THE MACRO SHOW

JULY 12, 2016

LEGAL

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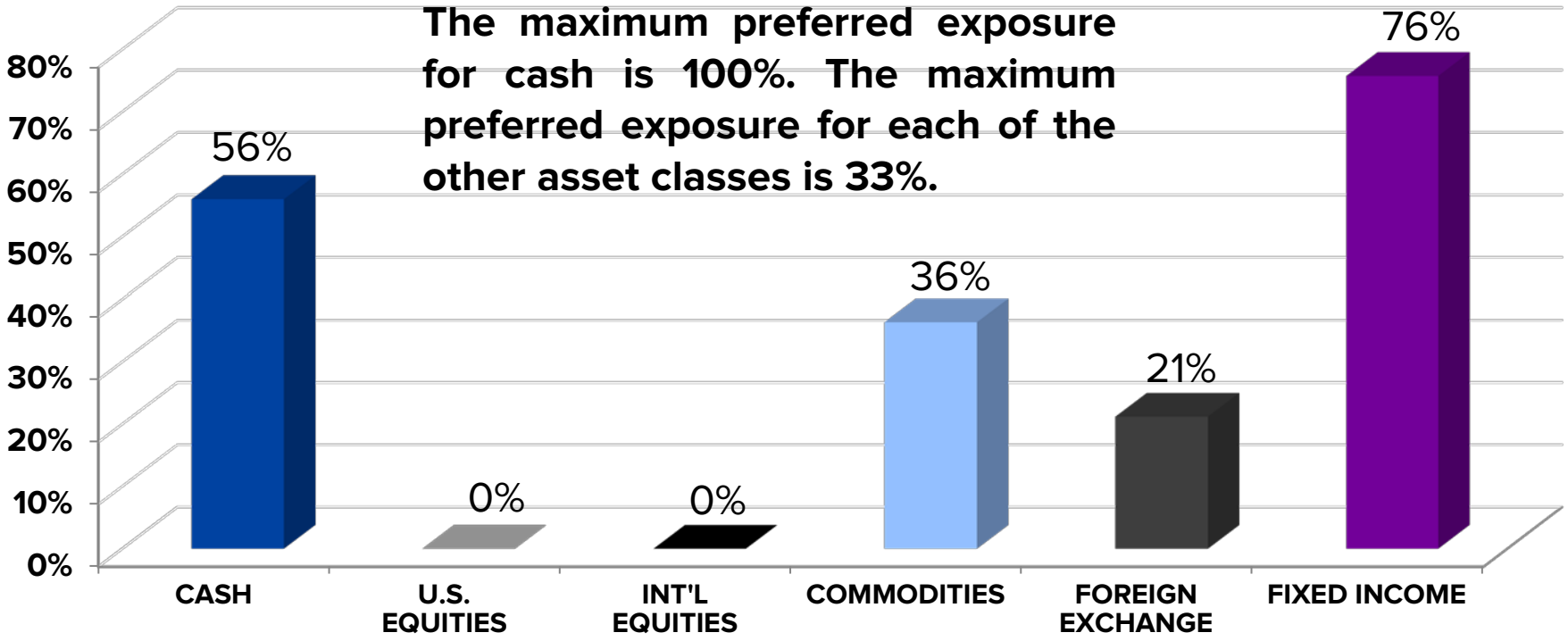
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/11/2016	56	0	0	12	7	25
7/12/2016	56	0	0	12	7	25

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/11/2016	56%	0%	0%	36%	21%	76%
7/12/2016	56%	0%	0%	36%	21%	76%

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 POUND STERLING

2 #VOLUME

3 SMALL BUSINESS CONFIDENCE

POUND STERLING

The GBP/USD rises +1.18% to $1.3152 intraday on news the UK is set to receive a new Prime Minister (Theresa May) in 2 days. However, we caution that relief rallies may be met by incrementally more dovish policy from governor Mark Carney and the BOE in the wake of Brexit. Carney has repeatedly said that the leave vote “materially changes the risk outlook” and the Bank is “ready to take more action if needed”. The BOE next meets this Thursday.

#VOLUME

Take a look at volume the last two trading days and you're comfortable calling the nearly 2% move in the SPY Friday-Monday a "melt-up". Market and Total exchange volume on Friday was down -8% and -7% vs. 1-month averages on Friday and yesterday volume was much lighter still. Total market volume was down -24% vs. 1-month averages and total exchange volume was down -19% vs. 1-month Averages showing the lack of breadth at all-time highs and cycle high market multiples.

SMALL BUSINESS CONFIDENCE

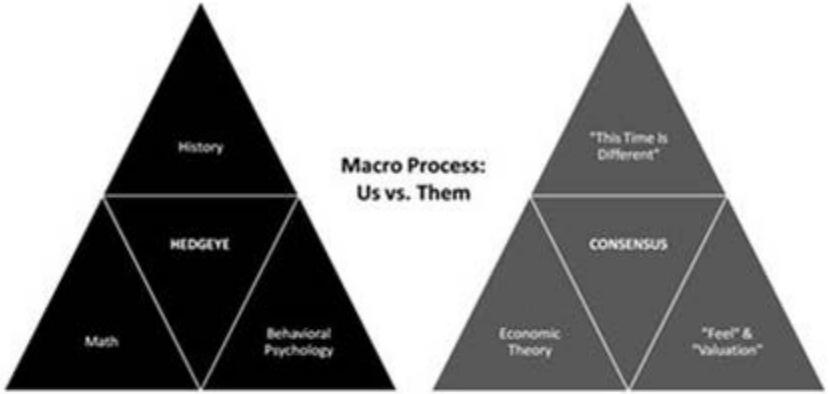
Small business hiring growth has been slowing conspicuously over the last year and with small businesses representing over 99% of total U.S. employer firms and >60% of net private sector hiring on a monthly basis, the trend is not inconsequential. This morning's NFIB small business confidence index for June increased +0.70 points sequentially, marking at 6-month high at 94.5. Under the hood, the Job Openings and Jobs Hard to Fill sub-indices both gained two points while the Compensation and Compensation Plans sub-indices fell -4 points and -1 point, respectively. Net-net, small businesses continue to have difficulty finding qualified applicants but aren't expecting to pay up for current or prospective workers. Confidence was better sequentially but represents another lower high as both sentiment and hiring growth remain 6 quarters past peak.

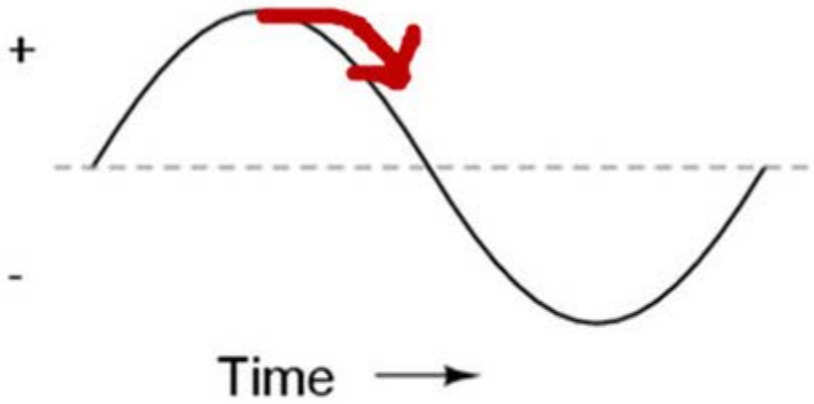
DEMOGRAPHY

NEIL HOWE

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.

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	$81.09	0.58%	3.88%	3.75%
Financial Select Sector	XLF	$23.05	0.57%	0.85%	-3.27%
Health Care Select Sector	XLV	$73.49	-0.27%	2.49%	2.03%
Technology Select Sector	XLK	$44.39	0.59%	2.35%	3.64%
Consumer Staples Select Sector	XLP	$55.70	0.02%	1.00%	10.32%
Industrial Select Sector	XLI	$57.59	0.63%	2.82%	8.64%
Materials Select Sector	XLB	$47.19	0.49%	1.83%	8.68%
The Energy Select Sector	XLE	$67.84	0.19%	-0.59%	12.47%
Utilities Select Sector	XLU	$52.50	-0.08%	0.06%	21.30%
S&P 500	SPX	2,137.16	0.34%	1.82%	4.56%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.09	0.24%	2.06%	-0.81%
Financial Select Sector	XLF	$23.05	0.23%	-0.97%	-7.83%
Health Care Select Sector	XLV	$73.49	-0.61%	0.66%	-2.53%
Technology Select Sector	XLK	$44.39	0.25%	0.53%	-0.92%
Consumer Staples Select Sector	XLP	$55.70	-0.32%	-0.83%	5.76%
Industrial Select Sector	XLI	$57.59	0.29%	1.00%	4.08%
Materials Select Sector	XLB	$47.19	0.15%	0.01%	4.12%
The Energy Select Sector	XLE	$67.84	-0.15%	-2.41%	7.91%
Utilities Select Sector	XLU	$52.50	-0.42%	-1.77%	16.74%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.4%	1.1%	2.0%	6.8%	19.6%	10.9%
	Low Debt/EV	0.5%	2.3%	2.6%	4.1%	12.4%	5.2%
SI	High Short Interest	0.5%	1.7%	2.2%	4.5%	15.5%	5.9%
	Low Short Interest	0.4%	1.6%	1.1%	5.0%	11.3%	4.9%
BETA	High Beta	0.7%	1.6%	-0.5%	4.6%	15.1%	2.4%
	Low Beta	0.0%	1.0%	4.4%	7.0%	17.4%	15.1%
YIELD	High Yield	0.4%	1.1%	2.5%	4.9%	14.9%	8.6%
	Low Yield	0.3%	2.2%	1.3%	5.7%	13.7%	5.2%
MKT CAP	MCAP Bottom 25%	0.6%	1.6%	0.6%	3.3%	12.3%	3.1%
	MCAP Top 25%	0.3%	1.6%	1.9%	5.0%	11.0%	4.9%
Sales	Top 25% Sales Growth	0.3%	1.5%	1.4%	6.9%	17.5%	7.7%
	Bottom 25% Sales Growth	0.5%	1.5%	2.9%	5.0%	14.9%	7.4%
EPS	Top 25% EPS Growth	0.5%	1.9%	1.7%	6.0%	15.5%	6.4%
	Bottom 25% EPS Growth	0.3%	0.9%	2.0%	6.0%	17.6%	10.0%

**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
3M T-Bill	0.28%	0.5	2.5	4	7	-8	33	21
3M LIBOR	0.67%	0.0	1.0	1	4	-2	38	33
2Y T-Note	0.65%	4.8	6.4	-7	-5	-45	16	9
5Y T-Note	1.02%	7.5	2.8	-14	-13	-80	13	-49
10Y T-Note	1.43%	7.2	-1.4	-21	-30	-104	11	-87
30Y T-Note	2.14%	4.3	-8.4	-31	-42	-111	5	-97
2Y-10Y Spread, Bps	78	2.4	-7.8	-13.7	-25	-59	-5	-96
IG SPREAD (AAABBB)	1.77%	0.0	-7.0	-6	-17	-53	1	7
HIGH YIELD	6.66%	0.0	-14.9	-45	-124	-267	3	6
5Y BREAKEVEN	1.42%	0.4	-2.7	-9.3	-2.1	-22.7	56.5	-17.9

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)	57,817	(8,783)	25,176	(75,605)	(108,150)	1.68X	0.81X
Russell 2000 (mini)	(38,465)	(4,148)	(39,970)	(49,201)	(42,842)	0.30X	-0.54X
10Y Treasury	86,861	37,198	(29,782)	(13,954)	(8,504)	1.64X	1.91X
CRUDE OIL	346,062	(207)	379,053	329,117	299,328	0.80X	0.10X
GOLD	286,921	13,742	216,400	156,680	88,089	2.12X	3.38X
COPPER	(19,487)	382	(27,065)	(24,162)	(23,066)	0.29X	-0.16X
$USD	12,505	80	10,755	20,479	33,763	-1.20X	-0.75X
JPY	54,781	2,278	51,002	49,155	2,010	1.00X	1.99X
EUR	(81,673)	(15,607)	(44,504)	(60,524)	(86,106)	0.10X	-0.06X
GBP	(47,269)	(6,019)	(43,732)	(39,602)	(26,321)	-1.20X	-1.31X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (7/11) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-17%	-24%	-24%	-26%
Total Exchange Volume**	-12%	-19%	-14%	-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)