THE MACRO SHOW

FEBRUARY 13, 2017

LEGAL

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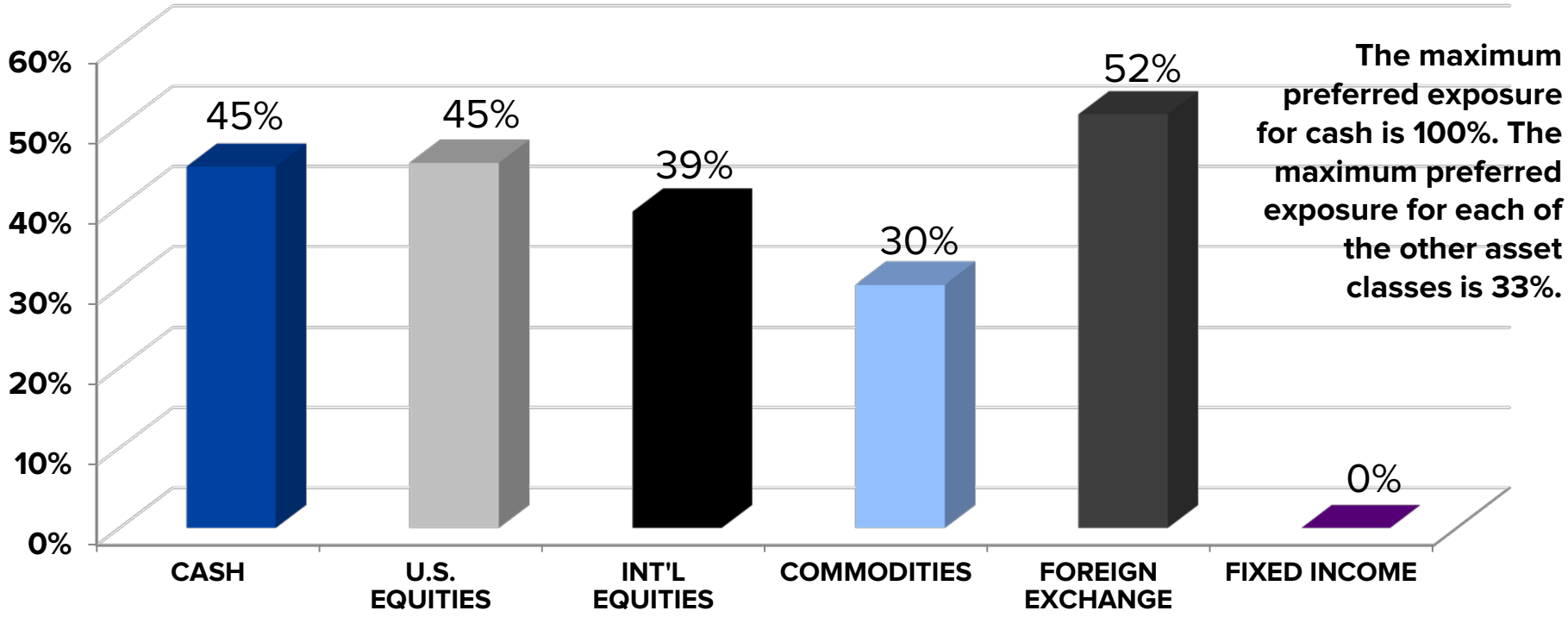
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/10/2017	36	18	15	12	19	0
2/13/2017	45	15	13	10	17	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/10/2017	36%	55%	45%	36%	58%	0%
2/13/2017	45%	45%	39%	30%	52%	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



February 13, 2017

THE MACRO SHOW

HEDGEYE TV

1 JAPAN

2 COPPER

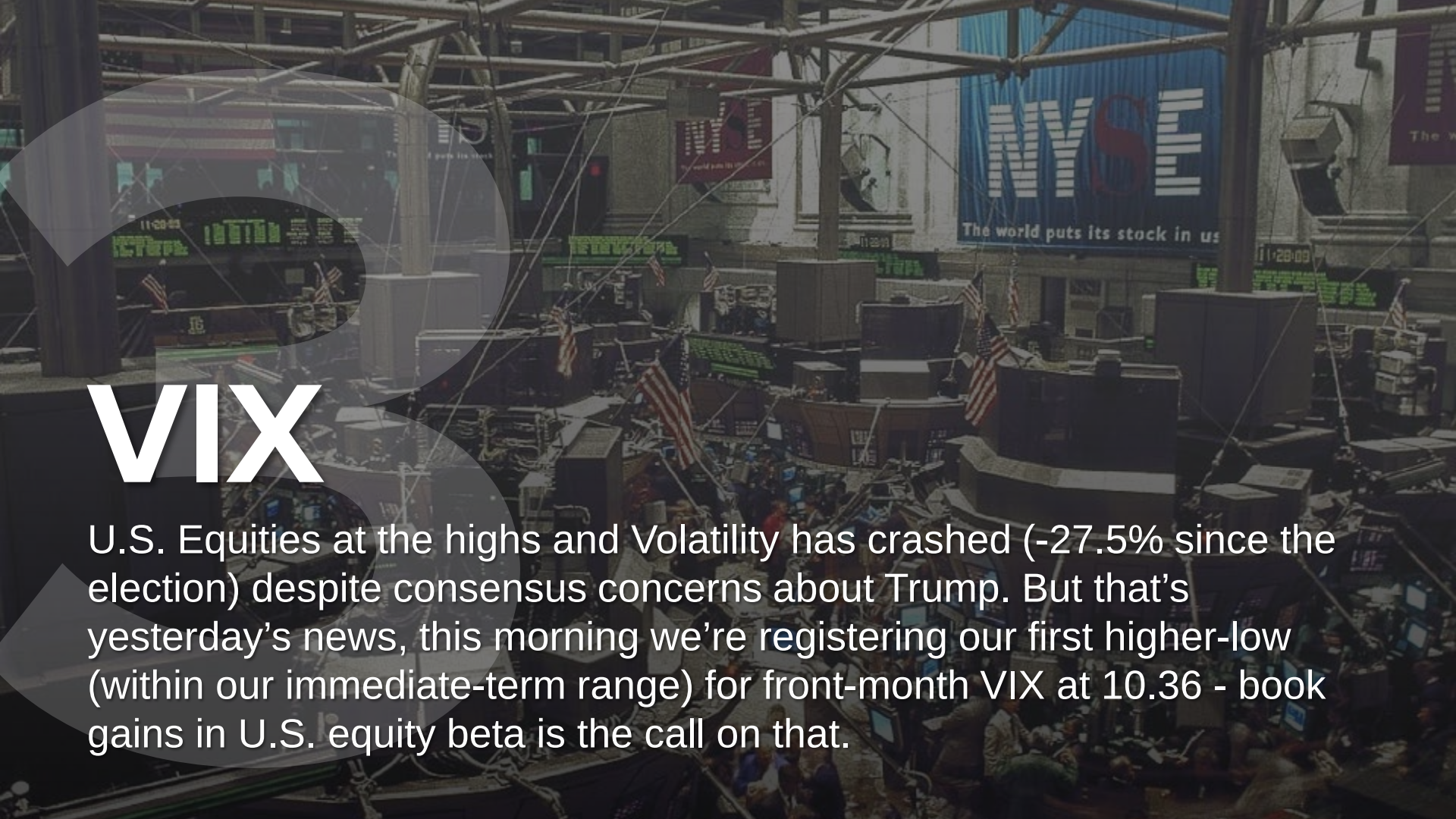
3 VIX

JAPAN

Post the friendly Abe visit to the USA and a #StrongDollar ramp vs. the Yen, the Nikkei's +3% pop in the last 2 trading days registers an immediate-term TRADE overbought signal inasmuch as Yen (vs. USD) signals oversold. We still like Japanese stocks, but we would book some gains here.

COPPER

Youge +5.8% week-over-week move in an important proxy for our ***#InflationAccelerating*** call here in Q117 seeing follow through to $2.78/lb this morning but that signals immediate-term TRADE overbought within its bullish TREND too. You should continue to see year-over-year inflation ramps in the U.S. CPI and PPI reports this week.



VIX

U.S. Equities at the highs and Volatility has crashed (-27.5% since the election) despite consensus concerns about Trump. But that's yesterday's news, this morning we're registering our first higher-low (within our immediate-term range) for front-month VIX at 10.36 - book gains in U.S. equity beta is the call on that.

RESTAURANTS & CONSUMER STAPLES

HOWARD PENNEY

HEDGEYE RESTAURANTS IDEAS LIST

LONG LIST		TRADE	TREND	TAIL
1) **PNRA**	Panera Bread Company	✓	✓	✓
2) **BWLD**	Buffalo Wild Wings	✓	✓	✓
3) **RRGB**	Red Robin Gourmet Burger	✓	✓	✓
4) **DFRG**	Del Frisco's Rest. Group	✓	✓	-
5) **SONC**	Sonic	-	-	✓
6) **FRGI**	Fiesta Restaurant Group	✓	✓	✓

LONG BENCH	
WING	Wingstop
JE - GB	JUST EAT plc
TXRH	Texas Roadhouse

SHORT LIST		TRADE	TREND	TAIL
1) **CMG**	Chipotle Mexican Grill	X	X	X
2) **GRUB**	GrubHub	-	X	X
3) **DNKN**	Dunkin' Brands	X	X	X
4) **BLMN**	Bloomin' Brands	X	X	X
5) **CAKE**	Cheesecake Factory	X	X	X
6) **DIN**	DineEquity, Inc.	X	X	X
7) **CHUY**	Chuy's Holdings	X	X	X

SHORT BENCH	
SHAK	Shake Shack
YUM	Yum! Brands
ARCO	Arcos Dorados Holdings
YUMC	Yum China
MCD	McDonald's
DPZ	Domino's
EAT	Brinker International
SBUX	Starbucks

Bench = timing is not right, or research is in progress.

Data Source Hedgeye: Hedgeye

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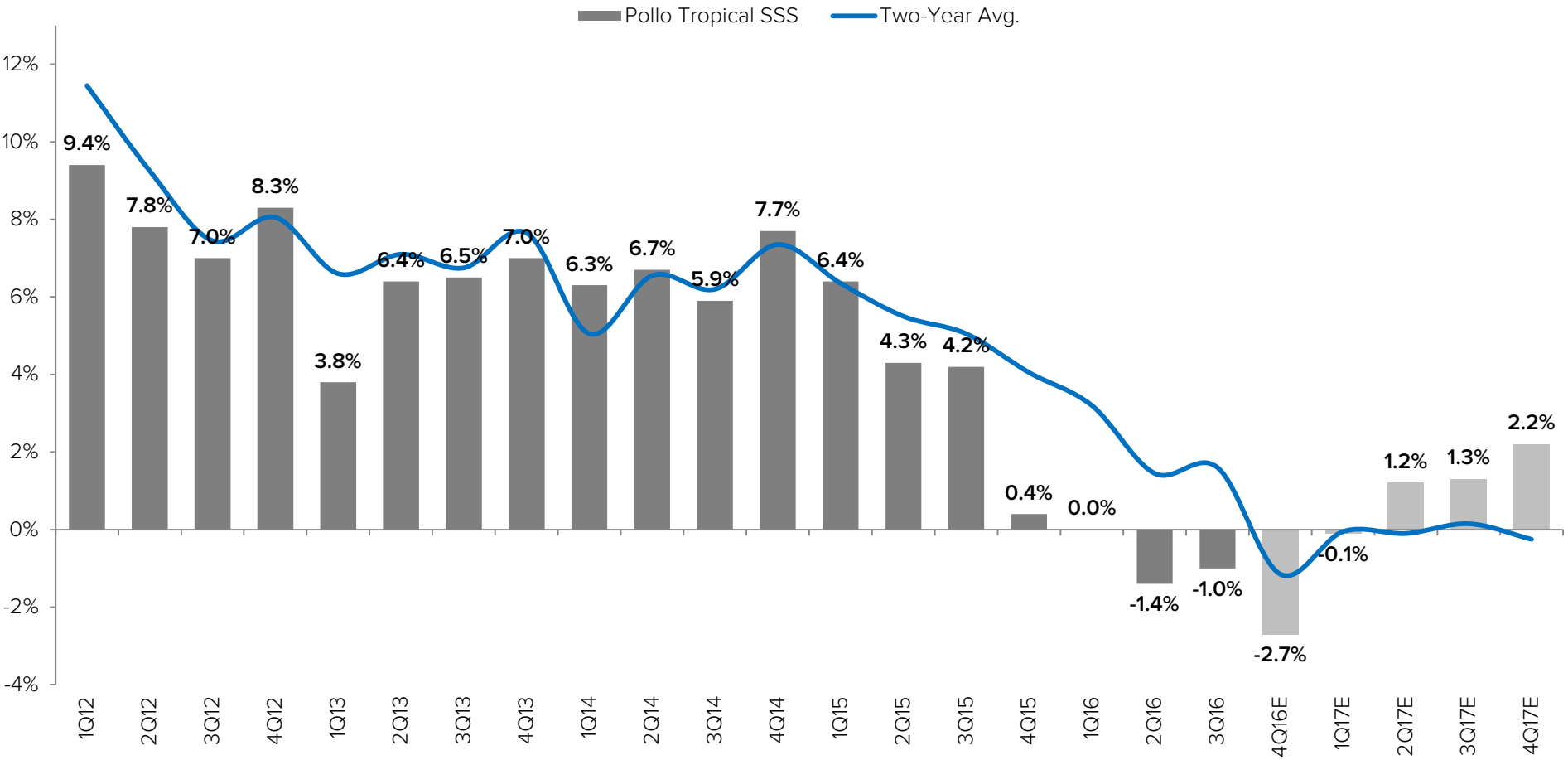
FRGI POLLO TROPICAL SSS



Data Source: Consensus Metrix, Hedgeye

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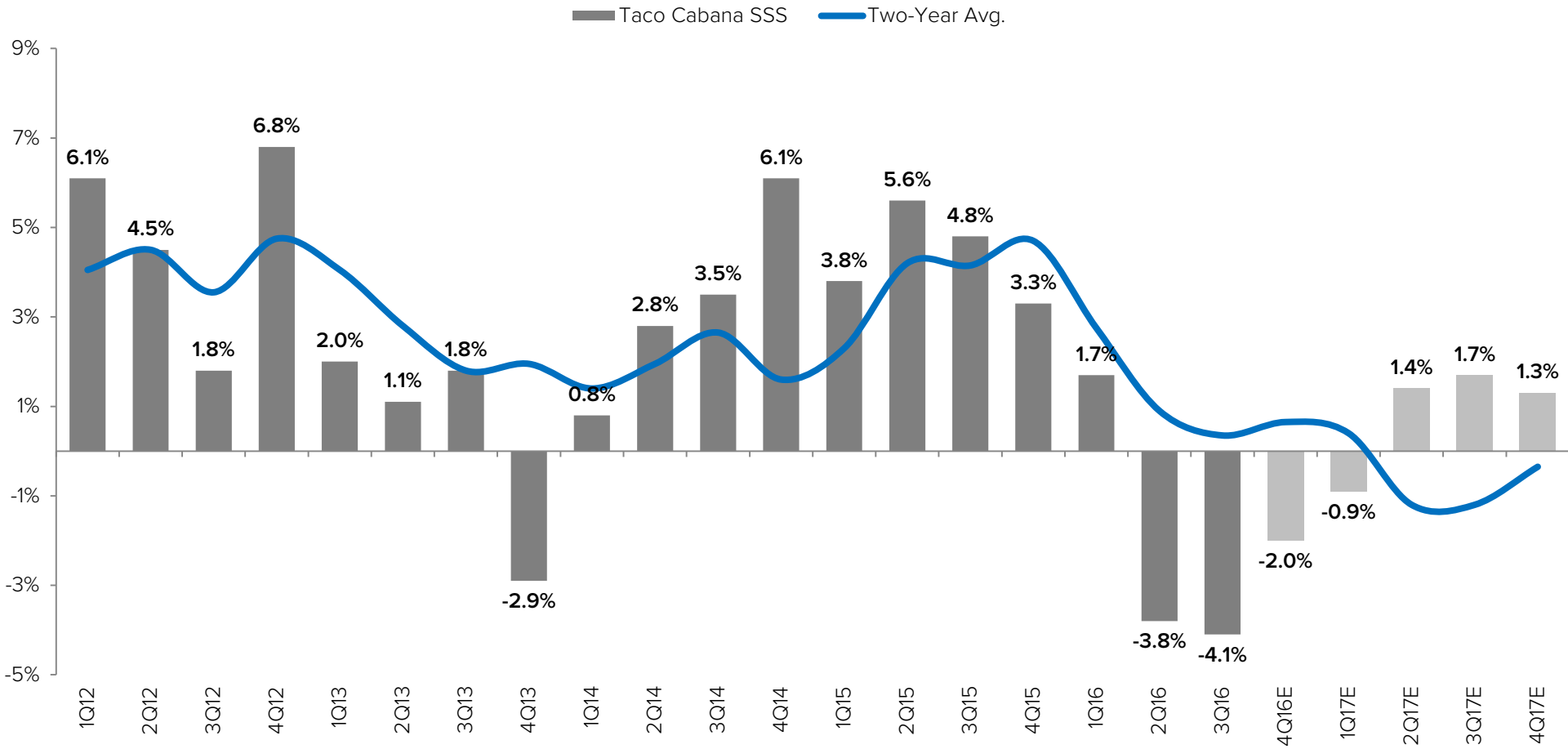
FRGI TACO CABANA SSS



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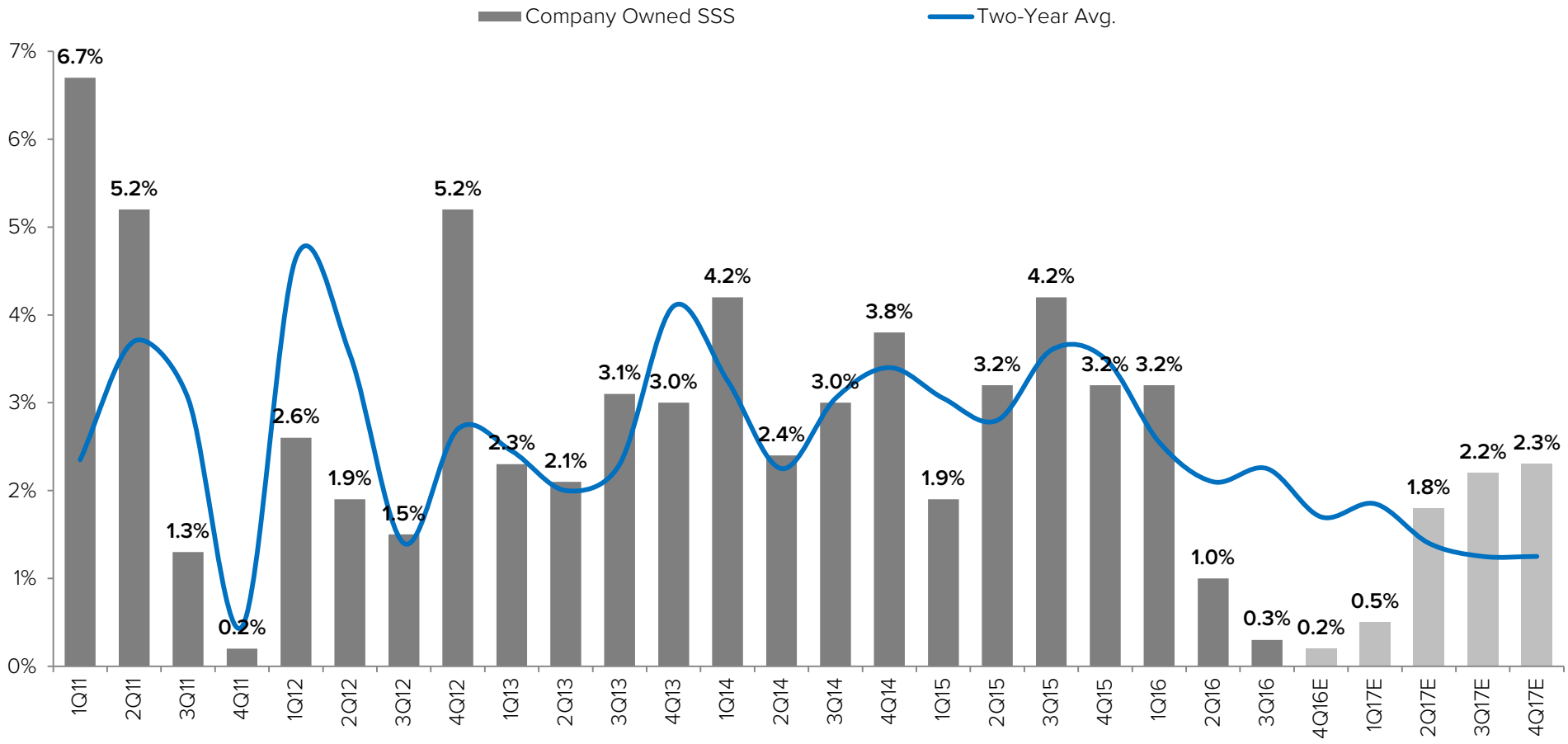
CHUY COMPANY-OWNED SSS



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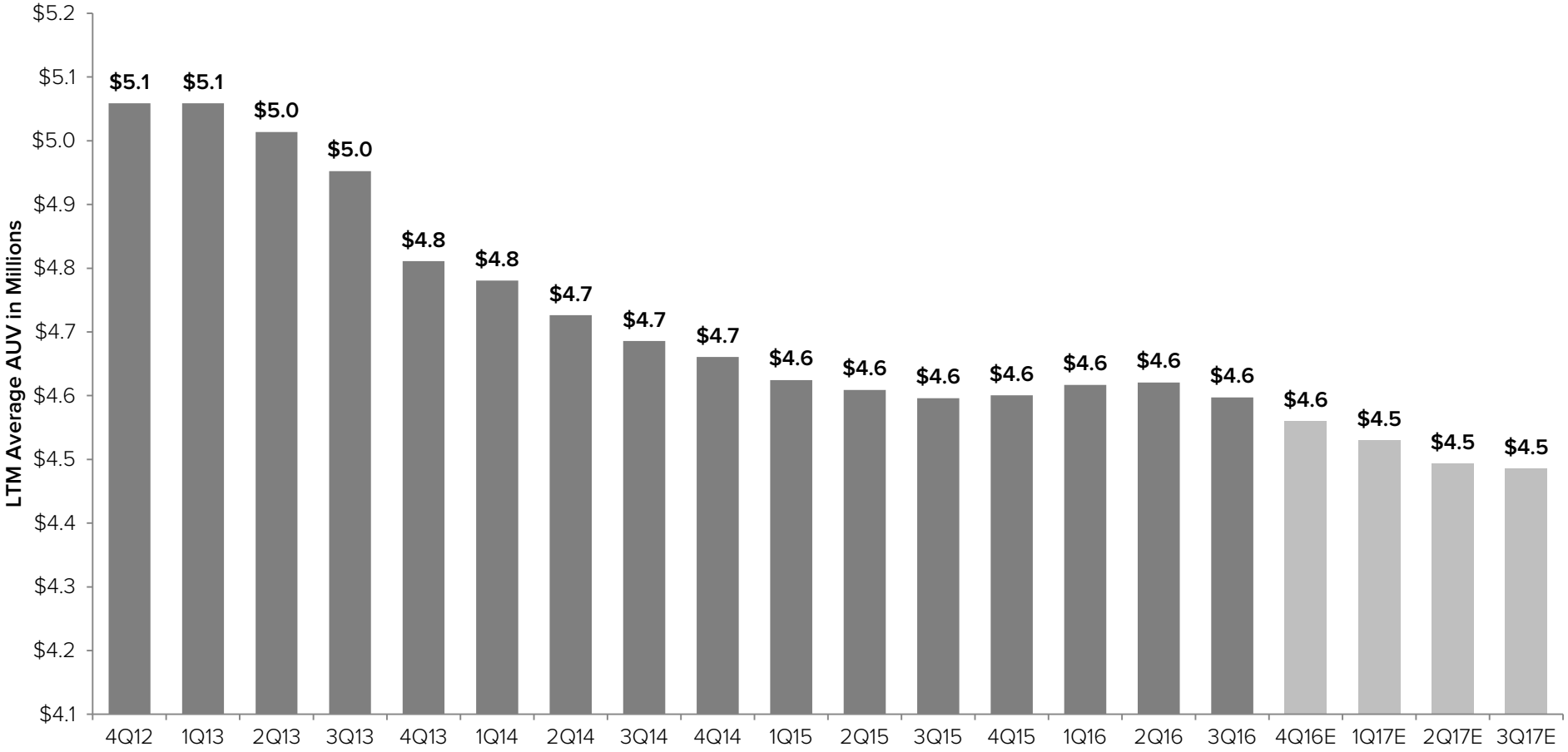
CHUY LTM AVERAGE UNIT VOLUME



Data Source: Consensus Metrix, Hedgeye

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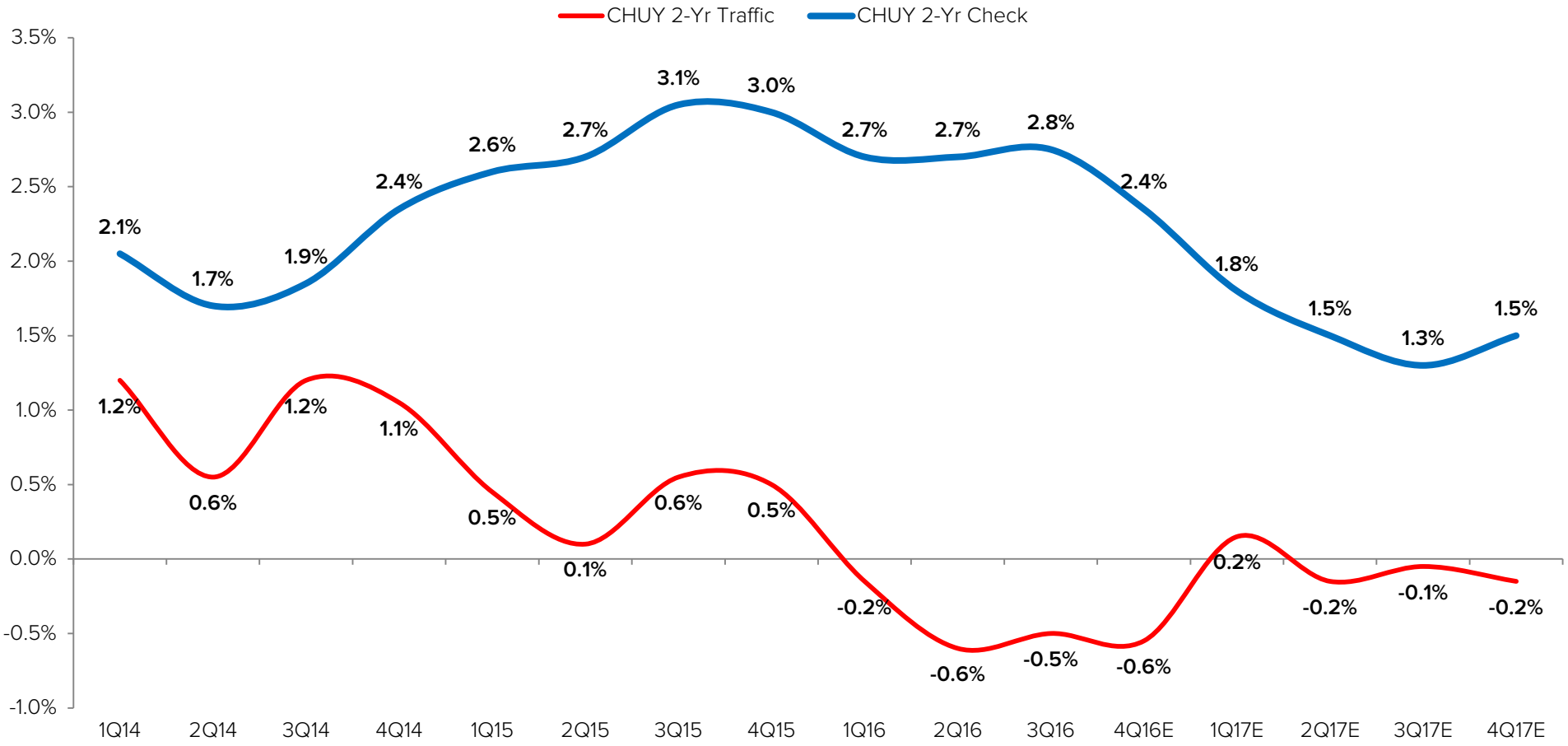
CHUY 2-YR CHECK VS. TRAFFIC



Data Source: Consensus Metrix, Hedgeye

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HEDGEYE CONSUMER STAPLES IDEAS LIST

LONG LIST		TRADE	TREND	TAIL
1) **WFM**	Whole Foods Market	-	✓	✓
2) **COST**	Costco Wholesale	-	✓	✓
3) **USFD**	US Foods	-	✓	✓
4) **GIS**	General Mills	-	✓	✓
5) **PF**	Pinnacle Foods	-	✓	✓
6) **HRL**	Hormel	-	✓	✓

LONG BENCH	
PEP	PepsiCo
CAG	ConAgra Foods
SJM	J.M. Smucker Co.
TWNK	Hostess Brands
PFGC	Performance Food Group

SHORT LIST		TRADE	TREND	TAIL
1) **HAIN**	Hain Celestial	X	X	X

SHORT BENCH	
NUS	Nu Skin
KR	Kroger

Bench = timing is not right, or research is in progress.

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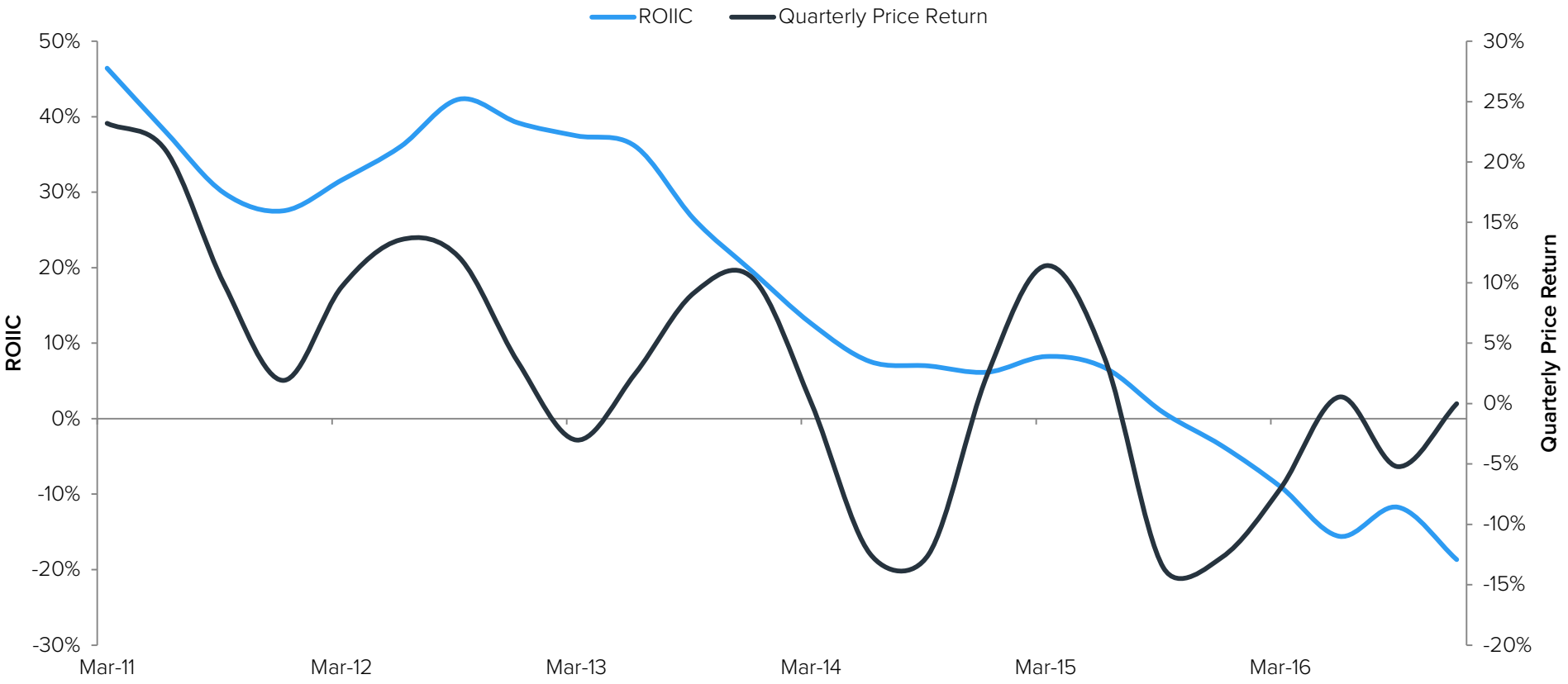
WFM: RETURN ON INCREMENTAL INVESTED CAPITAL



Data Source: Company Filings, Consensus Metrix, FactSet.

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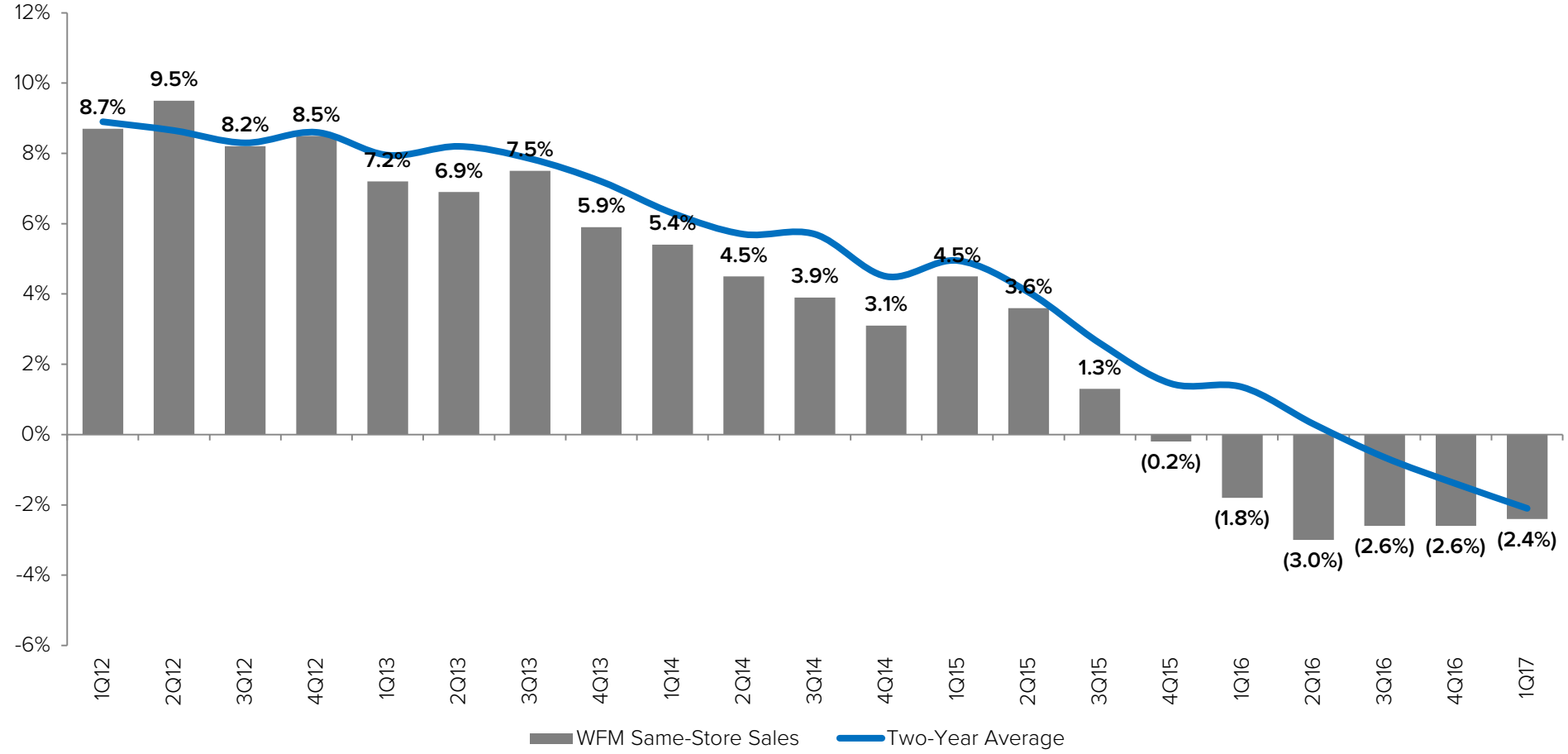
WFM: SAME-STORE SALES



Data Source: Company Filings, Consensus Metrix.

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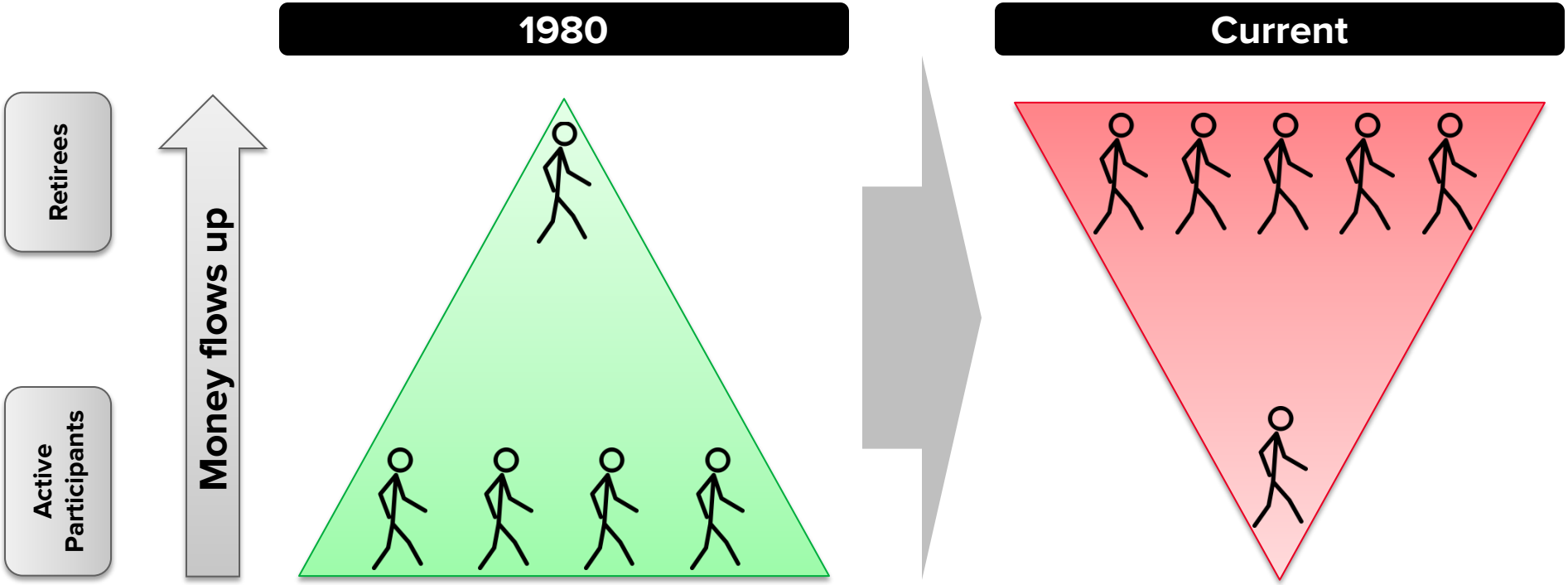
KR: PYRAMID INVERSION



MANY PLANS FACING DEBILITATING ACTIVE/INACTIVE RATIOS

The Central States Teamsters in not unlike many pension funds; in 1980 they counted 4 active participants for every retiree, today there are 5 retirees for every active participant. Taking that ratio more broadly, in the 1980's, three-quarters of participants were active and one-quarter retired. Today about 60% of MPP participants are inactive. There simply is not enough money being injected into these plans in order for them to be solvent in perpetuity.

Data Source: Company filings, Hedgeye research.

KR: TOTAL POTENTIAL HIDDEN LIABILITY

THE WITHDRAWAL LIABILITY COULD EXCEED THE EQUITY VALUE

	Stated Withdrawal Liability or Previous Payment	# of Employees	Payment/Employee	KR Employees	Assumed Withdrawal Liability
UPS (NETTI Fund)	$841,000,000	10,200	$82,451	375,000	$30,919,117,647
UPS (Central States)	$6,100,000,000	64,015	$95,290	375,000	$35,733,812,388
SYY	$245,000,000	9,446	$25,937	375,000	$9,726,339,191
KATE	$19,100,000	365	$52,329	375,000	$19,623,287,671
YRCW	$10,000,000,000	32,000	$312,500	375,000	$117,187,500,000
Albertsons	$510,000,000	6,600	$77,273	375,000	$28,977,272,727

Liabilities	$ in Billion	% of TEV
Fair Value Of Total Debt	$12.3	27.4%
Capitalized Leases	$5.9	13.1%
Underfunded Pension	$2.9	6.4%
Net Deferred Tax Liabilities	$1.5	3.4%
Withdrawal Liabilities	**$25.0**	**55.5%**
Total Liabilities	**$47.7**	**105.9%**
Equity Value	**$34.3**	
Total Enterprise Value (TEV)	**$45.0**	

Average:	**$40,361,221,604**
Ex. YRCW Avg.	**$24,995,965,925**
Minimum	**Maximum**
$9,726,339,191	$117,187,500,000

- To the left we have taken publicly available withdrawal liabilities that have been paid out in recent years in an attempt to estimate the liability that KR faces
- The high water mark is clearly YRCW, which faces a staggering $10bn withdrawal liability, for a $300mm market cap company that is not even an option for them
- We believe UPS provides us with two very solid examples of how this could play out for KR
- Taking the average of these examples ex. YRCW we get to a withdrawal liability estimate of $25bn, which if counted on the balance sheet would makes the total liabilities of KR greater than the TEV

Data Source: Company Filings, Hedgeye Research.

MACRO GRIND

EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	4.4%	5.2%	357 / 500
Energy	1.2%	-10.1%	19 / 35
Materials	5.2%	5.0%	19 / 25
Industrials	2.3%	-5.8%	58 / 67
Consumer Discretionary	7.0%	-0.9%	47 / 81
Consumer Staples	2.7%	7.3%	26 / 37
Healthcare	5.4%	3.4%	44 / 60
Financials	5.1%	11.0%	59 / 63
Information Technology	7.4%	10.2%	54 / 66
Telecom	-2.9%	1.8%	4 / 5
Utilities	9.0%	17.9%	9 / 28
Real Estate	0.3%	3.2%	17 / 29

Source: BBG

VOLATILITY

	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	6.3%	6.9%	8.0%	9.7%	3.2%	-8.0%	-15.8%	SPX	34.2%	0.54	0.90	50.6%	1.64	1.93	42.9%	1.75	1.65
Russell 2000	RTY	14.5%	13.7%	15.5%	16.9%	6.1%	0.7%	-0.2%	RTY	11.1%	0.39	0.27	26.3%	1.49	1.11	15.2%	1.00	0.33
Nasdaq 100	NDX	7.5%	9.6%	11.0%	11.1%	-6.3%	-17.6%	-20.9%	NDX	34.2%	0.73	1.09	26.8%	0.93	1.12	20.5%	0.72	0.74
USD Index	UUP	8.2%	7.9%	7.4%	8.8%	-2.8%	-2.2%	4.3%	UUP	-4.4%	-0.74	-0.70	11.8%	-0.09	-0.12	23.0%	0.67	0.41
Consumer Discret.	XLY	7.0%	9.8%	10.3%	10.5%	-12.2%	-19.5%	-22.4%	XLY	47.0%	1.12	1.54	21.9%	0.54	0.75	24.3%	0.84	0.95
Financials	XLF	15.3%	14.7%	16.7%	16.2%	-1.8%	-9.1%	-5.5%	XLF	1.0%	-0.25	-0.21	11.5%	0.38	0.32	0.8%	0.17	-0.21
Healthcare	XLV	10.1%	10.3%	13.8%	11.7%	-7.8%	-16.9%	-17.8%	XLV	11.1%	0.11	0.33	22.6%	1.17	1.21	-3.7%	-0.40	-0.42
Technology	XLK	7.4%	10.7%	11.4%	10.8%	-8.3%	-17.9%	-20.3%	XLK	38.9%	0.97	1.36	13.2%	0.44	0.46	14.5%	0.60	0.47
Consumer Staples	XLP	8.7%	9.5%	10.6%	9.6%	-5.1%	-16.9%	-18.3%	XLP	6.0%	-0.06	-0.01	6.1%	0.23	0.08	-0.3%	-0.19	-0.40
Utilities	XLU	12.1%	14.9%	16.7%	12.7%	-8.2%	-19.0%	-19.9%	XLU	2.9%	0.17	0.28	-9.4%	-0.66	-0.54	-15.9%	-1.46	-1.29
Energy	XLE	13.3%	17.9%	16.9%	17.2%	5.1%	-6.6%	-11.4%	XLE	29.0%	1.31	1.14	1.8%	0.58	-0.02	8.1%	1.29	0.33
Energy	XOP	20.2%	32.7%	30.1%	28.1%	7.4%	-7.3%	-11.7%	XOP	35.9%	1.44	1.67	-12.4%	-0.44	-0.78	-3.2%	0.49	-0.10
Materials	XLB	11.8%	10.7%	11.9%	13.7%	4.0%	-3.1%	-9.3%	XLB	13.5%	0.17	0.18	31.7%	1.37	1.15	22.0%	1.32	0.79
Industrials	XLI	9.1%	9.3%	11.2%	11.8%	-3.7%	-11.3%	-13.3%	XLI	26.7%	0.52	0.79	35.2%	1.52	1.56	17.6%	1.01	0.72
Transports	IYT	13.7%	13.4%	13.7%	16.5%	-5.3%	-5.8%	-7.0%	IYT	19.3%	0.23	0.48	31.7%	1.04	1.35	33.2%	1.43	1.67
WTI Crude Oil	USO	23.3%	33.3%	31.8%	27.5%	-4.2%	-16.6%	-21.4%	USO	-4.2%	0.66	0.40	-13.8%	-0.68	-1.04	-7.5%	-0.15	-0.65
Natural Gas	UNG	47.7%	49.7%	48.4%	42.5%	-4.8%	-12.3%	-4.8%	UNG	-9.8%	-0.81	-0.60	-15.3%	-1.06	-0.86	-14.6%	-1.15	-0.80
Gold	GLD	11.9%	12.5%	13.7%	14.0%	2.2%	-5.4%	-5.7%	GLD	12.5%	0.35	0.25	9.8%	0.46	0.25	5.0%	0.19	-0.04
Silver	SLV	16.1%	20.0%	23.2%	22.6%	3.4%	-5.9%	-7.0%	SLV	36.9%	2.53	0.79	17.9%	1.45	0.26	1.2%	-0.60	-0.63
Copper	JJC	26.7%	25.1%	24.6%	24.2%	-2.5%	-13.6%	-6.4%	JJC	-8.7%	-0.40	-0.51	-0.2%	-0.35	-0.42	3.6%	-0.27	-0.32
Corn	CORN	12.5%	15.4%	16.9%	19.3%	14.5%	10.5%	0.2%	CORN	52.5%	1.57	1.41	21.9%	0.41	0.14	9.9%	-0.24	-0.50
Soybeans	SOYB	16.2%	16.4%	15.4%	19.5%	-18.2%	-13.2%	-11.6%	SOYB	19.3%	-0.48	-0.42	14.6%	-0.54	-0.51	19.3%	-0.46	-0.44
Wheat	WEAT	19.6%	19.4%	20.0%	25.2%	-5.4%	-11.5%	-14.3%	WEAT	28.4%	-0.54	-0.35	29.0%	-0.66	-0.27	25.7%	-0.86	-0.26

*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	$85.73	0.61%	1.06%	5.32%
Financial Select Sector	XLF	$23.78	0.30%	2.02%	2.28%
Health Care Select Sector	XLV	$71.86	0.20%	1.90%	4.24%
Technology Select Sector	XLK	$51.32	0.29%	2.48%	6.12%
Consumer Staples Select Sector	XLP	$53.62	0.07%	1.96%	3.69%
Industrial Select Sector	XLI	$64.73	0.79%	2.13%	4.03%
Materials Select Sector	XLB	$52.10	0.91%	0.27%	4.83%
The Energy Select Sector	XLE	$73.28	0.76%	0.52%	-2.71%
Utilities Select Sector	XLU	$49.29	0.63%	0.22%	1.48%
S&P 500	SPX	2,316.10	0.36%	1.63%	3.45%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$85.73	0.25%	-0.57%	1.87%
Financial Select Sector	XLF	$23.78	-0.06%	0.38%	-1.17%
Health Care Select Sector	XLV	$71.86	-0.16%	0.27%	0.78%
Technology Select Sector	XLK	$51.32	-0.06%	0.84%	2.67%
Consumer Staples Select Sector	XLP	$53.62	-0.28%	0.32%	0.24%
Industrial Select Sector	XLI	$64.73	0.44%	0.50%	0.58%
Materials Select Sector	XLB	$52.10	0.55%	-1.36%	1.38%
The Energy Select Sector	XLE	$73.28	0.40%	-1.11%	-6.16%
Utilities Select Sector	XLU	$49.29	0.28%	-1.41%	-1.97%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.6%	0.2%	1.5%	8.7%	8.4%	3.3%
	Low Debt/EV	0.5%	1.4%	1.6%	4.8%	3.4%	3.8%
Short	High Short Interest	0.3%	1.2%	1.5%	6.2%	5.2%	3.1%
	Low Short Interest	0.4%	0.8%	1.7%	6.8%	8.4%	3.4%
BETA	High Beta	0.6%	0.7%	1.5%	10.1%	16.9%	4.6%
	Low Beta	0.3%	1.2%	2.3%	6.4%	-1.1%	2.7%
YIELD	High Yield	0.5%	0.7%	0.3%	4.2%	0.4%	0.7%
	Low Yield	0.4%	1.1%	1.8%	6.9%	5.5%	4.9%
MKT CAP	MCAP Bottom 25%	0.7%	0.8%	0.3%	3.2%	1.5%	1.6%
	MCAP Top 25%	0.4%	0.8%	1.7%	6.8%	8.7%	3.6%
Sales	Top 25% Sales Growth	0.3%	0.6%	0.9%	8.0%	6.9%	3.5%
	Bottom 25% Sales Growth	0.5%	0.7%	0.8%	4.2%	1.8%	2.1%
EPS	Top 25% EPS Growth	0.6%	0.9%	1.8%	8.9%	11.3%	4.7%
	Bottom 25% EPS Growth	0.4%	0.4%	0.2%	4.2%	0.9%	0.9%

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

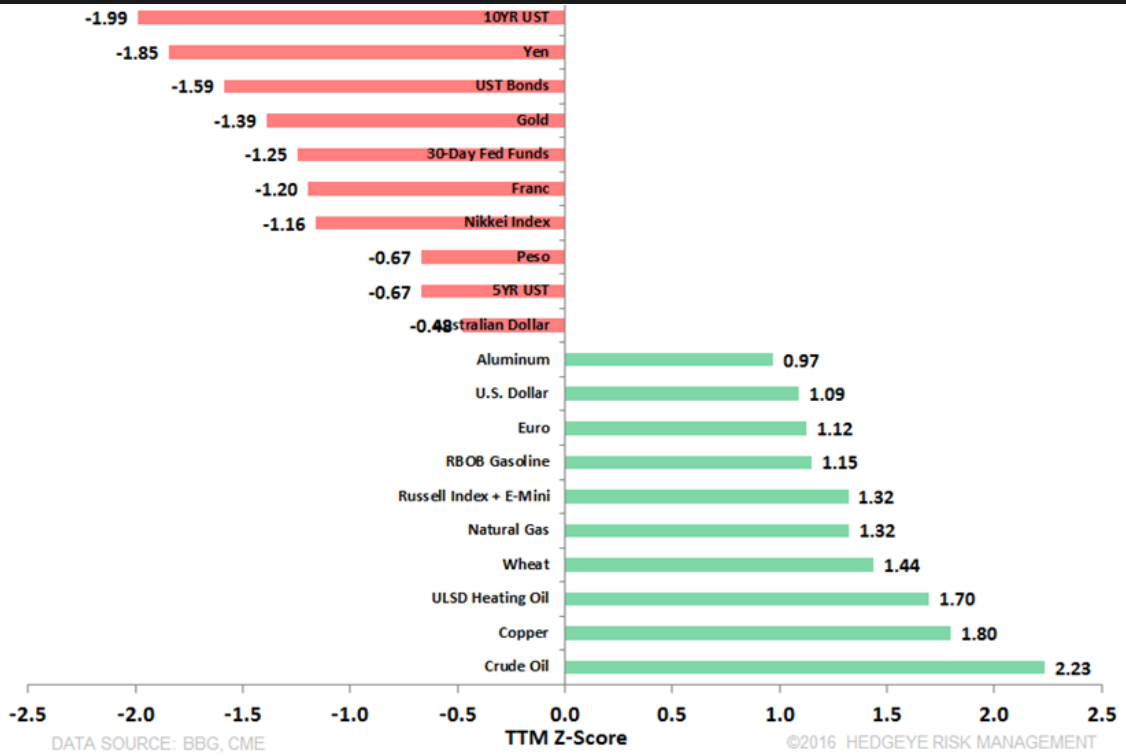
HEDGEYE RATES & SPREADS

	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	0.53%	-0.5	3.6	3	7	-11	38	39	42
3M LIBOR	1.03%	0.0	0.0	2	13	-1	42	57	63
2Y T-Note	1.19%	1.2	-0.7	0	27	-11	69	51	66
5Y T-Note	1.89%	2.0	-2.3	1	33	-23	100	38	58
10Y T-Note	2.41%	1.3	-5.7	3	26	-23	109	26	27
30Y T-Note	3.01%	0.1	-8.5	4	5	-21	92	11	-2
2Y-10Y Spread, Bps	122	0.0	-5.0	2.8	-2	-12	40	-25	-39
IG SPREAD (AAABBB)	1.54%	2.0	1.0	4	-1	-76	7	-15	-22
HIGH YIELD	5.92%	-4.7	-1.1	-23	-59	-341	0	-72	-66
5Y BREAKEVEN	1.98%	1.7	-7.4	9.5	25.0	-9.8	112.1	42.0	25.3

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)	27,047	(35,712)	(13,532)	44,293	14,[illegible]	0.11X	0.57X
Russell 2000 (mini)	51,106	(3,340)	62,453	35,578	(2,660)	1.13X	2.14X
10Y Treasury	(291,697)	57,860	(263,391)	(95,636)	(46,253)	-1.54X	-2.13X
CRUDE OIL	527,866	(15,964)	463,451	420,815	381,940	1.93X	2.42X
GOLD	75,727	3,660	73,687	143,097	172,596	-1.29X	-0.33X
COPPER	51,516	(5,426)	50,462	22,411	2,493	1.55X	2.69X
$USD	46,676	224	51,427	39,511	27,585	1.08X	0.46X
JPY	(54,178)	7,927	(51,908)	(114)	24,612	-1.60X	-0.38X
EUR	(37,837)	1,443	(77,729)	(91,000)	(75,960)	1.15X	1.00X
GBP	(63,158)	119	(65,696)	(75,338)	(61,078)	-0.10X	-1.06X

CFTC NET FUTURES & OPTIONS POSITIONING (TTM Z-SCORE)



February 13, 2017

THE MACRO SHOW

HEDGEYE TV

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (2/10) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	12%	-2%	17%	43%
Total Exchange Volume**	-5%	-2%	-5%	-7%
Total Traded Value (R3K)***	-4%	-6%	-8%	-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	0.55	-0.58	0.72	0.72	0.74	*0.95*	*-0.91*	*42%*	*58%*
BRENT Oil	-0.07	-0.16	0.46	0.67	0.59	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.26	-0.78	0.66	0.67	0.60	*0.83*	*-0.89*	*24%*	*76%*
GOLD	0.03	-0.80	-0.93	-0.96	-0.88	*0.90*	*-0.97*	*15%*	*85%*

**Days = Trading Days*

OTHER KEY METRICS

METRIC	PRICE	1D % Chg	5D % Chg	1M % Chg	3M % Chg	MTD % Chg	YTD % Chg	vs. 52-Wk High	vs. 52-Wk Low
Brent Oil	$56.70	1.92%	-0.19%	5.70%	23.69%	2.0%	0.3%	-3%	90%
Gold	$1,234	0.43%	1.09%	3.85%	-2.03%	1.9%	7.5%	-10%	10%
VIX	$10.85	-0.28%	-1.09%	-5.57%	-26.39%	-9.5%	-22.7%	-61%	9%