



THE  
MACRO  
SHOW

JANUARY 10, 2017

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# HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/9/2017	39	15	9	10	27	0
1/10/2017	34	18	10	11	27	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
1/9/2017	39%	45%	27%	30%	82%	0%
1/10/2017	34%	55%	30%	33%	82%	0%

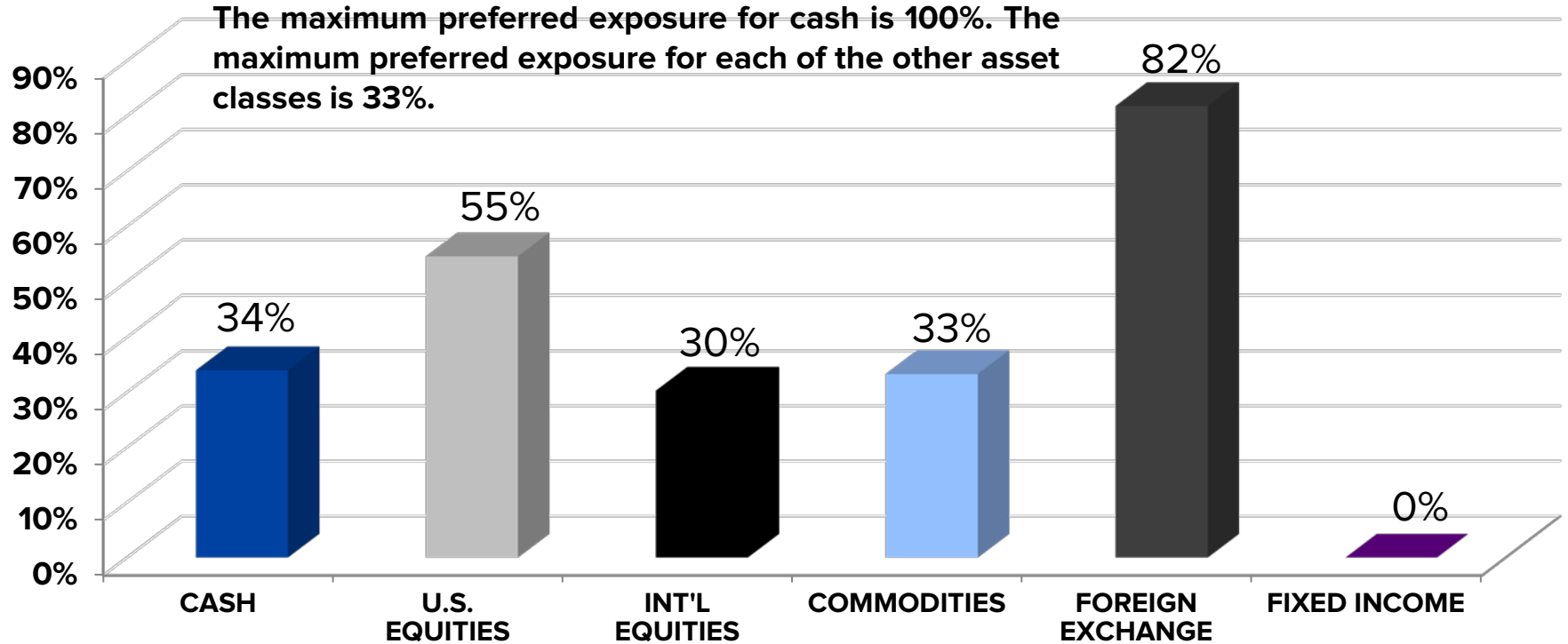
The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

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# HEDGEYE ASSET ALLOCATION



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**1 CHINA**

A close-up, slightly blurred image of a red Chinese banknote, showing the intricate details of the portrait and the texture of the paper.

**2 OIL**

A photograph of an oil pumpjack (jack-o'-lantern) in a vast, arid desert landscape under a blue sky with scattered clouds. The pumpjack is a large, complex mechanical structure used for extracting oil from a well.

**3 NASDAQ**

A large American flag is the central focus, with several smaller American flags in front of it. The scene is set in what appears to be a public square or a significant location, with a large, light-colored building visible in the background.



# CHINA

China is on the precipice of slowing again and their central market planners are actually being forced to drain a ton of liquidity (PBOC market operations = -595B in JAN alone) to defend the Yuan at this 7.0 level vs. USD. We'll review this developing **#StrongDollar** Chinese risk on tomorrow's **Q1 2017 Macro Themes Call**.



# OIL

Oil provided yet another buying opportunity at the low-end of our risk range yesterday (in U.S. Equity terms, the high beta way to express that = XOP). WTI is up +0.6% this morning with immediate-term upside to the top end of the range up at \$54.80/barrel with OVX downside to 28-29.



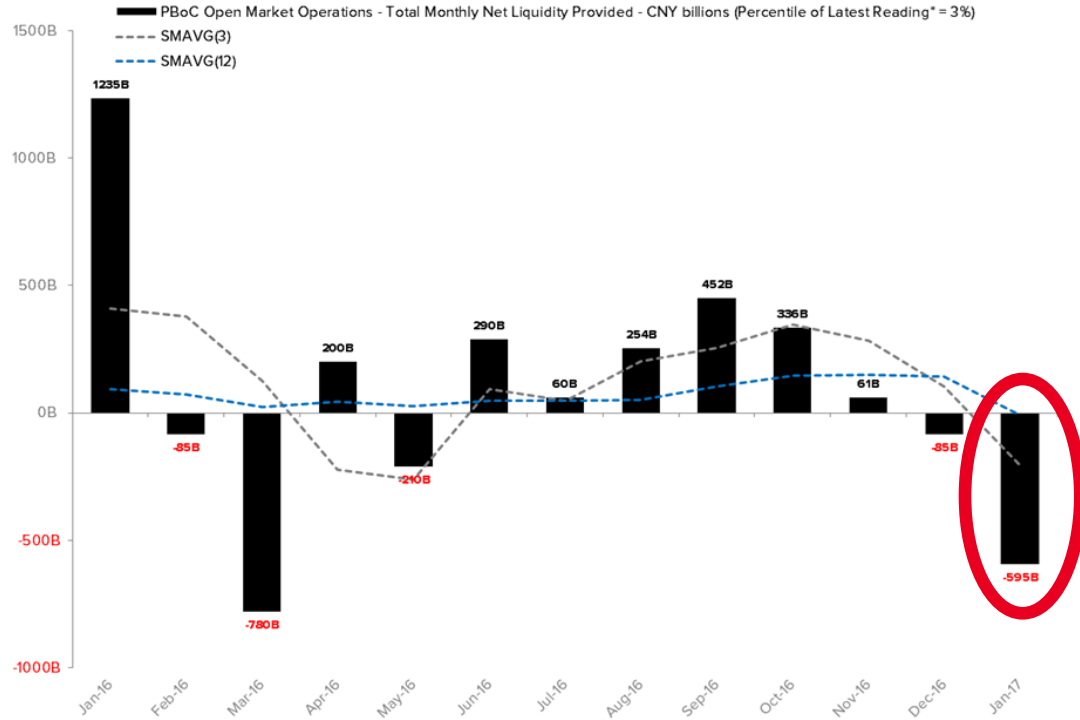
# NASDAQ

The NASDAQ registered another all-time closing high yesterday as the performance chase in big FANG names that had underperformed post the Trump Win = obvious... From an implied volatility perspective, the more contrarian buy on pullbacks from here is SPY, not QQQ (30-day SPY implied vol premium = +16% vs. Nasdaq down to +9%).



**MACRO GRIND**

# PBOC DRAINING LIQUIDITY



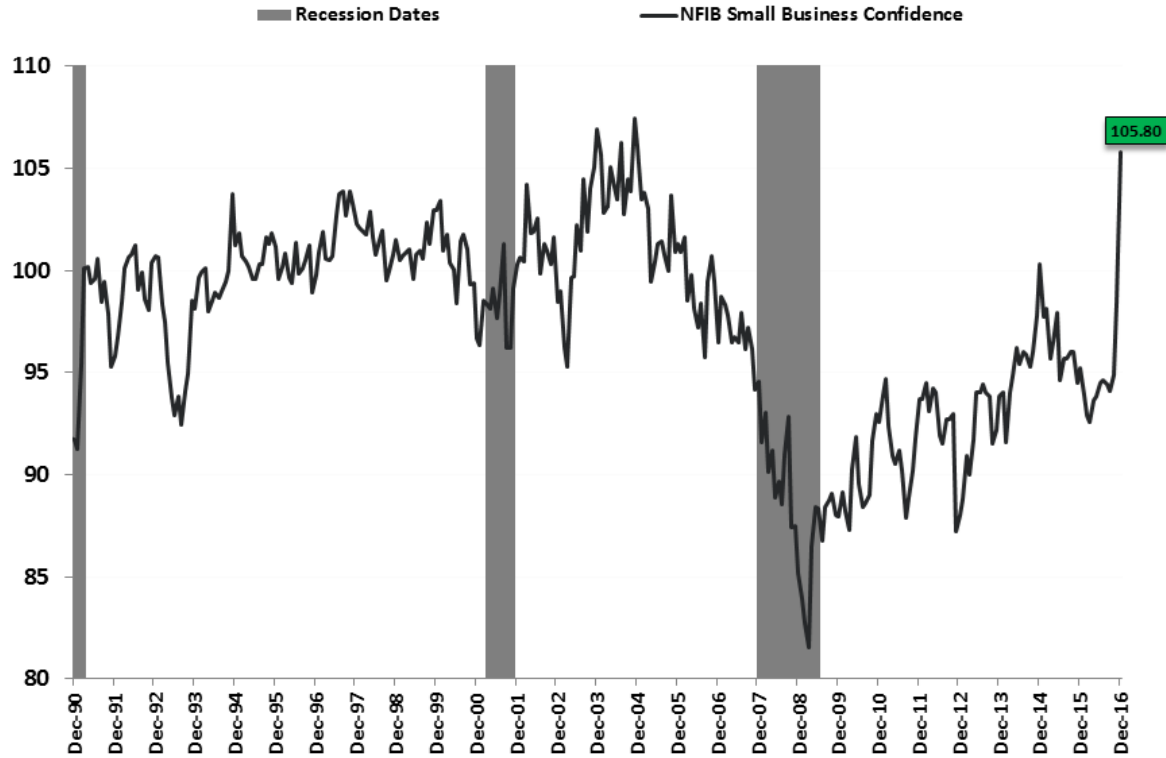
Data Source: Bloomberg. \*Trailing 10Y Basis.

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# NFIB SMALL BUSINESS OPTIMISM



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# CONSUMER & BUSINESS SURVEYS

	Last	Latest	1M Chg	6M Chg	Since Oct 16
Univ Michigan Confidence	98.2	Dec-16	4.4	4.7	11.00
Conference Board Confidence	113.7	Dec-16	4.3	16.3	12.90
Bloomberg Consumer Comfort	45.5	Jan-17	-0.5	0.7	2.84
Univ. Michigan Expectations	89.5	Dec-16	4.3	7.1	12.70
Conference Board Expectations	105.5	Dec-16	11.1	20.9	19.50
Bloomberg Consumer Expectations	53.5	Dec-16	9.5	12.5	8.50
CEO Confidence (1Y Exp)	6.5	Nov-16	0.6	0.6	0.64
NFIB Optimism	105.8	Dec-16	7.4	11.3	10.90
NFIB 6M Outlook	50.0	Dec-16	38.0	59.0	57.00
<b><u>Fed Mfg Surveys (6M Expectations)</u></b>					
Dallas Fed: 6M Conditions	47.2	Dec-16	6.3	27.9	22.50
Empire State: 6M Conditions	50.2	Dec-16	20.3	15.4	14.20
Philli Fed: 6M Conditions	52.6	Dec-16	23.3	22.8	20.00
Kansas City Fed: 6M Conditions	19.0	Dec-16	7.0	12.0	2.00
<hr/>					
Dallas Fed: (New Orders, 6M)	55.4	Dec-16	1.6	17.0	7.00
Empire State: (New Orders, 6M)	46.7	Dec-16	18.0	8.5	7.70
Philli Fed: (New Orders, 6M)	51.5	Dec-16	14.1	21.6	12.20
Kansas City Fed: (New Orders, 6M)	33.0	Dec-16	6.0	21.0	17.00
Richmond Fed: (New Orders, 6M)	47.0	Dec-16	9.0	34.4	15.00
<b><u>Fed Services Surveys (6M Expectations)</u></b>					
Dallas Fed: ↑ in Business Activity	39.8	Dec-16	10.7	40.7	30.70
Richmond Fed: Expected Demand	36.0	Dec-16	14.0	11.1	13.00

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# U.S. DOLLAR TO JAPANESE YEN

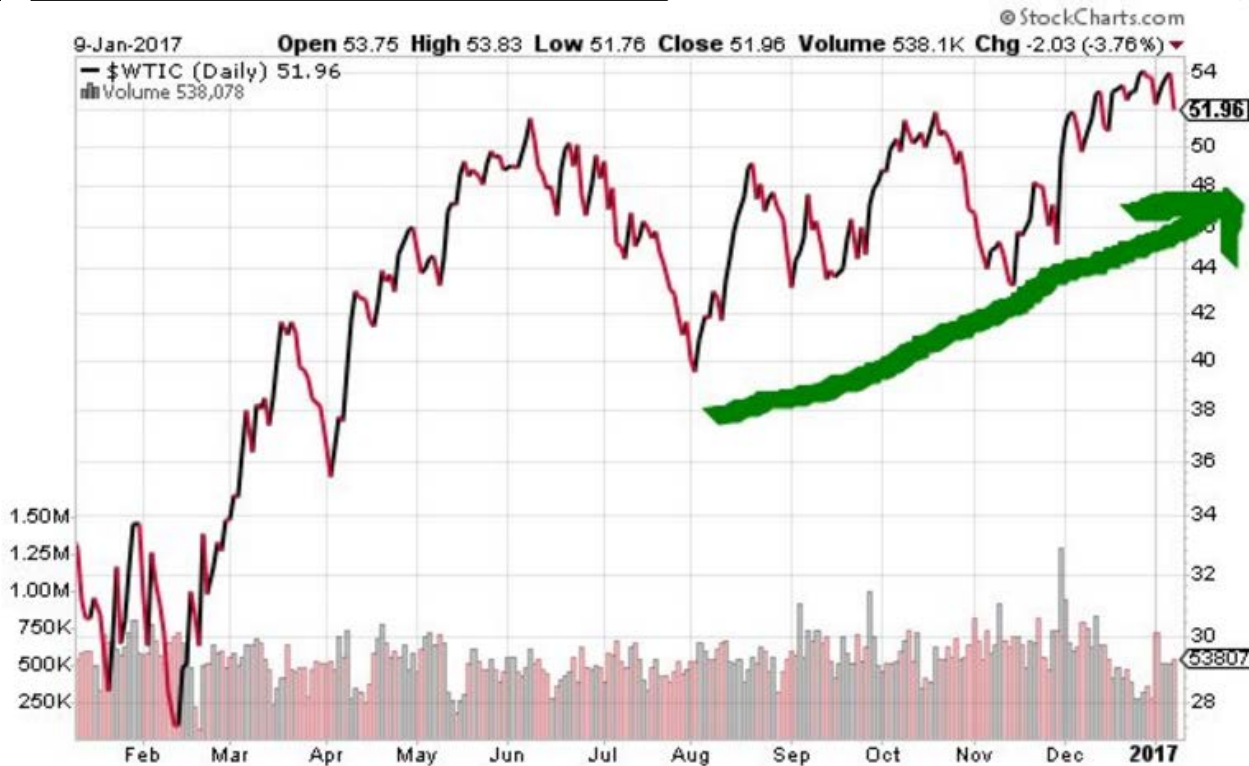


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# LIGHT CRUDE OIL WTIC



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# RUSSIAN TRADING SYSTEM INDEX



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# LONDON FINANCIAL TIMES INDEX



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# SHANGHAI STOCK EXCHANGE COMP



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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	\$83.25	-0.08%	2.27%	2.27%
Financial Select Sector	XLF	\$23.38	-0.68%	0.56%	0.56%
Health Care Select Sector	XLV	\$71.25	0.42%	3.35%	3.35%
Technology Select Sector	XLK	\$49.39	-0.02%	2.13%	2.13%
Consumer Staples Select Sector	XLP	\$51.70	-0.81%	-0.02%	-0.02%
Industrial Select Sector	XLI	\$62.65	-0.78%	0.69%	0.69%
Materials Select Sector	XLB	\$50.61	-0.02%	1.83%	1.83%
The Energy Select Sector	XLE	\$74.79	-1.45%	-0.70%	-0.70%
Utilities Select Sector	XLU	\$48.19	-1.31%	-0.78%	-0.78%
S&P 500	SPX	2,268.90	-0.35%	1.34%	1.34%

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# HEDGEYE SECTOR RELATIVE PERFORMANCE

	<u>Ticker</u>	<u>Price</u>	<u>1-Day %</u> <u>Chg</u>	<u>MTD %</u> <u>Chg</u>	<u>YTD %</u> <u>Chg</u>
Consumer Discretionary	XLY	\$83.25	0.27%	0.93%	0.93%
Financial Select Sector	XLF	\$23.38	-0.32%	-0.78%	-0.78%
Health Care Select Sector	XLV	\$71.25	0.78%	2.01%	2.01%
Technology Select Sector	XLK	\$49.39	0.33%	0.79%	0.79%
Consumer Staples Select Sector	XLP	\$51.70	-0.45%	-1.36%	-1.36%
Industrial Select Sector	XLI	\$62.65	-0.42%	-0.65%	-0.65%
Materials Select Sector	XLB	\$50.61	0.34%	0.49%	0.49%
The Energy Select Sector	XLE	\$74.79	-1.09%	-2.05%	-2.05%
Utilities Select Sector	XLU	\$48.19	-0.96%	-2.13%	-2.13%

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# HEDGEYE STYLE FACTOR PERFORMANCE

FACTOR		1D	1W	1M	3M	6M	YTD
		% Chg	% Chg	% Chg	% Chg	% Chg	% Chg
Debt	High Debt/EV	-1.0%	1.0%	-1.1%	7.9%	10.5%	1.0%
	Low Debt/EV	-0.4%	1.7%	-0.5%	2.5%	3.2%	1.7%
SI	High Short Interest	-0.7%	1.3%	-2.7%	4.5%	9.0%	1.3%
	Low Short Interest	-0.3%	1.7%	0.8%	6.4%	8.2%	1.7%
BETA	High Beta	-0.6%	1.9%	-2.0%	9.9%	22.4%	1.9%
	Low Beta	-0.7%	0.3%	1.0%	2.0%	-4.9%	0.3%
YIELD	High Yield	-0.9%	0.6%	-0.9%	3.7%	2.1%	0.6%
	Low Yield	-0.4%	2.4%	-0.2%	3.5%	7.7%	2.4%
MKTCAP	MCAP Bottom 25%	-0.8%	1.1%	-3.5%	3.0%	4.4%	1.1%
	MCAP Top 25%	-0.3%	1.6%	0.9%	7.3%	9.4%	1.6%
Sales	Top 25% Sales Growth	-0.7%	2.2%	-0.3%	4.6%	6.8%	2.2%
	Bottom 25% Sales Growth	-0.7%	1.1%	-1.5%	5.2%	7.0%	1.1%
EPS	Top 25% EPS Growth	-0.5%	2.2%	-0.1%	7.0%	11.5%	2.2%
	Bottom 25% EPS Growth	-1.0%	0.9%	-1.6%	4.7%	4.6%	0.9%

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

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# HEDGEYE RATES & SPREADS

		1D	5D	1M	3M	vs. 52-Wk, Bps		vs.	vs.
	Price	Bps Chg	Bps Chg	Bps Chg	Bps Chg	High	Low	3Y Ave	5Y Ave
3M T-Bill	0.50%	-1.5	0.0	-4	18	-6	34	37	40
3M LIBOR	1.01%	0.0	1.1	5	13	0	40	57	61
2Y T-Note	1.18%	-2.6	-0.5	5	35	-12	69	53	68
5Y T-Note	1.87%	-5.0	-5.3	-2	62	-25	98	38	59
10Y T-Note	2.37%	-5.3	-7.8	-10	65	-27	105	21	24
30Y T-Note	2.96%	-4.8	-10.4	-19	51	-25	87	4	-7
2Y-10Y Spread, Bps	118	-2.7	-7.3	-15.2	29	-16	36	-32	-43
IG SPREAD (AAABBB)	1.50%	0.0	0.0	-6	-13	-80	3	-19	-28
HIGH YIELD	6.06%	0.0	-12.5	-40	-34	-327	1	-57	-55
5Y BREAKEVEN	1.87%	-1.9	0.5	1.7	33.1	-4.8	101.2	31.4	14.8

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# CFTC NON-COMMERCIAL NET LONG POSITIONING

## 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)	81,424	78,401	(17,841)	61,460	(7,072)	0.69X	1.11X
Russell 2000 (mini)	93,772	1,476	36,804	20,650	(14,276)	2.48X	3.89X
10Y Treasury	(353,569)	7,948	(127,395)	(10,959)	(12,457)	-2.66X	-3.10X
CRUDE OIL	499,035	(3,611)	425,464	380,821	354,969	1.99X	2.29X
GOLD	34,560	(6,687)	109,837	181,336	169,008	-1.65X	-0.86X
COPPER	44,374	(1,279)	33,342	12,350	(5,906)	1.72X	2.78X
SUSD	54,295	1,645	51,104	33,374	26,927	1.61X	0.84X
JPY	(84,780)	1,550	(10,168)	21,100	35,128	-3.16X	-0.88X
EUR	(63,147)	986	(105,929)	(102,727)	(81,625)	0.53X	0.55X
GBP	(60,109)	(7,088)	(73,587)	(77,752)	(58,677)	-0.06X	-1.05X

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# MARKET SHARE VOLUME & TOTAL VALUE TRADED

<u>INDEX/SECURITY</u>	VOLUME: (1/9) vs.			
	<u>Prior Day</u>	<u>1M Ave</u>	<u>3M ave</u>	<u>1Y Ave</u>
Total Market Volume*	16%	5%	-3%	12%
<hr/>				
Total Exchange Volume**	0%	-2%	-9%	-12%

\*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

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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	-0.12	0.62	0.79	0.70	0.75	0.95	-0.91	49%	51%
BRENT Oil	-0.19	0.49	0.64	0.67	0.51	0.77	-0.78	46%	54%
CRB Index	-0.26	0.34	0.88	0.67	0.45	0.83	-0.89	23%	77%
GOLD	-0.80	-0.77	-0.96	-0.96	-0.77	0.90	-0.97	16%	84%

\*Days = Trading Days

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