



Fixed Income Group A Division of RJ O'Brien

The Missile

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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 09:51:11 10/10/18 - 10/16/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	10/10	06:00	🔊	🔊	🔊	MBA Mortgage Applications	Oct 5	--	--	0.0%	--
22)	10/10	07:30	🔊	🔊	🔊	PPI Final Demand MoM	Sep	0.2%	--	-0.1%	--
23)	10/10	07:30	🔊	🔊	🔊	PPI Ex Food and Energy MoM	Sep	0.2%	--	-0.1%	--
24)	10/10	07:30	🔊	🔊	🔊	PPI Ex Food, Energy, Trade MoM	Sep	0.2%	--	0.1%	--
25)	10/10	07:30	🔊	🔊	🔊	PPI Final Demand YoY	Sep	2.7%	--	2.8%	--
26)	10/10	07:30	🔊	🔊	🔊	PPI Ex Food and Energy YoY	Sep	2.5%	--	2.3%	--
27)	10/10	07:30	🔊	🔊	🔊	PPI Ex Food, Energy, Trade YoY	Sep	--	--	2.9%	--
28)	10/10	09:00	🔊	🔊	🔊	Wholesale Inventories MoM	Aug F	0.8%	--	0.8%	--
29)	10/10	09:00	🔊	🔊	🔊	Wholesale Trade Sales MoM	Aug	0.5%	--	0.0%	--
30)	10/11	07:30	🔊	🔊	🔊	CPI MoM	Sep	0.2%	--	0.2%	--
31)	10/11	07:30	🔊	🔊	🔊	CPI Ex Food and Energy MoM	Sep	0.2%	--	0.1%	--
32)	10/11	07:30	🔊	🔊	🔊	CPI YoY	Sep	2.4%	--	2.7%	--
33)	10/11	07:30	🔊	🔊	🔊	CPI Ex Food and Energy YoY	Sep	2.3%	--	2.2%	--
34)	10/11	07:30	🔊	🔊	🔊	CPI Index NSA	Sep	252.702	--	252.146	--
35)	10/11	07:30	🔊	🔊	🔊	CPI Core Index SA	Sep	258.634	--	258.141	--
36)	10/11	07:30	🔊	🔊	🔊	Real Avg Weekly Earnings YoY	Sep	--	--	0.5%	--
37)	10/11	07:30	🔊	🔊	🔊	Real Avg Hourly Earning YoY	Sep	--	--	0.2%	--
38)	10/11	07:30	🔊	🔊	🔊	Initial Jobless Claims	Oct 6	209k	--	207k	--
39)	10/11	07:30	🔊	🔊	🔊	Continuing Claims	Sep 29	1660k	--	1650k	--

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 6788-4683-0 09-Oct-2018 09:51:11

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Fed Speak Calendar

(All times are CST)

Economic Calendars											
1) Calendars ▾		2) Alerts		3) Export ▾		4) Settings ▾					
United States				6) Browse		13:38:39		10/10/18 - 11/30/18			
Central Banks			All Central Banks			View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly 🔍					
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	10/10	11:15				Fed's Evans Speaks on Economy and Monetary Policy					
22)	10/10	17:00				Fed's Bostic Speaks on Economic Outlook					
23)	10/12	08:30				Fed's Evans Takes Part in Moderated Discussion on Economy					
24)	10/12	11:30				Fed's Bostic Discusses Recruitment, Economics & Public Policy					
25)	10/12	21:30				Fed's Quarles Speaks at IIF Event in Bali					
26)	10/17	13:00				FOMC Meeting Minutes	Sep 26	--	--	--	--
27)	10/18	07:30				Fed's Bullard Speaks to Economic Club of Memphis					
28)	10/19	08:00				Fed's Kaplan Speaks in New York					
29)	10/19	11:00				Fed's Bostic Speaks on Economic Outlook					
30)	10/20	11:00				Fed's Bostic Speaks in Atlanta					
31)	10/24	12:00				Atlanta Fed's Bostic Speaks at Energy Summit in Baton Rouge					
32)	10/24	13:00				U.S. Federal Reserve Releases Beige Book					
33)	11/08	13:00				FOMC Rate Decision (Upper B...	Nov 8	2.25%	--	2.25%	--
34)	11/08	13:00				FOMC Rate Decision (Lower B...	Nov 8	2.00%	--	2.00%	--
35)	11/14	17:05				Fed's Powell to Discuss Economy at Dallas Fed Event					
36)	11/29	13:00				FOMC Meeting Minutes	Nov 8	--	--	--	--

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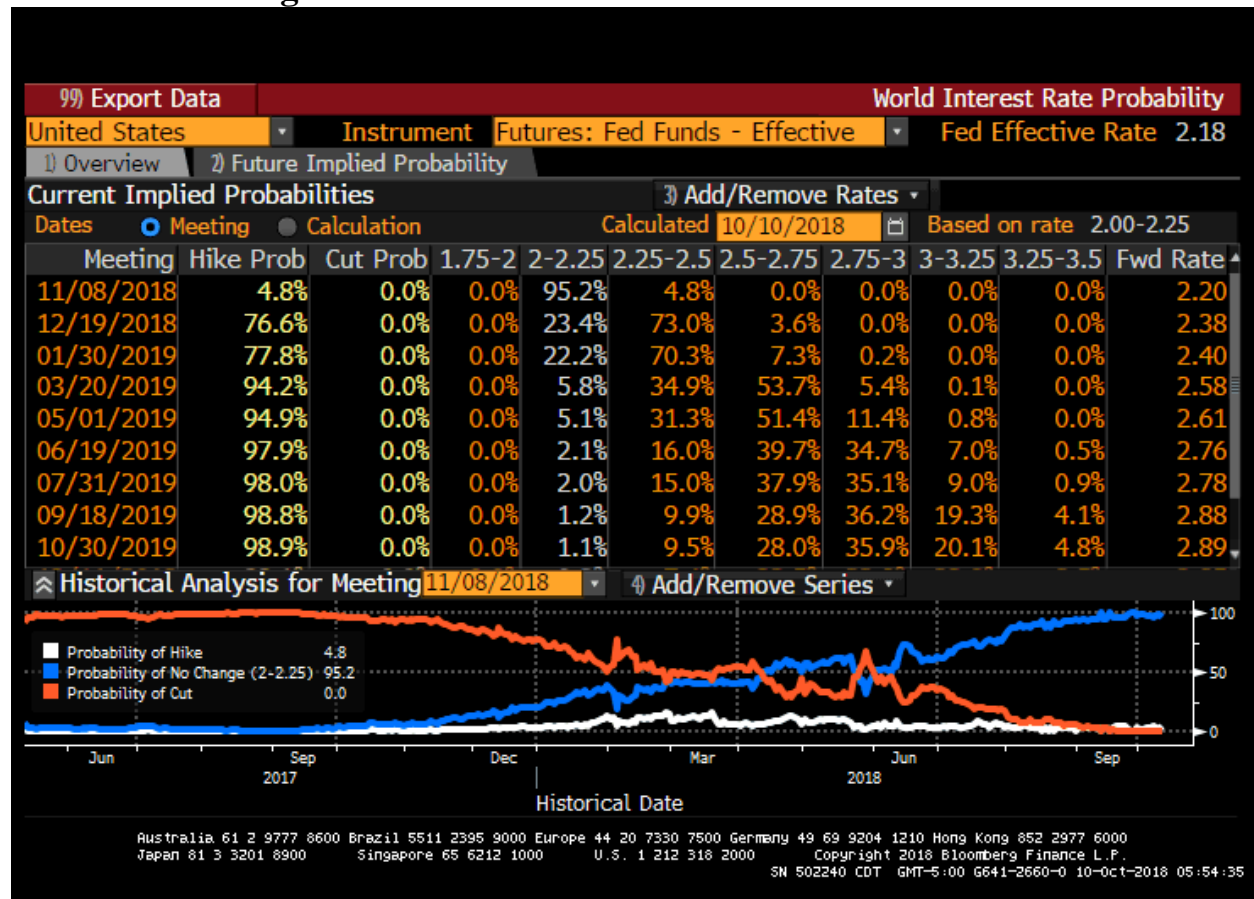
				News: News Story				
4) Previous	3) Next	66) Send	98) Actions	99) Translate				
10/09/2018 14:08:43 [BN]								
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	
							\$ Bln	
Cash mgmt	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50	
4-week	10/15/2018	10/16/2018	10/18/2018	TBA	TBA	10/09/2018	\$40	
8-week	10/15/2018	10/16/2018	10/18/2018	TBA	TBA	n/a	n/a	
3-month	10/11/2018	10/15/2018	10/18/2018	912796QT9	TBA	10/09/2018	\$48	
6-month	10/11/2018	10/15/2018	10/18/2018	912796RH4	TBA	10/09/2018	\$42	
1-year	11/01/2018	11/06/2018	11/08/2018	TBA	TBA	10/09/2018	\$26	
Note Auctions								
2-year	10/18/2018	10/23/2018	10/31/2018	TBA	TBA	09/24/2018	\$37	
3-year	10/31/2018	10/10/2018	10/15/2018	9128285F3	\$36	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	10/25/2018	10/31/2018	TBA	TBA	09/27/2018	\$31	
10-year	10/31/2018	10/10/2018	10/15/2018	9128284V9	R	\$23	09/12/2018	\$23
Bond Auctions								
30-year	10/31/2018	10/11/2018	10/15/2018	912810SD1	R	\$15	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	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
Floating Rate Note								
2-year FRN	10/18/2018	10/24/2018	10/31/2018	TBA	R	TBA	09/25/2018	\$17
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA	TBA	11/15/2017	\$0.025	

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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, September 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	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 ⁴	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

1-Month Libor Set	2.28319	-.00394	(97.71681)
3-Month Libor Set	2.42519	+.00475	(97.57481)
6-Month Libor Set	2.63625	+.00725	(97.36375)
1-Year Libor Set	2.96913	+.00713	(97.03087)

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THEY SAID IT

In recent public appearances, Powell has argued that the Fed can countenance a fall in joblessness to an almost 50-year low without triggering an inflationary surge in large part because Americans believe the central bank will keep prices under wraps. “The key is the anchored expectations,” he said last week.

<https://www.bloomberg.com/news/articles/2018-10-10/powell-places-risky-bet-as-he-stokes-too-good-to-be-true-economy?srnd=premium>

The problem is that it's not easy to divine what inflation beliefs are and how they might change. What's more, there's no measure of where companies -- arguably the most important players in setting prices -- expect the cost of living to go. That makes Powell's focus on price expectations a potentially risky move as the Fed gradually raises interest rates.

“It's always hard to judge at what point you hit an inflection point where the correlation between yields and stocks goes into reverse,” says Liz Ann Sonders, chief investment strategist at Charles Schwab & Co. “One of the markers to when that happens is typically when you move from a deflationary era or at least a deflationary mindset to more of an inflationary mindset.”

<https://www.bloomberg.com/news/articles/2018-10-10/two-decade-break-in-stock-bond-link-signals-pain-for-markets?srnd=premium>

Bonds and equities are doing something they don't usually do -- fall in unison -- with the latest move driving their normal inverse correlation to the weakest levels of the past two decades. The relationship has come completely apart only three times in that period, and each episode was followed by an equity market slump, including the last one, in 2014.

“The correlation between stocks and bond yields has been positive for the better part of the past 20 years,” Bloomberg Intelligence equity strategists Gina Martin Adams and Aditya Kalgutkar wrote in a note on Tuesday. “Each flip to a negative correlation (2006-07, 2013-14) preceded a significant equity-market correction.”

“Don't be lulled by how well the stock market has weathered rising yields and creeping inflation thus far,” Leuthold Group's James Paulsen wrote in a research note this week. “Wall Street's Overheat Mindset (as signified by the stock/bond yield correlation) appears to be on the cusp of greater anxiety.”

The yield curve has been gripped by bear steepening lately -- an advance in longer-dated yields outpacing the shorter end.

That's typically a boon for financials and cyclicals, helping benchmark stock indexes to rally, according to Pravit Chintawongvanich, equity derivatives strategist at Wells Fargo Securities. “It's important to remember that when the correlation was negative (yields up/stocks down) and rates were very high, inflation was the primary concern for rates,” he wrote in a note. “We think the weakness in stocks and jump higher in the VIX reflects higher risk premium across the board -- the unexpected jump higher in rates and rate vol reverberating through to the equity market.”

A year after its first sovereign sale of dollar bonds in well over a decade, China's about to tap that well again.

<https://www.bloomberg.com/news/articles/2018-10-09/china-s-about-to-sell-dollar-bonds-in-the-middle-of-a-trade-war>

This time around, the reception isn't likely to be quite as enthusiastic.

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The \$3 billion issuance of five-year, 10-year and 30-year securities, due Thursday, follows a jump in yields on benchmark Treasuries, and a slump in the yuan against the dollar thanks in part to China's deepening trade-war with the U.S. While the Ministry of Finance hasn't identified a purpose for the sale, underwriters had long expected a follow-up to last year's [\\$2 billion deal](#) to help build out a benchmark yield curve for Chinese offshore borrowers.

"As we look at trade issues there is no question that we want to make sure China is not doing competitive devaluations," Mnuchin said to the media outlet. "The renminbi has depreciated significantly during the year ... We are going to absolutely want to make sure that as part of any trade understanding we come to that currency has to be part of that." <https://www.cnbc.com/2018/10/10/mnuchin-warns-china-against-weakening-its-currency.html>
Renminbi is down 6.5 percent this year versus the U.S. dollar through Wednesday. The Chinese currency has fallen this year on concern about slowing growth in the Asian country compared to the strengthening U.S. economy.

"The market isn't indicating there's any imminent danger, they have time," said Chris Hartman, a senior portfolio manager at Aegon Asset Management. "It's only five months, but as long as there isn't some global liquidity crisis, they should be able to access the capital markets, albeit at a much higher rate, to keep the story alive." <https://www.bloomberg.com/news/articles/2018-10-10/musk-has-143-days-before-creditors-start-demanding-their-money?srd=premium>

One hundred and forty-three days. That's how much time Elon Musk has till the big bills start coming due in the debt market.

Despite all the hand-wringing over the manufacturing setbacks and the perplexing Musk [tweets](#) and the run-ins with regulators, Tesla's stock still trades at astronomical valuations and its bonds show almost no concern of a default in the near term.

More than \$1.5 billion out of Tesla's total debt of \$11.5 billion is coming due in the next 13 months. Some of the first maturities actually fall over the next few weeks but the first payment of real consequence comes due on March 1: a \$920 million convertible bond with an equity-conversion price set at \$360. With the stock trading now at a mere \$262.80, it seems unlikely that investors will be able to swap into the shares, meaning that Tesla will be on the hook to pay the money back.

While you were busy reading Elon Musk's [tweets](#), [Audi AG](#) was unveiling its [Tesla](#) challenger, the [E-tron](#). One of the most interesting bits of the glitzy launch concerned simply plugging the thing in: The carmaker, it turns out, has teamed up with [Amazon.com Inc.](#) to install home chargers for E-tron buyers. <https://www.bloomberg.com/news/articles/2018-10-08/big-oil-should-be-worried-about-amazon-s-battery-play?srd=premium>

While Amazon helping to get new plugs put into garages may not scream revolution, it should still worry the likes of [Exxon Mobil Corp.](#) The oil industry has long been more concerned with generating supply than encouraging demand—why bother, when drivers had no alternative? The hassle of charging has long been one of the things holding back the electrical vehicle market. Amazon's entry will make that a whole lot easier, potentially representing a major threat in oil's biggest market.

The fossil fuel industry should be worried about a company such as Amazon encroaching on its territory. Back in the summer of 2008, three of the world's five most valuable companies

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produced oil and gas. Exxon was No. 1. Today, four years after a global collapse in oil prices, Big Tech dominates and Exxon [struggles to stay in the top 10](#).

Sears Holdings has contacted banks in recent days to arrange the financing necessary to file for bankruptcy after 125 years in business, people familiar with the situation tell CNBC.

<https://www.cnbc.com/2018/10/10/sears-arranges-financing-for-a-potential-bankruptcy.html>

The so-called "debtor-in-possession" loan, which companies need to have enough liquidity to keep running the business during bankruptcy, is the clearest sign yet that the department store chain may finally file after years of losses and speculation. Sears has a \$134 million debt payment due Monday that it previously said it may not be able to cover.

A bankruptcy is not yet definite and still could be averted. Sears' CEO, [Eddie Lampert](#) has kept the company afloat through financial maneuvering and pouring his own money into the company. He may choose again to do so.

U.S. markets are "going it alone" and investors are underestimating the amount of risk in the economy, the chief investment officer at Danish investment bank Saxo Bank, told CNBC on Wednesday.

"What we're saying (to investors) at a bare minimum, is do acknowledge the fact that the U.S. is expensive by reducing (exposure to) the U.S.," Steen Jakobsen told CNBC Europe's 'Squawk Box.'

"And if you don't want to reduce overall equity exposure go to the MSCI World (a global equity index that represents just over 1,600 large and mid-cap companies across 23 developed markets countries) or take a little bit of risk in emerging markets."

"For now, we're pretty much saying to customers, be aware that the market is underestimating risk," he added.

<https://www.cnbc.com/2018/10/10/listen-to-the-imfs-new-warning-economist-says-and-cut-your-exposure-to-us-stocks.html>

Jakobsen's comments were made the same day the International Monetary Fund (IMF) warned that "a further escalation of trade tensions, as well as rising geopolitical risks and policy uncertainty in major economies, [could lead to a sudden deterioration in risk sentiment](#)."

"Currently the ball is in their court. But personally I'm a little bit more optimistic," Zhou Qiangwu, Associate Counsel of the Finance Ministry's department of international affairs, told Reuters on the sidelines of the annual IMF and World Bank meetings in Bali.

"The talks are still going on, via different channels. The cancellation (of official trade talks) is only one of them," said Zhou, although he did not elaborate and said he was unsure when the next formal negotiation would take place.

<https://www.reuters.com/article/us-usa-trade-china-tradewar/chinese-finance-ministry-official-says-optimistic-on-trade-war-breakthrough-idUSKCN1MK15Z>

A Chinese finance ministry official said on Wednesday he felt "a little bit more optimistic" on the prospect of breaking an impasse in trade negotiations with Washington, saying both sides are too economically integrated to tolerate a fallout.

"China wants to make a deal, and I say they're not ready yet," Trump said. "I just say they're not ready yet. And we've canceled a couple of meetings because I say they're not ready to make a deal."

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EQUITIES

The S&P is **-6** and the NASDAQ is **-32**.

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 +0.01%.

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 -0.44%.

The DAX Index closed -0.28%.

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 +0.16%.

The NIKKEI closed +0.16%.

In Japan, the 2s/10s swap curve is flat with yields largely unchanged.

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

Next meeting 10/31/18

China:

The Hang Seng closed -0.22%.

The Shanghai Composite closed +0.18%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.7603%

Reserve Requirement Ratio: 17.00%

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THE TREND

EDZ8: 97-34.00 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-31.25**.

Resistance is at 97-34.00^ and 97-36.75**.

^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: 125-17.5 is the pivot point. Above you should be long, below short.

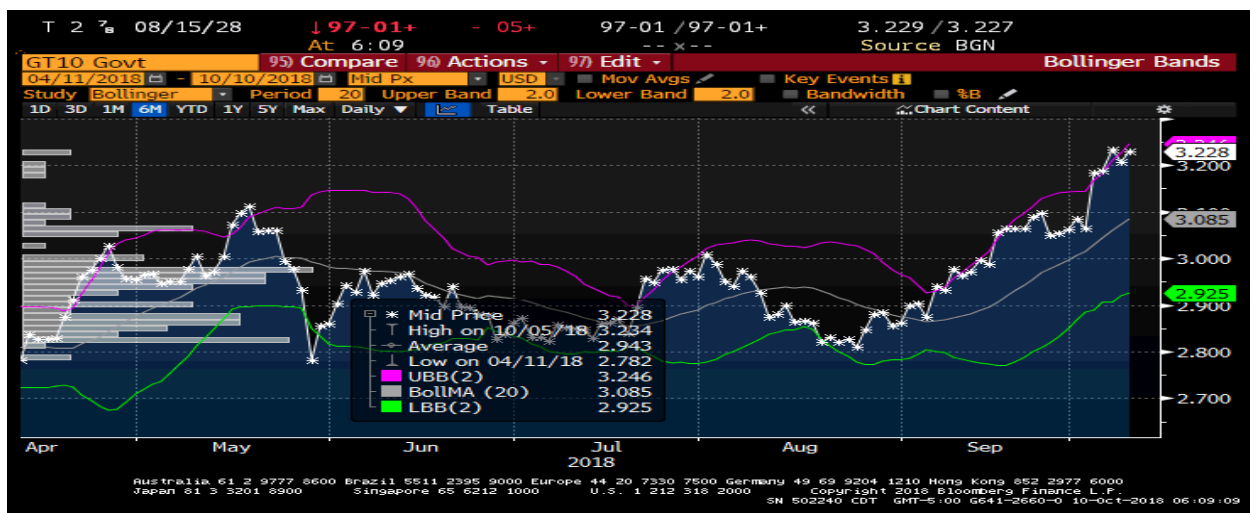
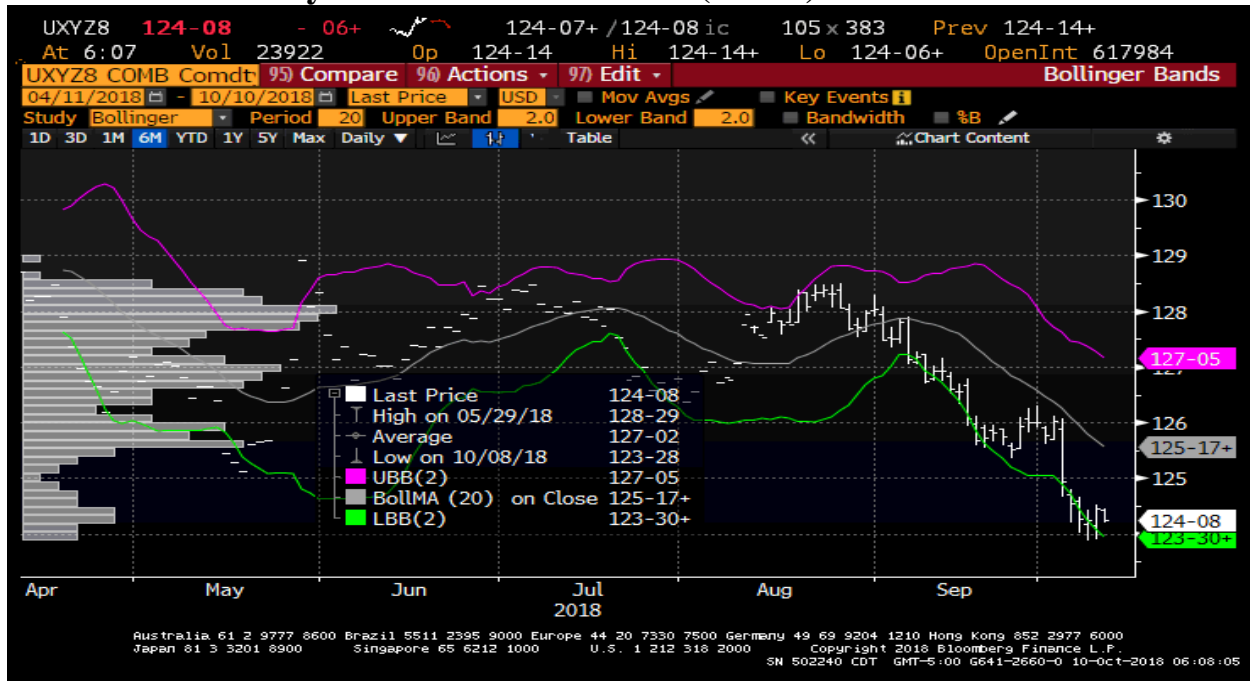
Support is at 123-30.5**

Resistance is at 125-17.5^ and 127-05.0**

^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:		09/10/2018 - 10/10/2018		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	2.839 / 2.842	2.841	0.011			0.3		2.710		2.843	2.778	6.4	1.8		
2) 2 YR	3.080 / 3.082	3.081	0.012			0.2		2.887		3.084	2.993	8.9	1.8		
3) 3 YR	3.159 / 3.160	3.159	0.013			0.2		2.932		3.162	3.057	10.3	1.8		
4) 4 YR	3.185 / 3.187	3.186	0.016			0.3		2.942		3.191	3.076	11.2	1.8		
5) 5 YR	3.199 / 3.200	3.199	0.018			0.3		2.931		3.207	3.083	11.7	1.8		
6) 6 YR	3.213 / 3.214	3.213	0.018			0.3		2.948		3.225	3.091	12.3	1.7		
7) 7 YR	3.229 / 3.231	3.229	0.020			0.3		2.955		3.253	3.101	13.0	1.7		
8) 8 YR	3.242 / 3.244	3.243	0.019			0.2		2.967		3.265	3.113	13.1	1.7		
9) 9 YR	3.257 / 3.260	3.259	0.020			0.2		2.978		3.284	3.125	13.5	1.7		
10) 10 YR	3.273 / 3.275	3.274	0.019			0.2		2.990		3.302	3.138	13.7	1.7		
11) 15 YR	3.315 / 3.316	3.315	0.020			0.2		3.030		3.349	3.176	14.0	1.7		
12) 20 YR	3.320 / 3.322	3.321	0.020			0.2		3.038		3.358	3.182	14.0	1.7		
13) 25 YR	3.309 / 3.309	3.309	0.021			0.2		3.026		3.349	3.169	14.0	1.7		
14) 30 YR	3.290 / 3.292	3.291	0.019			0.2		3.011		3.332	3.152	13.9	1.6		

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 6641-2660-0 10-Oct-2018 05:54:56

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 farmland 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.	5 Oct 2018	1,052	-2	28 Sept 2018	+116	6 Oct 2017
Canada	5 Oct 2018	182	+4	28 Sept 2018	-27	6 Oct 2017
International	Sept 2018	1,004	-4	Aug 2018	+73	Sept 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 market globally. Electrification of other transport modes is also developing quickly, especially

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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 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%

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TRANSPORTS

Association of American Railroads Rail Traffic Report.

U.S. railroads originated 1,066,826 carloads in September 2018, up 2.6 percent, or 26,826 carloads, from September 2017. U.S. railroads also originated 1,127,385 containers and trailers in September 2018, up 6.2 percent, or 65,801 units, from the same month last year. Combined U.S. carload and intermodal originations in September 2018 were 2,194,211, up 4.4 percent, or 92,627 carloads and intermodal units from September 2017.

In September 2018, 14 of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with September 2017. These included: petroleum & petroleum products, up 14,750 carloads or 41.5 percent; chemicals, up 5,145 carloads or 4.2 percent; and grain, up 5,001 carloads or 6.1 percent. Commodities that saw declines in September 2018 from September 2017 included: coal, down 5,562 carloads or 1.6 percent; crushed stone, sand & gravel, down 3,042 carloads or 3 percent; and motor vehicles & parts, down 877 carloads or 1.3 percent.

“Weakness in a few commodity categories notwithstanding, rail traffic in September was consistent with the economy we have today in which fundamentals like industrial output and consumer spending are solid,” said AAR Senior Vice President of Policy and Economics John T. Gray. “Intermodal, the business line most closely related to consumer spending, was especially strong — the last two weeks of September were the top two weeks in history for U.S. intermodal. Tracking the economy and rail traffic require diligence to help identify turning points, but for now there is no indication that good economic times will end in the immediate future.”

Excluding coal, carloads were up 32,388 carloads, or 4.7 percent, in September 2018 from September 2017. Excluding coal and grain, carloads were up 27,387 carloads, or 4.5 percent.

Total U.S. carload traffic for the first nine months of 2018 was 10,248,559 carloads, up 2 percent, or 199,538 carloads, from the same period last year; and 10,832,004 intermodal units, up 6 percent, or 613,414 containers and trailers, from last year.

Total combined U.S. traffic for the first 39 weeks of 2018 was 21,080,563 carloads and intermodal units, an increase of 4 percent compared to last year.

Week Ending September 29, 2018

Total U.S. weekly rail traffic was 571,922 carloads and intermodal units, up 3.7 percent compared with the same week last year.

Total carloads for the week ending September 29 were 272,306 carloads, up 0.5 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 299,616 containers and trailers, up 6.8 percent compared to 2017.

Six of the 10-carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 2,839 carloads, to 12,140; metallic ores and metals, up 1,854 carloads, to 25,794; and chemicals, up 1,406 carloads, to 33,047. Commodity groups that posted decreases compared with the same week in 2017 included nonmetallic minerals, down 3,915 carloads, to 35,391; grain, down 1,759 carloads, to 21,870; and motor vehicles and parts, down 812 carloads, to 16,656.

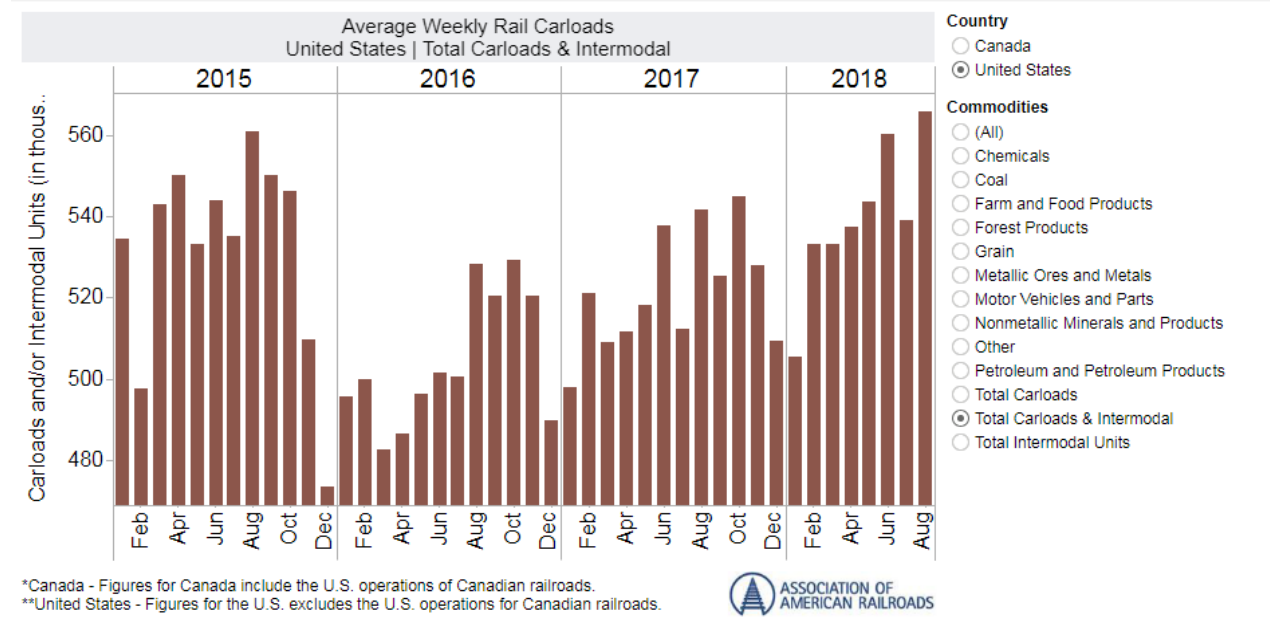
North American rail volume for the week ending September 29, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 380,801 carloads, up 0.7 percent compared with the same week last year, and 392,322 intermodal units, up 4.6 percent compared with last year. Total combined weekly rail traffic in North America was 773,123 carloads and intermodal units, up 2.7 percent. North American rail volume for the first 39 weeks of 2018 was 28,431,600 carloads and intermodal units, up 3.6 percent compared with 2017.

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Canadian railroads reported 88,889 carloads for the week, up 2.7 percent, and 74,012 intermodal units, up 1.4 percent compared with the same week in 2017. For the first 39 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 5,844,306 carloads, containers and trailers, up 3.7 percent. Mexican railroads reported 19,606 carloads for the week, down 4.6 percent compared with the same week last year, and 18,694 intermodal units, down 13.7 percent. Cumulative volume on Mexican railroads for the first 39 weeks of 2018 was 1,506,731 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-september-29-2018/>

Monthly Rail Traffic Charts



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

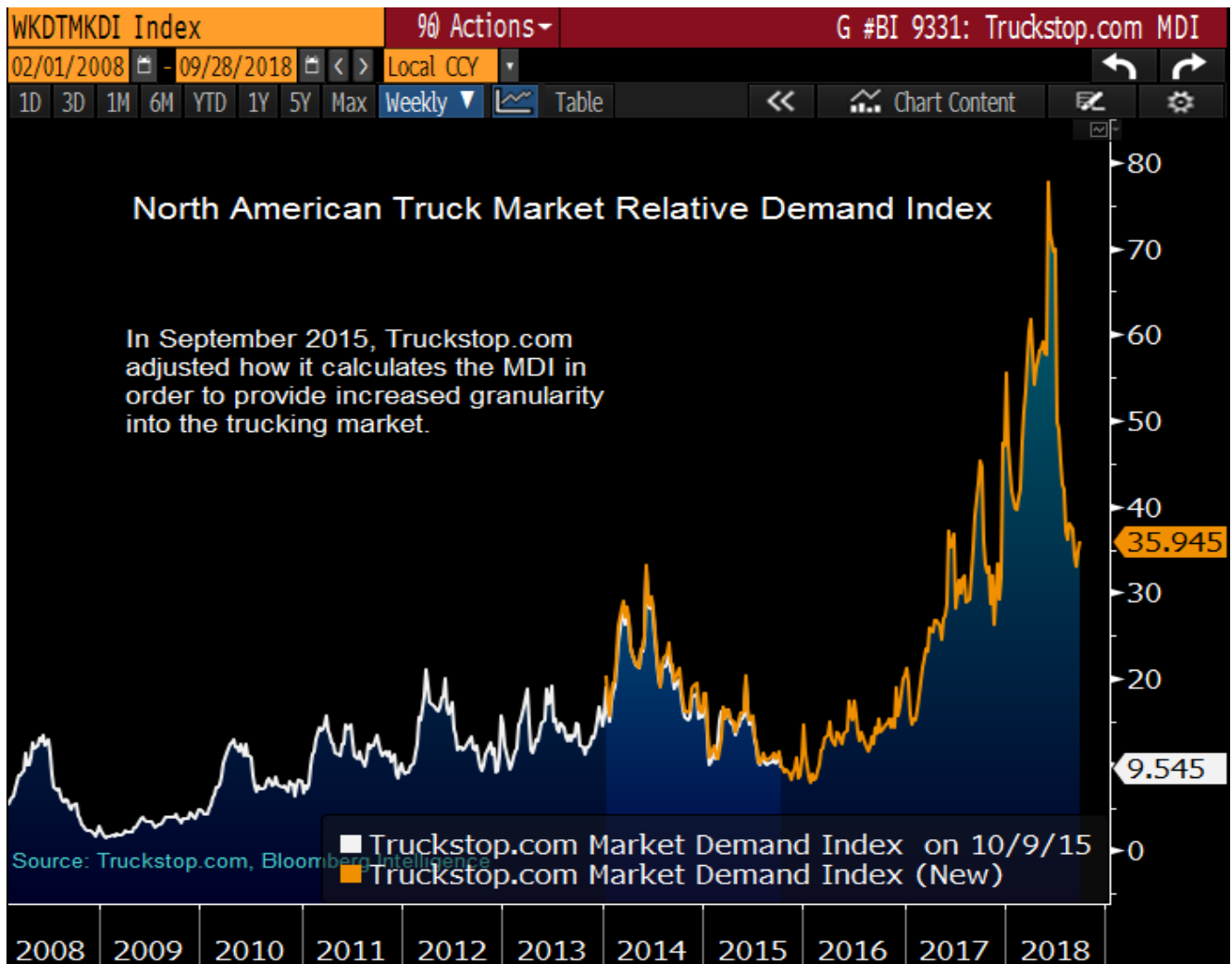
Trailer Truck Demand (Bloomberg Intelligence) – 10/03/18

Truckstop.com's Market Demand Index, which gauges relative supply and demand for the spot truckload market, normalized from a 125% gain in 1H from 2017, to 39.6 on average in 3Q, a 19% increase from the prior year. The index spiked at the beginning of April when regulators began enforcing the ELD mandate and reached a new high at the beginning of June, due to annual roadcheck inspections that increased the number of parked trucks. Despite the decline, the market remains historically tight and continues to face supply-side constraints.

Public truckload carriers tend to operate in the contractual market with limited exposure to transactional business. These fleets have varying degrees of exposure to the spot market, which is measured by Truckstop.com's index. The spot market tends to be a leading indicator for contract rates.

Lee A Klaskow at lklaskow1@bloomberg.net

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GDP

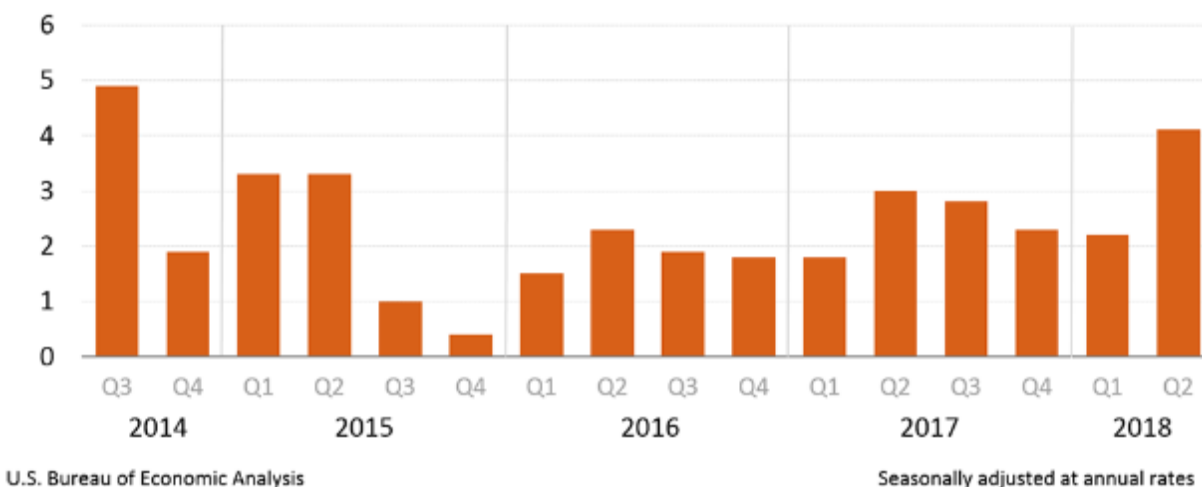
U.S. Department of Commerce, Bureau of economic analysis

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

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

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Real GDP: Percent change from preceding quarter



GDP-2Q is running at *3.49% as of 10/05/18 v. *3.56% on 10/01/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q3 2018: 4.1% ...October 5, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is 4.1 percent on October 5, unchanged from October 1. Slight declines in the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real private fixed investment growth after this morning's employment report from the U.S. Bureau of Labor Statistics were offset by slight increases in the nowcasts of the contributions of government spending, net exports, and inventory investment to third-quarter real GDP growth after the employment report and this morning's international trade release from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis.

The next GDPNow update is Wednesday, October 10. 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%...October 5, 2018

The New York Fed Staff Nowcast stands at 2.3% for 2018:Q3 and 2.8% for 2018:Q4.

News from this week's data releases decreased the nowcast for 2018:Q3 by 0.2 percentage point and decreased the nowcast for 2018:Q4 by 0.1 percentage point.

A negative surprise from exports data and negative impacts from parameter revisions accounted for most of the decrease. Positive news from the ISM surveys partially offset the decrease for 2018:Q4.

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

St. Louis Fed Real GDP Nowcast... Q3 2018: 4.08%...October 1, 2018

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

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MANUFACTURING AT A GLANCE
SEPTEMBER 2018

Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.8	61.3	-1.5	Growing	Slower	25
New Orders	61.8	65.1	-3.3	Growing	Slower	33
Production	63.9	63.3	+0.6	Growing	Faster	25
Employment	58.8	58.5	+0.3	Growing	Faster	24
Supplier Deliveries	61.1	64.5	-3.4	Slowing	Slower	24
Inventories	53.3	55.4	-2.1	Growing	Slower	9
Customers' Inventories	40.5	41.0	-0.5	Too Low	Faster	24
Prices	66.9	72.1	-5.2	Increasing	Slower	31
Backlog of Orders	55.7	57.5	-1.8	Growing	Slower	20
New Export Orders	56.0	55.2	+0.8	Growing	Faster	31
Imports	54.5	53.9	+0.6	Growing	Faster	20
OVERALL ECONOMY				Growing	Slower	113
Manufacturing Sector				Growing	Slower	25

Average for 12 months - 59.2

High - 61.3

Low - 57.3

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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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