



Fixed Income Group A Division of RJ O'Brien

## The Missile

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(All times are CST)

9 <GO> to Save as Default

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

United States Browse 15:40:44 12/04/18 - 12/23/18

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	12/05	06:00				MBA Mortgage Applications	Nov 30	--	--	5.5%	--
22)	12/05	13:00				U.S. Federal Reserve Releases Beige Book					
23)	12/06	06:30				Challenger Job Cuts YoY	Nov	--	--	153.6%	--
24)	12/06	07:15				ADP Employment Change	Nov	195k	--	227k	--
25)	12/06	07:30				Trade Balance	Oct	-\$55.0b	--	-\$54.0b	--
26)	12/06	07:30				Nonfarm Productivity	3Q F	2.3%	--	2.2%	--
27)	12/06	07:30				Unit Labor Costs	3Q F	1.0%	--	1.2%	--
28)	12/06	07:30				Initial Jobless Claims	Dec 1	225k	--	234k	--
29)	12/06	07:30				Continuing Claims	Nov 24	1695k	--	1710k	--
30)	12/06	08:45				Bloomberg Consumer Comfort	Dec 2	--	--	60.6	--
31)	12/06	08:45				Markit US Services PMI	Nov F	54.4	--	54.4	--
32)	12/06	08:45				Markit US Composite PMI	Nov F	--	--	54.4	--
33)	12/06	09:00				ISM Non-Manufacturing Index	Nov	59.0	--	60.3	--
34)	12/06	09:00				Factory Orders	Oct	-2.0%	--	0.7%	--
35)	12/06	09:00				Factory Orders Ex Trans	Oct	--	--	0.4%	--
36)	12/06	09:00				Durable Goods Orders	Oct F	-2.4%	--	-4.4%	--
37)	12/06	09:00				Durables Ex Transportation	Oct F	0.1%	--	0.1%	--
38)	12/06	09:00				Cap Goods Orders Nondef Ex Air	Oct F	--	--	0.0%	--
39)	12/06	09:00				Cap Goods Ship Nondef Ex Air	Oct F	--	--	0.3%	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.  
SN 502240 CST GMT-6:00 6599-381-3 03-Dec-2018 15:40:44

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## Fed Speak Calendar

(All times are CST)

1) Calendars		2) Alerts		3) Export		4) Settings		Economic Calendars			
	United States	6) Browse		15:42:27		12/04/18		-		12/31/18	
Central Banks		All Central Banks		View		Agenda		Weekly		🔍	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised	
21)	12/04 09:00				Williams Holds Press Briefing at New York Fed						
22)	12/05 07:15				CANCELLED: Powell's JEC Testimony						
23)	12/05 13:00				U.S. Federal Reserve Releases Beige Book						
24)	12/05 16:15				Quarles Speaks at Stanford on Banking in U.S. West						
25)	12/06 11:15				Fed's Bostic Speaks on the U.S. Economic Outlook						
26)	12/06 17:30				Fed's Williams Holds Discussion With Mervyn King in NY						
27)	12/06 17:45				Powell Gives Brief Welcome Remarks at Housing Conference						
28)	12/07 11:00				Brainard Speaks at Peterson Institute in Washington						
29)	12/19 13:00	🔔	📶		FOMC Rate Decision (Upper ...	Dec 19	2.50%	--	2.25%	--	
30)	12/19 13:00	🔔	📶		FOMC Rate Decision (Lower ...	Dec 19	2.25%	--	2.00%	--	
31)	12/19 13:30				Fed's Powell Holds Press Conference Following FOMC Decision						

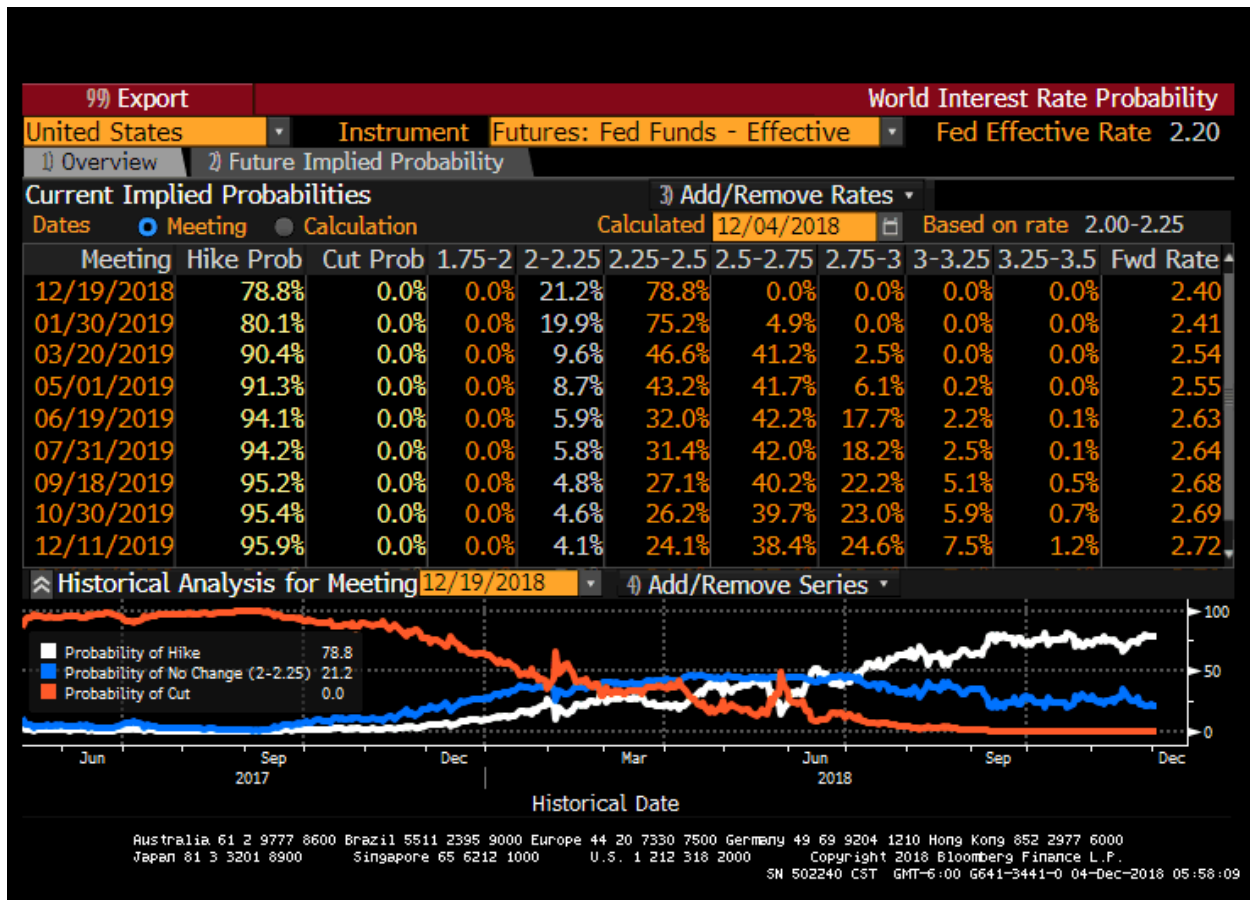
## NI TRE <go>

	Next Offer	Next	Date	CUSIP	\$	Prior	Prior
Bill Auctions	Announcement	Auction	Settles	Numbers	R	Bil	Auction
Cash mgmt	TBA	TBA	TBA	TBA		TBA	02/13/2018
4-week	12/05/2018	12/04/2018	12/06/2018	912796UG2		\$40	11/27/2018
8-week	12/05/2018	12/04/2018	12/06/2018	912796UL1		\$30	11/27/2018
3-month	12/06/2018	12/10/2018	12/13/2018	912796RB7		TBA	12/03/2018
6-month	12/06/2018	12/10/2018	12/13/2018	912796RUS		TBA	12/03/2018
1-year	12/27/2018	12/04/2018	12/06/2018	912796RN1		\$26	11/06/2018
<b>Note Auctions</b>							
2-year	12/20/2018	12/24/2018	12/31/2018	TBA		TBA	11/26/2018
3-year	12/06/2018	12/11/2018	12/17/2018	9128285R7		TBA	11/05/2018
5-year	12/20/2018	12/26/2018	12/31/2018	TBA		TBA	11/27/2018
7-year	12/20/2018	12/27/2018	12/31/2018	TBA		TBA	11/28/2018
10-year	12/06/2018	12/12/2018	12/17/2018	9128285M8	R	TBA	11/06/2018
<b>Bond Auctions</b>							
30-year	12/06/2018	12/13/2018	12/17/2018	912810SE9	R	TBA	11/07/2018

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TIPS Auctions								
5-yr TIPS	12/13/2018	12/20/2018	12/31/2018	TBA	R	TBA	08/23/2018	\$14
10-yr TIPS	11/15/2018	11/21/2018	11/30/2018	TBA	R	TBA	09/20/2018	\$11
30-yr TIPS	TBA	TBA	TBA	TBA	R	TBA	10/18/2018	\$5
Floating Rate Note								
2-year FRN	11/21/2018	10/24/2018	10/31/2018	9128285H9	R	\$19	09/25/2018	\$17
Buyback Operation								
Buyback	TBA	TBA	TBA	TBA	TBA	TBA	11/15/2017	\$.025

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



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**Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2018**

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

Percent

Variable	Median <sup>1</sup>					Central tendency <sup>2</sup>					Range <sup>3</sup>				
	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run
Change in real GDP	3.1	2.5	2.0	1.8	1.8	3.0-3.2	2.4-2.7	1.8-2.1	1.6-2.0	1.8-2.0	2.9-3.2	2.1-2.8	1.7-2.4	1.5-2.1	1.7-2.1
June projection	2.8	2.4	2.0	n.a.	1.8	2.7-3.0	2.2-2.6	1.8-2.0	n.a.	1.8-2.0	2.5-3.0	2.1-2.7	1.5-2.2	n.a.	1.7-2.1
Unemployment rate	3.7	3.5	3.5	3.7	4.5	3.7	3.4-3.6	3.4-3.8	3.5-4.0	4.3-4.6	3.7-3.8	3.4-3.8	3.3-4.0	3.4-4.2	4.0-4.6
June projection	3.6	3.5	3.5	n.a.	4.5	3.6-3.7	3.4-3.5	3.4-3.7	n.a.	4.3-4.6	3.5-3.8	3.3-3.8	3.3-4.0	n.a.	4.1-4.7
PCE inflation	2.1	2.0	2.1	2.1	2.0	2.0-2.1	2.0-2.1	2.1-2.2	2.0-2.2	2.0	1.9-2.2	2.0-2.3	2.0-2.2	2.0-2.3	2.0
June projection	2.1	2.1	2.1	n.a.	2.0	2.0-2.1	2.0-2.2	2.1-2.2	n.a.	2.0	2.0-2.2	1.9-2.3	2.0-2.3	n.a.	2.0
Core PCE inflation <sup>4</sup>	2.0	2.1	2.1	2.1		1.9-2.0	2.0-2.1	2.1-2.2	2.0-2.2		1.9-2.0	2.0-2.3	2.0-2.2	2.0-2.3	
June projection	2.0	2.1	2.1	n.a.		1.9-2.0	2.0-2.2	2.1-2.2	n.a.		1.9-2.1	2.0-2.3	2.0-2.3	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	2.4	3.1	3.4	3.4	3.0	2.1-2.4	2.9-3.4	3.1-3.6	2.9-3.6	2.8-3.0	2.1-2.4	2.1-3.6	2.1-3.9	2.1-4.1	2.5-3.5
June projection	2.4	3.1	3.4	n.a.	2.9	2.1-2.4	2.9-3.4	3.1-3.6	n.a.	2.8-3.0	1.9-2.6	1.9-3.6	1.9-4.1	n.a.	2.3-3.5

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 12-13, 2018. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the June 12-13, 2018, meeting, and one participant did not submit such projections in conjunction with the September 25-26, 2018, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

4. Longer-run projections for core PCE inflation are not collected.

<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20180926.pdf>

## Libor Set

<b>1-Month Libor Set</b>	<b>2.37950</b>	<b>+0.00062</b>	<b>(97.62050)</b>
<b>3-Month Libor Set</b>	<b>2.73888</b>	<b>-0.01237</b>	<b>(97.26112)</b>
<b>6-Month Libor Set</b>	<b>2.89638</b>	<b>+0.00113</b>	<b>(97.10372)</b>
<b>1-Year Libor Set</b>	<b>3.13294</b>	<b>-0.00535</b>	<b>(96.86706)</b>

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## THEY SAID IT

### US

**The U.S. Congress, facing a Friday deadline for approving about \$450 billion in funding for several government agencies or forcing them into a partial shutdown, is steering toward a two-week extension as President Donald Trump and Democrats argue over border wall funding.**

<https://www.reuters.com/article/us-usa-congress-budget/congress-heads-to-stopgap-bill-to-avert-government-shutdown-idUSKBN1O223U>

Without action by Congress, federal agencies including the Department of Agriculture, State Department and Department of Homeland Security would find themselves without any money to pay employees and administer programs through the fiscal year that ends next Sept. 30.

Trump has demanded \$5 billion for this year as part of his plan to build a wall on the border with Mexico that Democrats argue would be ineffective at keeping out illegal immigrants and illicit drugs.

Instead, Democrats want to continue improving less costly fencing and employing high-tech instruments to detect illegal border crossings.

If at any point Congress and Trump cannot agree on legislation to keep the government agencies running, essential services, such as the FBI and other federal law enforcement, would continue.

But some vital programs would have to be suspended until the money dispute was resolved.

For example, visitors most likely would not be admitted to national parks, some Securities and Exchange Commission and Internal Revenue Service activities could be curtailed, as well as some Justice Department programs.

Funding already is in place for many agencies, such as the Defense Department.

**"I wouldn't pay too much attention to that particular move but I think the front end is more interesting," said Schumacher. He pointed to comments from Fed Vice Chairman Richard Clarida and said the market appears to be ignoring him. "If you listened to Clarida, he said in a nutshell that central banks have to worry about inflation going too low. That would imply to me a less aggressive Fed tightening, and you think that would drive down the front end down."**

<https://www.cnbc.com/2018/12/03/the-thing-the-bond-market-most-feared-is-beginning-to-happen.html>

"It speaks to the potential for the 2s and 10s to invert," said Ian Lyngen, head of U.S. rate strategy at BMO.

The timing could vary, he said, depending on the cycle. But it's typically a matter of months, not days or weeks, when such an event could happen. "That might put 2s and 10s inversion on the table by the end of the year, and if not, then around the March FOMC meeting," Lyngen said.

Some say pensions are buying the 10-year because with higher stock prices, they have closed their funding gap and now are looking for safety plays. There is also talk of heavy buying from Asia.

Others point to reduced fears about inflation, making the 10-year more attractive. They also note that the 10-year yield will move lower with the German bund, which yields just 0.30 percent, and that central bank purchases of assets continue to depress yields.

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"There's something going on with worries about growth, notwithstanding this trade deal," said Peter Boockvar, chief investment strategist at Bleakley Advisory Group. Boockvar said the fact that the agreement to hold off on new tariffs for 90 days while U.S. officials negotiate with their Chinese counterparts has now created a 90-day period of uncertainty.

"If I'm a company, I must just hold off until the second quarter to make a decision. That could slow growth, just sitting and waiting. Maybe that's what the bond market is sniffing out," said Boockvar.

**"First of all the economy itself is really strong," Ross said in a ["Squawk Box"](#) interview. "You've seen the unemployment figures; you've seen the new claims; you've seen industrial production; you've seen executive confidence; you've seen consumer confidence. Those are all very, very high."**

**"It's the press that seems more obsessed with what may lie in the future," he added.**

<https://www.cnbc.com/2018/12/04/wilbur-ross-economy-is-strong--press-blows-worries-out-of-proportion.html>

Major Wall Street firms, including Goldman Sachs and J.P. Morgan, expect to see U.S. growth [slowing to below 2 percent](#) in the second half of 2019. Economists have cited a number of concerns, including the [Federal Reserve](#) hiking interest rates and the impact of tariffs. After its most recent hike, in September, the Fed projected three rate increases for next year. But in a speech last week, Fed Chairman [Jerome Powell](#) said rates are "just below" neutral, perhaps indicating that concerns about a more aggressive path higher for rates may no longer be warranted.

In the CNBC interview Tuesday, Ross said Trump got "very good" assurances from Xi on trade. "I do believe if they live up to the indications they had with President Trump, everybody will be really happy."

On Monday, Mnuchin on CNBC Monday [expressed optimism](#) that the Trump-Xi framework can be turned into a "real agreement." He said the U.S. received commitments for concessions on several key issues. "This isn't just about buying things. This is about opening markets to U.S. companies and protecting U.S. technology. Those are very important structural issues to the president."

**"Staunchly committed to the Chinese economic model, Xi will continue to lend state support to targeted industries, particularly in technology under the [Made in China 2025](#) programme," Eleanor Olcott, China policy analyst at research firm TS Lombard, wrote on Monday.**

<https://www.cnbc.com/2018/12/04/us-china-trade-war-economic-red-lines-may-clash-with-trump-plan.html>

"Despite White House economic advisor (Larry) Kudlow suggesting that the two sides are 'pretty close' on an agreement on intellectual property theft, 90 days still looks like a short period for discussions on complicated issues such as non-tariff barriers," wrote Zhu Huani, an economist at Mizuho Bank in a note on Tuesday.

"Whilst reducing (the) trade gap could be the easier part to begin with, China is less likely to make concessions on its industrial policies such as 'Made in China 2025,' which might hinder discussion surrounding technology transfer," added Zhu.

The "Made in China 2025" plan is Beijing's industrial policy to invest heavily in high-end technologies such as artificial intelligence in a bid to catch up with rivals like the U.S. and

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Germany.

As part of the deal, China said it would purchase more American imports, particularly in energy and agriculture. Beijing will also exert more control over the flow of fentanyl — a synthetic opioid that is [50 times more addictive than heroin](#) and has been linked to thousands of overdose deaths in the United States. China is one of the world's top producers of ingredients used to manufacture fentanyl, [according to the U.S. Department of Justice](#).

But, "it is unclear how this [deal at the G-20] will resolve issues related to IP protection and forced technology transfers in China — it won't," economists from French trade credit insurer Coface wrote in a note on Monday.

"There is reason to believe the two parties do not quite meet over the finer details of the deal: pointedly, no joint statement was released after the meeting. Furthermore, the statements that the U.S. and China issued separately showed material divergences, with the Chinese statement making no mention of the 90-day deadline on the threatened 25 percent tariff increase," economists from Pictet Wealth Management wrote Monday.

"Given the differences in starting positions, with the Chinese side setting red lines around its state-led system, it is highly unlikely that the time-frame of 90 days will allow the U.S. to extract concessions Trump could present as a large-scale 'win' with any degree of conviction," said TS Lombard's Olcott.

### **SpaceX completed an unprecedented 19th launch this year on Monday, while putting a U.S. record 64 satellites in orbit at once.**

<https://www.cnbc.com/2018/12/03/watch-spacex-set-to-break-records-with-smallsat-express-mission.html>

Additionally, SpaceX made history as the first company to fly the same orbital-class rocket three times. This Falcon 9 rocket's large first stage, also known as the "booster," launched and landed twice before, in May and August. Reusing rockets is key to Elon Musk's space company, which hopes to make humanity "a multiplanetary species."

### **NASA's deep space explorer Osiris-Rex flew on Monday to within a dozen miles of its destination, a skyscraper-sized asteroid believed to hold organic compounds fundamental to life as well as the potential to collide with Earth in about 150 years.**

<https://www.reuters.com/article/us-space-asteroid/nasa-deep-space-probe-reaches-asteroid-deemed-potential-earth-threat-idUSKBN1O308Z>

Launched in September 2016, Osiris-Rex embarked on NASA's unprecedented seven-year mission to conduct a close-up survey of the asteroid Bennu, collect a sample from its surface and return that material to Earth for study.

Bennu, a rocky mass roughly a third of a mile wide and shaped like a giant acorn, orbits the sun at roughly the same distance as Earth and is thought to be rich in carbon-based organic molecules dating back to the earliest days of the solar system. Water, another vital component to the evolution of life, may also be trapped in the asteroid's minerals.

## **EUROPE**

### **“No tax merits putting the nation in danger,” Philippe said in a televised address. The measures he announced didn't include the supplemental increase in the minimum wage demanded by protesters.**

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<https://www.bloomberg.com/news/articles/2018-12-04/french-govt-to-suspend-fuel-tax-to-end-yellow-vests-protest?srnd=premium-europe>

The climbdown is a rare retreat by Macron, who has prided himself on sticking to his policies and ignoring his tumbling popularity ratings. He's consistently defended the higher gasoline taxes, saying they are needed to wean the country off fossil fuels and have been compensated for by cuts to payroll taxes.

"It's a first step that could have come weeks ago without all the rancor," Benjamin Cauchy, an early organizer of the Yellow Vests, said on BFM TV. "But the French won't be satisfied with just crumbs, they want the whole baguette." He said he wanted all recent gasoline tax hikes rolled back, and higher taxes on multinational companies.

Ecology Minister Francois de Rugy told RMC radio Nov. 30 that a three-month moratorium on planned fuel-tax hikes would lower government revenue by 650 million euros (\$740 million). Any tax cuts and spending increases to mollify the protesters would raise further uncertainty over the path of France's budget deficit, which is already heading close to the 3 percent limit imposed by the European Union.

**France and Germany sought on Tuesday to salvage a proposed EU tax on big digital firms including Google and Facebook by narrowing the focus to cover only companies' online advertising revenue.**

<https://www.reuters.com/article/us-eu-tax-digital/france-germany-aim-to-keep-digital-tax-alive-idUSKBN1O22MR>

In March, the European Union's executive arm proposed a 3 percent tax on big digital firms' online revenues, accusing them of funneling profits through member states with the lowest tax rates to keep their overall tax down.

While France has pushed hard for the digital levy, countries such as Ireland, Denmark, Sweden and Finland have opposed it while Germany has also had misgivings.

"It's a first step in the right direction which in the coming months should make the taxation of digital giants a possibility," French Finance Minister Bruno Le Maire said as he arrived for the meeting.

"Will it put all arguments to rest?, certainly not," he added.

Le Maire said that if the tax were adopted, individual countries like France would be free to impose it on a wider basis.

**Prime Minister Theresa May was meant to kick off a five-day debate today on her Brexit deal — ahead of a vote most expect her to lose next week. Instead she's fighting an emergency debate about whether her government is in contempt of Parliament for withholding legal advice received over Brexit.**

May is fighting six opposition parties, including her one-time allies in the Northern Irish Democratic Unionist Party, and some in her own party also want the advice public. As [Rob Hutton writes](#), that means she'll go into the main debate on her deal with her lack of majority painfully on show. It's also yet another sign that Parliament is increasingly assertive when it comes to trying to drive the Brexit process.

<https://www.bloomberg.com/news/articles/2018-12-04/brexit-bulletin-in-contempt?srnd=premium-europe>

And once the main debate finally starts? May is widely expected to lose the vote. Then what?

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Government ministers say there's no plan B, and when pushed, they say there are many options — including no deal and no Brexit. Here are just some of the possibilities:

1. May has another go, sending the motion back to Parliament in the hope that market pressure — and some terrifying headlines about new no-deal preparations — will change MPs' minds.
2. A vote of confidence in the government — there's then a two-week period as the government tries to rebuild its majority, possibly followed by a general election.
3. May could call a general election.
4. A leadership challenge.
5. Parliament could push for May to go back and negotiate a closer deal with the EU that would command a majority.
6. MPs could push for a second referendum — though we're still far from a majority in the Commons and it would require a controversial extension of exit day.

## ENERGY/COMMODITIES

**“What we said in Abu Dhabi is that projections are that there will be 1 million barrels a day of oversupply, and that we will wait until we get to Vienna and are certain what that number is,” he said. “The next road to cross is whether all countries are willing to come on board and contribute to that cut.”**

<https://www.bloomberg.com/news/articles/2018-12-04/saudi-oil-minister-says-too-early-to-say-if-opec-to-cut-output?srnd=premium-europe>

Moscow backs output curbs “in principle,” but it’s “premature” to say what they will agree in Vienna this week, Al-Falih said. He also walked back previous statements about the size of any supply reduction, saying the group is likely to cut but still needs to “figure out what needs to be done and by how much.”

“We need to get together and listen to our colleagues, hear about their views on supply and demand and their projections of their own countries’ production,” Al Falih said in an interview while attending United Nations climate talks in Katowice, Poland.

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## EQUITIES

The S&P is **-8** and the NASDAQ is **-32**.

Earnings:

[www.moneycentral.msn.com/investor/market/earncalendar](http://www.moneycentral.msn.com/investor/market/earncalendar)

**On Bloomberg type in ACDR <GO>**

## UK/EUROPE

**In the UK the FTSE closed -0.76%.**

In the UK, the 2s/10s swap curve is flatter by 2.5 bps at .364 with yields higher.

**BOE Rate +0.75%. (No change).**

**Next meeting 12/20/18**

## On the European Continent

**The CAC Index closed -0.69%.**

**The DAX Index closed -0.73%.**

In the EU the 2s/10s swap curve is flatter by 2.5 bps at 101.8 with yields higher.

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

**Deposit Facility Rate -.40%**

**Next meeting 12/13/18**

## Japan:

**The TOPIX closed -2.36%.**

**The NIKKEI closed -2.39%.**

In Japan, the 2s/10s swap curve is steeper by .9 bps at .216 with yields lower.

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

**Next meeting 12/20/18**

## China:

**The Hang Seng closed +0.29%.**

**The Shanghai Composite closed +0.42%.**

## PBOC

**Deposit Rate: 1.50%**

**Lending Rate: 4.35%**

**7-Day Repo Rate: 2.7603%**

**Reserve Requirement Ratio: 17.00%**

## THE TREND

EDZ8: 97-23.50 is the pivot. Below the pivot, you should be short, above long.

Support is at 97-19.25\*\*.

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Resistance is at 97-23.50^ and 97-28.00\*\*.

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

\*\* 2-STD Deviations from the pivot point.

**3-Month Libor Set 2.75125 +.01512 (97.26387)**

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



**YTD (per contract)**

**2018 +36.5 ticks (+\$912.50)**

**2017 +33.0 ticks (+\$825.00)**

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**10yr/UXYZ8: 125-20.00** is the pivot point.

Above you should be long, below short.

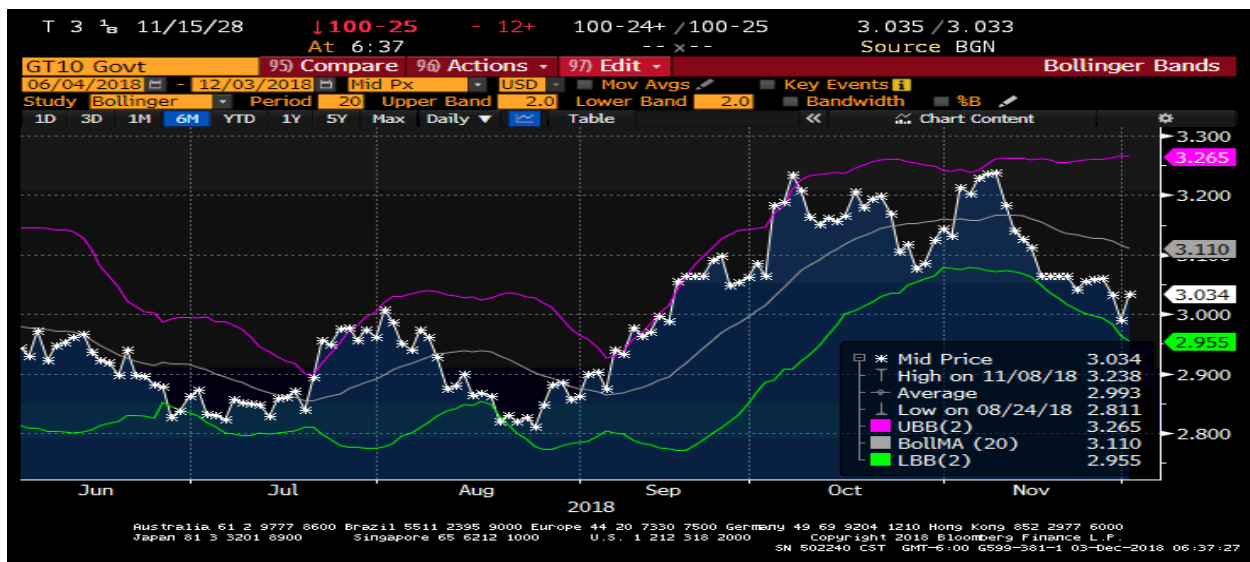
Support is at **125-20.00^** and **124-05.50\*\***

Resistance is at **127-02.00\*\***

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

\*\* 2-STD Deviations from the pivot point

**Current trend has you long from 125-02 (11/12/18).**

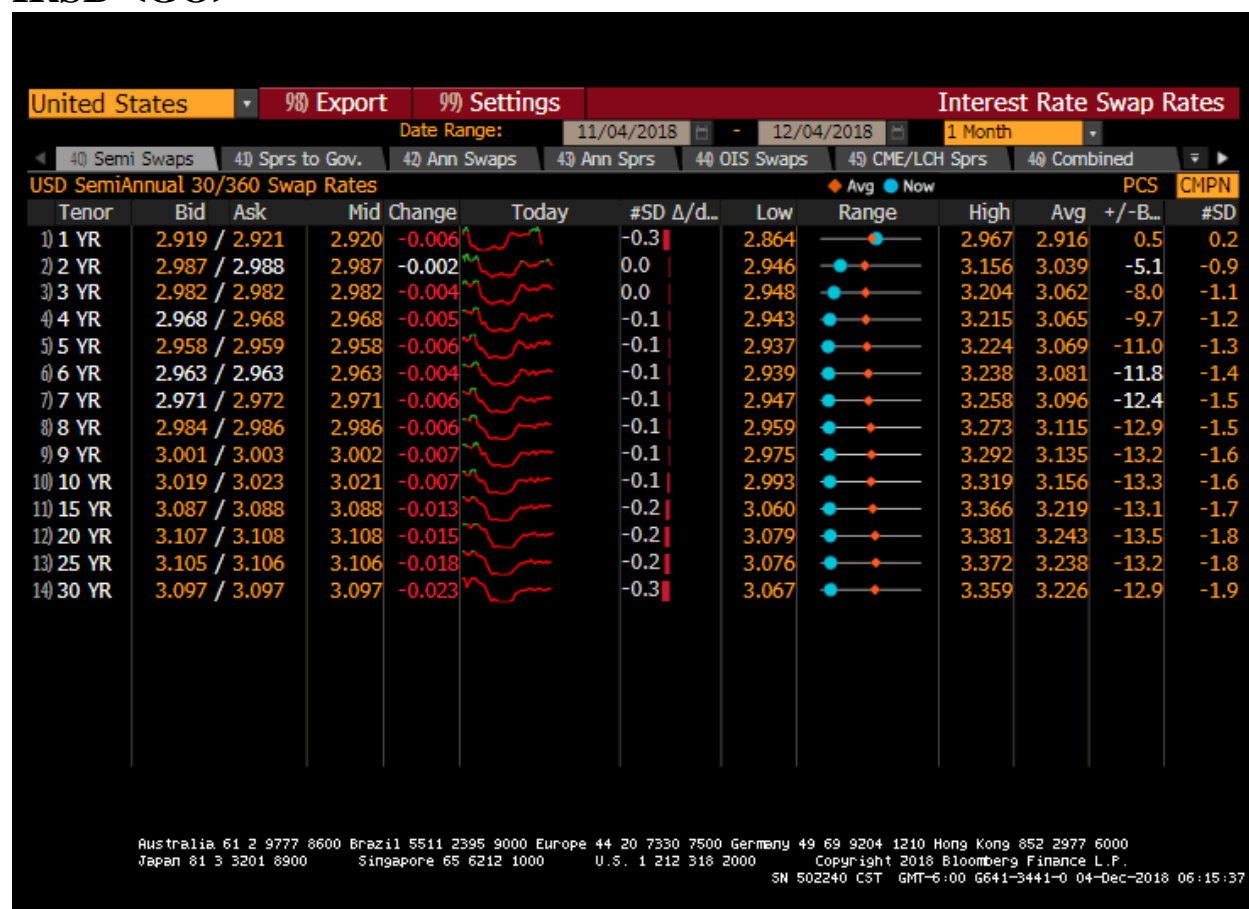


**YTD (per contract)**

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

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# US-SWAPS IRSB <GO>



## The Option Lab

### Trade Log:

2. Bought the TY Week-2 120.00 put (at the money).

Paid 8/64ths (\$125) per contract (3/9/2018).

The 120-00.00 strike price on the option equates to a TY yield of ~2.895%.

On March 9, the put was sold at 7/64ths for a \$15.63 loss.

1. Bought the Short Feb. 97.75/97.625/97.50 put fly.

Paid 2.0 ticks (\$50) per contract (12/07/17).

Short Feb. has an underlying contract of EDH9 but expires Feb. 16, 2018.

On February 2, the put fly was sold at 1.25 ticks for a \$31.25 win.

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

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

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

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## The Fundamentals

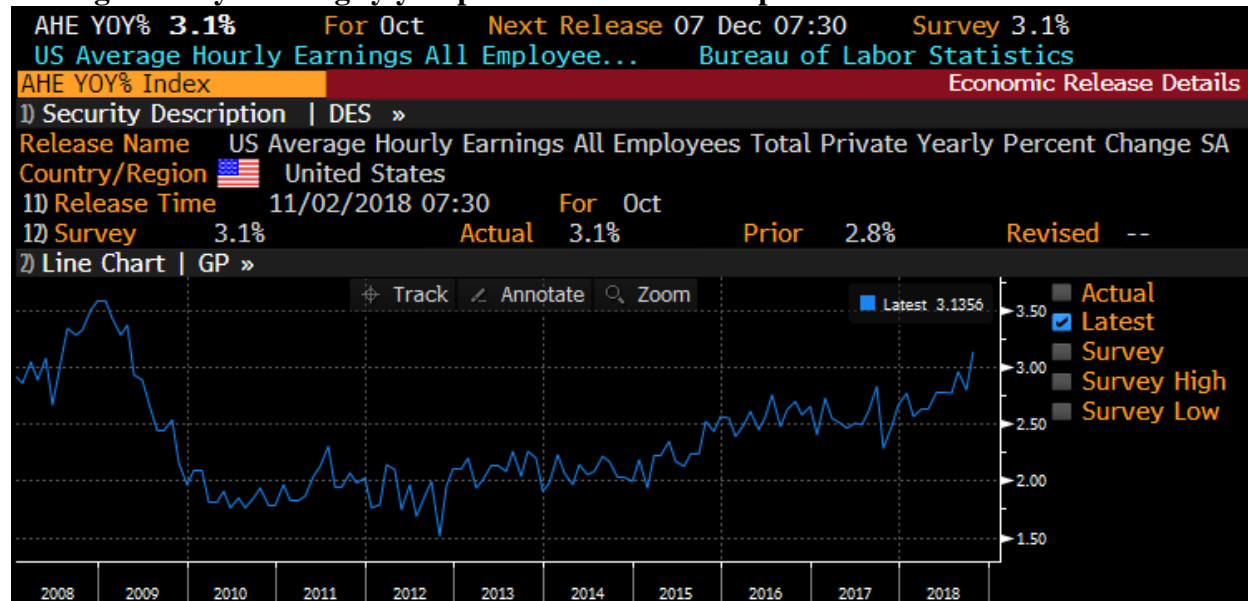
### LABOR

#### Bureau of Labor and Statistics

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

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

#### Average Hourly Earnings y/y Department of Labor Department.



#### St. Louis Fed Agriculture Finance Monitor 2nd quarter 2018

The results of this quarter's survey reflect agricultural finance conditions in the Eighth Federal Reserve District during the second quarter of 2018. **For the eighteenth consecutive quarter bankers who responded to the survey on net reported a decline in farm income when compared with the same period a year ago.** Similar to the previous survey, the results of this survey reflect some expectations of improving levels for farm income for the next quarter. While a majority of bankers still expect income to decline next quarter when compared with the third quarter of last year, slightly fewer bankers report that assessment. Bankers reported a similar assessment and outlook for capital spending. Responses about household spending also indicate a decline in that category when compared with responses a year ago. Bankers have reported lower comparative income levels since the fourth quarter of 2013, reaching a low point in the second quarter of 2016. This period correlates with an extended period of depressed prices for commodities. Survey responses indicate that the value of quality farmland fell during the second quarter of 2018 compared with a year ago but that cash rents for that property slightly improved. In contrast, the value for ranchland or pastureland rose during the second quarter while cash rents for that property fell. Responses to bank-related activities indicated that loan demand and available funds increased during the second quarter of 2018 as compared with a year ago. The rate of loan repayment slowed during the second quarter of 2018 on a comparative basis as reported by a majority of bankers. Both fixed and variable interest rates on all categories of loans rose during the quarter, relative to the previous quarter. This quarter's survey asked two special

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questions. Results of the first question indicate that a significant majority of respondents feel that the University of Missouri's projections that farm income will fall in 2018 by about 6.5 percent is about right. The second question asked about the impact lenders expected the new tax law will have on borrowers: Over 71 percent felt it would be either somewhat positive or significantly positive, while only 29 percent felt there would be either no effect or a somewhat negative effect.

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

### How do Farm Incomes Compare to the average population

<https://www.ers.usda.gov/faqs/#Q4>

### Charge-off Delinquency Rates on Loans and Leases at Commercial Banks

<https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

### BAKER HUGHES RIG COUNT

Area	Last Count	Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	30 Nov 2018	1,076	-3	21 Nov 2018	+147	1 Dec 2017
Canada	30 Nov 2018	199	-5	21 Nov 2018	-23	1 Dec 2017
International	Oct 2018	1,017	+13	Sept 2018	+66	Oct 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-

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wheelers are estimated at 30 million; for both modes, the vast majority was in China.

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

### What is U.S. electricity generation by energy source?

In 2017, about 4,015 billion kilowatt-hours (kWh) (or 4.01 trillion kWh) of electricity were generated at utility-scale facilities in the United States.<sup>1</sup> 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.<sup>2</sup>

<b>U.S. electricity generation by source, amount, and share of total in 2017<sup>1</sup></b>		
<b>Energy source</b>	<b>Billion kWh</b>	<b>Share of total</b>
<b>Total - all sources</b>	4,015	
<b>Fossil fuels (total)</b>	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%
<b>Nuclear</b>	805	20.0%
<b>Renewables (total)</b>	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 <sup>3</sup>	-6	-0.2%
<b>Other sources</b>	13	0.3%

**Renewable Fuels Association** <http://www.ethanolrfa.org/>

### TRANSPORTS

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## Association of American Railroads Rail Traffic Report.

Total carloads for the week ending November 24 were 232,954 carloads, up 1.7 percent compared with the same week in 2017, while U.S. weekly intermodal volume was 237,897 containers and trailers, up 4.3 percent compared to 2017.

Seven of the 10 carload commodity groups posted an increase compared with the same week in 2017. They included petroleum and petroleum products, up 3,501 carloads, to 12,329; grain, up 1,373 carloads, to 20,061; and chemicals, up 846 carloads, to 27,851. Commodity groups that posted decreases compared with the same week in 2017 were nonmetallic minerals, down 3,147 carloads, to 25,346; farm products excl. grain, and food, down 461 carloads, to 14,013; and motor vehicles and parts, down 202 carloads, to 14,132.

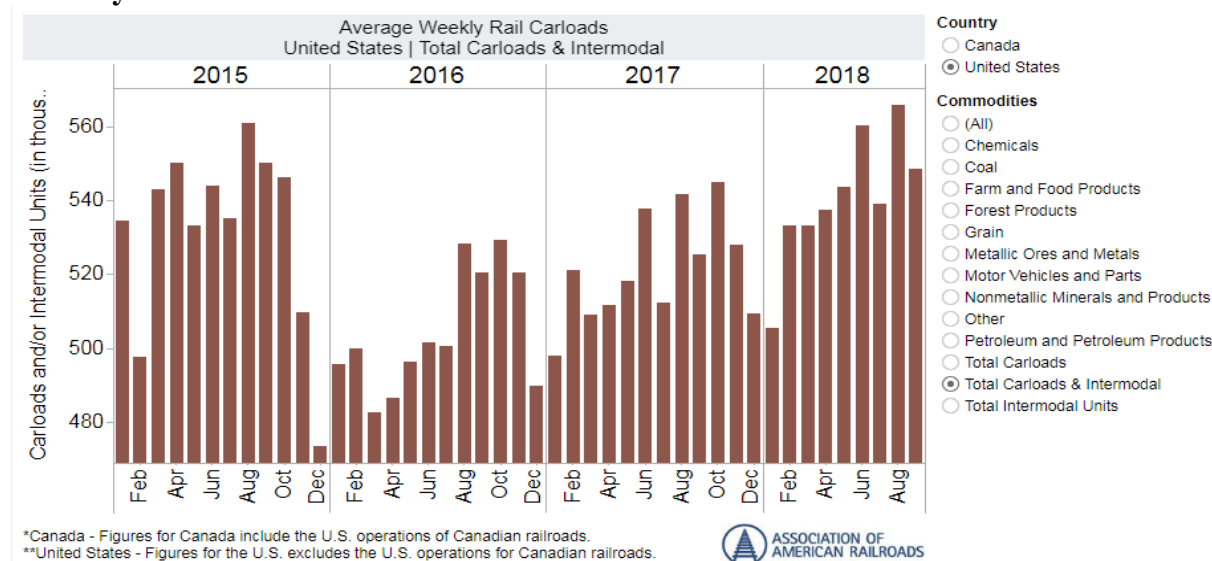
For the first 47 weeks of 2018, U.S. railroads reported cumulative volume of 12,343,939 carloads, up 1.8 percent from the same point last year; and 13,083,203 intermodal units, up 5.6 percent from last year. Total combined U.S. traffic for the first 47 weeks of 2018 was 25,427,142 carloads and intermodal units, an increase of 3.7 percent compared to last year.

North American rail volume for the week ending November 24, 2018, on 12 reporting U.S., Canadian and Mexican railroads totaled 336,379 carloads, up 2.3 percent compared with the same week last year, and 324,042 intermodal units, up 3.8 percent compared with last year. Total combined weekly rail traffic in North America was 660,421 carloads and intermodal units, up 3 percent. North American rail volume for the first 47 weeks of 2018 was 34,355,400 carloads and intermodal units, up 3.4 percent compared with 2017.

Canadian railroads reported 84,509 carloads for the week, up 7.8 percent, and 68,592 intermodal units, up 4.6 percent compared with the same week in 2017. For the first 47 weeks of 2018, Canadian railroads reported cumulative rail traffic volume of 7,107,185 carloads, containers and trailers, up 3.9 percent. Mexican railroads reported 18,916 carloads for the week, down 11.2 percent compared with the same week last year, and 17,553 intermodal units, down 5.8 percent. Cumulative volume on Mexican railroads for the first 47 weeks of 2018 was 1,821,073 carloads and intermodal containers and trailers.

<https://www.aar.org/news/rail-traffic-for-august-and-the-week-ending-november-24-2018/>

## Monthly Rail Traffic Charts



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

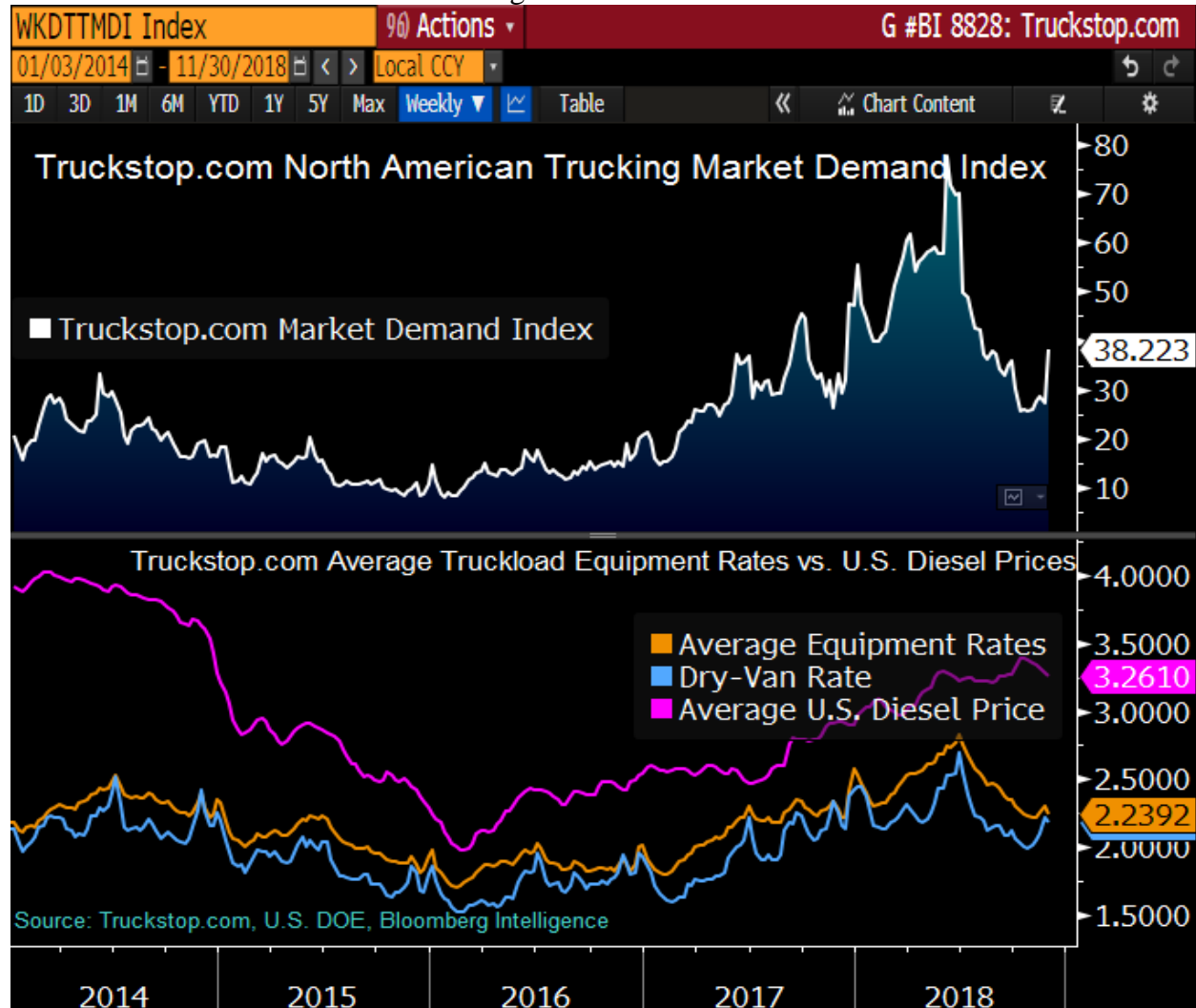
## Trailer Truck Demand (Bloomberg Intelligence) – 12/03/18

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North American spot-trucking demand surged 41% sequentially to 38.2 in the week ended Nov. 30, based on Truckstop.com's Market Demand Index. Capacity tightened as the 84% rebound in available loads following Thanksgiving almost tripled the increase in truck availability. Despite this jump, spot rates, excluding fuel surcharges, fell 3.2% on average for all equipment types. Rates are down 4.4% in 4Q, and are beginning to lap tough comparisons from last year's soft deadline for ELD implementation. We believe capacity will continue to tighten into late December, and limited driver availability should spark mid-single-digit contract rate increases in 2019.

Companies Impacted: USA Truck, Knight-Swift, J.B. Hunt, Werner and other publicly traded carriers operate mostly in the contract market, with varying spot exposure.

Lee A Klaskow at lklaskow1@bloomberg.net



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## GDP

**GDP-2Q is running at \*2.52% as of 11/21/18**

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

### **Atlanta Fed GDPNow...Q4 2018: 2.8% ...December 3, 2018**

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2018 is **2.8 percent** on December 3, up from 2.6 percent on November 29. The nowcasts of fourth-quarter real consumer spending growth and fourth-quarter real private fixed investment growth increased from 3.2 percent and 4.1 percent, respectively, to 3.5 percent and 4.3 percent, respectively, after this morning's construction spending report from the U.S. Census Bureau and this morning's Manufacturing ISM Report On Business from the Institute for Supply Management. The model's estimate of the dynamic factor for November—normalized to have mean 0 and standard deviation 1 and used to forecast the yet-to-be released monthly GDP source data—increased from 0.24 to 0.70 after the ISM report this morning.

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

*The next GDPNow update is Thursday, December 6. Please see the "Release Dates" tab below for a full list of upcoming releases.*

### **New York Fed Nowcast...Q4 2018: 2.5%...November 30, 2018**

News from this week's data releases left the nowcast for 2018:Q4 broadly unchanged.

A negative surprise from housing data was roughly offset by a positive surprise from personal consumption expenditures.

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

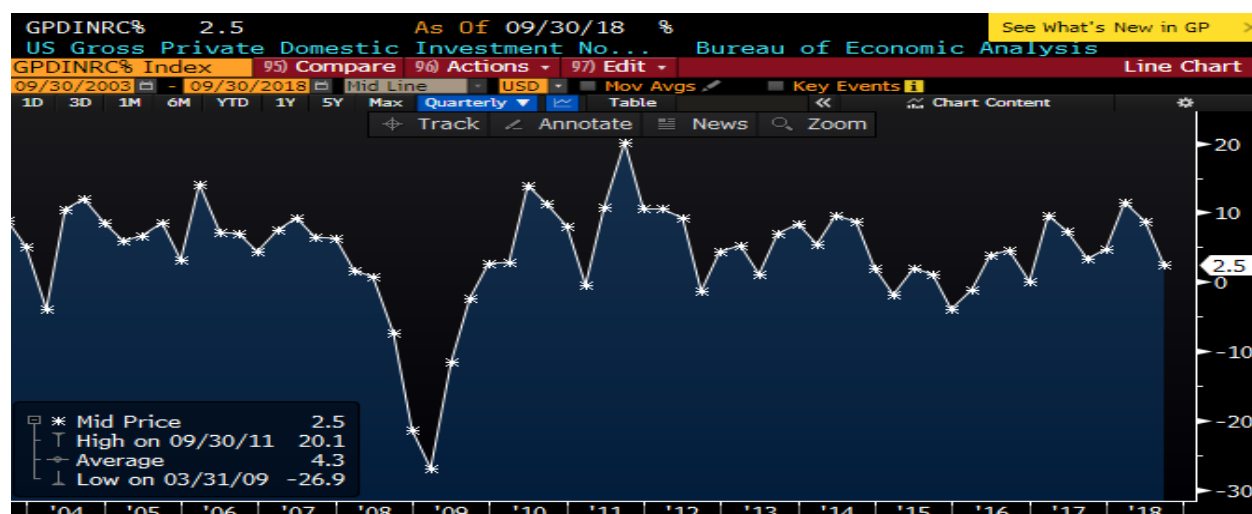
### **St. Louis Fed Real GDP Nowcast... Q4 2018:2.27%...November 30, 2018**

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

### **U.S. Department of Commerce, Bureau of economic analysis**

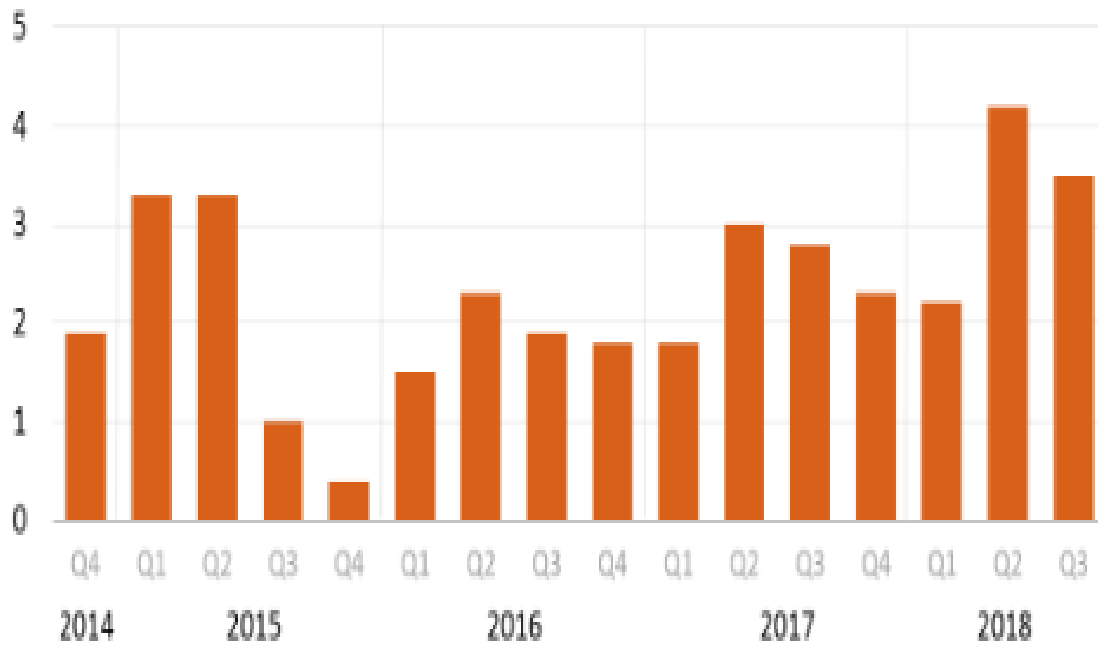
<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

**GDP, Personal Income, Outlays, Consumer Spending, Corporate Profits and Fixed Assets**



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## Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

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**MANUFACTURING AT A GLANCE**  
NOVEMBER 2018

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

Average for 12 months - 59.2

High - 61.3

Low - 57.3

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<https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?SSO=1>

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

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

**Our Nation in numbers**

The Constitution gives us four missions...

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

[www.usafacts.org](http://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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