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NEXPOINT

Weekly Market Deep Dive

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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:

- Crude back above \$70 & SPR bid
- ULSD & unleaded still holding
- Crude COT pressing 2016 highs
- Copper COT remains net positive
- All sub-sectors in long-term uptrends

Bottom Line:

- US\$ & Euro holding LT support/resistance
- Crude seeing 'bear trap' at \$70
- All sub-sectors in long-term uptrends
- Very bullish COTs in crude & copper



Oil & Gold

Oil:

- Rig count turning back up (cycle high in early Dec.)
- COT also strong, pushing Feb'16 high (169k)
- While COT extended, through secular downtrend



Gold:

- Monthly chart still bullish (large 'cup & handle')
- Silver also showing 'bear trap' (in \$20 area)
- Gold/silver ratio remains neutral



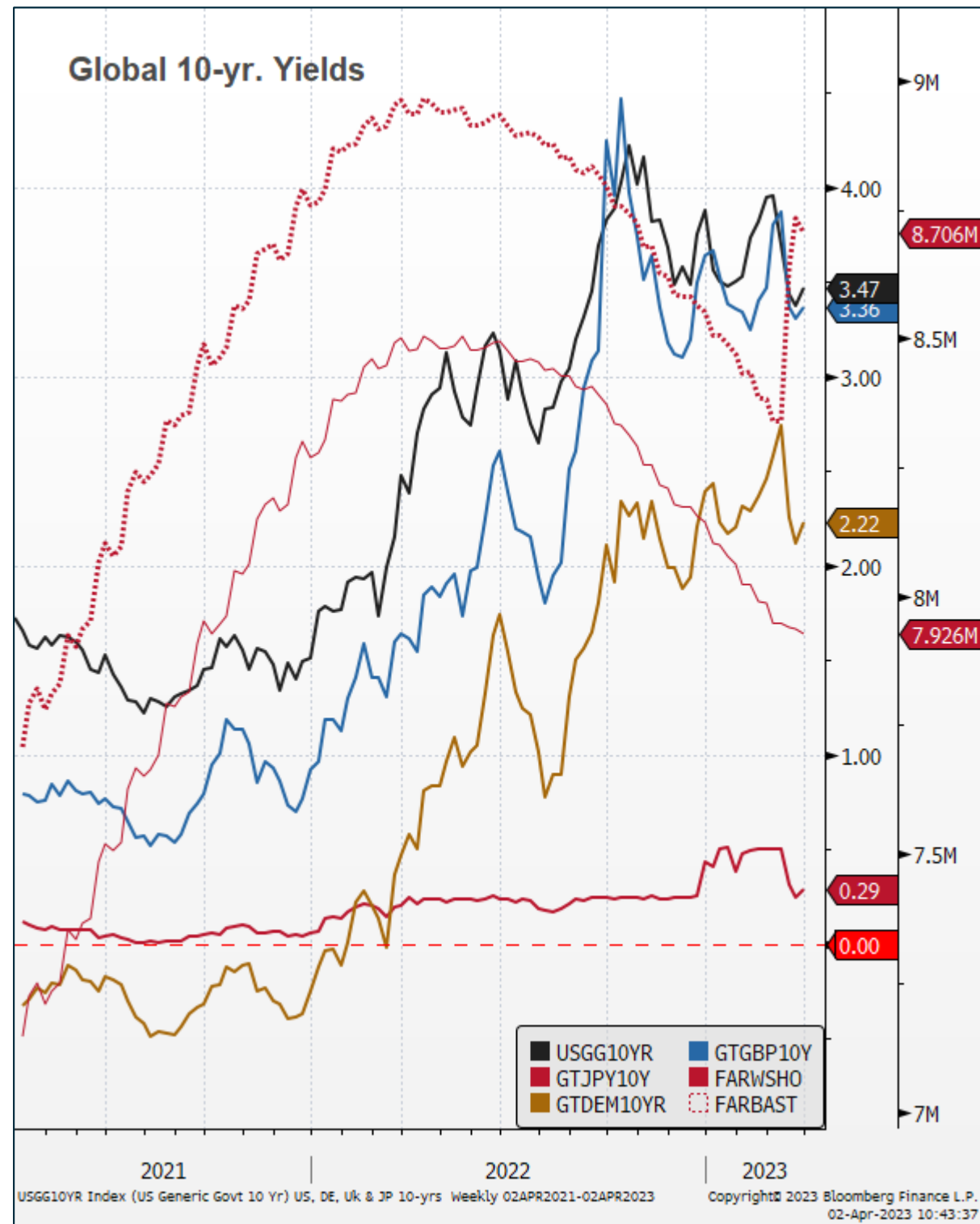
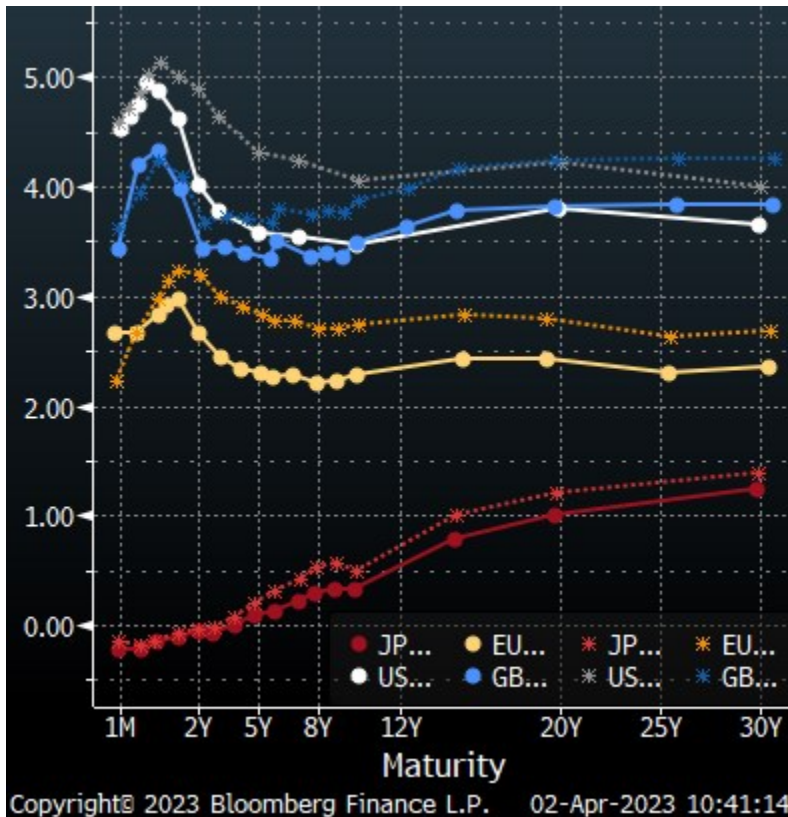
Global Yields

Global 10-yr. yields little changed

- Curves showing 'whip' over last month
- US: ▲ 9 bp – Entire curve below fed funds
- UK: ▲ 5 bp – Big move in short rates
- Germany: ▲ 10 bp – 2-wk from cycle high
- Japan: ▲ 15 bp – ½% lid held

Fed BS: ▼\$11B; ▼\$579B in total

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



Bonds / Rates

Daily Charts:

- Rates higher on week, but weak close
- Failure Swing in Nov led to consolidation
- Testing chart support & 200-day – HARD
- 3-mo. – 10-yr. inversion remains wide

Weekly Charts:

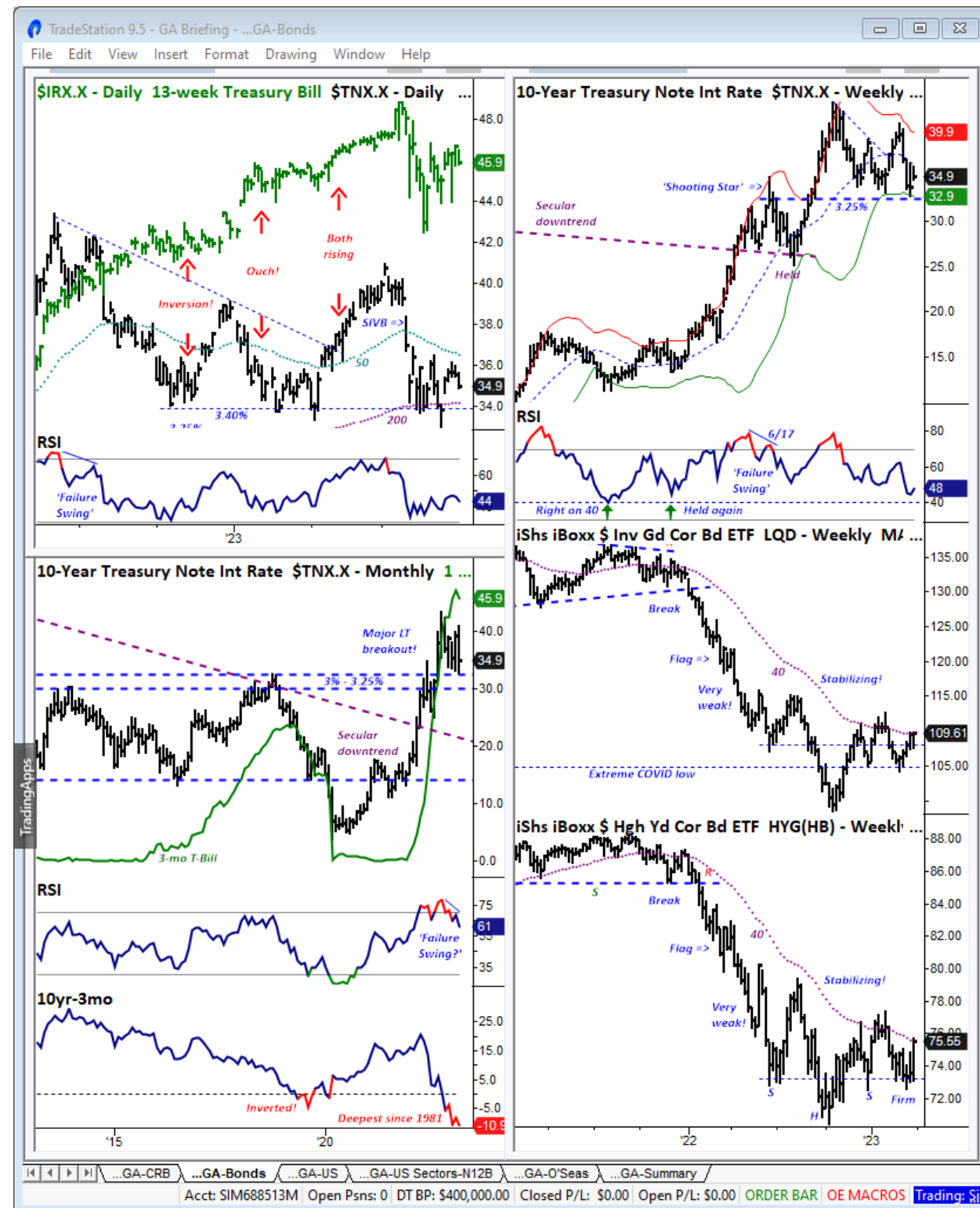
- Rates failed near upper Bollinger Band
- Support remains in 3¼-1½% area
- **LQD & HYG remain firm, pushing 40-wk.**
- Failure Swing in June led to consolidation

Monthly Charts:

- TNX has broken secular downtrend
- **Failure Swing now 'in place'**
- 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 continue to improve**



Credit Spreads

Spreads:

- Spreads sharply lower on the week
- Look to be failing at broken trendlines
- IG spreads back on DMI 'Sell' signal

CCC Trends:

- ▼ 75 bp; (to 9.74%)
- Back above 10%
- Cycle high: 11.24%

HY Trends:

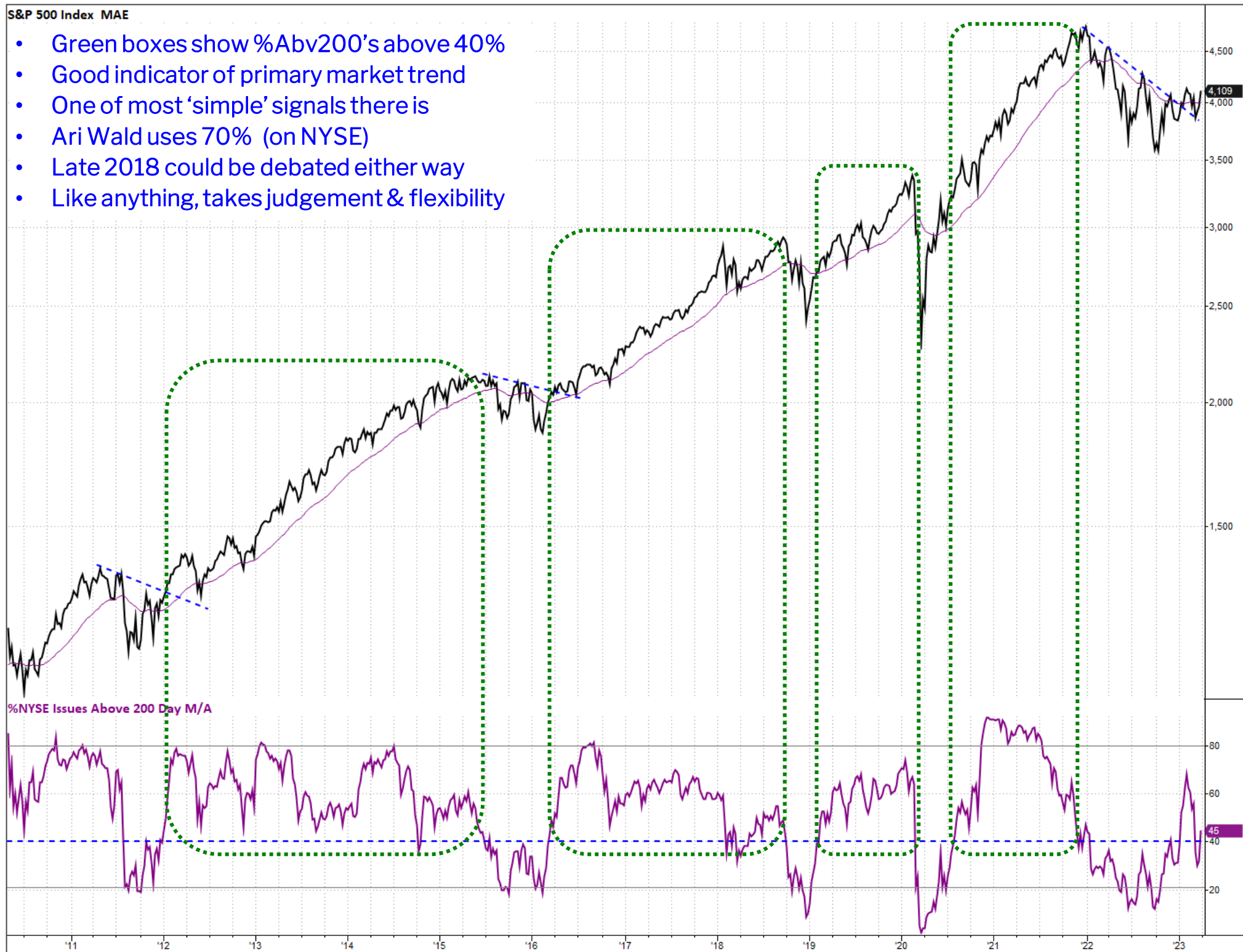
- ▼ 60 bp; (to 4.83%)
- Back above 5%
- Cycle high: 6.03%
- Has broken up trendline

IG Trends:

- ▼ 5 bp; (to 1.82%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' – Nov 18th
- 1 week whipsaw in March
- Broke Parabolic – Nov 4th



- Green boxes show %Abv200's above 40%
- Good indicator of primary market trend
- One of most 'simple' signals there is
- Ari Wald uses 70% (on NYSE)
- Late 2018 could be debated either way
- Like anything, takes judgement & flexibility



Stocks

Daily Charts:

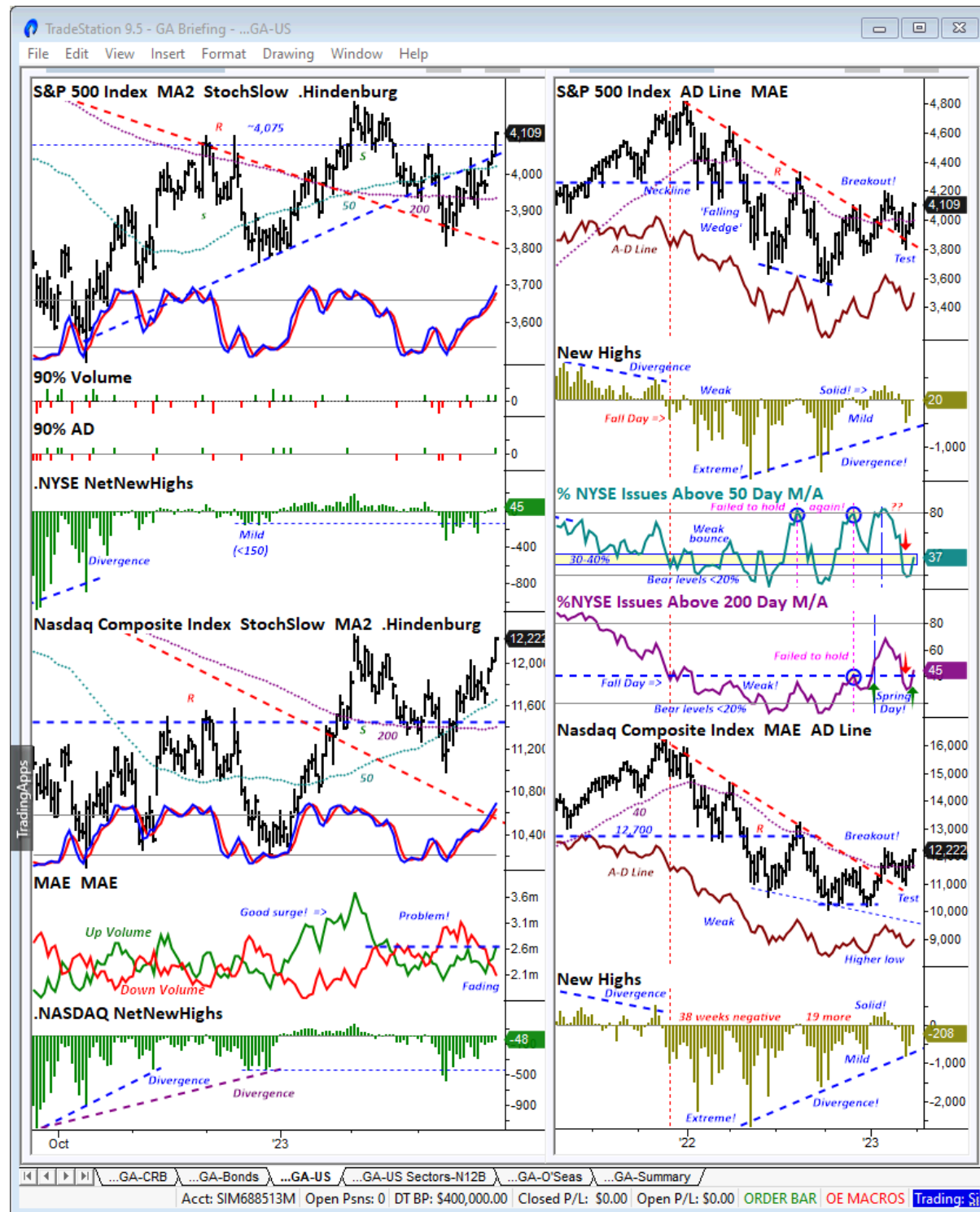
- Good week for stocks, with strong closes
- IBD: Confirmed Rally (Follow-through Wed)
- Market reversing ST technical damage
- Bottoming usually a 4-step process
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ✓ Test the breakout

Weekly Charts:

- Look to have tested breakouts successfully
- Internals continue to look like a bottom
- %Above 200-day's on NYSE back thru 40%
- NYSE Net New Highs back positive

Bottom Line:

- Good week for stocks, with strong closes
- Look to have tested breakouts successfully

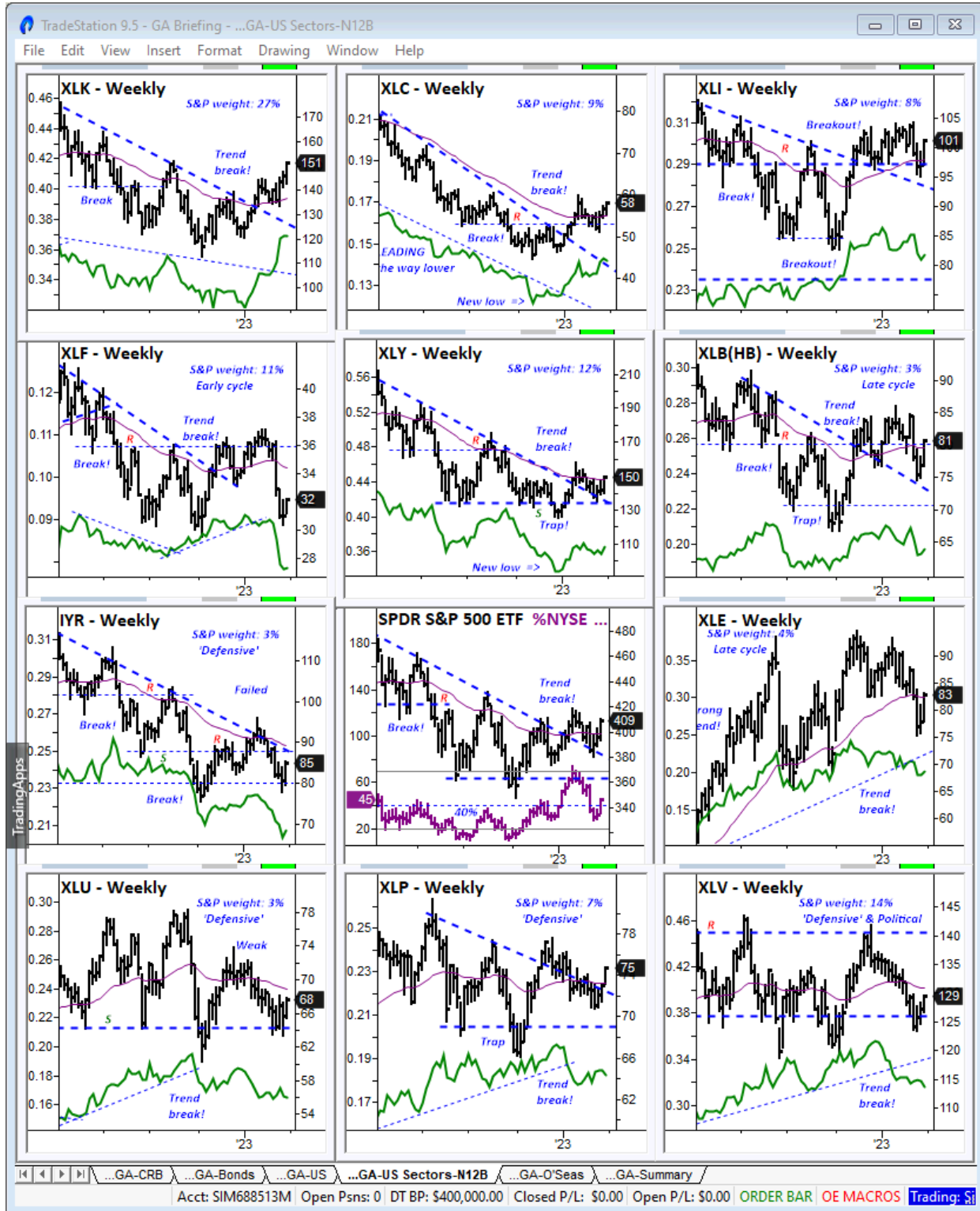


Market Sectors

	Symbol	%Wk	%Yr		% Diff nw		
			Yr...	PrYr...	POL	MOL	W...
➡	XLE	6.3%	-5%	58%	11%	27%	26
	XLY	5.6%	16%	-37%	19%	25%	26
	TYR	5.2%	1%	-28%	12%	27%	26
	XLB(HB)	5.0%	4%	-14%	21%	28%	26
	XLI	4.4%	3%	-7%	22%	26%	26
	XLF	3.7%	-6%	-12%	9%	25%	26
➡	XLK	3.5%	21%	-28%	34%	34%	26
➡	SPY	3.4%	7%	-19%	18%	20%	26
➡	XLU	3.0%	-4%	-2%	12%	22%	26
➡	XLP	2.4%	0%	-3%	13%	17%	26
➡	XLC	2.3%	21%	-38%	29%	33%	26
➡	XLV	1.7%	-5%	-4%	8%	18%	26
	MDY	4.5%	4%	-14%	15%	25%	26
	\$RUT	3.9%	2%	-22%	10%	22%	26
	\$SPX.X	3.5%	7%	-19%	18%	20%	26
	\$COMPX	3.4%	17%	-33%	21%	22%	26
	\$INDU	3.2%	0%	-9%	16%	21%	26
	HYG(HB)	2.6%	3%	-15%	7%	10%	26
	LQD	0.1%	4%	-20%	11%	14%	26
	TLT	-0.5%	7%	-33%	16%	19%	26
	IWO(HB)	4.1%	6%	-27%	12%	22%	26
	IWD	4.0%	0%	-10%	14%	21%	26
	IWN	3.6%	-1%	-16%	7%	23%	26
	IWF	3.2%	14%	-30%	21%	21%	26

Key Points:

- Sectors & indices sharply higher
- Largely a 'risk-on' tone to tape
- Tech & Discretionary still strongest YTD
- Small & mid-caps playing catch-up



Stocks

KRE:

- Bad break of support on heavy volume
- Is biggest market concern technically

FRC:

- Most levered name in group
- Also bad break of support
- Likely a 'key canary' going forward

TSLA:

- Poster child of how to short at resistance
- No meaningful follow through
- Also good canary going forward

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:

- Looks to have tested support successfully



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

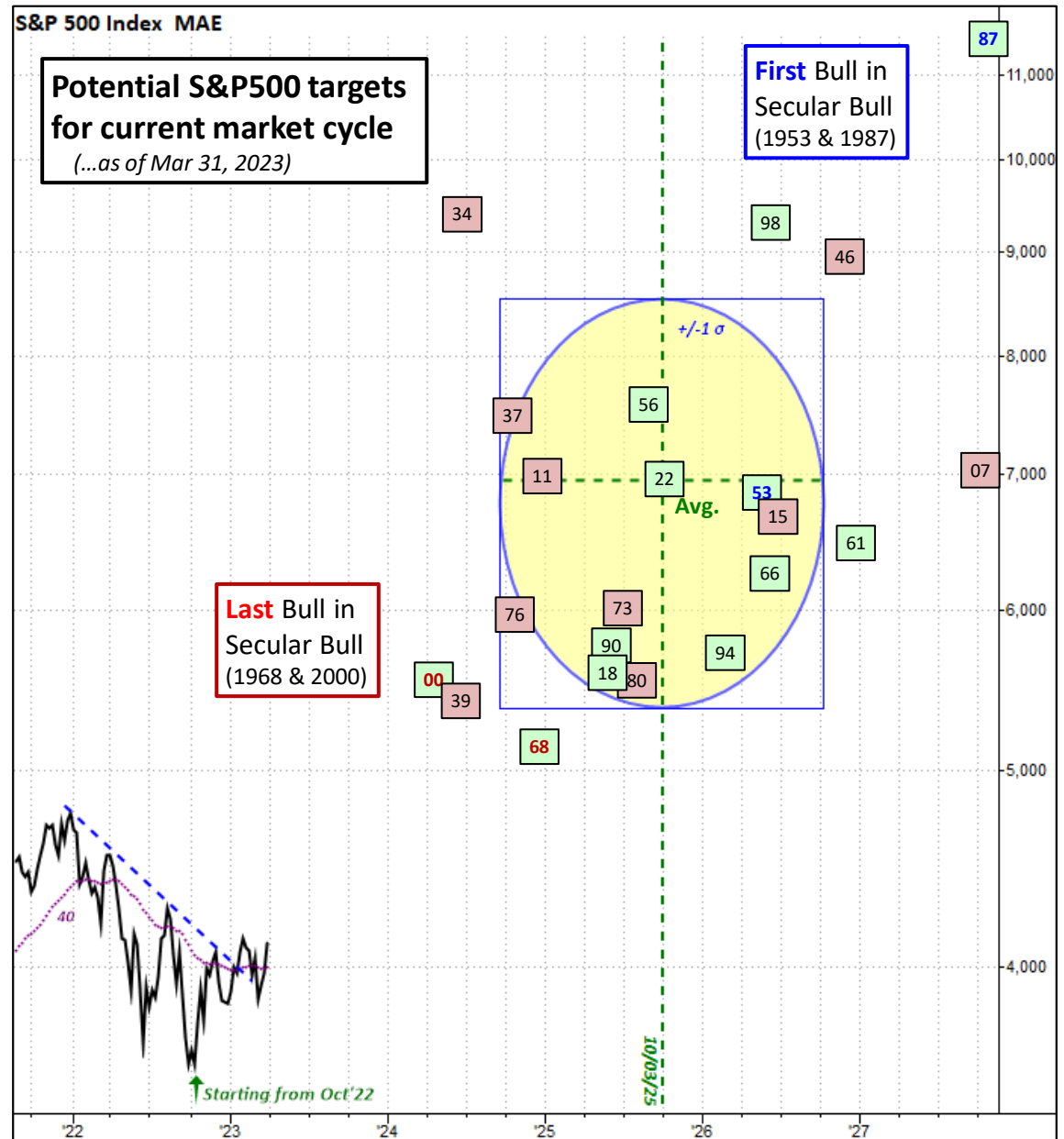
•S&P 500 since 1932 low:

- 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

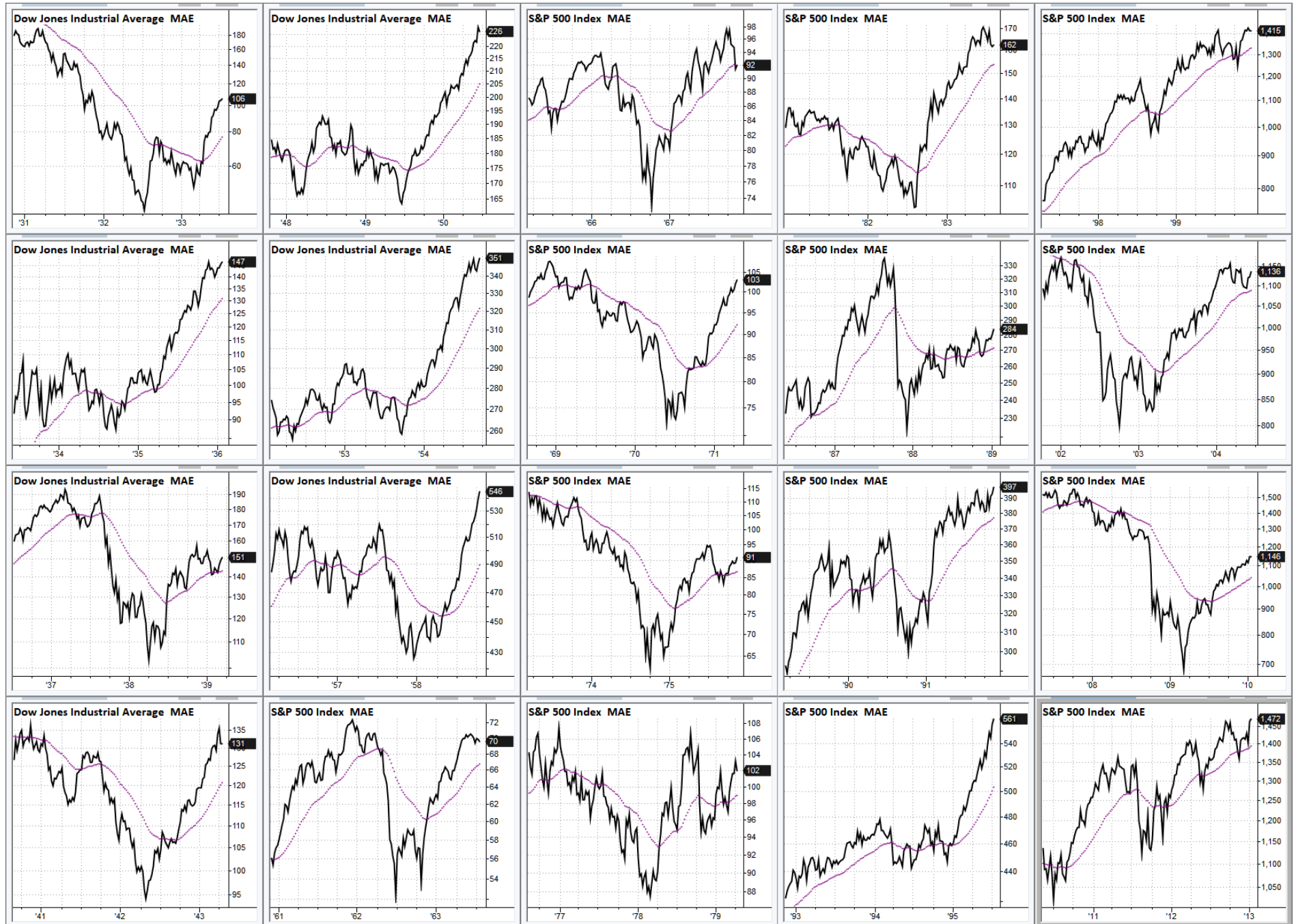
Bottom	12 mo.	Top	Bull Total	The Bear	Bull Repeat
6/1/32 4.40	9.74 121%	2/6/34 11.82	169% 21	(27%) 13	9,381 Jun'24
3/14/35 8.60	14.24 66%	3/6/37 18.68	117% 24	(54%) 13	7,585 Oct'24
3/31/38 8.50	11.51 35%	10/25/39 13.21	55% 19	(43%) 31	5,427 May'24
4/28/42 7.47	11.48 54%	5/29/46 19.25	158% 50	(30%) 37	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%				
		x	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
- 1σ area shown (pK=68%)
- All 22 hypothetical repeats shown



Cyclical Bottoms (1932 – 2012)



Overseas Markets

Indices:

- Overseas ETFs also higher last week
- RS of EFA has been strong
- RS of EEM seeing new lows

Country Tour:

- Germany: 'H&S' bottom in place
- UK: Back through 40-wk. avg.
- Japan: 'H&S' bottom in place
- Korea: 'H&S' bottom in place
- China: Can argue forming bottoms
- India: **Holding** support above COVID highs
- Brazil: **Holding** bottom of LT range

Bottom Line:

- Like US, strong week for EM & DM
- Continued outperformance in EFA
- Numerous 'head & shoulders' on charts



Summary

Commodities / US\$:

- BCOM back above 105
- Crude seeing 'bear trap' at \$70
- All sub-sectors in long-term uptrends
- Large 'cup & handle' on monthly gold chart

Yields / Credit:

- Testing chart support & 200-day – HARD
- Can argue have seen cycle high in rates
- LQD & HYG remain firm, pushing 40-wk.
- Spreads sharply lower on the week

Stocks:

- Good week for stocks, with strong closes
- Look to have tested breakouts successfully
- Most risk metrics also forming 'higher lows'
- Financial sectors remain a big concern

Overseas:

- Like US, strong week for EM & DM
- 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 31, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.