The NIKKEI closed +0.29%.

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

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

Next meeting 10/31/18

China:

The Hang Seng closed for a public holiday.

The Shanghai Composite closed -0.58%.

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: 97-36.00 is the pivot. Below the pivot, you should be short, above long. Support is at 97-32.00**.

Resistance is at 97-36.00^ and 97-39.75**.

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

** 2-STD Deviations from the pivot point.

Current trend would have you short from 97-36.0 (9/07/18). 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/UXYZ8: 126-27.0 is the pivot point. Above you should be long, below short.

Support is at 125-05.5**

Resistance is at 126-27.0^ and 128-16.0**

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

** 2-STD Deviations from the pivot point

Current trend has you short from 127-23.0 (9/4/18).



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>

United States		98) Export		99) Settings		Interest Rate Swap Rates										
		Date Range:		08/25/2018 - 09/25/2018		1 Month										
40) Semi Swaps		41) Sprs to Gov.		42) Ann Swaps		43) Ann Sprs		44) OIS Swaps		45) CME/LCH Sprs		46) Combined				
USD SemiAnnual 30/360 Swap Rates													Avg	Now	PCS	CMPN
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da.	Low	Range	High	Avg +/-BP...	#SD				
1) 1 YR	2.782 / 2.785		2.783	0.010		0.2		2.640		2.791	2.715	7.0	1.6			
2) 2 YR	3.001 / 3.002		3.001	0.014		0.2		2.802		3.005	2.906	9.6	1.5			
3) 3 YR	3.071 / 3.073		3.072	0.016		0.2		2.842		3.075	2.958	11.5	1.6			
4) 4 YR	3.095 / 3.097		3.095	0.018		0.2		2.845		3.099	2.971	12.6	1.7			
5) 5 YR	3.106 / 3.109		3.107	0.019		0.2		2.827		3.113	2.976	13.3	1.7			
6) 6 YR	3.116 / 3.118		3.117	0.020		0.3		2.851		3.119	2.982	13.6	1.7			
7) 7 YR	3.128 / 3.128		3.128	0.021		0.3		2.843		3.142	2.990	13.8	1.7			
8) 8 YR	3.139 / 3.139		3.138	0.020		0.2		2.864		3.141	3.000	14.0	1.8			
9) 9 YR	3.149 / 3.152		3.150	0.019		0.2		2.874		3.153	3.012	14.0	1.8			
10) 10 YR	3.165 / 3.166		3.165	0.020		0.3		2.859		3.167	3.025	14.1	1.8			
11) 15 YR	3.200 / 3.201		3.201	0.020		0.3		2.929		3.202	3.064	13.8	1.8			
12) 20 YR	3.201 / 3.205		3.203	0.016		0.2		2.935		3.207	3.071	13.4	1.8			
13) 25 YR	3.191 / 3.192		3.192	0.018		0.2		2.923		3.194	3.059	13.3	1.8			
14) 30 YR	3.173 / 3.175		3.173	0.017		0.2		2.912		3.176	3.044	13.1	1.8			

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 6601-2939-0 25-Sep-2018 05:49:16

The Option Lab

Trade Log:

2. Bought the TY Week-2 120.00 put (at the money).

Paid 8/64ths (\$125) per contract (3/9/2018).

The 120-00.00 strike price on the option equates to a TY yield of ~2.895%.

On March 9, the put was sold 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.	21 Sept 2018	1,053	-2	14 Sept 2018	+118	22 Sept 2017
Canada	21 Sept 2018	197	-29	14 Sept 2018	-23	22 Sept 2017
International	August 2018	1008	+11	July 2018	+56	August 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.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

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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/>

TRANSPORTS

Association of American Railroads Rail Traffic Report.

For this week, total U.S. weekly rail traffic was 553,003 carloads and intermodal units, up 4.8 percent compared with the same week last year.

Total carloads for the week ending September 15 were 268,612 carloads, up 3.1 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 284,391 containers and trailers, up 6.5 percent compared to 2017.

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Nine of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 4,253 carloads, to 13,335; chemicals, up 2,153 carloads, to 32,650; and farm products excl. grain, and food, up 1,986 carloads, to 16,583. One commodity group posted a decrease compared with the same week in 2017: coal, down 3,457 carloads, to 85,562.

For the first 37 weeks of 2018, U.S. railroads reported cumulative volume of 9,703,638 carloads, up 2 percent from the same point last year; and 10,237,925 intermodal units, up 6 percent from last year. Total combined U.S. traffic for the first 37 weeks of 2018 was 19,941,563 carloads and intermodal units, an increase of 4 percent compared to last year.

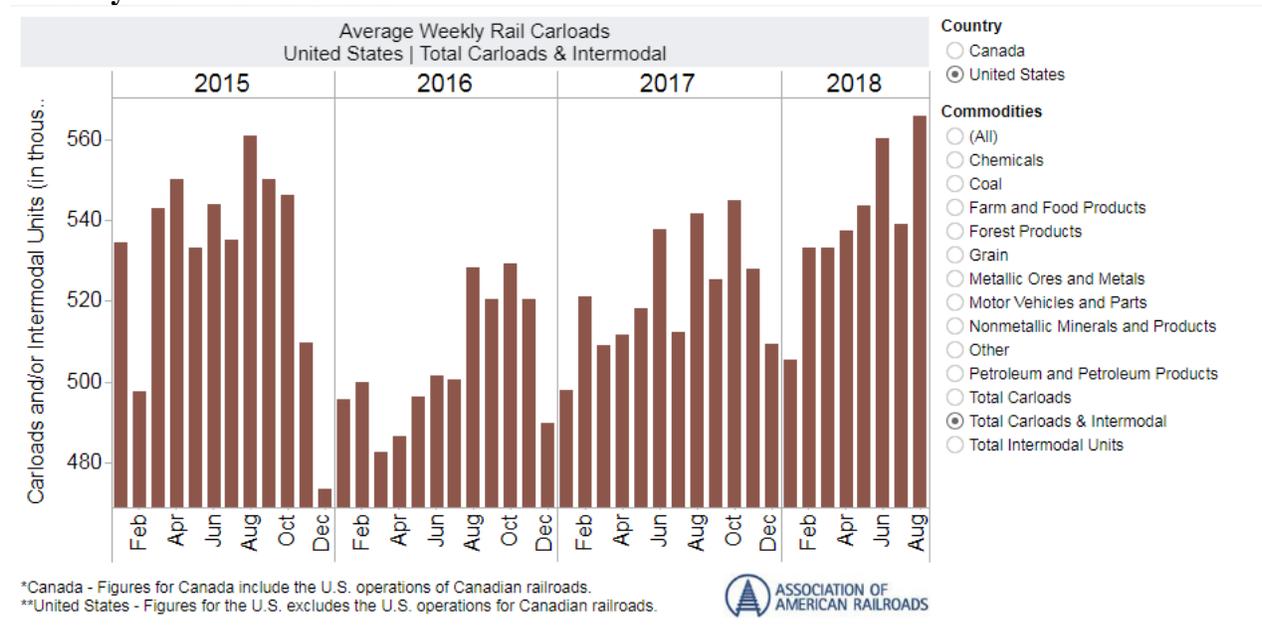
North American rail volume for the week ending September 15, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 371,432 carloads, up 1.4 percent compared with the same week last year, and 376,921 intermodal units, up 6.1 percent compared with last year. Total combined weekly rail traffic in North America was 748,353 carloads and intermodal units, up 3.7 percent. North American rail volume for the first 37 weeks of 2018 was 26,891,746 carloads and intermodal units, up 3.6 percent compared with 2017.

Canadian railroads reported 83,028 carloads for the week, down 4.2 percent, and 74,452 intermodal units, up 3.2 percent compared with the same week in 2017. For the first 37 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,521,091 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 19,792 carloads for the week, up 3.4 percent compared with the same week last year, and 18,078 intermodal units, up 12.9 percent. Cumulative volume on Mexican railroads for the first 37 weeks of 2018 was 1,429,092 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-september-15-2018/>

Monthly Rail Traffic Charts



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

Trailer Truck Demand (Bloomberg Intelligence) – 09/17/18

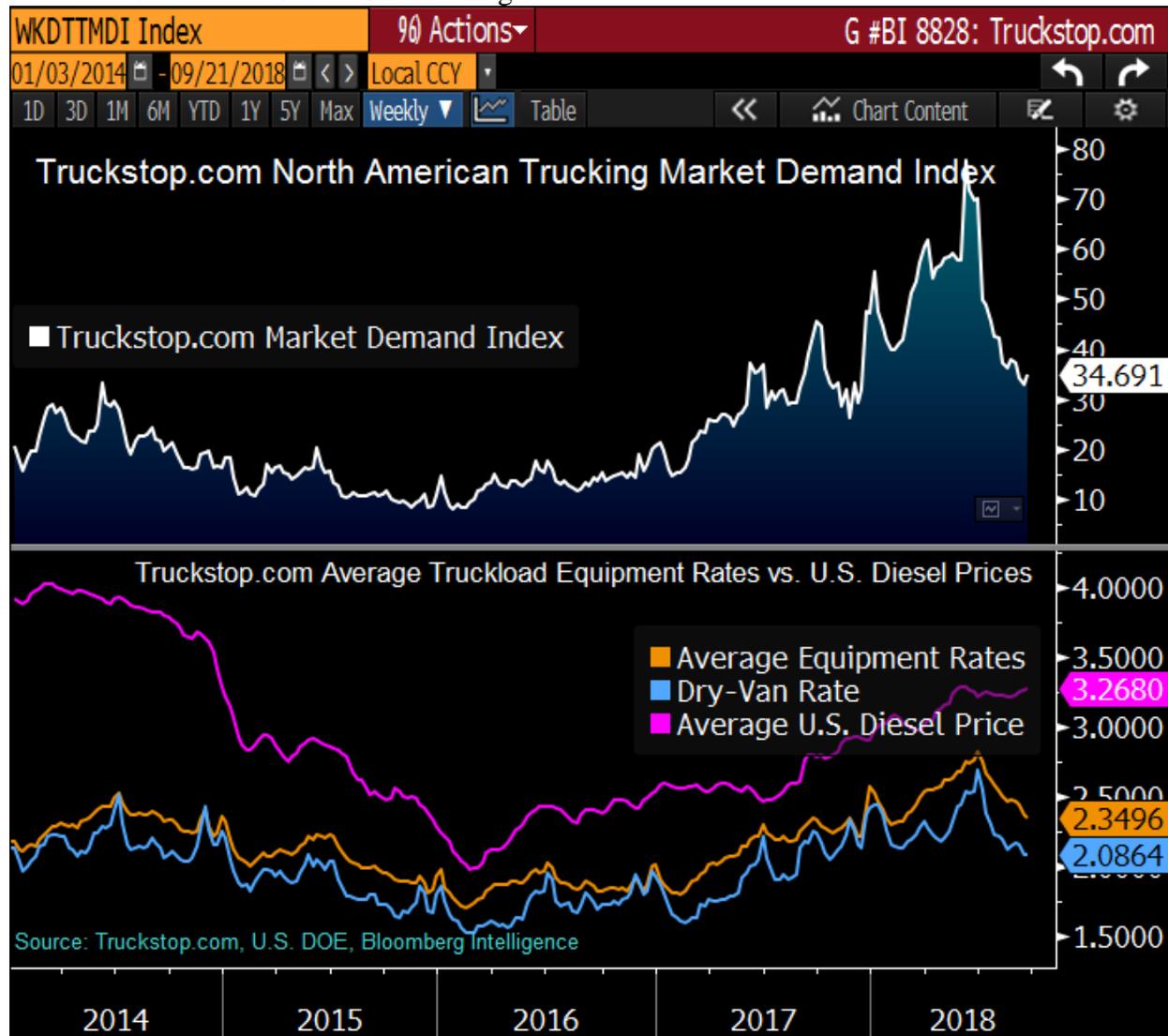
Relative North American spot-trucking demand increased 5.1% sequentially to 34.7 for the week ended Sept. 21, based on Truckstop.com's Market Demand Index. Capacity moved to the Southeast to help with relief and rebuilding efforts in the wake of Hurricane Florence, which made landfall on Sept. 14. This resulted in tighter capacity in the Northeast, south central and Midwest regions in the U.S. Rates have been slow to react to Florence's impact, which should

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see them climb as affected areas start to rebuild. Rates face difficult comparisons after a spike from Hurricane Harvey in August 2017. However, excluding fuel surcharges they remain up 19% year-to-date.

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.

Lee A Klaskow at lklaskow1@bloomberg.net



GDP

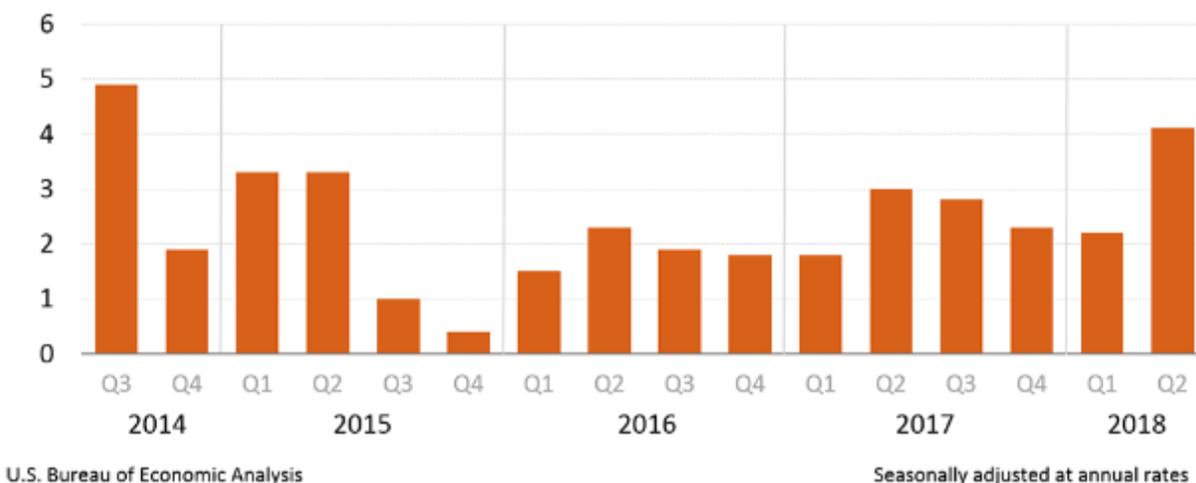
U.S. Department of Commerce, Bureau of economic analysis

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

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

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Real GDP: Percent change from preceding quarter



GDP-2Q is running at *3.72% as of 09/21/18 v. *3.68% on 09/19/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q3 2018: 4.4% ...September 19, 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 19, unchanged from September 14. After this morning's new residential construction release from the U.S. Census Bureau, the nowcast of third-quarter real residential investment growth inched up from -0.7 percent to -0.2 percent. *The next GDPNow update is Thursday, September 27. 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: 2.3%...September 21, 2018

The New York Fed Staff Nowcast stands at 2.3% for 2018:Q3 and 2.7% for 2018:Q4.

News from this week's data releases left the nowcast for 2018:Q3 broadly unchanged and decreased the nowcast for 2018:Q4 by 0.1 percentage point.

A negative surprise from the Empire State Manufacturing Survey accounted for most of the decrease. Housing data had little net impact.

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

St. Louis Fed Real GDP Nowcast... Q3 2018: 4.45 %...September 19, 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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