THE MACRO SHOW

AUGUST 17, 2016

LEGAL

DISCLAIMER

Hedgeye Risk Management is a registered investment advisor, registered with the State of Connecticut. Hedgeye Risk Management is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security. This research is presented without regard to individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice. This presentation is based on information from sources believed to be reliable. Hedgeye Risk Management is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of Hedgeye Risk Management, and are intended solely for the use of Hedgeye Risk Management's clients and subscribers. In reaching these opinions and conclusions, Hedgeye Risk Management and its employees have relied upon research conducted by Hedgeye Risk Management's employees, which is based upon sources considered credible and reliable within the industry. Hedgeye Risk Management is not responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is intended solely for the use of its recipient. Re-distribution or republication of this report and its contents are prohibited. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Use at www.hedgeye.com.

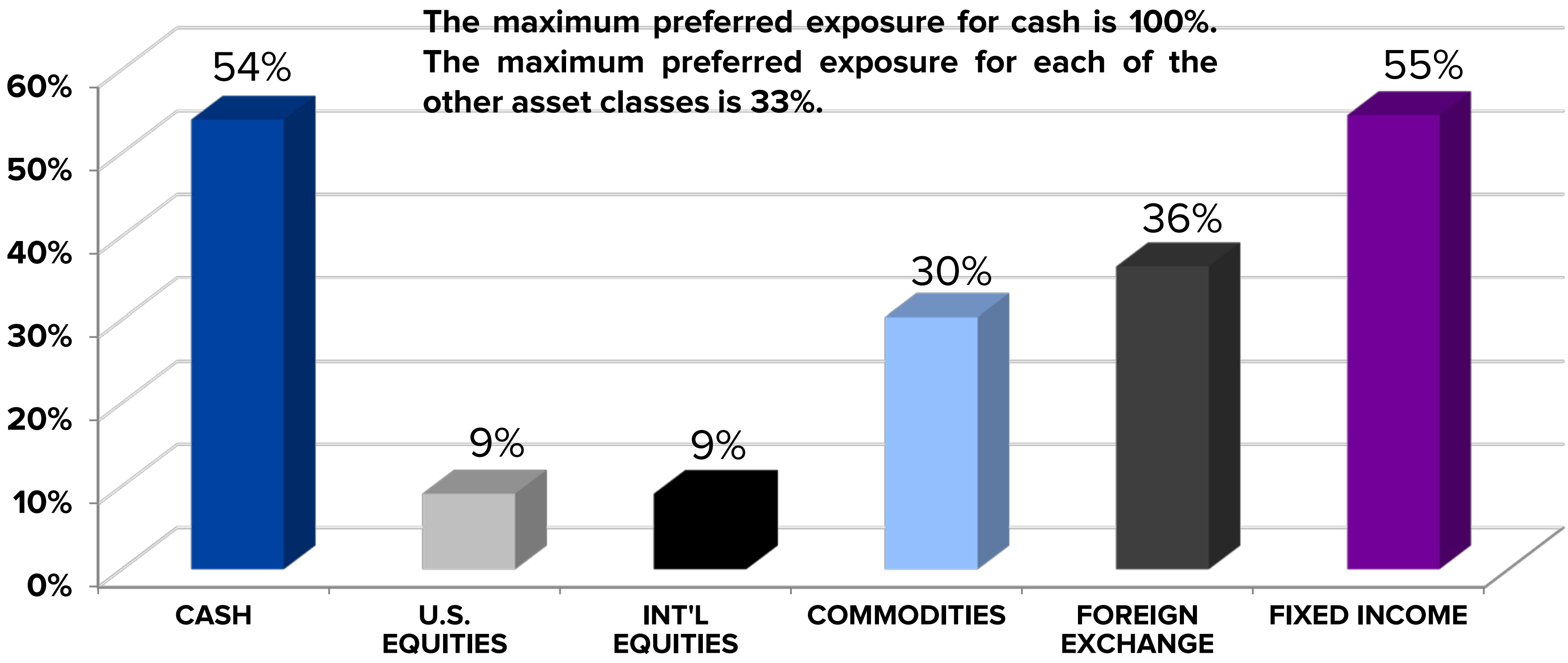
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/16/2016	55	3	4	12	10	16
8/17/2016	54	3	3	10	12	18

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
8/16/2016	55%	9%	12%	36%	30%	48%
8/17/2016	54%	9%	9%	30%	36%	55%

The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

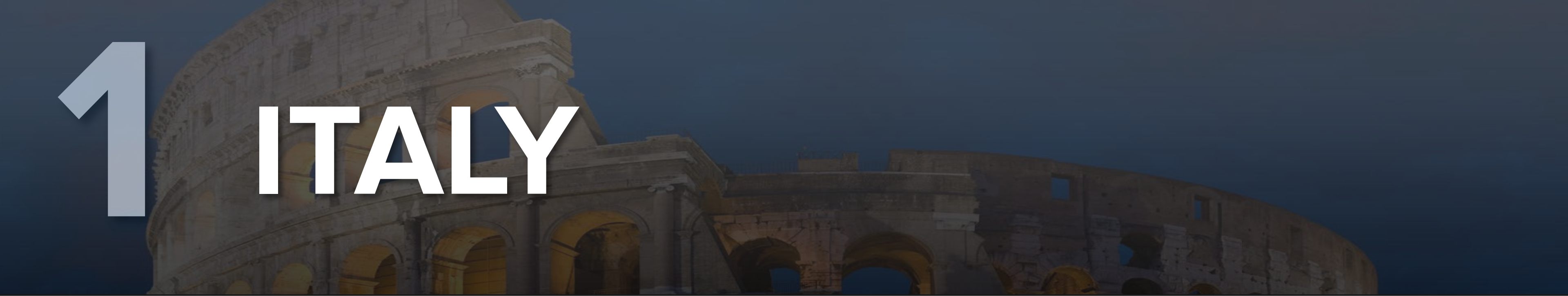
HEDGEYE ASSET ALLOCATION



August 17, 2016

THE MACRO SHOW

HEDGEYE TV



1 ITALY

2 COPPER

3 YIELDS

ITALY

Italy is getting smoked by the UK at both the Olympics and in real stock market returns. Italy’s MIB Index leads losers again this morning down -1.1%, taking its crash back down to -30.8% from the 2015 peak in the Global Equity Bubble… #EuropeImploding (economically) remains a Top 3 Macro Theme @Hedgeye.

2

COPPER

The Doctor looks disinterested in participating in any “demand has bottomed” narrative (U.S. Industrial Production in JUL -0.5% y/y, negative for 11 months in a row), down another -1.0% this morning, leading the decline in the “reflation” trade as USD bounces off it’s immediate-term oversold low vs. both the Yen and Euro.

3 YIELDS

Perma Bond Bears continue to cling to the “valuation” call whereas we’ll continue to remind you that long-term yields continue to track the rate of change in long-term GROWTH. Get growth right, and we think you’ll get the UST 10-30YR right; from here to 1.63% is a good spot to be buying long-term bonds and their safe-yield proxies.

DEMOGRAPHY

NEIL HOWE

MACRO GRIND

GERMAN DAX COMPOSITE

August 17, 2016

THE MACRO SHOW

HEDGEYE TV

FTSE MILAN INDEX

August 17, 2016

THE MACRO SHOW

HEDGEYE TV

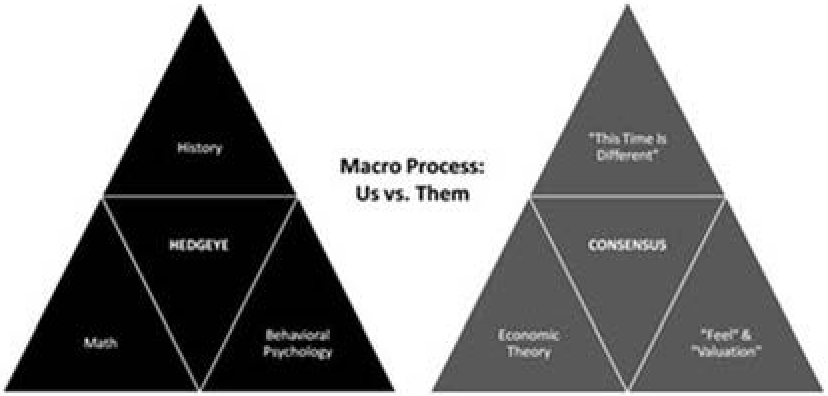
Q2 S&P REVENUE & EARNINGS COMPS

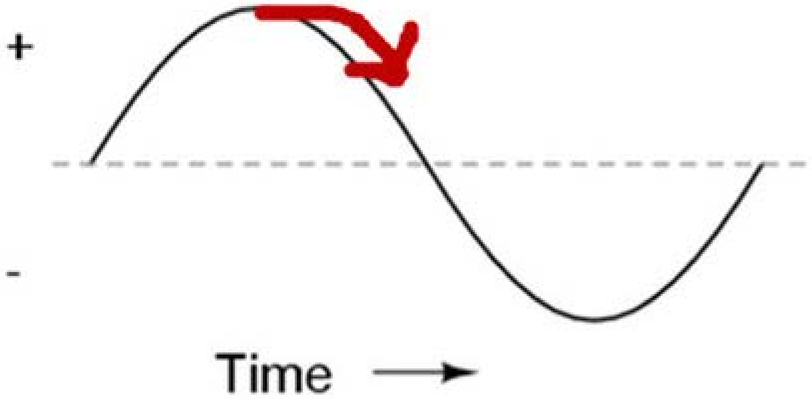
Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-0.2%	-3.9%	463 / 500
Energy	-24.2%	-81.6%	37 / 37
Materials	-7.3%	-9.1%	27 / 27
Industrials	-1.0%	-2.0%	67 / 68
Consumer Discretionary	7.3%	10.9%	67 / 83
Consumer Staples	0.9%	0.4%	29 / 36
Healthcare	9.0%	5.0%	54 / 57
Financials	0.9%	-5.2%	92 / 92
Information Technology	0.3%	-1.8%	57 / 67
Telecom	9.6%	3.5%	5 / 5
Utilities	-2.4%	8.9%	28 / 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	$81.69	-0.57%	0.09%	4.52%
Financial Select Sector	XLF	$23.96	-0.25%	1.31%	0.55%
Health Care Select Sector	XLV	$74.24	-0.89%	-1.28%	3.07%
Technology Select Sector	XLK	$46.99	-0.74%	1.16%	9.71%
Consumer Staples Select Sector	XLP	$54.71	-0.44%	0.02%	8.36%
Industrial Select Sector	XLI	$58.69	-0.44%	1.12%	10.71%
Materials Select Sector	XLB	$48.65	-0.53%	-0.08%	12.05%
The Energy Select Sector	XLE	$69.36	0.16%	2.94%	14.99%
Utilities Select Sector	XLU	$49.53	-1.18%	-4.97%	14.44%
S&P 500	SPX	2,178.15	-0.55%	0.21%	6.57%

August 17, 2016

THE MACRO SHOW

HEDGEYE TV

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$81.69	-0.02%	-0.12%	-2.05%
Financial Select Sector	XLF	$23.96	0.30%	1.10%	-6.02%
Health Care Select Sector	XLV	$74.24	-0.35%	-1.49%	-3.50%
Technology Select Sector	XLK	$46.99	-0.19%	0.95%	3.15%
Consumer Staples Select Sector	XLP	$54.71	0.11%	-0.19%	1.79%
Industrial Select Sector	XLI	$58.69	0.11%	0.91%	4.15%
Materials Select Sector	XLB	$48.65	0.02%	-0.29%	5.48%
The Energy Select Sector	XLE	$69.36	0.71%	2.73%	8.42%
Utilities Select Sector	XLU	$49.53	-0.63%	-5.18%	7.87%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.6%	0.5%	-0.1%	7.7%	21.2%	11.8%
	Low Debt/EV	-0.7%	0.3%	1.1%	6.8%	12.8%	7.2%
SI	High Short Interest	-0.6%	1.3%	2.0%	9.6%	15.8%	6.3%
	Low Short Interest	-0.6%	-0.3%	0.3%	5.2%	13.1%	7.3%
BETA	High Beta	-0.3%	0.9%	2.7%	9.5%	25.2%	8.2%
	Low Beta	-1.0%	-1.1%	-2.4%	4.2%	12.0%	11.9%
YIELD	High Yield	-0.5%	0.1%	-0.6%	6.9%	13.9%	9.8%
	Low Yield	-0.8%	0.2%	2.8%	8.8%	20.1%	9.1%
MKT CAP	MCAP Bottom 25%	-0.7%	0.7%	0.8%	6.6%	16.2%	6.1%
	MCAP Top 25%	-0.5%	-0.1%	0.6%	5.9%	12.9%	6.4%
Sales	Top 25% Sales Growth	-0.5%	0.9%	1.5%	7.4%	22.1%	10.1%
	Bottom 25% Sales Growth	-0.6%	0.1%	0.8%	8.4%	15.6%	9.3%
EPS	Top 25% EPS Growth	-0.6%	0.3%	1.4%	6.7%	17.6%	6.7%
	Bottom 25% EPS Growth	-0.5%	0.4%	0.2%	6.2%	18.1%	9.8%

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

August 17, 2016

THE MACRO SHOW

HEDGEYE TV

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	0.29%	-1.1	-0.6	-3	-1	-6	35	21	22
3M LIBOR	0.80%	0.0	-1.3	12	18	-1	49	45	44
2Y T-Note	0.76%	2.0	6.4	8	-9	-34	27	18	31
5Y T-Note	1.17%	2.4	8.7	6	-14	-65	28	-33	-7
10Y T-Note	1.58%	1.7	6.7	2	-20	-79	27	-68	-54
30Y T-Note	2.30%	1.5	7.0	3	-30	-84	21	-76	-76
2Y-10Y Spread, Bps	82	-0.9	-0.3	-6.1	-12	-45	0	-86	-85
IG SPREAD (AAABBB)	1.65%	-1.0	-4.0	-4	-14	-65	1	-5	-20
HIGH YIELD	6.27%	-2.1	-8.7	-15	-108	-306	0	-34	-50
5Y BREAKEVEN	1.30%	-1.4	1.2	-15.4	-26.3	-34.1	44.3	-28.3	-42.3

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)	115,935	(16,747)	82,411	(14,638)	(86,047)	*1.66X*	*1.41X*
Russell 2000 (mini)	2,924	4,872	(23,103)	(40,899)	(42,048)	*2.79X*	*1.33X*
10Y Treasury	108,755	12,748	33,825	3,131	(1,980)	*1.67X*	*1.99X*
CRUDE OIL	278,615	(15,494)	351,918	343,066	302,579	*-0.41X*	*-0.95X*
GOLD	255,773	(11,516)	239,489	202,095	113,996	*1.40X*	*2.45X*
COPPER	(4,648)	(7,407)	(21,227)	(17,425)	(20,674)	*1.15X*	*0.84X*
$USD	15,651	(1,909)	12,636	15,658	29,372	*-0.88X*	*-0.61X*
JPY	46,219	9,066	41,979	49,337	12,716	*0.71X*	*1.69X*
EUR	(110,812)	5,453	(74,839)	(60,920)	(86,176)	*-0.56X*	*-0.39X*
GBP	(88,209)	(6,058)	(55,412)	(46,817)	(32,194)	*-2.49X*	*-2.56X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (8/16) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-2%	-9%	-16%	-25%
Total Exchange Volume**	7%	-6%	-14%	-20%
Total Traded Value (R3K)***	2%	-11%	-19%	-23%

*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	0.21	-0.16	0.54	0.16	-0.49	*0.73*	*-0.91*	*57%*	*43%*
BRENT Oil	-0.34	0.12	-0.22	-0.27	-0.67	*0.73*	*-0.78*	*37%*	*63%*
CRB Index	0.02	0.25	-0.59	-0.27	-0.83	*0.71*	*-0.91*	*24%*	*76%*
GOLD	-0.51	-0.64	0.51	0.34	-0.63	*0.90*	*-0.95*	*24%*	*76%*

**Days = Trading Days*

August 17, 2016

THE MACRO SHOW

HEDGEYE TV