THE MACRO SHOW

JULY 25, 2016

LEGAL

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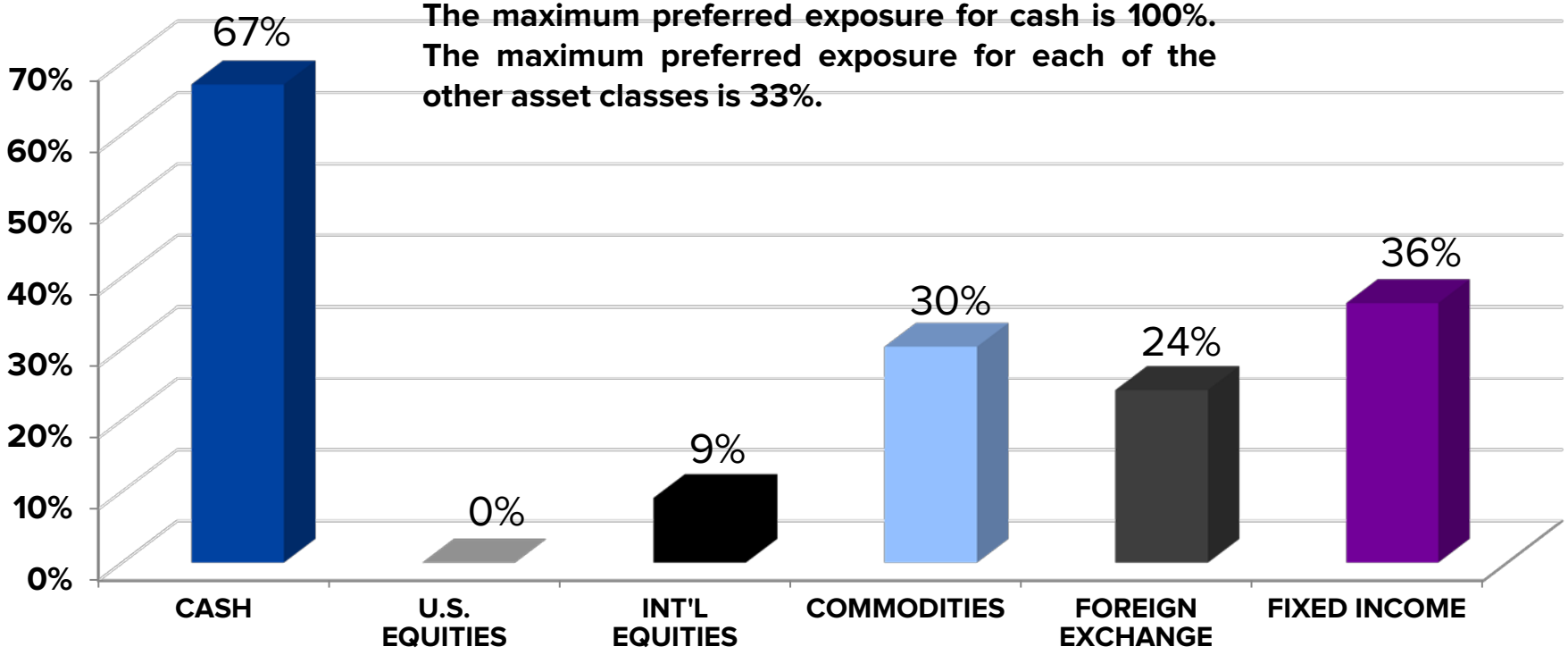
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/22/2016	60	0	3	14	6	17
7/25/2016	67	0	3	10	8	12

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/22/2016	60%	0%	9%	42%	18%	52%
7/25/2016	67%	0%	9%	30%	24%	36%

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

HEDGEYE ASSET ALLOCATION



July 25, 2016

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HEDGEYE TV

1 U.S. DOLLAR

2 OIL

3 SPY

U.S. DOLLAR

It was another great week for the U.S. Dollar ahead of what should be a hot Q2 U.S. GDP report (Friday). The U.S. Dollar Index was up +0.9% week-over-week and +4.0% month-over-month, taking out hopes for a “weak dollar tailwind” for earnings…

OIL

Oil continues to break-down this morning with WTI down -0.6% at $43.91 with an immediate-term TRADE risk range of 43.09-45.61. WTI was down -5.3% week-over-week and has deflated -11.8% during the USD's +4% one-month ramp.

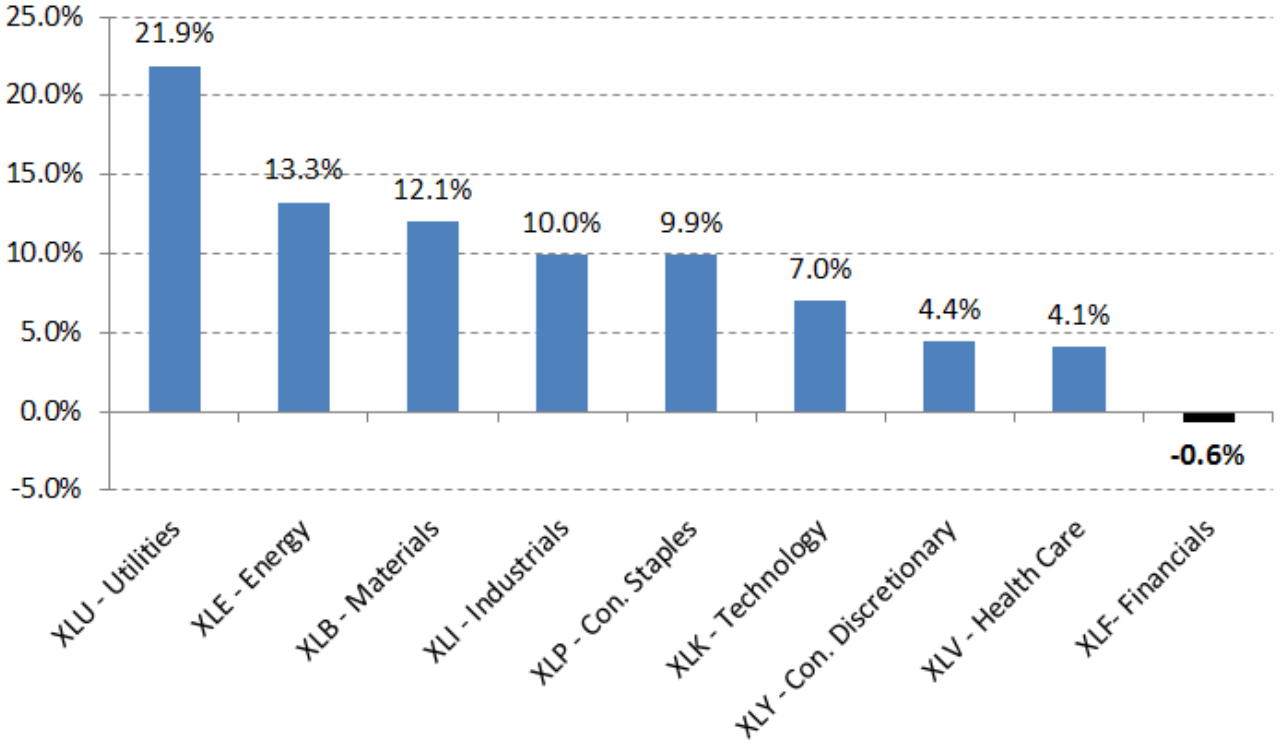
SPY

Sell low, cover high, baby! The S&P 500 (index + E-mini) net LONG position ramped another +94,526 contracts last week to +154,009 futures & options contracts; to put that in context, that's a +2.37x move on a 1-year z-score (at the lows in FEB, it was a net SHORT position of -280,000 contracts).

FINANCIALS

JONATHAN CASTELEYN

2016 YTD RETURNS



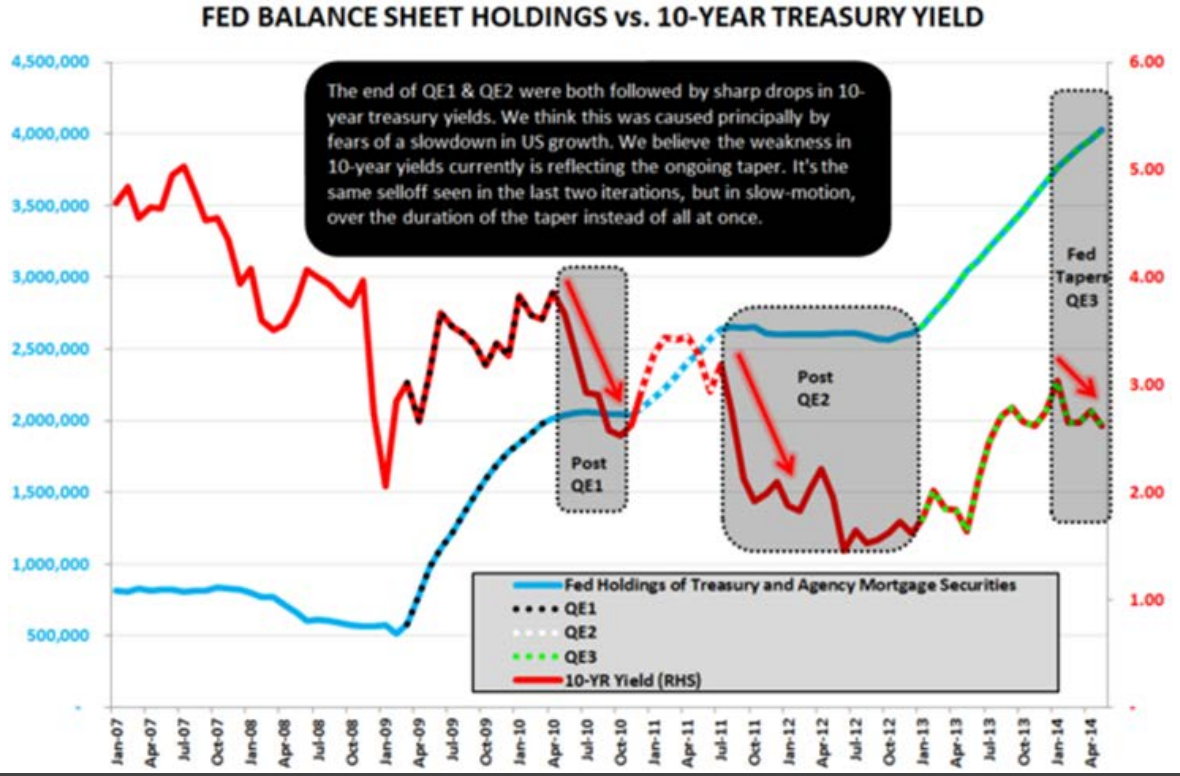
	S&P 500 INDEX	Consumer Confidence	Manufacturing PMI	Services PMI	U.S. Leading Economic Ind.	Durable Good Orders	Nonfarm Payrolls	S&P 500 EPS Est.	Gold Spot $/Oz	VIX	10 Year Treasury Yield	MOVE - Fixed Income Vol	GDP	Fed Funds Rate	US Unemployment Rate	WTI Crude Oil Price	U.S. Dollar Index	US Corporate Profits with IVA	XLF
S&P 500 INDEX	1.00																		
Consumer Confidence	0.39	1.00																	
Manufacturing PMI	0.17	0.33	1.00																
Services PMI	0.38	0.63	0.76	1.00															
U.S. Leading Economic Ind.	0.58	0.88	0.27	0.61	1.00														
Durable Good Orders	0.02	0.08	0.19	0.14	0.04	1.00													
Nonfarm Payrolls	0.51	0.55	0.69	0.82	0.59	0.19	1.00												
S&P 500 EPS Est.	0.91	0.16	0.12	0.26	0.42	(0.00)	0.48	1.00											
Gold Spot $/Oz	0.45	(0.48)	0.03	(0.08)	(0.27)	0.01	0.17	0.70	1.00										
VIX	(0.48)	(0.62)	(0.62)	(0.74)	(0.66)	(0.16)	(0.72)	(0.36)	0.01	1.00									
10 Year Treasury Yield	(0.50)	0.40	0.15	0.07	0.23	0.04	(0.11)	(0.64)	(0.83)	(0.08)	1.00								
MOVE - Fixed Income Vol	(0.55)	(0.43)	(0.50)	(0.61)	(0.52)	(0.18)	(0.70)	(0.54)	(0.30)	0.77	0.21	1.00							
GDP US Chained 2009 Dollars Qo	0.17	0.45	0.68	0.67	0.38	0.16	0.59	0.08	(0.14)	(0.49)	0.17	(0.41)	1.00						
Fed Funds Rate	(0.14)	0.59	(0.03)	0.10	0.57	0.02	0.07	(0.23)	(0.59)	(0.25)	0.77	(0.08)	0.11	1.00					
US Unemployment Rate	(0.24)	(0.77)	0.14	(0.22)	(0.79)	0.07	(0.13)	(0.03)	0.64	0.28	(0.46)	0.05	(0.11)	(0.68)	1.00				
WTI Crude Oil Price	(0.24)	(0.25)	0.14	(0.10)	(0.10)	(0.01)	(0.08)	(0.07)	0.09	(0.07)	0.28	0.08	(0.03)	0.27	0.15	1.00			
U.S. Dollar Index	0.02	0.43	(0.11)	0.20	0.23	(0.02)	0.08	(0.18)	(0.48)	0.06	0.08	0.04	0.14	0.00	(0.43)	(0.77)	1.00		
US Corporate Profits with IVA	0.81	0.05	0.23	0.29	0.28	0.05	0.50	0.92	0.79	(0.38)	(0.67)	(0.62)	0.15	(0.29)	0.22	(0.01)	(0.30)	1.00	
XLF	0.18	0.88	0.25	0.47	0.83	0.04	0.37	(0.04)	**(0.65)**	(0.55)	**0.66**	(0.27)	0.36	**0.82**	**(0.85)**	0.01	0.24	(0.17)	1.00

SECTOR PROFILES

CORRELATIONS TO RISING L/T RATES

Banks and Thrifts		Brokers & AM		Specialty Finance		Insurance		Homebuilders	
Average	0.62	Average	0.45	Average	0.24	Average	0.38	Average	(0.43)
Median	0.64	Median	0.53	Median	0.42	Median	0.51	Median	(0.54)
Std Dev	0.15	Std Dev	0.30	Std Dev	0.50	Std Dev	0.37	Std Dev	0.31

FED BALANCE SHEET HOLDINGS



INVESTMENT IDEAS

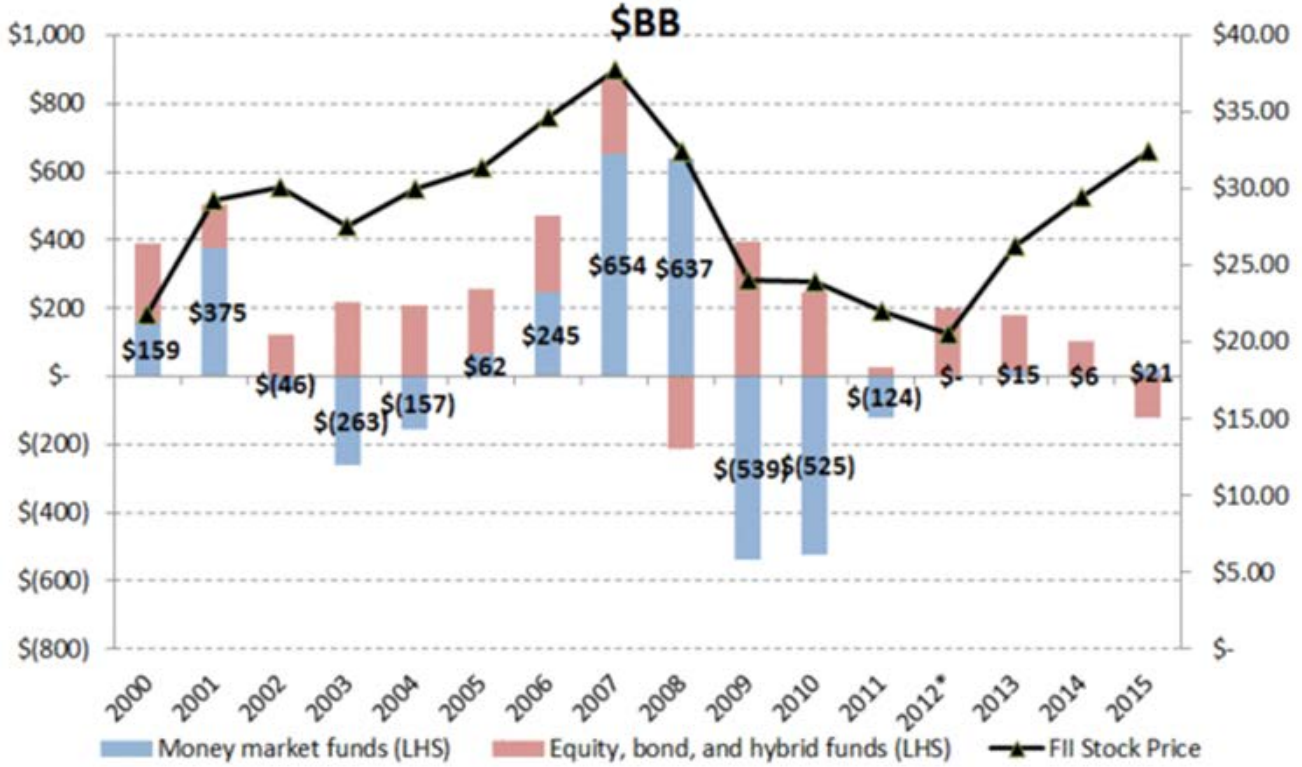
INVESTMENT IDEAS - LONGS

		Mkt Cap ($M)	Trade	Trend	Tail
CME	CME Group	33,491	✓	✓	
FII	Federated Investors	2,996	✓	✓	

INVESTMENT IDEAS - SHORTS

		Mkt Cap ($M)	Trade	Trend	Tail
CBA	Commonwealth Bank of Aus	127,092	x	x	x
RY	Royal Bank of Canada	115,123	x	x	x
TD	Toronto-Dominion Bank	102,166	x	x	x
WBC	Westpac Banking Corporation	98,886	x	x	x
BNS	Bank of Nova Scotia	76,133	x	x	x
ANZ	Australia and NZ Bank	70,021	x	x	x
NAB	National Australia Bank	66,396	x	x	x
CM	CIBC	38,325	x	x	x
TROW	T Rowe Price	18,178		x	x
NA	National Bank of Canada	14,840	x	x	x
LAZ	Lazard Ltd.	3,963	x	x	x
HCG	Home Capital Group	1,996	x	x	x
CWB	Canadian Western Bank	2,176	x	x	x
ITB	Home Construction ETF	1,566	x	x	x
WETF	WisdomTree Investments	1,328	x	x	
PRAA	PRA Group	1,172	x	x	x
VIRT	Virtu Financial	681	x	x	x
ECPG	Encore Capital Group	597	x	x	x

ANNUAL MONEY FUND FLOW VS LONG TERM FUND FLOW



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FEDERATED INVESTORS, INC.

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Breakdown Top 10 Figures (by Market Cap)	
Market Cap	**Flow (Bln)**
Large-cap	904.69
Broad Market	268.48
Small-cap	62.61
Other	60.02
Mid-cap	53.21

CONVERSELY ETF GROWTH HAS PREDOMINANTLY BEEN IN LARGE CAP

Conversely of the $1.3 trillion that has flowed into ETFs since 2007, **67%** or over **$904 billion** has been in discrete Large Cap equity strategies.

	Total Mutual Fund Assets	Total Large Cap Mutual Fund Strategies	Total Large Cap Exposure
T. Rowe Price	**591,149,191,833**	**169,327,432,667**	**28.6%**
Janus	105,293,333,635	28,901,136,787	27.4%
Invesco	211,242,573,436	52,184,442,239	24.7%
All Morningstar Funds	2,165,482,475,020	372,350,125,007	17.2%
Legg Mason	184,923,027,060	31,202,164,603	16.9%
Franklin Templeton	560,152,750,063	53,259,116,995	9.5%
BlackRock	512,721,598,993	37,475,831,716	7.3%

Of the big six public asset managers, **TROW has the biggest percentage of Large Cap Strategies** within all its mutual funds at **~29%.** The average of **All Morningstar Funds in Large Cap is 17%.**

LAZ DEAL GROWTH

	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16TD
Deal Count	64	66	57	61	66	78	61	38
Q/Q Growth	-21.0%	3.1%	-13.6%	7.0%	8.2%	18.2%	-21.8%	-37.7%
Y/Y Growth	-15.8%	-5.7%	-3.4%	-24.7%	3.1%	18.2%	7.0%	-37.7%
Agg Deal Value ($M)	220,154	58,541	230,144	88,777	158,212	531,693	139,190	22,888
Q/Q Growth	7.4%	-73.4%	293.1%	-61.4%	78.2%	236.1%	-73.8%	-83.6%
Y/Y Growth	87.1%	-39.8%	112.0%	-56.7%	-28.1%	808.2%	-39.5%	-74.2%

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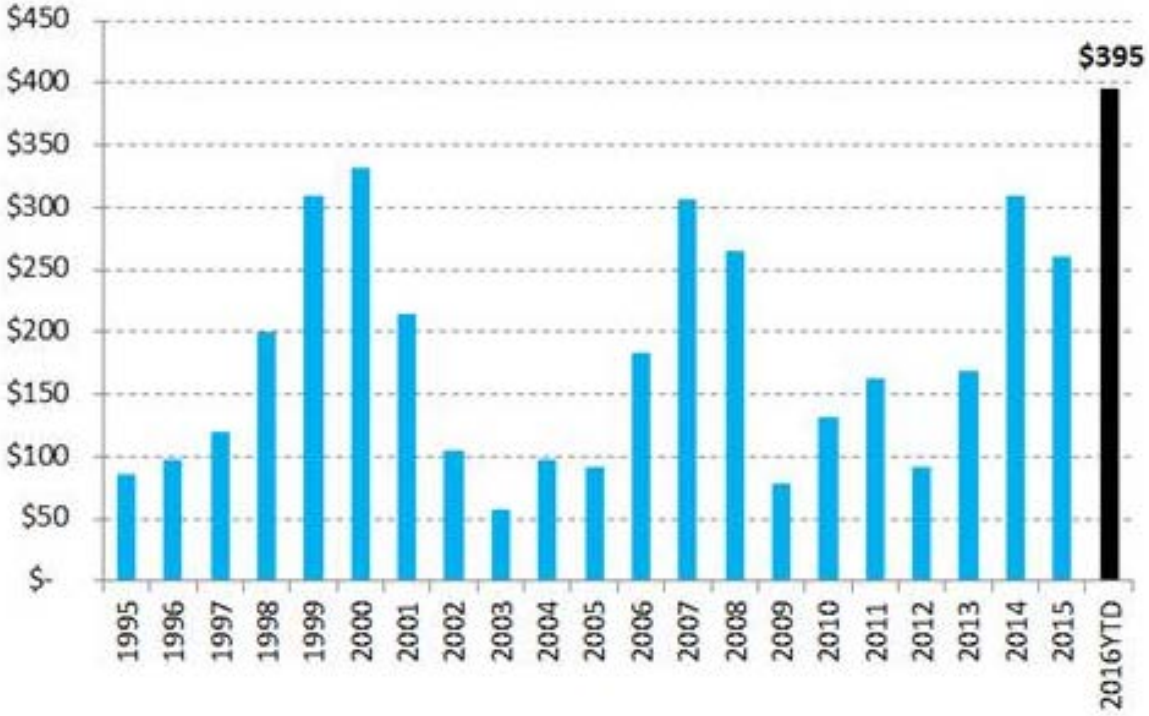
VALUE WITHDRAWN M&A DEALS IN $BILLION



MACRO GRIND

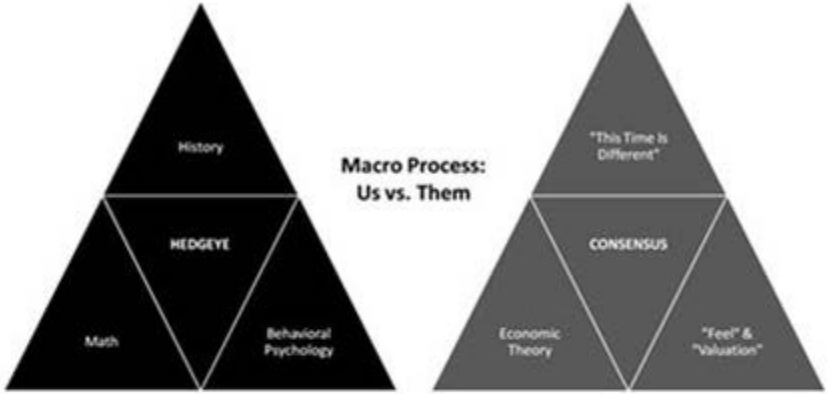
Q2 S&P REVENUE & EARNINGS COMPS

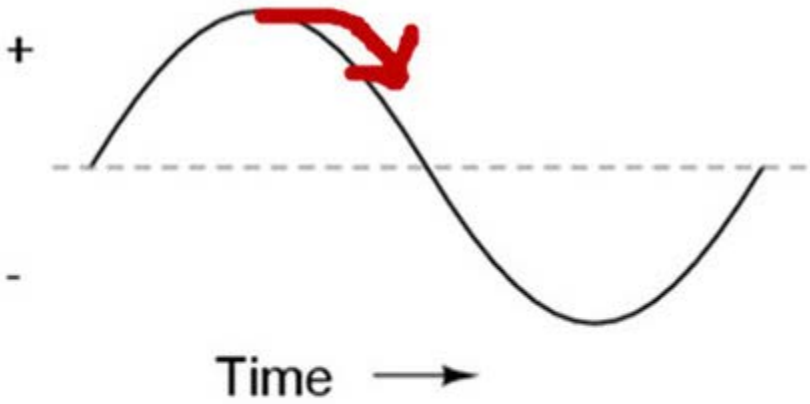
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	2.7%	-1.0%	125 / 500
Energy	-24.0%	-72.9%	5 / 37
Materials	-3.9%	3.3%	6 / 27
Industrials	1.4%	6.4%	23 / 68
Consumer Discretionary	6.1%	16.3%	22 / 83
Consumer Staples	0.2%	1.6%	8 / 36
Healthcare	17.6%	7.4%	8 / 57
Financials	0.0%	-4.9%	32 / 92
Information Technology	-1.3%	-6.7%	20 / 67
Telecom	22.7%	23.8%	1 / 5
Utilities	0.0%	0.0%	0 / 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	$81.60	0.42%	4.53%	4.40%
Financial Select Sector	XLF	$23.68	0.64%	3.61%	-0.63%
Health Care Select Sector	XLV	$74.99	0.20%	4.58%	4.11%
Technology Select Sector	XLK	$45.83	0.59%	5.67%	7.00%
Consumer Staples Select Sector	XLP	$55.50	0.47%	0.63%	9.92%
Industrial Select Sector	XLI	$58.29	0.19%	4.07%	9.96%
Materials Select Sector	XLB	$48.66	0.27%	5.01%	12.07%
The Energy Select Sector	XLE	$68.32	0.31%	0.12%	13.26%
Utilities Select Sector	XLU	$52.76	1.33%	0.55%	21.90%
S&P 500	SPX	2,175.03	0.46%	3.63%	6.41%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.60	-0.04%	0.91%	-2.01%
Financial Select Sector	XLF	$23.68	0.18%	-0.02%	-7.04%
Health Care Select Sector	XLV	$74.99	-0.25%	0.95%	-2.30%
Technology Select Sector	XLK	$45.83	0.14%	2.04%	0.59%
Consumer Staples Select Sector	XLP	$55.50	0.02%	-2.99%	3.51%
Industrial Select Sector	XLI	$58.29	-0.27%	0.44%	3.55%
Materials Select Sector	XLB	$48.66	-0.19%	1.38%	5.65%
The Energy Select Sector	XLE	$68.32	-0.15%	-3.51%	6.85%
Utilities Select Sector	XLU	$52.76	0.87%	-3.08%	15.49%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.7%	0.9%	7.9%	4.6%	24.4%	13.9%
	Low Debt/EV	0.5%	0.6%	7.4%	3.4%	13.8%	6.5%
SI	High Short Interest	0.6%	0.8%	8.0%	2.4%	20.2%	7.8%
	Low Short Interest	0.6%	0.8%	6.8%	4.0%	15.5%	7.5%
BETA	High Beta	0.4%	0.7%	8.5%	1.5%	22.7%	6.0%
	Low Beta	0.9%	0.9%	5.4%	8.7%	18.1%	15.7%
YIELD	High Yield	0.6%	0.5%	6.7%	4.6%	18.9%	11.2%
	Low Yield	0.7%	1.6%	8.1%	4.7%	17.3%	7.8%
MKT CAP	MCAP Bottom 25%	0.6%	1.1%	7.8%	1.2%	17.6%	6.8%
	MCAP Top 25%	0.4%	0.7%	6.8%	3.6%	13.9%	6.5%
Sales	Top 25% Sales Growth	0.5%	0.3%	6.3%	3.7%	18.8%	8.8%
	Bottom 25% Sales Growth	0.5%	0.7%	8.2%	4.8%	20.6%	10.3%
EPS	Top 25% EPS Growth	0.7%	1.0%	8.1%	5.0%	20.3%	9.6%
	Bottom 25% EPS Growth	0.6%	0.4%	6.4%	3.2%	19.0%	9.3%

**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	0.31%	-1.0	-0.1	4	8	-5	36	23	24
3M LIBOR	0.70%	0.0	2.3	6	6	0	41	36	35
2Y T-Note	0.68%	-3.2	0.5	-9	-13	-42	18	11	23
5Y T-Note	1.09%	-4.1	-0.2	-10	-24	-73	20	-41	-15
10Y T-Note	1.56%	-2.4	2.0	-15	-31	-85	24	-73	-59
30Y T-Note	2.29%	-0.7	3.8	-22	-39	-85	20	-81	-79
2Y-10Y Spread, Bps	88	0.8	1.6	-6.5	-18	-42	6	-84	-82
IG SPREAD (AAABBB)	1.69%	0.0	4.0	-13	-15	-61	3	-1	-16
HIGH YIELD	6.39%	-1.7	3.0	-74	-113	-294	3	-20	-39
5Y BREAKEVEN	1.39%	-2.4	-6.7	-3.3	-12.3	-25.0	53.5	-20.6	-33.9

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)	154,099	94,526	54,158	(54,383)	(100,416)	*2.37X*	*1.77X*
Russell 2000 (mini)	(17,438)	12,758	(34,117)	(46,803)	(43,526)	*1.95X*	*0.39X*
10Y Treasury	84,243	(30,459)	(15,013)	(6,018)	(5,240)	*1.45X*	*1.80X*
CRUDE OIL	327,897	(13,285)	373,011	338,508	301,045	*0.45X*	*-0.18X*
GOLD	264,498	(7,031)	228,998	177,187	98,526	*1.69X*	*2.81X*
COPPER	2,156	16,407	(24,399)	(21,352)	(22,472)	*1.89X*	*1.36X*
$USD	14,460	547	10,857	18,288	31,986	*-1.02X*	*-0.66X*
JPY	37,852	(7,134)	47,057	49,897	5,714	*0.62X*	*1.62X*
EUR	(108,396)	(14,403)	(53,319)	(57,677)	(85,742)	*-0.52X*	*-0.39X*
GBP	(72,102)	(12,646)	(45,711)	(42,048)	(27,970)	*-2.31X*	*-2.14X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (7/21) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	13%	-5%	-8%	-12%
Total Exchange Volume**	4%	-11%	-9%	-13%

*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	0.70	0.50	0.38	-0.36	-0.37	*0.88*	*-0.91*	*58%*	*42%*
BRENT Oil	-0.67	-0.75	-0.02	-0.48	-0.56	*0.72*	*-0.78*	*35%*	*65%*
CRB Index	-0.37	-0.73	-0.25	-0.48	-0.84	*0.71*	*-0.91*	*27%*	*73%*
GOLD	-0.69	0.76	0.38	0.01	-0.75	*0.90*	*-0.95*	*20%*	*80%*

**Days = Trading Days*