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Weekly Market Deep Dive

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Mike Hurley, CMT
Chief Market Strategist

775-750-8921

mhurley@nexpoint.com

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Commodities / Dollar

US\$ / FX:

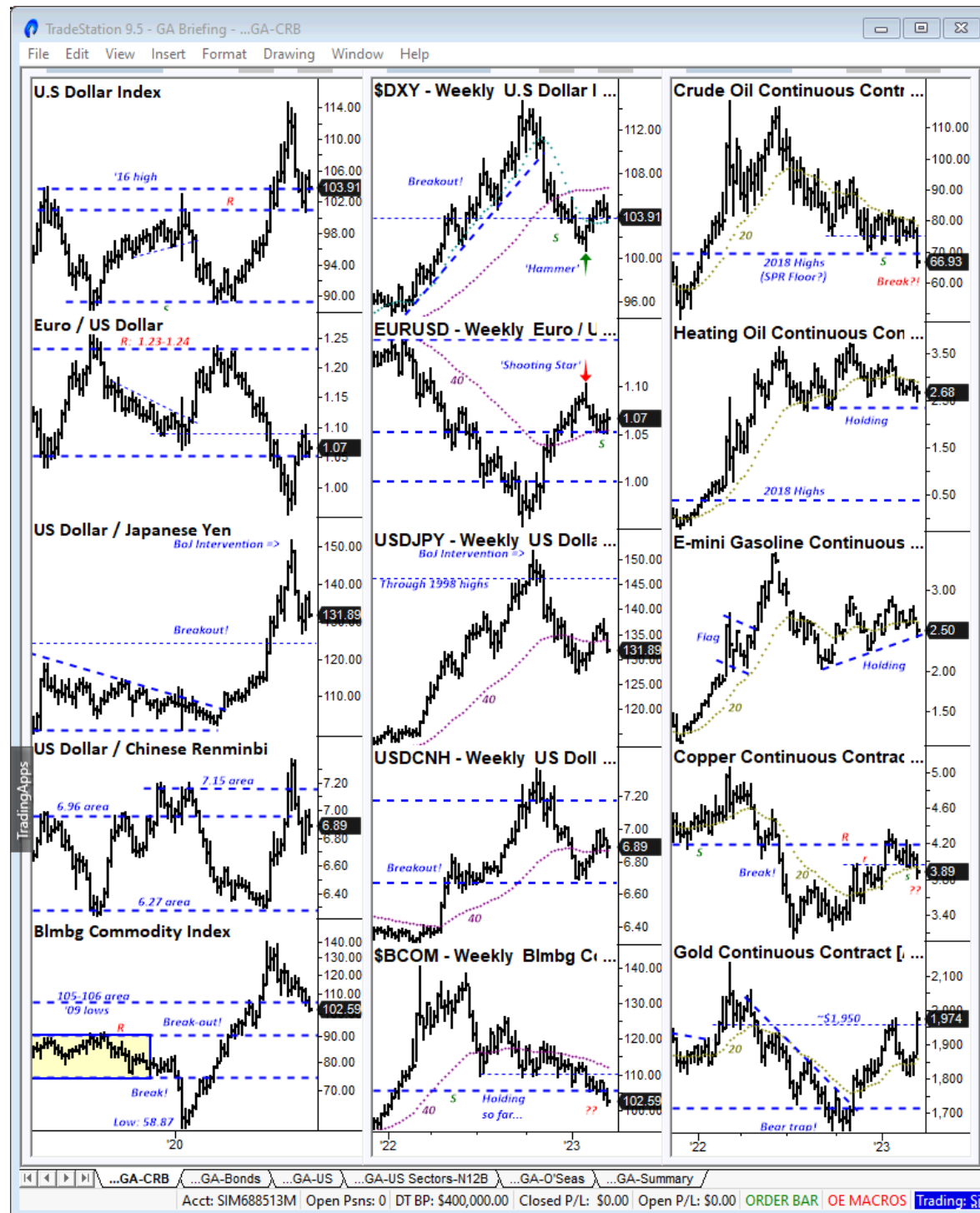
- US\$ lower, looks to have formed ST top
- Euro still holding 40-wk. average
- BoJ intervention top remains in place
- Yen remains a 'safe haven'

Commodities & Sectors:

- BCOM weak, looks to be breaking 105 area
- Crude breaking support at \$70 & SPR bid
- ULSD & unleaded still holding
- Copper breaking support at 4
- Strong week for gold & precious metals

Bottom Line:

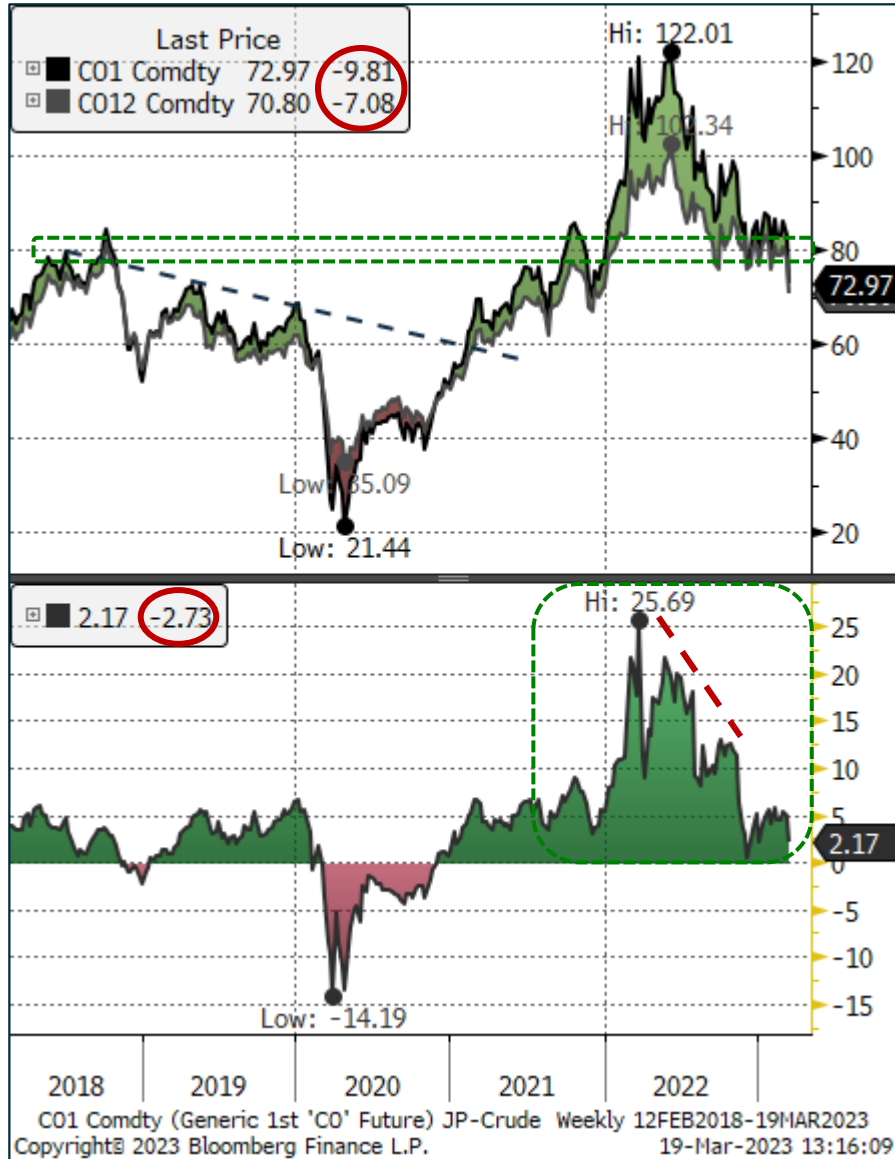
- Euro holding 40-wk. average
- BCOM struggling to hold key support
- Crude & copper weak – GDP sensitive
- Gold sharply higher on the week



Oil & Gold

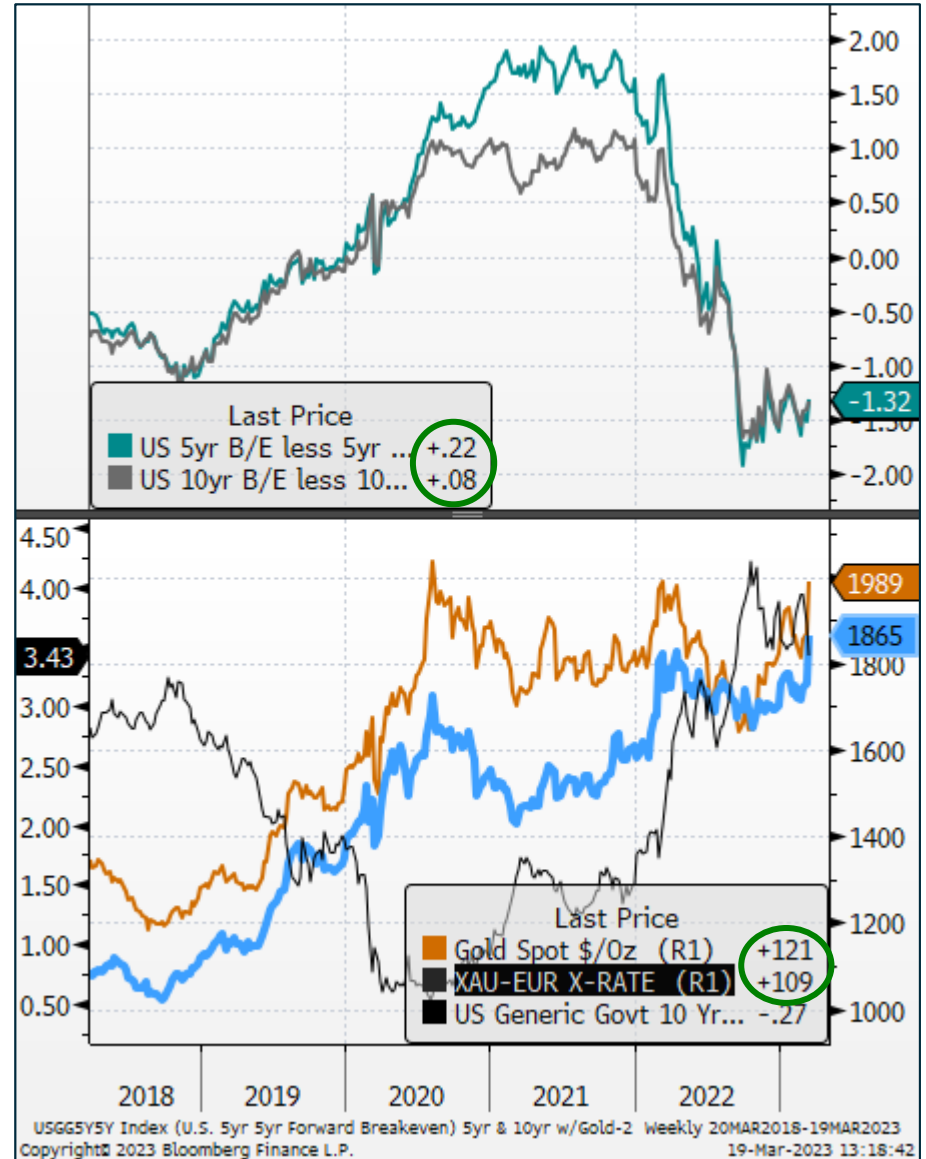
Oil:

- Brent now breaking key \$80 area
- Spread lower on week, down to \$2.17
- Weakness despite Russia's production cut



Gold:

- Spreads higher last week – +8 & 22 bp
- Gold sharply higher, on another ¼% drop in TNX
- New high for gold in Euro's – close in US\$



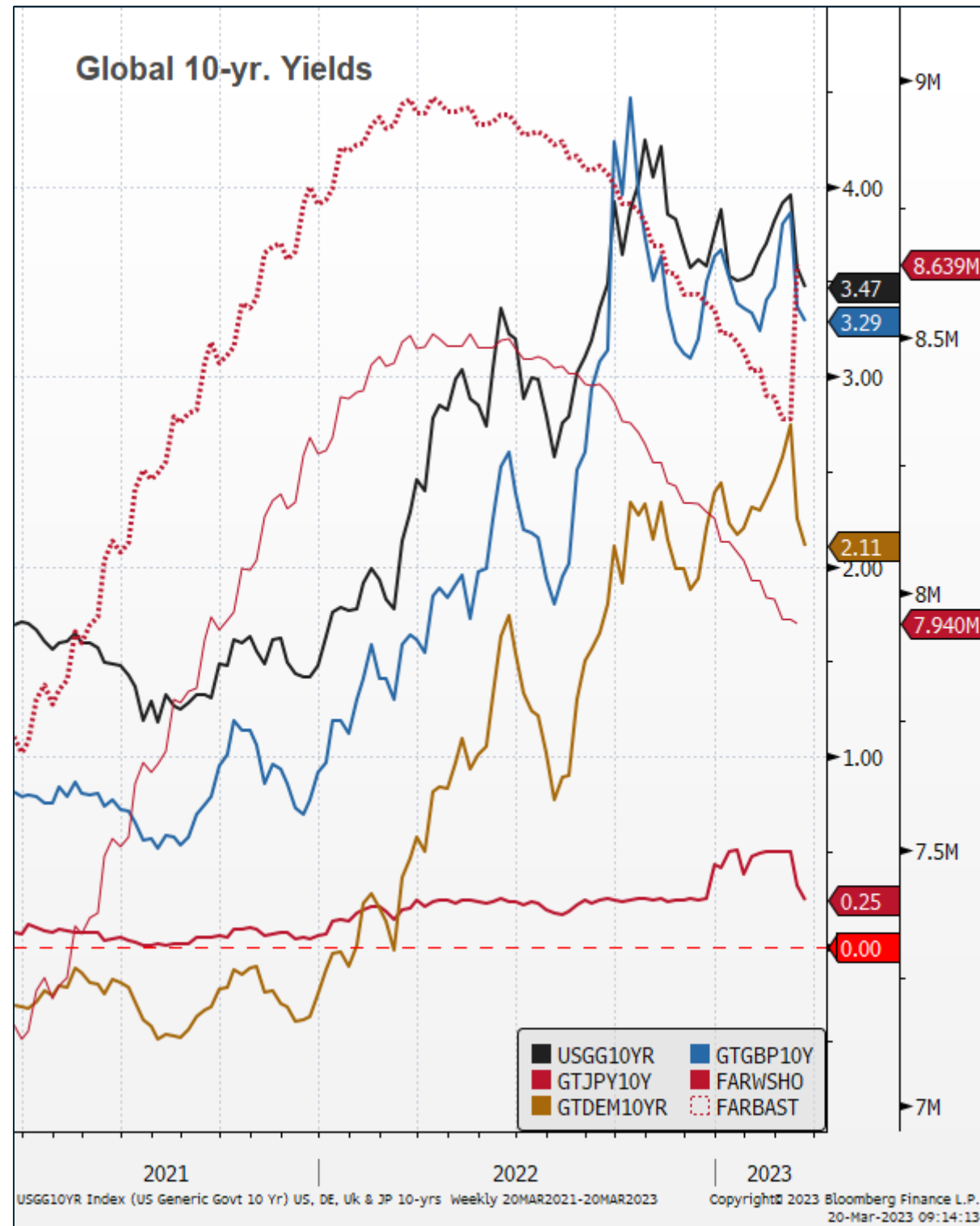
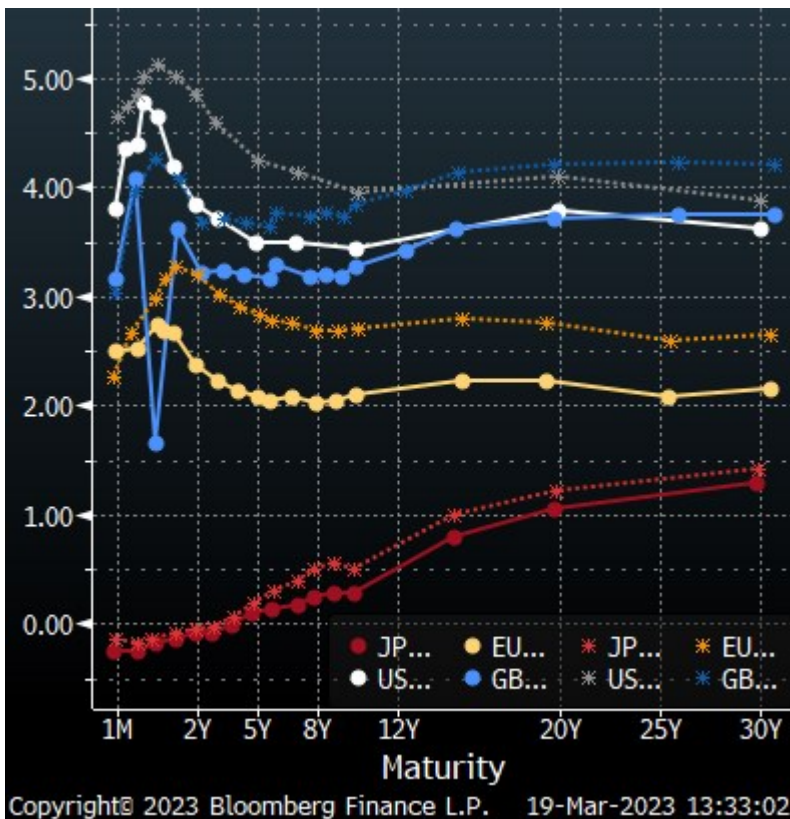
Global Yields

Global 10-yr. yields smartly lower

- Curves shown over last 2 weeks
- US: ▼ 27 bp – 10-yr lowest on curve
- UK: ▼ 31 bp – **Big** move in short rates
- Germany: ▼ 40 bp – **1-wk** from cycle high
- Japan: ▼ 12 bp – ½% lid held

Fed BS: ▼\$8B; ▼\$565B in total

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



Verrone: End of Tightening Cycle (3/17)

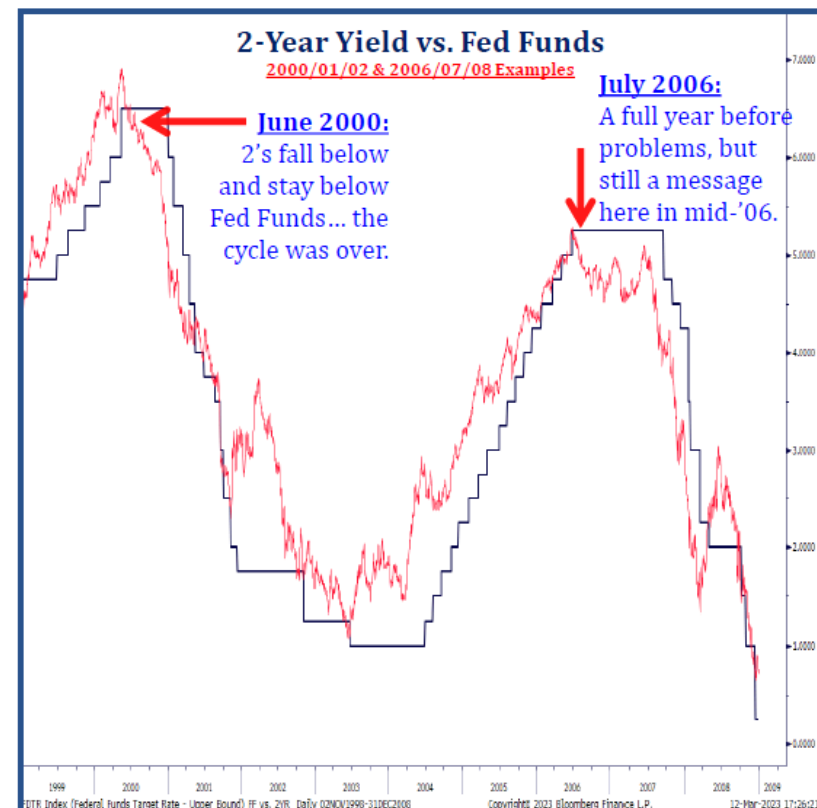
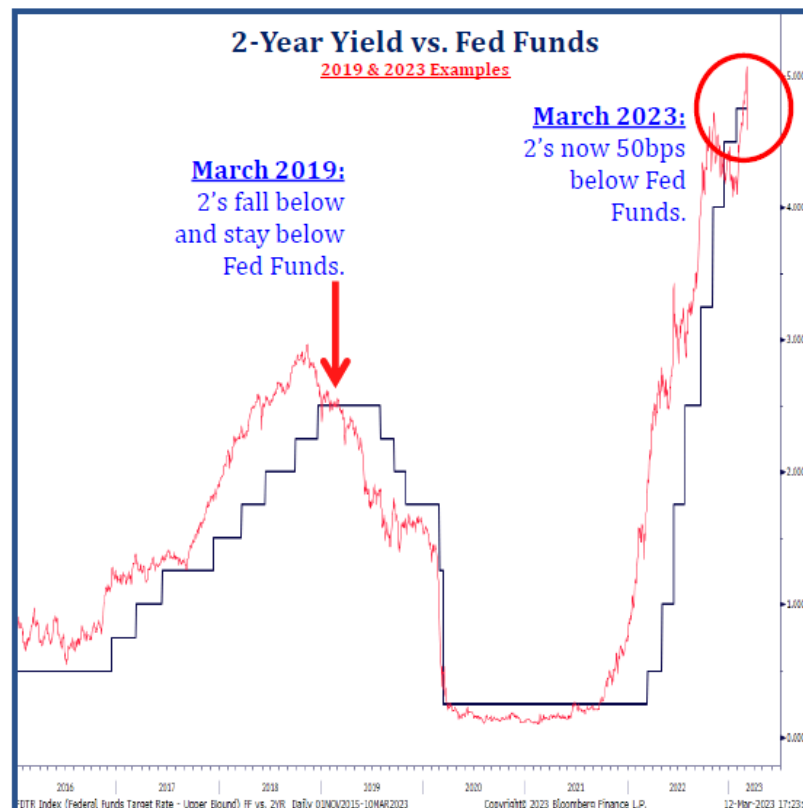


STRATEGAS

3/17/2023

TIGHTENING CYCLE HISTORICALLY DONE WHEN 2's < FED FUNDS

HISTORICAL EXAMPLES



The 2-year yield calls the shots... but we doubt the FOMC will listen.

Bonds / Rates

Daily Charts:

- 10-yr. failed at round number of 4%
- Testing chart support & 200-day
- 3-mo. T-Bill also off cycle highs
- 3-mo. – 10-yr.inversion narrowing

Weekly Charts:

- Rates failed near upper Bollinger Band
- Support remains in 3¼-1½% area
- LQD & HYG remain firm, holding 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.
- Now testing key 3.40% area
- 3-mo. / 10-yr. most inverted since 1981
- LQD & HYG stabilizing / improving



Credit Spreads

Spreads:

- Spreads again sharply higher on week
- Still surging, not yet seeing new highs

CCC Trends:

- ▲ 102 bp; (to 10.41%)
- Back above 10%
- Cycle high: 11.24%

HY Trends:

- ▲ 63 bp; (to 5.40%)
- Back above 5%
- Cycle high: 6.03%
- Has broken up trendline

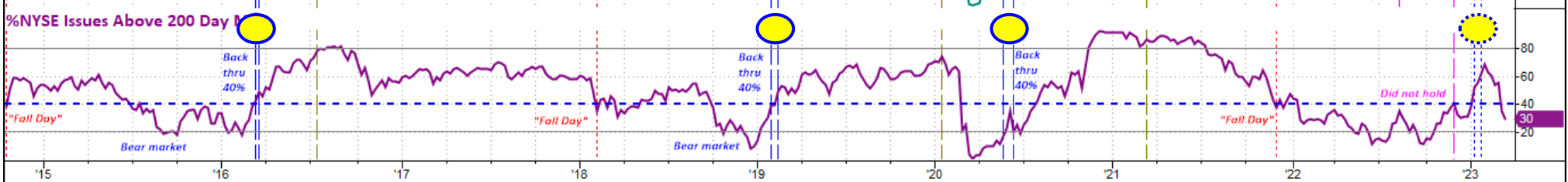
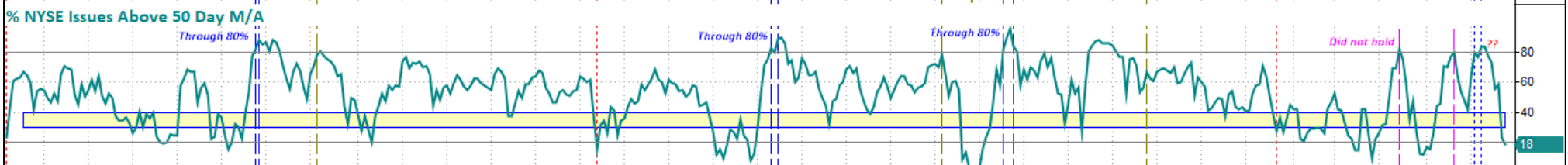
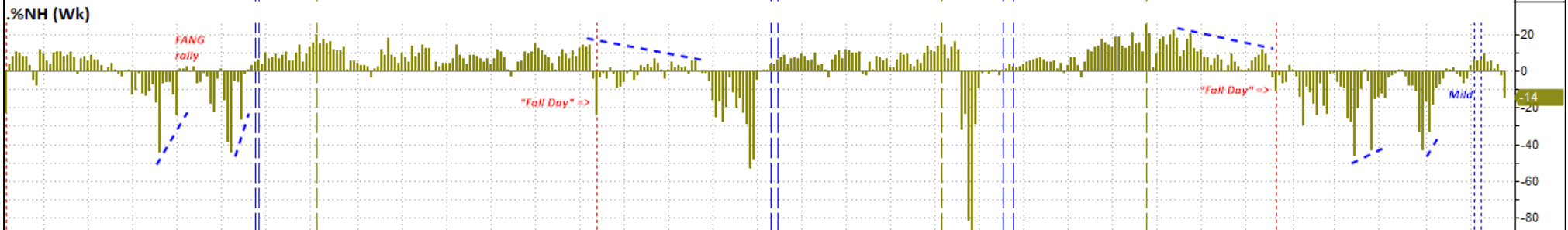
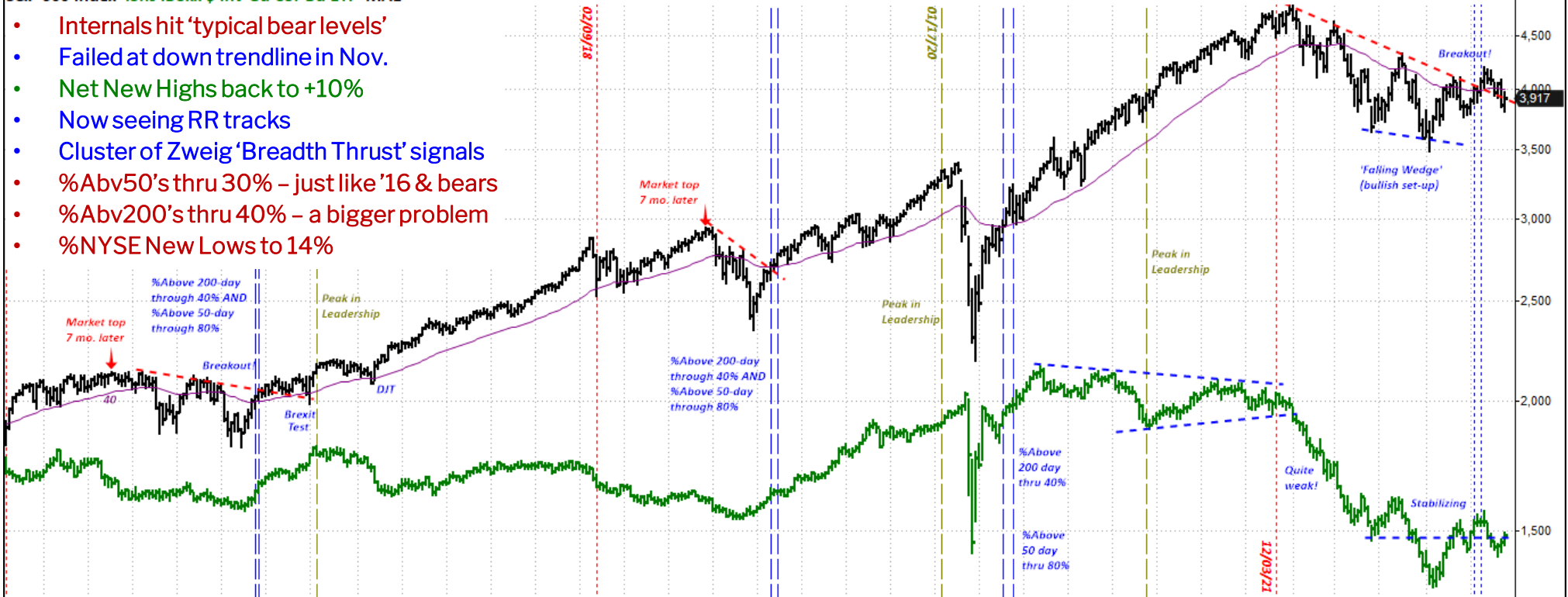
IG Trends:

- ▲ 2 bp; (to 1.90%)
- Cycle high: 2.27%
- Flashed DMI 'Buy' – March 17th
- Flashed DMI 'Sell' – Nov 18th
- Broke Parabolic – Nov 4th



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

- 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
- %Abv50's thru 30% - just like '16 & bears
- %Abv200's thru 40% - a bigger problem
- %NYSE New Lows to 14%



Stocks

Daily Charts:

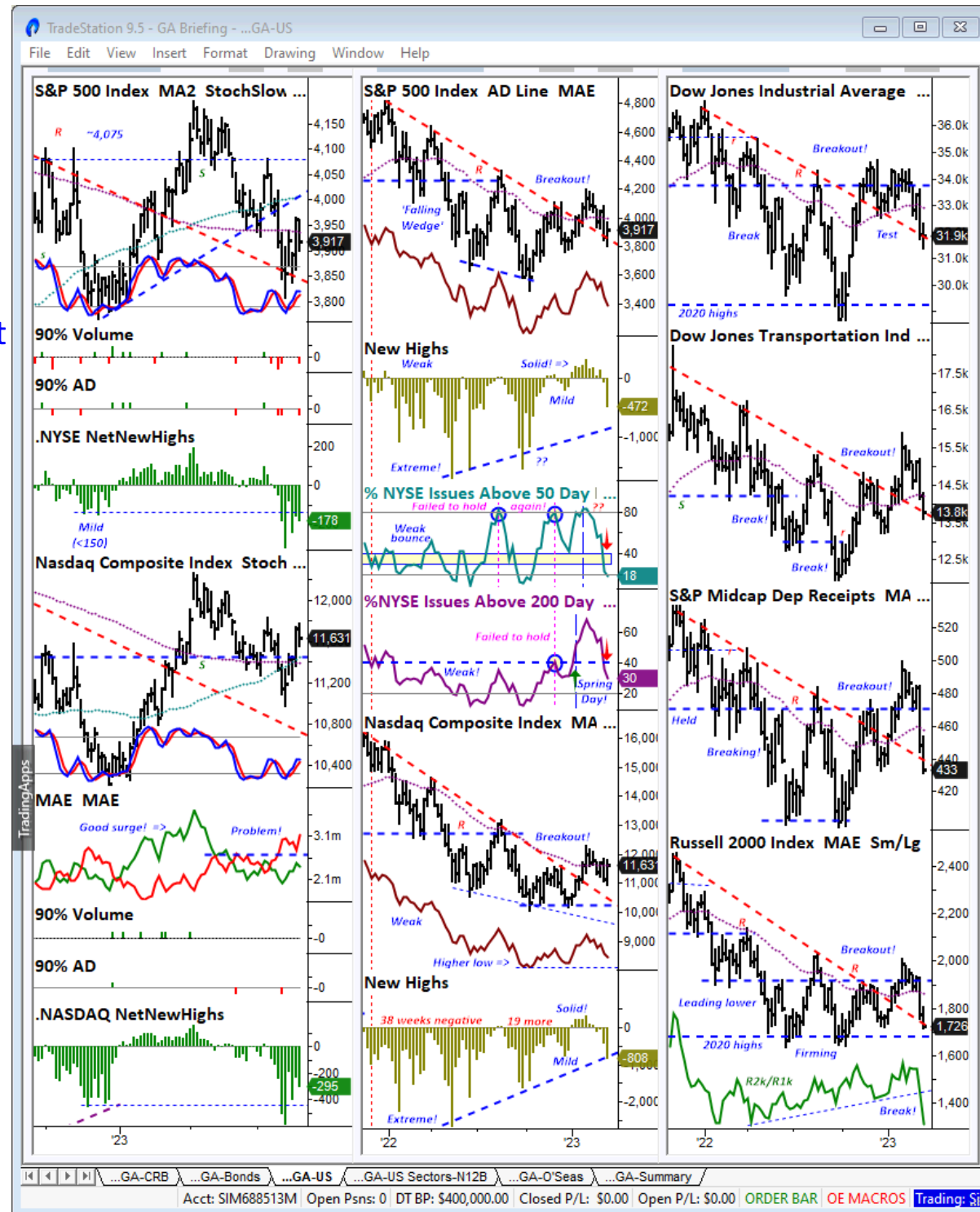
- Mixed week for stocks
- '80% Down Day' on Friday (NYSE)
- Internals weaker than Dec, stronger than Oct
- IBD: 'Market in Correction'
- Market has seen ST damage technically
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ☐ Test the breakout

Weekly Charts:

- Testing LT breakouts, need to hold here
- Breadth indicators breaking 'key' levels
- Can argue both ways on LT technical health
- Small & midcaps relatively weak

Bottom Line:

- Market has seen ST damage technically
- Can argue either way on LT health

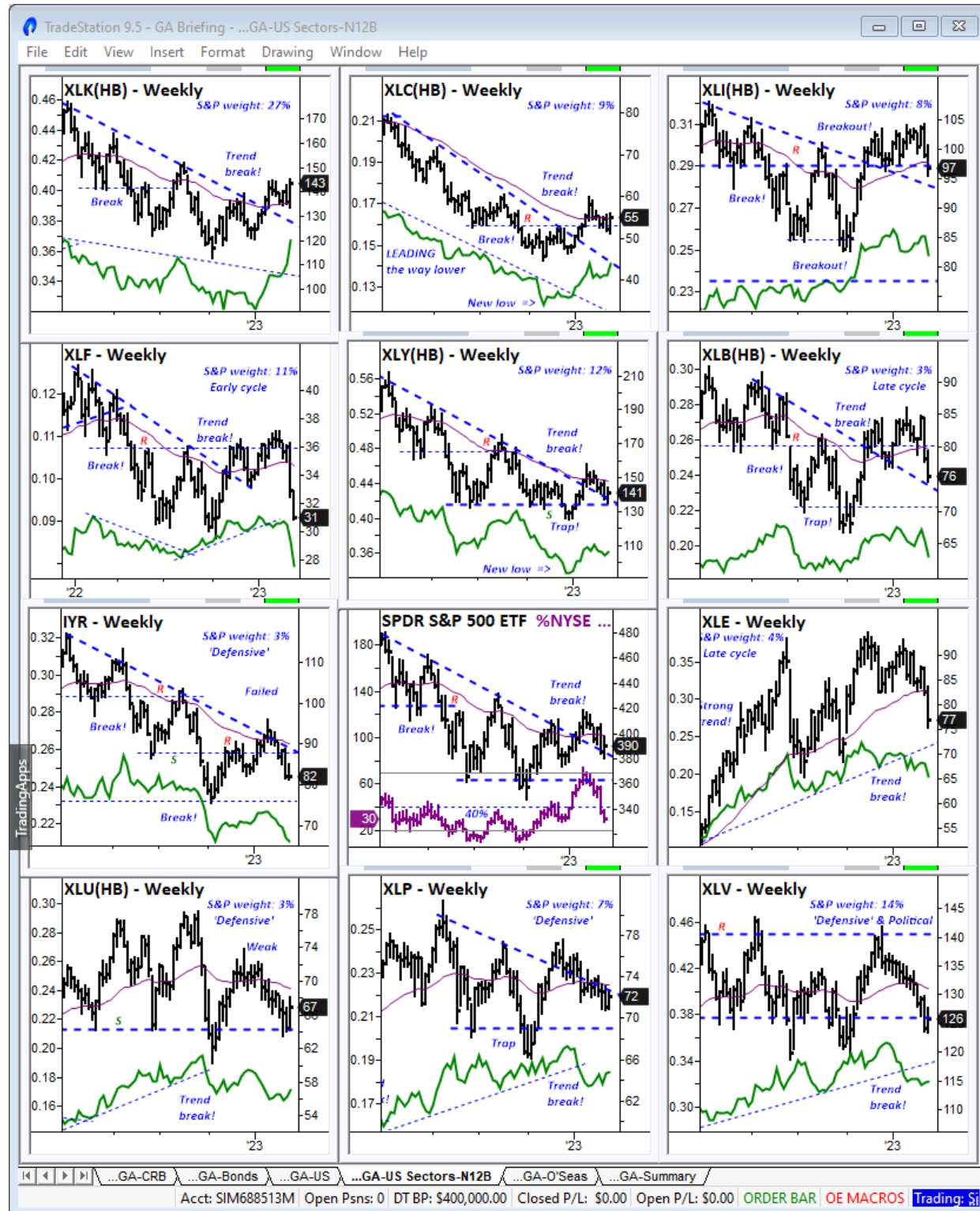


Market Sectors

Symbol	%Wk	%Yr	PrYr...	POL	MOL	W...
XLK(HB)	5.7%	15%	-28%	27%	29%	26
XLC(HB)	5.3%	15%	-38%	23%	33%	26
XLU(HB)	4.0%	-5%	-2%	11%	24%	26
XLY(HB)	2.3%	9%	-37%	12%	27%	26
XLP	1.4%	-3%	-3%	9%	17%	26
XLV	1.4%	-7%	-4%	5%	18%	26
SPY	1.3%	2%	-19%	12%	20%	26
IYR	0.0%	-3%	-28%	8%	27%	26
XLI(HB)	-2.4%	-2%	-7%	17%	26%	26
XLB(HB)	-3.4%	-3%	-14%	13%	28%	26
XLF	-5.9%	-9%	-12%	5%	25%	26
XLE	-6.8%	12%	58%	12%	38%	26
\$COMPX	4.4%	11%	-33%	15%	22%	26
\$SPX.X	1.4%	2%	-19%	12%	20%	26
\$INDU	-0.1%	-4%	-9%	11%	21%	26
\$RJUT	-2.6%	-2%	-22%	5%	22%	26
MDY(HB)	-3.3%	-2%	-14%	9%	25%	26
TLT	1.2%	7%	-33%	16%	19%	26
LQD	1.1%	2%	-20%	10%	14%	26
HYG	-0.1%	0%	-15%	4%	10%	26
IWF(HB)	4.1%	9%	-30%	15%	20%	26
IWO(HB)	-1.5%	1%	-27%	7%	22%	26
IWD(HB)	-1.6%	-4%	-10%	9%	21%	26
IWN	-3.9%	-4%	-16%	3%	23%	26

Key Points:

- Sectors & indices mixed on the week
- Bonds again major winners
- No real theme in sectors
- Technology remains strongest YTD



Overseas Markets

Indices:

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

Country Tour:

- Germany: 'H&S' bottom in place
- France: 'H&S' bottom in place
- **UK: Slipping through 40-wk.**
- Japan: Holding 'H&S Neckline'
- Korea: Struggling to hold 'H&S Neckline'
- China: MCHI struggling at 2018 lows
- **India: Breaking support from COVID highs**
- **Ruble: Reversed last week's surge**
- 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\$:

- BCOM weak, looks to be breaking 105 area
- Crude breaking support at \$70 & SPR bid
- Gold sharply higher on the week

Yields / Credit:

- Strong move into bonds over last week
- Testing chart support & 200-day
- Spreads widening; credit ETFs firm

Stocks:

- Mixed week for stocks
- Internals weaker than Dec, stronger than Oct
- Market has seen ST damage technically
- Can argue either way on LT health
- Small & midcaps relatively weak
- Most risk metrics showing 'higher lows'

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 17, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.