THE MACRO SHOW

JULY 15, 2016

LEGAL

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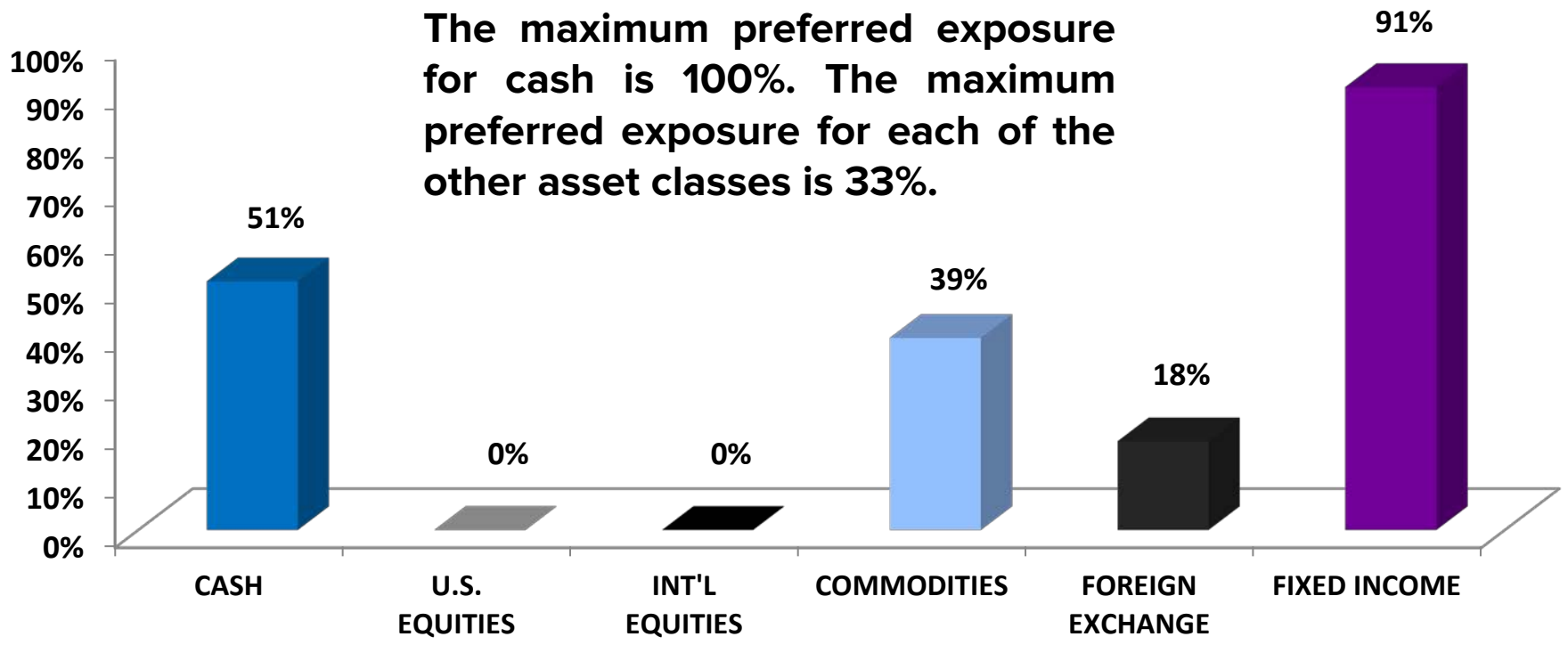
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/14/2016	56	0	0	12	7	25
7/15/2016	51	0	0	13	6	30

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/14/2016	56%	0%	0%	36%	21%	76%
7/15/2016	51%	0%	0%	39%	18%	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



July 15, 2016

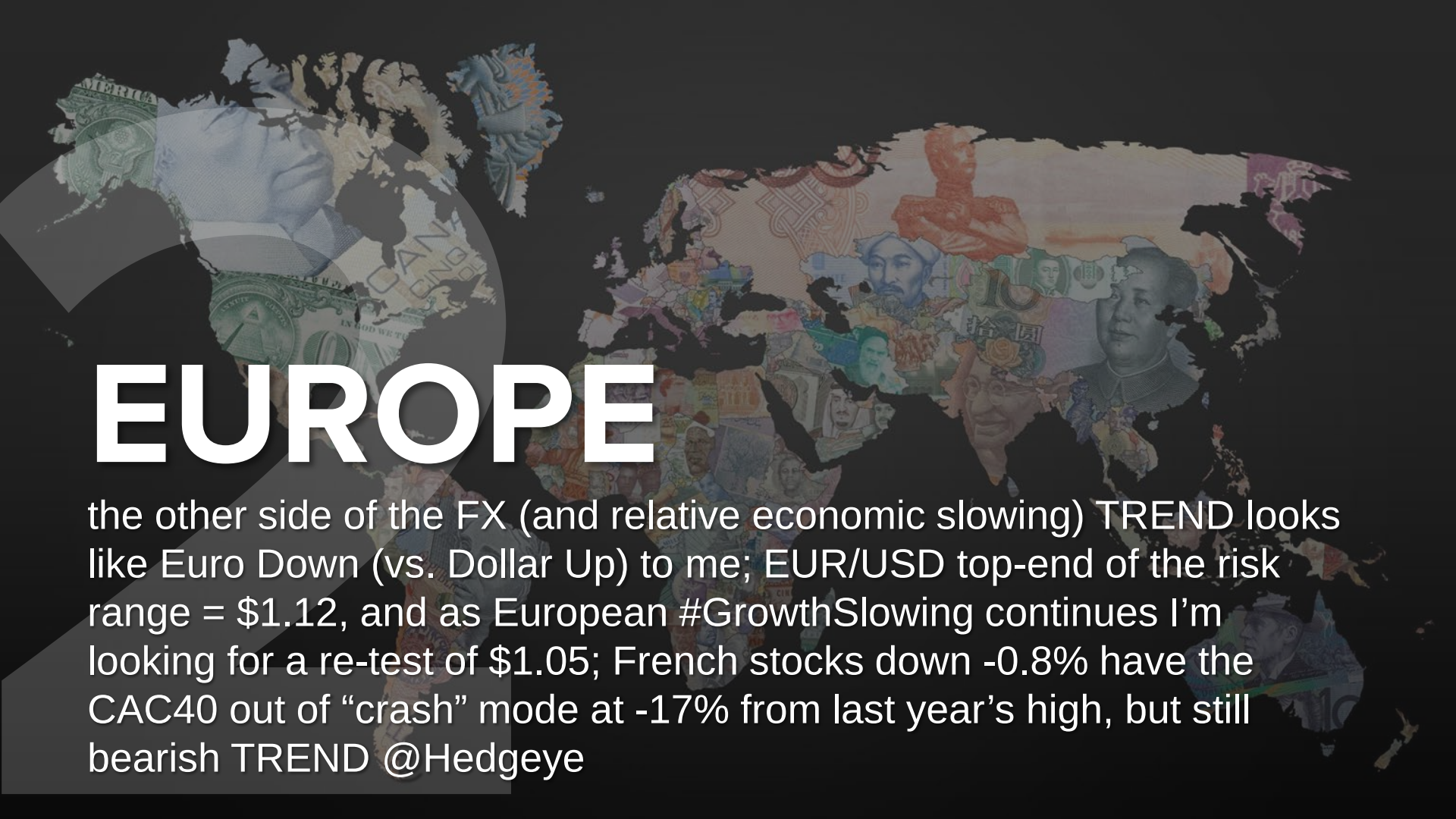
THE MACRO SHOW

HEDGEYE TV

1 POUND
2 EUROPE
3 OIL

POUND

one way to keep US Equity Beta Up = Dollar Down (on the week); but how does that continue (from here)? With GBP/USD signaling immediate-term TRADE overbought at $1.34 and US economic growth (Q2 GDP) not tracking to recession (our Q2 predictive tracking algo currently has 1.5-1.8% y/y)?

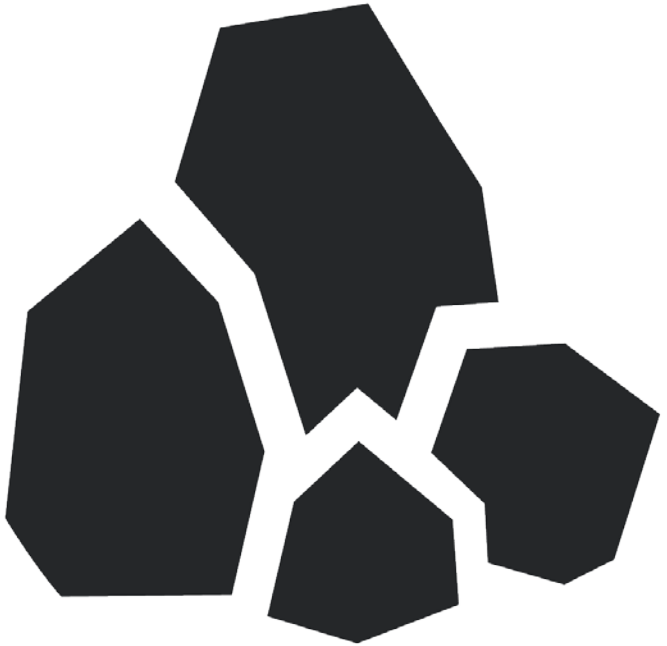


EUROPE

the other side of the FX (and relative economic slowing) TREND looks like Euro Down (vs. Dollar Up) to me; EUR/USD top-end of the risk range = $1.12, and as European #GrowthSlowing continues I’m looking for a re-test of $1.05; French stocks down -0.8% have the CAC40 out of “crash” mode at -17% from last year’s high, but still bearish TREND @Hedgeye

OIL

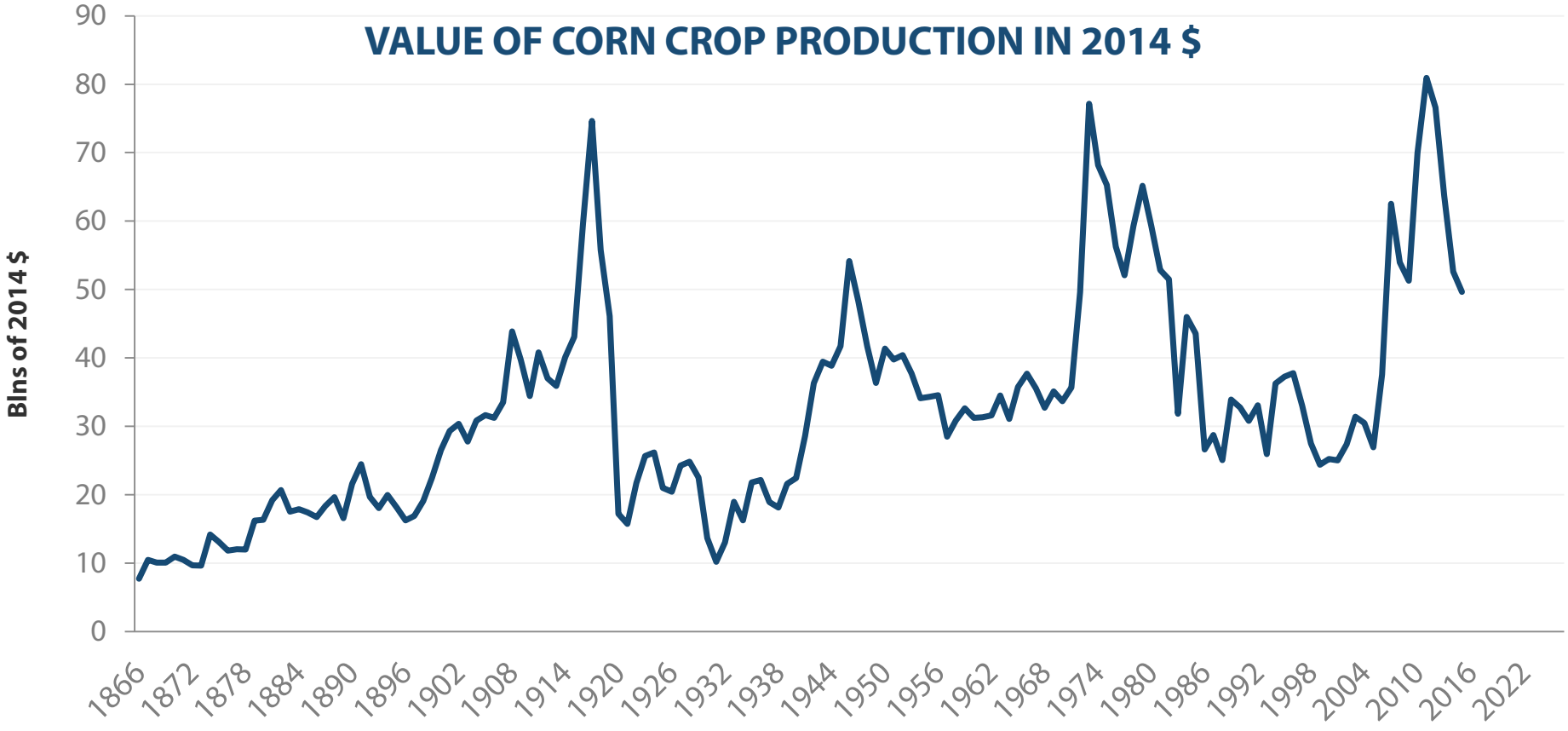
the other former Perma Bull narrative on US Stocks was Oil $60-70… and while you pretty much have to change that Equity Beta Chasing narrative quarterly at this point, it's still important to remind you that Oil is signaling bearish TREND now ($47.54 resistance WTI) inasmuch as USD is signaling bullish TREND @Hedgeye



MACRO & MARERIALS

BEN RYAN

REAL VALUE OF CORN CROP



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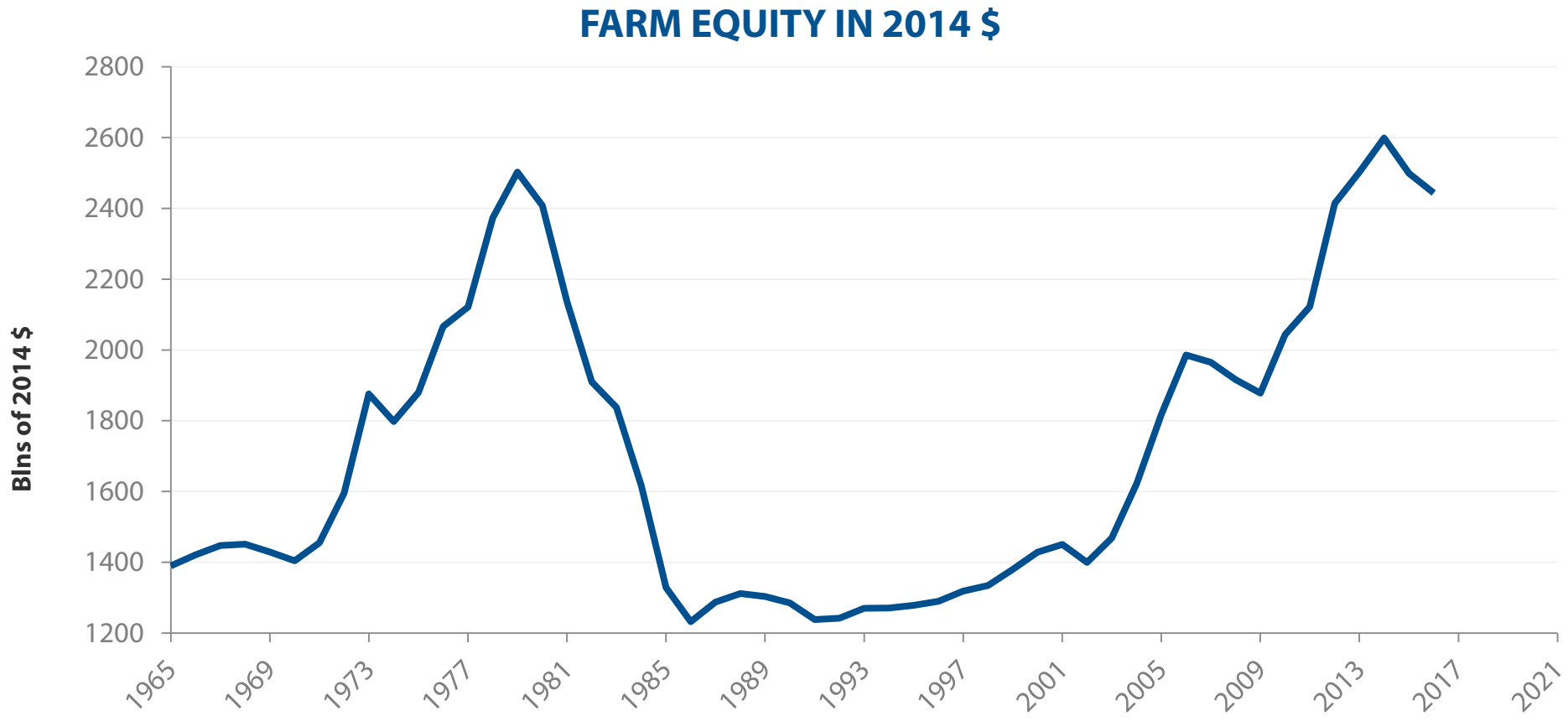
DATA SOURCE: USDA, MINNEAPOLIS FED, HRM ESTIMATES

HIGHER PRICES = MORE VALUABLE LAND



DATA SOURCE: USDA, MINNEAPOLIS FED, HRM ESTIMATES

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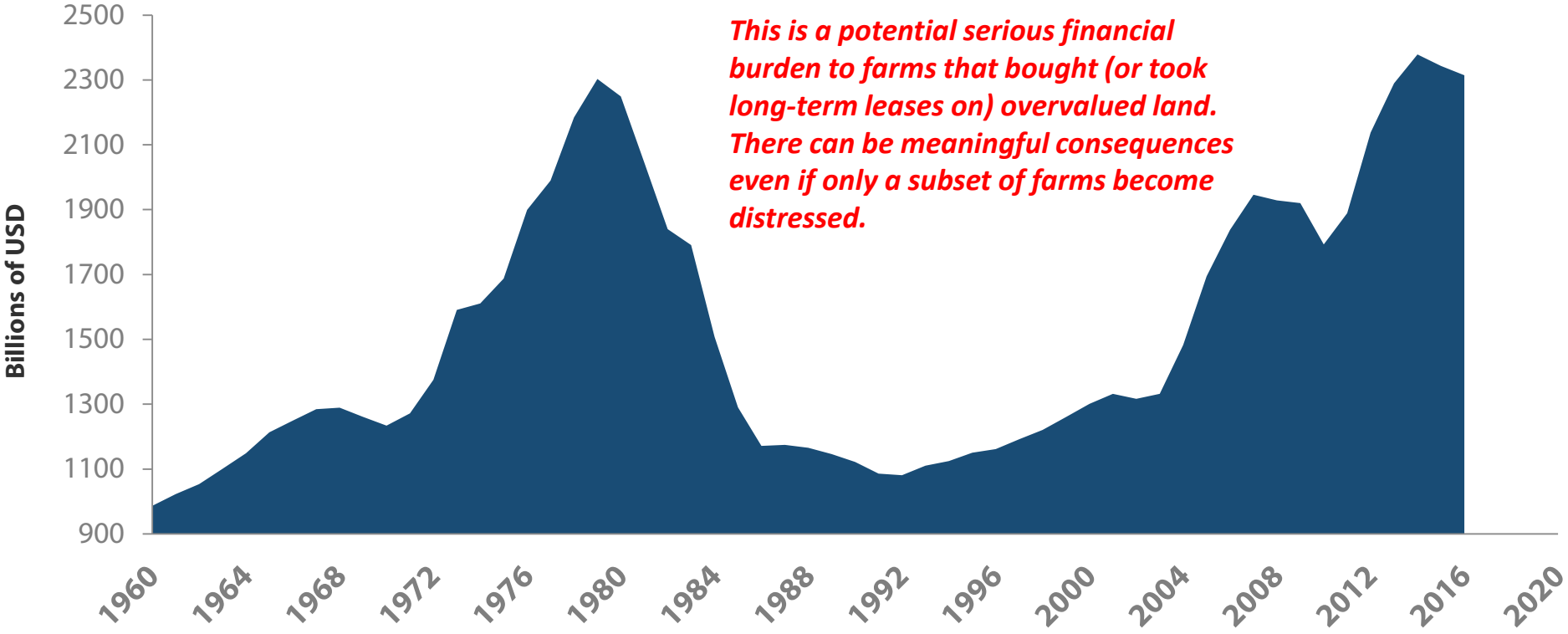
DATA SOURCE: USDA, MINNEAPOLIS FED, HRM ESTIMATES

MOSTLY DRIVEN BY HIGHER LAND VALUES

REAL VALUE OF FARM REAL ESTATE IN 2014 DOLLARS



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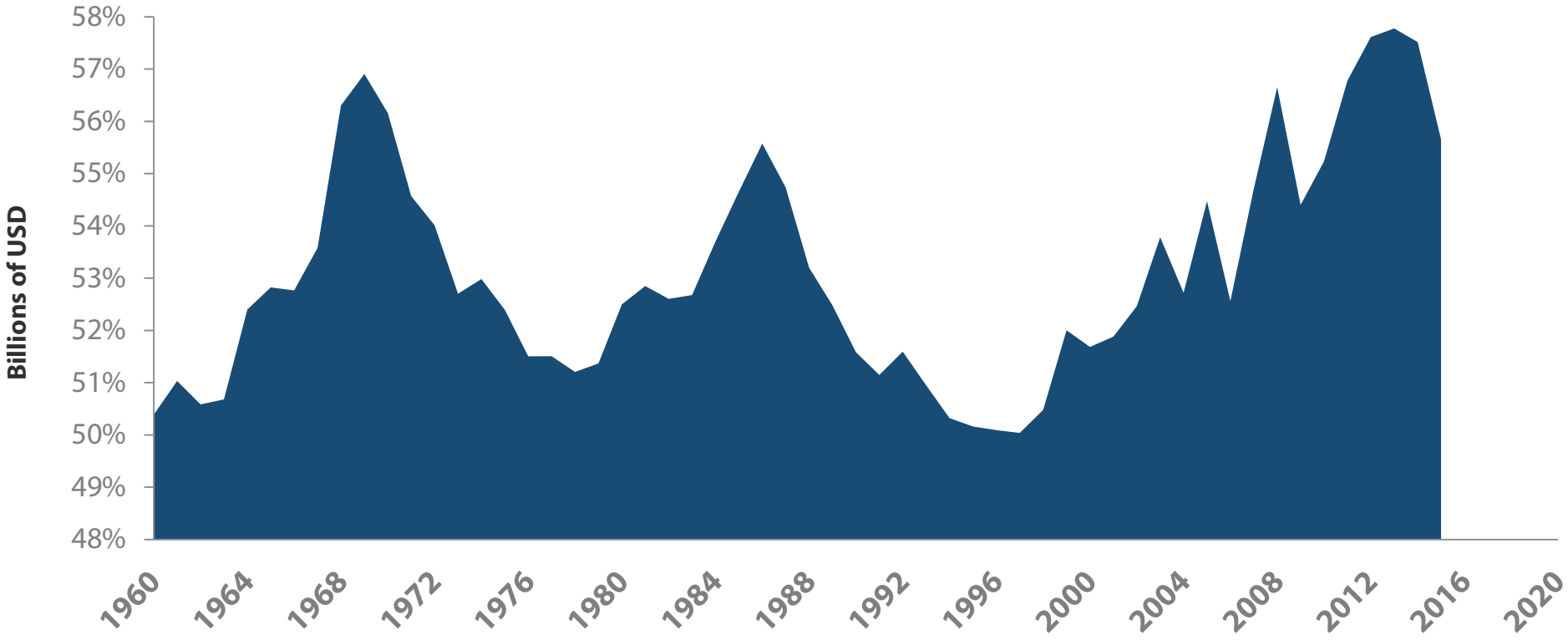
DATA SOURCE: ERS/USDA, MINNEAPOLIS FED, HRM ESTIMATES, 2016 IS ESTIMATED BY ERS/USDA

...SLIGHTLY MORE IS REAL ESTATE

FARM DEBT: REAL ESTATE AS % OF TOTAL DEBT



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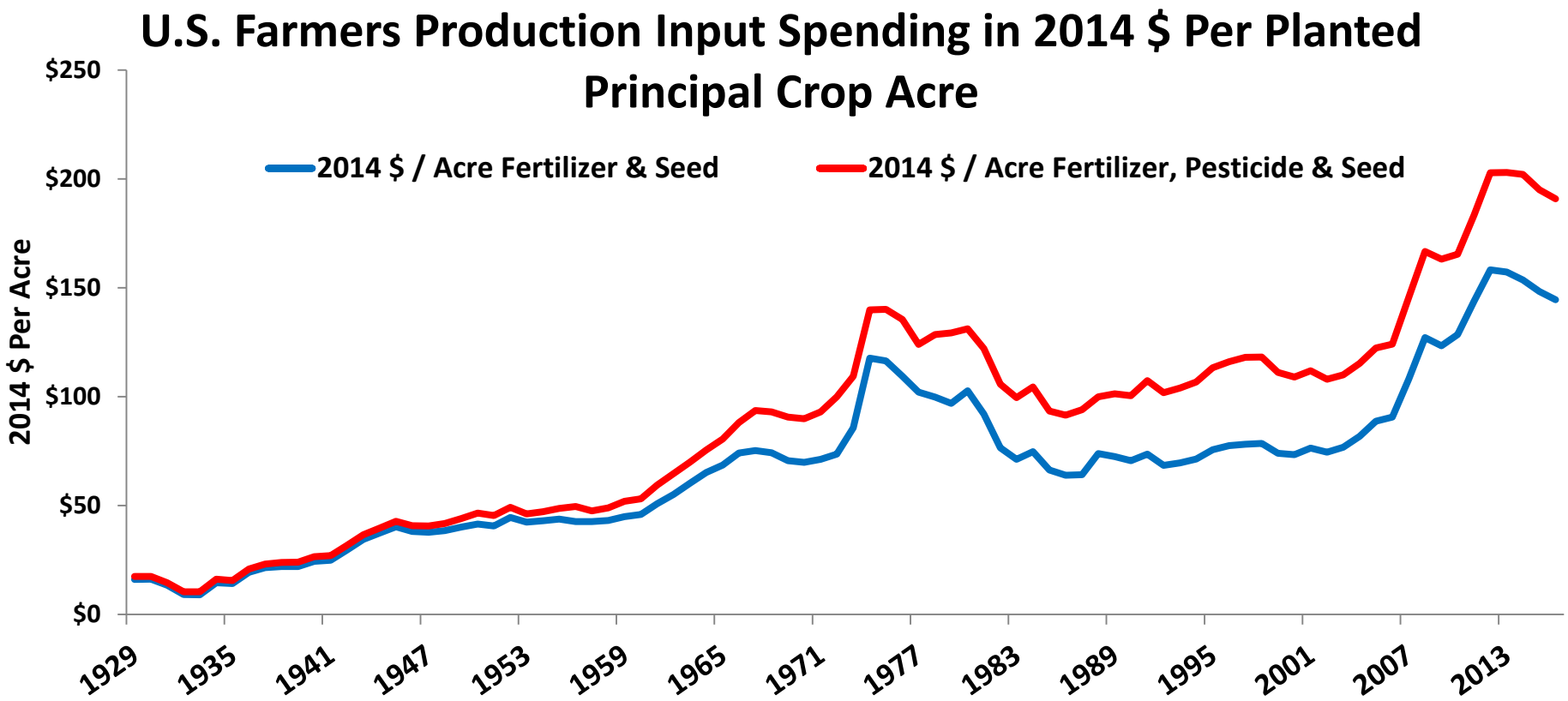
DATA SOURCE: ERS/USDA, HRM ESTIMATES, 2016 IS ESTIMATED BY ERS/USDA

SKYROCKETING INPUT SPENDING



DATA SOURCE: USDA, MINNEAPOLIS FED, HRM ESTIMATES

*2016 EST BY USDA

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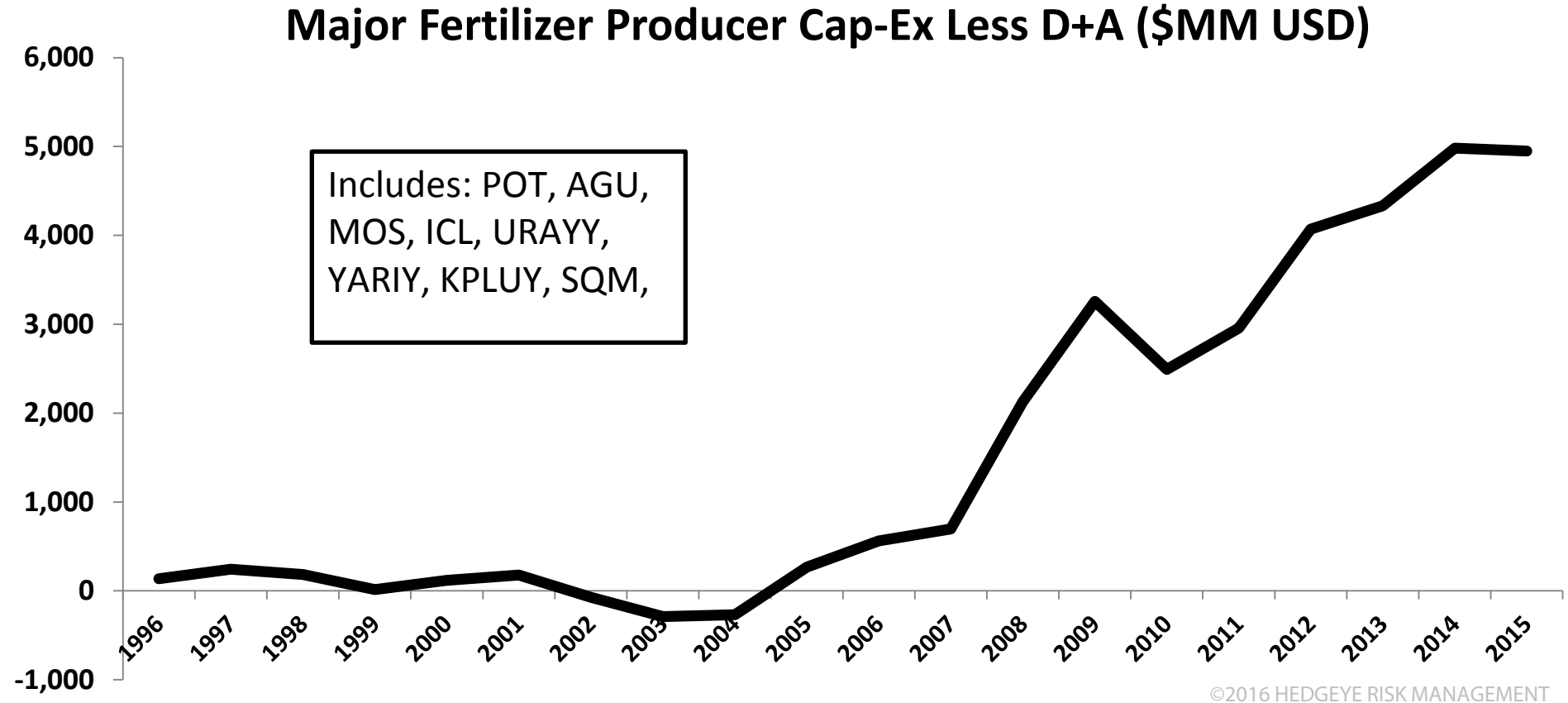
CAPACITY ADDITIONS AT PEAK PRICES



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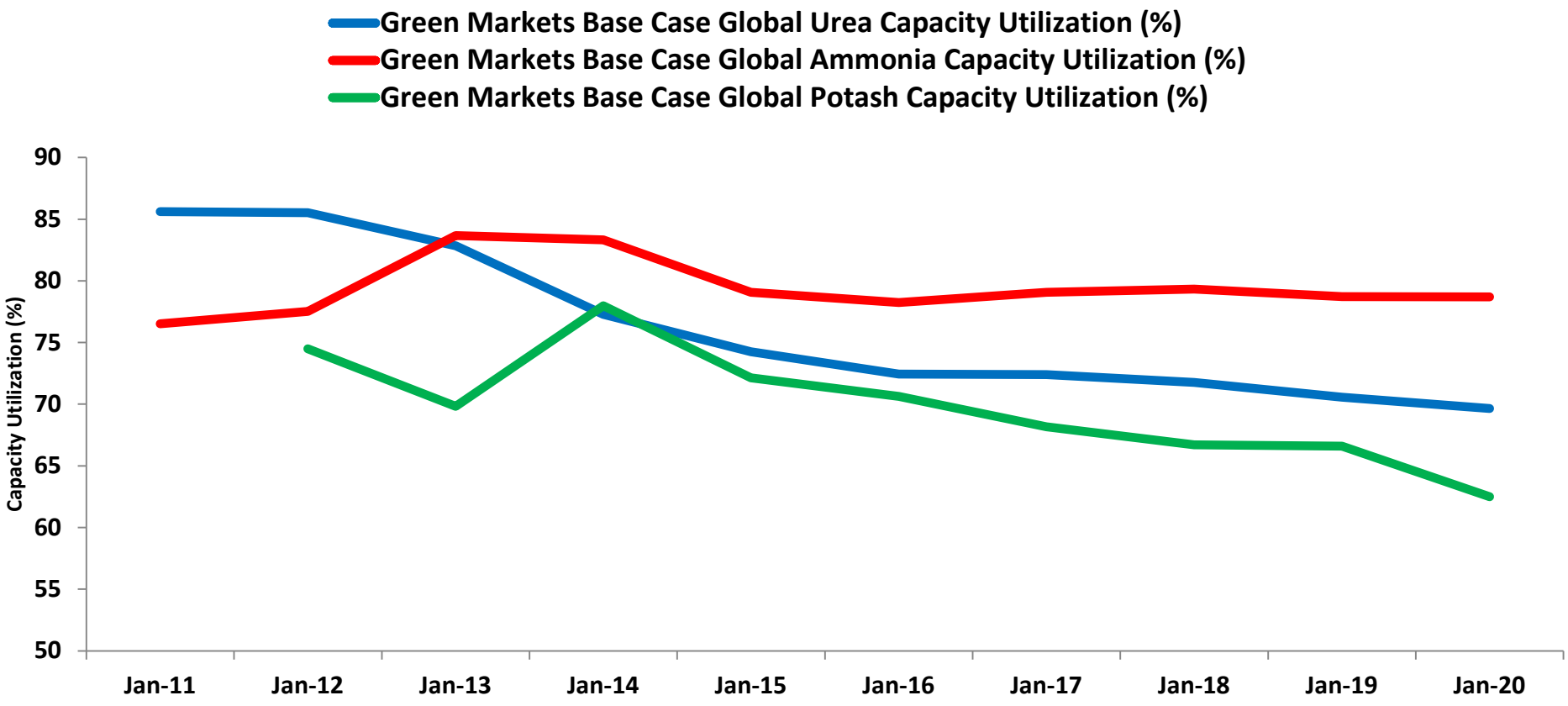
DATA SOURCE: COMPANY FILINGS

FERTILIZER CAPACITY UTILIZATION



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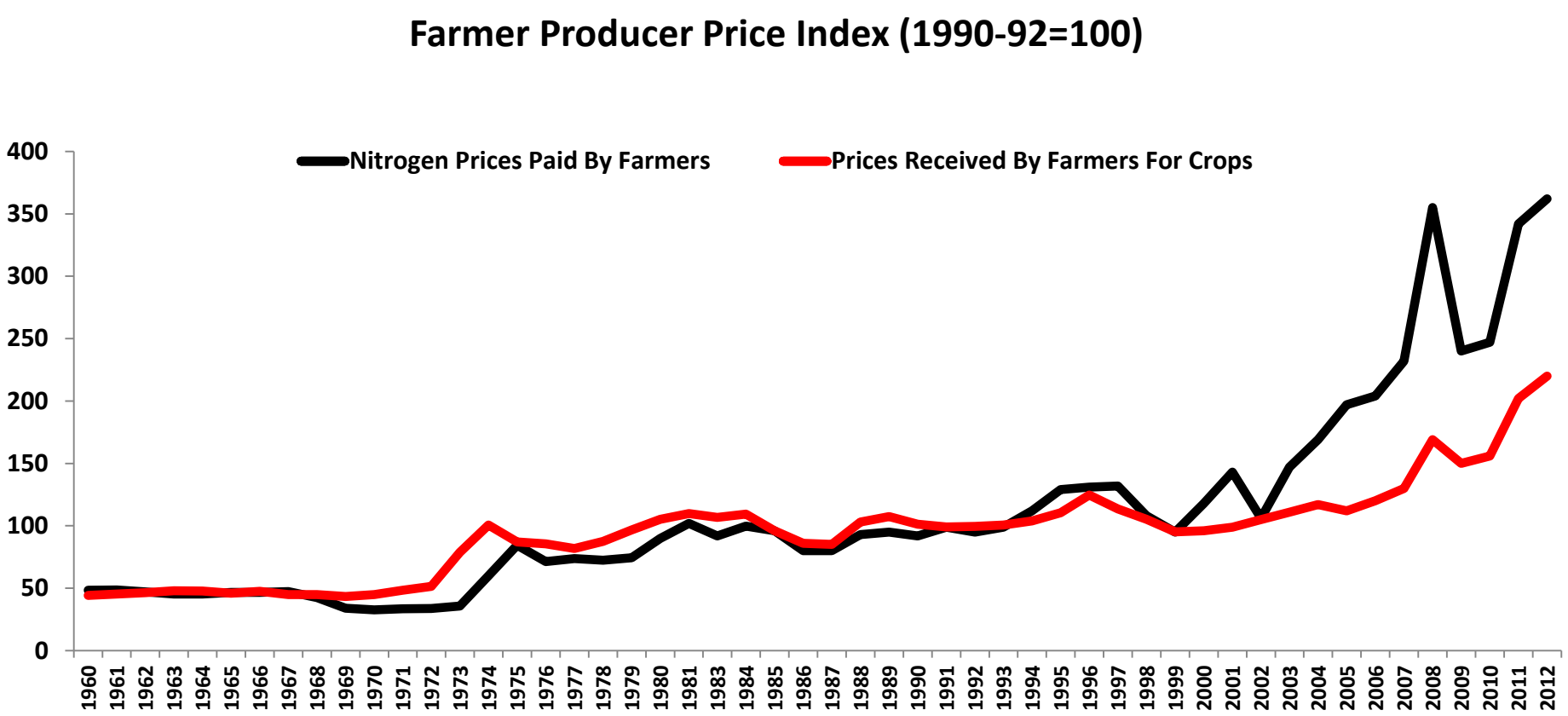
DATA SOURCE: GREEN MARKETS

NITROGEN VS. CROP PRICES



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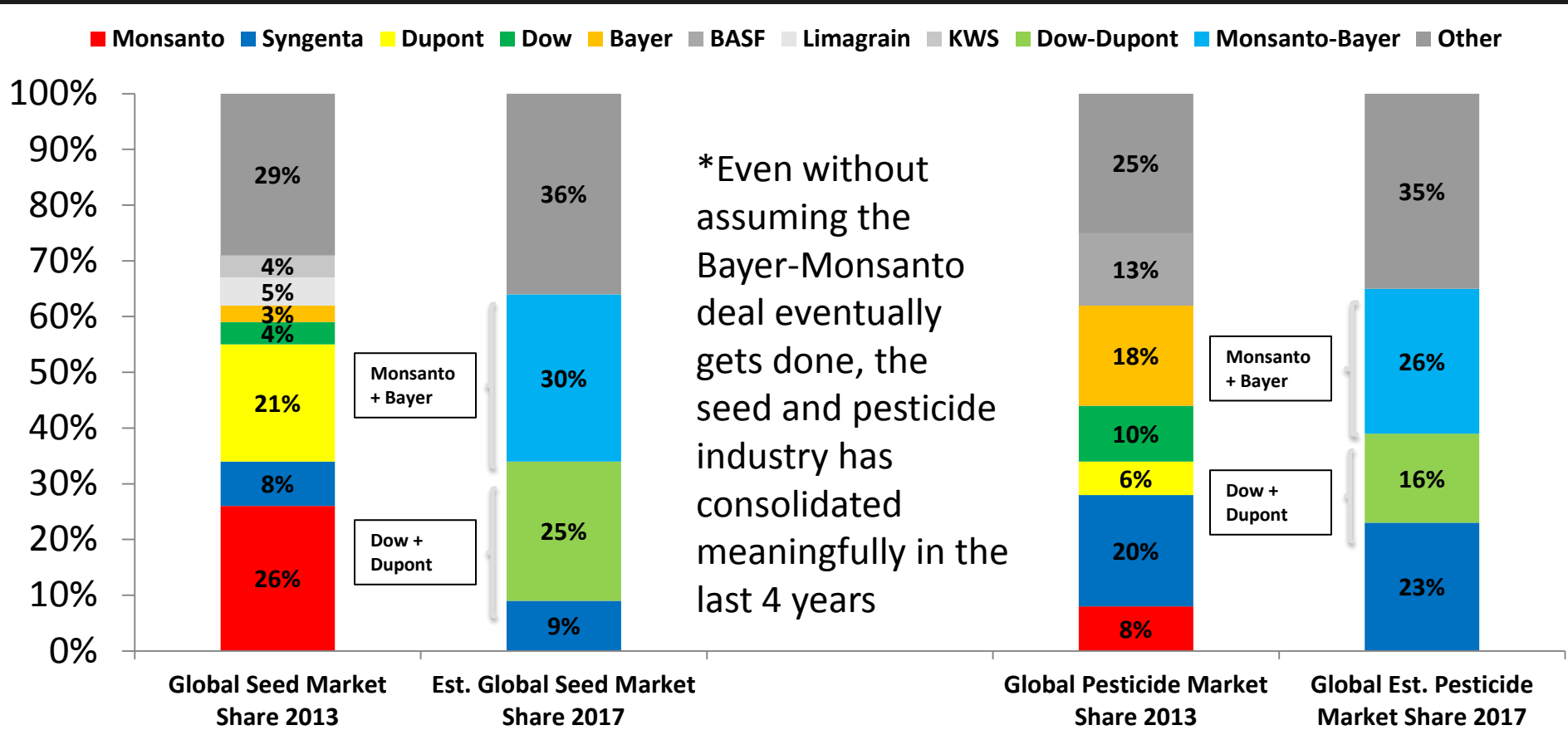
DATA SOURCE: USDA

POTENTIAL CONSOLIDATION IN WHOLESALE



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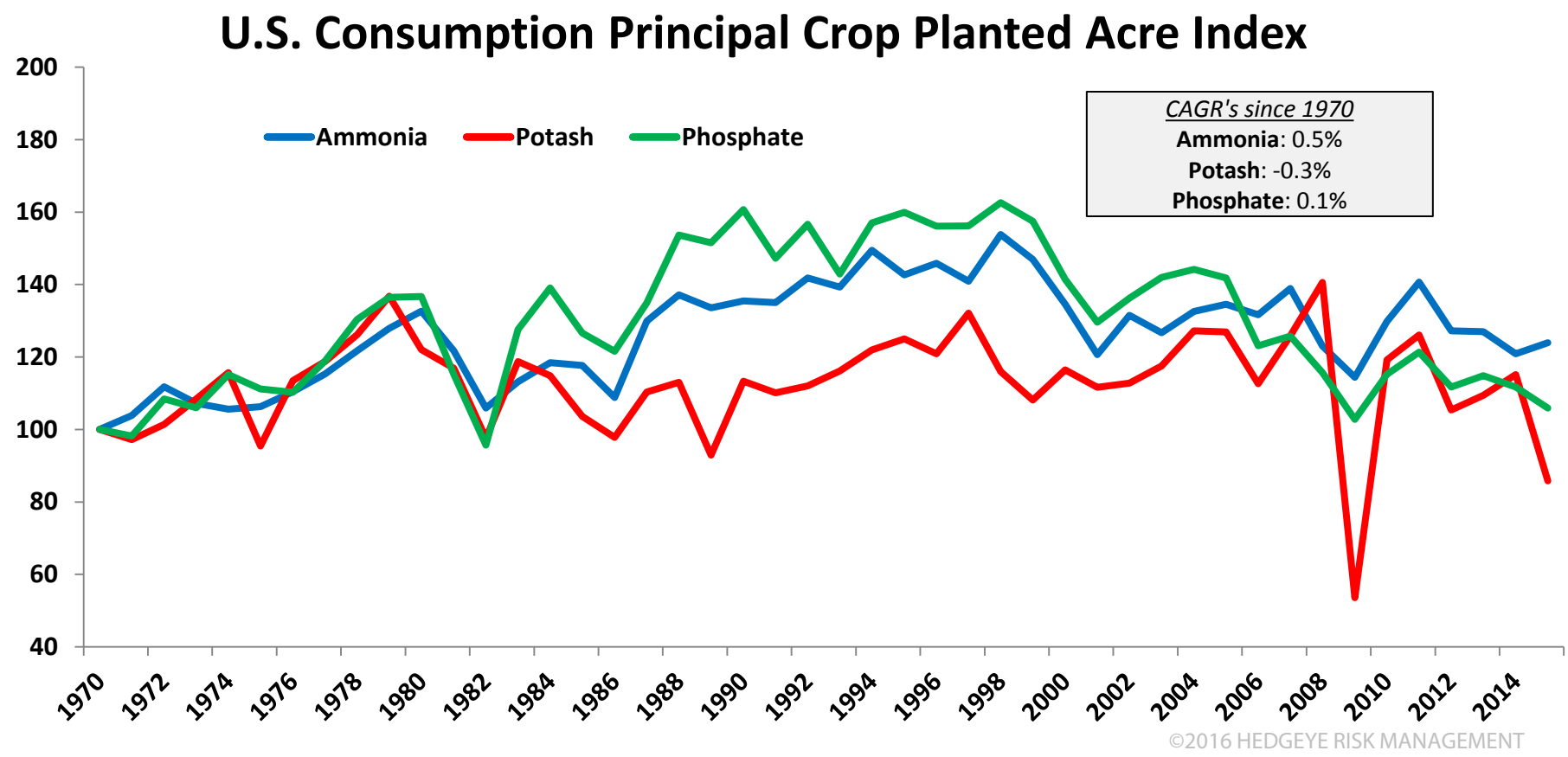
DATA SOURCE: COMPANY FILINGS, ETC GROUP, MOTHER JONES

A NO GROWTH INDUSTRY



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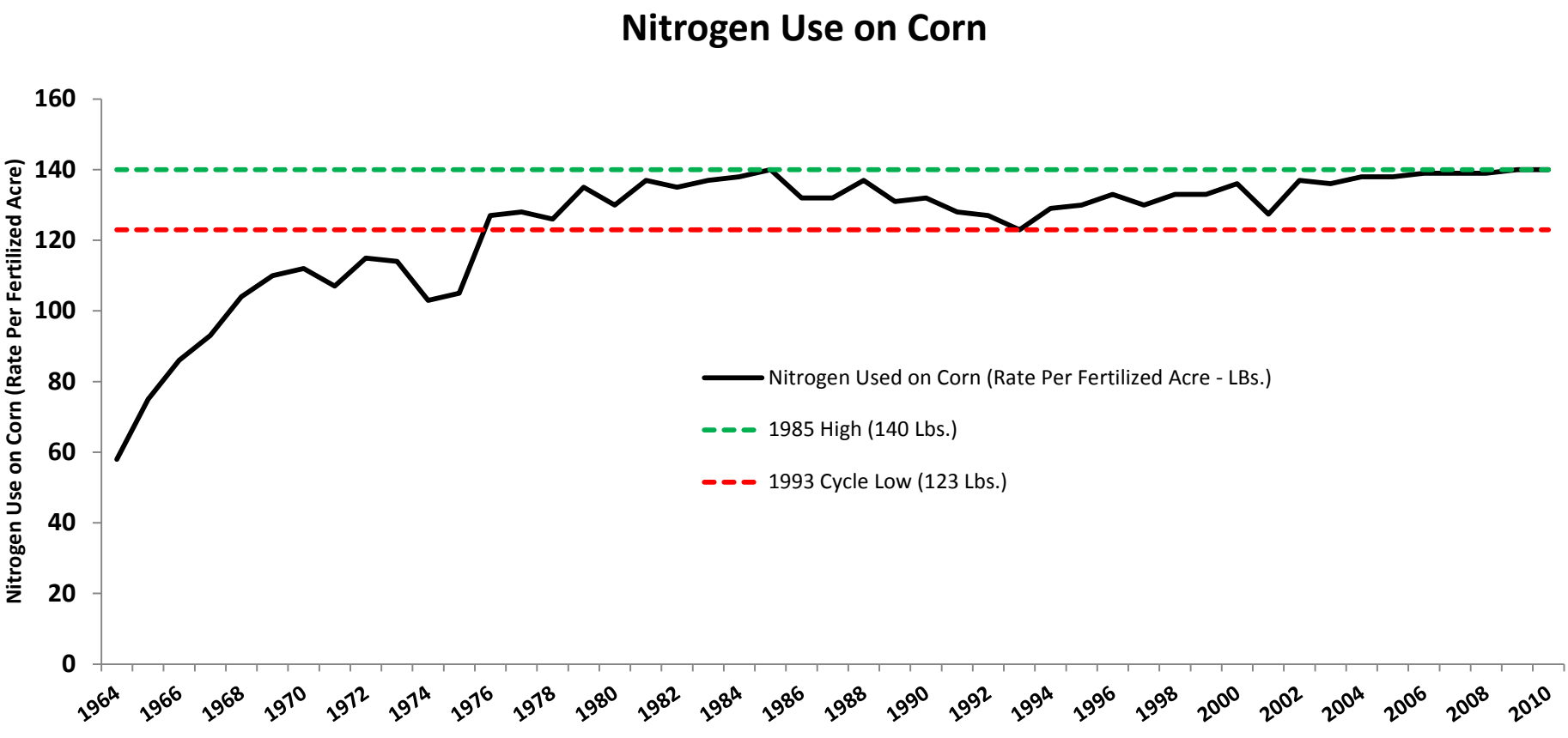
DATA SOURCE: USDA, HRM ESTIMATES

NITROGEN USE ON CORN



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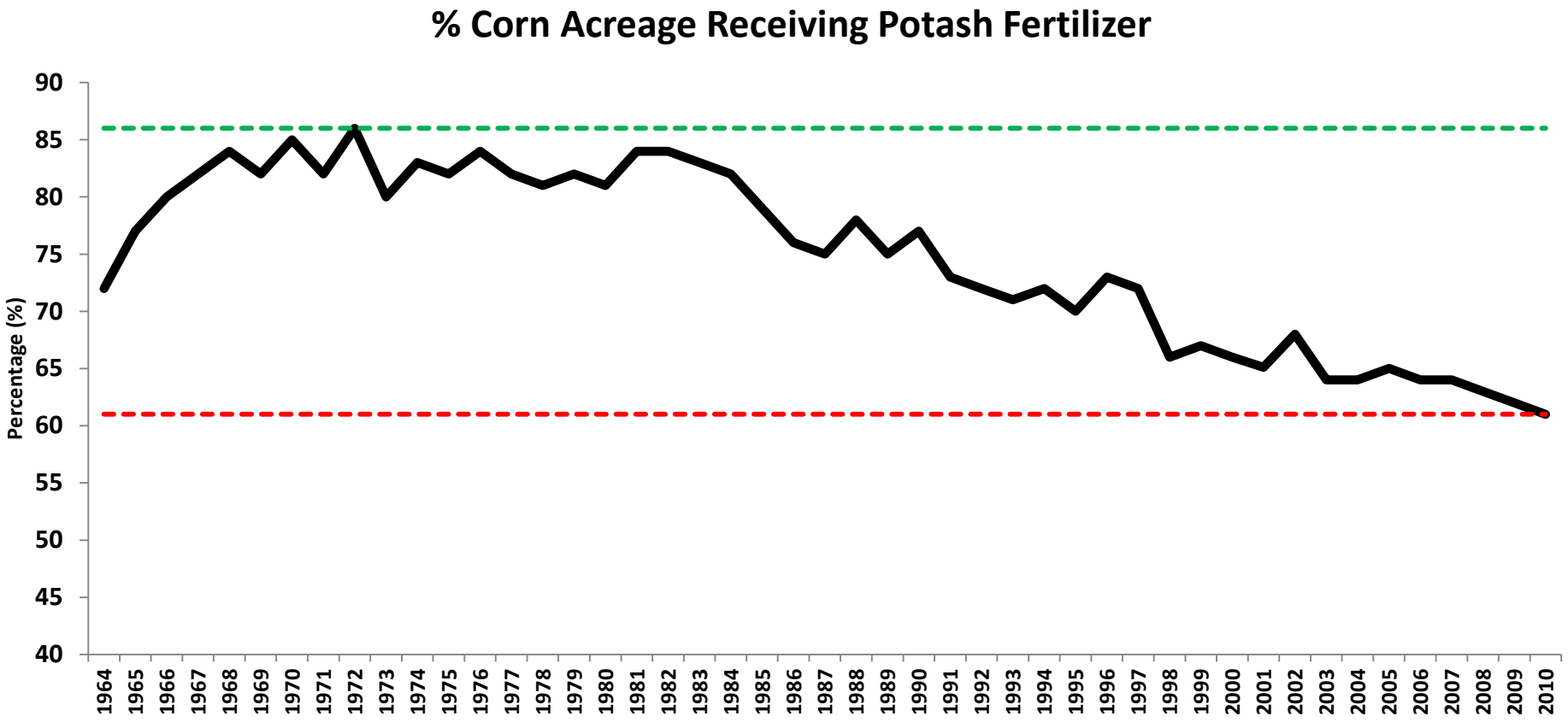
DATA SOURCE: USDA

POTASH IN DECLINE



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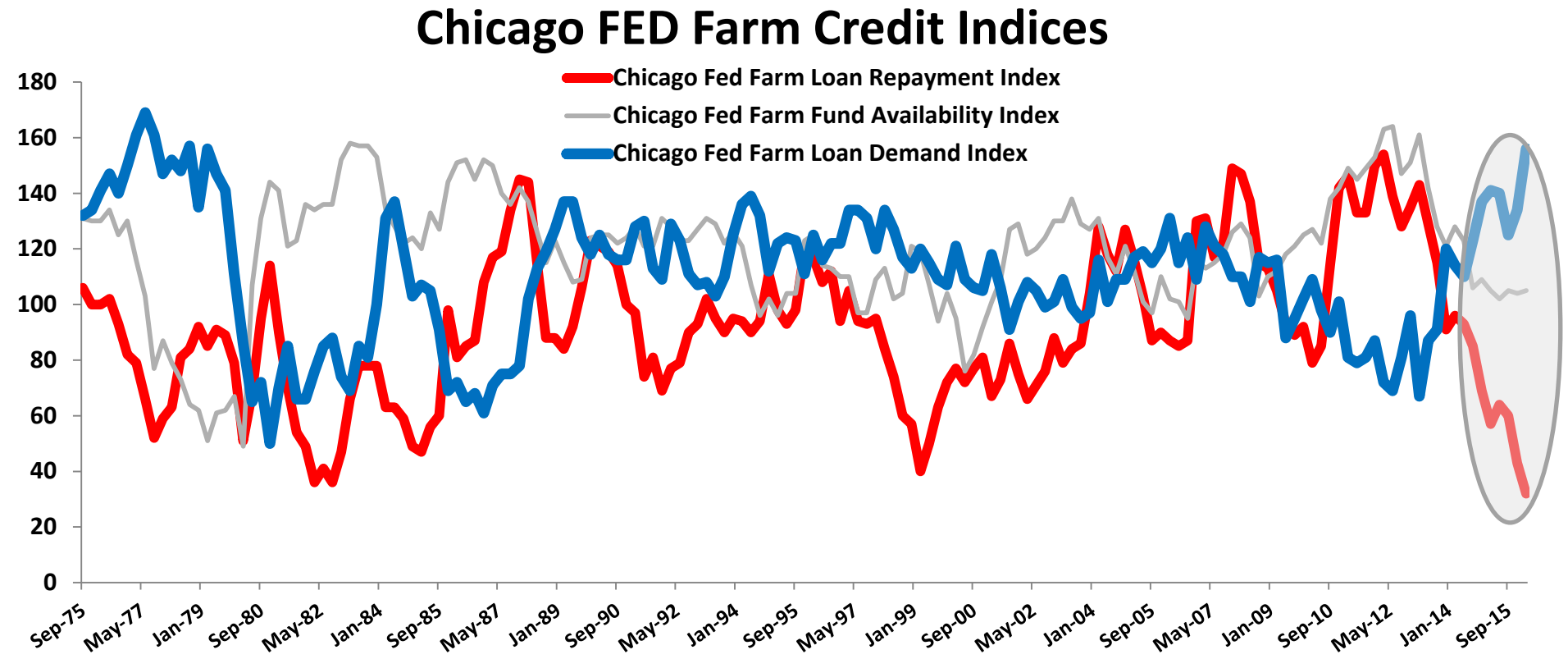
DATA SOURCE: USDA

THE REAL ISSUE – ABILITY TO PAY



Data Source: Chicago Fed

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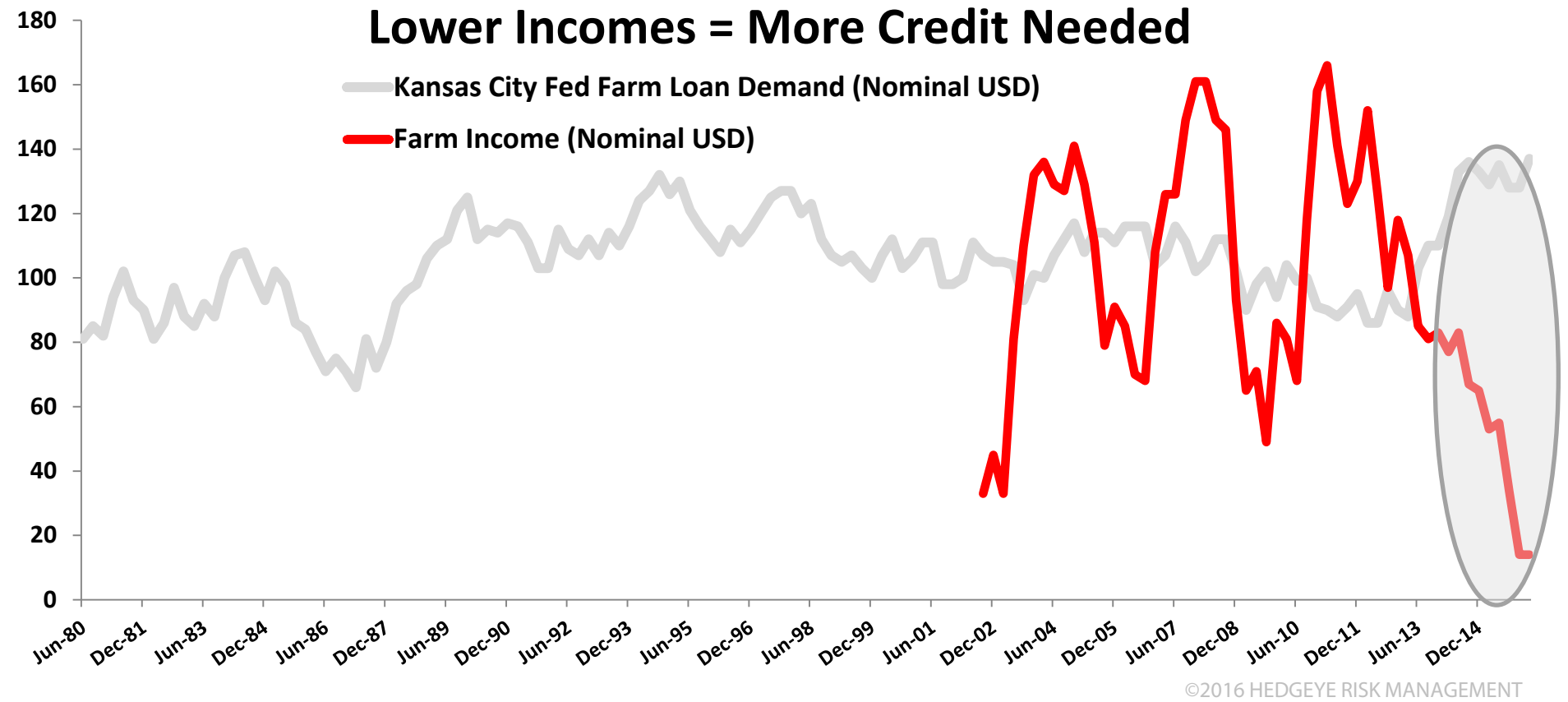

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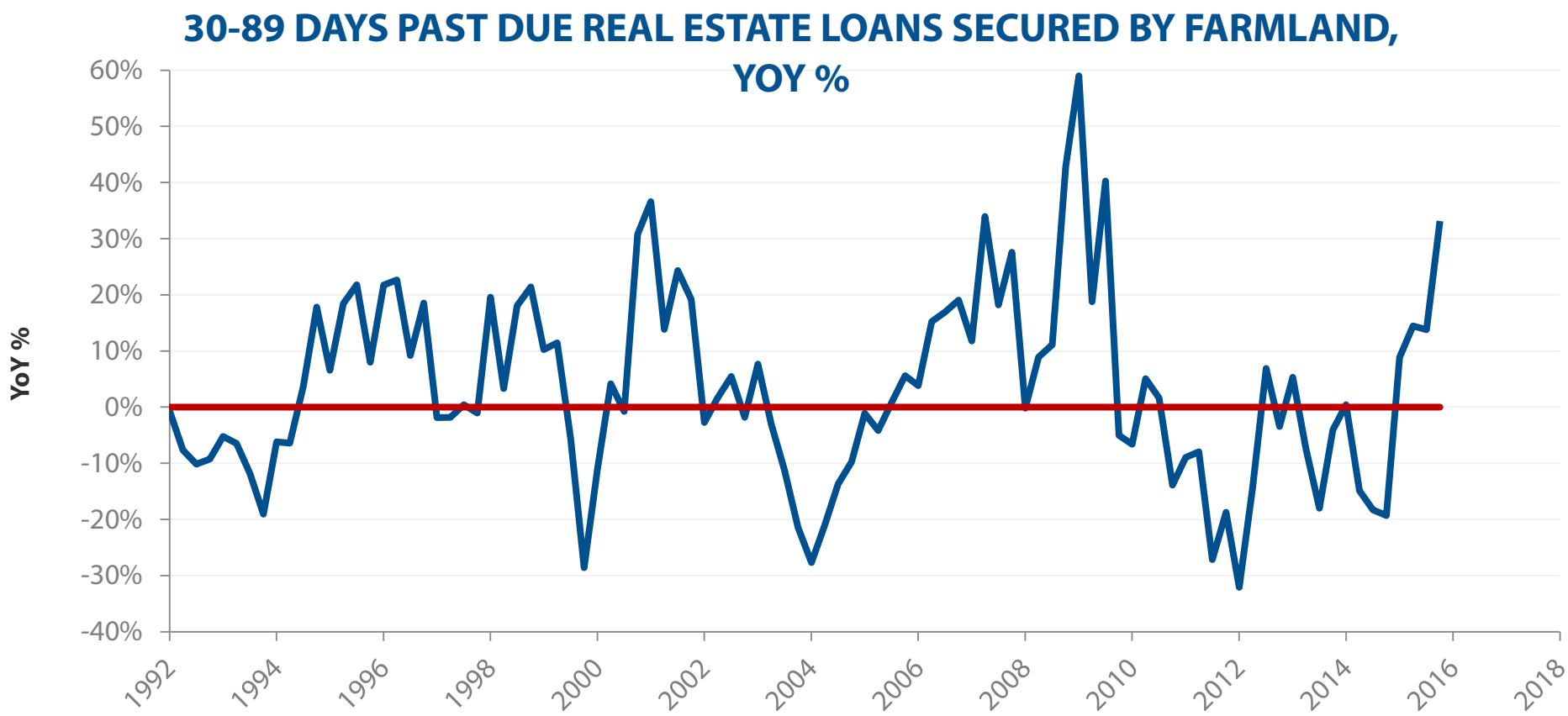
PAST DUE LOANS



DATA SOURCE: FDIC, HRM ESTIMATES

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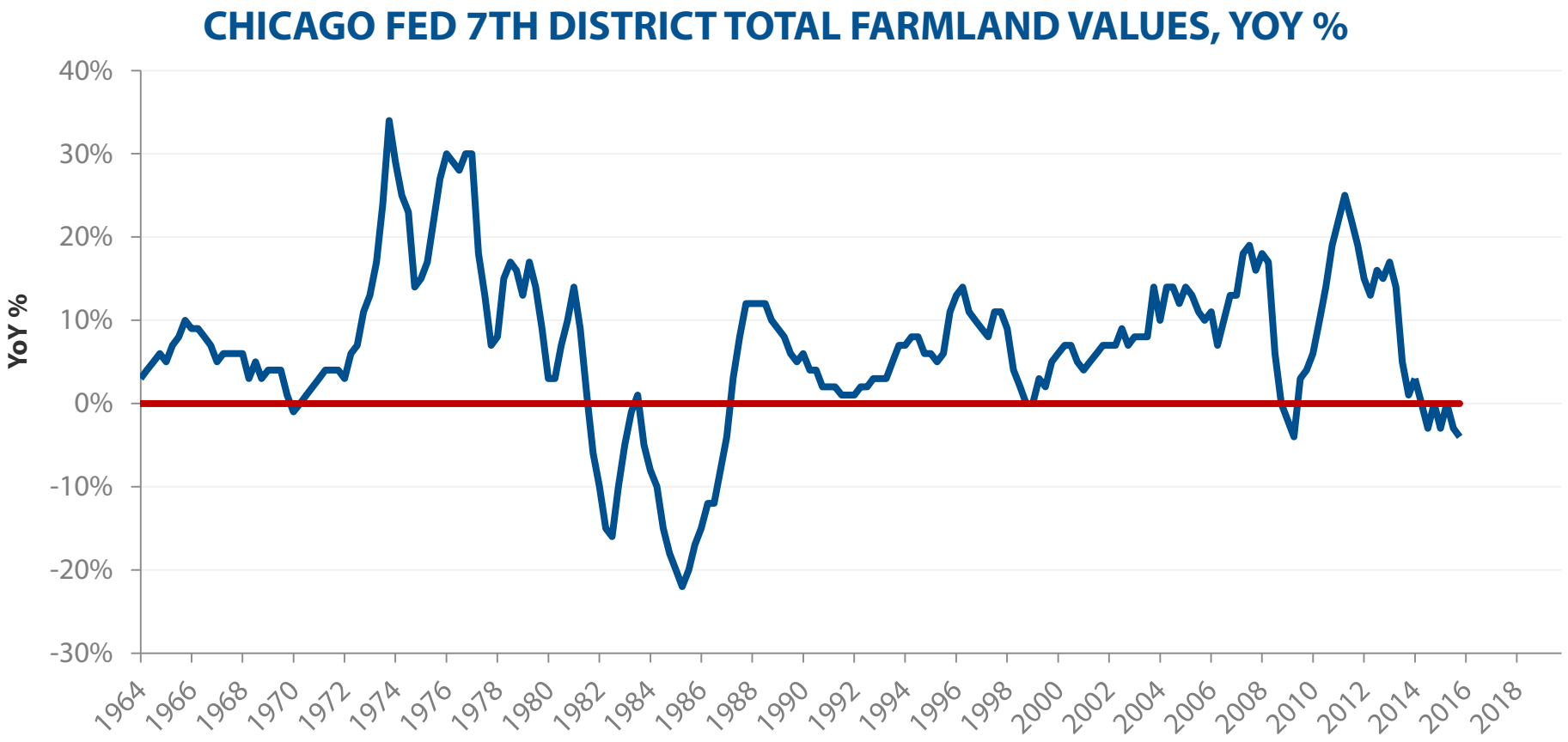
DATA SOURCE: FDIC, HRM ESTIMATES

FARMLAND VALUES



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DATA SOURCE: CHICAGO FED, HRM ESTIMATES

FERTILIZER PRICING

Est. UREA Pricing	M/M%	3M%	6M%	Y/Y %
NOLA	-6.0%	-31.0%	-23.7%	-51.4%
Eastern Cornbelt	-6.1%	-22.0%	-16.4%	-43.2%
Western Cornbelt	-4.2%	-23.3%	-19.3%	-44.6%
Pacific NW	-11.1%	-17.6%	-20.0%	-25.3%
Western Canada*	-21.5%	-25.5%	-17.9%	-38.4%
California	-2.9%	0.0%	-2.9%	-15.4%

*DEL Price in $USD

*Source: Green Markets, Bloomberg

Est. Ammonia Pricing	M/M%	3M%	6M%	Y/Y %
NOLA	0.0%	-4.1%	-33.3%	-50.4%
Eastern Cornbelt	-13.5%	-25.9%	-11.7%	-26.5%
Western Cornbelt	-14.3%	-27.8%	-16.1%	-27.8%
Pacific NW*	0.0%	-4.0%	-17.8%	-25.4%
Western Canada*	-1.9%	-3.4%	-15.5%	-39.0%
California*	-6.0%	-6.0%	-21.0%	-29.3%

*DEL Price in $USD

*Source: Green Markets, Bloomberg

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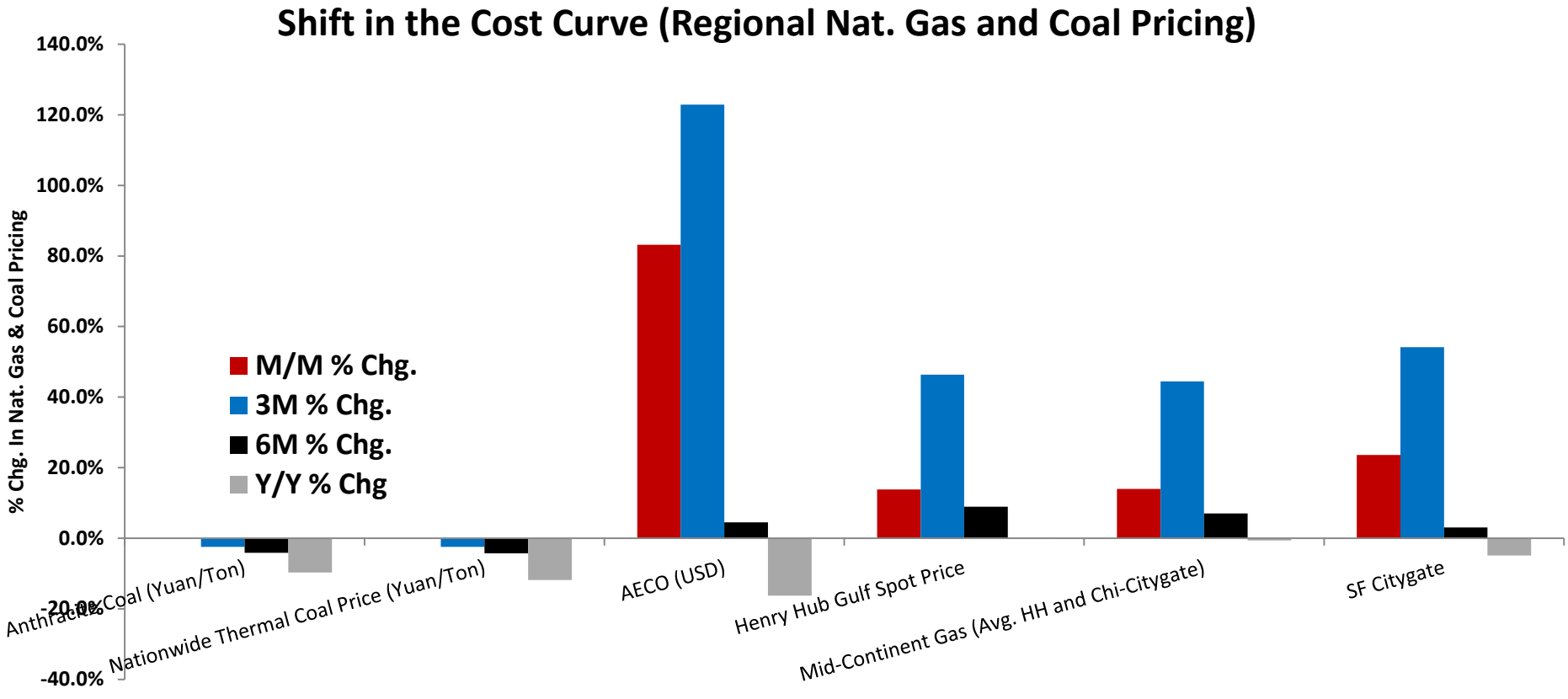
PRODUCTION ECONOMICS



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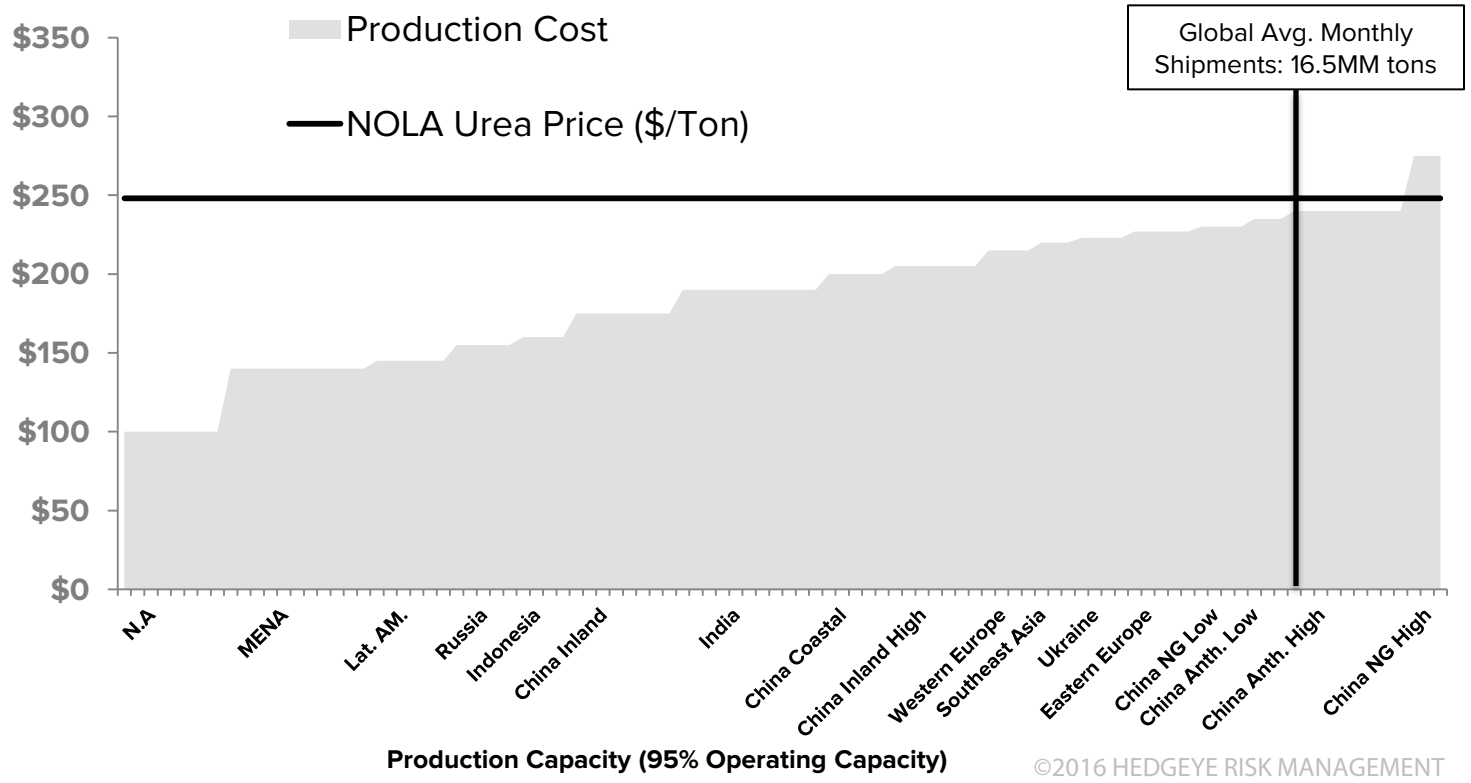
DATA SOURCE: CME, BLOOMBERG, NATIONAL BUREAU OF STATISTICS

COST CURVE: MONTHLY DELIVERED U.S. GULF UREA

MARCHING DOWN THE COST CURVE



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Agrium estimates that if U.S. projects come online, we will still have to import 25% of nitrogen-based need

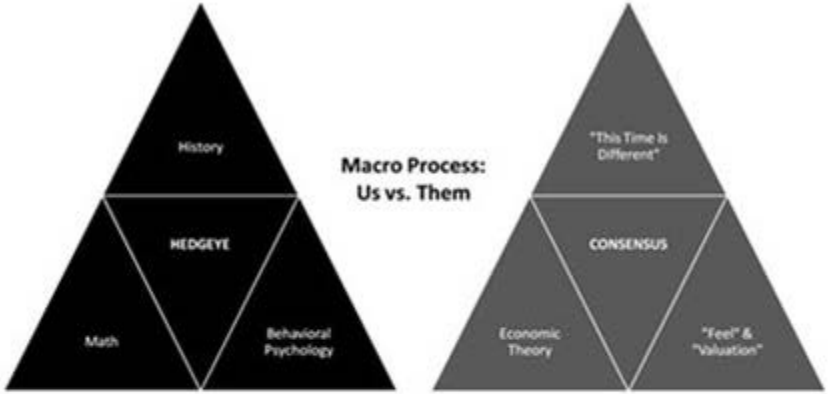
Agrium estimated capacity additions (annual capacity additions):

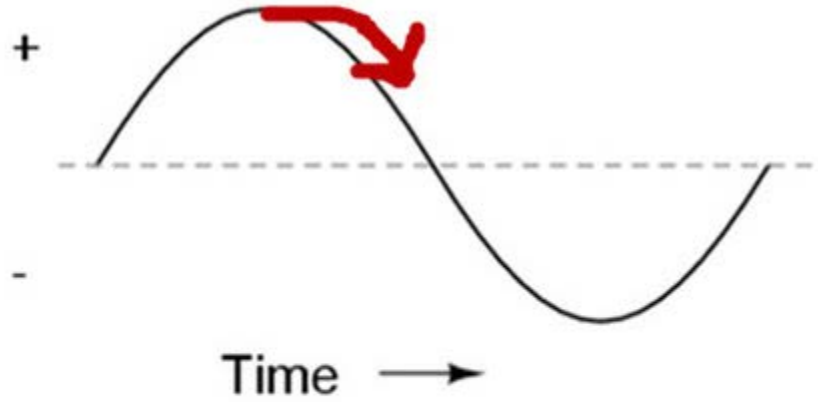
- Urea: 4.6MM
- Ammonia: 1.5MM
- UAN/AN: 2.0MM

DATA SOURCE: FERTECON, CRU, INTEGER, CF INDUSTRIES, AGRIUM

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	$81.34	0.41%	4.20%	4.07%
Financial Select Sector	XLF	$23.56	0.94%	3.08%	-1.13%
Health Care Select Sector	XLV	$74.14	0.43%	3.40%	2.93%
Technology Select Sector	XLK	$45.05	0.65%	3.87%	5.18%
Consumer Staples Select Sector	XLP	$55.70	-0.02%	1.00%	10.32%
Industrial Select Sector	XLI	$58.70	0.76%	4.80%	10.73%
Materials Select Sector	XLB	$48.61	0.89%	4.90%	11.95%
The Energy Select Sector	XLE	$69.27	0.51%	1.51%	14.84%
Utilities Select Sector	XLU	$51.85	-0.65%	-1.18%	19.80%
S&P 500	SPX	2,163.75	0.53%	3.09%	5.86%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.34	-0.12%	1.11%	-1.79%
Financial Select Sector	XLF	$23.56	0.42%	-0.01%	-6.99%
Health Care Select Sector	XLV	$74.14	-0.09%	0.30%	-2.93%
Technology Select Sector	XLK	$45.05	0.12%	0.78%	-0.68%
Consumer Staples Select Sector	XLP	$55.70	-0.54%	-2.09%	4.46%
Industrial Select Sector	XLI	$58.70	0.23%	1.71%	4.87%
Materials Select Sector	XLB	$48.61	0.37%	1.81%	6.09%
The Energy Select Sector	XLE	$69.27	-0.02%	-1.58%	8.98%
Utilities Select Sector	XLU	$51.85	-1.18%	-4.27%	13.94%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.3%	4.8%	5.6%	6.1%	23.2%	13.0%
	Low Debt/EV	0.5%	3.2%	4.6%	3.0%	13.7%	6.2%
SI	High Short Interest	0.4%	5.1%	6.1%	3.7%	19.2%	7.2%
	Low Short Interest	0.6%	3.6%	3.7%	4.5%	13.8%	6.9%
BETA	High Beta	0.9%	6.8%	4.8%	3.9%	20.6%	5.7%
	Low Beta	-0.2%	1.1%	4.8%	6.9%	17.4%	14.8%
YIELD	High Yield	0.2%	3.9%	5.5%	5.0%	17.4%	10.6%
	Low Yield	0.6%	4.0%	4.1%	4.7%	16.3%	6.5%
MKT CAP	MCAP Bottom 25%	0.5%	5.2%	4.5%	2.8%	16.7%	5.8%
	MCAP Top 25%	0.6%	3.2%	4.1%	4.2%	12.7%	6.4%
Sales	Top 25% Sales Growth	0.5%	4.0%	4.3%	5.3%	19.5%	8.5%
	Bottom 25% Sales Growth	0.4%	4.3%	6.2%	5.4%	18.9%	10.1%
EPS	Top 25% EPS Growth	0.5%	4.6%	5.3%	5.4%	18.9%	8.4%
	Bottom 25% EPS Growth	0.3%	4.0%	4.9%	4.9%	19.5%	10.8%

**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	0.31%	1.0	2.6	5	9	-5	36	24	24
3M LIBOR	0.68%	0.0	1.6	3	5	-1	39	35	33
2Y T-Note	0.67%	0.8	8.4	-5	-9	-43	18	11	23
5Y T-Note	1.10%	3.6	13.5	-4	-15	-73	20	-41	-15
10Y T-Note	1.54%	6.1	15.1	-8	-26	-91	22	-76	-61
30Y T-Note	2.25%	8.0	11.8	-17	-35	-98	16	-86	-84
2Y-10Y Spread, Bps	86	5.3	6.7	-2.8	-16	-49	4	-87	-84
IG SPREAD (AAABBB)	1.70%	0.0	-9.0	-15	-20	-60	0	0	-15
HIGH YIELD	6.36%	-9.4	-38.8	-92	-121	-297	0	-23	-42
5Y BREAKEVEN	1.46%	1.8	3.7	-0.4	2.9	-18.3	60.1	-14.2	-27.5

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: (7/14) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	14%	-13%	-13%	-16%
Total Exchange Volume**	-1%	-16%	-10%	-14%

*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)