THE MACRO SHOW

AUGUST 10, 2016

LEGAL

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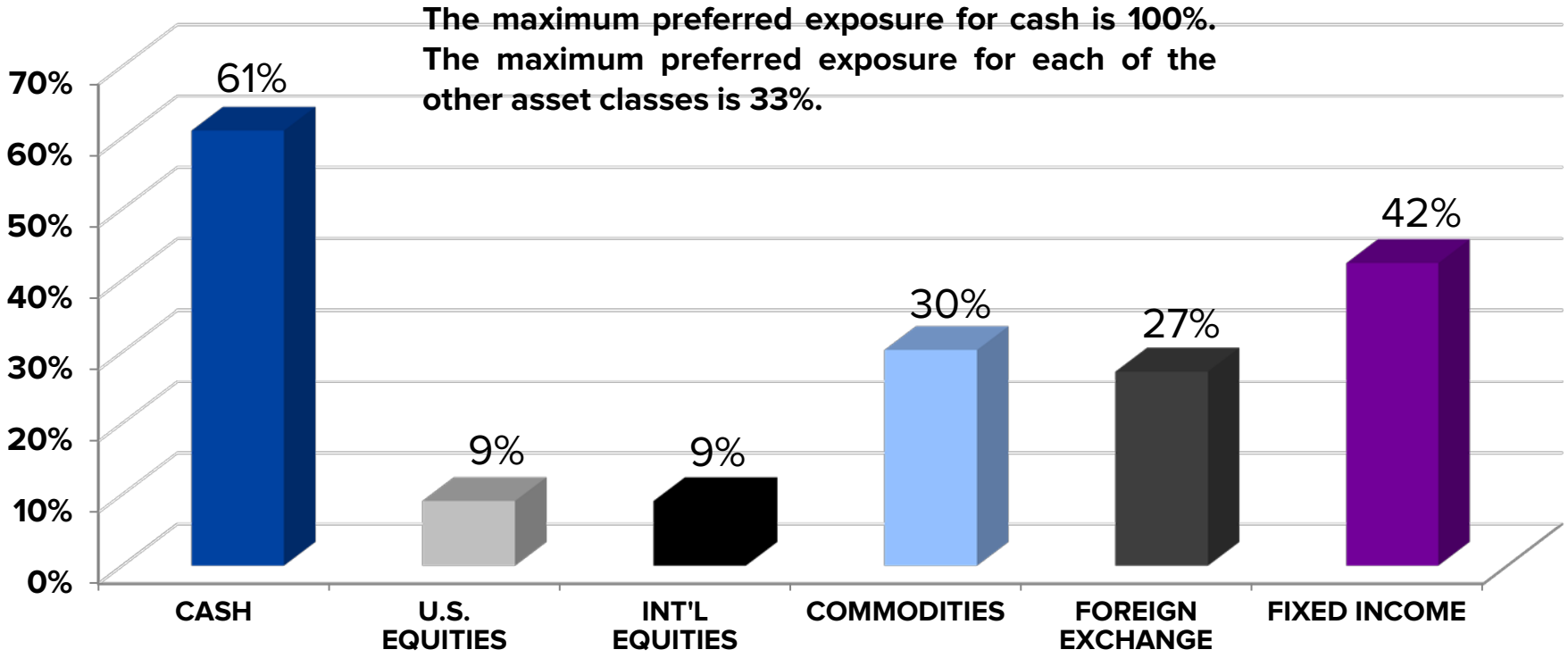
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/9/2016	64	3	3	9	8	13
8/10/2016	61	3	3	10	9	14

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/9/2016	64%	9%	9%	27%	24%	39%
8/10/2016	61%	9%	9%	30%	27%	42%

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

HEDGEYE ASSET ALLOCATION



August 10, 2016

THE MACRO SHOW

HEDGEYE TV

1 YIELDS

2 GOLD

3 OIL

YIELDS

Plenty of email traffic (after the move) on this topic, but will we see any emails this morning on the same as UST10YR Yields around the world A) fail @Hedgeye TREND resistance and B) fall in unison as Global #GrowthSlowing data continues? The UK 10YR is down -6 basis points to 0.52%.

GOLD

Who said we weren’t bullish? On Gold – big time! Phelps wins #20 and #21 and Gold ramps another +1% to +28% year-to-date. Gold and Platinum are up +23% and +21% year-over-year, respectively (vs. TLT +11.9% and SPX +3.7%).

OIL

Oil fails (again) @Hedgeye TREND resistance as our Potomac Policy team reiterates their call on Saudi Supply. WTI is down -1.2% to $42.27 and there is no immediate-term support in the risk range to $39.12 (top end of the risk range = $43.70).

MACRO & HOUSING

CHRISTIAN DRAKE

2Q16 EARNINGS SCORECARD

HEDGEYE S&P500 EARNINGS SCORECARD: 2Q16

SPX AGGREGATE

	Revenue	EPS
Beat	266	372
Miss	227	114
In-line	0	2
Beat	54%	77%
Miss	46%	23%
In-line		

HISTORICAL

Quarter	Sales Beat %	EPS Beat %
4Q13	54.5%	74.4%
1Q14	62.7%	71.5%
2Q14	54.0%	74.5%
3Q14	67.1%	75.3%
4Q14	60.5%	79.1%
1Q15	56.5%	74.6%
2Q15	46.0%	73.6%
3Q15	49.1%	77.1%
4Q15	45.4%	74.0%
1Q16	46.1%	74.3%
2Q16	54.0%	76.2%

SECTOR AGGREGATES

	Revenue		
SECTOR	Beat	Miss	Beat %
Health Care	35	20	64%
Materials	16	11	59%
Tech	40	32	56%
Financials	39	46	46%
Consumer Staples	22	14	61%
Industrials	43	24	64%
Utilities	5	23	18%
Energy	14	23	38%
Consumer Discretionary	52	34	60%

	EPS		
SECTOR	Beat	Miss	Beat %
Health Care	48	7	87%
Materials	24	3	89%
Tech	55	14	80%
Financials	55	32	63%
Consumer Staples	32	4	89%
Industrials	51	16	76%
Utilities	16	12	57%
Energy	23	12	66%
Consumer Discretionary	68	14	83%

DATA SOURCE: BLOOMBERG

#PROFITCYCLE: A ROSY CONSENSUS PICTURE

									Q2 QTD	Estimates			
SALES GROWTH (%)	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17
All Securities	4.7%	4.3%	1.6%	-2.7%	-3.4%	-3.7%	-4.0%	-1.9%	-0.4%	1.5%	4.6%	8.4%	6.7%
Energy	3.7%	-3.6%	-16.3%	-34.0%	-31.8%	-34.4%	-34.4%	-29.3%	-24.2%	-11.6%	3.5%	46.9%	38.8%
Materials	3.5%	2.6%	-2.0%	-9.8%	-10.1%	-14.0%	-15.5%	-8.8%	-7.3%	-0.3%	5.0%	7.1%	6.3%
Industrials	3.6%	4.8%	3.1%	-2.0%	-3.2%	-6.1%	-7.2%	-2.0%	-1.0%	0.8%	2.2%	2.0%	0.8%
Consumer Discretionary	4.7%	4.2%	3.4%	1.8%	2.1%	3.7%	4.4%	6.3%	8.1%	5.2%	6.0%	6.0%	4.4%
Consumer Staples	3.5%	2.9%	2.2%	2.5%	0.6%	0.5%	-0.4%	1.2%	0.4%	2.5%	4.8%	4.5%	4.7%
Health Care	11.9%	12.1%	12.8%	10.3%	8.9%	9.5%	9.6%	9.2%	9.1%	7.0%	5.9%	6.5%	4.1%
Financials	1.4%	5.1%	-0.3%	2.0%	1.6%	0.1%	1.0%	-1.7%	0.9%	2.2%	2.9%	6.2%	3.2%
Information Technology	6.7%	8.1%	8.4%	6.0%	3.1%	1.1%	-5.3%	-6.8%	0.0%	-1.6%	4.6%	7.3%	6.4%
Telecom	3.2%	3.0%	5.1%	2.6%	2.4%	11.8%	12.0%	11.2%	9.6%	1.3%	-0.2%	1.6%	2.2%
Utilities	3.3%	4.6%	10.6%	-3.6%	-4.9%	-2.1%	-12.6%	-10.5%	-2.4%	4.1%	13.4%	9.9%	6.5%
Data Source: BBG									*450 reported				

S&P 500									Q2 QTD	Estimates			
EPS Growth (%)	CQ2 14	CQ3 14	CQ4 14	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17
All Securities	9.9%	9.6%	6.2%	1.5%	-1.2%	-3.8%	-6.8%	-8.0%	-4.1%	-1.3%	7.8%	14.9%	12.4%
Energy	10.7%	7.6%	-18.7%	-56.7%	-56.5%	-57.5%	-72.6%	-109.6%	-81.6%	-62.1%	-9.5%	819.0%	391.3%
Materials	11.3%	17.3%	5.5%	-0.4%	6.3%	-15.6%	-17.9%	-16.0%	-9.1%	4.1%	18.2%	20.8%	13.0%
Industrials	13.7%	14.2%	15.6%	11.3%	-3.0%	-0.7%	-5.4%	-7.3%	-2.0%	-6.5%	-2.0%	5.6%	5.5%
Consumer Discretionary	5.9%	2.0%	7.0%	9.3%	9.0%	13.9%	9.4%	17.8%	12.2%	2.3%	8.1%	7.6%	9.2%
Consumer Staples	6.5%	3.2%	-2.3%	3.6%	0.1%	-2.1%	-0.7%	1.2%	0.2%	3.2%	8.4%	11.0%	9.9%
Health Care	12.5%	15.2%	21.6%	18.2%	15.1%	14.5%	11.0%	8.1%	5.1%	4.2%	6.5%	6.4%	7.6%
Financials	6.6%	12.2%	-3.2%	7.1%	2.7%	-8.6%	-5.3%	-14.2%	-5.2%	5.9%	11.2%	15.8%	9.8%
Information Technology	12.1%	8.5%	14.9%	10.0%	6.6%	4.5%	-3.8%	-7.4%	-2.2%	-1.0%	5.2%	14.8%	11.9%
Telecom	22.6%	20.8%	21.7%	8.5%	10.2%	23.7%	27.8%	16.1%	3.5%	-2.0%	4.3%	0.2%	7.8%
Utilities	4.9%	2.7%	2.8%	1.3%	3.0%	0.8%	-49.6%	-1.9%	8.9%	3.5%	135.5%	0.7%	-5.2%
Data Source: BBG									*450 reported				

DATA SOURCE: BLOOMBERG

OPERATING MOMENTUM = ↓

HEDGEYE S&P500 EARNINGS SCORECARD: 2Q16

SECTOR LEVEL OPERATING PERFORMANCE*

	SALES Growth, YoY			EPS Growth, YoY**			OPERATING MARGIN		
	Accelerating	Decelerating	% Accelerating	Accelerating	Decelerating	% Accelerating	Expanding	Contracting	% Expanding
Health Care	24	27	47%	27	23	54%	23	24	49%
Materials	15	11	58%	14	11	56%	14	12	54%
Tech	40	20	67%	32	24	57%	32	24	57%
Financials	49	40	55%	44	42	51%	50	38	57%
Consumer Staples	15	14	52%	16	13	55%	14	14	50%
Industrials	35	27	56%	33	29	53%	48	12	80%
Utilities	21	8	72%	15	12	56%	10	16	38%
Energy	26	13	67%	8	11	42%	6	8	43%
Consumer Discretionary	28	32	47%	20	37	35%	35	24	59%
SPX AGGREGATE	253	192	57%	209	202	51%	232	172	57%

SPX CONSTITUENT SUMMARY

Sales Growth Accelerating, %	57%
EPS Growth Accelerating, %	51%
OM Margins Expanding, %	57%

Acceleration/Deceleration is vs the prior quarter for the given operating metric

**Negative earnings excluded

Source: Bloomberg, Hedgeye Calculations

HEDGEYE

DOES MISSING MATTER?

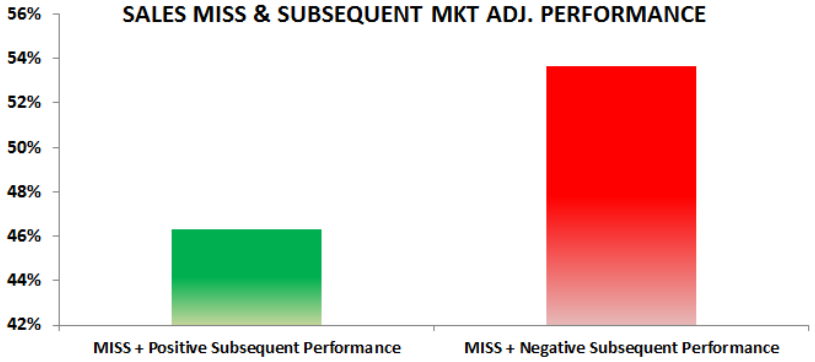
SALES: BEAT/MISS & SUBSEQUENT MARKET ADJUSTED PERFORMANCE

BEAT SALES

	n	3D Mkt Adj. Performance
BEAT + Positive Subsequent Performance	118.00	4.4%
BEAT + Negative Subsequent Performance	127.00	-3.5%

MISSED SALES

	n	3D Mkt Adj. Performance
MISS + Positive Subsequent Performance	101.00	3.8%
MISS + Negative Subsequent Performance	117.00	-4.0%



Source: Bloomberg, HEDGEYE Calculations

HEDGEYE

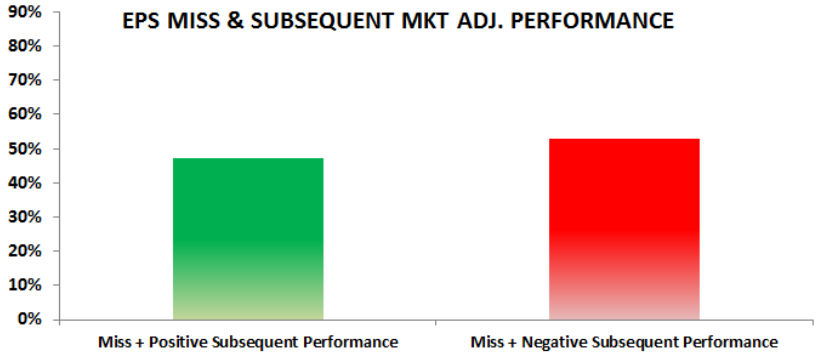
EPS: BEAT/MISS & SUBSEQUENT MARKET ADJUSTED PERFORMANCE

BEAT EPS

	n	3D Mkt Adj. Performance
Beat + Positive Subsequent Performance	163.00	4.4%
Beat + Negative Subsequent Performance	181.00	-3.5%

MISSED EPS

	n	3D Mkt Adj. Performance
Miss + Positive Subsequent Performance	51.00	3.2%
Miss + Negative Subsequent Performance	57.00	-4.4%

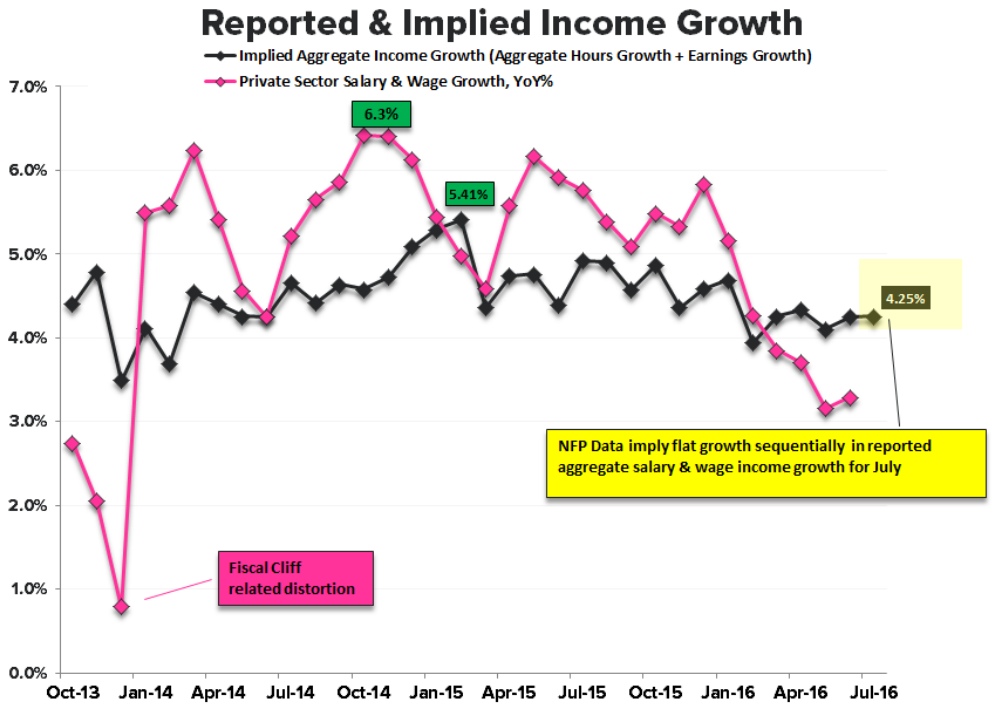


Source: Bloomberg, HEDGEYE Calculations

HEDGEYE

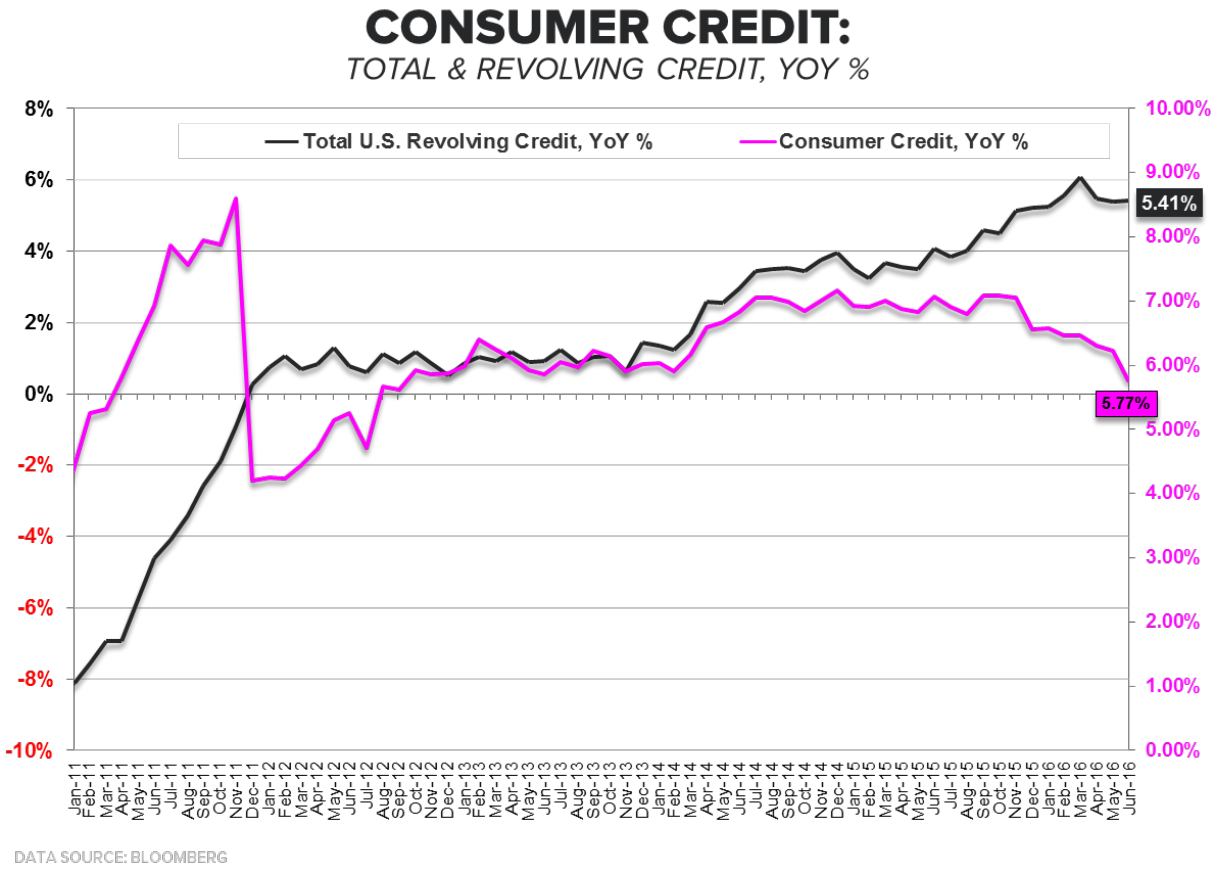
INCOME GROWTH = FLAT

INCOME GROWTH DRIVES THE CAPACITY FOR CONSUMPTION GROWTH FOR MOST HOUSEHOLDS AND THE NFP DATA PROVIDE A FORWARD LOOK AT WHAT TO EXPECT FROM THE OFFICIAL INCOME AND SPENDING DATA RELEASED LATER IN THE MONTH. THE 1.62% RISE IN AGGREGATE HOURS COUPLED WITH THE +2.6% RISE IN HOURLY EARNINGS SUGGEST AGGREGATE INCOME GROWTH WILL BE LARGELY FLAT SEQUENTIALLY IN JULY – ALL ELSE EQUALTHIS SUGGESTS A SIMILAR TREND FOR CONSUMPTION GROWTH



DATA SOURCE: BLOOMBERG, BEA, HEDGEYE

CREDIT GROWTH = PAST PEAK?



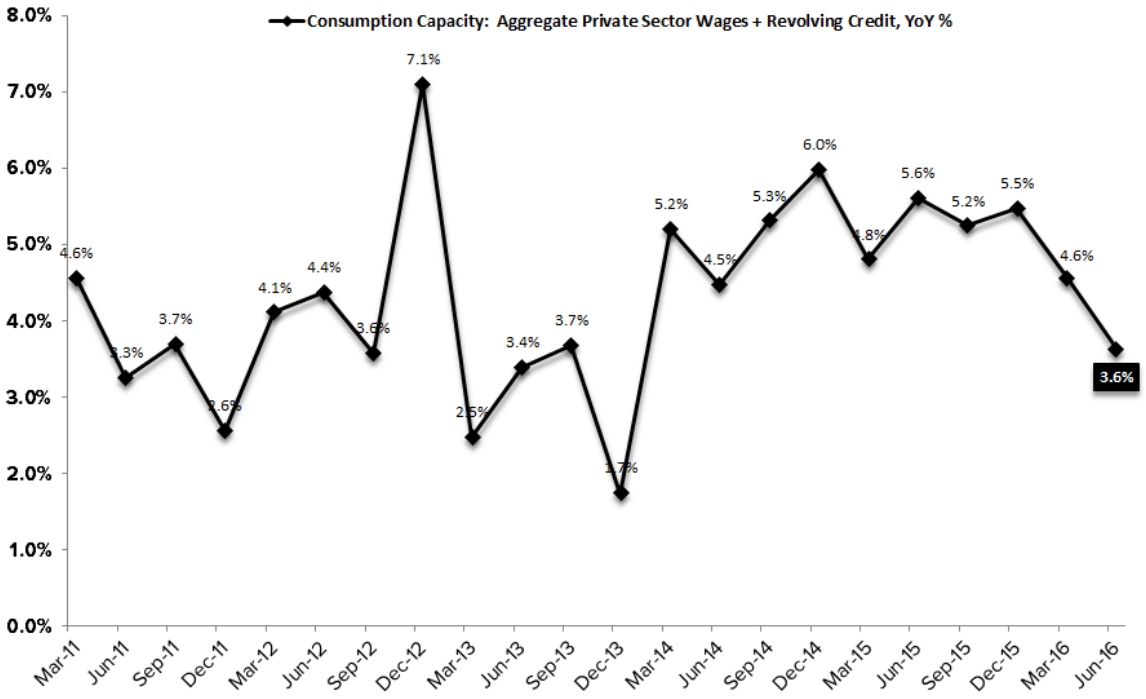
DATA SOURCE: BLOOMBERG

DATA SOURCE: FEDERAL RESERVE

INCOME + CREDIT = ↓

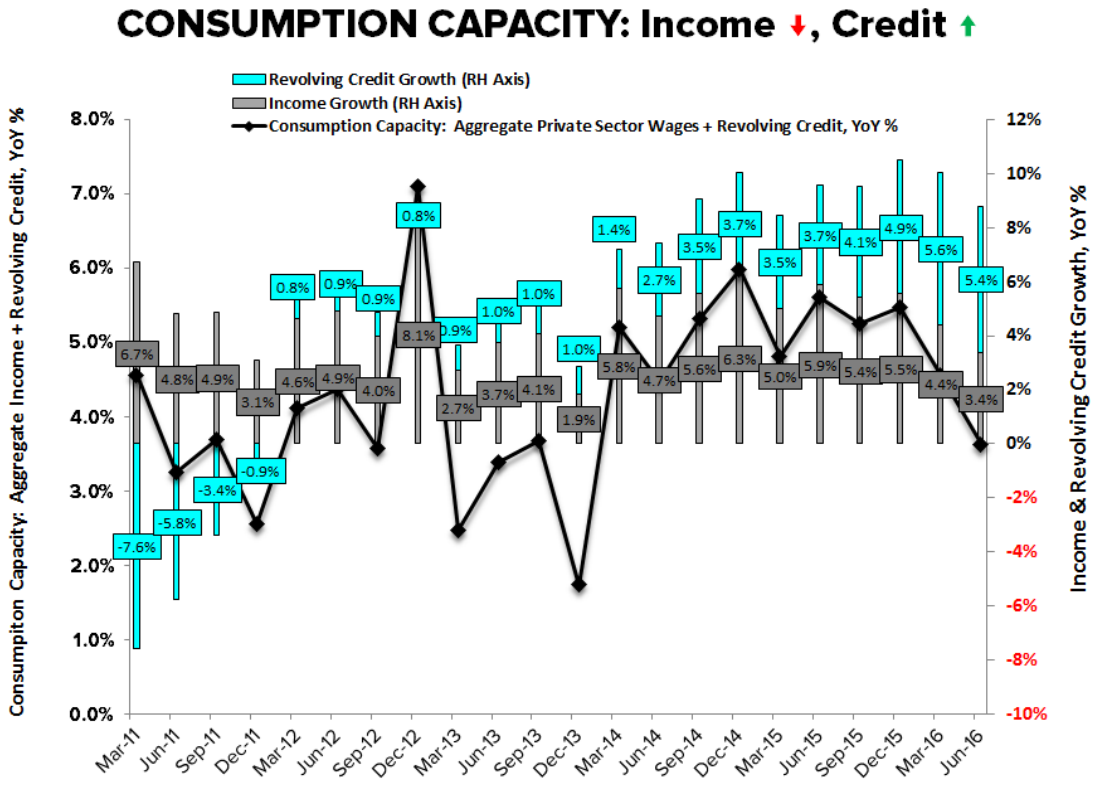
HH CONSUMPTION CAPACITY

AGGREGATE INCOME + REVOLVING CREDIT GROWTH, Qtrly 2011-Present



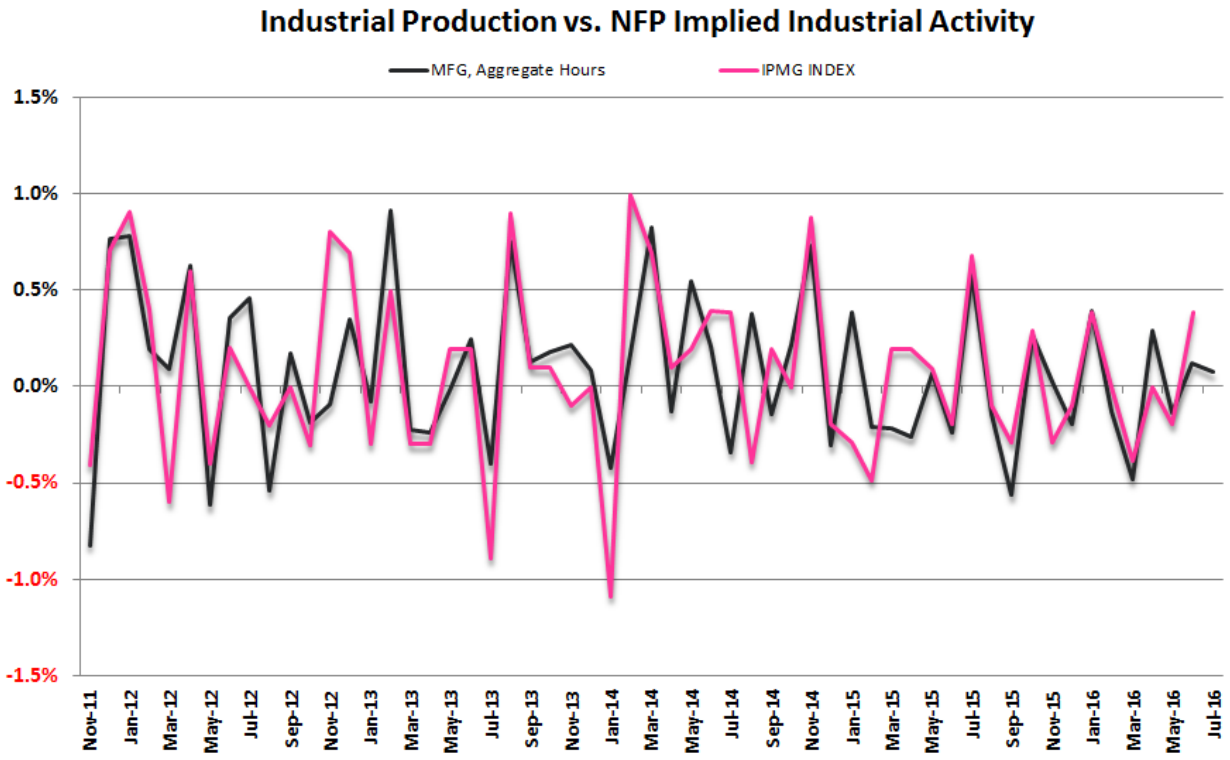
DATA SOURCE:BLOOMBER,BEA, FEDERAL RESERVE, HEDGEYE

CONSUMPTION: CREDIT ↑, INCOME ↓



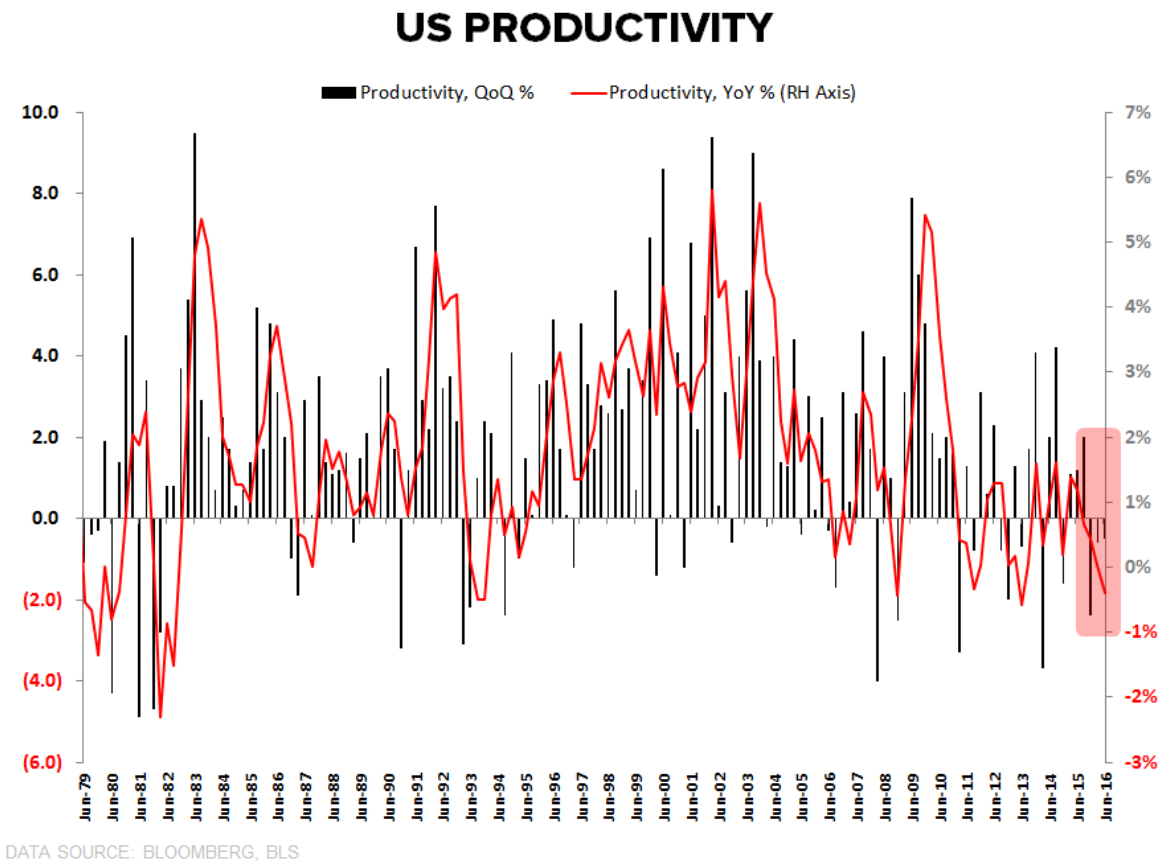
INDUSTRIAL PRODUCTION = ↑

HISTORICALLY, GROWTH IN AGGREGATE HOURS IN THE MANUFACTURING SPACE HAS PROVIDED A DECENT LEAD READ ON INDUSTRIAL PRODUCTION ACTIVITY FOR THE MONTH. THE JULY NFP DATA SUGGEST A MODEST SEQUENTIAL INCREASE IN INDUSTRIAL PRODUCTION ... BUT PROBABLY NOT ENOUGH TO GET THE YEAR-OVER-YEAR RATE BACK INTO POSITIVE TERRITORY



SOURCE: BLOOMBERG, HEDGEYE

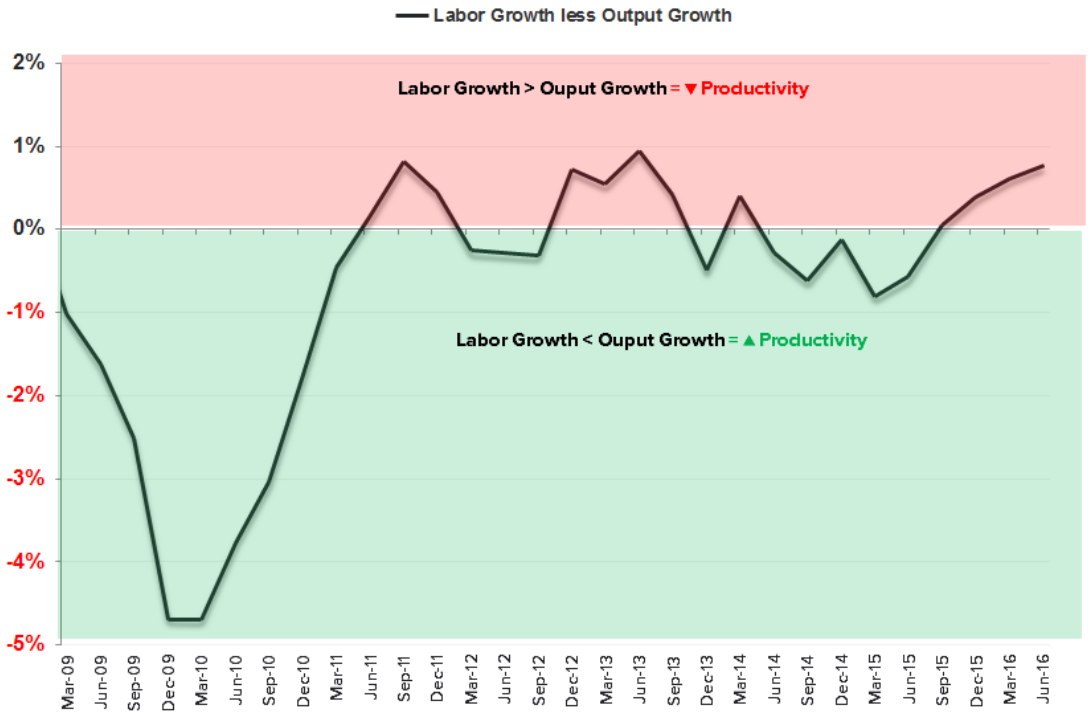
PRODUCTIVITY = ↓



PRODUCTIVITY = ↓

PRIVATE PAYROLL GROWTH IS SLOWING BUT IT'S STILL GROWING AT A PREMIUM TO OUTPUT GROWTH. A POSITIVE SPREAD IS A DRAG ON PRODUCTIVITY AND WITH TOPLINE GROWTH FLAGGING EMPLOYMENT GROWTH IS PAID FOR WITH CORPORATE MARGIN COMPRESSION.

LABOR VS OUTPUT

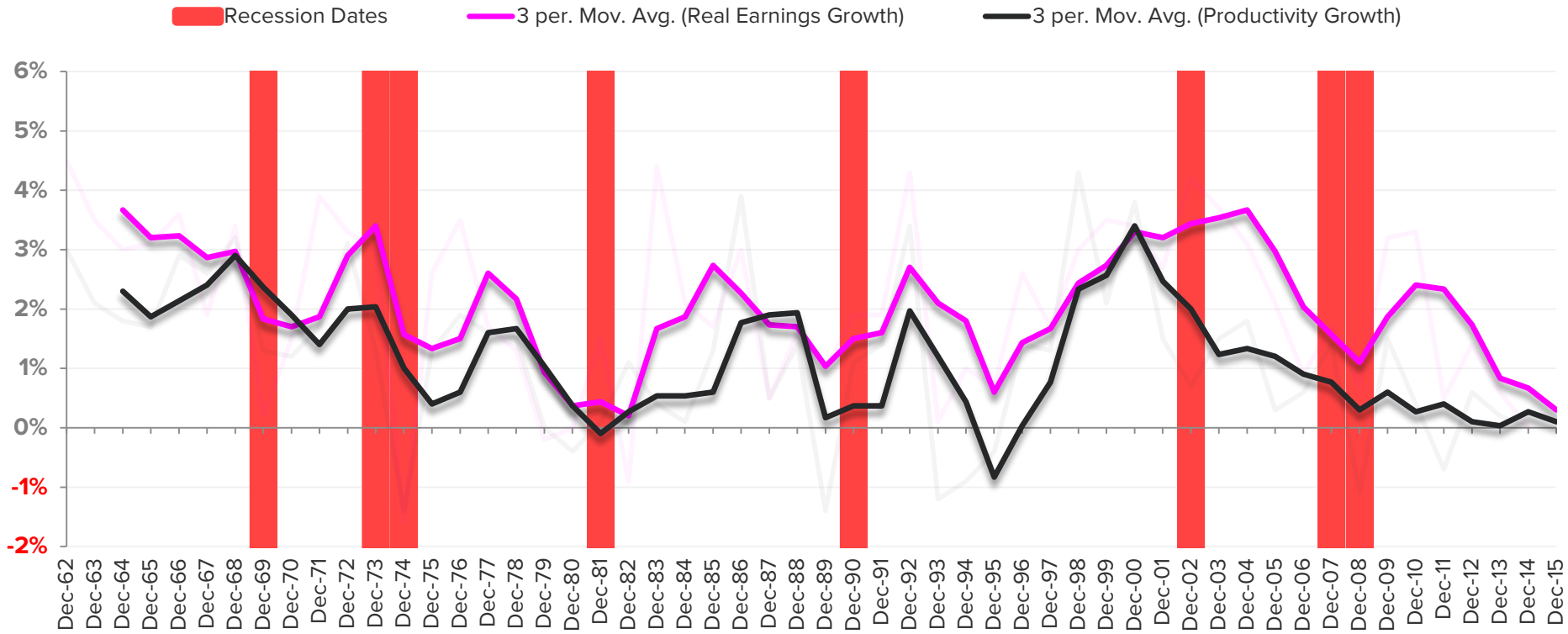


DATA SOURCE: BLOOMBERG, BEA, HEDGEYE

PRODUCTIVITY ↓ = REAL EARNINGS ↓

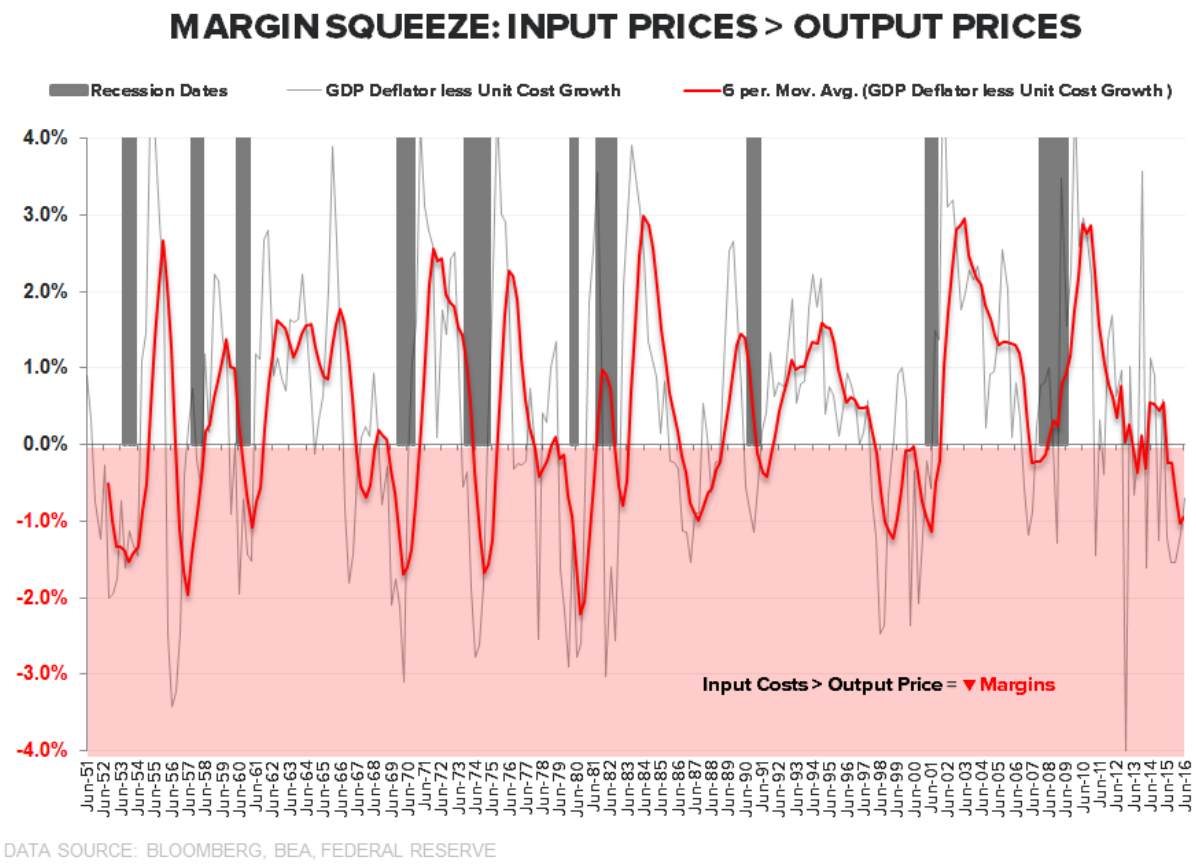
OVER THE LONGER-TERM, THE TREND IN PRODUCTIVITY DRIVES THE TREND IN REAL EARNINGS GROWTH

PRODUCTIVITY GROWTH VS REAL EARNINGS GROWTH



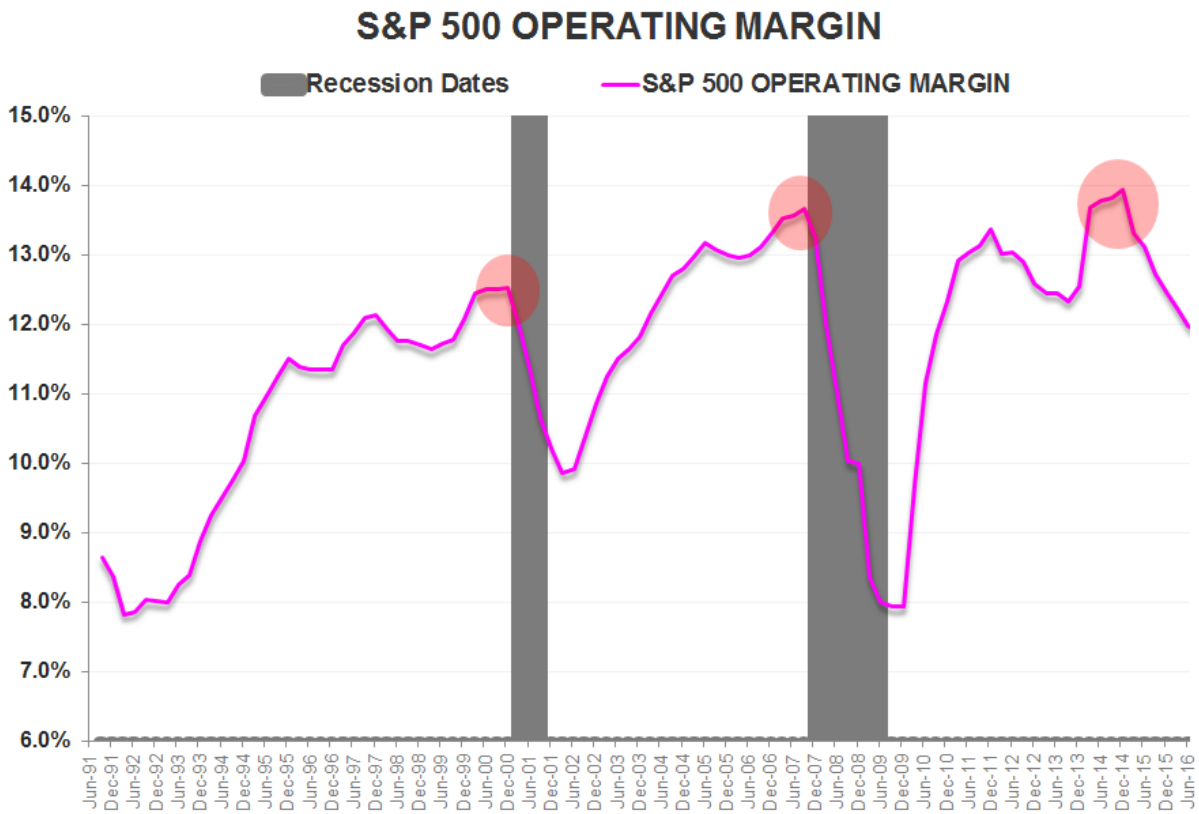
DATA SOURCE: BLOOMBERG, ECONOMIC REPORT OF THE PRESIDENT, HEDGEYE

MARGIN PRESSURE ↑



DATA SOURCE: BLOOMBERG, BEA, FEDERAL RESERVE

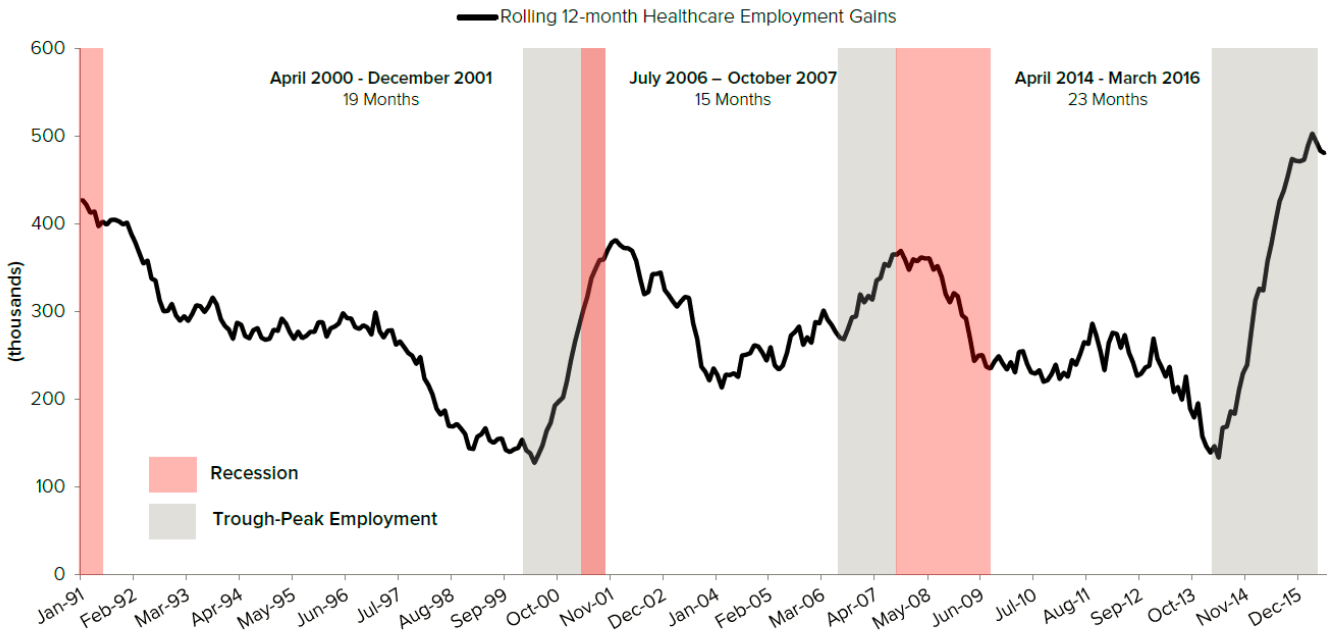
PROFITABILITY ↓



DATA SOURCE: BLOOMBERG

ACA JUICING NFP

HEALTHCARE EMPLOYMENT GAINS



DATA SOURCE: BLS, NBER

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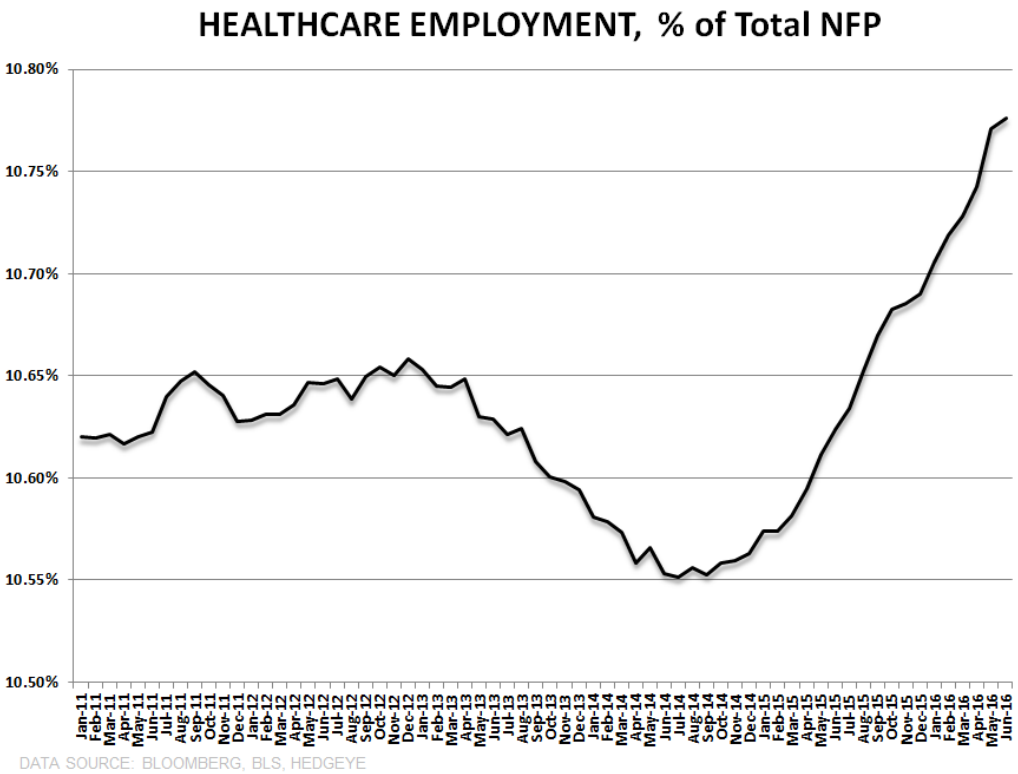
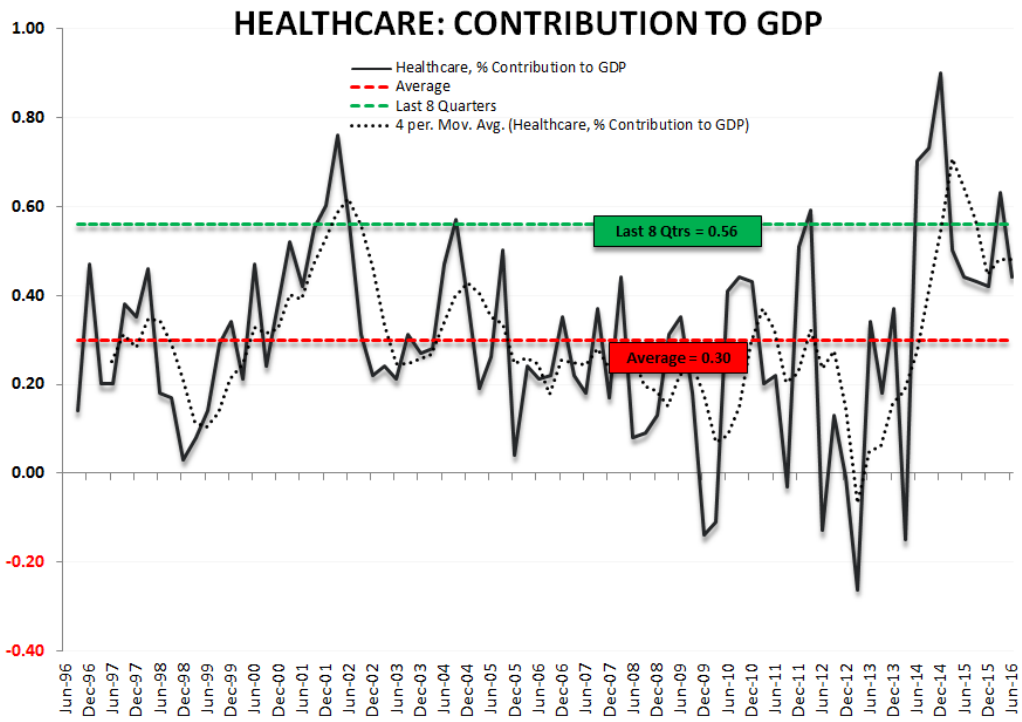
DATA SOURCE: BLOOMBERG

HC EMPLOYMENT, % OF TOTAL



DATA SOURCE: BLOOMBERG, BLS, HEDGEYE

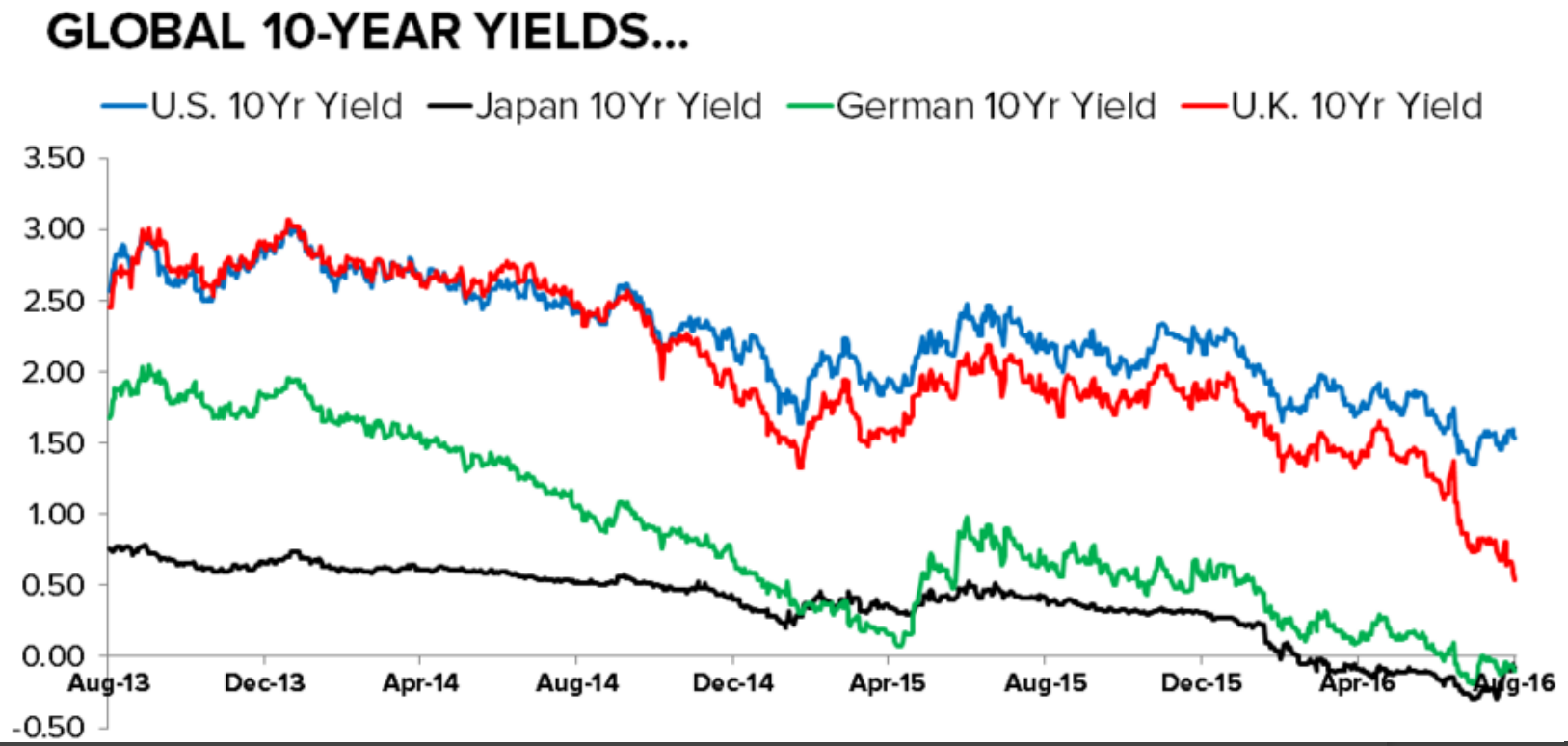
HC: 2X CONTRIBUTION TO GDP



DATA SOURCE: BLOOMBERG, BLS, HEDGEYE

MACRO GRIND

WHERE'S THE "ZERO BOUND"?



August 10, 2016

THE MACRO SHOW

HEDGEYE TV

10YR YIELDS DOWN GLOBALLY

Europe, Middle East & Africa

COUNTRY	YIELD	1 DAY
Germany »	-0.10%	-2
United Kingdom »	0.52%	-6
France	0.12%	-2
Italy	1.09%	-3
Spain	0.96%	-4
Netherlands	-0.01%	-2
Portugal	2.73%	-4
Greece	8.06%	-5
Switzerland	-0.60%	-1

Asia Pacific

10-Year Government Bond Yields

COUNTRY	YIELD	1 DAY
Japan »	-0.11%	-2
Australia »	1.86%	-7
New Zealand	2.13%	-5

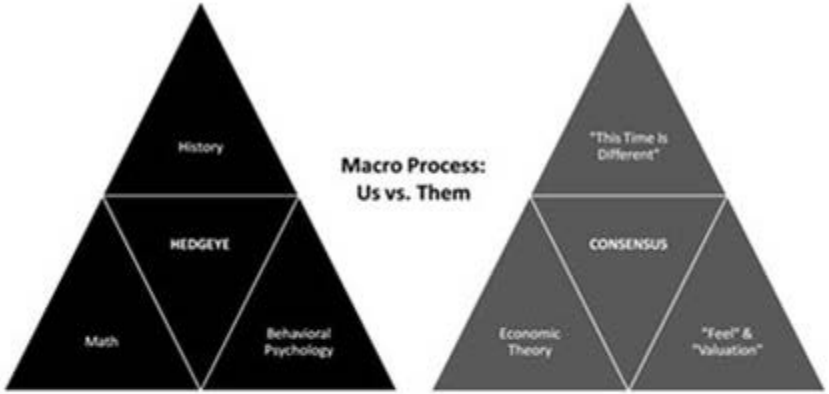
Q2 S&P REVENUE & EARNINGS COMPS

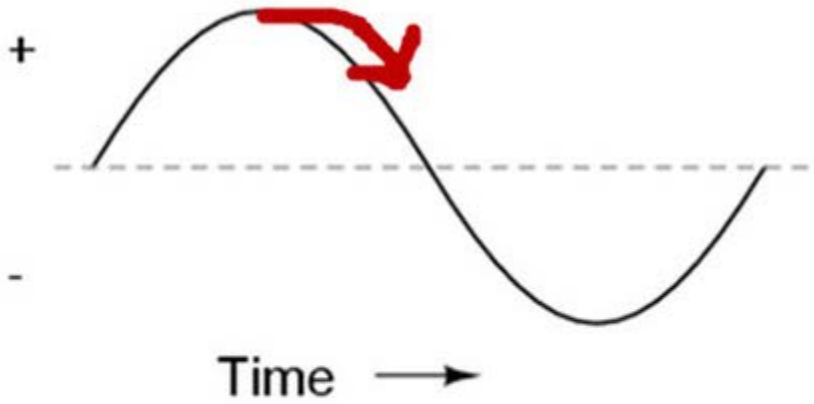
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.4%	-4.1%	450 / 500
Energy	-24.2%	-81.6%	37 / 37
Materials	-7.3%	-9.1%	27 / 27
Industrials	-1.0%	-2.0%	67 / 68
Consumer Discretionary	8.1%	12.1%	58 / 83
Consumer Staples	0.4%	0.2%	28 / 36
Healthcare	9.1%	5.1%	53 / 57
Financials	0.9%	-5.2%	92 / 92
Information Technology	0.0%	-2.2%	55 / 67
Telecom	9.6%	3.5%	5 / 5
Utilities	-2.4%	8.9%	28 / 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	$81.06	-0.30%	-0.69%	3.71%
Financial Select Sector	XLF	$24.07	0.08%	1.78%	1.01%
Health Care Select Sector	XLV	$74.79	0.24%	-0.55%	3.83%
Technology Select Sector	XLK	$47.14	0.21%	1.49%	10.06%
Consumer Staples Select Sector	XLP	$54.70	0.31%	0.00%	8.34%
Industrial Select Sector	XLI	$58.37	-0.03%	0.57%	10.11%
Materials Select Sector	XLB	$48.72	-0.31%	0.06%	12.21%
The Energy Select Sector	XLE	$68.07	-0.53%	1.02%	12.85%
Utilities Select Sector	XLU	$50.70	-0.02%	-2.72%	17.14%
S&P 500	SPX	2,181.74	0.04%	0.37%	6.74%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.06	-0.33%	-1.06%	-3.03%
Financial Select Sector	XLF	$24.07	0.04%	1.40%	-5.73%
Health Care Select Sector	XLV	$74.79	0.20%	-0.92%	-2.91%
Technology Select Sector	XLK	$47.14	0.17%	1.11%	3.32%
Consumer Staples Select Sector	XLP	$54.70	0.27%	-0.37%	1.60%
Industrial Select Sector	XLI	$58.37	-0.07%	0.19%	3.37%
Materials Select Sector	XLB	$48.72	-0.35%	-0.31%	5.46%
The Energy Select Sector	XLE	$68.07	-0.57%	0.65%	6.11%
Utilities Select Sector	XLU	$50.70	-0.06%	-3.10%	10.40%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.3%	1.3%	2.2%	7.1%	26.3%	11.5%
	Low Debt/EV	-0.1%	0.7%	2.0%	5.4%	19.3%	7.0%
SI	High Short Interest	-0.5%	1.8%	3.2%	7.2%	22.8%	5.7%
	Low Short Interest	0.0%	0.9%	2.4%	5.3%	18.1%	8.0%
BETA	High Beta	-0.3%	3.0%	5.8%	9.6%	32.7%	7.0%
	Low Beta	0.1%	-0.5%	-1.5%	4.0%	15.6%	13.2%
YIELD	High Yield	-0.4%	0.7%	1.5%	5.3%	18.6%	9.9%
	Low Yield	0.0%	1.7%	4.3%	8.3%	28.4%	9.3%
MKT CAP	MCAP Bottom 25%	-0.4%	1.6%	2.6%	4.5%	22.0%	5.4%
	MCAP Top 25%	0.1%	1.1%	2.2%	5.4%	17.8%	6.5%
Sales	Top 25% Sales Growth	-0.2%	1.8%	2.4%	6.7%	29.1%	8.9%
	Bottom 25% Sales Growth	-0.3%	1.6%	3.2%	7.0%	21.6%	9.8%
EPS	Top 25% EPS Growth	-0.2%	1.4%	3.5%	6.8%	26.4%	8.0%
	Bottom 25% EPS Growth	-0.4%	1.6%	2.0%	5.3%	22.2%	9.6%

**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	0.28%	2.1	1.1	1	7	-8	33	20	21
3M LIBOR	0.81%	0.0	3.9	14	18	0	50	46	45
2Y T-Note	0.71%	-1.6	3.1	11	0	-39	21	13	26
5Y T-Note	1.11%	-3.7	1.8	16	-9	-72	22	-39	-13
10Y T-Note	1.55%	-4.3	-0.7	19	-20	-83	23	-72	-58
30Y T-Note	2.26%	-4.6	-4.4	16	-35	-88	17	-81	-81
2Y-10Y Spread, Bps	84	-2.7	-3.8	8.6	-21	-44	2	-86	-84
IG SPREAD (AAABBB)	1.69%	0.0	3.0	-8	-10	-61	5	-1	-16
HIGH YIELD	6.44%	0.0	-24.1	-22	-104	-289	8	-16	-33
5Y BREAKEVEN	1.32%	-2.6	5.8	-9.5	-18.5	-31.8	46.6	-26.4	-40.2

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)	132,682	(42,606)	75,588	(27,695)	(91,087)	*1.89X*	*1.57X*
Russell 2000 (mini)	(1,948)	5,991	(26,839)	(42,920)	(42,839)	*2.76X*	*1.10X*
10Y Treasury	96,007	(45,131)	18,751	(1,360)	(2,628)	*1.51X*	*1.87X*
CRUDE OIL	294,109	(15,342)	358,345	342,119	302,140	*-0.14X*	*-0.71X*
GOLD	267,289	10,359	237,190	195,062	109,023	*1.57X*	*2.69X*
COPPER	2,759	(2,112)	(22,624)	(18,279)	(21,233)	*1.72X*	*1.36X*
$USD	17,560	(4,853)	12,364	16,402	30,330	*-0.79X*	*-0.53X*
JPY	37,153	3,211	43,017	49,123	9,803	*0.55X*	*1.56X*
EUR	(116,265)	5,289	(67,670)	(58,746)	(86,164)	*-0.69X*	*-0.47X*
GBP	(82,151)	(3,920)	(51,169)	(44,793)	(30,716)	*-2.42X*	*-2.41X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (8/9) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	0.2%	-2%	-11%	-19%
Total Exchange Volume**	2.2%	-7%	-14%	-19%

*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	0.22	0.34	0.59	-0.11	-0.45	*0.73*	*-0.91*	*58%*	*42%*
BRENT Oil	0.79	0.01	-0.09	-0.43	-0.65	*0.73*	*-0.78*	*37%*	*63%*
CRB Index	0.69	0.11	-0.36	-0.43	-0.83	*0.71*	*-0.91*	*24%*	*76%*
GOLD	-0.92	-0.62	0.54	0.20	-0.65	*0.90*	*-0.95*	*24%*	*76%*

**Days = Trading Days*