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NEXPOINT

Weekly Market Deep Dive

May 8, 2023

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Commodities / Dollar

US\$ / FX:

- US\$ & FX little changed on week
- *Still* testing support from 2020 highs
- BoJ intervention top remains in place
- AD & CD not bouncing as DXY pulls back
- Potentially concerning (economic) signal

Commodities & Sectors:

- BCOM testing March lows
- Found resistance at 110 & 40-wk.
- Energy patch the weak spot this week
- Gold nearing a break through 2,050 area
- Longer term, sectors remain in uptrends
- Copper trying to hold support at 3.80

Bottom Line:

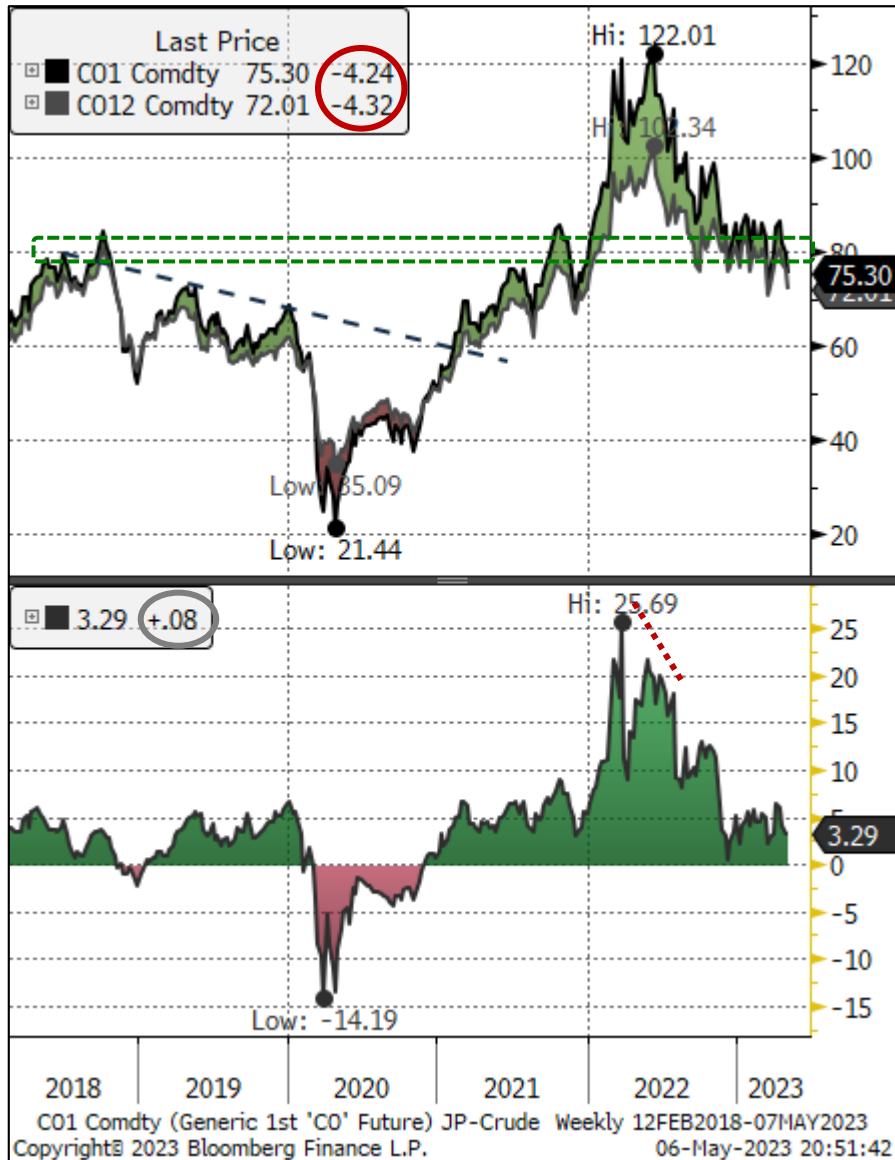
- US\$ testing support in 102 area
- Energy (and copper) continue to struggle
- Gold near a breakout (in US\$, has in Euro's)
- Suggests potential for economic problems



Oil & Gold

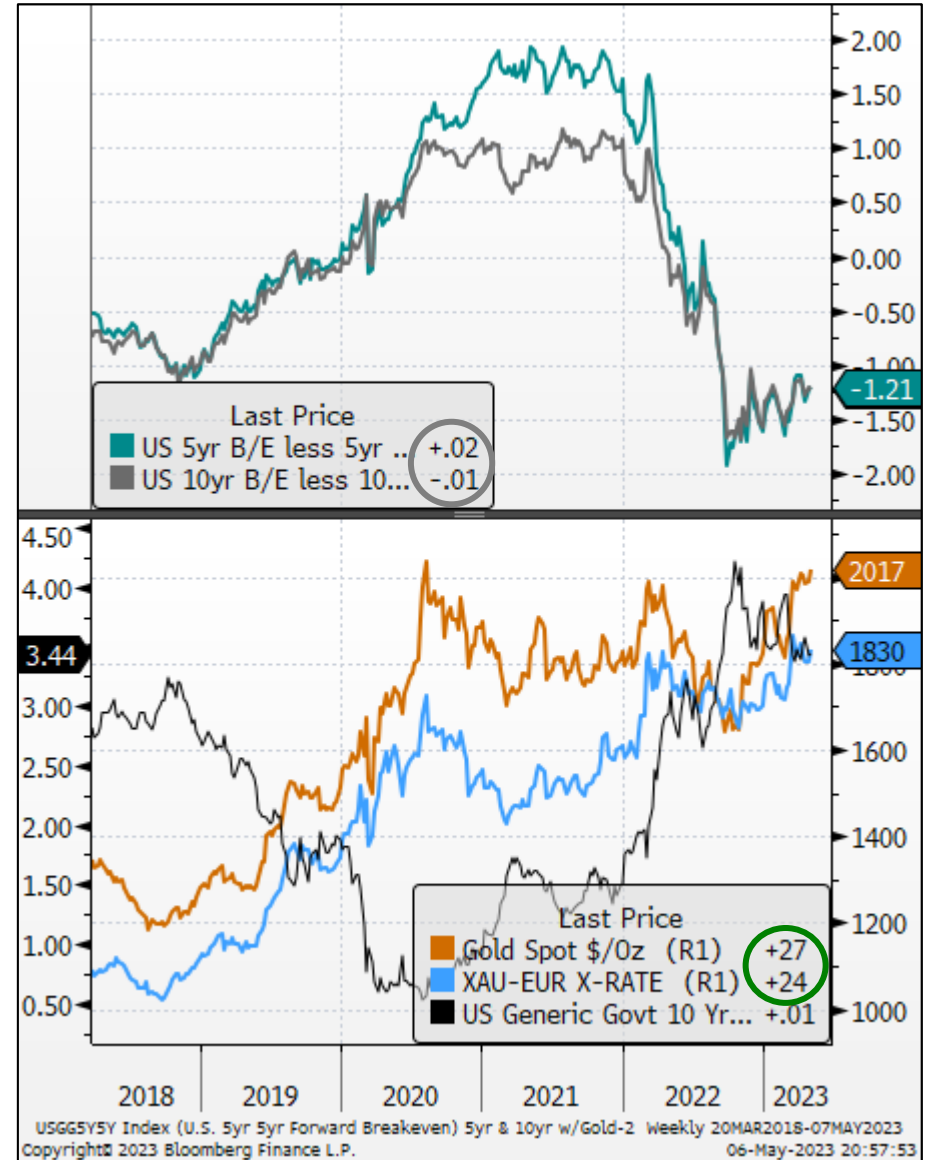
Oil:

- Brent lower on the week – spread little changed
- Desperately trying to hold support (\$75-80 area)
- Luskin calling for \$100 oil (unless bank crisis derails)



Gold:

- Spreads (and TNX) little changed on week
- Gold firm in both US\$ and Euros
- Gold in Euro's through 2022 highs

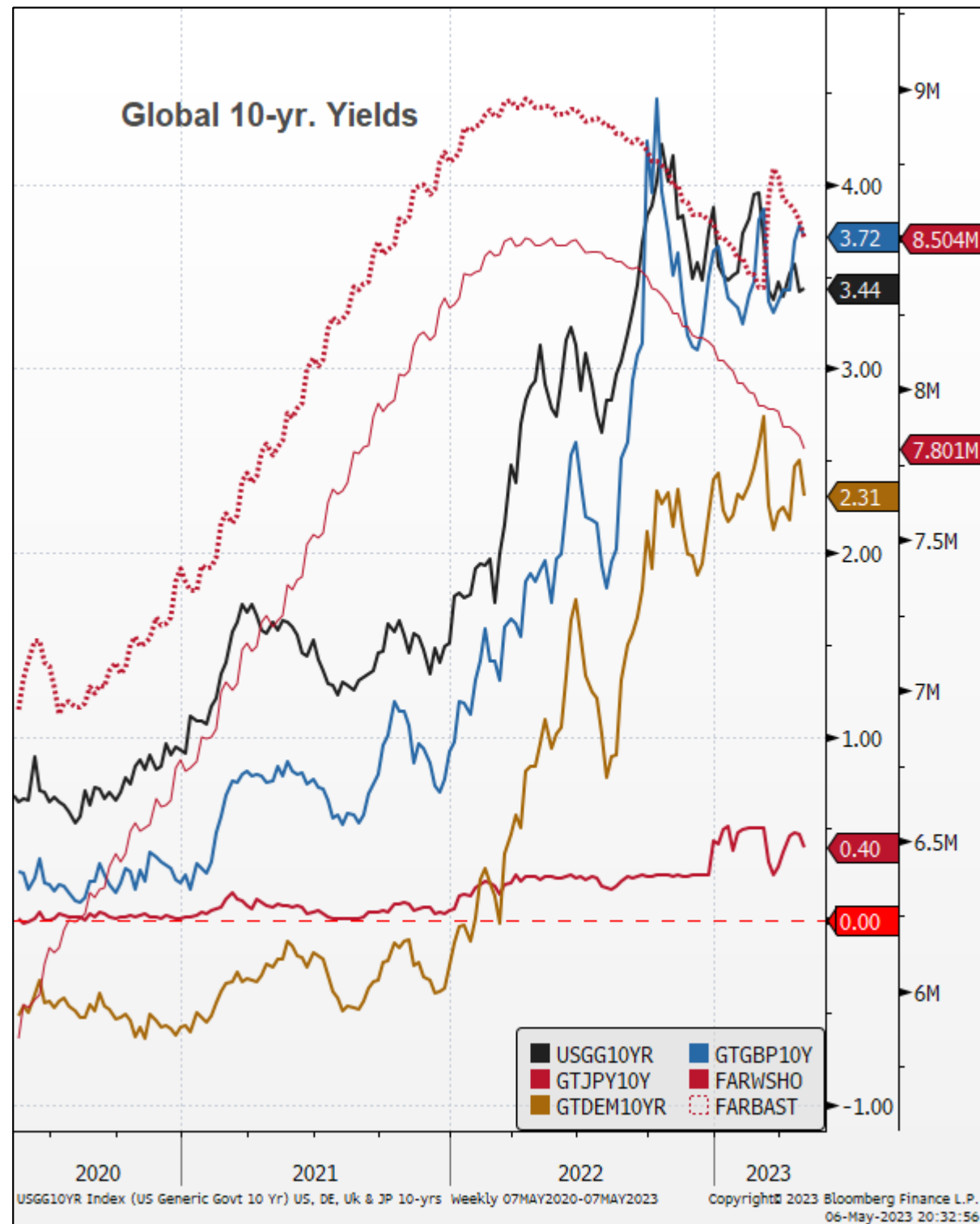


Global Yields

Global 10-yr. yields mostly lower

- Entire US curve again under Fed Funds
- Curves shown vs. 6-mo. ago
- US: ▲ 1 bp – most inverted curve of group
- UK: ▼ 6 bp – only short end moving
- Germany: ▼ 20 bp – only short end moving
- Japan: ▼ 7 bp – Can see YCC

Fed BS: ▼ \$43B; ▼ \$704B in total



Bonds / Rates

Daily Charts:

- Rates higher on the week, short more so
- Continuing to test important support
- 3-mo. – 10-yr.inversion still widening

Weekly Charts:

- Rates held lower Bollinger Band
- RSI turned up from 40 area; now rolling?
- **LQD & HYG struggling at 40-wk avgs.**

Monthly Charts:

- TNX has broken secular downtrend
- New high in RSI (a bullish thing, longer term)
- Now testing that breakout (3-3¼% area)
- Biggest inversion since '81 (15.1% & 13.5%)

Bottom Line:

- Important LT breakout in US 10-yr.
- Continue to test key 3-3¼% area
- LQD & HYG starting to struggle
- Also painting a picture of weak GDP



Credit Spreads

Spreads:

- Spreads higher on week
- Recent highs now key spots on charts
- Broken trendlines remain intact

CCC Trends:

- ▲ 24 bp; (to 9.57%)
- Back below 10%
- Cycle high: 11.24%

HY Trends:

- ▲ 17 bp; (to 4.98%)
- Back below 5%
- Cycle high: 6.03%
- Has broken up trendline

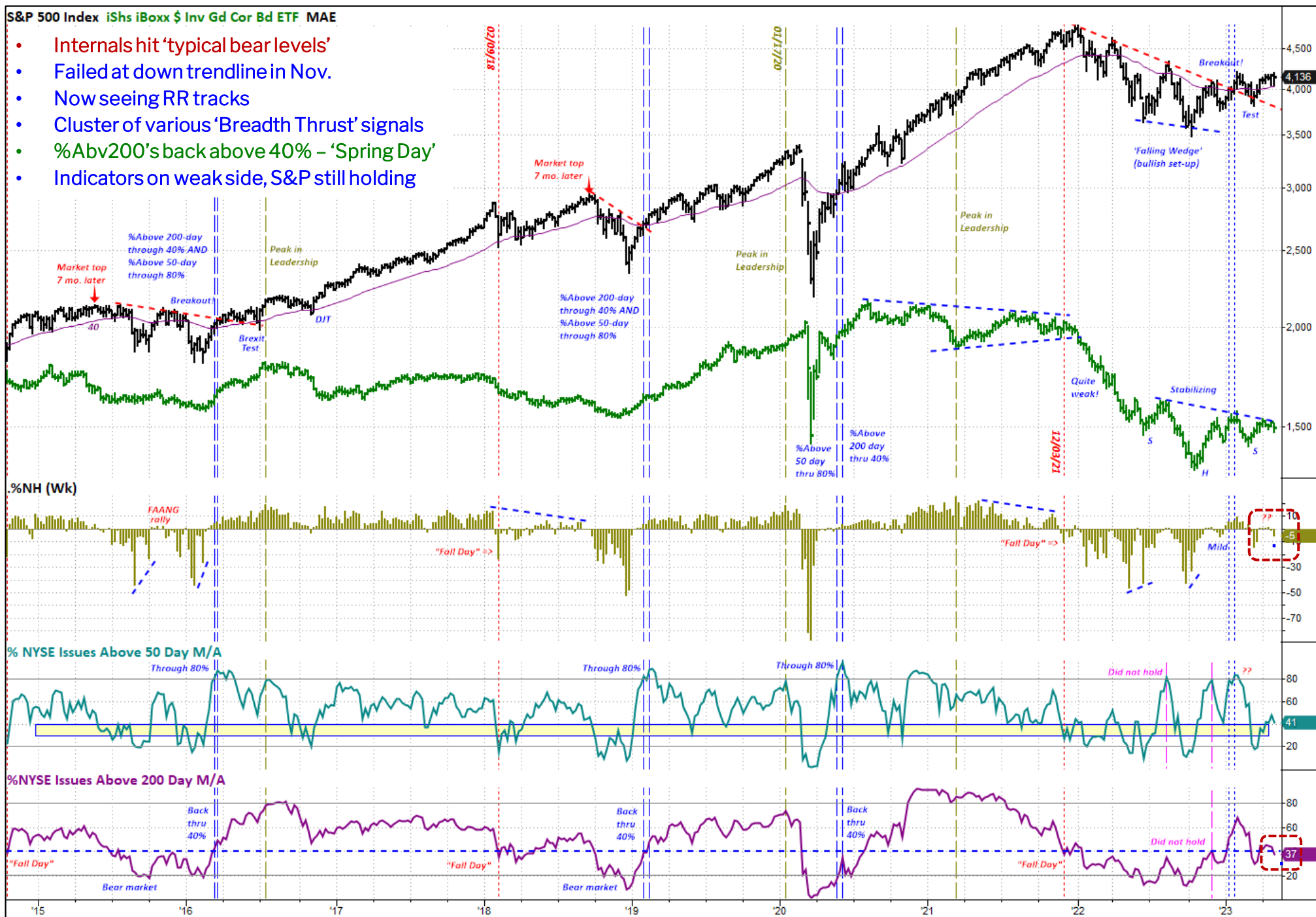
IG Trends:

- ▲ 7 bp; (to 1.88%)
- Cycle high: 2.27%
- Flashed DMI 'Sell' Nov 18th (1-wk whip)
- 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.
- Now seeing RR tracks
- Cluster of various 'Breadth Thrust' signals
- %Abv200's back above 40% – 'Spring Day'
- Indicators on weak side, S&P still holding



Stocks

Daily Charts:

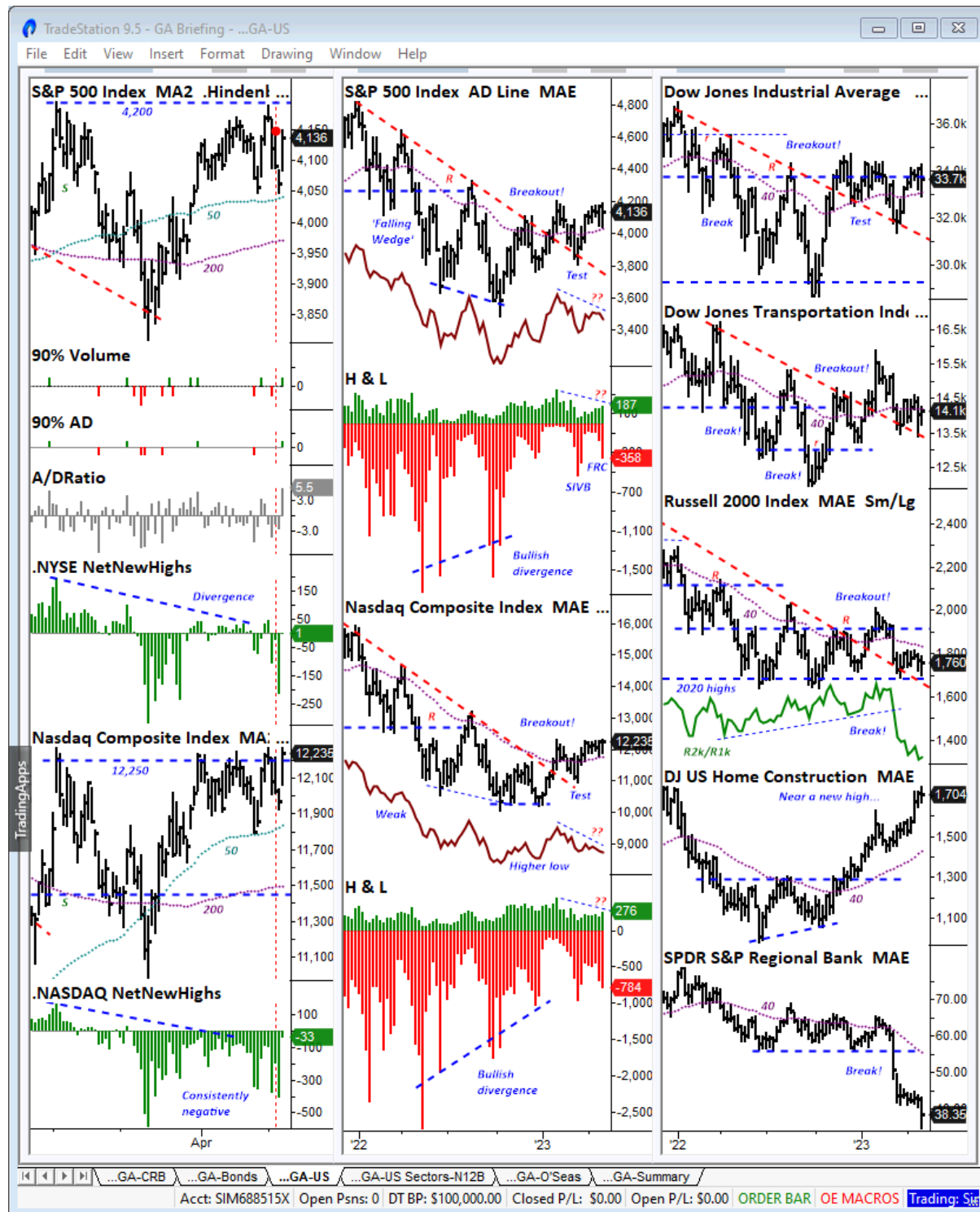
- Stocks again closed the week strongly
- Still attacking key areas of resistance
- 'Fed Day' Hindenburg, likely intraday volatility
- Still looks like a bottom is 'in place'
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ✓ Test the breakout

Weekly Charts:

- Look to have tested breakouts successfully
- Internals look like a long-term bottom
- Internals weaker than Jan rally – worsening
- Other indices holding, but weaker than typical
- Builders firm – regional banks the problem

Bottom Line:

- Look to have tested breakouts successfully
- Internals weak compared to Jan rally
- Starting to lose a lot of things (banks, R2k, oil)
- Internals will be key if/when indices breakout

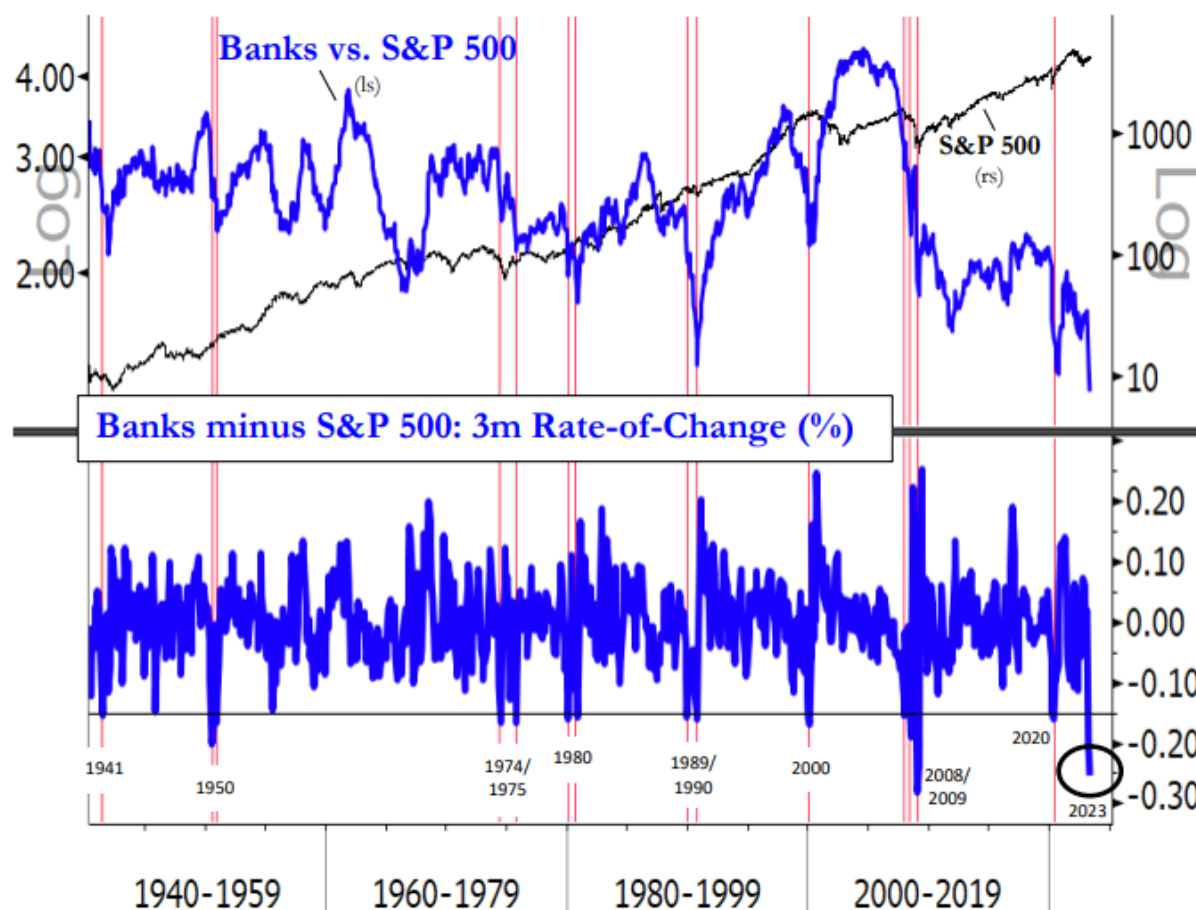


Ari Wald: Historic Bank Weakness (5/6)

Technical Analysis

Market Implications of the Banking Collapse

The Banks industry has been a central driver of market weakness in recent months. While selling relatively weak value industries, like [Banks](#) and [Oil E&P](#), has offered an attractive relative hedge, clients have inquired whether our bullish market outlook is also at risk. The following study suggests **our view is not at risk**, and instead **there's greater risk in continuing to use banks as a relative hedge** (at least at current levels), by our analysis. Overall, the market remains stuck between a bull and a bear, and while additional consolidation is reasonable over the coming weeks, we favor a breakout from the S&P 500's year-to-date range over the coming months.



The Banks industry has underperformed vs. the S&P 500 by 26% over the last three months (-23% vs. +3%). The depths of the 2008 *Financial Crisis* is the only time since 1940 the differential has been this wide.

Signal = Banking 3M underperformance >15% since 1940

Study: Both the S&P 500 and the Banks industry have posted above-average returns over the next 3-, 6-, and 12-month periods when this signal has been triggered.

Banking Industry Avg Forward Returns					
	1m	3m	6m	12m	Frequency
Signal	2.3%	9.1%	14.5%	27.6%	2%
Rest of Time	0.6%	1.9%	4.1%	8.6%	98%
S&P 500 Avg Forward Returns					
	1m	3m	6m	12m	Frequency
Signal	0.3%	3.5%	8.2%	13.1%	2%
Rest of Time	0.7%	2.0%	4.1%	8.6%	98%
Banking Avg minus S&P 500 Avg					
	1m	3m	6m	12m	Frequency
Signal	2.0%	5.5%	6.3%	14.5%	2%
Rest of Time	-0.1%	-0.1%	0.0%	0.0%	98%
Signal = Banking 3M Underperformance > 15%					
Monthly data since 1940					

.BANKXXF U Index (Ken French Banks) Banks..1928 Monthly 31JAN1928-04MAY2023

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Source: Oppenheimer & Co., Kenneth R. French, and Bloomberg. Note: These results cannot and should not be viewed as an indicator of future performance.

Ari Wald: Breadth Analysis (5/6)

Technical Analysis

Concentrated Buying or Concentrated Selling?

Market breadth, while not positive, is not as negative as bears are letting on either, in our view. For instance, Industrials, Consumer Discretionary, Health Care, and Technology represent over 50% of the S&P 500 on an equal-weighted basis, and are no worse than split in terms of the percentage of stocks that have posted a gain in 2023. Instead, we think the case can be made that **the market has shown resilience against concentrated selling in the Financials, Energy, and REITs sectors.**

Overall, these figures are generally consistent with a market that's been range-bound since the start of the year, in our view.

S&P 1500 Sector Breadth				
	Constituents	Median YTD	% Positive YTD	Above 200DMA
Consumer Staples	85	3.9%	62%	64%
Consumer Discretionary	209	3.5%	60%	53%
Information Technology	176	3.0%	56%	48%
Industrials	252	0.8%	54%	56%
Health Care	192	-1.0%	49%	46%
Utilities	56	-1.0%	41%	46%
Communication Services	54	-1.2%	46%	38%
Materials	88	-3.4%	42%	40%
Real Estate	118	-3.8%	37%	22%
Energy	71	-11.0%	10%	19%
Financials	253	-13.7%	25%	25%

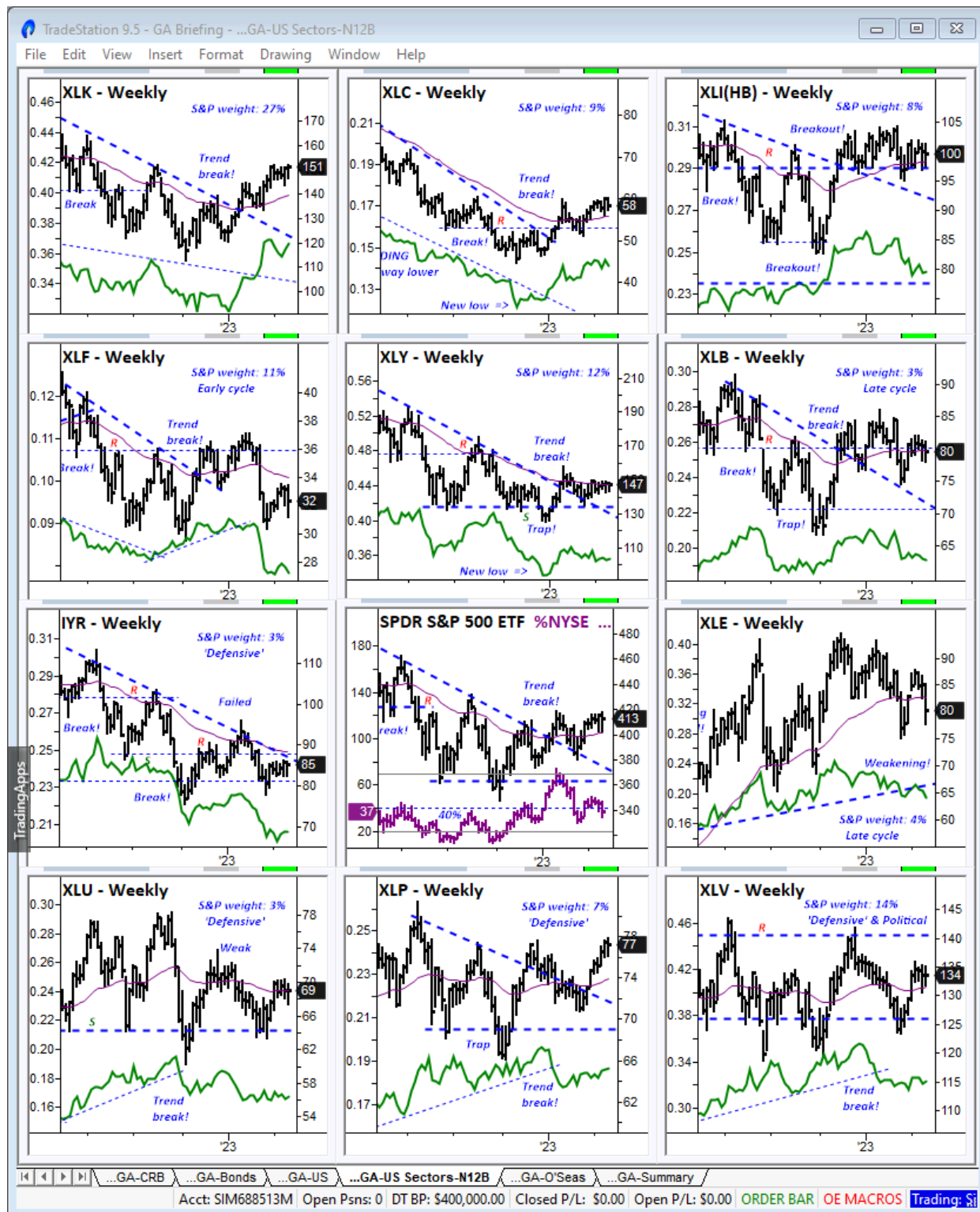
Source: Oppenheimer & Co. and Bloomberg. As of May 4th, 2023.

Market Sectors

Symbol	%Wk	%Yr	PrYr	POL	MOL	W...
XLK	0.3%	22%	-28%	34%	34%	30
XLU	0.1%	-2%	-2%	14%	22%	30
XLV	0.0%	-2%	-4%	11%	18%	30
XLP	-0.3%	4%	-3%	17%	18%	30
XLY	-0.5%	14%	-37%	17%	25%	30
XLI(HB)	-0.5%	1%	-7%	20%	26%	30
IYR	-0.6%	1%	-28%	13%	27%	30
SPY	-0.9%	8%	-19%	19%	20%	30
XLB	-1.1%	3%	-14%	19%	28%	30
XLF	-2.5%	-5%	-12%	9%	25%	30
XLC	-2.6%	22%	-38%	30%	34%	30
XLE	-5.8%	-8%	58%	6%	26%	30
\$COMPX	0.1%	17%	-33%	21%	22%	30
\$RJUT	-0.5%	0%	-22%	7%	22%	30
\$SPX.X	-0.8%	8%	-19%	18%	20%	30
MDY	-1.2%	2%	-14%	12%	25%	30
\$INDU	-1.2%	2%	-9%	17%	21%	30
HYG	-0.8%	2%	-15%	6%	10%	30
LQD	-1.3%	3%	-20%	10%	14%	30
TLT	-1.5%	5%	-33%	14%	19%	30
IWO	0.3%	5%	-27%	11%	22%	30
IWF	0.1%	15%	-30%	22%	23%	30
IWN	-1.1%	-5%	-16%	4%	24%	30
IWD	-1.7%	0%	-10%	13%	21%	30

Key Points:

- Sectors & indices mostly lower
- AAPL the notable bright spot
- Notable weakness in energy
- Small & mid-caps remain weak
- Tech & Discretionary (still) best YTD



Overseas Markets

Indices:

- ACWI pressing important resistance
- EFA remains much stronger than EEM
- HEDJ & DXJ also stronger than SPY
- Both are very bullish long-term charts

Country Tour:

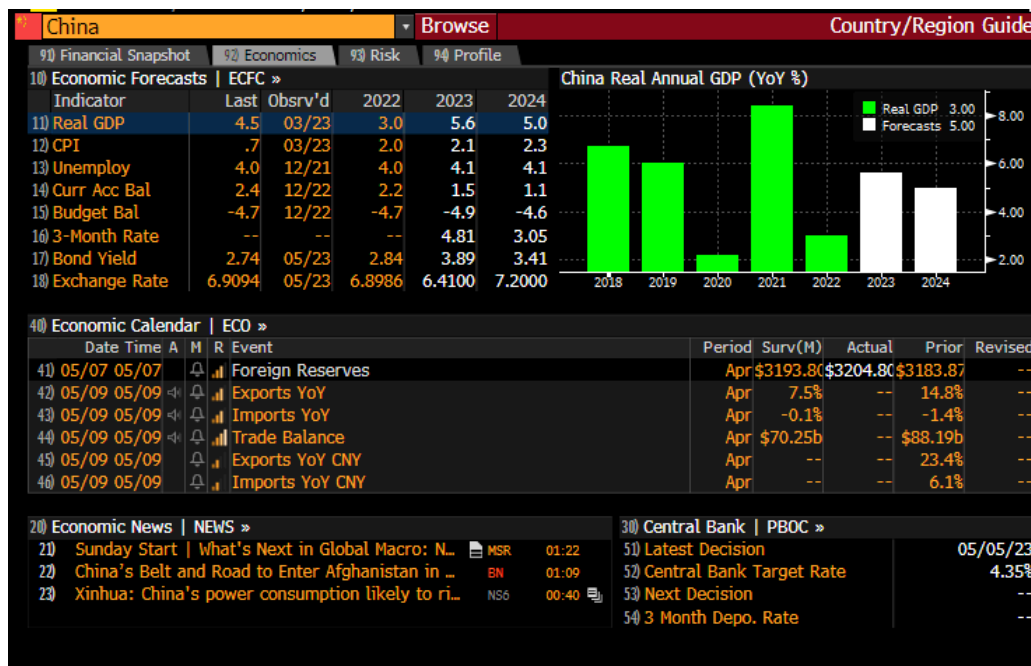
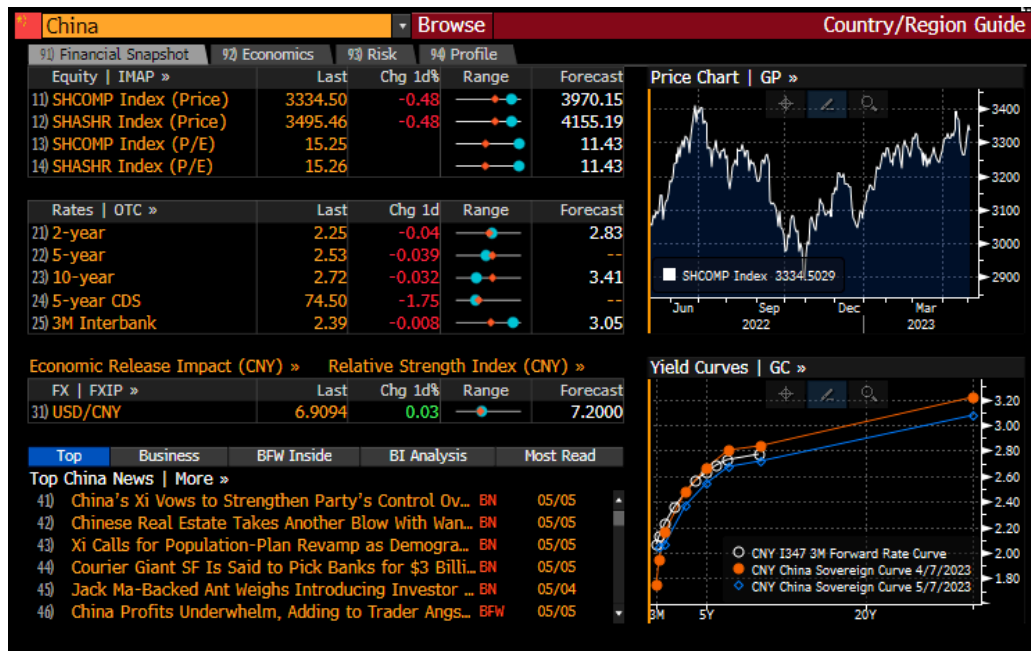
- Germany: Pressing important resistance
- France: Nearing new highs
- UK: Nearing new highs
- Japan: Pressing important resistance
- Korea: Strong last week, as was Samsung
- China: Holding support (right shoulder?)
- India: Holding support above COVID highs
- Brazil: Struggling at 40-wk avgs.

Bottom Line:

- Continued outperformance in EFA
- Several nearing new cycle highs
- Europe and Japan remain strongest



China Overview (Emerging uptrend, healthy curve, low CDS spreads, Taiwan)



Summary

Commodities / US\$:

- US\$ still testing LT support
- Energy patch remains weak
- Gold near a LT breakout
- Copper/Gold ratio weak (GDP weakness)

Yields / Credit:

- Holding LT support in $3-3\frac{1}{4}\%$ area
- 3-10 inversion at widest levels of cycle
- Spreads widening, but still 'lower highs'
- LQD & HYG struggling at resistance

Stocks:

- Still attacking key areas of resistance
- Internals suggest cyclical low
- Internals weak vs Jan – and getting weaker
- Banks seeing new lows, builders near highs
- If/when stocks breakout, internals will be key

Overseas:

- Meaningful strength Europe & Japan
- DM's relatively stronger than EM's





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: May 1, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.