THE MACRO SHOW

APRIL 10, 2017

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.

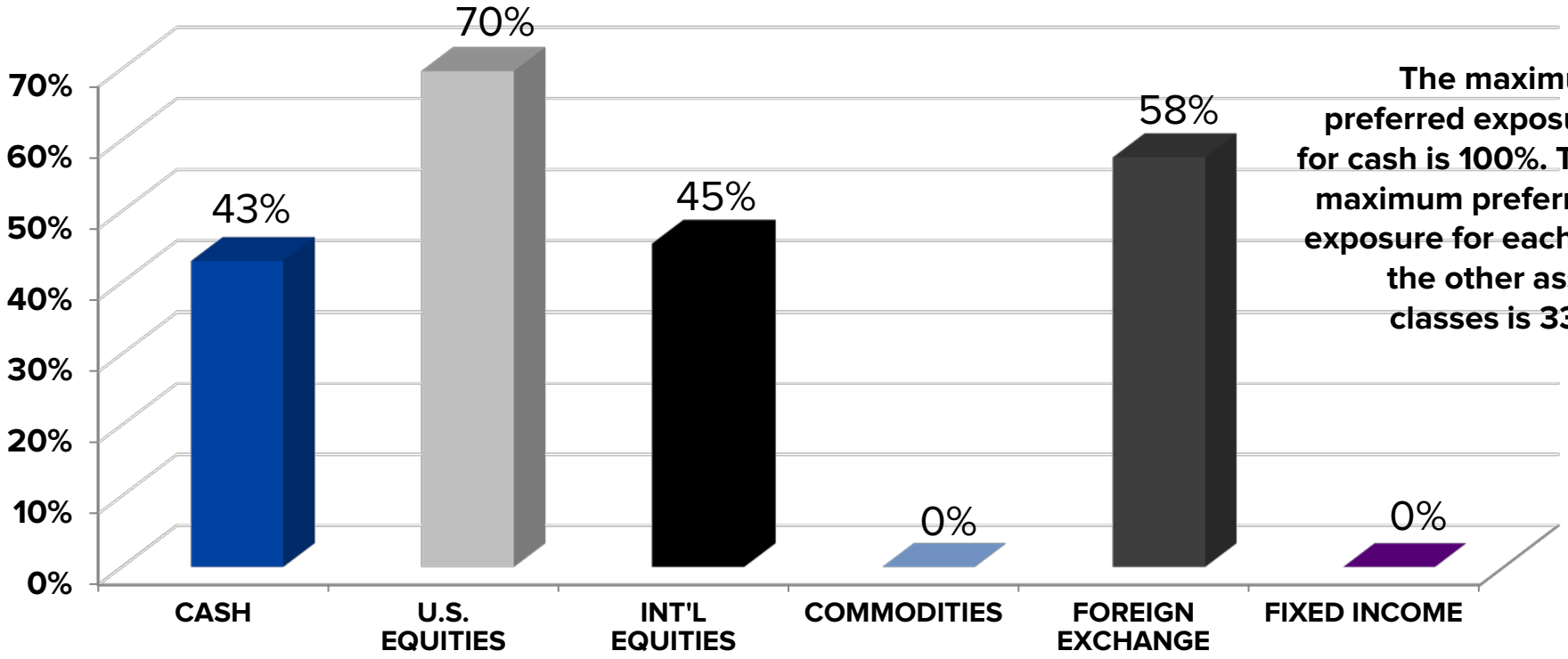
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/7/2017	43	23	15	0	19	0
4/10/2017	43	23	15	0	19	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/7/2017	43%	70%	45%	0%	58%	0%
4/10/2017	43%	70%	45%	0%	58%	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



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

April 10, 2017

THE MACRO SHOW

HEDGEYE TV

1 U.S./CHINA SUMMIT

2 TREASURIES

3 FRANCE

U.S./CHINA SUMMIT

With respect to bilateral trade and the perceived North Korean nuclear threat, there were little meaningful developments emanating from Xi's visit to Trump's Mar-a-lago resort, though it's fair to say that risk of the U.S. entering a trade war with China are somewhat reduced for now. Both Trump's tweet machine and Chinese state media trumpeted the meeting as positive, with the basis of a friendship being formed between the two leaders. Both parties agreed on a 100-day plan to identify ways to reduce the U.S.'s $347B trade deficit with China by granting more access – particularly for U.S. farmers – to mainland markets. Commerce Secretary Wilbur Ross said the U.S. made it very clear that a reduction in the trade balance was their primary objective, so to borrow Trump's own words, "time will tell on trade". For now, however, one of the key threats to the U.S. equity bull market (i.e. protectionism) appears to be receding at the margin.

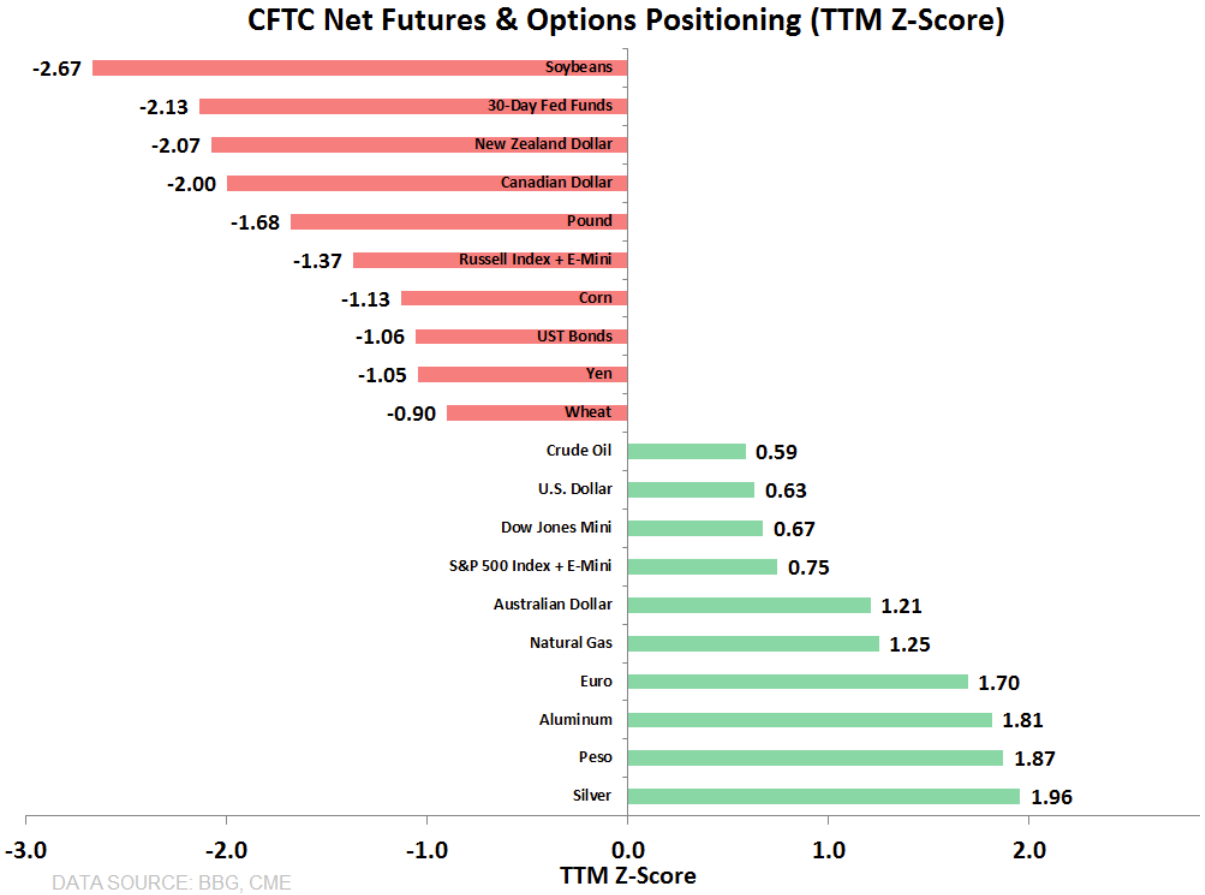
TREASURIES

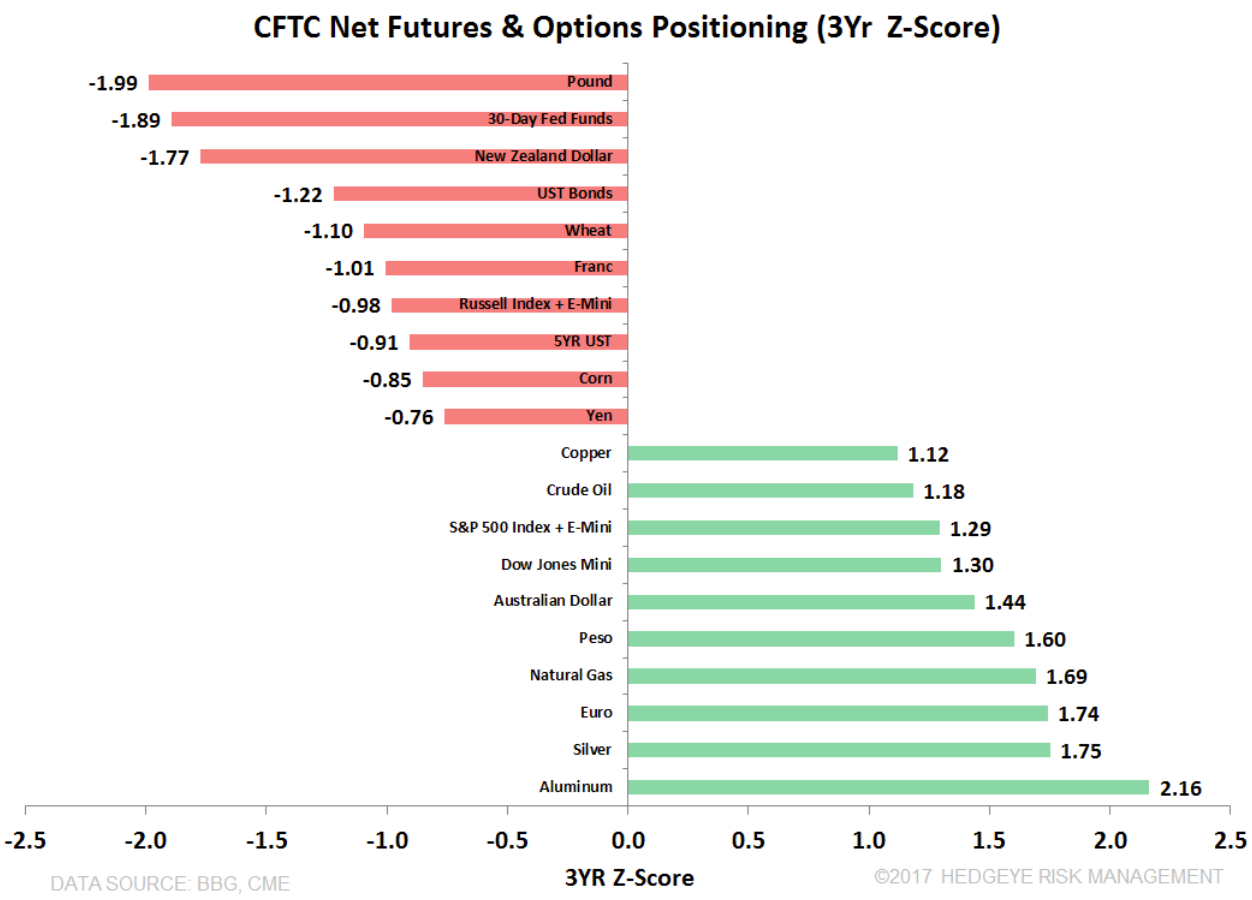
Treasury bears have been underwhelmed by rates in 2017, and many are fleeing the front lines. As process-driven growth bulls this is what we'd want to see to make room for our short-view. The 10-yr UST yield has done a whole lot of nothing this year, declining 6bps. With this consolidation, treasury-related short positioning has been unwound in a big way. Looking at CFTC net non-commercial futures & options positioning, 5-year net short positioning hit a multi-year high at -414K contracts mid-January. That consensus short positioning has been cut to -265K currently. Similarly, 10-year treasury net short positioning, which also peaked in Mid-January at -389K contracts, has been cut to a YTD low this week at -164K currently which is the lowest net short positioning since November 15th. Process drives our longer-term view from here.

FRANCE

The latest poll by Kantar-Sofres showed further momentum for left-wing candidate Jean-Luc Melenchon, increasing 6 points to 18% (vs Fillon at 17%). That said, Macron and Le Pen are still leading at 24% (-2 pt vs prior week). As we get closer to first round voting (April 23rd), we suggest any strength in a politically extreme candidates like Le Pen or Melenchon will pressure the EUR/USD to the downside.

MACRO GRIND


CFTC Net Futures & Options Positioning (TTM Z-Score)
-2.67 Soybeans
-2.13 30-Day Fed Funds
-2.07 New Zealand Dollar
-2.00 Canadian Dollar
-1.68 Pound
-1.37 Russell Index + E-Mini
-1.13 Corn
-1.06 UST Bonds
-1.05 Yen
-0.90 Wheat
Crude Oil 0.59
U.S. Dollar 0.63
Dow Jones Mini 0.67
S&P 500 Index + E-Mini 0.75
Australian Dollar 1.21
Natural Gas 1.25
Euro 1.70
Aluminum 1.81
Peso 1.87
Silver 1.96
-3.0
-2.0
-1.0
0.0
1.0
2.0
TTM Z-Score
DATA SOURCE: BBG, CME


CFTC Net Futures & Options Positioning (3Yr Z-Score)
-1.99 Pound
-1.89 30-Day Fed Funds
-1.77 New Zealand Dollar
-1.22 UST Bonds
-1.10 Wheat
-1.01 Franc
-0.98 Russell Index + E-Mini
-0.91 5YR UST
-0.85 Corn
-0.76 Yen
Copper 1.12
Crude Oil 1.18
S&P 500 Index + E-Mini 1.29
Dow Jones Mini 1.30
Australian Dollar 1.44
Peso 1.60
Natural Gas 1.69
Euro 1.74
Silver 1.75
Aluminum 2.16
-2.5 -2.0 -1.5 -1.0 -0.5 0.0 0.5 1.0 1.5 2.0 2.5
3YR Z-Score
DATA SOURCE: BBG, CME
©2017 HEDGEYE RISK MANAGEMENT

	REALIZED VOLATILITY				IMPLIED VOLATILTY*				IMPLIED** VS. REALIZED VOLATILITY								
		Duration of Realized (%)			At-The-Money %					30 Day			60 Day			3 Month	
											Z-Score			Z-Score			Z-Score
Index/Security	**Ticker**	**30D**	**60D**	**90D**	**Current**	**v 1M Avg**	**v 3M Avg**	**v 6M Avg.**	**Ticker**	**Premium**	**TTM**	**3Yr**	**Premium**	**TTM**	**3Yr**	**Premium**	**TTM**	**3Yr**
S&P 500	**SPX**	7.4%	6.6%	6.9%	10.2%	5.1%	7.1%	-6.3%	**SPX**	35.2%	**0.35**	**0.84**	55.0%	**1.31**	**1.82**	58.1%	**1.76**	**2.10**
Russell 2000	**RTY**	15.3%	14.1%	14.1%	16.4%	6.9%	5.4%	-1.6%	**RTY**	5.9%	**0.03**	**-0.01**	16.0%	**0.70**	**0.48**	18.7%	**1.12**	**0.55**
Nasdaq 100	**NDX**	7.5%	6.7%	8.4%	11.7%	7.8%	3.0%	-10.8%	**NDX**	51.9%	**0.88**	**1.51**	81.0%	**2.49**	**3.21**	51.6%	**2.01**	**2.31**
USD Index	**UUP**	7.2%	6.9%	7.6%	8.4%	9.2%	1.4%	-0.8%	**UUP**	7.5%	**-0.23**	**-0.21**	18.0%	**0.19**	**0.20**	5.8%	**-0.47**	**-0.36**
Consumer Discret.	**XLY**	7.4%	6.9%	8.7%	10.9%	4.3%	-2.6%	-14.0%	**XLY**	46.3%	**0.84**	**1.38**	72.1%	**2.40**	**2.99**	38.4%	**1.39**	**1.68**
Financials	**XLF**	16.1%	15.4%	15.0%	17.4%	8.2%	7.4%	0.9%	**XLF**	9.8%	**-0.06**	**0.14**	12.8%	**0.27**	**0.35**	17.4%	**1.08**	**0.68**
Healthcare	**XLV**	8.1%	8.9%	9.2%	11.4%	-3.0%	-6.7%	-18.6%	**XLV**	36.4%	**0.84**	**1.29**	31.0%	**1.23**	**1.52**	36.0%	**2.08**	**2.13**
Technology	**XLK**	8.0%	7.2%	9.4%	12.4%	10.3%	7.4%	-4.2%	**XLK**	54.3%	**1.13**	**1.76**	66.3%	**2.25**	**2.72**	33.4%	**1.52**	**1.51**
Consumer Staples	**XLP**	5.0%	7.2%	8.3%	9.7%	1.2%	-1.3%	-12.5%	**XLP**	89.8%	**3.20**	**3.45**	43.9%	**2.19**	**2.24**	31.0%	**1.62**	**1.46**
Utilities	**XLU**	11.2%	11.7%	13.2%	12.4%	-5.5%	-8.4%	-18.7%	**XLU**	22.9%	**1.45**	**1.61**	10.7%	**1.00**	**1.13**	-0.1%	**0.28**	**0.32**
Energy	**XLE**	15.8%	14.6%	16.1%	16.0%	-3.4%	-3.8%	-13.2%	**XLE**	1.3%	**-0.16**	**-0.15**	18.6%	**1.32**	**0.85**	7.0%	**0.99**	**0.30**
Energy	**XOP**	27.4%	24.3%	29.2%	26.7%	-2.9%	-0.9%	-11.3%	**XOP**	-2.1%	**-0.34**	**-0.29**	19.4%	**1.34**	**1.16**	-1.0%	**0.66**	**0.07**
Materials	**XLB**	12.1%	11.5%	11.1%	13.8%	5.2%	5.1%	-4.2%	**XLB**	9.4%	**-0.20**	**0.01**	17.0%	**0.43**	**0.44**	24.5%	**1.12**	**0.87**
Industrials	**XLI**	10.5%	9.8%	9.7%	12.7%	4.4%	4.1%	-4.2%	**XLI**	22.4%	**0.23**	**0.58**	34.5%	**1.17**	**1.38**	40.1%	**2.09**	**1.96**
Transports	**IYT**	14.6%	14.4%	14.0%	16.2%	0.0%	-3.3%	-6.4%	**IYT**	8.8%	**-0.24**	**0.00**	20.4%	**0.34**	**0.65**	27.1%	**0.88**	**1.16**
WTI Crude Oil	**USO**	25.1%	21.8%	27.5%	26.0%	-7.2%	-5.3%	-17.8%	**USO**	-7.2%	**-0.53**	**-0.62**	29.8%	**1.85**	**1.15**	0.9%	**0.52**	**-0.20**
Natural Gas	**UNG**	28.9%	35.9%	45.6%	34.9%	-2.2%	-13.6%	-21.1%	**UNG**	22.2%	**1.52**	**0.40**	2.1%	**0.19**	**-0.29**	-21.1%	**-1.23**	**-1.08**
Gold	**GLD**	9.6%	10.1%	10.8%	12.3%	4.2%	-3.4%	-12.1%	**GLD**	25.8%	**1.05**	**0.87**	22.8%	**1.27**	**0.95**	15.3%	**0.98**	**0.58**
Silver	**SLV**	19.4%	16.9%	18.7%	19.1%	0.4%	-7.1%	-16.4%	**SLV**	-3.5%	**-0.64**	**-0.73**	11.6%	**0.85**	**-0.07**	4.1%	**-0.01**	**-0.45**
Copper	**JJC**	20.0%	24.2%	23.9%	21.2%	-4.5%	-11.5%	-16.6%	**JJC**	3.3%	**-0.20**	**-0.22**	-17.7%	**-0.76**	**-0.95**	-15.7%	**-0.84**	**-1.04**
Corn	**CORN**	14.1%	14.0%	14.6%	18.9%	-0.3%	4.5%	2.6%	**CORN**	28.5%	**1.01**	**0.38**	49.8%	**2.12**	**1.61**	53.1%	**1.79**	**1.67**
Soybeans	**SOYB**	10.5%	12.3%	14.4%	15.8%	-17.1%	-23.8%	-25.5%	**SOYB**	55.9%	**0.61**	**0.22**	24.2%	**-0.28**	**-0.31**	3.4%	**-0.61**	**-0.67**
Wheat	**WEAT**	17.0%	18.7%	18.7%	37.8%	33.4%	29.6%	27.6%	**WEAT**	104.9%	**0.83**	**0.63**	77.6%	**0.42**	**0.44**	55.9%	**0.15**	**0.29**

**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*

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.26	-0.30%	-0.78%	7.20%
Financial Select Sector	XLF	$23.52	-0.42%	-0.88%	1.16%
Health Care Select Sector	XLV	$74.41	0.18%	0.07%	7.93%
Technology Select Sector	XLK	$53.06	-0.06%	-0.47%	9.72%
Consumer Staples Select Sector	XLP	$54.70	0.27%	0.22%	5.78%
Industrial Select Sector	XLI	$65.13	0.11%	0.11%	4.68%
Materials Select Sector	XLB	$52.59	-0.09%	0.34%	5.81%
The Energy Select Sector	XLE	$70.36	-0.38%	0.66%	-6.59%
Utilities Select Sector	XLU	$51.40	-0.43%	0.18%	5.83%
S&P 500	SPX	2,355.54	-0.08%	-0.30%	5.21%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.26	-0.21%	-0.48%	1.99%
Financial Select Sector	XLF	$23.52	-0.34%	-0.58%	-4.05%
Health Care Select Sector	XLV	$74.41	0.26%	0.37%	2.72%
Technology Select Sector	XLK	$53.06	0.03%	-0.17%	4.51%
Consumer Staples Select Sector	XLP	$54.70	0.36%	0.52%	0.57%
Industrial Select Sector	XLI	$65.13	0.19%	0.41%	-0.54%
Materials Select Sector	XLB	$52.59	-0.01%	0.65%	0.60%
The Energy Select Sector	XLE	$70.36	-0.30%	0.96%	-11.80%
Utilities Select Sector	XLU	$51.40	-0.34%	0.48%	0.61%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.4%	-0.3%	0.0%	1.7%	9.5%	3.9%
	Low Debt/EV	0.0%	-0.9%	-0.1%	3.2%	7.1%	5.5%
SI	High Short Interest	-0.2%	-0.7%	0.2%	-0.7%	3.8%	1.3%
	Low Short Interest	0.0%	-0.3%	-0.4%	3.5%	11.2%	5.5%
BETA	High Beta	-0.3%	-0.8%	-0.5%	1.7%	12.9%	4.4%
	Low Beta	-0.1%	0.2%	1.1%	4.0%	6.7%	5.1%
YIELD	High Yield	-0.2%	-0.3%	0.0%	-0.8%	3.1%	0.5%
	Low Yield	-0.1%	-0.6%	0.5%	2.6%	7.1%	5.7%
MKT CAP	MCAP Bottom 25%	-0.3%	-1.0%	-0.3%	-2.1%	2.1%	-0.3%
	MCAP Top 25%	-0.1%	-0.4%	-0.6%	3.7%	11.5%	5.7%
Sales	Top 25% Sales Growth	-0.1%	0.0%	1.8%	3.3%	9.5%	6.0%
	Bottom 25% Sales Growth	-0.1%	-0.5%	-0.4%	0.4%	4.8%	1.9%
EPS	Top 25% EPS Growth	-0.1%	0.0%	2.0%	2.2%	10.8%	5.4%
	Bottom 25% EPS Growth	-0.2%	-0.5%	-0.3%	-0.1%	3.9%	1.1%

**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	0.81%	1.0	5.6	7	31	-1	65	64	68
3M LIBOR	1.16%	0.0	0.6	3	14	0	53	65	73
2Y T-Note	1.28%	4.8	6.0	-7	10	-12	78	55	73
5Y T-Note	1.91%	6.1	6.8	-18	4	-24	102	38	57
10Y T-Note	2.37%	4.1	6.3	-19	1	-27	106	24	23
30Y T-Note	3.00%	2.1	5.5	-16	4	-21	91	13	-2
2Y-10Y Spread, Bps	109	-1.0	0.0	-12.8	-10	-15	27	-31	-50
IG SPREAD (AAABBB)	1.54%	-4.0	-2.0	0	4	-46	9	-15	-20
HIGH YIELD	5.67%	-1.3	-1.0	-42	-49	-223	3	-99	-88
5Y BREAKEVEN	1.90%	-1.0	-2.9	-10.3	2.1	-17.4	65.1	34.3	18.1

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)	116,247	(36,907)	71,385	27,993	54,870	*0.75X*	*1.33X*
Russell 2000 (mini)	(54,098)	541	20,132	29,091	5,365	*-1.37X*	*-0.94X*
10Y Treasury	(16,398)	34,239	(252,050)	(198,004)	(75,937)	*0.34X*	*0.36X*
CRUDE OIL	462,560	4,552	519,241	472,896	414,984	*0.59X*	*1.34X*
GOLD	115,605	16,455	78,341	91,701	164,353	*-0.60X*	*0.21X*
COPPER	26,842	(2,979)	39,135	37,519	9,193	*0.54X*	*1.42X*
$USD	42,914	(1,315)	47,076	49,711	31,145	*0.63X*	*0.20X*
JPY	(50,064)	8,644	(62,028)	(39,346)	7,794	*-1.05X*	*-0.33X*
EUR	(10,347)	(3,192)	(39,529)	(71,757)	(72,372)	*1.70X*	*1.63X*
GBP	(104,224)	4,178	(78,728)	(75,628)	(69,491)	*-1.68X*	*-1.97X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (4/7) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	3%	-9%	-8%	26%
Total Exchange Volume**	-3%	-11%	-12%	-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)

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation			
						High	Low	% Time Pos	% Time Neg
SPX	0.57	0.60	-0.33	0.40	0.66	*0.95*	*-0.75*	*53%*	*47%*
BRENT Oil	0.95	0.61	0.34	0.55	0.70	*0.77*	*-0.78*	*56%*	*44%*
CRB Index	-0.80	0.05	-0.61	0.55	0.75	*0.83*	*-0.86*	*33%*	*67%*
GOLD	0.38	-0.57	-0.72	-0.80	-0.92	*0.90*	*-0.97*	*17%*	*83%*

**Days = Trading Days*