



THE  
MACRO  
SHOW

OCTOBER 6, 2016

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# HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
10/5/2016	50	8	4	14	0	24
10/6/2016	48	8	4	15	0	25

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
10/5/2016	50%	24%	12%	42%	0%	73%
10/6/2016	48%	24%	12%	45%	0%	76%

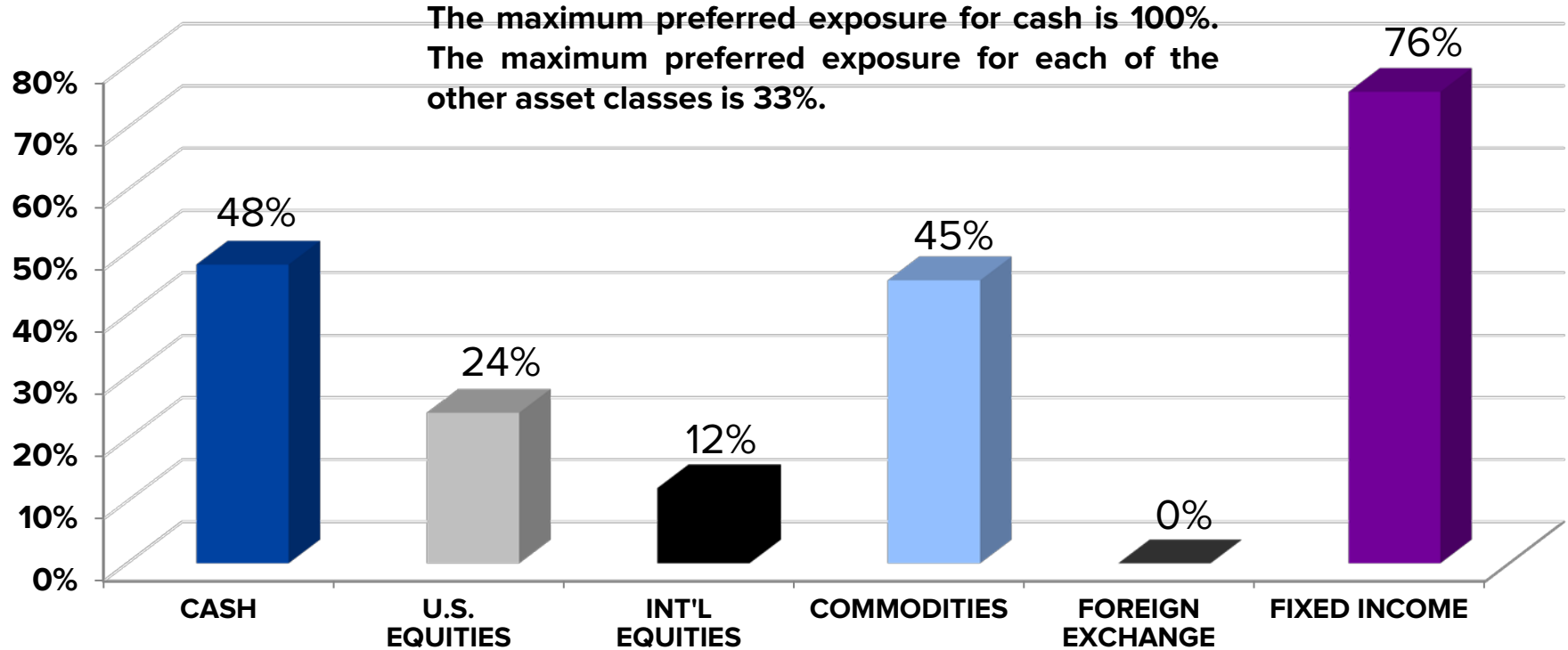
The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

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# HEDGEYE ASSET ALLOCATION



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A large Japanese flag (white with a red circle) is shown against a dark background.

**1 JAPAN**

A silhouette of an oil pumpjack is visible against a sunset or sunrise sky.

**2 OIL**

A ship is visible on the water, with a dark, moody sky in the background.

**3 THEMES**

The background of the slide is a close-up of the Japanese flag, featuring a white field with a large red disc in the center. A large, semi-transparent white arrow is overlaid on the left side of the image, pointing diagonally upwards and to the right. The word "JAPAN" is written in large, bold, white capital letters across the middle of the image, partially overlapping the flag and the arrow.

# JAPAN

Whether it was the short selling opportunity in the Financials or Japanese Equities in the last 24 hours (we just re-shortened both in Real-Time Alerts). It's all one big FX/Rates correlation trade: Dollar/Rates Up, Yen Down, Nikkei Up to 16,899, signaling immediate-term TRADE overbought within our bearish intermediate-term TREND view.



# OIL

Not surprisingly, OPEC's latest central plan to smooth price volatility worked... in the very short-term... but what does it do in the intermediate-term? Oil's Volatility (OVX) has maintained a range of 35-45 (its currently at the low-end of that range at 36) and WTI's at the top of its refreshed (and widening!) risk range of \$43.82-50.65.



# THEMES

We'll host our ***Q4 Global Macro Themes Call*** today at 1PM EST, where we'll go right back to the wood on the longer-term call that is ***#TheCycle***, outlining the double-dip recession expectations both cyclicals and ***#LateCycle*** sectors should have in Q4 and Q1, and give you a scenario analysis on tangible Trump vs. Clinton post-election policies.

**MACRO GRIND**

# 10-YEAR U.S. TREASURY YIELD

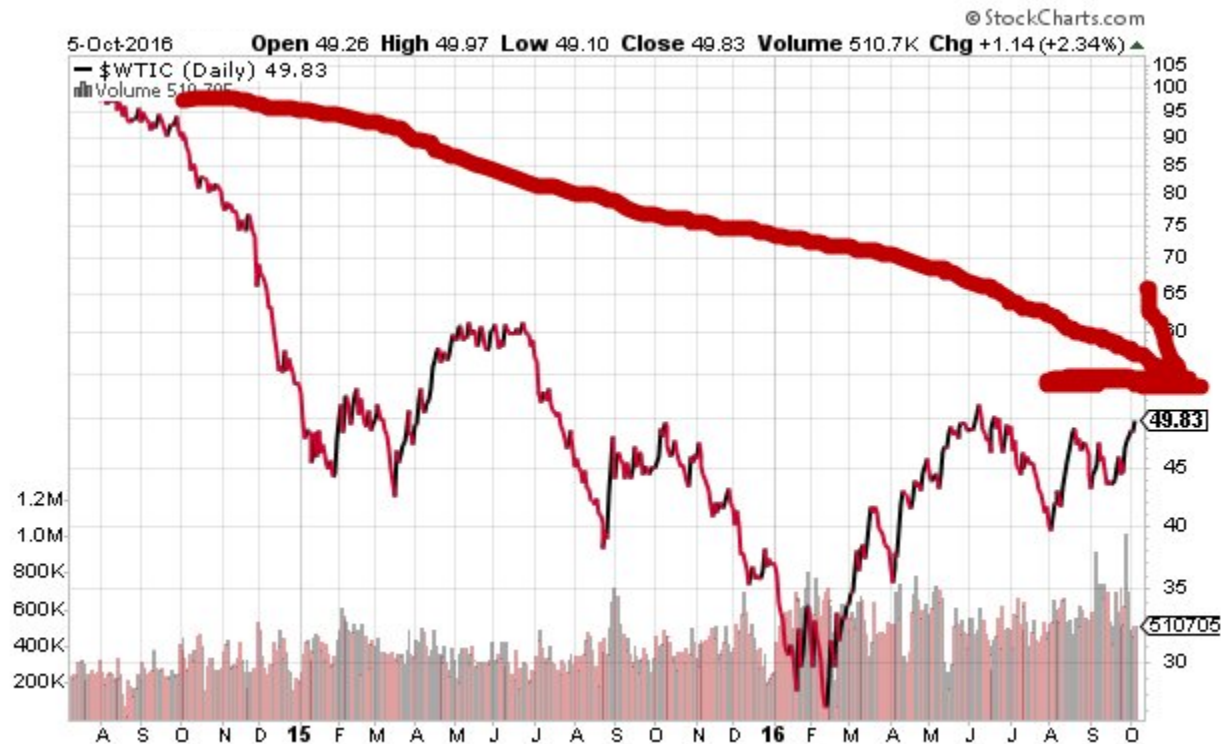


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# LIGHT CRUDE OIL



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# INDIA BOMBAY 30 SENSEX INDEX



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# TOKYO NIKKEI AVERAGE – NIKKEI 225



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# 10-YEAR GOVERNMENT BOND YIELDS

## Europe, Middle East & Africa

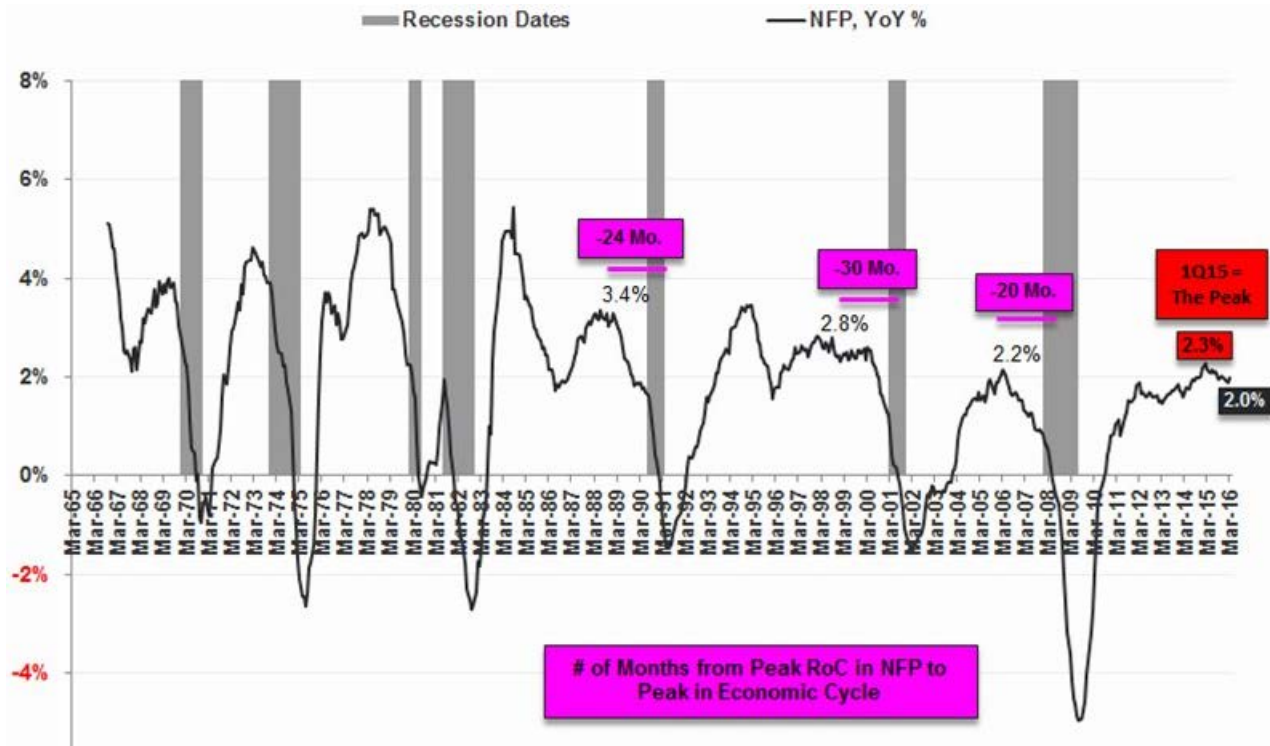
COUNTRY	YIELD	1 DAY
Germany »	-0.04%	-4
United Kingdom »	0.80%	-2
France	0.27%	-5
Italy	1.33%	-3
Spain	1.01%	-2
Netherlands	0.08%	-3
Portugal	3.42%	-1
Greece	8.11%	-1
Switzerland	-0.57%	-2

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# NONFARM PAYROLL GROWTH, YOY



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# Q4 2016 MACRO THEMES

1

## #DOUBLE DIP RECESSION

The cyclical-industrial complex peaks ahead of the peak in the economic cycle and the current cycle has not proved different. Globally, growth and inflation expectations continue to be marked lower while PMI's and Industrial activity remain in Trend retreat. Domestically, manufacturing ISM's remain peri-contractionary while industrial production and corporate capex remain mired in their worst non-recession streaks of negative growth ever. We'll detail why industrial activity is not poised for sustainable improvement and why, after another round of policy catalyzed reflation, the risk to cyclicals has again become acute.

2

## #LABOR'S LAGS

After peaking in 1H15, employment, income and consumption growth have all continued their negative 2<sup>nd</sup> derivative convergence towards zero. With credit growth now beginning to slow, asset price inflation and the wealth effect past peak, high ticket discretionary consumption at 6-year lows, and rising prospects for broader implementation of higher minimum wages, the risk to labor and consumption slowing faster is rising. We'll explore labors' current catch-22 situation in which further strength in the labor markets is paid for via continued negative productivity growth and falling corporate profitability while labor market softening would amplify the negative trend in income and consumption growth.

3

## #CLINTON VS TRUMP

With one of the US's most important presidential elections ever just over one month away, most investors are still unsure on just how to position for the highest probability outcome. With political uncertainty at historic highs across the buy-side and in corporate boardrooms, we thought it would be helpful to provide a scenario analysis on the respective policy platforms for each candidate. Perception is not necessarily reality when the rubber meets the road.

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# HEDGEYE SECTOR PERFORMANCE

<u>SECTOR</u>	<u>Ticker</u>	<u>Price</u>	<u>1-Day %</u> <u>Chg</u>	<u>MTD %</u> <u>Chg</u>	<u>YTD %</u> <u>Chg</u>
Consumer Discretionary	XLY	\$80.04	0.41%	0.00%	2.40%
Financial Select Sector	XLF	\$19.60	1.61%	1.55%	1.29%
Health Care Select Sector	XLV	\$72.19	0.39%	0.11%	0.22%
Technology Select Sector	XLK	\$47.64	0.36%	-0.29%	11.23%
Consumer Staples Select Sector	XLP	\$52.37	-0.10%	-1.58%	3.72%
Industrial Select Sector	XLI	\$58.31	0.64%	-0.12%	10.00%
Materials Select Sector	XLB	\$47.36	0.68%	-0.82%	9.07%
The Energy Select Sector	XLE	\$70.91	1.53%	0.42%	17.56%
Utilities Select Sector	XLU	\$47.19	-0.21%	-3.67%	9.03%
S&P 500	SPX	2,159.73	0.43%	-0.39%	5.67%

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# HEDGEYE SECTOR RELATIVE PERFORMANCE

			<u>1-Day %</u>	<u>MTD %</u>	<u>YTD %</u>
	<u>Ticker</u>	<u>Price</u>	<u>Chg</u>	<u>Chg</u>	<u>Chg</u>
Consumer Discretionary	XLY	\$80.04	-0.02%	0.39%	-3.26%
Financial Select Sector	XLF	\$19.60	1.18%	1.95%	-4.38%
Health Care Select Sector	XLV	\$72.19	-0.04%	0.50%	-5.44%
Technology Select Sector	XLK	\$47.64	-0.07%	0.10%	5.57%
Consumer Staples Select Sector	XLP	\$52.37	-0.53%	-1.18%	-1.94%
Industrial Select Sector	XLI	\$58.31	0.21%	0.27%	4.33%
Materials Select Sector	XLB	\$47.36	0.25%	-0.42%	3.41%
The Energy Select Sector	XLE	\$70.91	1.10%	0.82%	11.89%
Utilities Select Sector	XLU	\$47.19	-0.64%	-3.28%	3.37%

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# HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.7%	-1.2%	-0.5%	6.3%	10.3%	11.4%
	Low Debt/EV	0.4%	-0.1%	-0.9%	4.0%	4.2%	6.3%
SI	High Short Interest	1.0%	0.5%	0.0%	8.0%	7.2%	7.2%
	Low Short Interest	0.4%	-0.5%	-1.5%	2.7%	6.4%	7.8%
BETA	High Beta	1.5%	1.8%	2.3%	15.2%	16.6%	10.4%
	Low Beta	-0.4%	-3.4%	-3.6%	-5.7%	0.5%	7.6%
YIELD	High Yield	0.2%	-2.2%	-2.2%	1.4%	4.1%	8.1%
	Low Yield	0.8%	0.0%	0.1%	8.4%	10.7%	9.5%
MKT CAP	MCAP Bottom 25%	0.9%	-0.4%	-1.3%	5.7%	5.3%	6.1%
	MCAP Top 25%	0.5%	-0.2%	-0.7%	4.2%	6.4%	6.2%
Sales	Top 25% Sales Growth	0.8%	0.0%	0.0%	6.0%	11.0%	10.7%
	Bottom 25% Sales Growth	0.7%	-0.3%	-0.9%	5.2%	5.6%	6.9%
EPS	Top 25% EPS Growth	0.5%	-0.6%	-0.6%	6.4%	10.1%	8.0%
	Bottom 25% EPS Growth	0.7%	-0.4%	-0.5%	4.3%	6.8%	8.4%

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

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# HEDGEYE RATES & SPREADS

		1D	5D	1M	3M	vs. 52-Wk, Bps		vs.	vs.
	Price	Bps Chg	Bps Chg	Bps Chg	Bps Chg	High	Low	3Y Ave	5Y Ave
3M T-Bill	0.32%	0.0	4.7	0	8	-5	34	23	24
3M LIBOR	0.86%	0.0	2.7	2	21	0	55	49	49
2Y T-Note	0.83%	1.0	7.6	5	28	-27	34	24	36
5Y T-Note	1.24%	1.6	10.9	5	31	-58	35	-24	-1
10Y T-Note	1.70%	1.6	13.0	10	33	-67	38	-51	-42
30Y T-Note	2.42%	1.4	13.2	15	27	-72	34	-58	-61
2Y-10Y Spread, Bps	87	0.6	5.5	5.4	5	-41	5	-75	-78
IG SPREAD (AAABBB)	1.63%	0.0	-1.0	0	-20	-67	3	-7	-20
HIGH YIELD	6.15%	-1.7	-19.5	-7	-65	-317	0	-44	-56
5Y BREAKEVEN	1.50%	1.9	4.7	20.8	10.1	-13.6	64.8	-5.8	-21.2

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# CFTC NON-COMMERCIAL NET LONG POSITIONING

METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	Z-Score	
						1Y	3Y
SPX (Index + E-mini)	88,942	(35,377)	139,989	76,393	(41,558)	0.93X	1.05X
Russell 2000 (mini)	11,558	3,755	260	(20,817)	(35,221)	1.86X	1.66X
10Y Treasury	159,445	41,249	101,009	28,966	12,806	1.95X	2.36X
CRUDE OIL	330,111	15,220	331,873	355,593	312,392	0.30X	-0.10X
GOLD	261,892	42,758	259,123	233,018	144,105	1.12X	2.17X
COPPER	(2,216)	11,107	(10,200)	(18,267)	(20,358)	1.26X	1.05X
\$USD	12,128	(2,212)	15,679	13,398	24,797	-0.93X	-0.76X
JPY	68,552	8,828	51,259	51,095	25,197	0.97X	1.85X
EUR	(82,521)	9,945	(98,971)	(70,501)	(88,853)	0.15X	0.05X
GBP	(86,746)	(29,282)	(78,300)	(60,883)	(42,866)	-1.69X	-2.17X

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# MARKET SHARE VOLUME & TOTAL VALUE TRADED

<u>INDEX/SECURITY</u>	<b>VOLUME: (10/5) vs.</b>			
	<u>Prior Day</u>	<u>1M Ave</u>	<u>3M ave</u>	<u>1Y Ave</u>
Total Market Volume*	-2%	12%	23%	7%
<hr/>				
Total Exchange Volume**	-4%	-1%	8%	-4%
Total Traded Value (R3K)***	10%	-4%	7%	-1%

\*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)

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# KEY \$USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation			
						High	Low	% Time Pos	% Time Neg
SPX	-0.43	-0.23	0.25	0.44	-0.34	0.68	-0.91	49%	51%
BRENT Oil	0.09	-0.05	-0.56	-0.30	-0.52	0.73	-0.78	34%	66%
CRB Index	-0.14	-0.38	-0.35	-0.30	-0.68	0.71	-0.91	18%	82%
GOLD	-0.75	-0.70	0.45	0.42	-0.20	0.90	-0.95	23%	77%

\*Days = Trading Days

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