THE MACRO SHOW

MARCH 3, 2017

LEGAL

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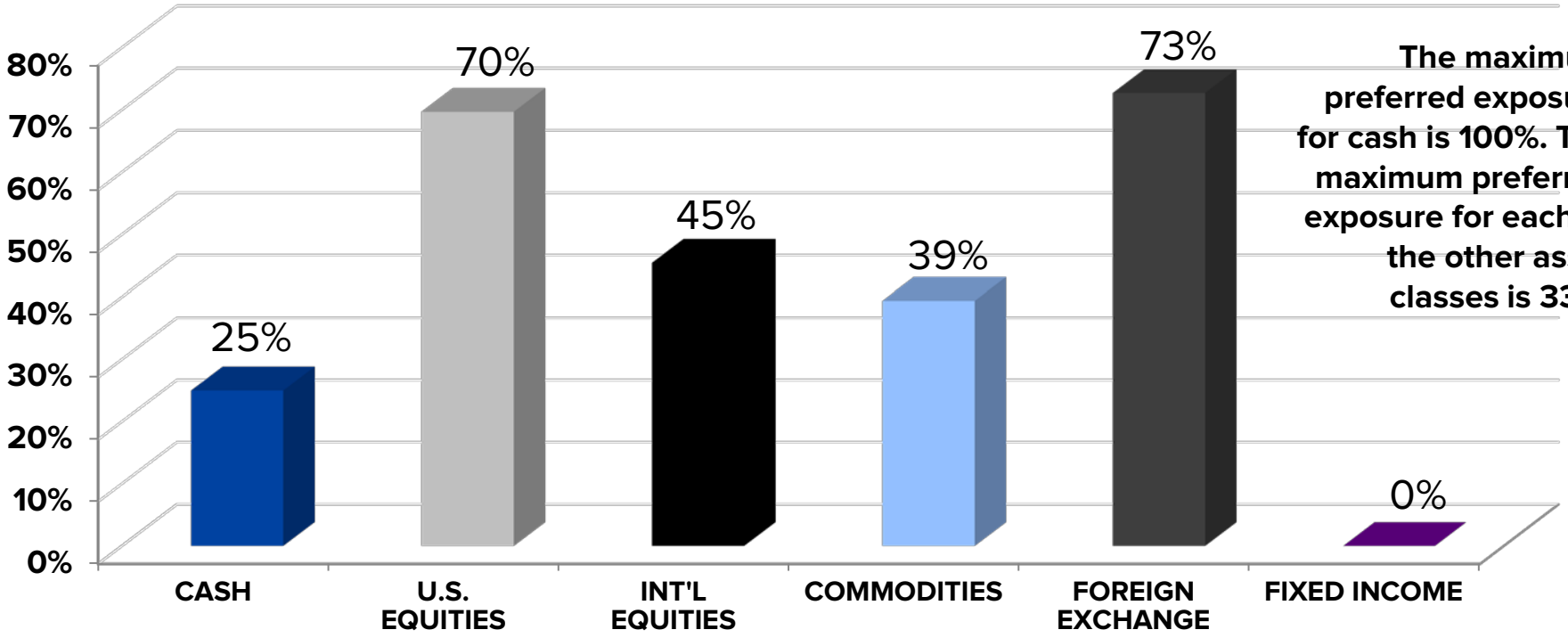
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/2/2017	29	21	14	13	23	0
3/3/2017	25	23	15	13	24	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/2/2017	29%	64%	42%	39%	70%	0%
3/3/2017	25%	70%	45%	39%	73%	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 USD

2 REFLATION

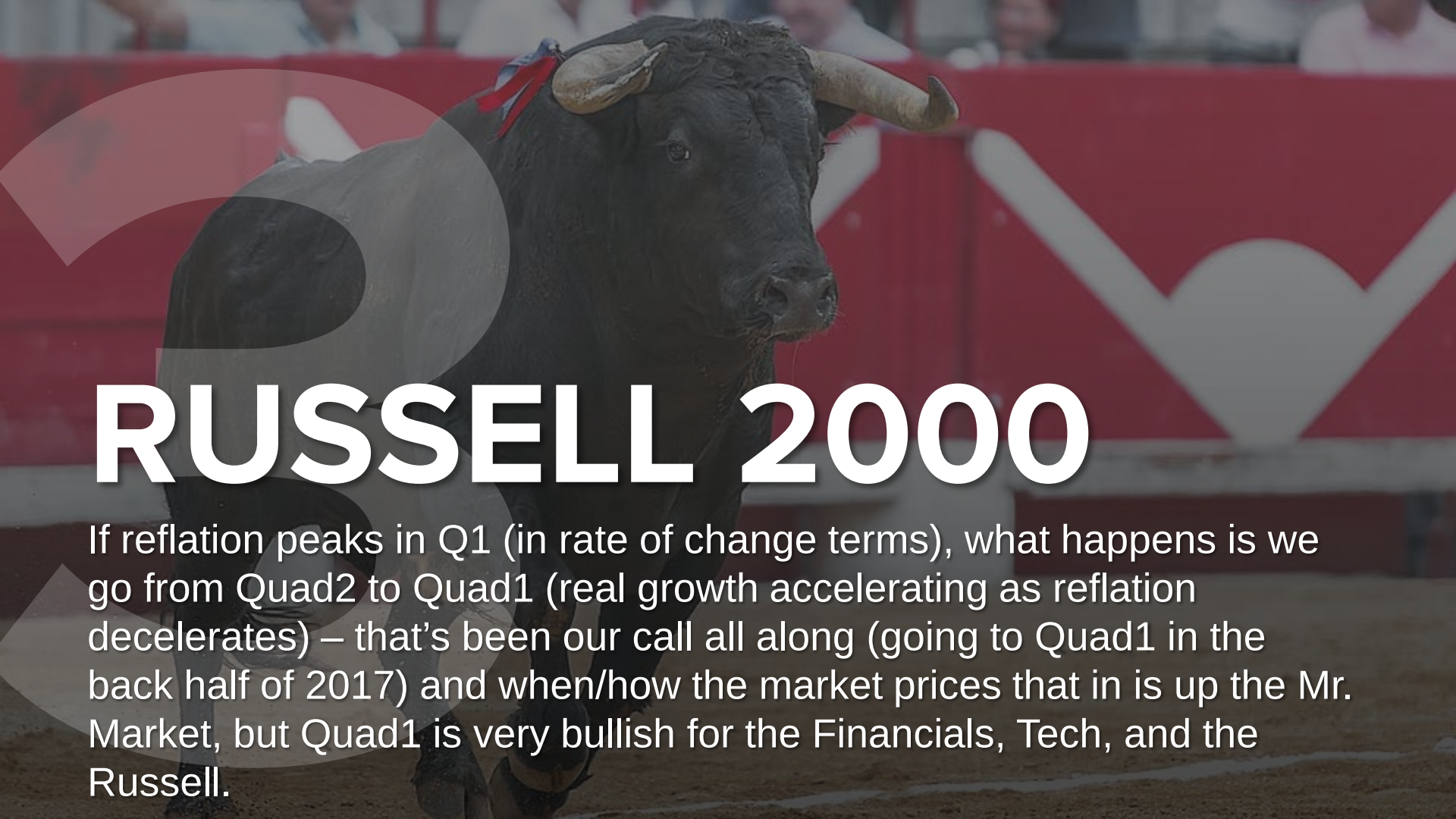
3 RUSSELL 2000

USD

The U.S. Dollar experienced a nice ramp this week to immediate-term TRADE overbought within its bullish intermediate-term TREND. That's 4 straight up weeks for ***#StrongDollar*** and we think consensus is finally starting to realize what **Dollar Up, Rates Up, Stocks Up** means for the U.S. economy (Quad2). It is a good day to buy Pounds and Canadian Dollars on oversold signals.

REFLATION

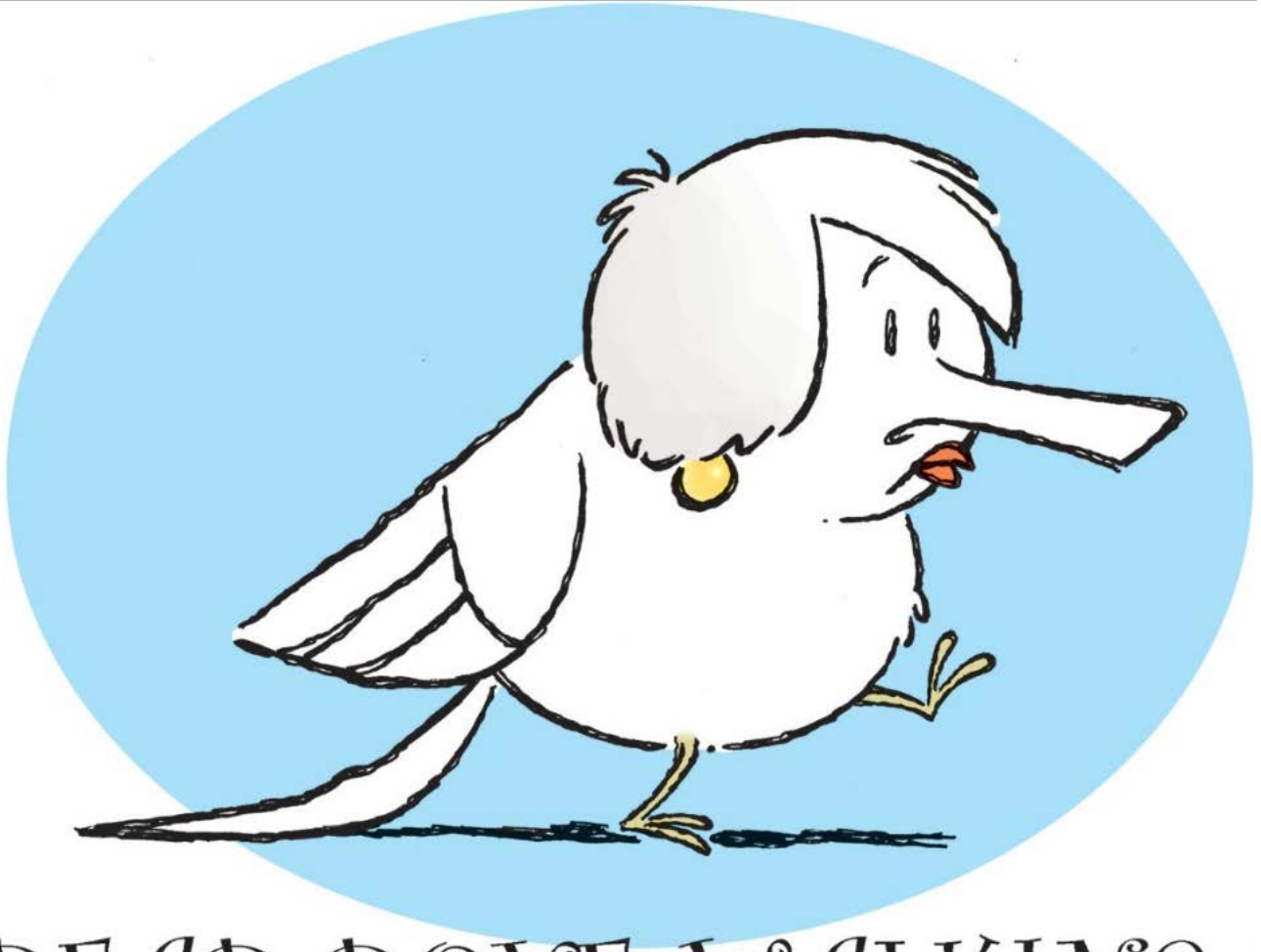
The old inverse correlation impact starting to wear on both Commodities in the aggregate (CRB Index down another -1.3% yesterday) and Oil/Energy exposures like Russia (RTSI) which just broke intermediate-term TREND support of 1015 this morning. Stay tuned on this one as our “Reflation’s Peak” Macro Theme has inflation peaking in Q1.



RUSSELL 2000

If reflation peaks in Q1 (in rate of change terms), what happens is we go from Quad2 to Quad1 (real growth accelerating as reflation decelerates) – that's been our call all along (going to Quad1 in the back half of 2017) and when/how the market prices that in is up the Mr. Market, but Quad1 is very bullish for the Financials, Tech, and the Russell.

MACRO GRIND



DEAD DOVE WALKING

REUTERS/JEFFERIES CRB INDEX

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RUSSIAN TRADING SYSTEM INDEX

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EURO STOXX 50 INDEX

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SHANGHAI STOCK EXCHANGE COMP

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EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	4.9%	6.4%	486 / 498
Energy	3.2%	-9.0%	34 / 34
Materials	4.0%	2.0%	25 / 25
Industrials	2.4%	-5.4%	67 / 67
Consumer Discretionary	7.9%	4.3%	73 / 80
Consumer Staples	2.6%	4.5%	36 / 37
Healthcare	5.1%	4.3%	58 / 60
Financials	5.7%	6.6%	64 / 64
Information Technology	7.1%	11.6%	65 / 66
Telecom	-1.7%	0.5%	5 / 5
Utilities	9.2%	114.5%	28 / 28
Real Estate	3.6%	11.4%	30 / 30

Source: BBG

	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	6.7%	7.1%	7.9%	10.6%	11.1%	5.3%	-7.5%	SPX	50.6%	0.90	1.40	64.0%	1.96	2.42	58.2%	2.26	2.33
Russell 2000	RTY	14.1%	14.4%	15.6%	16.6%	5.5%	1.8%	-2.2%	RTY	19.4%	0.72	0.66	20.4%	1.12	0.75	18.4%	1.27	0.53
Nasdaq 100	NDX	6.4%	7.8%	10.7%	11.9%	5.8%	-5.7%	-13.4%	NDX	73.8%	1.73	2.41	62.4%	2.43	2.86	32.5%	1.31	1.39
USD Index	UUP	5.9%	7.8%	7.4%	7.6%	-9.4%	-14.3%	-10.5%	UUP	29.3%	0.73	0.55	1.5%	-0.62	-0.54	17.9%	0.32	0.17
Consumer Discret.	XLY	7.4%	9.4%	10.2%	11.8%	3.8%	-5.3%	-11.9%	XLY	55.5%	1.25	1.78	29.9%	0.88	1.14	29.4%	1.10	1.23
Financials	XLF	14.6%	14.6%	17.1%	16.7%	4.5%	-2.9%	-3.8%	XLF	19.6%	0.37	0.51	17.9%	0.60	0.61	7.6%	0.62	0.16
Healthcare	XLV	9.6%	9.5%	13.1%	12.8%	7.4%	-3.4%	-10.3%	XLV	33.1%	0.94	1.24	37.5%	1.90	2.01	3.6%	0.12	0.06
Technology	XLK	7.3%	8.8%	11.2%	11.9%	4.6%	-5.6%	-11.8%	XLK	54.0%	1.31	1.85	40.5%	1.71	1.82	21.1%	0.95	0.84
Consumer Staples	XLP	7.7%	8.6%	10.6%	10.6%	8.2%	-2.0%	-8.9%	XLP	35.2%	1.26	1.23	27.2%	1.63	1.39	9.7%	0.43	0.20
Utilities	XLU	12.7%	12.4%	16.6%	14.0%	5.2%	-5.8%	-11.8%	XLU	12.0%	0.78	0.86	13.8%	1.60	1.43	-12.1%	-0.94	-0.88
Energy	XLE	15.2%	13.4%	17.0%	18.3%	9.7%	4.7%	-4.8%	XLE	21.9%	0.89	0.78	37.7%	3.11	1.96	11.1%	1.51	0.50
Energy	XOP	22.9%	20.7%	30.5%	28.9%	7.5%	2.0%	-7.9%	XOP	26.3%	0.95	1.14	40.8%	3.40	2.59	-2.8%	0.62	-0.06
Materials	XLB	12.3%	11.2%	11.2%	13.5%	0.9%	-1.7%	-9.8%	XLB	11.4%	0.03	0.09	23.3%	0.89	0.75	30.6%	1.68	1.19
Industrials	XLI	9.8%	10.0%	11.1%	12.9%	6.3%	-0.7%	-5.7%	XLI	33.3%	0.70	1.03	32.4%	1.29	1.37	25.8%	1.53	1.19
Transports	IYT	14.9%	14.3%	14.2%	17.7%	5.2%	2.3%	0.3%	IYT	16.2%	0.09	0.32	25.0%	0.68	0.95	29.5%	1.15	1.37
WTI Crude Oil	USO	16.9%	21.8%	31.0%	24.5%	-6.2%	-15.6%	-27.6%	USO	-6.2%	1.62	1.49	14.7%	1.27	0.42	-14.9%	-0.58	-0.97
Natural Gas	UNG	40.4%	50.6%	50.2%	40.7%	-1.6%	-11.3%	-8.9%	UNG	1.1%	-0.06	-0.28	-20.0%	-1.30	-1.04	-20.3%	-1.44	-1.00
Gold	GLD	9.5%	11.0%	12.3%	12.8%	-2.9%	-9.2%	-11.9%	GLD	38.2%	1.86	1.50	21.7%	1.36	0.93	17.2%	1.18	0.73
Silver	SLV	13.5%	18.5%	21.1%	20.3%	-3.3%	-11.5%	-14.8%	SLV	47.1%	3.03	1.15	13.3%	1.04	0.02	4.5%	-0.16	-0.43
Copper	JJC	26.7%	26.0%	26.2%	21.9%	-6.5%	-16.4%	-12.6%	JJC	-6.6%	-0.35	-0.45	-15.5%	-0.71	-0.92	-15.9%	-0.85	-1.10
Corn	CORN	15.6%	15.5%	16.2%	17.8%	-1.2%	1.3%	-5.2%	CORN	16.7%	0.09	-0.17	25.3%	0.58	0.32	36.8%	0.83	0.82
Soybeans	SOYB	14.3%	16.4%	15.7%	17.2%	-12.1%	-21.3%	-19.3%	SOYB	88.8%	1.47	0.78	50.6%	0.21	0.16	106.4%	0.64	1.02
Wheat	WEAT	20.7%	19.3%	19.0%	21.8%	-27.6%	-29.5%	-25.0%	WEAT	5.4%	-0.86	-0.66	13.6%	-0.92	-0.52	17.6%	-1.07	-0.43

*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	$87.13	-0.24%	0.88%	7.04%
Financial Select Sector	XLF	$24.85	-1.55%	1.26%	6.88%
Health Care Select Sector	XLV	$75.50	-0.32%	0.68%	9.52%
Technology Select Sector	XLK	$52.74	-0.66%	0.74%	9.06%
Consumer Staples Select Sector	XLP	$55.35	-0.02%	0.45%	7.04%
Industrial Select Sector	XLI	$66.25	-1.08%	0.59%	6.48%
Materials Select Sector	XLB	$52.70	-1.07%	0.86%	6.04%
The Energy Select Sector	XLE	$72.12	-0.95%	1.04%	-4.25%
Utilities Select Sector	XLU	$51.68	0.72%	-0.17%	6.40%
S&P 500	SPX	2,381.92	-0.59%	0.77%	6.39%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.13	0.35%	0.11%	0.65%
Financial Select Sector	XLF	$24.85	-0.96%	0.49%	0.49%
Health Care Select Sector	XLV	$75.50	0.27%	-0.09%	3.12%
Technology Select Sector	XLK	$52.74	-0.07%	-0.03%	2.67%
Consumer Staples Select Sector	XLP	$55.35	0.57%	-0.32%	0.65%
Industrial Select Sector	XLI	$66.25	-0.49%	-0.18%	0.09%
Materials Select Sector	XLB	$52.70	-0.48%	0.09%	-0.36%
The Energy Select Sector	XLE	$72.12	-0.36%	0.26%	-10.64%
Utilities Select Sector	XLU	$51.68	1.31%	-0.95%	0.01%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.8%	0.1%	3.0%	6.9%	8.8%	5.3%
	Low Debt/EV	-0.4%	0.8%	4.2%	6.6%	6.6%	6.0%
SI	High Short Interest	-0.7%	-0.5%	1.6%	2.8%	3.3%	2.6%
	Low Short Interest	-0.6%	0.8%	4.8%	8.6%	11.2%	6.6%
BETA	High Beta	-1.3%	0.2%	3.0%	6.9%	16.6%	5.9%
	Low Beta	0.0%	0.7%	4.2%	8.1%	2.7%	5.1%
YIELD	High Yield	-0.3%	0.3%	3.0%	4.2%	1.9%	2.5%
	Low Yield	-0.6%	0.1%	2.9%	6.6%	5.8%	5.8%
MKT CAP	MCAP Bottom 25%	-0.7%	-0.4%	1.8%	1.7%	1.6%	1.9%
	MCAP Top 25%	-0.5%	0.8%	4.8%	8.9%	12.2%	6.9%
Sales	Top 25% Sales Growth	-0.9%	0.5%	2.4%	6.2%	7.8%	5.1%
	Bottom 25% Sales Growth	-0.5%	-0.3%	2.4%	4.5%	3.6%	3.3%
EPS	Top 25% EPS Growth	-1.1%	0.3%	1.4%	5.7%	10.0%	4.5%
	Bottom 25% EPS Growth	-0.3%	0.0%	3.1%	4.2%	3.2%	2.8%

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

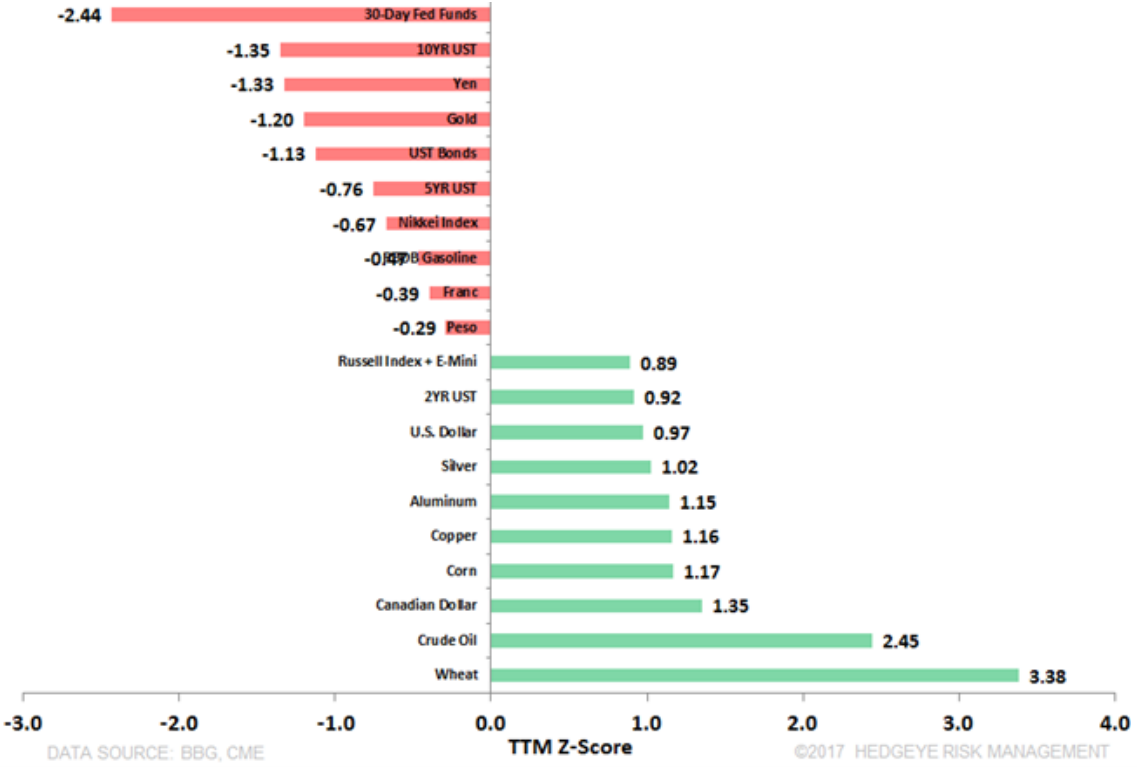
HEDGEYE RATES & SPREADS

	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	0.66%	4.1	15.8	16	20	-4	50	51	54
3M LIBOR	1.09%	0.0	3.9	6	15	0	47	62	68
2Y T-Note	1.31%	2.4	16.6	10	21	-3	81	61	77
5Y T-Note	2.02%	2.8	21.1	9	19	-10	112	50	70
10Y T-Note	2.48%	2.5	16.6	0	9	-16	116	33	34
30Y T-Note	3.07%	1.2	12.2	-1	1	-14	98	19	5
2Y-10Y Spread, Bps	117	0.1	0.1	-10.0	-12	-13	35	-28	-43
IG SPREAD (AAABBB)	1.49%	0.0	-3.0	-3	-15	-74	4	-20	-26
HIGH YIELD	5.74%	1.7	-18.0	-24	-98	-248	2	-90	-82
5Y BREAKEVEN	2.01%	-1.2	0.7	-4.6	23.8	-6.0	76.3	45.6	29.1

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)	17,524	(8,421)	(6,807)	31,461	22,686	-0.05X	0.47X
Russell 2000 (mini)	38,045	(12,964)	65,173	38,100	1,161	0.78X	1.70X
10Y Treasury	(284,605)	63,528	(308,387)	(123,106)	(59,867)	-1.35X	-1.97X
CRUDE OIL	586,229	28,659	500,060	437,421	394,935	2.45X	3.04X
GOLD	82,464	14,482	65,776	128,936	171,307	-1.16X	-0.24X
COPPER	42,406	(2,449)	50,171	26,169	5,140	1.16X	2.20X
$USD	45,776	(18)	50,680	41,796	28,180	0.97X	0.40X
JPY	(46,657)	393	(60,989)	(7,943)	20,976	-1.33X	-0.26X
EUR	(50,795)	(11,601)	(66,168)	(86,955)	(76,259)	0.77X	0.81X
GBP	(63,995)	(1,254)	(64,110)	(73,050)	(62,388)	-0.08X	-1.06X

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



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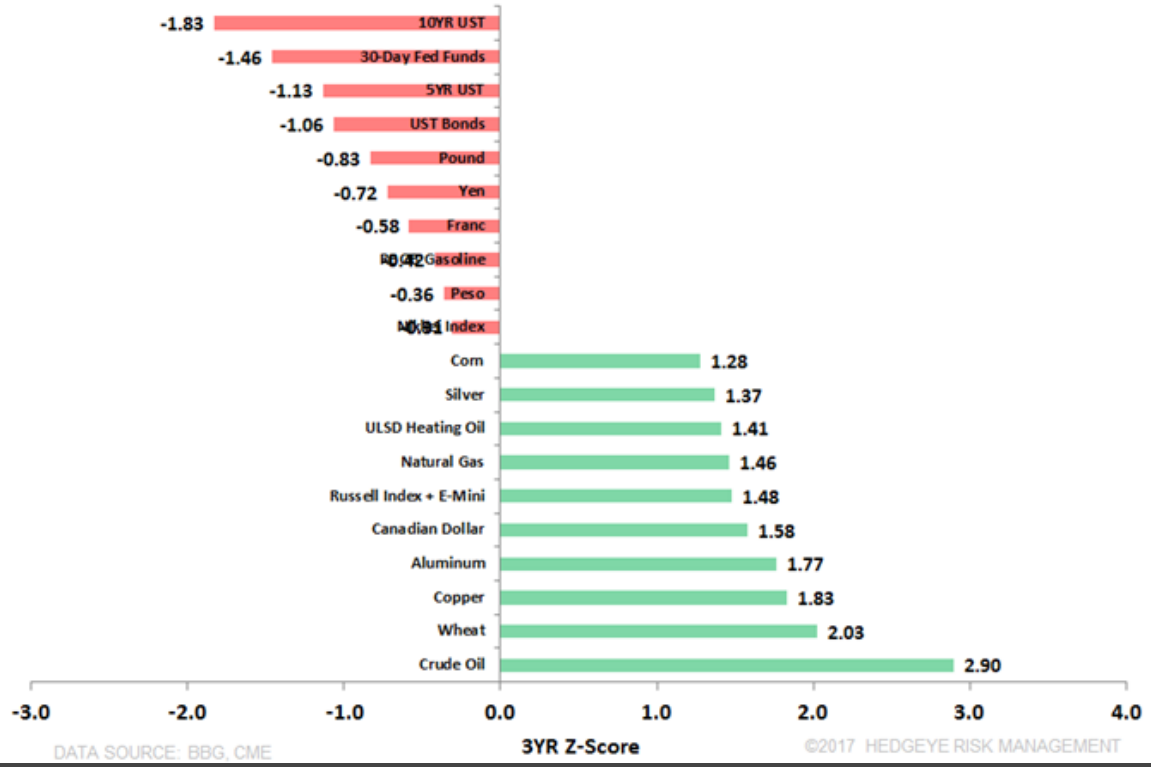
CFTC NET FUTURES & OPTIONS POSITIONING (3YR Z-SCORE)



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MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (3/2) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-11%	-10%	5%	33%
Total Exchange Volume**	[illegible]	[illegible]	8%	5%

*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	0.68	0.85	0.51	0.68	0.71	*0.95*	*-0.87*	*45%*	*55%*
BRENT Oil	-0.23	0.24	0.55	0.61	0.72	*0.77*	*-0.78*	*48%*	*52%*
CRB Index	0.32	0.20	0.45	0.61	0.74	*0.83*	*-0.86*	*27%*	*73%*
GOLD	0.05	0.54	-0.82	-0.90	-0.94	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*