

## LECAL

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## HEDCEYE ASSET ALLOCATION

| CASH | U.S. <br> EQUITIES | INT'L <br> EQUITIES | COMMODITIES | FOREIGN <br> EXCHANGE | FIXED <br> INCOME |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $6 / 16 / 2016$ | 66 | 2 | 0 | 8 | 4 | 20 |
| $6 / 17 / 2016$ | 66 | 2 | 0 | 8 | 4 | 20 |


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| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $6 / 16 / 2016$ | $66 \%$ | $6 \%$ | $0 \%$ | $24 \%$ | $12 \%$ | $61 \%$ |
| $6 / 17 / 2016$ | $66 \%$ | $6 \%$ | $0 \%$ | $24 \%$ | $12 \%$ | $61 \%$ |

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

## HEDCEYE ASSET ALLOCATION



## BREXIT

## DAX

# BREXIT 

Coin toss? We would say so. And since we don't make calls on coin tosses, we'll just give you both bearish intermediate-term TREND signals in FTSE ( 6,388 resistance) and Pound (\$1.47 vs. USD) with an intermediate-term risk range of \$1.39-1.47. In other words, even if they don't exit, odds are the FTSE remains bearish TREND (because the UK economy is slowing regardless vs. last year's cycle peak).

## DAX

More definitively bearish TREND than FTSE, but that's because the DAX remains in crash mode (-22\% from last year's cycle high).
Reminder that we still have the Street low forecasts for both Eurozone and German GDP in 2 H of 2016 - \#GrowthSlowing is the tail wagging the political dog, and it's not just the UK who has political risks accelerating in kind.

Oil was down $-4.2 \%$ yesterday, up $+1.4 \%$ on the bounce today, down $-23 \%$ year-over-year, but up $+20 \%$ in the last 3 months - which way from here? The risk range signal says lower-highs (\$46.06-49.21 WTI) and Oil's Volatility (OVX) signal (ramped back up to 44 this week) says this said bull market isn't done chopping a bullish consensus up for the summer time.

## RETALL SALES: TREND =

## U.S. HEADLINE RETAIL SALES

- Recession Dates
——Retail Sales, YoY \%

*Note: Retail Sales are reported in nominal dollars (i.e. are not adjusted for inflation)


## 16.0\%



## ONLY 4 MAIN GROWTH DRIVERS...



Restaurants, Internet, Personal Care, and Autos account for almost all the growth.

## ECOMM IS PARABOLIC



## E-COMMERCE \% OF TOTAL RETAIL SALES GROWTH

We're now up to $29 \%$ of incremental growth coming from the Internet. Theoretically, there's no reason this can't climb towards 100\%.

## AMZN \% OF SALES CROWTH

## AMZN \% OF RETAIL SALES GROWTH



## DEPT STORE COMPS BIFURCATING

## DEPT. STORE COMPS VS RETAIL SALES

$\longleftarrow$ Retail Sales ex. Auto YY\% ——M Comp Sales

(15\%)

Spread between Department Stores and the broader Macro sales metrics = widening.

## INDUSTRY SPECIFIC - RETAIL SICMA

## SOFTLINE RETAIL INDUSTRY SIGMA



X-Axis $=\mathrm{Y} / \mathrm{Y}$ Point Change in EBIT Margin \%

## CREDIT CHARGE-OFF RISK CROWING

## 100 LARGEST BANKS CC CHARGE-OFF RATES



Credit chargeoff rates at 30year lows.

## CAP ONE CHRG-OFFS NEAR TROUCH

## COF MASTER TRUST CHARGE OFFS



There's no reason to think that COF/KSS would be any different than COF overall.

## LATEST CREDIT DATAPOINTS



## SYNCHRONY RAISES 2016 CHARGE-OFF EXPECTATIONS

This signal from Synchrony is not the indicator that Retail CEOs with credit portfolios want/need to see.

## RETAILER CREDIT RISK

## CREDIT CARD \% OF EBIT



These are the retailers with the greatest credit risk.

Note that this completely excludes any potential revenue/marg in hit as consumers spend less.

## MACY'S CASE STUDY

## MACY'S CREDIT \% OF SALES VS EBIT MARGIN



Credit as a percent of sales for Macy's has tripled throughout this economic 9\% expansion.

## SHOPPING MALL DEBT

## $\mathbf{2}^{\text {ND }}$ LARGEST US MALL OWNER DEFAULTS

General Growth failed to pay mortgage due June $1^{\text {st }}$

- Near $\$ 50$ bn in loans secured by these properties mature by end of ' 17 .
- Properties reliant on M , JCP, SHLD at highest risk



## THIS IS CONNA LEAVE A MARK

## RETAIL BANKRUPTCIES



Most
Bankruptcies Since 2009. And we still have half a year left.

## NOW IS WHEN LONG-DATED LIABS MATTER

## 2015 AVG. WEIGHTED LEASE DURATION (YEARS)

25
20
15
10
5

## STOCK SPECIFIC DATA POINTS

Ralph Lauren

## Foot Locker.

## lululemon $\Omega$ athletica



Now that his gag order is up Founder Chip Wilson is launching a proxy fight with the LULU board.

$$
\$ 32 \text { >>>>> \$105 >>>>> \$26 }
$$

## MACRO GRIND

## HEDGEYE MACRO PROCESS: RATE OF CHANGE



## DIFFERENTIATED FROM THE HERD

Macroeconomics and Global Macro Risk
Management are two very different fields. We specialize in the latter.


Time $\longrightarrow$

## WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

## HEDGEYE SECTOR PERFORMANCE

| SECTOR | Ticker | Price | $\frac{\text { 1-Day \% }}{\text { Chg }}$ | MTD \% Chg | $\frac{\text { YTD \% }}{\text { Chg }}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Consumer Discretionary | XLY | \$78.33 | 0.32\% | -1.15\% | 0.22\% |
| Financial Select Sector | XLF | \$22.75 | 0.26\% | -4.21\% | -4.53\% |
| Health Care Select Sector | XLV | \$71.08 | 0.35\% | -0.38\% | -1.32\% |
| Technology Select Sector | XLK | \$43.55 | 0.21\% | -1.45\% | 1.68\% |
| Consumer Staples Select Sector | XLP | \$54.01 | 0.52\% | 2.56\% | 6.97\% |
| Industrial Select Sector | XLI | \$55.99 | 0.18\% | 0.13\% | 5.62\% |
| Materials Select Sector | XLB | \$47.23 | 0.34\% | 0.62\% | 8.77\% |
| The Energy Select Sector | XLE | \$66.65 | -0.48\% | -0.33\% | 10.49\% |
| Utilities Select Sector | XLU | \$50.78 | 0.63\% | 3.32\% | 17.33\% |
| S\&P 500 | SPX | 2,077.99 | 0.31\% | -0.90\% | 1.67\% |

## 

|  | Ticker | Price | $\frac{\text { 1-Day \% }}{\text { Chg }}$ | $\frac{\text { MTD \% }}{\text { Chg }}$ | $\frac{\text { YTD \% }}{\text { Chg }}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Consumer Discretionary | XLY | \$78.33 | 0.01\% | -0.24\% | -1.45\% |
| Financial Select Sector | XLF | \$22.75 | -0.05\% | -3.31\% | -6.20\% |
| Health Care Select Sector | XLV | \$71.08 | 0.04\% | 0.53\% | -2.98\% |
| Technology Select Sector | XLK | \$43.55 | -0.11\% | -0.54\% | 0.02\% |
| Consumer Staples Select Sector | XLP | \$54.01 | 0.21\% | 3.47\% | 5.31\% |
| Industrial Select Sector | XLI | \$55.99 | -0.13\% | 1.03\% | 3.96\% |
| Materials Select Sector | XLB | \$47.23 | 0.03\% | 1.52\% | 7.11\% |
| The Energy Select Sector | XLE | \$66.65 | -0.79\% | 0.58\% | 8.83\% |
| Utilities Select Sector | XLU | \$50.78 | 0.32\% | 4.22\% | 15.66\% |

## HEDGEYE STYLE FACTOR PERFORMANCE

| $\frac{5}{8}$ | FACTOR | $\begin{gathered} \text { 1D } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} \text { 1W } \\ \% \text { Chg } \end{gathered}$ | $\begin{gathered} \mathrm{lM} \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} \text { 3M } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} 6 \mathrm{M} \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{aligned} & \text { YTD } \\ & \% \mathrm{Chg} \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | High Debt／EV | 0．0\％ | －3．1\％ | 1．4\％ | 1．6\％ | 9．5\％ | 6．6\％ |
|  | Low Debt／EV | 0．0\％ | －2．4\％ | 1．1\％ | 0．6\％ | 1．3\％ | 1．3\％ |
| 幺 | High Short Interest | －0．4\％ | －3．8\％ | 1．8\％ | －2．0\％ | 3．3\％ | 1．4\％ |
|  | Low Short Interest | 0．4\％ | －2．0\％ | 0．9\％ | 2．4\％ | 3．2\％ | 2．6\％ |
| 茄 | High Beta | －0．4\％ | －4．3\％ | 1．7\％ | 1．3\％ | 2．4\％ | 0．6\％ |
|  | Low Beta | 0．6\％ | －0．5\％ | 2．2\％ | 2．5\％ | 10．3\％ | 9．6\％ |
| $\begin{aligned} & \text { 을 } \\ & \stackrel{y y}{\nu} \end{aligned}$ | High Yield | 0．4\％ | －1．6\％ | 2．2\％ | －0．4\％ | 6．9\％ | 5．3\％ |
|  | Low Yield | －0．2\％ | －3．6\％ | 1．5\％ | 3．7\％ | 2．8\％ | 1．4\％ |
| $\frac{5}{2}$ | MCAP Bottom 25\％ | －0．3\％ | －3．8\％ | 0．9\％ | －1．8\％ | 2．3\％ | 0．1\％ |
|  | MCAP Top 25\％ | 0．3\％ | －1．6\％ | 1．4\％ | 2．5\％ | 2．1\％ | 2．0\％ |
| $\begin{aligned} & \frac{6}{\omega} \\ & \stackrel{\omega}{\omega} \end{aligned}$ | Top 25\％Sales Growth | －0．2\％ | －3．4\％ | 1．4\％ | 4．2\％ | 4．9\％ | 3．4\％ |
|  | Bottom 25\％Sales Growth | 0．3\％ | －1．9\％ | 2．1\％ | －0．3\％ | 5．0\％ | 3．5\％ |
| $\begin{aligned} & \text { 会 } \end{aligned}$ | Top 25\％EPS Growth | 0．0\％ | －2．7\％ | 1．5\％ | 3．5\％ | 3．5\％ | 2．1\％ |
|  | Bottom 25\％EPS Growth | －0．1\％ | －2．8\％ | 1．4\％ | 0．6\％ | 8．2\％ | 6．1\％ |

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

## HEDGEYE RATES \& SPREADS

|  | Price | 1 D | 5D | 1 M | 3M | vs. 52-Wk, Bps |  | $\begin{gathered} \text { rs. } \\ \text { 3Y Ave } \end{gathered}$ | $\begin{gathered} \text { vs. } \\ \text { 5Y } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Bps Chg | Bps Chg | Bps Chg | Bps Chg | High | Low |  |  |
| 3M T-Bill | 0.25\% | 0.0 | 1.1 | -3 | -3 | -10 | 31 | 19 | 19 |
| 3MLIBOR | 0.66\% | 0.0 | 0.1 | 3 | 3 | -3 | 38 | 33 | 31 |
| 2Y T-Note | 0.70\% | 1.6 | -4.1 | -15 | -18 | -40 | 16 | 14 | 26 |
| 5 Y T-Note | 1.11\% | 1.9 | -7.6 | -21 | -28 | -71 | 14 | -40 | -14 |
| 10Y T-Note | 1.60\% | 0.7 | -6.2 | -19 | -32 | -89 | 8 | -73 | -57 |
| 30Y T-Note | 2.41\% | -1.0 | -5.5 | -20 | -29 | -85 | 6 | -73 | -72 |
| 2Y-10Y Spread, Bps | 90 | -0.4 | -1.6 | -4.3 | -13 | -49 | -8 | -87 | -83 |
| IG SPREAD (A.A.ABBB) | 1.89\% | 0.0 | 6.0 | 10 | -20 | -41 | 13 | 19 | 4 |
| HIGH YIELD | 7.34\% | 8.5 | 23.0 | -1 | -44 | -199 | 103 | 76 | 55 |
| 5 Y BREAKEVEN | 1.44\% | -3.2 | -7.0 | -11.8 | -4.9 | -30.0 | 58.8 | -16.5 | -29.7 |

## GFTC NON-COMMERCIAL NET LONG POSITIONING

|  |  |  |  |  |  | Z-Score |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| METRIC | Latest | W/W Chg | 3M Ave | 6M Ave | 1Y Ave | 1Y | 3Y |
| SPX (Index + E-mini) | $(26,295)$ | $(82,376)$ | $(30,773)$ | $(102,068)$ | $(123,034)$ | $1.16 X$ | $-0.01 X$ |
| Russell 2000 (mini) | $(24,869)$ | 6,038 | $(50,052)$ | $(52,770)$ | $(41,392)$ | $0.89 X$ | $0.01 X$ |
| 10Y Treasury | $(1,294)$ | 158,636 | $(66,889)$ | $(25,214)$ | $(15,271)$ | $0.26 X$ | $0.80 X$ |
| CRUDE OIL | 384,921 | $(12,597)$ | 380,512 | 311,630 | 297,526 | $1.49 X$ | $0.74 X$ |
| GOLD | 186,562 | 30,786 | 187,124 | 118,523 | 70,578 | $1.46 X$ | $2.09 X$ |
| COPPER | $(39,210)$ | $(348)$ | $(20,697)$ | $(24,125)$ | $(22,617)$ | $-1.37 X$ | $-1.57 X$ |
| SUSD | 9,793 | $(101)$ | 12,767 | 24,040 | 36,857 | $-1.59 X$ | $-0.87 X$ |
| JPY | 41,165 | 24,416 | 51,129 | 40,566 | $(6,597)$ | $0.87 X$ | $1.89 X$ |
| EUR | $(70,336)$ | $(37,800)$ | $(40,333)$ | $(70,637)$ | $(88,387)$ | $0.42 X$ | $0.06 X$ |
| GBP | $(64,691)$ | $(32,748)$ | $(42,890)$ | $(37,636)$ | $(24,675)$ | $-2.39 X$ | $-1.96 X$ |

## MARKET SHARE VOLUME \& TOTAL VALUE TRADED

| INDEX/SECURITY | VOLUME: (6/16) vs. |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Prior Day | 1M Ave | 3M ave | 1Y Ave |
| Total Market Volume* | 10\% | 6\% | -2\% | -5\% |
| Total Exchange Volume ${ }^{\text {** }}$ | 7\% | 8\% | 6\% | -1\% |
| Total Traded Value (R3K)*** | -3\% | -8\% | -11\% | -17\% |
| *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) |  |  |  |  |

