THE MACRO SHOW

JANUARY 11, 2017

LEGAL

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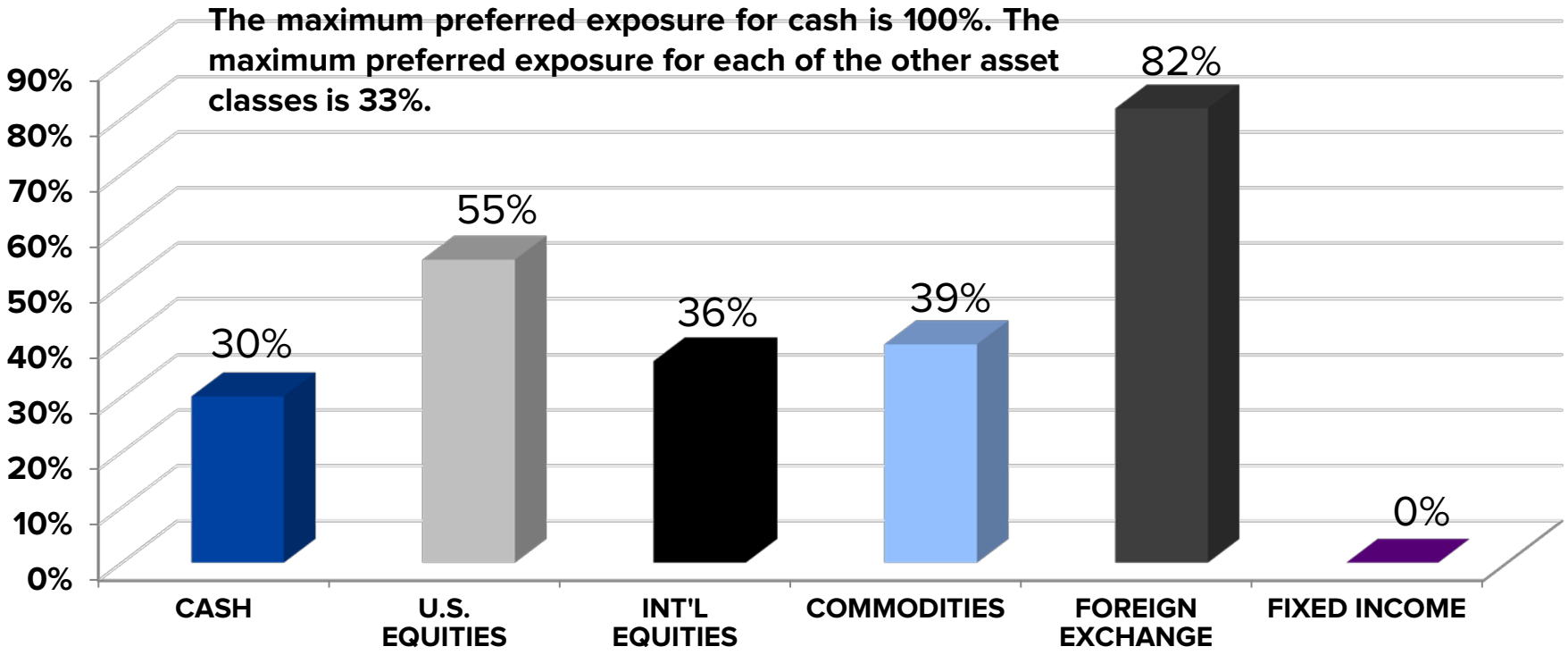
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/10/2017	34	18	10	11	27	0
1//11/2017	30	18	12	13	27	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/10/2017	34%	55%	30%	33%	82%	0%
1//11/2017	30%	55%	36%	39%	82%	0%

The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

HEDGEYE ASSET ALLOCATION



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HEDGEYE TV

1 YEN

2 GERMANY

3 OIL

YEN

The Yen is down -0.5% after tapping the low-end of the @Hedgeye $115-118.50 immediate-term risk range (vs. USD). The Nikkei was up last night and should be up again tonight on that – long Japanese Equities is another way to express **#StrongDollar** and we'll review that on the Macro Themes Call.

GERMANY

German (and European) Stocks love the Trump Win and *#StrongDollar* too (gives them Down Euro and some stock market reflation after a horrendous 1H of 2016). The DAX was up +3.6% in the last month, and the 10YR Germany Bund Yield is +8bps this morning (that's a lot in a day) to +0.36% (short German Bunds and U.S. Treasuries).

OIL

There was a big buying opportunity yesterday with Oil < $51 WTI at one point, but this isn't your 2015-2016 Oil Volatility (OVX) scenario – OVX barely budged at 33 yesterday and remains well below the @Hedgeye TREND resistance of 37. So I say you buy both the commodity and related securities today (XOP).

MACRO GRIND

10-YEAR GERMAN TREASURY YIELD

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OVX VOLATILITY INDEX – CRUDE OIL

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GERMAN DAX

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SOUTH KOREA KOSPI

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TOKYO NIKKEI 225 AVERAGE INDEX

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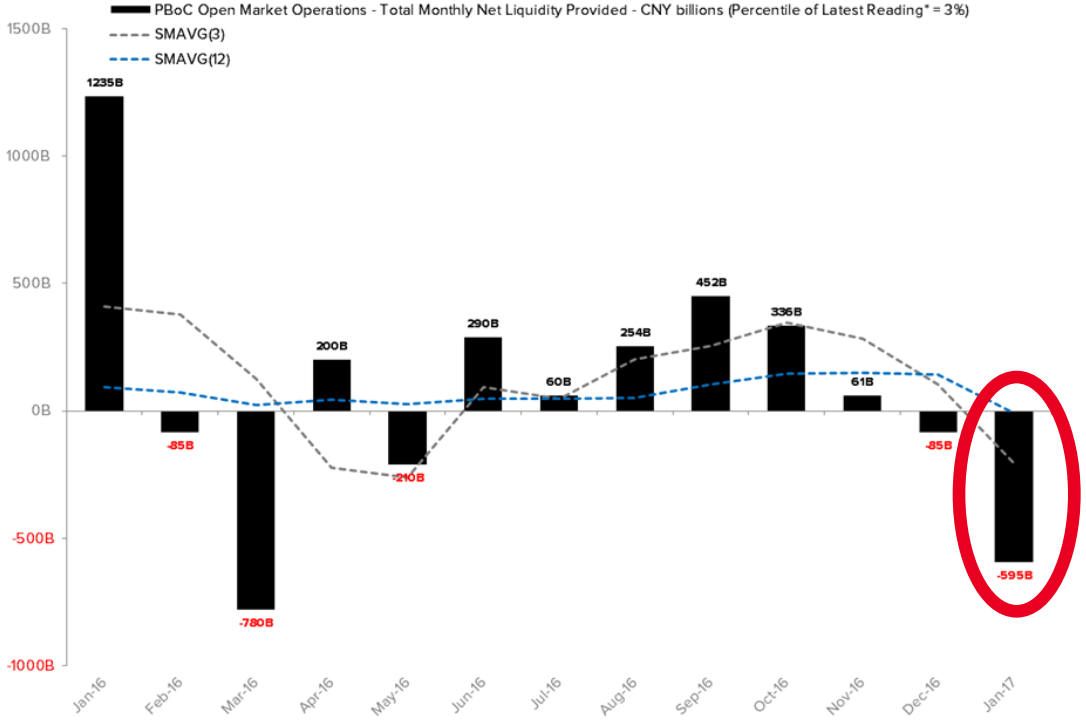
PBOC DRAINING LIQUIDITY



Data Source: Bloomberg. *Trailing 10Y Basis.

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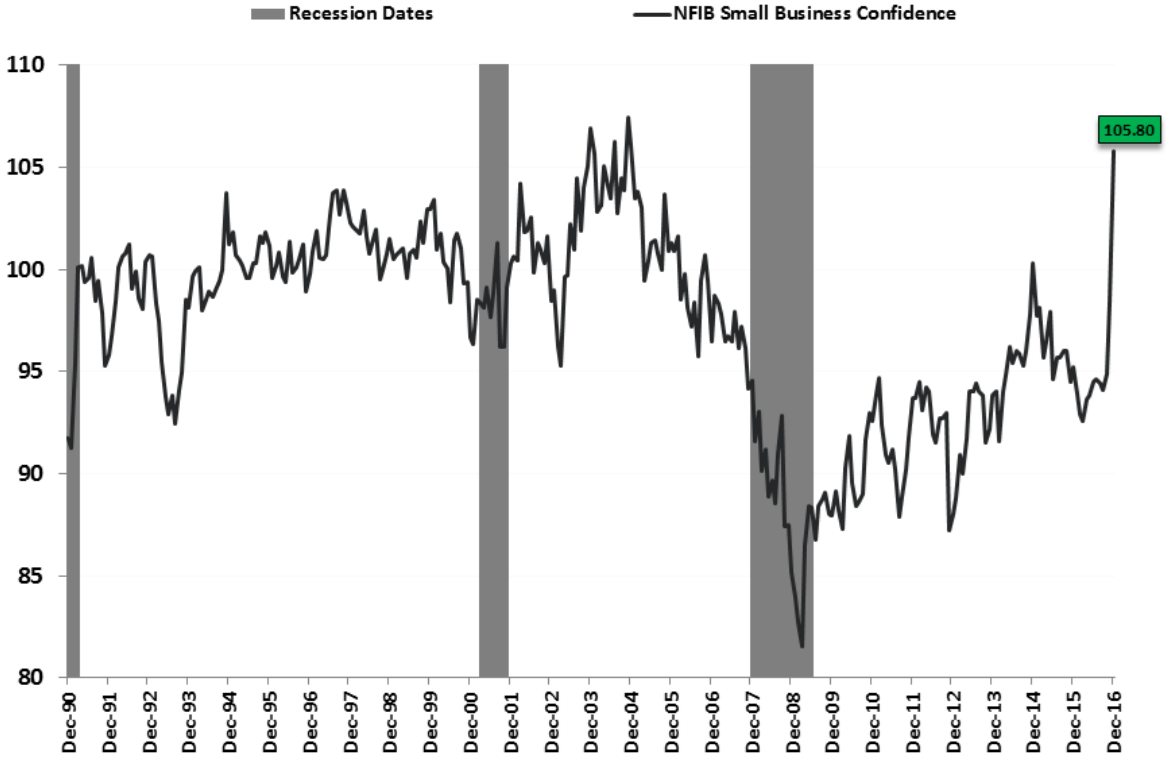
NFIB SMALL BUSINESS OPTIMISM



HIGHEST READING SINCE 2004

CONSUMER & BUSINESS SURVEYS

	Last	Latest	1M Chg	6M Chg	Since Oct 16
Univ Michigan Confidence	98.2	Dec-16	4.4	4.7	11.00
Conference Board Confidence	113.7	Dec-16	4.3	16.3	12.90
Bloomberg Consumer Comfort	45.5	Jan-17	-0.5	0.7	2.84
Univ. Michigan Expectations	89.5	Dec-16	4.3	7.1	12.70
Conference Board Expectations	105.5	Dec-16	11.1	20.9	19.50
Bloomberg Consumer Expectations	53.5	Dec-16	9.5	12.5	8.50
CEO Confidence (1Y Exp)	6.5	Nov-16	0.6	0.6	0.64
NFIB Optimism	105.8	Dec-16	7.4	11.3	10.90
NFIB 6M Outlook	50.0	Dec-16	38.0	59.0	57.00
Fed Mfg Surveys (6M Expectations)					
Dallas Fed: 6M Conditions	47.2	Dec-16	6.3	27.9	22.50
Empire State: 6M Conditions	50.2	Dec-16	20.3	15.4	14.20
Philli Fed: 6M Conditions	52.6	Dec-16	23.3	22.8	20.00
Kansas City Fed: 6M Conditions	19.0	Dec-16	7.0	12.0	2.00
Dallas Fed: (New Orders, 6M)	55.4	Dec-16	1.6	17.0	7.00
Empire State: (New Orders, 6M)	46.7	Dec-16	18.0	8.5	7.70
Philli Fed: (New Orders, 6M)	51.5	Dec-16	14.1	21.6	12.20
Kansas City Fed: (New Orders, 6M)	33.0	Dec-16	6.0	21.0	17.00
Richmond Fed: (New Orders, 6M)	47.0	Dec-16	9.0	34.4	15.00
Fed Services Surveys (6M Expectations)					
Dallas Fed: ↑ in Business Activity	39.8	Dec-16	10.7	40.7	30.70
Richmond Fed: Expected Demand	36.0	Dec-16	14.0	11.1	13.00

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.55	0.36%	2.64%	2.64%
Financial Select Sector	XLF	$23.43	0.21%	0.77%	0.77%
Health Care Select Sector	XLV	$71.50	0.35%	3.71%	3.71%
Technology Select Sector	XLK	$49.40	0.02%	2.15%	2.15%
Consumer Staples Select Sector	XLP	$51.44	-0.50%	-0.52%	-0.52%
Industrial Select Sector	XLI	$62.91	0.42%	1.11%	1.11%
Materials Select Sector	XLB	$50.64	0.06%	1.89%	1.89%
The Energy Select Sector	XLE	$74.11	-0.91%	-1.61%	-1.61%
Utilities Select Sector	XLU	$48.04	-0.31%	-1.09%	-1.09%
S&P 500	SPX	2,268.90	0.00%	1.34%	1.34%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.55	0.36%	1.30%	1.30%
Financial Select Sector	XLF	$23.43	0.21%	-0.57%	-0.57%
Health Care Select Sector	XLV	$71.50	0.35%	2.37%	2.37%
Technology Select Sector	XLK	$49.40	0.02%	0.81%	0.81%
Consumer Staples Select Sector	XLP	$51.44	-0.50%	-1.87%	-1.87%
Industrial Select Sector	XLI	$62.91	0.42%	-0.23%	-0.23%
Materials Select Sector	XLB	$50.64	0.06%	0.55%	0.55%
The Energy Select Sector	XLE	$74.11	-0.91%	-2.95%	-2.95%
Utilities Select Sector	XLU	$48.04	-0.31%	-2.43%	-2.43%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.0%	-0.2%	-1.1%	7.2%	10.6%	1.0%
	Low Debt/EV	0.6%	1.3%	0.1%	2.7%	3.8%	2.2%
SI	High Short Interest	0.3%	0.4%	-2.5%	4.2%	9.4%	1.6%
	Low Short Interest	0.0%	0.7%	0.8%	6.2%	8.2%	1.7%
BETA	High Beta	0.5%	0.9%	-1.6%	9.7%	22.6%	2.4%
	Low Beta	-0.3%	-0.1%	0.7%	1.1%	-5.1%	0.0%
YIELD	High Yield	-0.4%	-0.6%	-1.3%	2.9%	1.7%	0.2%
	Low Yield	0.5%	1.7%	0.3%	3.2%	8.3%	2.9%
MKT CAP	MCAP Bottom 25%	0.2%	0.2%	-3.3%	2.5%	4.4%	1.3%
	MCAP Top 25%	0.1%	0.6%	0.8%	6.9%	9.5%	1.6%
Sales	Top 25% Sales Growth	0.1%	1.2%	-0.1%	4.0%	7.5%	2.3%
	Bottom 25% Sales Growth	-0.1%	-0.3%	-1.6%	4.6%	7.2%	1.0%
EPS	Top 25% EPS Growth	0.2%	1.2%	0.0%	6.7%	11.7%	2.4%
	Bottom 25% EPS Growth	-0.1%	-0.3%	-1.7%	4.0%	4.8%	0.8%

**Mean Performance of Top Quartile vs. Bottom Quartile, S&P500 Companies*

HEDGEYE RATES & SPREADS

	Price	1D Bps Chg	5D Bps Chg	1M Bps Chg	3M Bps Chg	vs. 52-Wk, Bps High	vs. 52-Wk, Bps Low	vs. 3Y Ave	vs. 5Y Ave
3M T-Bill	0.51%	1.0	2.0	-3	19	-5	35	38	41
3M LIBOR	1.01%	0.0	1.6	6	14	0	40	58	62
2Y T-Note	1.19%	0.4	-2.9	5	36	-11	69	53	68
5Y T-Note	1.88%	0.3	-6.6	-1	62	-24	98	38	59
10Y T-Note	2.38%	1.1	-6.9	-9	66	-26	106	22	25
30Y T-Note	2.97%	1.0	-7.9	-19	52	-25	88	5	-6
2Y-10Y Spread, Bps	119	0.7	-4.0	-14.4	30	-15	37	-31	-43
IG SPREAD (AAABBB)	1.52%	0.0	5.0	-4	-6	-78	5	-17	-26
HIGH YIELD	6.15%	-1.1	-3.5	-31	-23	-318	10	-48	-46
5Y BREAKEVEN	1.88%	1.8	-0.7	3.1	34.5	-3.4	102.6	32.8	16.2

CFTC NON-COMMERCIAL NET LONG POSITIONING

CFTC NON-COMMERCIAL NET LONG POSITIONING						Z-Score	
METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	1Y	3Y
SPX (Index + E-mini)	81,424	78,401	(17,841)	61,460	(7,072)	0.69X	1.11X
Russell 2000 (mini)	93,772	1,476	36,804	20,650	(14,276)	2.48X	3.89X
10Y Treasury	(353,569)	7,948	(127,395)	(10,959)	(12,457)	-2.66X	-3.10X
CRUDE OIL	499,035	(3,611)	425,464	380,821	354,969	1.99X	2.29X
GOLD	34,560	(6,687)	109,837	181,336	169,008	-1.65X	-0.86X
COPPER	44,374	(1,279)	33,342	12,350	(5,906)	1.72X	2.78X
$USD	54,295	1,645	51,104	33,374	26,927	1.61X	0.84X
JPY	(84,780)	1,550	(10,168)	21,100	35,128	-3.16X	-0.88X
EUR	(63,147)	986	(105,929)	(102,727)	(81,625)	0.53X	0.55X
GBP	(60,109)	(7,088)	(73,587)	(77,752)	(58,677)	-0.06X	-1.05X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/10) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	4%	9%	0%	16%
Total Exchange Volume**	5%	3%	-5%	-8%

*Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg.

**Tape A+B+C volume = total US exchange volume

*** Total Traded Value for Russell 3000 (total mkt proxy)

Source: Bloomberg, Hedgeye

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation High	Low	% Time Pos	% Time Neg
SPX	-0.26	0.59	0.81	0.70	0.75	*0.95*	*-0.91*	*49%*	*51%*
BRENT Oil	0.17	0.50	0.64	0.67	0.51	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.52	0.20	0.88	0.67	0.47	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.81	-0.73	-0.96	-0.97	-0.78	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*