



Fixed Income Group A Division of RJ O'Brien

## The Missile

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9 <GO> to Save as Default

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

United States Browse 15:00:25 11/23/18 - 12/11/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/23	08:45				Market US Manufacturing PMI	Nov P	55.7	--	55.7	--
22)	11/23	08:45				Market US Services PMI	Nov P	55.0	--	54.8	--
23)	11/23	08:45				Market US Composite PMI	Nov P	--	--	54.9	--
24)	11/26	07:30				Chicago Fed Nat Activity Index	Oct	--	--	0.17	--
25)	11/26	09:30				Dallas Fed Manf. Activity	Nov	25.0	--	29.4	--
26)	11/27	08:00				FHFA House Price Index MoM	Sep	0.4%	--	0.3%	--
27)	11/27	08:00				House Price Purchase Index QoQ	3Q	--	--	1.1%	--
28)	11/27	08:00				S&P CoreLogic CS 20-City MoM SA	Sep	0.25%	--	0.09%	--
29)	11/27	08:00				S&P CoreLogic CS 20-City YoY NSA	Sep	5.30%	--	5.49%	--
30)	11/27	08:00				S&P CoreLogic CS 20-City NSA Inde	Sep	--	--	213.72	--
31)	11/27	08:00				S&P CoreLogic CS US HPI NSA Inde	Sep	--	--	205.81	--
32)	11/27	08:00				S&P CoreLogic CS US HPI YoY NSA	Sep	--	--	5.77%	--
33)	11/27	09:00				Conf. Board Consumer Confidence	Nov	136.0	--	137.9	--
34)	11/27	09:00				Conf. Board Present Situation	Nov	--	--	172.8	--
35)	11/27	09:00				Conf. Board Expectations	Nov	--	--	114.6	--
36)	11/28	06:00				MBA Mortgage Applications	Nov 23	--	--	-0.1%	--
37)	11/28	07:30				Advance Goods Trade Balance	Oct	-\$77.0b	--	-\$76.0b	-\$76.3b
38)	11/28	07:30				Wholesale Inventories MoM	Oct P	0.5%	--	0.4%	--
39)	11/28	07:30				Retail Inventories MoM	Oct	--	--	0.1%	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
SN 502340 CST GMT-6:00 6641-4048-1 21-Nov-2018 15:00:25

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

Economic Calendars											
1) Calendars		2) Alerts		3) Export		4) Settings					
United States				Browse		15:50:01		11/20/18		- 12/31/18	
Central Banks			All Central Banks				View <input checked="" type="radio"/> Agenda <input type="radio"/> Weekly				
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/27	06:45				Fed Vice Chairman Clarida Speaks in New York					
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)	12/06	11:15				Fed's Bostic Speaks on the U.S. Economic Outlook					
30)	12/19	13:00				FOMC Rate Decision (Upper ...	Dec 19	2.50%	--	2.25%	--
31)	12/19	13:00				FOMC Rate Decision (Lower ...	Dec 19	2.25%	--	2.00%	--
32)	12/19	13:30				Fed's Powell Holds Press Conference Following FOMC Decision					

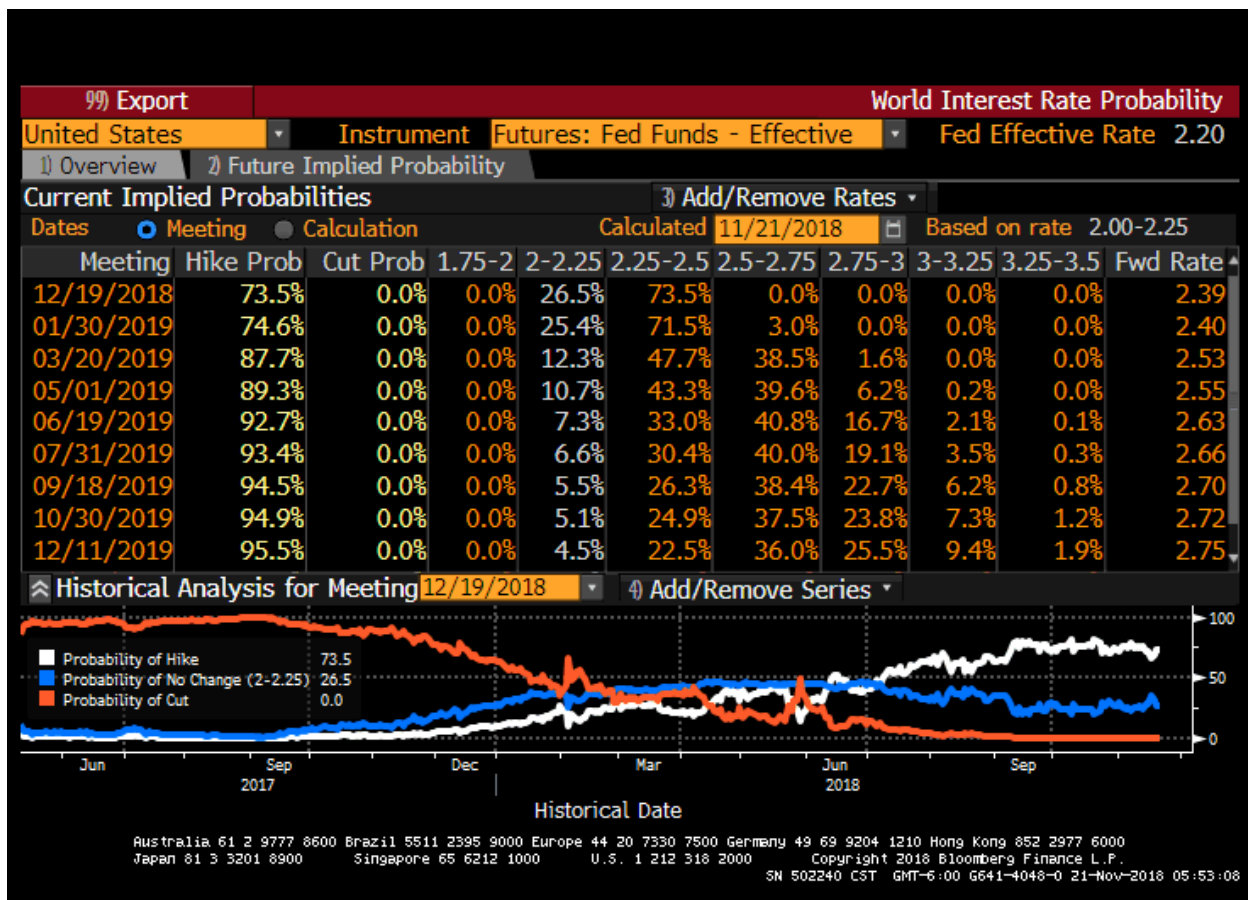
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	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
<b>Cash mgmt</b>	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	11/26/2018	11/27/2018	11/29/2018	TBA		TBA	11/20/2018	\$50
8-week	11/26/2018	11/27/2018	11/29/2018	TBA		TBA	11/20/2018	\$30
3-month	11/21/2018	11/26/2018	11/29/2018	912796PT0		TBA	11/19/2018	\$42
6-month	11/21/2018	11/26/2018	11/29/2018	912796RR2		TBA	11/19/2018	\$36
1-year	11/29/2018	12/04/2018	12/06/2018	TBA		TBA	11/06/2018	\$26
<b>Note Auctions</b>								
2-year	11/21/2018	11/26/2018	11/30/2018	9128285Q9		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	9128285P1		TBA	10/24/2018	\$39
7-year	11/21/2018	11/28/2018	11/30/2018	9128285N6		TBA	10/25/2018	\$31
10-year	12/06/2018	12/12/2018	12/17/2018	TBA	R	TBA	11/06/2018	\$27
<b>Bond Auctions</b>								
30-year	12/06/2018	12/13/2018	12/17/2018	TBA	R	TBA	11/07/2018	\$19

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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	TBA	11/15/2017	\$.025

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



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

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

Percent

Variable	Median <sup>1</sup>					Central tendency <sup>2</sup>					Range <sup>3</sup>				
	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 <sup>4</sup>	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

<b>1-Month Libor Set</b>	<b>2.31488</b>	<b>-.00025</b>	<b>(97.68512)</b>
<b>3-Month Libor Set</b>	<b>2.69119</b>	<b>+.01425</b>	<b>(97.30881)</b>
<b>6-Month Libor Set</b>	<b>2.88625</b>	<b>+.00037</b>	<b>(97.11375)</b>
<b>1-Year Libor Set</b>	<b>3.12075</b>	<b>+.01037</b>	<b>(96.87925)</b>

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## THEY SAID IT

**The euro-area economy stumbled again this month, with a key indicator falling to the lowest in four years, denting expectations for an economic pickup after a summer slowdown.**

**Adding to worries, the composite PMI from IHS Markit also showed that employment and orders growth slowed and companies' expectations dropped. The euro, which plunged earlier after a weak reading in Germany, was down 0.3 percent against the dollar.**

<https://www.bloomberg.com/news/articles/2018-11-23/euro-area-economy-cools-more-than-forecast-as-exports-disappoint?srnd=premium-europe>

Chief Economist Peter Praet said Thursday that downside risks have increased, but the overall outlook remains "broadly balanced." Changing that view would be a big step for the ECB, which will have to confirm at its meeting in less than three weeks whether it will stop bond purchases at the end of the year as planned.

Separate data on Friday confirmed Germany's economy shrank for the first time in more than three years, with exports proving a major drag. The contraction was largely due to a temporary slump in the auto industry, but the weak PMI raises questions about the expected rebound.

In the euro area, while the headline PMI reading still suggests overall quarterly economic growth of 0.3 percent, there are warnings scattered throughout the report.

Forward-looking indicators are "worryingly subdued," according to Markit, and the weakness in the headline euro-zone number may not all be due to Germany. "Especially sluggish growth" was recorded "across the rest of the single-currency area," it said.

"The economy faces a disappointing end of the year," said Chris Williamson, chief business economist at IHS Markit. "The manufacturing-led slowdown is spilling over into services."

**"Prices have taken a dive as Trump continues to put pressure on OPEC and Saudi Arabia to create a low-price environment, and that has coupled with increasing American stockpiles," said Hong Sungki, a Seoul-based commodities trader at NH Investment & Securities Co. "A potential game-changer will be what OPEC+ agrees to do in terms of supply."**

<https://www.bloomberg.com/news/articles/2018-11-23/oil-set-for-seventh-weekly-loss-on-signs-of-global-supply-glut?srnd=premium>

Crude collapsed into a bear market this month after the U.S. allowed some nations to continue buying Iranian crude. Trade tension between America and China is raising concerns over demand and President Donald Trump has renewed his [call](#) on Saudi Arabia to lower prices further. These factors pushed up oil's volatility this week to the highest since 2016.

Earlier this month, the Organization of Petroleum Exporting Countries and allied producers warned that markets will probably be oversupplied in 2019. U.S. stockpiles expanded to the highest level since December 2017 last week and oil producers there are producing at the highest rate since at least March 1983, according to government data.

While indicating that Saudi Arabia is producing at record levels, Al-Falih said the world's biggest exporter won't oversupply the market. Demand for Saudi crude may be lower in January compared with December, he told reporters on Thursday.

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**Spain accused the European Union of treachery over Gibraltar, and threatened to blow up the last stage of Brexit talks ahead of the signing-off summit this weekend.**

<https://www.bloomberg.com/news/articles/2018-11-23/brexit-bulletin-treacherous?srnd=premium>

The Brexit text was changed in a “[nocturnal and treacherous](#)” way without Spain’s knowledge, according to Luis Marco Aguiriano, Spain’s Secretary of State for the European Union. Prime Minister Pedro Sanchez, who’s struggling domestically and faces regional elections in December, threatened to “veto Brexit” if the country doesn’t get its way over Gibraltar, which is a disputed territory.

No one country has a veto over the process at any stage, but there’s still a risk of a bit of drama on Sunday. Gibraltar unites Spaniards more than it does Brits and it makes sense for Sanchez to stand firm.

However, Spain [isn’t the only country that’s a bit miffed](#) with how the process was handled, Ian Wishart reports. Member states were taken aback by how fast things moved on Thursday. The European Commission — the EU’s executive arm, for which Michel Barnier and team have been handling the negotiations — was suddenly in a rush to get things done. That left EU capitals sidelined and puzzled, according to people familiar with the situation. With member states starting to raise concerns on issues from fish to fair play, the Brussels machinery staged an intervention.

EU President Donald Tusk and Commission President Jean-Claude Juncker declared that a deal had been “agreed in principle at political level,” just as Commission negotiators circulated a text, which [quickly leaked](#) (to Bloomberg). National ambassadors thought the document was still an open draft as they met behind closed doors in Brussels.

**As banks prepare to move away from the scandal-tainted London interbank offered rate, few in the city of London will be watching more closely than William Porter. Now head of European credit strategy at Credit Suisse Group AG, Porter was working on J.P. Morgan’s short-term interest rate and strategy team in the mid-1990s as it searched for a way to hedge short-term floating-rate risks against European currencies.**

<https://www.bloomberg.com/news/articles/2018-11-23/sonia-creator-william-porter-libor-s-replacement-is-too-complex?srnd=premium>

Their solution was the sterling overnight index average, or Sonia. Earlier this year, the benchmark, which is considered impossible to manipulate because it’s based on actual transactions, was [designated](#) Libor’s heir apparent by the Bank of England. Here, Porter describes how Sonia came to life and why it still isn’t the perfect solution to measuring overnight lending rates.

**EMMA HASLETT:** Set the scene: It’s 1996, you’re working at J.P. Morgan. How does Sonia come about?

**WILLIAM PORTER:** It was a desire to replicate overnight swaps that existed in France. There were two swaps traded against the average overnight rate that the Bank of France observed, known as TAM. Effectively, French market participants were hedging short-term, floating-rate risks and funding risks using those swaps.

We were trading a lot of foreign exchange forwards, which have two short-term interest-rate risks, at the time. Everything, by convention, goes back to the dollar. So you’ve got the underlying currency, and you’ve got the dollar, and we wanted a way to strip that out. We were looking at ways to do it using futures, but nothing really worked because of the funding element,

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and we had the brain wave of starting to trade on [the] fed funds effective [rate] the way they were used to trading in France on this TAM rate. We just started doing that, so that started the dollar overnight index swap market in London.

**"Anybody who does business in China compromises some of their core values," Hennessy said in [an interview this week with Bloomberg](#). It's true for every company "because the laws in China are quite a bit different than they are in our own country," he said.**

<https://www.cnbc.com/2018/11/23/john-hennessy-alphabet-chairman-on-google-china-plans.html>

Since details of Google's project to create a [censored search app for the Chinese market leaked this summer](#), human rights groups and U.S. politicians [have called on the company to cancel its plans](#), while thousands of Google employees [signed a letter saying that it raised "urgent moral and ethical issues."](#)

The company initially [withdrew its search service from the country in 2010](#) due to increased concerns about [cyberattacks and censorship](#). In the time since, the Chinese government has [increasingly curtailed](#) what its citizens can or and can't do online by blacklisting websites and access to information about certain historical events — like the 1989 protests at Tiananmen Square — and requiring people who use online forums to register with their real names.

**The U.S. government is trying to persuade wireless and internet providers in allied countries to [avoid telecommunications equipment from China's Huawei Technologies](#), the Wall Street Journal reported on Thursday.**

<https://www.cnbc.com/2018/11/22/us-government-reportedly-asked-allies-to-avoid-using-huawei-equipment.html>

U.S. officials have reached out to their government counterparts and telecom executives in friendly countries where Huawei equipment is already in wide use about what they see as cybersecurity risks, according to the WSJ report , which cited unnamed people familiar with the situation.

Huawei has come under scrutiny in the United States recently.

Intelligence agency leaders and others have said they are concerned that Huawei and other Chinese companies may be beholden to the Chinese government or ruling Communist Party, raising the risk of espionage.

**Expect a photo opportunity, a "mock deal," and temporary market relief from the much-touted meeting between [U.S. President Donald Trump](#) and his Chinese counterpart [Xi Jinping](#) at the [G-20 meeting](#), an economist said on Friday.**

<https://www.cnbc.com/2018/11/23/us-china-trade-war-expect-temporary-market-relief-from-trump-xi-meet.html>

"We don't think this deal will be engineering a long-term truce between the two countries," Bo Zhuang, chief economist and director of [China](#) research at TS Lombard, said of the meeting in Buenos Aires, Argentina next week.

Zhuang told CNBC he expected a "photo op" and a probable "mock deal" from the meeting between the leaders of the world's two largest economies, "which means there will be temporary market-positive feedback from that."

But trade tensions will continue to escalate, he added.

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China's economy will be hit by the trade war, with real GDP growth getting shaved by 0.5 to 0.7 percentage points from the beginning of 2019, he said.

**"I think it's going to be a political decision: Does it actually bode well for the U.S. having solved, in Trump terminology, the China trade issue today? One could argue that actually, he'd be better doing that six months before the elections so he's got the tailwind going into his re-election bid,"** Steve Brice, chief investment strategist at Standard Chartered Private Bank told CNBC's **"Street Signs"** on Thursday.

<https://www.cnbc.com/2018/11/22/us-china-trade-war-could-go-on-until-2020-presidential-elections.html>

"You might see a temporary hiatus ... but then when you get closer to the presidential elections, then this flares back up and then we'll see tensions rising again," said Brice.

"There are plenty of excuses to be a bit more cautious in the short term," Brice said, adding that "we don't see that extrapolating into 2019."

He explained that growth in corporate earnings are expected to slow significantly next year, but would remain slightly above historical long-term average — which is "still relatively healthy." Inflation in the U.S. is also not expected shoot up quickly and, coupled with slower economic growth, could see the [Federal Reserve](#) raising rates at a slower pace next year, he added.

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## **EQUITIES**

The S&P is **-12** and the NASDAQ is **-32**.

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

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

## **UK/EUROPE**

**In the UK the FTSE closed +0.07%.**

In the UK, the 2s/10s swap curve is unchanged at .411 bps with yields lower.

**BOE Rate +0.75%. (No change).**

**Next meeting 12/20/18**

### **On the European Continent**

**The CAC Index closed +0.16%.**

**The DAX Index closed +0.13%.**

In the EU the 2s/10s swap curve is slightly flatter at 104.7 bps with yields lower.

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

**Deposit Facility Rate -.40%**

**Next meeting 12/13/18**

### **Japan:**

**The TOPIX closed +0.81%.**

**The NIKKEI closed +0.65%.**

In Japan, the 2s/10s swap curve is slightly steeper at .245 with yields mixer.

**BOJ Policy Balance Rate -0.10% (No change).**

**Next meeting 12/20/18**

### **China:**

**The Hang Seng closed -0.35%.**

**The Shanghai Composite closed -2.49%.**

### **PBOC**

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**7-Day Repo Rate: 2.7603%**

**Reserve Requirement Ratio: 17.00%**

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## 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 97-28.00\*\*.

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

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

**3-Month Libor Set      2.69119      +.01425      (97.30881)**

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)**

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**10yr/UXYZ8: 125-11.00 is the pivot point.**

Above you should be long, below short.

Support is at **125-11.00^** and **124-03.00\*\***

Resistance is at **126-19.00\*\***

^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**

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# US-SWAPS

## IRSB <GO>

United States		90 Export		99 Settings		Interest Rate Swap Rates							
		Date Range:		10/21/2018 - 11/21/2018		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													
Tenor	Bid	Ask	Mid	Change	Today	#SD	Δ/d...	Low	Range	High	Avg	+/-B...	#SD
1) 1 YR	2.891 / 2.891	2.891	2.891	0.004		0.2		2.841		2.967	2.907	-1.6	-0.5
2) 2 YR	3.004 / 3.006	3.005	3.005	0.008		0.2		2.967		3.156	3.067	-6.1	-1.3
3) 3 YR	3.026 / 3.028	3.027	3.027	0.009		0.2		2.984		3.204	3.104	-7.7	-1.4
4) 4 YR	3.033 / 3.035	3.034	3.034	0.011		0.2		2.989		3.215	3.113	-7.8	-1.3
5) 5 YR	3.041 / 3.044	3.043	3.043	0.011		0.2		2.996		3.224	3.120	-7.6	-1.3
6) 6 YR	3.057 / 3.058	3.058	3.058	0.012		0.2		3.012		3.238	3.132	-7.4	-1.3
7) 7 YR	3.076 / 3.077	3.076	3.076	0.012		0.2		3.031		3.258	3.149	-7.2	-1.2
8) 8 YR	3.097 / 3.098	3.097	3.097	0.013		0.2		3.052		3.273	3.167	-6.9	-1.2
9) 9 YR	3.120 / 3.121	3.120	3.120	0.014		0.3		3.075		3.292	3.186	-6.6	-1.2
10) 10 YR	3.143 / 3.144	3.142	3.142	0.013		0.2		3.098		3.319	3.207	-6.3	-1.1
11) 15 YR	3.217 / 3.217	3.217	3.217	0.018		0.3		3.172		3.366	3.267	-5.1	-1.0
12) 20 YR	3.237 / 3.238	3.238	3.238	0.019		0.4		3.194		3.381	3.285	-4.7	-1.0
13) 25 YR	3.235 / 3.240	3.237	3.237	0.023		0.5		2.805		3.692	3.279	-4.0	-0.8
14) 30 YR	3.227 / 3.231	3.229	3.229	0.022		0.5		3.177		3.421	3.267	-3.6	-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 502340 CST GMT-6:00 6641-4048-0 21-Nov-2018 05:53:58

## 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.

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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 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 rangeland or pastureland rose during the second quarter while cash rents for that property fell. Responses to bank-related activities indicated that loan demand and

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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”),

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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.<sup>1</sup> 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.<sup>2</sup>

U.S. electricity generation by source, amount, and share of total in 2017 <sup>1</sup>		
Energy source	Billion kWh	Share of total
<b>Total - all sources</b>	4,015	
<b>Fossil fuels (total)</b>	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%
<b>Nuclear</b>	805	20.0%
<b>Renewables (total)</b>	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 <sup>3</sup>	-6	-0.2%
<b>Other sources</b>	13	0.3%

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

For this week, total U.S. weekly rail traffic was 546,541 carloads and intermodal units, up 0.04 percent compared with the same week last year.

Total carloads for the week ending November 17 were 262,514 carloads, down 1.1 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 284,027 containers and trailers, up 1.1 percent compared to 2017.

Three of the 10 carload commodity groups posted an increase compared with the same week in 2017.

They were petroleum and petroleum products, up 2,440 carloads, to 12,623; grain, up 1,668 carloads, to 23,601; and miscellaneous carloads, up 164 carloads, to 9,897. Commodity groups that posted decreases compared with the same week in 2017 included nonmetallic minerals, down 3,496 carloads, to 33,262; motor vehicles and parts, down 2,009 carloads, to 16,018; and farm products excl. grain, and food, down 613 carloads, to 16,141.

For the first 46 weeks of 2018, U.S. railroads reported cumulative volume of 12,110,985 carloads, up 1.8 percent from the same point last year; and 12,845,306 intermodal units, up 5.6 percent from last year.

Total combined U.S. traffic for the first 46 weeks of 2018 was 24,956,291 carloads and intermodal units, an increase of 3.7 percent compared to last year.

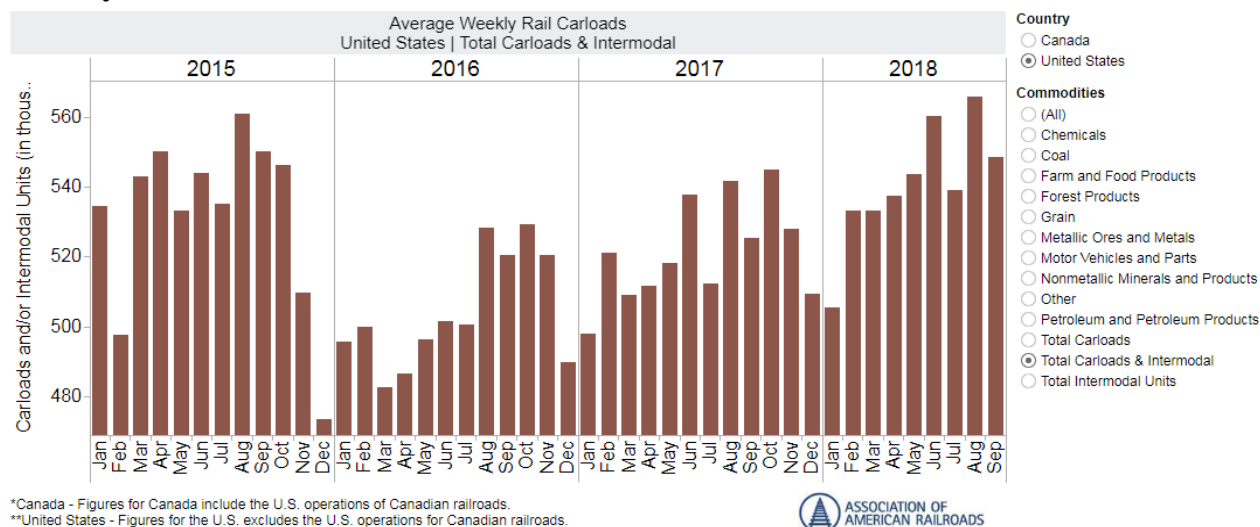
North American rail volume for the week ending November 17, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 370,321 carloads, up 0.6 percent compared with the same week last year, and 370,544 intermodal units, up 0.4 percent compared with last year. Total combined weekly rail traffic in North America was 740,865 carloads and intermodal units, up 0.5 percent. North American rail volume for the first 46 weeks of 2018 was 33,694,979 carloads and intermodal units, up 3.4 percent compared with 2017.

Canadian railroads reported 86,834 carloads for the week, up 8.7 percent, and 69,418 intermodal units, up 1.7 percent compared with the same week in 2017. For the first 46 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 6,954,084 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 20,973 carloads for the week, down 8.5 percent compared with the same week last year, and 17,099 intermodal units, down 14.2 percent. Cumulative volume on Mexican railroads for the first 46 weeks of 2018 was 1,784,604 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-november-17-2018/>

**Monthly Rail Traffic Charts**



\*Canada - Figures for Canada include the U.S. operations of Canadian railroads.  
 \*\*United States - Figures for the U.S. excludes the U.S. operations for Canadian railroads.

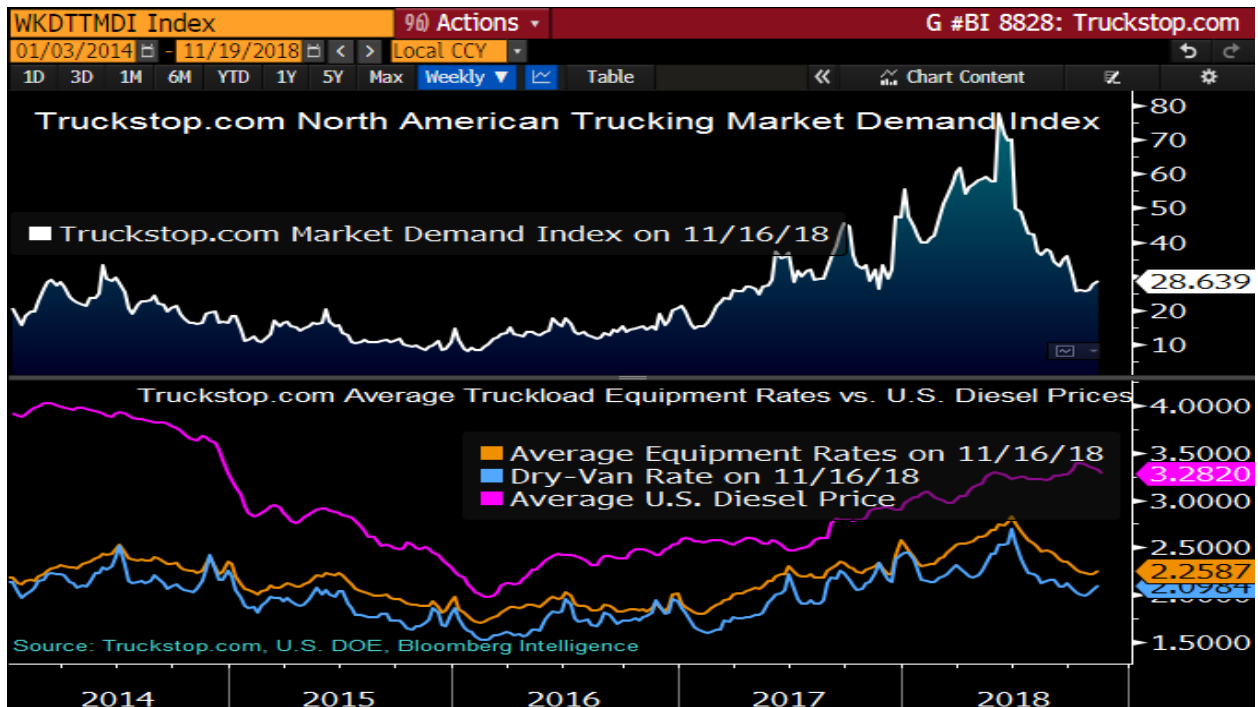


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## Trailer Truck Demand (Bloomberg Intelligence) – 11/19/18

Relative North American spot-trucking demand rose 4.6% sequentially to 28.6 in the week ended Nov. 16, based on Truckstop.com's Market Demand Index. Capacity tightened for the third straight week as the 6.7% gain in available loads outpaced a 2% decline in available trucks. Improvements in relative demand helped spot rates, which rose 2.3% sequentially (excluding fuel surcharges), the largest jump since rates peaked this summer. Spot rates are about 4.5% lower in 4Q vs. the prior year against tough comparisons, but are up 16% this year. While market tightness has moderated, we expect capacity constraints can spark mid-single-digit contract rate increases in 2019.



Lee A Klaskow at [lklaskow1@bloomberg.net](mailto:lklaskow1@bloomberg.net)

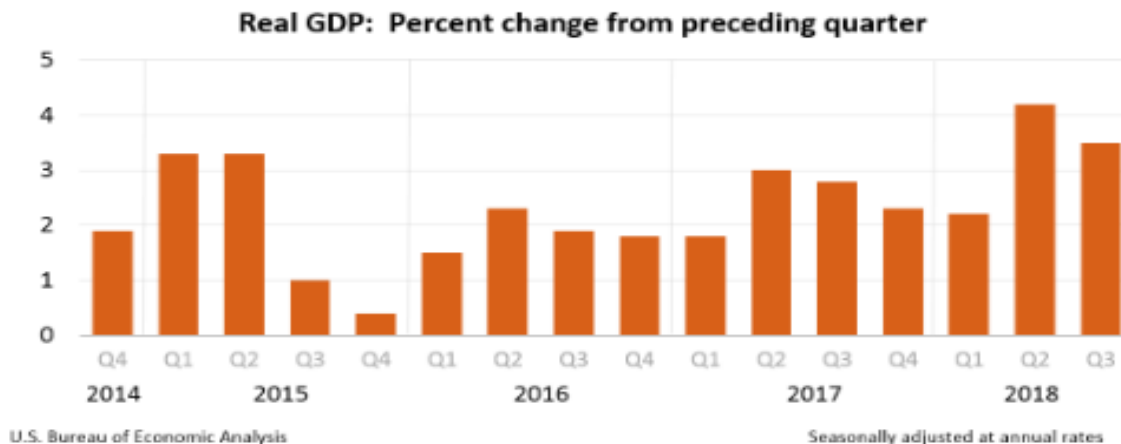
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## GDP

U.S. Department of Commerce, Bureau of economic analysis

<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets



**GDP-2Q is running at \*2.63% as of 11/21/18**

**\*simple average of the three regionals.**

**Atlanta Fed GDPNow...Q4 2018: 2.8% ...November 21, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is 2.5 percent on November 21, unchanged from November 20. The nowcast of fourth-quarter real nonresidential equipment investment growth declined from 11.5 percent to 10.5 percent after this morning's advance durable manufacturing report from the U.S. Census Bureau. The nowcast of fourth-quarter real residential investment growth increased from -6.3 percent to -4.1 percent after this morning's existing-home sales release from the National Association of Realtors.

<https://www.frbatlanta.org/cqer/research/gdpnow.aspx>

*The next GDPNow update is Thursday, November 29. 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 2018:2.49%...November 21, 2018**

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

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**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
<b>OVERALL ECONOMY</b>				Growing	Slower	114
<b>Manufacturing Sector</b>				Growing	Slower	26

Average for 12 months - 59.2

High - 61.3

Low - 57.3

<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/>**

**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>**

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