



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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(All times are CST)

9 <GO> to Save as Default

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

United States Browse 13:18:10 01/02/18 - 01/20/19

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/02	08:45				Markit US Manufacturing PMI	Dec F	55.0	55.1	53.9	55.1
22)	01/03	06:00				MBA Mortgage Applications	Dec 29	--	0.7%	-3.5%	--
23)	01/03	09:00				Construction Spending MoM	Nov	0.5%	0.8%	1.4%	0.6%
24)	01/03	09:00				ISM Manufacturing	Dec	58.2	59.7	58.2	--
25)	01/03	09:00				ISM Prices Paid	Dec	64.5	69.0	65.5	64.8
26)	01/03	09:00				ISM New Orders	Dec	--	69.4	64.0	63.9
27)	01/03	09:00				ISM Employment	Dec	--	57.0	59.7	59.2
28)	01/03	13:00				FOMC Meeting Minutes	Dec 13	--	--	--	--
29)	01/03					Wards Total Vehicle Sales	Dec	17.50m	17.76m	17.35m	17.40m
30)	01/03					Wards Domestic Vehicle Sales	Dec	13.35m	13.72m	13.38m	13.46m
31)	01/04	06:30				Challenger Job Cuts YoY	Dec	--	-3.6%	30.1%	--
32)	01/04	07:15				ADP Employment Change	Dec	190k	250k	190k	200k
33)	01/04	07:30				U.S. Govt Delayed Opening, Jobless Claims Lockup is Canceled					
34)	01/04	07:30				Initial Jobless Claims	Dec 30	240k	250k	245k	242k
35)	01/04	07:30				Continuing Claims	Dec 23	1928k	1914k	1943k	1936k
36)	01/04	08:45				Markit US Services PMI	Dec F	52.5	53.7	54.5	53.7
37)	01/04	08:45				Markit US Composite PMI	Dec F	--	54.1	54.5	54.1
38)	01/04	08:45				Bloomberg Consumer Comfort	Dec 31	--	51.8	52.4	--
39)	01/05	07:30				Revisions: Seasonally Adjusted Household Survey data					

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 6346-5687-1 31-Dec-2018 13:18:10

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Fed Speak Calendar
(All times are CST)

1) Calendars ▾ 2) Alerts 3) Export ▾ 4) Settings ▾ Economic Calendars										
United States		Browse		06:04:04		12/21/18		- 01/31/19		
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)	01/04 09:15				Fed Chair Powell plus Bernanke and Yellen interviewed at AEA					
22)	01/04 09:15				Fed's Bostic Speaks at AEA in Atlanta					
23)	01/05 07:00				Fed's Williams Discusses Monetary Policy Frameworks at AEA					
24)	01/05 09:15				Fed's Bostic Speaks on Future of Traditional Banking at AEA					
25)	01/05 11:30				Fed's Daly Speaks at AEA Meeting in Atlanta					
26)	01/07 11:40				Fed's Bostic Speaks to Rotary Club of Atlanta					
27)	01/09 07:20				Fed's Bostic Speaks in Chattanooga on Economic Outlook					
28)	01/09 10:30				Fed's Rosengren Speaks on the Economic Outlook					
29)	01/09 13:00				FOMC Meeting Minutes	Dec 19	--	--	--	--
30)	01/15 12:00				Fed's George Speaks on Economy and Monetary Policy Outlook					
31)	01/16 17:30				Fed's Kashkari Speaks on Panel About Financial Crisis					
32)	01/30 13:00				FOMC Rate Decision (Upper ...	Jan 30	2.50%	--	2.50%	--
33)	01/30 13:00				FOMC Rate Decision (Lower ...	Jan 30	2.25%	--	2.25%	--

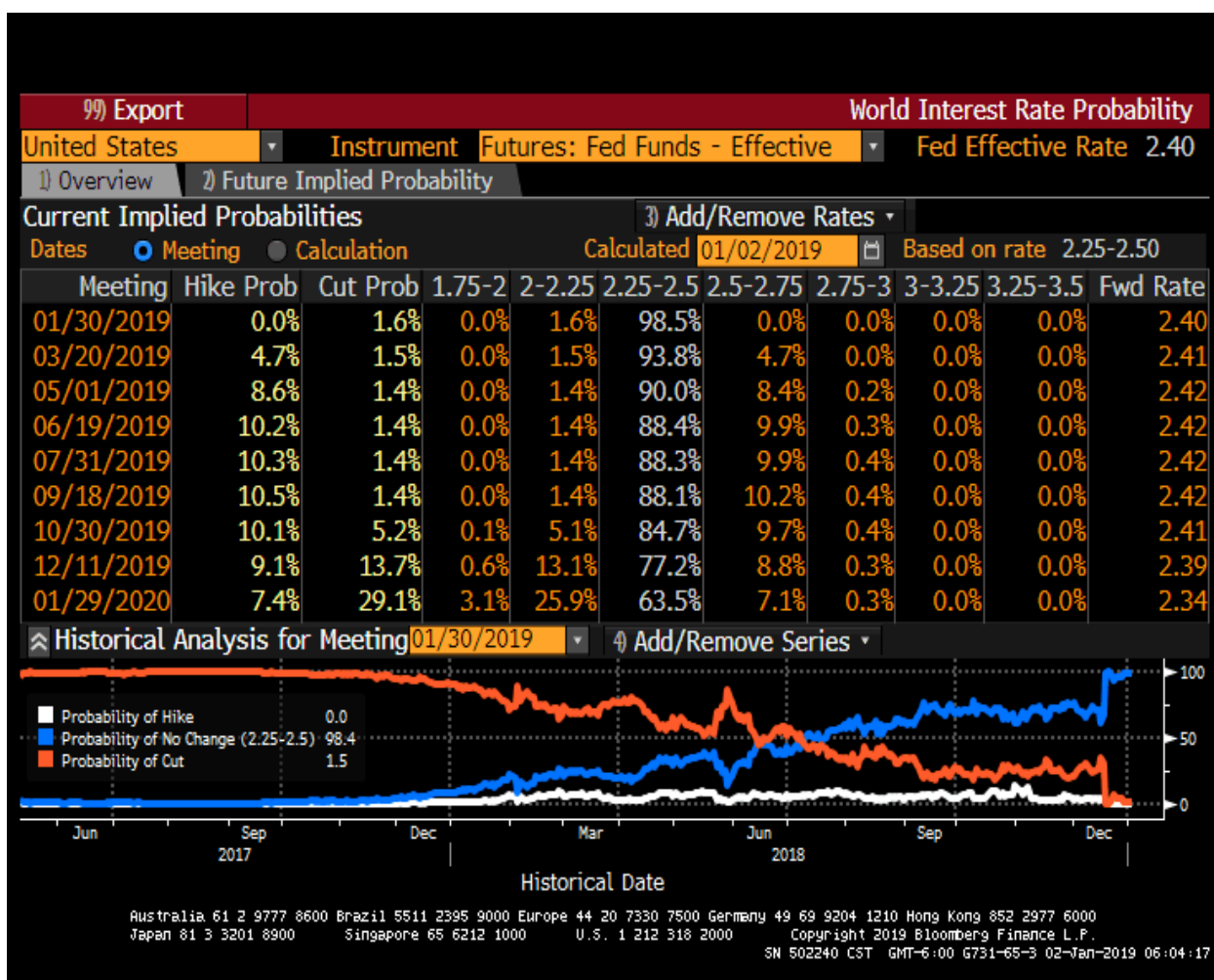
NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior	
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$ Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018	\$50
4-week	01/08/2019	01/03/2019	01/08/2019	912796UM9		\$40	12/27/2018	\$40
8-week	01/08/2019	01/03/2019	01/08/2019	912796UR8		\$30	12/27/2018	\$30
3-month	01/03/2019	01/07/2019	01/10/2019	912796RG6		TBA	12/31/2018	\$39
6-month	01/03/2019	01/07/2019	01/10/2019	912796RZ4		TBA	12/31/2018	\$36
1-year	01/24/2019	01/29/2019	01/31/2019	TBA		TBA	12/31/2018	\$26
Note Auctions								
2-year	01/24/2019	01/28/2019	01/31/2019	TBA		TBA	12/24/2018	\$40
3-year	01/03/2019	01/08/2019	01/15/2019	9128285V8		TBA	12/11/2018	\$38
5-year	01/24/2019	01/28/2019	01/31/2019	TBA		TBA	12/26/2018	\$41
7-year	01/24/2019	01/29/2019	01/31/2019	TBA		TBA	12/27/2018	\$32
10-year	01/03/2019	01/09/2019	01/15/2019	9128285M8	R	TBA	12/12/2018	\$24
Bond Auctions								
30-year	01/03/2019	01/10/2019	01/15/2019	912810SE9	R	TBA	12/13/2018	\$16

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TIPS Auctions									
5-yr TIPS	04/11/2019	04/18/2019	04/30/2019	TBA	R	TBA	12/20/2018	\$14	
10-yr TIPS	01/10/2019	01/17/2019	01/31/2019	TBA		TBA	11/21/2018	\$11	
30-yr TIPS	02/07/2019	02/14/2019	02/28/2019	TBA		TBA	10/18/2018	\$5	
Floating Rate Note									
2-year FRN	01/24/2019	01/29/2019	01/31/2019	TBA	R	TBA	12/26/2018	\$18	
Buyback Operation									
Buyback		TBA	TBA	TBA	TBA	TBA	11/14/2018	\$0.25	

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, December 2018
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Variable	Median ¹					Central tendency ²					Range ³				
	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run
Change in real GDP	3.0	2.3	2.0	1.8	1.9	3.0-3.1	2.3-2.5	1.8-2.0	1.5-2.0	1.8-2.0	3.0-3.1	2.0-2.7	1.5-2.2	1.4-2.1	1.7-2.2
September projection	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
Unemployment rate	3.7	3.5	3.6	3.8	4.4	3.7	3.5-3.7	3.5-3.8	3.6-3.9	4.2-4.5	3.7	3.4-4.0	3.4-4.3	3.4-4.2	4.0-4.6
September projection	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
PCE inflation	1.9	1.9	2.1	2.1	2.0	1.8-1.9	1.8-2.1	2.0-2.1	2.0-2.1	2.0	1.8-1.9	1.8-2.2	2.0-2.2	2.0-2.3	2.0
September projection	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
Core PCE inflation ⁴	1.9	2.0	2.0	2.0		1.8-1.9	2.0-2.1	2.0-2.1	2.0-2.1		1.8-1.9	1.9-2.2	2.0-2.2	2.0-2.3	
September projection	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	
Memo: Projected appropriate policy path															
Federal funds rate	2.4	2.9	3.1	3.1	2.8	2.4	2.6-3.1	2.9-3.4	2.6-3.1	2.5-3.0	2.1-2.4	2.4-3.1	2.4-3.6	2.4-3.6	2.5-3.5
September projection	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

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 25-26, 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 September 25-26, 2018, meeting, and one participant did not submit such projections in conjunction with the December 18-19, 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/fomeproitabl20181219.pdf>

Libor Set

1-Month Libor Set	2.50713	+.00440	(97.49287)
3-Month Libor Set	2.79388	-.00310	(97.20612)
6-Month Libor Set	2.87394	-.00170	(97.12606)
1-Year Libor Set	3.00200	-.00340	(96.99800)

THEY SAID IT

"My prediction? More dysfunction than there should be, unfortunately," said Representative Peter King, a New York Republican.

<https://www.bloomberg.com/news/articles/2019-01-02/divided-congress-s-first-task-tussle-with-trump-over-shutdown?srnd=premium>

The first test of the new dynamic in Washington may come as soon as Wednesday. Democratic and Republican leaders in the House and Senate will attend a meeting with Trump for a briefing on border security at the White House.

The 435-seat House will be controlled by at least [235 Democrats](#), including a number of progressive freshmen who may show little inclination to compromise. In the Senate, Republicans gained two seats to boost their majority to 53-47, and the only GOP senators who consistently

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took on the president, Jeff Flake of Arizona and Bob Corker of Tennessee, are retiring. On policy matters, an early action item in the House and Senate will be legislation approving Trump's trade agreement with Mexico and Canada. But Pelosi has dismissed the trade deal as a "work in progress" and says she wants to add environmental and labor protections. She also hasn't indicated whether she would back the "fast track" up-or-down vote procedure Trump could need to easily clear the deal.

The trade agreement may also have trouble getting support in the Senate, although incoming Finance Chairman Chuck Grassley, an Iowa Republican, has praised it and promised to try to usher it through his panel.

McConnell told reporters after the November elections that Senate Republicans aren't interested in a \$900 billion infrastructure package Democrats are discussing, and said no proposal for roads and bridges should be considered without resolving how to finance it.

"You know what the sticking point is: How do you pay for it," McConnell told reporters.

Leaders in both chambers must agree on raising the federal debt limit, which is now suspended but will go back into effect March 1. The Treasury Department likely can use so-called extraordinary measures to delay reaching the limit into mid-year, but eventually lawmakers must find a way to prevent a default on government obligations.

The two chambers almost certainly won't agree on an annual budget blueprint like one that allowed the GOP Senate in 2017 to bypass a Democratic filibuster and enact a massive tax cut. Going forward, any tax changes would be subject to a 60-vote threshold, meaning they couldn't be enacted without Democratic support.

Growing U.S. output has sent imports to a 3-year low, as domestic barrels are cheaper than imported ones. West Texas Intermediate, the U.S. benchmark oil, is being traded at a discount of \$8.10 per barrel compared with Brent, the benchmark used to price imported oil.

<https://www.bloomberg.com/news/articles/2018-12-31/u-s-gulf-refiners-feast-on-domestic-oil-amid-rising-output>

U.S. light oil has become too cheap for Gulf Coast refiners to pass up.

Fuel makers on the Gulf, home to the largest cluster of refineries in the world, processed oil with an average API gravity of 33.06 in October, according to the Energy Information Administration. The measure of oil density matches a record set in February, when Gulf refiners processed the lightest crude in 26 years thanks to a surge in domestically produced light barrels.

"Our outlook is that U.S. growth will be constrained by ebbing fiscal stimulus and higher interest rates," economists at UBS said in a note Wednesday. China, meanwhile, is facing the twin pressures of import U.S. tariffs and economic rebalancing.

"The decline in global growth will mean a weaker tailwind for global markets, which could begin to anticipate an end of the economic cycle as 2019 progresses," the investment bank said.

<https://www.cnbc.com/2019/01/02/ubs-2019-outlook-global-growth-to-slow-in-2019.html>

After seeing a growth of 3.8 percent in 2018, UBS said in its outlook for the year ahead that it expected global economic growth to slow to 3.6 percent in 2019.

On the bright side, UBS said a recession looks unlikely given current rates of consumption, investment and employment growth "and we think the typical causes of a downturn are unlikely

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to materialize in 2019.”

“Our base case is for inflation to stay contained, allowing central bankers to remain sensitive to growth. We don’t foresee a major fiscal policy shift or a commodity price shock. Consumer balance sheets are in solid shape and improvements in banking sector capitalization since the financial crisis reduce the risk of a global credit crunch.”

The API gravity of crude oil produced in the U.S. varies widely across states.

[stateshttps://www.eia.gov/todayinenergy/detail.php?id=30852](https://www.eia.gov/todayinenergy/detail.php?id=30852)

API gravity is one of the key characteristics of crude oil that, along with other characteristics such as sulfur content, is used by refiners when evaluating different crude streams for processing into petroleum products. In 2016, the majority (51%) of the 8.4 million barrels per day (b/d) of crude oil produced in the Lower 48 states was light oil, or less dense oil with an API gravity of 40.1 or above. Light oil also made up more than half of the oil produced in 2015.

API gravity is measured as the inverse of the density of a petroleum liquid relative to water. The higher the API gravity, the lower the density of the petroleum liquid, so light oils have high API gravities. Based on the mix of their respective crude oil production streams, the distribution by API gravity of crude oils produced in Texas, North Dakota, and California differs significantly.

The European Central Bank has appointed temporary administrators for troubled Italian lender [Banca Carige](#) with the decision coming after the majority of the bank’s board members resigned on Wednesday.

<https://www.cnbc.com/2019/01/02/italys-watchdog-reportedly-suspends-trading-in-carige-shares.html>

The ECB said in a statement Wednesday that it had appointed three temporary administrators and a surveillance committee to replace the board of directors and to “take charge of Banca Carige.”

The IHS Markit/CIPS Manufacturing Purchasing Managers’ Index (PMI) rose to 54.2 from an upwardly revised 53.6 in November, the highest reading in six months and stronger than all forecasts in a Reuters poll of economists.

<https://uk.reuters.com/article/uk-britain-economy-pmi/uk-factories-build-up-stockpiles-before-brexite-boosting-pmi-idUKKCN1OW0KZ>

Markit said the improvement did not herald a big change in the outlook for Britain’s stuttering economy and was caused in large part by manufacturers stockpiling inputs and finished goods, both of which were near record highs.

On average, around 44.8 million people per year worked in Germany. That was 562,000 people or 1.3 percent more than in 2017, as the Federal Statistical Office announced on Wednesday according to preliminary calculations. "An increased labor force participation of the domestic population as well as the immigration of foreign workers offset negative demographic effects, so that in 2018 the highest number of persons in employment since reunification in 1991 was reached," it said. "All in all, the now 13-year increase in employment continued."

<https://de.reuters.com/article/deutschland-erwerbste-tige-idDEKCN1OW0DM>

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Experts believe that this will remain so even in the year just started, albeit with less momentum. The Munich-based Ifo Institute predicts that the number of people in employment will increase by almost 400,000 to just over 45.2 million - even if economic growth is not likely to be quite as strong. The Ifo researchers expect for 2019 only a plus in the gross domestic product of 1.1 percent, after 2018 should have been about 1.5 percent. In 2016 and 2017, the growth rate was 2.2 percent each. "Persistent economic risks such as a Brexit without a withdrawal agreement or an increase in US tariffs on European cars pull the expectations down," said KfW chief economist Jörg Zeuner. "But as long as the most acute risks do not materialize in the next few months.

The Caixin Media and IHS Markit China's December manufacturing PMI [fell to 49.7](#) from 50.2 in November, below the 50 threshold for the first time since May 2017. That follows the official gauge, which fell into the same zone for the first time since July 2016 on Monday.

<https://www.bloomberg.com/news/articles/2019-01-01/u-s-stock-index-futures-rise-as-in-first-trading-day-of-2019?srnd=premium-asia>

"The disappointment that came through in December has transferred into January as well," said Jingyi Pan, a Singapore-based market strategist at IG Asia Pte. While there was some small development in uncertain Washington politics, it's a reminder of the U.S.-China trade tensions and "brings back to the surface worries on growth," she said.

FedEx Corp. last month slashed its profit forecast just three months after raising it, and pared its international freight capacity amid a slowdown in global trade in recent months, with leading indicators pointing to an ongoing deceleration in the near term.

"China must and will be united, which is an inevitable requirement for the historical rejuvenation of the Chinese nation in the new era," Xi told a gathering in Beijing to mark the 40th anniversary of a landmark Beijing overture to Taipei after the U.S. and China established relations. The two sides have been ruled separately since Chiang Kai-shek moved his Nationalist government across the Taiwan Strait during the Chinese civil war.

<https://www.bloomberg.com/news/articles/2019-01-02/china-s-xi-says-taiwan-must-be-unified-with-mainland?srnd=premium-asia>

Chinese President Xi Jinping suggested that mainland China and Taiwan enter into "in-depth democratic consultations" and work toward unification, in the clearest sign yet that he wants to settle the 70-year dispute during his tenure.

Xi also sent a warning to Taiwan independence advocates, who include supporters of Taiwanese President Tsai Ing-wen.

The number of Chinese peer-to-peer lenders may drop by 70 percent this year, a research firm that tracks the industry says, as the nation intensifies a crackdown on riskier forms of financing.

<https://www.bloomberg.com/news/articles/2019-01-02/china-s-online-lending-crackdown-may-see-70-of-businesses-close?srnd=premium-asia>

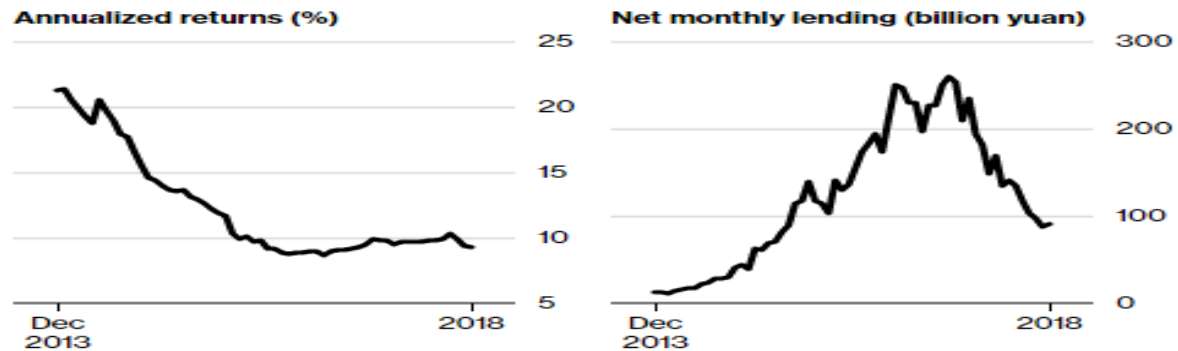
As few as 300 companies will remain by the end of the year, according to an estimate from

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Shanghai-based Yingcan Group. The number of operators dropped by more than 50 percent to 1,021 during 2018, it said, adding that there's been no new entrants into the market since August.

Winter Is Coming

China's online peer-to-peer lending weakens as crackdown deepens



Sources: Rong360.com, Bloomberg

As the [great unwind](#) of global monetary stimulus gains momentum, markets are at increased risk of experiencing doom loops. Investors need to be prepared for these downward spirals, where shocks set off a self-perpetuating sequence of disruptions.

<https://www.bloomberg.com/opinion/articles/2019-01-01/five-doom-loops-investors-may-confront-in-2019?srnd=premium-asia>

There are five doom loops that feed each other in a financial crisis.

The collateral doom loop.

The hedging doom loop.

The sovereign doom loop.

The intermediary doom loop.

The real economy doom loop.

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EQUITIES

The S&P is **-30** and the NASDAQ is **-131**.

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 by 0.3 bps at 27.0 with yields lower.

BOE Rate +0.75%. (No change).

Next meeting 02/07/19

On the European Continent

The CAC Index closed -1.53%.

The DAX Index closed -0.23%.

In the EU the 2s/10s swap curve is flatter by 4.4 bps at 94.2 with yields lower.

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

Deposit Facility Rate -.40%

Next meeting 01/24/19

Japan:

The TOPIX was closed for the New Year.

The NIKKEI was closed for the New Year.

In Japan, the 2s/10s swap curve is unchanged at 16.9 with yields mixed.

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

Next meeting 01/23/19

China:

The Hang Seng closed -2.77%.

The Shanghai Composite closed -1.15%.

PBOC

Deposit Rate: 1.50%

Lending Rate: 4.35%

7-Day Repo Rate: 2.5959%

Reserve Requirement Ratio: 14.50%

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THE TREND

EDH9: 97-23.25 is the pivot. Above the pivot you should be long, below short.
Support is at 97-23.25^ and 97-13.75**.

Resistance is at 97-32.75**.

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

** 2-STD Deviations from the pivot point.

3-Month Libor Set 2.79388 -.00310 (97.20612)

Current trend has you long from 97-15.0 (12/06/18).



YTD (per contract)

2018 +36.5 ticks (+\$912.50)

2017 +33.0 ticks (+\$825.00)

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Ultra 10 year Note (UXYH9): 128-21.0 is the pivot point.

Above you should be long, below short.

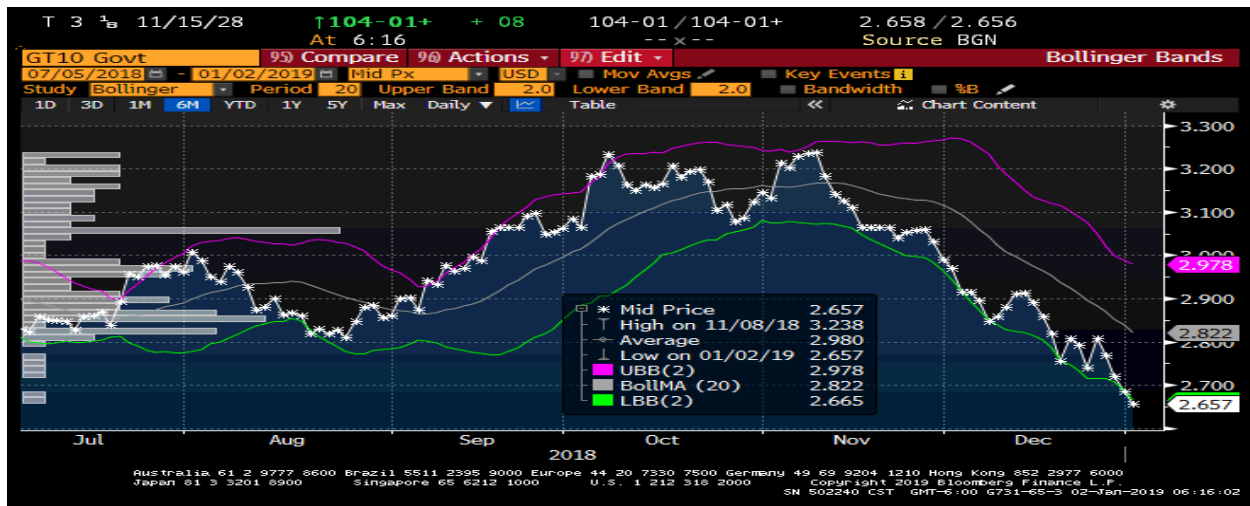
Support is at **128-21.0^** and **126-31.50****

Resistance is at **130-10.50****

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

** 2-STD Deviations from the pivot point

Current trend has you long from 124-30.50 (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:		12/02/2018 - 01/02/2019		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	2.750 / 2.753	2.753	2.751	-0.005		-0.1		2.749	●	2.939	2.840	-8.8	-1.7
2) 2 YR	2.656 / 2.661	2.661	2.658	0.001		0.0		2.653	●	3.024	2.813	-15.3	-1.4
3) 3 YR	2.585 / 2.586	2.586	2.585	-0.006		-0.1		2.580	●	3.035	2.775	-18.9	-1.5
4) 4 YR	2.559 / 2.565	2.565	2.562	-0.012		-0.1		2.555	●	3.032	2.761	-19.6	-1.6
5) 5 YR	2.556 / 2.562	2.562	2.559	-0.011		-0.1		2.551	●	3.032	2.774	-21.2	-1.9
6) 6 YR	2.576 / 2.576	2.576	2.576	-0.021		-0.2		2.569	●	3.038	2.771	-19.5	-1.7
7) 7 YR	2.597 / 2.603	2.603	2.600	-0.024		-0.2		2.593	●	3.050	2.796	-19.2	-1.9
8) 8 YR	2.628 / 2.628	2.628	2.627	-0.025		-0.2		2.621	●	3.065	2.809	-18.2	-1.8
9) 9 YR	2.656 / 2.657	2.657	2.656	-0.027		-0.3		2.649	●	3.083	2.832	-17.5	-1.8
10) 10 YR	2.685 / 2.685	2.685	2.684	-0.069		-0.7		2.677	●	3.103	2.859	-17.3	-1.9
11) 15 YR	2.779 / 2.780	2.780	2.779	-0.021		-0.2		2.773	●	3.173	2.940	-16.0	-1.8
12) 20 YR	2.810 / 2.811	2.811	2.810	-0.024		-0.3		2.802	●	3.195	2.953	-14.2	-1.6
13) 25 YR	2.816 / 2.818	2.818	2.817	-0.022		-0.3		2.807	●	3.199	2.956	-13.9	-1.6
14) 30 YR	2.813 / 2.817	2.817	2.815	-0.023		-0.3		2.805	●	3.202	2.949	-13.2	-1.6

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 2019 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 G731-65-3 02-Jan-2019 06:04:30

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.

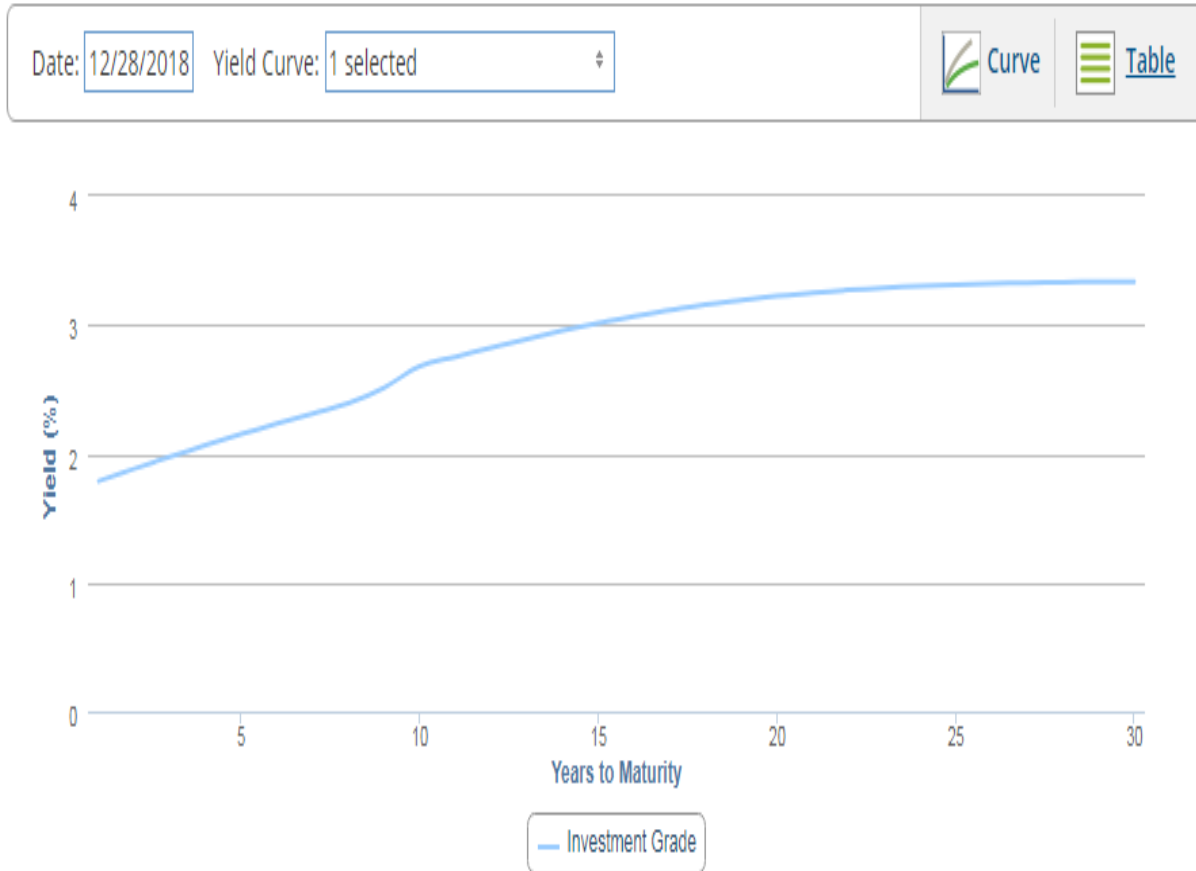
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Muni IG Curve

The MBIS Municipal Benchmark Curve is a tax-exempt investment grade yield curve that is valued directly against pre- and post-trade market data provided by the MSRB.

<https://emma.msrb.org/ToolsAndResources/MBISYieldCurve?daily=True>

Daily Yield Curves for 12/28/2018



http://www.msrb.org/~/_media/Files/EMMA/MBIS-Yield-Curve-Methodology.ashx

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The Fundamentals

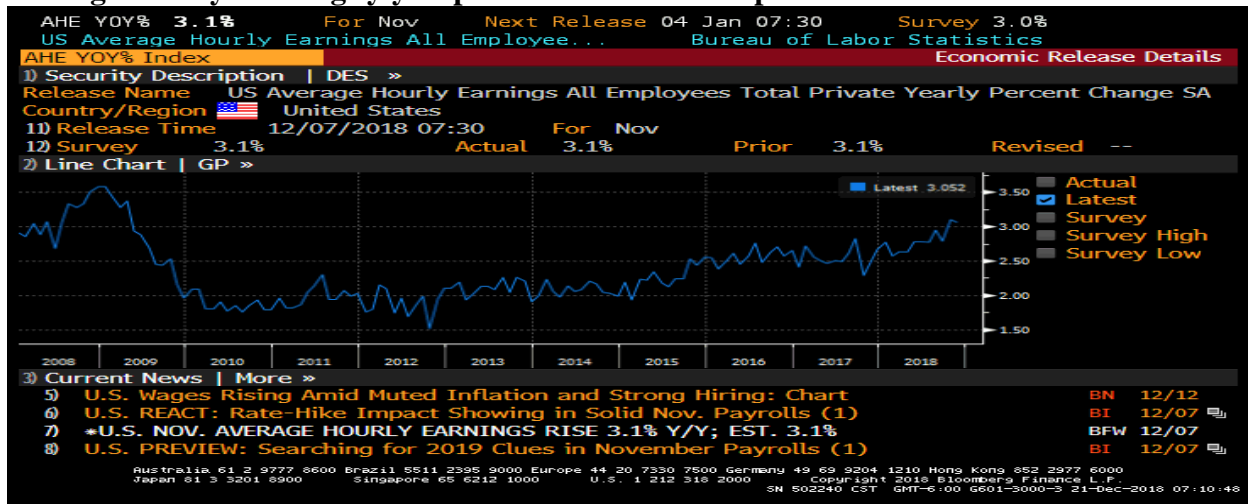
LABOR

Bureau of Labor and Statistics

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

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

Average Hourly Earnings y/y Department of Labor Department.



St. Louis Fed Agriculture Finance Monitor 3rd quarter 2018

This quarter's survey assessed the economic and financial conditions in the District's agricultural industry in the third quarter of 2018. For the nineteenth consecutive quarter, a majority of agricultural bankers in the Eighth Federal Reserve District reported that farm income had declined compared with a year earlier. Bankers also reported that farm household spending and capital expenditures remained below year-earlier levels in the third quarter. Moreover, the number of bankers reporting third-quarter declines in these key indicators was larger than three months earlier. A slightly larger percentage of respondents reported that they expect farm income and expenditures to decline again in the fourth quarter relative to a year earlier. Values of quality farmland and ranchland or pastureland rose modestly in the third quarter from a year earlier, as did cash rents. Interest rates on three of the six fixed- and variable-rate loan categories rose slightly in the third quarter. There were three special questions in this quarter's survey. In the first question, which asked bankers to choose their highest concern, a little more than three-quarters of respondents reported that continued low commodity prices is their largest concern.

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The second special question asked agricultural bankers about loan repayment problems over the second half of 2018. Nearly three-quarters of bankers responded that they expect operating lines of credit to have the largest repayment problems. Finally, the third special question asked bankers whether soybean producers in their area will delay selling all or part of this year's or next year's crops in response to the sharp decline in soybean prices. A little more than half of bankers responded in the affirmative, while a little less than half of bankers reported their belief that there will be no change in farmers' marketing plans for this year's soybean crop.

<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.	28 Dec 2018	1,083	+3	21 Dec 2018	+154	29 Dec 2017
Canada	28 Dec 2018	70	-61	21 Dec 2018	-66	29 Dec 2017
International	Nov 2018	991	-26	Oct 2018	+49	Nov 2017

<http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=iro-l-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

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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 kilowatt-hours (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%

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TRANSPORTS

Association of American Railroads Rail Traffic Report.

For the first 50 weeks of 2018, U.S. railroads reported cumulative volume of 13,153,197 carloads, up 1.7 percent from the same point last year; and 13,981,365 intermodal units, up 5.5 percent from last year.

Total combined U.S. traffic for the first 50 weeks of 2018 was 27,134,562 carloads and intermodal units, an increase of 3.6 percent compared to last year.

For this week, total U.S. weekly rail traffic was 568,941 carloads and intermodal units, up 3.9 percent compared with the same week last year.

Total carloads for the week ending December 15 were 267,534 carloads, up 1.4 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 301,407 containers and trailers, up 6.2 percent compared to 2017.

Five of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 3,262 carloads, to 91,218; petroleum and petroleum products, up 2,897 carloads, to 13,551; and metallic ores and metals, up 820 carloads, to 23,929. Commodity groups that posted decreases compared with the same week in 2017 included nonmetallic minerals, down 2,078 carloads, to 30,549; grain, down 1,030 carloads, to 22,550; and motor vehicles and parts, down 340 carloads, to 17,304.

North American rail volume for the week ending December 15, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 373,285 carloads, up 1.6 percent compared with the same week last year, and 393,598 intermodal units, up 6.2 percent compared with last year. Total combined weekly rail traffic in North America was 766,883 carloads and intermodal units, up 3.9 percent. North American rail volume for the first 50 weeks of 2018 was 36,655,329 carloads and intermodal units, up 3.3 percent compared with 2017.

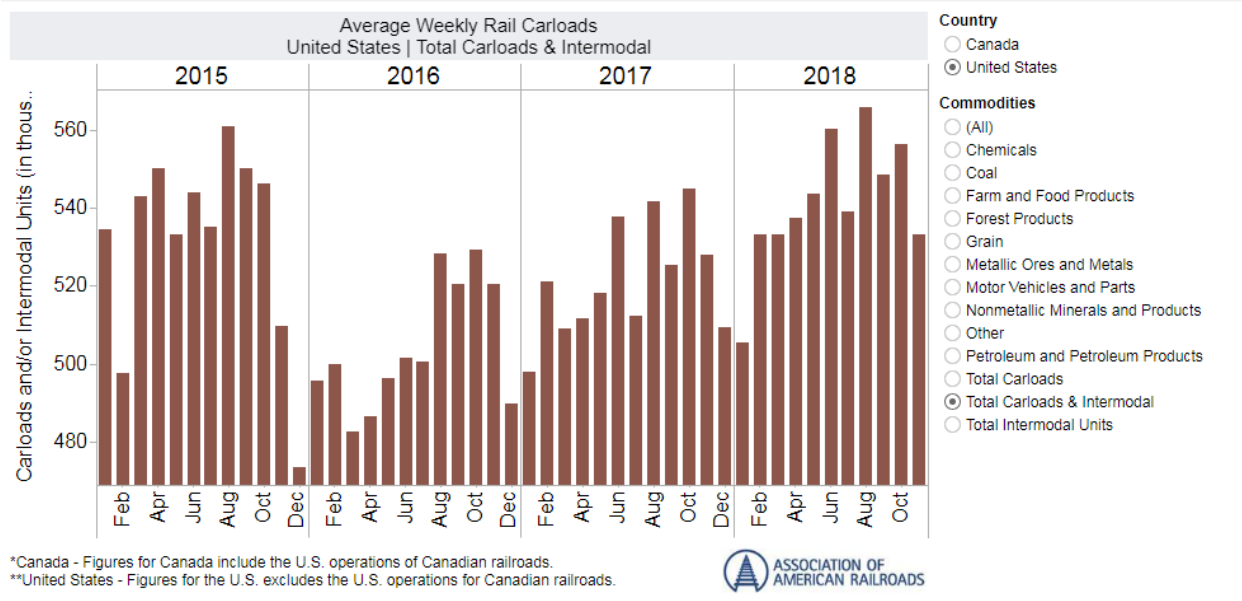
Canadian railroads reported 84,550 carloads for the week, up 3.4 percent, and 72,894 intermodal units, up 5.2 percent compared with the same week in 2017. For the first 50 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 7,579,290 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 21,201 carloads for the week, down 2.3 percent compared with the same week last year, and 19,297 intermodal units, up 10.5 percent. Cumulative volume on Mexican railroads for the first 50 weeks of 2018 was 1,941,477 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-december-15-2018/>

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Monthly Rail Traffic Charts



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

Trailer Truck Demand

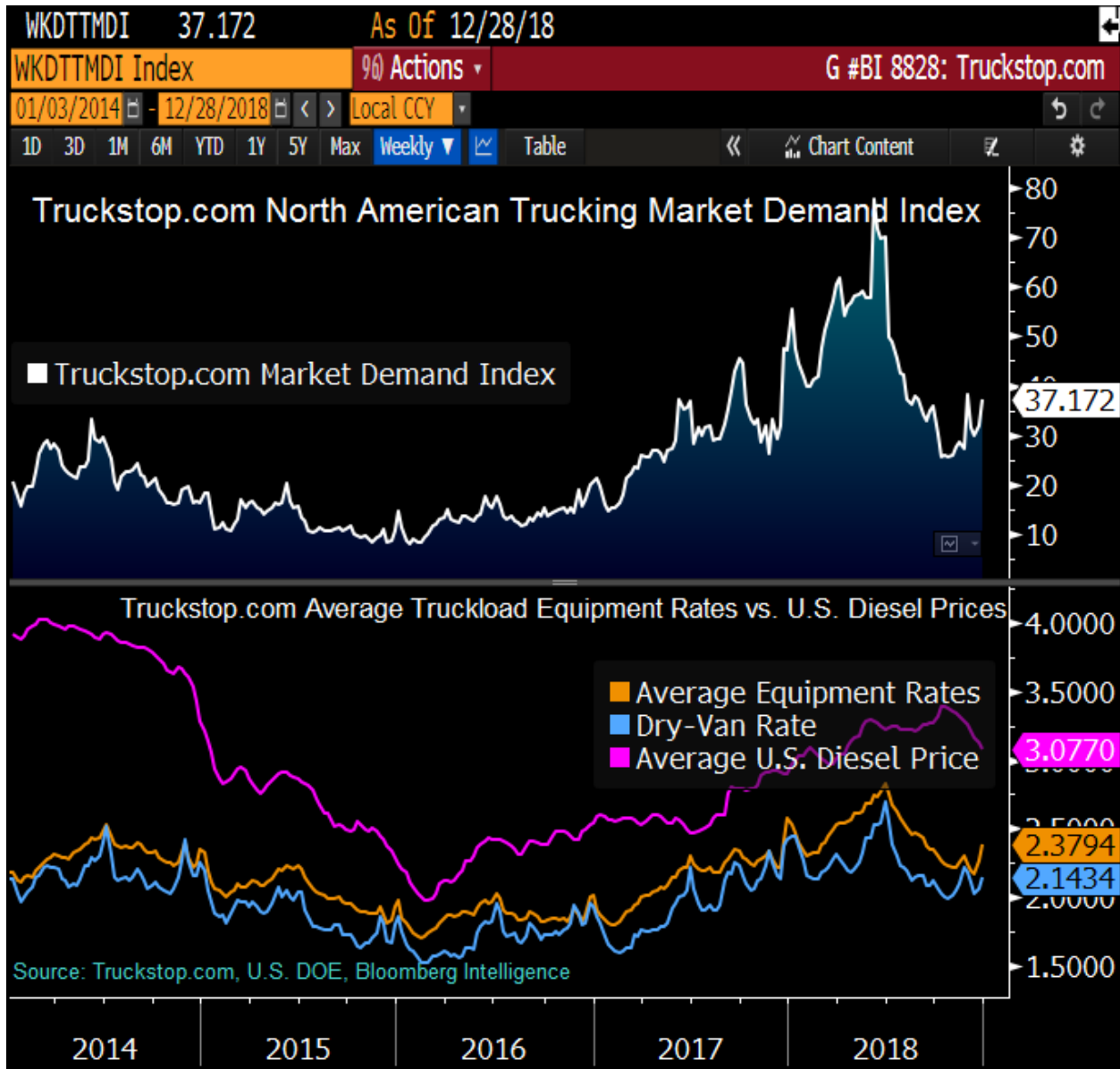
(Bloomberg Intelligence) – 12/31/18

North American spot-trucking relative demand jumped 53% on average in 2018, based on Truckstop.com's Market Demand Index. The impact of electronic logging devices, low unemployment and economic growth created a tight market. Capacity tightened as a 29% increase in loads overshadowed a 17% decline in truck availability. Spot rates excluding fuel surcharges rose 13% on average to \$2.02 a mile. Further rate increases in 2019 will be limited to mid-single digits, in our view, amid more challenging comparables. There are a number of factors at play that will limit driver availability, putting upward pressure on rates.

Companies Impacted: USA Truck, Knight-Swift, J.B. Hunt and Werner operate mostly in the contract market, with varying spot exposure. Brokers such as C.H. Robinson and XPO are also exposed to the spot market.

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

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GDP-4Q is running at *2.67% as of 12/18/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q4 2018: 2.7% ...December 21, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is **2.7 percent** on December 21, down from 2.9 percent on December 18. The nowcast of fourth-quarter real personal consumption expenditures growth decreased from 4.1 percent to 3.7 percent after this morning's personal income and outlays release from the U.S. Bureau of Economic Analysis.

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

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

New York Fed Nowcast...Q4 2018: 2.5%...December 28, 2018

The New York Fed Staff Nowcast stands at 2.5% for 2018:Q4 and 2.1% for 2019:Q1.

This week, there were no new releases on the variables tracked by the model.

The New Residential Sales and Advance Economic Indicators releases scheduled for this week were postponed due to the ongoing partial shutdown of the United States federal government.

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

St. Louis Fed Real GDP Nowcast... Q4 2018:2.80%...December 28, 2018

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

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MANUFACTURING AT A GLANCE
NOVEMBER 2018

Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.3	57.7	+1.6	Growing	Faster	27
New Orders	62.1	57.4	+4.7	Growing	Faster	35
Production	60.6	59.9	+0.7	Growing	Faster	27
Employment	58.4	56.8	+1.6	Growing	Faster	26
Supplier Deliveries	62.5	63.8	-1.3	Slowing	Slower	26
Inventories	52.9	50.7	+2.2	Growing	Faster	11
Customers' Inventories	41.5	43.3	-1.8	Too Low	Faster	26
Prices	60.7	71.6	-10.9	Increasing	Slower	33
Backlog of Orders	56.4	55.8	+0.6	Growing	Faster	22
New Export Orders	52.2	52.2	0.0	Growing	Same	33
Imports	53.6	54.3	-0.7	Growing	Slower	22
OVERALL ECONOMY				Growing	Faster	115
Manufacturing Sector				Growing	Faster	27

Average for 12 months - 59.2

High - 61.3

Low - 57.3

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<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>

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