Q1 2017 MACRO THEMES

January 11th 2017

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TO BE ANSWERED AT THE END OF THE CALL

Q4 2016 MACRO THEMES

1

#DOUBLE DIP RECESSION

The cyclical-industrial complex peaks ahead of the peak in the economic cycle and the current cycle has not proved different. Globally, growth and inflation expectations continue to be marked lower while PMI's and Industrial activity remain in Trend retreat. Domestically, manufacturing ISM's remain peri-contractionary while industrial production and corporate capex remain mired in their worst non-recession streaks of negative growth ever. We'll detail why industrial activity is not poised for sustainable improvement and why, after another round of policy catalyzed reflation, the risk to cyclicals has again become acute.

2

#LABOR'S LAGS

After peaking in 1H15, employment, income and consumption growth have all continued their negative 2nd derivative convergence towards zero. With credit growth now beginning to slow, asset price inflation and the wealth effect past peak, high ticket discretionary consumption at 6-year lows, and rising prospects for broader implementation of higher minimum wages, the risk to labor and consumption slowing faster is rising. We'll explore labor's current catch-22 situation in which further strength in the labor markets is paid for via continued negative productivity growth and falling corporate profitability while labor market softening would amplify the negative trend in income and consumption growth.

3

#CLINTON VS TRUMP

With one of the US's most important presidential elections ever just over one month away, most investors are still unsure on just how to position for the highest probability outcome. With political uncertainty at historic highs across the buyside and in corporate boardrooms, we thought it would be helpful to provide a scenario analysis on the respective policy platforms for each candidate. Perception is not necessarily reality when the rubber meets the road.

Q1 2017 MACRO THEMES

1

#QUAD 123

Our GIP model maps second derivative changes in growth and inflation to the most appropriate asset allocations for those prevailing macro conditions. After being long ***#GrowthSlowing*** (Quads 3&4) allocations for most of the last 6 quarters, our model signaled a positive inflection in both Growth and Inflation (Quad2) in 4Q16 – a shift the post-election data has continued to confirm. As we traverse the next few quarters, we think the fundamentals are likely to progress in the following manner: 4Q16 = Quad2 (Growth & Inflation ↑), 1Q17 = Quad3 (Growth ↓, Inflation ↑), 2Q17 = Quad1 (Growth ↑, Inflation ↓) . 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 1H17 and a potentially choppy peri-inauguration period.

2

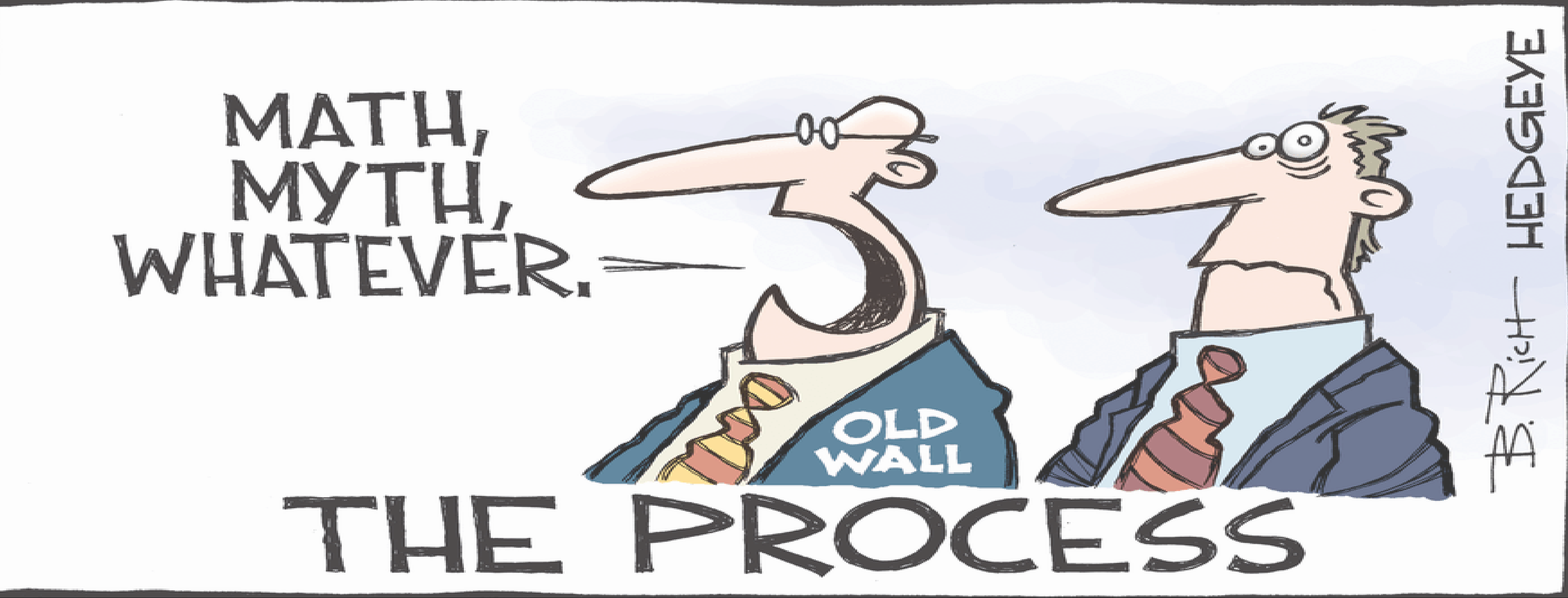
#REFLATION'S PEAK

The reflation trade and all its substitutes will see the biggest tailwind from a growth perspective in Q1 of this year. On a sector-specific level, materials and energy have the easiest earnings comps against consumer discretionary the most difficult. With WTI crude oil and copper +22% and +50% Y/Y respectively, and the CRB index as a whole +12% Y/Y, headline inflation is set-up to accelerate meaningfully in Q1. The U.S. dollar having the strongest quarter in Q1 of 2016, and the Y/Y second derivative compares for the U.S. dollar become easier into Q2 against more difficult comps for reflation-levered assets, helping push the U.S. economy into a Quad 1 set-up for Q2 2017 (Growth accelerating as Inflation decelerates).

3

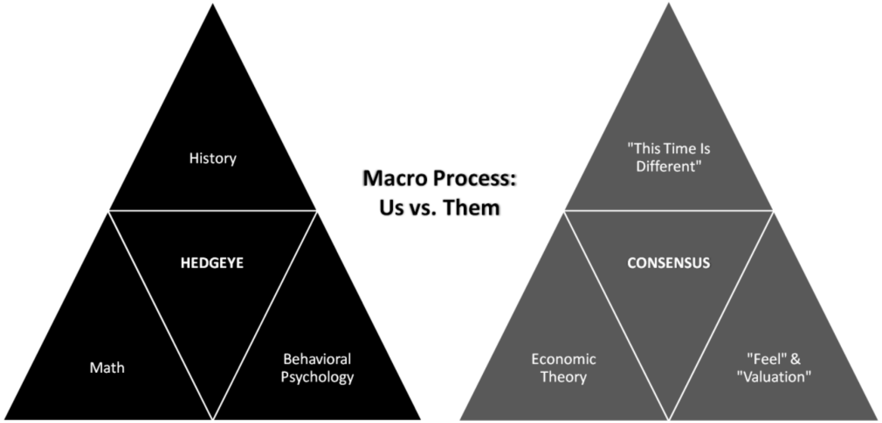
#TRUMPTRADES

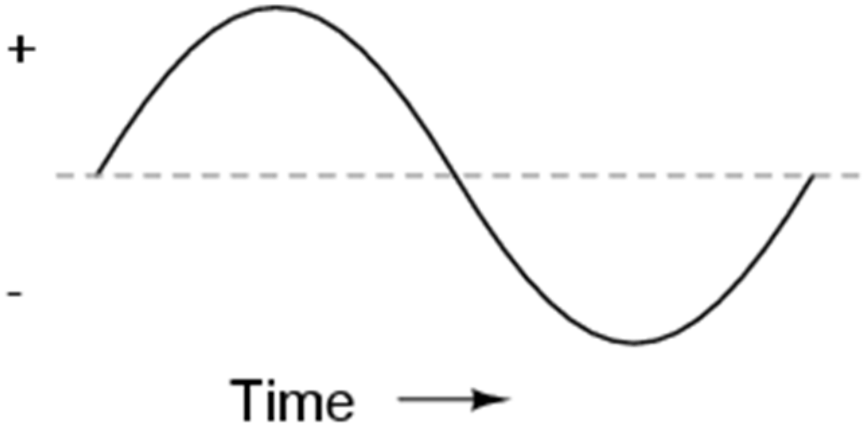
While it's been difficult to ascertain exactly what policies the Trump administration has in store for investors, one thing is for sure – there will most certainly be winners and losers all throughout the global economy. One key region to focus on in particular is Asia, where Trump's trade policy proposals largely favor Japan (via a weakening yen) in lieu of China, which is likely to be targeted with some combination of hawkish trade policy. Elsewhere, Trump's affinity with Vladimir Putin favors Russia in lieu of other emerging markets like Turkey, Mexico, Indonesia and South Africa – each of which is vulnerable to further USD tightening. Lastly, a weaker euro may make European equities a key place to be on the long side in 2017.



#QUAD 123

PROCESS: RATE OF CHANGE CENTRIC





DIFFERENTIATED FROM THE HERD

Macroeconomics and Global Macro Risk Management are two very different fields. We specialize in the latter, incorporating key lessons of behavioral finance such as Prospect Theory and Bayesian Inference into our analysis.

WE FOCUS ON THE SLOPES

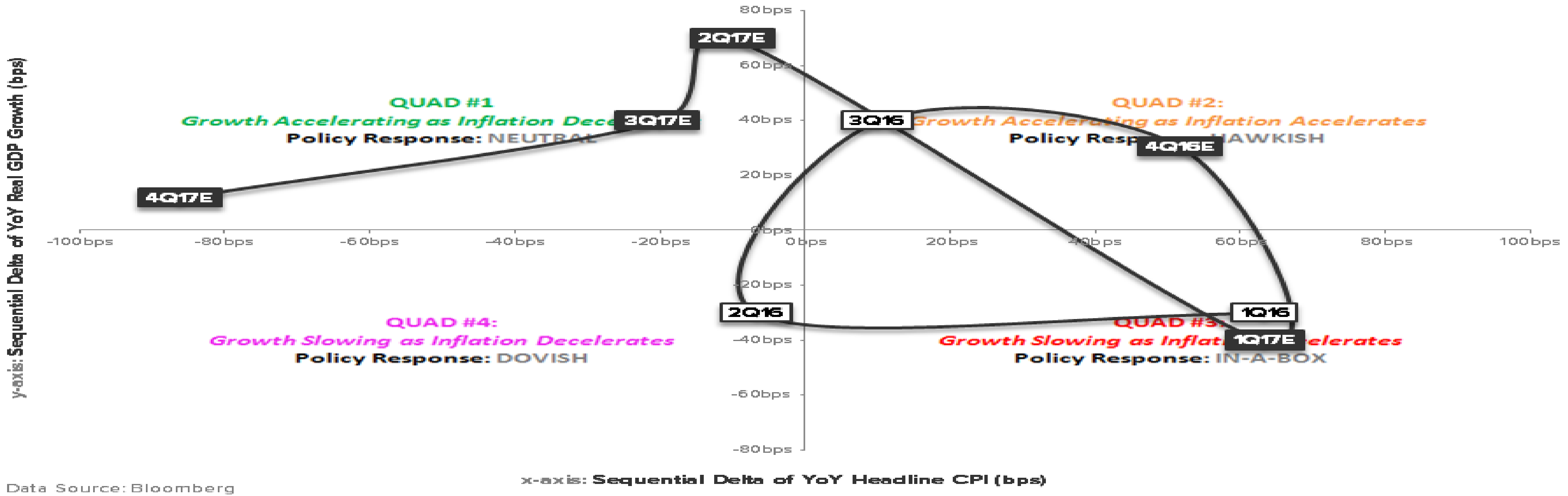
Everything that matters in Global Macro occurs on the margin. Our key differentiator is an ever-present focus on rates of change, which helps us front-run changes in sentiment among investor consensus and policymakers – both of whom tend to overweight absolute states in their analysis.

MAPPING & MEASURING THE CYCLE

SPECIFICALLY, OUR BACKTEST DATA SHOWS THAT A LARGE DEGREE OF INTER AND INTRA ASSET CLASS RETURNS CAN BE EXPLAINED BY CHANGES IN GROWTH, INFLATION AND POLICY EXPECTATIONS. REFER TO THE FOLLOWING SLIDE FOR MORE DETAILS.

UNITED STATES	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Real GDP QoQ SAAR	3.1%	4.0%	-1.2%	4.0%	5.0%	2.3%	2.0%	2.6%	2.0%	0.9%	0.8%	1.4%	3.5%
Real GDP YoY	1.7%	2.7%	1.6%	2.4%	2.9%	2.5%	3.3%	3.0%	2.2%	1.9%	1.6%	1.3%	1.7%
2Y Average	2.1%	2.0%	1.5%	1.7%	2.3%	2.6%	2.5%	2.7%	2.6%	2.2%	2.5%	2.2%	2.0%
3Y Average	1.8%	1.9%	1.9%	2.0%	2.3%	2.2%	2.1%	2.1%	2.3%	2.4%	2.2%	2.2%	2.3%
Percentile (T10Y)	36%	64%	33%	59%	79%	67%	95%	87%	54%	49%	33%	28%	44%
CPI YoY	1.6%	1.2%	1.4%	2.1%	1.8%	1.3%	-0.1%	0.0%	0.1%	0.5%	1.1%	1.0%	1.1%
2Y Average	1.6%	1.6%	1.6%	1.8%	1.7%	1.3%	0.7%	1.0%	1.0%	0.9%	0.5%	0.5%	0.6%
3Y Average	2.3%	2.1%	2.0%	1.8%	1.7%	1.5%	1.0%	1.2%	1.2%	1.0%	0.8%	1.0%	1.0%
Percentile (T10Y)	18%	10%	15%	44%	36%	13%	5%	10%	13%	15%	18%	18%	26%

Hedgeye Macro GIP Model		
GIP = Growth/Inflation/Policy		
Full-year Estimates	2015	2016E
Hedgeye Predictive Tracking Algorithm	2.6%	1.7%
Bloomberg Consensus Estimate	2.4%	1.6%
Central Bank Forecast	2.1%	1.9%
Full-year Estimates	2015	2016E
Hedgeye Predictive Tracking Algorithm	0.1%	1.2%
Bloomberg Consensus Estimate	0.1%	1.3%
Central Bank Forecast	1.3%	1.7%



WHY DOES THE 2ND DERIVATIVE MATTER?

BECAUSE FINANCIAL ASSET RETURNS HAVE HISTORICALLY ANCHORED ON THE MARGINAL RATE OF CHANGE IN BOTH GROWTH AND INFLATION – ESPECIALLY WHEN THESE DELTAS ARE COUNTER TO CONSENSUS EXPECTATIONS.

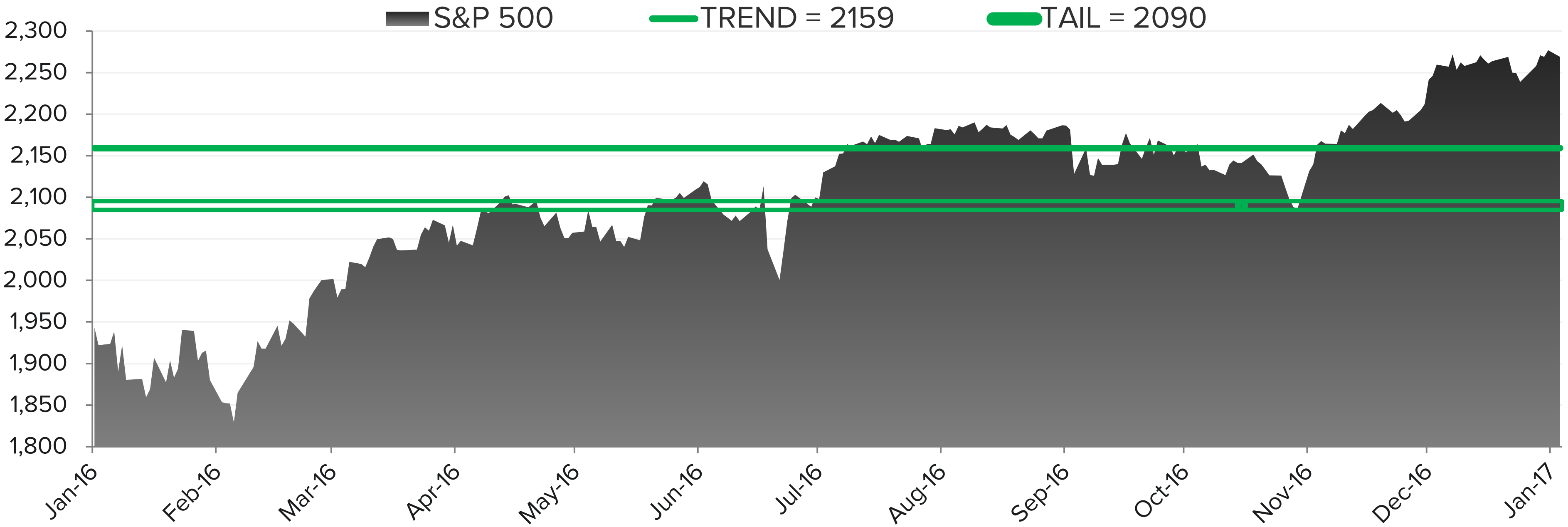
Hedgeye Macro U.S. GIP Model Backtest	Weighted Average Expected Value, by Quadrant				Percentile of Weighted Average Expected Value, by Asset Class				Percentile of Weighted Average Expected Value, by Quadrant				Positive Hit Rate (color-coding by Asset Class & Quadrant)				Total Quarterly Performance Observations			
Exposure	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
S&P 500 Index	3.3%	0.8%	-0.2%	-0.7%	38%	31%	23%	46%	78%	53%	22%	47%	80%	69%	56%	65%	20	13	27	20
S&P 500 Consumer Discretionary Sector Index	4.4%	1.0%	-0.4%	0.1%	92%	38%	15%	69%	97%	58%	19%	78%	75%	69%	48%	55%	20	13	27	20
S&P 500 Consumer Staples Sector Index	2.7%	1.3%	0.1%	0.6%	15%	62%	62%	85%	69%	67%	47%	89%	85%	69%	59%	60%	20	13	27	20
S&P 500 Energy Sector Index	2.7%	1.0%	0.3%	-1.4%	23%	46%	92%	8%	72%	61%	64%	19%	80%	77%	63%	50%	20	13	27	20
S&P 500 Financials Sector Index	3.6%	0.3%	-0.5%	-0.8%	46%	15%	8%	31%	81%	39%	14%	42%	75%	62%	56%	70%	20	13	27	20
S&P 500 Health Care Sector Index	2.4%	2.0%	0.2%	0.8%	8%	100%	69%	100%	67%	92%	50%	94%	75%	69%	52%	75%	20	13	27	20
S&P 500 Industrials Sector Index	3.6%	1.5%	0.1%	-0.8%	54%	85%	54%	38%	83%	75%	44%	44%	65%	69%	48%	50%	20	13	27	20
S&P 500 Information Technology Sector Index	4.0%	1.5%	0.0%	-0.9%	85%	77%	46%	23%	94%	72%	36%	39%	80%	77%	52%	60%	20	13	27	20
S&P 500 Materials Sector Index	4.0%	0.1%	-0.9%	0.1%	77%	8%	0%	77%	92%	28%	0%	83%	85%	69%	52%	50%	20	13	27	20
S&P 500 REITS Index	3.9%	1.6%	0.3%	-2.4%	62%	92%	85%	0%	86%	81%	61%	11%	67%	56%	64%	77%	15	9	22	13
S&P 500 Utilities Sector Index	1.5%	-0.6%	1.7%	-0.6%	0%	0%	100%	54%	58%	14%	86%	50%	65%	31%	67%	55%	20	13	27	20
S&P 500 Low Beta Minimum Volatility Index	3.2%	0.3%	0.3%	0.7%	31%	23%	77%	92%	75%	42%	58%	92%	75%	54%	52%	80%	20	13	27	20
S&P 500 High Beta Index	4.9%	1.3%	-0.1%	-1.3%	100%	69%	31%	15%	100%	69%	28%	22%	70%	62%	59%	55%	20	13	27	20
Russell 2000 Index	3.9%	1.0%	0.0%	-0.5%	69%	54%	38%	62%	89%	64%	31%	56%	70%	69%	59%	60%	20	13	27	20
Bloomberg Barclays US Agg Credit Yield To Worst	-2.1%	-1.1%	1.0%	-2.2%	56%	44%	44%	22%	14%	11%	83%	14%	40%	38%	52%	30%	20	13	27	20
Bloomberg Barclays US High Yield Average Yield To Worst	-3.2%	-1.8%	2.1%	0.0%	33%	33%	56%	67%	8%	8%	89%	72%	30%	46%	59%	45%	20	13	27	20
Bloomberg Barclays US Corporate Average OAS	-2.4%	-2.5%	4.7%	0.1%	44%	11%	100%	78%	11%	3%	100%	81%	30%	38%	52%	40%	20	13	27	20
Bloomberg Barclays US High Yield Average OAS	-4.0%	-1.8%	4.2%	2.8%	22%	22%	89%	89%	6%	6%	97%	97%	20%	38%	48%	50%	20	13	27	20
Bloomberg Barclays US Composite Convertible Cvt. Yield	-4.6%	-5.6%	4.1%	3.0%	11%	0%	78%	100%	3%	0%	94%	100%	43%	0%	60%	46%	14	7	20	13
US Treasury 2Y Note Yield	0.3%	0.1%	0.4%	-2.6%	100%	56%	22%	11%	39%	33%	69%	8%	50%	54%	52%	35%	20	13	27	20
US Treasury 10Y Note Yield	-0.7%	0.7%	-0.8%	-1.6%	78%	67%	0%	33%	19%	50%	3%	17%	45%	62%	48%	35%	20	13	27	20
US Treasury 30Y Bond Yield	-0.6%	0.9%	-0.7%	-1.1%	89%	78%	11%	56%	22%	56%	6%	28%	45%	69%	52%	35%	20	13	27	20
Bond Buyer US 40 Municipal Bond YTM	-1.0%	1.8%	0.7%	-1.3%	67%	89%	33%	44%	17%	86%	72%	25%	33%	88%	52%	22%	15	8	23	18
Bloomberg Barclays US Treasury Inflation 10Y Note Yield To Worst	-10.7%	11.5%	3.5%	-10.2%	0%	100%	67%	0%	0%	100%	92%	0%	15%	46%	59%	15%	20	13	27	20
Thomson Reuters/CoreCommodity CRB Commodity Index	0.5%	1.9%	0.1%	-3.0%	25%	50%	25%	25%	47%	89%	42%	6%	65%	77%	63%	30%	20	13	27	20
Commodity Research Bureau BLS/US Spot Raw Industrials Index	1.0%	1.7%	-0.2%	-0.9%	50%	25%	0%	75%	53%	83%	25%	36%	65%	69%	44%	45%	20	13	27	20
Commodity Research Bureau BLS/US Spot Foodstuff Index	-0.3%	1.5%	0.8%	-1.0%	0%	0%	50%	50%	25%	78%	75%	33%	50%	54%	56%	40%	20	13	27	20
Front-month Brent Crude Oil	1.7%	3.9%	0.9%	-3.2%	75%	100%	100%	0%	61%	97%	81%	3%	55%	77%	52%	40%	20	13	27	20
Gold Spot	1.8%	2.0%	0.9%	0.0%	100%	75%	75%	100%	64%	94%	78%	69%	60%	69%	56%	50%	20	13	27	20
U.S. Dollar Index	-0.1%	0.3%	0.0%	0.4%	14%	71%	57%	100%	31%	36%	39%	86%	45%	46%	52%	75%	20	13	27	20
AUD/USD	1.2%	0.4%	-0.6%	-0.2%	100%	86%	0%	57%	56%	44%	8%	64%	55%	77%	67%	40%	20	13	27	20
CAD/USD	0.1%	0.5%	0.0%	-0.5%	29%	100%	43%	14%	33%	47%	33%	53%	40%	54%	52%	40%	20	13	27	20
CHF/USD	0.6%	0.0%	0.4%	0.0%	86%	43%	100%	86%	50%	25%	67%	75%	60%	62%	59%	35%	20	13	27	20
EUR/USD	-0.2%	-0.5%	0.2%	-0.3%	0%	0%	71%	43%	28%	17%	53%	61%	50%	46%	56%	30%	20	13	27	20
GBP/USD	0.2%	0.1%	-0.5%	-0.4%	43%	57%	14%	29%	36%	31%	11%	58%	45%	69%	41%	40%	20	13	27	20
JPY/USD	0.4%	-0.1%	0.2%	-0.1%	57%	29%	86%	71%	42%	22%	56%	67%	35%	54%	56%	40%	20	13	27	20
JPMorgan EM FX Index	0.5%	-0.1%	-0.4%	-1.1%	71%	14%	29%	0%	44%	19%	17%	31%	60%	50%	57%	39%	15	10	23	18

Source: Bloomberg data; Hedgeye calculations. Trailing 20 years.

DATA SOURCE: BLOOMBERG. THE EXPECTED VALUE DATA IS WEIGHTED BY THE DELTA INTO THE RESPECTIVE QUADRANT.

QUANTITATIVE RISK MANAGEMENT

HEDGEYE QUANTITATIVE SETUP: US EQUITIES



ALL BACKSTOPPED BY A PROVEN QUANTITATIVE OVERLAY

Multi-factor: Price, Volume and Volatility

Multi-duration: TRADE (3 weeks or less), TREND (3 months or more) and TAIL (3 years or less)

DATA SOURCE: BLOOMBERG

MAPPING TRUMP

$USD/EQUITIES/RATES/EXPECTATIONS/CONFIDENCE ↑ EM, BONDS, GOLD, SLOW GROWTH ↓

ASSET PERFORMANCE

SECURITY	Ticker	Absolute Performance 5D % Chg	1Y % Chg	Since 11/8/2016	Relative Performance 5D % Chg	1Y % Chg	Since 11/8/2016
S&P 500	SPX	1.3%	18.0%	6.0%			
Domestic Equities							
Russell 2000	RTY	0.0%	29.8%	13.6%	-1.3%	11.7%	7.5%
Russell 2000 Value	RUJ	-0.9%	37.4%	16.0%	-2.2%	19.3%	9.9%
Russell 2000 Growth	RUO	1.0%	22.2%	11.1%	-0.3%	4.2%	5.1%
Cyclicals-Defensives Index	VNDACDUS	1.5%	10.4%	5.3%	0.2%	-7.7%	-0.7%
Industrials Sector	XLI	0.7%	26.0%	7.6%	-0.7%	8.0%	1.6%
Financial Sector	XLF	0.6%	30.3%	17.0%	-0.8%	12.2%	10.9%
Materials Sector	XLB	1.8%	26.3%	7.1%	0.5%	8.3%	1.0%
Biotech	IBB	7.1%	-5.9%	8.7%	5.8%	-24.0%	2.6%
Aerospace & Defense	S5AERO	2.3%	24.9%	8.7%	0.9%	6.9%	2.6%
Construction Materials	BUSBUIL	0.2%	33.9%	7.3%	-1.1%	15.8%	1.3%
Steel	STEEL	2.3%	123.2%	12.6%	0.9%	105.2%	6.6%
Aluminum	S15ALUM	0.7%	21.6%	7.7%	-0.7%	3.5%	1.7%
Base Metals Spot Commodity	CMDIBASS	1.1%	28.0%	4.2%	-0.2%	9.9%	-1.8%
Diversified Metals & Miners	S15DIVM	-0.7%	82.8%	9.8%	-2.0%	64.8%	3.7%
EM Assets							
EM Equities	MXEF	1.2%	18.7%	-2.7%	-0.2%	0.6%	-8.7%
Latin America Equities	MXLA	1.8%	42.3%	-8.4%	0.4%	24.2%	-14.4%
Asia Ex-Japan Equities	MXAPJ	2.1%	14.7%	-1.0%	0.7%	-3.4%	-7.0%
EM Currency	MXEF0CX0	0.3%	5.5%	-2.4%	-1.0%	-12.6%	-8.4%
EM Debt	EMB	1.6%	6.3%	-2.8%	0.2%	-11.8%	-8.9%

FX, RATES & SPREADS

	Price	5D	1M	3M	vs. 52-Wk Low	vs. 5Y Ave	Since 11/8/2016
DXY	101.93	-1.3%	0.3%	5.1%	10.9%	16.3%	4.2%
EUR-USD	1.06	1.6%	0.1%	-5.1%	2%	-14%	-4.1%
GBP-USD	1.22	-0.6%	-3.3%	-1.6%	3%	-21%	-1.7%
USD-JPY	116.03	-1.5%	0.6%	12.0%	17%	13%	10.3%
USD-MXN	21.38	1.3%	4.9%	12.9%	25%	44%	16.7%

2017 REVISION TRENDS

	Since 11/8/2016
GROWTH	
GDP: 4Q16	-0.10
GDP: 2017	0.10
Consumption: 2017	0.10
Government: 2017	0.00
Investment: 2017	-0.05
Exports YoY %: 2017	-0.10
Industrial Prod, YoY %: 2017	-0.40
INFLATION	
CPI: 2017	0.10
PCE: 2017	0.05
CORE PCE: 2017	0.10
FED FUNDS: 4Q17	0.15
10Y UST: 4Q17	0.66
MARKET PRICES	
TIPS (TIP Equity)	-0.02
5Y BREAKEVEN	0.26
FED 5Y FORWARD	-
INFLATION SWAP (5Y5Y)	0.19
10Y BREAKEVEN	0.23

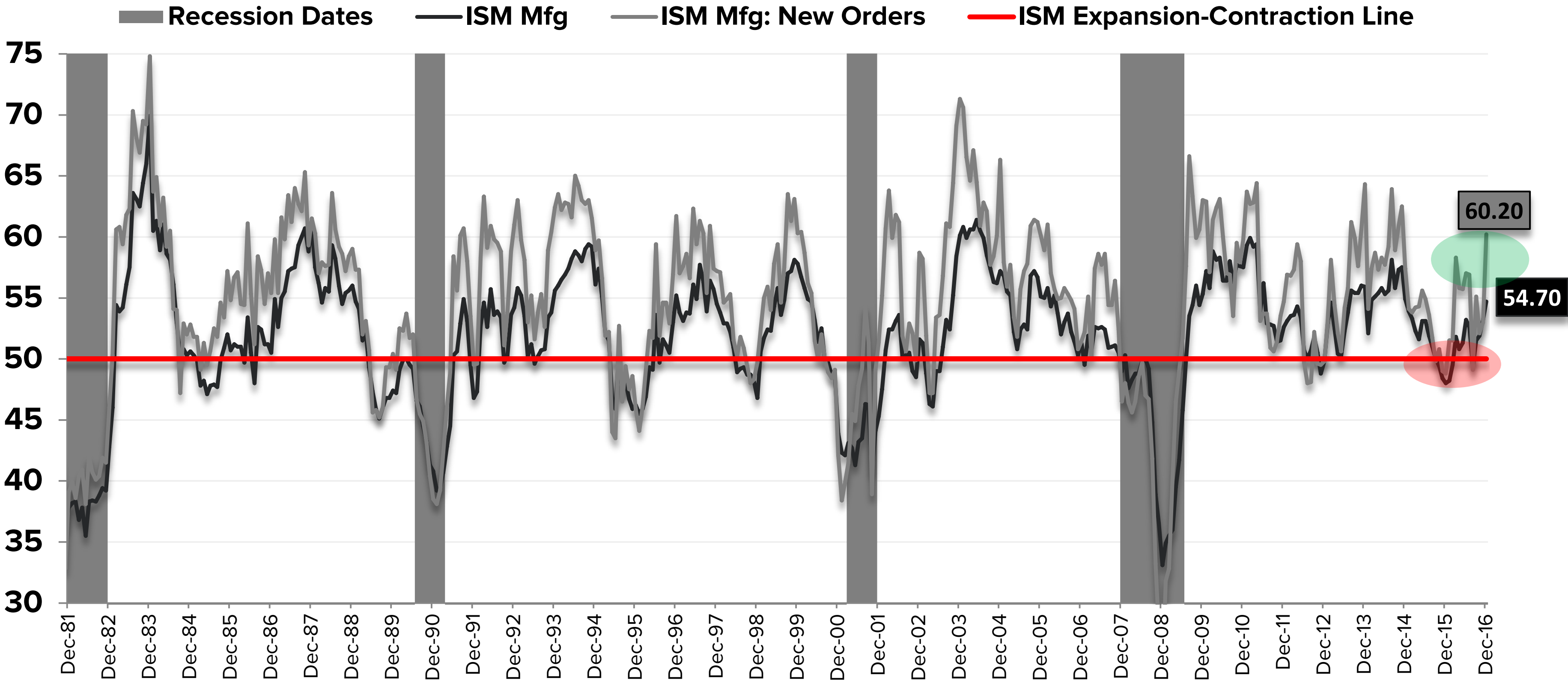
CONSUMER & BUSINESS SURVEYS

	Since Oct 16
Univ Michigan Confidence	11.00
Conference Board Confidence	12.90
Bloomberg Consumer Comfort	2.84
Univ. Michigan Expectations	12.70
Conference Board Expectations	19.50
Bloomberg Consumer Expectations	8.50
CEO Confidence (1Y Exp)	0.64
NFIB Optimism	3.50
NFIB 6M Outlook	19.00
Fed Mfg Surveys (6M Expectations)	
Dallas Fed: 6M Conditions	22.50
Empire State: 6M Conditions	14.20
Philli Fed: 6M Conditions	20.00
Kansas City Fed: 6M Conditions	2.00
Dallas Fed: (New Orders, 6M)	7.00
Empire State: (New Orders, 6M)	7.70
Philli Fed: (New Orders, 6M)	12.20
Kansas City Fed: (New Orders, 6M)	17.00
Richmond Fed: (New Orders, 6M)	15.00
Fed Services Surveys (6M Expectations)	
Dallas Fed: ↑ in Business Activity	30.70
Richmond Fed: Expected Demand	13.00

DATA SOURCE: BLOOMBERG, HEDGEYE *PRICES AS OF 1/9/17

MANUFACTURING = RE-ACCELERATING

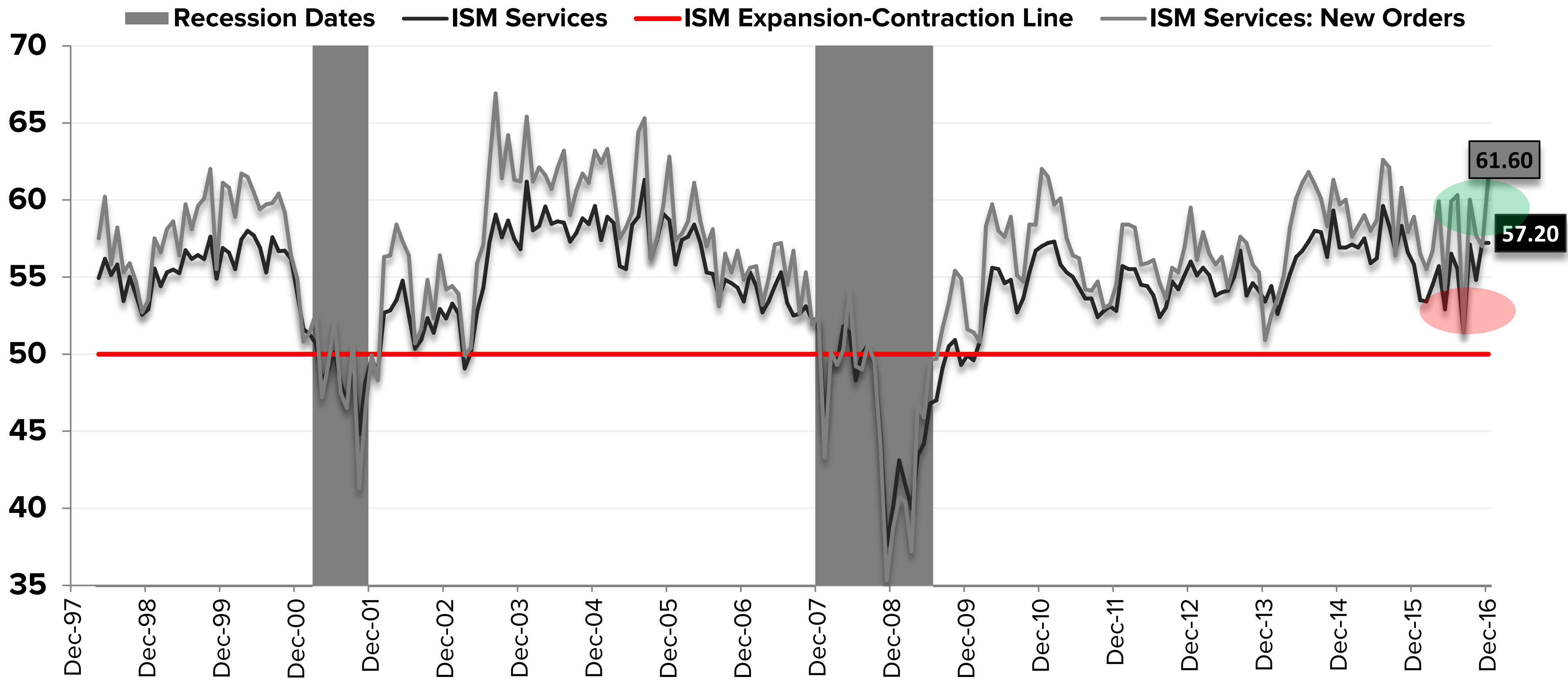
AFTER LANGUISHING AROUND 50+/- FOR THE BETTER PART OF 2015 AND 2016, THE ISM MANUFACTURING INDEX HIT ITS HIGHEST LEVEL IN 2 YEARS IN DECEMBER AS NEW ORDERS MOVED AB0VE 60, MARKING THE HIGHEST LEVEL IN 26-MONTHS



DATA SOURCE: BLOOMBERG, ISM, HEDGEYE

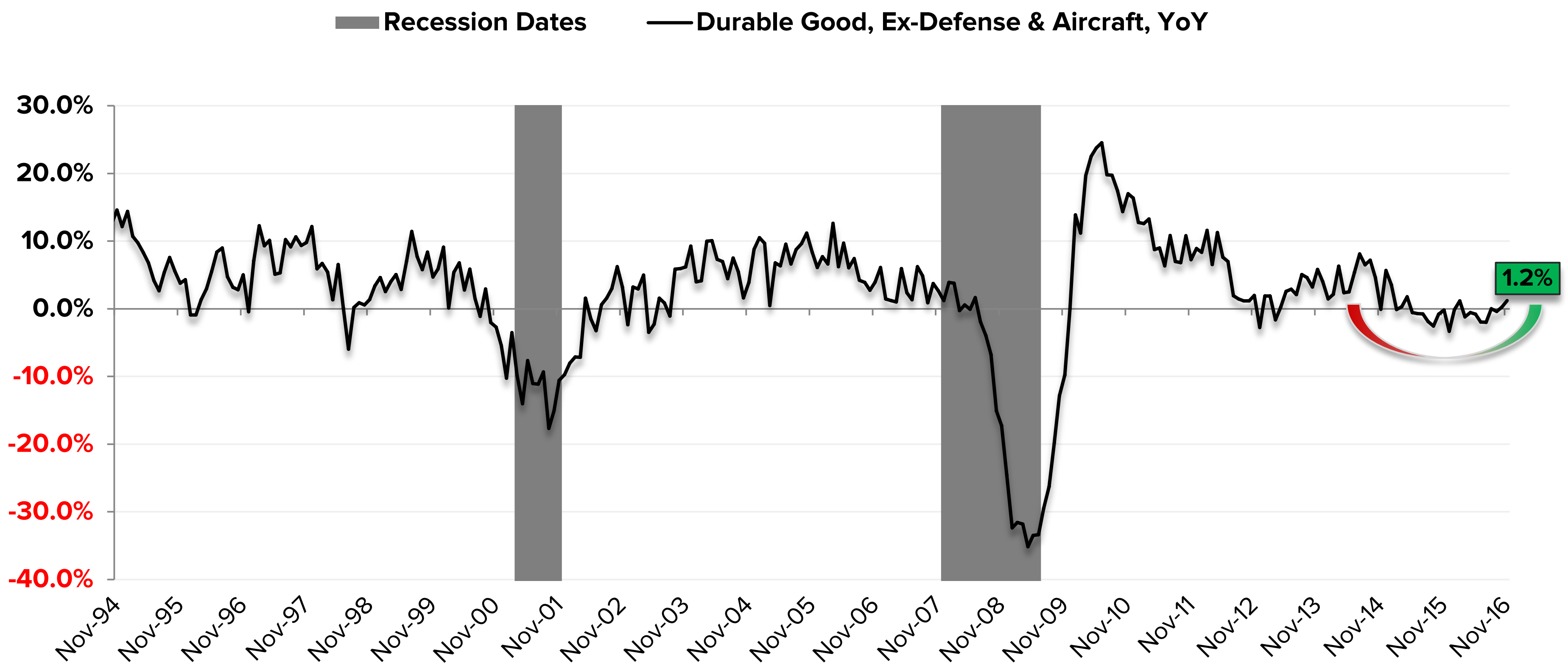
ISM SERVICES = RE-ACCELERATING

NEW ORDERS IN THE ISM NON-MANUFACTURING INDEX ROSE +4.6 PTS TO 61.6 IN DECEMBER, MARKING THE HIGHEST LEVEL SINCE AUGUST 2015. BOTH ISM MFG AND ISM SERVICES NEW ORDERS ARE >60 AT THE SAME TIME FOR THE 1ST TIME SINCE NOV 2014.



DURABLE GOODS = BACK TO (+) GROWTH

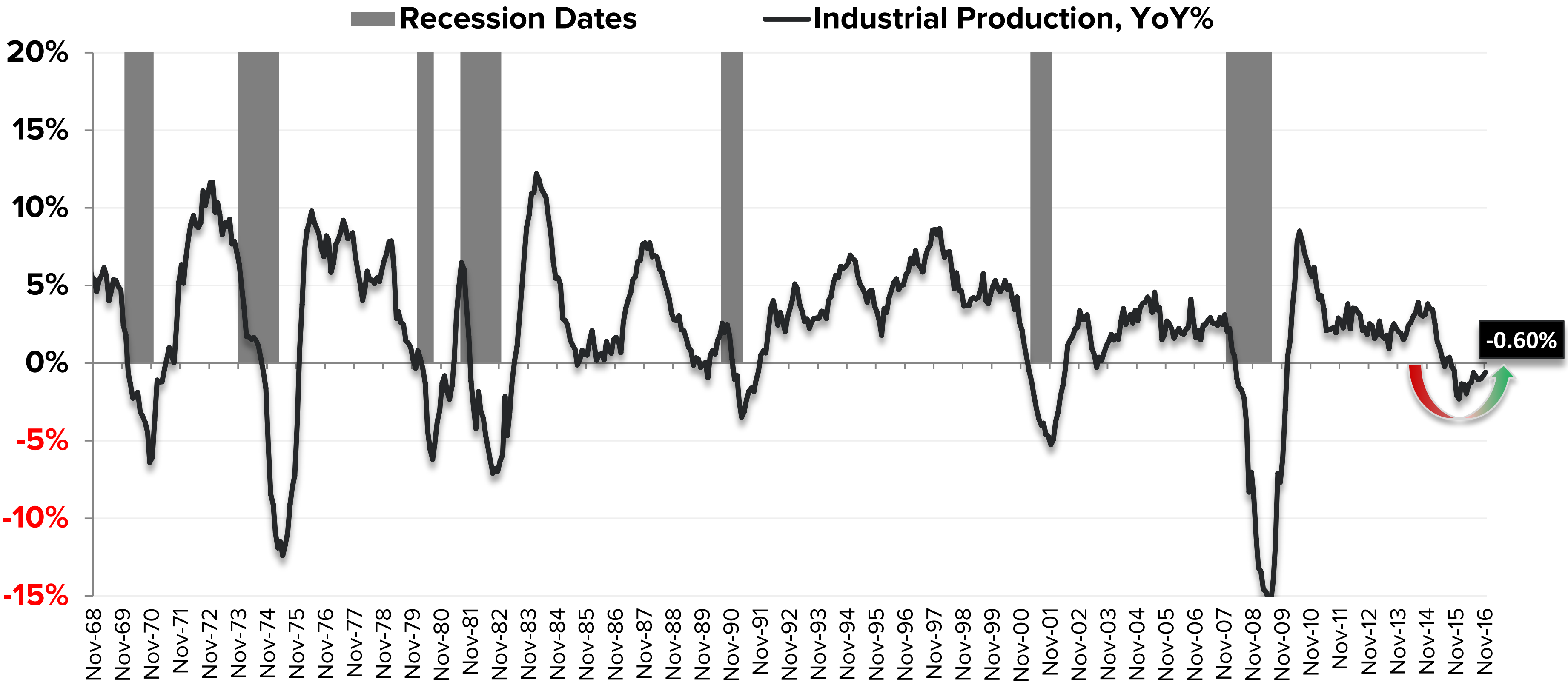
DURABLE GOOD EX-DEFENSE AND AIRCRAFT – WHICH REPRESENTS THE SERIES MOST CLOSELY ALIGNED WITH HOUSEHOLD DEMAND – ROSE +0.6% SEQUENTIALLY IN NOVEMBER WHILE IMPROVING TO +1.2% YOY, MARKING THE FASTEST PACE OF GROWTH SINCE APRIL 2015.



DATA SOURCE: BLOOMBERG, CENSUS BUREAU, HEDGEYE

INDUSTRIAL PRODUCTION: LESS BAD = GOOD

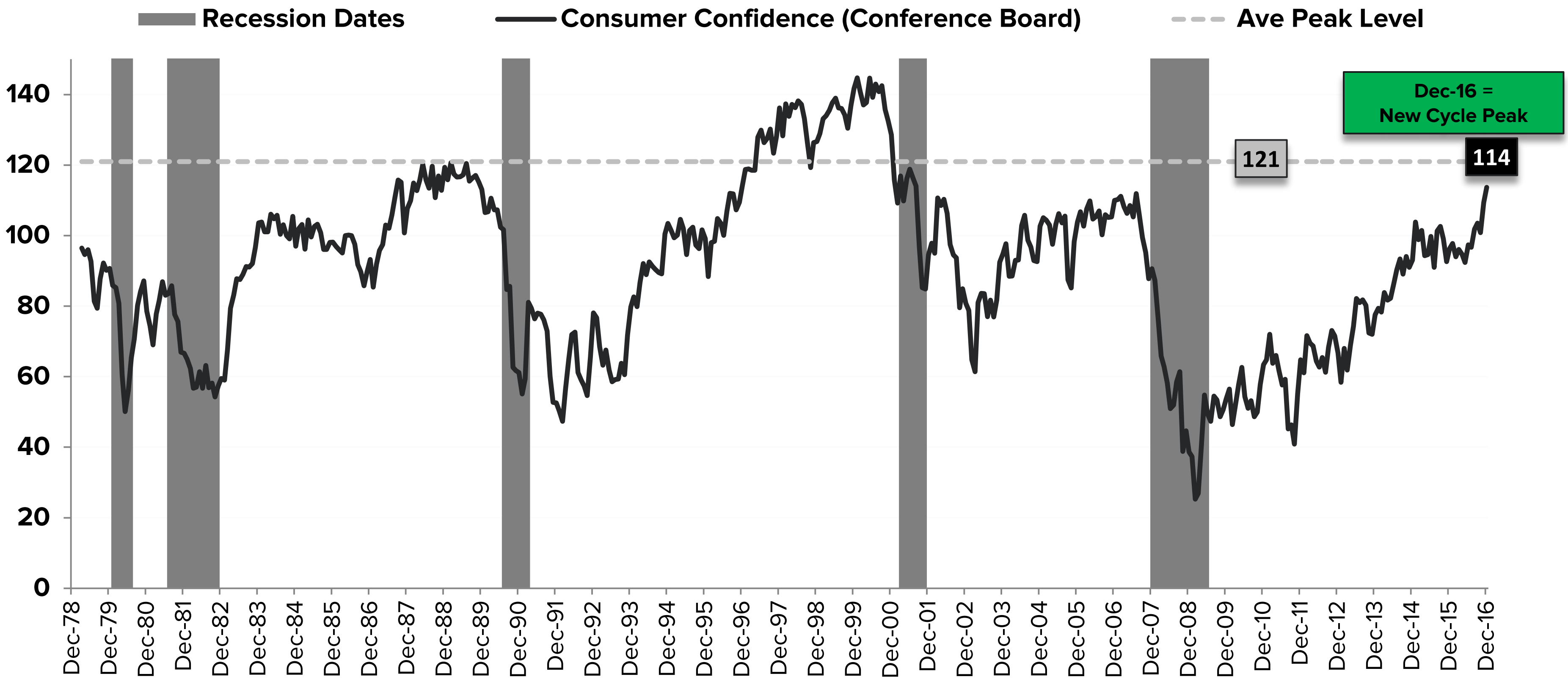
IP GROWTH HELD NEGATIVE FOR A RECORD 15TH CONSECUTIVE MONTH IN NOVEMBER BUT THE 2ND DERIVATIVE TREND IS IMPROVING WITH THE LATEST MONTH REPRESENTING A 3RD MONTH OF LESS BAD AND NEXT MONTH SITTING AS THE EASIEST COMP OF THE CYCLE



DATA SOURCE: BLOOMBERG, FEDERAL RESERVE, HEDGEYE

CONSUMER CONFIDENCE = ACCELERATING

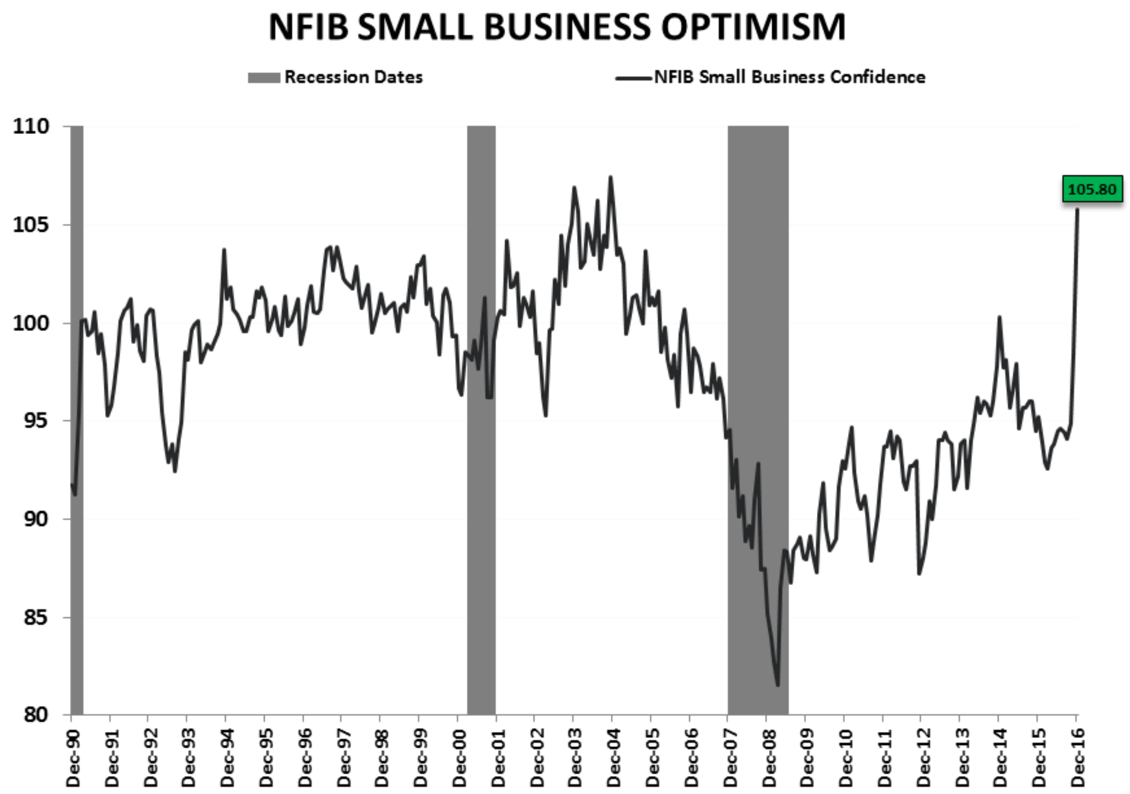
BOTH THE CONFERENCE BOARD AND UNIVERSITY OF MICHIGAN CONFIDENCE SERIES HAVE REACCELERATED TO NEW HIGHS WITH HEADLINE, PRESENT CONDITIONS AND FORWARD EXPECTATIONS READINGS ALL STEP FUNCTIONING HIGHER SINCE OCTOBER.



DATA SOURCE: BLOOMBERG, CONFERENCE BOARD, HEDGEYE

BUSINESS CONFIDENCE = RE-INFLECTING

TRUMPHORIA IS NOW UBIQUITOUS ACROSS ALL CONSUMER AND BUSINESS SERIES WITH ALMOST EVERY MEASURE GAPPING HIGHER POST-ELECTION.



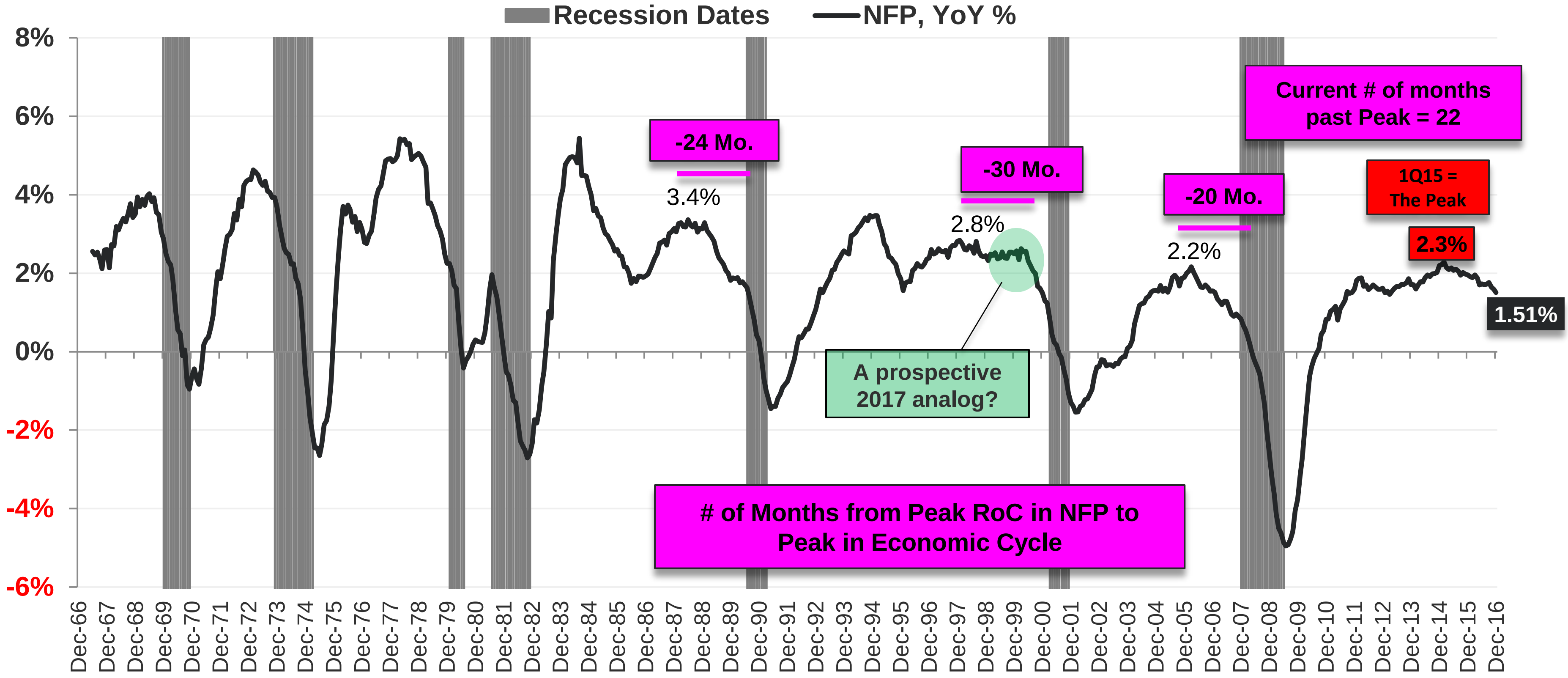
CONSUMER & BUSINESS SURVEYS

	Last	Latest	Since Oct 16
Univ Michigan Confidence	98.2	Dec-16	11.00
Conference Board Confidence	113.7	Dec-16	12.90
Bloomberg Consumer Comfort	45.5	Jan-17	2.84
Univ. Michigan Expectations	89.5	Dec-16	12.70
Conference Board Expectations	105.5	Dec-16	19.50
Bloomberg Consumer Expectations	53.5	Dec-16	8.50
CEO Confidence (1Y Exp)	6.5	Nov-16	0.64
NFIB Optimism	105.8	Dec-16	10.90
NFIB 6M Outlook	50.0	Dec-16	57.00
Fed Mfg Surveys (6M Expectations)			
Dallas Fed: 6M Conditions	47.2	Dec-16	22.50
Empire State: 6M Conditions	50.2	Dec-16	14.20
Philli Fed: 6M Conditions	52.6	Dec-16	20.00
Kansas City Fed: 6M Conditions	19.0	Dec-16	2.00
Dallas Fed: (New Orders, 6M)	55.4	Dec-16	7.00
Empire State: (New Orders, 6M)	46.7	Dec-16	7.70
Philli Fed: (New Orders, 6M)	51.5	Dec-16	12.20
Kansas City Fed: (New Orders, 6M	33.0	Dec-16	17.00
Richmond Fed: (New Orders, 6M)	47.0	Dec-16	15.00
Fed Services Surveys (6M Expectations)			
Dallas Fed: ↑ in Business Activity	39.8	Dec-16	30.70
Richmond Fed: Expected Demand	36.0	Dec-16	13.00

DATA SOURCE: BLOOMBERG, HEDGEYE

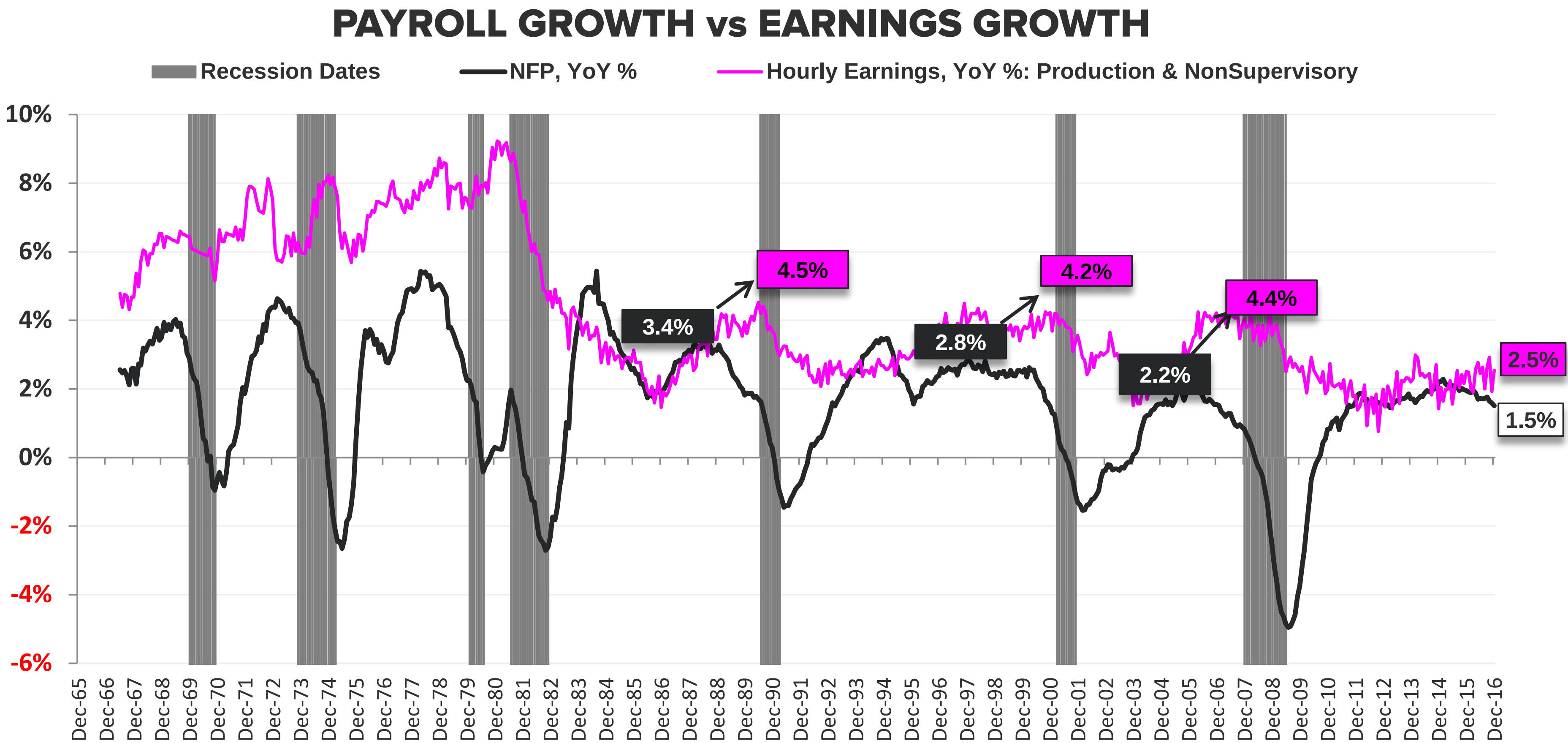
IS THE 90'S THE RIGHT ANALOG?

COULD RESURGENT CONFIDENCE, STIMULATIVE POLICY AND EASIER COMPS FORESTALL FURTHER DECELERATION IN PAYROLL GROWTH IN A MANNER SIMILAR TO THE 18-MONTH PERIOD CAPPING THE EXPANSION IN THE LATE 90'S



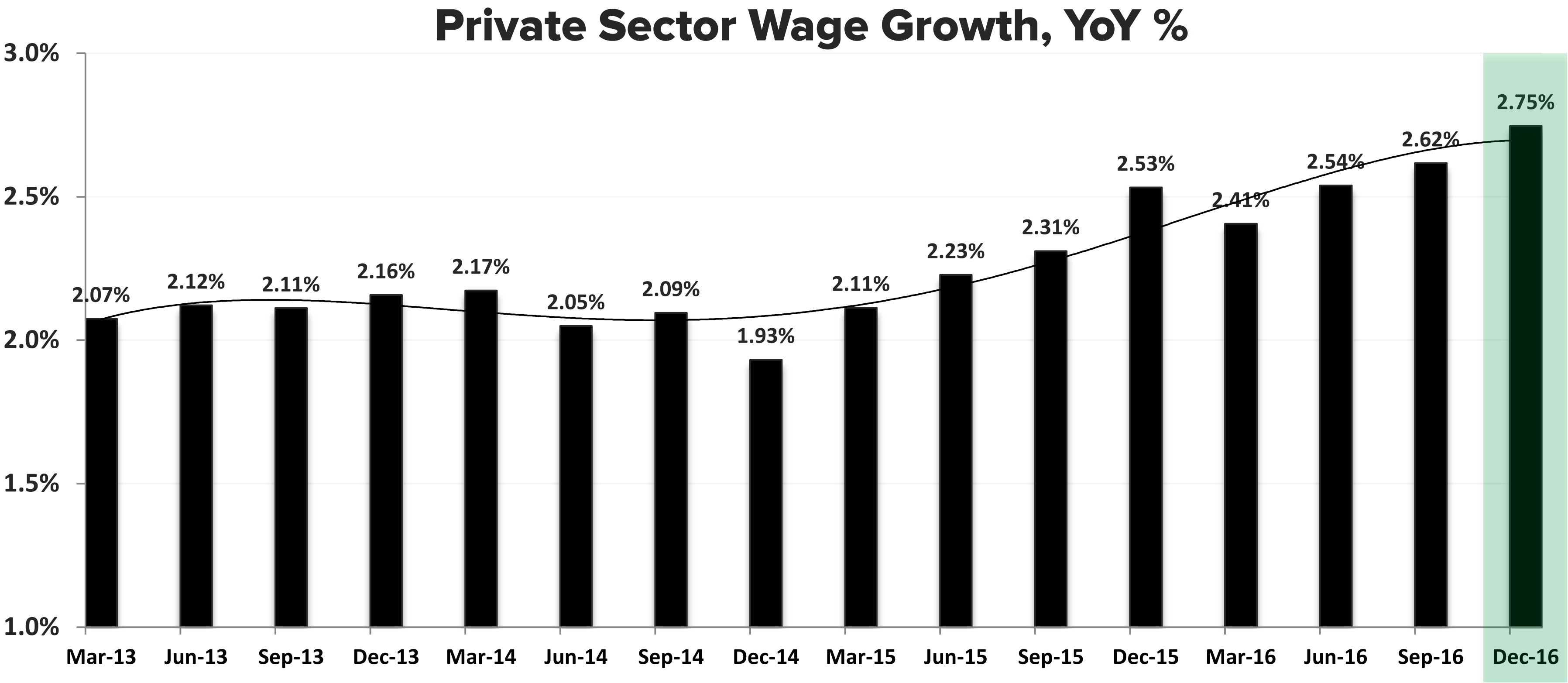
DATA SOURCE: BLOOMBERG, HEDGEYE

LATE-CYCLE LABOR (FINALLY) PLAYING OUT?



WAGE GROWTH MARCHING HIGHER

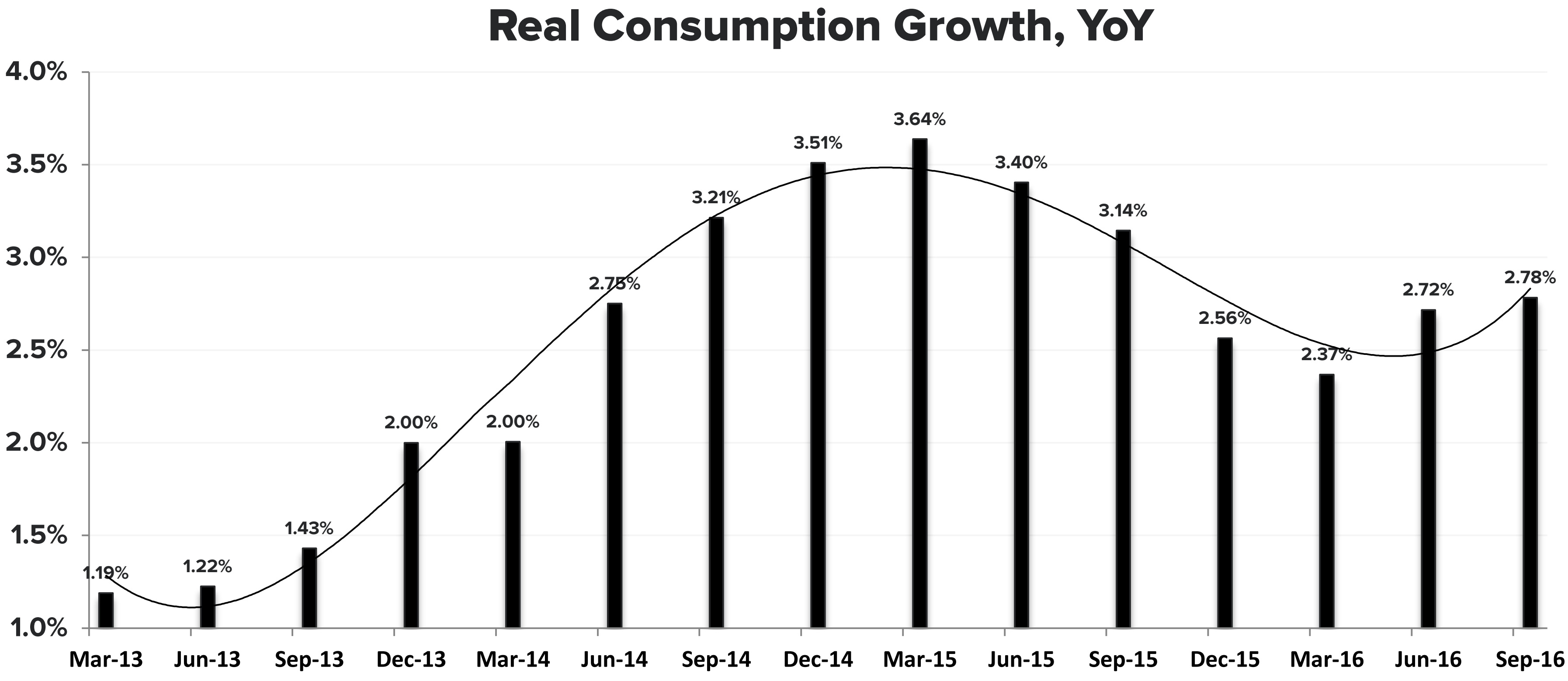
LIKE THE PROGRESSION OF MOST FUNDAMENTALS DURING THIS EXPANSION, AN ACCELERATION IN WAGE GROWTH HAS BEEN STUBBORNLY SLOW TO MATERIALIZE. IT HAS, HOWEVER, BEGUN TO MARCH HIGHER WITH THE +2.9% YOY IN DECEMBER = THE HIGHEST OF THE CYCLE



DATA SOURCE: BLOOMBERG, BLS, HEDGEYE

CONSUMPTION = RE-ACCELERATING

THE COMBINATION OF IMPROVING WAGE AND CREDIT GROWTH HAVE SUPPORTED IMPROVING CONSUMPTION GROWTH IN THE FACE OF DECELERATING PAYROLL GROWTH. THOSE TRENDS WILL HAVE TO CONTINUE TO DRIVE A DURABLE ACCELERATION IN SPENDING GROWTH

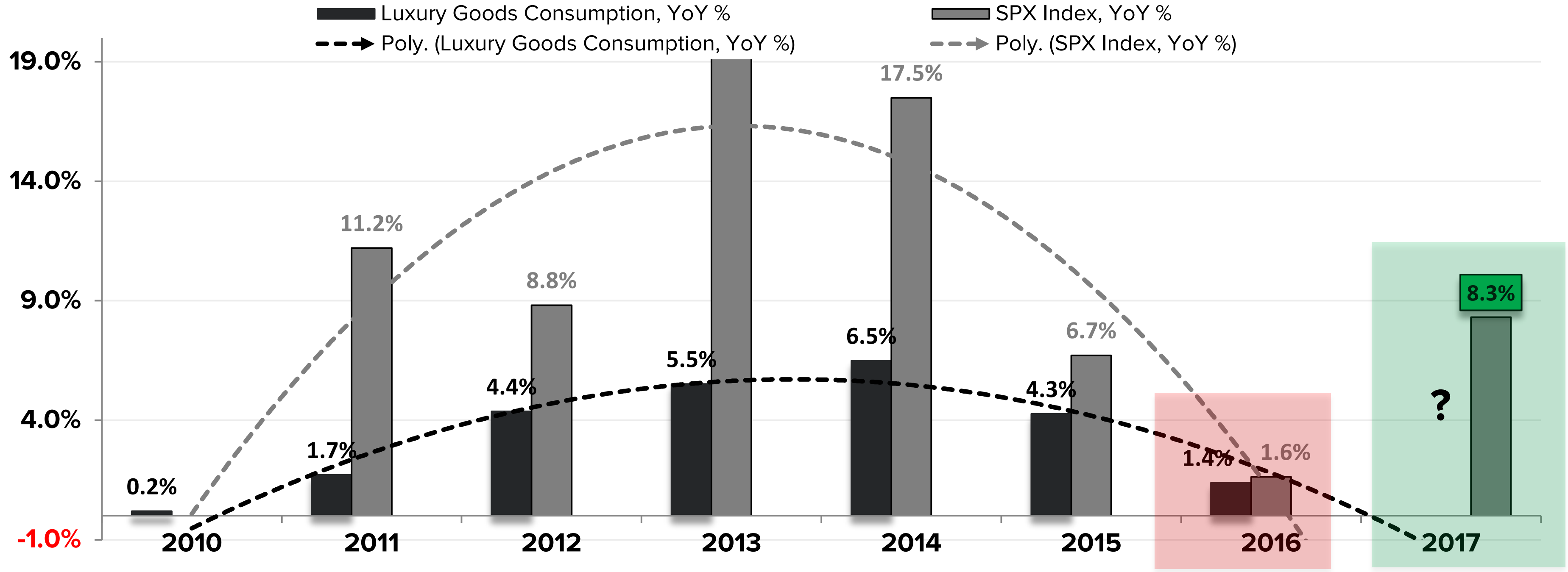


DATA SOURCE: BLOOMBERG, HEDGEYE

EQUITIES ↑ = RETURN OF WEALTH EFFECT?

WITH DOMESTIC EQUITIES LARGELY FLAT FOR 2 YEARS INTO LATE 2016, SPENDING ON HIGH TICKET DISCRETIONARY COLLAPSED. WILL RENEWED ASSET PRICE INFLATION ALSO BRING RESURGENT SPENDING AT THE HIGH END?

Asset Price Inflation vs Luxury Goods Consumption*



*Luxury Goods = PCE for Pleasure Boats, Aircraft, Jewelry, Watches

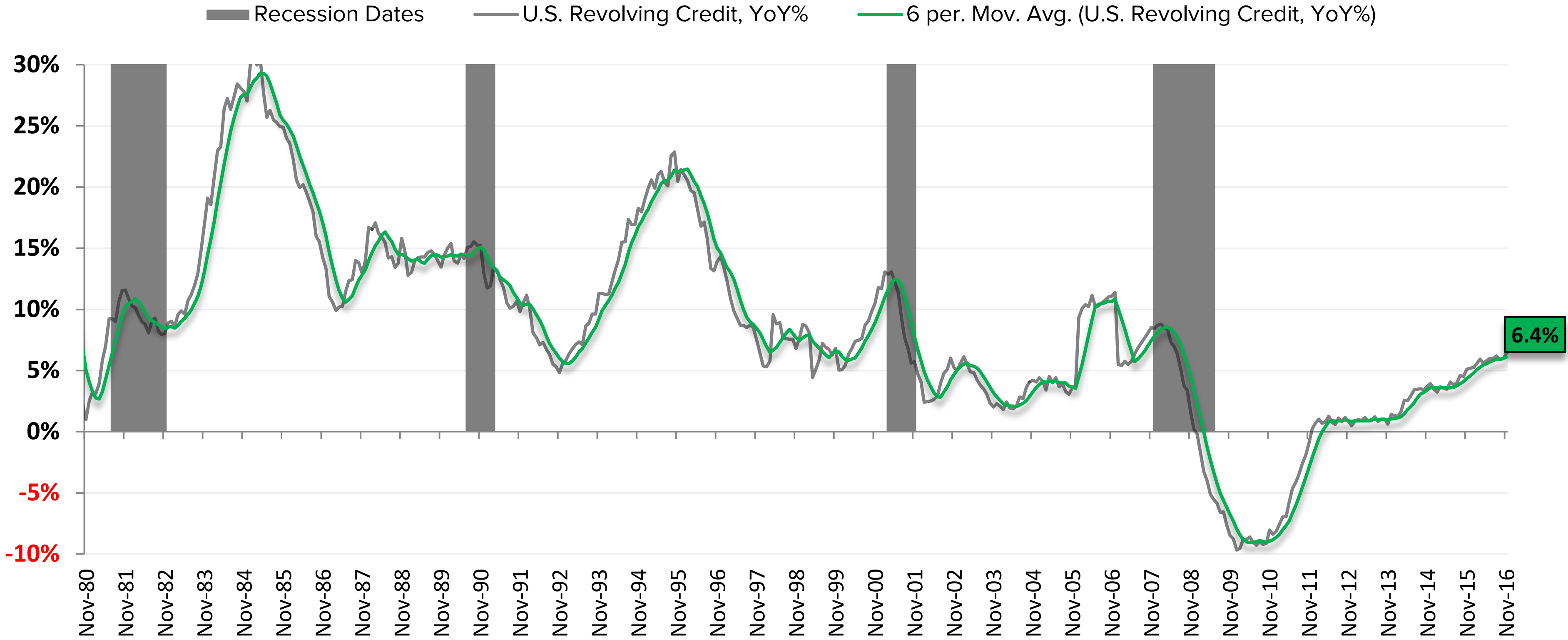
**SPX: Performance calculated using average annual price, 2016 = Ave price YTD, prices as of 1/9/17

DATA SOURCE: BLOOMBERG, BEA, HEDGEYE

CREDIT GROWTH = ACCELERATING

REVOLVING CREDIT GROWTH HAS ACCELERATED ALONGSIDE THE DECELERATION IN INCOME GROWTH, HELPING TO BACKSTOP CONSUMPTION GROWTH. COULD RESURGENT OPTIMISM AND CONTINUED CREDIT GROWTH NOW HELP SUPPORT AN ACCELERATION IN SPENDING?

U.S. Revolving Credit Growth



DATA SOURCE: BLOOMBERG, FEDERAL RESERVE, HEDGEYE

CONCLUSION

EMBRACE THE UNCERTAINTY ⟷ FOLLOW THE PROCESS

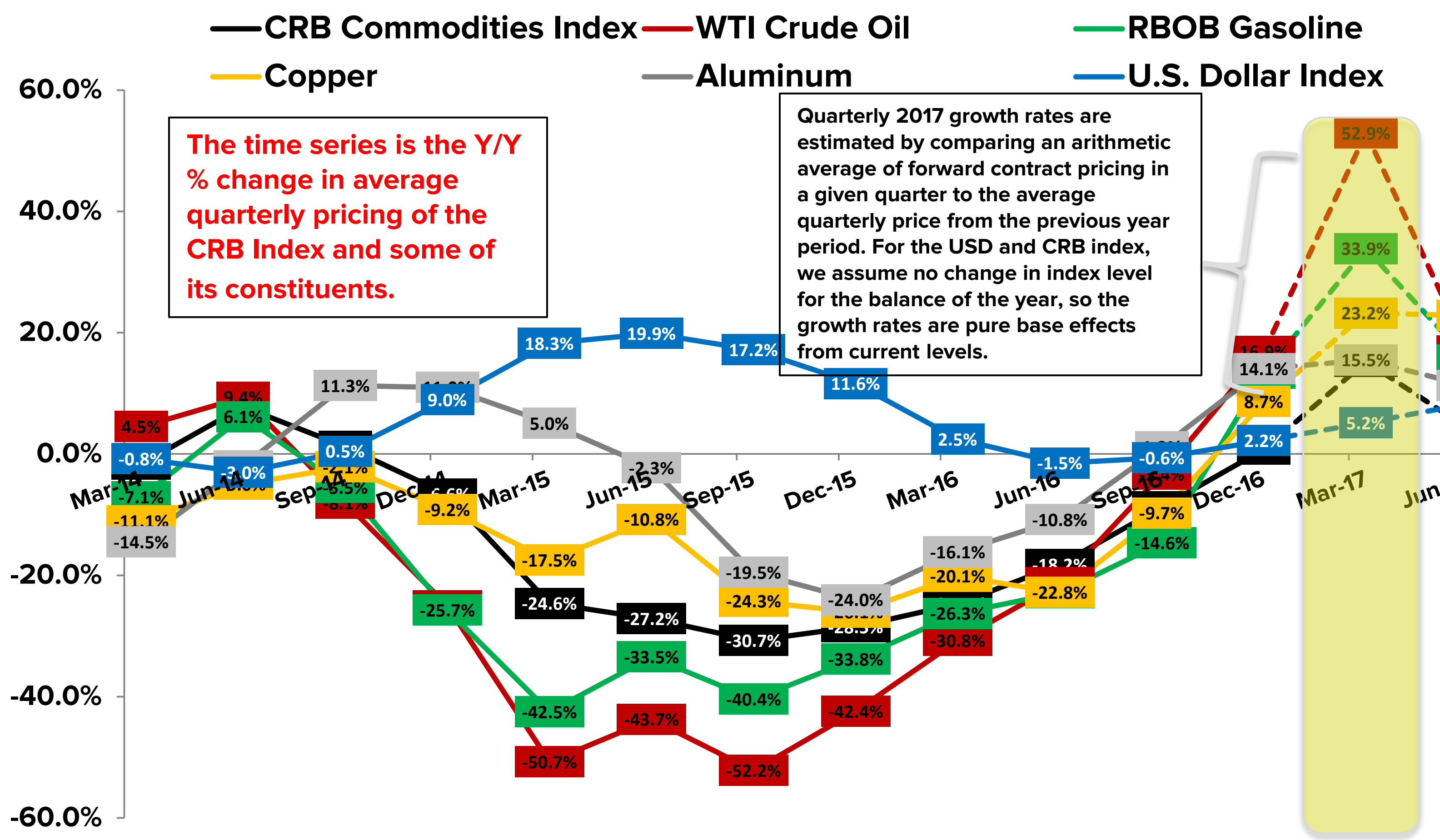
Hedgeye Macro U.S. GIP Model Backtest	Weighted Average Expected Value, by Quadrant				Percentile of Weighted Average Expected Value, by Asset Class				Percentile of Weighted Average Expected Value, by Quadrant				Positive Hit Rate (color-coding by Asset Class & Quadrant)				Total Quarterly Performance Observations			
Exposure	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
S&P 500 Index	3.3%	0.8%	-0.2%	-0.7%	38%	31%	23%	46%	78%	53%	22%	47%	80%	69%	56%	65%	20	13	27	20
S&P 500 Consumer Discretionary Sector Index	4.4%	1.0%	-0.4%	0.1%	92%	38%	15%	69%	97%	58%	19%	78%	75%	69%	48%	55%	20	13	27	20
S&P 500 Consumer Staples Sector Index	2.7%	1.3%	0.1%	0.6%	15%	62%	62%	85%	69%	67%	47%	89%	85%	69%	59%	60%	20	13	27	20
S&P 500 Energy Sector Index	2.7%	1.0%	0.3%	-1.4%	23%	46%	92%	8%	72%	61%	64%	19%	80%	77%	63%	50%	20	13	27	20
S&P 500 Financials Sector Index	3.6%	0.3%	-0.5%	-0.8%	46%	15%	8%	31%	81%	39%	14%	42%	75%	62%	56%	70%	20	13	27	20
S&P 500 Health Care Sector Index	2.4%	2.0%	0.2%	0.8%	8%	100%	69%	100%	67%	92%	50%	94%	75%	69%	52%	75%	20	13	27	20
S&P 500 Industrials Sector Index	3.6%	1.5%	0.1%	-0.8%	54%	85%	54%	38%	83%	75%	44%	44%	65%	69%	48%	50%	20	13	27	20
S&P 500 Information Technology Sector Index	4.0%	1.5%	0.0%	-0.9%	85%	77%	46%	23%	94%	72%	36%	39%	80%	77%	52%	60%	20	13	27	20
S&P 500 Materials Sector Index	4.0%	0.1%	-0.9%	0.1%	77%	8%	0%	77%	92%	28%	0%	83%	85%	69%	52%	50%	20	13	27	20
S&P 500 REITS Index	3.9%	1.6%	0.3%	-2.4%	62%	92%	85%	0%	86%	81%	61%	11%	67%	56%	64%	77%	15	9	22	13
S&P 500 Utilities Sector Index	1.5%	-0.6%	1.7%	-0.6%	0%	0%	100%	54%	58%	14%	86%	50%	65%	31%	67%	55%	20	13	27	20
S&P 500 Low Beta Minimum Volatility Index	3.2%	0.3%	0.3%	0.7%	31%	23%	77%	92%	75%	42%	58%	92%	75%	54%	52%	80%	20	13	27	20
S&P 500 High Beta Index	4.9%	1.3%	-0.1%	-1.3%	100%	69%	31%	15%	100%	69%	28%	22%	70%	62%	59%	55%	20	13	27	20
Russell 2000 Index	3.9%	1.0%	0.0%	-0.5%	69%	54%	38%	62%	89%	64%	31%	56%	70%	69%	59%	60%	20	13	27	20
Bloomberg Barclays US Agg Credit Yield To Worst	-2.1%	-1.1%	1.0%	-2.2%	56%	44%	44%	22%	14%	11%	83%	14%	40%	38%	52%	30%	20	13	27	20
Bloomberg Barclays US High Yield Average Yield To Worst	-3.2%	-1.8%	2.1%	0.0%	33%	33%	56%	67%	8%	8%	89%	72%	30%	46%	59%	45%	20	13	27	20
Bloomberg Barclays US Corporate Average OAS	-2.4%	-2.5%	4.7%	0.1%	44%	11%	100%	78%	11%	3%	100%	81%	30%	38%	52%	40%	20	13	27	20
Bloomberg Barclays US High Yield Average OAS	-4.0%	-1.8%	4.2%	2.8%	22%	22%	89%	89%	6%	6%	97%	97%	20%	38%	48%	50%	20	13	27	20
Bloomberg Barclays US Composite Convertible Cvt. Yield	-4.6%	-5.6%	4.1%	3.0%	11%	0%	78%	100%	3%	0%	94%	100%	43%	0%	60%	46%	14	7	20	13
US Treasury 2Y Note Yield	0.3%	0.1%	0.4%	-2.6%	100%	56%	22%	11%	39%	33%	69%	8%	50%	54%	52%	35%	20	13	27	20
US Treasury 10Y Note Yield	-0.7%	0.7%	-0.8%	-1.6%	78%	67%	0%	33%	19%	50%	3%	17%	45%	62%	48%	35%	20	13	27	20
US Treasury 30Y Bond Yield	-0.6%	0.9%	-0.7%	-1.1%	89%	78%	11%	56%	22%	56%	6%	28%	45%	69%	52%	35%	20	13	27	20
Bond Buyer US 40 Municipal Bond YTM	-1.0%	1.8%	0.7%	-1.3%	67%	89%	33%	44%	17%	86%	72%	25%	33%	88%	52%	22%	15	8	23	18
Bloomberg Barclays US Treasury Inflation 10Y Note Yield To Worst	-10.7%	11.5%	3.5%	-10.2%	0%	100%	67%	0%	0%	100%	92%	0%	15%	46%	59%	15%	20	13	27	20
Thomson Reuters/CoreCommodity CRB Commodity Index	0.5%	1.9%	0.1%	-3.0%	25%	50%	25%	25%	47%	89%	42%	6%	65%	77%	63%	30%	20	13	27	20
Commodity Research Bureau BLS/US Spot Raw Industrials Index	1.0%	1.7%	-0.2%	-0.9%	50%	25%	0%	75%	53%	83%	25%	36%	65%	69%	44%	45%	20	13	27	20
Commodity Research Bureau BLS/US Spot Foodstuff Index	-0.3%	1.5%	0.8%	-1.0%	0%	0%	50%	50%	25%	78%	75%	33%	50%	54%	56%	40%	20	13	27	20
Front-month Brent Crude Oil	1.7%	3.9%	0.9%	-3.2%	75%	100%	100%	0%	61%	97%	81%	3%	55%	77%	52%	40%	20	13	27	20
Gold Spot	1.8%	2.0%	0.9%	0.0%	100%	75%	75%	100%	64%	94%	78%	69%	60%	69%	56%	50%	20	13	27	20
U.S. Dollar Index	-0.1%	0.3%	0.0%	0.4%	14%	71%	57%	100%	31%	36%	39%	86%	45%	46%	52%	75%	20	13	27	20
AUD/USD	1.2%	0.4%	-0.6%	-0.2%	100%	86%	0%	57%	56%	44%	8%	64%	55%	77%	67%	40%	20	13	27	20
CAD/USD	0.1%	0.5%	0.0%	-0.5%	29%	100%	43%	14%	33%	47%	33%	53%	40%	54%	52%	40%	20	13	27	20
CHF/USD	0.6%	0.0%	0.4%	0.0%	86%	43%	100%	86%	50%	25%	67%	75%	60%	62%	59%	35%	20	13	27	20
EUR/USD	-0.2%	-0.5%	0.2%	-0.3%	0%	0%	71%	43%	28%	17%	53%	61%	50%	46%	56%	30%	20	13	27	20
GBP/USD	0.2%	0.1%	-0.5%	-0.4%	43%	57%	14%	29%	36%	31%	11%	58%	45%	69%	41%	40%	20	13	27	20
JPY/USD	0.4%	-0.1%	0.2%	-0.1%	57%	29%	86%	71%	42%	22%	56%	67%	35%	54%	56%	40%	20	13	27	20
JPMorgan EM FX Index	0.5%	-0.1%	-0.4%	-1.1%	71%	14%	29%	0%	44%	19%	17%	31%	60%	50%	57%	39%	15	10	23	18

Source: Bloomberg data; Hedgeye calculations. Trailing 20 years.

DATA SOURCE: BLOOMBERG

#REFLATION'S PEAK

Q1 2017: THE REFLATION TRADE SWEET SPOT



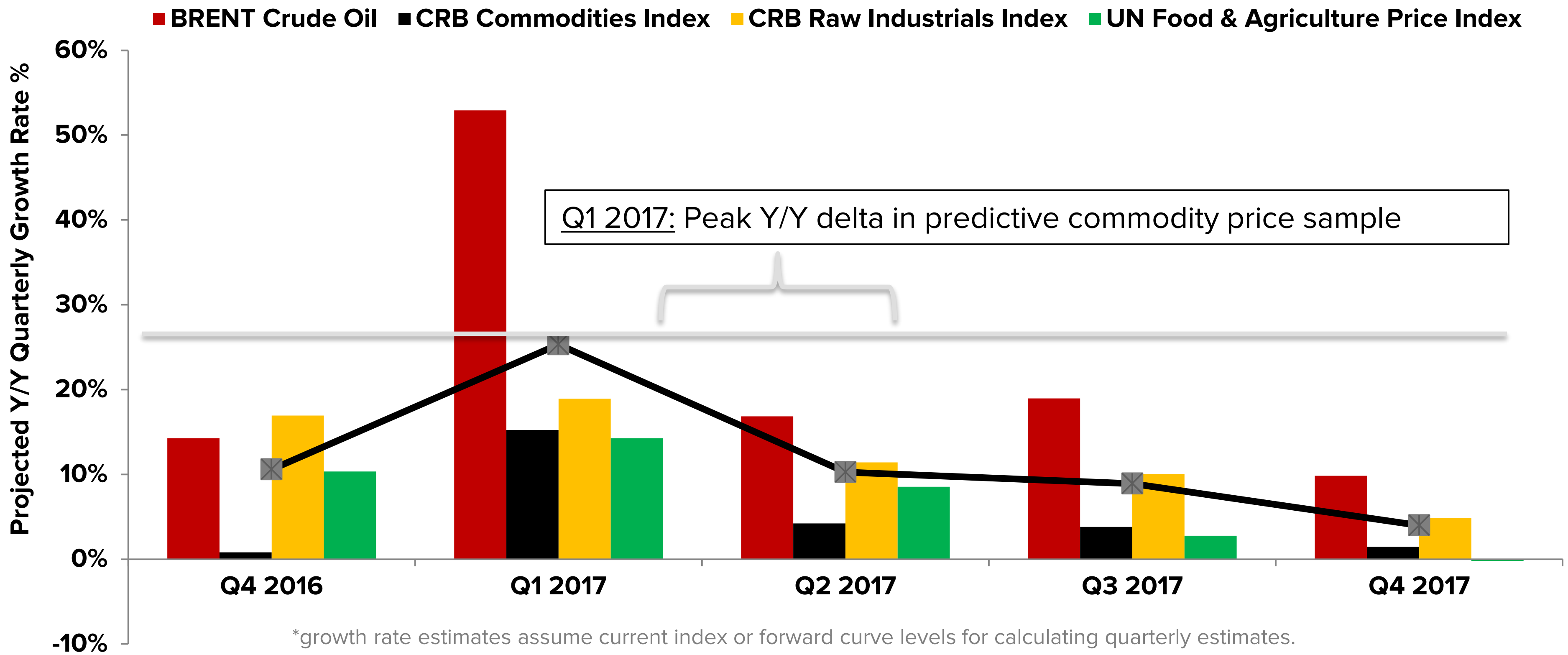
Projected USD Y/Y Quarterly Growth Rates*	
Q1 2017	5.20%
Q2 2017	8.30%
Q3 2017	6.90%
Q4 2017	2.50%

*Assumes current DXY Index Level

DATA SOURCE: BLOOMBERG, HRM

GROWTH GAP IN PROPRIETARY COMMODITY PRICE SAMPLE

SECOND DERIVATIVE GROWTH RATES AT CURRENT PRICES*

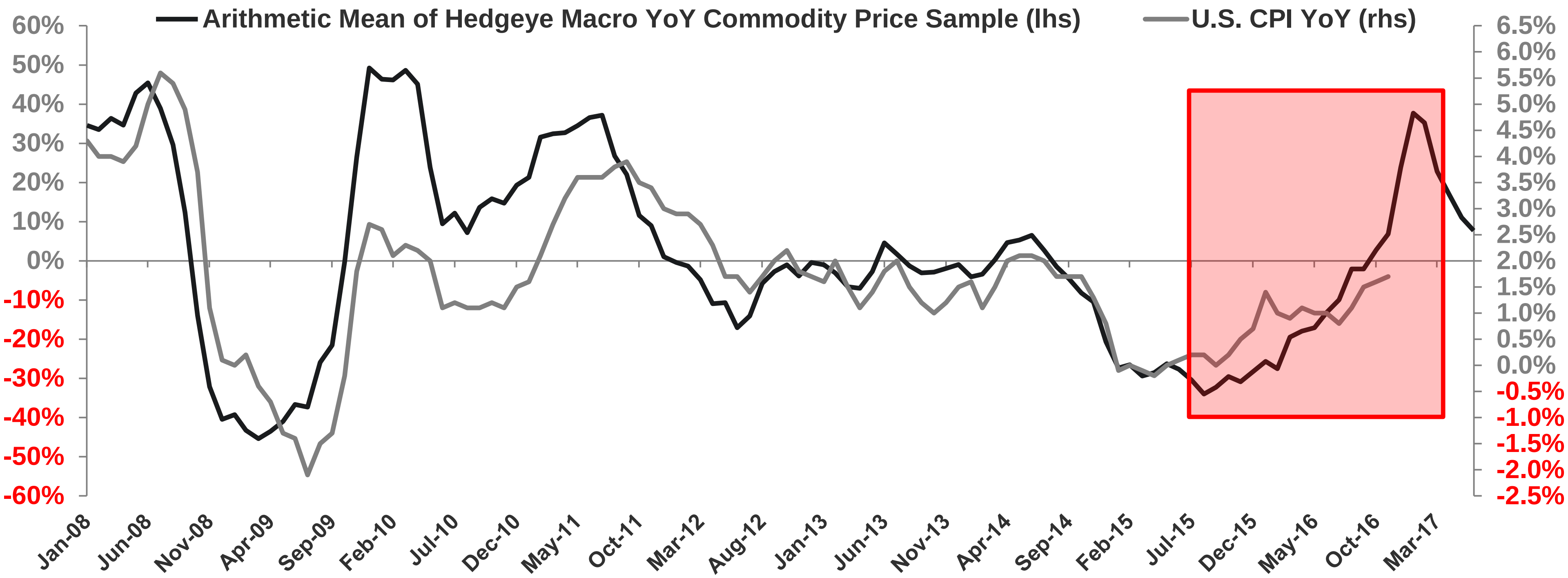


*growth rate estimates assume current index or forward curve levels for calculating quarterly estimates.

DATA SOURCE: REUTERS, BLOOMBERG, HRM

#REFLATION'S PEAK: KEY PROPRIETARY COMMODITY PRICE SAMPLE

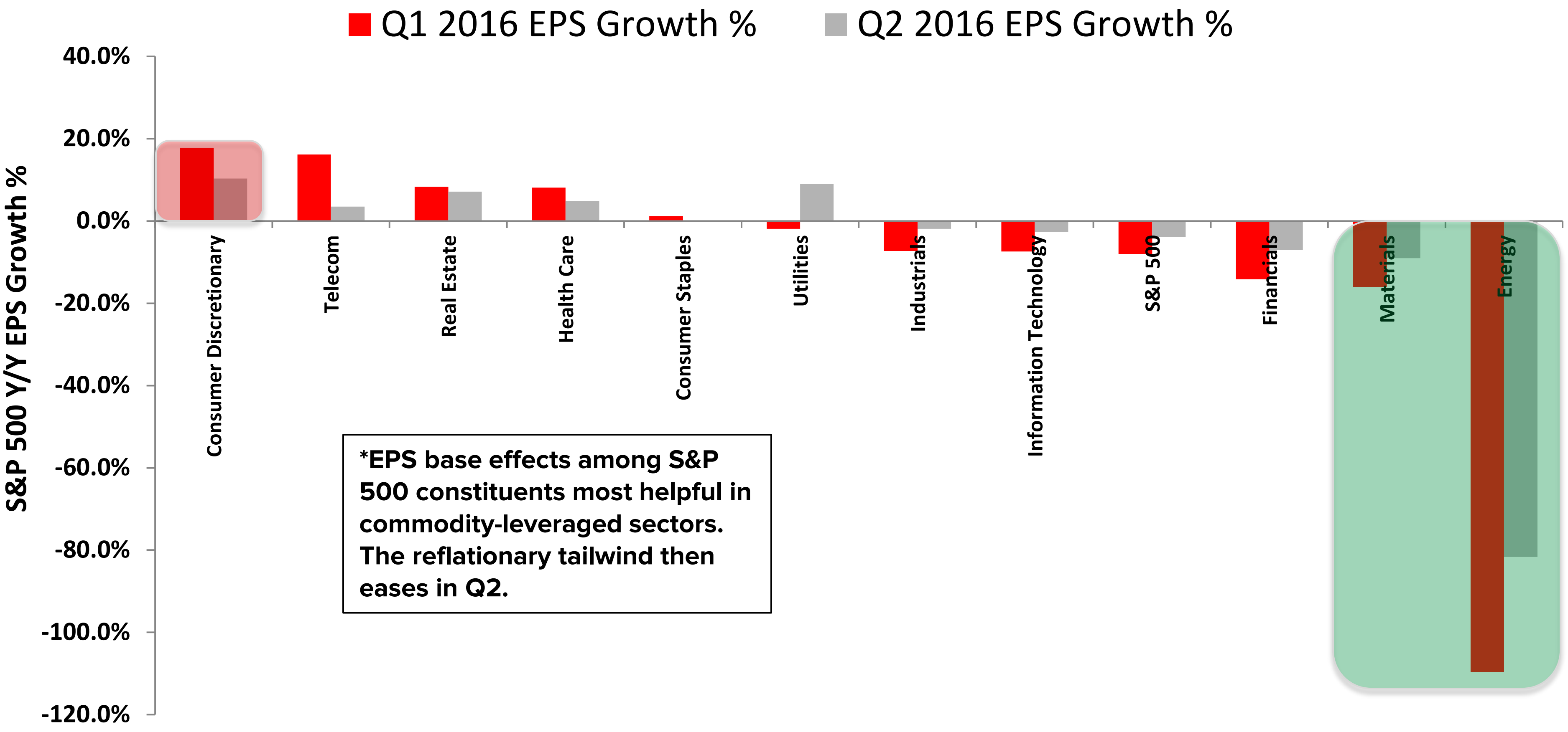
THE Y/Y GROWTH RATE IN OUR COMMODITY PRICE SAMPLE, WHICH HAS BEEN A GOOD PREDICTOR OF CPI, CLEARLY PEAKS ON A SECOND DERIVATIVE BASIS IN Q1 OF 2017 BEFORE EASING INTO Q2.



The Hedgeye Macro commodity price sample includes the CRB Index, CRB Raw Industrials Index, Brent Crude Oil and the UN Food and Agriculture Price Index. YoY deltas are calculated from monthly averages. Forward estimates assume no change to current monthly averages.

DATA SOURCE: BLOOMBERG, REUTERS, HRM

S&P SECTOR ESTIMATES MIRROR THE REFLATION TAILWIND...

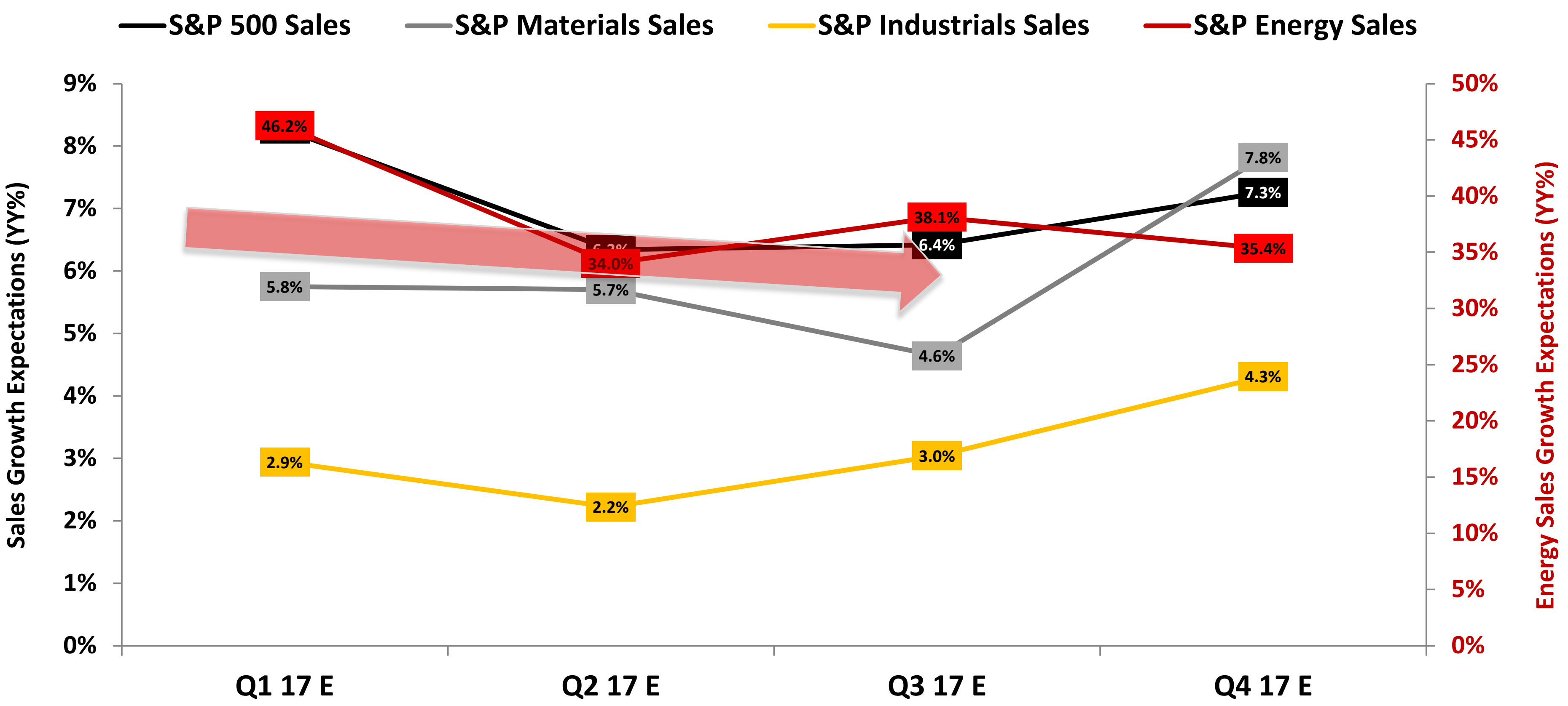


REFLATION SECTORS PEAK: Q1 OF 2017

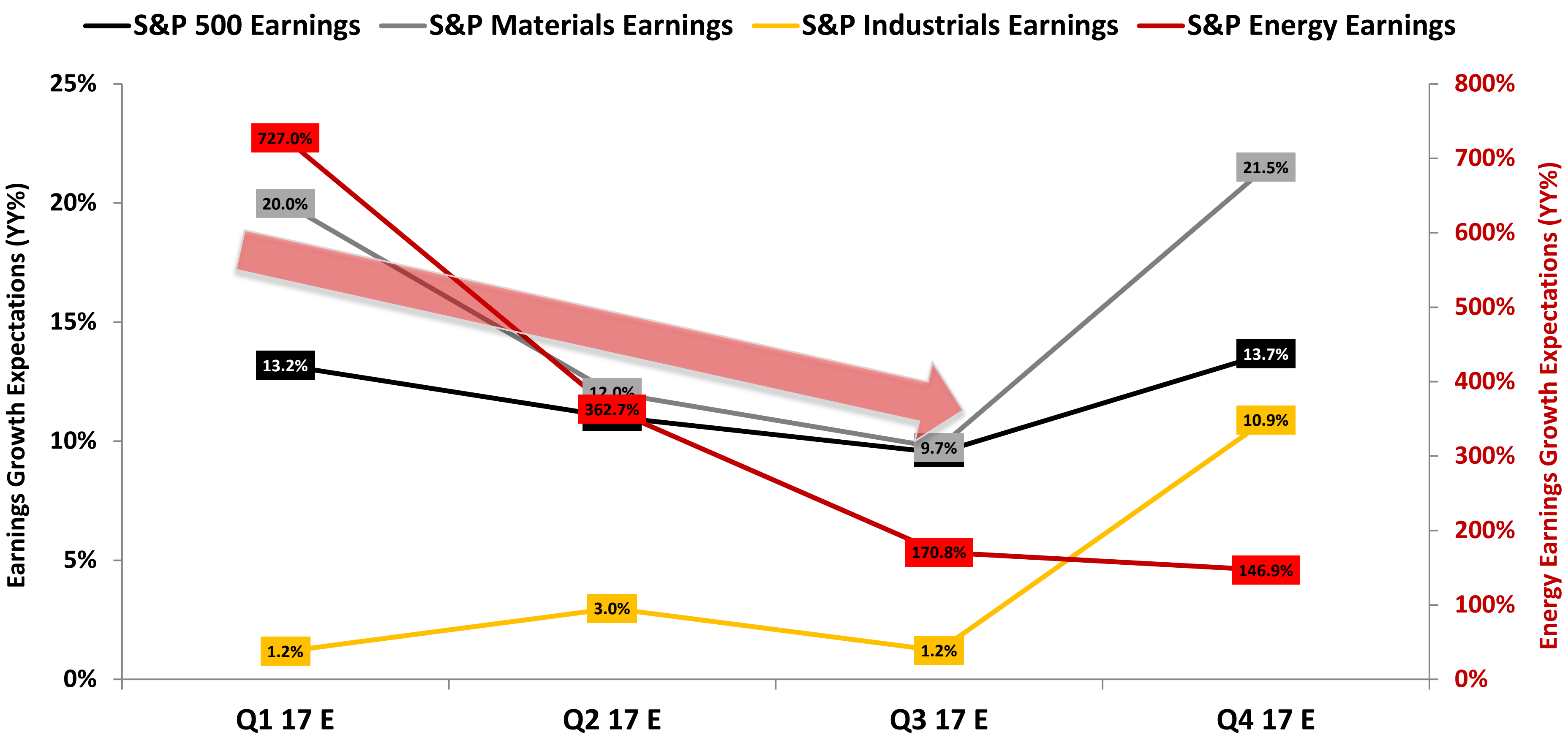
S&P 500								Q4 QTD	Estimates			
SALES GROWTH (%)	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16	CQ3 16	CQ4 16*	CQ1 17	CQ2 17	CQ3 17	CQ4 17
All Securities	-2.7%	-3.4%	-3.7%	-4.0%	-1.9%	-0.3%	2.2%	4.3%	8.3%	6.3%	6.4%	7.3%
Energy	-34.0%	-31.8%	-34.4%	-34.4%	-29.3%	-24.2%	-14.9%		46.2%	34.0%	38.1%	35.4%
Materials	-9.8%	-10.1%	-14.0%	-15.5%	-8.8%	-7.3%	-1.3%	19.4%	5.8%	5.7%	4.6%	7.8%
Industrials	-2.0%	-3.2%	-6.1%	-7.2%	-2.0%	-1.3%	2.1%	18.2%	2.9%	2.2%	3.0%	4.3%
Consumer Discretionary	1.8%	2.1%	3.7%	4.4%	6.3%	8.5%	7.9%	5.7%	7.3%	4.3%	3.9%	5.2%
Consumer Staples	2.5%	0.6%	0.5%	-0.4%	1.2%	0.7%	1.7%	-1.2%	2.8%	3.9%	5.1%	5.6%
Health Care	10.3%	8.9%	9.5%	9.6%	9.2%	8.8%	6.9%		6.2%	3.9%	4.7%	5.1%
Financials	2.0%	1.6%	0.1%	1.0%	-1.7%	0.7%	5.7%		6.2%	3.1%	0.5%	6.1%
Information Technology	6.0%	3.1%	1.1%	-5.3%	-6.8%	-3.9%	-0.7%	8.3%	7.7%	6.4%	5.1%	5.3%
Telecom	2.6%	2.4%	11.8%	12.0%	11.2%	9.6%	0.6%		0.9%	1.6%	1.8%	1.9%
Utilities	-3.6%	-4.9%	-2.1%	-12.6%	-10.5%	-2.4%	3.5%		9.9%	7.3%	5.6%	-5.6%
Real Estate	4.4%	6.4%	7.5%	10.8%	11.4%	7.4%	6.7%		2.6%	5.4%	4.1%	4.7%
Data Source: BBG								*231/500 reported				

S&P 500								Q4 QTD	Estimates			
EPS Growth (%)	CQ1 15	CQ2 15	CQ3 15	CQ4 15	CQ1 16	CQ2 16	CQ3 16	CQ4 16*	CQ1 17	CQ2 17	CQ3 17	CQ4 17
All Securities	1.5%	-1.2%	-3.8%	-6.8%	-8.0%	-3.9%	2.7%	8.1%	13.3%	11.1%	9.4%	13.8%
Energy	-56.7%	-56.5%	-57.5%	-72.6%	-109.6%	-81.6%	-62.5%		735.0%	363.2%	169.3%	152.9%
Materials	-0.4%	6.3%	-15.6%	-17.9%	-16.0%	-9.1%	5.2%	291.0%	20.1%	11.7%	9.9%	21.4%
Industrials	11.3%	-3.0%	-0.7%	-5.4%	-7.3%	-1.9%	-1.8%	4.9%	1.8%	3.2%	1.5%	11.1%
Consumer Discretionary	9.3%	9.0%	13.9%	9.4%	17.8%	10.3%	4.7%	8.4%	3.8%	6.3%	9.5%	14.6%
Consumer Staples	3.6%	0.1%	-2.1%	-0.7%	1.2%	0.0%	6.1%	5.0%	7.3%	7.1%	6.3%	9.0%
Health Care	18.2%	15.1%	14.5%	11.0%	8.1%	4.8%	5.5%		4.1%	4.8%	7.7%	9.0%
Financials	7.1%	2.7%	-8.6%	-5.3%	-14.2%	-7.0%	13.0%		16.5%	10.5%	6.9%	13.5%
Information Technology	10.0%	6.6%	4.5%	-3.8%	-7.4%	-2.7%	4.6%	7.2%	16.1%	13.5%	9.5%	10.3%
Telecom	8.5%	10.2%	23.7%	27.8%	16.1%	3.5%	-1.5%		-0.6%	7.3%	2.5%	6.6%
Utilities	1.3%	3.0%	0.8%	-49.6%	-1.9%	8.9%	12.4%		1.4%	-2.5%	-2.9%	6.7%
Real Estate	12.6%	11.7%	12.5%	14.5%	8.3%	7.1%	6.6%		5.8%	4.8%	6.7%	9.4%
Data Source: BBG								*231/500 reported				

ENERGY SALES PEAK IN Q1, THEN DECELERATE



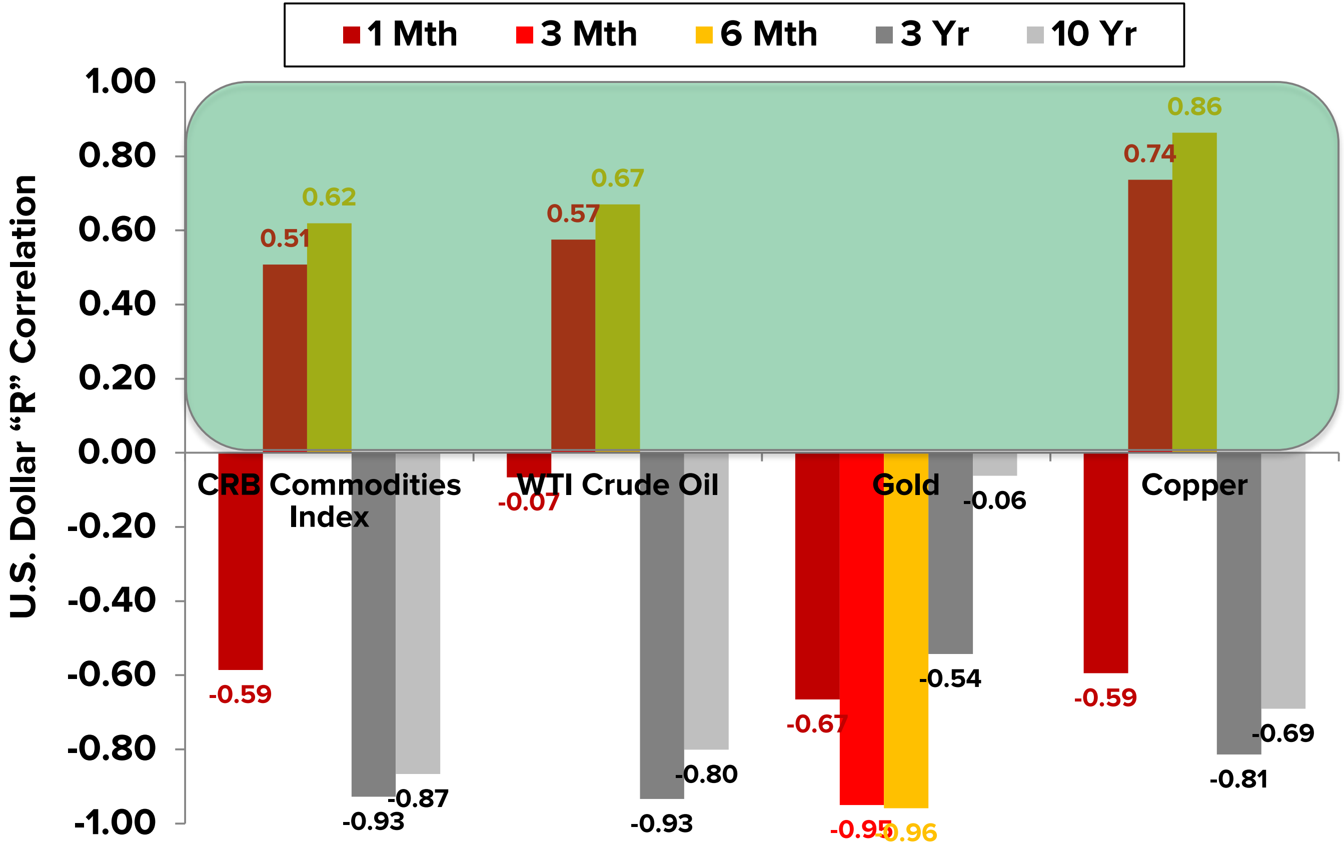
ENERGY EARNINGS PEAK IN Q1, THE DECELERATE



DATA SOURCE: BLOOMBERG, HRM

BROKEN CORRELATIONS TO CONTINUE?

U.S. DOLLAR CORRELATIONS "R"

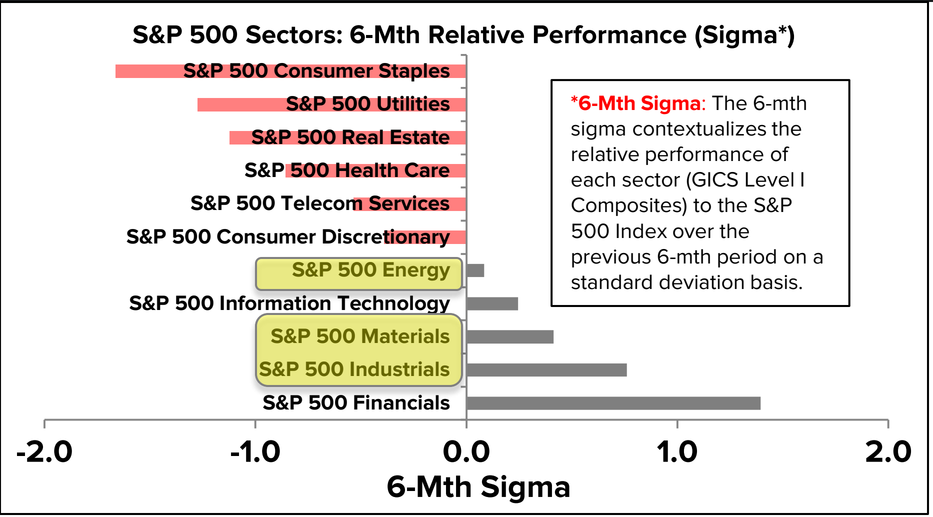


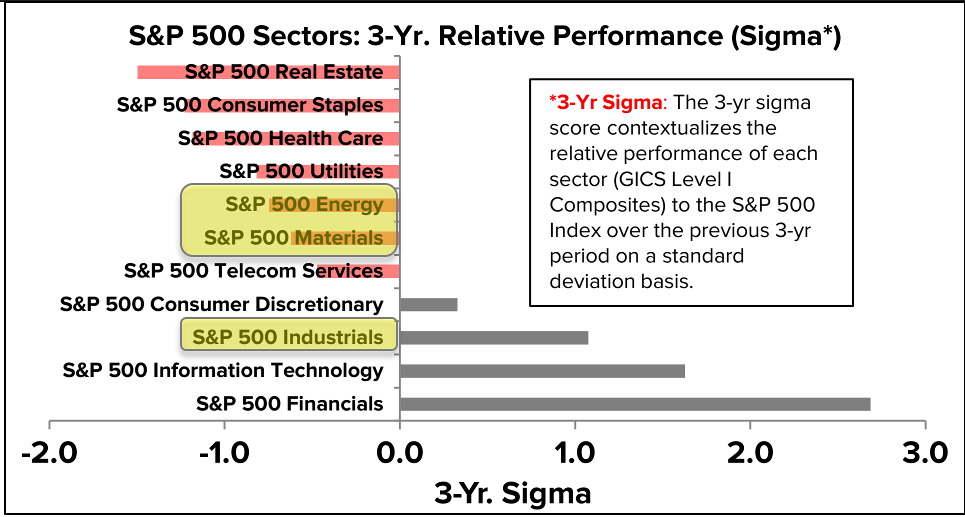
*Reflation's Peak: Q1

After the easiest reflation trade comp effect in Q1 of 2017, current trending conditions face second derivative pressure in Q2....

And Beyond Q1 our long-term cycle work keeps us cautious of a sustainable positive longer term trend in both the U.S. dollar and reflation trade outperformance.

6-MTH MOVE TO 3-YR REVERSION: WHERE TO NOW?

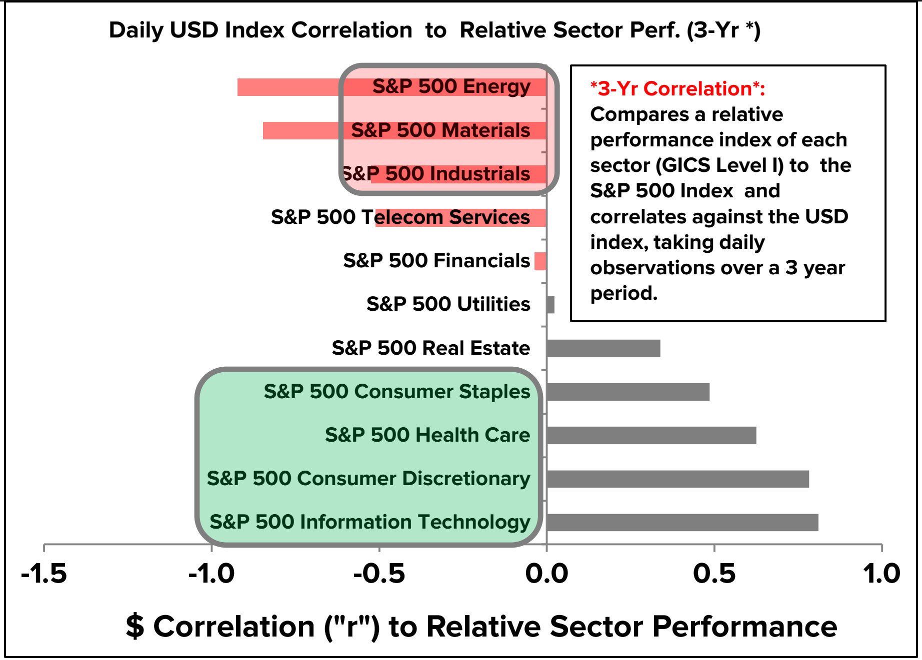


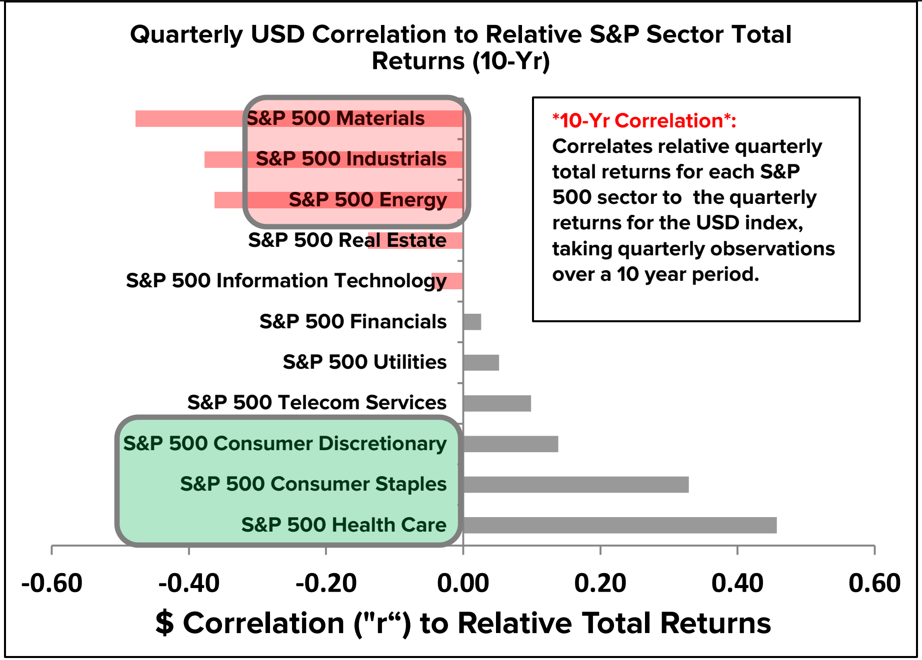


S&P Sector Total Returns (GICS Level I Composites)

INDEX	5 Day %	1-Mth %	3-Mth %	6-Mth %	1-Yr %	3 Yr %
S&P 500 Index	-0.04%	0.58%	6.76%	7.30%	20.56%	9.45%
U.S. Dollar Index	-0.19%	0.91%	4.93%	6.15%	3.83%	27.09%
S&P 500 Energy	-2.72%	-2.61%	4.94%	8.18%	37.02%	-2.63%
S&P 500 Materials	-0.19%	-0.98%	9.62%	8.77%	31.09%	5.62%
S&P 500 Industrials	-0.20%	-1.10%	10.92%	9.78%	28.06%	8.93%
S&P 500 Consumer Discretionary	0.71%	-0.32%	6.52%	4.14%	14.67%	9.79%
S&P 500 Consumer Staples	-0.97%	-0.36%	-0.36%	-6.27%	6.86%	9.44%
S&P 500 Health Care	1.66%	4.36%	2.07%	-1.78%	8.27%	9.75%
S&P 500 Financials	-1.03%	-0.80%	20.84%	26.60%	33.21%	11.62%
S&P 500 Information Technology	1.30%	1.86%	4.41%	14.25%	24.78%	14.51%
S&P 500 Telecom Services	-2.75%	2.94%	6.25%	-2.71%	23.26%	9.99%
S&P 500 Utilities	-1.16%	1.13%	3.30%	-6.82%	14.75%	11.91%
S&P 500 Real Estate	-1.41%	1.27%	1.43%	-8.21%	4.19%	8.07%

LONGER-TERM, GET THE DOLLAR RIGHT AND...





RELATIVE SECTOR PERFORMANCE

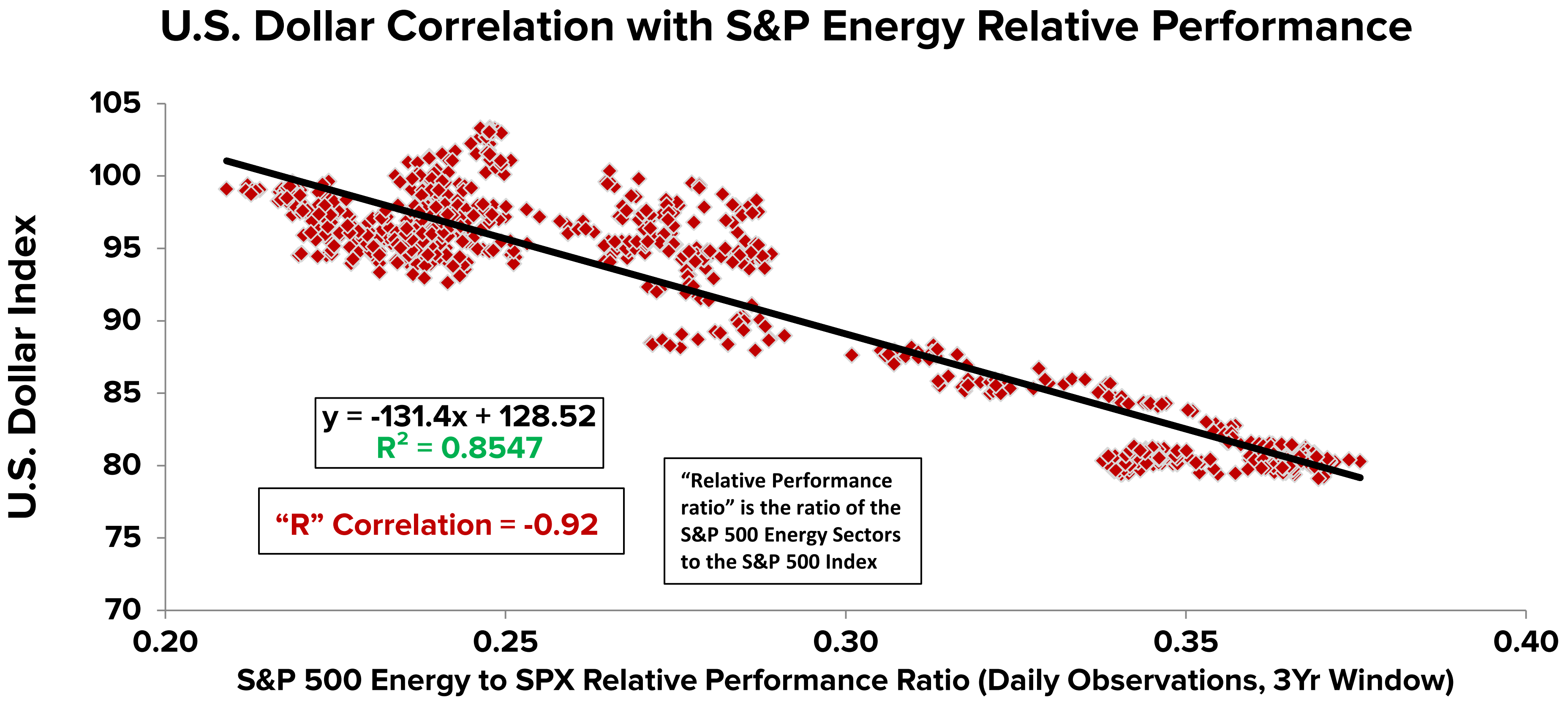
Commodity leverage sectors have the tightest relative underperformance history in periods of a stronger trending currency. In the chart above we ran a 3-yr study of daily observations.

RELATIVE SECTOR TOTAL RETURNS

The relationship between quarterly relative total returns and U.S. dollar returns also have a straightforward inverse relationship with reflationary sectors over the longer term. In the chart above we use quarterly returns over a 10-yr period.

DATA SOURCE: BLOOMBERG, HRM

USD DRIVES RELATIVE REFLATION PERFORMANCE



CAN THE REFLATION TRADE WITH STRONG DOLLAR LAST?

Peak-Trough Moves of >30% in USD			Positive Relationship		Will the historical relationship trend again?	
Business Cycles	2	1	2	1	1	1
Date of USD Inflection (Monthly Observations)	Sep-69	Oct-78	Feb-85	Sep-92	Jul-01	Apr-08
Returns From USD Inflection						
USD	-33%	93%	-49%	44%	-38%	42%
WTI Crude Oil*	659%	92%	-19%	21%	331%	-47%
Brent Crude Oil**	659%	92%	-17%	21%	351%	-43%
Gold	41%	17%	20%	-23%	225%	26%
Silver	51%	-9%	-33%	12%	290%	-8%
Copper			-25%	-34%	476%	-34%
Aluminum			-23%	-17%	102%	-43%
Nickel			184%	-23%	400%	-66%
Corn	103%	13%	-19%	-18%	174%	-38%
Wheat	168%	-4%	1%	-23%	183%	-56%
Soybeans	199%	-21%	-4%	-33%	154%	-17%
Live Cattle	89%	21%	16%	6%	28%	36%
Lean Hogs			1%	-14%	4%	16%
Cotton	177%	-8%	-17%	-44%	64%	2%
Coffee	181%	-9%	-13%	-72%	159%	8%
Sugar	186%	-56%	102%	-32%	34%	67%
Cocoa	349%	-45%	-53%	-37%	201%	-8%

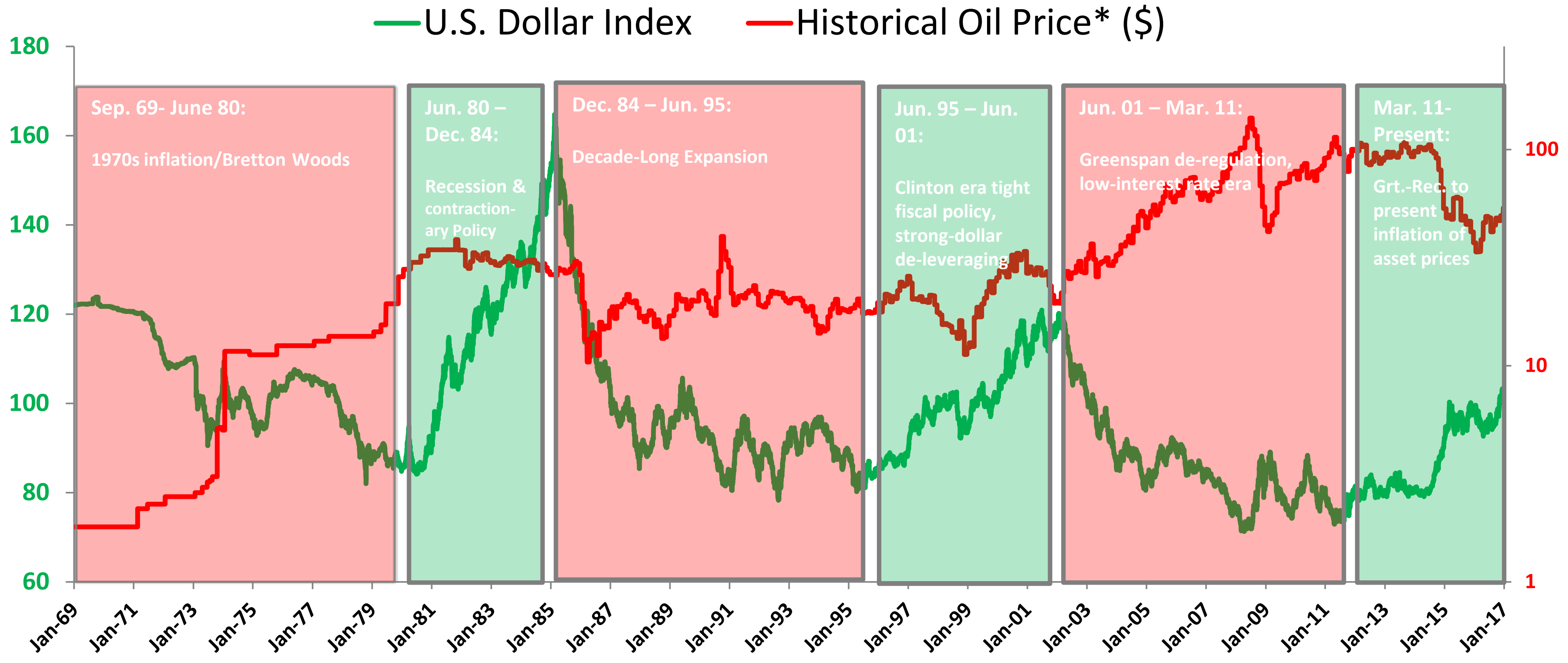
*Represents Arab Light Benchmark in the first two periods and WTI benchmark thereafter; Oil embargo and aftermath

**Represents Arab Light Benchmark in the first two periods and BRENT benchmark thereafter

DATA SOURCE: BLOOMBERG, HRM ESTIMATES

A LONG-TERM LOOK AT STRONG DOLLAR CYCLES

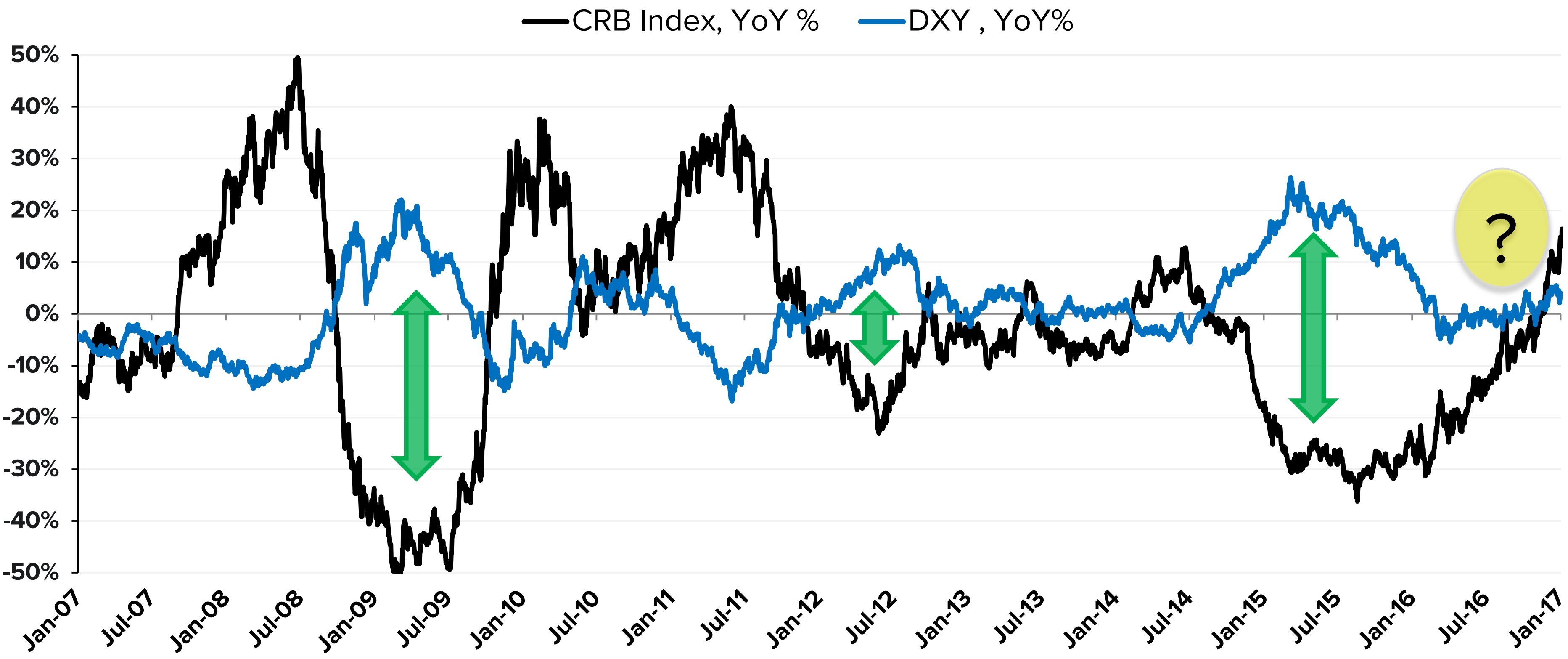
BIRDS-EYE VIEW



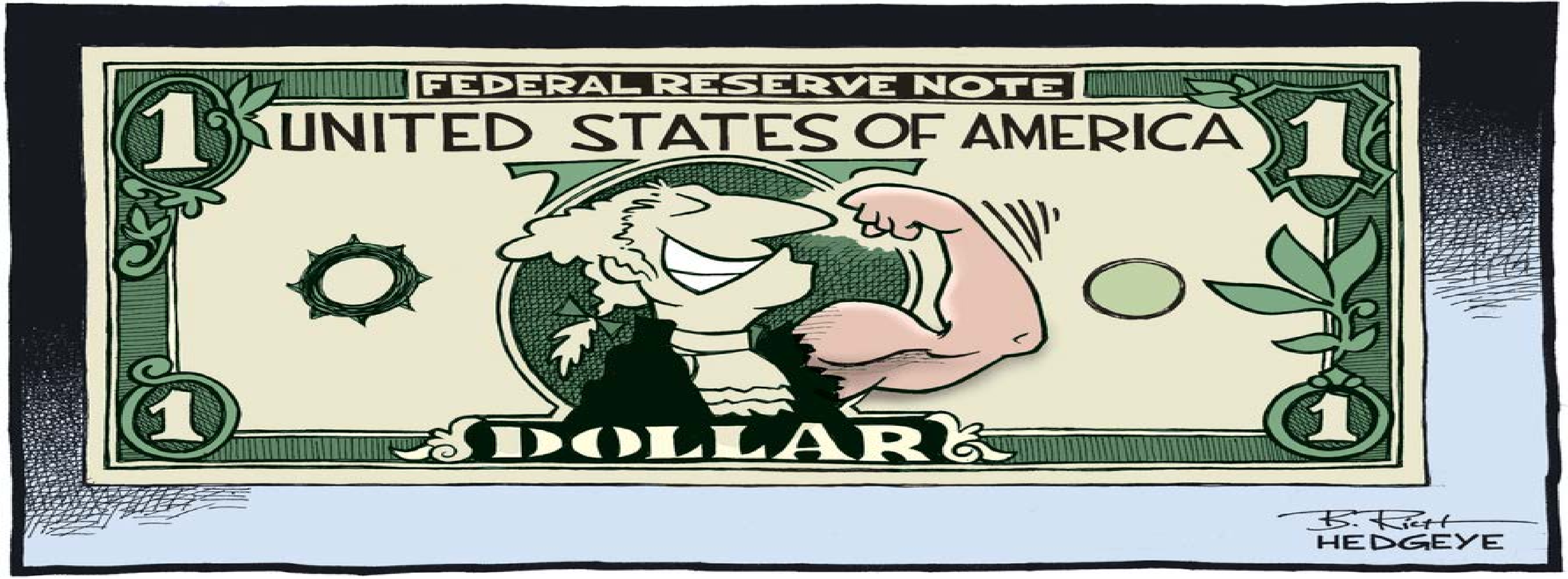
*Log Scaling

HOW LONG WILL POSITIVE RELATIONSHIP LAST?

AFTER REFLATION'S PEAK IN Q1 OF 2017 ON EASIER Y/Y BASE EFFECTS SHOULD BE SUPPORTIVE OF THE USD SECOND DERIVATIVE EFFECT INTO Q2 OF 2017.



DATA SOURCE: BLOOMBERG



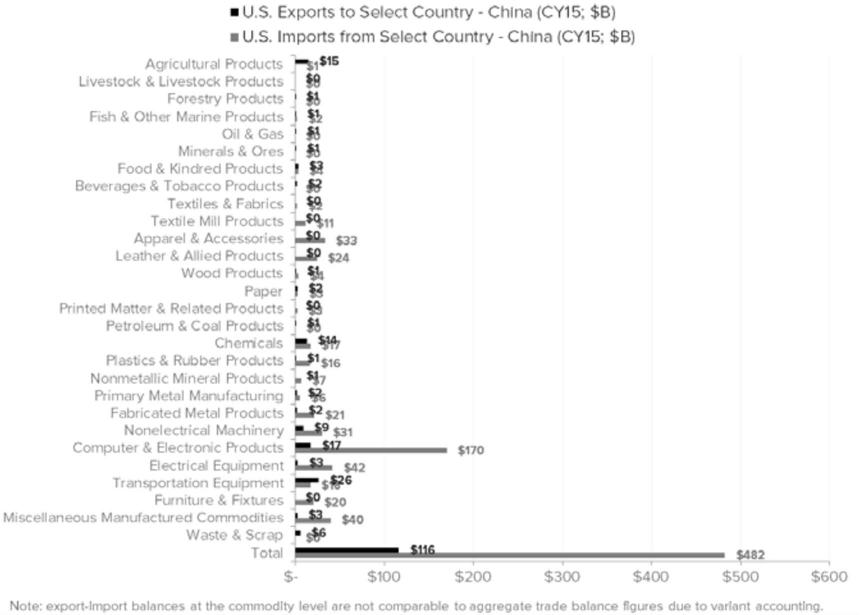
#TRUMPTRADES

QUANTIFYING TRUMP TRADE WAR RISK

TARGET #1: CHINA

The U.S.'s largest bilateral trade deficit is with China – and by orders of magnitude – making it a sure-fire target for protectionist measures.

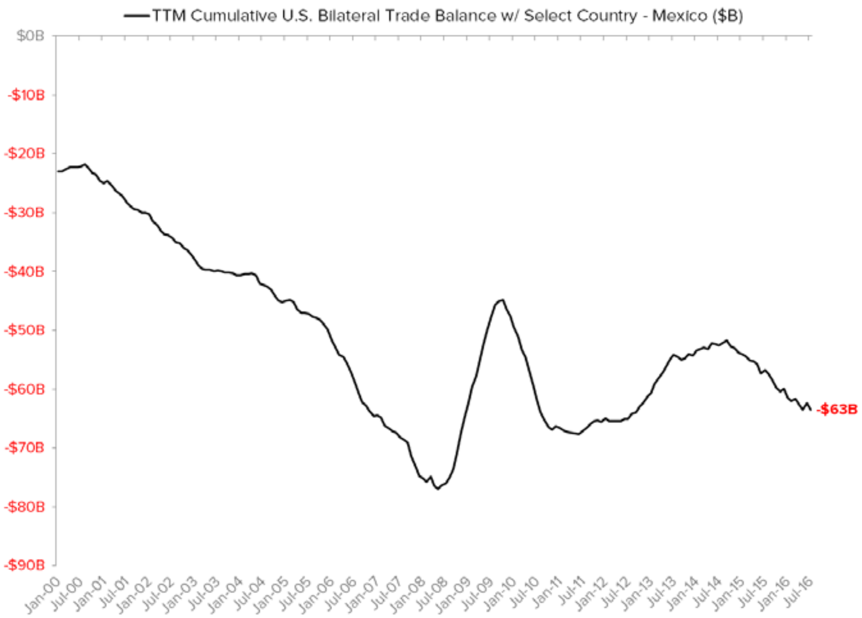
KEY INDUSTRY AT RISK: ELECTRONIC PRODUCTS



China's sizeable trade advantage in the Computers & Electronic Products category implies higher iPhone prices domestically and reduced access to mainland markets for U.S. producers.

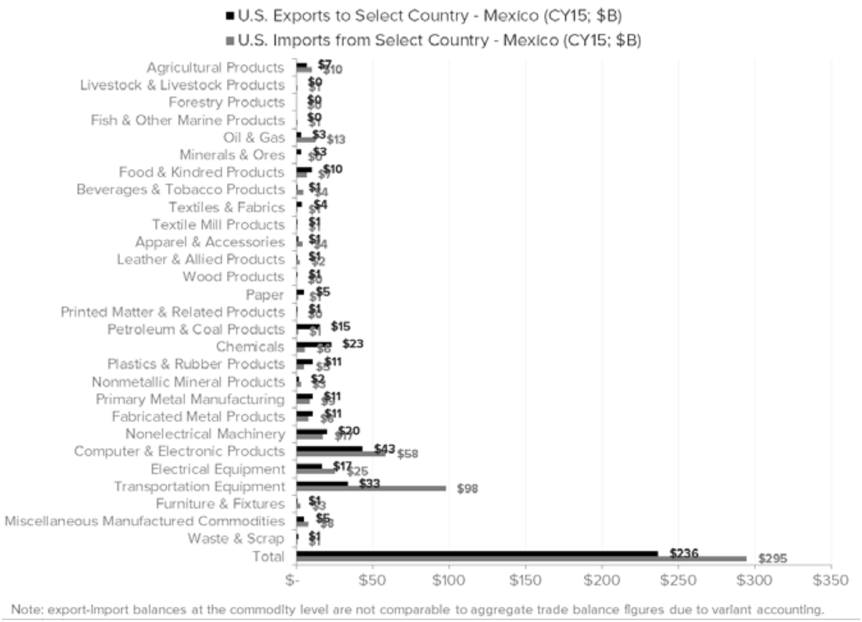
QUANTIFYING TRUMP TRADE WAR RISK

TARGET #2: MEXICO



The U.S.'s fourth-largest bilateral trade deficit is with Mexico, making it a reasonable target for protectionist measures.

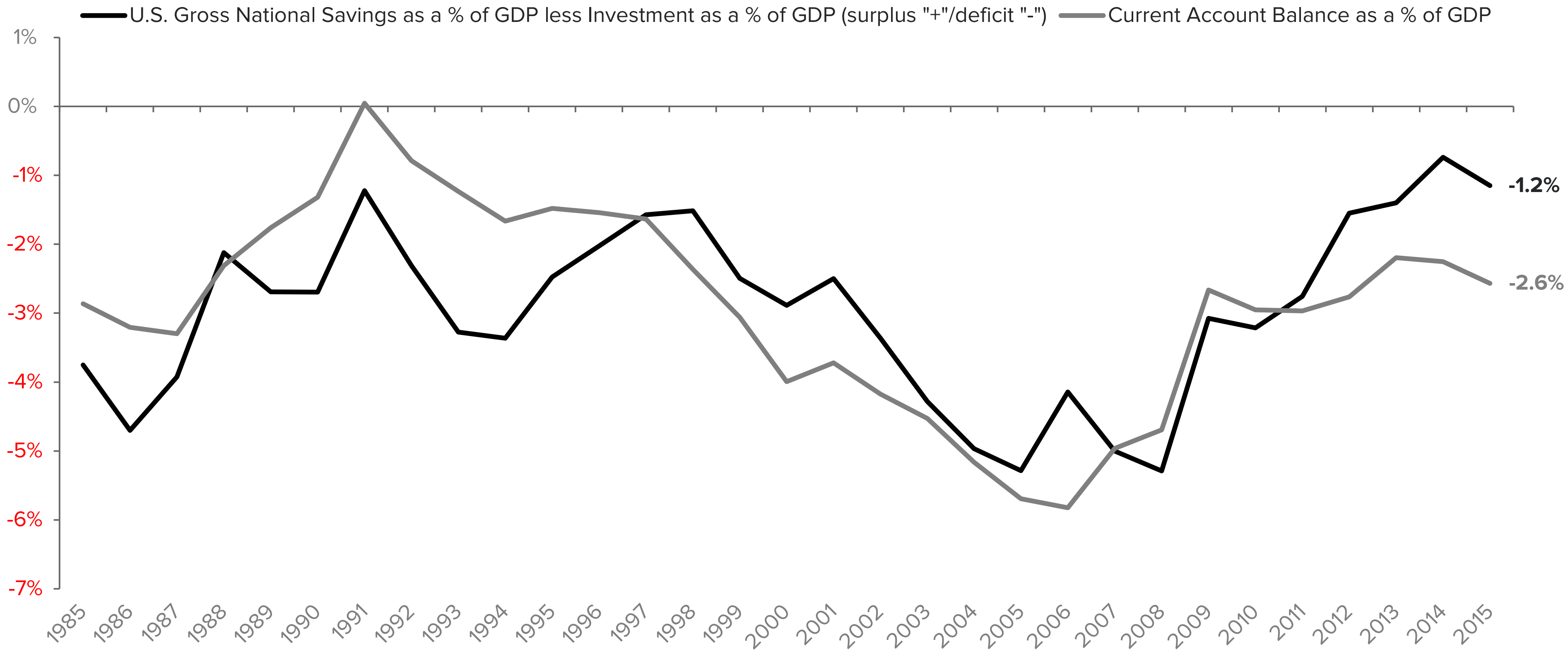
KEY INDUSTRY AT RISK: AUTOS



Mexico's sizeable trade advantage in the Transportation Equipment category implies higher imported car prices domestically and a potential substitution effect towards U.S. manufacturers.

CAN'T FIX THIS BY TARGETING "CHAI-NAH"

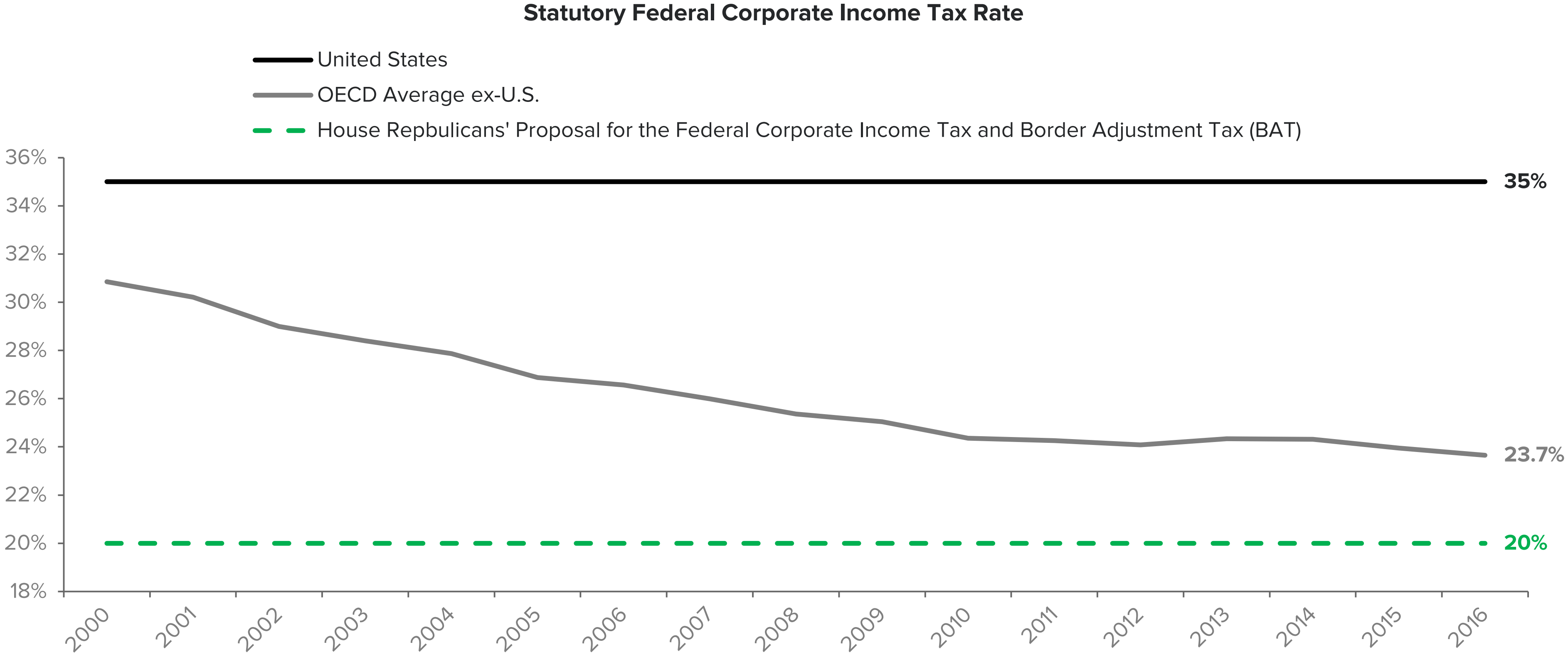
SPECIFICALLY, THE U.S. DOESN'T HAVE A SERIES OF BILATERAL ISSUES WITH CHINA AND OTHER KEY TRADING PARTNERS; IN 2015 IT RAN TRADE DEFICITS WITH 101 COUNTRIES. THAT'S MORE LIKELY THE RESULT OF A COUNTRY THAT PERSISTENTLY RUNS A NET NATIONAL SAVINGS DEFICIT.



DATA SOURCE: WORLD BANK

MAKE AMERICA COMPETITIVE AGAIN

WITH THE GOP PROPOSAL TO REDUCE THE FEDERAL CORPORATE INCOME TAX RATE TO 20% AND INSTALL A BAT OF 20%, THE U.S. WILL GO FROM WORST TO FIRST IN TERMS OF TAX-RELATED INTERNATIONAL COMPETITIVENESS. EXPECT RE-SHORING AND ACCELERATING FDI INFLOWS.



DATA SOURCE: OECD

THE BAT IS DOLLAR BULLISH

THE FOLLOWING EXAMPLE WALKS THROUGH THE PUTS AND TAKES OF A 20% INCOME TAX AFTER A 20% BORDER ADJUSTMENT AND [PRESUMED] +20% CURRENCY ADJUSTMENT.

"Standard economic theory states that a border adjustment ends up in a wash for both exporters and importers because prices adjust to leave the trade balance unchanged. Specifically, the value of the domestic currency adjusts upward. Standard supply and demand shows why both the import tax and the export exemption work together to push the value of the domestic currency up.

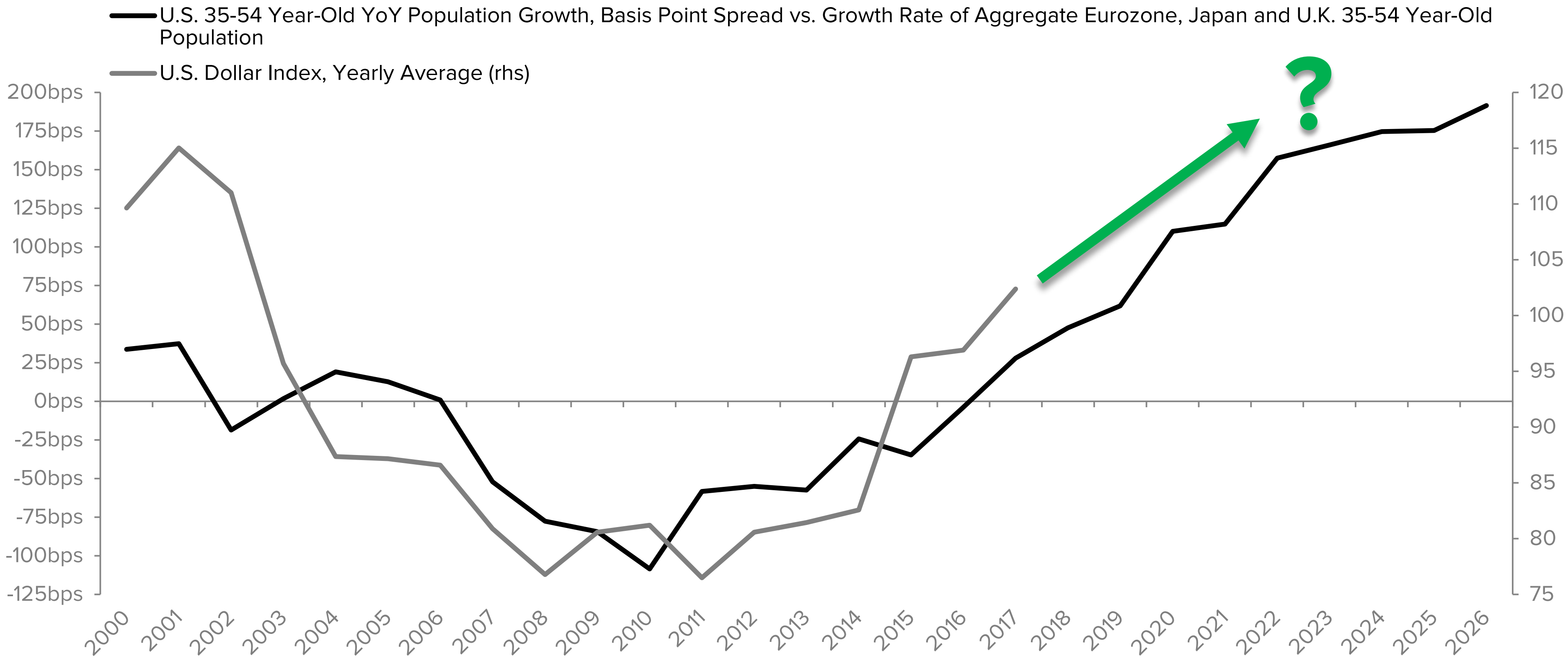
The first piece is the import tax. An import tax would raise the cost of imports and reduce domestic demand for them. When Americans demand fewer imports they also provide foreigners with fewer U.S. dollars. This reduces their supply, makes them more difficult to get, and pushes up the value of the U.S. dollar relative to other currencies.

The second piece is the export subsidy. By itself, an export subsidy would allow U.S. producers to drop their prices in foreign markets. This would increase the demand for our exports. In order to purchase those exports, foreigners will need more U.S. dollars. This drives up demand for U.S. dollars in order to purchase those exports. This increases the value of the U.S. dollar relative to other currencies."

-Kyle Pomerleu of the Tax Foundation

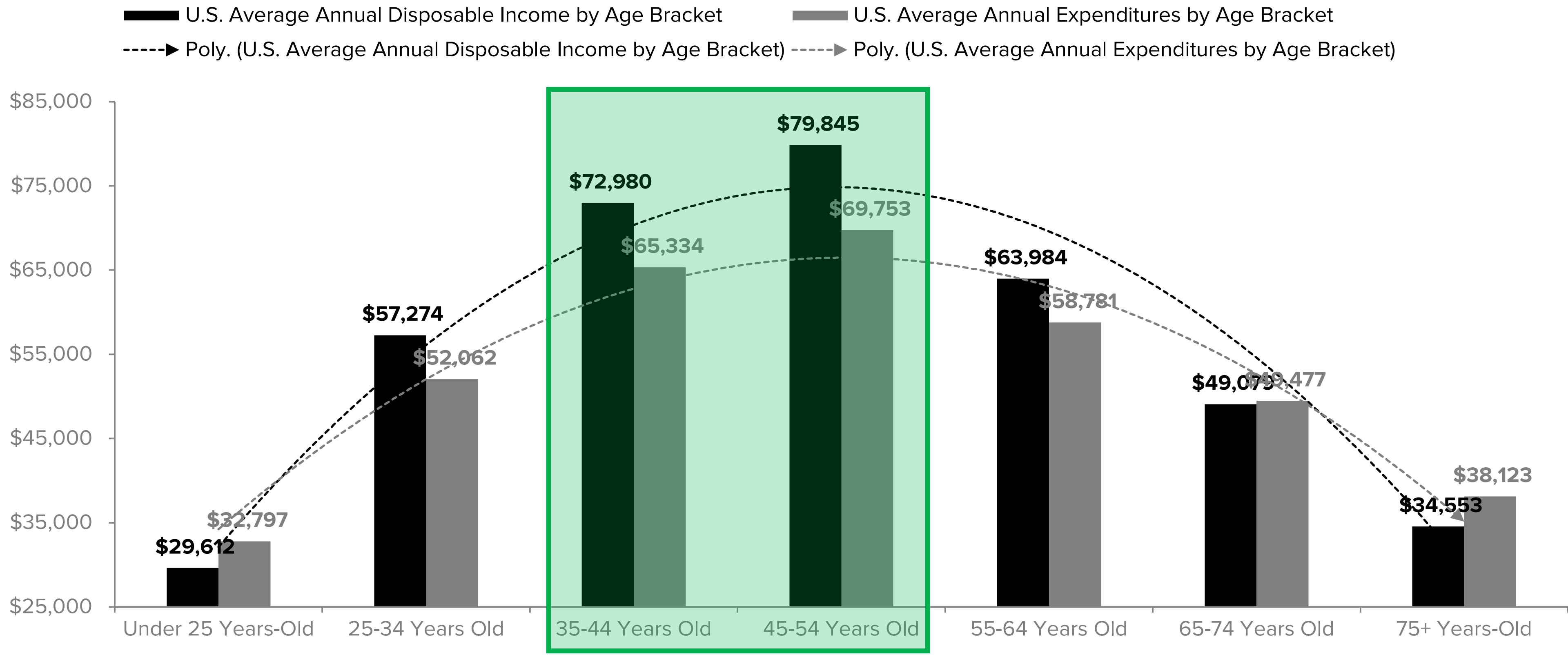
THE U.S. HAS A SECULAR ADVANTAGE TOO

THE U.S. ECONOMY WILL INCREASINGLY BECOME THE "BEST HOUSE IN A BAD NEIGHBORHOOD" FROM A DEMOGRAPHIC PERSPECTIVE.



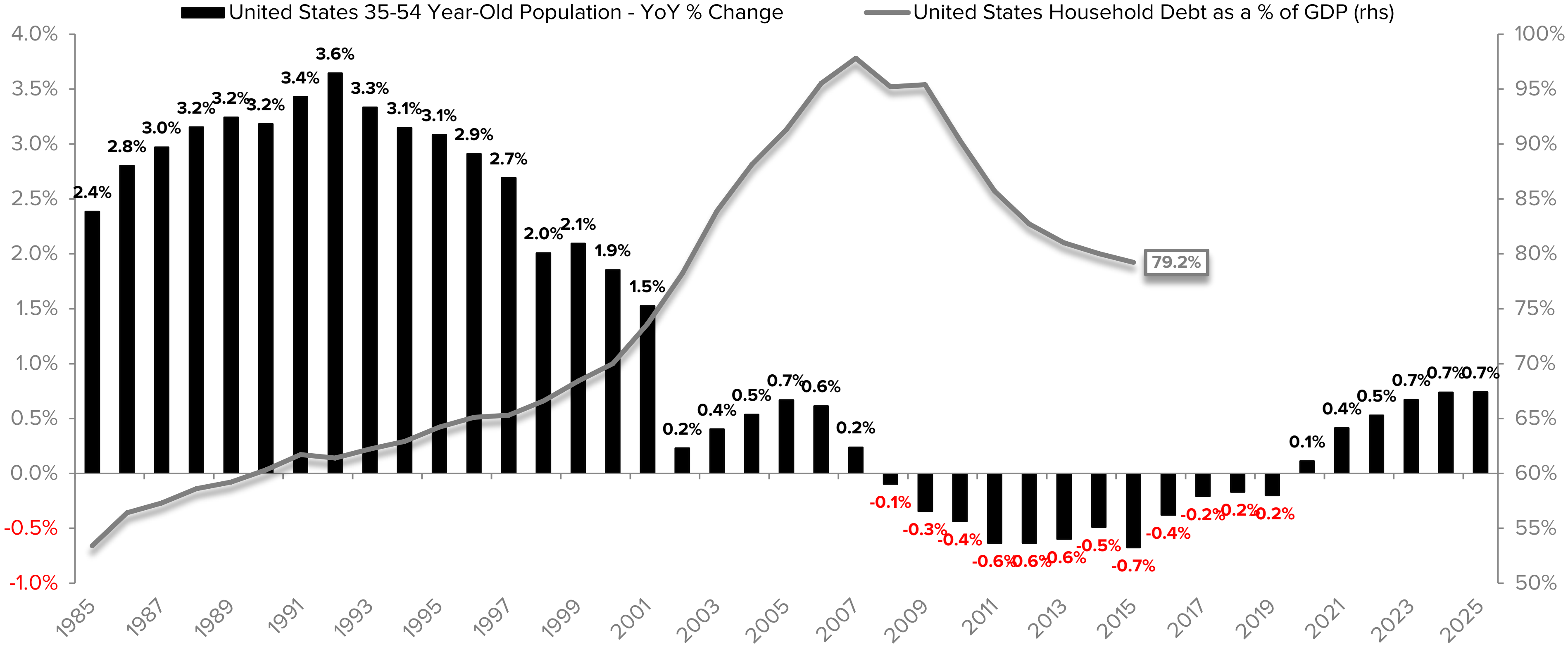
WHY DO 35-54 YEAR-OLDS MATTER?

BECAUSE ACCORDING TO BOTH EMPIRICAL EVIDENCE AND LIFE-CYCLE ECONOMICS THEORY, THIS IS THE WORLD'S CORE END CONSUMPTION DEMAND DEMOGRAPHIC.



UNITED STATES

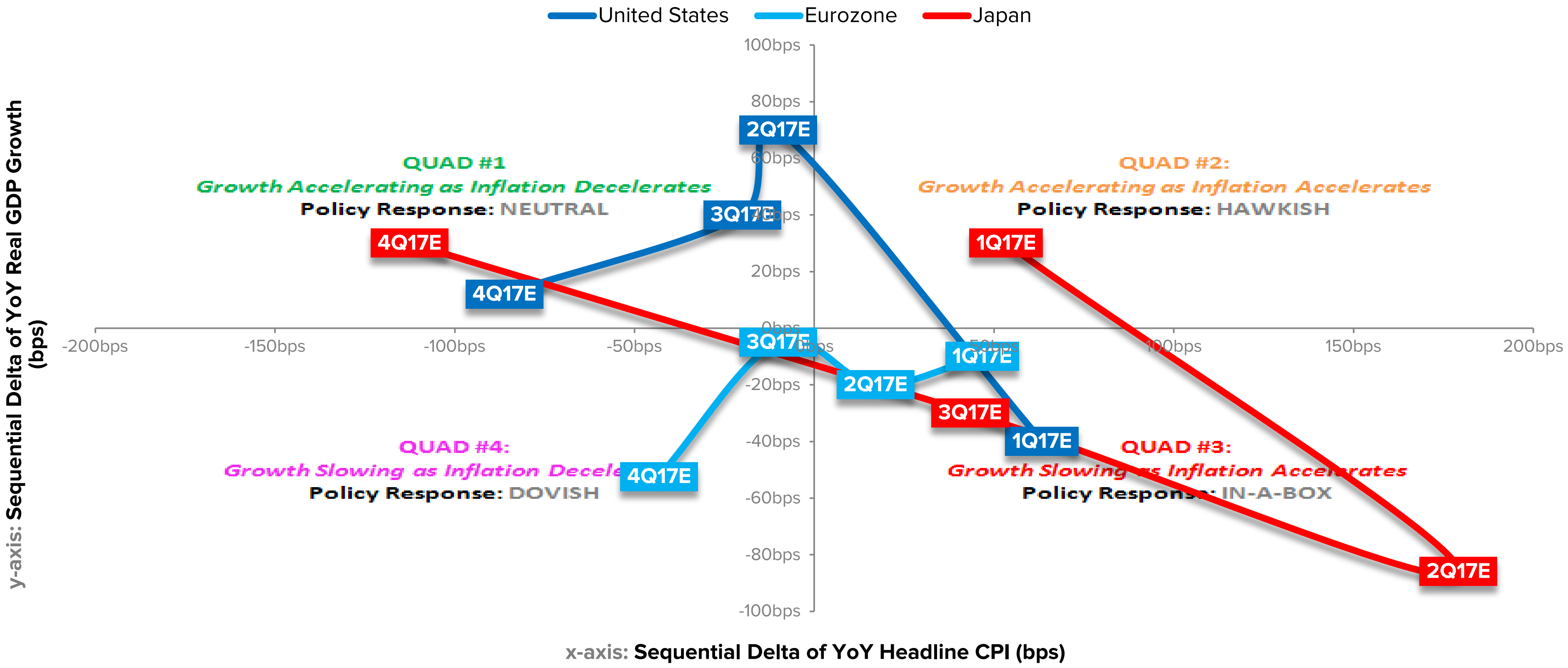
PRIVATE SECTOR DELEVERAGING SHOULD BEGIN TO DISSIPATE IN 2-3 YEARS AS MILLENNIALS START TO COUNTERBALANCE THE SLOWDOWN IN BABY BOOMER DEMAND.



DATA SOURCE: OECD; BIS

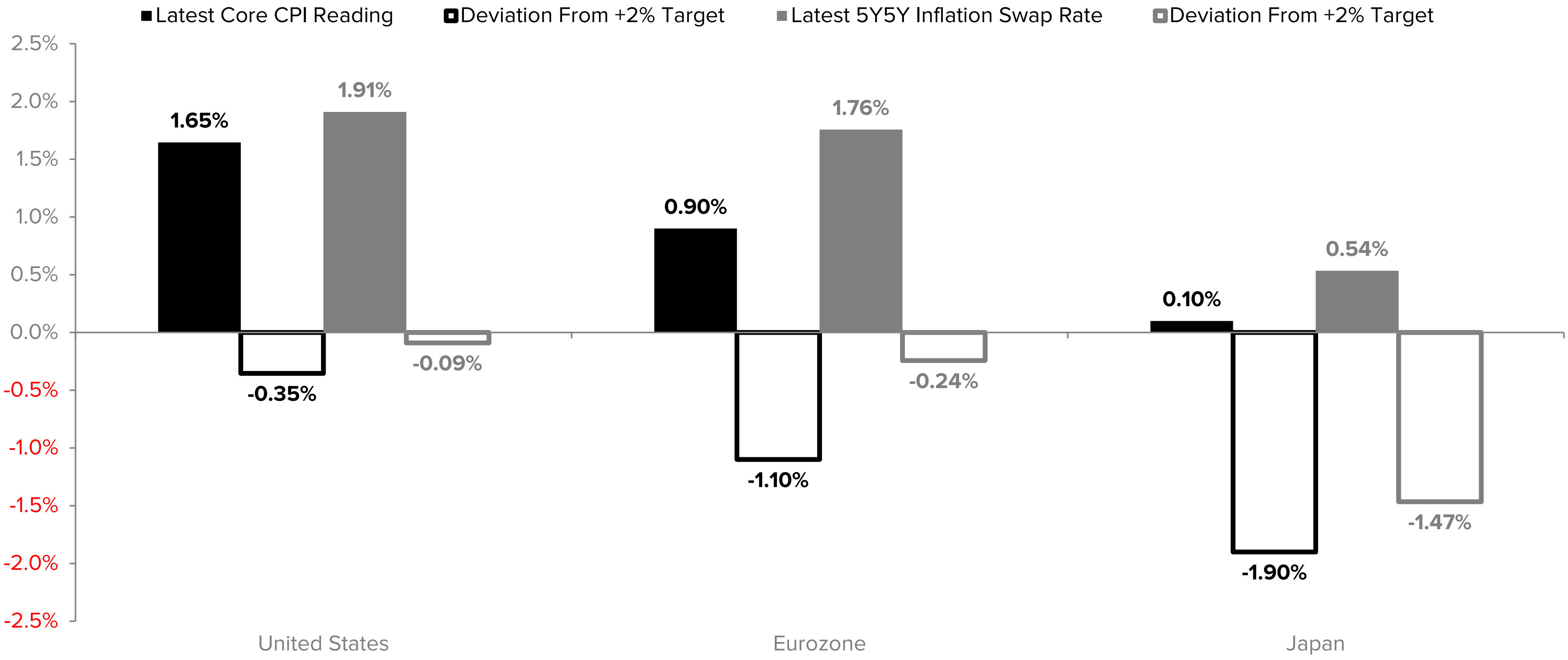
AND A CYCLICAL ADVANTAGE AS WELL

THE U.S. ECONOMY IS LIKELY TO ENJOY A COMPARATIVE GIP MODEL ADVANTAGE OVER PEER ECONOMIES THROUGHOUT 2017.



FED ON TARGET; ECB, BOJ NOT SO MUCH

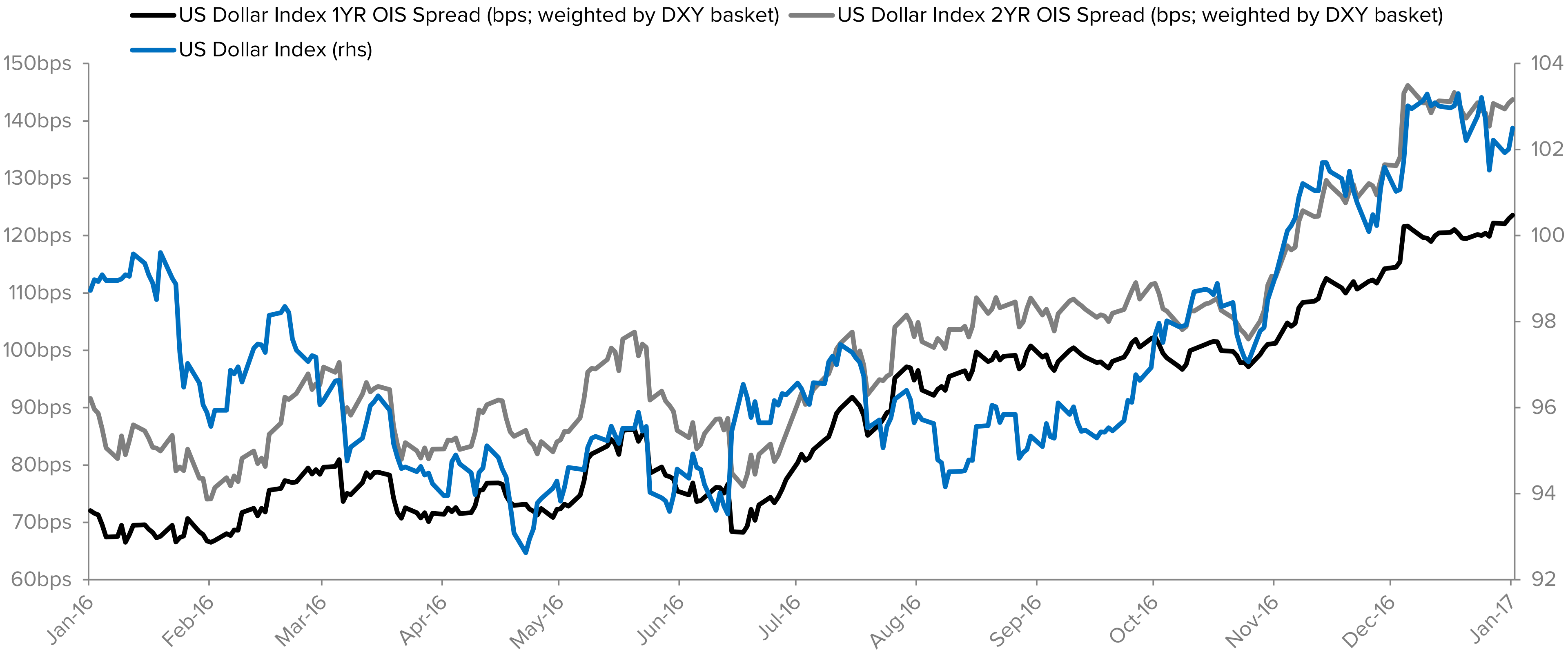
THE AFOREMENTIONED CYCLICAL OUTLOOKS FOR THE U.S., EUROZONE AND JAPANESE ECONOMIES IMPLY AN ONGOING POLICY DIVERGENCE THROUGHOUT 2017.



DATA SOURCE: BLOOMBERG

POLICY DIVERGENCE = #STRONGDOLLAR

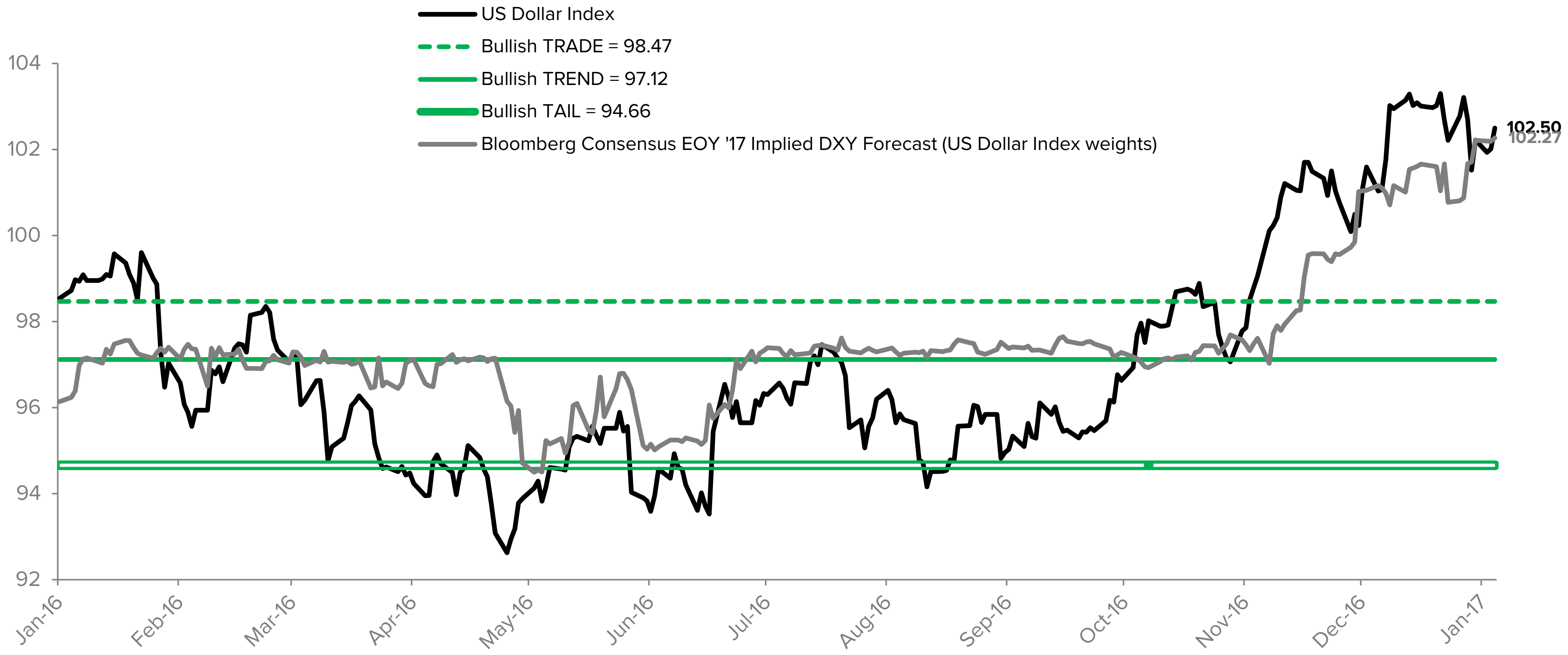
PRESSURE ON THE FEDERAL RESERVE TO TIGHTEN MONETARY POLICY SHOULD CONTINUE TO EXACERBATE KEY INTEREST RATE DIFFERENTIALS IN THE DOLLAR'S FAVOR THROUGHOUT 2017.



DATA SOURCE: BLOOMBERG

#STRONGDOLLAR IS NOT FULLY PRICED IN

IN MACRO, AN INVESTOR CAN BE EITHER BULLISH, BEARISH OR NOT ENOUGH OF EITHER. USING WALL STREET FORECASTS AS A PROXY, IT WOULD APPEAR THAT INVESTOR CONSENSUS IS NOT BULLISH ENOUGH ON THE U.S. DOLLAR.



DATA SOURCE: BLOOMBERG

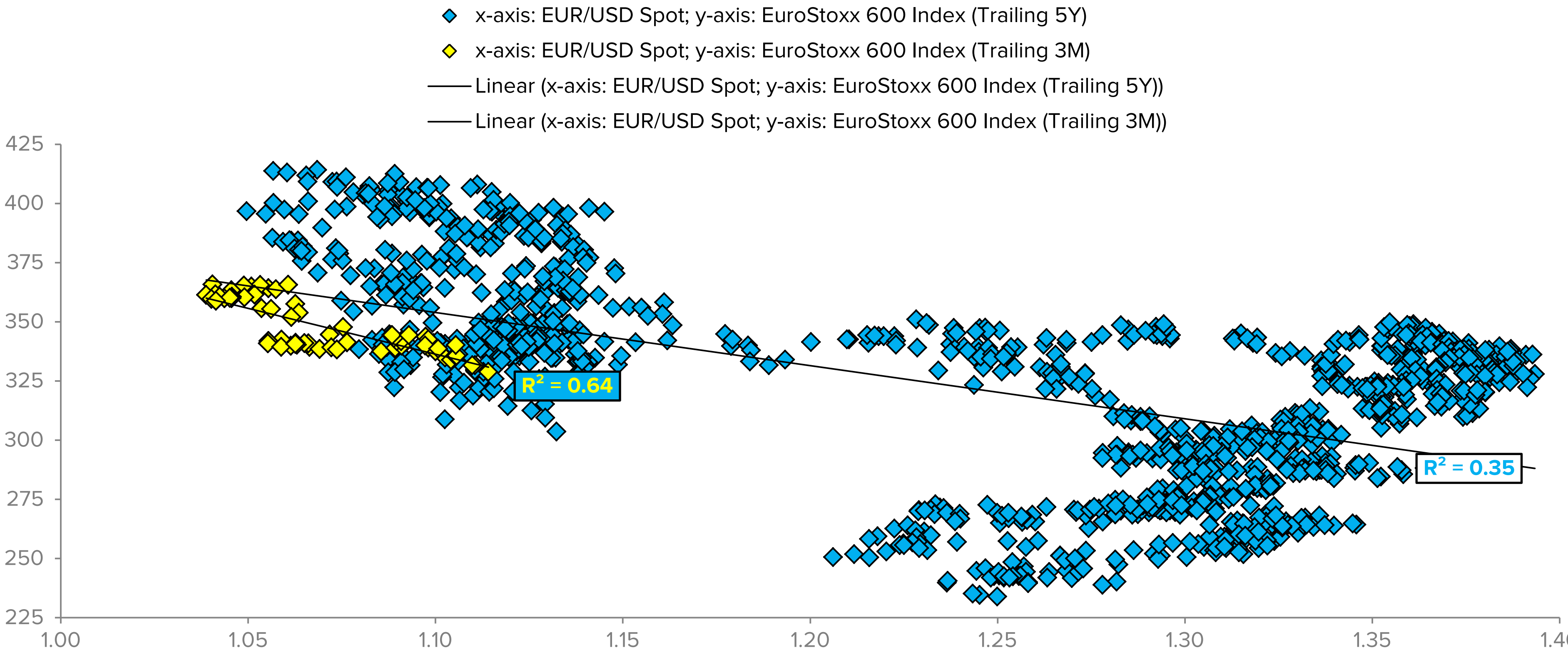
#STRONGDOLLAR HAS ROOM TO RUN

THE LAST TIME THE U.S. DOLLAR EXPERIENCED SUCH A PERVASIVE BULL RUN WAS FROM 1998-2001. USING THAT COROLLARY AS A PROXY FOR THE CURRENT SETUP IMPLIES ~20% DOWNSIDE IN BOTH THE EURO AND YEN.

DATA SOURCE: BLOOMBERG

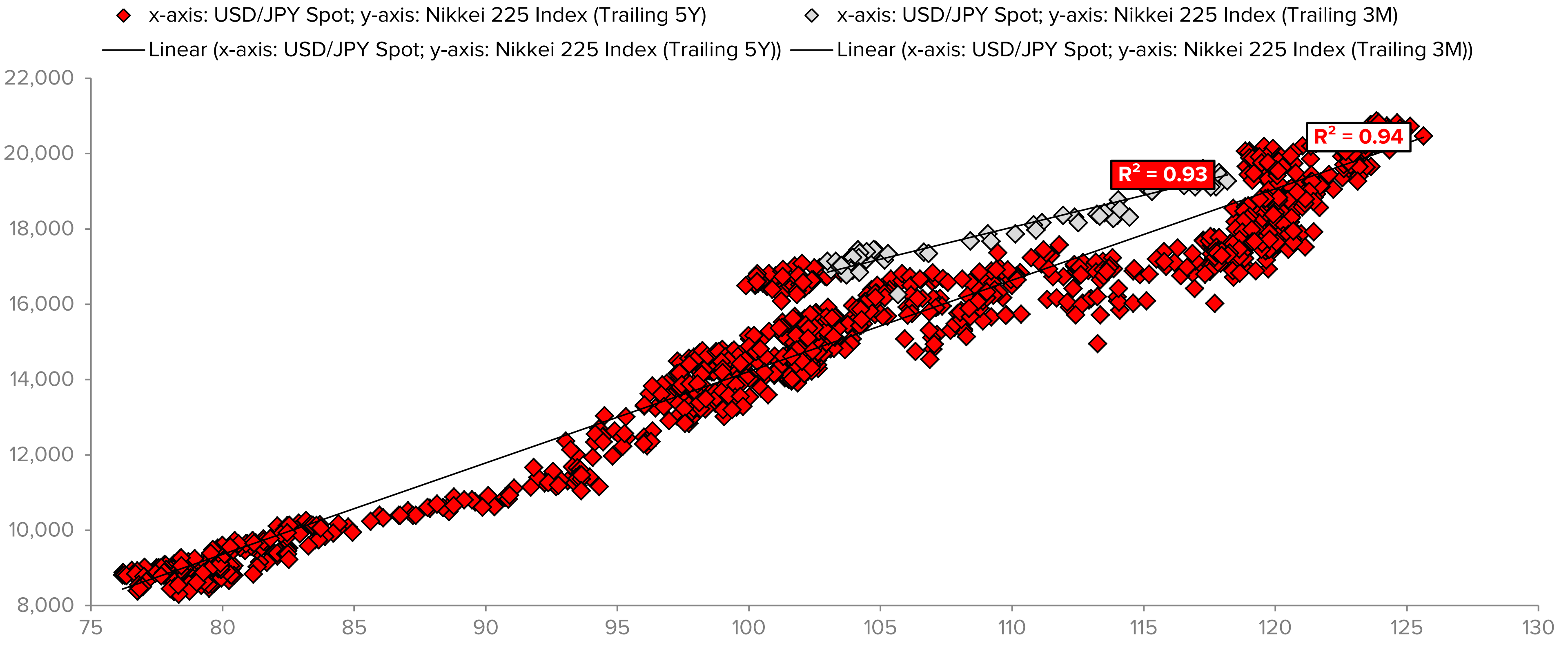
↓ EURO = ↑ EUROZONE EQUITIES

THE INVERSE CORRELATION BETWEEN THE EUR/USD AND EUROZONE EQUITIES HAS TIGHTENED IN RECENT MONTHS WITH THE ADVENT OF THE FORMER BREAKING OUT OF ITS ~2-YEAR TRADING RANGE.



⬇ YEN = ⬆ JAPANESE EQUITIES

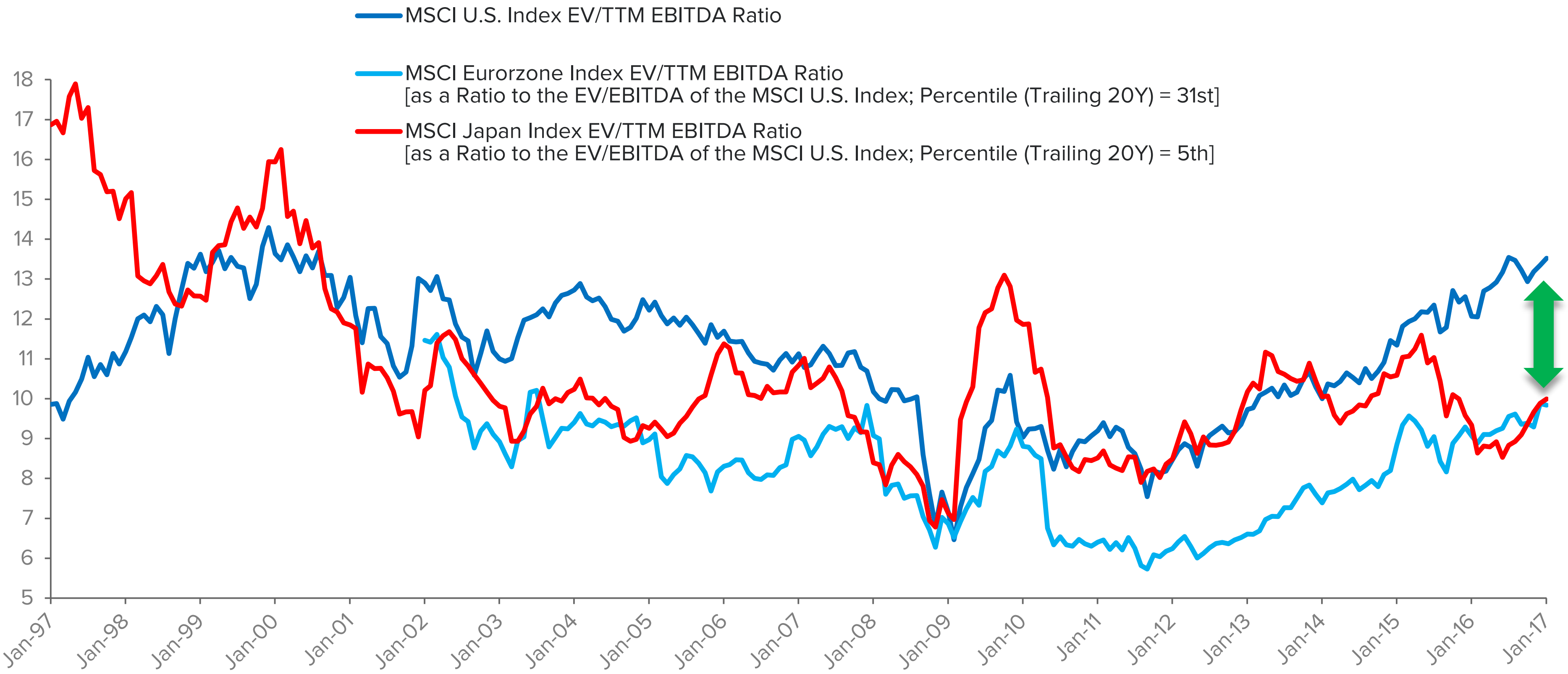
THE ABENOMICS TRADE REMAINS AS TIGHT AS EVER IN CORRELATION TERMS AND LOOKS TO GET A BOOST FROM AN IMPROVING U.S. ECONOMY AMID PERPETUALLY EASY MONETARY POLICY OUT OF THE BOJ (PER KURODA'S LATEST GUIDANCE).



DATA SOURCE: BLOOMBERG

CHEAP WITH A CATALYST

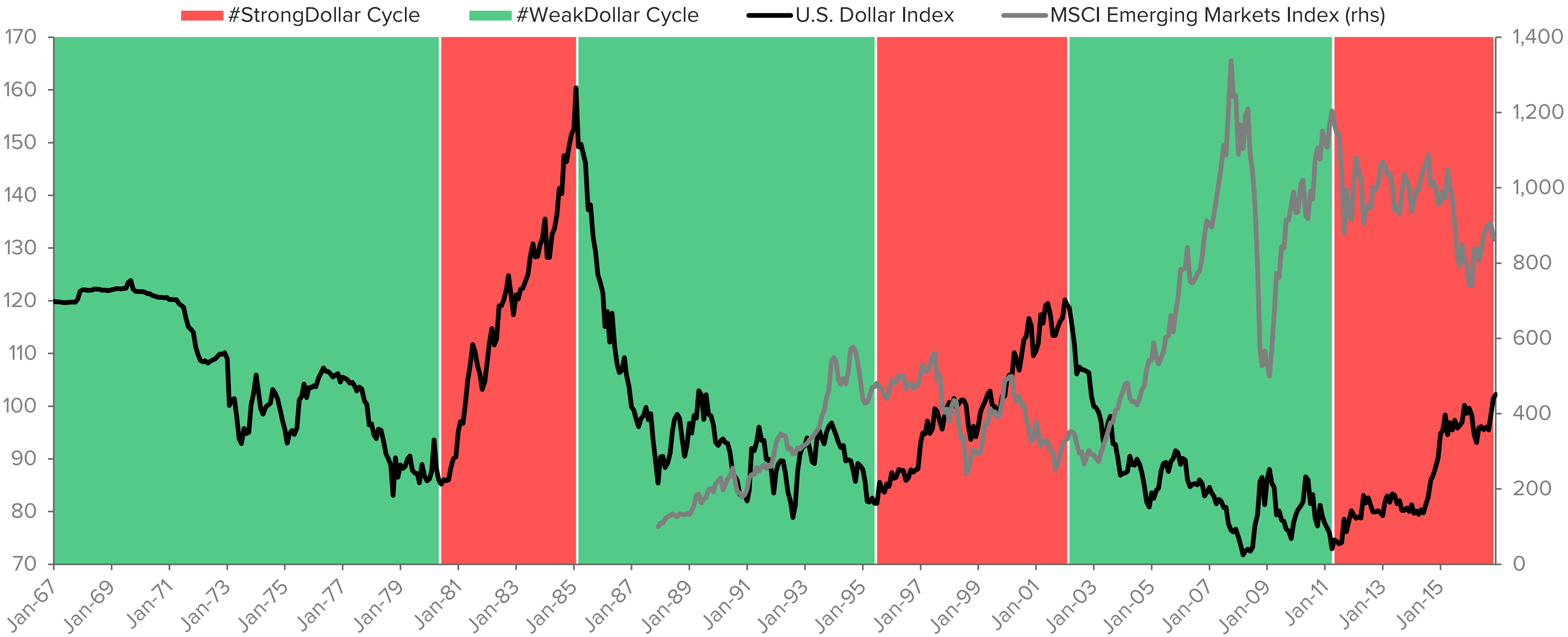
EUROZONE AND JAPANESE EQUITIES ARE QUITE CHEAP ON A RELATIVE BASIS TO THEIR U.S. COUNTERPARTS. EXPECT GLOBAL INVESTORS TO INCREASINGLY ALLOCATE FUNDS ABROAD AT THE MARGINS – ESPECIALLY IF TIGHTENING BECOMES AN ISSUE FOR U.S. EQUITIES.



DATA SOURCE: BLOOMBERG

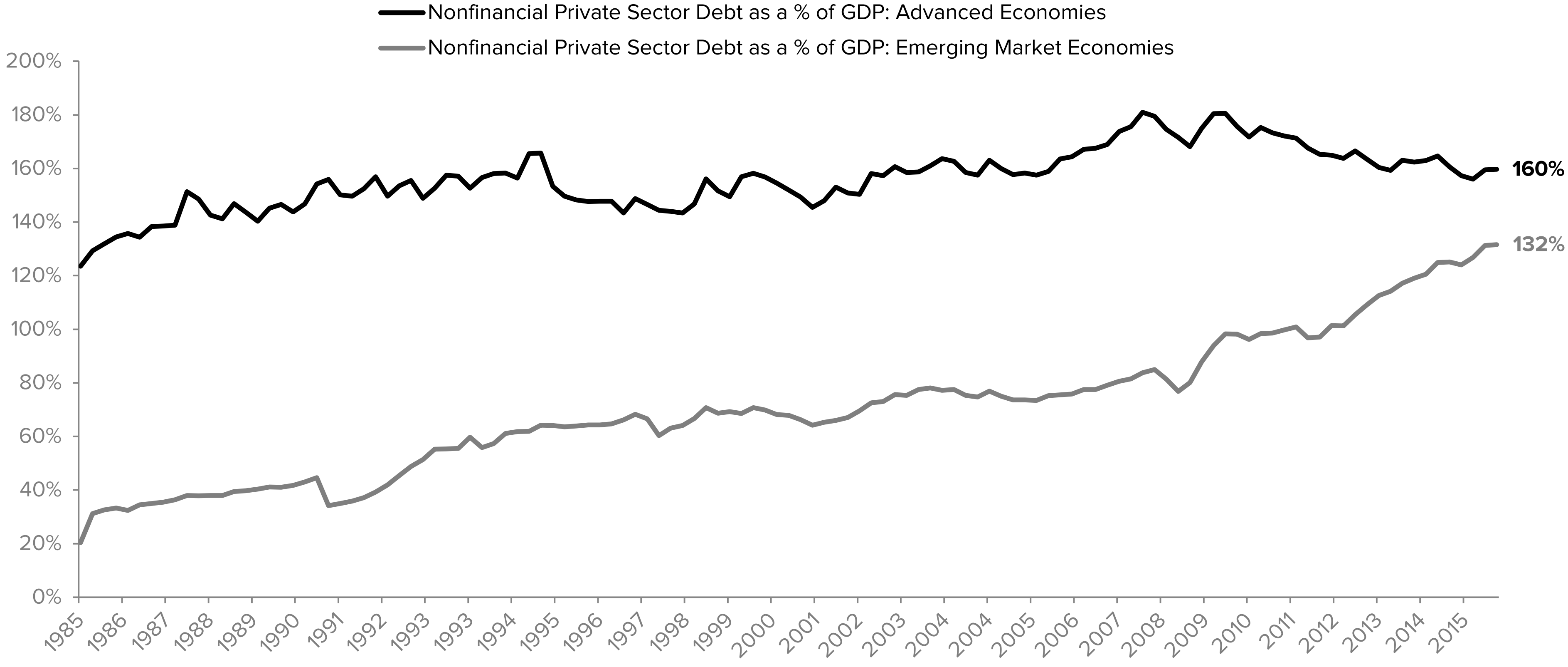
#STRONGDOLLAR = #WEAKEMERGINGMKTS

A SECULAR BULL MARKET IN THE DXY WOULD RENDER EM ASSETS STRUCTURAL SHORTS IN BOTH ABSOLUTE AND RELATIVE TERMS.



EM DOLLAR DEBT DEFAULT RISK RISING

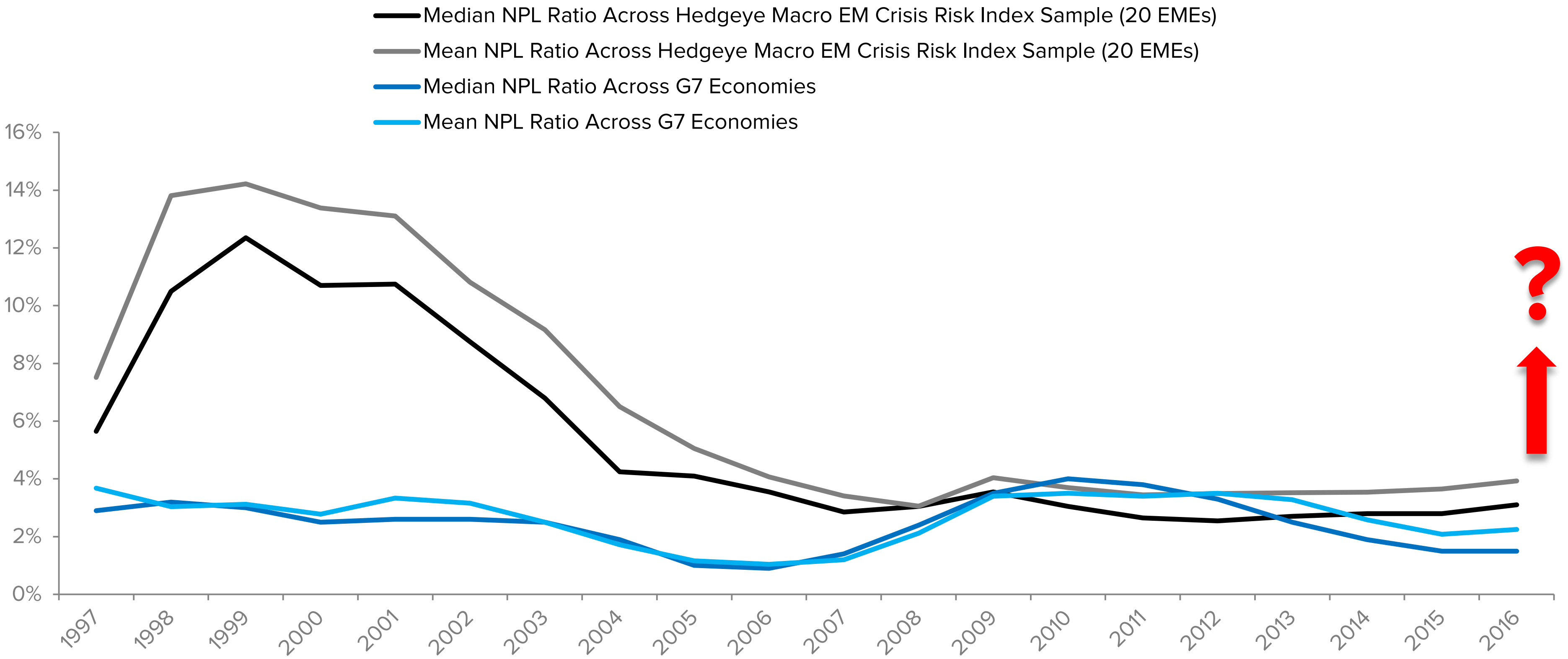
THE NONFINANCIAL PRIVATE SECTORS OF EMERGING MARKET ECONOMIES HAVE AMASSED NEARLY $3.5 TRILLION IN DOLLAR DOMINATED DEBT (17% OF WHICH ARE IN THE FORM OF BONDS) AND $340B OF THAT NEEDS TO BE ROLLED OVER BY YE '18.



DATA SOURCE: BIS

NPL RATIOS SET TO RISE ACROSS EM?

A REVERSAL IN PORTFOLIO FLOWS MAY PERPETUATE A MATERIAL INCREASE IN NONPERFORMING LOANS THROUGHOUT MANY EMERGING MARKET ECONOMIES.



REINTRODUCING OUR EM CRISIS RISK INDEX

	Commodities Exports as a % of Total Exports (2015)	CPI Gap (Latest)	Current Account Balance as a % of GDP (Latest)	Energy Imports as a % of Total Imports (2015)	Fiscal Balance as a % of GDP Gap (Latest)	Foreign Currency Assets as a % of Total Banking Sector Assets (2013)	General Government Debt as a % of GDP (Latest)	Leverage Gap of Publically-Listed Enterprises (Latest)	NEER Gap (Latest)	PPI Gap (Latest)	Private Nonfinancial Sector Credit-to-GDP Gap (1Q16)	Private Nonfinancial Sector Debt Service Ratio Gap (1Q16)	Profitability Gap of Publically-Listed Enterprises (Latest)	Real GDP Gap (Latest)	Real Property Prices 5Y CAGR (2015)	REER Gap (Latest)	Short-term External Debt as a % of Foreign Exchange Reserves (2015)	Total Inbound Portfolio Investment as a % of Total Nonfinancial Sector Credit (2015)	Total U.S. Dollar Debt as a % of Foreign Exchange Reserves (2015)	Valuation Gap of Publically-Listed Enterprises (Latest)
Argentina	69%	2.0	-2.5%	11%	-2.5	4%	52%	-0.7	-1.8	-0.4	-0.4	-	-0.6	-1.3	-	-1.5	90%	8%	-	-1.0
Brazil	60%	1.5	-1.4%	15%	-2.3	8%	74%	1.9	1.9	1.1	1.3	2.5	-0.9	-1.3	-6%	-0.6	2%	14%	98%	1.5
Chile	86%	-0.4	-2.0%	14%	-	14%	18%	1.1	1.3	-1.1	1.9	-	-1.0	-0.8	4%	-0.4	17%	-	263%	-1.1
China	6%	-0.6	2.4%	13%	-1.9	6%	43%	2.1	1.9	-1.4	2.0	1.6	-1.5	-1.0	0%	1.0	10%	3%	35%	0.9
Colombia	82%	0.9	-4.9%	12%	-1.8	9%	51%	-0.1	1.1	1.9	-	-	-2.0	-1.5	7%	-1.8	15%	-	-	-1.2
Czech Republic	11%	-0.8	1.9%	7%	1.2	19%	40%	-0.3	-2.4	-	0.7	-0.3	0.2	0.0	1%	-1.0	19%	16%	-	0.4
Hungary	12%	-1.2	4.5%	8%	1.1	52%	75%	-1.2	-0.5	-	-0.9	-1.9	-0.8	0.5	3%	-1.2	21%	20%	-	0.5
India	28%	-1.3	-0.5%	29%	0.6	-	69%	1.6	1.4	-2.2	1.0	0.6	-1.3	-0.2	10%	1.1	24%	17%	39%	0.4
Indonesia	59%	-1.2	-2.1%	25%	-0.8	17%	27%	1.3	1.6	-1.0	1.3	1.5	-1.0	-0.8	2%	0.3	22%	26%	172%	0.9
Malaysia	33%	-0.7	1.9%	12%	1.0	4%	57%	1.1	-1.2	-0.5	1.7	2.1	-1.2	-0.2	8%	-2.6	19%	24%	44%	1.1
Mexico	16%	-1.3	-3.3%	7%	-0.3	12%	54%	1.3	-1.3	-1.1	2.3	2.5	-0.8	-0.1	2%	-2.7	29%	40%	141%	1.0
Peru	85%	0.1	-4.4%	10%	1.3	46%	24%	1.5	2.6	0.1	-	-	-0.7	-0.4	10%	0.1	8%	-	-	-0.4
Philippines	15%	-0.6	1.0%	12%	-0.5	15%	35%	1.7	1.0	-1.6	-	-	-1.4	0.8	5%	0.9	4%	-	91%	0.5
Poland	21%	-0.9	-2.1%	8%	0.9	30%	51%	2.9	-1.1	-	1.2	0.3	-1.3	-0.6	-2%	-1.5	19%	20%	-	2.5
Russia	76%	-1.0	2.5%	2%	-1.0	23%	16%	0.9	2.4	0.0	1.9	1.5	-1.3	-0.4	-6%	-1.2	6%	10%	108%	0.8
Saudi Arabia	82%	0.2	-6.6%	1%	-	6%	5%	1.6	2.0	-	2.9	-	-1.0	-0.4	-	2.1	-	3%	-	0.5
South Africa	50%	-0.1	-4.1%	18%	-0.2	10%	50%	2.1	1.8	-0.5	0.5	-0.2	-1.0	-0.8	1%	-0.9	22%	39%	95%	1.3
South Korea	13%	-0.7	7.3%	33%	-0.4	7%	38%	0.2	-1.8	-1.4	1.4	-1.0	-0.7	-0.4	1%	0.4	6%	14%	39%	-0.5
Thailand	22%	-0.6	12.0%	16%	-0.3	6%	43%	0.4	2.1	-0.9	1.6	1.1	-0.3	0.0	4%	0.3	16%	15%	-	0.9
Turkey	20%	-0.4	-4.2%	7%	0.8	33%	33%	1.6	-1.9	-0.2	1.5	2.2	-0.9	-1.0	8%	-1.9	35%	17%	203%	0.4
MEDIAN	**31%**	**-0.6**	**-1.7%**	**12%**	**-0.3**	**12%**	**43%**	**1.3**	**1.2**	**-0.7**	**1.4**	**1.3**	**-1.0**	**-0.4**	**2%**	**-0.7**	**19%**	**16%**	**97%**	**0.5**

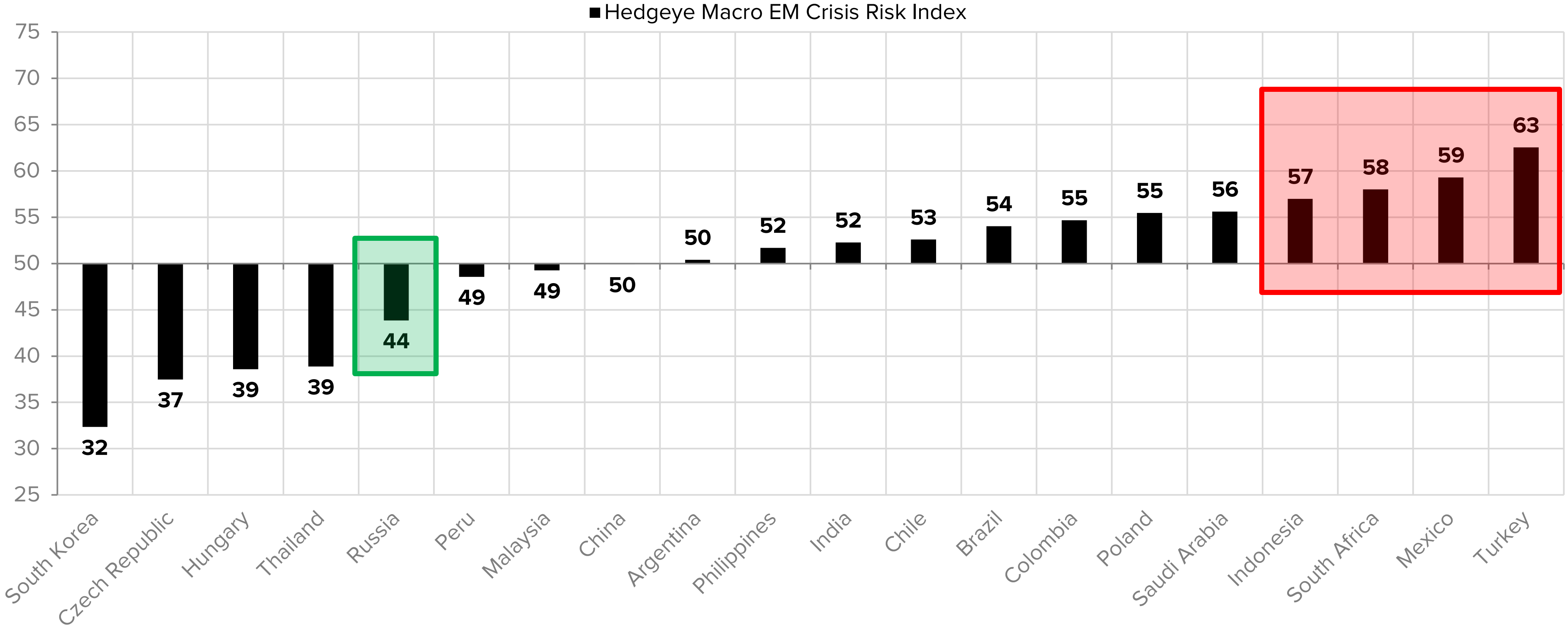
SEPARATE THE WHEAT FROM THE CHAFF

We analyzed 20 emerging market economies through the lens of 20 predictive economic and financial market indicators to gain clues as to which economies were positioned most poorly for the next phase of #EmergingOutflows. Our focus on incorporating both stock and flow-based metrics is a key differentiator in this latest refresh of the model.

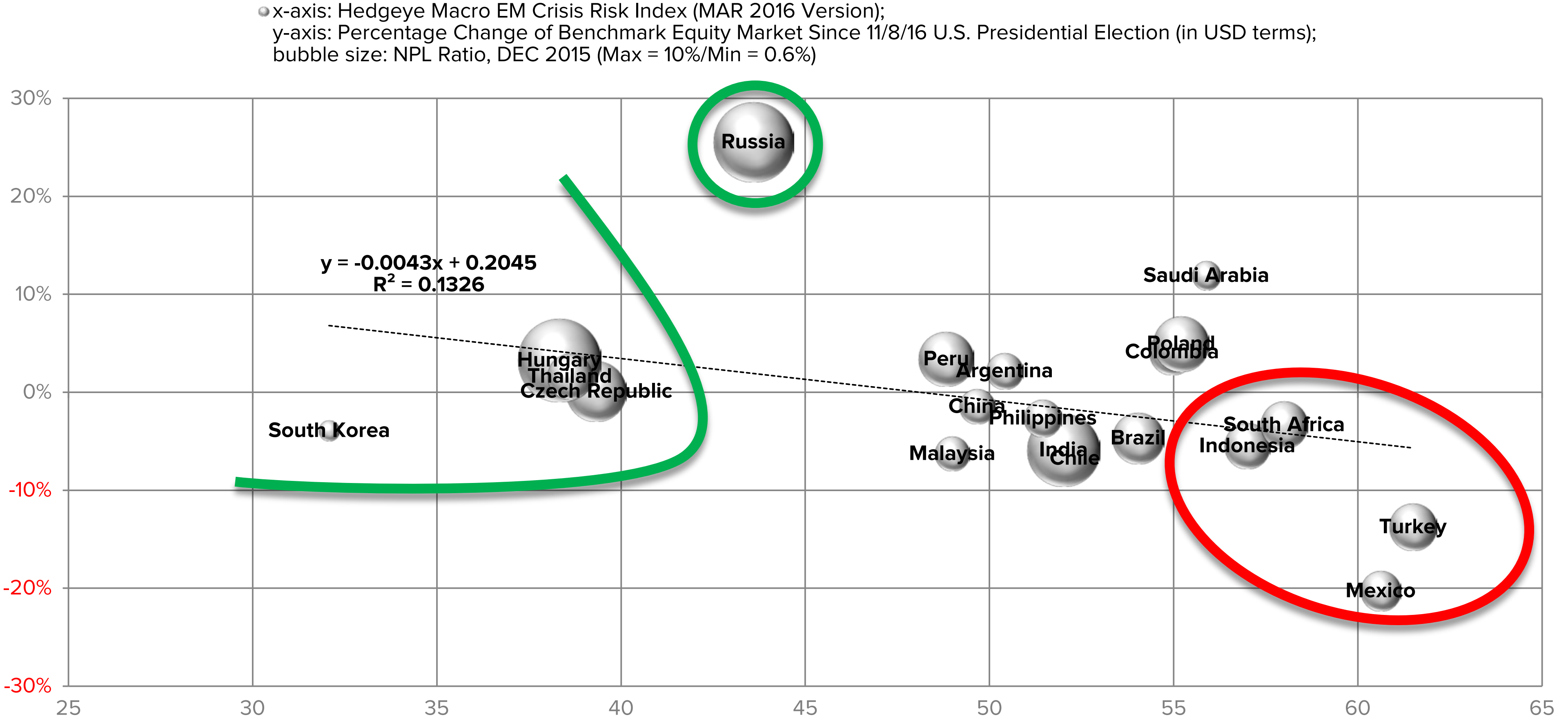
DATA SOURCE: BIS, BLOOMBERG, IMF, WORLD BANK

EM COUNTRY RISK SUMMARY

WE AMALGAMATE THE AFOREMENTIONED 20 INDICATORS BY SCORING EACH COUNTRY ON A PERCENTILE BASIS WITHIN A RESPECTIVE FACTOR (INVERTING THOSE FACTORS WHERE A HIGHER READING IS POSITIVE). A COUNTRY'S EM CRISIS RISK INDEX LEVEL IS SIMPLY THE AVERAGE OF THOSE PERCENTILE READINGS. COUNTRIES WITH HIGHER READINGS ARE CONSIDERED TO BE THE MOST AT RISK OF A SUPER CYCLE IN THE U.S. DOLLAR.



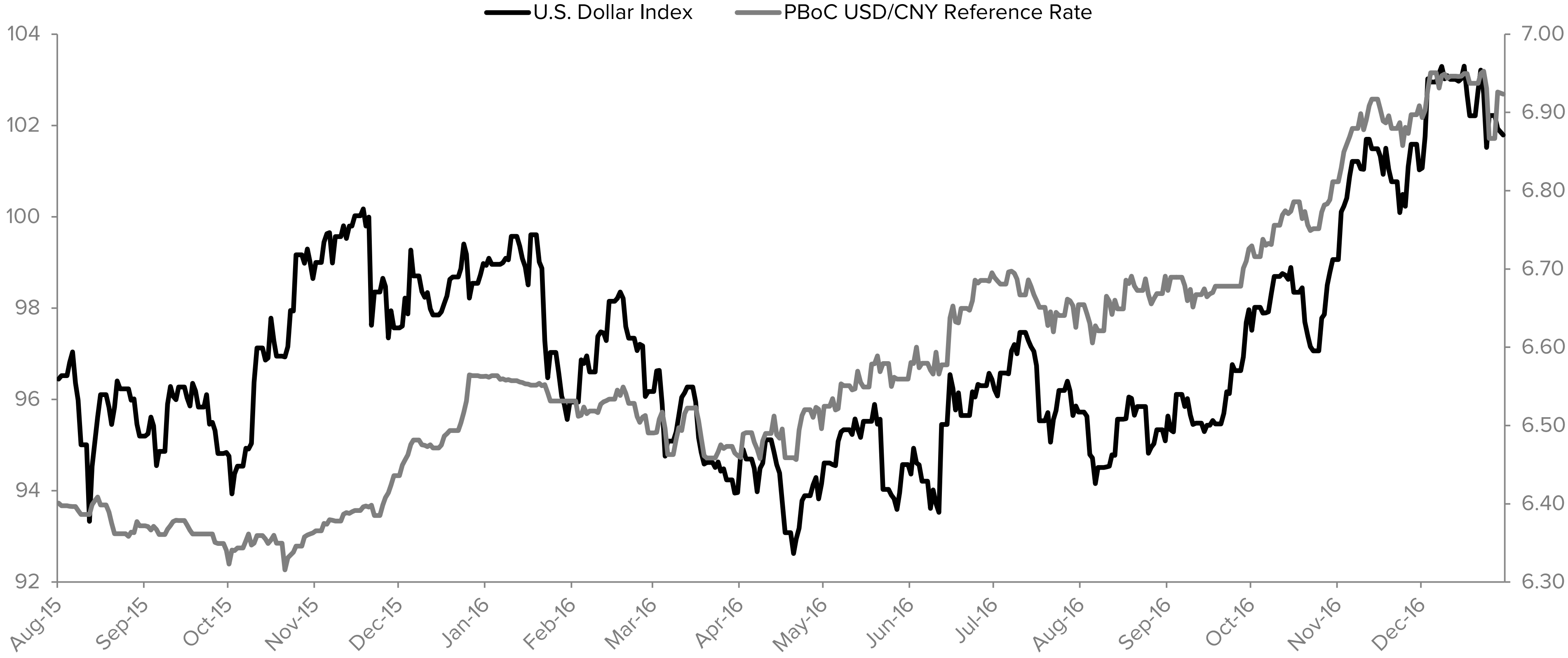
OUR PROPRIETARY MODEL IS EFFECTIVE



DATA SOURCE: BIS, BLOOMBERG, IMF, WORLD BANK

#STRONGDOLLAR = CNY HEADLINE RISK ↑

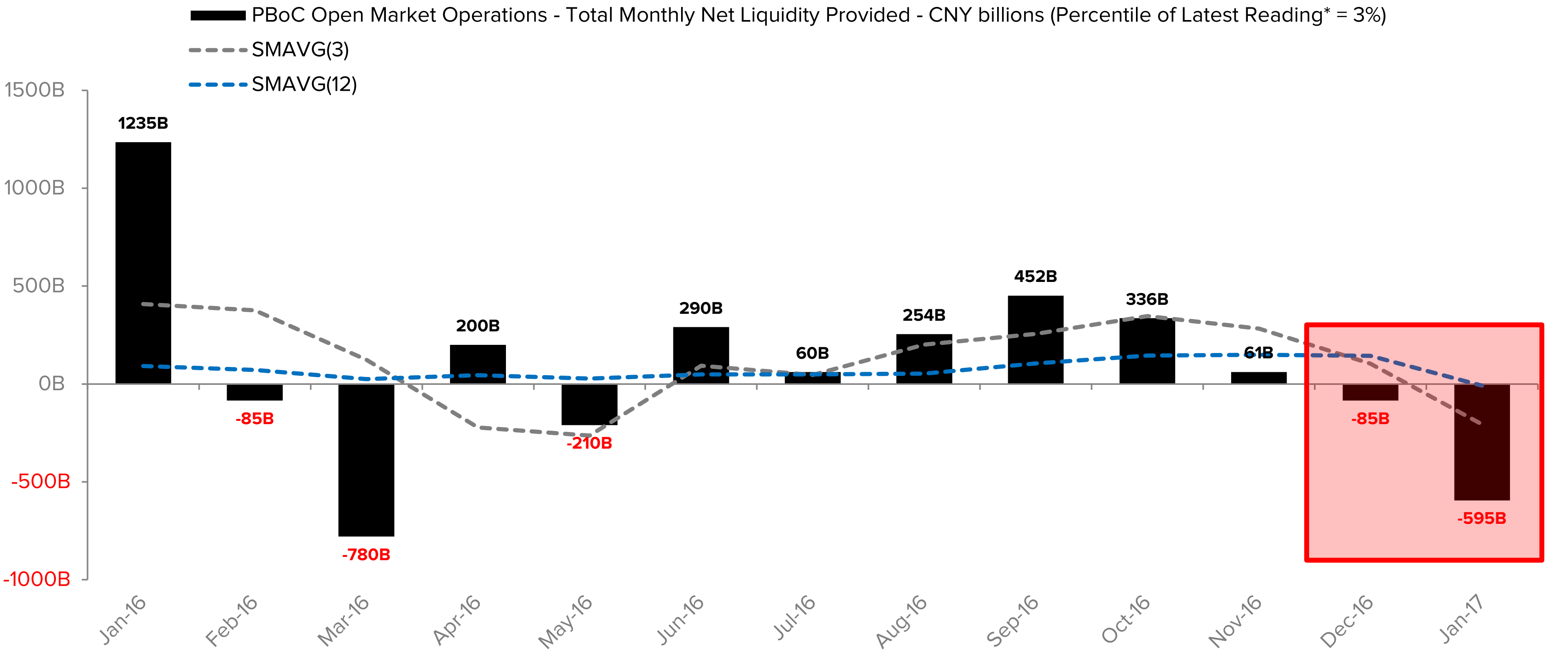
CONSISTENT WITH THE PBOC'S DESIRE TO KEEP THE CHINESE YUAN "BASICALLY STABLE" VERSUS THE CFETS BASKET OF CURRENCIES, A RISING U.S. DOLLAR WILL IMPART UNYIELDING PRESSURE UPON THE PBOC TO GUIDE THE CNY LOWER THROUGHOUT THE YEAR.



DATA SOURCE: BLOOMBERG

THE YUAN IS FORCING THE PBOC'S HAND

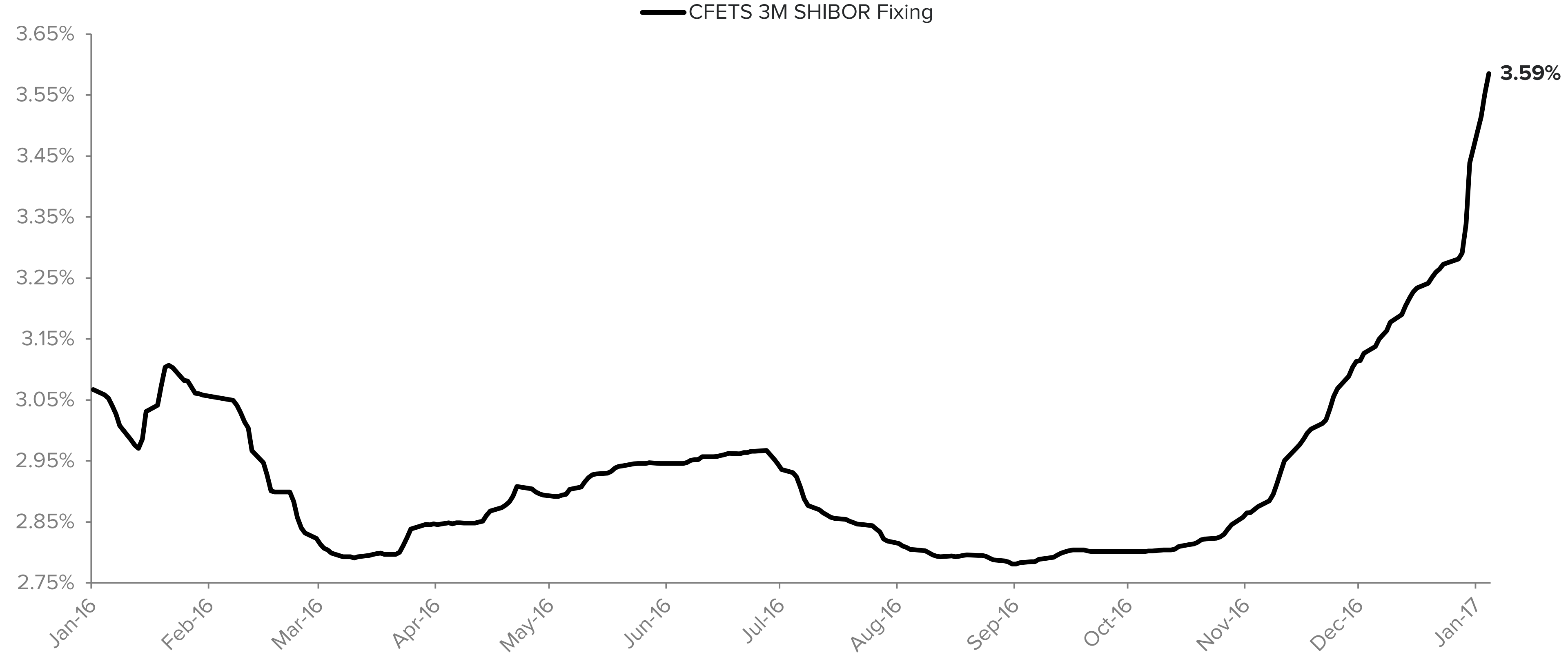
CONSISTENT WITH THEIR PREFERENCE FOR A STABLE DECLINE IN THE CNY VIS-À-VIS THE USD, THE PBOC IS TIGHTENING MONETARY POLICY AT THE MARGINS TO CURTAIL CAPITAL OUTFLOW PRESSURES. THE ONGOING PROPERTY BUBBLE IS A CONTRIBUTING FACTOR AS WELL.



DATA SOURCE: OECD; BLOOMBERG

TIGHTER MONEY = SLOWER GROWTH

WE EXPECT THE RECENT ASYMPTOTIC MOVES ACROSS MAINLAND INTERBANK RATES TO PERMEATE THROUGHOUT THE CHINESE ECONOMY ON A LAG. THIS IS CONSISTENT WITH OUR VIEW THAT CHINA'S POLICY IMPULSE WILL BE NEGATIVE ON A Y/Y BASIS IN 2017.



DATA SOURCE: BLOOMBERG

THEMATIC INVESTMENT CONCLUSIONS

TRADE (3 WEEKS OR LESS)

LONGS: **U.S. Dollar** (UUP), **British Pound** (FXB), **Nasdaq** (QQQ), **U.S. E&P's** (XOP), **S&P 500** (SPY) **Japan** (DXJ), **Russia** (RSX)

SHORTS: **Euro** (FXE), **Japanese Yen** (FXY), **Long-term Treasury Bonds** (TLT), **Gold** (GLD), **China** (FXI), **Turkey** (TUR), **Mexico** (EWW), **South Africa** (EZA)

TREND (3 MONTHS OR MORE)

LONGS: **U.S. Dollar** (UUP; added 8/5/14), **Russia** (RSX; added 11/10/16),

SHORTS: **Euro** (FXE; added 7/7/15),

TAIL (3 YEARS OR LESS)

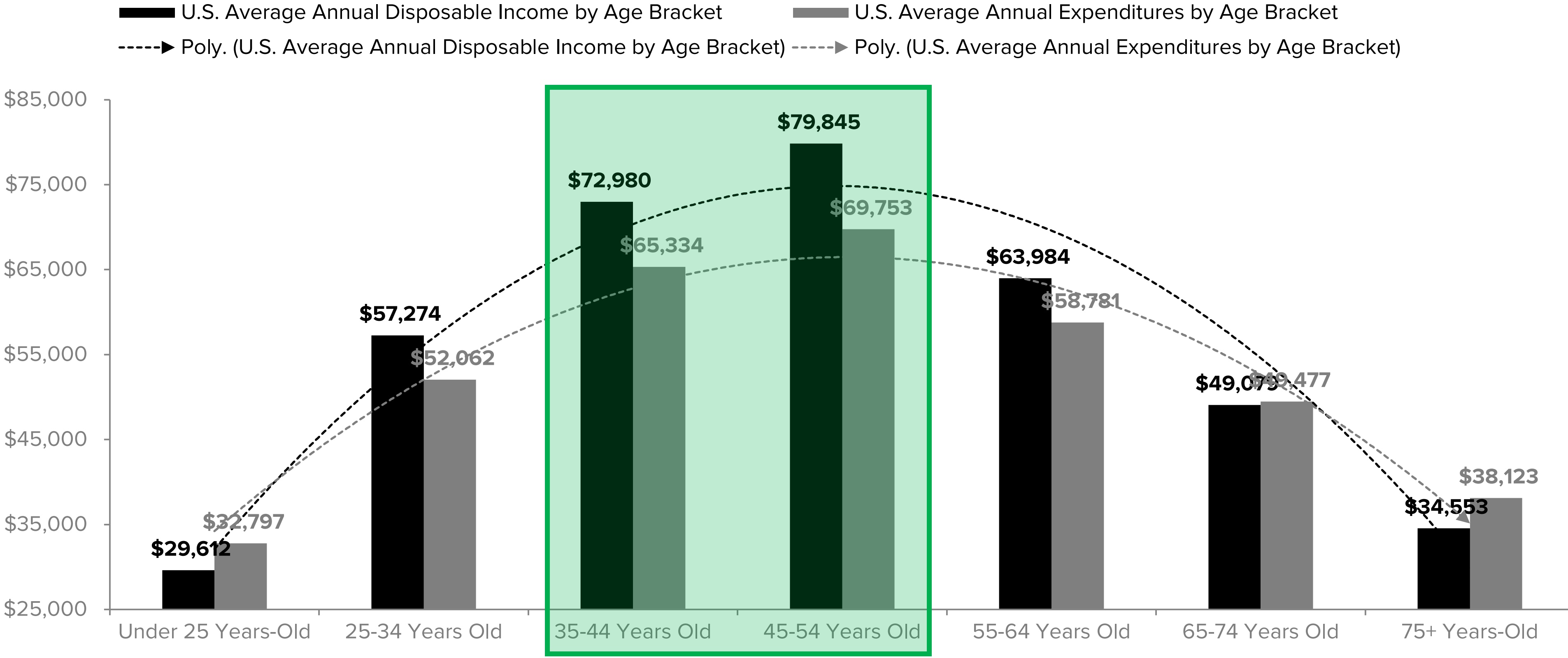
LONGS: **U.S. Dollar** (UUP; added 8/5/14),

SHORTS: **Euro** (FXE; added 7/7/15),

APPENDIX

WHY DO 35-54 YEAR-OLDS MATTER?

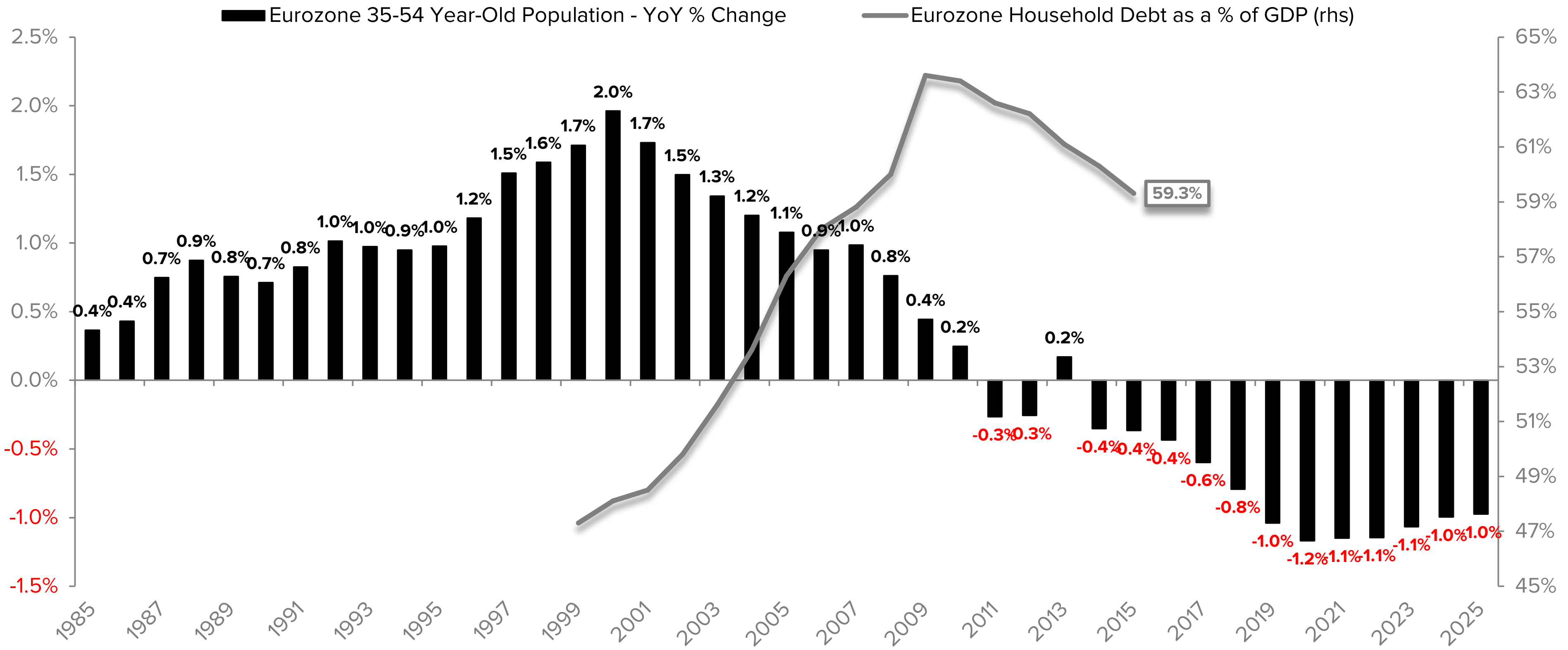
BECAUSE ACCORDING TO BOTH EMPIRICAL EVIDENCE AND LIFE-CYCLE ECONOMICS THEORY, THIS IS THE WORLD'S CORE END CONSUMPTION DEMAND DEMOGRAPHIC.



DATA SOURCE: 2015 BLS CONSUMER EXPENDITURE SURVEY

EUROZONE

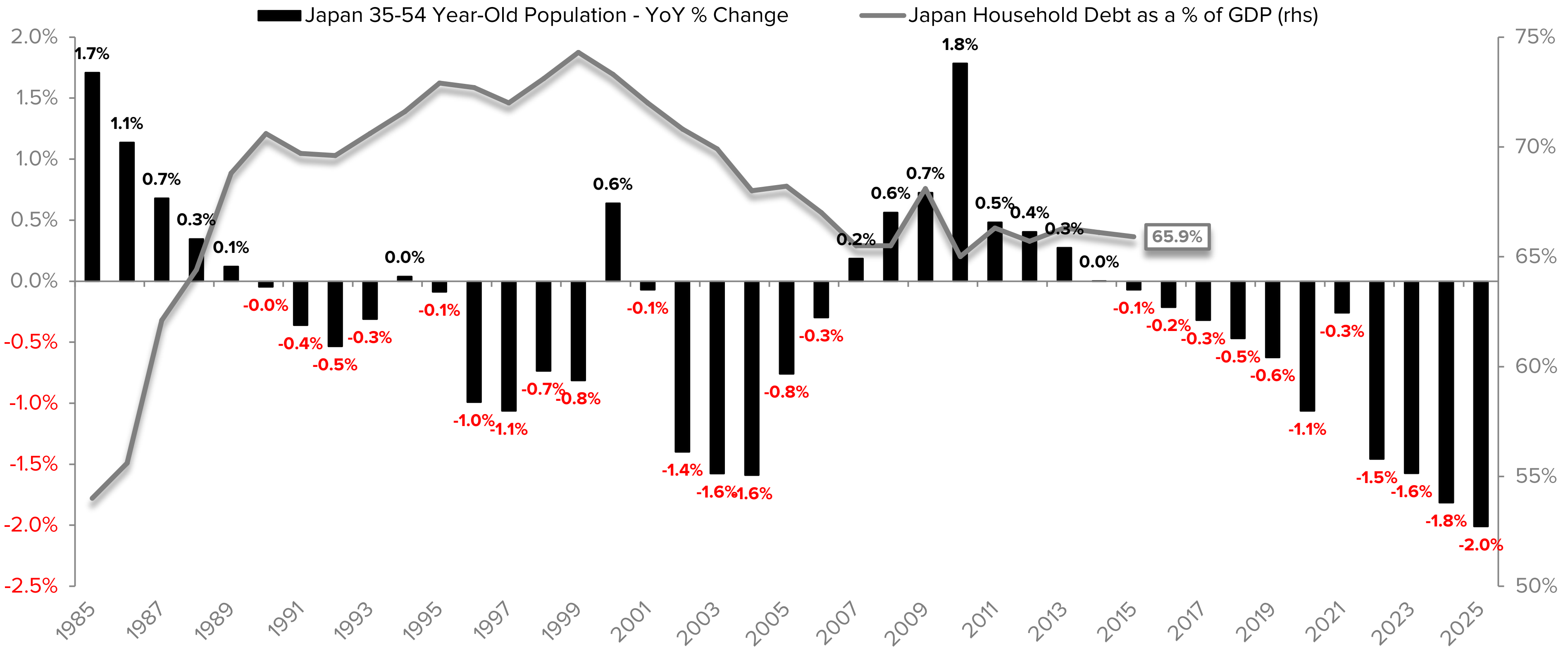
PRIVATE SECTOR DELEVERAGING SHOULD CONTINUE AS THE EUROZONE ECONOMY AGES ALONGSIDE A PROJECTED CONTRACTION IN ORGANIC DEMAND AS FAR AS THE EYE CAN SEE.



DATA SOURCE: OECD; BIS

JAPAN

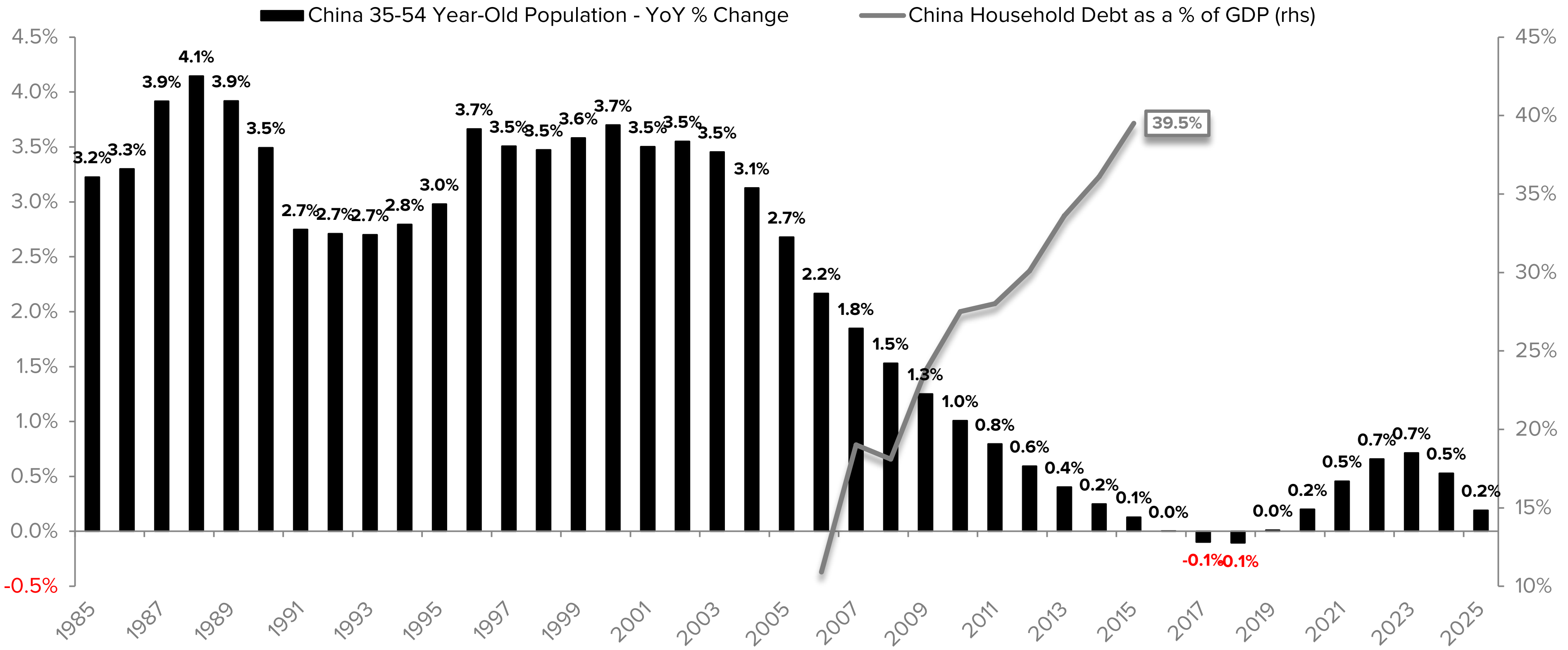
IF YOU THOUGHT JAPAN'S TWO LOST DECADES WERE BAD, JUST WAIT UNTIL THE NEXT TEN YEARS OF WHAT WE'LL AFFECTIONATELY TERM "PLUNGING INTO THE ABYSS" WITH RESPECT TO JAPAN'S CORE CONSUMPTION COHORT.



DATA SOURCE: OECD; BIS

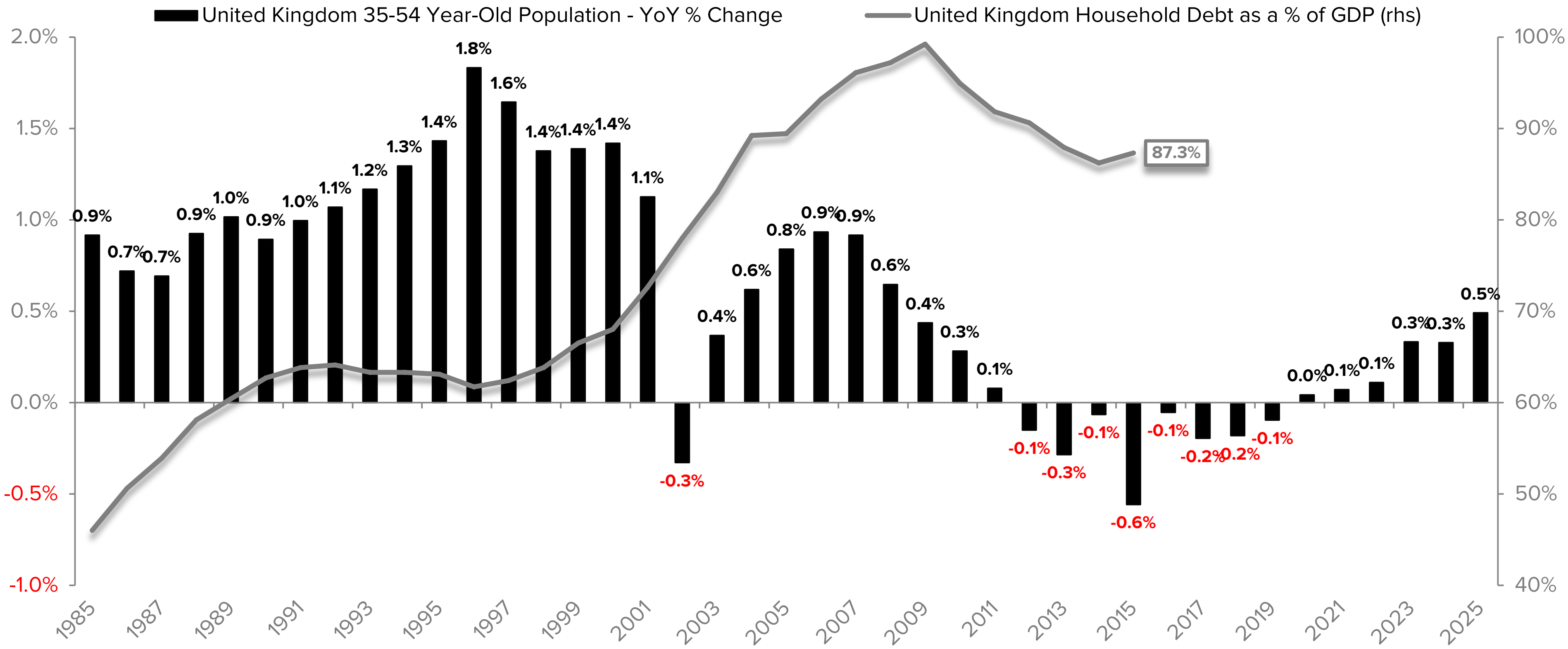
CHINA

THE SLOWDOWN IN CHINA'S CORE CONSUMPTION DEMOGRAPHIC SHOULD TROUGH IN 2-3 YEARS, ALLOWING BEIJING TO FINALLY MAKE GOOD ON ITS LONGSTANDING PROMISE TO MEANINGFULLY SHIFT CHINESE GDP GROWTH TOWARDS SERVICES AND HOUSEHOLD CONSUMPTION.



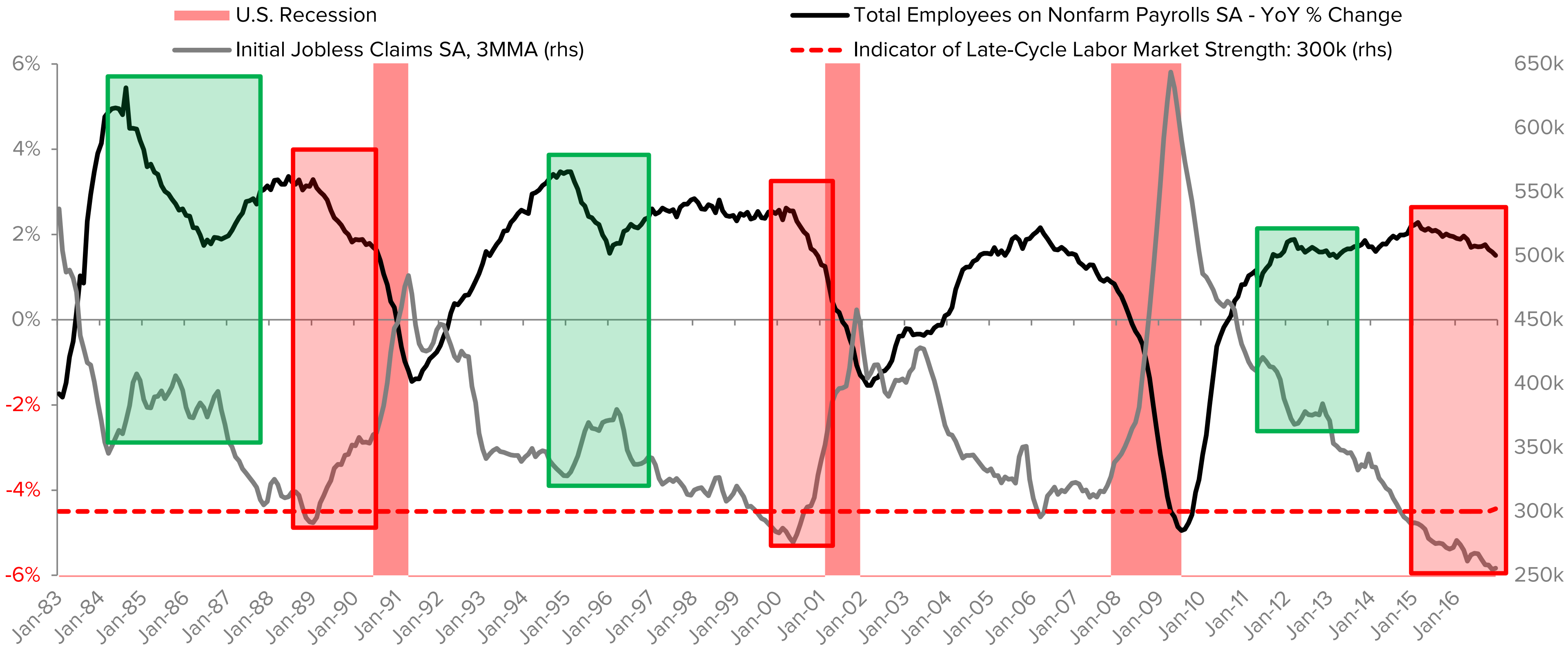
UNITED KINGDOM

MUCH LIKE THE U.S., THE U.K. HAS A MILLENNIAL GENERATION THAT WILL OFFSET DEMAND LOSS FROM AGEING BABY BOOMERS.



THE LABOR MARKET REMAINS #LATECYCLE

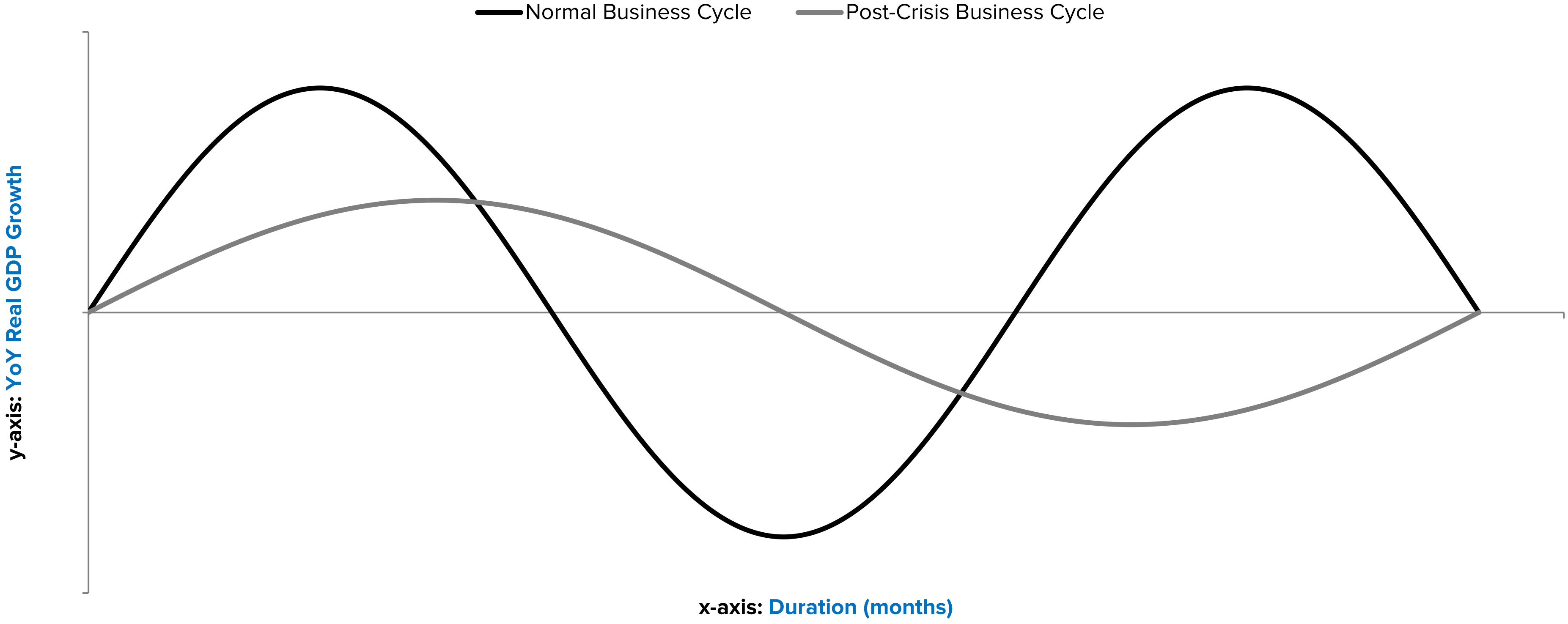
THE CONSUMPTION ECONOMY IS CLEARLY LATE-CYCLE; FRIDAY'S JOBS REPORT CONFIRMS THAT VIEW AS THE PROGRESSION IN NONFARM PAYROLLS GROWTH FROM ITS FEB '15 CYCLE-PEAK TO WHERE IT ALWAYS GOES LATE IN THE BUSINESS CYCLE (I.E. SUB-0%) CONTINUES.



DATA SOURCE: BLOOMBERG

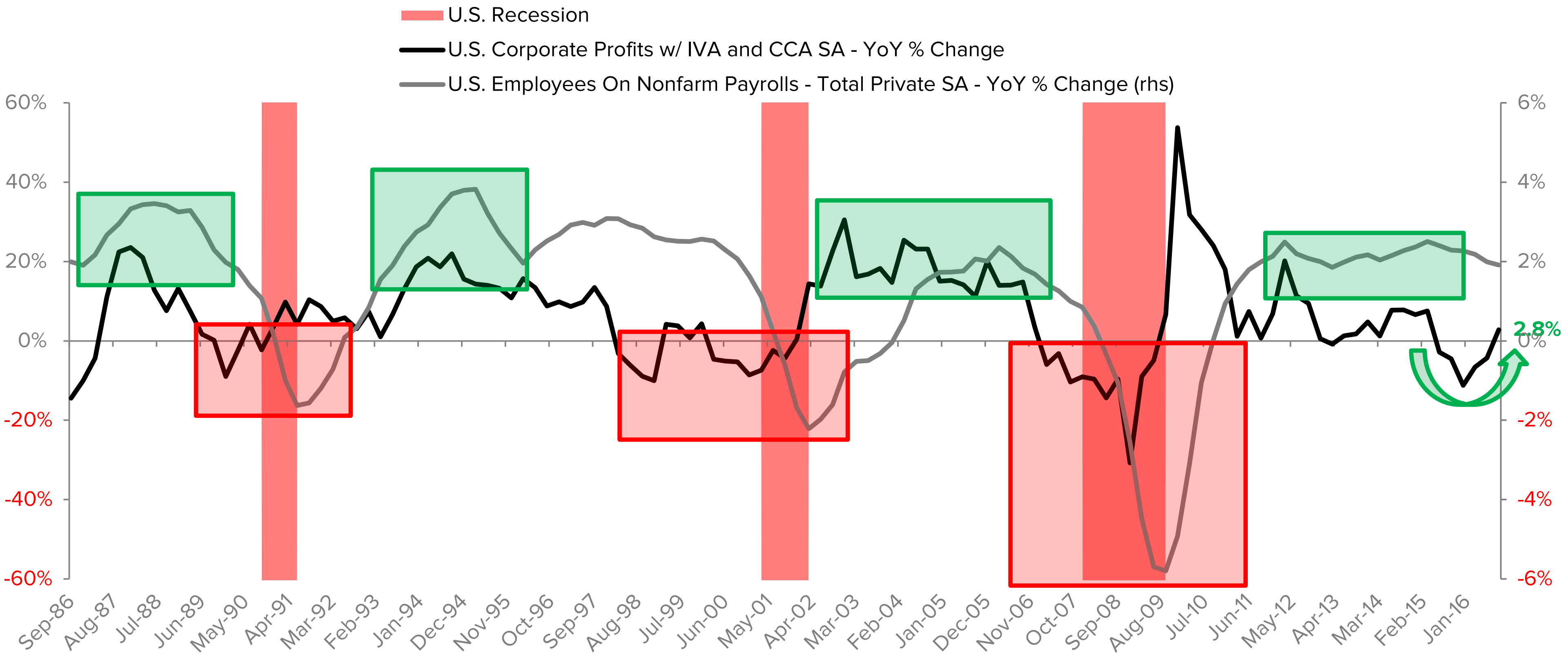
BUT JUST HOW LATE IS #LATECYCLE?

THE SINE CURVE THAT IS THE DOMESTIC LABOR CYCLE HAS HISTORICALLY EXHIBITED A PERIOD OF "X" AND AN AMPLITUDE OF "Y". THE PROTRACTED AND MILD NATURE OF THE POST-2009 RECOVERY THEREIN WOULD SEEM TO SUGGEST THE DOWNTURN MIGHT BE EQUALLY AS PROTRACTED AND MILD – I.E. CONTAINING A PERIOD OF "2X" AND AN AMPLITUDE OF "0.5Y".



WILL JOBS GROWTH STOP SLOWING?

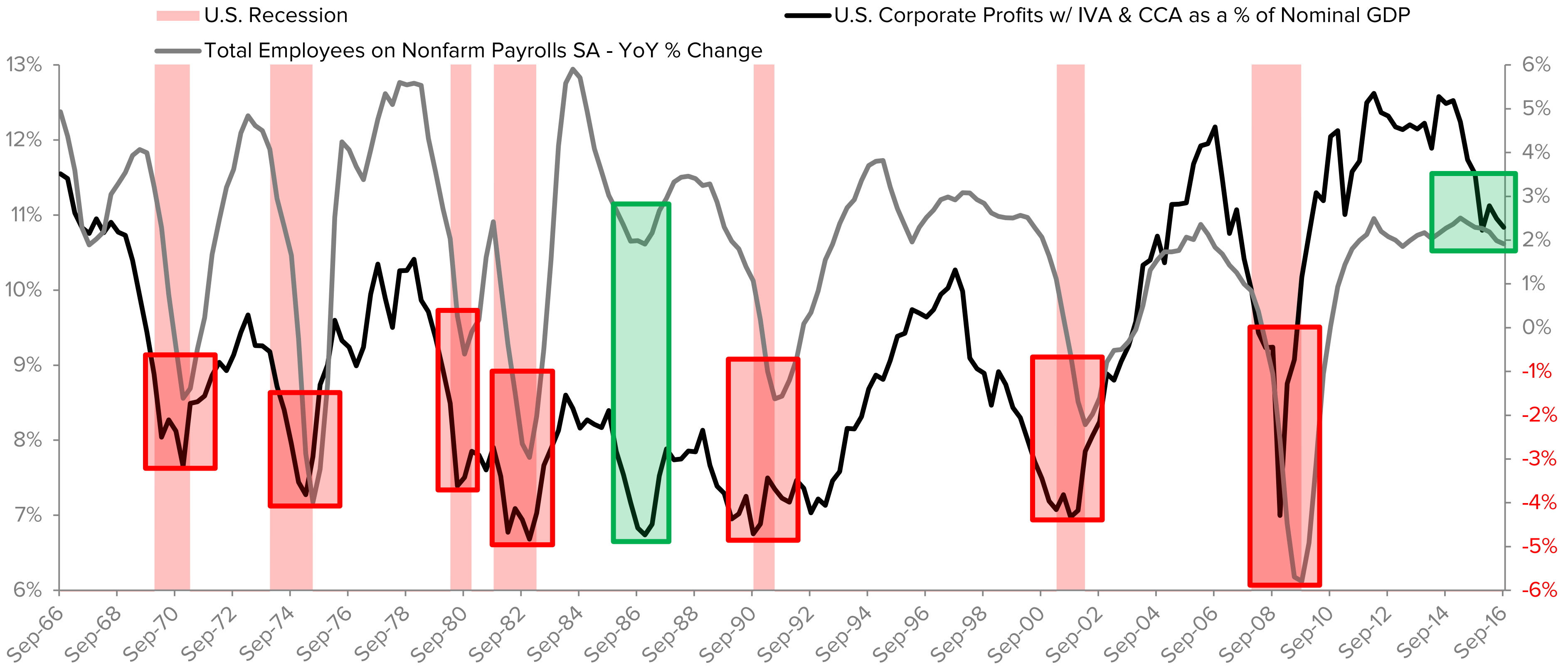
CORPORATE PROFIT GROWTH – WHICH HAS HISTORICALLY LEAD PEAKS AND TROUGHS IN NONFARM PAYROLLS GROWTH – HAS RECOVERED AS OF 3Q16. AS SUCH, THE LATEST DATA SUGGESTS THIS CAUSAL FACTOR TO FIRINGS IS RECEDING, AT THE MARGIN.



DATA SOURCE: BLOOMBERG

PERHAPS; MARGINS ARE SUPPORTIVE

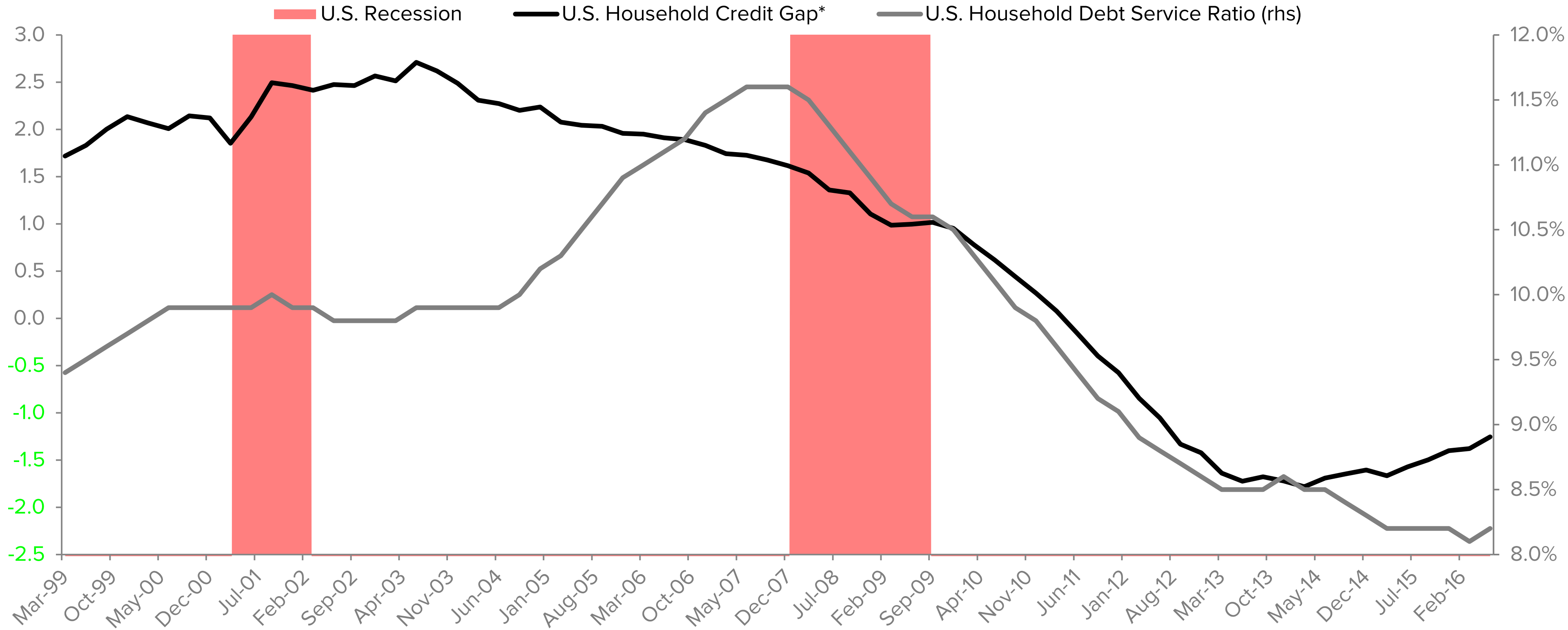
U.S. CORPORATIONS HAVE A WIDE MARGIN OF SAFETY IN OPERATING MARGIN TERMS BEFORE NEGATIVE PROFIT GROWTH BEGINS TO THREATEN THEIR ABILITY TO SERVICE DEBT.



DATA SOURCE: BLOOMBERG

HOUSEHOLD BALANCE SHEETS: HEALTHY

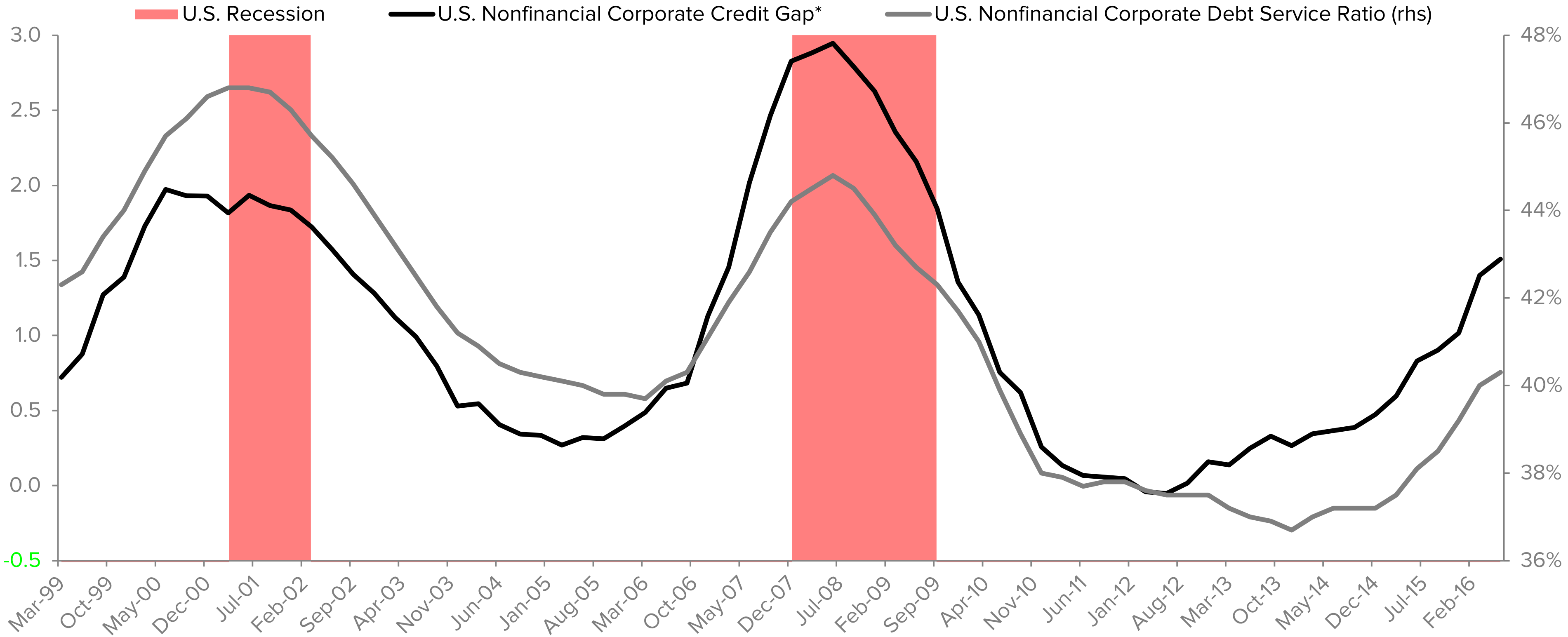
THIS WE KNOW: THE RELATIVELY TEPID PACE OF LEVERAGE GROWTH IN THE PRIVATE NONFINANCIAL SECTOR THROUGHOUT THIS EXPANSION WOULD SEEM TO IMPLY THE CREDIT CYCLE HAS LEGS. MOREOVER, THE LACK OF FINANCIAL TIGHTENING MEANS DEBT SERVICE RATIOS HAVE NOT RISEN ENOUGH TO FACILITATE THE KIND OF DELEVERAGING THAT HAS HISTORICALLY PERPETUATED RECESSIONS.



DATA SOURCE: BIS. *CREDIT GAP = Z-SCORE OF OUTSTANDING CREDIT-TO-GDP RATIO VS. ITS TRAILING 10-YEAR AVERAGE.

CORPORATE BALANCE SHEETS: OK STILL

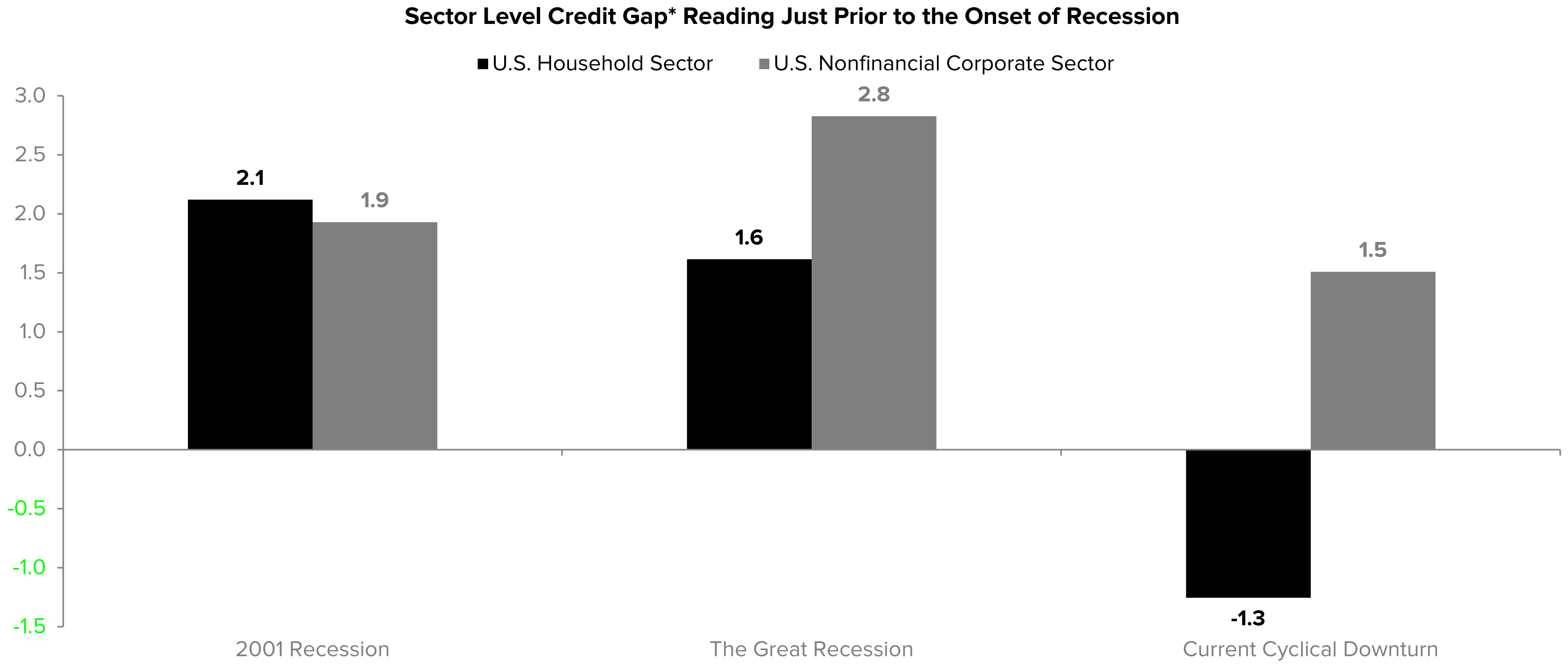
THIS WE KNOW: THE RELATIVELY TEPID PACE OF LEVERAGE GROWTH IN THE PRIVATE NONFINANCIAL SECTOR THROUGHOUT THIS EXPANSION WOULD SEEM TO IMPLY THE CREDIT CYCLE HAS LEGS. MOREOVER, THE LACK OF FINANCIAL TIGHTENING MEANS DEBT SERVICE RATIOS HAVE NOT RISEN ENOUGH TO FACILITATE THE KIND OF DELEVERAGING THAT HAS HISTORICALLY PERPETUATED RECESSIONS.



DATA SOURCE: BIS. *CREDIT GAP = Z-SCORE OF OUTSTANDING CREDIT-TO-GDP RATIO VS. ITS TRAILING 10-YEAR AVERAGE.

IS DELEVERAGING REQUIRED? NOT YET

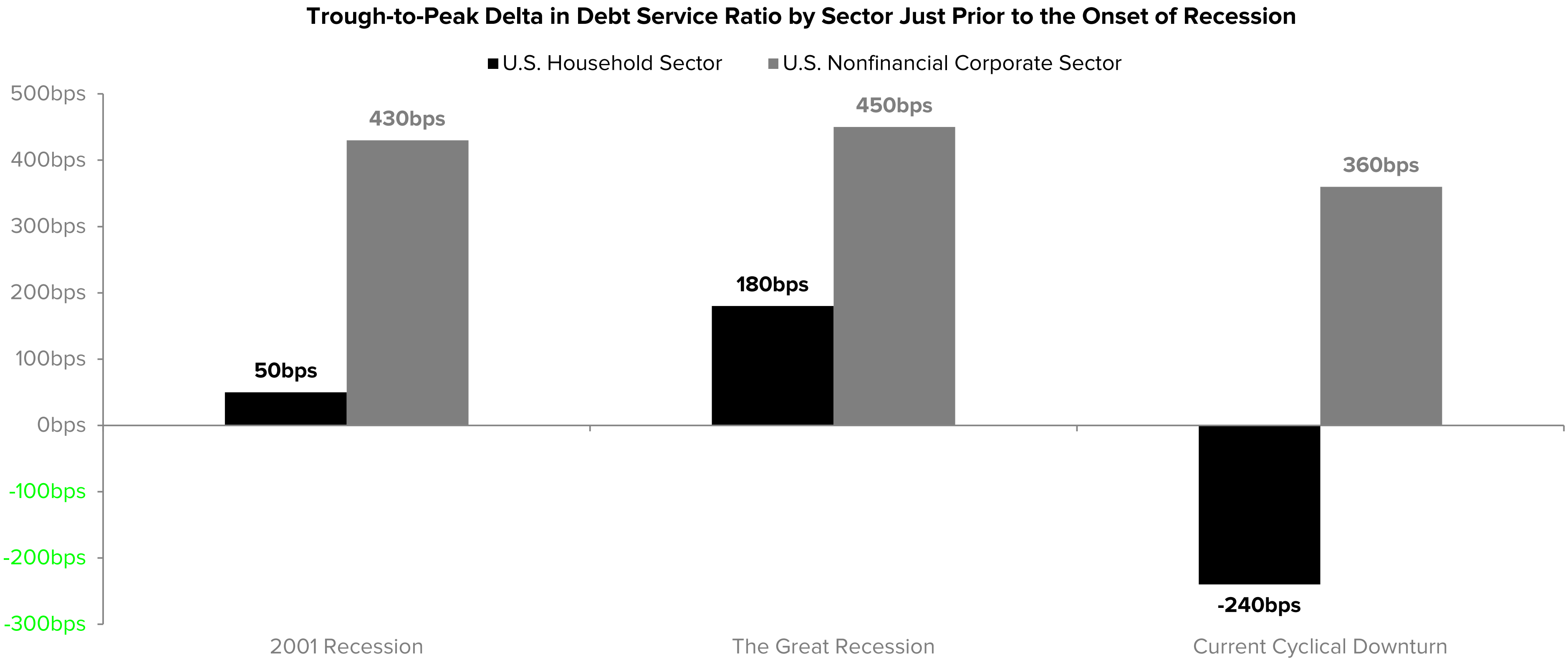
THE RELATIVELY TEPID PACE OF LEVERAGE GROWTH IN THE PRIVATE NONFINANCIAL SECTOR THROUGHOUT THIS EXPANSION WOULD SEEM TO IMPLY THE CREDIT CYCLE HAS LEGS.



DATA SOURCE: BIS. *CREDIT GAP = Z-SCORE OF OUTSTANDING CREDIT-TO-GDP RATIO VS. ITS TRAILING 10-YEAR AVERAGE.

WILL DELEVERAGING BE FORCED? NOT YET

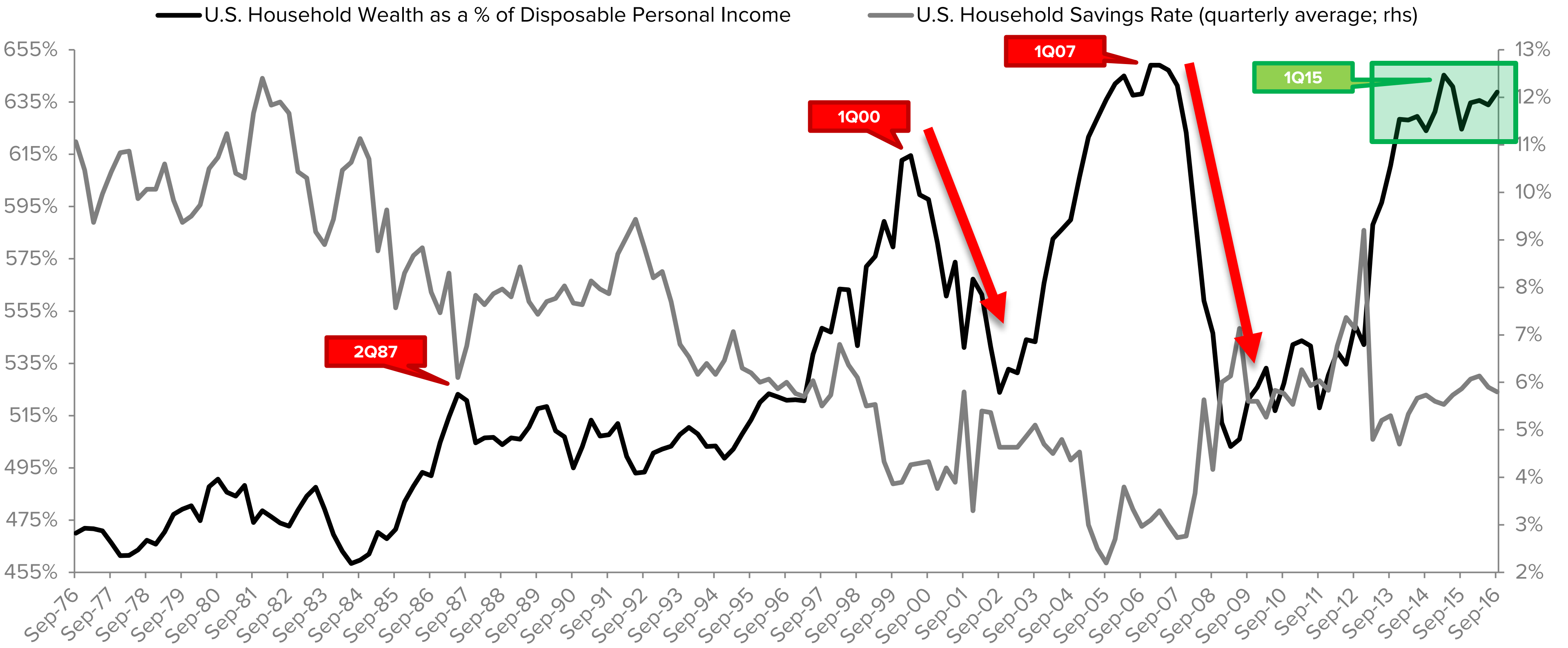
THE LACK OF FINANCIAL TIGHTENING MEANS DEBT SERVICE RATIOS HAVE NOT RISEN ENOUGH TO FACILITATE THE KIND OF DELEVERAGING THAT HAS HISTORICALLY PERPETUATED RECESSIONS.



DATA SOURCE: BIS

THE WEALTH EFFECT REMAINS ELEVATED

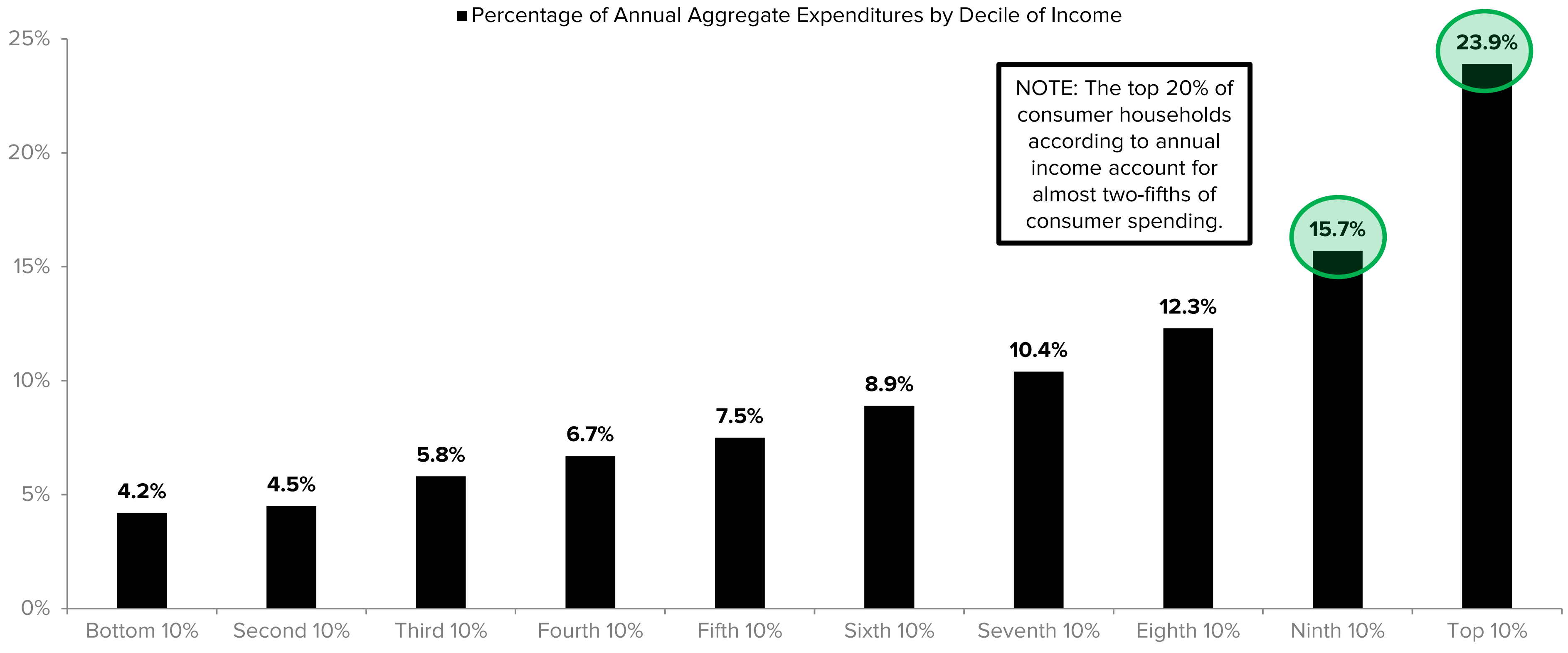
ON AN ECONOMY-WIDE BASIS, THE "WEALTH EFFECT" HAS STABILIZED AT/NEAR ITS 1Q15 CYCLE PEAK. THIS AND A DECLINING SAVINGS RATE MAY BUOY CONSUMPTION GROWTH IN THE NEAR TERM IN THE FACE OF SLOWING AGGREGATE INCOME GROWTH.



DATA SOURCE: BLOOMBERG; ATLANTA FED

THE HIGH-END MATTERS; GAS PRICES DON'T

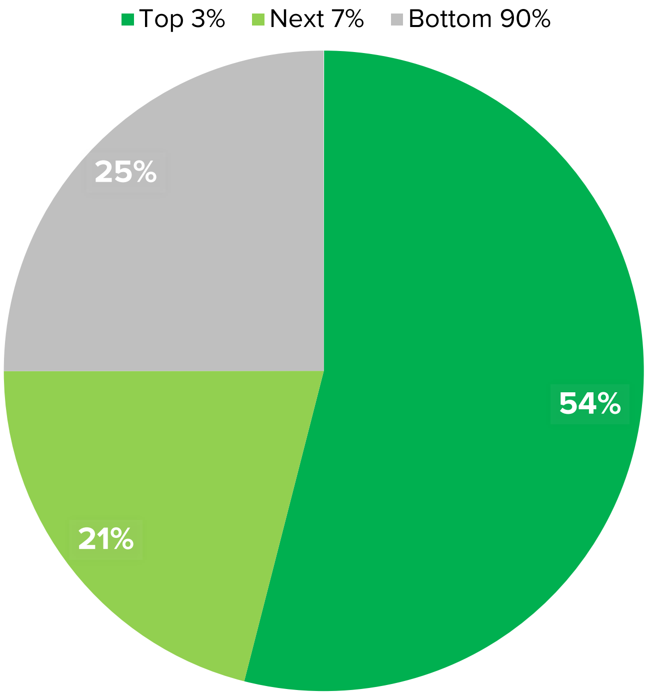
THE TOP 20% OF HOUSEHOLDS ACCORDING TO ANNUAL INCOME ACCOUNT FOR ALMOST TWO-FIFTHS OF CONSUMER SPENDING. THAT'S DOUBLE THE AMOUNT OF SPENDING THEIR UNITS WOULD IMPLY ON A LIKE-FOR-LIKE BASIS.



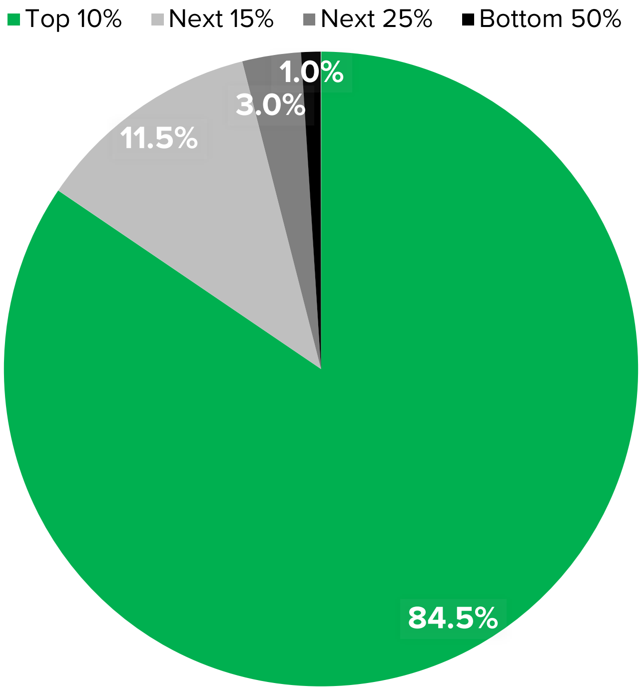
DATA SOURCE: BLS 2015 CONSUMER EXPENDITURE SURVEY

ASSET PRICE INFLATION IS A KEY ↑ RISK

Distribution of U.S. Household Wealth, by Percentile



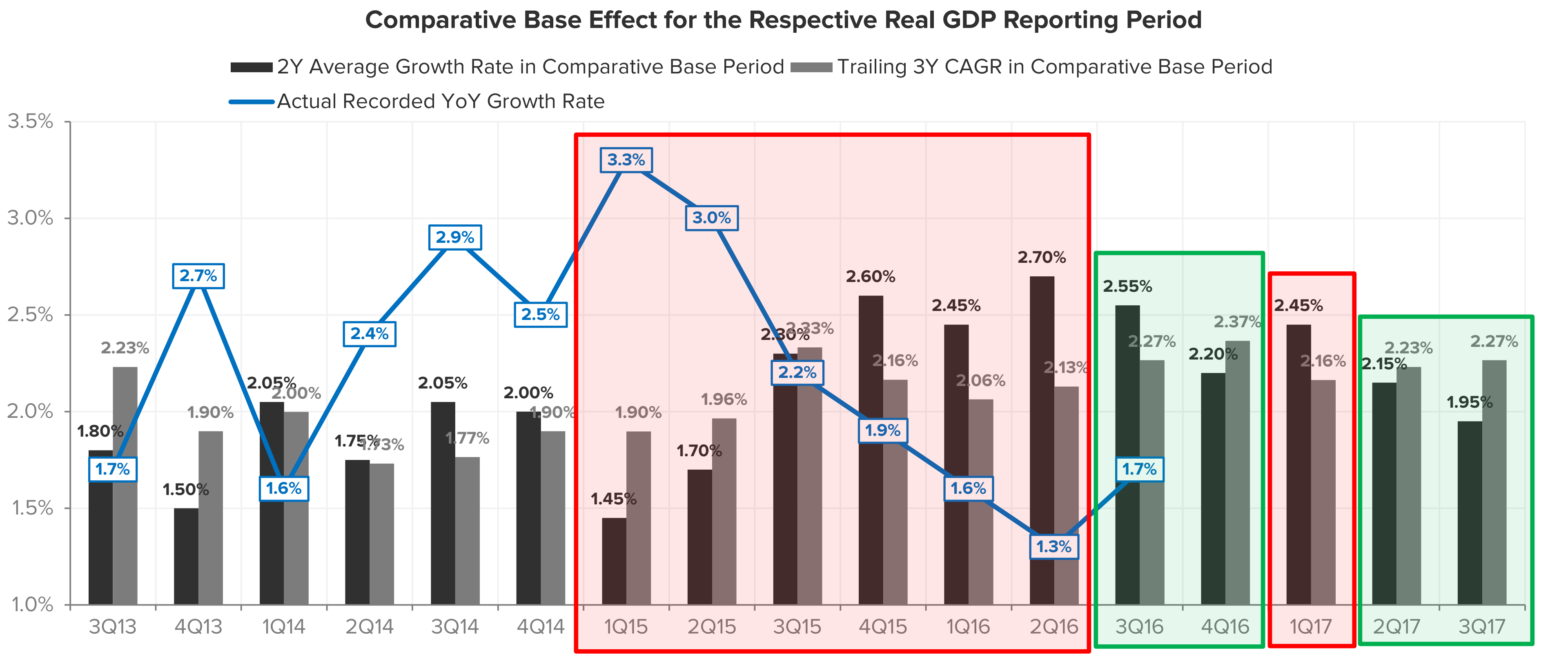
Ownership of U.S. Financial Assets, by Household Wealth Distribution



DATA SOURCE: FEDERAL RESERVE 2014 CONSUMER EXPENDITURE SURVEY

U.S. GDP BASE EFFECTS

THE STEEPING OF BASE EFFECTS FROM 4Q16 TO 1Q17 IS THE SHARPEST WE'VE SEEN SINCE Q1 TO Q2 OF 2016. RECALL THAT YOY GDP GROWTH SLOWED -30BPS. IF GROWTH MOMENTUM CONTINUES ACCELERATING THROUGH Q4, THERE'S UPSIDE IN Q1 TO 1.8% YOY/0.0% QOQ SAAR.



U.S. GDP PREDICTIVE TRACKING ALGORITHM

	HIGH-FREQUENCY INDICATOR	QUARTERLY AVERAGE DATA		TRENDING DATA			SEQUENTIAL DATA			QUARTERLY AVERAGE PERCENTILE BASIS (10Y)
		3Q16	4Q16	12MMA	3MMA		Prior	Latest		Latest Reading
CONSUMPTION	UNITED STATES Real PCE SA YoY % Change	2.78	2.87	2.67	(NOV)	2.83	2.90	(NOV)	2.80	79%
	UNITED STATES Headline Retail Sales SA YoY % Change	2.64	4.00	2.90	(NOV)	3.77	4.20	(NOV)	3.80	58%
	UNITED STATES Retail Sales Control Group SA YoY % Change	2.96	3.66	3.22	(NOV)	3.40	3.90	(NOV)	3.40	58%
	UNITED STATES Auto Sales Total Annualized SAAR YoY % Change	-1.59	0.99	0.33	(DEC)	0.99	-1.17	(DEC)	4.87	34%
	UNITED STATES Real Disposable Personal Income SA YoY % Change	2.66	2.37	2.78	(NOV)	2.43	2.50	(NOV)	2.30	52%
	UNITED STATES Personal Savings Rate SA YoY bps Change	6.67	-45.00	13.33	(NOV)	-40.00	-40.00	(NOV)	-50.00	21%
	UNITED STATES Total Employees On Nonfarm Payrolls SA YoY % Change	1.73	1.58	1.75	(DEC)	1.58	1.59	(DEC)	1.51	54%
	UNITED STATES Nominal Average Hourly Earnings SA YoY % Change	2.62	2.75	2.58	(DEC)	2.73	2.50	(DEC)	2.90	76%
	UNITED STATES Average Weekly Hours SA YoY % Change	-0.58	-0.48	-0.43	(DEC)	-0.50	-0.60	(DEC)	-0.60	18%
	UNITED STATES Monthly Initial Jobless Claims SA YoY % Change	-5.61	-4.71	-3.92	(DEC)	-4.70	-2.20	(DEC)	-7.60	58%
	UNITED STATES Average Monthly Change in the Fed Labor Market Conditions Index SA (%)	0.67	1.17	-0.48	(DEC)	1.17	2.10	(DEC)	-0.30	38%
	UNITED STATES Conference Board Consumer Confidence SA 1985=100 YoY % Change	2.54	12.64	2.11	(DEC)	12.64	18.14	(DEC)	18.07	65%
PRIVATE INVESTMENT	UNITED STATES Industrial Production SA YoY % Change	-0.99	-0.70	-1.22	(NOV)	-0.80	-0.80	(NOV)	-0.60	26%
	UNITED STATES Durable Goods New Orders NSA YoY % Change	-1.30	0.35	-0.23	(NOV)	0.37	0.90	(NOV)	-0.20	39%
	UNITED STATES Capital Goods New Orders Non-Defense, Ex-Aircraft & Parts NSA YoY % Change	-4.32	-2.90	-3.99	(NOV)	-3.30	-4.30	(NOV)	-1.50	31%
	UNITED STATES Manufacturing & Trade Inventories SA YoY % Change	0.59	0.40	0.90	(OCT)	0.53	0.50	(OCT)	0.40	15%
	UNITED STATES Nonresidential Construction Spending SA YoY % Change	1.24	4.21	4.57	(NOV)	3.40	3.60	(NOV)	4.90	52%
RESIDENTIAL	UNITED STATES Residential Construction Spending SA YoY % Change	2.41	2.90	6.13	(NOV)	1.97	2.80	(NOV)	3.00	47%
GOV'T	UNITED STATES Federal Budget Outlays YoY % Change	8.94	0.68	4.42	(NOV)	6.35	-23.51	(NOV)	24.86	37%
SURVEYS	UNITED STATES ISM Manufacturing PMI SA	51.17	53.27	51.51	(DEC)	53.27	53.20	(DEC)	54.70	60%
	UNITED STATES ISM Non-Manufacturing PMI SA	54.67	56.40	54.98	(DEC)	56.40	57.20	(DEC)	57.20	80%
	UNITED STATES ISM Economy-Weighted Composite PMI SA	54.23	56.03	54.57	(DEC)	56.03	56.70	(DEC)	56.90	80%
	UNITED STATES NFIB Small Business Optimism Index SA YoY % Change	-1.50	4.71	-0.84	(DEC)	4.71	4.13	(DEC)	11.13	86%
NET EXPORTS	UNITED STATES Exports SA YoY % Change	-0.02	0.79	-3.08	(NOV)	0.93	0.40	(NOV)	1.20	29%
	UNITED STATES Imports SA YoY % Change	-1.35	1.72	-2.76	(NOV)	0.73	0.60	(NOV)	2.80	44%
DEFLATOR	UNITED STATES CPI NSA YoY % Change	1.12	1.66	1.15	(NOV)	1.60	1.60	(NOV)	1.70	48%
	UNITED STATES Core CPI NSA YoY % Change	2.24	2.13	2.18	(NOV)	2.13	2.10	(NOV)	2.10	69%
	UNITED STATES PCE Deflator SA YoY % Change	1.04	1.40	1.02	(NOV)	1.33	1.40	(NOV)	1.40	46%
	UNITED STATES Core PCE Deflator SA YoY % Change	1.69	1.71	1.63	(NOV)	1.70	1.77	(NOV)	1.65	63%
	UNITED STATES PPI NSA YoY % Change	0.24	1.05	0.18	(NOV)	0.93	0.80	(NOV)	1.30	35%

DATA SOURCE: BLOOMBERG

FOR MORE INFORMATION CONTACT:

SALES@HEDGEYE.COM

203.562.6500