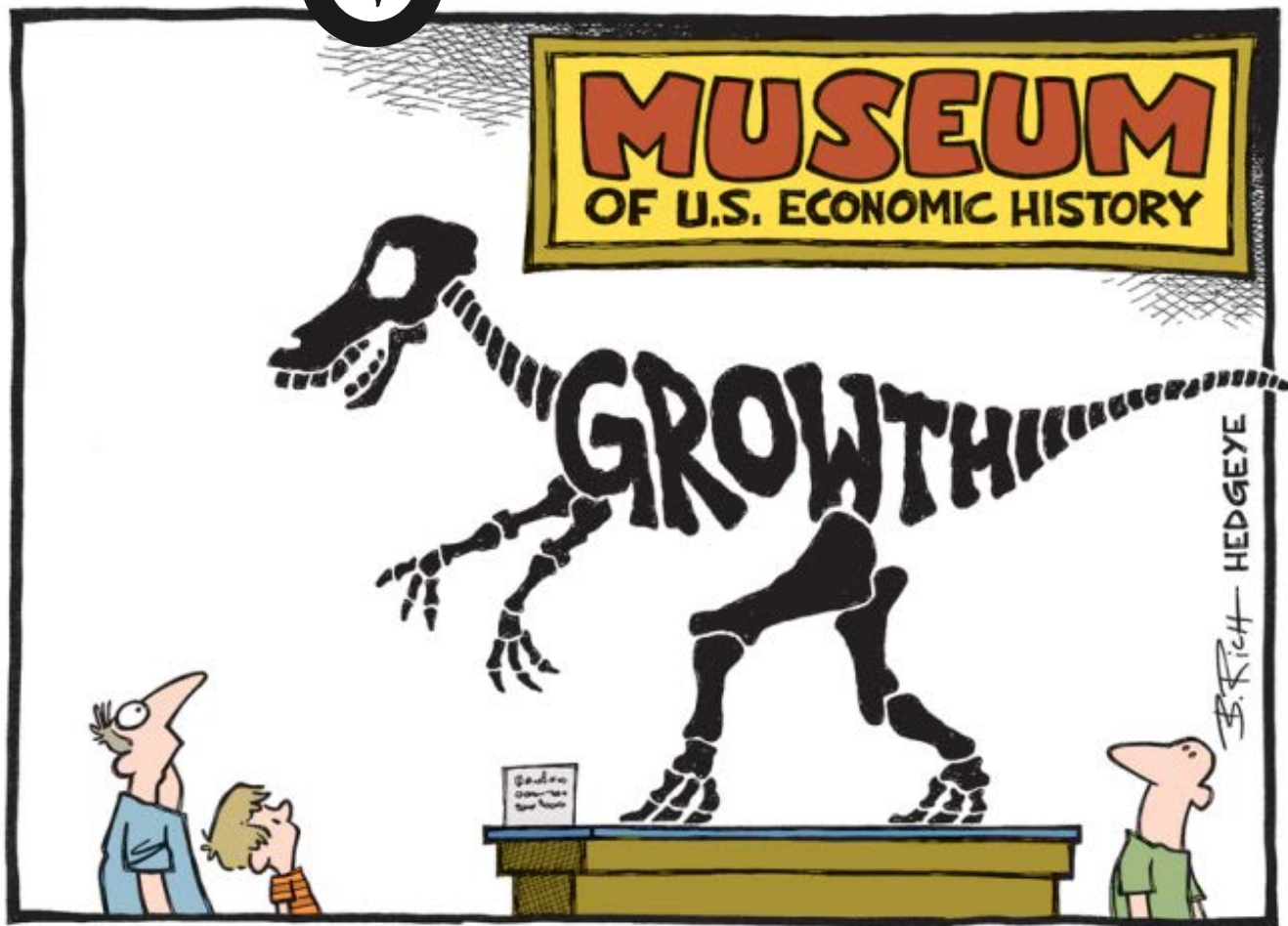




Q1 2016 MACRO THEMES

JANUARY 5TH 2016



DISCLAIMER

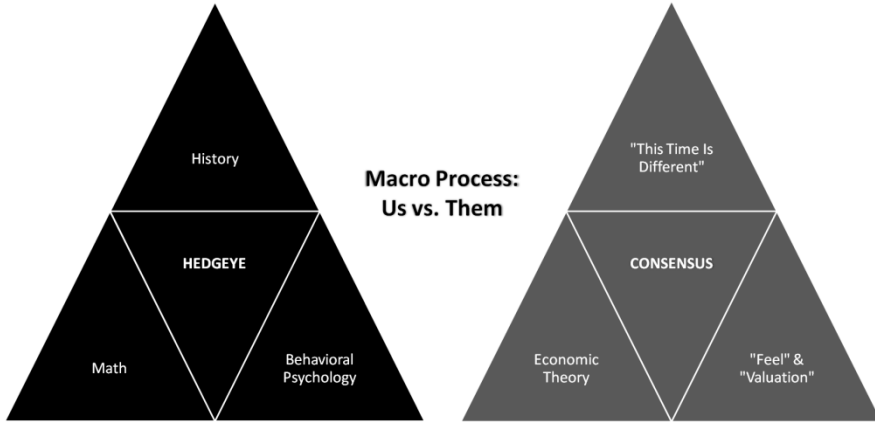
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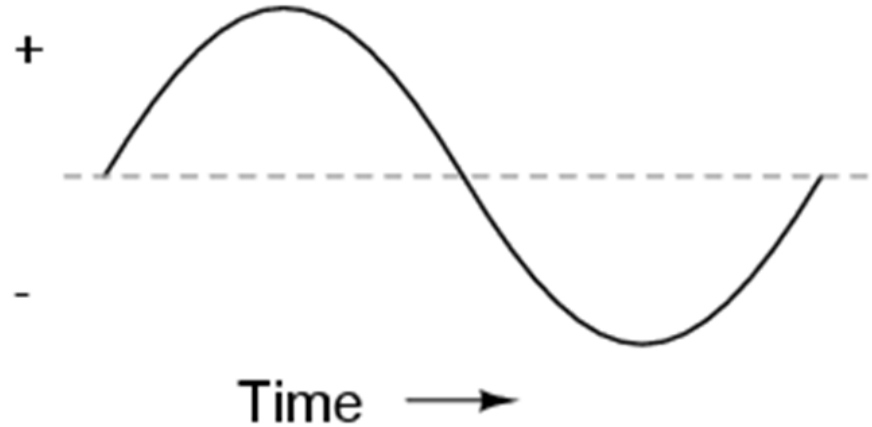
PLEASE SUBMIT QUESTIONS TO
QA@HEDGEYE.COM
TO BE ANSWERED AT THE END OF THE CALL

PROCESS SLIDE #1



DIFFERENTIATED FROM THE HERD

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



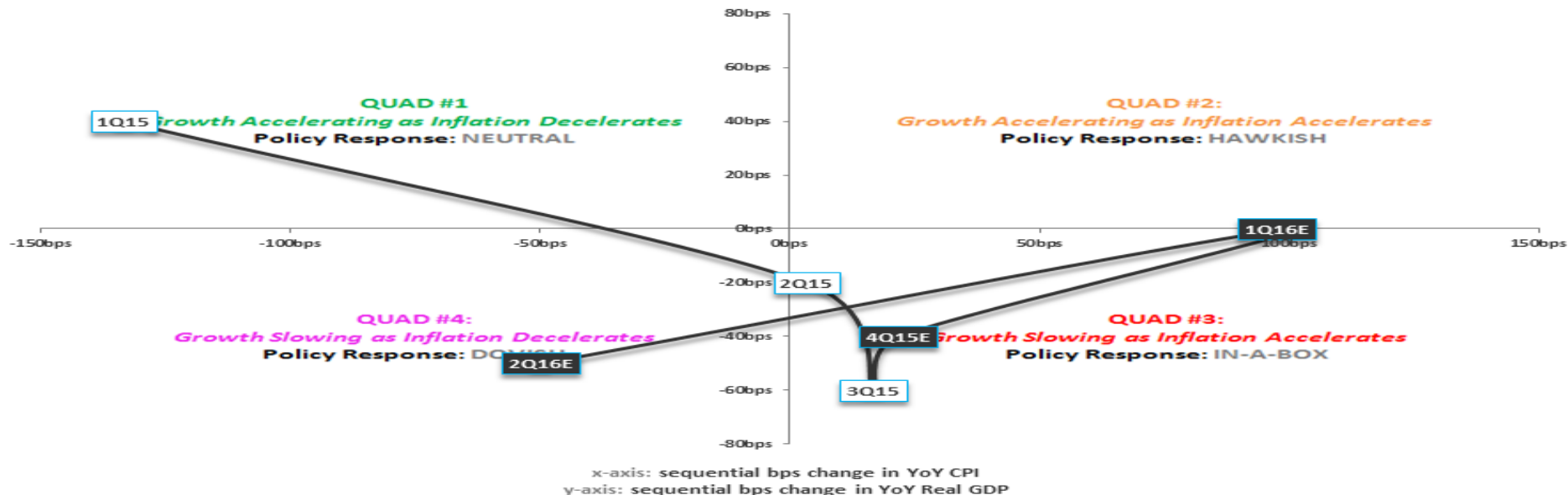
WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

PROCESS SLIDE #2

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	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model			
Real GDP QoQ SAAR	0.5%	0.1%	1.9%	1.1%	3.0%	3.8%	-0.6%	4.6%	4.3%	2.1%	0.6%	3.9%	2.0%	GIP = Growth/Inflation/Policy			
Real GDP YoY	2.4%	1.3%	1.1%	0.9%	1.5%	2.5%	1.7%	2.6%	2.9%	2.5%	2.9%	2.7%	2.1%	Full-year Estimates			
2Y Average	1.8%	1.5%	2.0%	1.7%	2.0%	1.9%	1.4%	1.8%	2.2%	2.5%	2.3%	2.7%	2.5%	Hedgeye Predictive Tracking Algorithm			
3Y Average	2.2%	1.9%	1.9%	1.7%	1.7%	1.8%	1.9%	2.0%	2.3%	2.1%	1.9%	2.1%	2.2%	Bloomberg Consensus Estimate			
CAGR (3Y)	2.23%	1.90%	1.93%	1.70%	1.70%	1.83%	1.86%	2.00%	2.27%	2.10%	1.90%	2.06%	2.17%	Central Bank Forecast			
CPI YoY	1.7%	1.9%	1.7%	1.4%	1.6%	1.2%	1.4%	2.1%	1.8%	1.3%	-0.1%	0.0%	0.1%	Full-year Estimates			
2Y Average	2.7%	2.6%	2.3%	1.7%	1.6%	1.6%	1.6%	1.8%	1.7%	1.3%	0.7%	1.0%	1.0%	Hedgeye Predictive Tracking Algorithm			
3Y Average	2.2%	2.2%	2.2%	2.3%	2.3%	2.1%	2.0%	1.8%	1.7%	1.5%	1.0%	1.2%	1.2%	Bloomberg Consensus Estimate			
CAGR (3Y)	2.19%	2.15%	2.22%	2.26%	2.34%	2.14%	1.98%	1.80%	1.69%	1.47%	1.01%	1.15%	1.16%	Central Bank Forecast			



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 Exposure	Weighted Average QoQ % Change, by Quadrant				Percentile of Weighted Average QoQ % Change, by Asset Class				Percentile of Weighted Average QoQ % Change, by Quadrant				Positive Hit Rate [color-coding by Asset Class & Quadrant]				Total Quarterly Performance Observations			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
S&P 500 Index	3.8%	1.2%	-0.2%	-0.6%	38%	38%	38%	46%	76%	61%	33%	55%	85%	83%	54%	65%	20	12	24	17
S&P 500 Consumer Discretionary Sector Index	4.7%	1.3%	-0.4%	-0.1%	85%	46%	23%	85%	94%	64%	15%	82%	80%	75%	46%	59%	20	12	24	17
S&P 500 Consumer Staples Sector Index	3.1%	1.6%	-0.2%	1.0%	15%	69%	31%	92%	67%	76%	30%	94%	90%	92%	58%	65%	20	12	24	17
S&P 500 Energy Sector Index	3.5%	1.4%	0.7%	-1.8%	23%	54%	92%	0%	70%	67%	76%	18%	85%	92%	67%	47%	20	12	24	17
S&P 500 Financials Sector Index	4.3%	0.5%	-0.6%	-0.9%	54%	15%	15%	15%	82%	42%	12%	39%	80%	75%	58%	71%	20	12	24	17
S&P 500 Health Care Sector Index	3.0%	2.1%	0.5%	1.5%	8%	92%	77%	100%	64%	91%	64%	97%	80%	83%	58%	82%	20	12	24	17
S&P 500 Industrials Sector Index	4.2%	1.9%	-0.1%	-1.1%	46%	77%	54%	8%	79%	82%	39%	36%	70%	83%	50%	47%	20	12	24	17
S&P 500 Information Technology Sector Index	4.5%	2.1%	0.3%	-0.6%	77%	85%	69%	54%	91%	85%	58%	58%	85%	83%	50%	65%	20	12	24	17
S&P 500 Materials Sector Index	4.7%	0.1%	-1.0%	-0.7%	92%	8%	8%	31%	97%	27%	3%	48%	90%	75%	50%	47%	20	12	24	17
S&P 500 Utilities Sector Index	2.0%	-0.5%	1.5%	-0.2%	0%	0%	100%	77%	55%	9%	88%	76%	70%	42%	63%	59%	20	12	24	17
Russell 2000 Index	4.5%	1.1%	0.2%	-0.9%	69%	31%	62%	23%	88%	58%	55%	42%	75%	75%	63%	59%	20	12	24	17
Dow Jones Industrial Average	3.7%	1.0%	-0.1%	-0.5%	31%	23%	46%	62%	73%	55%	36%	61%	85%	83%	54%	59%	20	12	24	17
MSCI Emerging Markets Index	5.2%	1.6%	-1.3%	-0.4%	100%	62%	0%	69%	100%	70%	0%	67%	80%	67%	46%	53%	20	12	24	17
FTSE NAREIT Equity REITs Total Return Index	4.4%	2.7%	0.7%	-0.6%	62%	100%	85%	38%	85%	97%	73%	52%	70%	67%	67%	76%	20	12	24	17
FINRA - BLP Active Investment Grade US Corporate Bond Average Yield to Maturity	-3.1%	-0.4%	2.7%	-3.0%	33%	33%	67%	0%	6%	15%	94%	6%	36%	67%	71%	33%	14	6	17	12
FINRA - BLP Active HY US Corporate Bond Index Average Yield to Maturity	-3.5%	-3.6%	2.9%	-1.7%	17%	0%	83%	50%	3%	0%	97%	21%	36%	17%	65%	42%	14	6	17	12
Barclays US Corporate High Yield Average OAS	-3.6%	-1.5%	4.2%	3.3%	0%	17%	100%	100%	0%	3%	100%	100%	20%	25%	46%	59%	20	12	24	17
US Treasury 2Y Yield	0.5%	-0.4%	0.6%	-2.6%	100%	50%	33%	17%	36%	18%	67%	9%	55%	50%	54%	35%	20	12	24	17
US Treasury 10Y Yield	-0.5%	0.5%	-0.4%	-2.2%	83%	83%	17%	33%	15%	18%	12%	45%	58%	50%	35%	35%	20	12	24	17
US Treasury 30Y Yield	-0.6%	0.8%	-0.6%	-1.5%	67%	100%	0%	67%	12%	52%	9%	24%	45%	75%	54%	35%	20	12	24	17
Bond Buyer US 40 Municipal Bond YTM	-1.1%	0.2%	0.6%	-1.5%	50%	67%	50%	83%	9%	30%	70%	27%	25%	50%	50%	18%	20	12	24	17
Thomson Reuters/CoreCommodity CRB Commodity Index	1.2%	2.1%	0.7%	-3.6%	50%	50%	25%	25%	48%	88%	79%	3%	70%	83%	71%	29%	20	12	24	17
Commodity Research Bureau BLS/US Spot Raw Industrials Index	1.1%	1.6%	-0.3%	-1.2%	25%	0%	0%	75%	45%	73%	27%	30%	65%	67%	42%	41%	20	12	24	17
Commodity Research Bureau BLS/US Spot Foodstuff Index	0.1%	2.3%	1.0%	-2.0%	0%	75%	75%	50%	24%	94%	85%	15%	55%	50%	54%	29%	20	12	24	17
Front-month Brent Crude Oil	2.5%	3.9%	2.1%	-4.5%	100%	100%	100%	0%	61%	100%	91%	0%	55%	83%	54%	29%	20	12	24	17
Gold Spot	2.1%	1.7%	0.8%	-0.4%	75%	25%	50%	100%	58%	79%	82%	73%	60%	58%	58%	47%	20	12	24	17
US Dollar Index	0.0%	0.4%	0.1%	0.4%	0%	57%	71%	100%	18%	33%	48%	91%	50%	67%	50%	71%	20	12	24	17
AUD/USD	1.7%	0.5%	-0.6%	-0.5%	100%	86%	0%	29%	52%	45%	6%	64%	60%	83%	63%	41%	20	12	24	17
CAD/USD	0.5%	0.7%	0.1%	-0.8%	57%	100%	86%	14%	33%	48%	52%	45%	45%	58%	54%	35%	20	12	24	17
CHF/USD	0.7%	-0.4%	0.4%	0.2%	86%	29%	100%	86%	42%	21%	61%	88%	60%	42%	63%	41%	20	12	24	17
EUR/USD	0.1%	-0.7%	0.1%	-0.2%	29%	0%	57%	57%	27%	6%	45%	79%	50%	25%	58%	35%	20	12	24	17
GBP/USD	0.4%	0.5%	-0.4%	-0.4%	43%	71%	14%	43%	30%	39%	21%	70%	45%	75%	42%	47%	20	12	24	17
JPY/USD	0.0%	-0.5%	0.0%	-0.1%	14%	14%	43%	71%	21%	12%	42%	85%	35%	33%	50%	35%	20	12	24	17
JPMorgan EM FX Index	0.6%	-0.1%	-0.3%	-1.1%	71%	43%	29%	0%	39%	24%	24%	33%	60%	63%	58%	40%	15	8	19	15

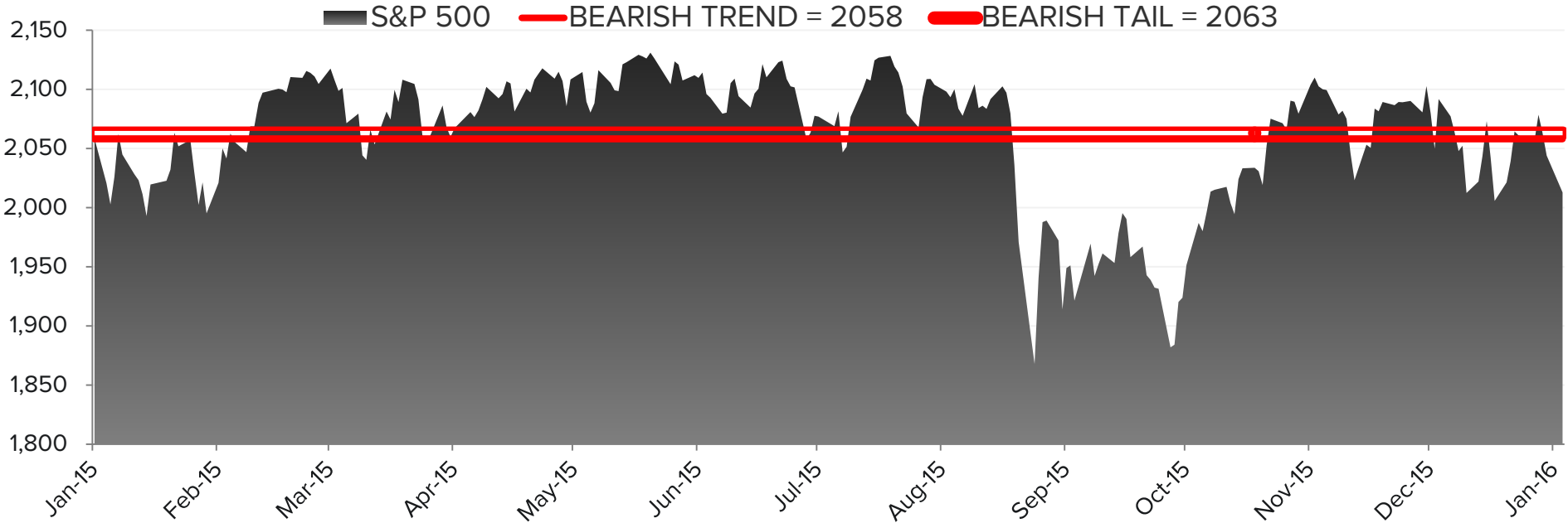
Source: Bloomberg data; Hedgeye calculations. Trailing 20 years.

DATA SOURCE: BLOOMBERG. THE AVERAGE QUARTERLY RETURN DATA IS WEIGHTED BY DELTA INTO RESPECTIVE QUADRANT.

HEDGEYE 6

PROCESS SLIDE #3

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)

Q4 2015 MACRO THEMES

1

#SUPERLATECYCLE (USA)

Slowing growth typifies the twilight of an economic expansion and negative 2nd derivative trends are creeping in across much of the domestic fundamental data. From labor and manufacturing markets to consumer and business confidence, leading indicators are beginning to roll as the late-cycle moves past peak. We'll detail why Slower-And-Lower-For-Longer remains the call.

2

#GAMEOFSLOWING

With the Street, IMF, World Bank and OECD all still forecasting global growth of around 3% for 2015, we find it appropriate to reiterate our call for global growth to come in at or below half that rate. Moreover, while China's August CNY devaluation effectively made our #EmergingOutflows theme a consensus bearish cog in the global economic outlook, we do not think investors are appropriately positioned for a likely trend of negative revisions to the respective growth outlooks in the U.S., Eurozone and Japan throughout the balance of the year.

3

#CRASHING

Definitive crashes have occurred across many global macro markets in recent months. Those market participants on the wrong side of growth slowing and deflation are feeling the most pain. Crashing inflation expectations are perpetuating the pain across all asset classes and sectors levered to unrealistic growth expectations (energy, industrials, materials), as well as across the high-yield bond market, commodity markets, commodity currencies. Is the U.S. equity market next in line?

Q1 2016 MACRO THEMES

1

U.S. #RECESSION

Industrial activity and corporate profitability are already trending at recessionary levels. Meanwhile, domestic employment, consumption and income growth are all past peak and policy-driven deflationary pressures should persist in perpetuating soft external demand, EM distress, weak import pricing, HY credit risk and further flagging in corporate capex. We'll contextualize the current macro data and handicap the probability of recession as the late-cycle U.S. economy traverses its steepest GDP base effects of the cycle.

2

#CREDITCYCLE

An extended breakout in corporate credit spreads has preceded recessionary periods in prior cycles, and since we introduced our deflation theme in 2H14, both high yield and investment grade spreads have marched higher off all-time lows in cross-asset volatility and all-time highs in corporate credit outstanding. In effect, we are loudly reiterating our call that the unwind of ZIRP and QE will continue to deflate the easy money credit boom it fabricated in the form of continued recessionary earnings growth as the business cycle gets dangerously long in the tooth.

3

#CURRENCYWAR

Historically, Fed tightening cycles, #LateCycle slowdowns and #Quad3 outcomes have all been independently been bearish for the USD. As such, our expectation for a continuation of #StrongDollar commodity and asset price deflation appears misguided in the context of our dour fundamental outlook for the U.S. economy. That said, however, currencies cannot be analyzed in isolation and our proprietary analysis of the world's top-10 economies renders the [dollar-bullish] global monetary policy divergence theme we authored well intact.

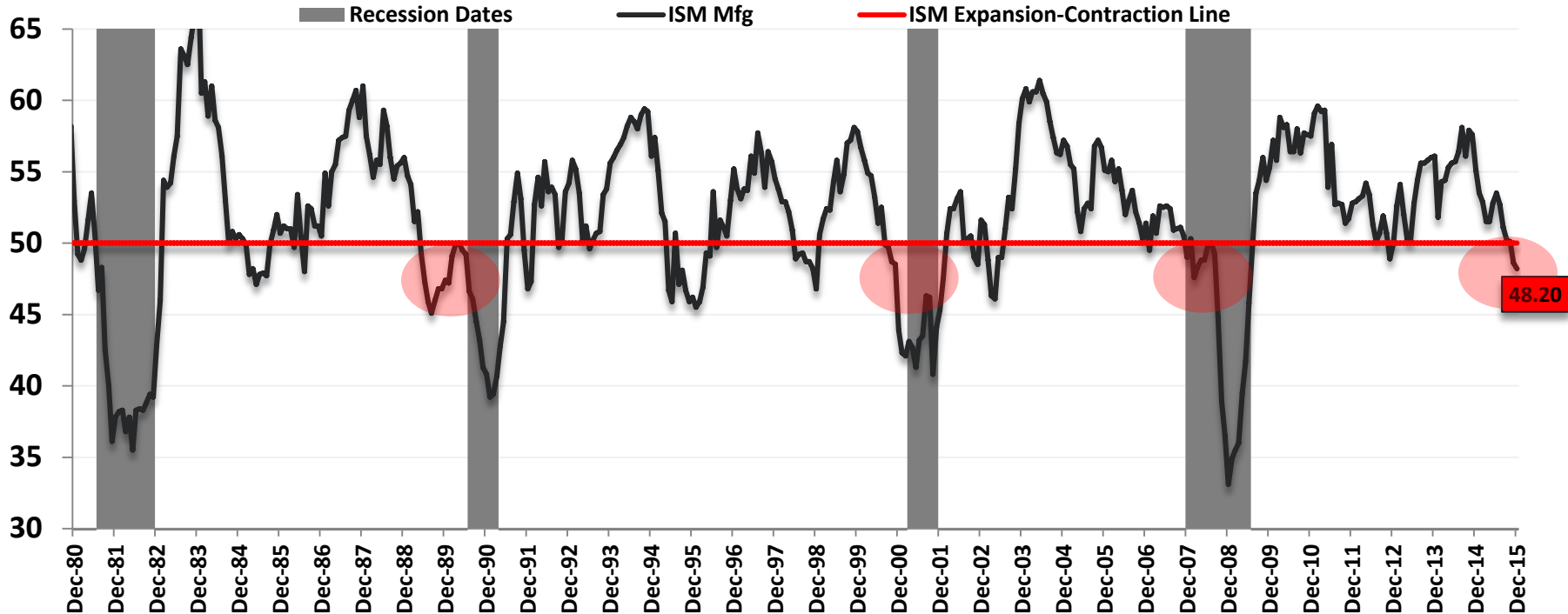


U.S. #RECESSION

#RECESSION: MANUFACTURING

MANUFACTURING ACTIVITY CONTRACTED IN BACK TO BACK MONTHS IN DECEMBER FOR THE 1ST TIME SINCE 2009. WITH NEW ORDERS AND BACKLOGS BOTH HOLDING <50, THE NEAR-TERM PROSPECTS FOR REACCELERATION IN BUSINESS ACTIVITY ARE NOT FAVORABLE.

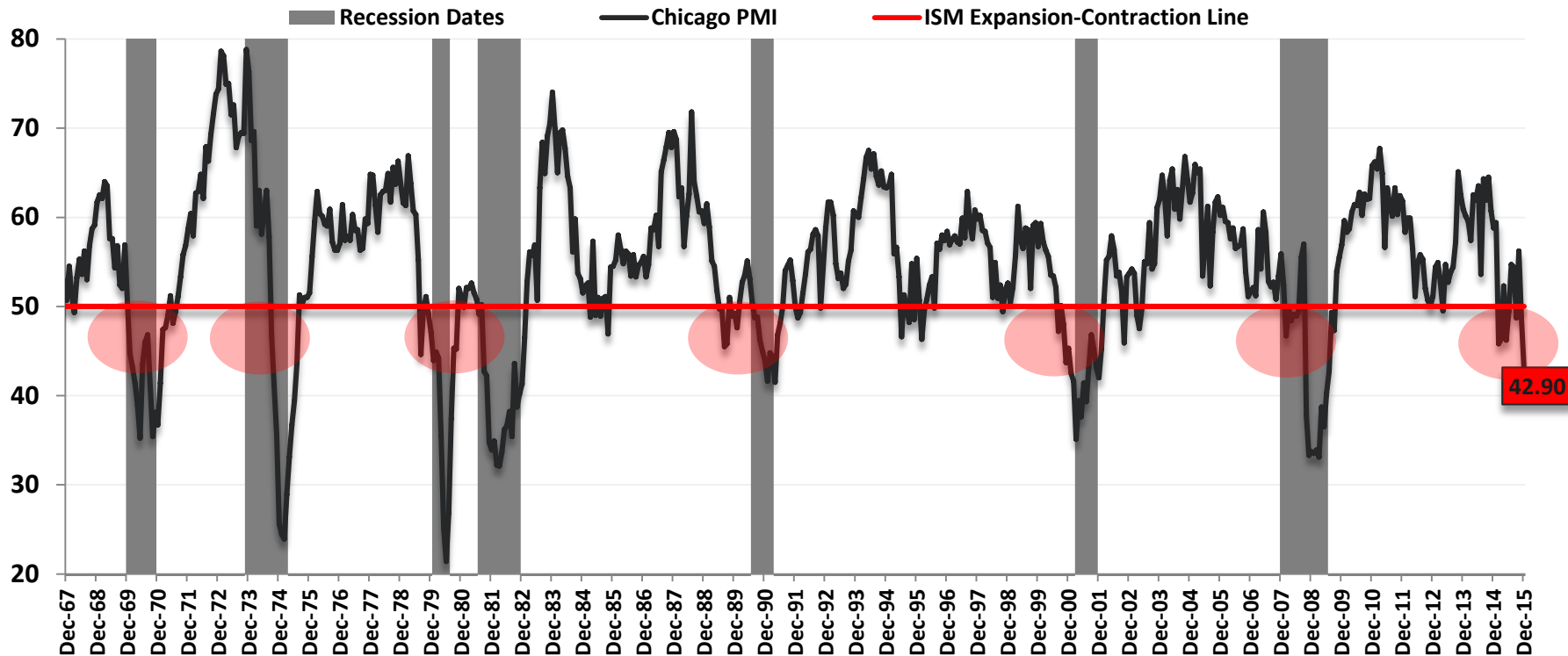
ISM



#RECESSION: PMI

THE CHICAGO PMI HAS SERVED AS A SOLID LEADING INDICATOR AND INCLUDES BOTH MANUFACTURING AND SERVICES INDUSTRIES.

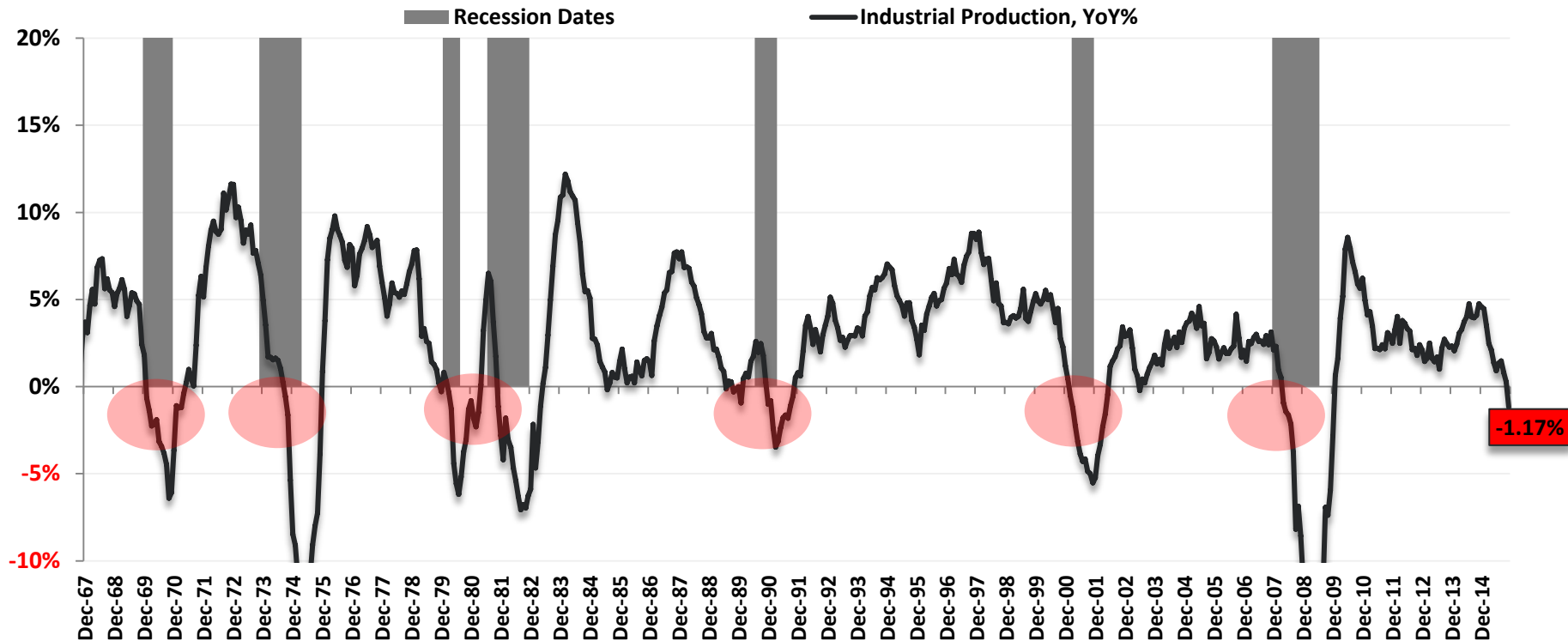
Chicago PMI



#RECESSION: INDUSTRIAL PRODUCTION

INDUSTRIAL PRODUCTION GROWTH WENT NEGATIVE IN NOVEMBER FOR THE 1ST TIME SINCE 2009.

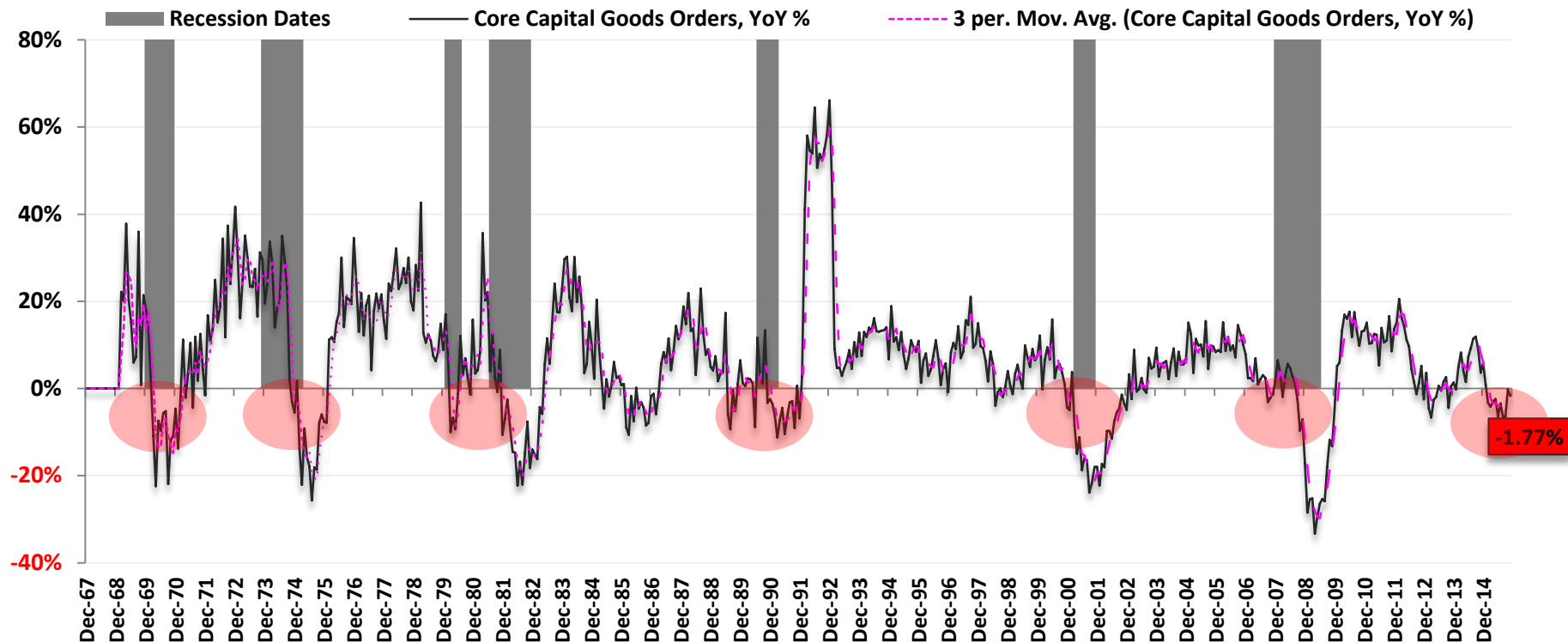
INDUSTRIAL PRODUCTION



#RECESSION: CAPITAL INVESTMENT

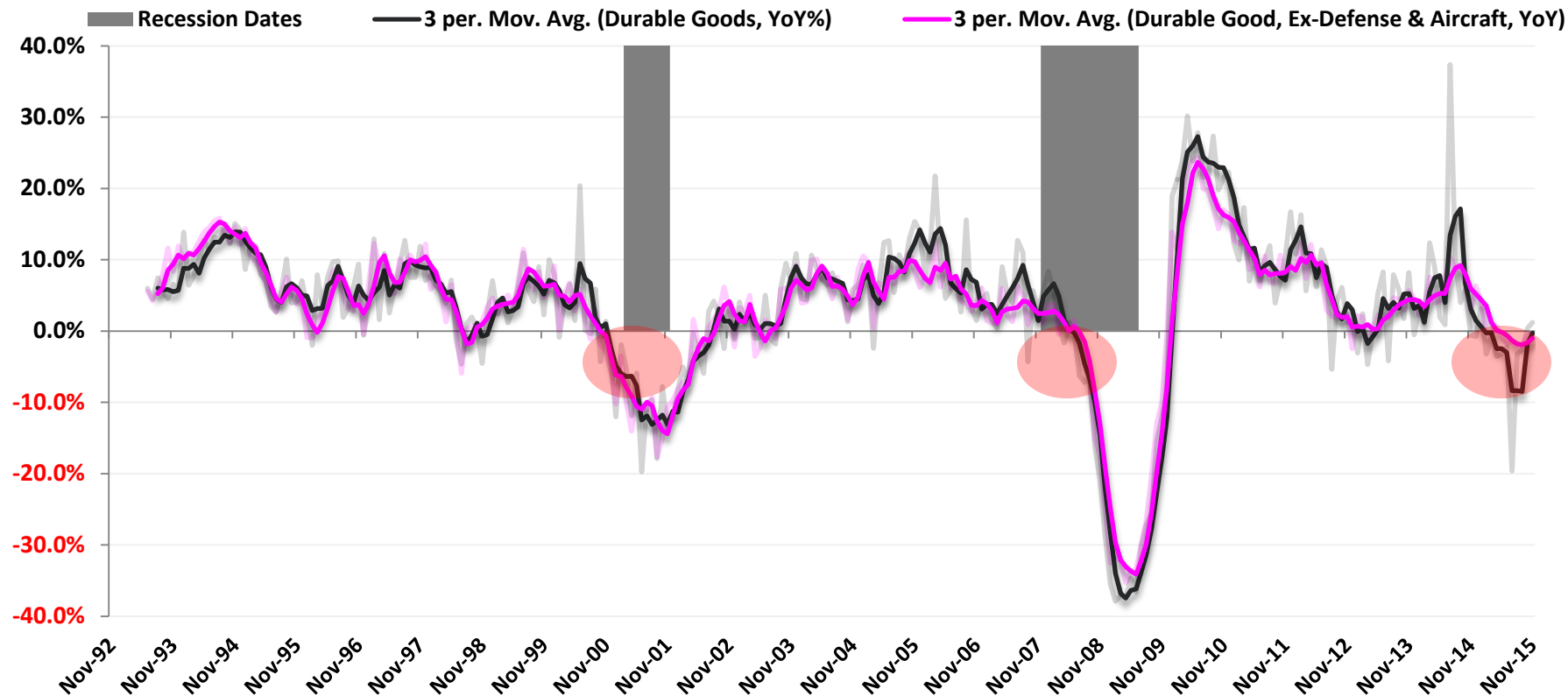
CORE CAPITAL GOODS ORDERS HAVE BEEN NEGATIVE FOR 10 CONSECUTIVE MONTHS. EASIER COMPS ARE HOLLOW SOLACE AS CAPEX PLANS CONTINUE TO TREND LOWER.

CAPITAL GOODS ORDERS



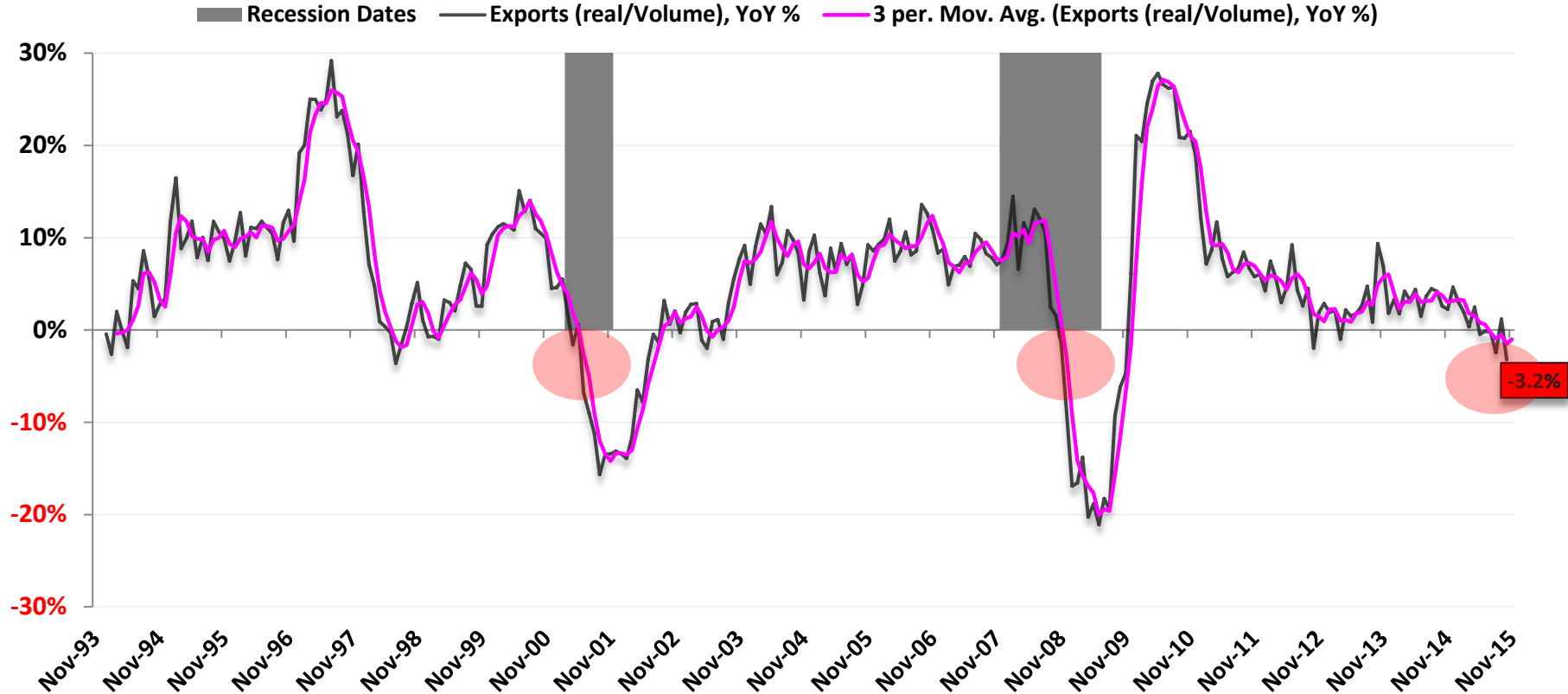
#RECESSIONARY: DURABLE GOODS

HEADLINE DURABLE GOODS GROWTH HAS BEEN NEGATIVE IN 8 OF THE LAST 10 MONTHS. MEANWHILE, DURABLE GOODS EX-DEFENSE & AIRCRAFT (I.E. THE STUFF THE AVERAGE HOUSEHOLD BUYS) HAS BEEN NEGATIVE IN EACH OF THE LAST 7-MONTHS.



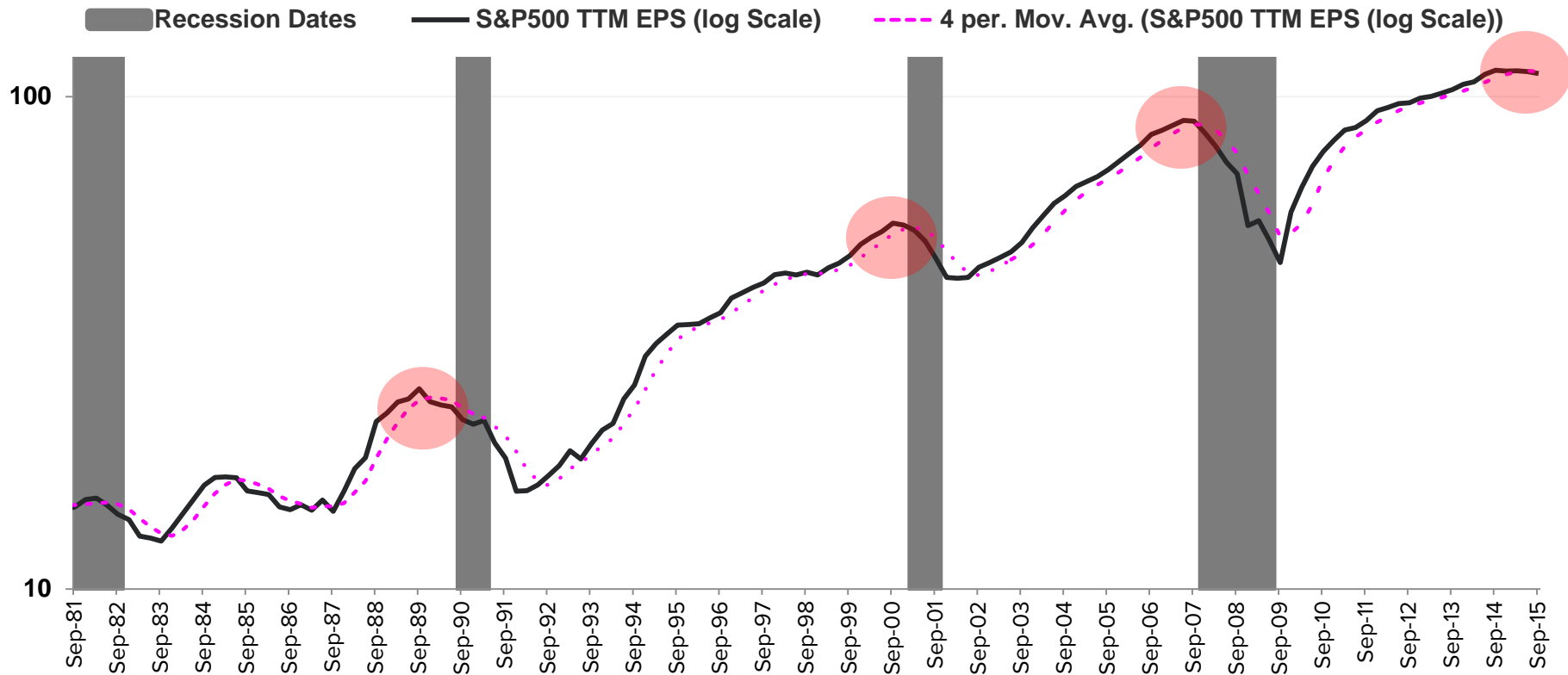
#RECESSIONARY: EXPORTS

EXPORT GROWTH HAS BEEN NEGATIVE IN 5 OF THE LAST 6-MONTHS. THE **-3.2%** GROWTH RECORDED IN THE LATEST MONTH = WORST SINCE NOVEMBER '09.



#RECESSION: CORPORATE PROFITS

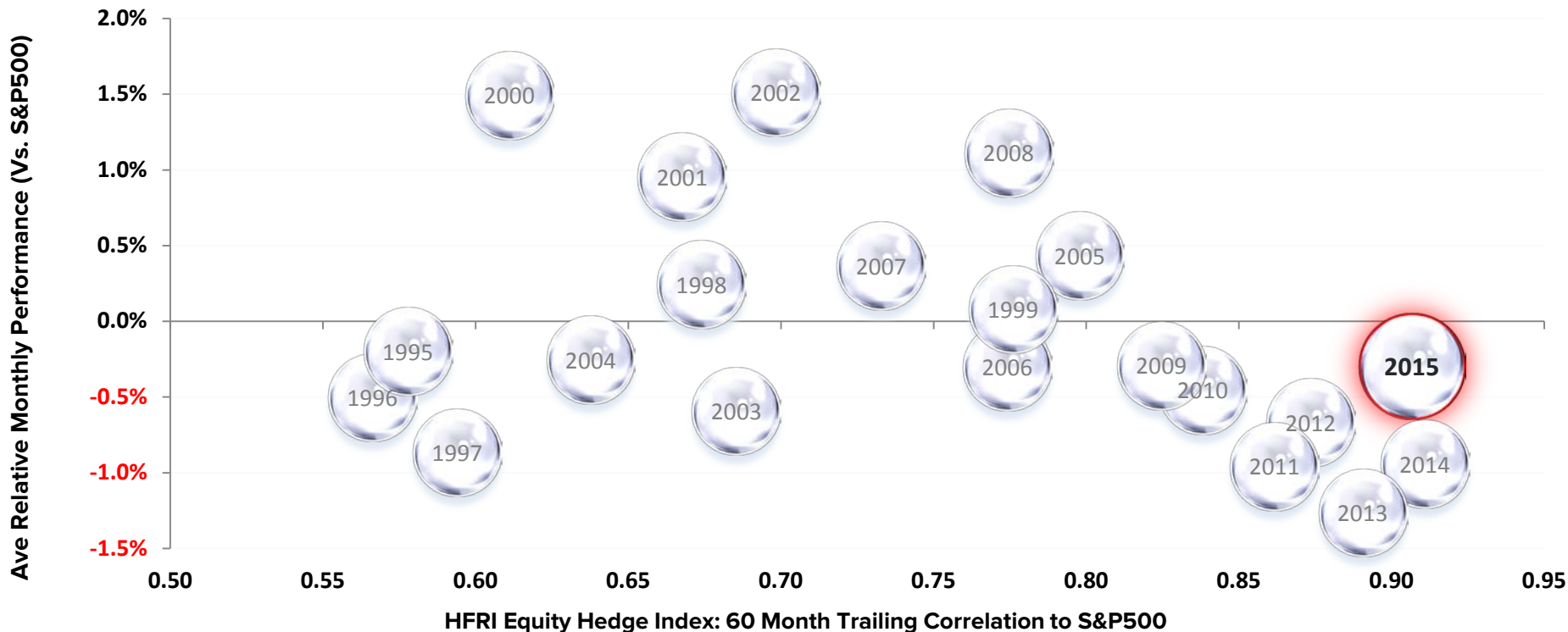
S&P 500 REVENUE AND EARNINGS WERE DOWN **-3.8%** AND **-4.3%** YOY IN 3Q15, RESPECTIVELY, AS ONLY **42%** AND **46%** OF COMPANIES RECORDED SEQUENTIAL ACCELERATION IN SALES AND EPS GROWTH.



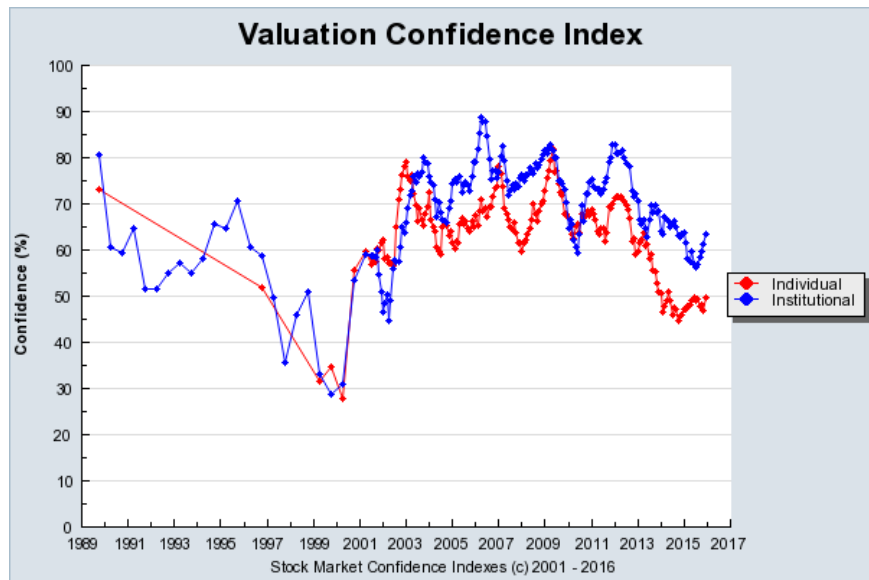
#RECESSION: CONTRARIAN THINKING

TRAILING HEDGE FUND CORRELATION TO BETA HELD ABOVE 0.90 FOR A 2ND YEAR IN 2015. BETA CHASING BREAKS DOWN WHEN SECTOR PERFORMANCE VARIANCE BREAKS OUT LIKE IT DID LAST YEAR.

Hedge Fund Correlation to S&P500 and Ave. Relative Performance

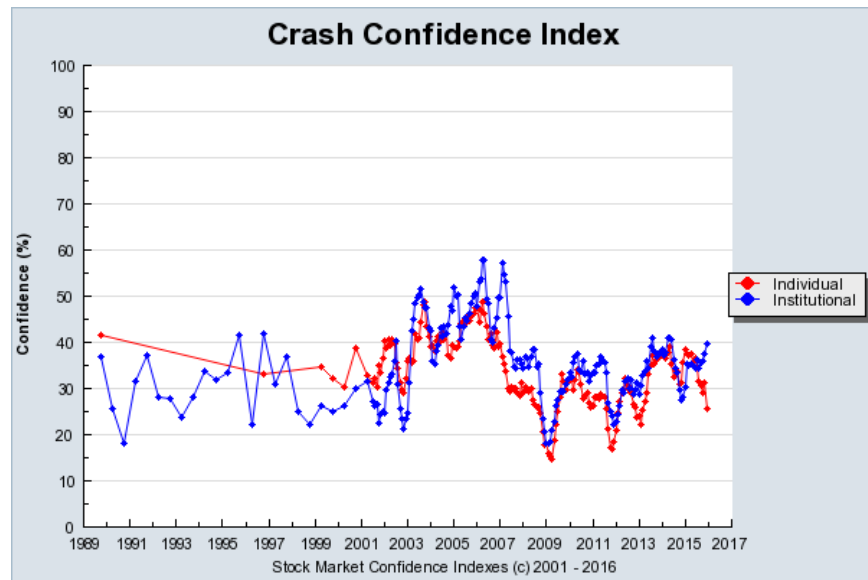


#RECESSION? RETAIL CONFIDENCE



VALUATION CONFIDENCE

Valuation angst is growing among **Individual investors**. **Institutional investors** like current multiples



CRASH CONFIDENCE

Individual investors are growing increasingly concerned about drawdown risk. **Institutional Investors** like the forward prospects

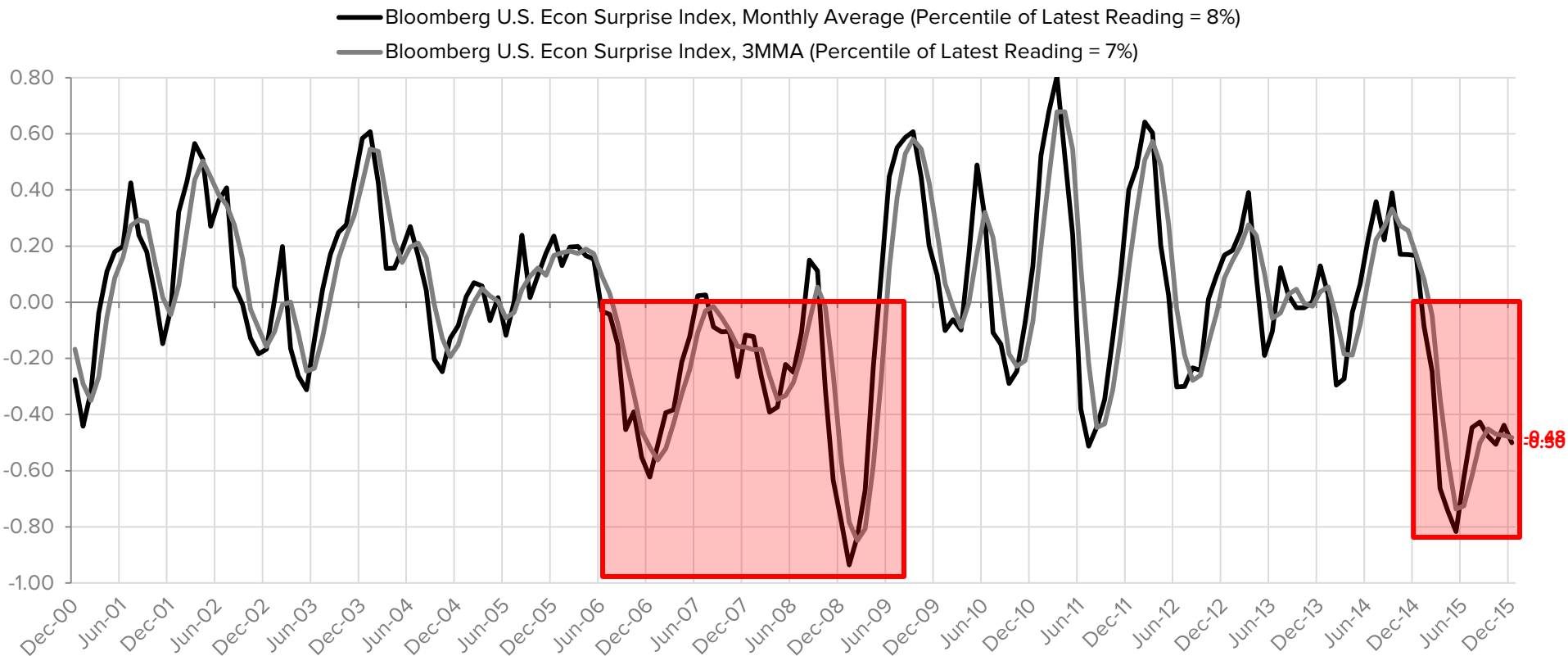
THE DATA = "WORSE"

U.S. ECONOMIC INDICATOR SUMMARY

MOST RECENT DATA							LAST PRICE vs.			QoQ Chg (4q15)	Y/Y Chg (Qtrly)
	Period	Latest data	Last Price	Prior Period	MoM Chg		3M Ave	6M Ave	TTM Ave		
CONSUMPTION	Personal Spending (Real PCE), YoY %	Nov-15	Worse	2.5%	2.7%	-0.13%	-0.2%	-0.4%	-0.6%	-0.5%	-0.6%
	Personal Income, YoY %	Nov-15	Worse	4.4%	4.6%	-0.25%	-0.2%	-0.2%	-0.3%	-0.2%	-0.7%
	Real Disposable Income (per capita), YoY %	Nov-15	Worse	2.7%	3.1%	-0.38%	-0.3%	-0.2%	-0.2%	-0.1%	3.3%
	Retail Sales, YoY %	Nov-15	Worse	1.4%	1.7%	-0.32%	-0.4%	-0.6%	-0.8%	-0.8%	-2.8%
	Consumer Credit, YoY %	Oct-15	Worse	7.0%	7.0%	-0.06%	0.1%	0.1%	0.1%	0.1%	0.0%
	NFP Employment, MoM Chg	Nov-15	Worse	210	297	-87.0	-7	-2	-9	81	-70
	Initial Claims, NSA, YoY %	Dec-15	Worse	-5.8%	-9.9%	4.1%	2.1%	2.9%	4.2%	1.7%	7.7%
	Consumer Confidence	Dec-15	Better	97	93	3.9	0.4	-0.7	-1.5	-2.2	3.4
	Consumer Comfort	Dec-15	Better	41.7	40.9	0.80	-0.5	-0.3	-1.3	0.5	2.8
	Real Weekly Earnings, Y/Y %	Nov-15	Worse	1.6%	2.4%	-0.80%	-0.5%	-0.5%	-0.7%	-0.3%	0.6%
	Auto Sales, Millions Units	Nov-15	Worse	18.1	18.1	-0.07	0.0	0.3	0.8	1.9%	7.9%
	Gas Price	Dec-15	Better	2.01	2.14	-12.40%	-0.12	-0.33	-0.39	-16.5%	-24.9%
INVESTMENT	Industrial Production, YoY %	Nov-15	Worse	-1.2%	0.3%	-1.45%	-1.1%	-1.8%	-3.0%	-1.7%	-4.9%
	Capacity Utilization	Nov-15	Worse	77.0	77.5	-0.53	-0.5	-0.7	-1.0	-1.0%	-2.1%
	Durable Goods New Orders, YoY %	Nov-15	Better	1.2%	0.4%	0.80%	1.5%	5.6%	4.1%	9.3%	-0.7%
	Capital Goods - NonDefense Ex-Air, YoY %	Nov-15	Worse	-1.8%	-0.2%	-1.55%	1.1%	2.4%	0.8%	4.5%	-7.1%
	ISM Mfg	Dec-15	Worse	48.2	48.6	-0.40	-0.8	-2.0	-3.2	-2.4	-7.9
	ISM Mfg - New Orders	Dec-15	Better	49.2	48.9	0.30	-1.1	-2.4	-3.5	-2.4	-10.6
	ISM Mfg - Employment	Dec-15	Worse	48.1	51.3	-3.20	-0.9	-2.1	-2.9	-2.5	-6.3
	ISM Services	Nov-15	Worse	55.9	59.1	-3.20	-1.4	-2.0	-1.4	-1.2	0.1
	ISM Services - New Orders	Nov-15	Worse	57.5	62.0	-4.50	-1.2	-2.8	-1.8	-1.5	-0.1
	ISM Services - Employment	Nov-15	Worse	55.0	59.2	-4.20	-2.5	-1.8	-1.1	-0.9	0.3
	Mfg & Trade Inventories, YoY %	Oct-15	Worse	2.0%	2.4%	-0.3%	-0.2%	-0.4%	-0.8%	-0.4%	-2.3%
	Business Inventories I/S Ratio	Oct-15	Worse	1.38	1.37	0.01	0.7%	1.3%	2.2%	1.0%	4.5%
INVESTMENT (Residential)	Housing Starts	Nov-15	Better	1173	1062	111	26	20	73	-3.5%	5.9%
	New Home Sales	Nov-15	Better	490	470	20.0	23	10	-5	-0.6%	1.7%
	MBA Purchase Apps	Dec-15	Better	227	211	16.2	14	19	28	5.4%	27.2%
	NAHB Survey of Home Builders	Dec-15	Worse	61	62	-1.0	-1.7	-0.7	2.3	2.0	6.0
	FHFA HPI, NSA YoY %	Oct-15	Worse	6.1%	6.1%	-0.01%	0.2%	0.2%	0.4%	0.3%	0.9%
	Case-Shiller 20-City HPI, YoY %	Oct-15	Better	5.5%	5.4%	0.18%	0.2%	0.4%	0.7%	0.4%	1.2%
	CoreLogic HPI, YoY %	Oct-15	Worse	6.8%	6.9%	-0.13%	0.3%	1.1%	1.4%	1.0%	24.9%
GOVERNMENT	Construction Spending, YoY %	Nov-15	Worse	10.5%	10.9%	-0.5%	-1.1%	-2.0%	0.4%	-2.7%	3.2%
	Monthly Budget Balance, Bil \$'s	Nov-15	Better	-64.6	-136.5	72.0	-28	-19	-26	-59.69	-41.65
EXTERNAL	International Trade Balance, Bil \$'s	Oct-15	Worse	-43.9	-42.5	-1.43	1.2	0.7	0.3	-1.5%	2.6%

AND **WORSE** RELATIVE TO EXPECTATIONS

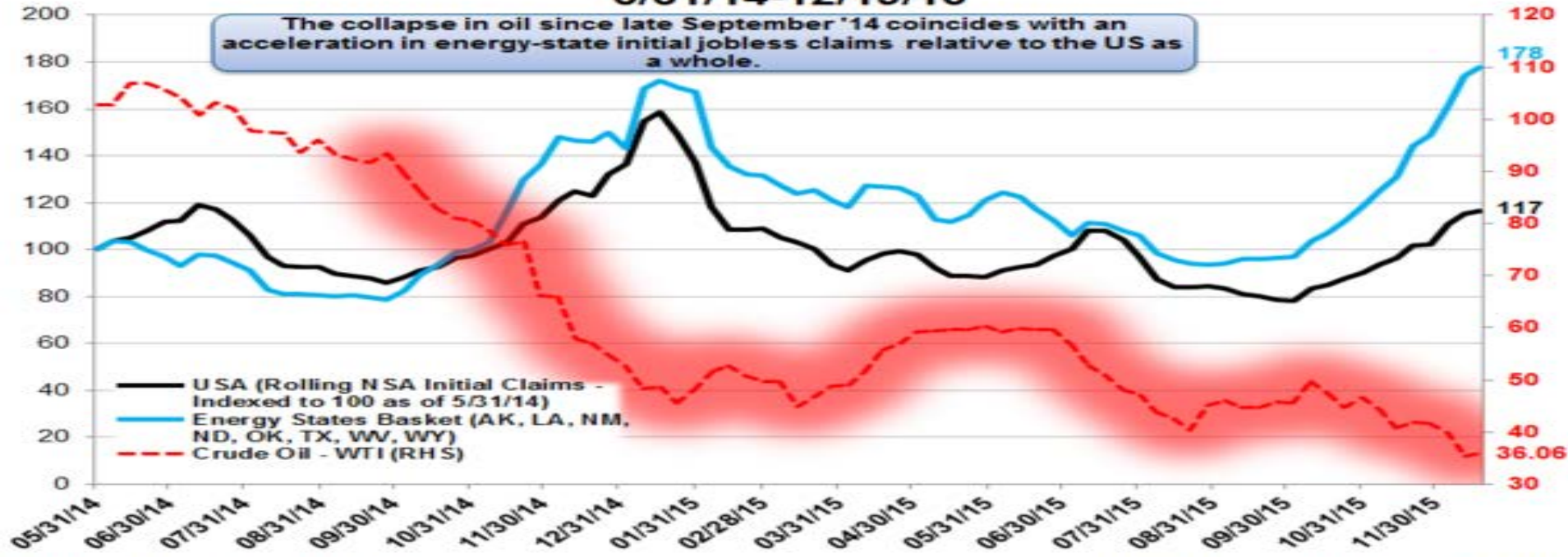
THE CURRENT UNMITIGATING TREND OF DISAPPOINTING MACRO DATA IS EERILY REMINISCENT OF THE BREAKDOWN IN DOMESTIC GROWTH MOMENTUM (VS. EXPECTATIONS) THAT STARTED IN JULY 2006. RECALL THAT THE PREPONDERANCE OF INVESTORS VIEWED THAT AS “MID-CYCLE SLOWDOWN” AS WELL.



WORSE: ENERGY STATE LABOR TRENDS

JOB LOSS IN ENERGY STATES IS REACCELERATING. A TREND WHICH SHOULD CONTINUE AS HEDGES ROLL OFF AND PRICES DEFLATION PERSISTS

US vs. Energy States - Initial Jobless Claims (LHS)
Crude Oil - WTI (RHS)
5/31/14-12/19/15



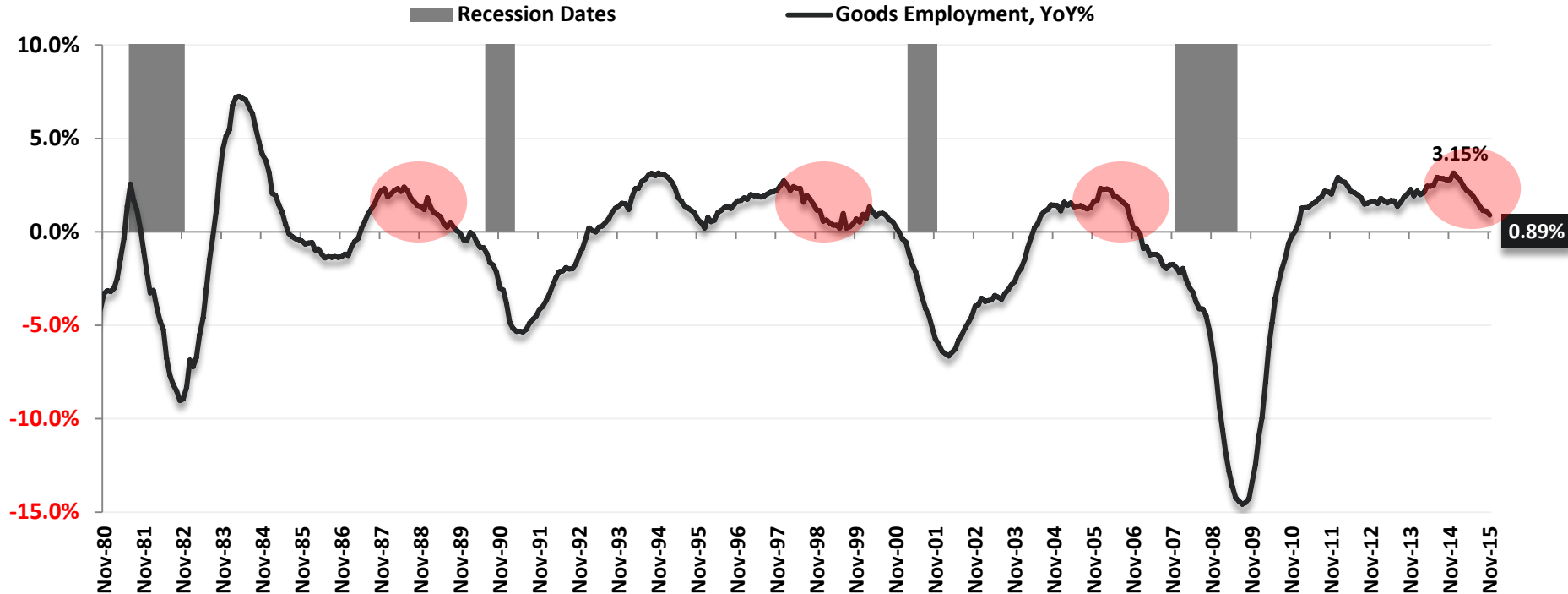
DATA SOURCE: DEPT OF LABOR

©2015 HEDGEYE RISK MANAGEMENT

WORSE: GOODS EMPLOYMENT

GOODS EMPLOYMENT LEADS BOTH SERVICE SECTOR EMPLOYMENT AND THE BROADER CYCLE – AND ITS TRENDING TOWARDS CONTRACTION. FURTHER EXTERNAL DEMAND SOFTNESS AND A RE-ACCELERATION IN ENERGY/MINING LABOR ADJUSTMENTS WILL CONTINUE TO PULL GROWTH LOWER.

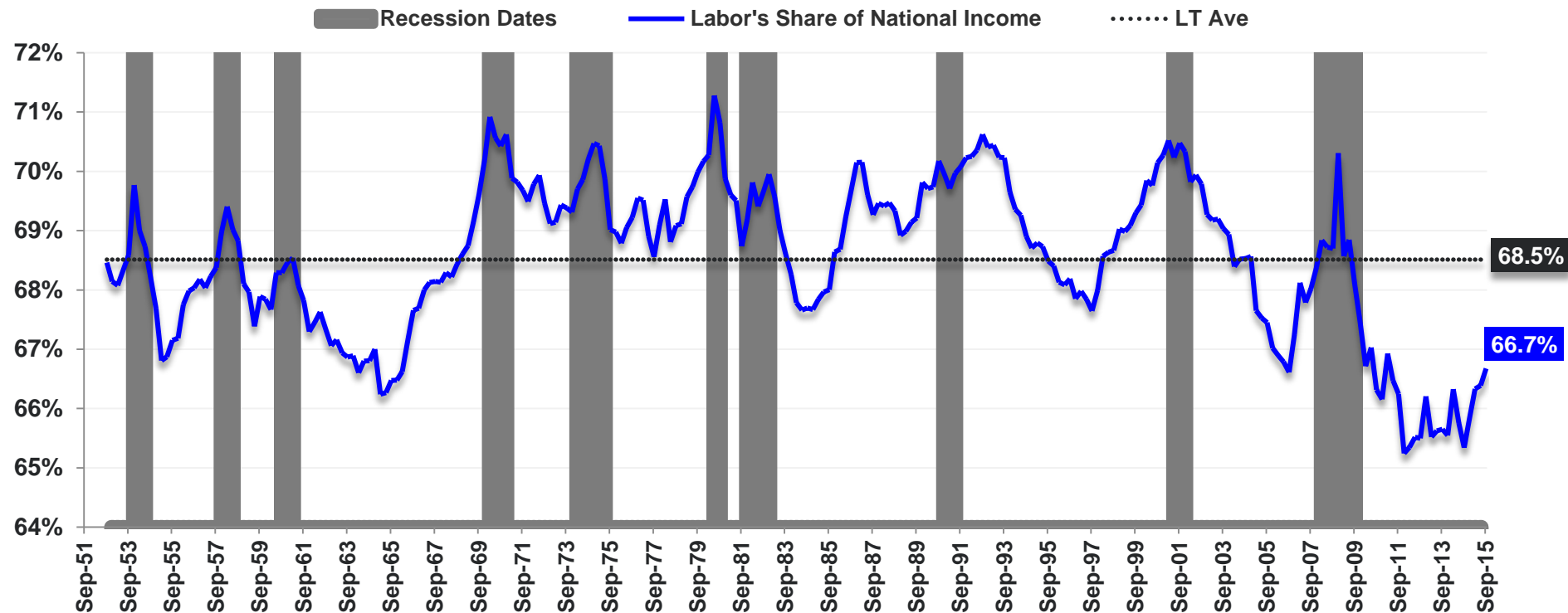
NFP: Source: Bloomberg



BETTER: LABOR INCOME SHARE, BUT....

LABOR'S SHARE OF NATIONAL INCOME HAS RISEN IN RECENT QUARTERS BUT WITH REVENUE GROWTH FLAT-TO-DOWN THE **BENEFIT TO LABOR** = **↑ CORPORATE COST AND MARGIN PRESSURE**.

LABOR'S SHARE OF NATIONAL INCOME



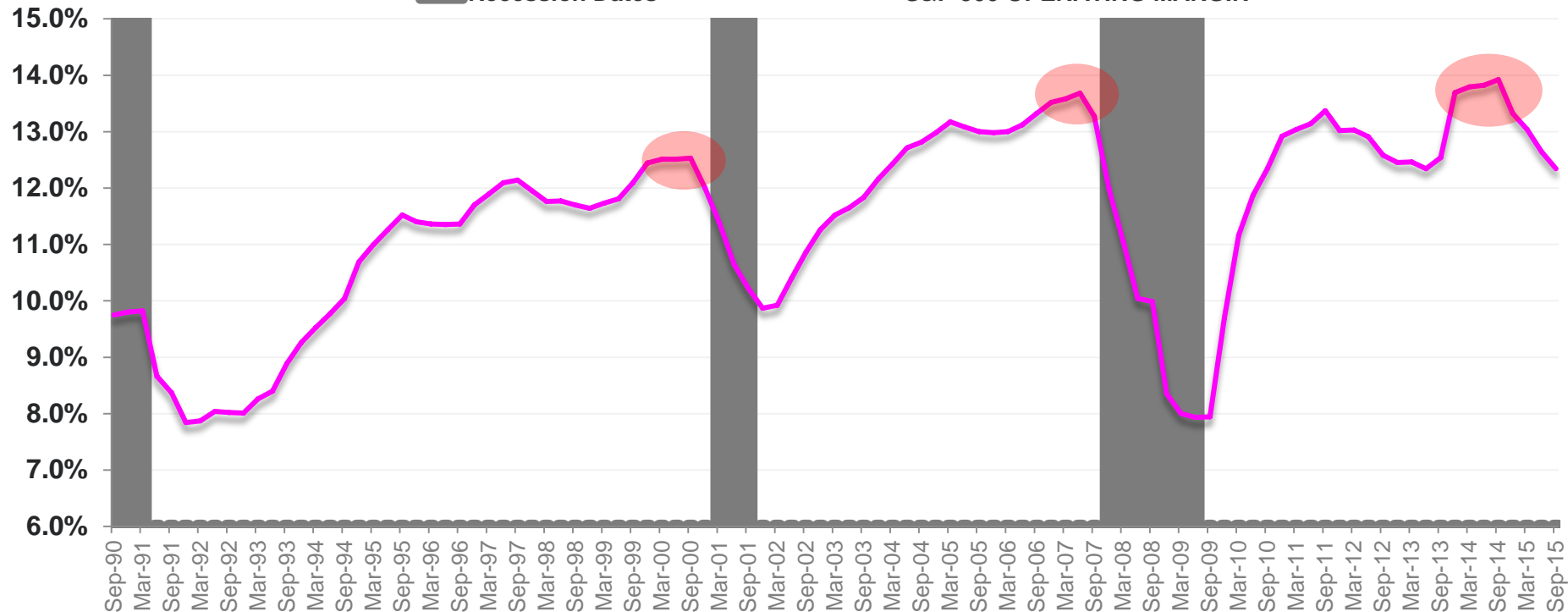
LABOR INCOME ↑ = PROFITABILITY ↓

SPX MARGINS AND CORPORATE PROFITS AS % OF GDP ARE BOTH PAST PEAK AND LIKELY HEADED LOWER.

S&P 500 OPERATING MARGIN

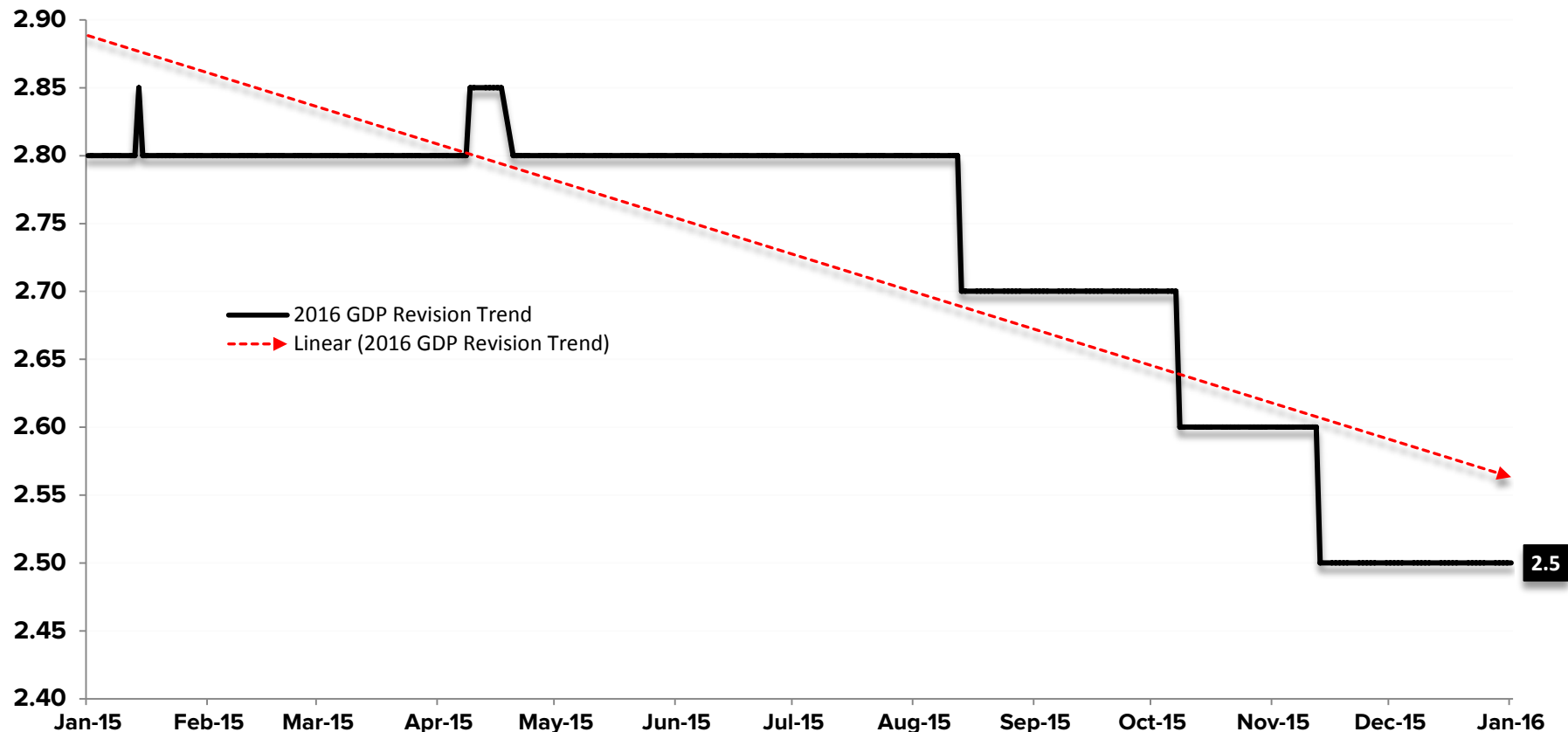
Recession Dates

S&P 500 OPERATING MARGIN



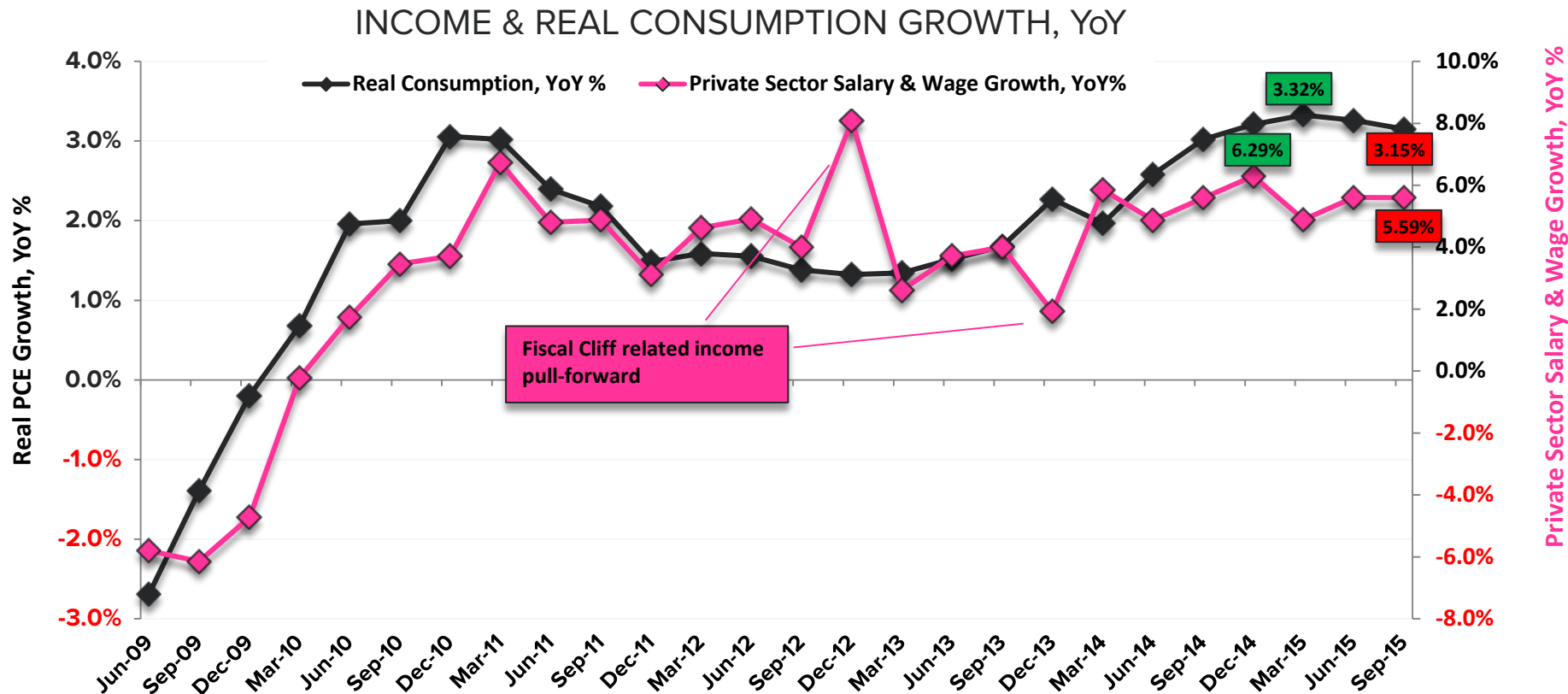
WITH GROWTH ESTIMATES FALLING

2016: GDP REVISION TREND



INCOME & CONSUMPTION SLOWING

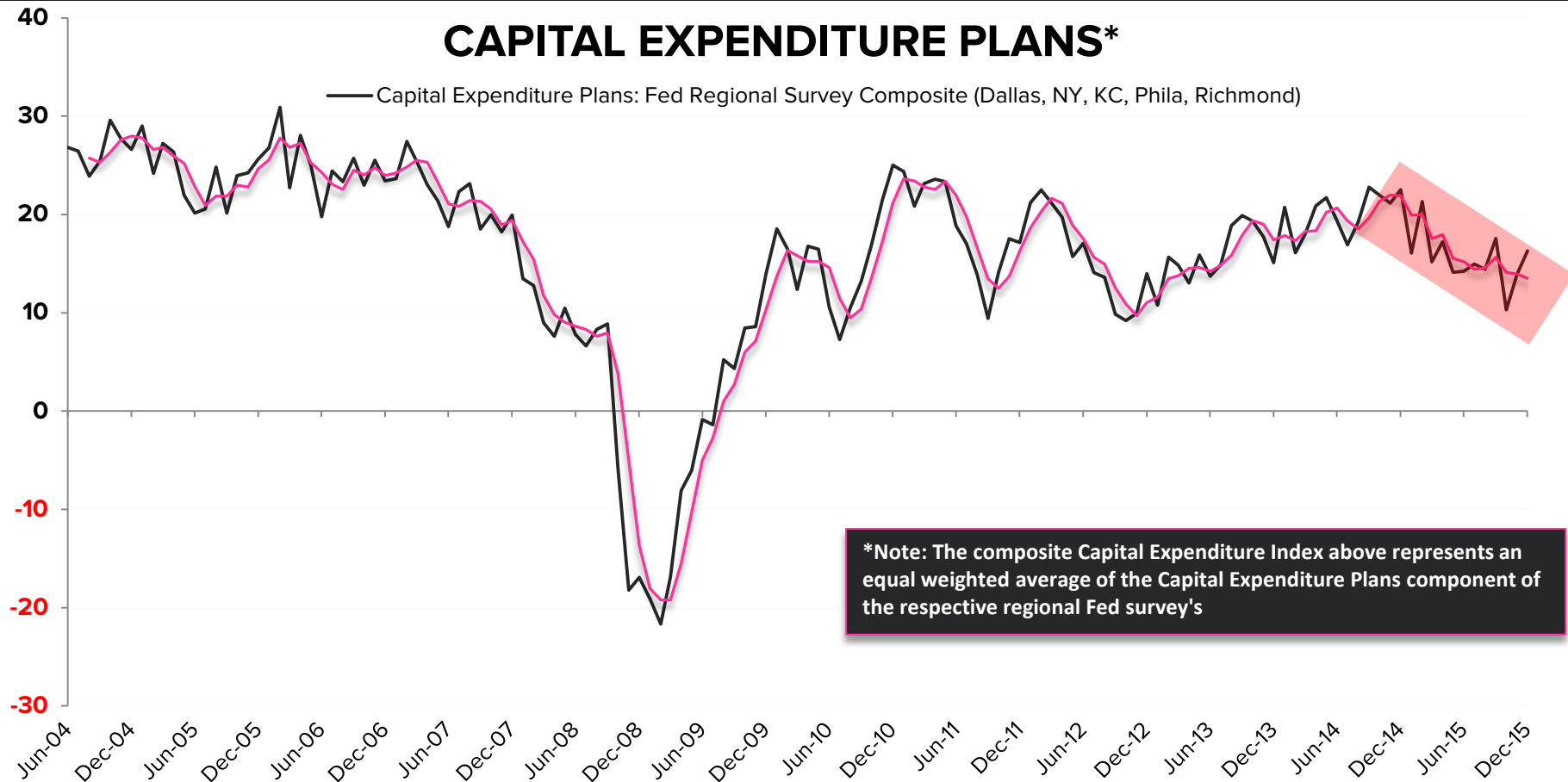
BOTH CONSUMPTION AND AGGREGATE INCOME GROWTH ARE PAST PEAK AND DECELERATING AGAINST STEEPER COMPS.



CAPEX PLANS DECLINING

CAPITAL EXPENDITURE PLANS*

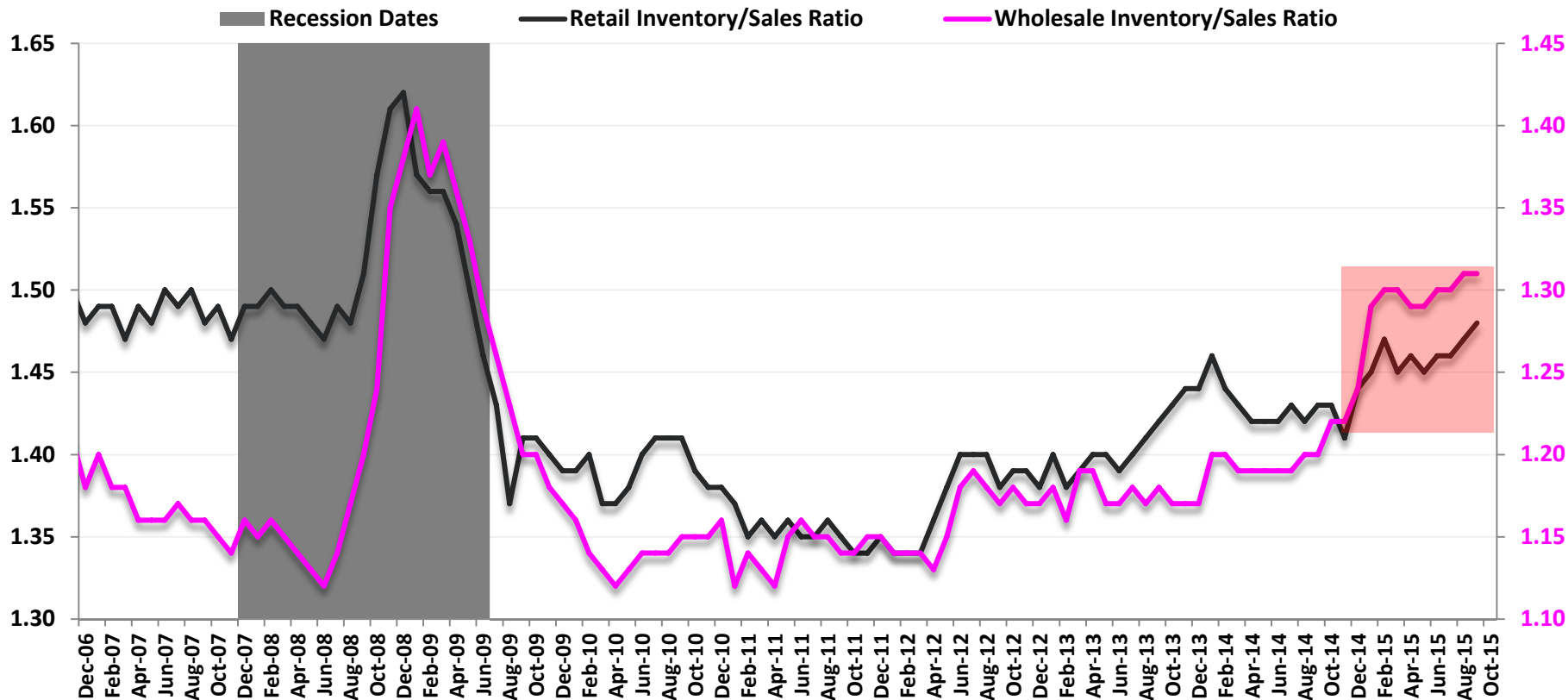
— Capital Expenditure Plans: Fed Regional Survey Composite (Dallas, NY, KC, Phila, Richmond)



*Note: The composite Capital Expenditure Index above represents an equal weighted average of the Capital Expenditure Plans component of the respective regional Fed survey's

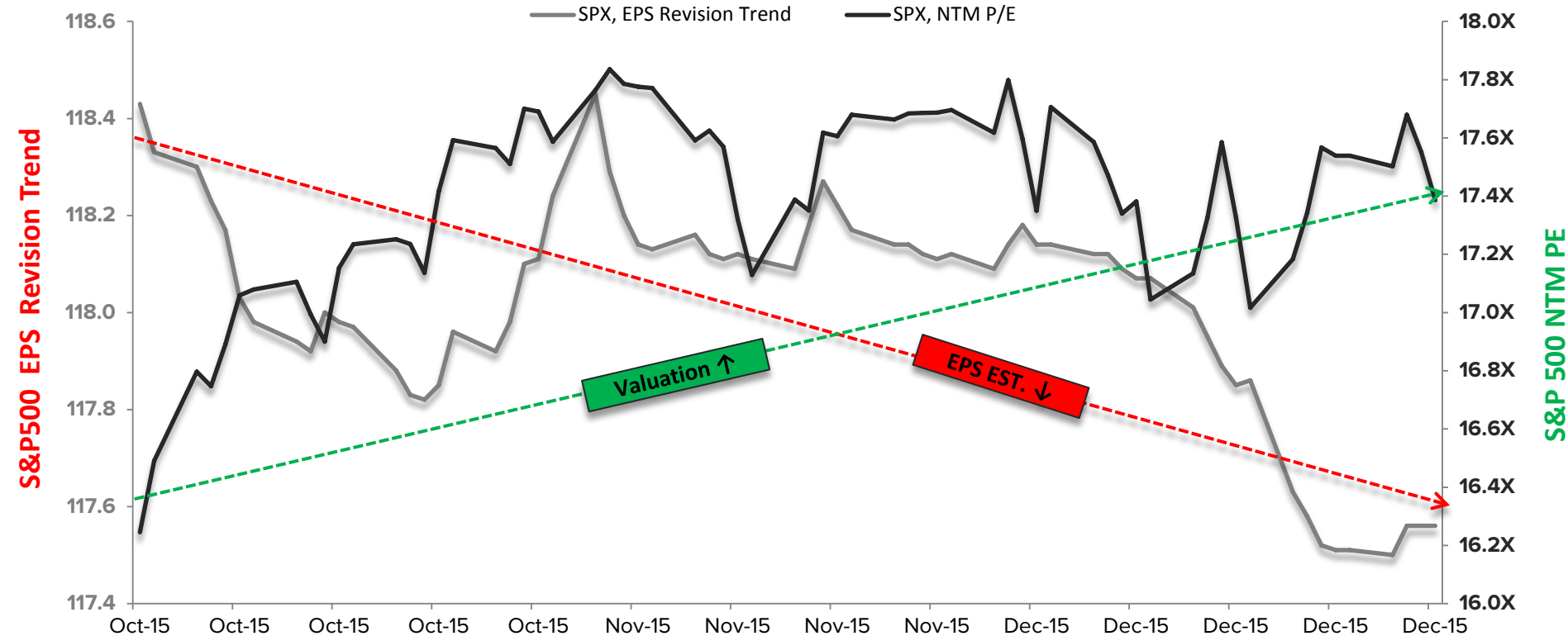
INVENTORY SPIKING

Inventory-to-Sales



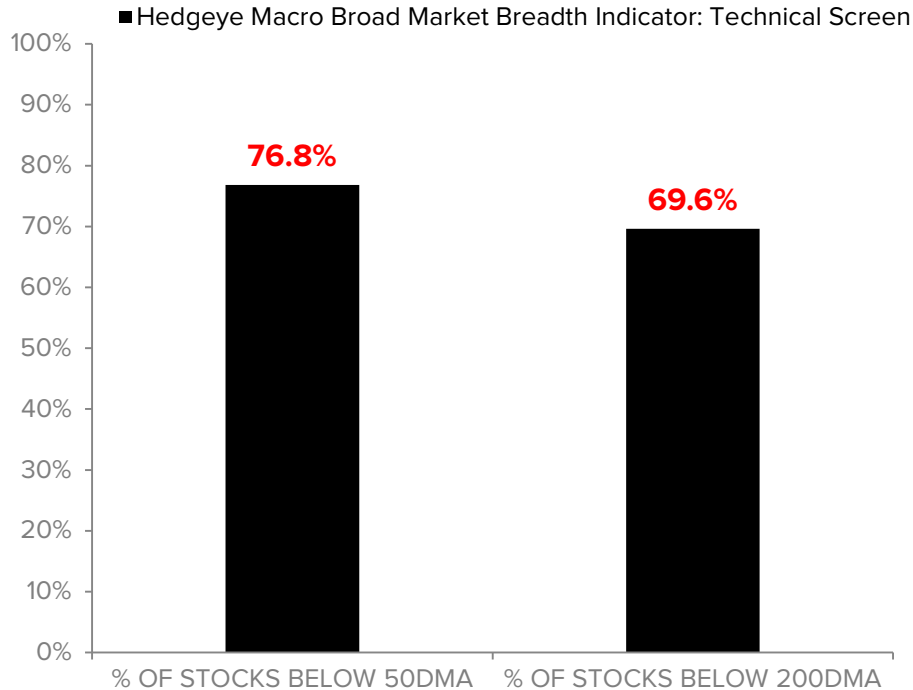
2016 ESTIMATES ↓, MULTIPLES ↑

.... BECAUSE THIS ALWAYS ENDS WELL AT THE END OF A CYCLE.

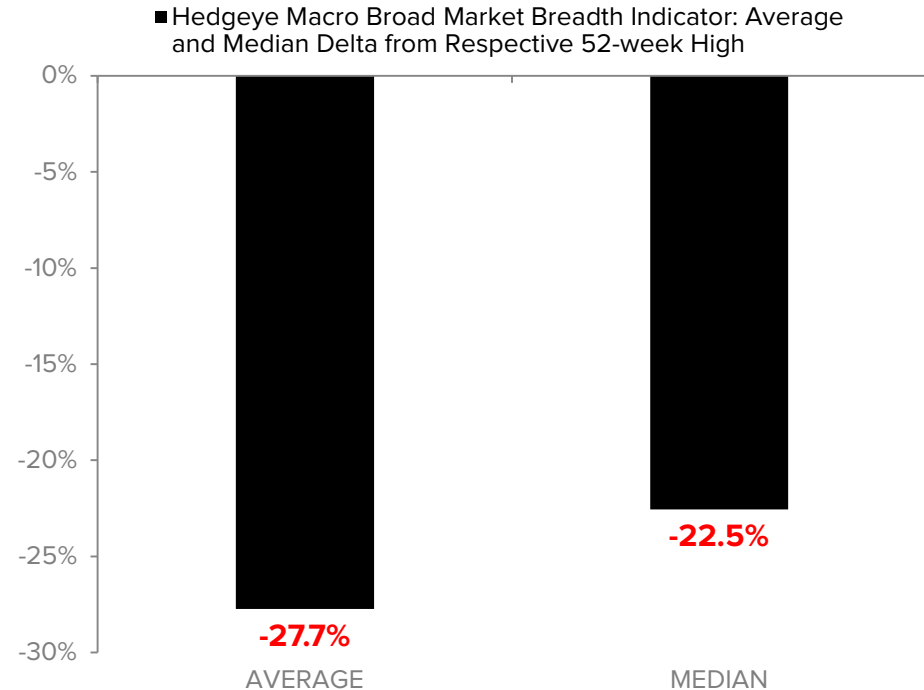


MARKET INTERNALS: **WORSENING**

% OF RUSSELL 3000 STOCKS TECHNICALLY BROKEN



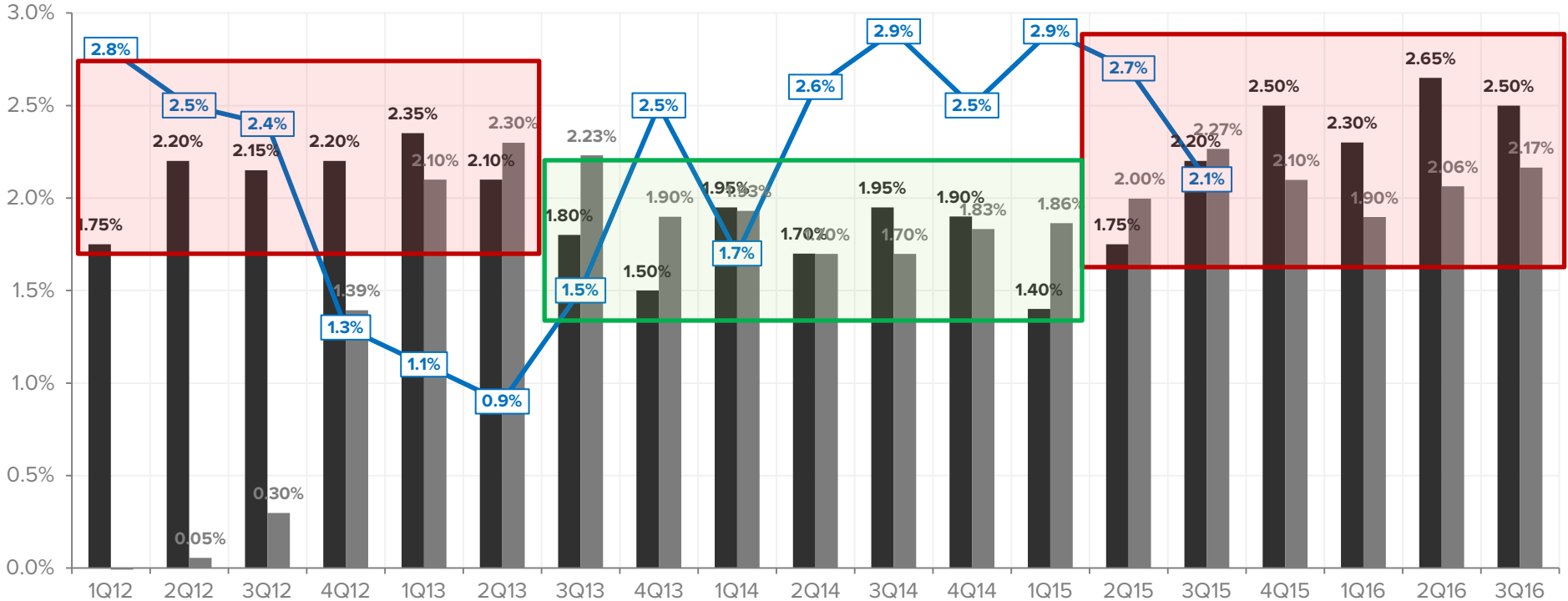
MEAN AND MEDIAN RETURN FROM 52-WEEK HIGH



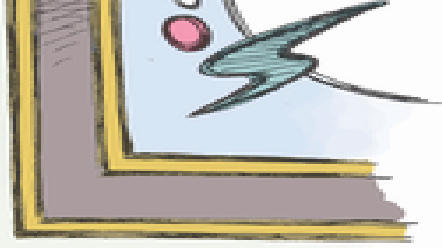
COMPS = HARDEST OF THE CYCLE

Comparative Base Effect for the Respective Real GDP Reporting Period

■ 2Y Average Growth Rate in Comparative Base Period ■ Trailing 3Y CAGR in Comparative Base Period
— Actual Recorded YoY Growth Rate



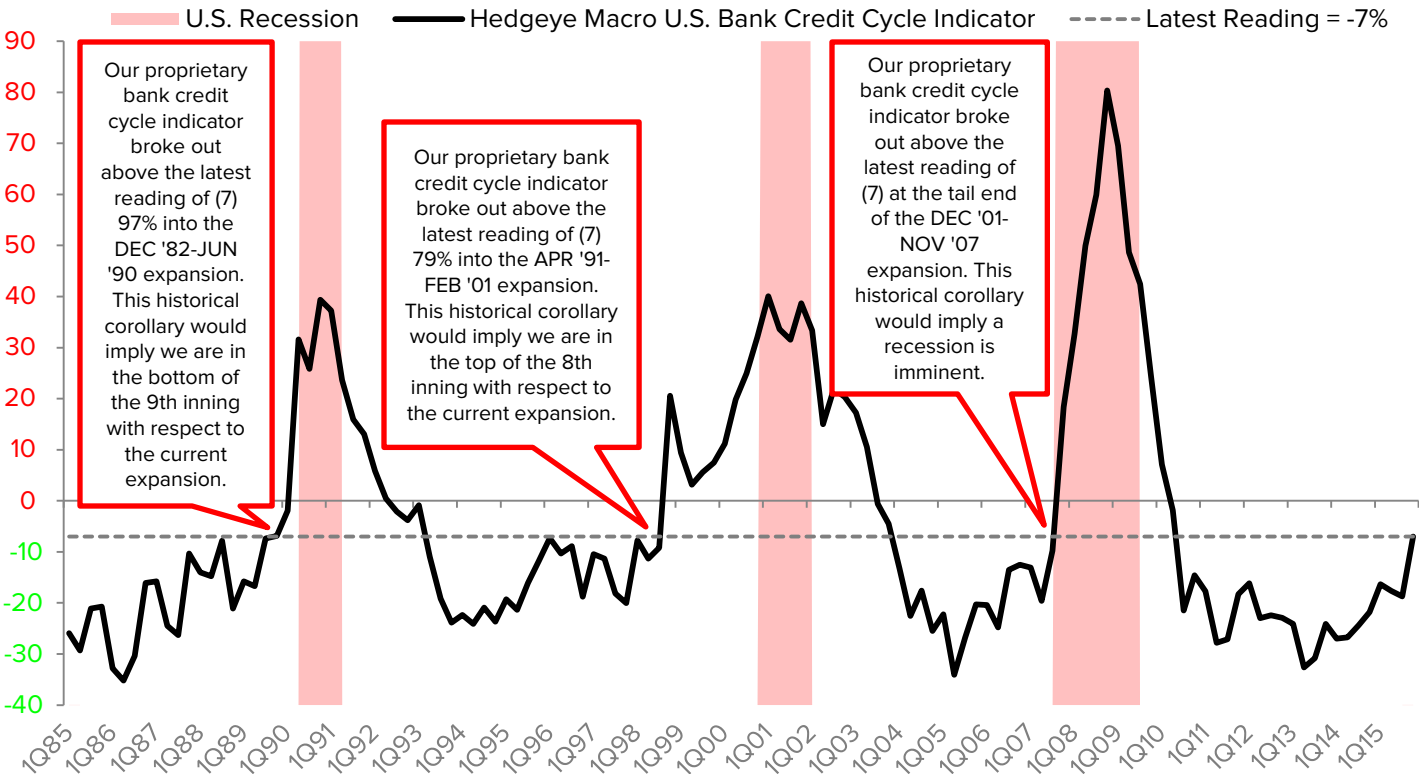
I'M LONG
STOCKS, MARTINIS
AND DENIAL.



#CREDITCYCLE

#CREDITCYCLE: LONG IN THE TOOTH

NATIONWIDE CREDIT CONDITIONS WOULD IMPLY WE'RE SOMEWHERE BETWEEN THE TOP OF THE 8TH AND BOTTOM OF THE 9TH INNING WITH RESPECT TO THE CURRENT ECONOMIC EXPANSION.

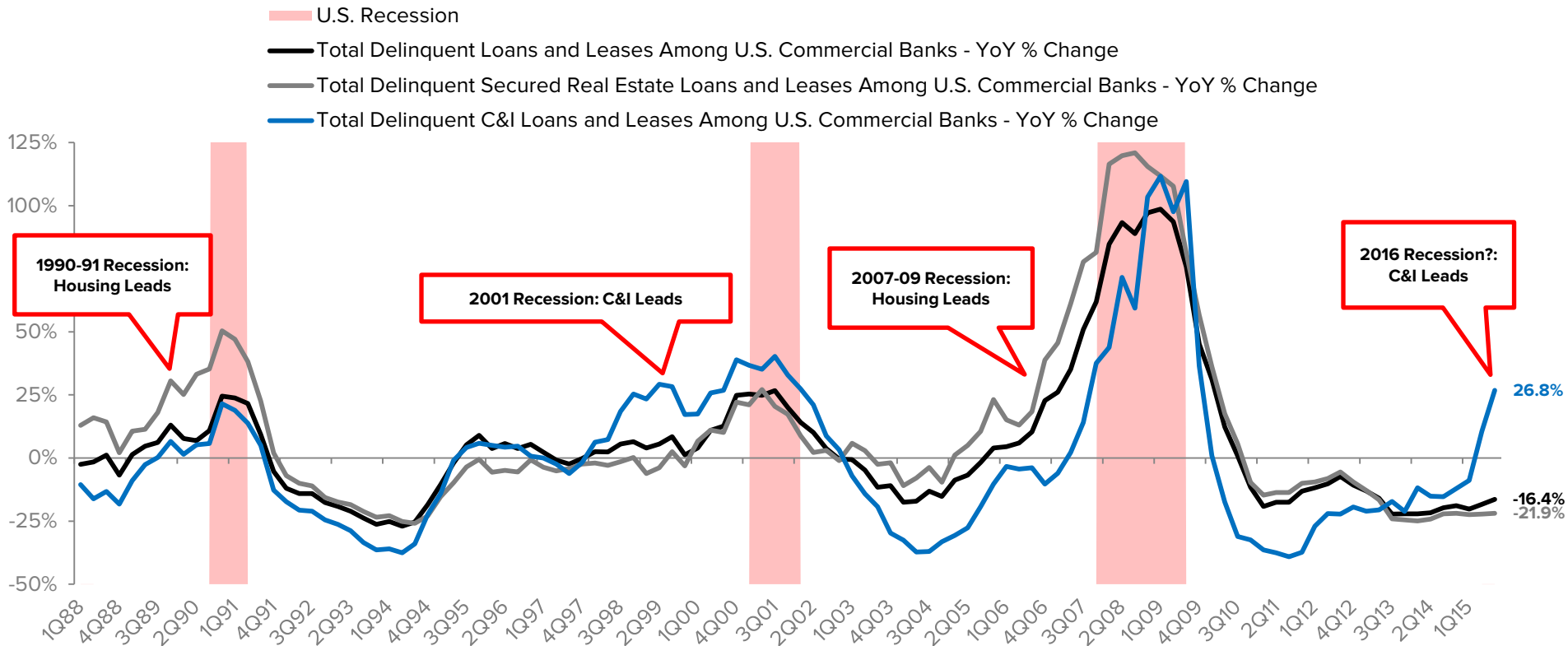


Our **proprietary Bank Credit Cycle Indicator** is an equal-weighted average of the following time series, each derived from the Fed's Senior Loan Officer Survey data:

1. Net % of Domestic Respondents Tightening Lending Standards for C&I Loans (All Firms)
2. Net % of Domestic Respondents Increasing Spreads of Loan Rates Over the Banks' Cost of Financing (All Firms)
3. Net % of Domestic Respondents Increasing the Cost of Credit Lines (All Firms)
4. Net % of Domestic Respondents Tightening Loan Covenants (All Firms)
5. Net % of Domestic Respondents Reporting Increased Willingness to Make Consumer Installment Loans (Inverted)

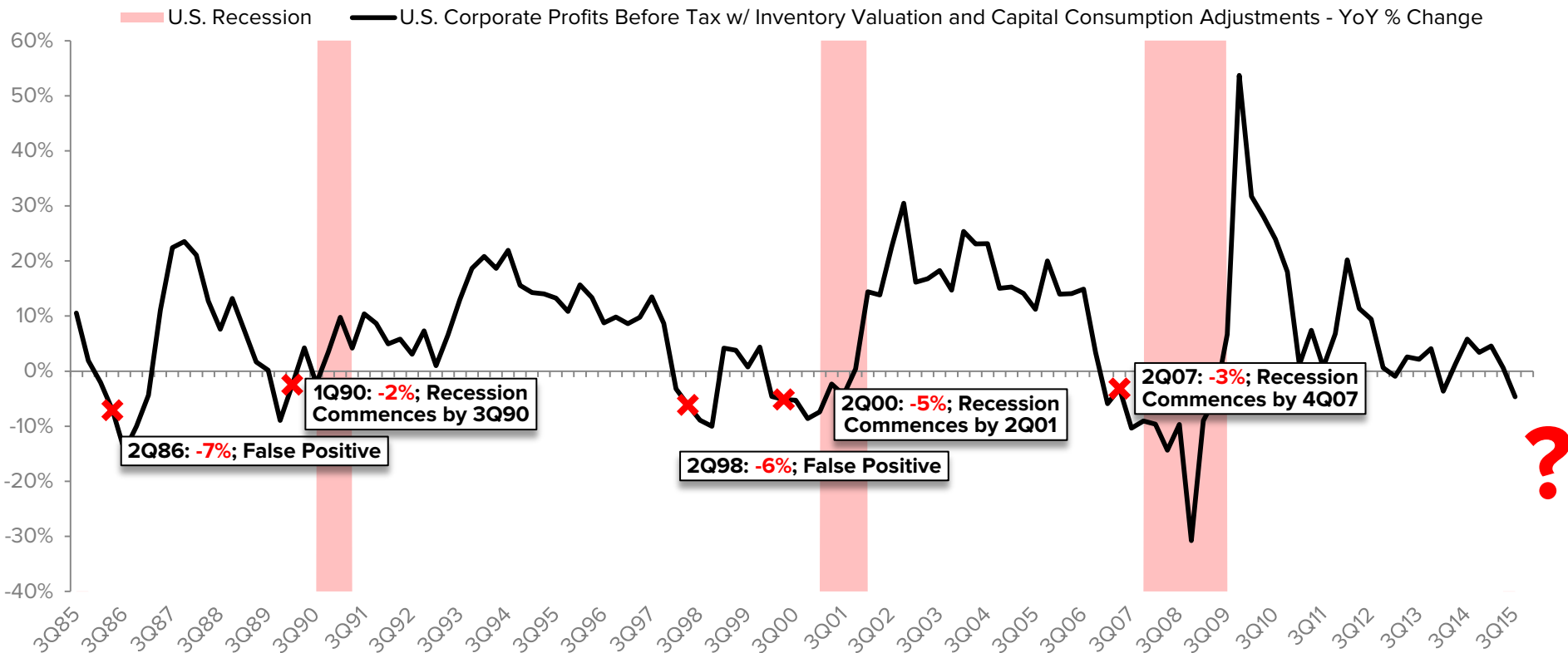
NOT ALL CREDIT CYCLES ARE ALIKE

THE CONSENSUS VIEW THAT A RECESSION CANNOT OCCUR UNLESS HOUSING ROLLS OVER IS ONLY PARTIALLY CORRECT. HISTORY SHOWS THAT RISING DELINQUENCIES IN ONE SECTOR OF CREDIT HAVE TENDED TO PERPETUATE BROAD-BASED CONTAGION IN SHORT ORDER.



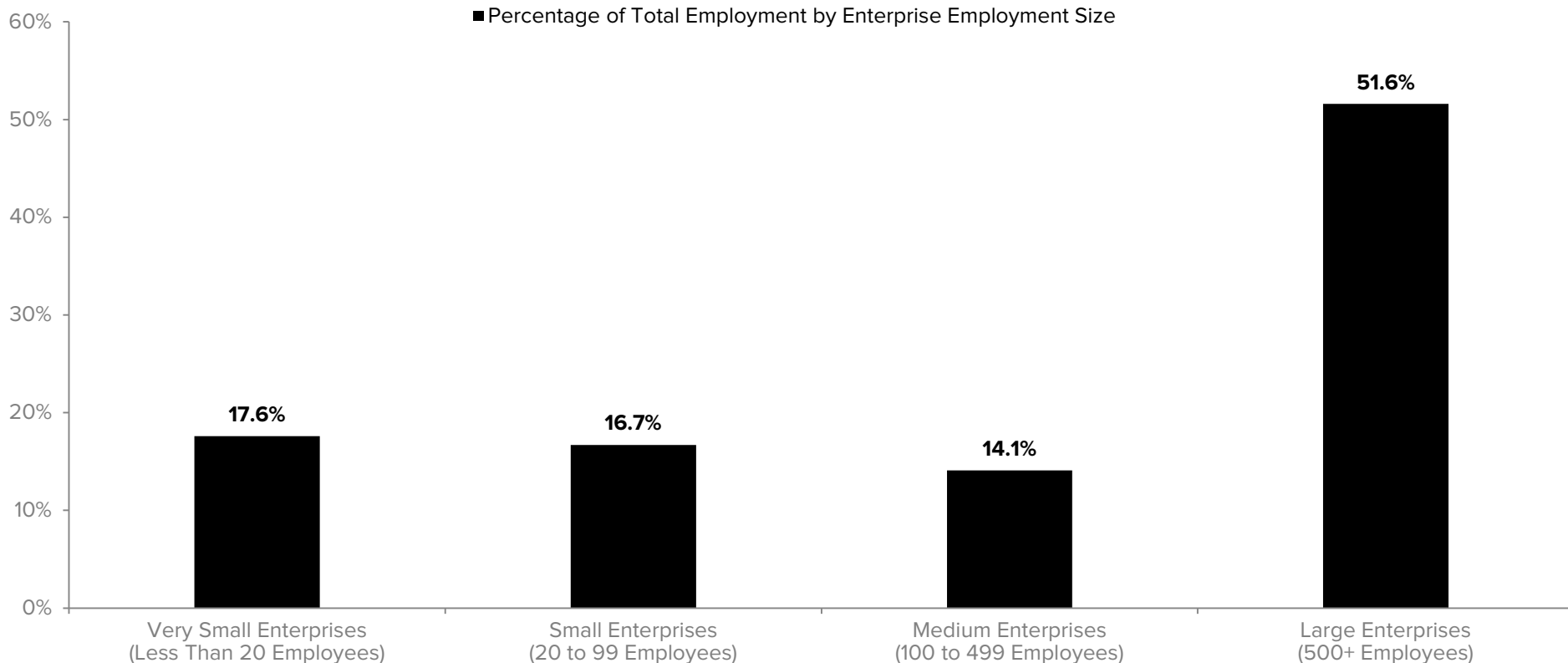
C&I LENDING HEADWIND: ↓ PROFITS

IF CORPORATE PROFITS DECLINE AGAIN IN 4Q15, THAT WILL MARK THE 6TH TIME THROUGHOUT THE PAST 30Y THAT CORPORATE PROFITS DROPPED FOR TWO CONSECUTIVE QUARTERS, WITH A RECESSION HAVING COMMENCED SHORTLY THEREAFTER THREE-FIFTHS OF THE TIME.



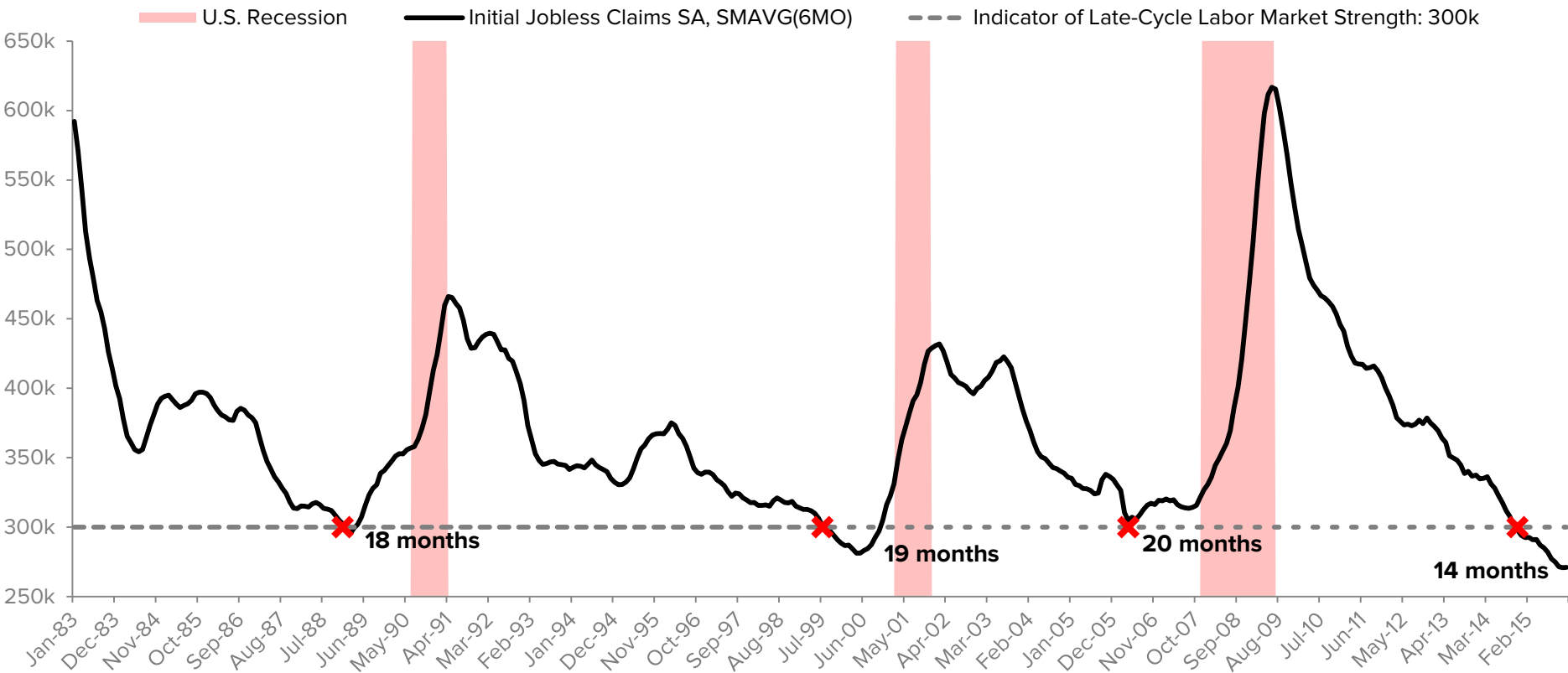
↓ PROFITS = EMPLOYMENT HEADWIND

LARGE ENTERPRISES ACCOUNT FOR AN OVERWHELMING SHARE OF NATIONAL EMPLOYMENT, WHICH IMPLIES #STRONGDOLLAR CORPORATE PROFIT DEFLATION IS A LARGER HEADWIND TO THE LABOR MARKET THAN CONSENSUS ASSUMES.



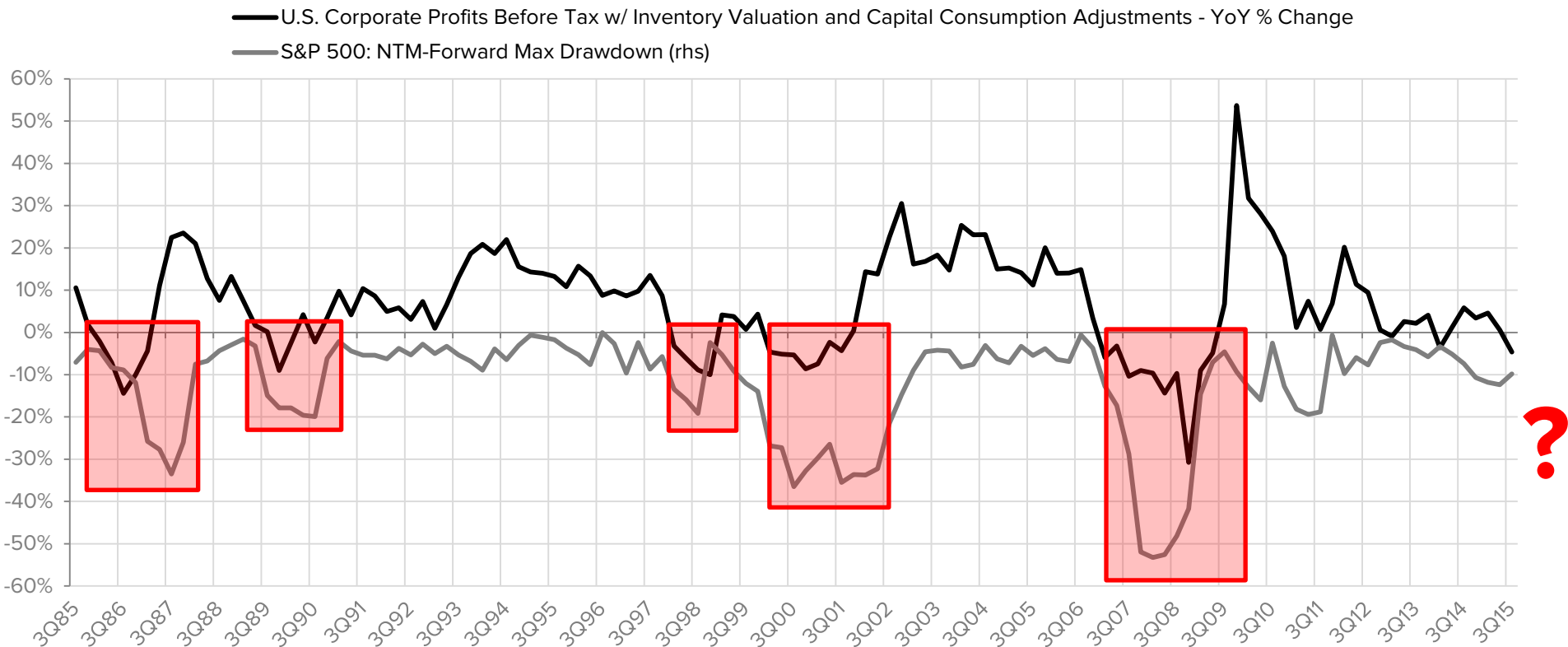
PROFITS ↓; UNEMPLOYMENT ↑

KEEP AN EYE ON THE TREND IN INITIAL JOBLESS CLAIMS AS WE PROGRESS THROUGHOUT 1H16. NOT ONLY HAVE CLAIMS BOTTOMED, BUT THE CURRENT LENGTH OF TIME AT/BELOW THE CRITICAL THRESHOLD OF 300K WOULD IMPLY ONLY SIX MORE MONTHS OF ECONOMIC EXPANSION.



PROFITS ↓; STOCKS ↓

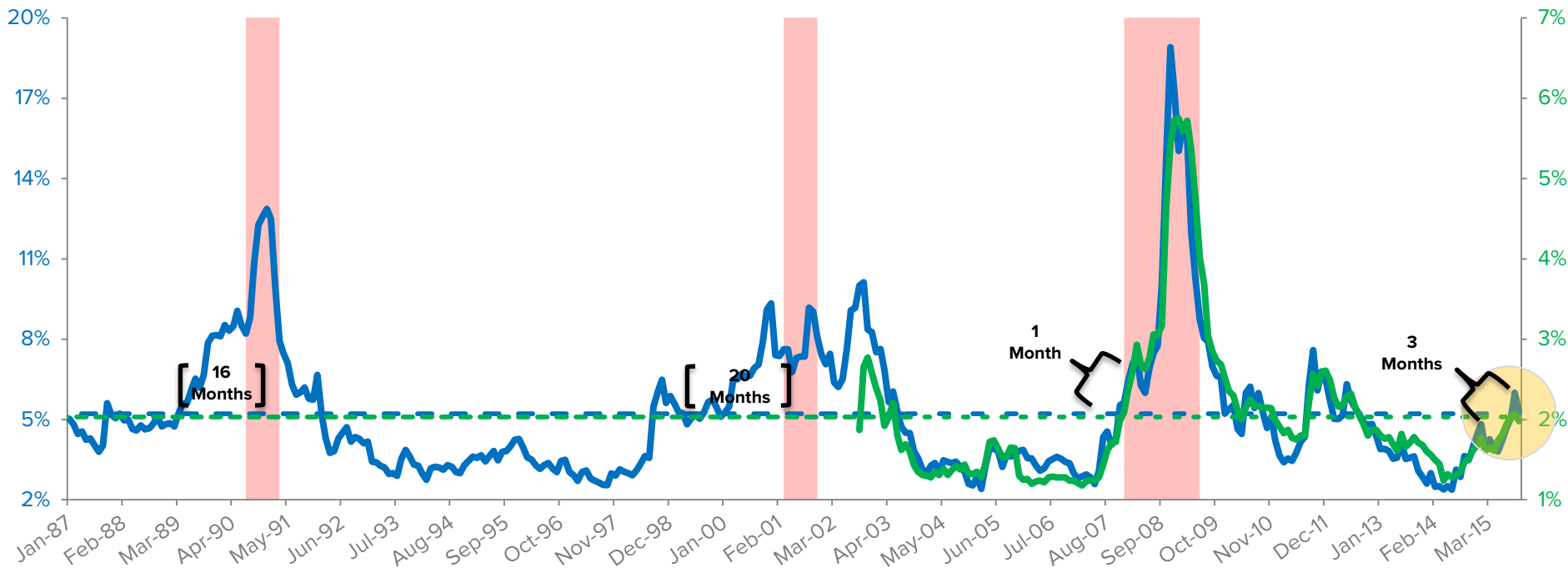
WHILE 2+ CONSECUTIVE QUARTERS OF DECLINING CORPORATE PROFITS HAVEN'T ALWAYS SIGNALLED RECESSION, SUCH OCCURRENCES HAVE ALWAYS SIGNALLED STOCK MARKET CRASHES IN THE SUBSEQUENT YEAR.



NO FALSE POSITIVES HERE

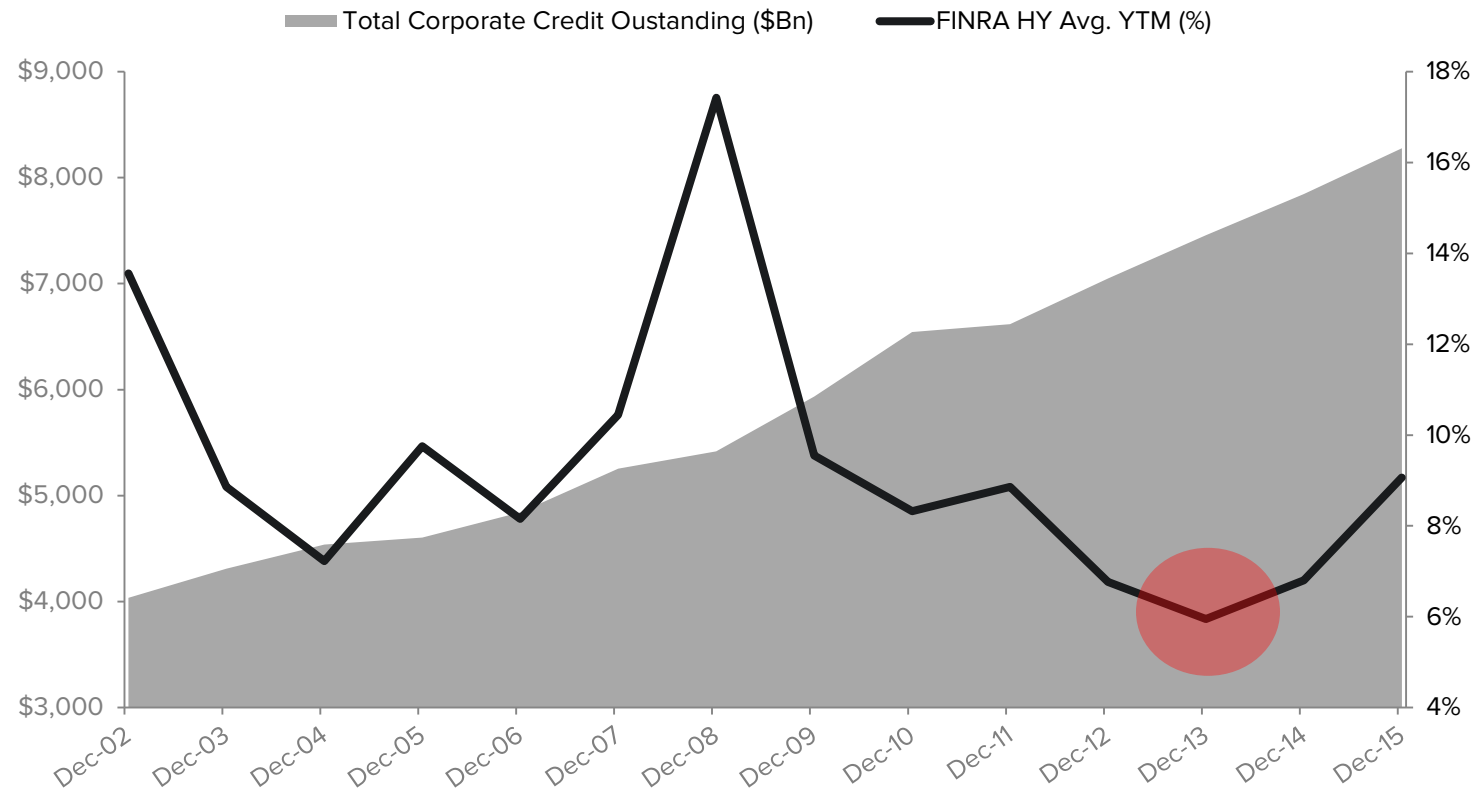
A RECESSION HAS ALWAYS FOLLOWED CREDIT SPREADS WIDENING OFF THE RESPECTIVE CYCLE-LOWS TO A LEVEL BEYOND THEIR LONG-TERM MEAN. THIS TIME IS NOT DIFFERENT.

Recession Dates Barclays HY YTW (%) - 10-Yr. Spread (%) Historical Mean (HY)
U.S. Corp. BBB/Baa - 10-Yr. Spread (%) Historical Mean (BBB)



TROUGH RATES = PEAK LEVERAGE

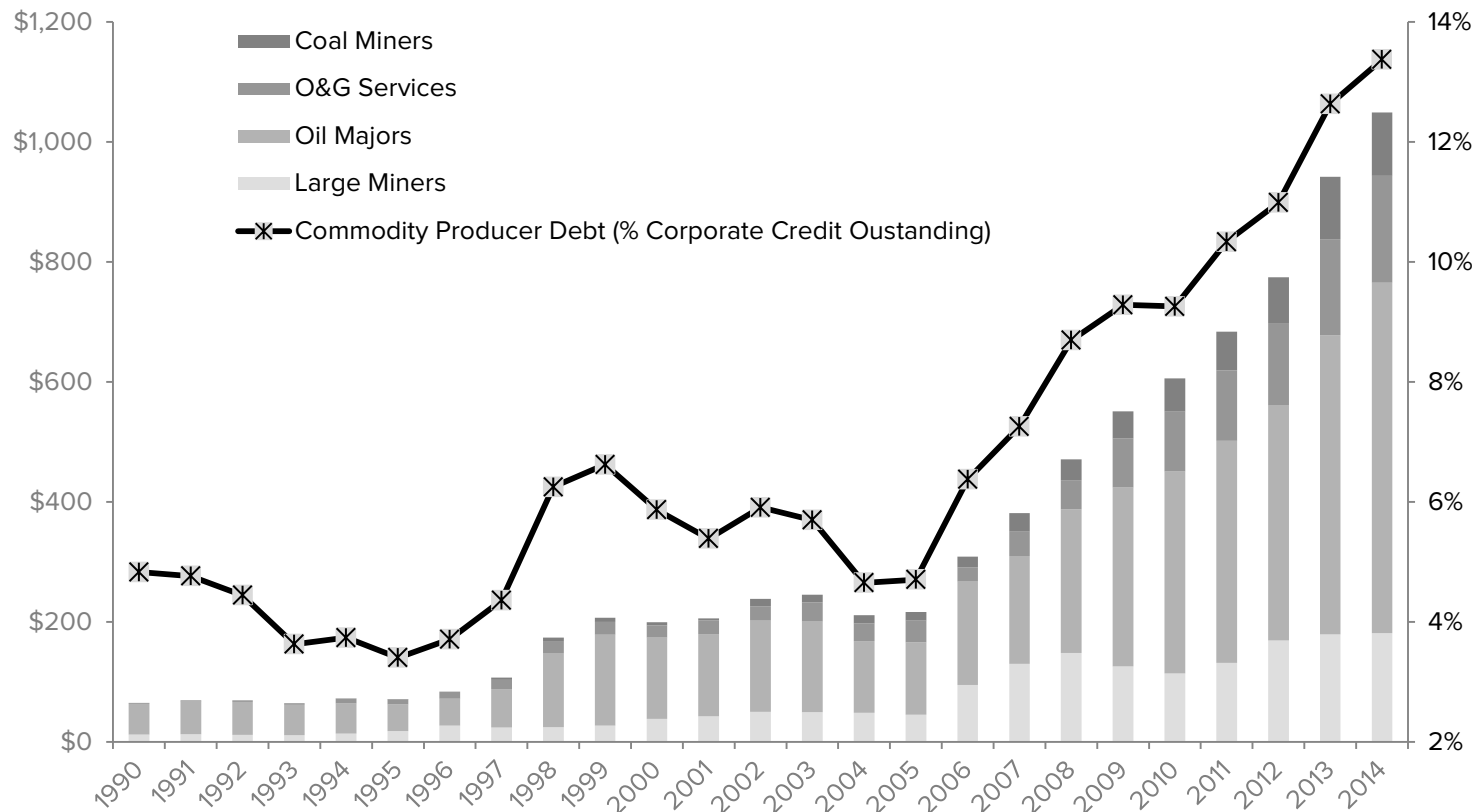
ZIRP AND QE HAVE CONTRIBUTED TO THE HIGHEST RATES OF HIGH-YIELD BOND ISSUANCE EVER. WE'VE NEVER SEEN A #CREDITCYCLE TURN WITH THIS MUCH DEBT OUTSTANDING.



Aside from the spike in high yield credit issuance, SIFMA reports total corporate debt is up more than ~2.5x in the last 15 years.

PEAK LEVERAGE IN THE WORST PLACE

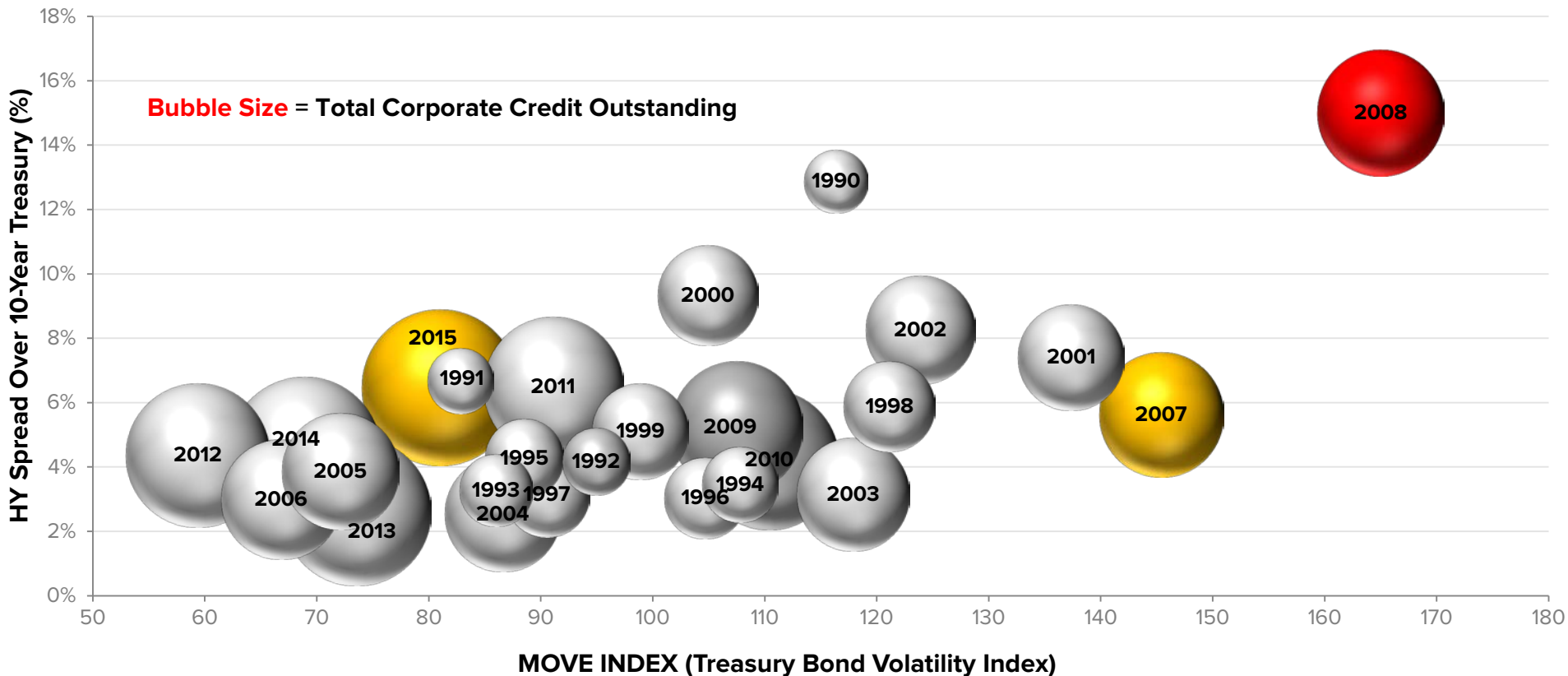
DOMESTIC COMMODITY PRODUCERS HAVE ESPECIALLY PIGGED OUT ON THE HIGH-YIELD CREDIT BINGE TO FINANCE CAPEX DESIGNED TO CHASE THE ALL-TIME HIGHS IN COMMODITY PRICES (2011).



The total debt of this sample of 34 commodity producers has gone from 5% of total corporate credit outstanding in 2003 to 14% of corporate credit outstanding by year-end 2014.

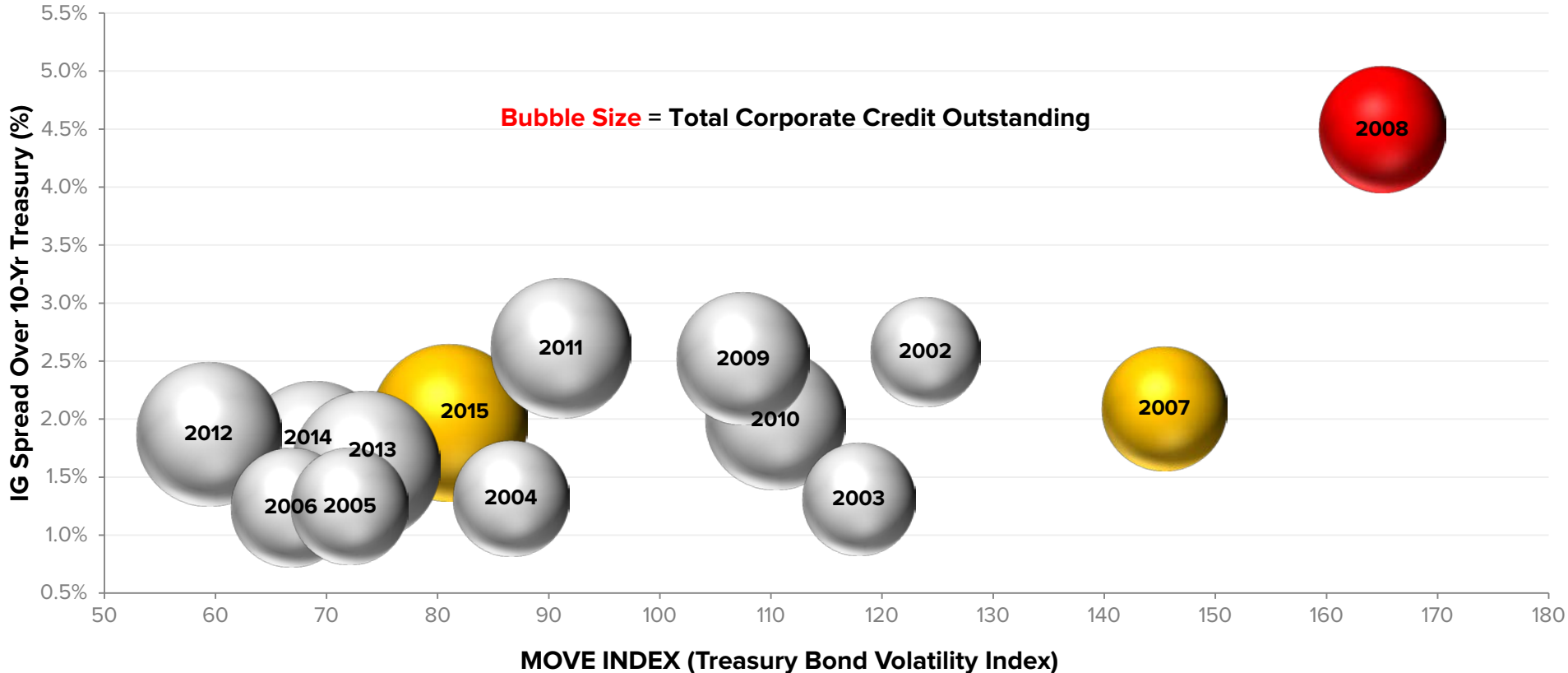
SPREAD RISK: HIGH YIELD

HISTORY SHOWS THAT ONCE HIGH-YIELD SPREADS HAVE WIDENED MEANINGFULLY OFF THE CYCLE-LOWS AS THEY HAVE THROUGHOUT 2015, THEY DO NOT TIGHTEN AGAIN IN THE SAME CYCLE. MOREOVER, WE'VE NEVER SEEN A CREDIT CYCLE WITH THIS MUCH DEBT OUTSTANDING.

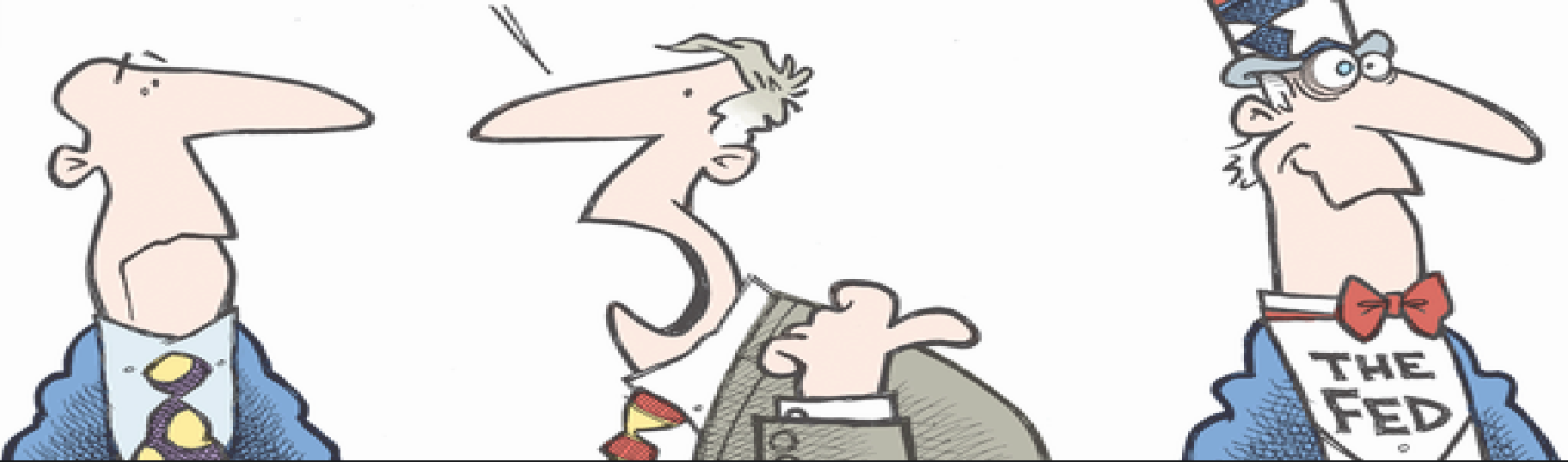


INVESTMENT GRADE IS AT RISK TOO!

IG SPREADS HAVE WIDENED OFF OF THEIR 2014 CYCLE-LOW – AS HAS CROSS-ASSET VOLATILITY. AGAIN, ALL OF THIS IS OCCURRING AT THE ALL-TIME HIGHS IN CORPORATE INDEBTEDNESS. REMEMBER, LEVERAGE WORKS TO AMPLIFY RETURNS IN BOTH DIRECTIONS.



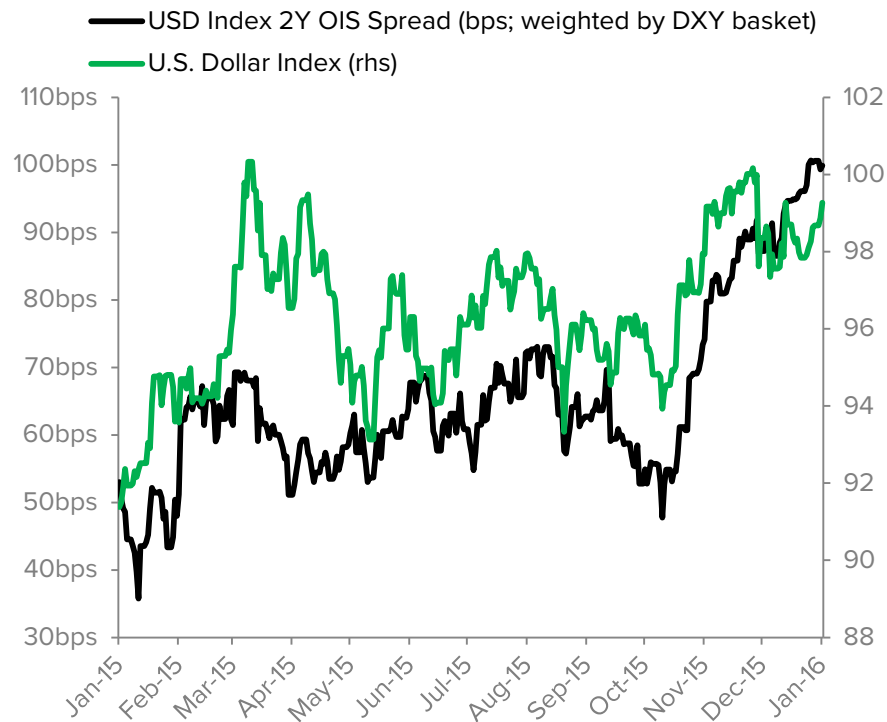
THERE IS LARGE CAP.
THERE IS SMALL CAP.
THEN THERE IS DUNCE CAP.



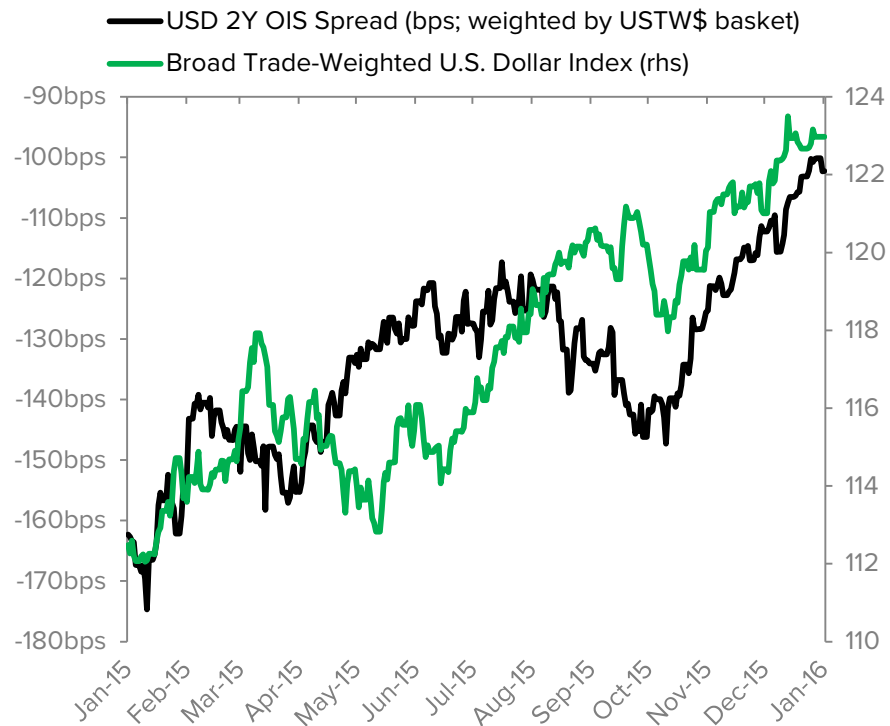
#CURRENCYWAR

INTEREST RATE DIFFERENTIALS MATTER

U.S. DOLLAR INDEX

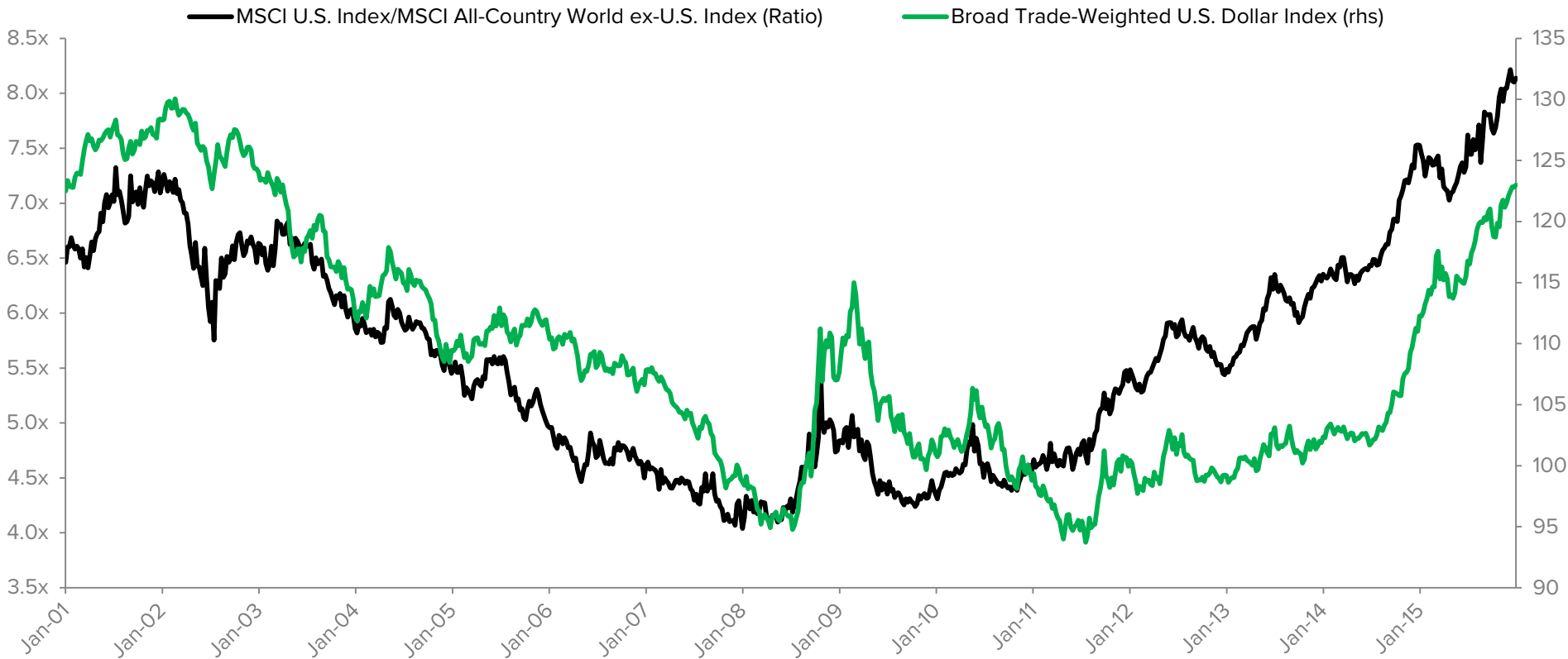


BROAD TRADE-WEIGHTED U.S. DOLLAR INDEX



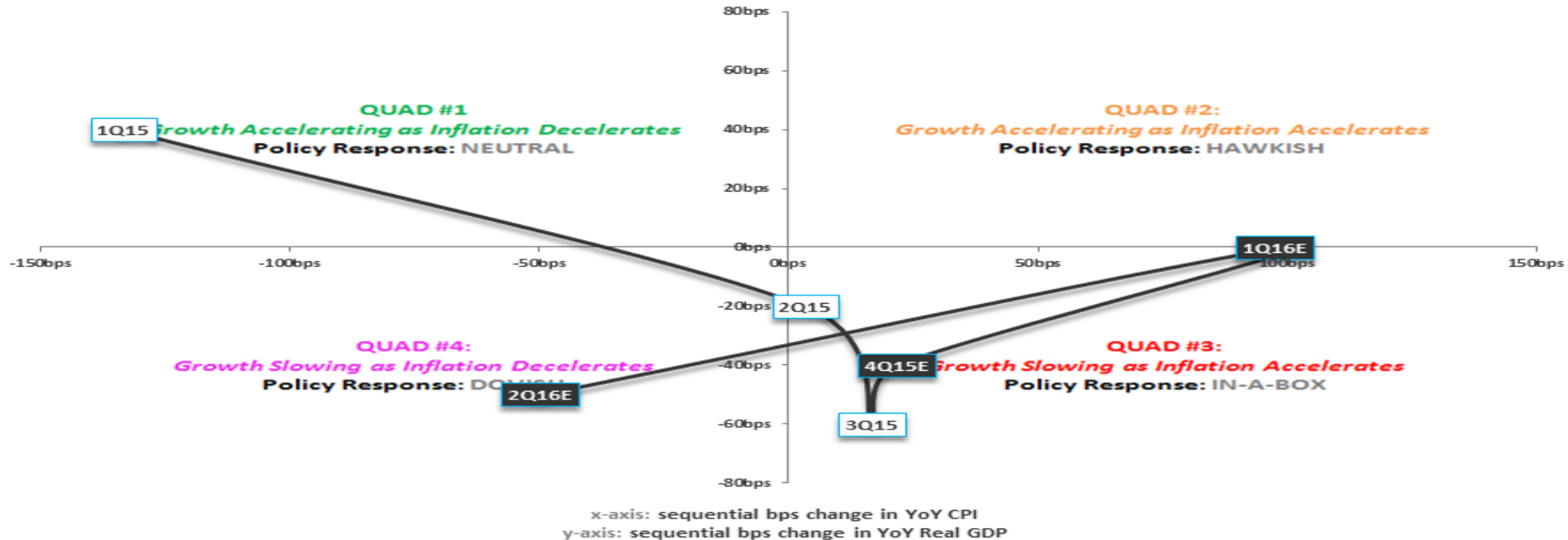
RELATIVE GROWTH RATES MATTER

PERHAPS UNSURPRISINGLY, THE BROAD TRADE-WEIGHTED U.S. DOLLAR INDEX HAS HISTORICALLY TRACKED AND CONTINUES TO TRACK THE RELATIVE PRICE OF THE U.S. EQUITY MARKET LIKE A GLOVE.



1. UNITED STATES

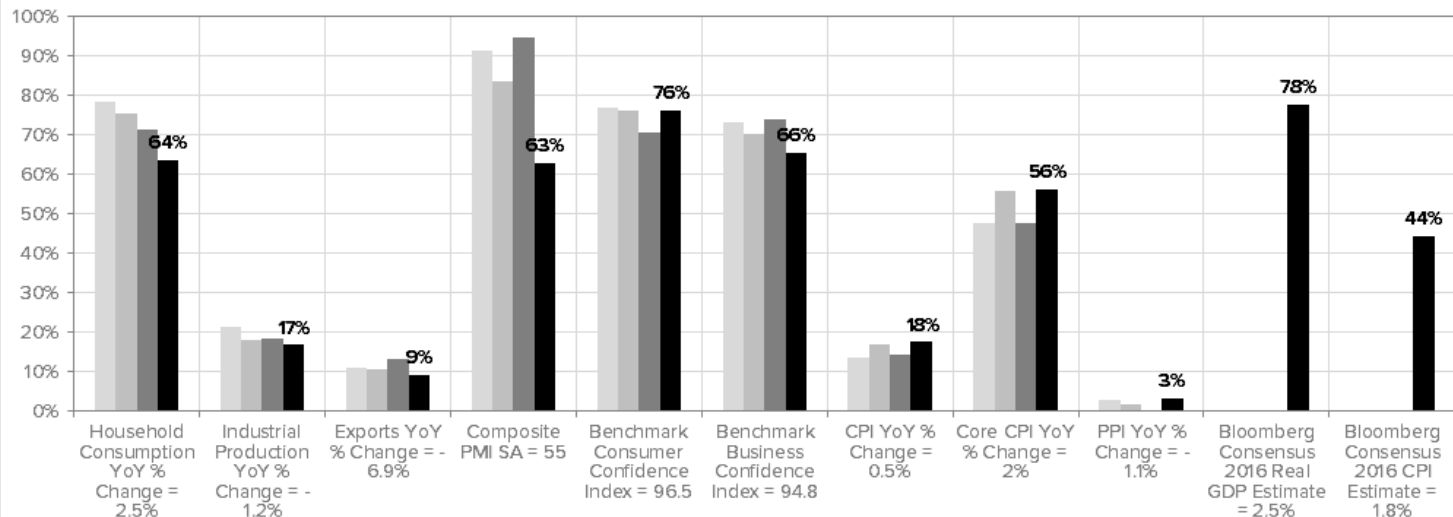
UNITED STATES	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ SAAR	0.5%	0.1%	1.9%	1.1%	3.0%	3.8%	-0.9%	4.6%	4.3%	2.1%	0.6%	3.9%	2.0%	GIP = Growth/Inflation/Policy				
Real GDP YoY	2.4%	1.3%	1.1%	0.9%	1.5%	2.5%	1.7%	2.6%	2.9%	2.5%	2.9%	2.7%	2.1%	Full-year Estimates		2014A	2015E	2016E
2Y Average	1.8%	1.5%	2.0%	1.7%	2.0%	1.9%	1.4%	1.8%	2.2%	2.5%	2.3%	2.7%	2.5%	Hedgeye Predictive Tracking Algorithm		2.4%	2.4%	1.9%
3Y Average	2.2%	1.9%	1.9%	1.7%	1.7%	1.8%	1.9%	2.0%	2.3%	2.1%	1.9%	2.1%	2.2%	Bloomberg Consensus Estimate		2.4%	2.5%	2.5%
CAGR (3Y)	2.23%	1.90%	1.93%	1.70%	1.70%	1.83%	1.86%	2.00%	2.27%	2.10%	1.90%	2.06%	2.17%	Central Bank Forecast		2.4%	2.1%	2.4%
CPI YoY	1.7%	1.9%	1.7%	1.4%	1.6%	1.2%	1.4%	2.1%	1.8%	1.3%	-0.1%	0.0%	0.1%	Full-year Estimates		2014A	2015E	2016E
2Y Average	2.7%	2.6%	2.3%	1.7%	1.6%	1.6%	1.6%	1.8%	1.7%	1.3%	0.7%	1.0%	1.0%	Hedgeye Predictive Tracking Algorithm		1.6%	0.1%	1.1%
3Y Average	2.2%	2.2%	2.2%	2.3%	2.3%	2.1%	2.0%	1.8%	1.7%	1.5%	1.0%	1.2%	1.2%	Bloomberg Consensus Estimate		1.6%	0.1%	1.8%
CAGR (3Y)	2.19%	2.15%	2.22%	2.26%	2.34%	2.14%	1.98%	1.80%	1.69%	1.47%	1.01%	1.15%	1.16%	Central Bank Forecast		1.6%	1.3%	1.6%



UNITED STATES ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: United States
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Hawkish

Appropriateness Level:
Very Low

Key Economic Risks:

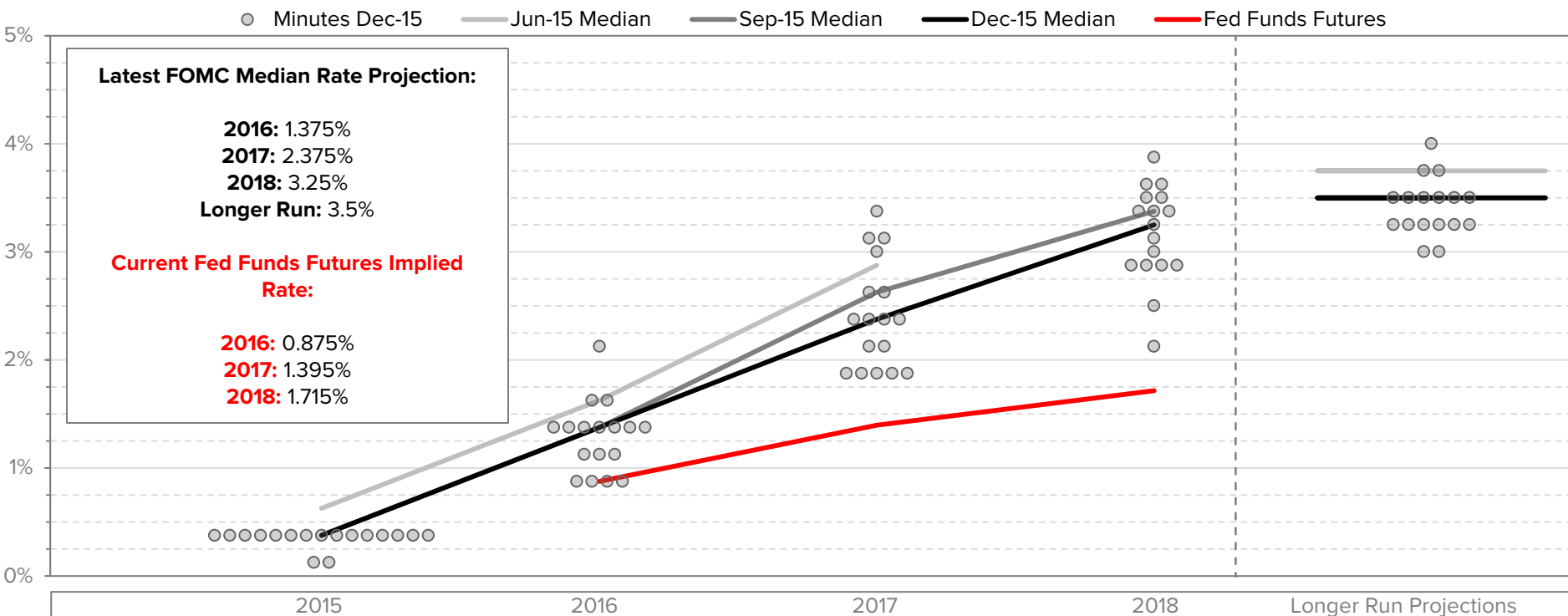
1. A #LateCycle Slowdown that may materialize into a recession by mid-2016
2. Rate hikes
3. A completely misguided, sanguine 2016 growth outlook among investors and policymakers

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 2012.66	58.0%	58.5%	37.2%	9.9%	1.4%	-2.2%	-1.5%	-3.1%	3.1%	-3.8%	-0.5%	-2.1%	-1.5%
Policy Rate = 0.5%	-375bps	25bps	25bps	25bps	25bps	25bps	0bps	25bps	25bps	25bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = 36bps	-18bps	16bps	28bps	29bps	30bps	15bps	-1bps	10bps	14bps	-13bps	-13bps	1bps	-1bps
2Y Sovereign Debt Yield = 1.05%	-326bps	42bps	77bps	64bps	53bps	37bps	-1bps	41bps	46bps	10bps	9bps	3bps	-1bps
10Y Sovereign Debt Yield = 2.25%	-210bps	-109bps	34bps	-75bps	-40bps	13bps	-3bps	-14bps	25bps	-3bps	2bps	1bps	-3bps
LT Breakeven Rate (5Y5Y or 10Y) = 1.73%	-75bps	-135bps	-109bps	-92bps	-70bps	-23bps	0bps	-41bps	3bps	-11bps	2bps	2bps	0bps
U.S. Dollar Index = 98.89	10.9%	24.5%	22.8%	22.4%	23.2%	8.6%	0.2%	2.9%	3.2%	0.5%	1.3%	1.0%	0.2%

FED'S FORECASTS: OUT TO LUNCH

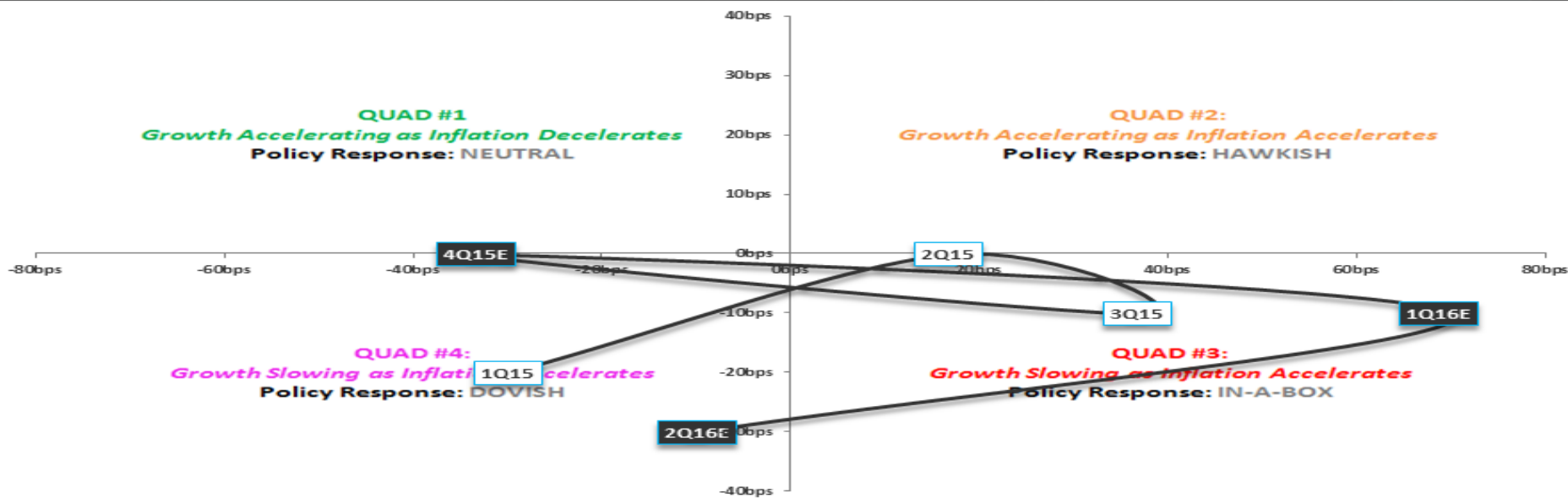
PER THE FOMC'S LATEST DOT PLOT AND SUMMARY OF ECONOMIC PROJECTIONS, THE FED'S FORECASTS FOR BOTH THE ECONOMY AND INTEREST RATES REMAIN WELL AHEAD OF THE CURVE – DANGEROUSLY SO AT THAT.

FOMC "Dot Plot"



2. CHINA

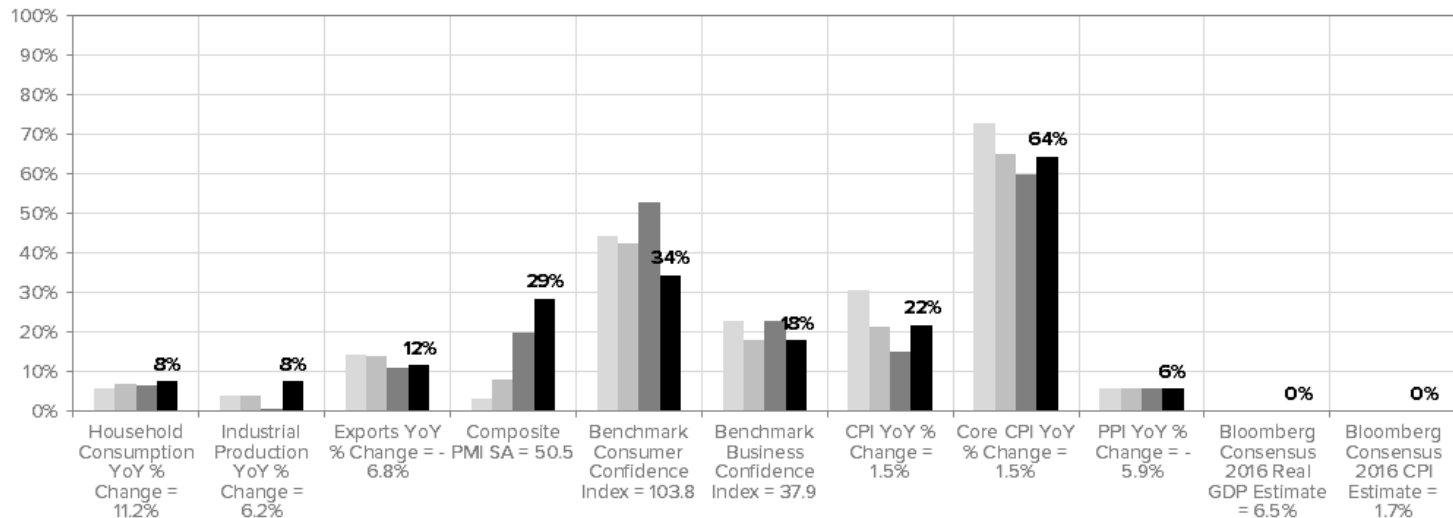
CHINA	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ	1.8%	2.0%	1.8%	1.8%	2.1%	1.7%	1.6%	1.8%	1.9%	1.7%	1.3%	1.8%	1.8%	GIP = Growth/Inflation/Policy				
Real GDP YoY	7.4%	8.0%	7.8%	7.5%	7.9%	7.6%	7.3%	7.4%	7.2%	7.2%	7.0%	7.0%	6.9%	Full-year Estimates		2014A	2015E	2016E
2Y Average	8.4%	8.4%	7.9%	7.5%	7.7%	7.8%	7.6%	7.5%	7.6%	7.4%	7.2%	7.2%	7.1%	Hedgeye Predictive Tracking Algorithm		7.3%	7.0%	6.7%
3Y Average	8.9%	8.9%	8.7%	8.3%	8.2%	8.1%	7.7%	7.5%	7.5%	7.6%	7.4%	7.3%	7.3%	Bloomberg Consensus Estimate		7.4%	6.9%	6.5%
CAGR (3Y)	8.89%	8.90%	8.66%	8.29%	8.23%	8.10%	7.70%	7.47%	7.50%	7.60%	7.37%	7.30%	7.33%	Central Bank Forecast		7.5%	7.0%	N/A
CPI YoY	1.9%	2.1%	2.4%	2.4%	2.8%	2.9%	2.3%	2.2%	2.0%	1.5%	1.2%	1.4%	1.7%	Full-year Estimates		2014A	2015E	2016E
2Y Average	4.1%	3.3%	3.1%	2.6%	2.4%	2.5%	2.4%	2.3%	2.4%	2.2%	1.8%	1.8%	1.9%	Hedgeye Predictive Tracking Algorithm		2.0%	1.4%	2.1%
3Y Average	3.9%	3.8%	3.8%	3.7%	3.7%	3.2%	2.8%	2.5%	2.2%	2.2%	2.0%	2.0%	2.2%	Bloomberg Consensus Estimate		2.0%	1.5%	1.7%
CAGR (3Y)	3.86%	3.78%	3.75%	3.66%	3.64%	3.18%	2.83%	2.49%	2.22%	2.15%	1.98%	1.99%	2.17%	Central Bank Forecast		3.5%	3.0%	N/A



CHINA ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: China
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Implicitly Dovish

Appropriateness Level:
High

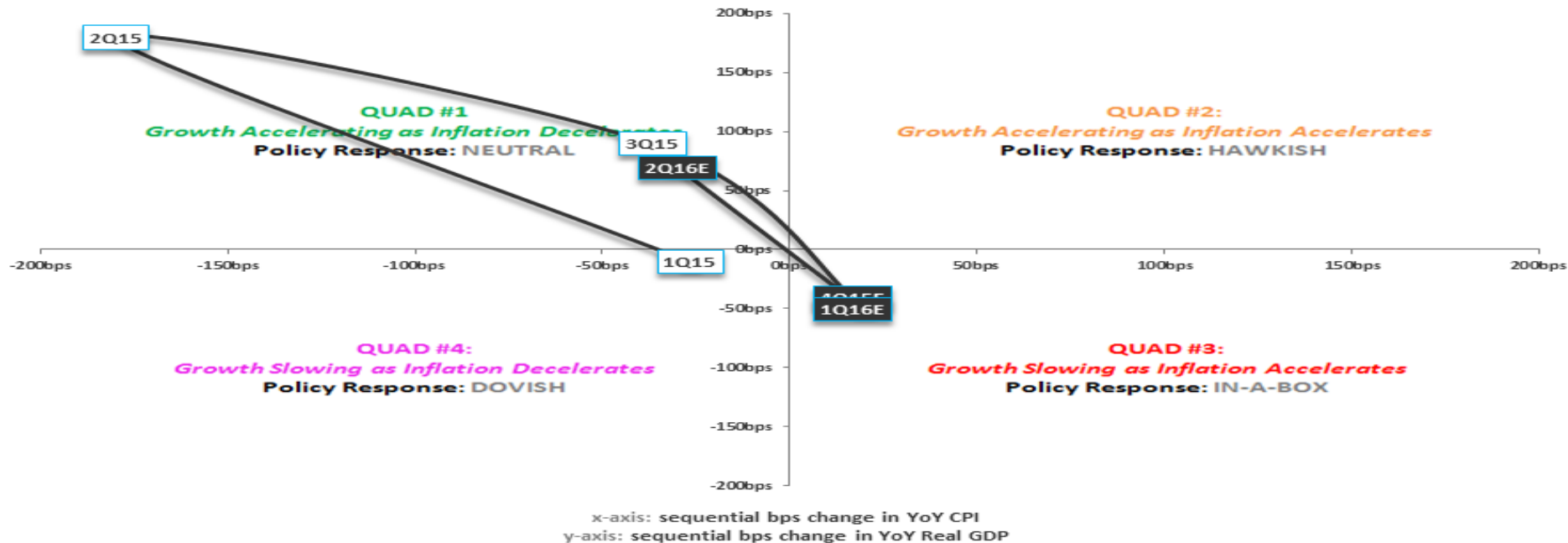
Key Economic Risks:

1. Capital outflows
2. Persistent producer price and corporate profit deflation
3. A cheapening currency that threatens to stall the transition to a consumption and services-led economy

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 3287.71	174.6%	15.8%	44.4%	57.8%	59.6%	-1.9%	-7.1%	-10.8%	7.7%	-6.7%	-6.3%	-7.7%	-0.3%
Policy Rate = 1.5%	-75bps	-125bps	-150bps	-150bps	-150bps	-125bps	0bps	-50bps	-25bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = -10bps	-	2bps	23bps	-63bps	-41bps	95bps	-4bps	34bps	-6bps	-3bps	10bps	10bps	-5bps
2Y Sovereign Debt Yield = 2.6%	80bps	-77bps	-51bps	-180bps	-114bps	-74bps	9bps	12bps	-9bps	-13bps	-8bps	10bps	9bps
10Y Sovereign Debt Yield = 2.93%	-	-93bps	-67bps	-174bps	-125bps	-72bps	7bps	-71bps	-34bps	-15bps	-12bps	10bps	7bps
FX Rate vs. USD = 6.52	23.7%	1.5%	-4.4%	-7.2%	-4.9%	-4.6%	-0.4%	-4.8%	-2.5%	-1.8%	-0.8%	-0.5%	0.3%

3. JAPAN

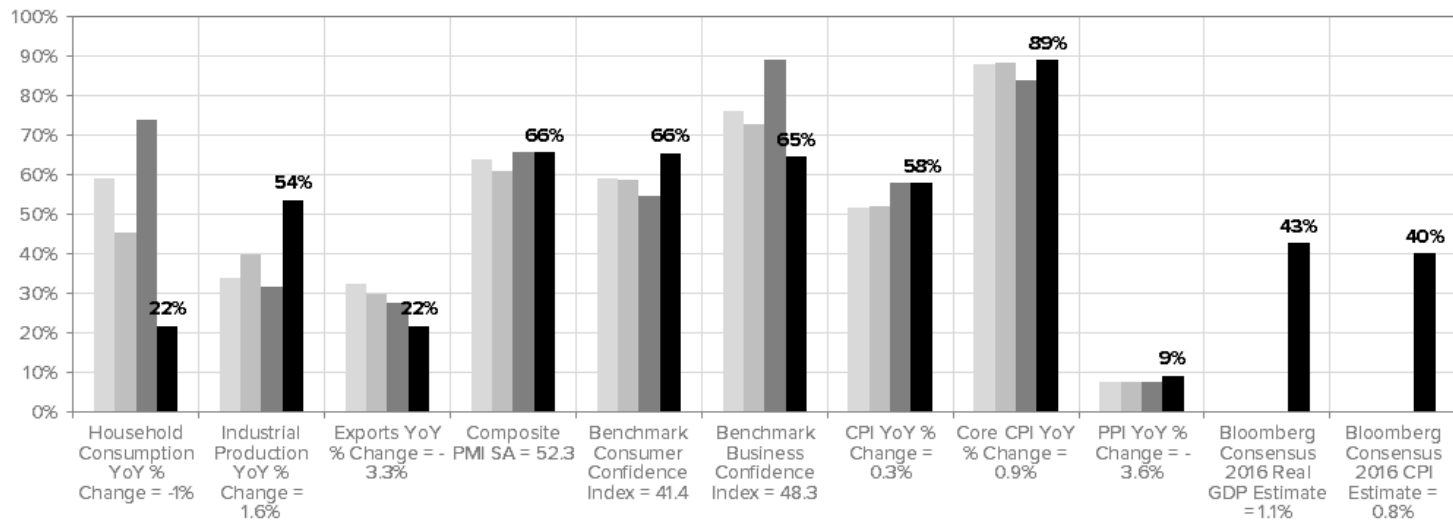
JAPAN	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ SAAR	-1.5%	-0.6%	5.4%	2.3%	2.5%	-0.9%	4.5%	-7.6%	-2.8%	1.8%	4.4%	-0.5%	1.0%	GIP = Growth/Inflation/Policy				
Real GDP YoY	0.2%	0.0%	0.2%	1.1%	2.0%	2.1%	2.7%	-0.3%	-1.5%	-1.0%	-1.1%	0.7%	1.6%	Full-year Estimates		2014A	2015E	2016E
2Y Average	-0.2%	0.1%	1.9%	2.3%	1.1%	1.1%	1.5%	0.4%	0.3%	0.6%	0.8%	0.2%	0.1%	Hedgeye Predictive Tracking Algorithm		0.0%	0.6%	1.2%
3Y Average	1.9%	1.2%	1.3%	1.0%	0.6%	0.7%	2.1%	1.4%	0.2%	0.4%	0.6%	0.5%	0.7%	Bloomberg Consensus Estimate		0.2%	0.6%	1.1%
CAGR (3Y)	1.89%	1.15%	1.25%	1.01%	0.56%	0.73%	2.12%	1.42%	0.22%	0.36%	0.59%	0.50%	0.69%	Central Bank Forecast		-0.5%	1.7%	1.5%
CPI YoY	-0.4%	-0.2%	-0.6%	-0.3%	0.9%	1.4%	1.5%	3.6%	3.3%	2.6%	2.3%	0.5%	0.1%	Full-year Estimates		2014A	2015E	2016E
2Y Average	-0.1%	-0.3%	-0.2%	-0.1%	0.3%	0.6%	0.4%	1.7%	2.1%	2.0%	1.9%	2.0%	1.7%	Hedgeye Predictive Tracking Algorithm		2.7%	0.8%	0.4%
3Y Average	-0.3%	-0.1%	-0.3%	-0.2%	0.2%	0.3%	0.4%	1.1%	1.3%	1.2%	1.1%	1.3%	1.4%	Bloomberg Consensus Estimate		2.7%	0.8%	0.8%
CAGR (3Y)	-0.35%	-0.14%	-0.29%	-0.18%	0.22%	0.29%	0.39%	1.13%	1.27%	1.24%	1.05%	1.25%	1.44%	Central Bank Forecast		2.9%	0.7%	1.9%



JAPAN ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: Japan
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Implicitly Hawkish

Appropriateness Level:
Very Low

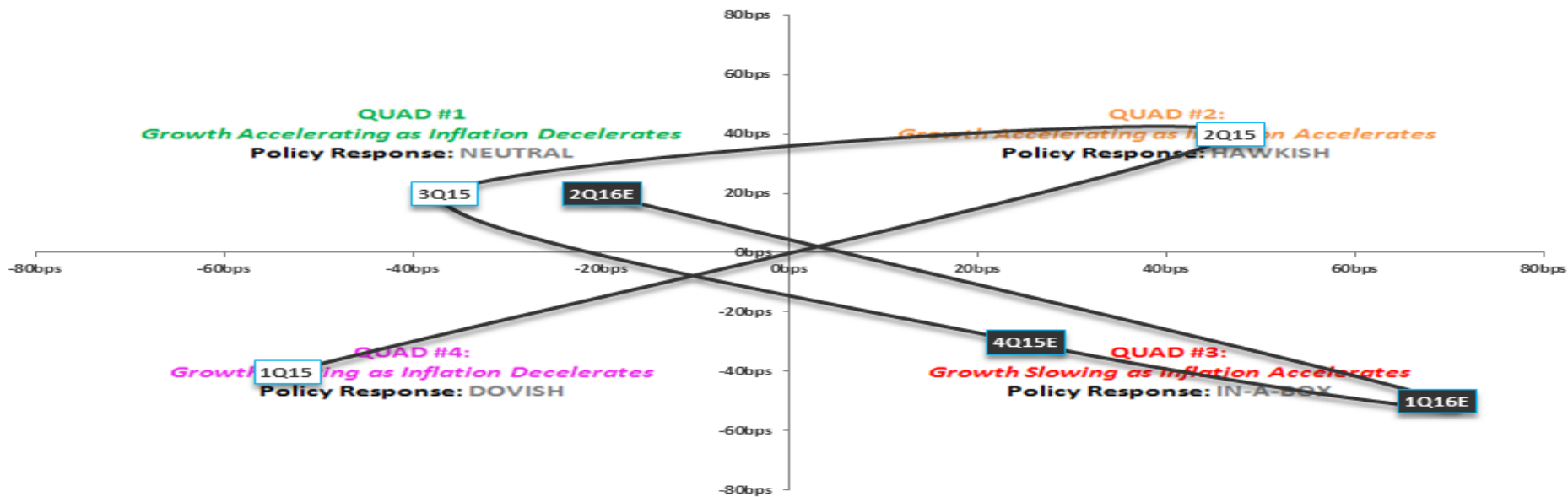
Key Economic Risks:

1. Growth slowing
2. Falling survey-based (Tankan) and market-based (breakeven rates) inflation expectations
3. Popular discontent with the Abenomics agenda

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 18374	11.9%	77.0%	71.9%	12.8%	19.0%	5.5%	-3.5%	-10.5%	2.0%	-5.8%	-1.0%	-3.2%	-0.4%
2Y Sovereign Debt Yield = 0.01%	-28bps	-17bps	-9bps	-9bps	-7bps	2bps	1bps	-1bps	0bps	2bps	0bps	1bps	1bps
10Y Sovereign Debt Yield = 0.26%	-119bps	-90bps	-57bps	-48bps	-31bps	-7bps	-1bps	-23bps	-5bps	-8bps	-4bps	-1bps	0bps
LT Breakeven Rate (5Y5Y or 10Y) = 0.7%	3bps	-	-	-39bps	-52bps	-6bps	-2bps	-32bps	-10bps	-14bps	-5bps	-4bps	-2bps
FX Rate vs. USD = 118.83	-2.4%	-29.9%	-25.8%	-11.8%	-14.1%	0.7%	1.2%	3.4%	1.4%	3.6%	2.4%	1.4%	0.5%

4. GERMANY

GERMANY	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ	0.2%	-0.5%	-0.3%	0.9%	0.4%	0.3%	0.7%	-0.1%	0.2%	0.6%	0.3%	0.4%	0.3%	GIP = Growth/Inflation/Policy				
Real GDP YoY	0.1%	-0.3%	-1.7%	0.7%	1.0%	1.2%	2.6%	1.0%	1.2%	1.6%	1.2%	1.6%	1.8%	Full-year Estimates		2014A	2015E	2016E
2Y Average	1.7%	0.8%	-0.1%	0.5%	0.6%	0.5%	0.5%	0.9%	1.1%	1.4%	1.9%	1.3%	1.5%	Hedgeye Predictive Tracking Algorithm		1.6%	1.5%	1.0%
3Y Average	2.6%	2.0%	1.9%	1.6%	1.4%	0.9%	0.8%	0.7%	0.8%	0.8%	0.7%	1.1%	1.3%	Bloomberg Consensus Estimate		1.6%	1.5%	1.8%
CAGR (3Y)	2.62%	1.95%	1.88%	1.56%	1.43%	0.90%	0.78%	0.67%	0.77%	0.83%	0.68%	1.10%	1.33%	Central Bank Forecast		1.6%	1.7%	1.9%
CPI YoY	2.1%	2.0%	1.8%	1.5%	1.7%	1.3%	1.0%	0.9%	0.8%	0.4%	-0.1%	0.4%	0.0%	Full-year Estimates		2014A	2015E	2016E
2Y Average	2.4%	2.3%	2.1%	1.8%	1.9%	1.7%	1.4%	1.2%	1.3%	0.9%	0.5%	0.6%	0.4%	Hedgeye Predictive Tracking Algorithm		0.8%	0.1%	1.1%
3Y Average	2.0%	2.1%	2.1%	2.1%	2.1%	2.0%	1.7%	1.5%	1.5%	1.3%	0.9%	0.9%	0.8%	Bloomberg Consensus Estimate		0.8%	0.2%	1.2%
CAGR (3Y)	1.96%	2.09%	2.12%	2.05%	2.14%	2.00%	1.74%	1.52%	1.52%	1.25%	0.92%	0.93%	0.83%	Central Bank Forecast		0.8%	0.2%	1.0%

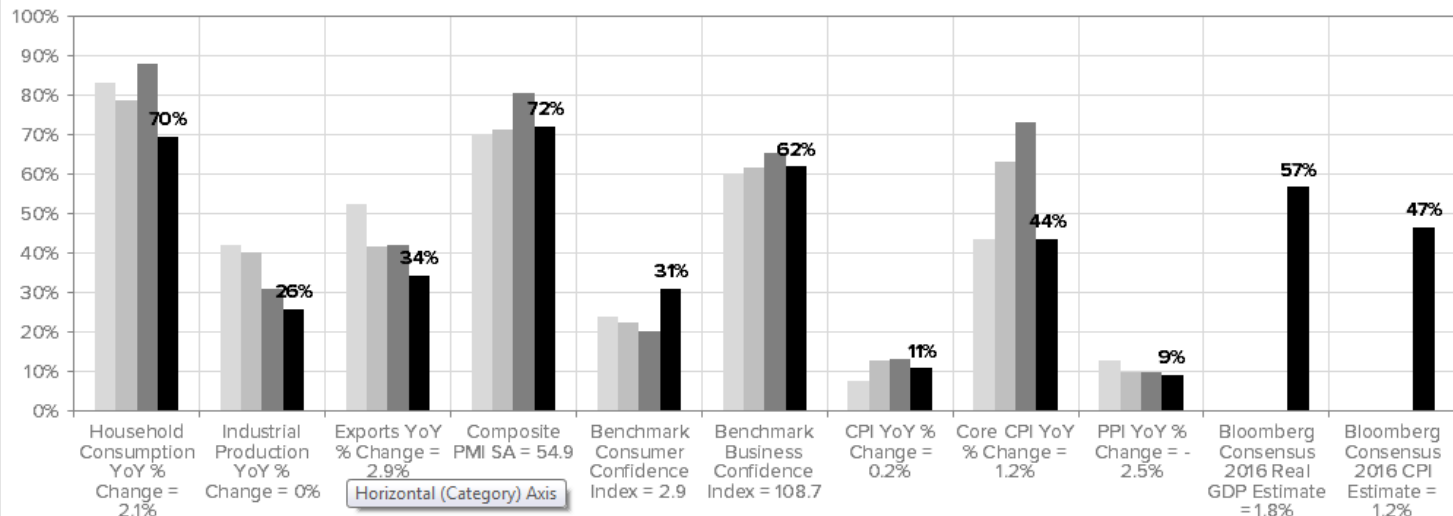


x-axis: sequential bps change in YoY CPI
y-axis: sequential bps change in YoY Real GDP

GERMANY ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: Germany
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Dovish

Appropriateness Level:
Very High

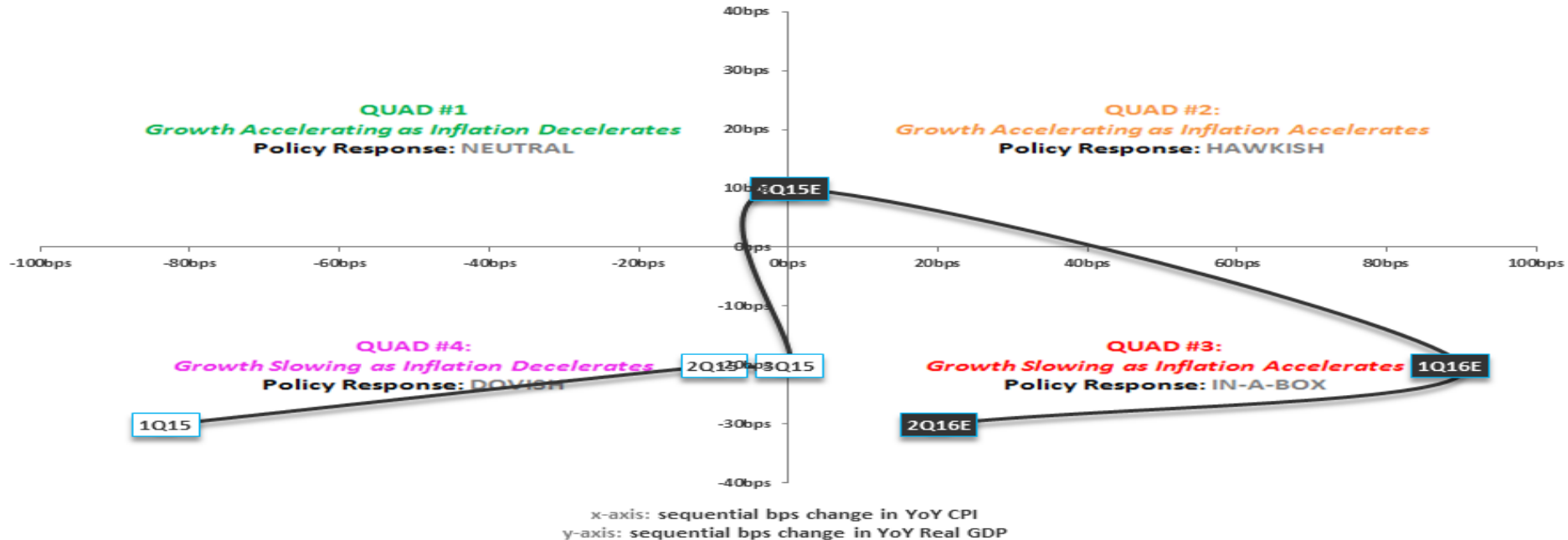
Key Economic Risks:

1. Growth slowing
2. Decelerating core inflation and falling long-term inflation expectations
3. A completely misguided, sanguine 2016 growth outlook among investors and policymakers

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 10283.44	86.2%	47.4%	32.2%	9.0%	2.7%	5.3%	-4.3%	-7.0%	7.6%	-4.4%	1.4%	-3.5%	-4.3%
Policy Rate = 0.05%	-220bps	-95bps	-70bps	-20bps	-10bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = -11bps	-69bps	-44bps	27bps	-27bps	-25bps	-22bps	-1bps	-14bps	-8bps	-2bps	0bps	-1bps	-1bps
2Y Sovereign Debt Yield = -0.35%	-313bps	-118bps	-43bps	-56bps	-37bps	-24bps	-1bps	-10bps	-8bps	-5bps	-1bps	-2bps	-1bps
10Y Sovereign Debt Yield = 0.57%	-272bps	-233bps	-97bps	-138bps	-70bps	7bps	-6bps	-23bps	6bps	-11bps	-1bps	0bps	-6bps
LT Breakeven Rate (5Y5Y or 10Y) = 1.08%	-	-101bps	-86bps	-61bps	-39bps	20bps	0bps	-39bps	-6bps	-19bps	-11bps	4bps	0bps
FX Rate vs. USD = 1.08	-10.6%	-18.6%	-17.1%	-20.3%	-20.3%	-9.8%	-0.3%	-2.5%	-3.4%	-0.5%	-1.5%	-1.2%	-0.2%

5. UNITED KINGDOM

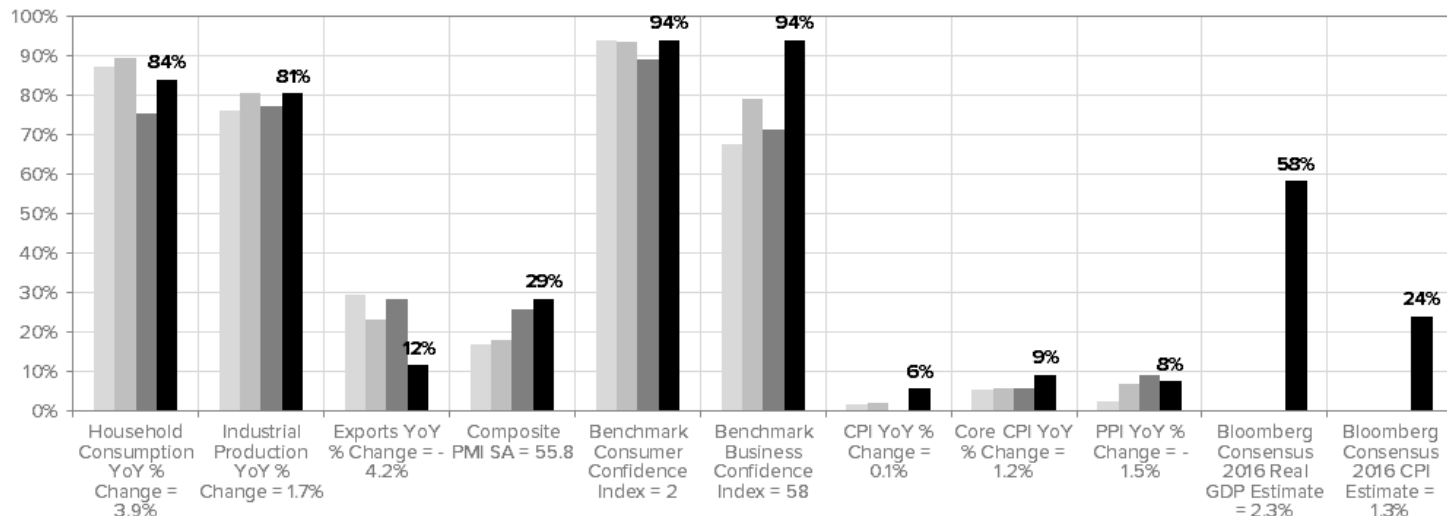
UNITED KINGDOM	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ	1.0%	-0.1%	0.7%	0.6%	0.9%	0.6%	0.6%	0.8%	0.7%	0.7%	0.4%	0.5%	0.4%	GIP = Growth/Inflation/Policy				
Real GDP YoY	1.2%	1.0%	1.4%	2.2%	2.1%	2.8%	2.8%	3.1%	2.8%	2.8%	2.5%	2.3%	2.1%	Full-year Estimates		2014A	2015E	2016E
2Y Average	1.6%	1.6%	1.5%	1.6%	1.7%	1.9%	2.1%	2.7%	2.5%	2.8%	2.7%	2.7%	2.5%	Hedgeye Predictive Tracking Algorithm		2.9%	2.3%	2.0%
3Y Average	1.7%	1.6%	1.7%	1.6%	1.8%	2.0%	1.9%	2.1%	2.0%	2.2%	2.2%	2.5%	2.3%	Bloomberg Consensus Estimate		2.6%	2.4%	2.3%
CAGR (3Y)	1.73%	1.63%	1.67%	1.63%	1.77%	1.96%	1.90%	2.10%	2.03%	2.20%	2.23%	2.53%	2.33%	Central Bank Forecast		3.5%	2.7%	2.5%
CPI YoY	2.4%	2.7%	2.8%	2.7%	2.7%	2.1%	1.7%	1.7%	1.4%	0.9%	0.1%	0.0%	0.0%	Full-year Estimates		2014A	2015E	2016E
2Y Average	3.6%	3.7%	3.1%	2.7%	2.6%	2.4%	2.3%	2.2%	2.1%	1.5%	0.9%	0.9%	0.7%	Hedgeye Predictive Tracking Algorithm		1.5%	0.0%	1.3%
3Y Average	3.4%	3.6%	3.5%	3.3%	3.3%	3.2%	2.7%	2.4%	2.2%	1.9%	1.5%	1.5%	1.4%	Bloomberg Consensus Estimate		1.5%	0.1%	1.3%
CAGR (3Y)	3.41%	3.59%	3.47%	3.26%	3.28%	3.15%	2.66%	2.38%	2.20%	1.91%	1.53%	1.46%	1.38%	Central Bank Forecast		1.2%	0.1%	1.1%



U.K. ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: United Kingdom
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Implicitly Dovish

Appropriateness Level:
Fair

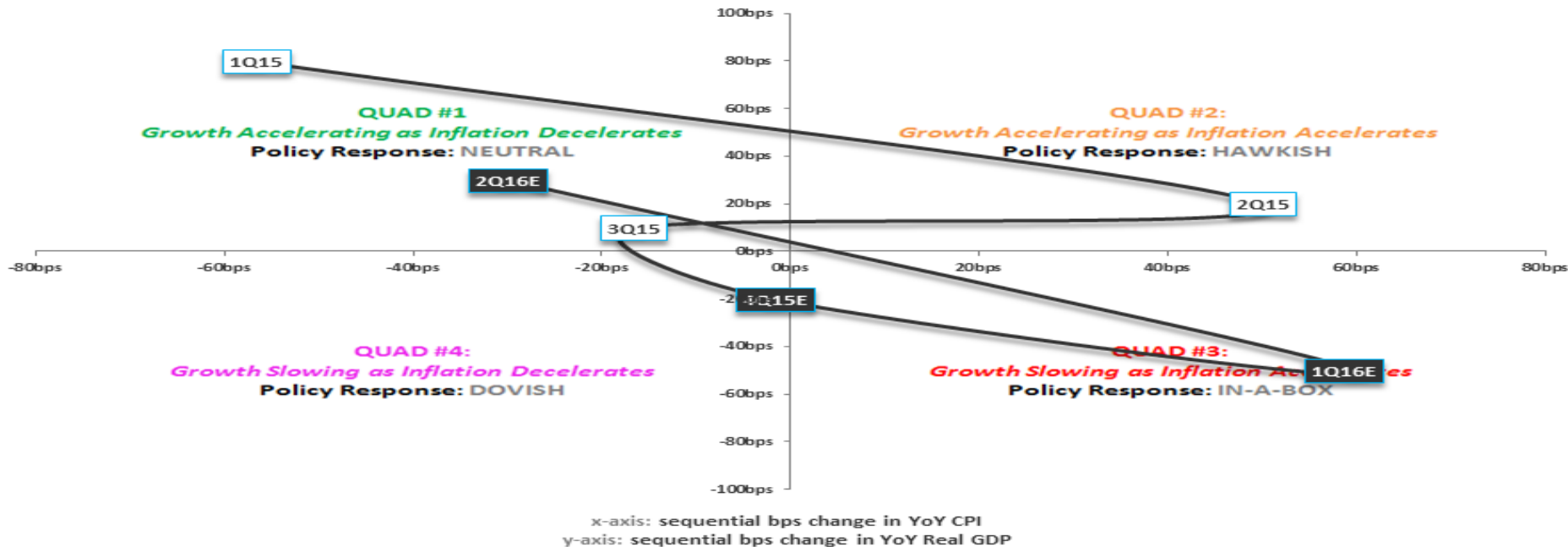
Key Economic Risks:

1. A fairly dour 1H16 growth outlook
2. Structurally depressed rates of inflation
3. A cheapening currency that threatens to perpetuate a deceleration from near-peak rates of consumption growth

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 3367.42	16.3%	8.0%	5.5%	-6.6%	-8.2%	-4.4%	-2.2%	-6.5%	-0.1%	-2.1%	3.4%	-2.4%	-2.2%
Policy Rate = 0.5%	-400bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = 33bps	28bps	-34bps	13bps	13bps	-10bps	10bps	-2bps	1bps	6bps	2bps	1bps	0bps	-2bps
2Y Sovereign Debt Yield = 0.59%	-356bps	-56bps	13bps	5bps	-32bps	17bps	-6bps	2bps	5bps	-6bps	-1bps	-3bps	-6bps
10Y Sovereign Debt Yield = 1.88%	-220bps	-159bps	-24bps	-115bps	-88bps	16bps	-8bps	-12bps	18bps	-5bps	4bps	-4bps	-8bps
LT Breakeven Rate (5Y5Y or 10Y) = 2.34%	-45bps	-78bps	-42bps	-75bps	-58bps	-21bps	-2bps	-39bps	-11bps	-11bps	0bps	-2bps	-2bps
FX Rate vs. USD = 1.47	-16.3%	-5.6%	-8.4%	-10.4%	-14.2%	-4.0%	-0.1%	-5.5%	-3.1%	-2.6%	-2.8%	-1.1%	-0.2%

6. FRANCE

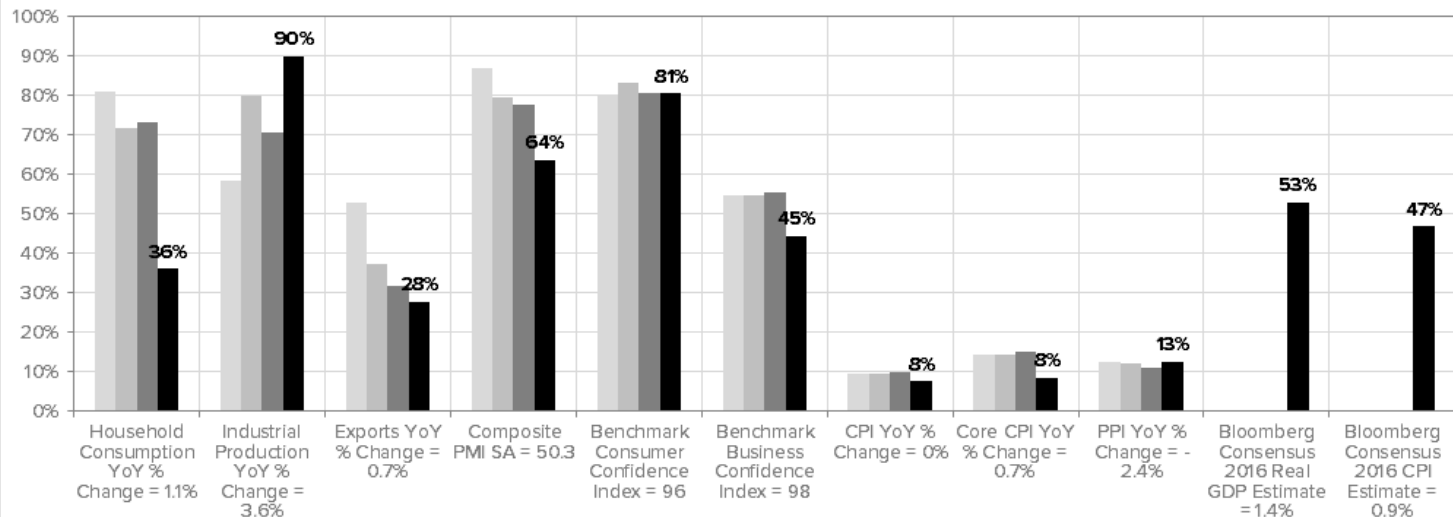
FRANCE	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model			
Real GDP QoQ	0.3%	0.0%	0.2%	0.8%	-0.1%	0.2%	-0.1%	-0.1%	0.2%	0.1%	0.7%	0.0%	0.3%	GIP = Growth/Inflation/Policy			
Real GDP YoY	0.3%	0.0%	0.1%	1.1%	0.8%	1.0%	0.7%	-0.2%	0.1%	0.1%	0.9%	1.1%	1.2%	Full-year Estimates			
2Y Average	1.1%	0.8%	0.3%	0.7%	0.6%	0.5%	0.4%	0.5%	0.5%	0.6%	0.8%	0.5%	0.7%	Hedgeye Predictive Tracking Algorithm			
3Y Average	1.5%	1.2%	1.1%	1.2%	1.0%	0.8%	0.4%	0.4%	0.4%	0.4%	0.6%	0.7%	0.7%	Bloomberg Consensus Estimate			
CAGR (3Y)	1.46%	1.23%	1.13%	1.16%	0.96%	0.83%	0.40%	0.37%	0.40%	0.37%	0.57%	0.66%	0.70%	Central Bank Forecast			
CPI YoY	2.0%	1.5%	1.1%	0.8%	1.0%	0.7%	0.7%	0.6%	0.4%	0.3%	-0.3%	0.2%	0.1%	Full-year Estimates			
2Y Average	2.0%	2.0%	1.7%	1.4%	1.5%	1.1%	0.9%	0.7%	0.7%	0.5%	0.2%	0.4%	0.2%	Hedgeye Predictive Tracking Algorithm			
3Y Average	1.9%	1.9%	1.7%	1.6%	1.7%	1.5%	1.4%	1.1%	1.1%	0.8%	0.5%	0.6%	0.5%	Bloomberg Consensus Estimate			
CAGR (3Y)	1.88%	1.88%	1.73%	1.62%	1.68%	1.54%	1.36%	1.14%	1.11%	0.83%	0.51%	0.56%	0.48%	Central Bank Forecast			



FRANCE ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: France
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Dovish

Appropriateness Level:
Very High

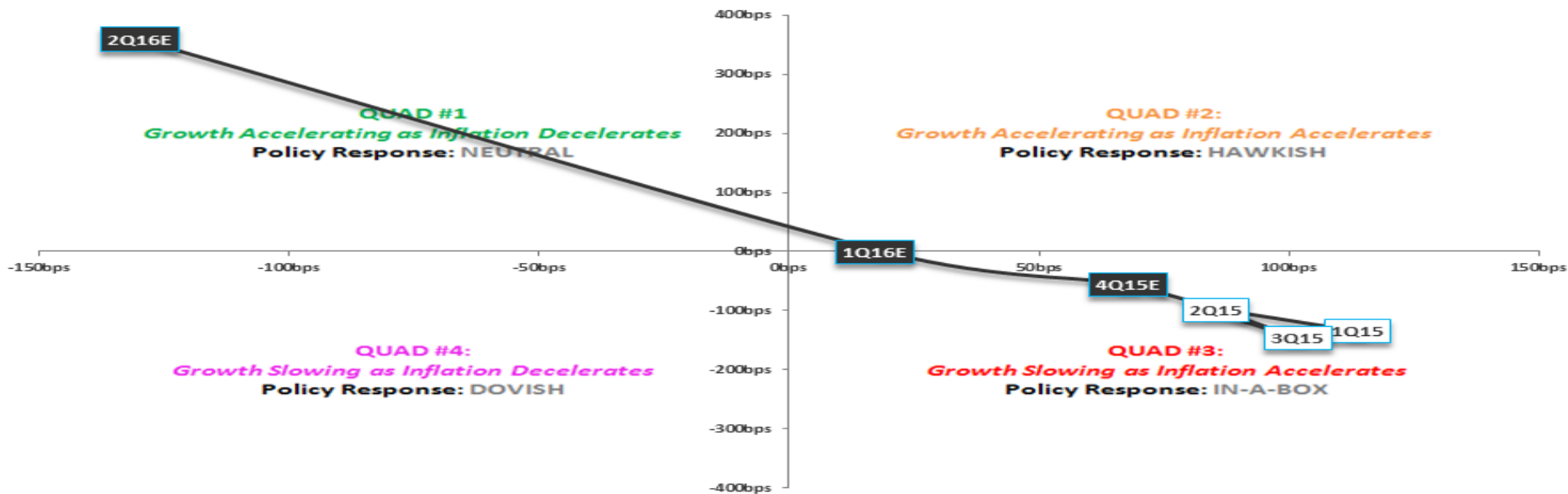
Key Economic Risks:

1. Growth slowing
2. Structurally depressed rates of inflation and falling long-term inflation expectations
3. A completely misguided, sanguine 2016 growth outlook among investors and policymakers

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 4522.45	-6.5%	15.5%	21.2%	6.5%	1.2%	6.4%	0.3%	-5.9%	1.4%	-4.1%	1.1%	-2.1%	-2.5%
Policy Rate = 0.05%	-220bps	-95bps	-70bps	-20bps	-10bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = -11bps	-69bps	-44bps	27bps	-27bps	-25bps	-22bps	-1bps	-14bps	-8bps	-2bps	0bps	-1bps	-1bps
2Y Sovereign Debt Yield = -0.31%	-306bps	-124bps	-47bps	-59bps	-42bps	-25bps	0bps	-13bps	-12bps	-9bps	-3bps	-2bps	0bps
10Y Sovereign Debt Yield = 0.94%	-235bps	-235bps	-120bps	-161bps	-76bps	16bps	-5bps	-30bps	5bps	-6bps	2bps	2bps	-5bps
LT Breakeven Rate (5Y5Y or 10Y) = 1.01%	-	-88bps	-73bps	-51bps	-34bps	26bps	-1bps	-31bps	0bps	-14bps	-5bps	1bps	-1bps
FX Rate vs. USD = 1.08	-10.6%	-18.6%	-17.1%	-20.3%	-20.3%	-9.8%	-0.3%	-2.5%	-3.4%	-0.5%	-1.5%	-1.2%	-0.2%

7. BRAZIL

BRAZIL	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP QoQ	1.5%	0.2%	0.5%	1.5%	0.6%	-0.2%	0.6%	-1.3%	-0.1%	0.1%	-0.8%	-2.1%	-1.7%	GIP = Growth/Inflation/Policy				
Real GDP YoY	2.3%	2.3%	2.6%	4.0%	2.4%	2.1%	2.7%	-1.2%	-1.1%	-0.7%	-2.0%	-3.0%	-4.5%	Full-year Estimates		2014A	2015E	2016E
2Y Average	2.9%	2.4%	2.1%	2.4%	2.4%	2.2%	2.6%	1.4%	0.7%	0.7%	0.3%	-2.1%	-2.8%	Hedgeye Predictive Tracking Algorithm		-0.1%	-3.6%	-2.2%
3Y Average	4.2%	3.5%	3.1%	3.1%	2.7%	2.3%	2.3%	1.2%	1.2%	1.2%	1.1%	-0.1%	-1.0%	Bloomberg Consensus Estimate		0.1%	-3.5%	-2.5%
CAGR (3Y)	4.22%	3.50%	3.11%	3.13%	2.72%	2.29%	2.29%	1.17%	1.20%	1.22%	1.06%	-0.13%	-1.09%	Central Bank Forecast		0.2%	-3.6%	-1.9%
CPI YoY	5.2%	5.6%	6.4%	6.6%	6.1%	5.8%	5.8%	6.4%	6.6%	6.5%	7.7%	8.5%	9.5%	Full-year Estimates		2014A	2015E	2016E
2Y Average	6.2%	6.2%	6.1%	5.8%	5.7%	5.7%	6.1%	6.5%	6.3%	6.2%	6.7%	7.5%	8.1%	Hedgeye Predictive Tracking Algorithm		6.3%	9.0%	8.9%
3Y Average	5.7%	6.0%	6.1%	6.1%	6.2%	6.1%	6.0%	6.0%	6.0%	6.0%	6.6%	7.2%	7.4%	Bloomberg Consensus Estimate		6.3%	9.0%	7.0%
CAGR (3Y)	5.65%	5.96%	6.07%	6.05%	6.15%	6.05%	5.98%	5.98%	5.97%	5.99%	6.60%	7.15%	7.38%	Central Bank Forecast		6.4%	10.8%	6.2%

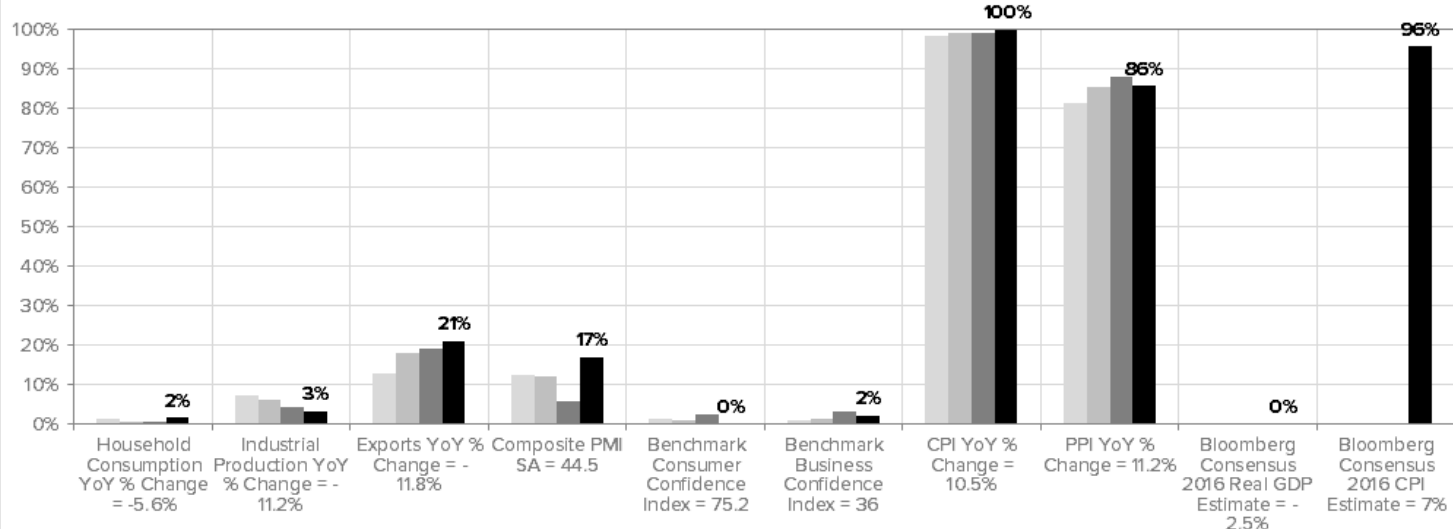


x-axis: sequential bps change in YoY CPI
y-axis: sequential bps change in YoY Real GDP

BRAZIL ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: Brazil
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Hawkish

Appropriateness Level:
Fair

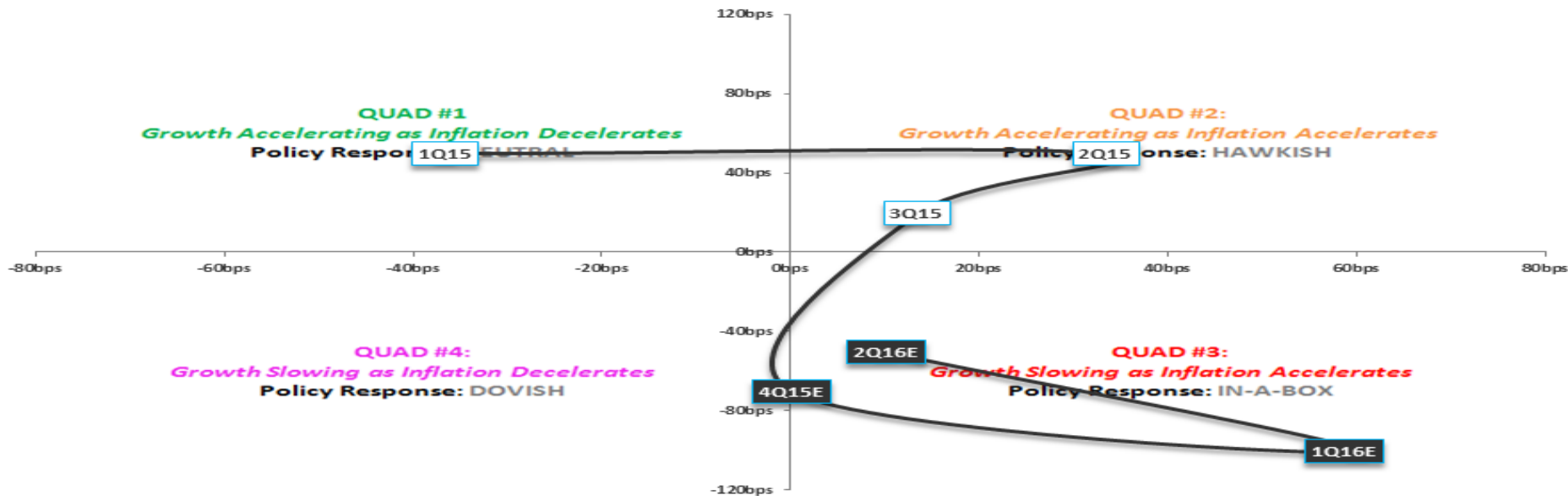
Key Economic Risks:

1. A deepening political crisis that threatens to delay necessary policy adjustments
2. Structurally elevated rates of inflation
3. Capital outflows that hamper both investment and consumption growth

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 42141.04	20.4%	-40.1%	-32.6%	-17.3%	-22.0%	-13.1%	-2.8%	-19.8%	-10.4%	-7.1%	-5.8%	-3.7%	-2.8%
Policy Rate = 14.25%	-375bps	350bps	700bps	425bps	325bps	250bps	0bps	50bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = 152bps	318bps	19bps	164bps	98bps	166bps	38bps	59bps	117bps	41bps	10bps	-23bps	2bps	59bps
2Y Sovereign Debt Yield = 16.33%	-	399bps	856bps	456bps	491bps	333bps	-13bps	291bps	79bps	33bps	-7bps	-2bps	-13bps
10Y Sovereign Debt Yield = 16.41%	-	434bps	725bps	-	439bps	409bps	-10bps	389bps	121bps	83bps	50bps	6bps	-10bps
LT Breakeven Rate (5Y5Y or 10Y) = 9.18%	-	-	-	-	312bps	295bps	0bps	297bps	110bps	90bps	66bps	17bps	0bps
FX Rate vs. USD = 4.04	-43.2%	-58.9%	-49.6%	-41.1%	-45.2%	-33.3%	-2.0%	-22.4%	-2.7%	-7.1%	-4.0%	-4.5%	-2.0%

8. ITALY

ITALY	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model			
Real GDP QoQ	-0.5%	-0.5%	-0.8%	-0.2%	0.0%	0.0%	-0.1%	-0.2%	-0.1%	-0.1%	0.4%	0.3%	0.2%	GIP = Growth/Inflation/Policy			
Real GDP YoY	-3.2%	-2.7%	-2.6%	-2.1%	-1.5%	-0.9%	-0.3%	-0.3%	-0.4%	-0.4%	0.1%	0.6%	0.8%	Full-year Estimates		2014A	2015E
2Y Average	-1.4%	-1.9%	-2.5%	-2.7%	-2.4%	-1.8%	-1.5%	-1.2%	-1.0%	-0.7%	-0.1%	0.2%	0.2%	Hedgeye Predictive Tracking Algorithm		-0.4%	0.4%
3Y Average	-0.3%	-0.5%	-1.0%	-1.3%	-1.4%	-1.5%	-1.8%	-1.9%	-1.7%	-1.3%	-0.9%	-0.6%	-0.4%	Bloomberg Consensus Estimate		-0.4%	0.7%
CAGR (3Y)	-0.32%	-0.52%	-0.99%	-1.32%	-1.44%	-1.54%	-1.77%	-1.87%	-1.71%	-1.34%	-0.94%	-0.61%	-0.37%	Central Bank Forecast		-0.4%	0.9%
CPI YoY	3.2%	2.5%	1.9%	1.1%	1.1%	0.7%	0.5%	0.5%	-0.1%	0.1%	-0.3%	0.1%	0.2%	Full-year Estimates		2014A	2015E
2Y Average	3.0%	2.9%	2.6%	2.2%	2.1%	1.6%	1.2%	0.8%	0.5%	0.4%	0.1%	0.3%	0.1%	Hedgeye Predictive Tracking Algorithm		0.3%	0.1%
3Y Average	2.5%	2.5%	2.5%	2.3%	2.4%	2.2%	1.9%	1.6%	1.4%	1.1%	0.7%	0.6%	0.4%	Bloomberg Consensus Estimate		0.2%	0.1%
CAGR (3Y)	2.54%	2.52%	2.50%	2.34%	2.36%	2.17%	1.89%	1.62%	1.39%	1.10%	0.72%	0.55%	0.41%	Central Bank Forecast		0.2%	0.2%

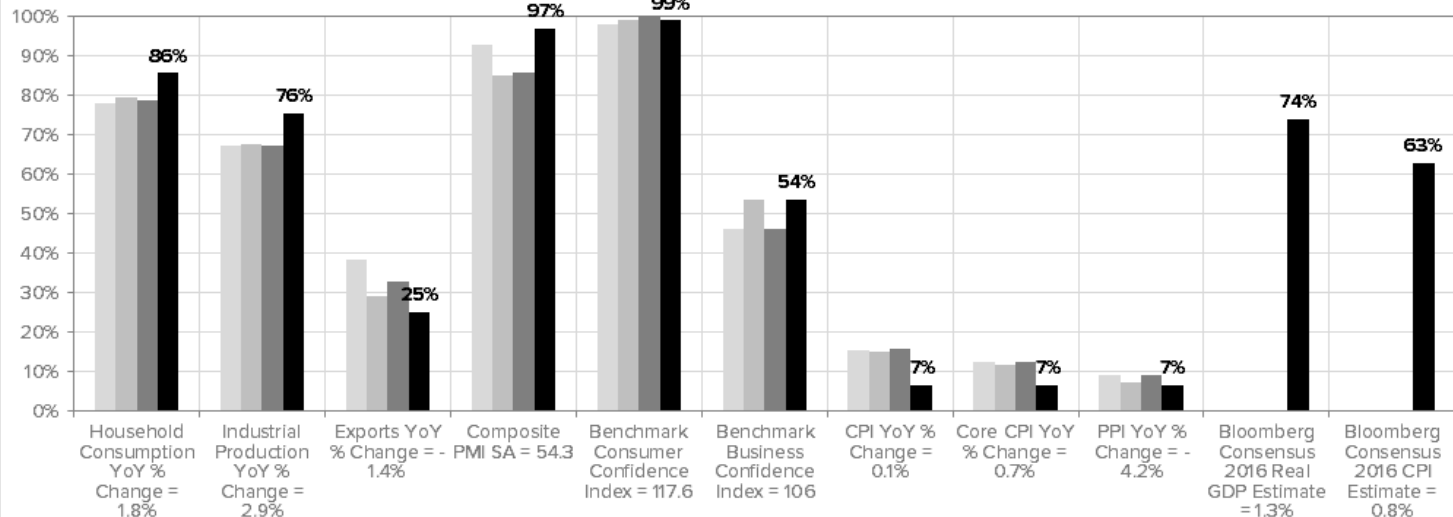


x-axis: sequential bps change in YoY CPI
y-axis: sequential bps change in YoY Real GDP

ITALY ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: Italy
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Dovish

Appropriateness Level:
Very High

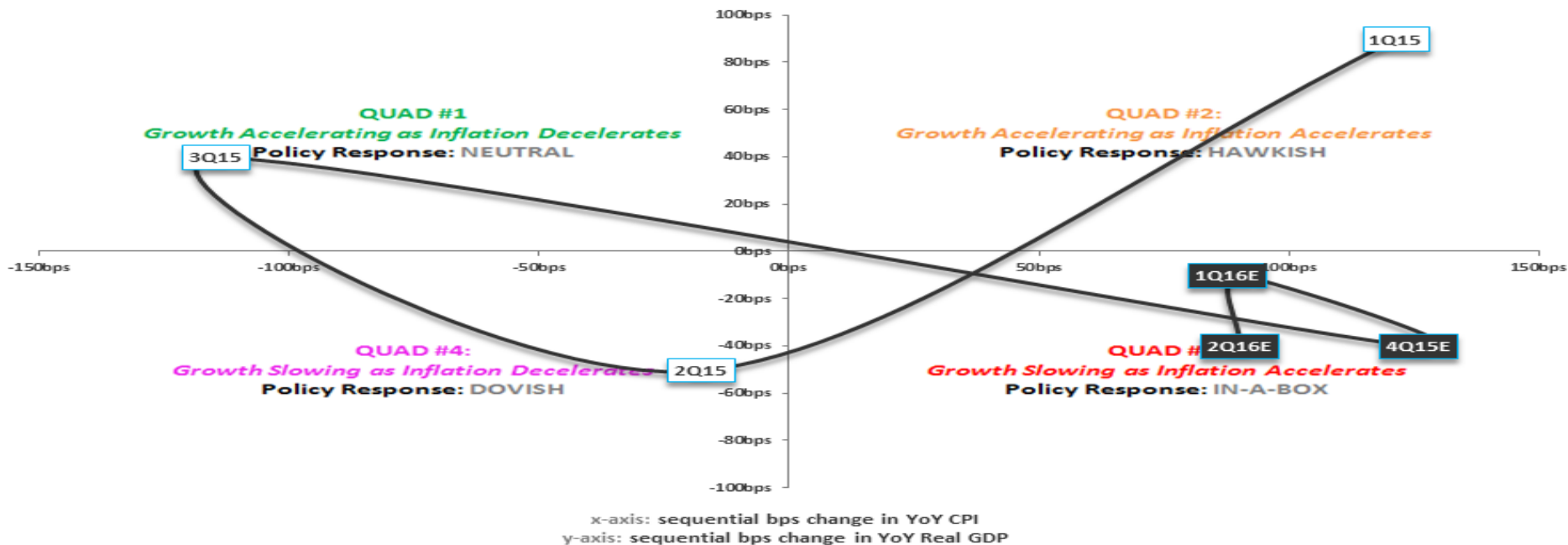
Key Economic Risks:

1. A #LateCycle Slowdown that may materialize into a recession by mid-2016
2. A completely misguided, sanguine 2016 growth outlook among investors and policymakers
3. Persistent producer price deflation

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 20733.81	-42.9%	0.9%	22.3%	8.5%	-3.8%	8.4%	-3.2%	-7.9%	-3.1%	-5.8%	1.1%	-3.0%	-3.2%
Policy Rate = 0.05%	-220bps	-95bps	-70bps	-20bps	-10bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = -11bps	-69bps	-44bps	27bps	-27bps	-25bps	-22bps	-1bps	-14bps	-8bps	-2bps	0bps	-1bps	-1bps
2Y Sovereign Debt Yield = 0%	-283bps	-265bps	-167bps	-102bps	-49bps	-39bps	3bps	-37bps	-6bps	-5bps	-9bps	3bps	3bps
10Y Sovereign Debt Yield = 1.55%	-194bps	-308bps	-272bps	-237bps	-129bps	-19bps	-5bps	-70bps	-8bps	-11bps	-9bps	-6bps	-5bps
LT Breakeven Rate (5Y5Y or 10Y) = 0.92%	-	-84bps	-60bps	-22bps	-29bps	23bps	0bps	-20bps	4bps	-6bps	1bps	3bps	0bps
FX Rate vs. USD = 1.08	-10.6%	-18.6%	-17.1%	-20.3%	-20.3%	-9.8%	-0.3%	-2.5%	-3.4%	-0.5%	-1.5%	-1.2%	-0.2%

9. INDIA

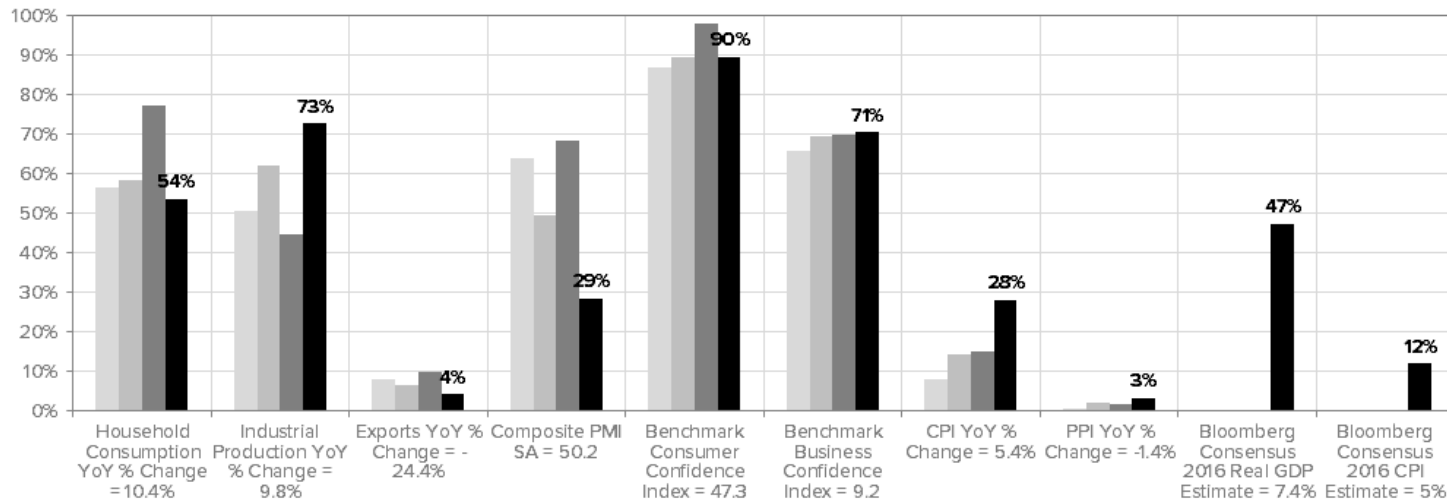
INDIA	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model				
Real GDP YoY	6.3%	5.0%	4.7%	7.0%	7.5%	6.4%	6.7%	6.7%	8.4%	6.6%	7.5%	7.0%	7.4%	Full-year Estimates		2014A	2015E	2016E
2Y Average	6.7%	5.8%	5.3%	5.8%	6.9%	5.7%	5.7%	6.9%	8.0%	6.5%	7.1%	6.9%	7.9%	Hedgeye Predictive Tracking Algorithm		7.1%	7.2%	6.8%
3Y Average	7.2%	6.7%	6.7%	6.4%	6.9%	6.0%	5.7%	6.1%	7.4%	6.0%	6.3%	6.9%	7.8%	Bloomberg Consensus Estimate		4.7%	7.4%	7.4%
CAGR (3Y)	7.16%	6.72%	6.68%	6.36%	6.93%	5.96%	5.73%	6.06%	7.40%	6.00%	6.29%	6.90%	7.77%	Central Bank Forecast		5.5%	7.4%	7.8%
CPI YoY	10.0%	9.8%	9.9%	8.8%	10.1%	10.6%	8.2%	7.9%	6.7%	4.1%	5.3%	5.1%	3.9%	Full-year Estimates		2014A	2015E	2016E
2Y Average	5.0%	4.9%	8.1%	9.4%	10.1%	10.2%	9.1%	8.3%	8.4%	7.3%	6.8%	6.5%	5.3%	Hedgeye Predictive Tracking Algorithm		6.7%	4.9%	7.8%
3Y Average	3.3%	3.3%	5.4%	6.2%	6.7%	6.8%	8.1%	8.9%	8.9%	8.1%	7.8%	7.3%	6.9%	Bloomberg Consensus Estimate		7.2%	6.2%	5.0%
CAGR (3Y)	3.24%	3.15%	5.31%	6.14%	6.60%	6.67%	8.12%	8.85%	8.92%	8.10%	7.79%	7.24%	6.88%	Central Bank Forecast		6.0%	5.0%	5.5%



INDIA ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: India
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Explicitly Dovish

Appropriateness Level:
Low

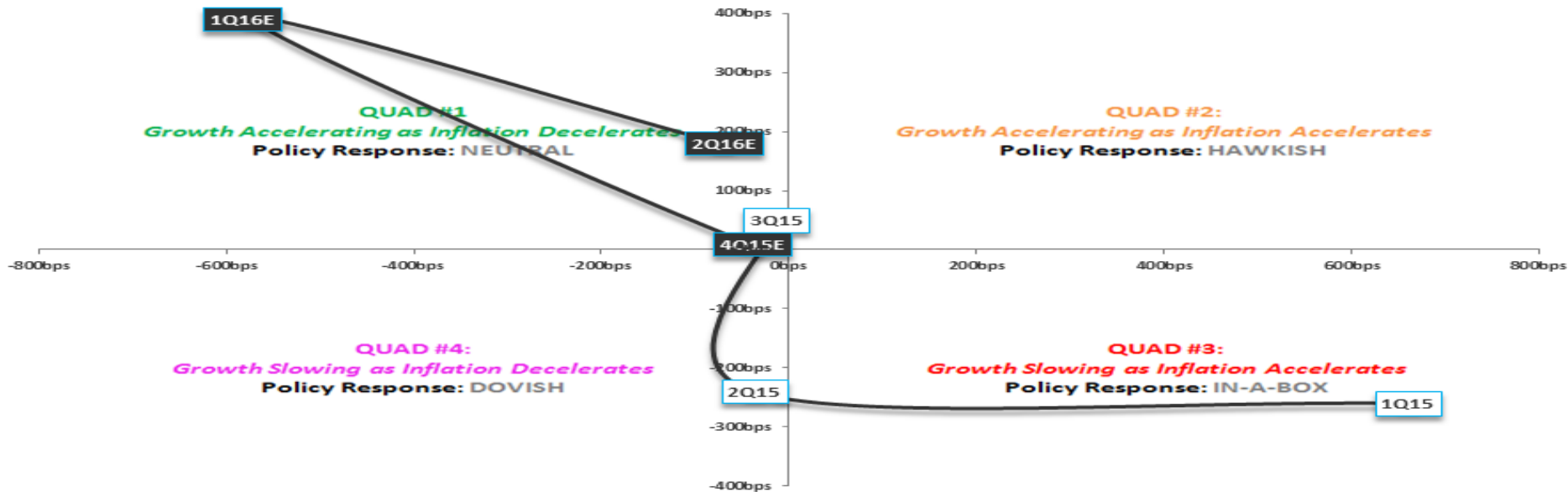
Key Economic Risks:

1. Accelerating and above-target inflation
2. Slowing growth
3. Political infighting that continues to delay the implementation of critical economic reforms

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 25580.34	166.0%	26.0%	29.3%	22.7%	-1.5%	-8.1%	-2.1%	-8.9%	-4.5%	-0.2%	1.0%	-1.9%	-0.2%
Policy Rate = 6.75%	50bps	50bps	-125bps	-100bps	-125bps	-125bps	0bps	-50bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = 29bps	67bps	-48bps	70bps	-39bps	-5bps	52bps	-3bps	8bps	2bps	-6bps	-6bps	-3bps	-2bps
2Y Sovereign Debt Yield = 7.35%	119bps	-24bps	-49bps	-123bps	-87bps	-64bps	-14bps	-43bps	-10bps	-5bps	-3bps	-19bps	1bps
10Y Sovereign Debt Yield = 7.74%	65bps	-32bps	-19bps	-110bps	-93bps	-15bps	-2bps	-6bps	23bps	-2bps	-5bps	-2bps	2bps
FX Rate vs. USD = 66.6	-32.9%	-31.9%	-17.7%	-6.5%	-10.2%	-4.7%	-0.5%	-4.8%	-2.2%	0.1%	0.4%	-0.5%	0.0%

10. RUSSIA

RUSSIA	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	Hedgeye Macro GIP Model			
Real GDP QoQ	9.7%	4.0%	-17.3%	7.2%	9.8%	4.8%	-18.5%	7.4%	9.9%	4.4%	-20.7%	4.7%	10.5%	GIP = Growth/Inflation/Policy			
Real GDP YoY	3.1%	2.0%	0.7%	1.2%	1.3%	2.1%	0.6%	0.7%	0.9%	0.4%	-2.2%	-4.6%	-4.1%	Full-year Estimates		2014A	2015E
2Y Average	4.1%	3.6%	2.7%	2.7%	2.2%	2.1%	0.7%	1.0%	1.1%	1.3%	-0.8%	-2.0%	-1.6%	Hedgeye Predictive Tracking Algorithm		0.7%	-3.7%
3Y Average	4.0%	4.1%	2.9%	2.9%	3.1%	3.1%	2.0%	2.0%	1.8%	1.5%	-0.3%	-0.9%	-0.6%	Bloomberg Consensus Estimate		0.5%	-3.8%
CAGR (3Y)	3.96%	4.09%	2.89%	2.89%	3.12%	3.09%	1.98%	2.02%	1.76%	1.50%	-0.31%	-0.94%	-0.66%	Central Bank Forecast		0.6%	-2.8%
CPI YoY	6.0%	6.5%	7.1%	7.2%	6.4%	6.4%	6.4%	7.6%	7.7%	9.6%	16.2%	15.8%	15.7%	Full-year Estimates		2014A	2015E
2Y Average	7.1%	6.6%	5.5%	5.5%	6.2%	6.5%	6.8%	7.4%	7.0%	8.0%	11.3%	11.7%	11.7%	Hedgeye Predictive Tracking Algorithm		7.8%	15.8%
3Y Average	6.8%	7.1%	6.8%	6.8%	6.8%	6.6%	5.8%	6.2%	6.7%	7.5%	9.9%	10.2%	9.9%	Bloomberg Consensus Estimate		7.8%	15.5%
CAGR (3Y)	6.78%	7.12%	6.82%	6.82%	6.84%	6.56%	5.79%	6.18%	6.70%	7.51%	9.82%	10.12%	9.85%	Central Bank Forecast		9.0%	11.9%

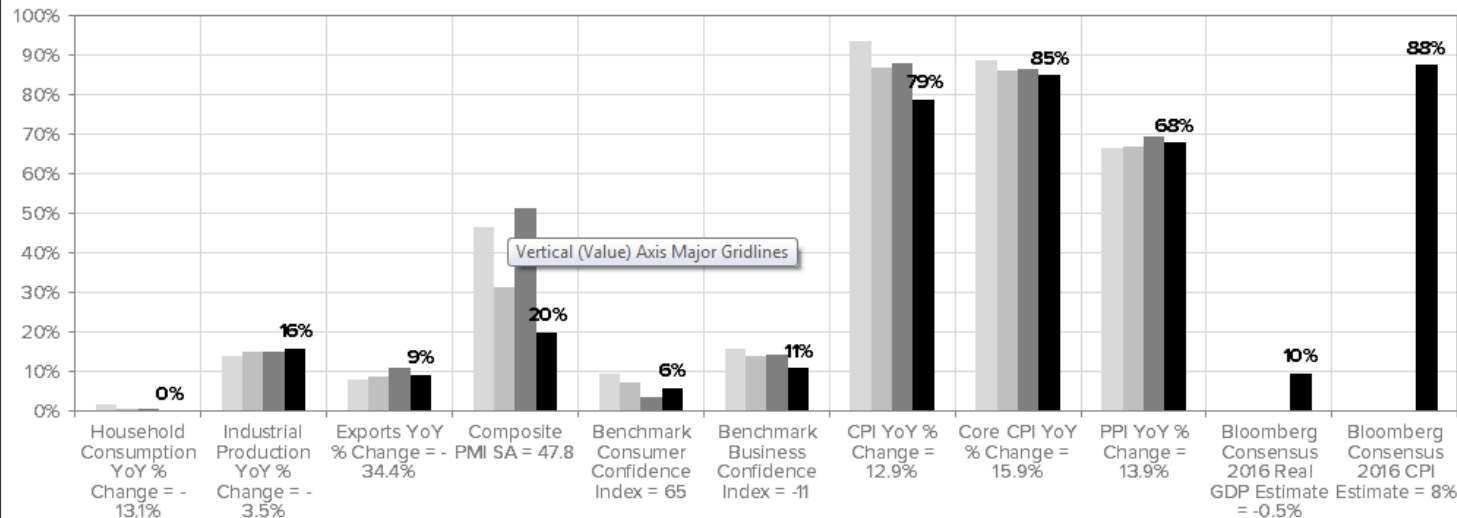


x-axis: sequential bps change in YoY CPI
y-axis: sequential bps change in YoY Real GDP

RUSSIA ECONOMIC SUMMARY

Key High Frequency Growth and Inflation Indicators: Russia
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)

■ Previous 3MMA ■ Latest 3MMA ■ Previous Value ■ Latest Value



Data Source: Bloomberg. Household Consumption = Nominal Retail Sales for Australia, Brazil, Canada, China, Indonesia, Japan, Mexico, South Korea, Taiwan, Thailand and Turkey; Real Retail Sales for the Eurozone, Russia, South Africa and the United Kingdom; and Real PCE for the United States.

Policy Bias:
Implicitly Hawkish

Appropriateness Level:
Fair

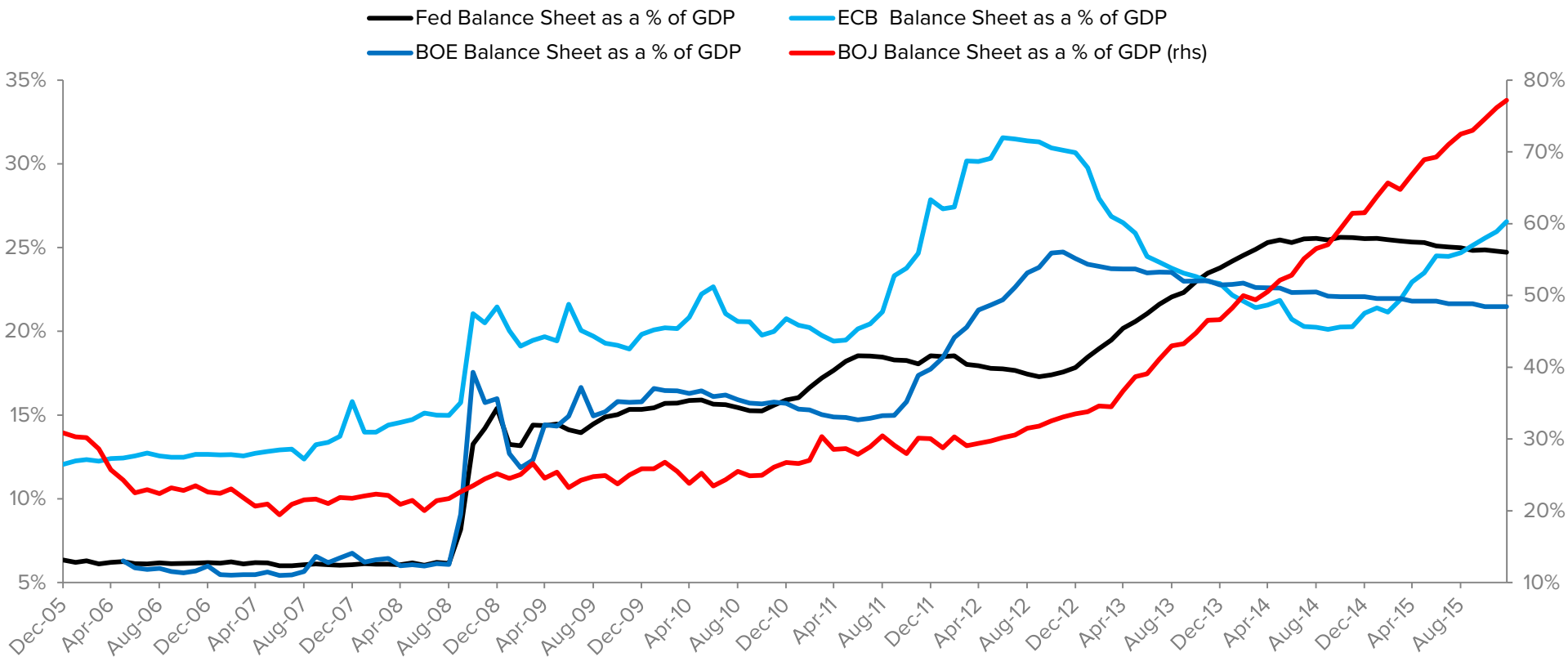
Key Economic Risks:

1. Continued #StrongDollar #Deflation in the energy complex
2. Structurally depressed rates of growth
3. Structurally elevated rates of inflation

Market Indicator	10Y Change	5Y Change	3Y Change	2Y Change	18M Change	1Y Change	YTD Change	6M Change	3M Change	1M Change	3W Change	1W Change	1D Change
Benchmark Equity Market = 749.28	-33.4%	-57.7%	-50.9%	-48.1%	-44.9%	-5.2%	-1.0%	-18.5%	-2.0%	-7.7%	-1.6%	-0.9%	-1.0%
Policy Rate = 11%	-	-	-	550bps	350bps	-600bps	0bps	-50bps	0bps	0bps	0bps	0bps	0bps
1Y OIS Spread vs. Policy Rate = 60bps	-	-	-	-87bps	-132bps	-310bps	0bps	-44bps	-93bps	11bps	-30bps	0bps	0bps
2Y Sovereign Debt Yield = 10.01%	-	367bps	364bps	370bps	182bps	-451bps	-13bps	-152bps	-112bps	-21bps	-64bps	-25bps	-13bps
10Y Sovereign Debt Yield = 9.51%	-	128bps	252bps	163bps	96bps	-349bps	-4bps	-134bps	-144bps	7bps	-25bps	-2bps	-4bps
FX Rate vs. USD = 73.19	-60.5%	-58.0%	-58.3%	-54.4%	-52.8%	-19.1%	0.2%	-23.2%	-9.3%	-6.5%	-3.1%	-0.7%	-0.4%

IF THE POLICY DIVERGENCE LIVES ON...

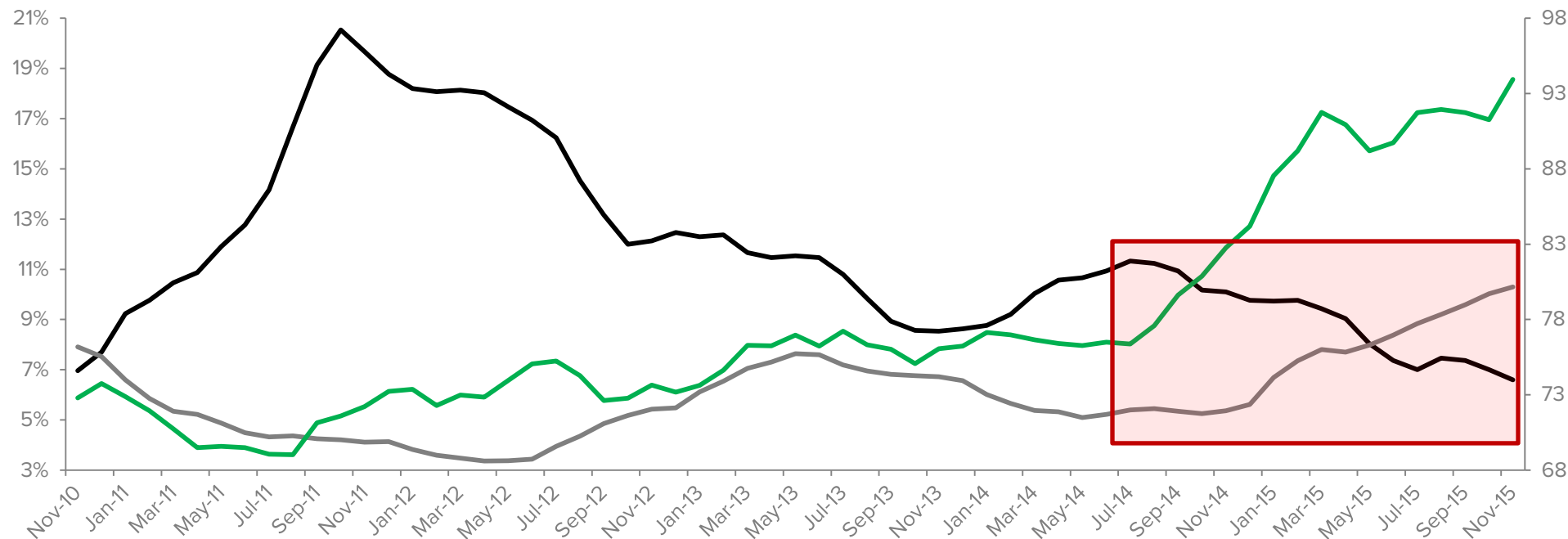
WITH RESPECT TO UNCONVENTIONAL MONETARY POLICY, THE KEY DIVERGENCE TO FOCUS ON IS THE DELTA BETWEEN THE FED'S BALANCE SHEET – WHICH IS CONTRACTING – AND THE BALANCE SHEETS OF THE ECB AND BOJ – WHICH ARE EXPANDING RAPIDLY.



...THEN #STRONGDOLLAR LIVES ON

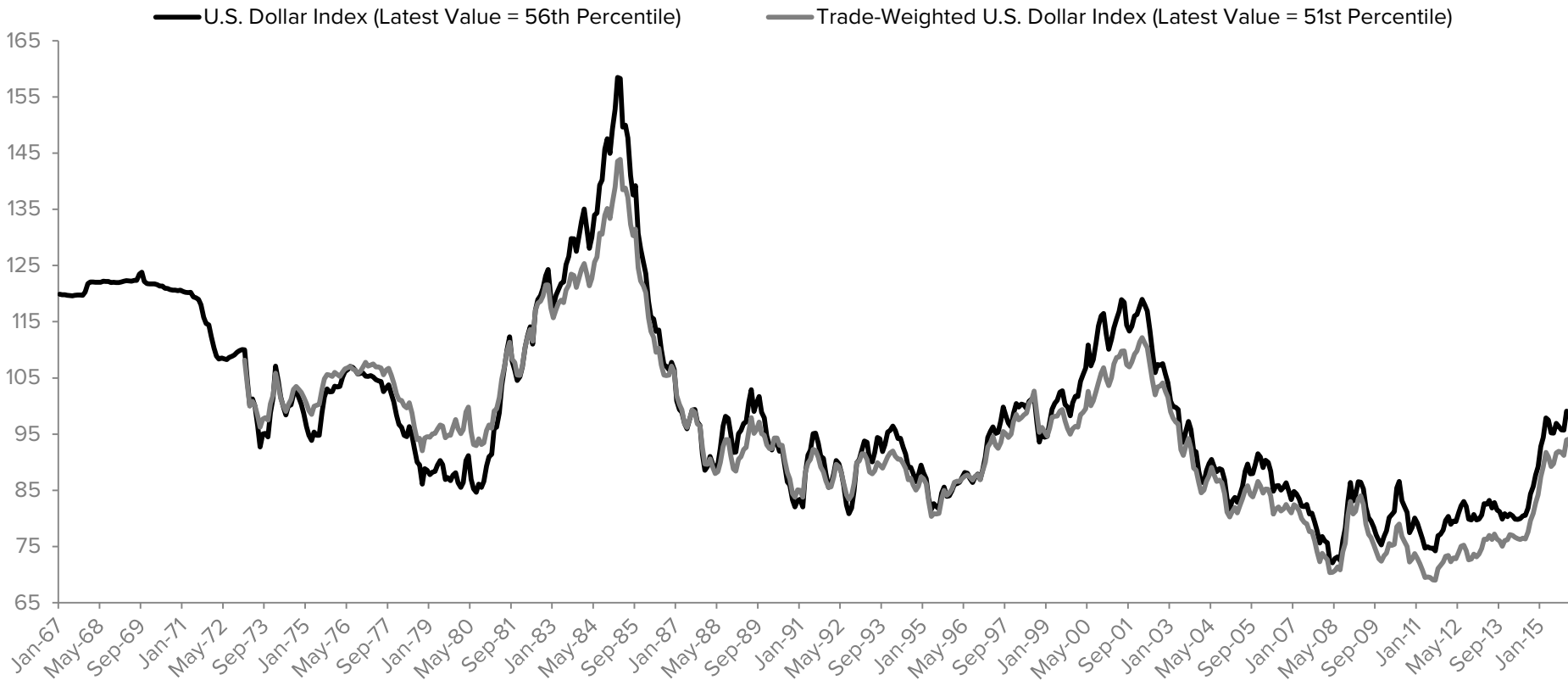
AFTER FIVE YEARS OF SLOWER GROWTH, EXTERNAL MONEY SUPPLY GROWTH IS NOW OUTPACING DOMESTIC MONEY SUPPLY GROWTH. THIS DEVELOPMENT HAS CONTRIBUTED TO AND SHOULD CONTINUE TO CONTRIBUTE TO AN INVESTABLE SUPPLY/DEMAND IMBALANCE IN THE CURRENCY MARKET.

- U.S. M1 YoY % Change (3MMA)
- RoW Weighted Average M1 YoY % Change According to the New SDR Basket (3MMA)
- Trade-Weighted U.S. Dollar Index (rhs)

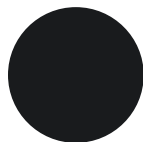


#STRONGDOLLAR CAN EASILY PERSIST

WITH ~30-60% DOWNSIDE TO THE RESPECTIVE RECORDED ALL-TIME LOWS IN THE EUR (40%), CNY (25%), JPY (67%) AND GBP (28%), IT'S NOT A STRETCH TO ANTICIPATE CONTINUED DOLLAR STRENGTH FROM HERE IN THE CONTEXT OF OUR #CURRENCYWAR THEME.



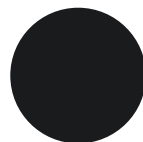
THEMATIC INVESTMENT CONCLUSIONS



TRADE (3 WEEKS OR LESS)

LONGS: U.S. Dollar (UUP), Long-term Treasuries (TLT), Utilities (XLU)

SHORTS: S&P 500 (SPY), Retailers (XRT), Financials (XLF)



TREND (3 MONTHS OR MORE)

LONGS: Long-term Treasuries (TLT), Muni Bonds (MUB), Ultra Long-term Treasuries (EDV), U.S. Equity Volatility (VXX), Germany (EWG)

SHORTS: Euro (FXE), S&P 500 (SPY), Retailers (XRT), Financials (XLF), Russell 2000 (IWM), Spain (EWP)



TAIL (3 YEARS OR LESS)

LONGS: U.S. Dollar (UUP), Long-term Treasuries (TLT), Japan (DXJ)

SHORTS: Euro (FXE), High-Yield Credit (JNK), Russell 2000 (IWM)

FOR MORE INFORMATION CONTACT:

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