THE MACRO SHOW

JANUARY 12, 2017

LEGAL

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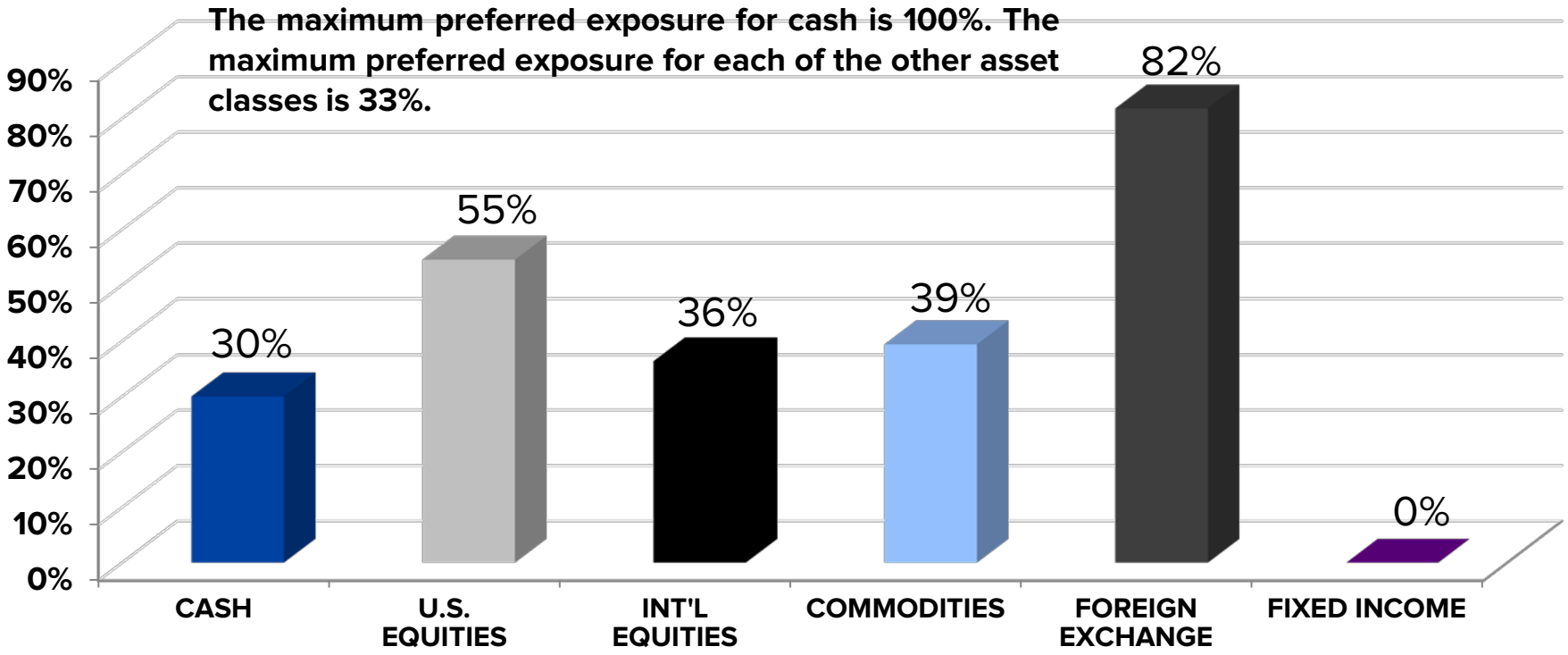
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/11/2017	30	18	12	13	27	0
1/12/2017	30	18	12	13	27	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/11/2017	30%	55%	36%	39%	82%	0%
1/12/2017	30%	55%	36%	39%	82%	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



January 12, 2017

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HEDGEYE TV

1 USD

2 UST 10YR

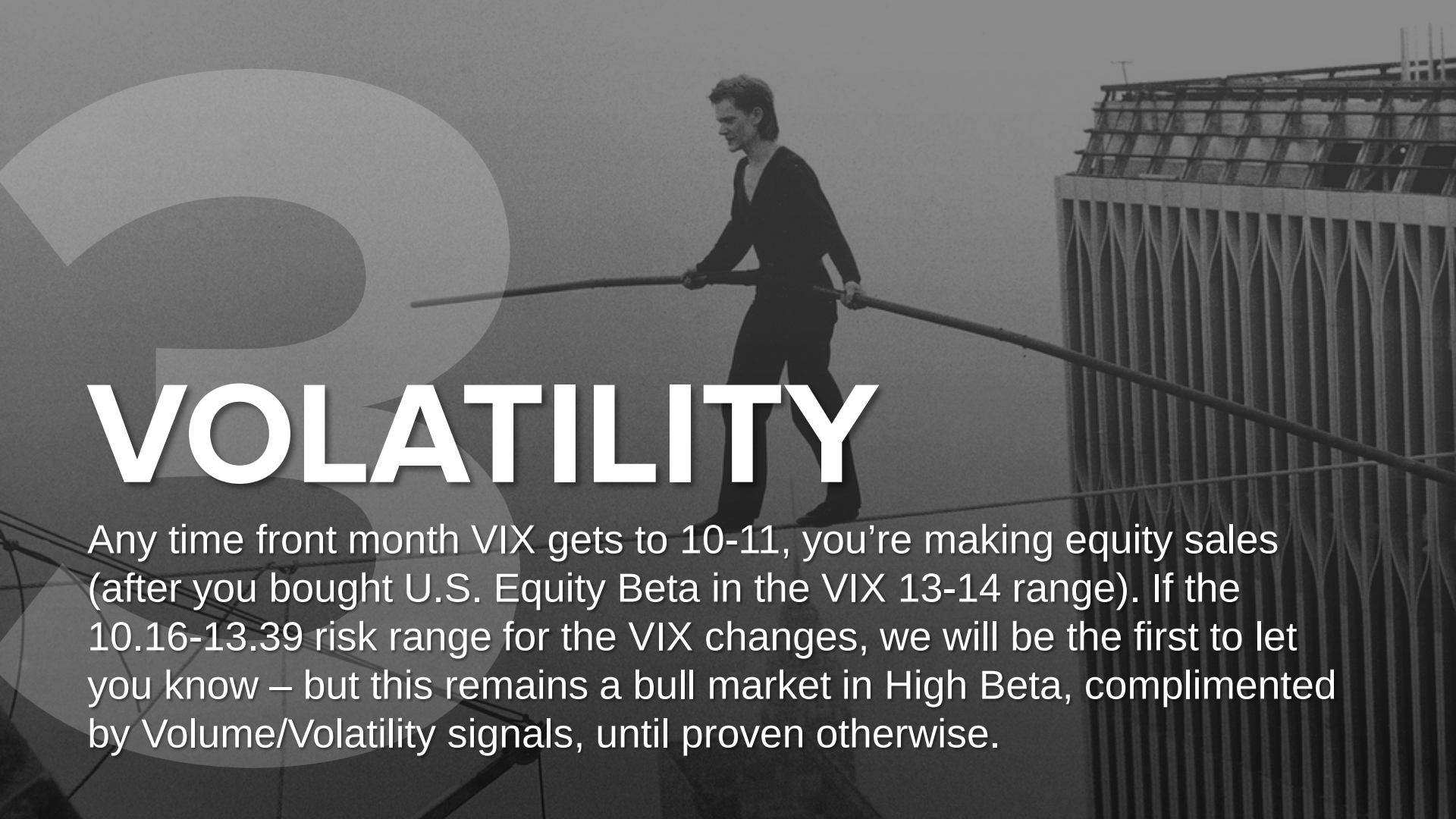
3 VOLATILITY

USD

The U.S. Dollar Index down -0.6%, Yen up +0.9%, Euro up +0.6%, Pound up +0.5% - all close to the top/bottom of their respective immediate-term risk ranges in a counter-TREND move post the Trump Show. With the Nasdaq having made its 4th straight all-time closing high (SPX 2 points off its all-time high), you are going to have counter-TREND corrections .

UST 10YR

Dollar Down, Rates Down, Gold Up – all of this is one big macro move that we think you fade (again). Both the UTS 10YR down -5 basis points at 2.32% and Gold at $1203 provide another opportunity to do what we've been doing on counter-TREND days for the last 2 months – looking for a hawkish U.S. PPI print tomorrow with U.S. #*InflationAccelerating*.



VOLATILITY

Any time front month VIX gets to 10-11, you're making equity sales (after you bought U.S. Equity Beta in the VIX 13-14 range). If the 10.16-13.39 risk range for the VIX changes, we will be the first to let you know – but this remains a bull market in High Beta, complimented by Volume/Volatility signals, until proven otherwise.

MACRO GRIND

10-YEAR GOVERNMENT BOND YIELDS

Europe, Middle East & Africa

COUNTRY	YIELD	1 DAY
Germany »	0.30%	-2
United Kingdom »	1.29%	-5
France	0.75%	-2
Italy	1.86%	-1
Spain	1.37%	-4
Netherlands	0.39%	-2
Portugal	3.87%	-6
Greece	6.75%	-1
Switzerland	-0.24%	-2

Asia Pacific

COUNTRY	YIELD	1 DAY	1
Japan »	0.03%	-2	
Australia »	2.66%	-6	
New Zealand	3.08%	-8	
Hong Kong	1.56%	-3	
Singapore	2.27%	-10	
South Korea	2.05%	-6	

GOLD – CONTINUOUS CONTRACT

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RUSSIAN TRADING SYSTEM

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SHANGHAI STOCK EXCHANGE COMP

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US Earnings/News

APPLIED OPTOELECTRONICS	preliminary Q4 #'s beat as adj. EPS 77c-82c vs 50c ests on accelerated demand	19.0%
JOHNSON & JOHNSON	has tentatively agreed with Actelion on price to acquire company (*Reuters*)	0.0%
KB HOME	Q4 sales rose on strong order growth but lowered FY17 gross margin view	-1.0%

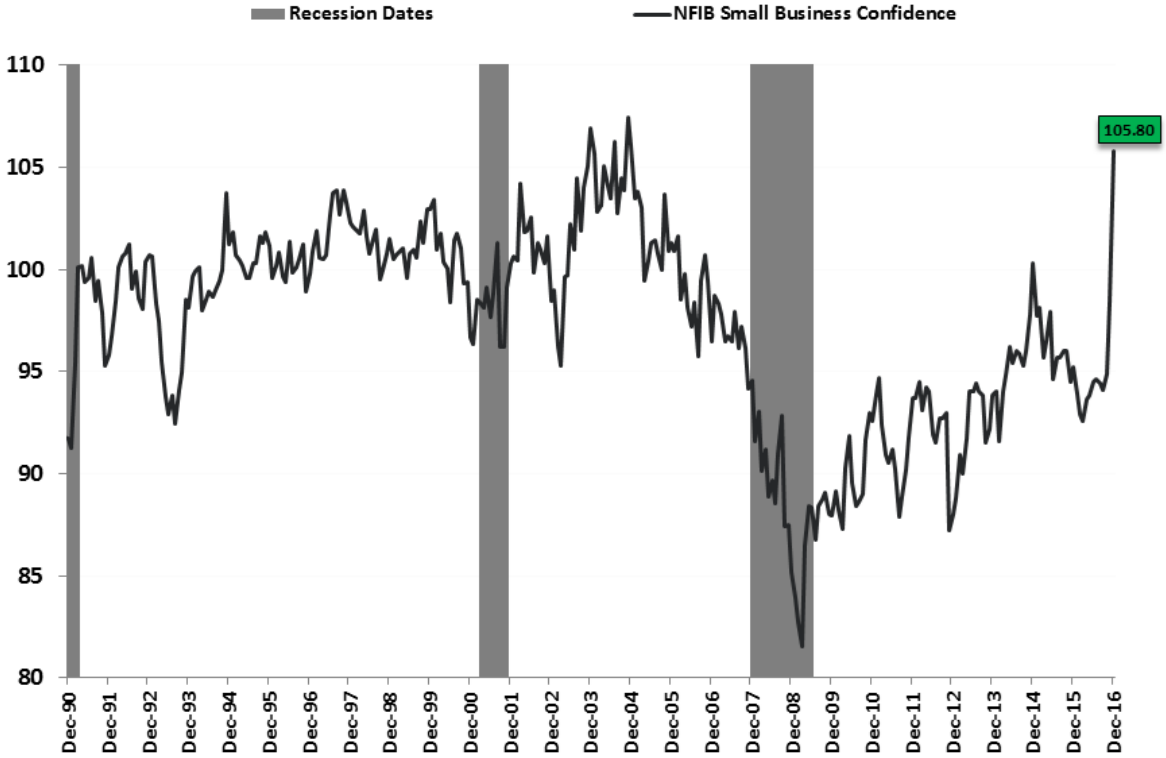
Europe Earnings/News

RICHEMONT-REG	Q3 sales beat est and +5% in constant fx vs flat est, Jewelry outperforms	8.0%
MARKS & SPENCER GROUP	confirms FY guidance, Q3 food and clothing LFL's beat est	1.2%
PAYSAFE GROUP PLC	FY revs and EBTIDA beat est, guides better with low double digit growth forecast	-0.2%
HAYS PLC	Q2 gross profit growth in-line, exit rate was +4% (broker upgrades in sector today)	0.1%
VOLKSWAGEN AG	agreement with US reported earlier confirmed, $4.3B fine, 7 employees charged	0.0%
ASOS PLC	4-month sales growth beats estimates, raises guidance, strong UK performance	-0.6%
ATLAS COPCO AB	plans to divest road construction equipment business Dynapac	-0.6%
UNICREDIT SPA	seeking backing for $14B rights offer for turnaround	-0.7%
SODEXO	Q1 organic rev growth drops more than est against tough comps but keeps guidance	-1.9%
TESCO PLC	Q3 LFL's in-line, confirms confidence in view, but all against heightened expectations	-2.2%
ASSOCIATED BRITISH FOODS PLC	Q1 Primark sales growth slightly higher than est, leaves outlook unchanged	-3.7%
JUPITER FUND MANAGEMENT	end of year AUM lower than consensus est as co saw £373M outflows in quarter	-6.5%
AO WORLD PLC	Q3 revs +8.9% y/y, sees FY results within guidance, remains cautious on Q4	-7.8%

Asia Earnings/News

ATLAS IRON LTD	S&P Global Ratings raises AGO's ratings to B- with stable outlook	22.2%
Macau gaming basket	CIMB downgrades Macau gaming sector to UW from OW	-2.4%
Topix Pharma Index	concerns industry could face price pressures under Trump presidency	-2.8%
TOSHIBA CORP	Kyodo reports company may book additional charges on Westinghouse writedown	-5.2%
FAMILYMART UNY HOLDINGS	Mizuho downgrades to Underperform from Neutral	-6.5%

NFIB SMALL BUSINESS OPTIMISM



HIGHEST READING SINCE 2004

CONSUMER & BUSINESS SURVEYS

	Last	Latest	1M Chg	6M Chg	Since Oct 16
Univ Michigan Confidence	98.2	Dec-16	4.4	4.7	11.00
Conference Board Confidence	113.7	Dec-16	4.3	16.3	12.90
Bloomberg Consumer Comfort	45.5	Jan-17	-0.5	0.7	2.84
Univ. Michigan Expectations	89.5	Dec-16	4.3	7.1	12.70
Conference Board Expectations	105.5	Dec-16	11.1	20.9	19.50
Bloomberg Consumer Expectations	53.5	Dec-16	9.5	12.5	8.50
CEO Confidence (1Y Exp)	6.5	Nov-16	0.6	0.6	0.64
NFIB Optimism	105.8	Dec-16	7.4	11.3	10.90
NFIB 6M Outlook	50.0	Dec-16	38.0	59.0	57.00
Fed Mfg Surveys (6M Expectations)					
Dallas Fed: 6M Conditions	47.2	Dec-16	6.3	27.9	22.50
Empire State: 6M Conditions	50.2	Dec-16	20.3	15.4	14.20
Philli Fed: 6M Conditions	52.6	Dec-16	23.3	22.8	20.00
Kansas City Fed: 6M Conditions	19.0	Dec-16	7.0	12.0	2.00
Dallas Fed: (New Orders, 6M)	55.4	Dec-16	1.6	17.0	7.00
Empire State: (New Orders, 6M)	46.7	Dec-16	18.0	8.5	7.70
Philli Fed: (New Orders, 6M)	51.5	Dec-16	14.1	21.6	12.20
Kansas City Fed: (New Orders, 6M)	33.0	Dec-16	6.0	21.0	17.00
Richmond Fed: (New Orders, 6M)	47.0	Dec-16	9.0	34.4	15.00
Fed Services Surveys (6M Expectations)					
Dallas Fed: ↑ in Business Activity	39.8	Dec-16	10.7	40.7	30.70
Richmond Fed: Expected Demand	36.0	Dec-16	14.0	11.1	13.00

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.73	0.22%	2.86%	2.86%
Financial Select Sector	XLF	$23.58	0.64%	1.42%	1.42%
Health Care Select Sector	XLV	$70.78	-1.01%	2.67%	2.67%
Technology Select Sector	XLK	$49.63	0.47%	2.63%	2.63%
Consumer Staples Select Sector	XLP	$51.54	0.19%	-0.33%	-0.33%
Industrial Select Sector	XLI	$63.24	0.52%	1.64%	1.64%
Materials Select Sector	XLB	$51.05	0.81%	2.72%	2.72%
The Energy Select Sector	XLE	$74.91	1.08%	-0.54%	-0.54%
Utilities Select Sector	XLU	$48.54	1.04%	-0.06%	-0.06%
S&P 500	SPX	2,275.32	0.28%	1.63%	1.63%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.73	-0.07%	1.23%	1.23%
Financial Select Sector	XLF	$23.58	0.36%	-0.21%	-0.21%
Health Care Select Sector	XLV	$70.78	-1.29%	1.04%	1.04%
Technology Select Sector	XLK	$49.63	0.18%	1.00%	1.00%
Consumer Staples Select Sector	XLP	$51.54	-0.09%	-1.96%	-1.96%
Industrial Select Sector	XLI	$63.24	0.24%	0.01%	0.01%
Materials Select Sector	XLB	$51.05	0.53%	1.09%	1.09%
The Energy Select Sector	XLE	$74.91	0.80%	-2.17%	-2.17%
Utilities Select Sector	XLU	$48.54	0.76%	-1.69%	-1.69%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.5%	-0.9%	-0.6%	9.5%	10.7%	1.5%
	Low Debt/EV	0.2%	0.5%	0.2%	4.5%	3.5%	2.4%
SI	High Short Interest	0.2%	-0.7%	-2.2%	5.8%	8.2%	1.8%
	Low Short Interest	0.3%	0.2%	0.7%	7.8%	8.3%	1.9%
BETA	High Beta	0.6%	0.1%	-1.0%	12.4%	22.5%	3.0%
	Low Beta	0.2%	-0.4%	1.0%	2.4%	-4.8%	0.3%
YIELD	High Yield	0.4%	-1.2%	-1.0%	4.5%	1.8%	0.5%
	Low Yield	0.1%	0.4%	0.4%	5.8%	8.0%	3.0%
MKT CAP	MCAP Bottom 25%	0.1%	-1.2%	-3.3%	3.9%	3.3%	1.3%
	MCAP Top 25%	0.3%	0.3%	1.1%	8.6%	9.6%	1.9%
Sales	Top 25% Sales Growth	0.3%	0.4%	0.2%	6.1%	7.5%	2.7%
	Bottom 25% Sales Growth	0.3%	-1.1%	-1.3%	6.2%	6.2%	1.3%
EPS	Top 25% EPS Growth	0.3%	0.4%	0.3%	8.5%	11.5%	2.7%
	Bottom 25% EPS Growth	0.4%	-0.9%	-1.3%	6.1%	4.9%	1.2%

**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%	0.0	-2.0	-3	18	-5	35	38	41
3M LIBOR	1.02%	0.0	1.3	6	14	0	41	58	62
2Y T-Note	1.19%	0.0	-2.9	5	32	-11	69	53	68
5Y T-Note	1.88%	0.8	-4.7	-1	59	-24	99	39	60
10Y T-Note	2.37%	-0.4	-6.7	-10	61	-27	105	21	25
30Y T-Note	2.96%	-1.2	-8.4	-20	45	-26	87	4	-7
2Y-10Y Spread, Bps	119	-0.4	-3.8	-14.8	29	-15	36	-32	-43
IG SPREAD (AAABBB)	1.50%	0.0	-1.0	-6	-12	-80	3	-19	-28
HIGH YIELD	6.17%	1.7	5.0	-30	-23	-316	12	-47	-44
5Y BREAKEVEN	1.91%	2.9	1.9	6.0	36.3	-2.1	105.5	35.7	19.0

CFTC NON-COMMERCIAL NET LONG POSITIONING

CFTC NON-COMMERCIAL NET LONG POSITIONING						Z-Score	
METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	1Y	3Y
SPX (Index + E-mini)	81,424	78,401	(17,841)	61,460	(7,072)	0.69X	1.11X
Russell 2000 (mini)	93,772	1,476	36,804	20,650	(14,276)	2.48X	3.89X
10Y Treasury	(353,569)	7,948	(127,395)	(10,959)	(12,457)	-2.66X	-3.10X
CRUDE OIL	499,035	(3,611)	425,464	380,821	354,969	1.99X	2.29X
GOLD	34,560	(6,687)	109,837	181,336	169,008	-1.65X	-0.86X
COPPER	44,374	(1,279)	33,342	12,350	(5,906)	1.72X	2.78X
$USD	54,295	1,645	51,104	33,374	26,927	1.61X	0.84X
JPY	(84,780)	1,550	(10,168)	21,100	35,128	-3.16X	-0.88X
EUR	(63,147)	986	(105,929)	(102,727)	(81,625)	0.53X	0.55X
GBP	(60,109)	(7,088)	(73,587)	(77,752)	(58,677)	-0.06X	-1.05X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/11) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	1%	10%	2%	18%
Total Exchange Volume**	7%	9%	1%	-1%
Total Traded Value (R3K)***	-5%	-2%	-6%	-3%

*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	-0.37	0.57	0.82	0.71	0.76	*0.95*	*-0.91*	*49%*	*51%*
BRENT Oil	0.29	0.50	0.64	0.67	0.51	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.60	0.10	0.88	0.67	0.49	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.83	-0.70	-0.96	-0.97	-0.78	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*