

# NEXPOINT

## DISCLOSURE

The following presentation may include statements that contain forward-looking information, and such statements may be subject to risks and uncertainties, some of which are significant in scope and by their nature beyond the controls of the investment advisor. There can be no assurance that such information will prove to be accurate and historical results are not necessarily indicative of future performance.

# NEXPOINT

## Weekly Market Deep Dive

January 23, 2023

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# Commodities / Dollar

## US\$ / FX:

- US\$ testing 101-2 area
- Euro testing 109-10 area
- BoJ intervention at 151.90 worked(?)
- US\$/Yuan testing 6.70 area

## 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
- **Wide ranges this week in copper & gold**

## Bottom Line:

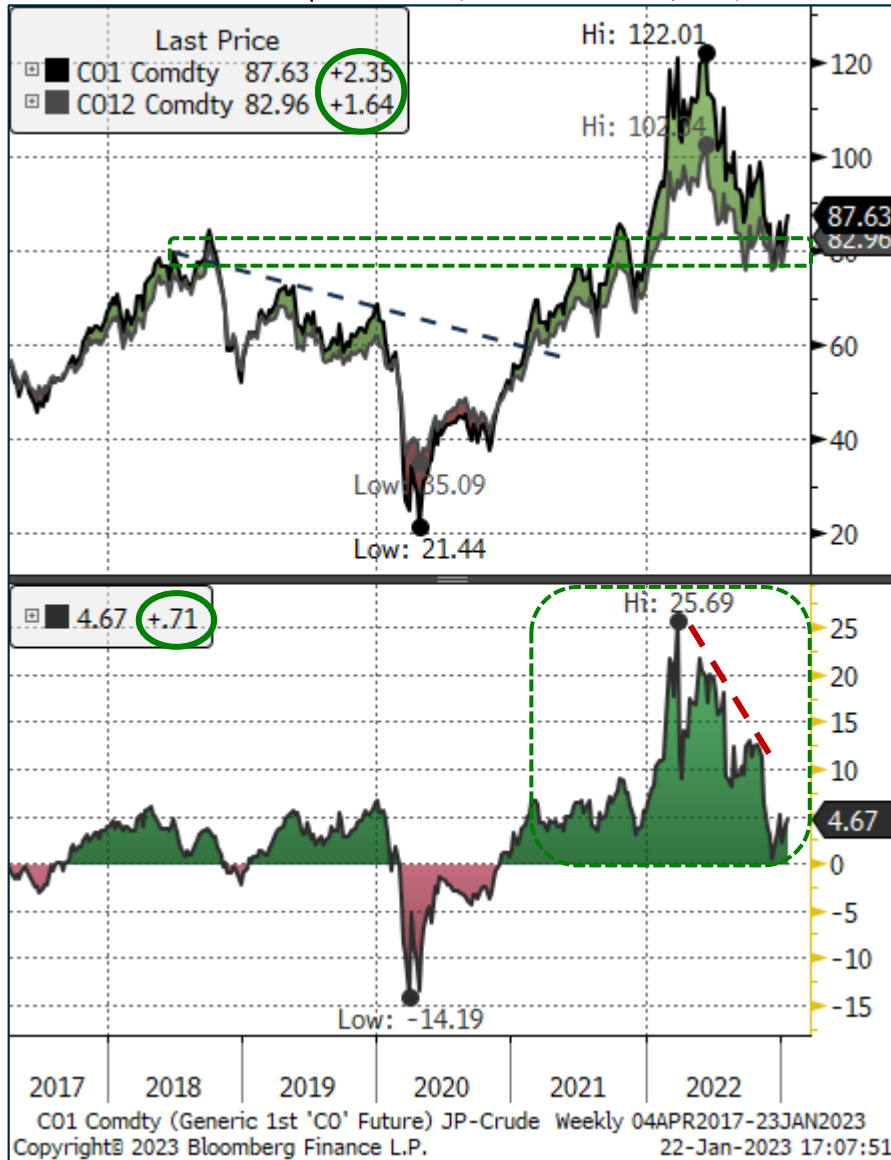
- DXY breaking support and 40-wk. avg.
- Copper back through \$4
- BCOM back through 110 area
- Gold & copper turning back up



# Oil & Gold

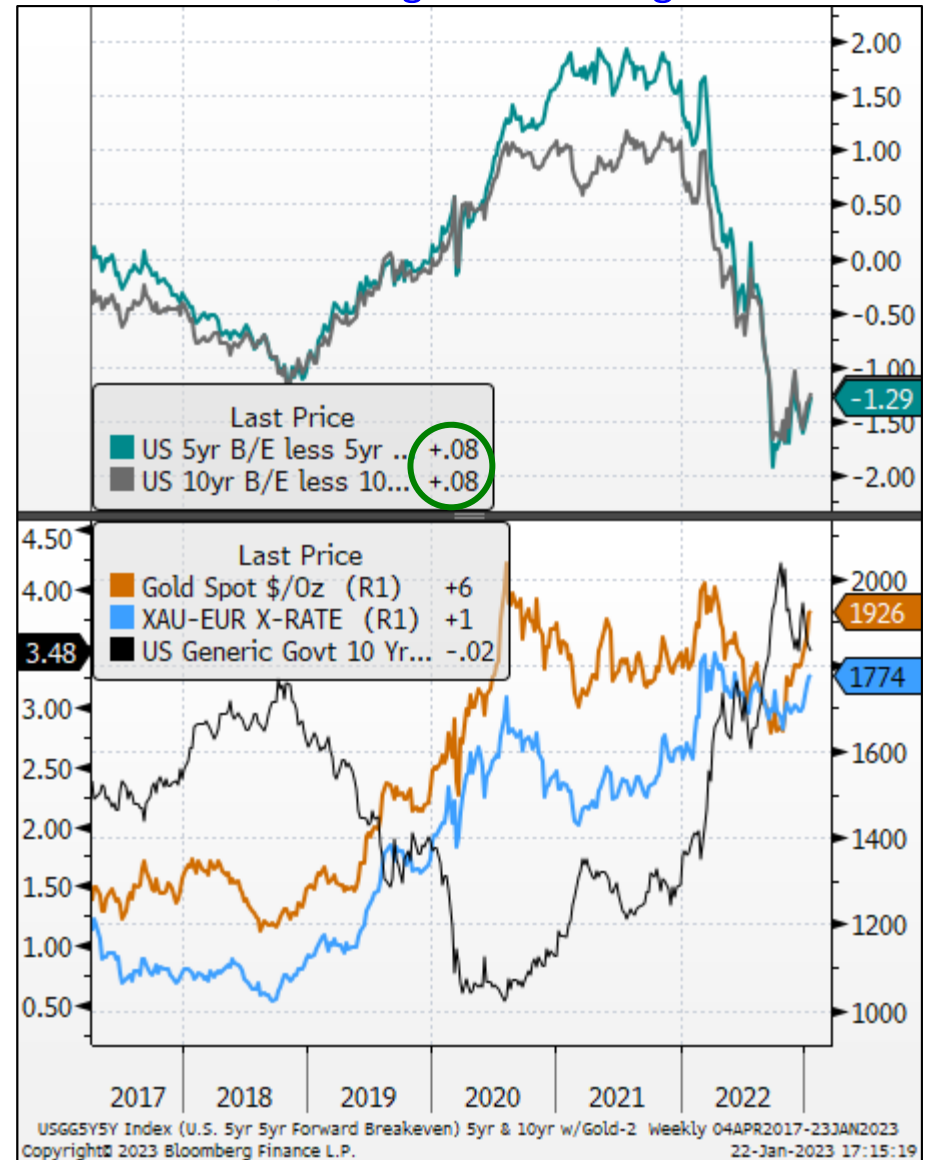
## Oil:

- Brent continues to hold \$80 area
- Spread back up to \$4 – \$5 area
- Luskin called 'peak oil' (Saudi deal & US prod.)



## Gold:

- Spreads again higher last week – slightly
- Gold slightly higher on the week; US 10-yr. lower
- Gold in US\$ starting to show strengthen vs Euros



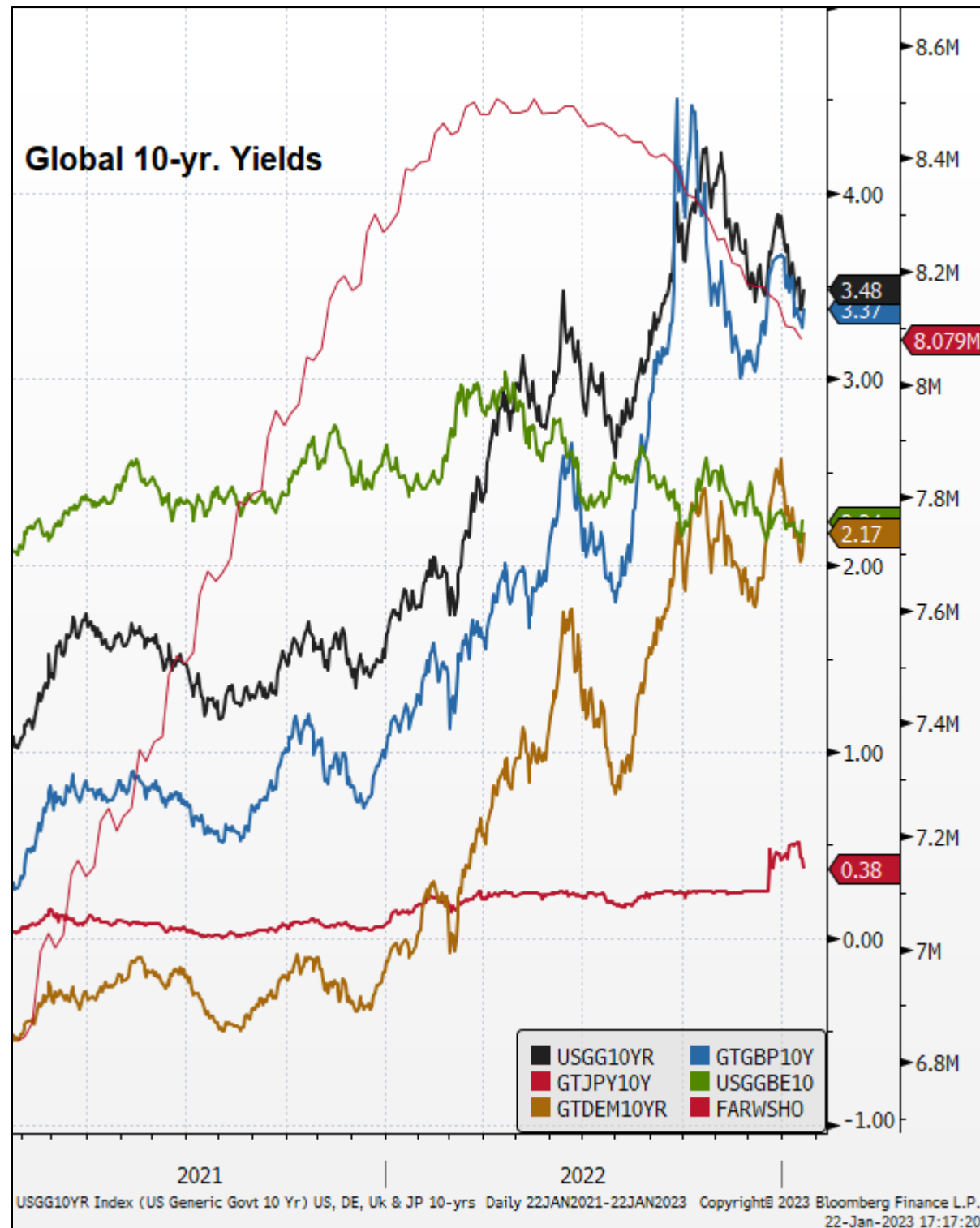
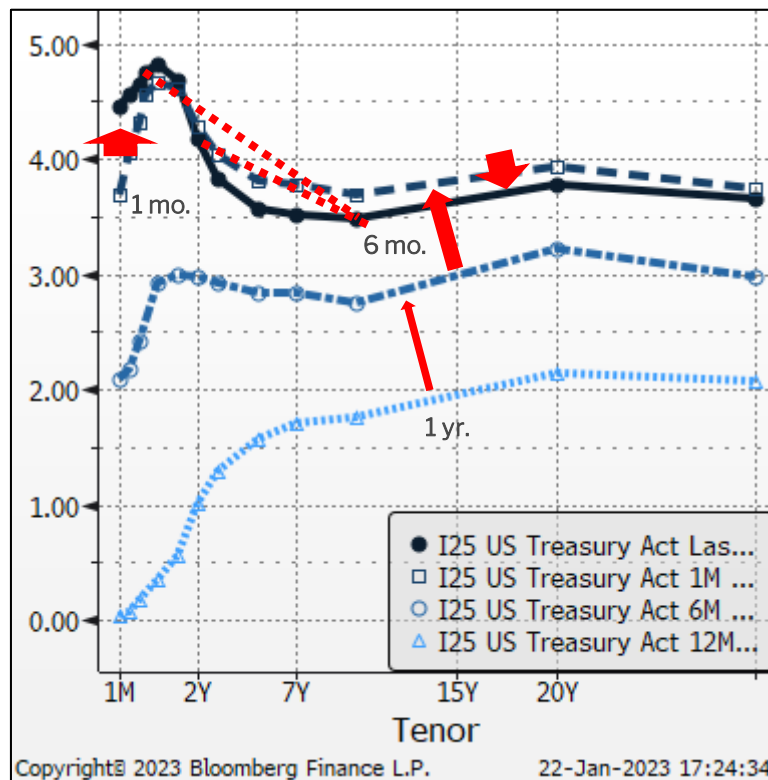
# Global Yields

## Global 10-yr. yields little changed

- US: ▼ 2 bp – 10-yr still lowest on curve
- UK: ▲ 1 bp – big shift over last quarter
- Germany: Unch. – long end static
- Japan: ▼ 12 bp – BIG drop in Japan

## Fed BS: ▼\$21B; ▼\$426B 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
- **RSI holding 40 level**
- 3-mo.-10-yr. inversion now over 1%

## Weekly Charts:

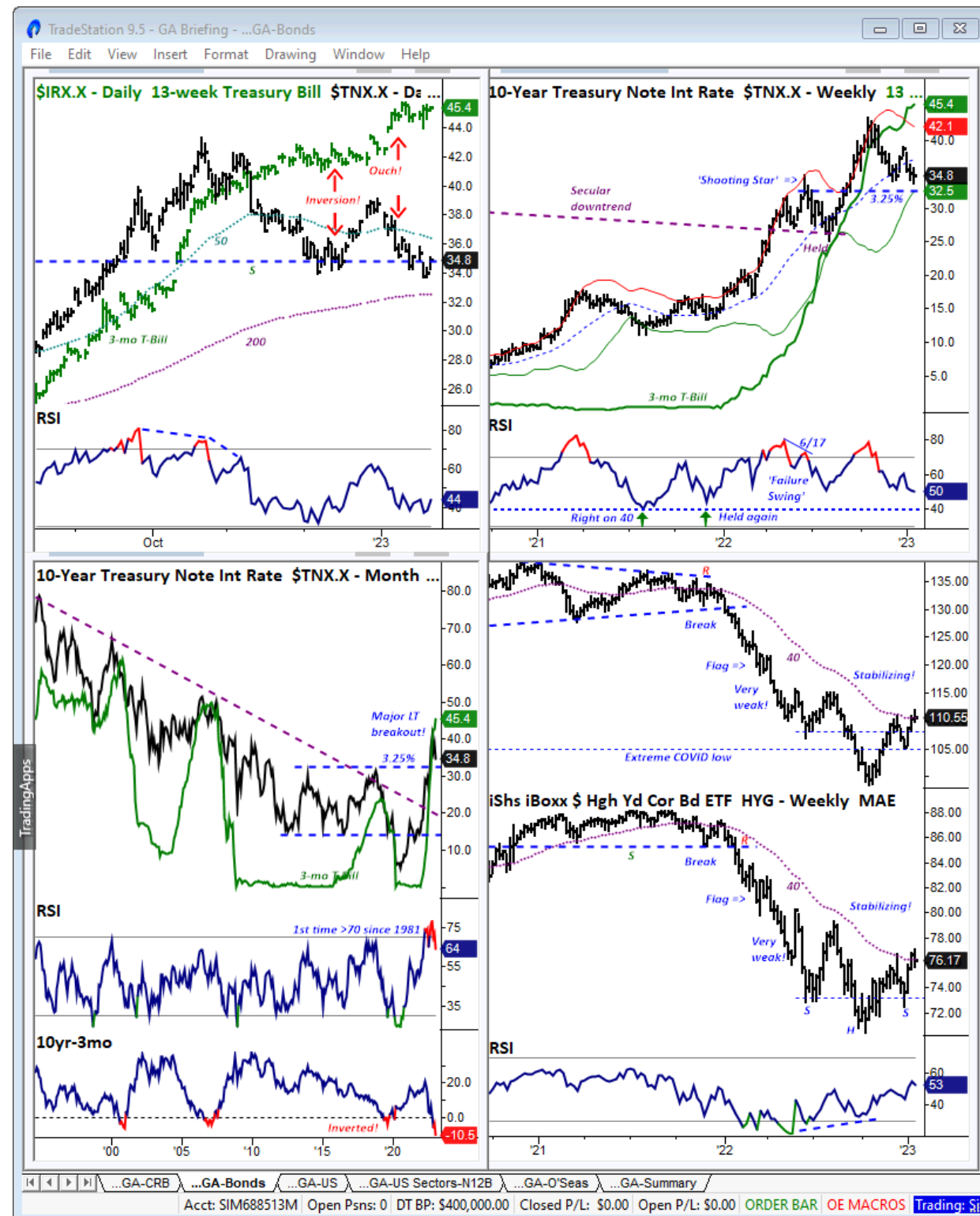
- Lower Bollinger Band approaching 3½%
- RSI could not get overbought
- **LQD & HYG finding resistance at 40-wks**

## 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 may be starting extended range
- LQD & HYG starting to stabilize



# Credit Spreads

## Spreads:

- Spreads very little changed on week
- Starting to look like 'lower highs'
- Look to have potential formed a top

## CCC Trends:

- ▼ 1 bp; (to 8.94%)
- Back below 9%
- Cycle high: 11.24%

## HY Trends:

- ▲ 17 bp; (to 4.53%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

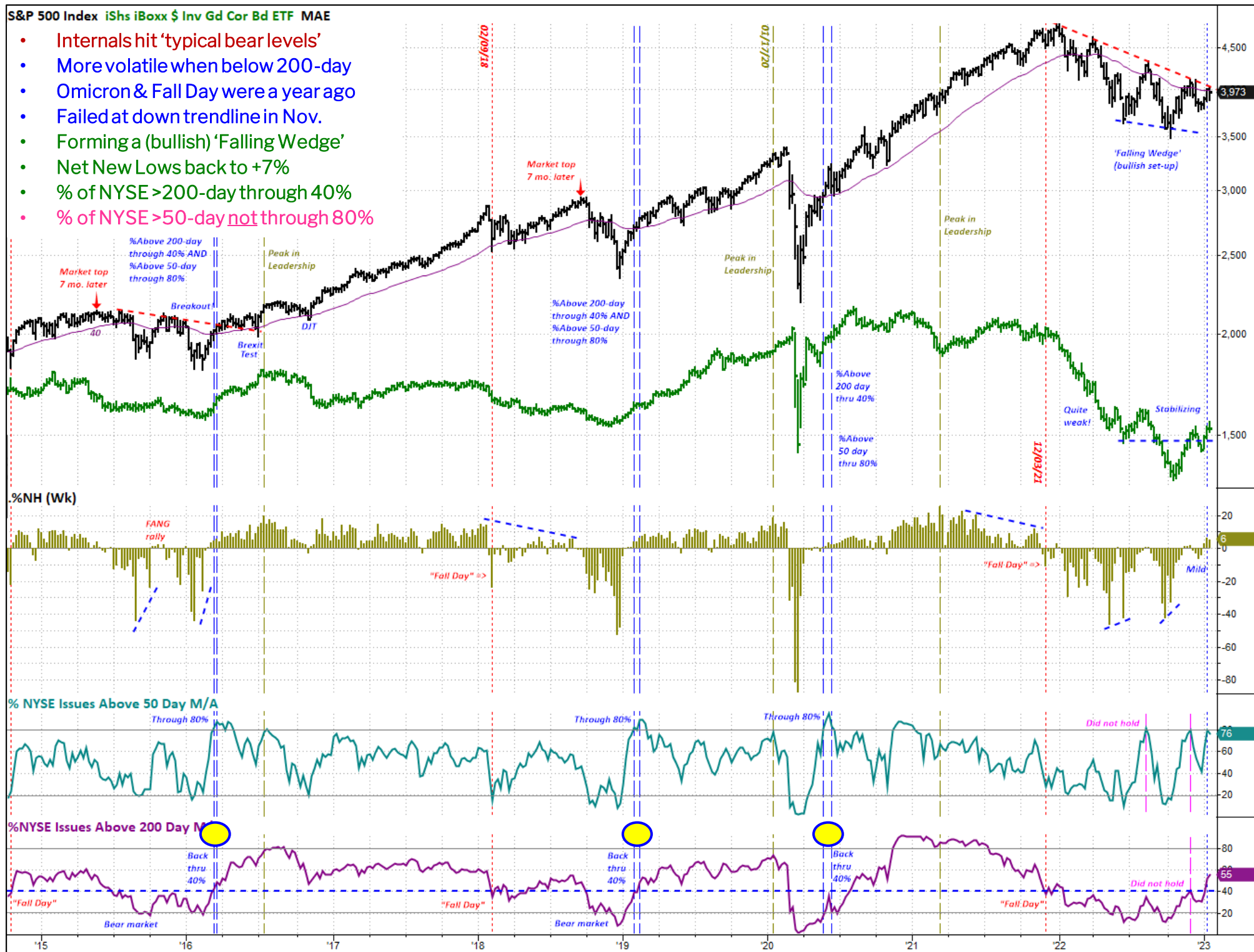
## IG Trends:

- Unch; (to 1.73%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' Nov 4<sup>th</sup>
- 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
- Failed at down trendline in Nov.
- Forming a (bullish) 'Falling Wedge'
- Net New Lows back to +7%
- % of NYSE >200-day through 40%
- % of NYSE >50-day not through 80%





# Stocks

## Daily Charts:

- Strong end to the week
- No damage technically Wed & Thurs
- 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:

- Bulls still 'have the ball'
- Risks tilted to upside technically



# Market Sectors

Symbol	%Wk	%Wk...	%Yr	PrYr...	POL	MOL	W...
→ XLC	1.4%	3.9%	11%	-38%	18%	19%	13
→ XLK	0.7%	4.6%	6%	-28%	11%	18%	13
→ XLE	0.6%	2.7%	3%	58%	9%	15%	13
→ XLY(HB)	-0.5%	5.8%	8%	-37%	10%	18%	13
→ SPY	-0.6%	2.7%	4%	-19%	7%	11%	13
→ IYR	-0.6%	4.4%	6%	-28%	14%	16%	13
→ XLV	-1.1%	-0.2%	-1%	-4%	5%	11%	13
→ XLB(HB)	-1.2%	4.3%	7%	-14%	16%	18%	13
→ XLF	-2.1%	2.1%	3%	-12%	10%	13%	13
→ XLP	-2.8%	-1.4%	-3%	-3%	5%	12%	13
→ XLU	-2.9%	0.5%	-2%	-2%	10%	17%	13
→ XLI	-3.4%	1.5%	1%	-7%	11%	16%	13
\$COMPX	0.6%	4.8%	6%	-33%	9%	13%	13
\$SPX.X	-0.7%	2.7%	3%	-19%	7%	11%	13
MDY	-0.9%	3.6%	5%	-14%	11%	13%	13
\$RUT	-1.0%	5.3%	6%	-22%	8%	11%	13
\$INDU	-2.7%	2.0%	1%	-9%	7%	11%	13
LQD	0.1%	1.7%	5%	-20%	12%	13%	13
TLT	-0.3%	1.5%	7%	-33%	16%	19%	13
HYG	-0.6%	1.5%	3%	-15%	6%	7%	13
IWF	0.3%	4.1%	5%	-30%	8%	13%	13
IWO	-1.0%	6.0%	6%	-27%	9%	12%	13
IWN	-1.1%	4.5%	6%	-16%	8%	11%	13
IWD	-1.5%	2.0%	3%	-10%	9%	12%	13

## Key Points:

- Mixed week – most sectors lower
- 'Risk-on' sectors higher, 'defensive' lower
- XLF, XLB & XLI heavy in 'value'
- XLB & XLI pressing new highs
- Relative strength in U, P & V weakening



# Overseas Markets

## Indices:

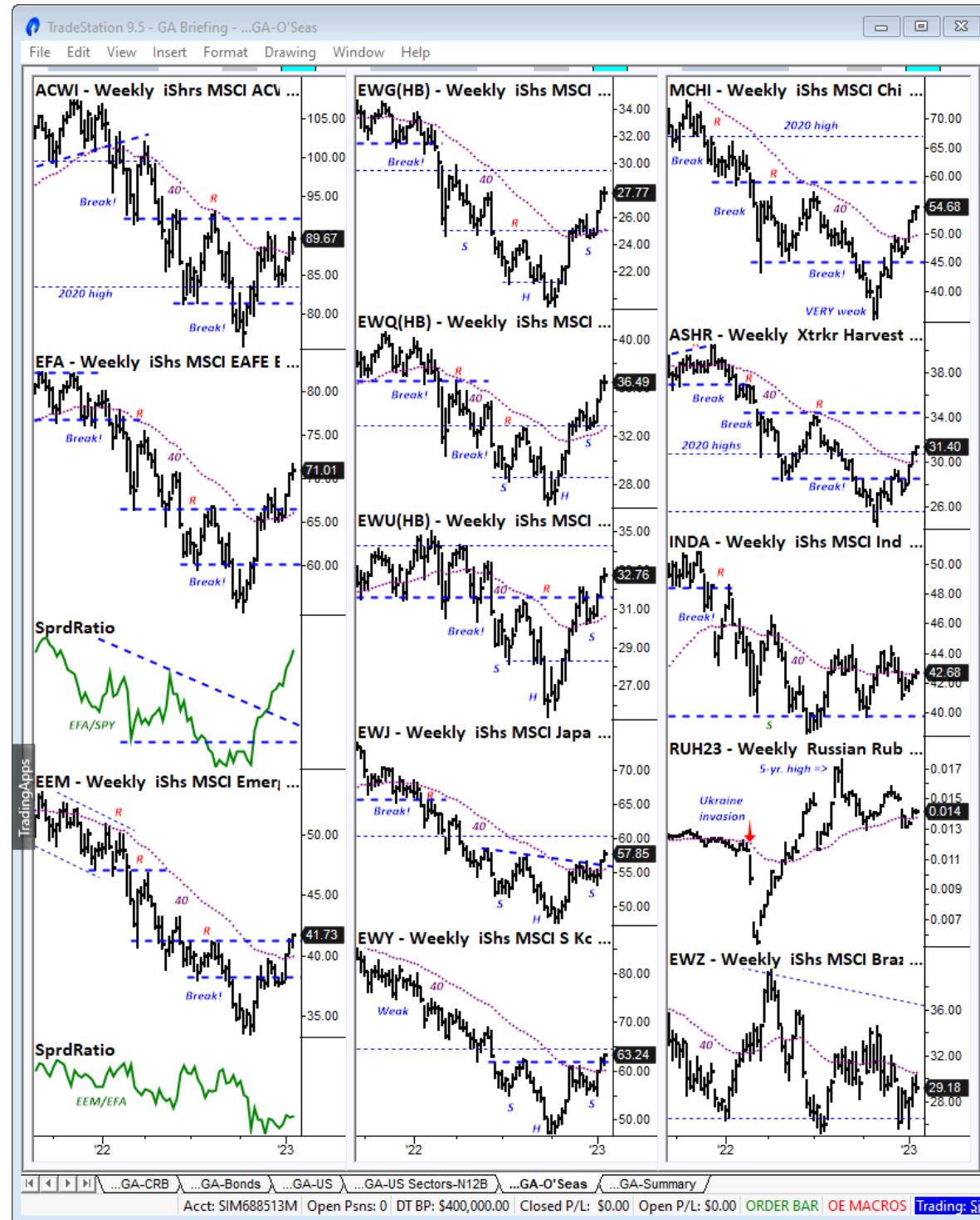
- Most overseas markets higher
- Continued outperformance in EFA
- EEM looking like 'head & shoulders'

## Country Tour:

- Germany: Can argue 'H&S' bottom
- France: Can argue 'H&S' bottom
- UK: Can argue 'H&S' bottom
- Japan: Breaking through 'H&S' neckline
- Korea: Breaking through 'H&S' neckline
- 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



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

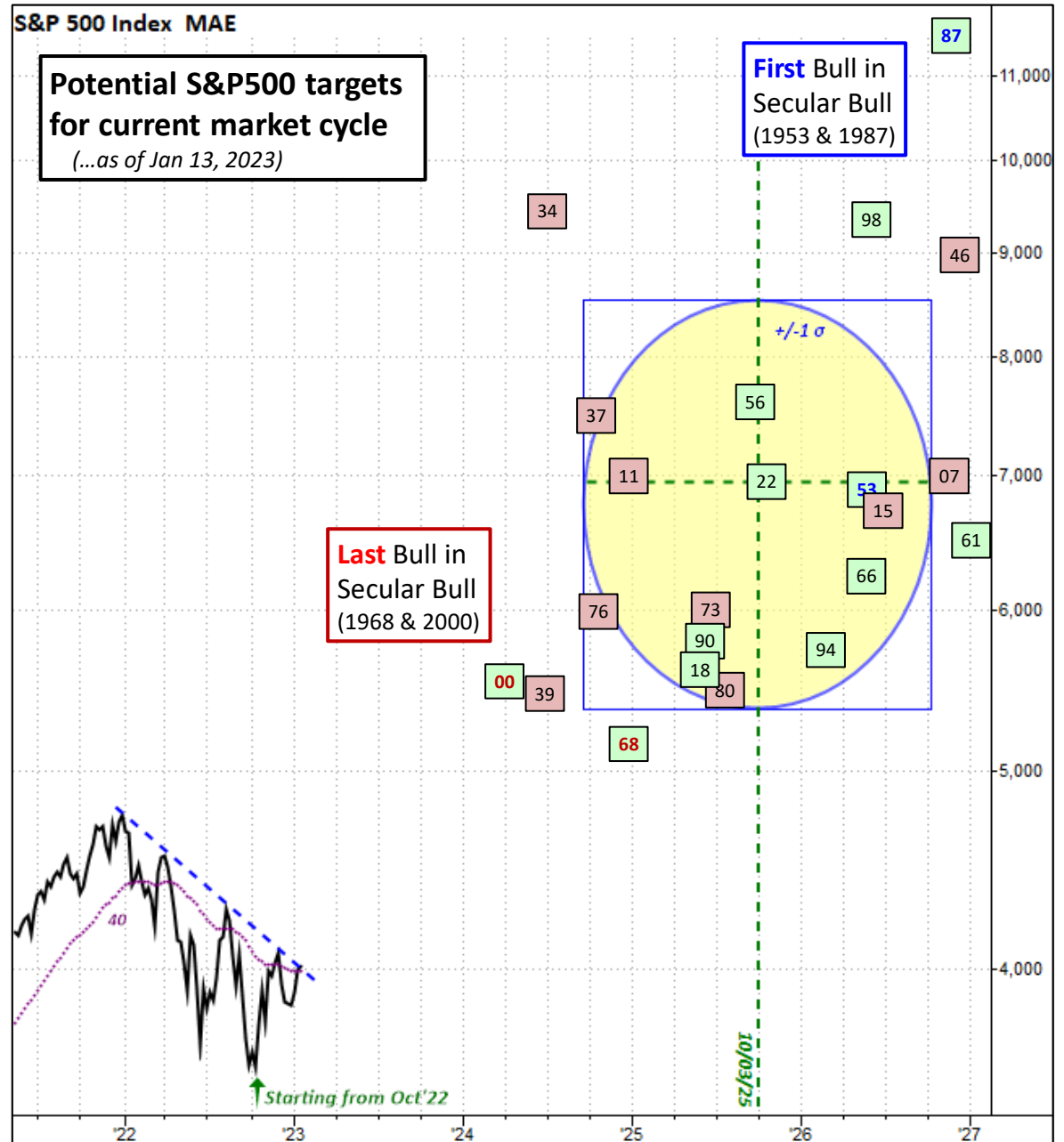
- **S&P 500 since 1932 low:**

- 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%		̄	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
- 1 $\sigma$  area shown (pK=68%)
- All 22 hypothetical repeats shown





# S&P Targets

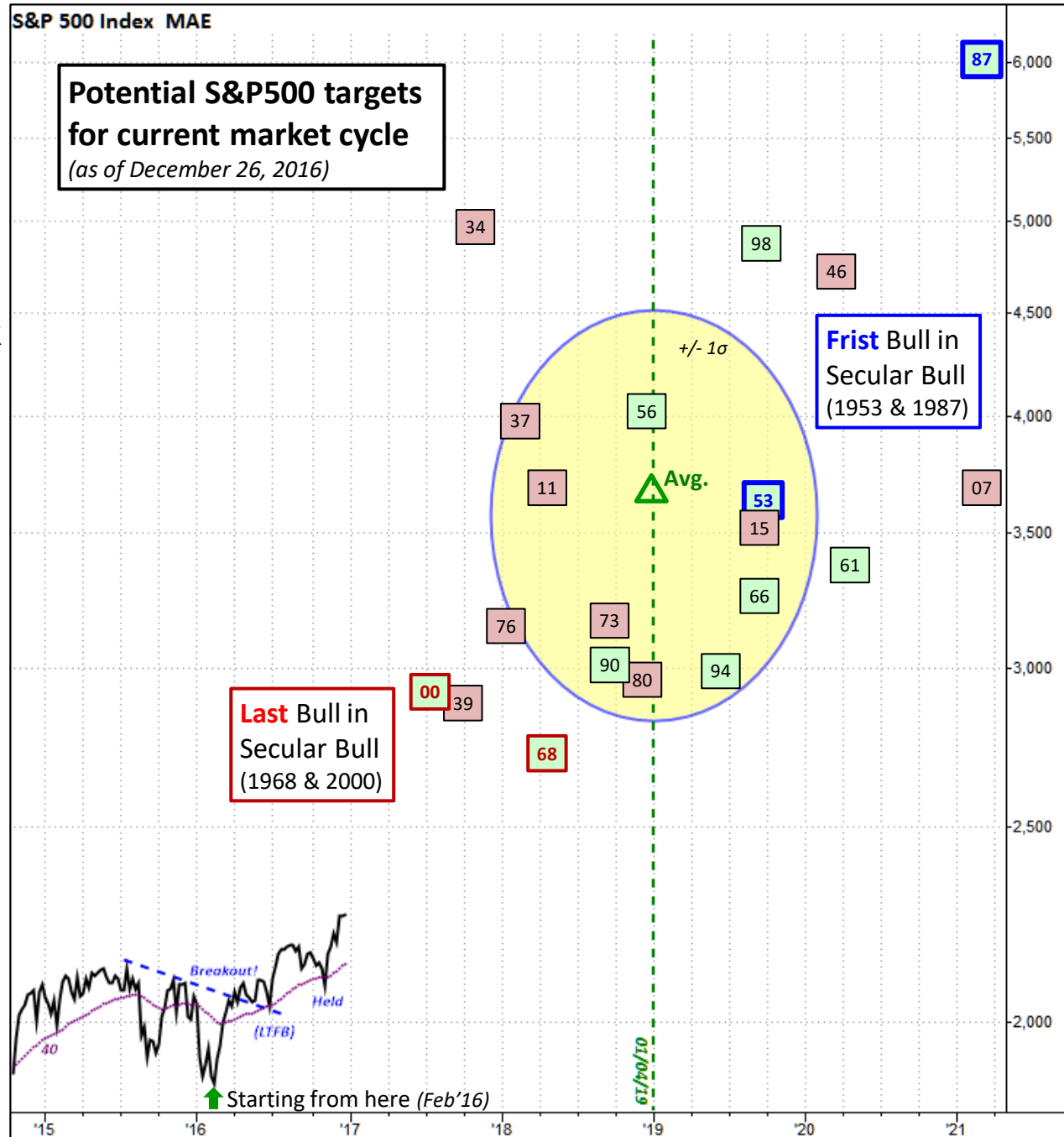
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3/31/38 8.50	10/25/39 13.21	55% 19	(43%) 31	2,842 Sep'17
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10/22/57 38.98	12/12/61 72.64	86% 50	(28%) 7	3,408 Apr'20
6/26/62 52.32	2/9/66 94.06	80% 44	(22%) 8	3,288 Sep'19
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10/9/02 776.76	10/9/07 1,565	101% 61	(57%) 17	3,685 Feb'21
3/9/09 676.53	4/29/11 1,364	102% 26	(19%) 5	3,687 Apr'18
10/3/11 1,099	5/21/15 2,131	94% 44	(14%) 9	3,545 Sep'19
2/11/16 1,829	1/1/19 3,676	101% 35		
Averages		101% 36	(30%) 15	
Std Dev		46% 13	14% 10	

## •Bottom Line:

- S&P target: 3,676 in Jan'19
- 1 $\sigma$  area shown (pK=68%)
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# S&P Targets

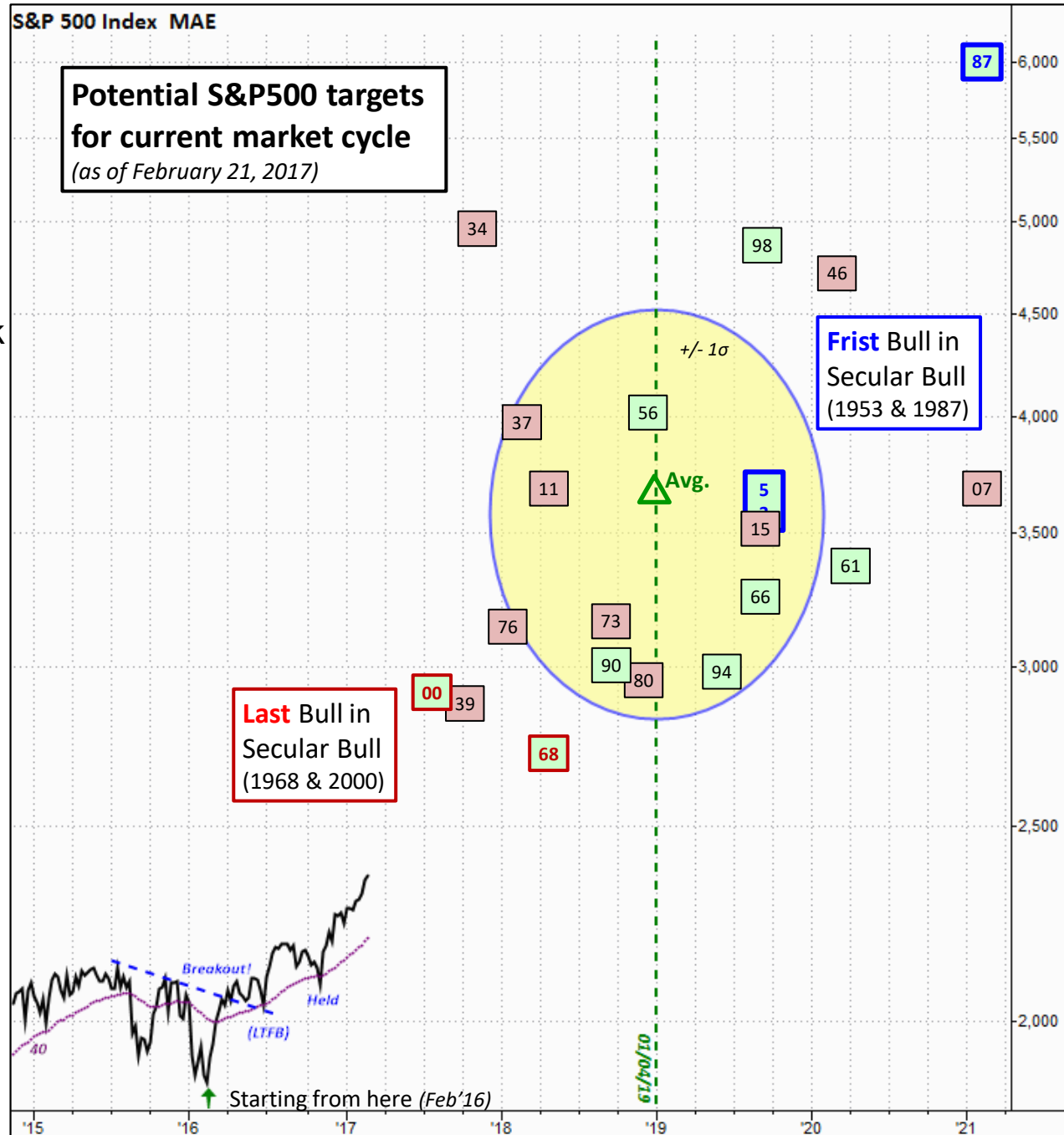
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- 1σ area shown (pK=68%)
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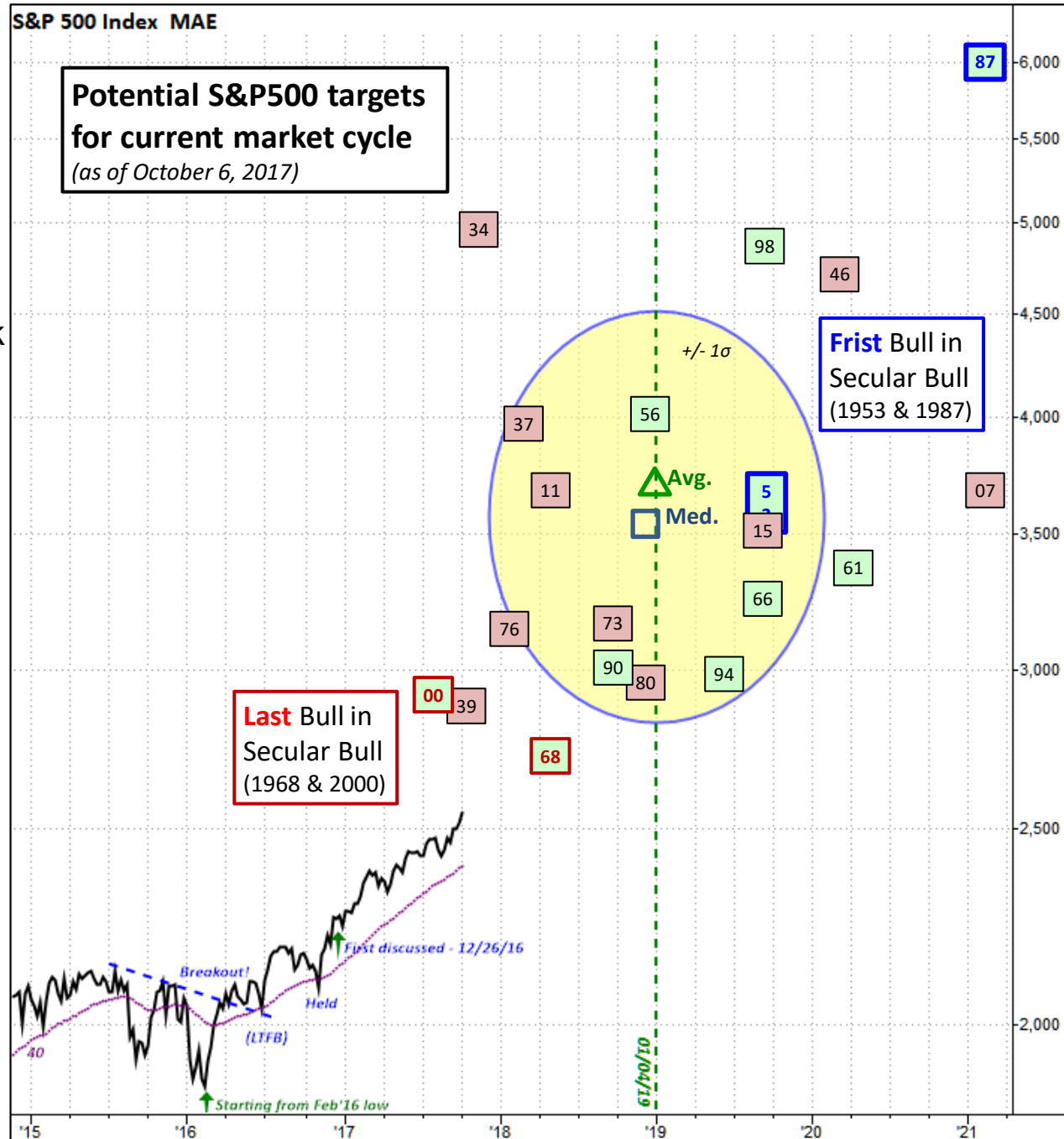
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Median	12/1/18 3,548	94% 35	(27%) 13	

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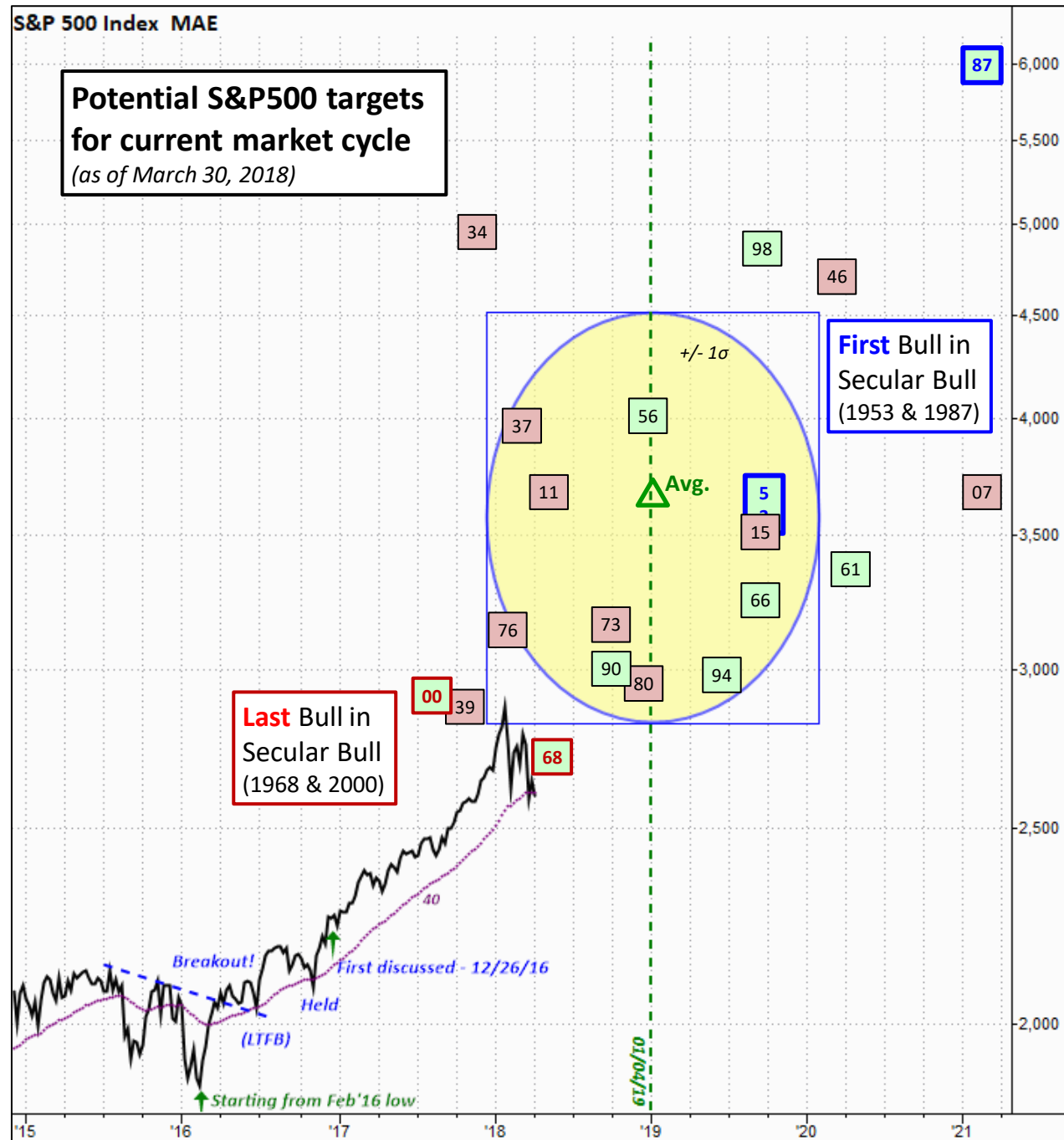


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10/9/02	776.76	10/9/07	1,565	101%	61	(57%)	17	3,685	Feb'21
3/9/09	676.53	4/29/11	1,364	102%	26	(39%)	5	3,687	Apr'18
10/3/11	1,099	5/21/15	2,131	94%	44	(14%)	9	3,545	Sep'19
2/11/16	1,829	1/1/19	3,676	101%	35				
Averages				101%	36	(30%)	15		
Std Dev				46%	13	14%	10		

- Bottom Line:
  - S&P target: 3,676 in Jan'19
  - 1 $\sigma$  area shown (pK=68%)
  - All 20 hypothetical repeats shown



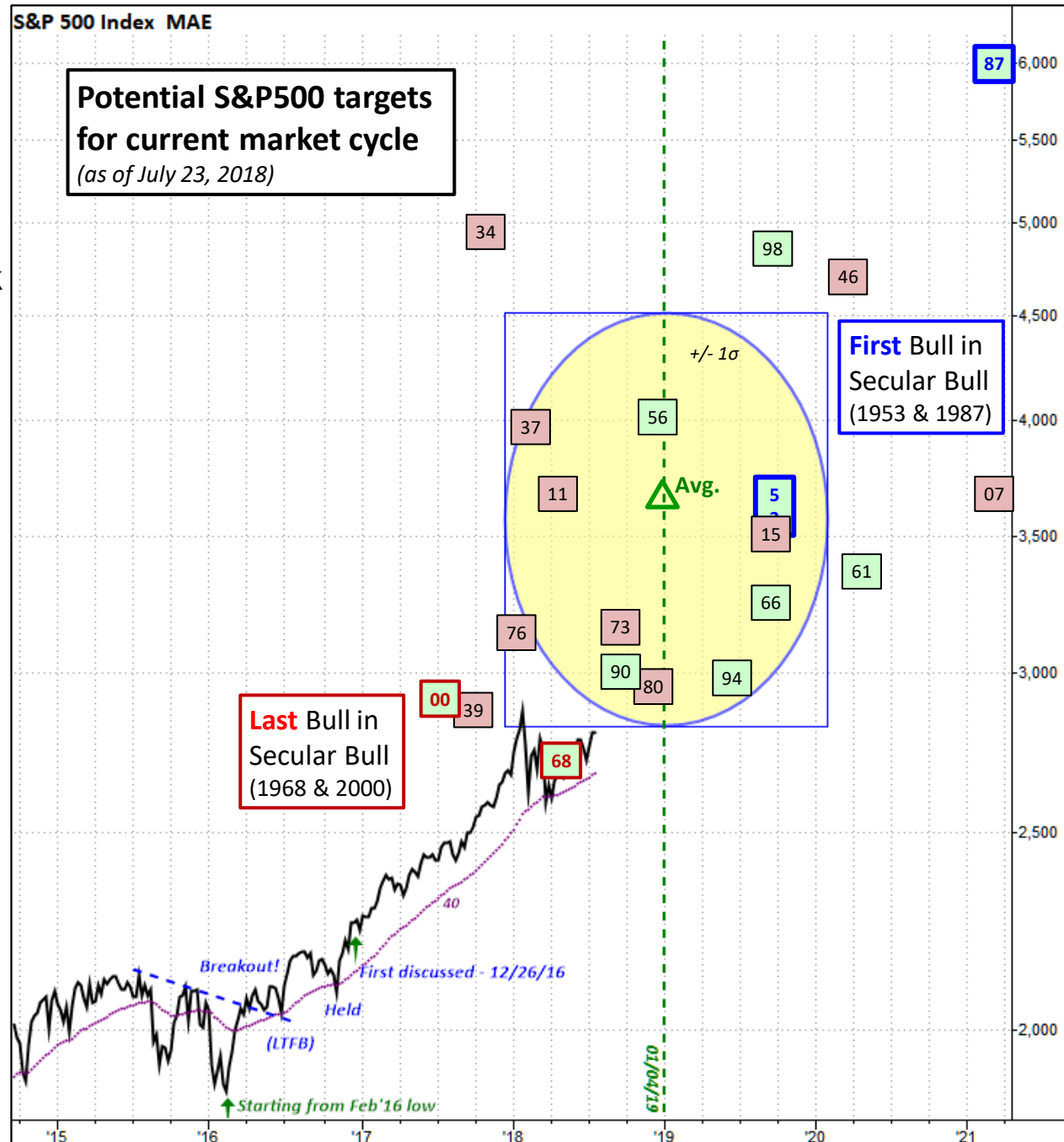
# S&P Targets

- S&P 500 since 1932 low:
  - 20 total market cycles
  - 10 each in secular **bulls** & **bears**
  - Also shows “hypothetical repeats”
  - First bulls are strong; last ones weak
  - Bears are milder in secular bulls

Bottom	Top	Bull Total	Subsqt Bear	Bull Repeat
6/1/32 4.40	2/6/34 11.82	169% 21	(27%) 13	4,913 Oct'17
3/14/35 8.60	3/6/37 18.68	117% 24	(54%) 13	3,973 Feb'18
3/31/38 8.50	10/25/39 13.21	55% 19	(43%) 31	2,842 Sep'17
4/28/42 7.47	5/29/46 19.25	158% 50	(30%) 37	4,713 Mar'20
6/13/49 13.55	1/5/53 26.66	97% 43	(15%) 8	3,599 Sep'19
9/14/53 22.71	8/2/56 49.74	119% 35	(22%) 15	4,006 Dec'18
10/22/57 38.98	12/12/61 72.64	86% 50	(28%) 7	3,408 Apr'20
6/26/62 52.32	2/9/66 94.06	80% 44	(22%) 8	3,288 Sep'19
10/7/66 73.20	11/29/68 108.37	48% 26	(36%) 18	2,708 Apr'18
5/26/70 69.29	1/11/73 120.24	74% 32	(48%) 21	3,174 Sep'18
10/3/74 62.28	9/21/76 107.83	73% 24	(19%) 18	3,167 Jan'18
3/6/78 86.90	11/28/80 140.52	62% 33	(27%) 21	2,958 Nov'18
8/12/82 102.42	8/25/87 336.77	229% 61	(34%) 3	6,014 Feb'21
12/4/87 223.92	7/16/90 368.95	65% 32	(20%) 3	3,014 Sep'18
10/11/90 295.46	2/2/94 482.00	63% 40	(7%) 10	2,984 Jun'19
12/9/94 446.96	7/17/98 1,187	166% 44	(19%) 3	4,856 Sep'19
10/8/98 959.44	3/24/00 1,527	59% 18	(49%) 31	2,912 Jul'17
10/9/02 776.76	10/9/07 1,565	101% 61	(57%) 17	3,685 Feb'21
3/9/09 676.53	4/29/11 1,364	102% 26	(19%) 5	3,687 Apr'18
10/3/11 1,099	5/21/15 2,131	94% 44	(14%) 9	3,545 Sep'19
2/11/16 1,829	1/1/19 3,676	101% 35		
Averages		101% 36	(30%) 15	(25%) 11
Std Dev		46% 13	14% 10	(34%) 18

## Bottom Line:

- S&P target: 3,676 in Jan'19
- 1σ area shown (pK=68%)
- All 20 hypothetical repeats shown





# S&P Targets

- S&P 500 since 1932 low:
  - 20 total market cycles
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12/9/94 446.96	7/17/98 1,187	166% 44	(19%) 3	4,856 Sep'19
10/8/98 959.44	3/24/00 1,527	59% 18	(49%) 31	2,912 Jul'17
10/9/02 776.76	10/9/07 1,565	101% 61	(57%) 17	3,685 Feb'21
3/9/09 676.53	4/29/11 1,364	102% 26	(19%) 5	3,687 Apr'18
10/3/11 1,099	5/21/15 2,131	94% 44	(14%) 9	3,545 Sep'19
2/11/16 1,829	1/1/19 3,676	101% 35		
Averages		101% 36	(30%) 15	(25%) 11
Std Dev		46% 13	14% 10	(34%) 18

## Bottom Line:

- S&P target: 3,676 in Jan'19
- 1σ area shown (pK=68%)
- All 20 hypothetical repeats shown







# S&P Targets (Based on Dec'18 low)

## •S&P 500 since 1932 low:

- 21 or 22 total cycles (COVID Bear?)
- 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 ('20)	
6/1/32	4.40	9.74	121%	2/6/34	11.82	169% 21	(27%) 13	6,009	Nov'21
3/14/35	8.60	14.24	66%	3/6/37	18.68	117% 24	(54%) 13	4,859	Mar'22
3/31/38	8.50	11.51	35%	10/25/39	13.21	55% 19	(43%) 31	3,477	Oct'21
4/28/42	7.47	11.48	54%	5/29/46	19.25	158% 50	(30%) 37	5,765	Apr'24
6/13/49	13.55	18.98	40%	1/5/53	26.66	97% 43	(15%) 8	4,401	Oct'23
9/14/53	22.71	31.12	37%	8/2/56	49.74	119% 35	(22%) 15	4,900	Feb'23
10/22/57	38.98	50.97	31%	12/12/61	72.64	86% 50	(28%) 7	4,169	May'24
6/26/62	52.32	69.41	33%	2/9/66	94.06	80% 44	(22%) 8	4,022	Nov'23
10/7/66	73.20	97.26	33%	11/29/68	108.37	48% 26	(36%) 18	3,312	May'22
5/26/70	69.29	99.40	43%	1/11/73	120.24	74% 32	(48%) 21	3,882	Nov'22
10/3/74	62.28	85.95	38%	9/21/76	107.83	73% 24	(19%) 28	3,873	Mar'22
3/6/78	86.90	97.87	13%	11/28/80	140.52	62% 33	(27%) 21	3,617	Dec'22
8/12/82	102.42	161.55	58%	8/25/87	336.77	229% 61	(34%) 3	7,356	Apr'25
12/4/87	223.92	274.93	23%	7/16/90	368.95	65% 32	(20%) 3	3,686	Nov'22
10/11/90	295.46	381.45	29%	2/2/94	482.00	63% 40	(7%) 10	3,649	Jul'23
12/9/94	446.96	617.48	38%	7/17/98	1,187	166% 44	(19%) 3	5,940	Oct'23
10/8/98	959.44	1,336	39%	3/24/00	1,527	59% 18	(49%) 31	3,561	Sep'21
10/9/02	776.76	1,039	34%	10/9/07	1,565	101% 61	(57%) 17	4,507	Mar'25
3/9/09	676.53	1,140	69%	4/29/11	1,364	102% 26	(19%) 5	4,509	May'22
10/3/11	1,099	1,451	32%	5/21/15	2,131	94% 44	(14%) 9	4,336	Nov'23
2/11/16	1,829	2,328	27%	9/21/18	2,940	61% 32	(20%) 3	3,596	Nov'22
12/24/18	2,351	3,223	37%					4,676	Dec'21
		42%		̄		99% 36	(29%) 14	3,578	11/21/20
				σ		47% 13	14% 10	5,773	1/4/23

## •Measuring from 2018 low:

- S&P target: 4,676 in Dec'21
- Closed 4,766, on Dec, 31<sup>st</sup>
- 1σ area shown (pK=68%)
- All 22 hypothetical repeats shown



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

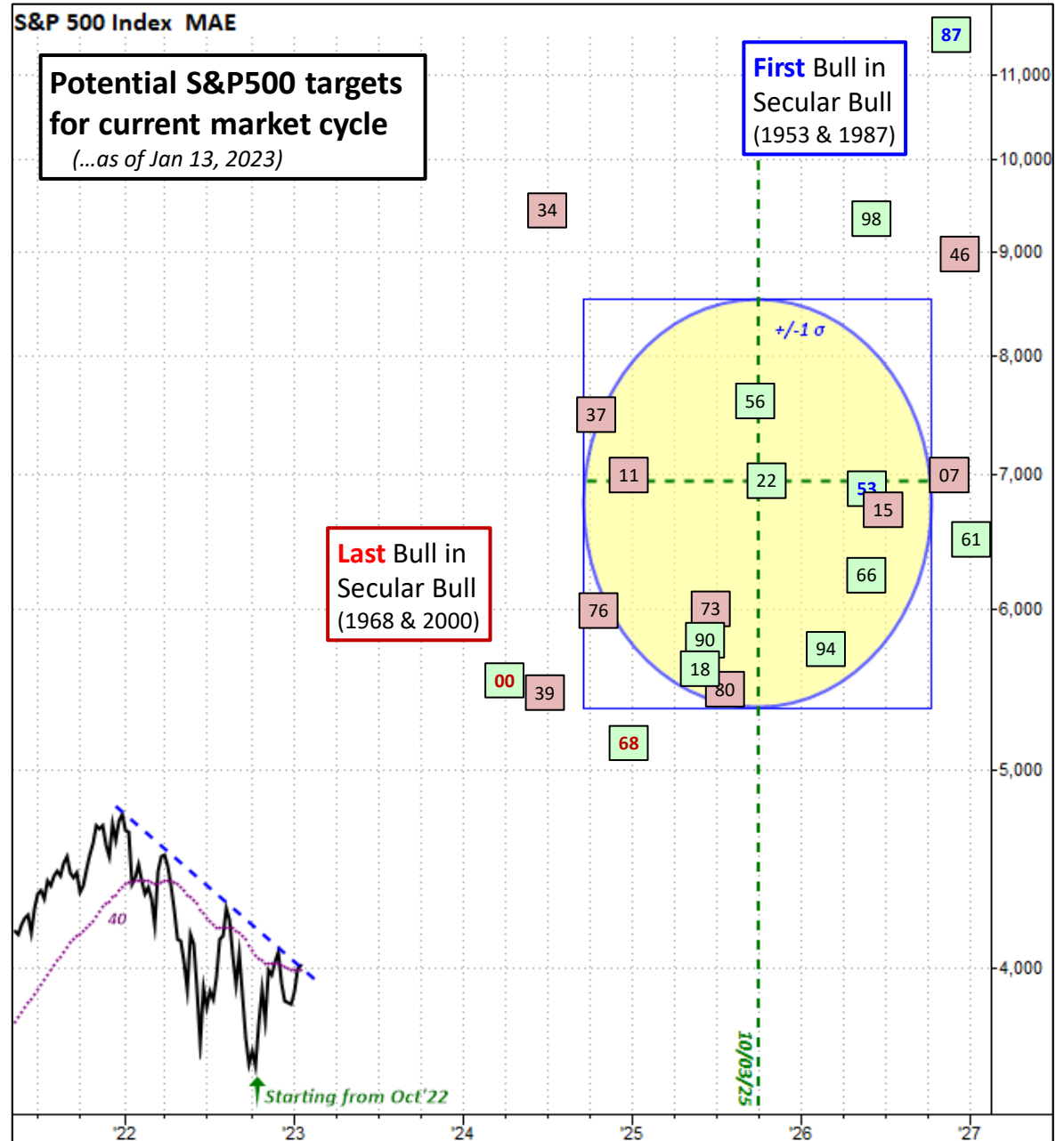
- **S&P 500 since 1932 low:**

- 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%	68	(49%)	31	5,559	Mar'24	
10/9/02	776.76	1,039	34%	10/9/07	1,565	101%	161	(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%		̄	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
- $1\sigma$  area shown (pK=68%)
- All 22 hypothetical repeats shown



# Summary

## Commodities / US\$:

- US\$ testing 101-2 area
- BCOM back through 110 area
- Copper back through \$4

## Yields / Credit:

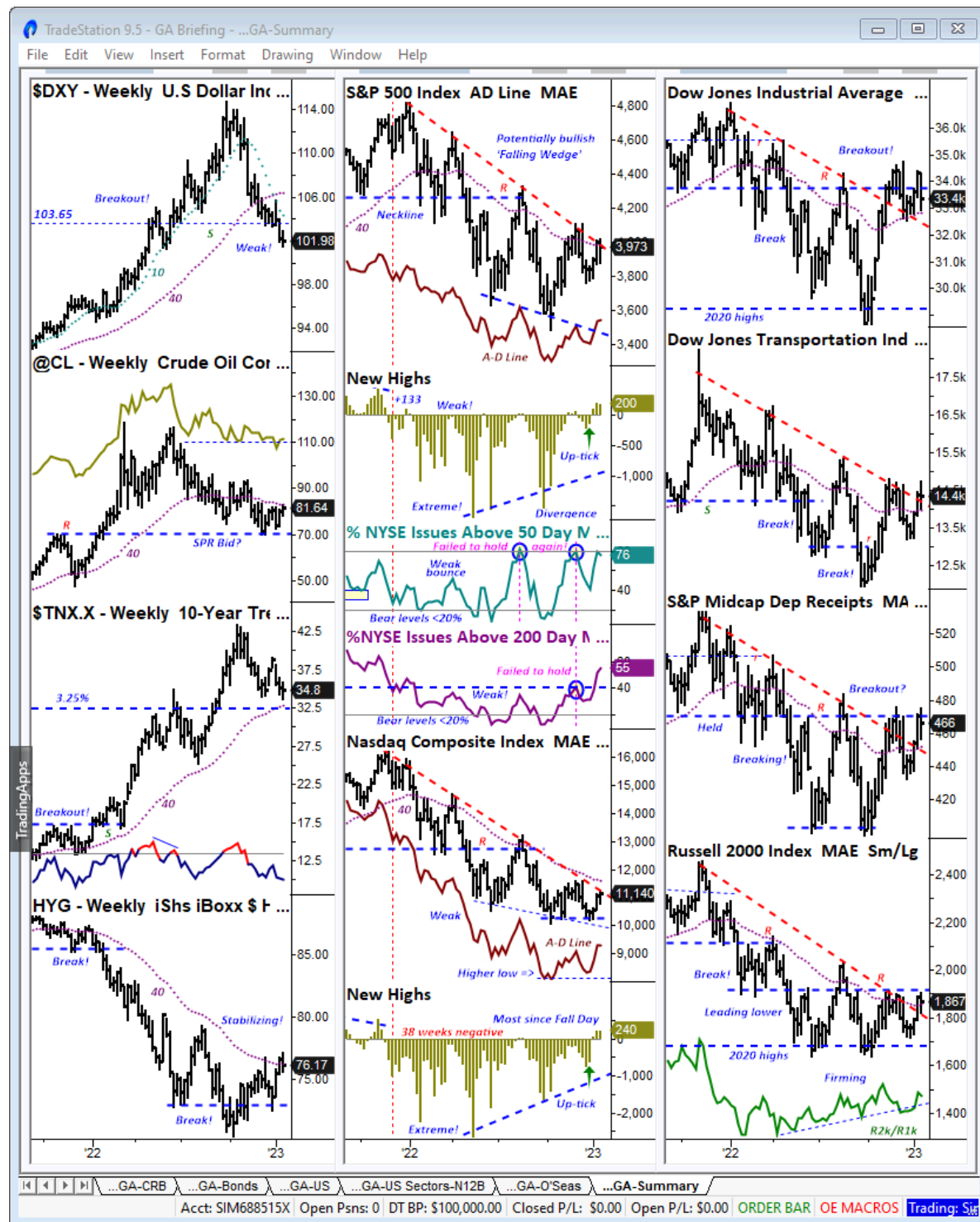
- Biggest inversion since '81 (15.1% & 13.5%)
- Credit spreads easing meaningfully
- LQD & HYG finding resistance at 40-wks

## Stocks:

- Strong end to the week
- Leadership strongest levels since 'Fall Day'
- 'Spring Day' on '% Above 200-days'
- DJIA leading the way higher
- R2k breaking down trendline
- 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).

# NEXPOINT

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*Charts as of: January 20, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.*