THE MACRO SHOW

APRIL 6, 2017

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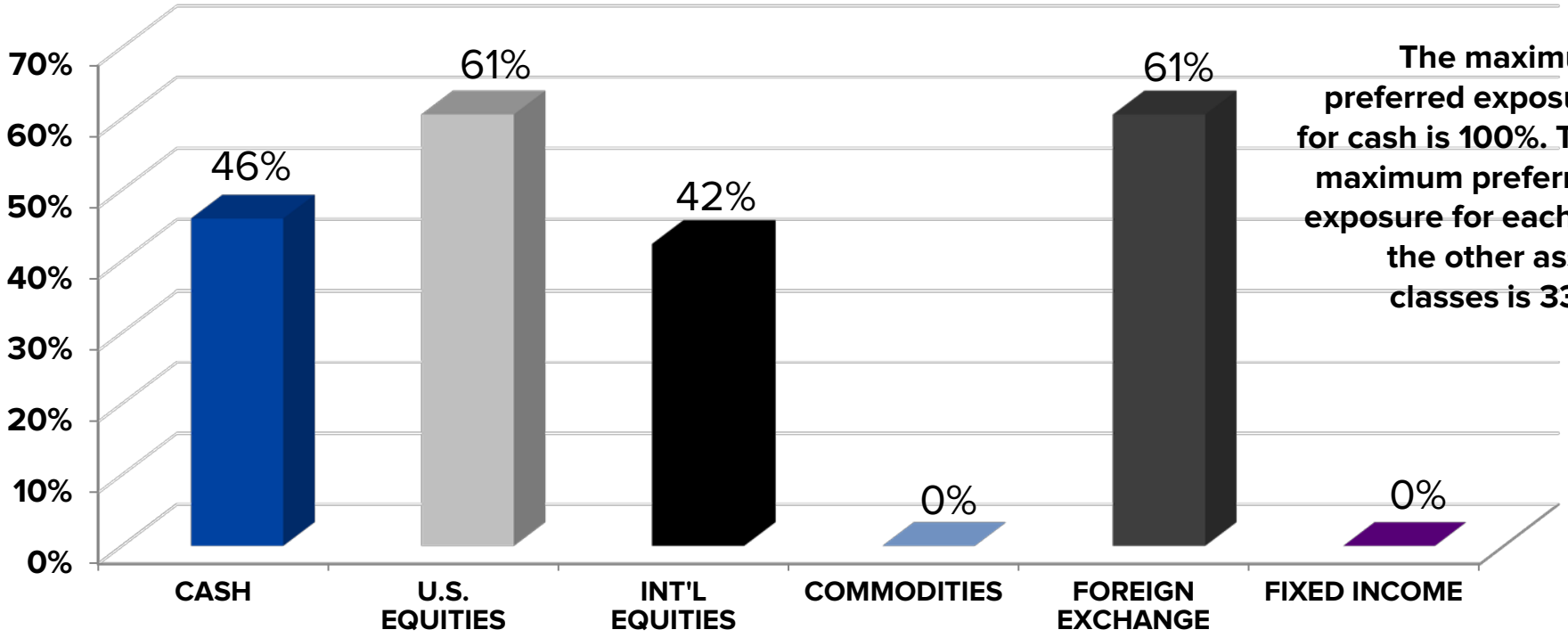
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/5/2017	43	22	15	0	20	0
4/6/2017	46	20	14	0	20	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
4/5/2017	43%	67%	45%	0%	61%	0%
4/6/2017	46%	61%	42%	0%	61%	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



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1 NASDAQ

2 XOP

3 UST 2YR

NASDAQ

Nasdaq saw big outside reversal from the all-time highs intraday yesterday and consensus is blaming the Fed Minutes. All we saw was the top-end of our immediate-term risk ranges for both SPY and QQQ – range-bound with a bullish bias both of those remain with the low-end of the SPX and COMP ranges now = 2340 and 5823, respectively.

XOP

One of the bigger intraday reversals came in high beta XOP (Oil & Gas Stocks) components. At the market's highs of the day we did what we said we would do and shorted "reflation" via both CAT and XME, but XOP is right up there on the SELL list too as it's both bearish TREND @Hedgeye and has an implied volatility (vs. realized) discount of -3%.

UST 2YR

U.S. Treasury Yields ramped higher on another outstanding ADP Jobs Report, then backed off again on the equity market's reversal; unless the NFP report is out of line with literally every labor read through we've seen in Q1, we don't see a "bad" jobs report coming tomorrow – conversely, we're looking for further NFP growth acceleration in Q2.

MACRO GRIND

HARD DATA?
YEAH, IT'S SOFT DATA ON VIAGRA.
B. Rich
HEDGEYE

2-YEAR U.S. TREASURY YIELD

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WHAT WE'RE WATCHING IN Q2 2017: MACRO THEMES

1

USA, USA! #QUAD1

After calling for a positive inflection in both Growth and Inflation in 1Q17 we expect to transition to Quad1 (Growth ↑, Inflation ↓) in 2Q17 as the growth data continues to improve and Reflation's Peak confirms. As it stands, sentiment and survey measures continue to crescendo, the preponderance of hard fundamental macro data is 2nd derivative positive, and employment and income growth are set for some near-term acceleration. We'll contextualize the current fundamental reality domestically, discuss what it means from a GIP and exposure perspective and detail how we plan to navigate recurrent political and policy risk into 2H17.

2

REFLATION'S ROLLOVER

In our Q1 2017 macro themes presentation we made the case for both the reflation trade and headline reported inflation to peak in Q1 on top of the easiest compares of the year. The CRB index, crude oil, breakeven inflation rates, etc. have all put in their respective Q1 peaks and are set-up to continue rolling over from a growth rate perspective through Q2 as the U.S. economy shifts from QUAD 2 to QUAD 1 for the remaining 3 quarters of 2017. Growth accelerating is back in 2017 with QUAD 1 & 2, but we'll outline why the shift between inflation and deflation is key for picking alpha-generating sector exposure.

3

EUROPE/JAPAN #DIVERGENCES

Contrary to our positive outlook for the U.S. economy and generally sanguine expectations for global growth, our GIP Model is forecasting a negative inflection in European and Japanese growth here in Q2 that should trend for at least the next 3-6 months. As such, we expect our policy divergence theme to gather steam in favor of the U.S. dollar, as well as European and Japanese equities – which themselves look set to take advantage of a reflationary tailwind.

REUTERS/JEFFERIES CRB INDEX

SHANGHAI STOCK EXCHANGE COMP

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TOKYO NIKKEI 225 AVERAGE

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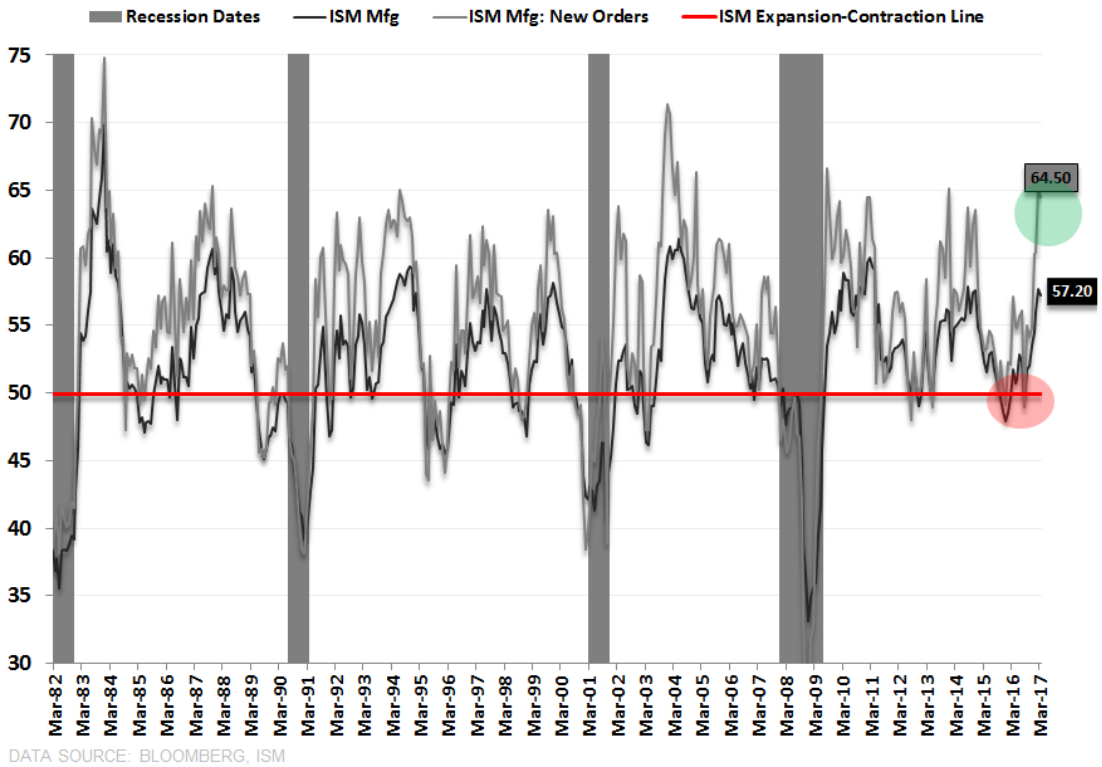
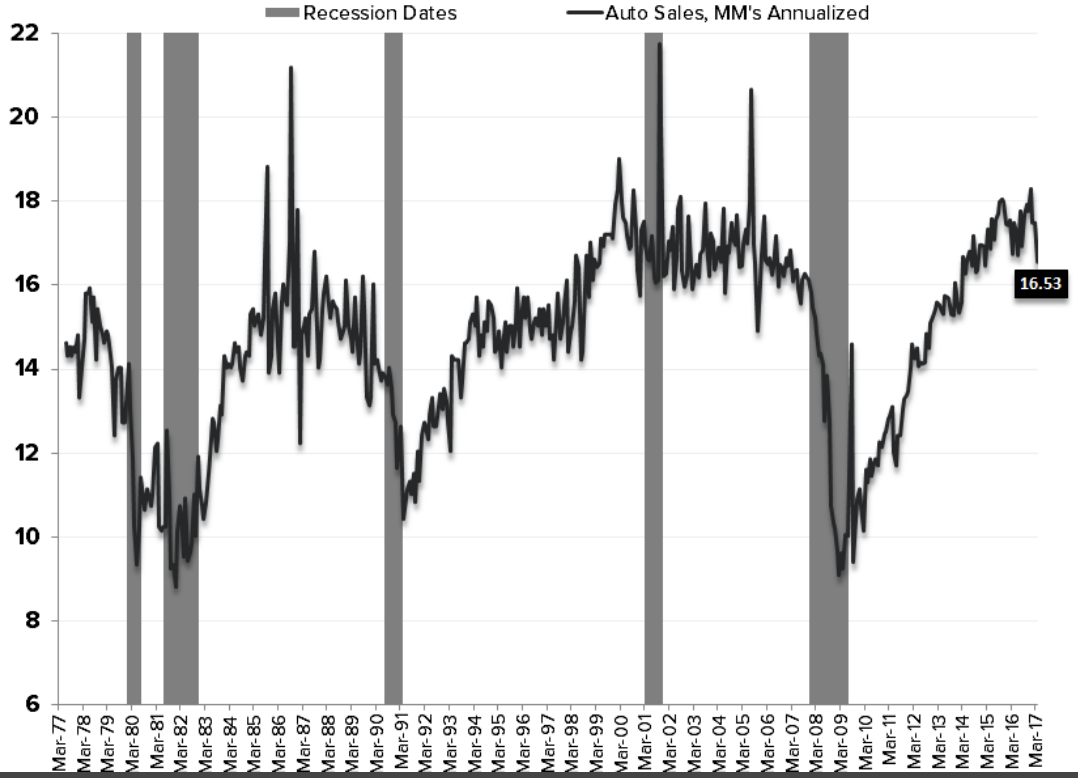
ISM MANUFACTURING



U.S. AUTO SALE



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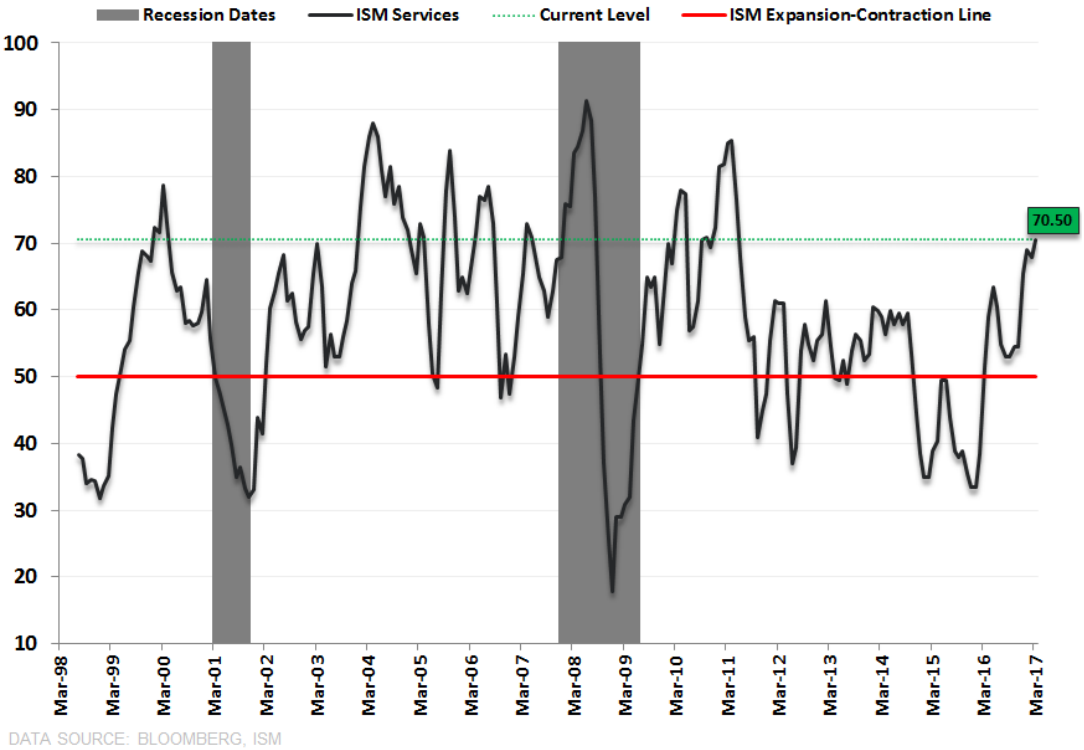
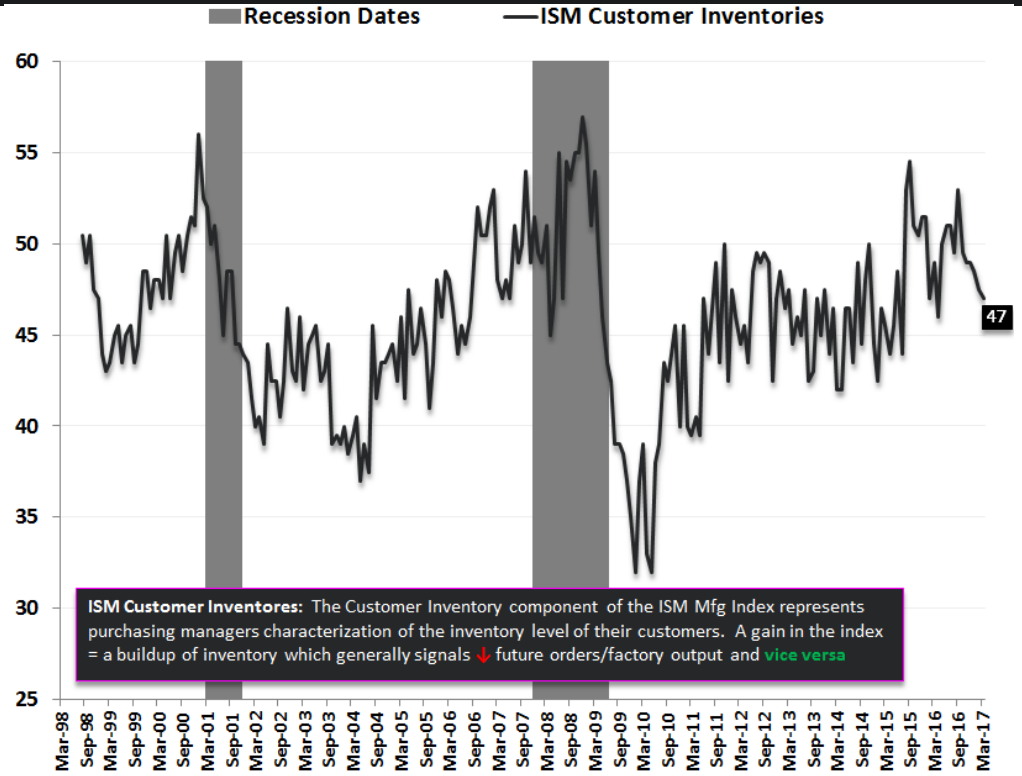
ISM: PRICES PAID



ISM: CUSTOMER INVENTORIES



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		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%	6.7%	7.0%	9.7%	0.2%	1.4%	-11.5%	SPX	25.3%	0.06	0.51	49.8%	1.13	1.61	54.4%	1.62	1.94
Russell 2000	RTY	15.3%	14.1%	14.2%	15.9%	3.9%	1.8%	-4.9%	RTY	2.8%	-0.11	-0.16	13.2%	0.54	0.32	16.1%	0.93	0.39
Nasdaq 100	NDX	7.5%	6.7%	8.5%	11.3%	4.9%	-1.0%	-14.1%	NDX	45.1%	0.68	1.28	75.7%	2.33	3.02	48.1%	1.85	2.14
USD Index	UUP	7.0%	6.8%	7.5%	8.6%	12.2%	3.0%	1.2%	UUP	11.0%	-0.08	-0.07	22.8%	0.43	0.41	7.9%	-0.34	-0.26
Consumer Discret.	XLY	7.4%	6.8%	8.8%	10.8%	3.2%	-4.5%	-15.4%	XLY	41.9%	0.70	1.22	65.7%	2.16	2.71	36.4%	1.29	1.57
Financials	XLF	16.2%	15.5%	15.1%	17.0%	5.8%	4.3%	-1.9%	XLF	4.1%	-0.26	-0.09	11.8%	0.24	0.31	17.9%	1.12	0.70
Healthcare	XLV	8.3%	9.2%	9.4%	11.2%	-5.0%	-8.9%	-20.3%	XLV	31.6%	0.67	1.09	28.4%	1.10	1.38	32.0%	1.84	1.88
Technology	XLK	8.0%	7.2%	9.4%	11.5%	3.6%	-0.5%	-11.1%	XLK	41.0%	0.72	1.27	61.8%	2.10	2.54	31.2%	1.40	1.39
Consumer Staples	XLP	5.3%	7.2%	8.3%	9.2%	-3.9%	-6.7%	-17.3%	XLP	68.7%	2.42	2.59	33.0%	1.57	1.61	26.3%	1.34	1.19
Utilities	XLU	12.0%	11.8%	13.5%	13.1%	-1.1%	-3.9%	-14.6%	XLU	6.4%	0.34	0.52	11.1%	1.05	1.17	-2.1%	0.08	0.12
Energy	XLE	16.0%	14.7%	16.4%	16.2%	-2.2%	-2.9%	-12.4%	XLE	-0.2%	-0.23	-0.22	14.7%	1.05	0.65	4.1%	0.76	0.14
Energy	XOP	27.7%	24.2%	29.9%	26.5%	-3.0%	-1.7%	-12.0%	XOP	-3.0%	-0.37	-0.33	14.5%	1.05	0.87	-5.1%	0.28	-0.18
Materials	XLB	12.1%	11.6%	11.1%	13.1%	-0.1%	-0.9%	-9.7%	XLB	-0.8%	-0.65	-0.36	12.5%	0.20	0.24	23.3%	1.06	0.81
Industrials	XLI	10.6%	9.9%	9.8%	12.3%	1.2%	0.5%	-7.4%	XLI	15.9%	-0.01	0.31	28.0%	0.86	1.06	35.4%	1.82	1.69
Transports	IYT	14.9%	14.6%	14.1%	15.6%	-3.6%	-7.1%	-9.8%	IYT	1.7%	-0.49	-0.31	14.0%	0.03	0.30	23.5%	0.69	0.93
WTI Crude Oil	USO	24.2%	22.4%	28.2%	26.2%	-6.1%	-5.0%	-17.5%	USO	-6.1%	-0.05	-0.12	23.3%	1.47	0.84	1.2%	0.54	-0.19
Natural Gas	UNG	31.2%	36.3%	46.1%	34.8%	-3.1%	-14.5%	-21.4%	UNG	12.4%	0.84	0.06	-2.6%	-0.09	-0.46	-22.4%	-1.32	-1.13
Gold	GLD	9.8%	10.0%	10.9%	12.1%	2.6%	-5.3%	-13.8%	GLD	19.1%	0.63	0.54	21.8%	1.22	0.90	12.7%	0.79	0.41
Silver	SLV	19.3%	17.0%	18.6%	18.8%	-1.3%	-9.2%	-18.0%	SLV	-5.0%	-0.74	-0.79	13.7%	1.10	0.03	5.5%	0.18	-0.37
Copper	JJC	20.1%	24.8%	24.3%	19.8%	-11.8%	-17.7%	-21.8%	JJC	-1.4%	-0.27	-0.32	-18.1%	-0.78	-0.96	-11.1%	-0.70	-0.85
Corn	CORN	14.1%	13.9%	15.2%	20.0%	5.1%	10.7%	8.3%	CORN	39.4%	1.64	0.87	60.6%	2.74	2.18	59.7%	2.09	2.00
Soybeans	SOYB	10.5%	13.5%	14.5%	11.7%	-39.8%	-43.8%	-44.9%	SOYB	22.0%	-0.33	-0.36	-1.0%	-0.80	-0.78	0.9%	-0.65	-0.71
Wheat	WEAT	17.7%	19.2%	19.0%	36.1%	30.0%	23.6%	22.8%	WEAT	93.3%	0.63	0.48	54.1%	-0.06	0.08	14.5%	-1.11	-0.49

*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	$87.25	-0.24%	-0.80%	7.19%
Financial Select Sector	XLF	$23.47	-0.76%	-1.10%	0.95%
Health Care Select Sector	XLV	$74.15	-0.31%	-0.28%	7.56%
Technology Select Sector	XLK	$53.08	-0.41%	-0.43%	9.76%
Consumer Staples Select Sector	XLP	$54.55	-0.18%	-0.05%	5.49%
Industrial Select Sector	XLI	$64.88	-0.32%	-0.28%	4.28%
Materials Select Sector	XLB	$52.36	-0.08%	-0.10%	5.35%
The Energy Select Sector	XLE	$70.07	-0.31%	0.24%	-6.97%
Utilities Select Sector	XLU	$51.75	0.56%	0.86%	6.55%
S&P 500	SPX	2,352.95	-0.31%	-0.41%	5.10%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.25	0.07%	-0.38%	2.09%
Financial Select Sector	XLF	$23.47	-0.46%	-0.68%	-4.15%
Health Care Select Sector	XLV	$74.15	0.00%	0.13%	2.46%
Technology Select Sector	XLK	$53.08	-0.11%	-0.02%	4.66%
Consumer Staples Select Sector	XLP	$54.55	0.12%	0.36%	0.39%
Industrial Select Sector	XLI	$64.88	-0.02%	0.14%	-0.82%
Materials Select Sector	XLB	$52.36	0.23%	0.32%	0.25%
The Energy Select Sector	XLE	$70.07	-0.01%	0.66%	-12.07%
Utilities Select Sector	XLU	$51.75	0.87%	1.27%	1.45%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.2%	-0.3%	-2.1%	1.5%	8.3%	3.6%
	Low Debt/EV	-0.3%	-1.4%	-1.3%	3.3%	6.5%	5.1%
SI	High Short Interest	-0.4%	-1.4%	-2.2%	-1.3%	2.6%	0.6%
	Low Short Interest	-0.3%	-0.2%	-1.5%	3.8%	10.4%	5.3%
BETA	High Beta	-0.7%	-0.9%	-2.9%	1.3%	11.4%	3.7%
	Low Beta	0.1%	0.0%	-0.1%	4.1%	6.4%	5.1%
YIELD	High Yield	-0.1%	-0.3%	-1.8%	-1.0%	2.5%	0.3%
	Low Yield	-0.4%	-1.0%	-1.2%	2.5%	5.9%	5.2%
MKT CAP	MCAP Bottom 25%	-0.5%	-1.4%	-2.4%	-2.6%	0.9%	-0.9%
	MCAP Top 25%	-0.3%	-0.4%	-1.5%	4.0%	11.0%	5.5%
Sales	Top 25% Sales Growth	-0.3%	-0.5%	-0.2%	3.1%	8.2%	5.5%
	Bottom 25% Sales Growth	-0.3%	-0.8%	-2.1%	0.1%	4.1%	1.6%
EPS	Top 25% EPS Growth	-0.4%	-0.3%	-0.6%	1.9%	8.9%	4.7%
	Bottom 25% EPS Growth	-0.3%	-0.6%	-1.9%	-0.1%	3.8%	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	0.80%	2.5	2.5	10	28	0	64	63	67
3M LIBOR	1.15%	0.0	0.3	5	14	-1	53	65	72
2Y T-Note	1.23%	-1.8	-3.6	-7	7	-16	74	51	68
5Y T-Note	1.85%	-3.8	-7.4	-16	1	-29	96	33	52
10Y T-Note	2.34%	-2.5	-4.1	-14	-1	-30	102	20	19
30Y T-Note	2.99%	-1.4	0.0	-9	4	-23	90	12	-4
2Y-10Y Spread, Bps	110	-0.7	-0.5	-7.1	-8	-14	28	-31	-49
IG SPREAD (AAABBB)	1.56%	0.0	2.0	7	7	-44	11	-13	-18
HIGH YIELD	5.63%	-4.8	-55.3	-14	-42	-237	0	-102	-91
5Y BREAKEVEN	1.92%	0.2	-3.7	-13.2	5.8	-15.4	67.1	36.3	20.1

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)	153,154	73,568	67,646	23,193	50,652	1.21X	1.69X
Russell 2000 (mini)	(54,639)	(13,879)	26,317	31,770	5,185	-1.37X	-0.96X
10Y Treasury	(50,637)	17,925	(271,687)	(196,655)	(77,275)	0.15X	0.08X
CRUDE OIL	458,008	(16,981)	523,964	472,744	412,808	0.55X	1.30X
GOLD	99,150	33,179	75,235	93,228	165,276	-0.82X	-0.01X
COPPER	29,821	7,960	40,160	36,614	8,485	0.66X	1.56X
$USD	44,229	(1,977)	47,423	49,337	30,651	0.73X	0.28X
JPY	(58,708)	13,826	(63,026)	(35,540)	9,792	-1.24X	-0.48X
EUR	(7,155)	11,090	(41,961)	(75,224)	(73,125)	1.85X	1.67X
GBP	(108,402)	4,869	(76,603)	(75,034)	(68,329)	-1.96X	-2.10X

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (4/5) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	6%	2%	6%	43%
Total Exchange Volume**	23%	12%	12%	10%

*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	0.68	0.65	-0.27	0.44	0.66	*0.95*	*-0.75*	*53%*	*47%*
BRENT Oil	0.77	0.58	0.34	0.54	0.71	*0.77*	*-0.78*	*55%*	*45%*
CRB Index	-0.31	0.14	-0.53	0.54	0.75	*0.83*	*-0.86*	*31%*	*69%*
GOLD	-0.19	-0.56	-0.71	-0.82	-0.93	*0.90*	*-0.97*	*17%*	*83%*

**Days = Trading Days*