

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

February 27, 2023

Mike Hurley, CMT
Chief Market Strategist

775-750-8921

mhurley@nexpoint.com

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.

Commodities / Dollar

US\$ / FX:

- ST bottom in US\$ remains intact
- Euro testing 40-wk. average
- BoJ intervention top remains in place

Commodities & Sectors:

- BCOM leaning hard on 105-106 area
- Crude holding support at \$70 & SPR bid
- Quiet week for energy, in general
- ULSD & unleaded charts relatively stronger
- Copper testing key support at 4
- Gold slipping through 20-wk. average
- Platinum also weak, testing LT uptrend

Bottom Line:

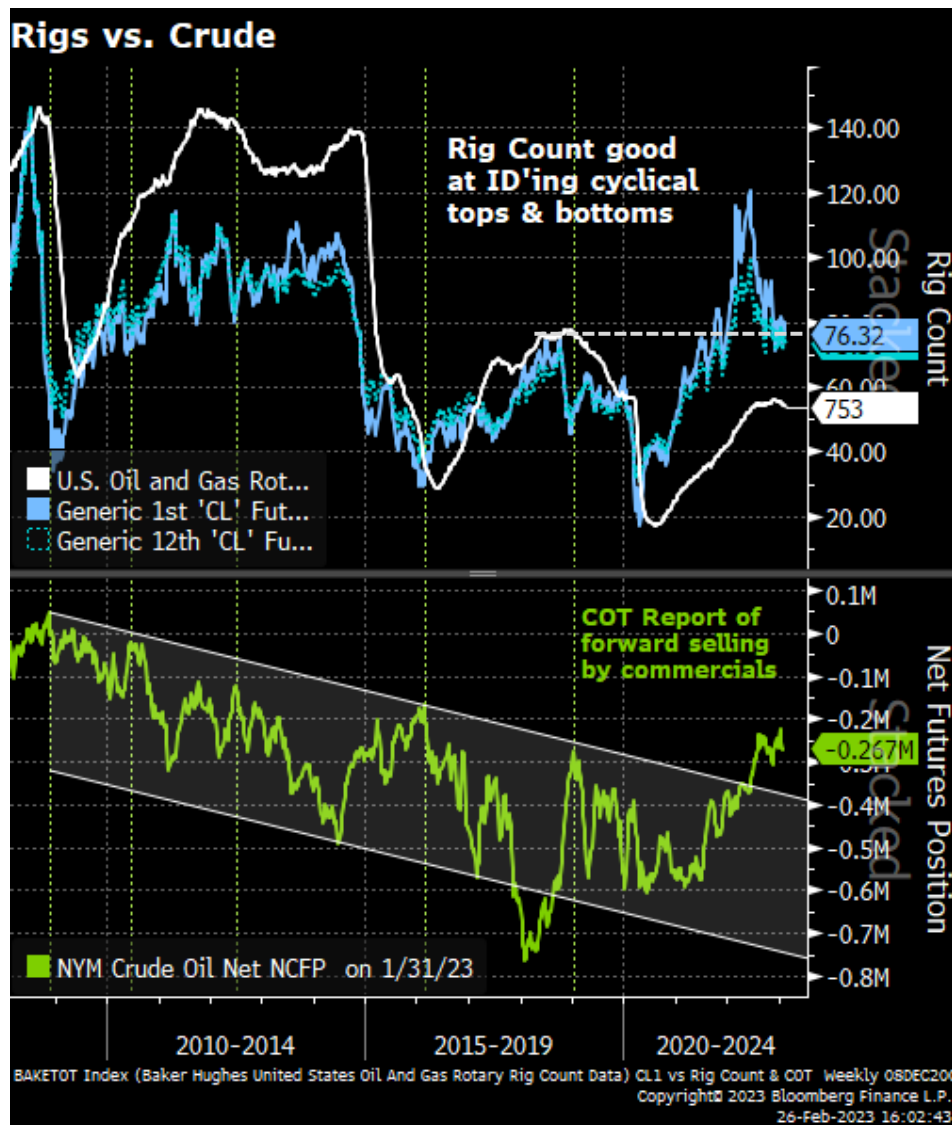
- DXY still bouncing off COVID highs
- BCOM testing critical support
- Several key commodities are as well
- Russia production cuts poised to start



Oil & Gold

Oil:

- Rig count hit cycle high in early Dec. (will lag)
- COT also strong, very near a 7-yr. high
- While extended, has broken secular downtrend



Gold:

- Still stuck in wide range – potential 'cup & handle'
- Silver also back through resistance (low-\$20's)
- Gold/silver ratio remains neutral



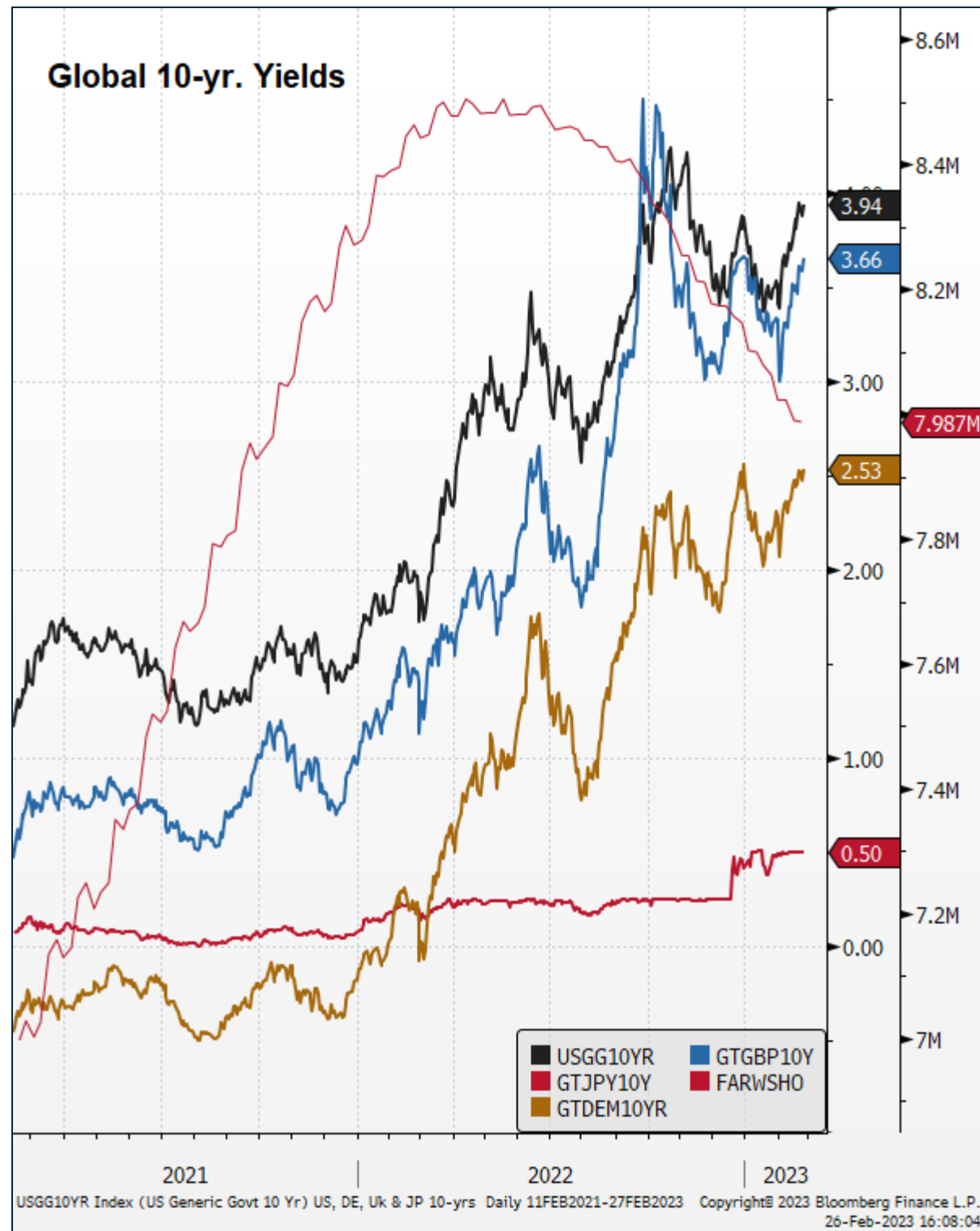
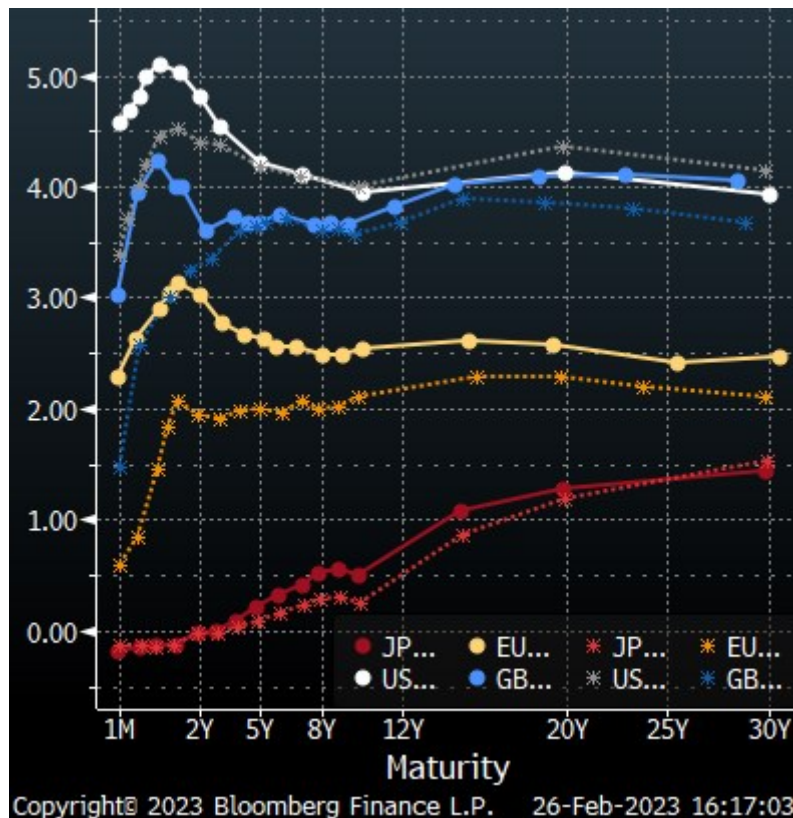
Global Yields

Global 10-yr. yields again higher

- Curves broadly higher over 4-mo.
- US: ▲ 13 bp – 30-yr now lowest on curve
- UK: ▲ 15 bp – Inversion since Oct lows
- Germany: ▲ 9 bp – pushing cycle highs
- Japan: Unch. – holding ½%

Fed BS: ▼\$3B; ▼\$518B in total

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



Bonds / Rates

Daily Charts:

- 10-yr. through Dec highs (3.90% area)
- RSI held 40 – now pressing 70 area
- 3-mo. – 10-yr. inversion holding

Weekly Charts:

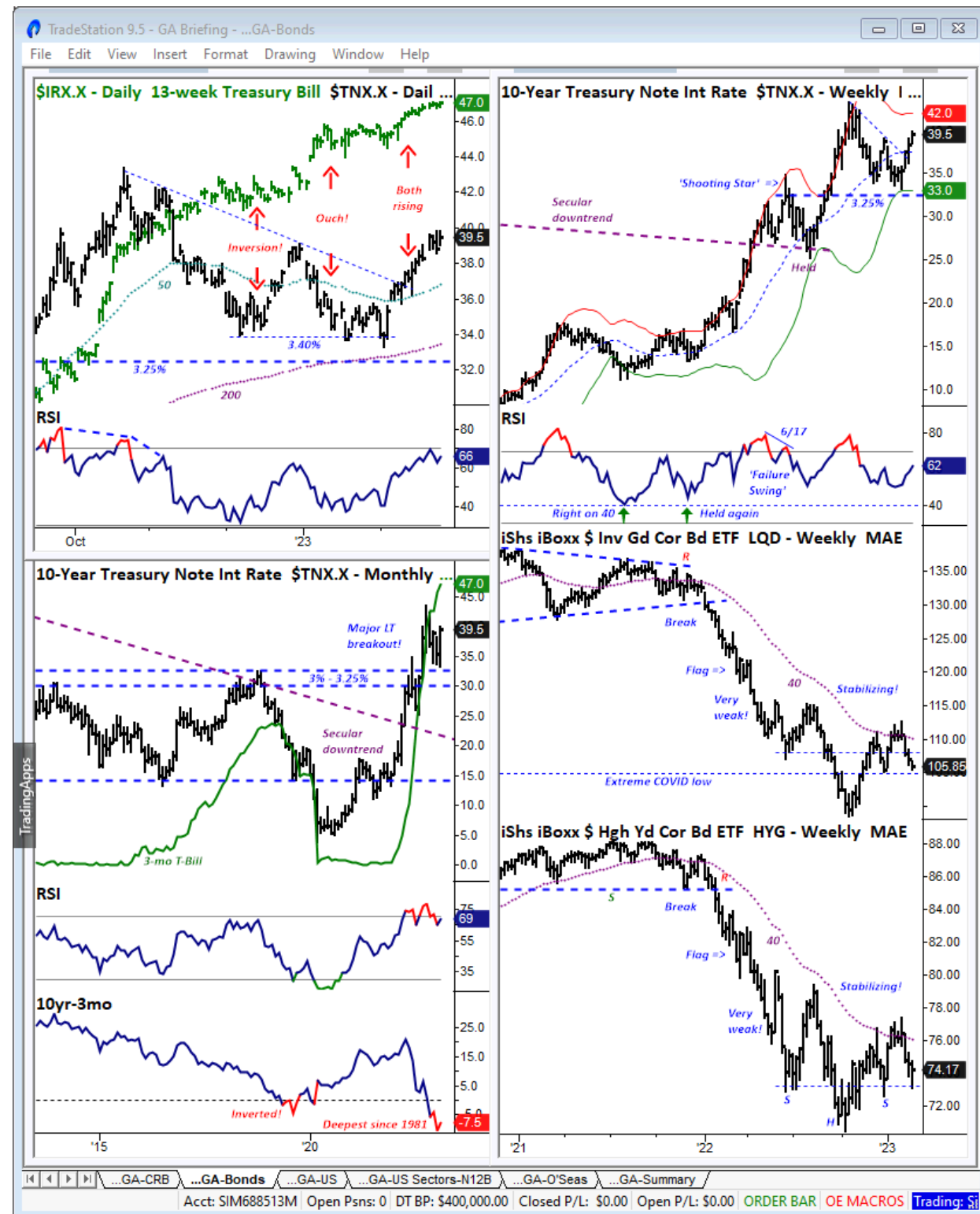
- Rates held lower Bollinger Band
- Upper band near Oct highs (4¼% area)
- RSI held 50 level
- LQD & HYG testing 'shoulder' support

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.
- Breakout tested successfully
- 3-mo. / 10-yr. most inverted since 1981
- LQD & HYG stabilizing / improving



Credit Spreads

Spreads:

- Spreads mixed on week
- Still looks like a bounce in downtrend
- IG on parabolic – not time to watch

CCC Trends:

- ▲ 15 bp; (to 8.91%)
- Back below 9%
- Cycle high: 11.24%

HY Trends:

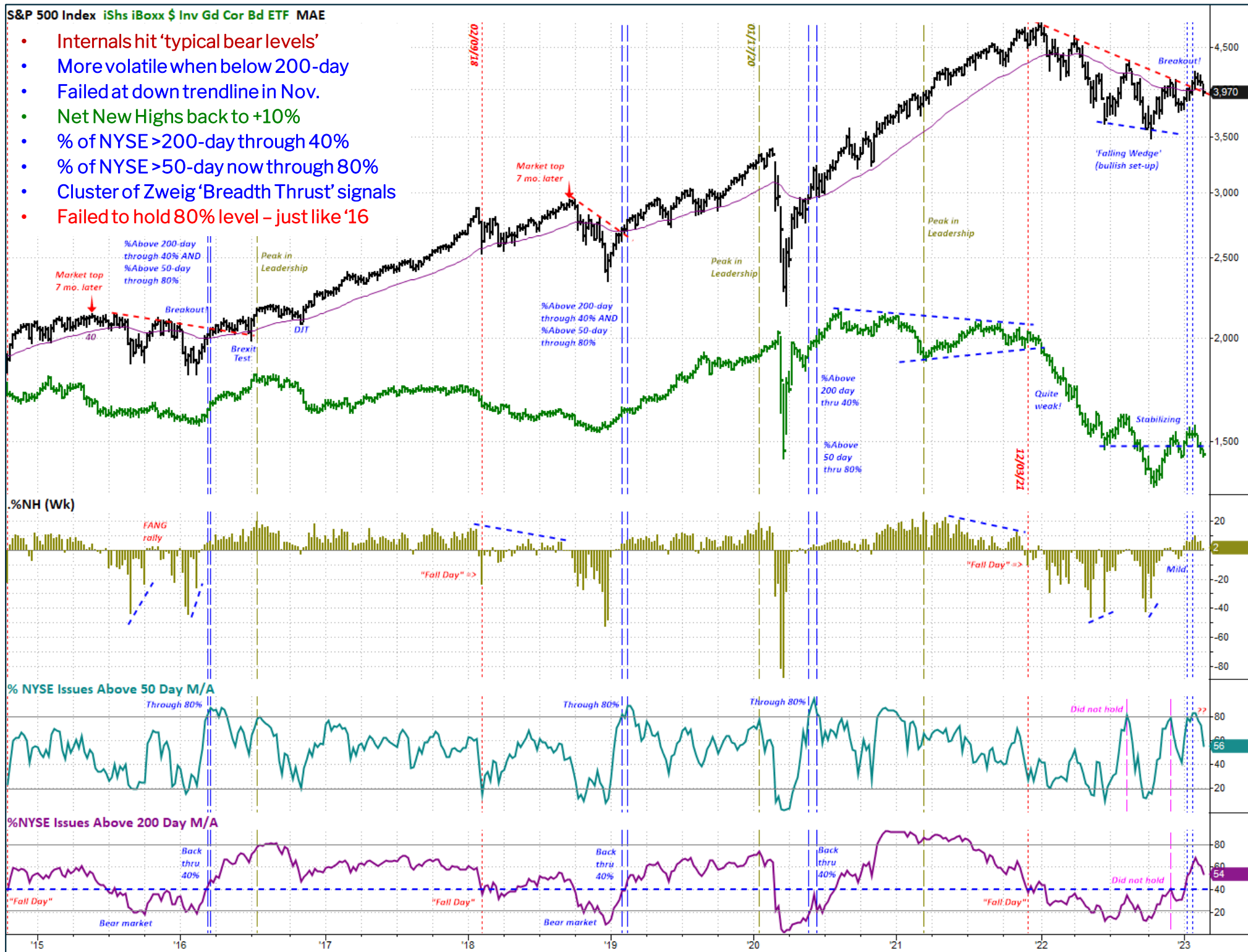
- ▼ 10 bp; (to 4.46%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▲ 2 bp; (to 1.76%)
- Cycle high: 2.27%
- Broke Parabolic – Nov 4th
- Flashed DMI 'Sell' – Nov 18th
- Last 'Buy': 10/29/21



- Internals hit 'typical bear levels'
- More volatile when below 200-day
- Failed at down trendline in Nov.
- Net New Highs back to +10%
- % of NYSE >200-day through 40%
- % of NYSE >50-day now through 80%
- Cluster of Zweig 'Breadth Thrust' signals
- Failed to hold 80% level – just like '16



Stocks

Daily Charts:

- Rough week for stocks
- Now pressing key technical levels & oversold
- IBD: 'Uptrend Under Pressure'
- Still only one '80% Down Day' (Tues)
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ❑ **Test the breakout**

Weekly Charts:

- Volatility increased off 'inside week'
- Breakouts now being tested
- Internals strong on breakouts – **remain firm**
- Strong breakouts in DJTA, mid-caps & R2k

Bottom Line:

- Internals & indices confirming breakouts
- Now testing breakouts – 'Step 4' of process
- So far selling has been contained
- Holding here would be a 'successful test'

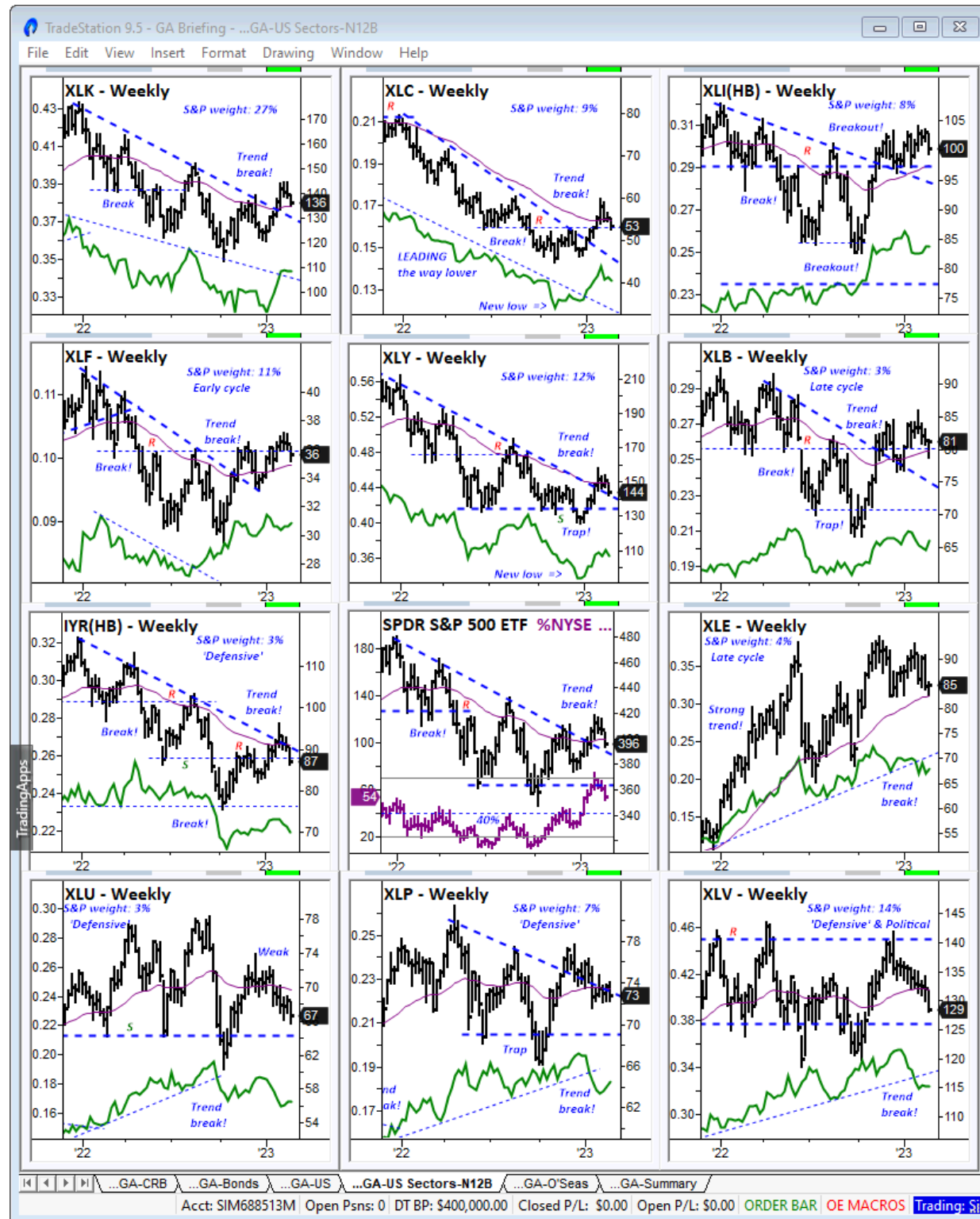


Market Sectors

Symbol	%Wk	%Yr	Yr...	PrY...	POL	MOL	W...
XLE	0.2%	-3%	58%	23%	38%	26	
XLB	-0.1%	5%	-14%	21%	28%	26	
XLP	-1.3%	-2%	-3%	10%	17%	26	
XLF	-2.0%	4%	-12%	21%	25%	26	
XLV	-2.6%	-5%	-4%	7%	18%	26	
XLI(HB)	-2.6%	2%	-7%	21%	26%	26	
XLK	-2.7%	9%	-28%	20%	28%	26	
SPY	-2.7%	4%	-19%	14%	20%	26	
XLU	-2.7%	-6%	-2%	10%	30%	26	
XLC	-3.8%	11%	-38%	19%	33%	26	
IYR(HB)	-4.1%	3%	-28%	15%	30%	26	
XLY	-4.5%	11%	-37%	14%	33%	26	
MDY(HB)	-2.4%	7%	-14%	19%	25%	26	
\$SPX.X	-2.7%	3%	-19%	14%	20%	26	
\$RUT	-2.9%	7%	-22%	15%	22%	26	
\$INDU	-3.0%	-1%	-9%	15%	21%	26	
\$COMPX	-3.3%	9%	-33%	13%	22%	26	
HYG	-0.5%	1%	-15%	5%	10%	26	
LQD	-1.1%	0%	-20%	8%	14%	26	
TLT	-1.3%	1%	-33%	10%	24%	26	
IWD	-2.4%	2%	-10%	15%	21%	26	
IWO(HB)	-2.8%	8%	-27%	15%	22%	26	
IWF(HB)	-2.9%	7%	-30%	13%	20%	26	
IWN	-3.0%	7%	-16%	16%	23%	26	

Key Points:

- Sectors & indices mostly lower last week
- Only potential theme is 'inflation'
- Results in '23 opposite of '22
- Risk-off during '22 – risk-on for '23
- Relative strength in U, P & V weakening

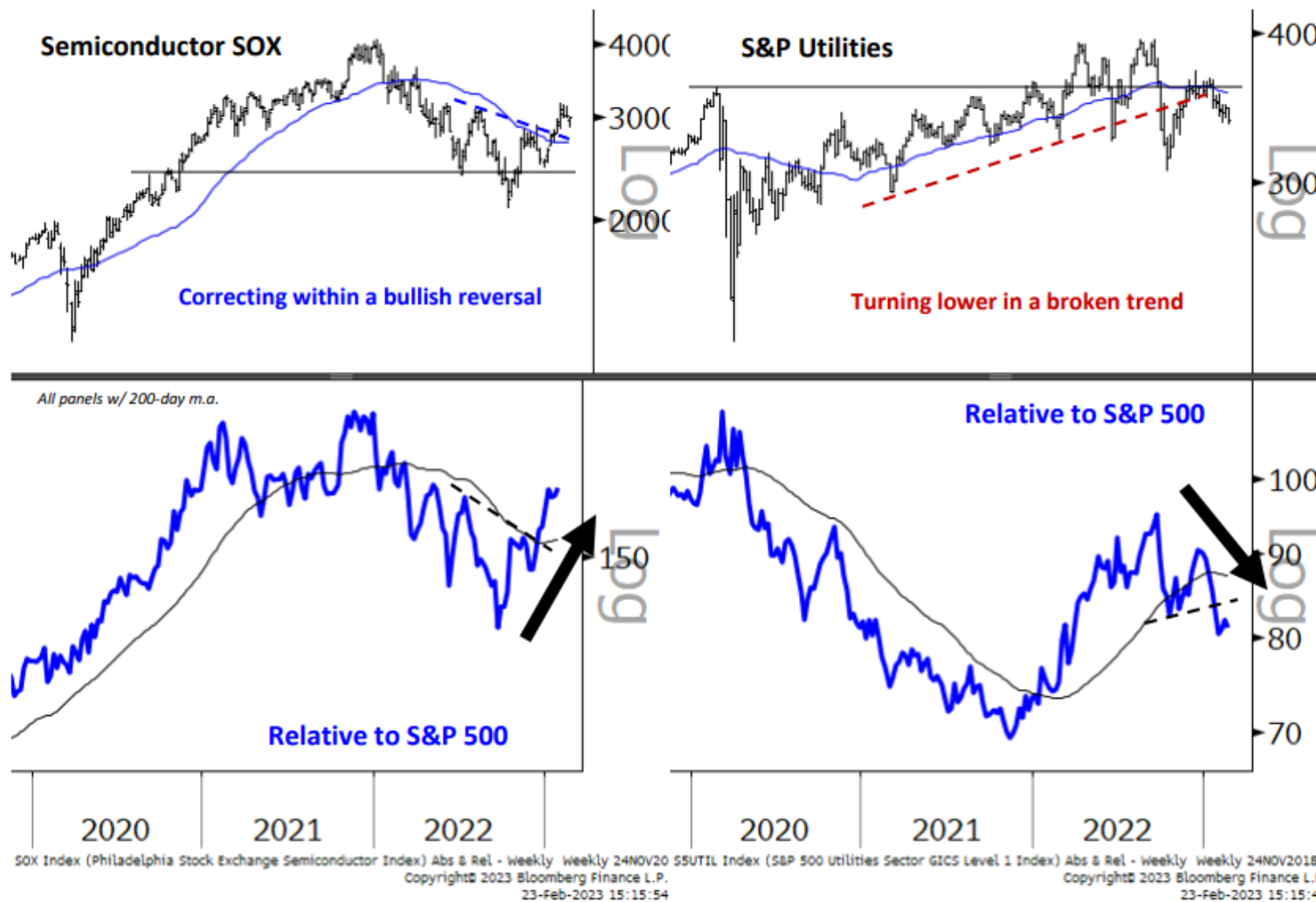


Ari Wald: Offense over Defense (2/25)

Technical Analysis

Defending Offense over Defense

In terms of our reiteration for offense over defense, we recommend using the market pullback to buy Semiconductors (**AMAT KLAC ON SWKS**) because the industry is correcting into support on both an absolute and relative basis. Conversely, we recommend selling the more damaging breakdown in the Utilities sector (**CMS DUK ES WEC**).



Source: Oppenheimer & Co. and Bloomberg.

Overseas Markets

Indices:

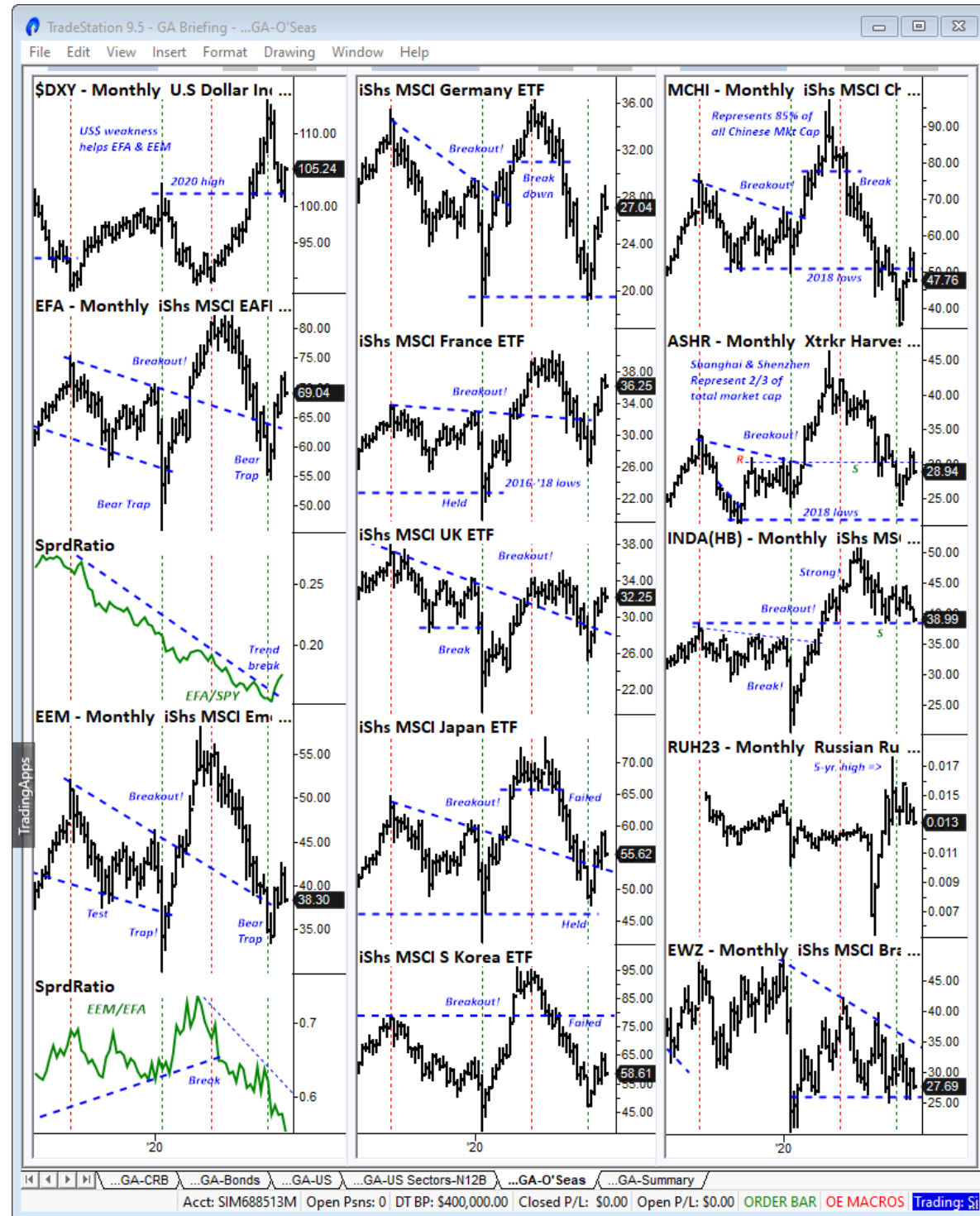
- Most overseas ETFs lower on week
- RS of EFA breaking very long downtrend
- No similar turn in EEM vs. EFA

Country Tour:

- Germany: 'H&S' bottom in place
- France: 'H&S' bottom in place
- UK: 'H&S' bottom in place
- Japan: 'H&S' bottom in place
- Korea: 'H&S' bottom in place
- China: MCHI struggling at 2018 lows
- India: Testing support from COVID highs
- Russia: Ruble to weakening off highs
- Brazil: Testing bottom of LT range

Bottom Line:

- Continued outperformance in EFA
- RS of EFA breaking very long downtrend
- Numerous 'head & shoulders' on DMs



Summary

Commodities / US\$:

- ST bottom in US\$ remains intact
- BCOM testing critical support
- Russia production cuts poised to start

Yields / Credit:

- 10-yr. through Dec highs (3.90% area)
- Holding historically wide inversion
- LQD & HYG testing 'shoulder' support

Stocks:

- Rough week for stocks – no damage yet
- So far selling has been contained
- Now testing breakouts – 'Step 4' of process
- Risk-off during '22 – risk-on for '23
- Small caps continue to lead the way higher

Overseas:

- RS of EFA breaking very long downtrend
- No similar turn in EEM vs. EFA
- FTSE seeing 'Quietest all-time high ever'





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

w w w . n e x p o i n t . c o m

DISCLOSURES

Confidential – Do not copy or distribute. The information may not be reproduced or further disseminated without the permission of NexPoint Advisors, LP. Information contained in this document is subject to change without notice.

The information in this presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance.

These forward-looking statements are based on our current expectations and assumptions regarding the fund's portfolio and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances.

This presentation is for educational purposes only and contains statistics and graphical representations that have been obtained from sources believed to be reliable but are not guaranteed as to accuracy or completeness. References to any specific securities do not constitute an offer to buy or sell securities. Past performance of any security or investment strategy does not guarantee future performance.

Charts as of: February 24, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.