THE MACRO SHOW

JANUARY 25, 2017

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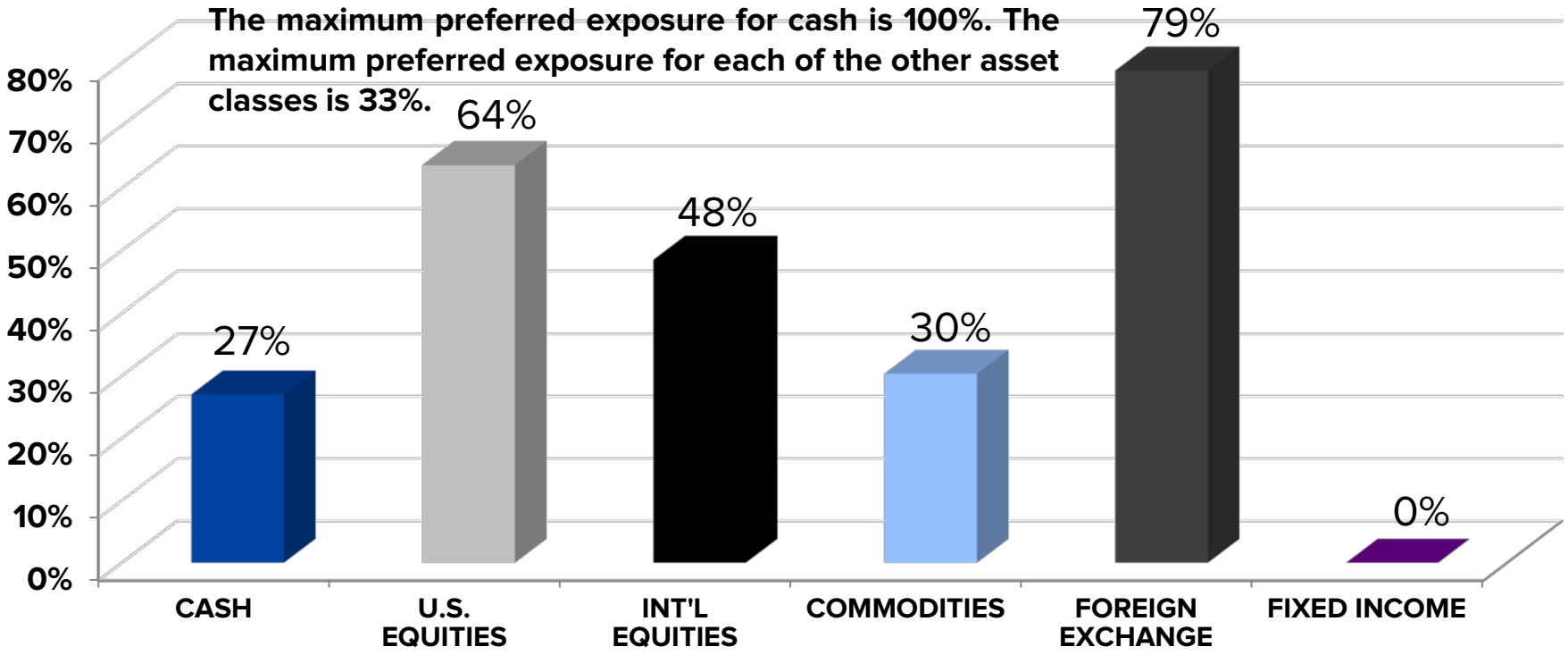
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/24/2017	22	21	18	11	28	0
1/25/2017	22	21	18	11	28	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/24/2017	22%	64%	55%	33%	85%	0%
1/25/2017	22%	64%	55%	33%	85%	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



January 25, 2017

THE MACRO SHOW

HEDGEYE TV

1 JAPAN
2 EUROPE
3 YIELDS

JAPAN

Nikkei ramped +1.4% off an immediate-term TRADE oversold signal and remains bullish TREND @Hedgeye; Japanese Exports +5.4% y/y goes positive y/y after 14 straight months of negativity; Abe/Kuroda love #StrongDollar.

EUROPE

Straight back to the highs for both the EuroStoxx50 (+1.1%) and the DAX (+1.4%); tough equity markets to be short of, USA, Europe, Japan are – we still score all 3 regions of Equities as bullish TREND w/ DAX signaling overbought this morning.

YIELDS

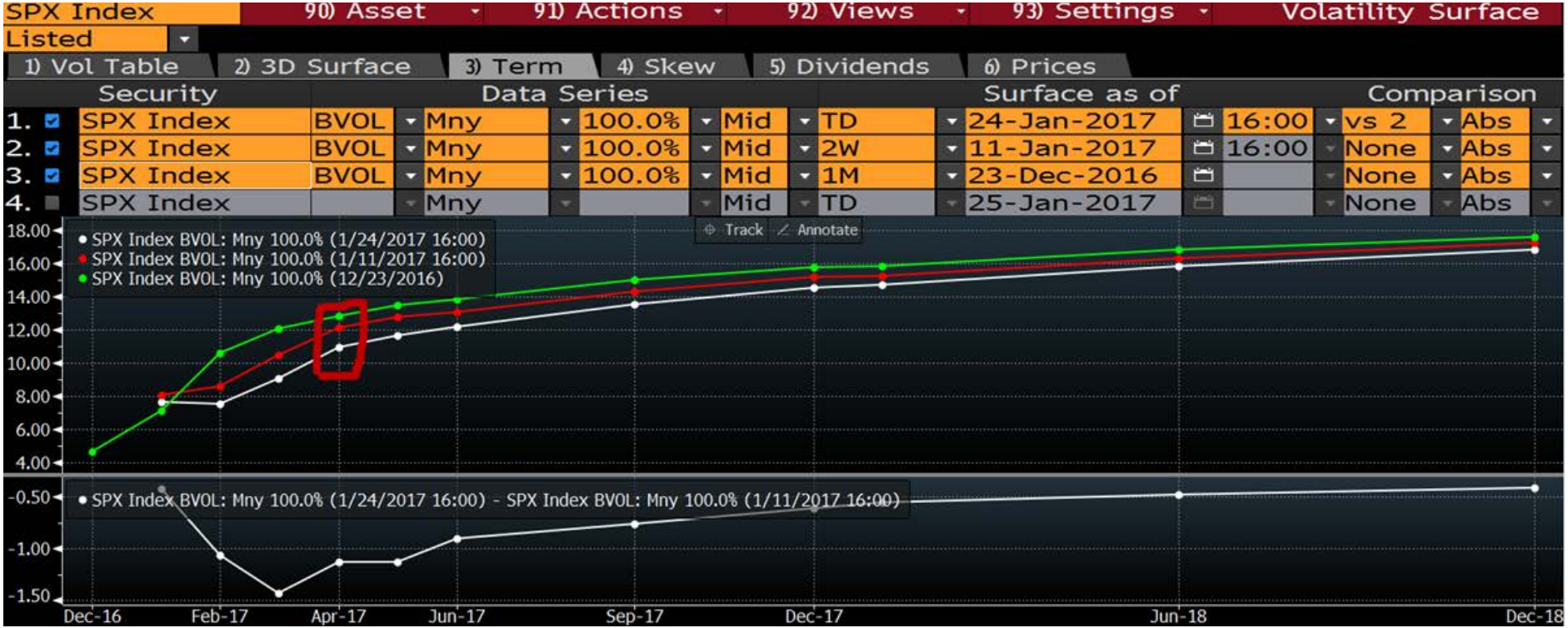
Up, across the board, with European Yields leading the charge this morning (Portuguese 10yr +7bps today to +3.89%) and UST 10yr right back up to 2.47% ahead of Friday's U.S. #GrowthAccelerating GDP and Durable Goods reports.

ENERGY POLICY

JOE MCMONIGLE

MACRO GRIND

VOLATILITY COMPRESSION IN LONGER-DATED EXPIRIES



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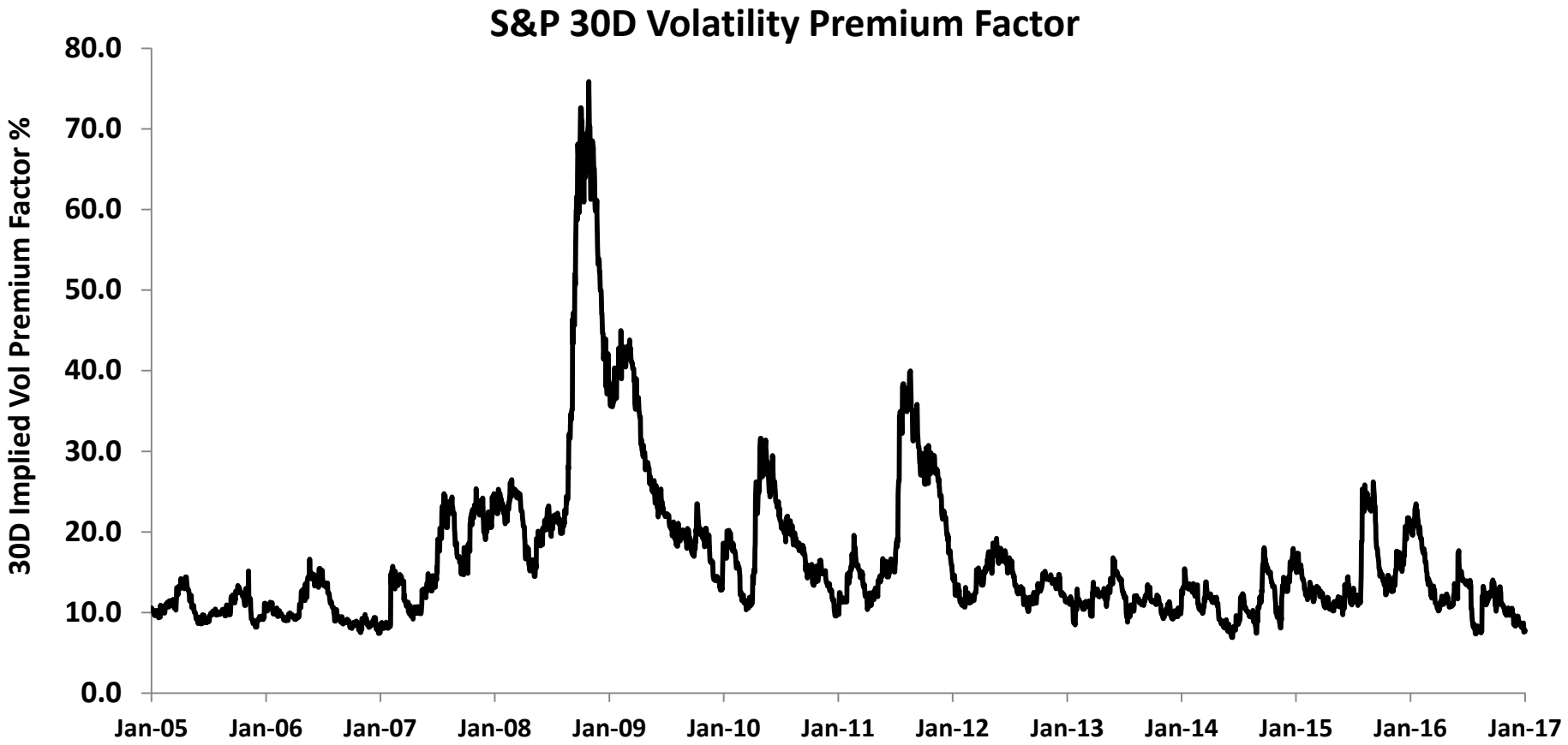
WHEN PREMIUMS NEED SOME SERIOUS CONTEXT…



DATA SOURCE: BBG, CME

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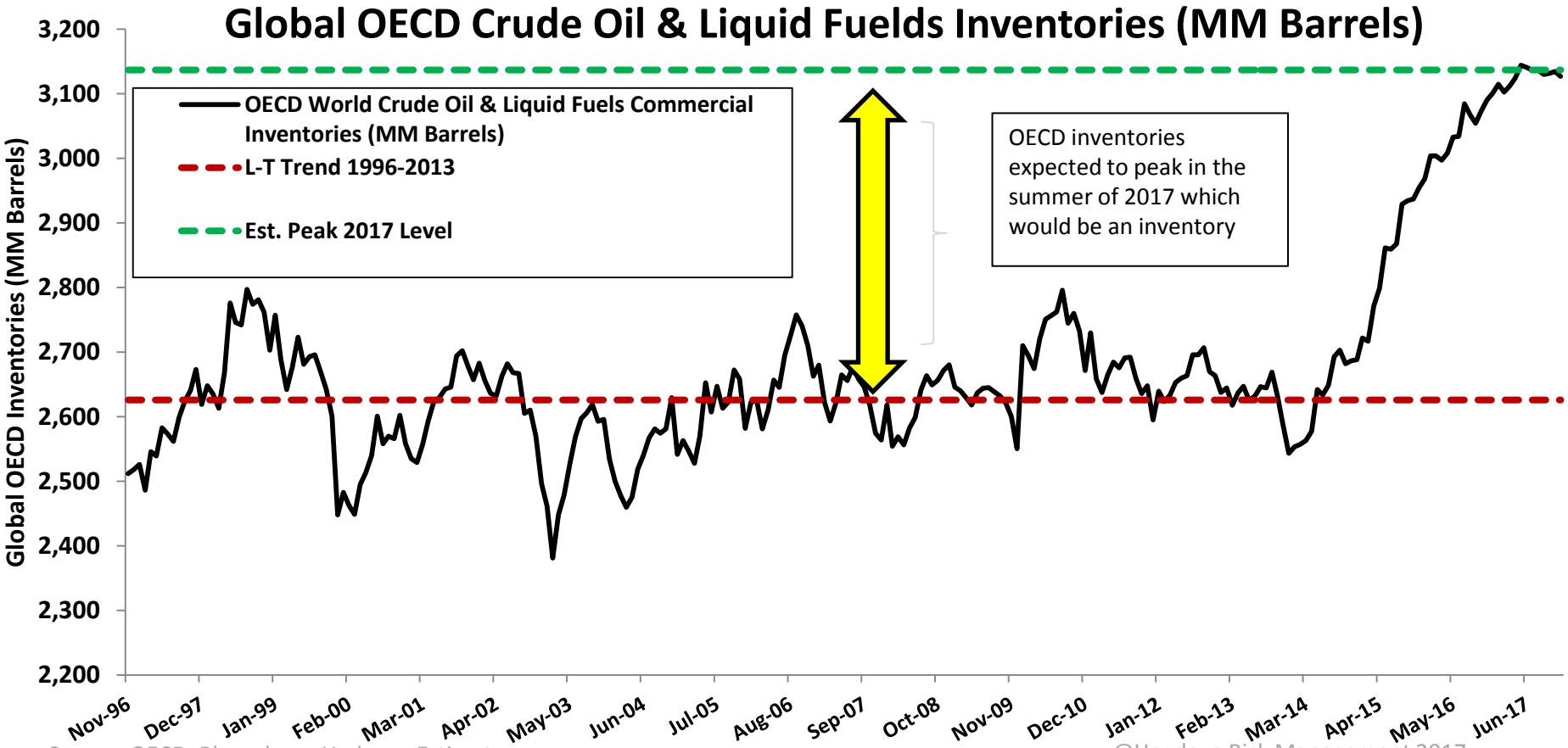
WHAT COULD KEEP CRUDE IN CHECK IN THIS ENVIRONMENT?



Source: OECD, Bloomberg, Hedgeye Estimates

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REGIONAL DOMESTIC PRODUCTION: PERMIAN SHINING

U.S. Crude Oil Production & Rig Count

Region	Crude Oil Production (% Major Play Production)	Regional Oil Production: Total Crude Oil Production (MM/BD)*	Regional Oil Production: m/m% Change	Regional Oil Production: y/y %Change	Oil Production Per Rig (B/D): m/m % Change	Oil Production Per Rig (B/D): y/y % Change	Baker Hughes Oil Rig Count: w/w % Change	Baker Hughes Oil Rig Count: m/m % Change	Baker Hughes Oil Rig Count: y/y % change
United States (Aggregate)		8.94	1.8%	-3.2%			-1.32%	4.82%	1.36%
Eagle Ford	22.61%	1.05	-2.7%	-27.8%	1.8%	29.9%		20.5%	-45.3%
Niobrara	8.72%	0.41	-0.3%	-13.4%	2.5%	49.1%		28.6%	20.0%
Haynesville	0.88%	0.04	-0.8%	-17.6%	0.0%	3.4%		20.8%	-12.1%
Bakken	21.58%	1.00	-2.2%	-13.3%	2.4%	43.3%		-8.6%	-42.9%
Marcellus	0.76%	0.04	0.7%	-10.2%	1.5%	86.5%		8.1%	-4.8%
Utica	1.03%	0.05	-5.5%	-39.3%	-6.6%	-38.9%		12.5%	12.5%
Permian	44.42%	2.13	1.1%	14.1%	1.3%	45.6%		13.5%	18.9%

*Regional data from EIA drilling productivity report and aggregate U.S. data from Weekly DOE report

DOE INVENTORIES	W/W Chg (%)	M/M Chg. (%)	3M Chg. (%)	6M Chg. (%)	Y/Y Chg. (%)
Aggregate Crude Inventories	0.5%	0.0%	3.6%	-0.7%	6.7%
Cushing, OK Crude Inventories	-1.9%	-0.9%	10.0%	2.4%	2.3%
Aggregate Gasoline Inventories	2.5%	7.1%	8.1%	2.3%	0.6%
Aggregate Distillate Inventories	-0.6%	10.1%	8.6%	10.7%	2.8%

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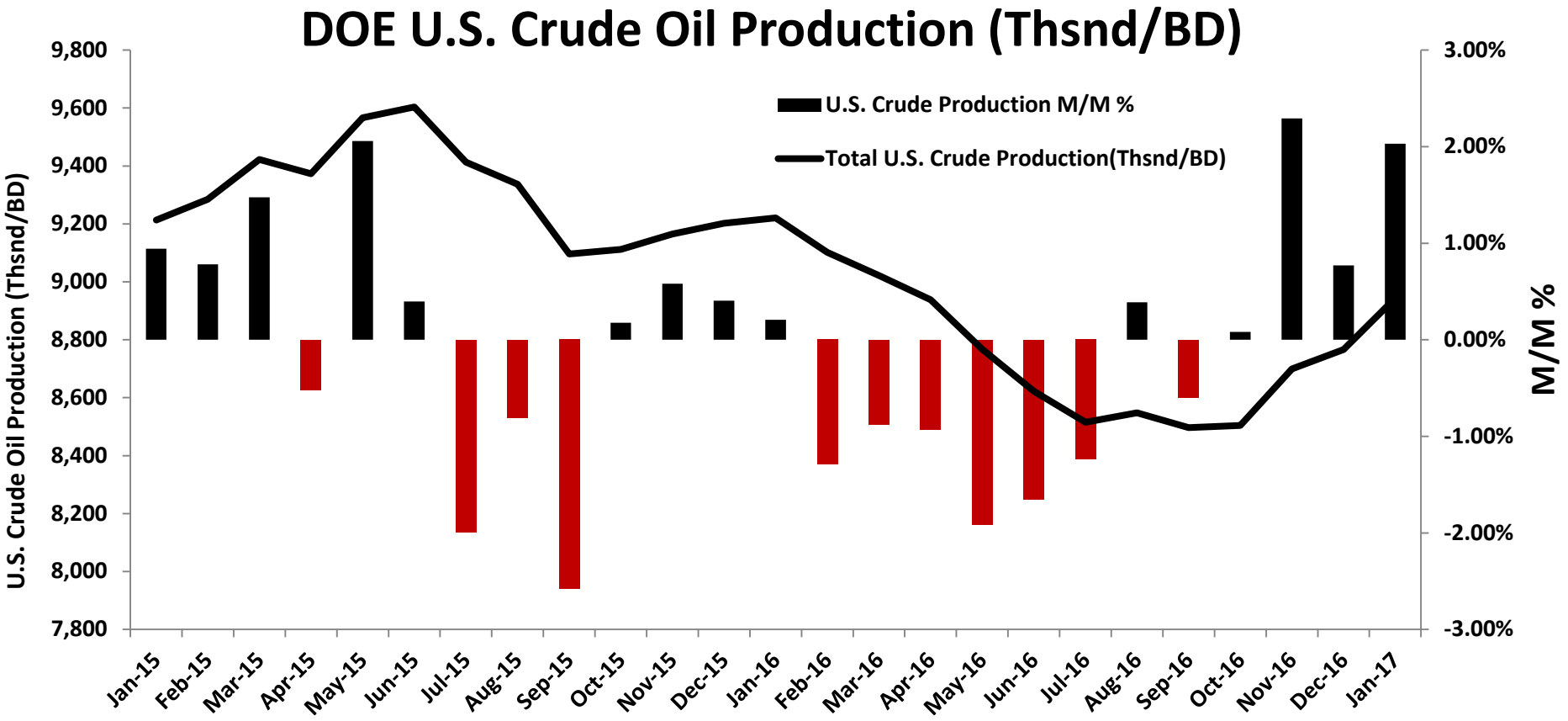
WITH PRICE REBOUNDS COME PRODUCTION REBOUNDS



Data Source: DOE

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EARNINGS SEASON

Q4 2016 QTD

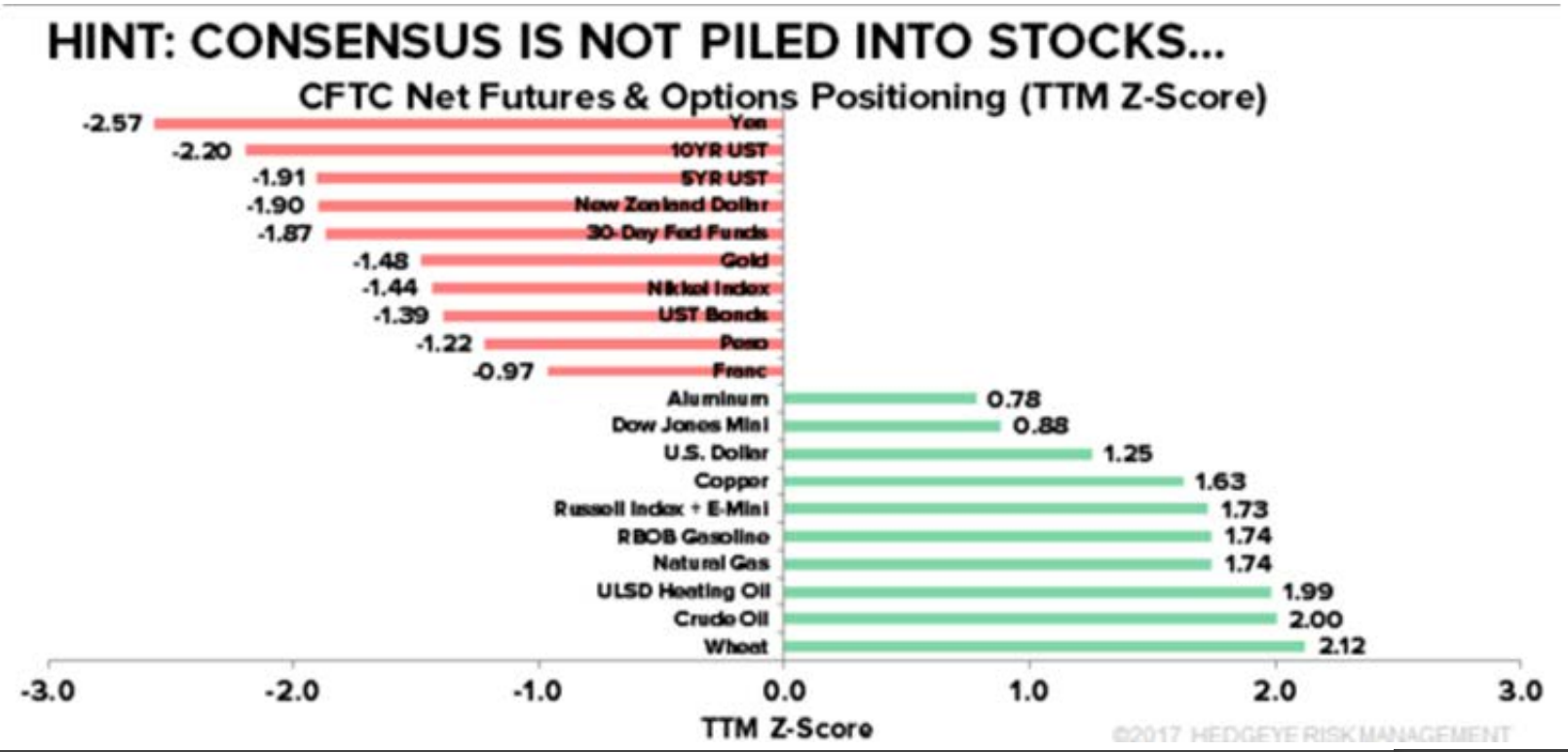
SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	2.1%	3.5%	86 / 500
Energy	-11.8%	-48.0%	3 / 35
Materials	-0.6%	44.2%	4 / 25
Industrials	3.1%	-13.2%	14 / 67
Consumer Discretionary	6.4%	7.2%	10 / 82
Consumer Staples	-1.0%	1.9%	7 / 37
Healthcare	7.3%	18.0%	5 / 60
Financials	2.9%	8.4%	26 / 61
Information Technology	3.8%	7.1%	15 / 66
Telecom	-5.6%	-3.3%	1 / 5
Utilities	0.0%	0.0%	0 / 28
Real Estate	-3.6%	0.0%	1 / 29

Source: BBG

10-YEAR GOVERNMENT BOND YIELDS

COUNTRY	YIELD	1 DAY	1 MONTH
Germany »	0.44%	+3	+22
United Kingdom »	1.42%	+2	+8
France	0.93%	+4	+25
Italy	2.06%	+3	+25
Spain	1.50%	+1	+13
Netherlands	0.54%	+3	+19
Portugal	3.89%	+7	+18

WHERE IS CONSENSUS?



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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	6.7%	8.5%	8.6%	9.0%	-11.4%	-22.3%	-23.0%	SPX	36.7%	0.65	0.99	24.4%	0.66	0.74	32.3%	1.29	1.12
Russell 2000	RTY	14.1%	16.3%	15.7%	16.4%	-1.4%	-5.5%	-2.4%	RTY	11.7%	0.43	0.29	2.1%	0.07	-0.32	11.0%	0.67	0.04
Nasdaq	NDX	8.3%	12.0%	11.4%	12.7%	-5.2%	-11.7%	-10.2%	NDX	37.3%	0.88	1.23	9.1%	0.12	0.19	26.2%	1.04	1.05
USD Index	UUP	9.0%	8.3%	7.3%	9.3%	-0.2%	3.8%	11.4%	UUP	-4.3%	-0.77	-0.72	12.2%	-0.04	-0.12	27.7%	1.01	0.62
Energy	XLE	12.3%	18.3%	18.5%	16.2%	-9.5%	-16.7%	-17.7%	XLE	27.8%	1.38	1.10	-8.9%	-0.25	-0.63	-4.4%	0.29	-0.34
Energy	XOP	19.1%	33.7%	32.2%	25.7%	-9.7%	-19.7%	-21.3%	XOP	23.7%	1.08	1.09	-22.5%	-1.27	-1.45	-14.5%	-0.50	-0.80
Materials	XLB	12.4%	11.9%	12.2%	12.8%	-6.5%	-13.4%	-15.5%	XLB	-3.3%	-0.49	-0.44	9.7%	0.36	0.15	13.2%	0.85	0.35
Industrials	XLI	9.1%	11.9%	11.6%	12.6%	-5.6%	-9.3%	-7.9%	XLI	37.6%	0.95	1.24	7.4%	0.16	0.11	16.3%	0.96	0.63
Transports	IYT	13.1%	14.4%	13.1%	17.3%	-4.2%	-2.8%	-2.6%	IYT	26.8%	0.52	0.81	21.3%	0.60	0.79	37.8%	1.78	2.01
WTI Crude Oil	USO	25.4%	36.2%	34.2%	29.6%	1.7%	-15.0%	-17.9%	USO	1.7%	0.59	0.30	-17.8%	-1.01	-1.29	-12.2%	-0.53	-0.89
Natural Gas	UNG	58.2%	53.5%	47.8%	41.7%	-12.8%	-15.6%	-6.0%	UNG	-23.8%	-1.79	-1.06	-21.9%	-1.57	-1.12	-12.5%	-1.05	-0.74
Gold	GLD	12.1%	13.5%	13.2%	14.4%	2.4%	-4.8%	-3.8%	GLD	11.7%	0.32	0.22	6.1%	0.18	0.04	7.8%	0.37	0.16
Silver	SLV	21.4%	23.9%	23.8%	22.9%	-4.0%	-7.2%	-7.6%	SLV	1.1%	-0.27	-0.56	-3.8%	-1.04	-0.85	-0.6%	-0.86	-0.75
Copper	JJC	26.0%	26.5%	23.3%	24.4%	-7.2%	-11.3%	-4.2%	JJC	-0.1%	-0.29	-0.34	-5.6%	-0.51	-0.62	14.5%	0.07	0.12
Corn	CORN	13.7%	16.7%	17.8%	17.6%	1.2%	-1.0%	-12.0%	CORN	29.3%	0.59	0.41	6.6%	-0.36	-0.68	4.3%	-0.51	-0.79
Soybeans	SOYB	16.5%	16.2%	15.4%	43.9%	77.5%	95.9%	94.7%	SOYB	71.3%	0.70	0.46	149.2%	2.23	1.97	76.6%	0.37	0.58
Wheat	WEAT	18.4%	18.1%	18.9%	27.1%	-17.3%	-10.3%	-12.4%	WEAT	47.5%	-0.30	-0.09	50.2%	-0.29	0.06	43.1%	-0.39	0.07
Sugar	SGG	34.9%	33.5%	32.3%	37.0%	19.0%	17.1%	9.3%	SGG	-7.8%	-0.45	-0.24	6.9%	0.84	0.83	-0.6%	0.53	0.48

*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

HISTORICAL VOLATILITY DASHBOARD

Aggregate Historical Volatility (30D/60D/3Mth/6Mth Combined Percentile %)			
Bottom Rankings	Realized Vol Percentile	Top Rankings	Realized Vol Percentile
Nasdaq 100 Index	2.1%	British Pound ETF	82.4%
Materials ETF	2.7%	Yen ETF	77.0%
KOSPI Index	3.8%	Natural Gas ETF	73.3%
Dow Jones ETF	4.1%	WTI Crude Oil ETF	59.3%
Hong Kong H Share	4.7%	L-T Treasuries ETF	54.8%
Consumer Discret. E	4.9%	Utilities ETF	48.7%
Dow Jones Inds. Ind	5.9%	Euro ETF	47.1%
Nifty 50 India Index	6.6%	Russell 2000 Index	47.0%
Transports ETF	7.0%	Muni-Bond ETF	45.7%
Taiwan Stock Exchg	8.3%	Tokyo TOPIX Index	43.8%

30-Day Historical Volatility % (Percentile)			
Bottom Rankings	Realized Vol Percentile	Top Rankings	Realized Vol Percentile
CAC 40 Index	0.0%	Natural Gas ETF	86.6%
Dow Jones ETF	0.3%	British Pound ETF	82.2%
KOSPI Index	0.3%	Yen ETF	81.9%
Dow Jones Inds. Ind	0.4%	U.S. Dollar ETF	62.2%
German DAX Index	0.7%	Euro ETF	58.0%
Nasdaq 100 Index	0.7%	Copper ETF	52.8%
Taiwan Stock Exchg	1.5%	L-T Treasuries ETF	43.6%
Materials ETF	1.8%	Mid-Term Treasuries	42.1%
Nifty 50 India Index	1.9%	Soybeans ETF	39.6%
Industrials ETF	2.0%	Muni-Bond ETF	39.2%

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$84.68	0.82%	4.03%	4.03%
Financial Select Sector	XLF	$23.29	1.26%	0.17%	0.17%
Health Care Select Sector	XLV	$69.07	-0.69%	0.19%	0.19%
Technology Select Sector	XLK	$50.20	0.62%	3.80%	3.80%
Consumer Staples Select Sector	XLP	$52.91	0.67%	2.32%	2.32%
Industrial Select Sector	XLI	$63.72	1.00%	2.41%	2.41%
Materials Select Sector	XLB	$52.51	2.58%	5.65%	5.65%
The Energy Select Sector	XLE	$74.56	1.10%	-1.01%	-1.01%
Utilities Select Sector	XLU	$48.38	-0.02%	-0.39%	-0.39%
S&P 500	SPX	2,280.07	0.66%	1.84%	1.84%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$83.99	0.34%	2.00%	2.00%
Financial Select Sector	XLF	$23.00	-0.38%	-2.25%	-2.25%
Health Care Select Sector	XLV	$69.55	-0.15%	-0.29%	-0.29%
Technology Select Sector	XLK	$49.89	0.45%	1.99%	1.99%
Consumer Staples Select Sector	XLP	$52.55	0.21%	0.45%	0.45%
Industrial Select Sector	XLI	$63.09	-0.28%	0.22%	0.22%
Materials Select Sector	XLB	$51.19	0.46%	1.82%	1.82%
The Energy Select Sector	XLE	$73.75	-0.79%	-3.26%	-3.26%
Utilities Select Sector	XLU	$48.39	-0.24%	-1.55%	-1.55%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.3%	-0.5%	-0.3%	7.8%	5.7%	0.8%
	Low Debt/EV	-0.3%	-0.5%	0.7%	3.8%	1.8%	1.9%
SI	High Short Interest	-0.3%	-0.5%	-0.1%	5.1%	4.7%	1.3%
	Low Short Interest	-0.3%	-0.5%	0.3%	6.7%	4.9%	1.5%
BETA	High Beta	-0.5%	-1.1%	-0.3%	10.9%	15.1%	1.5%
	Low Beta	-0.2%	0.2%	0.2%	1.6%	-5.6%	0.5%
YIELD	High Yield	-0.3%	-0.4%	-0.7%	3.1%	-1.6%	-0.1%
	Low Yield	-0.5%	-1.0%	0.8%	4.3%	3.6%	2.1%
MKT CAP	MCAP Bottom 25%	-0.3%	-0.8%	-0.4%	3.7%	0.4%	0.7%
	MCAP Top 25%	-0.4%	-0.4%	0.3%	7.4%	7.2%	1.5%
Sales	Top 25% Sales Growth	-0.4%	-0.4%	0.7%	4.5%	5.3%	2.1%
	Bottom 25% Sales Growth	-0.3%	-0.2%	0.2%	5.5%	1.5%	1.1%
EPS	Top 25% EPS Growth	-0.2%	-0.2%	1.1%	8.2%	9.3%	2.4%
	Bottom 25% EPS Growth	-0.4%	-0.3%	-0.3%	4.8%	1.0%	0.7%

**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	0.49%	-1.0	-3.6	-2	16	-7	33	35	38
3M LIBOR	1.04%	0.0	1.9	5	16	0	43	60	64
2Y T-Note	1.14%	-4.5	-5.0	-6	32	-16	65	48	63
5Y T-Note	1.87%	-7.0	-3.0	-16	62	-25	98	37	57
10Y T-Note	2.40%	-6.2	0.8	-13	67	-24	109	25	28
30Y T-Note	3.00%	-5.4	0.6	-12	51	-22	91	9	-3
2Y-10Y Spread, Bps	126	-1.7	5.8	-7.5	35	-8	44	-23	-35
IG SPREAD (AAABBB)	1.52%	0.0	-3.0	-1	-6	-78	5	-17	-25
HIGH YIELD	6.27%	0.0	7.4	-18	0	-306	22	-37	-33
5Y BREAKEVEN	1.94%	-3.3	1.8	6.2	34.7	-4.7	108.3	38.4	21.7

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)	28,082	13,901	(19,159)	54,867	242	0.23X	0.60X
Russell 2000 (mini)	68,450	(14,843)	46,866	28,318	(9,242)	1.69X	2.84X
10Y Treasury	(346,184)	40,055	(191,985)	(46,780)	(26,399)	-2.20X	-2.81X
CRUDE OIL	508,702	24,827	431,572	393,263	365,885	2.00X	2.33X
GOLD	59,936	5,537	96,244	165,117	171,152	-1.44X	-0.53X
COPPER	46,335	(1,298)	41,104	16,430	(2,461)	1.63X	2.73X
$USD	49,042	(4,018)	52,880	36,210	27,249	1.25X	0.59X
JPY	(82,899)	(1,531)	(28,997)	11,596	30,747	-2.57X	-0.86X
EUR	(62,359)	(1,928)	(99,289)	(99,666)	(78,671)	0.50X	0.58X
GBP	(65,725)	(3,083)	(69,854)	(77,629)	(59,839)	-0.27X	-1.17X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (1/23) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-1%	27%	28%	52%
Total Exchange Volume**	-7%	-1%	-13%	-13%
Total Traded Value (R3K)***	-24%	0%	-13%	-9%

*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	-0.15	-0.40	0.80	0.72	0.76	*0.95*	*-0.91*	*47%*	*53%*
BRENT Oil	0.14	0.21	0.58	0.68	0.53	*0.77*	*-0.78*	*46%*	*54%*
CRB Index	-0.73	-0.78	0.83	0.68	0.56	*0.83*	*-0.89*	*24%*	*76%*
GOLD	-0.97	-0.89	-0.95	-0.97	-0.81	*0.90*	*-0.97*	*16%*	*84%*

**Days = Trading Days*