THE MACRO SHOW

JULY 28, 2016

LEGAL

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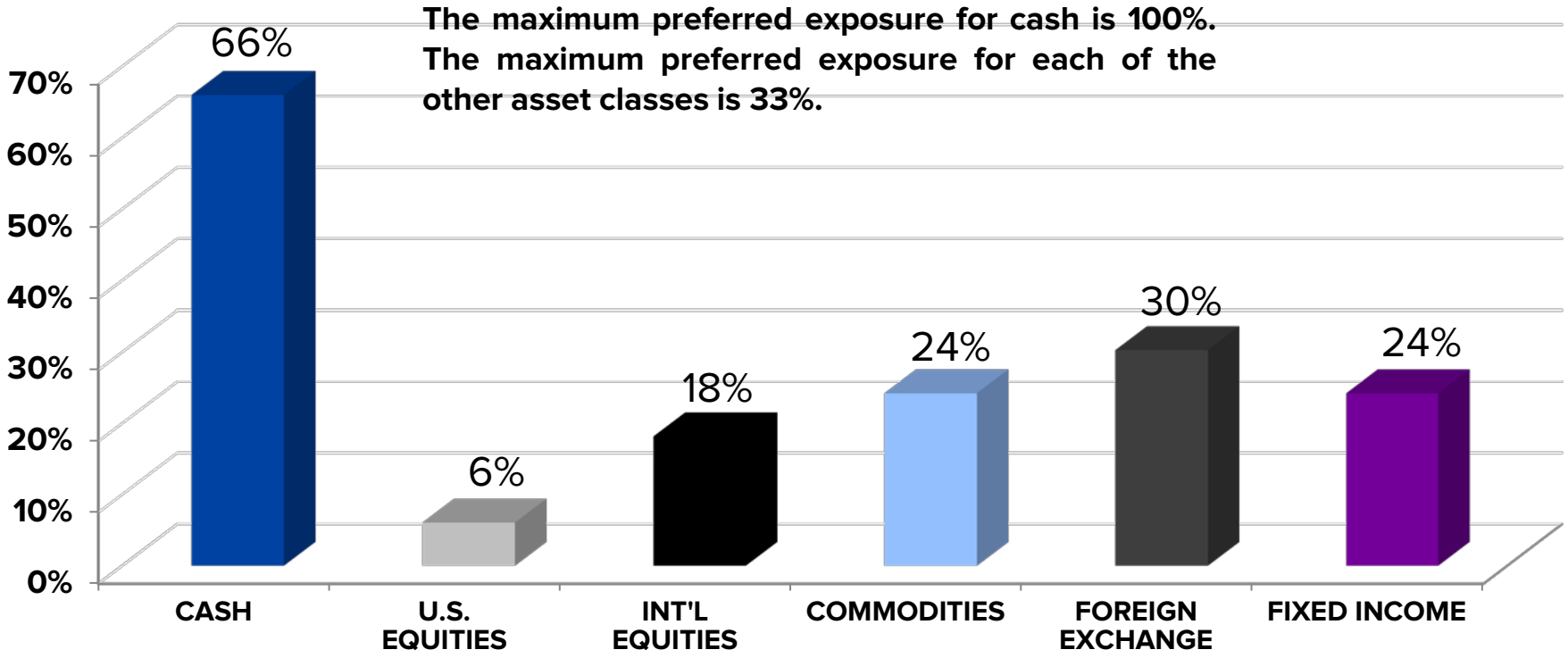
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/27/2016	64	2	4	12	8	10
7/28/2016	66	2	6	8	10	8

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/27/2016	64%	6%	12%	36%	24%	30%
7/28/2016	66%	6%	18%	24%	30%	24%

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 USD

2 EUROPE

3 UST 10YR

USD

It wasn’t fun missing the Oil move (off 3yr lows) in Q2, but we’re sure happy we’re not long it now (long Gold instead). The USD continues to signal bullish TREND after a hawkish Fed yesterday (they’ve pivoted from dovish to hawkish 5x in 6 months, which is embarrassing) and ahead of a hot GDP report tomorrow (we’re at +4.8% q/q SAAR – that’s +2.3% y/y).

EUROPE

When Janet proclaimed global risks have abated yesterday, we guess that's Ex-Spain and Ex-Italy – both stock markets down another

-1.5 -1.7% this morning and both remain in crash mode, -28% and -31% from their 2015 Global Equity #Bubble highs, respectively; we maintain our bearish Macro Theme of #EuropeImploding.

UST 10YR

Worldwide long-term yields lower in the last 48 hours and with the UST 10YR at 1.50%, we would be a seller of long-term bonds into this GDP report (hoping to buy the 10YR back again around 1.65-1.70%); plenty of people will get sucked into this GDP print if it’s as big as we think it’s going to look (for Q3 we’re straight back down to 0.8%).

FINANCIALS & HOUSING

JOSH STEINER

TREASURY DEPARTMENT CRACKDOWN

U.S. to track secret real estate deals in N.Y. and Miami Chicago Tribune

U.S. Will Track Secret Buyers of Luxury Real Estate

The New York Times

Feds crack down on secret real estate deals in Miami-Dade and New York Miami Herald

"The new policy will require title insurance companies to identify the true owners of shell companies that pay $1 million or more in cash for homes in Miami-Dade and $3 million or more for homes in New York City" ***Miami Herald.***

The Treasury Department will track high end real estate transactions in Miami and Manhattan.

This is the latest push to crackdown on money laundering in the ultra high end real estate markets.

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TREASURY DEPARTMENT CRACKDOWN

Just under half of all purchases over $5mn are currently done through shell companies, where the ultimate buyer is never identified.

Not surprisingly, this has become a haven for money launderers from around the globe.

Data source: NY Times, Treasury Dept.

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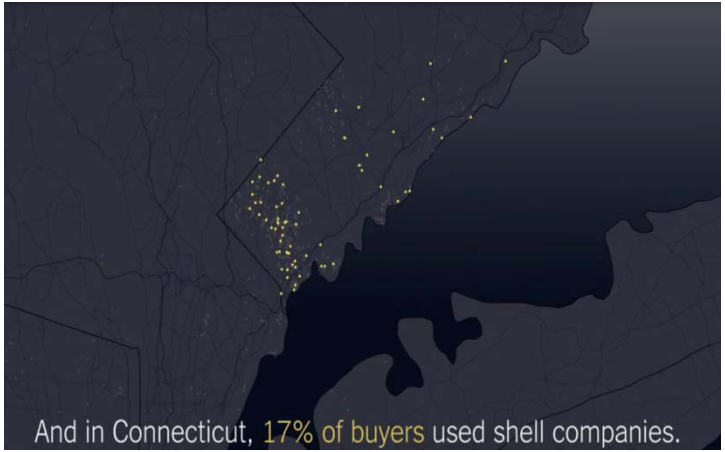
TREASURY DEPARTMENT CRACKDOWN



In Los Angeles, 51% of buyers are people hiding behind shell companies. In San Francisco, it's 48%. In Miami: 37%. In Connecticut, it's 17% of buyers.

Data source: NY Times, Treasury Dept.

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TREASURY DEPARTMENT CRACKDOWN

Nationally, 44% of foreign buyers purchasing properties over $5mn are doing so through shell company LLCs.

Data source: NY Times, Treasury Dept.

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MACRO GRIND

LIGHT CRUDE OIL

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REUTERS/JEFFERIES CRB INDEX

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SPAIN BOLSA DE MADRID IBEX 35

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FTSE MIB (MILAN) INDEX

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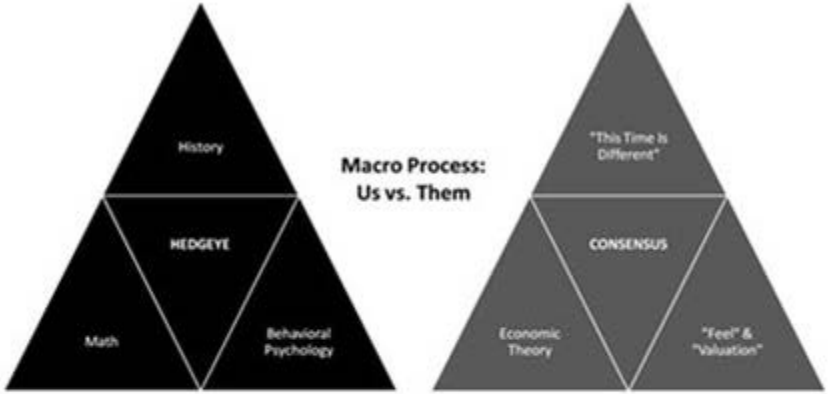
Q2 S&P REVENUE & EARNINGS COMPS

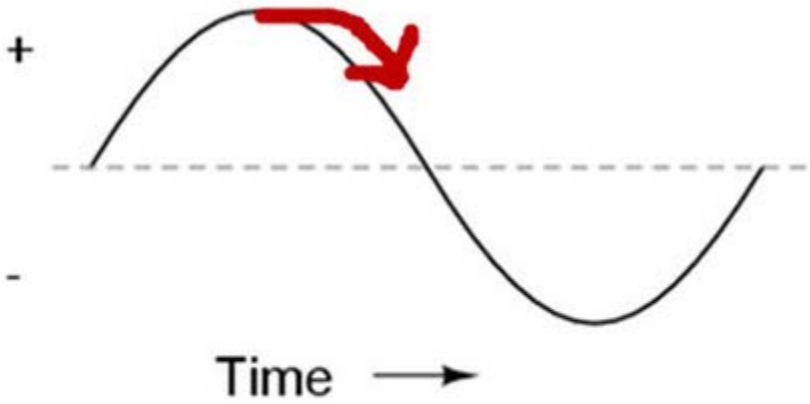
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	0.6%	-4.7%	207 / 500
Energy	-23.0%	-88.5%	9 / 37
Materials	-8.7%	-1.7%	9 / 27
Industrials	-1.0%	-3.1%	41 / 68
Consumer Discretionary	4.1%	10.1%	30 / 83
Consumer Staples	-0.8%	2.4%	14 / 36
Healthcare	12.6%	0.2%	21 / 57
Financials	1.0%	-4.1%	46 / 92
Information Technology	-4.3%	-12.0%	30 / 67
Telecom	8.6%	5.6%	3 / 5
Utilities	1.5%	12.7%	4 / 28

Source: BBG

HEDGEYE MACRO PROCESS: RATE OF CHANGE





DIFFERENTIATED FROM THE HERD

Macroeconomics and Global Macro Risk Management are two very different fields. We specialize in the latter.

WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.38	-0.31%	4.25%	4.12%
Financial Select Sector	XLF	$23.64	-0.04%	3.43%	-0.80%
Health Care Select Sector	XLV	$75.12	0.45%	4.76%	4.29%
Technology Select Sector	XLK	$46.25	0.83%	6.64%	7.99%
Consumer Staples Select Sector	XLP	$54.19	-1.49%	-1.74%	7.33%
Industrial Select Sector	XLI	$58.23	-0.39%	3.96%	9.85%
Materials Select Sector	XLB	$49.01	0.12%	5.76%	12.87%
The Energy Select Sector	XLE	$66.69	-0.98%	-2.27%	10.56%
Utilities Select Sector	XLU	$51.61	-1.15%	-1.64%	19.25%
S&P 500	SPX	2,166.58	-0.12%	3.23%	6.00%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.38	-0.19%	1.03%	-1.88%
Financial Select Sector	XLF	$23.64	0.08%	0.21%	-6.80%
Health Care Select Sector	XLV	$75.12	0.57%	1.54%	-1.71%
Technology Select Sector	XLK	$46.25	0.95%	3.41%	1.98%
Consumer Staples Select Sector	XLP	$54.19	-1.37%	-4.97%	1.33%
Industrial Select Sector	XLI	$58.23	-0.27%	0.74%	3.85%
Materials Select Sector	XLB	$49.01	0.24%	2.54%	6.87%
The Energy Select Sector	XLE	$66.69	-0.86%	-5.50%	4.56%
Utilities Select Sector	XLU	$51.61	-1.03%	-4.87%	13.25%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.8%	-0.1%	10.4%	2.1%	23.6%	12.9%
	Low Debt/EV	-0.4%	0.1%	10.0%	3.5%	15.5%	6.7%
SI	High Short Interest	-0.8%	0.4%	12.1%	1.0%	19.1%	6.0%
	Low Short Interest	-0.2%	0.0%	9.1%	3.5%	16.3%	6.8%
BETA	High Beta	-0.6%	0.2%	14.2%	0.8%	23.9%	6.0%
	Low Beta	-1.1%	-0.8%	3.8%	6.2%	16.2%	13.7%
YIELD	High Yield	-0.7%	-0.3%	8.7%	2.6%	18.6%	10.2%
	Low Yield	-0.3%	0.6%	11.8%	3.8%	20.2%	8.3%
MKT CAP	MCAP Bottom 25%	-1.0%	0.0%	11.7%	-0.1%	18.7%	6.4%
	MCAP Top 25%	-0.2%	-0.3%	8.2%	2.9%	15.0%	5.9%
Sales	Top 25% Sales Growth	-0.6%	-0.6%	9.4%	2.1%	20.8%	7.7%
	Bottom 25% Sales Growth	-0.4%	0.3%	11.7%	3.3%	20.3%	9.8%
EPS	Top 25% EPS Growth	-0.2%	0.2%	11.5%	3.8%	21.0%	8.5%
	Bottom 25% EPS Growth	-0.9%	-0.5%	8.7%	0.8%	18.9%	8.5%

**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	0.28%	-2.5	-4.1	4	5	-8	33	20	21
3M LIBOR	0.74%	0.0	4.1	12	10	0	45	40	39
2Y T-Note	0.72%	-3.6	0.8	12	-10	-38	22	15	27
5Y T-Note	1.09%	-4.7	-4.8	11	-23	-74	20	-42	-16
10Y T-Note	1.50%	-6.4	-8.2	6	-35	-88	18	-79	-64
30Y T-Note	2.21%	-7.2	-8.7	-5	-49	-93	12	-88	-87
2Y-10Y Spread, Bps	78	-2.8	-9.1	-6.5	-25	-50	-4	-94	-91
IG SPREAD (AAABBB)	1.65%	0.0	-4.0	-23	-20	-65	0	-5	-20
HIGH YIELD	6.46%	0.0	4.7	-88	-102	-287	9	-14	-32
5Y BREAKEVEN	1.32%	-2.0	-9.2	3.6	-26.2	-31.8	46.6	-27.1	-40.6

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)	154,099	94,526	54,158	(54,383)	(100,416)	*2.37X*	*1.77X*
Russell 2000 (mini)	(17,438)	12,758	(34,117)	(46,803)	(43,526)	*1.95X*	*0.39X*
10Y Treasury	84,243	(30,459)	(15,013)	(6,018)	(5,240)	*1.45X*	*1.80X*
CRUDE OIL	327,897	(13,285)	373,011	338,508	301,045	*0.45X*	*-0.18X*
GOLD	264,498	(7,031)	228,998	177,187	98,526	*1.69X*	*2.81X*
COPPER	2,156	16,407	(24,399)	(21,352)	(22,472)	*1.89X*	*1.36X*
$USD	14,460	547	10,857	18,288	31,986	*-1.02X*	*-0.66X*
JPY	37,852	(7,134)	47,057	49,897	5,714	*0.62X*	*1.62X*
EUR	(108,396)	(14,403)	(53,319)	(57,677)	(85,742)	*-0.52X*	*-0.39X*
GBP	(72,102)	(12,646)	(45,711)	(42,048)	(27,970)	*-2.31X*	*-2.14X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (7/27) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-8%	-5%	-11%	-16%
Total Exchange Volume**	13%	7%	5%	0%

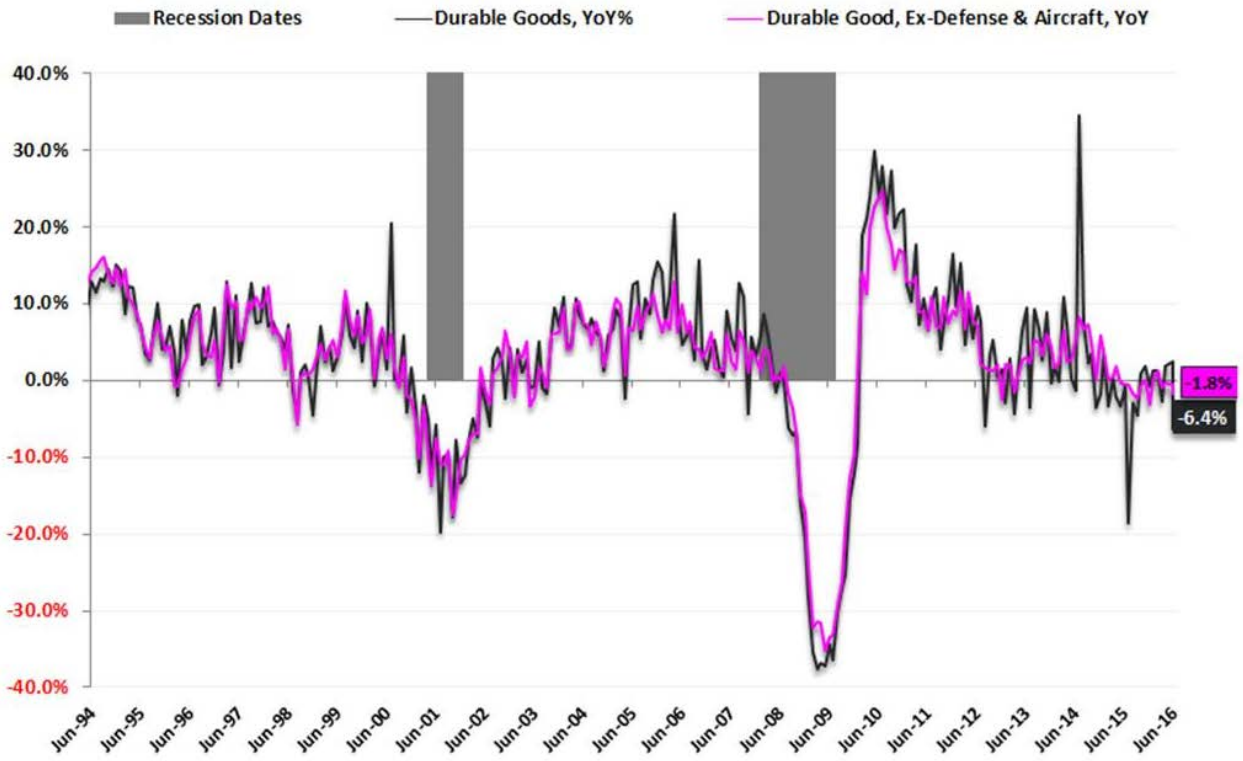
*Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg.

**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	0.70	0.50	0.38	-0.36	-0.37	*0.88*	*-0.91*	*58%*	*42%*
BRENT Oil	-0.67	-0.75	-0.02	-0.48	-0.56	*0.72*	*-0.78*	*35%*	*65%*
CRB Index	-0.37	-0.73	-0.25	-0.48	-0.84	*0.71*	*-0.91*	*27%*	*73%*
GOLD	-0.69	0.76	0.38	0.01	-0.75	*0.90*	*-0.95*	*20%*	*80%*

**Days = Trading Days*

U.S. DURABLE GOODS