THE MACRO SHOW

FEBRUARY 6, 2017

LEGAL

DISCLAIMER

Hedgeye Risk Management is a registered investment advisor, registered with the State of Connecticut. Hedgeye Risk Management is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security. This research is presented without regard to individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice. This presentation is based on information from sources believed to be reliable. Hedgeye Risk Management is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of Hedgeye Risk Management, and are intended solely for the use of Hedgeye Risk Management's clients and subscribers. In reaching these opinions and conclusions, Hedgeye Risk Management and its employees have relied upon research conducted by Hedgeye Risk Management's employees, which is based upon sources considered credible and reliable within the industry. Hedgeye Risk Management is not responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is intended solely for the use of its recipient. Re-distribution or republication of this report and its contents are prohibited. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Use at www.hedgeye.com.

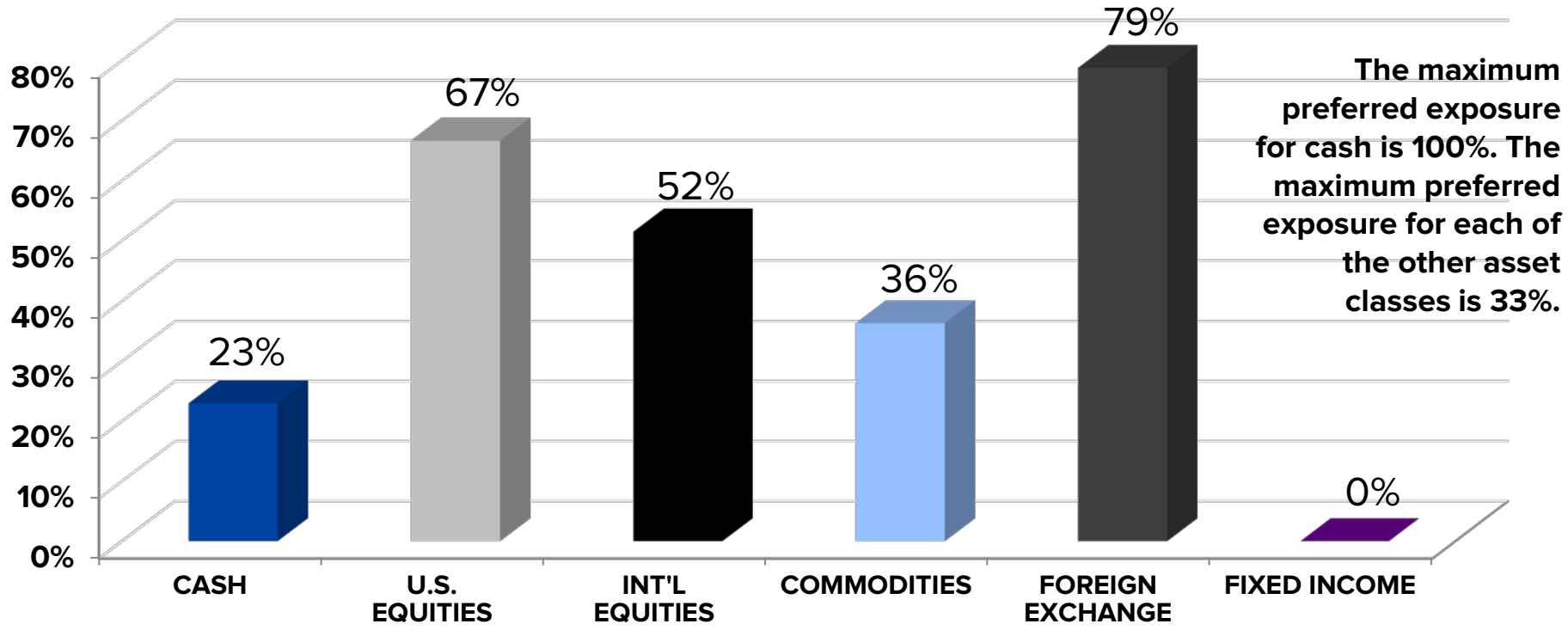
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/3/2017	21	23	18	12	26	0
2/6/2016	23	22	17	12	26	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/3/2017	21%	70%	55%	36%	79%	0%
2/6/2016	23%	67%	52%	36%	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



February 6, 2017

THE MACRO SHOW

HEDGEYE TV

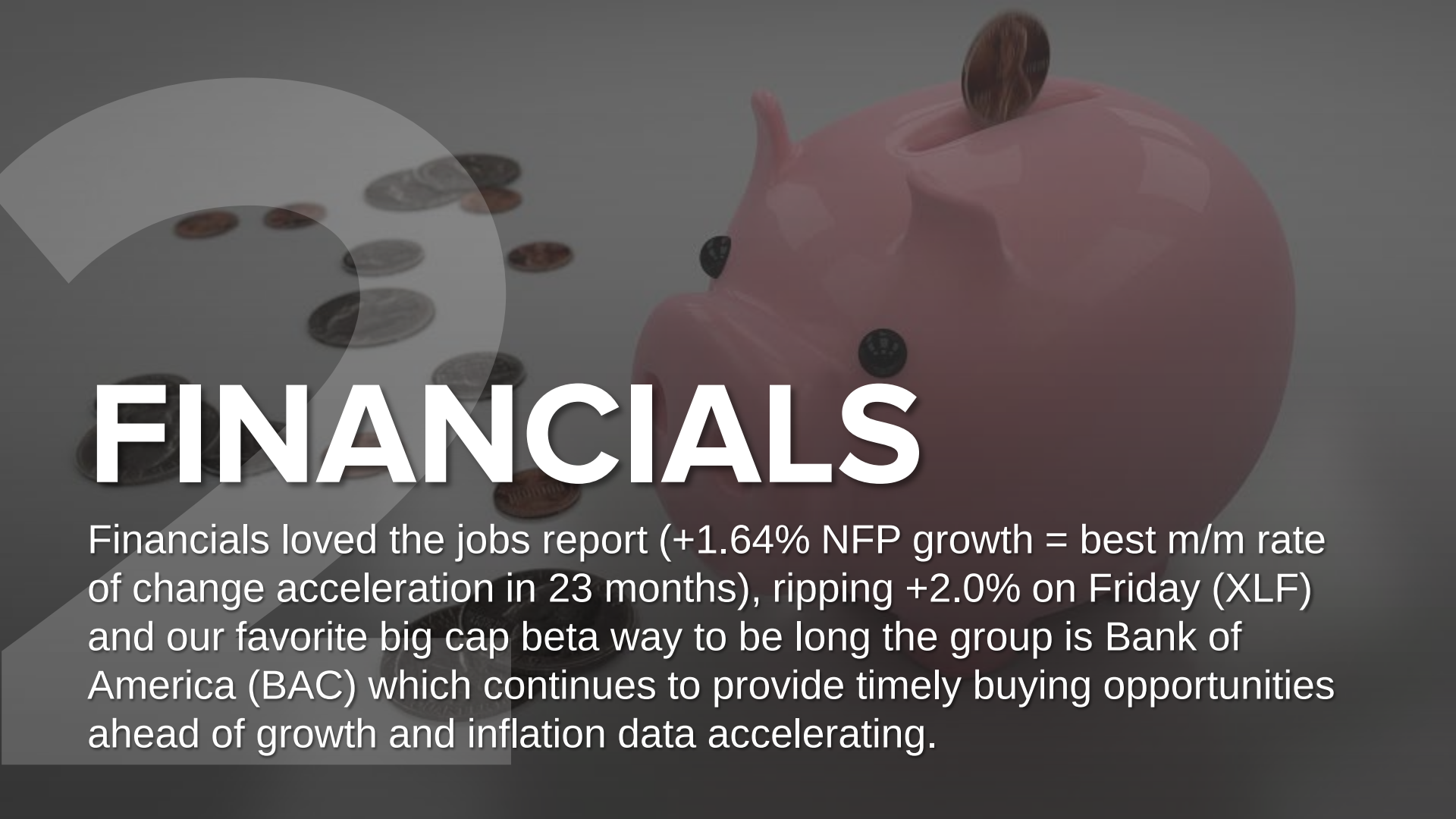
1 NASDAQ

2 FINANCIALS

3 COPPER

NASDAQ

What a run the Nasdaq has had, ramping to yet another all-time closing high (5,666) after a USA ***#JobsAccelerating*** report on Friday. In fake news, mainstream media opted to whine about “wage growth” when 80% of non-supervisory workers in the U.S. saw wage growth accelerate just inside of +3% (private payrolls).



FINANCIALS

Financials loved the jobs report (+1.64% NFP growth = best m/m rate of change acceleration in 23 months), ripping +2.0% on Friday (XLF) and our favorite big cap beta way to be long the group is Bank of America (BAC) which continues to provide timely buying opportunities ahead of growth and inflation data accelerating.

COPPER

After correcting -2.7% last week, copper bounces +0.9% this morning and remains one of the obvious components of the ***#inflationaccelerating*** story that we should continue to see for at least the next 3 months. The Fed will be chasing these inflation reports as they're currently too dovish.

MACRO GRIND

COPPER CONTINUOUS CONTRACT

February 6, 2017

THE MACRO SHOW

HEDGEYE TV

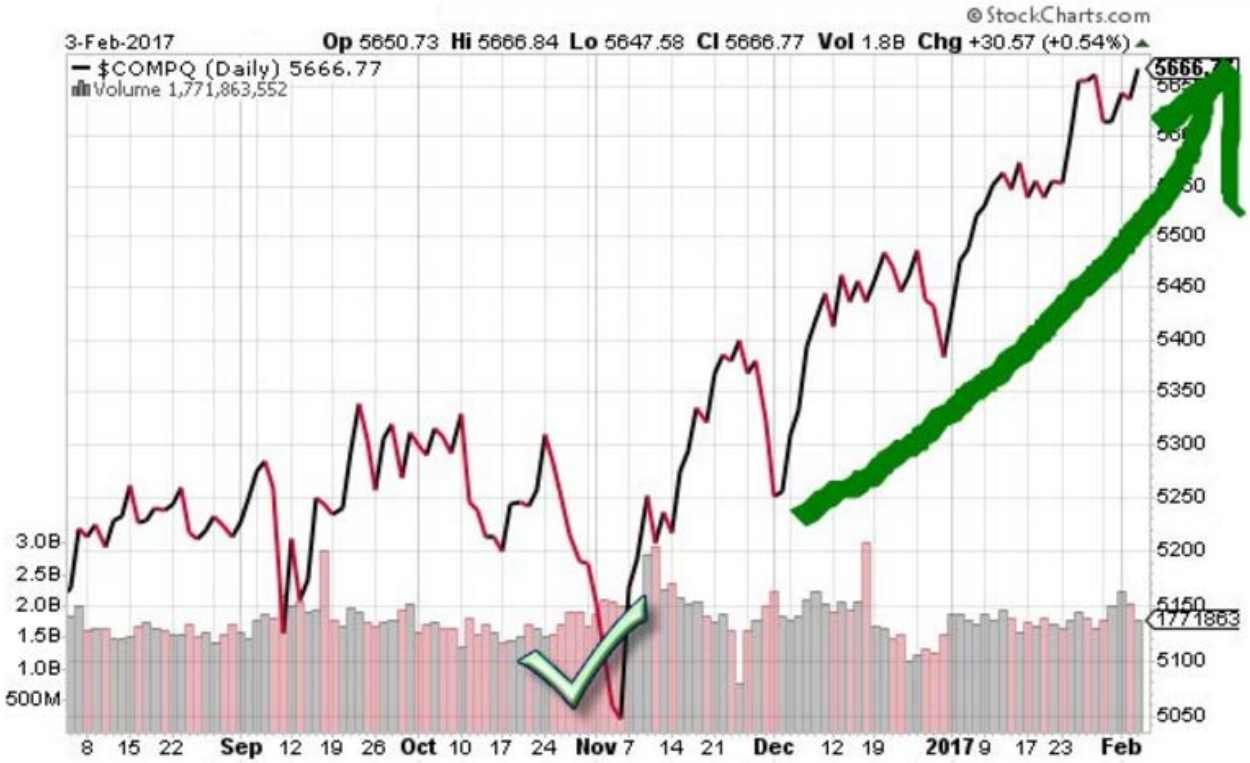
FTSE MIB (MILAN) INDEX

February 6, 2017

THE MACRO SHOW

HEDGEYE TV

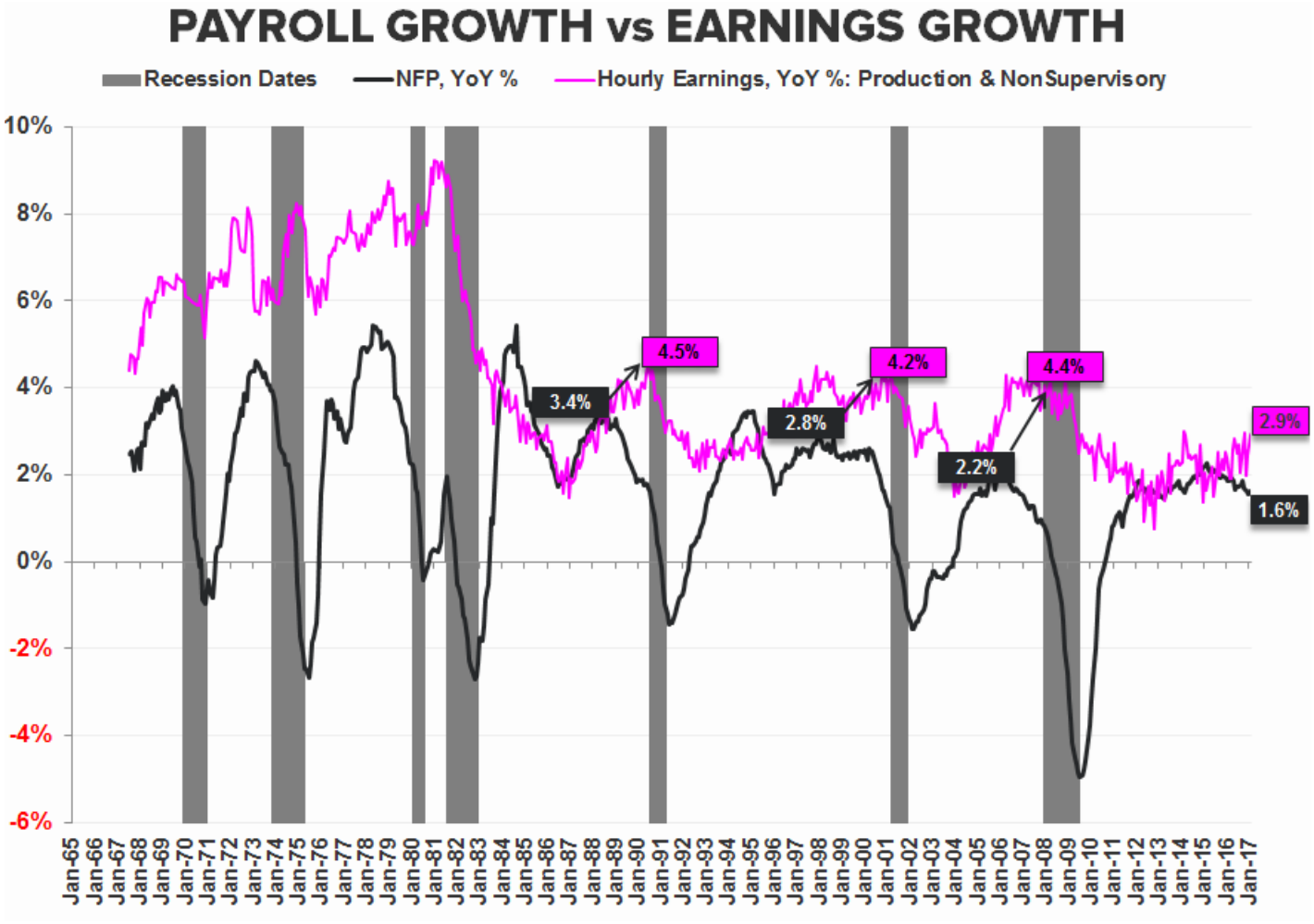
NASDAQ COMPOSITE INDEX

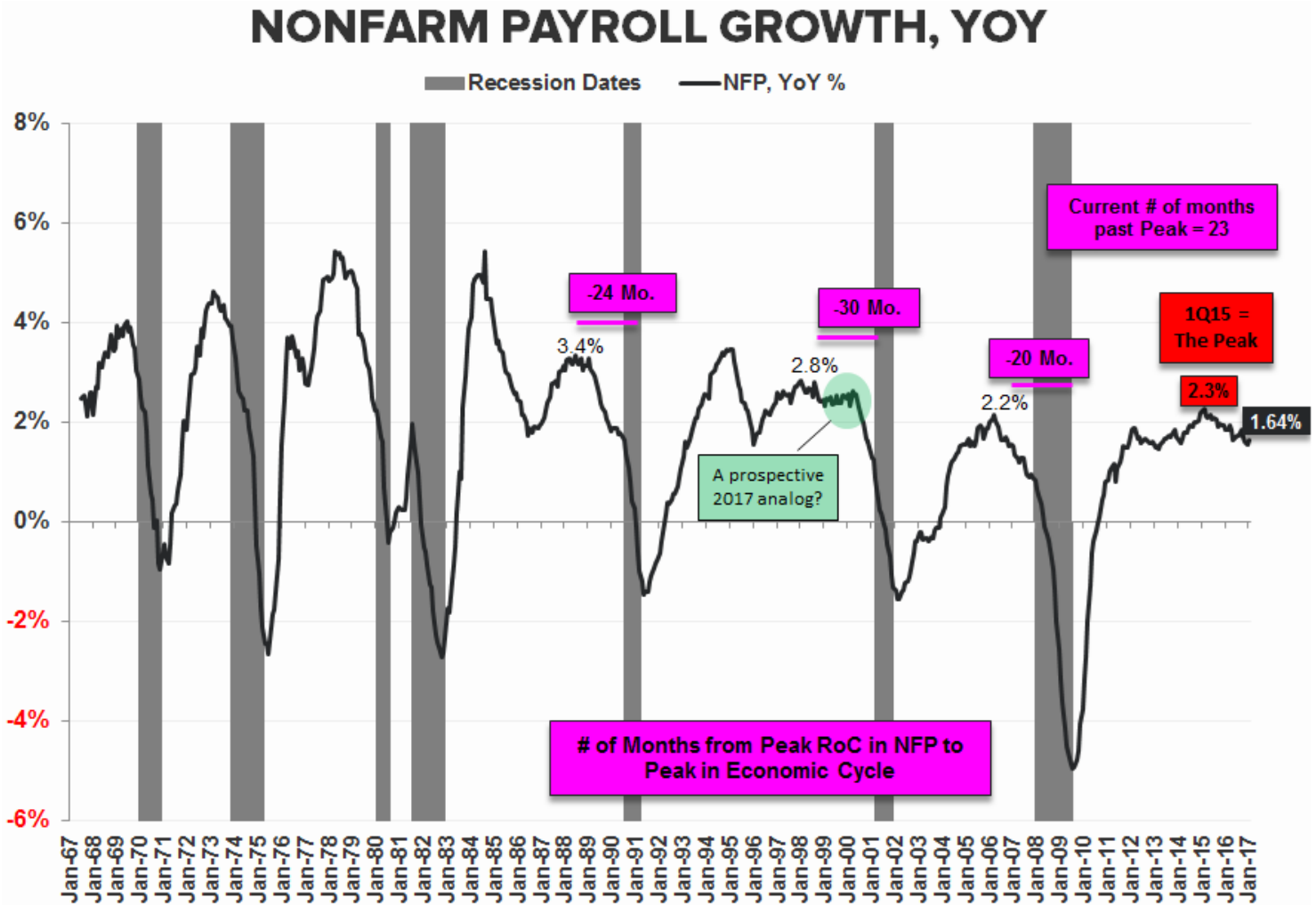


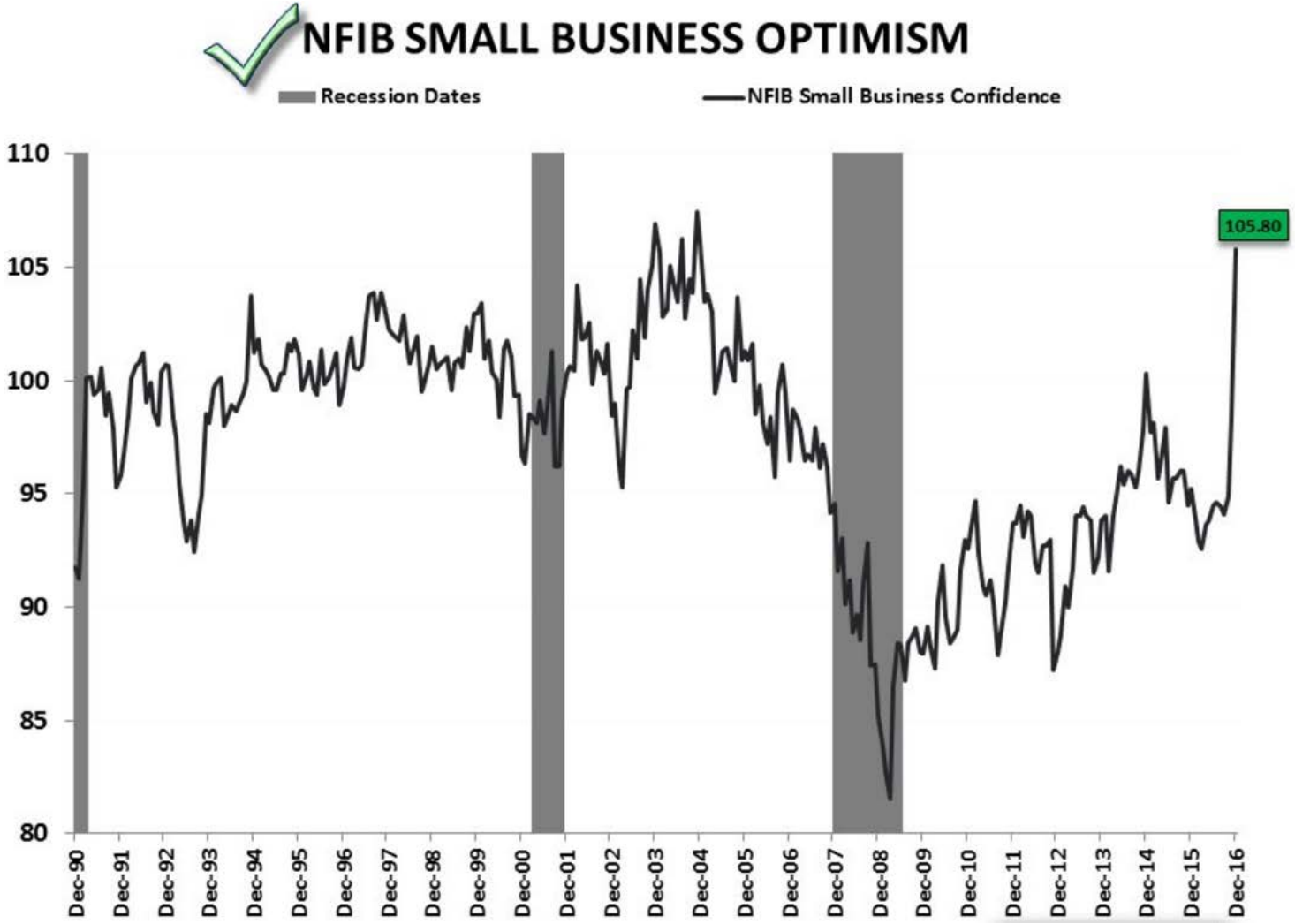
February 6, 2017

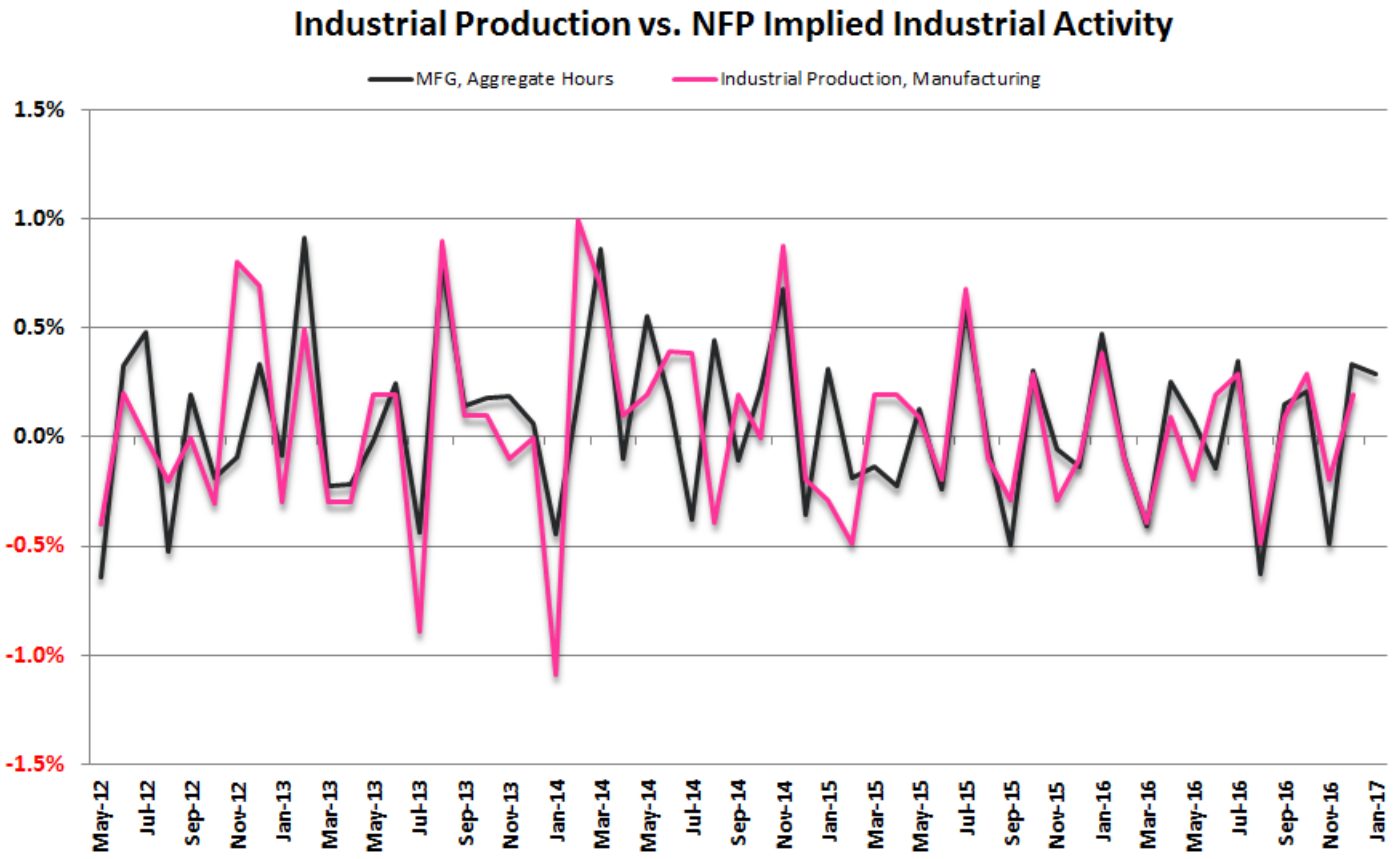
THE MACRO SHOW

HEDGEYE TV

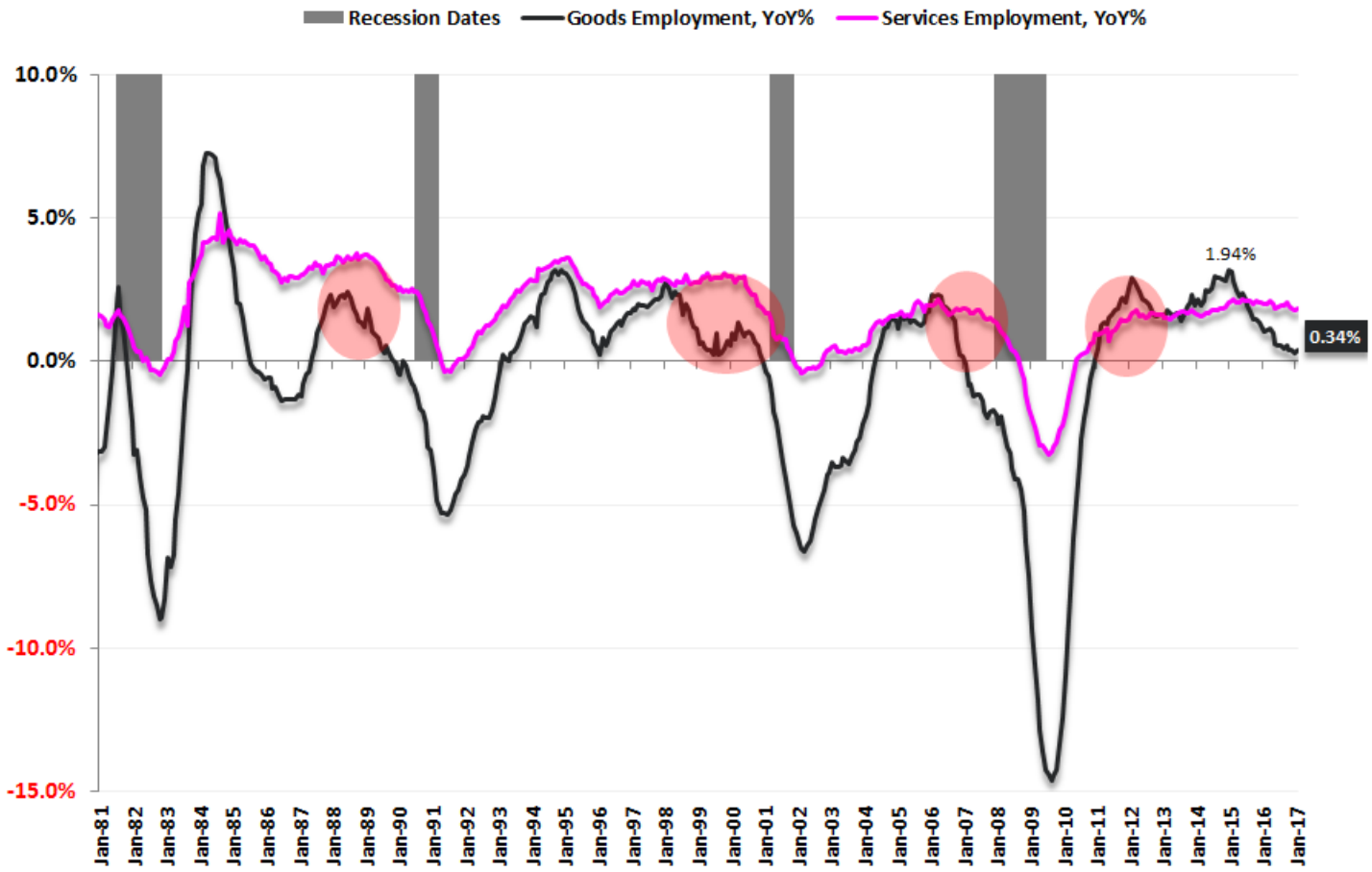

PAYROLL GROWTH vs EARNINGS GROWTH
Recession Dates
NFP, YoY %
Hourly Earnings, YoY %: Production & NonSupervisory
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
3.4%
4.5%
2.8%
4.2%
2.2%
4.4%
2.9%
1.6%
Jan-65
Jan-66
Jan-67
Jan-68
Jan-69
Jan-70
Jan-71
Jan-72
Jan-73
Jan-74
Jan-75
Jan-76
Jan-77
Jan-78
Jan-79
Jan-80
Jan-81
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17


NONFARM PAYROLL GROWTH, YOY
Recession Dates
NFP, YoY %
8%
6%
4%
2%
0%
-2%
-4%
-6%
-24 Mo.
3.4%
-30 Mo.
2.8%
-20 Mo.
2.2%
Current # of months past Peak = 23
1Q15 = The Peak
2.3%
1.64%
A prospective 2017 analog?
# of Months from Peak RoC in NFP to Peak in Economic Cycle
Jan-67
Jan-68
Jan-69
Jan-70
Jan-71
Jan-72
Jan-73
Jan-74
Jan-75
Jan-76
Jan-77
Jan-78
Jan-79
Jan-80
Jan-81
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17

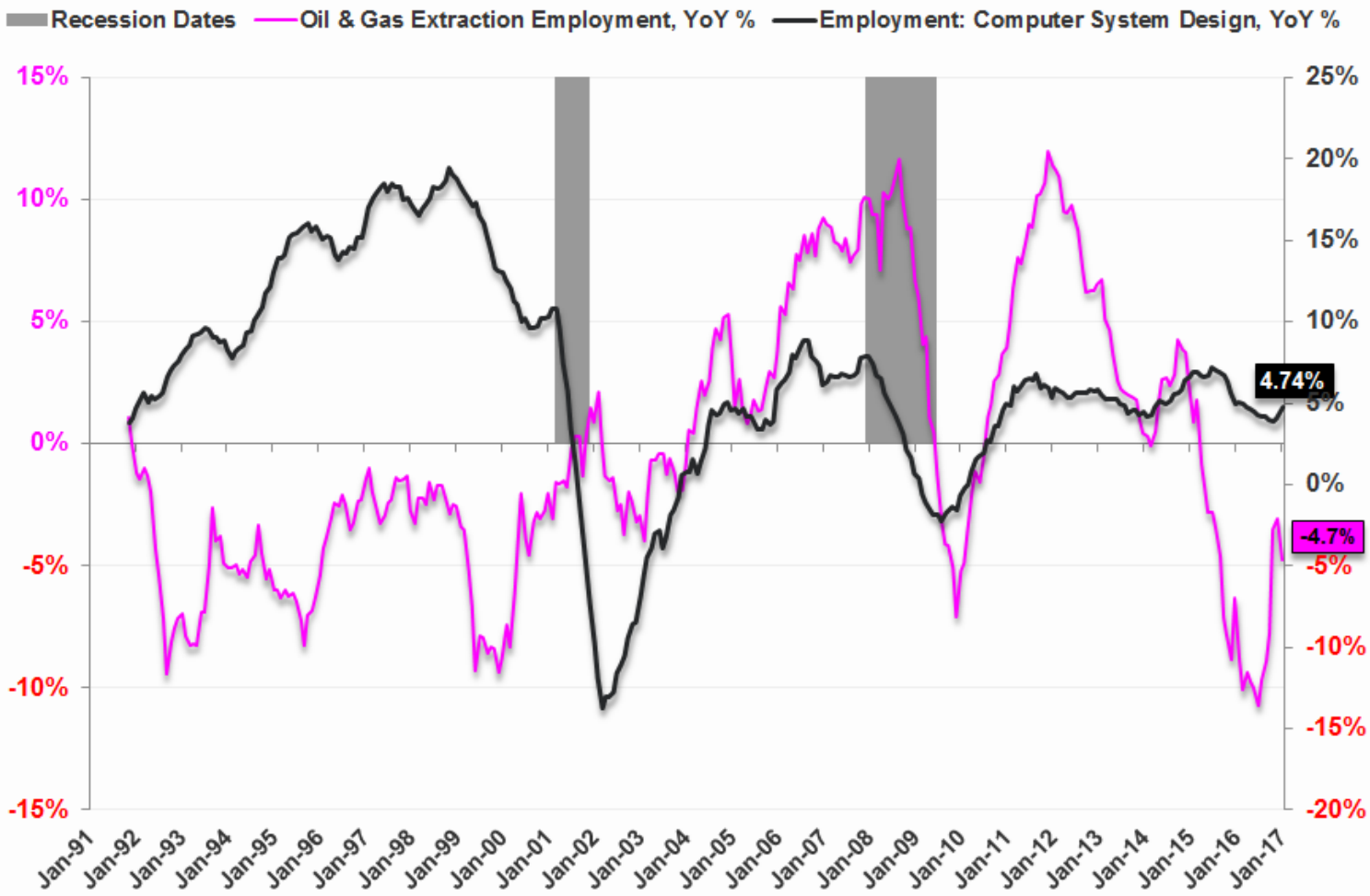

NFIB SMALL BUSINESS OPTIMISM
Recession Dates
NFIB Small Business Confidence
105.80
110
105
100
95
90
85
80
Dec-90
Dec-91
Dec-92
Dec-93
Dec-94
Dec-95
Dec-96
Dec-97
Dec-98
Dec-99
Dec-00
Dec-01
Dec-02
Dec-03
Dec-04
Dec-05
Dec-06
Dec-07
Dec-08
Dec-09
Dec-10
Dec-11
Dec-12
Dec-13
Dec-14
Dec-15
Dec-16

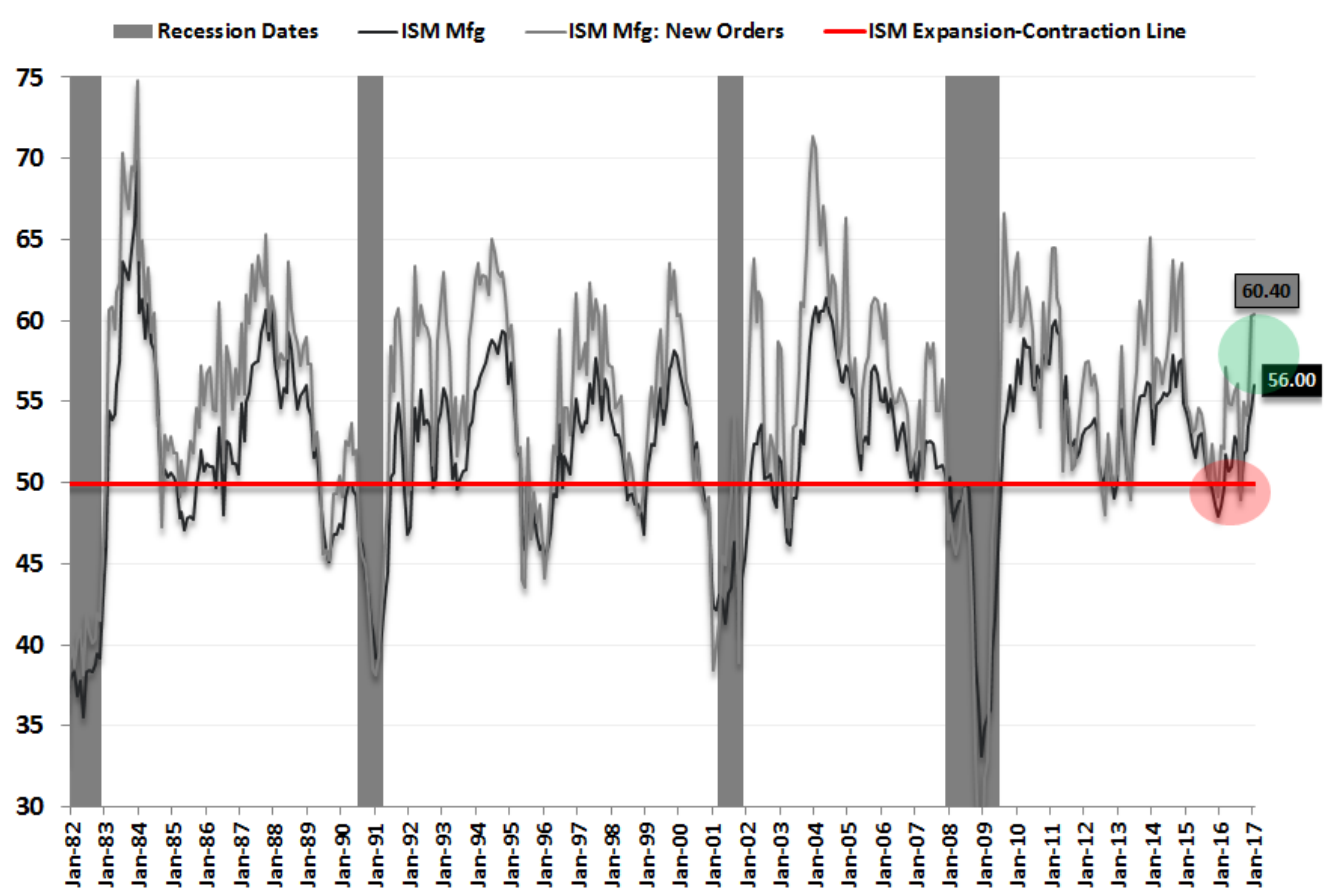

Industrial Production vs. NFP Implied Industrial Activity
MFG, Aggregate Hours
Industrial Production, Manufacturing
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Jul-14
Sep-14
Nov-14
Jan-15
Mar-15
May-15
Jul-15
Sep-15
Nov-15
Jan-16
Mar-16
May-16
Jul-16
Sep-16
Nov-16
Jan-17

NFP: Goods vs Services Employment



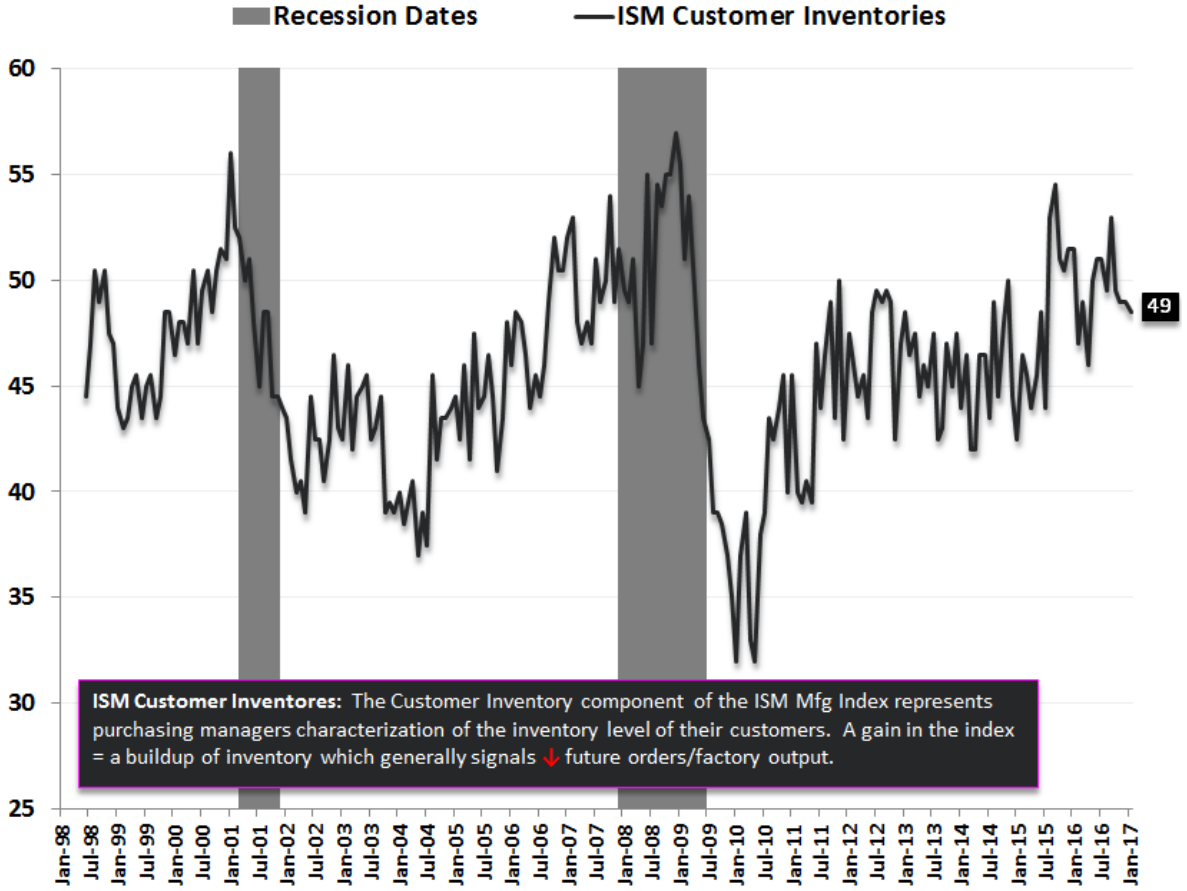
EMPLOYMENT: TECH vs ENERGY



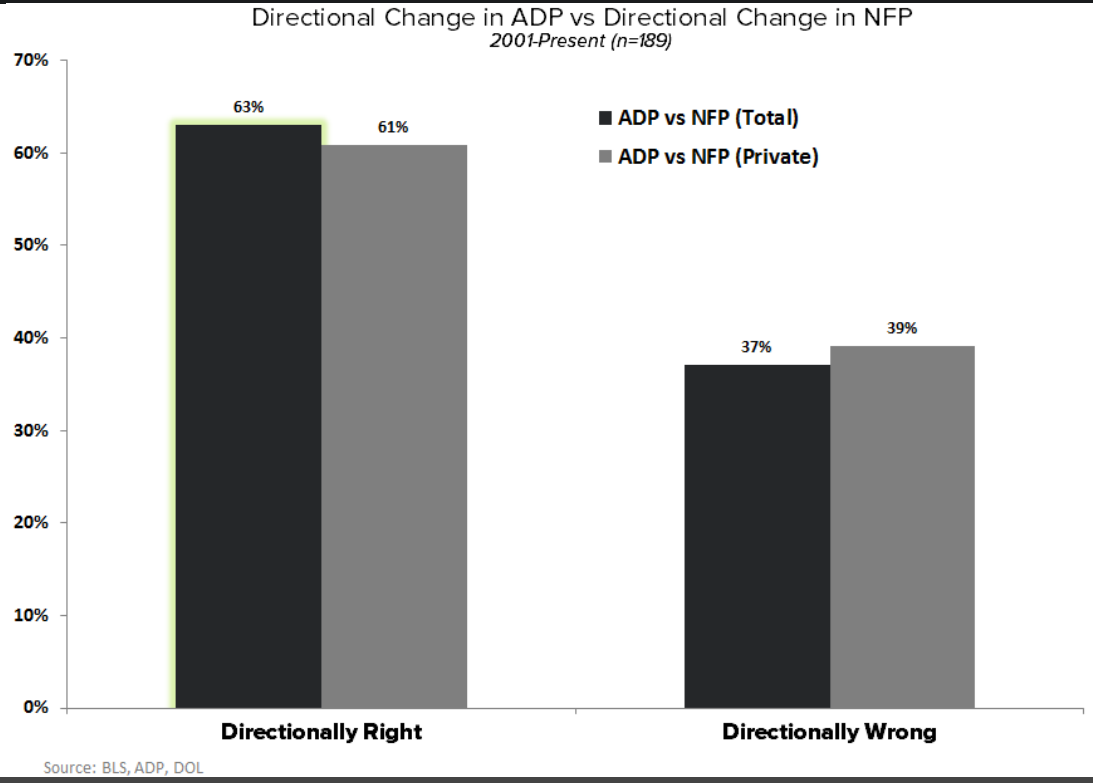


ACCELERATION:

ISM NEW ORDERS HIGHEST SINCE DEC 2014


Recession Dates
ISM Customer Inventories
60
55
50
45
40
35
30
25
49
ISM Customer Inventores: The Customer Inventory component of the ISM Mfg Index represents purchasing managers characterization of the inventory level of their customers. A gain in the index = a buildup of inventory which generally signals ↓ future orders/factory output.
Jan-98
Jul-98
Jan-99
Jul-99
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
Jul-06
Jan-07
Jul-07
Jan-08
Jul-08
Jan-09
Jul-09
Jan-10
Jul-10
Jan-11
Jul-11
Jan-12
Jul-12
Jan-13
Jul-13
Jan-14
Jul-14
Jan-15
Jul-15
Jan-16
Jul-16
Jan-17

NFP VS ADP


Directional Change in ADP vs Directional Change in NFP
2001-Present (n=189)
70%
60%
50%
40%
30%
20%
10%
0%
63%
61%
37%
39%
ADP vs NFP (Total)
ADP vs NFP (Private)
Directionally Right
Directionally Wrong
Source: BLS, ADP, DOL

EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	4.2%	5.5%	274 / 500
Energy	3.0%	-6.2%	15 / 35
Materials	6.2%	7.5%	15 / 25
Industrials	3.0%	-6.0%	45 / 67
Consumer Discretionary	7.3%	-2.8%	30 / 81
Consumer Staples	-0.3%	5.9%	15 / 37
Healthcare	4.6%	8.3%	36 / 60
Financials	5.2%	9.5%	51 / 63
Information Technology	7.0%	9.3%	43 / 66
Telecom	-2.9%	0.8%	2 / 5
Utilities	3.9%	21.6%	7 / 28
Real Estate	-0.8%	2.0%	14 / 29

Source: BBG

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	6.4%	7.1%	8.3%	10.0%	3.9%	-10.2%	-13.7%	SPX	34.9%	0.57	0.92	48.2%	1.61	1.84	36.3%	1.47	1.33
Russell 2000	RTY	13.8%	15.5%	15.5%	16.4%	2.1%	-4.3%	-2.8%	RTY	12.6%	0.46	0.34	9.2%	0.50	0.10	12.7%	0.80	0.16
Nasdaq 100	NDX	8.2%	10.7%	11.2%	11.7%	-5.9%	-16.2%	-16.6%	NDX	29.3%	0.59	0.91	16.2%	0.46	0.57	18.3%	0.61	0.61
USD Index	UUP	8.0%	8.2%	7.4%	8.9%	-2.6%	-0.7%	6.7%	UUP	1.8%	-0.47	-0.48	11.9%	-0.07	-0.12	26.8%	0.92	0.58
Consumer Discret.	XLY	7.9%	9.7%	10.4%	12.0%	-2.3%	-10.3%	-11.2%	XLY	45.8%	1.25	1.59	31.3%	1.02	1.26	28.4%	1.09	1.21
Financials	XLF	13.6%	18.3%	16.6%	16.5%	-2.1%	-8.3%	-2.9%	XLF	15.2%	0.22	0.34	-9.6%	-0.42	-0.66	0.8%	0.15	-0.22
Healthcare	XLV	10.8%	13.2%	14.2%	12.3%	-7.2%	-16.9%	-14.2%	XLV	8.3%	0.00	0.21	-2.2%	-0.25	-0.22	-4.8%	-0.49	-0.50
Technology	XLK	8.0%	11.9%	11.5%	11.4%	-8.3%	-16.1%	-15.8%	XLK	23.8%	0.49	0.77	5.1%	0.05	0.05	16.2%	0.70	0.56
Consumer Staples	XLP	8.3%	11.3%	10.7%	10.7%	2.1%	-9.7%	-9.3%	XLP	24.7%	0.80	0.79	-4.4%	-0.48	-0.58	2.6%	-0.03	-0.24
Utilities	XLU	11.9%	17.6%	17.1%	14.3%	-0.5%	-11.1%	-10.0%	XLU	20.2%	1.27	1.40	-17.2%	-1.42	-1.20	-13.6%	-1.27	-1.07
Energy	XLE	12.0%	18.1%	18.2%	16.9%	0.1%	-10.8%	-13.4%	XLE	37.2%	1.73	1.52	-1.8%	0.31	-0.23	-0.3%	0.63	-0.12
Energy	XOP	17.3%	33.2%	31.6%	26.8%	-0.5%	-13.9%	-16.5%	XOP	47.4%	2.00	2.28	-17.6%	-0.85	-1.12	-11.9%	-0.25	-0.63
Materials	XLB	12.1%	12.0%	12.1%	14.2%	6.6%	-2.4%	-6.4%	XLB	10.4%	0.05	0.07	21.1%	0.90	0.67	22.2%	1.36	0.80
Industrials	XLI	9.3%	11.3%	11.3%	12.6%	-0.6%	-7.8%	-7.5%	XLI	30.4%	0.67	0.94	16.2%	0.60	0.57	19.3%	1.14	0.81
Transports	IYT	13.6%	14.2%	13.5%	19.2%	7.7%	8.0%	7.7%	IYT	37.6%	0.85	1.26	36.4%	1.27	1.61	44.4%	2.08	2.42
WTI Crude Oil	USO	23.2%	34.1%	33.2%	28.6%	-2.4%	-16.2%	-19.6%	USO	-2.4%	0.81	0.55	-13.9%	-0.72	-1.07	-11.5%	-0.45	-0.85
Natural Gas	UNG	54.9%	52.8%	47.9%	43.3%	-4.7%	-11.6%	-2.5%	UNG	-19.1%	-1.44	-0.90	-17.4%	-1.21	-0.94	-10.2%	-0.84	-0.64
Gold	GLD	11.1%	13.3%	13.4%	13.5%	-1.1%	-10.1%	-9.2%	GLD	15.4%	0.51	0.40	-0.7%	-0.29	-0.36	0.8%	-0.13	-0.30
Silver	SLV	16.8%	24.1%	23.4%	22.0%	-2.0%	-9.8%	-9.9%	SLV	28.4%	1.95	0.47	-7.6%	-1.37	-1.03	-3.0%	-1.06	-0.88
Copper	JJC	25.6%	27.0%	24.1%	24.6%	-5.5%	-12.5%	-4.5%	JJC	-9.8%	-0.42	-0.54	-10.4%	-0.62	-0.78	-1.7%	-0.45	-0.55
Corn	CORN	14.5%	17.3%	17.7%	17.0%	1.0%	-3.1%	-13.0%	CORN	16.8%	0.09	-0.14	2.0%	-0.55	-0.92	3.2%	-0.52	-0.84
Soybeans	SOYB	17.2%	16.5%	15.4%	24.0%	4.2%	8.1%	8.4%	SOYB	59.0%	0.44	0.25	127.0%	1.76	1.56	205.2%	2.14	2.84
Wheat	WEAT	19.9%	19.4%	19.7%	28.5%	-1.0%	-0.9%	-4.4%	WEAT	174.5%	1.55	1.55	44.1%	-0.38	-0.04	71.0%	0.38	0.59

*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	$84.49	-0.13%	-0.40%	3.80%
Financial Select Sector	XLF	$23.72	2.02%	1.76%	2.02%
Health Care Select Sector	XLV	$71.42	0.44%	1.28%	3.60%
Technology Select Sector	XLK	$50.69	0.66%	1.22%	4.82%
Consumer Staples Select Sector	XLP	$53.00	0.65%	0.78%	2.49%
Industrial Select Sector	XLI	$63.62	0.74%	0.38%	2.25%
Materials Select Sector	XLB	$52.08	0.17%	0.23%	4.79%
The Energy Select Sector	XLE	$73.40	0.87%	0.69%	-2.55%
Utilities Select Sector	XLU	$48.90	0.12%	-0.57%	0.68%
S&P 500	SPX	2,297.42	0.73%	0.81%	2.62%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$84.49	-0.86%	-1.21%	1.18%
Financial Select Sector	XLF	$23.72	1.30%	0.94%	-0.60%
Health Care Select Sector	XLV	$71.42	-0.29%	0.46%	0.98%
Technology Select Sector	XLK	$50.69	-0.07%	0.40%	2.20%
Consumer Staples Select Sector	XLP	$53.00	-0.08%	-0.03%	-0.12%
Industrial Select Sector	XLI	$63.62	0.02%	-0.44%	-0.37%
Materials Select Sector	XLB	$52.08	-0.55%	-0.58%	2.17%
The Energy Select Sector	XLE	$73.40	0.14%	-0.13%	-5.17%
Utilities Select Sector	XLU	$48.90	-0.60%	-1.38%	-1.94%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.9%	0.4%	0.8%	13.3%	8.7%	2.9%
	Low Debt/EV	0.6%	-0.4%	0.8%	7.4%	2.5%	2.5%
SI	High Short Interest	0.6%	-0.5%	-0.1%	10.6%	5.3%	1.7%
	Low Short Interest	0.9%	0.5%	1.7%	10.4%	6.4%	2.9%
BETA	High Beta	1.1%	-0.5%	1.4%	18.3%	16.4%	4.0%
	Low Beta	0.4%	0.8%	0.5%	4.7%	-2.3%	1.4%
YIELD	High Yield	0.6%	0.2%	-1.3%	6.7%	0.2%	0.0%
	Low Yield	0.7%	0.3%	1.1%	10.2%	4.5%	3.7%
MKT CAP	MCAP Bottom 25%	0.6%	-0.7%	-1.0%	8.2%	1.0%	0.9%
	MCAP Top 25%	0.8%	0.0%	1.4%	11.0%	8.2%	2.8%
Sales	Top 25% Sales Growth	0.8%	-0.6%	0.4%	9.9%	5.7%	2.8%
	Bottom 25% Sales Growth	0.4%	-0.2%	-0.5%	8.3%	1.5%	1.3%
EPS	Top 25% EPS Growth	0.9%	-0.5%	1.3%	13.4%	10.9%	3.7%
	Bottom 25% EPS Growth	0.6%	0.3%	-1.0%	7.7%	-0.3%	0.8%

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

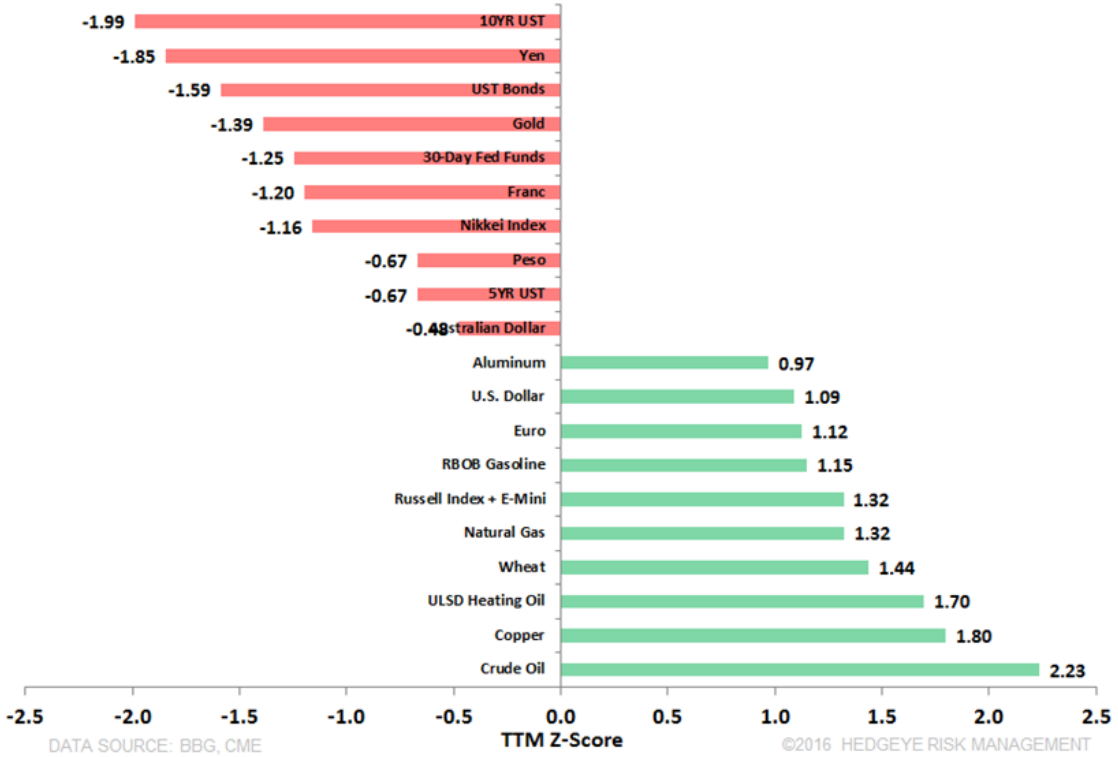
HEDGEYE RATES & SPREADS

	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	0.50%	0.0	-1.0	1	13	-6	34	36	39
3M LIBOR	1.03%	0.0	-0.5	3	15	-1	42	58	63
2Y T-Note	1.20%	-0.8	-2.1	-2	39	-10	70	52	68
5Y T-Note	1.91%	-1.3	-3.6	-3	65	-21	102	40	61
10Y T-Note	2.46%	-0.9	-2.0	2	65	-17	115	31	33
30Y T-Note	3.09%	0.3	3.1	4	49	-12	100	19	6
2Y-10Y Spread, Bps	127	-0.1	0.2	3.8	26	-7	45	-21	-34
IG SPREAD (AAABBB)	1.53%	1.0	2.0	6	-10	-77	6	-16	-23
HIGH YIELD	5.93%	-5.0	-24.5	-19	-52	-340	0	-71	-65
5Y BREAKEVEN	2.05%	-1.0	2.4	16.1	49.4	-2.4	119.5	49.4	32.7

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)	62,759	3,587	(12,525)	47,712	10,009	*0.45X*	*0.93X*
Russell 2000 (mini)	54,446	(21,798)	57,047	33,725	(4,598)	*1.25X*	*2.29X*
10Y Treasury	(349,557)	(66,458)	(246,265)	(80,234)	(40,797)	*-1.99X*	*-2.70X*
CRUDE OIL	543,830	16,996	448,054	411,228	376,673	*2.23X*	*2.69X*
GOLD	72,067	12,388	81,429	150,022	172,542	*-1.34X*	*-0.38X*
COPPER	56,942	6,912	49,536	20,250	986	*1.80X*	*3.01X*
$USD	46,452	(1,874)	51,848	38,318	27,360	*1.09X*	*0.46X*
JPY	(62,105)	8,763	(45,592)	3,748	26,436	*-1.85X*	*-0.51X*
EUR	(39,280)	6,938	(85,176)	(93,807)	(76,276)	*1.12X*	*0.97X*
GBP	(63,277)	(700)	(67,509)	(76,301)	(60,547)	*-0.13X*	*-1.08X*

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



February 6, 2017

THE MACRO SHOW

HEDGEYE TV

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (2/3) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	16%	23%	40%	72%
Total Exchange Volume**	-6%	-1%	-7%	-7%
Total Traded Value (R3K)***	-4%	2%	-3%	2%

*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 Rollin High	52-Wk Rollin Low
SPX	-0.38	-0.69	0.76	0.72	0.75	*0.95*	*-0.91*
BRENT Oil	-0.71	0.10	0.44	0.67	0.57	*0.77*	*-0.78*
CRB Index	-0.40	-0.84	0.73	0.67	0.58	*0.83*	*-0.89*
GOLD	-0.38	-0.90	-0.93	-0.97	-0.85	*0.90*	*-0.97*

**Days = Trading Days*

OTHER KEY METRICS

METRIC	PRICE	1D % Chg	5D % Chg	1M % Chg	3M % Chg	MTD % Chg	YTD % Chg
Brent Oil	$56.81	0.44%	2.32%	2.42%	22.57%	1.9%	0.2%
Gold	$1,220	0.36%	2.44%	5.30%	-6.33%	0.8%	6.3%
VIX	$10.97	-8.05%	3.69%	-14.63%	-50.32%	-8.5%	-21.9%