THE MACRO SHOW

DECEMBER 29, 2016

LEGAL

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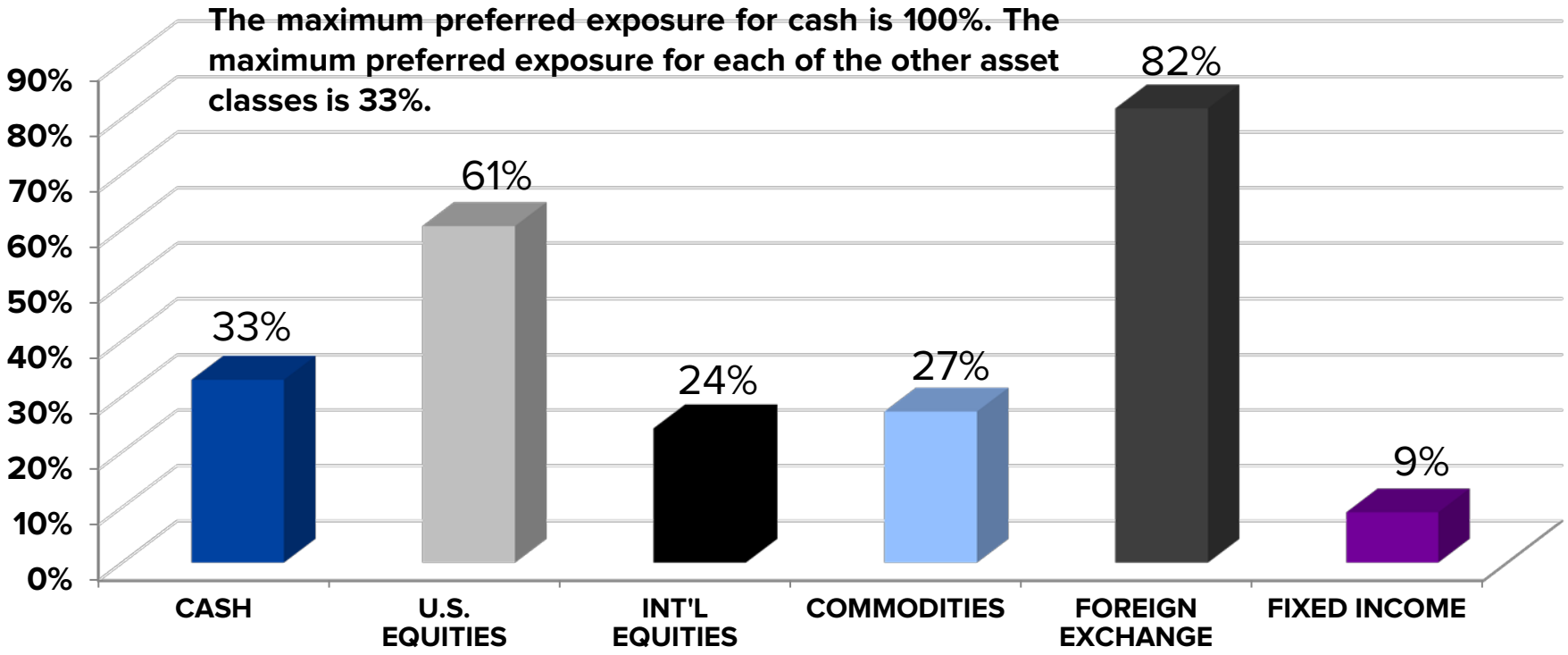
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
12/28/2016	37	17	7	9	27	3
12/29/2016	33	20	8	9	27	3

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
12/28/2016	37%	52%	21%	27%	82%	9%
12/29/2016	33%	61%	24%	27%	82%	9%

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

HEDGEYE ASSET ALLOCATION



December 29, 2016

THE MACRO SHOW

HEDGEYE TV

1 HOUSING

2 CONFIDENCE

3 VOLUME

HOUSING

Pending Home Sales fell -2.5% M/M and -0.4% Y/Y in November and are signaling downside risk to December Existing Home Sales (recall, Pending Home Sales = signed contract activity while Existing Home Sales = closed transactions so the former naturally leads the latter). Signed contract activity has been +2% or less since May with 4 of those months printing zero or negative growth. Tight inventory and declining affordability suggest the sluggish volume trend that has characterized much of 2016 is more likely than not to extend despite the likelihood for some modest rate related pull-forward in demand.

CONFIDENCE

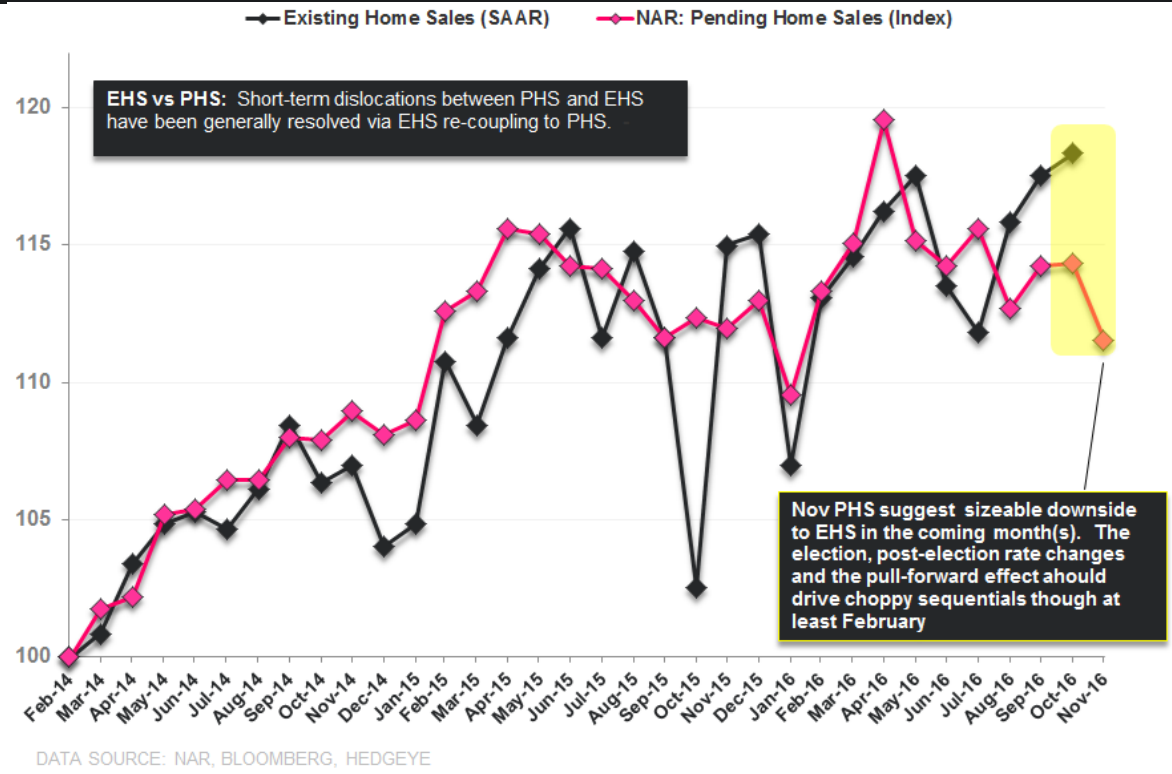
Trumphoria is now ubiquitous across all Consumer and Business Confidence Surveys with Headline, Present Conditions and Forward Expectations readings all step functioning higher since October. To take a quick cross-section: Conference Board Consumer Confidence Forward Expectations = +20 pts, NFIB Small Business Optimism Forward Expectations = +19 pts, Philli Fed Manufacturing Survey = +20 pts. Dallas Fed Services Survey = +31pts … and on it goes. Note that “Forward Expectations” have been rising at a premium to “Current Conditions”, pushing the “optimism spread” higher. It will be interesting to watch that spread as we push past the honeymoon period of pre-inauguration politicking to the less empyreal business of actual policy creation.

VOLUME

Yes, holiday volumes are comparatively soft but the post-election trend has been one of decelerating volume on down moves and vice versa. Up day volume in the post-election period has been +2.1% higher on average than down day volume and yesterday's down move extended that pattern with total market volume-9% D/D and -28% relative to the post-election average. From a signaling perspective, however obvious, when volume is decelerating on down moves, it's less concerning than if volume was accelerating.

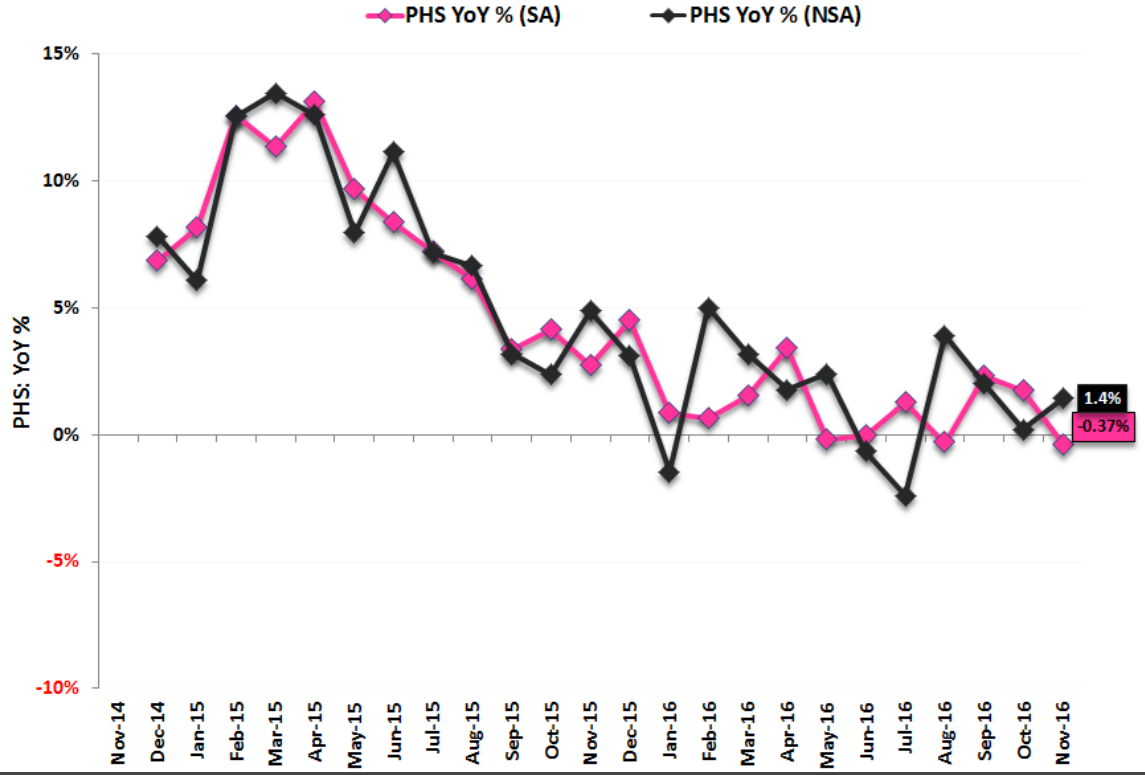
MACRO GRIND

EXISTING VS PENDING HOME SALES



DATA SOURCE: NAR, BLOOMBERG, HEDGEYE

PENDING HOME SALES



CONSUMER & BUSINESS SURVEYS

	Last	Latest	1M Chg	6M Chg	Since Oct 16
Univ Michigan Confidence	98.2	Dec-16	4.4	4.7	11.00
Conference Board Confidence	113.7	Dec-16	4.3	16.3	12.90
Bloomberg Consumer Comfort	46.7	Dec-16	1.2	1.6	4.04
Univ. Michigan Expectations	89.5	Dec-16	4.3	7.1	12.70
Conference Board Expectations	105.5	Dec-16	11.1	20.9	19.50
Bloomberg Consumer Expectations	53.5	Dec-16	9.5	12.5	8.50
CEO Confidence (1Y Exp)	6.5	Nov-16	0.6	0.6	0.64
NFIB Optimism	98.4	Nov-16	3.5	4.6	3.50
NFIB 6M Outlook	12.0	Nov-16	19.0	25.0	19.00
Fed Mfg Surveys (6M Expectations)					
Dallas Fed: 6M Conditions	47.2	Dec-16	6.3	27.9	22.50
Empire State: 6M Conditions	50.2	Dec-16	20.3	15.4	14.20
Philli Fed: 6M Conditions	52.6	Dec-16	23.3	22.8	20.00
Kansas City Fed: 6M Conditions	19.0	Dec-16	7.0	12.0	2.00
Dallas Fed: (New Orders, 6M)	55.4	Dec-16	1.6	17.0	7.00
Empire State: (New Orders, 6M)	46.7	Dec-16	18.0	8.5	7.70
Philli Fed: (New Orders, 6M)	51.5	Dec-16	14.1	21.6	12.20
Kansas City Fed: (New Orders, 6M	33.0	Dec-16	6.0	21.0	17.00
Richmond Fed: (New Orders, 6M)	47.0	Dec-16	9.0	34.4	15.00
Fed Services Surveys (6M Expectations)					
Dallas Fed: ↑ in Business Activity	39.8	Nov-16	20.0	27.8	30.70
Richmond Fed: Expected Demand	36.0	Dec-16	14.0	11.1	13.00

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$82.20	-0.69%	0.43%	5.17%
Financial Select Sector	XLF	$23.37	-1.02%	3.82%	20.77%
Health Care Select Sector	XLV	$69.07	-0.76%	0.47%	-4.11%
Technology Select Sector	XLK	$48.73	-0.89%	2.59%	13.78%
Consumer Staples Select Sector	XLP	$51.73	-0.61%	2.27%	2.46%
Industrial Select Sector	XLI	$62.46	-1.05%	0.08%	17.83%
Materials Select Sector	XLB	$50.03	-1.01%	0.18%	15.22%
The Energy Select Sector	XLE	$75.69	-1.08%	1.69%	25.48%
Utilities Select Sector	XLU	$48.19	-0.95%	3.08%	11.34%
S&P 500	SPX	2,249.92	-0.84%	2.32%	10.08%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$82.20	0.15%	-1.90%	-4.91%
Financial Select Sector	XLF	$23.37	-0.18%	1.50%	10.70%
Health Care Select Sector	XLV	$69.07	0.07%	-1.86%	-14.19%
Technology Select Sector	XLK	$48.73	-0.06%	0.27%	3.70%
Consumer Staples Select Sector	XLP	$51.73	0.22%	-0.05%	-7.62%
Industrial Select Sector	XLI	$62.46	-0.21%	-2.24%	7.75%
Materials Select Sector	XLB	$50.03	-0.17%	-2.14%	5.15%
The Energy Select Sector	XLE	$75.69	-0.25%	-0.63%	15.40%
Utilities Select Sector	XLU	$48.19	-0.11%	0.76%	1.27%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-1.3%	-1.3%	1.9%	5.1%	15.5%	18.6%
	Low Debt/EV	-1.0%	-1.2%	0.0%	1.1%	8.3%	8.5%
SI	High Short Interest	-1.3%	-1.5%	0.6%	3.9%	14.2%	12.1%
	Low Short Interest	-0.9%	-0.9%	1.5%	4.3%	12.0%	12.1%
BETA	High Beta	-1.5%	-1.3%	2.5%	10.2%	29.0%	19.8%
	Low Beta	-0.8%	-0.7%	0.9%	-2.3%	-2.0%	8.8%
YIELD	High Yield	-1.0%	-1.5%	0.9%	0.6%	6.6%	11.7%
	Low Yield	-1.2%	-0.9%	0.5%	1.2%	12.0%	11.4%
MKT CAP	MCAP Bottom 25%	-1.3%	-1.7%	-0.5%	0.7%	8.6%	7.4%
	MCAP Top 25%	-0.8%	-0.9%	2.2%	5.9%	13.8%	13.0%
Sales	Top 25% Sales Growth	-1.2%	-0.8%	1.4%	1.9%	10.0%	13.5%
	Bottom 25% Sales Growth	-1.1%	-1.5%	1.1%	4.0%	12.9%	10.2%
EPS	Top 25% EPS Growth	-1.1%	-0.9%	1.3%	3.8%	14.8%	13.3%
	Bottom 25% EPS Growth	-1.2%	-1.4%	2.2%	2.9%	9.2%	12.0%

**Mean Performance of Top Quartile vs. Bottom Quartile, S&P500 Companies*

HEDGEYE RATES & SPREADS

	Price	1D Bps Chg	5D Bps Chg	1M Bps Chg	3M Bps Chg	vs. 52-Wk, Bps High	vs. 52-Wk, Bps Low	vs. 3Y Ave	vs. 5Y Ave
3M T-Bill	0.51%	-0.5	0.5	5	23	-5	38	39	41
3M LIBOR	1.00%	#VALUE!	-0.1	6	16	0	39	57	60
2Y T-Note	1.25%	2.7	6.6	16	50	-5	76	61	75
5Y T-Note	2.00%	-5.9	-2.3	21	86	-12	110	50	72
10Y T-Note	2.51%	-5.2	-2.7	20	94	-13	119	34	39
30Y T-Note	3.09%	-4.0	-1.5	12	80	-12	100	17	7
2Y-10Y Spread, Bps	125	-7.9	-9.3	4.1	44	-9	43	-27	-37
IG SPREAD (AAABBB)	1.52%	0.0	-2.0	-8	-12	-78	1	-17	-27
HIGH YIELD	6.42%	-5.8	-8.2	-31	7	-291	26	-21	-20
5Y BREAKEVEN	1.87%	-1.9	5.1	15.6	41.1	-2.8	101.2	31.3	14.9

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)	(39,550)	87,808	(12,276)	62,853	(12,609)	-0.21X	-0.07X
Russell 2000 (mini)	93,489	36,543	24,657	12,494	(19,777)	2.97X	4.33X
10Y Treasury	(325,547)	(8,362)	(48,973)	20,681	2,15[illegible]	-3.04X	-3.02X
CRUDE OIL	496,268	15,579	404,729	369,829	344,317	2.16X	2.36X
GOLD	53,911	(14,994)	139,934	197,034	166,822	-1.32X	-0.61X
COPPER	51,861	(9,160)	26,306	8,464	(8,824)	2.19X	3.31X
$USD	52,374	(4,261)	44,738	30,931	26,296	1.60X	0.78X
JPY	(74,084)	(11,503)	13,591	30,980	37,973	-3.63X	-0.68X
EUR	(71,742)	14,644	(109,323)	(105,012)	(85,098)	0.36X	0.39X
GBP	(55,946)	15,169	(78,810)	(78,227)	(57,636)	0.07X	-0.96X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (12/28) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-9%	-26%	-26%	-16%
Total Exchange Volume**	17%	-32%	-32%	-34%

*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)

Source: Bloomberg, Hedgeye

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation			
						High	Low	% Time Pos	% Time Neg
SPX	0.29	0.68	0.72	0.64	0.73	*0.95*	*-0.91*	*49%*	*51%*
BRENT Oil	0.34	0.51	0.60	0.60	0.44	*0.77*	*-0.78*	*45%*	*55%*
CRB Index	-0.17	0.45	0.85	0.60	0.33	*0.83*	*-0.89*	*20%*	*80%*
GOLD	-0.91	-0.76	-0.96	-0.96	-0.71	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*

#STRONGDOLLAR QUAD 2

$USD ↑, Yen ↓, EM ↓, Quad 2 Returns ↑ .....

STYLE FACTOR PERFORMANCE*

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.3%	0.4%	2.7%	7.3%	15.6%	19.8%
	Low Debt/EV	0.2%	-0.2%	0.1%	3.0%	8.5%	9.2%
SI	High Short Interest	0.2%	-0.2%	0.5%	6.0%	12.8%	12.4%
	Low Short Interest	0.1%	0.2%	2.3%	7.0%	13.4%	13.8%
BETA	High Beta	0.3%	0.3%	2.4%	13.8%	27.5%	21.0%
	Low Beta	0.2%	0.2%	1.9%	-1.6%	-0.6%	9.6%
YIELD	High Yield	0.1%	-0.3%	1.7%	2.0%	6.6%	12.6%
	Low Yield	0.5%	0.1%	0.3%	3.4%	11.7%	12.2%
MKT CAP	MCAP Bottom 25%	0.2%	-0.6%	-0.5%	2.9%	8.3%	8.4%
	MCAP Top 25%	0.2%	0.3%	2.2%	7.9%	14.0%	13.9%
Sales	Top 25% Sales Growth	0.3%	0.0%	1.1%	4.6%	10.2%	14.4%
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EPS	Top 25% EPS Growth	0.3%	0.1%	1.2%	6.2%	14.5%	14.1%
	Bottom 25% EPS Growth	0.2%	-0.1%	2.7%	5.2%	9.7%	12.8%

Mean Performance of Top Quartile vs. Bottom Quartile, S&P500 Companies

Key $USD Correlations*

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation High	Low	% Time Pos	% Time Neg
SPX	0.65	0.70	0.68	0.61	0.71	0.95	-0.91	48%	52%
BRENT OIL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.77	-0.78	45%	55%
CRB Index	0.10	0.50	0.81	0.57	0.28	0.83	-0.89	19%	81%
GOLD	-0.96	-0.78	-0.96	-0.95	-0.68	0.90	-0.97	16%	84%

*Days = Trading Days

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GOLD	53,911	(14,994)	139,934	197,034	166,822	-1.32X	-0.63X
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GBP	(55,946)	15,169	(78,810)	(78,227)	(57,636)	0.07X	-0.96X