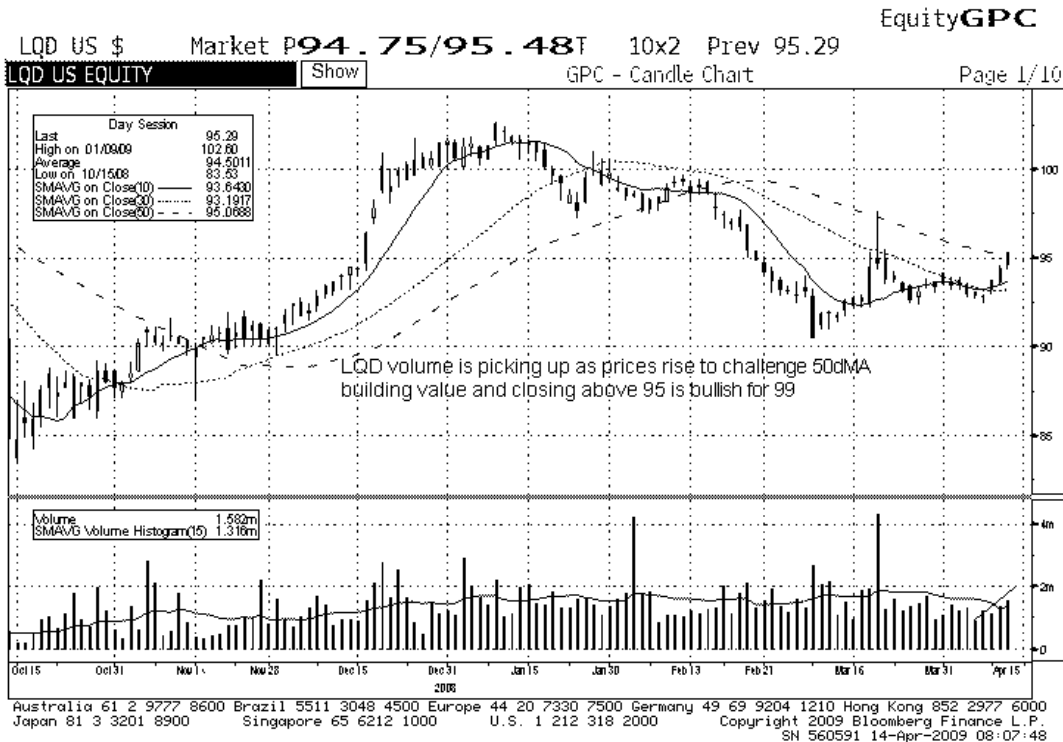


Morning Comments April 14, 2009

In our note on April third we pointed out the volume distribution for the SPX predicting grudging progress as old positions were digested. The first part of that digestion v. the 840-850 stock is complete and now we believe we will begin to eat away at the 870-880 distribution and again expect a bit of time for digestion here. When this level has been accomplished we expect quick fluid progress into the mid 900s and see the next major level at ~945. I have attached the April 3 note.

High yield and investment grade CDS have collapsed recently in the indices we track. We note that LQD and HYG which had been resistant to this action are now trading better. Take this with the continued positive action in XLF and that is why SPX prices can move up into the mid 900s. At this point we would like to see more rapid progress up in LQD and HYG to strengthen the argument.

Nearly everyone we have spoken with recently has pointed out that the market is overbought, with the most popular remark being some variation on the theme that we have come too far, too fast. The market is perverse in this sense, on the way down players think every fresh dip makes stocks cheap and they try to invest or trade long, on the way back up stocks have risen too quickly they reason and they try to sell or short. This part of the game never changes.



The results presented should not and cannot be viewed as an indicator of future performance.
 Charts courtesy of Bloomberg Finance L.P.

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Pricing Source CMAN Page 1/4 CDS Sector Graph

Region, Sector, Rating America CDX Indices

5Yr CDS History Normalize Period 6 Months

60) Sector(GCDS)

	Reference Name	5Y Sprd.
101)	Hi yield	1239.3
102)	Emerging Market	533.0
103)	Cross Over	529.7
104)	Hi Vol	434.1
105)	Investment Grade	171.7

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Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P. SN 560591 14-Apr-2009 07:54:34

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