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NEXPOINT

Weekly Market Deep Dive

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Commodities / Dollar

US\$ / FX:

- 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
- **Precious Metals showing a 'Bear Trap'**
- Crude finding support in \$70/SPR area
- 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)



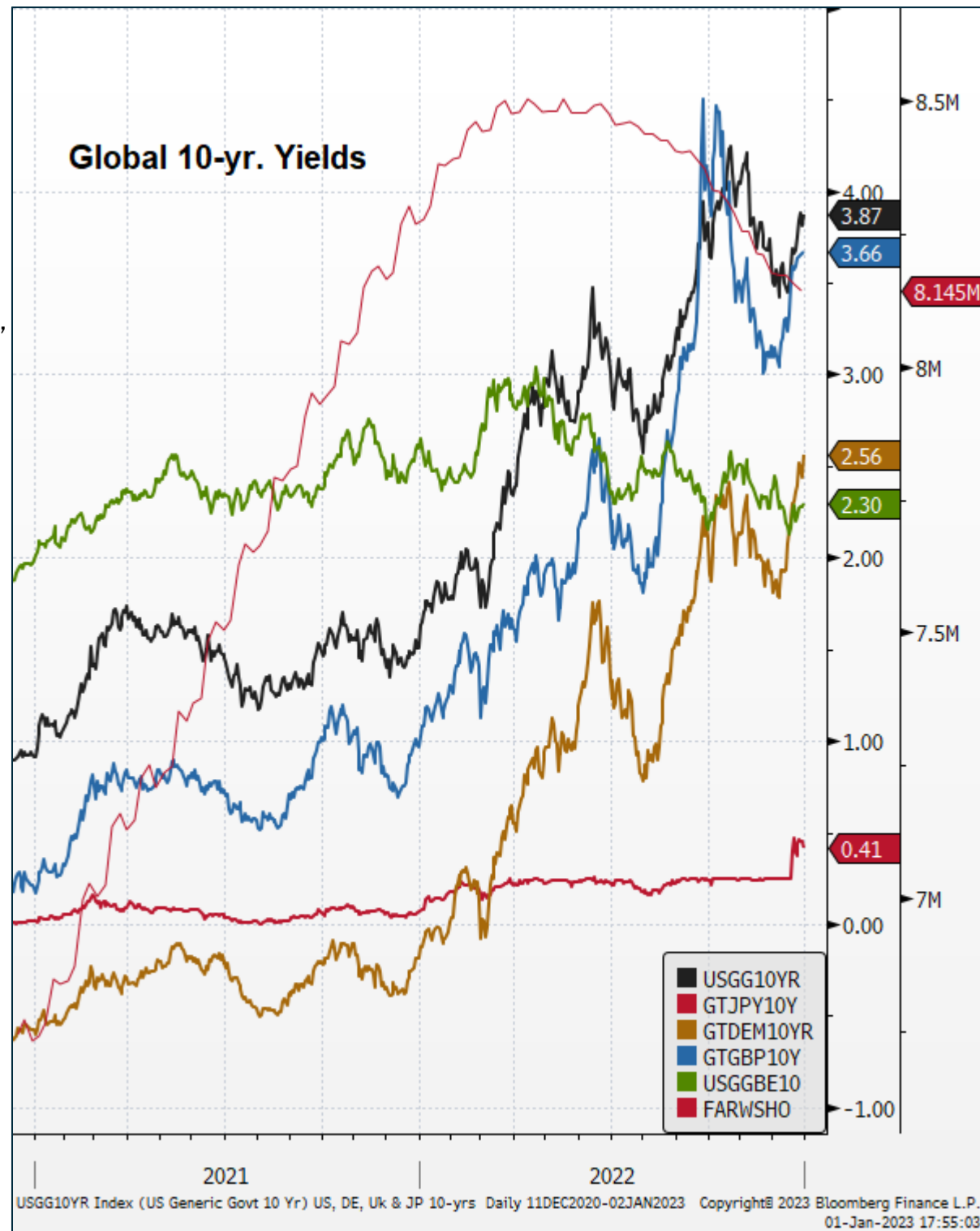
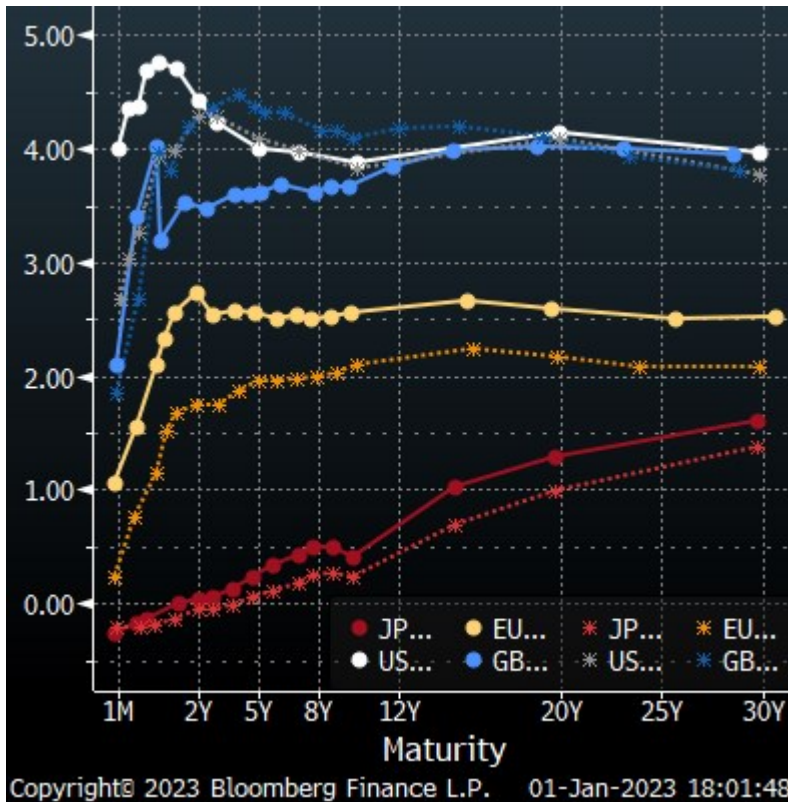
Global Yields

Global 10-yr. yields higher over wk.

- US: ▲ 12 bp – 10-yr still lowest on curve
- UK: ▲ 3 bp – big shift over last quarter
- Germany: ▲ 17 bp – also a big shift
- Japan: ▼ 2 bp – BoJ now ‘targeting inflation’
- Global curves higher over last quarter

Fed BS: ▼\$12B; ▼\$360B 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
- Inversion starting to narrow slightly

Weekly Charts:

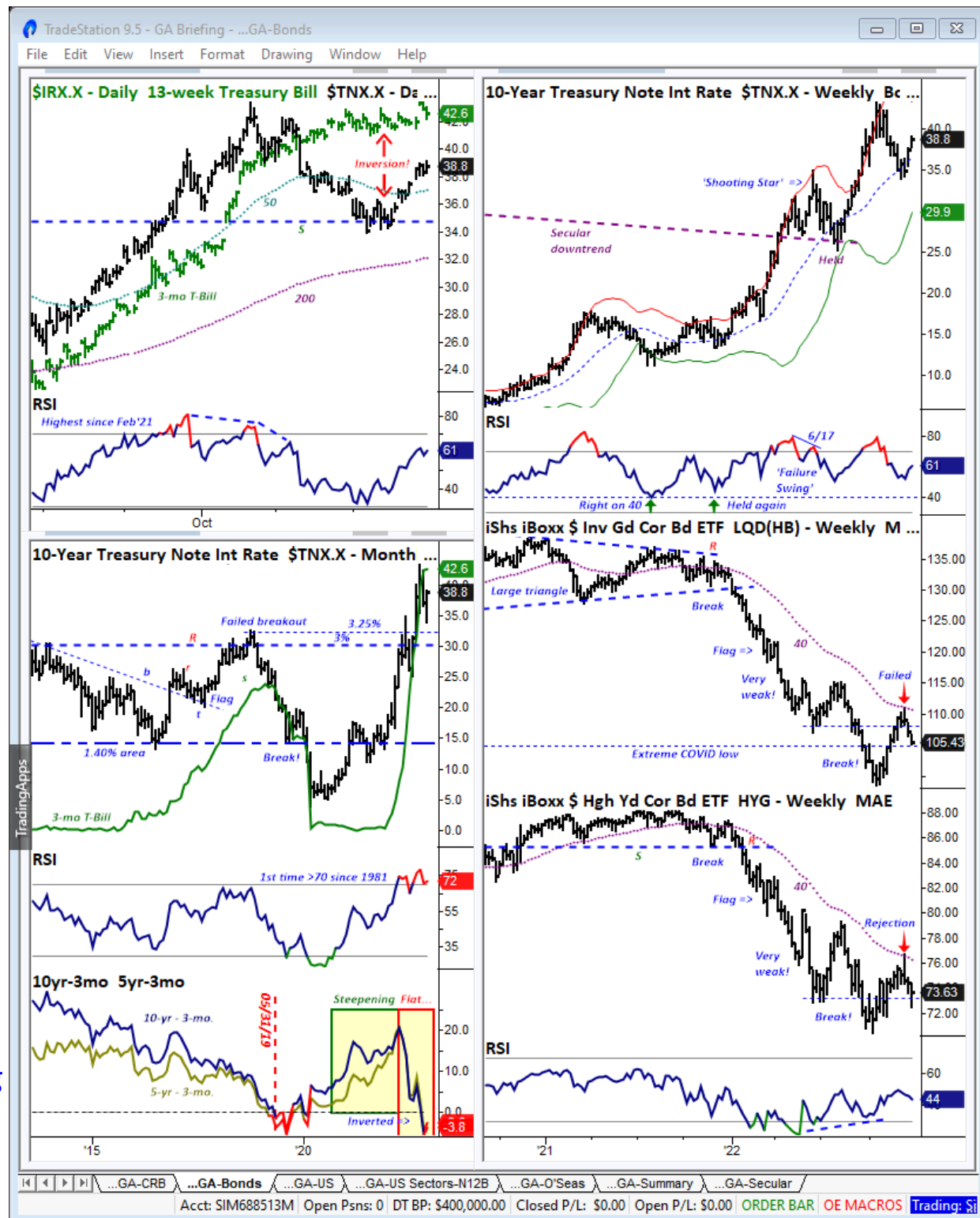
- Bounced off center of Bollinger Bands
- RSI holding above key 40 level
- LQD & HYG failed at 40-wk avgs
- 'Rejection' for HYG – now holding 73

Monthly Charts:

- TNX has broken secular downtrend
- Inversions as severe as 2019
- New high in RSI (a bullish thing, longer term)

Bottom Line:

- Important breakout in US 10-yr.
- 3-mo. / 10-yr. solidly inverted – but easing
- 10-yr (yield) held support
- LQD & HYG failed at 40-wk's



Credit Spreads

Spreads:

- Spreads slightly wider on week
- May be seeing ST low – next rally key!
- Look to have potential formed a top

CCC Trends:

- ▲ 19 bp; (to 10.08%)
- Back above 10%
- Cycle high: 11.24%

HY Trends:

- ▲ 12 bp; (to 4.80%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

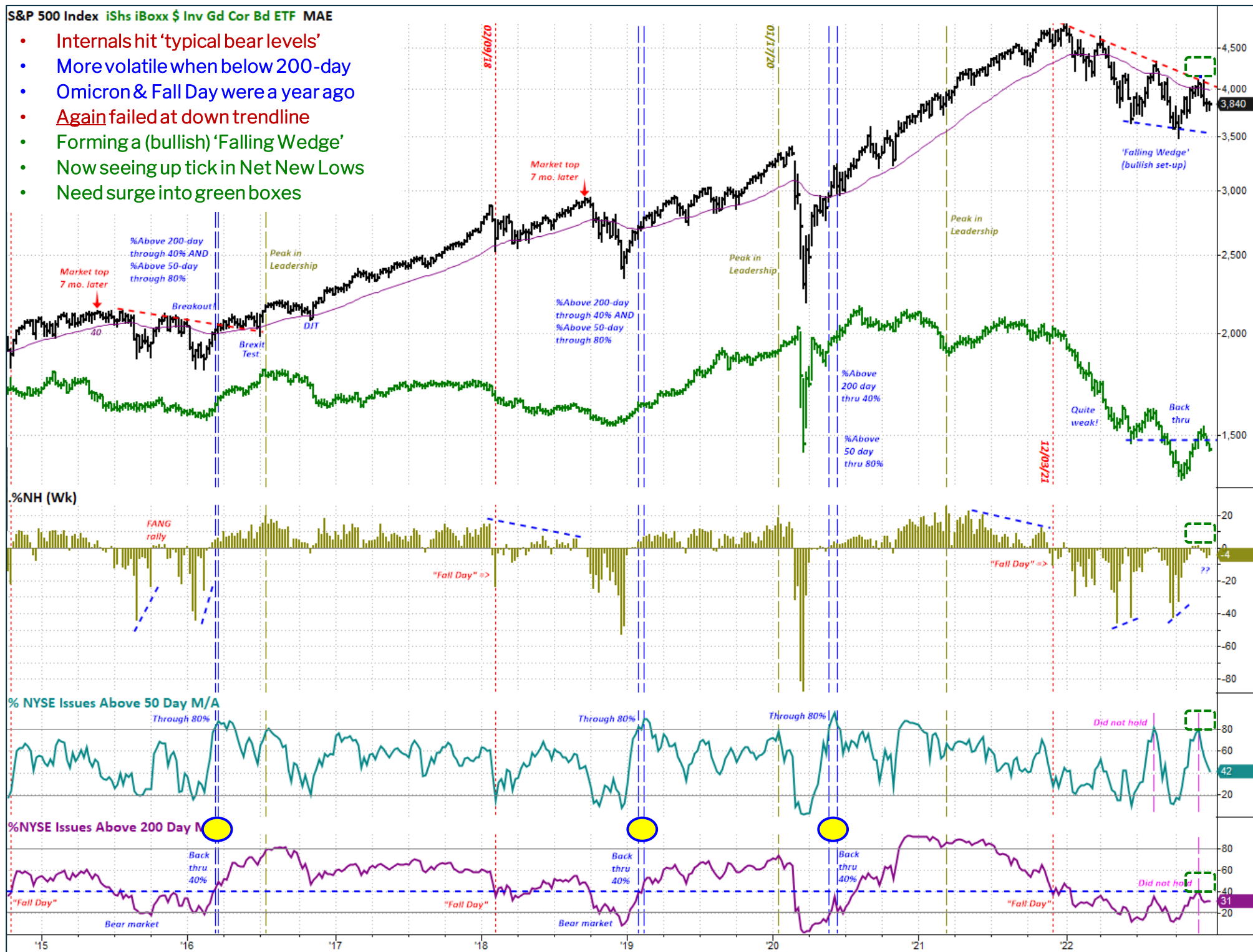
IG Trends:

- ▲ 1 bp; (to 1.83%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' Nov 4th
- Last 'Buy': 10/29/21



S&P 500 Index iShs iBoxx \$ Inv Gd Cor Bd ETF MAE

- Internals hit 'typical bear levels'
- More volatile when below 200-day
- Omicron & Fall Day were a year ago
- Again failed at down trendline
- Forming a (bullish) 'Falling Wedge'
- Now seeing up tick in Net New Lows
- Need surge into green boxes



Ari Wald on Santa Claus Rally (12/17)

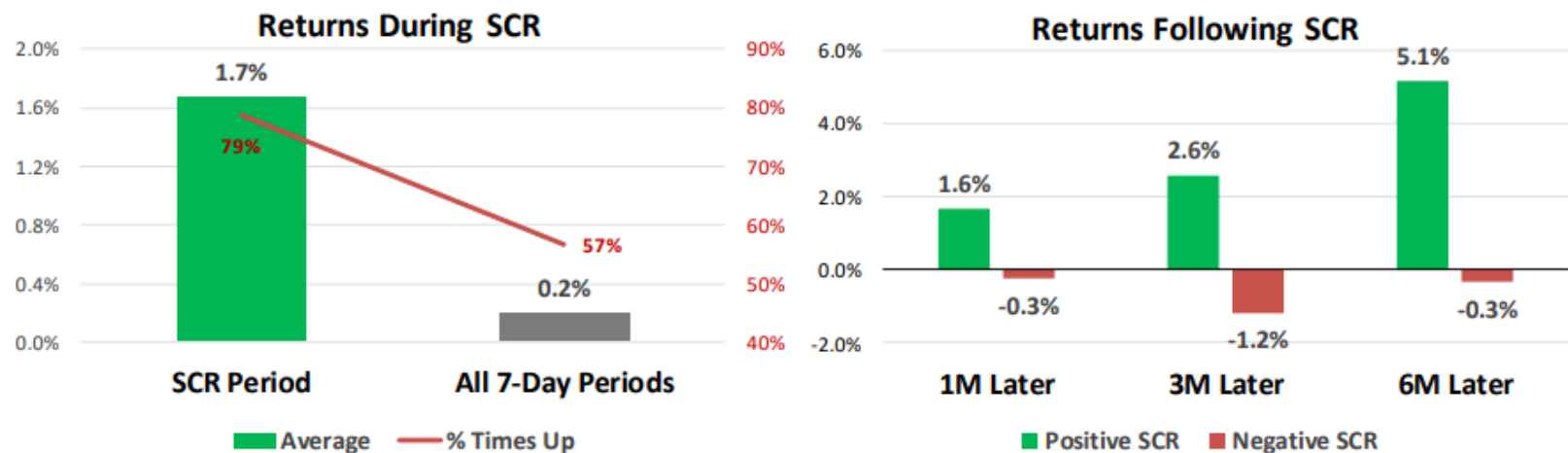
Technical Analysis

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.

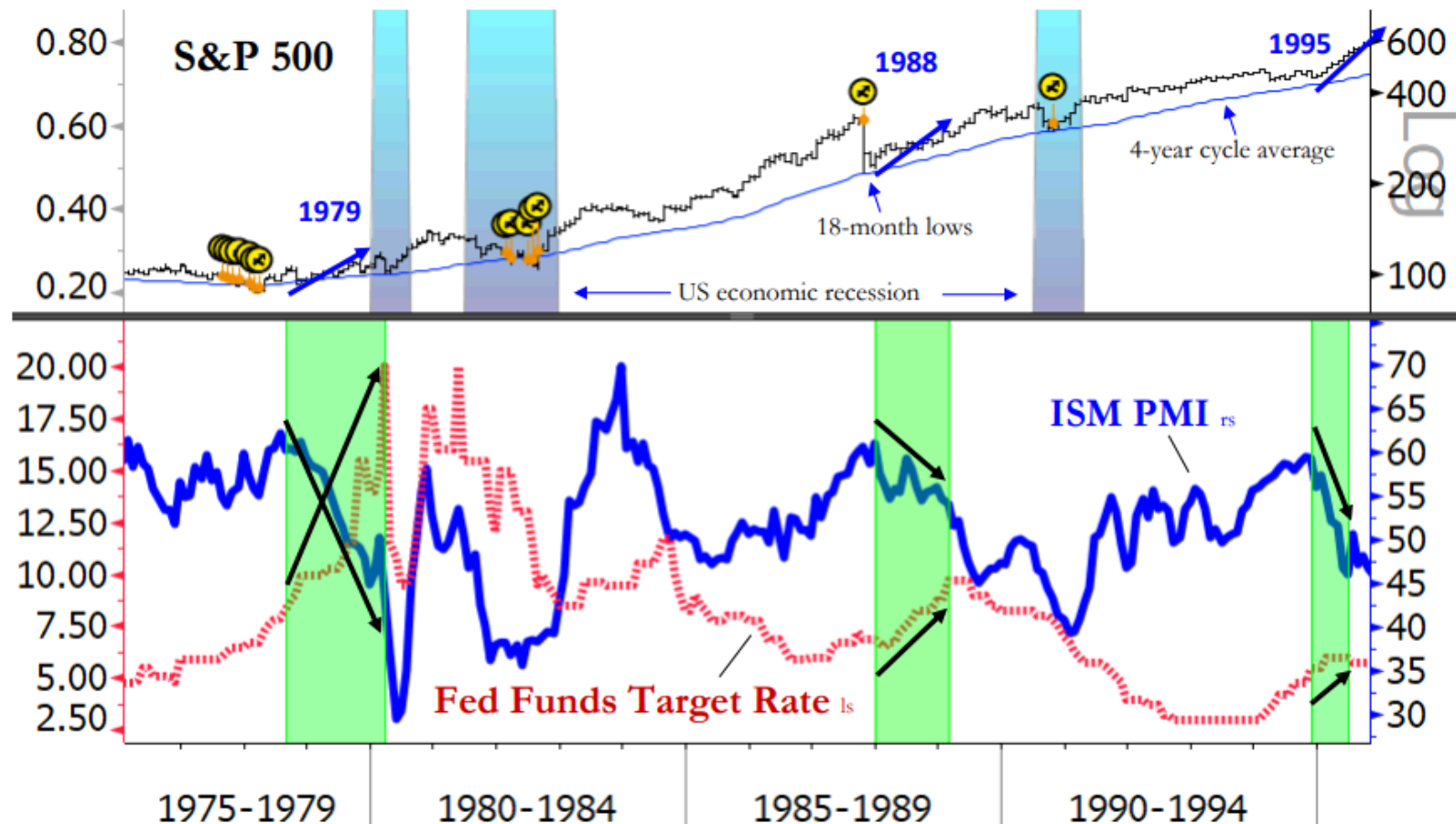
Source: Oppenheimer & Co. and Bloomberg. Note: These results cannot and should not be viewed as an indicator of future performance. Return calculations exclude applicable costs including commissions and interest.

Ari Wald 2023 Outlook (1/1)

Technical Analysis

The 1979 Later-Cycle, Tighter Fed, Road Map

In terms of historical analogs, we see the most similarities to the 1979 advance that followed the 1976-1978 non-recessionary bear market. The S&P was able to grind higher during this period against aggressive central bank tightening and a slowing economy. Based on a rising Federal funds rate and a falling ISM PMI, we see resemblance to market upturns in 1988, 1995, and 2019 too.



SPX Index (S&P 500 INDEX) ISM vs Fed vs SPX Monthly 31JAN1948-20DEC2022 Copyright© 2022 Bloomberg Finance L.P. 20-Dec-2022 15:17:56

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

Stocks

Daily Charts:

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

Weekly Charts:

- Failed at down trendlines (bearish)
- Breadth measures failed to show 'surges'
- Showing 'Falling Wedge' patterns (bullish)
- Leadership still improving – up-tick last week
- NASDAQ breadth also showing a divergence
- Next breakout critically important

Bottom Line:

- Have seen 'average bear' – if in secular bull
- In bear market until proven otherwise
- Risks tilted to upside technically



Market Sectors

Symbol	%Wk	%Yr	% Off Low			% Off High		
		Yr%...	POL	MOL	W...	POH	MOH	W...
XLE	0.5%	58%	17%	27%	13	8%	41%	52
XLU	-0.6%	-2%	17%	22%	13	10%	23%	52
XLP	-0.8%	-3%	13%	17%	13	8%	19%	52
XLV	-0.2%	-4%	13%	18%	13	5%	17%	52
XLI(HB)	-0.2%	-7%	19%	25%	13	9%	23%	52
XLF	1.1%	-12%	16%	23%	13	18%	29%	52
XLB(HB)	-1.1%	-14%	16%	26%	13	16%	28%	52
SPY	0.1%	-19%	10%	18%	13	20%	27%	52
IYR(HB)	-0.4%	-28%	11%	20%	13	28%	35%	52
XLK	-0.1%	-28%	10%	23%	13	29%	36%	52
XLV(HB)	-0.2%	-37%	3%	18%	13	39%	41%	52
XLC	0.8%	-38%	7%	16%	13	39%	43%	52
\$INDU	-0.2%	-9%	16%	21%	13	10%	22%	52
MDY(HB)	-0.2%	-14%	11%	19%	13	16%	24%	52
\$SPX.X	-0.1%	-19%	10%	17%	13	20%	28%	52
\$RUT	0.0%	-22%	7%	16%	13	23%	28%	52
\$COMPX	-0.3%	-33%	4%	15%	13	34%	36%	52
HYG	-1.0%	-15%	5%	9%	13	15%	19%	52
LQD(HB)	-1.5%	-20%	7%	13%	13	20%	25%	52
TLT	-2.5%	-33%	8%	19%	13	32%	37%	52
IWD	0.2%	-10%	13%	19%	13	12%	22%	52
IWN	-0.1%	-16%	8%	18%	13	19%	25%	52
IWO(HB)	0.2%	-27%	6%	15%	13	28%	35%	52
IWF(HB)	-0.4%	-30%	6%	16%	13	31%	34%	52

Key Points:

- Indices & sectors mixed on week
- Energy only positive sector on year
- 'Defensive' tilt to sectors on year
- XLF, C, K & IYR failed at resistance/40-wk
- XLI showing tremendous strength



LSGV (12/30/22)

LSGV Model

- Based on crosses in MAs (13 & 34)
- Shows performance of small vs. large (top); growth vs. value (bottom)
- Monthly charts left side; weekly right
- Neither are correlated to tops & bottoms in overall equity market

Current Status

- Large vs Small
 - 'Large' on monthly chart
 - Weekly chart fresh move to 'Large'
 - Not so sure a durable signal
- Growth vs Value
 - Monthly chart fresh move to 'Value'
 - Spent 14 years on 'Growth'
 - Weekly chart holding 'Value'

Bottom Line: All models on Lg/Val



Overseas Markets

Indices:

- Like US, quiet week for overseas markets
- US\$ a key LT driver (unhedged ETFs)
- Particularly precise for DM
- 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 starting to weaken off highs
- Brazil: Testing bottom of LT 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
- Continues to look like bear trap in gold

Yields / Credit:

- 10-yr. finding support – credit, resistance
- Wide inversion starting to narrow
- Next rally in credit likely a key window

Stocks:

- Potential for 'Falling Wedge' patterns
- Leadership still improving – up-tick last week
- NASDAQ breadth also showing a divergence
- ARK & IPO clearly breaking support
- In bear market until proven otherwise
- Risks tilted to upside technically

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 30, 2022, courtesy of TradeStation or Bloomberg, unless otherwise noted.