



Fixed Income Group A Division of RJ O'Brien

The Missile

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(All times are CST)

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

United States Browse 14:47:25 11/30/18 - 12/19/18

Economic Releases All Economic Releases View Agenda Weekly

| | Date | Time | A | M | R | Event | Period | Surv(M) | Actual | Prior | Revised |
|-----|-------|-------|---|---|---|--|--------|----------|--------|----------|---------|
| 21) | 11/30 | 08:45 | | | | Chicago Purchasing Manager | Nov | 58.5 | -- | 58.4 | -- |
| 22) | 12/03 | 08:45 | | | | Markit US Manufacturing PMI | Nov F | -- | -- | 55.4 | -- |
| 23) | 12/03 | 09:00 | | | | Construction Spending MoM | Oct | 0.4% | -- | 0.0% | -- |
| 24) | 12/03 | 09:00 | | | | ISM Manufacturing | Nov | 58.0 | -- | 57.7 | -- |
| 25) | 12/03 | 09:00 | | | | ISM Employment | Nov | -- | -- | 56.8 | -- |
| 26) | 12/03 | 09:00 | | | | ISM Prices Paid | Nov | 70.0 | -- | 71.6 | -- |
| 27) | 12/03 | 09:00 | | | | ISM New Orders | Nov | -- | -- | 57.4 | -- |
| 28) | 12/03 | | | | | Wards Total Vehicle Sales | Nov | 17.10m | -- | 17.50m | -- |
| 29) | 12/05 | 06:00 | | | | MBA Mortgage Applications | Nov 30 | -- | -- | 5.5% | -- |
| 30) | 12/05 | 07:15 | | | | ADP Employment Change | Nov | 200k | -- | 227k | -- |
| 31) | 12/05 | 07:30 | | | | Nonfarm Productivity | 3Q F | 2.3% | -- | 2.2% | -- |
| 32) | 12/05 | 07:30 | | | | Unit Labor Costs | 3Q F | 1.1% | -- | 1.2% | -- |
| 33) | 12/05 | 08:45 | | | | Markit US Services PMI | Nov F | -- | -- | 54.4 | -- |
| 34) | 12/05 | 08:45 | | | | Markit US Composite PMI | Nov F | -- | -- | 54.4 | -- |
| 35) | 12/05 | 09:00 | | | | ISM Non-Manufacturing Index | Nov | 59.5 | -- | 60.3 | -- |
| 36) | 12/05 | 13:00 | | | | U.S. Federal Reserve Releases Beige Book | | | | | |
| 37) | 12/06 | 06:30 | | | | Challenger Job Cuts YoY | Nov | -- | -- | 153.6% | -- |
| 38) | 12/06 | 07:30 | | | | Trade Balance | Oct | -\$54.9b | -- | -\$54.0b | -- |
| 39) | 12/06 | 07:30 | | | | Initial Jobless Claims | Dec 1 | -- | -- | 234k | -- |

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 6601-1200-1 29-Nov-2018 14:47:25

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Fed Speak Calendar
(All times are CST)

| 1) Calendars | 2) Alerts | 3) Export | 4) Settings | Economic Calendars | | | | | | |
|---------------|-------------------|-----------|-------------|--------------------|---|----------|---------|--------|-------|---------|
| United States | | Browse | 14:49:32 | 11/30/18 | - | 12/31/18 | | | | |
| Central Banks | All Central Banks | | | View | Agenda | Weekly | | | | |
| Date | Time | A | M | R | Event | Period | Surv(M) | Actual | Prior | Revised |
| 21) | 11/30 08:00 | | | | Fed's Williams Speaks on Global Economy at G30 in New York | | | | | |
| 22) | 12/03 12:00 | | | | Fed's Kaplan Speaks at Community Forum in Laredo, Texas | | | | | |
| 23) | 12/05 09:15 | | | | Fed's Powell to Testify Before Joint Economic Committee | | | | | |
| 24) | 12/05 13:00 | | | | U.S. Federal Reserve Releases Beige Book | | | | | |
| 25) | 12/06 11:15 | | | | Fed's Bostic Speaks on the U.S. Economic Outlook | | | | | |
| 26) | 12/07 11:00 | | | | Brainard Speaks at Peterson Institute in Washington | | | | | |
| 27) | 12/19 13:00 | | | | FOMC Rate Decision (Upper ... | Dec 19 | 2.50% | -- | 2.25% | -- |
| 28) | 12/19 13:00 | | | | FOMC Rate Decision (Lower ... | Dec 19 | 2.25% | -- | 2.00% | -- |
| 29) | 12/19 13:30 | | | | Fed's Powell Holds Press Conference Following FOMC Decision | | | | | |

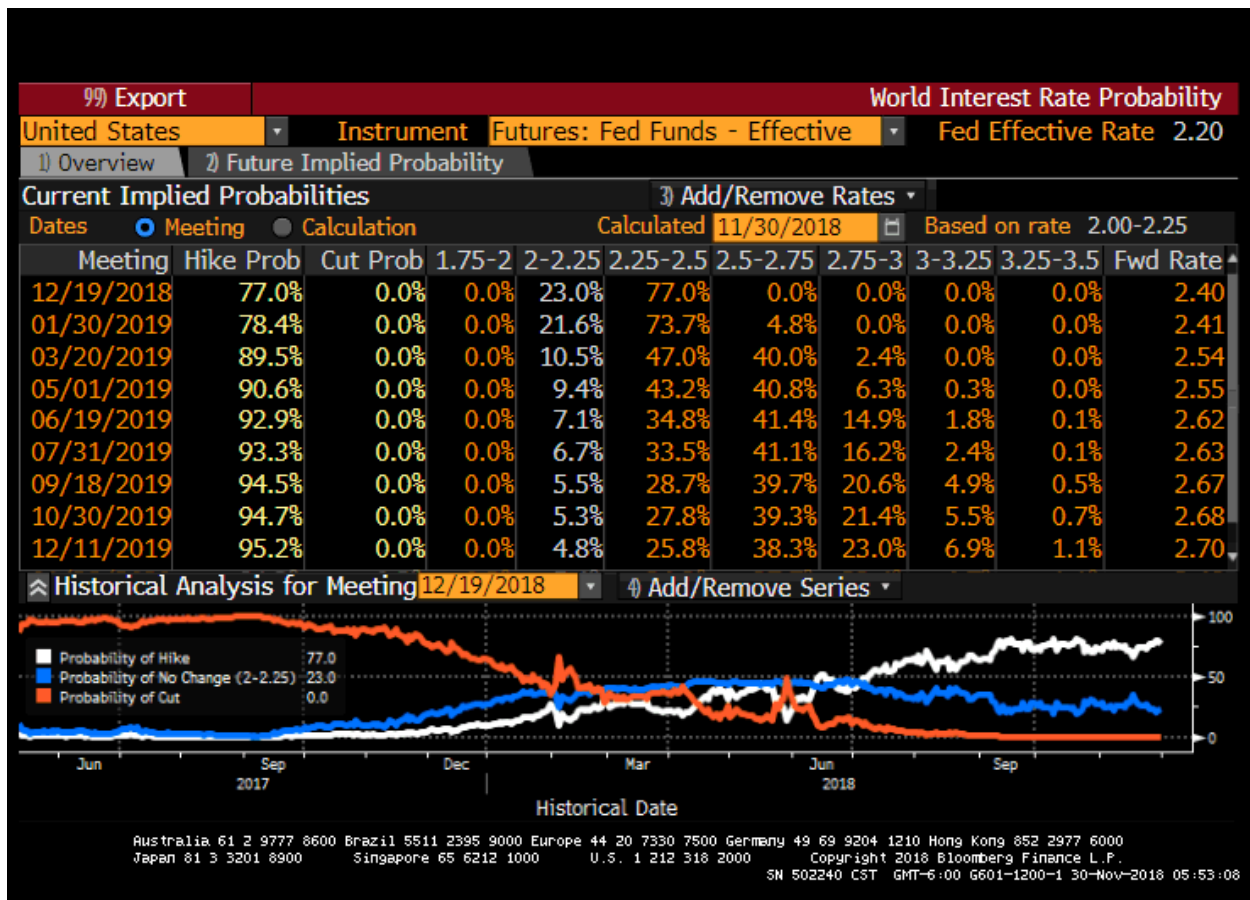
NI TRE <go>

| | Next Offer | Next | Date | CUSIP | \$ | Prior | Prior | |
|----------------------|--------------|------------|------------|-----------|----|-------|------------|------|
| Bill Auctions | Announcement | Auction | Settles | Numbers | R | Bil | \$ Bln | |
| Cash mgmt | TBA | TBA | TBA | TBA | | TBA | 02/13/2018 | \$50 |
| 4-week | 12/03/2018 | 12/04/2018 | 12/06/2018 | TBA | | TBA | 11/27/2018 | \$50 |
| 8-week | 12/03/2018 | 12/04/2018 | 12/06/2018 | TBA | | TBA | 11/27/2018 | \$30 |
| 3-month | 11/29/2018 | 12/03/2018 | 12/06/2018 | 912796QZ5 | | TBA | 11/26/2018 | \$39 |
| 6-month | 11/29/2018 | 12/03/2018 | 12/06/2018 | 912796RS0 | | TBA | 11/26/2018 | \$36 |
| 1-year | 11/29/2018 | 12/04/2018 | 12/06/2018 | 912796RN1 | | TBA | 11/06/2018 | \$26 |
| Note Auctions | | | | | | | | |
| 2-year | 12/20/2018 | 12/24/2018 | 12/31/2018 | TBA | | TBA | 11/26/2018 | \$39 |
| 3-year | 12/06/2018 | 12/11/2018 | 12/17/2018 | TBA | | TBA | 11/05/2018 | \$37 |
| 5-year | 12/20/2018 | 12/26/2018 | 12/31/2018 | TBA | | TBA | 11/27/2018 | \$40 |
| 7-year | 12/20/2018 | 11/28/2018 | 11/30/2018 | 9128285N6 | | \$32 | 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 |

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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 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/fomcprojtab120180926.pdf>

Libor Set

| | | | |
|--------------------------|----------------|----------------|-------------------|
| 1-Month Libor Set | 2.34694 | -.00231 | (97.65306) |
| 3-Month Libor Set | 2.73613 | -.00200 | (97.26387) |
| 6-Month Libor Set | 2.89463 | +.00944 | (97.10537) |
| 1-Year Libor Set | 3.12025 | +.00156 | (96.87975) |

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THEY SAID IT

"Chinese growth is still slowing and suggests that more vigorous policy stimulus is likely required to help stabilize it," said Shane Oliver, head of investment strategy at AMP Capital Investors Ltd. in Sydney. That's particularly so "if there is no breakthrough with the U.S. on trade soon."

<https://www.bloomberg.com/news/articles/2018-11-30/china-november-manufacturing-pmi-worsens-amid-trade-war>

Manufacturing output [prices](#) plunged in November, dropping to 46.4 from 52 a month earlier, while input prices fell to 50.3 from 58. That "cliff-drop" points to a further weakening of industrial profitability and manufacturing investment growth going forward, said economists led by Eva Yi at China International Capital Corp. in Beijing in a note.

"Domestic demand leading indicators are collapsing in China," they wrote, adding that stabilizing that demand "should be taken as the top priority for cyclical management right now, where delays in proper policy adjustments may lead to further pain later."

The cooling property market in November weighed on construction, according to Liu Xuezhi, an economist at Bank of Communications Co. in Shanghai. Construction activity dropped to 59.3 from 63.9 last month, but Liu says the faster expansion of new orders and business activity expectations indicate a potential increase in building work.

The next key event to watch is the Central Economic Work Conference that's likely to be held in mid-December, according to Bank of America Merrill Lynch economists led by Helen Qiao. Should Xi and Trump fail to reach a trade deal this weekend, Chinese policymakers are expected to roll out more easing measures to shore up growth, they said.

"The first and in our view most likely is continuing on the current path of 'escalation' -- tariff rates rise to 25 percent on all imports currently under tariff, and tariffs are extended to remaining Chinese imports," Goldman said in a note outlining three basic scenarios it sees for the meeting's outcome. A close second was a "pause" in which existing tariffs remain in place "but the two sides agree to keep talking with escalation put on hold," it said.

<https://www.bloomberg.com/news/articles/2018-11-30/goldman-says-escalation-most-likely-outcome-of-trump-xi-dinner>

A deal involving a complete rollback of the current tariffs was "unlikely in the near term," Goldman said. It added that market participants were "intensely focused on the leaders' meeting as a potential inflection point in the escalating economic tensions" between the U.S. and China.

"I think the end game is that this is a clash between two systems. And the U.S. is objecting to a state-sponsored 'market-based socialist system' that uses the largess of the state to subsidize industrial policy," Roach, senior fellow at Yale University and former chairman of Morgan Stanley Asia, told CNBC's "Squawk Box Europe" Friday.

<https://www.cnbc.com/2018/11/30/us-could-be-entering-cold-war-with-china-over-trade-stephen-roach.html>

"Even though, America has had industrial policy for decades but implements it through the military industrial complex orchestrated by the Pentagon. Japan does it, Germany does it, we are making it sound like China is the only one that does it," he added.

"What Mike Pence said is that these are going to be longstanding issues and that raises the

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possibility — echoed by a speech that (Former U.S. Treasury Secretary) Hank Paulson gave a couple of weeks ago — that we could be entering a Cold War with China that would last for a long, long time," Roach said Friday.

“You have headline inflation that’s peaked and now we’re beginning to see a softening,” said Fabio Fois, a senior economist at Barclays Plc. “Core inflation is instead unlikely to pick up in a non-linear way in the months ahead precisely because wages are unlikely to accelerate decisively.”
<https://www.bloomberg.com/news/articles/2018-11-30/euro-area-inflation-eases-as-ecb-approaches-end-of-bond-buying?srnd=premium-europe>

Although inflation has held near the ECB’s target of a little less than 2 percent for six months, that’s mostly the work of high energy costs. A gauge that strips out volatile components slipped to 1 percent in November, Eurostat said on Friday. The headline rates fell to 2 percent from 2.2 percent in October. The European Commission said on Thursday that economic sentiment in the region weakened for an 11th straight month in November as a soft patch in manufacturing has started to seep into consumer confidence. That’s an ominous sign for economic growth -- already at a [four-year low](#) -- in the final quarter.

WHAT OUR ECONOMISTS SAY...

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“Core inflation won’t be muted forever, assuming the slowdown in GDP growth is temporary. There’s a decent body of evidence to show wage pressure is building, even though this have yet to be fully reflected in prices.”

--David Powell, Bloomberg Economics.

“As things stand, the Russians and Saudis are still far from being on the same page over the finer details of looming output restrictions,” Stephen Brennock, an analyst at PVM Oil Associates in London, wrote in a report. “Against this backdrop, the most likely outcome of next week’s OPEC meeting is a fudge.”

<https://www.bloomberg.com/news/articles/2018-11-30/oil-poised-for-worst-month-in-10-years-on-specter-of-supply-glut?srnd=premium-europe>

Earlier this week, Russian President Vladimir Putin said that crude around \$60 a barrel is **“balanced and fair,”** but added that Moscow is ready to cooperate with its fellow producers. The comment seemed less definitive than the Saudis’ call for a 1 million-barrel-a-day reduction by the Organization of Petroleum Exporting Countries and its allies.

Russian and Saudi officials are scheduled to meet in Moscow over the weekend, signaling that an agreement on production cuts is possible if talks between Putin and Saudi Crown Prince Mohammed bin Salman in Argentina go well, according to people briefed on the discussions. Russia wants predictability and “smooth price dynamics” in crude markets, Deputy Foreign Minister Sergei Ryabkov said in Buenos Aires.

"If this OPEC meeting falls apart, you could see prices rapidly fall down to potential support down to \$42," he told CNBC's "Power Lunch" on Thursday. "There is a zone of congestion on the charts ... between \$45 and \$50, so it will be a tough slog, but your downside objective is \$42."

<https://www.cnbc.com/2018/11/30/opec-meeting-may-end-with-confusion-and-lower-oil-prices.html>

OPEC's technocrats have signaled that the alliance needs to cut 1 million to 1.4 million barrels a day in order to deal with the looming oversupply. But sources recently told The Wall Street Journal that OPEC is wary of announcing cuts on that scale.

One [strategy reportedly under consideration](#) would see OPEC announce that its members will maintain the quotas they announced in 2016. In reality, that would mean several key producers would cut output, since they are currently pumping above those quotas.

Saudi Arabia is believed to be exceeding its 2016 quota by about 1 million bpd this month. Iraq exceeded its quota by about 300,000 bpd in October, while the United Arab Emirates topped its output cap by nearly as much.

There’s plenty of evidence that housing is in a rut, but the downturn that began with the priciest homes four years ago has been slow to spread out from the center of the U.K. capital. The market is now facing a number of additional headwinds, including the prospect of higher taxes and a warning from the Bank of England that U.K. home values could fall as much as 30 percent in the event of a disorderly exit from the European Union.

<https://www.bloomberg.com/news/articles/2018-11-30/the-london-housing-market-is-worse-than-it-looks-here-s-why?srnd=premium-europe>

Here are four overlooked cracks that suggest the London market may be in worse shape than many realize:

Hidden Price Falls

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Property flippers are being burned by the slowdown in demand for shiny new apartments. In some cases, homes in towers that are nearing completion are being sold on for as much as 25 percent less than the value at which they were reserved, according to broker MyLondonHome, which has a division specializing in this type of transaction.

The below-cost sales don't show up in any official government housing data, which simply registers the original price agreed when the market was in boom mode.

Record-Low Sales

Everyone knows London home sales are falling. One measure, buried deep in a report by the Royal Institution of Chartered Surveyors, suggest they're now at a record low. Each real estate office is selling an average of just 8 homes every three months even as brokers including Foxtons Group Plc shutter some outlets to cut costs. Looking at the measure over the 12 months through October, sales are at the lowest annualized level since RICS began compiling the data in 1994.

Homebuilder Exodus

Crest Nicholson Holdings Plc closed its London division after warning that the market for new homes there is more difficult than previously anticipated. How bad is it? The number of completed properties that have [yet](#) to find a buyer has surged by almost half this year and now stands at a record, according to data compiled by Moliar London.

More Incentives

The new-homes market faces another knock next year as the government [considers](#) an additional stamp-duty tax for overseas buyers of homes in England and Wales. Demand from Asia has already waned following a succession of tax hikes, so developers are offering more incentives to purchasers, including [Black Friday discounts](#) of as much as 50,000 pounds (\$64,000), to get deals done.

Ukraine announced it was barring entry to Russian men between 16-60 years and a senior state security official said Kiev was considering whether to respond in kind with “mirror actions” to the Black Sea incident.

<https://www.reuters.com/article/us-ukraine-crisis-russia/ukraine-bars-entry-to-russian-men-of-combat-age-citing-invasion-fears-idUSKCN1NZ113?il=0>

Earlier, in a move applauded in Kiev, U.S. President Donald Trump called off a meeting with Russia's Vladimir Putin in Argentina to signal Washington's disapproval of Russian behavior in the naval clash with Ukraine.

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EQUITIES

The S&P is **-14** and the NASDAQ is **-36**.

Earnings:

www.moneycentral.msn.com/investor/market/earncalendar

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed -0.66%.

In the UK, the 2s/10s swap curve is flatter 2 bps at .385 with yields lower.

BOE Rate +0.75%. (No change).

Next meeting 12/20/18

On the European Continent

The CAC Index closed -0.42%.

The DAX Index closed -0.55%.

In the EU the 2s/10s swap curve is flatter 1bp at 103.3 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 +0.48%.

The NIKKEI closed +0.40%.

In Japan, the 2s/10s swap curve is steeper 1bp at .223 with yields higher.

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

Next meeting 12/20/18

China:

The Hang Seng closed +0.21%.

The Shanghai Composite closed +0.81%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.7603%

Reserve Requirement Ratio: 17.00%

THE TREND

EDZ8: 97-23.75 is the pivot. Below the pivot, you should be short, above long.

Support is at 97-20.25**.

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Resistance is at 97-23.75^ and 97-27.50**.

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

** 2-STD Deviations from the pivot point.

3-Month Libor Set 2.73613 -0.00200 (97.26387)

Current trend has you short from 97-24.0 (11/21/18).



YTD (per contract)

2018 +36.5 ticks (+\$912.50)

2017 +33.0 ticks (+\$825.00)

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10yr/UXYZ8: 125-17.00 is the pivot point.

Above you should be long, below short.

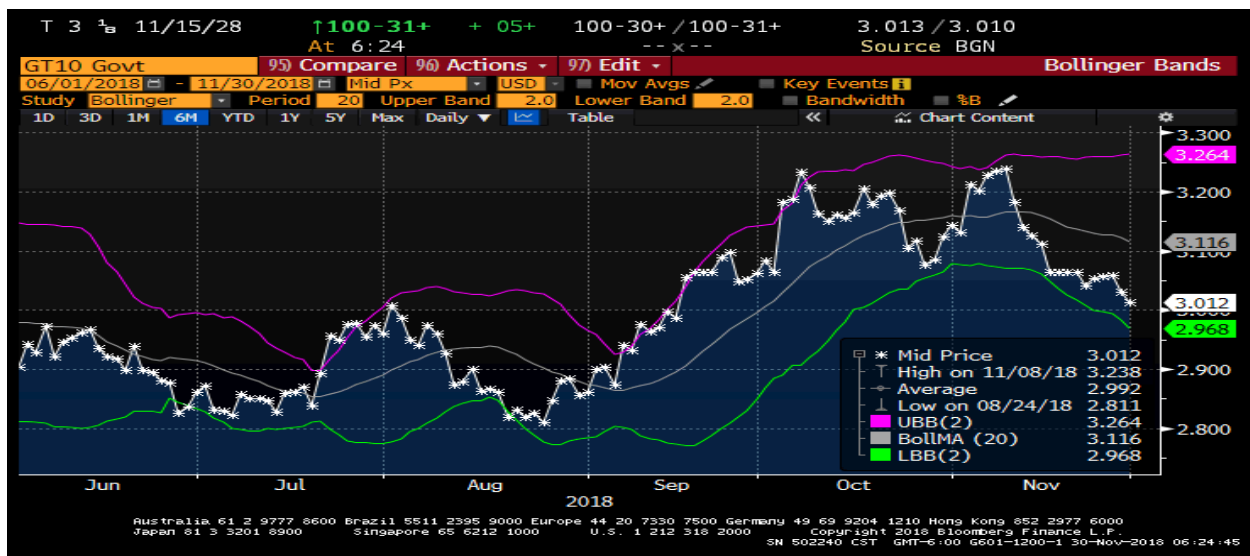
Support is at **125-17.00**^ and **124-01.50****

Resistance is at **127-01.50****

^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 | | 98 Export | | 99 Settings | | Interest Rate Swap Rates | | | | | | | | | |
|----------------------------------|---------------|-----------------|--------|-------------------------|-------|--------------------------|--------|--------------|-------|-----------------|-------|-------------|------|-----|------|
| | | Date Range: | | 10/29/2018 - 11/29/2018 | | 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 | CHPN |
| Tenor | Bid | Ask | Mid | Change | Today | #SD | Δ/d... | Low | Range | High | Avg | +/-B... | #SD | | |
| 1) 1 YR | 2.905 / 2.907 | 2.906 | 0.010 | | | 0.4 | | 2.855 | | 2.967 | 2.913 | -0.6 | -0.3 | | |
| 2) 2 YR | 2.975 / 2.975 | 2.975 | -0.006 | | | -0.1 | | 2.946 | | 3.156 | 3.052 | -7.6 | -1.4 | | |
| 3) 3 YR | 2.979 / 2.980 | 2.979 | -0.013 | | | -0.2 | | 2.948 | | 3.204 | 3.081 | -10.2 | -1.5 | | |
| 4) 4 YR | 2.975 / 2.976 | 2.975 | -0.020 | | | -0.3 | | 2.943 | | 3.215 | 3.088 | -11.2 | -1.6 | | |
| 5) 5 YR | 2.975 / 2.977 | 2.976 | -0.027 | | | -0.4 | | 2.943 | | 3.224 | 3.093 | -11.6 | -1.6 | | |
| 6) 6 YR | 2.986 / 2.987 | 2.986 | -0.029 | | | -0.4 | | 2.954 | | 3.238 | 3.106 | -11.9 | -1.7 | | |
| 7) 7 YR | 3.000 / 3.003 | 3.001 | -0.030 | | | -0.4 | | 2.969 | | 3.258 | 3.122 | -11.9 | -1.7 | | |
| 8) 8 YR | 3.019 / 3.020 | 3.020 | -0.032 | | | -0.5 | | 2.989 | | 3.273 | 3.141 | -12.1 | -1.7 | | |
| 9) 9 YR | 3.039 / 3.040 | 3.040 | -0.033 | | | -0.5 | | 3.009 | | 3.292 | 3.161 | -12.1 | -1.7 | | |
| 10) 10 YR | 3.060 / 3.060 | 3.059 | -0.035 | | | -0.5 | | 3.030 | | 3.319 | 3.182 | -12.2 | -1.8 | | |
| 11) 15 YR | 3.136 / 3.137 | 3.136 | -0.035 | | | -0.5 | | 3.106 | | 3.366 | 3.245 | -10.9 | -1.7 | | |
| 12) 20 YR | 3.158 / 3.158 | 3.158 | -0.036 | | | -0.6 | | 3.129 | | 3.381 | 3.266 | -10.8 | -1.8 | | |
| 13) 25 YR | 3.157 / 3.158 | 3.157 | -0.036 | | | -0.6 | | 3.128 | | 3.372 | 3.261 | -10.3 | -1.8 | | |
| 14) 30 YR | 3.149 / 3.151 | 3.150 | -0.036 | | | -0.6 | | 3.119 | | 3.359 | 3.249 | -9.8 | -1.7 | | |

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 6601-1200-1 29-Nov-2018 06:13:11

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. | 21 Nov 2018 | 1,079 | -3 | 16 Nov 2018 | +156 | 22 Nov 2017 |
| Canada | 21 Nov 2018 | 204 | +7 | 16 Nov 2018 | -11 | 22 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

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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/>

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TRANSPORTS

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.

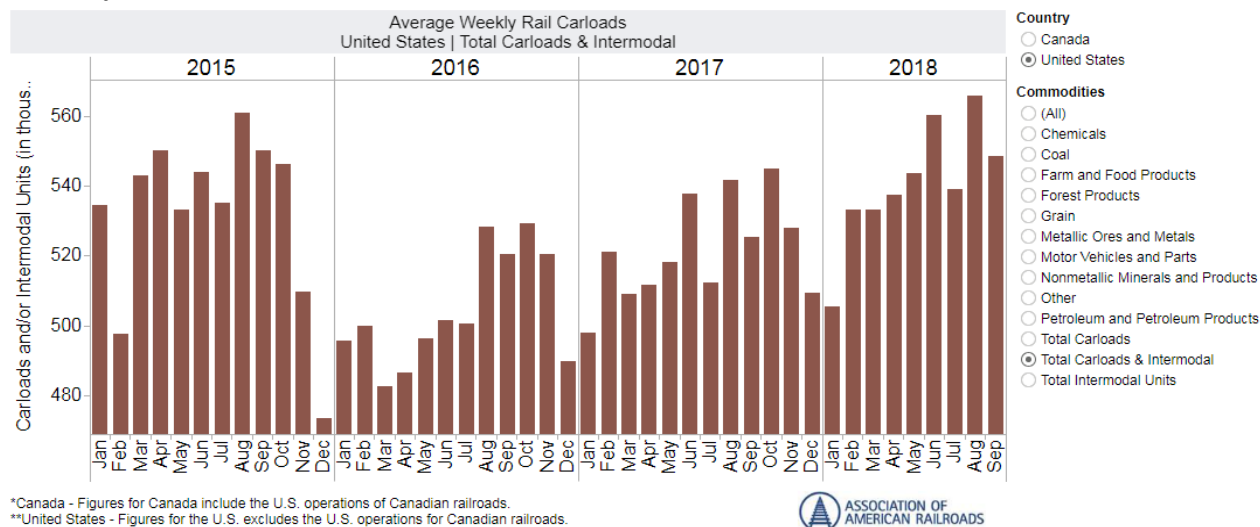
North American rail volume for the week ending November 17, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 370,321 carloads, up 0.6 percent compared with the same week last year, and 370,544 intermodal units, up 0.4 percent compared with last year. Total combined weekly rail traffic 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



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

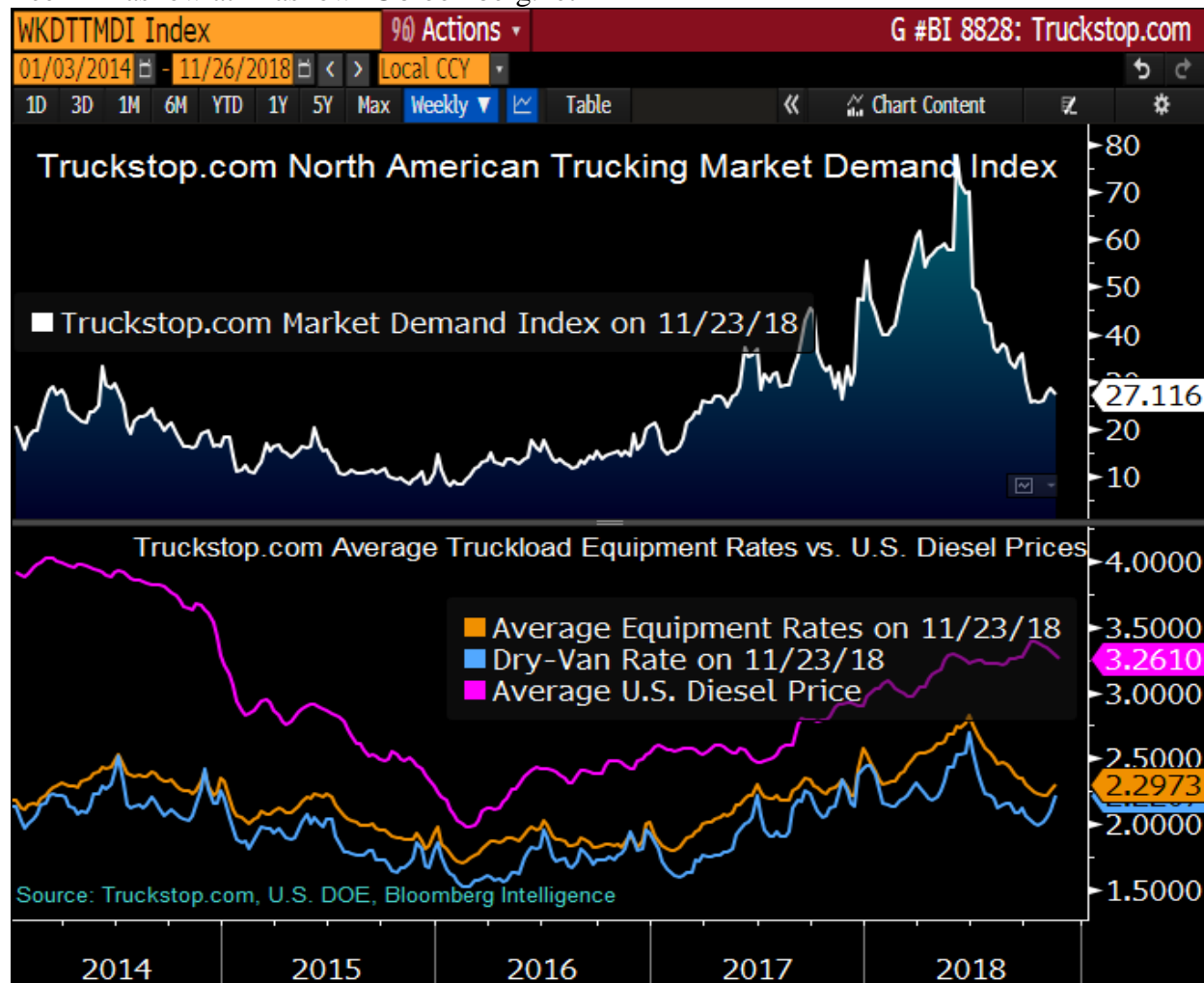
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Trailer Truck Demand

(Bloomberg Intelligence) – 11/26/18

Relative North American spot-trucking demand fell 5.3% sequentially to 27.1 in the week ended Nov. 23, based on Truckstop.com's Market Demand Index. One fewer working day due to Thanksgiving created a volatile week as the 38% decline in loads available outpaced a 34% drop in available trucks. Spot rates, excluding fuel surcharges, rose 2.2% to \$1.92, led by dry-van's 7.4% jump as retailers stock shelves ahead of the holidays. Spot rates are about 4.4% lower in 4Q vs. the prior year against tough comparisons, but are up 15% this year. Capacity constraints from limited driver availability should spark mid-single-digit contract rate increases in 2019. 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



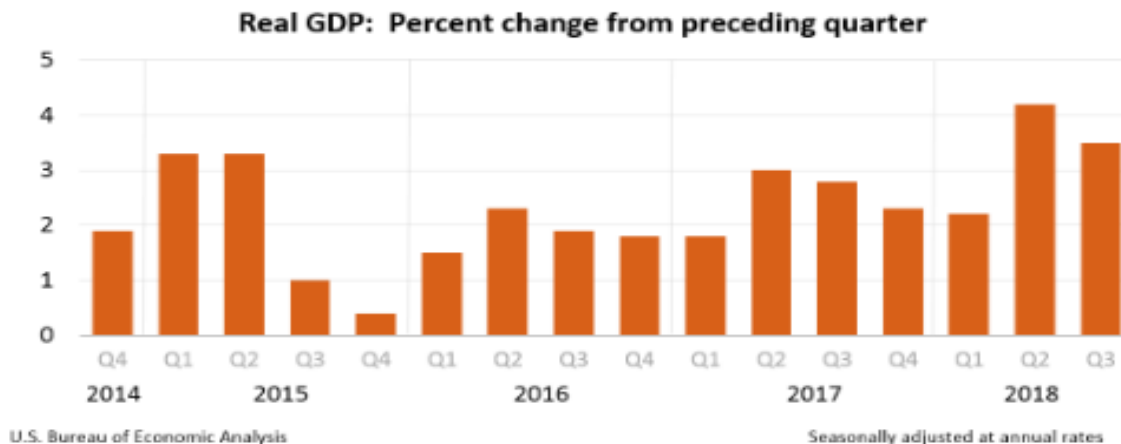
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GDP

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 *2.59% as of 11/21/18

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

Atlanta Fed GDPNow...Q4 2018: 2.59% ...November 29, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is **2.6 percent** on November 29, up from 2.5 percent on November 21. The nowcast of fourth-quarter real personal consumption expenditures growth increased from 2.6 percent to 3.2 percent after this morning's personal income and outlays release from the U.S. Bureau of Economic Analysis. This increase was partly offset by a decrease in the nowcast of fourth-quarter real gross private domestic investment growth from 3.7 percent to 2.5 percent and a decrease in the nowcast of the contribution of new exports to fourth-quarter real GDP growth from -0.32 percentage points to -0.39 percentage points.

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

The next GDPNow update is Monday, December 3. Please see the "Release Dates" tab below for a full list of upcoming releases.

New York Fed Nowcast...Q4 2018: 2.5%...November 23, 2018

News from this week's data releases decreased the nowcast for 2018:Q4 by 0.1 percentage point. Negative surprises from manufacturers' new orders and shipments data accounted for most of the decrease, while news from housing data had a small impact.

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

St. Louis Fed Real GDP Nowcast... Q4 2018:2.66%...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 |
| 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>

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US Census Bureau (Manufacturers' Shipments, Inventories and Orders).

<http://www.census.gov/manufacturing/m3/>

Our Nation in numbers

The Constitution gives us four missions...

- 1. Establish Justice and Ensure Domestic Tranquility.**
- 2. Provide for the Common Defense.**
- 3. Promote the General welfare.**
- 4. Secure the Blessings of Liberty to Ourselves and Our Posterity.**

www.usafacts.org

US Foreign Assistance

<http://foreignassistance.gov/>

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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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

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