THE MACRO SHOW

JULY 14, 2016

LEGAL

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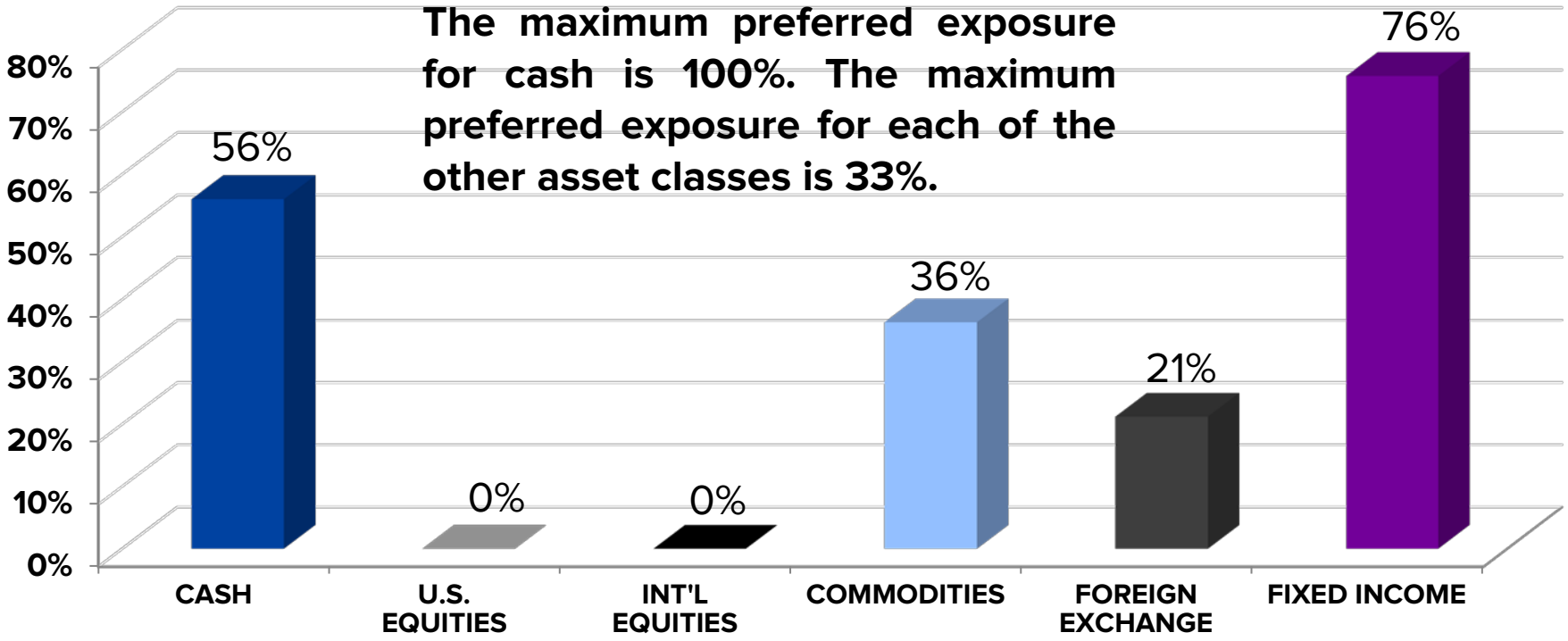
HEDGEYE ASSET ALLOCATION

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

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/13/2016	56%	0%	0%	36%	21%	76%
7/14/2016	56%	0%	0%	36%	21%	76%

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

HEDGEYE ASSET ALLOCATION



1 #EARNINGS

2 POUND STERLING

3 STYLE FACTORS

#EARNINGS

JPMorgan Kicked off bulge bracket earnings this morning and the headlines of the top stories all centered around JPM “beating” estimates. As you can clearly see where we show an earnings beat/miss heatmap (where companies print relative to where consensus expects) everyone beats estimates. It’s part of modern financial reporting, and much less relevant than Y/Y earnings growth. JP Morgan reported a -1.4% hit to net income in Q2 Y/Y to kick off what we think could be another disappointing earnings season for Q2

POUND STERLING

The GBP/USD is bouncing higher to $1.3374 (+1.73%) following this morning's announcement from the BOE to keep the main interest rate UNCH at 0.5% (voted 8-1). The Bank continues to underline its willingness to stimulate the economy following Brexit, and said it will look to its August 4th meeting for updated data and forecasts to determine its decision making. Today's BOE decision may well be teeing itself up to take the next three weeks to explain a rate cut.

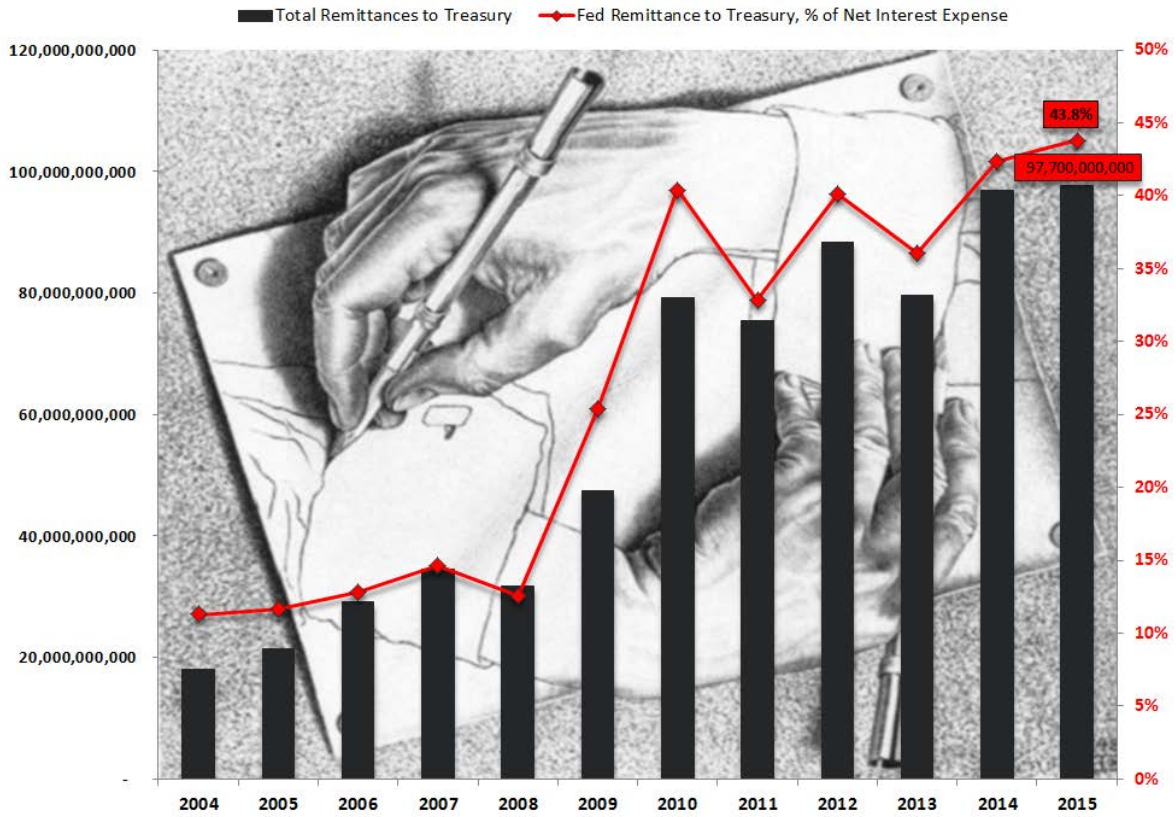
STYLE FACTORS

While “the market” is at new highs the internals still matter and the same style factors that have worked for the YTD are the same ones that led yesterday. We continue to like lower beta, large cap, defensive yield in terms of both sector and equity style exposure.

MACRO & HOUSING

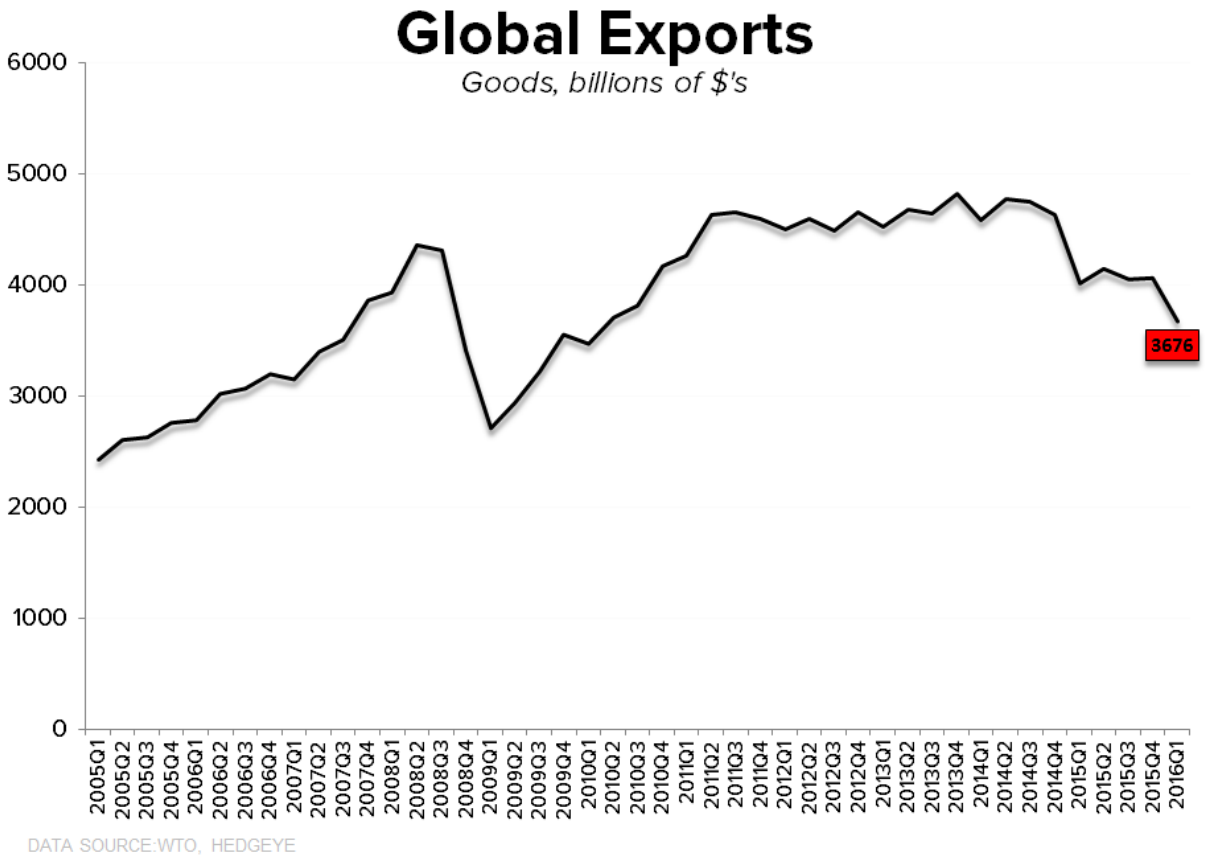
CHRISTIAN DRAKE

DON'T CALL IT A PONZI



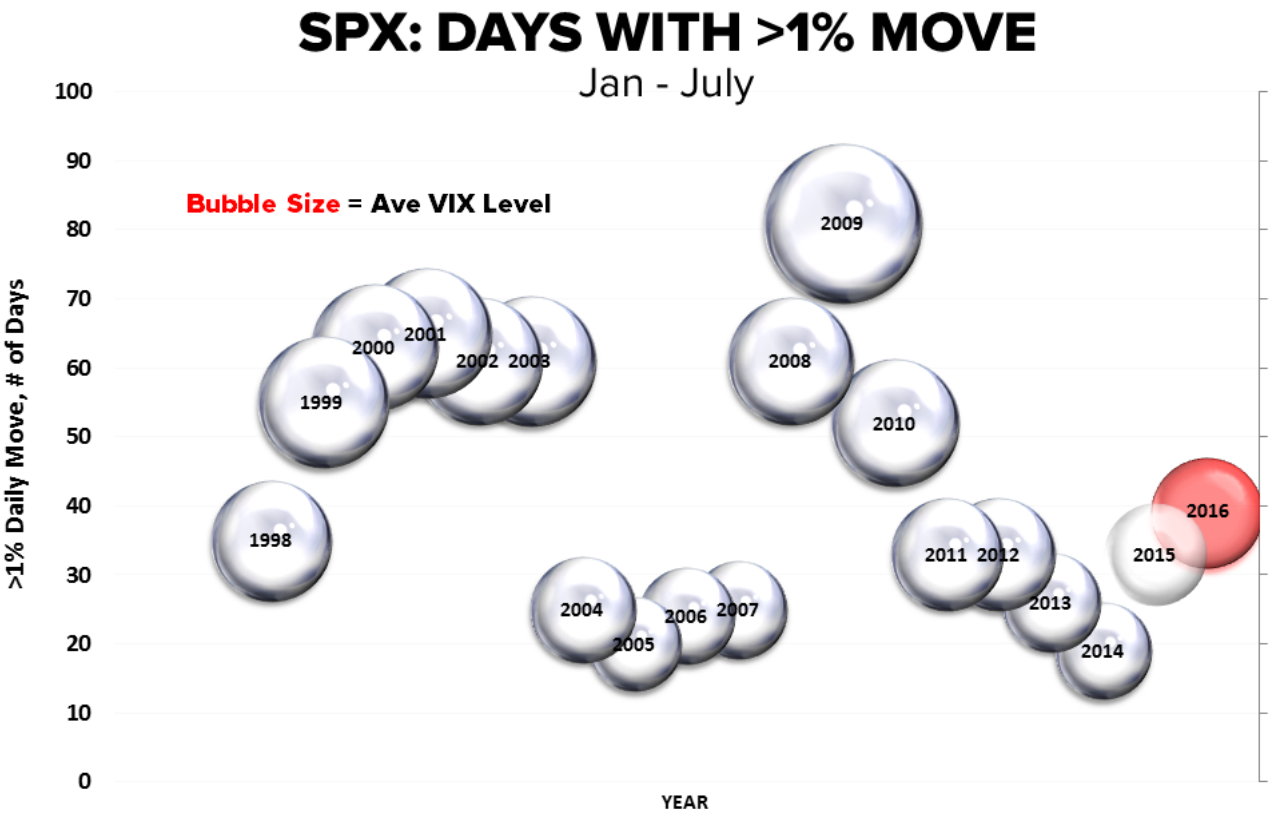
DATA SOURCE: CBO, FEDERAL RESERVE, HEDGEYE

GLOBAL TRADE = PAST PEAK



DATA SOURCE:WTO, HEDGEYE

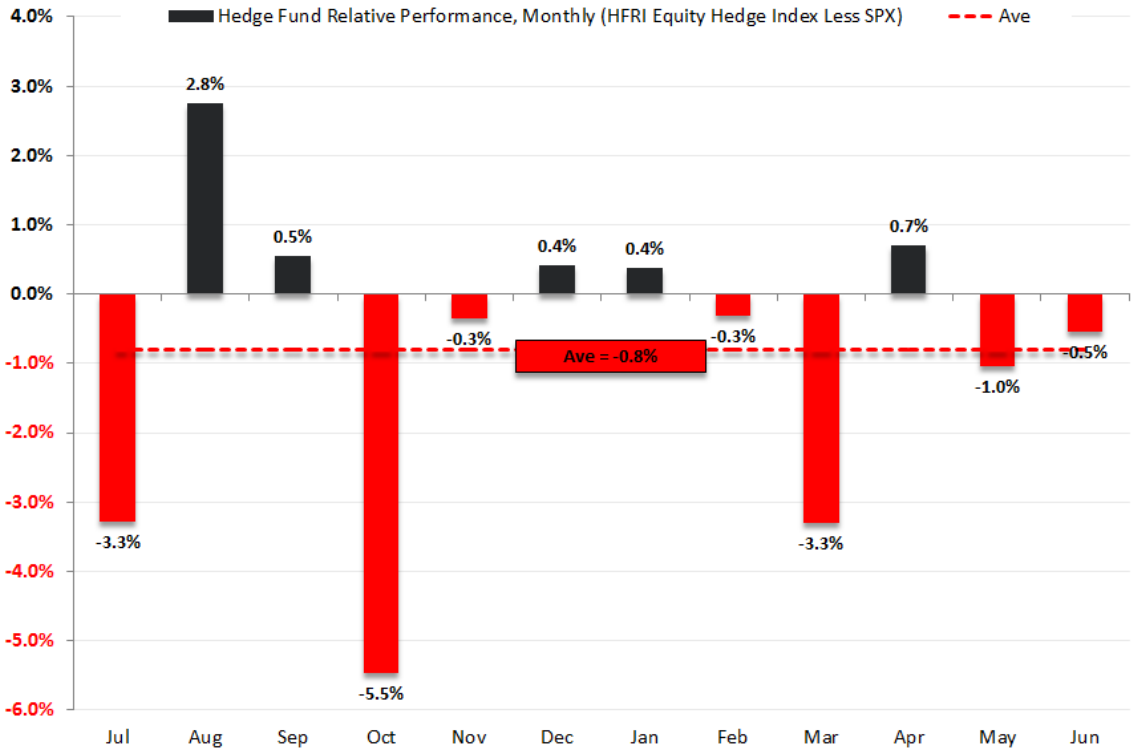
VOLATILITY = ↑



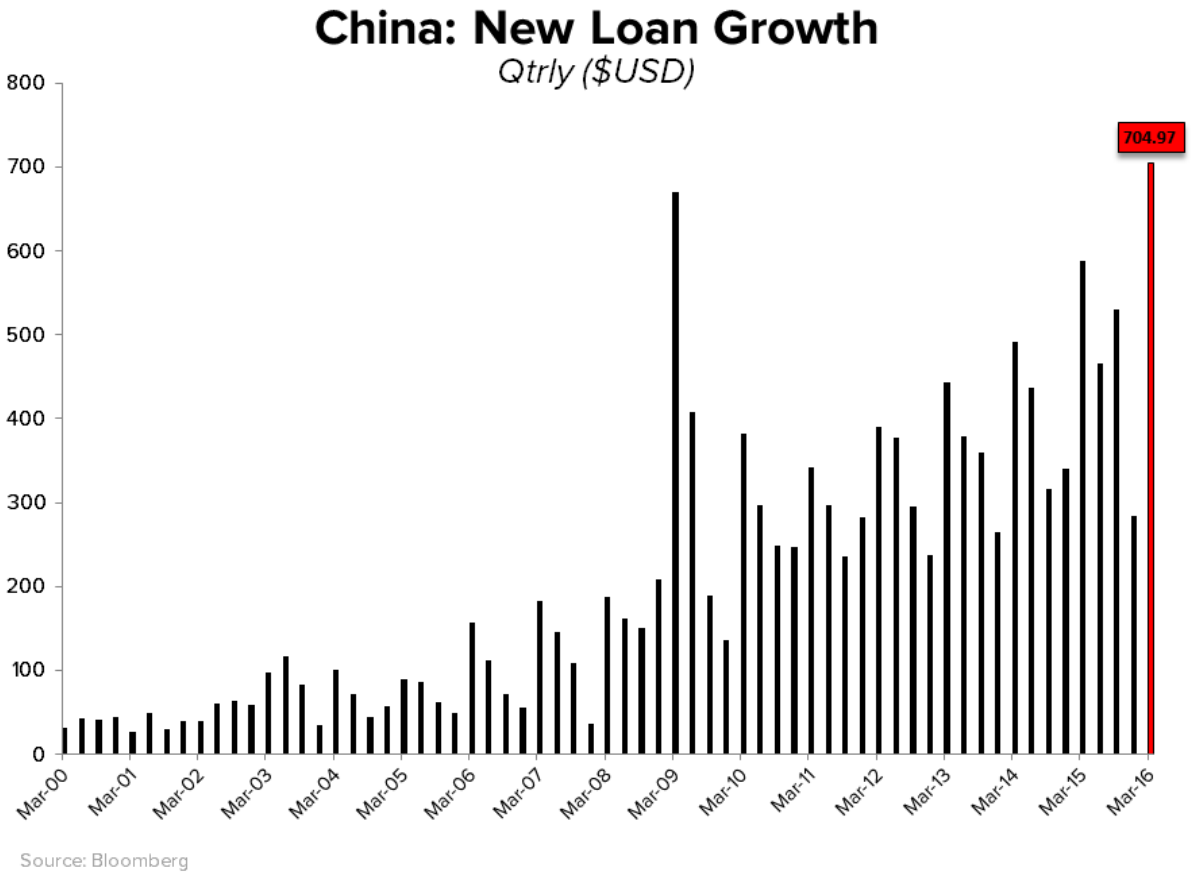
Source: Bloomberg, Hedgeye

PERFORMANCE PRESSURE = ↑

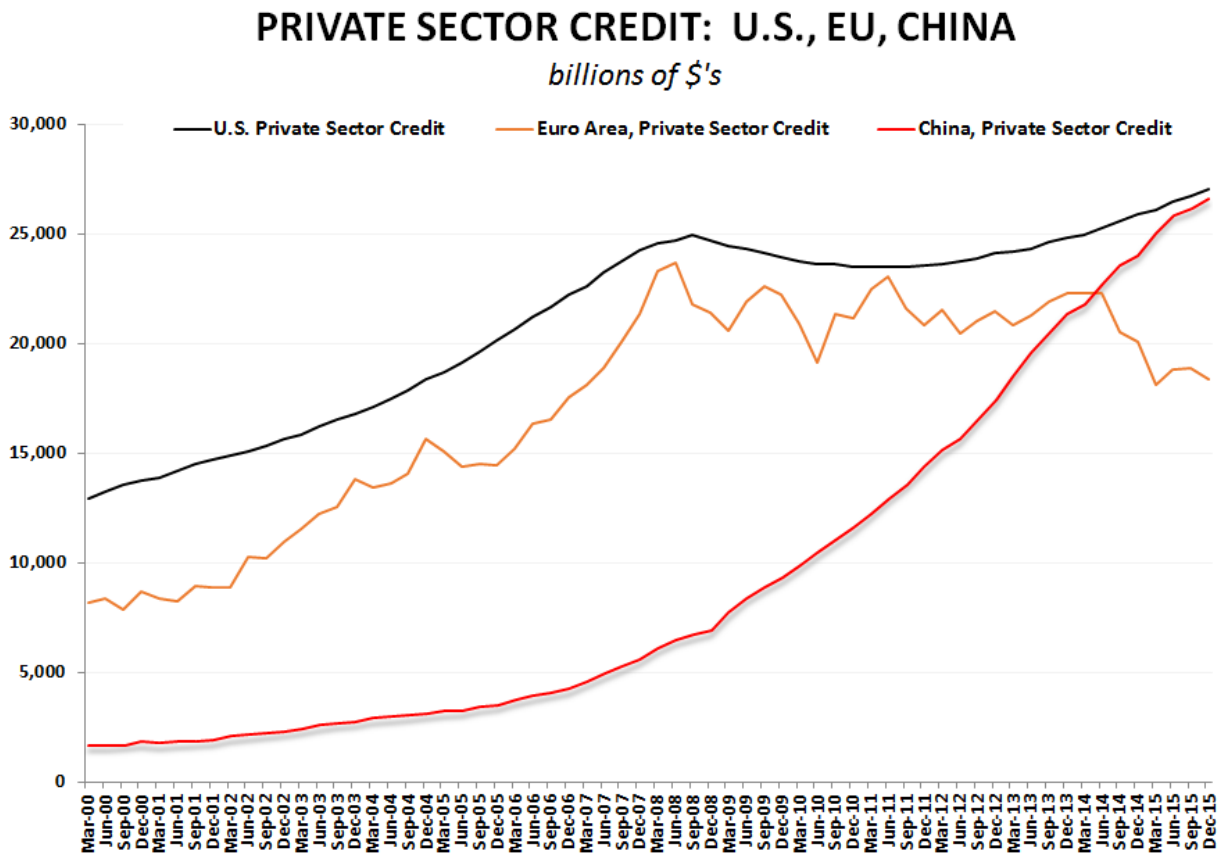
Hedge Fund Relative Performance



DUDE, UNDERAPPRECIATED!



CHINA = EU + US



DATA SOURCE: BIS

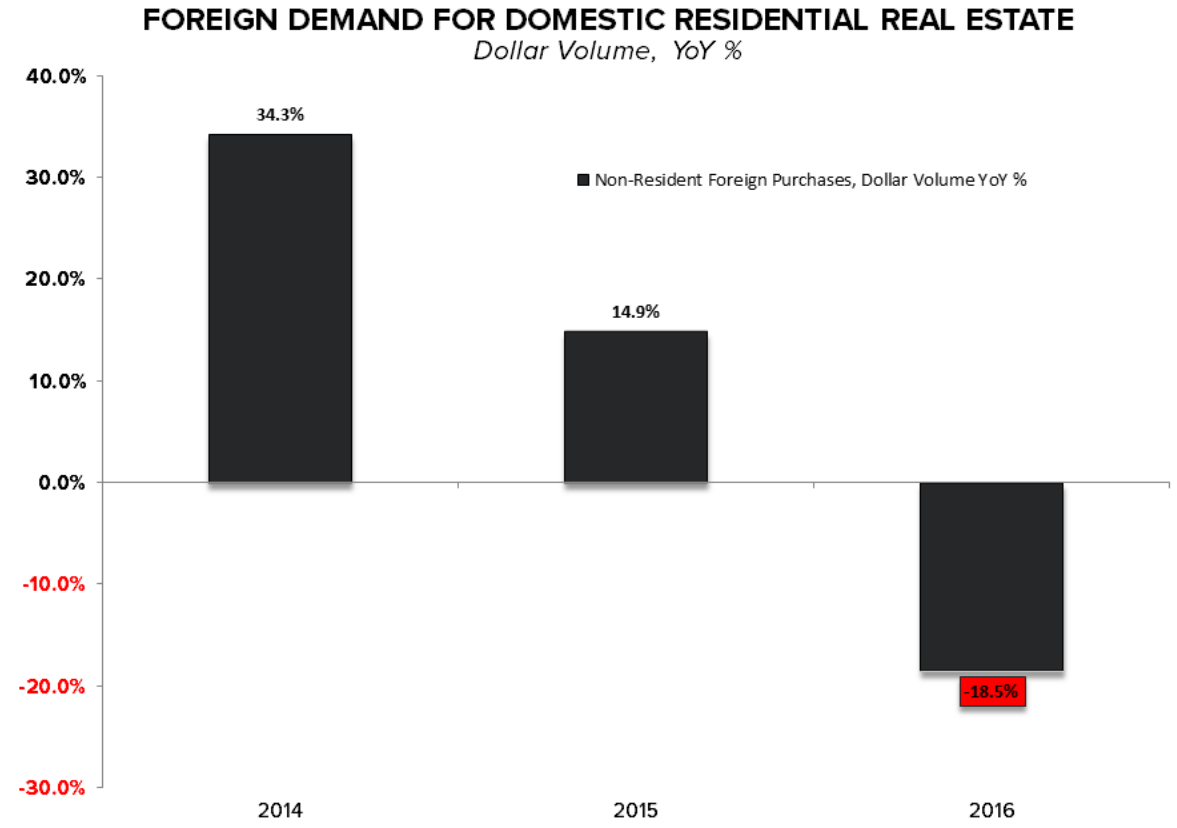
ANCHORED

10Y YIELDS: SPREAD* TO JAPAN/GERMAN 10Y

*Spread = equal weighted average of spread to german & japanese 10Y Yields

DATA SOURCE:BLOOMBER, HRM

FOREIGN DEMAND = ↓



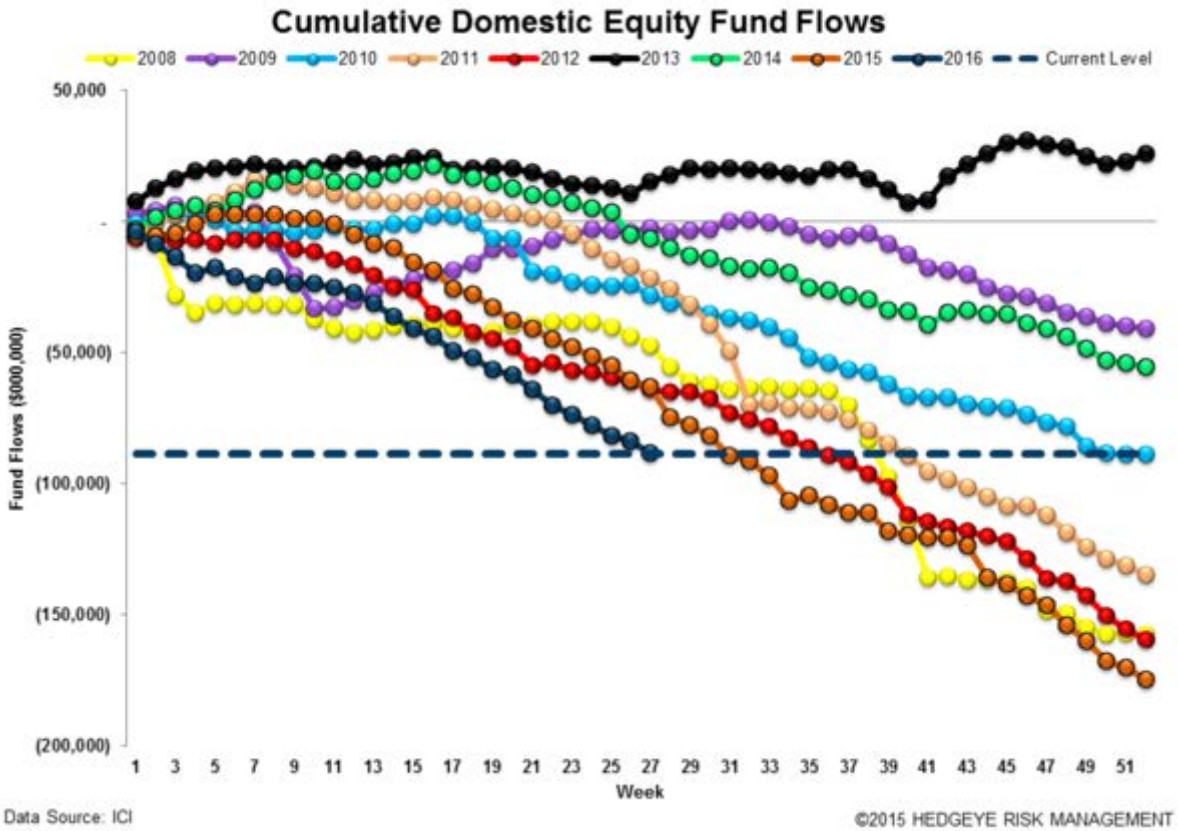
Source: NAR, HEDGEYE

TREASURY DEPARTMENT CRACKDOWN

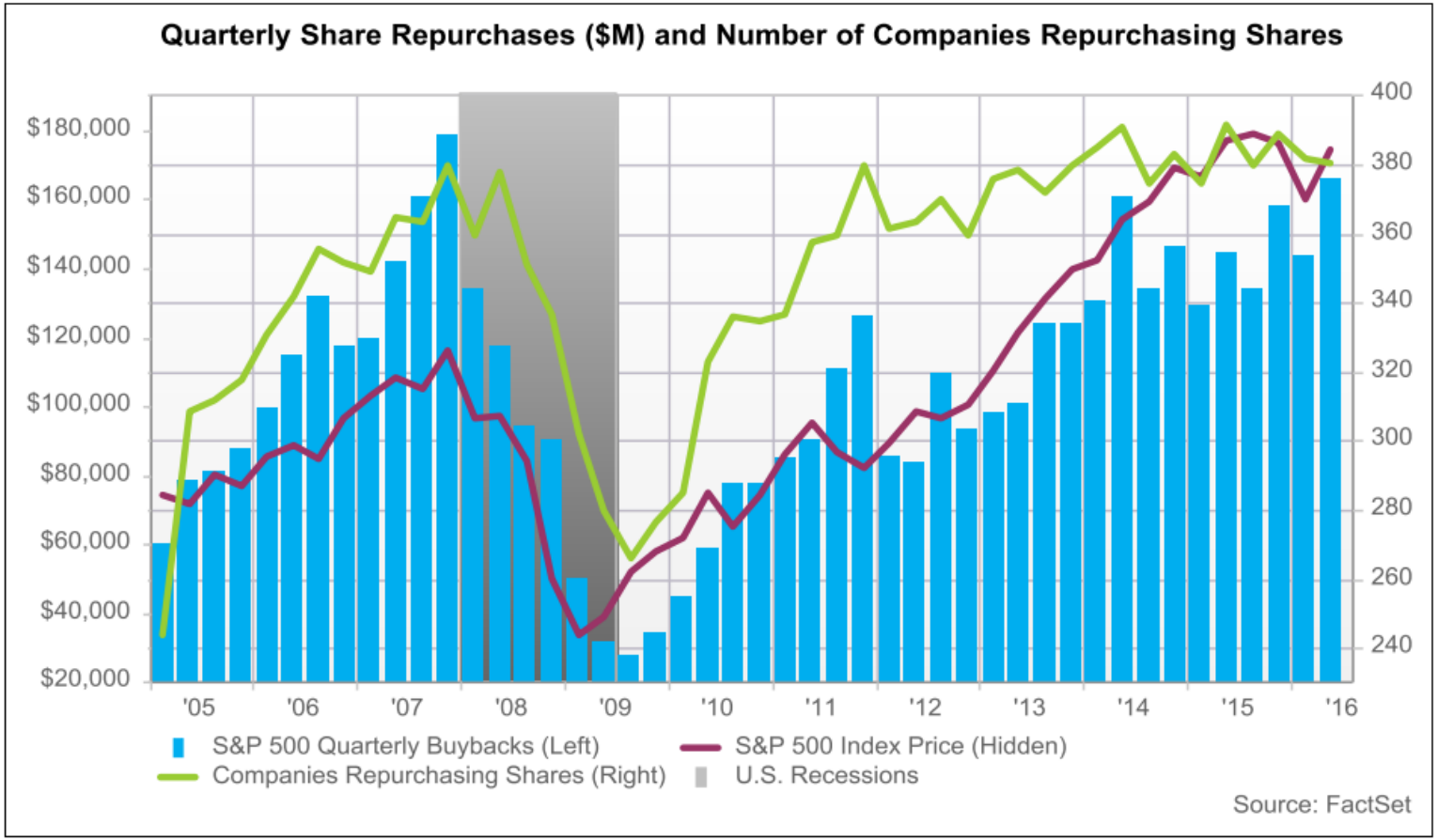
Nationally, 44% of foreign buyers purchasing properties over $5mn are doing so through shell company LLCs.

Data source: NY Times, Treasury Dept.

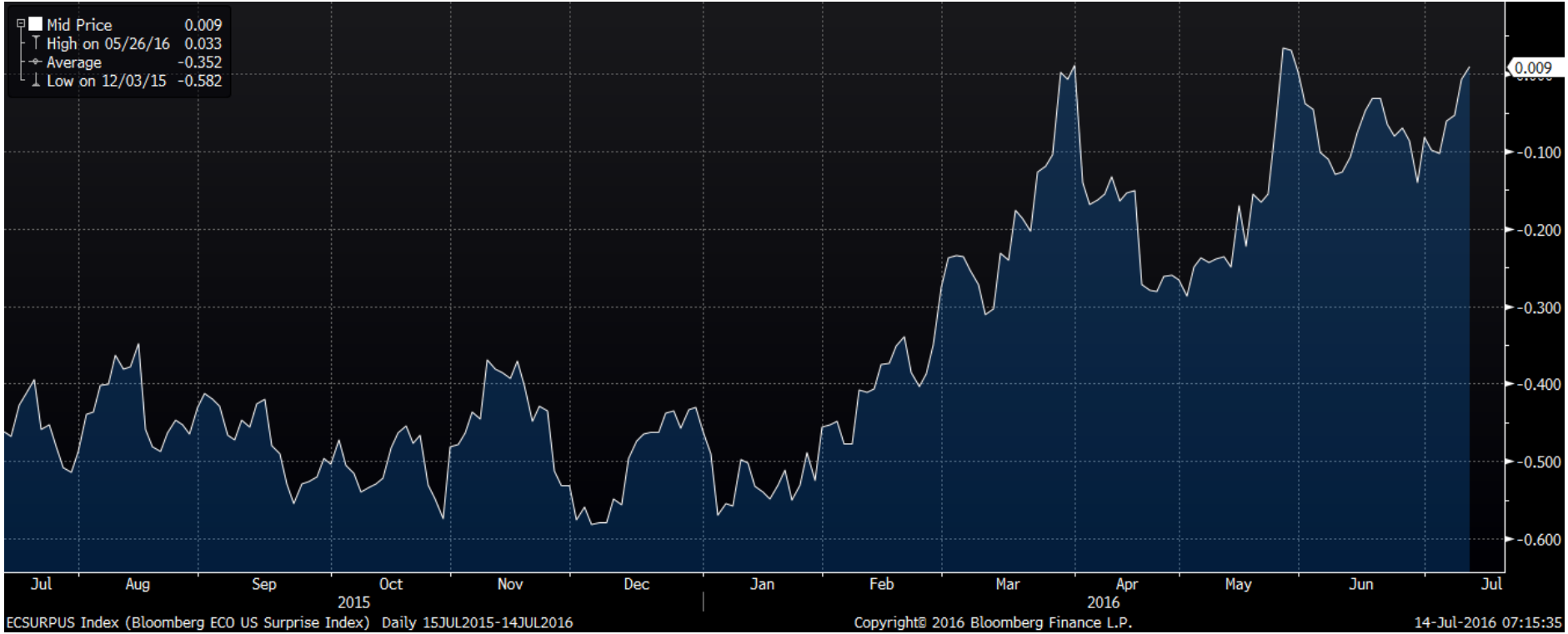
FUND FLOW = EXODUS



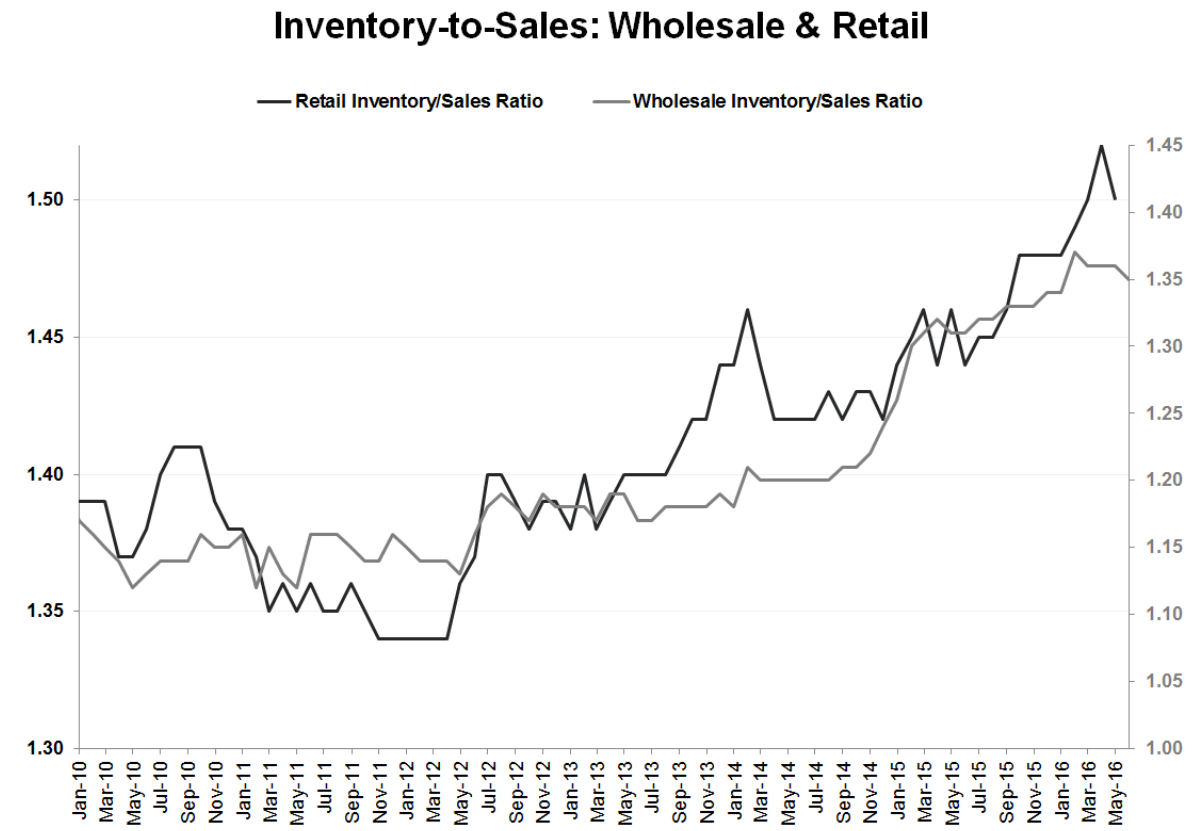
REPO ACTIVITY = ANTI-EXODUS



ECO SURPRISES = ↑

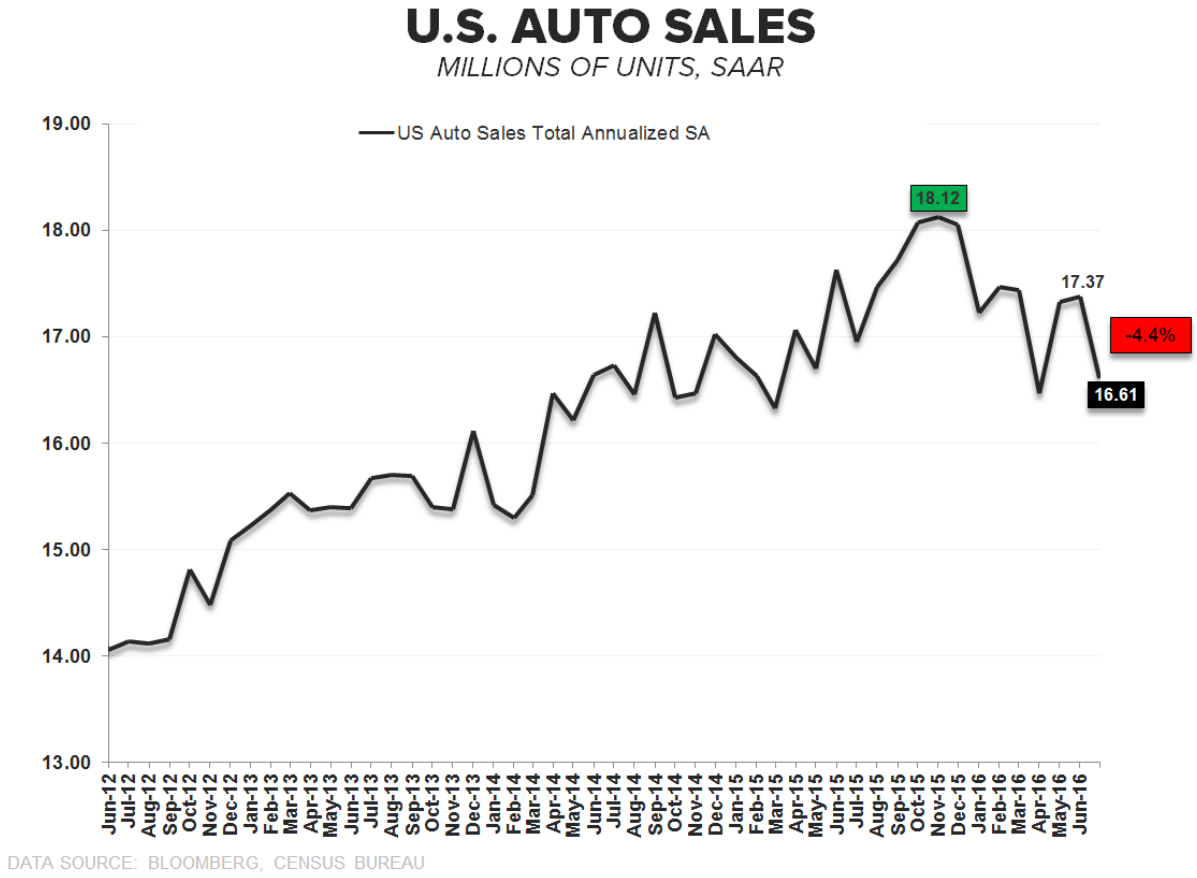


INVENTORY > SALES



DATA SOURCE: BLOOMBERG, CENSUS BUREAU

AUTO SALES = ↓


U.S. AUTO SALES
MILLIONS OF UNITS, SAAR
US Auto Sales Total Annualized SA
18.12
17.37
-4.4%
16.61
19.00
18.00
17.00
16.00
15.00
14.00
13.00
Jun-12
Jul-12
Aug-12
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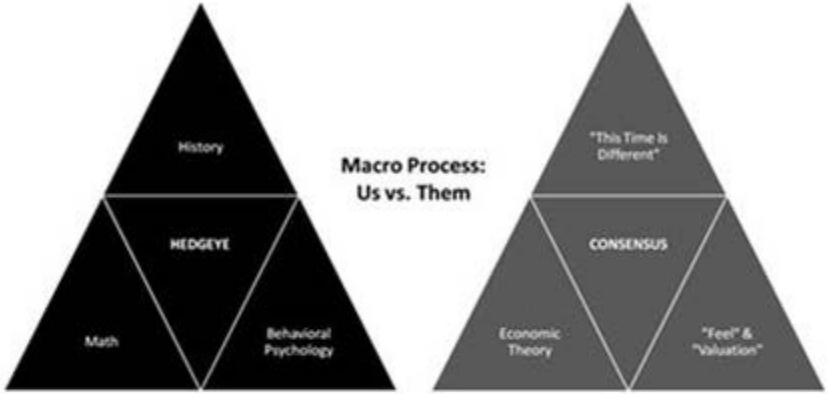
May-16
Jun-16
DATA SOURCE: BLOOMBERG, CENSUS BUREAU

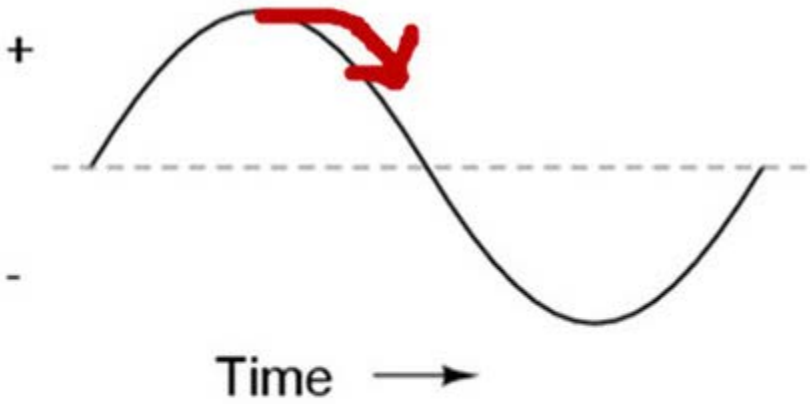
MACRO GRIND

SALES BEAT (%)	CQ4 12	CQ1 13	CQ2 13	CQ3 13	CQ4 13	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16
All Securities	0.7%	-0.3%	1.0%	0.7%	0.1%	0.6%	1.5%	0.2%	1.5%	0.0%	0.7%	0.0%	-0.1%	-0.3%
Energy	-2.2%	-3.3%	4.3%	2.9%	-1.9%	1.4%	4.6%	-3.1%	4.5%	6.0%	8.2%	4.1%	3.5%	-2.8%
Materials	1.4%	-1.8%	-0.6%	0.0%	0.1%	-0.7%	0.9%	0.7%	-1.4%	-4.4%	-1.1%	-3.9%	-1.9%	-0.1%
Industrials	0.9%	-0.1%	0.3%	-0.9%	0.3%	-0.7%	-0.4%	0.1%	0.5%	-2.6%	0.6%	-1.2%	-1.6%	1.1%
Consumer Discretionary	0.4%	0.5%	0.3%	0.7%	-0.1%	-0.2%	-0.5%	0.3%	-0.1%	-1.1%	-0.2%	0.4%	0.4%	0.8%
Consumer Staples	1.3%	0.0%	-0.7%	0.1%	-0.2%	-0.6%	0.2%	-0.4%	-0.6%	-1.1%	-1.6%	-0.4%	-1.4%	-0.1%
Health Care	1.6%	-1.1%	0.5%	1.5%	0.1%	0.6%	3.4%	1.6%	2.4%	1.1%	1.3%	1.1%	0.7%	0.6%
Financials	4.1%	2.7%	2.9%	0.5%	2.6%	0.3%	2.6%	2.0%	1.5%	0.9%	1.2%	-1.3%	1.3%	-1.4%
Information Technology	0.0%	0.2%	-0.5%	0.4%	0.3%	1.3%	0.4%	1.3%	2.4%	0.7%	0.5%	0.6%	0.1%	-0.2%
Telecom	0.9%	-0.8%	0.2%	0.1%	0.0%	0.3%	-0.3%	-0.4%	0.9%	-0.7%	-0.3%	-0.5%	-0.5%	-0.3%
Utilities	-3.4%	1.0%	3.9%	-0.6%	1.2%	10.5%	4.2%	0.9%	9.8%	-0.9%	-5.7%	-4.7%	-13.1%	-6.4%

EPS BEAT (%)	CQ4 12	CQ1 13	CQ2 13	CQ3 13	CQ4 13	CQ1 14	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16
All Securities	3.8%	4.5%	2.5%	3.8%	0.7%	5.8%	4.6%	4.6%	5.2%	6.9%	4.2%	4.2%	4.4%	3.8%
Energy	3.9%	4.0%	-4.7%	1.6%	0.1%	9.6%	3.8%	8.8%	12.6%	32.9%	2.6%	26.4%	2.4%	19.9%
Materials	6.6%	3.6%	-2.2%	8.6%	2.7%	4.0%	5.8%	6.8%	8.6%	7.4%	5.2%	4.1%	21.2%	9.2%
Industrials	0.3%	3.4%	3.5%	2.7%	3.7%	4.5%	2.4%	3.4%	3.5%	3.0%	2.9%	3.5%	3.4%	4.9%
Consumer Discretionary	2.9%	5.5%	3.8%	5.5%	0.2%	5.8%	4.0%	4.3%	8.3%	3.8%	6.6%	5.0%	4.6%	10.3%
Consumer Staples	3.2%	3.9%	0.2%	1.4%	0.1%	0.3%	2.8%	3.3%	0.7%	6.6%	3.3%	1.5%	2.4%	4.9%
Health Care	3.0%	3.7%	8.0%	4.7%	0.5%	7.9%	7.9%	3.2%	4.0%	9.7%	6.9%	7.8%	4.5%	4.7%
Financials	9.7%	8.2%	8.6%	5.2%	1.5%	5.7%	9.3%	8.2%	1.4%	6.0%	2.9%	-1.7%	2.3%	-0.3%
Information Technology	3.0%	2.4%	-1.6%	3.7%	-3.6%	5.2%	1.0%	1.0%	8.2%	4.9%	3.5%	5.2%	6.6%	1.8%
Telecom	-9.6%	2.0%	-0.5%	3.3%	0.9%	3.6%	0.9%	-0.6%	-0.1%	5.0%	5.0%	5.1%	-0.8%	3.0%
Utilities	4.0%	2.4%	1.8%	1.7%	0.6%	10.6%	4.3%	4.7%	2.3%	6.6%	4.1%	1.9%	-1.2%	2.5%

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	$81.01	-0.49%	3.78%	3.65%
Financial Select Sector	XLF	$23.34	0.00%	2.12%	-2.06%
Health Care Select Sector	XLV	$73.82	-0.04%	2.95%	2.49%
Technology Select Sector	XLK	$44.76	0.02%	3.20%	4.51%
Consumer Staples Select Sector	XLP	$55.71	0.56%	1.02%	10.34%
Industrial Select Sector	XLI	$58.26	0.24%	4.02%	9.90%
Materials Select Sector	XLB	$48.18	0.27%	3.97%	10.96%
The Energy Select Sector	XLE	$68.92	-0.86%	1.00%	14.26%
Utilities Select Sector	XLU	$52.19	0.79%	-0.53%	20.59%
S&P 500	SPX	2,152.43	0.01%	2.55%	5.31%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.01	-0.50%	1.23%	-1.66%
Financial Select Sector	XLF	$23.34	-0.01%	-0.43%	-7.36%
Health Care Select Sector	XLV	$73.82	-0.05%	0.40%	-2.82%
Technology Select Sector	XLK	$44.76	0.01%	0.65%	-0.80%
Consumer Staples Select Sector	XLP	$55.71	0.55%	-1.54%	5.03%
Industrial Select Sector	XLI	$58.26	0.23%	1.46%	4.60%
Materials Select Sector	XLB	$48.18	0.26%	1.42%	5.65%
The Energy Select Sector	XLE	$68.92	-0.88%	-1.56%	8.95%
Utilities Select Sector	XLU	$52.19	0.78%	-3.09%	15.28%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.0%	4.3%	4.6%	5.5%	25.8%	12.8%
	Low Debt/EV	-0.3%	2.9%	3.9%	2.5%	14.7%	5.7%
SI	High Short Interest	-0.4%	5.0%	5.2%	2.7%	20.7%	6.9%
	Low Short Interest	0.1%	3.0%	2.8%	3.9%	14.9%	6.3%
BETA	High Beta	-0.5%	6.3%	3.1%	2.8%	22.7%	4.9%
	Low Beta	0.5%	0.5%	5.1%	6.7%	18.6%	15.1%
YIELD	High Yield	0.0%	3.3%	4.7%	3.9%	19.4%	10.0%
	Low Yield	-0.2%	3.6%	3.2%	4.0%	17.3%	6.0%
MKT CAP	MCAP Bottom 25%	-0.3%	4.9%	3.5%	1.8%	17.6%	5.2%
	MCAP Top 25%	0.1%	2.5%	3.3%	3.6%	13.7%	5.6%
Sales	Top 25% Sales Growth	-0.4%	3.4%	3.5%	4.8%	21.5%	8.0%
	Bottom 25% Sales Growth	-0.1%	3.9%	5.3%	4.1%	19.1%	8.9%
EPS	Top 25% EPS Growth	-0.1%	4.1%	4.3%	4.6%	20.8%	7.9%
	Bottom 25% EPS Growth	-0.4%	3.4%	4.2%	4.6%	21.4%	11.0%

**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%	1.5	3.6	5	8	-5	36	23	24
3M LIBOR	0.67%	0.0	1.2	2	5	-1	39	34	32
2Y T-Note	0.67%	-2.4	8.8	-5	-8	-43	17	10	22
5Y T-Note	1.06%	-2.9	11.4	-7	-16	-77	17	-45	-19
10Y T-Note	1.47%	-3.9	10.3	-14	-29	-100	15	-83	-68
30Y T-Note	2.17%	-5.2	3.5	-25	-41	-108	8	-94	-92
2Y-10Y Spread, Bps	81	-1.5	1.5	-9.0	-21	-56	-2	-93	-90
IG SPREAD (AAABBB)	1.70%	0.0	-9.0	-14	-24	-60	0	0	-15
HIGH YIELD	6.40%	0.0	-43.0	-76	-135	-293	0	-20	-39
5Y BREAKEVEN	1.44%	-2.9	-0.5	-2.9	-0.8	-21.0	58.2	-16.1	-29.4

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: (7/13) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-20%	-24%	-24%	-26%
Total Exchange Volume**	-15%	-16%	-10%	-13%

*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)