



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 16:08:50 10/11/18 - 10/17/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	10/11	07:30				CPI MoM	Sep	0.2%	--	0.2%	--
22)	10/11	07:30				CPI Ex Food and Energy MoM	Sep	0.2%	--	0.1%	--
23)	10/11	07:30				CPI YoY	Sep	2.4%	--	2.7%	--
24)	10/11	07:30				CPI Ex Food and Energy YoY	Sep	2.3%	--	2.2%	--
25)	10/11	07:30				CPI Index NSA	Sep	252.697	--	252.146	--
26)	10/11	07:30				CPI Core Index SA	Sep	258.629	--	258.141	--
27)	10/11	07:30				Real Avg Weekly Earnings YoY	Sep	--	--	0.5%	--
28)	10/11	07:30				Real Avg Hourly Earning YoY	Sep	--	--	0.2%	--
29)	10/11	07:30				Initial Jobless Claims	Oct 6	207k	--	207k	--
30)	10/11	07:30				Continuing Claims	Sep 29	1660k	--	1650k	--
31)	10/11	07:45				Bloomberg Oct. United States Economic Survey					
32)	10/11	08:45				Bloomberg Consumer Comfort	Oct 7	--	--	61.6	--
33)	10/11-10/18					Monthly Budget Statement	Sep	\$75.0b	--	\$7.9b	--
34)	10/12	07:30				Import Price Index MoM	Sep	0.2%	--	-0.6%	--
35)	10/12	07:30				Import Price Index ex Petroleu	Sep	-0.1%	--	-0.2%	--
36)	10/12	07:30				Import Price Index YoY	Sep	3.1%	--	3.7%	--
37)	10/12	07:30				Export Price Index MoM	Sep	0.2%	--	-0.1%	--
38)	10/12	07:30				Export Price Index YoY	Sep	2.9%	--	3.6%	--
39)	10/12	09:00				U. of Mich. Sentiment	Oct P	100.5	--	100.1	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
SN 502240 CDT GMT-5:00 6641-2660-2 10-Oct-2018 16:08:50

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## Fed Speak Calendar

(All times are CST)

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
United States		Browse		16:10:46		10/11/18		11/30/18			
Central Banks		All Central Banks		View		Agenda		Weekly			
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	10/12	08:30				Fed's Evans Takes Part in Moderated Discussion on Economy					
22)	10/12	11:30				Fed's Bostic Discusses Recruitment, Economics & Public Policy					
23)	10/12	21:30				Fed's Quarles Speaks at IIF Event in Bali					
24)	10/17	13:00				FOMC Meeting Minutes	Sep 26	--	--	--	--
25)	10/18	08:05				Fed's Bullard Speaks to Economic Club of Memphis					
26)	10/19	08:00				Fed's Kaplan Speaks in New York					
27)	10/19	11:00				Fed's Bostic Speaks on Economic Outlook					
28)	10/20	11:00				Fed's Bostic Speaks in Atlanta					
29)	10/24	12:00				Atlanta Fed's Bostic Speaks at Energy Summit in Baton Rouge					
30)	10/24	13:00				U.S. Federal Reserve Releases Beige Book					
31)	11/08	13:00				FOMC Rate Decision (Upper B...	Nov 8	2.25%	--	2.25%	--
32)	11/08	13:00				FOMC Rate Decision (Lower B...	Nov 8	2.00%	--	2.00%	--
33)	11/14	17:05				Fed's Powell to Discuss Economy at Dallas Fed Event					
34)	11/29	13:00				FOMC Meeting Minutes	Nov 8	--	--	--	--

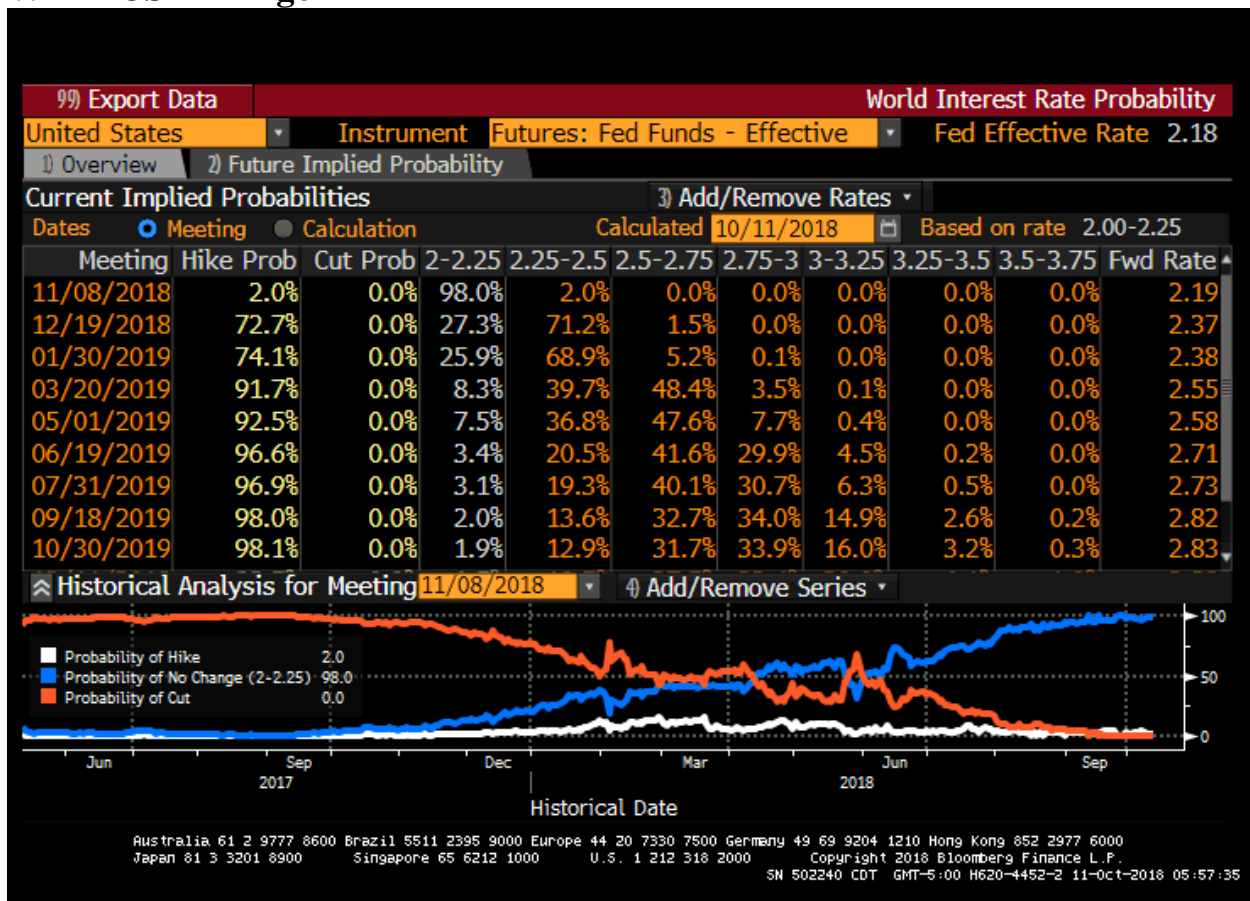
## NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bl	Auction
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	11/05/2018	11/15/2018	TBA	TBA	10/10/2018	\$36
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	11/06/2018	11/15/2018	TBA	R	TBA	10/10/2018
Bond Auctions							
30-year	10/31/2018	10/11/2018	10/15/2018	912810SD1	R	\$15	09/13/2018

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TIPS Auctions								
5-yr TIPS	12/13/2018	12/20/2018	12/31/2018	TBA	R	TBA	08/23/2018	\$14
10-yr TIPS	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	TBA	11/15/2017	\$.025

## Current Implied Probability of Fed Rate Movement (Futures) WIRP US FFE <go>



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**Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, 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/fomeprojtabl20180926.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.27950</b>	<b>-.00369</b>	<b>(97.72050)</b>
<b>3-Month Libor Set</b>	<b>2.43631</b>	<b>+.00842</b>	<b>(97.56369)</b>
<b>6-Month Libor Set</b>	<b>2.63525</b>	<b>-.00100</b>	<b>(97.36475)</b>
<b>1-Year Libor Set</b>	<b>2.95425</b>	<b>-.01488</b>	<b>(97.04575)</b>

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## THEY SAID IT

The superlatives to describe Wednesday's bloodbath are everywhere (biggest drop on record for the FANGs, largest jump in the VIX since the February meltdown, yada yada) while the technical levels were blown through with a take-no-prisoners-style velocity, like the S&P 500 making the 100-day moving average seem invisible and further breaking below its previous support at 2,800 while the Nasdaq closed below its 200-day moving average for the first time in over two years.

<https://www.bloomberg.com/news/articles/2018-10-11/more-hedge-funds-will-close-shop-if-this-keeps-up-taking-stock?srnd=premium>

All of the warning signs on the earnings front that we saw at the end of September (see the "Something Alarming" section in the Taking Stock [column](#) from Sept. 28) have started to become a reality with a swath of profit warnings, margin misses, and negative commentary on the impacts of tariffs starting to really take its toll on the market.

This latest round of worrying news has mostly come out of the materials and industrials space -- PPG's miss and cautionary tone from earlier this week set off a massive unwind across many sectors deemed cyclical (despite all the bad news we already heard in September from the auto OEMs and suppliers), and since then we've received a similar poor result from a smaller chemical stock Trinseo, a rough margin print from industrial distributor Fastenal, a scare in the consumer on China crackdown comments from luxury giant LVMH, and just last night a subpar sales result from infrastructure name Fluor.

Couple this with the spookiness of elevated yields, and you have a market that turned on a dime to full-blown skittishness. That's causing heavy selling across the board, but it's the momentum names that maybe flew too high and are now nosediving back to Earth -- here's another superlative: the iShares Edge MSCI USA Momentum Factor ETF, or MTUM, had its worst performance day ever on Wednesday.

**Janet Yellen recorded the warning a day before stepping down as Federal Reserve chair in February: Commercial real estate prices look [strikingly high](#). Her successor, Jerome Powell, [flagged](#) it again a month later. Analysts at Goldman Sachs Group Inc. tried in May to put a number on it: Properties may be overvalued as much as 16 percent. Soon, Wells Fargo Chief Executive Officer Tim Sloan went on television, saying some deals looked ["frothy"](#) and that his bank was pulling back. In the past month, executives at regional [lenders](#) including U.S. Bancorp and KeyCorp have chimed in with similar concerns.**

<https://www.bloomberg.com/graphics/2018-commercial-real-estate-bubble/?srnd=premium>

Yet, by some key metrics—most notably default rates—the market seems serene. So why all the handwringing?

Years of economic growth and easy financing have pushed prices for office towers, apartments and warehouses to record heights. Executives speaking out say they're worried some buyers are betting too boldly that they can just keep raising rents.

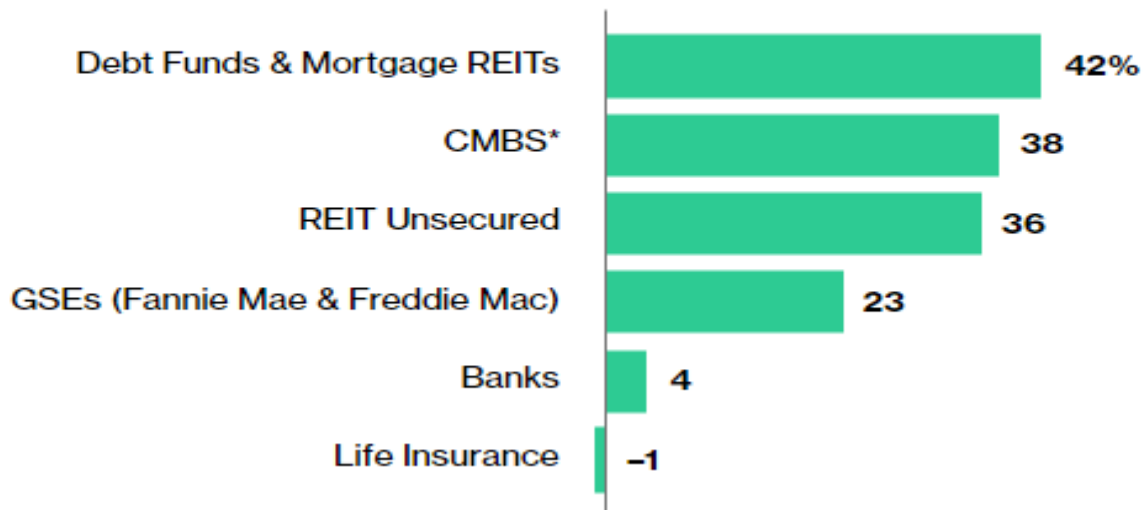
Normally, banks would tap the brakes on lending, and the market would cool. But since the 2008 financial crisis—when banks became more disciplined—other lenders have muscled in and are keeping the financing flowing. They include debt funds with multibillion-dollar warchests that aren't subject to the same level of oversight. Some are competing with aggressively low rates and terms. Now even some banks, under pressure to compete, have loosened standards in recent

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quarters, Fed [surveys](#) show.

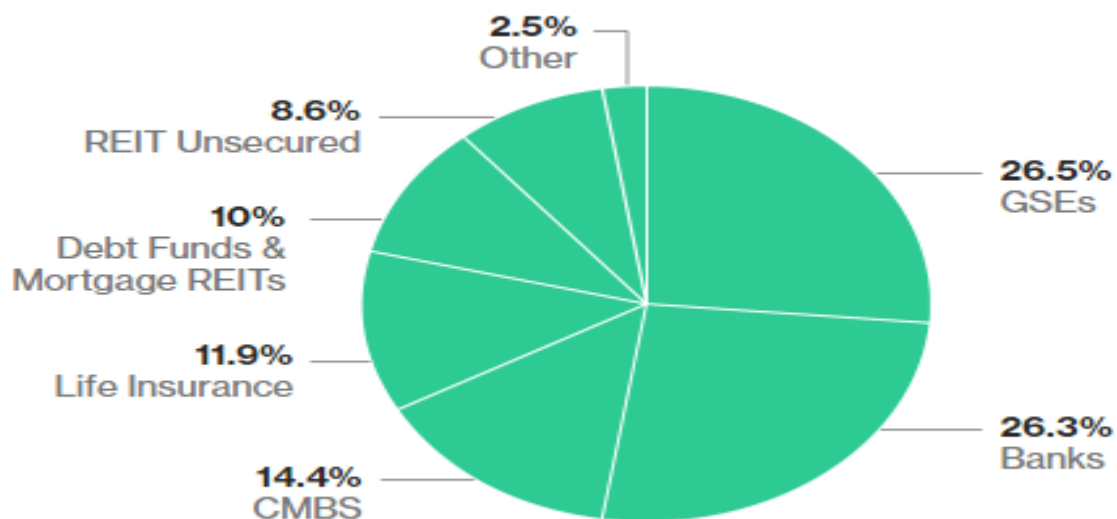
### Debt funds are gaining share of commercial real estate loans...

Growth of lending volume from 2016 to 2017



### ...As banks become less dominant

Share of lending volume in 2017



Source: Green Street Advisors

The availability of cheap debt helps investors stretch on price. Observers can see it in capitalization rates. Put basically, cap rates are a property's investment yield—making them the favored metric for gauging real estate prices. It's a simple calculation: Divide net operating income (rent minus expenses) by a building's value. They've been going down significantly for most property types.

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At these levels, buyers of commercial real estate today are, in effect, settling for thin returns or betting they can improve yields over time by persuading tenants to pay more. A 47-acre office park in Santa Monica, California, recently traded hands at such a high price that the expected yield is just below the buyer's cost of debt. That means the new owners, led by Boston Properties Inc., will have to boost rental income. A large, diversified investor can place and see through such calculated bets. It's harder for smaller speculators.

**Companies that turn metal into cars, cans, and other products have loudly complained that President Trump's tariffs on imported steel and aluminum will harm them by driving up the prices they pay. The Beer Institute (a trade group, not a college, sorry) [predicts](#) that the aluminum tariffs will cost 20,000 U.S. jobs that depend on the beer industry. Ford Motor Co. Chief Executive Officer Jim Hackett [told](#) Bloomberg TV on Sept. 26 that the metals tariffs "took about \$1 billion in profit from us."**

<https://www.bloomberg.com/news/articles/2018-10-09/metal-tariffs-haven-t-cost-jobs-yet?srnd=premium>

Funny thing, though. Employment in metal-using industries has risen since the tariffs went into effect last spring. Employment in fabricated metals products rose 1.44 percent from April through September, according to the jobs report from the Bureau of Labor Statistics released on Oct. 5. That compares favorably with the increase for overall manufacturing (0.70 percent) and the overall private sector (0.76 percent). In the machinery sector, another big consumer of metal, jobs increased by 1.29 percent over the period.

**Several OPEC members, led by Saudi Arabia and Libya, put enough new barrels on the market in September to offset a drop in production from Iran, where U.S. sanctions are whittling away at the nation's crude exports, according to a monthly report.**

<https://www.cnn.com/2018/10/11/opec-hikes-oil-output-in-september-as-irans-production-falls.html>

The 15-nation producer group also knocked down its forecast for oil demand in 2018 and 2019, and said the outlook for economic growth is softening, particularly in emerging markets. Meanwhile, OPEC raised its forecast for oil supply growth in 2018 from non-member nations, including the United States.

Saudi Arabia put an additional 108,000 bpd on the market in September, pushing its output to 10.5 million barrels a day. Saudi Energy Minister Khalid al Falih recently said the kingdom is pumping 10.7 million bpd this month and will hike output again in November.

Libya also added 103,000 bpd to the market, as the nation's production, which has fluctuated during a long-running internal conflict, continues to recover.

The Saudi and Libyan increases offset a drop of 150,000 bpd in Iran, where total output fell to 3.4 million bpd. Iran claims its output remains roughly steady at just below 3.8 million bpd, according to figures supplied by the country.

The German economy is losing steam as rising trade tensions abroad and a lack of skilled workers at home limit the growth prospects for Europe's largest economy, Economy Minister Peter Altmaier said on Thursday.

<https://www.reuters.com/article/us-germany-economy-growth/german-growth-limited-by-trade-disputes-labor-shortages-idUSKCN1ML18V?il=0>

Presenting the government's downwardly revised growth forecasts, Altmaier said that the

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German economy would grow by 1.8 percent in both 2018 and 2019.

This compared with earlier projections of 2.3 percent and 2.1 percent respectively. In 2017, the German economy grew by a calendar-adjusted 2.5 percent.

Germany's vibrant domestic economy will continue to propel growth this year and next, with imports rising at a faster pace than exports and net trade expected to hold back an upswing that is seen entering its tenth year in 2019, Altmaier said.

"This is the longest upswing since 1966, the second longest ever," he added, pointing to record-high employment, rising real wages and planned tax relief for workers.

**China has no intention of interfering in U.S. politics and hopes Washington would stop finding excuses for its unilateralism and trade protectionism, the Chinese commerce ministry's spokesman said on Thursday.**

<https://www.reuters.com/article/us-usa-trade-china/china-has-no-intention-of-interfering-in-u-s-politics-commerce-ministry-idUSKCN1ML0TR>

China has not engaged in, and will not engage in, "economic invasion", Gao Feng, the commerce ministry's spokesman, said at a weekly briefing.

China is open to restarting trade talks with the United States, but regrettably the U.S. side has shown no sincerity still, Gao said.

**China's top auto dealers' association has asked the government to halve taxes on car purchases to revive faltering sales, sources said, as worries grow the country's auto market could shrink this year for the first time in decades.**

<https://www.reuters.com/article/us-china-autos-dealers-exclusive/exclusive-reverse-gear-china-car-dealers-push-for-tax-cut-as-auto-growth-stalls-idUSKCN1ML100>

The China Automobile Dealers Association (CADA) submitted documents last month to the country's finance and commerce ministries proposing the 10 percent auto purchase tax be halved, two people at the industry body told Reuters.

**A booster failure during a Soyuz rocket launch forced the two crew members to abort their mission to the International Space Station and return to Earth in the first such emergency landing for the Russian-built spacecraft since 1975.**

<https://www.bloomberg.com/news/articles/2018-10-11/nasa-says-soyuz-to-make-emergency-landing-after-booster-issue?srnd=premium>

American Nick Hague and Russian Alexey Ovchinin landed safely after an "anomaly with the booster" prompted the ascent to be aborted, NASA head Jim Bridenstine said in a statement. The mission would have been Hague's [first](#) space flight. Search and rescue teams reported the men are in good condition after making a ballistic descent, which has "a sharper angle of landing compared to normal," NASA said on Twitter.

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## EQUITIES

The S&P is **-21** and the NASDAQ is **-52**.

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 -1.59%.**

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 -1.58%.**

**The DAX Index closed -1.27%.**

On the Continent, the 2s/10s swap curve is largely unchanged with yields mixed.

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

**Deposit Facility Rate -.40%**

**Next meeting 10/25/18**

### Japan:

**The TOPIX closed -3.52%.**

**The NIKKEI closed -3.89%.**

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 -3.54%.**

**The Shanghai Composite closed -5.22%.**

### 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: 97-33.50 is the pivot. Below the pivot, you should be short, above long. Support is at 97-31.50\*\*.

Resistance is at 97-33.50^ and 97-36.25\*\*.

^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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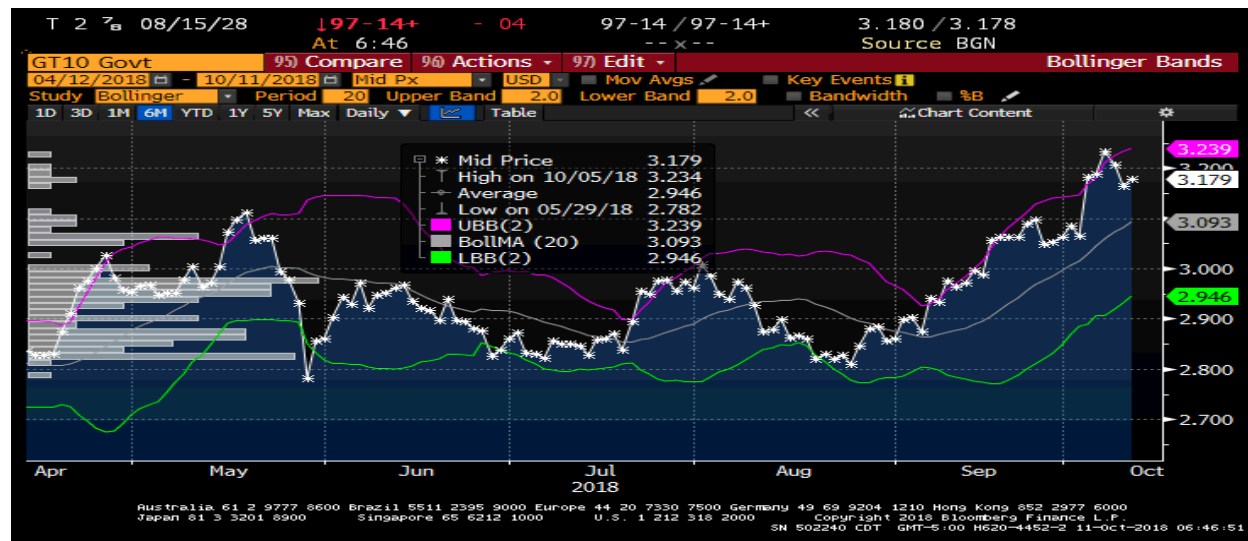
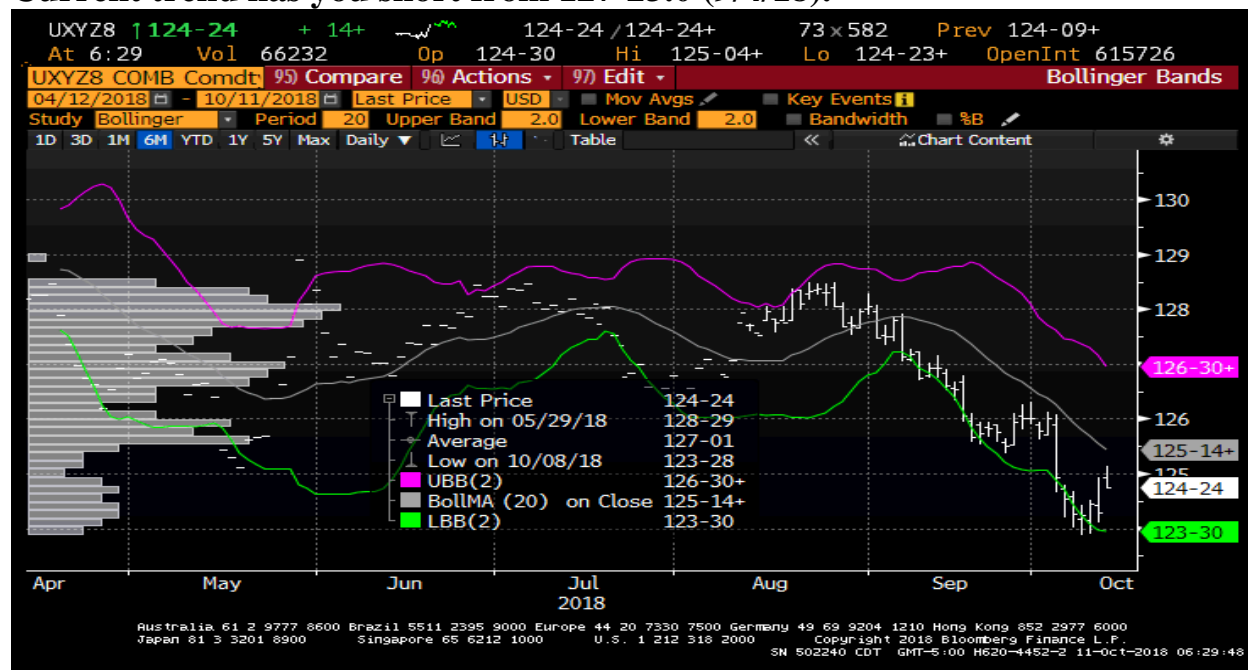
**10yr/UXYZ8: 125-14.5 is the pivot point. Above you should be long, below short.**  
**Support is at 123-30.0\*\***

**Resistance is at 125-14.5^ and 126-30.5\*\***

^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)**

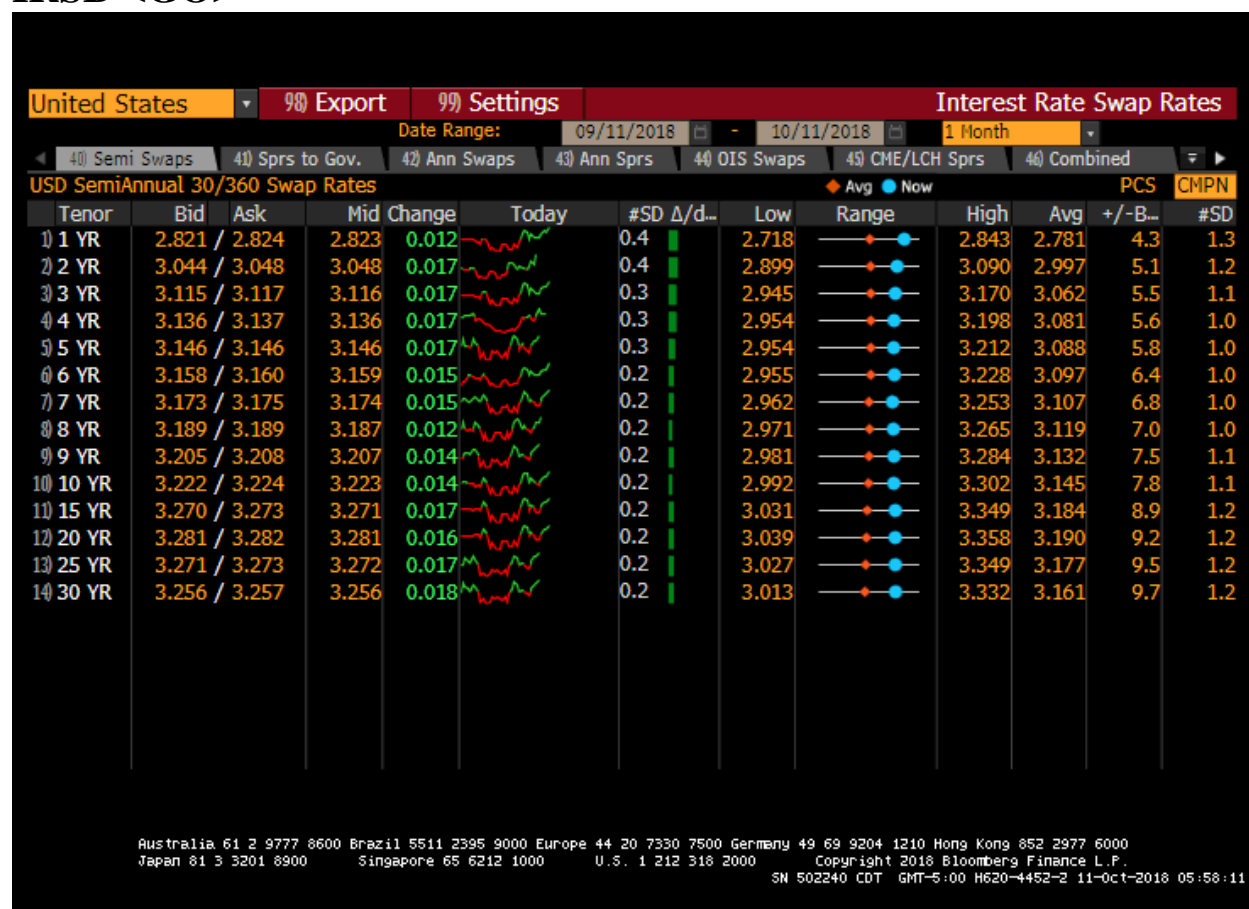
**(2018) +108.0 futures ticks (\$31.25 per tick) or +\$3,375.00.**

**(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>



## 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

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available funds increased during the second quarter of 2018 as compared with a year ago. The 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=irol-rigcountsoverview>

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## 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/>

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

In 2017, about 4,015 billion kilowatt-hours (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 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>	<b>4,015</b>	
<b>Fossil fuels (total)</b>	<b>2,495</b>	<b>62.7%</b>
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>	<b>805</b>	<b>20.0%</b>
<b>Renewables (total)</b>	<b>687</b>	<b>17.1%</b>
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>	<b>13</b>	<b>0.3%</b>

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

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## TRANSPORTS

### Association of American Railroads Rail Traffic Report.

Total carloads for the week ending October 6 were 269,634 carloads, up 0.7 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 284,604 containers and trailers, up 1.8 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 2,579 carloads, to 12,545; coal, up 1,250 carloads, to 88,939; and metallic ores and metals, up 880 carloads, to 22,121. Commodity groups that posted decreases compared with the same week in 2017 included grain, down 1,918 carloads, to 22,641; nonmetallic minerals, down 1,557 carloads, to 37,581; and miscellaneous carloads, down 154 carloads, to 9,860.

For the first 40 weeks of 2018, U.S. railroads reported cumulative volume of 10,518,193 carloads, up 2 percent from the same point last year; and 11,116,608 intermodal units, up 5.9 percent from last year. Total combined U.S. traffic for the first 40 weeks of 2018 was 21,634,801 carloads and intermodal units, an increase of 3.9 percent compared to last year.

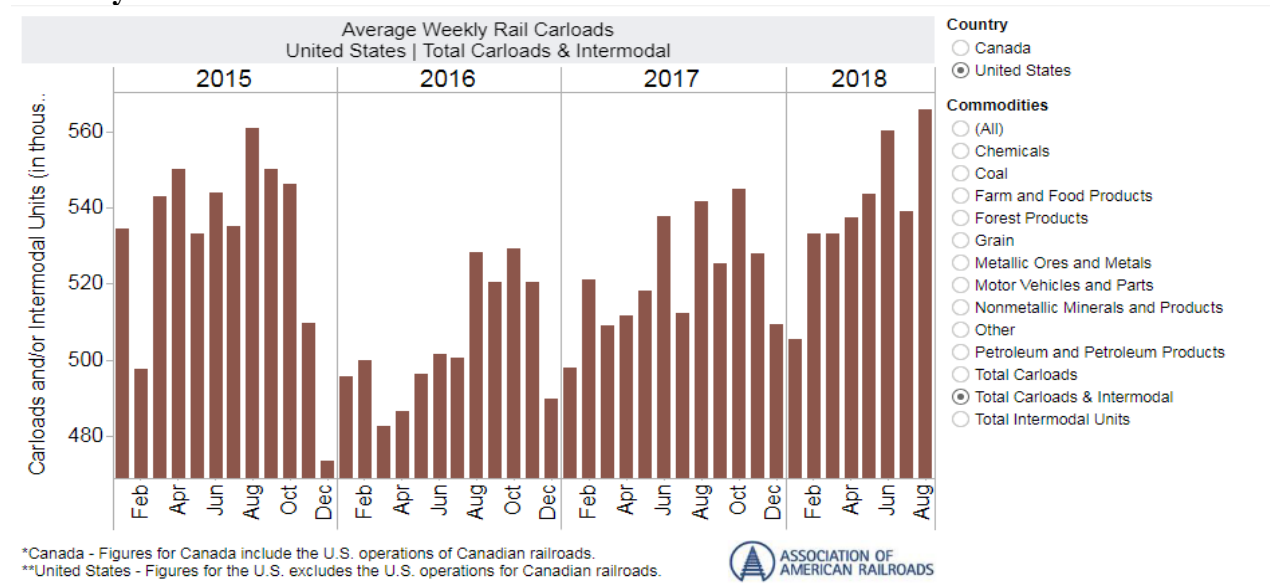
North American rail volume for the week ending October 6, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 375,239 carloads, up 1.2 percent compared with the same week last year, and 375,166 intermodal units, up 0.8 percent compared with last year. Total combined weekly rail traffic in North America was 750,405 carloads and intermodal units, up 1 percent. North American rail volume for the first 40 weeks of 2018 was 29,182,005 carloads and intermodal units, up 3.6 percent compared with 2017.

Canadian railroads reported 85,997 carloads for the week, up 4 percent, and 70,135 intermodal units, down 2.3 percent compared with the same week in 2017. For the first 40 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 6,000,438 carloads, containers and trailers, up 3.7 percent.

Mexican railroads reported 19,608 carloads for the week, down 3.2 percent compared with the same week last year, and 20,427 intermodal units, down 1 percent. Cumulative volume on Mexican railroads for the first 40 weeks of 2018 was 1,546,766 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-october-6-2018/>

### Monthly Rail Traffic Charts



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

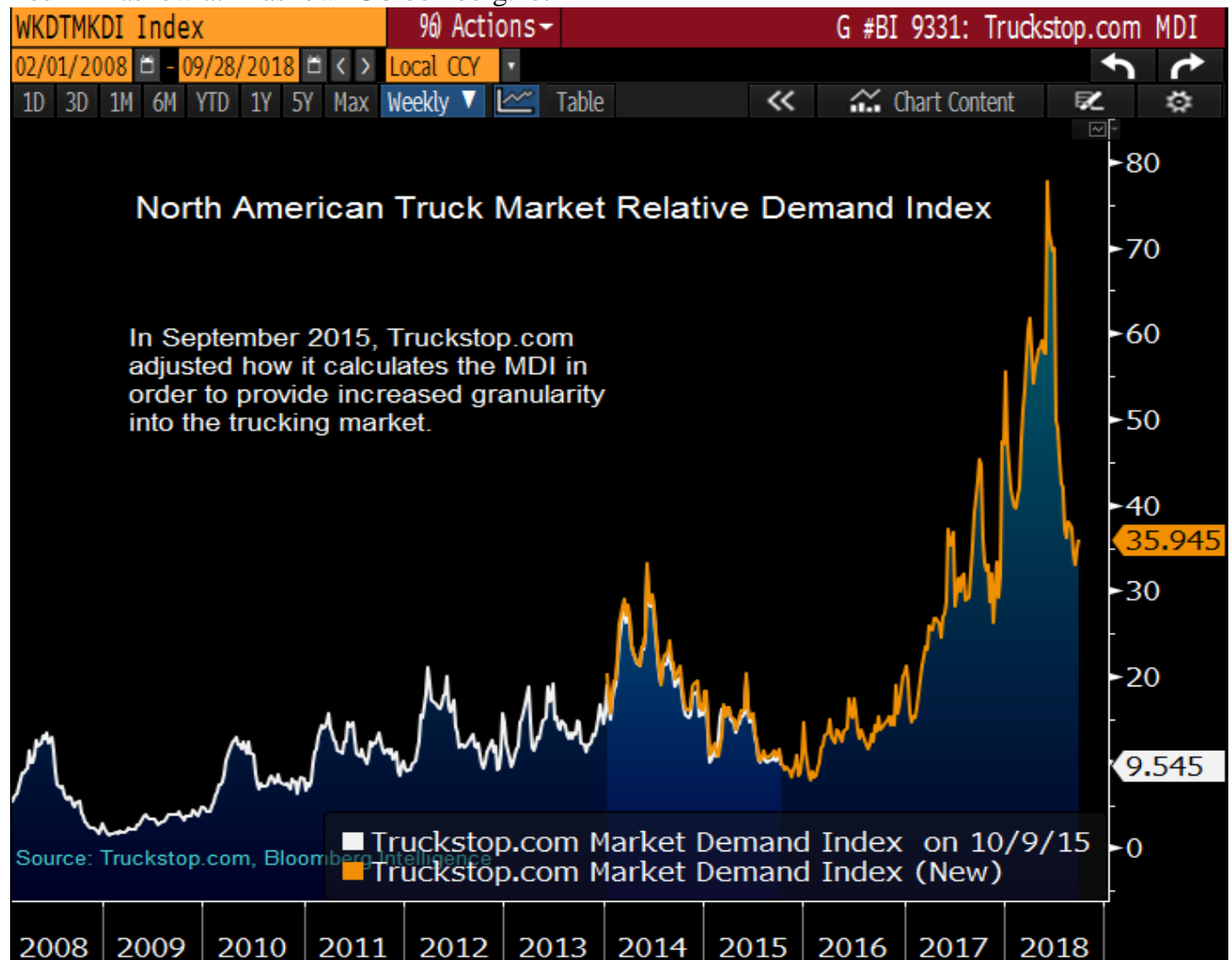
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**Trailer Truck Demand  
(Bloomberg Intelligence) – 10/03/18**

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



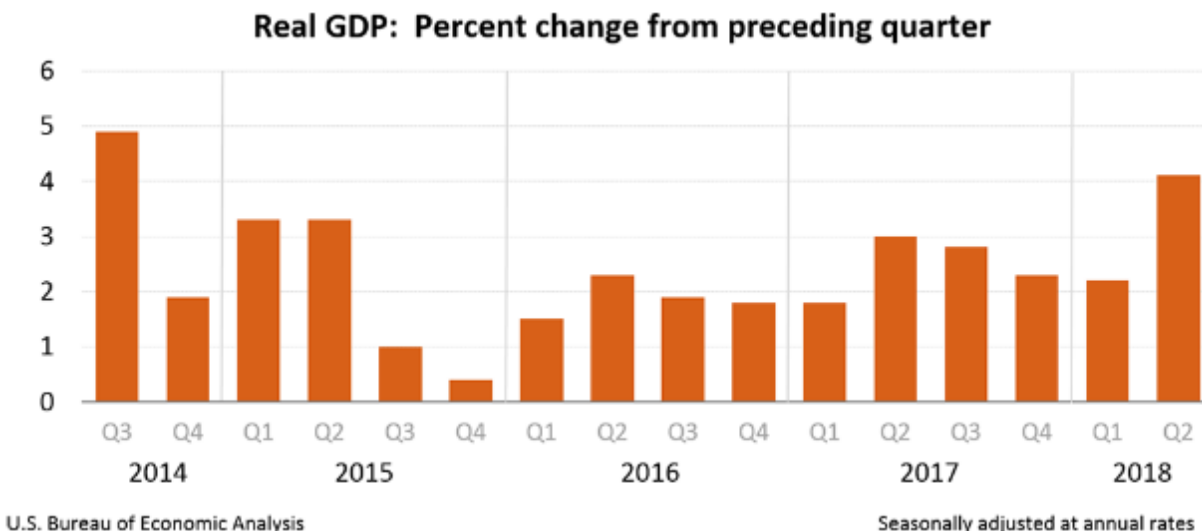
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## GDP

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



**GDP-2Q is running at \*3.57% as of 10/10/18 v. \*3.49% on 10/05/18**

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

### **Atlanta Fed GDPNow...Q3 2018: 4.2% ...October 10, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2018 is **4.2 percent** on October 10, up from 4.1 percent on October 5. After this morning's wholesale trade report from the U.S. Census Bureau and this morning's Producer Price Index release from the U.S. Bureau of Labor Statistics, the nowcast of the contribution of inventory investment to third-quarter real GDP growth increased from 2.09 percentage points to 2.20 percentage points.

*The next GDPNow update is Monday, October 15. 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: 4.20%...October 10, 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
<b>OVERALL ECONOMY</b>				Growing	Slower	113
<b>Manufacturing Sector</b>				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](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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