



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 13:22:45 07/05/18 - 07/10/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	07/05	06:30				Challenger Job Cuts YoY	Jun	--	--	-4.8%	--
22)	07/05	07:15				ADP Employment Change	Jun	190k	--	178k	--
23)	07/05	07:30				Initial Jobless Claims	Jun 30	225k	--	227k	--
24)	07/05	07:30				Continuing Claims	Jun 23	1718k	--	1705k	--
25)	07/05	08:45				Bloomberg Consumer Comfort	Jul 1	--	--	57.3	--
26)	07/05	08:45				Markit US Services PMI	Jun F	56.5	--	56.5	--
27)	07/05	08:45				Markit US Composite PMI	Jun F	--	--	56.0	--
28)	07/05	09:00				ISM Non-Manf. Composite	Jun	58.3	--	58.6	--
29)	07/05	13:00				FOMC Meeting Minutes	Jun 13	--	--	--	--
30)	07/06	07:30				Trade Balance	May	-\$43.7b	--	-\$46.2b	--
31)	07/06	07:30				Change in Nonfarm Payrolls	Jun	195k	--	223k	--
32)	07/06	07:30				Two-Month Payroll Net Revision	Jun	--	--	15k	--
33)	07/06	07:30				Change in Private Payrolls	Jun	190k	--	218k	--
34)	07/06	07:30				Change in Manufact. Payrolls	Jun	15k	--	18k	--
35)	07/06	07:30				Unemployment Rate	Jun	3.8%	--	3.8%	--
36)	07/06	07:30				Underemployment Rate	Jun	--	--	7.6%	--
37)	07/06	07:30				Average Hourly Earnings MoM	Jun	0.3%	--	0.3%	--
38)	07/06	07:30				Average Hourly Earnings YoY	Jun	2.8%	--	2.7%	--
39)	07/06	07:30				Average Weekly Hours All Emplo	Jun	34.5	--	34.5	--

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-5:00 6641-268-2 03-Jul-2018 13:22:45

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Fed Speak Calendar (All times are CST)

Calendars		Alerts		Export		Settings		Economic Calendars			
United States		Browse		11:59:15		06/29/18		-		08/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly		🔍	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	07/05 13:00	🔔		FOMC Meeting Minutes	Jun 13	--	--	--	--	
22)	07/12 07:30				Fed's Kashkari Speaks on Panel Discussing Immigration						
23)	07/13 11:30				Fed's Bostic Holds Town Hall Chat in Northern Virginia						
24)	07/18 13:00				U.S. Federal Reserve Releases Beige Book						
25)	08/01 13:00	🔔	📶		FOMC Rate Decision (Upper Bou...	Aug 1	2.00%	--	2.00%	--	
26)	08/01 13:00	🔔	📶		FOMC Rate Decision (Lower Bo...	Aug 1	1.75%	--	1.75%	--	
27)	08/22 13:00	🔔		FOMC Meeting Minutes	Aug 1	--	--	--	--	

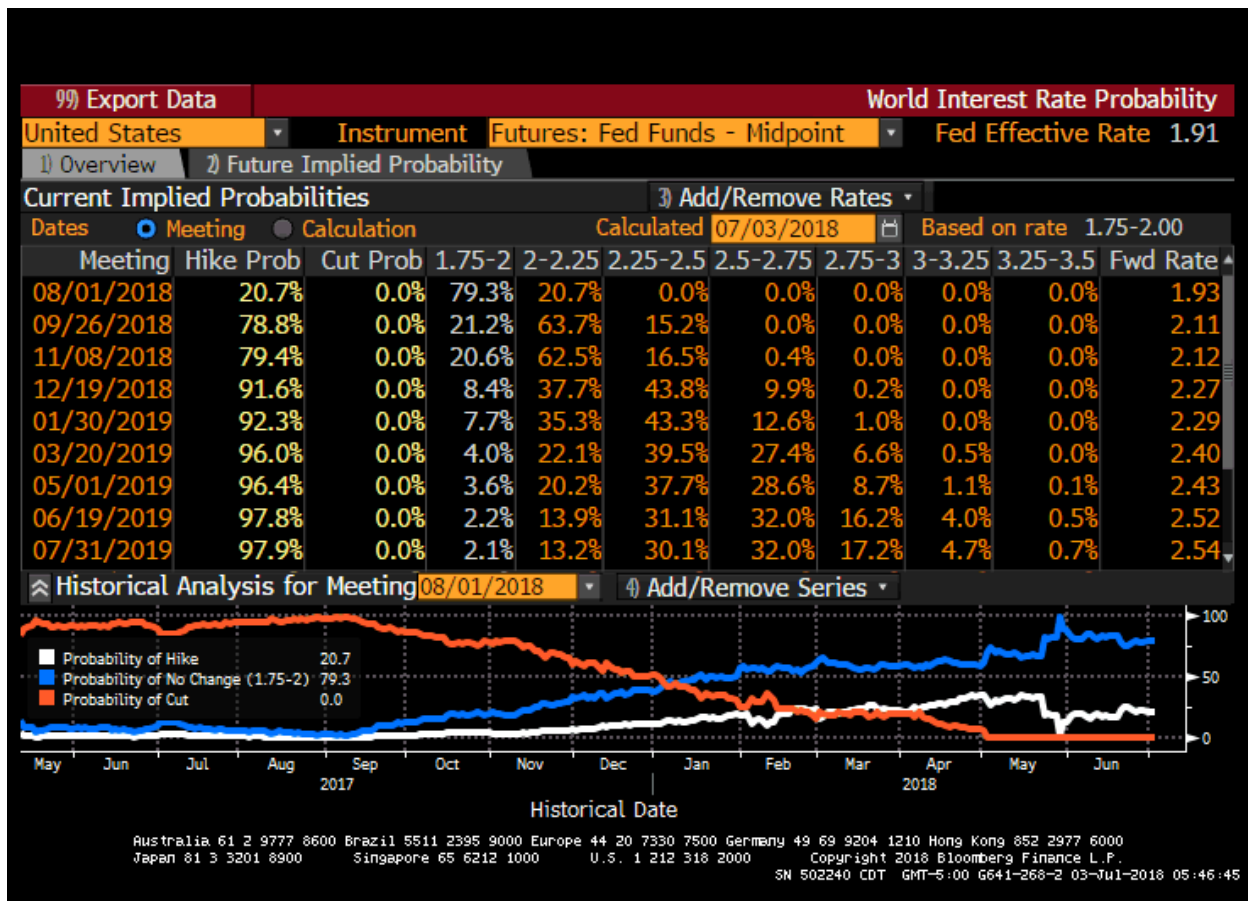
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	07/09/2018	07/10/2018	07/12/2018	TBA		TBA	07/02/2018	\$35
3-month	07/05/2018	07/09/2018	07/12/2018	912796N28		TBA	07/02/2018	\$48
6-month	07/05/2018	07/09/2018	07/12/2018	912796QS1		TBA	07/02/2018	\$42
1-year	07/12/2018	07/17/2018	07/19/2018	TBA		TBA	06/19/2018	\$26
Note Auctions								
2-year	07/19/2018	07/24/2018	07/31/2018	TBA		TBA	06/26/2018	\$34
3-year	07/05/2018	07/10/2018	06/15/2018	912828Y20		TBA	06/11/2018	\$32
5-year	07/19/2018	07/25/2018	07/31/2018	TBA		TBA	06/27/2018	\$36
7-year	07/19/2018	07/26/2018	07/31/2018	TBA		TBA	06/28/2018	\$30
10-year	07/05/2018	07/11/2018	06/15/2018	9128284N7	R	TBA	06/11/2018	\$22
Bond Auctions								
30-year	07/05/2018	07/12/2018	06/15/2018	912810SC3	R	TBA	05/10/2018	\$14

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TIPS Auctions								
5-yr TIPS	08/16/2018	08/23/2018	08/31/2018	TBA	R	TBA	04/19/2018	\$16
10-yr TIPS	07/12/2018	07/19/2018	07/31/2018	TBA		TBA	05/17/2018	\$11
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	07/19/2018	06/27/2018	06/29/2018	9128284K3	R	\$16	05/23/2018	\$16
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	\$.025

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/fomcprojtabl20180613.pdf>

Libor Set

1-Month Libor Set	2.09713	+.00988	(97.90287)
3-Month Libor Set	2.33863	+.00132	(97.66137)
6-Month Libor Set	2.52025	+.01431	(97.47975)
1-Year Libor Set	2.78400	+.01056	(97.21600)

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THEY SAID IT

“Domestically, the incoming data have given me greater confidence that the softness of U.K. activity in the first quarter was largely due to the weather, not the economic climate,” Carney said, speaking in Newcastle, North-East England, on Thursday.

<https://www.bloomberg.com/news/articles/2018-07-05/u-k-economy-s-strength-shows-need-for-higher-rates-carney-says>

The U.K. economy is showing signs of rebounding from a sluggish first quarter of the year, supporting the view that it will require higher interest rates, according to [Bank of England](#) Governor Mark Carney.

“Indicators of household spending and sentiment have bounced back strongly from what increasingly appears to have been erratic weakness” in the first quarter, he said.

His upbeat remarks on growth leave the door open to a BOE interest-rate increase as early as the next meeting on Aug. 2, when officials also update their forecasts. Investors currently see about an 80 percent chance of a quarter-point move next month.

“The tail risk of a Sino-US trade war is getting fatter,” said Chi Lo, greater China senior economist at BNP Paribas Asset Management in Hong Kong. “The two sides may misjudge each other’s intentions when patriotism takes over rationality, and push themselves into an escalating series of attacks and retaliation.”

<https://www.bloomberg.com/news/articles/2018-07-05/china-says-u-s-tariffs-to-backfire-damaging-the-whole-world>

President Donald Trump said the U.S. would begin charging additional duties of 25 percent on \$50 billion worth of Chinese imports in response to what he says is theft of American intellectual property. That’s split into two rounds - \$34 billion now and \$16 billion later.

According to the commerce ministry’s Gao, \$20 billion of the \$34 billion in goods to be hit with U.S. tariffs from Friday are produced by foreign companies, including from the U.S.

In the scenario where the U.S. and China just stick to this round of tariffs -- \$50 billion of imports -- and go no further, then the drag on China’s economy would be 0.2 percentage point of growth in 2019, according to Bloomberg Economics’ calculations.

If things escalate, then the hit will be bigger, cutting as much as [half a percentage point](#) from growth. China’s economy grew by 6.9 percent in 2017 and the government has set a target of 6.5 percent for the current year.

“We put a halt on all investment, not just because we will be losing money, but because we don't know if growing in the U.S. is the right move if we won't be an exporting country,” said Ken Maschhoff, chairman of Maschhoff Family Foods and co-owner of the nation's largest family-owned pork producer.

<https://www.cnbc.com/2018/07/04/us-pork-producers-brace-for-new-pork-tariffs-from-china-mexico.html>

Maschhoff said the farm industry has been “asked to be good patriots. We have been. But I don’t want to be the patriot who dies at the end of the war. If we go out of business, it’s tough to look at my kids and the 550 farm families that look us into the eye and our 1,400 employees.”

Mexico imposed a [10 percent tariff on chilled and frozen pork musclecuts](#) effective June 5, and that import tax is set to double to 20 percent on Thursday. Mexico’s retaliatory action followed the Trump administration’s duties on imported aluminum and steel.

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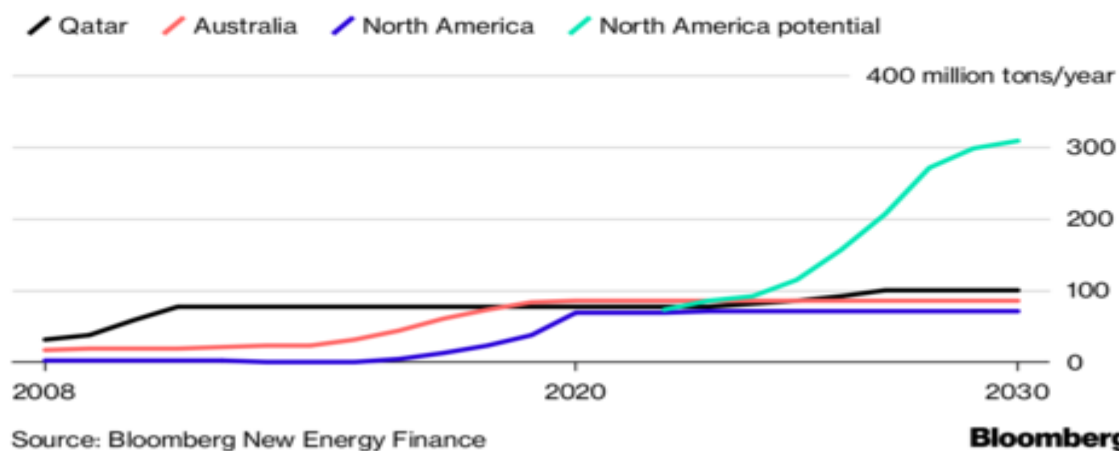
China, meantime, is scheduled to start collecting an additional 25 percent import duty Friday on American pork products as it [targets \\$34 billion worth of U.S. goods](#) in response to President [Donald Trump](#)'s action against Beijing for alleged intellectual property theft. China also is set to add tariffs this week on U.S. soybeans, corn, wheat, cotton, whiskey and dairy, as well as [U.S. autos](#). Nearly [\\$20 billion in U.S. agricultural exports went to China](#) last year, with the more than half of that amount coming from soybeans.

Despite being at the center of trade tensions, the U.S. and China are a natural fit in the global gas market. China's booming demand pushed it past Japan this year as the world's biggest importer. Meanwhile, the U.S. is vying with Qatar and Australia to become the largest exporter of LNG. That explains why LNG has been conspicuously absent as a target of China's retaliatory levies.

<https://www.bloomberg.com/news/live-blog/2018-07-04/u-s-china-trade-tariffs-latest-developments>

Untapped Potential

U.S. could become world's biggest LNG exporter if proposed projects are funded



Is a trade war or surging debt the biggest threat to China's economy? Try declining fertility. While the nation recently relaxed its one-child policy, such moves are unlikely to head off a projected plunge in population that will constrain the country in coming decades. In the second of a two-part episode on falling global fertility, Scott Lanman talks with Cai Yong, an expert in Chinese demographics at the University of North Carolina, about the challenges facing the world's second-biggest economy.

<https://www.bloomberg.com/news/articles/2018-07-05/why-china-s-population-is-about-to-plunge>

Two U.K. citizens are critically ill in hospital after being exposed to the Novichok nerve agent — the same potentially lethal toxin that was used to poison former Russian spy Sergei Skripal and his daughter Yulia in March.

The man and woman, both British and named in U.K. media reports as Charlie Rowley, 45, and Dawn Sturgess, 44, were found unconscious on Saturday at a house in the small town of Amesbury, just nine miles from Salisbury in southern England where the Skripals were attacked.

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<https://www.cnbc.com/2018/07/05/uk-reels-from-second-nerve-agent-poisonings-russia-denies-involvement.html>

The incident has brought up barely settled tensions between the U.K. and Russia. British Security Minister Ben Wallace has called on Russia to provide more details about the Skripal attack so that authorities can “keep people safe,” while one senior Russian lawmaker called on the U.K. to ask Russian experts to take part in the latest investigation.

As with the Skripal attack, Russia has denied any involvement in the latest incident.

The U.K. has not accused Russia of being behind the latest incident, with the working assumption being that the couple had a chance encounter with the nerve agent that might not have been properly disposed of after the Skripal attack.

However, Metropolitan Police Assistant Commissioner Neil Basu could not confirm Wednesday whether the nerve agent that the British man and woman had come into contact with was the same as that used on the Skripals.

Counter-terrorism police have been brought in to investigate how the victims were exposed to the nerve agent, which can be up to eight times as lethal as VX, the nerve agent used to kill North Korean leader Kim Jong Un’s half-brother last year.

“The dynamics of the economy require a new approach, employers have to open the aperture to bring in people from the sidelines, whether they be ex-offenders or retirees,” said Becky Frankiewicz, North America president at ManpowerGroup, the recruitment company.

<https://www.cnbc.com/2018/07/03/financial-times-us-companies-turn-to-felons-to-fill-labour-shortages.html>

Labor shortages in the US Midwest are prompting more employers to hire prisoners, ex-convicts and former drug addicts as they relax recruitment standards to fill vacancies, especially in the booming manufacturing and construction industries.

Human resources experts in the region said some companies were starting to waive drug tests, while others were increasingly willing to skip or delay criminal background checks in a bid to compete for scarce laborers. Many such employers turn a blind eye to whether new hires were previously treated for drug abuse or are still in treatment.

Some US states have passed so-called “ban the box” laws that force employers to delay criminal background checks until later in the application process. But even in states that do not have such laws — like many in the Midwest — more employers are delaying background checks voluntarily and disqualifying only offenders who have committed sex-related felonies.

“We’re seeing a lot of employers bringing in employees while background checks are pending, to get people working before background checks are finalized,” said Ms Frankiewicz.

“We have had several workers who were convicted murderers,” said Susan Droptiny, human resources manager at Elkhart Plastics, which supplies some parts to motorhome makers.

“It started out pretty simple: we just needed people,” she said. “There is a lot of competition here for workers” due to the RV boom of the past two to three years.

“Some have ended up being our best employees, they want that second chance, they work hard and they are here every day, it’s been such a positive experience for us,” she said, noting that a criminal record was not a box on her company’s job application form. A criminal-background check was eventually done on every employee, but only those convicted of a sex-related crime were automatically disqualified. Ex-offenders got the same pay and benefits as other staff.

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EQUITIES

The S&P is **+15** and the NASDAQ is **+40**.

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 +0.50%.

In the UK, the swap curve is flatter with yields mixed.

BOE Rate +0.50%. (No change).

Next meeting 08/02/18

On the European Continent

The CAC Index closed +1.08%.

The DAX Index closed +1.39%.

On the Continent, the swap curve is flatter with yields mixed.

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

Deposit Facility Rate -.40%

Next meeting 07/26/18

ASIA

Japan:

The TOPIX closed -1.01%.

The NIKKEI closed -0.78%.

In Japan, the swap curve is steeper with yields higher.

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

Next meeting 07/31/18

China:

The Hang Seng closed -0.21%.

The Shanghai Composite closed -0.91%.

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

EDU8: 97-53.5 is the pivot. Below the pivot, you should be short, above long. Support is at 97-50.5** and 97.53.5^.

Resistance is at 97-56.0**.

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

** 2-STD Deviations from the pivot point.

New trend would have you long but I have elected to go flat. (6/26/18).



YTD (per contract)

2018 +36.5 ticks (+\$912.50)

2017 +33.0 ticks (+\$825.00)

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10yr/TYU8: 119-26.0 is the pivot point. Above you should be long, below short.

Support is at **119-05.0** and **119-26.0**^{^*}

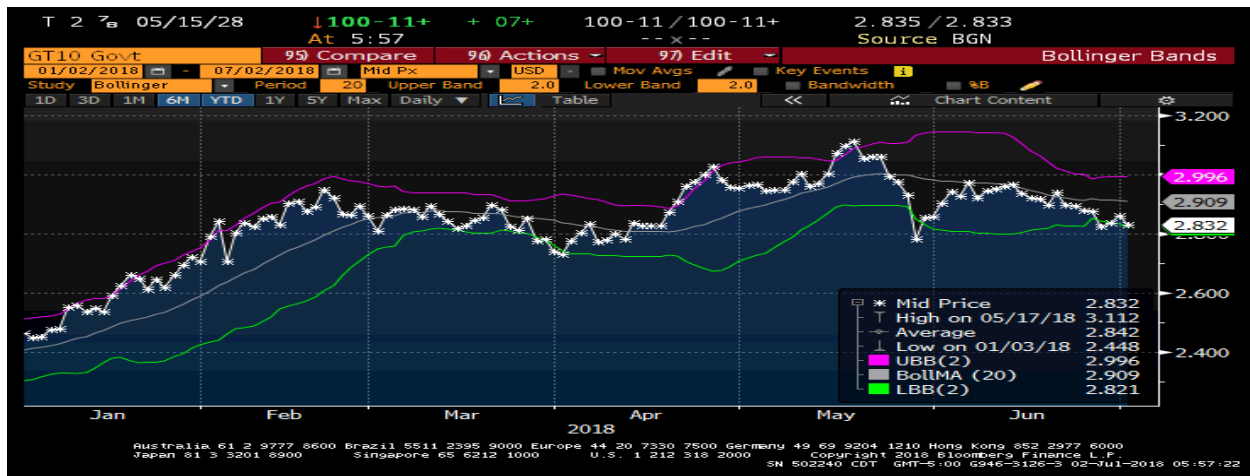
Resistance is at **120-15.5**

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

** 2-STD Deviations from the pivot point

Current trend has you long from 119-25.0 (6/22/18).

I have elected to go flat and wait for a clearer trend.



YTD (per contract)

(2018) +106.0 futures ticks (\$31.25 per tick) or +\$3,312.50.

(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:		06/05/2018	-	07/05/2018	1 Month						
40 Semi Swaps		41 Sprs to Gov.	42 Ann Swaps	43 Ann Sprs	44 OIS Swaps	49 CME/LCH Sprs							
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-	-BPS	#SD
1) 1 YR	2.621	2.624	2.623	0.009		0.6	2.553	2.638	2.603	2.638	2.603	2.1	1.4
2) 2 YR	2.810	2.814	2.812	0.009		0.4	2.729	2.862	2.801	2.862	2.801	1.3	0.7
3) 3 YR	2.877	2.881	2.878	0.011		0.4	2.808	2.953	2.875	2.953	2.875	0.6	0.2
4) 4 YR	2.898	2.901	2.899	0.021		0.8	2.840	2.992	2.904	2.992	2.904	-0.3	-0.1
5) 5 YR	2.904	2.906	2.905	0.028		0.9	2.845	3.014	2.916	3.014	2.916	-1.0	-0.3
6) 6 YR	2.907	2.909	2.908	0.016		0.5	2.855	3.024	2.927	3.024	2.927	-1.7	-0.5
7) 7 YR	2.911	2.913	2.912	0.027		0.7	2.803	3.040	2.935	3.040	2.935	-2.2	-0.6
8) 8 YR	2.917	2.920	2.918	0.027		0.7	2.872	3.048	2.946	3.048	2.946	-2.7	-0.7
9) 9 YR	2.926	2.929	2.927	0.027		0.7	2.884	3.057	2.958	3.057	2.958	-3.0	-0.8
10) 10 YR	2.937	2.938	2.937	0.025		0.6	2.896	3.077	2.970	3.077	2.970	-3.3	-0.8
11) 15 YR	2.966	2.967	2.966	0.015		0.3	2.933	3.110	3.009	3.110	3.009	-4.2	-1.0
12) 20 YR	2.962	2.964	2.963	0.022		0.5	2.934	3.110	3.011	3.110	3.011	-4.7	-1.1
13) 25 YR	2.947	2.948	2.947	0.021		0.5	2.919	3.160	2.996	3.160	2.996	-4.7	-1.1
14) 30 YR	2.928	2.930	2.929	0.012		0.3	2.899	3.070	2.976	3.070	2.976	-4.6	-1.1

Executable quotes for Fixed Income Electronic Trading are in white tenors.

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 502340 CDT GMT-5:00 6404-3970-3 05-Jul-2018 05:51:54

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The Option Lab

Trade Log:

2. Long the TY Week-2 120.00 put (at the money) from 8/64ths (3/9/2018).

1/64th = \$15.625

8/64ths = \$125 per contract purchased.

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

TY Week-2 in March expire today (3/9/18). Sold option back out at 7/64ths for a \$15.63 loss.

1. Long 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.

The put fly was sold on 2/7/18 for a 1.25 tick (\$31.25) winner.

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.



Charge-off Delinquency Rates on Loans and Leases at Commercial Banks

<https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

St. Louis Fed Agriculture Finance Monitor 1st quarter 2018

For the seventeenth consecutive quarter, agricultural bankers in the Eighth Federal Reserve District, on net, reported that farm income had declined compared with a year earlier. This quarter's survey assesses agricultural finance conditions during the first quarter of 2018. Bankers also reported that farm household spending and capital expenditures remained below year-earlier levels in the first quarter. Compared with the previous survey, slightly more bankers were more optimistic about the prospects for farm income, household income, and capital expenditures over the next three months. Quality farmland values fell slightly in the first quarter from a year earlier, as did cash rents on quality farmland. By contrast, ranchland or pastureland values rose sharply in the first quarter, as did cash rents on this type of land. Judging from the expectations for several farm-related metrics reported last quarter, respondents generally believe that economic conditions in the farm economy in the first quarter of 2018 were modestly better than anticipated three months earlier. Interest rates on four of the six fixed- and variable-rate loan categories rose slightly in the first quarter. There were three special questions in this quarter's survey. Results from the first question indicated that nearly all bankers made loans to row crop farmers, while roughly three-quarters made loans to farmers with cattle operations. The second and third special

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questions looked at off-farm income for farmers. Nearly four of five bankers reported that half or less of the farmers they lend to have full- or part-time off-farm jobs. A similar percentage indicated that half or less of the farmers they lend to would have difficulty servicing their farm-related debt without off-farm income.

<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>

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.	29 June 2018	1,047	-5	22 June 2018	+107	30 June 2017
Canada	29 June 2018	172	+12	22 June 2018	-17	30 June 2017
International	May 2018	967	-11	April 2018	+10	May 2017

<http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview>

EV Outlook 2018

Executive summary:

Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. Electric cars accounted for 39% of new car sales in Norway in 2017 – the world's most advanced market of electric cars in terms of sales share. 2 Iceland and Sweden, the next two most successful markets, achieved 11.7% and 6.3% electric car sales share, respectively, in 2017. 3 More than half of global sales of electric cars were in the People's Republic of China (hereafter, "China"), where electric cars had a market share of 2.2% in 2017. Electric cars sold in the Chinese market more than doubled the amount delivered in the United States, the second-largest electric car market globally. Electrification of other transport modes is also developing quickly, especially for two-wheelers and buses. In 2017, sales of electric buses were about 100 000 and sales of two-wheelers are estimated at 30 million; for both modes, the vast majority was in China.

<https://www.iea.org/gevo2018/>

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What is U.S. electricity generation by energy source?

In 2017, about 4,015 billion kilowatthours (kWh) (or 4.01 trillion kWh) of electricity were generated at utility-scale facilities in the United States.¹ About 63% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases). About 20% was from nuclear energy, and about 17% was from renewable energy sources. The U.S. Energy Information Administration estimates that an additional 24 billion kWh of electricity generation was from small-scale solar photovoltaic systems in 2017.²

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

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

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TRANSPORTS

Association of American Railroads Rail Traffic Report.

U.S. railroads originated 1,080,769 carloads in June 2018, up 2.0 percent, or 21,098 carloads, from June 2017. U.S. railroads also originated 1,159,973 containers and trailers in June 2018, up 6.3 percent, or 68,689 units, from the same month last year. Combined U.S. carload and intermodal originations in June 2018 were 2,240,742, up 4.2 percent, or 89,787 carloads and intermodal units from June 2017.

In June 2018, 14 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with June 2017. These included: petroleum & petroleum products, up 7,411 carloads or 19.7 percent; crushed stone, sand & gravel, up 7,276 carloads or 7.1 percent; and chemicals, up 4,608 carloads or 3.7 percent. Commodities that saw declines in June 2018 from June 2017 included: coal, down 9,396 carloads or 2.7 percent; nonmetallic minerals, down 3,552 carloads or 18.8 percent; and waste & nonferrous scrap, down 618 carloads or 3.8 percent. “Rail traffic in June was consistent with a healthy economy,” said AAR Senior Vice President of Policy and Economics John T. Gray. “In June, 14 of the 20 commodity categories the AAR tracks each month saw carload gains — the third straight month in which at least 14 categories were up. That’s the longest such streak since late 2014. Meanwhile, record intermodal volume for June speaks to the high value proposition that rail customers associate with intermodal service. For now, things are looking good for the railroads and the economy despite the many threats, such as a potential trade war, that could bring change quickly.”

Excluding coal, carloads were up 30,494 carloads, or 4.3 percent, in June 2018 from June 2017.

Excluding coal and grain, carloads were up 25,979 carloads, or 4.2 percent.

Total U.S. carload traffic for the first six months of 2018 was 6,747,414 carloads, up 1.3 percent, or 87,169 carloads, from the same period last year; and 7,153,557 intermodal units, up 6.0 percent, or 405,633 containers and trailers, from last year.

Total combined U.S. traffic for the first 26 weeks of 2018 was 13,900,971 carloads and intermodal units, an increase of 3.7 percent compared to last year.

Week Ending June 30, 2018

Total U.S. weekly rail traffic was 564,243 carloads and intermodal units, up 4.6 percent compared with the same week last year.

Total carloads for the week ending June 30 were 270,916 carloads, up 0.7 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 293,327 containers and trailers, up 8.5 percent compared to 2017.

Eight of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 2,494 carloads, to 11,354; chemicals, up 1,739 carloads, to 33,563; and metallic ores and metals, up 738 carloads, to 26,054.

Commodity groups that posted decreases compared with the same week in 2017 were coal, down 4,635 carloads, to 83,214; and grain, down 7 carloads, to 23,433.

North American rail volume for the week ending June 30, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 377,509 carloads, up 2.7 percent compared with the same week last year, and 380,866 intermodal units, up 8.8 percent compared with last year. Total combined weekly rail traffic in North America was 758,375 carloads and intermodal units, up 5.7 percent. North American rail volume for the first 26 weeks of 2018 was 18,733,684 carloads and intermodal units, up 3.3 percent compared with 2017.

Canadian railroads reported 84,694 carloads for the week, up 7.1 percent, and 69,286 intermodal units, up 4.6 percent compared with the same week in 2017. For the first 26 weeks of 2018,

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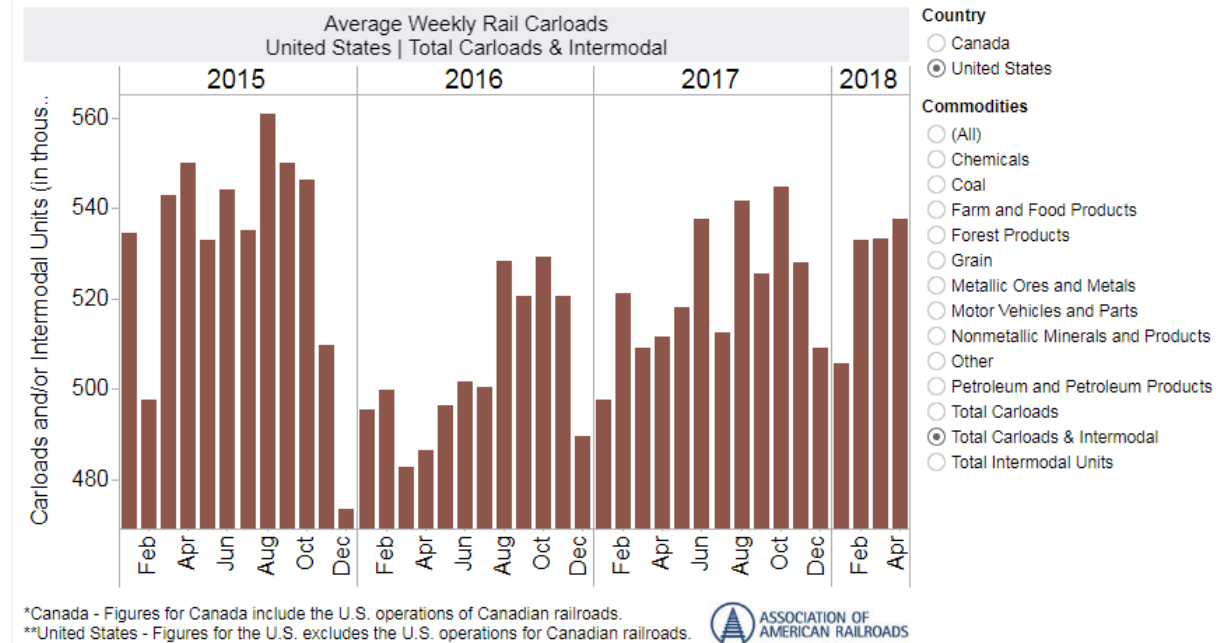
Canadian railroads reported cumulative rail traffic volume of 3,840,282 carloads, containers and trailers, up 3.6 percent.

Mexican railroads reported 21,899 carloads for the week and 18,253 intermodal units.

Cumulative volume on Mexican railroads for the first 26 weeks of 2018 was 992,431 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-the-week-ending-june-30-2018/>

Monthly Rail Traffic Charts



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

Trailer Truck Demand

(Bloomberg Intelligence) – 06/25/18

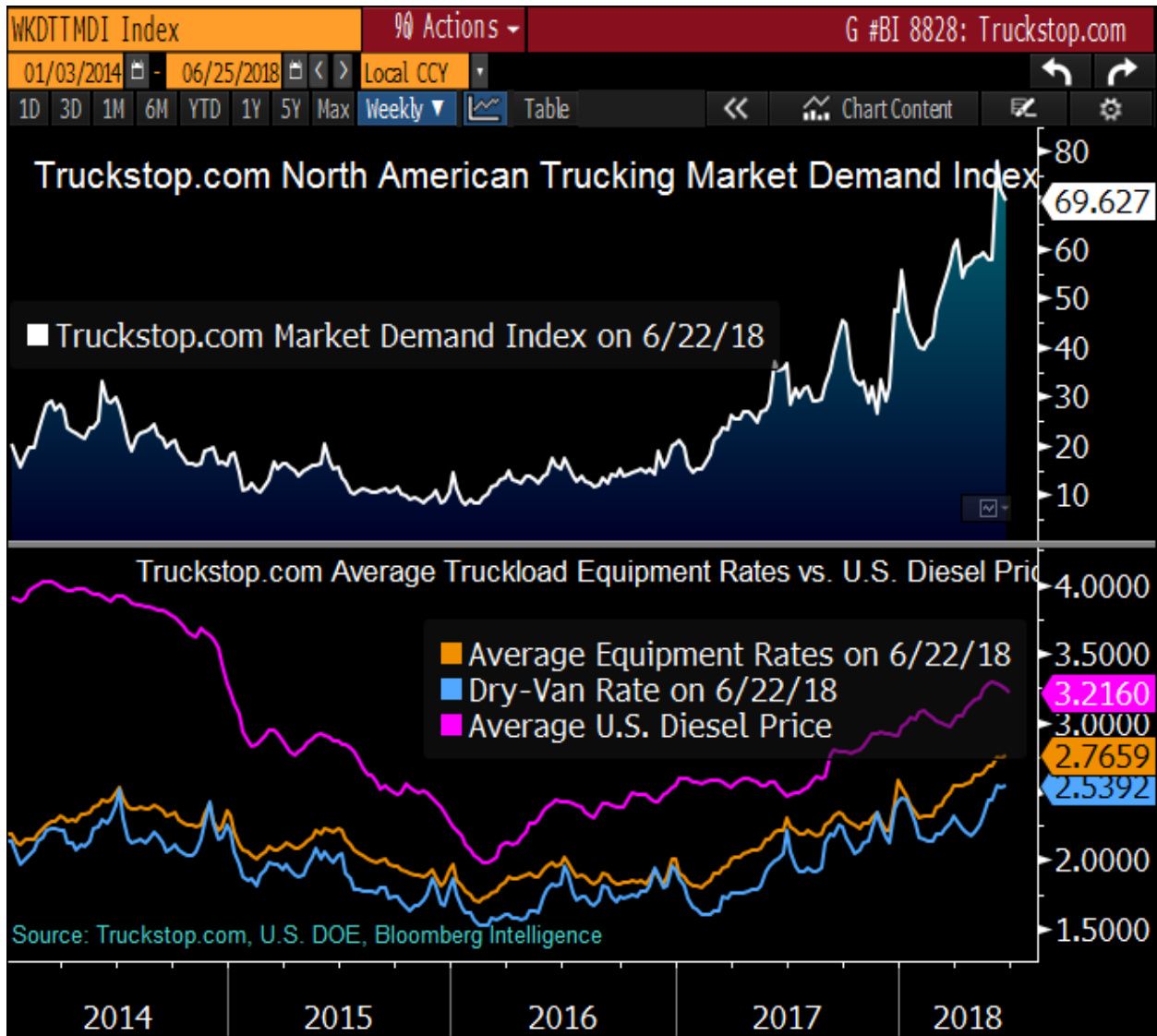
Relative North American spot-trucking demand retreated 3% sequentially to 69.6 in the week ended June 22, based on Truckstop.com's Market Demand Index. For the second straight week, the index gave back some of the 35% surge from the annual road check inspections on June 5-7 across North America, when many drivers park their trucks. The MDI has climbed about 127% on average in 2018, which indicates very tight market capacity relative to last year. This has driven rates, excluding fuel surcharges, up 26% this year.

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 can be a leading indicator of contractual pricing. Some carriers are raising spot exposure to take advantage of higher rates.

To contact the analyst for this research:

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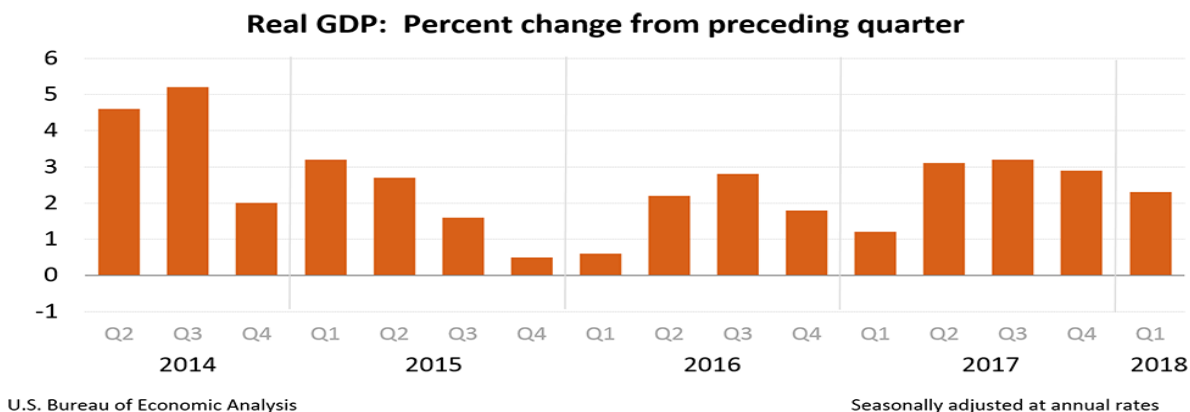
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GDP

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



GDP-2Q is running at *3.66% as of 7/2/18 v. *3.48% as of 6/29/18

***simple average of the three regionals.**

Atlanta Fed GDPNow...Q2 2018: 4.1 % —July 3, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is 4.1 percent on July 2, up from 3.8 percent on June 29. After this morning's construction spending report from the U.S. Census Bureau, the nowcast of second-quarter real government spending growth increased from 0.8 percent to 1.6 percent, while the nowcast of second-quarter real nonresidential structures investment growth decreased from 7.6 percent to 5.3 percent. The nowcasts of second-quarter real consumer spending growth and second-quarter real nonresidential equipment investment growth increased from 2.7 percent and 4.0 percent, respectively, to 2.9 percent and 4.8 percent, respectively, after this morning's Manufacturing ISM Report On Business from the Institute for Supply Management. The model's estimate of the dynamic factor for June—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.15 to 0.77 after the ISM report this morning.

*Bureau of Economic Analysis. The next GDPNow update is **Friday, July 6.***

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...Q2 2018: 2.8%...June 29, 2018

The New York Fed Staff Nowcast stands at 2.8% for 2018:Q2 and 2.5% for 2018:Q3.

News from this week's data releases decreased the nowcast for both quarters by 0.1 percentage point. Negative surprises from the advance durable goods report and personal consumption expenditures data were only partially offset by a positive surprise from new home sales data.

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

St. Louis Fed Real GDP Nowcast... Q2 2018: 4.09%...July 2, 2018

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

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MANUFACTURING AT A GLANCE

JUNE 2018

Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	60.2	58.7	+1.5	Growing	Faster	22
New Orders	63.5	63.7	-0.2	Growing	Slower	30
Production	62.3	61.5	+0.8	Growing	Faster	22
Employment	56.0	56.3	-0.3	Growing	Slower	21
Supplier Deliveries	68.2	62.0	+6.2	Slowing	Faster	21
Inventories	50.8	50.2	+0.6	Growing	Faster	6
Customers' Inventories	39.7	39.6	+0.1	Too Low	Slower	21
Prices	76.8	79.5	-2.7	Increasing	Slower	28
Backlog of Orders	60.1	63.5	-3.4	Growing	Slower	17
New Export Orders	56.3	55.6	+0.7	Growing	Faster	28
Imports	59.0	54.1	+4.9	Growing	Faster	17
OVERALL ECONOMY				Growing	Faster	110
Manufacturing Sector				Growing	Faster	22

Average for 12 months - 59.0

High - 60.8

Low - 56.5

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<https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1>

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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