THE MACRO SHOW

AUGUST 3, 2016

LEGAL

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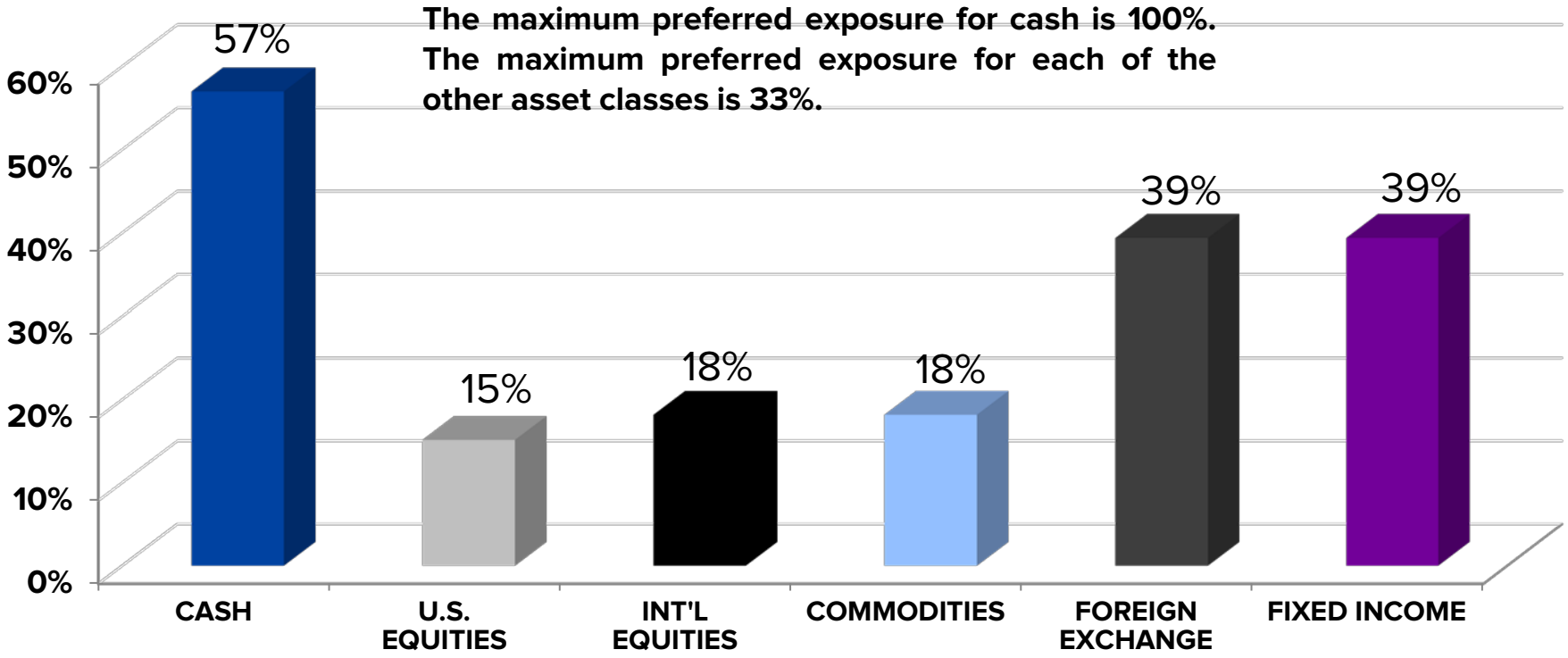
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/2/2016	60	3	5	6	13	13
8/3/2016	57	5	6	6	13	13

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/2/2016	60%	9%	15%	18%	39%	39%
8/3/2016	57%	15%	18%	18%	39%	39%

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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HEDGEYE TV

1 JAPAN

2 OIL

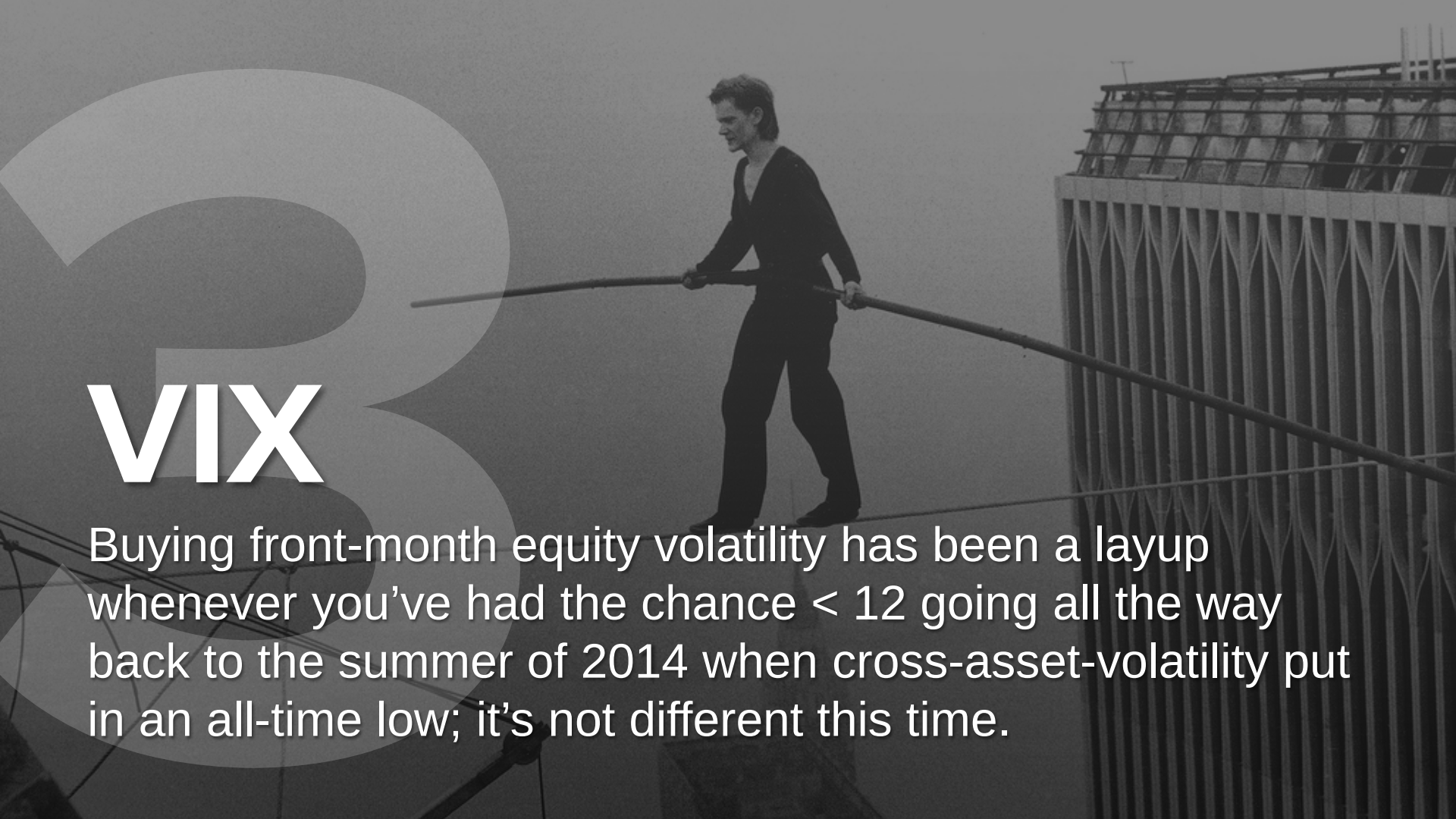
3 VIX

JAPAN

The central-market-planning + Big Fiscal Helicopter #BeliefSystem (i.e. hope) took another blow overnight with the Nikkei down another -1.9% to down -3.5% since the 28.1T “stimulus” was approved. The Nikkei is down -23.1% from 2015s high.

OIL

Every time we refresh our immediate-term risk range model (price/volume/volatility) we get a lower-high and a lower-low. Currently the risk range for WTI is $38.71-42.24 with bearish TREND overhead at $47.55; how does this problem go away?



VIX

Buying front-month equity volatility has been a layup whenever you've had the chance < 12 going all the way back to the summer of 2014 when cross-asset-volatility put in an all-time low; it's not different this time.

MACRO GRIND

XEU EURO

$XEU Euro - Philadelphia INDX
© StockCharts.com
2-Aug-2016
Open 111.94 High 112.37 Low 111.87 Close 112.28 Chg +0.67 (+0.60%)
$XEU (Daily) 112.28
Volume under
116.0
115.5
115.0
114.5
114.0
113.5
113.0
112.28
111.5
111.0
110.5
110.0
109.5
109.0
108.5
108.0
107.5
107.0
106.5
106.0
Aug
Sep
Oct
Nov
Dec
2016
Feb
Mar
Apr
May
Jun
Jul
Aug

GOLD – CONTINUOUS CONTRACT

August 3, 2016

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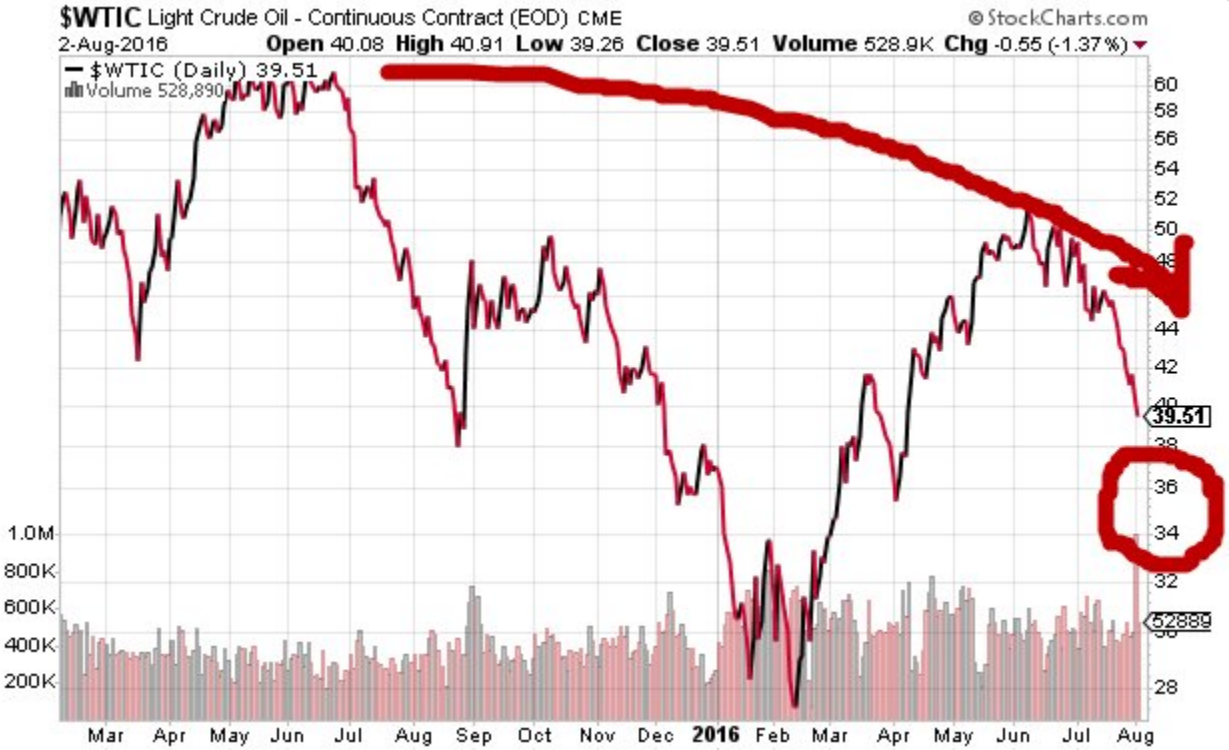
WTIC LIGHT CRUDE OIL



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CRB REUTERS/JEFFERIES CRB INDEX

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TOKYO NIKKEI 225 AVERAGE INDEX

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Q2 S&P REVENUE & EARNINGS COMPS

Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.3%	-4.0%	367 / 500
Energy	-24.1%	-77.1%	27 / 37
Materials	-8.8%	-6.9%	22 / 27
Industrials	-0.9%	-2.0%	61 / 68
Consumer Discretionary	8.4%	16.7%	46 / 83
Consumer Staples	1.0%	-2.3%	22 / 36
Healthcare	10.1%	5.7%	42 / 57
Financials	0.9%	-5.4%	79 / 92
Information Technology	-0.4%	-3.1%	48 / 67
Telecom	10.3%	4.9%	4 / 5
Utilities	-2.7%	11.8%	16 / 28

Source: BBG

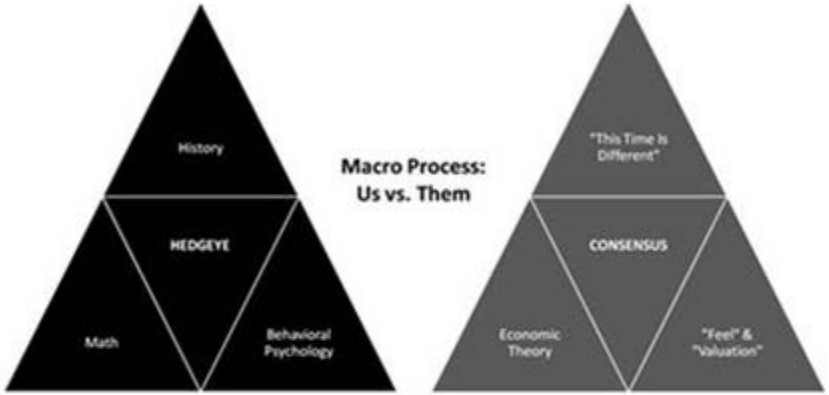
Q2 S&P REVENUE & EARNINGS SURPRISE

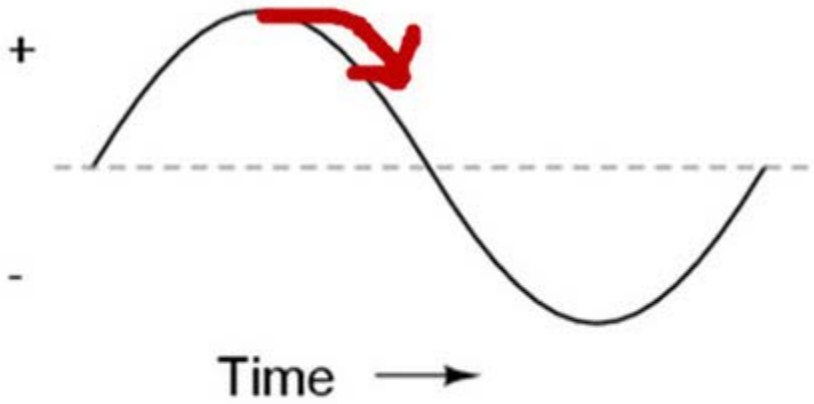
Q2 2016 QTD

SECTOR	SALES SURPRISE (% CHG)	EARNINGS SURPRISE (% CHG)	#REPORTED
S&P 500 (Aggregate)	0.8%	4.6%	367 / 500
Energy	1.8%	-14.3%	27 / 37
Materials	-0.5%	3.5%	22 / 27
Industrials	1.0%	6.4%	61 / 68
Consumer Discretionary	2.0%	6.5%	46 / 83
Consumer Staples	-1.0%	2.4%	22 / 36
Healthcare	1.1%	3.2%	42 / 57
Financials	1.1%	4.6%	79 / 92
Information Technology	1.7%	7.0%	48 / 67
Telecom	-0.6%	1.2%	4 / 5
Utilities	-7.0%	8.2%	16 / 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	$80.53	-1.49%	-1.34%	3.03%
Financial Select Sector	XLF	$23.39	-0.85%	-1.10%	-1.85%
Health Care Select Sector	XLV	$75.39	-0.38%	0.25%	4.66%
Technology Select Sector	XLK	$46.19	-0.75%	-0.56%	7.84%
Consumer Staples Select Sector	XLP	$54.68	-0.15%	-0.04%	8.30%
Industrial Select Sector	XLI	$57.43	-0.93%	-1.05%	8.34%
Materials Select Sector	XLB	$48.29	-0.27%	-0.82%	11.22%
The Energy Select Sector	XLE	$65.75	0.91%	-2.42%	9.00%
Utilities Select Sector	XLU	$51.81	-0.65%	-0.59%	19.71%
S&P 500	SPX	2,157.03	-0.64%	-0.76%	5.53%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$80.53	-0.86%	-0.57%	-2.50%
Financial Select Sector	XLF	$23.39	-0.21%	-0.34%	-7.38%
Health Care Select Sector	XLV	$75.39	0.25%	1.01%	-0.87%
Technology Select Sector	XLK	$46.19	-0.12%	0.20%	2.31%
Consumer Staples Select Sector	XLP	$54.68	0.49%	0.73%	2.77%
Industrial Select Sector	XLI	$57.43	-0.30%	-0.29%	2.81%
Materials Select Sector	XLB	$48.29	0.37%	-0.06%	5.68%
The Energy Select Sector	XLE	$65.75	1.54%	-1.66%	3.47%
Utilities Select Sector	XLU	$51.81	-0.02%	0.17%	14.18%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-1.1%	-2.9%	1.7%	2.0%	20.7%	10.5%
	Low Debt/EV	-1.0%	-0.9%	3.4%	4.0%	13.3%	6.1%
SI	High Short Interest	-1.4%	-3.0%	2.3%	1.4%	16.6%	3.7%
	Low Short Interest	-0.5%	-0.9%	3.0%	3.3%	14.5%	6.1%
BETA	High Beta	-1.2%	-2.6%	3.8%	1.7%	22.6%	3.8%
	Low Beta	-0.8%	-1.0%	0.0%	5.6%	13.4%	13.9%
YIELD	High Yield	-1.2%	-2.1%	1.1%	2.5%	15.0%	8.5%
	Low Yield	-0.7%	-1.1%	4.3%	4.6%	19.7%	7.6%
MKT CAP	MCAP Bottom 25%	-1.5%	-3.3%	2.1%	0.2%	16.4%	4.0%
	MCAP Top 25%	-0.5%	-0.6%	2.5%	3.1%	13.2%	5.4%
Sales	Top 25% Sales Growth	-0.7%	-1.5%	1.8%	2.4%	18.8%	6.7%
	Bottom 25% Sales Growth	-1.3%	-2.0%	2.7%	3.3%	18.2%	8.1%
EPS	Top 25% EPS Growth	-0.9%	-1.4%	3.3%	3.3%	18.5%	6.6%
	Bottom 25% EPS Growth	-1.1%	-2.1%	1.0%	1.0%	17.0%	7.7%

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

HEDGEYE RATES & SPREADS

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	0.27%	1.5	-3.6	2	8	-9	32	19	20
3M LIBOR	0.76%	0.0	1.6	11	13	0	46	42	40
2Y T-Note	0.68%	-0.6	-7.5	9	-11	-42	18	11	23
5Y T-Note	1.09%	1.3	-4.5	9	-24	-74	20	-41	-15
10Y T-Note	1.56%	3.4	-0.5	11	-32	-82	24	-72	-58
30Y T-Note	2.31%	3.7	2.4	8	-42	-83	22	-78	-77
2Y-10Y Spread, Bps	88	4.0	7.0	2.2	-21	-40	5	-83	-81
IG SPREAD (AAABBB)	1.64%	0.0	-1.0	-17	-15	-66	0	-6	-21
HIGH YIELD	6.63%	0.0	17.0	-18	-69	-270	26	3	-15
5Y BREAKEVEN	1.26%	-1.9	-8.1	-18.6	-32.3	-37.9	40.6	-32.8	-46.4

CFTC NON-COMMERCIAL NET LONG POSITIONING

CFTC NON-COMMERCIAL NET LONG POSITIONING						Z Score	
METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	1Y	3Y
SPX (Index + E-mini)	175,288	21,189	67,735	(42,353)	(95,592)	*2.38X*	*1.99X*
Russell 2000 (mini)	(7,959)	9,499	(30,461)	(45,229)	(43,343)	*2.57X*	*0.82X*
10Y Treasury	141,138	56,895	3,373	(3,278)	(3,656)	*2.25X*	*2.48X*
CRUDE OIL	309,451	(18,446)	365,786	340,707	301,750	*0.13X*	*-0.48X*
GOLD	256,930	(7,568)	234,601	186,152	103,685	*1.54X*	*2.61X*
COPPER	4,871	2,715	(23,406)	(19,750)	(21,908)	*1.97X*	*1.53X*
$USD	22,413	7,953	11,712	17,451	31,242	*-0.53X*	*-0.33X*
JPY	33,942	(3,910)	44,484	49,237	7,585	*0.52X*	*1.52X*
EUR	(121,554)	(13,158)	(60,109)	(57,542)	(86,082)	*-0.81X*	*-0.54X*
GBP	(78,231)	(6,129)	(47,959)	(43,305)	(29,27[illegible])	*-2.43X*	*-2.31X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (8/2) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	16%	12%	0%	-7%
Total Exchange Volume**	12%	13%	6%	0%

*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)

Source: Bloomberg, Hedgeye

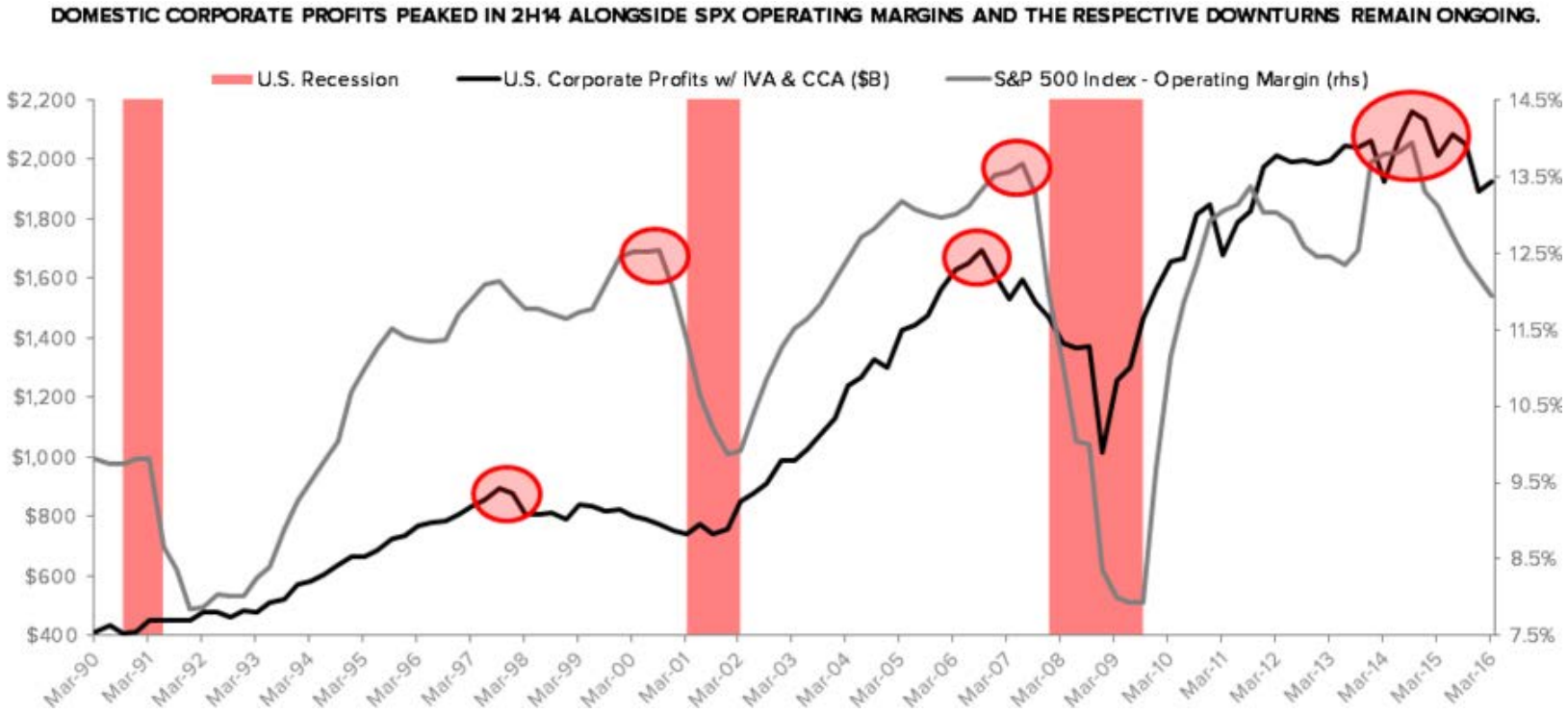
KEY $USD CORRELATIONS

Key $USD Correlations*

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation High	Low	% Time Pos	% Time Neg
SPX	0.37	0.37	0.58	-0.26	-0.40	*0.80*	*-0.91*	*58%*	*42%*
BRENT Oil	0.48	-0.41	0.01	-0.48	-0.60	*0.73*	*-0.78*	*39%*	*61%*
CRB Index	0.25	-0.28	-0.22	-0.48	-0.83	*0.71*	*-0.91*	*24%*	*76%*
GOLD	-0.90	0.40	0.52	0.11	-0.70	*0.90*	*-0.95*	*23%*	*77%*

**Days = Trading Days*

#PROFITCYCLE: A FRIENDLY REMINDER



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