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NEXPOINT

Weekly Market Deep Dive

March 27, 2023

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Commodities / Dollar

US\$ / FX:

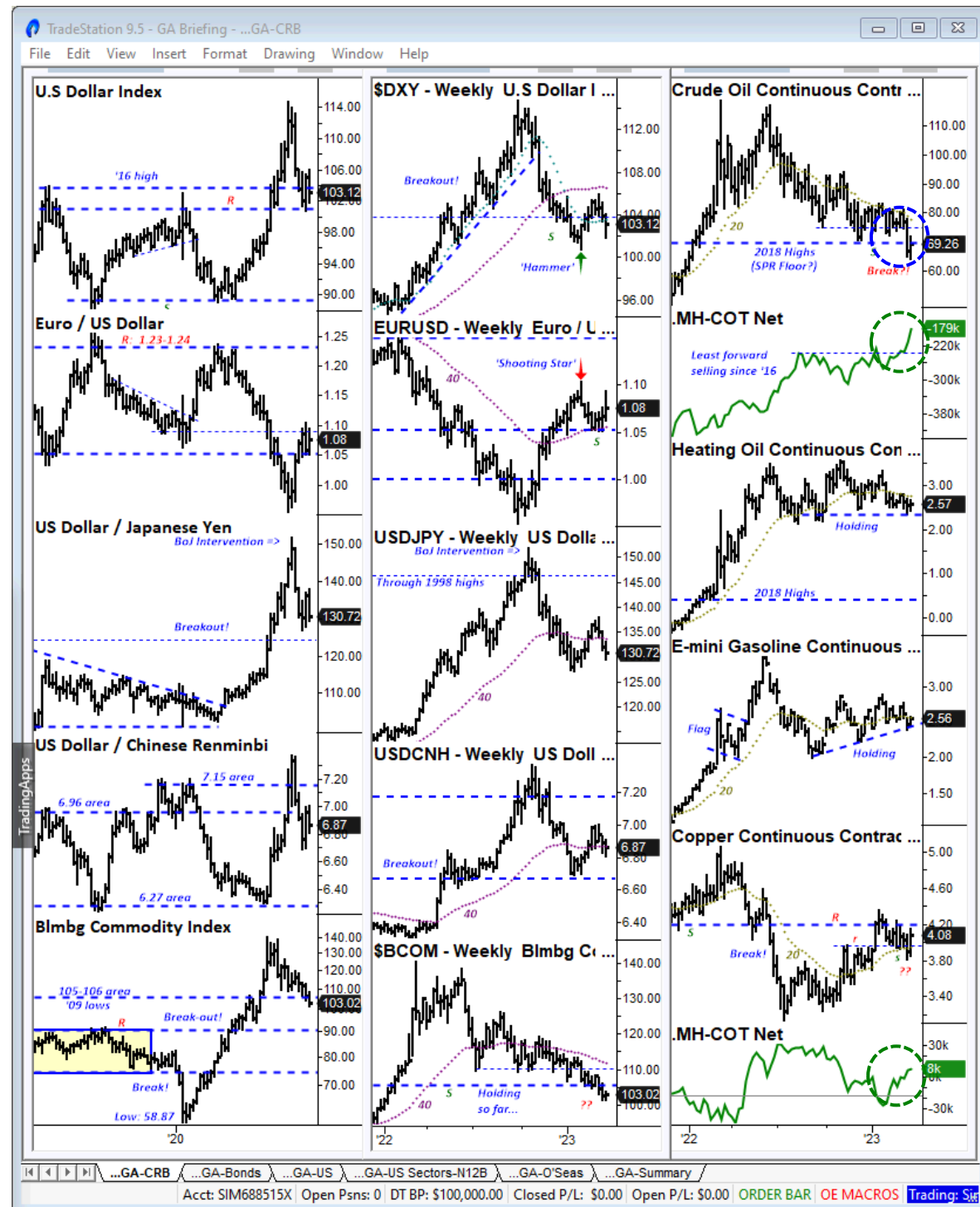
- US\$ again lower, closed in middle of range
- Euro still holding 40-wk. average
- Holding key long term areas technically
- BoJ intervention top remains in place

Commodities & Sectors:

- BCOM below 105 for 2nd straight week
- Crude trying to hold \$70 & SPR bid
- ULSD & unleaded still holding
- Crude COT pressing 2016 highs
- Copper back through support at 4
- Copper COT remains net positive

Bottom Line:

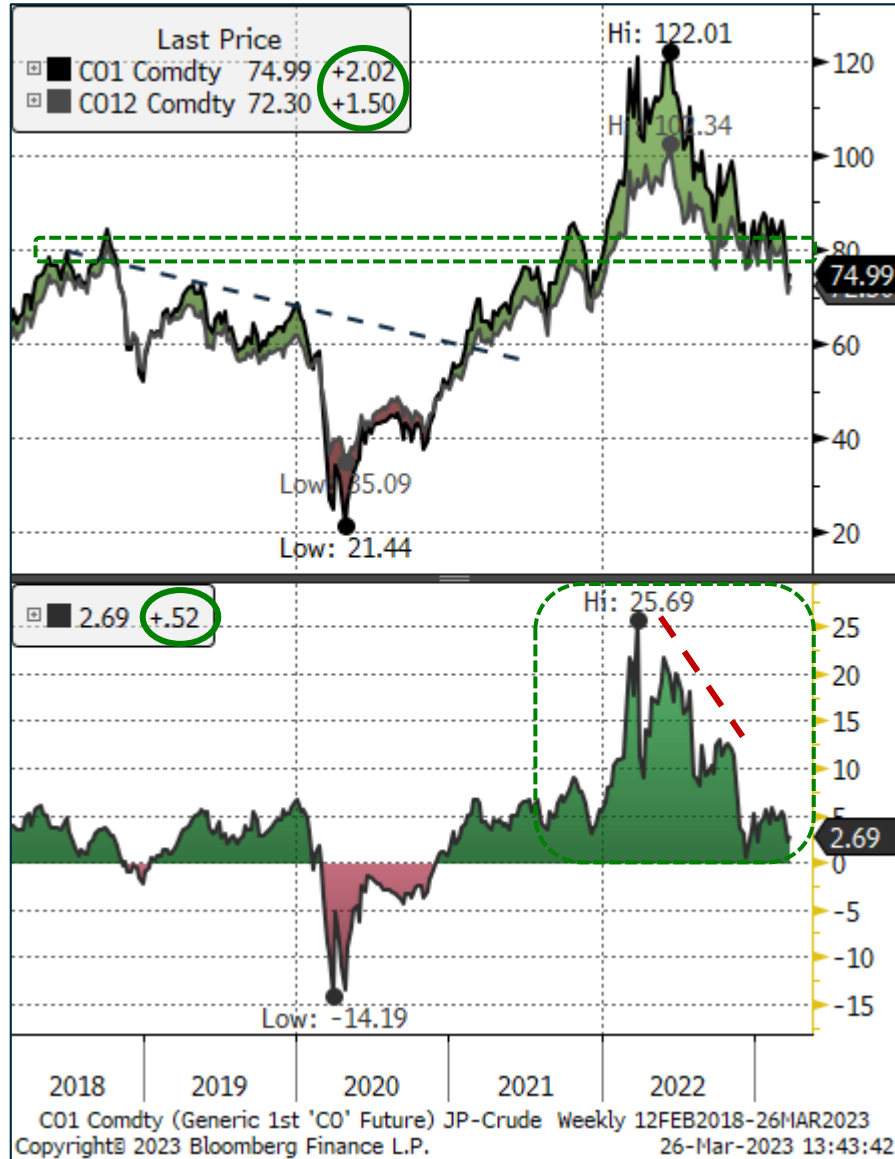
- US\$ & Euro holding LT support/resistance
- BCOM struggling to hold key support
- Very bullish COTs in crude & copper



Oil & Gold

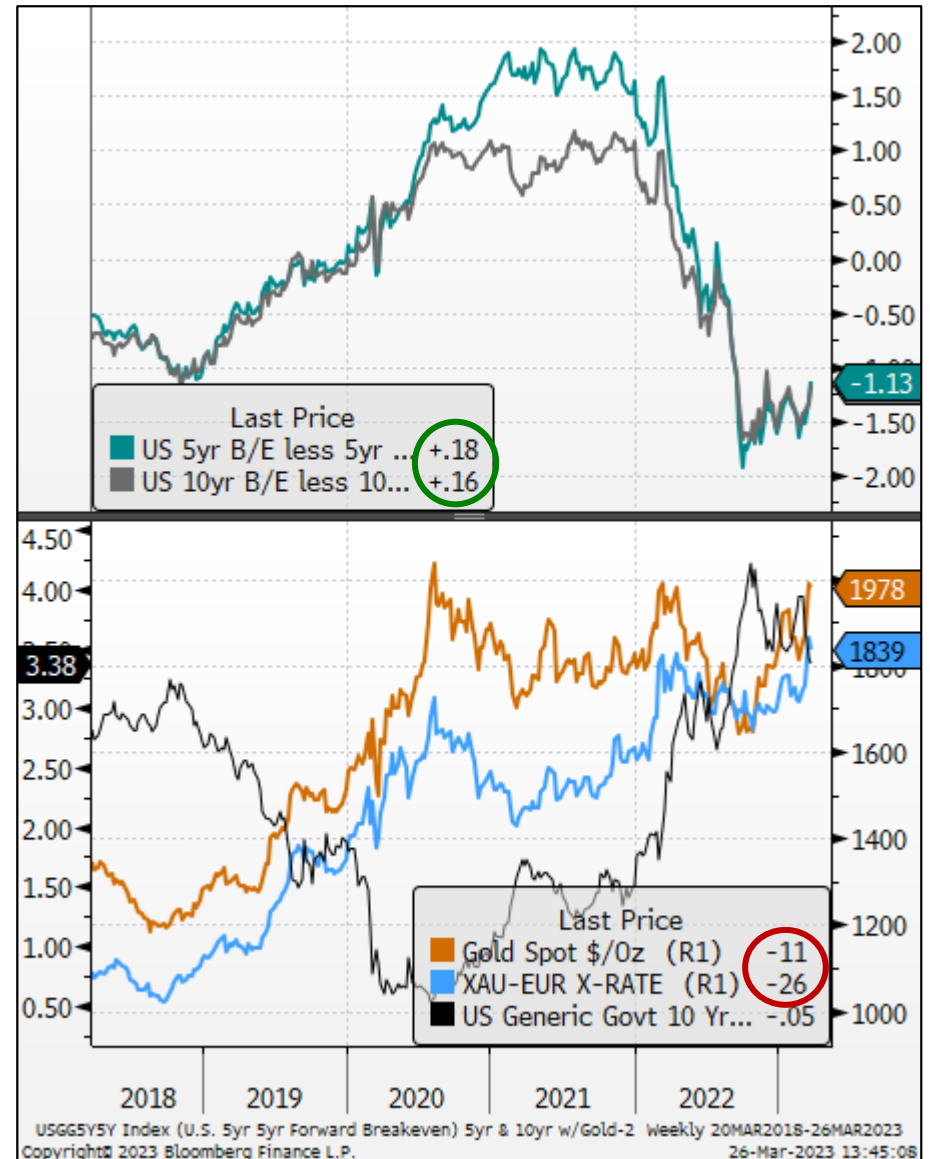
Oil:

- Brent holding below key \$80 area
- Spread slightly higher on week, up to \$2.69
- Oil weak despite Russia's production cut



Gold:

- Spreads higher last week – +18 & 16 bp
- Gold eased on the week, despite a drop in TNX
- New high for gold in Euro's last week

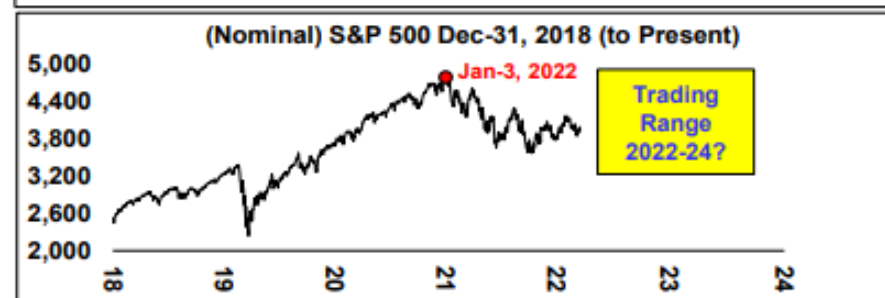
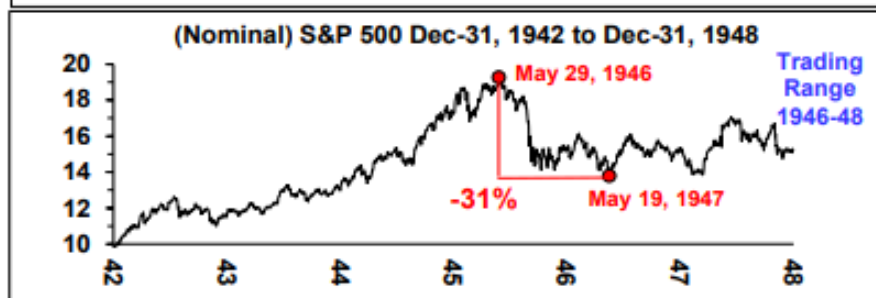
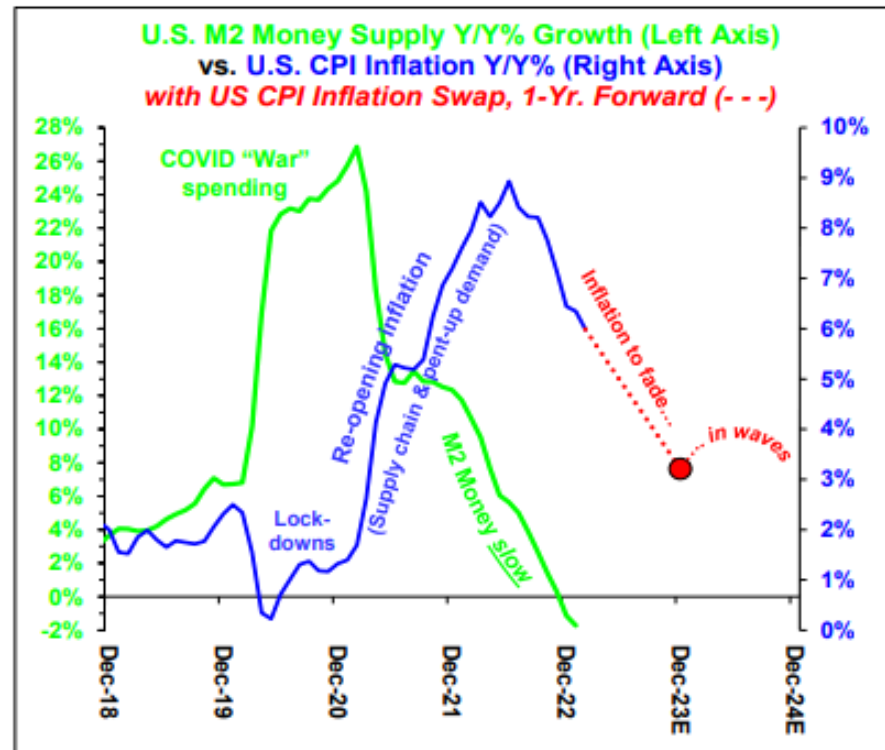
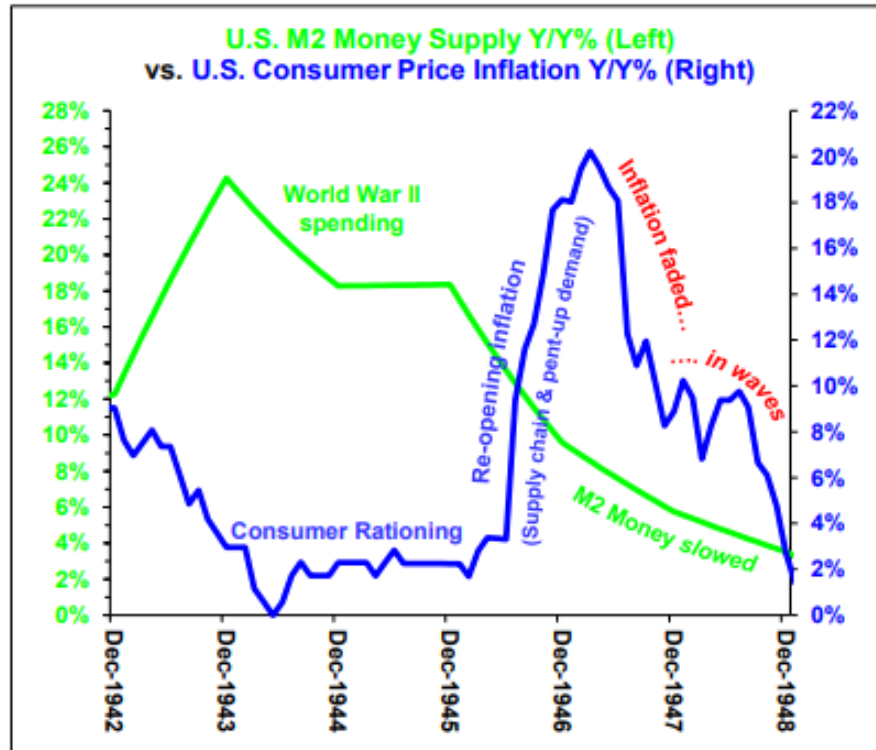


Bannister (As of: 3/23/23)

March 23, 2023

Barry B. Bannister, CFA Stifel Equity Strategy bbbannister@stifel.com

WW2 = COVID : Both had M2 money spikes⁽¹⁾, re-opening inflation (which later fell in waves), and then a range-bound S&P 500



Source: [U.S. Census Bureau - Historical Statistics of the United States - M2 Money Supply](#) 1942 to 1948, BLS inflation data, Bloomberg M2 data, Stifel estimates as notated.

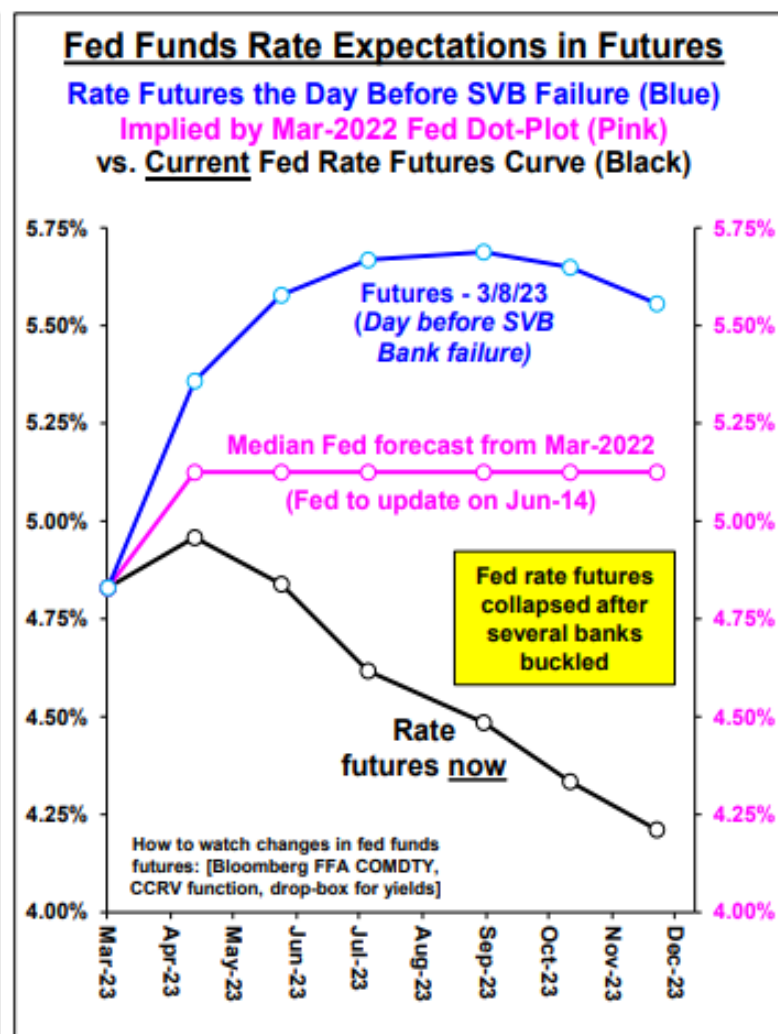
(1) Academic research estimates that the U.S. (dollar-only) cost of World War II grossed up to *current* (2022) prices was **\$5.4 Trillion**. [COVID Bills](#) passed during the Trump Administration totaled \$3.4T and in the Biden Administration the [2021 American Rescue Plan Act](#) was \$1.9T, for total COVID-19 fiscal appropriations (in one year) of **\$5.3 Trillion**. Although W.W. 2 was more costly as a percentage of U.S. GDP (or GNP) at the time, the COVID appropriations (and >25% y/y M2 money cycle) occurred rapidly.

Bannister (As of: 3/23)

March 23, 2023

Barry B. Bannister, CFA Stifel Equity Strategy bbbannister@stifel.com

We see the S&P 500 by mid-2023⁽¹⁾ at 4,100-4,300 (mid-point 4,200) and observe that stocks fell last year in-line with a recession



Source: Bloomberg data, Stifel estimates.

(1) Following our report 10/24/22 [S&P 500 to 4,300 next 6 months as inflation slows and peak Fed hawkishness is in the price](#) the S&P 500 fleetingly reached 4,179 on 2/2/23.

(2) The 3-stage decline 12/30/21 to 10/13/22 was a classic (and visible in the chart) investor psychology "triple waterfall" of: (1) Shock, (2) Acceptance, and (3) Capitulation.

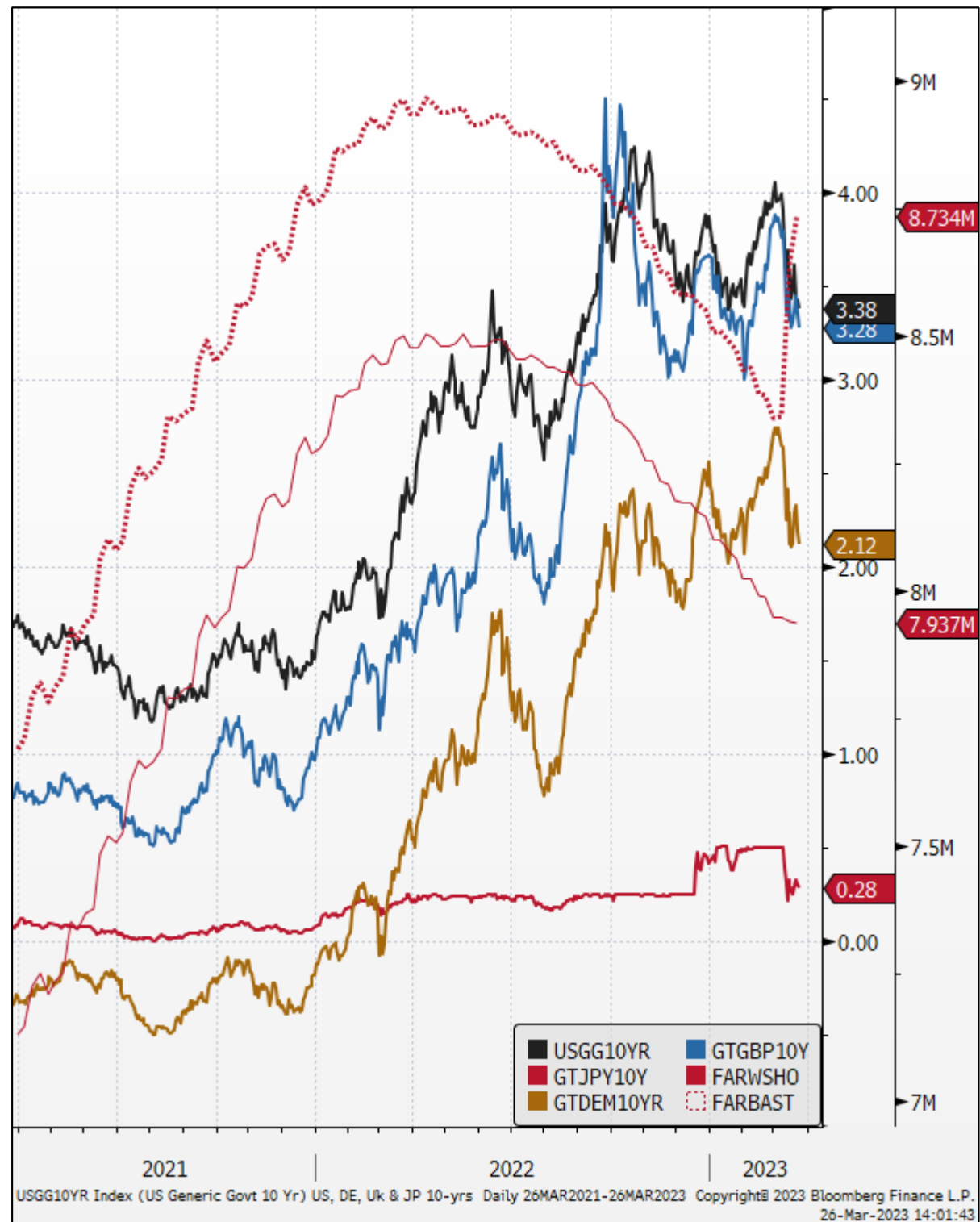
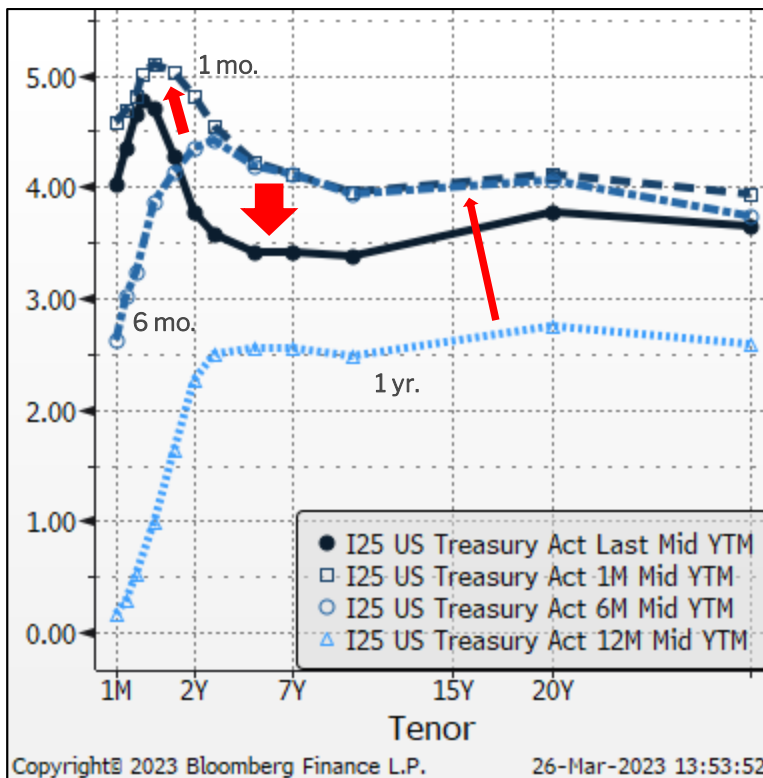
Global Yields

Global 10-yr. yields little changed

- US: ▼ 5 bp – Entire curve below fed funds
- UK: Unch. – Big move in short rates
- Germany: ▲ 2 bp – 2-wk from cycle high
- Japan: Unch. – ½% lid held

Fed BS: ▼\$3B; ▼\$568B in total

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



Bonds / Rates

Daily Charts:

- Rates remain off cycle highs
- **Failure Swing in Nov led to consolidation**
- Testing chart support & 200-day – **HARD**
- 3-mo. – 10-yr. inversion **remains wide**

Weekly Charts:

- Rates failed near upper Bollinger Band
- Support remains in 3¼-1½% area
- LQD & HYG remain firm, holding support
- **Failure Swing in June led to consolidation**

Monthly Charts:

- TNX has broken secular downtrend
- **Now seeing pending Failure Swing**
- 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
- LQD & HYG stabilizing / improving



Credit Spreads

Spreads:

- Spreads little changed on the week
- Now approaching broken trendlines

CCC Trends:

- ▲ 8 bp; (to 10.49%)
- Back above 10%
- Cycle high: 11.24%

HY Trends:

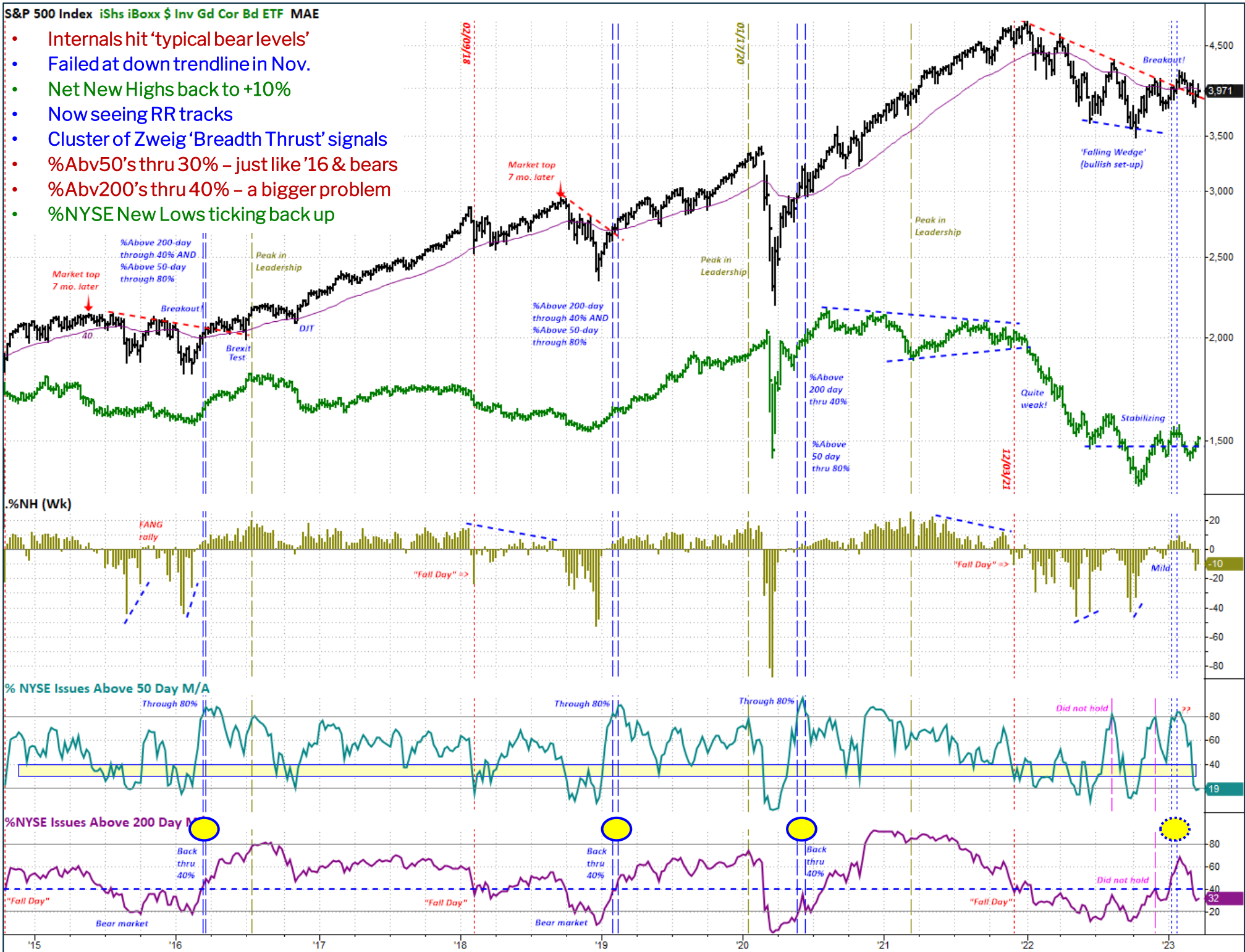
- ▲ 3 bp; (to 5.43%)
- Back above 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▼ 6 bp; (to 1.88%)
- Cycle high: 2.27%
- Flashed DMI 'Buy' – March 17th
- Flashed DMI 'Sell' – Nov 18th
- Broke Parabolic – Nov 4th



- 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 ticking back up



Stocks

Daily Charts:

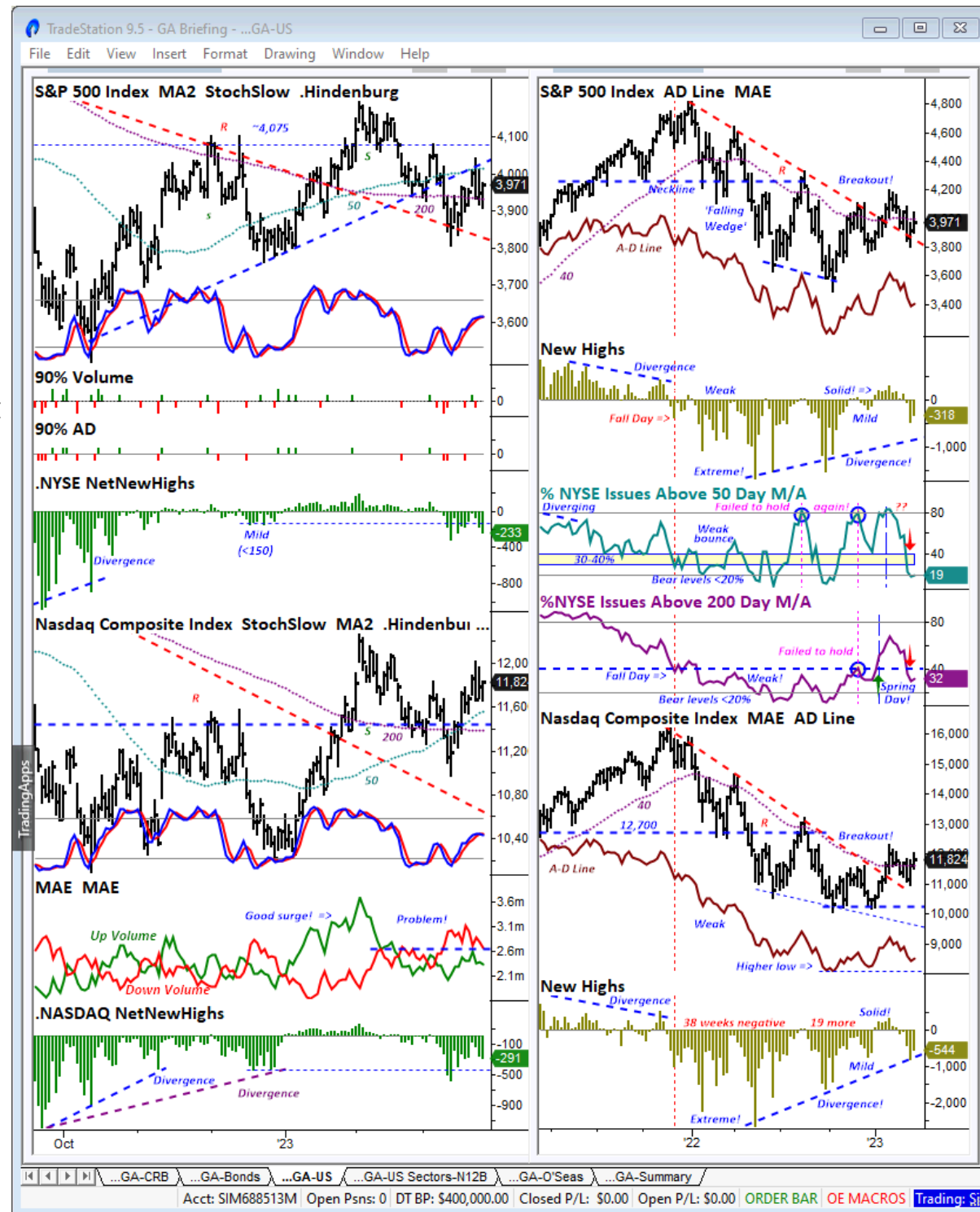
- Another mixed week for stocks
- Market has seen ST damage technically
- NYSE failed at broken ST up trendline
- Still holding longer term breakout
- Internals weaker than Dec, stronger than Oct
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ❑ Test the breakout

Weekly Charts:

- Testing LT breakouts, **still holding**
- Breadth indicators weak; leadership fine
- 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
- **Still testing breakout – holding so far**



Market Sectors

Symbol	%Wk	Yr...	PrY...	POL	MOL	W...
XLC	3.0%	18%	-38%	26%	33%	26
XLK	1.7%	17%	-28%	29%	31%	26
XLB(HB)	1.7%	-1%	-14%	15%	28%	26
SPY	1.7%	3%	-19%	14%	20%	26
XLE	1.2%	-11%	58%	13%	38%	26
XLP	1.2%	-2%	-3%	10%	17%	26
XLV	1.1%	-6%	-4%	6%	18%	26
XLI	0.2%	-1%	-7%	17%	26%	26
XLV(HB)	0.2%	10%	-37%	12%	25%	26
XLV	0.0%	-9%	-12%	5%	25%	26
IYR(HB)	-1.7%	-4%	-28%	7%	27%	26
XLV	-1.9%	-7%	-2%	9%	22%	26
\$COMPX	1.7%	13%	-33%	17%	22%	26
\$SPX.X	1.4%	3%	-19%	14%	20%	26
MDY	1.2%	-1%	-14%	10%	25%	26
\$INDU	1.2%	-3%	-9%	12%	21%	26
\$RUT	0.5%	-1%	-22%	6%	22%	26
LQD	1.4%	4%	-20%	11%	14%	26
HYG	0.3%	0%	-15%	5%	10%	26
TLT	0.0%	7%	-33%	16%	19%	26
IWF(HB)	1.5%	10%	-30%	17%	20%	26
IWO(HB)	0.6%	2%	-27%	8%	22%	26
IWD(HB)	0.5%	-3%	-10%	9%	21%	26
IWN	-0.3%	-5%	-16%	3%	23%	26

Key Points:

- Sectors & indices mostly higher
- Financial sectors remain weak
- FANG strength was again the 'theme'
- Technology remains strongest YTD



LSGV (3/23/23)

LSGV Model

- Based on crosses in MAs (13 & 34)
- Shows performance of small vs. large (top); growth vs. value (bottom)
- Monthly charts left side; weekly right
- Neither are correlated to tops & bottoms in overall equity market

Current Status

- Large vs Small
 - 'Large' on weekly and monthly charts
 - Weekly chart fresh move to 'Large'
 - Clear break of weekly trendline
- Growth vs Value
 - Monthly chart on 'Value'
 - Spent 14 years on 'Growth'
 - Pending signal on weekly chart
 - Clear trendline break on weekly chart

Bottom Line:

Models moving back to Large / Growth, at least over intermediate term



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
- UK: Slipping through 40-wk.
- Japan: Holding 'H&S Neckline'
- Korea: Struggling to hold 'H&S Neckline'
- **China: Can argue forming bottoms**
- India: Testing support above COVID highs
- 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 below 105 for 2nd straight week
- Crude trying to hold \$70 & SPR bid
- Very bullish COTs in crude & copper

Yields / Credit:

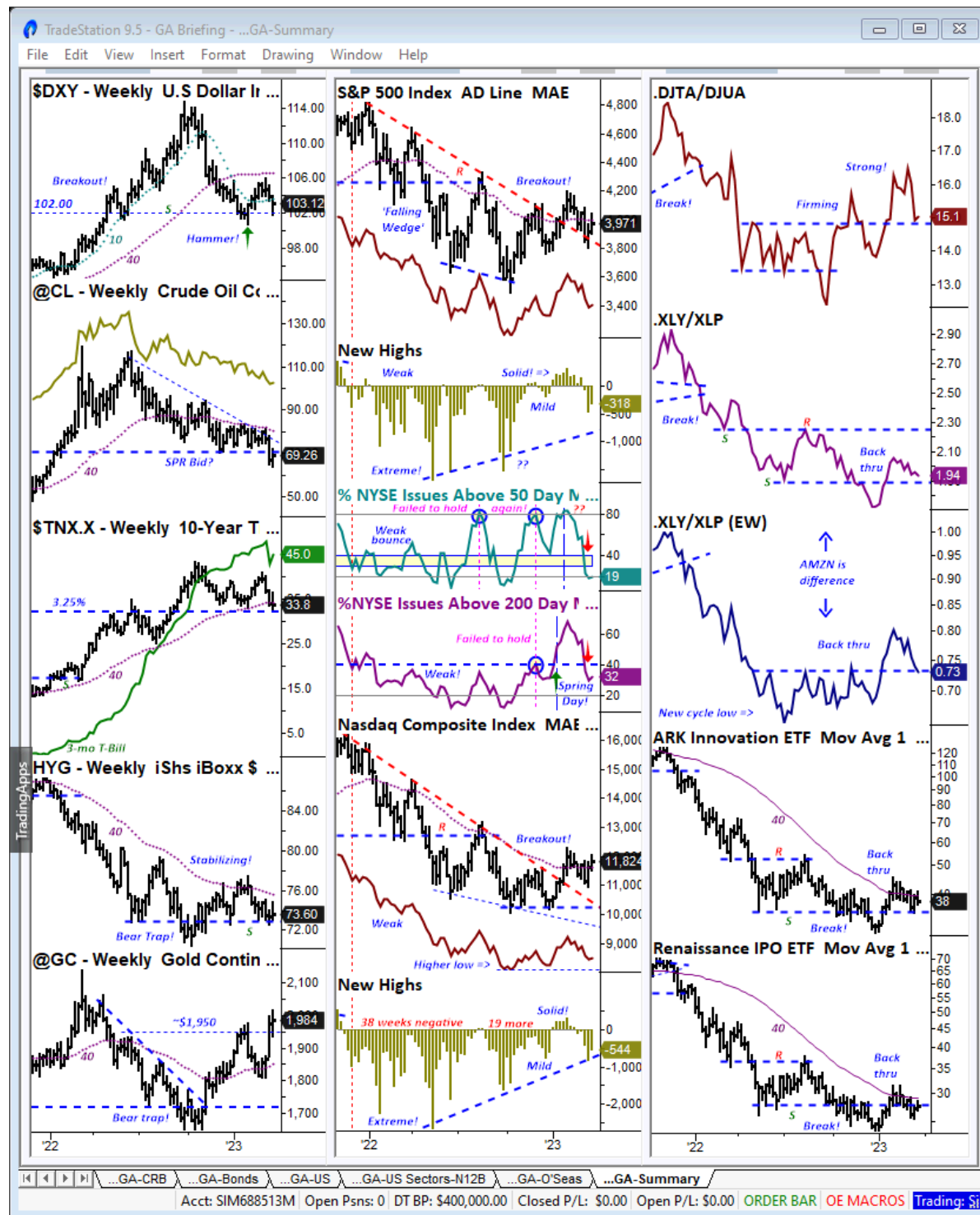
- Testing chart support & 200-day – **HARD**
- Can argue have seen cycle high in rates
- Spreads widening; credit ETFs remain firm

Stocks:

- Another mixed week for stocks
- Still testing breakout – holding so far
- Internals weaker than Dec, stronger than Oct
- Can argue either way on LT health
- Continue to see move into FANG's/Growth
- Financial sectors remain a big concern
- Most risk metrics trying to form 'higher lows'

Overseas:

- Overseas ETFs lower on week
- China trying to bottom





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 24, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.