



Fixed Income Group A Division of RJ O'Brien

The Missile

www.fixedincomegroup.com

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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 15:27:09 01/08/19 - 01/27/19

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/08	05:00				NFIB Small Business Optimism	Dec	103.0	--	104.8	--
22)	01/08	07:30				Trade balance data postponed by government shutdown					
23)	01/08	09:00				JOLTS Job Openings	Nov	7050	--	7079	--
24)	01/08	14:00				Consumer Credit	Nov	\$17.500b	--	\$25.384b	--
25)	01/09	06:00				MBA Mortgage Applications	Jan 4	--	--	-8.5%	--
26)	01/09	13:00				FOMC Meeting Minutes	Dec 19	--	--	--	--
27)	01/09-01/18					Advance Goods Trade Balance	Nov	-\$76.1b	--	-\$77.2b	-\$77.0b
28)	01/09-01/18					Wholesale Inventories MoM	Nov P	0.5%	--	0.8%	--
29)	01/09-01/18					Retail Inventories MoM	Nov	--	--	0.9%	0.8%
30)	01/09-01/18					New Home Sales	Nov	566k	--	544k	--
31)	01/09-01/18					New Home Sales MoM	Nov	4.0%	--	-8.9%	--
32)	01/09-01/18					Construction Spending MoM	Nov	0.2%	--	-0.1%	--
33)	01/09-01/18					Factory Orders	Nov	0.3%	--	-2.1%	--
34)	01/09-01/18					Factory Orders Ex Trans	Nov F	--	--	0.3%	--
35)	01/09-01/18					Durable Goods Orders	Nov F	--	--	0.8%	--
36)	01/09-01/18					Durables Ex Transportation	Nov F	--	--	-0.3%	--
37)	01/09-01/18					Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.6%	--
38)	01/09-01/18					Cap Goods Ship Nondef Ex Air	Nov F	--	--	-0.1%	--
39)	01/09-01/18					Trade Balance	Nov	-\$54.0b	--	-\$55.5b	--

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
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SN 502240 CST GMT-6:00 G660-4537-3 07-Jan-2019 15:27:09

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Fed Speak Calendar (All times are CST)

Economic Calendars										
1) Calendars		2) Alerts		3) Export		4) Settings		United States		
United States		Browse		15:29:20		01/08/19		- 01/18/19		
Central Banks			All Central Banks			View Agenda Weekly				
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/09 07:20				Fed's Bostic Speaks in Chattanooga on Economic Outlook					
22)	01/09 08:00				Fed's Evans Speaks on Economy and Monetary Policy					
23)	01/09 10:30				Fed's Rosengren Speaks on the Economic Outlook					
24)	01/09 13:00				FOMC Meeting Minutes	Dec 19	--	--	--	--
25)	01/10 07:35				Fed's Barkin Speaks on Ensuring Long-Term Growth					
26)	01/10 11:00				Fed's Powell to Speak to The Economic Club of Washington					
27)	01/10 11:40				Fed's Bullard Speaks on Economy and Monetary Policy					
28)	01/10 12:00				Fed's Evans speaks at Economic Forecast Event					
29)	01/10 12:20				Fed's Kashkari Speaks on Immigration and Growth					
30)	01/10 16:30				Fed's Clarida Speaks to Money Marketeers in New York					
31)	01/15 10:30				Fed's Kashkari Speaks on Regional Economy in Minnesota					
32)	01/15 12:00				Fed's George Speaks on Economy and Monetary Policy Outlook					
33)	01/15 12:00				Fed's Kaplan Speaks in Plano, Texas					
34)	01/16 13:00				U.S. Federal Reserve Releases Beige Book					
35)	01/16 17:30				Fed's Kashkari Speaks on Panel About Financial Crisis					
36)	01/16 17:30				Fed's Kashkari Speaks About 10h Anniversary of Crisis					
37)	01/17 09:45				Fed's Quarles Speaks at Insurance Industry Forum					
38)	01/18 08:05				Fed's Williams Speaks on Economic Outlook and Monetary...					
39)	01/18 10:00				Fed's Harker Speaks Symposium on Prosperity					

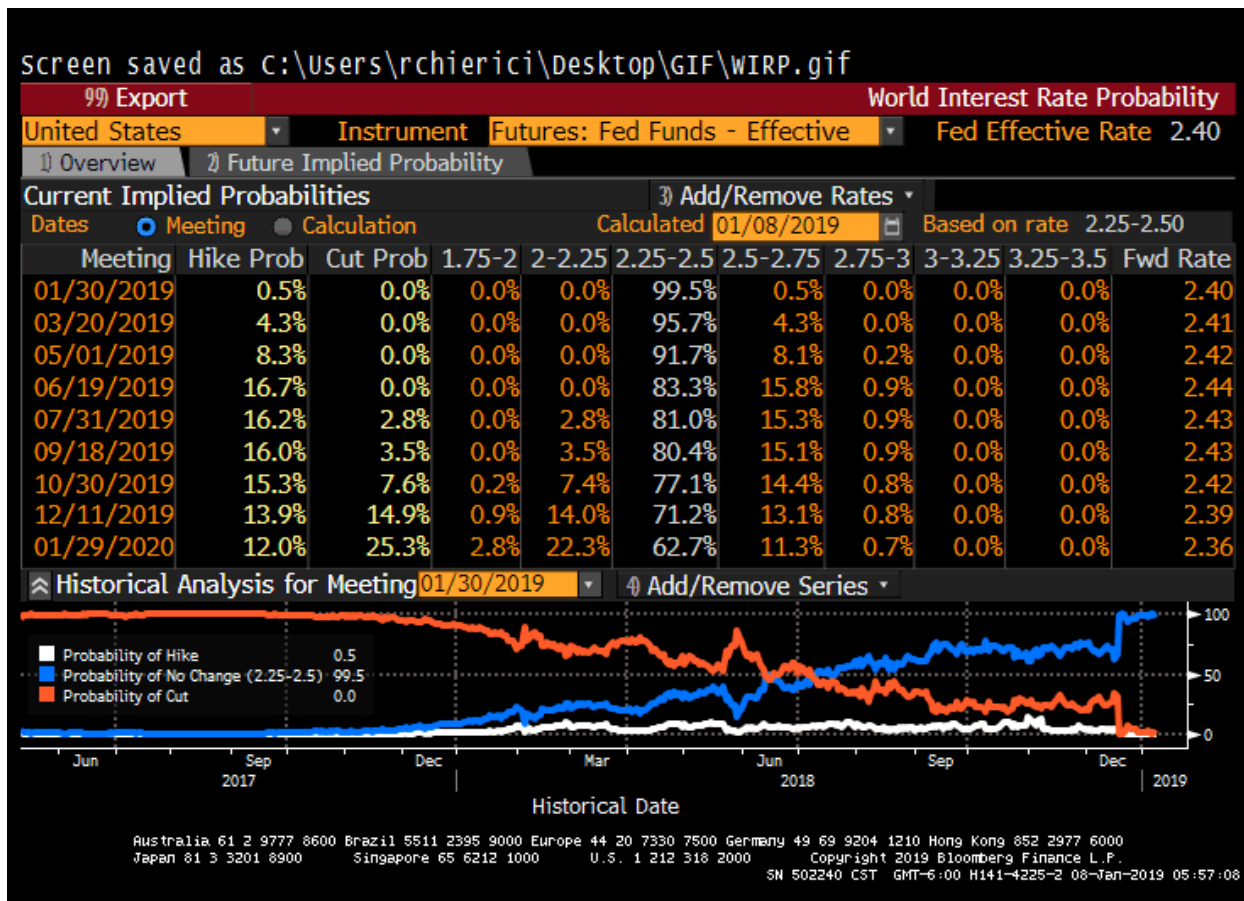
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News: News Story									
4) Previous		3) Next		66) Send		98) Actions		99) Translate	
01/07/2019 15:42:19 [BN]									
	Next Offer	Next	Date	CUSIP	\$	Prior	Prior*		
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction	\$	Bln
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018		\$50
4-week	01/08/2019	01/10/2019	01/15/2019	912796UN7		TBA	01/03/2019		\$40
8-week	01/08/2019	01/10/2019	01/15/2019	912796US6		TBA	01/03/2019		\$30
3-month	01/10/2019	01/14/2019	01/17/2019	912796RH4		TBA	01/07/2019		\$39
6-month	01/10/2019	01/14/2019	01/17/2019	912796QR3		TBA	01/07/2019		\$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	\$.025

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

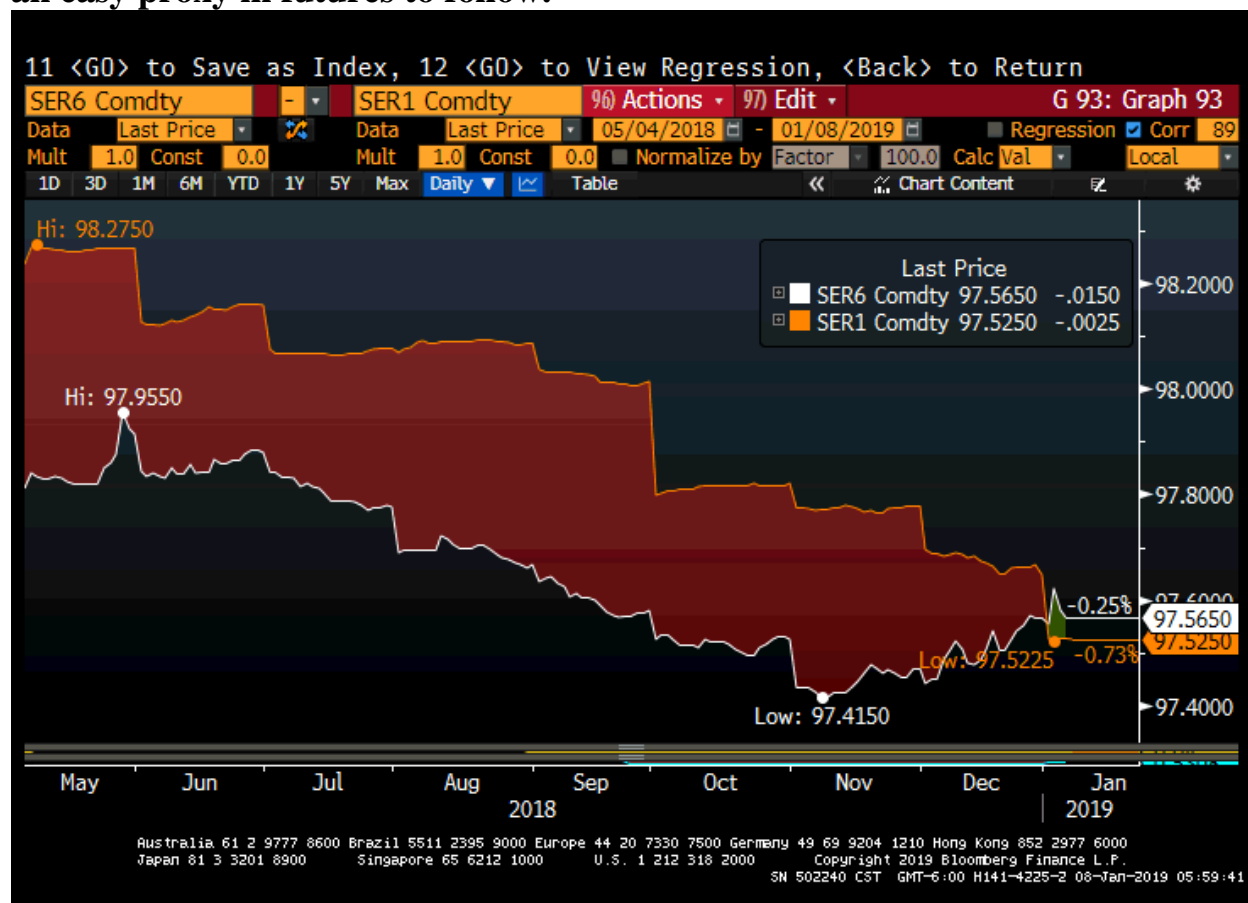


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Getting Granular

Fed watches 1-month bill v. 1-month bills 6 months forward.

Below is a chart of 1-month SOFR v. 1-month SOFR 6 months forward, an easy proxy in futures to follow.



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

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.

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/fomcprojtabl20181219.pdf>

Libor Set

1-Month Libor Set	2.51550	+.00437	(97.48450)
3-Month Libor Set	2.78250	-.01431	(97.21750)
6-Month Libor Set	2.85256	-.00319	(97.14744)
1-Year Libor Set	3.01613	+.02138	(96.98387)

THEY SAID IT

“The talks are still underway and I believe we will release a detailed readout after they are concluded,” Chinese foreign ministry spokesman Lu Kang told reporters at a regular briefing Tuesday in Beijing. No timing was given and it wasn’t immediately clear if the U.S. would release a statement.

U.S. Commerce Secretary Wilbur Ross expressed optimism on Monday, telling CNBC that “there’s a very good chance that we’ll get a reasonable settlement.” Vice Premier Liu He made an appearance at the talks on Monday in a sign the Chinese were also pushing for a positive outcome.

<https://www.bloomberg.com/news/articles/2019-01-08/u-s-china-talks-near-close-with-positive-signs-from-both-sides?srnd=premium>

Liu, the chief economic adviser to Chinese President Xi Jinping, made brief remarks at the negotiations, a person familiar with the meeting said. Asked about his presence on Tuesday, Lu from the foreign ministry said it wasn’t surprising for Liu to be there. Liu led a previous round of

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talks in Washington last year that ended in failure, and he's expected to meet chief U.S. negotiator Robert Lighthizer later this month.

(Speak for Yourself)

“We’re flying blind to a large extent. We can say what should be happening, but that’s not always what occurs in the data,” said Joshua Shapiro, chief U.S. economist at Maria Fiorini Ramirez Inc. in New York, who will be working on other research Tuesday morning instead of poring over data on the trade balance.

“The trends show a slowdown in both imports and exports long-term, but it’s hard to say in the absence of the data,” he said. “It’s a crucial part of the picture that we don’t have right now.”

<https://www.bloomberg.com/news/articles/2019-01-08/economists-turn-to-shutdown-proof-reports-as-u-s-data-delayed>

The Commerce Department, which houses the statistics-issuing [Census Bureau](#) and Bureau of Economic Analysis, is among the agencies -- covering about 25 percent of government funding - - that lack approved spending. That puts on hold the November international-trade data originally scheduled for Tuesday morning in Washington, following the [postponement of reports](#) on factory orders, construction spending and new home sales.

While the Labor Department is funded and its releases such as last week’s [employment report](#) are proceeding as scheduled, analysts use the Commerce indicators to connect the dots on economic health. The partial shutdown is forcing analysts to get more creative, leaning more on reports such as business surveys and port-traffic data. It’s not just economists: Federal Reserve Bank of Atlanta President Raphael Bostic said Monday that the lack of some data will likely hinder the central bank in its decision making.

The president has broad authority to declare a national emergency under a 1976 law and dozens of emergencies have since been declared, including during the Iran hostage crisis and the aftermath of the Sept. 11 terror attacks.

<https://www.bloomberg.com/news/articles/2019-01-08/trump-eyes-untested-emergency-power-to-fund-wall-skirt-congress?srnd=premium>

Under the law governing the Pentagon, the president can declare a national emergency, which would allow the defense secretary to redirect money from military construction funds for projects “necessary” to support the deployment of U.S. armed forces. That allows the secretary to skip congressional approval, which is normally needed to spend federal money.

Job openings are outnumbering unemployed workers across increasingly wide swaths of the United States, forcing businesses to rethink how they find workers, which could keep pressure on the Federal Reserve to raise interest rates despite a global economic slowdown.

<https://www.cnbc.com/2019/01/08/more-us-regions-see-job-openings-outnumbering-jobless.html?forYou=true>

The volume of openings first topped the number of jobless people in Midwestern states in early 2017. But in recent months that phenomenon has spread to other regions, particularly the South. Economists say the most convincing signs of labor shortages would be a surge in wage growth. While average hourly earnings rose 3.2 percent in December that is tepid by historical standards.

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It is possible that the imbalance between job openings and unemployed workers owes partly to the ease with which online job advertisements can be posted. Additionally, it may overstate labor market tightness because people not actively looking for work are not counted in the ranks of the unemployed.

(Transactional v. Transformational)

“It’s intriguing that the domestic demand part is the weak part — the external demand is not that bad,” said Taimur Baig, chief economist at DBS Group Research.

“Particularly weak” domestic demand was possibly signaling structural changes in the Chinese economy, Baig told CNBC’s [“Capital Connection.”](#)

For its part, DBS forecasts China’s GDP growth to be “sub-6 percent” currently, Baig said. <https://www.cnbc.com/2019/01/08/chinas-current-gdp-growth-is-likely-less-than-6-percent-economist.html>

While official data indicated China’s economy held up for much of last year, as production metrics and export orders fall amid the country’s trade dispute with the [U.S.](#), its largest trading partner.

Despite [negotiations between the two economic giants](#) underway in [Beijing](#), Baig said it was unlikely that the trade war would end in the next three to six months because the areas of disagreement extend [far beyond imports and exports](#).

A positive signal, according to Baig, would be an extension of the three-month truce into the summer, giving the global economy some respite for the first half of the year.

“But beyond that, let’s keep our expectations checked,” he said.

A dramatic plunge in German industrial activity late last year raised the risk that Europe’s largest economy will slip into recession.

<https://www.bloomberg.com/news/articles/2019-01-08/germany-s-industry-shock-raises-specter-of-economic-recession?srnd=premium>

Production fell for a third month in November and posted its worst [year-on-year drop](#) since the end of the financial crisis, with weakness in everything from consumer goods to energy. A slump in Germany has repercussions for the euro area, where separate numbers on Tuesday showed economic confidence has fallen to the lowest in almost two years.

The German numbers, while volatile, follow a [bigger-than-expected](#) decline in factory orders. That’s sparked recession talk among investors and economists already fretting about slower global momentum.

Britain plans to hold a vote in parliament on the government’s deal to leave the European Union on Jan. 15, Prime Minister Theresa May’s spokesman said on Tuesday after a meeting of senior ministers.

<https://www.reuters.com/article/us-britain-eu/uks-brexit-vote-planned-for-jan-15-no-plans-to-delay-eu-exit-idUSKCN1P217R>

May again told her cabinet it was not government policy to delay Brexit by extending the so-called Article 50 notice, the spokesman said, adding the idea may have been discussed by EU officials but not by British officials.

“Subject to parliament approving a business motion, the debate will be opened tomorrow ... The

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prime minister said that she would close the debate next Tuesday, which is January 15, when the vote will take place,” her spokesman told reporters.

Turkey’s President Recep Erdogan issued a blunt put-down against White House national security advisor John Bolton over his [pledges to ensure Turkish non-aggression](#) against Kurds who fought against the Islamic State (IS) in Syria.

<https://www.cnbc.com/2019/01/08/turkeys-erdogan-shuts-down-white-houses-bolton-on-syria.html>

“We cannot accept Bolton’s messages given from Israel,” the Turkish president said on Monday, adding that Bolton made a “serious mistake,” Reuters reported.

He was referring to [statements by the senior Trump administration official](#), made from Israel over the weekend, promising safety for the U.S.-allied Kurdish militias — who dominate areas in Northern Syria and whom the Turks view as terrorists — in the event of a U.S. military withdrawal.

The militias, known as the Kurdish People’s Protection Units (YPG), are the armed wing of the Democratic Union Party (PYD), an offshoot of the designated terrorist group called the Kurdistan Workers Party which has carried out a decades-long insurgency against the Turkish state. They’re also America’s primary partners on the ground in Syria: the Pentagon has been supplying the YPG with weaponry, air support and training to battle IS since 2015, and the militias have suffered thousands of casualties fighting for the U.S.-led coalition.

The Taliban said on Tuesday they had canceled planned peace talks with U.S. officials in Qatar this week over an agenda disagreement.

<https://www.reuters.com/article/us-usa-afghanistan-taliban-cancelled/taliban-call-off-peace-talks-with-u-s-officials-idUSKCN1P213G>

“Both sides have agreed to not meet in Qatar,” senior Taliban members based in Afghanistan told Reuters.

Talks had been planned for two days starting Wednesday in Qatar, senior Taliban members earlier told Reuters. The Taliban had rejected requests from regional powers to allow Afghan officials to take part in the discussion.

Alabama’s attorney general asked federal elections officials on Monday to investigate allegations that the 2017 U.S. Senate election that Republican Roy Moore lost to Democrat Doug Jones was tainted by use of a misleading social media campaign.

<https://www.reuters.com/article/us-alabama-election/alabama-attorney-general-asks-feds-to-investigate-2017-election-idUSKCN1P12AP>

Attorney General Steve Marshall has said he was concerned over tactics used in the election. Jones, a former federal prosecutor, became the first Democrat in a quarter-century to win a U.S. Senate race in the state when he upset Moore by a narrow margin to win the seat formerly held by Republican Jeff Sessions.

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EQUITIES

The S&P is **+20** and the NASDAQ is **+61**.

Earnings:

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

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed +1.14%.

In the UK, the 2s/10s swap curve is flatter by 0.1 bps at 29.2 with yields higher.

BOE Rate +0.75%. (No change).

Next meeting 02/07/19

On the European Continent

The CAC Index closed +1.45%.

The DAX Index closed +0.82%.

In the EU the 2s/10s swap curve is steeper by 1.4 bps at 96.4 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 +0.39%.

The NIKKEI closed +0.82%.

In Japan, the 2s/10s swap curve is steeper by 2.5 bps at 18.4 with yields mixed.

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

Next meeting 01/23/19

China:

The Hang Seng closed +0.15%.

The Shanghai Composite closed -0.26%.

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: 97-26.00 is the pivot. Above the pivot you should be long, below short.
Support is at 97-26.00^ and 97-18.50**.

Resistance is at 97-33.75**.

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

** 2-STD Deviations from the pivot point.

3-Month Libor Set 2.78250 -0.01431 (97.21750)

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): 129-06.0 is the pivot point.

Above you should be long, below short.

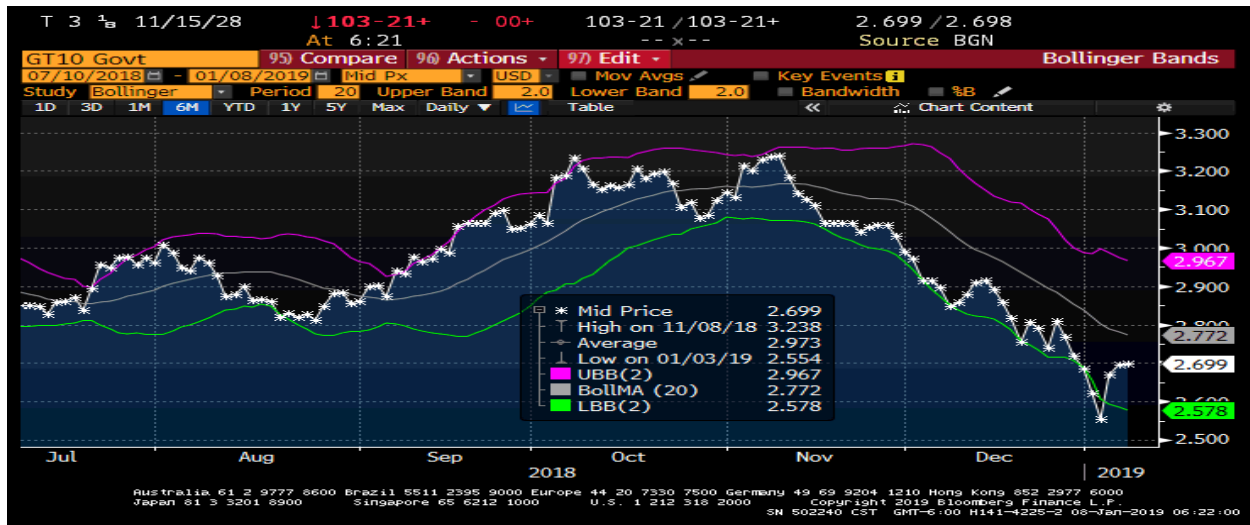
Support is at **129-06.0^** and **127-04.50****

Resistance is at **131-07.50****

^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).



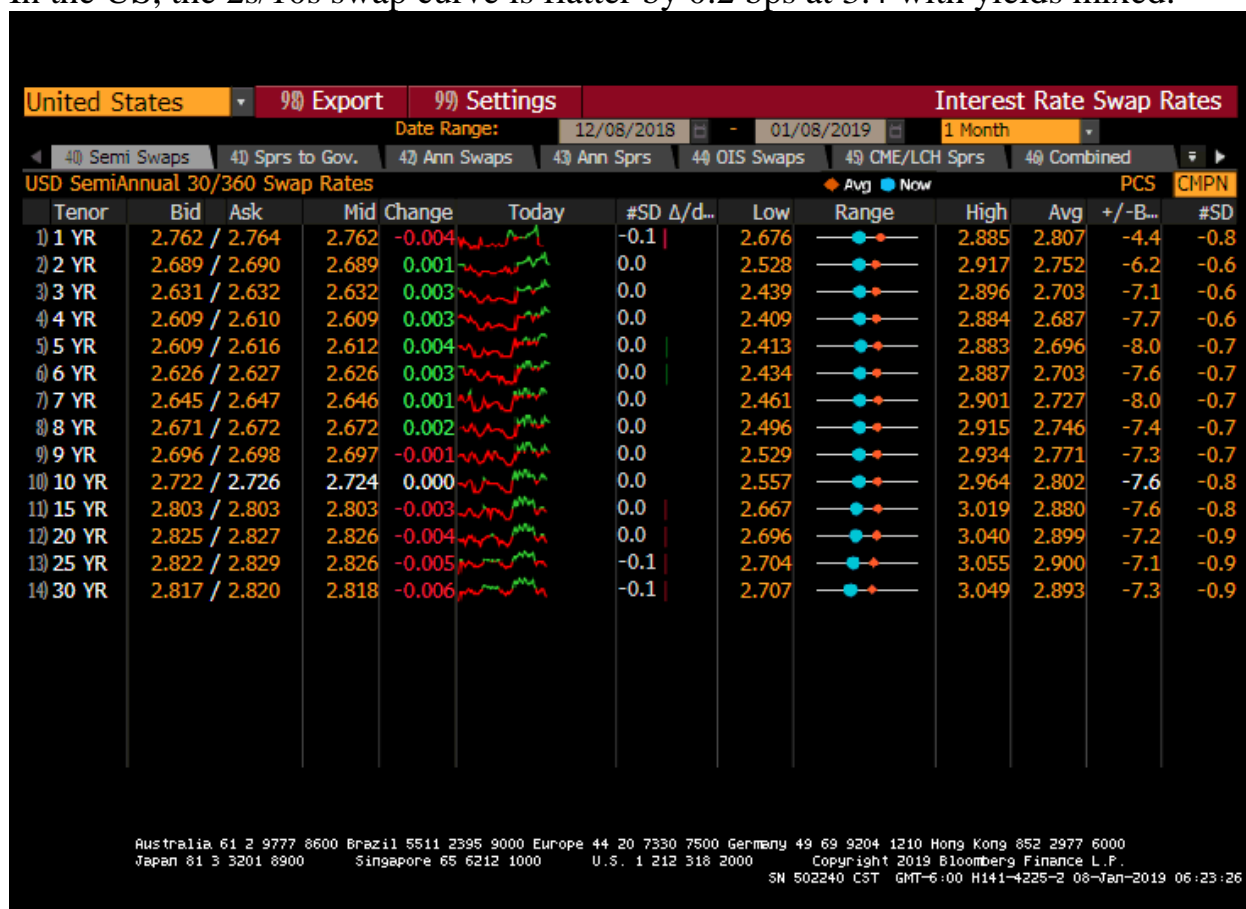
YTD (per contract)

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

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US-SWAPS IRSB <GO>

In the US, the 2s/10s swap curve is flatter by 0.2 bps at 3.4 with yields mixed.



The Option Lab

Option Book 2018 YTD realized: **+\$15.62** per contract.

Option Book 2017 YTD realized: **-\$228.13** per contract.

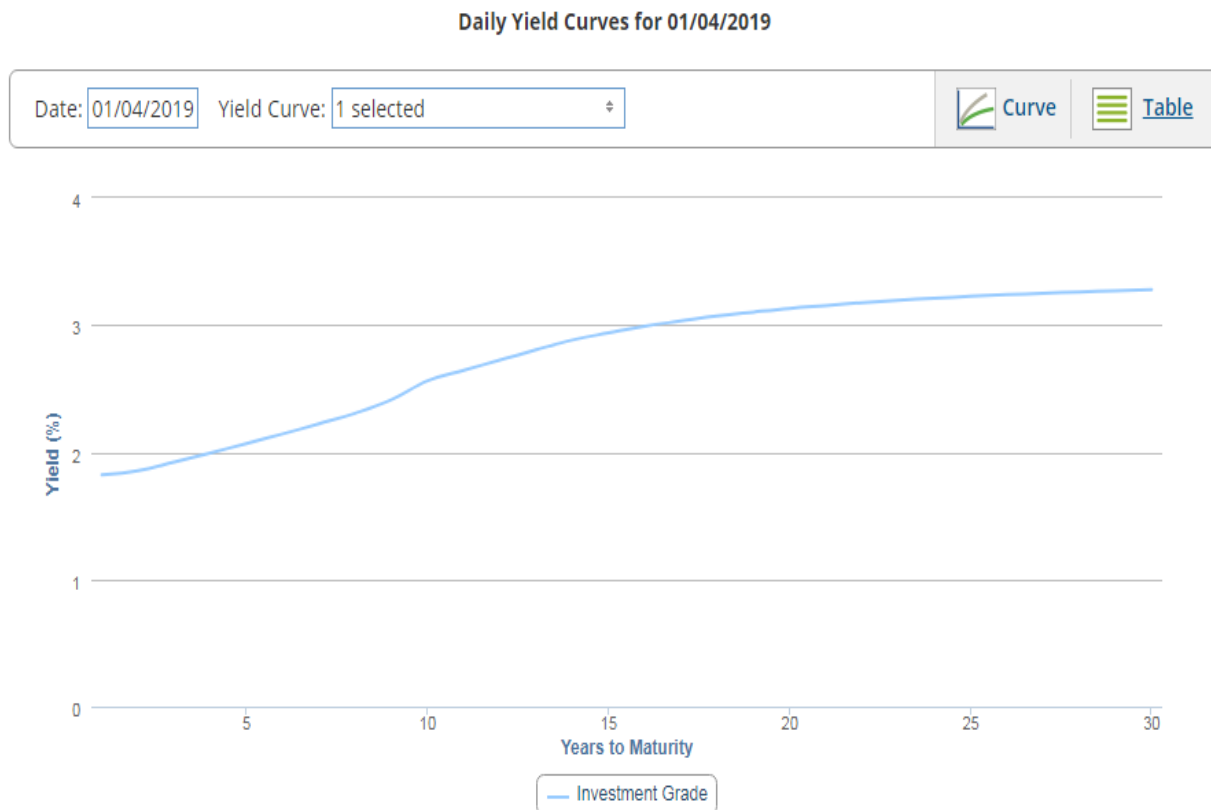
Option Book 2016 YTD realized: **+\$43.75** per contract.

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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

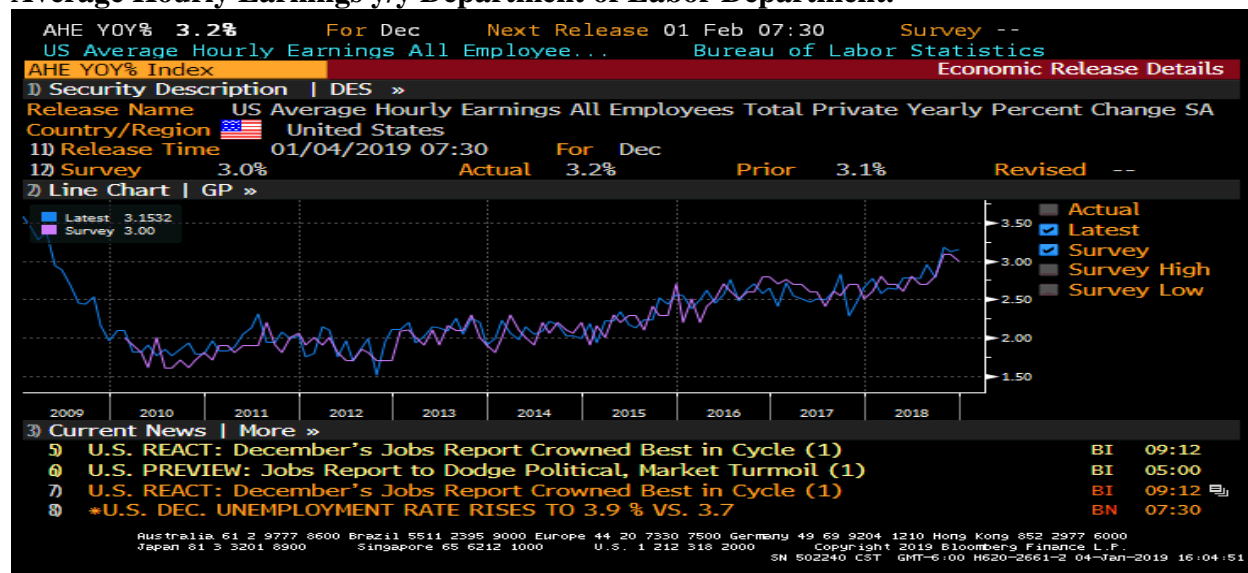
LABOR

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 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.

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<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.	4 Jan 2019	1,075	-8	28 Dec 2018	+151	5 Jan 2018
Canada	4 Jan 2019	76	+6	28 Dec 2018	-98	5 Jan 2018
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.

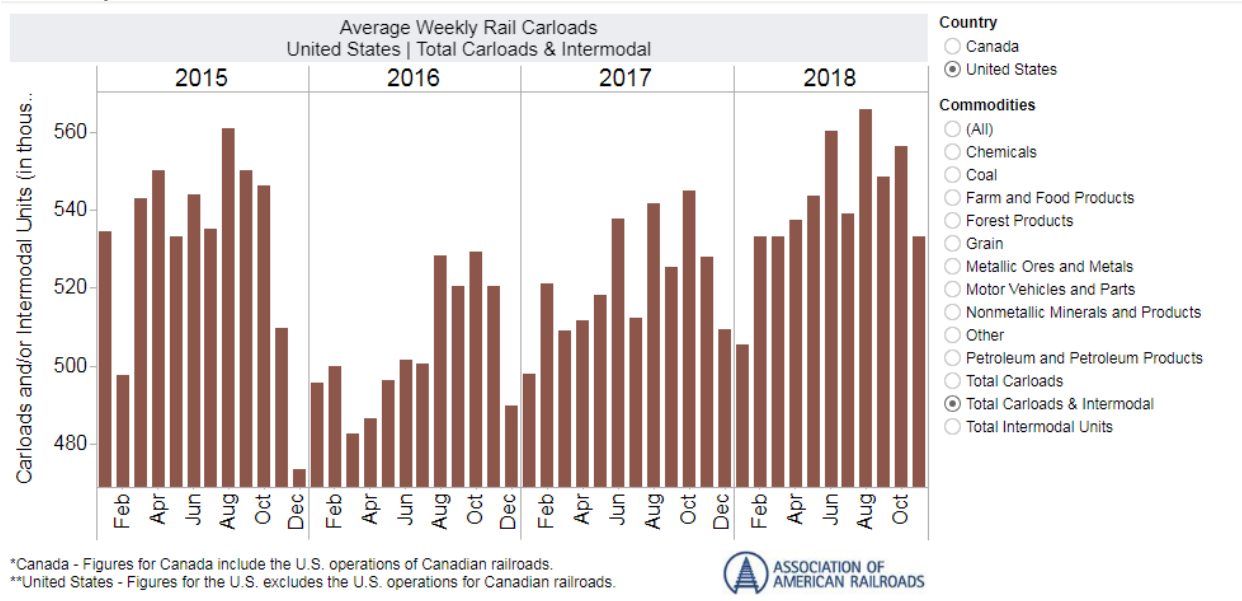
Canadian railroads reported 87,956 carloads for the week, up 4.8 percent, and 71,747 intermodal units, up 4.4 percent compared with the same week in 2017. For the first 51 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 7,738,993 carloads, containers and trailers, up 3.8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

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Monthly Rail Traffic Charts



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

Trailer Truck Demand

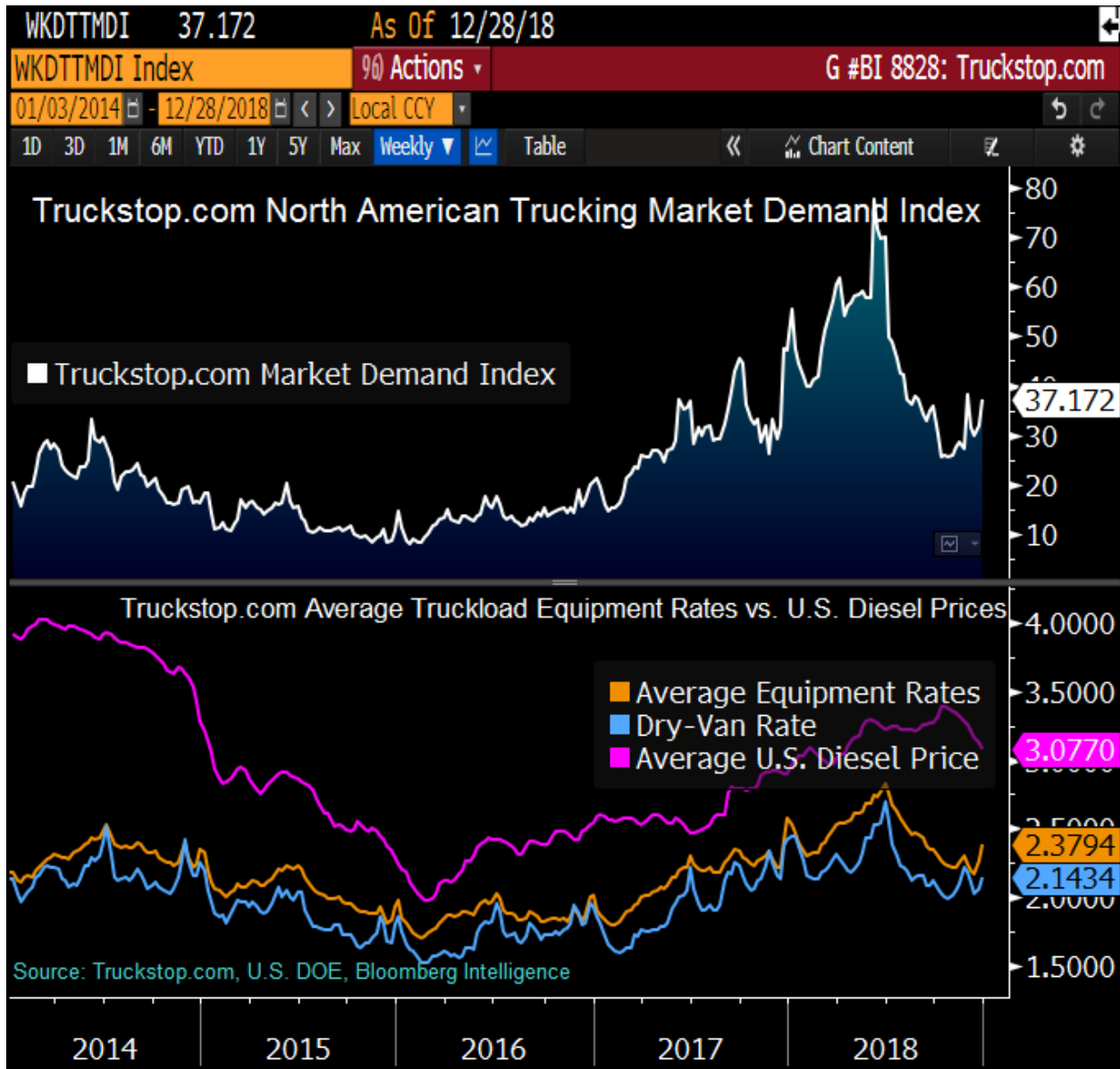
(Bloomberg Intelligence) – 12/31/18

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 *2.63% as of 12/18/18
***simple average of the three regionals.**

Atlanta Fed GDPNow...Q4 2018: 2.57% ...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%...January 4, 2018

The New York Fed Staff Nowcast stands at 2.5% for 2018:Q4 and 2.1% for 2019:Q1. News from this week's data releases left the nowcast for both quarters broadly unchanged. Positive surprises from employment data roughly offset negative surprises from the ISM manufacturing survey.

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

St. Louis Fed Real GDP Nowcast... Q4 2018:2.60%...January 4, 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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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 Baynes
312-373-4847
800-367-3349

cbaynes@rjobrien.com

Matthew Surwillo
312-373-4958
800-367-3349

msurwillo@rjobrien.com

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