

### LEGAL

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### HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/13/2016	66	0	0	6	10	18
6/14/2016	64	2	0	6	9	19

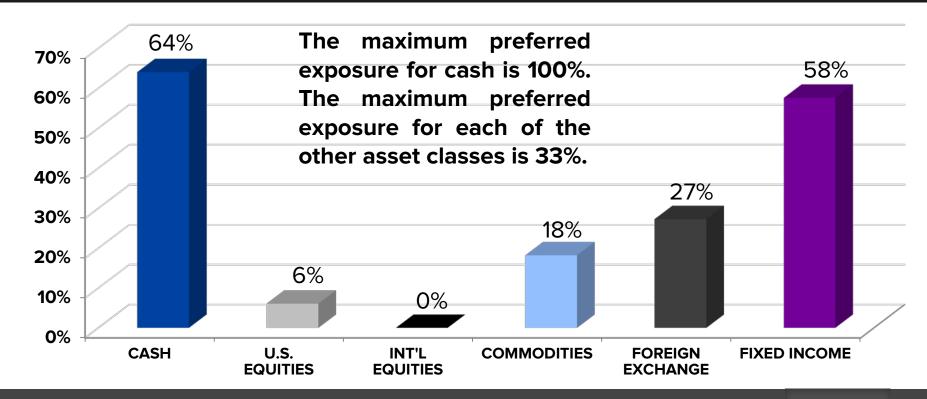
	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
6/13/2016	66%	0%	0%	18%	30%	55%
6/14/2016	64%	6%	0%	18%	27%	58%

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

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### HEDGEYE ASSET ALLOCATION



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VIX USD

3 UST 10YR



Inasmuch as it was obvious to sell U.S. Equity Beta in the 12-13 VIX range (it's been working for almost a year now), 21-22 VIX is a buy/cover signal – again, very immediate-term capitulation for chart chasers who got pinned 45 handles higher in SPY.



# UST 10YR

1.57% 10YR Yield. Yep. All-time low. Rates are oversold ahead of Yellen's 4th pivot (hawkish to dovish to hawkish to dovish) in 6 months as #EmploymentSlowing becomes obvious ...

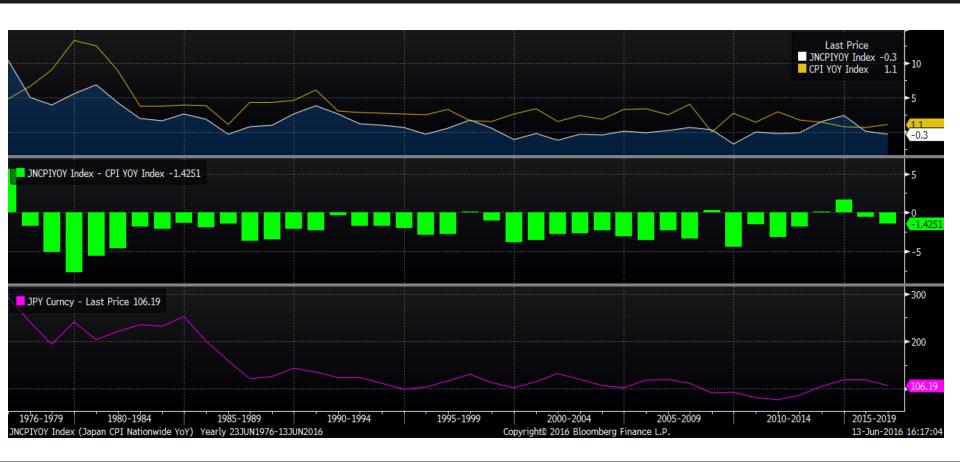


CHRISTIAN DRAKE

# **#BELIEFSYSTEM BREAKDOWN**

Q: Over the longer-term, the currency of a surplus country with relative deflation will do what?

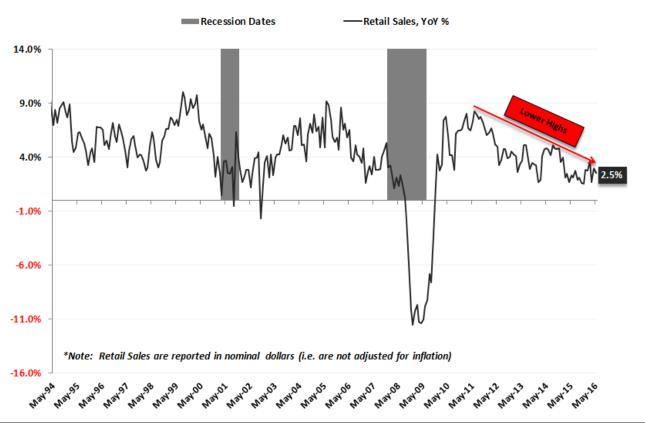
# RELATIVE DEFLATION = \* YEN



DATA SOURCE: BLOOMBERG HEDGEYE 11

### RETAIL SALES: TREND = +

#### U.S. HEADLINE RETAIL SALES

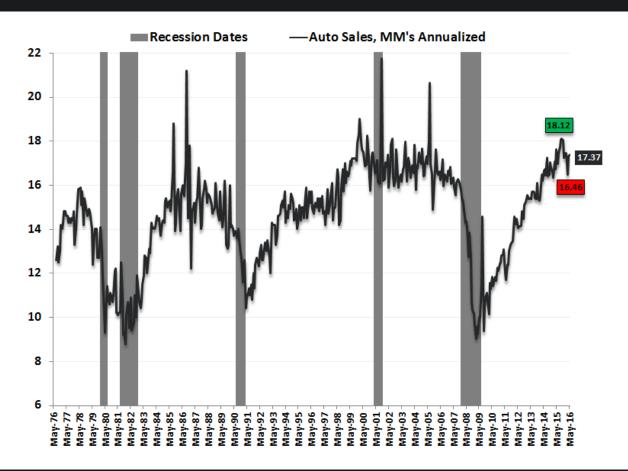


'A SOURCE: BLOOMBERG, HEDGEYE HEDGEYE HEDGEYE

## **RETAIL SALES = GOODS CONSUMPTION**

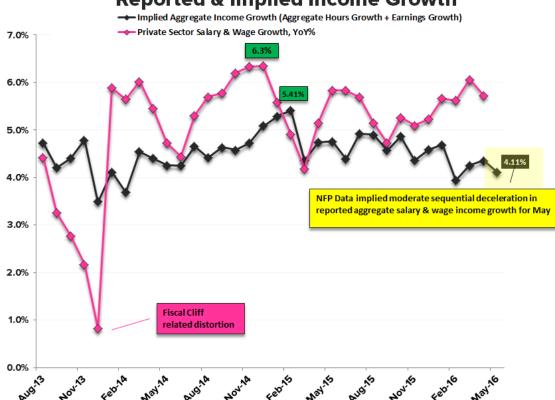
U.S. RETAIL SALES												
-	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16
GDP: Retail Sales in Context											•	
Real GDP, Chained \$'s	16,334	_	_	16,414	_	-	16,471	_	_	16,505	_	-
Consumer Spending (Real PCE)	11,205	11,229	11,265	11,293	11,301	11,332	11,359	11,360	11,398	11,394	11,468	_
Services	7,342	7,344	7,360	7,386	7,400	7,408	7,437	7,448	7,478	7,462	7,490	-
Goods (i.e. Retail Sales)	3,865	3,888	3,909	3,909	3,903	3,928	3,924	3,913	3,920	3,934	3,982	
Durable Goods	1,455	1,474	1,484	1,487	1,483	1,504	1,499	1,483	1,493	1,496	1,529	
NonDurable Goods	2 <sub>,</sub> 435	2,441	2,453	2,450	2,447	2,454	2,454	2,457	2,455	2,466	2,484	
Retail Sales, % of PCE	34.5%	34.6%	34.7%	34.6%	34.5%	34.7%	34.5%	34.4%	34.4%	34.5%	34.7%	
Retail Sales, % of GDP	23.7%	-	-	23.8%	-	-	23.8%	-	-	23.8%	-	
RETAIL SALES												
Retail Sales, Total SA	444.9	447.6	447.0	447.2	447.1	448.5	450.4	448.0	449.3	447.9	453.6	455.
M/M, % Chg	0.1%	0.6%	-0.1%	0.1%	0.0%	0.3%	0.4%	-0.5%	0.3%	-0.3%	1.3%	0.59
Y/Y, % Chg	2.1%	2.8%	1.9%	2.1%	1.6%	1.6%	2.8%	2.8%	3.6%	1.7%	3.0%	2.5%
2Y Ave	3.4%	3.5%	3.5%	3.5%	3.2%	3.2%	3.2%	3.4%	2.9%	2.1%	2.3%	2.4%
Retail Sales Ex Autos	354.6	356.7	355.7	354.7	354.7	355.6	357.4	356.0	356.7	358.2	361.1	362.
M/M, % Chg	0.4%	0.6%	-0.3%	-0.3%	0.0%	0.2%	0.5%	-0.4%	0.2%	0.4%	0.8%	0.49
Y/Y, % Chg	1.3%	2.0%	1.1%	0.8%	0.4%	0.5%	1.9%	2.4%	2.6%	2.1%	3.0%	2.79
2Y Ave	2.9%	2.9%	2.9%	2.5%	2.4%	2.4%	2.3%	2.3%	1.9%	1.8%	1.9%	2.09
Retail Sales Ex Autos & Gas	316.6	319.1	319.2	319.8	320.2	321.7	323.7	323.4	325.7	326.1	328.2	329
M/M, % Chg	0.2%	0.8%	0.0%	0.2%	0.1%	0.5%	0.6%	-0.1%	0.7%	0.1%	0.6%	0.39
Y/Y, % Chg	3.7%	4.6%	3.8%	4.0%	3.3%	3.3%	4.0%	3.6%	4.7%	3.8%	4.4%	4.19
2Y Ave	4.6%	4.7%	4.7%	4.5%	4.3%	4.4%	4.7%	4.9%	4.8%	4.3%	4.3%	4.39
Control Group:												
Retail Sales less Food, Autos, Gas & Building mat	245.0	246.4	246.3	246.8	246.6	247.5	247.7	248.2	249.2	249.7	252.1	253.
M/M, % Chg	0.2%	0.6%	0.0%	0.2%	-0.1%	0.3%	0.1%	0.2%	0.4%	0.2%	1.0%	0.49
Y/Y, % Chg	3.1%	3.7%	2.9%	3.3%	2.5%	2.3%	2.7%	2.7%	3.2%	2.7%	3.8%	3.59
2Y Ave	3.9%	4.0%	4.0%	3.8%	3.5%	3.7%	3.4%	3.9%	3.6%	3.2%	3.4%	3.69
QoQ Annualized, %	3.4%			3.8%			1.3%			2.8%		5.79

# AUTO SALES = \* SEQUENTIALLY



### INCOME GROWTH = DECELERATING

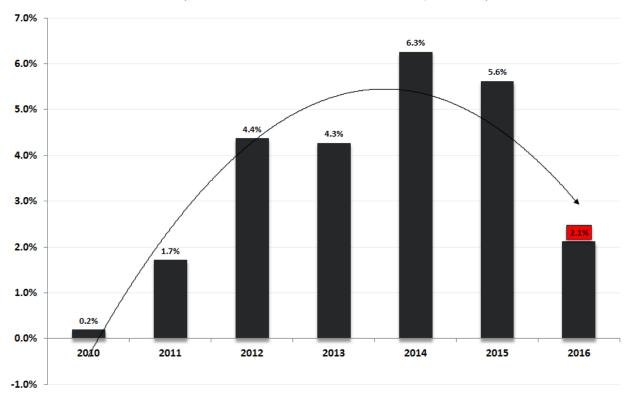
#### **Reported & Implied Income Growth**



DATA SOURCE: BLOOMBERG, BEA, HEDGEYE

# **RICH RETRENCHING?**

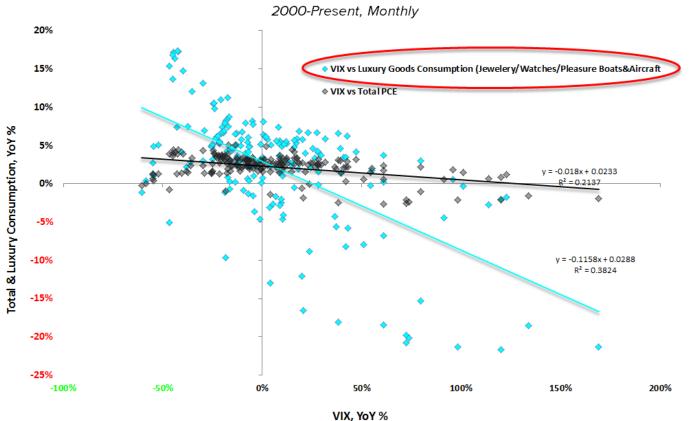
# Luxury Goods Consumption, YoY % (PCE for Pleasure Boats, Aircraft, Jewelery, Watches)



HEDGEYE 16

### VIX VS. LUXURY CONSUMPTION

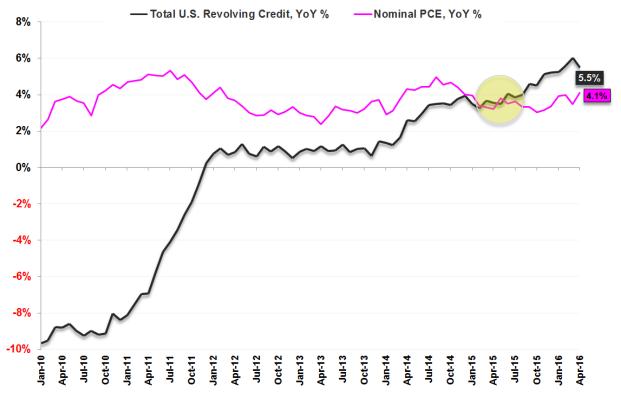
#### CONSUMPTION SENSITIVITY TO MARKET VOLATILITY



DATA SOURCE: BLOOMBERG HEDGEYE 17

### REVOLVING CREDIT VS TOTAL SPENDING

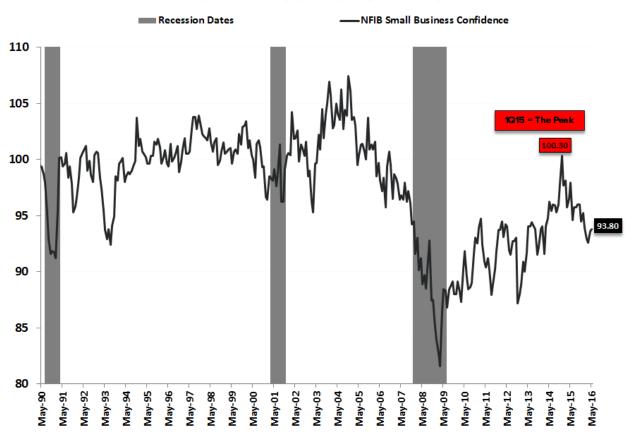
#### REVOLVING CREDIT VS HOUSEHOLD SPENDING



DATA SOURCE: BLOOMBER

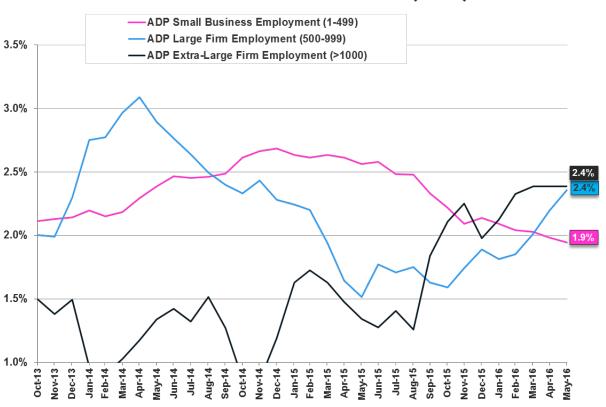
### **1015:** BUSINESS CONFIDENCE PEAK

#### **NFIB SMALL BUSINESS OPTIMISM**



### **SMALL BIZ MATTERS**

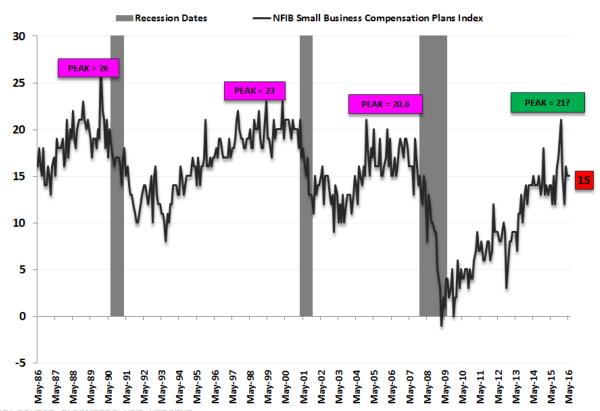
#### **EMPLOYMENT BY FIRM SIZE (ADP)**



Small **Businesses** represent >99% of total U.S. Employer firms, ~50% of total Private Sector **Employment** and >60% of net private sector hiring

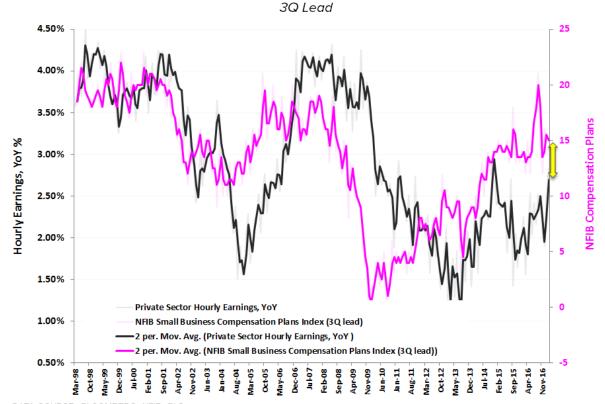
## **NFIB: COMPENSATION PLANS**

#### NFIB: SMALL BUSINESS COMPENSATION PLANS

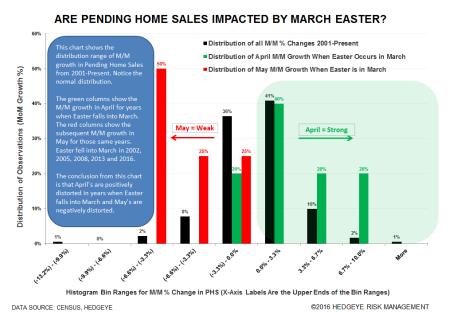


### **COMPENSATION PLANS VS. ACTUAL GROWTH**

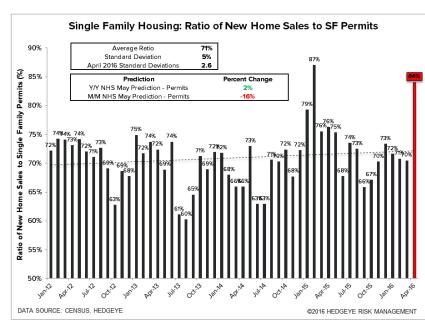
#### SMALL BUSINESS COMPENSATION PLANS vs EARNINGS GROWTH



# MARCH EASTER = APRIL 1, MAY +



LABOR ACTIVITY: LEVELING OFF



THE MARCH TO TAUTNESS

# MACRO GRIND

# GERMAN DAX COMPOSITE



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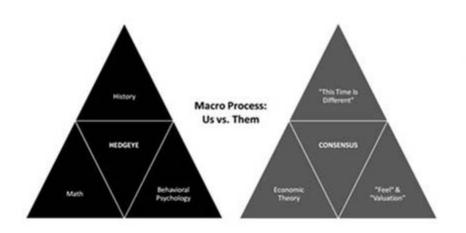
# **AUSTRALIA ASX ALL ORDS COMPOSITE**

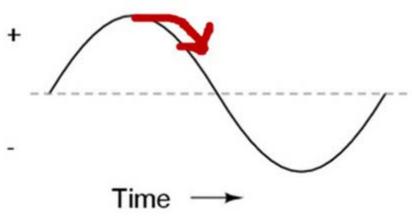


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### HEDGEYE MACRO PROCESS: RATE OF CHANGE





#### DIFFERENTIATED FROM THE HERD

Macroeconomics and Global Macro Risk Management are two very different fields. We specialize in the latter.

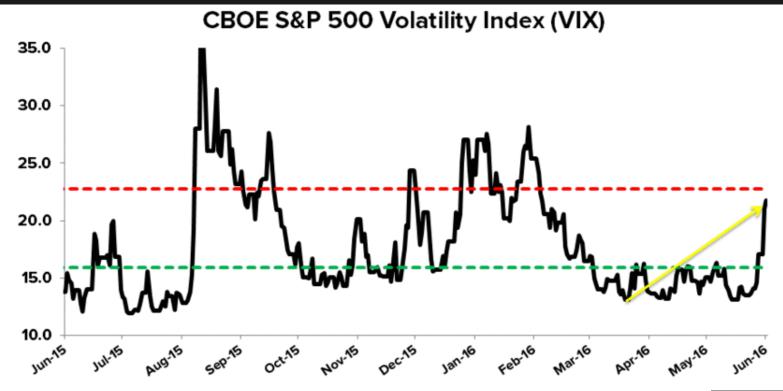
#### WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

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#### WAS THE NO VOLUME RALLY CONCERNING? IT SHOULD HAVE BEEN.



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THE MACRO SHOW

HEDGEYE

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# HEDGEYE SECTOR PERFORMANCE

			1-Day %	MTD %	YTD %
SECTOR	<u>Ticker</u>	<u>Price</u>	<u>Chg</u>	<u>Chg</u>	<u>Chg</u>
Consumer Discretionary	XLY	\$78.06	-0.55%	-1.49%	-0.13%
Financial Select Sector	XLF	\$23.00	-0.69%	-3.16%	-3.48%
Health Care Select Sector	XLV	\$71.21	-0.79%	-0.20%	-1.14%
Technology Select Sector	XLK	\$43.47	-1.11%	-1.63%	1.49%
Consumer Staples Select Sector	XLP	\$53.68	-0.83%	1.94%	6.32%
Industrial Select Sector	XLI	\$55.86	-1.08%	-0.11%	5.38%
Materials Select Sector	XLB	\$47.21	-1.11%	0.58%	8.73%
The Energy Select Sector	XLE	\$67.17	-0.30%	0.45%	11.36%
Utilities Select Sector	XLU	\$50.51	-0.12%	2.77%	16.71%
S&P 500	SPX	2,079.06	-0.81%	-0.85%	1.72%

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### HEDGEYE SECTOR RELATIVE PERFORMANCE

			1-Day %	MTD %	YTD %
	<u>Ticker</u>	<u>Price</u>	Chg	<u>Chg</u>	<u>Chg</u>
Consumer Discretionary	XLY	\$78.06	0.26%	-0.64%	-1.85%
Financial Select Sector	XLF	\$23.00	0.12%	-2.30%	-5.20%
Health Care Select Sector	XLV	\$71.21	0.02%	0.66%	-2.86%
Technology Select Sector	XLK	\$43.47	-0.30%	-0.78%	-0.22%
Consumer Staples Select Sector	XLP	\$53.68	-0.02%	2.79%	4.60%
Industrial Select Sector	XLI	\$55.86	-0.27%	0.75%	3.66%
Materials Select Sector	XLB	\$47.21	-0.30%	1.43%	7.01%
The Energy Select Sector	XLE	\$67.17	0.51%	1.30%	9.64%
Utilities Select Sector	XLU	\$50.51	0.69%	3.62%	14.99%

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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	-0.8%	-2.4%	2.5%	3.9%	9.7%	7.1%
	Low Debt/EV	-0.9%	-1.8%	1.4%	1.5%	2.9%	1.5%
IS	High Short Interest	-1.1%	-2.7%	3.3%	-0.8%	3.6%	2.0%
	Low Short Interest	-0.8%	-1.7%	1.1%	3.6%	4.9%	2.8%
BETA	High Beta	-1.0%	-3.7%	4.1%	4.8%	3.4%	2.1%
8	Low Beta	-0.5%	0.2%	1.1%	2.7%	12.1%	9.1%
YIELD	High Yield	-0.8%	-1.4%	2.1%	1.2%	8.2%	5.3%
¥	Low Yield	-0.9%	-2.7%	2.8%	4.0%	3.6%	2.0%
MKT	MCAP Bottom 25%	-1.1%	-2.9%	2.6%	0.3%	3.3%	1.1%
Σ δ	MCAP Top 25%	-0.7%	-1.6%	1.5%	3.2%	3.7%	2.0%
Sales	Top 25% Sales Growth	-0.8%	-2.4%	2.8%	6.0%	5.6%	4.2%
Sa	Bottom 25% Sales Growth	-0.9%	-1.7%	2.0%	1.0%	5.7%	3.4%
EPS	Top 25% EPS Growth	-1.0%	-2.6%	2.3%	4.5%	4.3%	2.1%
ü	Bottom 25% EPS Growth	-0.8%	-1.5%	2.4%	3.2%	9.3%	7.0%

<sup>\*</sup>Mean Performance of Top Quartile vs. Bottom Quartile, S&P500 Companies

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# HEDGEYE RATES & SPREADS

		1D	5D	1M	3M	vs. 52-V	Vk, Bps	vs.	vs.
	Price	Bps Chg	Bps Chg	Bps Chg	Bps Chg	High	Low	3Y Ave	5Y Ave
3M T-Bill	0.25%	1.0	-0.5	-1	-6	-10	30	19	19
3M LIBOR	0.66%	0.0	-0.5	3	2	-3	37	33	31
2Y T-Note	0.71%	-1.2	-8.1	-3	-24	-38	18	16	27
5Y T-Note	1.13%	-3.9	-12.2	-8	-36	-70	15	-39	-12
10Y T-Note	1.61%	-2.9	-12.5	-9	-37	-88	8	-71	-56
30Y T-Note	2.43%	-2.5	-13.1	-12	-33	-83	5	-72	-70
2Y-10Y Spread, Bps	90	-1.7	-4.4	-5.7	-13	-49	-10	-87	-84
IG SPREAD (AAABBB)	1.83%	0.0	1.0	-1	-26	-47	7	13	-2
HIGH YIELD	7.11%	0.0	-8.8	-29	-73	-222	80	53	32
5Y BREAKEVEN	1.47%	-4.5	-4.4	-5.3	3.8	-27.5	61.3	-14.1	-27.2
								,	

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### **CFTC NON-COMMERCIAL NET LONG POSITIONING**

						Z-Score	
METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	1 <b>Y</b>	3Y
SPX (Index + E-mini)	(26,295)	(82,376)	(44,210)	(102,068)	(121,811)	1.14X	-0.01X
Russell 2000 (mini)	(24,869)	6,038	(51,096)	(52,770)	(40,651)	0.85X	0.01X
10Y Treasury	(1,294)	158,636	(63,025)	(25,214)	(16,453)	0.28X	0.80X
CRUDE OIL	384,921	(12,597)	376,687	311,630	298,957	1.47X	0.74X
GOLD	186,562	30,786	184,022	118,523	70,044	1.47X	2.09X
COPPER	(39,210)	(348)	(19,153)	(24,125)	(22,502)	-1.38X	-1.57X
\$USD	9,793	(101)	13,122	24,040	37,174	-1.61X	-0.87X
JPY	41,165	24,416	50,592	40,566	(8,053)	0.90X	1.89X
EUR	(70,336)	(37,800)	(43,034)	(70,637)	(88,380)	0.42X	0.06X
GBP	(64,691)	(32,748)	(40,482)	(37,636)	(24,724)	-2.39X	-1.96X

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### **MARKET SHARE VOLUME & TOTAL VALUE TRADED**

INDEX/SECURITY	VOLUME: (6/13) vs.								
	Prior Day	1M Ave	3M ave	1Y Ave					
Total Market Volume*	2%	-1%	-9%	-12%					
Total Exchange Volume**	-2%	-1%	-4%	-10%					
Total Traded Value (R3K)***	4%	0%	-3%	-10%					

<sup>\*</sup>Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg.

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<sup>\*\*</sup>Tape A+B+C volume = total US exchange volume

<sup>\*\*\*</sup> Total Traded Value for Russell 3000 (total mkt proxy)