



HEDGEYE MACRO PROCESS

November 14th, 2018



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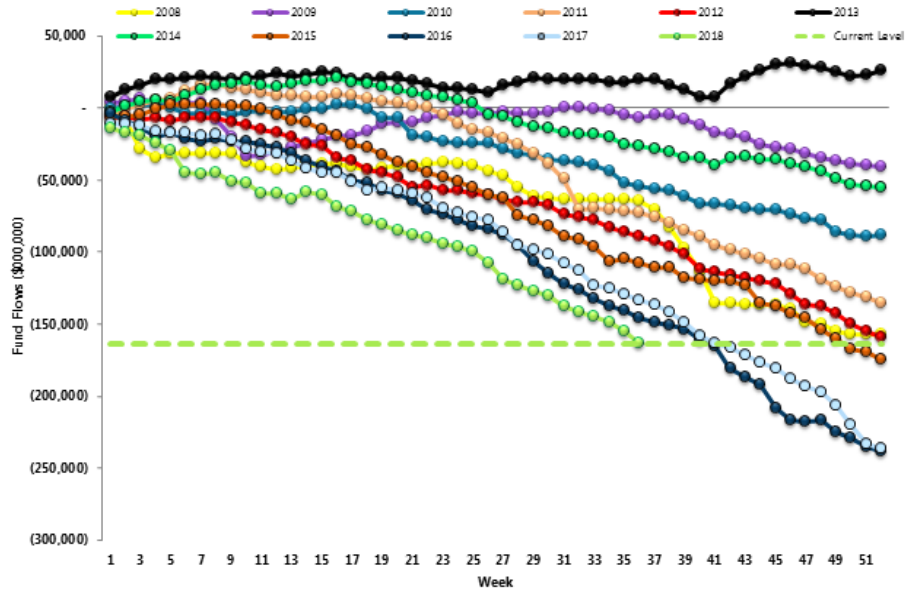
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THE INVESTMENT LANDSCAPE HAS EVOLVED TREMENDOUSLY

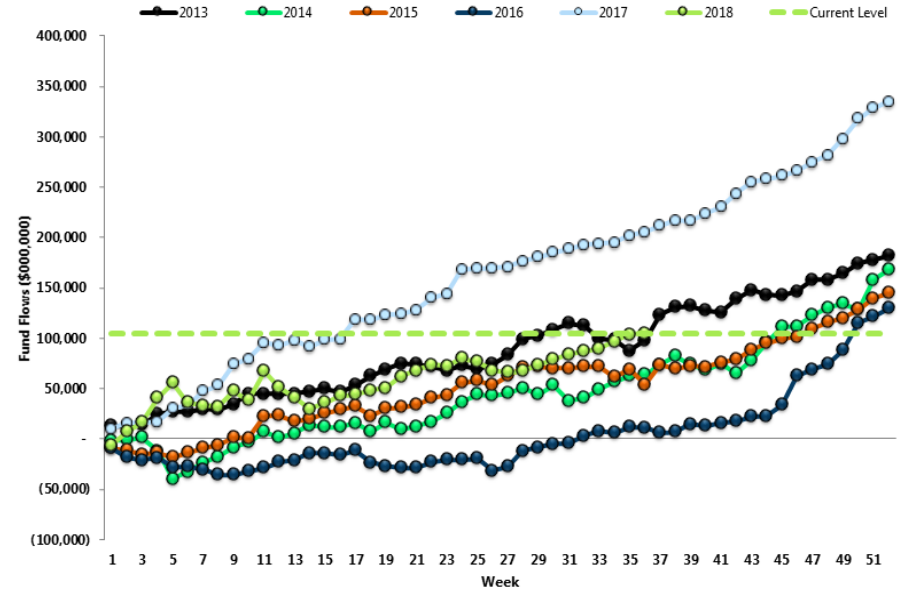
Cumulative Domestic Equity Fund Flows



Data Source: ICI

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Cumulative Equity ETF Fund Flows



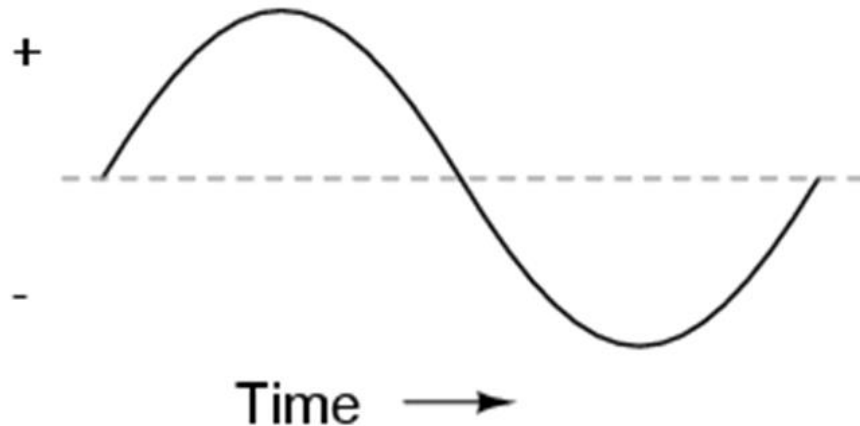
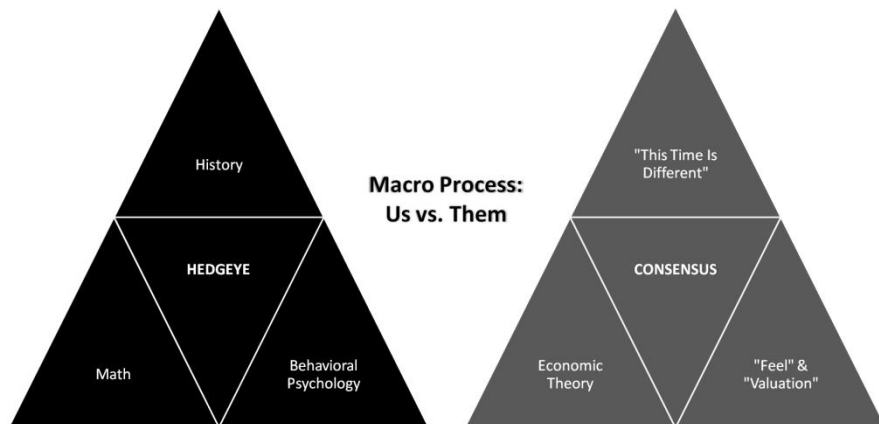
Data Source: ICI

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SKATE TO WHERE THE PUCK IS GOING IN ASSET MANAGEMENT

Assets invested in ETFs and ETPs listed globally surpassed \$5 trillion by mid-2018. Moreover, BlackRock anticipates ETF/ETP AUM to more than double to \$12 trillion over the next 5 years. Regardless of whether or not you agree with this projection, you have to agree that **the proliferation of factor-based index investing and the growth of platform-oriented, market-neutral hedge fund strategies has made financial markets more sensitive to Macro risks than ever before.** For example, JPM estimates systematic trading accounts for over 90% of U.S. equity trading volume. Are your investment processes equipped to compete for alpha in this new regime?

...SO WE EVOLVED ALONGSIDE IT



WE ARE DIFFERENTIATED FROM THE HERD

Macroeconomic Research and **Global Macro Risk Management** are two very different fields. We specialize in the latter, incorporating key lessons from behavioral finance such as Prospect Theory and Bayesian Inference into our analysis. **We don't "feel" anything with regards to the markets or the economy; if we can't contextualize it with math, we don't have a view on it.**

... BECAUSE WE FOCUS ON THE FACTS

Rate of change accelerations and decelerations are facts, not opinions, and our process is focused on contextualizing these facts, rather than opining on the validity of **absolute levels** of growth, inflation, and/or policy. **This focus helps us consistently spot inflections in the performance of key factor exposures, across asset classes, 3-6 months ahead of investor consensus.**

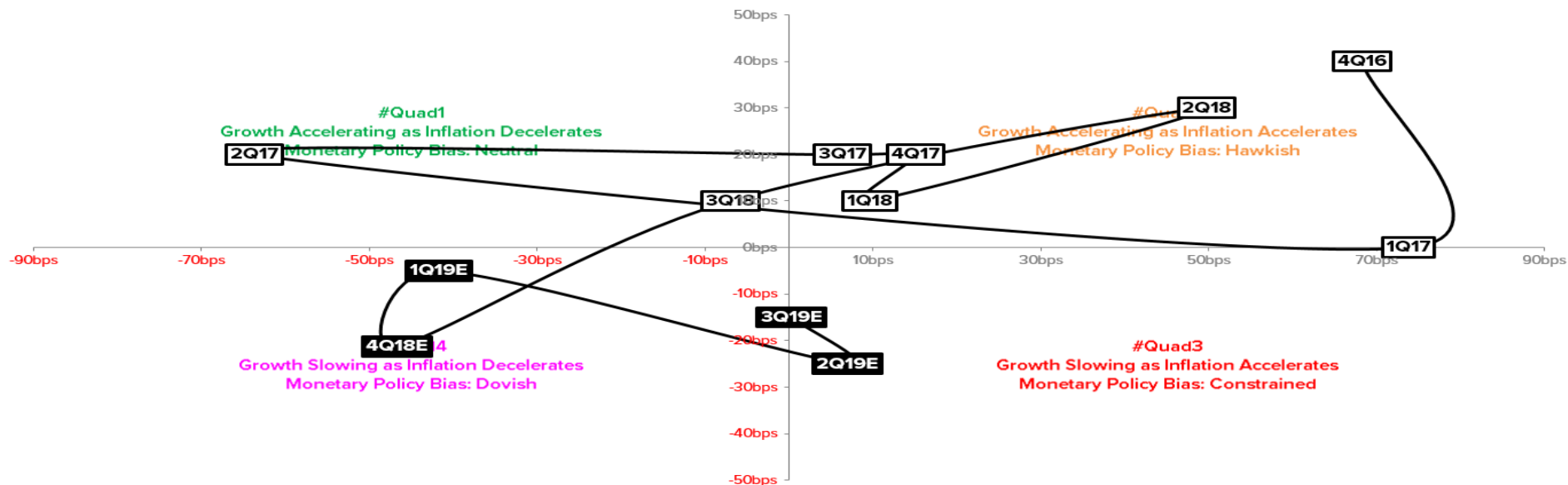
OUR RESEARCH PROCESS IS REPEATABLE

BOTH DALIO'S RESEARCH AND OUR OWN FINDINGS HAVE PROVEN THAT THE TWO MOST IMPORTANT FACTORS FOR INVESTORS TO SOLVE FOR ARE THE MARGINAL RATES OF CHANGE IN GROWTH AND INFLATION, AS POLICYMAKERS TYPICALLY RESPOND TO SUBSEQUENT LEVELS ON A LAG.

United States	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	Hedgeye Estimates	4Q18E	1Q19E	2Q19E	3Q19E	NTM
Real GDP QoQ SAAR	0.40%	1.50%	2.30%	1.90%	1.80%	1.80%	3.00%	2.80%	2.30%	2.20%	4.20%	3.50%	Bloomberg Consensus Estimates	1.29%	2.00%	3.11%	2.86%	-
Percentile (T10Y)	21%	41%	59%	46%	46%	44%	69%	64%	59%	56%	90%	82%	Hedgeye Estimates	2.64%	2.40%	2.50%	2.27%	-
Real GDP YoY	2.00%	1.60%	1.30%	1.50%	1.90%	1.90%	2.10%	2.30%	2.50%	2.60%	2.90%	3.00%	Bloomberg Consensus Estimates	2.79%	2.74%	2.49%	2.34%	2.59%
Percentile (T10Y)	51%	33%	23%	28%	54%	51%	64%	67%	72%	74%	90%	90%	Hedgeye Estimates	3.10%	3.10%	2.76%	2.50%	2.87%
Headline CPI YoY	0.47%	1.08%	1.05%	1.12%	1.80%	2.54%	1.90%	1.97%	2.12%	2.21%	2.71%	2.64%	Bloomberg Consensus Estimates	2.17%	1.76%	1.83%	1.83%	1.90%
Percentile (T10Y)	15%	18%	18%	23%	59%	77%	67%	69%	74%	79%	87%	87%	Hedgeye Estimates	2.40%	2.29%	2.35%	2.40%	2.36%

United States

◆ x-axis: Second Derivative of YoY Headline CPI;
y-axis: Second Derivative of YoY Real GDP



OUR RESEARCH PROCESS IS ROBUST

CAREFUL BACKTESTING OF FINANCIAL MARKETS THROUGH THE LENS OF OUR GIP MODEL FRAMEWORK HAS PROVIDED US WITH A UNIQUELY ROBUST VIEW ON HOW MARGINAL INVESTORS ARE LIKELY TO BEHAVE WITHIN OR ACROSS THE VARIOUS REGIMES.

Hedgeye Macro U.S. GIP Model Backtest	Expected Value, by Quadrant				Percentile of Expected Value, by Asset Class				Percentile of Expected Value, by Quadrant				Percent Positive Ratio (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	5.5%	1.2%	0.2%	-2.0%	50%	50%	40%	25%	81%	60%	25%	19%	82%	71%	54%	53%	22	17	26	15
S&P 500 Consumer Discretionary Sector Index	6.7%	1.8%	0.0%	-0.3%	90%	65%	65%	65%	96%	72%	19%	53%	75%	76%	46%	40%	22	17	26	15
S&P 500 Consumer Staples Sector Index	4.4%	-0.3%	0.0%	0.5%	10%	15%	20%	85%	64%	15%	13%	62%	86%	53%	58%	53%	22	17	26	15
S&P 500 Energy Sector Index	4.5%	2.1%	1.9%	-2.6%	15%	70%	95%	20%	66%	74%	83%	17%	68%	76%	65%	47%	22	17	26	15
S&P 500 Financials Sector Index	5.2%	0.8%	-0.8%	-1.3%	35%	45%	0%	35%	75%	53%	0%	28%	77%	59%	54%	60%	22	17	26	15
S&P 500 Health Care Sector Index	5.2%	0.7%	-0.2%	0.5%	25%	35%	15%	90%	72%	49%	9%	64%	82%	65%	50%	67%	22	17	26	15
S&P 500 Industrials Sector Index	5.8%	1.5%	0.5%	-2.0%	60%	55%	55%	30%	85%	68%	36%	21%	73%	65%	50%	40%	22	17	26	15
S&P 500 Information Technology Sector Index	7.2%	3.8%	1.3%	-3.6%	95%	100%	90%	10%	98%	91%	74%	13%	82%	82%	50%	53%	22	17	26	15
S&P 500 Materials Sector Index	5.8%	0.8%	-0.3%	0.3%	65%	40%	5%	60%	51%	6%	58%	58%	71%	54%	47%	22	17	26	15	
S&P 500 REITS Index	5.2%	0.1%	0.7%	-0.1%	30%	30%	70%	70%	74%	25%	53%	55%	70%	57%	64%	80%	20	14	22	10
S&P 500 Telecom Index	4.3%	-4.4%	0.1%	-0.9%	5%	0%	35%	45%	62%	0%	23%	42%	73%	41%	46%	40%	22	17	26	15
S&P 500 Utilities Sector Index	3.0%	-3.0%	3.0%	-0.8%	0%	5%	100%	50%	57%	2%	91%	45%	68%	29%	69%	53%	22	17	26	15
Russell 1000 Growth Index	5.8%	2.5%	0.4%	-3.2%	70%	85%	50%	15%	89%	81%	32%	15%	82%	76%	62%	53%	22	17	26	15
Russell 1000 Value Index	5.3%	-0.1%	0.3%	-1.0%	40%	20%	45%	40%	77%	19%	30%	36%	73%	71%	58%	67%	22	17	26	15
S&P 500 Dividend Aristocrats Index	5.4%	0.0%	0.1%	1.6%	45%	25%	30%	95%	79%	23%	21%	74%	82%	59%	65%	53%	22	17	26	15
S&P 500 High Beta Index	7.6%	2.3%	0.8%	-3.8%	100%	75%	80%	5%	100%	77%	57%	11%	68%	71%	58%	47%	22	17	26	15
S&P 500 Low Beta Minimum Volatility Index	4.9%	-1.1%	0.8%	1.8%	20%	10%	75%	100%	68%	8%	55%	77%	73%	59%	54%	73%	22	17	26	15
S&P 500 Momentum Index	6.6%	3.0%	0.9%	-4.8%	80%	95%	85%	0%	92%	87%	64%	8%	91%	65%	46%	53%	22	17	26	15
S&P 500 Quality Index	6.0%	1.7%	0.5%	-0.4%	75%	60%	60%	60%	91%	70%	38%	51%	91%	76%	54%	53%	22	17	26	15
Russell 2000 Index	5.7%	2.7%	0.5%	-0.8%	55%	90%	65%	55%	83%	83%	40%	49%	77%	71%	62%	53%	22	17	26	15
MSCI Emerging Markets Index	6.6%	2.5%	-0.2%	0.0%	85%	80%	10%	75%	94%	79%	8%	57%	77%	65%	54%	53%	22	17	26	15
Bloomberg Barclays US Agg Total Return Index	1.1%	0.7%	0.0%	2.4%	38%	69%	31%	65%	34%	47%	60%	87%	77%	65%	62%	100%	22	17	26	15
Bloomberg Barclays US Corporate Investment Grade Total Return Index	1.8%	0.1%	1.0%	3.0%	69%	15%	46%	85%	47%	26%	66%	92%	73%	63%	70%	100%	11	8	10	3
Bloomberg Barclays US Corporate High Yield Total Return Index	3.1%	1.2%	0.7%	2.0%	92%	38%	58%	62%	72%	49%	81%	77%	76%	69%	67%	22	17	26	15	
Bloomberg Barclays US Convertibles Composite Total Return Index	4.9%	4.3%	-0.2%	0.6%	100%	100%	0%	8%	70%	94%	11%	66%	84%	100%	55%	70%	19	12	20	10
Bloomberg Barclays US Treasury 1-3 Year Total Return Index	0.6%	0.6%	0.6%	1.3%	8%	46%	8%	15%	19%	40%	43%	68%	82%	76%	85%	93%	22	17	26	15
Bloomberg Barclays US Treasury 5-10 Year Total Return Index	1.1%	0.6%	1.0%	2.7%	31%	38%	54%	77%	32%	38%	68%	91%	64%	47%	58%	73%	22	17	26	15
Bloomberg Barclays US Treasury 10-20 Year Total Return Index	1.3%	0.2%	1.4%	3.6%	46%	23%	77%	92%	36%	28%	75%	94%	64%	47%	58%	73%	22	17	26	15
Bloomberg Barclays US Treasury 25+ Year Total Return Index	1.5%	-0.4%	1.7%	5.0%	54%	0%	92%	100%	42%	13%	79%	98%	64%	41%	54%	73%	22	17	26	15
Bloomberg Barclays US TIPS 0-5 Years Total Return Index	0.4%	0.7%	1.1%	0.5%	0%	62%	69%	0%	13%	45%	72%	60%	58%	92%	77%	60%	19	12	22	10
Bloomberg Barclays US TIPS 5-10 Year Total Return Index	0.7%	1.4%	1.6%	1.6%	15%	92%	85%	23%	25%	66%	77%	72%	65%	79%	68%	60%	20	14	22	10
Bloomberg Barclays US MBS Index Total Return Index	0.8%	0.8%	1.0%	2.1%	23%	77%	62%	46%	28%	57%	70%	83%	77%	82%	73%	100%	22	17	26	15
Bloomberg Barclays US Municipal Bond Index Total Return Index	1.6%	0.5%	0.7%	2.2%	62%	31%	15%	54%	43%	34%	45%	85%	91%	53%	69%	93%	22	17	26	15
Bloomberg Barclays US Muni High Yield Total Return Index	2.8%	0.7%	0.9%	1.9%	85%	54%	38%	31%	55%	43%	62%	79%	83%	75%	55%	90%	18	12	20	10
Bloomberg Barclays US Municipal Taxable Bonds Total Return Index	2.0%	-0.1%	1.8%	2.5%	77%	8%	100%	69%	51%	21%	81%	89%	93%	55%	75%	86%	15	11	16	7
US 2Y Treasury Yield	2.4%	7.4%	4.6%	-6.4%	100%	100%	60%	0%	53%	98%	94%	0%	55%	71%	54%	40%	22	17	26	15
US 10Y Treasury Yield	0.5%	5.5%	0.6%	-5.7%	80%	80%	0%	20%	15%	96%	42%	2%	45%	76%	50%	33%	22	17	26	15
Bloomberg Barclays US Corporate Investment Grade Yield To Worst	-2.3%	3.9%	0.7%	-5.0%	40%	60%	20%	40%	4%	92%	47%	4%	27%	50%	40%	0%	11	8	10	3
Bloomberg Barclays US Corporate Investment Grade OAS Spread	-7.8%	-2.1%	6.0%	9.0%	0%	0%	100%	100%	0%	4%	100%	100%	27%	25%	40%	67%	11	8	10	3
Bloomberg Barclays US Corporate High Yield Yield To Worst	-2.5%	-0.5%	3.5%	-1.5%	20%	40%	60%	25%	11%	92%	26%	32%	53%	53%	58%	47%	22	17	26	15
Bloomberg Barclays US Corporate High Yield OAS Spread	-1.3%	-1.4%	5.3%	4.3%	60%	20%	80%	60%	6%	6%	98%	96%	27%	41%	46%	53%	22	17	26	15
Thomson Reuters/CoreCommodity CRB Commodity Index	0.6%	3.5%	2.2%	-4.6%	25%	75%	50%	0%	23%	89%	87%	8%	59%	82%	65%	27%	22	17	26	15
Commodity Research Bureau BLS/US Spot Raw Industrials Index	1.8%	2.9%	0.0%	-1.1%	50%	50%	0%	75%	45%	85%	17%	34%	64%	76%	46%	47%	22	17	26	15
Commodity Research Bureau BLS/US Spot Foodstuff Index	-0.2%	1.4%	2.4%	-1.3%	0%	0%	75%	50%	9%	64%	89%	30%	41%	65%	54%	47%	22	17	26	15
Front-month Brent Crude Oil	3.3%	10.4%	4.7%	-4.0%	100%	100%	100%	25%	60%	100%	96%	9%	55%	82%	54%	47%	22	17	26	15
Gold Spot	2.0%	2.3%	2.0%	1.7%	75%	25%	25%	100%	49%	75%	85%	75%	55%	71%	58%	60%	22	17	26	15
US Dollar Index	-0.7%	-0.3%	0.0%	1.5%	0%	14%	29%	100%	8%	17%	15%	70%	36%	41%	54%	73%	22	17	26	15
AUD/USD	1.5%	0.3%	0.3%	-0.8%	86%	29%	57%	71%	38%	30%	28%	43%	64%	59%	69%	40%	22	17	26	15
CAD/USD	0.4%	0.8%	0.4%	-0.9%	14%	86%	71%	57%	11%	55%	34%	40%	45%	47%	54%	40%	22	17	26	15
CHF/USD	1.5%	0.6%	0.8%	-0.8%	100%	71%	100%	86%	40%	42%	58%	47%	73%	53%	58%	33%	22	17	26	15
EUR/USD	1.1%	0.3%	0.2%	-1.2%	71%	43%	43%	29%	30%	32%	26%	32%	68%	53%	54%	27%	22	17	26	15
GBP/USD	0.6%	0.5%	-0.4%	-1.7%	43%	57%	14%	44%	21%	57%	4%	25%	59%	65%	42%	27%	22	17	26	15
JPY/USD	0.8%	0.9%	0.7%	-0.9%	57%	100%	86%	43%	26%	58%	51%	38%	45%	46%	58%	40%	22	17	26	15
JPMorgan EM FX Index	0.5%	-0.9%	-0.5%	-2.0%	29%	0%	0%	0%	17%	9%	2%	23%	60%	53%	57%	40%	20	15	23	15

Data Source: Bloomberg Trailing 20 years.

DATA SOURCE: BLOOMBERG. BACKTEST SAMPLE = TRAILING 20 YEARS.

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OUR RISK MANAGEMENT OVERLAY IS RULES-BASED

#QUAD1

- **Maximum gross exposure, tight net exposure. Hedge downside risk to market beta. Growth investing bias.**
- **Asset Class Overweight(s):** Equities and Credit
- **Asset Class Underweight(s):** Fixed Income
- **Equity Sector Overweight(s):** Tech, Consumer Discretionary and Industrials
- **Equity Sector Underweight(s):** Utilities, Consumer Staples and Energy
- **Equity Style Factor Overweight(s):** Momentum, Growth and High Beta
- **Equity Style Factor Underweight(s):** Low Beta/Minimum Vol., High Dividend Yield and Value
- **Fixed Income Overweight(s):** Convertibles, HY Credit and HY Munis
- **Fixed Income Underweight(s):** Short Duration Treasuries, TIPS and MBS

#QUAD2

- **Maximum gross exposure, wide net exposure. Hedge downside risk to market beta. Inflation-hedging bias.**
- **Asset Class Overweight(s):** Equities and Credit
- **Asset Class Underweight(s):** Fixed Income
- **Equity Sector Overweight(s):** Tech, Industrials and Consumer Discretionary
- **Equity Sector Underweight(s):** Utilities, REITS and Consumer Staples
- **Equity Style Factor Overweight(s):** Momentum, Growth and High Beta
- **Equity Style Factor Underweight(s):** Low Beta/Minimum Vol., High Dividend Yield and Value
- **Fixed Income Overweight(s):** Convertibles, TIPS, HY Credit and IG Credit
- **Fixed Income Underweight(s):** Long Duration Treasuries and Munis

#QUAD3

- **Low gross exposures, tight net exposure. Hedge upside risk to market beta. Defensive, yield-chasing bias.**
- **Asset Class Overweight(s):** Fixed Income
- **Asset Class Underweight(s):** Equities and Credit
- **Equity Sector Overweight(s):** Utilities, REITS and Energy
- **Equity Sector Underweight(s):** Financials, Materials and Consumer Staples
- **Equity Style Factor Overweight(s):** Low Beta/Minimum Vol., Growth and Quality
- **Equity Style Factor Underweight(s):** Value, High Dividend Yield and Small Caps
- **Fixed Income Overweight(s):** Long Duration Treasuries, Taxable Munis and TIPS
- **Fixed Income Underweight(s):** HY Credit, IG Credit and Convertibles

#QUAD4

- **Minimum gross exposure, net short exposure. Hedge upside risk to market beta. Deflation-hedging bias.**
- **Asset Class Overweight(s):** Fixed Income
- **Asset Class Underweight(s):** Equities and Credit
- **Equity Sector Overweight(s):** Healthcare, Consumer Staples and REITS
- **Equity Sector Underweight(s):** Tech, Energy and Industrials
- **Equity Style Factor Overweight(s):** High Dividend Yield, Low Beta/Minimum Vol. and Quality
- **Equity Style Factor Underweight(s):** Momentum, High Beta and Growth
- **Fixed Income Overweight(s):** Long Duration Treasuries, MBS, IG Credit and Taxable Munis
- **Fixed Income Underweight(s):** TIPS, HY Credit and Convertibles

WHILE MANY INVESTORS PREFER TO ALLOCATE A LARGE CHUNK OF THEIR MOST PRECIOUS RESOURCE (I.E. TIME) TO NAVIGATING HEADLINES AND POLITICAL CATALYSTS, OUR EDGE COMES FROM ANALYZING EVERY ECONOMY IN THE SAME REPEATABLE, DATA-DRIVEN MANNER.

8

...AS IS OUR RISK MANAGEMENT OVERLAY

IN ADDITION TO THE DOMESTIC MACROECONOMY, WE'VE ALSO BACKTESTED EVERY MAJOR GLOBAL MACRO FACTOR EXPOSURE RELATIVE TO GLOBAL GROWTH/INFLATION/POLICY REGIMES AND THE RESULTS MIRROR THE FINDINGS FROM OUR U.S. GIP MODEL STUDY.

Hedgeye Macro Global GIP Model Backtest	Expected Value, by Quadrant				Percentile of Expected Value, by Asset Class				Percentile of Expected Value, by Quadrant				Percent Positive Ratio (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
MSCI All-Country World Index	4.0%	1.7%	0.6%	-1.6%	52%	52%	38%	43%	77%	66%	40%	32%	74%	73%	55%	40%	23	15	22	20
MSCI ACWI Consumer Discretionary Index	4.3%	1.9%	0.8%	-0.5%	62%	57%	57%	81%	81%	68%	53%	57%	70%	73%	59%	45%	23	15	22	20
MSCI ACWI Consumer Staples Index	1.8%	1.0%	1.6%	0.6%	5%	29%	86%	95%	28%	47%	81%	79%	65%	73%	59%	45%	23	15	22	20
MSCI ACWI Energy Sector Index	3.9%	2.0%	1.8%	-1.7%	48%	62%	95%	24%	75%	70%	87%	25%	70%	67%	64%	50%	23	15	22	20
MSCI ACWI Financials Index	4.6%	1.1%	-0.3%	-2.3%	71%	33%	14%	14%	87%	49%	9%	19%	65%	60%	64%	45%	23	15	22	20
MSCI ACWI Health Care Index	0.9%	0.7%	2.2%	1.8%	0%	19%	100%	100%	11%	34%	92%	96%	61%	67%	64%	70%	23	15	22	20
MSCI ACWI Industrials Index	4.5%	2.6%	0.6%	-1.6%	67%	81%	48%	38%	85%	83%	47%	30%	78%	80%	55%	40%	23	15	22	20
MSCI ACWI Information Technology Index	6.4%	2.9%	1.1%	-1.2%	90%	86%	71%	67%	94%	85%	70%	45%	78%	53%	59%	65%	23	15	22	20
MSCI ACWI Materials Sector Index	5.5%	4.0%	0.1%	-1.9%	81%	95%	29%	19%	64%	91%	21%	25%	78%	73%	64%	40%	23	15	22	20
MSCI ACWI Telecom Services Sector Index	2.6%	1.0%	0.1%	-2.8%	19%	24%	24%	5%	47%	45%	19%	13%	65%	53%	59%	35%	23	15	22	20
MSCI ACWI Utilities Sector Index	2.2%	0.2%	0.9%	-1.1%	10%	5%	62%	76%	68%	13%	55%	51%	65%	47%	68%	50%	23	15	22	20
MSCI ACWI Equity Real Estate Investment Trusts Index	7.3%	-0.1%	-0.5%	-2.4%	95%	0%	5%	10%	96%	9%	4%	13%	90%	64%	57%	54%	10	11	14	13
MSCI ACWI Growth Index	4.1%	2.1%	0.9%	-1.7%	57%	67%	67%	29%	79%	72%	26%	70%	67%	68%	79%	55%	23	15	22	20
MSCI ACWI Value Index	3.8%	1.3%	0.3%	-1.5%	43%	38%	33%	52%	74%	53%	26%	38%	74%	80%	55%	35%	23	15	22	20
MSCI ACWI High Dividend Yield Index	3.6%	0.4%	0.6%	-1.4%	29%	10%	43%	62%	68%	40%	23%	43%	70%	67%	62%	40%	23	15	22	20
MSCI Developed Markets Index	3.8%	1.5%	0.8%	-1.5%	38%	43%	52%	48%	72%	57%	51%	36%	74%	80%	55%	45%	23	15	22	20
S&P 500 Index	3.1%	1.6%	1.3%	-0.5%	24%	48%	76%	86%	55%	62%	74%	58%	78%	73%	55%	55%	23	15	22	20
STOXX Europe 600 Price Index EUR	3.6%	0.6%	-0.3%	-1.2%	33%	14%	10%	71%	66%	28%	8%	47%	70%	80%	55%	50%	23	15	22	20
Nikkei 225	4.6%	2.4%	-0.2%	-3.0%	76%	71%	19%	0%	89%	79%	13%	9%	78%	67%	55%	35%	23	15	22	20
Hong Kong Hang Seng Index	5.6%	2.5%	1.8%	-1.6%	86%	76%	90%	33%	92%	81%	85%	28%	65%	60%	64%	45%	23	15	22	20
Shanghai Stock Exchange Composite Index	7.2%	5.7%	1.6%	0.2%	14%	100%	81%	90%	40%	94%	28%	70%	48%	60%	50%	40%	23	15	22	20
MSCI Emerging Markets Index	2.5%	3.3%	-0.6%	-1.4%	100%	90%	0%	57%	57%	89%	2%	42%	78%	73%	55%	45%	23	15	22	20
Bloomberg Barclays Global Agg Total Return Index	1.5%	0.5%	1.3%	0.9%	0%	31%	85%	46%	21%	26%	72%	81%	65%	60%	55%	55%	23	15	22	20
Bloomberg Barclays Global Agg 1-3 Year Total Return Index	1.8%	0.5%	0.9%	0.1%	15%	23%	38%	15%	18%	25%	58%	68%	72%	67%	58%	42%	18	15	19	19
Bloomberg Barclays Global Agg 3-5 Year Total Return Index	1.9%	0.6%	1.1%	0.4%	23%	38%	77%	31%	30%	30%	68%	74%	78%	60%	53%	47%	18	15	19	19
Bloomberg Barclays Global Agg 5-7 Year Total Return Index	2.0%	0.8%	1.0%	0.9%	31%	62%	62%	54%	32%	40%	64%	83%	72%	73%	47%	58%	18	15	19	19
Bloomberg Barclays Global Agg 7-10 Year Total Return Index	2.4%	0.6%	1.1%	1.4%	54%	46%	69%	85%	45%	32%	66%	91%	72%	73%	53%	63%	18	15	19	19
Bloomberg Barclays Global Agg 10+ Year Total Return Index	2.8%	0.7%	1.4%	2.1%	62%	54%	92%	100%	49%	38%	71%	98%	72%	60%	63%	58%	18	15	19	19
Bloomberg Barclays Global Agg Aaa Total Return Index	1.7%	0.9%	1.0%	1.3%	8%	69%	54%	77%	25%	42%	62%	89%	78%	67%	53%	63%	18	15	19	19
Bloomberg Barclays Global Agg Aa Total Return Index	2.2%	0.3%	1.4%	0.3%	38%	8%	100%	23%	42%	15%	77%	72%	72%	60%	53%	53%	18	15	19	19
Bloomberg Barclays Global Agg A Total Return Index	3.4%	0.3%	0.5%	0.6%	92%	15%	15%	38%	60%	17%	56%	77%	78%	80%	58%	42%	18	15	19	19
Bloomberg Barclays Global Agg Baa Total Return Index	3.3%	1.5%	0.5%	1.1%	85%	85%	8%	69%	58%	60%	34%	87%	72%	80%	53%	63%	18	15	19	19
Bloomberg Barclays Pan-European Aggregate Total Return Index (Unhedged USD)	2.2%	1.4%	0.6%	0.9%	46%	77%	23%	62%	43%	55%	42%	85%	64%	67%	45%	55%	22	15	20	20
Bloomberg Barclays Japanese Aggregate Float Adjusted Total Return Index (Unhedged USD)	3.2%	-3.5%	0.6%	-0.1%	77%	0%	31%	8%	57%	2%	49%	64%	57%	29%	60%	7%	7	10	11	11
Bloomberg Barclays EM USD Aggregate Total Return Index (Unhedged USD)	3.7%	2.4%	0.9%	1.5%	100%	100%	46%	92%	68%	77%	60%	94%	83%	67%	68%	65%	23	15	22	20
Bloomberg Barclays EM Local Currency Government Total Return Index (Unhedged USD)	3.0%	2.4%	-0.1%	-0.8%	69%	92%	0%	0%	51%	75%	15%	55%	78%	86%	64%	38%	9	7	11	13
US 2Y Treasury Yield	4.4%	9.0%	1.8%	-3.7%	100%	67%	33%	67%	83%	98%	6%	65%	60%	50%	45%	23	15	22	20	
US 10Y Treasury Yield	2.0%	5.5%	0.2%	-5.0%	67%	33%	0%	33%	34%	92%	23%	2%	57%	60%	55%	35%	23	15	22	20
US 10Y TIPS Yield	1.3%	128.8%	3.8%	-18.2%	33%	100%	67%	0%	19%	100%	96%	0%	57%	47%	45%	30%	23	15	22	20
Bloomberg Barclays US Corporate High Yield OAS Spread	-2.1%	-4.1%	7.9%	4.2%	0%	0%	100%	100%	0%	0%	100%	100%	39%	20%	45%	55%	23	15	22	20
Thomson Reuters/CoreCommodity CRB Commodity Index	3.8%	2.1%	0.5%	-3.3%	75%	50%	25%	25%	70%	74%	32%	8%	74%	60%	59%	45%	23	15	22	20
Commodity Research Bureau BLS/US Spot Raw Industrials Index	3.6%	3.0%	-0.4%	-2.3%	50%	75%	0%	50%	64%	87%	6%	17%	74%	73%	50%	35%	23	15	22	20
Commodity Research Bureau BLS/US Spot Foodstuff Index	1.3%	1.6%	0.6%	-0.2%	0%	25%	50%	75%	17%	64%	38%	62%	52%	60%	45%	50%	23	15	22	20
Front-month Brent Crude Oil	10.0%	6.0%	3.8%	-4.8%	100%	100%	100%	0%	100%	96%	98%	4%	61%	60%	59%	55%	23	15	22	20
Gold Spot	3.0%	1.5%	2.7%	0.5%	25%	0%	75%	100%	53%	58%	94%	75%	61%	60%	64%	55%	23	15	22	20
US Dollar Index	-0.9%	-0.2%	-0.2%	1.5%	0%	25%	13%	100%	2%	8%	11%	92%	52%	33%	45%	65%	23	15	22	20
AUD/USD	1.2%	1.1%	0.4%	-1.1%	75%	100%	65%	40%	15%	51%	28%	49%	65%	67%	73%	35%	23	15	22	20
CAD/USD	1.6%	0.5%	0.5%	-1.9%	88%	63%	63%	13%	23%	23%	30%	57%	47%	59%	25%	23	15	22	20	
CHF/USD	0.3%	0.9%	1.7%	-0.3%	25%	88%	88%	75%	6%	43%	83%	60%	48%	73%	59%	50%	23	15	22	20
EUR/USD	0.9%	0.7%	0.2%	-0.9%	63%	75%	38%	63%	13%	36%	25%	53%	57%	67%	50%	40%	23	15	22	20
GBP/USD	0.8%	-0.2%	0.0%	-1.5%	50%	13%	25%	25%	9%	6%	17%	34%	52%	60%	45%	40%	23	15	22	20
JPY/USD	2.1%	-1.7%	1.9%	-1.5%	100%	0%	100%	38%	36%	4%	91%	40%	52%	40%	59%	40%	23	15	22	20
CNY/USD	0.1%	0.1%	0.6%	-0.1%	13%	38%	75%	88%	4%	11%	45%	66%	65%	60%	73%	50%	23	15	22	20
JPM Emerging Markets Currency Index	0.6%	0.5%	-0.7%	-2.4%	38%	50%	0%	0%	8%	21%	0%	15%	72%	67%	50%	30%	18	15	20	20

Data Source: Bloomberg. Trailing 20 years.

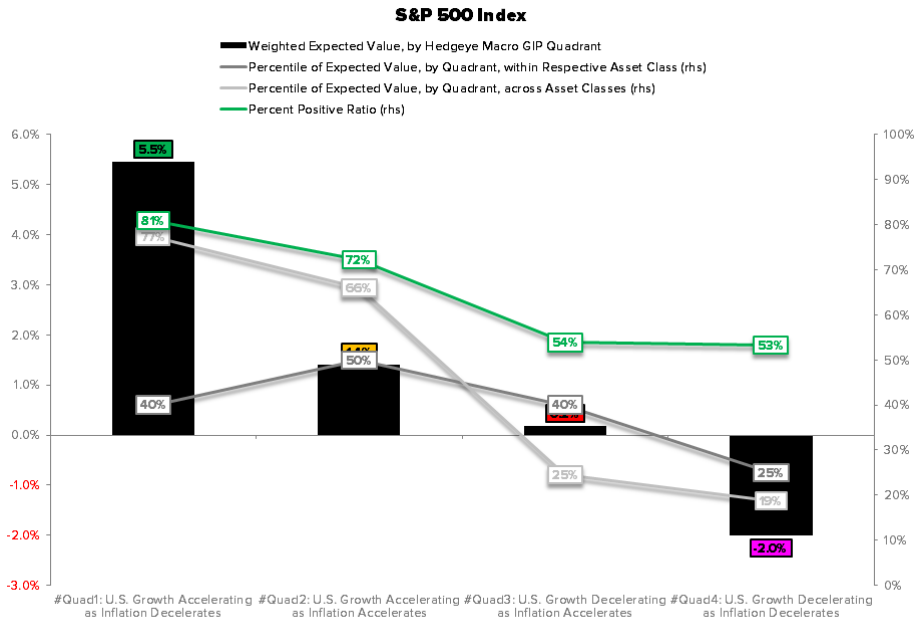
DATA SOURCE: BLOOMBERG. BACKTEST SAMPLE = TRAILING 20 YEARS.

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WHY RATE OF CHANGE?: S&P 500 CASE STUDY

RATE OF CHANGE:

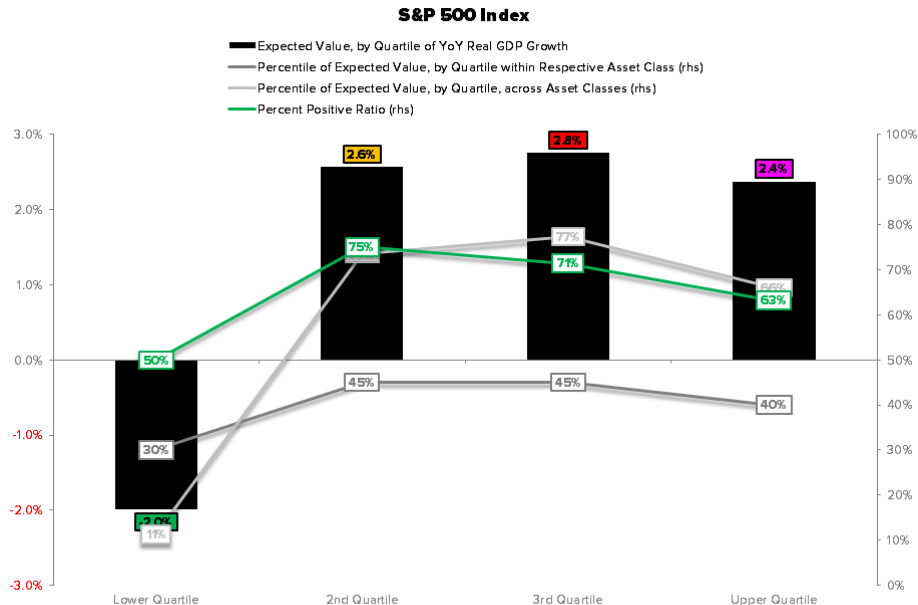
INTUITIVE, INVESTABLE DISPERSION IN THE RETURN PROFILES OF KEY MACRO FACTOR EXPOSURES ACROSS HEDGEYE GIP MODEL REGIMES



Data Source: Bloomberg. Asset classes include equities, fixed income, currencies and commodities. Trailing 20Y.

ABSOLUTE LEVELS:

LIMITED, UN-INVESTABLE DISPERSION IN THE RETURN PROFILES OF KEY MACRO FACTOR EXPOSURES ACROSS QUARTILES OF REAL GDP GROWTH

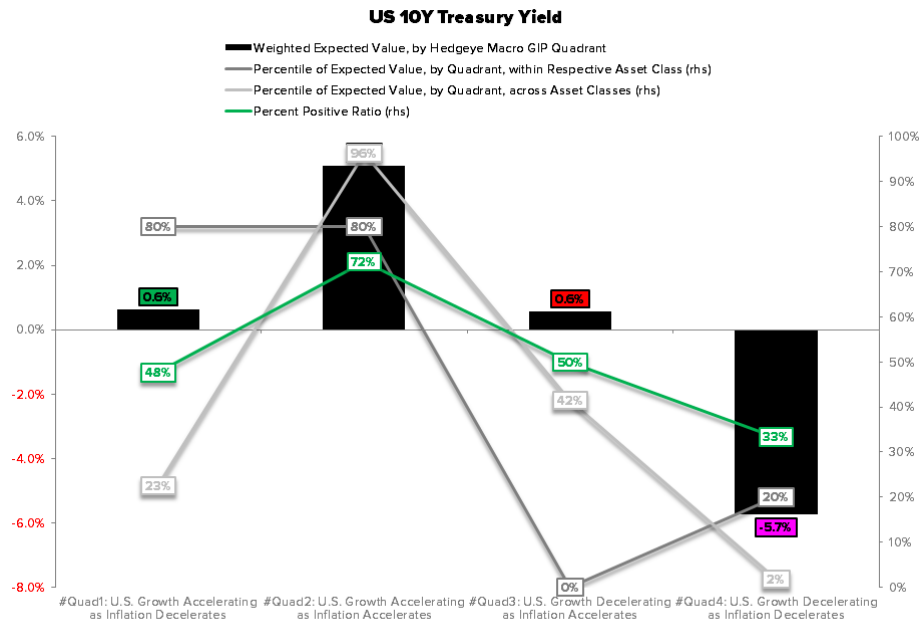


Data Source: Bloomberg. Asset classes include equities, fixed income, currencies and commodities. Trailing 20Y.

WHY RATE OF CHANGE?: 10Y UST YIELD CASE STUDY

RATE OF CHANGE:

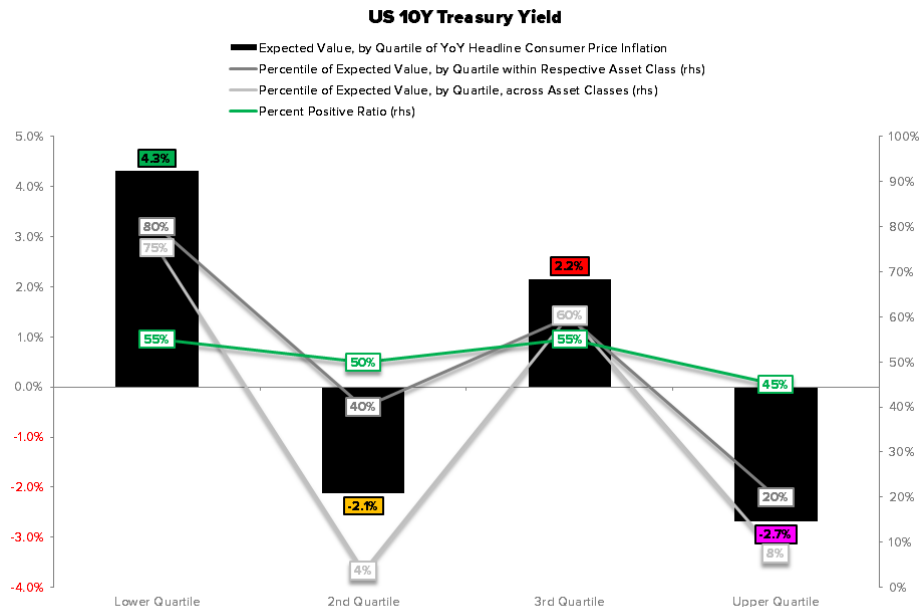
INTUITIVE, INVESTABLE DISPERSION IN THE RETURN PROFILES OF KEY MACRO FACTOR EXPOSURES ACROSS HEDGEYE GIP MODEL REGIMES



Data Source: Bloomberg. Asset classes include equities, fixed income, currencies and commodities. Trailing 20Y.

ABSOLUTE LEVELS:

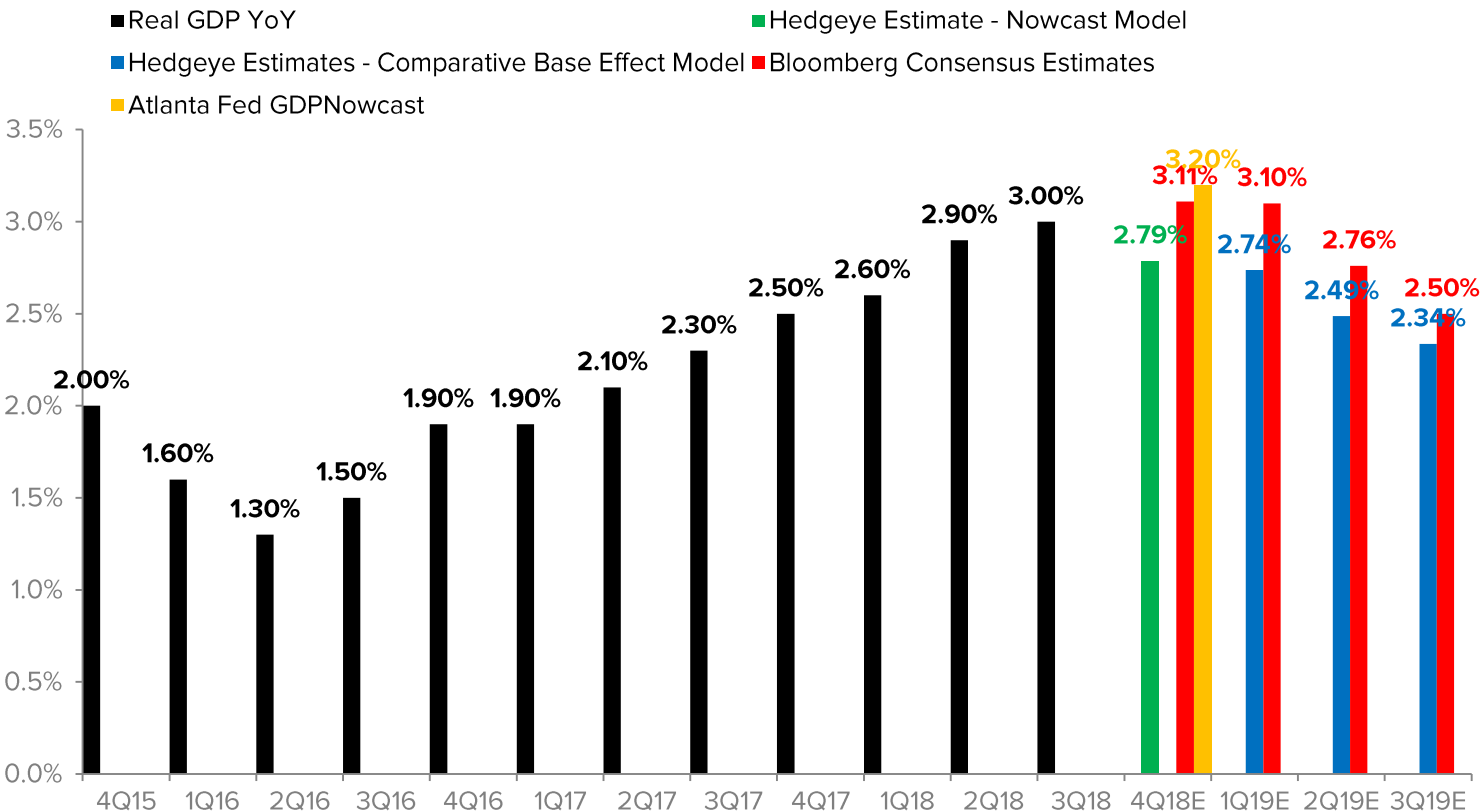
INCOHERENT, UN-INVESTABLE DISPERSION IN THE RETURN PROFILES OF KEY MACRO FACTOR EXPOSURES ACROSS QUARTILES OF HEADLINE INFLATION



Data Source: Bloomberg. Asset classes include equities, fixed income, currencies and commodities. Trailing 20Y.

U.S. REAL GDP FORECASTS

United States



We use two distinct models to forecast the YoY growth rate of real GDP and the combination of the two allows us to develop both a highly accurate real-time view of near-term growth momentum, as well as a high-probability scenario for where growth is likely to trend over the intermediate term.

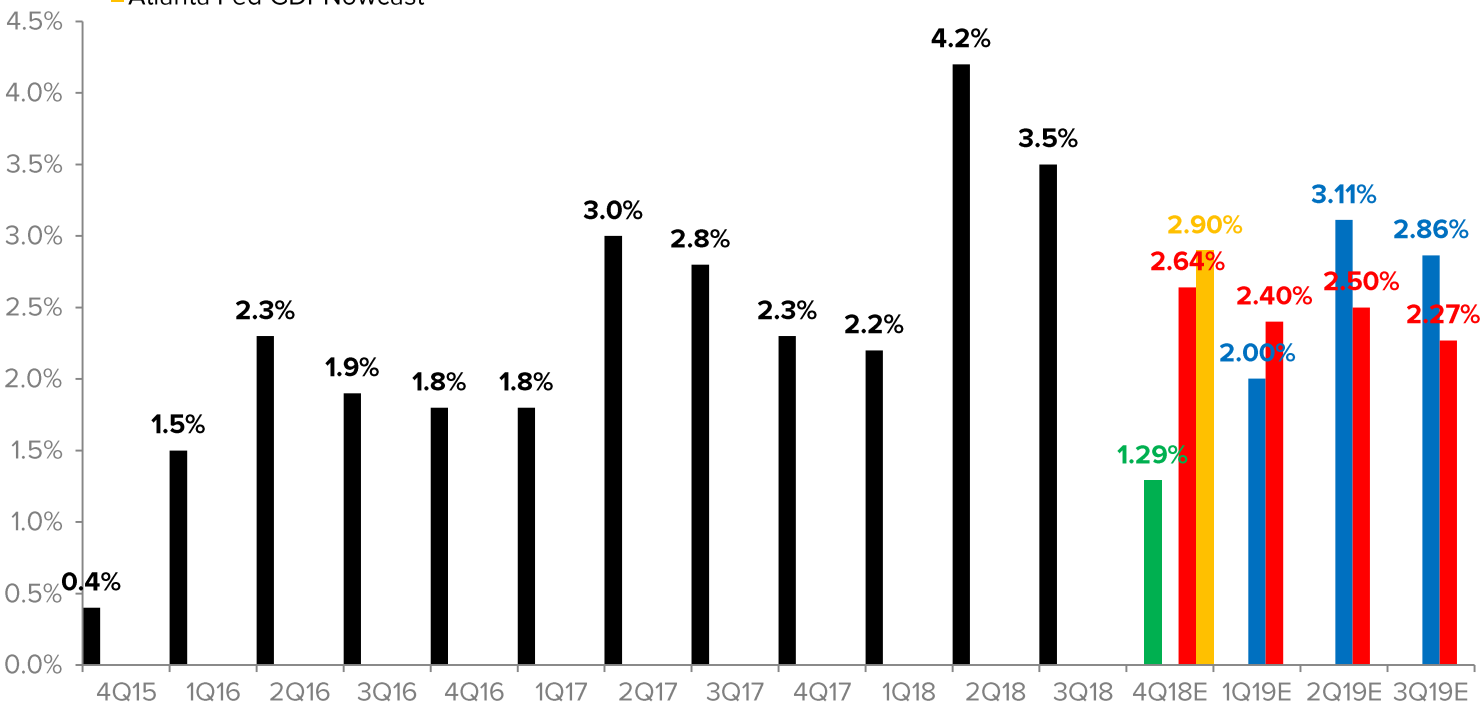
Intra-quarter, we employ a stochastic nowcasting framework that adjusts the base rate by the cumulative weighted marginal rate of change of the 30 factors embedded in our predictive tracking algorithm. In out-quarters where high-frequency data has yet to be reported, we employ a Bayesian inference process that adjusts each of the preceding forecasted base rates inversely and proportionally to the marginal rates of change in the base effects. The 2Y average growth rate in the comparative base period backtests as having the most forecasting validity.

All in, our U.S. GDP model has an intra-quarter tracking error of 33bps, an average absolute forecast error of 23bps and an r-squared of 0.89 with a success rate of 95% in terms of projecting the directional outcome.

U.S. HEADLINE GDP FORECASTS

United States

■ Real GDP QoQ SAAR
■ Hedgeye Estimate - Nowcast Model
■ Hedgeye Estimates - Comparative Base Effect Model
■ Bloomberg Consensus Estimates
■ Atlanta Fed GDPNowcast



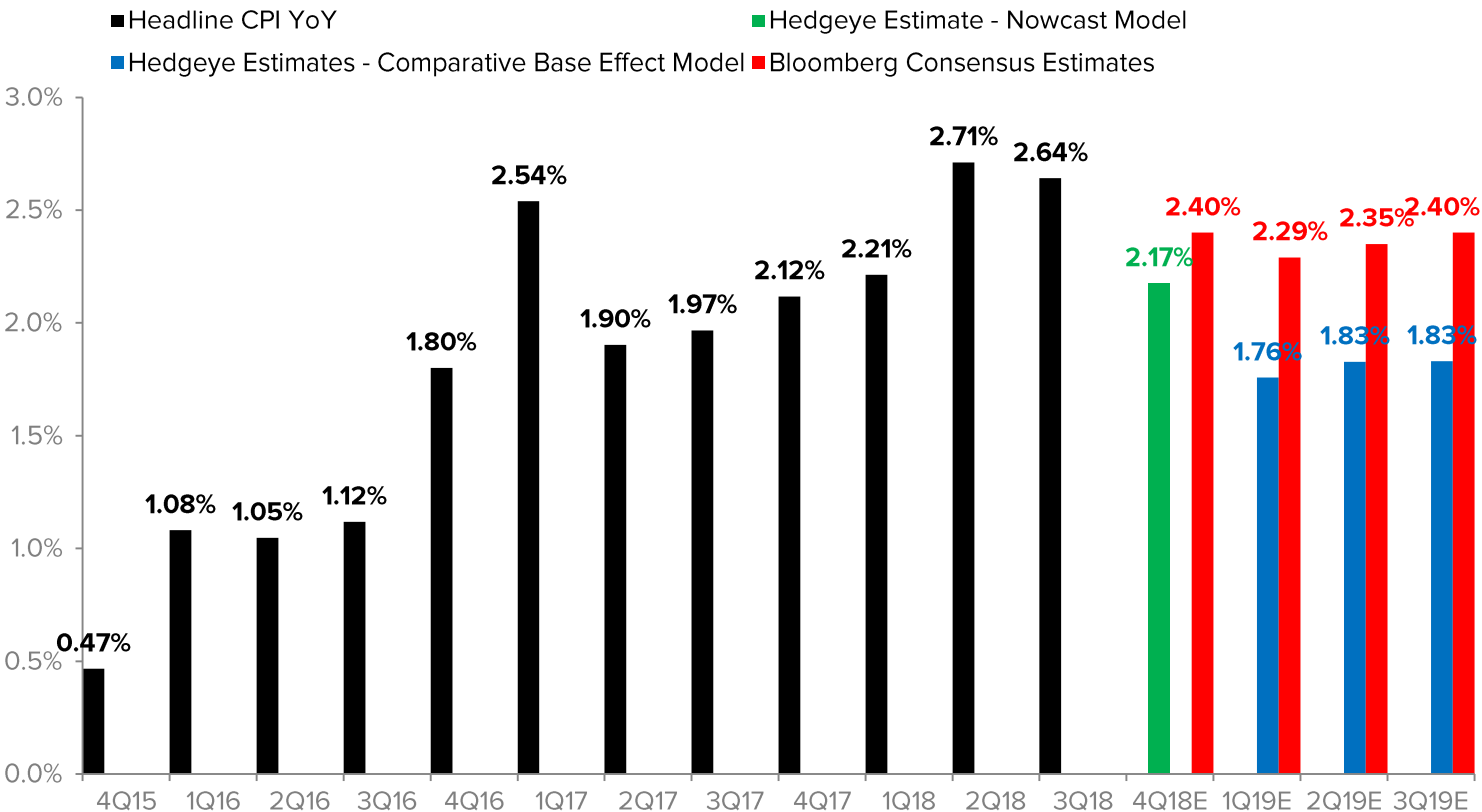
One differentiating factor of our forecasting process is that we aim to solve for cycle (i.e. where growth is trending to on a YoY basis), rather than trying to identify super short-term economic momentum. A rigorous study of financial market history suggests the latter growth rate to be little more than noise in the context of making accurate intermediate-to-long-term investment decisions.

As such, we interpolate our QoQ SAAR forecasts from what is being implied by our forecasted YoY growth rate.

For discussion's sake, we typically backfill a supporting narrative on why our model suggests growth is likely to come in higher or lower than consensus estimates by highlighting recent economic developments that we view as having a high probability of continuing based on our analysis of the distinct cycles throughout the various sectors of the economy, keeping in mind that we're discussing a residual value, not the underlying driver of cross-asset returns.

U.S. HEADLINE CPI FORECASTS

United States



We use two distinct models to forecast the YoY rate of change in headline CPI and the combination of the two allows us to develop both a highly accurate real-time view of near-term inflation momentum, as well as a high-probability scenario for where inflation is likely to trend over the intermediate term.

Intra-quarter, we employ a stochastic nowcasting framework that adjusts the base rate by the cumulative weighted marginal rate of change of the various inflation-oriented factors embedded in our predictive tracking algorithm. In out-quarters where high-frequency data has yet to be reported, we employ a Bayesian inference process that adjusts each of the preceding forecasted base rates inversely and proportionally to the marginal rates of change in the base effects. The 2Y average growth rate in the comparative base period backtests as having the most forecasting validity.

All in, our U.S. CPI model has an intra-quarter tracking error of 33bps, an average absolute forecast error of 23bps and an r-squared of 0.80 with a success rate of 88% in terms of projecting the directional outcome.

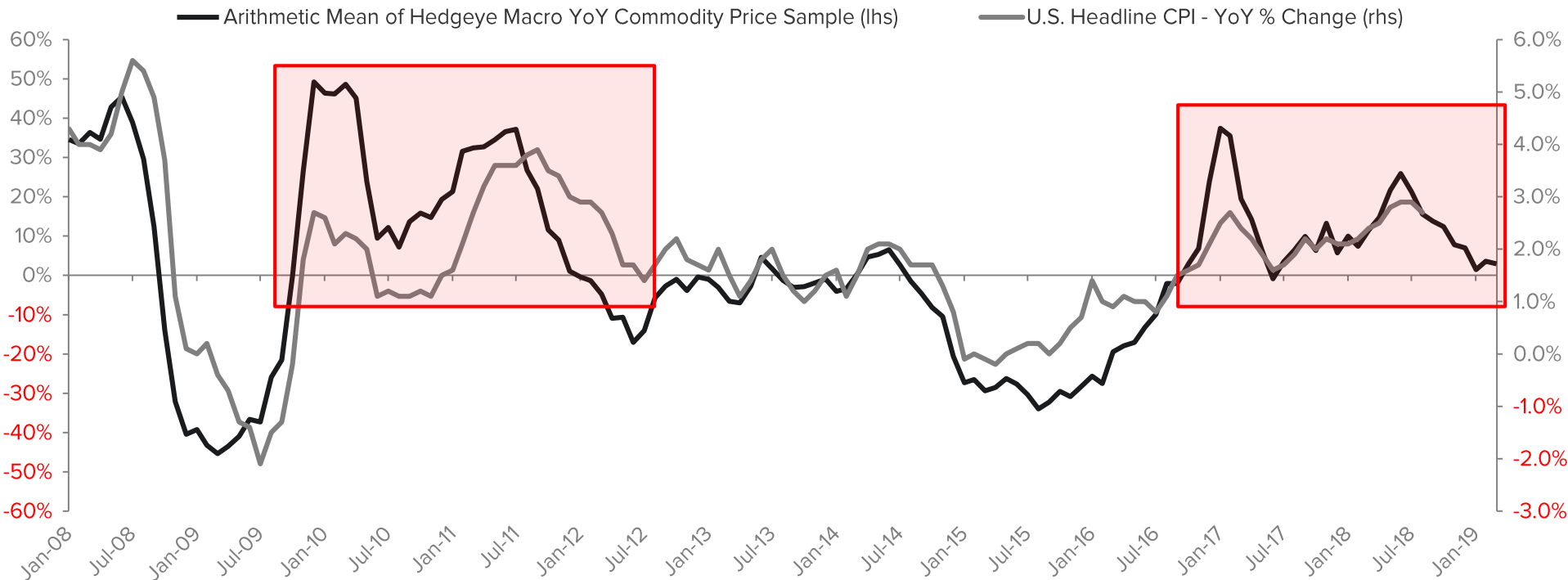
U.S. GDP PREDICTIVE TRACKING ALGORITHM

EACH OF THE FOLLOWING 30 FACTORS BACKTESTS AS STATISTICALLY SIGNIFICANT WITH RESPECT TO FORECASTING REAL GDP GROWTH AND ARE DYNAMICALLY RE-WEIGHTED ACCORDING TO THEIR RESPECTIVE CORRELATIONS TO THE MARGINAL RATE OF CHANGE OF GDP GROWTH – WHICH ARE INHERENTLY NONSTATIONARY.

HIGH-FREQUENCY INDICATOR	QUARTERLY AVERAGE DELTA		TRENDING DELTA		SEQUENTIAL DELTA		PERCENTILE BASIS (T3Y)
US Personal Consumption Expenditure Chained 2012 Dollars YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	1.05	1.70	2.70	2.83	3.20	3.00	83%
Adjusted Retail & Food Services Sales Total Yearly % Change SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	5.94	-	5.92	5.85	6.50	4.70	63%
Retail Sales Less Food Services Auto Dealers & Building Mat& Gas Station SA YoY	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	5.09	-	4.95	5.02	4.90	4.90	80%
US Auto Sales Total Annualized SAAR YoY % Change	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	-0.77	-2.67	0.62	0.08	-3.79	-2.67	20%
US Disposable Personal Income Chained 2012 Dollars YoY	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	2.91	-	2.83	2.88	3.00	2.90	66%
US Personal Saving as a % of Disposable Personal Income	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	6.37	-	6.75	6.58	6.40	6.20	0%
US Employees on Nonfarm Payrolls Total SA Year Over Year Percent Change	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	1.67	1.71	1.65	1.67	1.73	1.71	63%
US Average Hourly Earnings All Employees Total Private Yearly Percent Change SA	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	2.84	3.14	2.80	2.88	2.80	3.10	100%
US Average Weekly Hours YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	0.29	0.29	0.35	0.35	0.30	0.30	69%
US Real Average Weekly Earnings 1982-1984 USD YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	0.51	-	0.53	0.52	0.60	0.80	57%
US Initial Jobless Claim YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	-15.25	-9.00	-11.85	-11.79	-19.89	-8.82	26%
Conference Board Consumer Confidence SA 1985=100 YoY % Change	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	10.22	9.27	9.95	9.83	12.19	9.27	45%
US Industrial Production YOY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	4.69	-	3.81	4.06	4.86	5.14	100%
US Durable Goods New Orders Industries SA YoY % Change	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	9.97	-	9.06	8.50	12.10	7.82	71%
Capital Goods New Orders Nondefense Excluding Aircraft SA YoY % Change	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	7.21	-	7.39	7.77	7.89	1.99	40%
US Manufacturers New Orders YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	9.14	-	8.63	8.43	10.30	7.90	71%
MERCHANT WHOLESALER INVENTORY YOY %	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	5.14	-	5.33	5.32	5.20	5.20	86%
Census Bureau US Construction Nonresidential SA YoY	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	8.16	-	5.30	6.47	9.30	8.90	97%
Census Bureau US Construction Residential SA YoY	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	5.15	-	6.02	6.13	4.80	4.90	6%
ISM Manufacturing PMI SA	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	59.73	57.70	59.23	59.30	59.80	57.70	63%
ISM Non-Manufacturing NMI	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	58.60	60.30	58.38	58.97	61.60	60.30	97%
NFIB Small Business Optimism Index YoY % Change	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	2.55	3.47	2.93	3.46	4.76	3.47	57%
US Trade Balance of Exports YOY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	7.48	-	9.13	8.82	7.10	7.20	80%
US Trade Balance of Imports YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	9.49	-	8.45	8.65	9.60	9.80	97%
US Trade Balance of Goods and Services YoY	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	-4.09	-	-5.67	-1.02	-20.70	21.60	97%
US CPI Urban Consumers YoY NSA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	2.64	-	2.70	2.68	2.70	2.30	74%
US CPI Urban Consumers Less Food & Energy YoY NSA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	2.24	-	2.22	2.23	2.20	2.20	57%
US Personal Consumption Expenditures Chain Type Price Index YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	2.19	-	2.20	2.18	2.20	2.00	77%
US Personal Consumption Expenditure Core Price Index YoY SA	3Q18	4Q18	Prior 6MMA	6MMA (SEP)	Prior	Latest (SEP)	Latest Reading
	1.98	-	1.96	1.96	1.96	1.97	94%
US PPI Final Demand YoY NSA	3Q18	4Q18	Prior 6MMA	6MMA (OCT)	Prior	Latest (OCT)	Latest Reading
	2.91	2.89	2.97	3.00	2.60	2.90	86%

U.S. HEADLINE CPI LEADING INDICATOR

STRUCTURAL SHIFTS IN THE ECONOMY HAVE INCREASINGLY MITIGATED THE RISK OF A WAGE/PRICE SPIRAL, LEADING TO AN INCREASED SENSITIVITY OF HEADLINE CPI TO ANNUAL FLUCTUATIONS IN TRADEABLE GOODS PRICES – A DYNAMIC OUR MODEL HAS ASTUTELY CAPITALIZED ON.

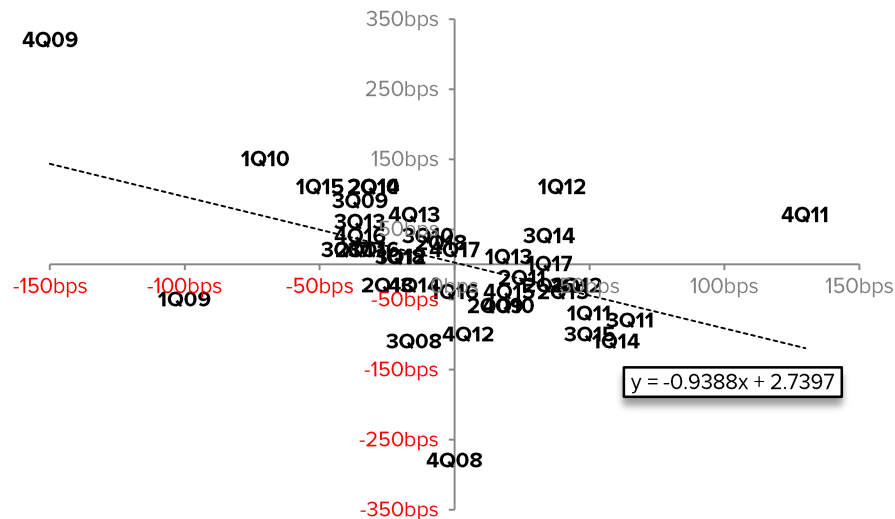


Data Source: Bloomberg. The Hedgeye Macro commodity price sample includes the CRB Index, CRB Raw Industrials Index, Brent Crude Oil and the UN Food and Agriculture Price Index. YoY deltas are calculated from monthly averages. Forward estimates assume no change to current monthly averages.

A QUICK LESSON IN BASE EFFECTS

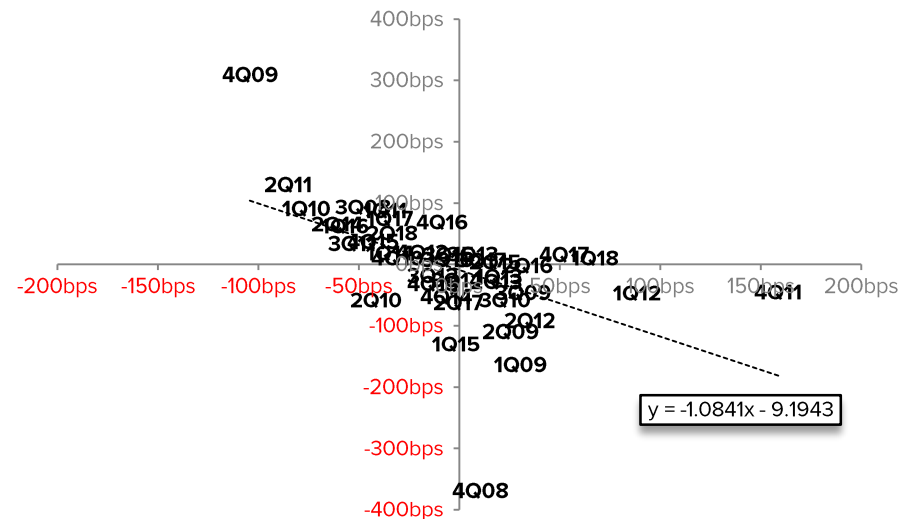
REAL GDP GROWTH Y/Y

x-axis: Marginal Rate of Change of the 2Y Average YoY Real GDP Growth Rate in the Comparative Base Period;
y-axis: Marginal Rate of Change of the YoY Real GDP Growth Rate in the Forecast Period (Trailing 10Y)
Directional Accuracy: 78% Raw; 82% w/ Momentum



HEADLINE CPI Y/Y

x-axis: Marginal Rate of Change of the 2Y Average YoY Headline CPI Rate in the Comparative Base Period;
y-axis: Marginal Rate of Change of the YoY Headline CPI Rate in the Forecast Period (Trailing 10Y)
Directional Accuracy: 70% Raw; 79% w/ Momentum



In the U.S. specifically, 78% of the time the marginal rate of change in the 2Y average Real GDP growth rate in the comparative base period carries the **opposite** sign of the marginal rate of change of the growth rate in the forecast period; that same figure is 70% of the time for Headline CPI.

TRADE/TREND/TAIL RISK MANAGEMENT PROCESS



Core to the process of selecting our preferred macro factor exposures is whether or not the ticker screens well from the perspective of Keith's proprietary risk management process, which employs PRICE, VOLUME and VOLATILITY as discrete factors in the calculus of levels that backtest well as critical momentum thresholds.

Assets where last price is greater than all three (in ascending order) are said to be in a "Bullish Formation" and all dips should be bought, insomuch that assets in the converse "Bearish Formation" should be repeatedly shorted on strength.

STYLE & SENTIMENT FACTORING

MONITORING STYLE AND THEMATIC MACRO FACTOR PERFORMANCE ALLOWS US TO QUANTITATIVELY MAP THE EVOLUTION OF OUR CURRENT MACRO THEMES WHILE THE CFTC DATA PROVIDES AN IMPORTANT SENTIMENT BACKBOARD AGAINST WHICH WE CAN MEASURE AND FADE CONSENSUS.

SPX: STYLE FACTOR PERFORMANCE*

		1M	3M	YTD
FACTOR		% Chg	% Chg	% Chg
DEBT	High Debt/EV	-1.9%	-1.7%	-3.3%
	Low Debt/EV	-1.7%	-2.5%	10.6%
SI	High Short Interest	-0.5%	-1.7%	2.7%
	Low Short Interest	-2.8%	-1.4%	6.7%
BETA	High Beta	-4.1%	-6.2%	-0.1%
	Low Beta	1.0%	2.1%	4.4%
YIELD	High Yield	-1.9%	-2.4%	-5.6%
	Low Yield	-1.6%	-1.6%	15.3%
MKT CAP	MCAP Bottom 25%	-2.8%	-4.8%	-4.7%
	MCAP Top 25%	-2.3%	0.2%	8.7%
Sales Growth	Top 25% Sales Growth	-3.4%	-3.1%	10.5%
	Bottom 25% Sales Growth	-1.3%	-2.5%	-4.2%
EPS Growth	Top 25% EPS Growth	-4.0%	-2.7%	6.7%
	Bottom 25% EPS Growth	-2.2%	-3.8%	-3.7%

GREEN = Relative Outperformance Over Given Duration

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

SOURCE: Bloomberg, Goldman Sachs, Hedgeye Calculations

MACRO AND THEMATIC FACTOR PERFORMANCE

		1M	3M	YTD
FACTOR		% Chg	% Chg	% Chg
Global Cyclical		-0.53%	0.28%	8.8%
Global Defensives		-6.86%	-4.66%	1.8%
Domestic Cyclical		-3.22%	-3.29%	0.3%
Domestic Defensives		0.26%	2.81%	15.3%
Domestic Sales		-1.23%	0.84%	11.3%
International Sales		-2.93%	-6.59%	-1.1%
Western Europe Sales		-4.30%	-7.03%	-4.0%
Overseas Earnings		-2.42%	0.14%	5.8%
SPX Buyback Index		-1.85%	-1.87%	4.1%
Capex Growth		-1.75%	-1.88%	9.3%
Rate Sensitive		-2.33%	-3.55%	7.0%
High Tax		-2.02%	0.31%	12.5%
Low Tax		-3.27%	-4.62%	-0.5%
M&A Candidates		-2.33%	-4.38%	12.6%

GREEN = Outperforming SPX over given duration

RED = Underperforming SPX over given duration

CFTC NON-COMMERCIAL NET LONG POSITIONING

		3Y		Z-Score	
		Latest	W/W Chg	Max	Min
EQUITIES	METRIC	Latest	W/W Chg	Max	Min
	SPX (Index + E-mini)	248,269	26,857	249,638	(248,441)
	VIX	1,998	12,301	92,913	(174,665)
	Russell 2000 (mini)	(30,491)	48,804	93,772	(87,847)
	Dow Jones (mini)	18,317	(5,728)	95,976	(999)
RATES	Nasdaq (mini)	9,627	(830)	163,838	(24,647)
	Nikkei Index	(6,968)	859	14,253	(9,128)
	10Y UST	(464,216)	125,128	372,991	(758,490)
	2Y UST	(323,310)	(4,740)	104,027	(323,310)
	5Y UST	(553,061)	251,920	(33,993)	(866,140)
CURRENCIES	UST Bonds	(70,193)	25,231	122,839	(142,810)
	30D Fed Funds	(69,823)	(13,063)	219,071	(286,025)
	Eurodollar	(1,958,725)	111,219	251,098	(3,110,209)
	SUSD	39,597	1,525	56,635	(10,666)
	JPY	(95,876)	(312)	70,342	(140,151)
COMMODITIES	EUR	(35,169)	(3,825)	147,318	(172,030)
	GBP	(48,395)	(6,729)	49,216	(115,271)
	AUD	(71,424)	897	77,969	(74,181)
	CAD	(8,633)	(3,466)	78,001	(99,736)
	MXN	34,066	(24,024)	117,131	(89,524)
	NZD	(35,031)	(1,983)	35,981	(35,412)
	CHF	(13,769)	2,650	10,064	(47,216)
	CRUDE OIL	463,180	(19,536)	784,290	195,086
	GOLD	(45,622)	(18,723)	286,921	(103,009)
	COPPER	337	(8,291)	67,602	(44,710)
	Natural Gas	(5,693)	9,108	57,455	(218,444)
	RBIO Gasoline	89,086	(4,587)	114,862	29,519
	ULSD Heating Oil	33,094	(4,841)	67,696	(23,640)
	Silver	(8,744)	(3,093)	107,003	(30,158)
	Platinum	16,018	3,178	56,853	(11,540)
	Aluminum	163,475	(2,043)	168,292	122,356
	Nickel	42,230	(365)	47,708	13,508
	Corn	75,573	(11,722)	373,443	(166,835)
	Soybeans	(68,748)	(35,395)	255,950	(113,144)
	Wheat	(30,779)	(15,361)	63,219	(143,292)
	Live Cattle	91,457	(6,168)	164,117	(695)
	Lean Hogs	35,381	8,543	90,653	(11,151)
	Sugar	82,914	15,013	351,383	(131,628)
	Cotton	53,345	(2,771)	132,318	(28,816)
	Coffee	(30,358)	7,983	67,942	(106,651)
	Cocoa	(19,235)	3,444	70,034	(43,846)
	Orange Juice	(6,248)	(730)	10,123	(6,248)

RISK MANAGEMENT: THE VOLATILITY FACTOR

3-FACTOR MODEL: PRICE, VOLUME, VOLATILITY



KEY GLOBAL MACRO VOLATILITY TRENDS

TIME WINDOW SETTING:		TOTAL RETURN		IVOL PREMIUM/DISCOUNT				REALIZED VOLATILITY TRENDS				IMPLIED VOLATILITY TRENDS				
VOLATILITY_30D		TICKER	PERFORMANCE	IVOL PREM %		Yesterday	1W Ago	1M Ago	TTM Z-Score	3Yr Z-Score	RVOL		PERCENTILE	IVOL		PERCENTILE
PUT_IMP_VOL_30D			YTD %	IVOL / RVOL	10YR						CURRENT	MM %	CURRENT	MM %	10YR	
US EQUITIES																
CURRENT																
Health Care Sector SPDR ETF	XLV US EQUITY	8.33%	4%	4%	16%	59%	-0.2	-0.3	20.2	195%	84%	21.0	93%	87%		
Power Shares QQQ Trust ETF	QQQ US EQUITY	7.12%	-9%	-9%	15%	30%	-0.6	-0.7	30.0	172%	92%	27.3	90%	89%		
Technology Sector SPDR ETF	XLK US EQUITY	6.92%	10%	10%	30%	34%	0.0	-0.1	30.5	185%	93%	33.5	134%	94%		
Consumer Discretionary Sector SPDR ETF	XLX US EQUITY	6.33%	11%	11%	25%	25%	-0.3	-0.2	23.8	144%	84%	26.4	116%	85%		
Utilities Sector SPDR ETF	XLU US EQUITY	5.79%	-7%	-7%	0%	-2%	-0.7	-0.7	18.2	36%	79%	17.0	29%	77%		
SPDR S&P 500 ETF Trust	SPY US EQUITY	1.65%	2%	2%	18%	43%	-0.2	-0.3	20.0	229%	80%	20.4	135%	79%		
Consumer Staples Sector SPDR ETF	XLP US EQUITY	-0.39%	-3%	-3%	10%	20%	-0.3	-0.4	17.5	89%	85%	17.0	54%	87%		
I-Shares Russell 2000 ETF	IWM US EQUITY	-0.94%	14%	14%	23%	42%	0.0	0.2	22.7	176%	78%	25.9	122%	77%		
Vanguard Real Estate REIT ETF	VNQ US EQUITY	-1.29%	-18%	-18%	-9%	-17%	-0.9	-1.1	21.4	46%	72%	17.5	43%	58%		
Energy Sector SPDR ETF	XLE US EQUITY	-5.69%	14%	14%	21%	36%	0.4	0.4	24.1	118%	68%	27.4	82%	77%		
Financials Sector SPDR ETF	XLF US EQUITY	-5.97%	10%	10%	27%	36%	-0.1	0.0	21.6	92%	69%	23.7	55%	71%		
Industrials Sector SPDR ETF	XLI US EQUITY	-7.17%	18%	18%	112%	44%	0.3	0.2	21.2	123%	76%	25.0	83%	83%		
Materials Sector SPDR ETF	XLB US EQUITY	-13.11%	26%	26%	42%	23%	0.8	0.7	20.3	67%	62%	25.7	71%	77%		
Communication Services	XLC US EQUITY		15%	15%	38%	38%			28.7	141%	99%	33.0	100%	95%		
INTERNATIONAL EQUITIES																
Euro Stoxx 50 Index	SX5E INDEX	-5.79%	29%	34%	40%	20%	0.7	0.3	14.9	43%	30%	19.2	53%	49%		
I-Shares MSCI Japan ETF	EWJ US EQUITY	-8.67%	2%	2%	8%	0%	0.1	-0.3	18.7	60%	66%	19.1	64%	59%		
I-Shares China Large-Cap ETF	FXI US EQUITY	-14.81%	5%	5%	13%	-4%	0.6	0.0	27.2	34%	68%	28.5	47%	74%		
I-Shares MSCI Emerging Markets ETF	EEM US EQUITY	-17.24%	4%	4%	19%	-3%	0.3	0.0	25.4	42%	74%	26.4	51%	73%		
CURRENCIES																
PowerShares US Dollar Index ETF	UUP US EQUITY	7.49%	41%	41%	33%	14%	1.7	1.6	5.2	-12%	11%	7.2	9%	29%		
Currency Shares Japanese Yen ETF	FXJ US EQUITY	-0.67%	17%	17%	31%	13%	0.3	0.5	6.2	15%	13%	7.3	19%	12%		
Currency Shares British Pound ETF	FXB US EQUITY	-6.04%	15%	15%	14%	-2%	0.4	0.3	8.9	-6%	58%	10.3	10%	68%		
Currency Shares Euro Trust ETF	FXE US EQUITY	-6.07%	22%	22%	21%	-4%	1.5	0.8	6.0	-17%	9%	7.3	6%	20%		
COMMODITIES																
United States Oil Fund ETF	USO US EQUITY	16.82%	-1%	-1%	-1%	29%	-0.2	-0.3	27.3	40%	46%	27.2	7%	36%		
United States Natural Gas Fund ETF	UNG US EQUITY	11.75%	30%	30%	24%	12%	0.8	1.1	32.7	30%	38%	42.5	51%	59%		
SPDR Gold Shares ETF	GLD US EQUITY	-6.35%	-2%	-2%	2%	-3%	-0.5	-0.6	11.0	15%	21%	10.8	16%	11%		
PowerShares DB Agriculture Fund ETF	DBA US EQUITY	-6.98%	31%	31%	29%	39%	0.2	0.1	11.9	13%	43%	15.6	6%	61%		
PowerShares DB Base Metals Fund ETF	DBB US EQUITY	-17.10%	31%	31%	15%	14%	-0.2	-0.2	18.2	-3%	45%	23.9	12%	59%		
FIXED INCOME																
I-Shares IBOXX HY Corporate Bond ETF	HYG US EQUITY	0.47%	41%	41%	75%	19%	0.8	0.6	4.5	67%	24%	6.3	98%	32%		
I-Shares 7-10 Year Treasury Bond ETF	IEF US EQUITY	-2.81%	27%	27%	32%	30%	0.4	0.6	4.4	34%	17%	5.6	31%	30%		
I-Shares IBOXX IG Corporate Bond ETF	LQD US EQUITY	-4.93%	21%	21%	18%	11%	0.6	0.2	4.2	11%	21%	5.1	21%	32%		
I-Shares J.P. Morgan USD EM Bond ETF	EMB US EQUITY	-6.39%	43%	43%	48%	-12%	0.7	0.4	5.1	-17%	36%	7.3	35%	50%		
I-Shares 20+ Year Treasury Bond ETF	TLT US EQUITY	-8.21%	5%	5%	6%	12%	0.4	0.1	10.1	34%	17%	10.7	26%	20%		
Data Source: CBOE, CME, Bloomberg																

Data Source: CBOE, CME, Bloomberg

DATA SOURCE: BLOOMBERG, CME, CBOE

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Q3 2018 MACRO THEMES

1

#STRONGDOLLAR

A U.S. Dollar Index +7% off its YTD lows has already inflicted some major pain in consensus macro views that were observably long of things like commodities and emerging market financial assets heading into Q2. Moreover, our proprietary GIP-modeling process for all of the world's major economies signals that the global trend of decelerating growth is just getting started – an outcome that is likely to increasingly drive inflows into dollar-denominated assets. We will dig into the wide-reaching implications of further USD strength that investors can't afford to miss, from emerging market USD-denominated credit risk to corporate profit deterioration.

2

#HAVERATESPEAKED?

With a peak in domestic headline inflation pending in Q3, 4 hikes out of the FOMC now priced in for 2018, DM sovereign yields retreating alongside the more discrete manifestation of #GlobalDivergences (i.e. broad slowing across Europe, China and EM) and both 10Y Yields and Ag all signaling lower-highs, the consensus “bond bear market” thesis is likely to find itself under increasing scrutiny as we progress throughout 2H18. We'll review prevailing conditions, detail emerging dynamics and discuss how we'll be risk managing rates and rate-sensitive equity exposure in the upcoming months.

3

#SHORTEM

The first half of 2018 saw a tremendous pickup in cross-asset volatility – albeit from at/near all-time lows – throughout the emerging market investment universe. With explanations of what caused this market event as numerous as the number of strategists who didn't see it coming *and* as bountiful as those that are calling for it to end purely as a function of “attractive valuations”, we don't believe our bearish bias on EM is fully priced in. As such, we will anchor on the findings of our proprietary, repeatable and robust processes to detail to investors why EM assets are likely to continue to be a drag on fund performance with respect to the intermediate term.

Q4 2018 MACRO THEMES

1

#QUAD4

After a likely nine consecutive quarters of accelerating economic growth domestically, investor consensus is positioned for the so called “fiscal impulse” to perpetuate further upside. Unfortunately for new-wave U.S. equity and credit bulls, our proprietary GIP Model is suggesting the now-record acceleration in U.S. growth (and inflation) that we prospectively and accurately identified two years ago is coming to an abrupt end. In the presentation we shall detail the catalysts for the aforementioned inflections and the associated investment implications of the U.S. economy joining the “globally synchronized slowdown” we prospectively identified back in January – not the least of which is an anticipated upside capitulation in the U.S. Dollar.

2

#CYCLICALPEAKS

Two of the most underappreciated risks heading into Q4 of 2018 among investor consensus are the cyclical peaks in corporate profit growth and corporate profit margins – both of which have important sector and style factor implications. We’ll detail why investors would do well to adopt a defensive posture with respect to their respective portfolios as the associated rotation out of the domestic Momentum, High Beta, and Growth style factors could be quite violent given current positioning.

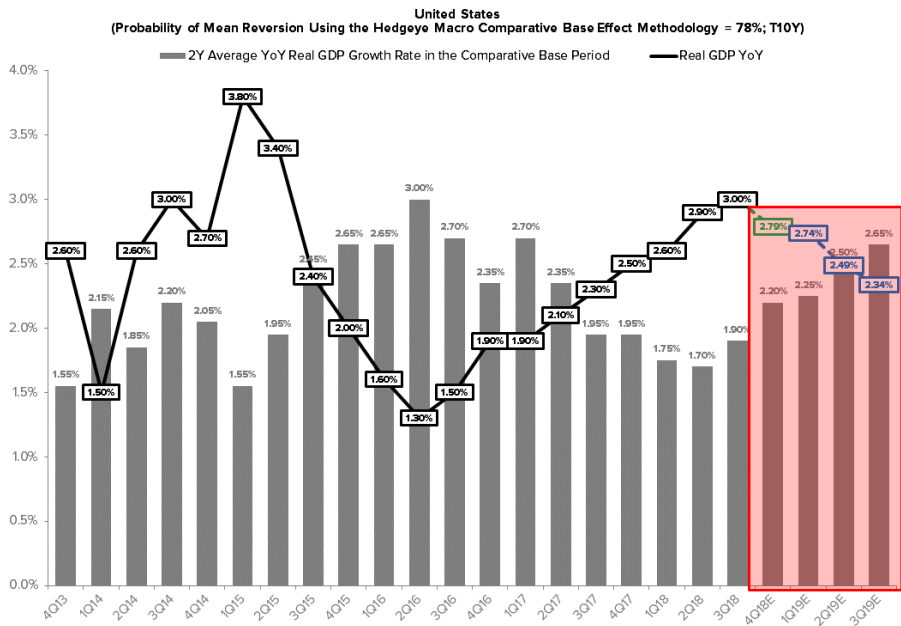
3

#LONGHOUSING

#Quad4 represents a macro environment typically characterized by falling rates, a more dovish policy lean and outperformance in defensive yield and select interest rate sensitive equities, including Housing. Unprecedented late-cycle fiscal stimulus has cultivated an interesting, somewhat anomalous macro condition set as it elevates the prospects for further acceleration in wage inflation and the potential for households to see improved consumption capacity at the same that both headline growth and inflation are slowing and yields are making lower highs. It’s within this broader setup and against a backdrop of significant 2018 underperformance that we’ll explore a contrarian long position in Housing.

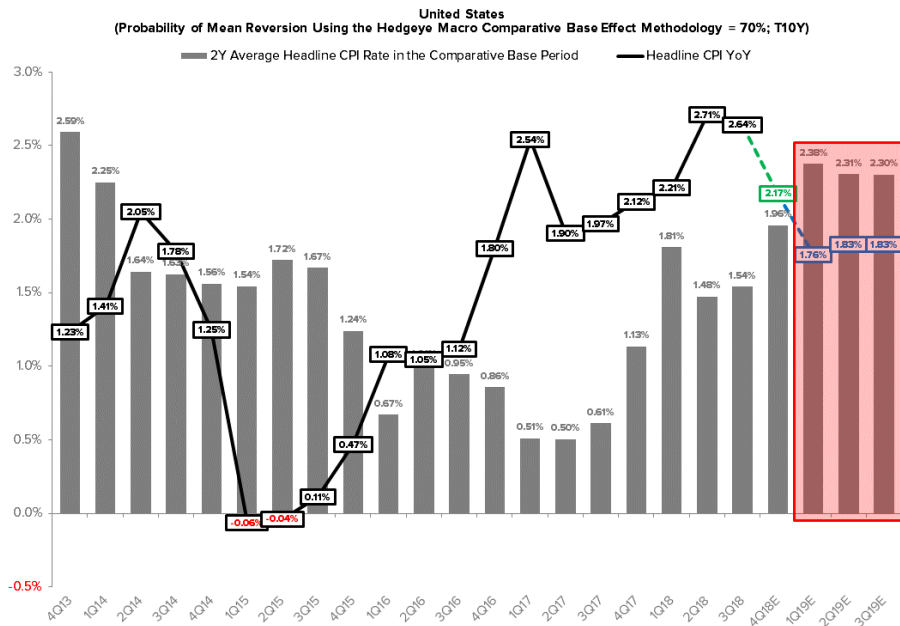
WHY #QUAD4? IT STARTS WITH THE COMPS

U.S. REAL GDP COMPARATIVE BASE EFFECTS



Data Source: Bloomberg

U.S. HEADLINE CPI COMPARATIVE BASE EFFECTS



Data Source: Bloomberg

A CLOSER LOOK AT THE UNDERLYING DRIVERS

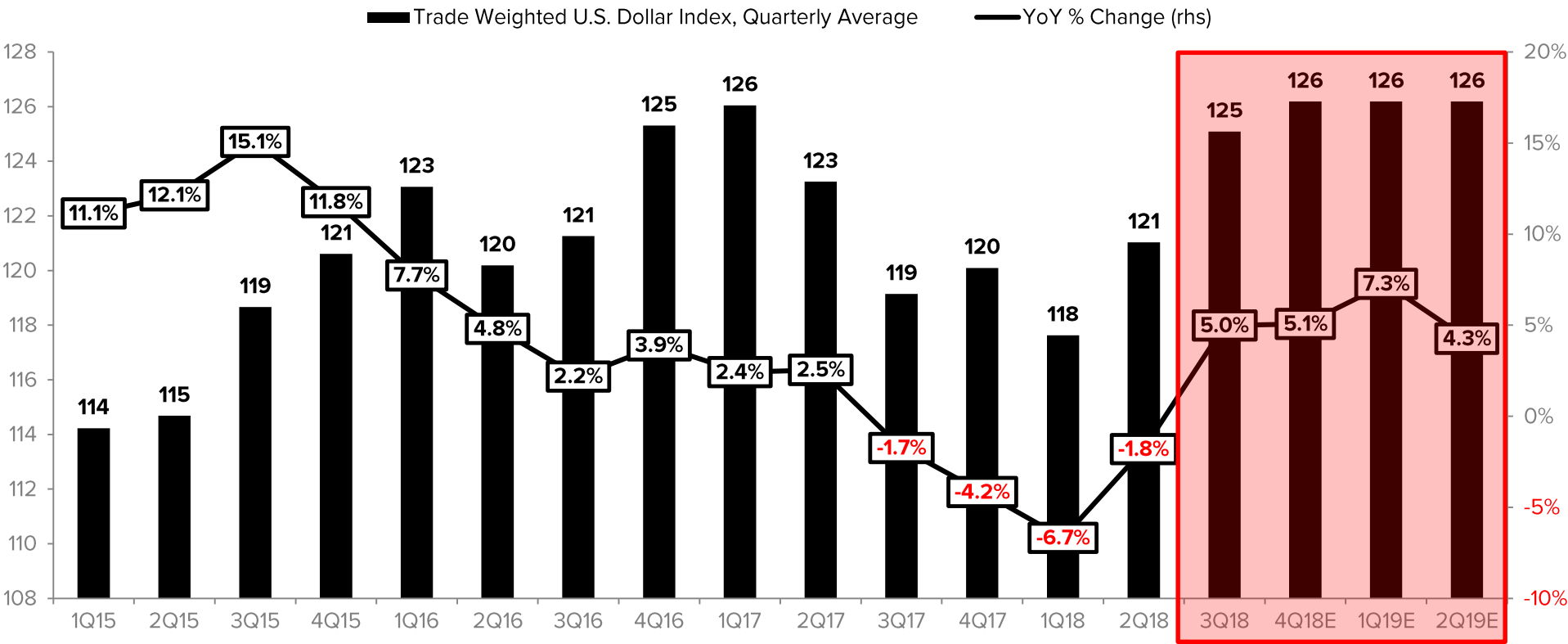
INDICATOR	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18E	1Q19E	2Q19E	3Q19E
Real GDP YoY	1.56%	1.30%	1.54%	1.88%	1.94%	2.11%	2.34%	2.47%	2.58%	2.87%	3.04%	2.79%	2.74%	2.49%	2.34%
1. Retail Sales Control Group YoY	2.82%	3.30%	2.51%	2.50%	3.12%	3.03%	3.72%	5.17%	4.49%	4.94%	5.09%	4.40%	4.74%	4.52%	4.45%
2. Headline Retail Sales YoY	2.92%	2.52%	2.45%	3.54%	4.93%	4.07%	4.19%	5.58%	4.52%	5.75%	5.95%	4.51%	5.04%	4.43%	4.34%
3. Industrial Production YoY	-2.99%	-2.25%	-1.91%	-0.54%	0.17%	1.93%	1.26%	2.99%	3.38%	3.41%	4.69%	4.24%	4.05%	4.02%	3.40%
4. Exports YoY	-5.72%	-4.29%	-0.45%	1.69%	6.68%	5.35%	4.63%	7.76%	7.13%	10.12%	8.16%	6.68%	7.01%	5.56%	6.51%
5. Factory Orders YoY	-5.27%	-4.31%	-2.97%	1.09%	4.66%	5.59%	5.90%	6.84%	7.96%	7.72%	8.97%	7.73%	7.18%	7.31%	6.71%
6. Real PCE YoY	2.74%	2.75%	2.69%	2.77%	2.61%	2.47%	2.36%	2.70%	2.38%	2.61%	2.99%	2.84%	3.00%	2.89%	2.69%
7. Imports YoY	-4.67%	-3.45%	-1.21%	2.72%	6.91%	6.57%	5.42%	8.42%	8.46%	7.78%	9.10%	7.53%	7.53%	7.87%	7.22%
8. Core Capital Goods New Orders YoY	-5.88%	-5.52%	-4.22%	-2.23%	2.72%	6.38%	7.93%	9.88%	6.46%	7.34%	6.14%	3.46%	5.14%	4.71%	5.35%
9. Average Weekly Hours YoY	-0.10%	-0.29%	-0.58%	-0.48%	-0.39%	0.00%	0.00%	0.29%	0.29%	0.39%	0.29%	0.29%	0.29%	0.24%	0.29%
10. Durable Goods New Orders YoY	-2.27%	-2.47%	-2.60%	0.48%	2.00%	7.01%	6.35%	6.73%	9.38%	7.03%	9.96%	10.09%	8.80%	10.03%	8.63%
Headline CPI YoY	1.06%	1.07%	1.15%	1.80%	2.57%	1.90%	1.97%	2.12%	2.25%	2.71%	2.65%	2.25%	1.90%	1.86%	1.86%
1. Energy CPI YoY	-10.36%	-9.29%	-7.57%	1.99%	12.59%	5.65%	6.72%	7.46%	6.99%	10.09%	9.03%	6.21%	6.46%	4.96%	5.51%
2. Wireless CPI YoY	0.20%	0.75%	-0.99%	-3.81%	-6.68%	-12.74%	-12.63%	-10.33%	-7.34%	-0.31%	0.15%	-0.75%	-1.83%	-4.41%	-4.74%
3. Transportation Services CPI YoY	2.67%	3.21%	2.98%	2.70%	3.45%	3.05%	3.55%	3.94%	4.30%	3.82%	3.95%	4.09%	3.60%	4.06%	3.80%
Core CPI YoY	2.23%	2.20%	2.24%	2.18%	2.15%	1.78%	1.70%	1.75%	1.94%	2.19%	2.24%	2.14%	2.05%	1.91%	1.90%
Core PCE Inflation YoY	1.50%	1.58%	1.73%	1.83%	1.81%	1.62%	1.46%	1.61%	1.75%	1.94%	1.98%	1.86%	1.78%	1.73%	1.72%

THE BOTTOM-UP VIEW CONFIRMS 3Q18 AS A MULTI-YEAR PEAK

The primary drivers in our predictive tracking algorithms for both Real GDP growth and reported inflation have each accelerated to multi-year highs during mid-2018. Even if we assume the same degree of above-trend sequential momentum seen throughout this record run of accelerating growth in each subsequent month for each factor, the most probable outcome is that both GDP and CPI trend lower, from here, over the NTM.

“...BUT WHAT ABOUT TARIFFS?”

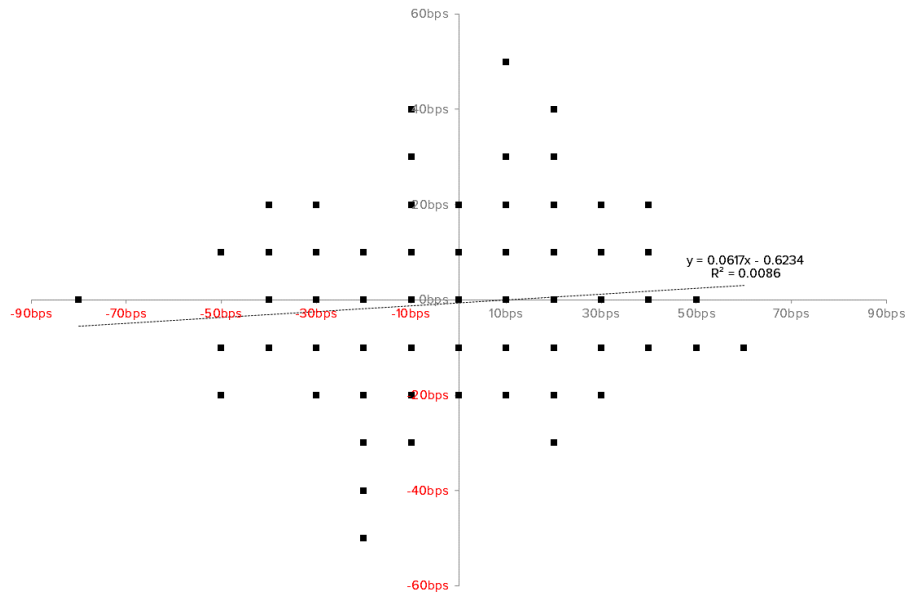
WHILE TARIFF PASS-THROUGH HAS THE ABILITY TO SURPRISE OUR CURRENT CPI PROJECTIONS TO THE UPSIDE, WE HAVE SEEN LIMITED EVIDENCE OF THAT ACTUALLY OCCURRING IN A BROAD-BASED MANNER. MOREOVER, **ANNUALIZED DOLLAR STRENGTH REMAINS A DISINFLATIONARY IMPULSE ABOVE AND BEYOND WHAT HAS ALREADY BEEN IMPLEMENTED ON THE TARIFF FRONT** GIVEN THAT CHINA REPRESENTS ONLY 22% OF U.S. IMPORTS.



↑ WAGE GROWTH ≠ ↑ REPORTED INFLATION

HISTORICALLY SPEAKING, PRIVATE SECTOR WAGE GROWTH HAS ALMOST NO CORRELATION TO REPORTED INFLATION IN THE IMMEDIATE TERM

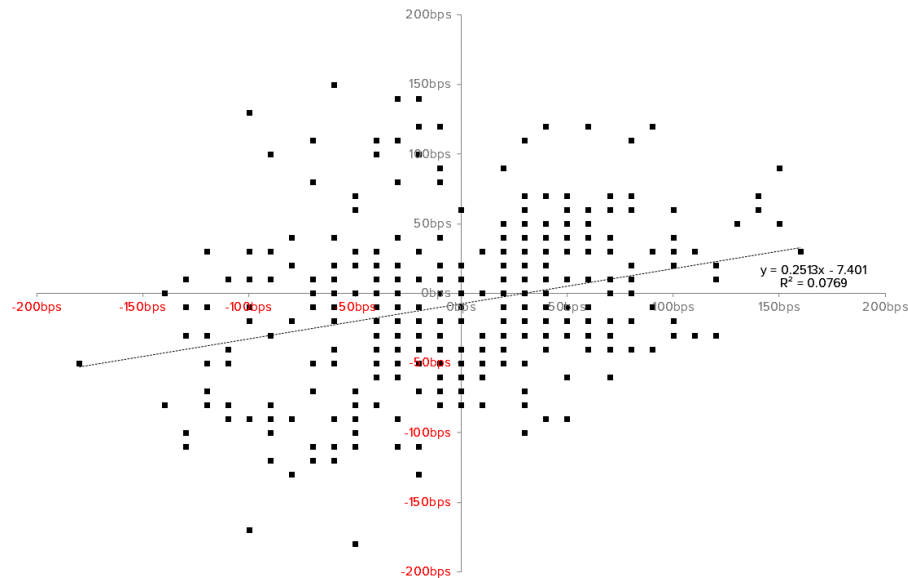
■ x-axis: Marginal Rate of Change of Private Sector Wage Inflation YoY; y-axis: Marginal Rate of Change of Core CPI YoY;
Percent of Time Moving in the Opposite Direction = 64% (Trailing 30Y)



Data Source: Bloomberg

EVEN IF YOU SMOOTH OUT MONTH-TO-MONTH NOISE AND ANALYZE THE RESPECTIVE IMPULSES ON A TRENDING BASIS, WAGE GROWTH HAS TRENDED IN THE OPPOSITE DIRECTION OF CORE CPI ROUGHLY HALF THE TIME

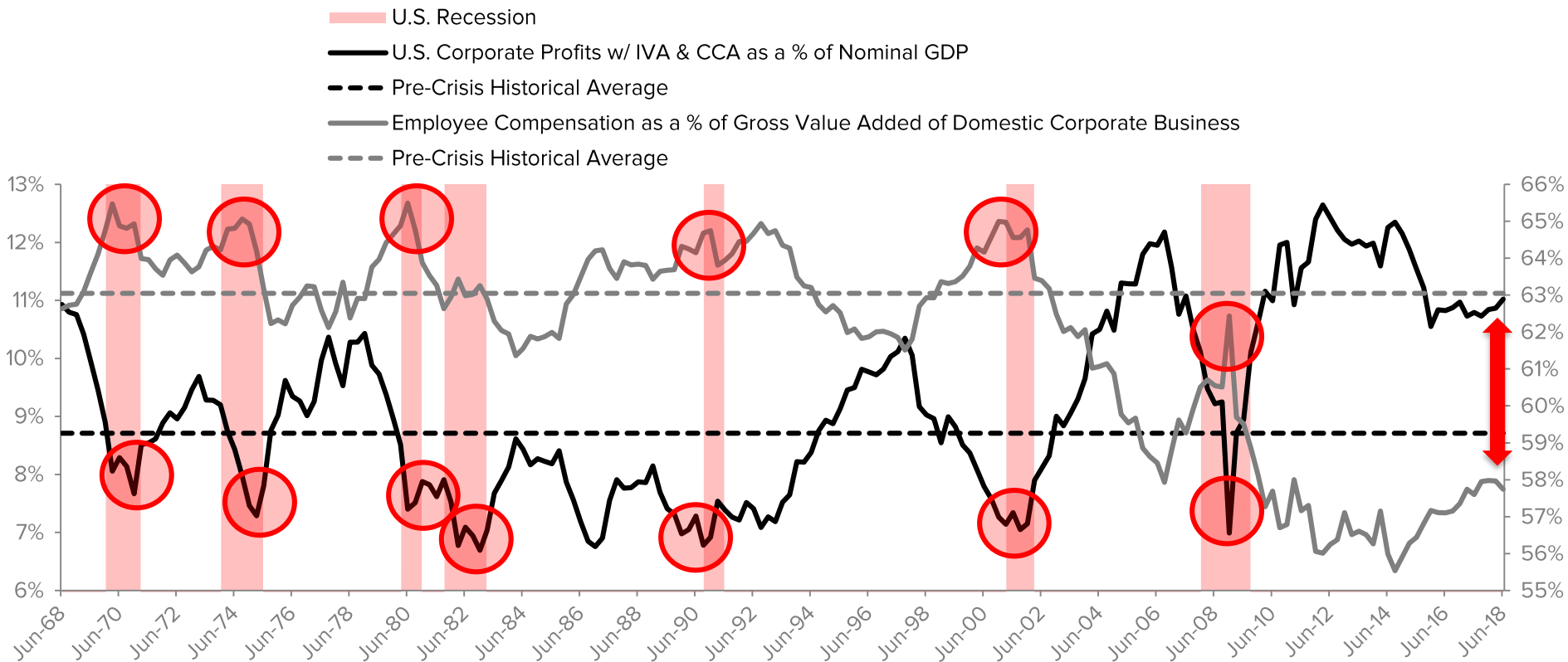
■ x-axis: 12M Momentum of YoY Private Sector Wage Inflation;
y-axis: 12M Momentum of YoY Core CPI;
Percent of Time Moving in the Opposite Direction = 47% (Trailing 30Y)



Data Source: Bloomberg

CPI ↓ + USD ↑ + WAGE GROWTH ↑ = MARGIN SQUEEZE

PEAK CORPORATE PROFITABILITY IN THE U.S. IS LIKELY TO COME TO AN END AS UNIT LABOR COSTS RECOVER FROM STRUCTURAL LOWS.

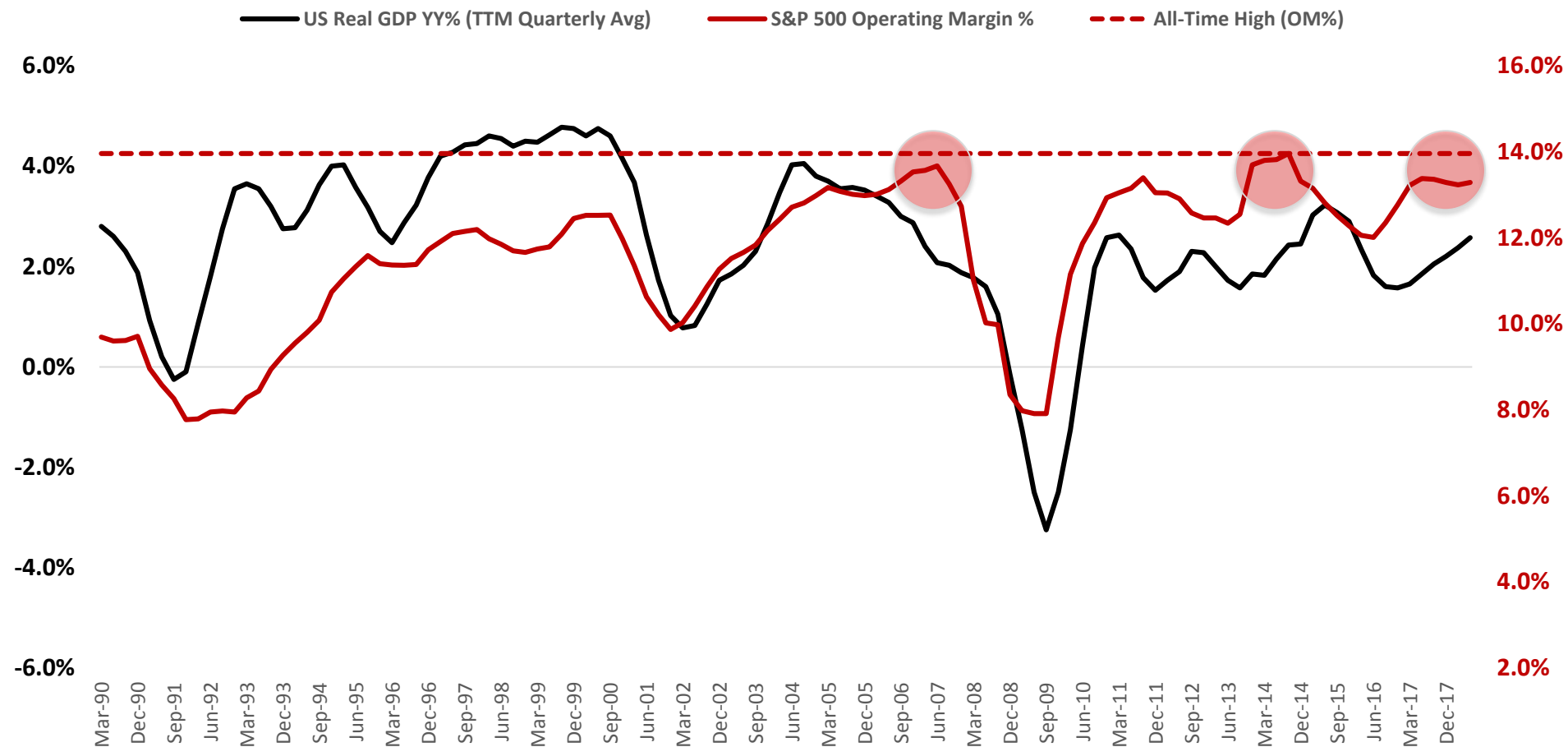


CORPORATE PROFITS: AN EPIC STREAK OF SINE CURVE ACCELERATION

LIKE GDP, CORPORATE PROFITS FOR S&P 500 CONSTITUENTS ARE RUNNING AT PEAK GROWTH RATES AS OF Q2 REPORTING SEASON.

S&P 500 Index													BBG Estimates			
SALES GROWTH (%)	CQ4 15	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17	CQ3 17	CQ4 17	CQ1 18	CQ2 18	CQ3 18*	CQ4 18	CQ1 19	CQ2 19	CQ3 19
S&P 500 Aggregate	-4.0%	-1.9%	-0.3%	2.4%	4.9%	7.8%	5.3%	5.3%	7.8%	8.2%	9.4%	8.1%	6.4%	6.5%	5.5%	5.3%
Energy	-34.4%	-29.3%	-24.2%	-14.2%	4.2%	34.1%	15.8%	17.9%	19.9%	13.8%	23.1%	19.2%	20.8%	20.6%	14.3%	6.6%
Materials	-15.5%	-8.8%	-7.3%	-2.4%	2.7%	9.1%	7.2%	8.6%	12.9%	11.4%	15.9%	10.3%	5.6%	5.0%	2.2%	2.8%
Industrials	-7.2%	-2.0%	-1.3%	2.2%	2.6%	4.2%	4.8%	6.6%	8.5%	10.5%	9.4%	6.2%	6.1%	5.0%	4.7%	4.6%
Consumer Discretionary	4.4%	6.3%	8.5%	8.2%	7.8%	8.4%	3.8%	3.0%	7.1%	7.4%	8.9%	11.1%	4.8%	5.1%	5.4%	7.3%
Consumer Staples	-0.4%	1.2%	0.7%	1.7%	2.7%	2.1%	2.5%	4.5%	5.1%	5.3%	5.0%	3.7%	2.4%	3.4%	2.8%	4.1%
Health Care	9.6%	9.2%	8.8%	7.0%	5.4%	5.7%	4.0%	4.5%	6.1%	7.3%	7.2%	7.3%	5.7%	5.9%	4.9%	4.9%
Financials	1.0%	-1.7%	0.7%	5.6%	5.5%	9.3%	4.5%	1.7%	3.2%	3.3%	5.9%	4.5%	4.1%	4.5%	3.0%	5.1%
Information Technology	-5.3%	-6.8%	-5.9%	-2.2%	0.6%	7.7%	8.2%	6.9%	10.2%	13.2%	12.3%	9.5%	5.2%	4.8%	4.6%	4.9%
Communication Services	12.0%	11.2%	15.0%	10.1%	4.5%	8.2%	4.6%	4.3%	7.5%	9.8%	9.8%	12.4%	11.6%	10.9%	10.3%	5.6%
Utilities	-12.6%	-10.5%	-2.4%	3.5%	8.1%	7.2%	6.4%	-2.7%	2.5%	3.0%	0.1%	0.0%	-5.1%	2.0%	1.9%	8.1%
Real Estate	10.8%	11.4%	7.4%	7.5%	3.7%	4.5%	7.3%	5.2%	7.1%	12.9%	13.5%	7.2%	10.3%	4.1%	3.5%	4.9%
EPS GROWTH (%)	CQ4 15	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17	CQ3 17	CQ4 17	CQ1 18	CQ2 18	CQ3 18*	CQ4 18	CQ1 19	CQ2 19	CQ3 19
S&P 500 Aggregate	-6.8%	-8.0%	-3.9%	3.2%	6.4%	14.6%	10.0%	7.1%	14.4%	23.7%	25.3%	22.9%	17.7%	7.8%	7.2%	9.6%
Energy	-72.6%	-109.6%	-81.6%	-63.7%	-1.5%	690.1%	210.0%	138.0%	111.3%	95.0%	129.9%	136.8%	92.2%	39.9%	34.4%	27.9%
Materials	-17.9%	-16.0%	-9.1%	3.2%	-1.1%	19.6%	7.4%	10.7%	41.0%	30.7%	42.0%	25.7%	10.2%	6.3%	-0.1%	5.8%
Industrials	-5.4%	-7.3%	-1.9%	-1.5%	-5.3%	1.5%	6.6%	0.3%	6.0%	25.6%	17.9%	16.3%	19.4%	7.2%	9.9%	10.2%
Consumer Discretionary	9.4%	17.8%	10.3%	6.5%	4.7%	7.0%	1.9%	1.8%	9.2%	11.8%	21.8%	29.6%	15.5%	3.9%	7.6%	15.1%
Consumer Staples	-0.7%	1.2%	0.0%	4.4%	4.0%	2.9%	4.1%	3.1%	8.0%	10.5%	11.0%	9.0%	3.7%	2.6%	3.5%	6.3%
Health Care	11.0%	8.1%	4.8%	5.9%	4.8%	5.4%	6.6%	7.1%	7.9%	14.4%	15.3%	11.9%	11.6%	7.7%	3.7%	7.8%
Financials	-5.3%	-14.2%	-7.0%	12.8%	6.6%	17.9%	9.5%	-8.9%	7.7%	27.9%	22.7%	29.1%	27.7%	6.2%	8.7%	9.7%
Information Technology	-3.8%	-7.4%	-7.3%	3.9%	4.2%	20.8%	19.2%	19.8%	19.9%	29.1%	32.0%	26.6%	12.5%	5.3%	3.7%	6.1%
Communication Services	27.8%	16.1%	19.7%	14.3%	11.2%	16.7%	3.5%	16.8%	19.8%	23.3%	37.6%	27.5%	15.5%	9.7%	8.7%	9.3%
Utilities	-49.6%	-1.9%	8.9%	12.6%	110.6%	3.5%	5.1%	-3.5%	11.6%	17.2%	12.6%	15.2%	3.1%	7.9%	-3.8%	5.5%
Real Estate	14.5%	8.3%	7.1%	8.7%	3.1%	6.5%	7.1%	7.6%	10.7%	8.0%	6.7%	8.3%	7.6%	5.7%	5.4%	6.7%
Data Source: BBG	*Beg of Tech/ComServ Breakout (all previous periods represent legacy Telecom)											*313/500 Reported				

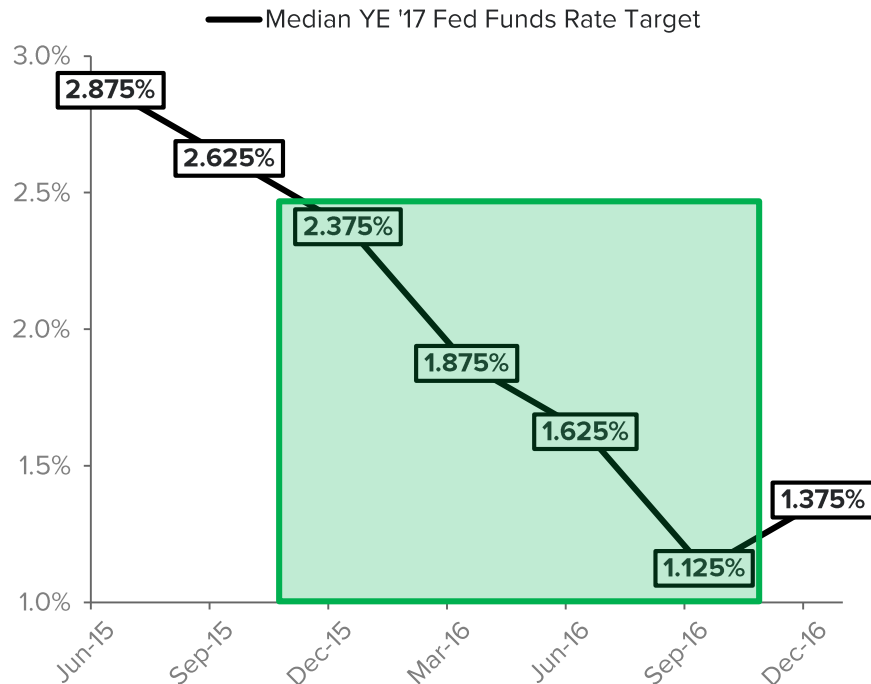
DON'T BUY PEAK MARGINS



REMEMBER THE “SHANGHAI ACCORD”?

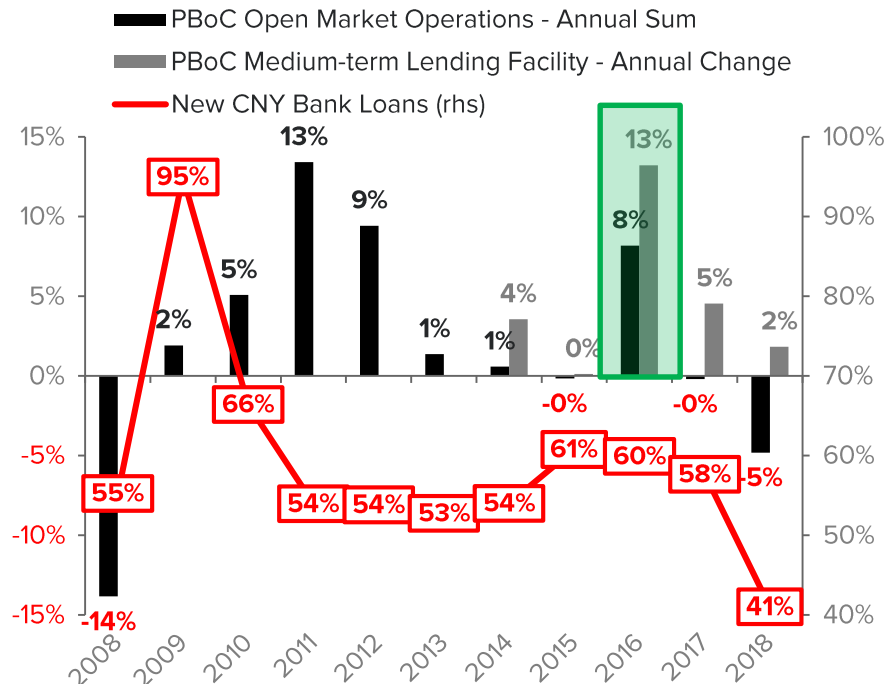
THE FED RHETORICALLY EASED SIGNIFICANTLY DURING
THE 2015-16 GLOBAL INDUSTRIAL RECESSION...

FOMC "Dot Plot" Progression



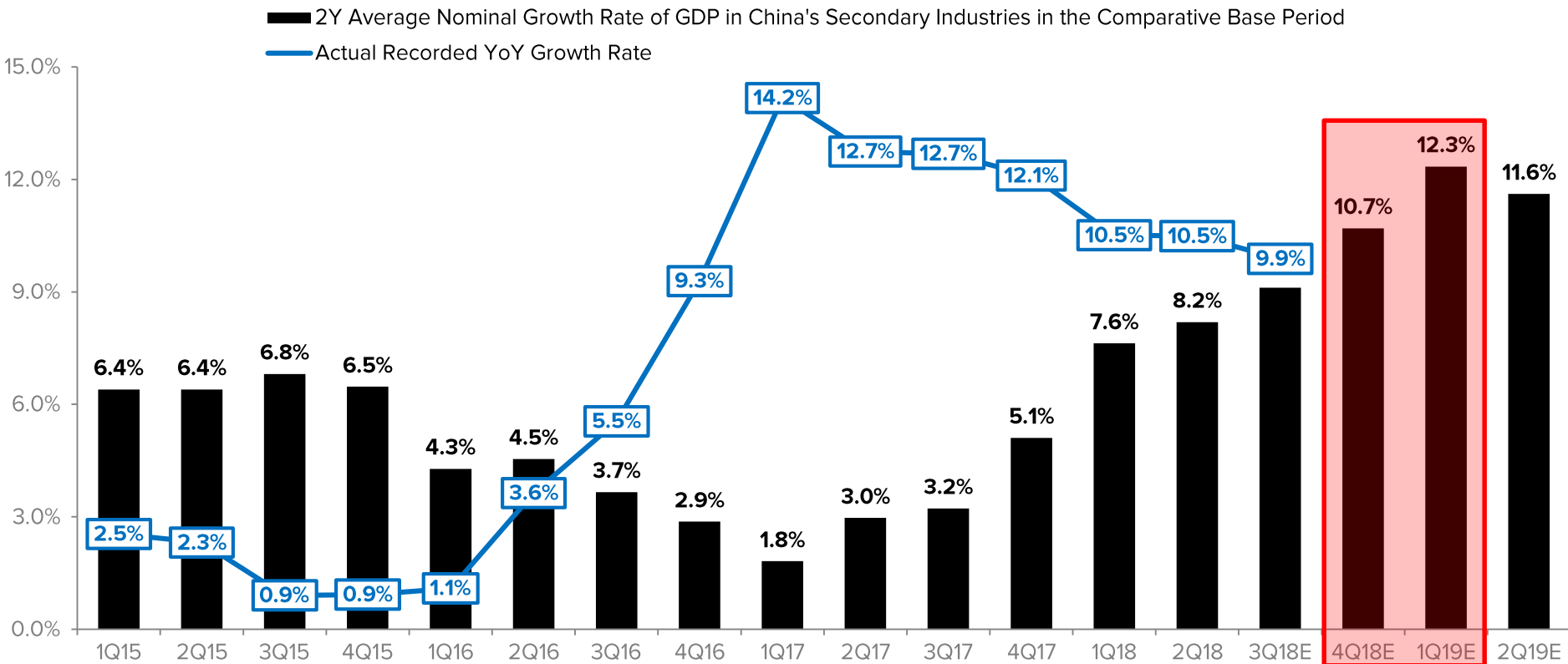
...WHICH ALLOWED THE PBOC TO UNLEASH AN
UNPRECEDENTED WAVE OF LIQUIDITY

Net Liquidity Provided as a % of GDP



BEIJING IS GOING TO NEED A “BIGGER BOAT” TO RESCUE #OLDCHINA

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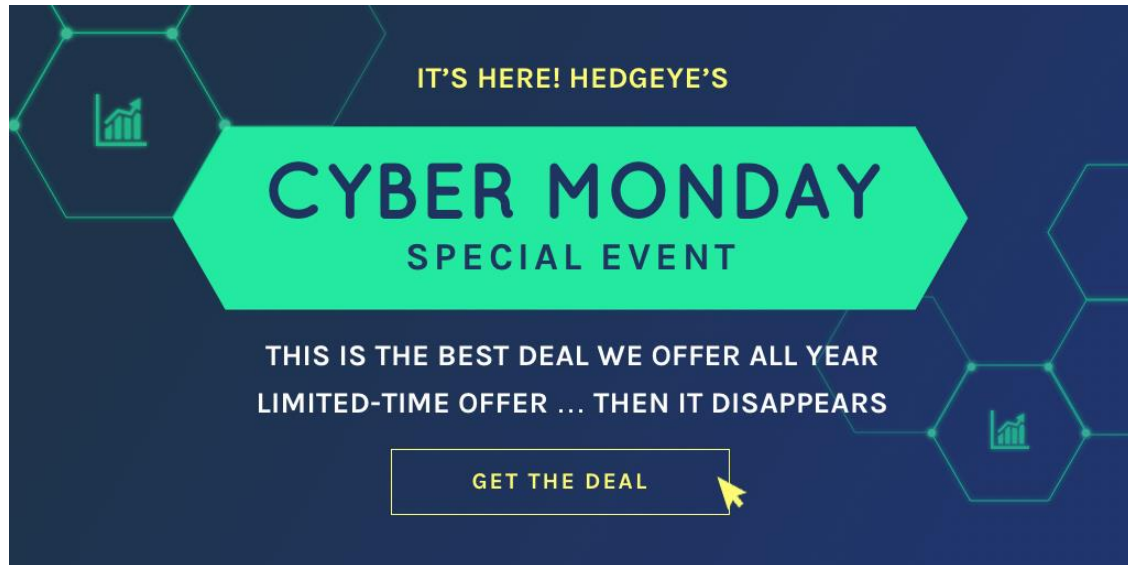
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CYBER MONDAY

SPECIAL EVENT

THIS IS THE BEST DEAL WE OFFER ALL YEAR
LIMITED-TIME OFFER ... THEN IT DISAPPEARS

GET THE DEAL

The banner features a dark blue background with a hexagonal pattern. A large red hexagon in the center contains the text 'CYBER MONDAY SPECIAL EVENT'. Above it, in yellow, is 'IT'S HERE! HEDGEYE'S'. Below it, in white, is 'THIS IS THE BEST DEAL WE OFFER ALL YEAR LIMITED-TIME OFFER ... THEN IT DISAPPEARS'. At the bottom, a yellow button with a black border says 'GET THE DEAL'. A yellow mouse cursor arrow points at the button. On the left and right sides, there are hexagons containing a white line graph icon.

FOR MORE INFORMATION CONTACT:

MMORAN@HEDGEYE.COM