

# NEXPOINT

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# NEXPOINT

## Weekly Market Deep Dive

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# Commodities / Dollar

## US\$ / FX:

- DXY found resistance in 112-14 area
- Finding support at breakout level
- Euro finding resistance at '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/SPR area
- Gold showing likely 'Bear Trap'
- Bullish COT's on crude, copper, silver & gold
- **Wheat oversold, with very bullish COT**

## Bottom Line:

- DXY finding support on 40-wk. avg.
- BCOM still holding July lows
- All sub-sectors holding long-term uptrends
- **Wheat farmers positioning for another shock**



# Oil & Gold

## Oil:

- Rig count hit cycle high in early Dec. (will lag)
- COT also strong, very near a 6-yr. high
- Can argue breaking secular downtrend



## Gold:

- Has battled back through broken support
- Silver also back through resistance (\$20)
- Gold/silver ratio remains neutral (low at ~32)



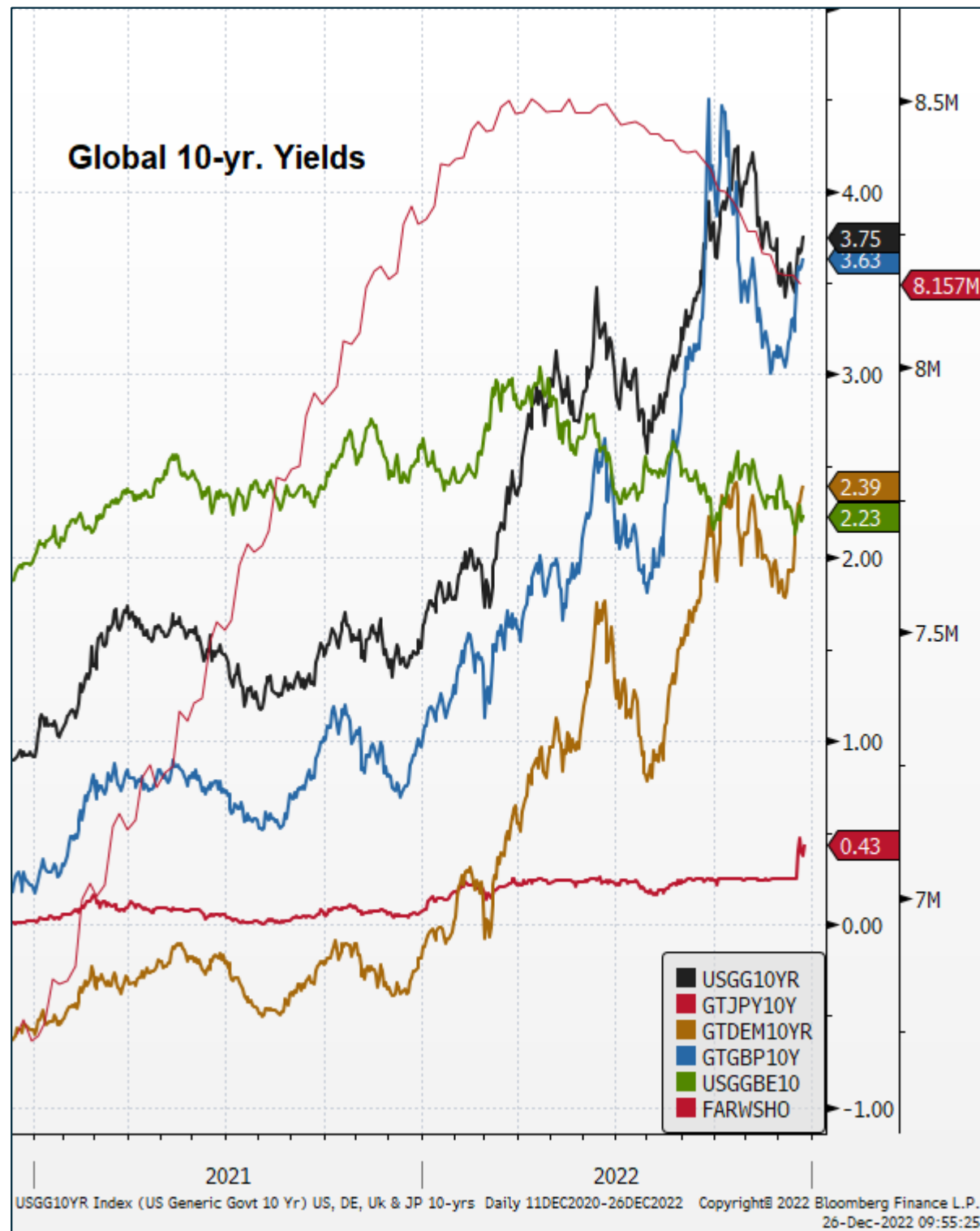
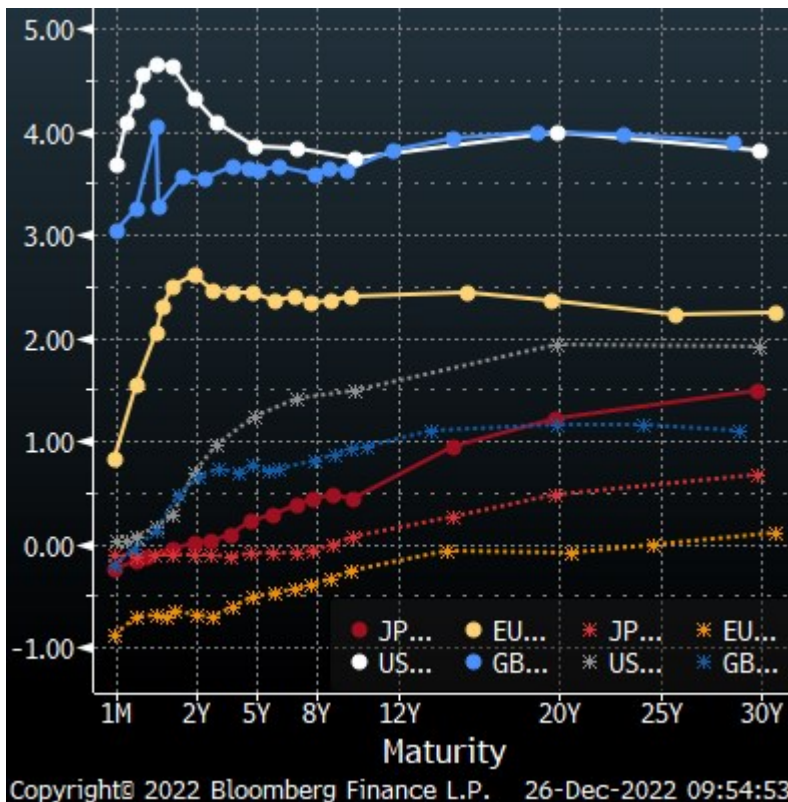
# Global Yields

## Global 10-yr. yields higher over wk.

- US: ▲ 25 bp – 10-yr lowest yield on curve
- UK: ▲ 31 bp – biggest shift over last year
- Germany: ▲ 24 bp – also a big shift
- Japan: ▲ 18 bp – BoJ ‘targeting inflation’
- Global curves sharply higher over last year

## Fed BS: ▼\$18B; ▼\$348B in total

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





# Bonds / Rates

## Daily Charts:

- Found resistance at 4¼%
- **Bouncing off** support in 3½% area
- 3-mo. / 10-yr. solidly inverted

## Weekly Charts:

- **Bouncing off** center of Bollinger Bands
- RSI still holding above key 40 level
- LQD & HYG failing at 40-wk avgs
- 'Rejection' for HYG – now holding 73

## Monthly Charts:

- TNX has broken secular downtrend
- 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
- **10-yr (yield) bouncing off support**
- **LQD & HYG failing at 40-wk's**



# Credit Spreads

## Spreads:

- Spreads slightly tighter on week
- Look to have potential formed a top
- Next rally likely a key window

## CCC Trends:

- ▼ 2 bp; (to 9.89%)
- Back below 10%
- Cycle high: 11.24%

## HY Trends:

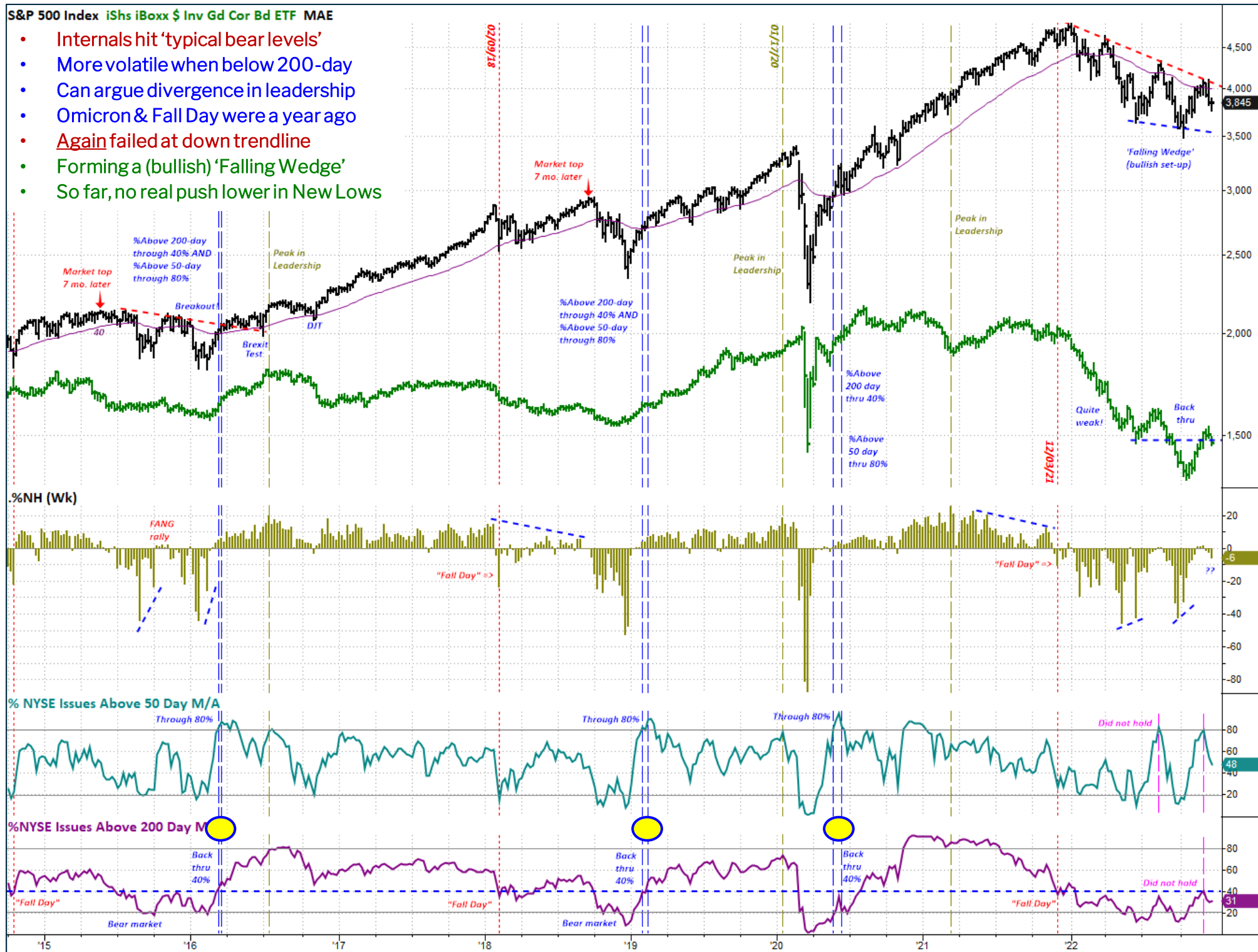
- ▼ 8 bp; (to 4.69%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

## IG Trends:

- ▼ 1 bp; (to 1.86%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' Nov 4<sup>th</sup>
- 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
- Forming a (bullish) 'Falling Wedge'
- So far, no real push lower in New Lows





# Ari Wald on Santa Claus Rally (12/17)

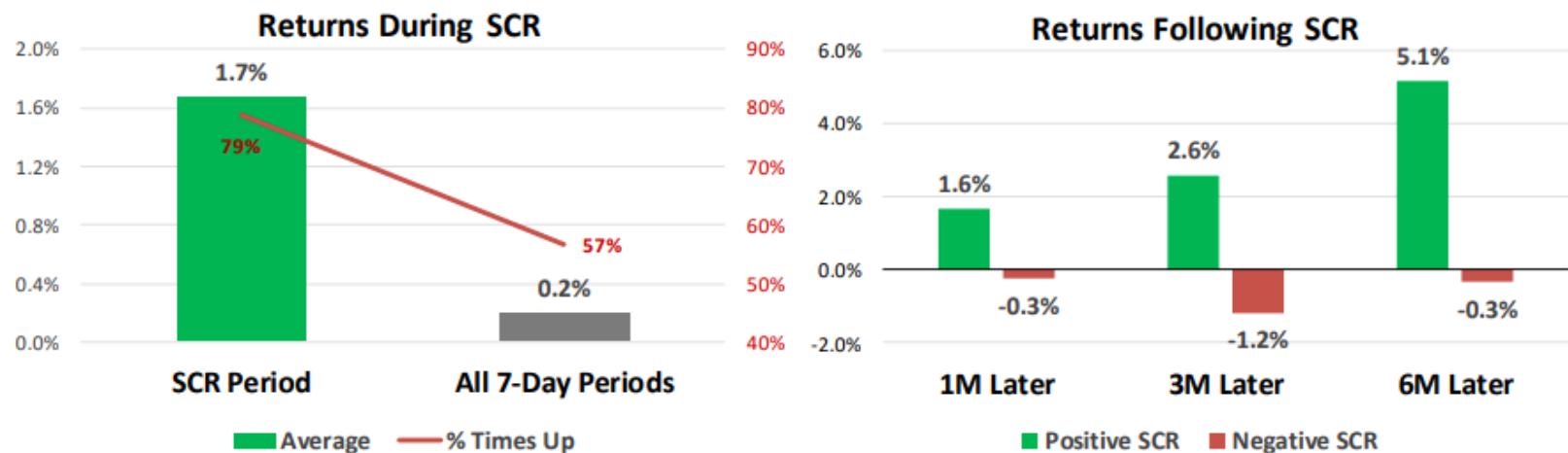
Technical Analysis

## ***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 26<sup>th</sup> and ends January 4<sup>th</sup>.
- ❖ 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 12<sup>th</sup> 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:

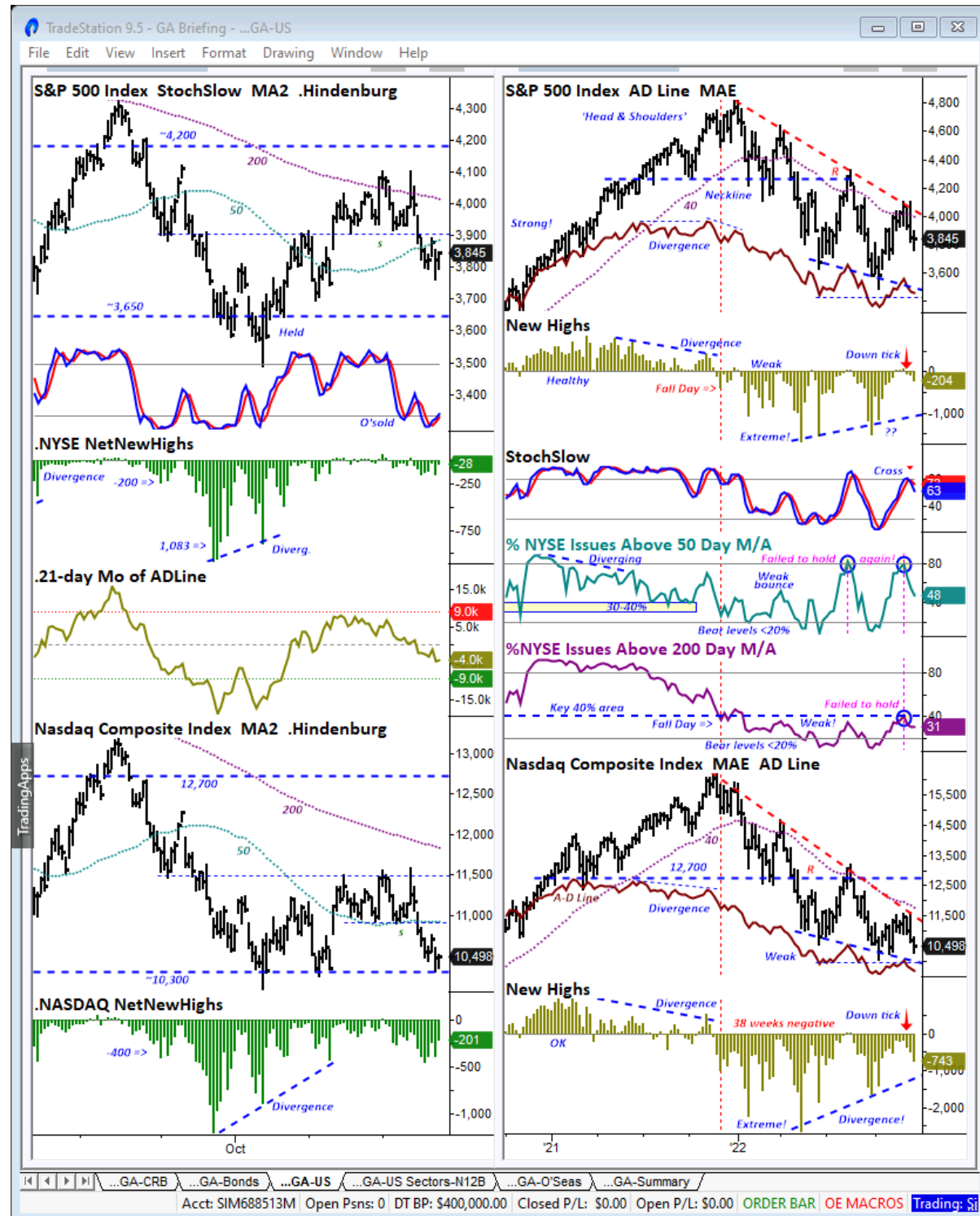
- Quiet week for stocks
- NASDAQ holding support in 10,300 area
- IBD: 'Uptrend Under Pressure'
- Bottoming usually a 4-step process
  - ✓ Set initial low
  - ✓ Bounce & test that low
  - ❑ Follow through to the upside
  - ❑ Test the breakout

## Weekly Charts:

- Failing at down trendlines (bearish)
- Breadth measures failed to show 'surges'
- Stochastics overbought – and now crossing
- Showing 'Falling Wedge' patterns (bullish)
- Leadership still improving (less negative)
- Next breakout critically important

## Bottom Line:

- Have seen 'average bear' – if in secular bull
- Again failed at down trendlines & 40-wk's
- No real surge in downside pressure (so far)



# Market Sectors

	Symbol	%Wk	%Yr	% Off High		
				POH	MOH	W...
→	XLE(HB)	3.2%	57%	8%	43%	52
→	XLF(HB)	0.7%	-13%	19%	29%	52
→	XLU(HB)	0.6%	-1%	9%	23%	52
→	XLP(HB)	0.4%	-3%	8%	19%	52
→	XLV(HB)	0.4%	-3%	5%	17%	52
→	XLI(HB)	0.3%	-7%	9%	23%	52
→	IYR(HB)	0.0%	-27%	28%	35%	52
→	SPY(HB)	-0.1%	-19%	20%	27%	52
→	XLC(HB)	-0.5%	-38%	40%	44%	52
→	XLB(HB)	-0.7%	-13%	15%	28%	52
→	XLK(HB)	-2.3%	-28%	30%	36%	52
→	XLY(HB)	-3.3%	-37%	39%	40%	52
	\$INDU	0.9%	-9%	10%	22%	52
	MDY(HB)	0.8%	-14%	15%	24%	52
	\$RUT	-0.1%	-22%	23%	28%	52
	\$SPX.X	-0.2%	-19%	20%	28%	52
	\$COMPX	-1.9%	-33%	34%	37%	52
	HYG(HB)	-0.3%	-15%	15%	19%	52
	LQD(HB)	-1.8%	-19%	20%	26%	52
	TLT(HB)	-4.4%	-31%	32%	39%	52

## Key Points:

- Indices & sectors mixed on week
- Continues to show a 'defensive' tone
- 'Defensive' sectors seeing good R/S
- XLF, C, K & IYR failed at resistance/40-wk
- XLY breaking support
- XLI showing tremendous strength



# Overseas Markets

## Indices:

- Like US, quiet week for overseas markets
- 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, **however rough week**
- Russia: Ruble firm, near 5-yr highs
- **Brazil: Bouncing off bottom of range**

## Bottom Line:

- ACWI, EFA & EEM struggling at resistance
- **Notable improvement in EFA / SPY**
- China remains the leader to the downside





# Summary

## Commodities / US\$:

- DXY finding support at breakout level
- BCOM still holding July lows in 110 area
- **Wheat oversold, with very bullish COT**

## Yields / Credit:

- 10-yr. finding support – credit, resistance
- Next rally in credit likely a key window
- BoJ now ‘targeting inflation’ (vs. YCC)

## Stocks:

- Again failed at down trendlines (bearish)
- Stochastics overbought – have crossed
- Potential for 'Falling Wedge' patterns
- Another new low in XLY / XLP ratio
- ARK & IPO clearly breaking support
- Have seen 'average bear' – if in secular bull
- If secular bear, could see 50%(+) decline

## Overseas:

- Also a quiet 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 23, 2022, courtesy of TradeStation or Bloomberg, unless otherwise noted.*