# THE MACRO SHOW

FEBRUARY 2, 2017

# LEGAL

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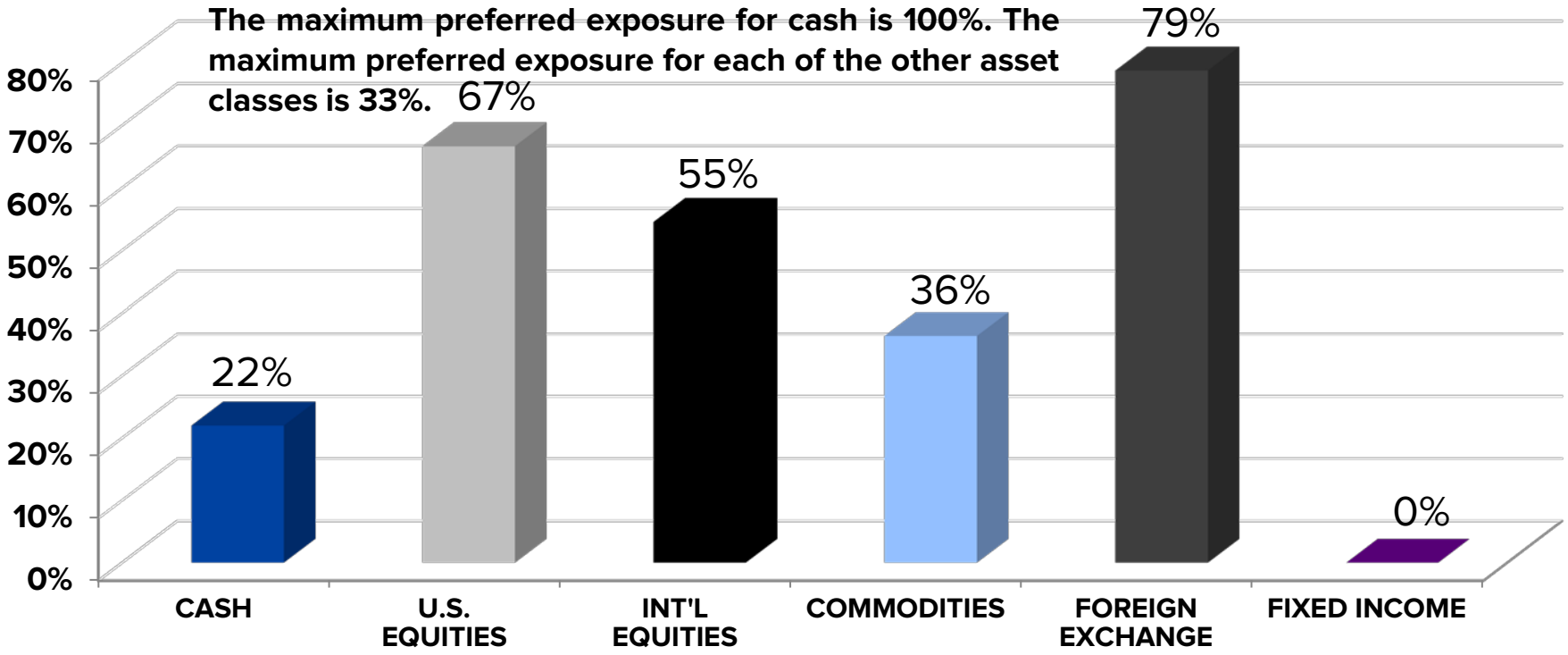
# HEDGEYE ASSET ALLOCATION

| | CASH | U.S. EQUITIES | INT'L EQUITIES | COMMODITIES | FOREIGN EXCHANGE | FIXED INCOME |
|---|---|---|---|---|---|---|
| 2/1/2017 | 22 | 21 | 17 | 15 | 25 | 0 |
| 2/2/2017 | 22 | 22 | 18 | 12 | 26 | 0 |

| | CASH | U.S. EQUITIES | INT'L EQUITIES | COMMODITIES | FOREIGN EXCHANGE | FIXED INCOME |
|---|---|---|---|---|---|---|
| 2/1/2017 | 22% | 64% | 52% | 45% | 76% | 0% |
| 2/2/2017 | 22% | 67% | 55% | 36% | 79% | 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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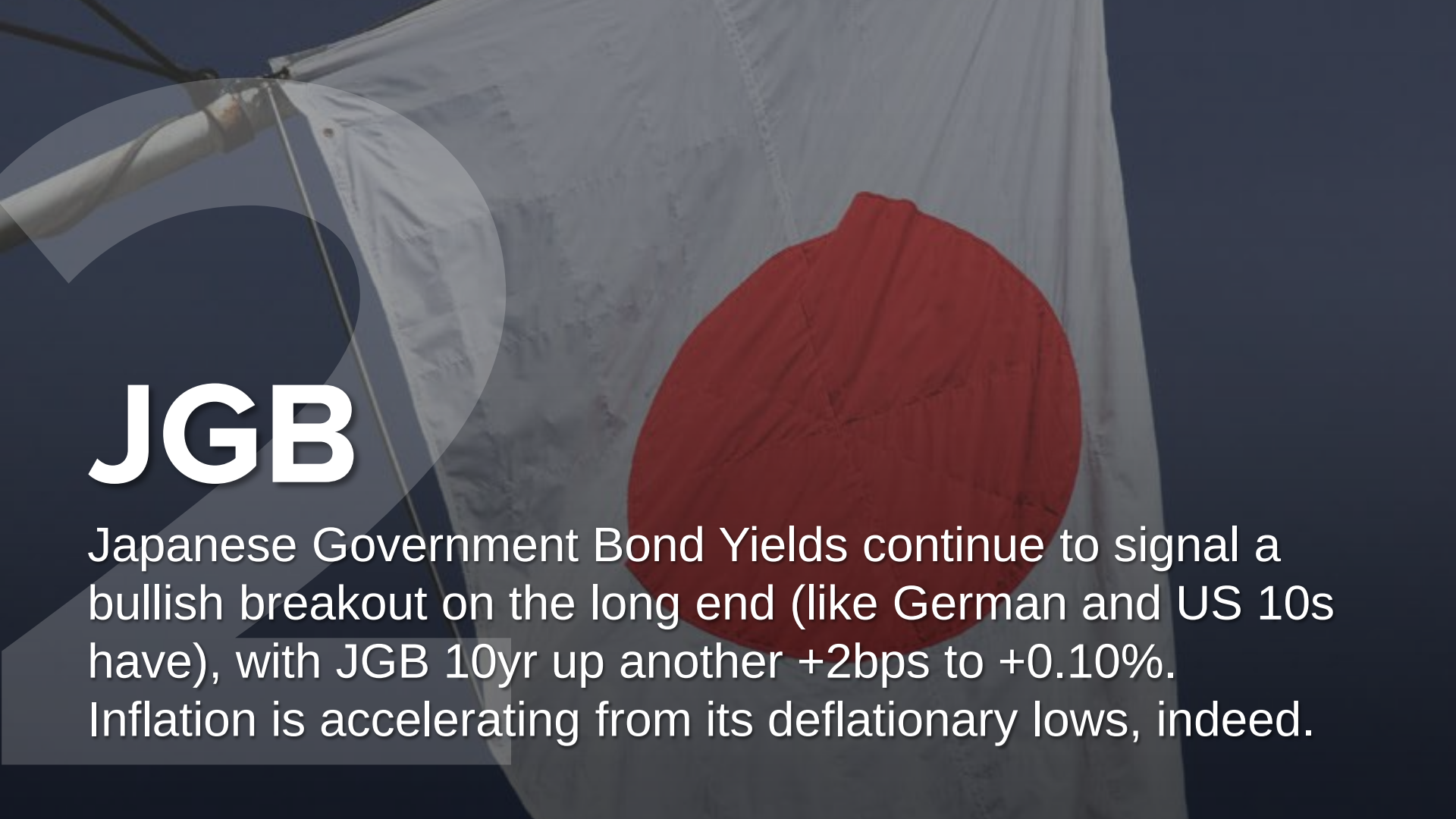
1 DOLLAR

2 JGB

3 UTILITIES

# DOLLAR

Damn the data (ISM accelerated, again, with Prices Paid ripping a 69.0), when Janet Yellen isn’t allowed to see it and raise rates like she should have yesterday. Maybe it takes a jobs report tomorrow like the ADP ramp we saw yesterday to rock her out of the nest. We are happy to see EUR/USD at $1.08 – been waiting on that an Yen 112 to sell both.



# JGB

Japanese Government Bond Yields continue to signal a bullish breakout on the long end (like German and US 10s have), with JGB 10yr up another +2bps to +0.10%. Inflation is accelerating from its deflationary lows, indeed.

# UTILITIES

Utilities (XLU) sacked for a -1.7% loss in the backfield yesterday, so the bond market and it's U.S. Equity market proxies do acknowledge the last 3 months NOV-JAN of U.S. growth and inflation accelerating. It is a great day to buy more Financials (XLF) and Industrials (XLI), keeping long-term bonds (TLT) and Utilities (XLU) on the short side.

# MACRO GRIND

# 10-YEAR JAPAN TREASURY YIELD

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# FTSE MIB MILAN INDEX

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# RUSSIAN TRADING SYSTEM INDEX

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# LONDON FINANCIAL TIMES INDEX

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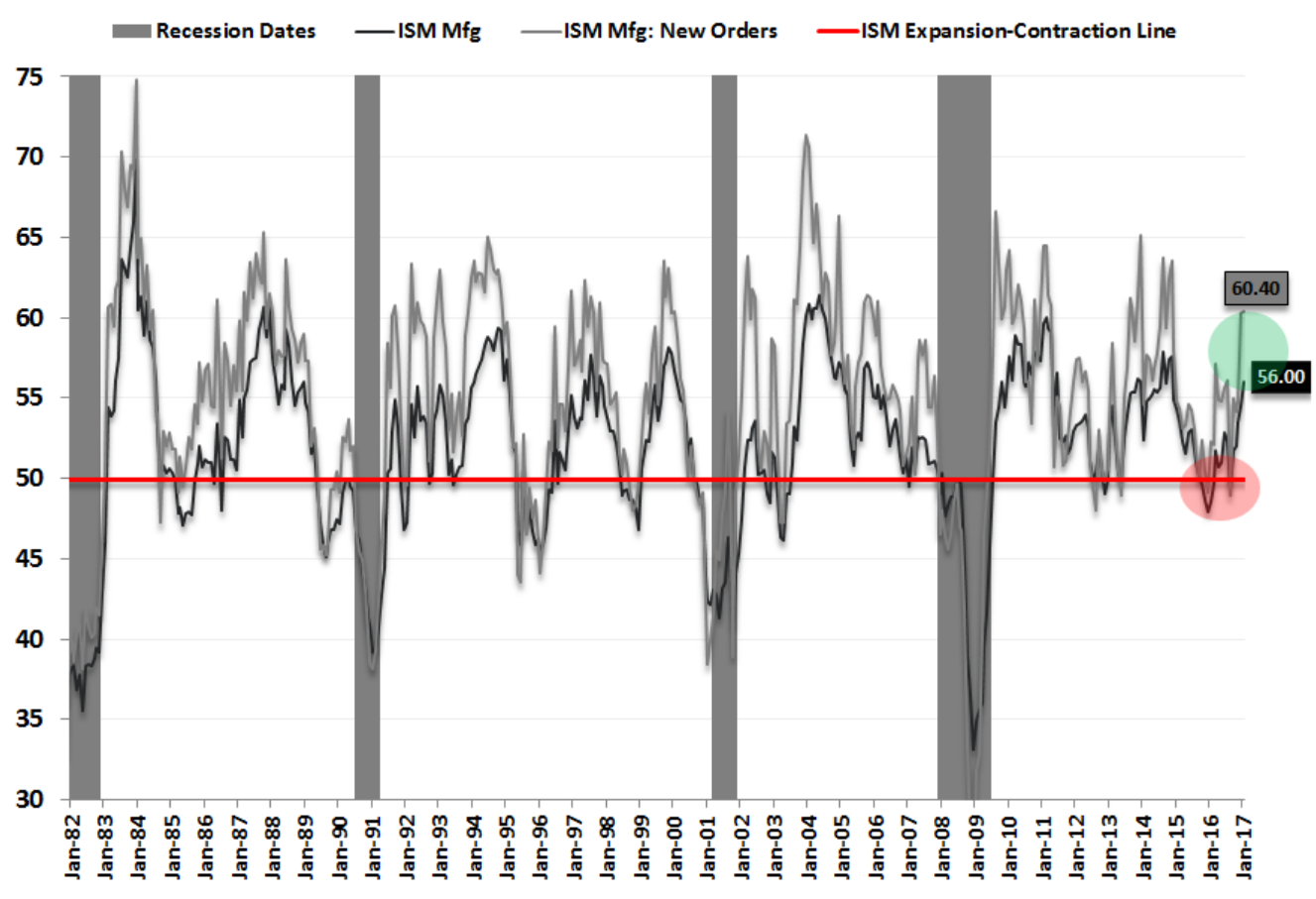
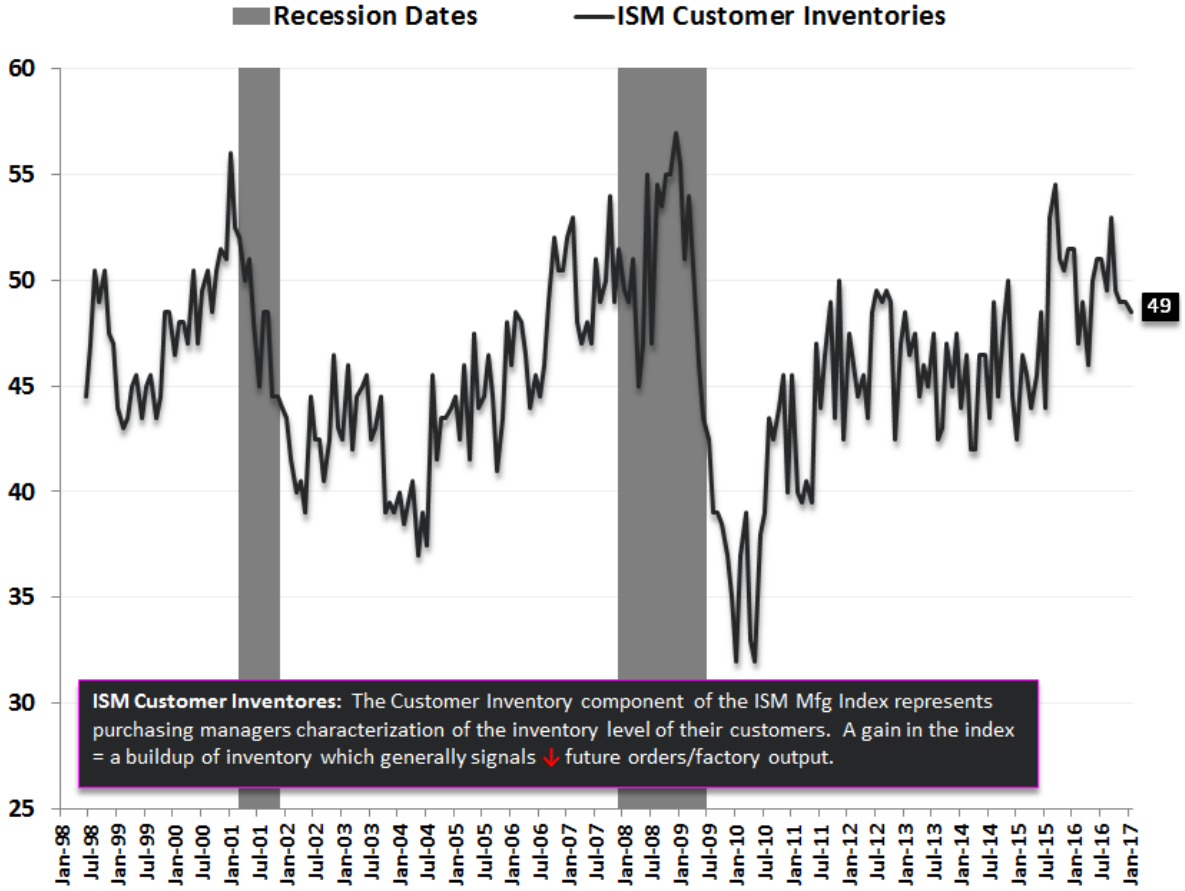



**ACCELERATION:**

# ISM NEW ORDERS HIGHEST SINCE DEC 2014


Recession Dates
ISM Customer Inventories
60
55
50
45
40
35
30
25
49
ISM Customer Inventores: The Customer Inventory component of the ISM Mfg Index represents purchasing managers characterization of the inventory level of their customers. A gain in the index = a buildup of inventory which generally signals ↓ future orders/factory output.
Jan-98
Jul-98
Jan-99
Jul-99
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
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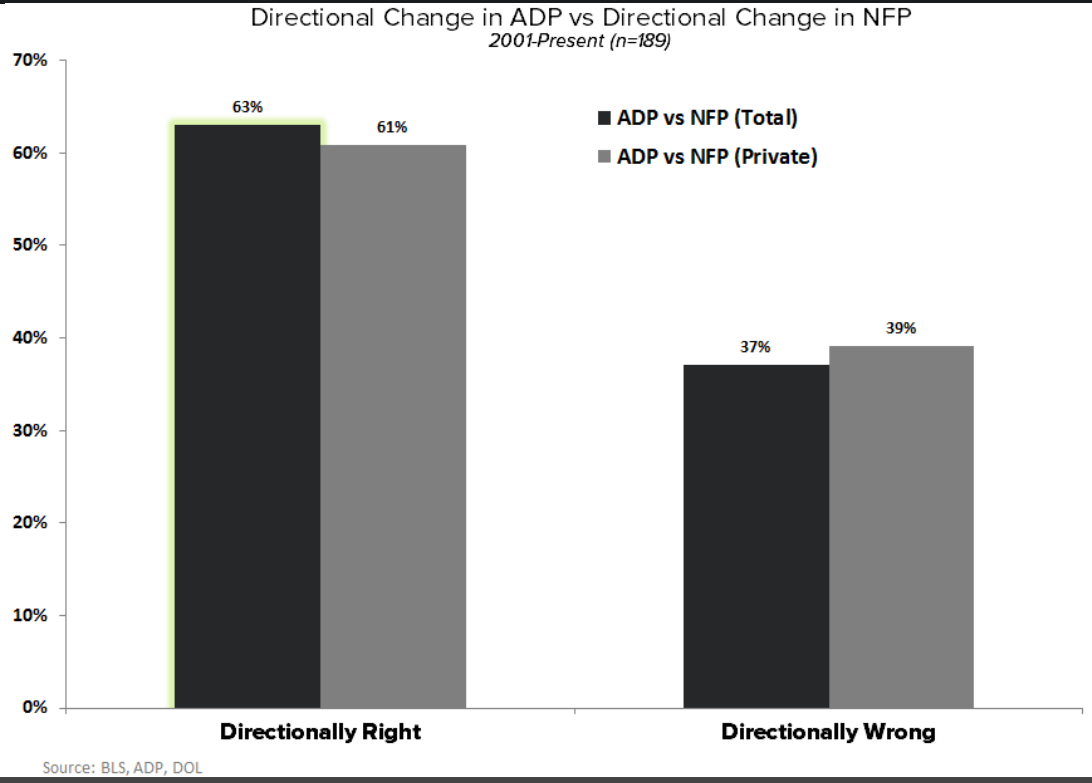
Jan-16
Jul-16
Jan-17

# NFP VS ADP


Directional Change in ADP vs Directional Change in NFP
2001-Present (n=189)
70%
60%
50%
40%
30%
20%
10%
0%
63%
61%
37%
39%
ADP vs NFP (Total)
ADP vs NFP (Private)
Directionally Right
Directionally Wrong
Source: BLS, ADP, DOL

# EARNINGS SEASON

Q4 2016 QTD

| SECTOR | SALES GROWTH (% CHG) | EARNINGS GROWTH (% CHG) | #REPORTED |
|---|---|---|---|
| S&P 500 (Aggregate) | 3.8% | 3.9% | 224 / 500 |
| Energy | 2.8% | -10.0% | 12 / 35 |
| Materials | 5.3% | 14.0% | 12 / 25 |
| Industrials | 3.2% | -6.3% | 40 / 67 |
| Consumer Discretionary | 3.2% | -6.1% | 24 / 81 |
| Consumer Staples | -1.1% | 1.8% | 11 / 37 |
| Healthcare | 4.8% | 9.7% | 27 / 60 |
| Financials | 5.9% | 9.7% | 42 / 63 |
| Information Technology | 6.8% | 5.2% | 40 / 66 |
| Telecom | -2.9% | 0.8% | 2 / 5 |
| Utilities | 3.1% | 25.9% | 5 / 28 |
| Real Estate | -0.6% | 0.7% | 8 / 29 |

Source: BBG

# VOLATILITY

| | | 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 | 6.5% | 8.3% | 8.5% | 10.3% | 6.0% | -8.2% | -11.4% | SPX | 38.5% | 0.68 | 1.05 | 29.2% | 0.84 | 0.97 | 35.1% | 1.41 | 1.26 |
| Russell 2000 | RTY | 14.1% | 16.2% | 15.6% | 16.8% | 4.5% | -1.7% | 0.0% | RTY | 14.0% | 0.52 | 0.41 | 6.7% | 0.35 | -0.04 | 13.2% | 0.84 | 0.19 |
| Nasdaq 100 | NDX | 8.2% | 11.7% | 11.4% | 12.4% | -1.5% | -11.5% | -11.6% | NDX | 42.0% | 1.00 | 1.40 | 12.0% | 0.26 | 0.35 | 22.3% | 0.82 | 0.84 |
| USD Index | UUP | 8.0% | 8.3% | 7.4% | 9.4% | 1.5% | 3.9% | 11.8% | UUP | 5.0% | -0.34 | -0.37 | 12.6% | -0.03 | -0.09 | 27.7% | 0.97 | 0.62 |
| Consumer Discret. | XLY | 8.2% | 10.7% | 10.6% | 12.2% | -1.8% | -9.4% | -9.9% | XLY | 41.4% | 1.09 | 1.41 | 20.2% | 0.50 | 0.68 | 27.1% | 1.02 | 1.13 |
| Financials | XLF | 14.0% | 18.9% | 16.9% | 17.5% | 2.8% | -3.3% | 2.6% | XLF | 15.4% | 0.23 | 0.35 | -11.0% | -0.47 | -0.72 | 0.5% | 0.13 | -0.24 |
| Healthcare | XLV | 10.8% | 14.2% | 14.3% | 12.4% | -6.7% | -16.4% | -13.2% | XLV | 13.3% | 0.20 | 0.42 | -8.3% | -0.60 | -0.57 | -5.2% | -0.52 | -0.53 |
| Technology | XLK | 8.0% | 12.6% | 11.6% | 12.5% | -0.7% | -8.4% | -7.7% | XLK | 42.6% | 1.12 | 1.51 | 5.4% | 0.06 | 0.06 | 20.8% | 0.96 | 0.81 |
| Consumer Staples | XLP | 7.8% | 11.7% | 10.7% | 10.1% | -3.5% | -14.5% | -14.0% | XLP | 23.0% | 0.73 | 0.71 | -11.2% | -0.92 | -1.00 | 0.2% | -0.17 | -0.38 |
| Utilities | XLU | 11.5% | 17.8% | 17.0% | 13.2% | -8.3% | -18.2% | -16.9% | XLU | 11.6% | 0.73 | 0.84 | -23.5% | -2.00 | -1.72 | -17.3% | -1.67 | -1.43 |
| Energy | XLE | 11.8% | 18.6% | 18.2% | 16.9% | -0.9% | -11.4% | -13.9% | XLE | 39.3% | 1.84 | 1.62 | -5.3% | 0.05 | -0.42 | -1.4% | 0.54 | -0.18 |
| Energy | XOP | 17.1% | 33.5% | 31.6% | 27.6% | 1.6% | -11.9% | -14.4% | XOP | 56.3% | 2.40 | 2.75 | -16.7% | -0.79 | -1.06 | -10.5% | -0.14 | -0.54 |
| Materials | XLB | 11.9% | 12.2% | 12.1% | 14.8% | 10.8% | 1.6% | -2.2% | XLB | 17.1% | 0.32 | 0.31 | 22.9% | 0.99 | 0.75 | 26.0% | 1.59 | 0.98 |
| Industrials | XLI | 9.4% | 12.2% | 11.4% | 13.0% | 1.5% | -5.4% | -4.8% | XLI | 36.5% | 0.89 | 1.18 | 9.3% | 0.26 | 0.22 | 20.7% | 1.24 | 0.90 |
| Transports | IYT | 13.8% | 15.4% | 13.5% | 18.7% | 5.3% | 5.4% | 5.3% | IYT | 33.7% | 0.73 | 1.09 | 22.1% | 0.64 | 0.83 | 38.7% | 1.79 | 2.05 |
| WTI Crude Oil | USO | 23.4% | 34.2% | 33.4% | 29.3% | -0.2% | -14.6% | -17.9% | USO | -0.2% | 1.01 | 0.75 | -12.7% | -0.65 | -1.00 | -8.4% | -0.25 | -0.70 |
| Natural Gas | UNG | 55.5% | 52.8% | 48.0% | 44.0% | -3.6% | -10.3% | -0.9% | UNG | -18.4% | -1.39 | -0.88 | -17.6% | -1.23 | -0.95 | -11.4% | -0.93 | -0.69 |
| Gold | GLD | 11.4% | 13.7% | 13.3% | 14.0% | 1.9% | -7.2% | -6.1% | GLD | 16.6% | 0.58 | 0.46 | -0.2% | -0.26 | -0.34 | 4.2% | 0.11 | -0.08 |
| Silver | SLV | 16.7% | 24.1% | 23.5% | 22.5% | -0.5% | -8.0% | -8.1% | SLV | 32.0% | 2.27 | 0.61 | -6.1% | -1.22 | -0.95 | -2.8% | -1.04 | -0.87 |
| Copper | JJC | 25.2% | 27.2% | 24.1% | 24.5% | -6.4% | -12.8% | -4.9% | JJC | 1.8% | -0.26 | -0.30 | -6.8% | -0.53 | -0.66 | 9.3% | -0.10 | -0.10 |
| Corn | CORN | 14.7% | 17.4% | 18.0% | 16.4% | -2.6% | -6.4% | -16.1% | CORN | 13.5% | -0.04 | -0.28 | -1.3% | -0.70 | -1.09 | -0.4% | -0.66 | -1.01 |
| Soybeans | SOYB | 17.9% | 16.6% | 15.5% | 20.1% | -11.7% | -9.2% | -9.4% | SOYB | 12.1% | -0.66 | -0.54 | 136.3% | 1.96 | 1.74 | 240.2% | 2.64 | 3.46 |
| Wheat | WEAT | 20.2% | 19.4% | 19.9% | 21.5% | -25.2% | -25.4% | -28.1% | WEAT | 1.4% | -0.94 | -0.69 | 13.5% | -0.95 | -0.51 | 15.0% | -1.13 | -0.46 |

*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 | $84.67 | -0.19% | -0.19% | 4.02% |
| Financial Select Sector | XLF | $23.34 | 0.13% | 0.13% | 0.39% |
| Health Care Select Sector | XLV | $71.13 | 0.87% | 0.87% | 3.18% |
| Technology Select Sector | XLK | $50.46 | 0.76% | 0.76% | 4.34% |
| Consumer Staples Select Sector | XLP | $52.18 | -0.78% | -0.78% | 0.91% |
| Industrial Select Sector | XLI | $63.27 | -0.17% | -0.17% | 1.69% |
| Materials Select Sector | XLB | $52.22 | 0.50% | 0.50% | 5.07% |
| The Energy Select Sector | XLE | $72.36 | -0.74% | -0.74% | -3.93% |
| Utilities Select Sector | XLU | $48.33 | -1.73% | -1.73% | -0.49% |
| S&P 500 | SPX | 2,279.55 | 0.03% | 0.03% | 1.82% |

# HEDGEYE SECTOR RELATIVE PERFORMANCE

| | Ticker | Price | 1-Day % Chg | MTD % Chg | YTD % Chg |
|---|---|---|---|---|---|
| Consumer Discretionary | XLY | $84.67 | -0.22% | -0.22% | 2.20% |
| Financial Select Sector | XLF | $23.34 | 0.10% | 0.10% | -1.43% |
| Health Care Select Sector | XLV | $71.13 | 0.84% | 0.84% | 1.36% |
| Technology Select Sector | XLK | $50.46 | 0.73% | 0.73% | 2.52% |
| Consumer Staples Select Sector | XLP | $52.18 | -0.81% | -0.81% | -0.91% |
| Industrial Select Sector | XLI | $63.27 | -0.20% | -0.20% | -0.13% |
| Materials Select Sector | XLB | $52.22 | 0.47% | 0.47% | 3.25% |
| The Energy Select Sector | XLE | $72.36 | -0.77% | -0.77% | -5.75% |
| Utilities Select Sector | XLU | $48.33 | -1.76% | -1.76% | -2.31% |

# HEDGEYE STYLE FACTOR PERFORMANCE

| | FACTOR | 1D % Chg | 1W % Chg | 1M % Chg | 3M % Chg | 6M % Chg | YTD % Chg |
|---|---|---|---|---|---|---|---|
| Debt | High Debt/EV | -0.5% | -0.9% | 1.8% | 10.7% | 8.4% | 1.8% |
| | Low Debt/EV | -0.2% | -1.7% | 1.8% | 5.5% | 1.8% | 1.8% |
| SI | High Short Interest | -0.4% | -2.2% | 1.1% | 7.9% | 5.2% | 1.1% |
| | Low Short Interest | -0.1% | -0.6% | 1.8% | 8.3% | 6.2% | 1.8% |
| BETA | High Beta | 0.1% | -1.9% | 3.2% | 15.4% | 17.3% | 3.2% |
| | Low Beta | -0.6% | -0.6% | 0.3% | 2.6% | -4.3% | 0.3% |
| YIELD | High Yield | -1.0% | -2.2% | -1.1% | 4.2% | -1.3% | -1.1% |
| | Low Yield | 0.1% | -0.8% | 2.8% | 7.7% | 5.0% | 2.8% |
| MKT CAP | MCAP Bottom 25% | -0.4% | -2.5% | 0.2% | 5.5% | 0.1% | 0.2% |
| | MCAP Top 25% | -0.1% | -0.8% | 2.1% | 9.3% | 8.6% | 2.1% |
| Sales | Top 25% Sales Growth | -0.3% | -2.1% | 1.7% | 7.2% | 6.5% | 1.7% |
| | Bottom 25% Sales Growth | -0.5% | -1.5% | 0.9% | 6.3% | 1.2% | 0.9% |
| EPS | Top 25% EPS Growth | -0.1% | -1.8% | 2.8% | 10.6% | 11.8% | 2.8% |
| | Bottom 25% EPS Growth | -0.7% | -1.8% | -0.2% | 5.0% | -1.4% | -0.2% |

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

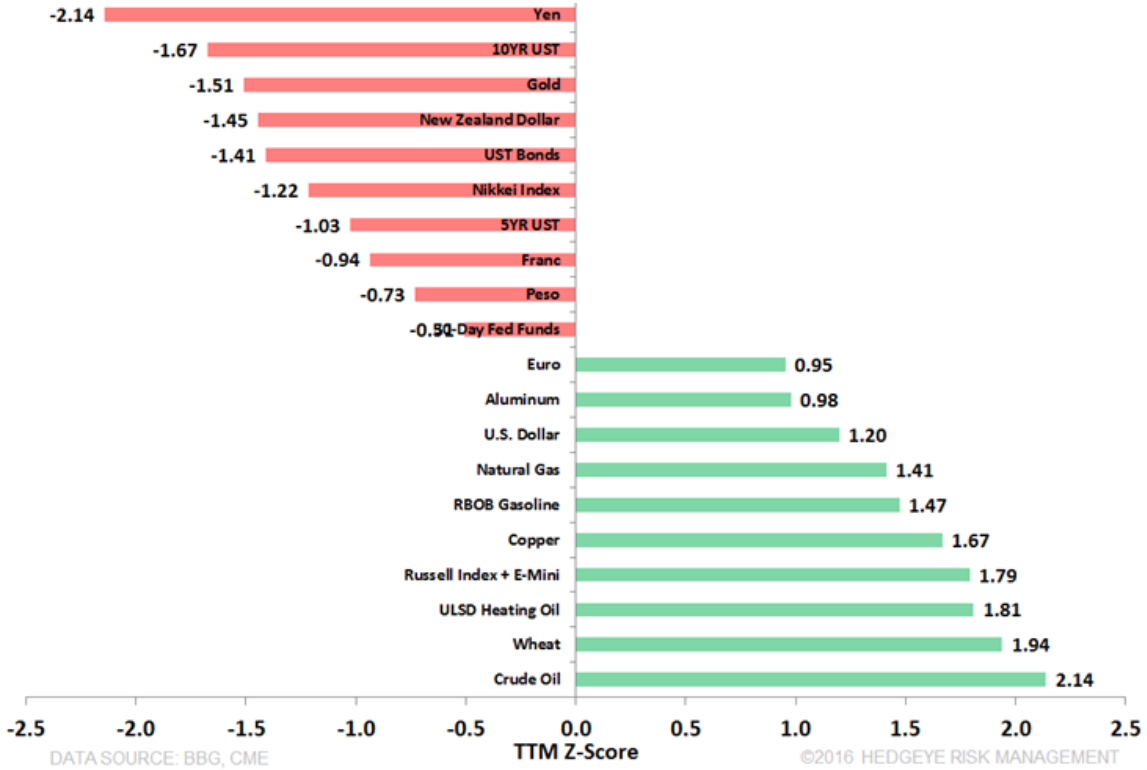
# HEDGEYE RATES & SPREADS

| | 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 | 0.50% | -1.0 | 1.0 | 1 | 15 | -5 | 34 | 37 | 39 |
| 3M LIBOR | 1.03% | 0.0 | -0.3 | 4 | 15 | -1 | 42 | 58 | 63 |
| 2Y T-Note | 1.21% | 0.8 | -2.2 | 2 | 38 | -9 | 72 | 54 | 69 |
| 5Y T-Note | 1.93% | 1.6 | -4.7 | 0 | 64 | -19 | 104 | 43 | 63 |
| 10Y T-Note | 2.47% | 1.7 | -4.2 | 3 | 64 | -17 | 115 | 32 | 34 |
| 30Y T-Note | 3.08% | 1.4 | -2.1 | 1 | 50 | -14 | 99 | 17 | 5 |
| 2Y-10Y Spread, Bps | 126 | 0.9 | -2.0 | 0.1 | 26 | -8 | 43 | -22 | -35 |
| IG SPREAD (AAABBB) | 1.50% | 0.0 | 0.0 | 0 | -14 | -80 | 3 | -19 | -27 |
| HIGH YIELD | 6.00% | -19.8 | -21.8 | -41 | -35 | -333 | 0 | -64 | -59 |
| 5Y BREAKEVEN | 2.04% | 0.8 | 3.9 | 18.0 | 42.1 | -3.3 | 118.6 | 48.6 | 31.9 |

# 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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HEDGEYE TV

# MARKET SHARE VOLUME & TOTAL VALUE TRADED

| INDEX/SECURITY | VOLUME: (2/1) vs. | | | |
|---|---|---|---|---|
| | Prior Day | 1M Ave | 3M ave | 1Y Ave |
| Total Market Volume* | 4% | 27% | 42% | 73% |
| Total Exchange Volume** | -1% | 12% | 6% | 6% |
| Total Traded Value (R3K)*** | -12% | 13% | 8% | 14% |

*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 | -0.38 | -0.66 | 0.77 | 0.71 | 0.75 | *0.95* | *-0.91* | *44%* | *56%* |
| BRENT Oil | -0.53 | 0.19 | 0.46 | 0.66 | 0.56 | *0.77* | *-0.78* | *46%* | *54%* |
| CRB Index | 0.37 | -0.83 | 0.76 | 0.66 | 0.58 | *0.83* | *-0.89* | *24%* | *76%* |
| GOLD | -0.37 | -0.90 | -0.93 | -0.97 | -0.84 | *0.90* | *-0.97* | *16%* | *84%* |

**Days = Trading Days*