



THE
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SHOW

MAY 5, 2017

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HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
5/4/2017	37	19	13	0	26	5
5/5/2017	34	20	14	0	26	6

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
5/4/2017	37%	58%	39%	0%	79%	15%
5/5/2017	34%	61%	42%	0%	79%	18%

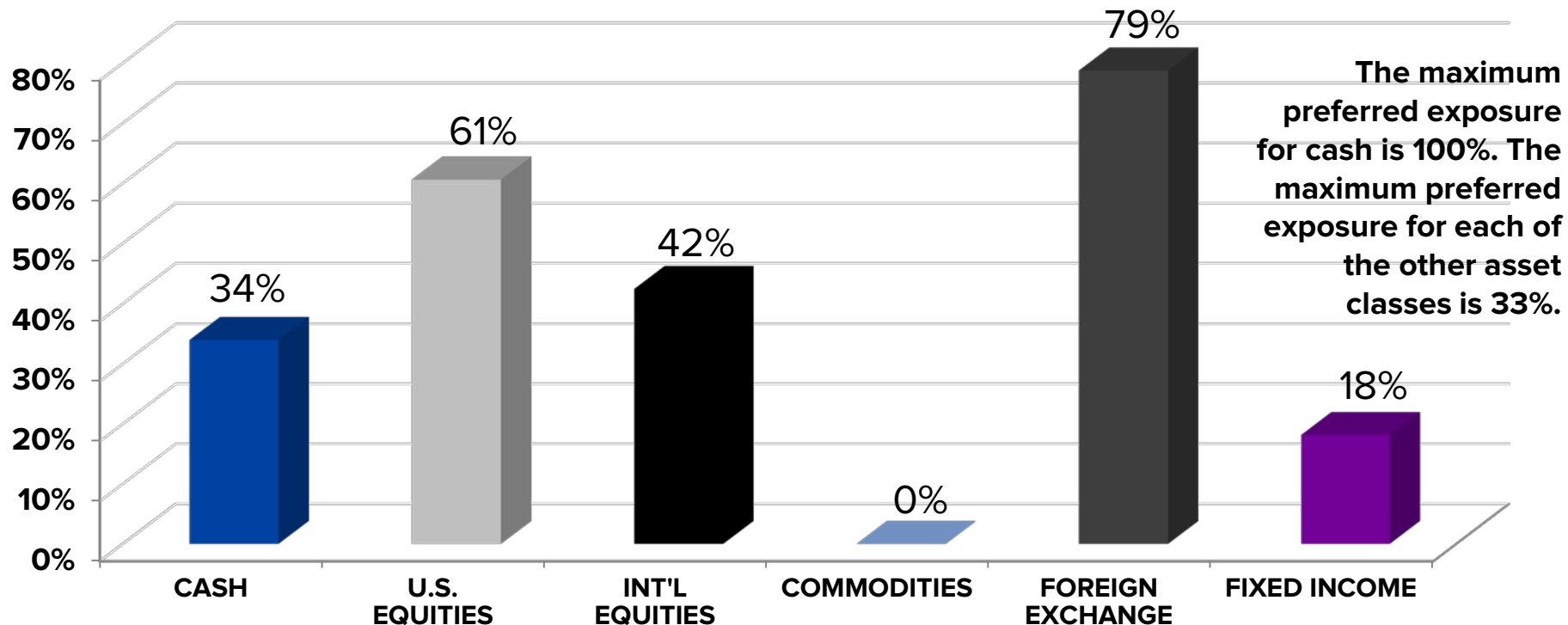
The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

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1 CHINA

2 OIL

3 UST 10YR



CHINA

Our ***Reflation's Rollover*** Theme @Hedgeye continues to play out and it's not just in commodities. The Shanghai Comp was down another -0.8% overnight and -5.1% in the last month alone (as U.S. and European stock markets made all-time highs). The Russian stock market was -0.7% this morning and -6.9% in the last month.



OIL

Oil was smashed -4.7% yesterday so now this gets interesting as WTI registers an immediate-term oversold signal (within a bearish TREND) at \$44.90. Both the XLE and XOP are signaling the same; will they bounce for a trade? As opposed to trading with implied volatility DISCOUNTS (like they had as consensus longs), XLE now has a +37% implied volatility PREMIUM vs. 30-day realized.



UST 10YR

Up as reflation rolls over – that's interesting – is it discounting a rate of change acceleration in U.S. jobs this morning? Don't forget that the compares for non-farm payrolls get easy from this month until December; risk range on the 10YR implies not a lot of upside from 2.35% however at 2.25-2.39% - looks range bound with inflation expectations falling fast.

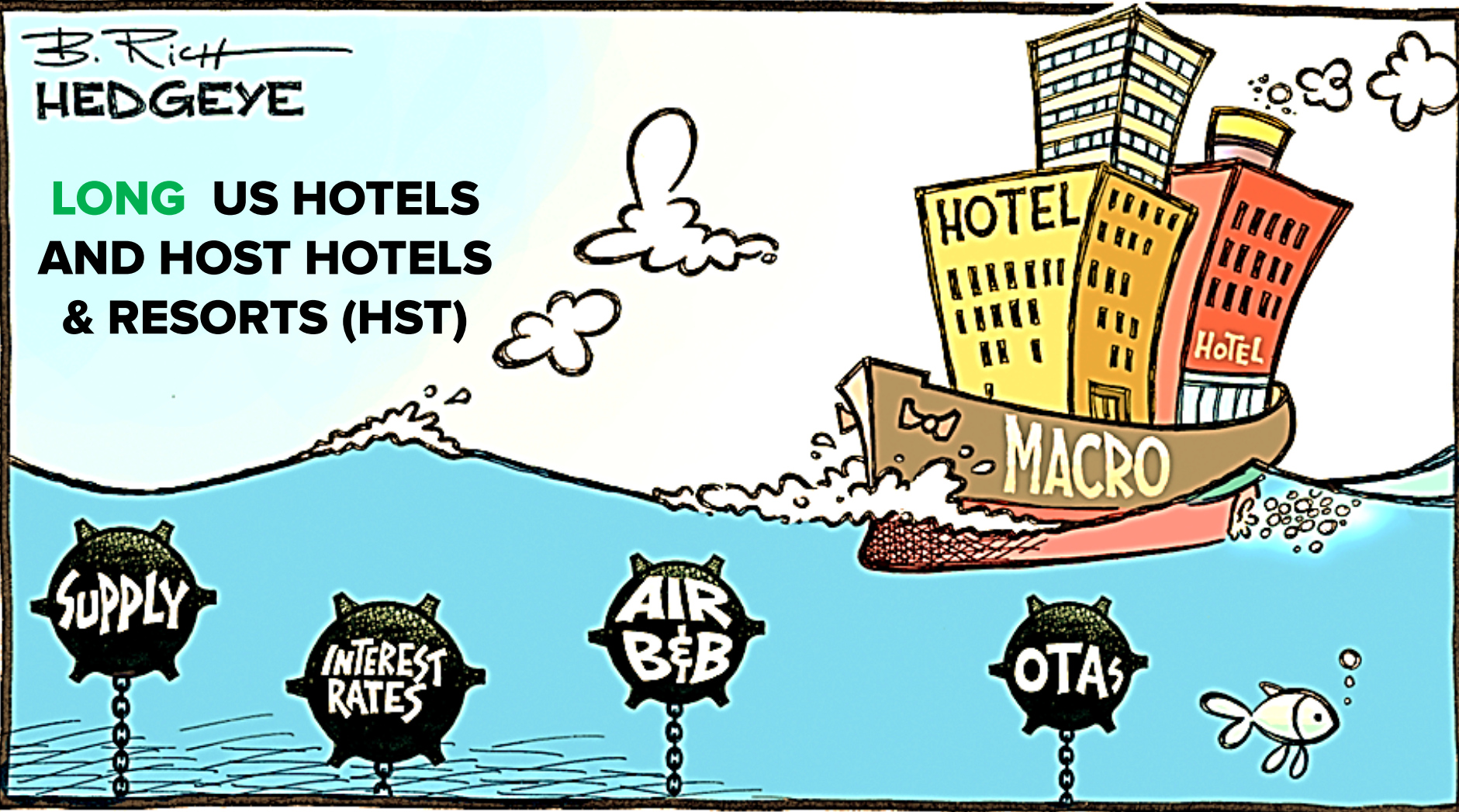


GAMING, LODGING, & LEISURE

TODD JORDAN

B. Rich
HEDGEYE

**LONG US HOTELS
AND HOST HOTELS
& RESORTS (HST)**

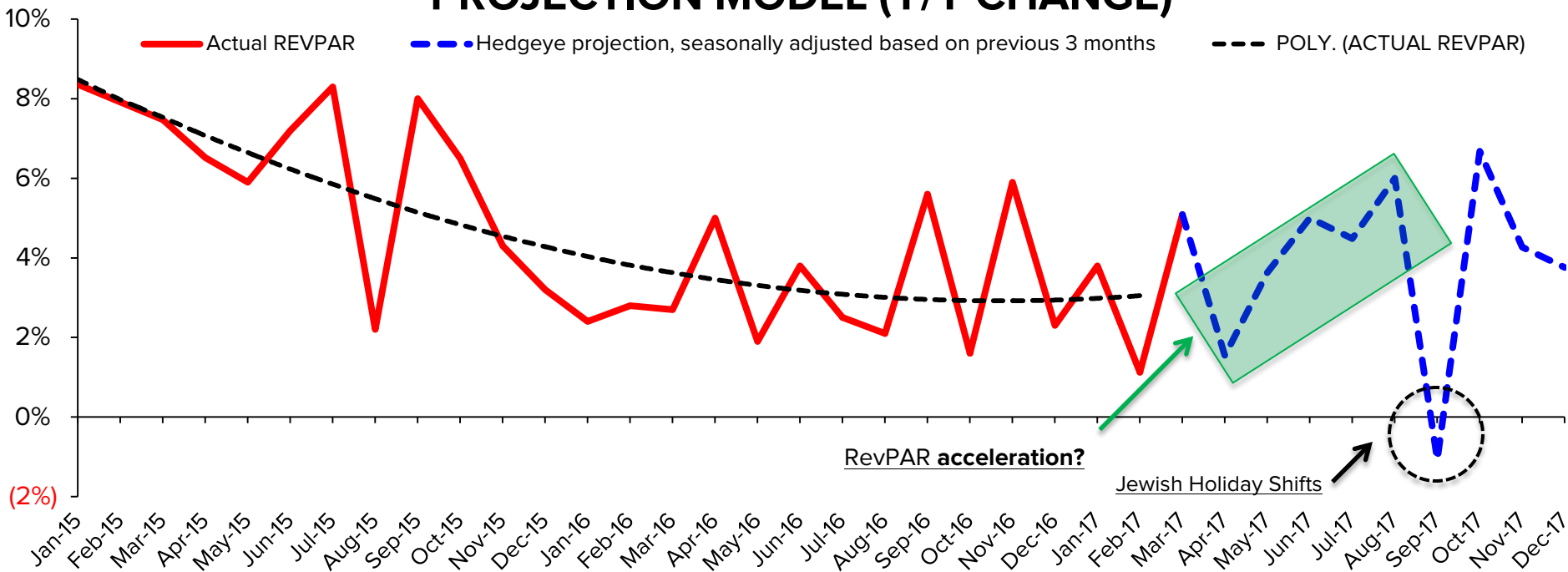


HST AND HOTELS | KEY POINTS TO OUR LONG THESIS

- ❑ Remain positive on the hotel sector and HST with expectations of calendar adjusted **RevPAR Acceleration** in Q2
- ❑ Hedgeye Macro Team forecasting 2H **GDP pick up** – RevPAR highly correlated to GDP
- ❑ Hedgeye GLL team's forward looking tools all pointing toward RevPAR acceleration
 - Forward ADR Survey indicating rate acceleration for the **first time in a year**
 - Our Leading Indicator RevPAR model suggests **Q2 RevPAR acceleration**
 - RevPAR Trend Model based on known industry data through April also pointing to acceleration
- ❑ HST 2017 RevPAR guidance implies no pick up in GDP or RevPAR growth through 2017. Even under that scenario, the midpoint of guidance is very **achievable**
- ❑ HST valuation in line with current REIT average but **below** REIT average during decelerating RevPAR periods. Multiples **expand 2x** in accelerating RevPAR periods.
- ❑ We see **25%+ upside** on multiple expansion alone and the potential for another 5-10% EBITDA growth all while collecting a 4.5% dividend

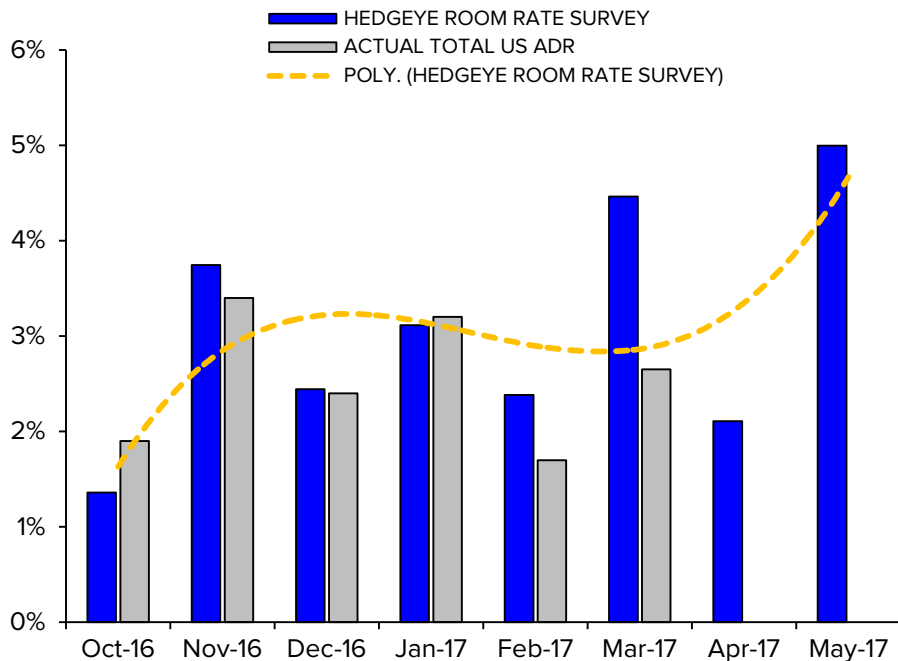
HOTELS | REVPAR TREND MODEL SUGGESTS LIFT IN 2H

US TOTAL REVPAR TREND PROJECTION MODEL (Y/Y CHANGE)



The last few weeks of STR data have been better than expected and are contributing to a higher than consensus/guidance trend even assuming no economic pick up. The Easter shift affects April, but this trend model indicates some acceleration in the following months, which could help propel the stocks.

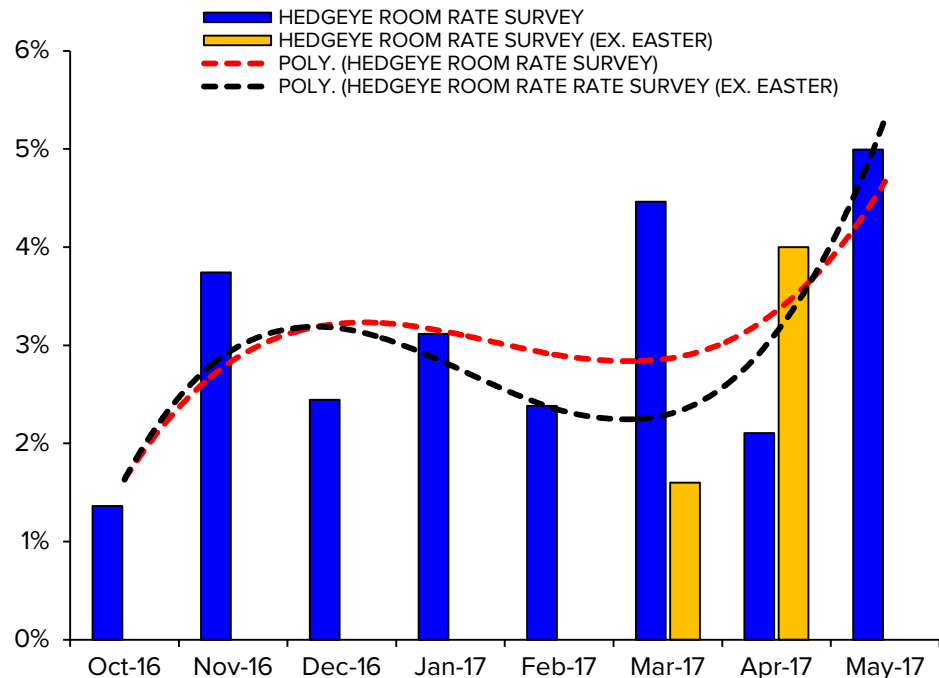
HOTELS | FORWARD ADR SURVEY INDICATING STRENGTH



NOTES

(1) WE OBSERVE ROOM RATES ON A 1-MTH FORWARD BASIS

(2) THE SURVEY INCLUDES AN EXPANSIVE LIST OF HOTELS, MOSTLY UUP AND LUX IN TOP 25 MARKETS



NOTES

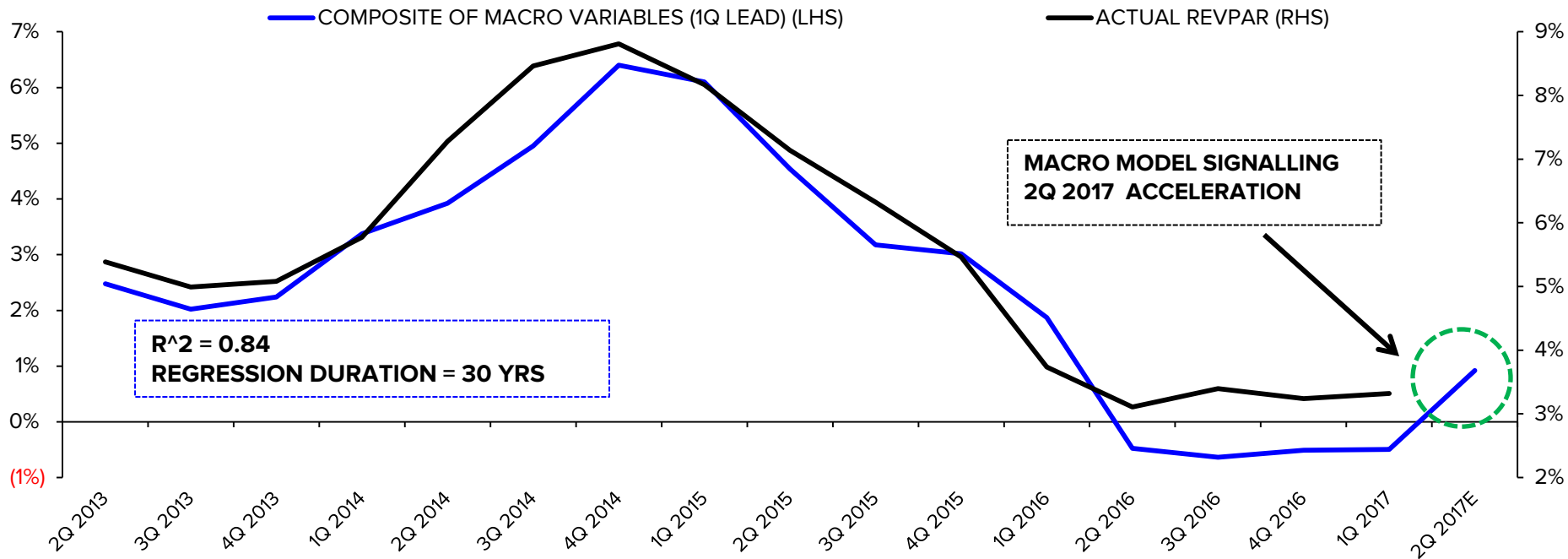
(1) WE OBSERVE ROOM RATES ON A 1-MTH FORWARD BASIS

(2) THE SURVEY INCLUDES AN EXPANSIVE LIST OF HOTELS, MOSTLY UUP AND LUX IN TOP 25 MARKETS

After months of range bound ADR growth, our forward looking survey suggests ADR lift may be on the way. We expect operators to hold occupancies so ADR should drive RevPAR. As indicated by the chart on the left, there is efficacy in our survey vs. the actual US ADR growth. **The chart on the right shows that, excluding the Easter period for both March and April, room rate growth may have accelerated sequentially in April. Forward rates through the first half of May suggest a continuing trend.**

HOTELS | MACRO LEADING INDICATOR REVPAR MODEL

MACRO VARIABLES LEADING REVPAR BY 1Q

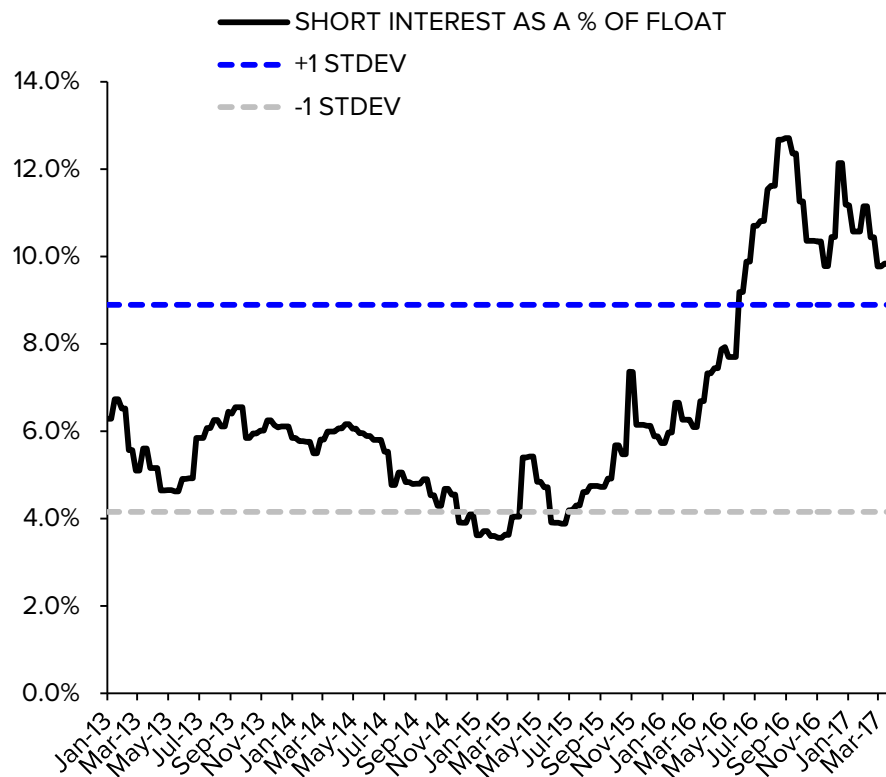
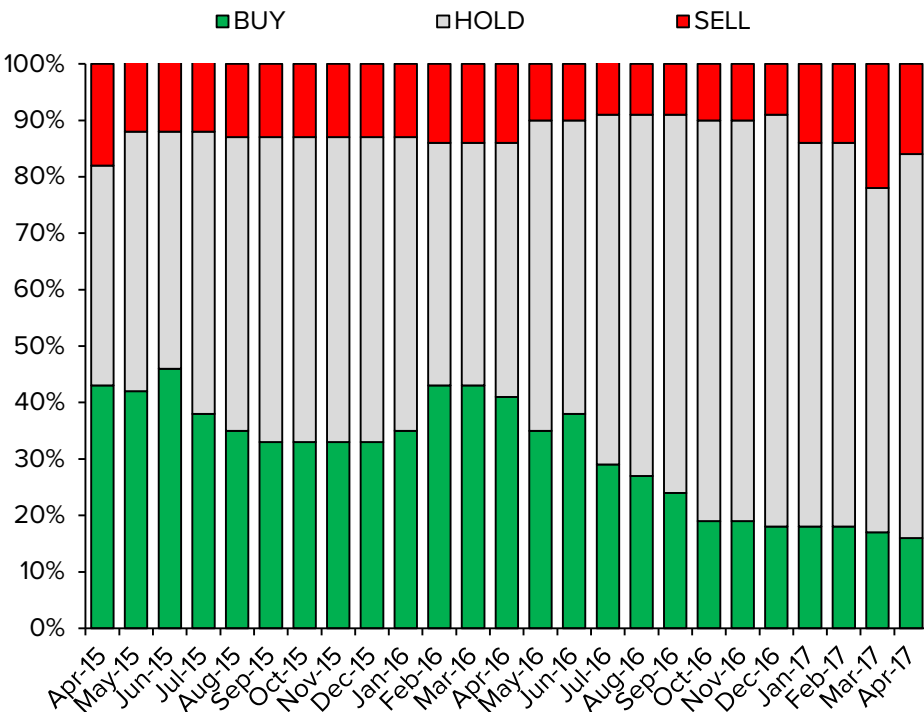


* DATA IS PRESENTED ON A 2Q MOVING AVERAGE BASIS

Proprietary leading indicator model suggesting significant acceleration could be on the horizon...

HST | FAVORABLE SENTIMENT SET UP

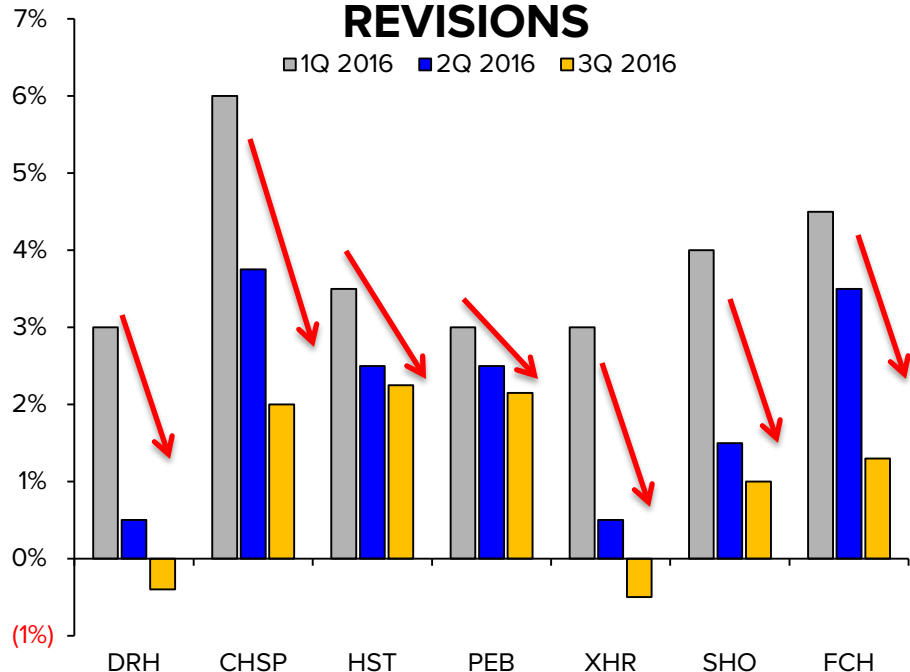
SELL SIDE RATINGS DISPERSION



Lowest number of “buys” in the last two years suggests sell side bearishness on HST. Short interest relative to its 3-YR average and +1 STDEV remains elevated and could serve as additional fuel for the stock as the hedge fund trade continues to be long the hotel brands and short the hotel REITs

HST | REIT MGMT TEAMS FOUND RELIGION (FINALLY)

ANNUAL REVPAR GUIDANCE REVISIONS



NOTE: EACH QUARTER REFLECTS THE COMPANY'S 2016 COMPARABLE REVPAR GUIDANCE MID-POINT

FULL YEAR 2017 RevPAR GUIDANCE

REIT	INITIAL 2017 GUIDANCE		INITIAL 2016 GUIDANCE		ACTUAL 2016
PK	0.0%	2.0%	---	---	0.5%
PEB	-1.0%	1.0%	2.0%	4.0%	2.4%
XHR	-2.0%	0.0%	2.0%	4.0%	-0.3%
XHR (1)	-1.0%	1.0%	---	---	
CHSP	-3.5%	-1.5%	5.0%	7.0%	2.3%
HST	0.0%	2.0%	3.0%	4.0%	2.7%
DRH	-1.0%	1.0%	2.0%	4.0%	-0.2%
FCH	0.5%	2.5%	3.5%	5.5%	0.9%
SHO	0.5%	3.5%	2.5%	5.5%	1.3%
SHO (2)	-1.0%	2.0%	---	---	

(1) ex. Houston

(2) ex. Wailea Beach Resort

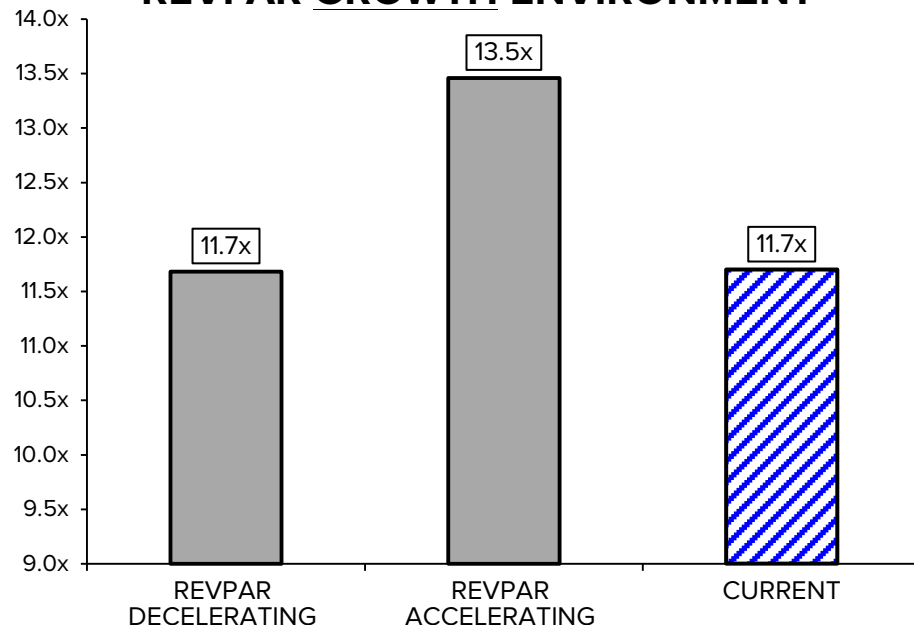
After last year's borderline embarrassing forecasting, REIT management teams have lowered the bar, big time. For full year 2017 guidance, management teams have found religion in conservatism, and for some industry outperformers (HST), upside could be that much better. For HST, we think 2017 guidance will be met even with no economic acceleration.

HST | REVPAR ACCELERATION = MULTIPLE EXPANSION

NTM EV / EBITDA (TRAILING 5-YEAR)

REIT	HIGH	LOW	AVG.	CURRENT
HST	14.7x	9.6x	12.7x	11.5x
DRH	15.5x	8.9x	12.6x	11.5x
LHO	15.7x	9.3x	12.3x	11.5x
PEB	16.6x	9.3x	12.9x	13.0x
SHO	15.1x	9.5x	12.2x	12.7x
FCH	15.1x	9.7x	12.6x	11.6x
XHR	12.0x	7.6x	9.6x	11.0x
PK	---	---	---	11.1x

AVERAGE MULTIPLES FOR A GIVEN REVPAR GROWTH ENVIRONMENT



NOTES

(1) DECELERATING REVPAR PERIOD = (1Q 2015 – PRESENT), ACCELERATING = (1Q 2013 – 1Q 2015)

(2) WE USED TOP 25 REVPAR GROWTH AS OUR PROXY

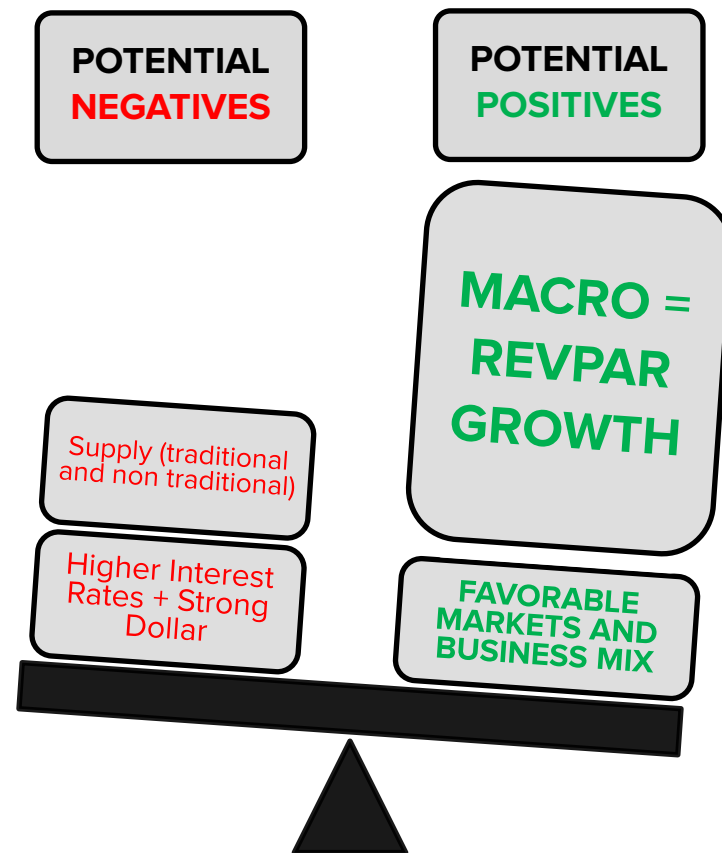
(3) MULTIPLES INDICATE NTM EV/ EBITDA FOR: DRH, HST, LHO, PEB, SHO, AND FCH

Decelerating to Accelerating RevPAR Multiple... Valuation for full service REITs is slightly below the 5-YR trailing average as indicated by the table, with PK at the very low end. As shown on the right, if RevPAR were to inflect, it would be reasonable to assume that REITs could trade at multiples 1-2 turns higher. 2 turns for HST implies 20% upside in the stock.

HST | RISKS TO OUR LONG THESIS

MACRO TO DOMINATE HEADWINDS

- Higher interest rates
 - ❑ Interest Rates are inversely correlated to multiples but for multiple expansion, RevPAR acceleration dominates interest rate rises
 - ❑ Multiples are already low
- Supply headwinds: Hotel Supply + Airbnb Supply
 - ❑ HST's higher group exposure, and unique big box hotel portfolio provides cushion against Airbnb
 - ❑ Traditional hotel supply growth is still below historical average but could be a longer term issue
- Stronger dollar to impact foreign visitation
 - ❑ Stronger domestic economy and consumer confidence could be the offset to any weakness.
 - ❑ Key inbound markets NYC and Hawaii have been steady in the YTD as well.



MACRO GRIND

S&P REV. & EARNINGS COMPS & SCORECARD

Q1 2017 QTD

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	8.2%	15.7%	405 / 498
Energy	32.7%	748.4%	31 / 34
Materials	9.4%	20.0%	22 / 25
Industrials	4.2%	0.3%	64 / 67
Consumer Discretionary	10.5%	7.6%	48 / 81
Consumer Staples	0.4%	4.4%	26 / 37
Healthcare	5.7%	5.4%	47 / 58
Financials	7.1%	20.5%	61 / 65
Information Technology	9.1%	22.1%	49 / 68
Telecom	-4.7%	-4.6%	4 / 4
Utilities	6.8%	3.2%	24 / 28
Real Estate	3.1%	6.7%	29 / 31

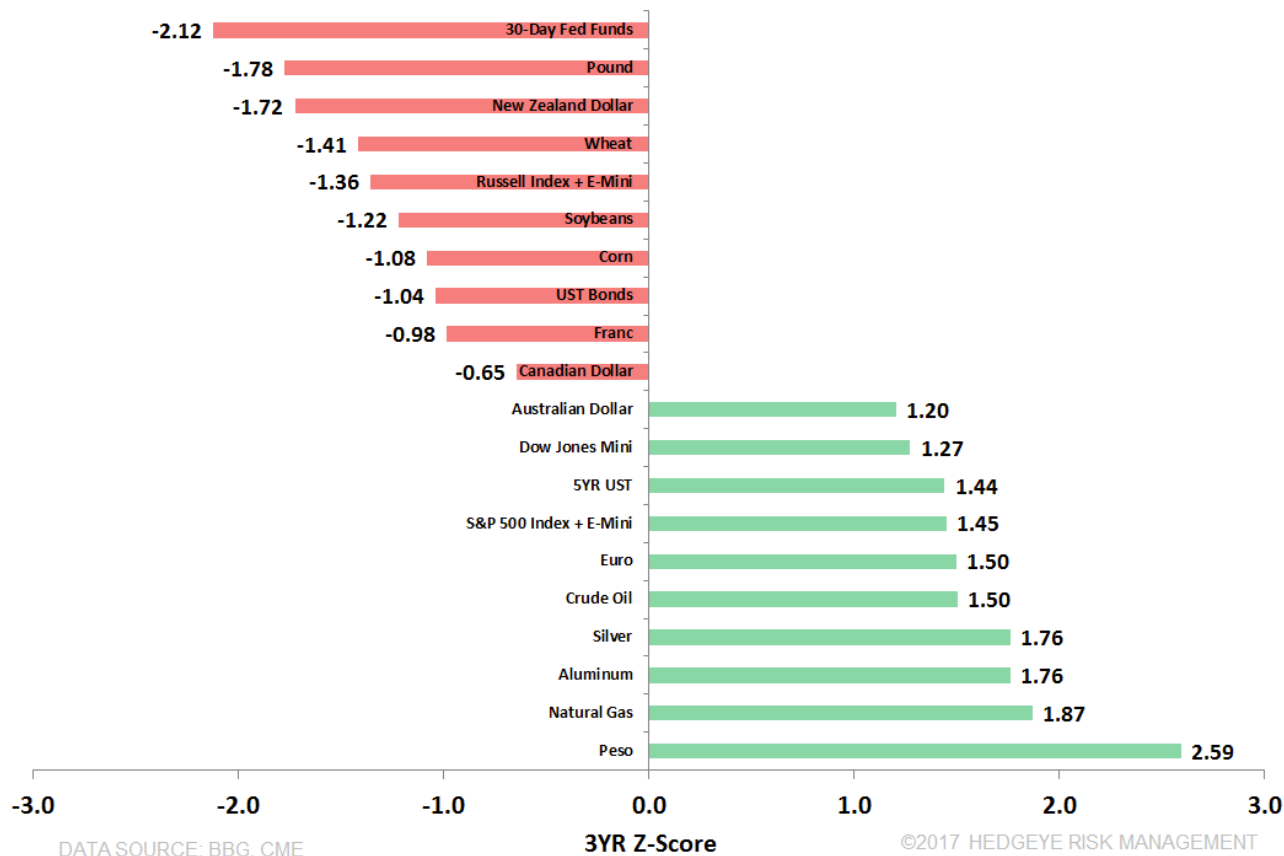
Source: BBG

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CFTC Net Futures & Options Positioning (3Yr Z-Score)

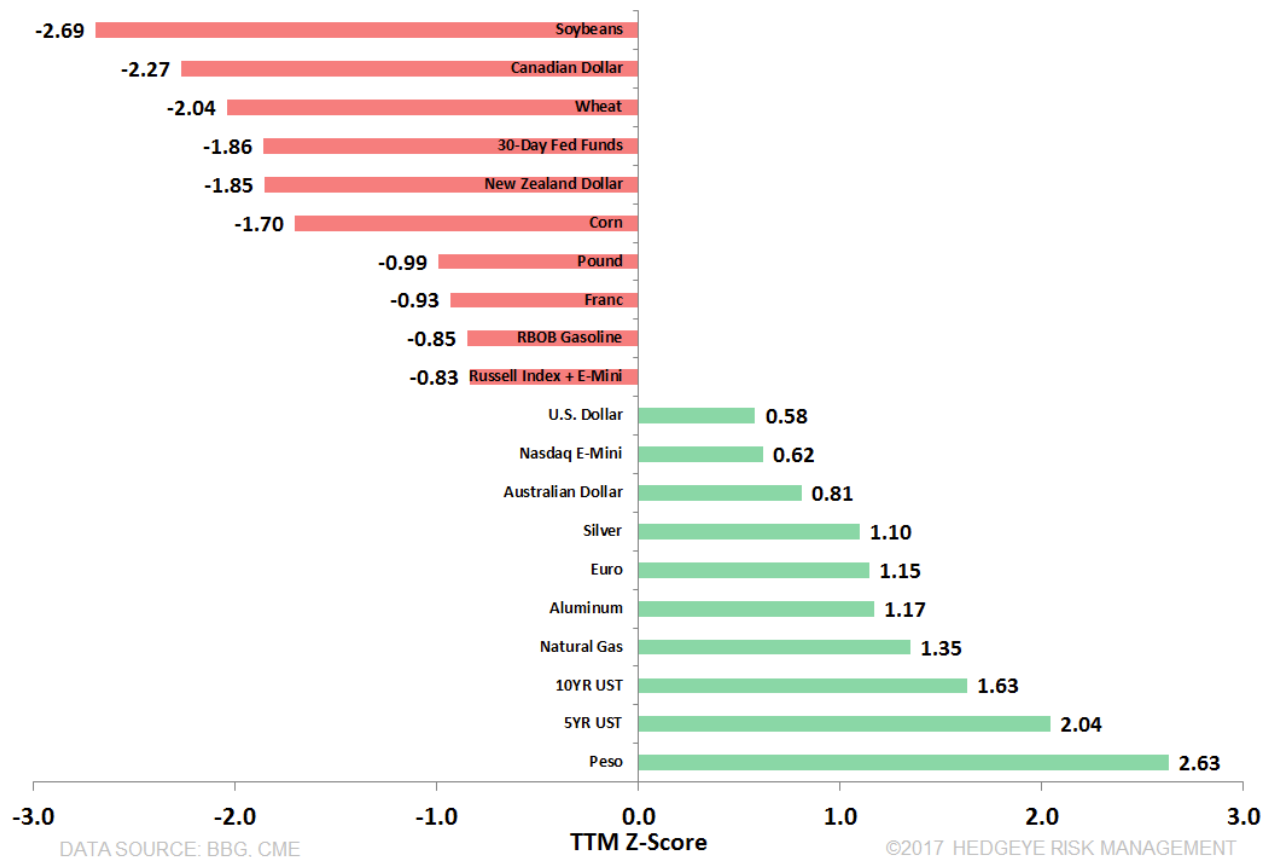


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CFTC Net Futures & Options Positioning (TTM Z-Score)



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Index/Security	REALIZED VOLATILITY				IMPLIED VOLATILITY*				IMPLIED** VS. REALIZED VOLATILITY									
	Ticker	Duration of Realized (%)			Current	At-The-Money %			Ticker	30 Day			60 Day			3 Month		
		30D	60D	90D		v 1M Avg	v 3M Avg	v 6M Avg.		Premium	Z-Score	3Yr	Premium	Z-Score	3Yr	Premium	Z-Score	3Yr
S&P 500	SPX	6.5%	7.0%	6.9%	8.7%	-16.9%	-11.7%	-16.9%	SPX	21.1%	-0.13	0.31	32.2%	0.25	0.79	47.7%	1.03	1.47
Russell 2000	RTY	12.4%	13.8%	13.8%	14.2%	-10.6%	-9.0%	-13.2%	RTY	9.8%	0.13	0.17	7.2%	-0.01	-0.05	10.7%	0.32	0.04
Nasdaq 100	NDX	6.9%	7.2%	7.5%	10.6%	-11.2%	-6.3%	-16.3%	NDX	38.4%	0.35	0.94	55.8%	1.10	1.82	62.6%	1.93	2.49
USD Index	UUP	6.4%	6.6%	7.1%	7.5%	-12.9%	-7.5%	-12.1%	UUP	11.4%	-0.11	-0.05	5.8%	-0.47	-0.32	-0.6%	-0.84	-0.64
Consumer Discret.	XLY	7.5%	7.7%	7.5%	10.3%	-9.1%	-6.0%	-15.2%	XLY	36.8%	0.41	0.91	38.1%	0.63	1.21	50.6%	1.81	2.19
Financials	XLF	15.0%	15.4%	15.2%	14.7%	-14.1%	-10.3%	-14.8%	XLF	-5.6%	-0.60	-0.47	1.3%	-0.30	-0.19	9.1%	0.38	0.22
Healthcare	XLV	6.7%	8.1%	8.8%	11.0%	-5.8%	-6.7%	-17.3%	XLV	60.1%	1.45	2.07	45.8%	1.73	2.15	35.3%	1.62	1.90
Technology	XLK	6.8%	7.3%	7.5%	10.9%	-8.6%	-4.8%	-13.2%	XLK	50.1%	0.77	1.40	55.4%	1.37	1.98	64.1%	2.40	2.79
Consumer Staples	XLP	6.6%	6.5%	7.3%	9.6%	-4.5%	-2.5%	-11.5%	XLP	43.5%	0.88	1.32	66.7%	2.69	3.21	50.9%	2.28	2.43
Utilities	XLU	6.8%	10.4%	10.9%	11.8%	-6.9%	-9.8%	-19.1%	XLU	64.7%	3.51	4.09	13.7%	1.10	1.44	10.3%	1.17	1.37
Energy	XLE	13.4%	14.8%	14.1%	18.1%	6.4%	7.9%	1.3%	XLE	37.3%	1.46	1.51	23.6%	1.55	1.10	28.0%	2.39	1.37
Energy	XOP	25.2%	25.4%	23.4%	31.8%	10.8%	15.1%	8.2%	XOP	35.1%	1.20	1.60	27.2%	1.68	1.61	34.8%	3.09	2.18
Materials	XLB	10.8%	11.2%	11.4%	12.6%	-9.6%	-6.4%	-10.1%	XLB	13.2%	-0.06	0.13	14.2%	0.11	0.29	18.0%	0.56	0.52
Industrials	XLI	9.6%	10.2%	9.9%	11.3%	-15.3%	-9.9%	-14.0%	XLI	15.0%	-0.06	0.24	18.0%	0.19	0.50	27.0%	0.98	1.10
Transports	IYT	13.7%	14.5%	14.1%	14.7%	-13.9%	-11.6%	-14.3%	IYT	6.2%	-0.37	-0.13	6.2%	-0.52	-0.17	12.9%	-0.09	0.20
Biotech	IBB	11.3%	15.1%	16.8%	17.4%	-7.3%	-12.6%	-24.9%	IBB	48.9%	2.09	2.18	19.1%	1.14	1.16	11.4%	1.17	0.80
WTI Crude Oil	USO	25.9%	24.3%	23.8%	33.8%	24.3%	25.8%	10.8%	USO	24.3%	0.98	1.06	35.6%	1.88	1.40	36.7%	2.66	1.44
Natural Gas	UNG	24.0%	33.4%	39.1%	32.9%	-4.4%	-11.3%	-23.5%	UNG	36.8%	2.23	0.88	0.8%	0.08	-0.39	-12.3%	-0.64	-0.80
Gold	GLD	10.3%	10.1%	10.8%	11.6%	-11.6%	-8.7%	-16.4%	GLD	11.0%	-0.10	0.09	16.5%	0.55	0.53	12.9%	0.60	0.38
Silver	SLV	15.8%	17.3%	17.3%	21.2%	5.4%	6.1%	-4.5%	SLV	36.7%	1.90	0.82	22.6%	2.00	0.47	24.1%	2.63	0.71
Copper	JJC	26.1%	25.4%	25.9%	23.2%	6.7%	2.2%	-8.6%	JJC	-12.3%	-0.42	-0.54	-10.2%	-0.57	-0.67	-13.2%	-0.76	-0.91
Coffee	JO	28.3%	26.9%	25.9%	28.1%	1.1%	1.8%	-1.8%	JO	-1.3%	-0.48	-0.40	4.4%	0.10	0.28	8.7%	0.70	0.89
Corn	CORN	16.3%	15.3%	15.0%	19.2%	2.9%	3.0%	6.1%	CORN	15.6%	0.10	-0.22	41.8%	1.50	1.14	55.9%	1.79	1.75
Soybeans	SOYB	9.4%	10.3%	13.1%	27.7%	44.1%	40.9%	32.2%	SOYB	187.0%	3.37	2.48	193.2%	3.18	2.88	144.7%	1.40	1.63
Wheat	WEAT	23.2%	21.6%	21.1%	20.9%	-32.2%	-30.0%	-28.6%	WEAT	-4.1%	-0.96	-0.80	16.5%	-0.77	-0.48	30.5%	-0.55	-0.19

*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

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HEDGEYE SECTOR PERFORMANCE

<u>SECTOR</u>	<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	\$89.62	-0.16%	-0.50%	10.09%
Financial Select Sector	XLF	\$23.88	0.17%	1.49%	2.71%
Health Care Select Sector	XLV	\$76.01	0.66%	0.68%	10.26%
Technology Select Sector	XLK	\$54.77	-0.07%	0.72%	13.25%
Consumer Staples Select Sector	XLP	\$55.07	0.77%	-0.20%	6.50%
Industrial Select Sector	XLI	\$66.58	0.11%	0.36%	7.01%
Materials Select Sector	XLB	\$52.73	0.11%	-0.64%	6.10%
The Energy Select Sector	XLE	\$66.23	-1.84%	-2.33%	-12.03%
Utilities Select Sector	XLU	\$51.45	0.35%	-0.48%	5.93%
S&P 500	SPX	2,389.52	0.06%	0.22%	6.73%

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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	\$89.62	-0.21%	-0.72%	3.36%
Financial Select Sector	XLF	\$23.88	0.11%	1.26%	-4.02%
Health Care Select Sector	XLV	\$76.01	0.60%	0.45%	3.52%
Technology Select Sector	XLK	\$54.77	-0.13%	0.49%	6.52%
Consumer Staples Select Sector	XLP	\$55.07	0.71%	-0.42%	-0.23%
Industrial Select Sector	XLI	\$66.58	0.05%	0.14%	0.28%
Materials Select Sector	XLB	\$52.73	0.06%	-0.86%	-0.63%
The Energy Select Sector	XLE	\$66.23	-1.90%	-2.55%	-18.76%
Utilities Select Sector	XLU	\$51.45	0.29%	-0.71%	-0.80%

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HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	-0.3%	-1.8%	-1.3%	-0.6%	12.7%	3.1%
	Low Debt/EV	0.2%	0.2%	2.7%	5.6%	14.8%	8.8%
SI	High Short Interest	-0.3%	-1.8%	-0.3%	-1.3%	8.6%	0.2%
	Low Short Interest	0.2%	-0.3%	1.3%	4.2%	15.0%	7.3%
BETA	High Beta	-0.5%	-1.5%	-0.4%	0.3%	19.9%	5.0%
	Low Beta	0.4%	-0.4%	0.8%	4.2%	9.2%	5.8%
YIELD	High Yield	-0.2%	-1.5%	-0.7%	-0.2%	5.7%	-0.2%
	Low Yield	0.0%	-0.5%	1.2%	3.1%	15.0%	8.1%
MKT CAP	MCAP Bottom 25%	-0.3%	-2.0%	-1.2%	-1.5%	8.3%	-0.2%
	MCAP Top 25%	0.2%	0.0%	1.4%	4.4%	15.8%	7.6%
Sales	Top 25% Sales Growth	-0.3%	-1.0%	-0.3%	1.9%	14.6%	6.2%
	Bottom 25% Sales Growth	-0.1%	-1.3%	-0.3%	0.4%	7.8%	1.7%
EPS	Top 25% EPS Growth	-0.4%	-0.9%	-0.3%	1.1%	15.5%	5.8%
	Bottom 25% EPS Growth	-0.1%	-1.4%	0.1%	1.3%	8.8%	2.4%

**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	0.87%	1.0	7.6	10	38	-1	71	68	73
3M LIBOR	1.17%	0.0	0.2	2	14	0	55	64	73
2Y T-Note	1.31%	1.2	4.8	5	11	-9	81	56	74
5Y T-Note	1.88%	3.0	5.9	-1	-3	-26	99	35	53
10Y T-Note	2.35%	3.2	5.6	-1	-11	-29	103	22	20
30Y T-Note	3.00%	2.9	3.3	0	-9	-22	91	14	-2
2Y-10Y Spread, Bps	104	2.0	0.8	-6.4	-22	-20	22	-34	-54
IG SPREAD (AAABBB)	1.52%	0.0	-3.0	-4	-1	-48	7	-18	-21
HIGH YIELD	5.87%	0.0	25.8	19	-6	-161	26	-78	-65
5Y BREAK EVEN	1.75%	-2.8	-7.7	-17.5	-30.4	-33.1	49.4	18.8	2.7

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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)	110,317	(31,167)	95,118	39,143	65,972	0.56X	1.23X
Russell 2000 (mini)	(30,132)	40,530	(14,847)	22,538	6,858	-0.86X	-0.22X
10Y Treasury	221,842	190,284	(140,160)	(195,334)	(69,103)	1.62X	2.27X
CRUDE OIL	456,693	(40,574)	509,837	477,710	420,950	0.44X	1.24X
GOLD	165,281	4,018	103,275	91,915	161,242	0.05X	0.83X
COPPER	12,576	(3,738)	30,215	40,262	11,666	0.03X	0.82X
\$USD	43,484	82	45,525	48,813	33,398	0.55X	0.20X
JPY	(23,824)	5,844	(49,755)	(47,590)	1,169	-0.46X	0.12X
EUR	(27,946)	(7,023)	(30,732)	(59,043)	(72,304)	1.17X	1.38X
GBP	(93,584)	7,683	(89,308)	(77,972)	(72,955)	-0.96X	-1.62X

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MARKET SHARE VOLUME & TOTAL VALUE TRADED

<u>INDEX/SECURITY</u>	VOLUME: (5/4) vs.			
	<u>Prior Day</u>	<u>1M Ave</u>	<u>3M ave</u>	<u>1Y Ave</u>
Total Market Volume*	1%	-5%	-2%	34%
Total Exchange Volume**	8%	18%	16%	14%

*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	-0.89	-0.63	-0.34	-0.42	0.58	0.95	-0.75	50%	50%
BRENT Oil	0.79	0.79	0.49	0.36	0.67	0.79	-0.78	56%	44%
CRB Index	-0.44	0.12	0.16	0.36	0.76	0.83	-0.86	37%	63%
GOLD	0.71	0.15	-0.61	-0.73	-0.87	0.90	-0.97	18%	82%

*Days = Trading Days

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