THE MACRO SHOW

JANUARY 24, 2017

LEGAL

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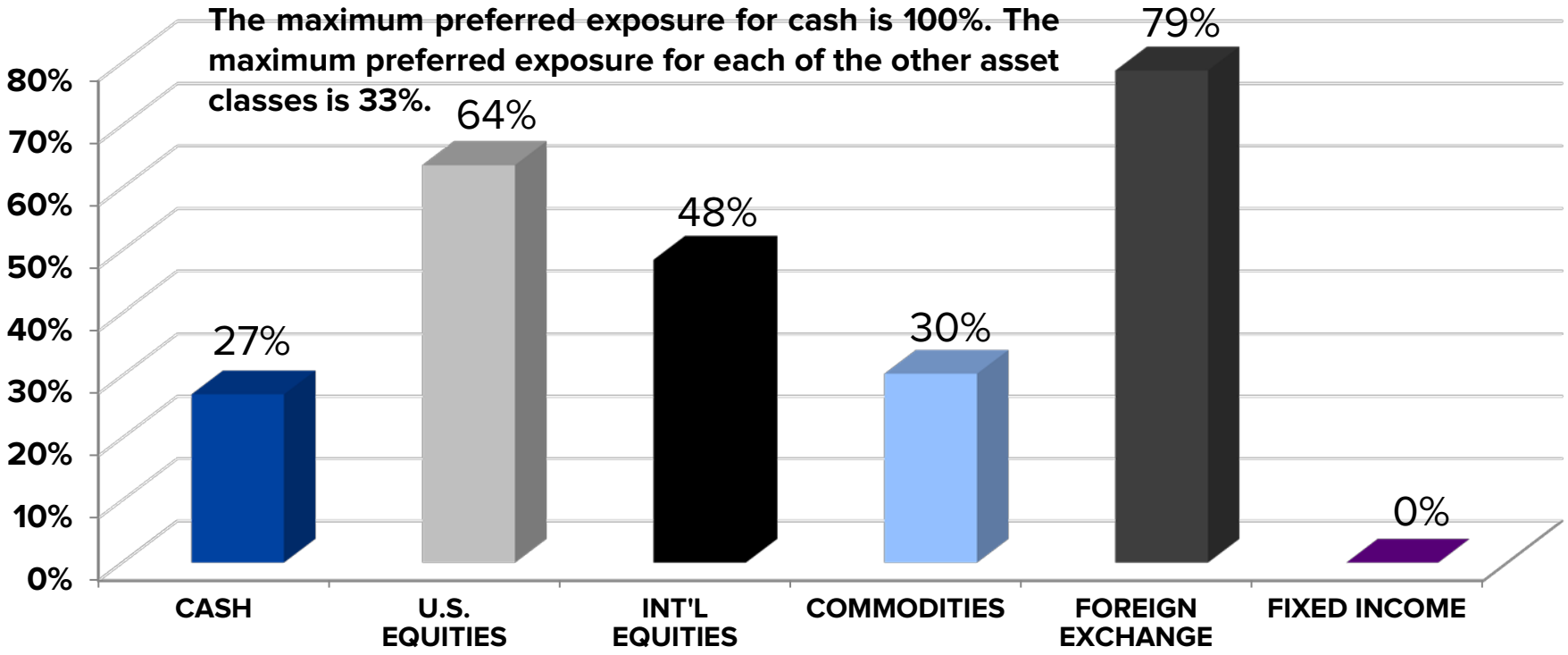
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/23/2017	26	20	17	10	27	0
1/24/2017	26	20	17	10	27	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/23/2017	26%	61%	52%	30%	82%	0%
1/24/2017	26%	61%	52%	30%	82%	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 24, 2017

THE MACRO SHOW

HEDGEYE TV

1 USD

2 TECH

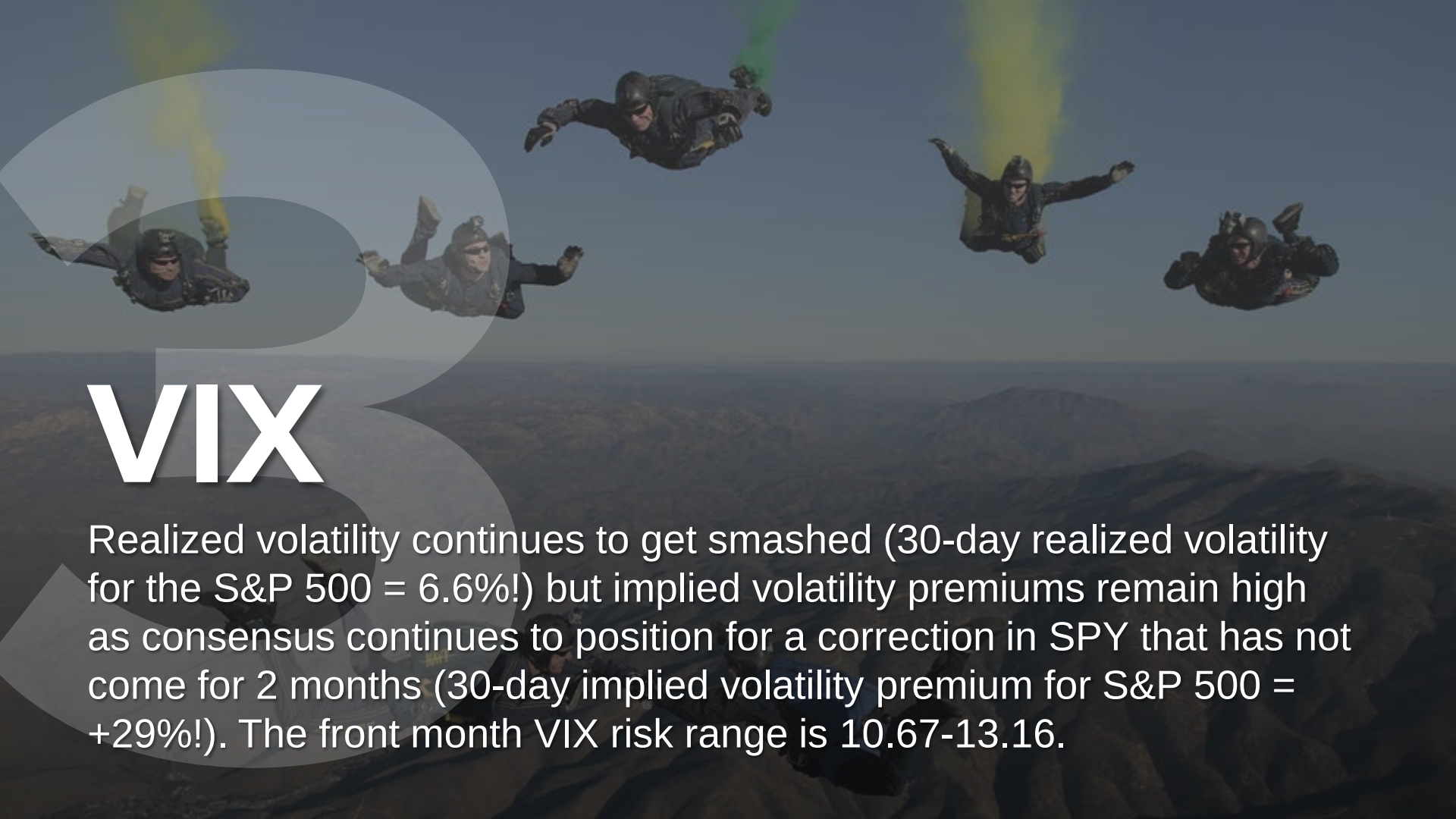
3 VIX

USD

The USD remains resilient in the 99-101 zone for the U.S. Dollar Index where we think it should consolidate until we get clarity on Friday's big USA economic data (GDP and Durable Goods #*GrowthAccelerating*). Euros and Yens are selling off -0.5-0.6% this morning vs. USD and both of those currencies remain bearish TRENDs @Hedgeye.

TECH

Another day of relative and absolute gains for Tech (XLK) yesterday vs. Beta (SPY) with the XLK closing +0.2% to +3.2% YTD with an early lead on the Sector Style leaderboard for 2017. We remain bullish on the Nasdaq and QQQ but from a price – we just wish we had a real correction day like we did in both NOV and DEC.



VIX

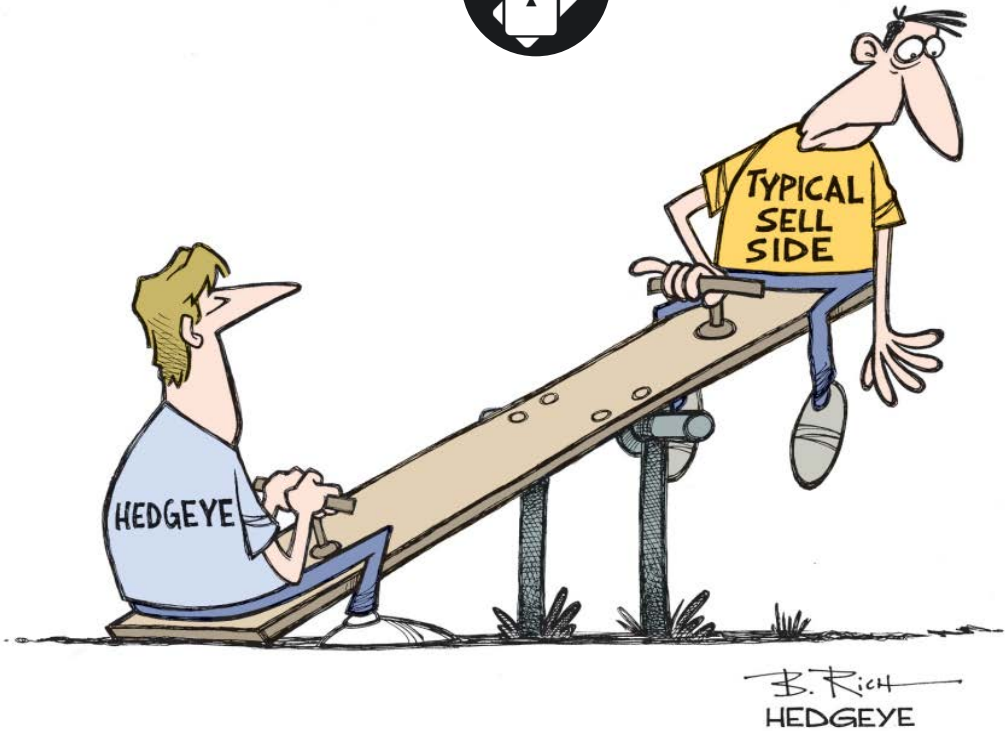
Realized volatility continues to get smashed (30-day realized volatility for the S&P 500 = 6.6%!) but implied volatility premiums remain high as consensus continues to position for a correction in SPY that has not come for 2 months (30-day implied volatility premium for S&P 500 = +29%!). The front month VIX risk range is 10.67-13.16.

GAMING, LODGING, & LEISURE

TODD JORDAN

TODD JORDAN
SEAN JENKINS
FELIX WANG, CFA

HEDGEYE



GAMING/LODGING/LEISURE

BIG PICTURE UPDATE – 1/24/2017 MACRO SHOW

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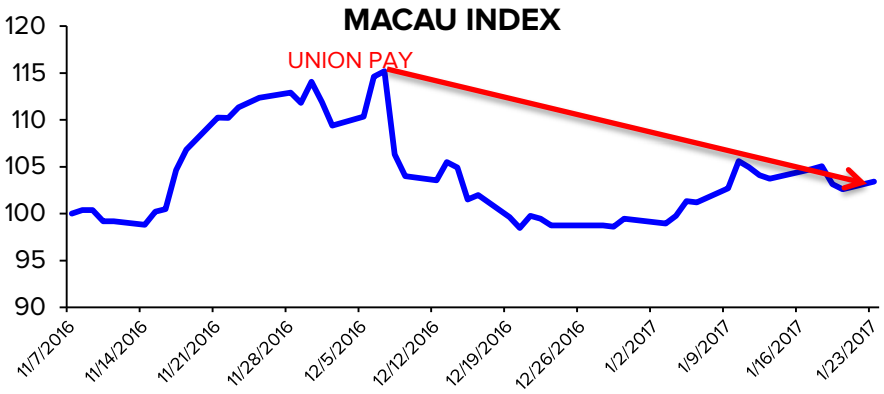
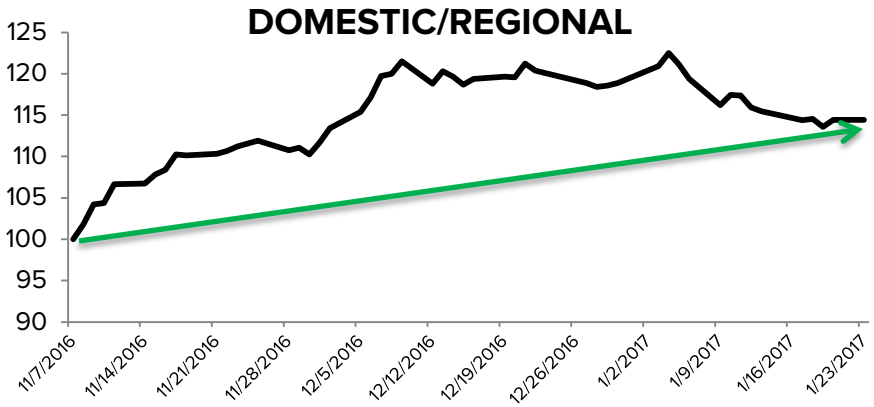
GAMING | SINCE THE ELECTION



COMPONENTS: LVS, WYNN, MPEL, 27.HK, 880.HK



COMPONENTS: RRR, BYD, PENN, ERI, MGM

STOCKS vs. FUNDAMENTALS

MACAU

- Union Pay scandal has caused some multiple compression, especially Mass heavy operators (LVS and 27.HK) – but likely not enough to compensate for the added risk
- Fundamentals continue to improve in Macau but valuations may not account for elevated risk.
- Risk reward indicates staying on the sidelines in Macau
- Very early for us to know of Trump's potential impact on Macau, but his views towards China are somewhat disconcerting

REGIONALS +THE STRIP + LV LOCALS

- Direct beneficiary corporate tax reform and economic growth
- Long term demographic call is bearish. Regional casinos have not yet evolved in way that gets Gen-X/Millennials excited about slots
- Near term – macro and sentiment can really move the stocks and to a lesser extent, the fundamentals. (this is the current set-up)
- LV Locals is a different story – pop growth and retirees offset other demographic issues. When macro is good, this market deserves a premium (Now)
- Strip (MGM) faces bad demographics but non-gaming more important

DATA SOURCE: BLOOMBERG, HEDGEYE

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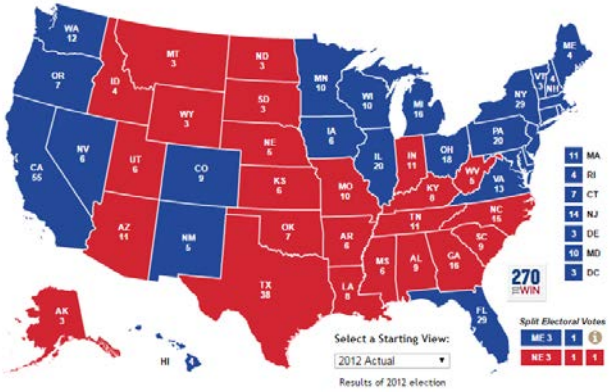
TRUMP = ADDED BOOST TO CONSUMER SENTIMENT

MATURE GAMING MARKETS FOR TRUMP

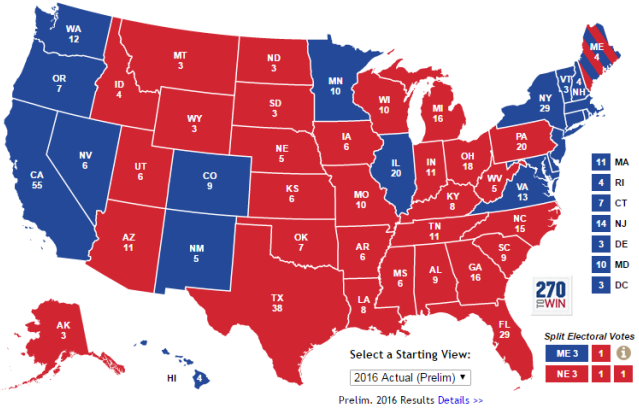
STATE	2016 VOTE	FLIPPED
IA	TRUMP	YES
IL	CLINTON	NO
IN	TRUMP	NO
MO	TRUMP	YES
PA	TRUMP	YES
MI	TRUMP	YES
KS	TRUMP	NO
MD	CLINTON	NO
OH	TRUMP	YES
LA	TRUMP	NO

REGIONAL MARKETS THAT FLIPPED IN 2016	50%

2012 ELECTION



2016 ELECTION



DATA SOURCE: 270TOWIN.COM

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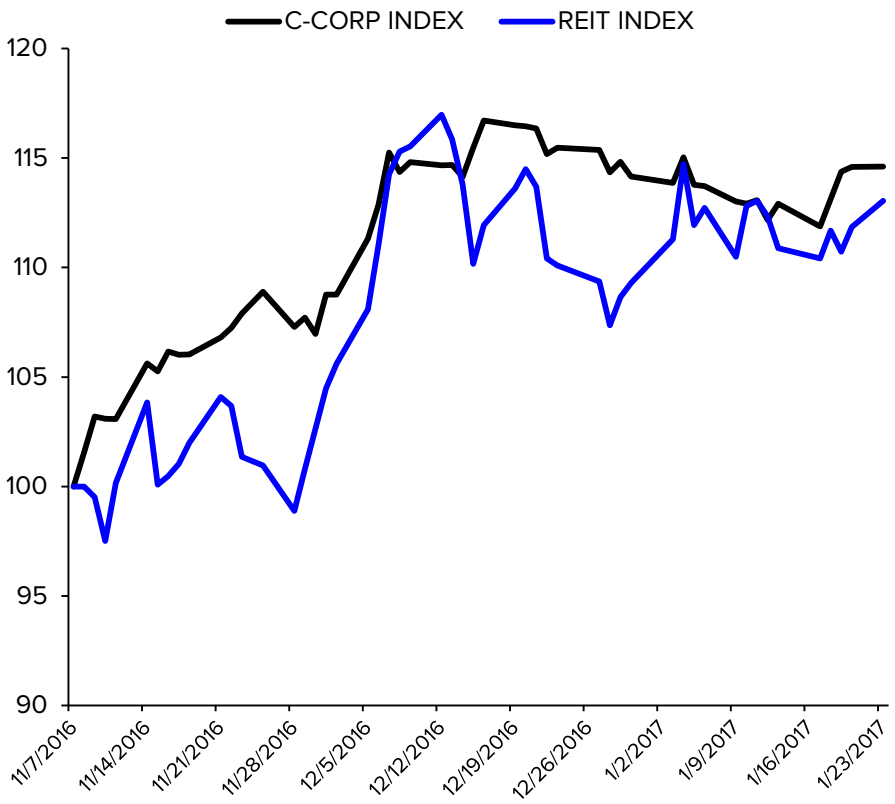
LODGING | SINCE THE ELECTION



C-CORP COMPONENTS: H, HLT, MAR, STAY, CHH
REIT COMPONENTS: DRH, CHSP, SHO, LHO, HST, PEB, XHR, FCH, AHP

STOCKS vs. FUNDAMENTALS

C-CORPs

- Domestic macro environment has improved, but trends have not yet caught up with the stocks.
- RevPAR growth has continued to decelerate since the election, with December and 4Q, showing disappointing results across the board
- C-Corps would be direct beneficiary of corporate tax reform
- Despite renewed cycle optimism, we view a 2017 RevPAR deceleration as more than likely

U.S. LODGING REITs

- Rates up, Lodging REITs up ?
- No direct benefit from tax reform – they don't pay taxes
- Lodging REITs stand to lose the most from deceleration. Asset heavy, need >2% RevPAR growth to grow profits
- Most are exposed to Airbnb and hotel room supply pressures
- OTAs vs direct bookings = squeezing ADRs for the REITs

DATA SOURCE: BLOOMBERG, HEDGEYE

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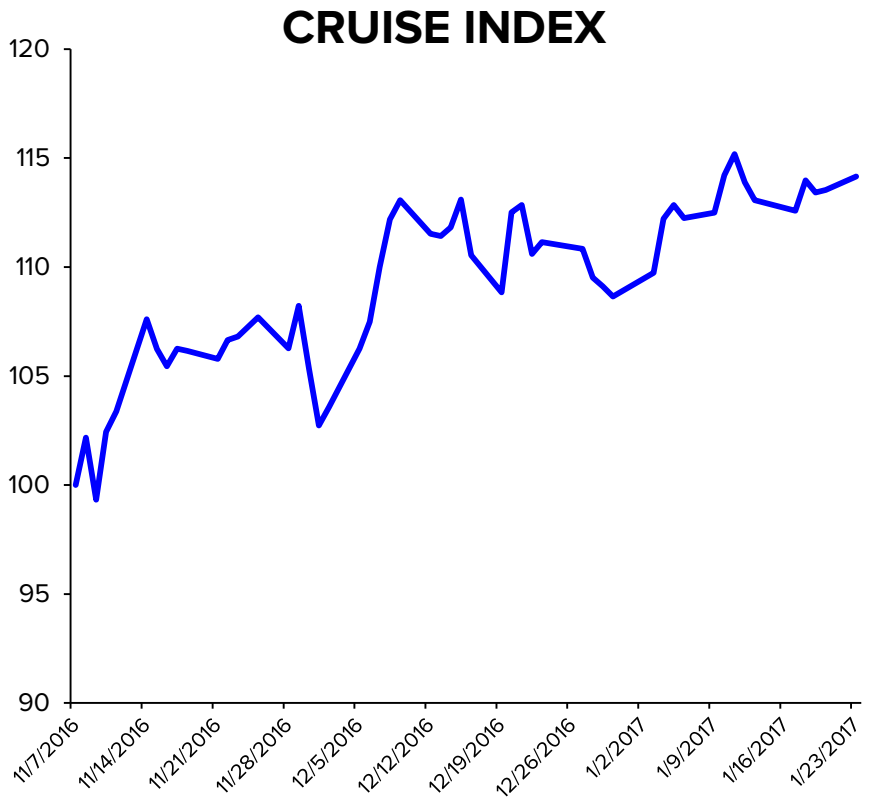
CRUISERS | SINCE THE ELECTION



COMPONENTS: CCL, RCL, NCLH

STOCKS vs. FUNDAMENTALS

- CCL has lagged the group since the election, but on balance cruise stocks have continued to move higher, led by NCLH, which is up ~20% since the election
- Cruisers stand little to gain from a policy standpoint, they don't pay taxes
- But a renewed consumer confidence could spur more demand for cruise itineraries
- Our pricing data still indicates that the Caribbean is performing well during the important Wave season – only halfway through Wave
- But China is likely to disappoint in 2017/2018
- Zika resurfacing this summer a risk for close in bookings

DATA SOURCE: BLOOMBERG, HEDGEYE

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MACRO GRIND

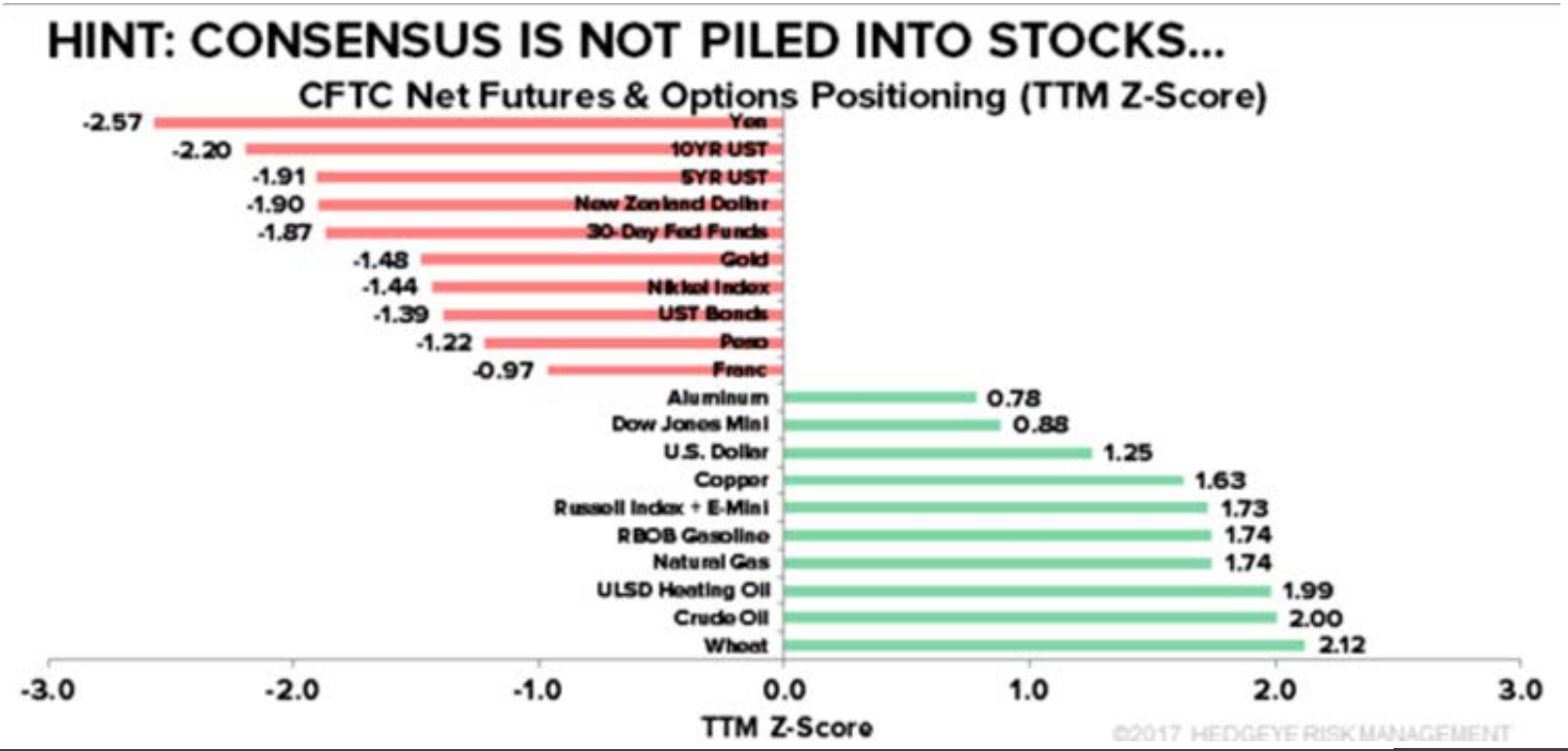
EARNINGS SEASON

Q4 2016 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	2.4%	3.1%	67 / 499
Energy	-11.8%	-48.0%	3 / 35
Materials	3.9%	43.3%	2 / 25
Industrials	2.8%	-16.5%	12 / 67
Consumer Discretionary	5.4%	6.0%	9 / 82
Consumer Staples	-1.0%	2.0%	6 / 37
Healthcare	9.0%	51.2%	1 / 60
Financials	2.7%	9.4%	23 / 63
Information Technology	3.4%	5.2%	11 / 66
Telecom	0.0%	0.0%	0 / 5
Utilities	0.0%	0.0%	0 / 28
Real Estate	0.0%	0.0%	0 / 29

Source: BBG

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	6.6%	8.5%	8.7%	8.7%	-14.3%	-24.7%	-25.1%	SPX	29.2%	0.44	0.73	21.4%	0.54	0.61	29.2%	1.14	0.96
Russell 2000	RTY	13.2%	16.4%	15.6%	15.0%	-9.8%	-13.6%	-10.7%	RTY	14.2%	0.55	0.42	-1.3%	-0.12	-0.52	9.6%	0.57	-0.05
Nasdaq	NDX	8.4%	12.0%	11.6%	11.1%	-16.9%	-22.7%	-21.3%	NDX	34.4%	0.79	1.12	7.3%	0.04	0.10	23.3%	0.89	0.89
USD Index	UUP	9.1%	8.3%	7.3%	8.7%	-6.2%	-2.4%	4.7%	UUP	-6.0%	-0.84	-0.78	9.7%	-0.16	-0.23	25.2%	0.87	0.51
Energy	XLE	11.8%	18.2%	18.5%	15.2%	-15.6%	-22.2%	-23.0%	XLE	29.6%	1.48	1.19	-10.0%	-0.33	-0.69	-5.2%	0.22	-0.39
Energy	XOP	18.4%	33.6%	32.2%	22.8%	-20.1%	-28.8%	-30.2%	XOP	25.0%	1.15	1.16	-24.0%	-1.39	-1.55	-15.2%	-0.57	-0.84
Materials	XLB	9.7%	10.8%	11.5%	11.7%	-14.8%	-21.0%	-22.9%	XLB	20.9%	0.46	0.45	19.2%	0.81	0.58	20.0%	1.25	0.69
Industrials	XLI	8.7%	12.0%	11.5%	11.9%	-11.1%	-14.5%	-13.1%	XLI	33.2%	0.80	1.06	2.8%	-0.07	-0.13	13.9%	0.79	0.48
Transports	IYT	12.1%	14.2%	12.9%	18.2%	0.6%	2.3%	2.6%	IYT	50.2%	1.29	1.80	26.5%	0.83	1.07	43.8%	2.13	2.42
WTI Crude Oil	USO	25.6%	36.3%	34.2%	27.3%	-5.9%	-21.6%	-24.3%	USO	-5.9%	0.36	0.06	-18.8%	-1.07	-1.34	-13.7%	-0.63	-0.96
Natural Gas	UNG	58.1%	53.5%	47.8%	45.6%	-5.5%	-8.0%	2.7%	UNG	-22.2%	-1.68	-1.01	-19.7%	-1.42	-1.04	-12.3%	-1.03	-0.73
Gold	GLD	12.5%	13.5%	13.2%	14.4%	2.1%	-4.8%	-3.9%	GLD	8.1%	0.11	0.04	6.2%	0.19	0.04	7.7%	0.36	0.15
Silver	SLV	21.6%	23.9%	23.8%	21.3%	-11.0%	-13.7%	-14.1%	SLV	-1.0%	-0.45	-0.64	-3.9%	-1.04	-0.85	-1.4%	-0.95	-0.80
Copper	JJC	24.9%	26.1%	23.0%	24.9%	-5.7%	-9.5%	-2.3%	JJC	0.2%	-0.28	-0.34	-3.8%	-0.47	-0.56	8.9%	-0.11	-0.11
Corn	CORN	13.2%	16.5%	17.7%	17.6%	1.3%	-1.1%	-12.3%	CORN	34.5%	0.80	0.64	7.9%	-0.30	-0.61	4.9%	-0.49	-0.76
Soybeans	SOYB	16.9%	16.2%	15.5%	31.8%	32.9%	44.1%	42.1%	SOYB	79.4%	0.89	0.59	41.0%	0.00	-0.02	24.5%	-0.37	-0.34
Wheat	WEAT	18.2%	18.0%	18.9%	29.1%	-14.1%	-3.9%	-6.2%	WEAT	58.1%	-0.15	0.04	48.8%	-0.31	0.03	37.7%	-0.54	-0.03
Sugar	SGG	35.1%	33.5%	32.5%	30.0%	-2.1%	-4.7%	-11.2%	SGG	-14.1%	-0.81	-0.57	-7.3%	-0.51	-0.14	-3.4%	0.16	0.27

*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	$83.99	0.07%	3.18%	3.18%
Financial Select Sector	XLF	$23.00	-0.65%	-1.08%	-1.08%
Health Care Select Sector	XLV	$69.55	-0.42%	0.88%	0.88%
Technology Select Sector	XLK	$49.89	0.18%	3.16%	3.16%
Consumer Staples Select Sector	XLP	$52.55	-0.06%	1.62%	1.62%
Industrial Select Sector	XLI	$63.09	-0.55%	1.40%	1.40%
Materials Select Sector	XLB	$51.19	0.20%	3.00%	3.00%
The Energy Select Sector	XLE	$73.75	-1.06%	-2.08%	-2.08%
Utilities Select Sector	XLU	$48.39	-0.51%	-0.37%	-0.37%
S&P 500	SPX	2,265.20	-0.27%	1.18%	1.18%

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*