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NEXPOINT

Weekly Market Deep Dive

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Commodities / Dollar

US\$ / FX:

- DXY found resistance in 112-14 area
- Now finding support at breakout & 40-wk.
- Euro finding resistance at 40-wk & '15-16 lows
- BoJ intervened in Yen market at 151.90
- US\$/Yuan pulling back to 40-wk.

Commodities & Sectors:

- BCOM still holding July lows in 110 area
- All sub-sectors in long-term uptrends
- Crude finding support in \$70 area
- ULSD holding support t& 40-wk.
- NatGas showing 'hammer' & bullish COT
- Bullish COT's on crude, copper, silver & gold
- Silver back through resistance at \$22

Bottom Line:

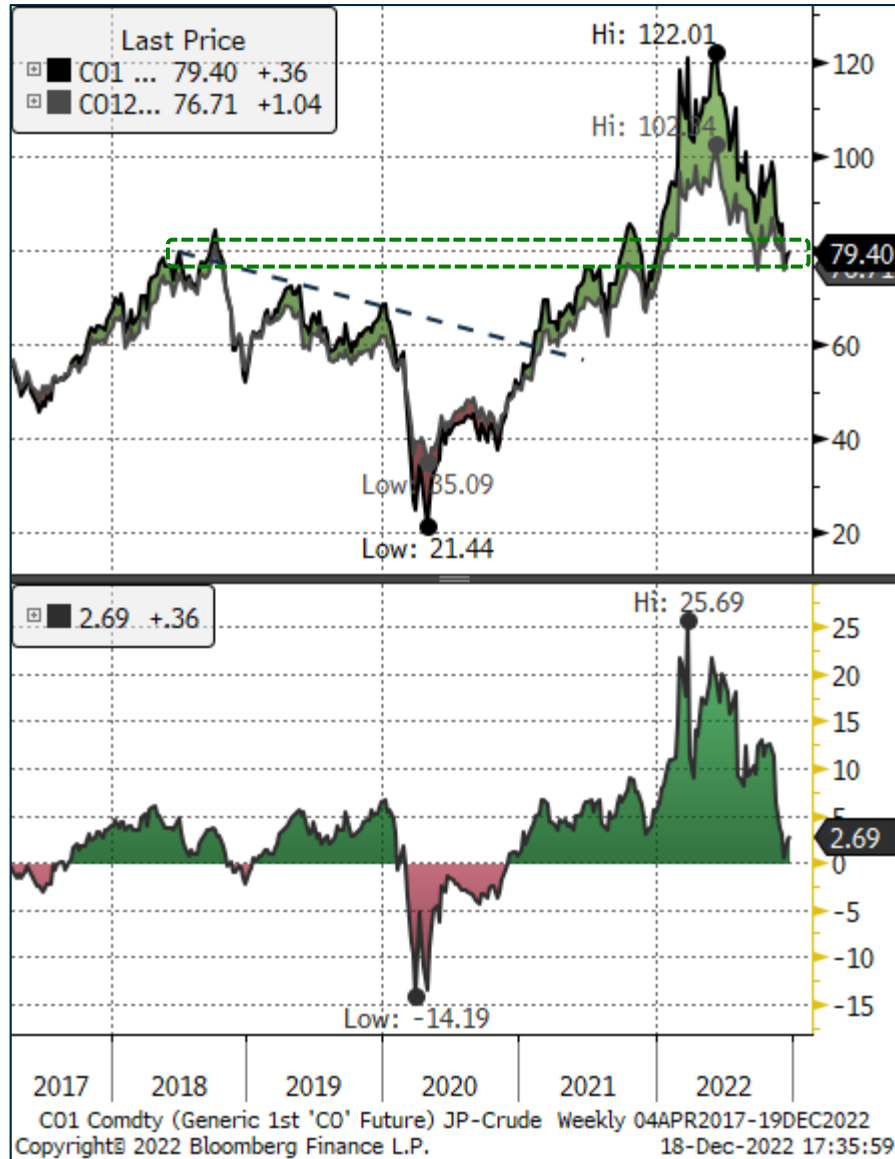
- DXY finding support on 40-wk. avg.
- BCOM still holding July lows
- All sub-sectors holding long-term uptrends
- Energy sector seeing strength internally



Oil & Gold

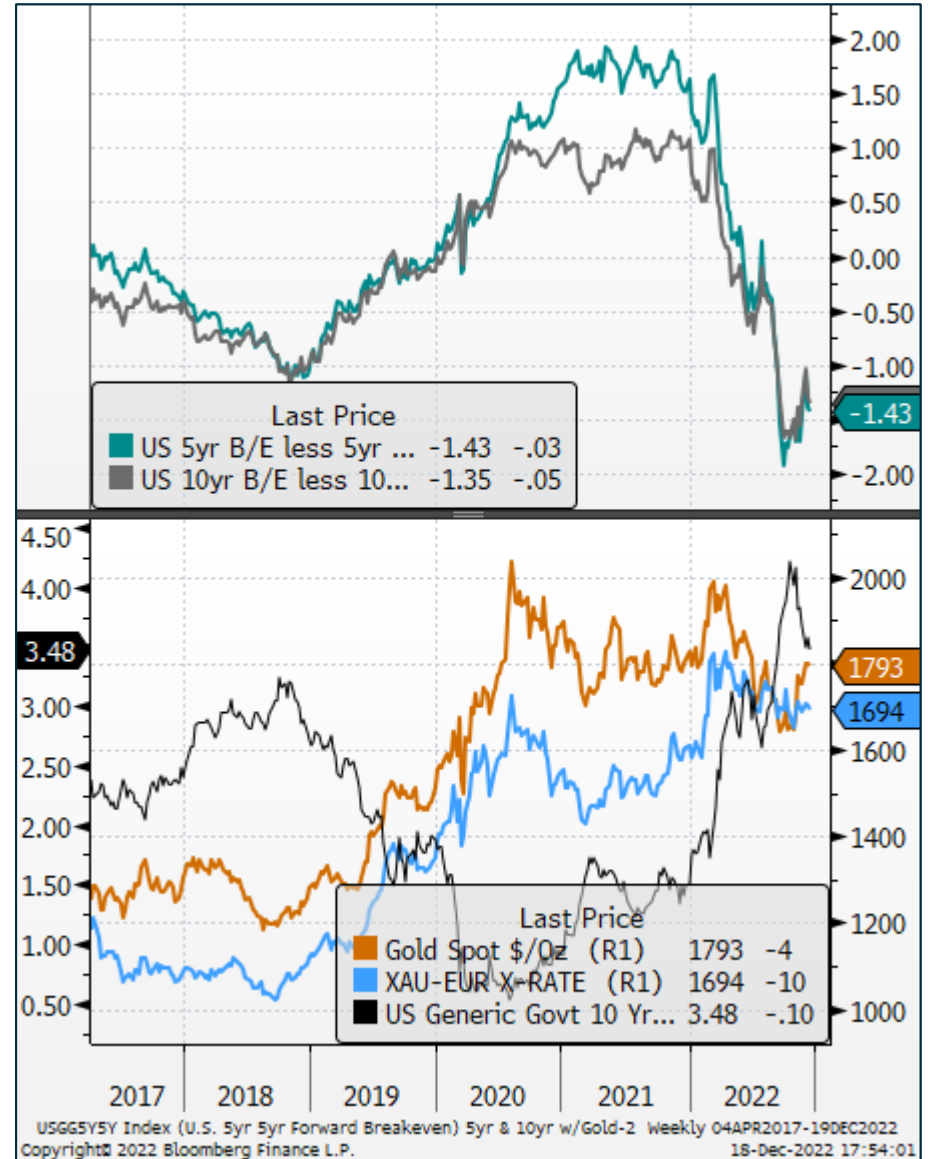
Oil:

- Brent leaning hard on \$80 – holding so far
- Spread back up to \$2.69 – from \$0.43 last week
- Luskin called ‘peak oil’ (Saudi deal & US prod.)



Gold:

- Spreads slightly higher on the week
- Gold again flat on the week; US 10-yr. lower
- Gold in Euros has been stronger than US\$



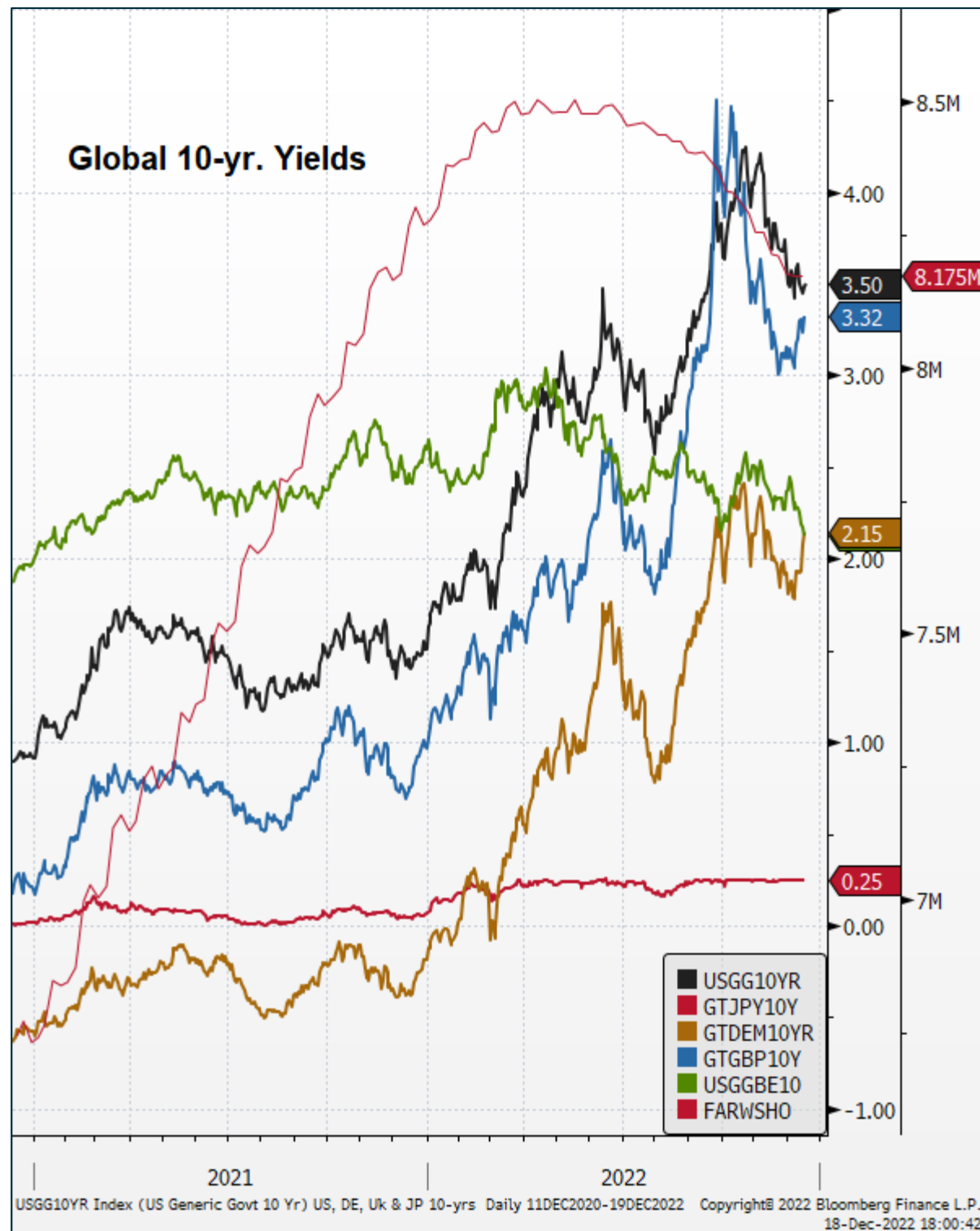
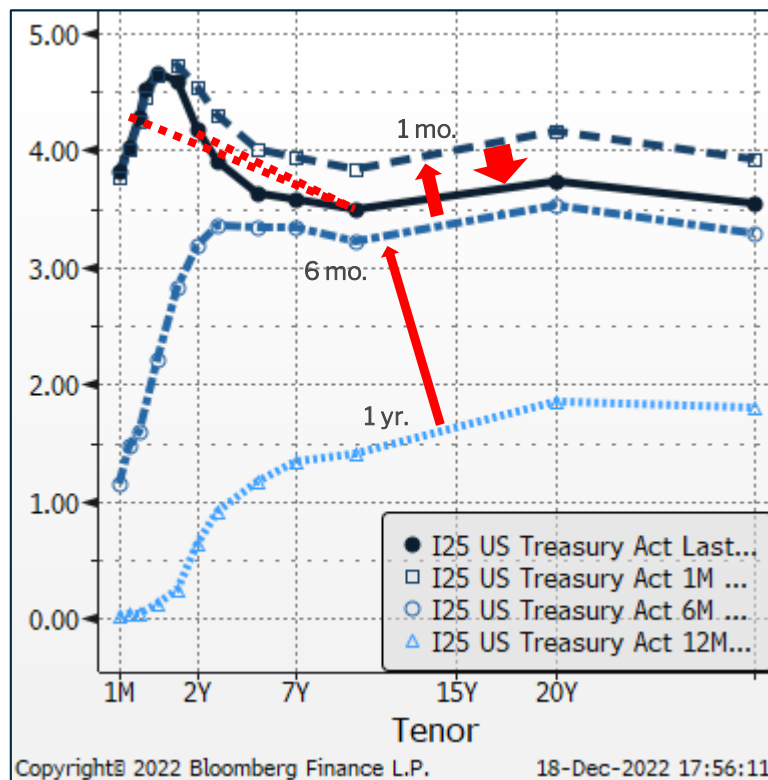
Global Yields

Global 10-yr. yields mixed on week

- US: ▼ 8 bp – 10-yr lowest yield on curve
- UK: ▲ 14 bp – biggest drop since low
- Germany: ▲ 22 bp – now forming a nob
- Japan: Unch. – **BoJ still holding curve??**
- Long ends coming down, short firm

Fed BS: ▼\$1B; ▼\$330B in total

- Planned reduction from Sep: \$95B/mo.
- Peak: \$8.505 on 4/13/22



Bonds / Rates

Daily Charts:

- Found resistance at 4¼%
- Now finding support in 3½% area
- 3-mo. / 10-yr. solidly inverted

Weekly Charts:

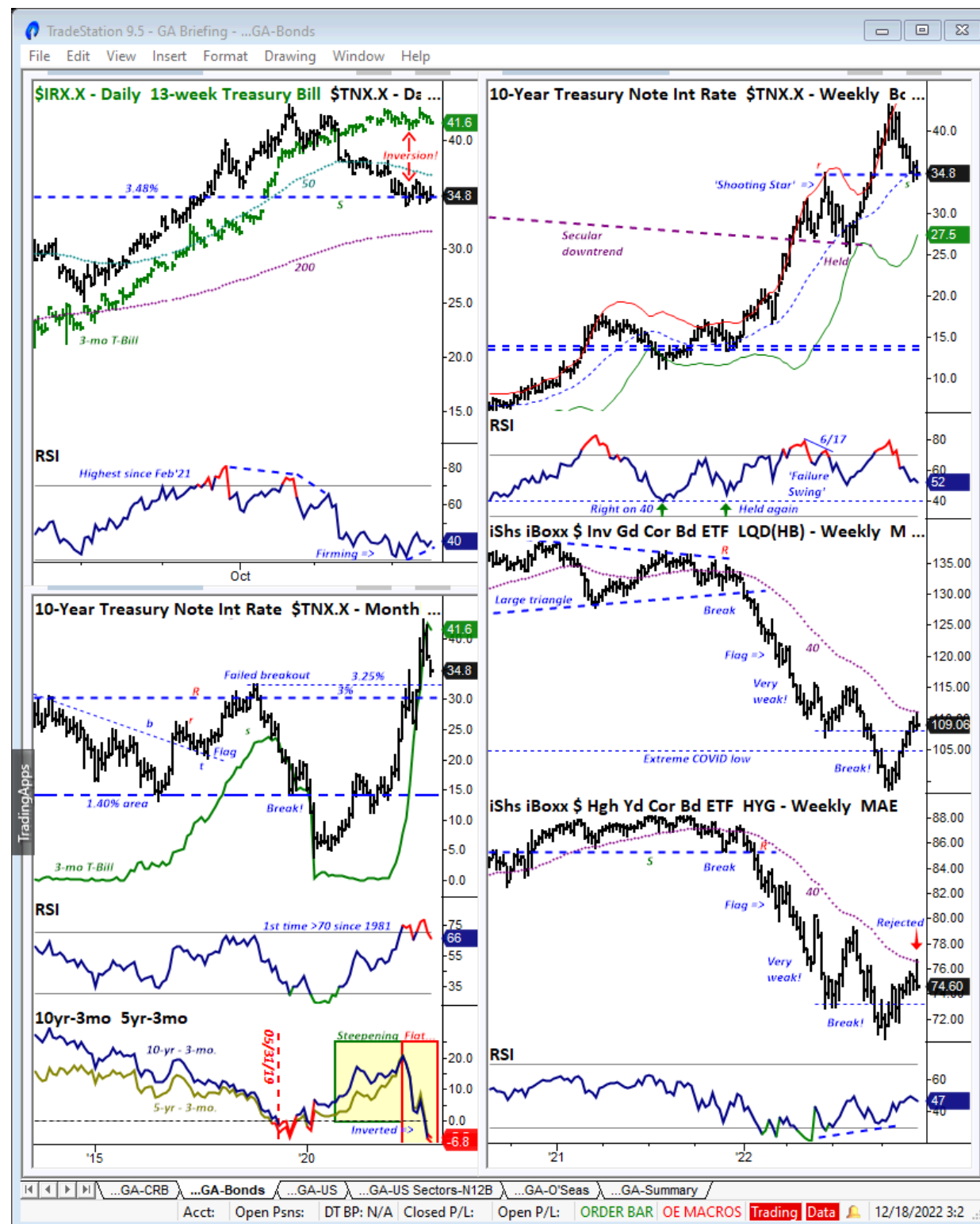
- Testing center of Bollinger Bands
- RSI easing off overbought levels
- LQD & HYG have been firming
- **LQD & HYG struggling at 40-wk avgs**

Monthly Charts:

- TNX has broken secular downtrend
- Clear breakout through resistance
- Both 2yr-10yr & 3mo-10yr inverted
- New high in RSI (a bullish thing, longer term)

Bottom Line:

- Important breakout in US 10-yr.
- 3-mo. / 10-yr. solidly inverted
- **LQD & HYG struggling at 40-wk avgs**



Credit Spreads

Spreads:

- Spreads mostly wider on week
- Look to have formed ST top (at least)

CCC Trends:

- ▲ 16 bp; (to 9.91%)
- Back below 10%
- Cycle high: 11.24%

HY Trends:

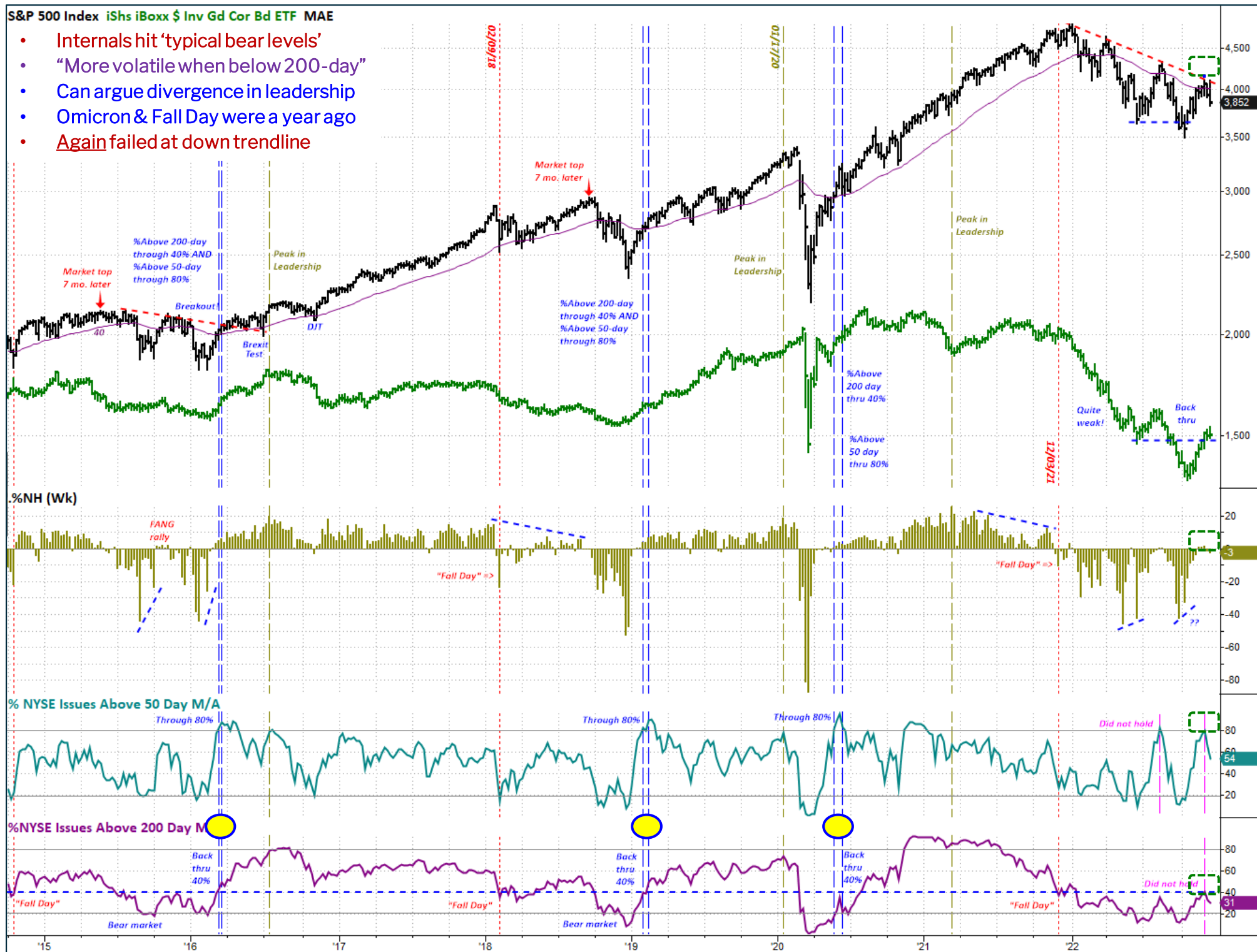
- ▲ 14 bp; (to 4.76%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▼ 1 bp; (to 1.87%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' Nov 4th
- Last 'Buy': 10/29/21



- Internals hit 'typical bear levels'
- "More volatile when below 200-day"
- Can argue divergence in leadership
- Omicron & Fall Day were a year ago
- Again failed at down trendline



Ari Wald on Santa Claus Rally (12/17)

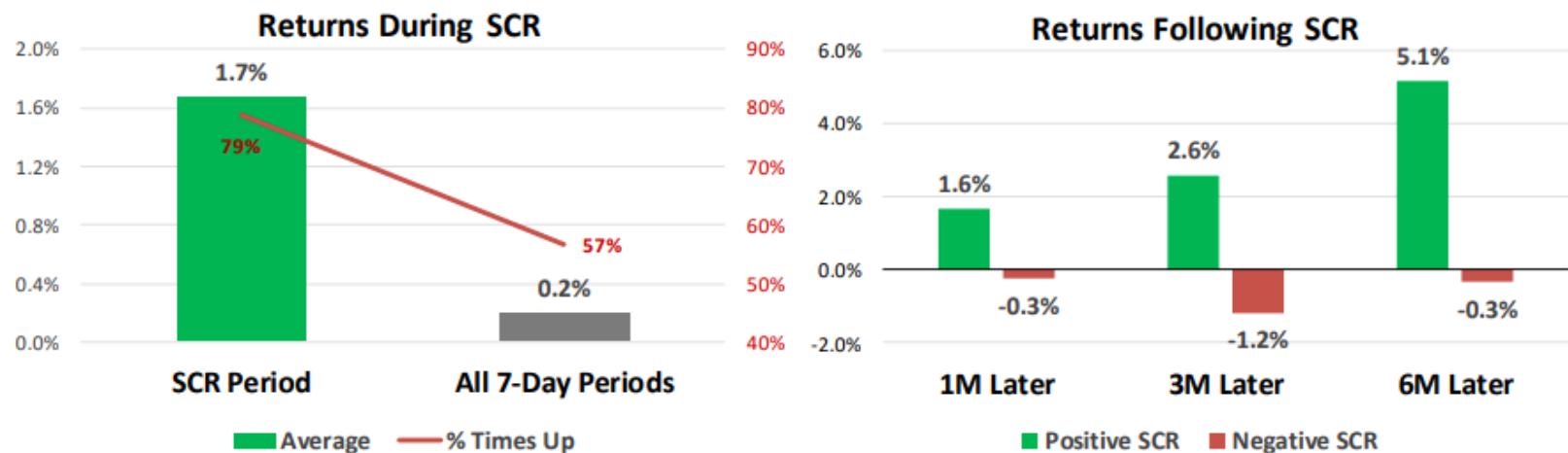
Technical Analysis

If Santa Should Fail to Call...

Popularized by the Stock Trader's Almanac, the *Santa Claus Rally* (SCR) is the seasonal tendency for equities to rally during the last five trading days of the year through the first two trading days of the New Year.

- ❖ Since 1928, the S&P 500 has averaged a 1.7% gain and traded higher 79% (74 out of 94 years) of the time through this seven-day period vs. an average 0.2% gain and 57% hit-rate during any seven-day period. This year's "Santa Clock" starts December 26th and ends January 4th.
- ❖ However, performance in the next 1-2 quarters has tended to be below average when the S&P 500 closes lower during the SCR. For instance, the S&P 500 has averaged a 1.2% loss in the three months following a negative SCR vs. an average 2.6% gain following a positive SCR. Hence the saying, "If Santa should fail to call, bears may come to Broad & Wall."
- ❖ Last year's 1.4% gain marked the 12th time performance during the SCR period was positive over the last 14 years (2014 and 2015 were the misses). However, following last year's positive SCR, the S&P 500 fell 4.6%, 4.6%, and 19.6% in the subsequent 1-, 3-, and 6-month periods: *Santa called, AND bears came to Broad & Wall.*

The "Santa Claus Rally" (SCR)



SCR = Last five trading days of the year through the first two trading days of the New Year. S&P 500 returns since 1928.

Source: Oppenheimer & Co. and Bloomberg. Note: These results cannot and should not be viewed as an indicator of future performance. Return calculations exclude applicable costs including commissions and interest.

Stocks

Daily Charts:

- Another, rough week for stocks
- Broke minor areas of support Thursday
- IBD: 'Uptrend Under Pressure'
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ❑ Follow through to the upside
 - ❑ Test the breakout

Weekly Charts:

- Sloppy, but held support
- Leadership improving (NY>0; NASDAQ diverging)
- Breadth measures moving off o'sold levels
- Weekly internals down-ticking (incl: %Abv200)
- Again failing at down trendlines & 40-wk's
- Stochastics overbought – and now crossing

Bottom Line:

- Have seen 'average bear' – if in secular bull
- Again failing at down trendlines & 40-wk's
- Bears again have the ball over ST



Market Sectors

Symbol	%Wk	%Yr	% Off High		
		Yr%...	POH	MOH	W...
XLE	2.0%	52%	11%	45%	52
XLU(HB)	-0.5%	-2%	10%	23%	52
XLI	-1.0%	-7%	9%	23%	52
XLP	-1.4%	-3%	8%	19%	52
XLV	-1.8%	-4%	6%	17%	52
XLB(HB)	-2.3%	-13%	14%	28%	52
XLF	-2.4%	-14%	19%	29%	52
XLK(HB)	-2.6%	-27%	28%	36%	52
SPY	-2.7%	-19%	20%	27%	52
XLC	-2.8%	-38%	40%	44%	52
IYR	-3.0%	-27%	28%	35%	52
XLY(HB)	-4.0%	-34%	37%	38%	52
\$INDU	-1.7%	-9%	11%	22%	52
\$RUT	-1.9%	-21%	23%	28%	52
\$SPX.X	-2.1%	-19%	20%	28%	52
MDY(HB)	-2.5%	-15%	16%	24%	52
\$COMPX	-2.7%	-32%	33%	37%	52
TLT	0.7%	-28%	29%	39%	52
LQD(HB)	0.2%	-18%	18%	26%	52
HYG	-0.6%	-14%	15%	19%	52

Key Points:

- Indices & sectors again lower on week
- Again, a 'defensive' tone to the week
- 'Defensive' sectors seeing good R/S
- XLF, C & K failed at resistance or 40-wk
- IYR has now joined the club



Overseas Markets

Indices:

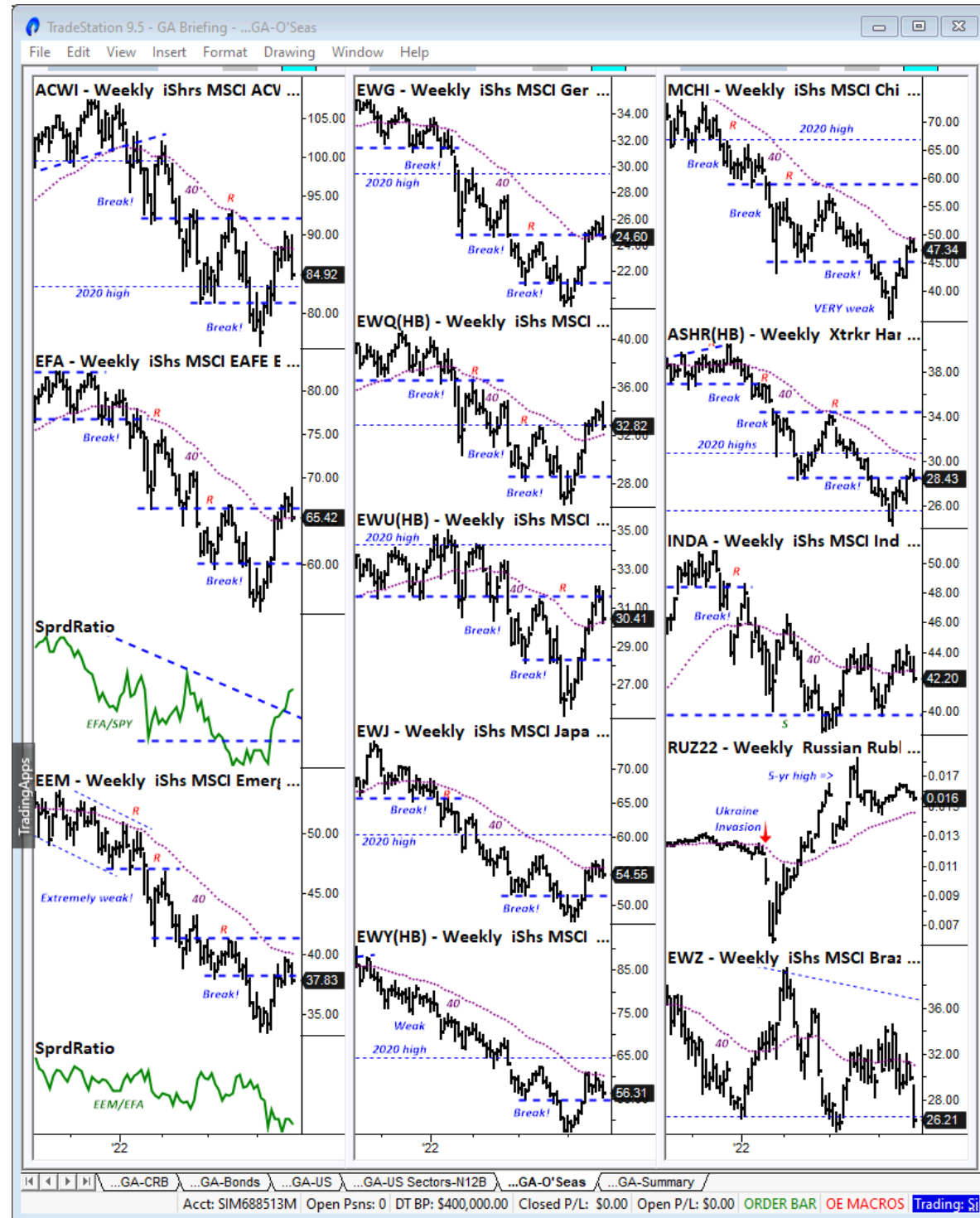
- Rough week for overseas markets as well
- ACWI & EEM struggling at 40-wk's
- EFA struggling at resistance
- Continued 'relative' improvement in EFA

Country Tour:

- Germany: Struggling at resistance
- France: Back through 40-wk.
- UK: Struggling at resistance
- Japan: Struggling at 40-wk.
- Korea: Struggling at 40-wk.
- China: While bouncing, the weakest of EM
- India: Strong chart – holding 2018 highs
- Russia: Ruble firm, near 5-yr highs
- Brazil: now testing bottom of range

Bottom Line:

- ACWI, EFA & EEM struggling at resistance
- Most markets back through 40-wk. avgs.
- China the weakest chart – India strongest



Summary

Commodities / US\$:

- DXY finding support at breakout & 40-wk.
- BCOM still holding July lows in 110 area
- Energy sector seeing strength internally

Yields / Credit:

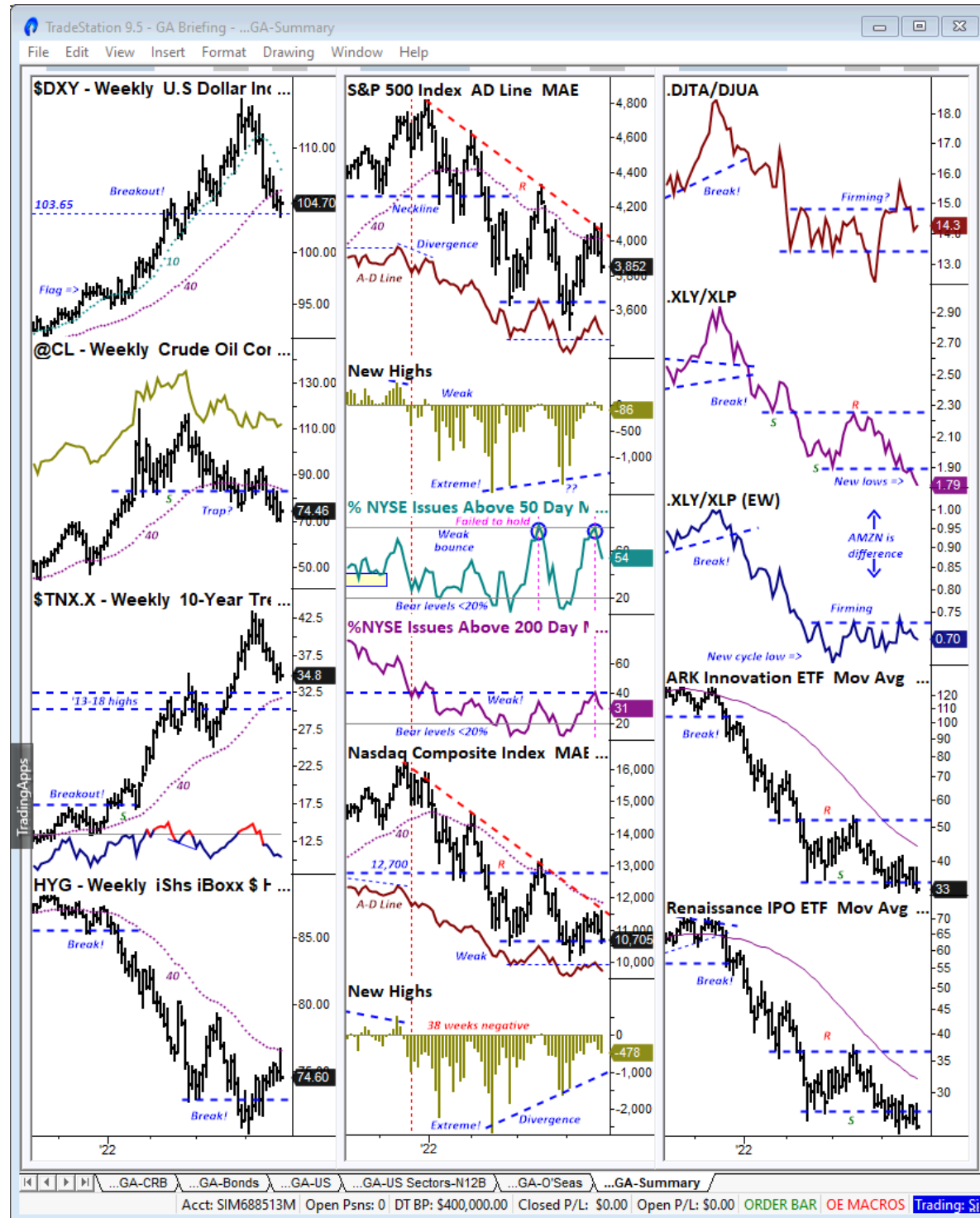
- 10-yr. finding support in 3½% area
- 10-yr. the lowest yield on the curve
- LQD & HYG struggling at 40-wk avgs

Stocks:

- Another, rough week for stocks
- Again failing at down trendlines
- Stochastics overbought – now crossing
- New lows in XLY / XLP ratio
- ARK & IPO struggling to hold support
- Have seen ‘average bear’ – if in secular bull

Overseas:

- Also a rough week for overseas markets
- Continued ‘relative’ improvement in EFA





About Mike

Mike Hurley, CMT serves as Chief Market Strategist and Portfolio Manager for NexPoint Advisors, L.P.

Prior to joining NexPoint he launched 2 of the first 100 'alternative mutual funds', including the Fusion Global Long/Short Fund (FGLSX) which posted a positive return in 2008 and won the Lipper Performance Achievement Award in the Long/Short category for the one-year period ending December 31, 2008 (ranked #1 of 90).

Mike also served as Chief Technical Strategist for several boutique research firms, including: SoundView Technology Group and E*Offering (The Investment Bank of E*TRADE).

He proudly served in the United States Navy, where he flew over 50 combat missions during Operation Desert Storm, earning two Air Medals.

Mike is a graduate of UC Santa Barbara, where he received BA degrees in both Business Economics and Chemistry. He is Series 7, 63 & 65 licensed and is a Chartered Market Technician (CMT).

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Charts as of: December 16, 2022, courtesy of TradeStation or Bloomberg, unless otherwise noted.