THE MACRO SHOW

JULY 18, 2016

LEGAL

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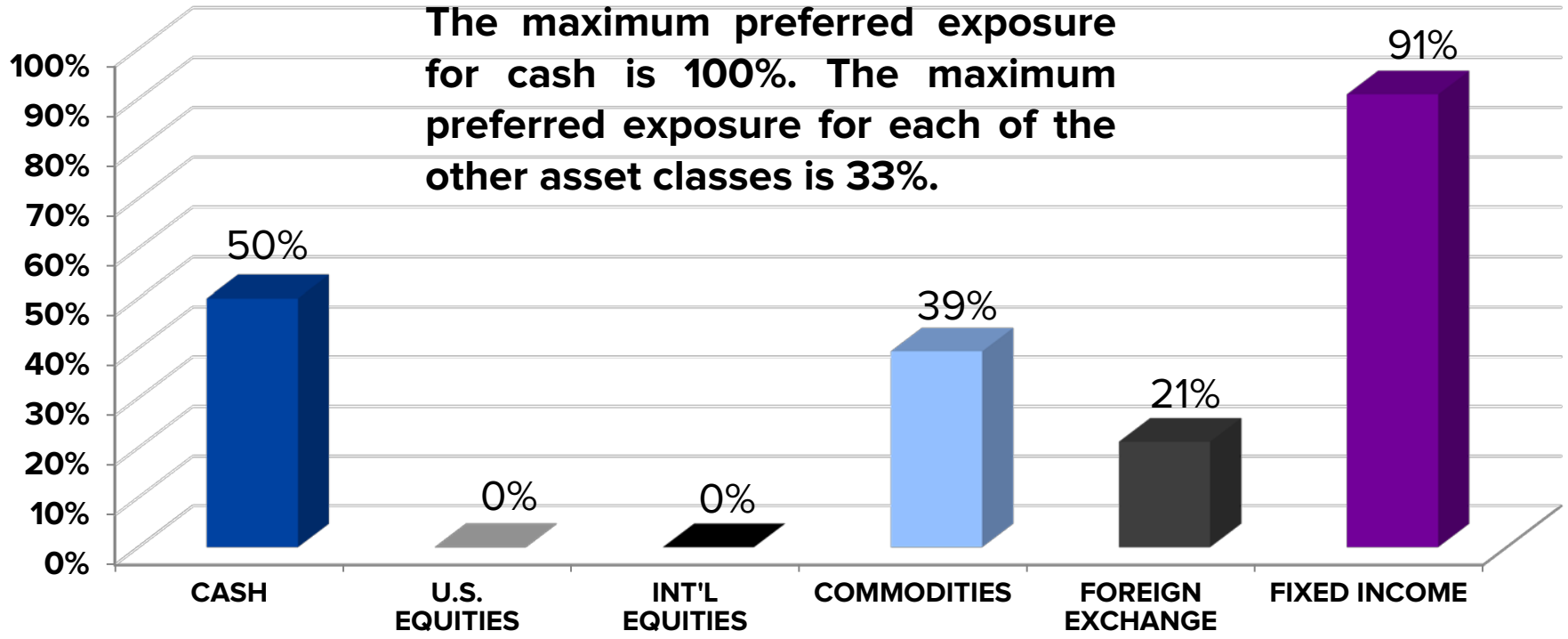
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/15/2016	51	0	0	13	6	60
7/18/2016	50	0	0	13	7	30

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/15/2016	51%	0%	0%	39%	18%	182%
7/18/2016	50%	0%	0%	39%	21%	91%

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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1 U.S. GDP

2 UST 10YR

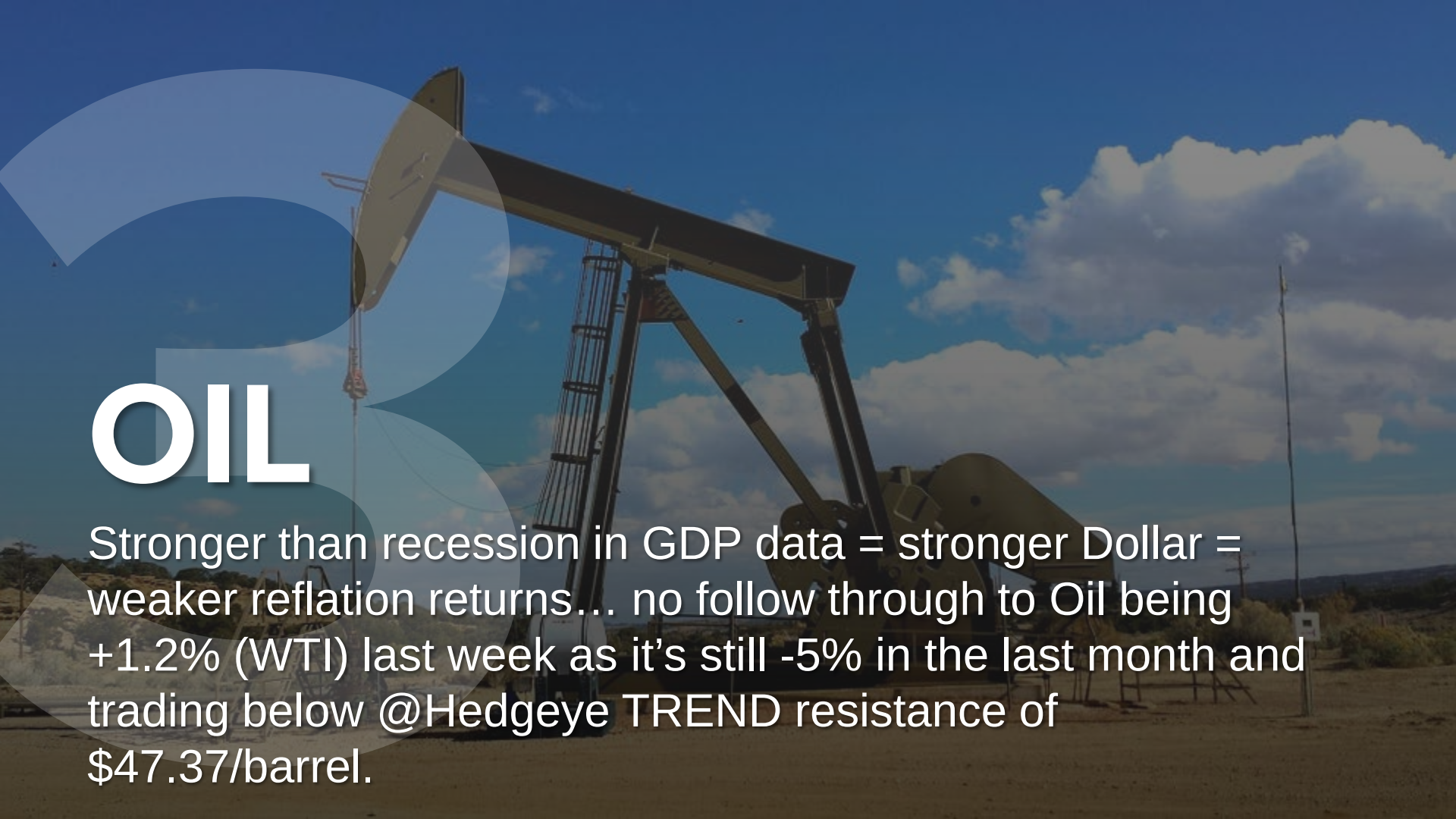
3 OIL

U.S. GDP

Post a sequentially accelerating nominal Retail Sales report on Friday (June +2.7% y/y), our predictive tracking algorithm for GDP has ramped to its highest level of 2015 at +2.3% y/y which could mean something as high as +3-4% the way Wall St looks at the headline (q/q SAAR) = 1st time our forecast has been above the Atlanta Fed and consensus.

UST 10YR

The #ProfitCycle recession TREND call is still in play, so it will be interesting to see GDP rising (sequentially, which can happen in any data series, especially if the Deflator is understated and real growth overstated) vs. Earnings Season as they'll be going different ways. The risk range on the 10YR has widened out to 1.31-1.61%.



OIL

Stronger than recession in GDP data = stronger Dollar = weaker reflation returns… no follow through to Oil being +1.2% (WTI) last week as it's still -5% in the last month and trading below @Hedgeye TREND resistance of $47.37/barrel.

MACRO GRIND

BRITISH POUND TO U.S. DOLLAR INDEX

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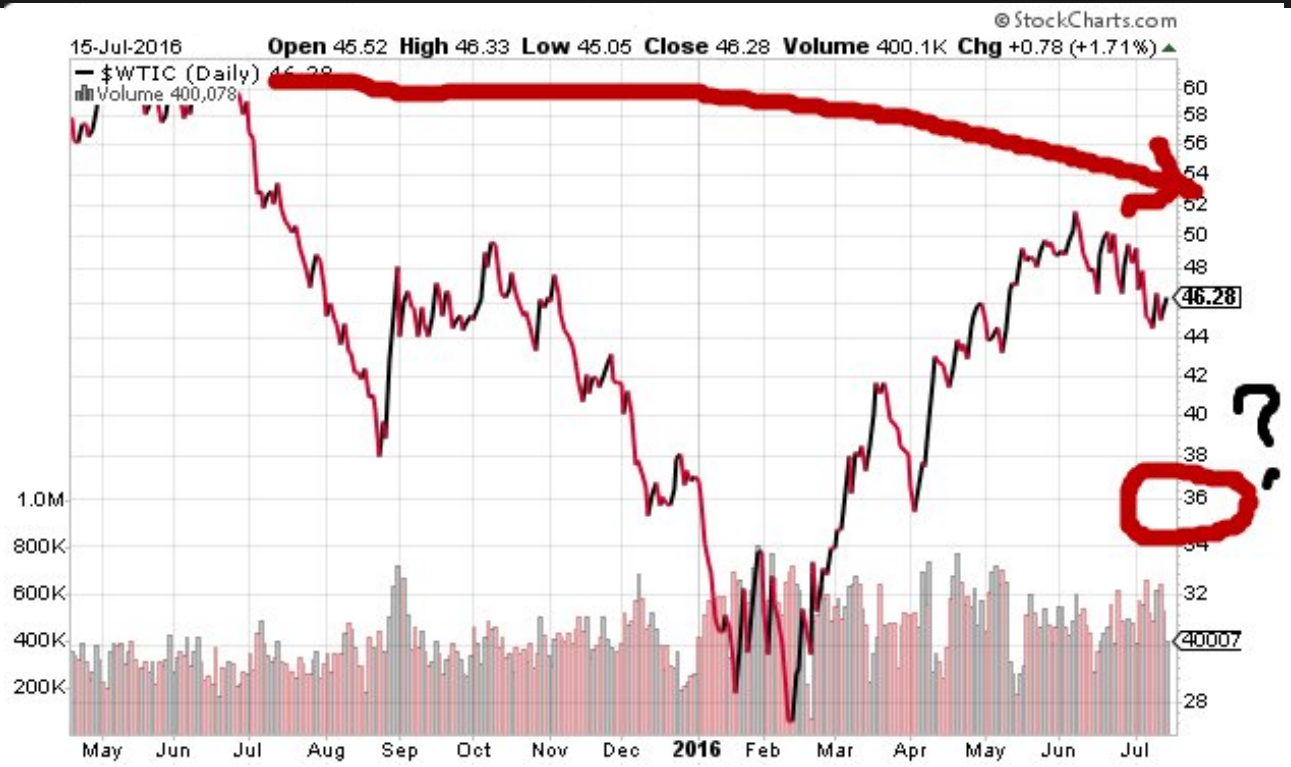
LIGHT CRUDE OIL WTIC



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LONDON FINANCIAL TIMES INDEX

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KEY USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation High	Low	% Time Pos	% Time Neg
SPX	0.10	0.12	0.04	-0.55	-0.37	*0.90*	*-0.91*	*58%*	*42%*
BRENT Oil	-0.77	-0.76	-0.11	-0.58	-0.54	*0.74*	*-0.78*	*37%*	*63%*
CRB Index	-0.21	-0.77	-0.36	-0.58	-0.86	*0.71*	*-0.91*	*29%*	*71%*
GOLD	0.03	0.90	0.23	-0.25	-0.79	*0.90*	*-0.95*	*18%*	*82%*

**Days = Trading Days*

RETAIL SALES: A MARGINAL POSITIVE FOR Q2?

A SIGNIFICANT DRIVER OF GDP

RETAIL SALES													
Retail Sales, Total SA	444.9	447.6	447.0	447.2	447.1	448.5	450.4	448.0	449.3	447.9	453.4	454.4	457.0
M/M, % Chg	0.1%	0.6%	-0.1%	0.1%	0.0%	0.3%	0.4%	-0.5%	0.3%	-0.3%	1.2%	0.2%	0.6%
Y/Y, % Chg	2.1%	2.8%	1.9%	2.1%	1.6%	1.6%	2.8%	2.8%	3.6%	1.7%	3.0%	2.2%	2.7%
2Y Ave	3.4%	3.5%	3.5%	3.5%	3.2%	3.2%	3.2%	3.4%	2.9%	2.1%	2.3%	2.3%	2.4%
Retail Sales Ex Autos	354.1	356.7	355.7	354.7	354.7	355.6	357.4	356.0	356.7	358.2	361.4	362.8	365.3
M/M, % Chg	0.2%	0.7%	-0.3%	-0.3%	0.0%	0.2%	0.5%	-0.4%	0.2%	0.4%	0.9%	0.4%	0.7%
Y/Y, % Chg	1.1%	2.0%	1.1%	0.8%	0.4%	0.5%	1.9%	2.4%	2.6%	2.1%	3.1%	2.7%	3.2%
2Y Ave	2.8%	2.9%	2.9%	2.5%	2.4%	2.4%	2.3%	2.3%	1.9%	1.8%	1.9%	2.0%	2.1%
Retail Sales Ex Autos & Gas	316.4	319.1	319.2	319.8	320.2	321.7	323.7	323.4	325.7	326.1	328.4	329.1	331.2
M/M, % Chg	0.1%	0.9%	0.0%	0.2%	0.1%	0.5%	0.6%	-0.1%	0.7%	0.1%	0.7%	0.2%	0.7%
Y/Y, % Chg	3.6%	4.6%	3.8%	4.0%	3.3%	3.3%	4.0%	3.6%	4.7%	3.8%	4.5%	4.1%	4.7%
2Y Ave	4.5%	4.7%	4.7%	4.5%	4.3%	4.4%	4.7%	4.9%	4.8%	4.3%	4.3%	4.3%	4.2%
Control Group: Retail Sales less Food, Autos, Gas & Building mat	244.6	246.4	246.3	246.8	246.6	247.5	247.7	248.2	249.2	249.7	252.3	253.4	254.7
M/M, % Chg	0.0%	0.8%	0.0%	0.2%	-0.1%	0.3%	0.1%	0.2%	0.4%	0.2%	1.1%	0.5%	0.5%
Y/Y, % Chg	2.9%	3.7%	2.9%	3.3%	2.5%	2.3%	2.7%	2.7%	3.2%	2.7%	3.8%	3.6%	4.1%
2Y Ave	3.8%	4.0%	4.0%	3.8%	3.5%	3.7%	3.4%	3.9%	3.6%	3.2%	3.5%	3.6%	3.5%
QoQ Annualized, %	3.2%			4.1%			1.3%			2.8%			7.2%

Goods consumption represents ~1/3 of PCE and ~1/4 of GDP

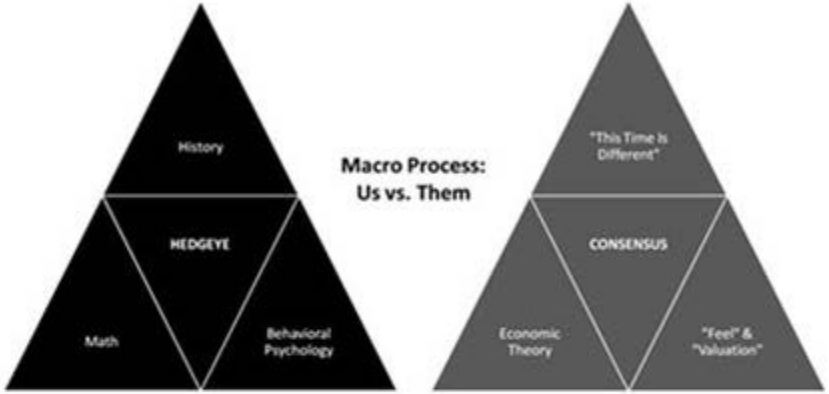
Q2 S&P REVENUE & EARNINGS COMPS

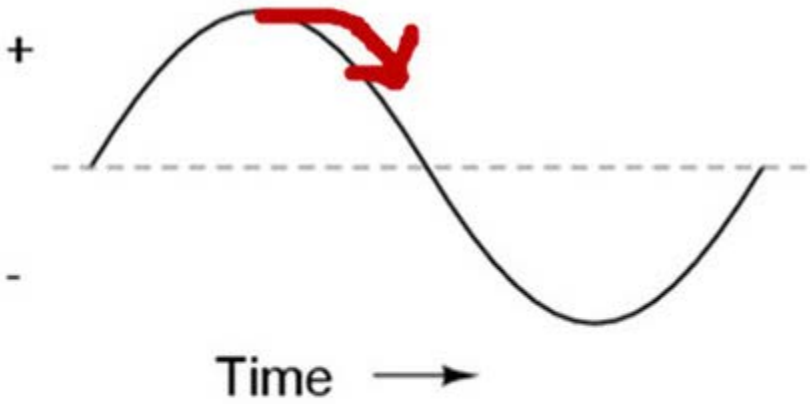
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	0.5%	3.0%	35 / 500
Energy	0.0%	0.0%	0 / 37
Materials	-2.8%	-2.7%	2 / 27
Industrials	0.7%	2.6%	5 / 68
Consumer Discretionary	-0.2%	4.5%	8 / 83
Consumer Staples	-0.2%	3.4%	7 / 36
Healthcare	0.0%	0.0%	0 / 57
Financials	1.8%	4.3%	7 / 92
Information Technology	0.9%	-0.6%	6 / 67
Telecom	0.0%	0.0%	0 / 5
Utilities	0.0%	0.0%	0 / 28

Source: BBG

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	$80.98	-0.44%	3.74%	3.61%
Financial Select Sector	XLF	$23.52	-0.17%	2.91%	-1.30%
Health Care Select Sector	XLV	$74.08	-0.08%	3.31%	2.85%
Technology Select Sector	XLK	$45.01	-0.09%	3.78%	5.09%
Consumer Staples Select Sector	XLP	$55.70	0.00%	1.00%	10.32%
Industrial Select Sector	XLI	$58.69	-0.02%	4.78%	10.71%
Materials Select Sector	XLB	$48.78	0.35%	5.27%	12.34%
The Energy Select Sector	XLE	$69.23	-0.06%	1.45%	14.77%
Utilities Select Sector	XLU	$52.00	0.29%	-0.90%	20.15%
S&P 500	SPX	2,161.74	-0.09%	3.00%	5.76%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$80.98	-0.35%	0.74%	-2.16%
Financial Select Sector	XLF	$23.52	-0.08%	-0.09%	-7.06%
Health Care Select Sector	XLV	$74.08	0.01%	0.32%	-2.92%
Technology Select Sector	XLK	$45.01	0.00%	0.79%	-0.67%
Consumer Staples Select Sector	XLP	$55.70	0.09%	-2.00%	4.56%
Industrial Select Sector	XLI	$58.69	0.08%	1.79%	4.95%
Materials Select Sector	XLB	$48.78	0.44%	2.27%	6.58%
The Energy Select Sector	XLE	$69.23	0.04%	-1.55%	9.01%
Utilities Select Sector	XLU	$52.00	0.38%	-3.89%	14.38%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.0%	2.6%	5.5%	6.0%	26.1%	13.1%
	Low Debt/EV	-0.2%	1.3%	4.6%	2.8%	15.6%	6.0%
SI	High Short Interest	-0.2%	2.6%	6.0%	3.6%	21.8%	7.1%
	Low Short Interest	-0.1%	1.8%	3.5%	4.4%	16.2%	6.8%
BETA	High Beta	0.0%	4.1%	5.1%	4.4%	25.0%	5.7%
	Low Beta	-0.1%	-0.2%	4.2%	6.2%	18.5%	14.7%
YIELD	High Yield	0.1%	2.2%	5.1%	5.2%	20.2%	10.9%
	Low Yield	-0.2%	1.7%	4.2%	4.6%	18.4%	6.3%
MKT CAP	MCAP Bottom 25%	-0.1%	2.7%	4.6%	2.7%	18.6%	5.5%
	MCAP Top 25%	-0.1%	1.5%	3.9%	4.1%	15.1%	6.3%
Sales	Top 25% Sales Growth	-0.2%	1.8%	4.3%	5.4%	22.3%	8.2%
	Bottom 25% Sales Growth	0.1%	2.5%	5.8%	5.2%	21.0%	9.9%
EPS	Top 25% EPS Growth	-0.1%	2.5%	4.9%	5.4%	21.4%	8.2%
	Bottom 25% EPS Growth	0.0%	2.0%	4.9%	4.8%	22.2%	10.7%

**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	0.30%	-1.0	2.6	5	8	-6	35	23	23
3M LIBOR	0.68%	0.0	1.2	2	5	-1	39	34	32
2Y T-Note	0.67%	-0.6	6.2	0	-7	-43	17	10	22
5Y T-Note	1.10%	0.8	15.6	3	-11	-72	21	-40	-14
10Y T-Note	1.55%	1.5	19.3	-2	-20	-85	23	-74	-60
30Y T-Note	2.27%	1.3	16.7	-14	-29	-91	18	-84	-83
2Y-10Y Spread, Bps	88	2.1	13.1	-1.9	-13	-42	6	-85	-82
IG SPREAD (AAABBB)	1.69%	4.0	-8.0	-20	-22	-61	3	-1	-16
HIGH YIELD	6.42%	5.2	-24.4	-84	-118	-291	5	-18	-37
5Y BREAKEVEN	1.45%	-0.5	3.6	-2.4	3.7	-18.8	59.7	-14.6	-27.9

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)	59,573	1,756	36,940	(67,712)	(104,697)	*1.62X*	*0.84X*
Russell 2000 (mini)	(30,196)	8,269	(37,142)	(48,246)	(43,277)	*0.94X*	*-0.18X*
10Y Treasury	114,702	27,841	(21,166)	(9,463)	(6,260)	*2.00X*	*2.23X*
CRUDE OIL	341,182	(4,880)	378,391	334,736	300,140	*0.70X*	*0.02X*
GOLD	271,529	(15,392)	223,116	167,088	93,222	*1.85X*	*3.02X*
COPPER	(14,251)	5,236	(26,445)	(23,100)	(22,940)	*0.69X*	*0.21X*
USD	13,913	1,408	10,768	19,374	32,903	*-1.08X*	*-0.69X*
JPY	44,986	(9,795)	49,556	49,897	3,796	*0.78X*	*1.77X*
EUR	(93,993)	(12,320)	(48,176)	(58,641)	(85,846)	*-0.19X*	*-0.21X*
GBP	(59,456)	(12,187)	(44,392)	(40,666)	(26,994)	*-1.79X*	*-1.72X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (7/15) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-10%	-21%	-21%	-24%
Total Exchange Volume**	-6%	-21%	-16%	-19%
Total Traded Value (R3K)***	22%	-7%	2%	-1%

*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)