FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

FUTURES EXPANSION FUND LTD PARTNERSHIP

CIK:**799824**| IRS No.: **133365950** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-15298** | Film No.: **99574171**
SIC: **6798** Real estate investment trusts

Mailing Address
MERRILL LYNCH & CO
WORLD FINANCIAL CTR,
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NEW YORK NY 10080-6106

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C/O ML FUTURES
INVESTMENT PARTNERS INC
NEW YORK NY 10080
2122364161

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(x) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 1998
or
( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 0-15298

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Delaware	13-3365950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

C/O MERRILL LYNCH INVESTMENT PARTNERS INC.
MERRILL LYNCH WORLD HEADQUARTER
WORLD FINANCIAL CENTER
SOUTH TOWER, NEW YORK, NY 10080
(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 236-5662

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: LIMITED PARTNERSHIP UNITS

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant: the registrant is a limited partnership; as of February 1, 1999, limited partnership units with an aggregate value of $8,007,171 were outstanding and held by non-affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's "1998 Annual Report and Independent Auditors' Report," the annual report to security holders for the fiscal year ended December 31, 1998, is incorporated by reference into Part II, Item 8, and Part IV hereof and filed as an Exhibit herewith.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP

ANNUAL REPORT FOR 1998 ON FORM 10-K

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PART I

Item 1: Business

(a) General Development of Business:

The Futures Expansion Fund Limited Partnership (the "Partnership" or the "Fund") was organized under the Delaware Revised Uniform Limited Partnership Act on August 13, 1986. Its single public offering of units of limited partnership interest ("Units") commenced on October 27, 1986, and the Partnership began trading on January 2, 1987 through a Joint Venture (the "Joint Venture") with and under the direction of Millburn Ridgefield Corporation ("Millburn Ridgefield" or the "Trading Advisor"). Millburn Ridgefield has been the Fund's sole Trading Advisor since inception. The Partnership, through the Joint Venture, engages in the speculative trading of commodity futures, options on futures, and forward contracts on currencies, financial instruments, stock indices, metals, energy and agricultural products. The Fund's objective is to achieve, through speculative trading, substantial capital appreciation over time.

Merrill Lynch Investment Partners Inc. (the "General Partner" or "MLIP"), organized in 1986, acts as the general partner of the Partnership. Merrill Lynch Futures Inc. (the "Commodity Broker" or "MLF") is the Partnership's commodity broker. The General Partner is a wholly-owned subsidiary of Merrill Lynch Group, Inc., which in turn is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML&Co."). The Commodity Broker is an indirect wholly-owned subsidiary of ML&Co. (ML&Co. and its affiliates are herein sometimes referred to as "Merrill Lynch.")

As of December 31, 1998, the capitalization of the Fund was $8,559,611, and the Net Asset Value per Unit, originally $100 as of January 2, 1987, had risen to $277.65.

Through December 31, 1998, the highest month-end Net Asset Value per Unit through December 31, 1998 was $295.54 (July 31, 1997) and the lowest $100.05 (September 30, 1987).

(b) Financial Information about Segments:

The Partnership's business constitutes only one segment for financial reporting purposes, i.e., a speculative "commodity pool." The Partnership does not engage in sales of goods or services.

(c) Narrative Description of Business:

GENERAL

The Fund trades in the international futures, options on futures and forward markets with the objective of achieving substantial capital appreciation over time.

One of the objectives of the Fund is to provide diversification for a limited portion of the risk segment of the Limited Partners' portfolios. Commodity pool performance has historically demonstrated a low degree of performance correlation with traditional stock and bond holdings. Since it began trading, the Fund's returns have, in fact, frequently been significantly non-correlated (not, however, negatively correlated) with the United States stock and bond markets.

The Joint Venture Agreement between the Partnership and the Trading Advisor may be terminated by the General Partner, acting on behalf of the Partnership, under certain circumstances involving, for example, substantial losses or changes in control of the Trading Advisor. The termination of the Joint Venture Agreement would not necessarily terminate the Partnership, but would require the General Partner to make other advisory arrangements for the Joint Venture.

MILLBURN RIDGEFIELD

Millburn Ridgefield is one of the longest operating of all active managed futures advisors. Principals of Millburn Ridgefield have been managing client assets in the futures and forward markets since 1972, and as of January 1, 1999 Millburn Ridgefield was managing approximately $900 million of client and proprietary capital in these markets. As of such date, Millburn Ridgefield and its affiliates were also managing over $1 billion in other disciplines.

Millburn Ridgefield uses a highly systematic trend-following approach which relies primarily on technical, market-related information. Millburn Ridgefield regards its strategies as long-term in nature, and gives substantial emphasis to risk management -- through, for example, analysis of leverage, implementation of "stop-loss" liquidation points on all open positions and ongoing rebalancing of portfolio commitments based on volatility risk assessments of the different markets traded.

Millburn Ridgefield implements multiple systems (generally, at least three) in analyzing each market which it trades. Only if all systems implemented in a market generate a positive trading signal will a "full position" be taken. A "full position" represents the maximum exposure that the risk control overlay in the trading system will allow in a given market based on account equity, market volatility and other factors. Because Millburn Ridgefield utilizes multiple trading systems, a negative signal in one system may be offset by positive signals in the other systems. Partial positions may be taken if one or more trading systems generate a neutral or negative trading signal while the other system(s) generate positive signal(s). This multi-system approach is intended to help to filter out the "whipsaw" effect which short-term "noise" price fluctuations and reversals can otherwise have on trend-following systems -- resulting in the dissipation of account equity through the frequent acquisition and liquidation of positions. The use of multiple evaluative models gives Millburn Ridgefield's strategy a degree of internal diversification which has the potential to increase its risk control capabilities.

As is the case with most trend-following systems, Millburn Ridgefield seeks to achieve cumulative profitability through capturing sustained price trends of significant duration and magnitude. Such trends tend to be relatively infrequent (often occurring only two to three times or less during a year in any given market). The early determination of the beginning and end of such major trends is an important feature of successful trading. Millburn Ridgefield's technical trading systems are designed with the objective that they will generate a trading signal when market conditions indicate a trend is likely to occur. If the trend is not subsequently confirmed or quickly reverses itself, positions are closed out in an attempt to limit capital losses. Positions which are profitable are maintained until the trading systems indicate that the trend has ended.

The money management principles, computer assisted research into historical trading data, and experience of the principals of Millburn Ridgefield are factors upon which decisions concerning the percentage of assets to be used for each market traded and the size of positions taken or maintained are based. From time to time decisions to increase or decrease the size of a position, long or short, may be made. Such decisions also require the exercise of judgment and may include consideration of the volatility of the particular market; the pattern of price movements, both inter-day and intra-day; open interest; volume of trading; changes in spread relationships between various forward contracts; and overall portfolio balance and risk exposure.

With respect to the execution of trades, Millburn Ridgefield may rely to an extent upon the judgment of others, including dealers, bank traders and floor brokers. No assurance is given that it will be possible to execute trades regularly at or near the desired buy or sell point.

The trading method, systems and money management principles utilized by Millburn Ridgefield are proprietary and confidential. The foregoing description is general and is not intended to be complete.

USE OF PROCEEDS AND INTEREST INCOME

Market Sectors. The Partnership trades in a diversified group of markets under the direction of the Trading Advisor. The Trading Advisor can, and does, from time to time materially alter the allocation of its overall trading commitments among different market sectors. There is essentially no restriction on the commodity interests which may be traded by Millburn Ridgefield or the rapidity with which Millburn Ridgefield may alter its market sector allocations.

The Fund's financial statements contain information relating to the market sectors traded by the Fund. There can, however, be no assurance as to which markets may be included in the Fund's portfolio or in which market sectors the Fund's trading may be concentrated at any one time or over time.

Market Types. The Fund trades on a variety of United States and foreign futures exchanges. Substantially all of the Fund's off-exchange trading takes place in the highly liquid, institutionally-based currency forward markets.

Many of the Partnership's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Partnership. The General Partner anticipates that some of the Partnership's foreign currency trades will be executed through MLIB, an affiliate of the General Partner. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Partnership acquires cash currency positions through banks and dealers, including Merrill Lynch. The Partnership pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

As in the case of its market sector allocations, the Fund's commitments to different types of markets -- U.S. and non-U.S., regulated and unregulated --differ substantially from time to time as well as over time.

The Fund's financial statements contain information relating to the types of markets traded by the Fund. There can, however, be no assurance as to which markets the Fund may trade or as to how the Fund's trading may be concentrated at any one time or over time.

Custody of Assets. All of the Fund's assets are currently held in CFTC-regulated customer accounts at MLF.

Interest Paid by Merrill Lynch on the Fund's U.S. Dollar and Non-U.S. Dollar Assets. The Joint Venture's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Joint Venture with interest at the prevailing 91-day U.S. Treasury bill rate. The Joint Venture is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Joint Venture, from possession of such assets.

Merrill Lynch charges the Joint Venture Merrill Lynch's cost of financing realized and unrealized losses on the Joint Venture's non-U.S. dollar-denominated positions.

CHARGES

The following table summarizes the charges incurred by the Fund during 1998, 1997 and 1996.

Charges	1998 Dollar Amount	1998 % of Average Month-End Net Assets	1997 Dollar Amount	1997 % of Average Month-End Net Assets	1996 Dollar Amount	1996 % of Average Month-End Average
Brokerage Commissions	$ 860,552	9.67%	$ 1,022,449	10.05%	$ 1,120,320	11.94%
Administrative Fees	22,646	0.25%	26,392	0.26%	24,001	0.26%
Profit Shares	118,954	1.34%	278,351	2.73%	206,261	2.20%
Total	$1,002,152	11.26%	$ 1,327,192	13.04%	$ 1,350,582	14.40%

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The foregoing table does not reflect the bid-ask spreads paid by the Fund on its forward trading, or the benefits which may be derived by Merrill Lynch from the deposit of certain of the Fund's U.S. dollar assets maintained at MLF.

The Fund's average month-end Net Assets during 1998, 1997 and 1996 equaled $8,895,563, $10,177,610, and $9,384,974, respectively.

During 1998, 1997 and 1996 the Fund earned $433,501, $470,192 and $382,717 in interest income, or approximately 4.87%, 4.62% and 4.08% of the Fund's average month-end Net Assets.

Effective January 1, 1996, the 11.92% per annum Brokerage Commissions paid by the Fund to MLF were recharacterized as 11.67% per annum Brokerage Commissions and a 0.25% per annum Administrative Fee paid by the Fund to MLIP. This recharacterization had no economic effect on the Fund.

Effective February 1, 1997, the Brokerage Commissions paid by the Fund were reduced from 11.67% to 9.50% per annum.

DESCRIPTION OF CURRENT CHARGES

RECIPIENT	NATURE OF PAYMENT	AMOUNT OF PAYMENT
MLF	Brokerage Commissions	A flat-rate, monthly commission of 0.7917 of 1% of the Fund's month-end assets (a 9.50% annual rate). During 1998, 1997, and 1996, the round-turn (each purchase and sale or sale and purchase of a single futures contract) equivalent rate of the Fund's flat-rate Brokerage Commissions was approximately $105, $84 and $102, respectively.
MLF	Use of Fund assets	Merrill Lynch may derive an economic benefit from the deposit of certain of the Fund's U.S. dollar assets in accounts maintained at MLF.
MLIP	Administrative Fees	The Fund pays MLIP a monthly Administrative Fee equal to 0.020833 of 1% of the Fund's month-end assets (0.25% annually). MLIP pays all of the Fund's routine administrative costs.
MLIB; Other	Bid-ask spreads	Bid-ask spreads on forward and

Counterparties		related trades.
Millburn Ridgefield	Profit Share	20% of any New Trading Profit achieved by the Fund as of the end of each calendar year and upon redemption of Units.
Millburn Ridgefield	Consulting Fees	MLF originally paid the Advisor annual consulting fees of .333 of 1% (a 4% annual rate) of the Joint Venture's month-end assets after reduction for a portion of the brokerage commissions. Effective January 1, 1997, the annual consulting fees were reduced to .167 of 1% (a 2% annual rate) of the Joint Venture's month-end assets after reduction for a portion of the brokerage commissions.
MLF; Others	Extraordinary expenses	Actual costs incurred; none paid to date.

REGULATION

The General Partner, Millburn Ridgefield and the Commodity Broker are each subject to regulation by the Commodity Futures Trading Commission (the "CFTC") and the National Futures Association. Other than in respect of its periodic reporting requirements under the Securities Exchange Act of 1934, the Partnership itself is generally not subject to regulation by the Securities and Exchange Commission. However, MLIP itself is registered as an "investment adviser" under the Investment Advisers Act of 1940.

(i) through (xii) -- not applicable.

(xiii) The Partnership has no employees.

(d) Financial Information about Geographic Areas:

The Partnership trades, from the United States, on a number of foreign commodity exchanges. The Partnership does not engage in the sales of goods or services.

ITEM 2: PROPERTIES

The Partnership does not use any physical properties in the conduct of its business.

The Partnership's only place of business is the place of business of the General Partner (Merrill Lynch World Headquarters, World Financial Center, South Tower, New York, New York, 10080). The General Partner performs all administrative services for the Partnership from the General Partner's offices.

ITEM 3: LEGAL PROCEEDINGS

ML&Co. -- the sole stockholder of Merrill Lynch Group, Inc. (which is the sole stockholder of MLIP) -- as well as certain of its subsidiaries and affiliates have been named as defendants in civil actions, arbitration proceedings and claims arising out of their respective business activities. Although the ultimate outcome of these actions cannot be predicted at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the result of these matters will not be materially adverse to the business operations or the financial condition of MLIP or the Fund.

MLIP itself has never been the subject of any material litigation.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Partnership has never submitted any matter to a vote of its Limited Partners.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Item 5(a)

(a) Market Information:

There is no established public trading market for the Units, nor will one develop. Rather, Limited Partners may redeem Units as of the end of each month at Net Asset Value.

(b) Holders:

As of December 31, 1998, there were 392 holders of Units, including the General Partner.

(c) Dividends:

The Partnership has made no distributions, nor does the General Partner presently intend to make any distributions in the future.

Item 5(b)

Not applicable.

ITEM 6: SELECTED FINANCIAL DATA

The following selected financial data has been derived from the audited financial statements of the Partnership:

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INCOME STATEMENT DATA	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997	FOR THE YEAR ENDED DECEMBER 31, 1996	FOR THE YEAR ENDED DECEMBER 31, 1995	FOR THE YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Trading Profits (Loss)					
Realized Gain	$ 761,007	$ 1,551,671	$ 1,800,104	$ 2,689,922	$ 2,206,016
Change in Unrealized (Loss) Gain	(176,383)	(102,280)	(39,401)	405,757	(891,323)
Total Trading Results	584,624	1,449,391	1,760,703	3,095,679	1,314,693
Interest Income	433,501	470,192	382,717	468,023	290,482
Total Revenues	1,018,125	1,919,583	2,143,420	3,563,702	1,605,175
Expenses:					
Brokerage Commissions	860,552	1,022,449	1,120,320	1,208,671	1,056,436
Administrative Fees	22,646	26,392	24,001	-	-
Profit Shares	118,954	278,351	206,261	471,976	119,420
Total Expenses	1,002,152	1,327,192	1,350,582	1,680,647	1,175,856
Net Income	$ 15,973	$ 592,391	$ 792,838	$ 1,883,055	$ 429,319

</TABLE>

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<CAPTION>

BALANCE SHEET DATA	DECEMBER 31, 1998	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Fund Net Asset Value	$ 8,559,611	$ 9,640,738	$ 9,895,616	$ 9,891,103	$ 8,863,340
Net Asset Value per Unit	$ 277.65	$ 275.73	$ 260.29	$ 238.96	$ 195.94

</TABLE>

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MONTH-END NET ASSET VALUE PER UNIT												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1994	$170.96	$168.29	$179.52	$174.67	$182.59	$191.83	$186.02	$174.47	$179.91	$184.24	$192.32	$195.94
1995	$189.48	$201.01	$231.61	$240.44	$235.91	$237.51	$230.15	$231.47	$226.17	$224.81	$224.36	$238.96
1996	$252.05	$224.51	$225.51	$236.49	$219.53	$227.57	$230.17	$224.71	$230.21	$251.56	$258.55	$260.29
1997	$277.32	$292.65	$283.51	$274.35	$277.52	$277.13	$295.54	$270.69	$273.08	$266.48	$265.12	$275.73
1998	$281.99	$274.64	$277.27	$254.92	$265.04	$267.36	$250.99	$268.54	$282.27	$275.27	$271.62	$277.65

</TABLE>

Pursuant to CFTC policy, monthly performance is presented from January 1, 1994, even though the Units were outstanding prior to such date.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
December 31, 1998

Type of Pool: Single Advisor/Publicly-Offered/Non-"Principal Protected"(1)
Inception of Trading: January 2, 1987
Aggregate Subscriptions: $56,741,035
Current Capitalization: $8,559,611
Worst Monthly Drawdown(2): (10.92)% (2/96)
Worst Peak-to-Valley Drawdown(3): (15.08)% (8/97-7/98)

____

New Asset Value per Unit, December 31, 1998: $277.65

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MONTHLY RATES OF RETURN(4)					
MONTH	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
January	2.27%	6.54%	5.48%	(3.30)%	(7.91)%
February	(2.61)	5.53	(10.92)	6.09	(1.56)
March	0.96	(3.12)	0.44	15.22	6.67
April	(8.06)	(3.23)	4.87	3.81	(2.70)
May	3.97	1.16	(7.17)	(1.88)	4.53
June	0.88	(0.14)	3.66	0.68	5.06
July	(6.12)	6.64	1.14	(3.10)	(3.03)
August	6.99	(8.41)	(2.37)	0.57	(6.21)
September	5.11	0.88	2.45	(2.29)	3.12
October	(2.48)	(2.42)	9.27	(0.60)	2.41
November	(1.33)	(0.51)	2.78	(0.20)	4.39
December	2.22	4.00	0.67	6.50	1.89
Compound Annual Rate of Return	0.69%	5.93%	8.93%	21.95%	5.55%

</TABLE>

(1) Certain funds, including funds sponsored by MLIP, are structured so

as to guarantee to investors that their investment will be worth no less than a specified amount (typically, the initial purchase price) as of a date certain after the date of investment. The CFTC refers to such funds as "principal protected." The Partnership has no such feature.

(2) Worst monthly Drawdown represents the largest negative Monthly Rate of Return experienced since January 1, 1994 by the Fund; a drawdown is measured on the basis of month-end Net Asset Value only, and does not reflect intra-month figures.

(3) Worst Peak-to-Valley Drawdown represents the greatest percentage decline since January 1, 1994 from a month-end cumulative Monthly Rate of Return without such cumulative Monthly Rate of Return being equaled or exceeded as of a subsequent month-end. For example, if the Monthly rate of Return was (1)% in each of January and February, 1% in March and (2)% in April, the

Peak-to-Valley Drawdown would still be continuing at the end of April in the amount of approximately (3)%, whereas if the Monthly Rate of Return had been approximately 3% in March, the Peak-to-Valley Drawdown would have ended as of the end of February at approximately the (2)% level.

(4) Monthly Rate of Return is the net performance of the Fund during the month of determination (including interest income and after all expenses have been accrued or paid) divided by the total equity of the Fund as of the beginning of such month.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONAL OVERVIEW

The Fund's success depends on Millburn Ridgefield's ability to recognize and capitalize on trends and other profit opportunities in different sectors of the world economy. Millburn Ridgefield's trading methods are confidential, so that substantially the only information that can be furnished regarding the Fund's results of operations is its performance record, as set forth above. Unlike most operating businesses, general economic or seasonal conditions have no direct effect on the profit potential of the Fund, while, at the same time, its past performance is not necessarily indicative of future results. Because of the speculative nature of its trading, operational or economic trends have little relevance to the Fund's results. Millburn Ridgefield believes, however, that there are certain market conditions -- for example, markets with strong price trends -- in which the Fund has a better opportunity of being profitable than in others.

RESULTS OF OPERATIONS

General. MLIP believes that futures funds should be regarded as medium- to long-term (i.e., three to five year) investments, but it is difficult to identify trends in the Fund's operations and virtually impossible to make any predictions regarding future results based on the results to date. An investment in the Fund may be less successful over a longer than a shorter period.

Markets with sustained price trends tend to be more favorable to managed futures investments than whipsaw, choppy markets, but (i) this is not always the case, (ii) it is impossible to predict when price trends will occur and (iii) Millburn Ridgefield's systems are affected differently by trending markets as well as by particular types of trends.

MLIP attempts to control credit risk in the Fund's futures, forward and options trading by trading only through MLF. MLF acts solely as a broker or counterparty to the Fund's trades; it does not advise with respect to, or direct, any such trading.

MLIP relies primarily on Millburn Ridgefield's risk management policies and strategies to control the market risk inherent in the Fund's trading. MLIP reviews the positions acquired by Millburn Ridgefield on a daily basis in an effort to determine whether such policies and strategies are being followed and whether the overall positions of the Fund may have become what MLIP analyzes as being excessively concentrated in a limited number of markets -- in which case MLIP may discuss the possibility of rebalancing or deleveraging the Fund's portfolio with Millburn Ridgefield. To date, however, MLIP has not intervened so as to require any rebalancing or deleveraging of Millburn Ridgefield's trading.

MLIP may consider making distributions to investors under certain circumstances (for example, if substantial profits are recognized); however, MLIP has not done so to date and does not presently intend to do so.

PERFORMANCE SUMMARY

1998

	Total Trading Results
Interest Rates and Stock Indices	$ 874,177
Commodities	(76,779)
Currencies	(434,481)
Energy	428,384
Metals	(206,677)
	$ 584,624

In 1998, interest rate futures trading was quite profitable, particularly the Japanese 10-year government bond or "JGB." The long side of the bond was profitable earlier in the year as interest rates fell to record low levels and the short side was profitable in the latter part of the year as interest rates moved back up. Long positions in European interest rate futures were also profitable. Profitable long positions included German, French, Spanish and Italian 10-year government

bonds. Short-term Eurodollar trading and U.S. 10-year Treasury note trading were also profitable.

Currency trading against the U.S. dollar and non-dollar cross-rate trading were both somewhat unprofitable in 1998. Yen trading was quite profitable but the gains were outweighed by losses from European currency trading.

Stock index futures trading was also unprofitable in 1998 with losses from Japanese stock indices outweighing gains from the Hong Kong Hang Seng and S&P 500 indices.

Metal trading was unprofitable in 1998, primarily due to losses in copper.

Energy trading was profitable in 1998 due to short positions in crude oil, heating oil, London gasoil and unleaded gasoline. Natural gas trading was somewhat unprofitable.

Agricultural commodity trading was narrowly unprofitable with gains from sugar and corn trading outweighed by losses from coffee, cocoa and cotton trading.

1997

	Total Trading Results
Interest Rates and Stock Indices	$ 679,273
Commodities	(8,456)
Currencies	1,280,992
Energy	42,962
Metals	(545,380)
	$ 1,449,391

Trend reversals and extreme market volatility, affected by such factors as the Asian flu and El Nino, were characteristic of most of 1997. However, the year proved to be a profitable one overall for the Fund as trends in several key markets enabled the Trading Advisors to profit despite the significant obstacles. Although trading results in several sectors may have been lackluster, the global currency and bond markets offered noteworthy trading opportunities, which resulted in significant profits in these markets during the year. Additionally, the currency and interest rate sectors of the Fund's portfolio represented its largest percentage of market commitments.

In currency markets, the U.S. dollar rallied and started 1997 on a strong note, rising to a four-year high versus the Japanese yen and two-and-a-half year highs versus the Deutsche mark and the Swiss franc. However, the dollar underwent two significant corrections during the year. The first correction occurred in the Spring against the Japanese yen, due to the G7 finance ministers' determination that a further dollar advance would be counter-productive to their current goals. From August through mid-November, the dollar corrected against the Eurocurrencies in advance of a well-advertised tightening by the Bundesbank. By mid-December the dollar had bounced back to new highs against the yen and was rallying against the mark.

Global interest rate markets began the year on a volatile note, as investors evaluated economic data for signs of inflation. By the middle of the year, economic data in key countries was positive indicating lower inflation and igniting a worldwide rally in the bond markets. Specifically, investor sentiment was particularly strong in the U.S., where prices on the 30-year Treasury bond and 10-year Treasury note rose to their highest levels in over two years. This followed a largely positive economic report delivered by Federal Reserve Chairman Greenspan in testimony before Congress. Effects of the plunge in the Hong Kong stock market in late October spread rapidly throughout the world's financial markets, including global bond markets. After continued volatility in subsequent months made trading difficult, 1997 interest rate trading ended on a positive note when U.S. and Japanese bond markets rallied as a flight to safety from plunging stock markets around the world occurred in December.

In energy markets, a slump in crude oil prices was characteristic of its lackluster performance from the beginning of the year. Early in 1997, volatility returned in the energy markets, reflecting the impact of a winter significantly

warmer than normal. By mid-year, the decline in prices reversed sharply as Saudi Arabia and Iran, together representing about 45% of OPEC's oil production, joined forces to pressure oil-producing nations to stay within OPEC production quotas. In December, financial and economic problems in Asia reduced demand for oil, and in combination with ample supplies, resulted in crude oil prices declining once again.

1996

	Total Trading Results
Interest Rates and Stock Indices	$ 640,339
Commodities	(465,306)
Currencies	846,362
Energy	845,777
Metals	(106,469)
	$ 1,760,703

1996 began with the East Coast blizzard, continuing difficulties in federal budget talks and an economic slowdown having a negative impact on many markets. The Fund was profitable in January due to strong profits in currency trading as the U.S. dollar reached a 23-month high against the Japanese yen. In February, however, the Fund incurred its worst monthly loss due to the sudden reversals in several strong price trends and considerable volatility in the currency and financial markets. During March, large profits were taken in the crude oil and gasoline markets as strong demand continued and talks between the United Nations and Iraq were suspended. This trend continued into the second quarter, during which strong gains were also recognized in the agricultural markets as a combination of drought and excessive rain drove wheat and grain prices to historic highs. In the late summer and early fall months, the Fund continued to trade profitably as trending prices in a number of key markets favorably impacted the Fund's performance. In September heating oil hit a five-year high on soaring prices in Europe, and the Fund was also able to capitalize on downward trends in the metals markets. Strong trends in the currency and global bond markets produced significant gains in October and November, but the year ended with declining performance as December witnessed the reversal of several strong upward trends and increased volatility in key markets.

LIQUIDITY; CAPITAL RESOURCES

The Fund's costs are generally proportional to its asset base, and, within broad ranges of capitalization, the Trading Advisor's trading positions (and the resulting gains and losses) should increase or decrease in approximate proportion to the size of the Fund account managed by the Trading Advisor.

Inflation per se is not a significant factor in the Fund's profitability, although inflationary cycles can give rise to the type of major price movements that can have a materially favorable or adverse impact on the Fund's performance.

In its trading to date, the Fund has from time to time had substantial unrealized gains and losses on its open positions. These gains or losses are received or paid on a periodic basis as part of the routine clearing cycle on exchanges or in the over-the-counter markets (the only over-the-counter market in which the Fund trades is the inter-bank forward market in currencies). In highly unusual circumstances, market illiquidity could make it difficult for the Advisor to close out open positions, and any such illiquidity could expose the Fund to significant losses, or cause it to be unable to recognize unrealized gains.

YEAR 2000 COMPLIANCE INITIATIVE

As the millennium approaches, Merrill Lynch has undertaken initiatives to address the Year 2000 problem (the "Y2K problem"). The Y2K problem is the result of a widespread programming technique that causes computer systems to identify a date based on the last two numbers of a year, with the assumption that the first two numbers of the year are "19". As a result, the year 2000 would be stored as "00," causing computers to incorrectly interpret the year as 1900. Left uncorrected, the Y2K problem may cause information technology systems (e.g., computer databases) and non-information technology systems (e.g., elevators) to produce incorrect data or cease operating completely.

Merrill Lynch believes that it has identified and evaluated its internal Y2K problem and that it is devoting sufficient resources to renovating technology systems that are not already Year 2000 compliant. The resource-intensive renovation phase (as further discussed) of Merrill Lynch's Year 2000 efforts was approximately 95% completed as of January 31, 1999. Merrill Lynch will focus primarily on completing its renovation and testing and on integration of the Year 2000 programs of recent acquisitions during the remainder of 1999. In order to focus attention on the Y2K problem, management has deferred certain other technology projects: however, this deferral is not expected to have a material adverse effect on the company's business, results of operations, or financial condition.

The failure of Merrill Lynch's technology systems relating to a Y2K problem would likely have a material adverse effect on the company's business, results of operations, and financial condition. This effect could include disruption of normal business transactions, such as the settlement, execution, processing, and recording of trades in securities, commodities, currencies, and other assets. The Y2K problem could also increase Merrill Lynch's exposure to risk and its need for liquidity.

In 1995, Merrill Lynch established the Year 2000 Compliance Initiative, which is an enterprisewide effort to address the risks associated with the Y2K problem, both internal and external. The Year 2000 Compliance Initiative's efforts to address the risks associated with the Y2K problem have been organized into six phases: planning, pre-renovation, renovation, production testing, certification, and integration testing.

The planning phase involved defining the scope of the Year 2000 Compliance Initiative, including its annual budget and strategy, and determining the level of expert knowledge available within Merrill Lynch regarding particular systems or applications. The pre-renovation phase involved developing a detailed enterprisewide inventory of applications and systems, identifying the scope of necessary renovations to each application system, and establishing a conversion schedule. During the renovation phase, source code is actually converted, date fields are expanded or windowed (windowing is used on an exception basis only), test data is prepared, and each system or application is tested using a variety of Year 2000 scenarios. The production testing phase validates that a renovated system is functionally the same as the existing production version, that renovation has not introduced defects, and that expanded or windowed date fields continue to handle current dates properly. The certification phase validates that a system can run successfully in a Year 2000 environment. The integration testing phase, which will occur throughout 1999, validates that a system can successfully interface with both internal and external systems. Finally, as Merrill Lynch continues to implement new systems, they are also being tested for Year 2000 readiness.

In 1996 and 1997, as part of the planning and pre-renovation phases, both plans and funding of plans for inventory, preparation, renovation, and testing of computer systems for the Y2K problem were approved. All plans for both mission-critical and non-mission-critical systems are tracked and monitored. The work associated with the Year 2000 Compliance Initiative has been accomplished by Merrill Lynch employees, with the assistance of consultants where necessary.

As part of the production testing and certification phases, Merrill Lynch has performed, and will continue to perform, both internal and external Year 2000 testing intended to address the risks from the Y2K problem. As of January 31, 1999, production testing was approximately 93% completed. In July 1998, Merrill Lynch participated in an industrywide Year 2000 systems test sponsored by the Securities Industry Association ("SIA"), in which selected firms tested their computer systems in mock stock trades that simulated dates in

December 1999 and January 2000. Merrill Lynch will participate in further industrywide testing sponsored by the SIA, currently scheduled for March and April 1999, which will involve an expanded number of firms, transactions, and conditions. Merrill Lynch also participated in various other domestic and international industry tests during 1998.

Merrill Lynch continues to survey and communicate with third parties whose Year 2000 readiness is important to the company. Information technology and non-information technology vendors and service providers are contacted in order to obtain their Year 2000 compliance plans. Based on the nature of the response and the importance of the product or service involved, Merrill Lynch determines if additional testing is needed. The results of these efforts are maintained in a database that is accessible throughout the firm. Third parties that have been contacted include transactional counterparties, exchanges, and clearinghouses; a process to access and rate their responses has been developed. This information as well as other Year 2000 readiness information on particular countries and their political subdivisions will be used by Merrill Lynch to manage risk resulting from the Y2K problem. Management is unable at this point to ascertain whether all significant third parties will successfully address the Y2K problem. Merrill Lynch will continue to monitor third parties' Year 2000 readiness to determine if additional or alternative measures are necessary. In connection with information technology and non-information technology products and services, contingency plans, which are developed at the business

unit level, may include selection of alternative vendors or service providers and changing business practices so that a particular system is not needed. In the case of securities exchanges and clearinghouses, risk mitigation could include the re-routing of business. In light of the interdependency of the parties in or serving the financial markets, however, there can be no assurance that all Y2K problems will be identified and remediated on a timely basis or that all remediation will be successful. The failure of exchanges, clearing organizations, vendors, service providers, counterparties, regulators, or others to resolve their own processing issues in a timely manner could have a material adverse effect on Merrill Lynch's business, results of operations, and financial condition.

At year-end 1998, the total estimated expenditures for the entire Year 2000 Compliance Initiative were approximately $425 million, of which approximately $125 million was remaining. The majority of these remaining expenditures are expected to cover testing, risk management, and contingency planning. There can be no assurance that the costs associated with such remediation efforts will not exceed those currently anticipated by Merrill Lynch, or that the costs associated with the remediation efforts or the possible failure of such remediation efforts would not have a material adverse effect on Merrill Lynch's business, results of operations, or financial condition.

EUROPEAN ECONOMIC AND MONETARY UNION ("EMU") INITIATIVE

As of January 1, 1999, the "euro" was adopted as the common legal currency of participating member states of the EMU. As a consequence of the introduction of and conversion to the euro, Merrill Lynch was required to make significant changes to nearly 200 global business systems in order to reflect the substitution of the euro for the 11 member national currencies and the European currency unit. The introduction of the euro brings about fundamental changes in the structure and nature of European financial markets, including the creation of a unified, more liquid capital market in Europe. As financial markets in EMU member states converge and local barriers are removed, competition is expected to increase.

The introduction of the euro affects all Merrill Lynch facilities that transact, distribute, or provide custody or recordkeeping for securities or cash denominated in the currency of a participating member state. Merrill Lynch's systems or procedures that handle such securities or cash were modified in order to implement the conversion to the euro. The implementation phase is continuing into the first quarter of 1999 to resolve any post-conversion issues. The success of Merrill Lynch's euro conversion efforts was dependent on the euro-compliance of third parties, such as trading counterparties, financial intermediaries (e.g., securities and commodities exchanges, depositories, clearing organizations, and commercial banks), and vendors.

As of the end of the 1998 fiscal year, the total estimated expenditures associated with the introduction of and conversion to the euro were approximately $79 million, of which $1 million is remaining to be spent during the first quarter of 1999 on compliance efforts and project administration. Management believes that it has identified and evaluated all of the systems and operational modifications necessary for the conversion to the euro. On January 4, 1999 and since then, Merrill Lynch has conducted normal business operations, having successfully completed its conversion program. Management does not expect the introduction of the euro to have a negative effect on its future business, currency risk, or competitive positioning in the European markets.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item are included in Exhibit 13.01.

The supplementary financial information ("selected quarterly financial data" and "information about oil and gas producing activities") specified by Item 302 of Regulation S-K is not applicable. The General Partner promoted the Fund and is its controlling person.

Item 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with independent auditors on accounting and financial disclosure.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

10(a) and 10(b) Identification of Directors and Executive Officers:

As a limited partnership, the Partnership itself has no officers or directors and is managed by the General Partner. Trading decisions are made by Millburn Ridgefield on behalf of the Partnership.

The directors and executive officers of MLIP and their respective business backgrounds are as follows:

JOHN R. FRAWLEY, JR.	Chairman, Chief Executive Officer, President and Director
JEFFREY F. CHANDOR	Senior Vice President, Director of Sales, Marketing and Research and Director
JO ANN DI DARIO	Vice President, Chief Financial Officer and Treasurer, through April 30, 1999
MICHAEL L. PUNGELLO	Vice President, Chief Financial Officer and Treasurer, effective May 1, 1999
JOSEPH H. MOGLIA	Director
ALLEN N. JONES	Director
STEPHEN G. BODURTHA	Director
STEVEN B. OLGIN	Vice President, Secretary and Director of Administration

John R. Frawley, Jr. was born in 1943. Mr. Frawley is Chairman, Chief Executive Officer, President and a Director of MLIP and Co-Chairman of MLF. He joined Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") in 1966 and has served in various positions, including Retail and Institutional Sales, Manager of New York Institutional Sales, Director of Institutional Marketing, Senior Vice President of Merrill Lynch Capital Markets and Director of International Institutional Sales. Mr. Frawley holds a Bachelor of Science degree from Canisius College. Mr. Frawley served on the CFTC's Regulatory Coordination Advisory Committee from its formation in 1990 through its dissolution in 1994. Mr. Frawley has served four consecutive one-year terms as Chairman of the Managed Funds Association (formerly, the Managed Futures Association), a national trade association that represents the managed futures, hedge funds and fund of funds industry. Mr. Frawley currently serves as a member of the CFTC's Global Markets Advisory Committee.

Jeffrey F. Chandor was born in 1942. Mr. Chandor is Senior Vice President, Director of Sales, Marketing and Research and a Director of MLIP. He joined MLPF&S in 1971 and has served as the Product Manager of International Institutional Equities, Equity Derivatives and Mortgage-Backed Securities as well as Managing Director of International Sales in the United States, and Managing Director of Sales in Europe. Mr. Chandor holds a Bachelor of Arts degree from Trinity College, Hartford, Connecticut. Mr. Chandor is serving a two-year term as a director of the Managed Funds Association.

Jo Ann Di Dario was born in 1946. Ms. Di Dario is, through April 30, 1999, Vice President, Chief Financial Officer and Treasurer of MLIP. Before joining MLIP in May 1998, she was self-employed for one year. From February 1996 to May 1997, she worked as a consultant for Global Asset Management, an international mutual fund organizer and operator headquartered in London, where she offered advice on restructuring their back-office operations. From May 1992 to January 1996, she served as a Vice President of Meridian Bank Corporation, a regional bank holding company. She was responsible for managing the treasury operations of Meridian Bank Corporation including its wholly-owned subsidiary, Meridian Investment Company Inc. From September 1991 to May 1992, Ms. Di Dario managed the Domestic Treasury Operations of First Fidelity Bank, a regional bank. From January 1991 to September 1991, Ms. Di Dario was self-employed. For the previous five years, Ms. Di Dario was Vice President, Secretary and Controller of Caxton Corporation, a Commodity Pool Operator and Commodity Trading Advisor. Her background includes seven years of public accounting experience, and she graduated with high honors from Stockton State College with a Bachelor of Science degree in Accounting.

Michael L. Pungello was born in 1957. Effective May 1, 1999, Mr. Pungello will become Vice President, Chief Financial Officer and Treasurer of MLIP. He was First Vice President and Senior Director of Finance for Merrill Lynch's Operations, Services and Technology Group from January 1998 to March 1999. Prior to that, Mr. Pungello spent over 18 years with Deloitte & Touche LLP, and was a partner in their Financial Services practice from June 1990 to December 1997. He graduated from Fordham University in 1979 with a Bachelor of Science degree in accounting and received his Master of Business Administration degree in Finance from New York University in 1987.

Joseph H. Moglia was born in 1949. Mr. Moglia is a Director of MLIP. In 1971, he graduated from Fordham University with a Bachelor of Arts degree in Economics. He later received his Master of Science degree from the University of Delaware. He taught at the high school and college level for sixteen years. Mr. Moglia joined MLPF&S in 1984, and has served in a number of senior roles, including Director of New York Fixed Income Institutional Sales, Director of Global Fixed Income Institutional Sales, and Director of the Municipal Division. He is currently Senior Vice President and Director of the Investment Strategy and Product Group in Merrill Lynch Private Client, and Director of Middle Markets.

Allen N. Jones was born in 1942. Mr. Jones is a Director of MLIP and, from July 1995 until January 1998, Mr. Jones was also Chairman of the Board of Directors of MLIP. Mr. Jones graduated from the University of Arkansas with a Bachelor of Science, Business Administration degree in 1964. Since June 1992, Mr. Jones has held the position of Senior Vice President of MLPF&S. From June 1992 through February 1994, Mr. Jones was the President and Chief Executive Officer of Merrill Lynch Insurance Group, Inc. ("MLIG") and remains on the Board of Directors of MLIG and its subsidiary companies. From February 1994 to April 1997, Mr. Jones was the Director of Individual Financial Services of the Merrill Lynch Private Client Group. In April 1997, Mr. Jones became the Director of Private Client marketing.

Stephen G. Bodurtha was born in 1958. Mr. Bodurtha is a Director of MLIP. In 1980, Mr. Bodurtha graduated magna cum laude from Wesleyan University, Middletown, Connecticut with a Bachelor of Arts degree in Government. From 1980 to 1983, Mr. Bodurtha worked in the Investment Banking Division of Merrill Lynch. In 1985, he was awarded his Master of Business Administration degree from Harvard University, where he also served as Associates Fellow (1985 to 1986). From 1986 to 1989, Mr. Bodurtha held the positions of Associate and Vice President with Kidder, Peabody & Co., Incorporated where he worked in their Financial Futures & Options Group. Mr. Bodurtha joined MLPF&S in 1989 and has held the position of First Vice President since 1995. He has been the Director in charge of the Structured Investments Group of MLPF&S since 1995.

Steven B. Olgin was born in 1960. Mr. Olgin is Vice President, Secretary and the Director of Administration of MLIP. He joined MLIP in July 1994 and became a Vice President in July 1995. From 1986 until July 1994, Mr. Olgin was an associate of the law firm of Sidley & Austin. In 1982, Mr. Olgin graduated from The American University with a Bachelor of Science degree in Business Administration and a Bachelor of Arts degree in Economics. In 1986, he received his Juris Doctor degree from The John Marshall Law School. Mr. Olgin is a member of the Managed Funds Association's Government Relations Committee and has served as an arbitrator for the NFA. Mr. Olgin is also a member of the Committee on Futures Regulation of the Association of the Bar of the City of New York.

As of December 31, 1998, the principals of MLIP had no investment in the Fund, and MLIP's general partner interest in the Fund was valued at $94,122.

MLIP acts as general partner to twelve public futures funds whose units of limited partnership interest are registered under the Securities

Exchange Act of 1934: The Growth and Guarantee Fund L.P., ML Futures Investments L.P., ML Futures Investments II L.P., John W. Henry & Co./Millburn L.P., The S.E.C.T.O.R. Strategy Fund (SM) L.P., The SECTOR Strategy Fund (SM) II L.P., The SECTOR Strategy Fund (SM) V L.P., The SECTOR Strategy Fund (SM) VI L.P., ML Global Horizons L.P., ML Principal Protection L.P., ML JWH Strategic Allocation Fund L.P. and the Fund. Because MLIP serves as the sole general partner of each of these funds, the officers and directors of MLIP effectively manage them as officers and directors of such funds.

(c) Identification of Certain Significant Employees:

None.

(d) Family Relationships:

None.

(e) Business Experience:

See Item 10(a)(b) above.

(f) Involvement in Certain Legal Proceedings:

None.

(g) Promoters and Control Persons:

Not applicable.

ITEM 11: EXECUTIVE COMPENSATION

The directors and officers of the General Partner are remunerated by the General Partner in their respective positions. The Partnership does not itself have any officers, directors or employees. The Partnership pays Brokerage Commissions to an affiliate of the General Partner and Administrative Fees to the General Partner. The General Partner or its affiliates may also receive certain economic benefits from possession of the Fund's dollar assets. The directors and officers receive no "other compensation" from the Partnership, and the directors receive no compensation for serving as directors of the General Partner. There are no compensation plans or arrangements relating to a change in control of either the Partnership or the General Partner.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners:

Title of class	Name of beneficial owner	Amount of nature of beneficial ownership	Percent of class
Limited Partnership Units	Elizabeth Waterman c/o James Waterman 472 North Maple Ave Greenwich, CT 06830	1,500	5.03%

(b) Security Ownership of Management:

As of December 31, 1998, the Trading Advisor owned 1,026 Units and the General Partner owned 339 Units (Unit-equivalent general partnership interest), which was less than 4.5% of the total Units outstanding.

(c) Changes in Control:

None.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(a) Transactions Between Merrill Lynch and the Fund

All of the service providers to the Fund, other than the Advisors, are affiliates of Merrill Lynch. Merrill Lynch negotiated with the Advisors over the level of its advisory fees and Profit Share. However, none of the fees paid by the Fund to any Merrill Lynch party were negotiated, and they are higher than would have been obtained in arm's-length bargaining.

The Fund pays Merrill Lynch substantial Brokerage Commissions and Administrative Fees as well as bid-ask spreads on forward currency trades. The Fund also pays MLF interest on short-term loans extended by MLF to cover losses on foreign currency positions.

Within the Merrill Lynch organization, MLIP is the direct beneficiary of the revenues received by different Merrill Lynch entities from the Fund. MLIP controls the management of the Fund and serves as its promoter. Although MLIP has not sold any assets, directly or indirectly, to the Fund, MLIP makes substantial profits from the Fund due to the foregoing revenues.

No loans have been, are or will be outstanding between MLIP or any of its principals and the Fund.

MLIP pays substantial selling commissions and trailing commissions to MLPF&S for distributing the Units. MLIP is ultimately paid back for these expenditures from the revenues it receives from the Fund.

(b) Certain Business Relationships:

MLF, an affiliate of the General Partner, acts as the principal commodity broker for the Partnership.

In 1998 the Partnership expensed: (i) Brokerage Commissions of $860,552 to the Commodity Broker, which included $181,205 in consulting fees earned by the Trading Advisors; and (ii) Administrative Fees of $22,646 to MLIP. In addition, MLIP and its affiliates may have derived certain economic benefits from possession of a portion of the Fund's assets, as well as from foreign exchange and EFP trading.

See Item 1(c), "Narrative Description of Business -- Charges" and "-- Description of Current Charges" for a discussion of other business dealings between MLIP affiliates and the Partnership.

(c) Indebtedness of Management:

The Partnership is prohibited from making any loans, to management or otherwise.

(d) Transactions with Promoters:

Not applicable.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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<CAPTION>

(a)1. Financial Statements (found in Exhibit 13.01):	Page:
Independent Auditors' Report	1
Consolidated Statements of Financial Condition as of December 31, 1998 and 1997	2
For the years ended December 31, 1998, 1997 and 1996:	
Consolidated Statements of Income	3
Consolidated Statements of Changes in Partners' Capital	4
Notes to Consolidated Financial Statements	5-12

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(a)2. Financial Statement Schedules:

Financial statement schedules not included in this Form 10-K have been omitted for the reason that they are not required or are not applicable or that equivalent information has been included in the financial statements or notes thereto.

(a)3. Exhibits:

The following exhibits are incorporated by reference or are filed herewith to this Annual Report on Form 10-K:

Designation	Description
3.01	Amended and Restated Limited Partnership Agreement of the Partnership.
Exhibit 3.01:	Is incorporated herein by reference from Exhibit 3.01 contained in Amendment No. 1 to the Registration Statement (File No. 33-8377) filed on October 21, 1986, on Form S-1 under the Securities Act of 1933 (the "Registrant's Registration Statement").
3.02	Amendment No. 1 to the Amended and Restated Limited Partnership Agreement dated March 1, 1990.
Exhibit 3.02	Is incorporated by reference from Exhibit 3.02 contained in the Partnership's report on Form 10-K for the fiscal year ended December 31, 1989.
3.04	Amended and Restated Certificate of Limited Partnership of the Registrant, dated July 27, 1995.
Exhibit 3.04:	Is incorporated herein by reference from Exhibit 3.04 contained in the Partnership's Report on Form 10-Q for the Quarter ended September 30, 1995.
10.01	Joint Venture Agreement between the Partnership, Merrill Lynch Investment Partners Inc. and Millburn Ridgefield Corporation.
Exhibit 10.01:	Is incorporated herein by reference from Exhibit 10.01 contained in the Registrant's Registration Statement.
10.03	Customer Agreement between the Joint Venture and Merrill Lynch Futures Inc.
Exhibit 10.03:	Is incorporated hereby by reference from Exhibit 10.03 contained in the Registrant's Registration Statement.

Designation	Description
10.05	Form of Consulting Agreement between Millburn Ridgefield Corporation and the Partnership.
Exhibit 10.05:	Is incorporated herein by reference from Exhibit 10.05(a) contained in the Partnership's Report on Form 10-K of December 31, 1987, filed on March 28, 1988.
10.06	Foreign Exchange Desk Service Agreement, dated July 1, 1993 among Merrill Lynch International Bank, Merrill Lynch Investment Partners Inc., Merrill Lynch Futures Inc. and the Fund.
Exhibit 10.06:	Is incorporated herein by reference from Exhibit 10.06 contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.
10.07(a)	Form of Advisory and Consulting Agreement Amendment among Merrill Lynch Investment Partners Inc., Millburn Ridgefield Corporation, the Fund and Merrill Lynch Futures.
Exhibit 10.07(a):	Is incorporated herein by reference from Exhibit 10.07(a) contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.
10.07(b)	Form of Amendment to the Customer Agreement among the Partnership and MLF.
Exhibit 10.07(b):	Is incorporated herein by reference from Exhibit 10.07(b)

contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.

13.01 1998 Annual Report and Independent Auditors' Report.

Exhibit 13.01: Is filed herewith.

28.01 Prospectus of the Partnership dated October 27, 1986.

Exhibit 28.01: Is incorporated herein by reference as filed with the Securities and Exchange Commission pursuant to Rule 424 under the Securities Act of 1933, Registration Statement (File No. 33-8377) on Form S-1, on October 31, 1986.

(b) Report on Form 8-K:

No reports on Form 8-K were filed during the fourth quarter of 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP

By: MERRILL LYNCH INVESTMENT PARTNERS INC.
General Partner

By: /s/ John R. Frawley, Jr.
John R. Frawley, Jr.
Chairman, Chief Executive Officer,
President and Director
(Principal Executive Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed on March 25, 1999 by the following persons on behalf of the Registrant and in the capacities indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ John R. Frawley, Jr. John R. Frawley, Jr.	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 25, 1999
/s/ Jo Ann Di Dario Jo Ann Di Dario	Vice President, Chief Financial Officer, and Treasurer (Principal Financial and Accounting Officer)	March 25, 1999
/s/ Jeffrey F. Chandor Jeffrey F. Chandor	Senior Vice President, Director of Sales, Marketing and Research, and Director	March 25, 1999
/s/ Allen N. Jones Allen N. Jones	Director	March 25, 1999

</TABLE>

(Being the principal executive officer, the principal financial and accounting officer and a majority of the directors of Merrill Lynch Investment Partners Inc.)

MERRILL LYNCH INVESTMENT PARTNERS INC.	General Partner of Registrant	March 25, 1999

By:/s/ John R. Frawley, Jr.
John R. Frawley, Jr.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP

1998 FORM 10-K

INDEX TO EXHIBITS

THE FUTURES EXPANSION FUND
LIMITED PARTNERSHIP
(A Delaware Limited Partnership)
AND JOINT VENTURE

Consolidated Financial Statements for the years ended
December 31, 1998, 1997 and 1996 and
Independent Auditors' Report

[LOGO] MERRILL LYNCH

To: The Limited Partners of The Futures Expansion Fund Limited Partnership

The Futures Expansion Fund Limited Partnership (the "Fund" or the "Partnership") ended its eleventh fiscal year of trading on December 31, 1998 with a Net Asset Value ("NAV") per Unit of $277.65, representing an increase of 0.70% from the December 31, 1997 NAV per Unit of $275.73.

We appreciate your continued investment in the Fund and look forward to 1999 and the trading opportunities it may bring.

Sincerely,
John R. Frawley, Jr.
President
Merrill Lynch Investment Partners Inc.
(General Partner)

Report of the Trading Advisor
Millburn Ridgefield

In 1998, interest rate futures trading was quite profitable, particularly the Japanese 10-year government bond or "JGB." The long side of the bond was profitable earlier in the year as interest rates fell to record low levels and the short side was profitable in the latter part of the year as interest rates moved back up. Long positions in European interest rate futures were also profitable. Profitable long positions included German, French, Spanish and Italian 10-year government bonds. Short-term Eurodollar trading and U.S. 10-year Treasury note trading were also profitable.

Currency trading against the U.S. dollar and non-dollar cross-rate trading were both somewhat unprofitable in 1998. Yen trading was quite profitable but the gains were outweighed by losses from European currency trading.

Stock index futures trading was also unprofitable in 1998 with losses from Japanese stock indices outweighing gains from the Hong Kong Hang Seng and S&P 500 indices.

Metal trading was unprofitable in 1998, primarily due to losses in copper.

Energy trading was profitable in 1998 due to short positions in crude oil, heating oil, London gasoil and unleaded gasoline. Natural gas trading was somewhat unprofitable.

Agricultural commodity trading was narrowly unprofitable with gains from sugar and corn trading outweighed by losses from coffee, cocoa and cotton trading.

FUTURES TRADING IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(A Delaware Limited Partnership) AND JOINT VENTURE

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996:

INDEPENDENT AUDITORS' REPORT

To the Partners of
The Futures Expansion Fund Limited Partnership:

We have audited the accompanying consolidated statements of financial condition of The Futures Expansion Fund Limited Partnership (the "Partnership") and its joint venture (the "Joint Venture") with Millburn Ridgefield Corporation as of December 31, 1998 and 1997, and the related consolidated statements of income and of changes in partners' capital for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Futures Expansion Fund Limited Partnership and its Joint Venture as of December 31, 1998 and 1997 and the results of their operations for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
February 4, 1999

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(A Delaware Limited Partnership) AND JOINT VENTURE

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31,1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS		
Equity in commodity futures trading accounts:		
Cash and options premiums	$ 8,505,137	$ 9,715,506
Net unrealized profit on open contracts	258,842	435,225
Accrued interest (Note 3)	30,544	44,081
TOTAL	$ 8,794,523	$ 10,194,812
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES:		

Brokerage commissions payable (Note 3)	$ 69,620	80,591
Profit Shares payable (Note 2)	116,259	278,351
Administrative fees payable (Note 3)	1,832	2,121
Redemptions payable	47,201	193,011
Total liabilities	234,912	554,074
PARTNERS' CAPITAL:		
General Partner (339 Units and 518 Units)	94,122	142,826
Limited Partners (30,490 Units and 34,447 Units)	8,465,489	9,497,912
Total partners' capital	8,559,611	9,640,738
TOTAL	$ 8,794,523	$10,194,812
NET ASSET VALUE PER UNIT (Based on 30,829 Units and 34,965 Units outstanding)	277.65	275.73

</TABLE>

See notes to consolidated financial statements.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(A Delaware Limited Partnership) AND JOINT VENTURE

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
REVENUES:			
Trading profit (loss):			
Realized	$ 761,007	$ 1,551,671	$ 1,800,104
Change in unrealized	(176,383)	(102,280)	(39,401)
Total trading results	584,624	1,449,391	1,760,703
Interest income (Note 3)	433,501	470,192	382,717
Total revenues	1,018,125	1,919,583	2,143,420
EXPENSES:			
Brokerage commissions (Note 3)	860,552	1,022,449	1,120,320
Profit Shares (Note 2)	118,954	278,351	206,261
Administrative fees (Note 3)	22,646	26,392	24,001
Total expenses	1,002,152	1,327,192	1,350,582
NET INCOME	$ 15,973	$ 592,391	$ 792,838
NET INCOME PER UNIT:			
Weighted average number of General Partner and Limited Partner UnitS Outstanding (Note 4)	33,048	36,889	38,474
Net income per weighted average General Partner and Limited Partner Unit	$ 0.48	$ 16.06	$ 20.61

</TABLE>
See notes to consolidated financial statements.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(A Delaware Limited Partnership) AND JOINT VENTURE

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31,1998, 1997 AND 1996

<TABLE>
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<S>	Units <C>	Limited Partners <C>	General Partner <C>	Total <C>
PARTNERS' CAPITAL, DECEMBER 31, 1995	41,393	$ 9,767,324	$123,779	$ 9,891,103
Redemptions	(3,375)	(788,325)	-	(788,325)
Net income	-	781,788	11,050	792,838
PARTNERS' CAPITAL, DECEMBER 31, 1996	38,018	9,760,787	134,829	9,895,616
Redemptions	(3,053)	(847,269)	-	(847,269)
Net income	-	584,394	7,997	592,391
PARTNERS' CAPITAL, DECEMBER 31,1997	34,965	9,497,912	142,826	9,640,738
Redemptions	(4,136)	(1,049,658)	(47,442)	(1,097,100)
Net income	-	17,235	(1,262)	15,973
PARTNERS' CAPITAL, DECEMBER 31,1998	30,829	8,465,489	$ 94,122	$ 8,559,611

</TABLE>
See notes to consolidated financial statements.

THE FUTURES EXPANSION FUND LIMITED PARTNERSHIP
(A Delaware Limited Partnership) AND JOINT VENTURE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Futures Expansion Fund Limited Partnership (the "Partnership") was organized under the Delaware Revised Uniform Limited Partnership Act on August 13, 1986 and commenced trading activities on January 2, 1987. The Partnership, through its joint venture with Millburn Ridgefield Corporation (the "Trading Manager"), engages in the speculative trading of futures, options on futures and forward contracts on a wide range of commodities. Merrill Lynch Investment Partners Inc. ("MLIP" or the "General Partner"), a wholly-owned subsidiary of Merrill Lynch Group, Inc. which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), is the general partner of the Partnership. Merrill Lynch Futures Inc. ("MLF"), an affiliate of Merrill Lynch, is the Joint Venture's commodity broker. MLIP has agreed to maintain a General Partner's interest of at least 1% of the total capital of the Partnership. MLIP and each Limited Partner share in the profits and losses of the Partnership in proportion to their respective interests in it.

The consolidated financial statements include the accounts of the joint venture (the "Joint Venture") to which the Partnership has contributed substantially all of its available capital, representing a current equity interest in the Joint Venture of approximately 97%. The Partnership and the Trading Manager share in the profits and losses of the Joint Venture in proportion to their respective interests in it, except to the extent of the Profit Share. All related transactions between the Partnership and the Joint Venture are eliminated in consolidation. References to the Partnership include references to the Joint Venture unless the context otherwise requires.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commodity futures, options on futures and forward contract transactions are recorded on the trade date and open contracts are reflected in net unrealized profit on open contracts in the Consolidated Statements of Financial Condition at the difference between the original contract value and the market value (for those commodity interests for which market quotations are readily available) or at fair value. The change in unrealized loss on open contracts from one period to the next is reflected in change in unrealized in the Consolidated Statements of Income.

Foreign Currency Transactions

The Partnership's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the dates of the Statements of Financial Condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in total trading results currently.

Operating Expenses

The General Partner pays for all routine operating costs (including legal, accounting, printing, postage and similar administrative expenses of the Partnership, including the Partnership's share of any such costs incurred by the Joint Venture (Note 2). The General Partner receives an administrative fee as well as a portion of the brokerage commission paid to MLF by the Joint Venture.

Income Taxes

No provision for income taxes has been made in the accompanying consolidated financial statements as each Partner is individually responsible for reporting income or loss based on such Partner's respective share of the Partnership's income and expenses as reported for income tax purposes.

Distributions

The Unitholders are entitled to receive, equally per Unit, any distributions which may be made by the Partnership. No such distributions had been made as of December 31, 1998.

Redemptions

A Limited Partner may require the Partnership to redeem some or all of such Partner's Units at Net Asset Value as of the close of business on the last day of any month upon ten calendar days' notice.

Dissolution of the Partnership

The Partnership will terminate on December 31, 2006, or at an earlier date if certain conditions occur, as well as under certain other circumstances as set forth in the Limited Partnership Agreement.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). Such Statement is effective for fiscal years commencing after June 15, 1999. The General Partner does not believe that the Statement will have a significant effect on the financial statements of the Partnership.

2. JOINT VENTURE AGREEMENT

The Partnership and Millburn Partners entered into a Joint Venture Agreement whereby Millburn Partners contributed $100,000 to the Joint Venture and the Partnership contributed all of its available capital (except for an administrative reserve). Subsequently, Millburn Partners assigned its rights and obligations under the Joint Venture Agreement to the Trading Manager. The Joint Venture Agreement is in effect for successive one-year terms, but, in fact, given the single advisor structure of the Joint Venture, the Joint Venture and the Partnership would terminate were the Joint Venture Agreement not to be renewed. The Joint Venture Agreement was renewed for the year ended December 31, 1999. The General Partner is the manager of the Joint Venture, while the Trading Manager has sole discretion in determining the commodity futures, options on futures and forward trades to be made on its behalf.

Pursuant to the Joint Venture Agreement, the Trading Manager and the Partnership share in the profits of the Joint Venture based on equity ownership after 20% of annual New Trading Profits, as defined, are allocated to the Trading Manager. Losses are allocated to the Trading Manager and the Partnership based on equity ownership.

3. RELATED PARTY TRANSACTIONS

The Joint Venture's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Joint Venture with interest at the prevailing 91-day U.S. Treasury bill rate. The Joint Venture is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Joint Venture, from possession of such assets.

Merrill Lynch charges the Joint Venture Merrill Lynch's cost of financing realized and unrealized losses on the Joint Venture's non-U.S. dollar-denominated positions.

The General Partner determined that there may have been a miscalculation in the interest credited to the Joint Venture for a period prior to November 1996 (such period may extend prior to that covered by these financial statements). Accordingly, the General Partner credited current and former investors who maintained a Merrill Lynch customer account in December 1997 with interest which was compounded. Former investors who do not maintain a Merrill Lynch customer account have been credited as their response forms are processed. The total amount of the adjustment was approximately $502,000. Since this amount was paid directly to investors by the General Partner, it is not reflected in these financial statements. The General Partner determined that interest was calculated appropriately since November 1996.

Prior to January 1, 1996, the Joint Venture paid brokerage commissions to MLF at a flat rate of .993 of 1% (an 11.92% annual rate) of the Joint Venture's month-end assets. Effective January 1, 1996, the percentage was reduced to .973 of 1% (an 11.67% annual rate) of the Joint Venture's month-end assets and the Joint Venture began to pay MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of the Joint Venture's month-end assets (this recharacterization had no economic effect on the Joint Venture). Effective February 1, 1997, the Joint Venture's brokerage commission percentage was reduced to .792 of 1% (a 9.5% annual rate) of the Joint Venture's month-end assets. Month-end assets are not reduced, for purposes of calculating brokerage commissions and administrative fees, by any accrued commissions, administrative fees, Profit Shares or other fees or charges.

MLIP estimates the round-turn equivalent commission rate charged to the Joint Venture during the years ended December 31, 1998, 1997 and 1996, was approximately $105, $84 and $102, respectively (not including, in calculating round-turn equivalents, forward contracts on a futures-equivalent basis).

MLF originally paid the Advisor annual consulting fees of .333 of 1% (a 4% annual rate) of the Joint Venture's month-end assets after reduction for a portion of the brokerage commissions. Effective January 1, 1997 the annual consulting fees were reduced to .167 of 1% (a 2% annual rate) of the Joint Venture's month-end assets after reduction for a portion of the brokerage commissions.

Many of the Joint Venture's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Joint Venture. The General Partner anticipates that some of the Joint Venture's foreign currency trades will be executed through MLIB, an affiliate of the General Partner. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Joint Venture acquires cash currency positions through banks and dealers, including Merrill Lynch. The Joint Venture pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

4. WEIGHTED AVERAGE UNITS

The weighted average number of Units outstanding was computed for purposes of disclosing net income per weighted average Unit. The weighted average Units outstanding at December 31, 1998, 1997 and 1996 equals the Units outstanding as of such date, adjusted proportionately for Units redeemed based on the respective length of time each was outstanding during the period.

5. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Joint Venture trades futures, options on futures and forward contracts in interest rates, stock indices, commodities, currencies, energy and metals. The Joint Venture's total trading results by reporting category for the years ended December 31, 1998, 1997 and 1996 were as follows:

<TABLE>
<CAPTION>

<S>	Total Trading Results <C> 1998	<C> 1997	<C> 1996
Interest Rates and Stock Indices	$ 874,177	$ 679,273	$ 640,339
Commodities	(76,779)	(8,456)	(465,306)
Currencies	(434,481)	1,280,992	846,362
Energy	428,384	42,962	845,777
Metals	(206,677)	(545,380)	(106,469)
	$ 584,624	$ 1,449,391	$ 1,760,703

</TABLE>

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the financial instruments or commodities underlying such derivative instruments frequently result in changes in the Partnership's net unrealized profit on such derivative instruments as reflected in the Consolidated Statements of Financial Condition. The Joint Venture's exposure to market risk is influenced by a number of factors, including the relationships among such derivative instruments held by the Joint Venture as well as the volatility and liquidity in the markets in which tne derivative instruments are traded.

The General Partner has procedures in place intended to control market risk exposure, although there can be no assurance that they will, in fact, succeed in doing so. The procedures focus primarily on monitoring the trading of the Trading Manger, calculating the Net Asset Value of the Joint Venture as of the close of business on each day and reviewing outstanding positions for over-concentrations. While the General Partner does not itself intervene in the markets to hedge or diversify the Joint Venture's market exposure, the General Partner may urge the Trading Manager to reallocate positions in an attempt to avoid over-concentrations. However, such interventions are unusual. Except in cases in which it appears that the Trading Manager has begun to deviate from past practice and trading policies or to be trading erratically (which has not occurred to date), the General Partner's basic risk control procedures consist simply of the ongoing process of Trading Manager monitoring with the market risk controls being applied by the Trading Manager.

Fair Value

The derivative instruments traded by the Joint Venture are marked to market daily with the resulting net unrealized profit recorded in the Consolidated Statements of Financial Condition and the related profit (loss) reflected in trading results in the Consolidated Statements of Income.

The contract/notional values of open contracts as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest Rates and Stock Indices	10,280,548	55,712,777	33,617,268	16,297,078
Commodities	662,344	1,536,435	1,853,301	1,608,555
Currencies	27,343,241	21,552,087	16,123,114	24,881,223
Energy	-	1,179,621	-	2,919,411
Metals	2,237,275	4,449,325	921,166	3,847,958
	$ 40,523,408	$ 84,430,245	$ 52,514,849	$ 49,554,225

</TABLE>

Substantially all of the Joint Venture's derivative financial instruments outstanding as of December 31, 1998 expire within one year.

The contract/notional values of the Joint Venture's open exchange-traded and open non-exchange traded derivative instrument positions as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Exchange-Traded	$ 10,942,892	$ 59,121,233	$ 36,346,629	$ 21,506,634
Non-Exchange-Traded	$ 29,580,516	25,309,012	16,168,220	28,047,591
	$ 40,523,408	$ 84,430,245	$ 52,514,849	$ 49,554,225

</TABLE>

The average fair values, based on contract/notional values, of the Joint Venture's derivative instrument positions which were open as of the end of each calendar month during the years ended December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Fowards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest Rates				

and Stock Indices	$ 29,577,508	$ 19,430,638	$ 41,346,354	$ 24,621,142
Commodities	849,540	1,576,312	1,878,924	1,911,620
Currencies	44,066,678	44,857,085	51,748,337	57,472,839
Energy	825,819	1,616,661	2,157,602	1,639,384
Metals	3,156,288	4,100,745	4,407,862	4,749,545
	$ 78,475,833	$ 71,581,441	$ 101,539,079	$ 90,394,530

</TABLE>

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. 'These commitments are economically offsetting but are not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter transactions (non-exchange-traded), because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the memebers of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Joint Venture's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance is the net unrealized profit included on the Consolidated Statements of Financial Condition.

The gross unrealized profit and the net unrealized profit (loss) on the Joint Venture's open derivative instrument positions as of December 31, 1998 and 1997 were are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Gross Unrealized Profit	Net Unrealized Profit (Loss)	Gross Unrealized Profit	Net Unrealized Profit
<S>	<C>	<C>	<C>	<C>
Exchange Traded	$ 607,814	$ 513,270	$ 492,147	$ 398,368
Non-Exchange Traded	506,983	(254,428)	394,483	36,857
	$ 1,114,797	$ 258,842	$ 886,630	$ 435,225

</TABLE>

The Joint Venture has credit risk in respect of its counterparties and brokers, but attempts to control this risk by dealing almost exclusively with Merrill Lynch entities as counterparties and brokers.

The Joint Venture, in its normal course of business, enters into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which includes a netting arrangement), to the extent that such trading results in receivables from and payables to MLF, these receivables and payables are offset and reported as a net receivable or payable.

* * * * * * * * * * * * * * *

To the best of the knowledge and belief of the undersigned, the information contained in this report is accurate and complete.

/s/ Di Dario

Jo Ann Di Dario
Chief Financial Officer
Merrill Lynch Investment Partners Inc.
General Partner of
The Futures Expansion Fund Limited Partnership
And Joint Venture

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