

## LECAL

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## HEDCEYE ASSET ALLOCATION

|  | CASH | U.S. <br> EQUITIES | INT'L <br> EQUITIES | COMMODITIES | FOREIGN <br> EXCHANGE | FIXED <br> INCOME |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $2 / 16 / 2017$ | 47 | 13 | 12 | 11 | 17 | 0 |
| $2 / 17 / 2017$ | 42 | 15 | 13 | 11 | 19 | 0 |


|  | CASH | U.S. <br> EQUITIES | INT'L <br> EQUITIES | COMMODITIES | FOREIGN <br> EXCHANGE | FIXED <br> INCOME |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $\mathbf{2 / 1 6 / 2 0 1 7}$ | $47 \%$ | $39 \%$ | $36 \%$ | $33 \%$ | $52 \%$ | $0 \%$ |
| $\mathbf{2 / 1 7 / 2 0 1 7}$ | $42 \%$ | $45 \%$ | $39 \%$ | $33 \%$ | $58 \%$ | $0 \%$ |

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

February 17, 2017
HEDGEYE
THE MACRO SHOW

## HEDCEYE ASSET ALLOCATION



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# MANUFACTURING 

## HIGH-YIELD \& JUNK

## BRITISH POUND

# MANUFACTURING 

The Philly Fed survey for February jumped to its highest level in 33 years, following the balance of early regional Fed Survey releases higher. Notably, capex plans have shown a meaningful positive inflection over the last three months suggesting the improvement in core capital investment orders (which had been negative for 13-consecutive months and for 22 of the previous 23 months until December) is likely to persist and inventory investment may continue as a positive contributor to GDP.

## HIGHYIELD \& JUNK

If you want a look at the growth accelerating trade just take a look at high yield and junk corporate spreads and volatility. 30D realized volatility in HYG and JNK just hit fresh is at all-time lows as of the close yesterday. Looking at high yield spreads, the Barclays high yield OAS index is making new lows and now just +44bps off cycle lows in June 2014. Spreads tightening in a strong currency, rising rate environment, adds some kick to the growth cocktail.


We like the Pound Sterling (this week we recommended buying the GBP/USD via the etf FXB) as we see a case for UK growth and inflation accelerating continuing to play out. That said we won't be playing the cross too cute as continued Brexit Risks and Trump's strong dollar will pressure GBP/USD to the downside (GBP/USD is $-13.1 \% \mathrm{Y} / \mathrm{Y}$ and +70 bps YTD). Former PM Tony Blair was on the soapbox this morning calling to ignite another vote on Brexit, while mere sound bites (Blair is wildly unpopular in Britain), today's UK retail sales number for January of $1.5 \% \mathrm{Y} / \mathrm{Y}$ (vs expectations of $3.4 \%$ and December's $4.1 \%$ ) is helping to pull the island currency lower.


MACRO \& HOUSING CHRISTIAN DRAKE

## TREASURIES: FOREICN DEMAND

Foreign Holdings of U.S. Treasuries: 6Mo Chg, Bil \$'s


## CLOBAL DOLLAR FUNDING: EASING

USD Cross Currency Basis Swaps


## CROSS CURRENGY BASIS SWAPS ... ITS NOT THAT COMPLICATED

1. I have Euro's .... But I want USD's
2. I (CCBS Mkt) have USD's to swap
3. Let's agree to swap (an equivalent amount of money for a predefined period of time)
4. Quotation: The Basis (i.e. the vertical axis in prior chart) is quoted on the non-USD leg

## 5. Macro Implication: Indicator of Dollar Funding Stress

Illustration: Flows involved in a EURUSD x-ccy basis swap:


## 4Q EARNINGS GROWTH



## OPERATING MOMENTUM

## HEDGEYE S\&P500 EARNINGS SCORECARD: 4Q16

SECTOR LEVEL OPERATING PERFORMANCE*

|  | SALES Growth, YoY |  |  | EPS Growth, YoY** |  |  | OPERATING MARGIN |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Accelerating | Decelerating | \% Accelerating | Accelerating | Decelerating | \% Accelerating | Expanding | Contracting | \% Expanding |
| Health Care | 15 | 34 | 31\% | 22 | 25 | 47\% | 17 | 28 | 38\% |
| Materials | 17 | 5 | 77\% | 10 | 8 | 56\% | 5 | 15 | 25\% |
| Tech | 31 | 32 | 49\% | 30 | 30 | 50\% | 36 | 24 | 60\% |
| Financials | 22 | 37 | 37\% | 34 | 25 | 58\% | 26 | 29 | 47\% |
| Consumer Staples | 19 | 14 | 58\% | 17 | 16 | 52\% | 12 | 20 | 38\% |
| Industrials | 44 | 20 | 69\% | 37 | 27 | 58\% | 20 | 41 | 33\% |
| Utilities | 11 | 4 | 73\% | 9 | 6 | 60\% | 1 | 12 | 8\% |
| Energy | 25 | 0 | 100\% | 9 | 4 | 69\% | 4 | 6 | 40\% |
| Consumer Discretionary | 33 | 24 | 58\% | 30 | 24 | 56\% | 24 | 29 | 45\% |
| Real Estate | 7 | 15 | 32\% | 8 | 12 | 40\% | 12 | 10 | 55\% |
| SPX AGGREGATE | 224 | 185 | 55\% | 206 | 177 | 54\% | 157 | 214 | 42\% |

$\begin{cases}\text { SPX CONSTITUENT SUMMARY } \\ \text { Sales Growth Accelerating, } \% & \\ \text { EPS Growth Accelerating, } \% & 55 \% \\ \text { OM Margins Expanding, } \% & 54 \% \\ & 42 \%\end{cases}$

[^0]
## FORECASTING FAILURE = \$\$\$

| BEAT EPS |  |  |  |
| :---: | :---: | :---: | :---: |
|  |  | $\underline{n}$ | 3D Mkt Adj. Performance |
| Beat + | ve Subsequent Performance | 146.00 | 3.8\% |
| Beat + | tive Subsequent Performance | 113.00 | -3.3\% |
| MISSED EPS |  |  |  |
|  |  | n | 3D Mkt Adj. Performance |
| Miss + | ve Subsequent Performance | 25.00 | 2.8\% |
| Miss + | tive Subsequent Performance | 63.00 | -5.0\% |
| 90\% | EPS MISS \& SUBSEQUENT MKT ADJ. PERFORMANCE |  |  |
| 80\% - |  |  |  |
| 70\% |  |  |  |
| 60\% |  |  |  |
| 50\% |  |  |  |
| 40\% |  |  |  |
| 30\% |  |  |  |
| 20\% |  |  |  |
| 10\% |  |  |  |
| 0\% | Miss + Positive Subsequent Pe | Miss + Negative Subsequent Performance |  |
| Source: Bloomberg, HEDGEYE Calculations |  |  |  |

## MFG AGTIVITY

Philly Regional Fed Survey
Recession Dates
——Philly Fed
--- Ave Peak Level


## CAPEX PLANS 介

## CAPITAL EXPENDITURE PLANS*



[^1]
## SALES GROWTH > INVENTORY GROWTH



## INVENTORIES: S-PEAT?

## Inventory Contribution to GDP



## HOUSING STARTS: cODOT'S PLAYGROUND

## HOUSING STARTS



## PURCHASE APPS: TRADE $\uparrow$, TREND

## 30Y MORTGAGE RATE vs PURCHASE APPLICATIONS

week-over-week change in 2 week rolling average
$\diamond$ October 93-December $94 \quad$ October 98-May 200
---- Linear (October 93-December 94) ----- Linear (October 98-May 200)


## AHS: MORE "UNDERWHELMNC"

EXISTING HOME SALES (1-MO LAG) VS PENDING HOME SALES, SAAR
GAIN SINCE FEBRUARY 2014 TROUGH
$\rightarrow$ Existing Home Sales (SAAR) $\sim \sim$ NAR: Pending Home Sales (Index)


IMMIGRATION'S IMPACT
Foreign Born Contribution to Total Population Growth


Secular Support Immigration has accounted for ${ }^{\sim} 30 \%$ of total population growth over the last three decades.

NET INTERNATIONAL MIGRATION


## Cyclical Strengthening

Initial 2016 immigration estimates show a $2^{\text {nd }}$ year at the 1 MM mark.

## MACRO GRIND

## MARKETS AREN'T PREPARED FOR THE RED LINE

THE SO-CALLED "TAYLOR RULE" CALLS FOR A 4\% FED FUNDS RATE BY YEAR-END 2018 . THE PROBABILITY OF MARKETS HAVING TO REACT TO THAT REALITY IS MUCH HIGHER THAN WHAT IS CURRENTLY BEING ASSUMED BY RATES MARKETS, WHICH ARE STILL ANCHORING ON THE FOMC'S RATE HIKE GUIDANCE.

December 2016 SEP projections
Percent


Note: Each solid circle indicates the value of an individual participant'sjudgment of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year.
Source: For the Taylor rule, Federal Reserve Board staff calculations; for the projections (solid circles) and median of projections, Summary of Economic Projections(SEP). December 2016, available at www.federalreserve.gov/monetarypolicy/fomocalendars. htm.

## EARNINCS SEASON

| Q4 2016 QTD |  |  |  |
| :---: | :---: | :---: | :---: |
| SECTOR | SALES | RROWTH (\% CHG) | EARNINGF/GROWTH (\% CHG) |
| S\&P $\mathbf{5 0 0}$ (Aggregate) | $4.7 \%$ | $5.6 \%$ | $401 / 500$ |
| Energy | $1.5 \%$ | $-6.4 \%$ | $24 / 35$ |
| Materials | $4.8 \%$ | $0.4 \%$ | $22 / 25$ |
| Industrials | $2.2 \%$ | $-5.3 \%$ | $62 / 67$ |
| Consumer Discretionary | $9.9 \%$ | $2.7 \%$ | $53 / 81$ |
| Consumer Staples | $3.3 \%$ | $9.1 \%$ | $30 / 37$ |
| Healthcare | $4.7 \%$ | $4.1 \%$ | $50 / 60$ |
| Financials | $4.4 \%$ | $7.9 \%$ | $60 / 63$ |
| Information Technology | $7.3 \%$ | $10.5 \%$ | $59 / 66$ |
| Telecom | $-2.9 \%$ | $1.8 \%$ | $4 / 5$ |
| Utilities | $10.6 \%$ | $16.5 \%$ | $14 / 28$ |
| Real Estate | $1.2 \%$ | $13.3 \%$ | $22 / 29$ |

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## VOLATILITY

| Index/Security | REALIZED VOLATILITY <br> Duration of Realized (\%) |  |  |  | IMPLIED VOLATILTY* <br> At-The-Money \% |  |  |  | IMPLIED** VS. REALIZED VOLATILITY |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  | 30 Day |  |  | 60 Day |  |  | 3 Month |  |  |
|  |  |  |  |  |  |  | Z-Score |  |  |  | Z-Score |  |  | Z-Score |  |
|  | Ticker | 30D | 60D | 90D |  |  |  | Current | $v$ 1M Avg | $\begin{aligned} & \text { v 3M } \\ & \text { Avg } \\ & \hline \end{aligned}$ | v6M Avg. | Ticker | Premium | TTM | 3 Yr | Premium | TTM | 3 Yr | Premium | TTM | 3Yr |
| S\&P 500 | SPX | 5.8\% | 6.7\% | 8.0\% |  |  |  | 9.3\% | 0.1\% | -9.9\% | -19.7\% | SPX | 58.1\% | 1.19 | 1.70 | 42.9\% | 1.30 | 1.56 | 31.8\% | 1.17 | 1.07 |
| Russell 2000 | RTY | 13.3\% | 13.8\% | 15.4\% | 14.6\% | -7.4\% | -11.9\% | -14.0\% | RTY | 9.4\% | 0.32 | 0.18 | 9.2\% | 0.51 | 0.11 | 3.8\% | 0.19 | -0.39 |
| Nasdaq 100 | NDX | 5.8\% | 9.0\% | 11.0\% | 10.2\% | -10.1\% | -21.7\% | -27.0\% | NDX | 71.0\% | 1.86 | 2.45 | 23.2\% | 0.76 | 0.92 | 12.2\% | 0.29 | 0.27 |
| USD Index Consumer | UUP | 6.9\% | 7.8\% | 7.4\% | 7.8\% | -10.3\% | -12.4\% | -7.4\% | UUP | 11.6\% | -0.04 | -0.11 | 2.9\% | -0.54 | -0.50 | 15.5\% | 0.21 | 0.06 |
| Discret. | XLY | 5.8\% | 9.6\% | 10.3\% | 9.9\% | -12.8\% | -21.7\% | -26.2\% | XLY | 69.9\% | 1.86 | 2.41 | 17.0\% | 0.33 | 0.49 | 15.8\% | 0.39 | 0.43 |
| Financials | XLF | 15.1\% | 14.5\% | 16.7\% | 15.3\% | -4.2\% | -12.4\% | -11.2\% | XLF | 1.3\% | -0.22 | -0.20 | 10.2\% | 0.34 | 0.26 | -1.0\% | 0.10 | -0.31 |
| Healthcare | XLV | 9.9\% | 10.4\% | 13.9\% | 10.9\% | -9.5\% | -19.6\% | -23.4\% | XLV | 9.2\% | 0.05 | 0.24 | 13.6\% | 0.66 | 0.69 | -10.9\% | -0.84 | -0.88 |
| Technology Consumer | XLK | 6.5\% | 10.1\% | 11.3\% | 10.4\% | -7.2\% | -18.1\% | -22.7\% | XLK | 59.0\% | 1.60 | 2.12 | 16.5\% | 0.60 | 0.63 | 12.0\% | 0.47 | 0.33 |
| Staples | XLP | 8.8\% | 9.5\% | 10.6\% | 8.7\% | -10.0\% | -22.0\% | -25.6\% | XLP | -0.1\% | -0.33 | -0.28 | 0.6\% | -0.13 | -0.26 | -5.0\% | -0.47 | -0.69 |
| Utilities | XLU | 12.1\% | 14.6\% | 16.5\% | 13.2\% | -2.4\% | -13.5\% | -17.4\% | XLU | 8.8\% | 0.59 | 0.66 | -8.1\% | -0.51 | -0.42 | -16.2\% | -1.46 | -1.30 |
| Energy | XLE | 13.6\% | 16.4\% | 16.7\% | 15.6\% | -1.5\% | -13.2\% | -19.2\% | XLE | 14.4\% | 0.61 | 0.46 | 2.2\% | 0.63 | 0.01 | 2.7\% | 0.90 | 0.05 |
| Energy | XOP | 20.7\% | 30.8\% | 29.7\% | 24.9\% | -2.7\% | -15.5\% | -21.2\% | XOP | 19.5\% | 0.73 | 0.82 | -15.2\% | -0.62 | -0.94 | -8.8\% | 0.06 | -0.43 |
| Materials | XLB | 11.1\% | 10.7\% | 11.2\% | 12.5\% | -4.6\% | -9.9\% | -17.1\% | XLB | 12.1\% | 0.11 | 0.13 | 25.2\% | 1.05 | 0.85 | 23.2\% | 1.39 | 0.85 |
| Industrials | XLI | 9.3\% | 9.5\% | 10.9\% | 11.8\% | -1.8\% | -9.5\% | -13.2\% | XLI | 25.4\% | 0.47 | 0.73 | 26.5\% | 1.08 | 1.10 | 16.0\% | 0.95 | 0.62 |
| Transports | IYT | 14.1\% | 13.5\% | 13.7\% | 15.4\% | -9.1\% | -11.1\% | -12.8\% | IYT | 9.3\% | -0.11 | 0.04 | 26.4\% | 0.79 | 1.04 | 28.9\% | 1.18 | 1.36 |
| WTI Crude Oil | USO | 22.6\% | 30.6\% | 31.2\% | 25.9\% | -6.2\% | -18.1\% | -25.0\% | USO | -6.2\% | 0.59 | 0.33 | -8.3\% | -0.29 | -0.75 | -6.6\% | -0.04 | -0.60 |
| Natural Gas | UNG | 35.6\% | 49.1\% | 47.8\% | 40.5\% | -5.8\% | -14.7\% | -9.4\% | UNG | 13.6\% | 0.83 | 0.14 | -17.6\% | -1.20 | -0.95 | -16.7\% | -1.28 | -0.87 |
| Gold | GLD | 10.7\% | 12.3\% | 12.3\% | 12.6\% | -7.6\% | -12.6\% | -14.7\% | GLD | 16.7\% | 0.63 | 0.45 | 4.5\% | 0.11 | -0.07 | 15.3\% | 1.00 | 0.62 |
| Silver | SLV | 14.8\% | 18.8\% | 21.1\% | 21.6\% | -0.7\% | -8.3\% | -10.7\% | SLV | 45.1\% | 3.13 | 1.09 | 14.2\% | 1.11 | 0.07 | 8.2\% | 0.17 | -0.21 |
| Copper | JJC | 28.9\% | 26.4\% | 25.9\% | 25.9\% | 6.1\% | -5.3\% | -0.4\% | JJC | -10.2\% | -0.41 | -0.54 | -4.4\% | -0.45 | -0.56 | -3.1\% | -0.47 | -0.59 |
| Corn | CORN | 13.0\% | 15.5\% | 16.8\% | 21.3\% | 26.4\% | 23.8\% | 12.9\% | CORN | 64.0\% | 2.02 | 1.90 | 35.7\% | 1.07 | 0.87 | 24.3\% | 0.32 | 0.20 |
| Soybeans | SOYB | 16.7\% | 16.2\% | 15.7\% | 21.8\% | -7.0\% | -2.7\% | -0.3\% | SOYB | 32.8\% | -0.10 | -0.18 | 40.8\% | 0.01 | -0.02 | 47.1\% | -0.07 | 0.05 |
| Wheat | WEAT | 20.4\% | 19.6\% | 19.7\% | 33.7\% | 18.9\% | 14.4\% | 15.6\% | WEAT | 65.2\% | -0.01 | 0.13 | 72.1\% | 0.17 | 0.38 | 70.2\% | 0.38 | 0.57 |

timplied volatility on at-the-money front month contracts
*implied volatility of at-the-money options expiring in the given duration vs. realized volatility over the given duration
February 17, 2017

## HEDGEYE SECTOR PERFORMANCE

| SECTOR |  |  | 1-Day \% | MTD \% | YTD \% |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Ticker | Price | Chg | Chg | Chg |
| Consumer Discretionary | XLY | \$86.33 | -0.51\% | 1.77\% | 6.06\% |
| Financial Select Sector | XLF | \$24.46 | -0.24\% | 4.93\% | 5.20\% |
| Health Care Select Sector | XLV | \$73.56 | -0.14\% | 4.31\% | 6.70\% |
| Technology Select Sector | XLK | \$52.01 | 0.23\% | 3.85\% | 7.55\% |
| Consumer Staples Select Sector | XLP | \$54.19 | 0.13\% | 3.04\% | 4.80\% |
| Industrial Select Sector | XLI | \$65.78 | 0.03\% | 3.79\% | 5.72\% |
| Materials Select Sector | XLB | \$52.45 | 0.00\% | 0.94\% | 5.53\% |
| The Energy Select Sector | XLE | \$72.37 | -1.36\% | -0.73\% | -3.92\% |
| Utilities Select Sector | XLU | \$49.54 | 1.00\% | 0.73\% | 2.00\% |
| S\&P 500 | SPX | 2,347.22 | -0.09\% | 3.00\% | 4.84\% |

## HEDGEYE SECTOR RELATIVE PARFORMANCE

|  | Ticker | Price | $\frac{\text { 1-Day \% }}{\text { Chg }}$ | $\frac{\text { MTD \% }}{\text { Chg }}$ | $\frac{\text { YTD \% }}{\text { Chg }}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Consumer Discretionary | XLY | \$86.33 | -0.42\% | -1.23\% | 1.22\% |
| Financial Select Sector | XLF | \$24.46 | -0.16\% | 1.93\% | 0.36\% |
| Health Care Select Sector | XLV | \$73.56 | -0.05\% | 1.31\% | 1.86\% |
| Technology Select Sector | XLK | \$52.01 | 0.32\% | 0.85\% | 2.71\% |
| Consumer Staples Select Sector | XLP | \$54.19 | 0.22\% | 0.04\% | -0.05\% |
| Industrial Select Sector | XLI | \$65.78 | 0.12\% | 0.79\% | 0.88\% |
| Materials Select Sector | XLB | \$52.45 | 0.09\% | -2.06\% | 0.69\% |
| The Energy Select Sector | XLE | \$72.37 | -1.28\% | -3.73\% | -8.76\% |
| Utilities Select Sector | XLU | \$49.54 | 1.09\% | -2.27\% | -2.84\% |

## HEDCEYE STYLE FACTOR PERFORMANCE

| \% | FACTOR | $\begin{gathered} \text { 1D } \\ \text { \% Chg } \end{gathered}$ | $\begin{gathered} \text { 1W } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} \text { lM } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} \text { 3M } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{gathered} \text { 6M } \\ \% \mathrm{Chg} \end{gathered}$ | $\begin{aligned} & \text { YTD } \\ & \% \mathrm{Chg} \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | High Debt/EV | -0.3\% | 1.0\% | 2.0\% | 6.7\% | 8.3\% | 3.7\% |
|  | Low Debt/EV | -0.3\% | 1.6\% | 2.8\% | 4.6\% | 4.8\% | 4.9\% |
| ज | High Short Interest | -0.7\% | 0.6\% | 1.9\% | 4.0\% | 5.2\% | 3.4\% |
|  | Low Short Interest | 0.0\% | 1.9\% | 3.7\% | 7.2\% | 10.3\% | 5.0\% |
| $\stackrel{4}{4}$ | High Beta | -0.7\% | 1.7\% | 3.8\% | 8.6\% | 17.2\% | 5.7\% |
|  | Low Beta | 0.4\% | 1.0\% | 2.2\% | 6.3\% | 0.3\% | 3.2\% |
| $\begin{aligned} & \text { 블 } \\ & \stackrel{y}{2} \end{aligned}$ | High Yield | -0.1\% | 0.8\% | 0.5\% | 3.6\% | 1.0\% | 1.0\% |
|  | Low Yield | -0.6\% | 1.1\% | 2.9\% | 5.5\% | 6.3\% | 5.6\% |
| $\frac{5}{2}$ | MCAP Bottom 25\% | -0.5\% | 1.1\% | 0.8\% | 1.7\% | 2.4\% | 2.0\% |
|  | MCAP Top 25\% | -0.1\% | 1.8\% | 3.5\% | 7.5\% | 10.2\% | 5.0\% |
| $\begin{aligned} & \frac{\omega}{\omega} \\ & \frac{\omega}{\omega} \end{aligned}$ | Top 25\% Sales Growth | -0.7\% | 0.7\% | 1.7\% | 5.9\% | 6.4\% | 4.1\% |
|  | Bottom 25\% Sales Growth | -0.2\% | 1.4\% | 1.8\% | 4.0\% | 2.9\% | 3.1\% |
| $\begin{gathered} \text { O } \\ \frac{0}{W} \end{gathered}$ | Top 25\% EPS Growth | -0.7\% | 1.0\% | 2.6\% | 7.6\% | 11.4\% | 5.1\% |
|  | Bottom 25\% EPS Growth | -0.2\% | 1.1\% | 0.8\% | 2.5\% | 1.4\% | 1.3\% |

*Mean Performance of Top Quartile vs. Bottom Quartile, S\&P500 Companies
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## HEDGEYE RATES \& SPREADS

|  | Price | 1D | 5D | 1 M | 3M | vs. $52-\mathrm{Wk}$, Bps |  | vs. <br> 3Y Ave | $\begin{gathered} \text { vs. } \\ \text { 5Y Ave } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Bps Chg | Bps Chg | Bps Chg | Bps Chg | High | Low |  |  |
| $3 \mathrm{M} \mathrm{T-Bill}$ | 0.52\% | -1.5 | -1.5 | -1 | 9 | -4 | 36 | 37 | 41 |
| 3 MLIBOR | 1.04\% | 0.0 | 0.6 | 2 | 13 | 0 | 42 | 58 | 63 |
| 2Y T-Note | 1.19\% | -4.5 | 1.3 | 5 | 16 | -11 | 69 | 50 | 66 |
| 5Y T-Note | 1.91\% | -5.5 | 5.0 | 12 | 20 | -21 | 102 | 40 | 60 |
| 10Y T-Note | 2.42\% | -4.7 | 3.9 | 12 | 14 | -22 | 110 | 27 | 28 |
| 30 Y T-Note | 3.02\% | -2.9 | 4.3 | 12 | 4 | -19 | 93 | 13 | 0 |
| 2Y-10Y Spread, Bps | 123 | -2.0 | 0.8 | 5.3 | -3 | -11 | 40 | -24 | -38 |
| IG SPREAD (AAABBB) | 1.52\% | -2.0 | -2.0 | 0 | -1 | -78 | 5 | -17 | -24 |
| HIGH YIELD | 6.16\% | 12.3 | 24.0 | -4 | -42 | -276 | 27 | -48 | -42 |
| 5Y BREAKEVEN | 2.03\% | -0.9 | 5.1 | 11.1 | 29.3 | -4.7 | 101.9 | 47.0 | 30.3 |

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## GFTC NON-COMMERCIAL NET LONG POSITIONING

| METRIC | Latest | (V/V Chg | 3M Ave | 6 M Ave | 1 Y Ave | Z-Score |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | , | 3 Y |
| SPX (Index + E-mini) | 27,047 | $(35,712)$ | $(13,532)$ | 44,293 | 14, | .11X | 0.57 X |
| Russell 2000 (mini) | 51,106 | (3,340) | 62,453 | 35,578 | $(2,660)$ | 1.13 X | 2.14X |
| 10Y Treasury | $(291,697)$ | 57,860 | $(263,391)$ | $(95,636)$ | $(46,253)$ | $-1.54 X$ | $-2.13 \mathrm{X}$ |
| CRUDE OIL | 527,866 | $(15,964)$ | 463,451 | 420,815 | 381,940 | 1.93X | 2.42X |
| GOLD | 75,727 | 3,660 | 73,687 | 143,097 | 172,596 | -1.29X | $-0.33 \mathrm{X}$ |
| COPPER | 51,516 | $(5,426)$ | 50,462 | 22,411 | 2,493 | 1.55 X | 2.69X |
| SUSD | 46,676 | 224 | 51,427 | 39,511 | 27,585 | 1.08 X | 0.46X |
| JPY | $(54,178)$ | 7,927 | $(51,908)$ | (114) | 24,612 | $-1.60 \mathrm{X}$ | $-0.38 \mathrm{X}$ |
| EUR | $(37,837)$ | 1,443 | $(77,729)$ | $(91,000)$ | $(75,960)$ | 1.15X | 1.00X |
| GBP | $(63,158)$ | 119 | $(65,696)$ | $(75,338)$ | $(61,078)$ | $-0.10 \times$ | $-1.06 \mathrm{X}$ |

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## CFTC NET FUTURES \& OPTIONS POSITIONING (TTM Z-SCORE)



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HEDGEYE

## THE MACRO SHOW

TV

## MARKET SHARE VOLUME \& TOTAL VALUE TRADED

| INDEX/SECURITY | VOLUME: (2/16) vs. |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Prior Day | 1M Ave | 3M ave | 1Y Ave |
| Total Market Volume* | -5\% | -6\% | 13\% | 39\% |
| Total Exchange Volume** | -3\% | 3\% | 2\% | -1\% |
| Total Traded Value (R3K) ${ }^{\text {*** }}$ | -1\% | -2\% | -2\% | -1\% |
| *Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg. |  |  |  |  |
| **Tape $\mathrm{A}+\mathrm{B}+\mathrm{C}$ volume $=$ total US exchange volume |  |  |  |  |
| *** Total Traded Value for Russell 3000 (total mkt proxy) |  |  |  |  |
| Source: Bloomberg, Hedgeye |  |  |  |  |

## KEY \$USD CORRELATIONS

52-Wk Rolling 30D Correlation

| METRIC | 15D | 30D | 90D | 120D | 180D | High | Low | \% Time Pos | \% Time Neg |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SPX | 0.80 | -0.04 | 0.65 | 0.70 | 0.73 | 0.95 | -0.91 | 42\% | 58\% |
| BRENT Oil | -0.12 | -0.55 | 0.51 | 0.66 | 0.65 | 0.77 | -0.78 | 46\% | 54\% |
| CRB Index | 0.38 | -0.18 | 0.59 | 0.66 | 0.65 | 0.83 | -0.89 | 24\% | 76\% |
| GOLD | 0.42 | -0.38 | -0.92 | -0.95 | -0.91 | 0.90 | -0.97 | 15\% | 85\% |

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## THE MACRO SHOW

## U.S. RETAIL SALES

|  | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 | Jan-17 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| GDP: Retail Sales in Context |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real GDP, Chained S's | - | - | 16,525 | - | - | 16,583 | - | - | 16,727 | - | - | 16,805 | - |
| Consumer Spending (Real PCE) | 11,345 | 11,376 | 11,374 | 11,457 | 11,475 | 11,522 | 11,558 | 11,546 | 11,603 | 11,614 | 11,634 | 11,672 | - |
| Services | 7,390 | 7,417 | 7,405 | 7,441 | 7,453 | 7,482 | 7,497 | 7,504 | 7,525 | 7,512 | 7,532 | 7,552 | - |
| Goods (i.e. Retail Sales) | 3,958 | 3,962 | 3,974 | 4,023 | 4,029 | 4,047 | 4,069 | 4,048 | 4,087 | 4,114 | 4,112 | 4,131 | - |
| Durable Goods | 1,519 | 1,529 | 1,527 | 1,556 | 1,556 | 1,571 | 1,607 | 1,583 | 1,623 | 1,643 | 1,637 | 1,660 | - |
| NonDurable Goods | 2,470 | 2,466 | 2,478 | 2,500 | 2,506 | 2,510 | 2,502 | 2,501 | 2,505 | 2,514 | 2,518 | 2,517 | - |
| Retail Sales, \% of PCE | 34.9\% | 34.8\% | 34.9\% | 35.1\% | 35.1\% | 35.1\% | 35.2\% | 35.1\% | 35.2\% | 35.4\% | 35.3\% | 35.4\% | - |
| Retail Sales, \% of GDP | - | - | 24.0\% | - | - | 24.4\% | - | - | 24.4\% | - | - | 24.6\% | - |
| RETAIL SALES |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Retail Sales, Total SA | 447.3 | 449.3 | 447.9 | 453.4 | 454.1 | 457.4 | 457.8 | 457.7 | 462.3 | 465.3 | 466.0 | 470.5 | 472.1 |
| M/M, \% Chg | -0.8\% | 0.5\% | -0.3\% | 1.2\% | 0.2\% | 0.7\% | 0.1\% | 0.0\% | 1.0\% | 0.7\% | 0.2\% | 1.0\% | 0.4\% |
| Y/Y, \% Chg | 2.6\% | 3.6\% | 1.7\% | 3.0\% | 2.2\% | 2.8\% | 2.4\% | 2.2\% | 3.3\% | 4.2\% | 3.9\% | 4.4\% | 5.6\% |
| 2 Y Ave | 3.3\% | 2.9\% | 2.1\% | 2.3\% | 2.3\% | 2.5\% | 2.5\% | 2.2\% | 2.7\% | 2.9\% | 2.8\% | 3.6\% | 4.1\% |
| Retail Sales Ex Autos | 355.5 | 356.7 | 358.2 | 361.4 | 362.4 | 365.3 | 363.9 | 363.7 | 366.5 | 368.8 | 369.8 | 371.1 | 374.2 |
| M/M, \% Chg | -0.8\% | 0.3\% | 0.4\% | 0.9\% | 0.3\% | 0.8\% | -0.4\% | 0.0\% | 0.8\% | 0.6\% | 0.3\% | 0.4\% | 0.8\% |
| Y/Y, \% Chg | 2.3\% | 2.6\% | 2.1\% | 3.1\% | 2.6\% | 3.2\% | 2.1\% | 2.1\% | 3.1\% | 4.0\% | 3.9\% | 3.6\% | 5.3\% |
| 2 Y Ave | 2.2\% | 1.9\% | 1.8\% | 1.9\% | 1.9\% | 2.1\% | 2.0\% | 1.7\% | 2.1\% | 2.2\% | 2.2\% | 2.9\% | 3.8\% |
| Retail Sales Ex Autos \& Gas | 323.0 | 325.7 | 326.1 | 328.4 | 328.9 | 331.0 | 330.3 | 330.6 | 332.3 | 333.6 | 334.6 | 334.8 | 337.1 |
| M/M, \% Chg | -0.5\% | 0.8\% | 0.1\% | 0.7\% | 0.1\% | 0.6\% | -0.2\% | 0.1\% | 0.5\% | 0.4\% | 0.3\% | 0.1\% | 0.7\% |
| Y/Y, \% Chg | 3.4\% | 4.7\% | 3.8\% | 4.5\% | 4.0\% | 4.7\% | 3.6\% | 3.5\% | 3.7\% | 4.2\% | 3.9\% | 3.2\% | 4.4\% |
| 2 Y Ave | 4.9\% | 4.8\% | 4.3\% | 4.3\% | 4.2\% | 4.1\% | 4.1\% | 3.7\% | 3.9\% | 3.7\% | 3.6\% | 3.7\% | 3.9\% |
| Control Group: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Retail Sales less Food, Autos, Gas \& Building mat | 248.2 | 249.2 | 249.7 | 252.3 | 253.3 | 254.1 | 253.5 | 253.7 | 254.5 | 256.0 | 256.0 | 257.0 | 258.1 |
| M/M, \% Chg | -0.1\% | 0.4\% | 0.2\% | 1.1\% | 0.4\% | 0.3\% | -0.2\% | 0.1\% | 0.3\% | 0.6\% | 0.0\% | 0.4\% | 0.4\% |
| Y/Y, \% Chg | 2.7\% | 3.2\% | 2.7\% | 3.8\% | 3.5\% | 3.8\% | 3.0\% | 3.0\% | 2.9\% | 3.8\% | 3.3\% | 3.4\% | 4.0\% |
| 2Y Ave | 3.9\% | 3.6\% | 3.2\% | 3.5\% | 3.6\% | 3.4\% | 3.3\% | 3.0\% | 3.2\% | 3.2\% | 2.9\% | 3.2\% | 3.3\% |
| QoQ Annualized, \% |  |  | 2.2\% |  |  | 6.7\% |  |  | 1.1\% |  |  | 3.8\% | 2.8\% |

## U.S. RETAIL SALES

INDUSTRY BREAKDOWN, M/M Chg

| Auto's \& Parts | -0.9\% | 1.0\% | -3.1\% | 2.6\% | -0.3\% | 0.5\% | 2.0\% | 0.0\% | 1.9\% | 0.8\% | -0.3\% | 3.2\% | -1.4\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Furniture | -0.3\% | -0.1\% | -0.1\% | 0.5\% | 0.8\% | 1.1\% | -1.1\% | -0.3\% | 2.5\% | -0.6\% | -0.5\% | -0.9\% | 0.0\% |
| Electroinics/Appliances | -0.8\% | 0.8\% | 0.4\% | 0.1\% | 0.2\% | -0.4\% | -0.2\% | 0.0\% | -2.2\% | -0.2\% | -0.4\% | -1.1\% | 1.6\% |
| Building Materials | -0.1\% | 1.5\% | -0.5\% | -1.6\% | -2.6\% | 3.8\% | -0.3\% | -0.6\% | 1.5\% | 0.4\% | 0.6\% | 1.2\% | 0.3\% |
| Food \& Beverage | 0.6\% | -0.1\% | -0.5\% | 1.2\% | 0.2\% | 0.1\% | -0.4\% | 0.5\% | 0.6\% | 0.6\% | -0.1\% | -0.2\% | 0.4\% |
| Health \& Personal Care | -1.0\% | 2.1\% | 1.0\% | 0.9\% | 0.5\% | 1.2\% | 0.4\% | 0.7\% | -0.3\% | 0.1\% | 0.5\% | 0.6\% | 0.7\% |
| Gas Stations | -3.5\% | -4.8\% | 3.7\% | 2.7\% | 1.7\% | 2.2\% | -2.2\% | -1.4\% | 3.6\% | 2.7\% | 0.0\% | 3.2\% | 2.3\% |
| Clothing | -0.3\% | 1.0\% | -1.0\% | 0.2\% | 0.4\% | 0.2\% | -0.1\% | 0.5\% | 0.2\% | -0.1\% | 0.2\% | 0.1\% | 1.0\% |
| Sporting Goods | -2.5\% | 0.9\% | 0.5\% | 0.1\% | 0.8\% | 1.7\% | -2.4\% | -2.6\% | 0.9\% | -0.2\% | -2.0\% | -0.2\% | 1.8\% |
| General Merchandise | -2.2\% | 0.4\% | 0.4\% | 0.2\% | -0.5\% | 0.2\% | -0.6\% | -0.6\% | -0.4\% | 0.4\% | 0.4\% | -0.4\% | 0.9\% |
| Misc. Retailers | 2.2\% | -1.0\% | 2.1\% | 2.5\% | -1.2\% | -0.3\% | -0.1\% | -0.3\% | 3.1\% | 0.9\% | -0.8\% | -0.4\% | -0.2\% |
| Nonstore/Electronic Shopping | 1.7\% | 0.3\% | 0.7\% | 2.8\% | 1.8\% | 0.1\% | 0.7\% | 0.5\% | 0.6\% | 1.7\% | 0.3\% | 1.9\% | 0.0\% |
| Food \& Drink | -1.7\% | 2.2\% | -0.1\% | 0.2\% | 0.5\% | 0.5\% | -0.1\% | 0.5\% | 0.7\% | -0.4\% | 1.2\% | -1.1\% | 1.4\% |
| Source: Bloomberg, Census.gov, BEA, HRM |  |  |  |  |  |  |  |  |  |  |  | EVE |  |

## CPI: HEADLINE \& CORE

$\rightarrow$ CPI (Headline): $\mathrm{YoY} \% \rightarrow$ CPI (CORE): $\mathrm{YoY} \%$


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## U.S. CPI: CORE SERVICES VS CORE GOODS



## THE MACRO SHOW

## SERVICES INFLATION

SHELTER VS SERVICES EX-SHELTER

$$
\rightarrow \text { CPI SHELTER, YoY \% } \rightarrow \text { CPI Services Excluding Rent of Shelter, YoY \% }
$$



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## ENERGY INFLATION



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## Excess Rent Inflation



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## CPI: MEDICAL CARE



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[^0]:    *Acceleration/Deceleration is vs the prior quarter for the given operating metric
    **Negative earnings excluded
    Source: Bloomberg, Hedgeye Calculations

[^1]:    Source: Bloomberg, Regional Fed Surveys, HEDGEYE

