THE MACRO SHOW

AUGUST 4, 2016

LEGAL

DISCLAIMER

Hedgeye Risk Management is a registered investment advisor, registered with the State of Connecticut. Hedgeye Risk Management is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security. This research is presented without regard to individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice. This presentation is based on information from sources believed to be reliable. Hedgeye Risk Management is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of Hedgeye Risk Management, and are intended solely for the use of Hedgeye Risk Management's clients and subscribers. In reaching these opinions and conclusions, Hedgeye Risk Management and its employees have relied upon research conducted by Hedgeye Risk Management's employees, which is based upon sources considered credible and reliable within the industry. Hedgeye Risk Management is not responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is intended solely for the use of its recipient. Re-distribution or republication of this report and its contents are prohibited. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Use at www.hedgeye.com.

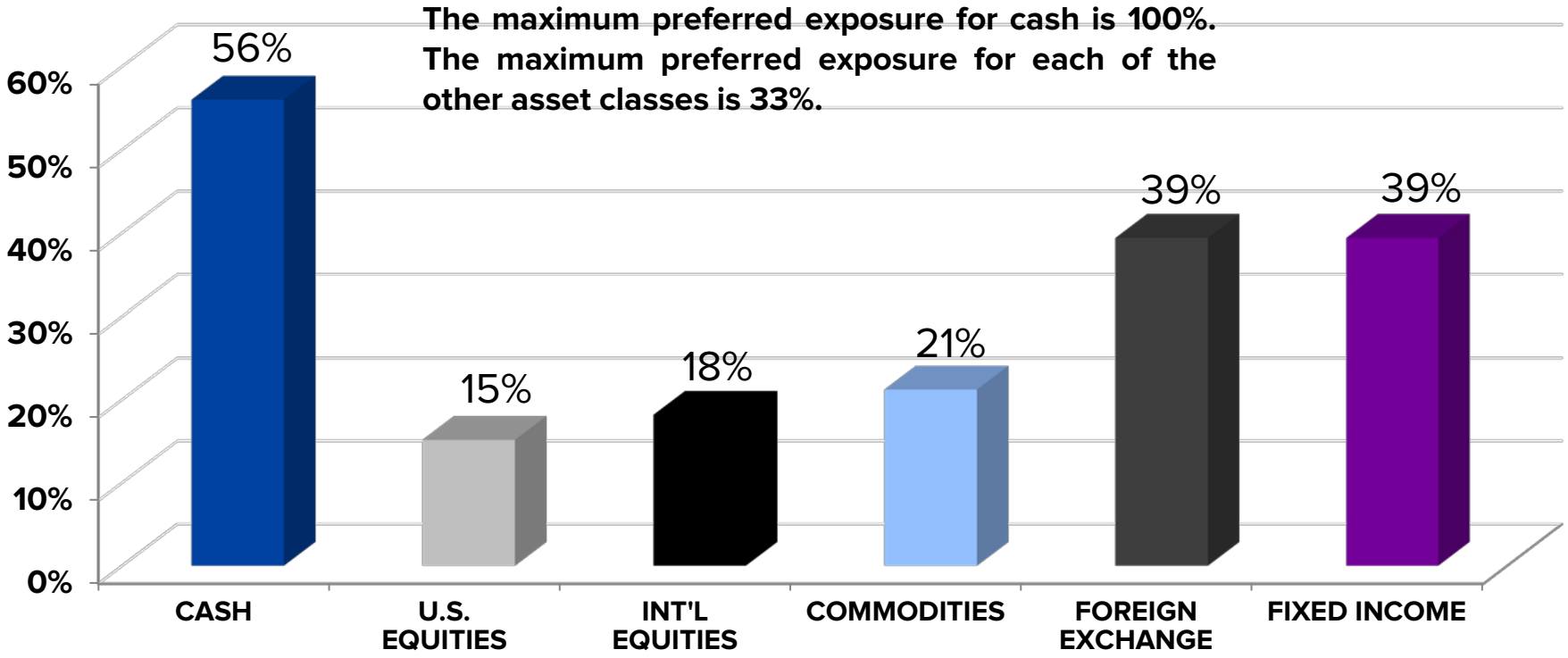
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/3/2016	57	5	6	6	13	13
8/4/2016	56	5	6	7	13	13

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/3/2016	57%	15%	18%	18%	39%	39%
8/4/2016	56%	15%	18%	21%	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



August 4, 2016

THE MACRO SHOW

HEDGEYE TV

1 POUND

2 OIL

3 UST 10YR

POUND

The pound did the 1-day bear market bounce thing and shows no follow through this morning; immediate-term risk range = $38.74-41.90 and we would say it has a good chance of testing the low-end of that range on a “good” jobs report. From a monetary asset price inflation perspective, Oil needs bad U.S. economic data (dovish Fed), don’t forget.

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?

UST 10YR

Ahead of the jobs report the UST 10YR Yield is sitting right in the middle of its risk range (1.45-1.62%) so we would do nothing on that and/or yield chasing securities. A bad jobs print gets you 1.45%; a “good” print gets you 1.62% and we’re not in the business of guessing the number – no one we know has process driven edge on nailing NFP consistently.

MACRO GRIND

LONDON FINANCIAL TIMES INDEX

August 4, 2016

THE MACRO SHOW

HEDGEYE TV

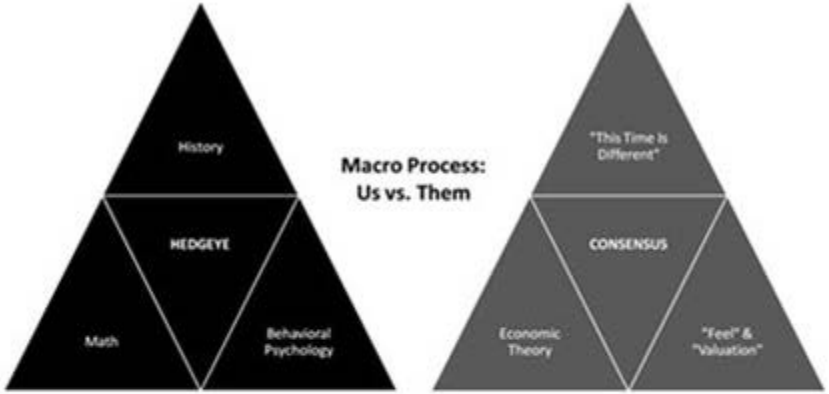
Q2 S&P REVENUE & EARNINGS COMPS

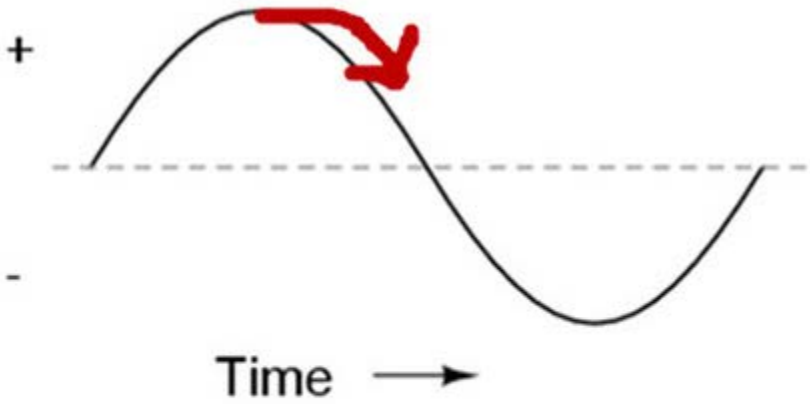
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.3%	-4.1%	381 / 500
Energy	-23.7%	-78.4%	30 / 37
Materials	-8.8%	-6.9%	22 / 27
Industrials	-0.9%	-2.0%	61 / 68
Consumer Discretionary	8.0%	15.5%	48 / 83
Consumer Staples	1.0%	-2.4%	23 / 36
Healthcare	9.8%	6.0%	44 / 57
Financials	0.7%	-5.2%	81 / 92
Information Technology	-0.4%	-3.0%	50 / 67
Telecom	10.3%	4.9%	4 / 5
Utilities	-2.7%	10.4%	18 / 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	$80.76	0.29%	-1.05%	3.33%
Financial Select Sector	XLF	$23.63	1.03%	-0.08%	-0.84%
Health Care Select Sector	XLV	$75.18	-0.28%	-0.03%	4.37%
Technology Select Sector	XLK	$46.35	0.35%	-0.22%	8.22%
Consumer Staples Select Sector	XLP	$54.38	-0.55%	-0.59%	7.70%
Industrial Select Sector	XLI	$57.71	0.49%	-0.57%	8.87%
Materials Select Sector	XLB	$48.41	0.25%	-0.58%	11.49%
The Energy Select Sector	XLE	$67.02	1.93%	-0.53%	11.11%
Utilities Select Sector	XLU	$51.50	-0.60%	-1.19%	18.99%
S&P 500	SPX	2,163.79	0.31%	-0.45%	5.86%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$80.76	-0.03%	-0.60%	-2.54%
Financial Select Sector	XLF	$23.63	0.71%	0.37%	-6.70%
Health Care Select Sector	XLV	$75.18	-0.59%	0.42%	-1.49%
Technology Select Sector	XLK	$46.35	0.03%	0.24%	2.35%
Consumer Staples Select Sector	XLP	$54.38	-0.86%	-0.13%	1.84%
Industrial Select Sector	XLI	$57.71	0.17%	-0.12%	3.00%
Materials Select Sector	XLB	$48.41	-0.06%	-0.12%	5.63%
The Energy Select Sector	XLE	$67.02	1.62%	-0.08%	5.24%
Utilities Select Sector	XLU	$51.50	-0.91%	-0.74%	13.13%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	1.0%	-1.1%	2.7%	4.5%	18.7%	11.4%
	Low Debt/EV	0.3%	-0.1%	3.7%	5.4%	13.5%	6.6%
SI	High Short Interest	1.0%	-1.2%	3.3%	3.9%	15.7%	4.8%
	Low Short Interest	0.4%	-0.3%	3.4%	4.7%	14.4%	6.5%
BETA	High Beta	1.5%	-0.6%	5.3%	5.5%	21.8%	5.4%
	Low Beta	-0.4%	-0.4%	-0.4%	5.3%	12.3%	13.4%
YIELD	High Yield	0.5%	-0.9%	1.8%	4.3%	14.0%	9.5%
	Low Yield	0.9%	0.1%	5.2%	6.7%	19.3%	8.5%
MKT CAP	MCAP Bottom 25%	1.0%	-1.3%	3.1%	2.6%	15.4%	5.1%
	MCAP Top 25%	0.3%	-0.1%	2.8%	4.4%	13.1%	5.7%
Sales	Top 25% Sales Growth	1.2%	0.3%	2.9%	5.0%	18.0%	8.0%
	Bottom 25% Sales Growth	0.7%	-1.0%	3.4%	5.2%	17.2%	8.6%
EPS	Top 25% EPS Growth	0.9%	-0.4%	4.1%	5.4%	18.3%	7.5%
	Bottom 25% EPS Growth	0.8%	-0.6%	1.8%	3.1%	15.8%	8.5%

**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	-1.5	1	7	-9	31	19	19
3M LIBOR	0.77%	0.0	1.6	11	13	0	47	42	41
2Y T-Note	0.67%	-1.2	-5.2	8	-9	-43	17	9	22
5Y T-Note	1.07%	-1.9	-1.6	8	-18	-76	18	-43	-17
10Y T-Note	1.54%	-1.4	4.4	10	-25	-83	22	-74	-59
30Y T-Note	2.30%	-1.1	8.5	7	-36	-84	21	-79	-78
2Y-10Y Spread, Bps	88	-0.2	9.6	2.0	-17	-40	5	-83	-81
IG SPREAD (AAABBB)	1.66%	0.0	-2.0	-15	-14	-64	2	-4	-19
HIGH YIELD	6.68%	0.0	22.0	-13	-68	-265	32	8	-9
5Y BREAKEVEN	1.30%	3.4	-2.5	-15.0	-25.5	-34.3	44.1	-29.2	-42.8

CFTC NON-COMMERCIAL NET LONG POSITIONING

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)	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: (8/3) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-14%	-4%	-13%	-20%
Total Exchange Volume**	-9%	3%	-3%	-9%

*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)

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation			
						High	Low	% Time Pos	% Time Neg
SPX	0.40	0.31	0.57	-0.24	-0.41	*0.80*	*-0.91*	*58%*	*42%*
BRENT Oil	0.58	-0.28	0.00	-0.48	-0.61	*0.73*	*-0.78*	*38%*	*62%*
CRB Index	0.34	-0.17	-0.24	-0.48	-0.83	*0.71*	*-0.91*	*24%*	*76%*
GOLD	-0.91	0.16	0.52	0.12	-0.69	*0.90*	*-0.95*	*24%*	*76%*

**Days = Trading Days*