RJO FIG

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The Missile

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(All times are CST)

9 <GO> to Save as Default

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

United States | 6) Browse | 15:12:26 | 11/29/17 - 12/05/17

Economic Releases | All Economic Releases | View: Agenda / Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/29 06:00				MBA Mortgage Applications	Nov 24	--	--	0.1%	--
22)	11/29 07:30				GDP Annualized QoQ	3Q S	3.2%	--	3.0%	--
23)	11/29 07:30				Personal Consumption	3Q S	2.5%	--	2.4%	--
24)	11/29 07:30				GDP Price Index	3Q S	2.2%	--	2.2%	--
25)	11/29 07:30				Core PCE QoQ	3Q S	1.3%	--	1.3%	--
26)	11/29 09:00				Pending Home Sales MoM	Oct	1.0%	--	0.0%	--
27)	11/29 09:00				Pending Home Sales NSA YoY	Oct	3.0%	--	-5.4%	--
28)	11/29 13:00				U.S. Federal Reserve Releases Beige Book					
29)	11/30 07:30				Initial Jobless Claims	Nov 25	240k	--	239k	--
30)	11/30 07:30				Continuing Claims	Nov 18	1890k	--	1904k	--
31)	11/30 07:30				Personal Income	Oct	0.3%	--	0.4%	--
32)	11/30 07:30				Personal Spending	Oct	0.3%	--	1.0%	--
33)	11/30 07:30				Real Personal Spending	Oct	0.2%	--	0.6%	--
34)	11/30 07:30				PCE Deflator MoM	Oct	0.1%	--	0.4%	--
35)	11/30 07:30				PCE Deflator YoY	Oct	1.5%	--	1.6%	--
36)	11/30 07:30				PCE Core MoM	Oct	0.2%	--	0.1%	--
37)	11/30 07:30				PCE Core YoY	Oct	1.4%	--	1.3%	--
38)	11/30 08:45				Chicago Purchasing Manager	Nov	63.0	--	66.2	--
39)	11/30 08:45				Bloomberg Consumer Comfort	Nov 26	--	--	51.7	--

Fed Speak Calendar
(All times are CST)

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

United States 6) Browse 15:21:26 11/29/17 - 12/31/17

Central Banks All Central Banks View Agenda Weekly

	Date Time	A M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/29 07:30			Fed's Dudley speaks About U.S. Economy					
22)	11/29 09:00			Yellen Appears before Joint Economic Committee of Congress					
23)	11/29 11:45			Fed's Williams Speaks at Economic Forecast Luncheon in Phoenix					
24)	11/29 13:00			U.S. Federal Reserve Releases Beige Book					
25)	11/30 11:30			Fed's Quarles Speaks on Payments Systems in Cleveland					
26)	11/30 12:00			Fed's Kaplan Speaks in Dallas					
27)	12/01 08:05			Fed's Bullard Speaks in Little Rock, Arkansas					
28)	12/01 08:30			Fed's Kaplan Addresses Symposium in McAllen, Texas					
29)	12/01 09:15			Fed's Harker Speaks on Inclusive Economic Growth					
30)	12/01 18:00			Fed's Quarles Speaks in New York on Financial Regulations					
31)	12/12 07:15			Alabama Special General Election - U.S. Senate					
32)	12/13 13:00			FOMC Rate Decision (Upper Bo...	Dec 13	1.50%	--	1.25%	--
33)	12/13 13:00			FOMC Rate Decision (Lower Bo...	Dec 13	1.25%	--	1.00%	--
34)	12/13 13:30			Yellen Holds Press Conference Following FOMC Meeting					

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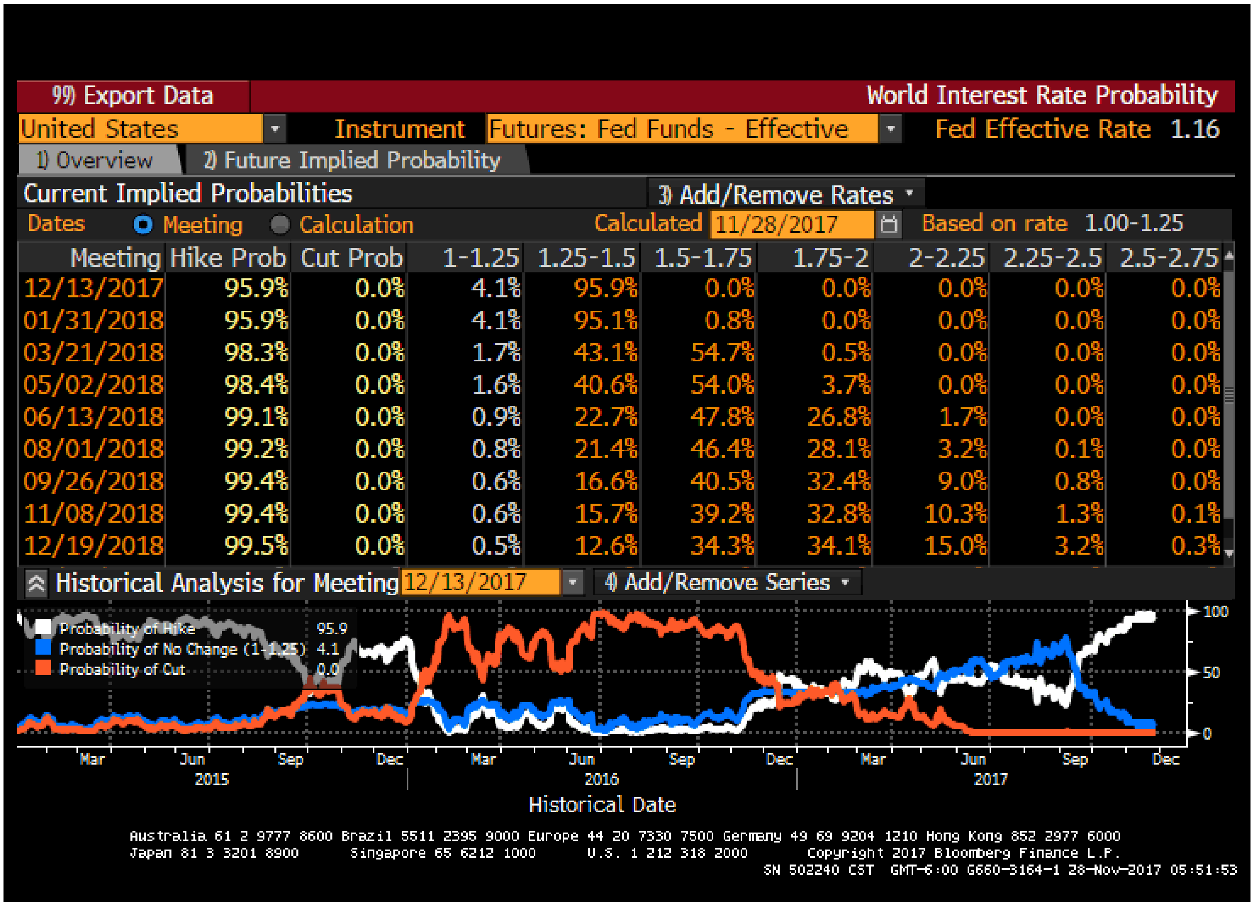
Bill Auctions	Next Offer Announcement	Next Auction	Date Settles	CUSIP Numbers	R	$ Bil	Prior Auction	Prior $ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	10/30/2017	$20
4-week	12/04/2017	12/05/2017	12/07/2017	TBA		TBA	11/28/2017	$45
3-month	11/30/2017	12/04/2017	12/07/2017	912796NU9		TBA	11/27/2017	$42
6-month	11/30/2017	12/04/2017	12/07/2017	912796PJ2		TBA	11/27/2017	$36
1-year	11/30/2017	12/05/2017	12/07/2017	912796PE3		TBA	11/07/2017	$20
Note Auctions								
2-year	12/21/2017	12/26/2017	01/02/2018	TBA		TBA	11/27/2017	$26
3-year	12/07/2017	12/11/2017	12/15/2017	TBA		TBA	11/07/2017	$24
5-year	12/21/2017	12/27/2017	01/02/2018	TBA		TBA	11/27/2017	$34
7-year	12/21/2017	12/28/2017	01/02/2018	TBA		TBA	11/28/2017	$28
10-year	12/07/2017	12/11/2017	12/15/2017	TBA		TBA	11/08/2017	$23
Bond Auctions								
30-year	12/07/2017	12/12/2017	12/15/2017	TBA		TBA	11/09/2017	$15

TIPS Auctions								
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
Floating Rate Note								
2-year FRN	12/21/2017	11/21/2017	11/24/2017	9128283B4	R	$13	10/25/2017	$13
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	$.025

Implied Probability of Fed Rate Movement (Futures)



Libor Set

1-Month Libor Set	1.36069	+.01091	(98.63931)
3-Month Libor Set	1.48063	+.00181	(98.51937)
6-Month Libor Set	1.66050	+.00312	(98.33950)
1-Year Libor Set	1.94491	+.00683	(98.05509)

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

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	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[4]	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

Congress is headed toward passing another stop-gap spending bill that puts off for two more weeks some hard choices on funding the government and on a host of other issues that lawmakers are scrambling to wrap up before the end of the year.

https://www.bloomberg.com/news/articles/2017-11-29/trump-s-clash-with-democrats-raises-risk-of-government-shutdown

A failure to come to terms with Democrats risks another partial government shutdown, a political trap that Republicans in particular want to avoid.

“Nobody wins that way,” said Senator Richard Shelby, an Alabama Republican. “Shutdowns are bad news.”

As the brink of a government shutdown gets closer, Democrats have added leverage for their end-of-year priorities because under Senate rules their votes are necessary to cut off unlimited debate.

Senator John Cornyn of Texas, the No. 2 Republican leader, acknowledged that a short-term deal likely will be needed and that a shutdown is out of the question. “We’re going to do what it takes to keep the government up and running until we can reach an agreement,” he said.

Defense hawks in the Republican Party have made clear they won’t support a longer stopgap spending bill, known as a continuing resolution, that would extend funding into January or February without a significant increase in the $549 billion cap for defense spending.

“If we’re going to have a stopgap CR it better be a short one so we can clean this mess up,” Republican Representative John Carter of Texas said.

Natixis chief economist Joe LaVorgna had been a big proponent of tax reform – but he thinks the current Republican bill is "bad policy."

"This tax bill, in my opinion, is terrible," he said in an interview with CNBC's "[Power Lunch]" on Tuesday. "I don't like the plan. We're passing it just to pass it. It will not really do much of anything for growth."
https://www.cnbc.com/2017/11/28/gop-tax-bill-is-terrible-says-economist-joe-lavorgna.html
"The reason it won't work is the corporate already has a very high profit share to GDP," LaVorgna explained.
"That's not saying that corporate tax rates shouldn't come down and there shouldn't be removal of loopholes. But to sell this as a stimulus package is absurd. Companies have the money to spend, they're just not spending it. They're buying back stock. They'll do more of that."
A recent survey of top economists by the University of Chicago's business school showed only 2 percent agreed that the GOP tax cuts would substantially boost the economy by 2027; 51 percent disagreed.

"It has seldom been the case that equities, bonds and credit have been similarly expensive at the same time, only in the Roaring '20s and the Golden '50s," Goldman Sachs International strategists including Christian Mueller-Glissman wrote in a note this week. "All good things must come to an end" and "there will be a bear market, eventually" they said.
https://www.bloomberg.com/news/articles/2017-11-29/goldman-warns-highest-valuations-since-1900-mean-pain-is-coming
As central banks cut back their quantitative easing, pushing up the premiums investors demand to hold longer-dated bonds, returns are "likely to be lower across assets" over the medium term, the analysts said. A second, less likely, scenario would involve "fast pain." Stock and bond valuations would both get hit, with the mix depending on whether the trigger involved a negative growth shock, or a growth shock alongside an inflation pick-up.
"Elevated valuations increase the risk of draw-downs for the simple reason that there is less buffer to absorb shocks," the strategists wrote. "The average valuation percentile across equity, bonds and credit in the U.S. is 90 percent, an all-time high."
In the Goldman strategists' main scenario of lower but positive returns, investors should "stay invested and could even be lured to lever up." They suggested putting more in equities, with their greater risk-adjusted returns, and scaling back duration in fixed income.
Other findings in the report include:

- The exceptionally low volatility found in the stock market -- with the VIX index near the record low it reached in September -- could continue. History has featured periods when low volatility lasted more than three years. The current one began in mid-2016.
- Valuations have a "mixed track record" for predicting returns, explaining less than half the variation since 1900.
- Major draw-downs in 60/40 portfolios over the past century amounted to 26 percent in real terms on average, lasting 19 months. It took two years to get back to previous peaks, on average.
- Bonds are probably less good hedges for equities nowadays -- a point also made by Pacific Investment Management Co.
- Central banks "might not be able or willing to buffer growth or inflation shocks," especially if they judge that imbalances and excesses are building. They also face fewer options to ease monetary policy given low rates and big balance sheets.

There are two ways to understand North Korea's missile test Tuesday after two months without such provocations.
The first is through the lens of masochism. President Donald Trump has taunted North Korea's leader, tweeting recently that he was fat, calling him "little rocket man." Trump's government just added the Hermit Kingdom to the list of state sponsors of terrorism, 10 years after President George W. Bush removed the regime during negotiations.
We pressure. They escalate.
https://www.bloomberg.com/view/articles/2017-11-28/missile-launch-is-just-north-korea-s-latest-bait-and-switch
The other way to understand the missile tests is that they are North Korea's way of extracting ever more from the West, while giving only moments of hope in return. The kingdom has done this before. Bush famously removed sanctions on the eve of negotiations with the North in 2007.
Despite Trump's rhetoric, it's been clear his diplomats were looking for an opening. As the Washington Post reported this month, the U.S. special envoy to North Korea, Joseph Yun, told experts at the Council on Foreign Relations that the U.S. was looking for a 60-day pause in missile tests as a sign to restart direct talks with Pyongyang. Is it surprising that North Korea strung us along?
The missile test is a part of a North Korean dance. The U.S. quietly pursues negotiations, until it gets close. Then North Korea pulls out at the last minute. Classic Lucy and the football. The regime has been doing this for more than 20 years. The North agreed to a partial deal on plutonium in the late 1990s. It hinted at a willingness to discuss missiles too. A few years later the U.S. discovers a parallel uranium enrichment program.
In 2007 the North went down the road again with the six-party talks. The U.S. lifted sanctions and removed it from the terrorism list. Then the talks fell apart. Add to this that the Israelis and the U.S. discovered a secret Syrian nuclear facility where North Korean engineers had provided technical assistance.
The fact is that North Korea has no intention of negotiating away its nuclear deterrent. It never has. It does however have an interest in extracting concessions and removing penalties by appearing willing to negotiate. That may sound crazy, but it's been working for a quarter century.

China's Foreign Ministry has expressed what it called "grave concern and opposition" to North Korea's latest missile launch in an unusual rebuke of its neighbor and ally.
Ministry spokesman Geng Shuang said the country hoped "all parties would act cautiously to preserve peace and stability," Reuters reported on Wednesday morning.
The ministry's spokesman added that China would continue to uphold peace and stability on the Korean Peninsula and would work for "settlement on the North Korea nuclear issue."
https://www.cnbc.com/2017/11/29/china-north-korea-missile-reaction.html
The comments from China's Foreign Ministry are surprising as China has traditionally been one of North Korea's few allies and is the country's largest trading partner. It has shown signs of late that it is growing weary of North Korea's provocations.
China has not previously revealed how it would react if the U.S. did attack North Korea but a Chinese state-owned newspaper, the Global Times, said in an editorial in August that "if North Korea launches missiles that threaten U.S. soil first and the U.S. retaliates, China will stay neutral."

The paper, which is seen as a mouthpiece for the state, added that if the U.S. and South Korea tried "to overthrow the North Korean regime ... China will prevent them from doing so," Reuters reported.
Alison Evans, deputy head of Asia-Pacific country risk at IHS Markit, said Wednesday that the reaction probably meant that China was likely to continue to press for diplomacy over economic sanctions, which the United Nations, U.S. and Europe and a variety of other nations have already placed on North Korea.

Saudi Prince Miteb bin Abdullah, detained earlier this month in a corruption crackdown, has been released after paying authorities more than $1 billion for his freedom, according to media reports.
https://www.cnbc.com/2017/11/29/saudi-prince-miteb-bin-abdullah-freed-after-1-billion-settlement-deal.html
Once seen as a contender to the throne, Prince Miteb was among hundreds of other political and business figures rounded up in a sudden anti-corruption purge at the start of November.
The 64-year old cousin of Crown Prince Mohammed bin Salman was said to have been released on Tuesday after reaching an "acceptable settlement agreement," Reuters reported, citing a government source who could not be verified by CNBC. News agency AFP also quoted a source close to the government revealing details of the release.
The amount of the settlement was undisclosed but according to the reports, Prince Miteb was understood to have paid an equivalent of more than $1 billion for his freedom.

“This is a complete sell-out that is not in our national interest,” said Farage, a former leader of the UK Independence Party (UKIP) who played a big role in the 2016 referendum in which 52 percent of Britons voted to leave the EU.
“The British prime minister needs to say: ‘Look, either start to behave reasonably, either start to behave in a grown-up way, or ... we are walking away’,” Farage, who remains a member of the European Parliament, told Reuters.
https://www.reuters.com/article/us-britain-eu-brexiteers/brexit-campaigners-accuse-may-of-selling-uk-short-over-divorce-bill-idUSKBN1DT1QH?il=0
Many businesses and investors fear such an approach, leading to a “disorderly Brexit”, would spook financial markets, sow legal chaos and badly harm the British and EU economies by disrupting trade ties and cross-border supply chains.
Hardline Brexit supporters in May’s ruling Conservative Party have been fairly muted in recent weeks on the money issue, with British media saying the cabinet had swung behind her plans to pay more in the exit bill.
On Wednesday Foreign Secretary Boris Johnson, one of the leaders of the 2016 ‘Leave’ campaign, said it was “time to get the ship off the rocks”.
But Hargreaves, the second biggest donor to last year’s Leave campaign, denounced the government’s handling of Brexit talks, saying they showed no understanding of the sums involved.
“We ought to say to the EU: ‘Thank you very much, we are never going to get a deal, goodbye’ and we are gone, lock stock and barrel, and carry on trading as before,” Hargreaves said.

EQUITIES

The S&P is **+3** and the NASDAQ is **+6**.
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 -0.59%.
In the UK, the yield curve is steeper with yields higher.
BOE Rate +0.50%.
Next meeting 12/14/17

On the European Continent
The CAC Index closed +0.59%.
The DAX Index closed +0.92%.
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 +0.79%.
The NIKKEI closed +0.49%.
In Japan, the yield curve is flatter with yields mixed.
BOJ Basic Loan rate 0.30%
Next meeting 12/21/17

China:
The Hang Seng closed -0.19%.
The Shanghai Composite closed +0.13%.
PBOC

Deposit Rate: 1.50%
Lending Rate: 4.35%
Reserve Requirement Ratio: 17.00%

THE TREND

EDZ7: 98-46.0 is the pivot. Below the pivot you should be short, above long.
Support is at 98-44.0**.
Resistance is at 98.46.0 and 98-48.75*.
*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.

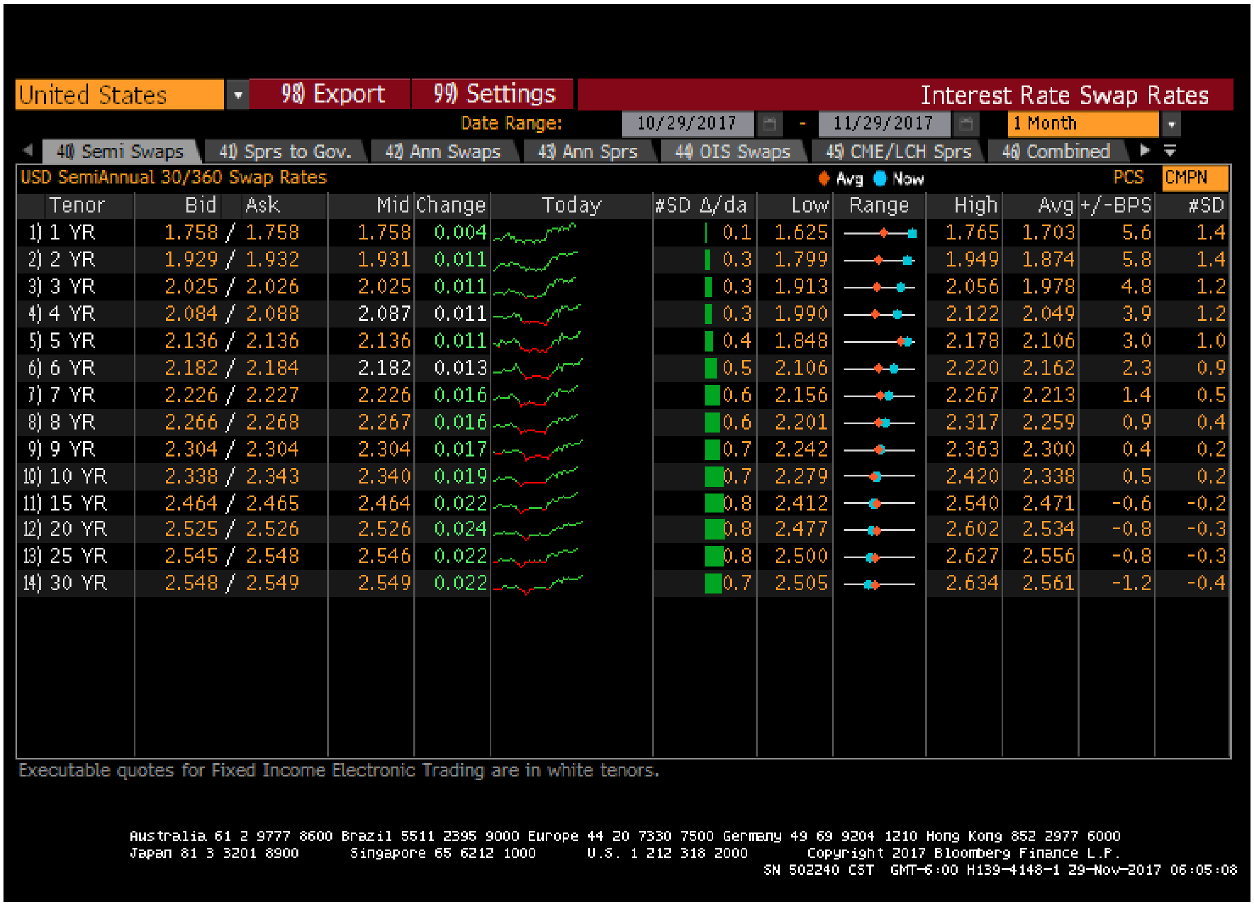
10yr/TYZ7: **124-31.5** is the pivot point. Above you should be long, below short.
Support is at **124-17.0****
Resistance is at **124-31.5** and **125-14.0****

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

US-SWAPS
IRSB <GO>



United States | 98) Export | 99) Settings | Interest Rate Swap Rates

Date Range: 10/29/2017 - 11/29/2017 | 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 | Avg | Now | PCS | CMPN

Tenor	Bid	Ask	Mid	Change	Today	#SD Δ/da	Low	Range	High	Avg	+/-BPS	#SD
1) 1 YR	1.758	1.758	1.758	0.004		0.1	1.625		1.765	1.703	5.6	1.4
2) 2 YR	1.929	1.932	1.931	0.011		0.3	1.799		1.949	1.874	5.8	1.4
3) 3 YR	2.025	2.026	2.025	0.011		0.3	1.913		2.056	1.978	4.8	1.2
4) 4 YR	2.084	2.088	2.087	0.011		0.3	1.990		2.122	2.049	3.9	1.2
5) 5 YR	2.136	2.136	2.136	0.011		0.4	1.848		2.178	2.106	3.0	1.0
6) 6 YR	2.182	2.184	2.182	0.013		0.5	2.106		2.220	2.162	2.3	0.9
7) 7 YR	2.226	2.227	2.226	0.016		0.6	2.156		2.267	2.213	1.4	0.5
8) 8 YR	2.266	2.268	2.267	0.016		0.6	2.201		2.317	2.259	0.9	0.4
9) 9 YR	2.304	2.304	2.304	0.017		0.7	2.242		2.363	2.300	0.4	0.2
10) 10 YR	2.338	2.343	2.340	0.019		0.7	2.279		2.420	2.338	0.5	0.2
11) 15 YR	2.464	2.465	2.464	0.022		0.8	2.412		2.540	2.471	-0.6	-0.2
12) 20 YR	2.525	2.526	2.526	0.024		0.8	2.477		2.602	2.534	-0.8	-0.3
13) 25 YR	2.545	2.548	2.546	0.022		0.8	2.500		2.627	2.556	-0.8	-0.3
14) 30 YR	2.548	2.549	2.549	0.022		0.7	2.505		2.634	2.561	-1.2	-0.4

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 H139-4148-1 29-Nov-2017 06:05:08

The Option Lab

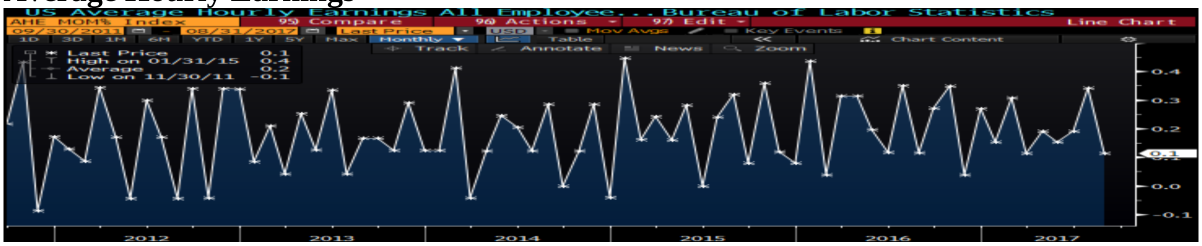
Option Book 2017 YTD realized: -$228.13 per one contract.
Option Book 2016 YTD realized: +$43.75 per one contract.

This information is not to be construed as an offer to sell or a solicitation or an offer to buy the commodities herein named. The factual information of this report has been obtained from sources believed to be reliable, but is not necessarily all-inclusive and is not guaranteed as to the accuracy, and is not to be construed as representation by R.J O'Brien & Associates. The risk of trading futures and options can be substantial. Each investor must consider whether this is a suitable investment. Past performance is not indicative of future results.

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/

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

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[1] were generated at utility-scale facilities in the United States.[2] 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.[3]
Major energy sources and percent shares of U.S. electricity generation at utility-scale facilities in 2016[1]
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%[4]
https://www.eia.gov/tools/faqs/faq.php?id=427&t=3

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

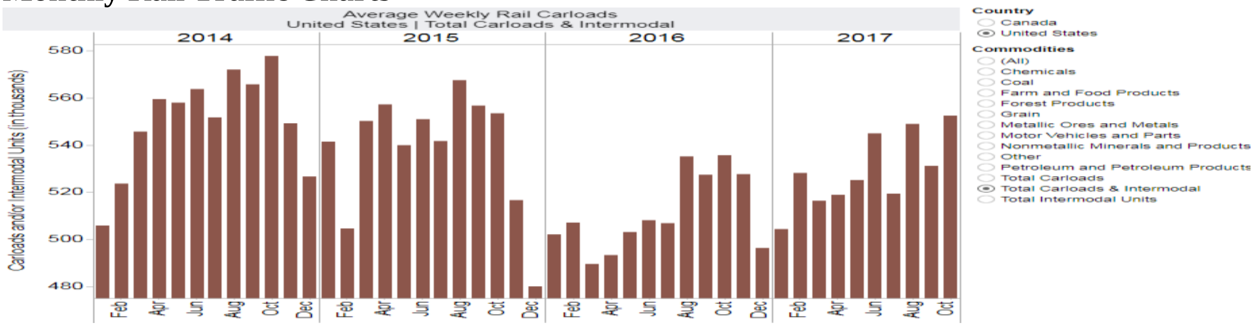
For this week, total U.S. weekly rail traffic was 554,066 carloads and intermodal units, up 1.2 percent compared with the same week last year.

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

Monthly Rail Traffic Charts



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

Trailer Truck Demand

(Bloomberg Intelligence) – 11/20/17

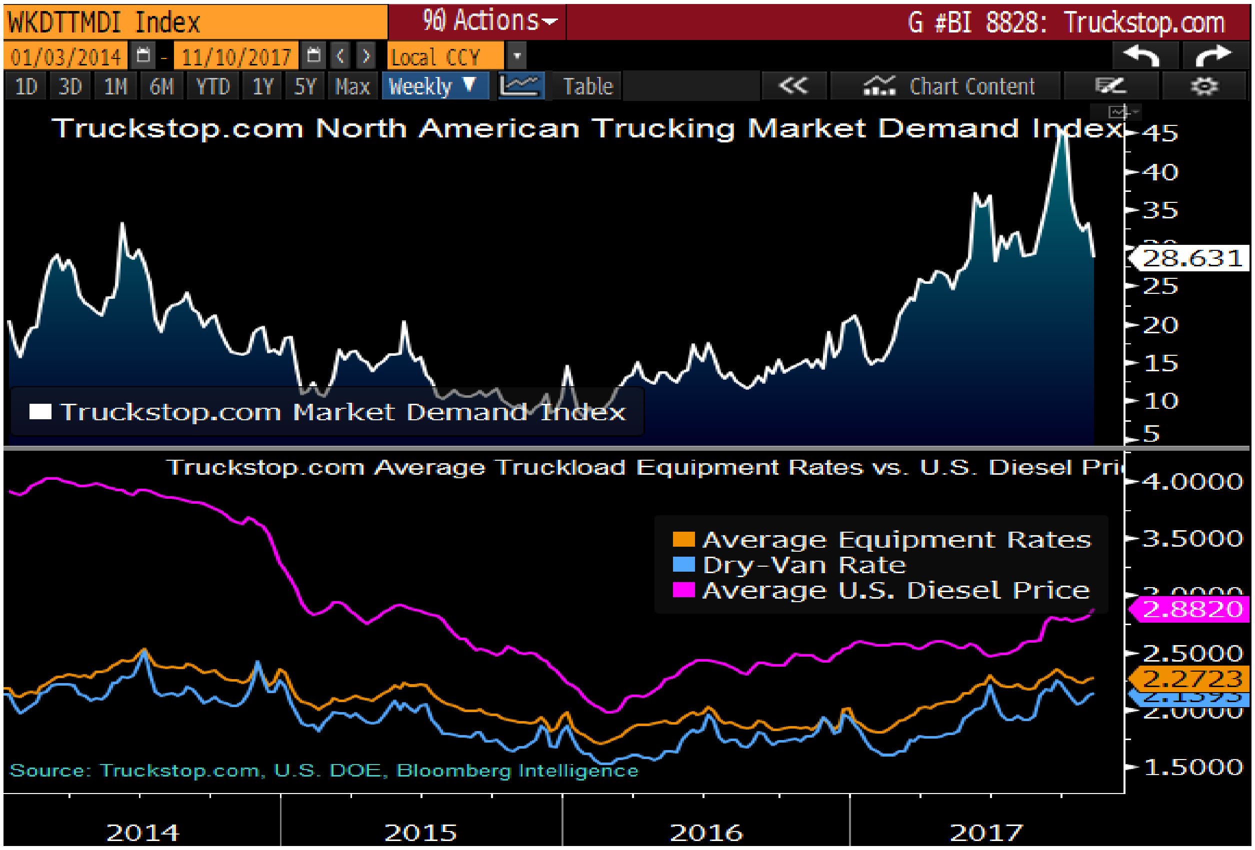
Truckstop.com Market Demand Index, Average Rates

(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.

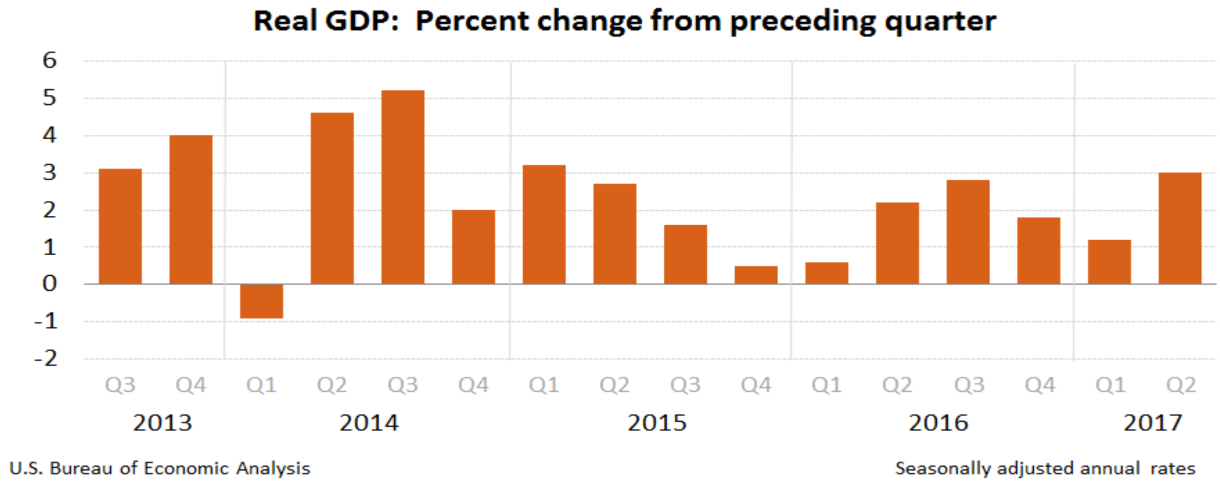
The Market Demand Index has climbed 120% on average vs. last year. Total rates, excluding fuel surcharges, increased 12%. USA Truck and Knight-Swift traditionally have more exposure to the spot market vs. other truckload carriers such as Werner, J.B. Hunt and Marten. (11/20/17)

To contact the analyst for this research:

Lee A Klaskow at lklaskow1@bloomberg.net



GDP
U.S. Department of Commerce, Bureau of economic analysis
http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets



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

MANUFACTURING AT A GLANCE

October 2017

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

Month	***PMI®***	***Month***	***PMI®***
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

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

The Fixed Income Group at R.J. O'Brien

John Coleman
312-373-5190
800-367-3349
© 312-515-3067
johncoleman@bloomberg.net

Rob Powell
312-373-5197
800-367-3349
© 312-560-7112
robpowell@bloomberg.net

Jeff Bauman
312-286-0491
jeffbau@bloomberg.net

Rich Goldblatt
312-373-5450
800-367-3650
© 312-515-6019
futurestic@bloomberg.net

Rocco Chierici
312-373-5439
800-367-3650
© 312-515-3069
rocco1@bloomberg.net

Brian Rachwalski
312-373-5191
800-367-3349
© 312-515-3066
brachwalski@bloomberg.net

Dan Sobolewski
312-373-5191
800-367-3349
© 312-505-6364
dsobolewski@bloomberg.net

Evan Vollman
312-373-5452
800-367-3650
evollman@bloomberg.net

Corrine Abele
312-373-4847
800-367-3349
cabele@rjobrien.com

Matthew Surwillo
312-373-4958
800-367-3349
msurwillo@rjobrien.com