



THE
MACRO
SHOW

JULY 27, 2016

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HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/26/2016	64	2	4	12	8	10
7/27/2016	64	2	4	12	8	10

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
7/26/2016	64%	6%	12%	36%	24%	30%
7/27/2016	64%	6%	12%	36%	24%	30%

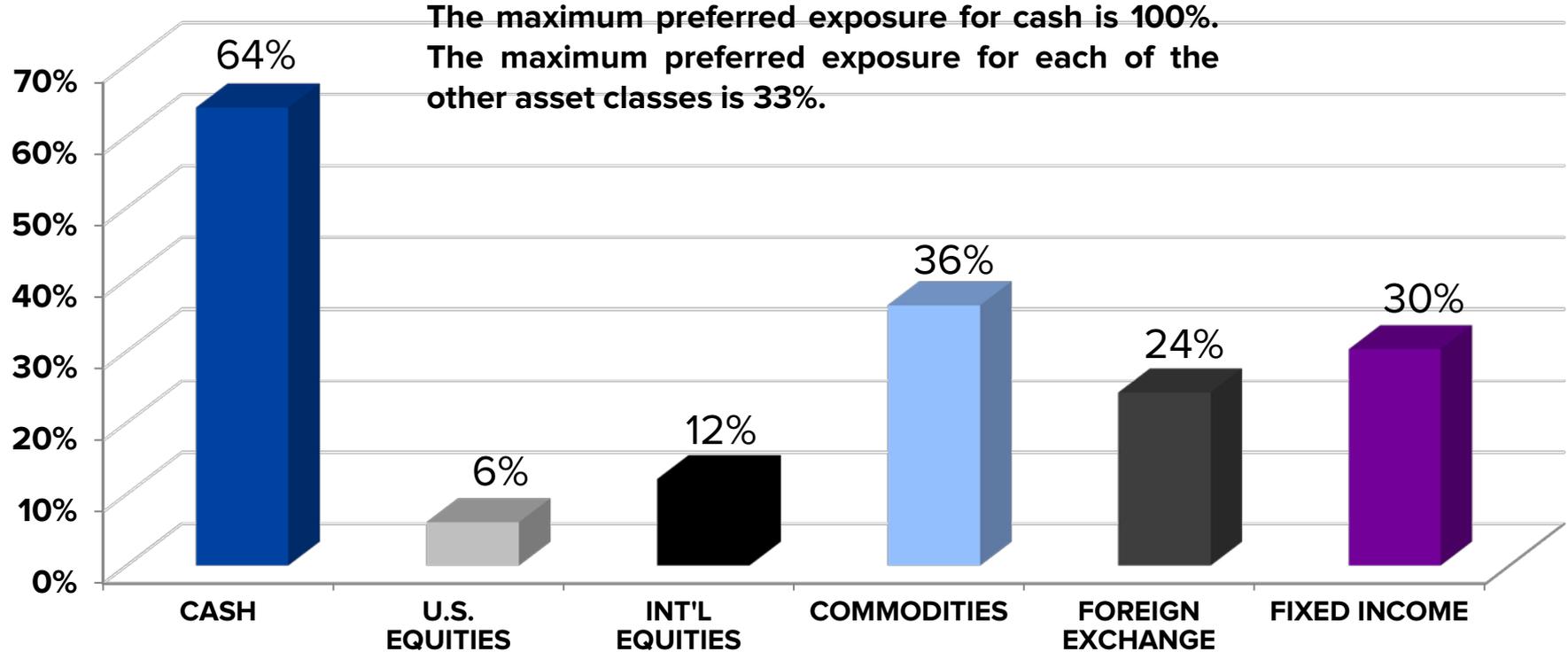
The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

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1 EUR/USD



2 BOJ



3 DURABLE GOODS



EUR/USD

Our bearish bias on the EUR/USD remains. Look to Friday's announcement on the latest stress tests from 51 banks to put marginally more downside in the cross regardless of the headline "news" from the results.
#EuropeImploding.



BOJ

The BoJ heads into its July 28-29 meeting with peak expectations of incremental monetary easing (22 of 28 analysts according to the latest Nikkei survey expect easing). If the policy board sticks with traditional QQE expansion, we would expect a short-lived JPY sell-off and Nikkei pop, but if the #beliefsystem in Japan was still intact then 10Y JGB Yields wouldn't have come in by -9bps with 5Y5Y Forward Breakeven Rates declining -24bps MoM.



DURABLE GOODS

While aggregate household spending remains relatively healthy, the trend in domestic durable goods orders continues to prove neither durable nor good. Headline Durable Goods fell -4.6% sequentially in June and declined to -6.4% YoY. While the -60% decline in private sector aircraft orders weighed on the headline, Durables ex-Defense and Aircraft – which aligns most closely with what actual households buy – remained negative year-over-year (-1.8%) for a 4th consecutive month. Meanwhile, Core Capital Goods Orders fell -3.7% YoY, extending its epic run of negative capital spending growth to 17 of the last 18 months = the most dismal non-recession/peri-recession streak basically ever.

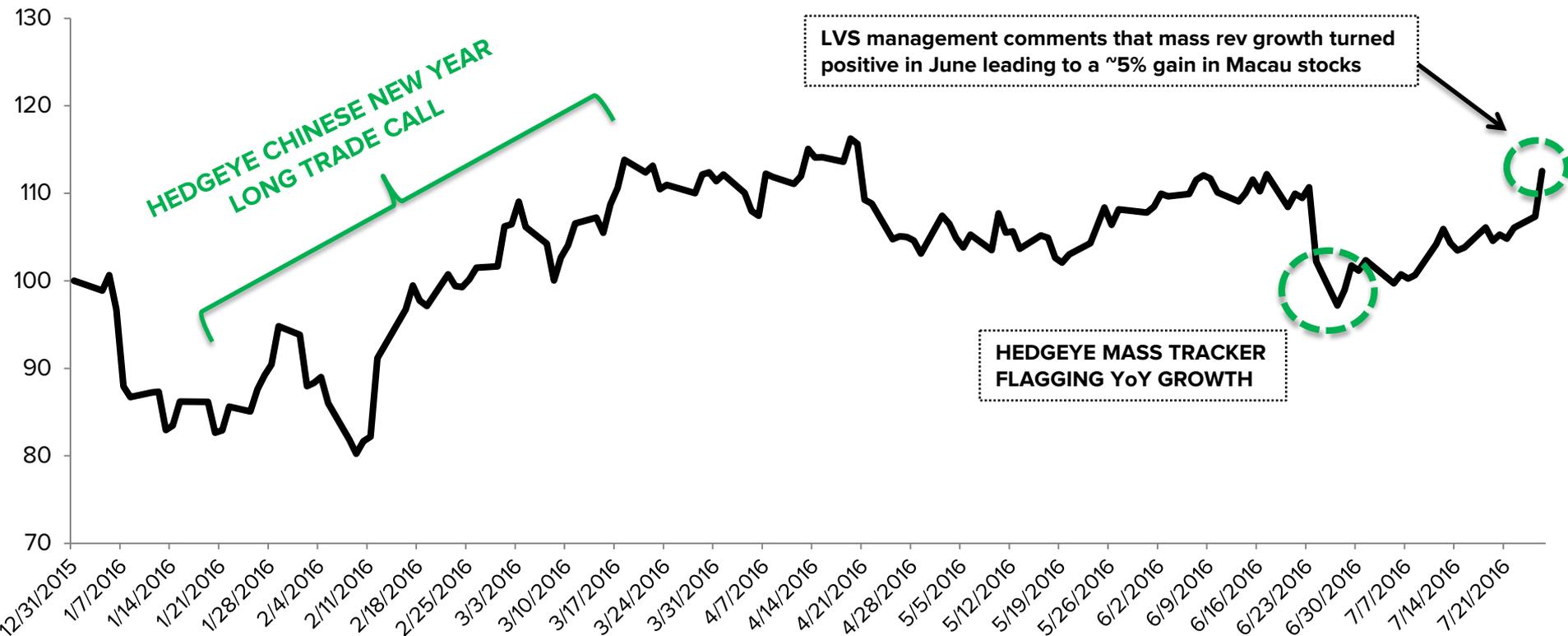


GAMING, LODGING, & LEISURE

TODD JORDAN

MACAU | YTD STOCK PERFORMANCE

EQUAL WEIGHT MACAU INDEX

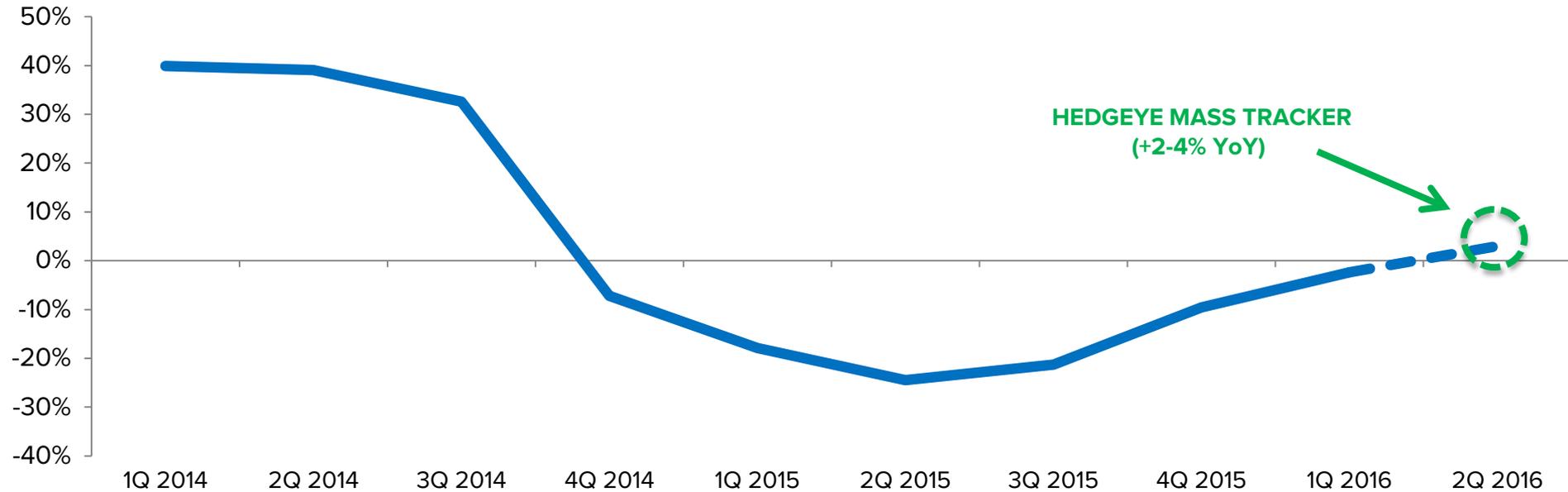


INDEX COMPONENTS: MPCL, LVS, MGM, WYNN
SOURCE: BLOOMBERG

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MACAU | MASS MARKET GROWTH

MACAU | QUARTERLY MASS REVENUE (YoY CHANGE)



SOURCE: COMPANY REPORTS, HEDGEYE ESTIMATES

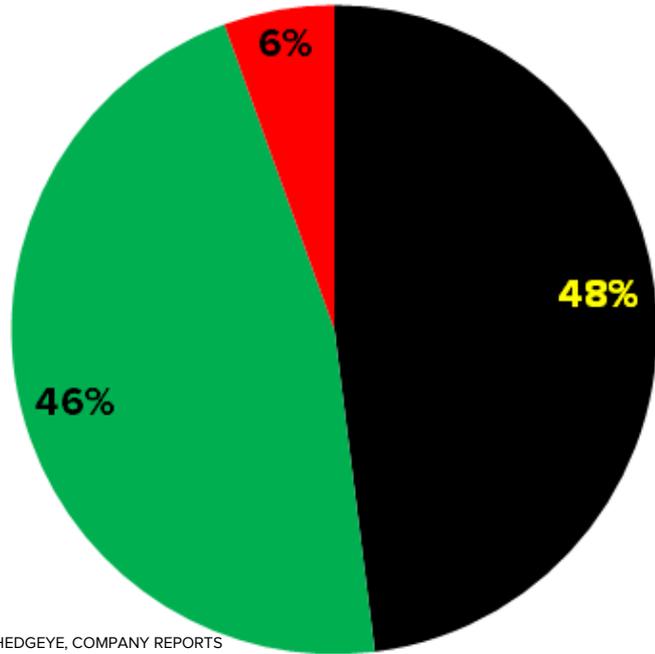
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In late May, our proprietary tracker flagged that mass growth could be positive in Q2 of 2016.

MACAU | WHY IS MASS IMPORTANT?

MACAU | GAMING REVENUE 1Q 2016 BREAKOUT

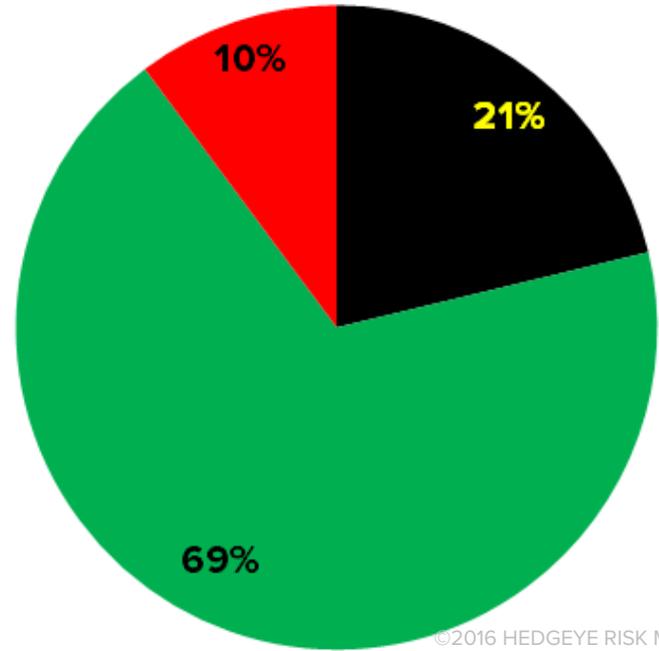
■ VIP ■ MASS ■ SLOT



SOURCE: HEDGEYE, COMPANY REPORTS

MACAU | GAMING EBITDA 1Q 2016 BREAKOUT

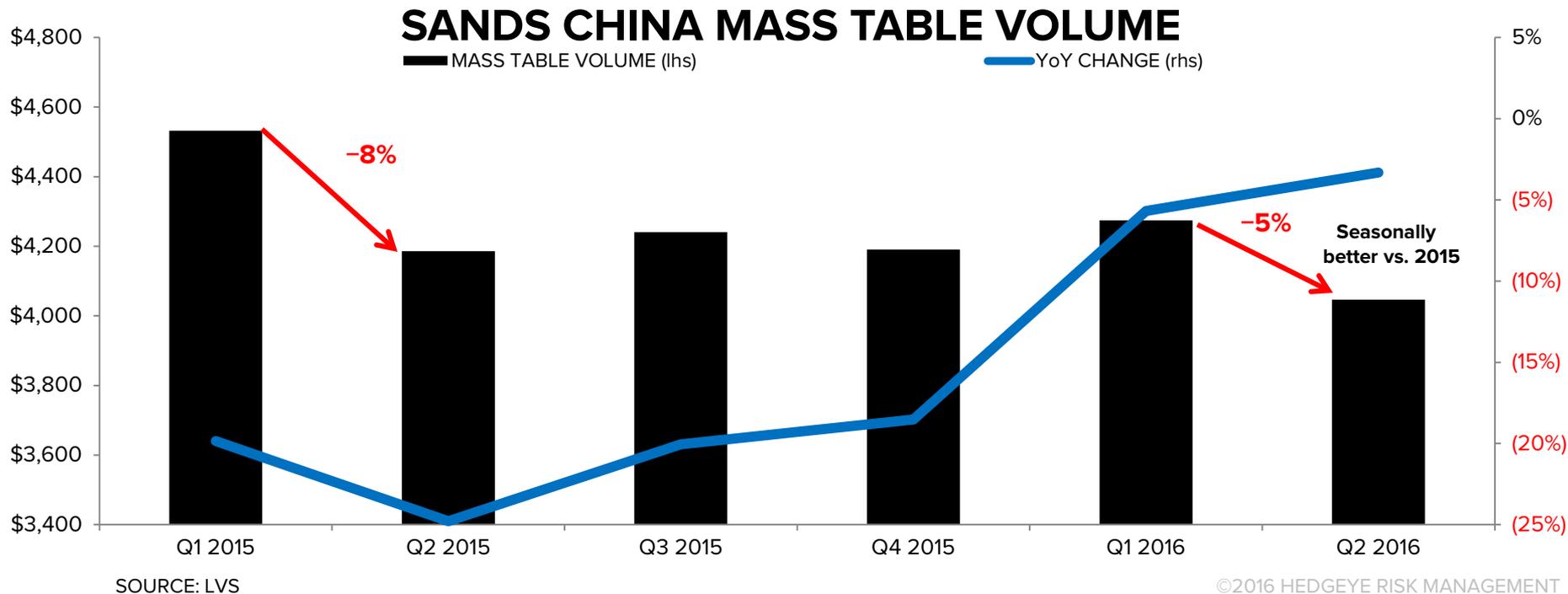
■ VIP ■ MASS ■ SLOT



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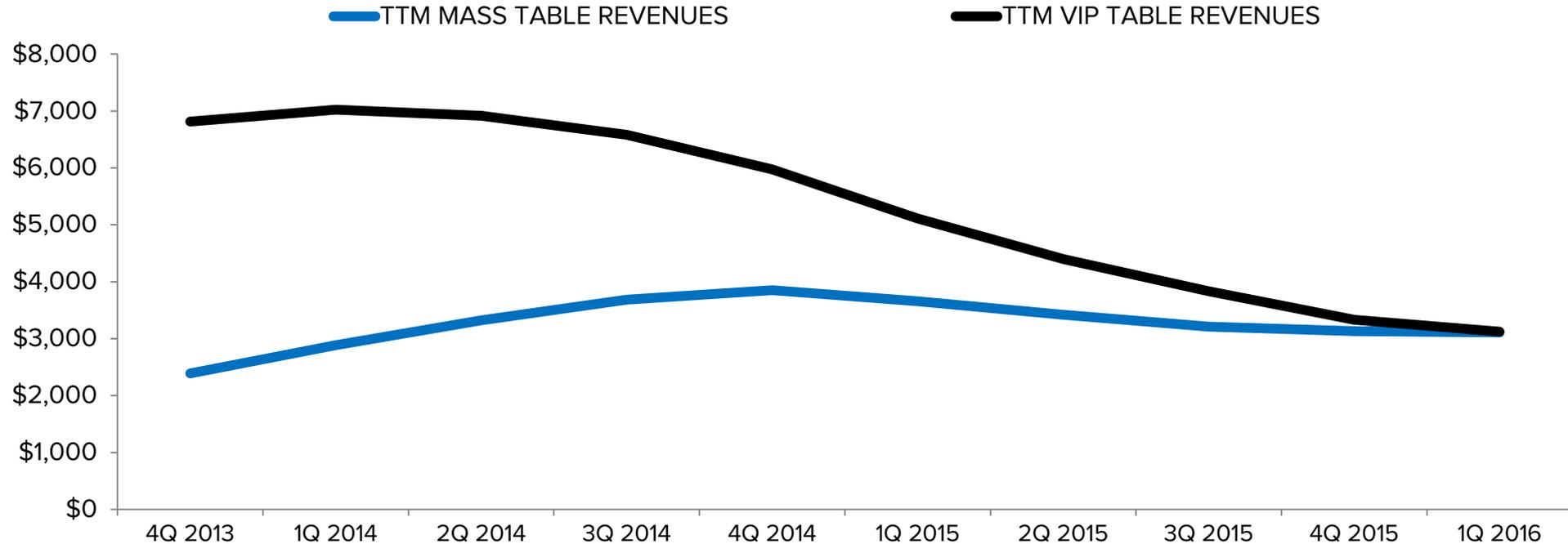
Though VIP contributes a larger amount to overall company GGR, but the mass segment carries a higher margin, and therefore its contribution to EBITDA is much higher.

LVS | MASS VOLUME IMPROVING



YoY and sequential drawdown (seasonal) improvement experienced in Q2 2016

MACAU | MASS VS. VIP



SOURCE: COMPANY REPORTS

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With the rapid deterioration in low margin VIP the last few years, high margin mass now comprises roughly half of table revenues in Macau

MACRO GRIND

Q2 S&P REVENUE & EARNINGS COMPS

Q2 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	0.6%	-4.2%	182 / 500
Energy	-22.6%	-78.7%	8 / 37
Materials	-8.7%	-1.7%	9 / 27
Industrials	-1.1%	3.3%	35 / 68
Consumer Discretionary	4.8%	13.2%	26 / 83
Consumer Staples	0.9%	5.1%	10 / 36
Healthcare	12.7%	0.1%	20 / 57
Financials	-0.5%	-4.5%	43 / 92
Information Technology	-4.3%	-12.1%	28 / 67
Telecom	8.9%	5.7%	2 / 5
Utilities	-0.3%	29.7%	1 / 28

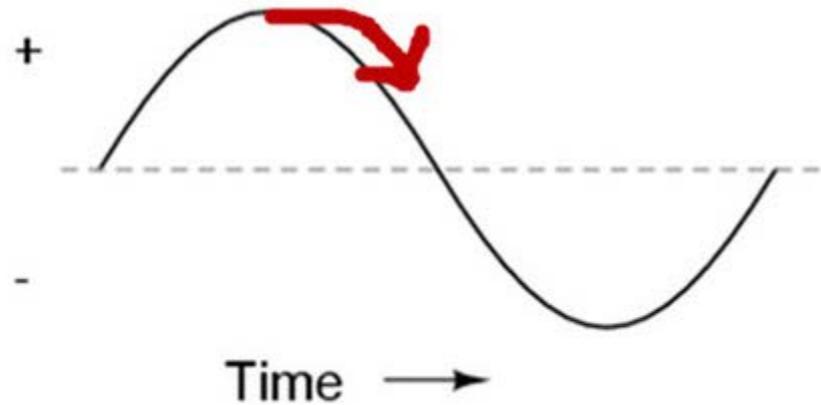
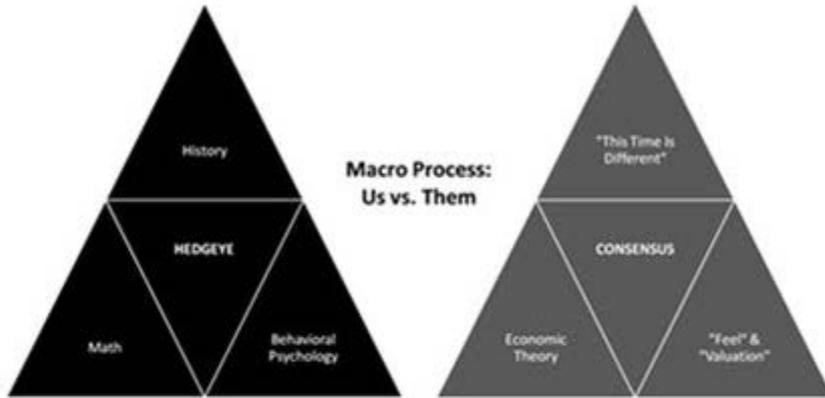
Source: BBG

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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.

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HEDGEYE SECTOR PERFORMANCE

<u>SECTOR</u>	<u>Ticker</u>	<u>Price</u>	<u>1-Day % Chg</u>	<u>MTD % Chg</u>	<u>YTD % Chg</u>
Consumer Discretionary	XLY	\$81.63	-0.12%	4.57%	4.44%
Financial Select Sector	XLF	\$23.65	0.08%	3.48%	-0.76%
Health Care Select Sector	XLV	\$74.78	-0.17%	4.29%	3.82%
Technology Select Sector	XLK	\$45.87	0.22%	5.76%	7.10%
Consumer Staples Select Sector	XLP	\$55.01	-0.78%	-0.25%	8.95%
Industrial Select Sector	XLI	\$58.46	0.83%	4.37%	10.28%
Materials Select Sector	XLB	\$48.95	0.76%	5.63%	12.74%
The Energy Select Sector	XLE	\$67.35	0.58%	-1.30%	11.65%
Utilities Select Sector	XLU	\$52.21	-0.87%	-0.50%	20.63%
S&P 500	SPX	2,169.18	0.03%	3.35%	6.13%

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HEDGEYE SECTOR RELATIVE PERFORMANCE

	<u>Ticker</u>	<u>Price</u>	<u>1-Day % Chg</u>	<u>MTD % Chg</u>	<u>YTD % Chg</u>
Consumer Discretionary	XLY	\$81.63	-0.15%	1.22%	-1.69%
Financial Select Sector	XLF	\$23.65	0.05%	0.13%	-6.88%
Health Care Select Sector	XLV	\$74.78	-0.21%	0.94%	-2.31%
Technology Select Sector	XLK	\$45.87	0.19%	2.41%	0.97%
Consumer Staples Select Sector	XLP	\$55.01	-0.81%	-3.60%	2.82%
Industrial Select Sector	XLI	\$58.46	0.80%	1.02%	4.15%
Materials Select Sector	XLB	\$48.95	0.73%	2.28%	6.61%
The Energy Select Sector	XLE	\$67.35	0.55%	-4.65%	5.53%
Utilities Select Sector	XLU	\$52.21	-0.91%	-3.85%	14.51%

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HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.4%	1.1%	8.0%	4.2%	24.5%	13.9%
	Low Debt/EV	0.5%	1.2%	8.0%	4.0%	14.6%	7.1%
SI	High Short Interest	0.8%	1.9%	8.9%	2.6%	19.3%	7.2%
	Low Short Interest	0.2%	0.7%	6.7%	4.1%	15.5%	7.1%
BETA	High Beta	1.2%	1.6%	9.4%	2.3%	23.8%	6.7%
	Low Beta	-0.5%	0.2%	4.7%	7.8%	16.8%	14.9%
YIELD	High Yield	0.2%	0.6%	6.7%	4.2%	18.8%	11.1%
	Low Yield	0.5%	1.9%	8.5%	4.9%	19.3%	8.7%
MKTCAP	MCAP Bottom 25%	0.7%	1.7%	8.3%	1.4%	18.6%	7.3%
	MCAP Top 25%	0.1%	0.2%	6.4%	3.4%	14.1%	6.1%
Sales	Top 25% Sales Growth	0.5%	0.8%	6.5%	3.3%	20.3%	8.7%
	Bottom 25% Sales Growth	0.4%	1.1%	8.8%	4.7%	20.2%	10.2%
EPS	Top 25% EPS Growth	0.4%	1.1%	8.3%	4.5%	19.9%	8.8%
	Bottom 25% EPS Growth	0.6%	0.7%	6.5%	2.9%	19.7%	9.3%

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

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HEDGEYE RATES & SPREADS

	Price	1D	5D	1M	3M	vs. 52-Wk, Bps		vs.	vs.
		Bps Chg	Bps Chg	Bps Chg	Bps Chg	High	Low	3Y Ave	5Y Ave
3M T-Bill	0.31%	0.0	-1.5	6	7	-5	36	23	24
3M LIBOR	0.73%	0.0	3.2	11	10	0	44	39	38
2Y T-Note	0.75%	2.1	4.4	16	-6	-35	26	18	31
5Y T-Note	1.16%	-0.7	-0.2	15	-19	-67	27	-35	-8
10Y T-Note	1.57%	-1.2	-1.9	12	-29	-81	25	-72	-57
30Y T-Note	2.29%	-0.4	-1.5	2	-42	-85	20	-81	-79
2Y-10Y Spread, Bps	81	-2.8	-5.8	-3.2	-22	-46	-1	-90	-88
IG SPREAD (AAABBB)	1.68%	0.0	-1.0	-20	-17	-62	2	-2	-17
HIGH YIELD	6.46%	5.7	4.7	-88	-102	-287	9	-14	-32
5Y BREAK EVEN	1.35%	-0.1	-6.7	6.1	-23.7	-29.3	49.1	-24.7	-38.1

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CFTC NON-COMMERCIAL NET LONG POSITIONING

METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	Z-Score	
						1Y	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

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MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY

VOLUME: (7/25) vs.

	<u>Prior Day</u>	<u>1M Ave</u>	<u>3M ave</u>	<u>1Y Ave</u>
Total Market Volume*	26%	3%	-3%	-8%
Total Exchange Volume**	13%	-5%	-7%	-12%
Total Traded Value (R3K)***	7%	-6%	-9%	-13%

*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)

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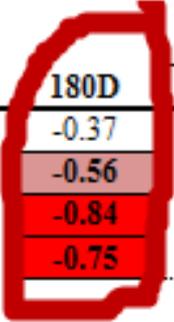
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KEY \$USD CORRELATIONS

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



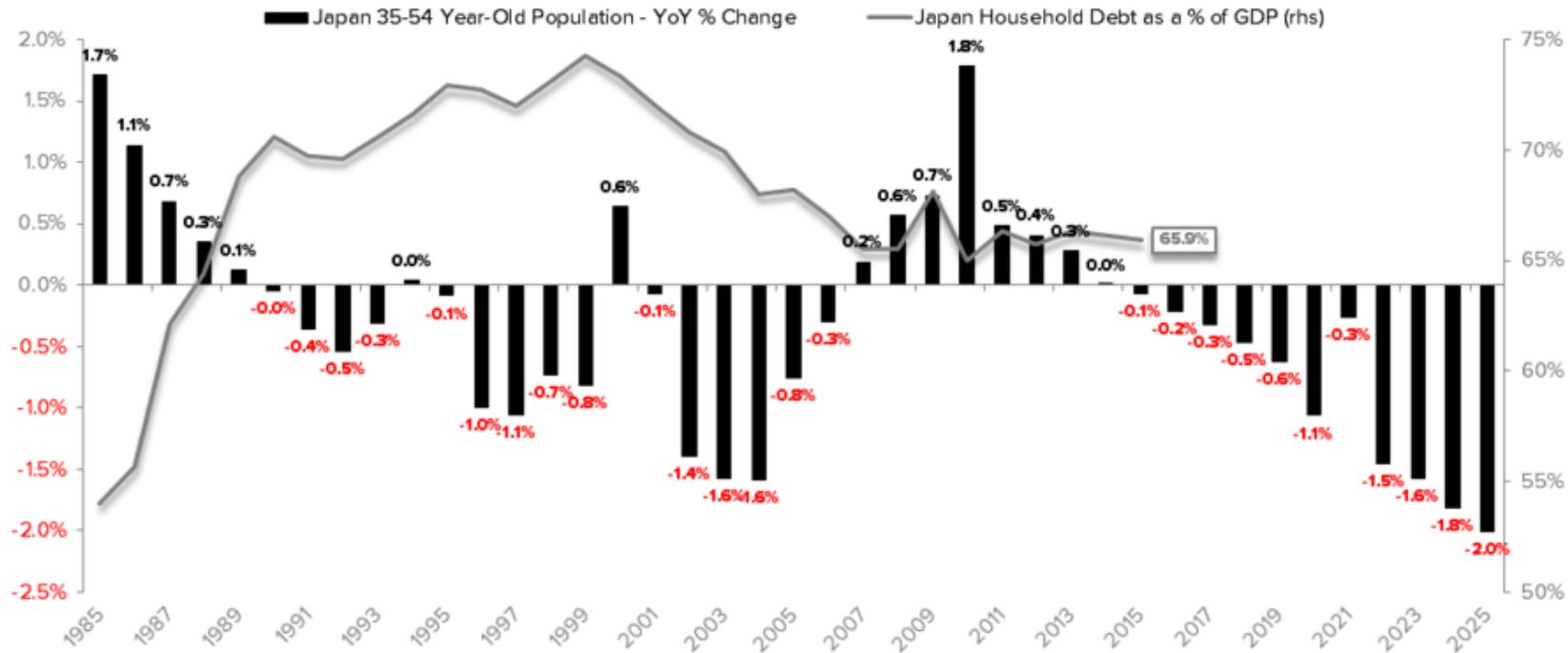
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PLUNGING INTO THE ABYSS OF NO GROWTH OR INFLATION

IF YOU THOUGHT JAPAN'S TWO LOST DECADES WERE BAD, JUST WAIT UNTIL THE NEXT TEN YEARS OF WHAT WE'LL AFFECTIONATELY TERM "PLUNGING INTO THE ABYSS" WITH RESPECT TO JAPAN'S CORE CONSUMPTION COHORT.



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