



Fixed Income Group A Division of RJ O'Brien

**The Missile**

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United States Browse 12:03:49 11/27/17 - 11/28/17

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/27	09:00	📈	🔊	🔊	New Home Sales	Oct	625k	--	667k	--
22)	11/27	09:00	📈	🔊	🔊	New Home Sales MoM	Oct	-6.3%	--	18.9%	--
23)	11/27	09:30	📈	🔊	🔊	Dallas Fed Manf. Activity	Nov	24.0	--	27.6	--
24)	11/28	07:30	📈	🔊	🔊	Advance Goods Trade Balance	Oct	-\$65.1b	--	-\$64.1b	-\$64.1b
25)	11/28	07:30	📈	🔊	🔊	Wholesale Inventories MoM	Oct P	0.4%	--	0.3%	--
26)	11/28	07:30	📈	🔊	🔊	Retail Inventories MoM	Oct	--	--	-1.0%	--
27)	11/28	08:00	📈	🔊	🔊	FHFA House Price Index MoM	Sep	0.5%	--	0.7%	--
28)	11/28	08:00	📈	🔊	🔊	House Price Purchase Index QoQ	3Q	--	--	1.6%	--
29)	11/28	08:00	📈	🔊	🔊	S&P CoreLogic CS 20-City MoM SA	Sep	0.30%	--	0.45%	--
30)	11/28	08:00	📈	🔊	🔊	S&P CoreLogic CS 20-City YoY NSA	Sep	6.00%	--	5.92%	--
31)	11/28	08:00	📈	🔊	🔊	S&P CoreLogic CS 20-City NSA Index	Sep	--	--	202.87	--
32)	11/28	08:00	📈	🔊	🔊	S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	6.07%	--
33)	11/28	08:00	📈	🔊	🔊	S&P CoreLogic CS US HPI NSA Index	Sep	--	--	195.05	--
34)	11/28	09:00	📈	🔊	🔊	Conf. Board Consumer Confidence	Nov	123.8	--	125.9	--
35)	11/28	09:00	📈	🔊	🔊	Conf. Board Present Situation	Nov	--	--	151.1	--
36)	11/28	09:00	📈	🔊	🔊	Conf. Board Expectations	Nov	--	--	109.1	--
37)	11/28	09:00	📈	🔊	🔊	Richmond Fed Manufact. Index	Nov	14	--	12	--



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2877 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2017 Bloomberg Finance L.P.  
SN 718553 CST GMT-6:00 6599-2313-3 24-Nov-2017 12:03:49

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**Fed Speak Calendar**  
 (All times are CST)

1) Calendars ▾	2) Alerts	3) Export ▾	4) Settings ▾	Economic Calendars							
United States		Browse	15:21:00	11/24/17	-	12/13/17					
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)	11/27	18:00				Fed's Dudley Speaks on U.S. Economy: 10 Years After Crisis					
22)	11/28	09:00				Senate Banking Cmte Holds Hearing on Fed Chair Nominee Powell					
23)	11/28	09:15				Fed's Harker Speaks on Financial Safety for Aging Population					
24)	11/29	07:30				Fed's Dudley speaks About U.S. Economy					
25)	11/29	09:00				Yellen Appears before Joint Economic Committee of Congress					
26)	11/29	11:45				Fed's Williams Speaks at Economic Forecast Luncheon in Phoenix					
27)	11/29	13:00				U.S. Federal Reserve Releases Beige Book					
28)	11/30	12:00				Fed's Kaplan Speaks in Dallas					
29)	12/01	08:05				Fed's Bullard Speaks in Little Rock, Arkansas					
30)	12/01	08:30				Fed's Kaplan Speaks in McAllen, Texas					
31)	12/01	09:15				Fed's Harker Speaks on Inclusive Economic Growth					
32)	12/12					Alabama Special General Election - U.S. Senate					
33)	12/13	13:00				FOMC Rate Decision (Upper Bo...	Dec 13	1.50%	--	1.25%	--
34)	12/13	13:00				FOMC Rate Decision (Lower Bo...	Dec 13	1.25%	--	1.00%	--
35)	12/13	13:30				Yellen Holds Press Conference Following FOMC Meeting					

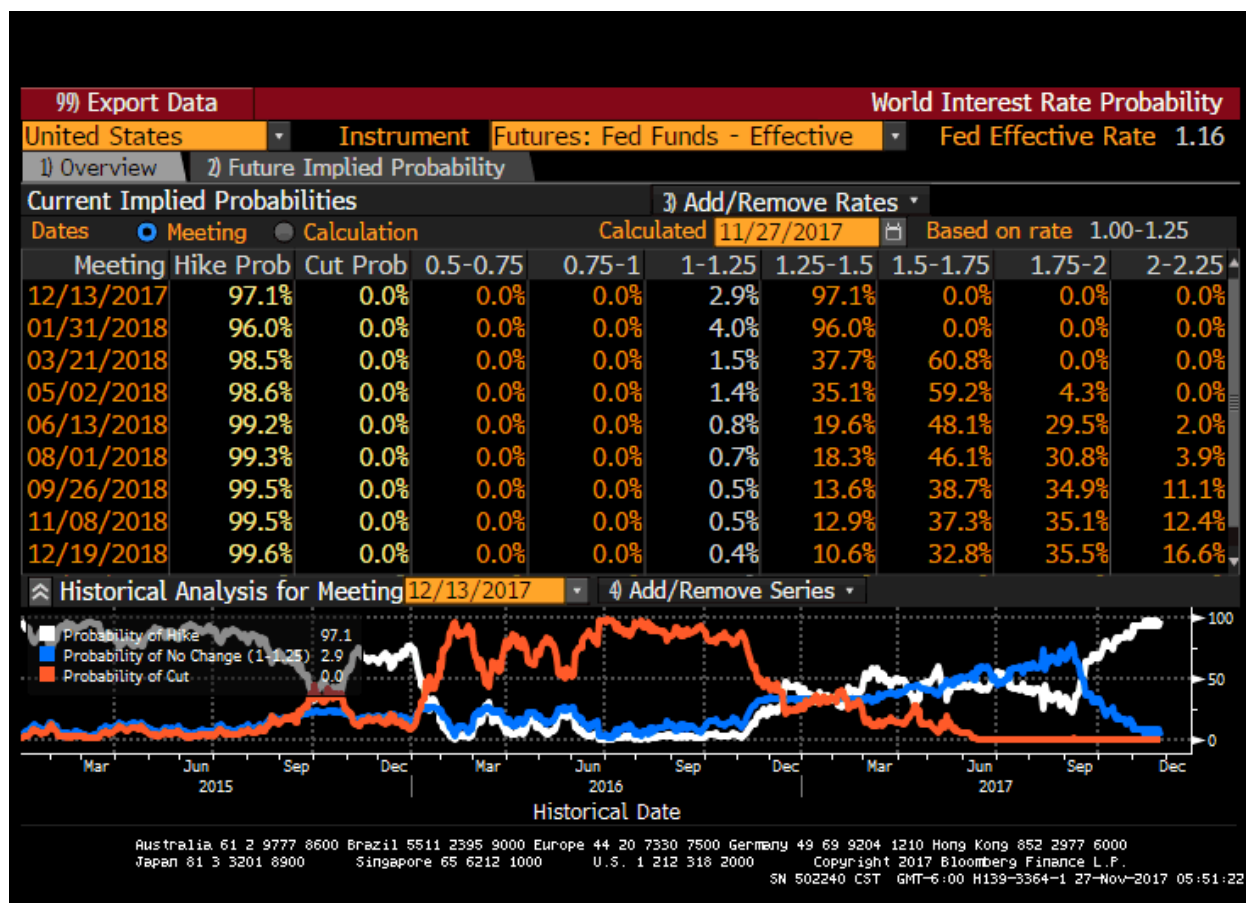
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4) Previous 3) Next 66) Send 98) Actions ▾						News: News Story		
11/22/2017 13:48:43 [BN]						Translate to...  		
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA	TBA	10/30/2017	\$20	
4-week	11/27/2017	11/28/2017	11/30/2017	TBA	TBA	11/21/2017	\$45	
3-month	11/30/2017	11/27/2017	11/30/2017	912796LN7	\$42	11/20/2017	\$42	
6-month	11/30/2017	11/27/2017	11/30/2017	912796PH6	\$36	11/20/2017	\$36	
1-year	11/30/2017	12/05/2017	12/07/2017	TBA	TBA	11/07/2017	\$20	
<b>Note Auctions</b>								
2-year	12/21/2017	11/27/2017	11/30/2017	9128283H1	\$26	10/24/2017	\$26	
3-year	12/07/2017	12/11/2017	12/15/2017	TBA	TBA	11/07/2017	\$24	
5-year	12/21/2017	11/27/2017	11/30/2017	9128283K4	\$34	10/25/2017	\$34	
7-year	12/21/2017	11/28/2017	11/30/2017	9128283J7	\$28	10/26/2017	\$28	
10-year	12/07/2017	12/11/2017	12/15/2017	TBA	TBA	11/08/2017	\$23	
<b>Bond Auctions</b>								
30-year	12/07/2017	12/12/2017	12/15/2017	TBA	TBA	11/09/2017	\$15	

<b>TIPS Auctions</b>								
5-yr TIPS	12/14/2017	12/21/2017	12/29/2017	TBA	R	TBA	08/24/2017	\$14
10-yr TIPS	01/11/2018	01/18/2018	01/31/2018	TBA	R	TBA	11/16/2017	\$11
30-yr TIPS	TBA	TBA	TBA	TBA	TBA	10/19/2017	\$5	
<b>Floating Rate Note</b>								
2-year FRN	12/21/2017	11/21/2017	11/24/2017	9128283B4	R	\$13	10/25/2017	\$13
<b>Buyback Operation</b>								
Buyback	TBA	TBA	TBA	TBA	TBA	11/15/2017	\$.025	

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## Implied Probability of Fed Rate Movement (Futures)



## Libor Set

<b>1-Month Libor Set</b>	<b>1.34676</b>	<b>+.00920</b>	<b>(98.65324)</b>
<b>3-Month Libor Set</b>	<b>1.47725</b>	<b>+.00962</b>	<b>(98.53237)</b>
<b>6-Month Libor Set</b>	<b>1.65832</b>	<b>+.00438</b>	<b>(98.34168)</b>
<b>1-Year Libor Set</b>	<b>1.94294</b>	<b>+.00688</b>	<b>(98.05706)</b>

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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 2017**  
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Variable	Median <sup>1</sup>					Central tendency <sup>2</sup>					Range <sup>3</sup>				
	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run
Change in real GDP	2.4	2.1	2.0	1.8	1.8	2.2-2.5	2.0-2.3	1.7-2.1	1.6-2.0	1.8-2.0	2.2-2.7	1.7-2.6	1.4-2.3	1.4-2.0	1.5-2.2
June projection	2.2	2.1	1.9	n.a.	1.8	2.1-2.2	1.8-2.2	1.8-2.0	n.a.	1.8-2.0	2.0-2.5	1.7-2.3	1.4-2.3	n.a.	1.5-2.2
Unemployment rate	4.3	4.1	4.1	4.2	4.6	4.2-4.3	4.0-4.2	3.9-4.4	4.0-4.5	4.5-4.8	4.2-4.5	3.9-4.5	3.8-4.5	3.8-4.8	4.4-5.0
June projection	4.3	4.2	4.2	n.a.	4.6	4.2-4.3	4.0-4.3	4.1-4.4	n.a.	4.5-4.8	4.1-4.5	3.9-4.5	3.8-4.5	n.a.	4.5-5.0
PCE inflation	1.6	1.9	2.0	2.0	2.0	1.5-1.6	1.8-2.0	2.0	2.0-2.1	2.0	1.5-1.7	1.7-2.0	1.8-2.2	1.9-2.2	2.0
June projection	1.6	2.0	2.0	n.a.	2.0	1.6-1.7	1.8-2.0	2.0-2.1	n.a.	2.0	1.5-1.8	1.7-2.1	1.8-2.2	n.a.	2.0
Core PCE inflation <sup>4</sup>	1.5	1.9	2.0	2.0		1.5-1.6	1.8-2.0	2.0	2.0-2.1		1.4-1.7	1.7-2.0	1.8-2.2	1.9-2.2	
June projection	1.7	2.0	2.0	n.a.		1.6-1.7	1.8-2.0	2.0-2.1	n.a.		1.6-1.8	1.7-2.1	1.8-2.2	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	2.9	2.8	1.1-1.4	1.9-2.4	2.4-3.1	2.5-3.5	2.5-3.0	1.1-1.6	1.1-2.6	1.1-3.4	1.1-3.9	2.3-3.5
June projection	1.4	2.1	2.9	n.a.	3.0	1.1-1.6	1.9-2.6	2.6-3.1	n.a.	2.8-3.0	1.1-1.6	1.1-3.1	1.1-4.1	n.a.	2.5-3.5

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 13-14, 2017. 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 13-14, 2017, meeting, and one participant did not submit such projections in conjunction with the September 19-20, 2017, 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/fomcprojtabl20170920.pdf>

## THEY SAID IT

**“Senate Republicans will hopefully come through for all of us. The Tax Cut Bill is getting better and better,” Trump wrote on Twitter Sunday night. The president is also expected to head up to Capitol Hill on Tuesday to press Senate Republicans in person.**

<https://www.bloomberg.com/news/articles/2017-11-27/senate-plans-tax-vote-amid-trump-sales-pitch-tax-debate-update>

### Here's What Happened Last Week:

The Senate Finance Committee released the text of its bill late on Nov. 20.

The Congressional Budget Office reported on Sunday that Congress's chief scorekeeper for tax legislation hasn't been able to provide a quick-turn “macroeconomic analysis” of the Senate tax bill.

The lack of any official finding complicates arguments by the legislation's backers, who say its package of tax cuts -- estimated to cost more than \$1.4 trillion over a decade -- would actually will pay for itself over time by generating economic growth. As Senate leaders hasten to gather and hold 50 votes from their thin, 52-seat majority, some lawmakers have already expressed reservations about the deficit impact.

Alaskan Senator Lisa Murkowski said on Nov. 21 that she won't oppose the individual mandate provision in the tax bill, improving its chances of passage. The Budget panel, that meets on Tuesday, is expected to consider adding to the tax bill a provision that would authorize oil and gas development in the Arctic National Wildlife Refuge. The move -- long expected -- would be a boon for Alaska, the home of Republican Senator Lisa Murkowski.

### What to Watch This Week:

On Tuesday, the Senate Budget Committee is scheduled to meet on the tax legislation at 2:30 p.m. The panel, which has 12 Republicans and 11 Democrats, could decide to send the tax bill to the Senate floor. Trump is also scheduled to attend the regular policy lunch held by Senate

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Republicans. On Tuesday, the Senate Budget Committee is scheduled to meet, and it may send the bill to the Senate floor. Two GOP panel members have emerged as potential sticking points. One of them is Bob Corker of Tennessee and the other is Ron Johnson of Wisconsin, who wants more generous tax cuts for partnerships, limited liability companies and other so-called pass-through businesses. Senate leaders have said they want to address Johnson's concerns. If all goes well for GOP leaders, the Senate may begin floor debate, which would culminate perhaps Wednesday or Thursday in a "vote-a-rama"-- a chaotic session in which any senator can offer an amendment to the bill. Democrats would be expected to offer a variety of amendments designed to damage, delay or derail the measure -- which may lead to some political fireworks. The voting would probably take place overnight. If Republicans have the 50 votes they need, Senate leaders may call for a floor vote on Thursday or Friday.

The bill's path to passage isn't clear yet. Three Republicans -- Tennessee's Bob Corker, Arizona's Jeff Flake and Oklahoma's James Lankford -- have raised concerns about the measure's effects on the nation's debt, and Corker has said he won't support legislation that adds to the deficit. He has said he'd allow for "reasonable" estimates of economic growth. GOP Senator John Thune of South Dakota said on "Fox News Sunday" that even a small uptick in growth "would cover the cost" of the tax bill. But so far, he and other Senate leaders lack official findings to back their assertions.

**The guardians of the global economy have two sets of issues to address. First is what to do, if anything, about emergence and growth of the private cryptocurrencies that are grabbing more and more attention -- with bitcoin now surging toward \$10,000. The second question is whether to issue official versions.**

<https://www.bloomberg.com/news/articles/2017-11-26/what-the-world-s-central-banks-are-saying-about-cryptocurrencies>

#### **U.S.: Privacy Worry**

The Federal Reserve's investigation into cryptocurrencies is in its early days, and it hasn't been overtly enthusiastic about the idea of a central-bank issued answer to bitcoin. Jerome Powell, a board member and the chairman nominee, said earlier [this year](#) that technical issues remain with the technology and "governance and risk management will be critical." Powell said there are "meaningful" challenges to a central bank cryptocurrency, that privacy issues could be a problem, and private-sector alternatives may do the job.

#### **Euro Area: Tulip-Like**

The European Central Bank has repeatedly warned about the dangers of investing in digital currencies. Vice President Vitor Constancio said in September that bitcoin isn't a currency, but a "tulip" -- alluding to the 17th-century bubble in the Netherlands. Colleague Benoit Coeure has [warned](#) bitcoin's unstable value and links to tax evasion and crime create major risks. President Mario Draghi said this month the impact of digital currencies on the euro-area economy was limited and they posed no threat to central banks' monopoly on money.

#### **China: Conditions 'Ripe'**

China has made it clear: the central bank has full control over cryptocurrencies. With a research team set up in 2014 to develop digital fiat money, the People's Bank of China believes "conditions are ripe" for it to embrace the technology. But it has cracked down on private digital issuers, banning exchange trading of bitcoin and others. While there's no formal start date for introducing digital currencies, authorities say going digital could help improve payment efficiency and allow more accurate control of currencies.

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### **Japan: Study Mode**

Bank of Japan Governor Haruhiko Kuroda said in an October [speech](#) that the BOJ has no imminent plan to issue digital currencies, though it's important to deepen knowledge about them. "Issuing CBDC (central bank digital currency) to the general public is as if a central bank extends the access to its accounts to anyone," Kuroda said. "As such, discussion about CBDC revisits fundamental issues of central banking."

### **Germany: 'Speculative Plaything'**

In a country where lot of citizens still prefer to pay in cash, the Bundesbank has been particularly wary of the emergence of bitcoin and other virtual currencies. Board member [Carl-Ludwig Thiele](#) said in September bitcoin was "more of a speculative plaything than a form of payment." A shift of deposits into blockchain would disrupt banks' business models and could upend monetary policy, Thiele said. At the same time, the Bundesbank has been actively studying the application of the technology in payment systems.

### **U.K.: Potential 'Revolution'**

Bank of England Governor Mark Carney has cited cryptocurrencies as part of a potential "revolution" in finance. The central bank started a [financial technology accelerator](#) last year, a Silicon Valley practice to incubate young companies. Carney says technology based on blockchain, the distributed accounting database, shows "great promise" in enabling central banks to strengthen their defenses against cyber attack and overhaul the way payments are made between institutions and consumers. He has nevertheless cautioned the BOE is still a long way from creating a digital version of sterling.

### **France: 'Great Caution'**

Bank of France Governor Francois Villeroy de Galhau said in June that French officials "advise great caution with respect to bitcoin because there is no public institution behind it to provide confidence. In history all examples of private currencies ended badly. Bitcoin even has a dark side -- there were this data attacks." He said "those who use Bitcoin today do so at their own risk."

### **India: Not Allowed**

India's central bank is opposed to cryptocurrencies given that they can be a channel for money laundering and terrorist financing. Nevertheless, the Reserve Bank of India has a group [studying](#) whether digital currencies backed by global central banks can be used as legal tender. Currently, the use of cryptocurrencies is a violation of foreign-exchange rules.

### **Brazil: Support Innovation**

The Banco Central do Brasil sees "no immediate risk for the Brazilian financial system" but remains alert to the developments of the usage of those currencies, it said in a [statement](#) this month. The bank pledged "to support financial innovation, including new technologies that make the financial system safer and more efficient."

### **Canada: Asset-Like**

The Bank of Canada's senior deputy governor, Carolyn Wilkins, who is leading research on cryptocurrencies, said in an [interview](#) this month that cryptocurrencies aren't true forms of money. "This is really an asset, or a security, and so it should be treated that way," Wilkins said. As others, she viewed distributed ledger technology as promising for making the financial system more efficient.

### **South Korea: Crime Watch**

The Bank of Korea's focus has been protecting consumers and preventing cryptocurrencies from being used as a tool of crime. Deputy Governor Shin Ho-soon said this month that more research and monitoring was needed.

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### **Russia: ‘Pyramid Schemes’**

Russia’s [central bank](#) has expressed concerns about potential risks from digital currencies, with Governor Elvira Nabiullina saying “we don’t legalize pyramid schemes” and “we are totally opposed to private money, no matter if it is in physical or virtual form.” For the moment, the Bank of Russia prefers to delay a decision on regulating the financial instruments unless President Vladimir Putin [pushes for action](#) sooner. The central bank will work with prosecutors to block websites that allow retail investors access to bitcoin exchanges, according to Sergey Shvetsov, a deputy governor.

### **Australia: Monitoring Closely**

The Reserve Bank is closely monitoring the rise of digital currencies and recognizes the technology underpinning bitcoin has the "potential for widespread use in the financial sector and many other parts of the economy," head of payments policy Tony Richards said last [month](#).

### **Turkey: Important Element**

Digital currencies may contribute to financial stability if designed well, Turkish Central Bank Governor Murat Cetinkaya [said](#) in Istanbul earlier this month. Digital currencies pose new risks to central banks, including their control of money supply and price stability, and the transmission of monetary policy, Cetinkaya said. Even so, the Turkish central banker said that digital currencies may be an important element for a cashless economy, and the technologies used can help speed up and make payment systems more efficient.

### **Netherlands: Most Daring**

The Dutch have been among the most daring when it comes to experimenting with digital currencies. Two years ago the central bank created its own cryptocurrency called DNBcoin -- for internal circulation only -- to better understand how it works. [Presenting the results](#) last year, Ron Berndsen, who was in charge of the project, said blockchain may be “naturally applicable” in the settlement of complex financial transactions.

### **Scandinavia: Exploring Options**

Like the Dutch, some Nordic authorities have been at the forefront of exploring the idea of digital cash. Sweden’s Riksbank, the world’s oldest central bank, is [probing options](#) including a digital register-based e-krona, with balances in central-database accounts or with values stored in an app or on a card. The bank says the introduction of an e-krona poses "no major obstacles" to monetary policy.

### **New Zealand: Considering Future**

The Reserve Bank of New Zealand, once a pioneer on the global stage with its early introduction of an inflation target, said Wednesday it’s considering its future plans for currency issuance, and how digital units may fit into those strategies. “Work is currently underway to assess the future demand for New Zealand fiat currency and to consider whether it would be feasible for the reserve bank to replace the physical currency that currently circulates with a digital alternative,” the RBNZ said in what it termed an [analytical note](#).

### **Morocco: Violating Law**

Representing one of the more stringent reactions, the country has deemed that all transactions involving virtual currencies as violating exchange regulations and punishable by law.

Cryptocurrencies amount to a hidden payment system, not backed by any institution and involving significant risks for their users, authorities said in a [statement](#) this month.

### **Bank for International Settlements: Can’t Ignore**

The central bank for central banks has said that policy makers [can’t ignore](#) the growth of cryptocurrencies and will likely have to consider whether it makes sense for them to issue their own digital currencies at some point. “Bitcoin has gone from being an obscure curiosity to a

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household name,” the BIS said in September. One option is a currency available to the public, with only the central bank able to issue units that would be directly convertible to cash and reserves. There might be a greater risk of bank runs, however, and commercial lenders might face a shortage of deposits. Privacy could also be a concern.

**“I think North Korea’s restraint for the past two months is within the simultaneous freeze road map” suggested by China and Russia, Igor Morgulov told reporters in Seoul on Monday.**

<https://www.bloomberg.com/news/articles/2017-11-27/russia-suggests-north-korea-taking-step-toward-denuclearization>

Russian and Chinese foreign ministers proposed in July a “double freezing” [initiative](#), under which North Korea refrains from missile and nuclear tests, and the U.S. and South Korea halt large-scale military exercises.

The U.S. has rejected this proposal, arguing that its drills are defensive in nature. Earlier this month, it carried out its first exercise in a decade using three aircraft carriers in the region, and plans to conduct drills with South Korea’s air force in early December.

Morgulov, Russia’s deputy minister responsible for relations with East and South Asia, said that following a “freeze for freeze” the next step would be to hold exchanges with Pyongyang. Once North Korea agrees to a moratorium on testing and talks are taking place, the process can move to discussion of denuclearization, he said.

“We will have to see a certain change of attitude of the U.S., especially on freezing or reducing” its military drills, Morgulov said. “It’ll be difficult for us to play the role of persuading North Korea” not to provoke anymore without a change in the U.S. position.

**Forecasting output growth used to be a relatively simple undertaking. Developing oil fields had a lead time of several years and the flow of new oil coming from them was reasonably visible over a 12-month horizon.**

<https://www.bloomberg.com/gadfly/articles/2017-11-26/opec-has-no-idea-what-s-going-on-with-shale-but-never-mind>

Now, lead times are measured in weeks rather than years for new shale projects, and the large number of companies operating in the sector have made forecasting oil output growth almost impossible. The uncertainty makes it very difficult for OPEC and its friends to assess how they should respond. This raises a risk that they hesitate on extending the production reductions. Analysts briefing the group last week said forecasts of growth in shale oil output next year ranged from 500,000 barrels a day to 1.7 million. That margin of uncertainty is as big as the entire output cut the group agreed to a year ago.

**Powell is scheduled to testify on Tuesday before the Senate Banking Committee, and the inflation issue has now become more important after comments last week by current Fed Chair [Janet Yellen](#). She expressed increasing doubts about the inflation outlook, saying she expects it "to move back up over the next year or two" toward the [Fed's](#) 2 percent goal. But, she added, "I will say I'm very uncertain about this."**

<https://www.cnn.com/2017/11/24/powells-inflation-outlook-to-be-top-question.html>

That’s a change for Yellen, who has insisted for most of this year that persistently low inflation rates were transitory. The Fed’s preferred inflation indicator, the core personal consumption expenditures (PCE) index, which excludes food and energy, has fallen from 1.9 percent a year

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ago to just 1.3 percent in September. It's shown little sign of a rebound even while unemployment has dropped and growth has picked up.

Yellen is now concerned that there are longer-term trends at work, and suggested that those concerns are shared by others at the Fed. "My colleagues and I are not certain that it is transitory," Yellen said in a speech Tuesday at New York University's Stern School of Business. That raises the question of what Powell now believes. A Fed governor for the past five years, Powell has expressed some concerns about low inflation but hasn't yet gone as far as Yellen. In an Aug. 25 CNBC interview, Powell called low inflation "kind of a mystery."

Given low unemployment, Powell said he would expect higher readings. He added that low inflation numbers give the Fed "the ability to be patient" in raising rates.

**The deputy director of the U.S. Consumer Financial Protection Bureau late on Sunday filed a lawsuit seeking to halt President [Donald Trump](#) from naming an official to run the watchdog agency on an interim basis.**

<https://www.cnbc.com/2017/11/26/us-consumer-finance-agency-official-sues-to-stop-trump-appointment.html>

Leandra English, who was named acting director by outgoing agency chief Richard Cordray on Friday, is seeking a temporary restraining order barring [Mick Mulvaney](#), Trump's head of the Office of Management and Budget, from taking control of the agency as Trump had sought. The suit, filed in U.S. District Court in Washington, argues that Trump overstepped his legal authority in attempting to place Mulvaney in the post, maintaining Cordray had legal grounds to name his successor until a full-time director is named by Trump and confirmed by the Senate.

**A U.S. proposal to enshrine measures targeting Mexican billionaire Carlos Slim's America Movil thwarted NAFTA negotiators' goal to reach a deal on telecommunications issues during the latest talks, according to three sources with knowledge of the matter.**

<https://www.reuters.com/article/us-nafta-telecoms/u-s-bid-to-include-mexico-reform-in-nafta-stalls-telecom-talks-idUSKBN1DR1DF?il=0>

The U.S. proposal would codify Mexico's telecommunications reform in the North America Free Trade Agreement, including a policy to bar America Movil ([AMXL.MX](#)) from charging competitors such as AT&T ([T.N](#)) for calls to its network, the sources said.

The policy, a central part of a 2014 effort aimed at loosening Slim's grip on telecommunications in Mexico, was later abandoned by the government after the country's Supreme Court ruled in August that America Movil's interconnection rates should be set by the telecommunications regulator, not legislators.

Slim holds about two-thirds of mobile phone subscriptions in Mexico.

The U.S. proposal, which was made during the fourth round of talks and remained on the table in the latest session in Mexico City, was the main sticking point that kept negotiators from reaching agreement on telecommunications, viewed as a rare area of common ground in tough negotiations, the sources said.

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## EQUITIES

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

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 65% Equities, 20% Bonds and 15% Money Markets.

Earnings:

[www.moneycentral.msn.com/investor/market/earncalendar](http://www.moneycentral.msn.com/investor/market/earncalendar)

**On Bloomberg type in ACDR <GO>**

### UK/EUROPE

**In the UK the FTSE closed +0.00%.**

In the UK, the yield curve is steeper with yields mixed.

**BOE Rate +0.50%.**

**Next meeting 12/14/17**

### On the European Continent

**The CAC Index closed +0.71%.**

**The DAX Index closed +0.89%.**

On the Continent, the yield curve is steeper with yields higher.

**ECB Main Refinancing Operations Rate +0.00%**

**Deposit Facility Rate -.40%**

**Next meeting 12/14/17**

### ASIA

#### Japan:

**The TOPIX closed +0.20%.**

**The NIKKEI closed +0.12%.**

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

**BOJ Basic Loan rate 0.30%**

**Next meeting 12/21/17**

#### China:

**The Hang Seng closed +0.53%.**

**The Shanghai Composite closed +0.06%.**

#### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

EDZ7: 98-46.75 is the pivot. Below the pivot you should be short, above long. Support is at 98-44.0\*\*.

Resistance is at 98.46.75 and 98-49.5\*.

\*Pivot Point is a simple 20-day moving average.

\*\* 2-STD Deviations from the pivot point.

Trend has you short from 98.550 (9/14/17).



**YTD +8.0 futures ticks (\$25 per tick) or +\$200.00 per one contract traded.**

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10yr/TYZ7: 124-31.5 is the pivot point. Above you should be long, below short.

Support is at 124-17.0\*\*

Resistance is at 124-31.5 and 125-13.5\*\*

\*Pivot Point is a simple 20-day moving average.

\*\* 2-STD Deviations from the pivot point

Current trend has you short from 124-30.5 (11/26/17). I remain flat ahead of the tax vote.



**YTD (2017) +93.0 futures ticks (\$31.25 per tick) or +2906.25 per one contract traded.**

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**YTD (2016) +377.5 futures ticks (\$31.25 per tick) or +\$11,796.88 per one contract traded.**

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# US-SWAPS IRSB <GO>

United States		98 Export	99 Settings	Interest Rate Swap Rates									
				Date Range:	10/27/2017	-	11/27/2017	1 Month					
				40 Semi Swaps	41 Sprs to Gov.	42 Ann Swaps	43 Ann Sprs	44 OIS Swaps	45 CME/LCH Sprs	46 Combined			
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/day	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	1.760 / 1.763		1.762	0.009		0.2	1.625	1.763	1.695	6.8	1.7		
2) 2 YR	1.933 / 1.936		1.934	0.010		0.2	1.799	1.949	1.867	6.9	1.6		
3) 3 YR	2.033 / 2.035		2.034	0.011		0.3	1.913	2.056	1.973	6.2	1.6		
4) 4 YR	2.094 / 2.097		2.097	0.013		0.4	1.990	2.122	2.046	5.1	1.5		
5) 5 YR	2.144 / 2.146		2.144	0.012		0.4	1.848	2.178	2.106	3.9	1.3		
6) 6 YR	2.187 / 2.192		2.189	0.007		0.2	2.106	2.235	2.162	3.0	1.1		
7) 7 YR	2.230 / 2.235		2.232	0.005		0.2	2.156	2.299	2.215	2.0	0.8		
8) 8 YR	2.269 / 2.273		2.271	0.002		0.1	2.201	2.356	2.261	1.2	0.5		
9) 9 YR	2.306 / 2.308		2.307	0.000		0.0	2.242	2.406	2.303	0.5	0.2		
10) 10 YR	2.341 / 2.343		2.341	0.001		0.0	2.279	2.462	2.342	0.1	0.0		
11) 15 YR	2.461 / 2.465		2.463	-0.004		-0.1	2.412	2.590	2.475	-1.0	-0.3		
12) 20 YR	2.522 / 2.524		2.523	-0.006		-0.2	2.477	2.655	2.539	-1.5	-0.5		
13) 25 YR	2.538 / 2.543		2.541	-0.008		-0.3	2.500	2.679	2.561	-1.9	-0.6		
14) 30 YR	2.542 / 2.543		2.542	-0.009		-0.3	2.505	2.686	2.566	-2.4	-0.7		

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 2017 Bloomberg Finance L.P.  
 SN 502240 CST GMT-6:00 H139-3364-1 27-Nov-2017 05:51:49

## The Option Lab

**Option Book 2017 YTD realized: -\$228.13 per one contract.**

**Option Book 2016 YTD realized: +\$43.75 per one contract.**

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## The Fundamentals

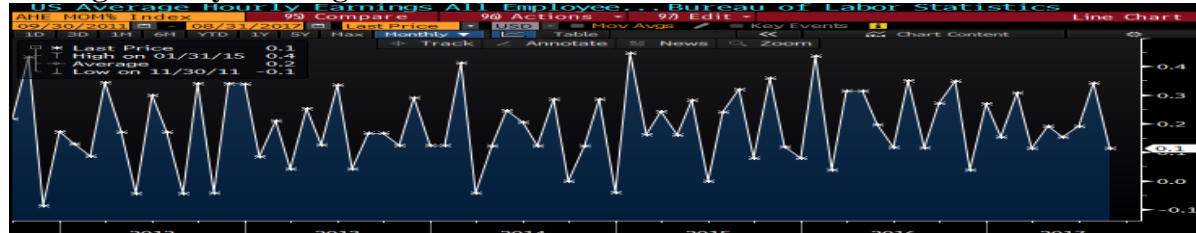
### LABOR

#### 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



#### Department of Labor Department.

[http://www.doleta.gov/ETA\\_News\\_Releases/](http://www.doleta.gov/ETA_News_Releases/)

#### St. Louis Fed Agriculture Finance Monitor 3rd quarter 2017

According to the latest survey of agricultural bankers in the Eighth Federal Reserve District, farm income declined during the third quarter of 2017 compared with a year earlier. Bankers were modestly more optimistic when asked about the prospects for farm income in the fourth quarter. Compared with their expectations registered in the second-quarter survey, proportionately MORE BANKERS REPORTED AT THE DEMAND FOR LOANS, the rate of loan repayment, and farm income were stronger than they initially expected.

Quality farmland values rose 1.1 percent in the third quarter from a year earlier, while ranchland and pastureland values increased by slightly more, 4 percent. By contrast, cash rents fell in the third quarter. In the third quarter of 2017, proportionately more bankers reported an increased demand for loans. However, proportionately more bankers also reported a decline in the availability of funds and in the rate of loan repayment. Compared with the second-quarter averages, interest rates were modestly higher among most loan categories in the third quarter, regardless of whether the loans were fixed rate or variable rate. This issue contained three special questions. The first question asked about loan repayment problems. Nearly 60 percent of bankers reported that operating loans (lines of credit) were expected to have the largest repayment problems, while nearly a quarter of respondents reported no expected increase in repayment problems. The second question asked about the performance of loans that have been restructured in the past year. Nearly 70 percent of respondents reported that the restructuring has been in line with expectations.

<https://files.stlouisfed.org/files/htdocs/publications/ag-finance/2017-11-09/2017-third-quarter.pdf>

#### 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>

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## ENERGY

### Baker Hughes Rig Count

## Rig Count Overview & Summary 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.	22 November 2017	923	+8	17 November 2017	+330	23 November 2016
Canada	22 November 2017	215	+7	17 November 2017	+41	23 November 2016
International	October 2017	951	+20	September 2017	+31	October 2016

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

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

In 2016, about 4.08 trillion kilowatt hours (kWh) of electricity<sup>1</sup> were generated at utility-scale facilities in the United States.<sup>2</sup> About 65% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases), about 20% was from nuclear energy, and about 15% was from renewable energy sources. The U.S. Energy Information Administration (EIA) estimates that an additional 19 billion kWh (or about 0.02 trillion kWh) of electricity generation was from small-scale solar photovoltaic systems in 2016.<sup>3</sup>

### Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016<sup>1</sup>

**Natural gas = 33.8%**

**Coal = 30.4%**

**Nuclear = 19.7%**

**Renewables (total) = 14.9%**

**Hydropower = 6.5%**

**Wind = 5.6%**

**Biomass = 1.5%**

**Solar = 0.9%**

**Geothermal = 0.4%**

**Petroleum = 0.6%**

**Other gases = 0.3%**

**Other nonrenewable sources = 0.3%**

**Pumped storage hydroelectricity = -0.2%<sup>4</sup>**

<https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

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## **Renewable Fuels Association**

<http://www.ethanolrfa.org/>

### **TRANSPORTS**

#### **Association of American Railroads Rail Traffic Report.**

For the first 46 weeks of 2017, U.S. railroads reported cumulative volume of 11,969,281 carloads, up 3 percent from the same point last year; and 12,420,150 intermodal units, up 3.7 percent from last year. Total combined U.S. traffic for the first 46 weeks of 2017 was 24,389,431 carloads and intermodal units, an increase of 3.4 percent compared to last year.

North American rail volume for the week ending November 18, 2017, on 13 reporting U.S., Canadian and Mexican railroads totaled 363,131 carloads, down 1.4 percent compared with the same week last year, and 367,840 intermodal units, up 4.9 percent compared with last year. Total combined weekly rail traffic in North America was 730,971 carloads and intermodal units, up 1.7 percent.

North American rail volume for the first 46 weeks of 2017 was 32,358,665 carloads and intermodal units, up 4.7 percent compared with 2016.

Canadian railroads reported 79,822 carloads for the week, down 2.5 percent, and 68,407 intermodal units, up 8.5 percent compared with the same week in 2016. For the first 46 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 6,704,658 carloads, containers and trailers, up 10.8 percent.

Mexican railroads reported 16,382 carloads for the week, up 9.7 percent compared with the same week last year, and 12,294 intermodal units, up 10.3 percent. Cumulative volume on Mexican railroads for the first 46 weeks of 2017 was 1,264,576 carloads and intermodal containers and trailers, up 1.4 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-11-22-railtraffic.aspx>

#### **Weekly Rail Traffic Report and Charts**

For this week, total U.S. weekly rail traffic was 554,066 carloads and intermodal units, up 1.2 percent compared with the same week last year.

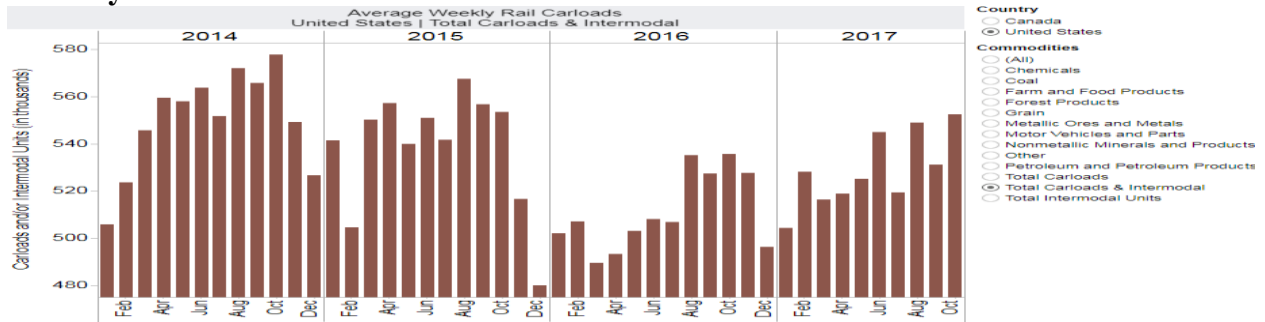
Total carloads for the week ending November 18 were 266,927 carloads, down 1.6 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 287,139 containers and trailers, up 3.9 percent compared to 2016.

Four of the 10 carload commodity groups posted an increase compared with the same week in 2016. They included metallic ores and metals, up 4,537 carloads, to 23,696; nonmetallic minerals, up 3,675 carloads, to 38,355; and chemicals, up 1,334 carloads, to 31,939. Commodity groups that posted decreases compared with the same week in 2016 included coal, down 8,528 carloads, to 86,185; grain, down 3,841 carloads, to 21,926; and petroleum and petroleum products, down 887 carloads, to 10,184.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-11-22-railtraffic.pdf>

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## Monthly Rail Traffic Charts



<https://www.aar.org/Pages/Freight-Rail-Traffic-Data.aspx>

### Trailer Truck Demand

**(Bloomberg Intelligence) – 11/20/17**

Truckstop.com Market Demand Index, Average Rates

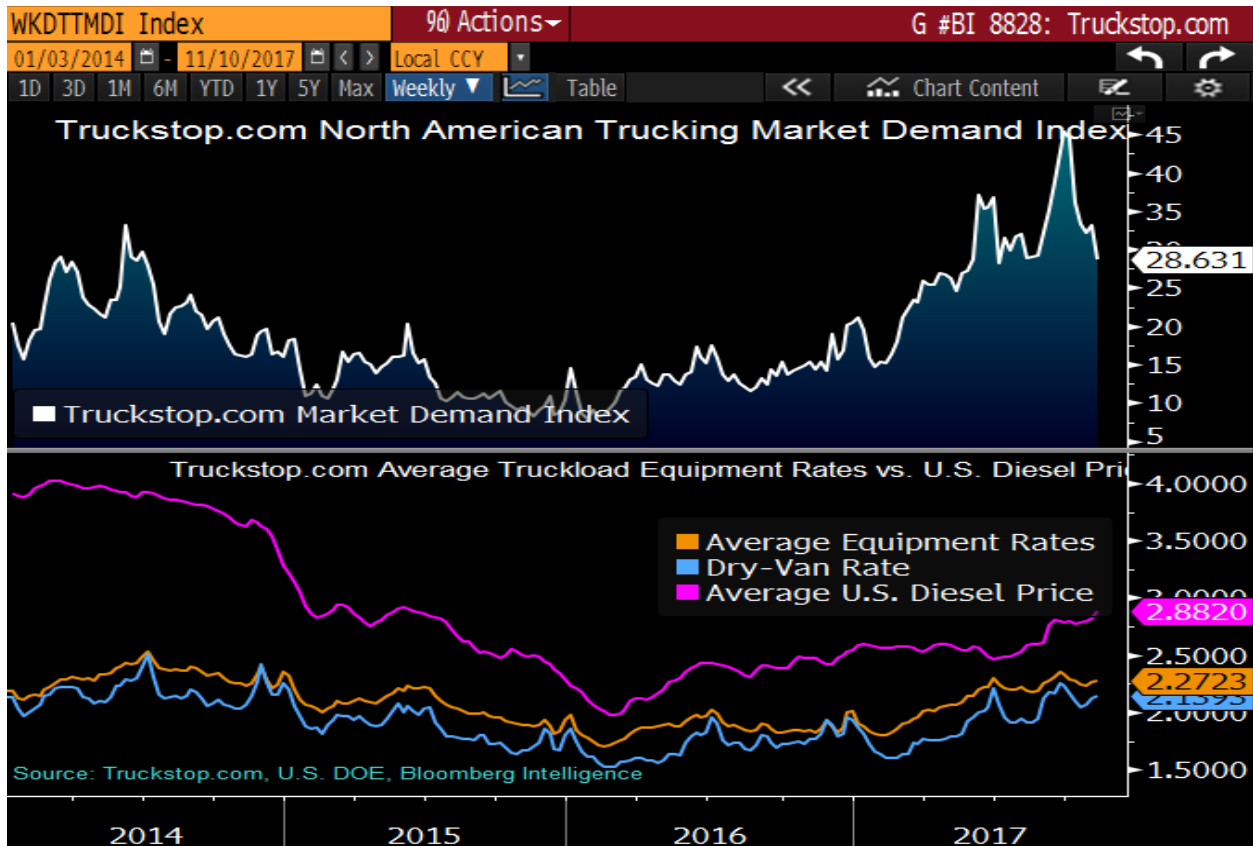
(Bloomberg Intelligence) -- Relative North American spot trucking demand rose 12% sequentially to 32 in the week ended Nov. 17, as measured by Truckstop.com's Market Demand Index. Capacity tightened as the 12% gain in available loads outpaced the 0.2% decline in available trucks. Spot rates, excluding fuel surcharges, rose 1.4%. Capacity constraints from the electronic logging device deadline on Dec. 18 and seasonal demand could tighten the market further, keeping upward pressure on spot rates.

The Market Demand Index has climbed 120% on average vs. last year. Total rates, excluding fuel surcharges, increased 12%. USA Truck and Knight-Swift traditionally have more exposure to the spot market vs. other truckload carriers such as Werner, J.B. Hunt and Marten. (11/20/17)

To contact the analyst for this research:

Lee A Klaskow at [klaskow1@bloomberg.net](mailto:klaskow1@bloomberg.net)

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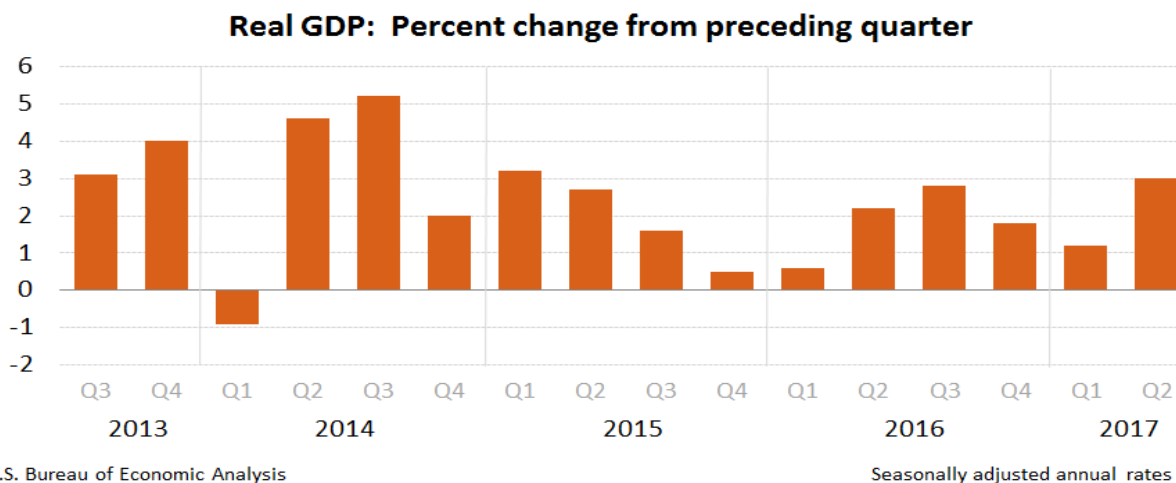
## GDP

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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**My 3Q-GDP finished 2.38% v. the 3.0% GDP Advance release on October 27...let the revisions begin.**

**GDP-4Q is running at 3.50% on November 24, unchanged from 3.54% on November 22**

**Atlanta Fed GDPNow...Latest forecast Q4: 3.4 percent — November 22, 2017**

The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2017 is **3.4 percent** on November 22, unchanged from November 17. After this morning's advance durable manufacturing report from the U.S. Census Bureau, the forecast of real nonresidential equipment investment growth inched up from 14.1 percent to 14.2 percent and the forecast of the contribution of inventory investment to fourth-quarter GDP growth inched down from 0.06 percentage points to 0.02 percentage points.

*The next GDPNow update is **Wednesday, November 30**. Please see the "Release Dates" tab below for a full list of upcoming releases.*

<https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1>

**New York Fed Nowcast...Q4 2017: 3.7%...November 24, 2017**

News from this week's data releases decreased the nowcast for Q4 by 0.1 percentage point. Negative surprises from manufacturing data accounted for the decrease.

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

**St. Louis Fed Real GDP Nowcast... Q4 2017: 3.40%...November 22, 2017**

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

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## MANUFACTURING AT A GLANCE

October 2017

Percentage

Index	Series Index	Series Index	Point	Direction	Rate of Change	Trend* (Months)
	Oct	Sep	Change			
<b>PMI<sup>®</sup></b>	58.7	60.8	-2.1	Growing	Slower	14
<b>New Orders</b>	63.4	64.6	-1.2	Growing	Slower	14
<b>Production</b>	61.0	62.2	-1.2	Growing	Slower	14
<b>Employment</b>	59.8	60.3	-0.5	Growing	Slower	13
<b>Supplier Deliveries</b>	61.4	64.4	-3.0	Slowing	Slower	18
<b>Inventories</b>	48.0	52.5	-4.5	Contracting	From Growing	1
<b>Customers' Inventories</b>	43.5	42.0	+1.5	Too Low	Slower	4
<b>Prices</b>	68.5	71.5	-3.0	Increasing	Slower	20
<b>Backlog of Orders</b>	55.0	58.0	-3.0	Growing	Slower	9
<b>New Export Orders</b>	56.5	57.0	-0.5	Growing	Slower	20
<b>Imports</b>	54.0	54.0	0.0	Growing	Same	9
<b>OVERALL ECONOMY</b>				Growing	Slower	101
<b>Manufacturing Sector</b>				Growing	Slower	14

<i>Month</i>	<i>PMI<sup>®</sup></i>	<i>Month</i>	<i>PMI<sup>®</sup></i>
Oct 2017	58.7	Apr 2017	54.8
Sep 2017	60.8	Mar 2017	57.2
Aug 2017	58.8	Feb 2017	57.7
Jul 2017	56.3	Jan 2017	56.0
Jun 2017	57.8	Dec 2016	54.5
May 2017	54.9	Nov 2016	53.5

Average for 2017 – 57.3

Average for 12 months – 56.8

High – 60.8

Low – 53.5

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

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**US Census Bureau (Manufacturers' Shipments, Inventories and Orders).**

**<http://www.census.gov/manufacturing/m3/>**

**Our Nation in numbers**

**The Constitution gives us four missions...**

- 1. Establish Justice and Ensure Domestic Tranquility.**
- 2. Provide for the Common Defense.**
- 3. Promote the General welfare.**
- 4. Secure the Blessings of Liberty to Ourselves and Our Posterity.**

**[www.usafacts.org](http://www.usafacts.org)**

**US Foreign Assistance**

**<http://foreignassistance.gov/>**

**CBOT Non-Commercial Net Total – Futures Only**

**<http://www.cmegroup.com/trading/interest-rates/cftc-tff/main.html>**

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