



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 15:41:30 01/11/19 - 01/30/19

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/11	07:30				CPI MoM	Dec	-0.1%	--	0.0%	--
22)	01/11	07:30				CPI Ex Food and Energy MoM	Dec	0.2%	--	0.2%	--
23)	01/11	07:30				CPI YoY	Dec	1.9%	--	2.2%	--
24)	01/11	07:30				CPI Ex Food and Energy YoY	Dec	2.2%	--	2.2%	--
25)	01/11	07:30				CPI Core Index SA	Dec	259.987	--	259.481	--
26)	01/11	07:30				CPI Index NSA	Dec	251.074	--	252.038	--
27)	01/11	07:30				Real Avg Weekly Earnings YoY	Dec	1.2%	--	0.5%	0.6%
28)	01/11	07:30				Real Avg Hourly Earning YoY	Dec	--	--	0.8%	--
29)	01/11	07:45				Bloomberg Jan. United States Economic Survey					
30)	01/11	13:00				Treasury monthly budget statement postponed by govt shutdown					
31)	01/14-01/18					Advance Goods Trade Balance	Nov	-\$76.1b	--	-\$77.2b	-\$77.0b
32)	01/14-01/18					Wholesale Inventories MoM	Nov P	0.5%	--	0.8%	--
33)	01/14-01/18					Retail Inventories MoM	Nov	--	--	0.9%	0.8%
34)	01/14-01/18					New Home Sales	Nov	566k	--	544k	--
35)	01/14-01/18					New Home Sales MoM	Nov	4.0%	--	-8.9%	--
36)	01/14-01/18					Construction Spending MoM	Nov	0.2%	--	-0.1%	--
37)	01/14-01/18					Factory Orders	Nov	0.3%	--	-2.1%	--
38)	01/14-01/18					Factory Orders Ex Trans	Nov F	--	--	0.3%	--
39)	01/14-01/18					Durable Goods Orders	Nov F	--	--	0.8%	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2019 Bloomberg Finance L.P.
SN 502240 CST GMT-6:00 H142-3421-2 10-Jan-2019 15:41:30

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Fed Speak Calendar
(All times are CST)

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
United States		Browse		15:49:42		01/11/19		- 01/31/19			
Central Banks		All Central Banks				View		Agenda		Weekly	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	01/15 10:30				Fed's Kashkari Speaks on Regional Economy in Minnesota						
22)	01/15 12:00				Fed's George Speaks on Economy and Monetary Policy Outlook						
23)	01/15 12:00				Fed's Kaplan Speaks in Plano, Texas						
24)	01/16 13:00				U.S. Federal Reserve Releases Beige Book						
25)	01/16 17:30				Fed's Kashkari Speaks on Panel About Financial Crisis						
26)	01/16 17:30				Fed's Kashkari Speaks About 10h Anniversary of Crisis						
27)	01/17 09:45				Fed's Quarles Speaks at Insurance Industry Forum						
28)	01/18 08:05				Fed's Williams Speaks on Economic Outlook and Monetary...						
29)	01/18 10:00				Fed's Harker Speaks Symposium on Prosperity						
30)	01/30 13:00				FOMC Rate Decision (Upper ...	Jan 30	2.50%	--	2.50%	--	
31)	01/30 13:00				FOMC Rate Decision (Lower ...	Jan 30	2.25%	--	2.25%	--	

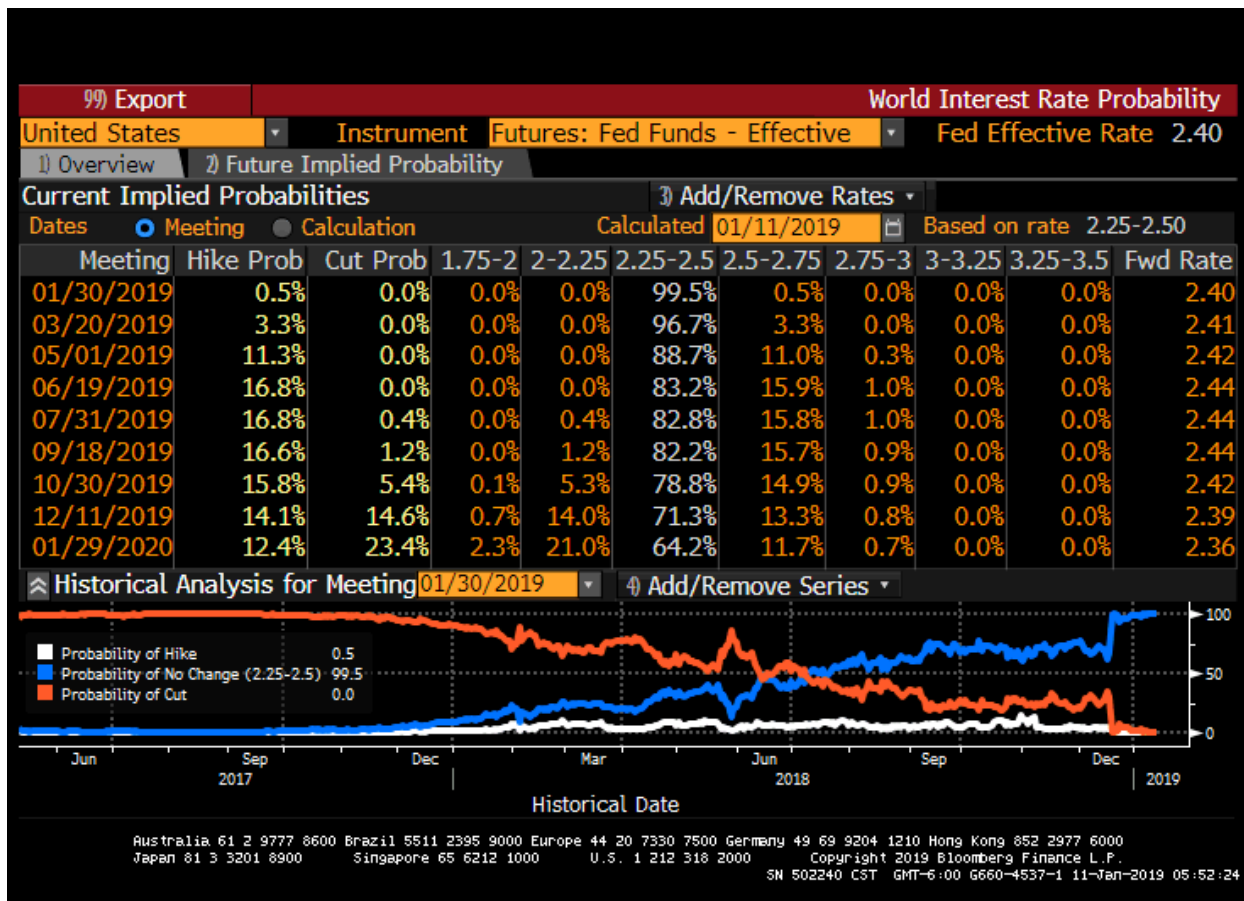
NI TRE <go>

4) Previous		3) Next		66) Send		98) Actions		99) Translate		News: News Story	
01/10/2019 12:15:03 [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	01/15/2019	01/17/2019	01/22/2019	TBA		TBA	01/10/2019	\$40			
8-week	01/15/2019	01/17/2019	01/22/2019	TBA		TBA	01/10/2019	\$30			
3-month	01/17/2019	01/14/2019	01/17/2019	912796RH4		\$39	01/07/2019	\$39			
6-month	01/17/2019	01/14/2019	01/17/2019	912796QR3		\$36	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	02/05/2019	02/15/2019	TBA		TBA	01/08/2019	\$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	02/06/2019	02/15/2019	TBA	R	TBA	01/09/2019	\$24			
Bond Auctions											
30-year	01/30/2019	02/07/2019	02/15/2019	TBA	R	TBA	01/10/2019	\$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>

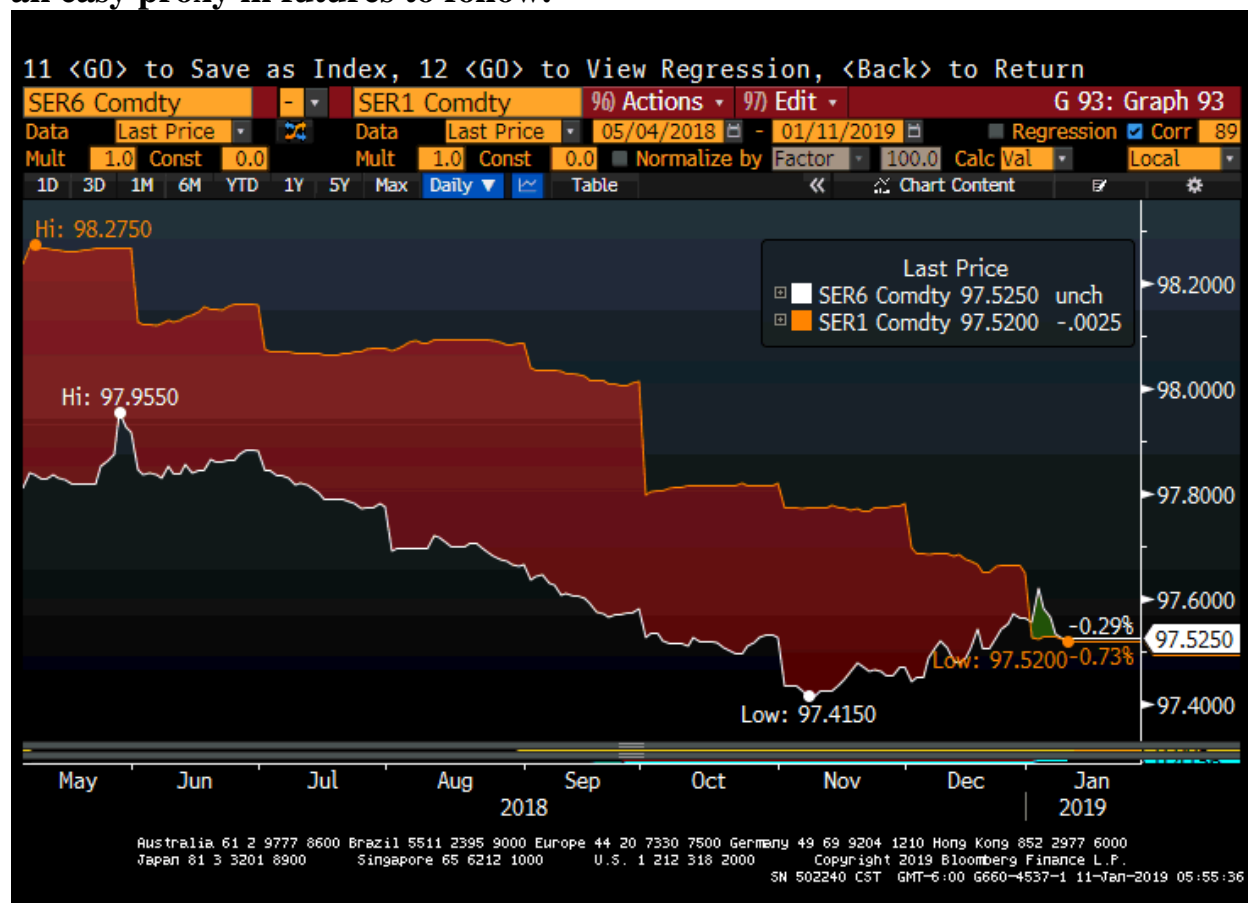


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Getting Granular

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 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/fomcprojtabl20181219.pdf>

Libor Set

1-Month Libor Set	2.50894	-.00525	(97.49106)
3-Month Libor Set	2.78731	-.00963	(97.21269)
6-Month Libor Set	2.86463	+.00419	(97.13537)
1-Year Libor Set	3.01861	-.00031	(96.98139)

THEY SAID IT

China plans to set a lower economic growth target of 6-6.5 percent in 2019 compared with last year's target of "around" 6.5 percent, policy sources told Reuters, as Beijing gears up to cope with higher U.S. tariffs and weakening domestic demand.

<https://www.reuters.com/article/us-china-economy-targets-exclusive/exclusive-china-to-set-lower-gdp-growth-target-of-6-6-5-percent-in-2019-sources-idUSKCN1P50CJ>

The proposed target, to be unveiled at the annual parliamentary session in March, was endorsed by top leaders at the annual closed-door Central Economic Work Conference in mid-December, according to four sources with knowledge of the meeting's outcome.

"It's very difficult for growth to exceed 6.5 percent (this year), and there could be trouble if growth dips below 6 percent," said one source who requested anonymity due to the sensitivity of the matter.

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He added that there are “clear signs” that China’s economy is slowing in the short term, and there may be more dragging on the nation as it looks to transition its economic model from one led by exportation to a more consumption-driven approach. Adding the tariff battle between the two largest economies just means growth will be “a bit more difficult” for Beijing, he noted.

<https://www.cnbc.com/2019/01/11/china-economy-is-bigger-concern-than-us-economy-right-now-vp-bank.html>

The Chinese economy is a bigger worry right now than the U.S. economy, according to an investments expert at a private bank.

Speaking to CNBC on Friday, Felix Brill, the head of investment solutions at Liechtenstein-based VP Bank, said investors should expect more market volatility due to the ongoing trade war negotiations between Washington and Beijing. Still, he ultimately expressed optimism that China’s leaders will keep their economy together.

Analysts surveyed by Bloomberg over the past week see a median 25 percent chance of a slump in the next 12 months, up from 20 percent in the December survey. The Federal Reserve is now projected to keep interest rates steady in the first quarter, instead of raising them, before two increases total this year -- down from four moves in 2018.

<https://www.bloomberg.com/news/articles/2019-01-11/u-s-recession-risk-hits-six-year-high-amid-trade-war-shutdown?srnd=premium>

The median projection for 2019 economic growth edged down to 2.5 percent following 2.9 percent in 2018 as the boost from fiscal stimulus fades. Growth is still expected to be buoyed by a strong jobs market, rising wages and some lingering effects of tax cuts. If the expansion that began in 2009 lasts until July, it would mark 10 years and become the country’s longest on record.

It’s Day 21 of the partial government shutdown. That ties the record for a standoff set in the 1995-96 budget battle between President Bill Clinton and House Speaker Newt Gingrich.

We are now seeing a rash of analyst notes warning that this will soon start to affect different businesses.

<https://www.cnbc.com/2019/01/10/the-3-week-long-federal-shutdown-is-creating-anxiety-on-wall-street.html>

American Airlines shares fell Thursday because of lower revenue guidance and weaker-than-expected domestic performance in December. And Cowen warned about the effect of the shutdown on airlines.

Of particular concern is what will happen to lower-income people and tax refunds. Macquarie noted the potential effect on retailers:

“Today is a primer in case tax refunds are delayed despite what the White House has to say about tax refund precedent when the government is shutdown. If the government remains shut down going into earnings — we may hear some conservative commentary about [quarter-to-date] comp trends from the retailers. Ultimately, the government will reopen and checks will be sent out but it may happen later in the first quarter of 2019.”

BMO Capital also weighed in on what the shutdown means for stores that cater to lower-income consumers, particularly the dollar stores:

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“Prolonged government shutdowns jeopardize food stamps and other benefits that may harm low income consumers. Both dollar store companies see significant sales from lower income consumers and ~5% of sales directly from SNAP benefits for food,” BMO wrote. “This is in addition to any other forms of assistance that these consumers may receive (healthcare benefits, government paychecks, etc.) and the potential for delayed tax returns which may also be impacted by the shutdown. Given that the government is currently shutdown and there is the potential for future gridlock given the split in control of the government, we see a risk that both dollar stores could face a sales headwind if this continues.”

Defense contractors are also being affected. Moody’s warned on Thursday that “defense services contractors that derive a significant portion of their work from agencies that have not been funded, such as NASA and the State Department, are likely to face disruption. These contractors will accrue unbilled receivables if they keep working or will lose revenue if they halt projects.” Others have longer-term concerns. Here is Macquarie on the shutdown and what it mean for infrastructure projects.

(Shouldn’t every discussion on raising taxes start with shrinking government?)

The tax furor triggered by Rep. Alexandria Ocasio-Cortez has opened debate on a core question for all Democrats: Where should government get more money?

<https://www.cnbc.com/2019/01/10/ocasio-cortez-70percent-idea-is-just-the-start-of-the-democratic-tax-debate.html>

The top tax rate stood above 90 percent throughout the 1950s. But through deductions and tax avoidance, “taxes on the rich were not that much higher” then, the conservative Tax Foundation noted in a 2017 article.

The top rate remained 70 percent as late as 1981, the first year of Ronald Reagan’s presidency. The most affluent 1 percent paid a far lower average rate of 30.5 percent, however, according to a Tax Policy Center analysis. By 1989, when Reagan left office, the top rate had been slashed to 28 percent but their average rate dropped only slightly to 27.9 percent.

After three decades with top rates below 40 percent, a big hike from today’s 37 percent poses risks politically and perhaps economically. Self-described socialist Bernie Sanders stopped at a 54.2 percent for incomes above \$10 million in his 2016 campaign proposal; Democratic nominee Hillary Clinton proposed 43.6 percent for those earning above \$5 million.

“I’m very worried about it,” Powell said at The Economic Club of Washington, D.C. “From the Fed’s standpoint, we’re really looking at a business cycle length: that’s our frame of reference. The long-run fiscal, nonsustainability of the U.S. federal government isn’t really something that plays into the medium term that is relevant for our policy decisions.”

<https://www.cnbc.com/2019/01/10/fed-chairman-powell-says-he-is-very-worried-about-growing-amount-of-us-debt.html>

The Fed chief’s comments came as the annual U.S. deficit reaches new sustained highs above \$1 trillion, a fact many economists worry could spell trouble for future generations. Annual deficits have topped \$1 trillion before, but never during a time of sustained economic growth like now, raising concern about what would happen if a recession hits.

Total U.S. debt is about \$21.9 trillion, of which \$16 trillion is owed by the public. In part

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because of continued rate increases under Powell, the interest cost on that debt could start to become a bigger and bigger burden.

British lawmakers are set to vote on Prime Minister [Theresa May](#)'s much-maligned [Brexit](#) deal on Tuesday, with less than three months to go before the U.K. is set to leave the [European Union](#).

<https://www.cnbc.com/2019/01/11/brexit-vote-parliament-set-to-decide-outcome-of-mays-withdrawal-deal.html>

May's proposal is split into a "Withdrawal Agreement," setting out the terms of the divorce and a "Future Relationship" document, which drafts how the U.K. will interact with the EU in the future.

Parliamentary opposition to May's deal looks daunting, but the prime minister remains hopeful of getting more assurances from the EU on her Brexit deal.

So far, there has been little sign of any willingness from Brussels to offer May the legal cover she has been seeking — most notably on the so-called "[backstop](#)" arrangement for the Irish border.

If the deal comes to pass, Britain and the EU would be on track to enter into a transition period from March 29. However, negotiations between the U.K. and the bloc would still continue as they attempt to resolve a future relationship.

The coalition "has begun the process of our deliberate withdrawal from Syria. Out of concern for operational security, we will not discuss specific timelines, locations or troop movements," Colonel Sean Ryan said.

<https://www.reuters.com/article/us-mideast-crisis-syria-coalition/u-s-led-coalition-says-it-has-started-syria-withdrawal-idUSKCN1P50W2>

Russia, which has deployed forces into Syria in support of the Damascus government, said it had the impression that the United States wanted to stay despite the announced withdrawal of U.S. troops, RIA news agency reported.

Residents near border crossings that are typically used by U.S. forces going in and out of Syria from Iraq said they had seen no obvious or large-scale movement of U.S. ground forces on Friday.

France on Friday called on Iran to immediately stop all activities linked to ballistic missiles that could carry nuclear weapons after Tehran said it could put two satellites into orbit in the coming weeks.

<https://www.reuters.com/article/us-iran-nuclear-france/france-tells-iran-to-stop-ballistic-missile-work-designed-for-nuclear-weapons-idUSKCN1P51DZ?il=0>

"France recalls that the Iranian missile program is not conform with U.N. Security Council Resolution 2231," Foreign ministry spokeswoman Agnes von der Muhll told reporters in a daily briefing.

"It calls on Iran to immediately cease all ballistic missile-related activities designed to carry nuclear weapons, including tests using ballistic missile technology."

Von der Muhll was responding to comments by President Hassan Rouhani on Thursday, who said two satellites would be sent into space using Iran-made missiles.

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EQUITIES

The S&P is **-6** and the NASDAQ is **-27**.

Earnings:

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

On Bloomberg type in ACDR <GO>

UK/EUROPE

In the UK the FTSE closed -0.18%.

In the UK, the 2s/10s swap curve is steeper by 0.5 bps at 29.5 with yields higher.

BOE Rate +0.75%. (No change).

Next meeting 02/07/19

On the European Continent

The CAC Index closed -0.82%.

The DAX Index closed -0.40%.

In the EU the 2s/10s swap curve is steeper by 0.5 bps at 96.2 with yields lower.

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

Deposit Facility Rate -.40%

Next meeting 01/24/19

Japan:

The TOPIX closed -0.85%.

The NIKKEI closed -1.29%.

In Japan, the 2s/10s swap curve is unchanged at 17.0 with yields mixed.

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

Next meeting 01/23/19

China:

The Hang Seng closed +0.22%.

The Shanghai Composite closed -0.36%.

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: 97-27.25 is the pivot. Above the pivot you should be long, below short.
Support is at 97-27.25^ and 97-21.00**.

Resistance is at 97-34.0**.

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

** 2-STD Deviations from the pivot point.

3-Month Libor Set 2.79694 -.00194 (97.20306)

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): 129-14.0 is the pivot point.

Above you should be long, below short.

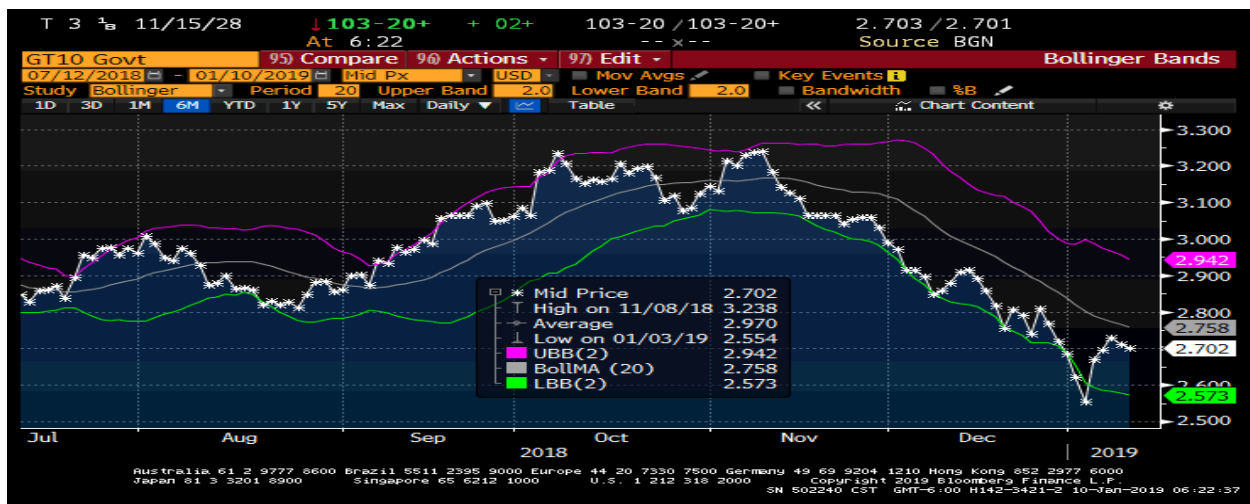
Support is at **129-14.0[^]** and **127-20.0****

Resistance is at **131-07.5****

[^]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)

(2019) +0 futures ticks (\$31.25 per tick) or +\$0

(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 steeper by 0.8 bps at 4.1 with yields lower.

United States		98 Export	99 Settings	Interest Rate Swap Rates									
Date Range:		12/11/2018	-	01/11/2019	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	2.762 / 2.766	2.764	-0.021			-0.4		2.676		2.885	2.801	-3.6	-0.7
2) 2 YR	2.693 / 2.695	2.694	-0.027			-0.3		2.528		2.917	2.743	-4.8	-0.5
3) 3 YR	2.634 / 2.637	2.636	-0.029			-0.3		2.439		2.896	2.693	-5.6	-0.5
4) 4 YR	2.615 / 2.617	2.616	-0.029			-0.3		2.409		2.884	2.676	-5.9	-0.5
5) 5 YR	2.618 / 2.621	2.619	-0.029			-0.3		2.413		2.883	2.684	-6.4	-0.6
6) 6 YR	2.634 / 2.636	2.635	-0.029			-0.3		2.434		2.887	2.693	-5.7	-0.5
7) 7 YR	2.656 / 2.658	2.657	-0.029			-0.3		2.461		2.901	2.717	-5.9	-0.6
8) 8 YR	2.681 / 2.684	2.683	-0.029			-0.3		2.496		2.915	2.737	-5.3	-0.5
9) 9 YR	2.708 / 2.711	2.710	-0.028			-0.3		2.529		2.934	2.762	-5.1	-0.5
10) 10 YR	2.738 / 2.740	2.739	-0.027			-0.3		2.557		2.964	2.793	-5.2	-0.6
11) 15 YR	2.827 / 2.833	2.830	-0.023			-0.3		2.667		3.019	2.871	-3.8	-0.5
12) 20 YR	2.856 / 2.862	2.859	-0.021			-0.3		2.696		3.040	2.892	-3.0	-0.4
13) 25 YR	2.859 / 2.859	2.859	-0.023			-0.3		2.704		3.055	2.893	-3.4	-0.4
14) 30 YR	2.855 / 2.857	2.856	-0.021			-0.3		2.707		3.049	2.886	-2.9	-0.4

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 G660-4537-1 11-Jan-2019 05:52:43

The Option Lab

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

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

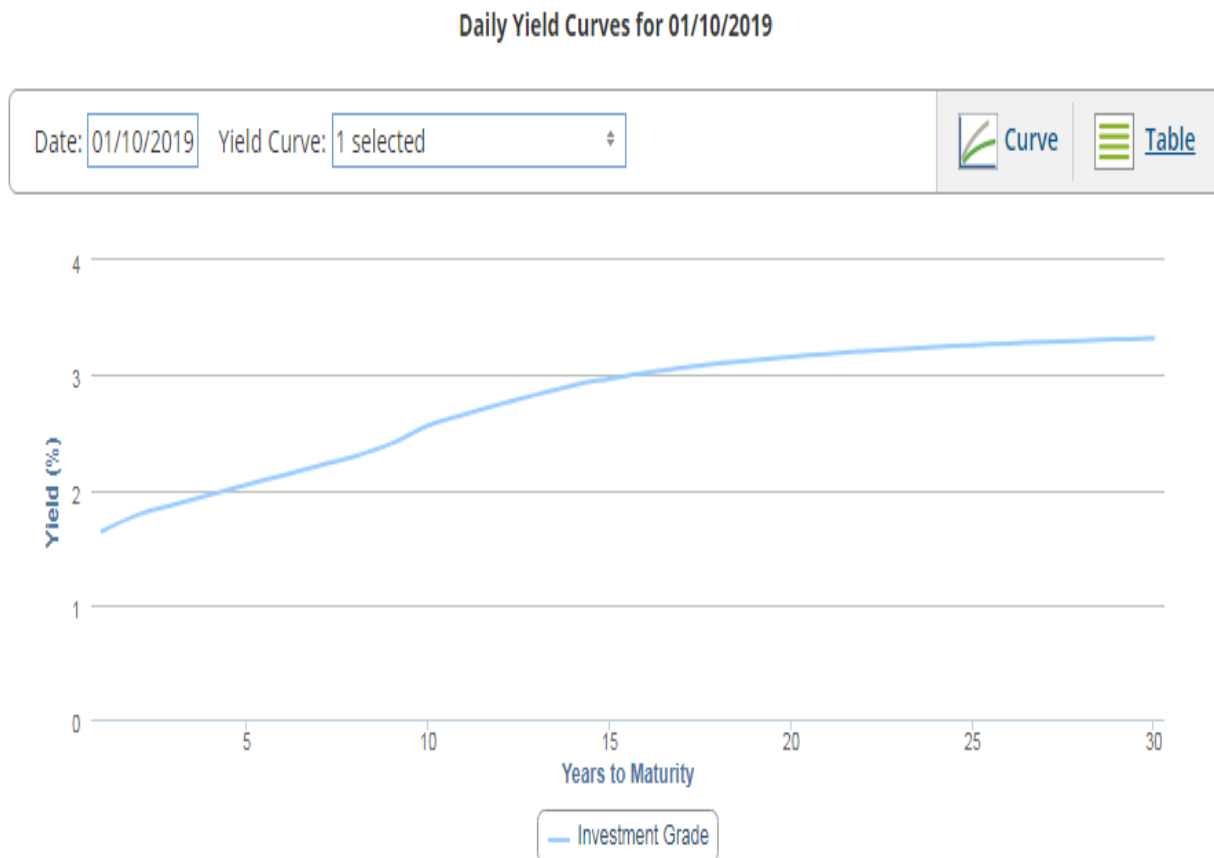
Option Book 2016 YTD realized: **+\$43.75 per contract.**

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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

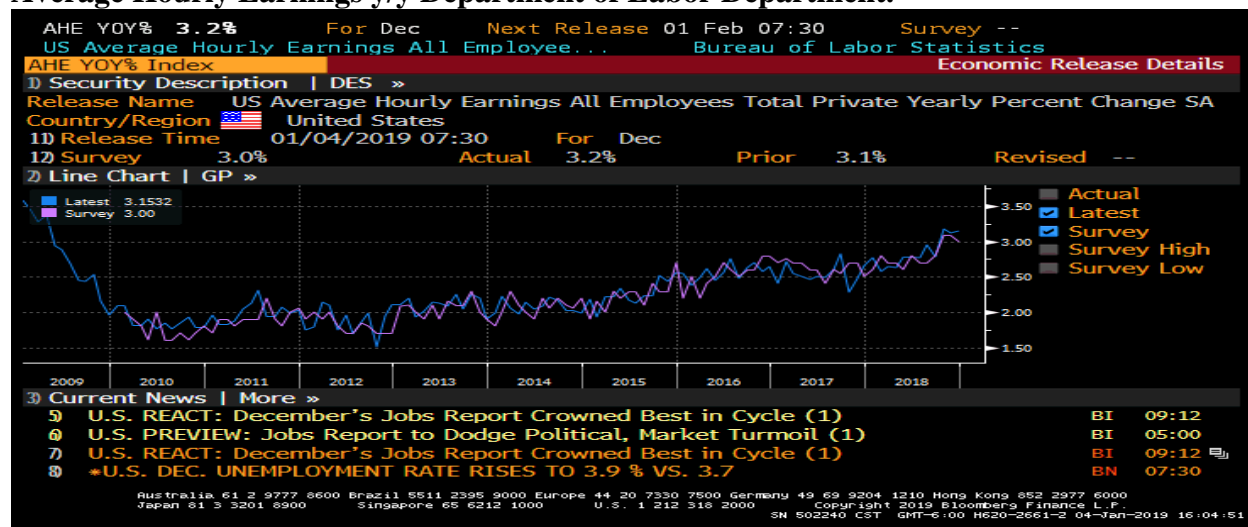
LABOR

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.

<https://research.stlouisfed.org/publications/regional/ag-finance/2018/05/10/2018-first-quarter/>

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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=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 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 436,103 carloads and intermodal units, up 4.8 percent compared with the same week last year.

Total carloads for the week ending January 5 were 221,759 carloads, up 6.2 percent compared with the same week in 2018, while U.S. weekly intermodal volume was 214,344 containers and trailers, up 3.4 percent compared to 2018.

Eight of the 10 carload commodity groups posted an increase compared with the same week in 2018. They included nonmetallic minerals, up 3,791 carloads, to 25,665; metallic ores and metals, up 2,619 carloads, to 21,738; and petroleum and petroleum products, up 2,413 carloads, to 12,057. Commodity groups that posted decreases compared with the same week in 2018 were motor vehicles and parts, down 1,261 carloads, to 9,213; and miscellaneous carloads, down 294 carloads, to 7,251.

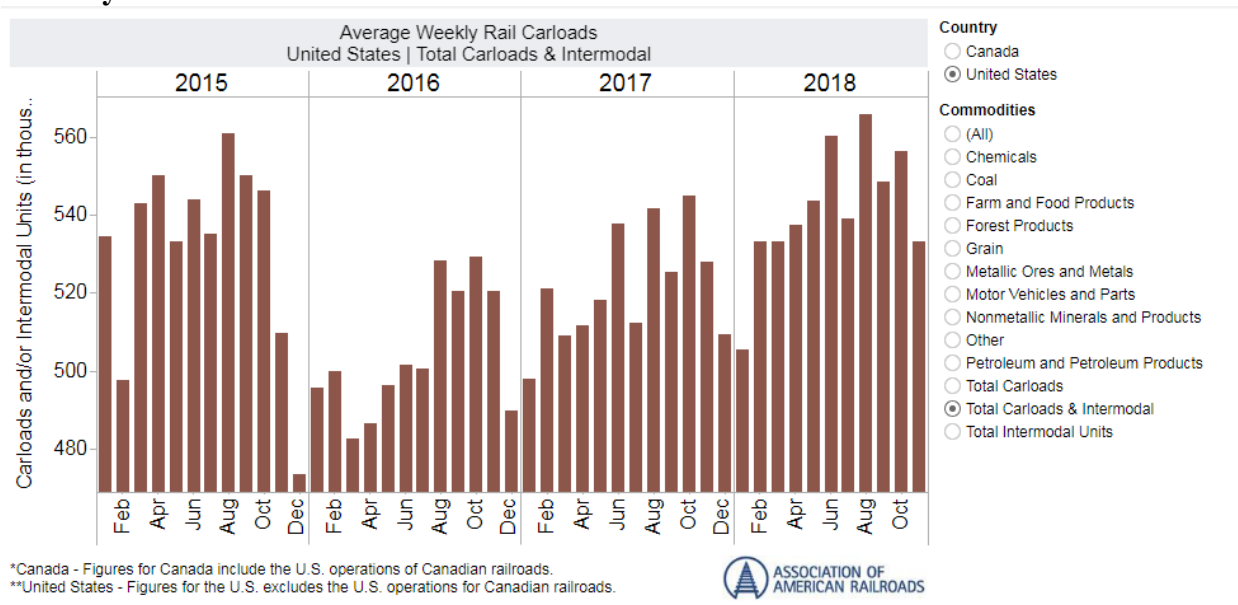
North American rail volume for the week ending January 5, 2019, on 12 reporting U.S., Canadian and Mexican railroads totaled 313,358 carloads, up 7.5 percent compared with the same week last year, and 282,090 intermodal units, up 3.2 percent compared with last year. Total combined weekly rail traffic in North America was 595,448 carloads and intermodal units, up 5.4 percent.

Canadian railroads reported 76,698 carloads for the week, up 14.5 percent, and 54,166 intermodal units, up 3.3 percent compared with the same week in 2018. For the first week of 2019, Canadian railroads reported cumulative rail traffic volume of 130,864 carloads, containers and trailers, up 9.6 percent.

Mexican railroads reported 14,901 carloads for the week, down 5.8 percent compared with the same week last year, and 13,580 intermodal units, down 1.4 percent. Cumulative volume on Mexican railroads for the first week of 2019 was 28,481 carloads and intermodal containers and trailers, down 3.8 percent from the same point last year.

<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/>

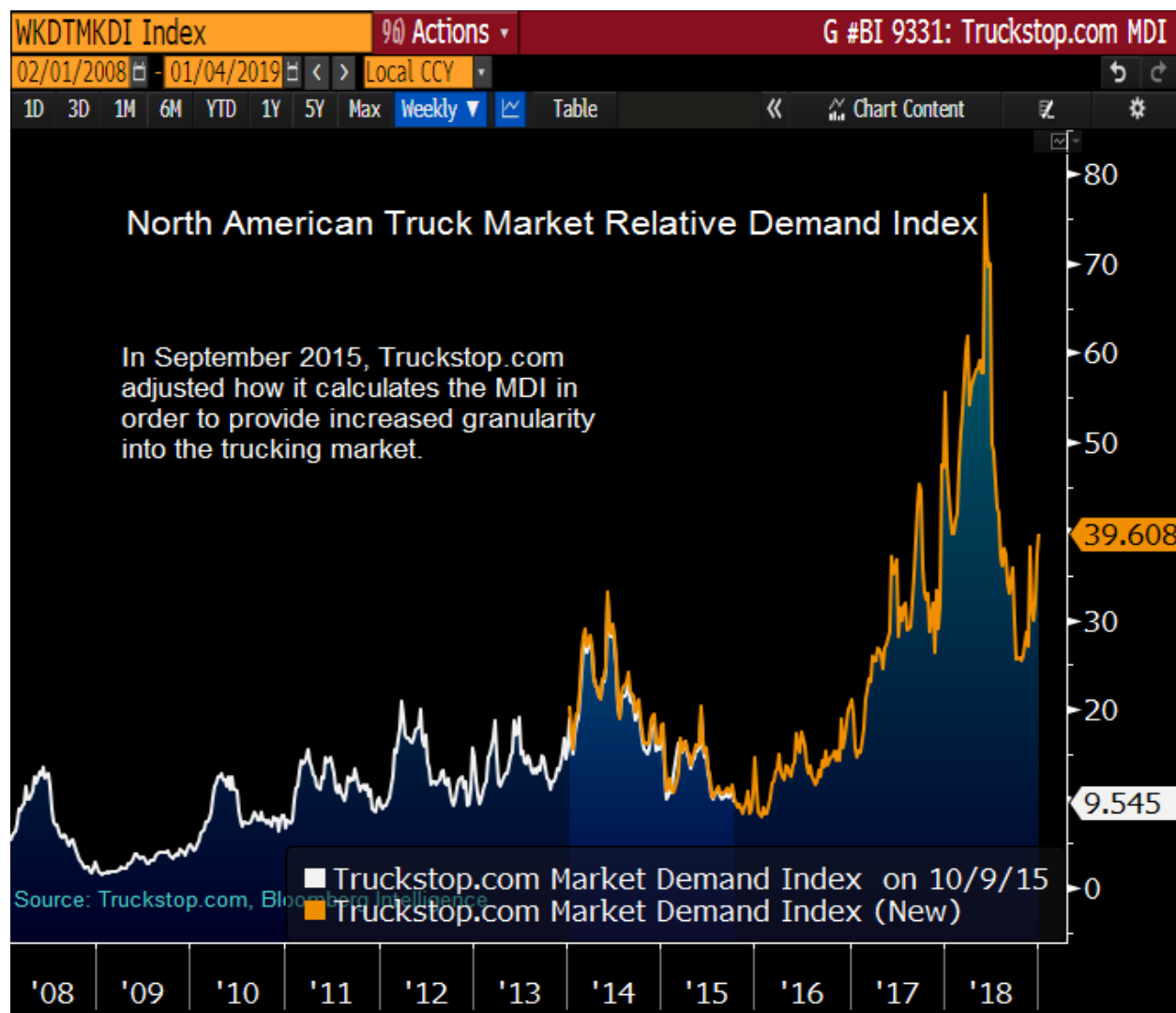
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Trailer Truck Demand (Bloomberg Intelligence) – 01/07/19

Truckstop.com's Market Demand Index, which gauges relative supply and demand for the spot truckload market, declined by 15% on average in 4Q. The index faced tough comparisons from a number of factors including hurricane-related demand spikes and the implementation of electronic logging devices in 2017. Despite the drop, the market remains tight by historical standards and will continue to face supply-side constraints from limited driver availability in 2019.

Public truckload carriers tend to operate in the contractual market with limited exposure to transactional business. These fleets have varying degrees of exposure to the spot market, which is measured by Truckstop.com's index. The spot market tends to be a leading indicator for contract rates.

Lee A Klaskow at lklaskow1@bloomberg.net



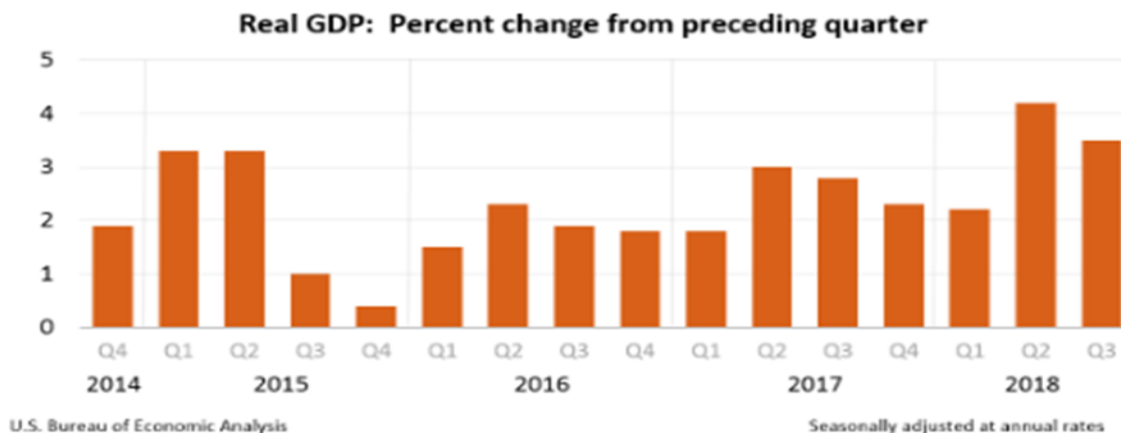
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GDP

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 *2.7% as of 01/08/19

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

Atlanta Fed GDPNow...Q4 2018: 2.8% ...January 8, 2018

The current GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is 2.8 percent, up from 2.6 percent on January 3. The nowcasts of fourth-quarter real consumer spending growth and fourth-quarter real private fixed investment growth increased from 3.6 percent and 2.4 percent, respectively, to 3.8 percent and 2.8 percent, respectively, after the employment situation release by the U.S. Bureau of Labor Statistics on Friday, January 4.

<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 2018:2.79%....January 8, 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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