



Fixed Income Group A Division of RJ O'Brien

The Missile

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(All times are CST)

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

United States Browse 15:39:26 12/05/17 - 12/11/17

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	12/05	07:30	🔊	🔊	🔊	Trade Balance	Oct	-\$47.5b	--	-\$43.5b	--
22)	12/05	08:45	🔊	🔊	🔊	Markit US Services PMI	Nov F	55.2	--	54.7	--
23)	12/05	08:45	🔊	🔊	🔊	Markit US Composite PMI	Nov F	--	--	54.6	--
24)	12/05	09:00	🔊	🔊	🔊	ISM Non-Manf. Composite	Nov	59.0	--	60.1	--
25)	12/06	06:00	🔊	🔊	🔊	MBA Mortgage Applications	Dec 1	--	--	-3.1%	--
26)	12/06	07:15	🔊	🔊	🔊	ADP Employment Change	Nov	190k	--	235k	--
27)	12/06	07:30	🔊	🔊	🔊	Nonfarm Productivity	3Q F	3.3%	--	3.0%	--
28)	12/06	07:30	🔊	🔊	🔊	Unit Labor Costs	3Q F	0.2%	--	0.5%	--
29)	12/07	06:30	🔊	🔊	🔊	Challenger Job Cuts YoY	Nov	--	--	-3.0%	--
30)	12/07	07:30	🔊	🔊	🔊	Initial Jobless Claims	Dec 2	240k	--	238k	--
31)	12/07	07:30	🔊	🔊	🔊	Continuing Claims	Nov 25	1915k	--	1957k	--
32)	12/07	08:45	🔊	🔊	🔊	Bloomberg Consumer Comfort	Dec 3	--	--	51.6	--
33)	12/07	11:00	🔊	🔊	🔊	Household Change in Net Worth	3Q	--	--	\$1698b	--
34)	12/07	14:00	🔊	🔊	🔊	Consumer Credit	Oct	\$17.000b	--	\$20.830b	--
35)	12/08	07:30	🔊	🔊	🔊	Change in Nonfarm Payrolls	Nov	197k	--	261k	--
36)	12/08	07:30	🔊	🔊	🔊	Two-Month Payroll Net Revision	Nov	--	--	90k	--
37)	12/08	07:30	🔊	🔊	🔊	Change in Private Payrolls	Nov	200k	--	252k	--
38)	12/08	07:30	🔊	🔊	🔊	Change in Manufact. Payrolls	Nov	15k	--	24k	--
39)	12/08	07:30	🔊	🔊	🔊	Unemployment Rate	Nov	4.1%	--	4.1%	--

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 2017 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 6731-5097-1 04-Dec-2017 15:39:26

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Fed Speak Calendar
(All times are CST)

1) Calendars ▾	2) Alerts	3) Export ▾	4) Settings ▾	Economic Calendars							
United States		6) Browse	12:40:06		12/04/17	-	12/13/17				
Central Banks		All Central Banks			View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly <input type="radio"/>						
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	12/12	07:15				Alabama Special General Election - U.S. Senate					
22)	12/13	13:00	▲			FOMC Rate Decision (Upper Bo...	Dec 13	1.50%	--	1.25%	--
23)	12/13	13:00	▲			FOMC Rate Decision (Lower Bo...	Dec 13	1.25%	--	1.00%	--
24)	12/13	13:30				Yellen Holds Press Conference Following FOMC Meeting					

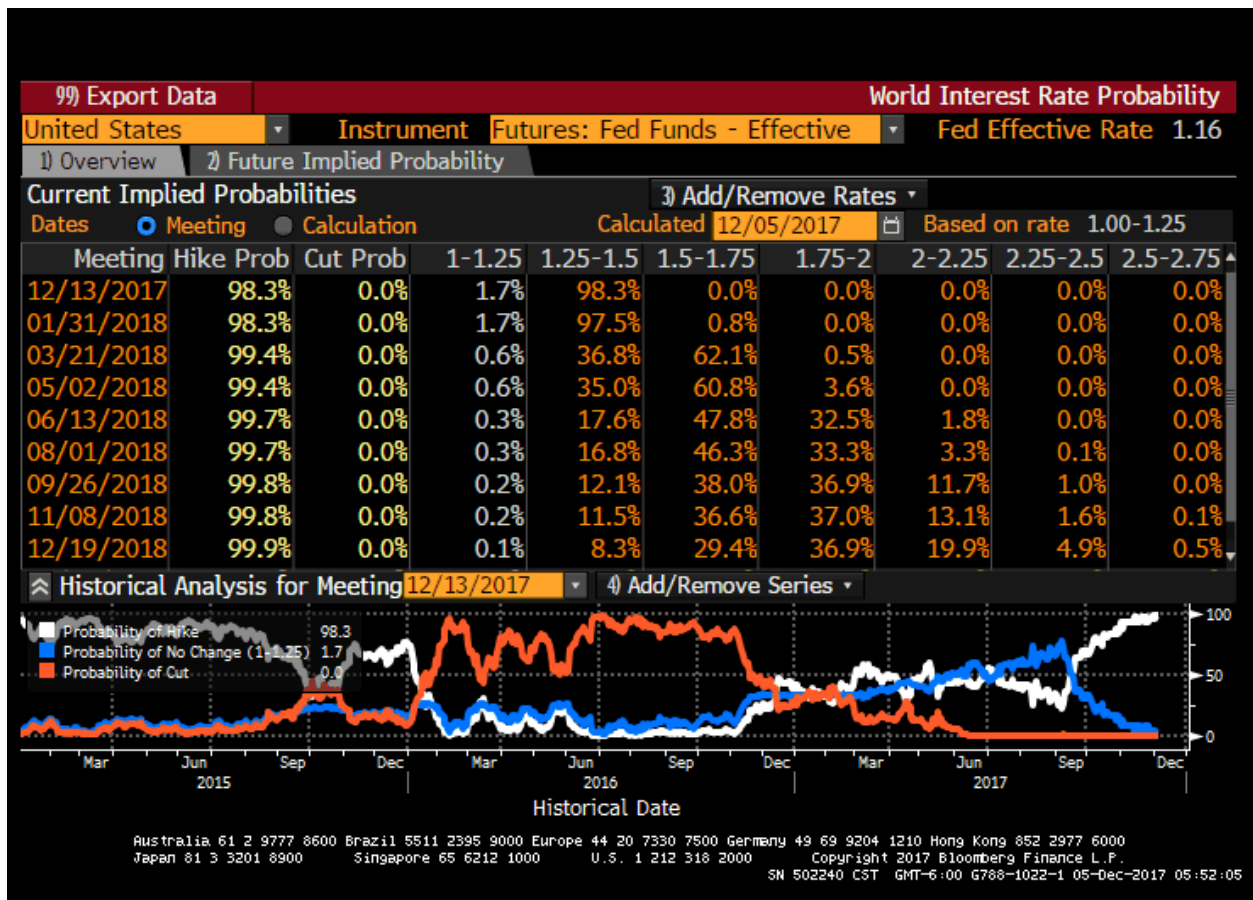
NI TRE <go>

4) Previous	3) Next	66) Send	98) Actions ▾	News: News Story				
12/04/2017 14:40:12 [BN]				Translate to... <input type="text"/>				
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	10/30/2017	\$20
4-week	12/11/2017	12/05/2017	12/07/2017	912796LC1		\$35	11/28/2017	\$45
3-month	12/07/2017	12/11/2017	12/14/2017	912796MW5		TBA	12/04/2017	\$42
6-month	12/07/2017	12/11/2017	12/14/2017	912796PL7		TBA	12/04/2017	\$36
1-year	12/28/2017	12/05/2017	12/07/2017	912796PE3		\$20	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	9128283L2		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	9128283F5	R	TBA	11/08/2017	\$23
Bond Auctions								
30-year	12/07/2017	12/12/2017	12/15/2017	912810RZ3	R	TBA	11/09/2017	\$15

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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	1.40319	+.01138	(98.59681)
3-Month Libor Set	1.51532	+.00683	(98.48468)
6-Month Libor Set	1.71125	+.01812	(98.28875)
1-Year Libor Set	1.98950	+.00781	(98.01050)

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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 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

"This bill, one without any controversial policy riders, will continue government funding and give the House and Senate time to complete their work on a long-term solution," McConnell said on the Senate floor.

"It will keep the government open and functional, and it includes critical resources for our national defense and to give states certainty to continue the Children's Health Insurance Program while the bipartisan work on CHIP reauthorization continues," he added.

<https://www.cnbc.com/2017/12/04/house-republicans-introduce-2-week-stop-gap-to-fund-government-childrens-health-insurance-program.html>

House Republicans on Monday introduced a temporary stop-gap [spending bill](#) to fund the government until Dec. 22. Senate Majority Leader [Mitch McConnell](#) said the measure would be passed by the end of the week.

The bill maintains the current federal spending levels but includes a provision to ensure that states are not forced to suspend the popular Children's Health Insurance Program, which annually provides health insurance for nearly 9 million children in low-income families.

The Senate bill that squeaked through on a 51-49 vote last week jettisoned a long-held Republican goal of repealing the corporate alternative minimum tax (AMT) to help pay for last-minute deals that secured the Republican votes for passage.

That puts Senate Republicans on a collision course with Republicans in the House of Representatives, whose own tax bill repeals the corporate AMT and who are already calling for the tax to be eliminated in final legislation.

<https://www.reuters.com/article/us-usa-tax-amt/house-senate-republicans-face-challenge-over-corporate-amt-tax-idUSKBN1DZ01P>

House and Senate Republicans also face potential sticking points over how their bills treat so-

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called pass-through enterprises, top earners, the estate tax on inheritances and international tax policy for corporations.

But the corporate AMT could be the biggest challenge, because removing it could require lawmakers to cover a \$40 billion revenue loss over a decade, possibly by scaling back their plan to cut the corporate income tax rate to 20 percent from 35 percent.

"The CRE industry made out a bit better on some issues than many analysts originally thought because many lawmakers had initially talked about scrapping the 1031 exchange and carried interest, completely eliminating the state and local tax deduction, and eliminating the business debt corporate deduction," said Jeremy Scott, a attorney for the Washington, D.C.-based Tax Analysts, a non-partisan fiscal analysis group. "I don't think many of the provisions affecting real estate are going to change dramatically in conference."

<http://www.costar.com/News/Article/CRE-Industry-Focused-on-Tax-Cuts-for-Pass-Through-Entities-as-Tax-Reform-Enters-Final-Stretch/196311>

Starting with the scheduled formation of a House-Senate conference committee today and tomorrow, House Speaker Paul Ryan, R-WI, and other GOP leaders have set a goal of quickly sending a reconciled final bill to President Trump for his signature as early as the end of this week or the week of Dec. 11. The House on Monday evening voted, largely along partisan lines, to approve a motion sending its bill to conference with the Senate.

While the reconciliation process could be volatile given the speed with which the two bills will need to merge to meet a deadline for year-end funding that expires on Dec. 8, if passed the legislation appears destined to be a major win for the commercial real estate industry. Both the Senate and House tax reform bills maintain interest deductibility and 1031 like-kind exchanges for real property, while cost recovery guidelines for depreciating real property are also generally preserved, though subject to a shorter 25 years in the Senate bill.

"China is stepping up efforts in deleveraging, reduction of overcapacity, pollution control and reining in property prices," said Robin Xing, chief economist at Morgan Stanley Asia Ltd. in Hong Kong. "So we believe investment in property and infrastructure will slow down, leading to the deceleration in the economy."

<https://www.bloomberg.com/news/articles/2017-12-04/china-infrastructure-binge-seen-slowing-in-2018-as-debt-curbed>

The nation's fixed-asset investment in infrastructure will grow 12 percent next year, according to the median estimate in a Bloomberg survey, down from almost 20 percent in the first ten months this year. All 18 economists in the survey anticipated a moderation, adding to reports by Morgan Stanley, Goldman Sachs Group Inc. and UBS Group AG predicting a similar trend.

The cooling construction fever is taking shape as authorities renew a pledge to focus on debt management following the Communist Party Congress in October. In a rare move, China has suspended [subway](#) projects in some cities, and scrutiny has also toughened on public-private partnerships -- until now a widespread way to fund projects.

"Lithium is coming of age in a big way. It's the core ingredient to 99 percent of electric vehicles and as a result, demand is going through the roof," Simon Moores, managing director at research and data provider at Benchmark Mineral Intelligence, told CNBC in a phone interview.

<https://www.cnbc.com/2017/12/04/china-in-pole-position-amid-global-race-to-secure-lithium->

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[supplies.html](#)

As [demand for electric vehicles skyrockets](#), Chinese firms have rapidly been making deals in a bid to secure supplies of lithium — a vital component used in batteries for electric vehicles. Demand for lithium had been "bubbling under the surface" for several years, Moores said, before a renewed interest in electric cars about 18 months ago triggered a "desperate" global pursuit. "Given the government's power in China to direct the economy, if they want to become the world leaders in electric vehicles, they can likely achieve it," Jay Jacobs, director of research at Global X, told CNBC in an email.

"China is not just focusing on electric vehicle manufacturing, but also buying up lithium projects and supporting the growth of battery producers, so they can control even more of the electric vehicle supply chain," he said.

Like Beijing, the U.S. and Europe also have limited lithium resources of their own and rely on imports from elsewhere. Lithium is most commonly mined from rocks in [Australia](#) as well as brine pools in South America, in countries such as Bolivia, Chile and Argentina.

"The move toward electric vehicles is grossly misunderstood and over-simplified in the markets. This is a transition that will take many decades, if it happens," Jeffrey Christian, managing director at CPM Group, told CNBC via email.

"There are people who speak with great conviction about the future of electric vehicles and lithium batteries, but their convictions are based more on faith and beliefs than on concrete, knowable realities at this time."

"These high-powered microwave signals are very effective at disrupting and possibly disabling electronic circuits," said Mary Lou Robinson, who heads development of the weapons at the Air Force Research Laboratory in Albuquerque, in an exclusive interview with NBC News.

<https://www.nbcnews.com/news/north-korea/microwave-weapon-could-fry-north-korean-missile-controls-say-experts-n825361>

The U.S. has microwave weapons that proponents believe could stop North Korea from launching missiles by frying their electronics.

The weapons were discussed at an August White House meeting related to North Korea, according to two U.S. officials with direct knowledge.

Last week, ground controllers sent commands to fire backup thrusters on Voyager 1, our most distant spacecraft. The thrusters had been idle for 37 years, since Voyager 1 flew past Saturn.

To NASA's delight, the four dormant thrusters came alive. It took more than 19 hours — the one-way travel time for signals — for controllers at the Jet Propulsion Laboratory in Pasadena, California, to get the good news.

<https://www.bloomberg.com/news/articles/2017-12-04/nasa-nails-test-on-voyager-spacecraft-13-billion-miles-away>

Engineers wanted to see if these alternate thrusters could point Voyager 1's antenna toward Earth, a job normally handled by a different set that's now degrading. The thrusters will take over pointing operations next month. The switch could extend Voyager 1's life by two to three years. Launched in 1977, Voyager 1 is the only spacecraft traveling through interstellar space, the region beyond our solar system. Voyager 2 is close on its heels — nearly 11 billion miles from Earth. The thruster test worked so well that NASA expects to try it on Voyager 2. That won't happen anytime soon, though, because Voyager 2's original thrusters are still working fine.

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The Voyager flight team dug up old records and studied the original software before tackling the test. As each milestone in the test was achieved, the excitement level grew, said propulsion engineer Todd Barber.

“The recognition will have very serious implications and will be provocative to all Muslims’ feelings,” SPA said quoting an unnamed official source at the Saudi Foreign Ministry. “The United States administration should take into account the negative implications of such a move and the Kingdom’s hope not to take such a decision as this will affect the U.S. ability to continue its attempt of reaching a just solution for the Palestinian cause,” the statement added.

<https://www.reuters.com/article/us-usa-trump-israel-saudi/saudi-arabia-hopes-u-s-will-not-recognize-jerusalem-as-capital-of-israel-idUSKBN1DZ15A>

On Monday, Saudi Arabia’s Ambassador in Washington Prince Khalid bin Salman said any U.S. announcement on the status of Jerusalem before a final settlement is reached in the Israeli-Palestinian conflict would hurt the peace process and heighten regional tensions.

Eric Conn was captured by a SWAT team as he came out of a restaurant in the coastal city of La Ceiba, the Honduras public magistrate’s office said in a news release . The office added that the arrest was “the product of arduous intelligence, surveillance and tailing by the agents.”

A prominent Kentucky disability attorney at the center of a more than \$500 million Social Security fraud case, who became the subject of a massive manhunt after he vanished months ago, has been captured in Honduras, officials announced Monday.

<http://www.foxnews.com/world/2017/12/04/kentucky-lawyer-wanted-for-massive-social-security-fraud-captured-in-honduras-officials-say.html>

Conn represented thousands in successful claims for Social Security benefits. Most of his clients in the impoverished coalfields of eastern Kentucky and West Virginia had to fight to try to keep their disability checks.

Conn pleaded guilty in March to stealing from the federal government and bribing a judge in the massive Social Security fraud case. His sentencing went on without him last summer, when he was given a 12-year prison term — the maximum possible.

(I wonder how many they were able to recover?)

Federal authorities requested thousands of gun retrievals in 2016 from buyers who did not pass the national background check, [USA Today reported Monday.](#)

<http://www.foxnews.com/us/2017/12/05/fbi-issued-over-4000-orders-gun-retrieval-largest-in-10-years.html>

FBI’s National Instant Criminal Background Check System (NICS) [indicates](#) that 4,170 retrieval orders is the largest number in 10 years, up from 2,892 requests in 2015. When the FBI issues a gun retrieval request, agents of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) are responsible for collecting the weapons, CBS News reported.

The NICS conducted a record 27.5 million background checks in 2016, [The New York Post reported.](#)

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EQUITIES

The S&P is **+2** and the NASDAQ is **-19**.

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 +0.13%.

In the UK, the yield curve is flatter with yields lower.

BOE Rate +0.50%.

Next meeting 12/14/17

On the European Continent

The CAC Index closed -0.60%.

The DAX Index closed -0.58%.

On the Continent, the yield curve is largely unchanged with yields mixed.

ECB Main Refinancing Operations Rate +0.00%

Deposit Facility Rate -.40%

Next meeting 12/14/17

ASIA

Japan:

The TOPIX closed +0.23%.

The NIKKEI closed -0.37%.

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

BOJ Basic Loan rate 0.30%

Next meeting 12/21/17

China:

The Hang Seng closed -1.01%.

The Shanghai Composite closed -0.18%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

Reserve Requirement Ratio: 17.00%

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THE TREND

EDZ7: 98-45.5 is the pivot. Below the pivot you should be short, above long.
Support is at 98-43.75**.

Resistance is at 98.45.5 and 98-47.5*.

*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/TYH8: 124-18.5 is the pivot point. Above you should be long, below short.

Support is at **124-01.0****

Resistance is at **124-18.5** and **125-04.5****

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

** 2-STD Deviations from the pivot point

Current trend has you short from 124-19.0 (12/1/17).

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.

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US-SWAPS IRSB <GO>

United States		98 Export		99 Settings		Interest Rate Swap Rates							
						Date Range:		11/05/2017 - 12/05/2017		1 Month			
40 Semi Swaps		41 Sprs to Gov.		42 Ann Swaps		43 Ann Sprs		44 OIS Swaps		49 CME/LCH Sprs			
USD SemiAnnual 30/360 Swap Rates													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/da	Low	Range	High	Avg +/-BPS	PCS	CMPN
1) 1 YR	1.798 / 1.800	1.799	0.004			0.1	1.653	1.809	1.732	6.9	1.7		
2) 2 YR	1.988 / 1.991	1.990	0.001			0.0	1.816	2.002	1.906	8.6	1.8		
3) 3 YR	2.091 / 2.096	2.094	0.000			0.0	1.921	2.115	2.008	8.8	1.8		
4) 4 YR	2.156 / 2.158	2.157	0.000			0.0	1.993	2.177	2.076	8.2	1.8		
5) 5 YR	2.207 / 2.209	2.208	0.004			0.1	2.045	2.236	2.130	7.9	1.8		
6) 6 YR	2.251 / 2.253	2.252	0.005			0.1	2.106	2.273	2.182	7.0	1.8		
7) 7 YR	2.292 / 2.297	2.294	0.007			0.2	2.156	2.316	2.230	6.7	1.8		
8) 8 YR	2.329 / 2.335	2.332	0.007			0.2	2.201	2.354	2.274	6.1	1.7		
9) 9 YR	2.365 / 2.370	2.367	0.009			0.3	2.242	2.391	2.313	5.7	1.6		
10) 10 YR	2.399 / 2.400	2.398	0.009			0.3	2.279	2.444	2.350	5.0	1.5		
11) 15 YR	2.509 / 2.512	2.510	0.011			0.4	2.412	2.549	2.476	3.6	1.1		
12) 20 YR	2.563 / 2.564	2.563	0.012			0.4	2.477	2.610	2.537	2.8	0.9		
13) 25 YR	2.578 / 2.580	2.579	0.012			0.4	2.500	2.630	2.557	2.3	0.7		
14) 30 YR	2.576 / 2.579	2.578	0.011			0.4	2.500	2.632	2.560	1.9	0.6		

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 6788-1022-1 05-Dec-2017 05:52:41

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

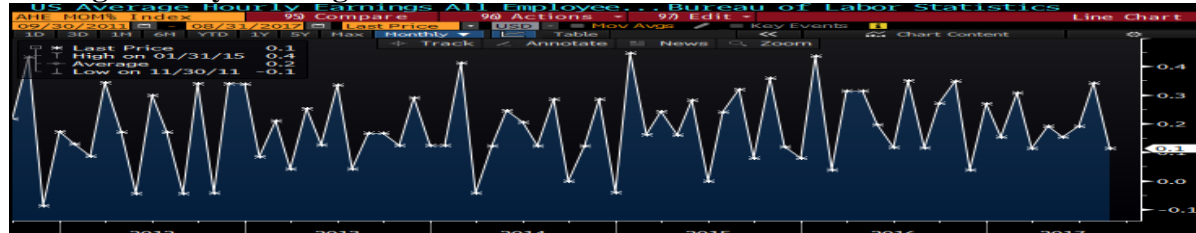
LABOR

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/

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

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.	1 December 2017	929	+6	22 November 2017	+332	2 December 2016
Canada	1 December 2017	222	+7	22 November 2017	+22	2 December 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 electricity¹ 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 2016¹

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/>

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TRANSPORTS

Association of American Railroads Rail Traffic Report.

For the first 47 weeks of 2017, U.S. railroads reported cumulative volume of 12,199,607 carloads, up 3 percent from the same point last year; and 12,653,426 intermodal units, up 3.7 percent from last year. Total combined U.S. traffic for the first 47 weeks of 2017 was 24,853,033 carloads and intermodal units, an increase of 3.3 percent compared to last year.

North American rail volume for the week ending November 25, 2017, on 13 reporting U.S., Canadian and Mexican railroads totaled 324,960 carloads, up 0.3 percent compared with the same week last year, and 309,922 intermodal units, up 5.3 percent compared with last year. Total combined weekly rail traffic in North America was 634,882 carloads and intermodal units, up 2.7 percent. North American rail volume for the first 47 weeks of 2017 was 32,993,547 carloads and intermodal units, up 4.7 percent compared with 2016.

Canadian railroads reported 78,305 carloads for the week, essentially flat compared to last year, and 65,648 intermodal units, up 8.8 percent compared with the same week in 2016. For the first 47 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 6,848,611 carloads, containers and trailers, up 10.6 percent.

Mexican railroads reported 16,329 carloads for the week, up 3.2 percent compared with the same week last year, and 10,998 intermodal units, up 0.1 percent. Cumulative volume on Mexican railroads for the first 47 weeks of 2017 was 1,291,903 carloads and intermodal containers and trailers, up 1.4 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-11-29-railtraffic.aspx>

Weekly Rail Traffic Report and Charts

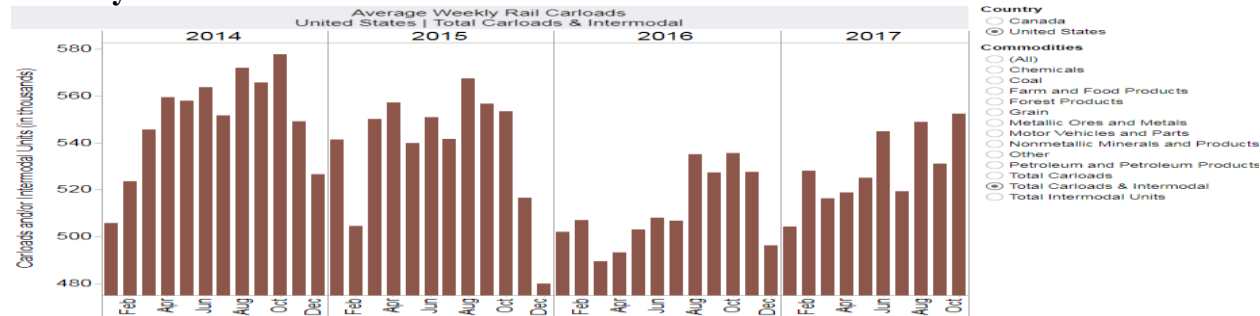
For this week, total U.S. weekly rail traffic was 463,602 carloads and intermodal units, up 2.4 percent compared with the same week last year.

Total carloads for the week ending November 25 were 230,326 carloads, up 0.2 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 233,276 containers and trailers, up 4.7 percent compared to 2016.

Four of the 10 carload commodity groups posted an increase compared with the same week in 2016. They included nonmetallic minerals, up 4,507 carloads, to 29,579; metallic ores and metals, up 1,616 carloads, to 19,802; and motor vehicles and parts, up 1,537 carloads, to 14,309. Commodity groups that posted decreases compared with the same week in 2016 included grain, down 3,820 carloads, to 18,771; coal, down 2,192 carloads, to 81,340; and farm products excl. grain, and food, down 1,044 carloads, to 14,531.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-11-29-railtraffic.pdf>

Monthly Rail Traffic Charts



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

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Trailer Truck Demand

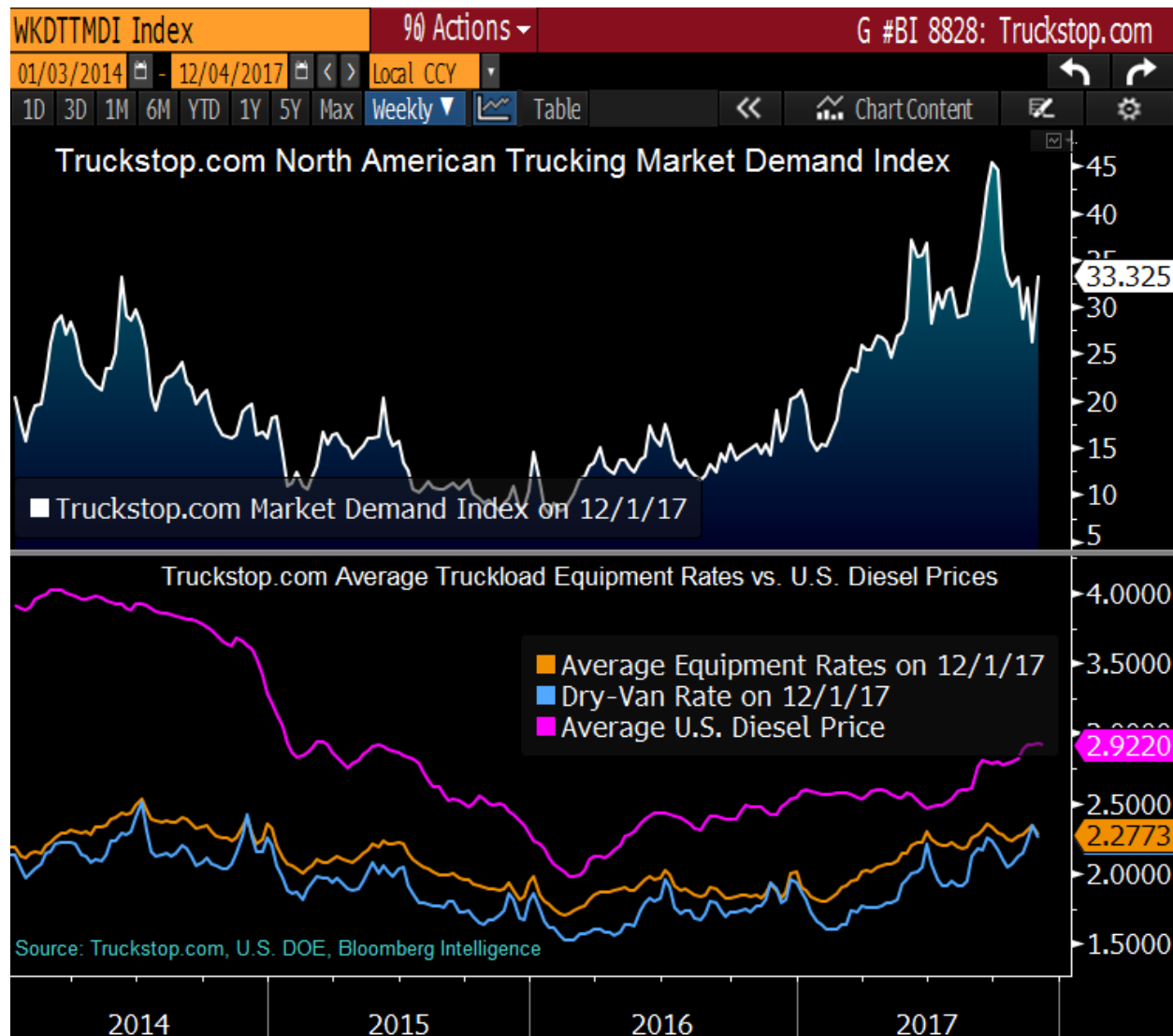
(Bloomberg Intelligence) – 12/04/17

Relative North American spot trucking demand jumped 27% sequentially to 33.3 in the week ended Dec. 1, based on Truckstop.com's Market Demand Index. Capacity tightened as the rebound in available loads (up 68%) following the Thanksgiving holiday more than doubled the increase in truck availability (33% higher). Average spot rates, excluding fuel surcharges, fell 3.3% to \$1.94 a mile, yet still remain about 6% higher than average for 2017. ELD capacity constraints should keep upward pressure on spot prices.

The Market Demand Index has climbed 117% 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.

To contact the analyst for this research:

Lee A Klaskow at lkaskow1@bloomberg.net



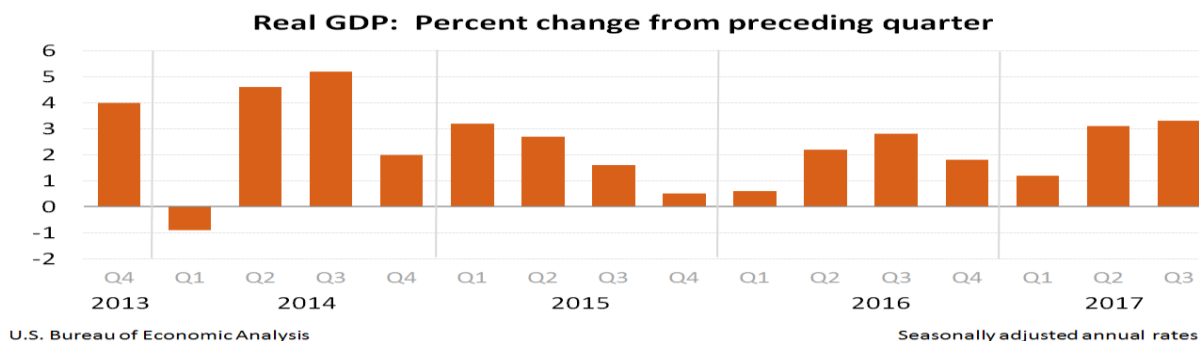
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GDP

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-4Q is running at 3.62% on December 1, Higher from 3.50% on November 24

Atlanta Fed GDPNow...Latest forecast Q4: 3.5 percent — December 1, 2017

The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2017 is **3.5 percent** on December 1, up from 2.7 percent on November 30. The forecast of real consumer spending growth increased from 2.6 percent to 3.1 percent after this morning's Manufacturing ISM Report On Business from the Institute for Supply Management, while the forecast of real private fixed-investment spending growth increased from 6.7 percent to 8.4 percent after the ISM report and this morning's construction spending release from the U.S. Census Bureau. The model's estimate of the dynamic factor for November—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.40 to 1.22 after the ISM report. The forecast of real government spending growth increased from 2.0 percent to 3.0 percent after the construction spending release.

*The next GDPNow update is **Tuesday, December 5**. 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: 3.9%...December 1, 2017

News from this week's data releases increased the nowcast for Q4 by 0.2 percentage point. Positive surprises from manufacturing, housing, and survey data were only partially offset by a negative surprise from personal consumption expenditures.

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

St. Louis Fed Real GDP Nowcast... Q4 2017: 3.47%...December 1, 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			
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

<i>Month</i>	<i>PMI®</i>	<i>Month</i>	<i>PMI®</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

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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