THE MACRO SHOW

JANUARY 20, 2017

LEGAL

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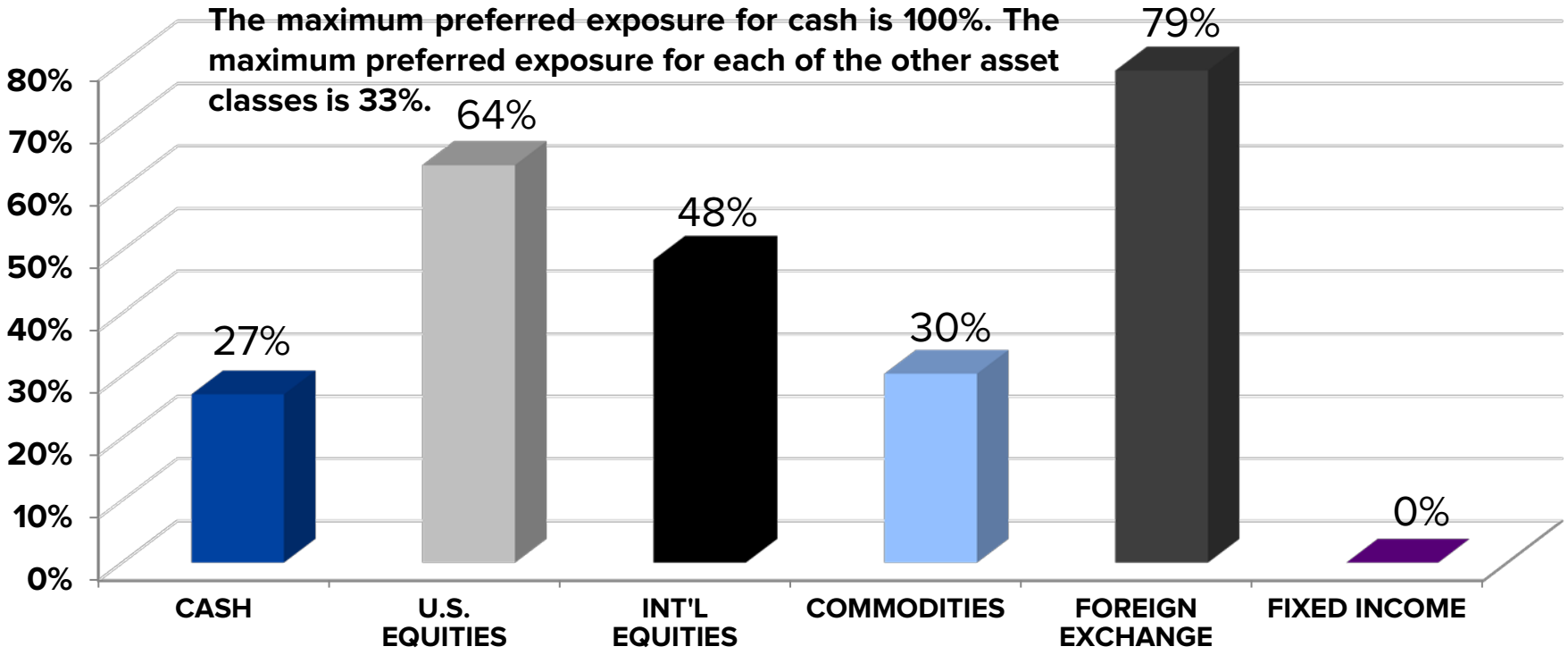
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/19/2017	29	19	16	10	26	0
1/20/2017	27	21	16	10	26	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/19/2017	29%	58%	48%	30%	79%	0%
1/20/2017	27%	64%	48%	30%	79%	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



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HEDGEYE TV

1 INDUSTRIALS

2 UST 10YR

3 EARNINGS

INDUSTRIALS

The XLI is up in a down tape yesterday (XLI +0.7% vs. SPX -0.36%) and this is a sector that you want to stay long when we're in Quad2 (growth and inflation accelerating, at the same time); one of our favorite longs remains Textron (TXT) – Jay Van Sciver and Emo Gardner are our Industrial and Defense analysts.

UST 10YR

It has been a great week to be long of growth and inflation accelerating as the 10YR Yield is +11bps on the week (+3bps this morning to 2.51%) and short long-term Treasuries; stay with the risk range process and short LT bonds (TLT) closer to the low-end of our current 10YR risk range = 2.33-2.53%, not down here.

EARNINGS

Earnings Season is 10% done (50 of 500 S&P Companies have reported) an aggregates SALES acceleration of +4.1% year-over-year growth and an EPS acceleration (non-GAAP!) of +8.8% y/y growth. This stands in stark contrast to when we were bearish on U.S. Equity Beta at this time last year, when y/y EPS growth was negative.

MACRO GRIND

JAPANESE YEN TO U.S. DOLLAR

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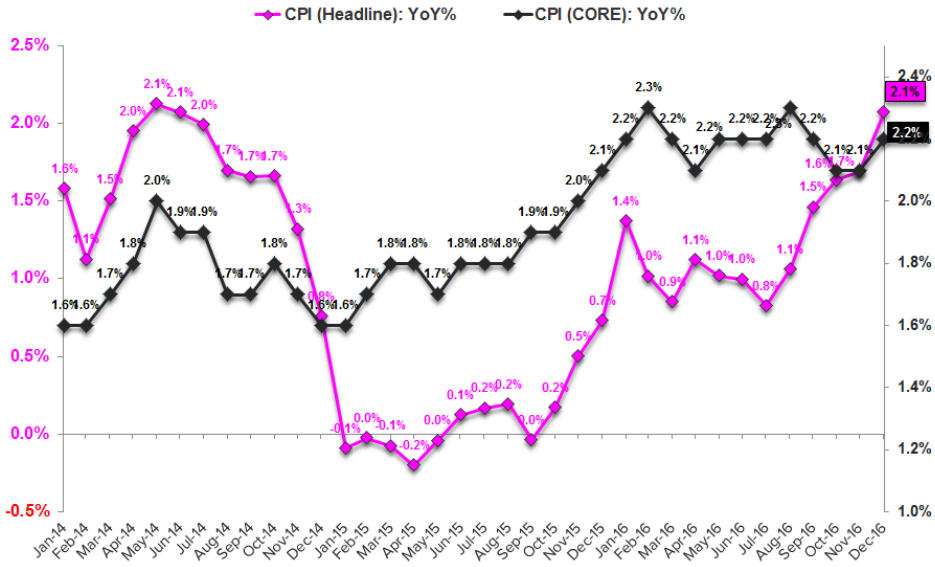
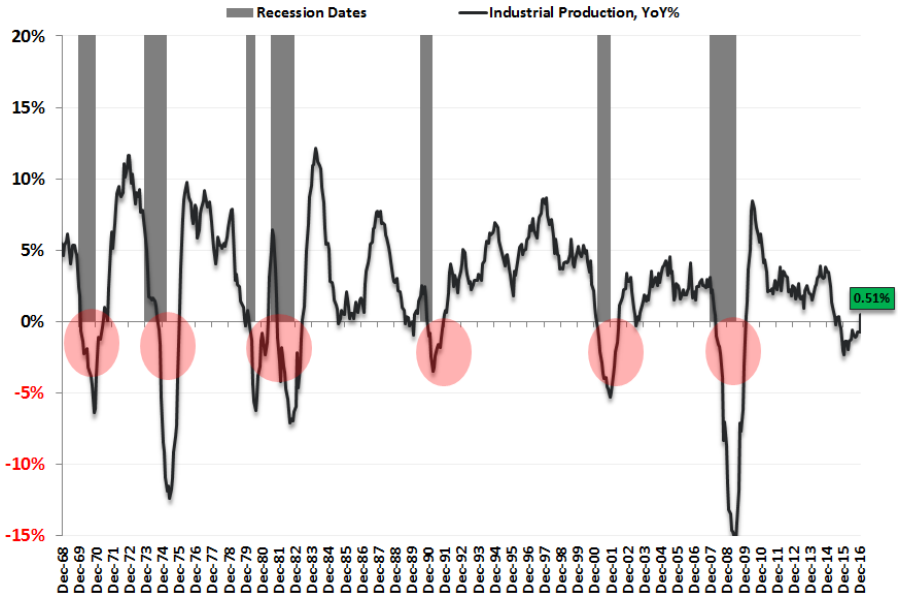
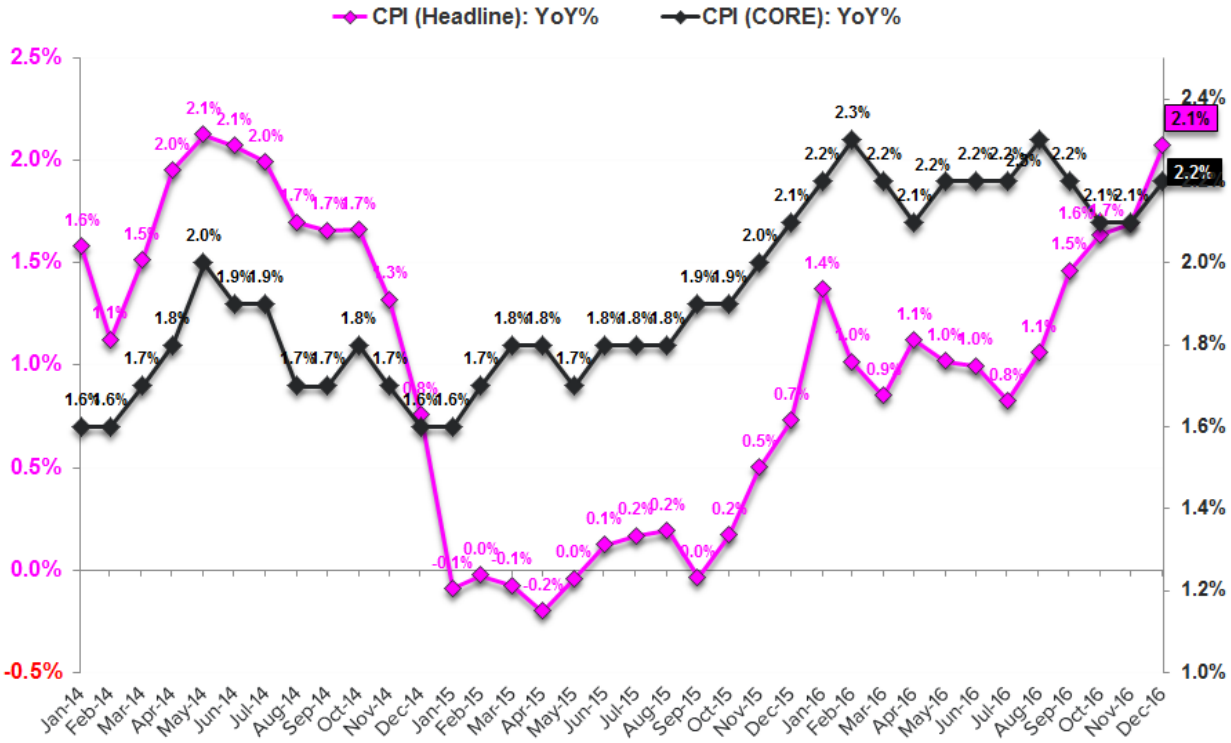
NON –PARTISAN NEWS OF THE WEEK: QUAD 2





CPI: HEADLINE & CORE



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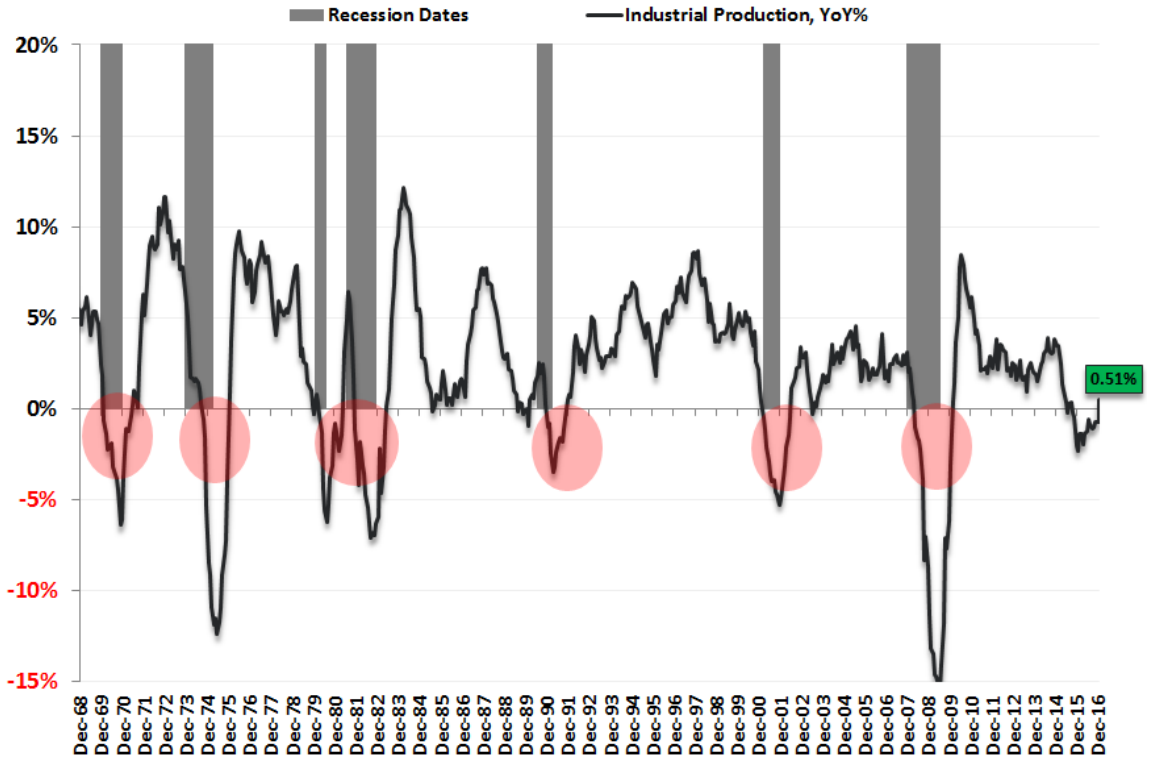
INDUSTRIAL PRODUCTION



EARNINGS SEASON

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	4.1%	8.8%	50 / 499
Energy	-6.8%	-16.5%	1 / 35
Materials	3.9%	43.3%	2 / 25
Industrials	6.8%	-14.0%	9 / 67
Consumer Discretionary	7.8%	10.0%	8 / 82
Consumer Staples	-1.2%	5.0%	5 / 37
Healthcare	9.0%	51.2%	1 / 60
Financials	2.9%	11.4%	16 / 63
Information Technology	8.3%	7.2%	8 / 66
Telecom	0.0%	0.0%	0 / 5
Utilities	0.0%	0.0%	0 / 28
Real Estate	0.0%	0.0%	0 / 29

Source: BBG

		REALIZED VOLATILITY			IMPLIED VOLATILTY*			
		Duration of Realized (%)			At-The-Money %			
Index/Security	Ticker	30D	60D	90D	Current	v 1M Avg	v 3M Avg	v 6M Avg.
S&P 500	SPX	7.6%	8.5%	9.1%	9.2%	-11.0%	-21.5%	-21.0%
Russell 2000	RTY	14.3%	16.6%	16.0%	16.1%	-4.3%	-7.9%	-4.2%
Nasdaq	NDX	9.1%	12.1%	11.7%	11.8%	-13.3%	-18.7%	-16.5%
USD Index	UUP	9.3%	8.2%	7.3%	8.8%	-5.0%	-0.2%	6.9%
Energy	XLE	11.8%	18.0%	19.2%	16.1%	-12.2%	-18.3%	-18.7%
Energy	XOP	18.6%	33.8%	33.3%	25.7%	-12.4%	-20.6%	-21.9%
Materials	XLB	10.4%	11.0%	11.9%	12.0%	-14.2%	-19.6%	-21.0%
Industrials	XLI	10.4%	11.9%	11.8%	12.6%	-6.9%	-10.0%	-8.2%
Transports	IYT	14.0%	14.1%	13.3%	16.8%	-6.5%	-5.4%	-5.2%
WTI Crude Oil	USO	26.2%	36.3%	34.6%	29.8%	2.4%	-15.0%	-17.8%
Natural Gas	UNG	58.8%	54.6%	47.5%	47.0%	-3.8%	-5.0%	6.0%
Gold	GLD	12.5%	13.5%	13.2%	13.9%	-2.7%	-8.3%	-7.6%
Silver	SLV	22.7%	24.0%	23.9%	21.3%	-13.0%	-13.9%	-14.4%
Copper	JJC	25.0%	26.3%	23.3%	28.7%	8.3%	5.1%	12.8%
Corn	CORN	13.4%	16.6%	18.3%	16.3%	-5.9%	-9.4%	-19.7%
Soybeans	SOYB	18.4%	16.5%	15.8%	26.7%	20.2%	24.0%	20.0%
Wheat	WEAT	18.9%	18.0%	19.1%	28.7%	-17.7%	-5.4%	-8.3%
Sugar	SGG	34.9%	33.2%	32.2%	30.1%	-1.2%	-5.3%	-11.2%

**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*

IMPLIED** VS. REALIZED VOLATILITY

	30 Day			60 Day			3 Month		
		Z-Score			Z-Score			Z-Score	
Ticker	Premium	TTM	3Yr	Premium	TTM	3Yr	Premium	TTM	3Yr
SPX	24.7%	0.32	0.58	24.5%	0.67	0.75	27.1%	1.03	0.86
RTY	12.4%	0.46	0.33	1.1%	0.00	-0.38	11.3%	0.67	0.06
NDX	30.5%	0.68	0.98	9.1%	0.11	0.19	24.7%	0.97	0.97
UUP	-5.6%	-0.84	-0.77	12.5%	-0.01	-0.11	27.9%	1.05	0.63
XLE	36.8%	1.86	1.54	-6.5%	-0.09	-0.51	-7.2%	0.04	-0.50
XOP	38.4%	1.76	1.87	-17.8%	-0.95	-1.17	-12.2%	-0.34	-0.67
XLB	15.6%	0.25	0.26	19.6%	0.82	0.60	17.7%	1.11	0.58
XLI	21.0%	0.37	0.58	5.7%	0.06	0.02	14.1%	0.79	0.50
IYT	20.3%	0.31	0.55	21.2%	0.59	0.78	36.1%	1.74	1.93
USO	2.4%	0.57	0.31	-16.4%	-0.92	-1.22	-11.7%	-0.52	-0.87
UNG	-20.4%	-1.58	-0.96	-19.1%	-1.41	-1.02	-9.3%	-0.82	-0.63
GLD	11.2%	0.30	0.20	8.2%	0.33	0.16	10.1%	0.54	0.31
SLV	-6.1%	-0.88	-0.83	-5.7%	-1.26	-0.95	-2.7%	-1.10	-0.87
JJC	14.3%	-0.09	-0.04	0.9%	-0.35	-0.40	21.8%	0.31	0.42
CORN	21.9%	0.28	0.10	3.3%	-0.53	-0.86	-4.8%	-0.87	-1.24
SOYB	52.6%	0.27	0.14	160.6%	2.49	2.19	199.3%	2.11	2.76
WEAT	58.9%	-0.15	0.06	148.7%	1.54	1.56	158.0%	2.70	2.25
SGG	-13.8%	-0.80	-0.56	-9.4%	-0.70	-0.29	-6.8%	-0.30	-0.01

*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	$83.69	-0.31%	2.81%	2.81%
Financial Select Sector	XLF	$23.04	-0.43%	-0.90%	-0.90%
Health Care Select Sector	XLV	$70.02	-0.64%	1.57%	1.57%
Technology Select Sector	XLK	$49.53	-0.14%	2.42%	2.42%
Consumer Staples Select Sector	XLP	$52.24	-0.36%	1.02%	1.02%
Industrial Select Sector	XLI	$63.43	0.73%	1.94%	1.94%
Materials Select Sector	XLB	$50.64	-0.63%	1.89%	1.89%
The Energy Select Sector	XLE	$74.26	-0.55%	-1.41%	-1.41%
Utilities Select Sector	XLU	$48.55	-0.88%	-0.04%	-0.04%
S&P 500	SPX	2,263.69	-0.36%	1.11%	1.11%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.69	0.05%	1.70%	1.70%
Financial Select Sector	XLF	$23.04	-0.07%	-2.01%	-2.01%
Health Care Select Sector	XLV	$70.02	-0.28%	0.46%	0.46%
Technology Select Sector	XLK	$49.53	0.22%	1.31%	1.31%
Consumer Staples Select Sector	XLP	$52.24	0.00%	-0.09%	-0.09%
Industrial Select Sector	XLI	$63.43	1.09%	0.83%	0.83%
Materials Select Sector	XLB	$50.64	-0.27%	0.78%	0.78%
The Energy Select Sector	XLE	$74.26	-0.19%	-2.52%	-2.52%
Utilities Select Sector	XLU	$48.55	-0.52%	-1.15%	-1.15%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.7%	-0.8%	-0.3%	7.4%	7.1%	0.7%
	Low Debt/EV	-0.5%	-0.4%	0.4%	3.6%	2.4%	1.9%
SI	High Short Interest	-0.7%	-0.7%	-0.7%	4.7%	5.5%	1.1%
	Low Short Interest	-0.3%	-0.3%	0.5%	6.8%	5.9%	1.6%
BETA	High Beta	-0.6%	-1.4%	-0.1%	10.9%	16.6%	1.6%
	Low Beta	-0.7%	0.1%	0.0%	1.3%	-4.7%	0.3%
YIELD	High Yield	-0.8%	-0.7%	-1.2%	2.8%	-0.7%	-0.2%
	Low Yield	-0.5%	-0.6%	1.3%	4.3%	5.7%	2.4%
MKT CAP	MCAP Bottom 25%	-0.8%	-0.8%	-1.1%	3.6%	1.7%	0.7%
	MCAP Top 25%	-0.1%	-0.3%	0.6%	7.8%	8.0%	1.6%
Sales	Top 25% Sales Growth	-0.4%	-0.6%	0.9%	4.1%	5.4%	2.1%
	Bottom 25% Sales Growth	-0.6%	-0.4%	-0.5%	5.0%	2.8%	1.0%
EPS	Top 25% EPS Growth	-0.5%	-0.6%	0.9%	7.3%	9.0%	2.0%
	Bottom 25% EPS Growth	-0.6%	-0.5%	-0.8%	4.5%	2.3%	0.7%

**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%	-2.0	-2.0	-1	17	-5	35	38	40
3M LIBOR	1.03%	0.0	0.7	3	15	0	42	59	63
2Y T-Note	1.23%	0.0	2.8	1	40	-7	73	56	71
5Y T-Note	1.96%	2.5	6.6	-8	71	-16	107	46	67
10Y T-Note	2.46%	4.4	7.8	-8	72	-17	115	31	34
30Y T-Note	3.03%	3.3	5.8	-9	54	-18	95	12	1
2Y-10Y Spread, Bps	124	3.1	3.6	-10.3	30	-10	42	-25	-38
IG SPREAD (AAABBB)	1.52%	0.0	0.0	-2	-4	-78	5	-17	-25
HIGH YIELD	6.25%	3.7	9.9	-27	-3	-308	20	-39	-35
5Y BREAKEVEN	1.95%	3.1	3.4	13.0	36.3	-0.1	109.9	40.0	23.3

CFTC NON-COMMERCIAL NET LONG POSITIONING

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)	14,181	(67,243)	(16,460)	59,714	(3,999)	0.14X	0.46X
Russell 2000 (mini)	83,293	(10,479)	42,219	25,015	(11,615)	2.10X	3.40X
10Y Treasury	(386,239)	(32,670)	(158,438)	(30,226)	(19,844)	-2.65X	-3.29X
CRUDE OIL	483,875	(15,160)	427,395	386,309	360,522	1.74X	2.03X
GOLD	54,399	19,839	102,192	172,985	170,037	-1.46X	-0.60X
COPPER	47,633	3,259	36,680	14,730	(4,185)	1.74X	2.86X
$USD	53,060	(1,235)	52,603	34,880	27,127	1.50X	0.77X
JPY	(81,368)	3,412	(19,896)	16,241	33,069	-2.77X	-0.83X
EUR	(60,431)	2,716	(103,113)	(101,436)	(80,039)	0.58X	0.61X
GBP	(62,642)	(2,533)	(71,530)	(77,874)	(59,270)	-0.15X	-1.10X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/19) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-7%	21%	13%	34%
Total Exchange Volume**	1%	3%	-12%	-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	-0.45	-0.34	0.81	0.72	0.76	*0.95*	*-0.91*	*48%*	*52%*
BRENT Oil	0.36	0.25	0.61	0.68	0.52	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.77	-0.69	0.85	0.68	0.55	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.90	-0.83	-0.95	-0.97	-0.81	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*