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NEXPOINT

Weekly Market Deep Dive

March 13, 2023

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Commodities / Dollar

US\$ / FX:

- US\$ lower, but ST bottom remains intact
- Euro still holding 40-wk. average
- BoJ intervention top remains in place
- Yen proving 'safe haven' Sunday night

Commodities & Sectors:

- BCOM slipping through 105-106 area
- Crude holding support at \$70 & SPR bid
- Another quiet week for energy
- ULSD & unleaded charts relatively stronger
- Copper holding support at 4
- Gold testing 20-wk; strong close on week

Bottom Line:

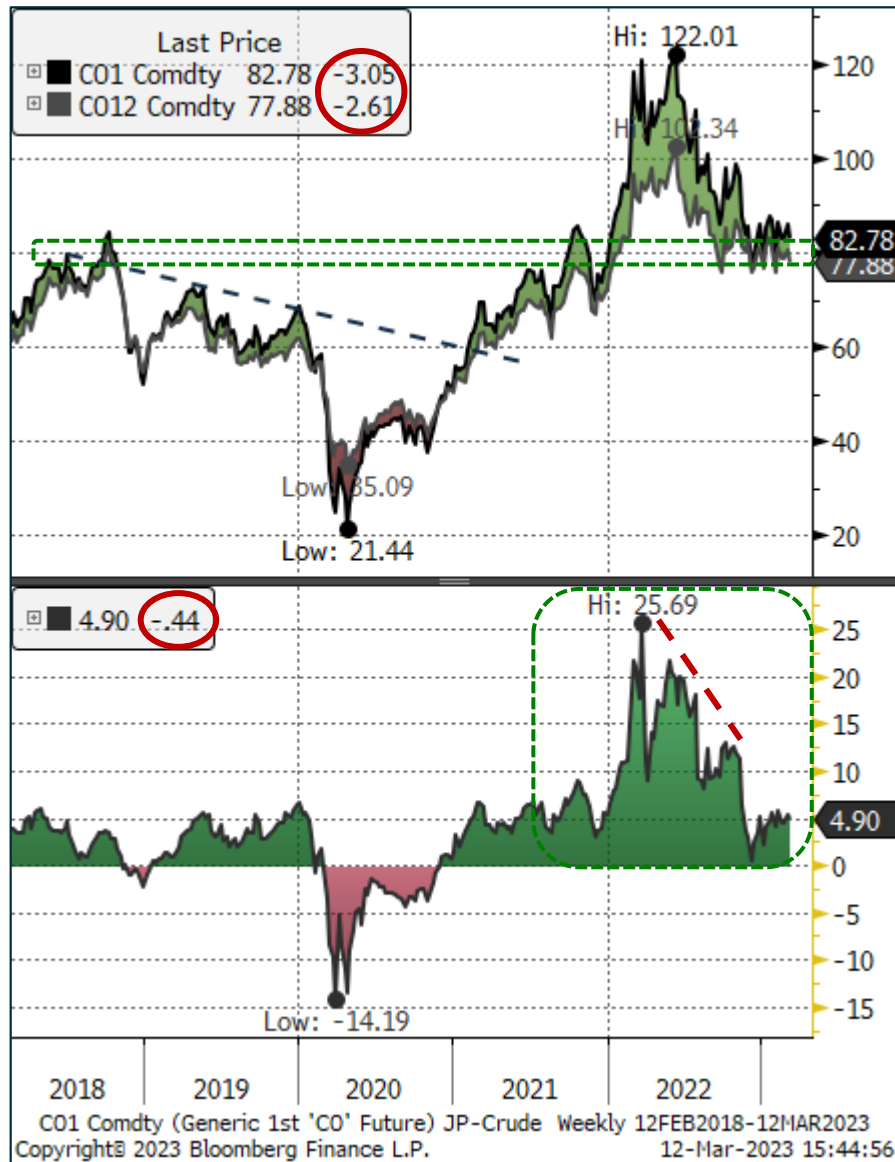
- Euro holding 40-wk. average
- BCOM pushing key support
- Strong close in gold – futures strong Sun.
- Russia production cuts poised to start



Oil & Gold

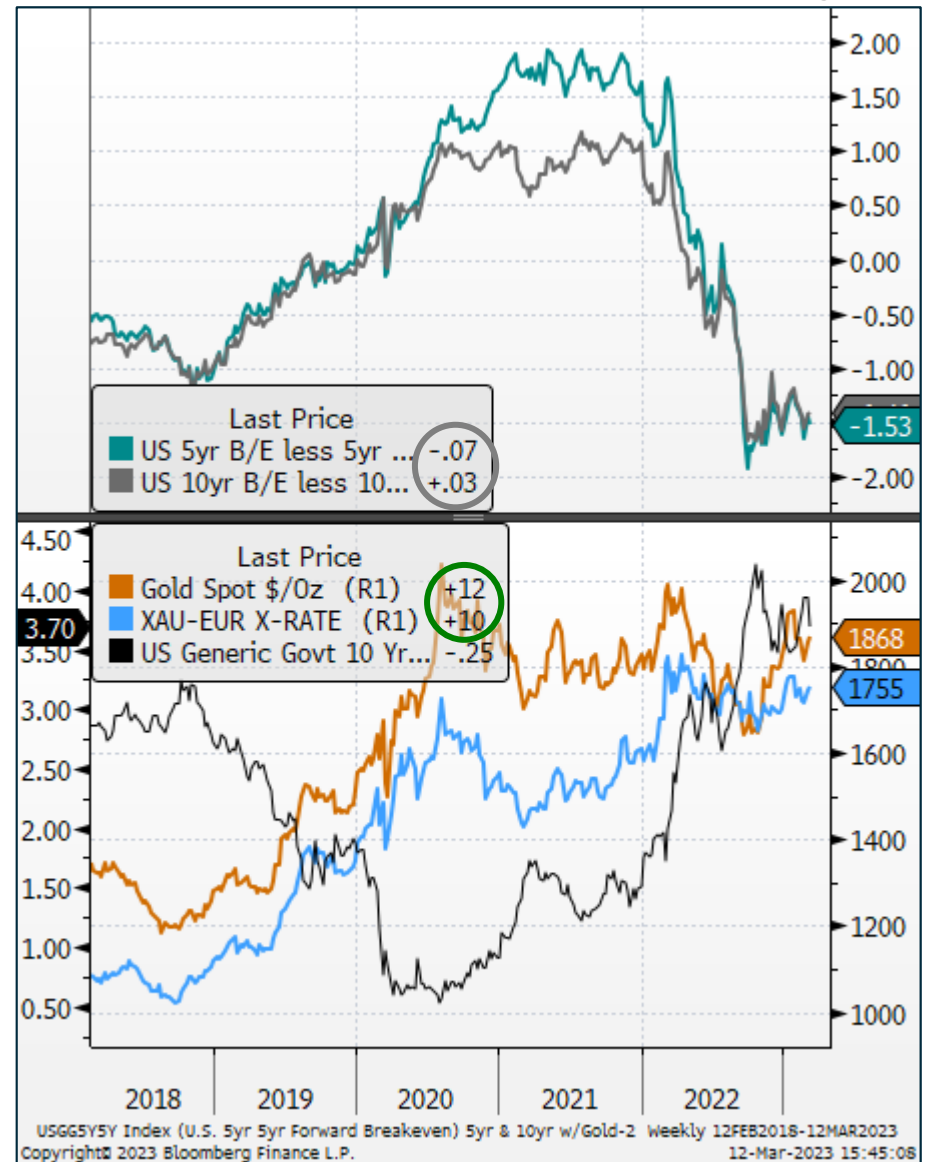
Oil:

- Brent still holding key \$80 area
- Spread lower on week, back below \$5
- Russia to cut 500k bbl./day in March



Gold:

- Spreads mixed last week – +3 & -7 bp
- Gold higher, on ¼% drop in US 10-yr. yield
- Gold in both US\$ & Euros in wide, sloppy, range



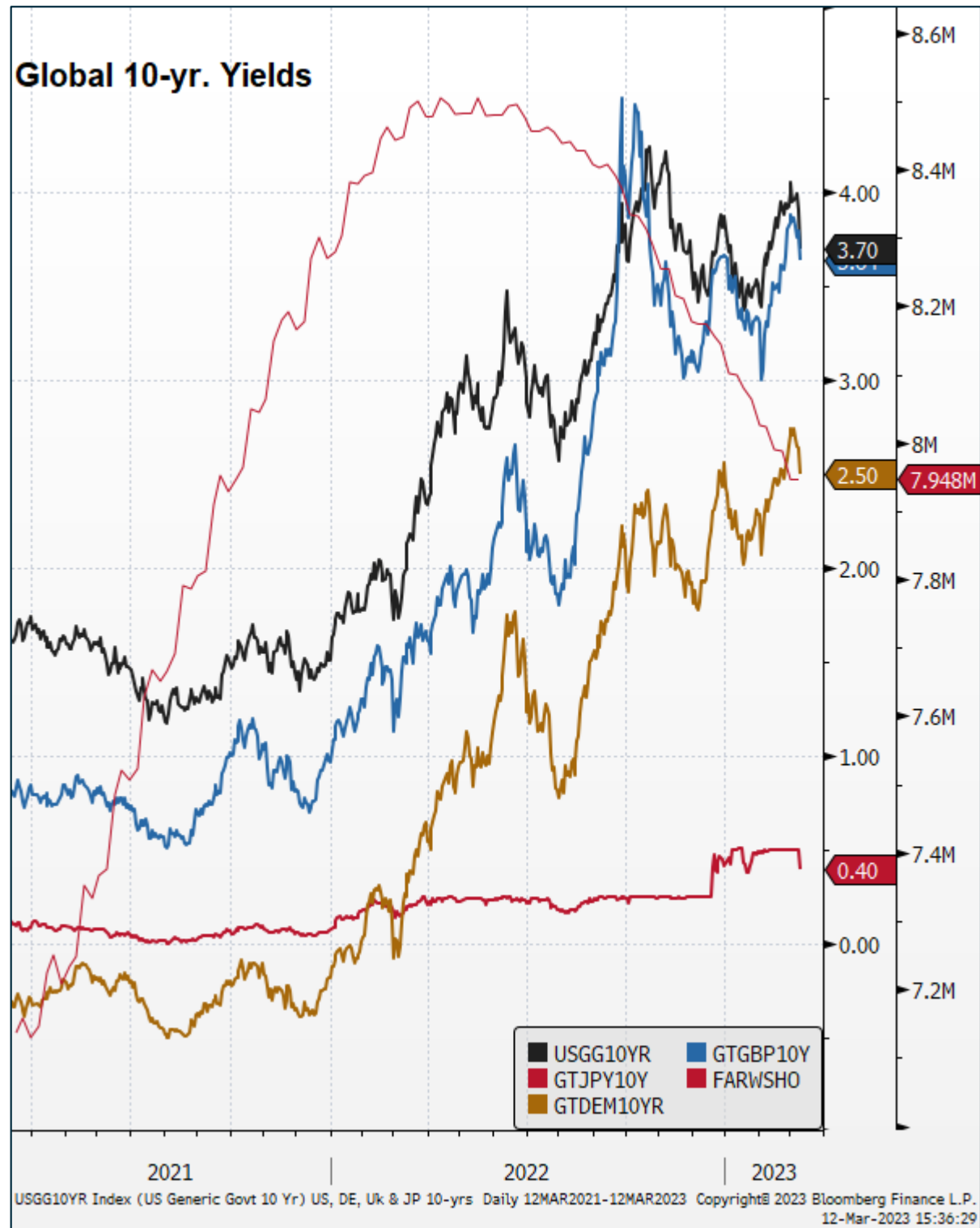
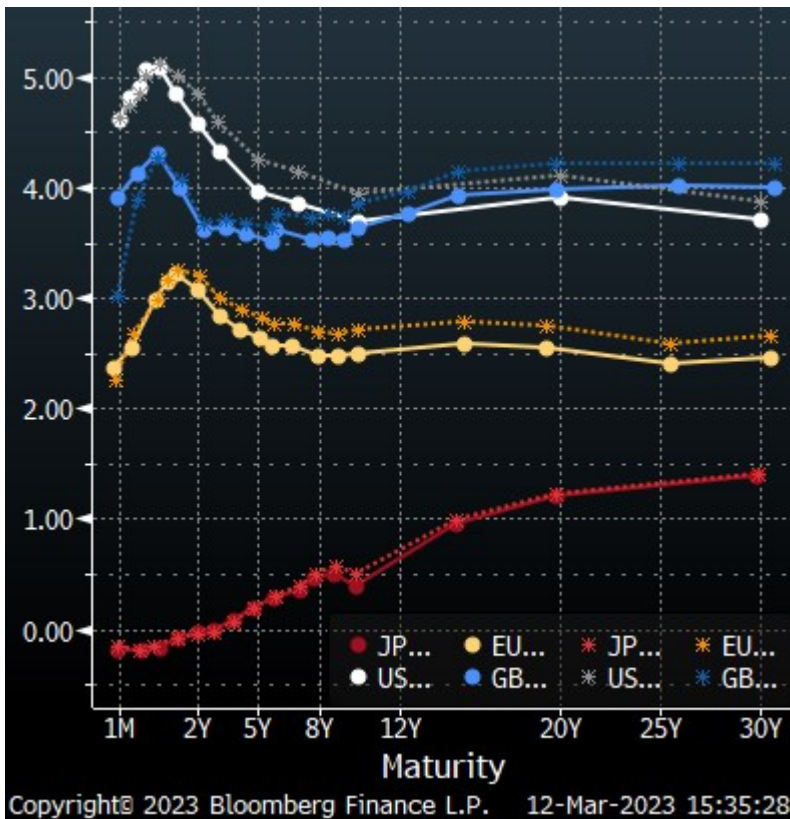
Global Yields

Global 10-yr. yields smartly lower

- Curve shown over last WEEK
- US: ▼ 25 bp – 10-yr again lowest on curve
- UK: ▼ 21 bp – Big move in short rates
- Germany: ▼ 21 bp – 1-wk from cycle high
- Japan: ▼ 10 bp – ½% lid held

Fed BS: ▼\$1B; ▼\$557B in total

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



Bonds / Rates

Daily Charts:

- 10-yr. battling round number of 4%
- Strong move into bonds Friday
- 3-mo. T-Bill rates held firm
- 3-mo. – 10-yr.inversion widening

Weekly Charts:

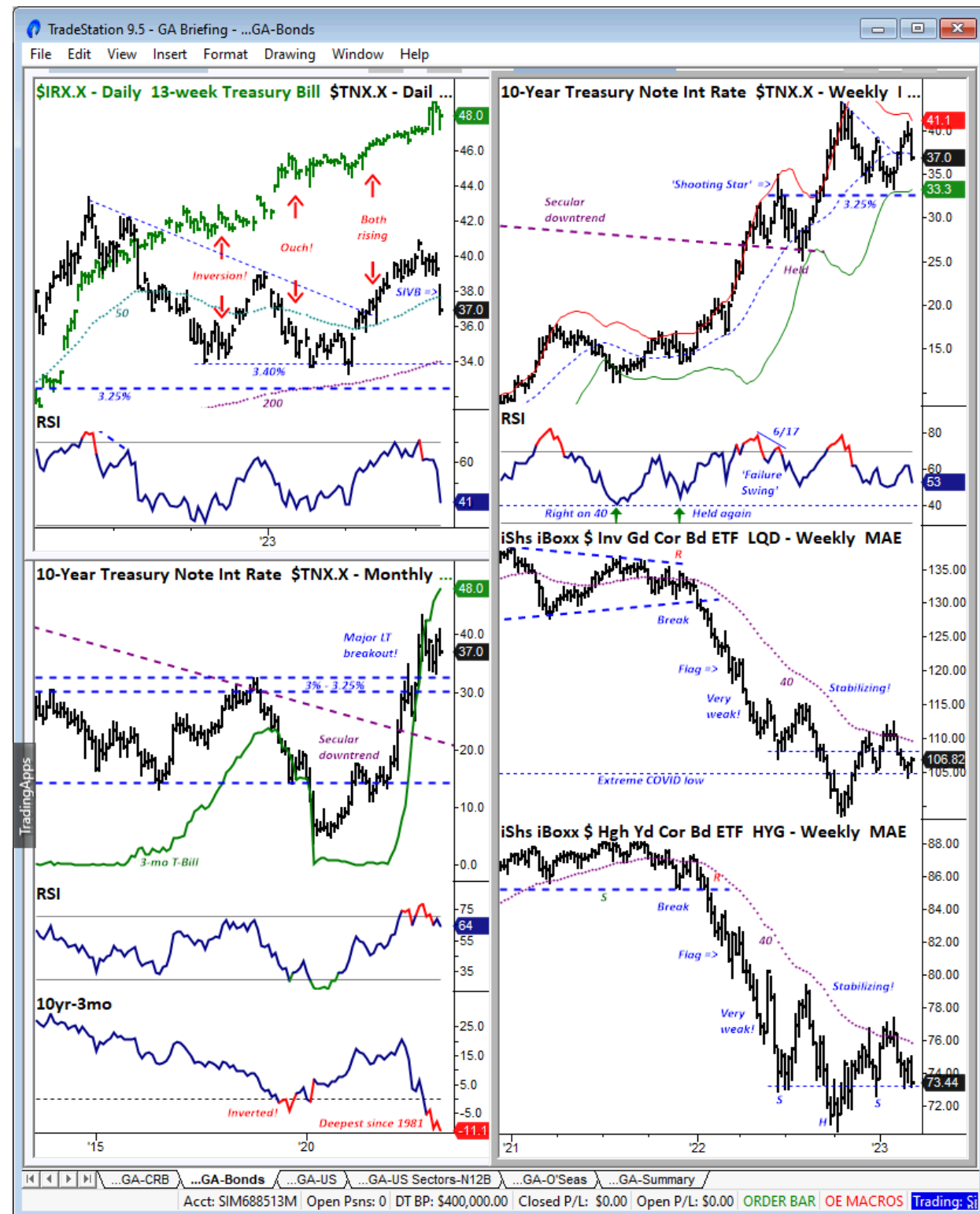
- Rates failed near upper Bollinger Band
- Support remains in $3\frac{1}{4}$ – $1\frac{1}{2}$ % area
- LQD & HYG holding 'shoulder' support

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 higher, starting to surge
- Still not seeing new highs in spreads

CCC Trends:

- ▲ 63 bp; (to 9.39%)
- Back above 9%
- Cycle high: 11.24%

HY Trends:

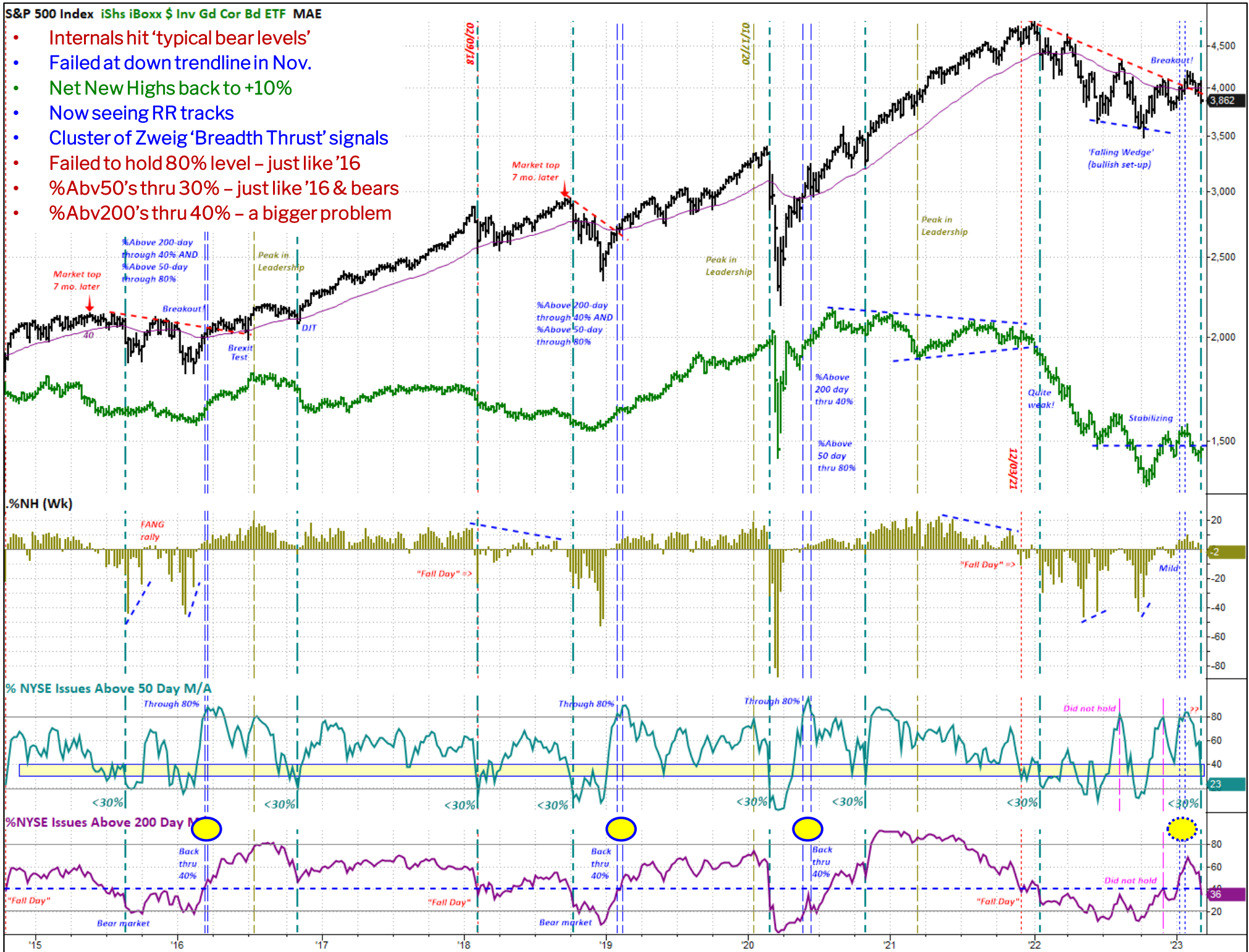
- ▲ 60 bp; (to 4.77%)
- Holding below 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▲ 8 bp; (to 1.83%)
- Cycle high: 2.27%
- Broke Parabolic – Nov 4th
- Flashed DMI ‘Sell’ – Nov 18th
- Last ‘Buy’: 10/29/21



- Internals hit 'typical bear levels'
- Failed at down trendline in Nov.
- Net New Highs back to +10%
- Now seeing RR tracks
- Cluster of Zweig 'Breadth Thrust' signals
- Failed to hold 80% level - just like '16
- %Abv50's thru 30% - just like '16 & bears
- %Abv200's thru 40% - a bigger problem



2015-16 Bottom

Daily Charts:

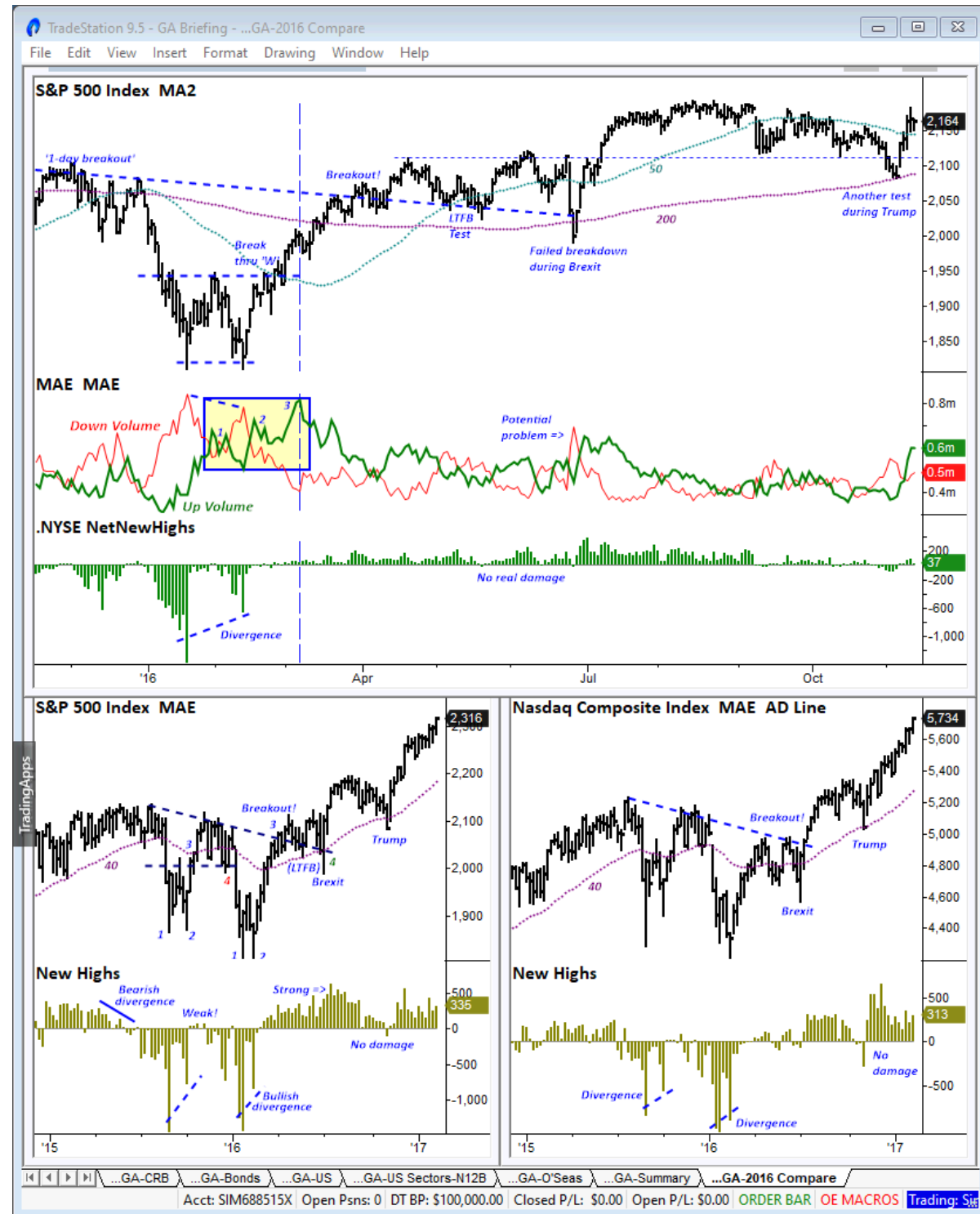
- Bottoming usually a 4-step process
 - Set initial low
 - Bounce & test that low
 - Follow through to the upside
 - Test the breakout
- Can fail and restart – occurred in 2015
- Can also see how sloppy charts can be
- Bullish divergences on test of low
- Surge in Up Volume off lows (1,2,3)
- Brexit test had potential to fail
- Another test when Trump elected

Weekly Charts:

- Important to monitor the ‘big picture’
- Internals provide critical perspective
- Breakouts can be tested more than once

Bottom Line:

- Can often ‘see what you want’ in charts
- Key to remember ‘where you are in cycle’
- Never the same picture twice
- IS possible to understand process



Stocks

Daily Charts:

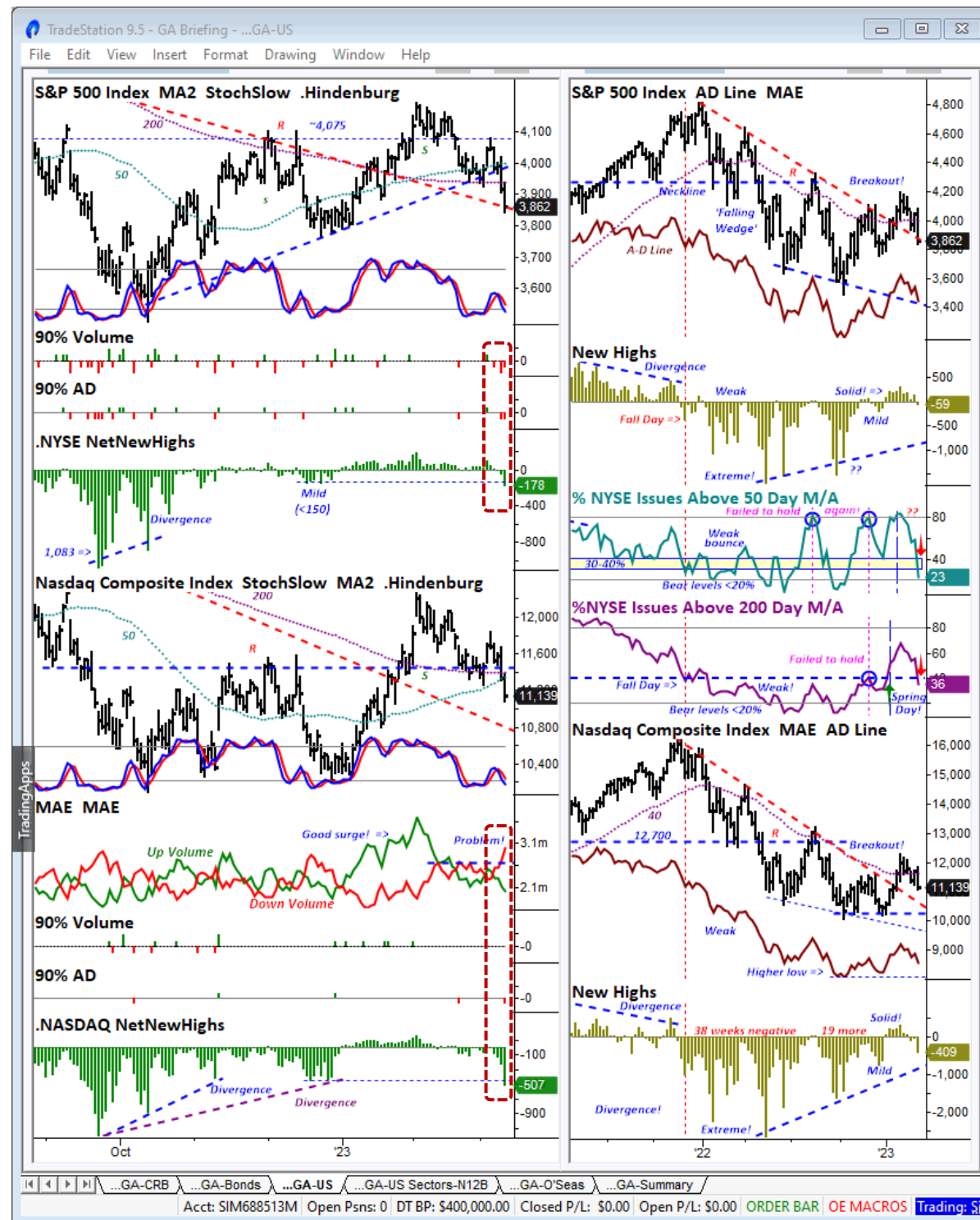
- Rough week for stocks
- Th & Fri were '80% Down Days' (NYSE)
- New Lows & Down Volume 'surging'
- IBD: 'Market in Correction' (post-close Friday)
- Thursday was ST damage technically
- Friday has potential for LT damage
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ☐ Test the breakout

Weekly Charts:

- Testing LT breakouts, need to hold here
- Breadth indicators breaking 'key' levels
- Other indices also holding red trendlines

Bottom Line:

- SIVB clearly has potential to break market
- Market needs to hold here – if going to

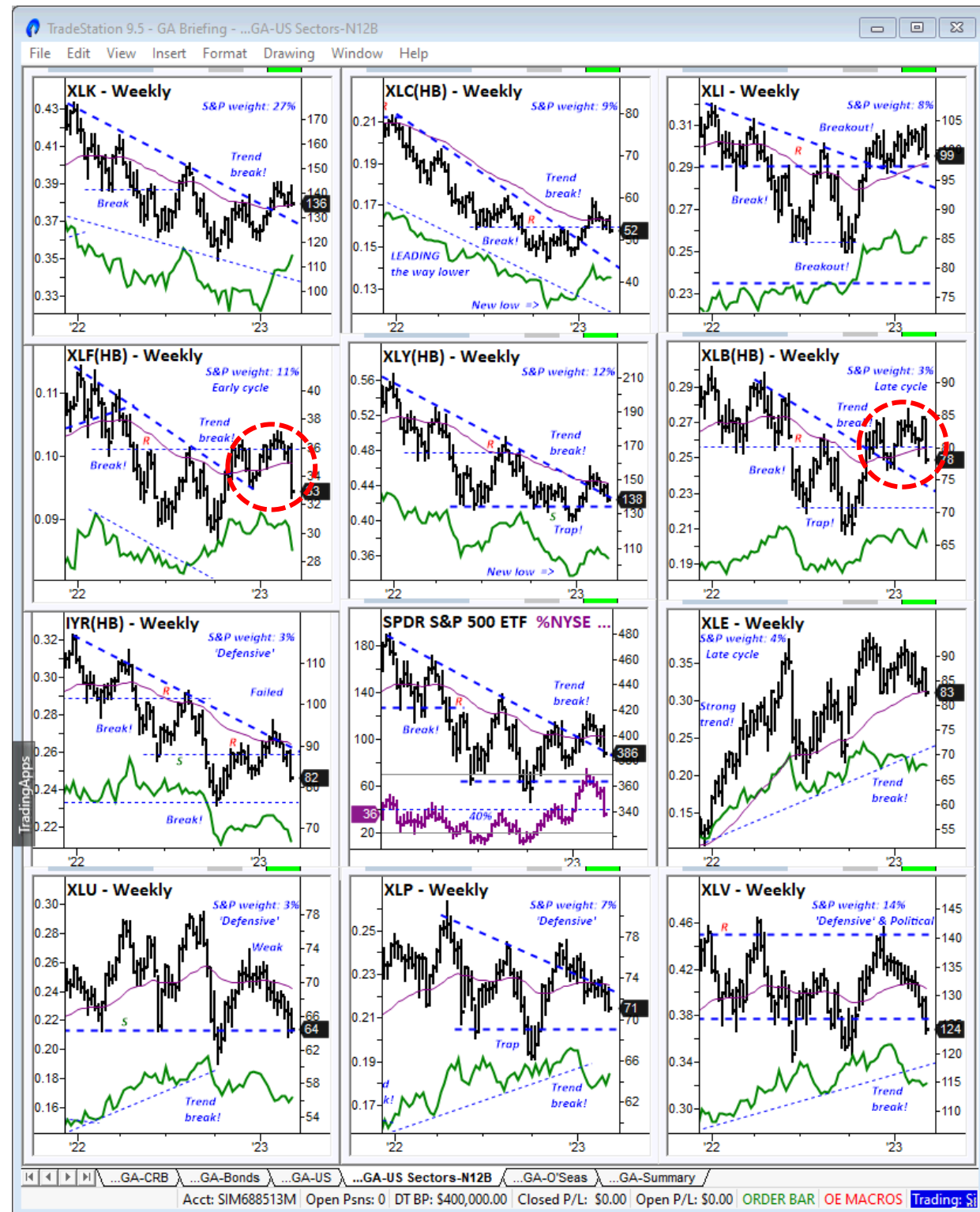


Market Sectors

	Symbol	%Wk	%Yr		% Off low		
			Yr...	PrYr...	POL	MOL	W...
→	XLP	-2.0%	-5%	-3%	7%	17%	26
→	XLU	-2.8%	-9%	-2%	7%	30%	26
→	XLK	-3.1%	9%	-28%	20%	28%	26
→	XLV	-3.9%	-9%	-4%	4%	18%	26
→	SPY	-4.2%	1%	-19%	11%	20%	26
→	XLI	-4.5%	1%	-7%	20%	26%	26
→	XLC(HB)	-4.6%	9%	-38%	16%	33%	26
→	XLE	-5.3%	-6%	58%	20%	38%	26
→	XLV(HB)	-5.5%	7%	-37%	10%	33%	26
	IYR(HB)	-7.0%	-2%	-28%	9%	30%	26
	XLB(HB)	-7.6%	1%	-14%	17%	28%	26
	XLV(HB)	-8.3%	-4%	-12%	11%	25%	26
	\$INDU	-4.4%	-4%	-9%	11%	21%	26
	\$SPX.X	-4.5%	1%	-19%	11%	20%	26
	\$COMPX	-4.7%	6%	-33%	10%	22%	26
	MDY(HB)	-7.4%	1%	-14%	13%	25%	26
	\$RUT	-8.1%	1%	-22%	8%	22%	26
	TLT	3.6%	6%	-33%	15%	19%	26
	LQD	0.6%	1%	-20%	9%	14%	26
	HYG	-1.7%	0%	-15%	4%	10%	26
	IWF(HB)	-4.2%	5%	-30%	11%	20%	26
	IWD	-5.5%	-2%	-10%	10%	21%	26
	IWO(HB)	-7.8%	2%	-27%	9%	22%	26
	IWN	-8.2%	0%	-16%	8%	23%	26

Key Points:

- Sectors & indices sharply lower on week
- Bonds only real winners
- XLF & XLB breaking 40-wk avgs
- XLF down YTD – key to market health
- XLB & XLI good windows on growth



Stocks

KRE:

- Bad break of support on heavy volume
- Has tested trend break successfully

FRC:

- Most levered name in group
- Also bad break of support
- Rally to 115 would be a short entry

TSLA:

- Poster child of how to short at resistance

NVDA:

- Suffered 65% bear, now recovering
- Extended, but in healthy up trend

GS:

- Another key leader – was improving
- Rally failed, now breaking 40-wk. avg.

ITB:

- Both builder ETFs have been improving
- ITB still holding support; XHB less clear



Overseas Markets

Indices:

- Overseas ETFs lower on week
- RS of EFA remains strong
- RS of EEM seeing new lows

Country Tour:

- Germany: 'H&S' bottom in place
- France: 'H&S' bottom in place
- UK: 'H&S' bottom in place
- Japan: Holding 'H&S Neckline'
- **Korea: Struggling to hold 'H&S Neckline'**
- China: MCHI struggling at 2018 lows
- India: Testing support from COVID highs
- **Russia: Strong surge in Ruble**
- Brazil: Testing bottom of LT range

Bottom Line:

- Like US, incremental weakness on charts
- Continued outperformance in EFA
- Numerous 'head & shoulders' on DMs



Summary

Commodities / US\$:

- US\$ lower, but ST bottom remains intact
- BCOM leaning hard on 105-106 area
- Crude & copper holding

Yields / Credit:

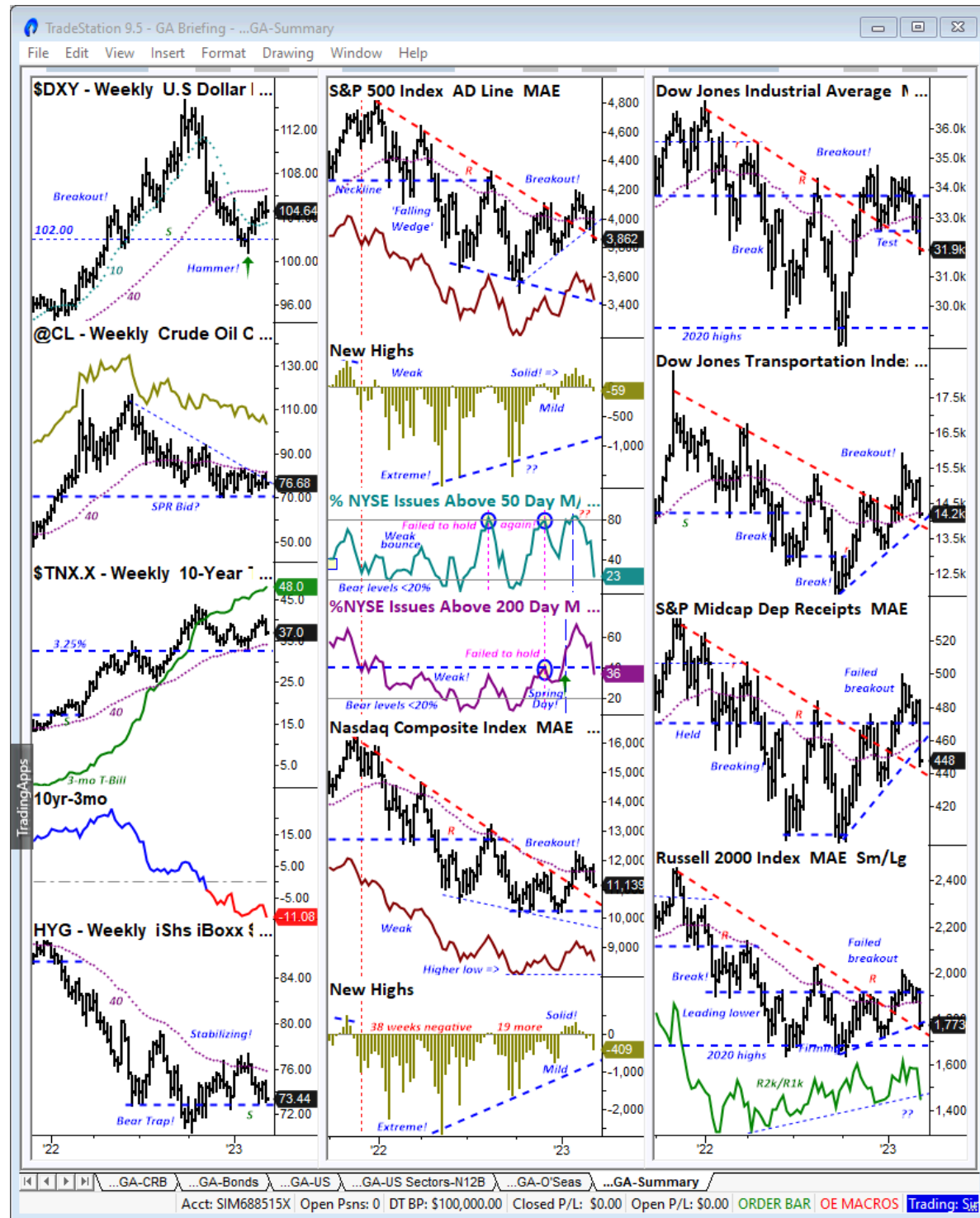
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- Credit spreads starting to widen

Stocks:

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Overseas:

- Overseas ETFs lower on week
- RS of EFA remains strong
- RS of EEM seeing new lows





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: March 10, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.