



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

WECO <go>
(All times are CST)

9 <GO> to Save as Default

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

United States Browse 05:53:56 01/04/19 - 01/24/19

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/04	07:30				Revisions: Seasonally Adjusted Household Survey data					
22)	01/04	07:30				Change in Nonfarm Payrolls	Dec	184k	--	155k	--
23)	01/04	07:30				Two-Month Payroll Net Revision	Dec	--	--	--	--
24)	01/04	07:30				Change in Private Payrolls	Dec	185k	--	161k	--
25)	01/04	07:30				Change in Manufact. Payrolls	Dec	20k	--	27k	--
26)	01/04	07:30				Unemployment Rate	Dec	3.7%	--	3.7%	--
27)	01/04	07:30				Average Hourly Earnings MoM	Dec	0.3%	--	0.2%	--
28)	01/04	07:30				Average Hourly Earnings YoY	Dec	3.0%	--	3.1%	--
29)	01/04	07:30				Average Weekly Hours All Employee	Dec	34.5	--	34.4	--
30)	01/04	07:30				Labor Force Participation Rate	Dec	--	--	62.9%	--
31)	01/04	07:30				Underemployment Rate	Dec	--	--	7.6%	--
32)	01/04	08:45				Markit US Composite PMI	Dec F	--	--	53.6	--
33)	01/04	08:45				Markit US Services PMI	Dec F	53.4	--	53.4	--
34)	01/07	09:00				Factory Orders	Nov	0.3%	--	-2.1%	--
35)	01/07	09:00				Factory Orders Ex Trans	Nov F	--	--	0.3%	--
36)	01/07	09:00				Durable Goods Orders	Nov F	--	--	0.8%	--
37)	01/07	09:00				Durables Ex Transportation	Nov F	--	--	-0.3%	--
38)	01/07	09:00				Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.6%	--
39)	01/07	09:00				Cap Goods Ship Nondef Ex Air	Nov F	--	--	-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 2019 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 H620-2661-2 04-Jan-2019 05:53:56

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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%	--

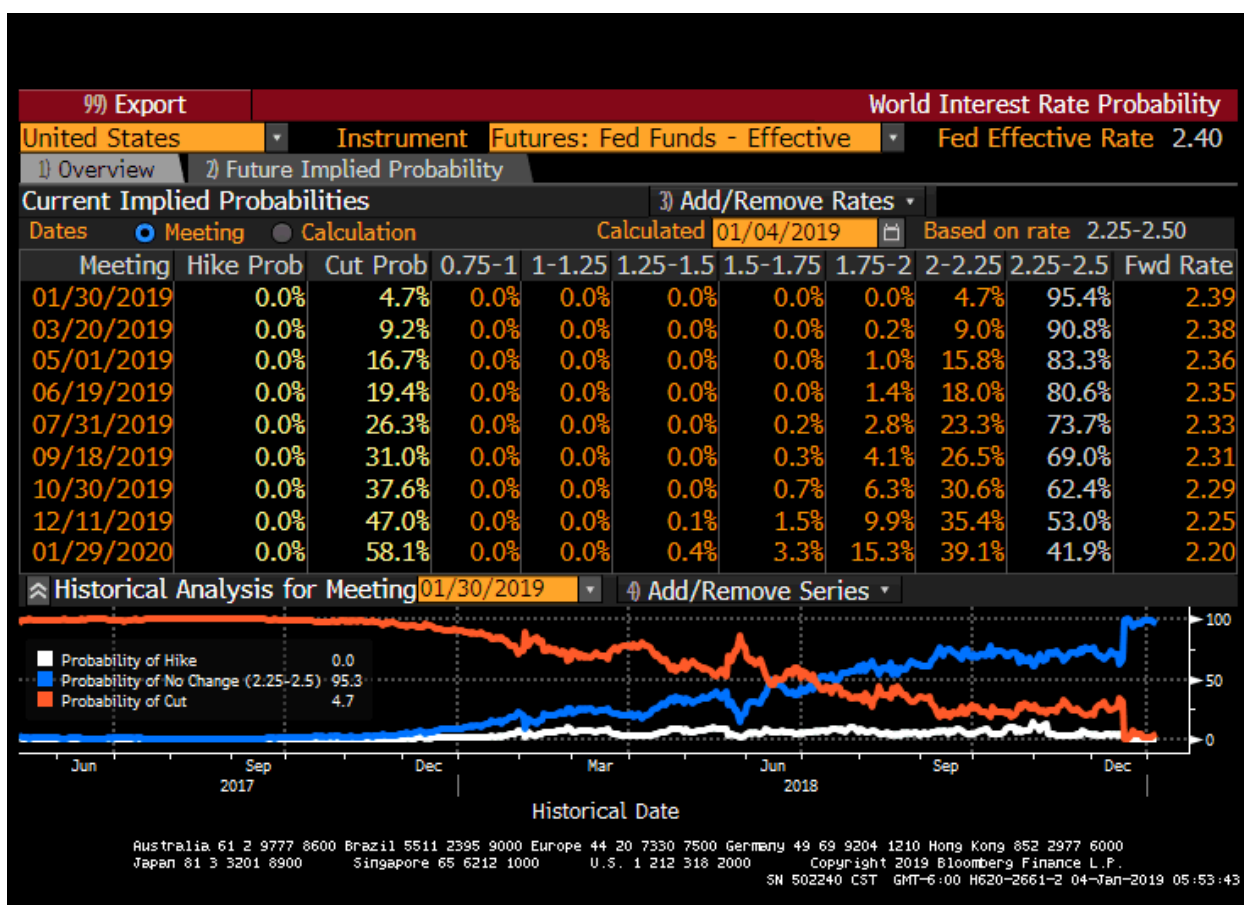
NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bl	Auction
Cash mgmt	TBA	TBA	TBA	TBA	TBA	02/13/2018	\$50
4-week	01/08/2019	01/10/2019	01/15/2019	TBA	TBA	01/03/2019	\$40
8-week	01/08/2019	01/10/2019	01/15/2019	TBA	TBA	01/03/2019	\$30
3-month	01/10/2019	01/07/2019	01/10/2019	912796RG6	\$39	12/31/2018	\$39
6-month	01/10/2019	01/07/2019	01/10/2019	912796RZ4	\$36	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	01/30/2019	01/08/2019	01/15/2019	9128285V8	\$38	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	01/30/2019	01/09/2019	01/15/2019	9128285M8	R \$24	12/12/2018	\$24
Bond Auctions							
30-year	01/30/2019	01/10/2019	01/15/2019	912810SE9	R \$16	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>

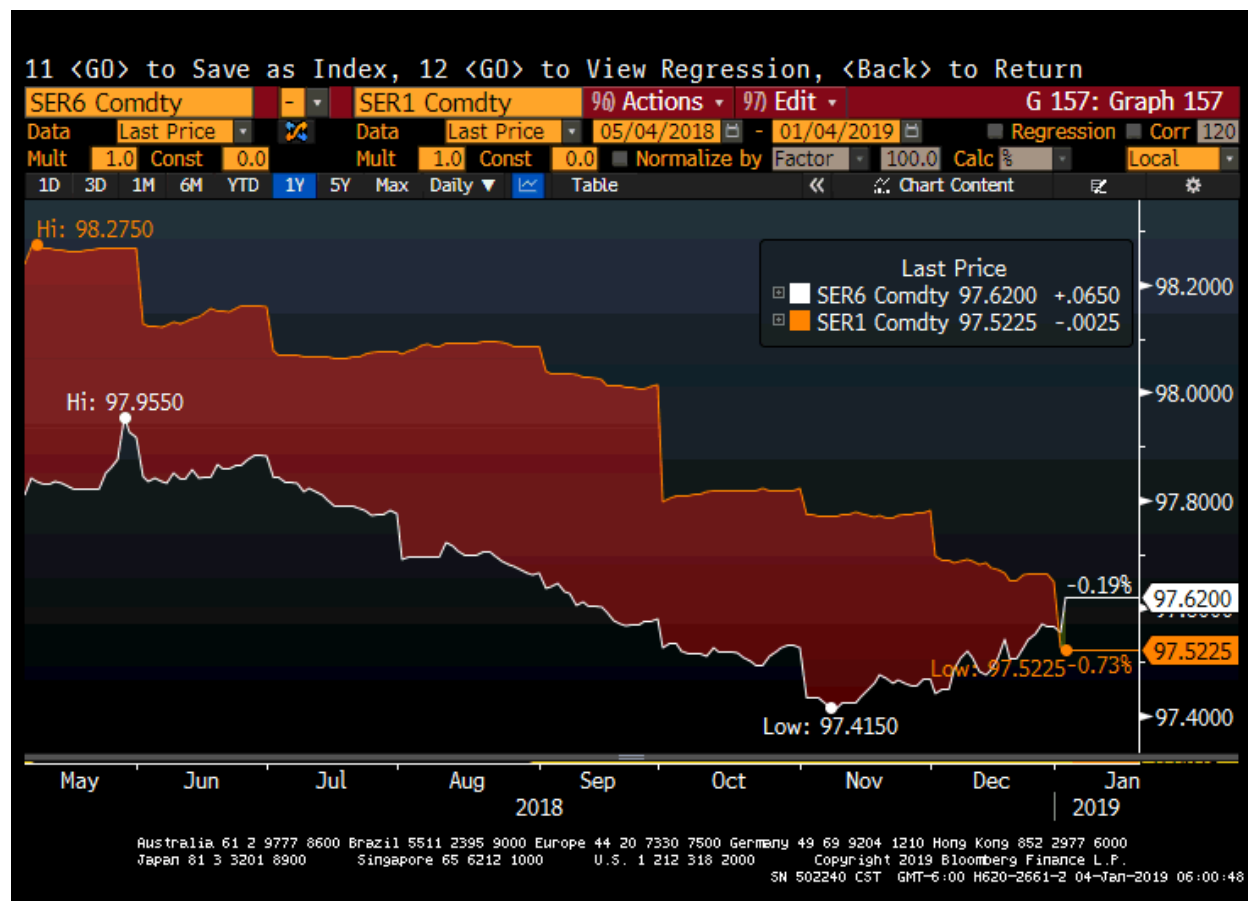


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Getting Granular

Does this Key Fed Yield Gauge point to Rate Cuts?

Below is a chart of 1-month SOFR v. 1-month SOFR 6 months forward.



When the near term forward spread turns negative, it indicates speculation on easier policy in the near future. Federal Reserve economists said looking at forward rates relative to those on current Treasury bills has served traders well in the past.

The Spread has inverted. I am not certain we are at that point, but the spread has inverted and bears watching.

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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
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 changes 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.

- 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.
- The central tendency excludes the three highest and three lowest projections for each variable in each year.
- The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
- Longer-run projections for core PCE inflation are not collected.

<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20181219.pdf>

Libor Set

1-Month Libor Set	2.52056	+.01343	(97.47944)
3-Month Libor Set	2.80388	+.00888	(97.19112)
6-Month Libor Set	2.85575	-.00320	(97.14425)
1-Year Libor Set	2.96438	-.04012	(96.03562)

THEY SAID IT

What Economists Are Saying Ahead of December's U.S. Jobs Report

<https://www.bloomberg.com/news/articles/2019-01-04/what-economists-are-saying-ahead-of-december-s-u-s-jobs-report?srnd=premium>

ING Groep-165,000 jobs, 3.7 percent unemployment rate, 3.1 percent annual wage growth.

Morgan Stanley-167,000 jobs, 3.7 percent unemployment, 3.1 percent annual wage growth.

Wells Fargo-165,000 jobs, 3.7 percent unemployment, 3 percent annual wage growth.

Citigroup-173,000 jobs, 3.7 percent unemployment, 3 percent annual wage growth.

Barclays-185,000 jobs, 3.6 percent unemployment, 3 percent annual wage gain.

Goldman Sachs-195,000 jobs, 3.7 percent unemployment, 3 percent annual wage growth.

Amherst Pierpont-200,000 jobs, 3.6 percent unemployment, 3 percent annual wage growth.

Bloomberg Economics-210,000 jobs, 3.6 percent unemployment, 3 percent annual wage growth.

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China Cuts Banks' Reserve Ratio to Ratchet Up Support for 2019

<https://www.bloomberg.com/news/articles/2019-01-04/pboc-cuts-banks-reserve-ratio-to-ratchet-up-support-for-2019?srnd=premium>

The [required reserve ratio](#) for banks will drop by 0.5 percentage point on January 15 and a further 0.5 percentage point on January 25, the People's Bank of China said on its website. Medium-term Lending Facility loans maturing in the first quarter won't be rolled over, and the amount of liquidity released will be able to offset the funding squeeze ahead of the Chinese New Year, it said.

The cut will release a net 800 billion yuan (\$116 billion) of liquidity, the PBOC said in a separate statement.

Deputy U.S. Trade Representative Jeffrey Gerrish will lead a delegation to meet Chinese counterparts starting Monday, China's commerce ministry said in a [statement](#). It will be the first time the two sides have met formally since Donald Trump and Xi Jinping agreed to a 90-day truce in Argentina last month.

<https://www.bloomberg.com/news/articles/2019-01-04/china-u-s-to-hold-vice-minister-level-trade-talks-jan-7-to-8?srnd=premium>

The new House Democratic majority voted Thursday to end the partial government shutdown but brought Congress no closer to resolving the impasse over President Donald Trump's demand to pay for a border wall.

<https://www.bloomberg.com/news/articles/2019-01-04/house-votes-to-end-shutdown-amid-trump-veto-threat-over-wall>

The president and Senate Republicans oppose the Democrats' plan, and the next effort to reopen the closed agencies will come when leaders of both parties meet with Trump at the White House Friday morning.

Republican Representative Mark Meadows of North Carolina, a close confidant of Trump and chairman of the conservative House Freedom Caucus, predicted that the shutdown would last for months.

Euro-zone inflation hit an eight-month low in December, just as the [European Central Bank](#) stopped adding stimulus to the economy.

Consumer prices increased an annual 1.6 percent in December, down from 1.9 percent in November. A measure that strips out volatile components such as fuel held at 1 percent, Eurostat said on Friday.

<https://www.bloomberg.com/news/articles/2019-01-04/euro-inflation-slows-sharply-on-oil-just-as-ecb-caps-stimulus>

The decline in the headline rate is largely driven by oil and won't surprise policy makers, who predicted weaker readings for the coming months when they announced the end of asset purchases. The price for Brent crude slid 35 percent in the fourth quarter, the most since 2014. While the ECB can -- and does -- claim that quantitative easing erased the threat of deflation, underlying price pressures are still where they were in mid-2015, just a few months into the 2.6 trillion-euro (\$3 trillion) program. Combined with reports of weakening growth momentum, that may reinforce investor expectations that the ECB won't be able to raise interest rates this year.

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“Given the many store closures across the U.S., the minimal changes in vacancy rates show how the retail sector has withstood the structural changes in the industry,” Barbara Denham, a senior economist at Reis, said. “Many feared that vacancy rates would soar and rents would plummet. This did not occur as the doomsday prognostications proved to be overblown.”

<https://www.cnn.com/2019/01/03/us-malls-handle-store-closures-by-sears-others-better-than-expected.html>

Overall, U.S. retail vacancies remained flat at 10.2 percent during the latest quarter, Reis said. The vacancy rate at regional and super regional malls was 9 percent in the fourth quarter of 2018, based on a survey released Thursday by real estate research firm Reis of 77 metropolitan areas across the country. That’s down from 9.1 percent — a seven-year high — in the third quarter, but up from 8.3 percent at the end of 2017. That’s also above a 10-year average vacancy rate for these malls of 8.4 percent during the fourth quarter.

Canada said on Thursday that 13 of its citizens have been detained in China since Huawei Technologies Co Chief Financial Officer Meng Wanzhou was arrested last month in Vancouver at the request of the United States.

<https://www.reuters.com/article/us-usa-china-huawei-tech/canada-says-13-citizens-detained-in-china-since-huawei-cfo-arrest-idUSKCN1OY05Q>

“At least” eight of those 13 had since been released, the Canadian government said in a statement, without disclosing what charges if any have been laid.

Personal data and documents from hundreds of German politicians and public figures have been published online, the government said on Friday, adding that no sensitive material from Chancellor Angela Merkel’s office was released.

<https://www.reuters.com/article/us-germany-politics-cyber/german-politicians-data-published-online-merkel-unaffected-idUSKCN1OY0IW>

An Interior Ministry spokesman declined to confirm that the data breach, which triggered an emergency meeting of the national cyber defense body, was the result of a hack.

German media earlier reported that hackers had posted data including credit card details and mobile phone numbers, with politicians from all major parties affected apart from the right-wing Alternative for Germany (AfD).

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EQUITIES

The S&P is **+34** and the NASDAQ is **+107**.

Earnings:

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

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed +1.39%.

In the UK, the 2s/10s swap curve is flatter by 0.4 bps at 29.7 with yields higher.

BOE Rate +0.75%. (No change).

Next meeting 02/07/19

On the European Continent

The CAC Index closed +1.29%.

The DAX Index closed +1.82%.

In the EU the 2s/10s swap curve is steeper by 0.1 bps at 94.3 with yields higher.

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

Deposit Facility Rate -.40%

Next meeting 01/24/19

Japan:

The TOPIX closed -1.53%.

The NIKKEI closed -2.26%.

In Japan, the 2s/10s swap curve is flatter by 1.6 bps at 15.3 with yields lower.

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

Next meeting 01/23/19

China:

The Hang Seng closed +2.24%.

The Shanghai Composite closed +2.05%.

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: 97-25.00 is the pivot. Above the pivot you should be long, below short.
Support is at 97-25.00^ and 97-16.00**.

Resistance is at 97-34.00**.

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

** 2-STD Deviations from the pivot point.

3-Month Libor Set 2.80388 +.00888 (97.19112)

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): 129-01.0 is the pivot point.

Above you should be long, below short.

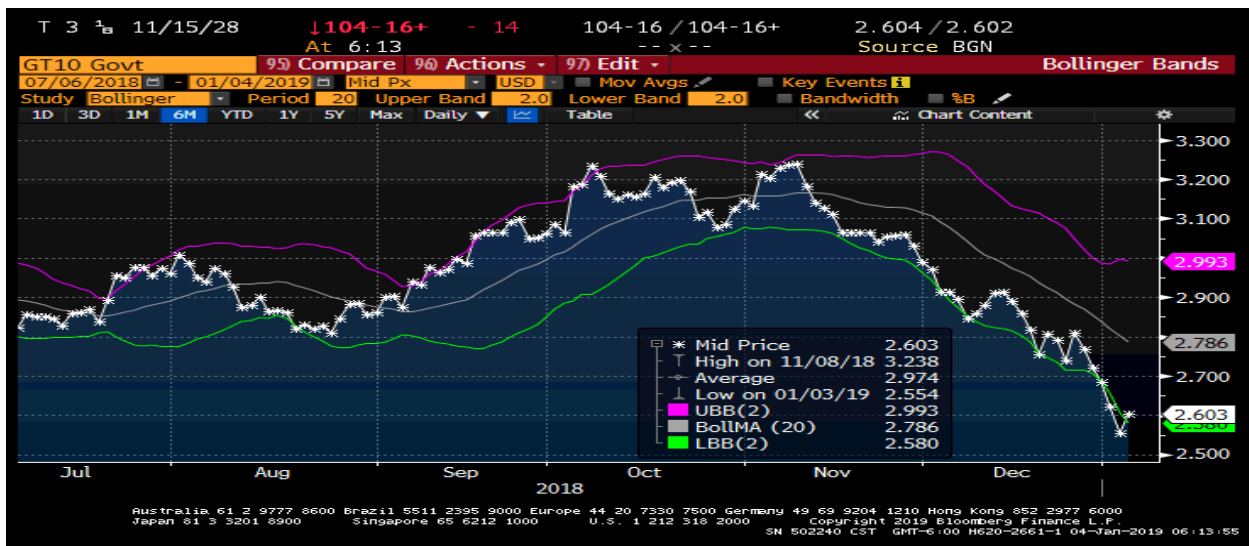
Support is at **129-01.0^** and **126-29.00****

Resistance is at **131-05.50****

^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		98) Export		99) Settings		Interest Rate Swap Rates							
Date Range:		12/04/2018		01/04/2019		1 Month							
40 Semi Swaps		40 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	2.714 / 2.718	2.716	0.022		0.4	2.676		2.930	2.824	-10.6	-1.8		
2) 2 YR	2.580 / 2.581	2.580	0.042		0.4	2.528		3.002	2.784	-20.3	-1.7		
3) 3 YR	2.498 / 2.501	2.500	0.052		0.4	2.439		2.998	2.741	-24.0	-1.7		
4) 4 YR	2.474 / 2.476	2.475	0.060		0.4	2.409		2.984	2.725	-24.9	-1.8		
5) 5 YR	2.479 / 2.483	2.481	0.062		0.4	2.413		2.976	2.735	-25.1	-1.8		
6) 6 YR	2.501 / 2.503	2.502	0.060		0.5	2.434		2.978	2.737	-23.4	-1.8		
7) 7 YR	2.528 / 2.532	2.530	0.058		0.5	2.461		2.998	2.761	-22.9	-1.8		
8) 8 YR	2.560 / 2.563	2.561	0.055		0.5	2.496		2.998	2.778	-21.5	-1.8		
9) 9 YR	2.592 / 2.595	2.593	0.053		0.5	2.529		3.015	2.801	-20.6	-1.8		
10) 10 YR	2.624 / 2.627	2.625	0.050		0.4	2.556		3.046	2.832	-20.5	-1.8		
11) 15 YR	2.723 / 2.723	2.723	0.044		0.4	2.667		3.105	2.910	-18.6	-1.8		
12) 20 YR	2.757 / 2.759	2.758	0.043		0.4	2.696		3.127	2.927	-16.7	-1.7		
13) 25 YR	2.762 / 2.765	2.763	0.041		0.4	2.704		3.145	2.929	-16.4	-1.7		
14) 30 YR	2.761 / 2.764	2.763	0.039		0.4	2.707		3.151	2.922	-15.8	-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 2019 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 H620-2661-1 04-Jan-2019 06:18:49

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.

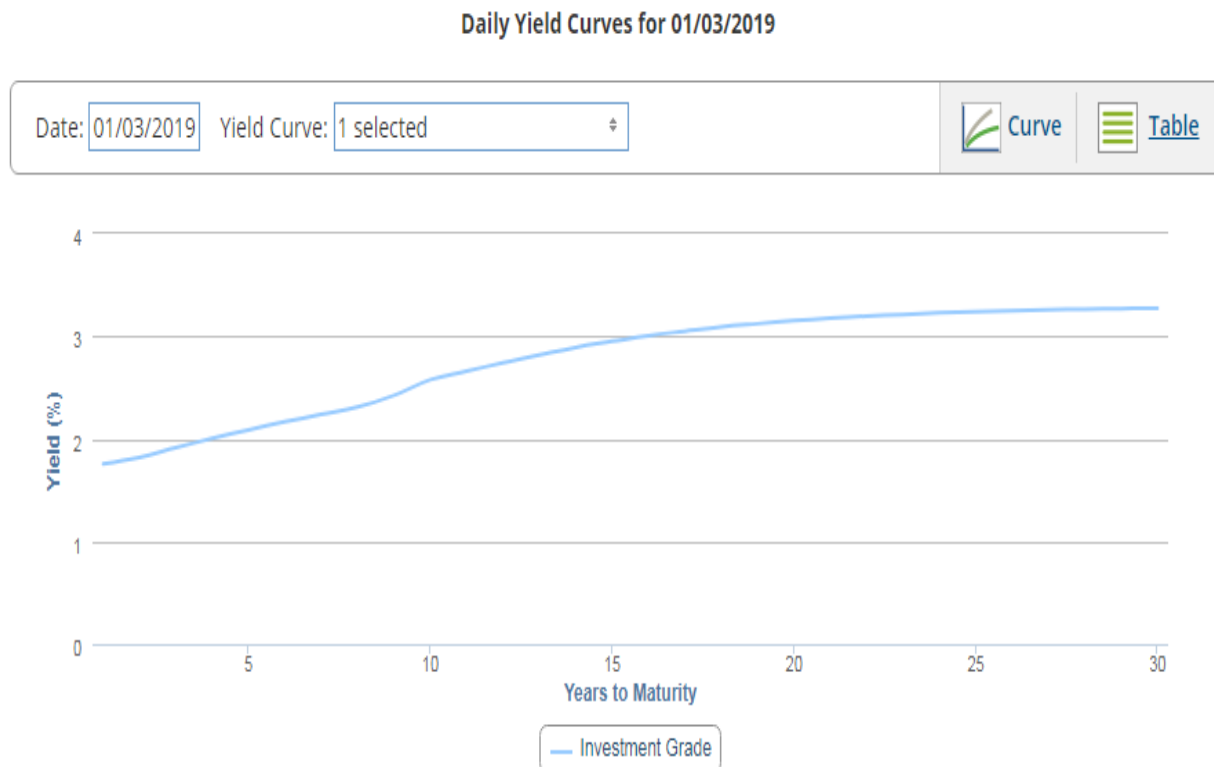
Option Book 2016 YTD realized: +\$43.75 per contract.

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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>



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

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The Fundamentals

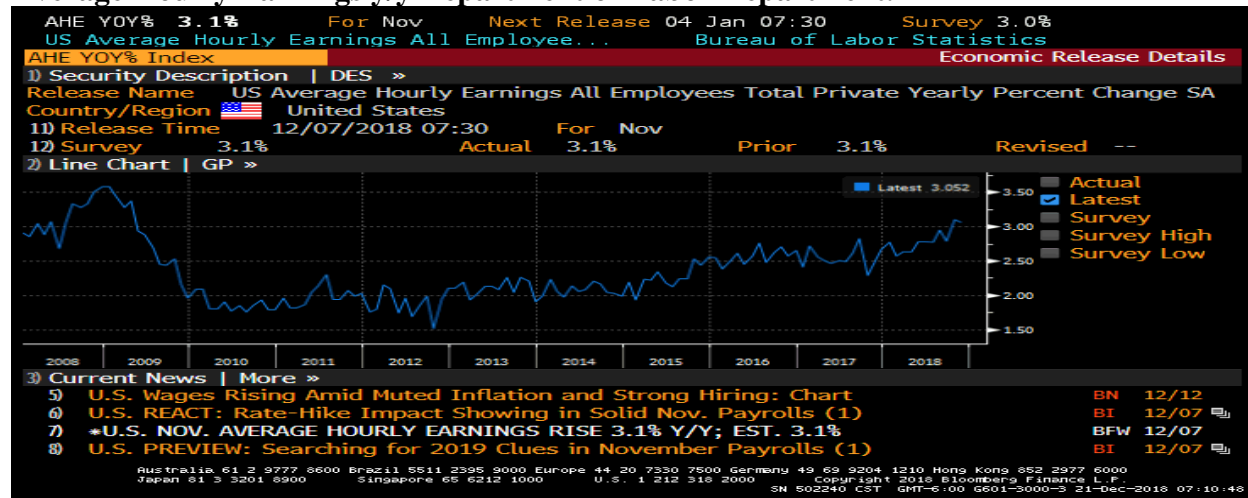
LABOR

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 rangeland 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. 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

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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=irol-rigcountsoverview>

EV Outlook 2018

Executive summary:

Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. Electric cars accounted for 39% of new car sales in Norway in 2017 – the world's most advanced market of electric cars in terms of sales share. 2 Iceland and Sweden, the next two most successful markets, achieved 11.7% and 6.3% electric car sales share, respectively, in 2017. 3 More than half of global sales of electric cars were in the People's Republic of China (hereafter, "China"), where electric cars had a market share of 2.2% in 2017. Electric cars sold in the Chinese market more than doubled the amount delivered in the United States, the second-largest electric car market globally. Electrification of other transport modes is also developing quickly, especially for two-wheelers and buses. In 2017, sales of electric buses were about 100 000 and sales of two-wheelers are estimated at 30 million; for both modes, the vast majority was in China.

<https://www.iea.org/gevo2018/>

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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 567,252 carloads and intermodal units, up 4.2 percent compared with the same week last year.

Total carloads for the week ending December 22 were 277,111 carloads, up 3.1 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 290,141 containers and trailers, up 5.3 percent compared to 2017.

Six of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included coal, up 4,039 carloads, to 93,964; petroleum and petroleum products, up 2,019 carloads, to 13,401; and chemicals, up 1,908 carloads, to 35,032. Commodity groups that posted decreases compared with the same week in 2017 included metallic ores and metals, down 1,194 carloads, to 24,385; nonmetallic minerals, down 257 carloads, to 32,826; and farm products excl. grain, and food, down 74 carloads, to 16,391.

For the first 51 weeks of 2018, U.S. railroads reported cumulative volume of 13,430,308 carloads, up 1.7 percent from the same point last year; and 14,271,506 intermodal units, up 5.5 percent from last year.

Total combined U.S. traffic for the first 51 weeks of 2018 was 27,701,814 carloads and intermodal units, an increase of 3.6 percent compared to last year.

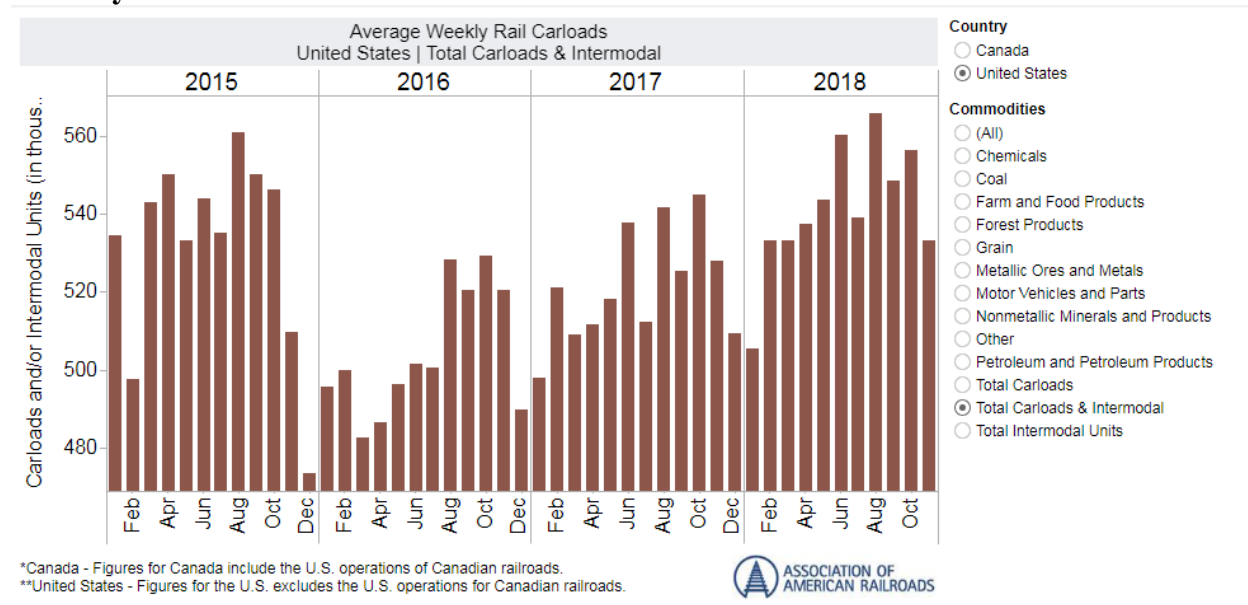
North American rail volume for the week ending December 22, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 385,992 carloads, up 2.9 percent compared with the same week last year, and 379,667 intermodal units, up 4.8 percent compared with last year. Total combined weekly rail traffic in North America was 765,659 carloads and intermodal units, up 3.9 percent. North American rail volume for the first 51 weeks of 2018 was 37,424,031 carloads and intermodal units, up 3.4 percent compared with 2017.

Canadian railroads reported 87,956 carloads for the week, up 4.8 percent, and 71,747 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 51 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 7,738,993 carloads, containers and trailers, up 3.8 percent.

Mexican railroads reported 20,925 carloads for the week, down 6.2 percent compared with the same week last year, and 17,779 intermodal units, down 0.8 percent. Cumulative volume on Mexican railroads for the first 51 weeks of 2018 was 1,983,224 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-december-22-2018/>

Monthly Rail Traffic Charts



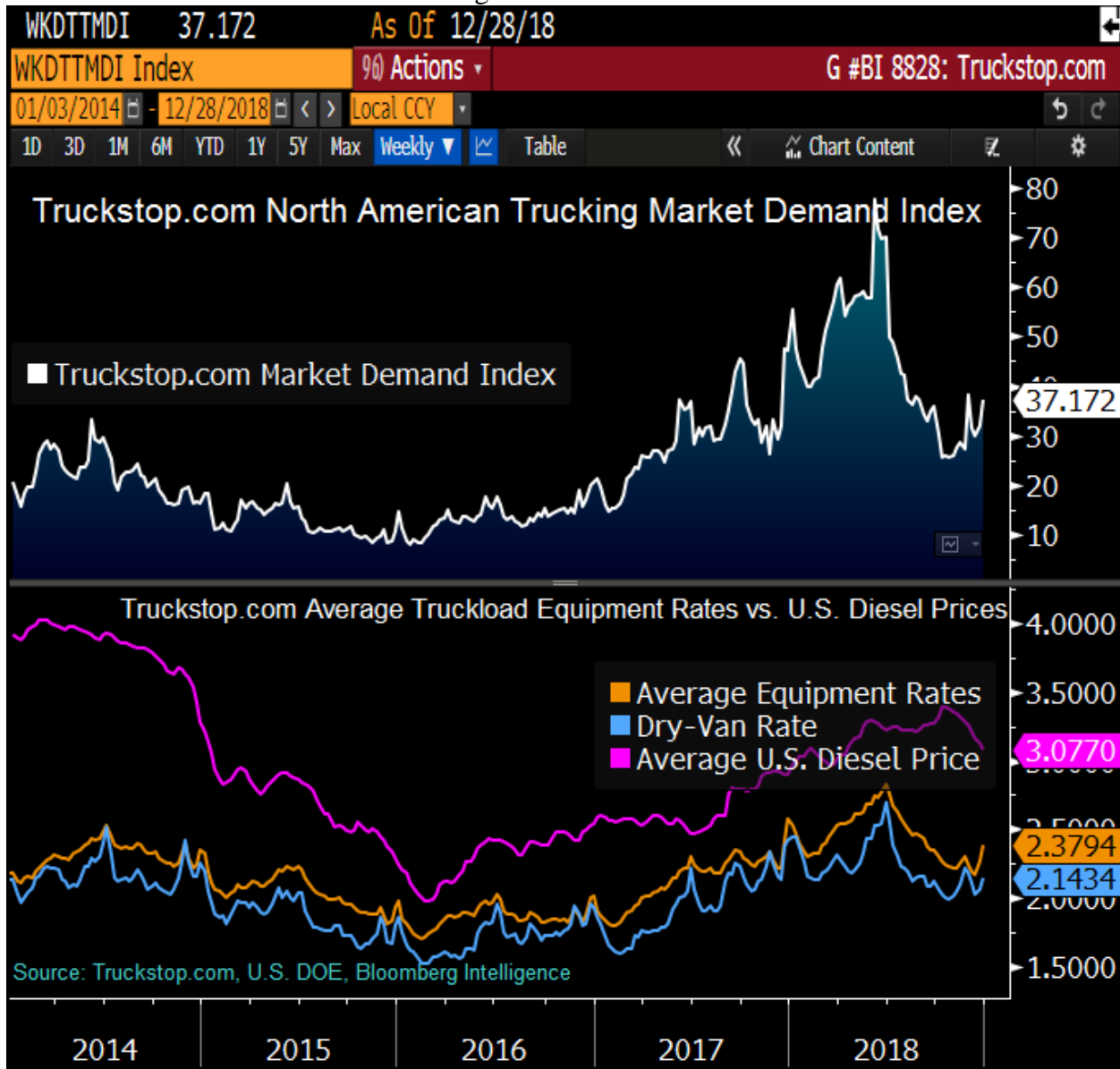
<https://www.aar.org/data-center/rail-traffic-data/>

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**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



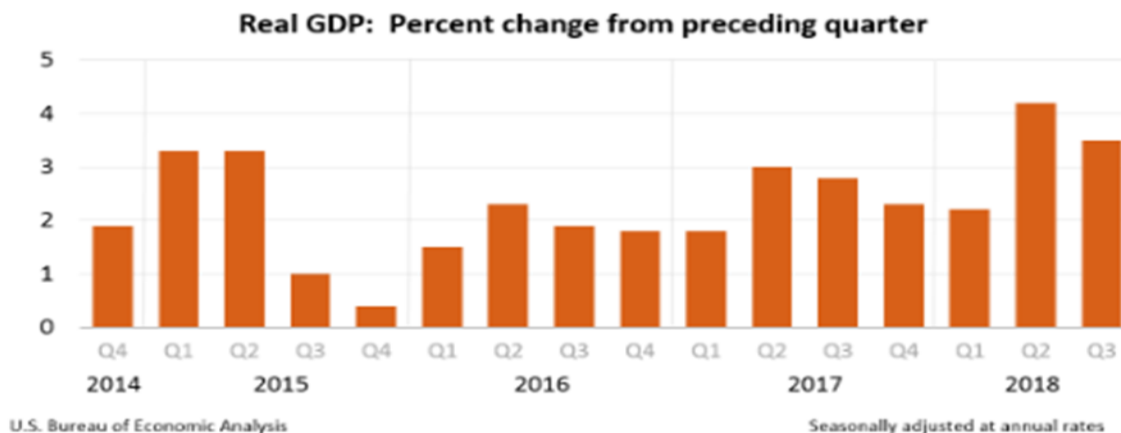
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GDP

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



GDP-4Q is running at *2.63% as of 12/18/18

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

Atlanta Fed GDPNow...Q4 2018: 2.6% ...January 3, 2018

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is **2.6 percent** on January 3, down from 2.7 percent on December 21. The nowcasts of fourth-quarter real consumer spending growth and fourth-quarter real private fixed investment growth decreased from 3.7 percent and 2.7 percent, respectively, to 3.6 percent and 2.4 percent, respectively, after this morning's Manufacturing ISM Report On Business from the Institute for Supply Management.

*The next GDPNow update is **Tuesday, January 8**. 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
DECEMBER 2018

Index	Series Index Dec	Series Index Nov	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	54.1	59.3	-5.2	Growing	Slower	28
New Orders	51.1	62.1	-11.0	Growing	Slower	36
Production	54.3	60.6	-6.3	Growing	Slower	28
Employment	56.2	58.4	-2.2	Growing	Slower	27
Supplier Deliveries	57.5	62.5	-5.0	Slowing	Slower	27
Inventories	51.2	52.9	-1.7	Growing	Slower	12
Customers' Inventories	41.7	41.5	+0.2	Too Low	Slower	27
Prices	54.9	60.7	-5.8	Increasing	Slower	34
Backlog of Orders	50.0	56.4	-6.4	Unchanged	Slower	1
New Export Orders	52.8	52.2	+0.6	Growing	Faster	34
Imports	52.7	53.6	-0.9	Growing	Slower	23
OVERALL ECONOMY				Growing	Slower	116
Manufacturing Sector				Growing	Slower	28

Average for 12 months - 58.8

High - 61.3

Low - 54.1

<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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