THE MACRO SHOW

AUGUST 9, 2016

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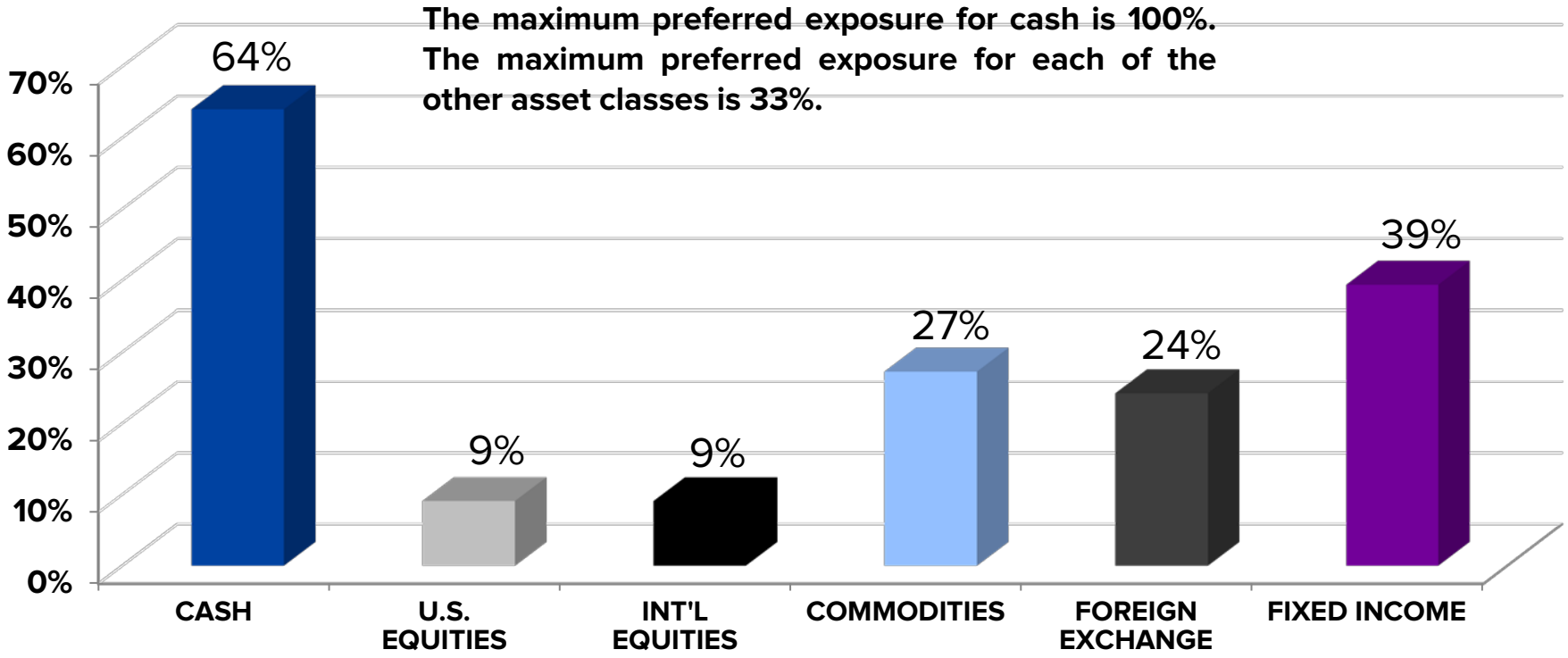
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/8/2016	66	3	3	8	8	12
8/9/2016	64	3	3	9	8	13

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/8/2016	66%	9%	9%	24%	24%	36%
8/9/2016	64%	9%	9%	27%	24%	39%

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

HEDGEYE ASSET ALLOCATION



August 9, 2016

THE MACRO SHOW

HEDGEYE TV

1 #PRODUCTIONFREEZE

2 EUROZONE

3 COSTS

#PRODUCTIONFREEZE

New stories of a crude production freeze are again surfacing ahead of the International Energy Forum in Algeria September 26-28 where OPEC meets informally. The major OPEC influences (Saudi Arabia, Iran, Iraq) show no signs of pushing for a production cut. The trend in official selling prices from the big three middle eastern producers has been to cut further and further below benchmark prices to consumers all over the world. Saudi Arabian, Iranian, and Iraqi production is flat, +29%, and +3% respectively while production comes offline elsewhere. Petro states concede their influence on the global marketplace by throwing in the towel at this stage of the game.

EUROZONE

Political risk remains front and center: the latest poll indicates that a third Spanish election would do nothing to resolve the political impasse. Separately, Italy's high court has approved a constitutional referendum, setting in motion a vote from Italians on whether to strip the Senate of most of its powers in order to streamline legislation; if defeated, PM Renzi has vowed to resign. Uncertainty breeds contempt and contempt breeds investors heading for the exits. We remain bearish on the EUR/USD and reiterate our Q3 Macro theme of #EuropeImploding.

COSTS

This morning's Productivity and Unit Labor Cost data for 2Q will confirm that labor growth continues to grow at a premium to output growth and that input costs continue to rise faster than output prices. So long as the price to produce something is growing faster than the selling price, corporate margin pressure will persist.

TACTICAL ASSET CLASS ROTATION MODEL

MACRO

DARIUS DALE

WHY TACRM?

The primary function of TACRM is to provide investors with an unparalleled degree of advanced market color across the liquid global macro investment universe (i.e. asset classes, regions, countries, style factors and equity sectors).

TACRM is especially useful in alerting investors to critical breakouts and breakdowns at the individual factor exposure levels and collating those signals in a manner that significantly enhances one's ability to identify existing or developing regime changes at the primary asset class level.

TACRM employs a robust proprietary quantitative methodology to transform a myriad of individual momentum signals at the factor exposure level into amalgamated risk management signals at the primary asset class level. This is especially helpful in quantifying the risk to increasing or reducing one's allocation to a particular asset class, at the margin(s).

TACRM = MULTI-FACTOR, MULTI-DURATION

OUR VOLATILITY-ADJUSTED MULTI-DURATION MOMENTUM INDICATOR (VAMDMI) METRIC IS THE KEY DIFFERENTIATOR BETWEEN TACRM AND OTHER QUANTITATIVE RISK MANAGEMENT TOOLS. SPECIFICALLY, THIS CALCULATION OF MOMENTUM COMBINES MULTIPLE FACTORS ACROSS MULTIPLE DURATIONS AND DISPLAYS THE OUTPUT IN A MANNER THAT IS BOTH INTUITIVE AND EASY TO INTERPRET.

- ✓ **Multi-Factor → Price, Volume and Volatility:** TACRM uses volume-weighted average price (VWAP) data rather than single factor price data to infer the market's conviction in a directional trend (or lack thereof).

- ✓ **Multi-Duration → Short-term (1-3 months), Intermediate-term (3-6 months) and Long-term (6-12 months):** TACRM applies a volatility overlay to account for the existence of developing and/or trending fundamental narratives. Specifically, if cross-asset volatility* is rising on a trending basis, TACRM records observations in the smaller of the two sample sizes (across each duration) and, conversely, if cross-asset volatility* is falling on a trending basis, TACRM records observations in the larger of the two sample sizes (across each duration).

- ✓ **Intuitive → Z-Scores:** For every liquid factor exposure in the world (roughly 200 in aggregate), TACRM computes a standalone Z-Score for each of the three aforementioned observation periods. The baseline assumption is that deviations from the mean in each sample of VWAP data represents the existence of positive or negative momentum. Specifically, a positive value on a specified date indicates that the associated price is n-standard deviations greater than the mean of the sample of observations in its respective trailing n-month period.

- ✓ **Easy To Interpret → Standardization:** For each date in the model, TACRM computes a weighted average of the three aforementioned Z-Scores for each factor exposure. This composite Z-Score is the VAMDMI metric that TACRM analyzes in various manners to produce actionable risk management signals. Moreover, because TACRM's VAMDMI metric uses a Z-Score methodology to transform VWAP data, it's signals are agnostic to an individual factor exposure's historical beta and volatility – thus effectively normalizing the degree to which investors in different asset classes are observing momentum.

*BANK OF AMERICA/MERRILL LYNCH GLOBAL FINANCIAL STRESS INDEX

TOP-DOWN RISK MANAGEMENT SIGNALS

ASSET CLASS SUMMARY TABLE

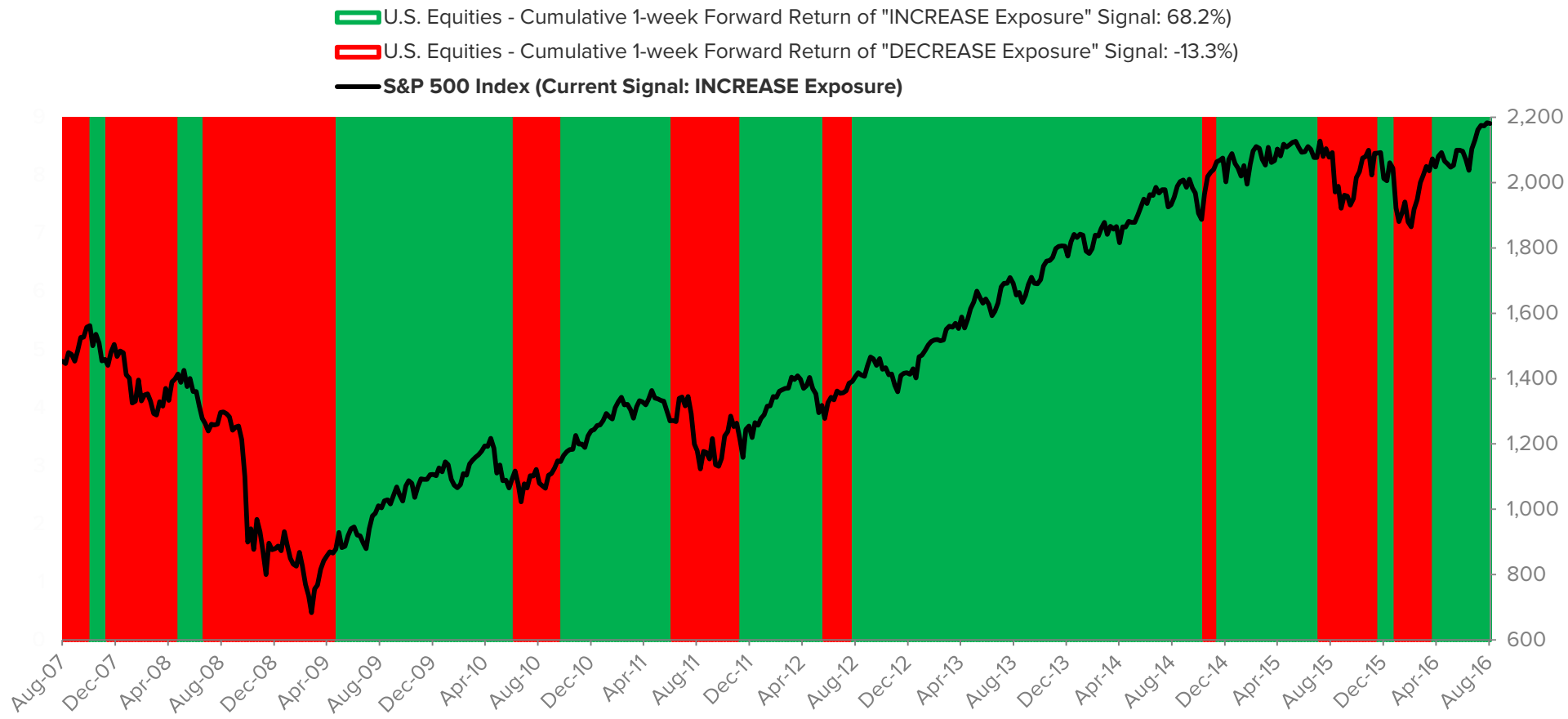
TACRM INVESTMENT SUMMARY TABLE

Asset Class	Investment Signal	As Of Week Ended	DEACREASE Exposure Backtest*	INCREASE Exposure Backtest*	Strongest Bullish Breakout	Sharpest Bearish Breakdown
U.S. Equities	INCREASE Exposure	4/8/2016	-13%	68%	(SMH) Market Vectors Semiconductor ETF; 5th week	(VXX) iPath S&P 500 VIX Short-Term Futures ETN; 7th week
International Equities	DECREASE Exposure	7/15/2016	-31%	24%	(EWA) iShares MSCI Australia ETF; 10th week	(EIRL) iShares MSCI Ireland Capped ETF; 9th week
Emerging Market Equities	INCREASE Exposure	3/18/2016	-31%	27%	(EWT) iShares MSCI Taiwan ETF; 9th week	(NGE) Global X Nigeria Index ETF; 9th week
Domestic Fixed Income, Credit and Equity Income Plays	INCREASE Exposure	3/4/2016	13%	27%	(IYR) iShares US Real Estate ETF; 5th week	(STPP) iPath US Treasury Steepener ETN; 26th week
Foreign Exchange	DECREASE Exposure	8/5/2016	-27%	9%	(BZF) WisdomTree Brazilian Real Fund; 16th week	(FXB) CurrencyShares British Pound Sterling Trust; 11th week
Commodities	INCREASE Exposure	4/8/2016	-83%	33%	(BAL) iPath Dow Jones AIG Cotton Total Return Sub-Index ETN; 5th week	(CORN) Teucrium Corn Fund; 8th week
Int'l Fixed Income, Credit and Equity Income Plays (Unhedged)	INCREASE Exposure	4/1/2016	15%	20%	(WIP) SPDR DB International Government Inflation-Protected Bond ETF; 3rd week	(IBND) SPDR Barclays International Investment Grade Bond ETF; 2nd week

Data Source: Bloomberg.

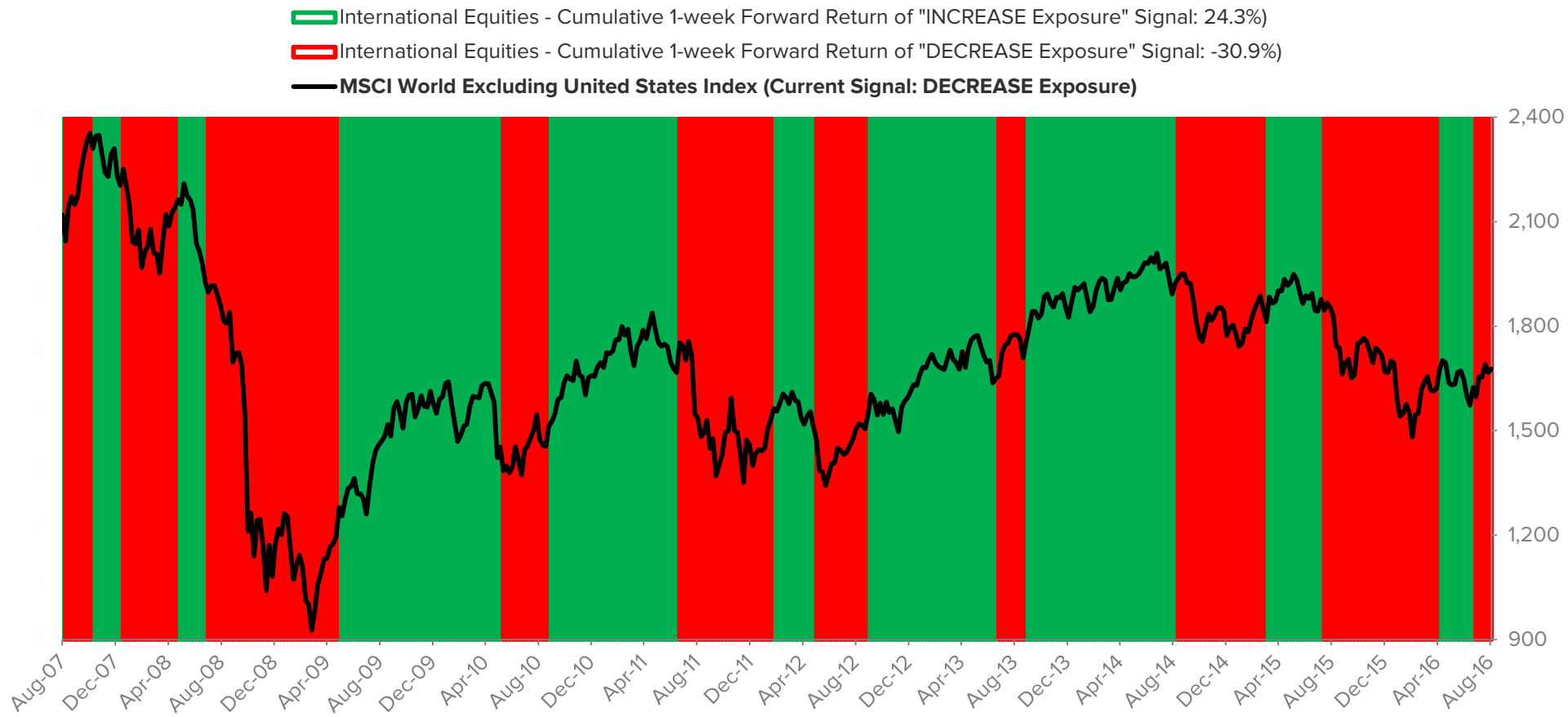
*Backtests extend to the start of 2008 for each of the following indices: S&P 500 Index, MSCI World ex-U.S. Index, MSCI Emerging Markets Index, Barclays U.S. Aggregate Bond Index - Total Return Unhedged USD, PowerShares-DB U.S. Dollar Index Bearish Fund, CRB Index and JPM Global Aggregate Bond Index - Total Return Unhedged USD. Cumulative 1-week forward performance.

U.S. EQUITIES



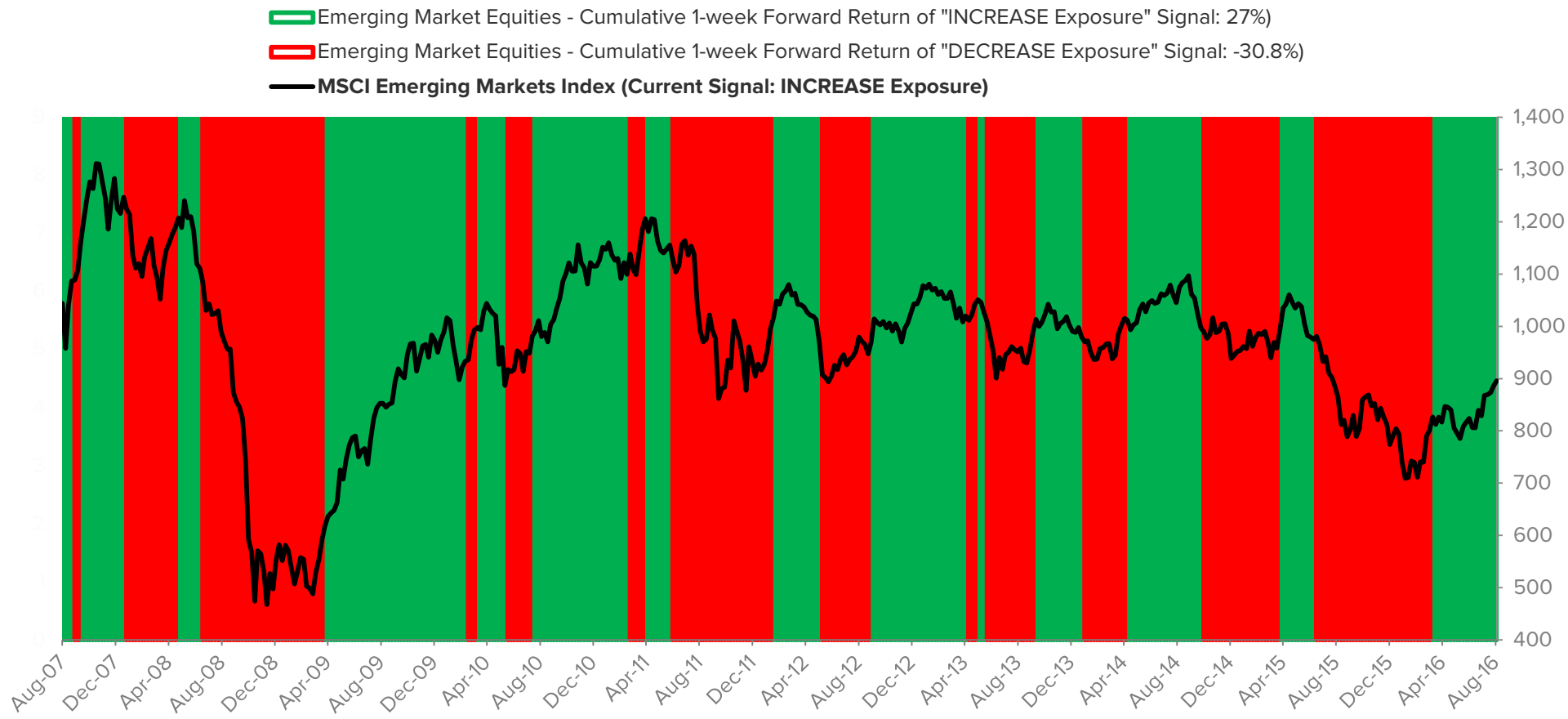
DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

INTERNATIONAL EQUITIES



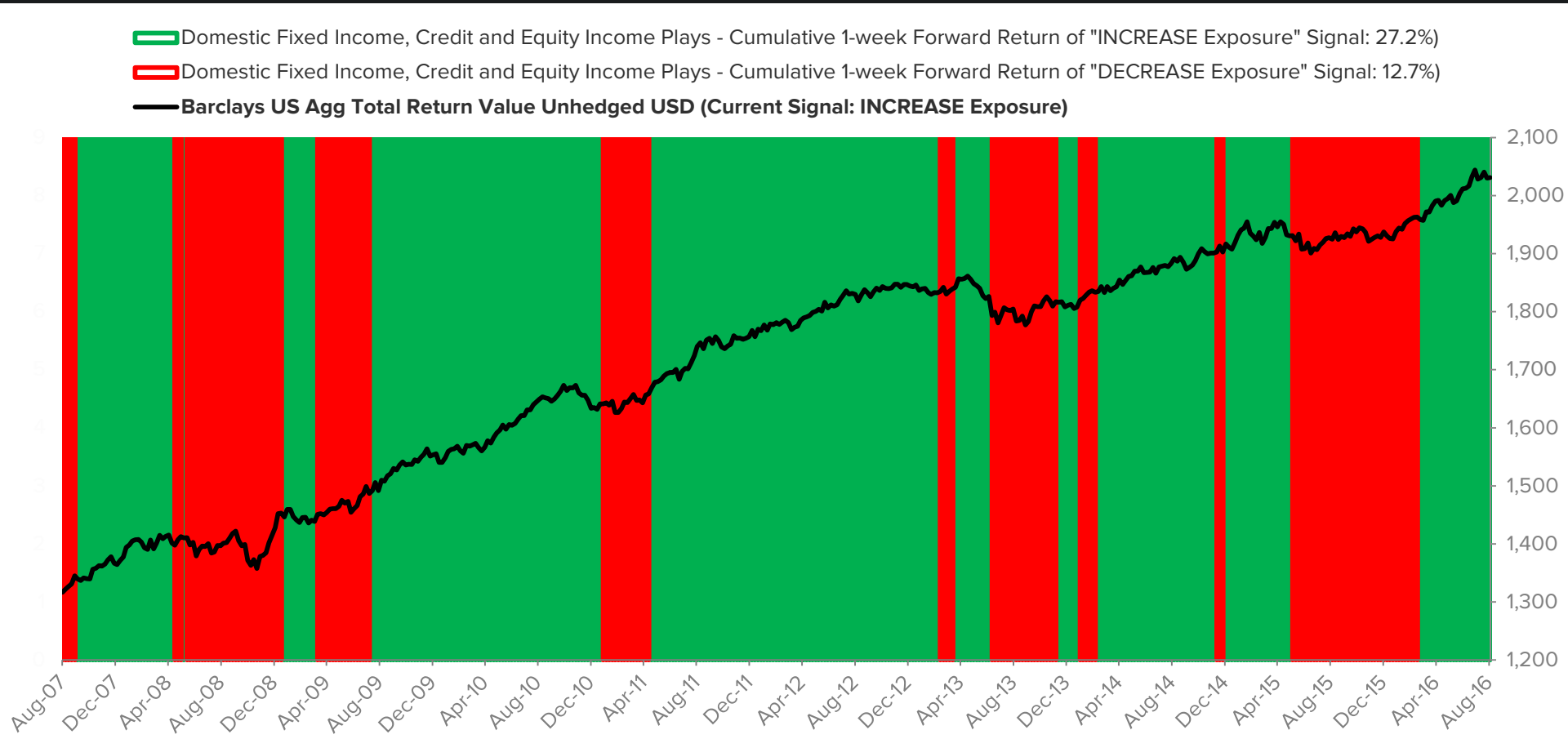
DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

EMERGING MARKET EQUITIES



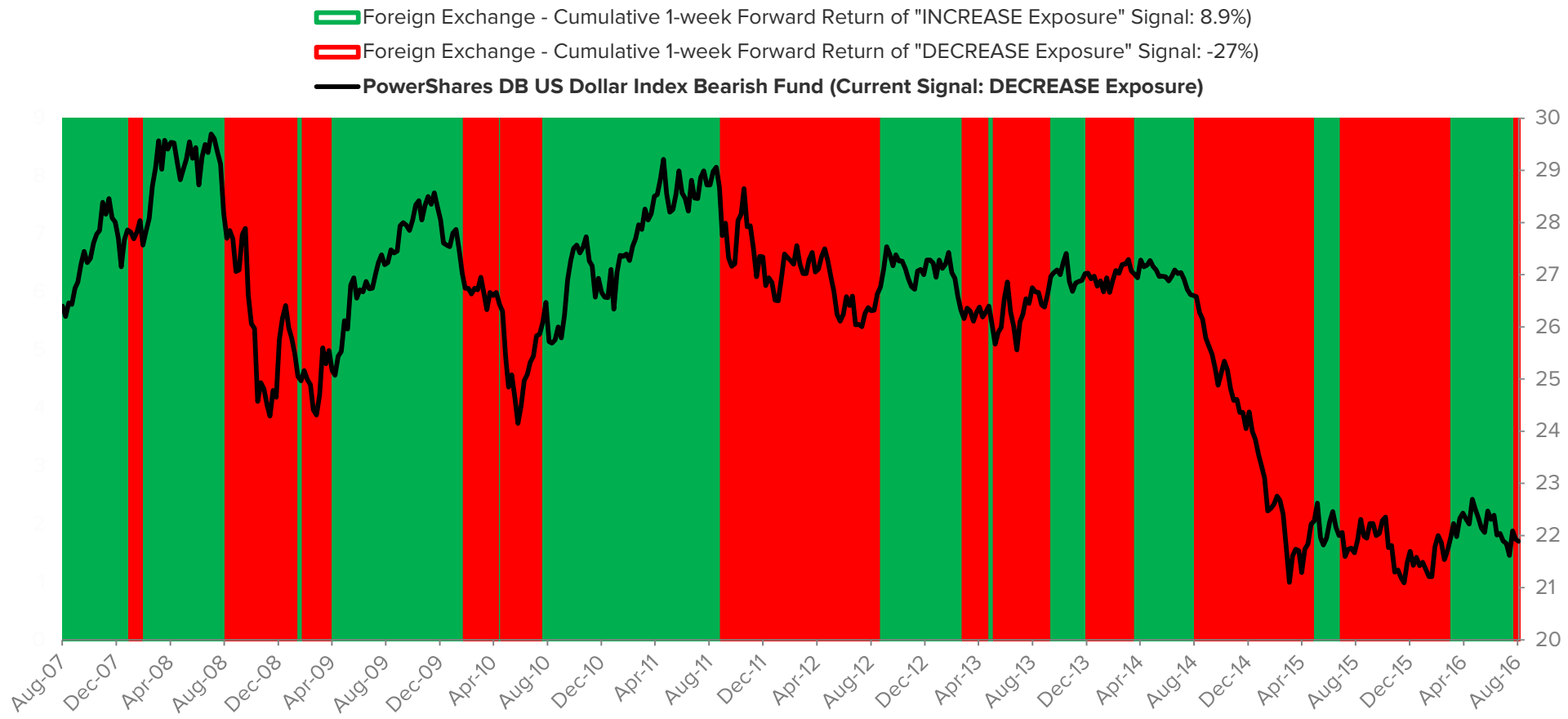
DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

DOMESTIC FIXED INCOME, CREDIT & EQUITY INCOME



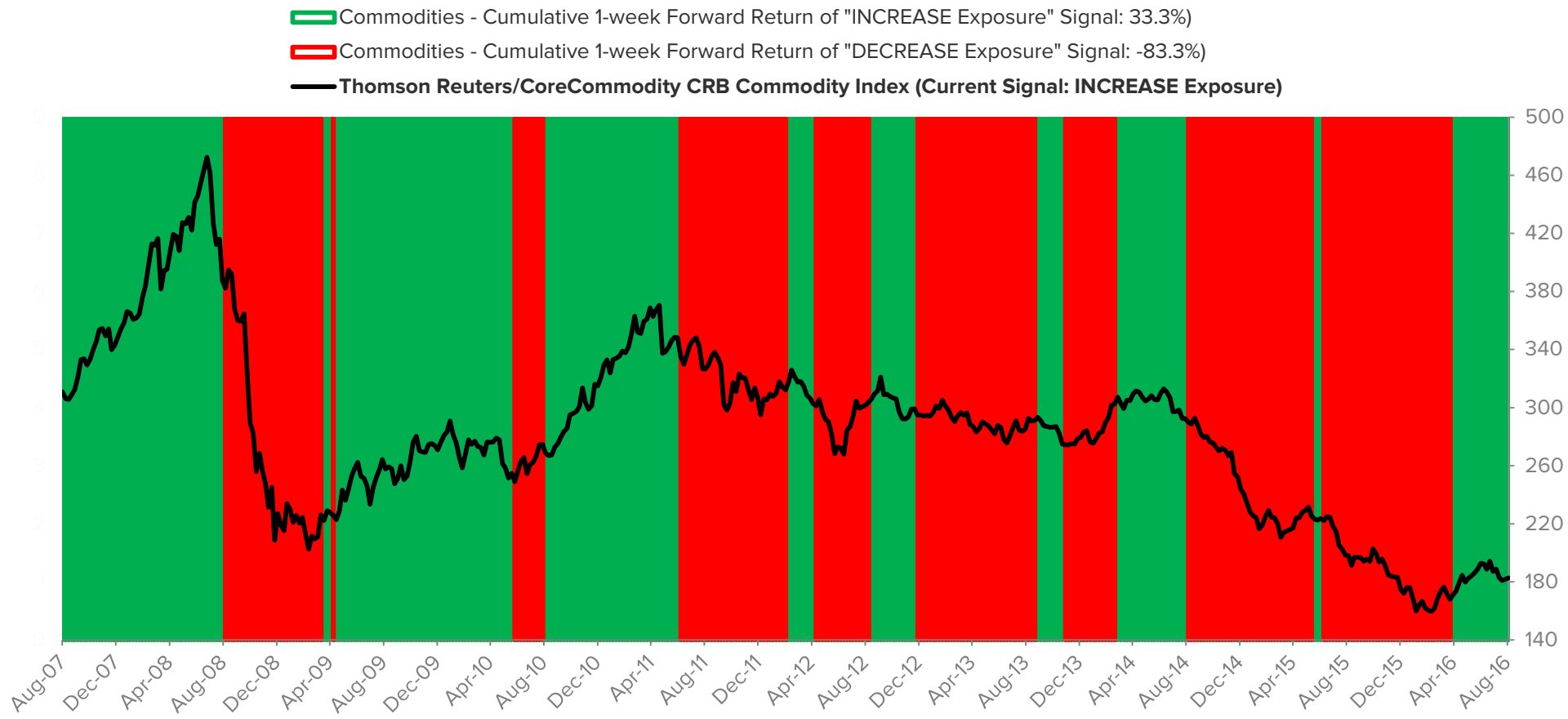
DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

FOREIGN EXCHANGE



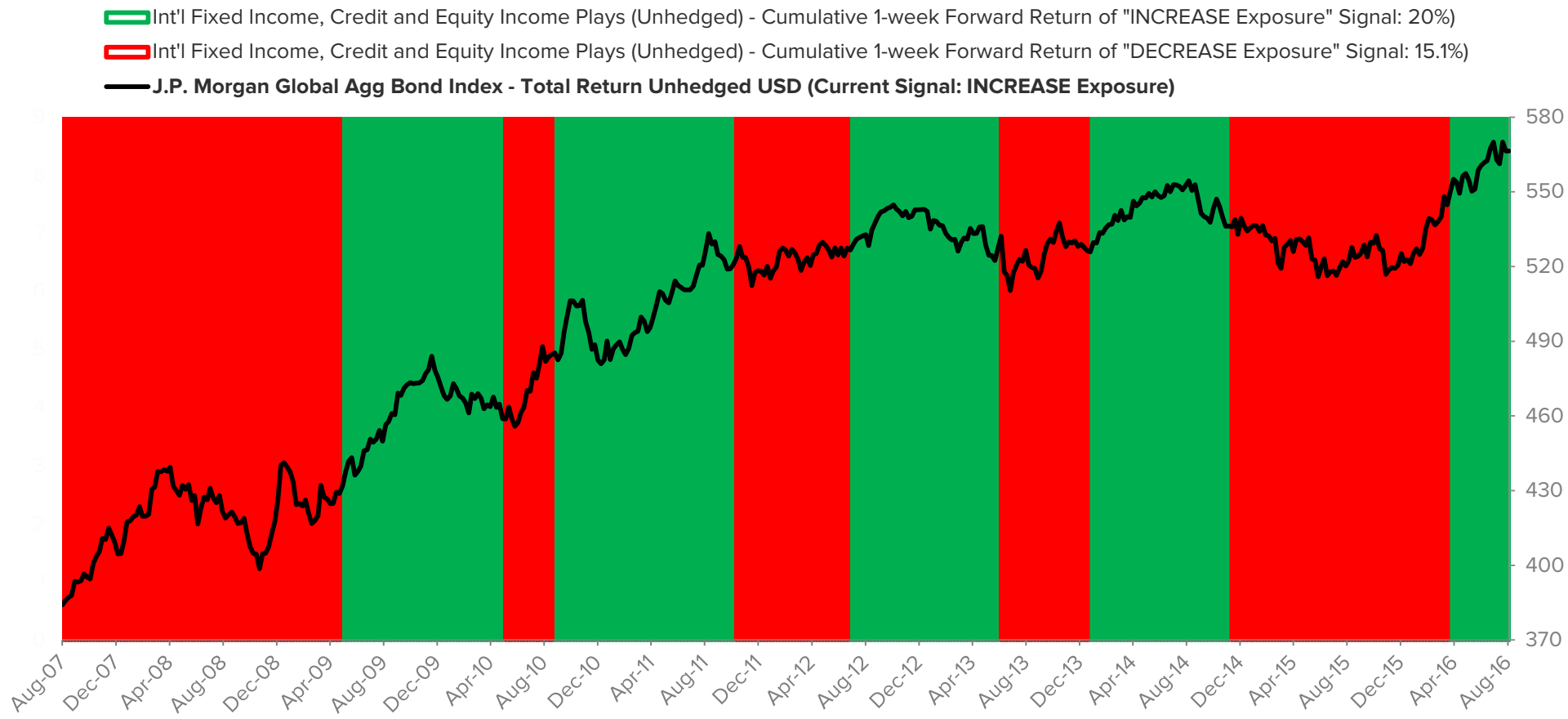
DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

COMMODITIES



DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

INT'L FIXED INCOME, CREDIT & EQUITY INCOME



DATA SOURCE: BLOOMBERG. BACKTESTS SINCE THE START OF 2008.

BOTTOM-UP RISK MANAGEMENT SIGNALS

FACTOR EXPOSURE SUMMARY TABLE

TACRM VOLATILITY-ADJUSTED MULTI-DURATION MOMENTUM INDICATOR HEAT MAP

U.S. Equities	YTD Performance	Adj. VAMDMI
(DIA) SPDR Dow Jones Industrial Average ETF Trust	6.5%	1.3x
(DVY) iShares Select Dividend ETF	15.3%	1.1x
(FPX) First Trust U.S. IPO Index Fund	5.2%	1.4x
(GDX) Market Vectors Gold Miners ETF	122.3%	1.3x
(IAI) iShares U.S. Broker-Dealers ETF	-3.4%	1.1x
(IBB) iShares Nasdaq Biotechnology ETF	-13.0%	0.8x
(IEZ) iShares U.S. Oil Equipment & Services ETF	8.3%	0.5x
(IHE) iShares U.S. Pharmaceuticals ETF	-4.3%	0.9x
(IHI) iShares U.S. Medical Devices ETF	17.8%	1.6x
(ITA) iShares U.S. Aerospace & Defense ETF	10.5%	1.5x
(ITB) iShares U.S. Home Construction ETF	6.3%	0.9x
(IWB) iShares Russell 1000 ETF	6.9%	1.4x
(IWD) iShares Russell 1000 Value ETF	8.5%	1.4x
(IWF) iShares Russell 1000 Growth ETF	5.5%	1.5x
(IWM) iShares Russell 2000 ETF	8.5%	1.5x
(IWN) iShares Russell 2000 Value ETF	12.2%	1.6x
(IWO) iShares Russell 2000 Growth ETF	5.1%	1.3x
(IWP) iShares Russell Mid-Cap Growth ETF	6.2%	1.4x
(IWR) iShares Russell Mid-Cap ETF	9.1%	1.4x
(IWS) iShares Russell Mid-Cap Value ETF	12.0%	1.4x
(IWV) iShares Russell 3000 ETF	7.0%	1.5x
(IUSV) iShares Russell 3000 Value ETF	8.7%	1.4x
(IUSG) iShares Russell 3000 Growth ETF	5.4%	1.5x
(IYT) iShares Transportation Average ETF	4.9%	0.4x
(IKE) SPDR Insurance ETF	4.8%	1.1x
(KRE) SPDR S&P Regional Banking ETF	-1.7%	0.7x
(MTUM) iShares MSCI USA Momentum Factor ETF	6.6%	1.4x
(OEF) iShares S&P 100 ETF	6.3%	1.5x
(PBW) Powershares Wilderhill Clean Energy Portfolio	-15.7%	0.1x
(PFF) iShares US Preferred Stock ETF	3.5%	1.5x
(QQQ) PowerShares NASDAQ Trust (ETF)	4.3%	1.8x
(SMH) Market Vectors Semiconductor ETF	20.5%	2.1x
(SPHB) PowerShares S&P 500 High Beta Port ETF	8.2%	1.2x
(SPY) SPDR S&P 500 ETF Trust	7.0%	1.5x
(TAN) Guggenheim Solar ETF	-27.6%	-0.2x
(USMV) iShares MSCI USA Minimum Volatility ETF	11.3%	1.1x
(VIG) Vanguard Dividend Appreciation ETF	10.0%	1.4x
(VLUE) iShares MSCI USA Value Factor ETF	3.8%	1.2x
(VXX) iPath S&P 500 VIX Short-Term Futures ETN	-53.7%	-1.5x
(XLB) Materials Select Sector SPDR Fund	12.6%	1.2x
(XLE) Energy Select Sector SPDR Fund	13.4%	0.9x
(XLF) Financial Select Sector SPDR Fund	0.9%	1.1x
(XLI) Industrial Select Sector SPDR Fund	10.1%	1.3x
(XLK) Technology Select Sector SPDR Fund	9.8%	1.9x
(XLP) Consumer Staples Select Sector SPDR Fund	8.0%	0.8x
(XLV) Health Care Select Sector SPDR Fund	3.6%	1.4x
(XLY) Consumer Discretionary Select Sector SPDR Fund	4.0%	1.1x
(XOP) SPDR S&P Oil & Gas Exploration & Production ETF	18.4%	0.7x
(XRT) SPDR Retail ETF	3.6%	0.6x
(XTL) SPDR S&P Telecom ETF	10.6%	1.6x

International Equities	YTD Performance	Adj. VAMDMI
(DXJ) WisdomTree Japan Hedged Equity Fund	-16.9%	-0.3x
(DXJS) WisdomTree Japan Hedged Small-Cap Equity Fund	-12.7%	-0.4x
(EDEN) iShares MSCI Denmark Capped ETF	-1.8%	-0.4x
(EFNL) iShares MSCI Finland Capped ETF	1.0%	1.2x
(EIRL) iShares MSCI Ireland Capped ETF	-10.9%	-1.0x
(EIS) iShares MSCI Israel Capped ETF	0.0%	0.8x
(ENOR) iShares MSCI Norway Capped ETF	5.7%	-0.1x
(ENZL) iShares MSCI New Zealand Capped ETF	22.7%	1.3x
(EUFN) iShares MSCI Europe Financials ETF	-19.1%	-0.8x
(EWA) iShares MSCI Australia ETF	10.3%	1.6x
(EWC) iShares MSCI Canada ETF	17.8%	1.0x
(EWD) iShares MSCI Sweden ETF	-4.4%	-0.6x
(EWG) iShares MSCI Germany ETF	-2.1%	0.4x
(EWGS) iShares MSCI Germany Small-Cap ETF	2.9%	1.0x
(EWI) iShares MSCI Italy Capped ETF	-19.9%	-0.9x
(EWJ) iShares MSCI Japan ETF	0.2%	1.2x
(EWK) iShares MSCI Belgium Capped ETF	-1.3%	0.5x
(EWL) iShares MSCI Switzerland Capped ETF	-3.4%	-0.1x
(EWN) iShares MSCI Netherlands ETF	1.0%	0.2x
(EWO) iShares MSCI Austria Capped ETF	-3.6%	-0.1x
(EWP) iShares MSCI Spain Capped ETF	-8.6%	-0.6x
(EWQ) iShares MSCI France ETF	-2.5%	-0.3x
(EWS) iShares MSCI Singapore ETF	6.3%	0.6x
(EWU) iShares MSCI United Kingdom ETF	-3.3%	-0.3x
(EWUS) iShares MSCI United Kingdom Small-Cap ETF	-10.5%	-0.7x
(EZU) iShares MSCI EMU ETF	-4.3%	-0.3x
(FILL) iShares MSCI Global Energy Producers ETF	13.7%	0.4x
(PGAL) Global X FTSE Portgual 20 ETF	-1.3%	0.2x
(PICK) iShares MSCI Global Metals & Mining Producers ETF	35.3%	1.4x
(VEGI) iShares MSCI Global Agriculture Producers ETF	5.3%	0.7x

Emerging Market Equities	YTD Performance	Adj. VAMDMI
(AAXJ) iShares MSCI All Country Asia ex Japan ETF	9.6%	1.6x
(ARGT) Global X FTSE Argentina 20 ETF	27.2%	1.3x
(CAF) Morgan Stanley China A Share Fund Inc.	-7.9%	0.3x
(CHIQ) Global X China Consumer ETF	-5.5%	0.5x
(CHIX) Global X China Financials ETF	-2.9%	0.9x
(CQQQ) Guggenheim China Technology ETF	0.7%	1.5x
(ECH) iShares MSCI Chile Capped ETF	20.2%	1.2x
(ECNS) iShares MSCI China Small-Cap ETF	-7.9%	0.1x
(EEM) iShares MSCI Emerging Markets ETF	14.6%	1.6x
(EGPT) Market Vectors Egypt Index ETF	3.7%	1.0x
(EIDO) iShares MSCI Indonesia ETF	28.0%	1.9x
(EPHE) iShares MSCI Philippines ETF	18.1%	1.2x
(EPI) India Earnings Fund	8.6%	1.6x
(EPOL) iShares MSCI Poland Capped ETF	2.6%	0.3x
(EPU) iShares MSCI All Peru Capped ETF	72.7%	1.5x
(EWH) iShares MSCI Hong Kong ETF	6.6%	1.6x
(EWM) iShares MSCI Malaysia ETF	6.8%	-0.2x
(EWT) iShares MSCI Taiwan ETF	21.0%	2.0x
(EWW) iShares MSCI Mexico Capped ETF	2.4%	0.2x
(EWY) iShares MSCI South Korea Capped ETF	13.4%	1.7x
(EWZ) iShares MSCI Brazil Capped ETF	64.9%	1.7x
(EWZS) iShares MSCI Brazil Small-Cap ETF	73.3%	1.8x
(EZA) iShares MSCI South Africa ETF	25.1%	1.4x
(FXI) iShares China Large-Cap ETF	2.4%	1.0x
(GAF) SPDR S&P Emerging Middle East & Africa ETF	25.2%	1.5x
(GMF) SPDR S&P Emerging Asia Pacific ETF	8.5%	1.6x
(GML) SPDR S&P Emerging Latin America ETF	32.3%	1.5x
(GUR) SPDR S&P Emerging Europe ETF	16.0%	0.8x
(ICOL) iShares MSCI Colombia Capped ETF	17.9%	0.3x
(NGE) Global X Nigeria Index ETF	-37.4%	-1.7x
(RSX) Market Vectors Russia ETF	25.8%	1.3x
(SMIN) iShares MSCI India Small-Cap ETF	6.4%	1.6x
(THD) iShares MSCI Thailand Capped ETF	27.2%	1.8x
(TUR) iShares MSCI Turkey ETF	6.6%	-0.3x
(UAE) iShares MSCI UAE Capped ETF	8.8%	0.6x
(VNM) Market Vectors Vietnam ETF	-2.5%	-0.4x

Domestic Fixed Income, Credit and Equity Income Plays	YTD Performance	Adj. VAMDMI
(AGG) iShares Core US Aggregate Bond ETF	3.9%	0.9x
(AMLP) Alerian MLP ETF	7.4%	0.7x
(BKLN) Senior Loan Portfolio ETF	3.6%	0.9x
(BND) Vanguard Total US Bond Market ETF	4.0%	0.9x
(BSV) Vanguard Short-Term Bond ETF	1.6%	0.7x
(EDV) Vanguard Extended Duration Treasury ETF	22.3%	1.1x
(FLAT) iPath US Treasury Flattener ETN	5.3%	0.3x
(IYR) iShares US Real Estate ETF	11.9%	1.3x
(JNK) SPDR Barclays High Yield Bond ETF	6.9%	0.9x
(LQD) iShares iBoxx $ Investment Grade Corporate Bond ETF	7.5%	0.9x
(MUB) iShares National AMT-Free Muni Bond ETF	2.2%	0.7x
(SCPB) SPDR Barclays Short Term Corporate Bond ETF	1.3%	1.1x
(SHV) iShares Short Treasury Bond ETF	0.1%	-0.2x
(SHY) iShares 1-3 Year Treasury Bond ETF	0.8%	0.3x
(SJNK) SPDR Barclays Short Term High Yield Bond ETF	6.2%	0.9x
(STPP) iPath US Treasury Steepener ETN	-11.5%	-0.7x
(TIP) iShares TIPS Bond ETF	5.6%	0.6x
(TLT) iShares 20+Year Treasury Bond ETF	14.7%	1.0x
(VNQ) Vanguard REIT ETF	13.5%	1.3x
(XLU) Utilities Select Sector SPDR Fund	17.2%	0.6x
(ZROZ) PIMCO 25+Year Zero Coupon US Treasury Bond ETF	24.2%	1.1x

Foreign Exchange	YTD Performance	Adj. VAMDMI
(BZF) WisdomTree Brazilian Real Fund	34.8%	1.6x
(CCX) WisdomTree Commodity Currency Fund	10.0%	1.1x
(CEW) WisdomTree Emerging Currency Fund	7.9%	1.4x
(CYB) WisdomTree Chinese Yuan Strategy Fund	0.5%	-1.0x
(FXA) CurrencyShares Australian Dollar Trust	4.9%	1.2x
(FXB) CurrencyShares British Pound Sterling Trust	-11.7%	-1.6x
(FXC) CurrencyShares Canadian Dollar Trust	4.9%	-0.3x
(FXE) CurrencyShares Euro Trust	1.5%	-0.6x
(FXF) CurrencyShares Swiss Franc Trust	1.2%	-0.5x
(FXS) CurrencyShares Swedish Krone Trust	-2.5%	-1.2x
(FXY) CurrencyShares Japanese Yen Trust	17.0%	1.1x
(ICN) WisdomTree Indian Rupee Strategy Fund	2.3%	1.2x
(UDN) Powershares DB US Dollar Index Bearish Fund	2.2%	-0.5x
(UUP) PowerShares DB US Dollar Index Bullish Fund	-2.9%	0.2x

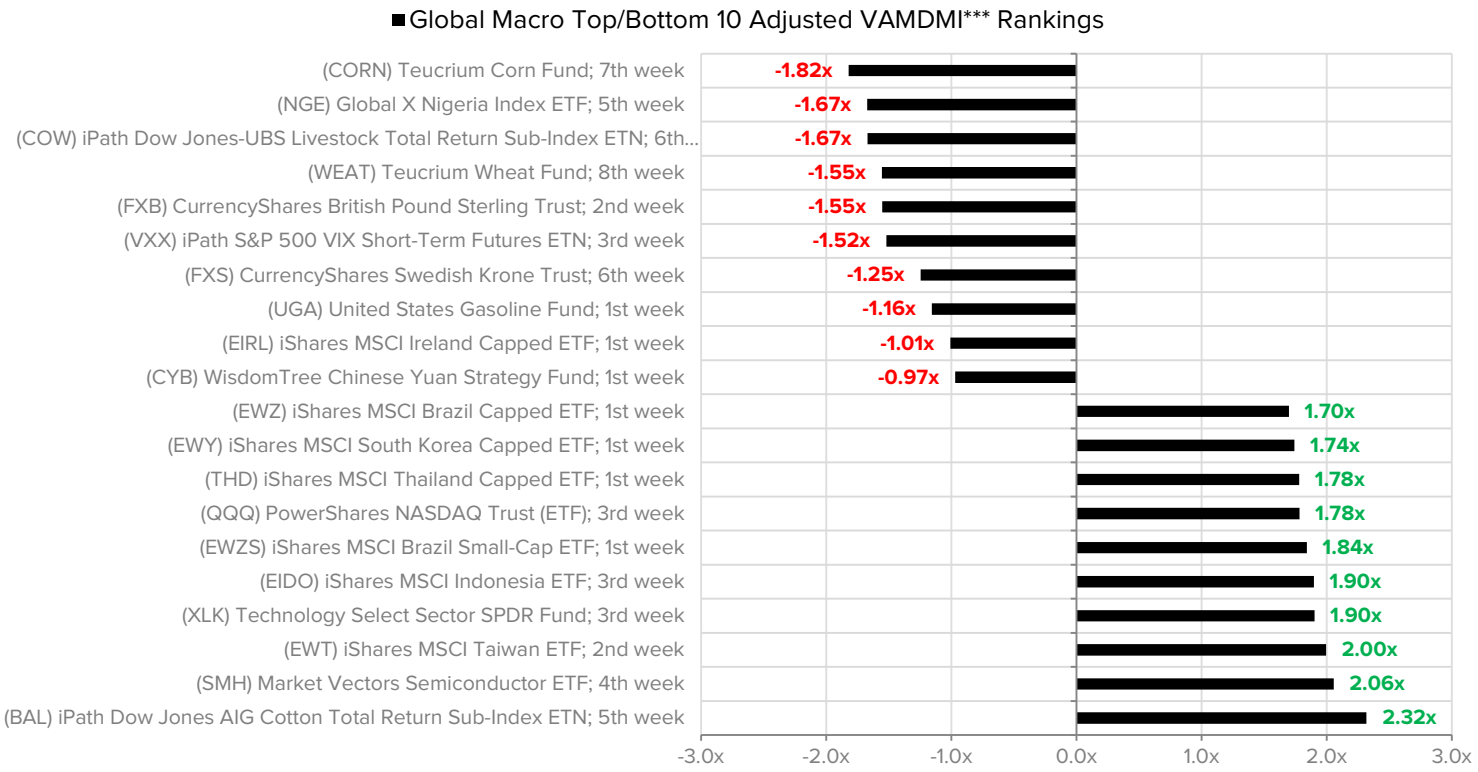
Commodities	YTD Performance	Adj. VAMDMI
(BAL) iPath Dow Jones AIG Cotton Total Return Sub-Index ETN	20.6%	2.3x
(BNO) United States Brent Oil Fund	9.2%	-0.4x
(CORN) Teucrium Corn Fund	-11.8%	-1.8x
(COW) iPath Dow Jones-UBS Livestock Total Return Sub-Index ETN	-9.5%	-1.7x
(DBA) PowerShares DB Agriculture Fund	1.6%	-0.2x
(DBB) PowerShares DB Base Metals Fund	15.5%	1.3x
(DBC) DB Commodity Index Tracking Fund	8.1%	0.0x
(GLD) SPDR Gold Shares	25.6%	1.0x
(JJC) iPath Exchange Traded Notes Dow Jones-AIG Copper Total Return Sub-Index ETN Series A	0.3%	-0.2x
(JJN) iPath Dow Jones-UBS Nickel Total Return Sub-Index ETN	23.1%	1.7x
(JO) iPath Dow Jones-AIG Coffee Total Return Sub-Index ETN	8.1%	1.0x
(NIB) iPath Dow Jones-AIG Cocoa Total Return Sub-Index ETN	-6.9%	-0.1x
(OIL) iPath S&P GSCI Crude Oil Total Return ETN	-12.8%	-0.7x
(PALL) ETFS Physical Palladium Shares	23.1%	1.5x
(RLY) SPDR Multi-Asset Real Return ETF	10.4%	1.0x
(SGG) iPath Dow Jones AIG Sugar Total Return Sub-Index ETN	35.7%	1.4x
(SLV) iShares Silver Trust	42.1%	1.3x
(SOYB) Teucrium Soybean Fund	8.6%	-0.3x
(UGA) United States Gasoline Fund	-20.3%	-1.2x
(UNG) United States Natural Gas Fund	-5.4%	0.3x
(USO) United States Oil Fund LP	-8.2%	-0.7x
(WEAT) Teucrium Wheat Fund	-14.2%	-1.6x

Int'l Fixed Income, Credit and Equity Income Plays (Unhedged)	YTD Performance	Adj. VAMDMI
(ALD) WisdomTree Asia Local Debt Fund	6.2%	1.2x
(BNDX) Vangaurd Total International Bond Market ETF	5.7%	1.2x
(BWX) SPDR Barclays International Long-term Treasury Bond ETF	10.9%	0.9x
(BWZ) SPDR Barclays International Short-term Treasury Bond ETF	6.4%	0.9x
(EMB) iShares JP Morgan USD Emerging Markets Bond ETF	9.9%	1.4x
(EMCB) WisdomTree Emerging Markets Corporate Bond Fund	7.2%	1.1x
(EMLC) Market Vectors Emerging Markets Local Currency Bond ETF	12.1%	1.3x
(IBND) SPDR Barclays International Investment Grade Bond ETF	7.3%	0.9x
(IHY) Market Vectors International High Yield Bond ETF	8.0%	1.1x
(RWX) SPDR Dow Jones International Real Estate ETF	9.4%	1.2x
(WIP) SPDR DB International Government Inflation-Protected Bond ETF	10.7%	1.4x

Data Source: Bloomberg

GLOBAL MACRO

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

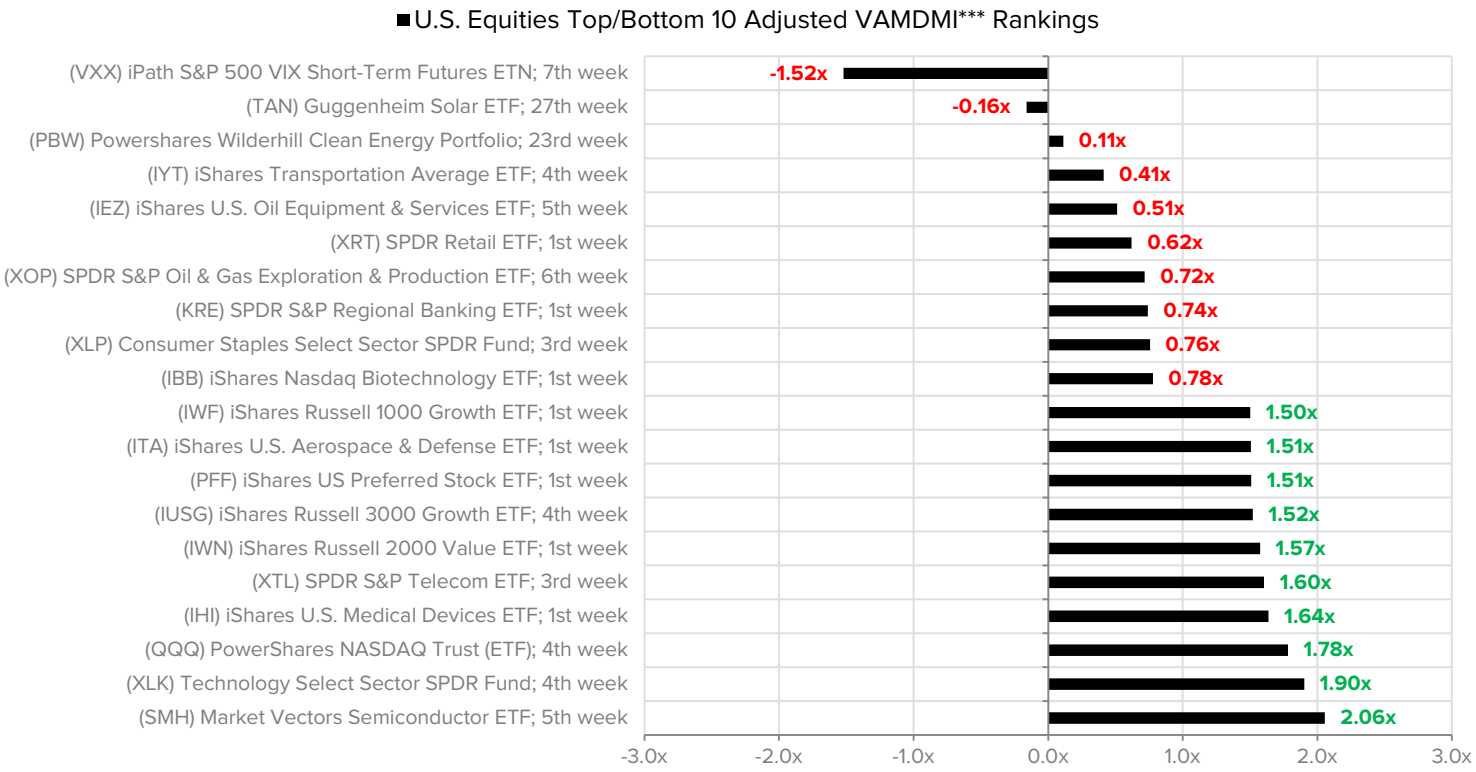
This chart highlights the **top-10** and **bottom-10** Adjusted VAMDMI readings across the universe of liquid global macro factor exposures. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which markets are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

Secondly, the composition of the top and bottom Adjusted VAMDMI readings helps investors **confirm existing trends at the primary asset class level OR helps to prospectively signal a bullish-to-bearish or bearish-to-bullish rotation** in any of the six primary asset classes tracked by TACRM.

U.S. EQUITIES

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-10** and **bottom-10** Adjusted VAMDMI readings across the universe of broadly investable U.S. equity sector and style factor exposures. This snapshot is helpful to investors in two ways:

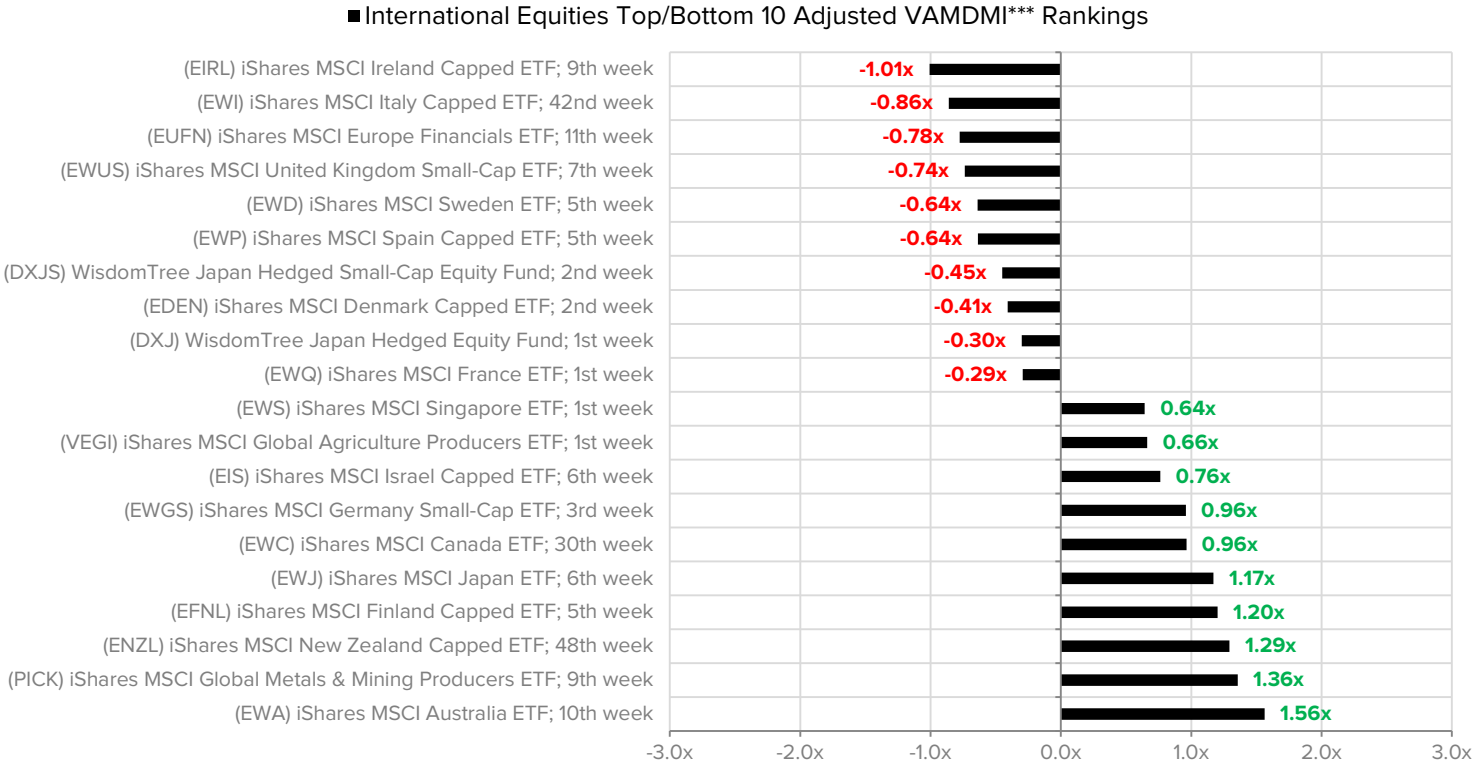
First, it **consistently identifies which sectors and/or style factors are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

Secondly, the composition of the top and bottom Adjusted VAMDMI readings helps investors **confirm or dispel existing fundamental narratives OR prospectively signal new ones**.

DATA SOURCE: BLOOMBERG

INTERNATIONAL EQUITIES

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-10** and **bottom-10** Adjusted VAMDMI readings across the universe of broadly investable international equity country and regional exposures. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which countries and/or regions are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

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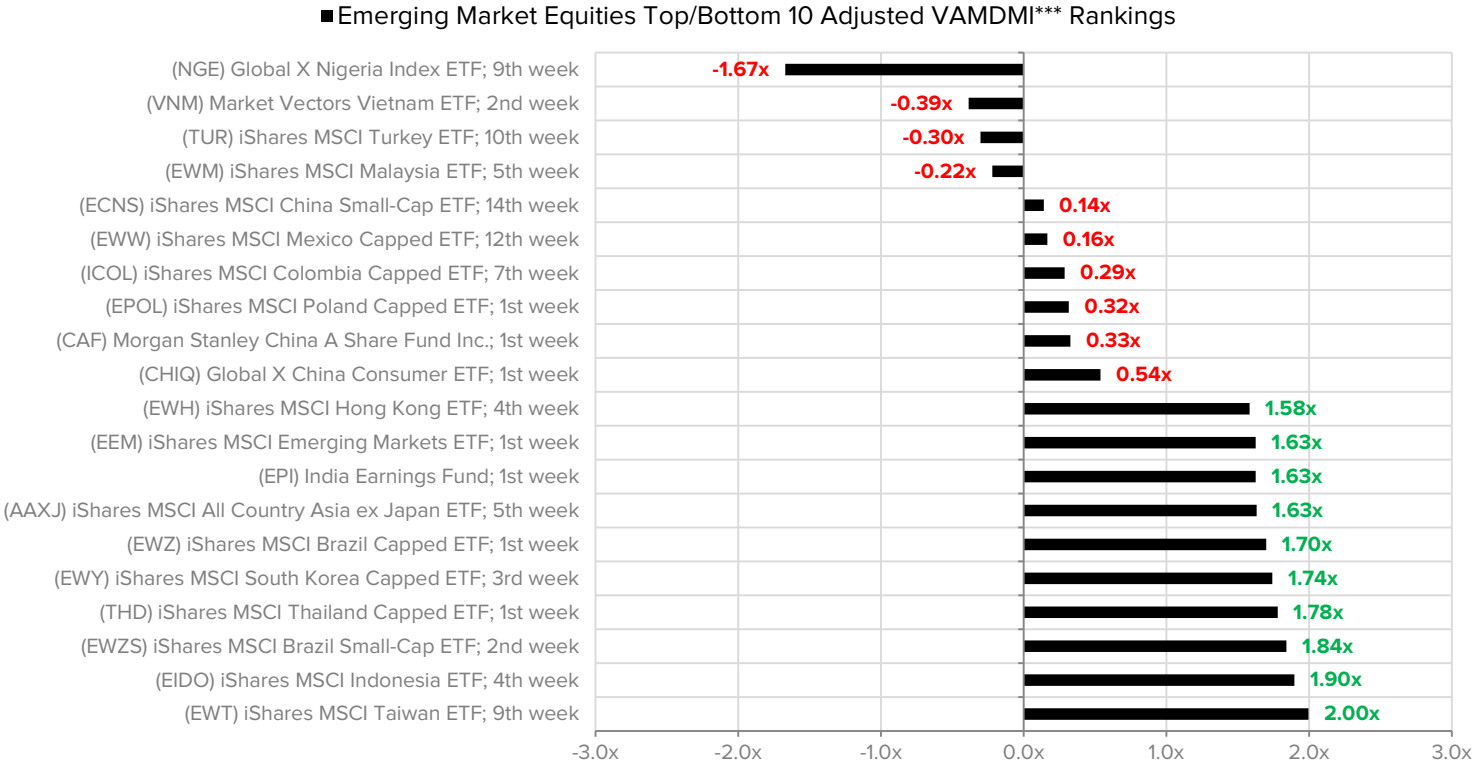
DATA SOURCE: BLOOMBERG

EMERGING MARKET EQUITIES

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-10** and **bottom-10** Adjusted VAMDMI readings across the universe of broadly investable emerging market equity country and regional exposures. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which countries and/or regions are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

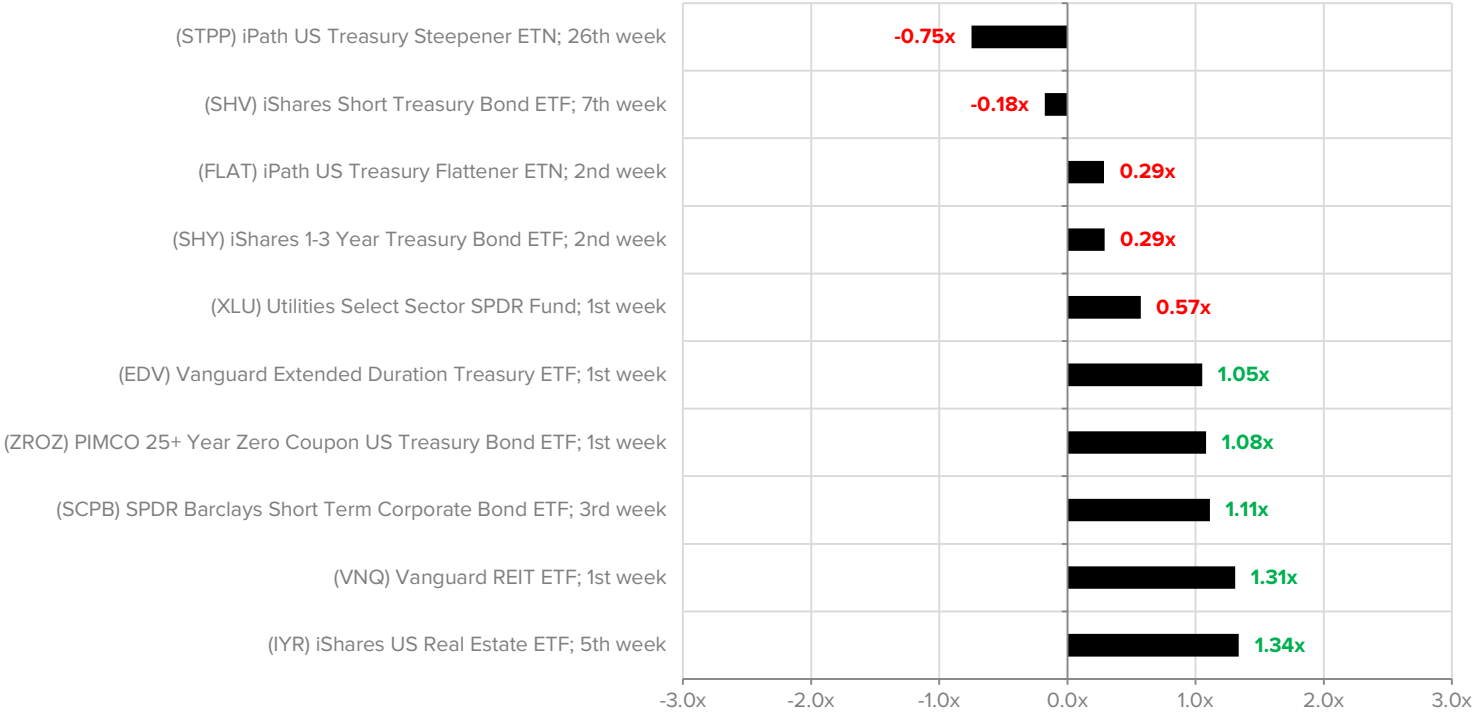
Secondly, the composition of the top and bottom Adjusted VAMDMI readings helps investors **confirm or dispel existing fundamental narratives OR prospectively signal new ones**.

DATA SOURCE: BLOOMBERG

DOMESTIC FIXED INCOME, CREDIT & EQUITY INCOME

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).

■ Domestic Fixed Income, Credit and Equity Income Plays Top/Bottom 5 Adjusted VAMDMI*** Rankings



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-5** and **bottom-5** Adjusted VAMDMI readings across the universe of broadly investable domestic fixed income, credit and equity income exposures. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which markets are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

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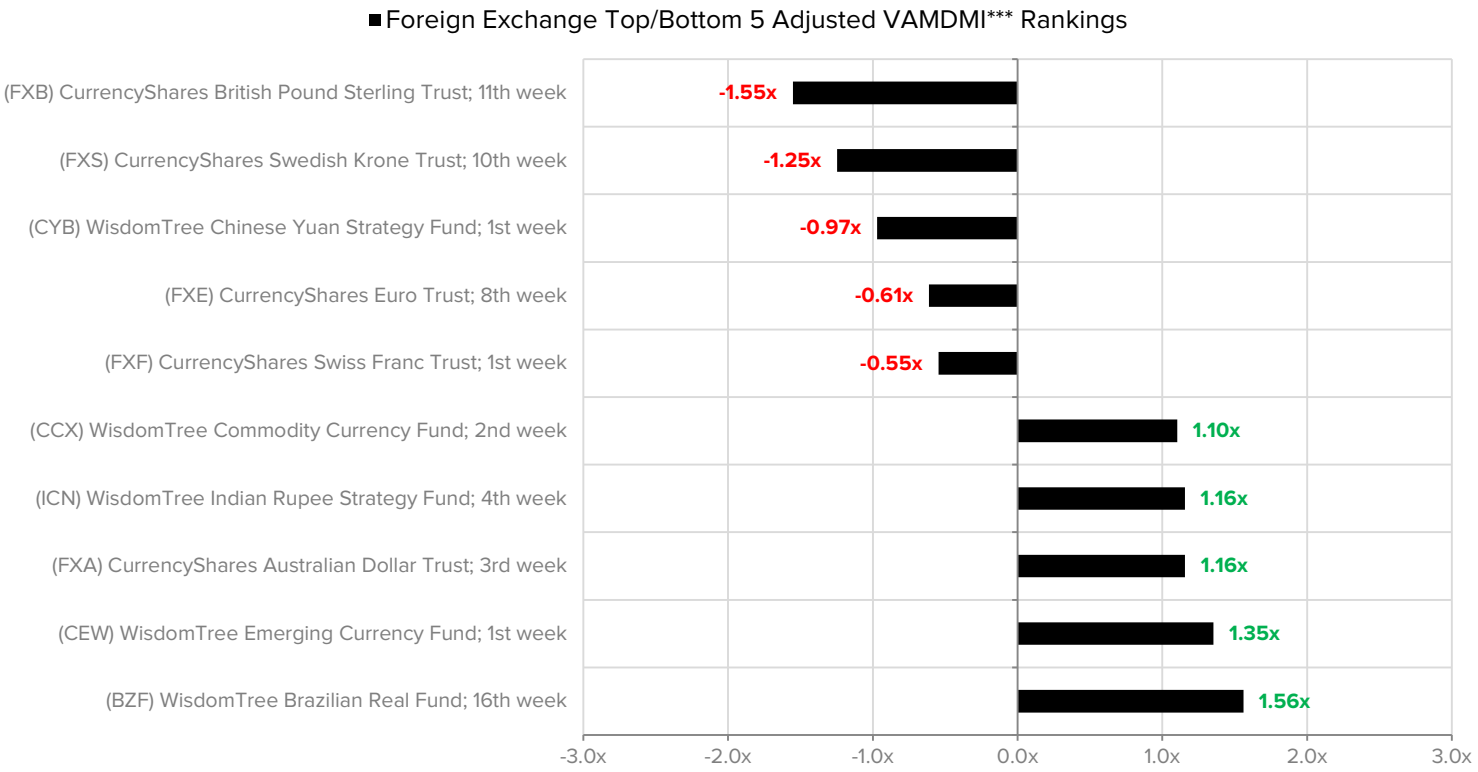
DATA SOURCE: BLOOMBERG

FOREIGN EXCHANGE

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-5** and **bottom-5** Adjusted VAMDMI readings across the universe of broadly investable currencies. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which currencies are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

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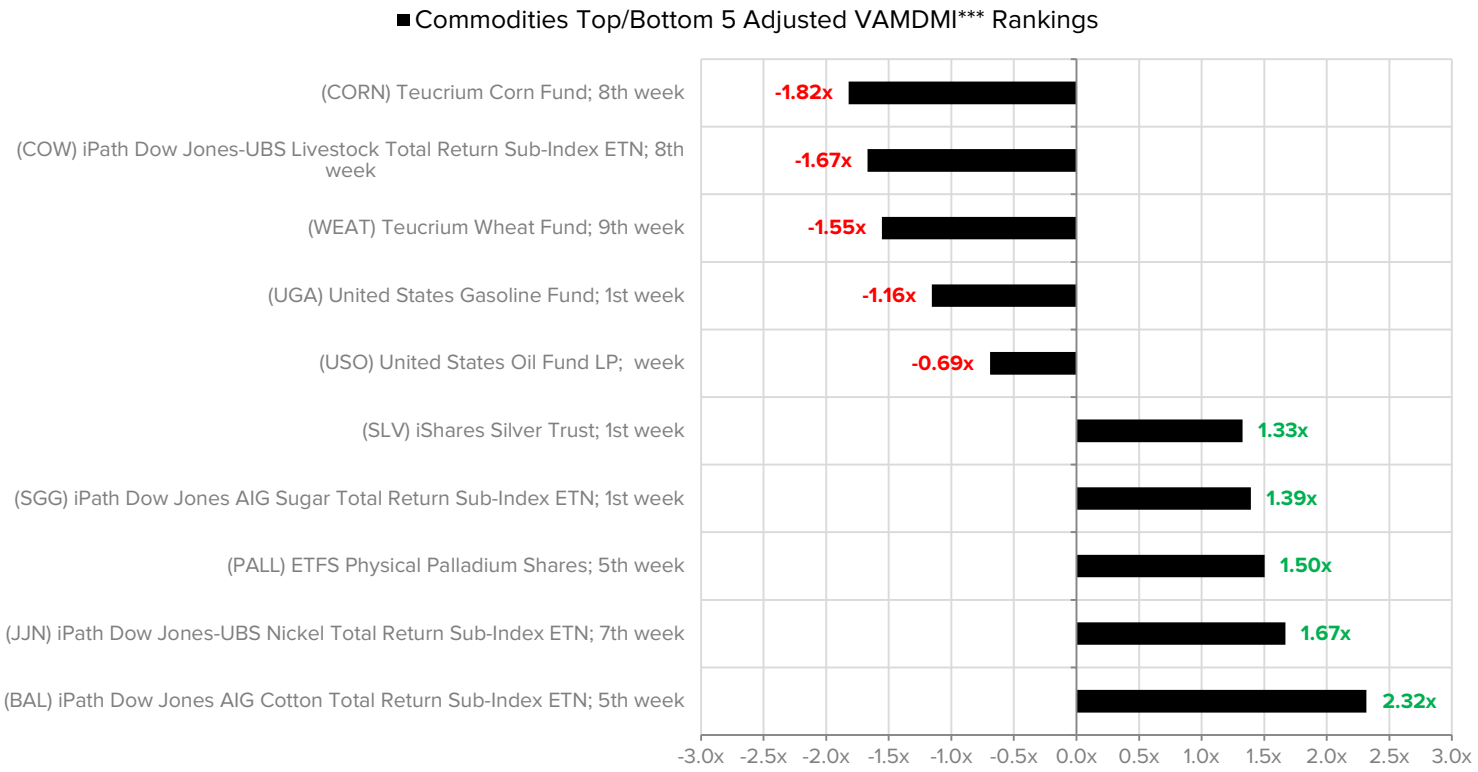
DATA SOURCE: BLOOMBERG

COMMODITIES

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
SELL SIGNAL: THE ADJUSTED VAMDMI READING IS LESS THAN (1).



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This chart highlights the **top-5** and **bottom-5** Adjusted VAMDMI readings across the universe of broadly investable commodity markets. This snapshot is helpful to investors in two ways:

First, it **consistently identifies which commodities are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

Secondly, the composition of the top and bottom Adjusted VAMDMI readings helps investors **confirm or dispel existing fundamental narratives OR prospectively signal new ones**.

DATA SOURCE: BLOOMBERG

INT'L FIXED INCOME, CREDIT & EQUITY INCOME

BUY SIGNAL: THE ADJUSTED VAMDMI READING IS GREATER THAN +1.
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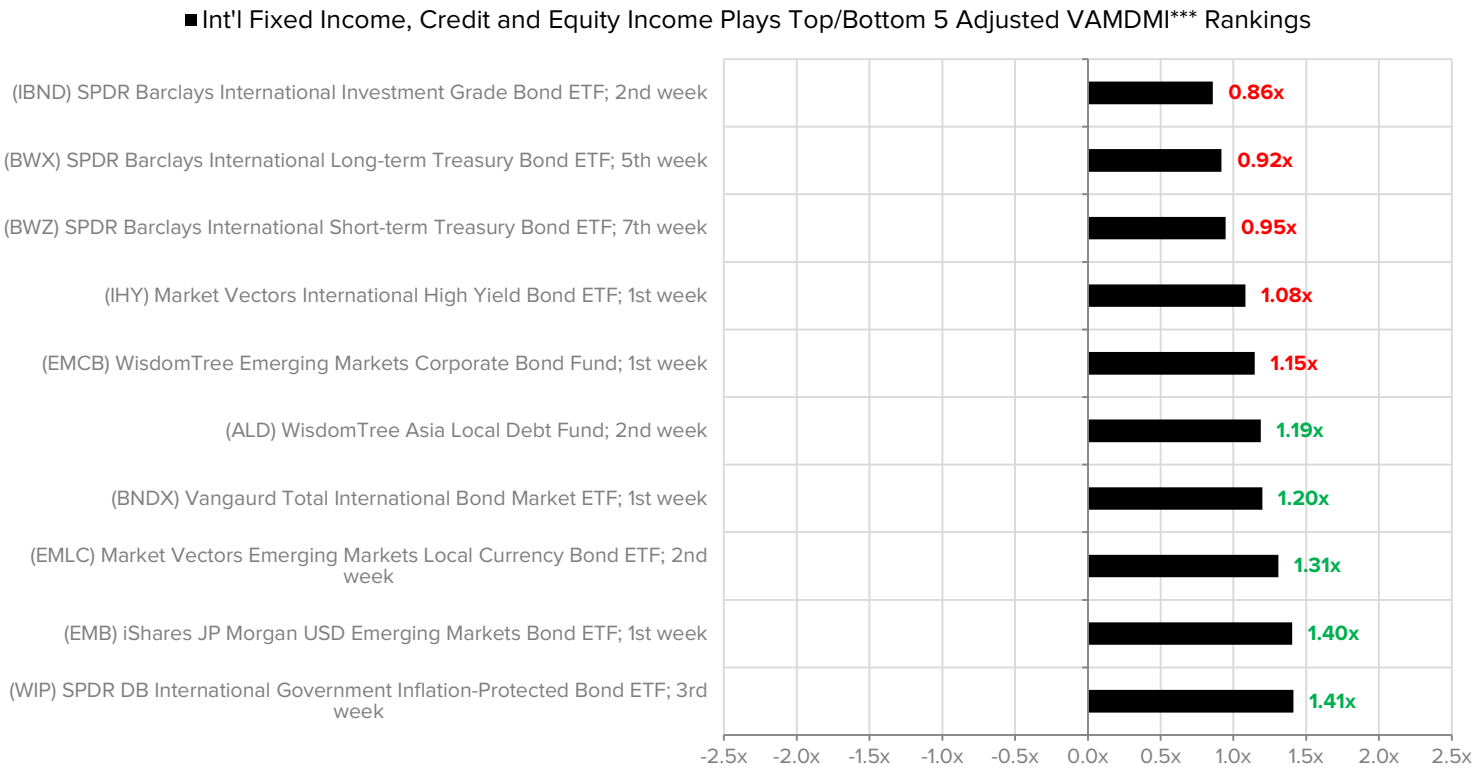


****The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).*

This chart highlights the **top-5** and **bottom-5** Adjusted VAMDMI readings across the universe of broadly investable international fixed income, credit and equity income exposures. This snapshot is helpful to investors in two ways:

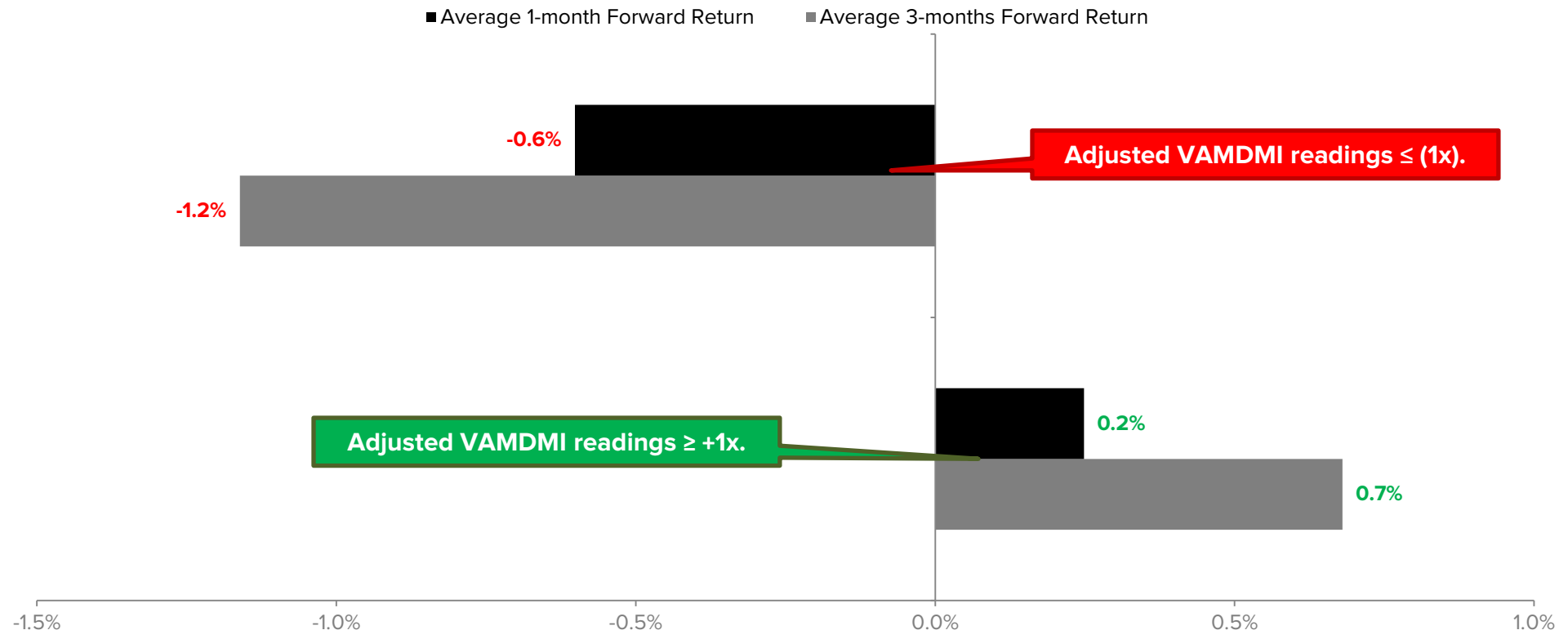
First, it **consistently identifies which markets are breaking out or breaking down** by identifying where last price is within the context of a multi-duration view of volume-weighted average price data, as well as the directional deviation within that prism. For example, an Adjusted VAMDMI reading of ≥ +1x would represent a factor exposure that is decidedly bullish across multiple durations and getting more bullish on the margin. The opposite is true for Adjusted VAMDMI readings ≤ (1x).

Secondly, the composition of the top and bottom Adjusted VAMDMI readings helps investors **confirm or dispel existing fundamental narratives OR prospectively signal new ones**.

DATA SOURCE: BLOOMBERG

BOTTOM-UP RISK MANAGEMENT BACKTESTS

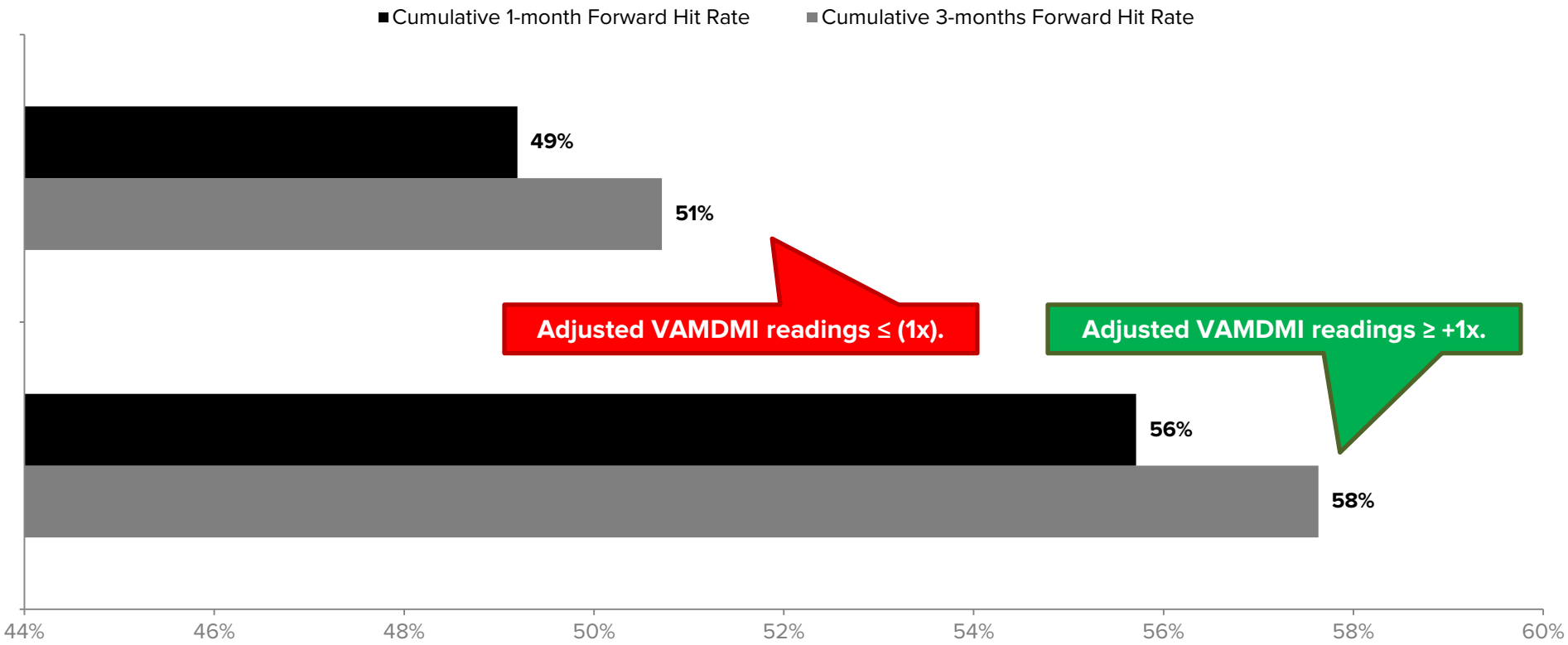
AVERAGE RETURNS



The Adjusted VAMDMI reading is a weighted average of the current VAMDMI reading (75%) and the current delta from its trailing six-month average (25%).

Backtests extend to the start of 2008 across all the individual factor exposures comprising the model; ~20,000 observations in aggregate.

POSITIVE HIT RATE



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Backtests extend to the start of 2008 across all the individual factor exposures comprising the model; ~20,000 observations in aggregate.

DATA SOURCE: BLOOMBERG

MACRO GRIND

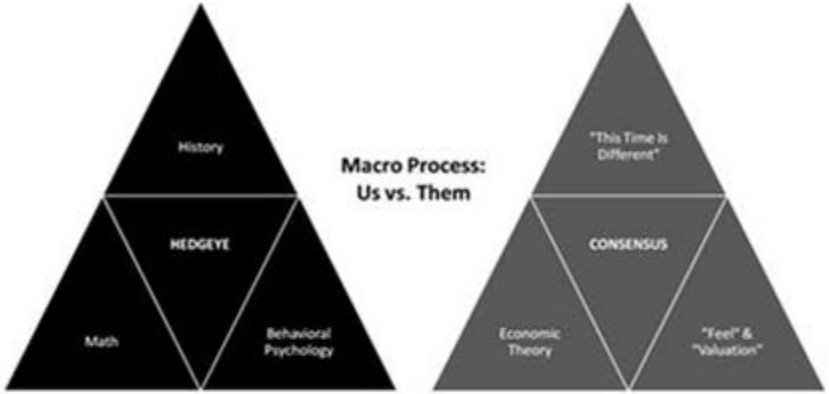
Q2 S&P REVENUE & EARNINGS COMPS

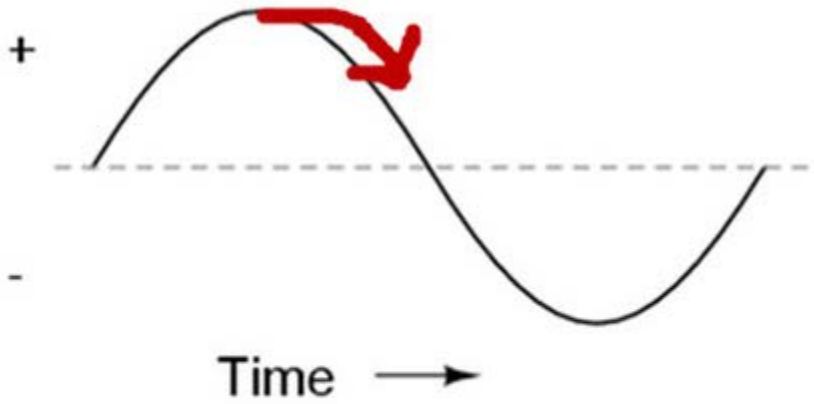
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.6%	-4.3%	433 / 500
Energy	-24.2%	-81.6%	37 / 37
Materials	-7.4%	-8.8%	26 / 27
Industrials	-1.0%	-2.1%	65 / 68
Consumer Discretionary	8.0%	12.8%	54 / 83
Consumer Staples	0.8%	-0.4%	27 / 36
Healthcare	9.8%	6.2%	49 / 57
Financials	0.0%	-5.2%	91 / 92
Information Technology	-0.1%	-2.3%	54 / 67
Telecom	9.6%	3.5%	5 / 5
Utilities	-3.2%	6.5%	25 / 28

Source: BBG

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	$81.30	-0.33%	-0.39%	4.02%
Financial Select Sector	XLF	$24.05	0.12%	1.69%	0.92%
Health Care Select Sector	XLV	$74.61	-0.85%	-0.78%	3.58%
Technology Select Sector	XLK	$47.04	-0.02%	1.27%	9.83%
Consumer Staples Select Sector	XLP	$54.53	-0.11%	-0.31%	8.00%
Industrial Select Sector	XLI	$58.39	0.14%	0.60%	10.15%
Materials Select Sector	XLB	$48.87	0.21%	0.37%	12.55%
The Energy Select Sector	XLE	$68.43	1.33%	1.56%	13.44%
Utilities Select Sector	XLU	$50.71	-0.04%	-2.71%	17.17%
S&P 500	SPX	2,180.89	-0.09%	0.34%	6.70%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.30	-0.24%	-0.73%	-2.68%
Financial Select Sector	XLF	$24.05	0.22%	1.36%	-5.78%
Health Care Select Sector	XLV	$74.61	-0.76%	-1.12%	-3.12%
Technology Select Sector	XLK	$47.04	0.07%	0.93%	3.13%
Consumer Staples Select Sector	XLP	$54.53	-0.02%	-0.65%	1.30%
Industrial Select Sector	XLI	$58.39	0.23%	0.27%	3.45%
Materials Select Sector	XLB	$48.87	0.30%	0.03%	5.85%
The Energy Select Sector	XLE	$68.43	1.42%	1.22%	6.74%
Utilities Select Sector	XLU	$50.71	0.05%	-3.04%	10.47%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.3%	0.5%	2.6%	6.6%	24.7%	12.0%
	Low Debt/EV	-0.3%	-0.2%	2.1%	5.9%	19.3%	7.0%
SI	High Short Interest	0.3%	1.1%	3.6%	7.1%	21.8%	6.3%
	Low Short Interest	-0.2%	0.5%	2.8%	5.5%	18.8%	7.1%
BETA	High Beta	0.3%	2.1%	6.2%	8.8%	31.1%	7.3%
	Low Beta	-0.2%	-1.4%	-1.6%	4.6%	15.1%	13.1%
YIELD	High Yield	0.2%	-0.2%	1.9%	5.6%	17.7%	10.3%
	Low Yield	-0.2%	1.0%	4.3%	8.4%	27.9%	9.5%
MKT CAP	MCAP Bottom 25%	0.2%	0.5%	3.0%	4.3%	21.2%	5.7%
	MCAP Top 25%	-0.2%	0.5%	2.2%	5.6%	17.6%	6.4%
Sales	Top 25% Sales Growth	0.1%	1.4%	2.6%	6.9%	27.8%	9.1%
	Bottom 25% Sales Growth	0.1%	0.5%	3.5%	7.0%	20.9%	10.2%
EPS	Top 25% EPS Growth	-0.1%	0.7%	3.6%	6.8%	26.3%	8.1%
	Bottom 25% EPS Growth	0.3%	0.9%	2.4%	5.2%	21.3%	9.9%

**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	0.26%	0.0	0.5	-2	7	-10	31	18	19
3M LIBOR	0.79%	0.0	3.3	13	16	0	48	45	43
2Y T-Note	0.73%	0.4	4.1	12	-1	-37	23	15	28
5Y T-Note	1.14%	0.8	6.9	20	-8	-68	25	-36	-10
10Y T-Note	1.59%	0.4	7.1	23	-19	-78	27	-68	-54
30Y T-Note	2.31%	-0.5	4.0	21	-32	-83	22	-77	-76
2Y-10Y Spread, Bps	87	0.0	2.9	11.3	-18	-41	4	-83	-82
IG SPREAD (AAABBB)	1.68%	0.0	4.0	-9	-10	-62	4	-2	-17
HIGH YIELD	6.44%	-4.5	-18.7	-22	-102	-289	8	-16	-33
5Y BREAKEVEN	1.35%	-0.1	6.7	-6.9	-18.1	-29.2	49.2	-23.8	-37.6

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)	132,682	(42,606)	75,588	(27,695)	(91,087)	1.89X	1.57X
Russell 2000 (mini)	(1,948)	5,991	(26,839)	(42,920)	(42,839)	2.76X	1.10X
10Y Treasury	96,007	(45,131)	18,751	(1,360)	(2,628)	1.51X	1.87X
CRUDE OIL	294,109	(15,342)	358,345	342,119	302,140	-0.14X	-0.71X
GOLD	267,289	10,359	237,190	195,062	109,023	1.57X	2.69X
COPPER	2,759	(2,112)	(22,624)	(18,279)	(21,233)	1.72X	1.36X
$USD	17,560	(4,853)	12,364	16,402	30,330	-0.79X	-0.53X
JPY	37,153	3,211	43,017	49,123	9,803	0.55X	1.56X
EUR	(116,265)	5,289	(67,670)	(58,746)	(86,164)	-0.69X	-0.47X
GBP	(82,151)	(3,920)	(51,169)	(44,793)	(30,716)	-2.42X	-2.41X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (8/8) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-5%	-2%	-11%	-19%
Total Exchange Volume**	-14%	-9%	-16%	-21%
Total Traded Value (R3K)***	-12%	-9%	-14%	-18%

*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	0.23	0.32	0.59	-0.15	-0.44	*0.73*	*-0.91*	*58%*	*42%*
BRENT Oil	0.80	-0.01	-0.07	-0.45	-0.64	*0.73*	*-0.78*	*37%*	*63%*
CRB Index	0.72	0.10	-0.33	-0.45	-0.83	*0.71*	*-0.91*	*24%*	*76%*
GOLD	-0.92	-0.58	0.53	0.18	-0.66	*0.90*	*-0.95*	*24%*	*76%*

**Days = Trading Days*