



Fixed Income Group A Division of RJ O'Brien

The Missile

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 | | 05:46:41 | | 01/11/18 | | 01/18/18 | |
| Economic Releases | | | | All Economic Releases | | | | View Agenda Weekly | |
| | Date | Time | A M R | Event | Period | Surv(M) | Actual | Prior | Revised |
| 21) | 01/11 | 07:30 | + | PPI Final Demand MoM | Dec | 0.2% | -- | 0.4% | -- |
| 22) | 01/11 | 07:30 | + | PPI Ex Food and Energy MoM | Dec | 0.2% | -- | 0.3% | -- |
| 23) | 01/11 | 07:30 | + | PPI Ex Food, Energy, Trade MoM | Dec | 0.2% | -- | 0.4% | -- |
| 24) | 01/11 | 07:30 | + | PPI Final Demand YoY | Dec | 3.0% | -- | 3.1% | -- |
| 25) | 01/11 | 07:30 | + | PPI Ex Food and Energy YoY | Dec | 2.5% | -- | 2.4% | -- |
| 26) | 01/11 | 07:30 | + | PPI Ex Food, Energy, Trade YoY | Dec | -- | -- | 2.4% | -- |
| 27) | 01/11 | 07:30 | + | Initial Jobless Claims | Jan 6 | 245k | -- | 250k | -- |
| 28) | 01/11 | 07:30 | + | Continuing Claims | Dec 30 | 1920k | -- | 1914k | -- |
| 29) | 01/11 | 07:30 | | Revisions: Philadelphia Fed Manufacturing Index | | | | | |
| 30) | 01/11 | 07:45 | | Bloomberg Jan. United States Economic Survey | | | | | |
| 31) | 01/11 | 08:45 | + | Bloomberg Consumer Comfort | Jan 7 | -- | -- | 51.8 | -- |
| 32) | 01/11 | 13:00 | + | Monthly Budget Statement | Dec | -\$26.0b | -- | -\$138.5b | -- |
| 33) | 01/12 | 07:30 | + | CPI MoM | Dec | 0.1% | -- | 0.4% | -- |
| 34) | 01/12 | 07:30 | + | CPI Ex Food and Energy MoM | Dec | 0.2% | -- | 0.1% | -- |
| 35) | 01/12 | 07:30 | + | CPI YoY | Dec | 2.1% | -- | 2.2% | -- |
| 36) | 01/12 | 07:30 | + | CPI Ex Food and Energy YoY | Dec | 1.7% | -- | 1.7% | -- |
| 37) | 01/12 | 07:30 | + | CPI Index NSA | Dec | 246.372 | -- | 246.669 | -- |
| 38) | 01/12 | 07:30 | + | CPI Core Index SA | Dec | -- | -- | 253.724 | -- |
| 39) | 01/12 | 07:30 | + | Retail Sales Advance MoM | Dec | 0.5% | -- | 0.8% | -- |

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 6602-2294-1 11-Jan-2018 05:46:41

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.

Fed Speak Calendar
(All times are CST)

| Economic Calendars | | | | | | | | | | |
|--------------------|-------------|-------------------|---|----------|--|------------|---------|---------------|-------|---------|
| Calendars ▾ | | Alerts | | Export ▾ | | Settings ▾ | | United States | | |
| Browse | | 12:35:16 | | 01/11/18 | | - 01/31/18 | | | | |
| Central Banks | | All Central Banks | | View | | Agenda | | Weekly | | |
| Date | Time | A | M | R | Event | Period | Surv(M) | Actual | Prior | Revised |
| 21) | 01/11 14:30 | | | | Fed's Dudley Speaks on the U.S. Economic Outlook | | | | | |
| 22) | 01/12 11:00 | | | | Fed's Harker Speaks on Economic Outlook | | | | | |
| 23) | 01/12 15:15 | | | | Fed's Rosengren Gives Keynote Address at UC San Diego Conf | | | | | |
| 24) | 01/17 13:00 | | | | U.S. Federal Reserve Releases Beige Book | | | | | |
| 25) | 01/17 14:00 | | | | Fed's Evans Speaks on Economy and Monetary Policy | | | | | |
| 26) | 01/17 15:30 | | | | Fed's Mester Discusses Monetary Policy Communication | | | | | |
| 27) | 01/31 13:00 | | | | FOMC Rate Decision (Upper Bound) | Jan 31 | 1.50% | -- | 1.50% | -- |
| 28) | 01/31 13:00 | | | | FOMC Rate Decision (Lower Bou... | Jan 31 | 1.25% | -- | 1.25% | -- |

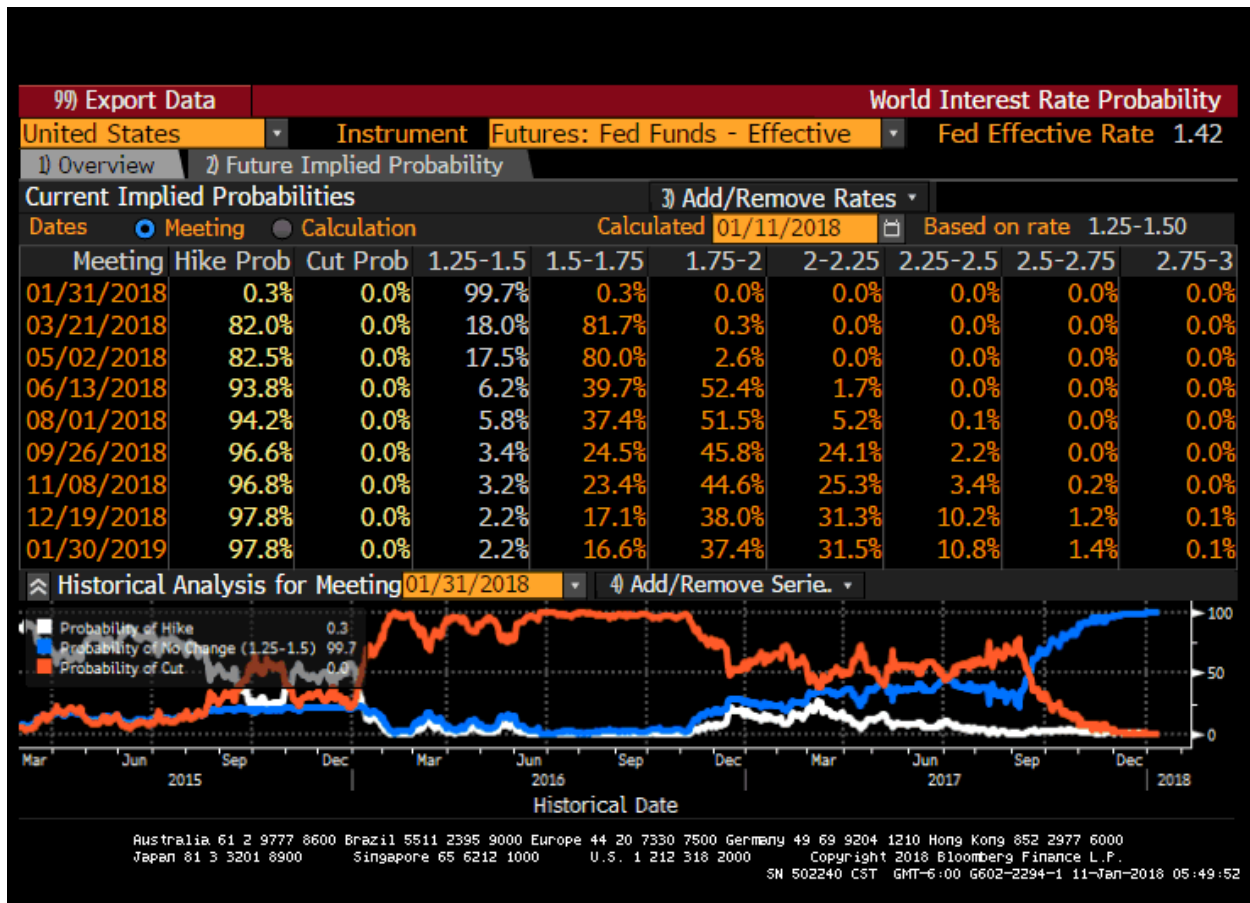
NI TRE <go>

| | Next Offer | Next | Date | CUSIP | \$ | Prior | Prior |
|----------------------|--------------|------------|------------|-----------|----|-------|-----------------|
| Bill Auctions | Announcement | Auction | Settles | Numbers | R | Bil | Auction \$ Bln |
| Cash mgmt | TBA | TBA | TBA | TBA | | TBA | 12/08/2017 \$9 |
| 4-week | 01/11/2018 | 01/16/2018 | 01/18/2018 | 912796NS4 | | TBA | 01/09/2018 \$50 |
| 3-month | 01/11/2018 | 01/16/2018 | 01/18/2018 | 912796PB9 | | TBA | 01/08/2018 \$48 |
| 6-month | 01/11/2018 | 01/16/2018 | 01/18/2018 | 912796MK2 | | TBA | 01/08/2018 \$42 |
| 1-year | 01/25/2018 | 01/30/2018 | 02/01/2018 | TBA | | TBA | 01/02/2018 \$20 |
| Note Auctions | | | | | | | |
| 2-year | 01/18/2018 | 01/23/2018 | 01/31/2018 | TBA | | TBA | 12/26/2017 \$26 |
| 3-year | 01/31/2018 | 02/06/2018 | 02/15/2018 | TBA | | TBA | 01/09/2018 \$24 |
| 5-year | 01/18/2018 | 01/24/2018 | 01/31/2018 | TBA | | TBA | 12/27/2017 \$34 |
| 7-year | 01/18/2018 | 01/25/2018 | 01/31/2018 | TBA | | TBA | 12/28/2017 \$28 |
| 10-year | 01/31/2018 | 01/10/2018 | 01/16/2018 | 9128283F5 | R | \$20 | 12/11/2017 \$20 |
| Bond Auctions | | | | | | | |
| 30-year | 01/31/2018 | 01/11/2018 | 01/16/2018 | 912810RZ3 | R | \$12 | 12/12/2017 \$12 |

| | | | | | | | |
|---------------------------|------------|------------|------------|-----------|---|------|-------------------|
| TIPS Auctions | | | | | | | |
| 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 |
| Floating Rate Note | | | | | | | |
| 2-year FRN | 01/18/2018 | 12/27/2017 | 12/29/2017 | 9128283B4 | R | \$13 | 11/21/2017 \$13 |
| Buyback Operation | | | | | | | |
| Buyback | TBA | TBA | TBA | TBA | | TBA | 11/15/2017 \$.025 |

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.

Implied Probability of Fed Rate Movement (Futures)



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.

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 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 | 2.5 | 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 ⁴ | 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>

Libor Set

| | | | |
|--------------------------|----------------|-----------------|-------------------|
| 1-Month Libor Set | 1.55940 | +0.00570 | (98.44060) |
| 3-Month Libor Set | 1.72019 | +0.01108 | (98.27081) |
| 6-Month Libor Set | 1.88027 | +0.00833 | (98.11073) |
| 1-Year Libor Set | 2.16406 | +0.00854 | (97.83504) |

THEY SAID IT

"The mainland will surely act to make sure Taiwan and the U.S. pay the price for their high-level exchanges," said [a Wednesday op-ed](#) published by The Global Times, a nationalistic arm of the Communist Party media apparatus.

"Beijing's diplomatic retaliations toward Washington will come from all sides," it continued. "This will multiply exponentially the costs for the U.S., of handling global affairs and make the country profoundly realize that the Taiwan question is the Chinese mainland's bottom line that it cannot afford to touch."

<https://www.cnbc.com/2018/01/10/new-bills-strengthen-us-taiwan-relations-angering-china.html>

The U.S. House Foreign Affairs Committee passed two bills on Tuesday aimed at bolstering "the [critical U.S.-Taiwan partnership](#)," according to a statement. One bill, called the Taiwan Travel Act, encouraged high-level visits between Washington and Taipei "at all levels of government" while the second addressed Taiwan's exclusion from the [World Health Organization](#).

A state-run Chinese newspaper denounced the bill's passage, saying it could shake political ties with Chinese President [Xi Jinping's](#) administration.

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.

Markets shuddered on signs the U.S. may be preparing to withdraw from Nafta. But even if President Donald Trump serves notice of a pullout, the trade deal could survive. Under the accord, the U.S., Canada or Mexico can withdraw after giving six-months' notice. Scant progress has been made on the thorniest issues ahead of the sixth round this month in Montreal, fueling speculation Trump will follow through on his threat to walk away.

<https://www.bloomberg.com/news/articles/2018-01-11/nafta-s-dead-long-live-nafta-a-look-at-most-likely-outcomes>

What would happen next has become a topic of debate among trade lawyers in Washington. Here are three possible scenarios, each with its own implications for markets and the North American economy:

Zombie Deal

Just because the president issues a withdrawal notice doesn't mean the U.S. will formally pull out after six months. Since announcing the U.S. will leave the Paris climate-change agreement, for example, the U.S. has sent signals that it may stay in the accord under certain conditions. There's also speculation Congress could prevent the White House from dismantling Nafta.

The End

Nafta really could be toast. In this scenario, Congress doesn't stand in the way of Trump pulling out of the deal. Tariffs would rise on goods traded in the region, probably causing prices to increase and cutting into company profits.

The Start

On the other hand, Trump's notice could just be the start of the next phase of negotiations.

(China, a mystery wrapped in a riddle)

China's State Administration of Foreign Exchange said in a statement Thursday that the story "might have cited wrong sources or may be fake news." It said investments in Treasuries are decided by market conditions.

<https://www.bloomberg.com/news/articles/2018-01-10/china-s-rethink-on-treasuries-has-echo-in-premier-s-2009-worries>

China's showing once again that it's not afraid to wield the clout of its hoard of Treasuries to catch the attention of U.S. officials and the world's biggest debt market. But as in a previous episode in 2009, such warnings may prove hollow.

Senior Chinese government officials have recommended slowing or halting purchases of Treasuries, in part given trade tensions with the U.S., according to people familiar with the matter cited by Bloomberg News Wednesday -- [news](#) that wound up having little lasting impact on trading as yields ended little changed after spiking to the highest since March.

"We did not expect this kind of growth to be honest," Zhao said from Tokyo on Thursday.

<https://www.bloomberg.com/news/articles/2018-01-11/world-s-top-ranked-crypto-venue-added-240-000-users-in-one-hour>

Hong Kong-based Binance.com is adding "a couple of million" registered users every week, with 240,000 people signing up in just an hour on Wednesday, Chief Executive Officer Zhao Changpeng said in an interview with Bloomberg Television. Demand is so high that the company is limiting new customers, he said, though Binance may fully reopen in the coming weeks.

Binance was the world's most active crypto exchange over the past 24 hours, [according](#) to Coinmarketcap.com, hosting \$6 billion worth of digital currency trades. The most popular asset

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.

was Tron, which accounted for 11 percent of volume.

Zhao said his average customer was male and aged 25-35, though Binance is “beginning to get a lot of interest from institutional investors.”

Traffic on Binance has been so high that the company hits the limit of servers per account permitted by its cloud provider Amazon.com Inc. “every day,” Zhao said. Amazon Web Services is the world’s biggest provider of cloud computing services, powering large companies such as Netflix Inc.

“We have a guy whose full-time job is just requesting servers,” he said. “Every day they say, ‘OK, here are 200 more,’ but we just ask for more.”

Why is Binance (located in Hong Kong) getting so much business.

<https://www.bloomberg.com/news/articles/2018-01-11/cryptocurrencies-retreat-amid-south-korea-clampdown-concerns>

Bitcoin slumped as South Korea’s justice minister reiterated his [proposal](#) to ban local cryptocurrency exchanges, fueling concern that a government crackdown will erode one of the world’s biggest sources of demand for digital currencies.

The minister’s comments to reporters on Thursday were later downplayed by a spokesman for President Moon Jae-in, who said the proposal is one among several and that nothing has been finalized. Korea’s government unveiled multiple options for cryptocurrency exchange regulation on Dec. 28, including allowing trading to continue under tighter supervision.

Bitcoin dropped as much as 12 percent to \$12,801, its lowest since Christmas day, before paring the loss to about 9 percent at 11:40 a.m. London time, according to data compiled by Bloomberg. Ripple tumbled 18 percent and ethereum slumped 9 percent.

Global investment firm KKR kicked off the private equity fundraising markets with a strong start in 2018. The New York-based firm held final close this week on its KKR Real Estate Partners Americas II (REPA II), a \$2 billion fund dedicated to value add and opportunistic real estate investments primarily in the U.S.

[http://www.costar.com/News/Article/KKR-Kicks-Off-2018-by-Raising-\\$2-Billion-for-Real-Estate-Investment-Fund/197198](http://www.costar.com/News/Article/KKR-Kicks-Off-2018-by-Raising-$2-Billion-for-Real-Estate-Investment-Fund/197198)

REPA II is the successor fund to KKR Real Estate Partners Americas, which completed fundraising in December 2013 with \$1.5 billion in capital commitments.

The half a billion dollar increase is consistent with CRE fundraising trends set in last year. While 2017 was a record-breaking year in some other private capital asset classes, money raised for closed-end, private real estate funds did not match the fundraising activity seen in recent years, according to year-end data from Preqin, an alternative assets industry information provider.

Altogether, 263 real estate funds reached a final close in 2017 raising a combined \$109 billion in investor commitments. Preqin expects these totals to increase by up to 10% as more funds disclose totals, but nonetheless it appears even with that increase 2017 totals will not approach the record \$136 billion raised by 351 funds for real estate investment in 2015.

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 Trump administration said on Thursday it would allow states to test requiring some Medicaid recipients to work or participate in community activities such as volunteering or jobs training as a condition of eligibility for the government health insurance program for the poor.

<https://www.cnbc.com/2018/01/11/some-states-will-start-requiring-medicaid-users-to-work.html>

The Centers for Medicare and Medicaid Services issued guidance making it easier for states to design and propose test programs that implement such requirements. States must propose such changes through waivers and receive federal approval.

Seema Verma, the agency's administrator, said the policy guidance came in response to requests from at least 10 states that have proposed requiring some Medicaid recipients to work or participate in activities that may include skills training, education, job search, volunteering or caregiving. Those states include Kentucky, Maine, New Hampshire, Arizona, Indiana and Utah.

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.

© Copyright 2017. The Fixed Income Group at R.J. O'Brien. All rights reserved.

EQUITIES

The S&P is +3 and the NASDAQ is +3.

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 +0.10%.

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

BOE Rate +0.50%. (no change)

Next meeting 02/08/18

On the European Continent

The CAC Index closed -0.07%.

The DAX Index closed -0.16%.

On the Continent, the yield curve is slightly flatter 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 -0.21%.

The NIKKEI closed -0.33%.

In Japan, the yield curve is flatter with yields a lower.

BOJ Policy Balance Rate -0.10% (no change)

Next meeting 01/23/18

China:

The Hang Seng closed +0.15%.

The Shanghai Composite closed +0.10%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.8998%

Reserve Requirement Ratio: 17.00%

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 TREND

EDH8: 98-21.0 is the pivot. Below the pivot, you should be short, above long.
Support is at 98-17.0**.

Resistance is at 98.21.0^ and 98-25.0**.

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

** 2-STD Deviations from the pivot point.

Current trend has you short from 98-22.5.



YTD 2018 -2 futures ticks (\$25 per tick) or -\$50.00 per contract

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

10yr/TYH8: 123-23.5 is the pivot point. Above you should be long, below short.

Support is at **122-26.5****

Resistance is at **123-23.5^** and **124-20.5****

^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)

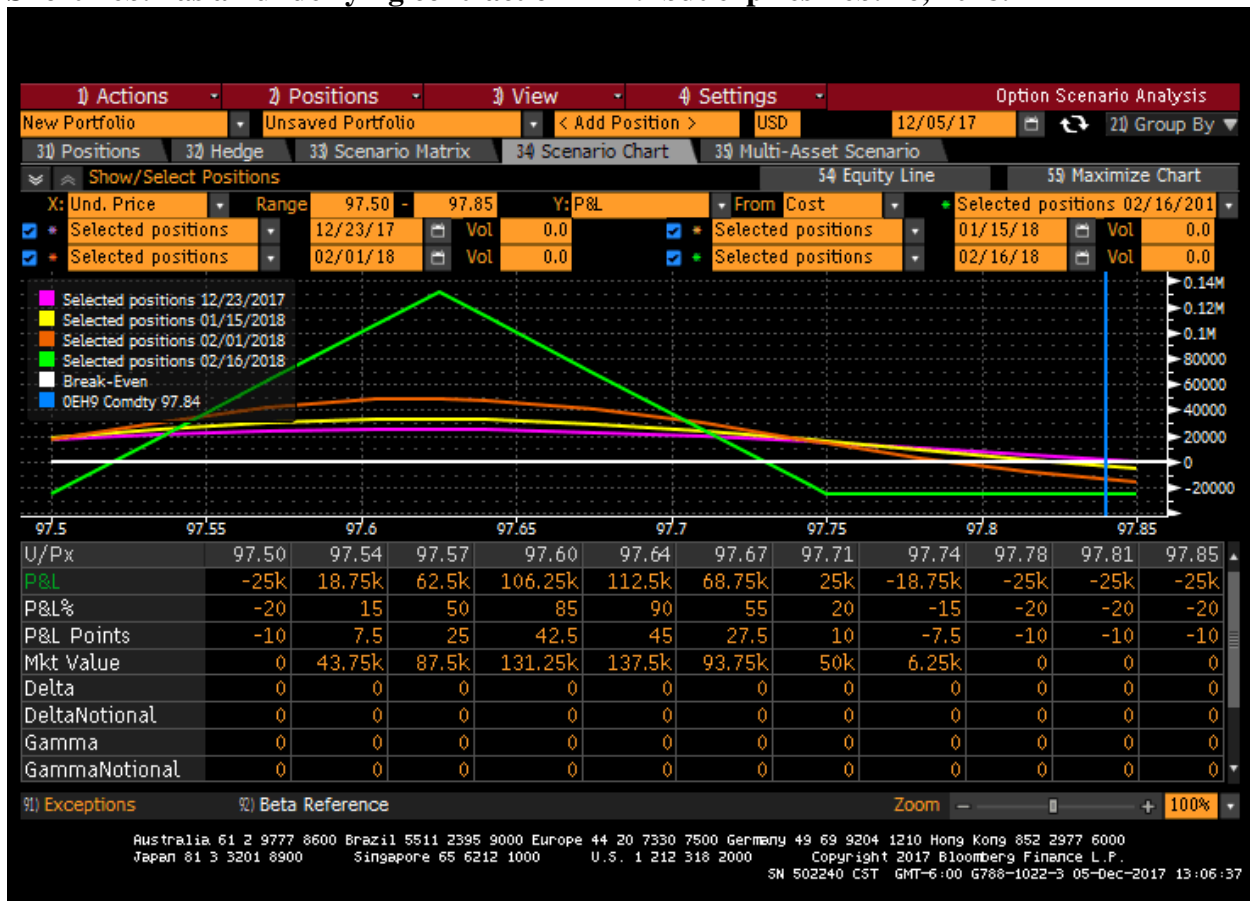
(2017) +93.0 futures ticks (\$31.25 per tick) or +2,906.25 per contract.

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

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 Option Lab

Long the Short Feb. 97.75/97.625/97.50 put fly. Paid 2.0 ticks (\$50) per contract (12/07/17). Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.



Settle last night was 4.0 (\$100.00).

Option Book 2018 YTD realized:

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

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

US-SWAPS IRSB <GO>

| United States | | 90 Export | | 99 Settings | | Interest Rate Swap Rates | | | | | | | |
|----------------------------------|---------------|-----------------|-------|--------------|-------|--------------------------|-------|--------------|-------|-----------------|-------|--------|-----|
| | | | | Date Range: | | 12/11/2017 - 01/11/2018 | | 1 Month | | | | | |
| 40 Semi Swaps | | 41 Sprs to Gov. | | 42 Ann Swaps | | 43 Ann Sprs | | 44 OIS Swaps | | 45 CHE/LCH Sprs | | | |
| USD SemiAnnual 30/360 Swap Rates | | | | | | | | | | | | | |
| Tenor | Bid | Ask | Mid | Change | Today | #SD | Δ/day | Low | Range | High | Avg | +/-BPS | #SD |
| 1) 1 YR | 1.974 / 1.977 | | 1.976 | 0.002 | | 0.0 | | 1.819 | | 1.980 | 1.907 | 7.0 | 1.5 |
| 2) 2 YR | 2.164 / 2.165 | | 2.165 | -0.004 | | -0.1 | | 1.980 | | 2.179 | 2.089 | 7.7 | 1.5 |
| 3) 3 YR | 2.260 / 2.264 | | 2.262 | -0.009 | | -0.2 | | 2.069 | | 2.286 | 2.183 | 8.1 | 1.5 |
| 4) 4 YR | 2.317 / 2.320 | | 2.318 | -0.011 | | -0.2 | | 2.123 | | 2.387 | 2.238 | 8.2 | 1.5 |
| 5) 5 YR | 2.358 / 2.359 | | 2.358 | -0.012 | | -0.2 | | 2.161 | | 2.405 | 2.278 | 8.1 | 1.5 |
| 6) 6 YR | 2.394 / 2.397 | | 2.396 | -0.016 | | -0.3 | | 2.207 | | 2.443 | 2.314 | 8.3 | 1.5 |
| 7) 7 YR | 2.430 / 2.431 | | 2.430 | -0.017 | | -0.3 | | 2.245 | | 2.492 | 2.350 | 8.1 | 1.5 |
| 8) 8 YR | 2.460 / 2.464 | | 2.462 | -0.019 | | -0.3 | | 2.279 | | 2.518 | 2.380 | 8.4 | 1.6 |
| 9) 9 YR | 2.491 / 2.494 | | 2.492 | -0.020 | | -0.4 | | 2.308 | | 2.551 | 2.410 | 8.4 | 1.5 |
| 10) 10 YR | 2.520 / 2.522 | | 2.521 | -0.019 | | -0.3 | | 2.329 | | 2.600 | 2.438 | 8.4 | 1.5 |
| 11) 15 YR | 2.611 / 2.616 | | 2.614 | -0.021 | | -0.4 | | 2.425 | | 2.679 | 2.536 | 8.0 | 1.5 |
| 12) 20 YR | 2.657 / 2.658 | | 2.656 | -0.021 | | -0.4 | | 2.469 | | 2.723 | 2.582 | 7.6 | 1.4 |
| 13) 25 YR | 2.667 / 2.669 | | 2.668 | -0.021 | | -0.4 | | 2.481 | | 2.739 | 2.594 | 7.4 | 1.4 |
| 14) 30 YR | 2.664 / 2.666 | | 2.664 | -0.023 | | -0.4 | | 2.477 | | 2.731 | 2.592 | 7.4 | 1.4 |

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 2018 Bloomberg Finance L.P.
 SN 502340 CST GMT-6:00 6602-2294-1 11-Jan-2018 05:50:05

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

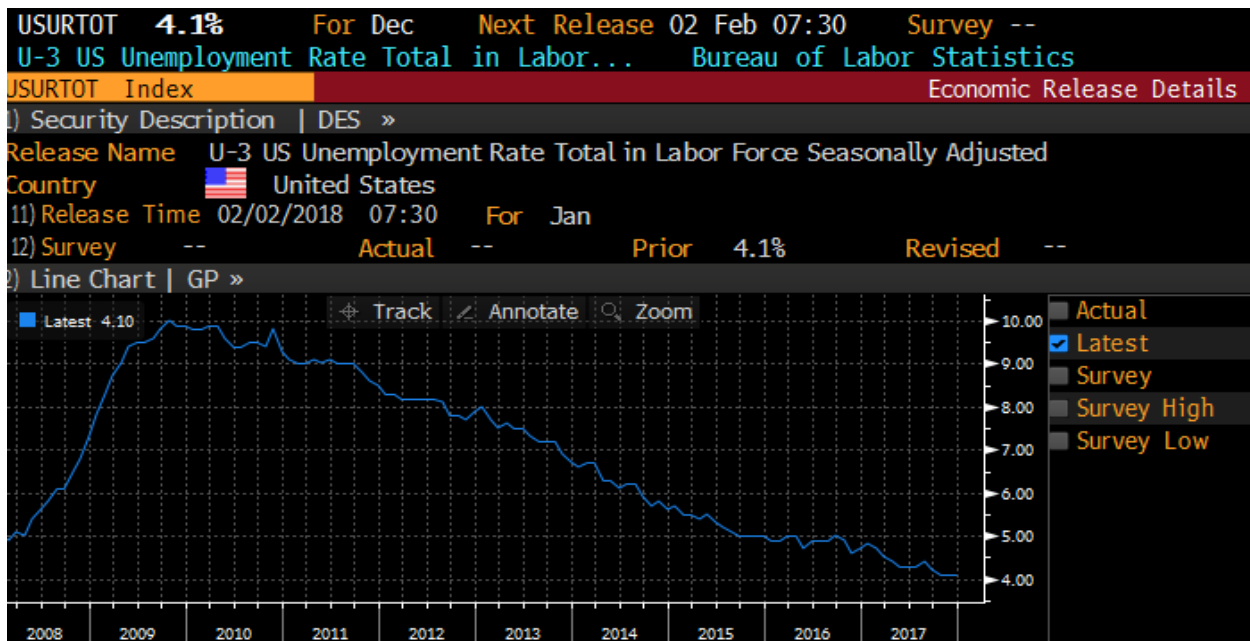
<http://www.bls.gov/news.release/>

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

Average Hourly Earnings y/y Department of Labor Department.



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.



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>

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.

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. | 5 January 2018 | 924 | -5 | 29 December 2017 | +259 | 6 January 2017 |
| Canada | 5 January 2018 | 174 | +38 | 29 December 2017 | -31 | 6 January 2017 |
| 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 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/>

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.

TRANSPORTS

Association of American Railroads Rail Traffic Report.

For this week, total U.S. weekly rail traffic was 415,862 carloads and intermodal units, down 4.6 percent compared with the same week last year.

Total carloads for the week ending January 6 were 208,646 carloads, down 5.2 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 207,216 containers and trailers, down 3.9 percent compared to 2017. Total combined U.S. traffic for the first week of 2018 was 415,862 carloads and intermodal units, a decrease of 4.6 percent compared to last year. One of the 10 carload commodity groups posted an increase compared with the same week in 2017. It was petroleum and petroleum products, up 741 carloads, to 9,640. Commodity groups that posted decreases compared with the same week in 2017 included coal, down 4,554 carloads, to 69,973; nonmetallic minerals, down 2,159 carloads, to 21,872; and grain, down 1,924 carloads, to 19,638.

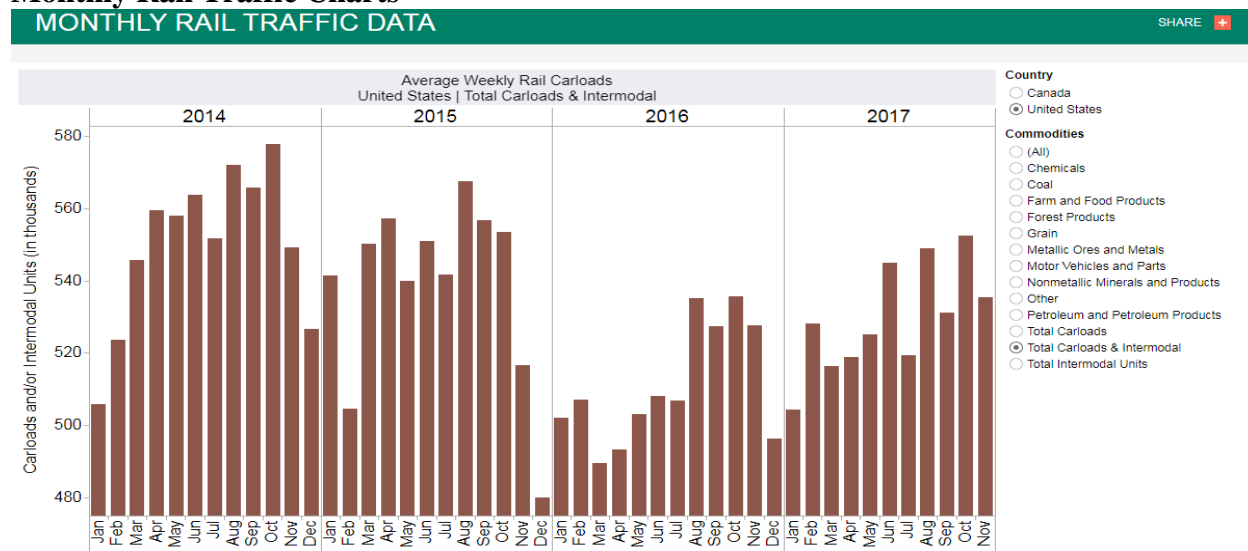
North American rail volume for the week ending January 6, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 290,767 carloads, down 4.4 percent compared with the same week last year, and 273,095 intermodal units, down 2.5 percent compared with last year. Total combined weekly rail traffic in North America was 563,862 carloads and intermodal units, down 3.5 percent. North American rail volume for the first week of 2018 was 563,862 carloads and intermodal units, down 3.5 percent compared with 2017.

Canadian railroads reported 66,871 carloads for the week, down 4.5 percent, and 52,469 intermodal units, up 2.7 percent compared with the same week in 2017. For the first week of 2018, Canadian railroads reported cumulative rail traffic volume of 119,340 carloads, containers and trailers, down 1.4 percent.

Mexican railroads reported 15,250 carloads for the week, up 7.9 percent compared with the same week last year, and 13,410 intermodal units, up 0.7 percent. Cumulative volume on Mexican railroads for the first week of 2018 was 28,660 carloads and intermodal containers and trailers, up 4.4 percent from the same point last year.

<https://www.aar.org/newsandevents/Press-Releases/Pages/2018-01-10-railtraffic.aspx>

Monthly Rail Traffic Charts



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

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.

Trailer Truck Demand (Bloomberg Intelligence) – 01/08/18

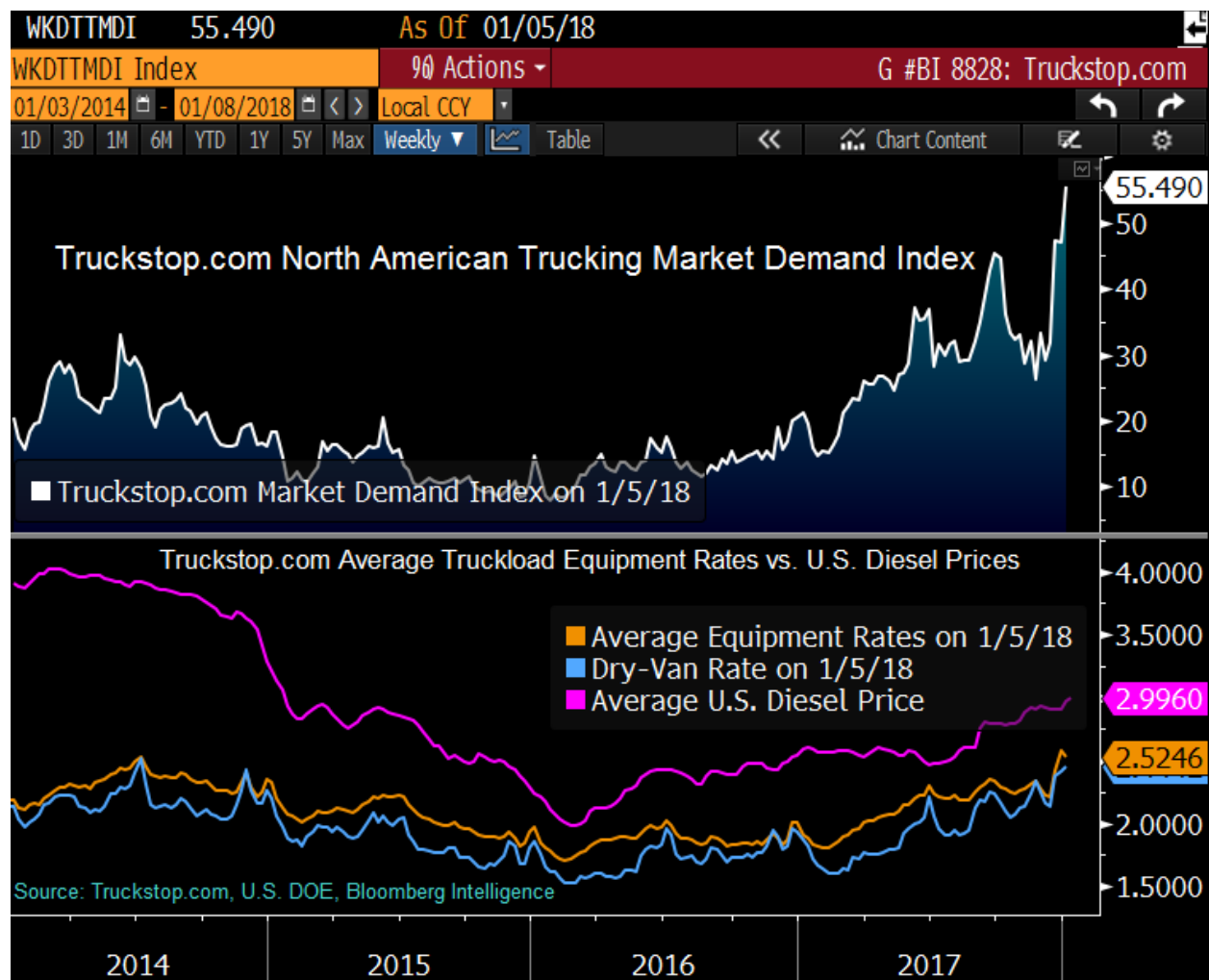
Truckstop.com Market Demand Index, Average Rates

(Bloomberg Intelligence) --North American spot-trucking demand jumped 18% sequentially to 55.5 in the week ended Jan. 5, based on Truckstop.com's Market Demand Index. Capacity tightened as the 35% increase in available loads outpaced the 15% gain in truck availability. Tightening effects from the Dec. 18 electronic-logging device deadline were compounded by harsh weather in the East, creating record levels for relative demand and near-record levels for spot rates, excluding fuel surcharges, at \$2.18 a mile.

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 klaskow1@bloomberg.net



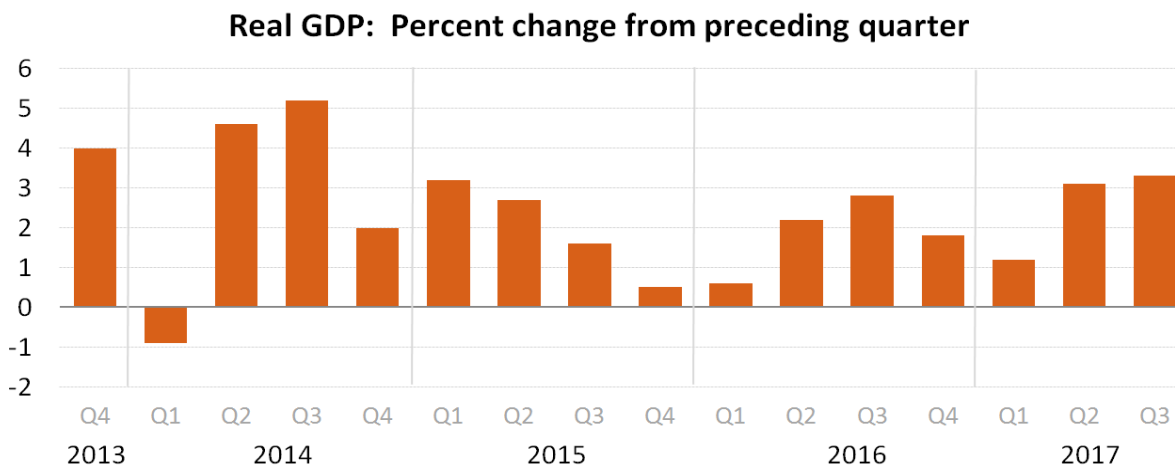
This information is not to be construed as an offer to sell or a solicitation or an offer to buy the commodities herein named. The factual information of this report has been obtained from sources believed to be reliable, but is not necessarily all-inclusive and is not guaranteed as to the accuracy, 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.

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 January 10, up from 3.14% on January 5, 2018

Atlanta Fed GDPNow...Latest forecast Q4: 2.8 percent — January 10, 2018

The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2017 is **2.8 percent** on January 10, up from 2.7 percent on January 5.

The forecasts of the contributions of net exports and inventory investment to fourth-quarter real GDP growth increased from -0.63 percentage points and -0.46 percentage points, respectively, to -0.60 percentage points and -0.42 percentage points, respectively, after this morning's report on import and export prices from the U.S. Bureau of Labor Statistics and this morning's wholesale trade release from the U.S. Census Bureau.

*The next GDPNow update is **Friday, January 12**. 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: 4.0%...January 5, 2018

The New York Fed Staff Nowcast stands at 4.0% for 2017:Q4 and 3.4% for 2018:Q1.

News from this week's data releases increased the nowcast for 2017:Q4 by 0.1 percentage point and increased the nowcast for 2018:Q1 by 0.3 percentage point.

Positive surprises from the ISM Manufacturing PMI and from trade data accounted for most of the increase.

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

St. Louis Fed Real GDP Nowcast... Q4 2017: 2.71%...January 5, 2017

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

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.

Manufacturing at a Glance
December 2017

| Index | Series Index Oct | Series Index Sep | Percentage Point Change | Direction | Rate of Change | Trend* (Months) |
|-----------------------------|------------------|------------------|-------------------------|-------------|----------------|-----------------|
| PMI® | 59.7 | 58.2 | +1.5 | Growing | Faster | 16 |
| New Orders | 69.4 | 64.0 | +5.4 | Growing | Faster | 16 |
| Production | 65.8 | 63.9 | +1.9 | Growing | Faster | 16 |
| Employment | 57.0 | 59.7 | -2.7 | Growing | Slower | 15 |
| Supplier Deliveries | 57.9 | 56.5 | +1.4 | Slowing | Faster | 20 |
| Inventories | 48.5 | 47.0 | +1.5 | Contracting | Slower | 3 |
| Customers' Inventories | 42.0 | 45.5 | -3.5 | Too Low | Faster | 6 |
| Prices | 69.0 | 65.5 | +3.5 | Increasing | Faster | 22 |
| Backlog of Orders | 56.0 | 55.0 | +1.0 | Growing | Faster | 11 |
| New Export Orders | 58.5 | 56.0 | +2.5 | Growing | Faster | 22 |
| Imports | 57.5 | 54.5 | +3.0 | Growing | Faster | 11 |
| OVERALL ECONOMY | | | | Growing | Faster | 103 |
| Manufacturing Sector | | | | Growing | Faster | 16 |

Average for 12 months - 57.6
High - 60.8
Low - 54.8

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

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.

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>

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 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
futuristic@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

DISCLAIMER

This material has been prepared by a sales or trading employee or agent of R.J. O'Brien and is, or is in the nature of, a solicitation. This material is not a research report prepared by R.J. O'Brien's Research Department. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions.

DISTRIBUTION IN SOME JURISDICTIONS MAY BE PROHIBITED OR RESTRICTED BY LAW. PERSONS IN POSSESSION OF THIS COMMUNICATION INDIRECTLY SHOULD INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH PROHIBITION OR RESTRICTIONS. TO THE EXTENT THAT YOU HAVE RECEIVED THIS COMMUNICATION INDIRECTLY AND SOLICITATIONS ARE PROHIBITED IN YOUR JURISDICTION WITHOUT REGISTRATION, THE MARKET COMMENTARY IN THIS COMMUNICATION SHOULD NOT BE CONSIDERED A SOLICITATION.

The risk of loss in trading futures and/or options is substantial and each investor and/or trader must consider whether this is a suitable investment. Past performance, whether actual or indicated by simulated historical tests of strategies, is not indicative of future results. Trading advice is based on information taken from trades and statistical services and other sources that R.J. O'Brien believes are reliable. We do not guarantee that such information is accurate or complete and it should not be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades.

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.