THE MACRO SHOW

MARCH 29, 2017

LEGAL

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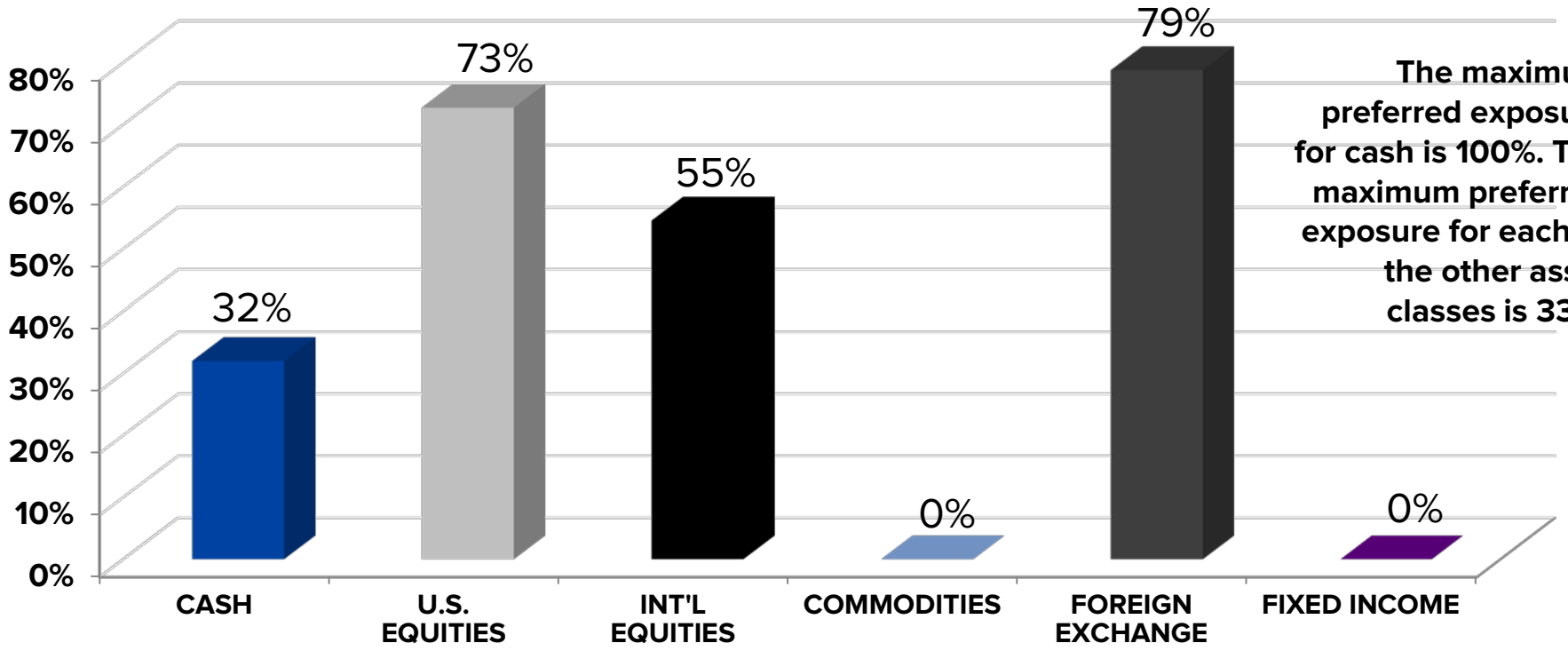
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/28/2017	27	26	19	0	28	0
3/29/2017	32	24	18	0	26	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/28/2017	27%	79%	58%	0%	85%	0%
3/29/2017	32%	73%	55%	0%	79%	0%

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

HEDGEYE ASSET ALLOCATION



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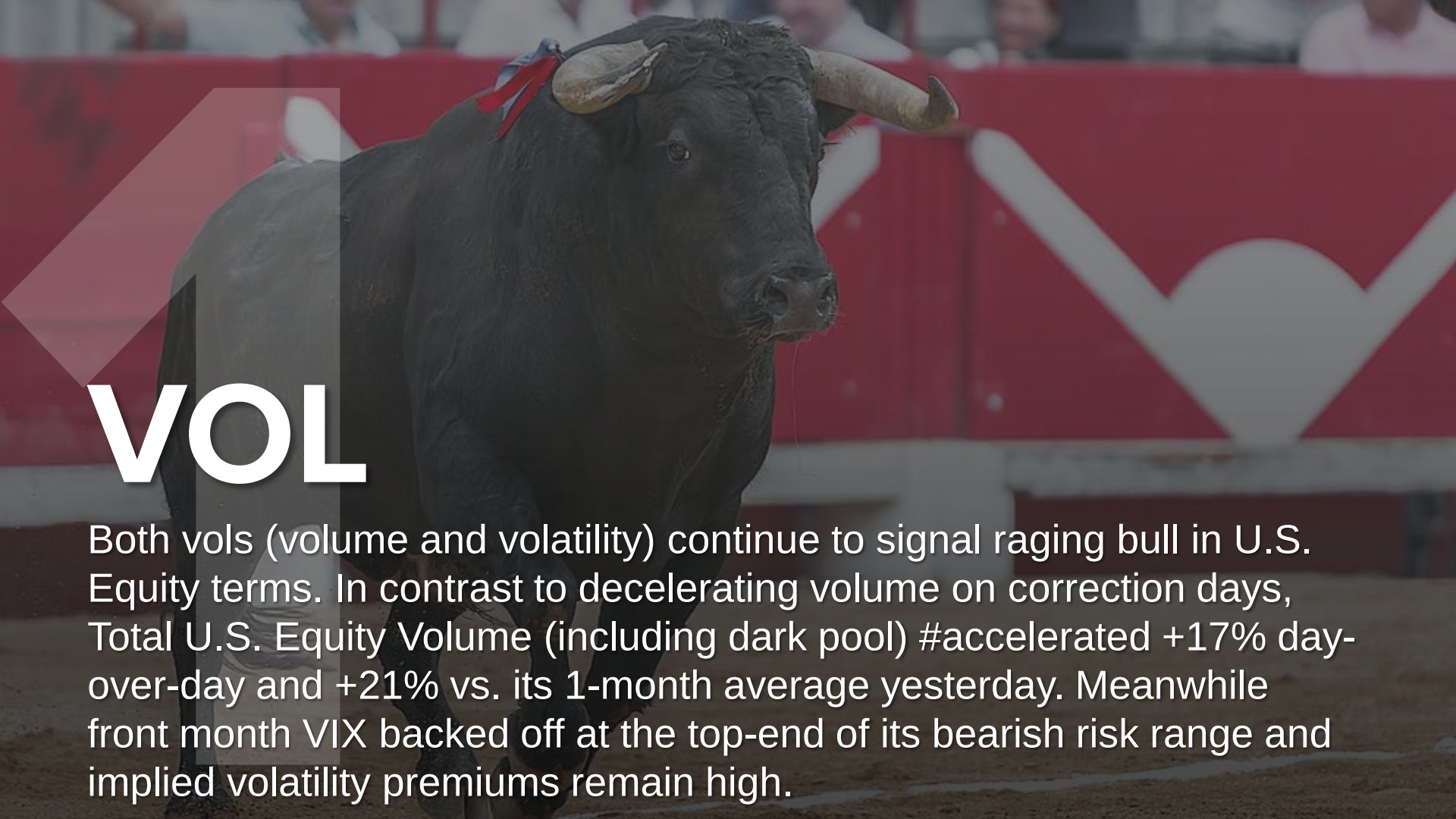
1 VOL

2 EUROPE

3 COPPER



VOL

Both vols (volume and volatility) continue to signal raging bull in U.S. Equity terms. In contrast to decelerating volume on correction days, Total U.S. Equity Volume (including dark pool) #accelerated +17% day-over-day and +21% vs. its 1-month average yesterday. Meanwhile front month VIX backed off at the top-end of its bearish risk range and implied volatility premiums remain high.

EUROPE

Freshly squeezed new highs for both the EuroStoxx50 and the German DAX this morning as European economic data continues to accelerate, sequentially, and political fears have been trumped by the term structure of bearish market bets. The highest implied volatility premiums (vs. 30-60 day realized) in macro are still in European stocks.

COPPER

Not to be confused with our bullishness on U.S., European, and Japanese Equities (when they're on sale), we do not like Commodities as an asset allocation here. Copper looks a lot like the CRB Index (breaking bearish) as Reflation's Peak remains a theme vigorously debated in client meetings. Keith was in Boston for the last 2 days and will be in Pittsburgh today.

MACRO & HOUSING

CHRISTIAN DRAKE

THE REFLATION NARRATIVE

The expedited repricing of the growth outlook drove crowded positioning in reflation exposures

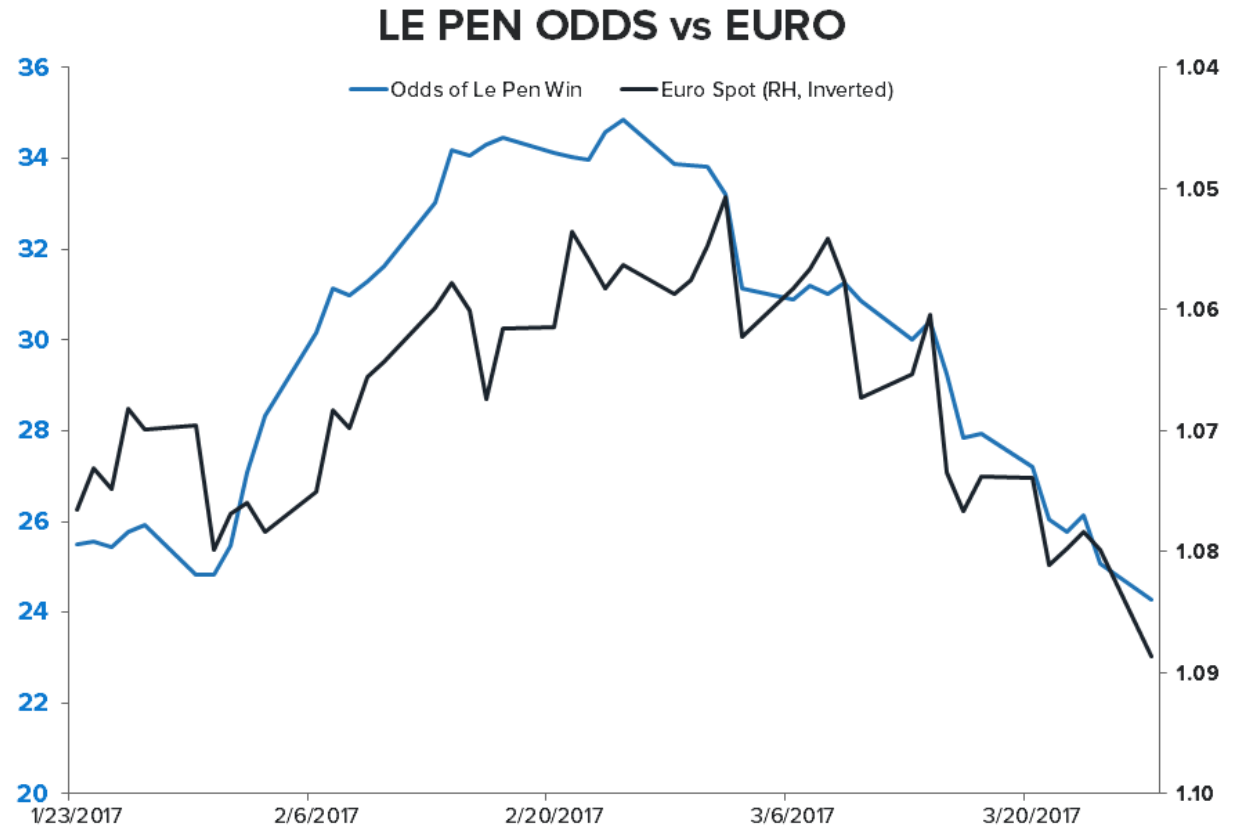
=> the market began to price in Reflation's Peak as we traversed trough energy comps in 1Q

=> Le Pen's odds rolled over, the Euro got a relative bid, German yields moved up, US-German spreads tightened

=> Euro strength, improving yield differentials, and a "dovish hike" put some short-term pressure on the USD and US Treasuries ….

=> Oil weakness and rising concern around the prospects for health reform (and its impact on the tax reform/fiscal stimulus timeline) add further angst around the base reflation narrative.

LEN PEN ↓ = EURO ↑



Source: Bloomberg, Hedgeye

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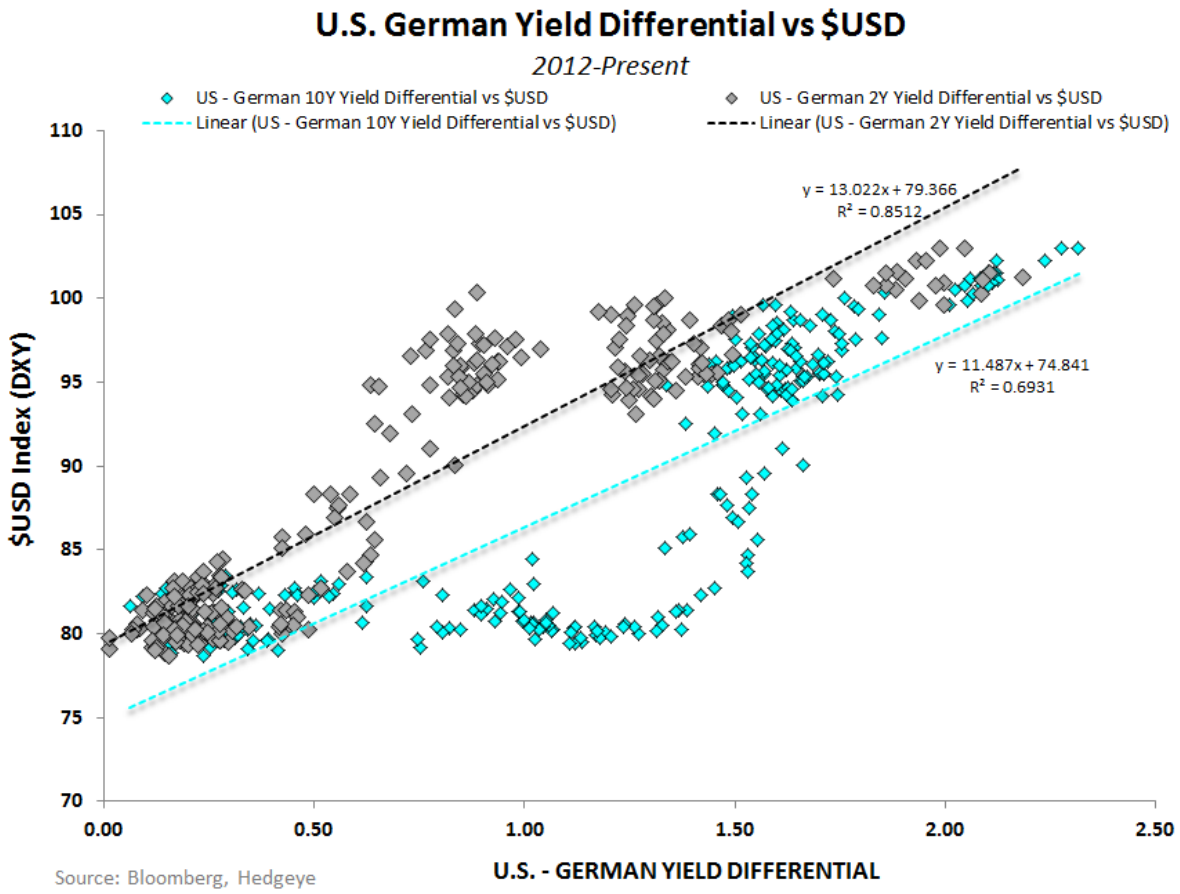
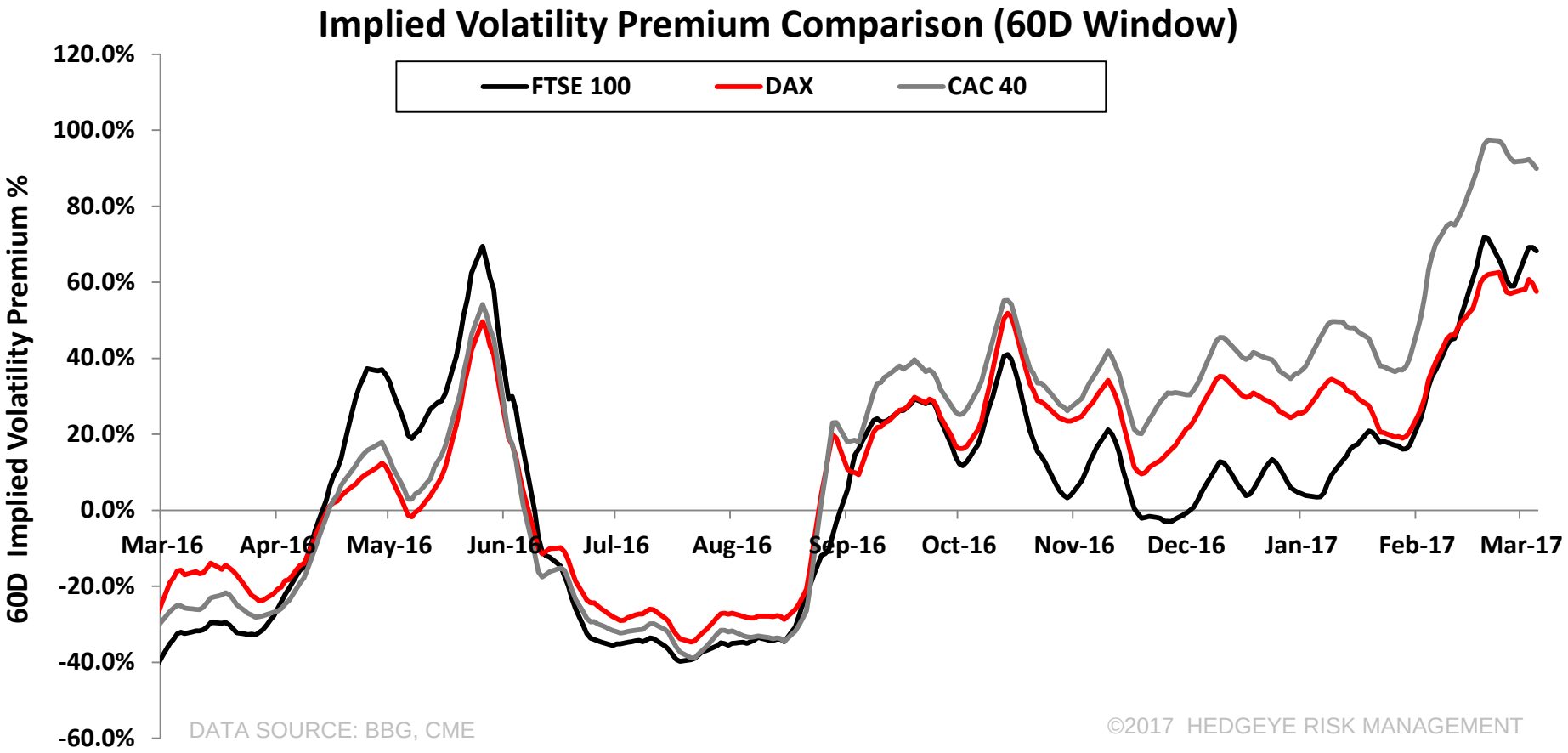
GERMAN YIELDS ↑, $USD ↓



HEDGING POLITICAL UNCERTAINTY



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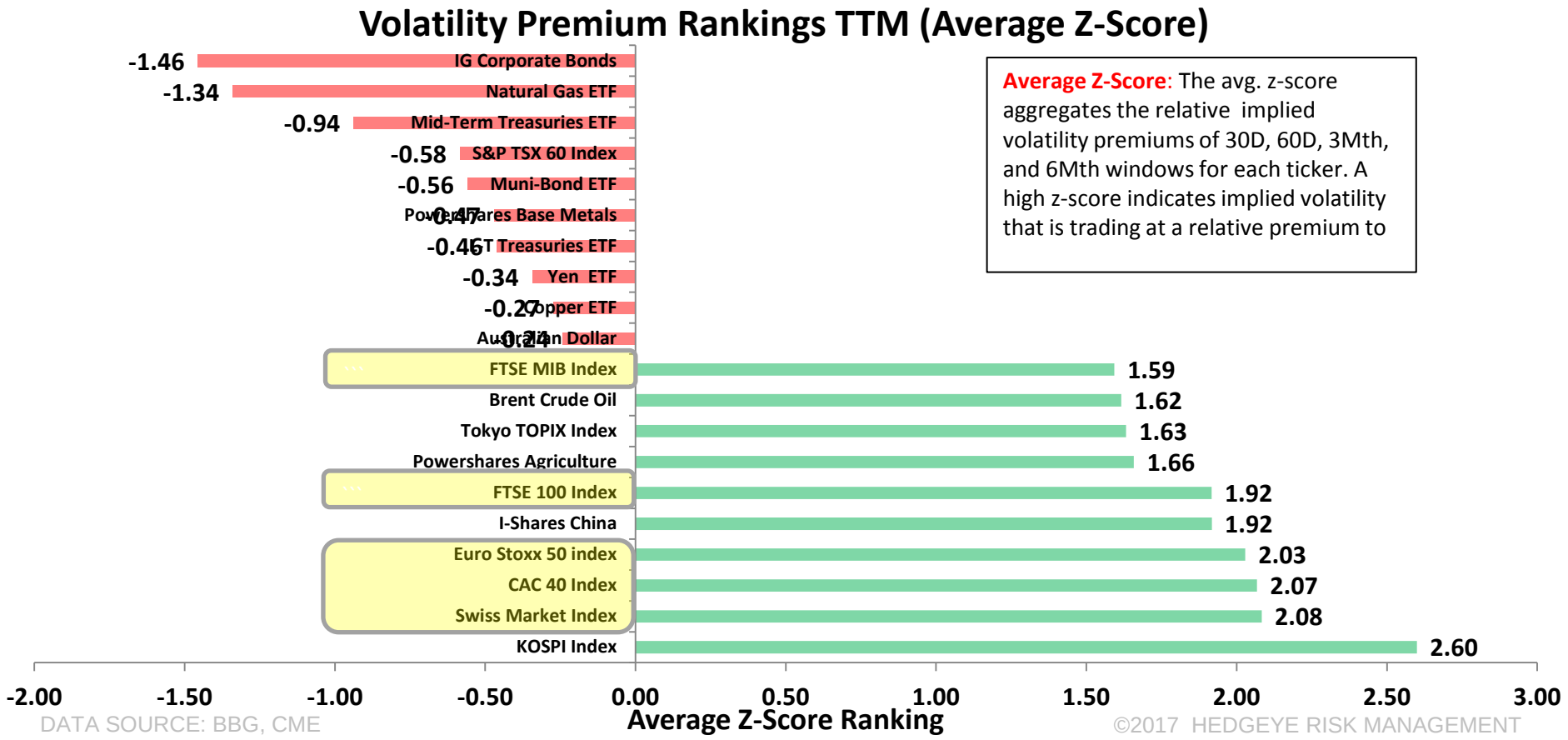
EUROPE: DIVERGENCE IN TREND VS. EXPECTATION



DATA SOURCE: BBG, CME

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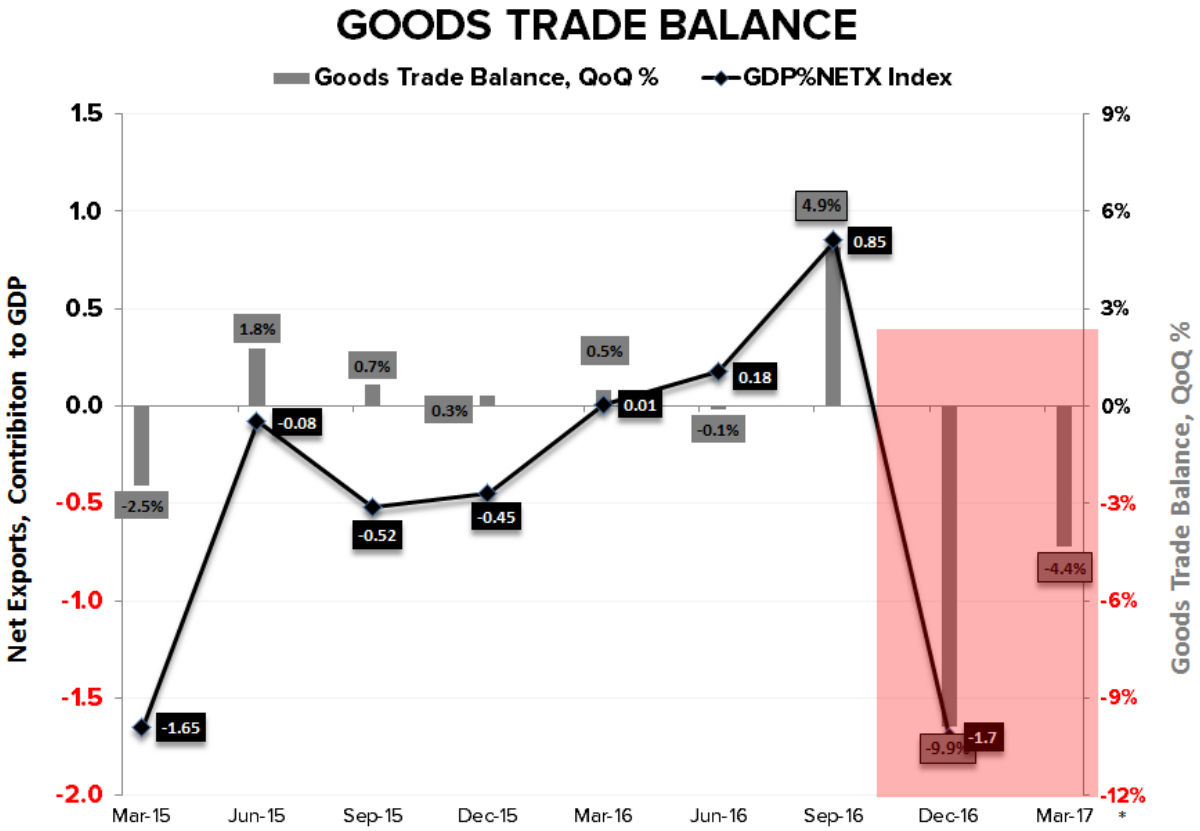
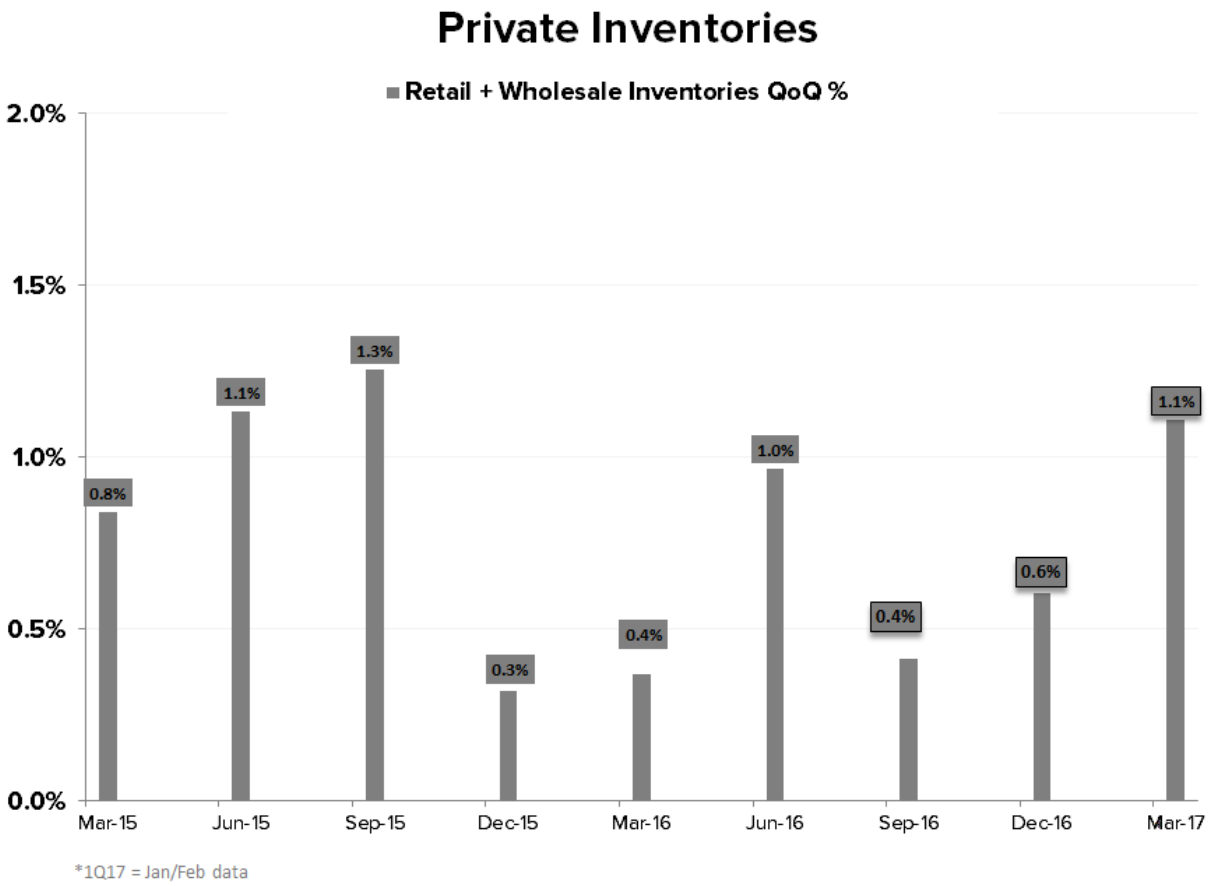
TRADE BALANCE = ↓



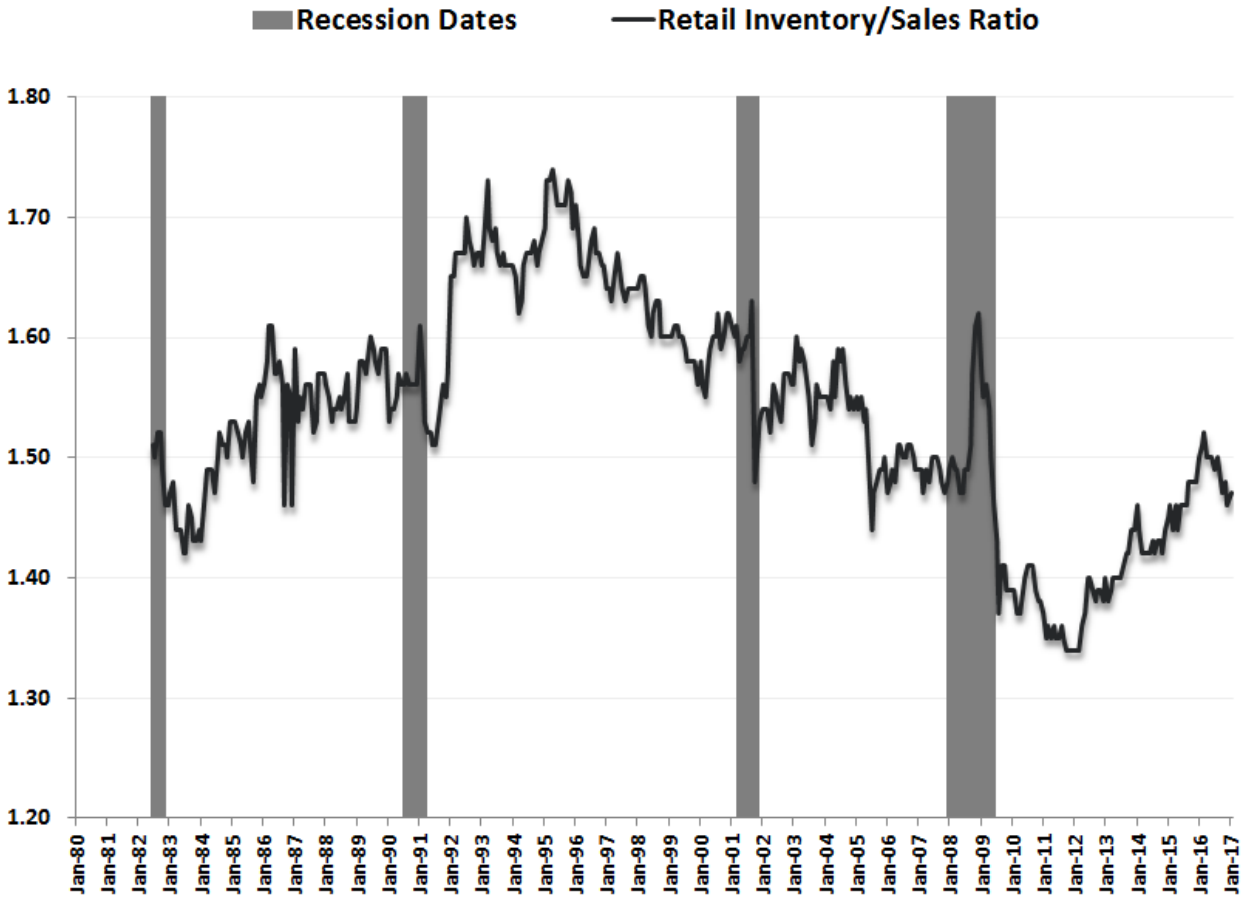
SOURCE: BLOOMBERG, BEA, HEDGEYE

INVENTORIES ↑



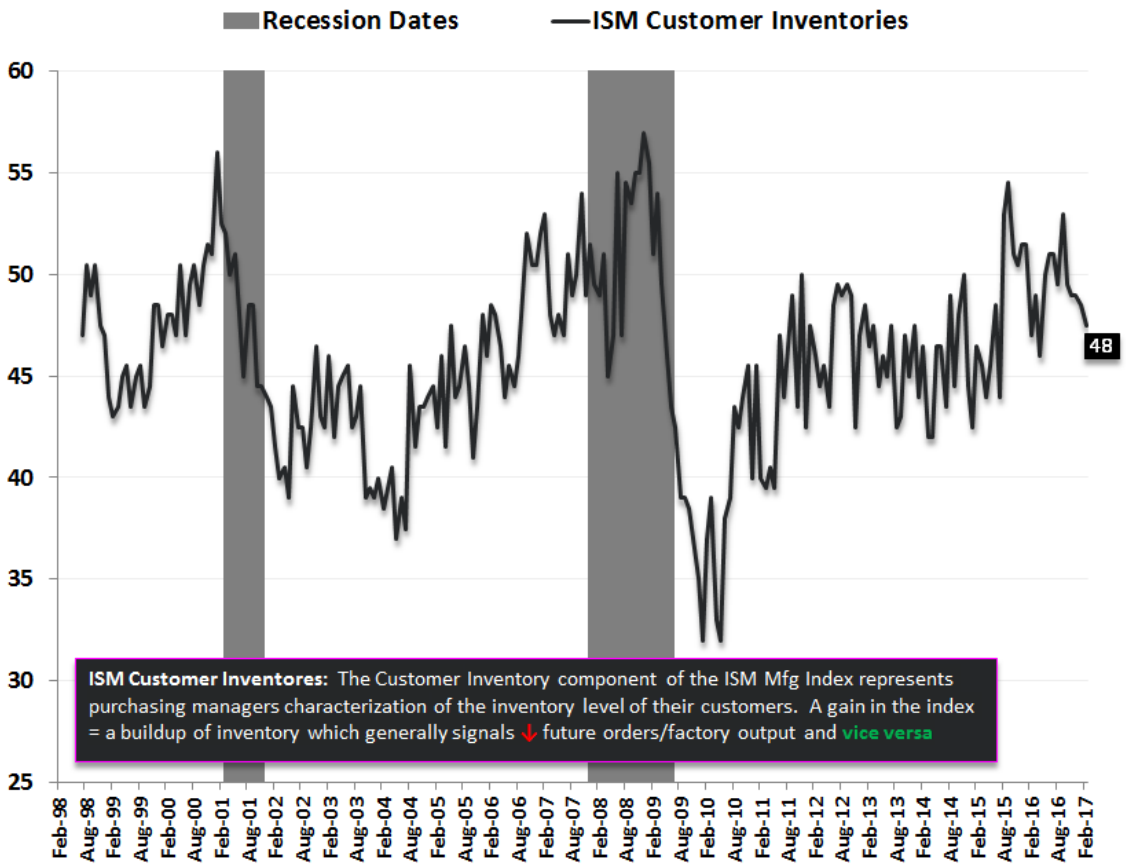
SOURCE: BLOOMBERG

SALES > INVENTORY



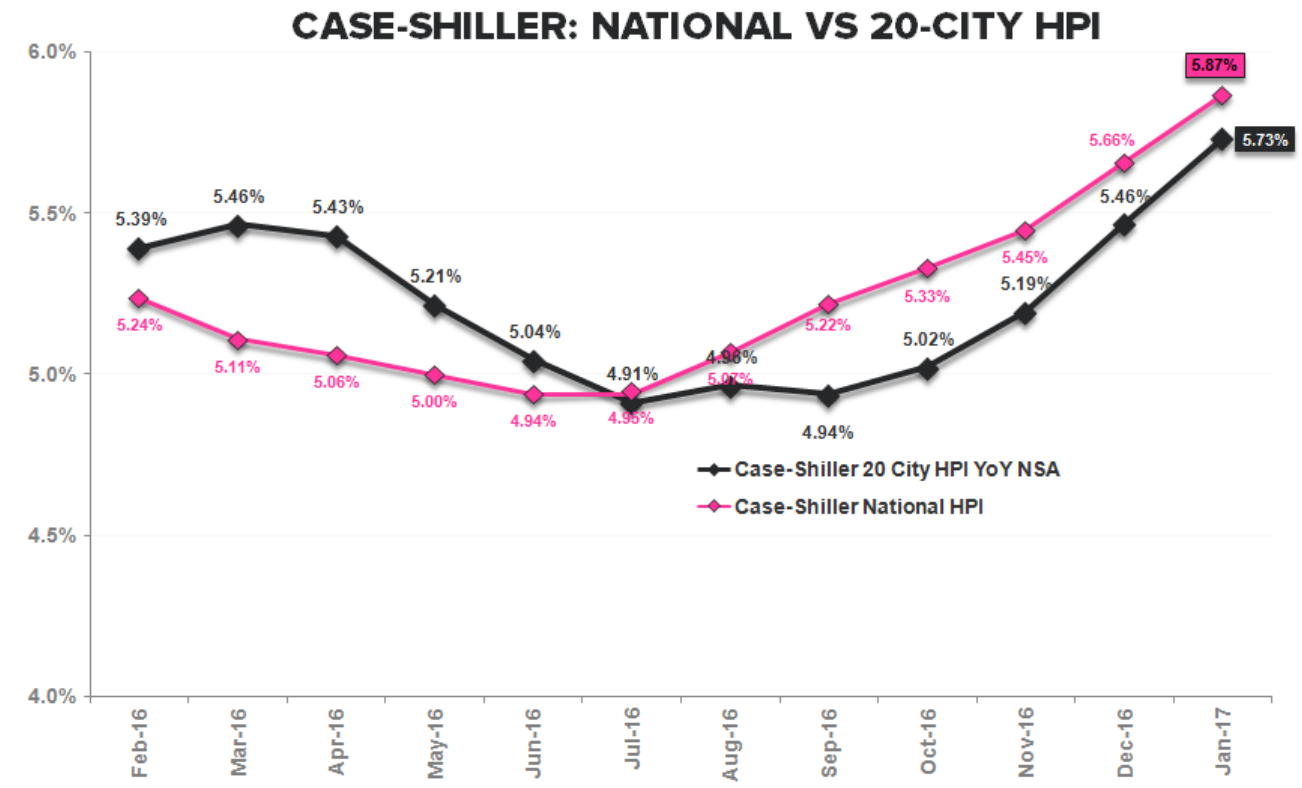
SOURCE; BLOOMBERG, CENSUS

FEB ISM CONFIRMS



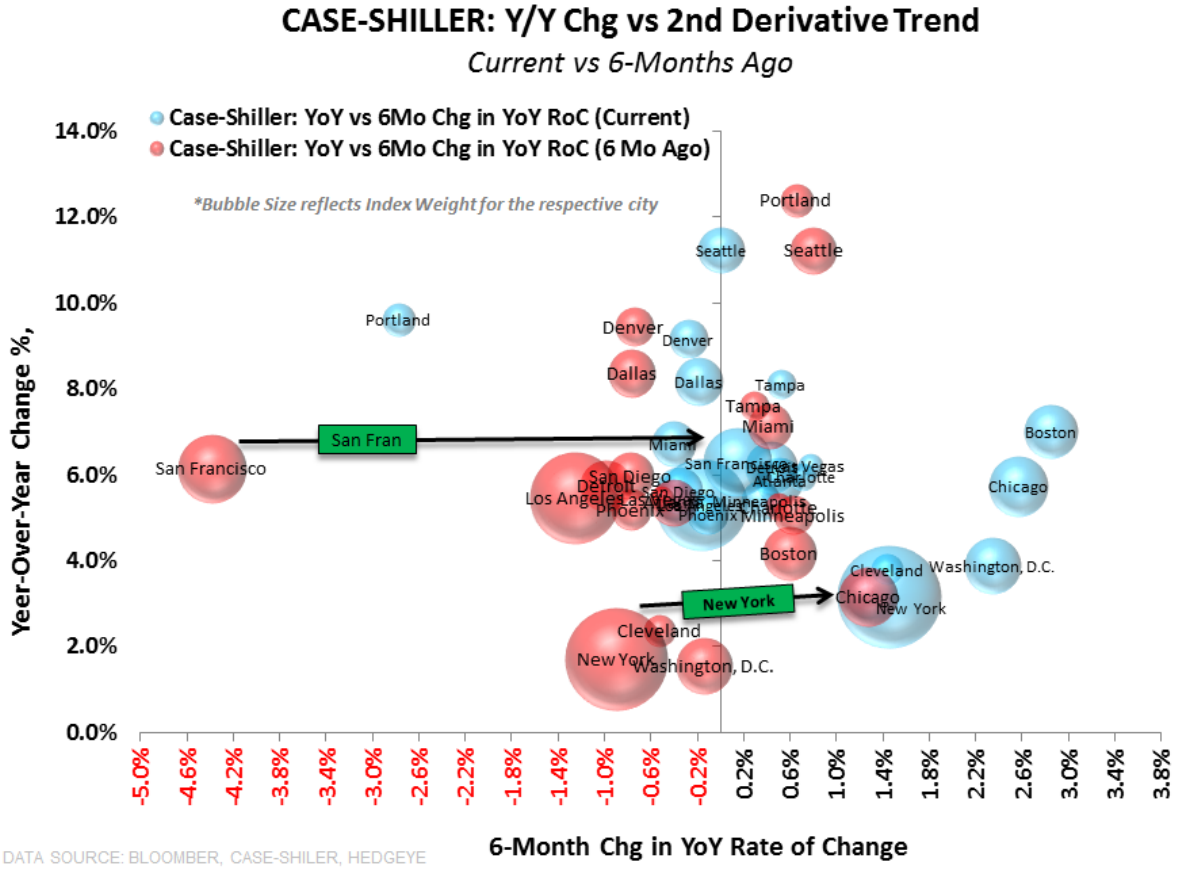
SOURCE: BLOOMBERG, ISM, HEDGEYE

HPI: 3 YEAR HIGHS

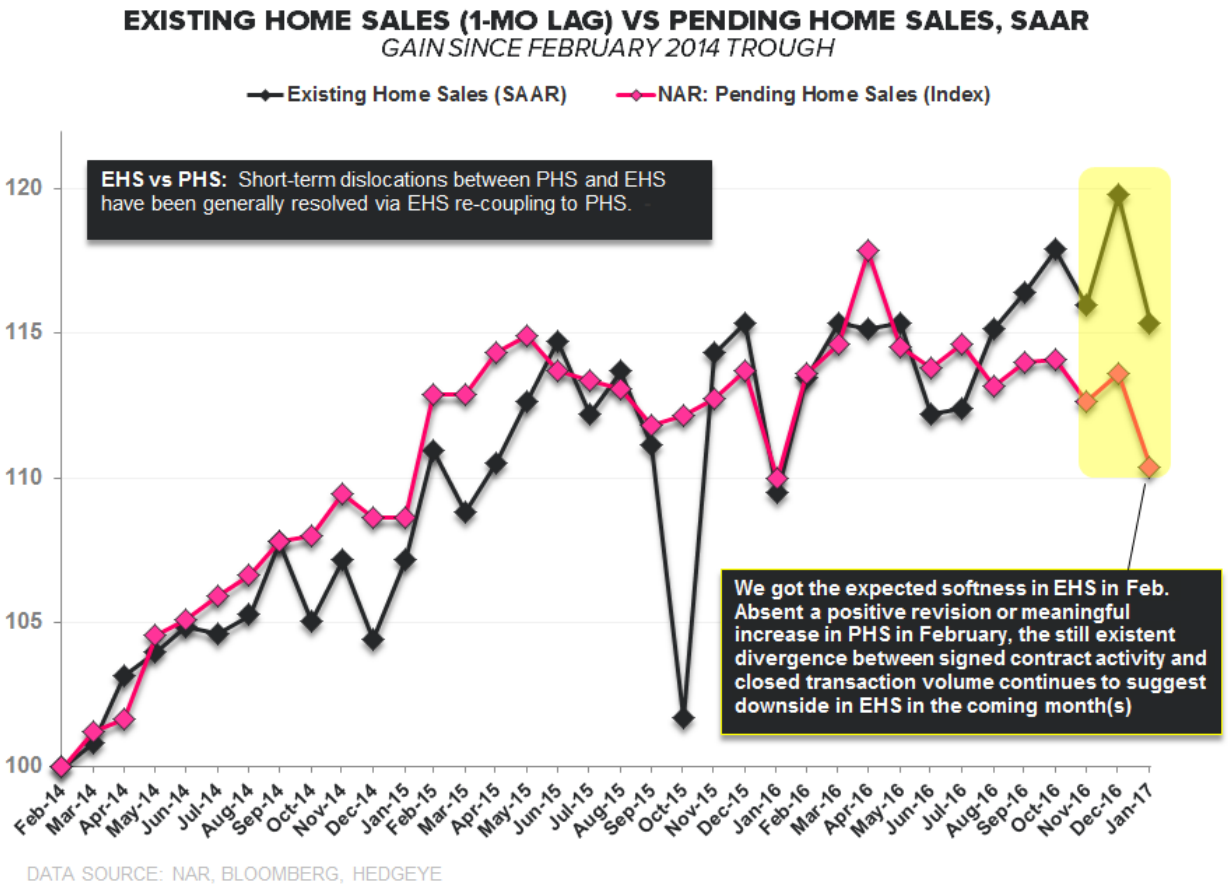


DATA SOURCE: BLOOMBERG

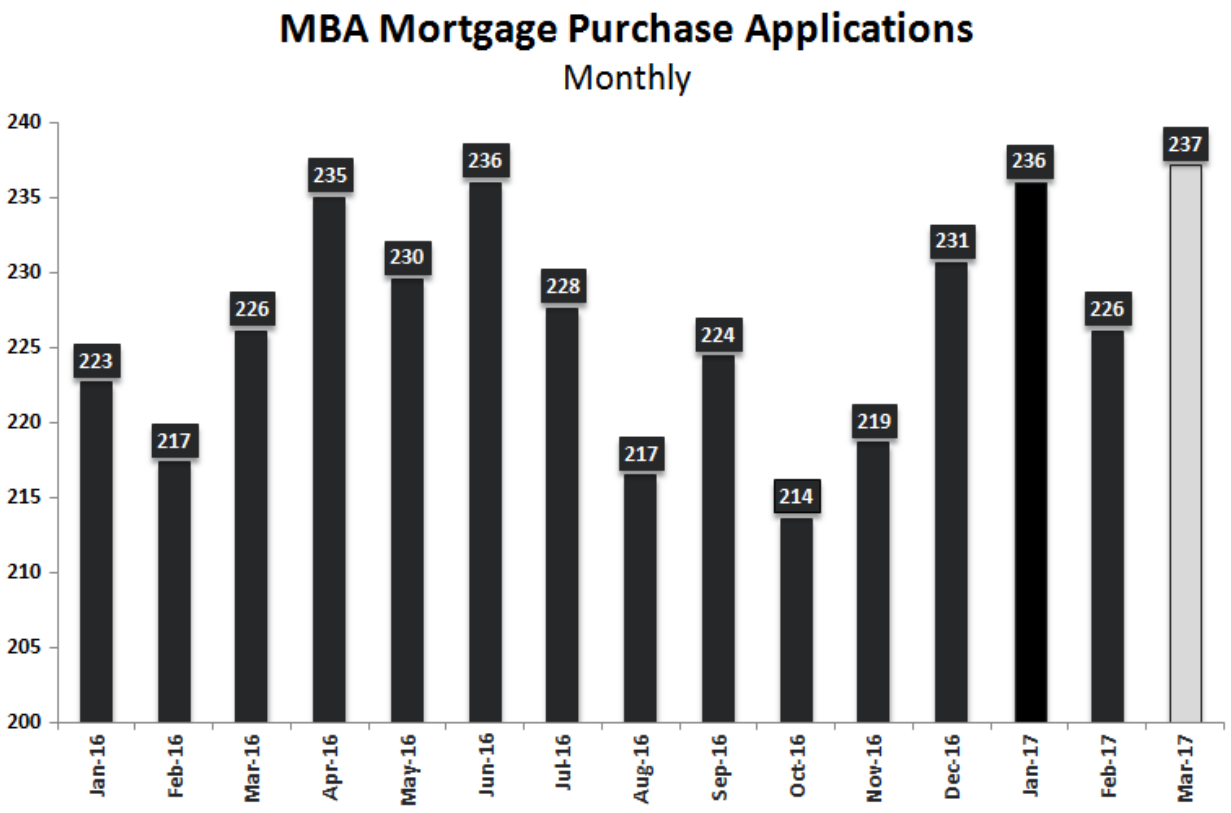
HPI: 2ND DERIVATIVE POSITIVE



VOLUME: UNDERWHELMING ....

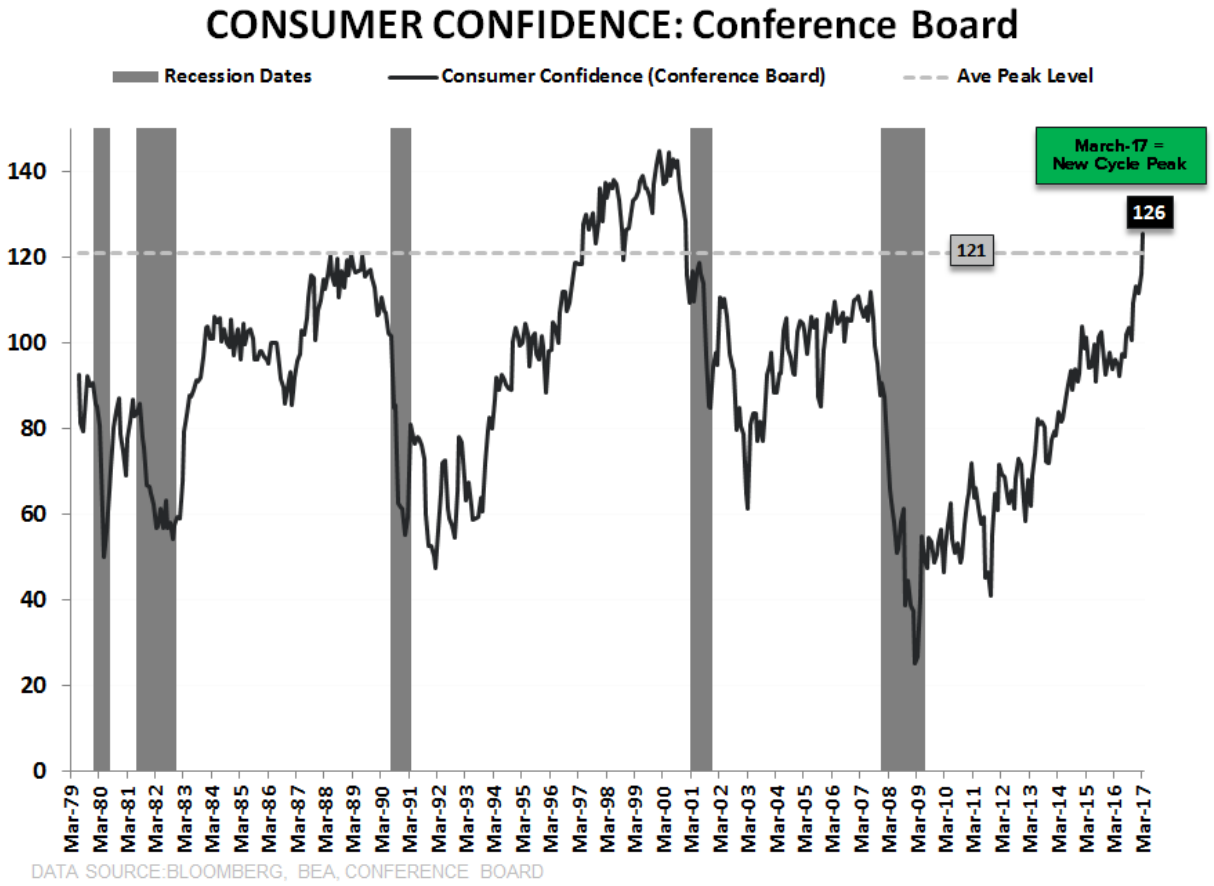


.... BUT IMPROVING?

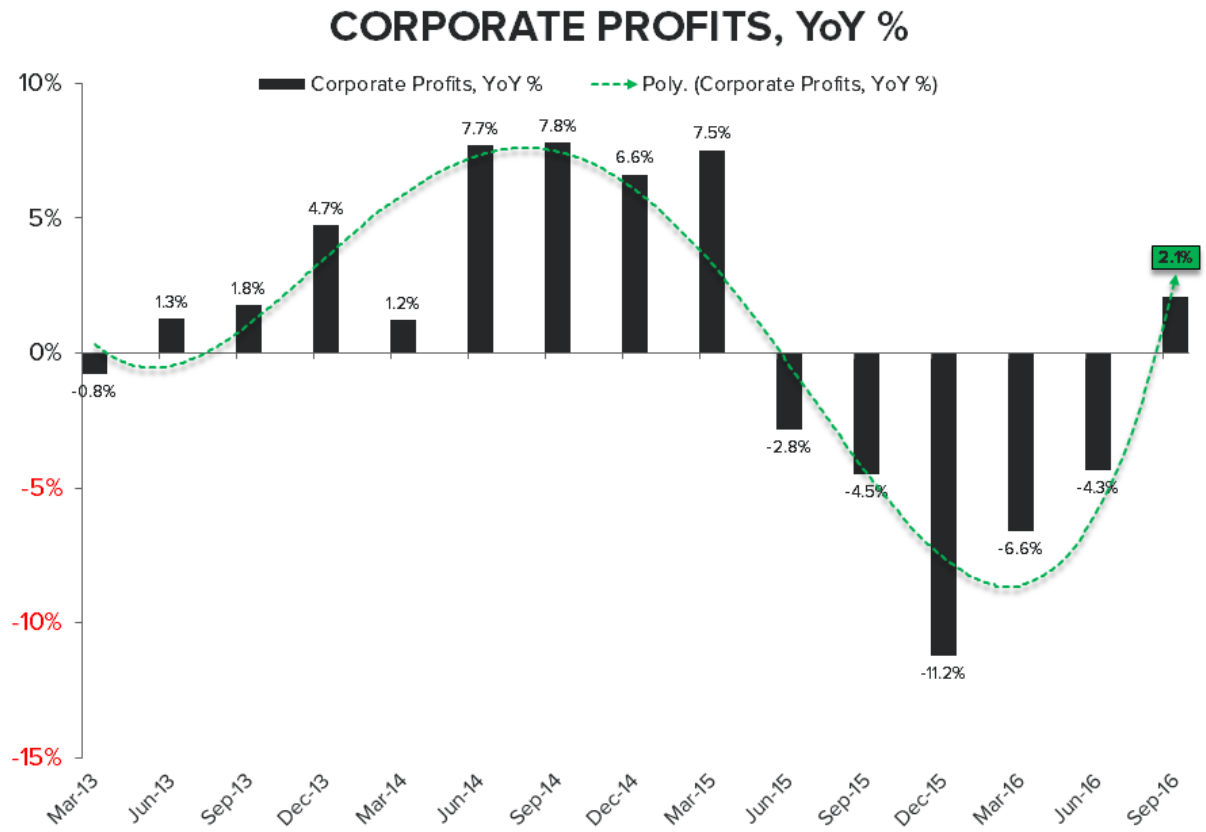


Source: Bloomberg, MBA

CONFIDENCE: 196 MONTH HIGHS



CORPORATE PROFITS ↑



Source: Bloomberg, BEA, Hedgeye

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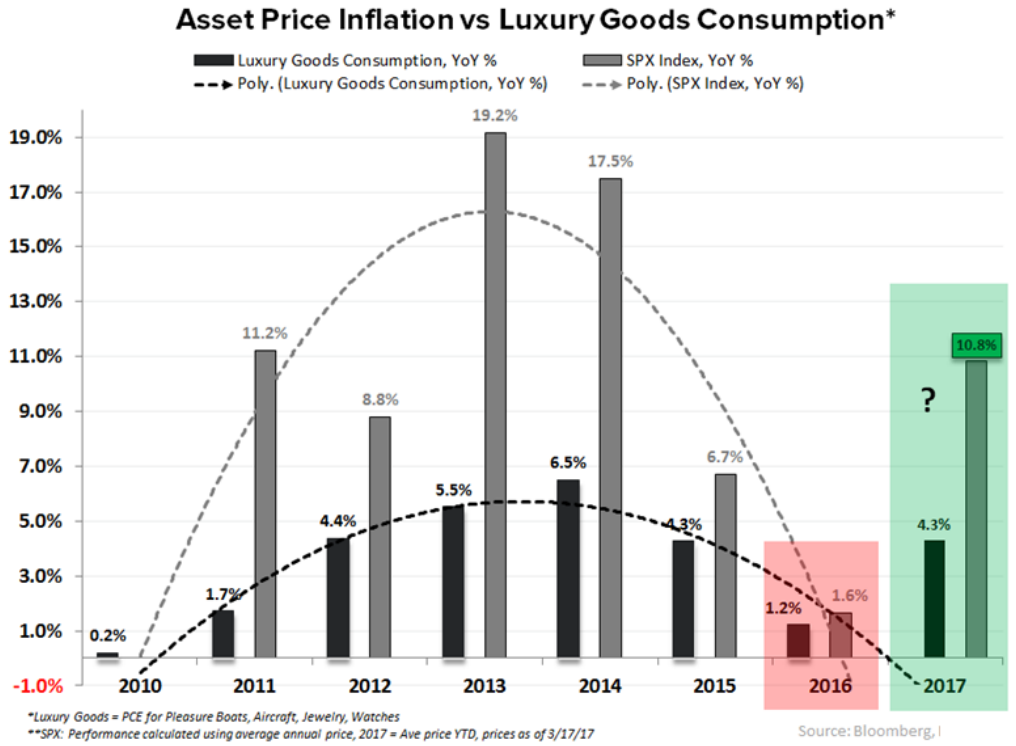
LONG THE RICH?

LUX SPENDING: THE BIG BOUNCE



High ticket discretionary consumption and financial asset prices show a solid direct relationship. With domestic equities largely flat for 2 years into late 2016, spending on luxury goods collapsed. Will renewed asset price inflation also bring resurgent spending at the high end?

Data Source: Bloomberg, BEA

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MACRO GRIND

EURO STOXX 50 INDEX

March 29, 2017

THE MACRO SHOW

HEDGEYE TV

Index/Security	Ticker	REALIZED VOLATILITY Duration of Realized (%) 30D	60D	90D	IMPLIED VOLATILTY* At-The-Money % Current	v 1M Avg	v 3M Avg	v 6M Avg.	IMPLIED** VS. REALIZED VOLATILITY Ticker	30 Day Premium	30 Day Z-Score TTM	30 Day Z-Score 3Yr	60 Day Premium	60 Day Z-Score TTM	60 Day Z-Score 3Yr	3 Month Premium	3 Month Z-Score TTM	3 Month Z-Score 3Yr
S&P 500	SPX	7.7%	6.9%	7.1%	10.7%	10.2%	10.3%	-3.2%	SPX	35.5%	0.38	0.86	57.0%	1.43	1.94	63.9%	2.11	2.43
Russell 2000	RTY	14.8%	14.5%	14.0%	16.5%	7.3%	4.2%	-1.6%	RTY	11.2%	0.28	0.25	14.3%	0.63	0.38	22.8%	1.46	0.81
Nasdaq 100	NDX	7.7%	7.0%	8.7%	12.1%	11.4%	2.6%	-9.1%	NDX	47.5%	0.78	1.37	75.4%	2.44	3.12	51.0%	2.07	2.34
USD Index	UUP	7.3%	7.6%	7.6%	9.3%	26.1%	10.6%	10.2%	UUP	5.6%	-0.31	-0.29	17.8%	0.20	0.19	9.4%	-0.24	-0.20
Consumer Discret.	XLY	7.9%	7.2%	9.1%	11.5%	8.5%	-1.1%	-10.6%	XLY	35.8%	0.51	0.99	61.2%	2.05	2.57	34.3%	1.20	1.46
Financials	XLF	15.6%	15.5%	14.9%	17.8%	11.2%	8.2%	2.6%	XLF	15.9%	0.17	0.37	13.7%	0.34	0.40	17.8%	1.16	0.70
Healthcare	XLV	9.2%	9.6%	10.0%	12.5%	3.7%	-0.6%	-11.2%	XLV	34.6%	0.81	1.22	31.5%	1.30	1.57	30.6%	1.80	1.81
Technology	XLK	8.0%	7.4%	9.5%	12.6%	13.0%	5.6%	-4.0%	XLK	48.7%	1.00	1.57	69.8%	2.56	3.00	35.3%	1.69	1.63
Consumer Staples	XLP	6.5%	7.4%	8.5%	10.6%	7.1%	4.0%	-6.6%	XLP	54.0%	1.91	1.99	42.7%	2.22	2.21	28.1%	1.50	1.31
Utilities	XLU	12.6%	12.0%	13.8%	13.9%	3.4%	-0.1%	-10.5%	XLU	6.6%	0.37	0.53	15.4%	1.47	1.53	0.4%	0.36	0.35
Energy	XLE	16.4%	14.9%	16.7%	18.7%	10.0%	9.7%	-0.2%	XLE	9.8%	0.26	0.24	26.8%	1.88	1.30	15.7%	1.72	0.76
Energy	XOP	26.5%	23.5%	30.1%	29.1%	5.4%	6.3%	-4.7%	XOP	8.2%	0.12	0.23	25.6%	1.79	1.55	0.8%	0.86	0.17
Materials	XLB	12.2%	11.9%	11.3%	14.1%	8.0%	5.7%	-3.0%	XLB	23.0%	0.41	0.51	17.3%	0.49	0.46	27.6%	1.34	1.03
Industrials	XLI	10.8%	10.1%	9.9%	13.7%	12.3%	9.6%	2.3%	XLI	24.1%	0.30	0.64	36.5%	1.30	1.50	44.7%	2.49	2.26
Transports	IYT	15.9%	14.8%	14.2%	16.0%	-2.3%	-6.4%	-8.4%	IYT	1.5%	-0.49	-0.33	10.9%	-0.08	0.14	23.5%	0.72	0.95
WTI Crude Oil	USO	22.7%	23.2%	29.4%	30.2%	10.0%	8.6%	-6.7%	USO	10.0%	0.94	0.91	32.9%	2.10	1.32	9.0%	1.17	0.17
Natural Gas	UNG	40.0%	44.2%	46.6%	36.1%	-3.8%	-14.2%	-19.0%	UNG	-10.9%	-0.81	-0.73	-18.3%	-1.05	-1.04	-22.5%	-1.36	-1.12
Gold	GLD	10.0%	10.7%	11.6%	12.5%	5.0%	-4.0%	-11.5%	GLD	14.4%	0.36	0.31	18.2%	1.00	0.70	11.2%	0.69	0.32
Silver	SLV	19.4%	18.0%	19.1%	19.7%	1.9%	-7.8%	-14.7%	SLV	-4.4%	-0.71	-0.78	12.4%	0.98	-0.03	7.5%	0.43	-0.25
Copper	JJC	20.9%	25.8%	24.8%	25.3%	8.8%	3.1%	0.4%	JJC	7.6%	-0.14	-0.13	-7.7%	-0.52	-0.62	-12.0%	-0.73	-0.91
Corn	CORN	14.0%	13.6%	15.0%	19.7%	5.5%	9.5%	6.5%	CORN	32.5%	1.11	0.56	50.7%	2.14	1.68	49.2%	1.56	1.46
Soybeans	SOYB	11.7%	14.3%	15.1%	26.2%	37.8%	25.5%	23.8%	SOYB	159.1%	3.43	2.03	70.6%	0.59	0.57	31.4%	-0.27	-0.22
Wheat	WEAT	18.4%	19.6%	19.1%	29.3%	16.4%	3.2%	1.7%	WEAT	45.2%	-0.14	-0.14	41.1%	-0.31	-0.11	24.4%	-0.82	-0.31

*implied 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

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.19	0.76%	0.95%	7.11%
Financial Select Sector	XLF	$23.77	1.36%	-3.14%	2.24%
Health Care Select Sector	XLV	$74.54	0.07%	-0.60%	8.12%
Technology Select Sector	XLK	$53.22	0.72%	1.66%	10.05%
Consumer Staples Select Sector	XLP	$54.75	0.18%	-0.64%	5.88%
Industrial Select Sector	XLI	$64.98	1.06%	-1.34%	4.44%
Materials Select Sector	XLB	$52.37	1.16%	0.23%	5.37%
The Energy Select Sector	XLE	$69.21	1.42%	-3.04%	-8.11%
Utilities Select Sector	XLU	$51.65	-0.08%	-0.23%	6.34%
S&P 500	SPX	2,358.57	0.73%	-0.21%	5.35%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.19	0.04%	1.16%	1.76%
Financial Select Sector	XLF	$23.77	0.64%	-2.92%	-3.11%
Health Care Select Sector	XLV	$74.54	-0.66%	-0.39%	2.77%
Technology Select Sector	XLK	$53.22	-0.01%	1.88%	4.70%
Consumer Staples Select Sector	XLP	$54.75	-0.54%	-0.42%	0.53%
Industrial Select Sector	XLI	$64.98	0.33%	-1.12%	-0.91%
Materials Select Sector	XLB	$52.37	0.43%	0.44%	0.02%
The Energy Select Sector	XLE	$69.21	0.70%	-2.83%	-13.46%
Utilities Select Sector	XLU	$51.65	-0.80%	-0.02%	0.99%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.9%	1.1%	-1.8%	3.5%	6.8%	3.8%
	Low Debt/EV	0.7%	0.8%	0.2%	5.3%	7.4%	6.0%
SI	High Short Interest	1.1%	1.3%	-1.3%	0.6%	3.5%	1.3%
	Low Short Interest	0.8%	0.5%	-0.4%	5.1%	10.4%	5.6%
BETA	High Beta	1.4%	1.4%	-2.1%	2.7%	13.5%	3.7%
	Low Beta	0.3%	0.2%	-0.1%	5.6%	3.0%	5.1%
YIELD	High Yield	0.7%	0.3%	-2.0%	0.6%	-0.1%	0.3%
	Low Yield	0.8%	1.6%	-0.2%	5.0%	6.0%	5.7%
MKT CAP	MCAP Bottom 25%	1.1%	1.2%	-1.5%	-0.4%	1.0%	-0.2%
	MCAP Top 25%	0.7%	0.5%	-0.2%	5.5%	11.4%	6.1%
Sales	Top 25% Sales Growth	0.9%	1.3%	-0.2%	3.9%	7.8%	4.6%
	Bottom 25% Sales Growth	0.7%	0.6%	-1.6%	1.7%	3.3%	2.0%
EPS	Top 25% EPS Growth	1.1%	1.5%	-0.4%	2.9%	7.8%	3.7%
	Bottom 25% EPS Growth	0.7%	0.4%	-1.8%	2.0%	2.7%	2.1%

**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	0.77%	0.0	1.5	17	26	-1	61	61	65
3M LIBOR	1.15%	0.0	-0.4	9	15	0	53	65	73
2Y T-Note	1.30%	4.9	4.2	4	5	-10	81	58	75
5Y T-Note	1.96%	4.5	1.7	3	-3	-18	107	44	63
10Y T-Note	2.42%	4.0	0.0	3	-9	-22	110	28	27
30Y T-Note	3.02%	4.0	-1.0	3	-7	-19	94	15	0
2Y-10Y Spread, Bps	112	-0.9	-4.1	-1.4	-14	-13	29	-30	-48
IG SPREAD (AAABBB)	1.54%	0.0	-2.0	9	2	-49	9	-15	-20
HIGH YIELD	6.21%	-5.8	12.3	30	-19	-179	49	-44	-34
5Y BREAKEVEN	1.95%	-0.1	-1.9	-4.7	8.7	-12.3	70.2	39.5	23.2

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)	79,586	(65,502)	57,157	22,441	45,152	*0.40X*	*1.02X*
Russell 2000 (mini)	(40,760)	(18,247)	42,809	33,733	5,008	*-1.04X*	*-0.57X*
10Y Treasury	(68,562)	129,389	(301,900)	(175,436)	(76,659)	*0.05X*	*-0.07X*
CRUDE OIL	474,989	(25,170)	525,480	465,105	410,990	*0.79X*	*1.51X*
GOLD	65,971	16,136	67,652	103,793	166,541	*-1.26X*	*-0.44X*
COPPER	21,861	(730)	41,702	34,004	7,828	*0.43X*	*1.26X*
$USD	46,206	(1,493)	48,600	46,669	30,139	*0.86X*	*0.38X*
JPY	(72,534)	729	(66,824)	(26,616)	11,933	*-1.55X*	*-0.72X*
EUR	(18,245)	20,462	(47,973)	(78,648)	(74,166)	*1.62X*	*1.46X*
GBP	(113,271)	(6,578)	(71,074)	(74,942)	(67,00[illegible])	*-2.32X*	*-2.27X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (3/28) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	17%	21%	28%	72%
Total Exchange Volume**	5%	-6%	-3%	-5%
Total Traded Value (R3K)***	0%	-12%	-6%	-3%

*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	0.55	0.58	-0.23	0.54	0.67	*0.95*	*-0.75*	*53%*	*47%*
BRENT Oil	0.65	0.55	0.24	0.49	0.71	*0.77*	*-0.78*	*52%*	*48%*
CRB Index	-0.13	0.08	-0.47	0.49	0.75	*0.83*	*-0.86*	*29%*	*71%*
GOLD	-0.96	-0.52	-0.70	-0.83	-0.93	*0.90*	*-0.97*	*17%*	*83%*

**Days = Trading Days*