



# HASHING OUT POTENTIAL PHASE TRANSITIONS



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# **RUSSELL FACTOR PERFORMANCE UPDATE**

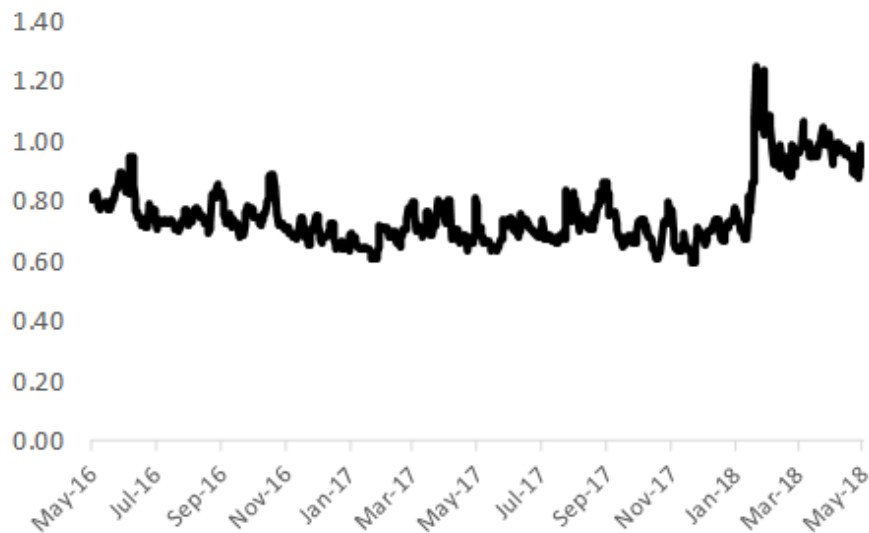
# VOLATILITY DIVERGENCES: VIX VS. RVX

## VOLATILITY INDEX COMPARISON (RATIO SERIES)

**Numerator:**  
**Denominator:**

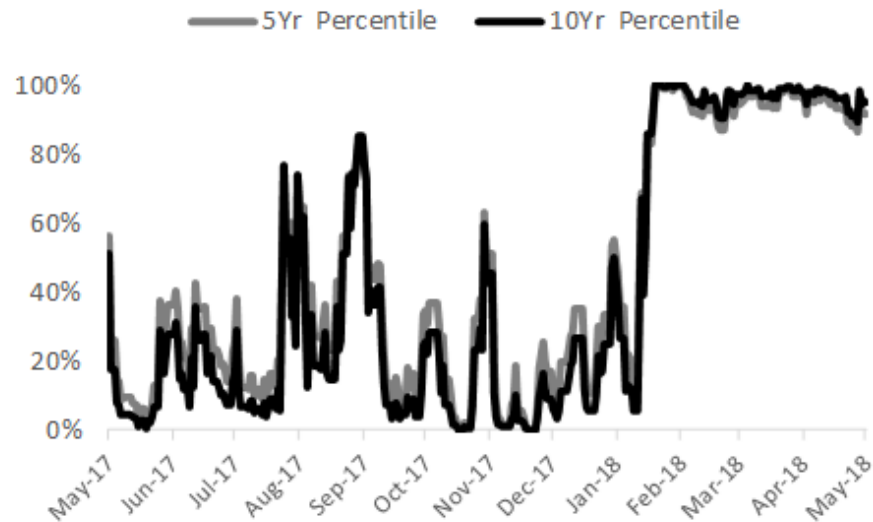
**VIX Index**  
**RVX Index**

Volatility Index Ratio Series



Data Source: CBOE, Bloomberg

Ratio Series Percentile Reading



Data Source: CBOE, Bloomberg

# R2K. PICK YOUR DURATION. ALL-TIME LOWS IN VOLATILITY EXPECTATIONS

VOLATILITY FACTOR TREND COMPARISON					
TICKER: IWM US Equity					
VOLATILITY FACTOR	1Mth	2Mth	3Mth	6Mth	12Mth
Realized Vol %	10.5	17.0	18.2	14.5	13.8
Realized Vol Percentile*	2%	33%	43%	6%	2%
Implied Vol %	12.3	12.7	13.5	14.8	16.0
Implied Vol Percentile**	2%	1%	1%	0%	0%
Implied Vol Premium %	17%	-25%	-26%	2%	16%
IVOL Prem. TTM Z-Score:	0.3	-1.8	-2.4	-1.8	-0.5
IVOL Prem. 3YR Z-Score:	0.5	-1.7	-2.0	-0.8	0.0
TICKER: SPY US Equity					
VOLATILITY FACTOR	1Mth	2Mth	3Mth	6Mth	12Mth
Realized Vol %	11.5	17.4	19.1	14.1	11.2
Realized Vol Percentile*	36%	65%	71%	49%	24%
Implied Vol %	10.3	11.0	11.8	13.0	14.4
Implied Vol Percentile**	16%	14%	13%	14%	13%
Implied Vol Premium %	-10%	-36%	-38%	-7%	28%
IVOL Prem. TTM Z-Score:	-0.5	-1.7	-2.3	-2.7	-1.1
IVOL Prem. 3YR Z-Score:	-0.6	-1.7	-2.0	-1.2	0.1
*30yr historical percentile reading or max available **13Yr historical percentile reading or max available (data shortage)					
Data Source: Bloomberg, CBOE					

# R2K: LONG-DURATION OPTION PRICING

## ACROSS INDICES AND FACTORS, LONG-DURATION IMPLIED VOLATILITY IS AT ALL-TIME LOWS

### Global Macro Divergences: 6Mth Implied Volatility Percentile Reading

"6Mth" represents 6Mth Expiry Implied Volatility Historical Percentile Readings (13yr Lookback or Max Lookback)

#### HIGH VOLATILITY DIVERGENCES (HIGHEST PERCENTILE READINGS)

SECURITY	TICKER	6Mth Expiry IVOL Percentile Reading
I-Path Bloomberg Cocoa Total Return ET	NIB US Equity	98%
I-Shares MSCI Turkey ETF	TUR US Equity	76%
I-Path Bloomberg Sugar Subindex Total	ISGGFF US Equity	70%
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	62%
I-Shares US Telecommunications ETF	IYZ US Equity	54%
Consumer Staples Select Sector SPDR	XLK US Equity	49%
Google	GOOG US Equity	49%
Dow Jones Industrial Average	INDU Index	45%
Health Care Select Sector SPDR ETF	XLV US Equity	42%
Technology Select Sector SPDR ETF	XLK US Equity	41%

#### LOW VOLATILITY DIVERGENCES (LOWEST PERCENTILE READINGS)

SECURITY	TICKER	6Mth IVOL Percentile Reading
I-Shares Russell 2000 Growth ETF	IWO US Equity	1%
I-Shares MSCI Spain Capped ETF	EWP US Equity	0%
I-Shares Silver Trust ETF	SLV US Equity	0%
CAC 40 Index	CAC Index	0%
I-Shares IBOX USD High Yield Corpora	HYG US Equity	0%
I-Shares Russell 2000 Value ETF	IWN US Equity	0%
I-Shares Russell 2000 ETF	IWM US Equity	0%
Russell 2000 Index	RTY Index	0%
SPDR Gold Shares ETF	GLD US Equity	0%
VanEck Vectors Gold Miners ETF	GDX US Equity	0%

Data Source: Bloomberg

### Global Macro Divergences: 12Mth Implied Volatility Percentile Reading

"12Mth" represents 12Mth Expiry Implied Volatility Historical Percentile Readings (13yr Lookback or Max Lookback)

#### HIGH VOLATILITY DIVERGENCES (HIGHEST PERCENTILE READINGS)

SECURITY	TICKER	12Mth Expiry IVOL Percentile Reading
I-Path Bloomberg Cocoa Total Return ET	NIB US Equity	94%
I-Shares MSCI Turkey ETF	TUR US Equity	73%
I-Shares US Telecommunications ETF	IYZ US Equity	65%
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	55%
I-Path Bloomberg Sugar Subindex Total	ISGGFF US Equity	50%
Dow Jones Industrial Average	INDU Index	48%
Google	GOOG US Equity	48%
SPDR Dow Jones Industrial Average ETF	DIA US Equity	45%
I-Shares MSCI Thailand Capped ETF	THD US Equity	40%
Technology Select Sector SPDR ETF	XLK US Equity	40%

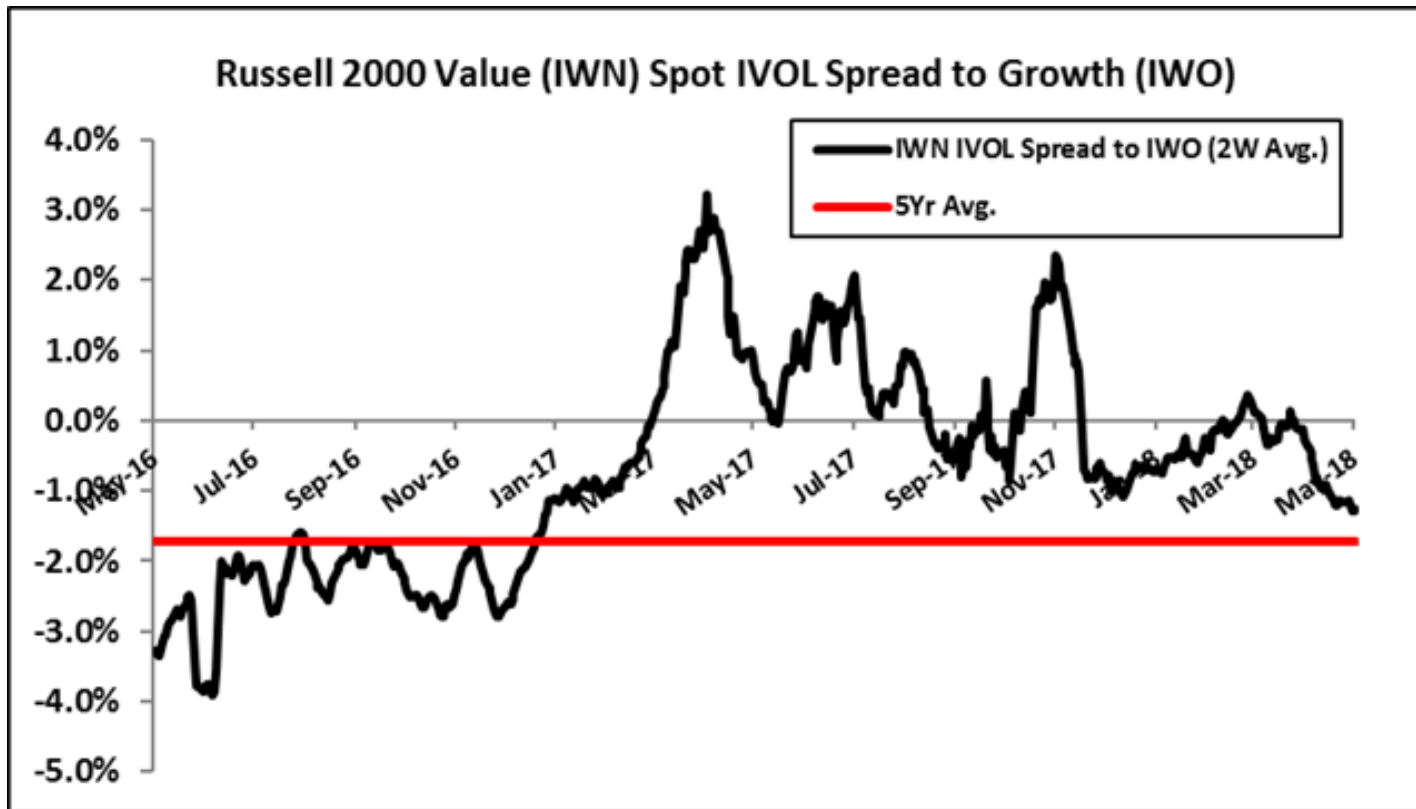
#### LOW VOLATILITY DIVERGENCES (LOWEST PERCENTILE READINGS)

SECURITY	TICKER	12Mth IVOL Percentile Reading
I-Shares MSCI Spain Capped ETF	EWP US Equity	1%
I-Shares MSCI Germany ETF	EWG US Equity	1%
Currency Shares Japanese Yen Trust ETI	FXJ US Equity	0%
I-Shares Russell 2000 Value ETF	IWN US Equity	0%
Russell 2000 Index	RTY Index	0%
I-Shares Russell 2000 ETF	IWM US Equity	0%
CAC 40 Index	CAC Index	0%
I-Shares Silver Trust ETF	SLV US Equity	0%
SPDR Gold Shares ETF	GLD US Equity	0%
VanEck Vectors Gold Miners ETF	GDX US Equity	0%

Data Source: Bloomberg

# VALUE FACTOR VOLATILITY SPREAD TO GROWTH

THE CHART COMPARES FRONT-MONTH PUT IMPLIED VOLATILITY PRICING IN POINTS OF VOLATILITY (Y-AXIS)



# RUSSELL INDEX ETF FACTOR PERFORMANCE

## Russell Performance & Factor Dispersion ("Value" & "Growth")



### PRICE RETURN %

Russell 1000	Ticker	DD %	5D %	1Mth %	3Mth %	6Mth %	1Yr %	MTD %	YTD %
Russell 1000 ETF	IWB	-0.06%	0.02%	2.10%	-1.00%	-0.61%	10.43%	2.96%	2.01%
Russell 1000 Value ETF	IWD	0.06%	0.33%	1.12%	-0.97%	-2.97%	6.65%	2.06%	-1.22%
Russell 1000 Growth ETF	IWF	-0.13%	-0.26%	3.10%	-1.03%	1.68%	14.29%	3.77%	5.14%
Russell 2000		DD %	5D %	1Mth %	3Mth %	6Mth %	1Yr %	MTD %	YTD %
Russell 2000 ETF	IWM	0.46%	1.34%	4.51%	3.02%	4.40%	16.21%	5.44%	6.03%
Russell 2000 Value ETF	IWN	0.65%	1.48%	4.13%	4.00%	2.47%	13.19%	5.10%	3.75%
Russell 2000 Growth ETF	IWO	0.34%	1.19%	4.82%	2.12%	6.24%	18.96%	5.64%	8.07%
Russell Mid-Cap		DD %	5D %	1Mth %	3Mth %	6Mth %	1Yr %	MTD %	YTD %
Russell Mid-Cap ETF	IWR	0.17%	0.12%	1.92%	-0.22%	-0.24%	10.28%	2.75%	1.73%
Russell Mid-Cap Value ETF	IWS	0.25%	0.14%	0.82%	-0.05%	-1.93%	6.83%	1.75%	-0.90%
Russell Mid-Cap Growth ETF	IWP	-0.01%	0.15%	3.25%	-0.49%	1.78%	14.83%	4.01%	4.95%

Implied / Realized Volatility	Ticker	Realized Percentile	Implied Percentile	Implied Volatility Premium %				IVOL Prem. ZScores*	
				30D	60D	3Mth	6Mth	TTM	3YR
Russell 1000 ETF	IWB	57.6%	13.0%	-4.8%	-35.8%	-39.8%	-9.3%	-1.9	-1.4
Russell 1000 Value ETF	IWD	49.2%	10.9%	6.2%	-35.3%	-40.5%	-9.6%	-1.8	-1.3
Russell 1000 Growth ETF	IWF	67.2%	20.9%	-16.2%	-35.9%	-38.3%	-10.2%	-1.9	-1.5
Russell 2000 ETF	IWM	25.2%	0.9%	16.9%	-25.2%	-25.7%	2.1%	-1.4	-1.0
Russell 2000 Value ETF	IWN	25.7%	0.4%	30.8%	-20.5%	-25.0%	-0.1%	-1.2	-0.8
Russell 2000 Growth ETF	IWO	27.2%	1.4%	9.5%	-22.6%	-26.0%	0.2%	-1.5	-1.2
Russell Mid-Cap ETF	IWR	42.2%	7.8%	10.5%	-26.4%	-30.9%	-1.4%	-1.7	-1.0
Russell Mid-Cap Value ETF	IWS	38.7%	4.9%	14.1%	-31.2%	-36.9%	-3.0%	-1.7	-0.9
Russell Mid-Cap Growth ETF	IWP	47.8%	6.9%	-7.2%	-34.5%	-32.1%	-3.6%	-1.7	-1.5



# DEVELOPED MARKET CURRENCIES

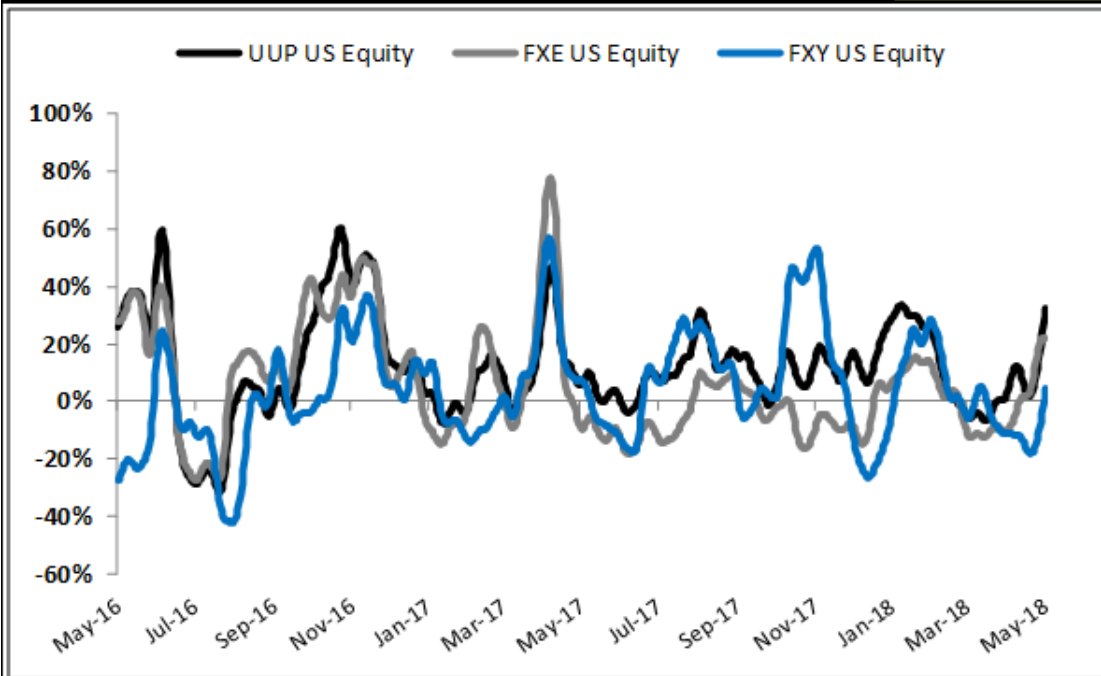
# DM FX IMPLIED VOLATILITY IS CATCHING A BID

## IMPLIED VOL PREMIUM % (30-Day)

**Ticker #1:** UUP US Equity

**Ticker #2:** FXE US Equity

**Ticker #3:** FXY US Equity



Data Source: CBOE, CME, Bloomberg

# DM FX IVOL PREMIUMS: GLOBAL MACRO CONTEXT

IN A GLOBAL MACRO SCREEN OF THE MOST DIVERGENT Z-SCORE FACTOR READINGS ON IMPLIED VOLATILITY PREMIUMS, FXE, FXF, FXB SCREEN TOP 3 ON A 12-MTH WINDOW.

## GLOBAL MACRO IMPLIED VOLATILITY PREMIUM FACTOR DIVERGENCES

2Mth Duration\* IVOL Premium % TTM Z-Score Factor

\*\*2Mth Duration\* is IVOL Premium Factor TTM Z-Score Reading (2Mth Implied Volatility vs. 2Mth Realized Volatility)

**DOWNSIDE DIVERGENCES (LOWEST IVOL PREMIUM FACTOR Z-SCORE READINGS)**

Percentile Readings (2Mth)					
Implied Vol***	Realized Vol**	IVOL Premium Factor TTM Z-Score	TICKER	SECURITY	
1%	20%	-2.5	AAPL US Equity	Apple	
8%	57%	-2.3	RSX US Equity	VanEck Vectors Russia ETF	
9%	67%	-2.3	FB US Equity	Facebook	
39%	98%	-2.1	SMH US Equity	VanEck Vectors Semiconductor ET	
13%	67%	-2.1	IYT US Equity	I-Shares Transportation Average E	
32%	64%	-2.1	NDX Index	Nasdaq 100 Index	
30%	62%	-2.1	QQQ US Equity	Power Shares QQQ Trust ETF	
15%	88%	-2.0	GOOG US Equity	Google	
26%	61%	-2.0	XLI US Equity	Industrials Select SPDR ETF	
8%	27%	-1.9	EWT US Equity	I-Shares MSCI Taiwan Capped ETF	

## UPSIDE DIVERGENCES (HIGHEST IVOL PREMIUM FACTOR Z-SCORE READINGS)

Percentile Readings\*\* (Aggte.)

SECURITY	TICKER	IVOL Premium Factor TTM Z-Score
I-Shares 20+ Year Treasury Bond E	TLT US Equity	0.5
I-Shares National Muni Bond ETF	MUB US Equity	0.6
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	0.6
United States Oil Fund ETF	USO US Equity	0.6
PowerShares US Dollar Index Bullis	UUP US Equity	0.7
I-Shares J.P. Morgan USD Emergin	EMB US Equity	0.7
I-Path Bloomberg Cocoa Total Ret.	NIB US Equity	1.0
Currency Shares British Pound Ster	FXB US Equity	1.3
Currency Shares Euro Trust ETF	FXE US Equity	1.3
Currency Shares Swiss Franc Trust	FXF US Equity	1.9

Data Source: CME, CBOE, Bloomberg

\*30yr Realized Vol Percentile Reading or Max Available

\*\*\*13yr Implied Vol Percentile Reading or Max Available

## GLOBAL MACRO IMPLIED VOLATILITY PREMIUM FACTOR DIVERGENCES

2Mth Duration\* IVOL Premium % 3YR Z-Score Factor

\*\*2Mth Duration\* is IVOL Premium Factor 3YR Z-Score Reading (2Mth Implied Volatility vs. 2Mth Realized Volatility)

**DOWNSIDE DIVERGENCES (LOWEST IVOL PREMIUM FACTOR Z-SCORE READINGS)**

Percentile Readings (2Mth)					
Implied Vol***	Realized Vol**	IVOL Premium Factor 3YR Z-Score	TICKER	SECURITY	
8%	57%	-2.4	RSX US Equity	VanEck Vectors Russia ETF	
1%	20%	-2.2	AAPL US Equity	Apple	
9%	67%	-2.0	FB US Equity	Facebook	
14%	42%	-1.8	ITB US Equity	I-Shares US Home Construction ET	
26%	61%	-1.8	XLI US Equity	Industrials Select SPDR ETF	
16%	67%	-1.8	IWB US Equity	I-Shares Russell 1000 ETF	
16%	71%	-1.8	SPX Index	S&P 500 Index	
15%	88%	-1.8	GOOG US Equity	Google	
27%	70%	-1.7	IWF US Equity	I-Shares Russell 1000 Growth ETF	
1%	33%	-1.7	IWM US Equity	I-Shares Russell 2000 ETF	

## UPSIDE DIVERGENCES (HIGHEST IVOL PREMIUM FACTOR Z-SCORE READINGS)

Percentile Readings\*\* (Aggte.)

SECURITY	TICKER	IVOL Premium Factor 3YR Z-Score
Currency Shares Euro Trust ETF	FXE US Equity	0.4
United States Gasoline Fund ETF	UGA US Equity	0.4
Teucrium Corn Fund ETF	CORN US Equity	0.5
Currency Shares British Pound Ster	FXB US Equity	0.5
I-Path Bloomberg Sugar Subindex	SGGFF US Equity	0.5
I-Shares 20+ Year Treasury Bond E	TLT US Equity	0.6
PowerShares US Dollar Index Bullis	UUP US Equity	0.7
Currency Shares Swiss Franc Trust	FXF US Equity	0.9
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	0.9
I-Path Bloomberg Cocoa Total Ret.	NIB US Equity	1.1

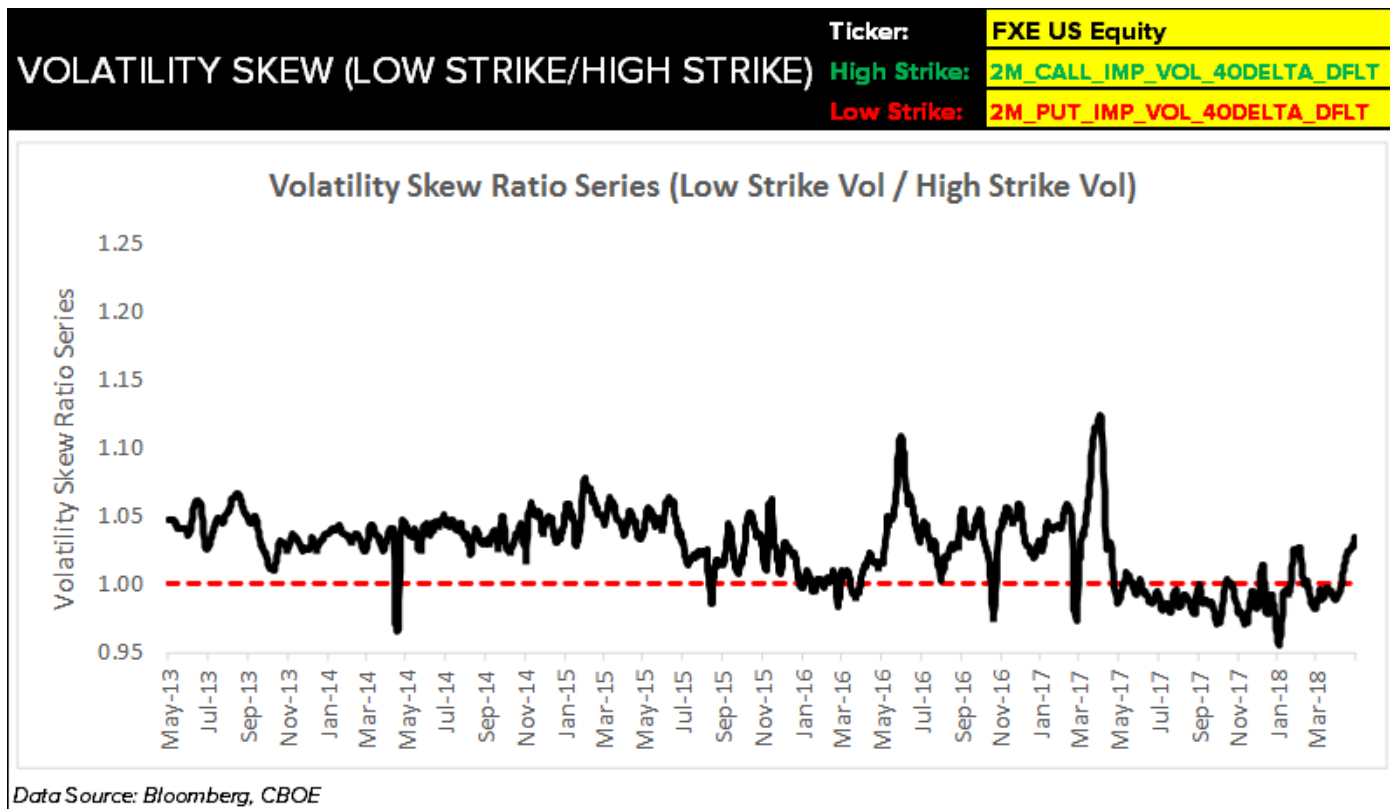
Data Source: CME, CBOE, Bloomberg

\*30yr Realized Vol Percentile Reading or Max Available

\*\*\*13yr Implied Vol Percentile Reading or Max Available

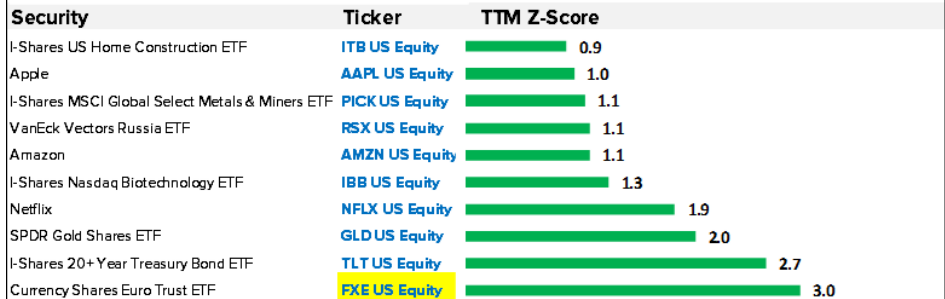
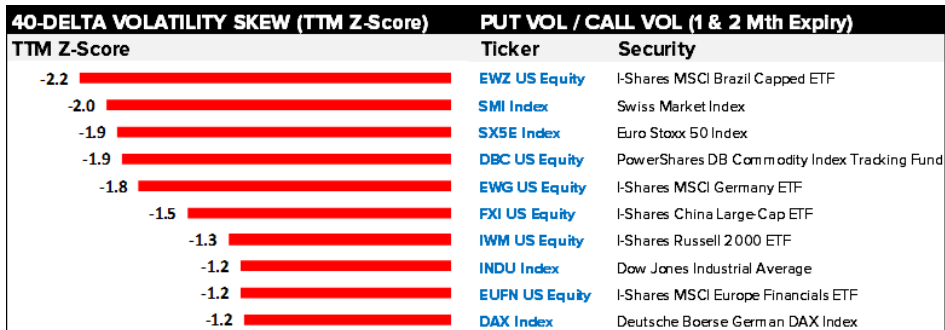
# EURO DIRECTIONAL TILT

HEDGING DOWNSIDE RELATIVE TO BETTING ON UPSIDE IN THE EURO IS MOST EXPENSIVE SINCE THE FRENCH ELECTION IN APRIL OF 2017. WE USE THE 40-DELTA STRIKES ON BOTH SIDES OF THE SPOT PRICE TO BUILD THE TIME SERIES ON VOLATILITY PRICING.

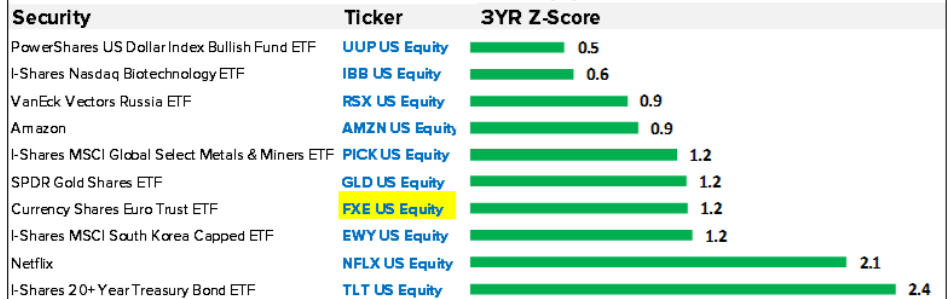
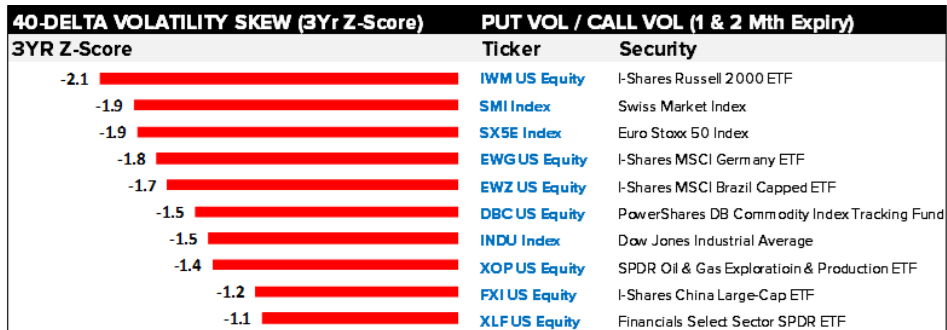


# EURO DIRECTIONAL TILT: GLOBAL MACRO CONTEXT

LIKE IVOL PREMIUMS, THERE HAS BEEN A MAJOR SHIFT IN PERCEIVED DIRECTIONAL RISK IN THE EURO CURRENCY.



Data Source: CBOE, CME, Bloomberg

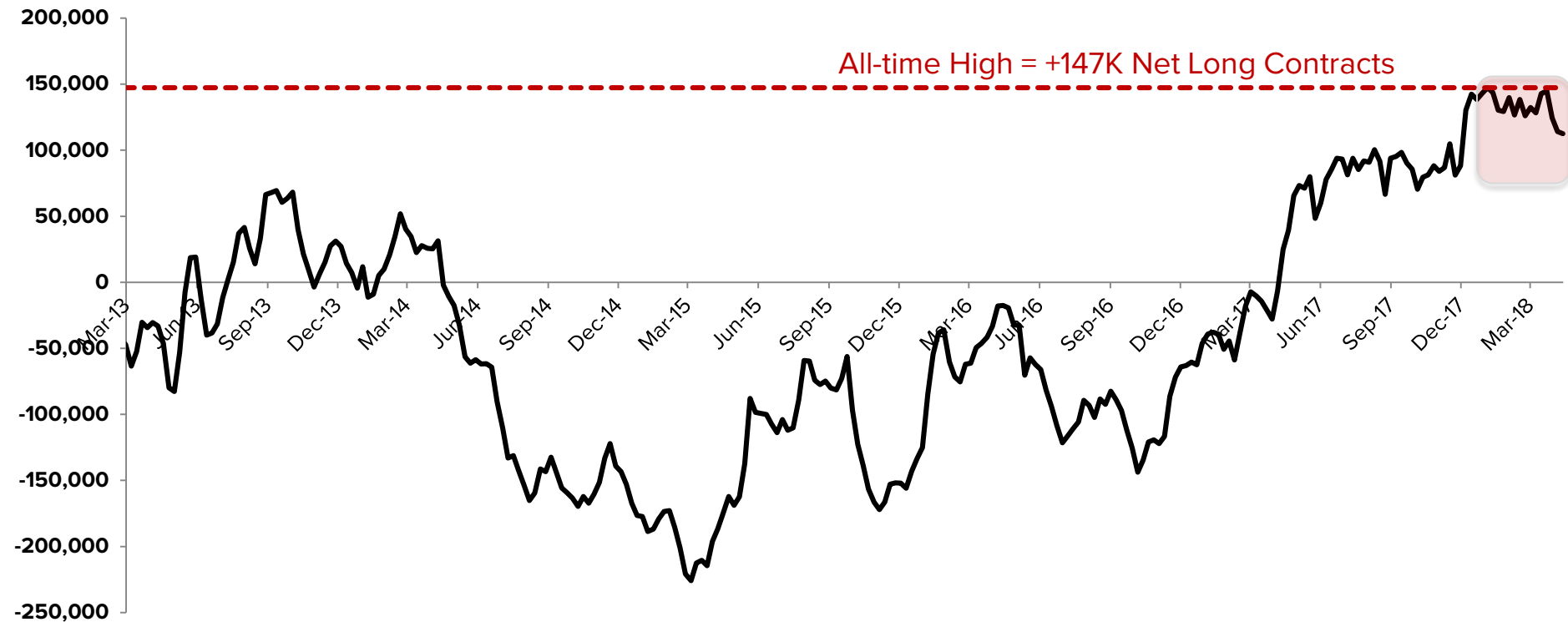


Data Source: CBOE, CME, Bloomberg

# SPECULATIVE POSITIONING IN THE EURO REMAINS NEAR ALL-TIME HIGHS

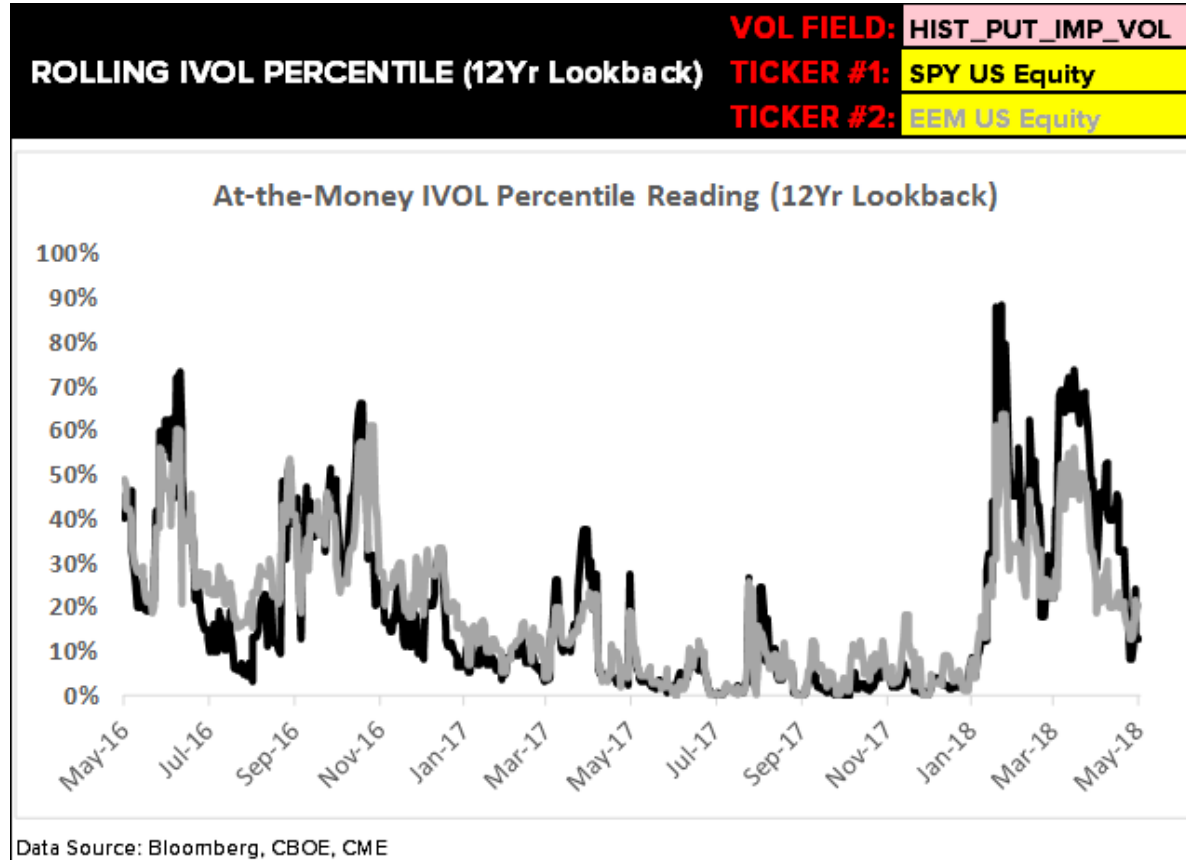
THE NET LONG POOL OF SPECULATIVE MARKET PARTICIPANTS CONTINUES TO HOVER NEAR ALL-TIME HIGHS.

Net Non-Commercial Futures & Options Positioning (Euro Currency)



# EMERGING MARKETS

# EM EQUITIES: LITTLE MOVEMENT IN VOLATILITY





# VOLATILITY INDEX COMPARISON

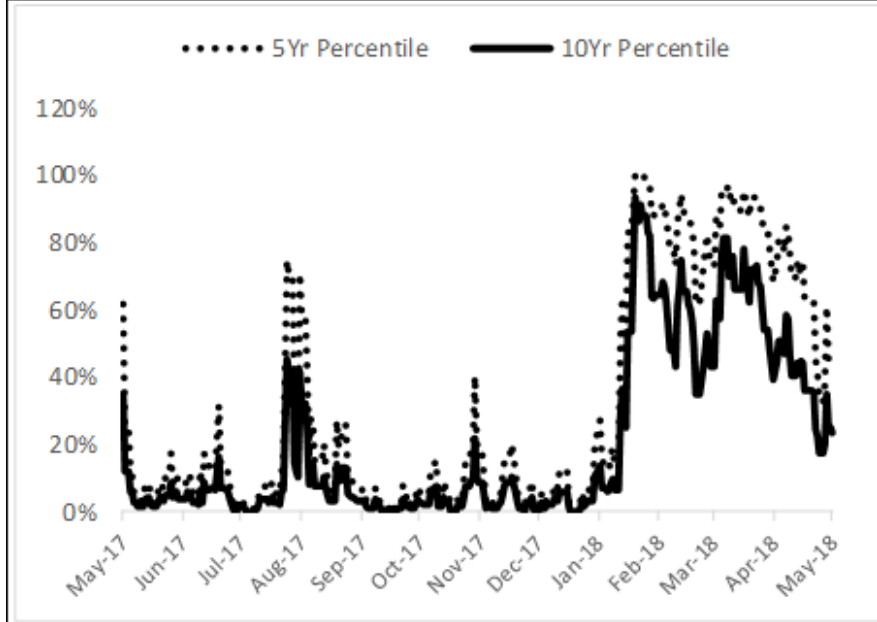
THE EMERGING EQUITY MARKET VOLATILITY INDEX IS SO FAR UN-PHASED BY SHORT-TERM UNDERLYING PERFORMANCE.

## VOLATILITY INDEX PERCENTILE READINGS

5Yr & 10Yr Lookback

Ticker:

VIX Index



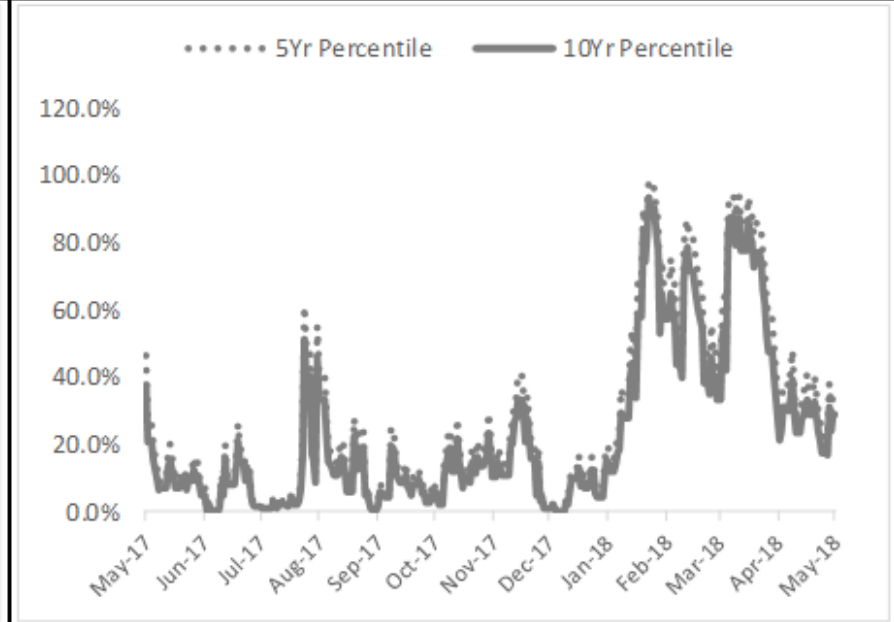
Data Source: CBOE, Bloomberg

## VOLATILITY INDEX PERCENTILE READINGS

5Yr & 10Yr Lookback

Ticker:

VXEEM Index



Data Source: CBOE, Bloomberg

# ADHERING TO HISTORICAL SPREADS

## IMPLIED VOLATILITY % (30D & 60D)

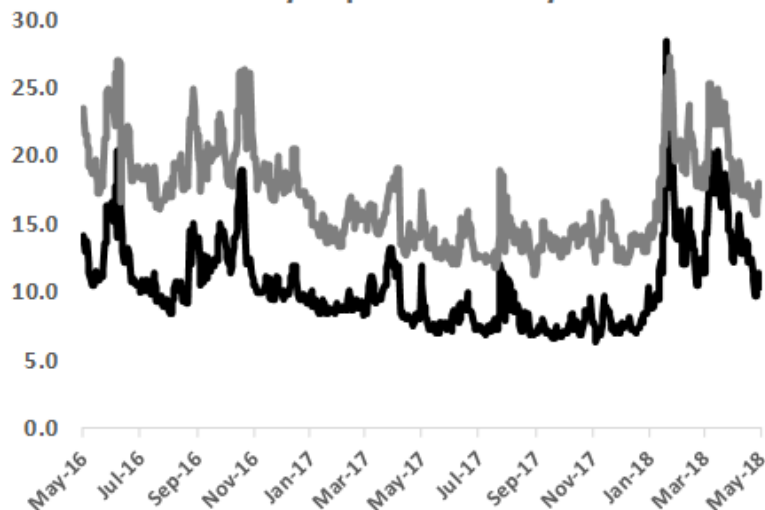
**Ticker #1:**

**SPY US Equity**

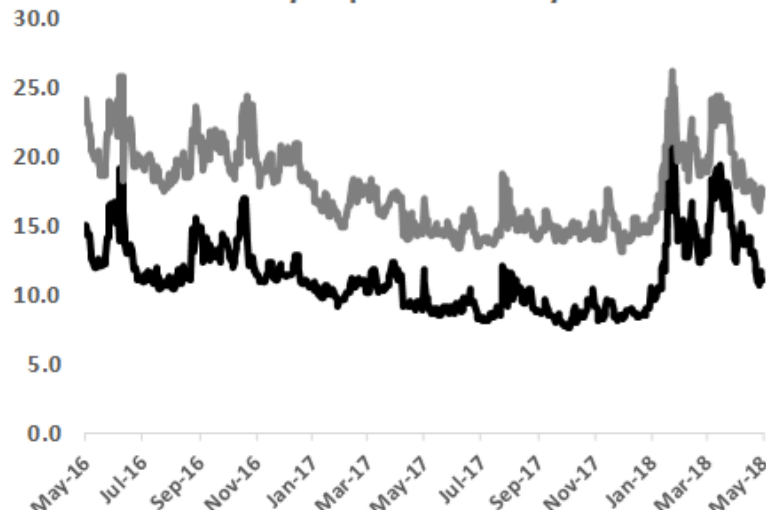
**Ticker #2:**

**EEM US Equity**

30-Day Implied Volatility %



60-Day Implied Volatility %



### 30-Day Implied Volatility Percentile Readings

TICKER	5Yr	10Yr	15Yr*
SPY US Equity	31%	16%	16%
EEM US Equity	44%	26%	21%

### 60-Day Implied Volatility Percentile Readings

TICKER	5Yr	10Yr	15Yr*
SPY US Equity	27%	14%	15%
EEM US Equity	36%	22%	18%

Data Source: Bloomberg

\*"15Yr" is 15-year time window or max duration available

# MULTI-DURATION VOLATILITY VIEW

**TREND DURATION VOLATILITY (2MTH & 3MTH EXPIRIES) IS PRICED AT STEEP DISCOUNTS TO REALIZED VOLATILITY IN EMERGING MARKET EQUITIES.**

VOLATILITY FACTOR TREND COMPARISON					
TICKER: SPY US Equity					
VOLATILITY FACTOR	1Mth	2Mth	3Mth	6Mth	12Mth
Realized Vol %	11.5	17.4	19.1	14.1	11.2
Realized Vol Percentile*	36%	65%	71%	49%	24%
Implied Vol %	10.3	11.0	11.8	13.0	14.4
Implied Vol Percentile**	16%	15%	15%	16%	19%
Implied Vol Premium %	-10%	-36%	-38%	-7%	28%
IVOL Prem. TTM Z-Score:	-0.5	-1.7	-2.3	-2.7	-1.1
IVOL Prem. 3YR Z-Score:	-0.6	-1.7	-2.0	-1.2	0.1
TICKER: EEM US Equity					
VOLATILITY FACTOR	1Mth	2Mth	3Mth	6Mth	12Mth
Realized Vol %	15.8	20.4	22.9	18.6	16.1
Realized Vol Percentile*	21%	46%	56%	28%	3%
Implied Vol %	17.7	17.6	18.0	18.8	19.3
Implied Vol Percentile**	22%	18%	18%	16%	10%
Implied Vol Premium %	12%	-14%	-21%	1%	20%
IVOL Prem. TTM Z-Score:	0.5	-1.3	-2.3	-1.7	0.2
IVOL Prem. 3YR Z-Score:	0.3	-1.0	-1.6	-0.5	0.6
*30yr historical percentile reading or max available **13Yr historical percentile reading or max available (data shortage)					
Data Source: Bloomberg, CBOE					

# EM DEBT MARKETS: A PLACE WHERE VOLATILITY IS REACTING

## GLOBAL MACRO IVOL DIVERGENCES (1Mth %)

\*Calculation of 1Mth % chg for At-The-Money Front Month Put Implied Volatility

### UPSIDE DIVERGENCES (Front-Month ATM PUT IVOL)

MARKET	TICKER	IVOL 1Mth % CHG
I-Shares J.P. Morgan USD Emerging Market Bor	EMB US Equity	78%
SPDR Bloomberg Barclays High Yield Bond ETF	JNK US Equity	40%
PowerShares DB Precious Metals Fund	DBP US Equity	35%
FTSE MIB Index	FTSEMIB Index	35%
I-Shares MSCI Italy Capped ETF	EWI US Equity	25%
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	21%
Currency Shares Euro Trust ETF	FXE US Equity	20%
I-Shares 7-10 Year Treasury Bond ETF	IEF US Equity	20%
I-Shares MSCI India ETF	INDA US Equity	15%
Currency Shares Canadian Dollar Trust ETF	FXC US Equity	14%

### DOWNSIDE DIVERGENCES (Front-Month ATM PUT IVOL)

MARKET	TICKER	IVOL 1Mth % CHG
I-Path Bloomberg Sugar Subindex Total Return	SGGFF US Equity	-55%
Amazon	AMZN US Equity	-43%
Google	GOOG US Equity	-41%
Apple	AAPL US Equity	-38%
Facebook	FB US Equity	-37%
SPDR S&P Insurance ETF	KIE US Equity	-33%
I-Shares MSCI Global Select Metals & Miners ETI	PICK US Equity	-30%
VanEck Vectors Semiconductor ETF	SMH US Equity	-28%
I-Shares IBOX US High Yield Corporate Bond	HYG US Equity	-27%
VanEck Vectors Russia ETF	RSX US Equity	-27%

Data Source: CBOE, Bloomberg

## GLOBAL MACRO IVOL DIVERGENCES (3Mth %)

\*Calculation of 3Mth % chg for At-The-Money Front Month Put Implied Volatility

### UPSIDE DIVERGENCES (Front-Month ATM PUT IVOL)

MARKET	TICKER	IVOL 3Mth % CHG
I-Path Bloomberg Cocoa Total Return ETN	NIB US Equity	492%
I-Path Bloomberg Sugar Subindex Total Return	SGGFF US Equity	30%
I-Shares J.P. Morgan USD Emerging Market Bor	EMB US Equity	12%
Teucrium Corn Fund ETF	CORN US Equity	12%
PowerShares DB Precious Metals Fund	DBP US Equity	10%
I-Shares MSCI Brazil Capped ETF	EWZ US Equity	7%
I-Shares MSCI Turkey ETF	TUR US Equity	4%
I-Shares MSCI Mexico Capped ETF	EWX US Equity	2%
PowerShares DB Base Metals Fund ETF	DBB US Equity	1%
Currency Shares Canadian Dollar Trust ETF	FXC US Equity	1%

### DOWNSIDE DIVERGENCES (Front-Month ATM PUT IVOL)

MARKET	TICKER	IVOL 3Mth % CHG
I-Shares IBOX US High Yield Corporate Bond	HYG US Equity	-49%
Wisdom Tree Japan Hedged Equity Fund ETF	DXJ US Equity	-47%
Taiwan Stock Exchange Index	TWSE Index	-45%
Euro Stoxx 50 Index	SX5E Index	-43%
I-Shares MSCI Europe Financials ETF	EUFN US Equity	-42%
CAC 40 Index	CAC Index	-40%
I-Shares MSCI Japan ETF	EWJ US Equity	-40%
I-Shares MSCI Global Select Metals & Miners ETI	PICK US Equity	-40%
Nikkei 225 Index	NIKY Index	-37%
I-Shares Russell 1000 Value ETF	IWD US Equity	-35%

Data Source: CBOE, Bloomberg

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