



Fixed Income Group A Division of RJ O'Brien

**The Missile**

[www.fixedincomegroup.com](http://www.fixedincomegroup.com)

ECO <go>ok  
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 13:04:14 09/27/18 - 10/03/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/27	07:30				Advance Goods Trade Balance	Aug	-\$70.6b	--	-\$72.2b	-\$72.0b
22)	09/27	07:30				Wholesale Inventories MoM	Aug P	0.3%	--	0.6%	--
23)	09/27	07:30				Retail Inventories MoM	Aug	--	--	0.4%	0.5%
24)	09/27	07:30				GDP Annualized QoQ	2Q T	4.2%	--	4.2%	--
25)	09/27	07:30				Personal Consumption	2Q T	3.8%	--	3.8%	--
26)	09/27	07:30				GDP Price Index	2Q T	3.0%	--	3.0%	--
27)	09/27	07:30				Core PCE QoQ	2Q T	2.0%	--	2.0%	--
28)	09/27	07:30				Durable Goods Orders	Aug P	2.0%	--	-1.7%	--
29)	09/27	07:30				Durables Ex Transportation	Aug P	0.4%	--	0.1%	--
30)	09/27	07:30				Cap Goods Orders Nondef Ex Air	Aug P	0.4%	--	1.6%	--
31)	09/27	07:30				Cap Goods Ship Nondef Ex Air	Aug P	0.5%	--	1.0%	--
32)	09/27	07:30				Initial Jobless Claims	Sep 22	210k	--	201k	--
33)	09/27	07:30				Continuing Claims	Sep 15	1678k	--	1645k	--
34)	09/27	08:45				Bloomberg Consumer Comfort	Sep 23	--	--	60.2	--
35)	09/27	09:00				Pending Home Sales MoM	Aug	-0.5%	--	-0.7%	--
36)	09/27	09:00				Pending Home Sales NSA YoY	Aug	-1.0%	--	-0.5%	--
37)	09/27	10:00				Kansas City Fed Manf. Activity	Sep	17	--	14	--
38)	09/28	07:30				Personal Income	Aug	0.4%	--	0.3%	--
39)	09/28	07:30				Personal Spending	Aug	0.3%	--	0.4%	--

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 6641-5312-0 26-Sep-2018 13:04:14

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## Fed Speak Calendar

(All times are CST)

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
United States		Browse		13:07:37		09/27/18		-		10/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly			
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	09/27	13:00			Fed's Kaplan Speaks at Forum for Minority Banking						
22)	09/27	15:30			Powell Makes Brief Remarks on U.S. Economy at Senate Event						
23)	09/28	07:30			Fed's Barkin Speaks at Forum for Minorities in Banking						
24)	09/28	15:45			Fed's Williams Speaks in New York at Money Markets Conference						
25)	10/01	08:02			Fed's Bostic Speaks on Economic Development						
26)	10/01	10:00			Fed's Kashkari Speaks in Minnetonka, Minnesota						
27)	10/01	11:15			Fed's Rosengren Speaks on the U.S. Outlook and Monetary Policy						
28)	10/02	09:00			Fed's Quarles Testifies to Senate Banking Committee						
29)	10/02	11:00			Fed's Chairman Powell Speaks at NABE Conference in Boston						
30)	10/03	05:30			Fed's Evans Speaks in London						
31)	10/03	07:05			Fed's Barkin Speaks at Economic Conference in West Virginia						
32)	10/03	13:15			Fed's Mester Speaks at Community Banking Conference						
33)	10/04	08:15			Fed's Quarles Speaks at Community Banking Conference						
34)	10/05	11:40			Fed's Bostic Speaks at Financial Literacy Conference						
35)	10/10	11:15			Fed's Evans Speaks on Economy and Monetary Policy						
36)	10/10	17:00			Fed's Bostic Speaks on Economic Outlook						
37)	10/12	08:30			Fed's Evans Takes Part in Moderated Discussion on Economy						
38)	10/12	11:30			Fed's Bostic Discusses Recruitment, Economics & Public Policy						
39)	10/17	13:00			FOMC Meeting Minutes	Sep 26	--	--	--	--	

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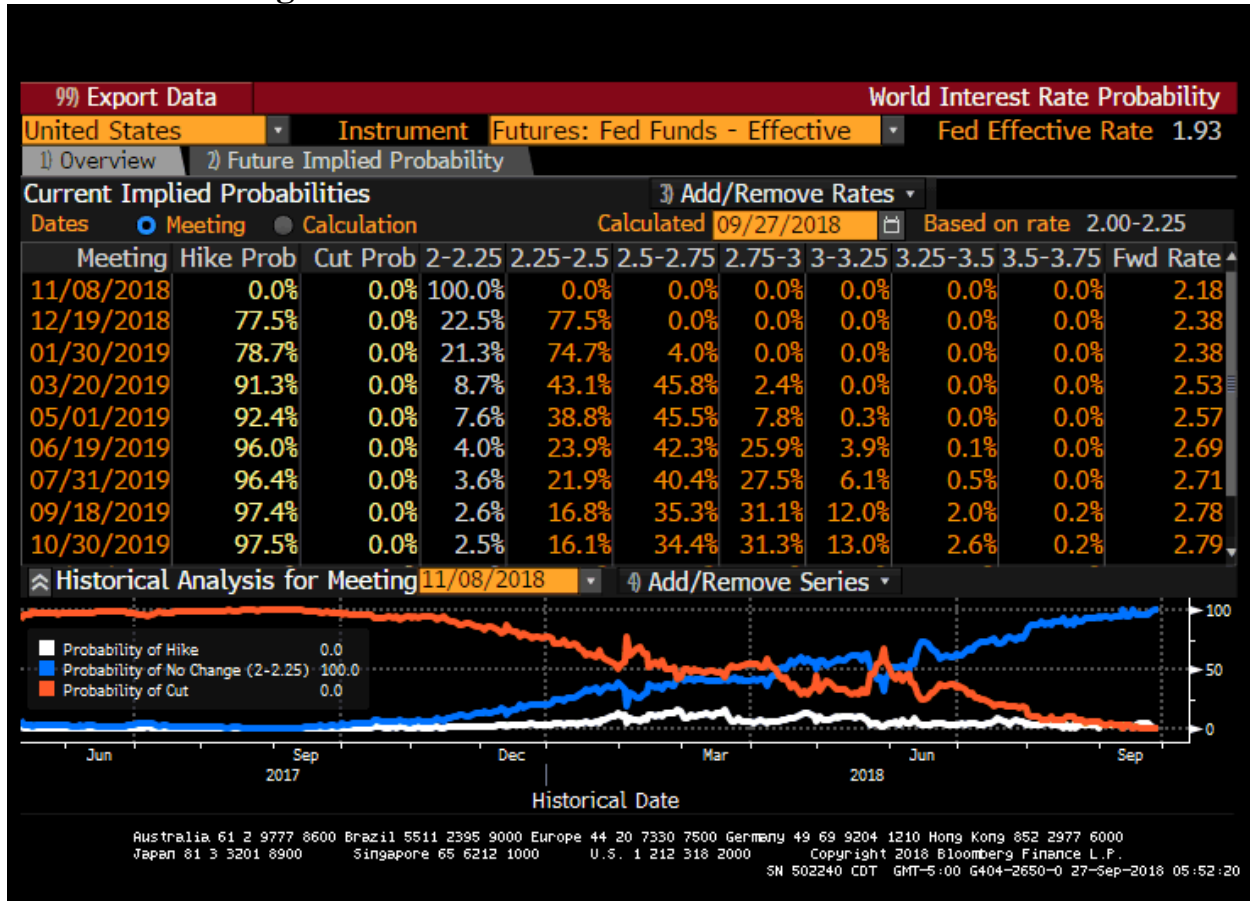
				4) Previous		3) Next		66) Send		98) Actions		99) Translate		News: News Story	
09/25/2018 12:14:15 [BN]															
	Next Offer	Next	Date	CUSIP		\$	Prior	Prior <sup>+</sup>							
Bill Auctions	Announcement	Auction	Settles	Numbers	R	BiL	Auction	\$ Bln							
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50							
4-week	10/01/2018	10/02/2018	10/04/2018	TBA		TBA	09/25/2018	\$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							
<b>Note Auctions</b>															
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	10/24/2018	10/31/2018	TBA		TBA	09/25/2018	\$38							
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							
<b>Bond Auctions</b>															
30-year	10/04/2018	10/11/2018	10/15/2018	TBA	R	TBA	09/13/2018	\$15							

<b>TIPS Auctions</b>								
5-yr TIPS	12/13/2018	12/20/2018	12/31/2018	TBA	R	TBA	08/23/2018	\$14
10-yr TIPS	11/15/2018	11/21/2018	11/30/2018	TBA	R	TBA	09/20/2018	\$11
30-yr TIPS	10/11/2018	10/18/2018	10/31/2018	TBA	R	TBA	06/21/2018	\$5
<b>Floating Rate Note</b>								
2-year FRN	10/18/2018	10/24/2018	10/31/2018	TBA	R	TBA	09/25/2018	\$17
<b>Buyback Operation</b>								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$0.025

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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, September 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	2021	Longer run	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run
Change in real GDP	3.1	2.5	2.0	1.8	1.8	3.0-3.2	2.4-2.7	1.8-2.1	1.6-2.0	1.8-2.0	2.9-3.2	2.1-2.8	1.7-2.4	1.5-2.1	1.7-2.1
June projection	2.8	2.4	2.0	n.a.	1.8	2.7-3.0	2.2-2.6	1.8-2.0	n.a.	1.8-2.0	2.5-3.0	2.1-2.7	1.5-2.2	n.a.	1.7-2.1
Unemployment rate	3.7	3.5	3.5	3.7	4.5	3.7	3.4-3.6	3.4-3.8	3.5-4.0	4.3-4.6	3.7-3.8	3.4-3.8	3.3-4.0	3.4-4.2	4.0-4.6
June projection	3.6	3.5	3.5	n.a.	4.5	3.6-3.7	3.4-3.5	3.4-3.7	n.a.	4.3-4.6	3.5-3.8	3.3-3.8	3.3-4.0	n.a.	4.1-4.7
PCE inflation	2.1	2.0	2.1	2.1	2.0	2.0-2.1	2.0-2.1	2.1-2.2	2.0-2.2	2.0	1.9-2.2	2.0-2.3	2.0-2.2	2.0-2.3	2.0
June projection	2.1	2.1	2.1	n.a.	2.0	2.0-2.1	2.0-2.2	2.1-2.2	n.a.	2.0	2.0-2.2	1.9-2.3	2.0-2.3	n.a.	2.0
Core PCE inflation <sup>4</sup>	2.0	2.1	2.1	2.1		1.9-2.0	2.0-2.1	2.1-2.2	2.0-2.2		1.9-2.0	2.0-2.3	2.0-2.2	2.0-2.3	
June projection	2.0	2.1	2.1	n.a.		1.9-2.0	2.0-2.2	2.1-2.2	n.a.		1.9-2.1	2.0-2.3	2.0-2.3	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	2.4	3.1	3.4	3.4	3.0	2.1-2.4	2.9-3.4	3.1-3.6	2.9-3.6	2.8-3.0	2.1-2.4	2.1-3.6	2.1-3.9	2.1-4.1	2.5-3.5
June projection	2.4	3.1	3.4	n.a.	2.9	2.1-2.4	2.9-3.4	3.1-3.6	n.a.	2.8-3.0	1.9-2.6	1.9-3.6	1.9-4.1	n.a.	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 June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 12-13, 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 June 12-13, 2018, meeting, and one participant did not submit such projections in conjunction with the September 25-26, 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/fomeproitabl20180926.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.25600</b>	<b>+.01381</b>	<b>(97.74400)</b>
<b>3-Month Libor Set</b>	<b>2.39600</b>	<b>+.01084</b>	<b>(97.68400)</b>
<b>6-Month Libor Set</b>	<b>2.60050</b>	<b>+.00700</b>	<b>(97.39950)</b>
<b>1-Year Libor Set</b>	<b>2.91738</b>	<b>+.00288</b>	<b>(97.08262)</b>

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## THEY SAID IT

White House budget director [Mick Mulvaney](#) told CNBC on Thursday President [Donald Trump](#) won't shut down the government over the lack of border wall funding in a newly passed House spending package.

<https://www.cnn.com/2018/09/27/omb-director-mick-mulvaney-on-trump-word-not-to-shut-down-government.html>

"We've decided to have that discussion after the election," Mulvaney said on "[Squawk Box](#)." Hours before Wednesday's House spending bill vote, Trump said, "We're going to keep the government open."

Asked if the president can be taken at his word not to close the government, Mulvaney said, "I think so."

With passage now in the House and Senate, the president needs to sign the legislation before federal funding lapses at 12:01 a.m. ET Monday.

"What you saw this here is a move in the right direction," Mulvaney said. "The House and the Senate actually passed some appropriation bills, ... so it sounds like they learned to govern again."

**"We're going to keep the government open," Trump told reporters in New York when asked if he would sign the measure.**

<https://www.reuters.com/article/us-usa-budget-house/trump-to-back-u-s-spending-bill-avert-government-shutdown-idUSKCN1M622A>

The House of Representatives passed the legislation by a strong 361 to 61 margin on Wednesday. The measure will be sent to the White House for Trump to sign or veto.

The massive package includes some \$675 billion to fund the Department of Defense for the full year ending on Sept. 30, 2019, as well as about \$180 billion for the Labor, Health and Human Services and Education Departments.

It also includes a measure to keep the federal government open until at least Dec. 7, even though Congress has not yet passed full-year appropriations bills covering every department.

**"This was something that, for various reasons over the years, Japan was unwilling to do and now they are willing to do," Trump said at a meeting with Abe in New York.**

<https://www.cnn.com/2018/09/27/us-japan-trade-talks-tokyo-to-stay-cautious.html>

Japanese Prime Minister [Shinzo Abe](#) and President [Donald Trump](#) agreed to start trade negotiations on Wednesday in a move that will likely shield Tokyo from Trump's proposed 25 percent duty on imports of Japanese vehicles and automotive parts. But [entering talks was considered a major concession for Abe](#), who will now have to carefully manage U.S. demands to open up his country's sensitive agriculture sector.

As the countries now prepare to discuss goods, services and investment, Abe is widely expected to keep his guard up to prevent criticism at home.

Given Japan's precarious position — appease Trump or get hit with duties that target a large chunk of Japanese exports headed stateside — Abe's government "will still be cautious when it comes to bilateral talks with the United States," analysts at research firm Stratfor said in a Wednesday note.

In a joint statement, Washington and Tokyo said they were aiming for "a United States-Japan Trade Agreement on goods, as well as on other key areas including services, that can produce early achievements."

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**So far, the U.S. and its northern neighbor have struggled to come to terms — and Trump is again using tariff threats as leverage to bring trading partners to the table.**

<https://www.cnn.com/2018/09/26/trump-i-rejected-a-meeting-with-canadas-trudeau.html>

"His tariffs are too high, and he doesn't seem to want to move, and I've told him forget about it, and frankly, we're thinking about just taxing cars coming in from Canada," Trump told reporters in explaining why he did not want to meet one-on-one with Trudeau at the United Nations General Assembly. "That's the mother lode. That's the big one."

"We're very unhappy with the negotiations and the negotiating style of Canada. We don't like their representative [Chrystia Freeland] very much," Trump added during a news conference.

**President Donald Trump said he sees no need to set a timetable for North Korea to abandon its nuclear weapons.**

<https://www.bloomberg.com/news/articles/2018-09-26/trump-tosses-out-deadlines-on-north-korea-denuclearization-plan?srnd=premium>

"We're not playing the time game," Trump said Wednesday during a press conference in New York capping his visit to the United Nations General Assembly. "If it takes two years, three years or five months, doesn't matter."

The administration has sent mixed messages on when it wants to see North Korea denuclearize, setting deadlines of one year to the end of Trump's first term, in early 2021

**The Hawesville smelter makes some of the world's highest-purity aluminum, and it's the only one in the U.S. that [mass-produces the military-grade kind](#) needed for fighter jets and tanks. Yet the method it uses isn't that different from how aluminum was made in 1886, when Charles Martin Hall, an [Alcoa Corp.](#) co-founder, first shot an electrical current through a mineral bath of aluminum oxide. The process has become more efficient over time, but no one's figured out a better way to separate oxygen atoms from aluminum atoms. The business is stubbornly dirty, expensive, and dependent on human labor.**

<https://www.bloomberg.com/news/features/2018-09-27/the-metal-that-started-trump-s-trade-war>

As recently as 2000, the U.S. was home to 23 aluminum smelters. Today there are six.

Aluminum companies decided a long time ago that it was cheaper to produce the raw metal in areas outside the U.S. that had easy access to cheap hydro, thermal, and petroleum power—Canada, Iceland, Russia, and the Middle East. As aluminum became less expensive to make elsewhere, American companies focused on more profitable products made with low-cost imported raw ingot.

That's been great for companies that use the metal: carmakers, airplane builders, brewers (all those cans), and aluminum sheet manufacturers. But the smelting business in the U.S. has been crushed, shedding two-thirds of its jobs over the past five years. Of the remaining smelters, Century owns three, including Hawesville. As aluminum prices sank, so did Century's profits, to the point that by the end of 2015 the entire U.S. smelting industry was on the [brink of extinction](#). Century lobbied the government and laid off about a third of its workers as its U.S. plants inched toward oblivion. Then Donald Trump got elected, and everything changed.

In March 2018, Trump fired the first major shot of his international trade war when he announced a 25 percent tariff on foreign steel and 10 percent on aluminum. The result has been chaos on both fronts, but particularly with the latter. The U.S. still produces two-thirds of the steel it uses, but it imports 85 percent of its raw aluminum. Through Sept. 19, companies have had to pay [\\$625.4 million in aluminum tariffs](#), as they can't find enough domestic supply.

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Canada has retaliated with its own tariffs. Since a piece of aluminum can take as many as five round trips across the U.S.-Canada border on its journey from ingot to finished product, what used to be the free passage of goods between two friendly nations has become an expensive logjam.

**“The Zionist regime has been trying to establish a crisis in Syria and has taken steps to directly support terrorist groups and target the Syrian army and forces who are confronting terrorism,”** Ali Shamkhani, secretary of Iran’s Supreme National Security Council, said on Thursday, according to the semi-official Tasnim news agency.

**“And if it continues, it will face reactions that will cause regret.”** He did not specify what this might mean.

<https://www.reuters.com/article/us-mideast-crisis-syria-iran/iran-says-israel-will-regret-further-attacks-on-syria-idUSKCN1M7176?il=0>

Israel, increasingly concerned that its enemy Iran may establish a long-term military presence in its neighbor, says it has carried out more than 200 attacks against Iranian targets in Syria in the last two years.

Russia said on Monday it would supply Syria with an S-300 surface-to-air missile system despite strong Israeli objections, a week after Moscow accused Israel of indirectly causing the downing of a Russian military jet by Syria air defenses.

**Two sources familiar with OPEC policy said Saudi Arabia and other producers discussed a possible production increase of about 500,000 barrels per day (bpd) among the Organization of the Petroleum Exporting Countries and non-OPEC allies.**

<https://www.reuters.com/article/us-oil-opec-saudi/saudi-arabia-in-short-term-oil-fix-fears-extra-u-s-supply-next-year-idUSKCN1M70UW>

But Riyadh decided against pressing for an official increase now as it realized it would not secure agreement from all producers present at the talks, some of which lack spare production capacity and would be unable to boost output quickly.

Such a move would have unsettled relations among producers, the sources said, with the Saudis keen to maintain unity among the so-called OPEC+ alliance in case Riyadh wants to change course in future and seek their collaboration on an output cut.

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## EQUITIES

The S&P is +4 and the NASDAQ is +23.

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 +0.22%.**

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

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

**Next meeting 11/01/18**

### On the European Continent

**The CAC Index closed -0.08%.**

**The DAX Index closed -0.13%.**

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 -1.18%.**

**The NIKKEI closed -0.99%.**

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

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

**Next meeting 10/31/18**

### China:

**The Hang Seng closed -0.36%.**

**The Shanghai Composite closed -0.54%.**

### 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: 97-35.50 is the pivot. Below the pivot, you should be short, above long.  
Support is at 97-31.00\*\*.

Resistance is at 97-35.50^ and 97-39.50\*\*.

^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: 126-21.5 is the pivot point. Above you should be long, below short.**

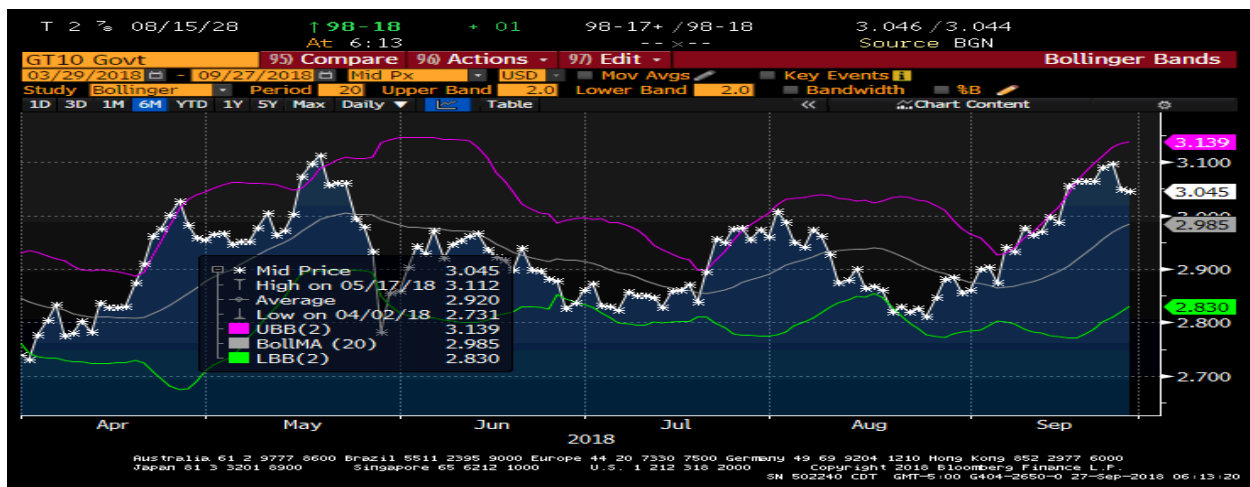
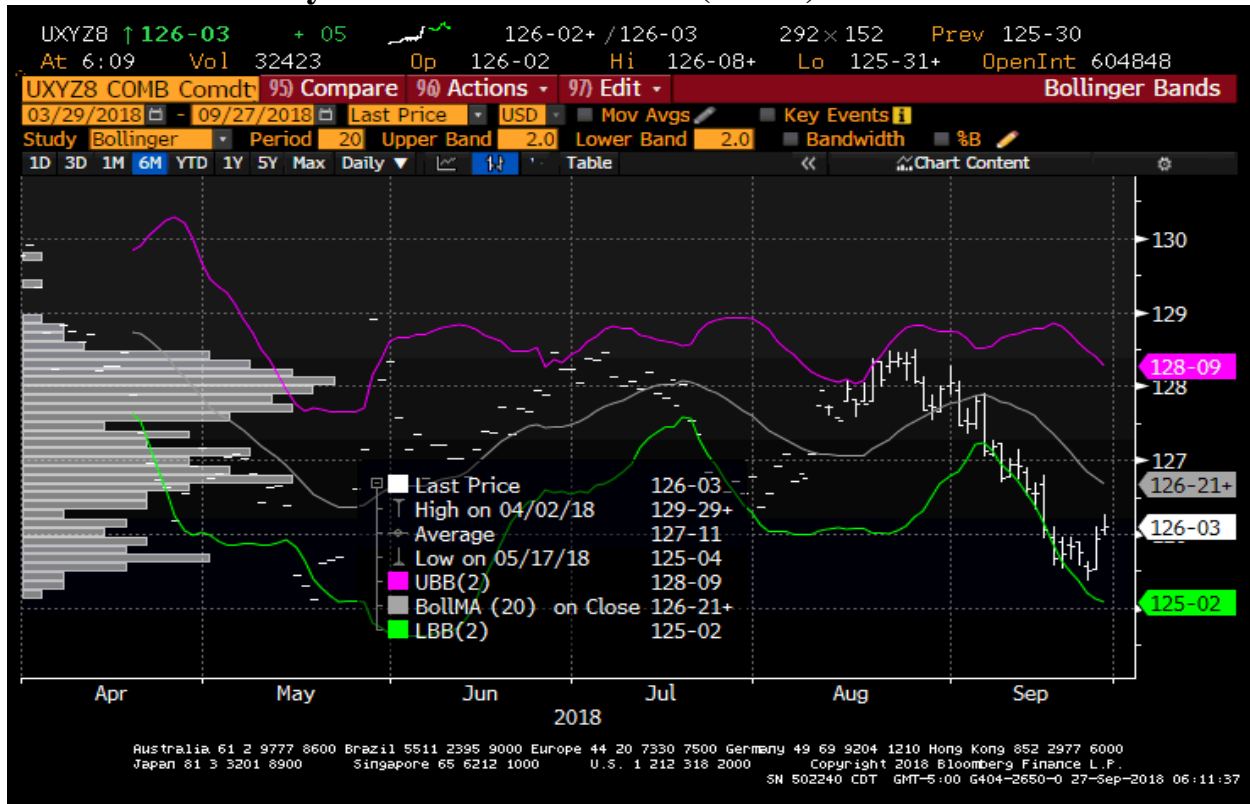
**Support is at 125-02.0\*\***

**Resistance is at 126-21.5^ and 128-09.0\*\***

^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		90 Export		99 Settings		Interest Rate Swap Rates									
		Date Range:		08/27/2018 - 09/27/2018		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															
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da.	Low	Range	High	Avg +/-BP...	PCS	CMPN		
1) 1 YR	2.795 / 2.797		2.796	0.011		0.2		2.640		2.800	2.722	7.6	1.6		
2) 2 YR	2.997 / 3.000		2.998	0.010		0.1		2.802		3.017	2.914	8.6	1.3		
3) 3 YR	3.055 / 3.058		3.056	0.007		0.1		2.842		3.083	2.966	9.2	1.2		
4) 4 YR	3.070 / 3.073		3.071	0.007		0.1		2.845		3.106	2.980	9.3	1.2		
5) 5 YR	3.074 / 3.075		3.074	0.007		0.1		2.827		3.132	2.984	9.1	1.1		
6) 6 YR	3.078 / 3.080		3.079	0.005		0.1		2.851		3.125	2.990	9.0	1.1		
7) 7 YR	3.085 / 3.087		3.086	0.005		0.1		2.843		3.150	2.997	9.0	1.1		
8) 8 YR	3.094 / 3.096		3.095	0.004		0.1		2.864		3.144	3.007	8.8	1.1		
9) 9 YR	3.103 / 3.106		3.105	0.004		0.0		2.874		3.156	3.019	8.6	1.1		
10) 10 YR	3.115 / 3.117		3.116	0.003		0.0		2.859		3.169	3.032	8.5	1.1		
11) 15 YR	3.148 / 3.151		3.149	0.002		0.0		2.929		3.205	3.070	8.0	1.1		
12) 20 YR	3.153 / 3.154		3.153	0.002		0.0		2.935		3.209	3.077	7.6	1.0		
13) 25 YR	3.139 / 3.140		3.139	0.003		0.0		2.923		3.196	3.065	7.5	1.0		
14) 30 YR	3.121 / 3.123		3.122	0.002		0.0		2.912		3.177	3.050	7.3	1.0		

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 6404-2650-0 27-Sep-2018 05:52:42

## 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.<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>

U.S. electricity generation by source, amount, and share of total in 2017 <sup>1</sup>		
Energy source	Billion kWh	Share of total
<b>Total - all sources</b>	4,015	
<b>Fossil fuels (total)</b>	2,495	62.7%
Natural gas	1,273	31.7%
Coal	1,208	30.1%
Petroleum (total)	21	0.5%
Petroleum liquids	13	0.3%
Petroleum coke	9	0.2%
Other gases	14	0.4%
<b>Nuclear</b>	805	20.0%
<b>Renewables (total)</b>	687	17.1%
Hydropower	300	7.5%
Wind	254	6.3%
Biomass (total)	64	1.6%
Wood	43	1.1%
Landfill gas	11	0.3%
Municipal solid waste (biogenic)	7	0.2%
Other biomass waste	3	0.1%
Solar (total)	53	1.3%
Photovoltaic	50	1.2%
Solar thermal	3	0.1%
Geothermal	16	0.4%
Pumped storage hydropower <sup>3</sup>	-6	-0.2%
<b>Other sources</b>	13	0.3%

Renewable Fuels Association <http://www.ethanolrfa.org/>

## TRANSPORTS

### Association of American Railroads Rail Traffic Report.

Total carloads for the week ending September 22 were 272,615 carloads, up 4.2 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 294,463 containers and trailers, up 5.7 percent compared to 2017.

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

They included petroleum and petroleum products, up 3,934 carloads, to 13,131; grain, up 3,689 carloads,

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to 23,297; and coal, up 3,490 carloads, to 87,890. Commodity groups that posted decreases compared with the same week in 2017 were metallic ores and metals, down 1,241 carloads, to 24,132; nonmetallic minerals, down 882 carloads, to 38,505; and motor vehicles and parts, down 822 carloads, to 17,001. For the first 38 weeks of 2018, U.S. railroads reported cumulative volume of 9,976,253 carloads, up 2 percent from the same point last year; and 10,532,388 intermodal units, up 6 percent from last year. Total combined U.S. traffic for the first 38 weeks of 2018 was 20,508,641 carloads and intermodal units, an increase of 4 percent compared to last year.

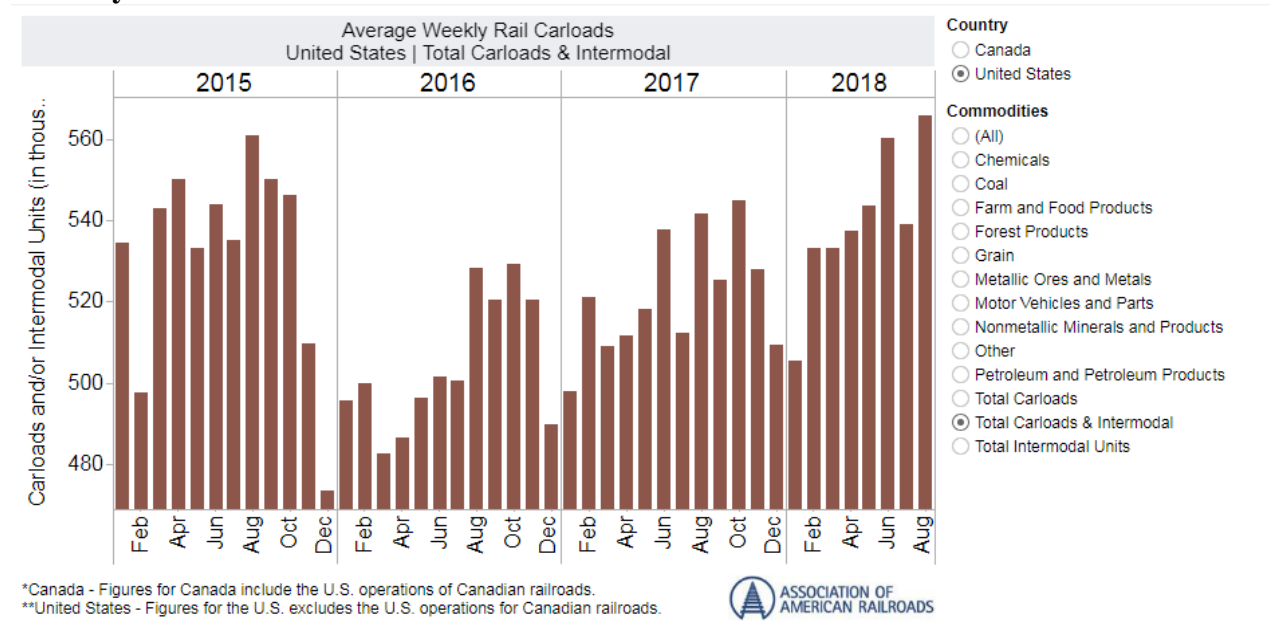
North American rail volume for the week ending September 22, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 377,956 carloads, up 3.7 percent compared with the same week last year, and 388,775 intermodal units, up 4.3 percent compared with last year. Total combined weekly rail traffic in North America was 766,731 carloads and intermodal units, up 4 percent. North American rail volume for the first 38 weeks of 2018 was 27,658,477 carloads and intermodal units, up 3.7 percent compared with 2017.

Canadian railroads reported 84,859 carloads for the week, up 4.1 percent, and 75,455 intermodal units, up 3.4 percent compared with the same week in 2017. For the first 38 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,681,405 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 20,482 carloads for the week, down 3.3 percent compared with the same week last year, and 18,857 intermodal units, down 9.8 percent. Cumulative volume on Mexican railroads for the first 38 weeks of 2018 was 1,468,431 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-september-22-2018/>

### Monthly Rail Traffic Charts



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

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

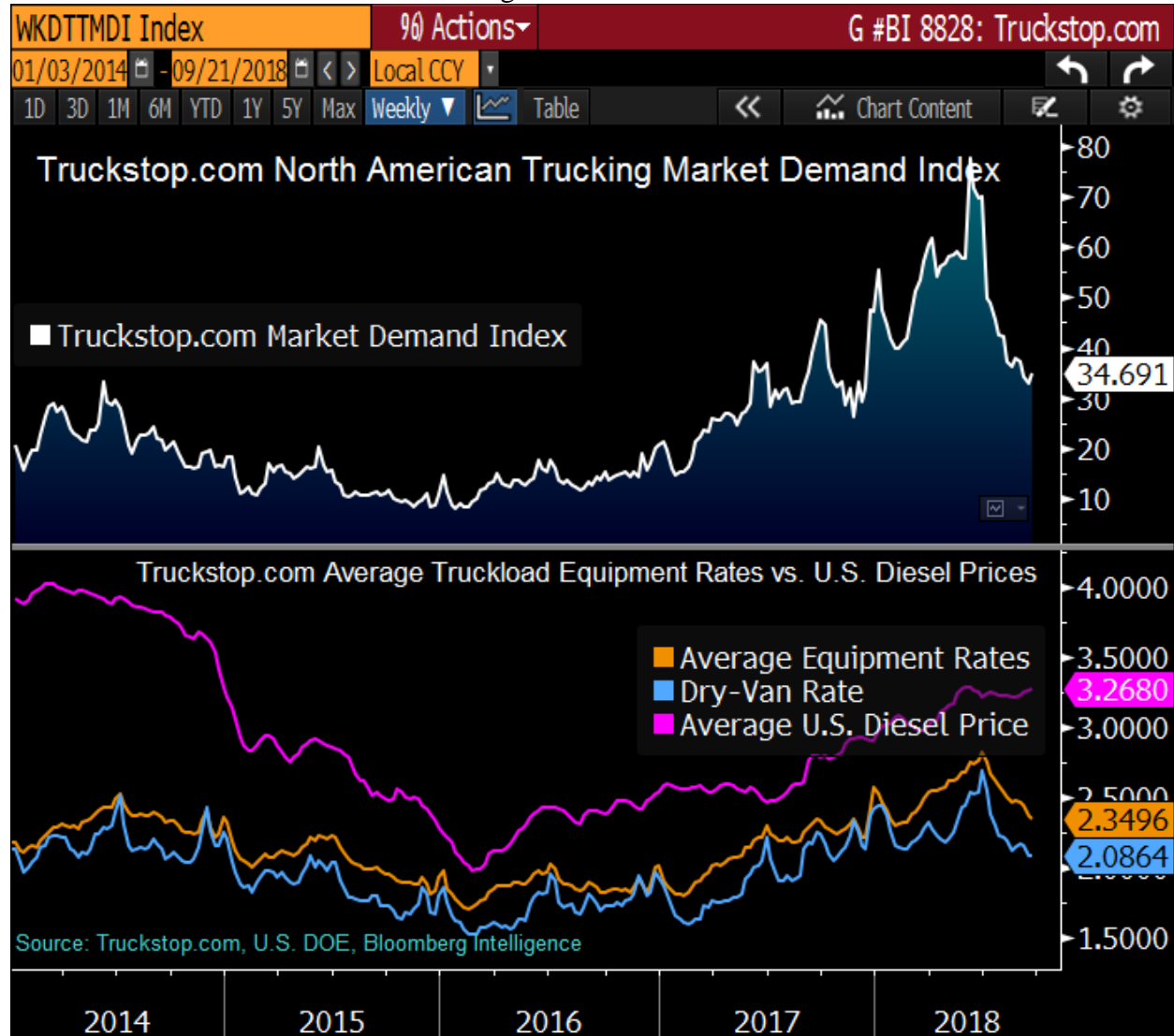
Relative North American spot-trucking demand increased 5.1% sequentially to 34.7 for the week ended Sept. 21, based on Truckstop.com's Market Demand Index. Capacity moved to the Southeast to help with relief and rebuilding efforts in the wake of Hurricane Florence, which made landfall on Sept. 14. This 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 see them climb as affected areas start to rebuild. Rates face difficult comparisons after a spike

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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

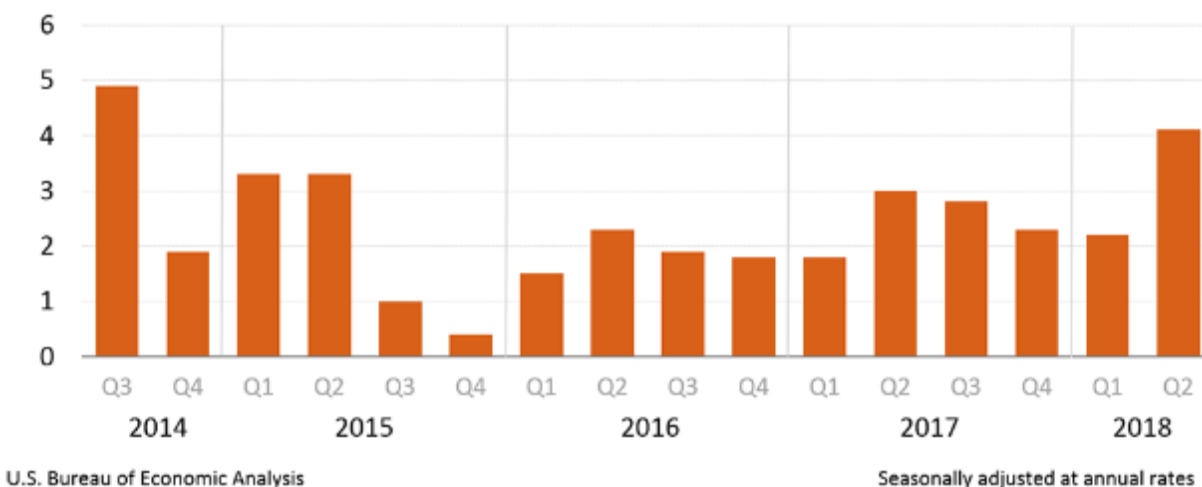
U.S. Department of Commerce, Bureau of economic analysis

<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
<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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