THE MACRO SHOW

JUNE 23, 2016

LEGAL

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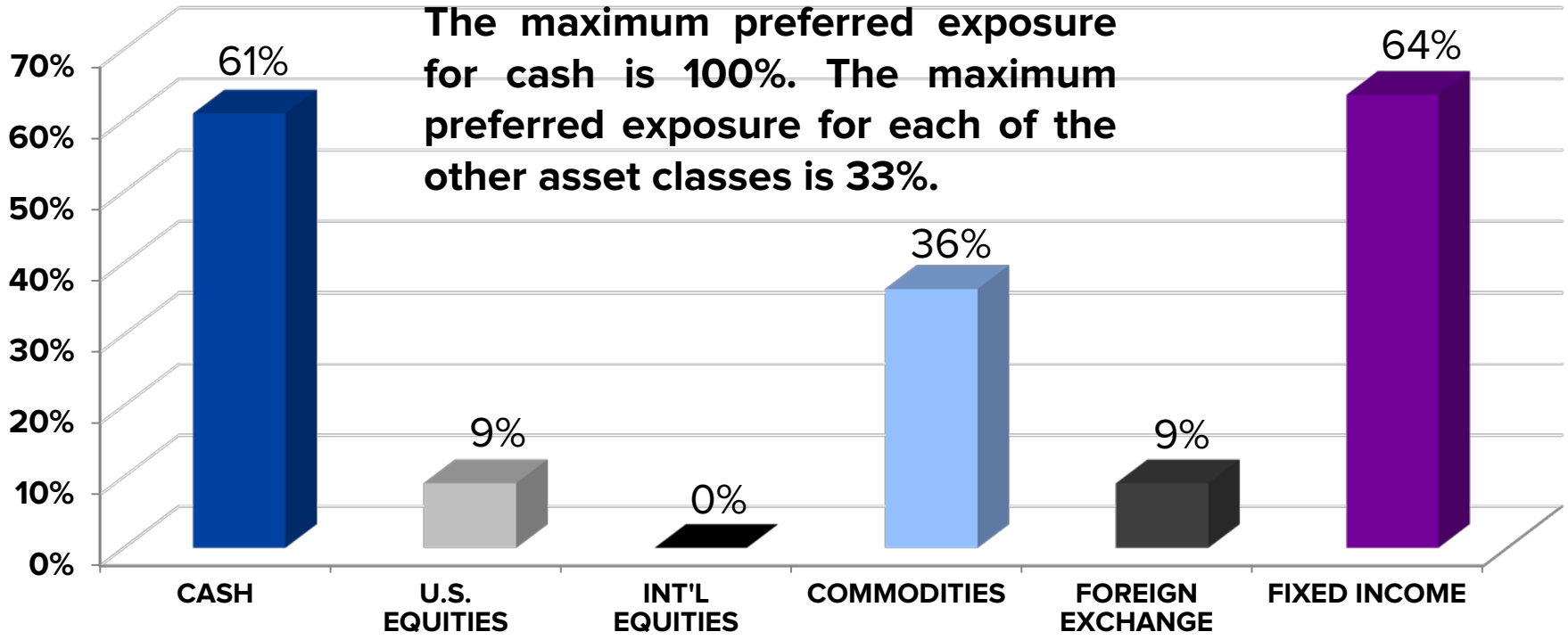
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/22/2016	61	3	0	12	3	21
6/23/2016	61	3	0	12	3	21

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/22/2016	61%	9%	0%	36%	9%	64%
6/23/2016	61%	9%	0%	36%	9%	64%

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

HEDGEYE ASSET ALLOCATION



June 23, 2016

THE MACRO SHOW

HEDGEYE TV

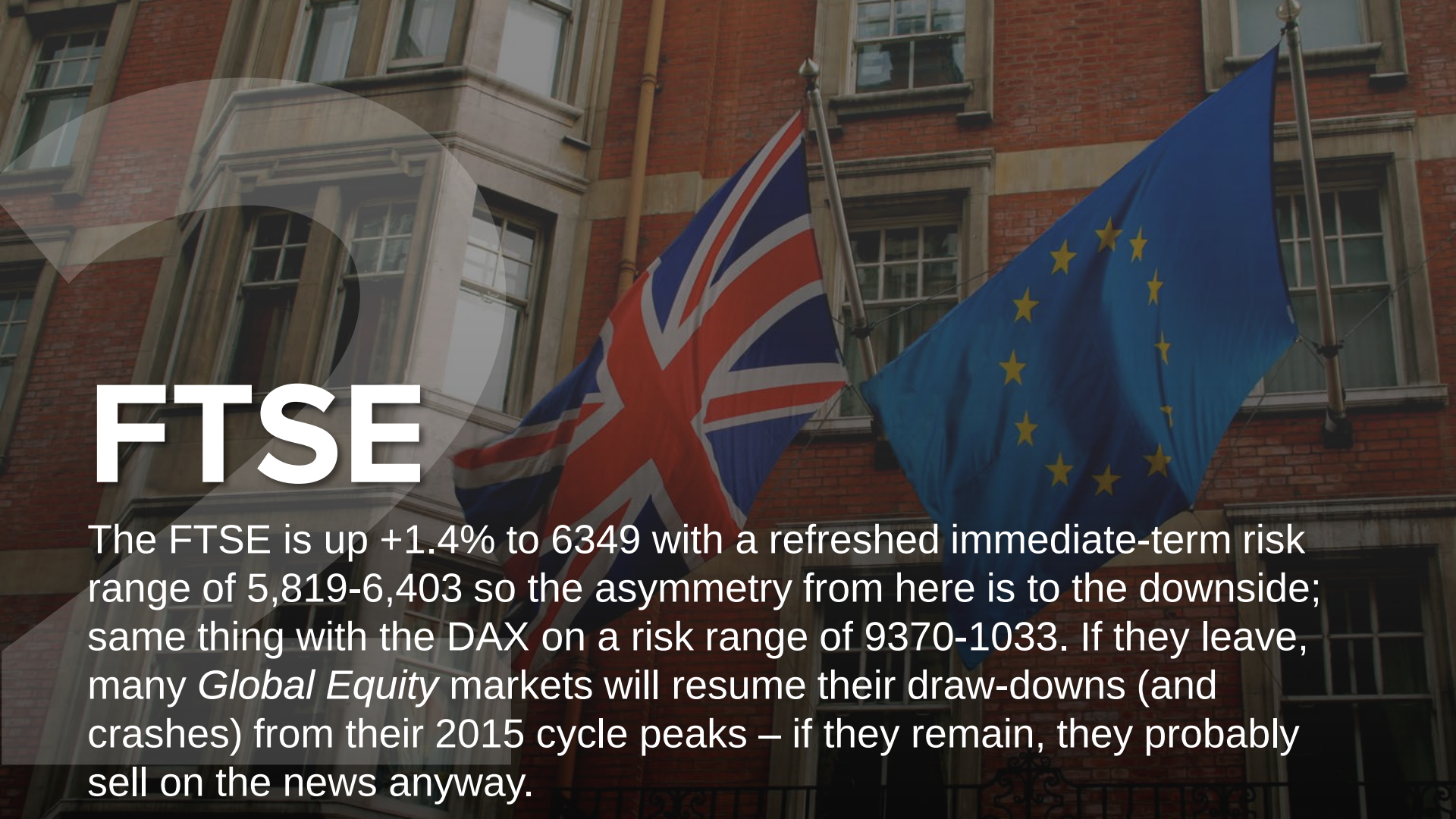
1 POUND

2 FTSE

3 UST 10YR

POUND

The pound tapped $1.49 this morning and that’s one mother of a move in the context of where GBP/USD has been for the last 6 months – on our immediate-term signal, that’s pricing in a triple-no-exit! We’re going into this with no FX position (sorry, we can’t build our research firm on coin tosses) other than long Gold (risk range 1253-1306/oz).



FTSE

The FTSE is up +1.4% to 6349 with a refreshed immediate-term risk range of 5,819-6,403 so the asymmetry from here is to the downside; same thing with the DAX on a risk range of 9370-1033. If they leave, many *Global Equity* markets will resume their draw-downs (and crashes) from their 2015 cycle peaks – if they remain, they probably sell on the news anyway.

UST 10YR

Why is it that many investors like to buy things on sale other than long-term Treasuries? At 1.74% on the UST 10YR, we wouldn’t call it a layup, but this is just one of the more obvious buying opportunities we’ve had in long-term #GrowthSlowing bonds in the last year.

MACRO & HOUSING

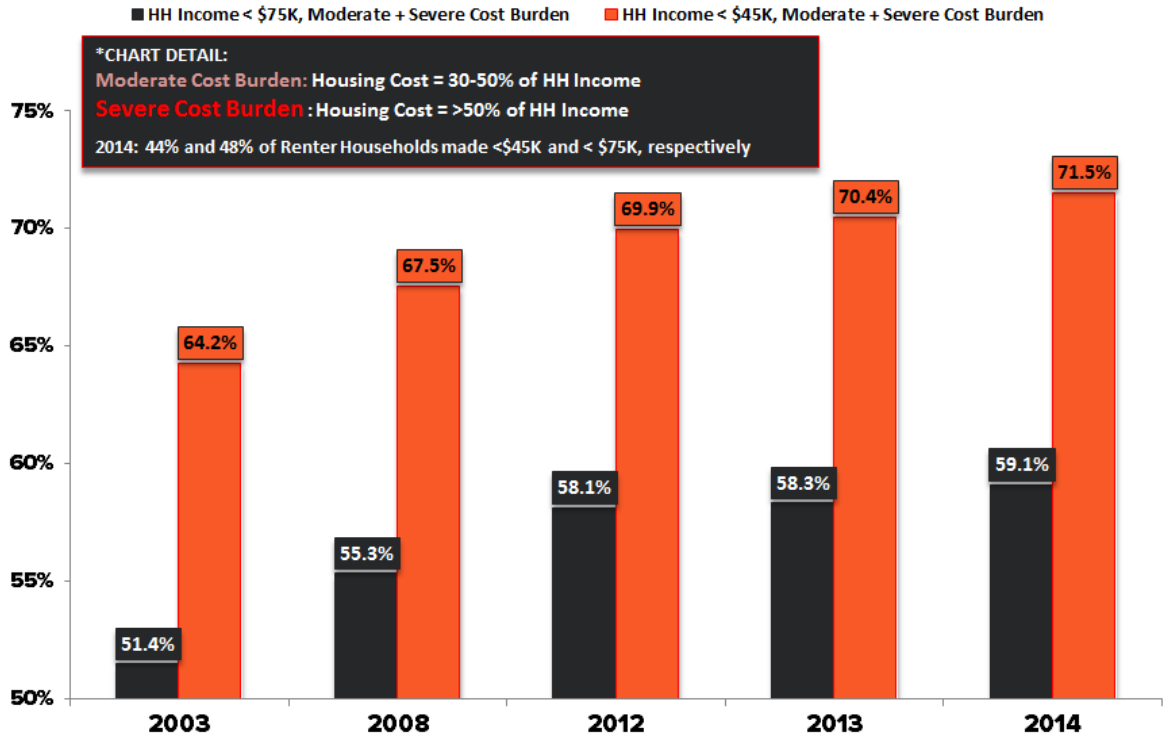
CHRISTIAN DRAKE

BATTLE OF THE BROKE BASTARDS

THE WALL ....OF COST

RENTER COST BURDEN*

% of Renter Households with Moderate & Severe cost Burdens

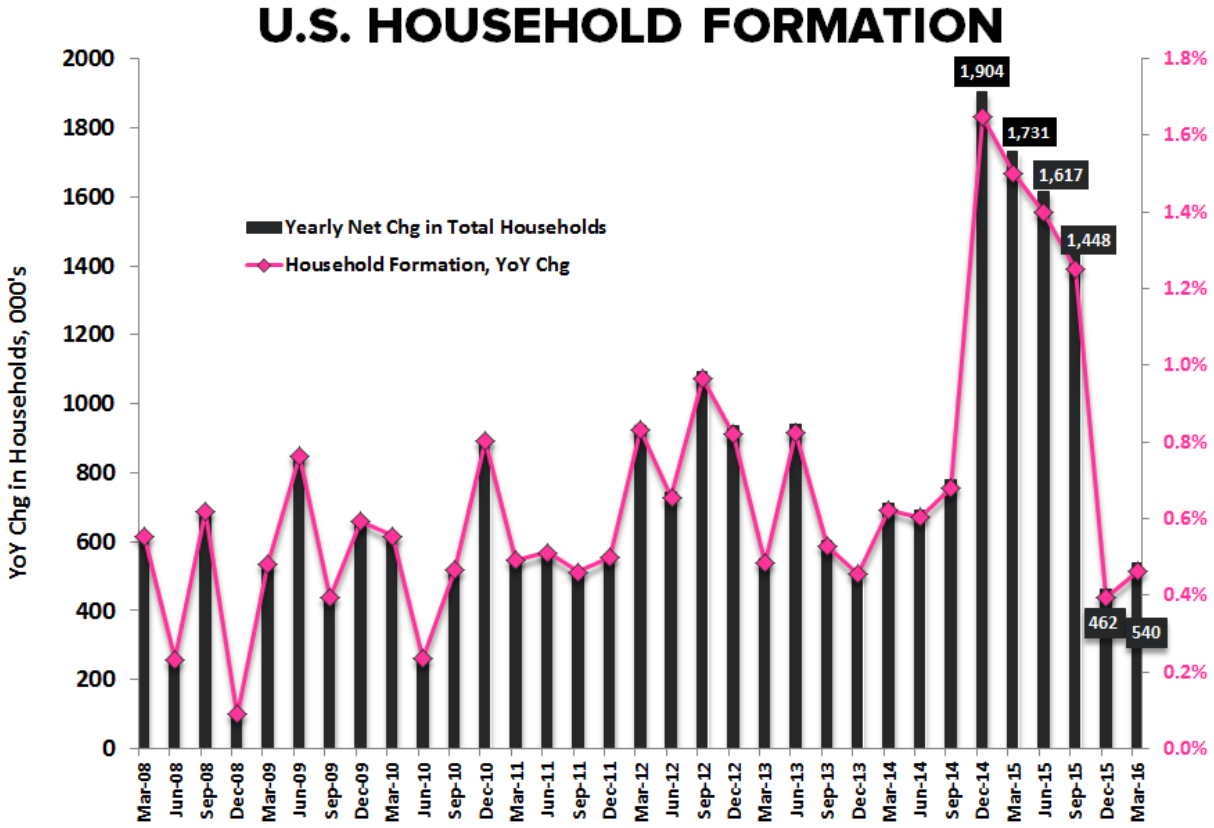


DATA SOURCE: CENSUS BUREAU, ACS SURVEY, JCHS CALCULATIONS

"STARK" CONTRAST

"**severely cost-burdened households spent 41 percent less on food and 74 percent less on healthcare** than the non-burdened. They also spent more on transportation costs b/c they had to live further away to find affordable housing."

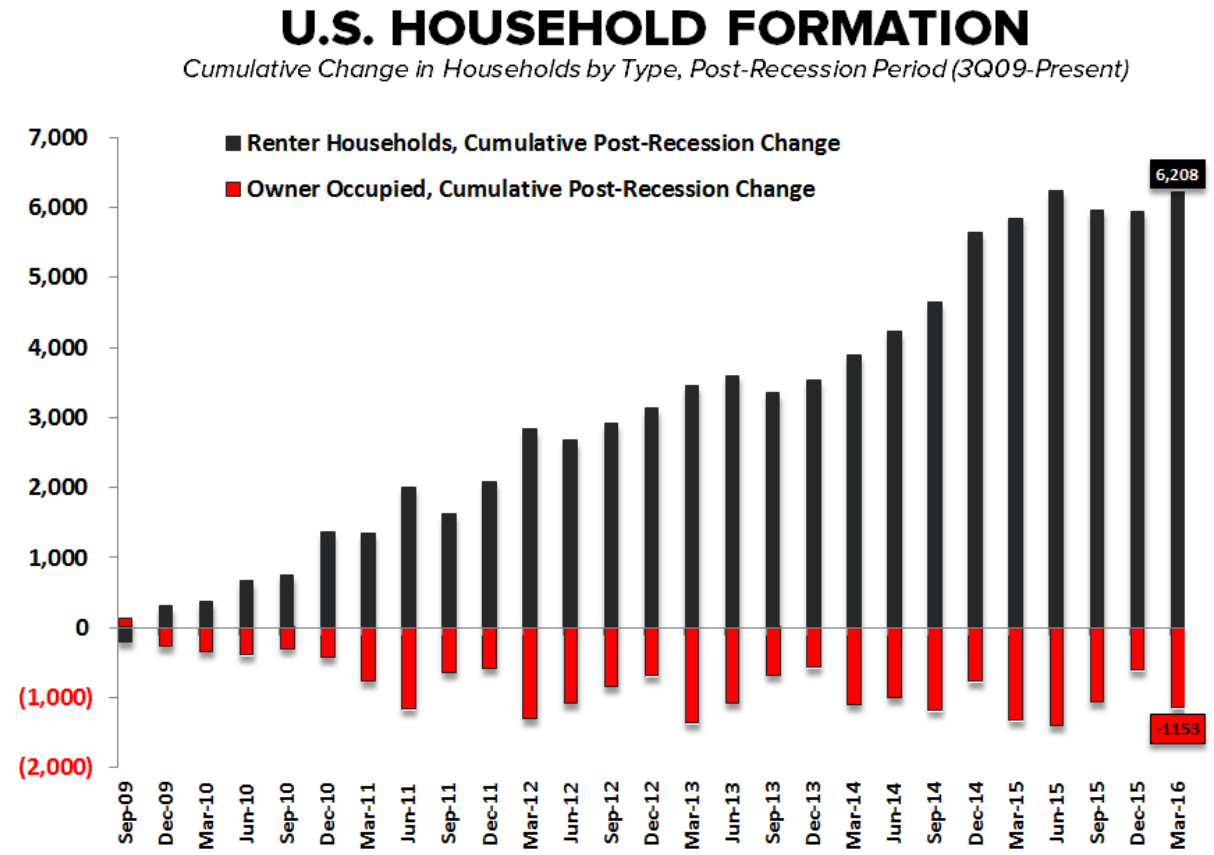
WINTER HATH COME? AGAIN?



DATA SOURCE: CENSUS BUREAU, BLOOMBERG

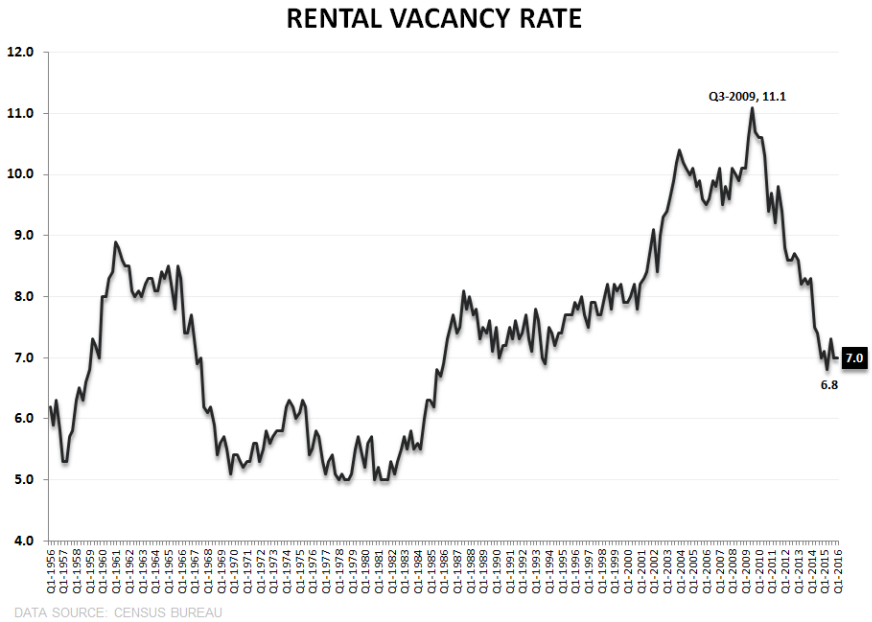
HH formation showed a marked acceleration in 4Q14/1Q15 and a marked deceleration in 1H15. On net, HH formation is running ~1-1.2MM over the last 6 quarters

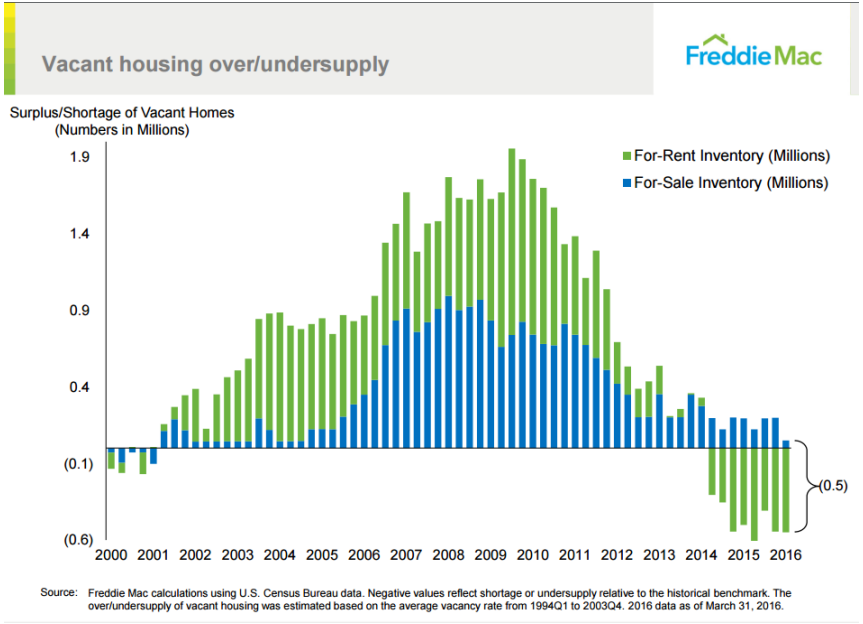
GoT RENTAL DEMAND!



The formation of renter households has driven positive net HH formation as creation of owner occupied households remains net negative in the post-recession period

DRIVING EXCESS RENTAL SUPPLY NEGATIVE





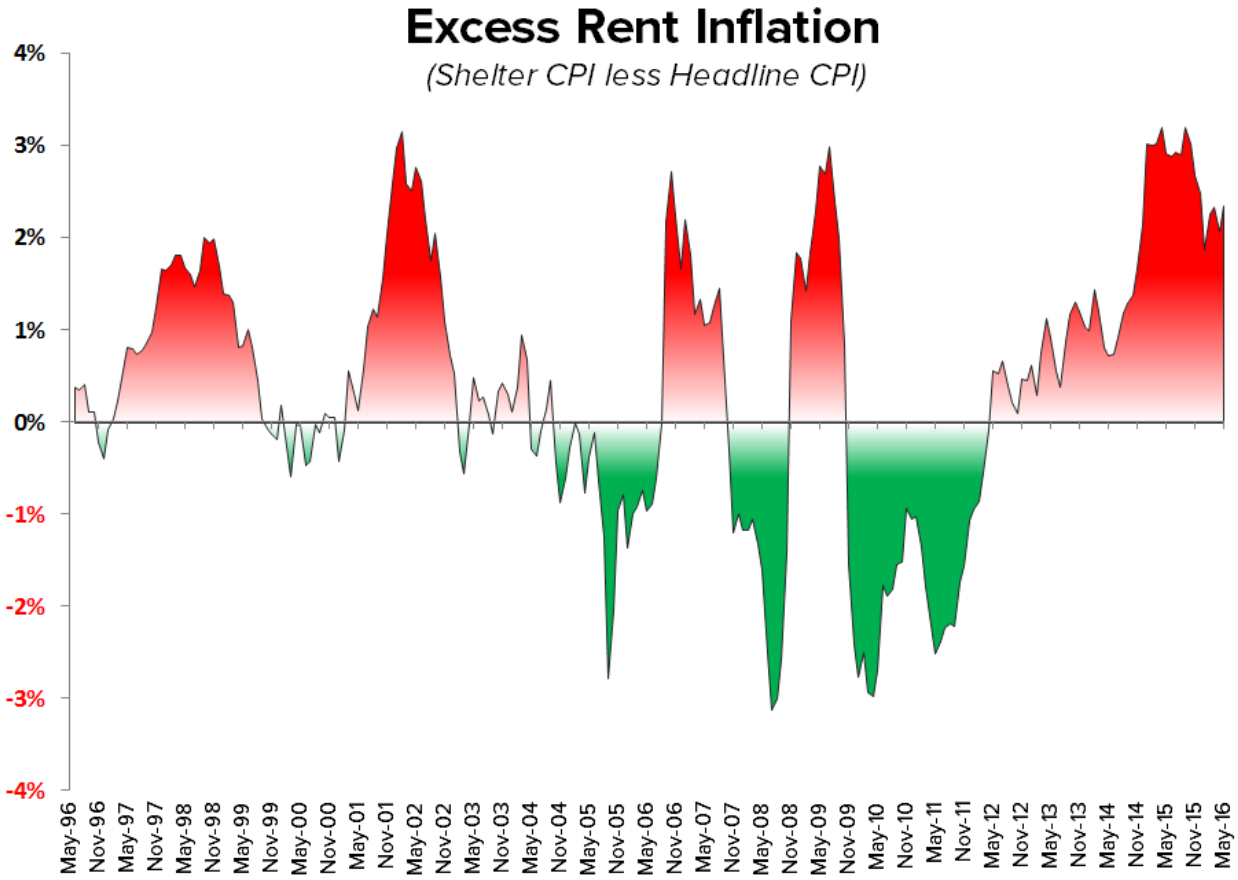
RENTAL VACANCY

After peaking at 11.1% in 3Q09, the Rental Vacancy Rate stood at 7.0% in 1Q16 according to Census Data.

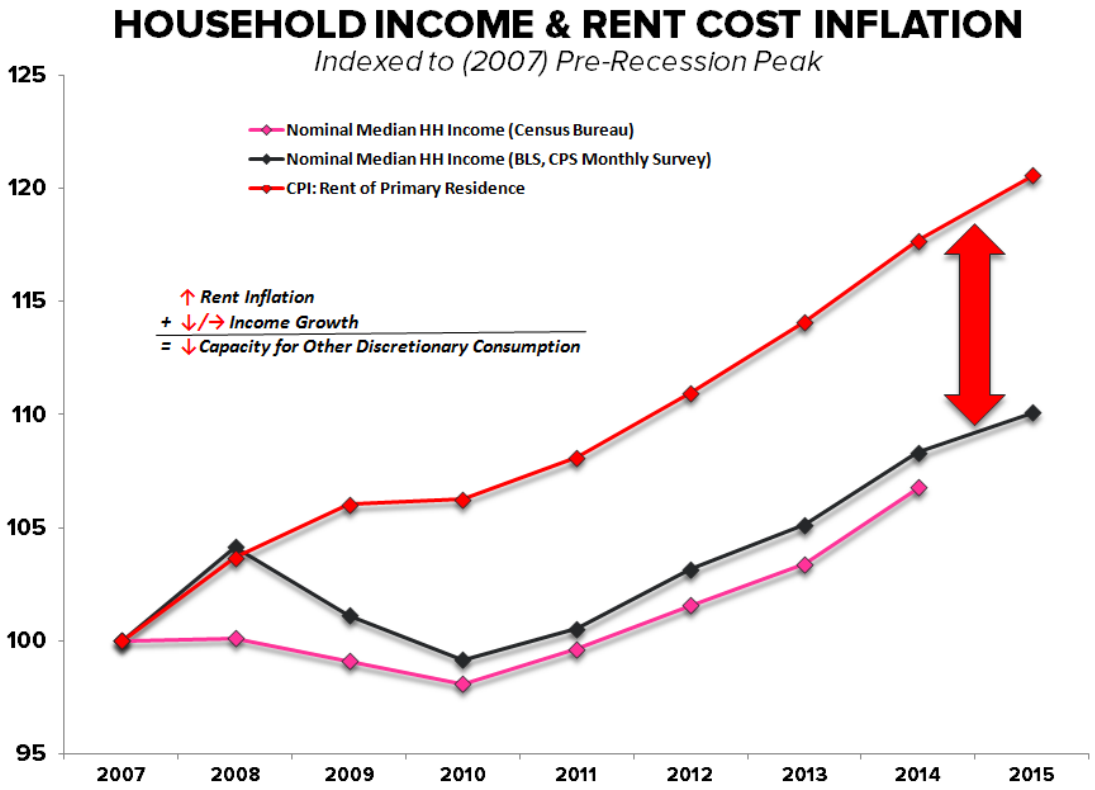
SHORTAGE IN FOR-RENT INVENTORY

For-Rent inventory remains in deficit to the tune of ~0.5mm units relative to historical (non-bubble) averages.

THE RED (INFLATION) WEDDING



INCOME ARROWS IN A COST GUNFIGHT

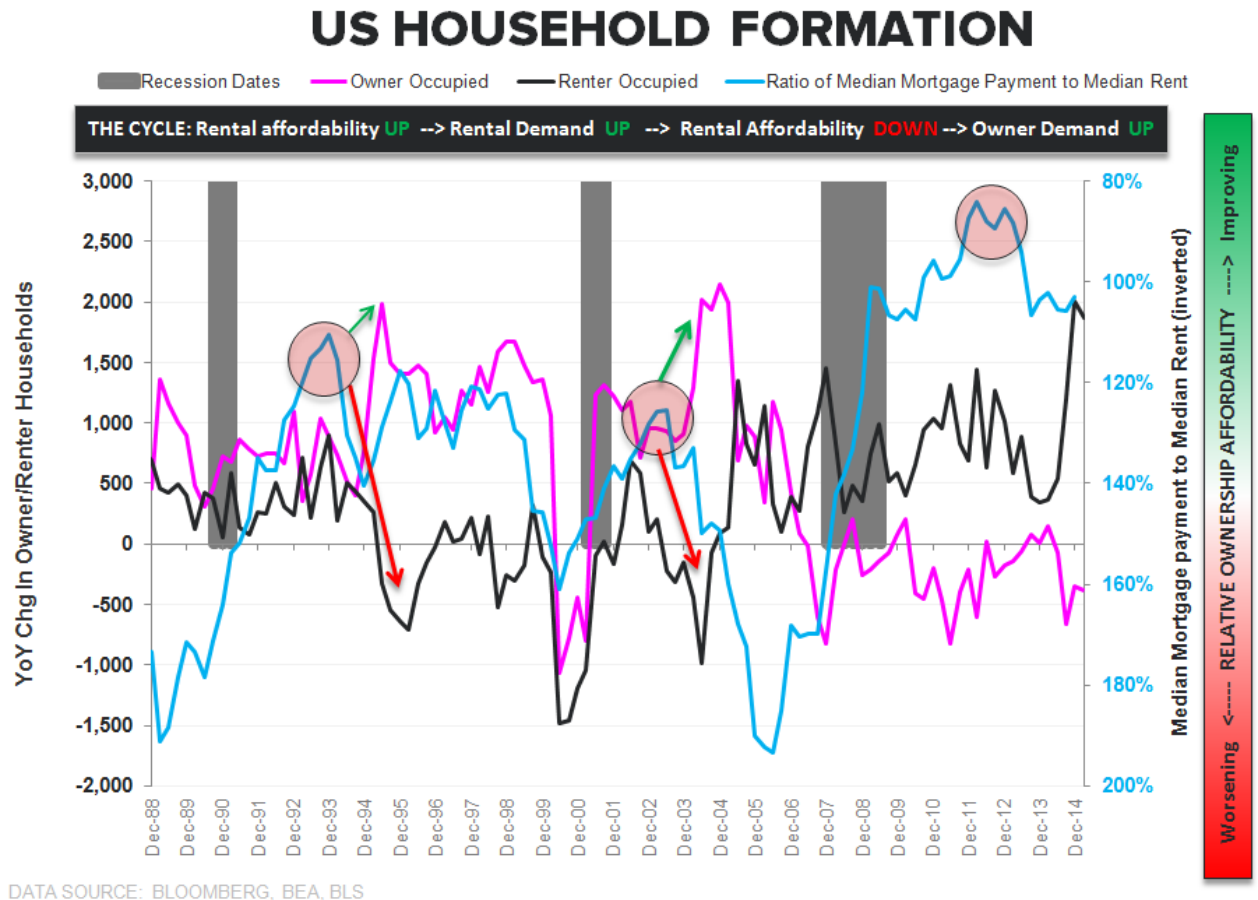


Household income growth has been negative on a real basis across all the primary survey's for most of the post-crisis period and rental cost inflation continues to grow at a premium to nominal wages.

*Rent of Shelter carries a ~33% weight in the CPI Index with Owners Equivalent Rent (OER) carrying a ~25% weight in the basket .

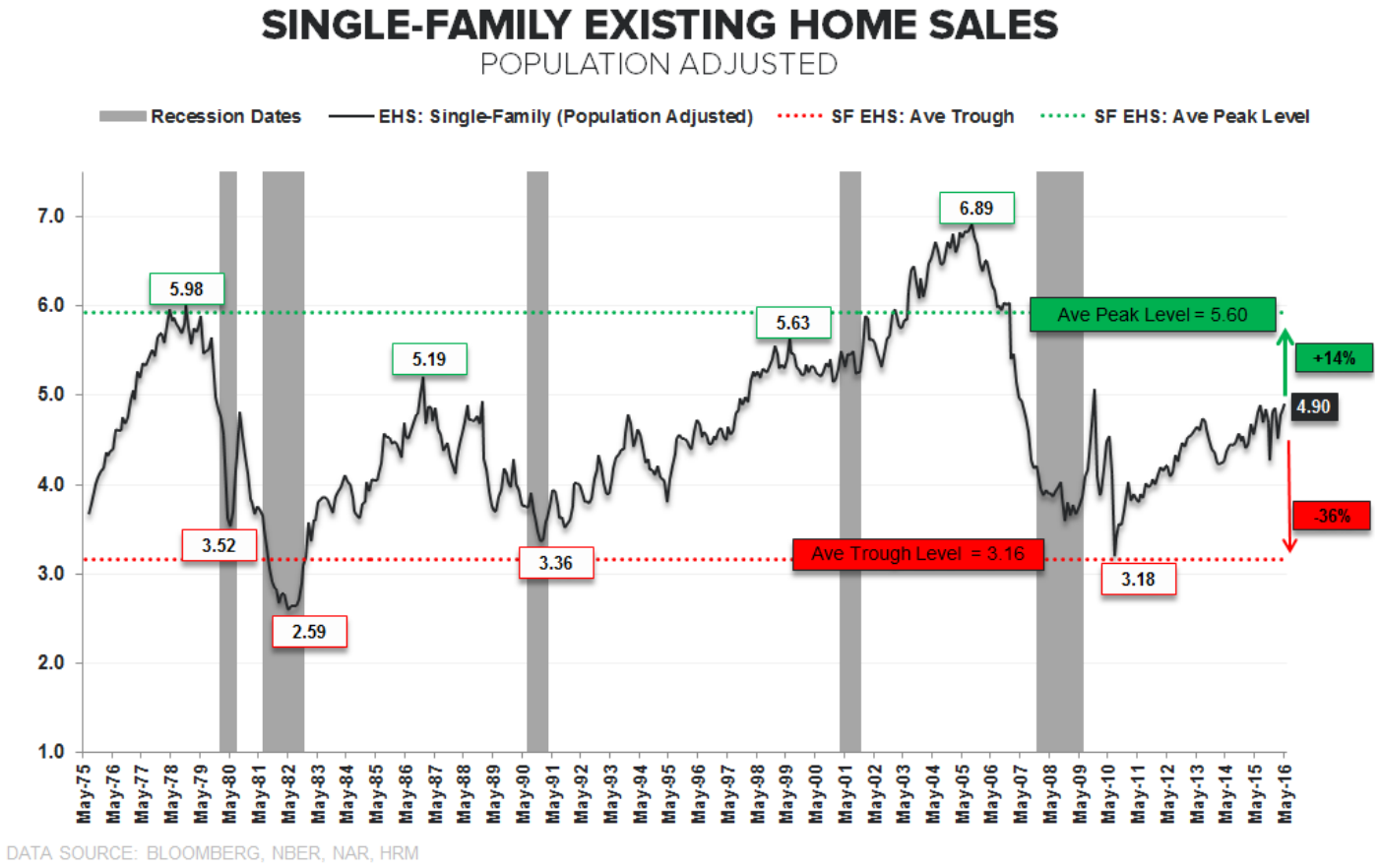
Data source: Bloomberg, BLS, Census Bureau, Sentier

RENTAL AFFORDABILITY ↓ ? OWNERSHIP ↑



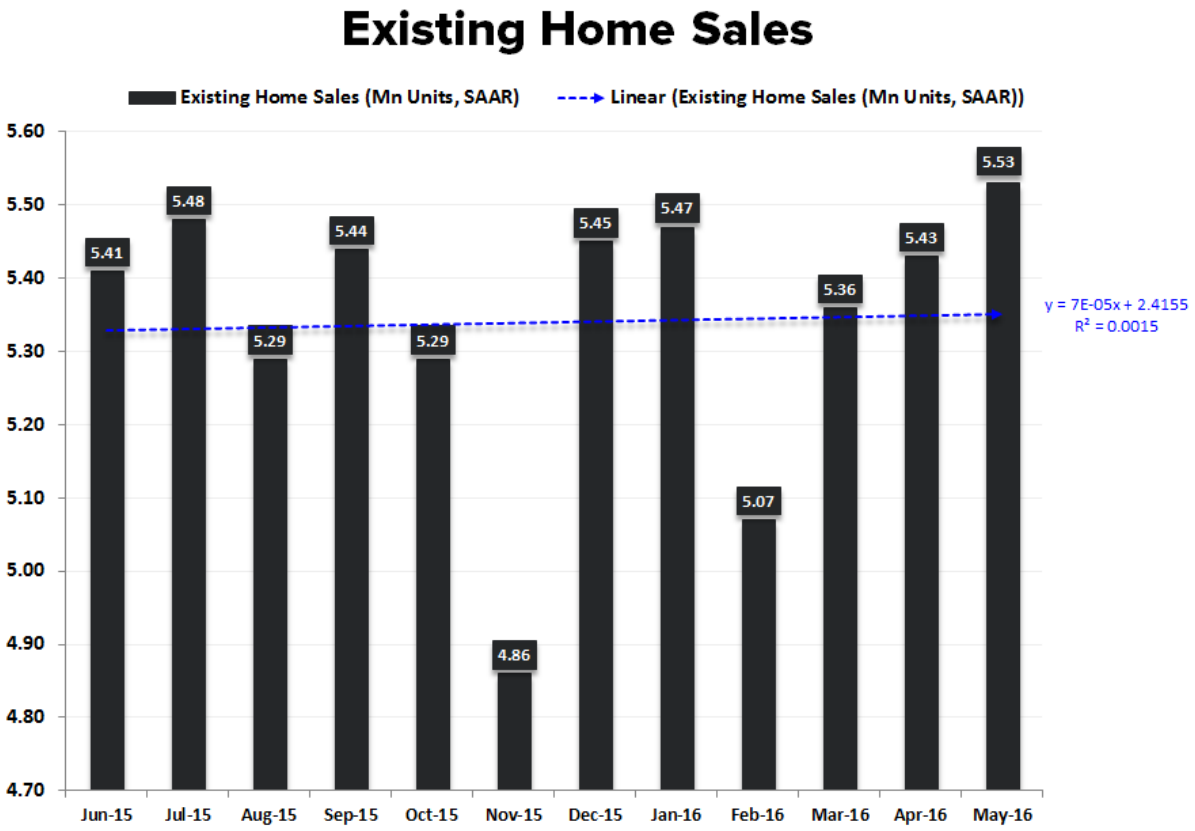
Historically, declines in rental affordability have driven households towards home ownership

SF EHS : ASYMMETRY LOST



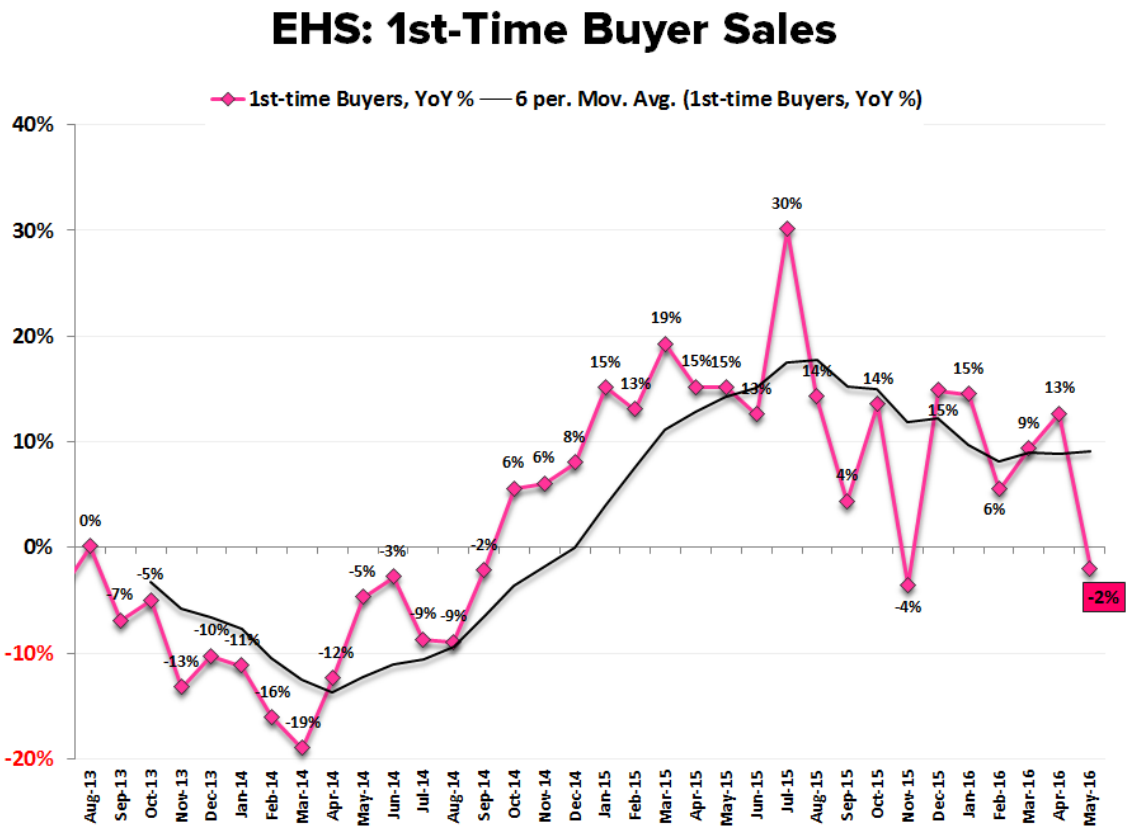
Single and Total Existing Home sales have already mean-reverted back to average levels of activity. The long-term average is 4.6mn and the series was recently at 5.0mn.

EHS: GOOD BUT …

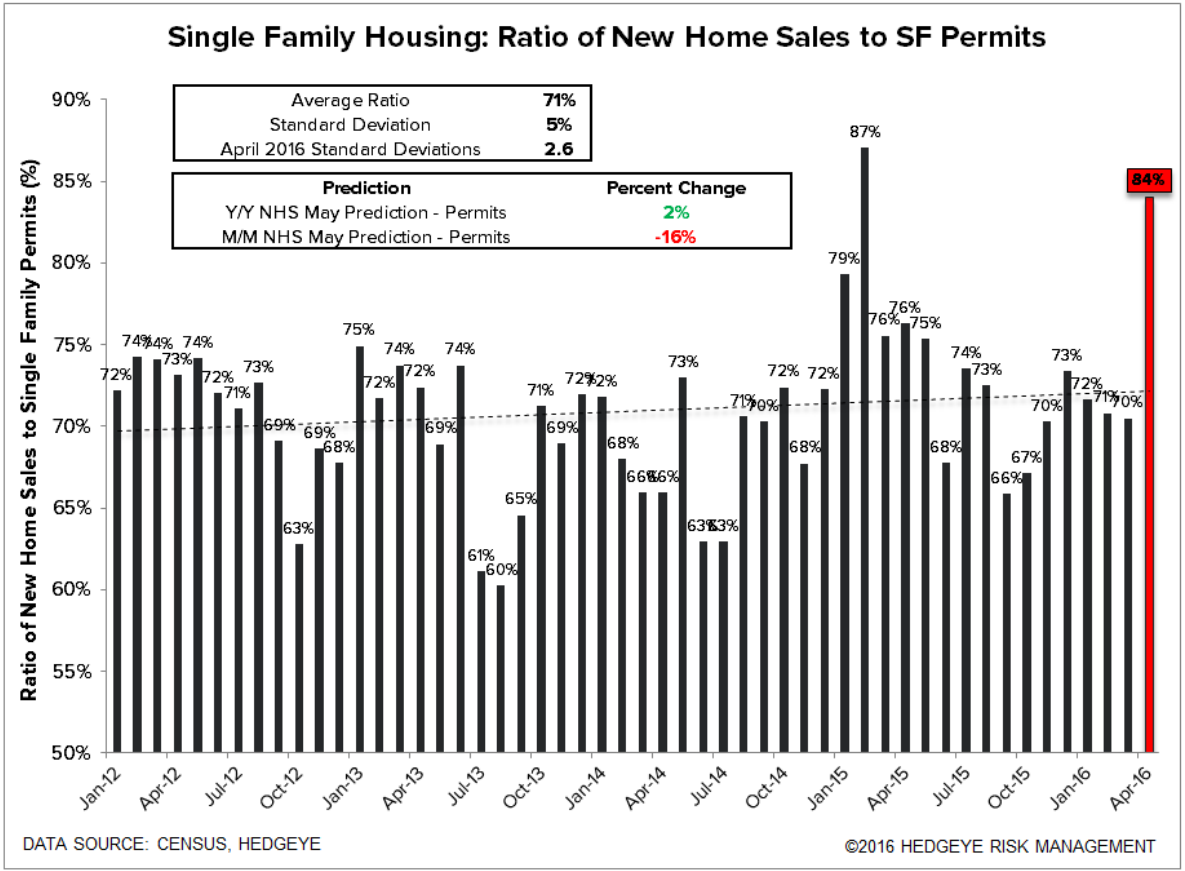


DATA SOURCE: NAR, BLOOMBERG

?ST TIME BUYERS … CALL THE MAESTER?



NHS: GAME OF DISTORTION?



MACRO GRIND

EUROPEAN DATA

			Survey	Actual	Prior
Eurozone	Markit Eurozone Manufacturing PMI	Jun P	51.4	52.6	51.5
Eurozone	Markit Eurozone Services PMI	Jun P	53.2	52.4	53.3
Eurozone	Markit Eurozone Composite PMI	Jun P	53	52.8	53.1
Germany	Markit/BME Germany Manufacturing PMI	Jun P	52	54.4	52.1
Germany	Markit Germany Services PMI	Jun P	55	53.2	55.2
Germany	Markit/BME Germany Composite PMI	Jun P	54.3	54.1	54.5
France	Markit France Manufacturing PMI	Jun P	48.7	47.9	48.4
France	Markit France Services PMI	Jun P	51.6	49.9	51.6
France	Markit France Composite PMI	Jun P	51	49.4	50.9
France	Business Confidence	Jun	103	100	102
France	Manufacturing Confidence	Jun	103	102	104
France	Production Outlook Indicator	Jun	--	1	6

BRITISH POUND TO U.S. DOLLAR INDEX

June 23, 2016

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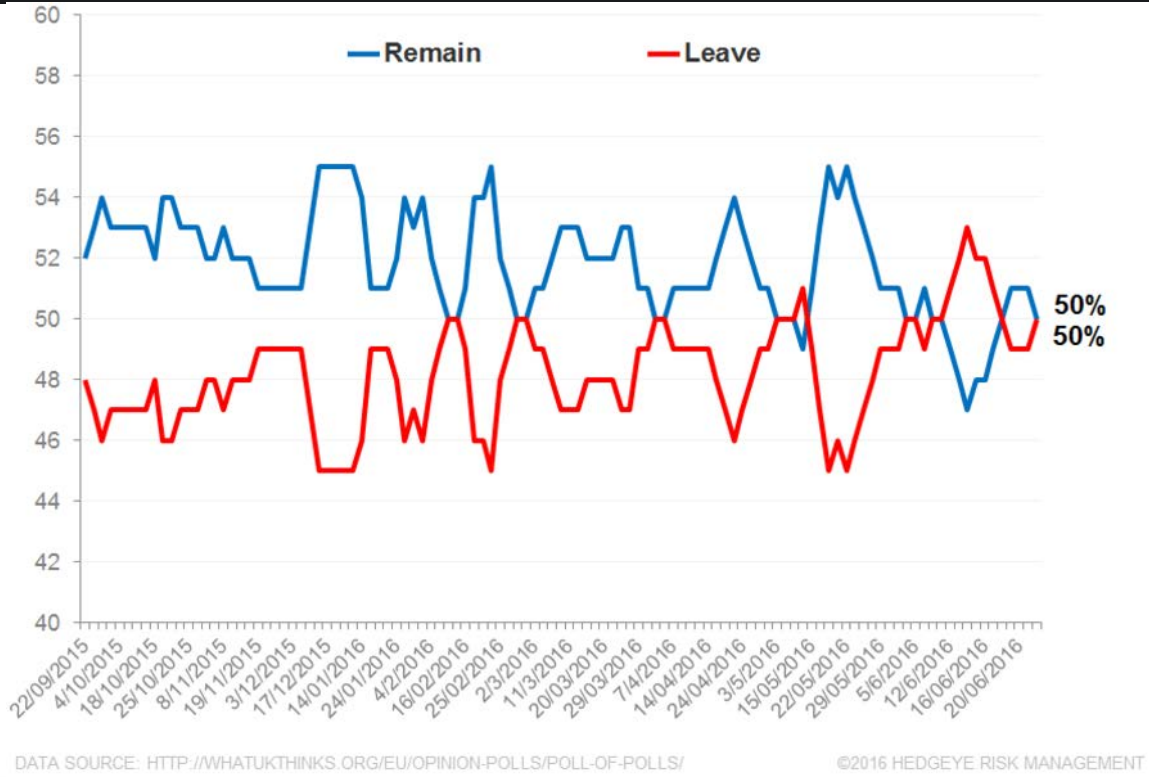
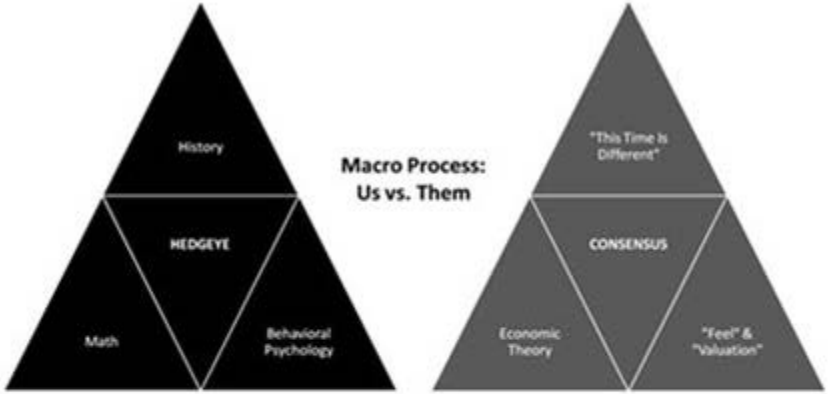
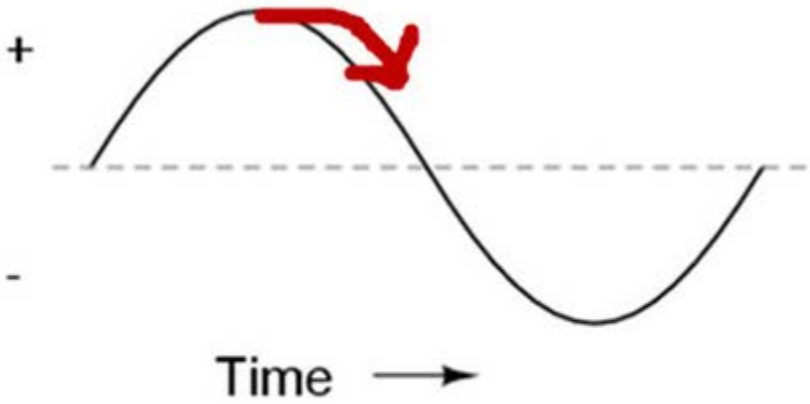
HEDGEYE TV

WHAT UK THINKS: EU POLL OF POLLS



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.

WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$78.34	-0.14%	-1.14%	0.23%
Financial Select Sector	XLF	$22.85	-0.09%	-3.79%	-4.11%
Health Care Select Sector	XLV	$70.46	0.29%	-1.25%	-2.18%
Technology Select Sector	XLK	$43.38	-0.34%	-1.83%	1.28%
Consumer Staples Select Sector	XLP	$53.81	0.06%	2.18%	6.58%
Industrial Select Sector	XLI	$56.04	-0.28%	0.21%	5.72%
Materials Select Sector	XLB	$47.39	0.11%	0.96%	9.14%
The Energy Select Sector	XLE	$67.89	-0.56%	1.53%	12.55%
Utilities Select Sector	XLU	$50.19	-0.48%	2.12%	15.97%
S&P 500	SPX	2,085.45	-0.17%	-0.55%	2.03%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$78.34	0.02%	-0.59%	-1.80%
Financial Select Sector	XLF	$22.85	0.08%	-3.24%	-6.14%
Health Care Select Sector	XLV	$70.46	0.46%	-0.70%	-4.21%
Technology Select Sector	XLK	$43.38	-0.18%	-1.28%	-0.75%
Consumer Staples Select Sector	XLP	$53.81	0.22%	2.73%	4.54%
Industrial Select Sector	XLI	$56.04	-0.12%	0.76%	3.69%
Materials Select Sector	XLB	$47.39	0.27%	1.51%	7.11%
The Energy Select Sector	XLE	$67.89	-0.39%	2.07%	10.52%
Utilities Select Sector	XLU	$50.19	-0.31%	2.66%	13.93%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.4%	1.4%	3.2%	3.1%	10.1%	8.2%
	Low Debt/EV	-0.1%	0.4%	1.1%	0.2%	1.8%	1.8%
SI	High Short Interest	-0.2%	1.3%	3.3%	-0.6%	4.1%	3.2%
	Low Short Interest	-0.1%	0.9%	0.7%	2.6%	3.6%	3.1%
BETA	High Beta	-0.3%	1.5%	2.5%	2.6%	3.9%	2.5%
	Low Beta	-0.1%	0.7%	3.4%	3.2%	10.4%	9.9%
YIELD	High Yield	-0.3%	1.6%	3.9%	1.2%	8.0%	7.0%
	Low Yield	-0.2%	0.6%	1.8%	3.2%	3.6%	2.3%
MKT CAP	MCAP Bottom 25%	-0.2%	1.3%	2.1%	-0.7%	3.6%	2.2%
	MCAP Top 25%	-0.1%	0.7%	1.4%	2.3%	2.7%	2.5%
Sales	Top 25% Sales Growth	-0.3%	0.8%	1.9%	4.5%	6.4%	5.2%
	Bottom 25% Sales Growth	-0.1%	1.4%	3.6%	0.6%	5.0%	4.3%
EPS	Top 25% EPS Growth	-0.2%	1.0%	1.6%	3.9%	4.0%	3.3%
	Bottom 25% EPS Growth	-0.4%	1.4%	3.8%	2.4%	9.3%	7.9%

**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	0.26%	-0.5	0.9	-4	-3	-9	31	19	20
3M LIBOR	0.64%	0.0	-1.4	-2	1	-4	36	32	29
2Y T-Note	0.74%	-2.0	7.4	-13	-14	-36	21	18	30
5Y T-Note	1.20%	0.1	12.8	-16	-22	-63	22	-32	-5
10Y T-Note	1.69%	-2.1	11.3	-15	-26	-80	17	-63	-48
30Y T-Note	2.50%	-1.2	9.3	-13	-22	-75	16	-63	-62
2Y-10Y Spread, Bps	94	-0.1	3.9	-2.0	-11	-45	-4	-82	-78
IG SPREAD (AAABBB)	1.82%	0.0	-7.0	3	-17	-48	6	12	-3
HIGH YIELD	7.06%	-7.2	-19.5	-36	-64	-227	75	47	27
5Y BREAKEVEN	1.43%	0.4	-4.8	-8.1	-8.9	-29.7	57.2	-18.0	-31.2

CFTC NON-COMMERCIAL NET LONG POSITIONING

METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	Z-Score 1Y	Z-Score 3Y
SPX (Index + E-mini)	117,566	143,861	(19,362)	(93,620)	(118,407)	*2.63X*	*1.37X*
Russell 2000 (mini)	(15,270)	9,599	(47,376)	(51,327)	(40,890)	*1.42X*	*0.43X*
10Y Treasury	31,472	32,766	(59,322)	(23,034)	(14,372)	*0.86X*	*1.25X*
CRUDE OIL	373,451	(11,470)	379,968	314,008	298,986	*1.27X*	*0.55X*
GOLD	240,862	54,300	191,257	123,228	73,853	*2.02X*	*2.99X*
COPPER	(44,710)	(5,500)	(22,544)	(24,917)	(23,042)	*-1.74X*	*-1.94X*
$USD	4,681	(5,112)	12,145	23,296	36,238	*-1.81X*	*-1.08X*
JPY	52,285	11,120	51,218	41,017	(5,464)	*1.06X*	*2.06X*
EUR	(57,257)	13,079	(41,635)	(70,122)	(87,789)	*0.70X*	*0.23X*
GBP	(33,972)	30,719	(42,204)	(37,495)	(24,854)	*-0.54X*	*-0.87X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (6/22) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-6%	0%	-7%	-11%
Total Exchange Volume**	2%	-6%	-9%	-15%
Total Traded Value (R3K)***	-0.4%	-11%	-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)