THE MACRO SHOW

OCTOBER 18, 2016

LEGAL

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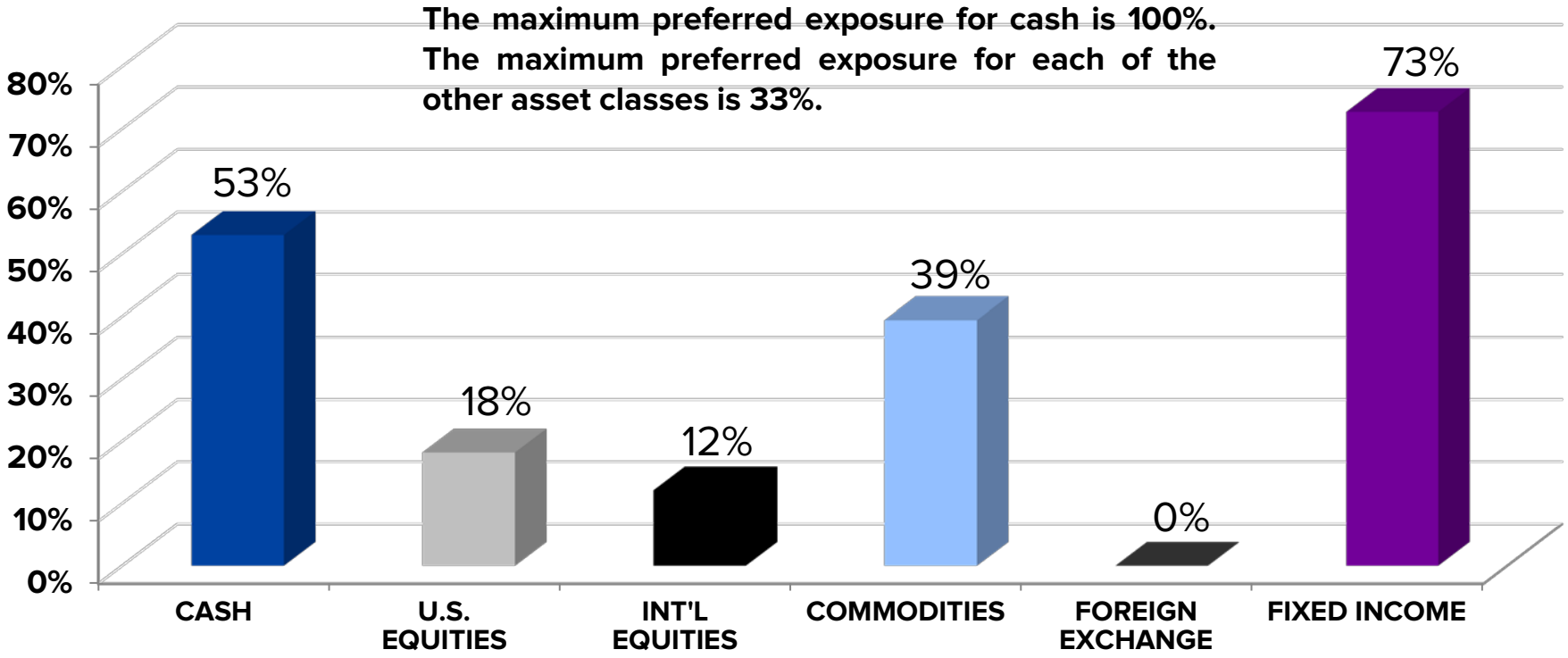
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
10/17/2016	51	6	4	14	0	25
10/18/2016	53	6	4	13	0	24

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
10/17/2016	51%	18%	12%	42%	0%	76%
10/18/2016	53%	18%	12%	39%	0%	73%

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 ITALY

2 RUSSELL 2000

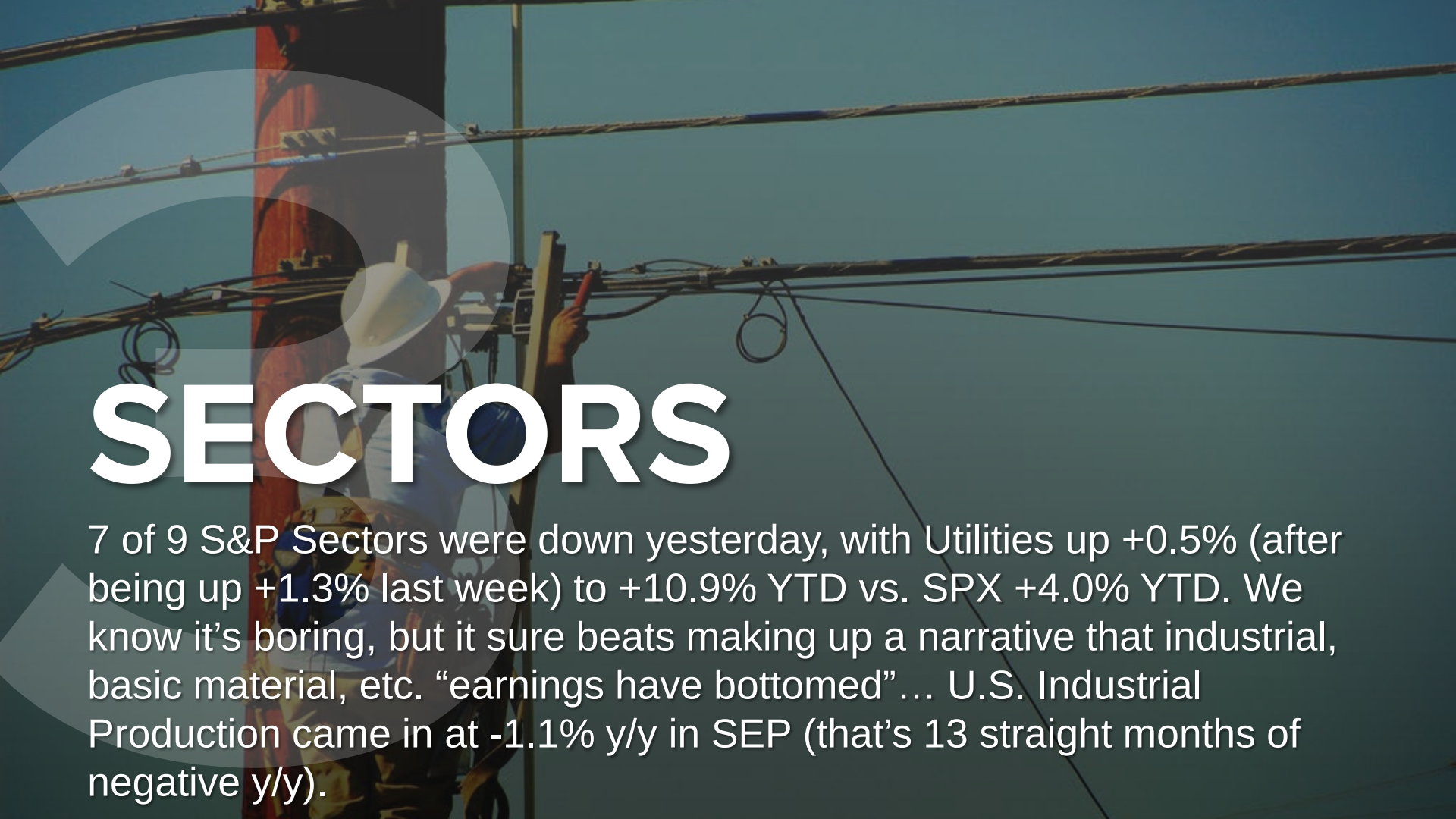
3 SECTORS

ITALY

Another big bear market bounce for Southern European Equities this morning with Italian Stocks leading the way as sovereign bond yields take a breather. Italy’s MIB Index +1.6% leads the way, but is still down -21% YTD and -30% from the 2015 peak in Global Equities.

RUSSELL 2000

You don’t hear much banter about it, but the Russell 2000 never got back above its 2015 Global Equity peak (JUL 2015) of 1295 and is currently -6.6% below that mark, signaling bearish TREND @Hedgeye with a consensus net LONG position (non-commercial CFTC futz & options contracts) of +1.7x on a 1yearr z-score.



SECTORS

7 of 9 S&P Sectors were down yesterday, with Utilities up +0.5% (after being up +1.3% last week) to +10.9% YTD vs. SPX +4.0% YTD. We know it's boring, but it sure beats making up a narrative that industrial, basic material, etc. "earnings have bottomed"… U.S. Industrial Production came in at -1.1% y/y in SEP (that's 13 straight months of negative y/y).

MACRO GRIND

FTSE MIB (MILAN) INDEX

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LONDON FINANCIAL TIMES INDEX FTSE 100

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S&P 500 REVENUES & EARNINGS COMPS

Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	3.2%	1.5%	27 / 499
Energy	0.0%	0.0%	0 / 36
Materials	-1.9%	6841.6%	2 / 27
Industrials	17.5%	13.5%	4 / 67
Consumer Discretionary	4.3%	-1.9%	8 / 83
Consumer Staples	-0.8%	4.7%	6 / 37
Healthcare	0.0%	0.0%	0 / 58
Financials	0.0%	0.0%	0 / 64
Information Technology	4.7%	-5.3%	7 / 66
Telecom	0.0%	0.0%	0 / 5
Utilities	0.0%	0.0%	0 / 28
Source: BBG	0.0%	0.0%	0 / 28

Source: BBG

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$78.24	-0.82%	-2.25%	0.10%
Financial Select Sector	XLF	$19.33	-0.46%	0.16%	-0.11%
Health Care Select Sector	XLV	$69.39	-0.33%	-3.77%	-3.67%
Technology Select Sector	XLK	$47.27	-0.21%	-1.07%	10.37%
Consumer Staples Select Sector	XLP	$52.12	-0.48%	-2.05%	3.23%
Industrial Select Sector	XLI	$57.08	-0.26%	-2.23%	7.68%
Materials Select Sector	XLB	$46.36	0.09%	-2.91%	6.77%
The Energy Select Sector	XLE	$69.46	-0.49%	-1.63%	15.15%
Utilities Select Sector	XLU	$48.01	0.54%	-2.00%	10.93%
S&P 500	SPX	2,126.50	-0.30%	-1.93%	4.04%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$78.24	-0.52%	-0.32%	-3.94%
Financial Select Sector	XLF	$19.33	-0.16%	2.08%	-4.14%
Health Care Select Sector	XLV	$69.39	-0.03%	-1.85%	-7.70%
Technology Select Sector	XLK	$47.27	0.09%	0.86%	6.33%
Consumer Staples Select Sector	XLP	$52.12	-0.17%	-0.12%	-0.81%
Industrial Select Sector	XLI	$57.08	0.04%	-0.30%	3.64%
Materials Select Sector	XLB	$46.36	0.39%	-0.98%	2.73%
The Energy Select Sector	XLE	$69.46	-0.18%	0.30%	11.11%
Utilities Select Sector	XLU	$48.01	0.85%	-0.07%	6.89%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.3%	-2.4%	-1.4%	-2.5%	3.2%	8.7%
	Low Debt/EV	-0.5%	-2.2%	-0.5%	-2.1%	0.8%	4.1%
SI	High Short Interest	-0.6%	-3.2%	-0.3%	-1.7%	1.0%	4.6%
	Low Short Interest	-0.3%	-1.6%	-0.6%	-2.3%	2.1%	4.9%
BETA	High Beta	-0.5%	-3.6%	0.3%	2.1%	6.6%	6.2%
	Low Beta	0.0%	-0.4%	-1.5%	-6.1%	0.2%	7.8%
YIELD	High Yield	-0.2%	-1.5%	-1.2%	-3.9%	1.2%	6.7%
	Low Yield	-0.5%	-3.1%	-1.6%	-0.7%	3.7%	6.1%
MKT CAP	MCAP Bottom 25%	-0.5%	-2.9%	-1.3%	-2.9%	-0.5%	3.3%
	MCAP Top 25%	-0.4%	-1.8%	-0.4%	-1.7%	2.0%	3.8%
Sales	Top 25% Sales Growth	-0.6%	-2.6%	-1.0%	-1.0%	3.4%	7.7%
	Bottom 25% Sales Growth	-0.3%	-2.2%	-0.8%	-2.7%	1.1%	4.2%
EPS	Top 25% EPS Growth	-0.3%	-2.3%	-1.1%	-0.8%	4.5%	5.8%
	Bottom 25% EPS Growth	-0.4%	-2.4%	-0.3%	-2.8%	0.8%	6.0%

**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	0.30%	1.0	-1.6	2	0	-7	31	20	22
3M LIBOR	0.88%	0.0	0.8	2	19	0	57	50	50
2Y T-Note	0.81%	-2.0	-1.5	5	15	-28	32	21	34
5Y T-Note	1.25%	-3.3	-0.1	6	15	-57	36	-23	0
10Y T-Note	1.77%	-3.2	4.8	7	22	-61	45	-44	-35
30Y T-Note	2.52%	-3.7	7.1	8	26	-62	43	-46	-51
2Y-10Y Spread, Bps	95	-1.2	6.3	2.1	7	-32	13	-65	-69
IG SPREAD (AAABBB)	1.58%	0.0	0.0	-10	-11	-72	0	-12	-24
HIGH YIELD	6.38%	-0.5	-0.5	-5	-4	-295	23	-22	-32
5Y BREAKEVEN	1.59%	2.1	5.8	22.3	14.3	-4.5	73.9	3.7	-12.1

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)	(3,767)	(71,614)	135,889	86,414	(30,3[illegible])	*0.20X*	*0.19X*
Russell 2000 (mini)	12,892	(3,706)	7,810	(14,666)	(33,041)	*1.70X*	*1.68X*
10Y Treasury	17,317	(127,641)	97,986	38,410	14,813	*0.03X*	*0.68X*
CRUDE OIL	458,776	56,766	345,223	361,807	317,048	*2.23X*	*1.96X*
GOLD	153,776	(51,400)	243,777	233,447	148,462	*0.05X*	*0.74X*
COPPER	4,227	3,441	(7,220)	(16,832)	(19,920)	*1.63X*	*1.48X*
$USD	33,581	21,531	17,157	13,963	24,045	*0.72X*	*0.11X*
JPY	45,093	(24,118)	52,377	50,967	28,008	*0.39X*	*1.41X*
EUR	(97,043)	(8,164)	(99,760)	(73,968)	(89,465)	*-0.17X*	*-0.12X*
GBP	(89,375)	4,908	(84,218)	(64,305)	(46,194)	*-1.63X*	*-2.15X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (10/17) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-13%	0%	7%	-5%
Total Exchange Volume**	-14%	-20%	-20%	-29%

*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	-0.83	-0.52	0.10	0.38	-0.15	*0.64*	*-0.91*	*46%*	*54%*
BRENT Oil	0.75	0.71	-0.07	-0.11	-0.31	*0.73*	*-0.78*	*38%*	*62%*
CRB Index	-0.80	-0.58	-0.36	-0.11	-0.61	*0.71*	*-0.91*	*18%*	*82%*
GOLD	-0.87	-0.91	-0.17	0.18	-0.01	*0.90*	*-0.95*	*23%*	*77%*

**Days = Trading Days*