



Fixed Income Group A Division of RJ O'Brien

**The Missile**

[www.fixedincomegroup.com](http://www.fixedincomegroup.com)

ECO <go>  
(All times are CST)

9 <GO> to Save as Default

Economic Calendars											
1) Calendars		2) Alerts		3) Export		4) Settings					
United States		Browse		13:23:50		01/02/18		01/06/18			
Economic Releases											
All Economic Releases											
View Agenda Weekly											
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/02	08:45				Markit US Manufacturing PMI	Dec F	55.0	--	55.0	--
22)	01/03	06:00				MBA Mortgage Applications	Dec 29	--	--	-4.9%	--
23)	01/03	09:00				Construction Spending MoM	Nov	0.7%	--	1.4%	--
24)	01/03	09:00				ISM Manufacturing	Dec	58.0	--	58.2	--
25)	01/03	09:00				ISM Prices Paid	Dec	64.5	--	65.5	--
26)	01/03	09:00				ISM New Orders	Dec	--	--	64.0	--
27)	01/03	09:00				ISM Employment	Dec	--	--	59.7	--
28)	01/03	13:00				FOMC Meeting Minutes	Dec 13	--	--	--	--
29)	01/03					Wards Total Vehicle Sales	Dec	17.50m	--	17.35m	17.40m
30)	01/03					Wards Domestic Vehicle Sales	Dec	13.40m	--	13.38m	13.46m
31)	01/04	06:30				Challenger Job Cuts YoY	Dec	--	--	30.1%	--
32)	01/04	07:15				ADP Employment Change	Dec	190k	--	190k	--
33)	01/04	07:30				Initial Jobless Claims	Dec 30	--	--	--	--
34)	01/04	07:30				Continuing Claims	Dec 23	--	--	--	--
35)	01/04	08:45				Markit US Services PMI	Dec F	--	--	52.4	--
36)	01/04	08:45				Markit US Composite PMI	Dec F	--	--	53.0	--
37)	01/04	08:45				Bloomberg Consumer Comfort	Dec 31	--	--	--	--
38)	01/05	07:30				Change in Nonfarm Payrolls	Dec	185k	--	228k	--
39)	01/05	07:30				Labor Force Participation Rate	Dec	--	--	62.7%	--

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 H145-2486-2 22-Dec-2017 13:23:50

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

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
	United States	Browse		15:03:59		12/14/17		-		01/15/18	
Central Banks		All Central Banks		View		Agenda		Weekly			
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	01/03 13:00				FOMC Meeting Minutes	Dec 13	--	--	--	--	
22)	01/04 23:00				Fed's Bullard Speaks at Economics Convention in Philadelphia						
23)	01/05 11:30				Fed's Mester Speaks on Panel on Monetary Policy Coordination						
24)	01/06 09:15				Fed's Mester Speaks on Financial Stability at Conference						
25)	01/08 11:40				Fed's Bostic Speaks on Economic Outlook in Atlanta						

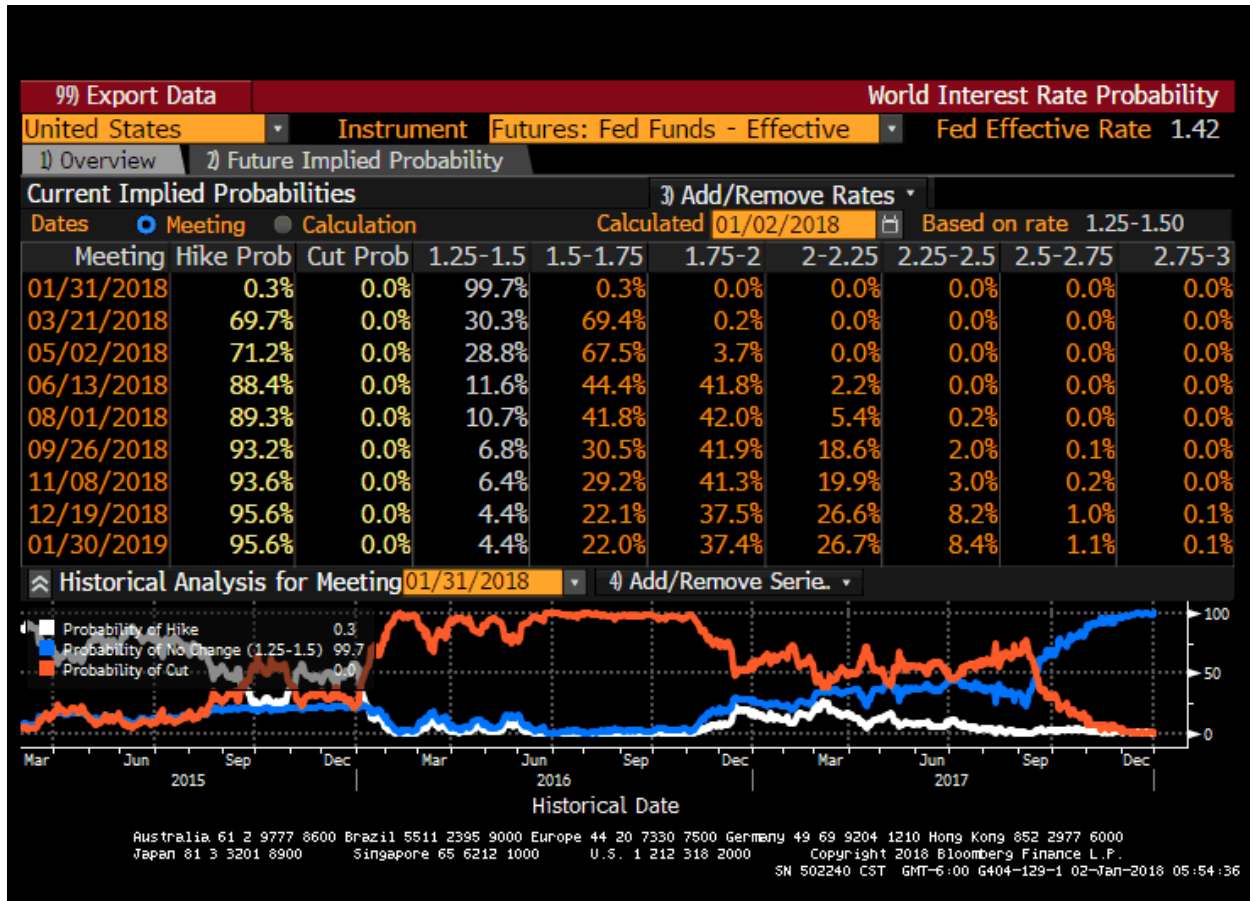
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
<b>Bill Auctions</b>	Announcement	Auction	Settles	Numbers	R	Bil	Auction	
Cash mgmt	TBA	TBA	TBA	TBA	TBA	12/08/2017	\$9	
4-week	12/28/2017	01/02/2018	01/04/2018	TBA	TBA	12/26/2017	\$50	
3-month	12/28/2017	01/02/2018	01/04/2018	912796NY1	TBA	12/26/2017	\$45	
6-month	12/28/2017	01/02/2018	01/04/2018	912796PN3	TBA	12/26/2017	\$39	
1-year	12/28/2017	01/02/2018	01/04/2018	912796PK9	TBA	12/05/2017	\$20	
<b>Note Auctions</b>								
2-year	01/18/2018	01/23/2018	01/31/2018	TBA	TBA	12/26/2017	\$26	
3-year	01/04/2018	01/09/2018	01/16/2018	TBA	TBA	12/11/2017	\$24	
5-year	01/18/2018	01/24/2018	01/31/2018	TBA	TBA	12/27/2017	\$34	
7-year	01/18/2018	12/28/2017	01/02/2018	9128283P3	\$28	11/28/2017	\$28	
10-year	01/04/2018	01/10/2018	01/16/2018	TBA	R	TBA	12/11/2017	\$20
<b>Bond Auctions</b>								
30-year	01/04/2018	01/11/2018	01/16/2018	TBA	R	TBA	12/12/2017	\$12

<b>TIPS Auctions</b>								
5-yr TIPS	04/12/2018	04/19/2018	04/30/2018	TBA	R	TBA	12/21/2017	\$14
10-yr TIPS	01/11/2018	01/18/2018	01/31/2018	TBA	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	01/18/2018	12/27/2017	12/29/2017	9128283B4	R	\$13	11/21/2017	\$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>1.56175</b>	<b>-.00250</b>	<b>(98.43825)</b>
<b>3-Month Libor Set</b>	<b>1.69693</b>	<b>+.00265</b>	<b>(98.30307)</b>
<b>6-Month Libor Set</b>	<b>1.83938</b>	<b>+.00231</b>	<b>(98.16062)</b>
<b>1-Year Libor Set</b>	<b>2.10938</b>	<b>+.00236</b>	<b>(97.89062)</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, December 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	2.5	2.5	2.1	2.0	1.8	2.4-2.5	2.2-2.6	1.9-2.3	1.7-2.0	1.8-1.9	2.4-2.6	2.2-2.8	1.7-2.4	1.1-2.2
September projection	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
Unemployment rate	4.1	3.9	3.9	4.0	4.6	4.1	3.7-4.0	3.6-4.0	3.6-4.2	4.4-4.7	4.1	3.6-4.0	3.5-4.2	3.5-4.5	4.3-5.0
September projection	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
PCE inflation	1.7	1.9	2.0	2.0	2.0	1.6-1.7	1.7-1.9	2.0	2.0-2.1	2.0	1.5-1.7	1.7-2.1	1.8-2.3	1.9-2.2	2.0
September projection	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
Core PCE inflation <sup>4</sup>	1.5	1.9	2.0	2.0		1.5	1.7-1.9	2.0	2.0-2.1		1.4-1.5	1.7-2.0	1.8-2.3	1.9-2.3	
September projection	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	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	3.1	2.8	1.4	1.9-2.4	2.4-3.1	2.6-3.1	2.8-3.0	1.1-1.4	1.1-2.6	1.4-3.6	1.4-4.1	2.3-3.0
September projection	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

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 September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 19-20, 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 September 19-20, 2017, meeting, and one participant did not submit such projections in conjunction with the December 12-13, 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/fomcprojtabl20171213.pdf>

## THEY SAID IT

**The head of a conservative Republican faction in the U.S. Congress, who voted this month for a huge expansion of the national debt to pay for tax cuts, called himself a “fiscal conservative” on Sunday and urged budget restraint in 2018.**

<https://www.reuters.com/article/us-usa-fiscal/as-u-s-budget-fight-looms-republicans-flip-their-fiscal-script-idUSKBN1EP0LK>

In keeping with a sharp pivot under way among Republicans, U.S. Representative Mark Meadows, speaking on CBS' "Face the Nation," drew a hard line on federal spending, which lawmakers are bracing to do battle over in January.

“The (Trump) administration has already been willing to say: ‘We’re going to increase non-defense discretionary spending ... by about 7 percent,’” Meadows, chairman of the small but influential House Freedom Caucus, said on the program.

“Now, Democrats are saying that’s not enough, we need to give the government a pay raise of 10 to 11 percent. For a fiscal conservative, I don’t see where the rationale is. ... Eventually you run out of other people’s money,” he said.

House Speaker Paul Ryan, who also supported the tax bill, recently went further than Meadows, making clear in a radio interview that welfare or “entitlement reform,” as the party often calls it, would be a top Republican priority in 2018.

But the goals of House Republicans may have to take a back seat to the Senate, where the votes of some Democrats will be needed to approve a budget and prevent a government shutdown. Democrats will use their leverage in the Senate, which Republicans narrowly control, to defend both discretionary non-defense programs and social spending, while tackling the issue of the “Dreamers,” people brought illegally to the country as children.

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Representative Debbie Dingell told CBS she did not favor linking that issue to other policy objectives, such as wall funding. “We need to do DACA clean,” she said.

On Wednesday, Trump aides will meet with congressional leaders to discuss those issues. That will be followed by a weekend of strategy sessions for Trump and Republican leaders on Jan. 6 and 7, the White House said.

Trump was also scheduled to meet on Sunday with Florida Republican Governor Rick Scott, who wants more emergency aid. The House has passed an \$81 billion aid package after hurricanes in Florida, Texas and Puerto Rico, and wildfires in California. The package far exceeded the \$44 billion requested by the Trump administration. The Senate has not yet voted on the aid.

### **New year, new tax brackets. Here's where you stand**

<https://www.cnn.com/2017/12/29/heres-where-you-stand-in-the-new-2018-tax-brackets.html>

### **Democrats in high-cost, high-tax states are plotting ways to do what their states' representatives in Congress could not: blunt the impact of the newly passed Republican tax overhaul.**

<https://www.cnn.com/2018/01/01/new-york-times-digital-democrats-in-high-tax-states-plot-to-blunt-impact-of-new-tax-law.html>

Governors and legislative leaders in New York, California and other states are considering legal challenges to elements of the law that they say unfairly single out parts of the country. They are looking at ways of raising revenue that aren't penalized by the new law. And they are considering changing their state tax codes to allow residents to take advantage of other federal tax breaks — in effect, restoring deductions that the tax law scaled back.

One proposal would replace state income taxes, which are no longer fully deductible under the new law, with payroll taxes on employers, which are deductible. Another idea would be to allow residents to replace their state income tax payments with tax-deductible charitable contributions to their state governments.

**“They give safe haven to the terrorists we hunt in Afghanistan, with little help. No more!” Trump wrote on Twitter. “The United States has foolishly given Pakistan more than 33 billion dollars in aid over the last 15 years, and they have given us nothing but lies & deceit, thinking of our leaders as fools.”**

<https://www.reuters.com/article/us-trump-pakistan/trump-says-u-s-has-gotten-nothing-from-pakistan-aid-idUSKBN1EQ112>

A National Security Council official on Monday said the White House does not plan to send \$255 million in aid to Pakistan “at this time” and said “the administration continues to review Pakistan’s level of cooperation.” In August, the administration had said it was delaying the payment.

Pakistan’s foreign minister, Khawaja M. Asif, wrote on Twitter “We will respond to President Trump’s tweet shortly inshallah...Will let the world know the truth..difference between facts & fiction.”

The New York Times reported on Dec. 29 that U.S. officials had sought but been denied access to a member of the Taliban-linked Haqqani network captured in Pakistan who potentially could provide information about at least one American hostage.

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In countering U.S. criticism, Pakistan says it has launched military operations to push out militants from its soil and that 17,000 Pakistanis have died fighting militants or in bombings and other attacks since 2001.

**Police have arrested more than 450 protesters in the Iranian capital Tehran over the past three days, the deputy provincial governor said on Tuesday, as a crackdown intensified against anti-government demonstrations that began last week.**

<https://www.cnn.com/2018/01/01/iran-protesters-attack-police-stations-raise-stakes-in-unrest.html>

Protesters also attacked police stations elsewhere in [Iran](#) late into the night on Monday, news agency and social media reports said.

One member of the security forces was reported killed on Monday, bringing to at least 14 the death toll stemming from the boldest challenge to Iran's clerical leadership since unrest in 2009. Musa Ghazanfarabadi, head of Tehran's Revolutionary Court, warned protesters on Tuesday that those arrested would face harsh punishment.

**“The missing element has been sustained higher inflation,” said Chris Williamson, chief business economist at Markit. “But the near-record incidences of supply-chain delays seen toward the end of 2017 indicate that pricing power is shifting from the buyer to the seller, suggesting upward price pressures are gradually returning.”**

<https://www.bloomberg.com/news/articles/2018-01-02/global-demand-lifts-euro-area-factory-growth-to-a-record-pace>

With export demand strengthening, IHS Markit's monthly report on manufacturing showed both new orders and output were the strongest in 17 years. Germany's gauge rose to a record and France improved.

At the same time, input costs remain “elevated” across a number of economies, partly reflecting higher raw material prices. Larry Hatheway, chief economist at GAM, highlighted the return of inflation in his latest outlook for 2018.

“A key development to watch out for in 2018 is the potential advent of accelerating inflation,” he said. “It matters most because it is almost entirely unanticipated by markets, yet seems likely from the perspective of macroeconomic conditions.”

Global growth also got a boost from a solid reading in China's manufacturing sector.

In China, the Caixin factory PMI rose to 51.5 in December from 50.8 in November, marking the best reading in four months. The report noted faster growth of output, total new work and export sales, as well as an increase in backlogs of work. An official PMI weakened slightly, though remained above the key 50 level that signifies expansion.

China's overall economic growth may slow in 2018 after accelerating last year, though the government has signaled it will accept [slightly weaker expansion](#) as it deals with what it says are “critical battles” of financial stability, poverty and pollution.

**“Expansion remained comfortably above long-term trend rates,” said Rob Dobson, Director at IHS Markit. “The sector has therefore broadly maintained its solid boost to broader economic expansion in the fourth quarter. The outlook is also reasonably bright.”**

<https://www.bloomberg.com/news/articles/2018-01-02/u-k-manufacturing-growth-slows-more-than-forecast-in-december>

IHS Markit's Purchasing Managers Index for the industry slid to 56.3, below the median

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estimate of economists for a reading of 57.9. Still, that pace of expansion left the quarterly average at the highest since 2014.

**Russia's natural gas production rose to its highest ever last year, driven by increasing sales to Europe and rising domestic demand.**

<https://www.bloomberg.com/news/articles/2018-01-02/russia-posts-highest-ever-natural-gas-output-in-expansion-drive>

Russia is also working to keep shipments to Europe near record levels this year as state-run [Gazprom PJSC](#), the continent's biggest supplier, plans to start pipeline exports to China in late 2019. Gazprom meets more than a third of Europe's demand for natural gas and the nation's most lucrative market was worth some \$37 billion in revenue last year.

As a result of the shale gas revolution, the U.S. became the world's largest natural gas producer in 2009, and has kept the crown for most of the time according to official data from the two nations.

U.S. producers pumped 22.1 trillion cubic feet (about 626 billion cubic meters) of dry gas in the first 10 months of 2017, according to [December data](#) from the U.S. Energy Information Administration. This was 11 percent higher than Russia for the same period.

Russia has resources to increase its LNG production by almost 10 times to about 100 million tons by 2035, led by the privately-owned Novatek PJSC in the Arctic, according to the nation's Energy Ministry.

The U.S. imposed financial sanctions against Novatek in 2014 after Russia annexed Crimea and last year added export pipelines to the list of sanctions against Russia, [setting risks](#) for Gazprom's projects. Putin ordered the government [in December](#) to identify economic and political "threats" to the nation's gas projects as well as steps to take to overcome or minimize them.

**Privacy coins such as monero, designed to avoid tracking, have climbed faster over the past two months as law enforcers adopt software tools to monitor people using bitcoin. A slew of analytic firms such as Chainalysis are getting better at flagging digital hoards [linked to crime](#) or money laundering, alerting exchanges and preventing conversion into traditional cash.**

<https://www.bloomberg.com/news/articles/2018-01-02/criminal-underworld-is-dropping-bitcoin-for-another-currency>

The European Union's law-enforcement agency, Europol, raised alarms three months ago, writing in a report that "other cryptocurrencies such as monero, ethereum and Zcash are gaining popularity within the digital underground." Online extortionists, who use ransomware to lock victims' computers until they fork over a payment, have begun demanding those currencies instead. On Dec. 18 hackers [attacked](#) up to 190,000 WordPress sites per hour to get them to produce monero, according to security company Wordfence.

**"Consumers could face slightly higher costs for all their borrowing: credit-card balances, student loans, financing a house or a car," said Charlie Chesbrough, senior economist at Cox Automotive, which owns websites including Kelley Blue Book and Autotrader. "At the same time, higher rates drive up the cost to provide low-rate financing, which eats into profit margins and hurts the carmakers as well."**

<https://www.bloomberg.com/news/articles/2018-01-02/fed-outlook-for-higher-rates-dims-u-s-auto-sales-view-for-2018>

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As automakers seal their first annual U.S. sales decline since 2009, expectations for more interest-rate hikes are bolstering the nearly unanimous view that car demand will shrink again in 2018.

Few analysts anticipate sales this year will reach 17 million vehicles, which was just achieved for a third-straight year and only the fifth time in history. The Federal Reserve [forecasts](#) three rate hikes this year, crimping the free-flowing credit that's helped fuel a record streak of demand growth that's come to an

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## EQUITIES

The S&P is +6 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 70% Equities, 20% Bonds and 10% Money Markets.

Earnings:

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

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

## UK/EUROPE

**In the UK the FTSE closed -0.47%.**

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

**BOE Rate +0.50%. (no change)**

**Next meeting 02/08/18**

### On the European Continent

**The CAC Index closed -0.89%.**

**The DAX Index closed -0.77%.**

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

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

**Deposit Facility Rate -.40%**

**Next meeting 01/25/18**

## ASIA

### Japan:

**The TOPIX closed -0.08%.**

**The NIKKEI closed -0.08%.**

In Japan, the yield curve is largely unchanged with yields mixed.

**BOJ Policy Balance Rate -0.10% (no change)**

**Next meeting 01/23/18**

### China:

**The Hang Seng closed +1.99%.**

**The Shanghai Composite closed +1.24%.**

### PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**7-Day Repo Rate: 2.8998%**

**Reserve Requirement Ratio: 17.00%**

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## THE TREND

EDH8: 98-23.0 is the pivot. Below the pivot you should be short, above long. Support is at 98.23.0^ and 98-20.0\*\*.

Resistance is at 98-25.5\*\*.

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

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

Trend that had you short from 98.500 (9/14/17) has rolled over, resulting in a 25 tick winner. Current trend has you long from 98-24.5 (12/27/17).



## YTD 2018

**YTD 2017 +33.0 futures ticks (\$25 per tick) or +\$825.00 per one contract traded.**

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**10yr/TYH8: 124-02.5** is the pivot point. Above you should be long, below short.

Support is at **123-11.0\*\***

Resistance is at **124-02.5^** and **124-26.0\*\***

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

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

**Current trend has you short from 124-21.0 (12/13/17).**

**I am short from 124-01.0 (12/29/17)**



**YTD (2018)**

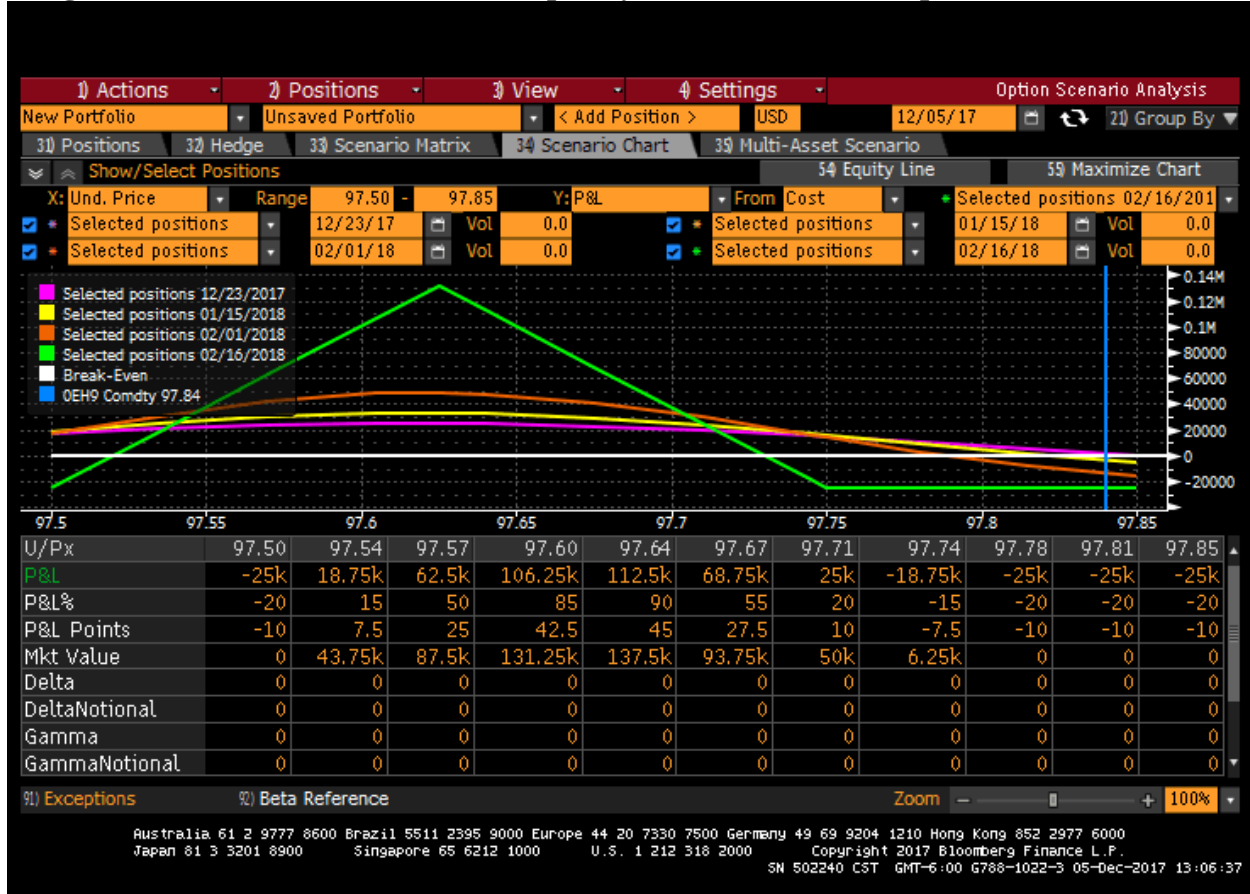
**YTD (2017) +93.0 futures ticks (\$31.25 per tick) or +2906.25 per one contract traded.**

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

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# The Option Lab

Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks (\$50) per contract (12/07/17).



Settle last night was 2.25 (\$56.25).

Option Book 2018 YTD realized:

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

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

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# US-SWAPS IRSB <GO>

United States		90 Export	99 Settings	Interest Rate Swap Rates									
Date Range:				11/22/2017	-	12/22/2017	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	1.908	1.912	1.910	0.006		0.1	0.1	1.737		1.914	1.818	9.4	1.8
2) 2 YR	2.089	2.092	2.090	0.005		0.1	0.1	1.902		2.092	1.994	9.8	1.8
3) 3 YR	2.186	2.189	2.188	0.002		0.0	0.0	1.996		2.191	2.090	9.9	1.8
4) 4 YR	2.247	2.249	2.248	0.002		0.0	0.0	2.057		2.253	2.151	9.8	1.8
5) 5 YR	2.292	2.292	2.292	-0.002		0.0	0.0	2.094		2.304	2.197	9.5	1.8
6) 6 YR	2.333	2.334	2.334	0.000		0.0	0.0	2.148		2.343	2.240	9.5	1.8
7) 7 YR	2.369	2.373	2.371	-0.002		0.0	0.0	2.191		2.383	2.280	9.3	1.9
8) 8 YR	2.405	2.406	2.406	-0.001		0.0	0.0	2.230		2.419	2.316	9.0	1.9
9) 9 YR	2.436	2.438	2.437	-0.002		0.0	0.0	2.268		2.453	2.350	8.8	1.8
10) 10 YR	2.466	2.467	2.466	-0.001		0.0	0.0	2.302		2.498	2.382	8.5	1.8
11) 15 YR	2.570	2.572	2.571	0.000		0.0	0.0	2.425		2.595	2.493	7.9	1.8
12) 20 YR	2.619	2.622	2.621	0.001		0.0	0.0	2.469		2.647	2.546	7.6	1.8
13) 25 YR	2.636	2.636	2.636	0.002		0.0	0.0	2.481		2.664	2.563	7.3	1.7
14) 30 YR	2.635	2.636	2.635	0.001		0.0	0.0	2.477		2.664	2.563	7.3	1.7

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 502340 CST GMT-6:00 H145-2486-2 22-Dec-2017 05:57:48

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## The Fundamentals

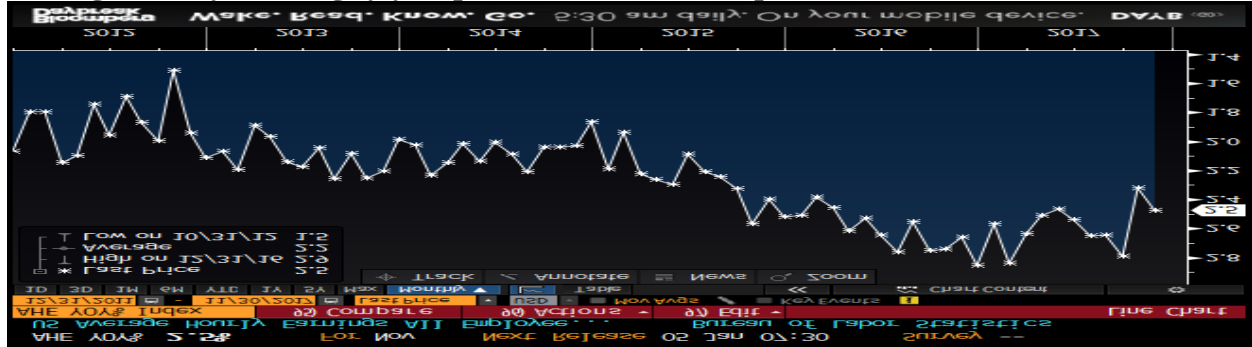
### LABOR

#### Bureau of Labor and Statistics

<http://www.bls.gov/news.release/>

CPI, ECI, Employment situation PPI, CPI, Productivity and Costs, Real Earnings and US import/exports.

#### Average Hourly Earnings y/y Department of Labor Department.



#### St. Louis Fed Agriculture Finance Monitor 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

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	29 December 2017	929	-2	22 December 2017	+271	30 December 2016
Canada	29 December 2017	136	-74	22 December 2017	-21	30 December 2016
International	November 2017	942	-9	October 2017	+17	November 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>

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

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## **TRANSPORTS**

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

For the first 51 weeks of 2017, U.S. railroads reported a cumulative volume of 13,283,446 carloads, up 3.1 percent from the same point last year; and 13,809,482 intermodal units, up 4.0 percent from last year. Total combined U.S. traffic for the first 51 weeks of 2017 was 27,092,928 carloads and intermodal units, an increase of 3.6 percent compared to last year.

North American rail volume for the week ending December 23, 2017, on 13 reporting U.S., Canadian and Mexican railroads totaled 371,882 carloads, up 10.8 percent compared with the same week last year, and 360,676 intermodal units, up 13.2 percent compared with last year.

Total combined weekly rail traffic in North America was 732,558 carloads and intermodal units, up 12 percent. North American rail volume for the first 51 weeks of 2017 was 35,960,443 carloads and intermodal units, up 4.9 percent compared with 2016.

Canadian railroads reported 83,911 carloads for the week, up 9.7 percent, and 68,925 intermodal units, up 23.3 percent compared with the same week in 2016. For the first 51 weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 7,460,974 carloads, containers and trailers, up 10.9 percent.

Mexican railroads reported 17,615 carloads for the week, up 16.9 percent compared with the same week last year, and 10,541 intermodal units, up 6.4 percent. Cumulative volume on Mexican railroads for the first 51 weeks of 2017 was 1,406,541 carloads and intermodal containers and trailers, up 1.9 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2017-12-27-railtraffic.aspx>

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

For this week, total U.S. weekly rail traffic was 551,566 carloads and intermodal units, up 11 percent compared with the same week last year.

Total carloads for the week ending December 23 were 270,356 carloads, up 10.8 percent compared with the same week in 2016, while U.S. weekly intermodal volume was 281,210 containers and trailers, up 11.3 percent compared to 2016.

Nine of the 10 carload commodity groups posted an increase compared with the same week in 2016. They included nonmetallic minerals, up 9,934 carloads, to 34,424; metallic ores and metals, up 5,576 carloads, to 25,589; and coal, up 5,374 carloads, to 89,997. One commodity group posted a decrease compared with the same week in 2016: grain, down 183 carloads, to 22,425.

<https://www.aar.org/newsandevents/Freight-Rail-Traffic/Documents/2017-12-27-railtraffic.pdf>

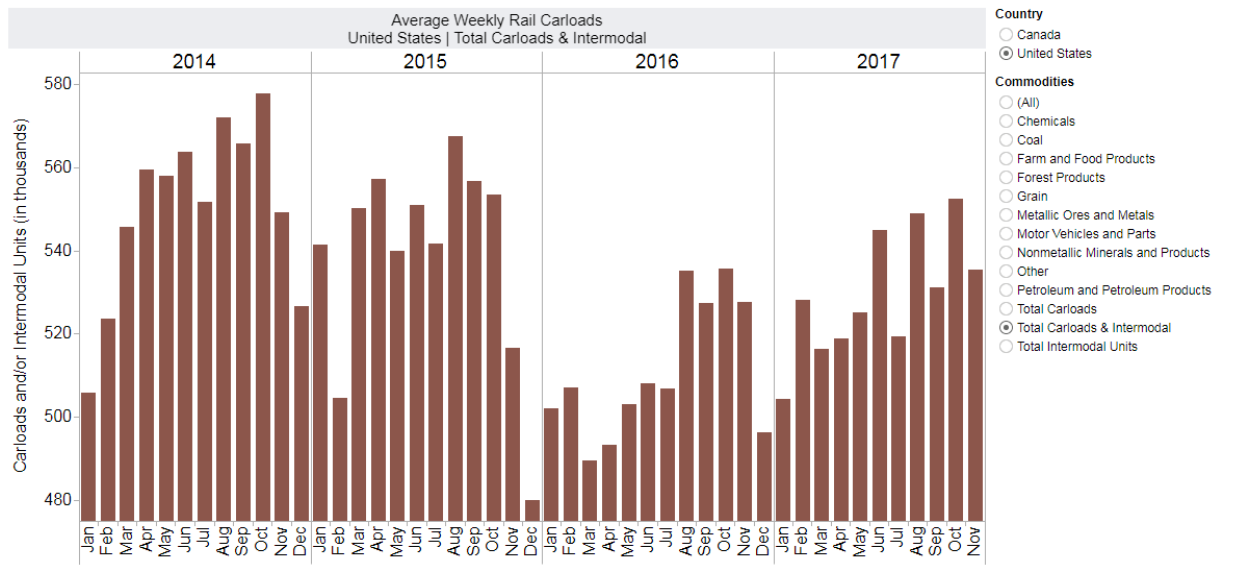
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# Monthly Rail Traffic Charts

## MONTHLY RAIL TRAFFIC DATA

SHARE



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

### Trailer Truck Demand

(Bloomberg Intelligence) – 12/18/17

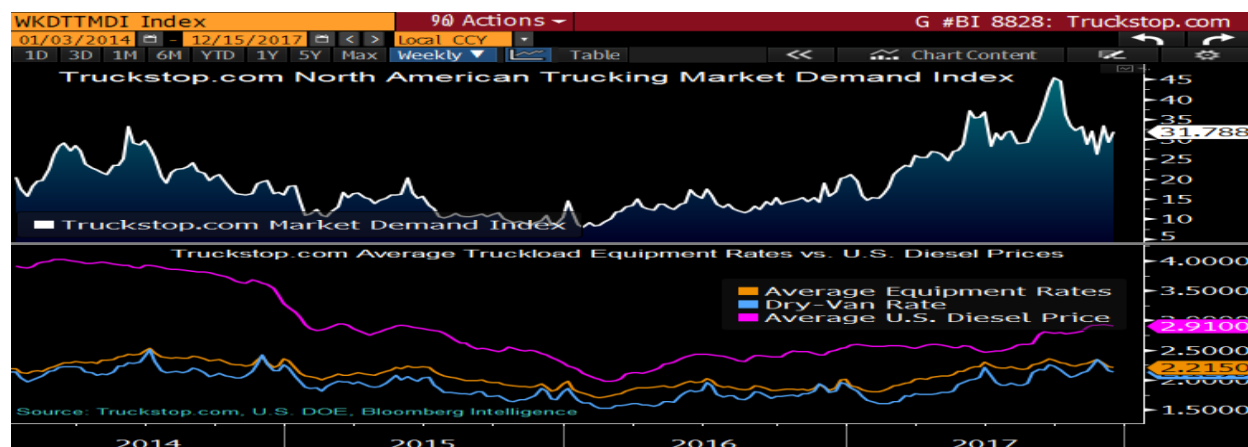
Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) -- Relative North American spot trucking demand rose 9.1% sequentially to 31.8 in the week ended Dec. 15, based on Truckstop.com's Market Demand Index. Capacity tightened as available loads increased 2.6%, while truck availability fell 6%. Average spot rates, excluding fuel surcharges, held firm at \$1.88 a mile. Dec. 18 marks the long-awaited regulatory deadline for mandatory electronic logging device implementation, which is expected to tighten capacity and put upward pressure on spot prices into 2018.

The Market Demand Index has climbed 116% 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. (12/18/17)

To contact the analyst for this research:

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



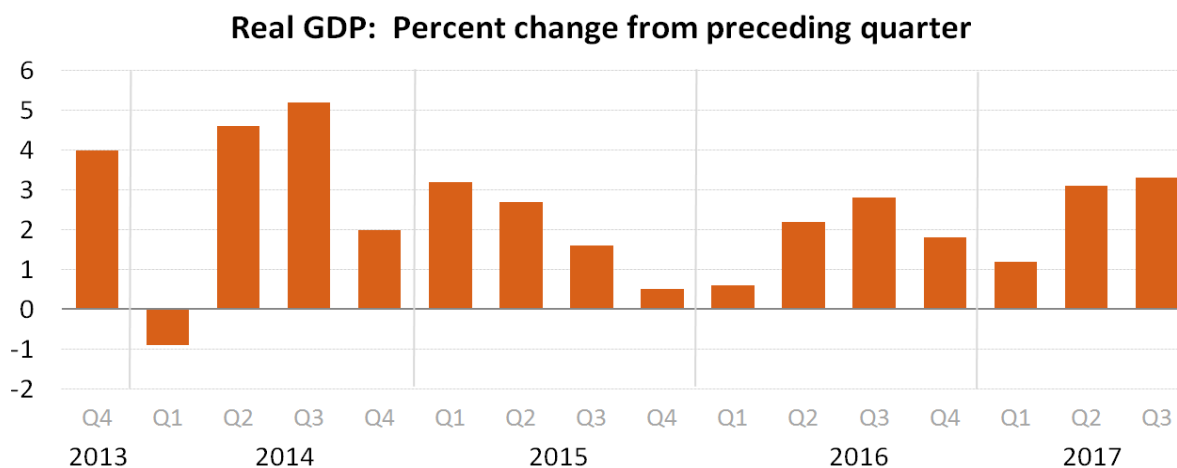
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## GDP

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



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

**GDP-4Q is running at 3.17% on December 29, down from 3.32% on December 22, 2017**

### Atlanta Fed GDPNow...Latest forecast Q4: 2.8 percent — December 22, 2017

The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2017 is **2.8 percent** on December 22, down from 3.3 percent on December 19. The forecast of fourth-quarter real consumer spending growth fell from 3.1 percent to 2.9 percent after this morning's personal income and outlays release from the U.S. Bureau of Economic Analysis (BEA). The forecast of the contribution of inventory investment fell from -0.14 percentage points to -0.40 percentage points after this morning's advance durable manufacturing release from the U.S. Census Bureau and the release of the revised underlying detail tables for the National Income and Product Accounts by the BEA this morning.

The next GDPNow update is **Wednesday, January 3**. 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 29, 2017

The New York Fed Staff Nowcast stands at 3.9% for 2017:Q4 and 3.2% for 2018:Q1.

The only data release this week was wholesale inventories, and it left the nowcast for both quarters broadly unchanged.

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

### St. Louis Fed Real GDP Nowcast... Q4 2017: 2.82%...December 29, 2017

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

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**MANUFACTURING AT A GLANCE**

November 2017

Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
<b>PMI®</b>	58.2	58.7	-0.5	Growing	Slower	15
<b>New Orders</b>	64.0	63.4	+0.6	Growing	Faster	15
<b>Production</b>	63.9	61.0	+2.9	Growing	Faster	15
<b>Employment</b>	59.7	59.8	-0.1	Growing	Slower	14
<b>Supplier Deliveries</b>	56.5	61.4	-4.9	Slowing	Slower	19
<b>Inventories</b>	47.0	48.0	-1.0	Contracting	Faster	2
<b>Customers' Inventories</b>	45.5	43.5	+2.0	Too Low	Slower	5
<b>Prices</b>	65.5	68.5	-3.0	Increasing	Slower	21
<b>Backlog of Orders</b>	55.0	55.0	0.0	Growing	Same	10
<b>New Export Orders</b>	56.0	56.5	-0.5	Growing	Slower	21
<b>Imports</b>	54.5	54.0	+0.5	Growing	Faster	10
<b>OVERALL ECONOMY</b>				Growing	Slower	102
<b>Manufacturing Sector</b>				Growing	Slower	15

<i>Month</i>	<i>PMI®</i>	<i>Month</i>	<i>PMI®</i>
Nov 2017	58.2	May 2017	54.9
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
Average for 2017 – 57.4			
Average for 12 months – 57.1			
High – 60.8			
Low – 54.5			

<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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