THE MACRO SHOW

FEBRUARY 1, 2017

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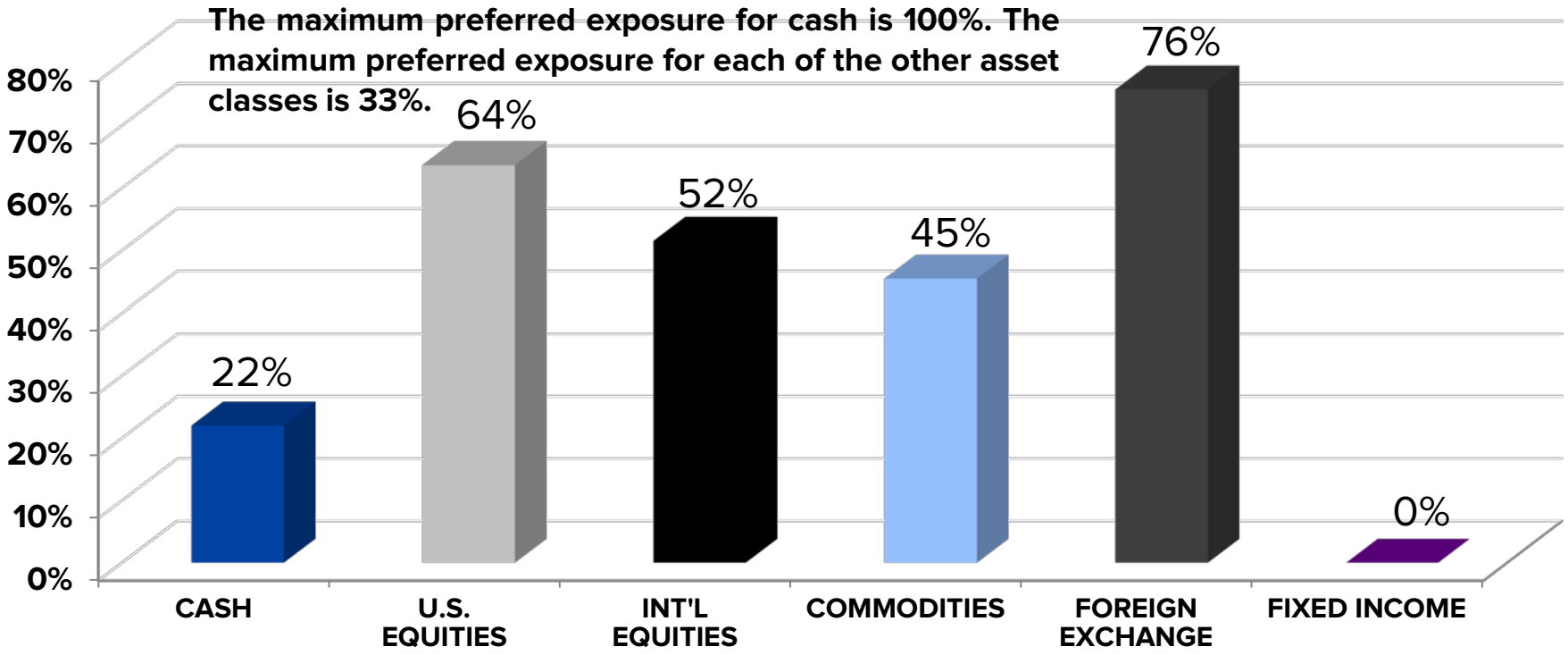
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/31/2017	30	19	15	13	23	0
2/1/2017	22	21	17	15	25	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/31/2017	30%	58%	45%	39%	70%	0%
2/1/2017	22%	64%	52%	45%	76%	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 USD

2 INFLATION

3 VIX

USD

January was not a good month for the U.S. Dollar (-2.5%) as Trump's Tweets are now going to go head to head with growth and inflation data (ISMs and Jobs Report up next). For those who missed the 3-6 month run in USD, we think the 97-99 range on the USD Index is a great entry point inasmuch as shorting EUR/USD (again) at 108 would be.

INFLATION

Inflation should continue to accelerate as we move through FEB – don’t forget this is one of the easiest “compares” (crashed out lows for Oil, Deflation, etc. last year). The CRB Index, Oil, Nat Gas, Ag, etc. are all bouncing off the low-end of our immediate-term risk ranges this morning.

VIX

Tough sledding for U.S. Equity Beta Bears – what did a 2-day -0.69% correction get them in the S&P 500? The Nasdaq only had a 1-day correction from her all-time closing high (Friday) and now we have massive 30-day implied volatility premiums of +38% and +44%, respectively, for SPX and Nasdaq to enjoy as a bull.

MACRO GRIND

U.S. DOLLAR

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10-YEAR GOVERNMENT BOND YIELDS

Europe, Middle East & Africa

COUNTRY	YIELD	1 DAY	1 MONTH
Germany »	0.46%	+3	+25
United Kingdom »	1.45%	+4	+22
France	1.09%	+6	+40
Italy	2.30%	+6	+49
Spain	1.64%	+6	+25
Netherlands	0.60%	+4	+26
Portugal	4.16%	+3	+44
Greece	7.54%	-11	+62
Switzerland	-0.10%	+3	+15

Asia Pacific

COUNTRY	YIELD	1 DAY	1 MONTH
Japan »	0.08%	+1	+5

GOLD CONTINUOUS CONTRACT

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REUTERS/JEFFERIES CRB INDEX

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GERMAN DAX INDEX

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U.S. DOLLAR TO JAPANESE YEN

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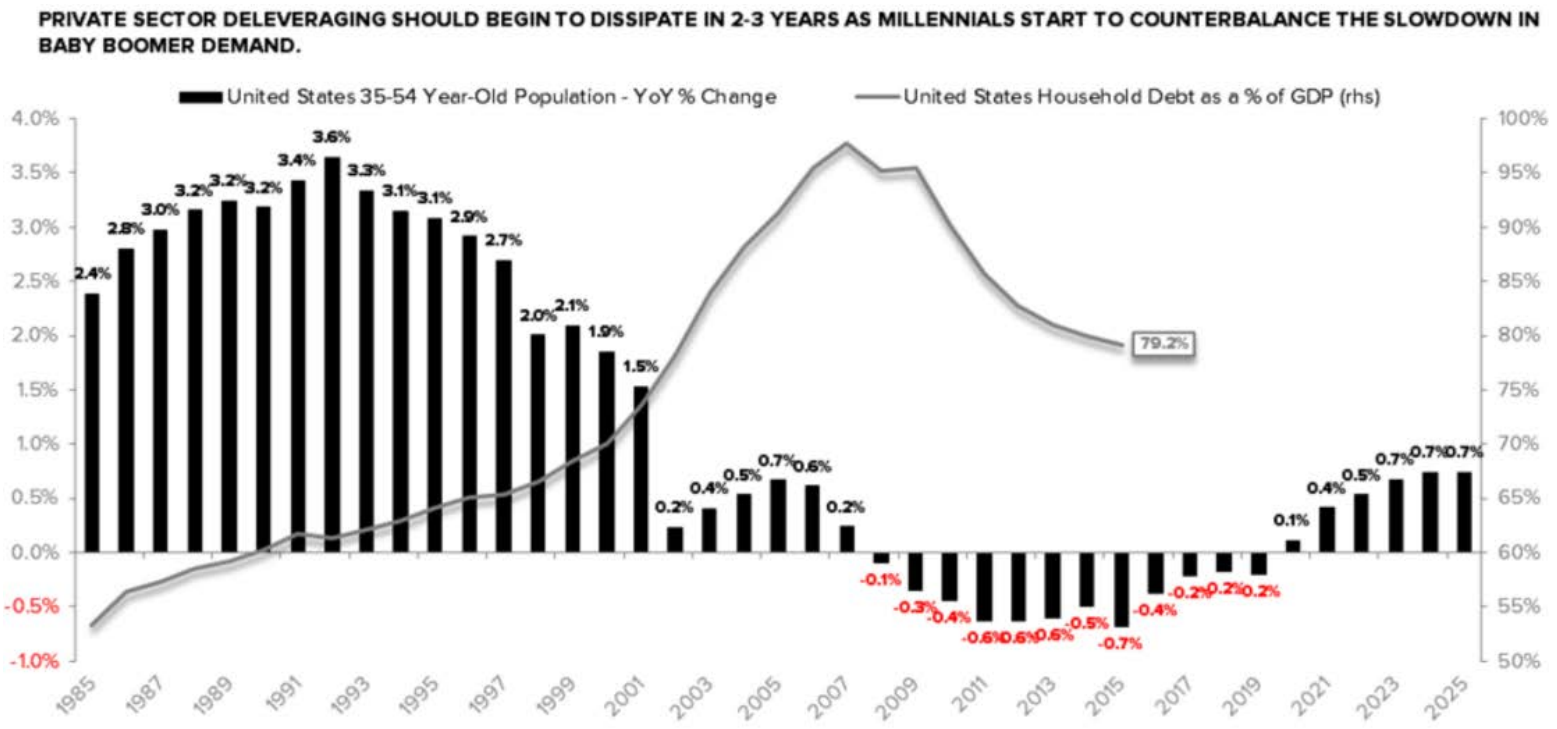
U.S. DEMOGRAPHIC TAILWAIND



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EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	3.1%	3.7%	206 / 500
Energy	1.9%	-6.8%	11 / 35
Materials	5.2%	14.0%	11 / 25
Industrials	1.3%	-7.6%	37 / 67
Consumer Discretionary	3.0%	-6.3%	23 / 81
Consumer Staples	-1.2%	1.9%	10 / 37
Healthcare	4.6%	8.8%	24 / 60
Financials	5.9%	9.7%	41 / 63
Information Technology	5.5%	5.5%	36 / 66
Telecom	-2.9%	0.8%	2 / 5
Utilities	-3.4%	15.6%	2 / 28
Real Estate	-0.6%	0.7%	8 / 29

Source: BBG

VOLATILITY

Index/Security	Ticker	REALIZED VOLATILITY Duration of Realized (%) 30D	60D	90D	IMPLIED VOLATILTY* At-The-Money % Current	v 1M Avg	v 3M Avg	v 6M Avg.	IMPLIED** VS. REALIZED VOLATILITY Ticker	30 Day Premium	30 Day Z-Score TTM	30 Day Z-Score 3Yr	60 Day Premium	60 Day Z-Score TTM	60 Day Z-Score 3Yr	3 Month Premium	3 Month Z-Score TTM	3 Month Z-Score 3Yr
S&P 500	SPX	6.5%	8.3%	8.5%	10.3%	6.0%	-8.2%	-11.4%	SPX	38.1%	0.66	1.03	28.9%	0.83	0.96	34.0%	1.35	1.21
Russell 2000	RTY	14.2%	16.2%	15.7%	16.8%	4.5%	-1.7%	0.0%	RTY	13.2%	0.49	0.37	6.7%	0.36	-0.04	12.8%	0.81	0.16
Nasdaq 100	NDX	8.1%	11.7%	11.4%	12.4%	-1.5%	-11.5%	-11.6%	NDX	44.3%	1.08	1.48	11.9%	0.26	0.35	22.1%	0.81	0.82
USD Index	UUP	8.1%	8.4%	7.4%	9.4%	1.5%	3.9%	11.8%	UUP	4.0%	-0.38	-0.40	12.3%	-0.05	-0.11	27.7%	0.97	0.62
Energy	XLE	11.7%	18.5%	18.3%	16.9%	-0.9%	-11.4%	-13.9%	XLE	40.4%	1.90	1.67	-5.1%	0.06	-0.41	-1.9%	0.50	-0.21
Energy	XOP	17.1%	33.5%	31.9%	27.6%	1.6%	-11.9%	-14.4%	XOP	56.0%	2.38	2.73	-16.7%	-0.79	-1.07	-11.4%	-0.22	-0.60
Materials	XLB	11.9%	12.2%	12.1%	14.8%	10.8%	1.6%	-2.2%	XLB	17.3%	0.32	0.32	23.1%	1.00	0.76	25.7%	1.57	0.97
Industrials	XLI	9.5%	12.2%	11.4%	13.0%	1.5%	-5.4%	-4.8%	XLI	34.8%	0.83	1.12	9.5%	0.27	0.23	20.2%	1.20	0.87
Transports	IYT	13.8%	15.3%	13.5%	18.7%	5.3%	5.4%	5.3%	IYT	33.0%	0.71	1.06	22.4%	0.65	0.84	38.7%	1.79	2.05
WTI Crude Oil	USO	23.1%	34.3%	33.8%	29.3%	-0.2%	-14.6%	-17.9%	USO	-0.2%	1.10	0.85	-12.7%	-0.65	-1.01	-9.5%	-0.32	-0.76
Natural Gas	UNG	55.5%	52.9%	48.0%	44.0%	-3.6%	-10.3%	-0.9%	UNG	-18.3%	-1.39	-0.88	-17.7%	-1.23	-0.95	-11.4%	-0.93	-0.69
Gold	GLD	11.3%	13.7%	13.3%	14.0%	1.9%	-7.2%	-6.1%	GLD	17.4%	0.63	0.50	-0.2%	-0.26	-0.34	4.2%	0.11	-0.08
Silver	SLV	16.9%	24.1%	23.5%	22.5%	-0.5%	-8.0%	-8.1%	SLV	30.4%	2.14	0.55	-6.1%	-1.22	-0.96	-3.1%	-1.07	-0.89
Copper	JJC	26.4%	27.2%	24.0%	24.5%	-6.4%	-12.8%	-4.9%	JJC	-2.9%	-0.33	-0.40	-6.7%	-0.53	-0.66	9.3%	-0.10	-0.10
Corn	CORN	13.8%	16.8%	17.6%	16.4%	-2.6%	-6.4%	-16.1%	CORN	21.4%	0.28	0.06	2.0%	-0.55	-0.92	1.4%	-0.59	-0.92
Soybeans	SOYB	17.7%	16.4%	15.6%	20.1%	-11.7%	-9.2%	-9.4%	SOYB	13.4%	-0.63	-0.52	139.5%	2.02	1.79	236.3%	2.59	3.39
Wheat	WEAT	18.6%	18.4%	19.3%	21.5%	-25.2%	-25.4%	-28.1%	WEAT	10.3%	-0.81	-0.58	19.2%	-0.84	-0.42	18.5%	-1.04	-0.40
Sugar	SGG	28.9%	32.0%	30.2%	28.2%	-7.3%	-9.1%	-15.6%	SGG	-1.5%	-0.07	0.10	-10.0%	-0.76	-0.31	-2.8%	0.23	0.32

**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	$84.83	-0.15%	4.21%	4.21%
Financial Select Sector	XLF	$23.31	-0.64%	0.26%	0.26%
Health Care Select Sector	XLV	$70.52	1.60%	2.29%	2.29%
Technology Select Sector	XLK	$50.08	-0.50%	3.56%	3.56%
Consumer Staples Select Sector	XLP	$52.59	0.48%	1.70%	1.70%
Industrial Select Sector	XLI	$63.38	-0.88%	1.86%	1.86%
Materials Select Sector	XLB	$51.96	-0.59%	4.55%	4.55%
The Energy Select Sector	XLE	$72.90	0.04%	-3.21%	-3.21%
Utilities Select Sector	XLU	$49.18	1.55%	1.26%	1.26%
S&P 500	SPX	2,278.87	-0.09%	1.79%	1.79%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$84.83	-0.06%	2.43%	2.43%
Financial Select Sector	XLF	$23.31	-0.55%	-1.53%	-1.53%
Health Care Select Sector	XLV	$70.52	1.69%	0.50%	0.50%
Technology Select Sector	XLK	$50.08	-0.41%	1.77%	1.77%
Consumer Staples Select Sector	XLP	$52.59	0.57%	-0.09%	-0.09%
Industrial Select Sector	XLI	$63.38	-0.79%	0.08%	0.08%
Materials Select Sector	XLB	$51.96	-0.50%	2.76%	2.76%
The Energy Select Sector	XLE	$72.90	0.13%	-5.00%	-5.00%
Utilities Select Sector	XLU	$49.18	1.64%	-0.53%	-0.53%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.5%	0.1%	2.2%	9.9%	7.9%	2.2%
	Low Debt/EV	-0.3%	-0.6%	2.1%	5.0%	1.9%	2.1%
SI	High Short Interest	0.0%	-1.1%	1.5%	7.0%	4.7%	1.5%
	Low Short Interest	0.0%	0.2%	1.9%	7.6%	6.1%	1.9%
BETA	High Beta	-0.3%	-0.7%	3.1%	14.4%	15.9%	3.1%
	Low Beta	0.7%	0.1%	0.9%	2.0%	-3.7%	0.9%
YIELD	High Yield	0.5%	-0.8%	-0.2%	3.6%	-1.5%	-0.2%
	Low Yield	0.3%	-0.1%	2.8%	7.1%	4.4%	2.8%
MKT CAP	MCAP Bottom 25%	-0.2%	-1.4%	0.8%	4.8%	-0.3%	0.8%
	MCAP Top 25%	0.0%	0.0%	2.2%	8.5%	8.3%	2.2%
Sales	Top 25% Sales Growth	-0.2%	-1.0%	2.2%	6.8%	5.6%	2.2%
	Bottom 25% Sales Growth	0.4%	-0.3%	1.7%	6.3%	1.4%	1.7%
EPS	Top 25% EPS Growth	-0.5%	-0.8%	2.9%	10.4%	11.2%	2.9%
	Bottom 25% EPS Growth	0.6%	-0.7%	0.6%	5.0%	-0.9%	0.6%

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

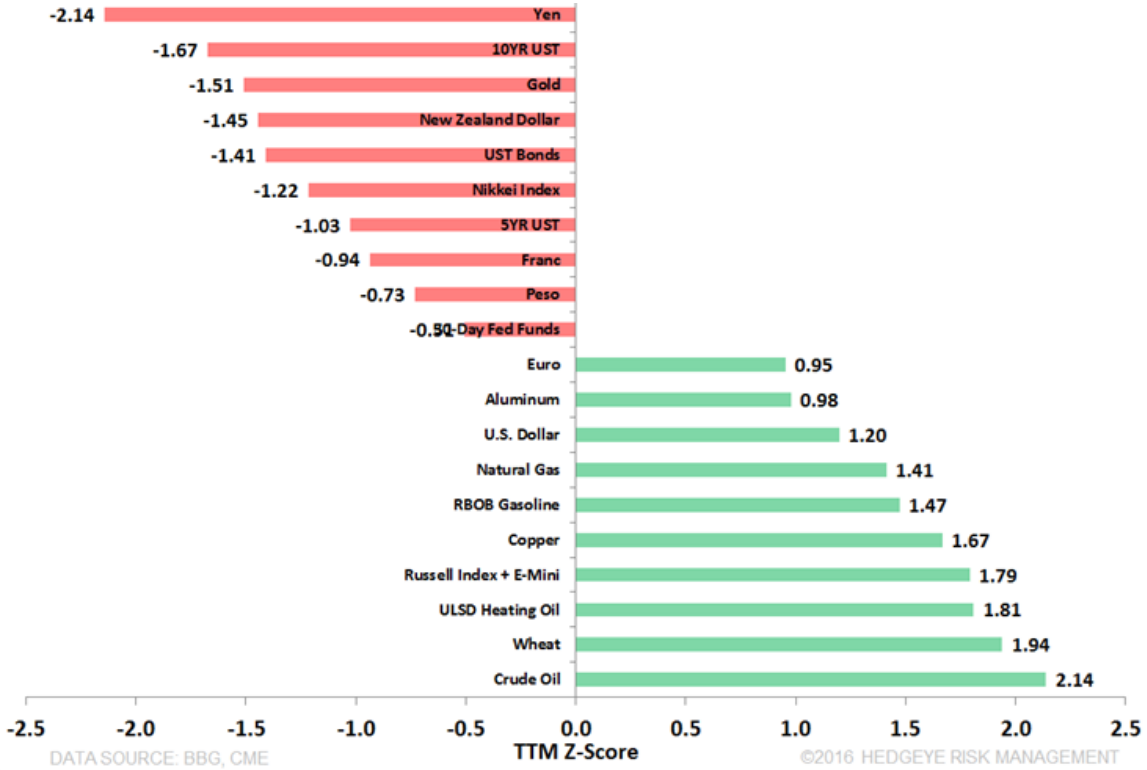
HEDGEYE RATES & SPREADS

	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	0.51%	1.0	2.0	2	16	-4	36	38	41
3M LIBOR	1.03%	0.0	-0.3	4	15	-1	42	58	63
2Y T-Note	1.21%	-0.8	-3.0	2	37	-9	71	53	69
5Y T-Note	1.92%	-3.6	-6.4	-1	62	-20	103	42	62
10Y T-Note	2.46%	-3.5	-5.8	1	63	-18	114	31	33
30Y T-Note	3.06%	-1.7	-3.5	0	48	-15	98	16	4
2Y-10Y Spread, Bps	125	-2.2	-2.3	-0.2	26	-9	43	-23	-36
IG SPREAD (AAABBB)	1.53%	0.0	3.0	3	-11	-77	6	-16	-24
HIGH YIELD	6.20%	-0.1	-2.0	-21	-15	-313	15	-44	-39
5Y BREAKEVEN	2.03%	-0.4	2.7	16.8	40.9	-0.8	117.4	47.5	30.7

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)	59,172	31,090	(15,622)	50,401	4,024	*0.45X*	*0.90X*
Russell 2000 (mini)	76,244	7,794	52,261	31,556	(6,836)	*1.76X*	*2.99X*
10Y Treasury	(283,099)	63,085	(221,173)	(63,097)	(33,188)	*-1.67X*	*-2.17X*
CRUDE OIL	526,834	18,132	437,447	401,624	371,165	*2.14X*	*2.53X*
GOLD	59,679	(257)	89,158	157,530	171,841	*-1.47X*	*-0.54X*
COPPER	50,030	3,695	46,024	18,167	(792)	*1.67X*	*2.81X*
$USD	48,326	(716)	52,446	37,206	27,329	*1.20X*	*0.55X*
JPY	(70,868)	12,031	(37,704)	7,565	28,401	*-2.14X*	*-0.66X*
EUR	(46,218)	16,141	(93,206)	(96,768)	(77,155)	*0.95X*	*0.85X*
GBP	(62,577)	3,148	(68,647)	(77,027)	(60,166)	*-0.11X*	*-1.07X*

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



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MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/31) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	9%	24%	38%	67%
Total Exchange Volume**	15%	14%	7%	8%

*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	-0.37	-0.65	0.77	0.71	0.76	*0.95*	*-0.91*	*44%*	*56%*
BRENT Oil	-0.42	0.25	0.48	0.66	0.55	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	0.54	-0.83	0.78	0.66	0.59	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.43	-0.90	-0.94	-0.97	-0.83	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*