THE MACRO SHOW

JUNE 5, 2017

LEGAL

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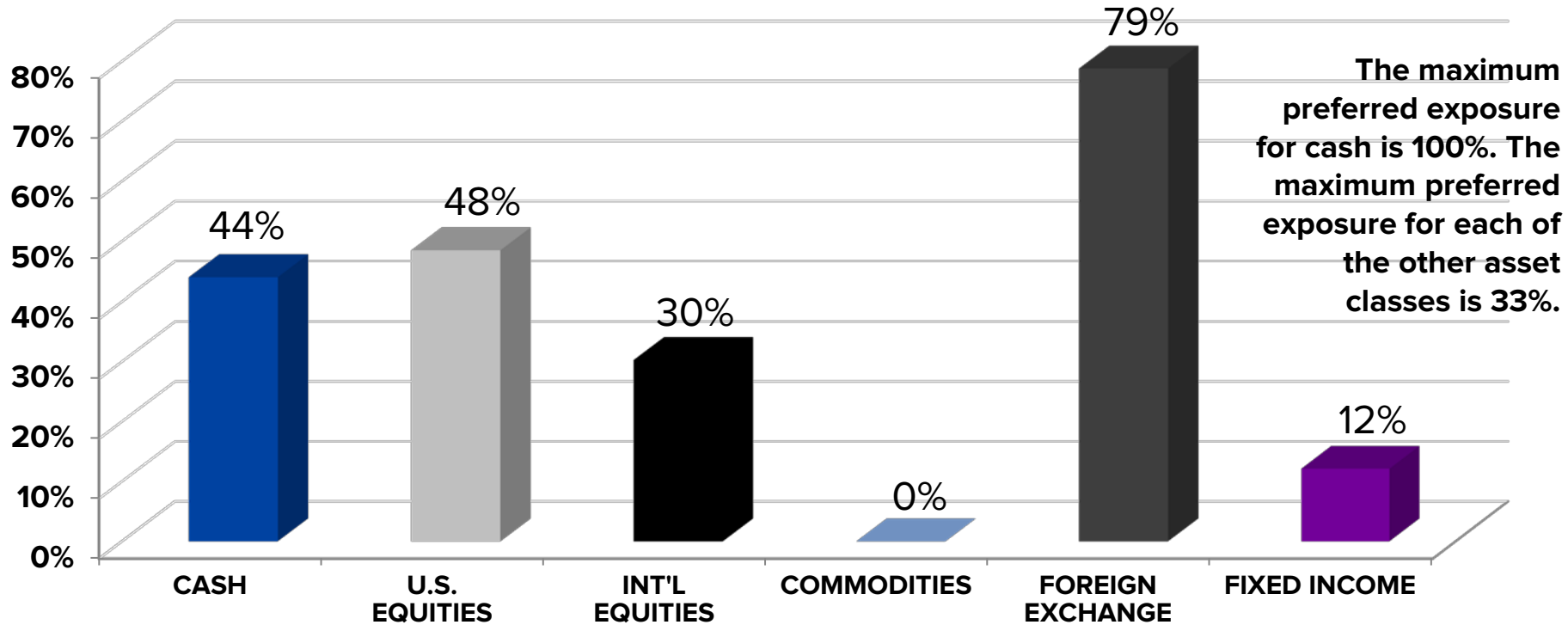
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/2/2017	42	18	12	0	24	4
6/5/2017	44	16	10	0	26	4

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/2/2017	42%	55%	36%	0%	73%	12%
6/5/2017	44%	48%	30%	0%	79%	12%

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

HEDGEYE ASSET ALLOCATION



June 5, 2017

THE MACRO SHOW

HEDGEYE TV

1 GBP

2 RATES

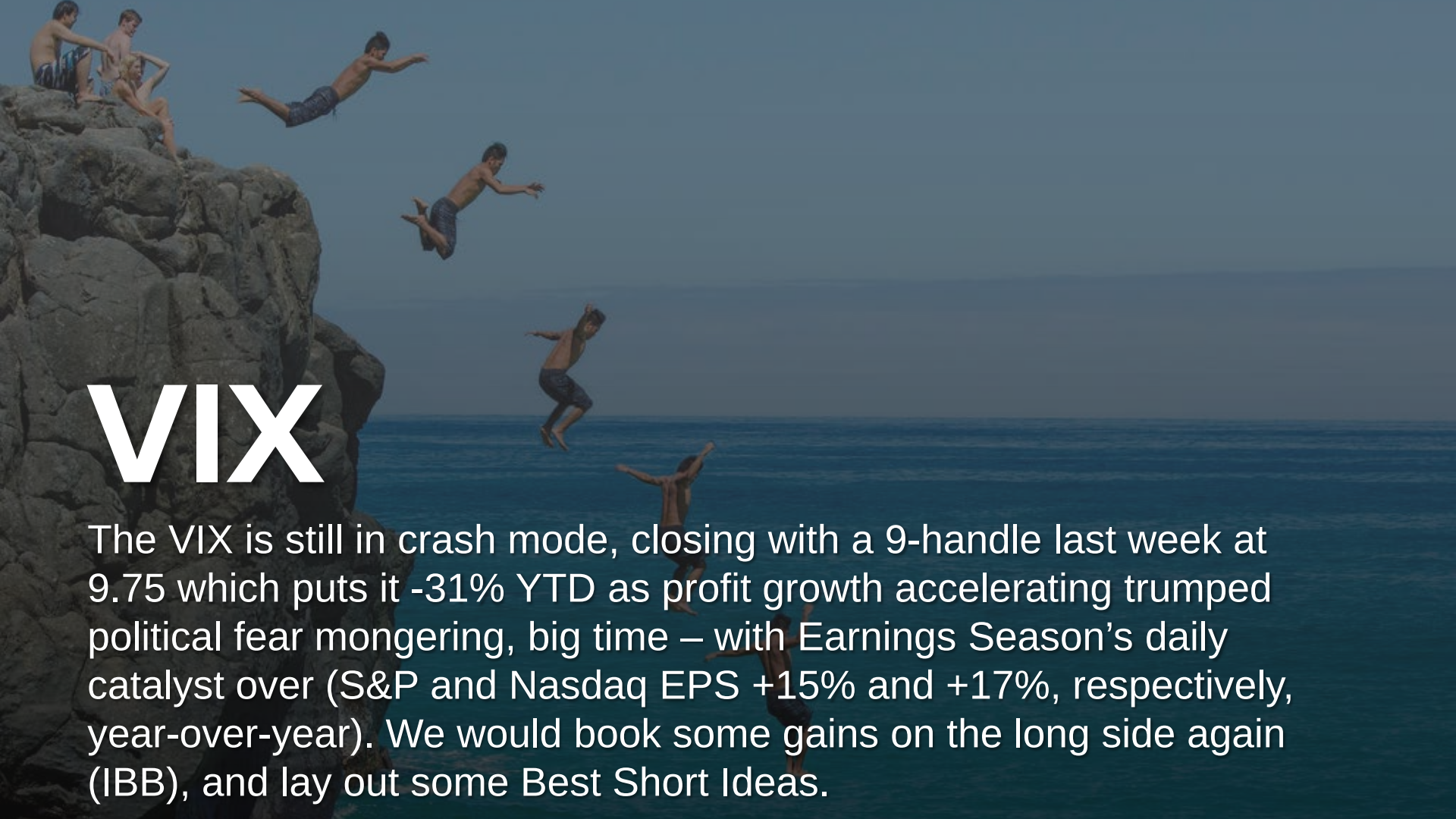
3 VIX

GBP

Amazing markets can be – the British Pound just ticked to UP on the session vs. USD and the FTSE is only down -0.2% in London after the UK Services PMI report slowed from a 4-month high to 53.8 in MAY from 55.8 in APR. We're still bullish on the Pound and Keith and Darius are headed to London this morning.

RATES

UST 10YR Yield was straight back down to the low-end of our 2.14-2.32% risk range last week as A) ***Reflation's Rollover*** (Oil and CRB index -4.3% and -2.2 last week) becomes obvious in the inflation component of bond yield expectations and B) the NFP print wasn't the headline blowout that ADP was (bond yields do much better in Quad2 when both growth and inflation are accelerating).



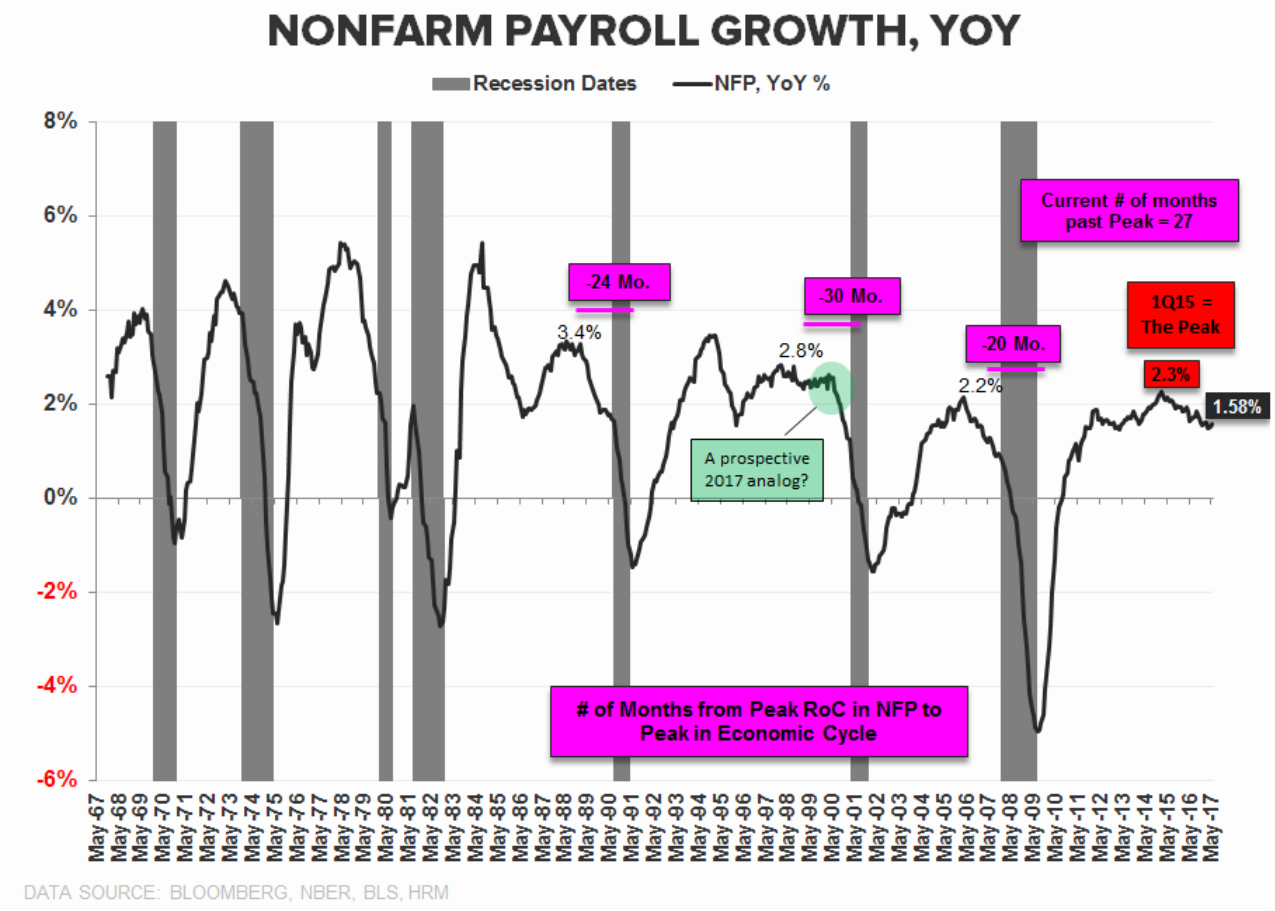
VIX

The VIX is still in crash mode, closing with a 9-handle last week at 9.75 which puts it -31% YTD as profit growth accelerating trumped political fear mongering, big time – with Earnings Season's daily catalyst over (S&P and Nasdaq EPS +15% and +17%, respectively, year-over-year). We would book some gains on the long side again (IBB), and lay out some Best Short Ideas.

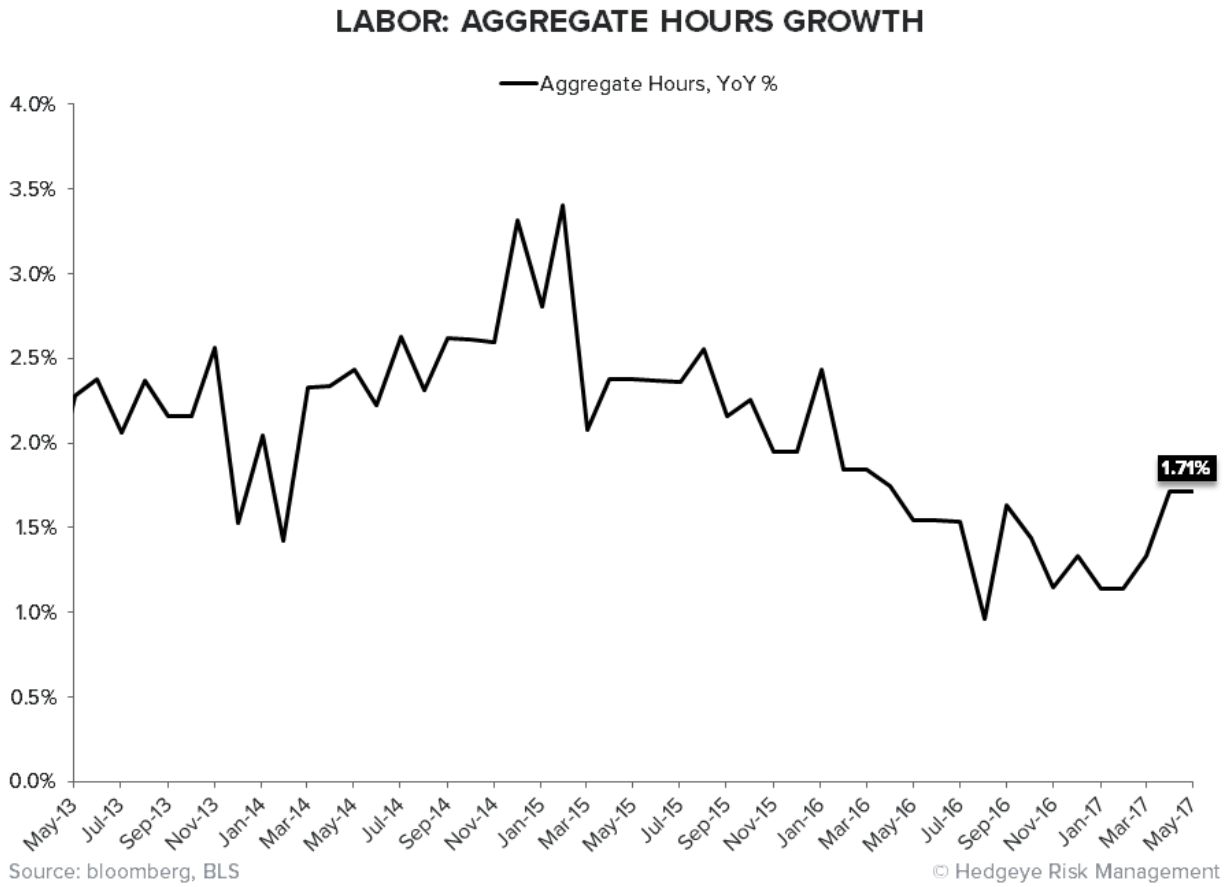
CHRISTIAN DRAKE

Macro & Housing

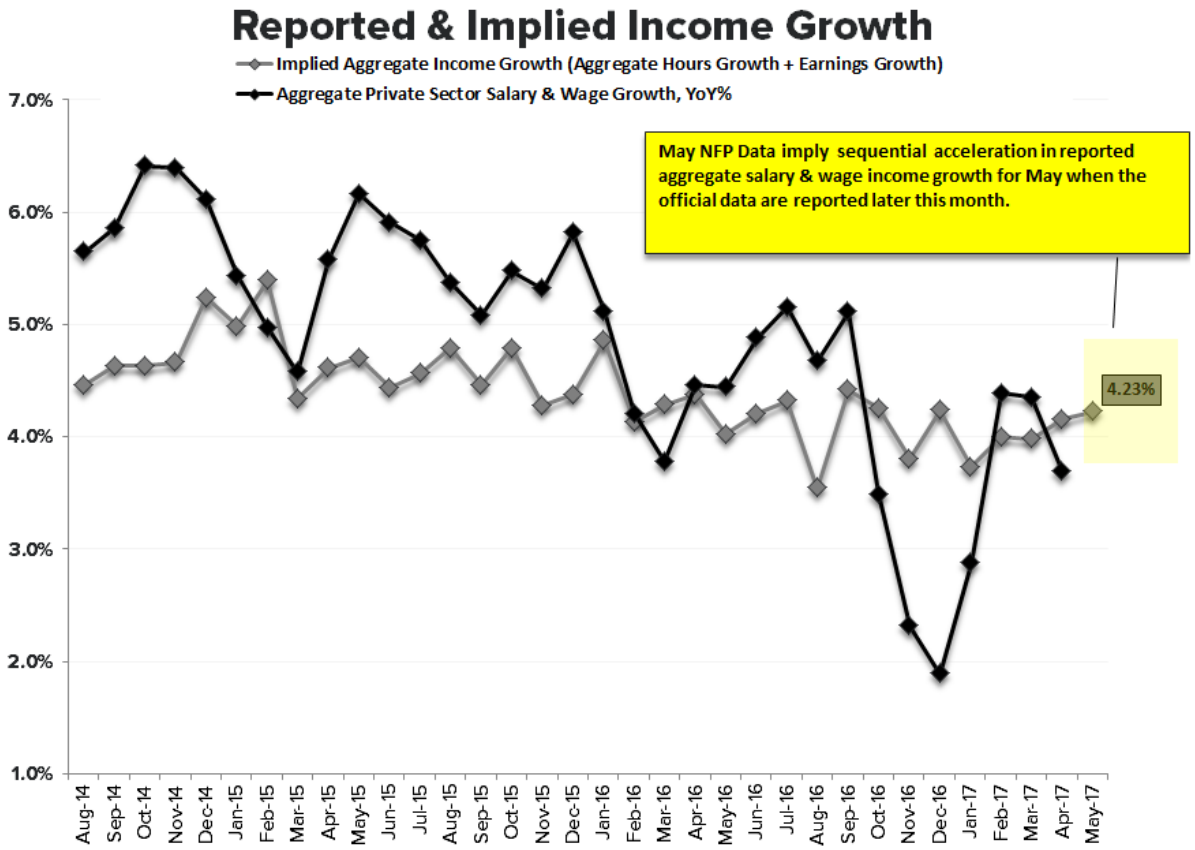
PAYROLL GROWTH: 138K = ACCELERATION



AGGREGATE HOURS GROWTH: TREND ↑

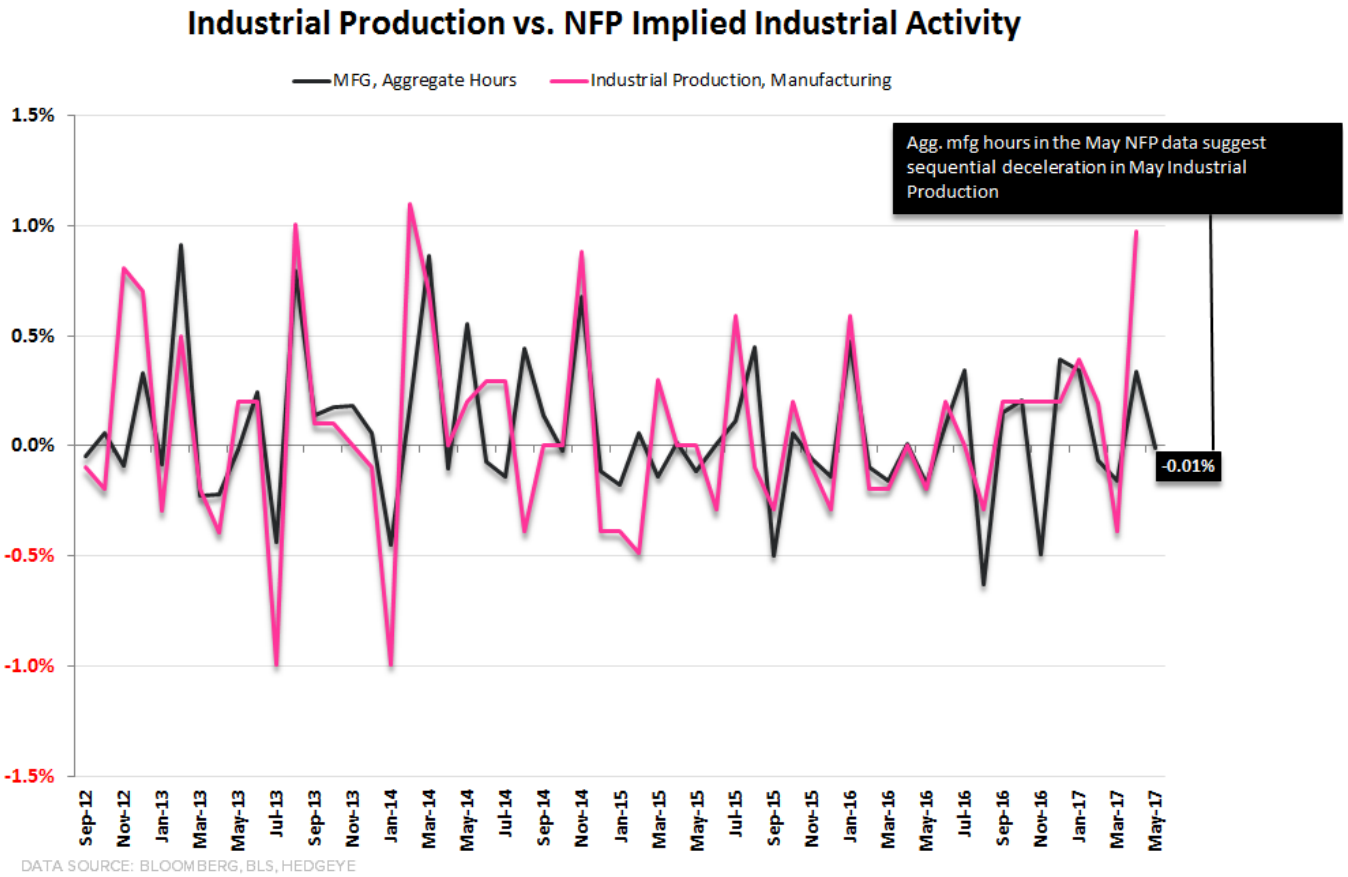


INCOME GROWTH: MODEST MAY ACCELERATION



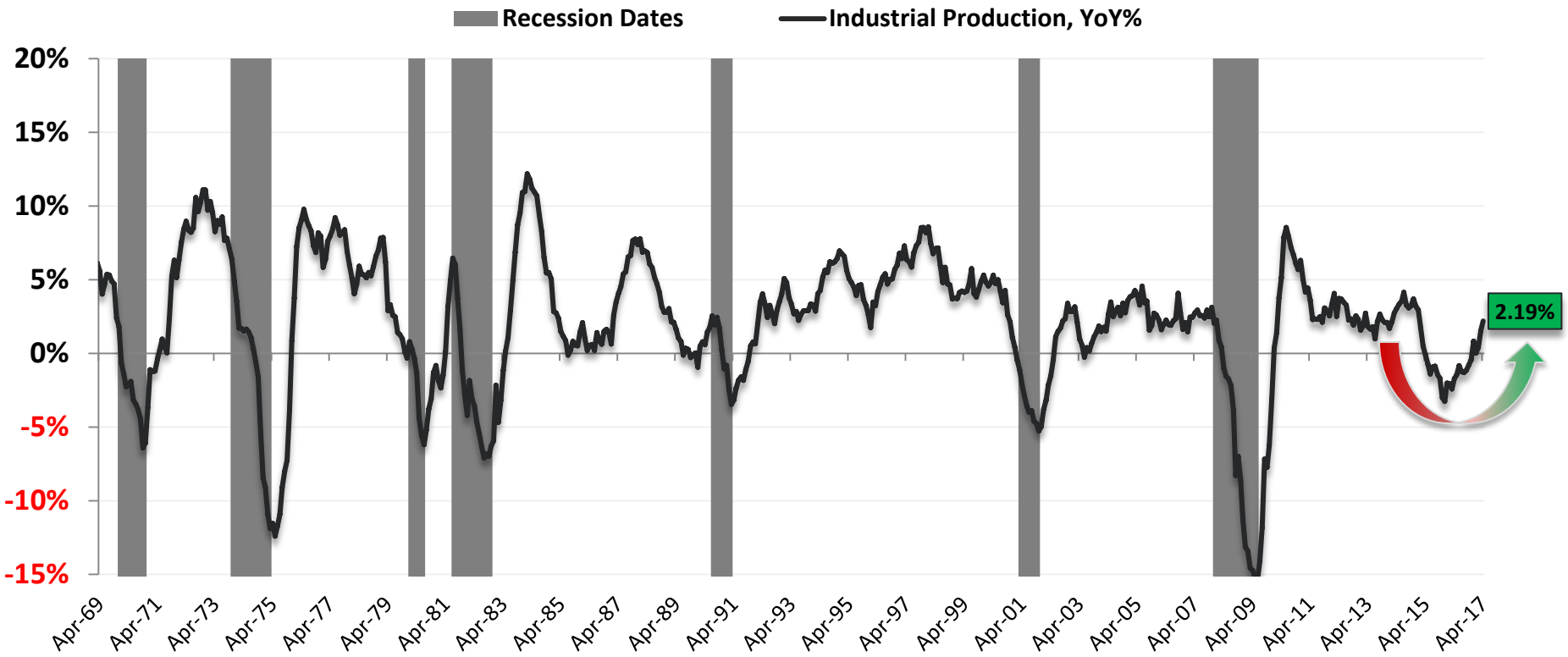
DATA SOURCE: BLOOMBERG, HEDGEYE

INDUSTRIAL PRODUCTION: M/M ↓, Y/Y ↑



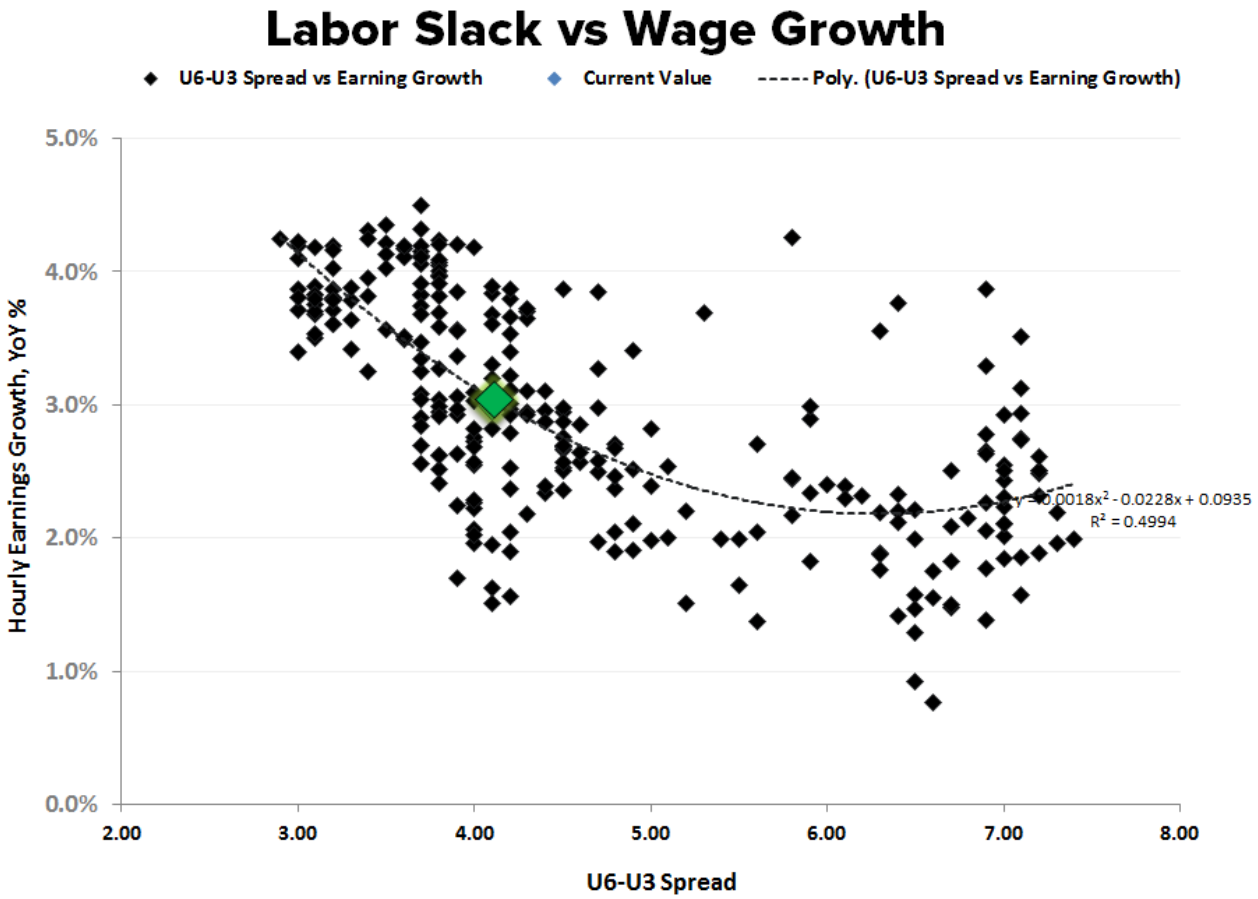
INDUSTRIAL PRODUCTION = ACCELERATING

IP GROWTH ACCELERATED TO A 28-MONTH HIGH IN APRIL, MARKING THE 5TH CONSECUTIVE MONTH OF POSITIVE GROWTH AND CONTINUING THE IMPROVEMENT OFF THE LONGEST NON-RECESSION STREAK OF NEGATIVE GROWTH EVER.



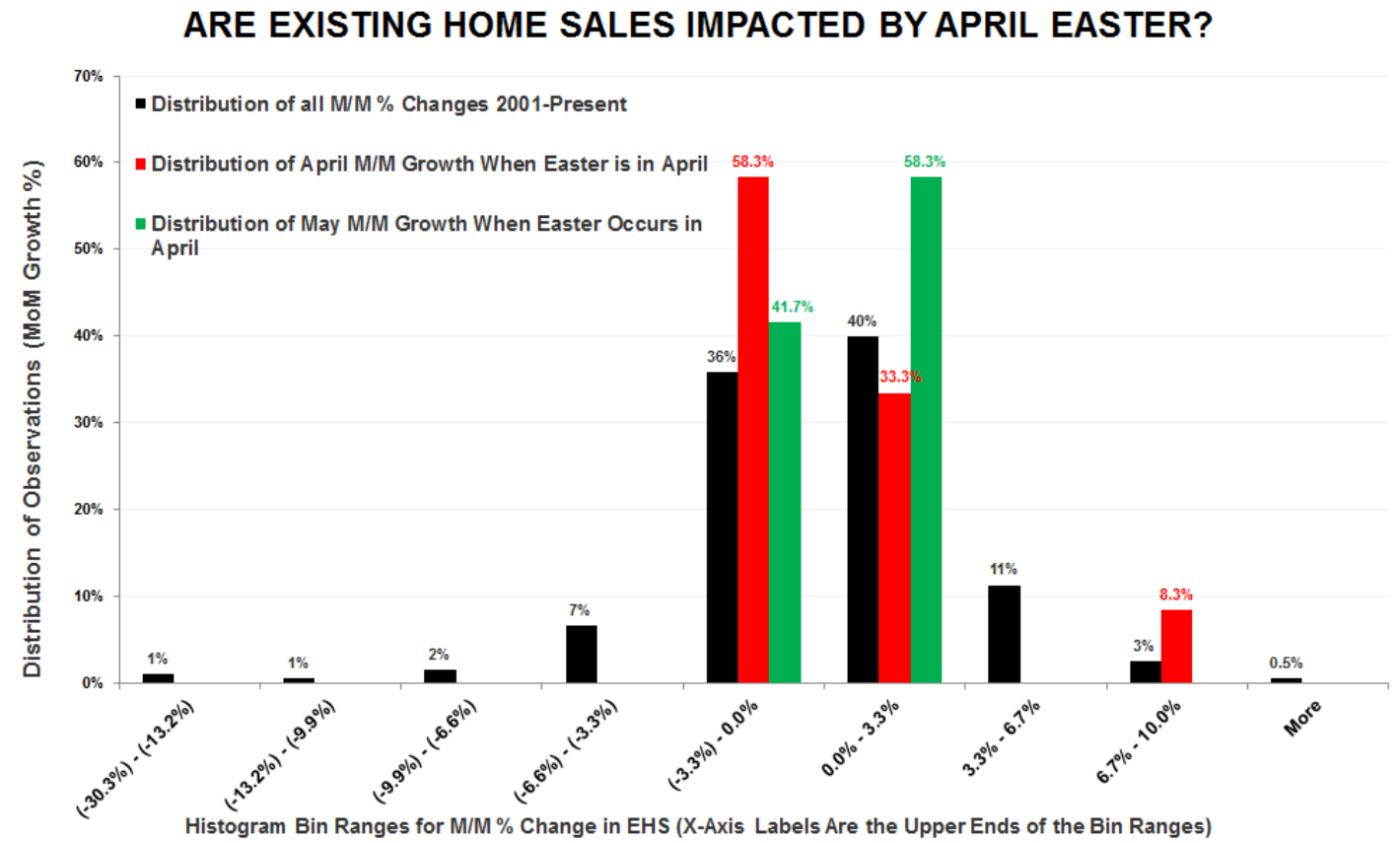
Data Source: Bloomberg, Federal Reserve

NAIRU ↓, SLACK ↓, WAGE GROWTH ?



Data Source: Bloomberg

EHS EASTER DISTORTION: APRIL ↓, MAY ↑



DATA SOURCE: CENSUS

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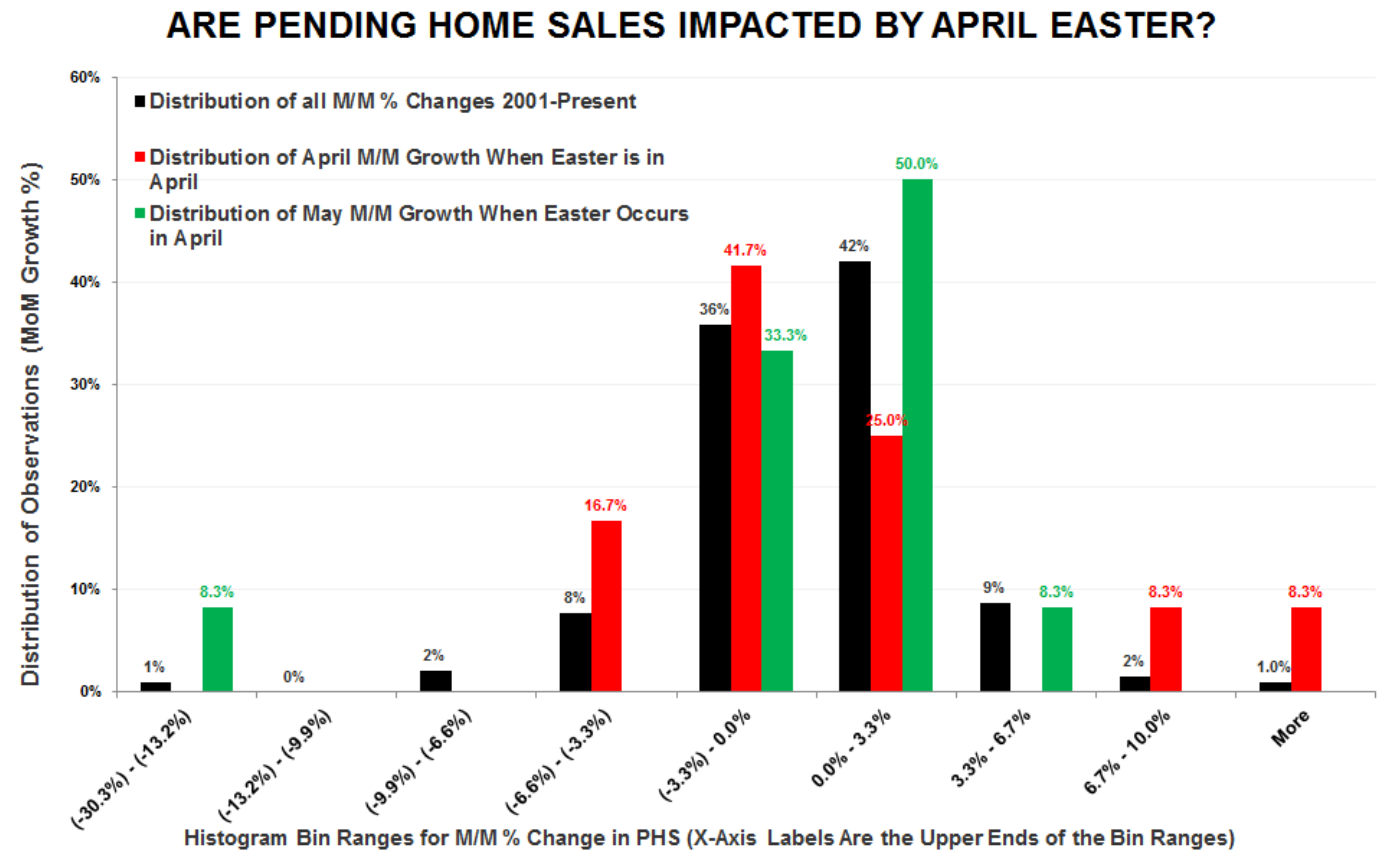
When Easter falls in April, housing demand has historically been pulled forward into March. This results in a consistent pattern of subsequent weakness in April followed by rebound strength in May.

Data Source: Census Bureau

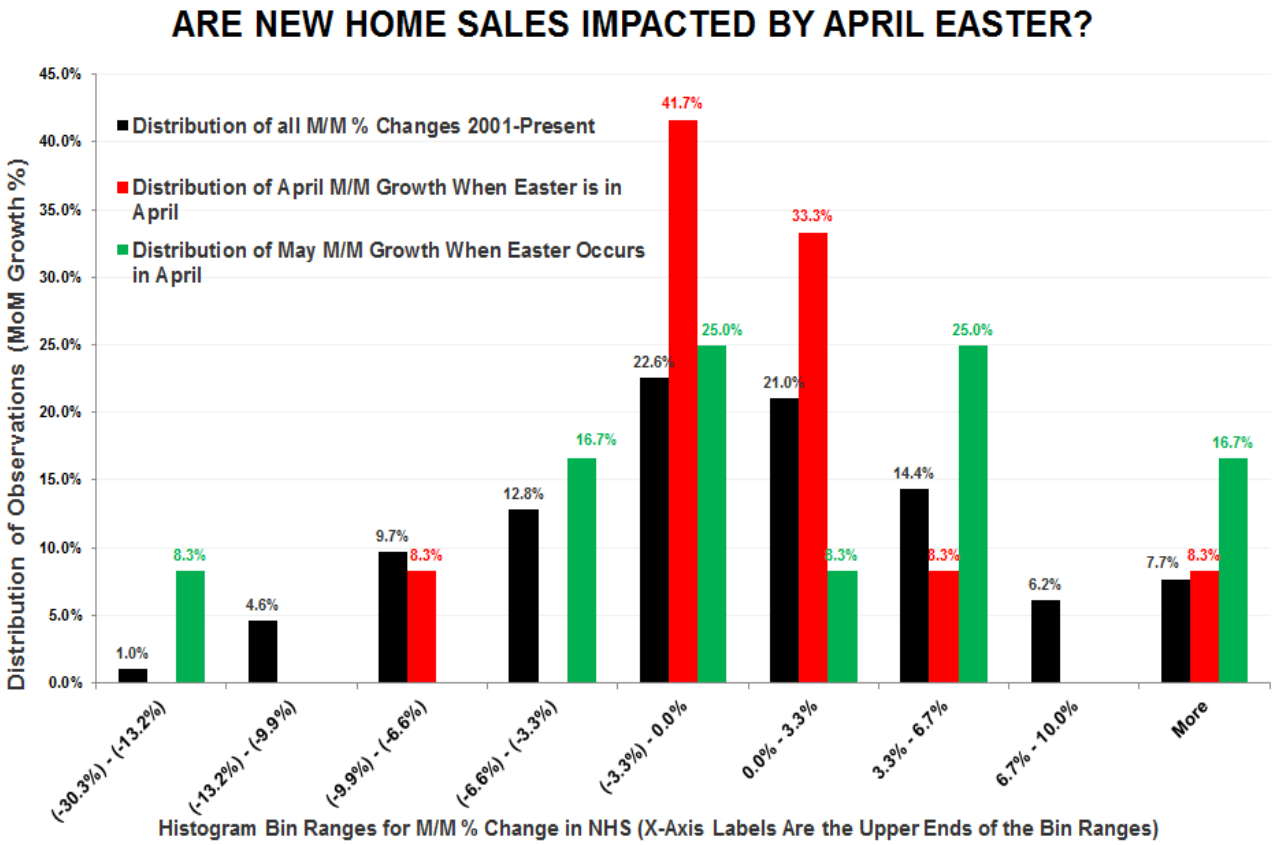
PHS = SAME DISTORTION



We expect that this will cause the April prints to be generally soft on a sequential and Y/Y basis.

Data Source: Census Bureau

NHS: AGAIN, SAME PHENOMENON



DATA SOURCE: CENSUS

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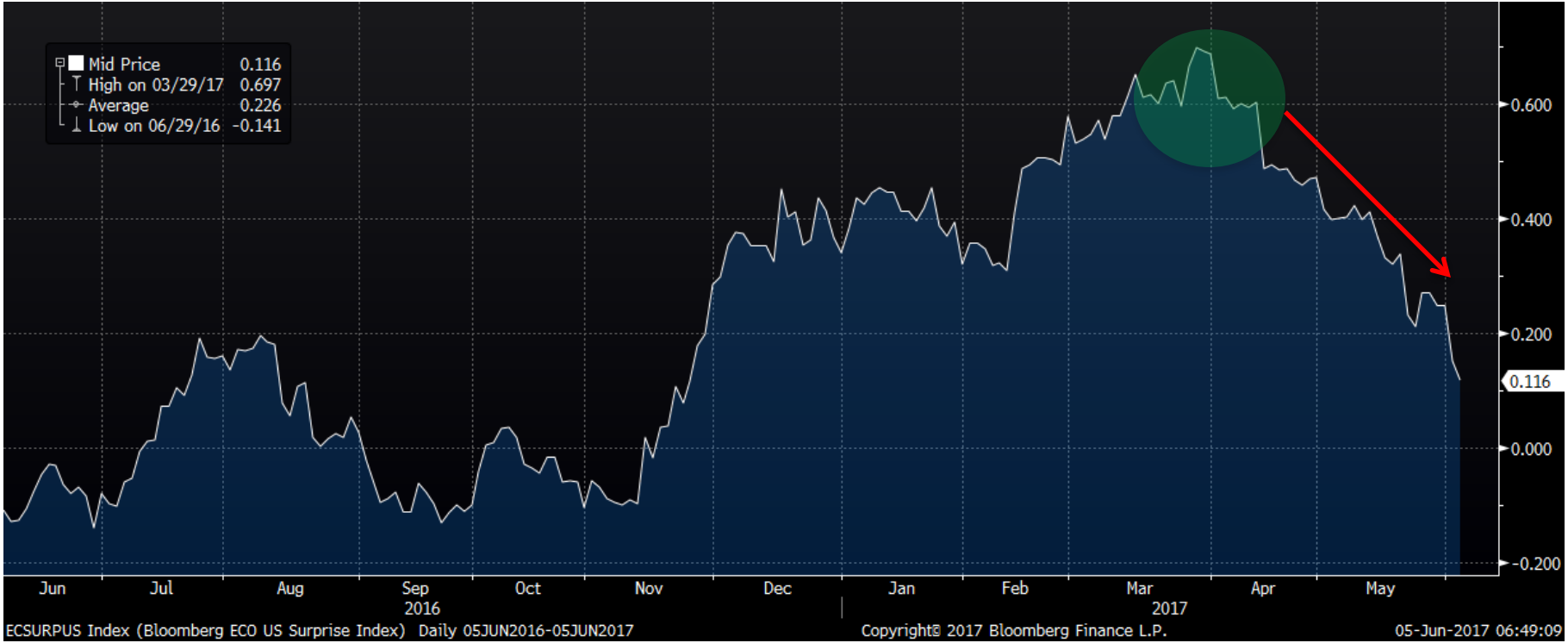
We expect that this will cause the April prints to be generally soft on a sequential and Y/Y basis.

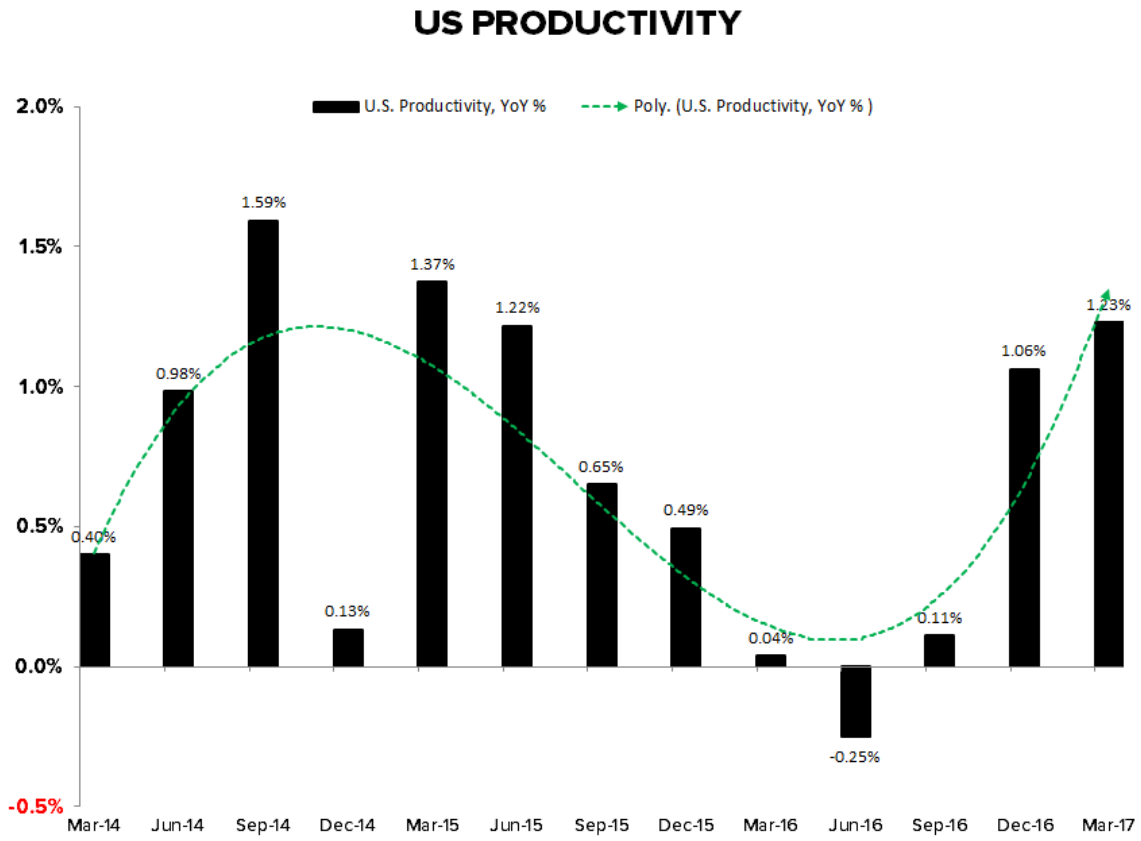
Data Source: Census Bureau

ECONOMIC SURPRISE INDEX



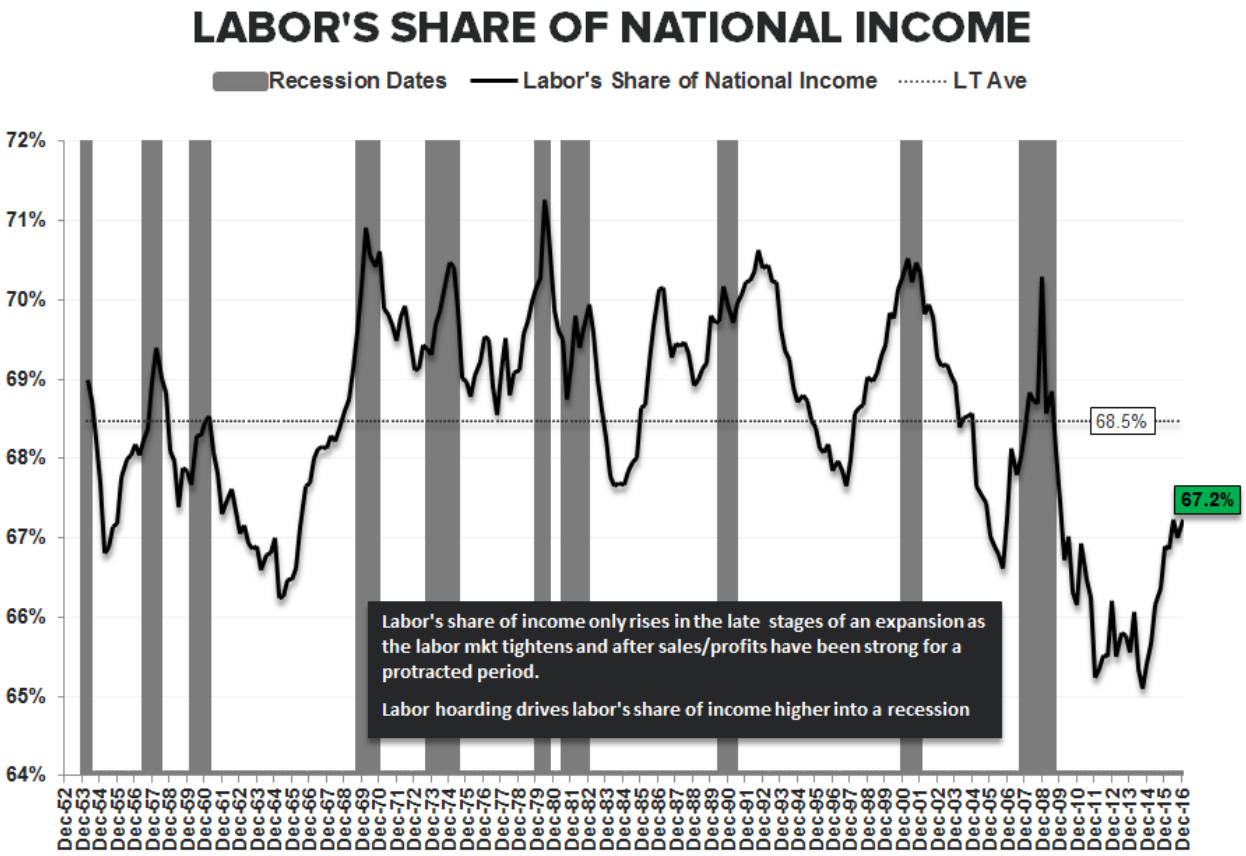
SOURCE: BLOOMBERG

PRODUCTIVITY = ↑



DATA SOURCE: BLOOMBERG, BLS

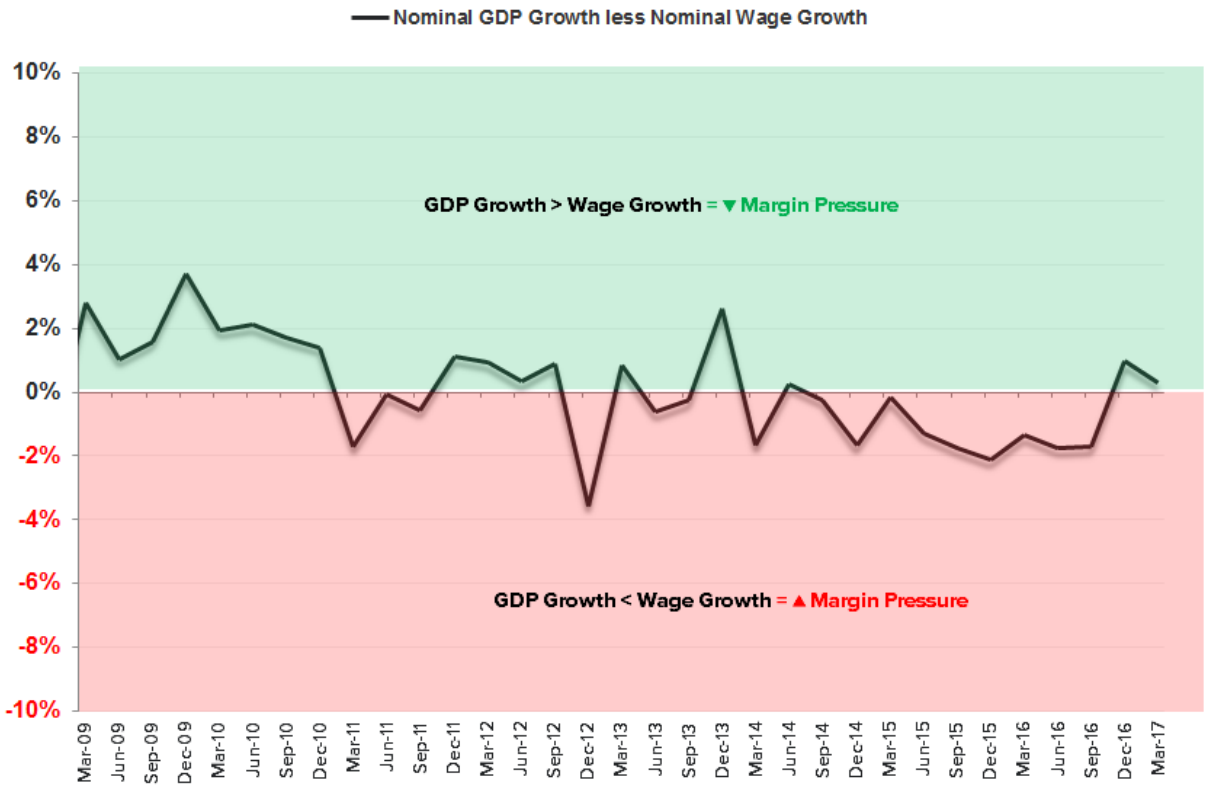
LABOR INCOME



DATA SOURCE:BLOOMBERG,BEA, BLS, HEDGEYE

LABOR INCOME ↑, MARGINS ↓

MACRO: REVENUE VS COSTS



DATA SOURCE: BLOOMBERG, BEA, HEDGEYE

MACRO GRIND

SOME SERIOUS ALPHA IN "REAL GROWTH" IN 2017

S&P 500 SPDR RELATIVE SECTOR PERFORMANCE					
Sector SPDR ETF	D/D %	5-Day %	MTD %	YTD %	Y/Y %
Consumer Discretionary	0.03%	0.96%	0.18%	4.08%	0.48%
Financials	-0.72%	-1.72%	-0.27%	-8.37%	6.72%
Health Care	0.32%	0.83%	0.63%	3.07%	-9.02%
Technology	0.58%	0.39%	0.04%	9.03%	14.04%
Consumer Staples	-0.04%	0.74%	-0.02%	1.52%	-9.19%
Industrials	0.06%	0.31%	-0.11%	0.39%	5.71%
Materials	-0.09%	0.93%	0.32%	-0.88%	-3.13%
Energy	-1.49%	-3.12%	-1.67%	-22.82%	-18.30%
Utilities	-0.22%	0.65%	-0.31%	2.52%	-7.73%
Real Estate	0.54%	-0.87%	0.06%	-4.39%	-15.51%

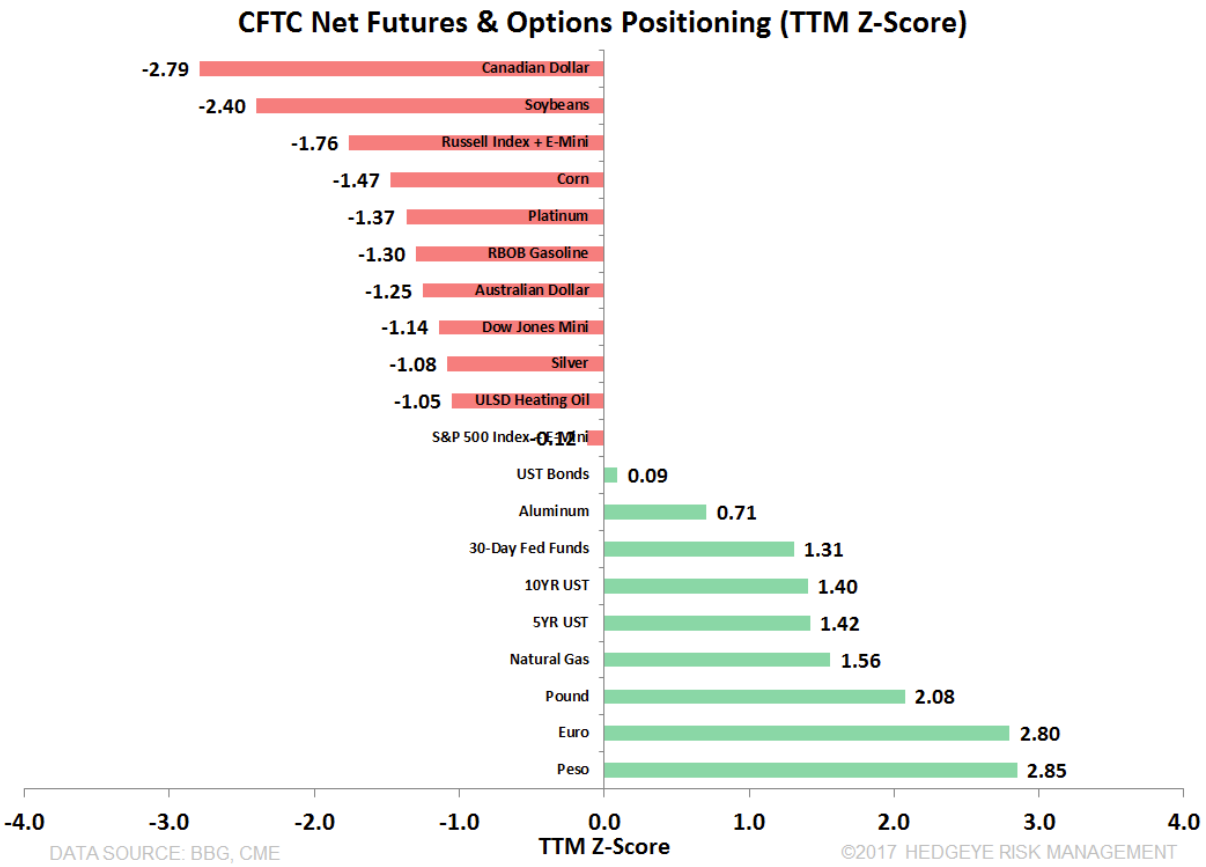
S&P REV. & EARNINGS COMPS & SCORECARD

Q1 2017 QTD U.S. Index Comps

INDEX	SALES GROWTH (YY%)	EARNINGS GROWTH (YY%)	#REPORTED
S&P 500	7.8%	14.7%	495 / 499
NASDAQ 100	11.2%	18.2%	102 / 102
DOW JONES	5.8%	14.4%	30 / 30
RUSSELL 2000	6.7%	3.4%	1832 / 1912

Q1 2017 QTD S&P 500 Sector Comps

S&P 500 SECTOR	SALES GROWTH (YY%)	EARNINGS GROWTH (YY%)	#REPORTED
S&P 500 (Aggregate)	7.8%	14.7%	495 / 499
Energy	33.0%	622.3%	34 / 34
Materials	9.1%	19.4%	25 / 25
Industrials	4.2%	1.3%	68 / 68
Consumer Discret.	8.1%	6.6%	78 / 79
Consumer Staples	1.9%	3.5%	34 / 37
Healthcare	5.4%	4.9%	60 / 60
Financials	9.9%	18.4%	65 / 65
Information Tech.	8.1%	21.7%	68 / 68
Telecom	-4.7%	-4.6%	4 / 4
Utilities	7.3%	3.4%	28 / 28
Real Estate	3.3%	6.6%	31 / 31


CFTC Net Futures & Options Positioning (TTM Z-Score)
-2.79 Canadian Dollar
-2.40 Soybeans
-1.76 Russell Index + E-Mini
-1.47 Corn
-1.37 Platinum
-1.30 RBOB Gasoline
-1.25 Australian Dollar
-1.14 Dow Jones Mini
-1.08 Silver
-1.05 ULSD Heating Oil
S&P 500 Index - E-Mini -0.12
UST Bonds 0.09
Aluminum 0.71
30-Day Fed Funds 1.31
10YR UST 1.40
5YR UST 1.42
Natural Gas 1.56
Pound 2.08
Euro 2.80
Peso 2.85
-4.0 -3.0 -2.0 -1.0 0.0 1.0 2.0 3.0 4.0
TTM Z-Score
DATA SOURCE: BBG, CME
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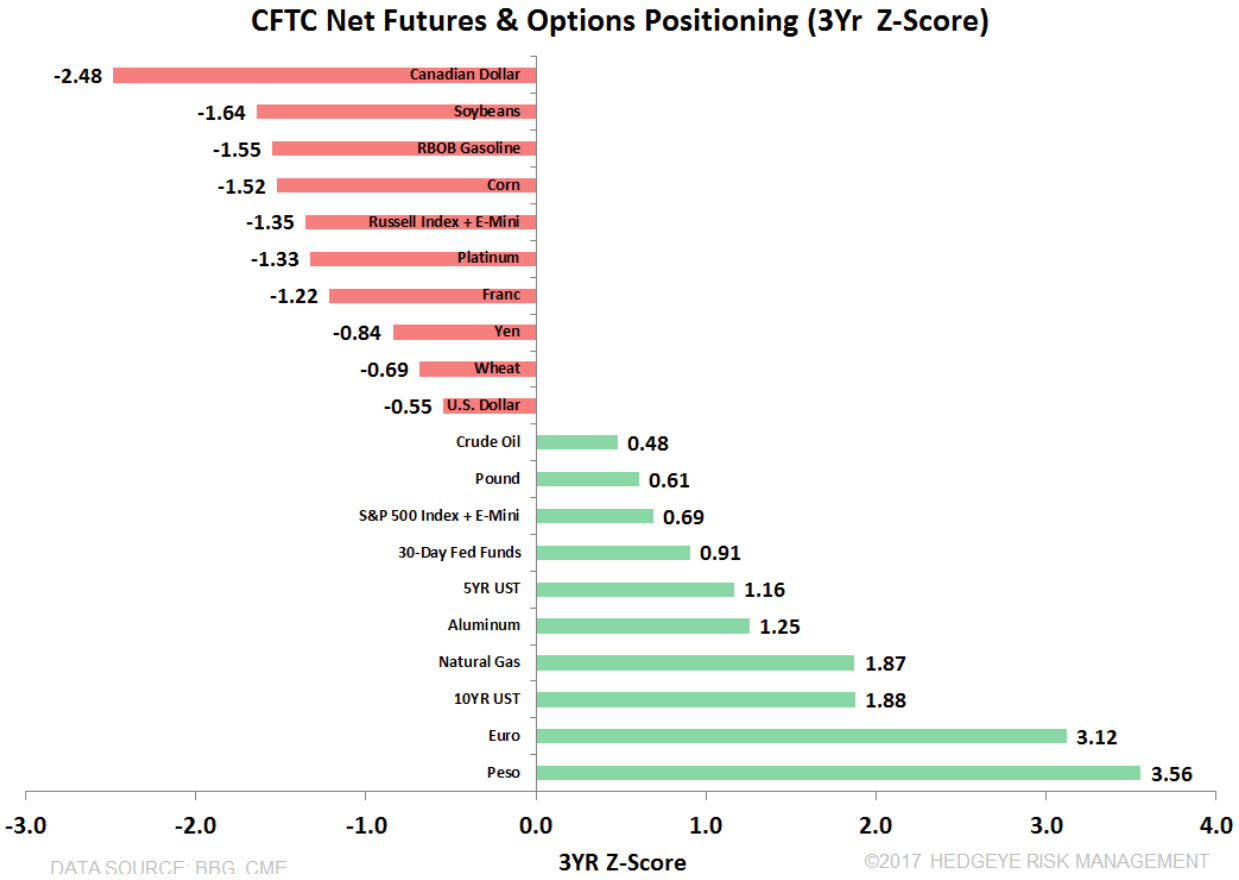
CFTC Net Futures & Options Positioning (3Yr Z-Score)
-2.48 Canadian Dollar
-1.64 Soybeans
-1.55 RBOB Gasoline
-1.52 Corn
-1.35 Russell Index + E-Mini
-1.33 Platinum
-1.22 Franc
-0.84 Yen
-0.69 Wheat
-0.55 U.S. Dollar
Crude Oil 0.48
Pound 0.61
S&P 500 Index + E-Mini 0.69
30-Day Fed Funds 0.91
5YR UST 1.16
Aluminum 1.25
Natural Gas 1.87
10YR UST 1.88
Euro 3.12
Peso 3.56
-3.0
-2.0
-1.0
0.0
1.0
2.0
3.0
4.0
3YR Z-Score
DATA SOURCE: BBG, CME
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HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$92.24	0.36%	1.31%	13.32%
Financial Select Sector	XLF	$23.45	-0.38%	0.86%	0.86%
Health Care Select Sector	XLV	$77.42	0.65%	1.76%	12.30%
Technology Select Sector	XLK	$57.19	0.92%	1.17%	18.26%
Consumer Staples Select Sector	XLP	$57.27	0.30%	1.11%	10.75%
Industrial Select Sector	XLI	$68.21	0.40%	1.02%	9.63%
Materials Select Sector	XLB	$53.85	0.24%	1.45%	8.35%
The Energy Select Sector	XLE	$65.09	-1.15%	-0.53%	-13.58%
Utilities Select Sector	XLU	$54.28	0.11%	0.82%	11.76%
S&P 500	SPX	2,439.07	0.37%	1.13%	8.94%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$92.24	-0.01%	0.18%	4.37%
Financial Select Sector	XLF	$23.45	-0.75%	-0.27%	-8.08%
Health Care Select Sector	XLV	$77.42	0.28%	0.63%	3.36%
Technology Select Sector	XLK	$57.19	0.55%	0.04%	9.31%
Consumer Staples Select Sector	XLP	$57.27	-0.07%	-0.02%	1.81%
Industrial Select Sector	XLI	$68.21	0.03%	-0.11%	0.68%
Materials Select Sector	XLB	$53.85	-0.13%	0.32%	-0.59%
The Energy Select Sector	XLE	$65.09	-1.52%	-1.67%	-22.53%
Utilities Select Sector	XLU	$54.28	-0.26%	-0.31%	2.81%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.1%	0.9%	1.8%	-1.1%	7.0%	5.3%
	Low Debt/EV	0.3%	1.4%	2.4%	4.6%	13.1%	12.1%
SI	High Short Interest	-0.2%	0.8%	0.3%	-2.1%	0.6%	0.2%
	Low Short Interest	0.3%	0.9%	1.9%	2.7%	12.3%	10.3%
BETA	High Beta	-0.3%	0.5%	0.4%	-1.4%	6.8%	5.7%
	Low Beta	0.3%	1.1%	2.8%	3.5%	11.7%	8.6%
YIELD	High Yield	0.0%	0.8%	0.9%	-2.0%	2.0%	0.2%
	Low Yield	0.1%	0.8%	2.0%	3.0%	12.6%	11.3%
MKT CAP	MCAP Bottom 25%	-0.4%	0.5%	-1.2%	-3.6%	-0.8%	-0.9%
	MCAP Top 25%	0.4%	1.2%	2.3%	3.0%	13.0%	10.8%
Sales	Top 25% Sales Growth	0.1%	0.6%	2.1%	3.0%	11.5%	10.0%
	Bottom 25% Sales Growth	-0.1%	1.0%	0.7%	-1.4%	3.4%	2.2%
EPS	Top 25% EPS Growth	0.0%	0.7%	2.4%	2.9%	10.7%	9.3%
	Bottom 25% EPS Growth	-0.1%	0.8%	0.7%	-0.8%	4.6%	2.8%

**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	0.97%	0.0	4.6	13	31	-4	81	75	82
3M LIBOR	1.22%	0.0	1.6	4	12	0	60	67	77
2Y T-Note	1.29%	-0.2	-0.6	3	-2	-11	79	51	70
5Y T-Note	1.72%	-4.3	-7.1	-8	-30	-43	83	18	35
10Y T-Note	2.16%	-5.2	-8.7	-12	-32	-48	84	4	0
30Y T-Note	2.81%	-5.3	-10.2	-16	-26	-40	72	-3	-21
2Y-10Y Spread, Bps	87	-5.0	-8.2	-15.1	-30	-37	5	-48	-70
IG SPREAD (AAABBB)	1.46%	0.0	0.0	-9	-4	-54	1	-24	-26
HIGH YIELD	5.41%	-3.6	-43.6	-46	-33	-193	0	-125	-108
5Y BREAKEVEN	1.75%	-2.0	-0.8	-3.0	-27.0	-33.1	49.4	19.4	2.8

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)	58,030	12,731	100,436	54,238	67,015	-0.12X	0.70X
Russell 2000 (mini)	(72,910)	(541)	(44,677)	9,578	5,155	-1.76X	-1.41X
10Y Treasury	248,030	(116,981)	63,672	(132,097)	(35,240)	1.40X	2.23X
CRUDE OIL	405,052	4,650	452,808	484,701	421,351	-0.20X	0.64X
GOLD	131,572	13,911	112,224	89,705	154,078	-0.28X	0.38X
COPPER	9,725	(3,405)	18,784	33,891	15,132	-0.19X	0.68X
$USD	27,644	(3,629)	40,929	45,479	35,163	-0.45X	-0.69X
JPY	(55,818)	(2,552)	(48,376)	(56,463)	(6,279)	-0.92X	-0.46X
EUR	73,218	7,638	(26)	(30,116)	(65,184)	2.80X	3.01X
GBP	(29,809)	(2,410)	(80,065)	(71,821)	(73,300)	2.08X	0.15X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (6/2) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	1.0%	2.1%	-7%	18%
Total Exchange Volume**	-8%	-3%	-4%	-6%
Total Traded Value (R3K)***	0.3%	5%	6%	8%

*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	-0.34	-0.43	-0.44	-0.67	0.21	*0.95*	*-0.76*	*50%*	*50%*
BRENT Oil	-0.08	-0.53	0.48	0.57	0.50	*0.81*	*-0.78*	*60%*	*40%*
CRB Index	0.09	-0.84	0.00	0.57	0.48	*0.83*	*-0.86*	*40%*	*60%*
GOLD	-0.86	-0.57	-0.39	-0.70	-0.79	*0.90*	*-0.97*	*21%*	*79%*

**Days = Trading Days*

OTHER KEY METRICS

METRIC	PRICE	1D % Chg	5D % Chg	1M % Chg	3M % Chg	MTD % Chg	YTD % Chg	vs. 52-Wk High	vs. 52-Wk Low
Brent Oil	$49.95	-1.34%	-4.22%	-1.01%	-9.31%	-1.4%	-11.3%	-14%	20%
Gold	$1,279	1.04%	0.98%	1.78%	3.64%	0.8%	11.5%	-7%	14%
VIX	$9.75	-1.42%	-0.61%	-7.93%	-17.44%	-6.3%	-30.6%	-64%	2%