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HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/18/2016	54	3	3	10	12	18
8/19/2016	54	3	3	10	12	18

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/18/2016	54%	9%	9%	30%	36%	55%
8/19/2016	54%	9%	9%	30%	36%	55%

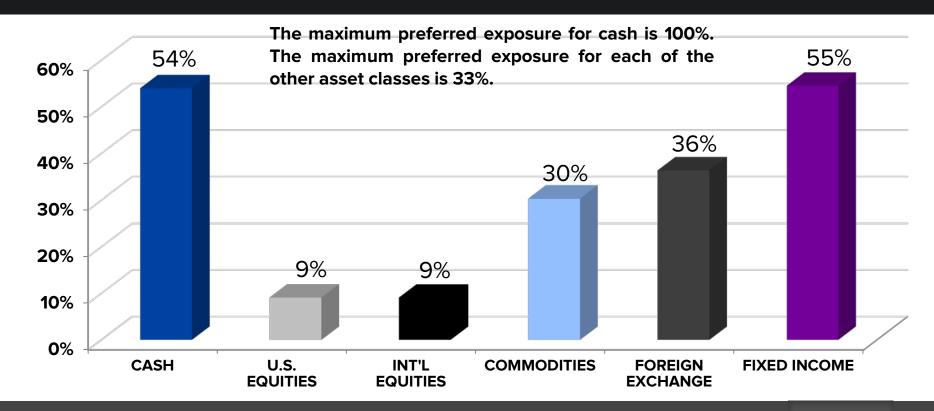
The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

August 19, 2016

THE MACRO SHOW



HEDGEYE ASSET ALLOCATION



August 19, 2016

THE MACRO SHOW



1 FLOWS

2 SPAIN

3 RUSSIA

NEW YORK STOCK EXCHANGE

FLOWS

The war on active management continues with U.S. equity beta trouncing most strategies YTD. This morning, Lipper is reporting another -\$4B in outflows from U.S. equity mutual funds while passive equity funds took in another +\$4.3B WoW. We've written extensively about the upside capitulation we're seeing in the SPX futures and options data and via the reversal in style factor performance — which itself reeks of a massive career-risk driven chase. With high beta stocks up +19% and Utes down -30bps since the June 27th Brexit v-bottom, we're again starting to see opportunity on the long side of lower-for-longer strategies for those investors who've missed the big move.



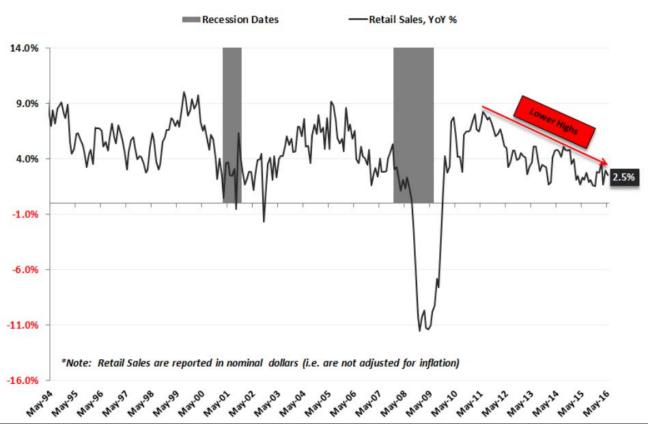
RUSSIA

German Chancellor Angela Merkel said there is no reason to lift EU sanctions against Russia as Moscow has not fulfilled all of its commitments under the Minsk peace plan. Expect political risk to remain heightened as the East vs West faceoff remains!



RETAIL SALES: TREND =

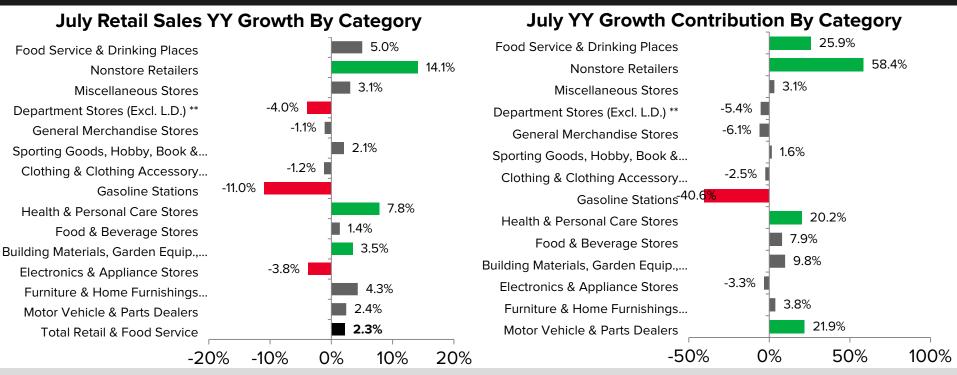
U.S. HEADLINE RETAIL SALES



U.S. retail sales making lower highs and lower lows.

TA SOURCE: BLOOMBERG. HEDGEYE HEDGEYE HEDGEYE

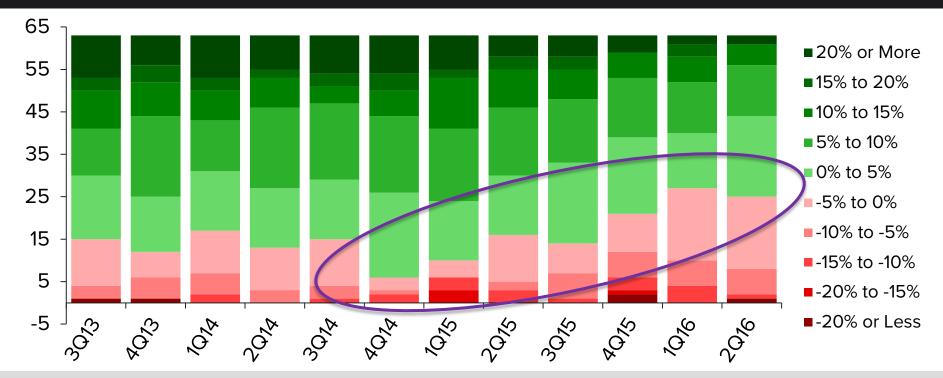
ONLY 4 MAIN GROWTH DRIVERS...



...AND NONE OF THEM HELP MALL-BASED OPERATORS

Restaurants, Internet, Personal Care, and Autos account for almost all the growth.

WE'RE TALKING ABOUT SALES

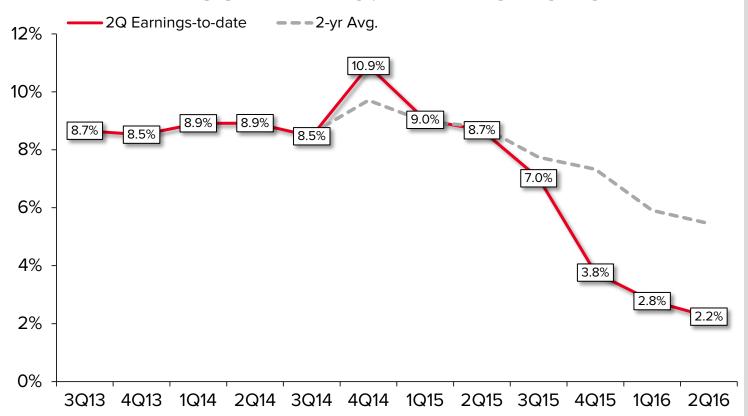


RETAIL SALES GROWTH BUCKETS (# OF RETAILERS)

Basket of 63 retailers who have reported earnings through yesterday, with 40% posting flat to negative sales growth. Compare that to 10% in 4Q14.

YEA, COMPS ARE TOUGH

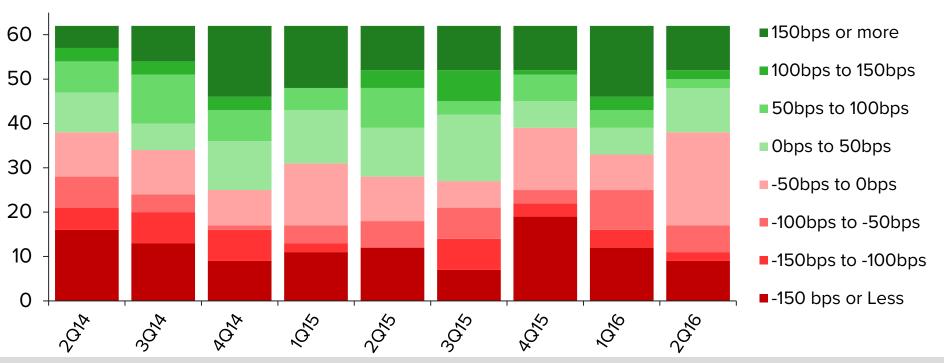
RETAIL INDUSTRY AVG. REVENUE GROWTH



But, something here doesn't add up.

Plus sq. ft. growth kicker is all but gone.

MARGINS UNDER PRESSURE

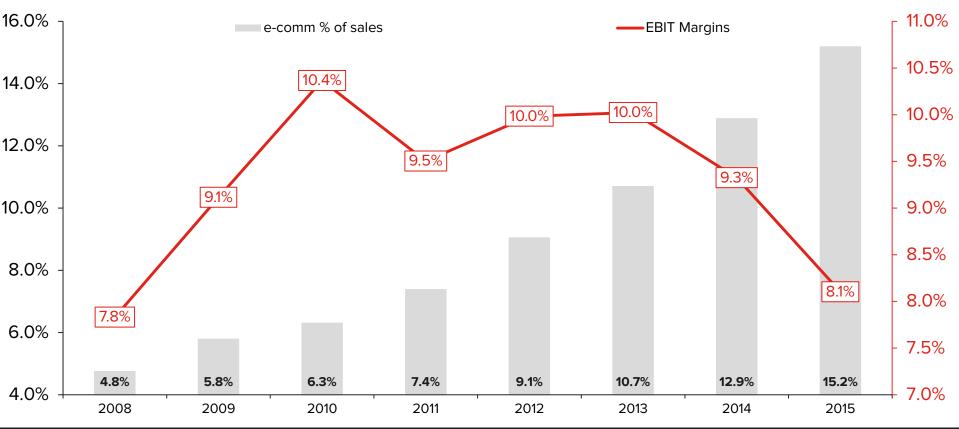


RETAIL INDUSTRY EBIT GROWTH BUCKETS (# OF RETAILERS)

After a 7yr margin expansion cycle starting to see some pressure, 2/3rds of retail reporting EBIT margin deleverage.

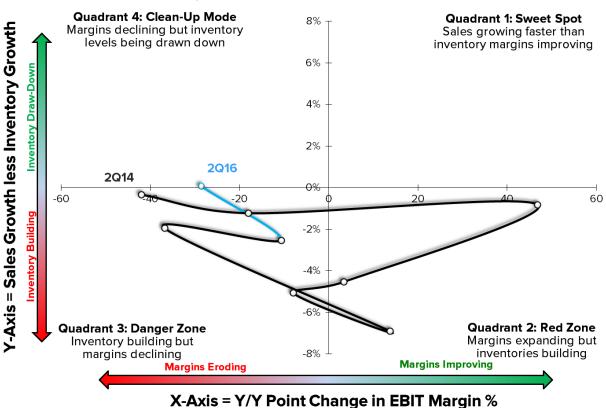
E-COMM SHARE +, MARGINS DOWN +

E-COMM GROWTH BECOMES A BIGGER CHUNK OF THE PIE, MARGINS SUFFER



IF THERE'S A SILVER LINING

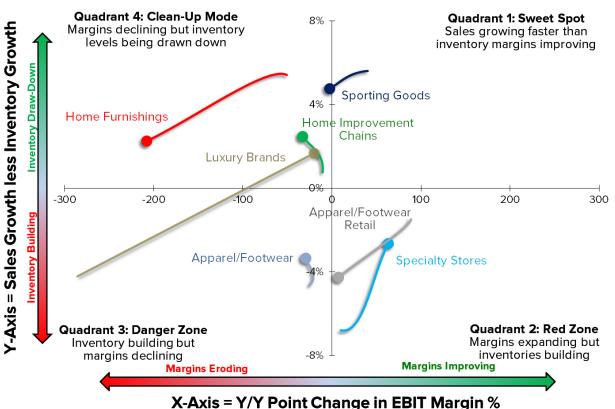
2Q16 RETAIL INDUSTRY SIGMA



Best, inventory setup in 2+ years.

NOT ALL CATEGORIES CREATED =

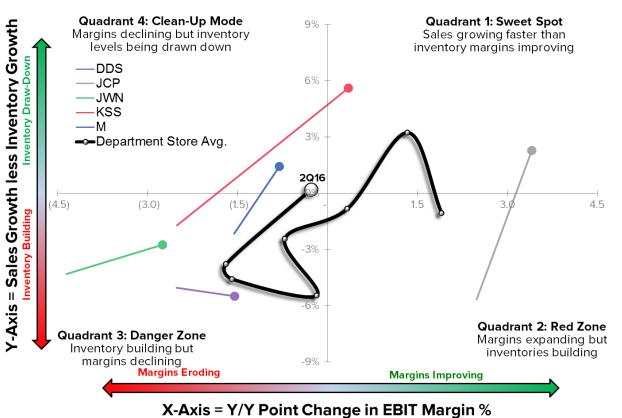
2Q16 RETAIL INDUSTRY SIGMA



Puts and takes by category with apparel & footwear the stand out on the negative side.

DEPT STORES - CLEAN BALANCE SHEETS

DEPARTMENT STORE SIGMA 2Q16

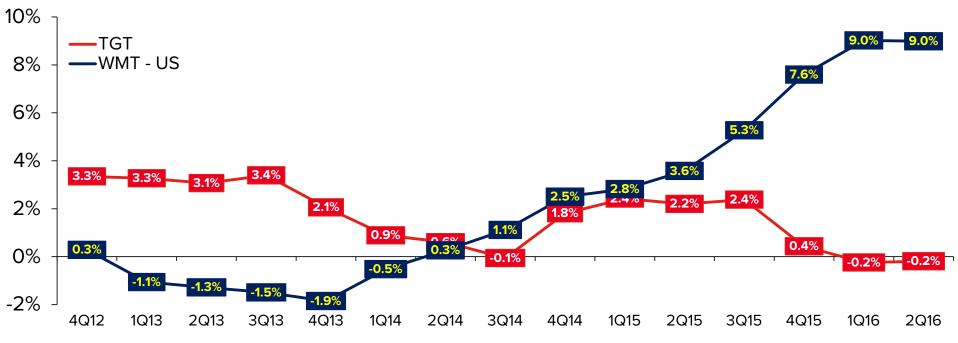


But, no stability in the top line, telling us planning very conservatively into year end.

Winners: KSS, JCP

Loser: DDS

WMT SPENDING/ TGT WATCHING



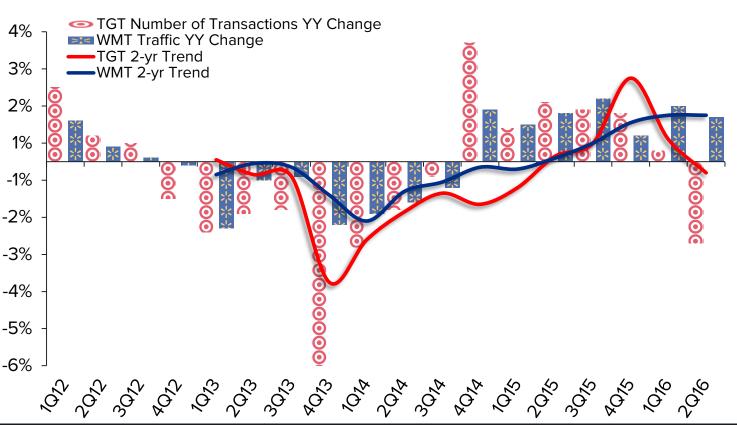
***4Q15-2Q16 TGT SG&A adjusted to compensate for pharma sale

WE'D CHARACTERIZE THIS AS THE CAUSE

WMT doubling down on growth to fuel store/e-comm, TGT proud of its cost saving efforts.

SHOWING UP IN NUMBERS

AND THIS IS THE EFFECT



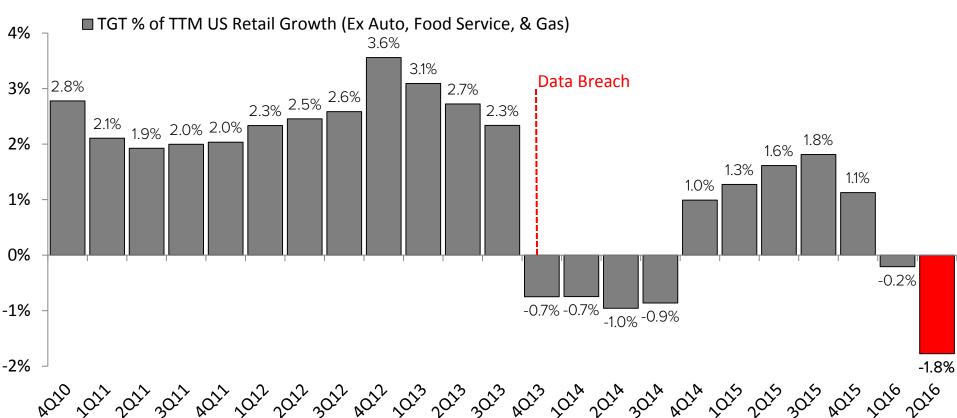
Investment dollars = market share.

Spread opening up to 1.2% in 1Q and 3.4% in 2Q – widest in last 5 years.

Clear winner and loser.

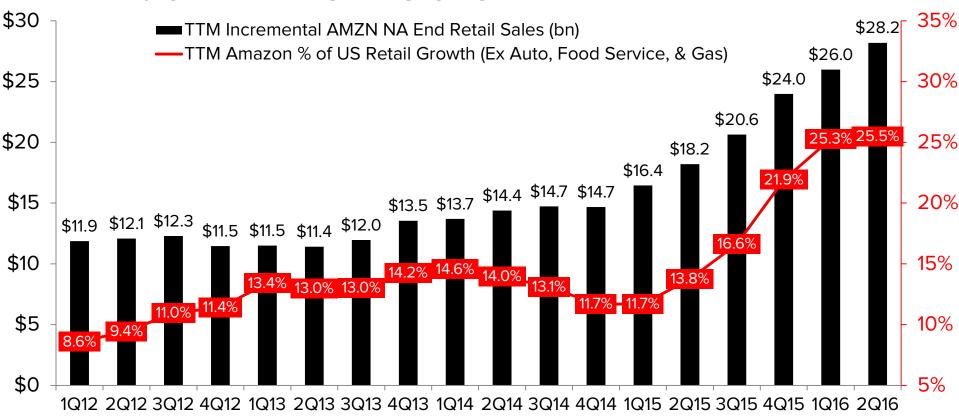
CALL JUST GETTING STARTED

TGT - LOSING SHARE LIKE NEVER BEFORE



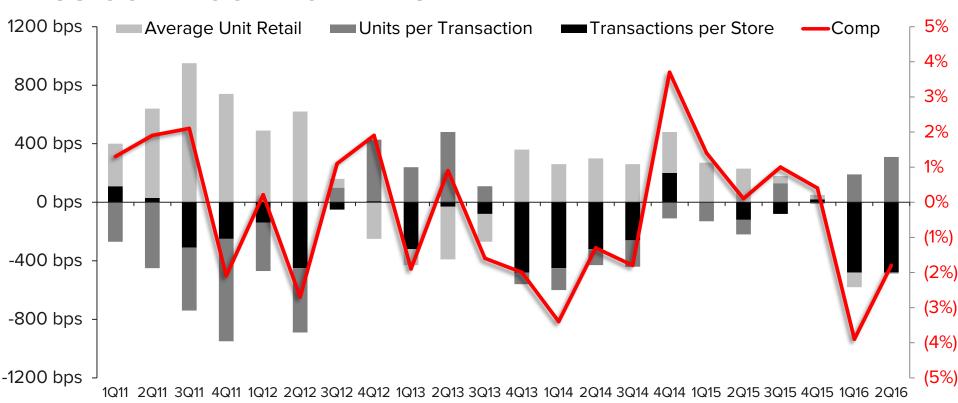
AND THERE IS THIS TO WORRY ABOUT

AMZN % OF RETAIL SALES GROWTH



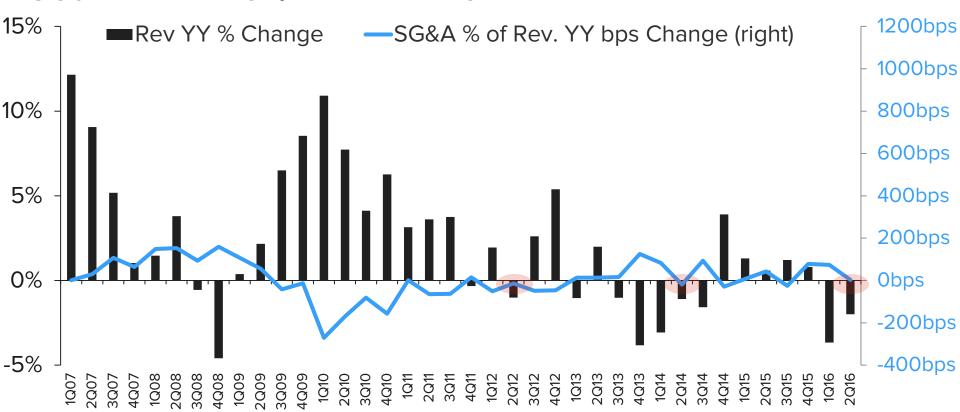
KSS – THIS IS NOT SUSTAINABLE

KSS COMP COMPONENTS



OR THIS...

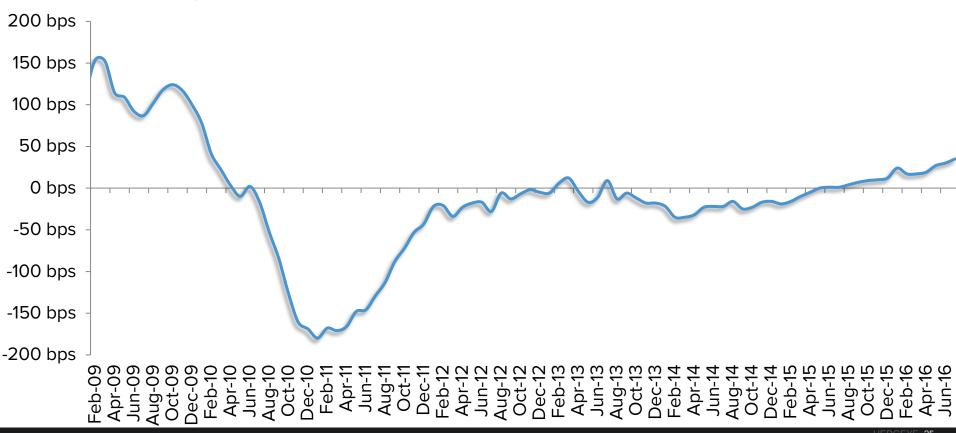
SG&A LEVERAGE/ DELEVERAGE



DATA SOURCE: COMPANY REPORTS HEDGEYE 24

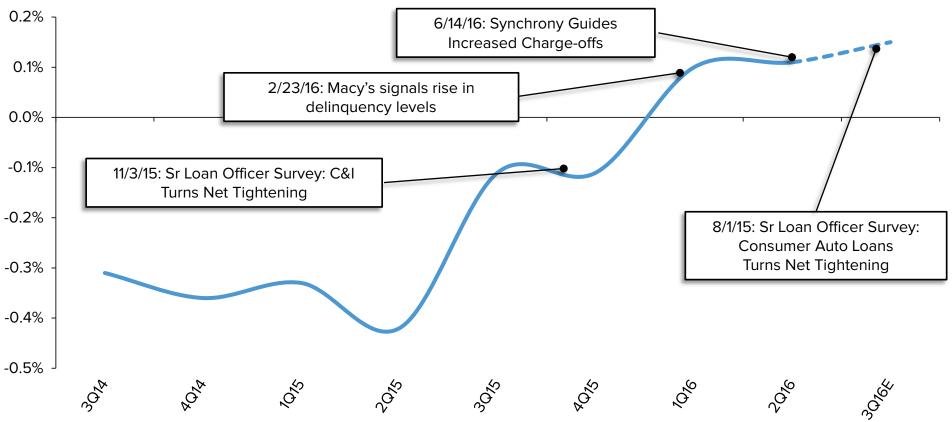
CREDIT TREND ONE TO WATCH

COF DELINQUENCY RATE YY CHG. ACCELERATING OFF THE LOWS



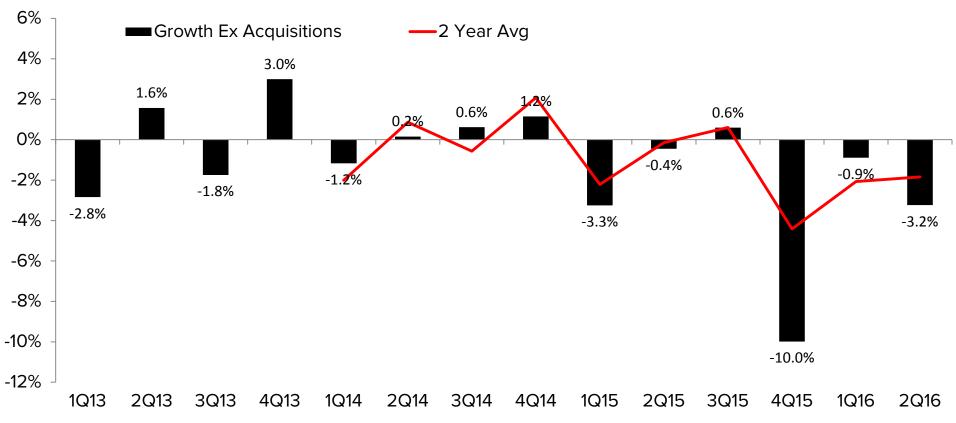
ALL DATA POINTS BEARISH

YY CHG IN FED TOP 100 BANK CHARGE OFF RATE

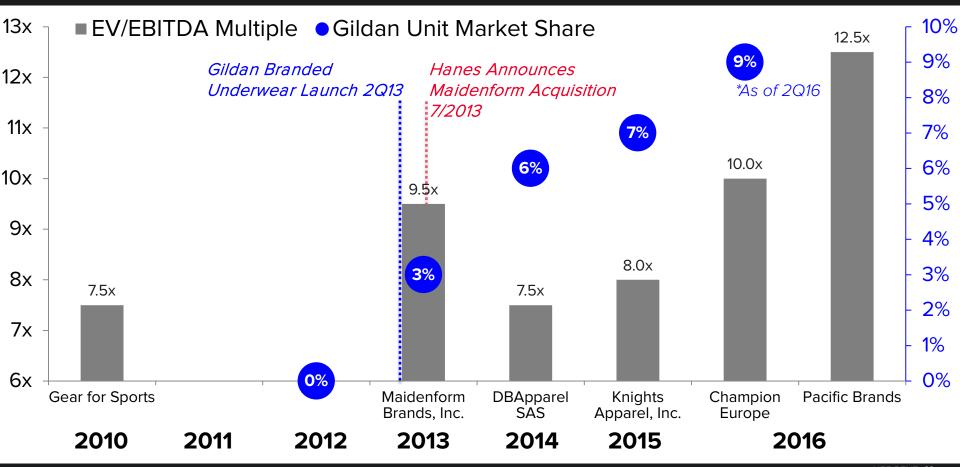


HBI – WHERE'S THE GROWTH

HBI ORGANIC GROWTH



AHH - THERE IT IS



MACRO GRIND

Q2 S&P REVENUE & EARNINGS COMPS

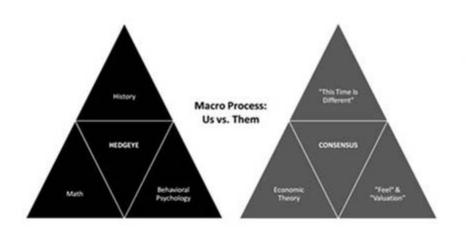
Q2 2016 QTD

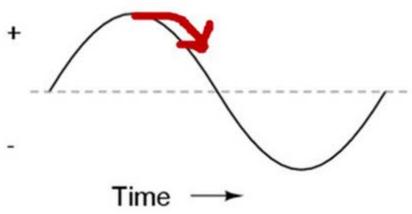
SECTOR	CALES CROWTH (V. CHC)	EARNINGS CROWTH (% CHC)	#DEDODIED
SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.2%	-3.7%	471 / 500
Energy	-24.2%	-81.6%	37 / 37
Materials	-7.3%	-9.1%	27 / 27
Industrials	-1.0%	-2.0%	67 / 68
Consumer Discretionary	6.3%	10.2%	71 / 83
Consumer Staples	0.9%	0.4%	29 / 36
Healthcare	9.0%	5.0%	55 / 57
Financials	0.9%	-5.2%	92 / 92
Information Technology	0.2%	-1.3%	60 / 67
Telecom	9.6%	3.5%	5 / 5
Utilities	-2.4%	8.9%	28 / 28

Source: BBG

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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.

August 19, 2016

THE MACRO SHOW



HEDGEYE SECTOR PERFORMANCE

			1-Day %	MTD %	YTD %
SECTOR	<u>Ticker</u>	<u>Price</u>	<u>Chg</u>	<u>Chg</u>	<u>Chg</u>
Consumer Discretionary	XLY	\$81.45	-0.06%	-0.21%	4.21%
Financial Select Sector	XLF	\$24.02	-0.08%	1.56%	0.80%
Health Care Select Sector	XLV	\$74.42	0.04%	-1.04%	3.32%
Technology Select Sector	XLK	\$46.99	0.04%	1.16%	9.71%
Consumer Staples Select Sector	XLP	\$55.05	0.35%	0.64%	9.03%
Industrial Select Sector	XLI	\$59.04	0.31%	1.72%	11.38%
Materials Select Sector	XLB	\$48.92	0.64%	0.47%	12.67%
The Energy Select Sector	XLE	\$71.00	2.06%	5.37%	17.71%
Utilities Select Sector	XLU	\$50.89	1.23%	-2.36%	17.58%
S&P 500	SPX	2,187.02	0.22%	0.62%	7.00%

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HEDGEYE SECTOR RELATIVE PERFORMANCE

			1-Day %	MTD %	YTD %
	<u>Ticker</u>	<u>Price</u>	<u>Chg</u>	Chg	Chg
Consumer Discretionary	XLY	\$81.45	-0.28%	-0.83%	-2.79%
Financial Select Sector	XLF	\$24.02	-0.30%	0.95%	-6.20%
Health Care Select Sector	XLV	\$74.42	-0.18%	-1.65%	-3.68%
Technology Select Sector	XLK	\$46.99	-0.18%	0.55%	2.71%
Consumer Staples Select Sector	XLP	\$55.05	0.13%	0.02%	2.03%
Industrial Select Sector	XLI	\$59.04	0.09%	1.11%	4.38%
Materials Select Sector	XLB	\$48.92	0.42%	-0.15%	5.67%
The Energy Select Sector	XLE	\$71.00	1.84%	4.76%	10.71%
Utilities Select Sector	XLU	\$50.89	1.01%	-2.98%	10.58%

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HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
	High Debt/EV	1.1%	1.3%	1.4%	10.4%	24.7%	13.5%
å	Low Debt/EV	0.4%	0.2%	1.6%	7.6%	13.8%	7.7%
SI	High Short Interest	0.8%	1.0%	2.8%	11.3%	18.0%	7.1%
	Low Short Interest	0.2%	-0.1%	0.6%	5.7%	14.0%	7.7%
BETA	High Beta	1.1%	2.0%	4.1%	11.3%	29.2%	9.6%
86	Low Beta	0.4%	-0.5%	-1.7%	6.1%	12.5%	12.8%
YIELD	High Yield	0.5%	0.5%	0.1%	9.1%	15.1%	10.7%
YIE	Low Yield	0.6%	0.4%	3.4%	9.9%	21.9%	9.8%
MKT	MCAP Bottom 25%	0.8%	0.8%	1.7%	8.3%	18.6%	7.2%
Σ δ	MCAP Top 25%	0.1%	-0.1%	0.8%	6.5%	13.7%	6.7%
	Top 25% Sales Growth	0.8%	1.1%	2.5%	8.6%	25.5%	11.2%
-	Bottom 25% Sales Growth	0.6%	0.3%	1.2%	10.0%	16.3%	9.7%
EPS	Top 25% EPS Growth	0.4%	0.1%	1.7%	7.3%	19.7%	7.0%
<u> </u>	Bottom 25% EPS Growth	0.9%	1.2%	1.6%	8.6%	20.5%	11.2%

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

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HEDGEYE RATES & SPREADS

		1D	5D	1M	3M	vs. 52-V	Vk, Bps	vs.	vs.
	Price	Bps Chg	Bps Chg	Bps Chg	Bps Chg	High	Low	3Y Ave	5Y Ave
3M T-Bill	0.29%	0.0	2.0	-2	-1	-6	35	21	22
3M LIBOR	0.81%	0.0	-0.7	11	16	-1	50	46	45
2Y T-Note	0.71%	-2.4	-0.4	1	-18	-39	22	14	26
5Y T-Note	1.12%	-2.3	1.1	0	-27	-71	23	-38	-12
10Y T-Note	1.54%	-1.4	2.2	-2	-31	-83	23	-72	-58
30Y T-Note	2.27%	0.1	3.0	-1	-38	-87	18	-80	-79
2Y-10Y Spread, Bps	83	0.7	2.3	-3.2	-14	-45	1	-85	-84
IG SPREAD (AAABBB)	1.68%	0.0	1.0	-1	-11	-62	4	-2	-17
HIGH YIELD	6.28%	-1.6	-4.6	-15	-120	-305	1	-32	-48
5Y BREAKEVEN	1.34%	2.0	3.6	-7.4	-17.4	-30.0	48.5	-24.1	-38.1
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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)	115,935	(16,747)	82,411	(14,638)	(86,047)	1.66X	1.41X
Russell 2000 (mini)	2,924	4,872	(23,103)	(40,899)	(42,048)	2.79X	1.33X
10Y Treasury	108,755	12,748	33,825	3,131	(1,980)	1.67X	1.99X
CRUDE OIL	278,615	(15,494)	351,918	343,066	302,579	-0.41X	-0.95X
GOLD	255,773	(11,516)	239,489	202,095	113,996	1.40X	2.45X
COPPER	(4,648)	(7,407)	(21,227)	(17,425)	(20,674)	1.15X	0.84X
\$USD	15,651	(1,909)	12,636	15,658	29,372	-0.88X	-0.61X
JPY	46,219	9,066	41,979	49,337	12,716	0.71X	1.69X
EUR	(110,812)	5,453	(74,839)	(60,920)	(86,176)	-0.56X	-0.39X
GBP	(88,209)	(6,058)	(55,412)	(46,817)	(32,194)	-2.49X	-2.56X

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MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (8/18) vs.							
	Prior Day	1M Ave	3M ave	1Y Ave				
Total Market Volume*	3%	2%	-6%	-16%				
Total Exchange Volume**	-8%	-6%	-13%	-20%				
Total Traded Value (R3K)***	-3%	-12%	-20%	-24%				

^{*}Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg.

Source: Bloomberg, Hedgeye

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^{**}Tape A+B+C volume = total US exchange volume

^{***} Total Traded Value for Russell 3000 (total mkt proxy)

KEY \$USD CORRELATIONS

52-Wl	Rolling	30D	Corre	lation
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METRIC	15D	30D	90D	120D	180D	High	Low	% Time Pos	% Time Neg
SPX	0.02	-0.31	0.51	0.18	-0.49	0.73	-0.91	57%	43%
BRENT Oil	-0.56	-0.11	-0.23	-0.25	-0.67	0.73	-0.78	37%	63%
CRB Index	-0.35	0.02	-0.60	-0.25	-0.83	0.71	-0.91	24%	76%
GOLD	-0.48	-0.68	0.49	0.33	-0.63	0.90	-0.95	24%	76%

^{*}Days = Trading Days

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