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Weekly Market Deep Dive

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Commodities / Dollar

US\$ / FX:

- US\$ bouncing off important support
- 'Buy' signal on weekly stochastics
- BoJ intervention top remains in place
- AD & CD flashing concerning signal (GDP)

Commodities & Sectors:

- BCOM testing March lows
- Found resistance at 110 & 40-wk.
- Energy patch the weak spot
- Copper breaking 3.80
- Copper/Gold Ratio near a new low
- Gold still battling 2,050 area
- Rare Earth ETF good long candidate

Bottom Line:

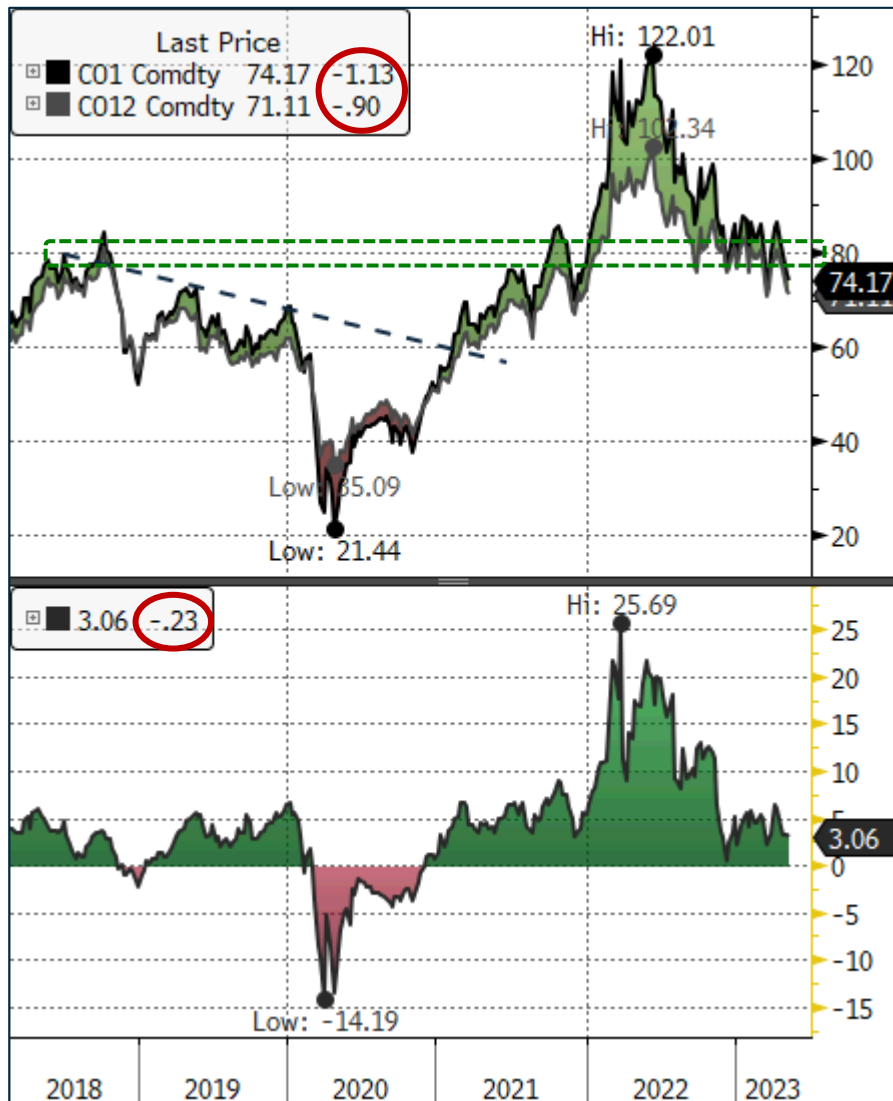
- US\$ **holding** support in 102 area
- **Energy and copper remain weak**
- Gold near a breakout (in US\$, has in Euro's)
- Suggests potential for economic problems



Oil & Gold

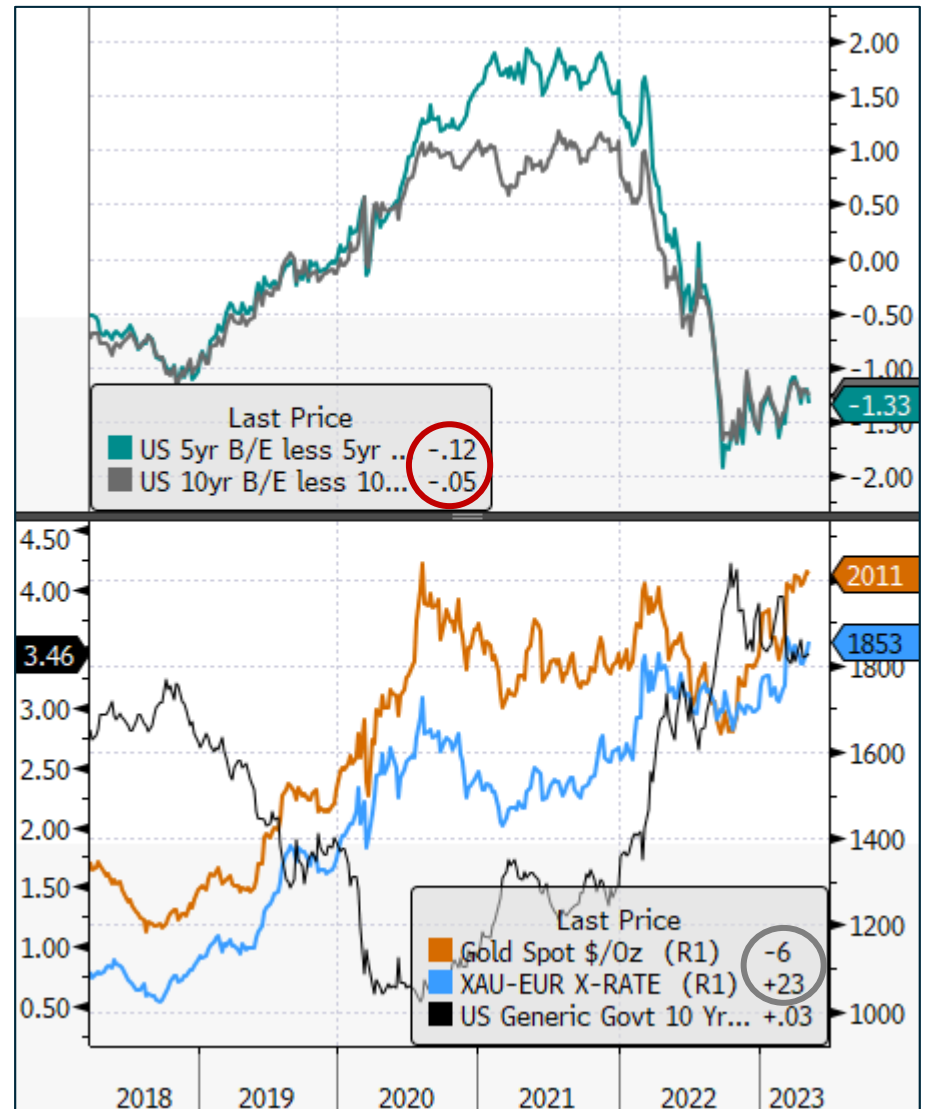
Oil:

- Brent again weak – spread slightly lower
- Desperately trying to hold support (\$75-80 area)
- Lusk calling for \$100 oil (unless bank crisis derails)



Gold:

- Spreads lower on week; TNX slightly higher
- Gold mixed on week – firm longer term
- Gold in Euro's through 2022 highs

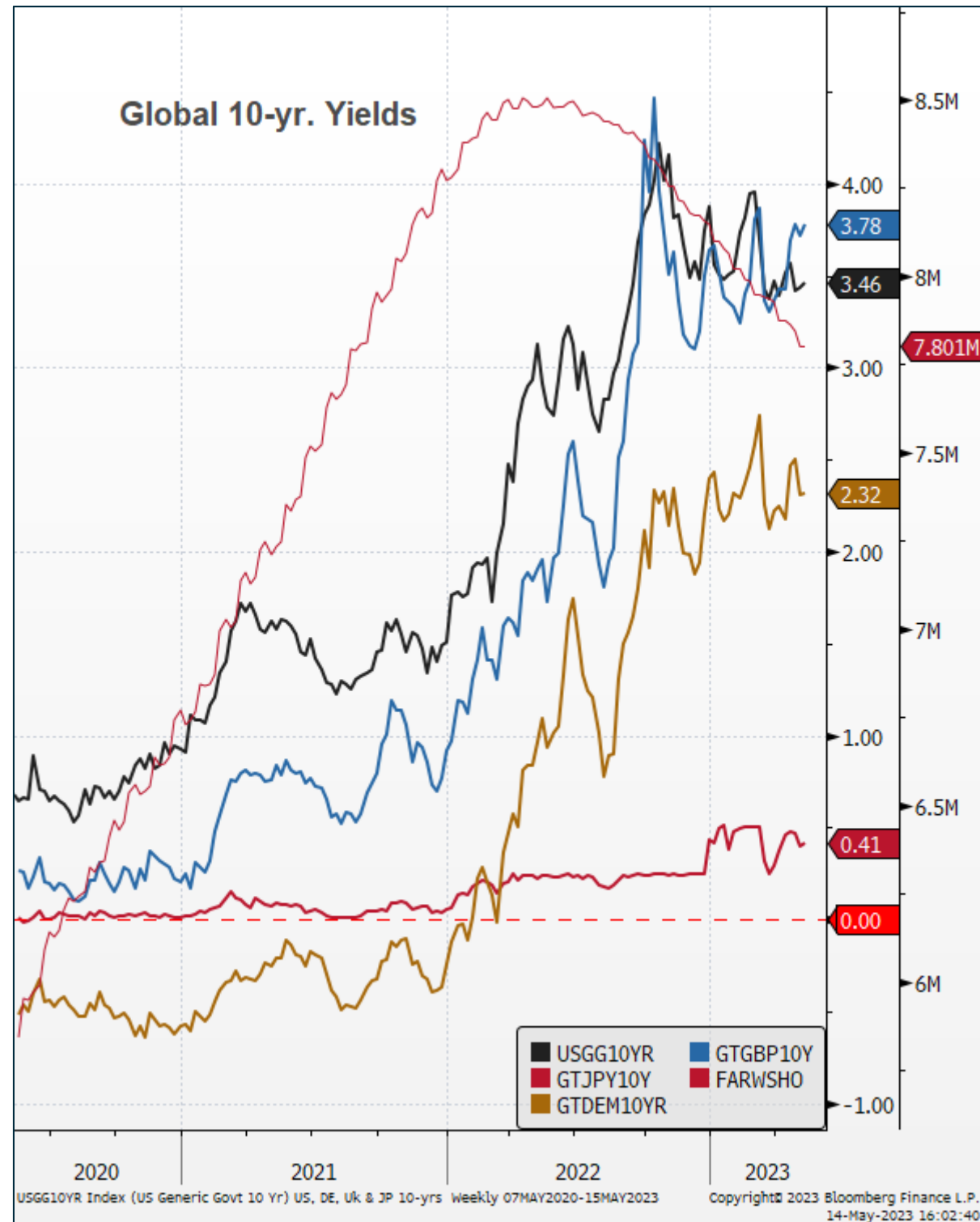
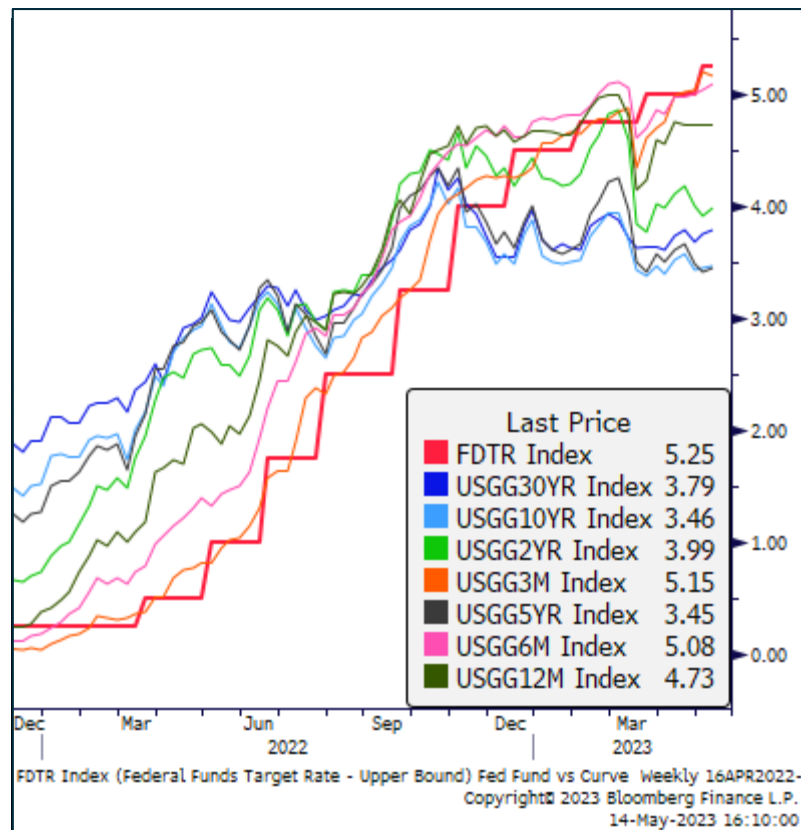


Global Yields

Global 10-yr. yields slightly higher

- Entire US curve again under Fed Funds
- US curves still very different than others
- US: ▲ 1 bp – most inverted curve of group
- UK: ▲ 6 bp – only short end moving
- Germany: ▲ 1 bp – only short end moving
- Japan: ▲ 1 bp – Can see YCC

Fed BS: Unch.; ▼\$704B in total



Bonds / Rates

Daily Charts:

- Rates little changed on the week
- Continuing to hold important support
- 3-mo. – 10-yr. inversion remains wide

Weekly Charts:

- Rates holding lower Bollinger Band
- RSI holding key 40 area – typically leads
- LQD & HYG struggling at 40-wk avgs.

Monthly Charts:

- TNX has broken secular downtrend
- Now testing that breakout (3-3 1/4% area)
- New high in RSI (a bullish thing, longer term)
- Biggest inversion since '81 (15.1% & 13.5%)

Bottom Line:

- Important LT breakout in US 10-yr.
- Continue to test key 3-3 1/4% area
- LQD & HYG starting to struggle
- Breaking would suggest weak GDP



Credit Spreads

Spreads:

- Spreads again wider on week
- Recent highs are key spots on charts
- Broken trendlines remain intact

CCC Trends:

- ▲ 14 bp; (to 9.71%)
- Back below 10%
- Cycle high: 11.24%

HY Trends:

- ▲ 5 bp; (to 5.09%)
- Back above 5%
- Cycle high: 6.03%
- Has broken up trendline

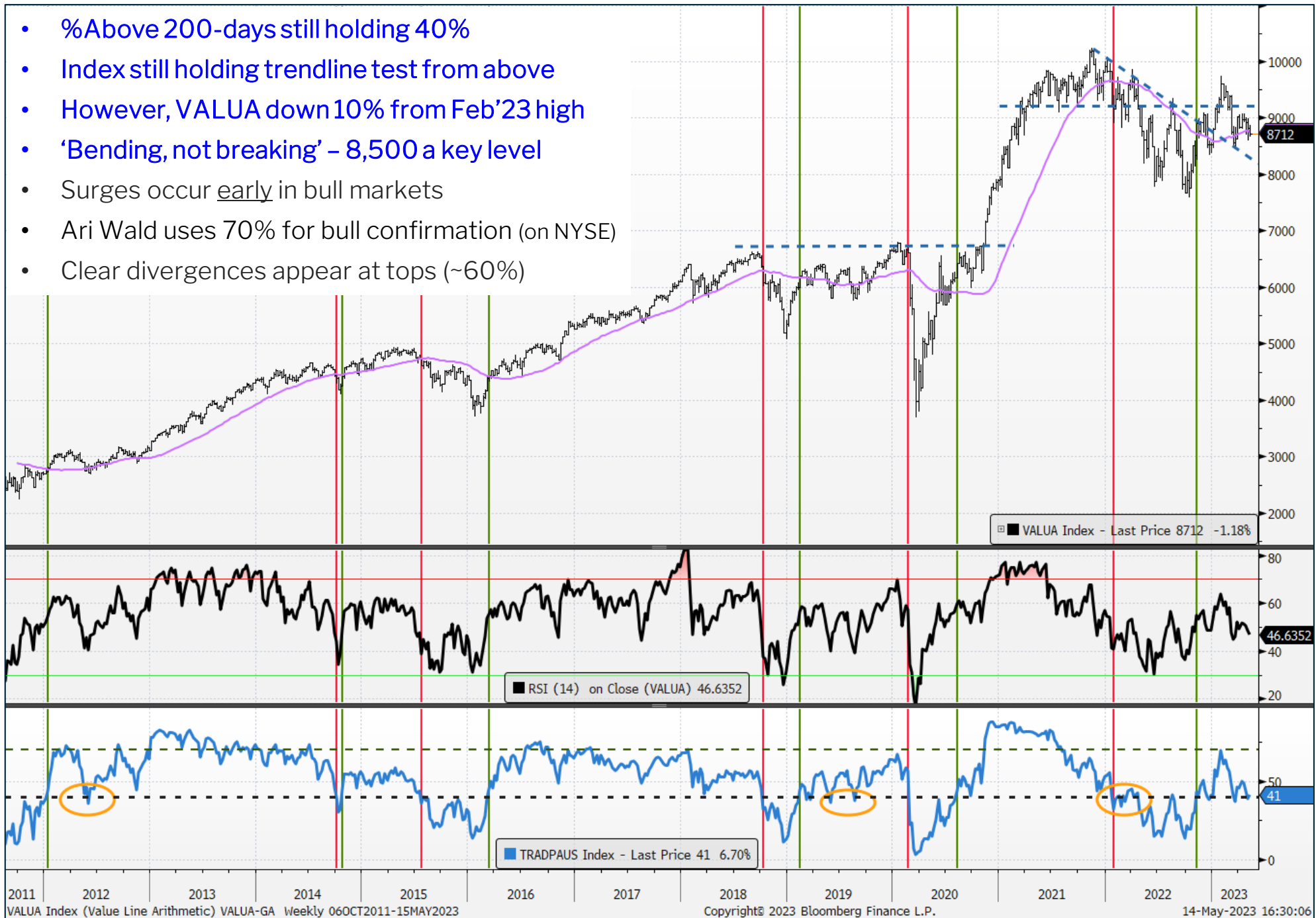
IG Trends:

- ▲ 2 bp; (to 1.88%)
- Cycle high: 2.27%
- Flashed DMI 'Buy' Mar 5th
- Broke Parabolic Nov 4th



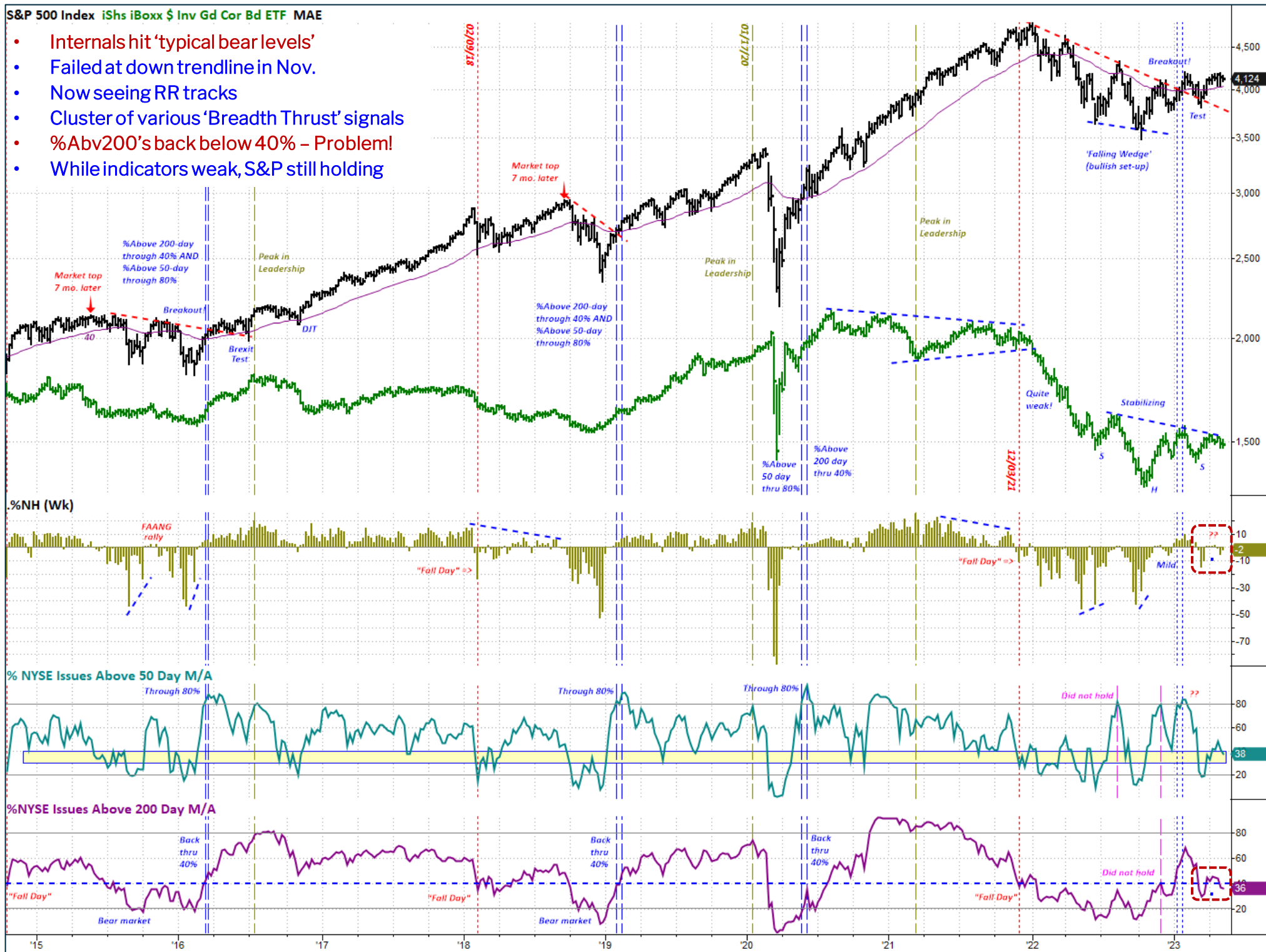
VALUA – Cycle Overview

- %Above 200-days still holding 40%
- Index still holding trendline test from above
- However, VALUA down 10% from Feb'23 high
- 'Bending, not breaking' – 8,500 a key level
- Surges occur early in bull markets
- Ari Wald uses 70% for bull confirmation (on NYSE)
- Clear divergences appear at tops (~60%)



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 below 40% – Problem!
- While indicators weak, S&P still holding



Stocks

Daily Charts:

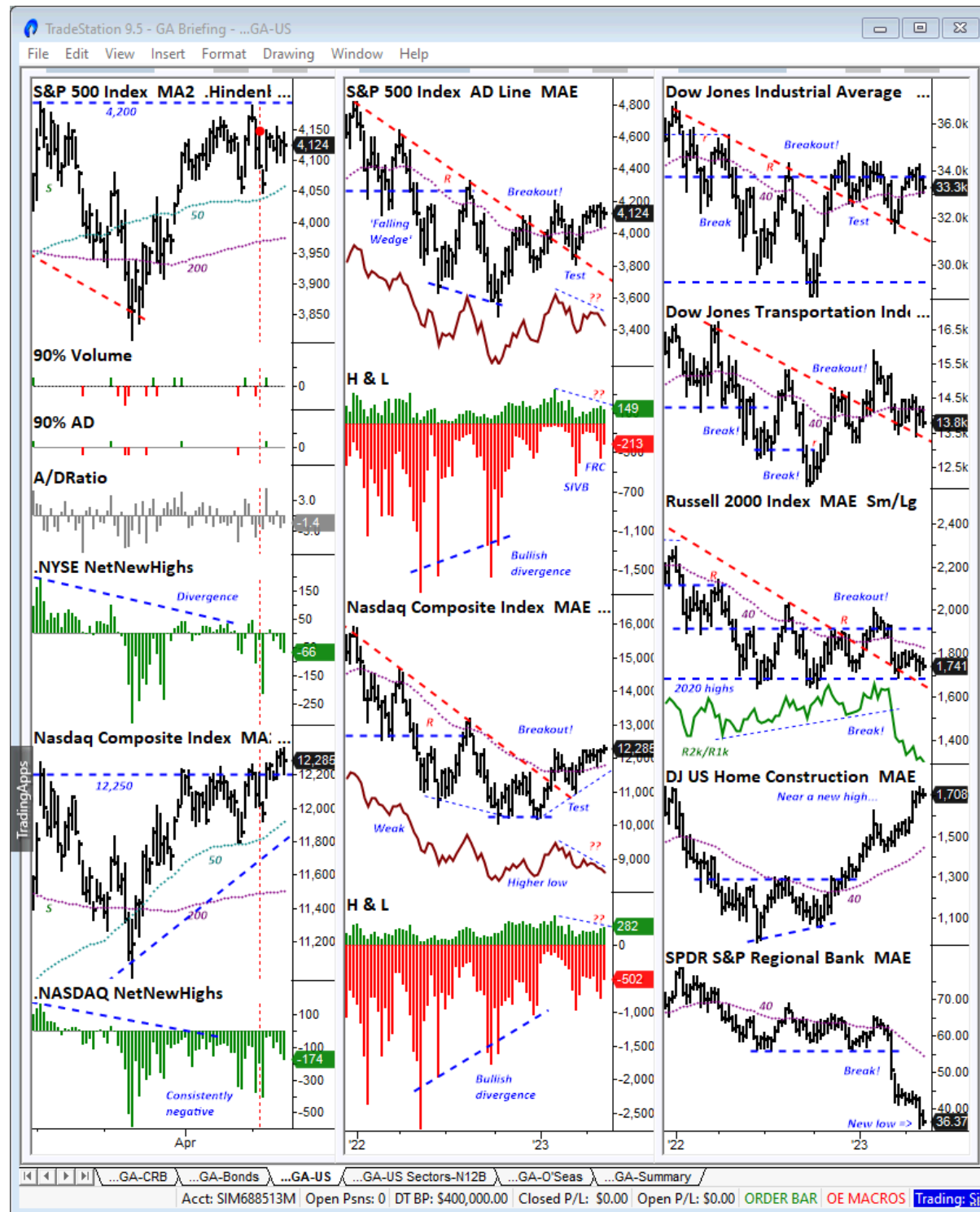
- Stocks again trading in a narrow range
- Still battling resistance – NASDAQ through?
- No additional Hindenburg's
- Still looks like a bottom is 'in place'
 - ✓ Set initial low
 - ✓ Bounce & test that low
 - ✓ Follow through to the upside
 - ✓ Test the breakout

Weekly Charts:

- Look to have tested breakouts successfully
- Internals look like a long-term bottom
- Internals weaker now than Jan rally
- **Leadership improved week-over-week**
- Other indices holding, but weaker than usual
- Builders firm – regional banks weak

Bottom Line:

- Look to have tested breakouts successfully
- Internals weak vs. Jan – **better last week**



Market Sectors

	Symbol	%Wk	%Yr		% Offlow		
			Yr...	PrY...	POL	MOL	W...
➡	XLC	2.4%	24%	-38%	33%	34%	30%
➡	XLY(HB)	0.4%	14%	-37%	17%	25%	30%
➡	XLU	0.0%	-2%	-2%	12%	19%	30%
➡	XLP	-0.1%	3%	-3%	14%	15%	30%
➡	XLK	-0.2%	21%	-28%	28%	29%	30%
➡	SPY	-0.5%	8%	-19%	13%	15%	30%
➡	XLI	-1.0%	0%	-7%	14%	21%	30%
➡	XLV	-1.0%	-3%	-4%	7%	15%	30%
	IYR(HB)	-1.1%	0%	-28%	9%	24%	30%
	XLF	-1.3%	-7%	-12%	5%	22%	30%
	XLB(HB)	-2.0%	1%	-14%	12%	24%	30%
➡	XLE	-2.1%	10%	58%	4%	26%	30%
	\$COMPX	0.4%	17%	-33%	20%	21%	30%
	\$SPX.X	-0.3%	7%	-19%	13%	15%	30%
	\$RUT	-1.1%	-1%	-22%	3%	18%	30%
	\$INDU	-1.1%	0%	-9%	11%	16%	30%
	MDY	-1.1%	0%	-14%	8%	22%	30%
	LQD	-0.2%	3%	-20%	10%	14%	30%
	HYG	-0.5%	1%	-15%	4%	8%	30%
	TLT	-0.5%	5%	-33%	14%	19%	30%
	IWF	0.5%	16%	-30%	19%	20%	30%
	IWO	-0.8%	4%	-27%	7%	19%	30%
	IWD	-1.0%	-1%	-10%	8%	16%	30%
	IWN	-1.3%	-6%	-16%	3%	24%	30%

Key Points:

- Sectors & indices again mostly lower
- FAANG's again the notable bright spot
- Energy again notably 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: Can argue ASHR breaking support**
- 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 Focus

Stock Indices

- Shanghai Comp battling resistance at 3,400
- Nikkei 225 Index very bullish chart
- KOSPI weak, but holding COVID highs

Other

- 5-yr CDS in middle of 5 year range
- Yield curve showing normal, upward, slope
- Curve starting to flatten, with long-end weak

Bottom Line:

- Stocks recovering nicely off '22 lows
- Not yet through resistance in 3,400 area
- Japanese equities quite strong, Korea less so
- Long end of yield curve showing weakness



Summary

Commodities / US\$:

- US\$ bouncing off long-term support
- Energy & copper remain weak
- Gold near a LT breakout
- Copper/Gold ratio weak (GDP weakness)

Yields / Credit:

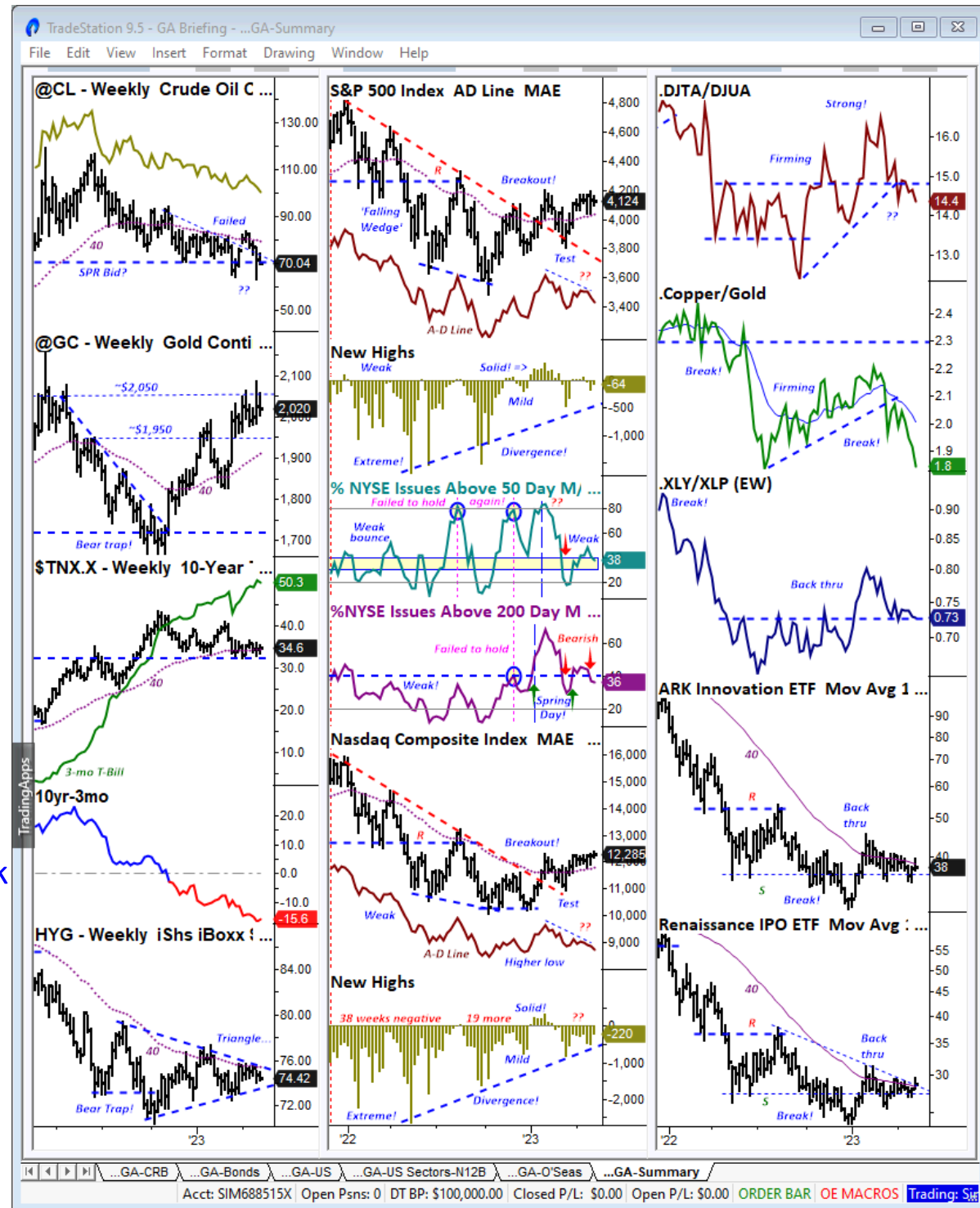
- Holding LT support in 3-3¼% area
- 3-10 inversion at widest levels of cycle
- Spreads widening, but still 'lower highs'
- LQD & HYG still in trading range

Stocks:

- Still battling key areas of resistance
- Still looks like a cyclical market low
- Internals weak vs Jan; **better week over week**
- Banks seeing new lows, builders near highs
- **ARKK & IPO ETFs firming(?)**
- **Still 'bending, but not broken'**

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 12, 2023, courtesy of TradeStation or Bloomberg, unless otherwise noted.