RJO FIG

Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

WECO <go>
(All times are CST)

Screen saved as C:\Users\rchierici\Desktop\GIF\WECO.gif

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

United States 6) Browse 05:54:24 11/19/18 - 12/09/18

Economic Releases | All Economic Releases | View Agenda Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19 09:00				NAHB Housing Market Index	Nov	67	--	68	--
22)	11/20 07:30				Housing Starts	Oct	1225k	--	1201k	--
23)	11/20 07:30				Housing Starts MoM	Oct	1.6%	--	-5.3%	--
24)	11/20 07:30				Building Permits	Oct	1260k	--	1241k	1270k
25)	11/20 07:30				Building Permits MoM	Oct	-0.8%	--	-0.6%	1.7%
26)	11/21 06:00				MBA Mortgage Applications	Nov 16	--	--	-3.2%	--
27)	11/21 07:30				Durable Goods Orders	Oct P	-2.5%	--	0.7%	--
28)	11/21 07:30				Durables Ex Transportation	Oct P	0.4%	--	0.0%	--
29)	11/21 07:30				Cap Goods Orders Nondef Ex Air	Oct P	0.2%	--	-0.1%	--
30)	11/21 07:30				Cap Goods Ship Nondef Ex Air	Oct P	--	--	-0.1%	--
31)	11/21 07:30				Initial Jobless Claims	Nov 17	215k	--	216k	--
32)	11/21 07:30				Continuing Claims	Nov 10	1652k	--	1676k	--
33)	11/21 08:45				Bloomberg Consumer Comfort	Nov 18	--	--	60.5	--
34)	11/21 08:45				Bloomberg Economic Expectati	Nov	--	--	58.5	--
35)	11/21 09:00				Leading Index	Oct	0.1%	--	0.5%	--
36)	11/21 09:00				Existing Home Sales	Oct	5.20m	--	5.15m	--
37)	11/21 09:00				Existing Home Sales MoM	Oct	1.0%	--	-3.4%	--
38)	11/21 09:00				U. of Mich. Sentiment	Nov F	98.3	--	98.3	--
39)	11/21 09:00				U. of Mich. Current Conditions	Nov F	--	--	113.2	--

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 H367-4054-2 19-Nov-2018 05:54:24

Fed Speak Calendar
(All times are CST)

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

United States | 6) Browse | 05:56:08 | 11/19/18 - 12/31/18

Central Banks | All Central Banks | View Agenda Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19 09:45				Fed's Williams Speaks in Moderated Q&A in the Bronx					
22)	11/27 13:30				Fed's Bostic, Evan and George Speak on Panel					
23)	11/28 11:00				Fed's Powell Speaks to Economic Club of New York					
24)	11/29 13:00				FOMC Meeting Minutes	Nov 8	--	--	--	--
25)	11/29 13:00				Fed's Evans Speaks on Panel on Inclusion at Boston Fed					
26)	11/30 08:00				Fed's Williams Speaks on Global Economy at G30 in New York					
27)	12/05 09:15				Fed's Powell to Testify Before Joint Economic Committee					
28)	12/05 13:00				U.S. Federal Reserve Releases Beige Book					
29)	12/19 13:00				FOMC Rate Decision (Upper ...	Dec 19	2.50%	--	2.25%	--
30)	12/19 13:00				FOMC Rate Decision (Lower ...	Dec 19	2.25%	--	2.00%	--
31)	12/19 13:30				Fed's Powell Holds Press Conference Following FOMC Decision					

NI TRE <go>

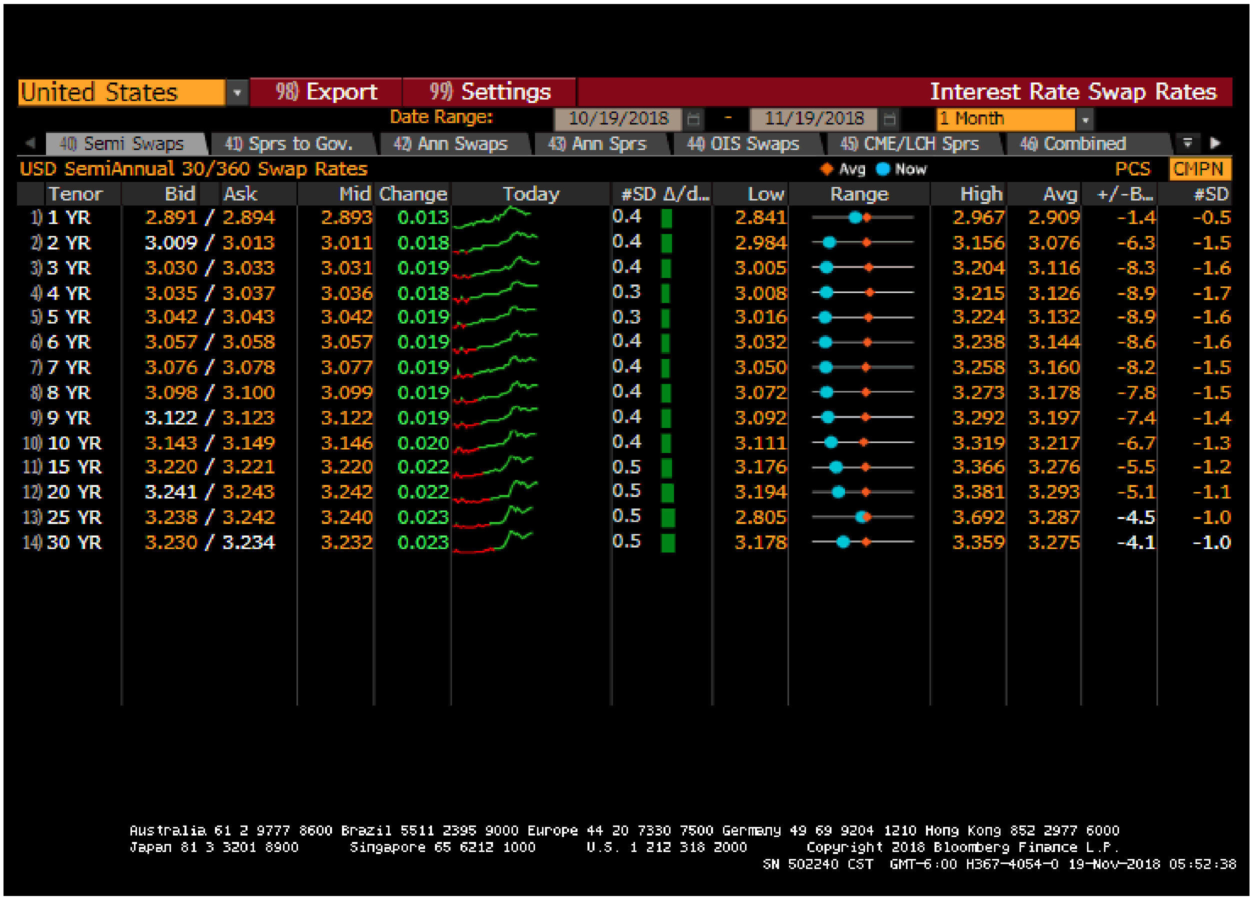
4) Previous 3) Next 66) Send 98) Actions 99) Translate — News: News Story

11/13/2018 13:07:46 [BN]

Bill Auctions	Next Offer Announcement	Next Auction	Date Settles	CUSIP Numbers	R	$ Bil	Prior Auction	Prior $ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	$50
4-week	11/19/2018	11/20/2018	11/23/2018	TBA		TBA	11/13/2018	$50
8-week	11/19/2018	11/20/2018	11/23/2018	TBA		TBA	11/13/2018	$30
3-month	11/15/2018	11/19/2018	11/23/2018	912796QY8		TBA	11/13/2018	$45
6-month	11/15/2018	11/19/2018	11/23/2018	912796QH5		TBA	11/13/2018	$39
1-year	11/29/2018	12/04/2018	12/06/2018	TBA		TBA	11/06/2018	$26
Note Auctions								
2-year	11/21/2018	11/26/2018	11/30/2018	TBA		TBA	10/23/2018	$38
3-year	12/06/2018	12/11/2018	12/17/2018	TBA		TBA	11/05/2018	$37
5-year	11/21/2018	11/27/2018	11/30/2018	TBA		TBA	10/24/2018	$39
7-year	11/21/2018	11/28/2018	11/30/2018	TBA		TBA	10/25/2018	$31
10-year	12/06/2018	12/12/2018	12/17/2018	TBA	R	TBA	11/06/2018	$27
Bond Auctions								
30-year	12/06/2018	12/13/2018	12/17/2018	TBA	R	TBA	11/07/2018	$19

TIPS Auctions								
5-yr TIPS	12/13/2018	12/20/2018	12/31/2018	TBA	R	TBA	08/23/2018	$14
10-yr TIPS	11/15/2018	11/21/2018	11/30/2018	TBA	R	TBA	09/20/2018	$11
30-yr TIPS	TBA	TBA	TBA	TBA	R	TBA	10/18/2018	$5
Floating Rate Note								
2-year FRN	11/21/2018	10/24/2018	10/31/2018	9128285H9	R	$19	09/25/2018	$17
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA		TBA	11/15/2017	$.025

Current Implied Probability of Fed Rate Movement (Futures)
WIRP FFE US <go>



Tenor	Bid	Ask	Mid	Change	#SD Δ/d...	Low	High	Avg	+/-B...	#SD
1) 1 YR	2.891	2.894	2.893	0.013	0.4	2.841	2.967	2.909	-1.4	-0.5
2) 2 YR	3.009	3.013	3.011	0.018	0.4	2.984	3.156	3.076	-6.3	-1.5
3) 3 YR	3.030	3.033	3.031	0.019	0.4	3.005	3.204	3.116	-8.3	-1.6
4) 4 YR	3.035	3.037	3.036	0.018	0.3	3.008	3.215	3.126	-8.9	-1.7
5) 5 YR	3.042	3.043	3.042	0.019	0.3	3.016	3.224	3.132	-8.9	-1.6
6) 6 YR	3.057	3.058	3.057	0.019	0.4	3.032	3.238	3.144	-8.6	-1.6
7) 7 YR	3.076	3.078	3.077	0.019	0.4	3.050	3.258	3.160	-8.2	-1.5
8) 8 YR	3.098	3.100	3.099	0.019	0.4	3.072	3.273	3.178	-7.8	-1.5
9) 9 YR	3.122	3.123	3.122	0.019	0.4	3.092	3.292	3.197	-7.4	-1.4
10) 10 YR	3.143	3.149	3.146	0.020	0.4	3.111	3.319	3.217	-6.7	-1.3
11) 15 YR	3.220	3.221	3.220	0.022	0.5	3.176	3.366	3.276	-5.5	-1.2
12) 20 YR	3.241	3.243	3.242	0.022	0.5	3.194	3.381	3.293	-5.1	-1.1
13) 25 YR	3.238	3.242	3.240	0.023	0.5	2.805	3.692	3.287	-4.5	-1.0
14) 30 YR	3.230	3.234	3.232	0.023	0.5	3.178	3.359	3.275	-4.1	-1.0

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2018

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

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run
Change in real GDP	3.1	2.5	2.0	1.8	1.8	3.0–3.2	2.4–2.7	1.8–2.1	1.6–2.0	1.8–2.0	2.9–3.2	2.1–2.8	1.7–2.4	1.5–2.1	1.7–2.1
June projection	2.8	2.4	2.0	n.a.	1.8	2.7–3.0	2.2–2.6	1.8–2.0	n.a.	1.8–2.0	2.5–3.0	2.1–2.7	1.5–2.2	n.a.	1.7–2.1
Unemployment rate	3.7	3.5	3.5	3.7	4.5	3.7	3.4–3.6	3.4–3.8	3.5–4.0	4.3–4.6	3.7–3.8	3.4–3.8	3.3–4.0	3.4–4.2	4.0–4.6
June projection	3.6	3.5	3.5	n.a.	4.5	3.6–3.7	3.4–3.5	3.4–3.7	n.a.	4.3–4.6	3.5–3.8	3.3–3.8	3.3–4.0	n.a.	4.1–4.7
PCE inflation	2.1	2.0	2.1	2.1	2.0	2.0–2.1	2.0–2.1	2.1–2.2	2.0–2.2	2.0	1.9–2.2	2.0–2.3	2.0–2.2	2.0–2.3	2.0
June projection	2.1	2.1	2.1	n.a.	2.0	2.0–2.1	2.0–2.2	2.1–2.2	n.a.	2.0	2.0–2.2	1.9–2.3	2.0–2.3	n.a.	2.0
Core PCE inflation[4]	2.0	2.1	2.1	2.1		1.9–2.0	2.0–2.1	2.1–2.2	2.0–2.2		1.9–2.0	2.0–2.3	2.0–2.2	2.0–2.3	
June projection	2.0	2.1	2.1	n.a.		1.9–2.0	2.0–2.2	2.1–2.2	n.a.		1.9–2.1	2.0–2.3	2.0–2.3	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	2.4	3.1	3.4	3.4	3.0	2.1–2.4	2.9–3.4	3.1–3.6	2.9–3.6	2.8–3.0	2.1–2.4	2.1–3.6	2.1–3.9	2.1–4.1	2.5–3.5
June projection	2.4	3.1	3.4	n.a.	2.9	2.1–2.4	2.9–3.4	3.1–3.6	n.a.	2.8–3.0	1.9–2.6	1.9–3.6	1.9–4.1	n.a.	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 June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 12–13, 2018. 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 12–13, 2018, meeting, and one participant did not submit such projections in conjunction with the September 25–26, 2018, 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/fomcprojtabl20180926.pdf

Libor Set

1-Month Libor Set	**2.30025**	**-.00063**	**(97.69975)**
3-Month Libor Set	**2.64581**	**+.00131**	**(97.35419)**
6-Month Libor Set	**2.86575**	**+.00312**	**(97.13425)**
1-Year Libor Set	**3.10738**	**-.01625**	**(96.89362)**

THEY SAID IT

“You would think that companies want to add to productivity capacity but we really haven’t seen it,’’ said Priya Misra, head of global rates strategy at TD Securities USA. “If they view the economy as in the late stages of the expansion, then there isn’t a lot of confidence about the outlook and it is easier to buy back stock.’’
https://www.bloomberg.com/news/articles/2018-11-19/corporate-america-s-debt-boom-looks-like-a-bust-for-the-economy?srnd=premium
Despite strong incentives in the Republican tax plan for American executives to expand, invest and ultimately boost the U.S. economy’s growth potential, a lot of the debt companies are issuing appears to be motivated by something else.
Non-financial corporate debt stands at 45.6 percent of gross domestic product, near the highest in post-war record keeping. Despite that, non-residential investment -- a broad category in the national accounts that includes everything from office buildings to software -- has only been bouncing around the 13 percent of GDP range since 2012.
“When we think about business cycles and what ends them, you can always follow the leverage,’’ said Ellen Zentner, chief U.S. economist at Morgan Stanley & Co. “It is not a household issue this time, it is going to be corporate.’’
One corner of the corporate debt markets that’s ringing alarms is leveraged lending, or credits to highly indebted companies.
Globally, new issuance hit a record $788 billion last year, the International Monetary Fund said in a recent blog post, with the US market accounting for more than 70 percent of the total. Credit quality and investor protections have deteriorated, and some of the transactions are arranged specifically to extract cash for shareholders while loading a company’s balance sheet with debt. That can reduce management’s flexibility in an economic downturn, and forecasters expect U.S. growth to slow over the next two years.

"Growth is likely to slow significantly next year, from a recent pace of 3.5 percent-plus to roughly our 1.75 percent estimate of potential by end-2019," wrote Jan Hatzius, chief economist for the investment bank, in a note to clients on Sunday. "We expect tighter financial conditions and a fading fiscal stimulus to be the key drivers of the deceleration."
https://www.cnbc.com/2018/11/19/goldman-sachs-believes-the-us-economy-will-slow-to-a-crawl-next-year.html
"With a large overshoot of its labor market target under way, the FOMC will likely be reluctant to stop until it is confident that the unemployment rate is no longer on a downward trajectory, a point we expect to reach only in early 2020," the note said.
The bank sees the economy expanding at 2.5 percent in the fourth quarter of this year, down from 3.5 percent last quarter. Real GDP growth will come in at 2.5 percent again in the first quarter of 2019, but then will slow to 2.2 percent, 1.8 percent and 1.6 percent in the next three quarters respectively.
Goldman sees the Fed raising rates this December and then four more times in 2019. They will do so because inflation will reach 2.25 percent by the end of next year because of tariffs and increasing wages, the bank predicted, noting there was also a chance of an "inflation overshoot."

American residential investments virtually stagnated at an annual rate of 0.6 percent in the first three quarters of this year, after a sharp slowdown to a 3.4 percent growth in 2017.

That's a serious jolt to private consumption, because a slowdown of housing demand always triggers a decline in sales of consumer durable goods, popularly known as the "big-ticket items," such as furniture, home furnishings, kitchen appliances and cars. Consumer durables account for nearly 40 percent of all goods purchases in the U.S. economy, and their annual growth rate in the first three quarters of this year was a meager 1.4 percent.

https://www.cnbc.com/2018/11/19/white-house-should-challenge-the-feds-rate-hike-rationale-commentary.html

And the worst is yet to come as the cost of mortgage financing continues to edge up. The 30-year fixed-rate mortgages now stand at about 5 percent, more than 100 basis points above the year ago.

That has to be watched carefully. Residential investments and private consumption are the key interest-sensitive components of aggregate demand: They represent nearly three-quarters of American GDP.

Those two variables are driven by employment, real personal disposable income and the cost of credit.

Here's what that does: The U.S. now has a fully-employed economy, and the after-tax inflation-adjusted income is growing at a 3 percent annual rate, a slight improvement compared with 2.6 percent for last year as a whole. That means that the slumping housing demand must be mainly, or solely, attributed to rising mortgage costs.

What happens when three-quarters of the U.S. economy hits a rough patch, compounded by the relentless import penetration of U.S. markets by Asian and European producers? Will American companies have an incentive to build larger production capacities in their shrinking domestic markets?

Clearly, the answer is no. And there goes another 14 percent of America's GDP — the share of business investments in the country's demand and output.

Add it all up, and the rising credit costs, plus soaring imports, are directly hitting 90 percent of the U.S. economy.

“The language we heard from Pence is quite concerning because it shows we’re moving toward a zero-sum game geopolitics in the Asia-Pacific,” said Jonathan Pryke, a researcher specializing in the Pacific at the Lowy Institute, a Sydney-based research group. “The great hope of convergence between China and the U.S. is becoming less and less of a likely reality.”

https://www.bloomberg.com/news/articles/2018-11-18/pence-s-sharp-china-attacks-fuel-fears-of-cold-war-dividing-asia

Vice President Mike Pence sharpened U.S. attacks on China during a week of summits that ended Sunday, most notably with a call for nations to avoid loans that would leave them indebted to Beijing. He said the U.S. wasn’t in a rush to end the trade war and would “not change course until China changes its ways” -- a worrying prospect for a region heavily reliant on exports.

The growing reliance on short-dated issuance increases “systemic risk in the form of larger maturity walls that will need to be refinanced,” according to Paul Lukaszewski, head of Asian corporate debt & emerging market credit research at Aberdeen Standard Investments.

"If the trend toward shorter dated issuance continues, we would not be surprised to see Chinese regulators intervene again much like we saw earlier this year with regards to 364-day issuance," he said.
https://www.bloomberg.com/news/articles/2018-11-19/short-dated-bond-spree-by-china-builders-flashes-systemic-risk
Three issuers came to the market on Monday alone. Times China Holdings Ltd. is in the process of book building for a two-year bond with initial price guidance at 11 percent, while Greenland Holding Group Company Ltd. is taking bids for 1.5-year notes at low 9 percent area, people familiar with the matter said. A unit of China Evergrande Group is marketing a tap of existing notes due in 2020.
Chinese developers have been caught in a tightening funding squeeze due to a deleveraging push by policy makers over the past two years. To make things worse, the sector is facing a record $62 billion of bonds due in both onshore and offshore markets in 2019, according to Bloomberg-compiled data. In this backdrop developers have had to offer higher premiums to investors even to sell shorter maturity dollar bonds.

"We expect a clear response from the commission this week," Austrian Finance Minister Hartwig Loeger, whose country has been one of the most hawkish toward Rome, told reporters on his way into a Brussels meeting with his euro-area counterparts. "My concern remains because Italy hasn't made any changes."
https://www.bloomberg.com/news/articles/2018-11-19/euro-nations-ramp-up-pressure-for-action-on-italy-s-budget?srnd=premium
The European Commission is expected to say Wednesday that Italy's budget is in breach of EU fiscal rules when it issues its opinions on draft budgets in the currency area. Italy has so far refused to yield to demands from Brussels on its 2019 targets for a 2.4 percent budget deficit and 1.5 percent growth, because of excessive spending and overly optimistic growth estimates.
Austrian and Dutch finance ministers increased pressure on the European Union to call Italy's populist government to account for its spending plans, two days ahead of the executive arm issuing its verdict.

"There is an article that we only found out about on Wednesday," Borrell told reporters in Brussels Monday. "We want to make sure the interpretation of this text is clear and shows that what's being negotiated between the EU and the U.K. does not apply to Gibraltar."
https://www.bloomberg.com/news/articles/2018-11-19/spain-seeks-more-assurance-on-gibraltar-to-back-brexit-deal?srnd=premium
Spain insisted that Gibraltar isn't part of the U.K., and therefore any future agreement can't apply to its territory, according to the person familiar with the ministers' meeting in Brussels. It also said said that an application to Gibraltar of a possible extension to the transition period can't be automatic and should have its prior agreement.
"The future negotiations over Gibraltar are separate," Borrell told reporters. "Until that's clear in the exit text and the political declaration over the future relationship, we won't be able to agree to it."

EQUITIES
The S&P is **-8** and the NASDAQ is **-24.**
Particulars for companies to make money **(low interest rates, growth in the economy)** remain in place.
I remain dollar cost averaging into a mix of equities/bonds/cash.
Currently 65% Equities, 25% 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 +0.65%.
In the UK, the 2s/10s swap curve is slightly flatter at .424 bps with yields lower.
BOE Rate +0.75%. (No change).
Next meeting 12/20/18

On the European Continent
The CAC Index closed +**0.06%.**
The DAX Index closed -0.18%.
In the EU the 2s/10s swap curve is slightly steeper at 106.7 bps with yields higher.
ECB Main Refinancing Operations Rate +0.00% (No change).
Deposit Facility Rate -.40%
Next meeting 12/13/18

Japan:
The TOPIX closed +0.51%.
The NIKKEI closed +0.65%.
In Japan, the 2s/10s swap curve is slightly flatter at .243 with yields lower.
BOJ Policy Balance Rate -0.10% (No change).
Next meeting 12/20/18

China:
The Hang Seng closed +0.72%.
The Shanghai Composite closed +0.91%.
PBOC
Deposit Rate: 1.50%
Lending Rate: 4.35%
7-Day Repo Rate: 2.7603%
Reserve Requirement Ratio: 17.00%

THE TREND

EDZ8: 97-25.00 is the pivot. Below the pivot, you should be short, above long.
Support is at 97-22.00**.
Resistance is at 97-25.00^ and 97-27.75**.
^Pivot Point is a simple 20-day moving average.
** 2-STD Deviations from the pivot point.

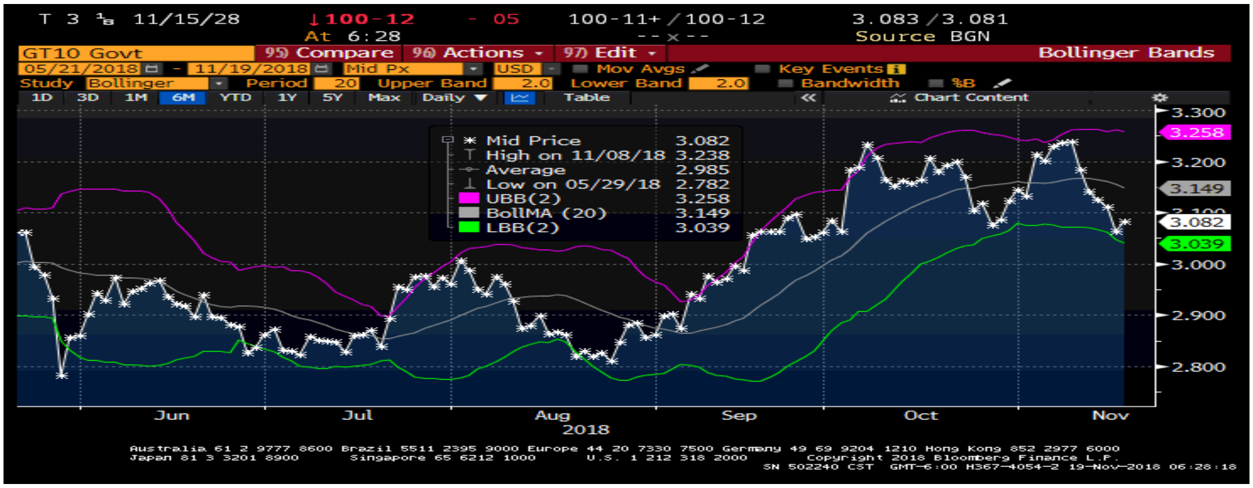
3-Month Libor Set 2.64581 +.00131 (97.35419)

Current trend has you long from 97-27.0 (11/13/18).

YTD (per contract)
2018 +36.5 ticks (+$912.50)
2017 +33.0 ticks (+$825.00)

10yr/UXYZ8: **125-06.00** is the pivot point.
Above you should be long, below short.
Support is at **125-06.00^** and **124-06.00****
Resistance is at **126-01.00****
^Pivot Point is a simple 20-day moving average.
** 2-STD Deviations from the pivot point

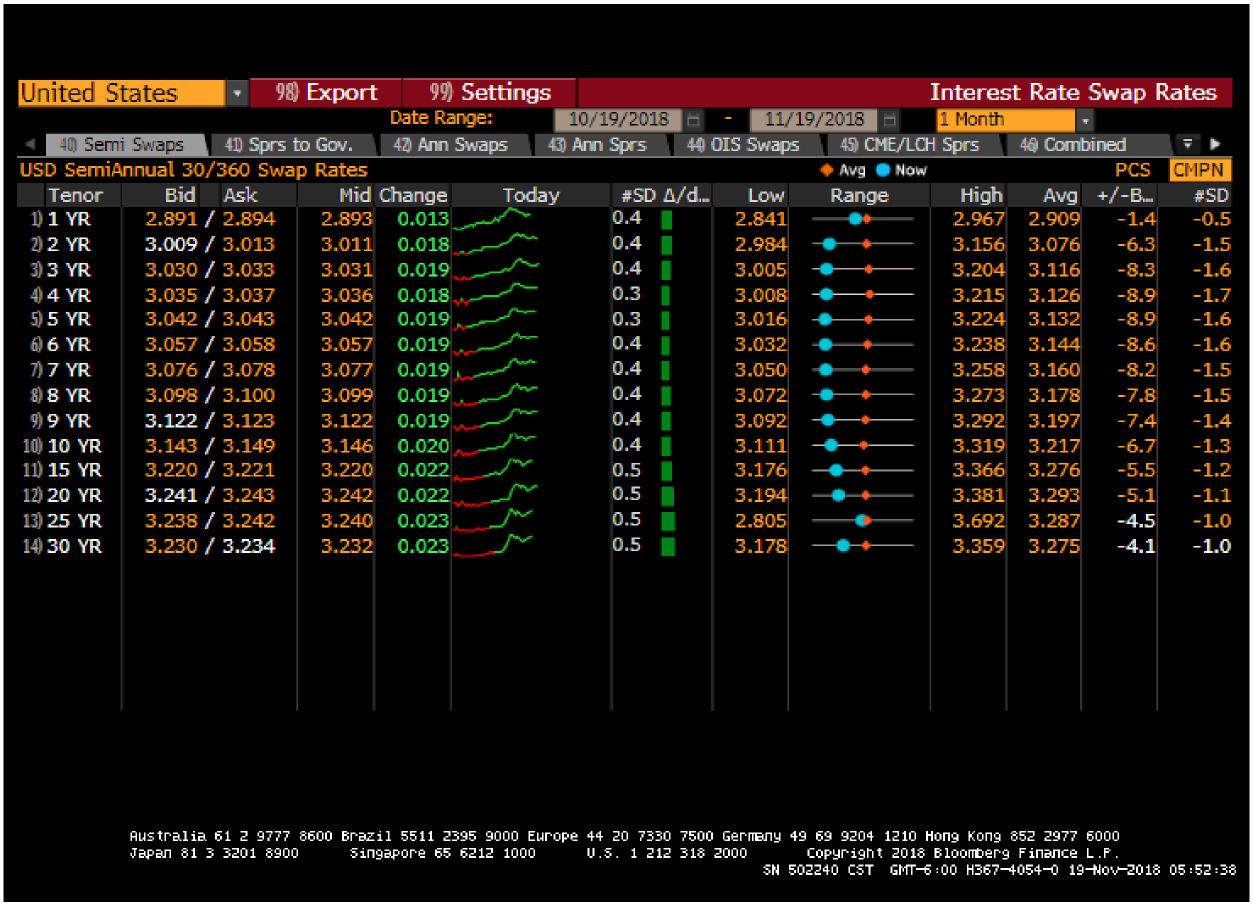
Current trend has you long from 125-02 (11/12/18).



YTD (per contract)
(2018) +185.0 futures ticks ($31.25 per tick) or +$5781.13

US-SWAPS

IRSB <GO>



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

Date Range: 10/19/2018 - 11/19/2018 | 1 Month

40) Semi Swaps | 41) Sprs to Gov. | 42) Ann Swaps | 43) Ann Sprs | 44) OIS Swaps | 45) CME/LCH Sprs | 46) Combined

USD SemiAnnual 30/360 Swap Rates | Avg | Now | PCS | CMPN

	Tenor	Bid / Ask	Mid	Change	Today	#SD	Δ/d...	Low	Range	High	Avg	+/-B...	#SD
1)	1 YR	2.891 / 2.894	2.893	0.013		0.4		2.841		2.967	2.909	-1.4	-0.5
2)	2 YR	3.009 / 3.013	3.011	0.018		0.4		2.984		3.156	3.076	-6.3	-1.5
3)	3 YR	3.030 / 3.033	3.031	0.019		0.4		3.005		3.204	3.116	-8.3	-1.6
4)	4 YR	3.035 / 3.037	3.036	0.018		0.3		3.008		3.215	3.126	-8.9	-1.7
5)	5 YR	3.042 / 3.043	3.042	0.019		0.3		3.016		3.224	3.132	-8.9	-1.6
6)	6 YR	3.057 / 3.058	3.057	0.019		0.4		3.032		3.238	3.144	-8.6	-1.6
7)	7 YR	3.076 / 3.078	3.077	0.019		0.4		3.050		3.258	3.160	-8.2	-1.5
8)	8 YR	3.098 / 3.100	3.099	0.019		0.4		3.072		3.273	3.178	-7.8	-1.5
9)	9 YR	3.122 / 3.123	3.122	0.019		0.4		3.092		3.292	3.197	-7.4	-1.4
10)	10 YR	3.143 / 3.149	3.146	0.020		0.4		3.111		3.319	3.217	-6.7	-1.3
11)	15 YR	3.220 / 3.221	3.220	0.022		0.5		3.176		3.366	3.276	-5.5	-1.2
12)	20 YR	3.241 / 3.243	3.242	0.022		0.5		3.194		3.381	3.293	-5.1	-1.1
13)	25 YR	3.238 / 3.242	3.240	0.023		0.5		2.805		3.692	3.287	-4.5	-1.0
14)	30 YR	3.230 / 3.234	3.232	0.023		0.5		3.178		3.359	3.275	-4.1	-1.0

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 H367-4054-0 19-Nov-2018 05:52:38

The Option Lab

Trade Log:

2. Bought the TY Week-2 120.00 put (at the money).
Paid 8/64ths ($125) per contract (3/9/2018).
The 120-00.00 strike price on the option equates to a TY yield of ~2.895%.
On March 9, the put was sold at 7/64ths for a $15.63 loss.

1. Bought 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.
On February 2, the put fly was sold at 1.25 ticks for a $31.25 win.

Option Book 2018 YTD realized: +$15.62 per contract.
Option Book 2017 YTD realized: -$228.13 per contract.
Option Book 2016 YTD realized: +$43.75 per contract.

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 2nd quarter 2018
The results of this quarter's survey reflect agricultural finance conditions in the Eighth Federal Reserve District during the second quarter of 2018. **For the eighteenth consecutive quarter bankers who responded to the survey on net reported a decline in farm income when compared with the same period a year ago.** Similar to the previous survey, the results of this survey reflect some expectations of improving levels for farm income for the next quarter. While a majority of bankers still expect income to decline next quarter when compared with the third quarter of last year, slightly fewer bankers report that assessment. Bankers reported a similar assessment and outlook for capital spending. Responses about household spending also indicate a decline in that category when compared with responses a year ago. Bankers have reported lower comparative income levels since the fourth quarter of 2013, reaching a low point in the second quarter of 2016. This period correlates with an extended period of depressed prices for commodities. Survey responses indicate that the value of quality farmland fell during the second quarter of 2018 compared with a year ago but that cash rents for that property slightly improved. In contrast, the value for ranchland or pastureland rose during the second quarter while cash rents for that property fell. Responses to bank-related activities indicated that loan demand and

available funds increased during the second quarter of 2018 as compared with a year ago. The rate of loan repayment slowed during the second quarter of 2018 on a comparative basis as reported by a majority of bankers. Both fixed and variable interest rates on all categories of loans rose during the quarter, relative to the previous quarter. This quarter's survey asked two special questions. Results of the first question indicate that a significant majority of respondents feel that the University of Missouri's projections that farm income will fall in 2018 by about 6.5 percent is about right. The second question asked about the impact lenders expected the new tax law will have on borrowers: Over 71 percent felt it would be either somewhat positive or significantly positive, while only 29 percent felt there would be either no effect or a somewhat negative effect.
https://research.stlouisfed.org/publications/regional/ag-finance/2018/05/10/2018-first-quarter/

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

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.	16 Nov 2018	1,082	+1	9 Nov 2018	+167	17 Nov 2017
Canada	16 Nov 2018	197	+1	9 Nov 2018	-11	17 Nov 2017
International	Oct 2018	1,017	+13	Sept 2018	+66	Oct 2017

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

EV Outlook 2018
Executive summary:
Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. Electric cars accounted for 39% of new car sales in Norway in 2017 – the world's most advanced market of electric cars in terms of sales share. 2 Iceland and Sweden, the next two most successful markets, achieved 11.7% and 6.3% electric car sales share, respectively, in 2017. 3 More than half of global sales of electric cars were in the People's Republic of China (hereafter, "China"),

where electric cars had a market share of 2.2% in 2017. Electric cars sold in the Chinese market more than doubled the amount delivered in the United States, the second-largest electric car market globally. Electrification of other transport modes is also developing quickly, especially for two-wheelers and buses. In 2017, sales of electric buses were about 100 000 and sales of two-wheelers are estimated at 30 million; for both modes, the vast majority was in China. **https://www.iea.org/gevo2018/**

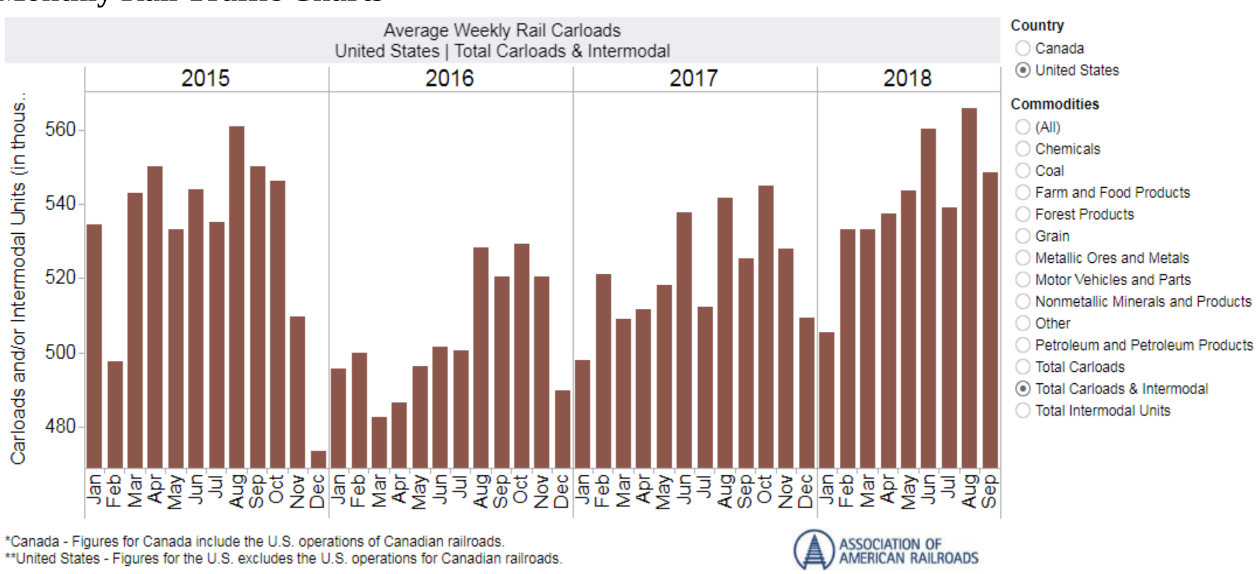
What is U.S. electricity generation by energy source?
In 2017, about 4,015 billion kilowatthours (kWh) (or 4.01 trillion kWh) of electricity were generated at utility-scale facilities in the United States.[1] About 63% of this electricity generation was from fossil fuels (coal, natural gas, petroleum, and other gases). About 20% was from nuclear energy, and about 17% was from renewable energy sources. The U.S. Energy Information Administration estimates that an additional 24 billion kWh of electricity generation was from small-scale solar photovoltaic systems in 2017.[2]

U.S. electricity generation by source, amount, and share of total in 2017[1]		
Energy source	**Billion kWh**	**Share of total**
Total - all sources	4,015	
Fossil fuels (total)	2,495	62.7%
Natural gas	1,273	31.7%
Coal	1,208	30.1%
Petroleum (total)	21	0.5%
Petroleum liquids	13	0.3%
Petroleum coke	9	0.2%
Other gases	14	0.4%
Nuclear	805	20.0%
Renewables (total)	687	17.1%
Hydropower	300	7.5%
Wind	254	6.3%
Biomass (total)	64	1.6%
Wood	43	1.1%
Landfill gas	11	0.3%
Municipal solid waste (biogenic)	7	0.2%
Other biomass waste	3	0.1%
Solar (total)	53	1.3%
Photovoltaic	50	1.2%
Solar thermal	3	0.1%
Geothermal	16	0.4%
Pumped storage hydropower[3]	-6	-0.2%
Other sources	13	0.3%

Renewable Fuels Association http://www.ethanolrfa.org/
TRANSPORTS

Association of American Railroads Rail Traffic Report.
For the first 45 weeks of 2018, U.S. railroads reported cumulative volume of 11,848,471 carloads, up 1.8 percent from the same point last year; and 12,561,279 intermodal units, up 5.7 percent from last year. Total combined U.S. traffic for the first 45 weeks of 2018 was 24,409,750 carloads and intermodal units, an increase of 3.8 percent compared to last year.
For this week, total U.S. weekly rail traffic was 547,236 carloads and intermodal units, up 1.4 percent compared with the same week last year.
Total carloads for the week ending November 10 were 261,875 carloads, up 0.1 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 285,361 containers and trailers, up 2.6 percent compared to 2017.
Five of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 3,044 carloads, to 13,352; miscellaneous carloads, up 2,081 carloads, to 11,795; and chemicals, up 800 carloads, to 31,431. Commodity groups that posted decreases compared with the same week in 2017 included nonmetallic minerals, down 3,858 carloads, to 32,970; grain, down 1,471 carloads, to 21,389; and coal, down 628 carloads, to 84,532.
North American rail volume for the week ending November 10, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 369,262 carloads, up 0.9 percent compared with the same week last year, and 376,942 intermodal units, up 2.6 percent compared with last year. Total combined weekly rail traffic in North America was 746,204 carloads and intermodal units, up 1.8 percent. North American rail volume for the first 45 weeks of 2018 was 32,954,114 carloads and intermodal units, up 3.5 percent compared with 2017.
Canadian railroads reported 87,750 carloads for the week, up 8.0 percent, and 72,172 intermodal units, up 3.4 percent compared with the same week in 2017. For the first 45 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 6,797,832 carloads, containers and trailers, up 3.8 percent.
Mexican railroads reported 19,637 carloads for the week, down 14.8 percent compared with the same week last year, and 19,409 intermodal units, up 0.2 percent. Cumulative volume on Mexican railroads for the first 45 weeks of 2018 was 1,746,532 carloads and intermodal containers and trailers.
https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-november-10-2018/

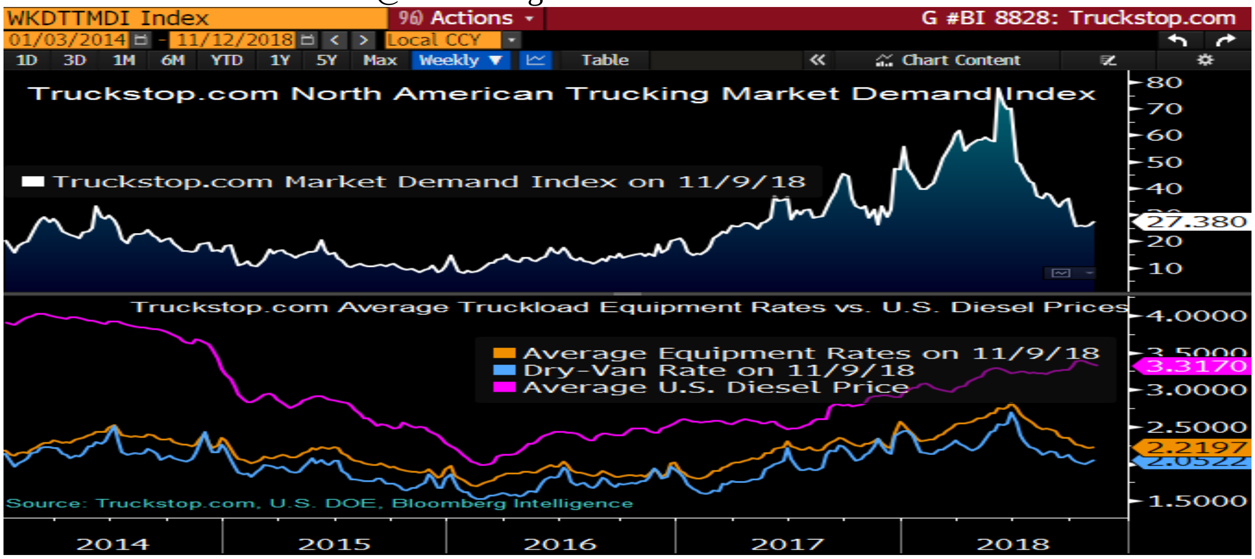
Monthly Rail Traffic Charts



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.

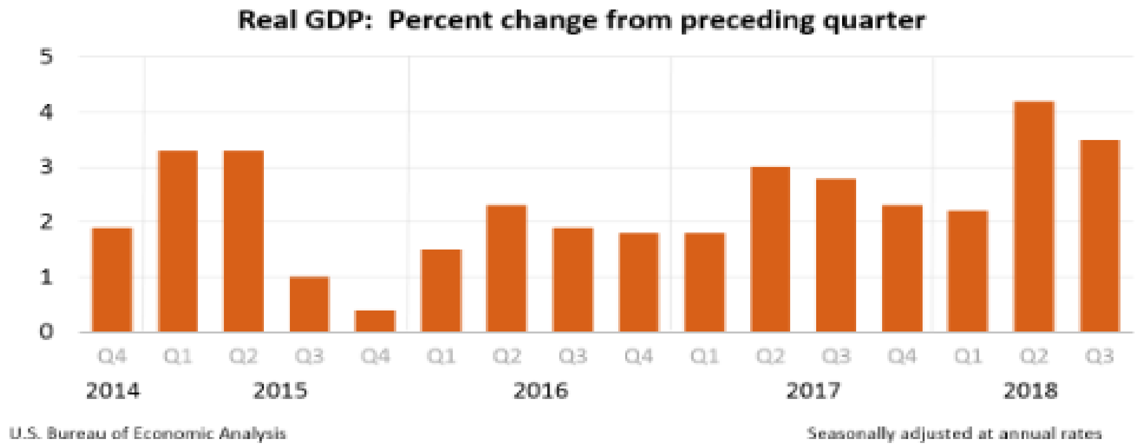
https://www.aar.org/data-center/rail-traffic-data/

Trailer Truck Demand
(Bloomberg Intelligence) – 11/12/18
Relative North American spot-trucking demand rose 5.3% sequentially to 27.4 in the week ended Nov. 9, based on Truckstop.com's Market Demand Index. Improvements in relative demand helped spot rates, excluding fuel surcharges, increase sequentially (0.3%) for the third time in the past 19 weeks, as rates normalize from record levels reached this summer in a historically tight truck market. Spot rates remain 4.5% lower in 4Q from a year prior against tough comparisons but are up 16% this year. Weakness has also been driven by more shippers moving to the contractual market, where rates could increase 8-12% this year, by some carriers' estimates. Companies Impacted: USA Truck, Knight-Swift, J.B. Hunt, Werner and other publicly traded carriers operate mostly in the contract market, with varying spot exposure.
Lee A Klaskow at lklaskow1@bloomberg.net



GDP

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



GDP-2Q is running at *2.56% as of 11/15/18
***simple average of the three regionals.**

Atlanta Fed GDPNow…Q4 2018: 2.8% ...November 15, 2018
The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is 2.8 percent on November 15, down from 2.9 percent on November 9. The nowcast of fourth-quarter real personal consumption expenditures growth declined from 2.9 percent to 2.7 percent after this morning's retail sales report from the U.S. Census Bureau.
https://www.frbatlanta.org/cqer/research/gdpnow.aspx
The next GDPNow update is Tuesday, November 20. Please see the "Release Dates" tab below for a full list of upcoming releases.

New York Fed Nowcast...Q4 2018: 2.6%...November 16, 2018
News from this week's data releases decreased the nowcast for 2018:Q4 by 0.1 percentage point. Negative surprises from industrial production and capacity utilization data were only partially offset by a positive surprise from retail sales data.
https://www.newyorkfed.org/research/policy/nowcast

St. Louis Fed Real GDP Nowcast… Q4 2018:2.29%…November 9, 2018
https://fred.stlouisfed.org/series/GDPNOW

MANUFACTURING AT A GLANCE
OCTOBER 2018

Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	57.7	59.8	-2.1	Growing	Slower	26
New Orders	57.4	61.8	-4.4	Growing	Slower	34
Production	59.9	63.9	-4.0	Growing	Slower	26
Employment	56.8	58.8	-2.0	Growing	Slower	25
Supplier Deliveries	63.8	61.1	+2.7	Slowing	Faster	25
Inventories	50.7	53.3	-2.6	Growing	Slower	10
Customers' Inventories	43.3	40.5	+2.8	Too Low	Slower	25
Prices	71.6	66.9	+4.7	Increasing	Faster	32
Backlog of Orders	55.8	55.7	+0.1	Growing	Faster	21
New Export Orders	52.2	56.0	-3.8	Growing	Slower	32
Imports	54.3	54.5	-0.2	Growing	Slower	21
OVERALL ECONOMY				Growing	Slower	114
Manufacturing Sector				Growing	Slower	26

Average for 12 months - 59.2

High - 61.3

Low - 57.3

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

US Census Bureau (Manufacturers' Shipments, Inventories and Orders).
http://www.census.gov/manufacturing/m3/

Our Nation in numbers

The Constitution gives us four missions…
1. Establish Justice and Ensure Domestic Tranquility.
2. Provide for the Common Defense.
3. Promote the General welfare.
4. Secure the Blessings of Liberty to Ourselves and Our Posterity.
www.usafacts.org

US Foreign Assistance
http://foreignassistance.gov/

How much aid do we give around the world?
https://explorer.usaid.gov

CBOT Non-Commercial Net Total – Futures Only
http://www.cmegroup.com/trading/interest-rates/cftc-tff/main.html

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

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