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NEXPOINT

Weekly Market Deep Dive

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Commodities / Dollar

US\$ / FX:

- US\$ breaking support in 103½ area
- Euro moving back through '15-16 lows
- BoJ intervened in Yen market at 151.90
- US\$/Yuan now breaking 40-wk.

Commodities & Sectors:

- BCOM back through 110 area
- All sub-sectors in long-term uptrends
- Precious Metals showing a 'Bear Trap'
- Another good week for gold
- Copper back through \$4
- Crude still holding \$70/SPR area
- Bullish COT's on crude, copper, silver & gold

Bottom Line:

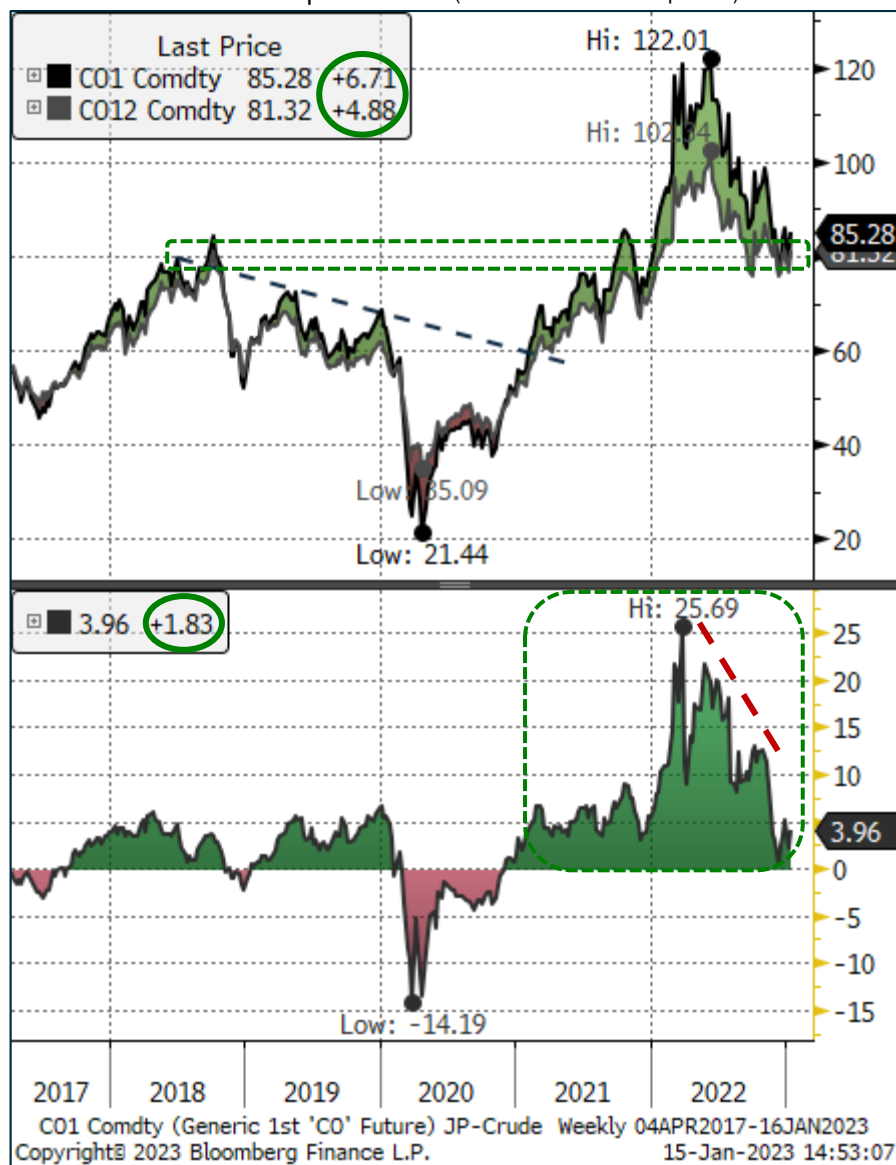
- DXY breaking support and 40-wk. avg.
- Copper back through \$4
- BCOM back through 110 area
- Another good week for gold



Oil & Gold

Oil:

- Brent holding support at \$80
- Spread widened to nearly \$4
- Luskin called 'peak oil' (Saudi deal & US prod.)



Gold:

- Per Strategas, very unusual to see gold beat the S&P off a major low
- In fact, now is the only time since Bretton Woods
- Shows a changing market landscape, and bullish for gold going forward

S&P vs. Gold +3 Months Off Major S&P Bottoms

S&P Low Date	S&P +3 Months	Gold +3 Months	S&P vs. Gold
10/3/1974	14.0%	3.6%	10.4%
8/12/1982	36.2%	17.8%	18.4%
12/4/1987	20.2%	-10.3%	30.5%
10/11/1990	6.2%	1.7%	4.5%
10/9/2002	19.2%	10.7%	8.6%
3/9/2009	38.8%	4.0%	34.8%
12/24/2018	20.6%	2.1%	18.5%
3/23/2020	36.3%	13.2%	23.1%
10/12/2022	11.3%	13.4%	-2.1%

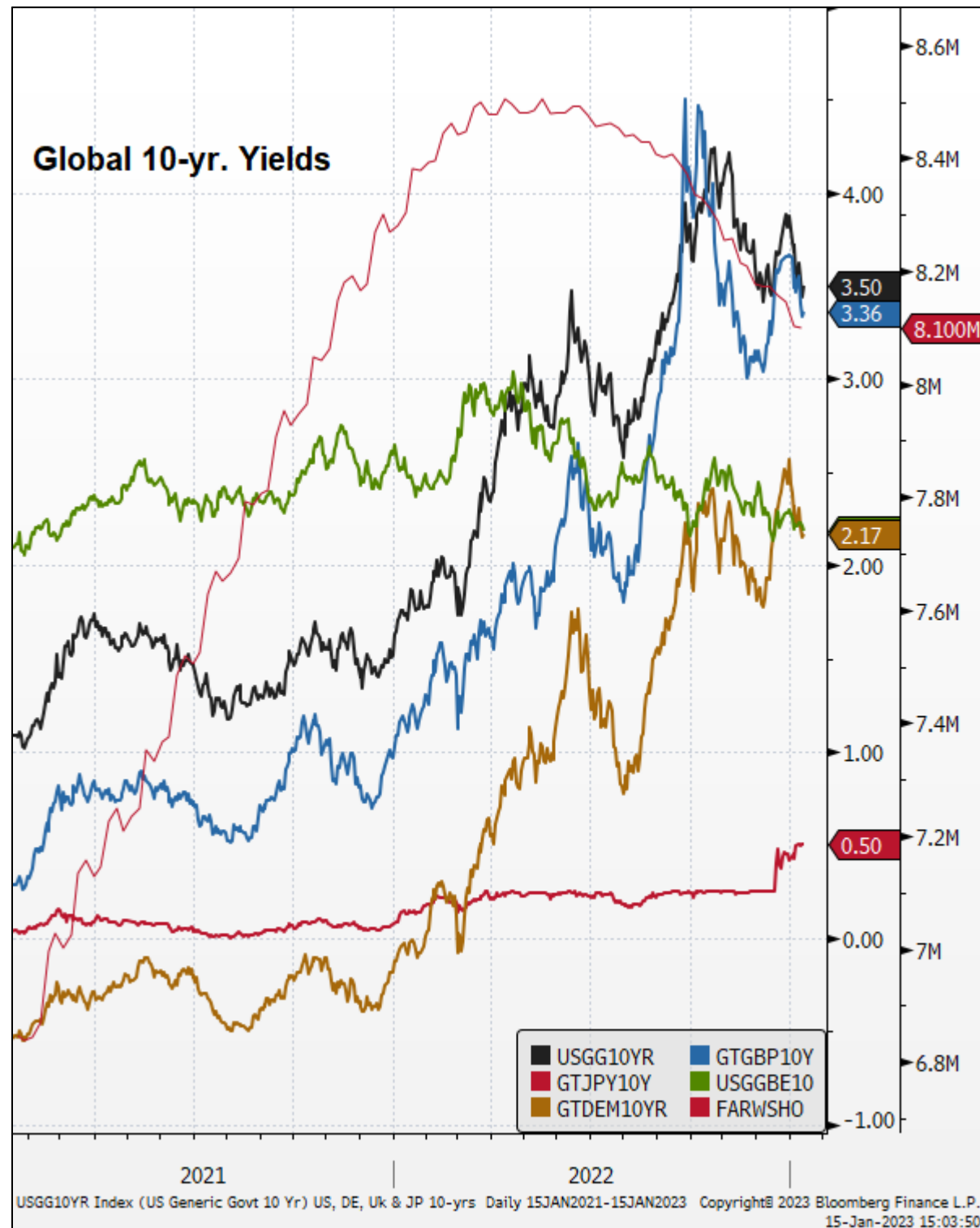
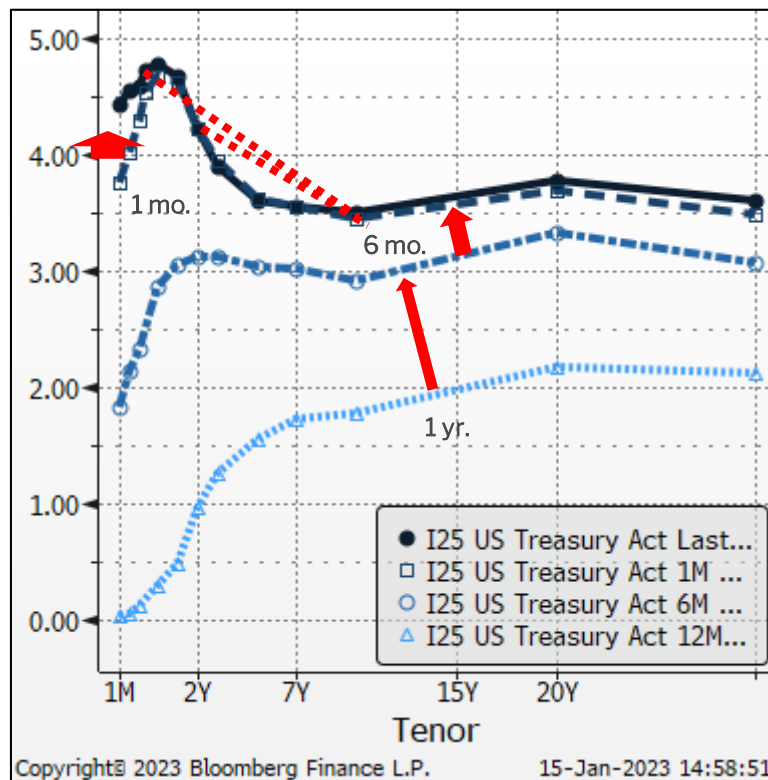
Global Yields

Global 10-yr. yields lower over wk.

- US: ▼ 6 bp – 10-yr still lowest on curve
- UK: ▼ 9 bp – big shift over last quarter
- Germany: ▼ 4 bp – long end static
- Japan: Unch. – BoJ now ‘targeting inflation’

Fed BS: ▼\$1B; ▼\$405B in total

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



Bonds / Rates

Daily Charts:

- Found resistance at 4¼%
- Again testing support in 3½% area
- Inversion holding in 1% area

Weekly Charts:

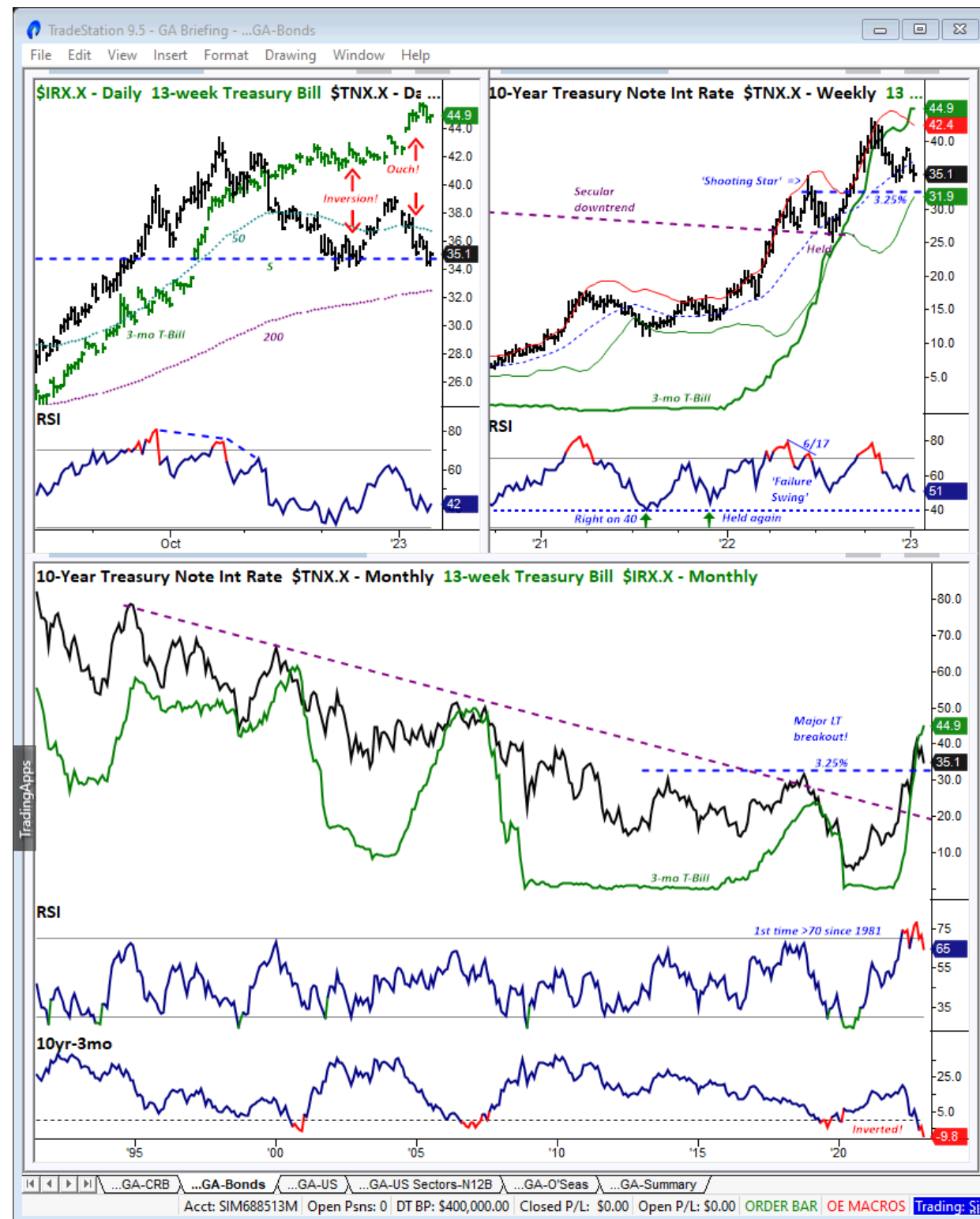
- Lower Bollinger Band approaching 3½%
- RSI could not get overbought
- LQD & HYG continuing to stabilize
- Potential 'head & shoulders' on HYG

Monthly Charts:

- TNX has broken secular downtrend
- Biggest inversion since '81 (15.1% & 13.5%)
- New high in RSI (a bullish thing, longer term)

Bottom Line:

- Important LT breakout in US 10-yr.
- 3-mo. / 10-yr. most inverted since 1981
- 10-yr potentially forming extended range
- LQD & HYG showing potential bottom



Credit Spreads

Spreads:

- Spreads significantly tighter on week
- Starting to look like 'lower highs'
- Look to have potential formed a top

CCC Trends:

- ▼ 57 bp; (to 8.95%)
- Back below 9%
- Cycle high: 11.24%

HY Trends:

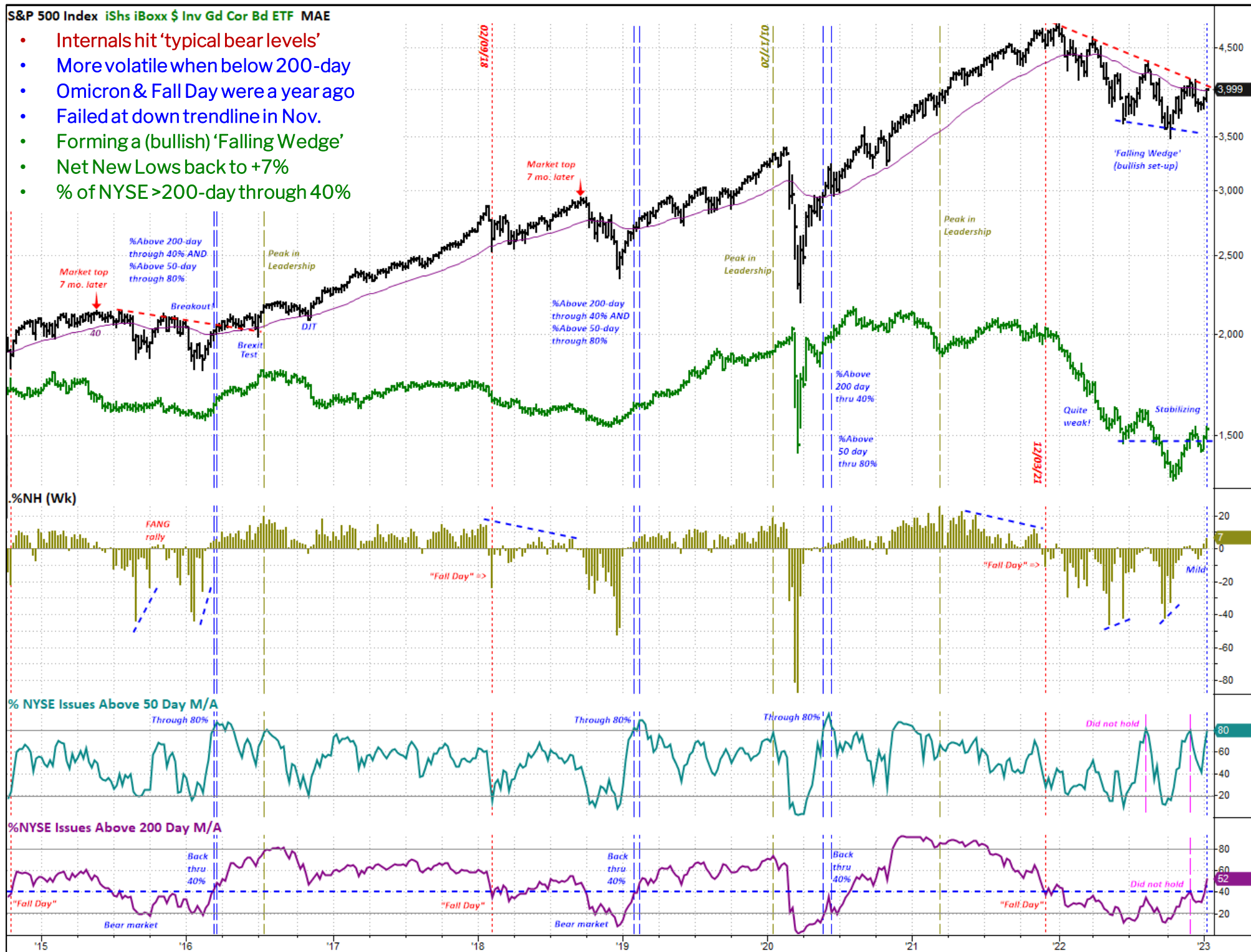
- ▼ 31 bp; (to 4.36%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▼ 11 bp; (to 1.73%)
- 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
- Omicron & Fall Day were a year ago
- Failed at down trendline in Nov.
- Forming a (bullish) 'Falling Wedge'
- Net New Lows back to +7%
- % of NYSE >200-day through 40%



Stocks

Daily Charts:

- [Another](#) good week for stocks
- [NASDAQ](#) moving off 10,300 area
- IBD: 'Confirmed Rally'
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ❑ Follow through to the upside
 - ❑ Test the breakout

Weekly Charts:

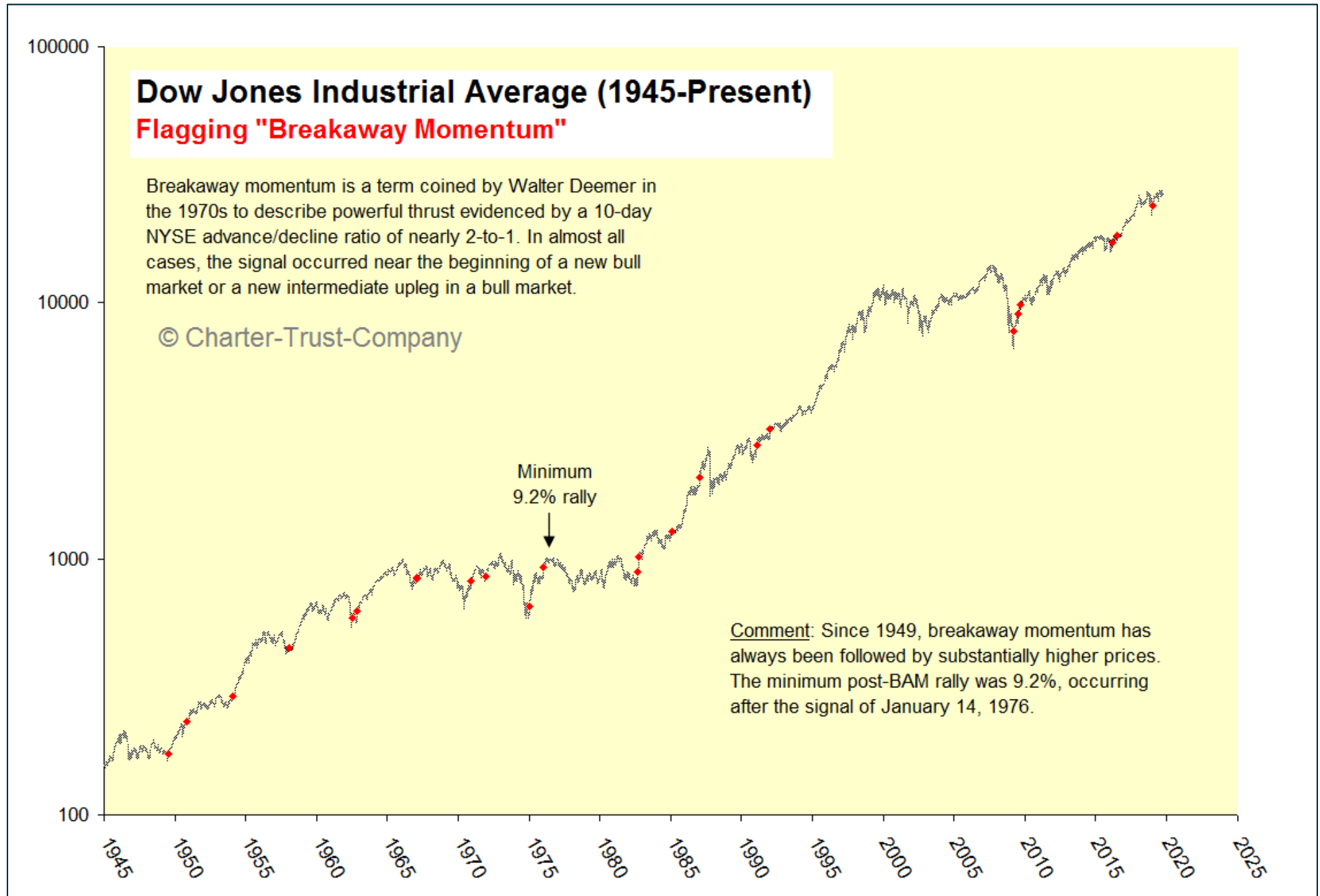
- Showing 'Falling Wedge' patterns (bullish)
- [NASDAQ](#) breadth also showing a divergence
- [Leadership](#) strongest levels since 'Fall Day'
- 'Spring Day' on '% Above 200-days'
- [DJIA](#) leading the way higher
- [R2k](#) breaking down trendline – good RS
- Next breakout critically important

Bottom Line:

- [Another](#) good week – 'bulls have the ball'
- Risks tilted to upside technically



Deemer – Breadth Thrust Signals (‘Buy’ on 1/12/23)



S&P Targets (Based on Oct'22 low)

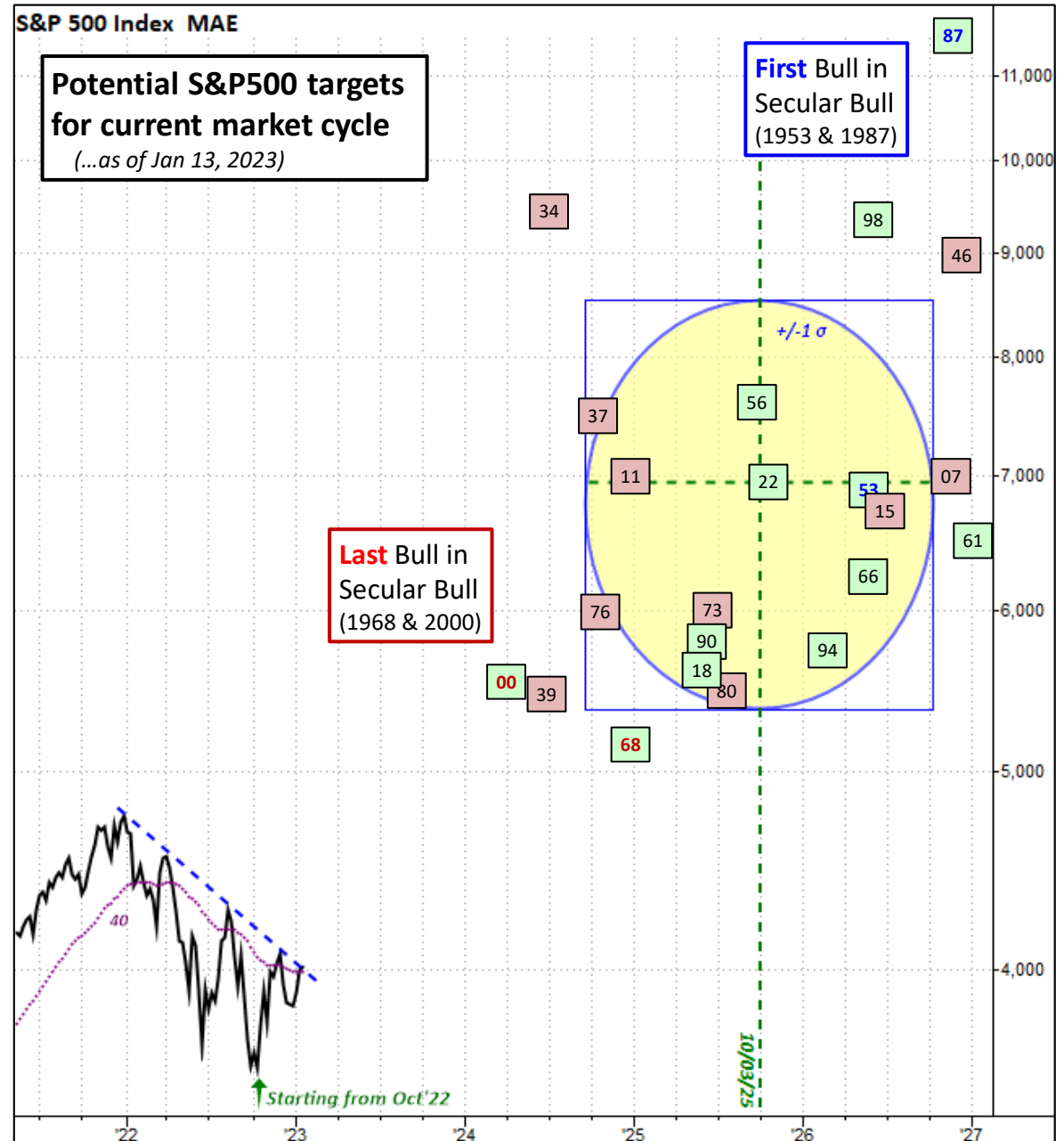
•S&P 500 since 1932 low:

- 22 total cycles (not including COVID)
- Secular **bulls** & **bears** are shaded
- My definition of cycles
- Also shows “hypothetical repeats”
- First bulls are strong; last ones weak

Bottom	12 mo.	Top	Bull Total	The Bear	Bull Repeat
6/1/32 4.40	9.74 121%	2/6/34 11.82	169% 21	(27%) 13	9,381 Jun'24
3/14/35 8.60	14.24 66%	3/6/37 18.68	117% 24	(54%) 13	7,585 Oct'24
3/31/38 8.50	11.51 35%	10/25/39 13.21	55% 19	(43%) 31	5,427 May'24
4/28/42 7.47	11.48 54%	5/29/46 19.25	158% 50	(30%) 37	8,999 Nov'26
6/13/49 13.55	18.98 40%	1/5/53 26.66	97% 43	(15%) 8	6,871 May'26
9/14/53 22.71	31.12 37%	8/2/56 49.74	119% 35	(22%) 15	7,648 Sep'25
10/22/57 38.98	50.97 31%	12/12/61 72.64	86% 50	(28%) 7	6,507 Dec'26
6/26/62 52.32	69.41 33%	2/9/66 94.06	80% 44	(22%) 8	6,278 May'26
10/7/66 73.20	97.26 33%	11/29/68 108.37	48% 26	(36%) 18	5,170 Dec'24
5/26/70 69.29	99.40 43%	1/11/73 120.24	74% 32	(48%) 21	6,060 Jun'25
10/3/74 62.28	85.95 38%	9/21/76 107.83	73% 24	(19%) 18	6,046 Oct'24
3/6/78 86.90	97.87 13%	11/28/80 140.52	62% 33	(27%) 21	5,647 Jul'25
8/12/82 102.42	161.55 58%	8/25/87 336.77	229% 61	(34%) 3	11,482 Oct'27
12/4/87 223.92	274.93 23%	7/16/90 368.95	65% 32	(20%) 3	5,754 May'25
10/11/90 295.46	381.45 29%	2/2/94 482.00	63% 40	(7%) 10	5,697 Feb'26
12/9/94 446.96	617.48 38%	7/17/98 1,187	166% 44	(19%) 3	9,272 May'26
10/8/98 959.44	1,336 39%	3/24/00 1,527	59% 18	(49%) 31	5,559 Mar'24
10/9/02 776.76	1,039 34%	10/9/07 1,565	101% 61	(57%) 17	7,036 Oct'27
3/9/09 676.53	1,140 69%	4/29/11 1,364	102% 26	(19%) 5	7,038 Dec'24
10/3/11 1,099	1,451 32%	5/21/15 2,131	94% 44	(14%) 9	6,769 Jun'26
2/11/16 1,829	2,328 27%	9/21/18 2,940	61% 32	(20%) 3	5,613 May'25
12/24/18 2,351	3,223 37%	1/4/22 4,809	105% 37	(27%) 9	7,143 Oct'25
10/14/22 3,492	3,911 12%				6,954 Oct'25
	41%				
		x	99% 36	(29%) 14	5,376 9/22/24
		σ	46% 13	14% 10	8,531 10/16/26

•Measuring from 2022 low:

- S&P target: 6,954 in Oct'25
- 1σ area shown (pK=68%)
- All 22 hypothetical repeats shown



Market Sectors

Symbol	%Wk	%Wk...	%Yr	PrY...	POL	MOL
XLK	5.8%	2.3%	8%	-37%	11%	18%
XLK	4.6%	0.2%	5%	-28%	10%	18%
IYR	4.4%	2.4%	7%	-28%	17%	17%
XLB(HB)	4.3%	3.5%	8%	-14%	21%	21%
XLC	3.9%	5.0%	9%	-38%	17%	17%
XLE	2.7%	0.1%	3%	58%	12%	18%
SPY	2.7%	1.5%	4%	-19%	10%	13%
XLF	2.1%	3.5%	6%	-12%	16%	17%
XLI(HB)	1.5%	2.7%	4%	-7%	19%	20%
XLU	0.5%	0.7%	1%	-2%	15%	19%
XLV	-0.2%	-0.1%	0%	-4%	10%	15%
XLP	-1.4%	1.6%	0%	-3%	11%	15%
\$RUT	5.3%	1.8%	7%	-22%	11%	12%
\$COMPX	4.8%	1.0%	6%	-33%	9%	13%
MDY(HB)	3.6%	2.6%	6%	-14%	15%	16%
\$SPX.X	2.7%	1.4%	4%	-19%	10%	13%
\$INDU	2.0%	1.5%	3%	-9%	14%	16%
LQD	1.7%	3.0%	5%	-20%	12%	13%
TLT	1.5%	5.6%	7%	-33%	16%	19%
HYG(HB)	1.5%	2.6%	4%	-15%	7%	7%
IWO(HB)	6.0%	1.4%	8%	-27%	11%	12%
IWN	4.5%	2.3%	7%	-16%	11%	13%
IWF	4.1%	0.3%	4%	-30%	8%	13%
IWD	2.0%	2.5%	5%	-10%	14%	15%

Key Points:

- Another 'risk on' week
- Sectors are 'risk on' YTD
- XLF, XLB & XLI heavy in 'value'
- XLB & XLI near new highs
- Relative strength in U, P & V weakening



Overseas Markets

Indices:

- Strong week for overseas markets
- US\$ a key LT driver (unhedged ETFs)
- Continued outperformance in EFA
- EEM looking like 'head & shoulders'

Country Tour:

- Germany: Holding 40-wk., potential 'H&S'
- France: Holding 40-wk., potential 'H&S'
- UK: Holding 40-wk., potential 'H&S'
- Japan: Pushing 40-wk., potential 'H&S'
- Korea: Pushing 40-wk., potential 'H&S'
- China: MCHI back through 40-wk.
- India: Strong chart, however rough week
- Russia: Ruble starting to weaken off highs
- Brazil: Holding bottom of LT range

Bottom Line:

- Continued outperformance in EFA
- Numerous 'head & shoulders' on DMs
- Big move/technical improvement in China



Summary

Commodities / US\$:

- US\$ breaking support in 103½ area
- BCOM back through 110 area
- Another good week for gold
- Copper back through \$4

Yields / Credit:

- Biggest inversion since '81 (15.1% & 13.5%)
- CCC spreads back below 9%

Stocks:

- Another good week – ‘bulls have the ball’
- Leadership strongest levels since ‘Fall Day’
- ‘Spring Day’ on ‘% Above 200-days’
- DJIA leading the way higher
- ARK ETF back through resistance
- Risks tilted to upside technically

Overseas:

- Continued outperformance in EFA
- Big move/technical improvement in China





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: January 13, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.