

# What Are The Quads?

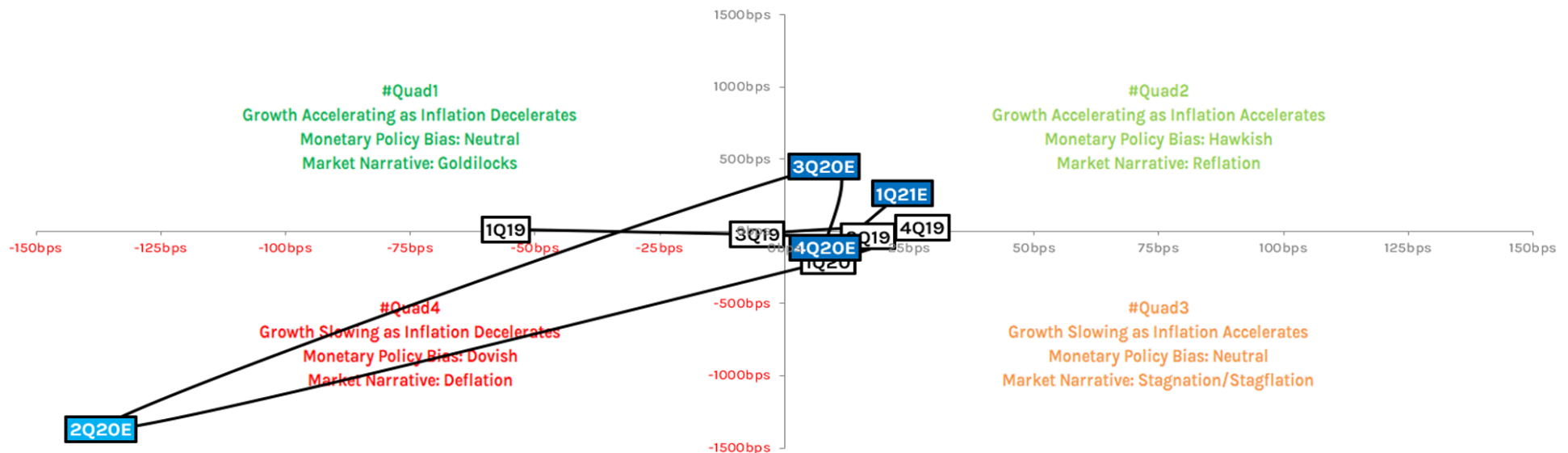
HEDGEYE

Our GIP Model is data-driven, regime-based framework that allows investors to quickly contextualize the three most causal factors for driving inter and intra asset class dispersion – i.e. GROWTH, INFLATION, and POLICY.

| United States                | 2Q17  | 3Q17  | 4Q17  | 1Q18  | 2Q18  | 3Q18  | 4Q18  | 1Q19  | 2Q19  | 3Q19  | 4Q19  | 1Q20   | ← Actuals   Estimates →      | 2Q20E   | 3Q20E  | 4Q20E   | 1Q21E  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|------------------------------|---------|--------|---------|--------|
| Real GDP QoQ SAAR            | 2.20% | 3.20% | 3.50% | 2.50% | 3.50% | 2.90% | 1.10% | 3.10% | 2.00% | 2.10% | 2.10% | -5.00% | Real GDP QoQ SAAR            | -52.95% | 22.90% | -2.82%  | 6.29%  |
| Real GDP YoY                 | 2.16% | 2.42% | 2.80% | 2.86% | 3.20% | 3.13% | 2.52% | 2.65% | 2.28% | 2.07% | 2.33% | 0.25%  | Real GDP YoY                 | -13.45% | -8.97% | -10.09% | -7.49% |
| 2yr Comparative Base Effects | 2.35% | 2.00% | 1.97% | 1.86% | 1.75% | 1.99% | 2.41% | 2.48% | 2.68% | 2.77% | 2.66% | 2.76%  | 2yr Comparative Base Effects | 2.74%   | 2.60%  | 2.43%   | 1.45%  |
| Headline CPI YoY             | 1.90% | 1.97% | 2.12% | 2.21% | 2.71% | 2.64% | 2.20% | 1.64% | 1.81% | 1.76% | 2.03% | 2.12%  | Headline CPI YoY             | 0.75%   | 0.83%  | 0.91%   | 1.15%  |
| 2yr Comparative Base Effects | 0.50% | 0.61% | 1.13% | 1.81% | 1.48% | 1.54% | 1.96% | 2.38% | 2.31% | 2.30% | 2.16% | 1.93%  | 2yr Comparative Base Effects | 2.26%   | 2.20%  | 2.12%   | 1.88%  |

## United States

◆ x-axis: First Difference of YoY Headline CPI;  
y-axis: First Difference of YoY Real GDP



Data Source: Bloomberg. Light Blue box = Hedgeye Predictive Tracking Algorithm nowcast. Dark Blue boxes = Hedgeye β-Adjusted Comparative Base Effect Model estimates.

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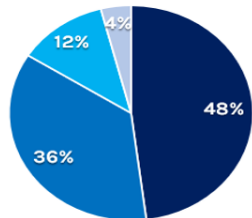
# What Tends To Work In Each Quad?

HEDGEYE

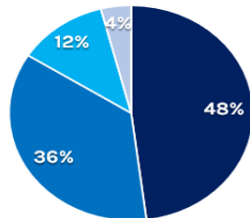
For illustrative purposes only. Not intended to simulate or recommend static core exposures or asset class weights.

| Quad 1: Goldilocks         |      |  |  | Quad 2: Reflation          |      |  |  | Quad 3: Stagflation      |      |  |  | Quad 4: Deflation          |      |  |  |
|----------------------------|------|--|--|----------------------------|------|--|--|--------------------------|------|--|--|----------------------------|------|--|--|
| Exposure                   | ETF  | Hypothetical Long-Only Balanced Portfolio* | Hypothetical Long-Short Market Neutral Portfolio** | Exposure                   | ETF  | Hypothetical Long-Only Balanced Portfolio* | Hypothetical Long-Short Market Neutral Portfolio** | Exposure                 | ETF  | Hypothetical Long-Only Balanced Portfolio* | Hypothetical Long-Short Market Neutral Portfolio** | Exposure                   | ETF  | Hypothetical Long-Only Balanced Portfolio* | Hypothetical Long-Short Market Neutral Portfolio** |
| Tech                       | XLK  | 6.0%                                       | 6.0%   | Tech                       | XLK  | 6.0%                                       | 6.0%   | Utilities                | XLU  | 6.0%                                       | 6.0%   | Consumer Staples           | XLP  | 4.5%                                       | 4.5%   |
| Consumer Discretionary     | XLV  | 6.0%                                       | 6.0%   | Consumer Discretionary     | XLV  | 6.0%                                       | 6.0%   | Tech                     | XLK  | 6.0%                                       | 6.0%   | Health Care                | XLV  | 4.5%                                       | 4.5%   |
| Industrials                | XLI  | 6.0%                                       | 6.0%   | Industrials                | XLI  | 6.0%                                       | 6.0%   | Energy                   | XLE  | 6.0%                                       | 6.0%   | REITS                      | VNQ  | 4.5%                                       | 4.5%   |
| Materials                  | XLB  | 6.0%                                       | 6.0%   | Energy                     | XLE  | 6.0%                                       | 6.0%   | REITS                    | VNQ  | 6.0%                                       | 6.0%   | Utilities                  | XLU  | 4.5%                                       | 4.5%   |
| Utilities                  | XLU  | -  | -5.4%  | Telecom                    | IYZ  | -  | -5.4%  | Financials               | XLF  | -  | -5.4%  | Tech                       | XLK  | -  | -4.1%  |
| Consumer Staples           | XLP  | -  | -5.4%  | Utilities                  | XLU  | -  | -5.4%  | Materials                | XLB  | -  | -5.4%  | Energy                     | XLE  | -  | -4.1%  |
| Energy                     | XLE  | -  | -5.4%  | Consumer Staples           | XLP  | -  | -5.4%  | Telecom                  | IYZ  | -  | -5.4%  | Industrials                | XLI  | -  | -4.1%  |
| Health Care                | XLV  | -  | -5.4%  | REITS                      | VNQ  | -  | -5.4%  | Consumer Staples         | XLP  | -  | -5.4%  | Financials                 | XLF  | -  | -4.1%  |
| High Beta                  | SPHB | 6.0%                                       | 6.0%   | Momentum                   | MTUM | 6.0%                                       | 6.0%   | Secular Growers          | QQQ  | 6.0%                                       | 6.0%   | Low Beta                   | SPLV | 4.5%                                       | 4.5%   |
| Momentum                   | MTUM | 6.0%                                       | 6.0%   | Growth                     | IWF  | 6.0%                                       | 6.0%   | Low Beta                 | SPLV | 6.0%                                       | 6.0%   | Safe Dividend Yield        | SDY  | 4.5%                                       | 4.5%   |
| Cyclicals                  | IWN  | 6.0%                                       | 6.0%   | Small Caps                 | IWM  | 6.0%                                       | 6.0%   | Quality                  | QUAL | 6.0%                                       | 6.0%   | Defensives                 | DEF  | 4.5%                                       | 4.5%   |
| Mid Caps                   | MDY  | 6.0%                                       | 6.0%   | High Beta                  | SPHB | 6.0%                                       | 6.0%   | Growth                   | IWF  | 6.0%                                       | 6.0%   | Quality                    | QUAL | 4.5%                                       | 4.5%   |
| Low Beta                   | SPLV | -  | -5.4%  | Low Beta                   | SPLV | -  | -5.4%  | Small Caps               | IWM  | -  | -5.4%  | Momentum                   | MTUM | -  | -4.1%  |
| Defensives                 | DEF  | -  | -5.4%  | Value                      | IWD  | -  | -5.4%  | High Dividend Yield      | SPHD | -  | -5.4%  | High Beta                  | SPHB | -  | -4.1%  |
| High Dividend Yield        | SPHD | -  | -5.4%  | High Dividend Yield        | SPHD | -  | -5.4%  | Value                    | IWD  | -  | -5.4%  | Growth                     | IWF  | -  | -4.1%  |
| Mega Caps                  | DIA  | -  | -5.4%  | Defensives                 | DEF  | -  | -5.4%  | Cyclicals                | IWN  | -  | -5.4%  | Secular Growers            | QQQ  | -  | -4.1%  |
| Convertibles               | CWB  | 9.0%                                       | 9.0%   | BDCs                       | BIZD | 9.0%                                       | 9.0%   | Munis                    | MUB  | 10.0%                                      | 10.0%  | Long Duration Treasuries   | TLT  | 10.0%                                      | 10.0%  |
| High Yield Credit          | HYG  | 9.0%                                       | 9.0%   | Convertibles               | CWB  | 9.0%                                       | 9.0%   | Long Duration Treasuries | TLT  | 10.0%                                      | 10.0%  | Medium Duration Treasuries | IEF  | 10.0%                                      | 10.0%  |
| Leveraged Loans            | BKLN | 9.0%                                       | 9.0%   | Preferreds                 | PFF  | 9.0%                                       | 9.0%   | TIPS                     | TIP  | 10.0%                                      | 10.0%  | Munis                      | MUB  | 10.0%                                      | 10.0%  |
| BDCs                       | BIZD | 9.0%                                       | 9.0%   | Leveraged Loans            | BKLN | 9.0%                                       | 9.0%   | Investment Grade Credit  | LQD  | 10.0%                                      | 10.0%  | MBS                        | MBB  | 10.0%                                      | 10.0%  |
| TIPS                       | TIP  | -  | -8.1%  | Long Duration Treasuries   | TLT  | -  | -8.1%  | BDCs                     | BIZD | -  | -9.0%  | Convertibles               | CWB  | -  | -9.0%  |
| Short Duration Treasuries  | SHY  | -  | -8.1%  | Munis                      | MUB  | -  | -8.1%  | Preferreds               | PFF  | -  | -9.0%  | TIPS                       | TIP  | -  | -9.0%  |
| MBS                        | MBB  | -  | -8.1%  | Investment Grade Credit    | LQD  | -  | -8.1%  | Convertibles             | CWB  | -  | -9.0%  | Leveraged Loans            | BKLN | -  | -9.0%  |
| Medium Duration Treasuries | IEF  | -  | -8.1%  | Medium Duration Treasuries | IEF  | -  | -8.1%  | Leveraged Loans          | BKLN | -  | -9.0%  | High Yield Credit          | HYG  | -  | -9.0%  |
| EUR/USD                    | FXE  | 12.0%                                      | 12.0%  | EM FX                      | CEW  | 12.0%                                      | 12.0%  | G10 FX                   | UDN  | 8.0%                                       | 8.0%   | DXY                        | UUP  | 12.0%                                      | 12.0%  |
| DXY                        | UUP  | -  | -10.8%   | DXY                        | UUP  | -  | -10.8%   | EM FX                    | CEW  | -  | -7.2%  | EUR/USD                    | FXE  | -  | -10.8%   |
| Copper                     | JJC  | 4.0%                                       | 4.0%   | Crude Oil                  | USO  | 4.0%                                       | 4.0%   | Crude Oil                | USO  | 4.0%                                       | 4.0%   | Gold                       | GLD  | 12.0%                                      | 12.0%  |
| Agriculture                | DBA  | -  | -3.6%  | Agriculture                | DBA  | -  | -3.6%  | Base Metals              | DBB  | -  | -3.6%  | Crude Oil                  | USO  | -  | -10.8%   |

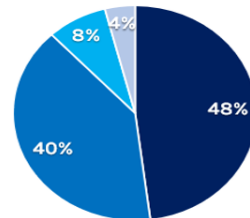
■ Equities  
■ Fixed Income  
■ Currencies  
■ Commodities/Real Assets



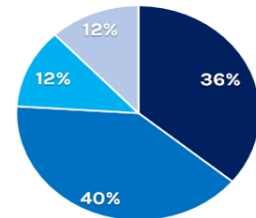
■ Equities  
■ Fixed Income  
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■ Equities  
■ Fixed Income  
■ Currencies  
■ Commodities/Real Assets



■ Equities  
■ Fixed Income  
■ Currencies  
■ Commodities/Real Assets



\*For illustrative purposes only. \*\*Long-short portfolio assumes a target gross exposure of 200% and target net exposure of 10%.

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# US Real GDP Nowcast Model

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Each of the following 30 features backtests as statistically significant with respect to predicting the rate of change of Real GDP growth and are dynamically re-weighted each quarter according to changes in the relative strength of their first difference regressions with the dependent variable.

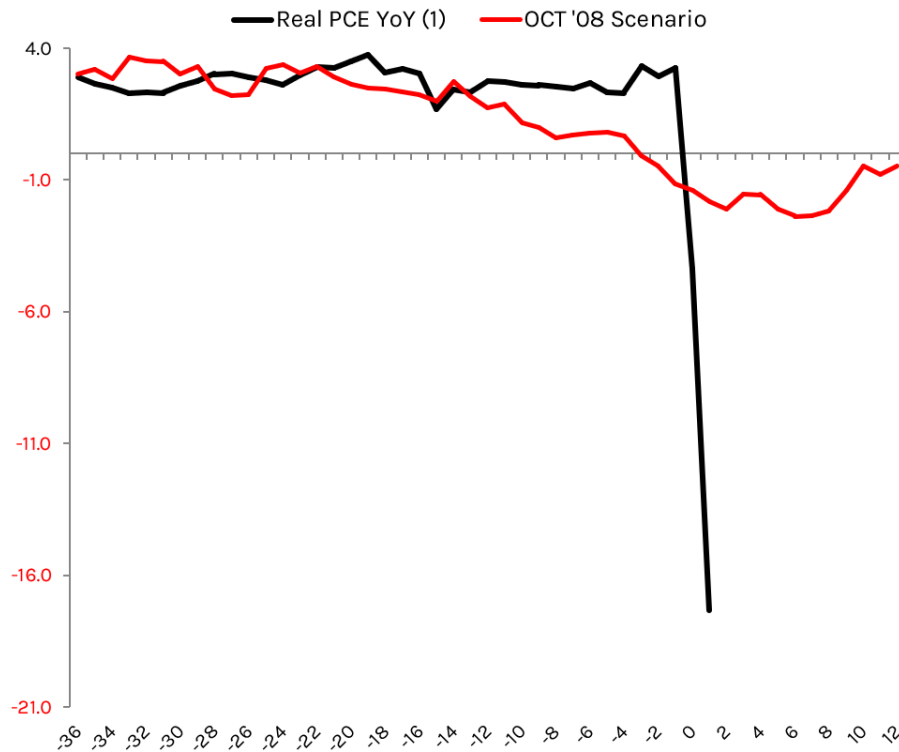
| HEDGEYE US NOWCAST MODEL SUMMARY              | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20  | Apr-20  | May-20  | Jun-20 | 1Q20   | 2Q20    | Δ       |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|--------|--------|---------|---------|
| Real PCE YoY (1)                              | 3.51   | 3.75   | 3.08   | 3.23   | 3.03   | 1.69   | 2.42   | 2.33   | 2.76   | 2.70   | 2.61   | 2.60   | 2.56   | 2.46   | 2.67   | 2.34   | 2.32   | 3.32   | 2.94   | 3.25   | -4.38   | -17.92  | -       | -      | 0.60   | -17.92  | -17.92  |
| Headline Retail Sales YoY (8)                 | 6.06   | 5.72   | 3.36   | 4.40   | 3.63   | 0.92   | 2.52   | 1.99   | 3.61   | 3.90   | 2.96   | 3.61   | 3.64   | 4.31   | 3.95   | 3.31   | 3.25   | 5.61   | 4.87   | 4.48   | -5.68   | -21.61  | -       | -      | 1.22   | -21.61  | -22.83  |
| Retail Sales Control Group YoY (11)           | 5.11   | 4.60   | 3.90   | 4.71   | 4.54   | 0.46   | 3.68   | 2.81   | 3.88   | 3.87   | 3.48   | 4.96   | 4.87   | 5.05   | 4.41   | 4.10   | 2.51   | 6.20   | 3.70   | 4.01   | 6.17    | -10.63  | -       | -      | 4.63   | -10.63  | -15.25  |
| Auto Sales YoY (27)                           | -0.06  | 3.56   | -5.79  | -2.67  | 0.00   | -1.46  | -2.75  | -2.36  | 0.57   | -3.93  | 2.91   | -0.46  | 0.84   | 2.23   | -1.21  | -5.43  | -1.78  | -4.57  | 1.45   | 1.63   | -35.03  | -47.68  | -29.42  | -      | -10.65 | -38.55  | -27.90  |
| MBA Mortgage Purchase Index YoY (23)          | 3.01   | -0.41  | 1.51   | -1.60  | -0.28  | -1.07  | 5.99   | 0.20   | 3.40   | 5.56   | 5.11   | 8.16   | 6.21   | 5.97   | 10.50  | 9.34   | 11.00  | 9.05   | 9.09   | 10.61  | -2.10   | -29.85  | -4.56   | -      | 5.87   | -17.20  | -23.07  |
| Personal Savings Rate (9)                     | 7.50   | 7.50   | 7.50   | 7.30   | 7.20   | 8.80   | 8.30   | 8.80   | 8.40   | 8.00   | 7.80   | 7.80   | 7.40   | 7.70   | 7.80   | 7.70   | 7.90   | 7.70   | 7.90   | 8.20   | 12.70   | 33.00   | -       | -      | 9.60   | 33.00   | 23.40   |
| Total Employees On Nonfarm Payrolls YoY (7)   | 1.57   | 1.60   | 1.65   | 1.60   | 1.53   | 1.57   | 1.67   | 1.39   | 1.37   | 1.42   | 1.28   | 1.26   | 1.29   | 1.27   | 1.35   | 1.34   | 1.42   | 1.42   | 1.38   | 1.55   | 0.87    | -12.92  | -       | -      | 1.27   | -12.92  | -14.19  |
| Private Sector Wages YoY (20)                 | 2.85   | 3.08   | 2.97   | 3.25   | 3.46   | 3.54   | 3.35   | 3.53   | 3.51   | 3.46   | 3.58   | 3.53   | 3.65   | 3.73   | 3.67   | 3.76   | 3.52   | 3.25   | 3.33   | 3.32   | 3.44    | 7.67    | -       | -      | 3.36   | 7.67    | 4.31    |
| Aggregate Hours Worked YoY (5)                | 1.86   | 1.90   | 1.94   | 1.89   | 1.24   | 1.57   | 1.96   | 1.10   | 1.37   | 1.12   | 0.99   | 0.67   | 0.71   | 0.97   | 1.06   | 1.05   | 1.13   | 0.84   | 0.80   | 1.55   | -0.30   | -13.43  | -       | -      | 0.68   | -13.43  | -14.11  |
| Aggregate Labor Income YoY (6)                | 4.76   | 5.14   | 5.02   | 5.28   | 4.63   | 5.00   | 5.28   | 4.65   | 4.84   | 4.50   | 4.32   | 4.10   | 4.20   | 4.46   | 4.20   | 4.30   | 4.45   | 3.87   | 3.90   | 4.59   | 2.96    | -6.58   | -       | -      | 3.82   | -6.58   | -10.40  |
| Monthly Initial Jobless Claims YoY (3)        | -11.37 | -10.94 | -21.08 | -9.17  | -6.68  | -8.88  | -6.08  | 2.27   | -3.63  | -2.93  | -1.20  | -0.07  | -1.16  | 0.93   | -0.12  | -0.23  | -4.19  | 4.39   | -4.47  | -4.89  | 1124.40 | 2238.86 | 1093.05 | -      | 371.68 | 1665.95 | 1294.27 |
| Monthly Continuing Claims YoY (2)             | -10.94 | -11.88 | -13.95 | -13.80 | -12.94 | -10.13 | -10.04 | -7.04  | -5.81  | -7.73  | -3.47  | -2.18  | -3.30  | -1.58  | -0.04  | 2.19   | 0.85   | 1.95   | 0.53   | -1.10  | 102.89  | 917.95  | 1254.37 | -      | 34.10  | 1086.16 | 1052.05 |
| Bloomberg Consumer Comfort Index (28)         | 58.4   | 58.8   | 60.0   | 60.2   | 60.9   | 59.5   | 57.9   | 59.7   | 60.7   | 60.3   | 60.2   | 62.3   | 64.2   | 62.0   | 62.6   | 62.7   | 59.2   | 62.2   | 66.1   | 65.3   | 60.9    | 43.8    | 35.7    | -      | 64.1   | 39.8    | -24.35  |
| Industrial Production YoY (4)                 | 3.93   | 5.26   | 5.41   | 4.06   | 4.06   | 3.77   | 3.63   | 2.74   | 2.26   | 0.71   | 1.73   | 1.02   | 0.40   | 0.30   | -0.18  | -0.81  | -0.42  | -0.83  | -0.89  | -0.28  | -4.88   | -15.04  | -       | -      | -2.02  | -15.04  | -13.03  |
| Durable Goods New Orders YoY (16)             | 9.09   | 11.58  | 7.11   | 6.01   | 3.77   | 3.59   | 8.07   | 0.04   | 2.26   | -1.66  | -3.96  | -4.41  | 0.38   | -3.27  | -5.73  | -1.61  | -3.95  | -3.27  | -3.62  | 1.62   | -18.52  | -29.26  | -       | -      | -6.84  | -29.26  | -22.42  |
| Core Capital Goods New Orders YoY (18)        | 11.23  | 6.70   | 3.11   | 4.15   | 1.62   | 2.44   | 5.56   | 4.74   | 6.40   | 2.25   | 0.84   | 0.49   | -3.29  | 0.10   | -0.12  | -0.74  | 3.43   | 1.67   | 0.56   | 0.97   | -2.42   | -6.28   | -       | -      | -0.30  | -6.28   | -5.98   |
| Factory Orders YoY (26)                       | 8.88   | 9.87   | 7.55   | 6.44   | 3.04   | 2.26   | 4.41   | 1.22   | 2.45   | 0.84   | -1.29  | -2.25  | 0.48   | -1.75  | -3.28  | -1.31  | -1.16  | 0.29   | -0.55  | 0.53   | -11.80  | -       | -       | -      | -3.94  | -       | -       |
| Manufacturing & Trade Inventories YoY (14)    | 4.22   | 4.13   | 4.37   | 5.02   | 4.48   | 4.87   | 5.36   | 4.84   | 5.01   | 5.40   | 5.39   | 5.32   | 5.05   | 4.38   | 3.88   | 3.31   | 3.10   | 2.27   | 0.41   | 0.13   | -0.27   | -       | -       | -      | 0.09   | -       | -       |
| Nonresidential Construction Spending YoY (19) | 6.04   | 6.52   | 7.70   | 4.42   | 1.32   | 1.16   | 3.92   | 2.36   | 4.85   | 4.90   | 2.25   | 1.86   | 0.63   | 1.19   | 0.36   | 2.97   | 7.57   | 6.24   | 5.63   | 5.12   | 3.76    | 0.86    | -       | -      | 4.84   | 0.86    | -3.98   |
| Residential Construction Spending YoY (25)    | 3.75   | 1.20   | -0.15  | -2.55  | -5.13  | -7.12  | -7.86  | -11.14 | -8.91  | -9.28  | -9.47  | -8.46  | -7.00  | -2.84  | -1.36  | 4.04   | 2.81   | 6.93   | 11.12  | 11.22  | 11.29   | 6.29    | -       | -      | 11.21  | 6.29    | -4.93   |
| ISM Manufacturing PMI (24)                    | 58.2   | 60.8   | 59.3   | 58.5   | 58.8   | 55.0   | 55.5   | 54.1   | 54.6   | 53.4   | 52.3   | 51.6   | 51.3   | 48.8   | 48.2   | 48.5   | 48.1   | 47.8   | 50.9   | 50.1   | 49.1    | 41.5    | 43.1    | -      | 50.0   | 42.3    | -7.73   |
| ISM Non-Manufacturing PMI (21)                | 57.5   | 58.9   | 61.2   | 60.3   | 60.2   | 58.0   | 56.0   | 58.5   | 56.3   | 55.7   | 56.3   | 55.4   | 54.8   | 56.0   | 53.5   | 54.4   | 53.9   | 54.9   | 55.5   | 57.3   | 52.5    | 41.8    | -       | -      | 55.1   | 41.8    | -13.30  |
| NFIB Small Business Optimism Index (30)       | 107.9  | 108.8  | 107.9  | 107.4  | 104.8  | 104.4  | 101.2  | 101.7  | 101.8  | 103.5  | 105.0  | 103.3  | 104.7  | 103.1  | 101.8  | 102.4  | 104.7  | 102.7  | 104.3  | 104.5  | 96.4    | 90.9    | -       | -      | 101.7  | 90.9    | -10.83  |
| Exports YoY (15)                              | 7.18   | 6.23   | 5.84   | 5.42   | 2.50   | -0.50  | 1.84   | 1.39   | 0.37   | -1.12  | -0.88  | -1.65  | -0.29  | 0.40   | -1.45  | -1.73  | -0.13  | 1.85   | 0.97   | -0.35  | -10.90  | -       | -       | -      | -3.43  | -       | -       |
| Imports YoY (22)                              | 9.32   | 9.78   | 9.97   | 9.00   | 3.81   | 3.65   | 2.13   | 0.12   | 2.45   | 0.29   | 3.34   | 1.29   | 0.05   | -0.05  | -2.94  | -4.83  | -3.87  | -3.14  | -2.43  | -4.69  | -11.86  | -       | -       | -      | -6.33  | -       | -       |
| Rail Traffic YoY (12)                         | 5.23   | 3.74   | 4.34   | 1.96   | 3.83   | 1.76   | 3.89   | -3.32  | -4.72  | -2.42  | -5.54  | -4.58  | -5.55  | -5.02  | -6.39  | -7.90  | -7.70  | -9.40  | -6.22  | -6.74  | -10.09  | -20.91  | -19.73  | -      | -7.68  | -20.32  | -12.64  |
| Headline CPI YoY (13)                         | 2.95   | 2.70   | 2.28   | 2.52   | 2.18   | 1.91   | 1.55   | 1.52   | 1.86   | 2.00   | 1.79   | 1.65   | 1.81   | 1.75   | 1.71   | 1.76   | 2.05   | 2.29   | 2.49   | 2.33   | 1.54    | 0.33    | -       | -      | 2.12   | 0.33    | -1.79   |
| PCE Deflator YoY (17)                         | 2.45   | 2.26   | 2.02   | 2.04   | 1.91   | 1.78   | 1.41   | 1.31   | 1.40   | 1.52   | 1.38   | 1.36   | 1.44   | 1.43   | 1.33   | 1.32   | 1.34   | 1.56   | 1.78   | 1.77   | 1.33    | 0.54    | -       | -      | 1.63   | 0.54    | -1.09   |
| Core PCE Deflator YoY (29)                    | 2.11   | 2.00   | 2.00   | 1.86   | 1.96   | 1.97   | 1.77   | 1.62   | 1.48   | 1.57   | 1.48   | 1.61   | 1.65   | 1.76   | 1.66   | 1.65   | 1.51   | 1.57   | 1.69   | 1.80   | 1.69    | 1.04    | -       | -      | 1.72   | 1.04    | -0.68   |
| M2 Money Supply YoY (10)                      | 3.95   | 3.96   | 3.91   | 3.75   | 3.51   | 3.94   | 4.34   | 4.15   | 3.81   | 4.07   | 4.27   | 4.54   | 5.00   | 5.06   | 5.51   | 6.26   | 6.89   | 6.49   | 6.71   | 7.26   | 10.70   | 17.75   | 22.75   | -      | 8.22   | 20.25   | 12.03   |

Data Source: Bloomberg, Intellectual Property of Hedgeye Risk Management. Nowcast feature rank shown in parenthesis.

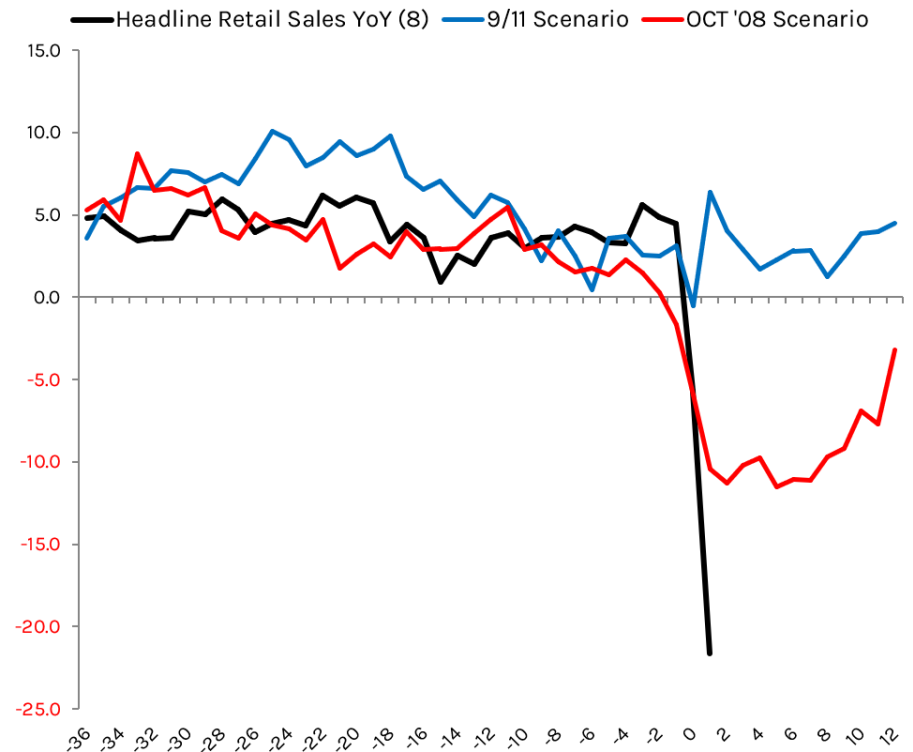
# How Bad Will It Get?: Consumer Spending

HEDGEYE

## Monthly Services Consumption Data



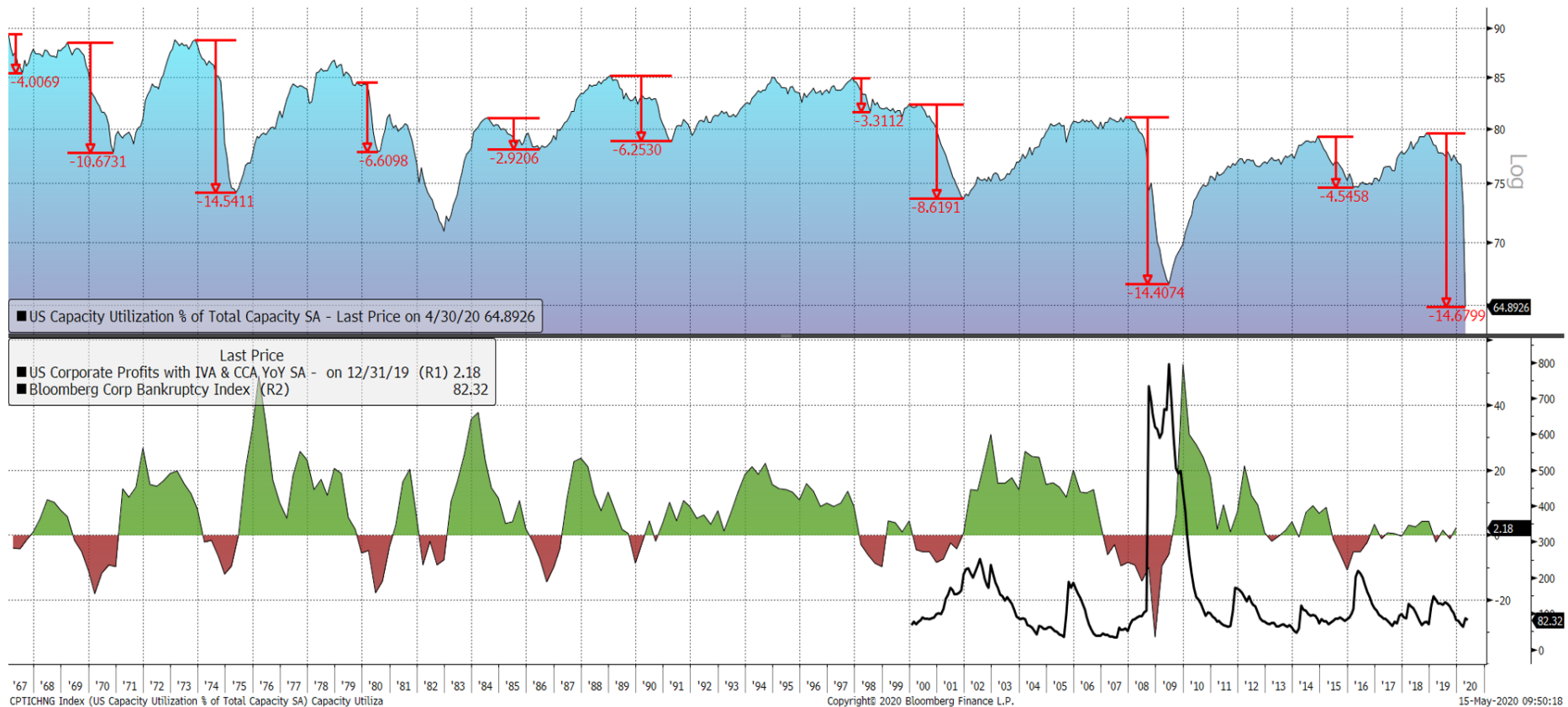
## Monthly Goods Consumption Data



# Fixed Cost PnL Deleverage Stemming From A Non-Recovery In Capacity Utilization To Pre-COVID19 Rates Is Likely To Be A 12-18 Month Headwind To Corporate Profits

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The US economy has never not seen a 3-6 quarter earnings recession when capacity utilization declines as quickly as it's likely to in 2Q20E.



Data Source: Bloomberg

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132

# Percentage Of Population Experiencing Relaxed Stay-At-Home Guidelines, By State

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**MODELING ASSUMPTIONS**  
(courtesy of Hedgeye  
Healthcare Policy Sector Head  
Emily Evans):

- Anchors on the “phased approach” plan outlined by each Governor
- In the absence of a plan, relies on Hedgeye Healthcare’s Preparedness Score to estimate when restrictions are relaxed
- Heavily weighted to Phases II and III because Phase I in most plans involves limited things like curbside retail business, etc.
- The plan is also probably a bit optimistic because most schools are unlikely to return to their normal patterns until fall; moreover, these projections do not account for potential setbacks that may arise along the way

| Checkpoint:          | 1-May | 15-May | 1-Jun | 15-Jun | 30-Jun | Checkpoint:    | 1-May | 15-May | 1-Jun | 15-Jun | 30-Jun |
|----------------------|-------|--------|-------|--------|--------|----------------|-------|--------|-------|--------|--------|
| Alabama              | 25%   | 63%    | 100%  |        |        | Montana        | 25%   | 63%    | 100%  |        |        |
| Alaska               | 100%  |        |       |        |        | Nebraska       | 25%   | 63%    | 100%  |        |        |
| Arizona              | 25%   | 63%    | 100%  |        |        | Nevada         | 0%    | 25%    | 63%   | 100%   |        |
| Arkansas             | 25%   | 63%    | 100%  |        |        | New Hampshire  | 0%    | 25%    | 63%   | 100%   |        |
| California           | 25%   | 63%    | 100%  |        |        | New Jersey     | 0%    | 0%     | 25%   | 63%    | 100%   |
| Colorado             | 25%   | 63%    | 100%  |        |        | New Mexico     | 0%    | 25%    | 63%   | 100%   |        |
| Connecticut          | 0%    | 25%    | 63%   | 100%   |        | New York       | 0%    | 25%    | 50%   | 75%    | 100%   |
| Delaware             | 0%    | 0%     | 25%   | 63%    | 100%   | North Carolina | 0%    | 25%    | 63%   | 100%   |        |
| District Of Columbia | 0%    | 25%    | 63%   | 100%   |        | North Dakota   | 25%   | 63%    | 100%  |        |        |
| Florida              | 25%   | 63%    | 100%  |        |        | Ohio           | 0%    | 25%    | 63%   | 100%   |        |
| Georgia              | 25%   | 63%    | 100%  |        |        | Oklahoma       | 25%   | 63%    | 100%  |        |        |
| Hawaii               | 0%    | 0%     | 25%   | 63%    | 100%   | Oregon         | 0%    | 25%    | 63%   | 100%   |        |
| Idaho                | 25%   | 63%    | 100%  |        |        | Pennsylvania   | 0%    | 25%    | 63%   | 100%   |        |
| Illinois             | 0%    | 0%     | 25%   | 63%    | 100%   | Rhode Island   | 0%    | 25%    | 63%   | 100%   |        |
| Indiana              | 0%    | 25%    | 63%   | 100%   |        | South Carolina | 25%   | 63%    | 100%  |        |        |
| Iowa                 | 25%   | 50%    | 75%   | 100%   |        | South Dakota   | 25%   | 63%    | 100%  |        |        |
| Kansas               | 0%    | 25%    | 63%   | 100%   |        | Tennessee      | 25%   | 50%    | 75%   | 100%   |        |
| Kentucky             | 0%    | 25%    | 50%   | 75%    | 100%   | Texas          | 25%   | 63%    | 100%  |        |        |
| Louisiana            | 0%    | 25%    | 63%   | 100%   |        | Utah           | 25%   | 63%    | 100%  |        |        |
| Maine                | 0%    | 25%    | 50%   | 75%    | 100%   | Vermont        | 25%   | 63%    | 100%  |        |        |
| Maryland             | 0%    | 25%    | 63%   | 100%   |        | Virginia       | 0%    | 25%    | 63%   | 100%   |        |
| Massachusetts        | 0%    | 0%     | 25%   | 63%    | 100%   | Washington     | 0%    | 25%    | 63%   | 100%   |        |
| Michigan             | 0%    | 25%    | 63%   | 100%   |        | West Virginia  | 25%   | 63%    | 100%  |        |        |
| Minnesota            | 0%    | 25%    | 63%   | 100%   |        | Wisconsin      | 0%    | 25%    | 63%   | 100%   |        |
| Mississippi          | 0%    | 25%    | 63%   | 100%   |        | Wyoming        | 25%   | 63%    | 100%  |        |        |
| Missouri             | 0%    | 25%    | 63%   | 100%   |        | TOTAL          | 12%   | 40%    | 75%   | 95%    | 100%   |

# GDP-Weighted Relaxation Timeline

HEDGEYE

**MODELING ASSUMPTIONS**  
(courtesy of Hedgeye  
Healthcare Policy Sector Head  
Emily Evans):

- Anchors on the “phased approach” plan outlined by each Governor
- In the absence of a plan, relies on Hedgeye Healthcare’s Preparedness Score to estimate when restrictions are relaxed
- Heavily weighted to Phases II and III because Phase I in most plans involves limited things like curbside retail business, etc.
- The plan is also probably a bit optimistic because most schools are unlikely to return to their normal patterns until fall; moreover, these projections do not account for potential setbacks that may arise along the way

| Checkpoint:          | 1-May | 15-May | 1-Jun | 15-Jun | 30-Jun | Checkpoint:    | 1-May        | 15-May       | 1-Jun        | 15-Jun       | 30-Jun      |
|----------------------|-------|--------|-------|--------|--------|----------------|--------------|--------------|--------------|--------------|-------------|
| Alabama              | 0.3%  | 0.4%   | 0.4%  |        |        | Montana        | 0.1%         | 0.1%         | 0.1%         |              |             |
| Alaska               | 0.3%  |        |       |        |        | Nebraska       | 0.1%         | 0.2%         | 0.2%         |              |             |
| Arizona              | 0.4%  | 0.6%   | 0.6%  |        |        | Nevada         | 0.0%         | 0.2%         | 0.3%         | 0.3%         |             |
| Arkansas             | 0.2%  | 0.2%   | 0.2%  |        |        | New Hampshire  | 0.0%         | 0.1%         | 0.2%         | 0.2%         |             |
| California           | 3.6%  | 5.4%   | 5.4%  |        |        | New Jersey     | 0.0%         | 0.0%         | 0.7%         | 1.1%         | 1.1%        |
| Colorado             | 0.5%  | 0.7%   | 0.7%  |        |        | New Mexico     | 0.0%         | 0.1%         | 0.2%         | 0.2%         |             |
| Connecticut          | 0.0%  | 0.3%   | 0.5%  | 0.5%   |        | New York       | 0.0%         | 2.0%         | 2.0%         | 2.0%         | 2.0%        |
| Delaware             | 0.0%  | 0.0%   | 0.1%  | 0.1%   | 0.1%   | North Carolina | 0.0%         | 0.7%         | 1.0%         | 1.0%         |             |
| District Of Columbia | 0.0%  | 0.6%   | 0.8%  | 0.8%   |        | North Dakota   | 0.1%         | 0.1%         | 0.1%         |              |             |
| Florida              | 1.3%  | 1.9%   | 1.9%  |        |        | Ohio           | 0.0%         | 0.8%         | 1.2%         | 1.2%         |             |
| Georgia              | 0.7%  | 1.1%   | 1.1%  |        |        | Oklahoma       | 0.2%         | 0.4%         | 0.4%         |              |             |
| Hawaii               | 0.0%  | 0.0%   | 0.1%  | 0.2%   | 0.2%   | Oregon         | 0.0%         | 0.3%         | 0.4%         | 0.4%         |             |
| Idaho                | 0.1%  | 0.1%   | 0.1%  |        |        | Pennsylvania   | 0.0%         | 0.9%         | 1.4%         | 1.4%         |             |
| Illinois             | 0.0%  | 0.0%   | 1.0%  | 1.6%   | 1.6%   | Rhode Island   | 0.0%         | 0.1%         | 0.1%         | 0.1%         |             |
| Indiana              | 0.0%  | 0.4%   | 0.7%  | 0.7%   |        | South Carolina | 0.3%         | 0.4%         | 0.4%         |              |             |
| Iowa                 | 0.2%  | 0.2%   | 0.2%  | 0.2%   |        | South Dakota   | 0.1%         | 0.1%         | 0.1%         |              |             |
| Kansas               | 0.0%  | 0.2%   | 0.3%  | 0.3%   |        | Tennessee      | 0.4%         | 0.4%         | 0.4%         | 0.4%         |             |
| Kentucky             | 0.0%  | 0.2%   | 0.2%  | 0.2%   | 0.2%   | Texas          | 2.2%         | 3.3%         | 3.3%         |              |             |
| Louisiana            | 0.0%  | 0.3%   | 0.5%  | 0.5%   |        | Utah           | 0.2%         | 0.3%         | 0.3%         |              |             |
| Maine                | 0.0%  | 0.1%   | 0.1%  | 0.1%   | 0.1%   | Vermont        | 0.0%         | 0.1%         | 0.1%         |              |             |
| Maryland             | 0.0%  | 0.5%   | 0.7%  | 0.7%   |        | Virginia       | 0.0%         | 0.6%         | 1.0%         | 1.0%         |             |
| Massachusetts        | 0.0%  | 0.0%   | 0.7%  | 1.0%   | 1.0%   | Washington     | 0.0%         | 0.7%         | 1.0%         | 1.0%         |             |
| Michigan             | 0.0%  | 0.6%   | 0.9%  | 0.9%   |        | West Virginia  | 0.1%         | 0.1%         | 0.1%         |              |             |
| Minnesota            | 0.0%  | 0.4%   | 0.7%  | 0.7%   |        | Wisconsin      | 0.0%         | 0.4%         | 0.6%         | 0.6%         |             |
| Mississippi          | 0.0%  | 0.1%   | 0.2%  | 0.2%   |        | Wyoming        | 0.0%         | 0.1%         | 0.1%         |              |             |
| Missouri             | 0.0%  | 0.4%   | 0.6%  | 0.6%   |        | <b>TOTAL</b>   | <b>11.3%</b> | <b>27.5%</b> | <b>34.6%</b> | <b>20.3%</b> | <b>6.3%</b> |

# Capex Was Already Recessionary

HEDGEYE

Durable Goods Growth has been negative for 8 of the last 9 months, Core Capex returned to negative growth in February and Orders for Consumer Durables, where growth went negative in September 2019, continue to collapse.

