THE MACRO SHOW

FEBRUARY 22, 2017

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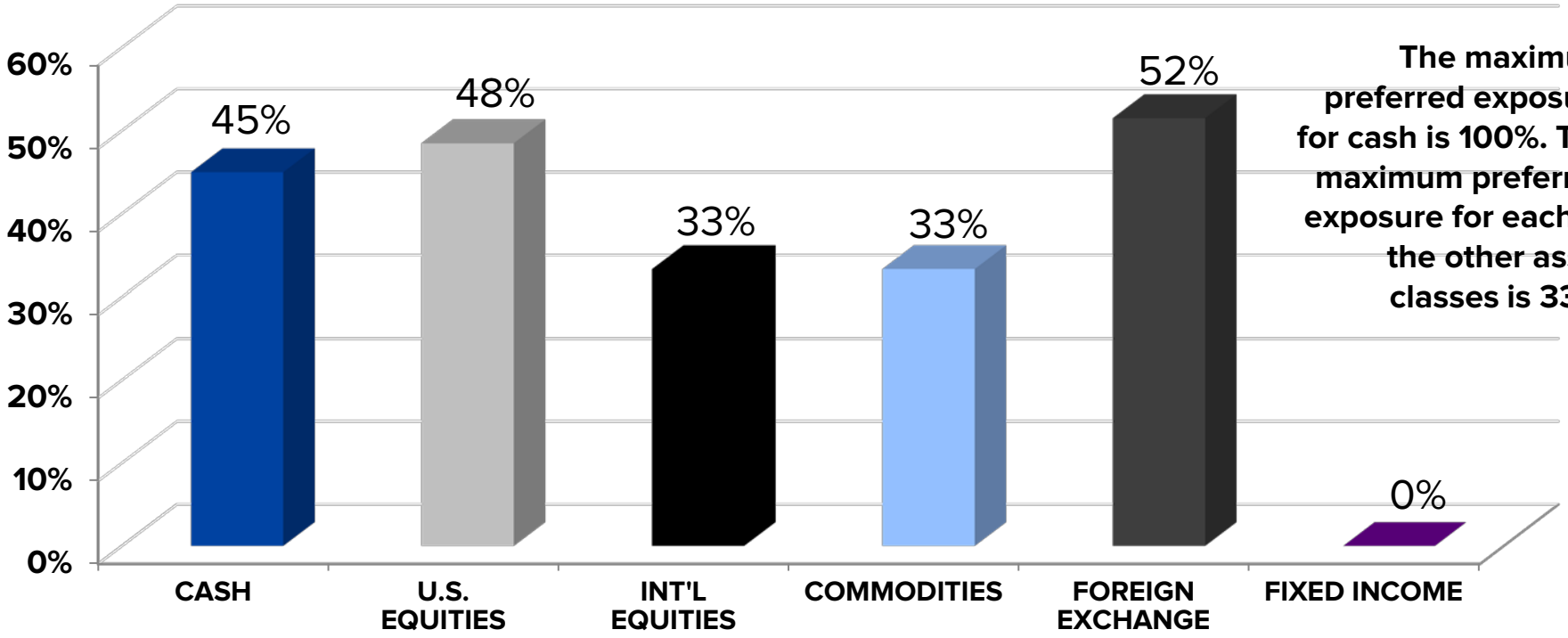
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/21/2017	40	16	14	12	18	0
2/22/2017	45	16	11	11	17	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
2/21/2017	40%	48%	42%	36%	55%	0%
2/22/2017	45%	48%	33%	33%	52%	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



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1 EARNINGS

2 EUROPE

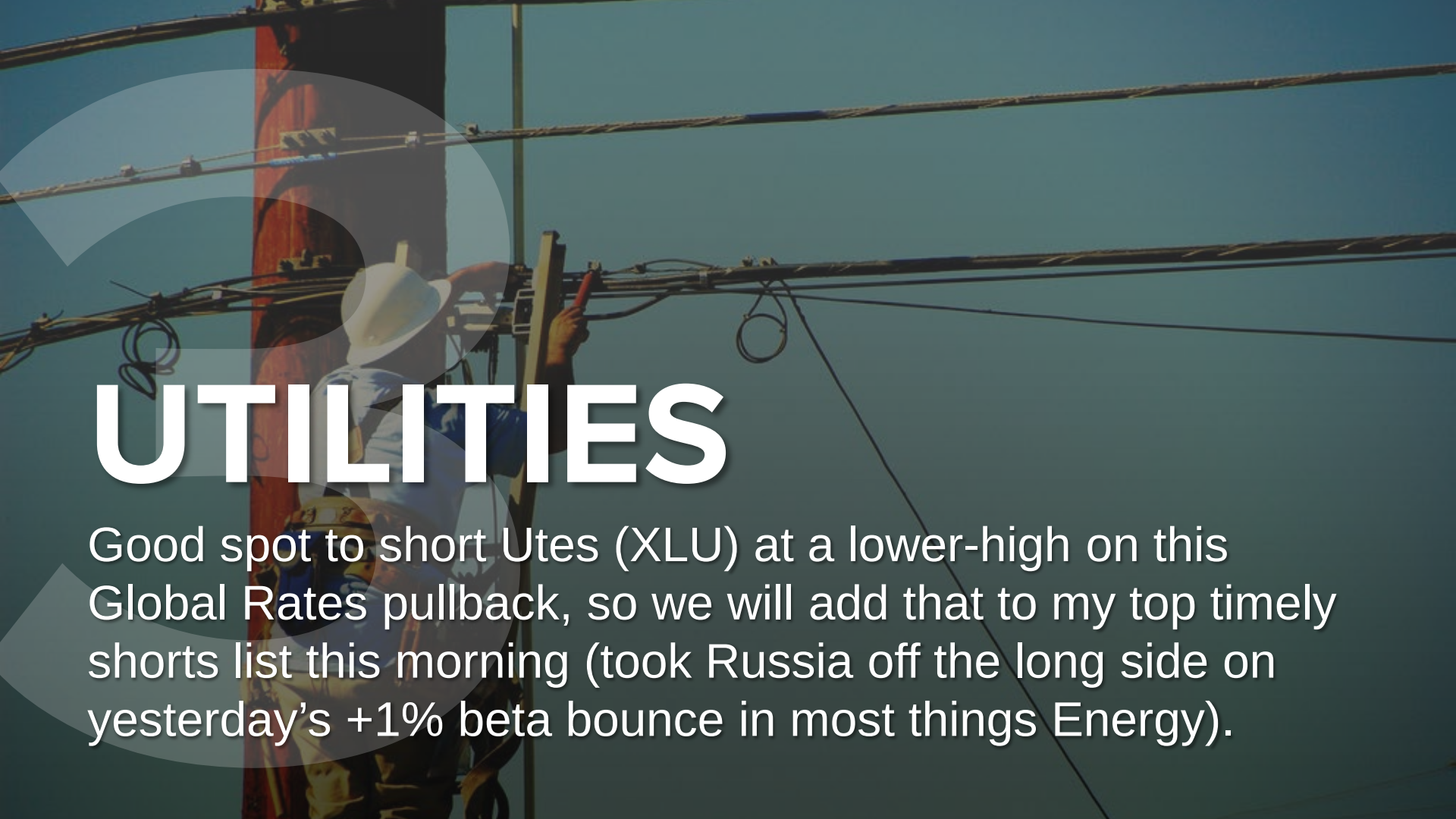
3 UTILITIES

EARNINGS

U.S. growth, inflation, and earnings all ***#accelerating*** explains largely why bears are being mauled. 422 of 500 S&P 500 companies have now reported aggregate SALES and EPS year-over-year growth of +4.6% and +5.1%, respectively (of the 81 Nasdaq names that have reported, aggregated EPS y/y EPS growth is +13.3%!).

EUROPE

Europe is finally flashing an immediate-term TRADE overbought signal in the DAX (within a bullish TREND view) this morning with EUR/USD -0.3% (low-end of the risk range) at $1.05 and European Bond Yields oversold too (post Greek bailout terms). The risk range on the German 10YR Bund is +0.25-0.38% (so low end of that range).



UTILITIES

Good spot to short Utes (XLU) at a lower-high on this Global Rates pullback, so we will add that to my top timely shorts list this morning (took Russia off the long side on yesterday's +1% beta bounce in most things Energy).

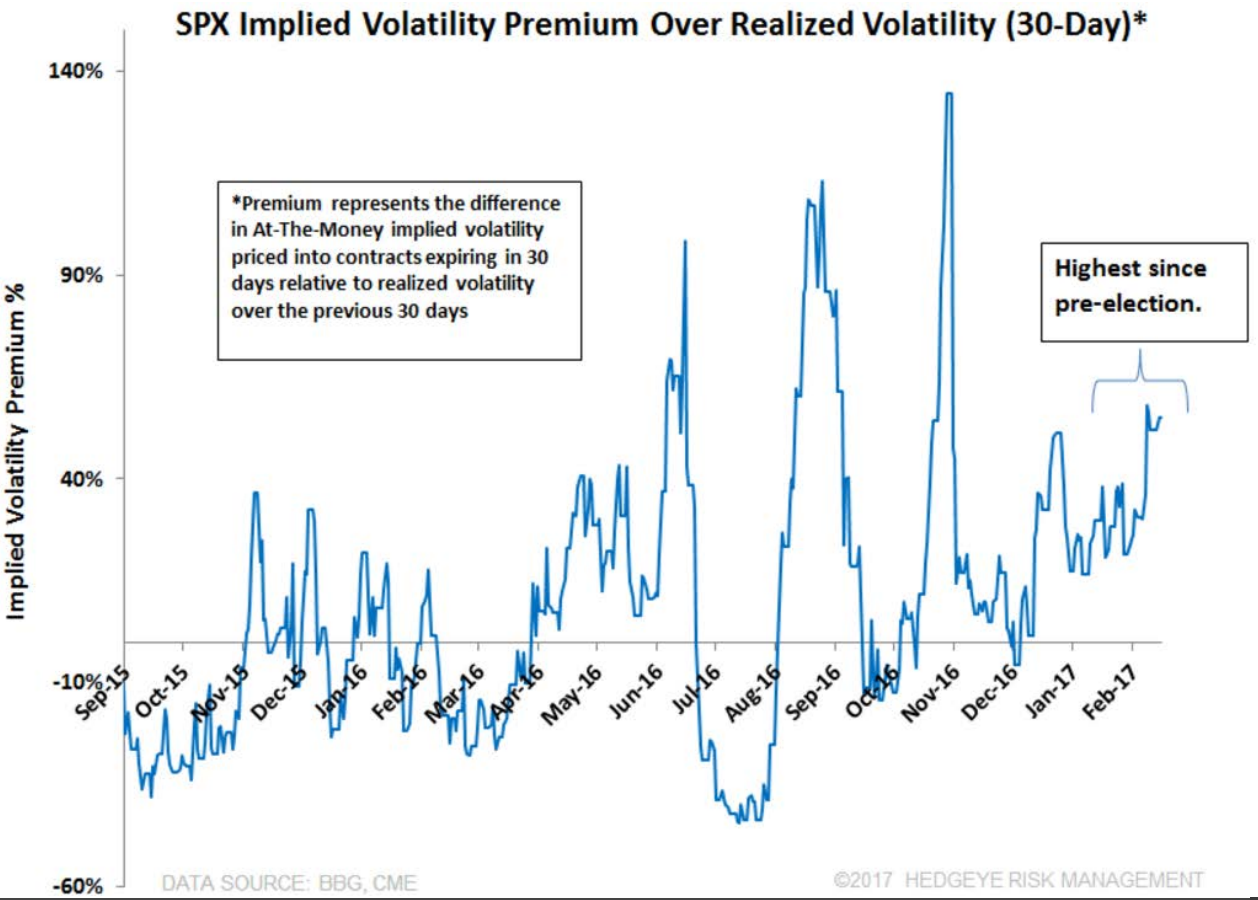
MACRO GRIND

10-YEAR GOVERNMENT BOND YIELDS

COUNTRY	YIELD	1 DAY	1 MONTH
Germany »	0.26%	-4	-16
United Kingdom »	1.21%	-3	-22
France	1.08%	-1	+18
Italy	2.21%	0	+21
Spain	1.65%	-1	+17
Netherlands	0.59%	-3	+7
Portugal	3.90%	-7	+9
Greece	6.96%	-3	+6
Switzerland	-0.20%	-2	-8

Asia Pacific 10-Year Government Bond Yields

COUNTRY	YIELD	1 DAY	1 MONTH
Japan »	0.07%	-1	+2
Australia »	2.83%	+3	+5


SPX Implied Volatility Premium Over Realized Volatility (30-Day)*
Implied Volatility Premium %
140%
90%
40%
-10%
-60%
*Premium represents the difference in At-The-Money implied volatility priced into contracts expiring in 30 days relative to realized volatility over the previous 30 days
Highest since pre-election.
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
DATA SOURCE: BBG, CME
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NATURAL GAS

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GERMAN DAX COMPOSITE

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SHANGHAI STOCK EXCHANGE COMP

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EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	4.6%	5.1%	422 / 500
Energy	3.2%	-5.9%	25 / 35
Materials	4.5%	0.7%	23 / 25
Industrials	2.4%	-5.2%	67 / 68
Consumer Discretionary	9.0%	3.0%	59 / 81
Consumer Staples	2.4%	4.6%	33 / 37
Healthcare	4.8%	3.8%	53 / 60
Financials	4.4%	7.9%	61 / 63
Information Technology	7.3%	10.5%	59 / 66
Telecom	-2.9%	1.8%	4 / 5
Utilities	10.0%	16.4%	15 / 28
Real Estate	1.2%	13.3%	22 / 29

Source: BBG

	REALIZED VOLATILITY				IMPLIED VOLATILTY*				IMPLIED** VS. REALIZED VOLATILITY									
		Duration of Realized (%)			At-The-Money %						30 Day			60 Day			3 Month	
											Z-Score			Z-Score			Z-Score	
Index/Security	Ticker	30D	60D	90D	Current	v 1M Avg	v 3M Avg	v 6M Avg.	Ticker	Premium	TTM	3Yr	Premium	TTM	3Yr	Premium	TTM	3Yr
S&P 500	SPX	5.8%	6.8%	7.7%	9.8%	5.0%	-3.5%	-14.9%	SPX	52.2%	1.00	1.48	42.7%	1.25	1.53	40.6%	1.57	1.51
Russell 2000	RTY	13.1%	13.7%	15.0%	14.9%	-4.2%	-8.9%	-11.9%	RTY	6.2%	0.17	0.02	8.7%	0.48	0.07	6.7%	0.41	-0.21
Nasdaq 100	NDX	5.6%	8.9%	10.7%	11.2%	0.1%	-12.2%	-19.1%	NDX	73.8%	1.86	2.50	24.8%	0.81	1.00	17.6%	0.57	0.57
USD Index	UUP	6.8%	7.9%	7.4%	8.9%	1.9%	-0.7%	4.7%	UUP	10.7%	-0.08	-0.14	4.4%	-0.47	-0.42	17.1%	0.29	0.14
Consumer Discret.	XLY	5.8%	9.3%	10.1%	12.2%	6.6%	-3.3%	-9.5%	XLY	62.0%	1.54	2.07	19.2%	0.42	0.60	17.2%	0.46	0.51
Financials	XLF	14.9%	14.5%	16.6%	15.8%	0.3%	-8.7%	-8.8%	XLF	-3.8%	-0.40	-0.40	8.6%	0.27	0.18	-0.4%	0.14	-0.27
Healthcare	XLV	9.9%	9.9%	13.2%	13.0%	8.6%	-3.2%	-8.9%	XLV	16.3%	0.31	0.54	25.8%	1.33	1.38	-2.7%	-0.29	-0.35
Technology	XLK	6.4%	10.0%	11.1%	13.0%	14.6%	2.6%	-3.8%	XLK	59.0%	1.54	2.09	16.0%	0.57	0.60	13.0%	0.52	0.39
Consumer Staples	XLP	8.6%	9.5%	10.6%	10.4%	6.5%	-6.1%	-11.5%	XLP	0.3%	-0.32	-0.27	1.5%	-0.07	-0.21	-4.7%	-0.44	-0.67
Utilities	XLU	11.6%	14.5%	16.3%	13.9%	3.4%	-7.9%	-12.9%	XLU	4.8%	0.33	0.40	-9.8%	-0.66	-0.57	-16.5%	-1.45	-1.32
Energy	XLE	13.3%	16.5%	16.6%	17.5%	9.0%	-1.4%	-9.2%	XLE	14.6%	0.61	0.46	3.1%	0.68	0.06	4.7%	1.05	0.16
Energy	XOP	19.4%	30.9%	29.7%	26.7%	3.5%	-7.7%	-15.3%	XOP	30.4%	1.17	1.37	-13.8%	-0.49	-0.84	-7.1%	0.23	-0.33
Materials	XLB	11.2%	10.7%	10.9%	14.0%	4.9%	1.3%	-7.2%	XLB	9.5%	-0.01	0.03	21.5%	0.85	0.68	25.5%	1.49	0.95
Industrials	XLI	8.8%	9.4%	10.7%	12.7%	5.1%	-2.6%	-7.2%	XLI	20.4%	0.28	0.52	23.9%	0.93	0.95	15.0%	0.87	0.56
Transports	IYT	13.8%	13.4%	13.6%	17.6%	3.3%	1.5%	-0.9%	IYT	11.1%	-0.06	0.11	26.1%	0.76	1.02	27.6%	1.09	1.27
WTI Crude Oil	USO	20.7%	30.6%	31.1%	25.9%	-4.4%	-15.5%	-24.4%	USO	-4.4%	0.35	0.08	-15.7%	-0.75	-1.12	-10.2%	-0.27	-0.76
Natural Gas	UNG	41.8%	52.0%	50.0%	39.3%	-5.7%	-16.0%	-12.0%	UNG	-7.9%	-0.69	-0.56	-24.6%	-1.64	-1.20	-23.0%	-1.71	-1.10
Gold	GLD	10.3%	11.5%	12.3%	12.7%	-6.0%	-11.5%	-13.9%	GLD	18.4%	0.73	0.53	9.1%	0.46	0.19	14.6%	0.96	0.57
Silver	SLV	14.7%	18.9%	21.0%	20.3%	-5.5%	-12.9%	-15.6%	SLV	30.2%	1.91	0.53	9.6%	0.61	-0.16	3.9%	-0.28	-0.47
Copper	JJC	29.1%	25.8%	25.9%	25.4%	4.7%	-6.3%	-2.7%	JJC	-16.5%	-0.50	-0.67	-2.9%	-0.41	-0.50	-2.5%	-0.44	-0.56
Corn	CORN	13.5%	15.7%	16.6%	19.4%	12.0%	12.2%	3.4%	CORN	22.8%	0.34	0.10	19.6%	0.32	0.02	17.3%	0.06	-0.14
Soybeans	SOYB	16.1%	16.2%	15.8%	16.4%	-25.2%	-26.5%	-24.5%	SOYB	44.7%	0.23	0.02	12.4%	-0.57	-0.54	4.0%	-0.65	-0.69
Wheat	WEAT	20.5%	19.6%	19.5%	29.1%	2.3%	-2.0%	0.2%	WEAT	53.7%	-0.16	-0.03	49.4%	-0.25	0.03	41.8%	-0.40	0.04

*implied volatility on at-the-money front month contracts

**implied volatility of at-the-money options expiring in the given duration vs. realized volatility over the given duration

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.11	0.58%	2.69%	7.01%
Financial Select Sector	XLF	$24.59	0.49%	5.49%	5.76%
Health Care Select Sector	XLV	$73.99	0.45%	4.92%	7.33%
Technology Select Sector	XLK	$52.46	0.52%	4.75%	8.48%
Consumer Staples Select Sector	XLP	$54.95	0.90%	4.49%	6.27%
Industrial Select Sector	XLI	$66.22	0.50%	4.48%	6.43%
Materials Select Sector	XLB	$52.47	0.33%	0.98%	5.57%
The Energy Select Sector	XLE	$72.46	0.68%	-0.60%	-3.80%
Utilities Select Sector	XLU	$50.09	1.05%	1.85%	3.13%
S&P 500	SPX	2,365.38	0.60%	3.80%	5.65%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.11	-0.03%	-1.11%	1.36%
Financial Select Sector	XLF	$24.59	-0.11%	1.70%	0.11%
Health Care Select Sector	XLV	$73.99	-0.16%	1.12%	1.67%
Technology Select Sector	XLK	$52.46	-0.09%	0.96%	2.83%
Consumer Staples Select Sector	XLP	$54.95	0.29%	0.69%	0.61%
Industrial Select Sector	XLI	$66.22	-0.10%	0.68%	0.78%
Materials Select Sector	XLB	$52.47	-0.28%	-2.81%	-0.08%
The Energy Select Sector	XLE	$72.46	0.08%	-4.40%	-9.45%
Utilities Select Sector	XLU	$50.09	0.44%	-1.95%	-2.52%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.9%	0.9%	3.4%	6.6%	8.1%	4.7%
	Low Debt/EV	0.5%	1.9%	3.8%	5.5%	5.5%	5.9%
SI	High Short Interest	0.8%	1.5%	3.1%	4.5%	5.1%	4.7%
	Low Short Interest	0.7%	1.8%	4.4%	7.6%	11.1%	5.9%
BETA	High Beta	0.7%	1.3%	4.2%	8.3%	17.9%	6.7%
	Low Beta	0.8%	1.5%	3.4%	6.8%	1.3%	4.1%
YIELD	High Yield	0.9%	1.1%	2.1%	4.0%	2.0%	2.1%
	Low Yield	0.7%	1.6%	4.0%	6.0%	6.6%	6.7%
MKT CAP	MCAP Bottom 25%	0.8%	1.4%	2.2%	2.4%	2.5%	3.1%
	MCAP Top 25%	0.6%	1.8%	4.0%	7.8%	11.1%	5.9%
Sales	Top 25% Sales Growth	0.7%	0.8%	2.1%	5.4%	6.4%	4.9%
	Bottom 25% Sales Growth	0.8%	1.7%	3.1%	4.8%	3.1%	4.2%
EPS	Top 25% EPS Growth	0.7%	0.6%	2.7%	7.1%	11.7%	5.8%
	Bottom 25% EPS Growth	0.8%	1.5%	2.2%	3.2%	1.5%	2.1%

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

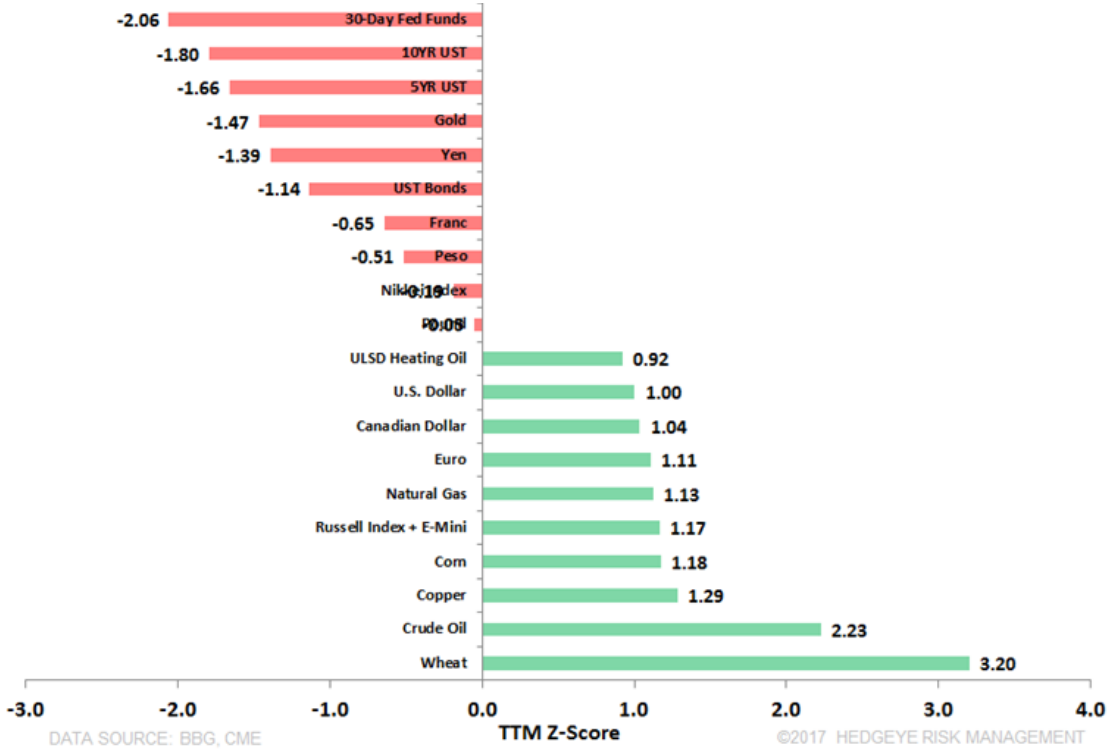
HEDGEYE RATES & SPREADS

	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	0.52%	0.0	-2.0	2	3	-3	37	38	41
3M LIBOR	1.05%	-0.2	0.8	1	13	-1	43	58	64
2Y T-Note	1.22%	1.9	-4.0	2	12	-8	73	53	69
5Y T-Note	1.93%	1.8	-7.2	-2	14	-19	104	42	61
10Y T-Note	2.44%	1.4	-6.4	-4	12	-20	112	29	30
30Y T-Note	3.05%	1.8	-3.7	-1	4	-17	96	16	2
2Y-10Y Spread, Bps	121	-1.5	-3.5	-6.6	-1	-13	39	-25	-40
IG SPREAD (AAABBB)	1.50%	-3.0	-4.0	-2	-10	-80	3	-19	-26
HIGH YIELD	5.98%	-4.3	-6.1	-29	-60	-285	8	-67	-60
5Y BREAKEVEN	2.02%	2.3	-1.3	5.2	25.7	-5.1	96.7	46.7	30.0

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)	25,945	(1,102)	(12,282)	38,670	18,454	*0.07X*	*0.55X*
Russell 2000 (mini)	51,009	(97)	64,868	37,251	(693)	*1.09X*	*2.10X*
10Y Treasury	(348,133)	(56,436)	(288,952)	(109,883)	(53,017)	*-1.80X*	*-2.56X*
CRUDE OIL	557,570	29,704	480,790	429,652	388,414	*2.23X*	*2.75X*
GOLD	67,982	(7,745)	68,758	135,955	172,097	*-1.38X*	*-0.43X*
COPPER	44,855	(6,661)	50,468	24,318	3,882	*1.29X*	*2.35X*
$USD	45,794	(882)	51,236	40,644	27,864	*1.00X*	*0.41X*
JPY	(47,050)	7,128	(56,854)	(3,957)	22,819	*-1.39X*	*-0.26X*
EUR	(39,194)	(1,357)	(71,441)	(88,441)	(75,974)	*1.11X*	*0.99X*
GBP	(62,741)	417	(64,599)	(74,172)	(61,643)	*-0.05X*	*-1.04X*

CFTC NET FUTURES & OPTIONS POSITIONING (TTM Z-SCORE)



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MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (2/21) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	2%	-1%	19%	48%
Total Exchange Volume**	5%	1%	1%	-2%

*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	0.88	0.27	0.61	0.70	0.73	*0.95*	*-0.91*	*42%*	*58%*
BRENT Oil	0.04	-0.24	0.52	0.65	0.66	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	0.04	0.08	0.56	0.65	0.67	*0.83*	*-0.89*	*24%*	*76%*
GOLD	0.51	-0.07	-0.91	-0.94	-0.91	*0.90*	*-0.97*	*15%*	*85%*

**Days = Trading Days*