THE MACRO SHOW

JANUARY 26, 2017

LEGAL

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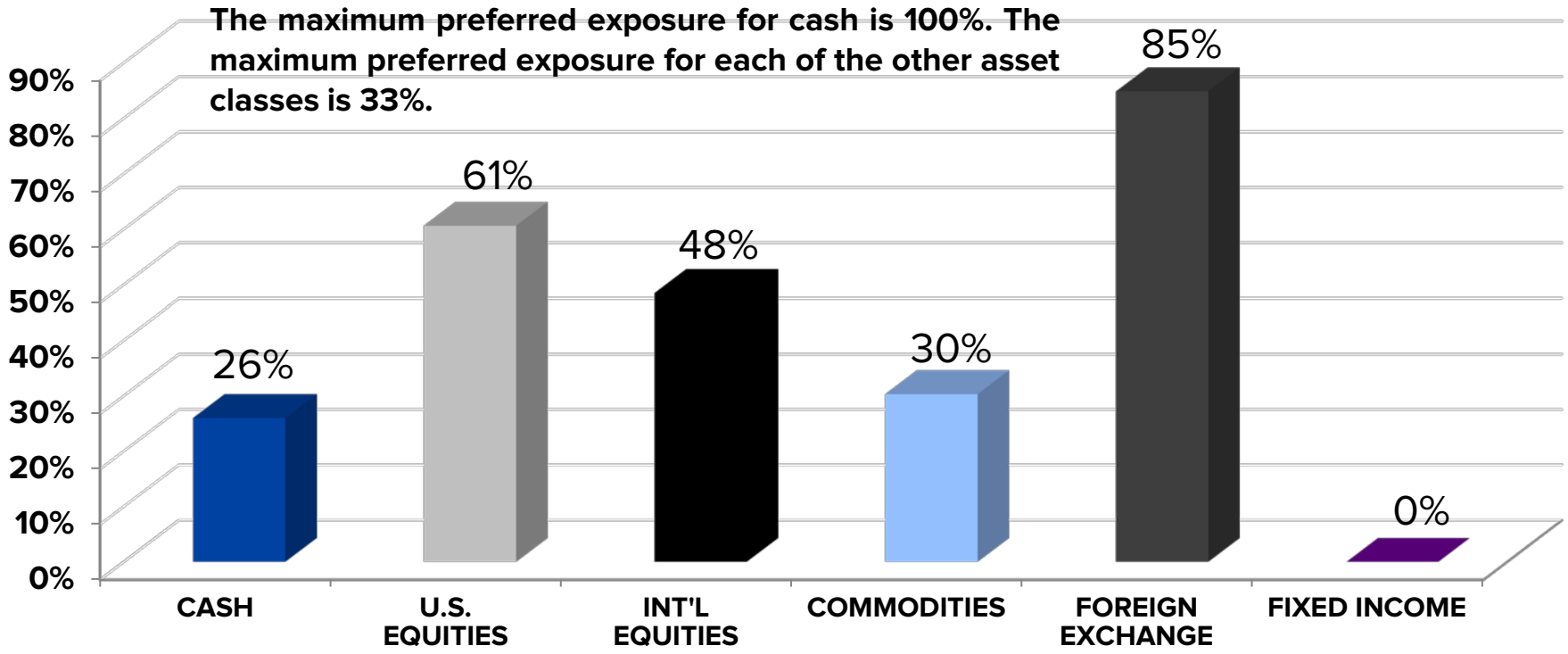
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/25/2017	26	20	16	10	28	0
1/26/2017	26	20	16	10	28	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/25/2017	26%	61%	48%	30%	85%	0%
1/26/2017	26%	61%	48%	30%	85%	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



January 26, 2017

THE MACRO SHOW

HEDGEYE TV

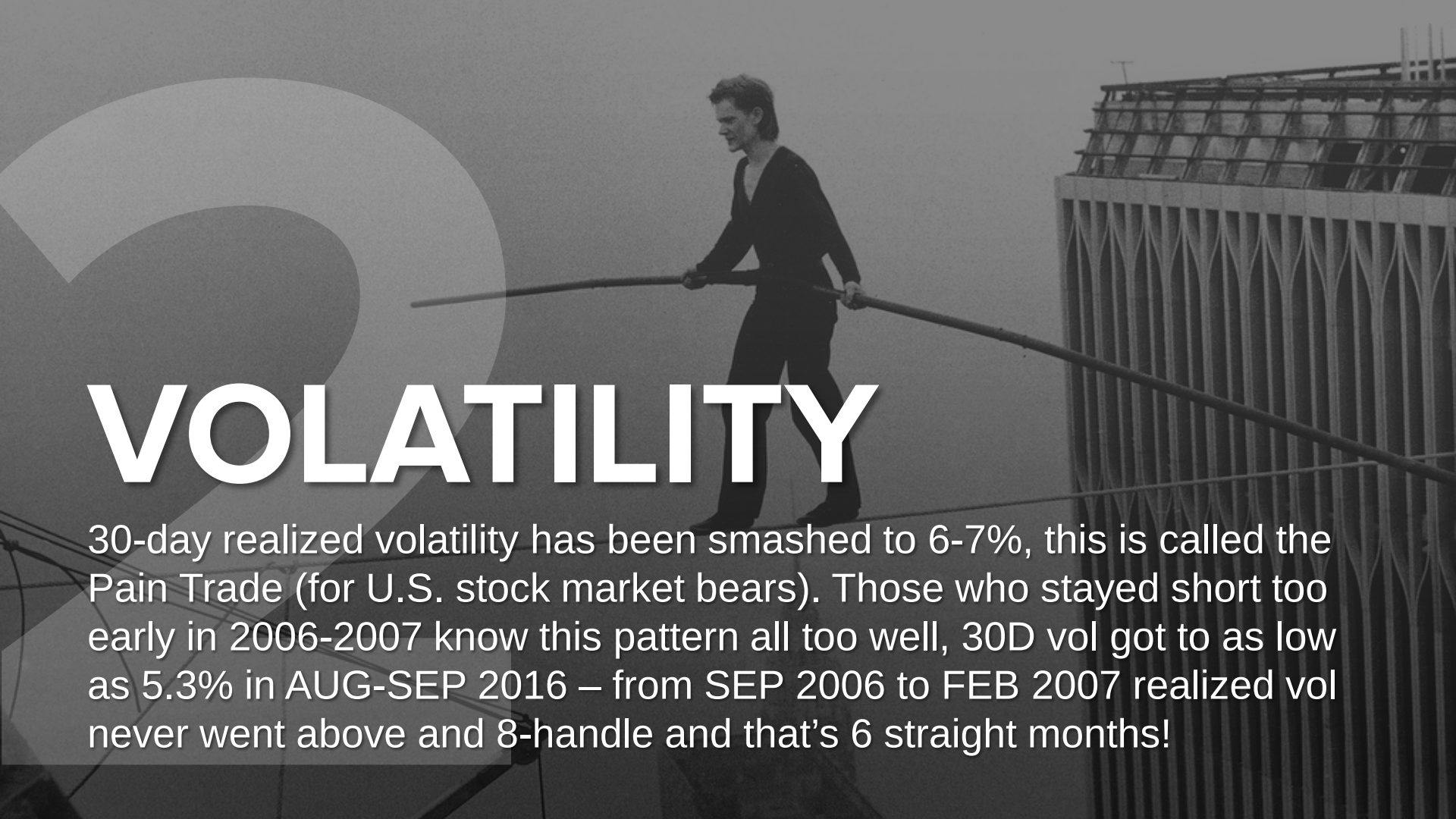
1 ALL-TIME HIGHS

2 VOLATILITY

3 UST 10YR

1 ALL-TIME HIGHS

All-time remains a long time and whether people want to call it “over-done” and/or “overvalued” (code for they aren’t long enough), we’ll simply call it the score. At 2,303 the S&P 500 will finally signal immediate-term TRADE overbought – that is what it is ahead of a “sell-some on the news” of accelerating U.S. GDP and Durable Goods reports tomorrow, but stay bullishly positioned.



VOLATILITY

30-day realized volatility has been smashed to 6-7%, this is called the Pain Trade (for U.S. stock market bears). Those who stayed short too early in 2006-2007 know this pattern all too well, 30D vol got to as low as 5.3% in AUG-SEP 2016 – from SEP 2006 to FEB 2007 realized vol never went above and 8-handle and that’s 6 straight months!

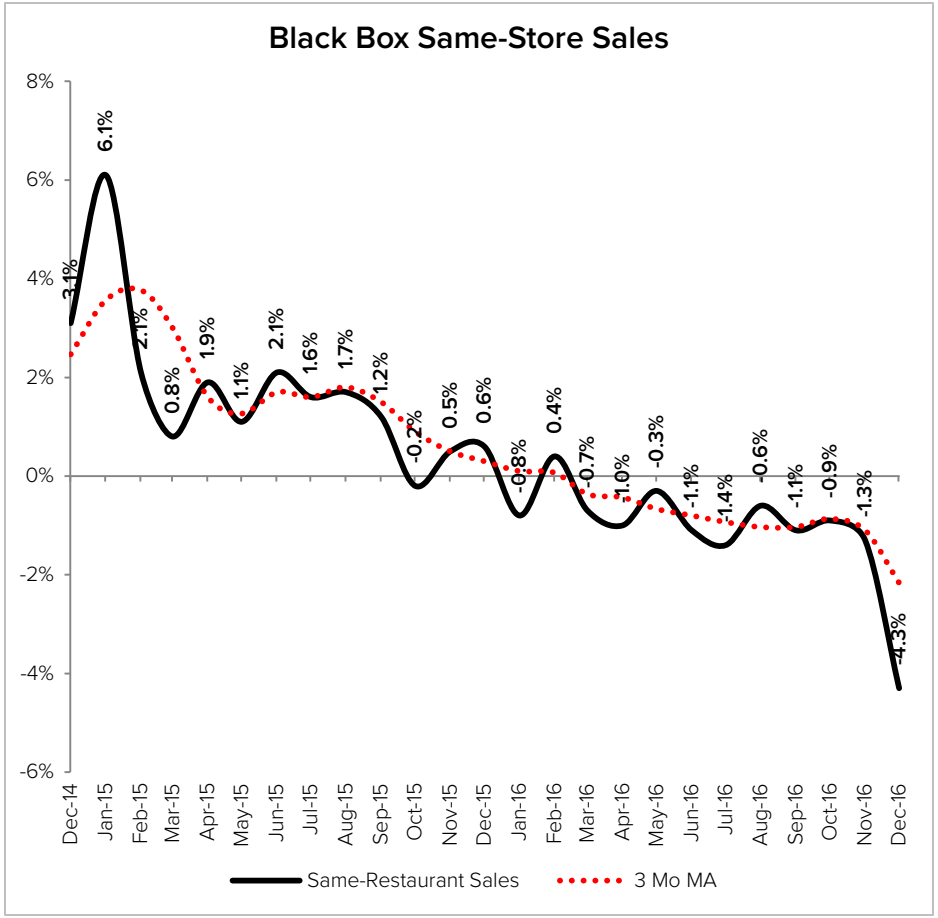
UST 10YR

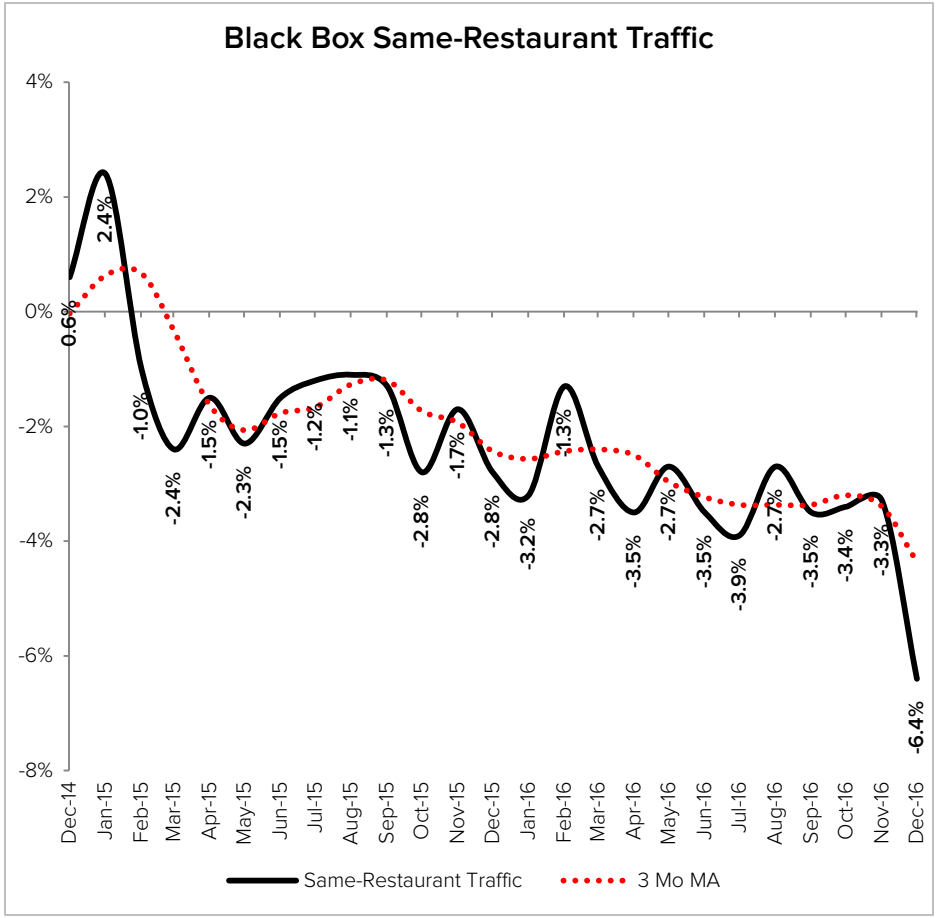
Nice ramp to 2.54% on the 10YR Yield and staying with the Gold and TLT shorts appears to be the right call, for now. Inasmuch as U.S. stocks (SP500) are signaling immediate-term overbought this morning, at $1177 Gold and 2.58% UST 10YR, long-term bonds should signal immediate-term TRADE oversold within their bearish intermediate-term TREND.

RESTAURANTS & CONSUMER STAPLES

HOWARD PENNEY

BLACK BOX





Data Source: Black Box Intelligence.

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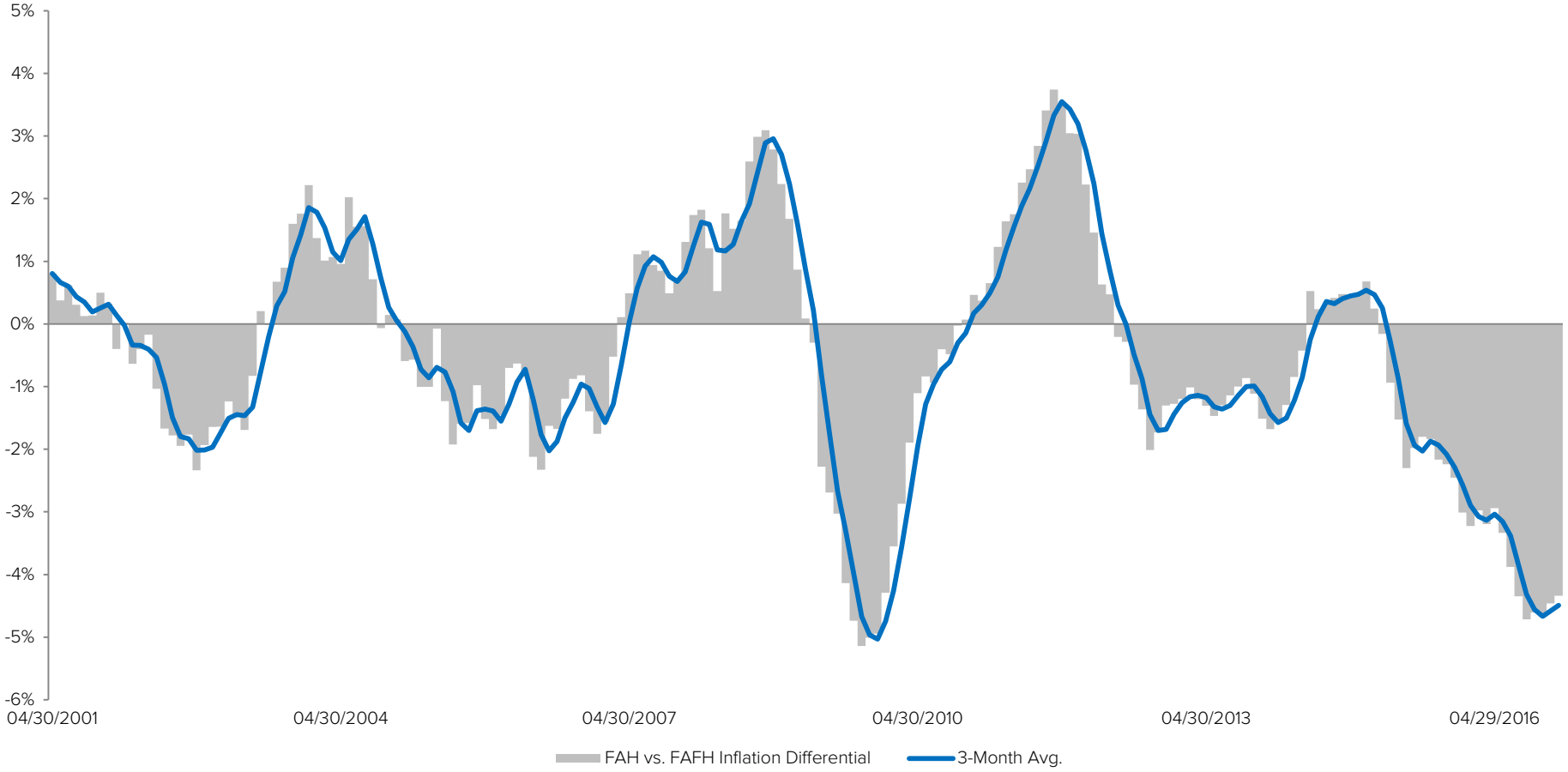
FAH VS FAFH INFLATION DIFFERENTIAL



Data Source: BLS, Hedgeye.

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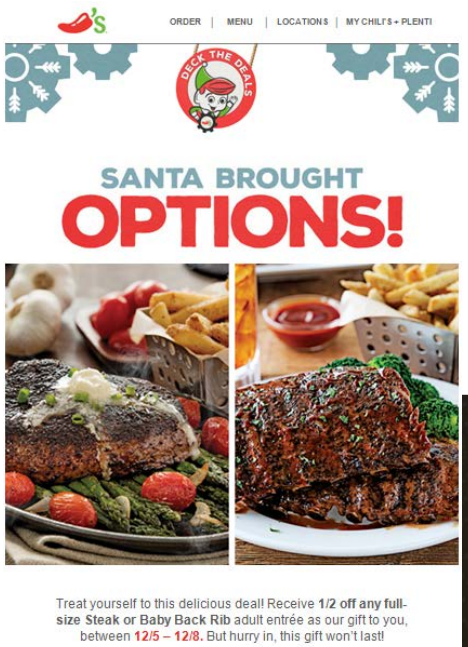
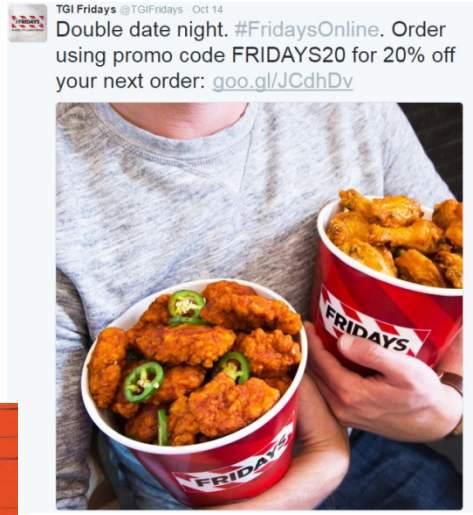
PROMOTIONS DILUTING THE INDUSTRY

dineEquity





LACKLUSTER PROMOTIONS UNLIKELY TO IGNITE A RECOVERY

- The latest BOGO suggests that franchisees are making 50% less and represents Applebee's latest destruction of long-term value.
- Promotions are running rampant across the industry

Data Source: Company Filings.

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ONCE PROMOTIONS SUBSIDE…SONC WILL SHINE THROUGH

AGGRESSIVE BUNDLING WILL COME BACK TO BITE COMPETITORS!

- SONC's tendency to selectively offer bundling promotions, will prove to be advantageous, as competitors will be forced to reposition themselves and create a new game plan when commodities reverse direction.

Data Source: Company Filings.

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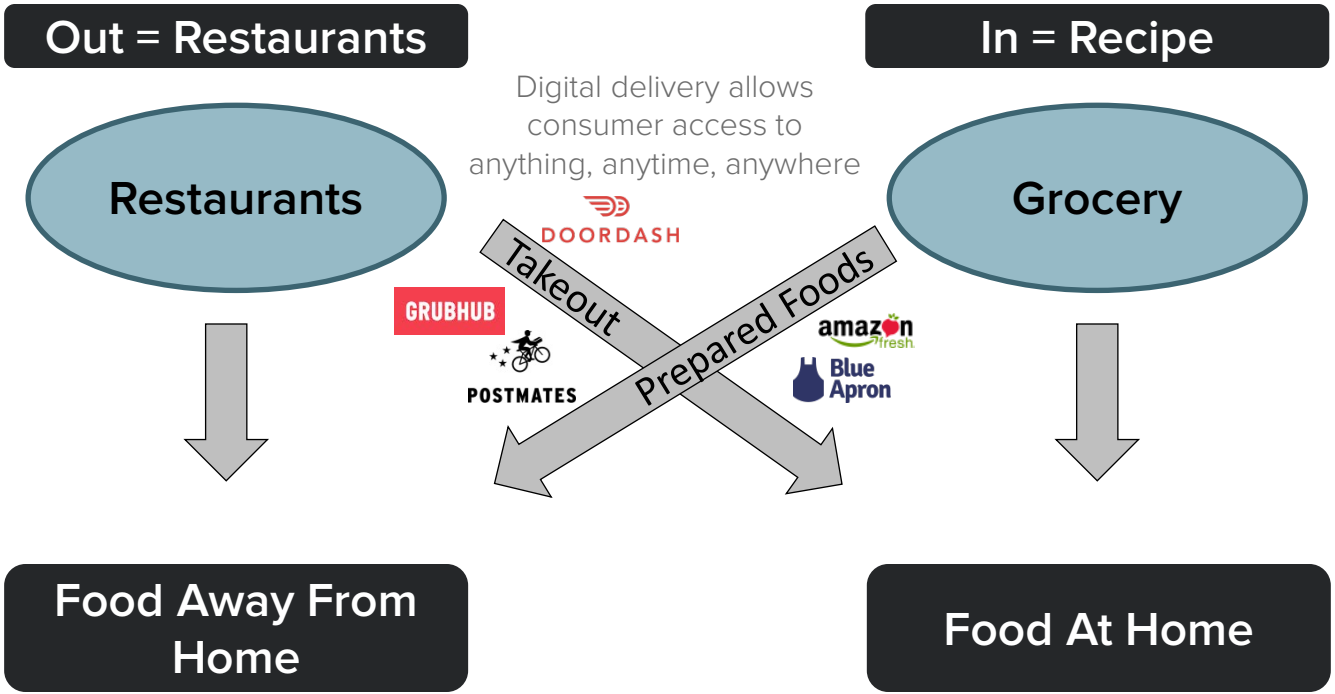
DIGITAL DELIVERY BLURRING THE LINES OF FAH & FAFH



- The way food is reaching consumers is changing faster than ever before
- Grocers are expanding prepared food options creating another option for consumers versus a quick-service of fast-casual restaurant
- Restaurants are providing more takeout options which compete with at home meal prep
- And you have the emergence of companies such as Blue Apron and Munchery bringing the ingredients to you or even a prepared meal

Data Source: Boston Consulting Group.

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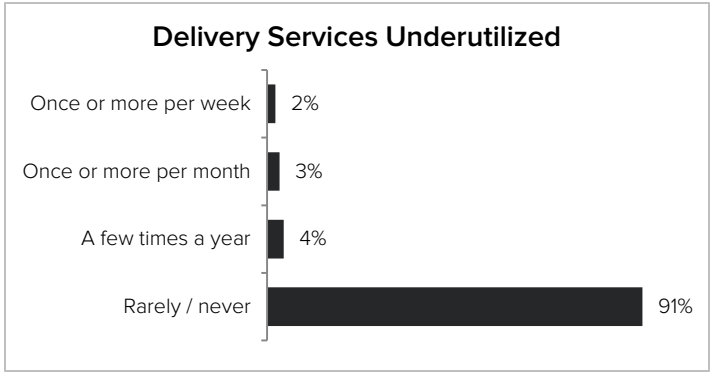
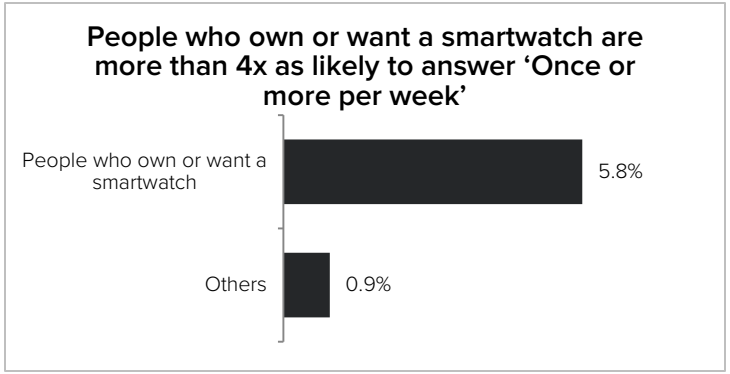
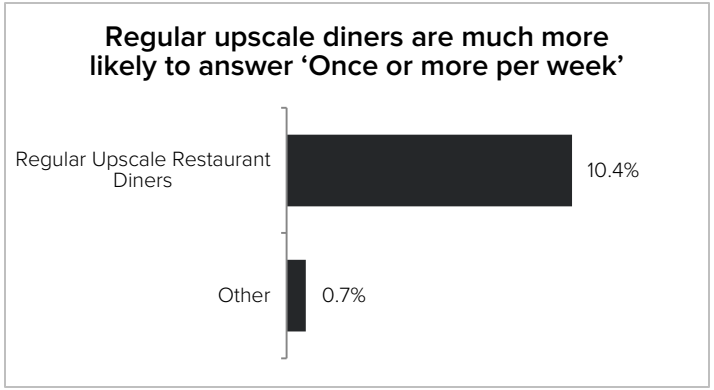
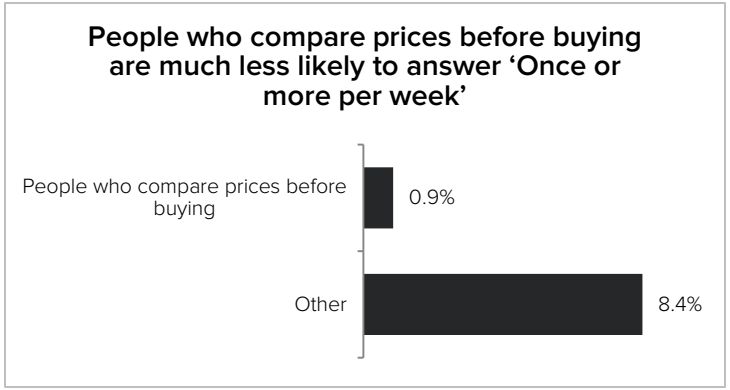
DELIVERY SERVICES STILL UNDERPENETRATED

QUESTION: HOW OFTEN DO YOU USE ONLINE FOOD DELIVERY SERVICES, SUCH AS SEAMLESS, GRUBHUB OR POSTMATES, TO GET FOOD FROM RESTAURANTS THAT TYPICALLY DON'T DELIVER?









- As you can see from the chart on the far left, roughly only 5% of the population uses online food delivery services on a regular basis (more than once per month)
- The data breaks down pretty much how you would predict, as wealthier, tech savvy people are more likely to use these delivery services
- As third party delivery services and restaurants themselves expand delivery availability economies or scale will kick in, broadening the awareness and making delivery more accessible

Data Source: CivicScience, Results Filtered by U.S. Adults 18+ and Weighted by U.S. Adults. Responses: 84,032.

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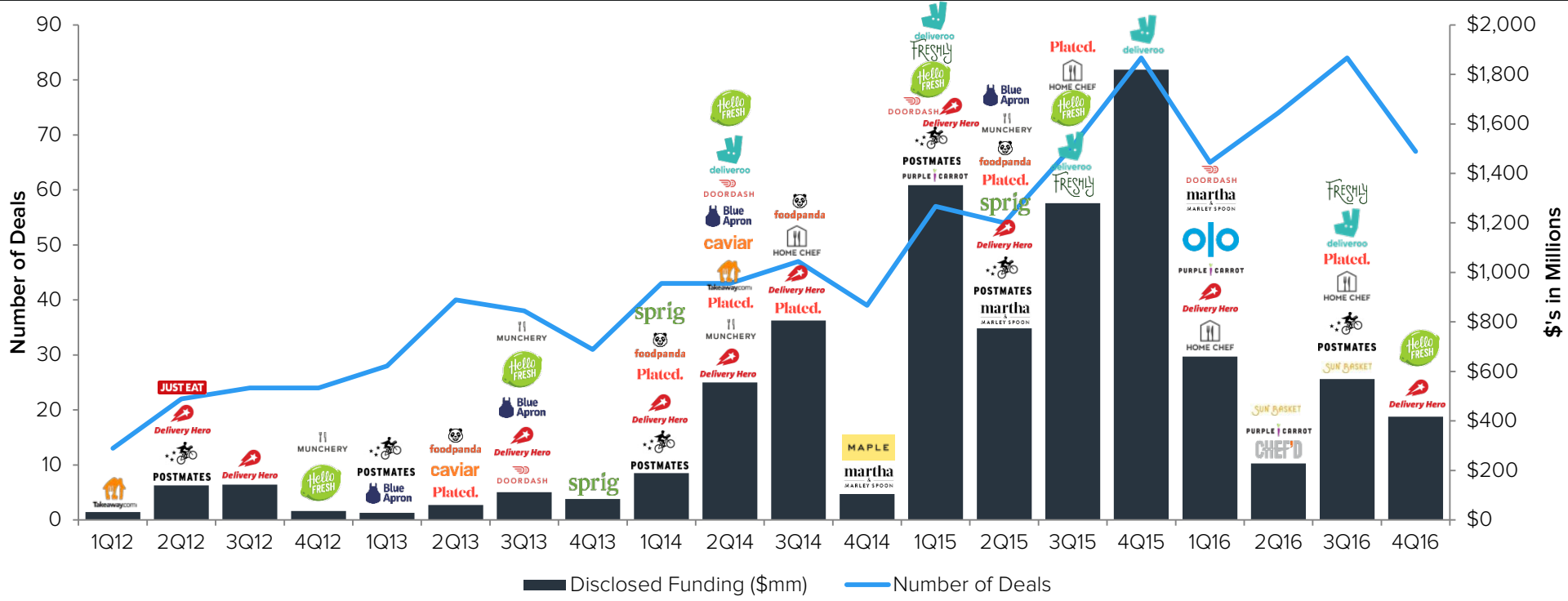
VC FUNDING IN FOOD & GROCERY



IS FUNDING DRYING UP? HOW WILL CONSOLIDATION IMPACT THE INDUSTRY?

The food and grocery delivery industry has largely been dependent on venture capital funding to spur growth. But the amount of disclosed funding has now been down YoY in four straight quarters and the numbers of deals declined for the first time since 1Q13 in 4Q16. This could be that investors have finally seen who is rising to the top and shifting funds or a lost interest in this increasingly competitive landscape. It is conceivable that the food delivery industry will have multiple public players given the TAM available, so with that being said we don't expect VC to dry up completely.

Data Source: CB Insights, Company Filings, Crunch Base, Hedgeye.

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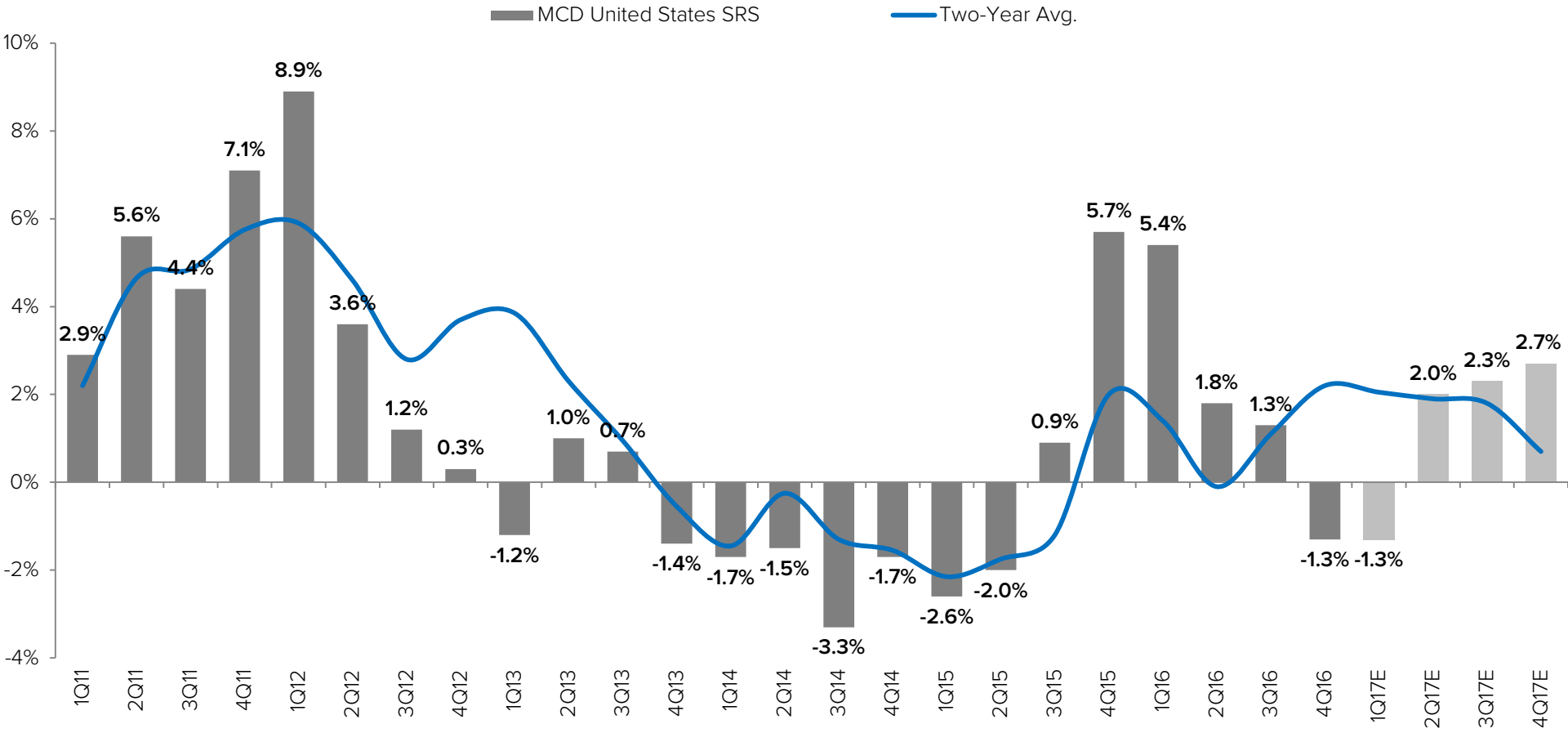
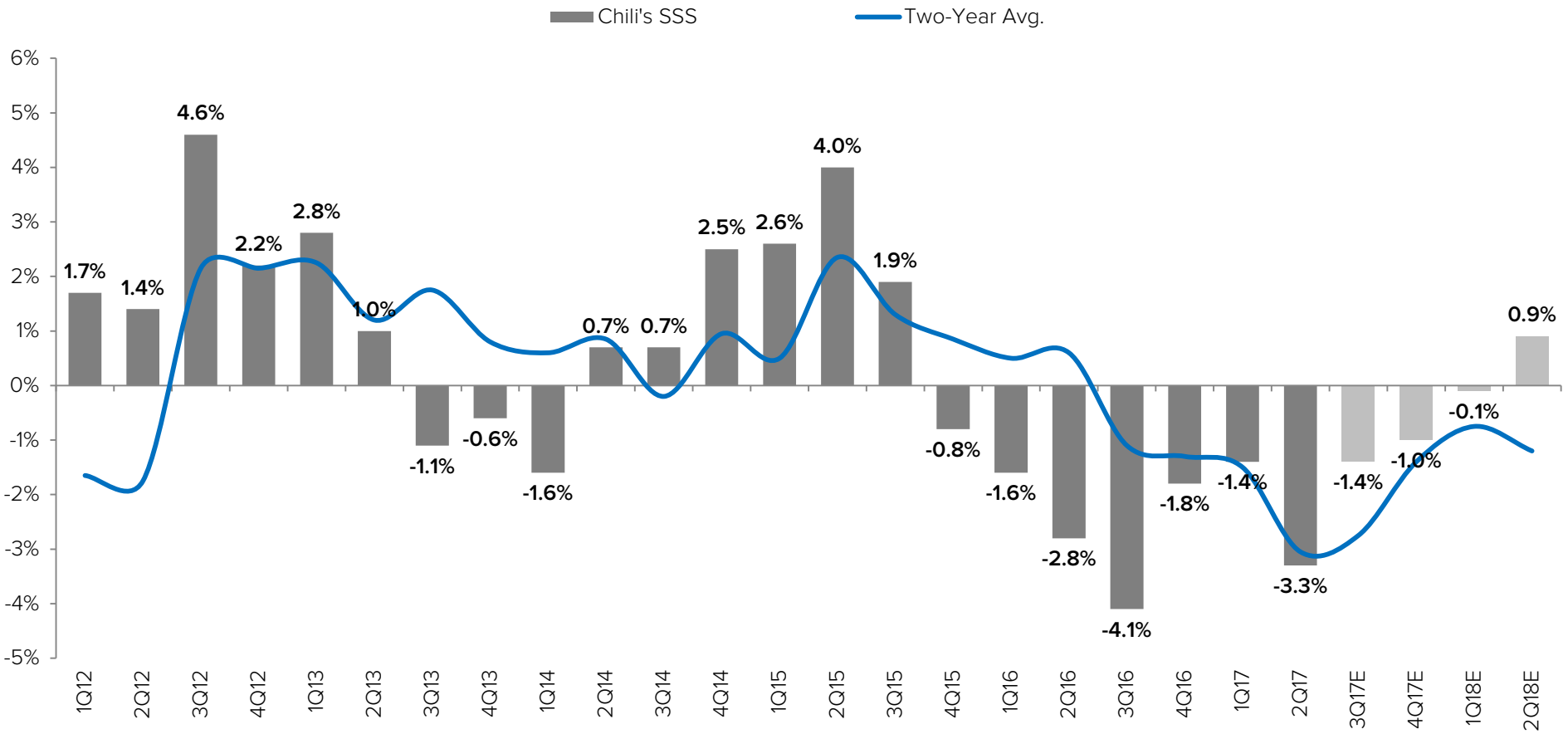
MCD UNITED STATES SRS



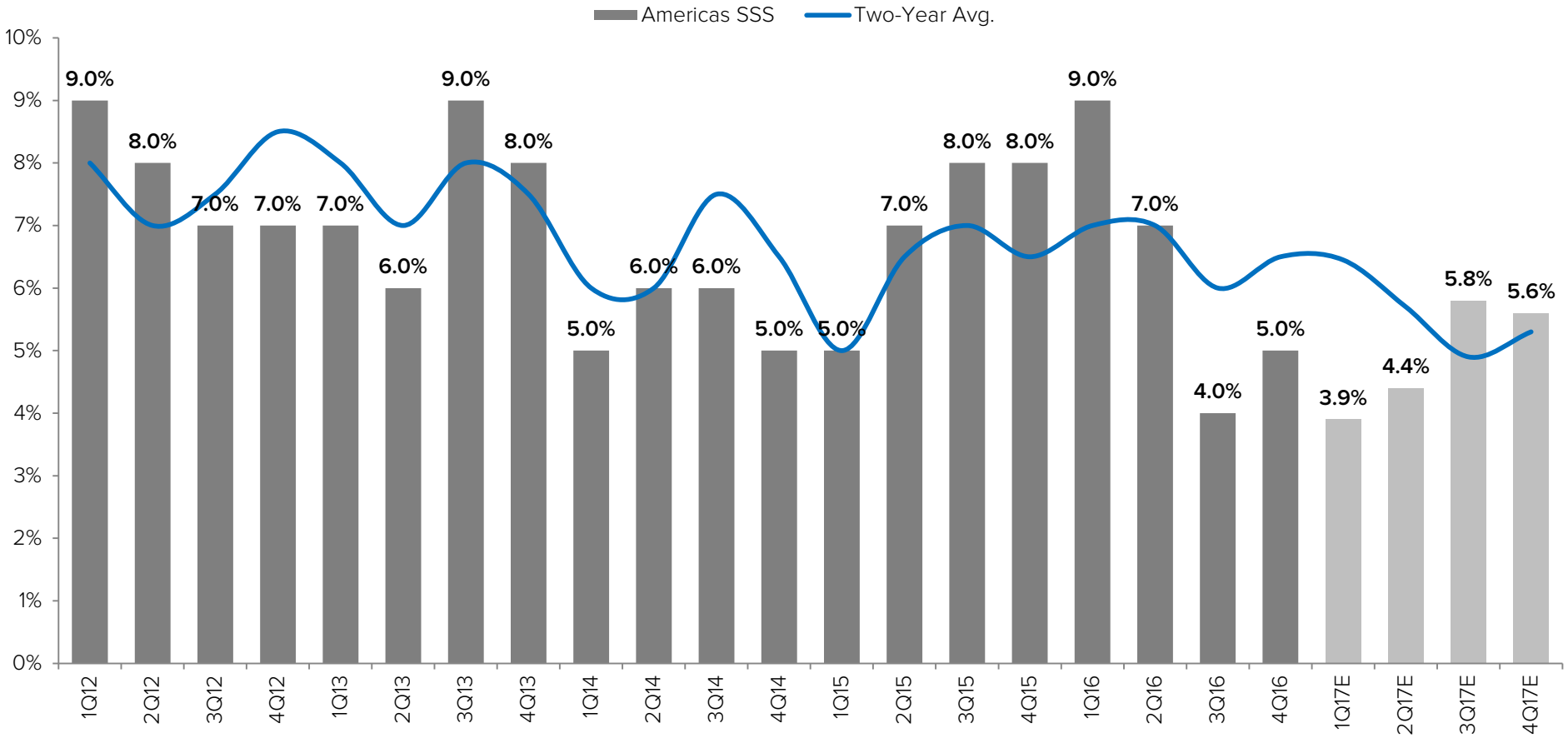
DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX, HEDGEYE.

EAT (CHILI'S) SAME STORE SALES



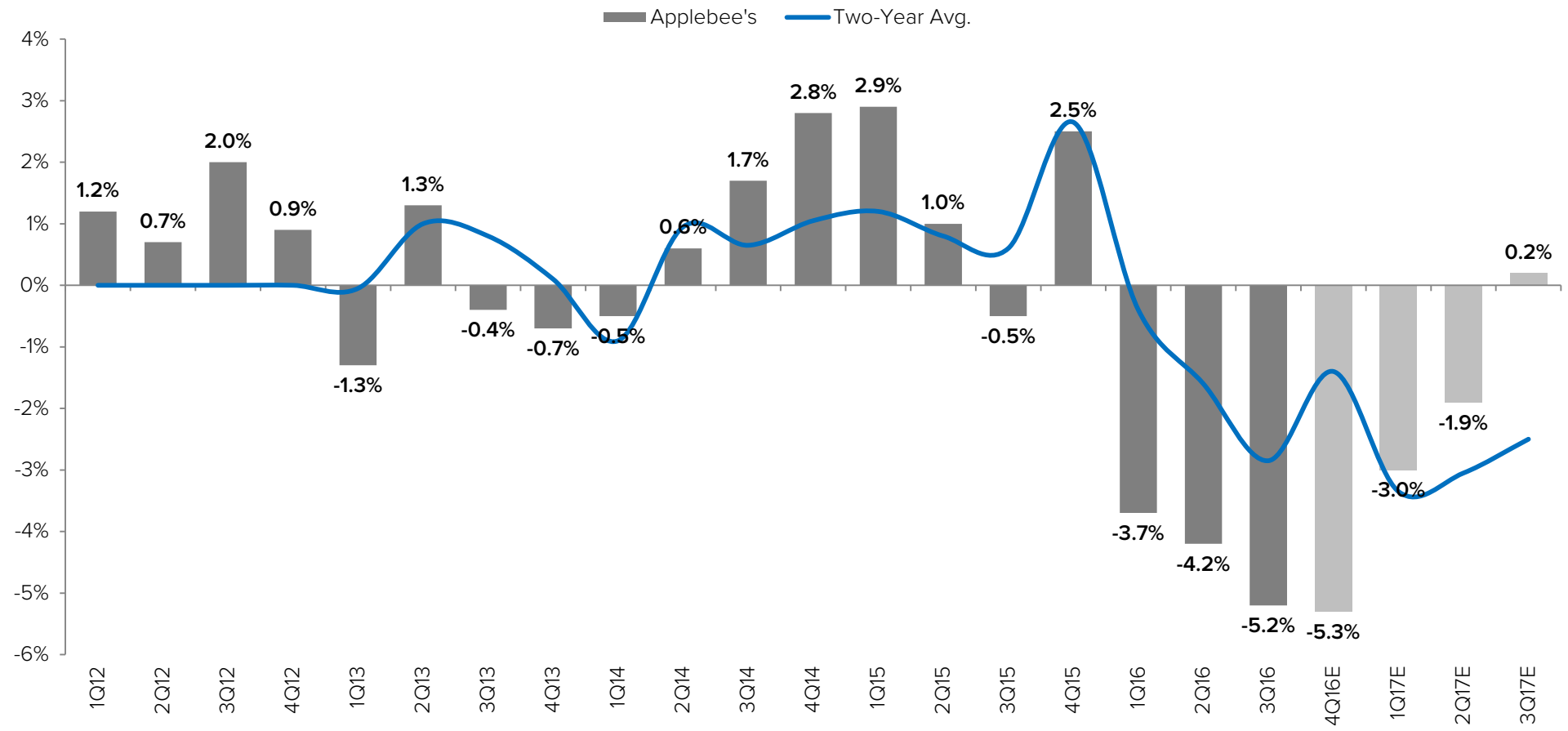
DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX, HEDGEYE.

SBUX AMERICAS SSS



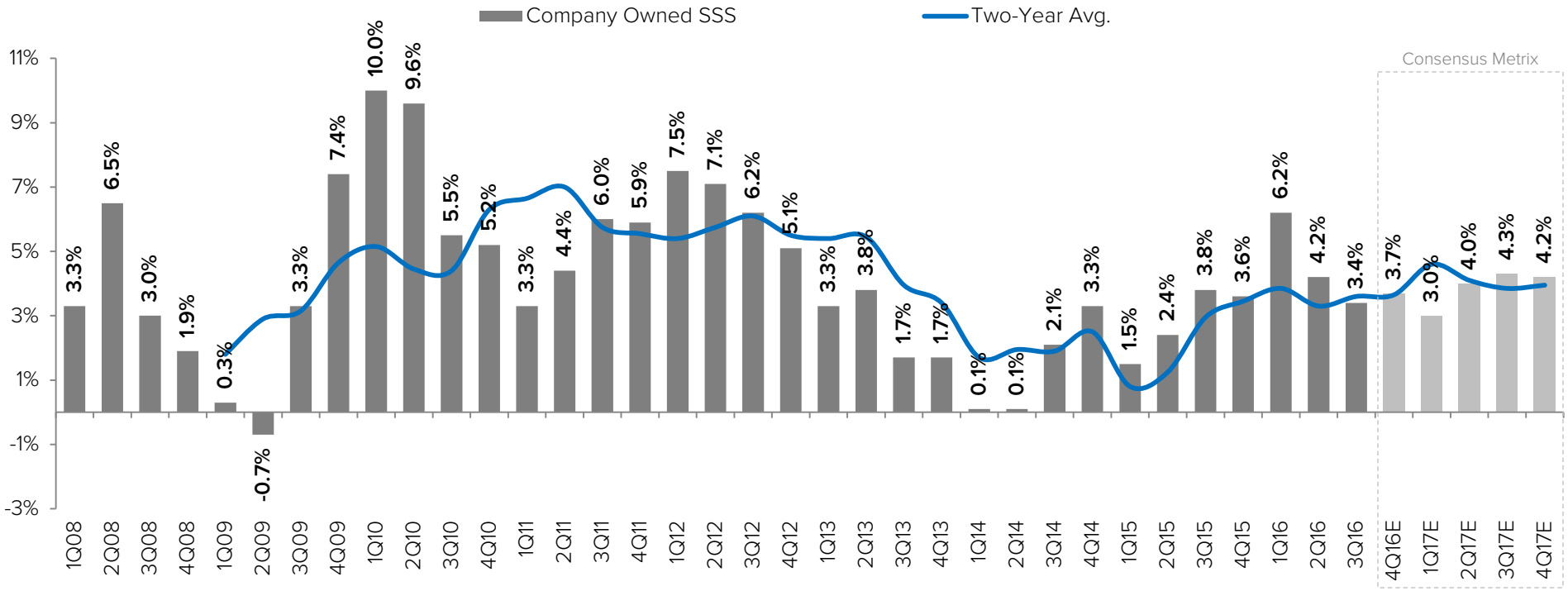
DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX, HEDGEYE.

DIN (APPLEBEE'S) SYSTEM-WIDE SSS



DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX, HEDGEYE.

PNRA COMPANY-OWNED SSS



SOLID AND TRENDING UPWARDS

Company-owned same-store sales have remained in the green and have maintained somewhat constant, despite the difficulties facing the fast-casual environment.

Data Source: Company Filings, Consensus Metrix.

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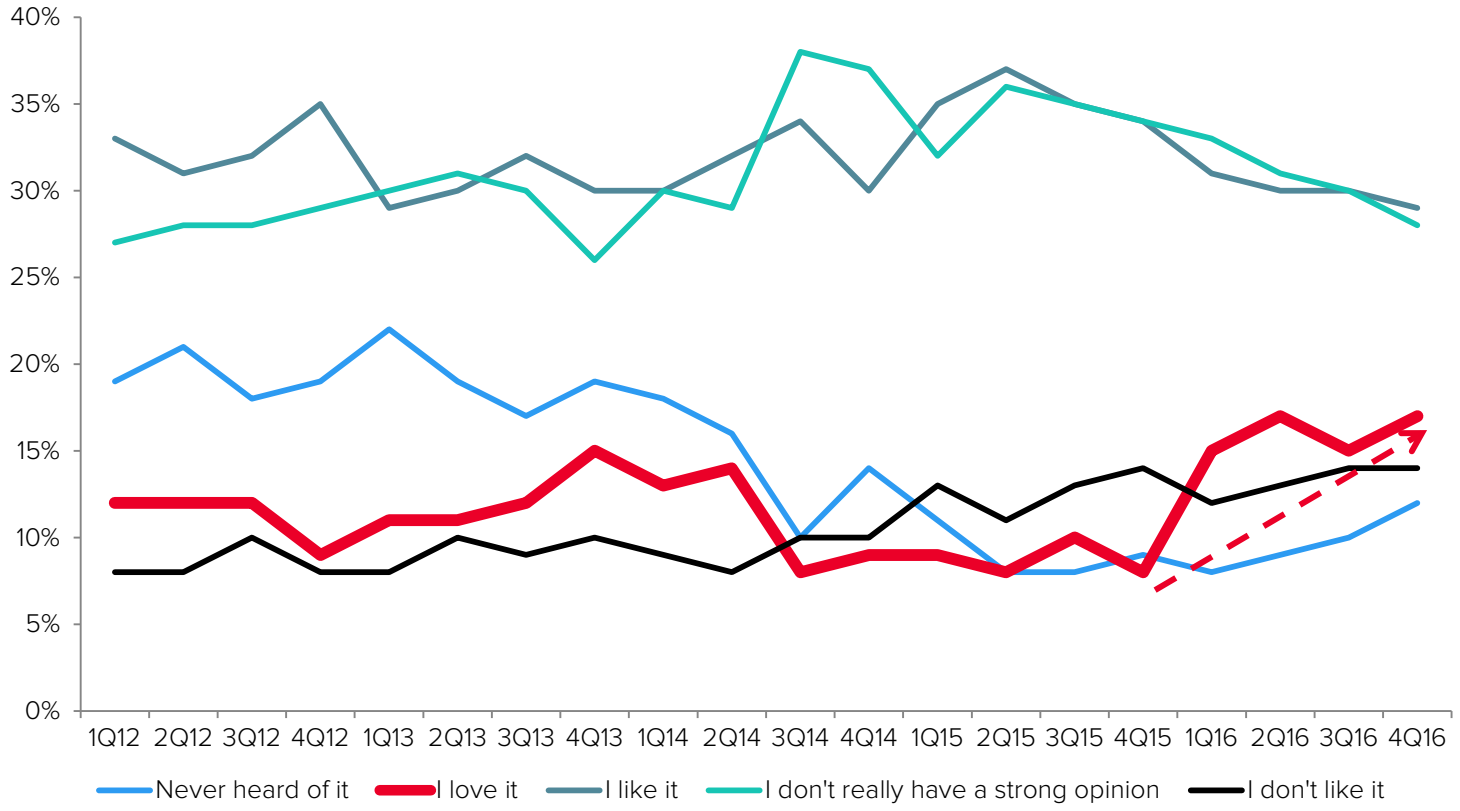
PEOPLE SAYING "I LOVE IT" ACCELERATING

QUESTION: HOW MUCH DO YOU LIKE TO EAT AT PANERA?



- You can see the positive affects of Panera 2.0 in the survey results.
- People saying "I love it" have increased from 8% in 4Q15 to 17% in 4Q16.
- In addition, people saying "I love it" overtook people saying "I don't like it" for the first time since 3Q14.
- Noticeably, although up since 2012, people saying "I don't like it" is flat from 4Q15 to 4Q16 at 14%.

Data Source: CivicScience, Results Filtered by U.S. Adults 18+ and Weighted by U.S. Adults. Responses: 81,734.

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MACRO GRIND

U.S. EARNINGS NEWS

UNITED RENTALS INC	to acquire competitor NES in $965 Million deal to strengthen equipment leasing ops	8.7%
EBAY INC	posted record holiday qtr & gave upbeat 2017 eps/revenue forecast	8.6%
SERVICENOW INC	Q4 very strong (billings strong) & 2017 sales guidance higher even with FX headwind	6.0%
STMICROELECTRONICS	2c eps beat, revs inline but predicts good momentum & to raise 2017 investment	5.9%
WESTERN DIGITAL CORP	Q2 adjusted eps beat highest ests & net revs better, outlook above forecast	4.9%
WGL HOLDINGS INC	Canada's AltaGas to buy WGL for $4.6 Billion (bridge loan from Trio) to expand into US	3.7%
XILINX INC	Q3 eps 52c vs 49c & revenues came in stronger, sees Q4 sales above ests	3.0%
FELCOR LODGING TRUST	said to consider sale of company after pressure from activist Snow Park (*DJ*)	2.7%
MONEYGRAM INTERNATIONAL	Jack Ma's Ant Financial close to buying US money transfer service (*WSJ*)	1.8%
JOHNSON & JOHNSON	to buy Swiss biotech Actelion Pharma for $30B, spin out R&D unit ($280/shr)	1.1%
AT&T INC	eps inline, revenues slight miss, Q4 capex above, net adds beat, FY17 revs inline	0.1%
VARIAN MEDICAL SYSTEMS	Q1 earnings off 76%, revs up 1% & Q2 adjusted eps view trailed ests	-2.8%
QUALCOMM INC	Q1 revs below expectations, midpoint rev guidance below, license issues remain	-3.0%
LAS VEGAS SANDS CORP	Q4 #'s missed after bad luck costs new Macau Casino (one woman won big)	-4.0%
CITRIX SYSTEMS INC	earnings, revs jumped in 2016 after solid Q4 but FY17 outlook below ($500M buyback)	-4.1%
F5 NETWORKS INC	Q1 revs fell short & Q2 ok as adjusted eps forecast midpoint matched estimates	-5.0%
MCKESSON CORP	Q4 revenues below expectations on weak pricing & to buy CoverMyMeds for $1.1B	-5.9%

EARNINGS SEASON

Q4 2016 QTD

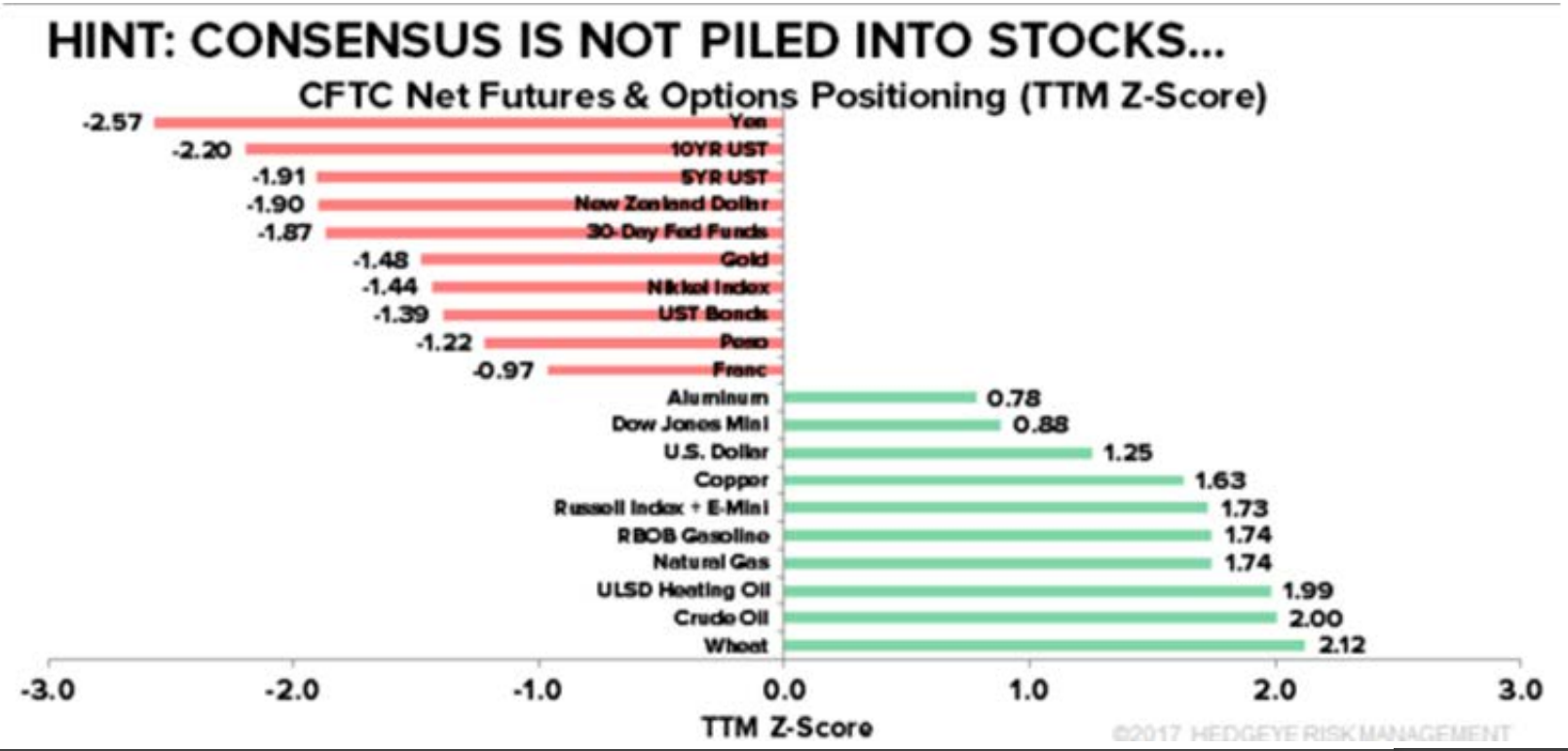
SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	2.4%	5.3%	105 / 500
Energy	-10.9%	-57.4%	4 / 35
Materials	2.6%	72.7%	5 / 25
Industrials	1.9%	-6.7%	21 / 67
Consumer Discretionary	6.4%	7.3%	10 / 82
Consumer Staples	-0.9%	2.0%	8 / 37
Healthcare	7.0%	16.2%	6 / 60
Financials	4.1%	8.9%	31 / 63
Information Technology	4.4%	10.5%	18 / 66
Telecom	-5.6%	-3.3%	1 / 5
Utilities	0.0%	0.0%	0 / 28
Real Estate	-3.6%	0.0%	1 / 29

Source: BBG

10-YEAR GOVERNMENT BOND YIELDS

COUNTRY	YIELD	1 DAY	1 MONTH
Germany »	0.44%	+3	+22
United Kingdom »	1.42%	+2	+8
France	0.93%	+4	+25
Italy	2.06%	+3	+25
Spain	1.50%	+1	+13
Netherlands	0.54%	+3	+19
Portugal	3.89%	+7	+18

WHERE IS CONSENSUS?



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VOLATILITY

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	7.1%	8.6%	8.7%	8.5%	-15.1%	-25.9%	-26.8%	SPX	23.2%	0.26	0.52	17.6%	0.38	0.43	25.5%	0.94	0.77
Russell 2000	RTY	14.1%	16.4%	15.7%	15.6%	-5.8%	-10.0%	-7.2%	RTY	5.3%	0.16	-0.02	-2.9%	-0.21	-0.61	5.0%	0.23	-0.33
Nasdaq	NDX	8.5%	12.1%	11.5%	12.0%	-9.7%	-16.3%	-14.9%	NDX	26.1%	0.52	0.80	2.6%	-0.18	-0.14	16.3%	0.51	0.50
USD Index	UUP	8.9%	8.2%	7.2%	9.0%	-3.0%	0.7%	8.1%	UUP	-9.9%	-1.01	-0.92	10.3%	-0.13	-0.20	27.5%	1.00	0.61
Energy	XLE	12.3%	18.3%	18.3%	15.5%	-12.8%	-20.0%	-21.2%	XLE	20.9%	1.05	0.78	-12.7%	-0.53	-0.84	-7.5%	0.04	-0.51
Energy	XOP	19.2%	33.5%	32.1%	25.5%	-9.9%	-20.2%	-21.8%	XOP	19.2%	0.88	0.85	-22.7%	-1.28	-1.46	-16.1%	-0.64	-0.90
Materials	XLB	12.4%	12.0%	12.1%	12.6%	-7.4%	-14.4%	-16.6%	XLB	-2.7%	-0.46	-0.41	8.2%	0.29	0.08	12.9%	0.83	0.33
Industrials	XLI	9.6%	12.0%	11.4%	11.9%	-10.2%	-14.0%	-12.8%	XLI	22.7%	0.42	0.64	1.3%	-0.14	-0.21	12.9%	0.73	0.43
Transports	IYT	13.5%	14.6%	13.2%	17.3%	-4.3%	-3.0%	-2.9%	IYT	28.8%	0.58	0.89	18.9%	0.50	0.65	33.5%	1.54	1.72
WTI Crude Oil	USO	25.0%	36.0%	34.1%	29.1%	0.0%	-16.3%	-19.1%	USO	0.0%	0.51	0.21	-18.9%	-1.07	-1.34	-13.7%	-0.62	-0.96
Natural Gas	UNG	55.4%	53.5%	47.8%	41.5%	-12.7%	-16.0%	-6.5%	UNG	-21.3%	-1.61	-0.98	-22.4%	-1.59	-1.13	-13.5%	-1.12	-0.78
Gold	GLD	12.4%	13.5%	13.3%	13.9%	-0.8%	-8.1%	-7.0%	GLD	5.3%	-0.05	-0.10	2.2%	-0.09	-0.19	3.3%	0.04	-0.14
Silver	SLV	21.1%	23.9%	23.8%	22.4%	-5.4%	-9.1%	-9.4%	SLV	-0.3%	-0.39	-0.61	-5.8%	-1.24	-0.95	-2.2%	-1.02	-0.84
Copper	JJC	25.3%	26.4%	23.3%	30.7%	15.0%	10.5%	19.7%	JJC	9.9%	-0.15	-0.13	14.0%	-0.01	0.05	22.0%	0.31	0.43
Corn	CORN	13.8%	16.8%	17.6%	16.0%	-7.6%	-9.9%	-19.8%	CORN	16.0%	0.05	-0.17	-1.2%	-0.72	-1.09	2.4%	-0.58	-0.88
Soybeans	SOYB	16.4%	16.1%	15.3%	20.9%	-11.9%	-5.5%	-6.7%	SOYB	-2.3%	-1.00	-0.79	24.6%	-0.35	-0.33	15.0%	-0.51	-0.51
Wheat	WEAT	18.5%	18.0%	19.0%	58.0%	72.1%	87.1%	85.6%	WEAT	213.1%	2.07	2.06	210.6%	2.65	2.50	165.4%	2.87	2.38
Sugar	SGG	35.1%	33.2%	30.4%	30.4%	-1.6%	-3.4%	-10.0%	SGG	-4.8%	-0.27	-0.07	-5.8%	-0.37	-0.04	10.7%	2.05	1.38

**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	$85.19	0.61%	4.67%	4.67%
Financial Select Sector	XLF	$23.68	1.67%	1.85%	1.85%
Health Care Select Sector	XLV	$69.72	0.94%	1.13%	1.13%
Technology Select Sector	XLK	$50.68	0.96%	4.80%	4.80%
Consumer Staples Select Sector	XLP	$52.90	-0.02%	2.30%	2.30%
Industrial Select Sector	XLI	$64.39	1.05%	3.49%	3.49%
Materials Select Sector	XLB	$52.86	0.67%	6.36%	6.36%
The Energy Select Sector	LE	$74.95	0.52%	-0.49%	-0.49%
Utilities Select Sector	XLU	$48.38	0.00%	-0.39%	-0.39%
S&P 500	SPX	2,298.37	0.80%	2.66%	2.66%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$85.19	-0.19%	2.01%	2.01%
Financial Select Sector	XLF	$23.68	0.87%	-0.81%	-0.81%
Health Care Select Sector	XLV	$69.72	0.14%	-1.53%	-1.53%
Technology Select Sector	XLK	$50.68	0.15%	2.14%	2.14%
Consumer Staples Select Sector	XLP	$52.90	-0.82%	-0.36%	-0.36%
Industrial Select Sector	XLI	$64.39	0.25%	0.83%	0.83%
Materials Select Sector	XLB	$52.86	-0.14%	3.70%	3.70%
The Energy Select Sector	XLE	$74.95	-0.28%	-3.15%	-3.15%
Utilities Select Sector	XLU	$48.38	-0.80%	-3.05%	-3.05%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.5%	0.9%	1.3%	10.0%	8.0%	2.5%
	Low Debt/EV	0.9%	1.2%	2.4%	6.0%	3.6%	3.7%
SI	High Short Interest	0.6%	1.5%	1.5%	7.1%	3.4%	2.6%
	Low Short Interest	0.7%	1.0%	1.2%	9.2%	6.6%	2.3%
BETA	High Beta	1.2%	2.6%	2.9%	14.9%	19.1%	4.8%
	Low Beta	0.1%	0.0%	0.8%	1.7%	-4.9%	1.1%
YIELD	High Yield	0.4%	0.5%	0.5%	4.4%	-0.5%	1.1%
	Low Yield	0.8%	0.9%	2.5%	7.1%	6.4%	3.8%
MKT CAP	MCAP Bottom 25%	0.8%	1.4%	1.7%	6.6%	2.7%	2.9%
	MCAP Top 25%	0.7%	1.1%	1.7%	8.8%	9.2%	2.9%
Sales	Top 25% Sales Growth	0.8%	1.6%	2.7%	7.4%	8.6%	4.1%
	Bottom 25% Sales Growth	0.8%	1.3%	2.1%	8.2%	4.0%	3.1%
EPS	Top 25% EPS Growth	0.9%	2.0%	3.0%	10.3%	11.8%	4.2%
	Bottom 25% EPS Growth	0.5%	0.6%	1.0%	6.3%	2.4%	2.0%

**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	0.49%	-1.0	-3.1	-2	16	-6	33	36	39
3M LIBOR	1.03%	0.0	-0.9	3	15	-1	42	58	63
2Y T-Note	1.24%	4.4	1.5	3	38	-6	74	57	72
5Y T-Note	1.98%	4.3	3.8	-5	70	-14	109	47	68
10Y T-Note	2.52%	5.0	8.6	-2	76	-12	120	36	39
30Y T-Note	3.10%	5.1	8.7	-1	60	-11	101	19	7
2Y-10Y Spread, Bps	128	0.6	7.1	-5.7	38	-6	46	-21	-33
IG SPREAD (AAABBB)	1.50%	0.0	-2.0	-3	-9	-80	3	-19	-27
HIGH YIELD	6.25%	0.0	-0.3	-21	-3	-308	19	-39	-35
5Y BREAKEVEN	2.00%	2.4	7.4	12.1	41.2	-1.1	114.2	44.3	27.5

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)	28,082	13,901	(19,159)	54,867	242	0.23X	0.60X
Russell 2000 (mini)	68,450	(14,843)	46,866	28,318	(9,242)	1.69X	2.84X
10Y Treasury	(346,184)	40,055	(191,985)	(46,780)	(26,399)	-2.20X	-2.81X
CRUDE OIL	508,702	24,827	431,572	393,263	365,885	2.00X	2.33X
GOLD	59,936	5,537	96,244	165,117	171,152	-1.44X	-0.53X
COPPER	46,335	(1,298)	41,104	16,430	(2,461)	1.63X	2.73X
$USD	49,042	(4,018)	52,880	36,210	27,249	1.25X	0.59X
JPY	(82,899)	(1,531)	(28,997)	11,596	30,747	-2.57X	-0.86X
EUR	(62,359)	(1,928)	(99,289)	(99,666)	(78,671)	0.50X	0.58X
GBP	(65,725)	(3,083)	(69,854)	(77,629)	(59,839)	-0.27X	-1.17X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/25) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	11%	32%	36%	62%
Total Exchange Volume**	1%	12%	-1%	-1%
Total Traded Value (R3K)***	10%	15%	1%	6%

*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	-0.32	-0.56	0.78	0.71	0.75	*0.95*	*-0.91*	*46%*	*54%*
BRENT Oil	-0.08	0.15	0.55	0.68	0.54	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.51	-0.84	0.81	0.68	0.57	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.85	-0.94	-0.95	-0.97	-0.82	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*