THE MACRO SHOW

JULY 1, 2016

LEGAL

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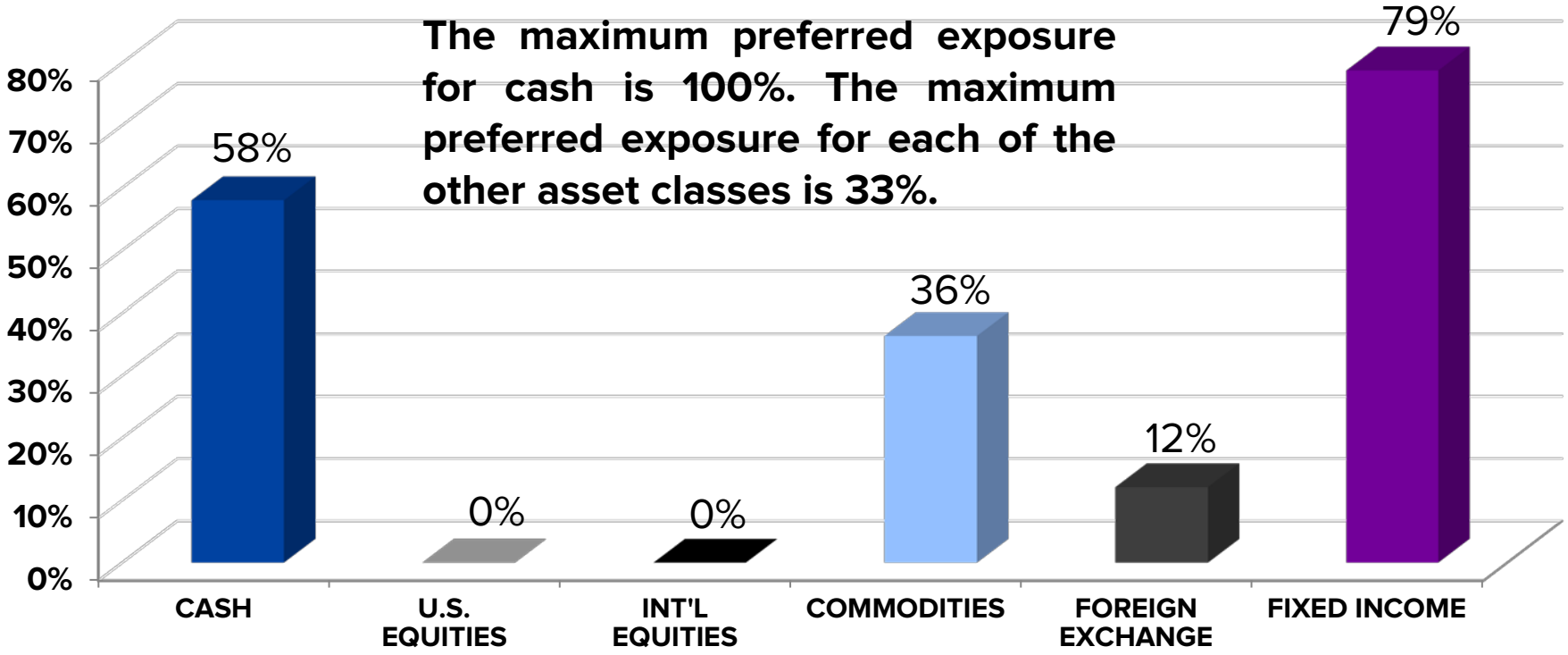
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/30/2016	58	0	0	12	4	26
7/1/2016	58	0	0	12	4	26

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/30/2016	58%	0%	0%	36%	12%	79%
7/1/2016	58%	0%	0%	36%	12%	79%

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

HEDGEYE ASSET ALLOCATION



1 UK

2 UST 10YR

3 GOLD

UK

100 handle 3-day swings in the SPY – great for traders who can go both ways; terrible for equity fund flows…“but UK stocks are up”… yeah, lol – for a trade… and they had to eviscerate both the Pound (back down to $1.32 this morning) and UK Bond Yields to all-time lows (UK 10YR -57 basis points in the last month alone to 0.84%) to get there. What’s next for banks with the giving up of a lot of free market liberty for short-term centrally planned market gains?

UST 10YR

We’re seeing fresh all-time lows in the USA’s 10YR this morning (briefly touching 1.40%) – obviously the higher return (especially on a volatility adjusted basis) position, for a year now, has remained long the Long Bond (TLT) instead of U.S. Equity Beta (SPY) and Micron (MU) is just a preview of Earnings Season; risk range on VIX = 14-27!

GOLD

We've never seen so many celebrate being back to "up" on the year (are you?), when the real proxies #GrowthSlowing are absolutely crushing it, for epic absolute and relative gains. Gold is up another +1% this morning to $1335/oz = +26% YTD after Utilities (XLY) ramped another +2.2% yesterday to an eye-popping 21.2% YTD (vs. Financials XLF -4.1% YTD).

MACRO & MATERIALS

BEN RYAN

Q1 WAS THE UGLIEST SO FAR

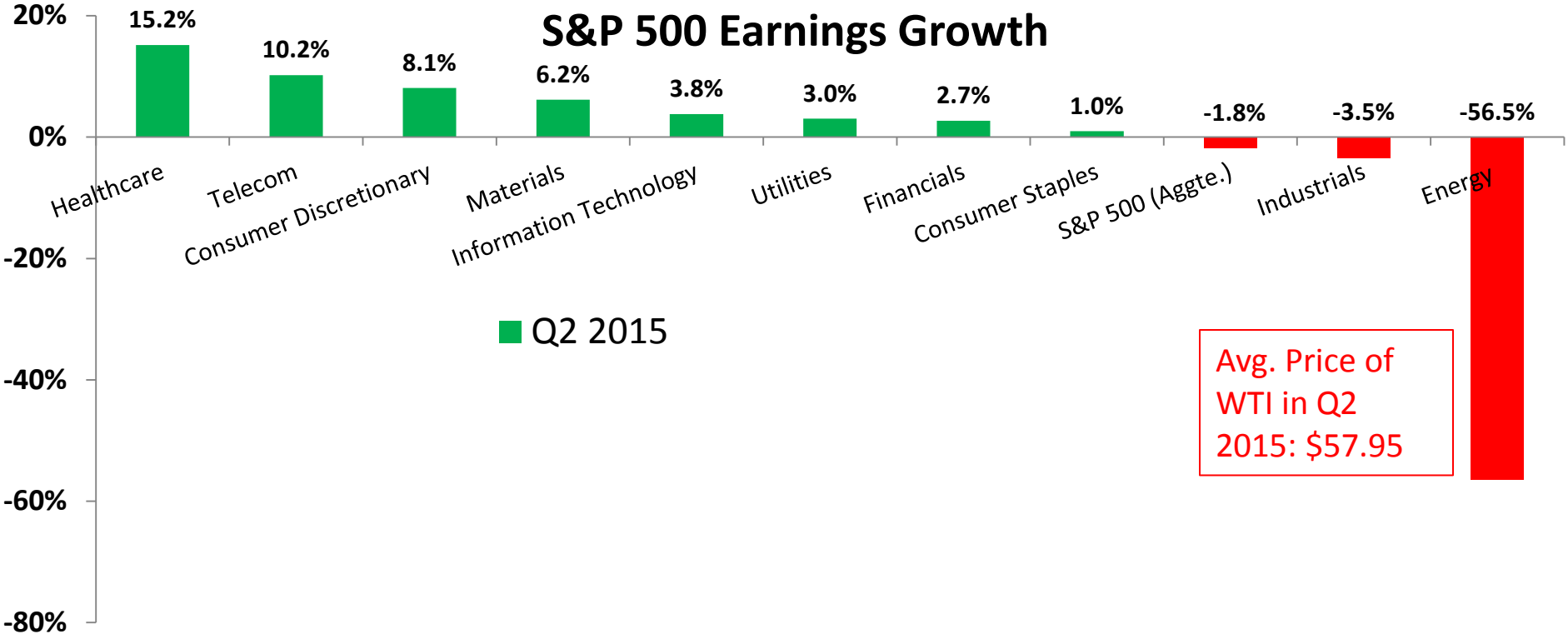
Q1 2016

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-1.9%	-8.0%	500 / 500
Energy	-29.3%	-109.6%	38 / 38
Materials	-8.8%	-16.0%	26 / 26
Industrials	-2.0%	-7.3%	67 / 67
Consumer Discretionary	6.3%	17.8%	84 / 84
Consumer Staples	1.2%	1.2%	36 / 36
Healthcare	9.2%	8.1%	56 / 56
Financials	-1.7%	-14.2%	92 / 92
Information Technology	-6.8%	-7.4%	67 / 67
Telecom	11.2%	16.1%	5 / 5
Utilities	-10.5%	-1.9%	29 / 29

Source: BBG

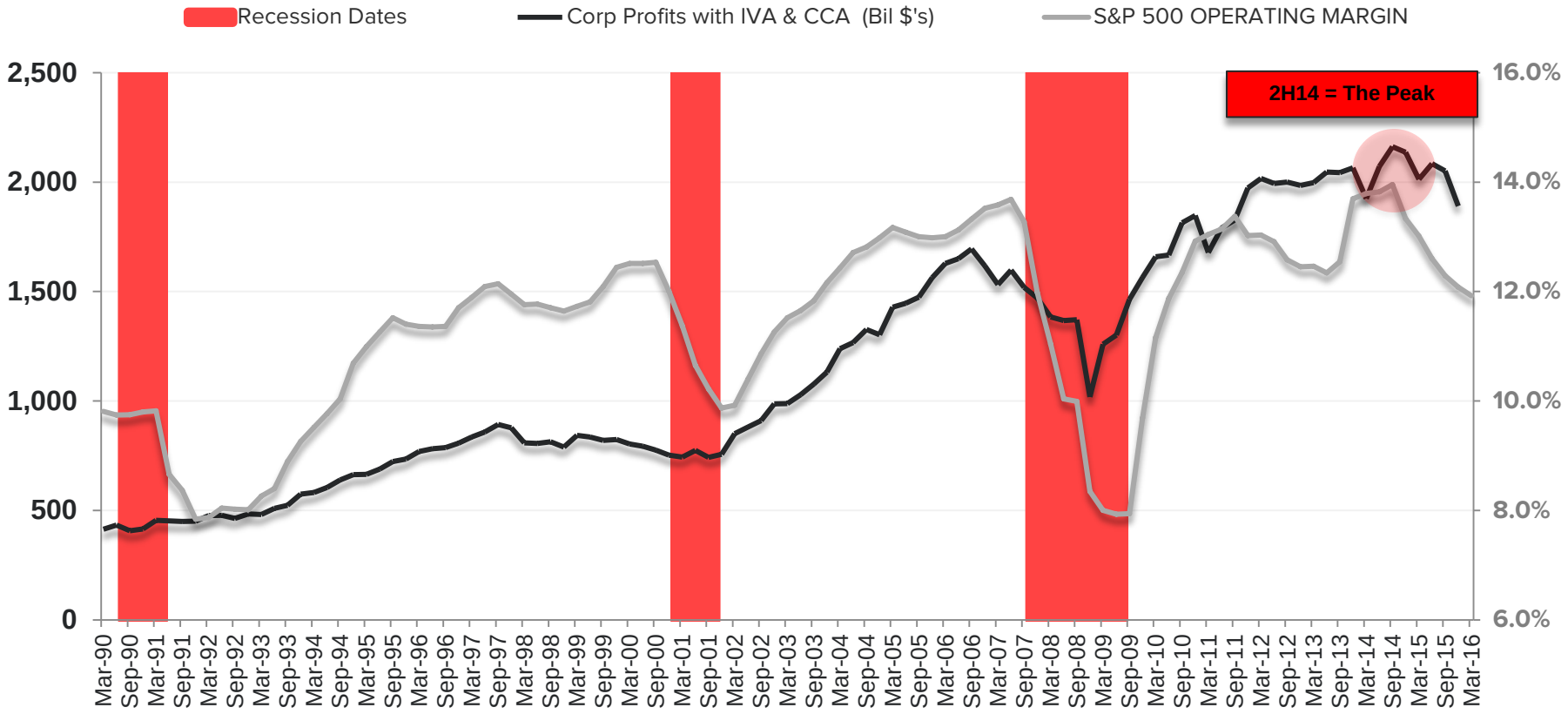
THINK WE'RE LAPPING BAD COMPS BY Q2?

THINK AGAIN. ONLY ENERGY AND INDUSTRIALS SAW Y/Y EARNINGS DECLINE IN Q2 2015, A QUARTER WHERE THE AVERAGE PRICE OF WTI CRUDE OIL WAS $57.95



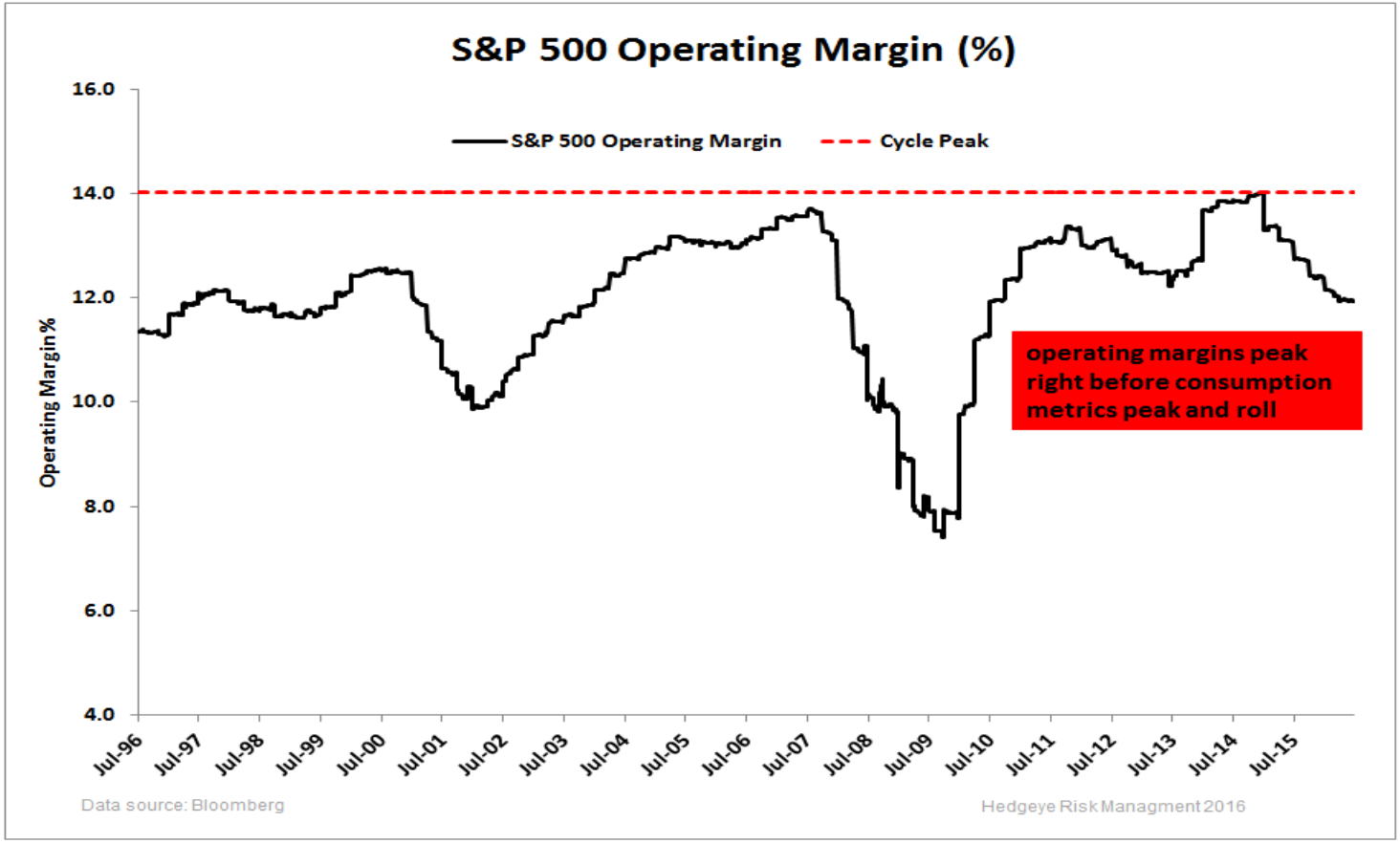
2H14: PROFITS & MARGINS PEAK

SPX MARGINS & AGGREGATE CORPORATE PROFITS



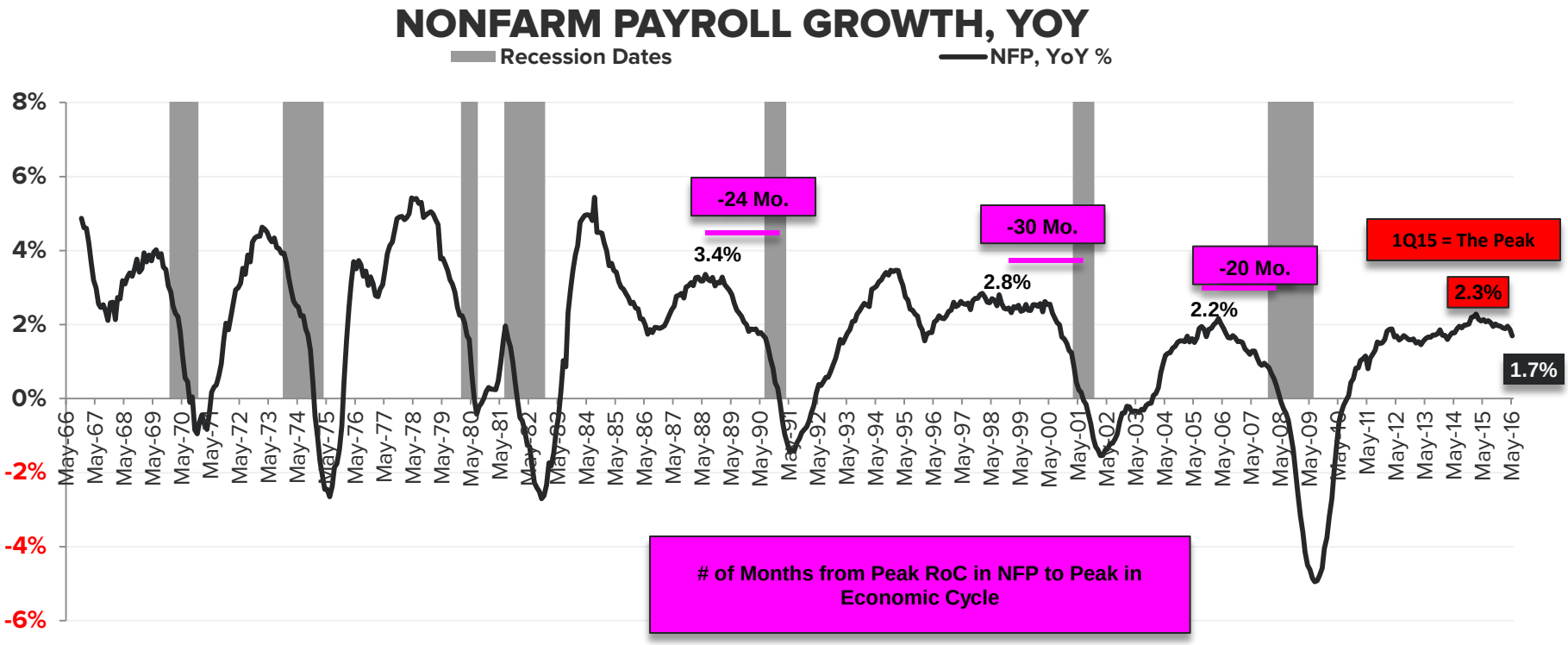
DATA SOURCE: BLOOMBERG

ROLLING IN OPERATING MARGINS

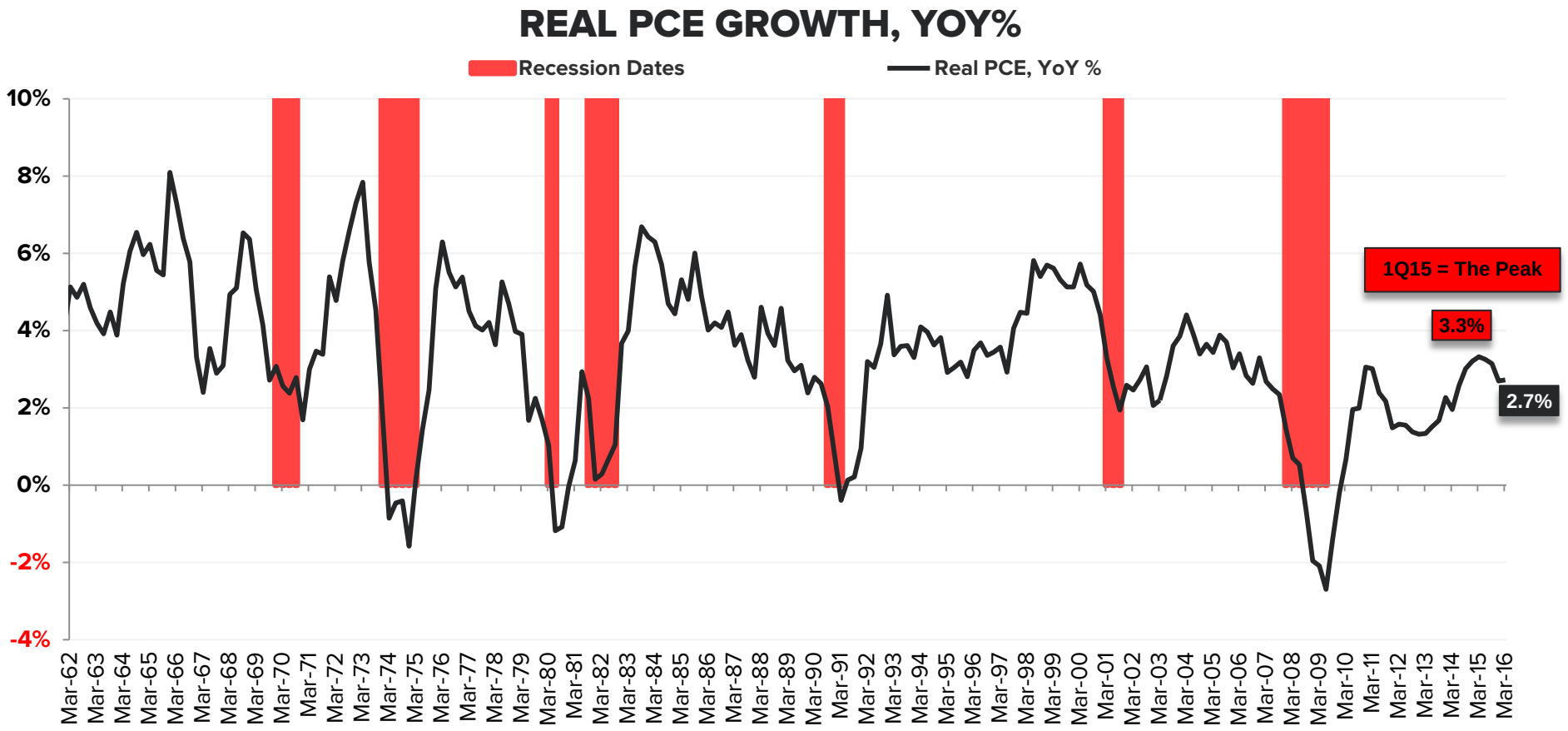


1Q15: EMPLOYMENT GROWTH PEAK

EMPLOYMENT GROWTH PEAKED AT +2.28% YOY IN FEBRUARY 2015. THE LAW OF LARGE NUMBERS AND DECLINING LABOR SUPPLY ENSURE 1Q15 WAS THE RATE OF CHANGE PEAK. WHILE IT TAKES TIME FOR THE CYCLE TO PLAY ITSELF OUT, HISTORICALLY, GROWTH HAS ALWAYS TRENDED TO NEGATIVE AFTER PEAKING

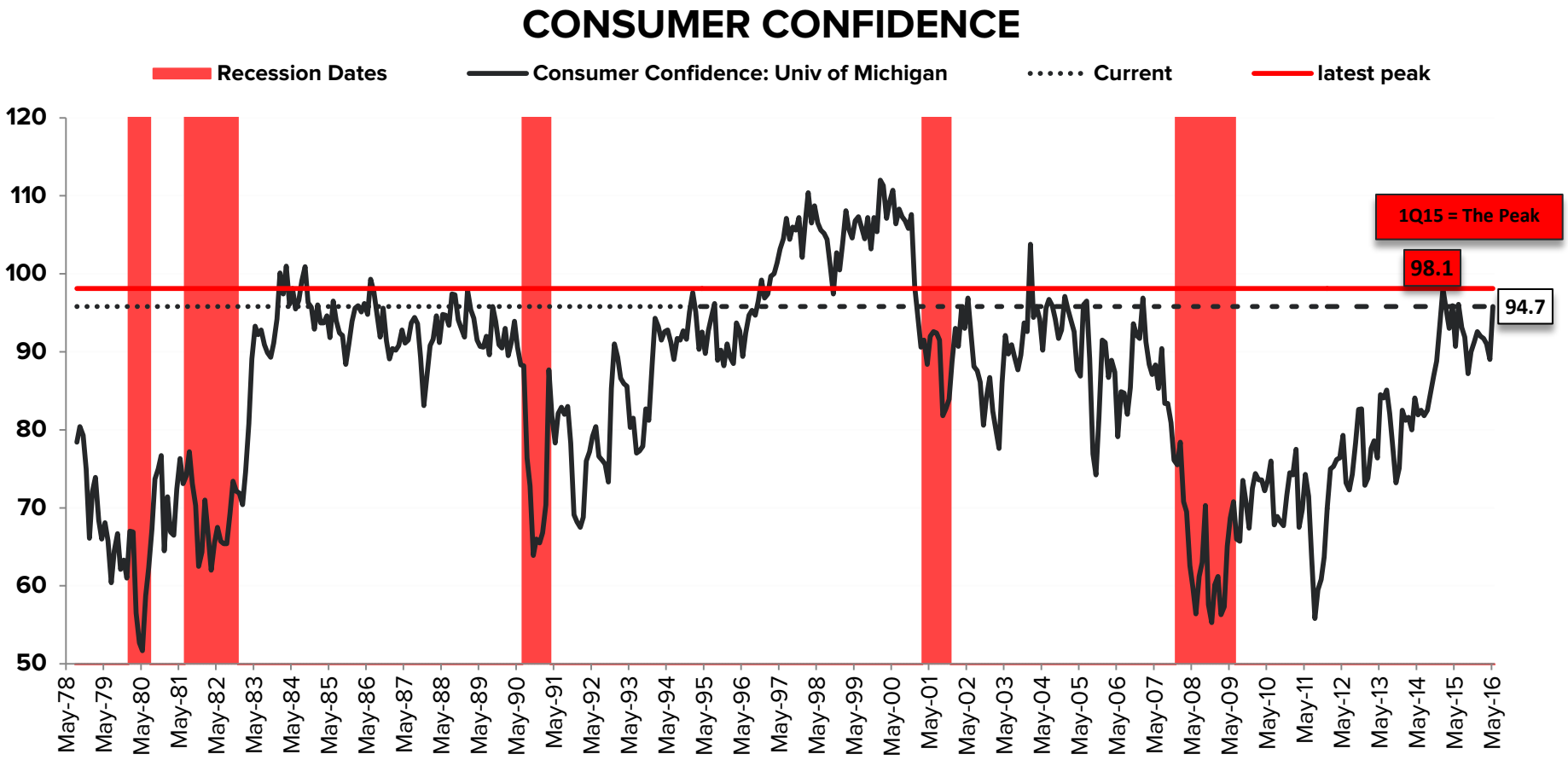


1Q15: CONSUMPTION GROWTH PEAK



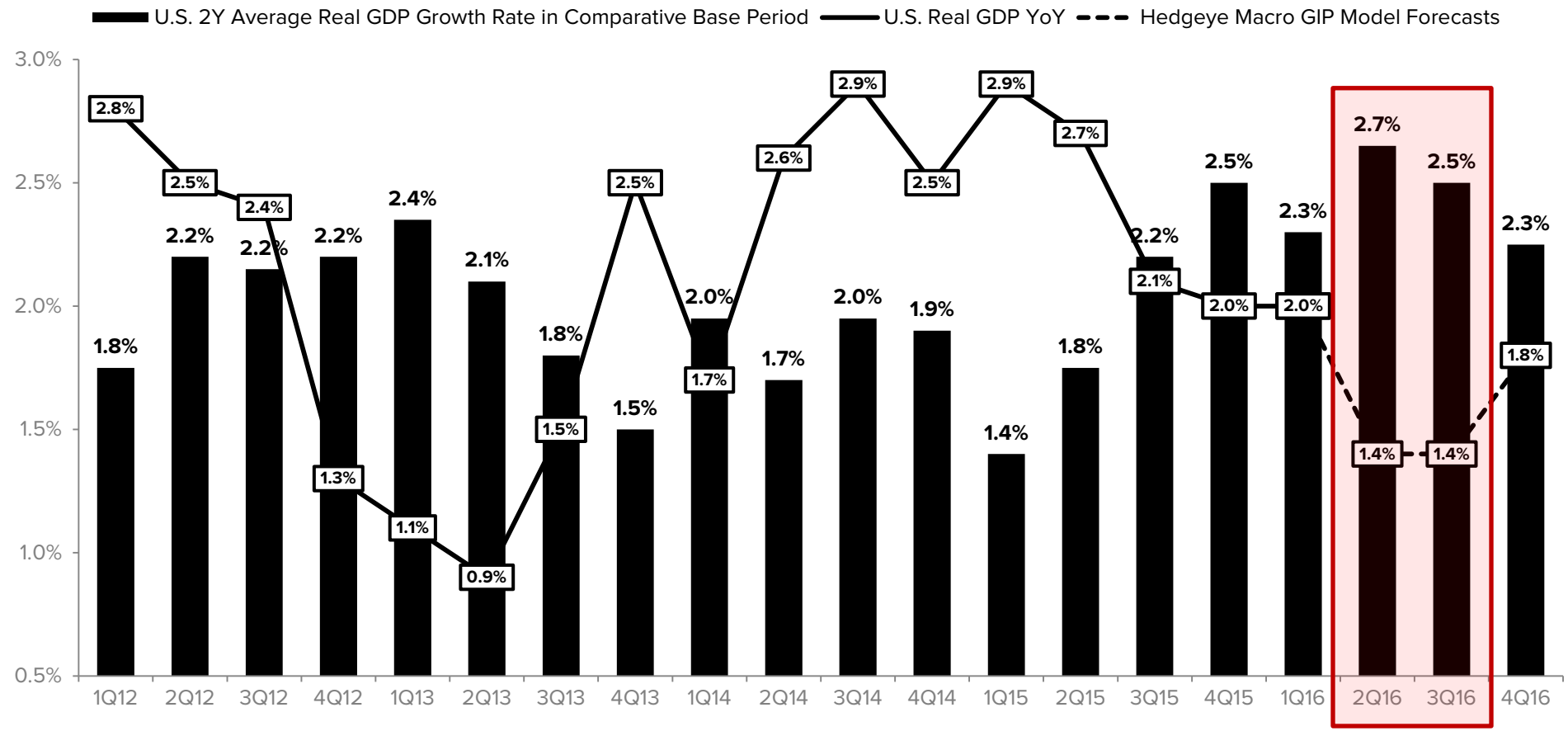
DATA SOURCE: BLOOMBERG

1Q15: CONSUMER CONFIDENCE PEAK



DATA SOURCE: BLOOMBERG

2Q COMPS = HARDEST OF THE CYCLE



DATA SOURCE: BLOOMBERG

EXPECTATIONS HAVE MOVED LOWER FOR Q2, BUT AFTER THAT IT'S ROSY

SALES GROWTH (%)	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16	CQ3 16	CQ4 16	CQ1 17	CQ2 17
All Securities	3.1%	4.7%	4.3%	1.6%	-2.7%	-3.4%	-3.7%	-4.0%	-1.9%	-0.8%	1.7%	4.9%	9.2%	7.4%
Energy	2.9%	3.7%	-3.6%	-16.3%	-34.0%	-31.8%	-34.4%	-34.4%	-29.3%		-14.4%	0.4%	50.1%	38.1%
Materials	1.4%	3.5%	2.6%	-2.0%	-9.8%	-10.1%	-14.0%	-15.5%	-8.8%		0.0%	10.9%	7.0%	6.8%
Industrials	1.8%	3.6%	4.8%	3.1%	-2.0%	-3.2%	-6.1%	-7.2%	-2.0%		1.9%	3.2%	2.7%	3.0%
Consumer Discretionary	2.8%	4.7%	4.2%	3.4%	1.8%	2.1%	3.7%	4.4%	6.3%		6.0%	6.2%	5.9%	5.1%
Consumer Staples	1.3%	3.5%	2.9%	2.2%	2.5%	0.6%	0.5%	-0.4%	1.2%		3.0%	4.7%	5.0%	4.8%
Health Care	7.6%	11.9%	12.1%	12.8%	10.3%	8.9%	9.5%	9.6%	9.2%		7.4%	6.5%	7.2%	5.3%
Financials	-1.1%	1.4%	5.1%	-0.3%	2.0%	1.6%	0.1%	1.0%	-1.7%		3.0%	3.9%	7.8%	4.5%
Information Technology	4.0%	6.7%	8.1%	8.4%	6.0%	3.1%	1.1%	-5.3%	-6.8%		-2.2%	4.6%	7.2%	7.0%
Telecom	3.7%	3.2%	3.0%	5.1%	2.6%	2.4%	11.8%	12.0%	11.2%		2.3%	0.8%	2.5%	2.3%
Utilities	17.4%	3.3%	4.6%	10.6%	-3.6%	-4.9%	-2.1%	-12.6%	-10.5%		4.5%	12.2%	12.8%	6.8%

EPS Growth (%)	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16	CQ3 16	CQ4 16	CQ1 17	CQ2 17
All Securities	4.8%	9.9%	9.6%	6.2%	1.5%	-1.2%	-3.8%	-6.8%	-8.0%	-5.1%	1.6%	9.4%	15.7%	14.4%
Energy	0.0%	10.7%	7.6%	-18.7%	-56.7%	-56.5%	-57.5%	-72.6%	-109.6%		-51.4%	0.9%	N.M.	254.1%
Materials	-3.0%	11.3%	17.3%	5.5%	-0.4%	6.3%	-15.6%	-17.9%	-16.0%		8.8%	18.2%	20.3%	17.2%
Industrials	5.3%	13.7%	14.2%	15.6%	11.3%	-3.0%	-0.7%	-5.4%	-7.3%		-1.4%	1.6%	5.0%	4.1%
Consumer Discretionary	1.4%	5.9%	2.0%	7.0%	9.3%	9.0%	13.9%	9.4%	17.8%		8.3%	9.8%	9.8%	14.2%
Consumer Staples	1.1%	6.5%	3.2%	-2.3%	3.6%	0.1%	-2.1%	-0.7%	1.2%		5.2%	7.8%	10.5%	11.0%
Health Care	8.3%	12.5%	15.2%	21.6%	18.2%	15.1%	14.5%	11.0%	8.1%		6.6%	8.3%	7.1%	11.2%
Financials	4.4%	6.6%	12.2%	-3.2%	7.1%	2.7%	-8.6%	-5.3%	-14.2%		9.1%	14.6%	19.1%	11.2%
Information Technology	5.7%	12.1%	8.5%	14.9%	10.0%	6.6%	4.5%	-3.8%	-7.4%		-1.5%	5.0%	14.1%	16.6%
Telecom	23.3%	22.6%	20.8%	21.7%	8.5%	10.2%	23.7%	27.8%	16.1%		-1.2%	4.2%	1.0%	7.0%
Utilities	22.5%	4.9%	2.7%	2.8%	1.3%	3.0%	0.8%	-49.6%	-1.9%		3.5%	122.3%	1.4%	0.4%

DATA SOURCE: BBG

EARNINGS BEAT EVEN AS TOP LINE MISSES COMMENCE

Q1 2016

SECTOR	SALES SURPRISE (% CHG)	EARNINGS SURPRISE (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.3%	3.8%	500 / 500
Energy	-2.8%	19.9%	38 / 38
Materials	-0.1%	9.2%	26 / 26
Industrials	1.1%	4.9%	67 / 67
Consumer Discretionary	0.8%	10.3%	84 / 84
Consumer Staples	-0.1%	4.9%	36 / 36
Healthcare	0.6%	4.7%	56 / 56
Financials	-1.4%	-0.3%	92 / 92
Information Technology	-0.2%	1.8%	67 / 67
Telecom	-0.3%	3.0%	5 / 5
Utilities	-6.4%	2.5%	29 / 29

Source: BBG

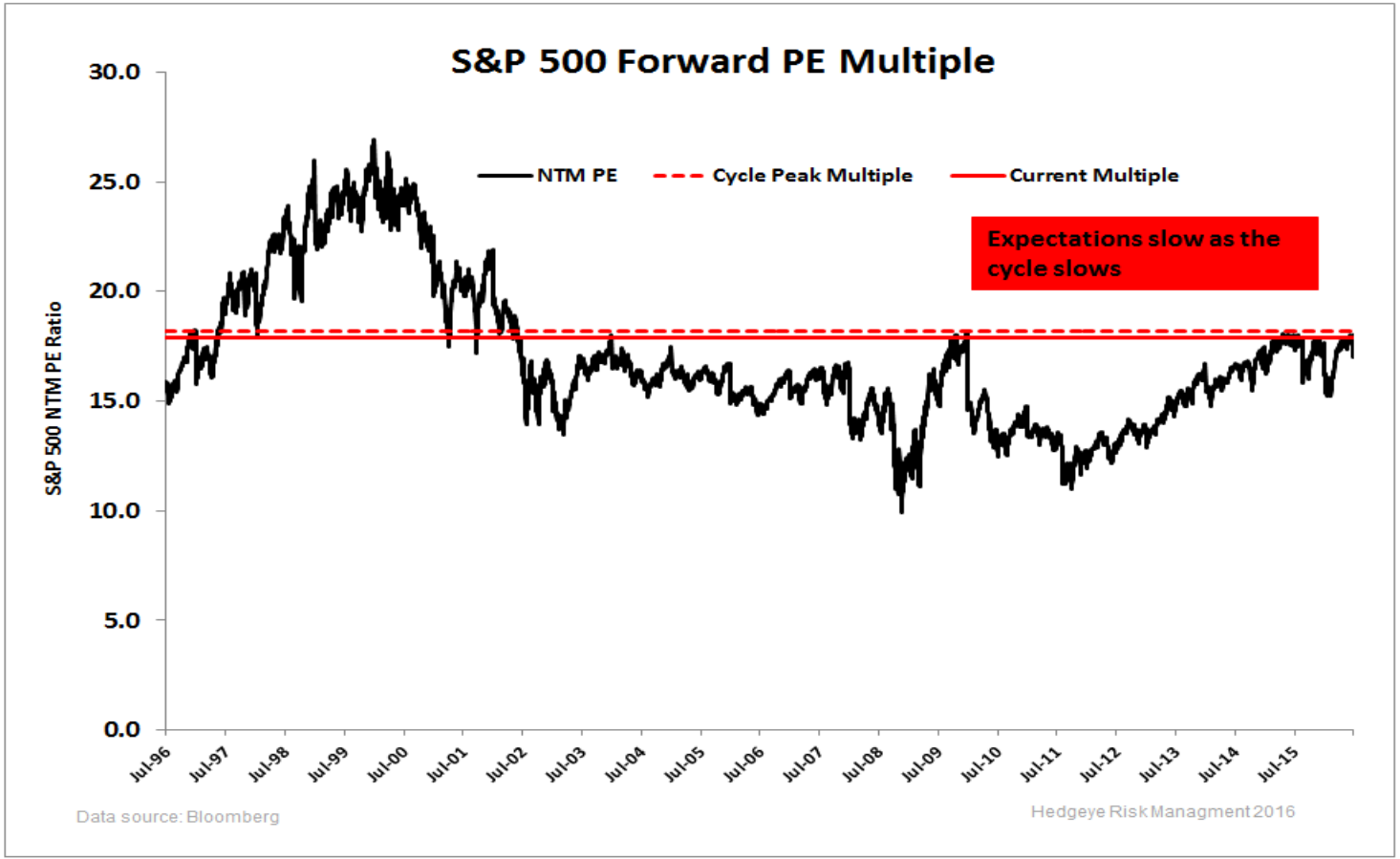
ALL-TIME HIGH IN MANUFACTURING EARNINGS. DO YOU BUY IT?

SALES BEAT (%)	CQ4 12	CQ1 13	CQ2 13	CQ3 13	CQ4 13	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16
All Securities	0.7%	-0.3%	1.0%	0.7%	0.1%	0.6%	1.5%	0.2%	1.5%	0.0%	0.7%	0.0%	-0.1%	-0.3%
Energy	-2.2%	-3.3%	4.3%	2.9%	-1.9%	1.4%	4.6%	-3.1%	4.5%	6.0%	8.2%	4.1%	3.5%	-2.8%
Materials	1.4%	-1.8%	-0.6%	0.0%	0.1%	-0.7%	0.9%	0.7%	-1.4%	-4.4%	-1.1%	-3.9%	-1.9%	-0.1%
Industrials	0.9%	-0.1%	0.3%	-0.9%	0.3%	-0.7%	-0.4%	0.1%	0.5%	-2.6%	0.6%	-1.2%	-1.6%	1.1%
Consumer Discretionary	0.4%	0.5%	0.3%	0.7%	-0.1%	-0.2%	-0.5%	0.3%	-0.1%	-1.1%	-0.2%	0.4%	0.4%	0.8%
Consumer Staples	1.3%	0.0%	-0.7%	0.1%	-0.2%	-0.6%	0.2%	-0.4%	-0.6%	-1.1%	-1.6%	-0.4%	-1.4%	-0.1%
Health Care	1.6%	-1.1%	0.5%	1.5%	0.1%	0.6%	3.4%	1.6%	2.4%	1.1%	1.3%	1.1%	0.7%	0.6%
Financials	4.1%	2.7%	2.9%	0.5%	2.6%	0.3%	2.6%	2.0%	1.5%	0.9%	1.2%	-1.3%	1.3%	-1.4%
Information Technology	0.0%	0.2%	-0.5%	0.4%	0.3%	1.3%	0.4%	1.3%	2.4%	0.7%	0.5%	0.6%	0.1%	-0.2%
Telecom	0.9%	-0.8%	0.2%	0.1%	0.0%	0.3%	-0.3%	-0.4%	0.9%	-0.7%	-0.3%	-0.5%	-0.5%	-0.3%
Utilities	-3.4%	1.0%	3.9%	-0.6%	1.2%	10.5%	4.2%	0.9%	9.8%	-0.9%	-5.7%	-4.7%	-13.1%	-6.4%

EPS BEAT (%)	CQ4 12	CQ1 13	CQ2 13	CQ3 13	CQ4 13	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16
All Securities	3.8%	4.5%	2.5%	3.8%	0.7%	5.8%	4.6%	4.6%	5.2%	6.9%	4.2%	4.2%	4.4%	3.8%
Energy	3.9%	4.0%	-4.7%	1.6%	0.1%	9.6%	3.8%	8.8%	12.6%	32.9%	2.6%	26.4%	2.4%	19.9%
Materials	6.6%	3.6%	-2.2%	8.6%	2.7%	4.0%	5.8%	6.8%	8.6%	7.4%	5.2%	4.1%	21.2%	9.2%
Industrials	0.3%	3.4%	3.5%	2.7%	3.7%	4.5%	2.4%	3.4%	3.5%	3.0%	2.9%	3.5%	3.4%	4.9%
Consumer Discretionary	2.9%	5.5%	3.8%	5.5%	0.2%	5.8%	4.0%	4.3%	8.3%	3.8%	6.6%	5.0%	4.6%	10.3%
Consumer Staples	3.2%	3.9%	0.2%	1.4%	0.1%	0.3%	2.8%	3.3%	0.7%	6.6%	3.3%	1.5%	2.4%	4.9%
Health Care	3.0%	3.7%	8.0%	4.7%	0.5%	7.9%	7.9%	3.2%	4.0%	9.7%	6.9%	7.8%	4.5%	4.7%
Financials	9.7%	8.2%	8.6%	5.2%	1.5%	5.7%	9.3%	8.2%	1.4%	6.0%	2.9%	-1.7%	2.3%	-0.3%
Information Technology	3.0%	2.4%	-1.6%	3.7%	-3.6%	5.2%	1.0%	1.0%	8.2%	4.9%	3.5%	5.2%	6.6%	1.8%
Telecom	-9.6%	2.0%	-0.5%	3.3%	0.9%	3.6%	0.9%	-0.6%	-0.1%	5.0%	5.0%	5.1%	-0.8%	3.0%
Utilities	4.0%	2.4%	1.8%	1.7%	0.6%	10.6%	4.3%	4.7%	2.3%	6.6%	4.1%	1.9%	-1.2%	2.5%

DATA SOURCE: BLOOMBERG

CAN WE GROW INTO THE CURRENT MULTIPLE?



MACRO GRIND

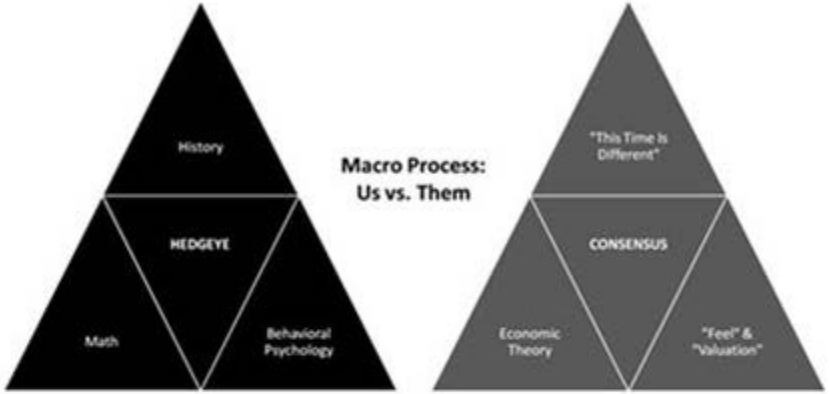
10-YEAR U.S. TREASURY YIELD INDEX

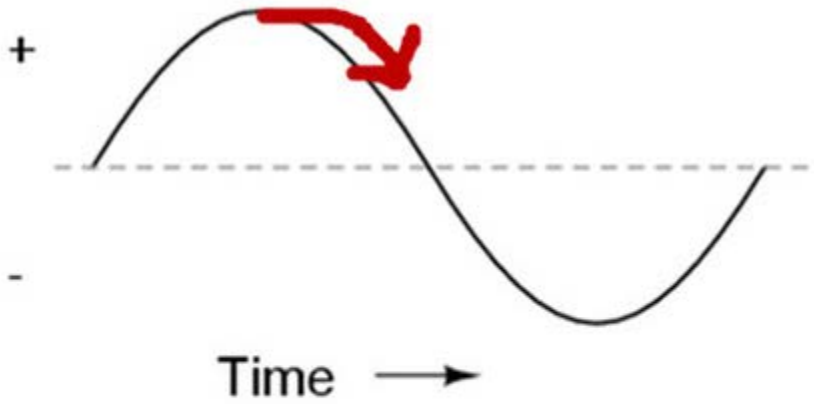
July 1, 2016

THE MACRO SHOW

HEDGEYE TV

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	$78.06	0.74%	-1.49%	-0.13%
Financial Select Sector	XLF	$22.86	1.58%	-3.77%	-4.09%
Health Care Select Sector	XLV	$71.71	0.94%	0.50%	-0.45%
Technology Select Sector	XLK	$43.37	1.10%	-1.86%	1.26%
Consumer Staples Select Sector	XLP	$55.15	2.24%	4.73%	9.23%
Industrial Select Sector	XLI	$56.01	1.91%	0.16%	5.66%
Materials Select Sector	XLB	$46.34	1.60%	-1.28%	6.73%
The Energy Select Sector	XLE	$68.24	0.80%	2.05%	13.13%
Utilities Select Sector	XLU	$52.47	2.16%	6.75%	21.23%
S&P 500	SPX	2,098.86	1.36%	0.09%	2.69%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	2014 % Chg
Consumer Discretionary	XLY	$78.06	-0.62%	-1.58%	-2.82%
Financial Select Sector	XLF	$22.86	0.22%	-3.86%	-6.78%
Health Care Select Sector	XLV	$71.71	-0.42%	0.41%	-3.14%
Technology Select Sector	XLK	$43.37	-0.26%	-1.95%	-1.43%
Consumer Staples Select Sector	XLP	$55.15	0.89%	4.64%	6.54%
Industrial Select Sector	XLI	$56.01	0.55%	0.07%	2.97%
Materials Select Sector	XLB	$46.34	0.24%	-1.37%	4.04%
The Energy Select Sector	XLE	$68.24	-0.56%	1.96%	10.44%
Utilities Select Sector	XLU	$52.47	0.80%	6.66%	18.55%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	1.6%	-1.4%	0.2%	3.7%	8.6%	8.6%
	Low Debt/EV	1.5%	-0.7%	-0.6%	-0.1%	2.4%	2.4%
SI	High Short Interest	1.2%	-2.1%	-0.3%	-0.5%	2.7%	2.7%
	Low Short Interest	1.5%	-1.4%	-1.1%	2.6%	3.1%	3.1%
BETA	High Beta	1.4%	-4.8%	-4.0%	1.2%	-0.5%	-0.5%
	Low Beta	1.7%	2.6%	5.4%	5.3%	14.0%	14.0%
YIELD	High Yield	1.5%	-0.8%	1.7%	1.8%	7.2%	7.2%
	Low Yield	1.2%	-2.1%	-1.7%	2.4%	2.3%	2.3%
MKT CAP	MCAP Bottom 25%	1.4%	-3.1%	-2.3%	-1.9%	0.1%	0.1%
	MCAP Top 25%	1.3%	-0.7%	0.2%	2.8%	3.4%	3.4%
Sales	Top 25% Sales Growth	1.0%	-1.8%	-1.0%	4.7%	5.3%	5.3%
	Bottom 25% Sales Growth	2.1%	-0.9%	1.3%	0.9%	4.8%	4.8%
EPS	Top 25% EPS Growth	1.2%	-2.1%	-1.3%	3.2%	3.1%	3.1%
	Bottom 25% EPS Growth	1.4%	-0.9%	1.1%	2.9%	8.7%	8.7%

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

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%	0.0	1.0	-3	3	-10	31	19	19
3M LIBOR	0.65%	0.0	2.3	-4	2	-4	36	32	30
2Y T-Note	0.58%	-5.5	-4.5	-32	-14	-52	8	2	13
5Y T-Note	0.99%	-5.8	-7.2	-38	-21	-83	10	-52	-26
10Y T-Note	1.46%	-4.6	-9.0	-37	-30	-100	6	-85	-70
30Y T-Note	2.28%	-3.4	-12.5	-33	-32	-97	3	-85	-83
2Y-10Y Spread, Bps	89	0.8	-4.6	-5.0	-16	-48	-2	-86	-83
IG SPREAD (AAABBB)	1.78%	0.0	-9.0	-1	-23	-52	2	8	-7
HIGH YIELD	7.05%	-8.8	-12.9	-20	-88	-228	42	45	26
5Y BREAKEVEN	1.40%	1.2	1.6	-9.2	-10.7	-29.8	54.5	-20.4	-33.6

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)	57,120	(60,446)	(2,546)	(88,215)	(115,689)	*1.86X*	*0.80X*
Russell 2000 (mini)	(19,151)	(3,881)	(44,163)	(50,249)	(41,454)	*1.32X*	*0.27X*
10Y Treasury	113,145	81,673	(48,326)	(17,488)	(11,128)	*2.22X*	*2.33X*
CRUDE OIL	373,234	(217)	380,633	319,711	299,119	*1.26X*	*0.54X*
GOLD	256,898	16,036	198,587	133,682	77,877	*2.07X*	*3.16X*
COPPER	(32,914)	11,796	(25,136)	(25,023)	(23,218)	*-0.78X*	*-1.10X*
$USD	9,336	4,655	11,516	22,373	35,412	*-1.48X*	*-0.88X*
JPY	47,454	(4,831)	50,939	44,137	(2,874)	*0.94X*	*1.93X*
EUR	(62,330)	(5,073)	(41,663)	(66,682)	(87,096)	*0.57X*	*0.18X*
GBP	(50,765)	(16,793)	(43,349)	(38,467)	(25,365)	*-1.48X*	*-1.44X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (6/30) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	4%	12%	10%	8%
Total Exchange Volume**	9%	15%	21%	17%
Total Traded Value (R3K)***	39%	33%	45%	40%

*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)

Bond yields sink as central banks head for easier policy

LONDON | BY PATRICK GRAHAM