THE MACRO SHOW

SEPTEMBER 30, 2016

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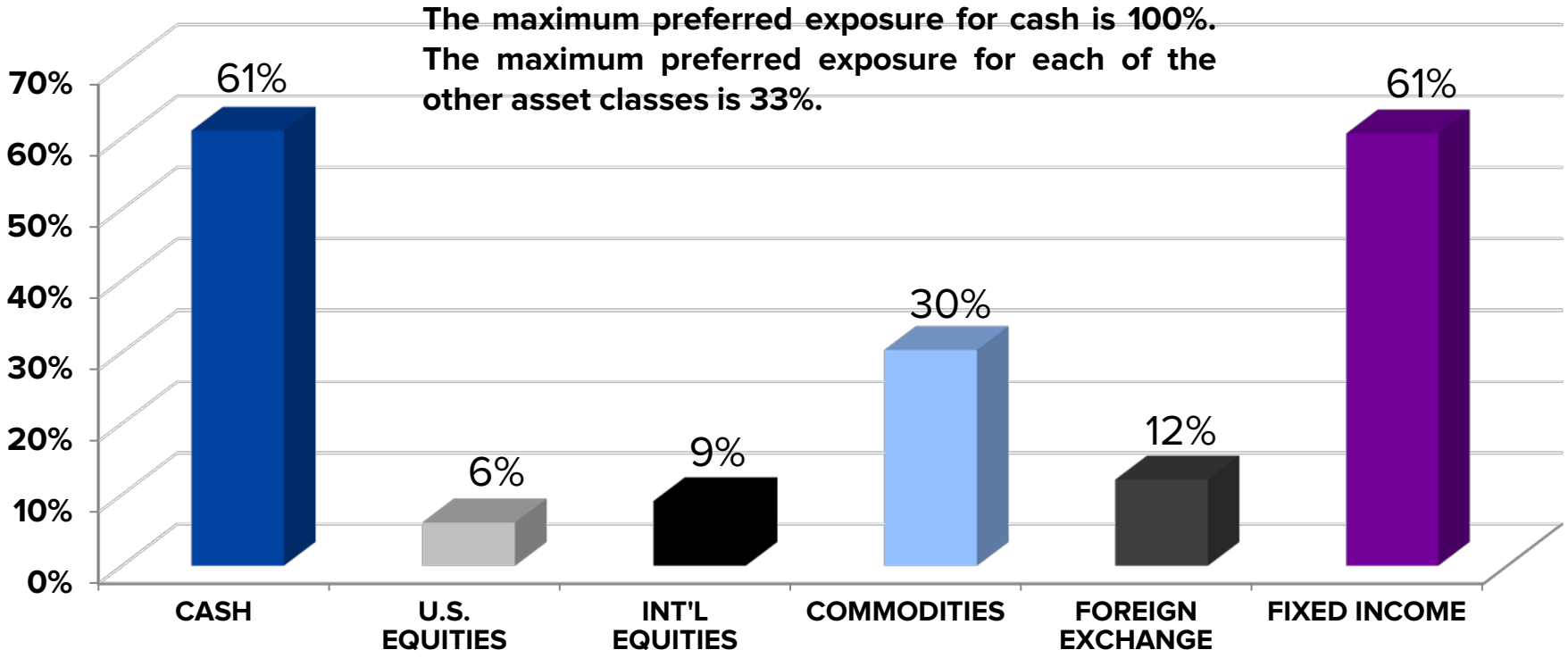
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
9/29/2016	65	2	3	8	4	18
9/30/2016	61	2	3	10	4	20

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
9/29/2016	65%	6%	9%	24%	12%	55%
9/30/2016	61%	6%	9%	30%	12%	61%

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

HEDGEYE ASSET ALLOCATION



October 3, 2016

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1 EURO

2 GOLD

3 RATES

EURO

The last day of the quarter is a good one to reiterate that one of our Top 3 Macro Themes for Q3 and beyond remains #EuropeImploding. A protracted recession in the South of Europe looks like a high probability outcome; it should manifest in reported GDP throughout 2017 – Draghi and European Banks will have to react in kind.

GOLD

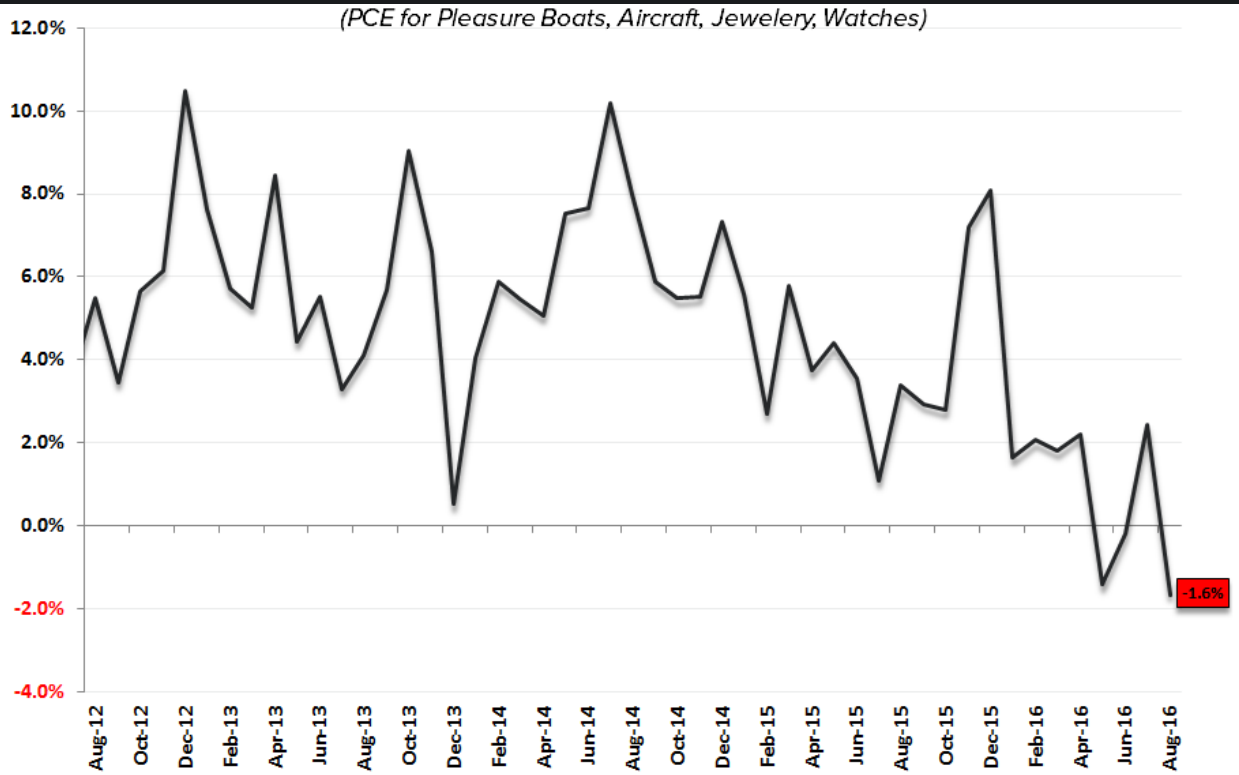
Since it’s going to be one of the big winners of the Currency War (devalued currencies and the credibility of central bankers lose), it’ll end the month and quarter on a strong note, +0.5% = +25.1% YTD with an immediate-term risk range of $1311-1352/oz.

RATES

Our inbox went from choke full of “why rates are gonna rip” mail (2-4 weeks ago) to crickets as the entire complex of long-term global yields falls alongside GDP growth expectations. The UST 10YR 1.54% vs. Swiss 10YR -0.60%, 10YR Bund -0.16%; even Dutch 10s go negative this morning -3bps to -0.03%.

MACRO GRIND

LUXURY GOODS CONSUMPTION YOY%



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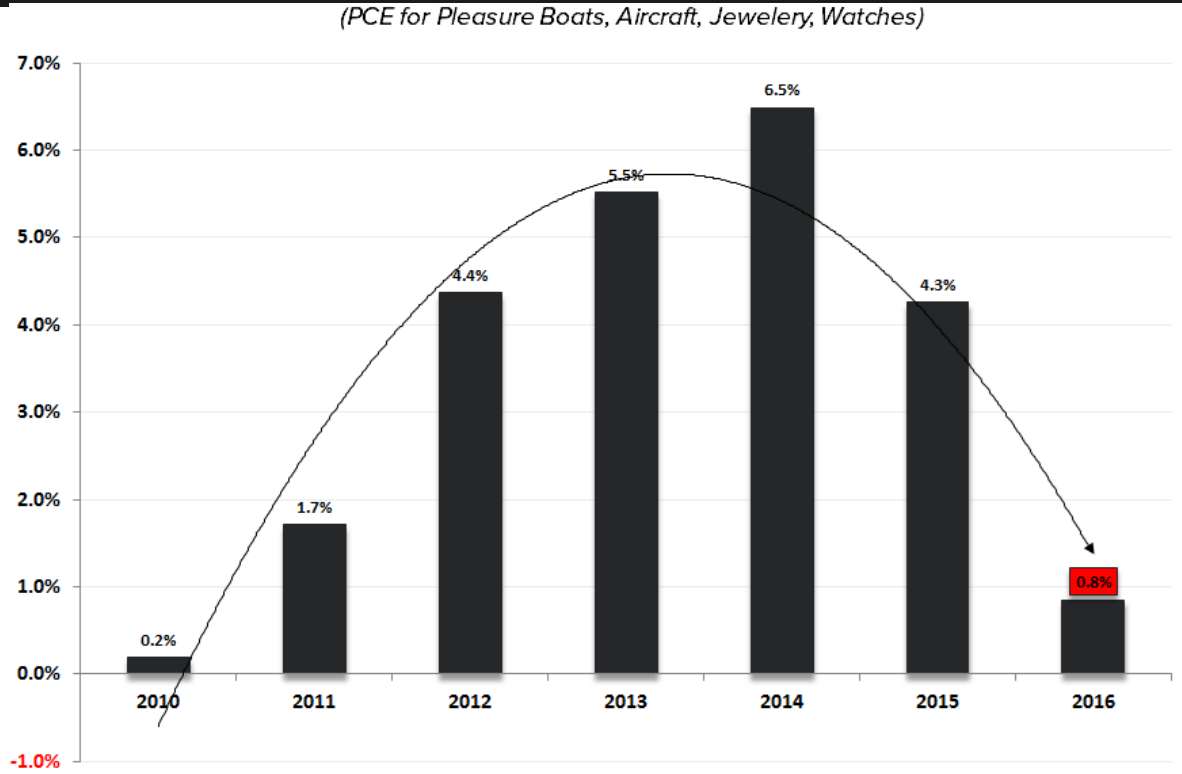
LUXURY GOODS CONSUMPTION YOY%



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U.S. PERSONAL INCOME & SPENDING

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
GDP: Consumer Spending in Context													
Real GDP, Chained $'s	-	16,455	-	-	16,491	-	-	16,525	-	-	16,583	-	-
Consumer Spending (Nominal PCE)	12,356	12,387	12,402	12,442	12,472	12,479	12,504	12,511	12,643	12,685	12,751	12,796	12,802
Consumer Spending (Real PCE)	11,253	11,286	11,291	11,316	11,352	11,345	11,376	11,374	11,457	11,475	11,522	11,560	11,549
Services	7,325	7,346	7,359	7,362	7,388	7,390	7,417	7,405	7,441	7,453	7,482	7,494	7,505
Goods	3,932	3,944	3,934	3,958	3,968	3,958	3,962	3,974	4,023	4,029	4,047	4,074	4,049
Durable Goods	1,511	1,519	1,515	1,533	1,535	1,519	1,529	1,527	1,556	1,556	1,571	1,608	1,588
NonDurable Goods	2,452	2,456	2,451	2,458	2,466	2,470	2,466	2,478	2,500	2,506	2,510	2,506	2,499
PCE Deflator, MoM	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*-0.1%*	*0.1%*	*-0.1%*	*0.1%*	*0.3%*	*0.2%*	*0.1%*	*0.0%*	*0.1%*
PCE Deflator, YoY	*0.4%*	*0.2%*	*0.3%*	*0.5%*	*0.6%*	*1.1%*	*0.9%*	*0.8%*	*1.0%*	*1.0%*	*0.9%*	*0.8%*	*1.0%*
Consumer Spending, % of GDP	-	**68.6%**	-	-	**68.8%**	-	-	**68.8%**	-	-	**69.5%**	-	-
CONSUMER SPENDING													
Consumer Spending, Real	11,253	11,286	11,291	11,316	11,352	11,345	11,376	11,374	11,457	11,475	11,522	11,560	11,549
M/M, % Chg	*0.2%*	*0.3%*	*0.0%*	*0.2%*	*0.3%*	*-0.1%*	*0.3%*	*-0.02%*	*0.7%*	*0.2%*	*0.4%*	*0.3%*	*-0.1%*
Y/Y, % Chg	*2.9%*	*3.2%*	*2.6%*	*2.4%*	*2.6%*	*2.4%*	*2.6%*	*2.2%*	*2.8%*	*2.5%*	*2.9%*	*2.9%*	*2.6%*
2Y Ave	*3.2%*	*3.2%*	*3.1%*	*2.9%*	*3.1%*	*3.2%*	*3.1%*	*2.8%*	*3.1%*	*3.1%*	*3.0%*	*3.2%*	*2.7%*
QoQ Annualized, %		*2.7%*			*2.3%*			*1.6%*			*4.2%*		*2.4%*

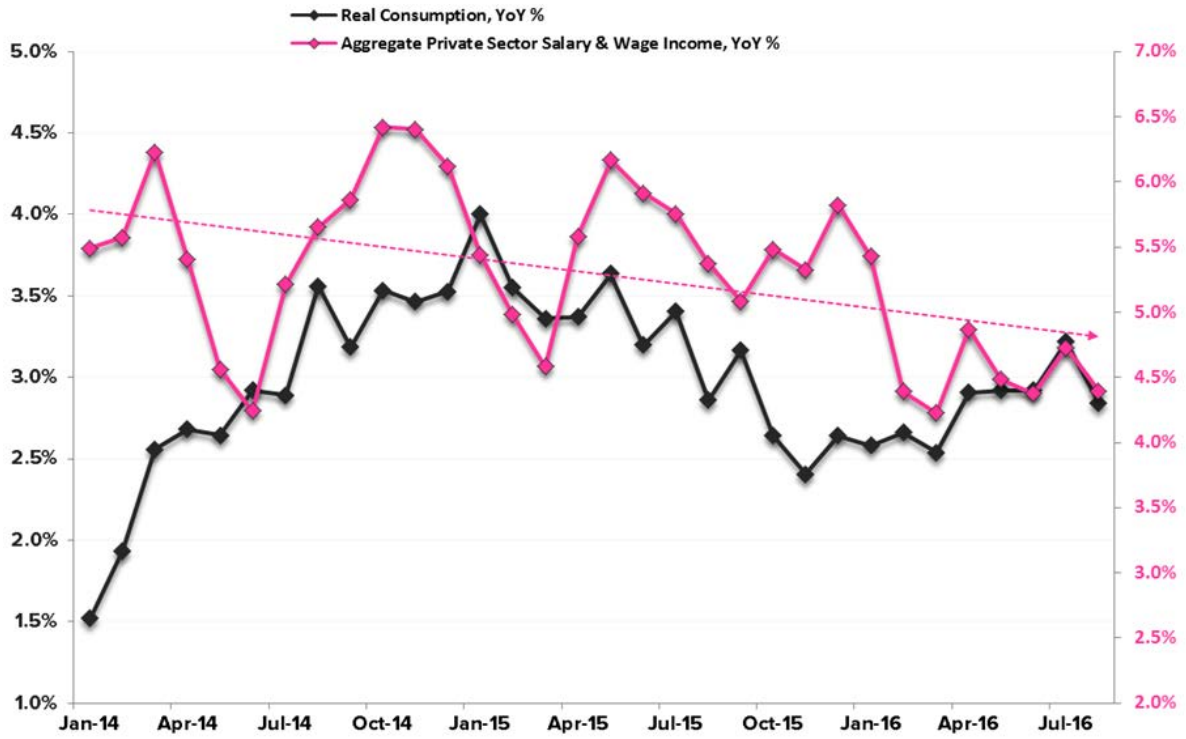
PCE: Decelerates on MoM/YoY/2Y. 3Q Tracking at +2.4% QoQ SAAR

U.S. PERSONAL INCOME & SPENDING

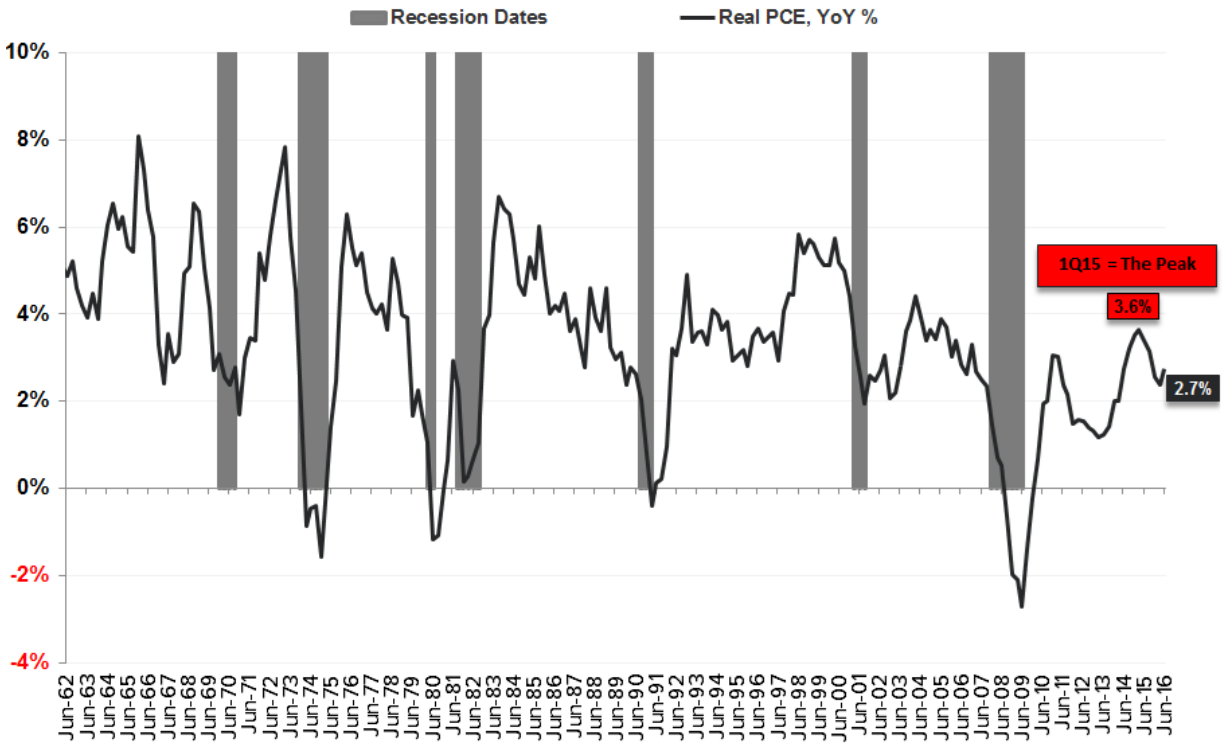
	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
PERSONAL INCOME, YoY %											
Personal Income	3.9%	3.7%	4.0%	3.9%	3.5%	3.6%	3.4%	3.1%	3.1%	3.2%	3.1%
Disposable Peronal Income (DPI)	3.4%	3.4%	3.6%	4.2%	3.8%	4.0%	3.8%	3.5%	3.4%	3.4%	3.4%
DPI (Real, Per Capita)	2.4%	2.1%	2.3%	2.3%	2.1%	2.4%	2.0%	1.8%	1.7%	1.8%	1.6%
Private, Salaries & Wages	5.5%	5.3%	5.8%	5.1%	4.2%	3.8%	4.1%	3.8%	4.2%	4.3%	3.9%
Government, Salaries & Wages	3.0%	3.0%	3.1%	3.1%	3.0%	2.9%	2.6%	2.6%	2.7%	2.8%	2.8%
PERSONAL INCOME, 2Y Ave											

Aggregate Wage Growth: Private Sector Salary & Wage income, PI & DPI = Slowing

PAST PEAK: INCOME & CONSUMPTION GROWTH



REAL PCE GROWTH, YOY%



SPAIN BOLSA DE MADRID IBEX 35

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GOLD CONTINUOUS CONTRACT

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10-YEAR U.S. TREASURY YIELD INDEX

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10-YEAR GOVERNMENT BOND YIELDS

Americas

COUNTRY	YIELD	1 DAY
United States »	1.54%	-2
Canada	0.95%	[illegible]
Brazil	11.67%	-2
Mexico	6.00%	+0

Europe, Middle East & Africa

COUNTRY	YIELD	1 DAY
Germany »	-0.16%	-3
United Kingdom »	0.69%	-3
France	0.16%	-2
Italy	1.21%	+0
Spain	0.90%	-1
Netherlands	-0.03%	-3

IT'S JUST MATH...

This Is Not Coincidence

Output Growth < Input Costs = Margins & Profitability ↓

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$79.40	-0.51%	-1.44%	1.59%
Financial Select Sector	XLF	$19.04	-1.40%	-4.53%	-1.60%
Health Care Select Sector	XLV	$71.38	-1.76%	-1.90%	-0.90%
Technology Select Sector	XLK	$47.53	-0.61%	1.15%	10.97%
Consumer Staples Select Sector	XLP	$52.68	-0.98%	-3.13%	4.34%
Industrial Select Sector	XLI	$57.85	-0.81%	-1.26%	9.13%
Materials Select Sector	XLB	$47.40	-0.77%	-2.39%	9.17%
The Energy Select Sector	XLE	$69.66	-0.17%	1.68%	15.48%
Utilities Select Sector	XLU	$49.34	-1.48%	0.22%	14.00%
S&P 500	SPX	2,151.12	-0.93%	-0.91%	5.24%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$79.40	0.42%	-0.53%	-3.66%
Financial Select Sector	XLF	$19.04	-0.47%	-3.62%	-6.85%
Health Care Select Sector	XLV	$71.38	-0.83%	-0.98%	-6.15%
Technology Select Sector	XLK	$47.53	0.33%	2.06%	5.73%
Consumer Staples Select Sector	XLP	$52.68	-0.05%	-2.21%	-0.91%
Industrial Select Sector	XLI	$57.85	0.13%	-0.35%	3.89%
Materials Select Sector	XLB	$47.40	0.16%	-1.48%	3.92%
The Energy Select Sector	XLE	$69.66	0.76%	2.59%	10.24%
Utilities Select Sector	XLU	$49.34	-0.55%	1.14%	8.76%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.9%	-0.8%	-0.2%	6.4%	8.4%	12.0%
	Low Debt/EV	-0.9%	-1.0%	-2.4%	4.2%	3.2%	5.6%
SI	High Short Interest	-0.7%	-0.2%	-1.9%	6.5%	3.7%	6.1%
	Low Short Interest	-0.9%	-1.3%	-1.8%	3.2%	5.7%	7.5%
BETA	High Beta	-0.5%	0.2%	0.0%	11.2%	11.4%	7.6%
	Low Beta	-1.1%	-1.7%	-1.4%	-1.7%	2.5%	10.8%
YIELD	High Yield	-0.9%	-0.9%	-1.1%	3.7%	4.2%	10.0%
	Low Yield	-1.1%	-1.2%	-1.1%	7.1%	8.8%	8.6%
MKT CAP	MCAP Bottom 25%	-1.0%	-0.9%	-2.1%	5.0%	2.5%	5.3%
	MCAP Top 25%	-0.9%	-1.2%	-1.5%	3.7%	5.1%	5.5%
Sales	Top 25% Sales Growth	-0.9%	-0.9%	-1.3%	5.3%	9.7%	9.9%
	Bottom 25% Sales Growth	-0.6%	-0.6%	-1.7%	5.6%	3.4%	6.7%
EPS	Top 25% EPS Growth	-1.2%	-1.3%	-1.4%	5.4%	8.4%	7.6%
	Bottom 25% EPS Growth	-0.5%	-0.4%	-1.1%	3.9%	4.3%	7.8%

**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	0.24%	-3.0	7.6	-7	-2	-13	29	15	16
3M LIBOR	0.84%	0.0	-1.9	0	19	-3	52	46	46
2Y T-Note	0.74%	-2.0	-3.4	-7	10	-36	24	14	27
5Y T-Note	1.11%	-2.1	-5.1	-5	6	-71	22	-37	-13
10Y T-Note	1.56%	-1.5	-6.2	0	4	-82	24	-66	-56
30Y T-Note	2.28%	-1.5	-5.9	6	-4	-86	19	-73	-76
2Y-10Y Spread, Bps	82	0.4	-2.8	6.6	-6	-46	0	-80	-83
IG SPREAD (AAABBB)	1.64%	0.0	-3.0	0	-14	-66	4	-6	-19
HIGH YIELD	6.35%	0.0	12.7	9	-79	-298	16	-25	-37
5Y BREAKEVEN	1.45%	-0.5	2.5	13.9	6.2	-18.8	59.6	-11.2	-26.4

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)	124,319	10,785	138,271	67,862	(47,006)	*1.21X*	*1.38X*
Russell 2000 (mini)	7,803	(380)	(3,269)	(23,716)	(36,004)	*1.80X*	*1.51X*
10Y Treasury	118,196	45,781	92,564	22,119	10,079	*1.50X*	*1.93X*
CRUDE OIL	314,891	(45,601)	333,116	356,874	311,787	*0.05X*	*-0.35X*
GOLD	219,134	(29,724)	259,991	229,289	139,874	*0.76X*	*1.66X*
COPPER	(13,323)	12,183	(11,558)	(18,347)	(20,642)	*0.52X*	*0.27X*
$USD	14,340	(2,666)	15,702	13,609	25,440	*-0.81X*	*-0.67X*
JPY	59,724	2,037	50,024	50,481	23,426	*0.81X*	*1.74X*
EUR	(92,466)	(4,078)	(97,705)	(69,684)	(88,807)	*-0.08X*	*-0.10X*
GBP	(57,464)	24,508	(74,801)	(59,075)	(41,195)	*-0.63X*	*-1.34X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (9/29) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	1%	6%	11%	-4%
Total Exchange Volume**	8%	11%	18%	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)

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation			
						High	Low	% Time Pos	% Time Neg
SPX	-0.23	-0.40	0.23	0.44	-0.42	*0.73*	*-0.91*	*51%*	*49%*
BRENT Oil	**-0.54**	**-0.60**	**-0.57**	-0.26	**-0.58**	*0.73*	*-0.78*	*34%*	*66%*
CRB Index	-0.11	**-0.67**	-0.34	-0.26	**-0.72**	*0.71*	*-0.91*	*18%*	*82%*
GOLD	**-0.54**	**-0.69**	0.39	0.45	-0.33	*0.90*	*-0.95*	*23%*	*77%*

**Days = Trading Days*