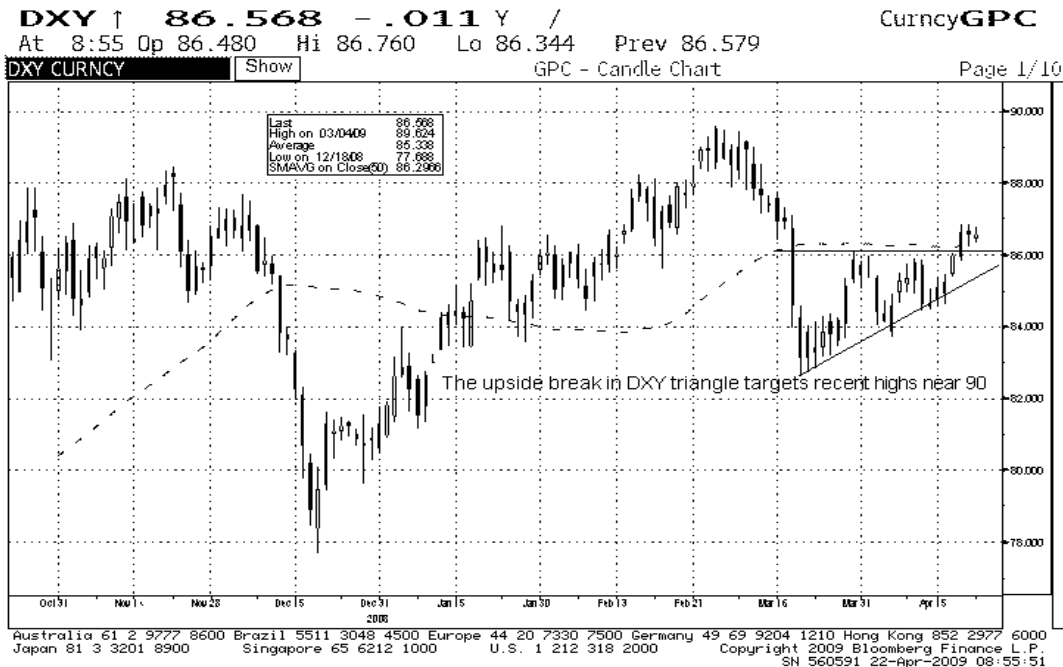


## Morning Comments April 22, 2009

The market is heavy once again on financial share concerns. Uncertainty as to government intentions with regards to the possible conversion of preference shares to common equity shares (de facto nationalization) have hit the banks hard even as dubious reports of the stress test outcomes have been circulated on the internet. The point to take away is that the market has shown it is very much concerned with and focused on these two specific topics and as a result is likely to be under pressure generally until these two issues are sufficiently clarified and or resolved entirely. Our recently published house technical call for SPX prices to fade into the 750-780 level over the course of the next several weeks fits the scenario of a nervous market under pressure into the early May release of the stress test results. Renewed interest in dollars on the long side confirms fear has and will continue to seep into the market in the near term. We believe that ultimately the market will retrace here in the coming weeks in a healthy manner that sets up our projected final thrust into the mid 900s. Our strategy is to be defensive and hedged here letting some time run off the clock while allowing for the digestion of earnings and the aforementioned bank issues to be resolved.

As with past earnings seasons, we are alert for the high volume gap scenarios were proof of directional interest allows for quarter to quarter trading opportunities and the identification of fresh leadership. I suspect there will be fewer of these opportunities on the upside this quarter given the sharp move up into numbers many stocks have enjoyed but I will begin to present these as they unfold. The process of analyzing high volume earnings driven gaps tells us a lot about the underlying health and polarity of the market as well so we intend to focus here.



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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