THE MACRO SHOW

APRIL 13, 2017

LEGAL

DISCLAIMER

Hedgeye Risk Management is a registered investment advisor, registered with the State of Connecticut. Hedgeye Risk Management is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security. This research is presented without regard to individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice. This presentation is based on information from sources believed to be reliable. Hedgeye Risk Management is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of Hedgeye Risk Management, and are intended solely for the use of Hedgeye Risk Management's clients and subscribers. In reaching these opinions and conclusions, Hedgeye Risk Management and its employees have relied upon research conducted by Hedgeye Risk Management's employees, which is based upon sources considered credible and reliable within the industry. Hedgeye Risk Management is not responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is intended solely for the use of its recipient. Re-distribution or republication of this report and its contents are prohibited. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Use at www.hedgeye.com.

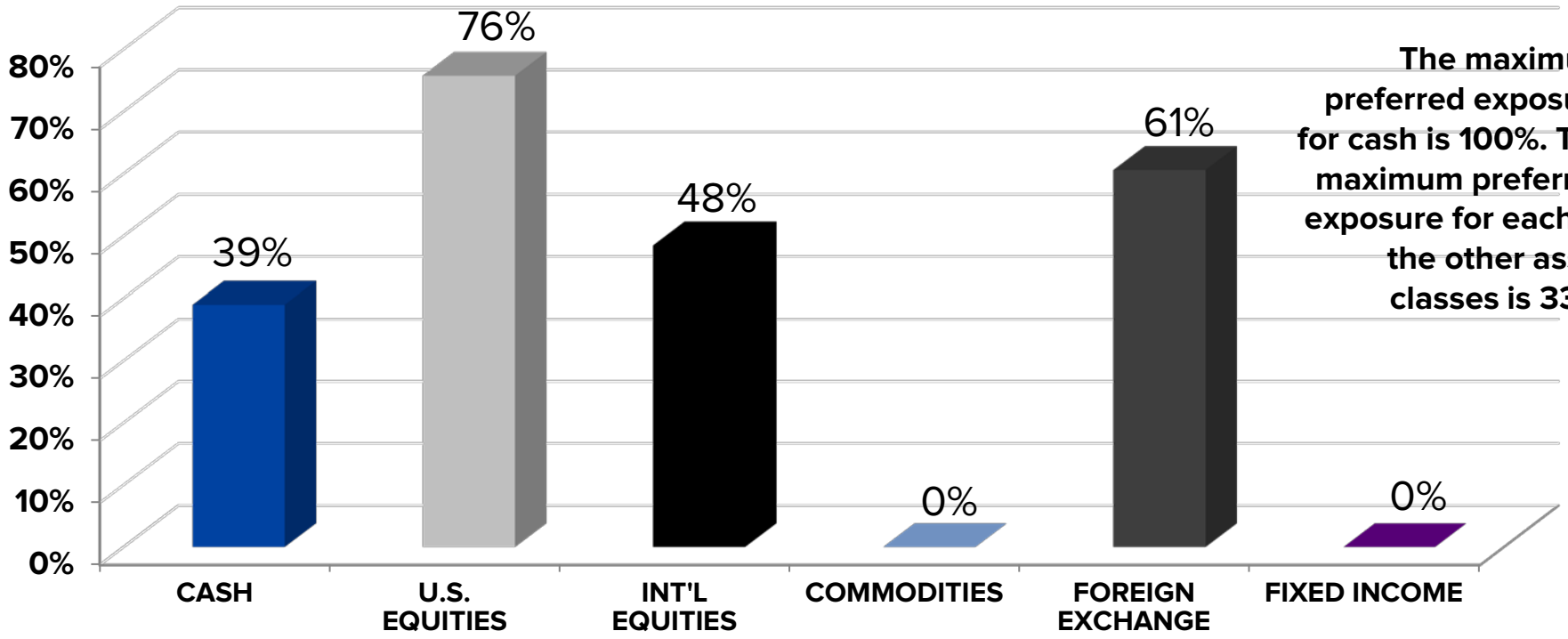
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/12/2017	43	23	15	0	19	0
4/13/2017	39	25	16	0	20	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/12/2017	43%	70%	45%	0%	58%	0%
4/13/2017	39%	76%	48%	0%	61%	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



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

1 POTUS

2 LOAN GROWTH

3 FRANCE

POTUS

In case you missed it, Trump went for the campaign opinion takeback trifecta yesterday telling the WSJ that he likes Janet Yellen, he prefers a low interest rate policy and he won't label China as a currency manipulator. If you're keeping score, that compares with the campaign commentary that Janet should be ashamed for using overly accommodative policy to support an overinflated stock market and that addressing Chinese currency manipulation would be a first and top priority. Bond Yields and the Dollar dutifully rolled over to close on the lows. Bureaucrat commentary and peri European election chop aside, we expect the slopes of growth and inflation will continue to define the Trend movement in rates and the $USD.

LOAN GROWTH

Remember when loan growth was allegedly rolling over? Well that's not what the big banks are saying this morning. For example, amid JP Morgan's massive EPS and revenue beat this morning ($1.65/share vs. $1.52; $25.6B vs. $24.9B), the one thing that's standing out to us is loan growth, which was up +9% YoY vs. an expected growth rate of +2%. CEO Jami Dimon confirmed as much in the accompanying statement: *"We are off to a good start for the year with all of our businesses performing well and building on their momentum from last year. U.S. consumers and businesses are healthy overall and with pro-growth initiatives and improving collaboration between government and business, the U.S. economy can continue to improve."* Move along, macro tourists. Nothing to see here…

UK

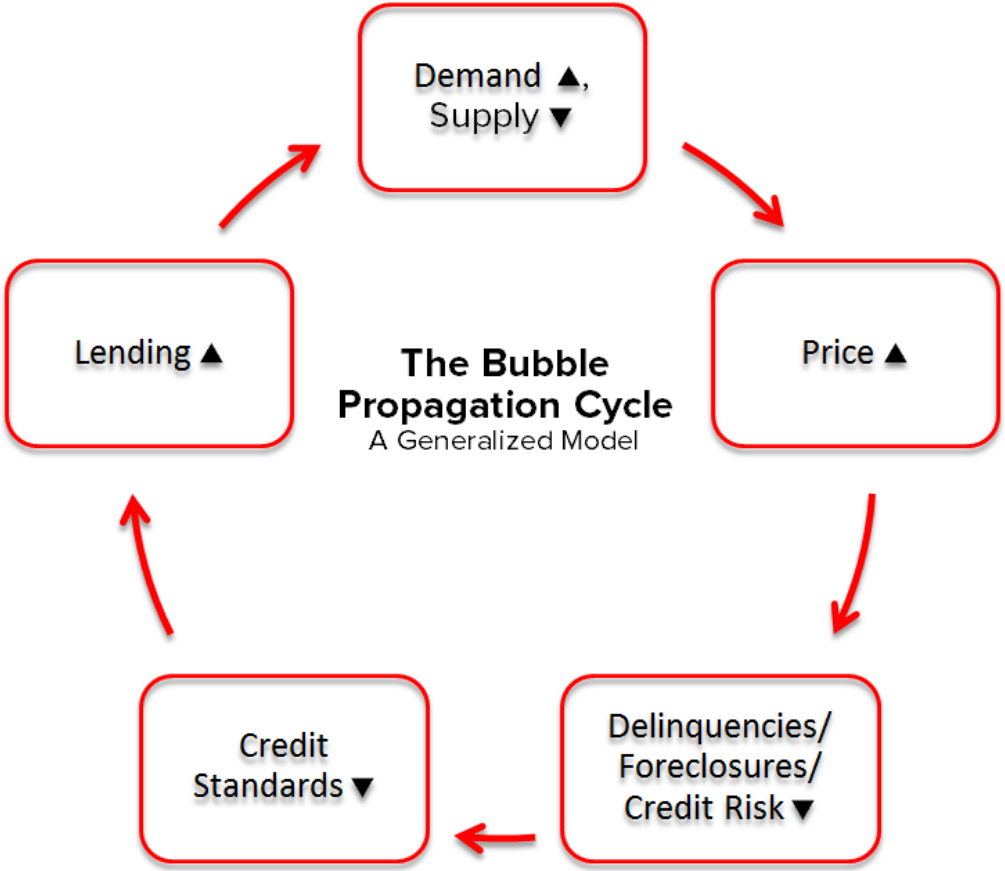
A survey out of the British Chambers of Commerce for Q1 2017 shows an increase in manufacturing and service sector confidence, an increase in expectations for the price of goods over the next three months, and the strongest UK export growth since late 2014. We remain bullish on UK equities (EWU) and the British Pound (GBP) over the longer term (2-3 years).

MACRO & HOUSING

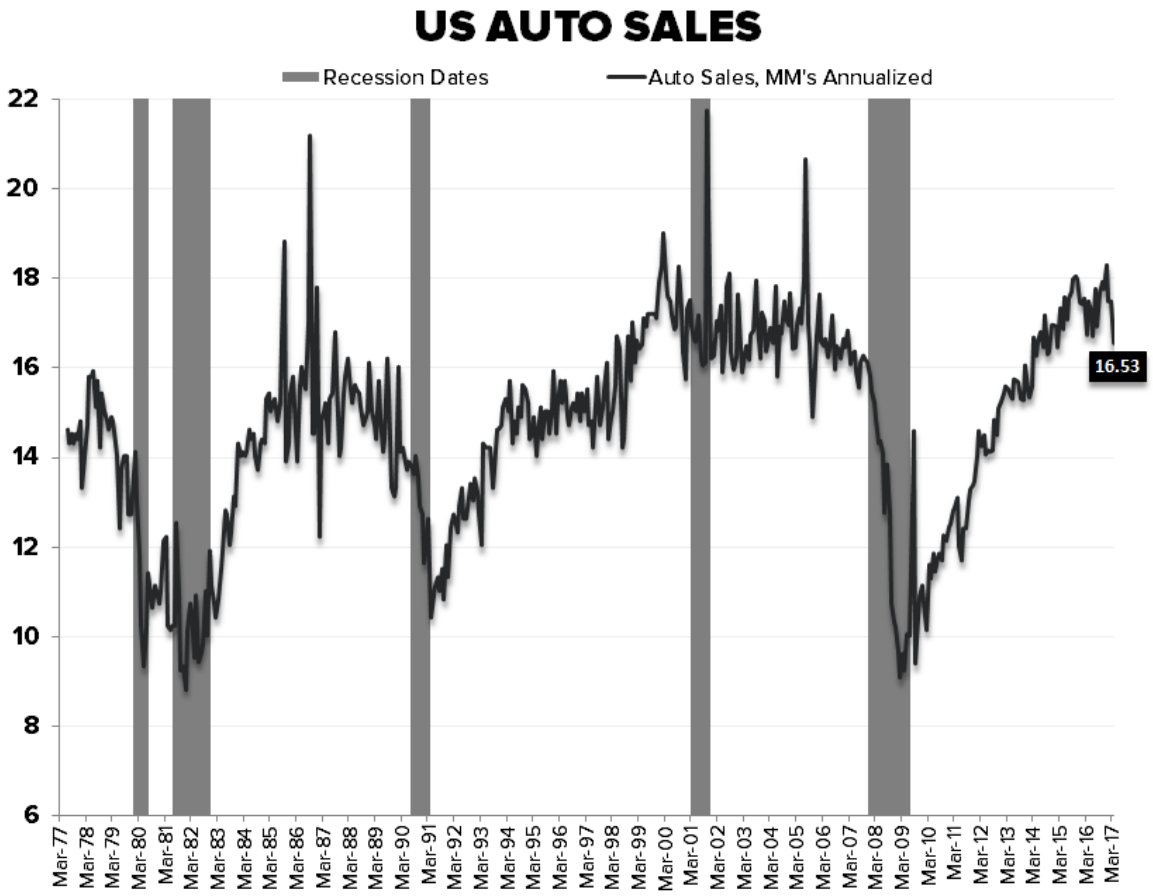
CHRISTIAN DRAKE

U.S. AUTO'S

THE ARCHETYPICAL BUBBLE CYCLE

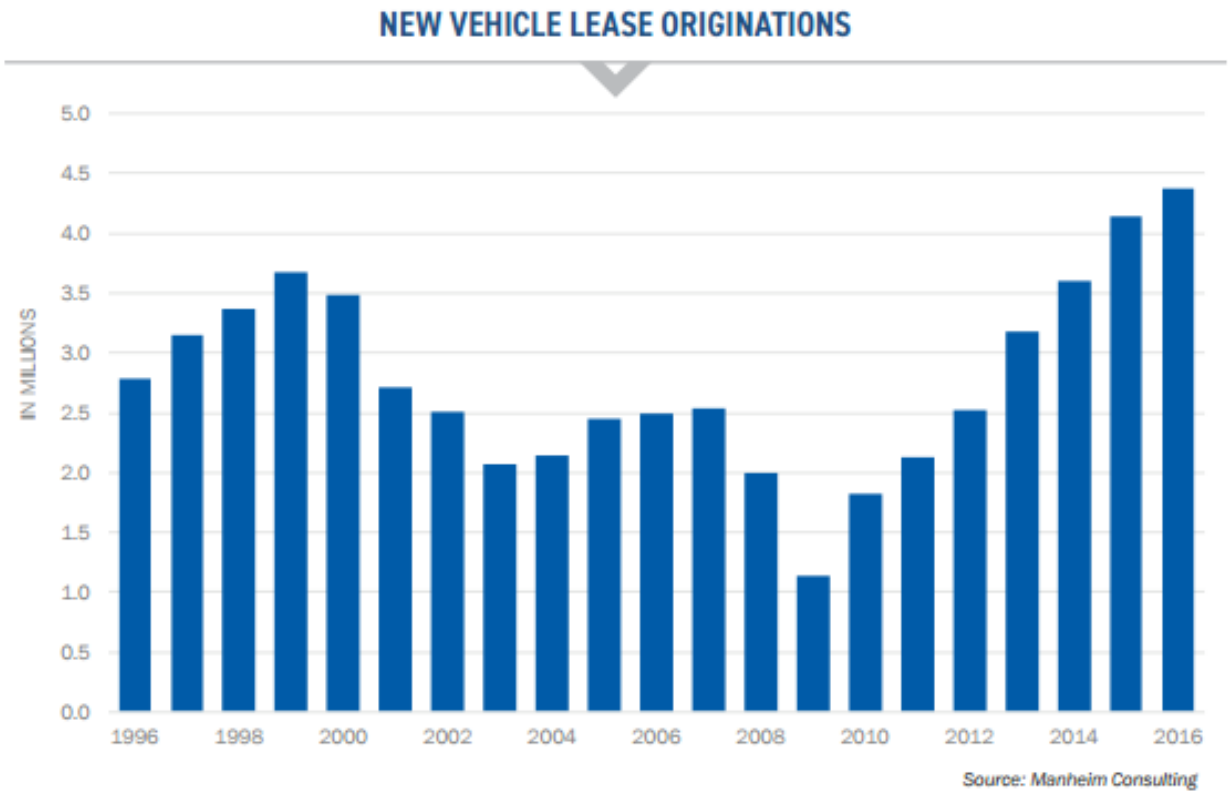


AUTO DEMAND = ↓

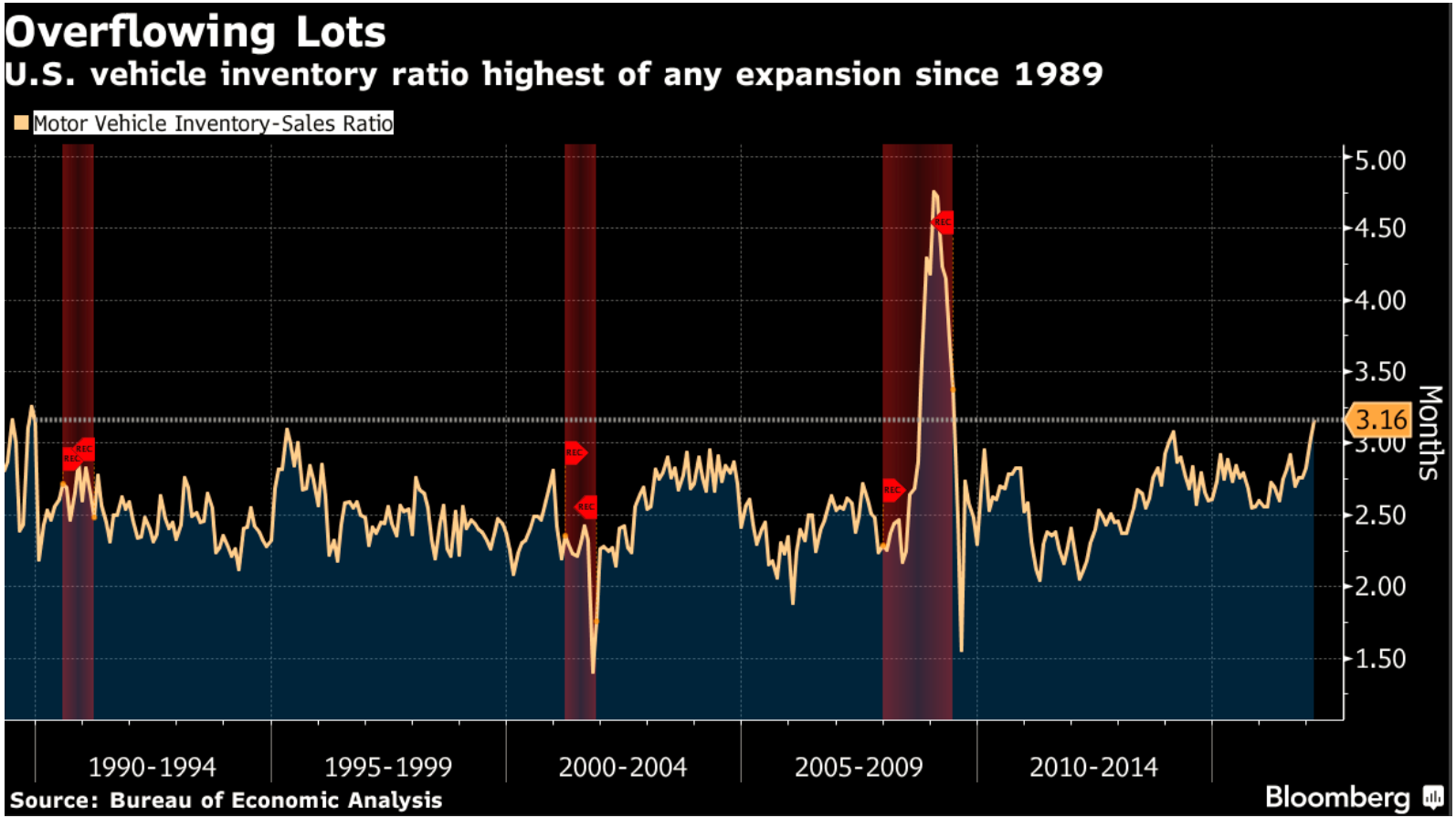


SOURCE: BLOOMBERG

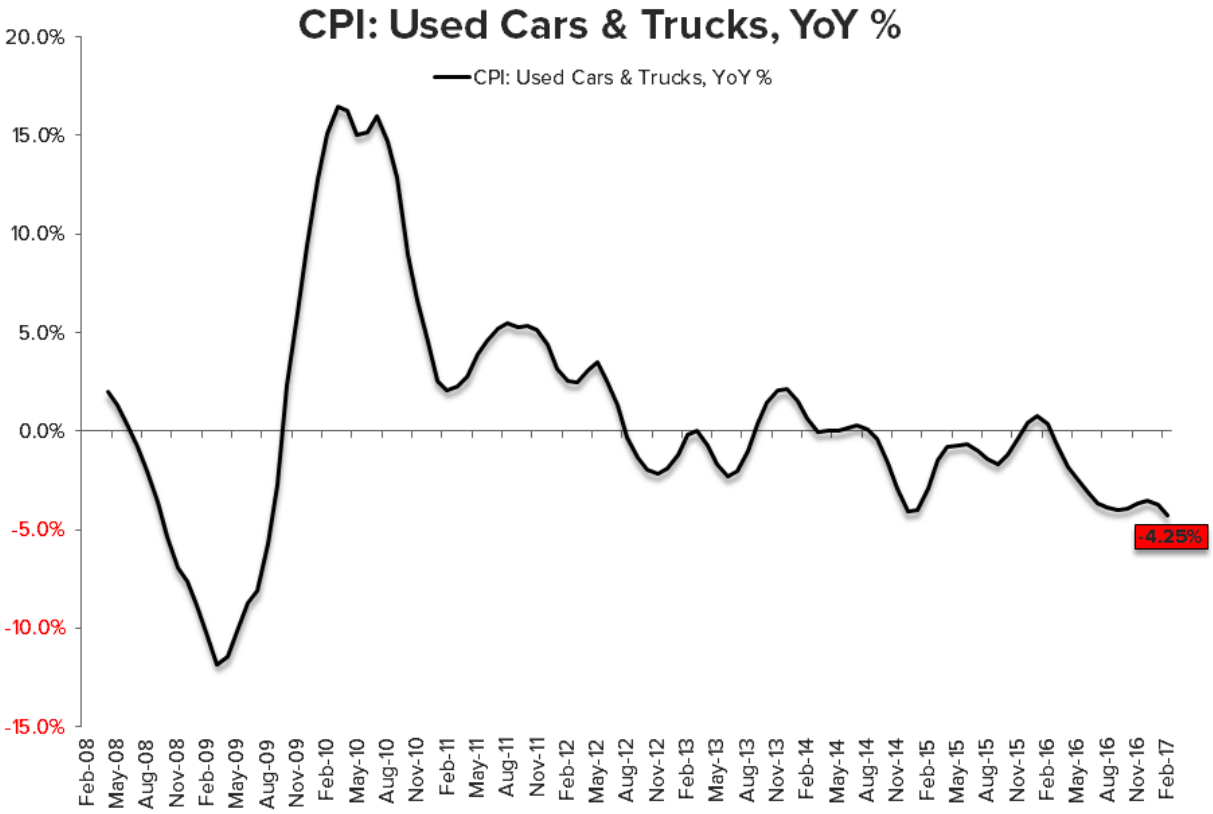
SUPPLY = ↑


NEW VEHICLE LEASE ORIGINATIONS
IN MILLIONS
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Source: Manheim Consulting

SUPPLY = ↑


Overflowing Lots
U.S. vehicle inventory ratio highest of any expansion since 1989
Motor Vehicle Inventory-Sales Ratio
5.00
4.50
4.00
3.50
3.16
3.00
2.50
2.00
1.50
Months
REC
1990-1994
1995-1999
2000-2004
2005-2009
2010-2014
Source: Bureau of Economic Analysis
Bloomberg

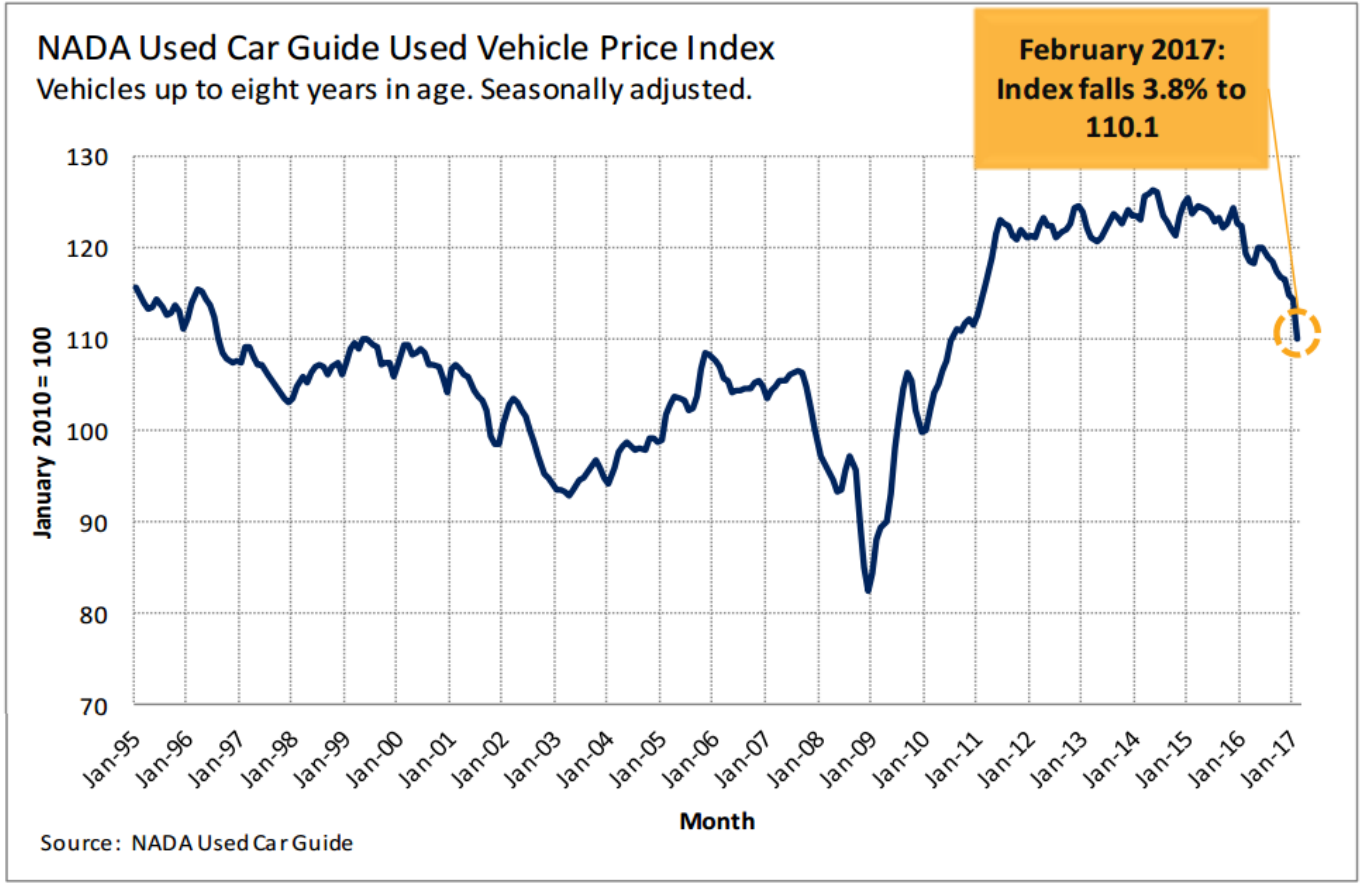
PRICES = ↓



Source: BLS, Bloomberg

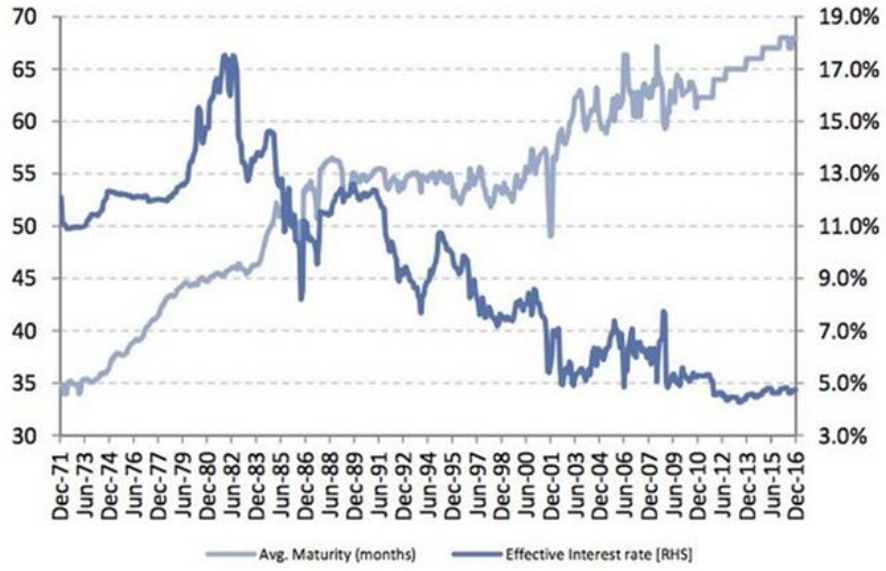
© Hedgeye Risk Management

PRICES = ↓

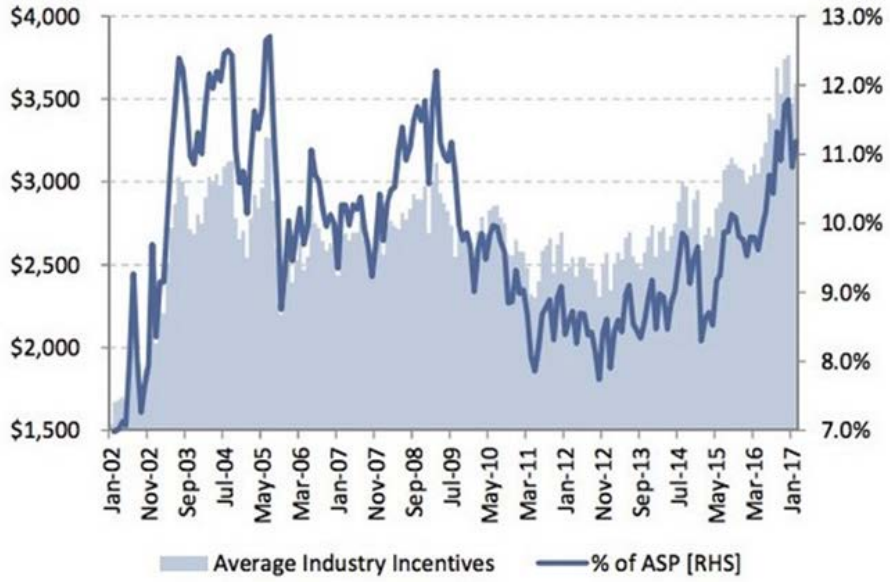

NADA Used Car Guide Used Vehicle Price Index
Vehicles up to eight years in age. Seasonally adjusted.
February 2017: Index falls 3.8% to 110.1
January 2010 = 100
130
120
110
100
90
80
70
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Month
Source: NADA Used Car Guide

MATURITY ↑, INCENTIVES ↑

Average maturity vs. avg. vehicle loan interest rate

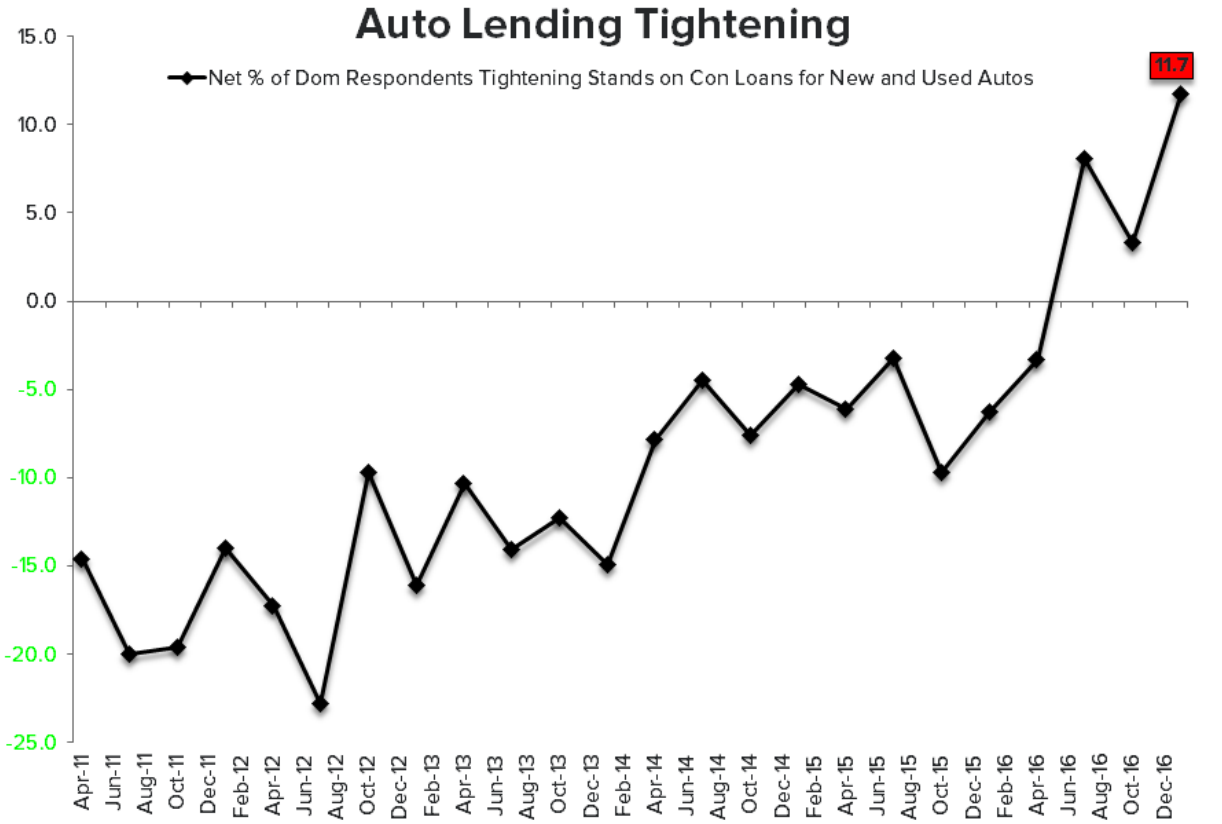


New vehicle incentives: $ and % of avg. selling price



SOURCE: AUTODATA, BEA, EXPERIAN, GOLDMAN SACHS

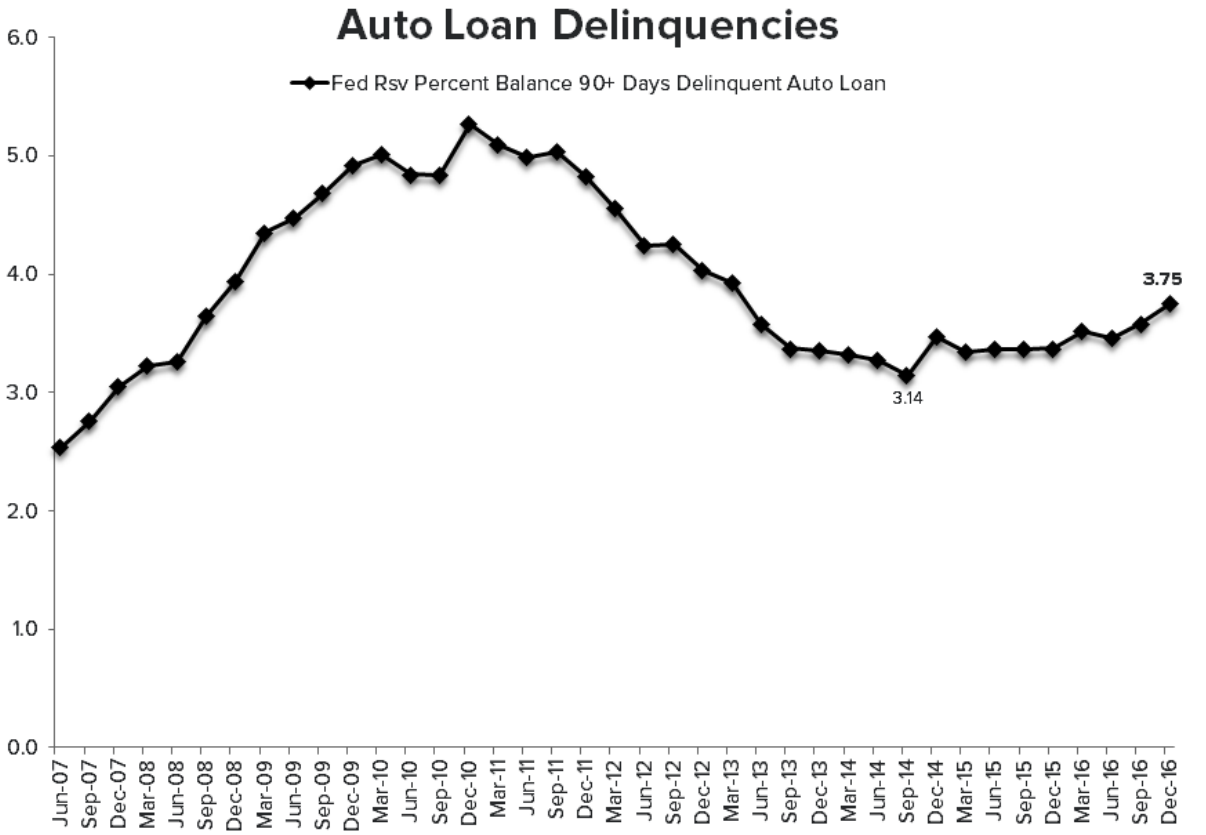
AUTO LENDING = TIGHTER



Source: Federal Reserve, Bloomberg

© Hedgeye Risk Management

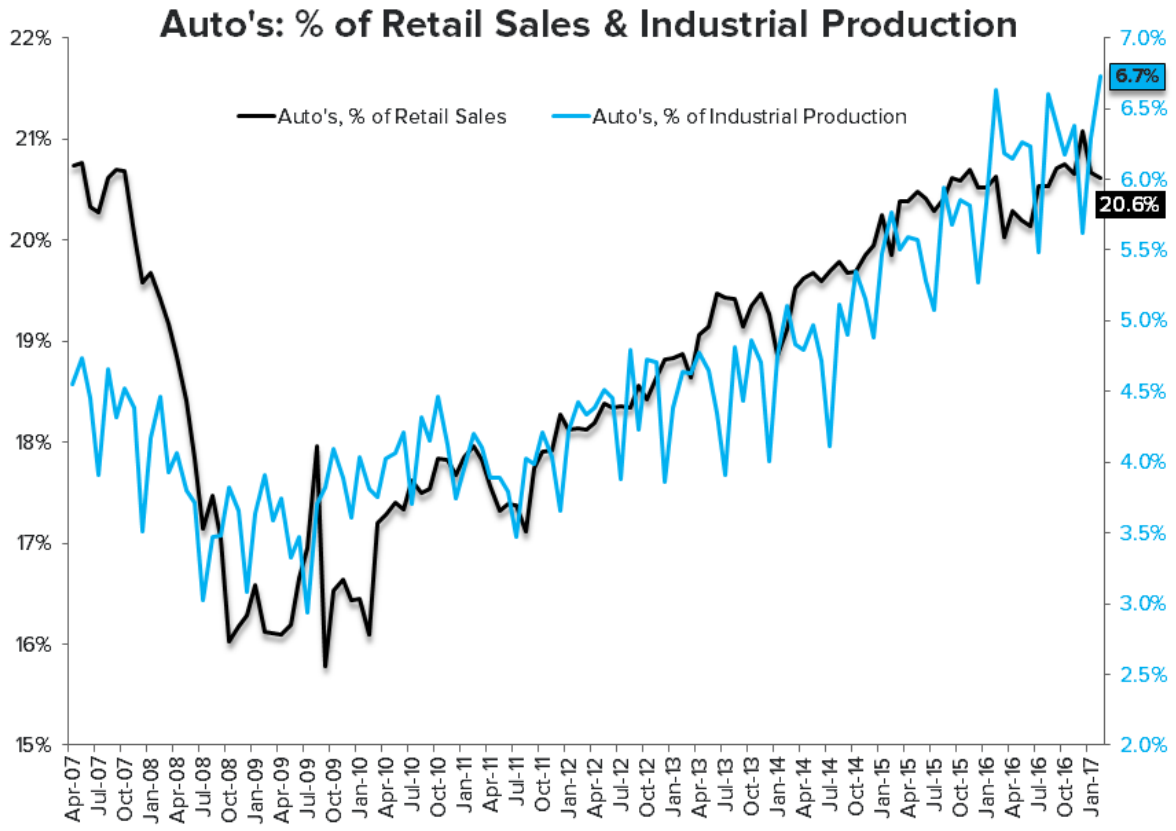
DELINQUENCIES = ↑



Source: Federal Reserve, Bloomberg

© Hedgeye Risk Management

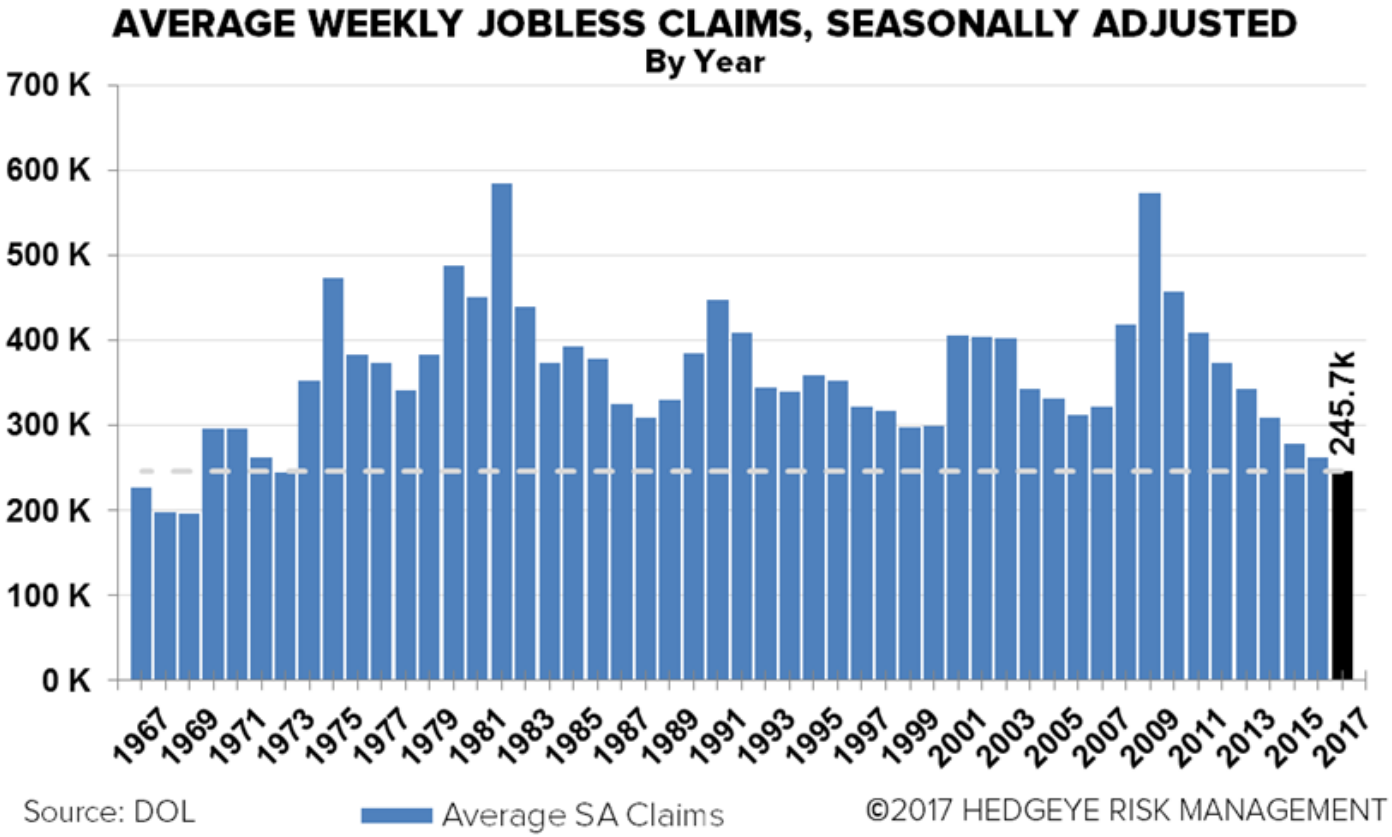
AUTOS: MACRO WEIGHTINGS



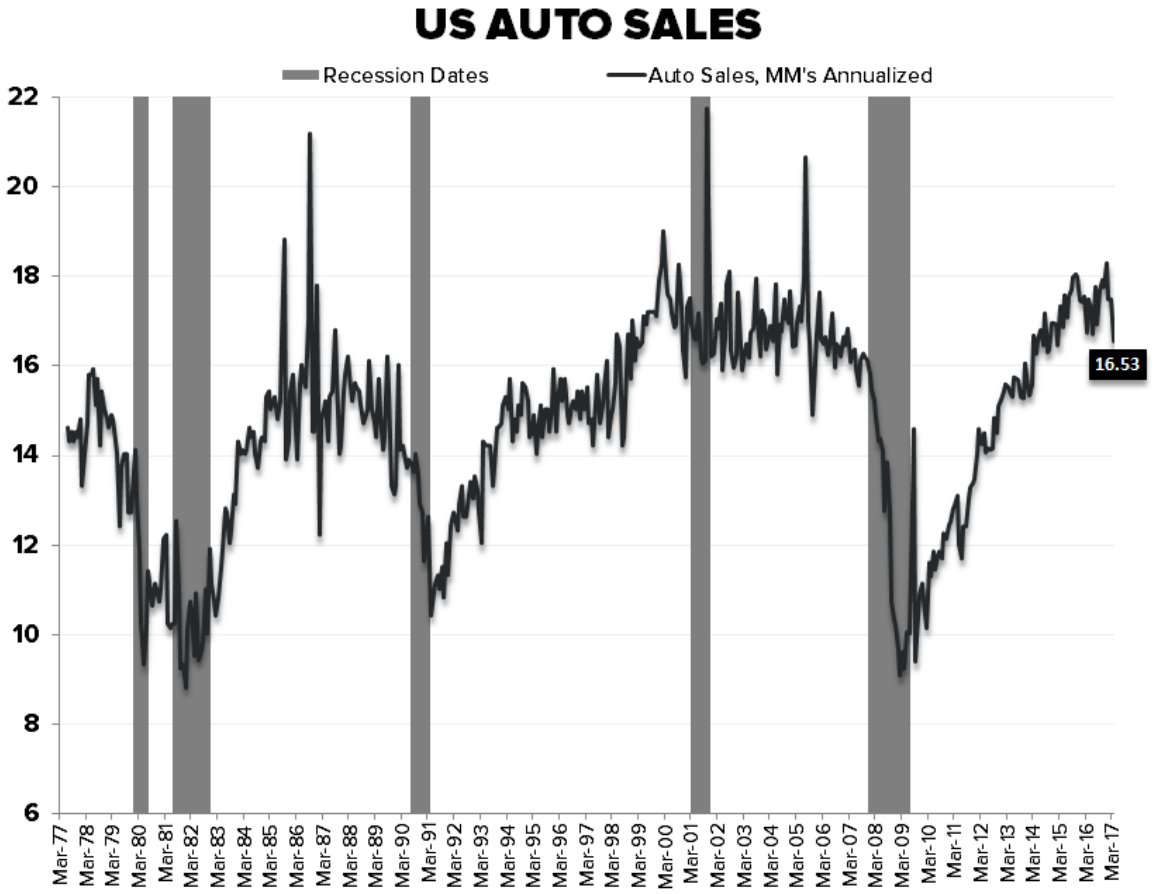
Source: Bloomberg

© Hedgeye Risk Management

LABOR = STILL STRONG



AUTOS = MID CYCLE



SOURCE: BLOOMBERG

SELF-REINFORCING DYNAMICS

Supply ↑, Demand ↓ → used & off lease inventory piles up → prices go down →

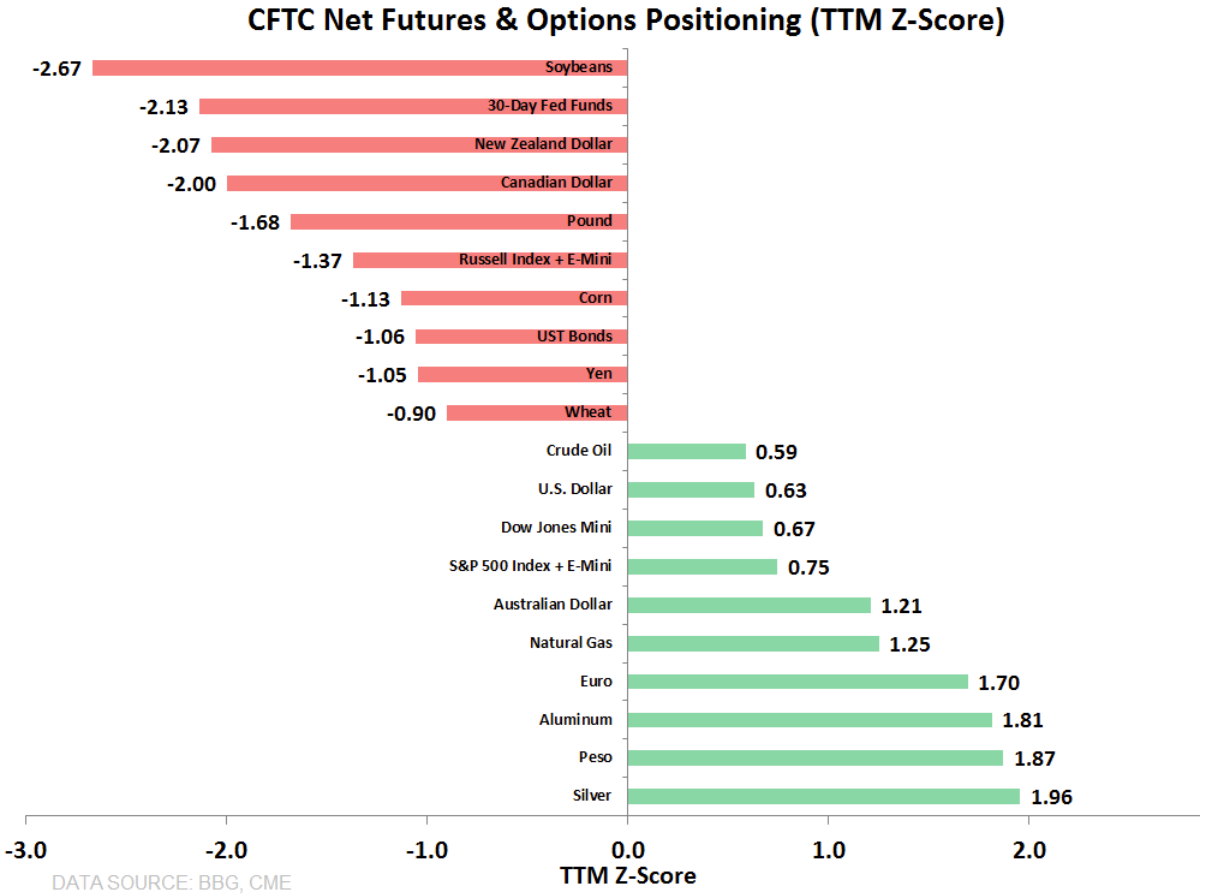
prices down = higher lease costs for consumers because residual values go down +

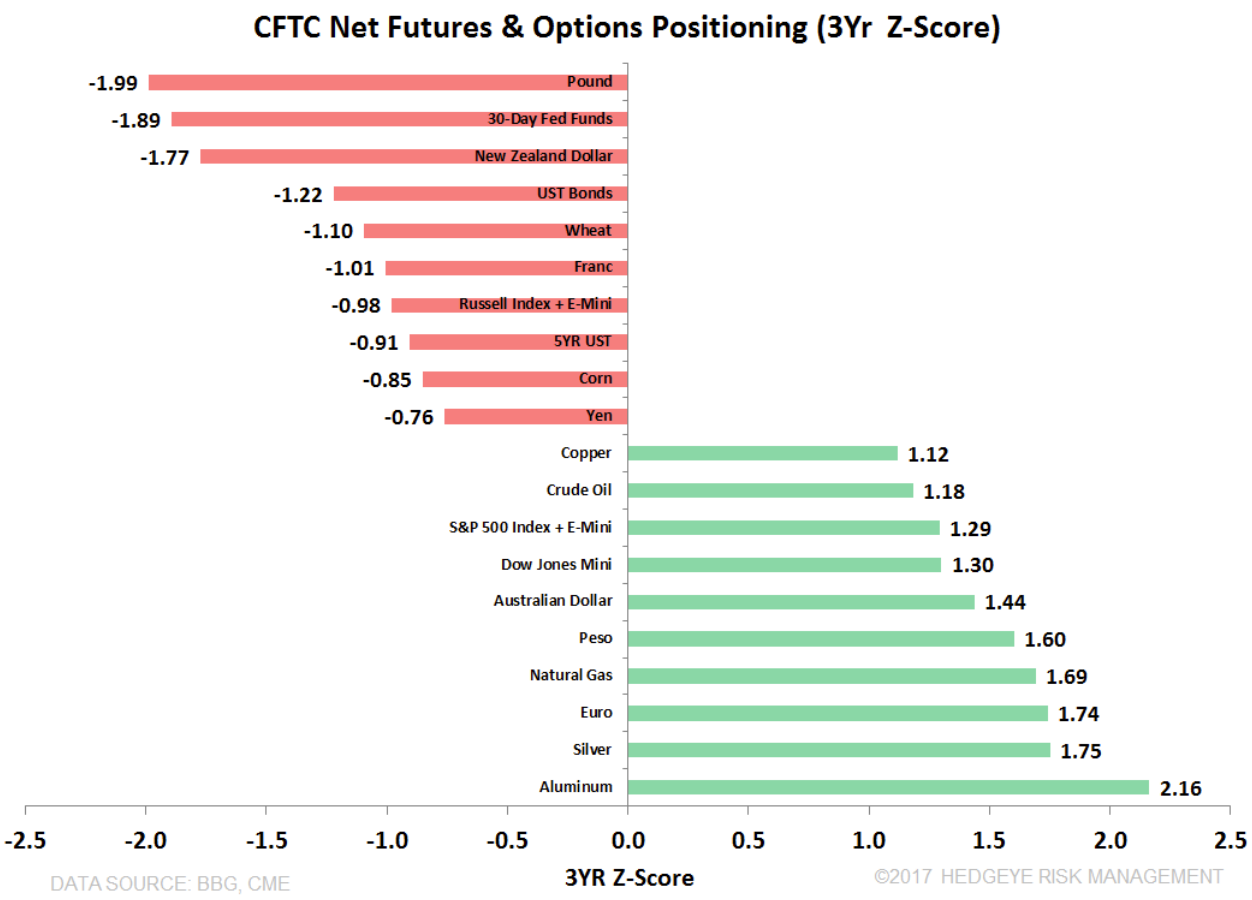
lower trade-in values & rising negative equity in new car loans → higher cost =

incremental drag on demand → demand down = prices (& ↑ dealer incentives)

correct further …… & on, in circular, self-reinforcing fashion

MACRO GRIND


CFTC Net Futures & Options Positioning (TTM Z-Score)
-2.67 Soybeans
-2.13 30-Day Fed Funds
-2.07 New Zealand Dollar
-2.00 Canadian Dollar
-1.68 Pound
-1.37 Russell Index + E-Mini
-1.13 Corn
-1.06 UST Bonds
-1.05 Yen
-0.90 Wheat
Crude Oil 0.59
U.S. Dollar 0.63
Dow Jones Mini 0.67
S&P 500 Index + E-Mini 0.75
Australian Dollar 1.21
Natural Gas 1.25
Euro 1.70
Aluminum 1.81
Peso 1.87
Silver 1.96
-3.0
-2.0
-1.0
0.0
1.0
2.0
TTM Z-Score
DATA SOURCE: BBG, CME


CFTC Net Futures & Options Positioning (3Yr Z-Score)
-1.99 Pound
-1.89 30-Day Fed Funds
-1.77 New Zealand Dollar
-1.22 UST Bonds
-1.10 Wheat
-1.01 Franc
-0.98 Russell Index + E-Mini
-0.91 5YR UST
-0.85 Corn
-0.76 Yen
Copper 1.12
Crude Oil 1.18
S&P 500 Index + E-Mini 1.29
Dow Jones Mini 1.30
Australian Dollar 1.44
Peso 1.60
Natural Gas 1.69
Euro 1.74
Silver 1.75
Aluminum 2.16
-2.5 -2.0 -1.5 -1.0 -0.5 0.0 0.5 1.0 1.5 2.0 2.5
3YR Z-Score
DATA SOURCE: BBG, CME
©2017 HEDGEYE RISK MANAGEMENT

	REALIZED VOLATILITY				IMPLIED VOLATILTY*				IMPLIED** VS. REALIZED VOLATILITY									
		Duration of Realized (%)			At-The-Money %					30 Day			60 Day			3 Month		
											Z-Score			Z-Score			Z-Score	
Index/Security	Ticker	30D	60D	90D	Current	v 1M Avg	v 3M Avg	v 6M Avg.	Ticker	Premium	TTM	3Yr	Premium	TTM	3Yr	Premium	TTM	3Yr
S&P 500	SPX	5.9%	6.7%	6.9%	11.8%	18.4%	23.0%	8.7%	SPX	104.9%	2.37	3.17	74.2%	1.99	2.56	73.1%	2.32	2.74
Russell 2000	RTY	13.6%	14.0%	14.3%	16.7%	7.2%	6.9%	0.1%	RTY	28.0%	1.02	1.09	20.7%	0.98	0.75	18.6%	1.08	0.55
Nasdaq 100	NDX	6.6%	6.8%	7.6%	13.4%	19.8%	18.4%	2.7%	NDX	104.4%	2.38	3.28	96.9%	2.95	3.78	80.6%	3.34	3.75
USD Index	UUP	6.9%	6.4%	7.5%	8.4%	5.9%	2.1%	-0.8%	UUP	29.2%	0.71	0.63	27.7%	0.67	0.63	5.0%	-0.52	-0.39
Consumer Discret.	XLY	6.4%	6.9%	8.5%	12.2%	14.6%	9.8%	-3.2%	XLY	108.7%	2.85	3.71	81.3%	2.69	3.34	50.1%	2.01	2.33
Financials	XLF	12.7%	14.5%	14.5%	19.3%	16.6%	18.7%	11.9%	XLF	56.4%	1.60	1.96	27.4%	0.84	1.02	27.6%	1.68	1.22
Healthcare	XLV	7.4%	8.8%	9.0%	12.4%	5.2%	2.4%	-10.8%	XLV	66.6%	1.93	2.49	44.4%	1.88	2.20	46.4%	2.64	2.74
Technology	XLK	6.5%	7.2%	8.3%	12.9%	11.5%	12.0%	0.0%	XLK	102.3%	2.61	3.48	77.0%	2.59	3.14	57.9%	2.93	2.83
Consumer Staples	XLP	5.0%	6.6%	7.6%	9.6%	0.4%	-1.7%	-13.0%	XLP	93.0%	3.08	3.50	52.6%	2.62	2.72	40.4%	2.16	2.00
Utilities	XLU	10.5%	11.6%	11.8%	13.4%	2.5%	-0.3%	-11.3%	XLU	26.8%	1.71	1.87	13.5%	1.22	1.38	12.3%	1.58	1.54
Energy	XLE	14.5%	14.7%	13.7%	17.8%	7.1%	7.3%	-3.0%	XLE	27.3%	1.09	1.07	28.2%	1.98	1.36	30.9%	2.95	1.57
Energy	XOP	26.0%	24.6%	22.7%	28.9%	5.1%	7.7%	-3.4%	XOP	12.3%	0.28	0.45	24.0%	1.60	1.43	31.1%	3.52	2.04
Materials	XLB	10.8%	11.7%	11.2%	14.9%	11.8%	12.9%	3.6%	XLB	29.8%	0.70	0.77	21.5%	0.65	0.64	31.2%	1.47	1.19
Industrials	XLI	9.5%	10.1%	10.0%	14.8%	17.7%	20.3%	11.2%	XLI	59.4%	1.61	2.08	45.2%	1.66	1.90	45.6%	2.34	2.24
Transports	IYT	13.7%	14.8%	14.4%	20.1%	22.8%	20.4%	16.4%	IYT	45.2%	1.04	1.58	29.1%	0.75	1.12	30.1%	1.01	1.34
WTI Crude Oil	USO	25.0%	21.4%	22.9%	25.6%	-6.5%	-5.9%	-18.3%	USO	-6.5%	-0.37	-0.46	30.3%	1.82	1.17	23.2%	2.17	0.84
Natural Gas	UNG	29.5%	35.8%	44.8%	35.9%	0.8%	-9.9%	-18.7%	UNG	21.2%	1.40	0.36	-0.5%	0.03	-0.40	-20.7%	-1.19	-1.07
Gold	GLD	9.9%	10.0%	10.8%	14.3%	18.5%	12.0%	2.1%	GLD	49.6%	2.49	2.04	38.2%	2.32	1.85	25.0%	1.70	1.20
Silver	SLV	16.6%	17.0%	18.8%	21.2%	10.6%	4.0%	-6.6%	SLV	29.9%	1.79	0.52	22.9%	2.09	0.50	11.3%	0.91	-0.03
Copper	JJC	20.8%	24.0%	24.5%	20.5%	-6.6%	-13.5%	-19.7%	JJC	-1.8%	-0.27	-0.33	-13.6%	-0.65	-0.80	-9.8%	-0.65	-0.79
Corn	CORN	12.1%	14.0%	14.5%	18.1%	-5.1%	-0.2%	-1.1%	CORN	50.5%	2.22	1.36	55.2%	2.38	1.89	61.2%	2.13	2.07
Soybeans	SOYB	7.9%	11.7%	14.3%	23.9%	22.0%	14.8%	13.2%	SOYB	196.1%	4.27	2.64	72.5%	0.74	0.60	24.5%	-0.33	-0.32
Wheat	WEAT	15.6%	18.2%	18.2%	30.7%	3.2%	6.7%	3.4%	WEAT	95.4%	0.67	0.51	106.0%	0.99	0.88	123.7%	2.24	1.58

*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	$87.16	-0.40%	-0.90%	7.08%
Financial Select Sector	XLF	$23.20	-0.81%	-2.23%	-0.22%
Health Care Select Sector	XLV	$74.17	0.00%	-0.26%	7.59%
Technology Select Sector	XLK	$52.58	-0.34%	-1.37%	8.73%
Consumer Staples Select Sector	XLP	$55.09	0.38%	0.93%	6.54%
Industrial Select Sector	XLI	$64.48	-1.38%	-0.89%	3.63%
Materials Select Sector	XLB	$51.81	-1.24%	-1.14%	4.25%
The Energy Select Sector	XLE	$70.60	-0.42%	1.00%	-6.27%
Utilities Select Sector	XLU	$51.85	0.74%	1.05%	6.75%
S&P 500	SPX	2,344.93	-0.38%	-0.75%	4.74%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.16	-0.02%	-0.15%	2.34%
Financial Select Sector	XLF	$23.20	-0.44%	-1.48%	-4.95%
Health Care Select Sector	XLV	$74.17	0.38%	0.50%	2.85%
Technology Select Sector	XLK	$52.58	0.03%	-0.62%	3.99%
Consumer Staples Select Sector	XLP	$55.09	0.76%	1.69%	1.80%
Industrial Select Sector	XLI	$64.48	-1.00%	-0.14%	-1.11%
Materials Select Sector	XLB	$51.81	-0.86%	-0.39%	-0.49%
The Energy Select Sector	XLE	$70.60	-0.05%	1.75%	-11.01%
Utilities Select Sector	XLU	$51.85	1.11%	1.81%	2.01%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.6%	0.1%	-0.3%	1.9%	11.5%	3.7%
	Low Debt/EV	-0.6%	0.0%	-1.2%	2.4%	8.2%	5.1%
SI	High Short Interest	-0.9%	0.5%	-0.4%	-1.7%	5.0%	-0.4%
	Low Short Interest	-0.4%	-0.2%	-1.5%	3.2%	12.4%	5.3%
BETA	High Beta	-1.2%	-0.3%	-1.9%	0.1%	14.5%	3.1%
	Low Beta	0.1%	0.6%	1.2%	5.3%	6.9%	5.7%
YIELD	High Yield	-0.3%	0.6%	0.5%	0.7%	3.9%	0.8%
	Low Yield	-0.7%	-0.1%	-0.9%	1.5%	9.9%	5.2%
MKT CAP	MCAP Bottom 25%	-0.9%	0.3%	-0.9%	-1.6%	4.8%	-0.1%
	MCAP Top 25%	-0.4%	-0.4%	-1.6%	3.1%	12.0%	5.1%
Sales	Top 25% Sales Growth	-0.8%	-0.1%	0.2%	2.1%	11.5%	5.1%
	Bottom 25% Sales Growth	-0.4%	0.3%	-0.6%	0.9%	5.6%	1.8%
EPS	Top 25% EPS Growth	-0.8%	0.0%	0.7%	1.4%	11.8%	4.7%
	Bottom 25% EPS Growth	-0.3%	0.6%	-0.3%	1.0%	4.8%	1.3%

**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	0.80%	-0.5	0.0	6	28	-3	64	62	67
3M LIBOR	1.16%	0.0	0.0	2	13	0	53	64	72
2Y T-Note	1.20%	-3.2	-3.6	-17	1	-20	70	47	64
5Y T-Note	1.75%	-6.3	-9.1	-37	-13	-40	85	22	41
10Y T-Note	2.22%	-5.7	-10.2	-39	-16	-42	90	8	7
30Y T-Note	2.87%	-4.3	-10.0	-33	-10	-34	78	1	-15
2Y-10Y Spread, Bps	102	-4.2	-8.2	-23.3	-18	-22	20	-38	-57
IG SPREAD (AAABBB)	1.58%	2.0	0.0	5	6	-42	13	-11	-16
HIGH YIELD	5.67%	2.1	-0.5	-47	-48	-208	4	-98	-86
5Y BREAKEVEN	1.88%	2.0	-3.3	-11.7	-4.1	-19.7	62.8	31.9	15.9

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)	116,247	(36,907)	71,385	27,993	54,870	0.75X	1.33X
Russell 2000 (mini)	(54,098)	541	20,132	29,091	5,365	-1.37X	-0.94X
10Y Treasury	(16,398)	34,239	(252,050)	(198,004)	(75,937)	0.34X	0.36X
CRUDE OIL	462,560	4,552	519,241	472,896	414,984	0.59X	1.34X
GOLD	115,605	16,455	78,341	91,701	164,353	-0.60X	0.21X
COPPER	26,842	(2,979)	39,135	37,519	9,193	0.54X	1.42X
$USD	42,914	(1,315)	47,076	49,711	31,145	0.63X	0.20X
JPY	(50,064)	8,644	(62,028)	(39,346)	7,794	-1.05X	-0.33X
EUR	(10,347)	(3,192)	(39,529)	(71,757)	(72,372)	1.70X	1.63X
GBP	(104,224)	4,178	(78,728)	(75,628)	(69,491)	-1.68X	-1.97X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (4/12) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-4%	8%	9%	49%
Total Exchange Volume**	-3%	-6%	-8%	-10%
Total Traded Value (R3K)***	-1%	-14%	-12%	-10%

*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	0.34	0.52	-0.39	0.35	0.66	*0.95*	*-0.75*	*54%*	*46%*
BRENT Oil	0.86	0.45	0.31	0.55	0.69	*0.77*	*-0.78*	*56%*	*44%*
CRB Index	-0.60	-0.04	-0.60	0.55	0.75	*0.83*	*-0.86*	*33%*	*67%*
GOLD	0.25	-0.56	-0.74	-0.77	-0.91	*0.90*	*-0.97*	*17%*	*83%*

**Days = Trading Days*