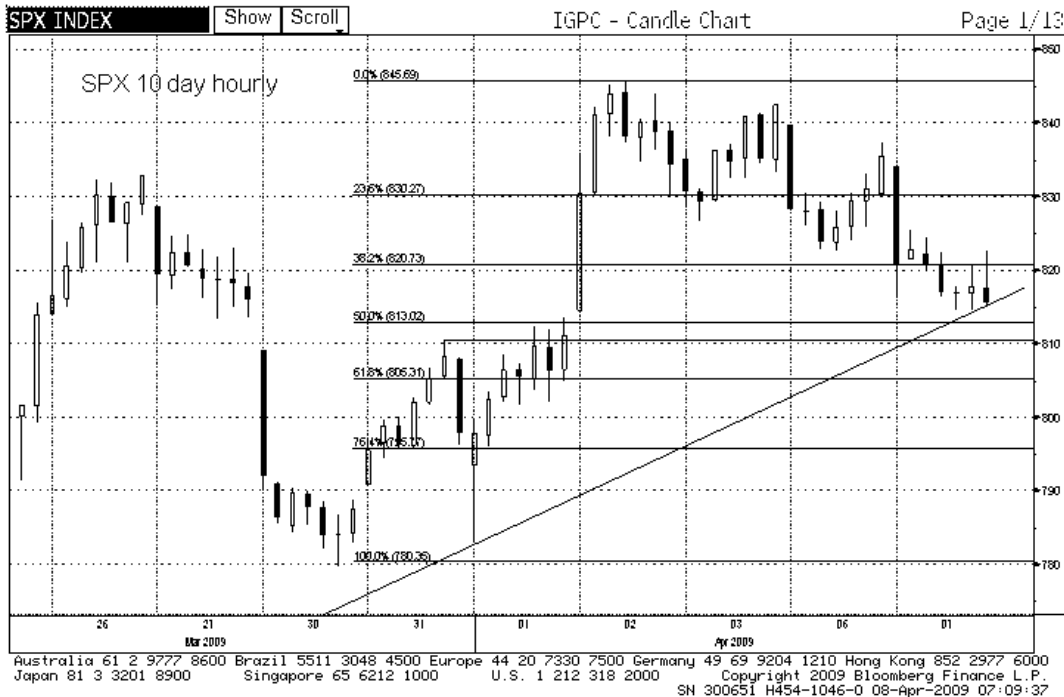


Morning Comments April 8, 2009

In the short term SPX prices have flagged back now for three days, note the declining volumes in SPY, and prices are set to refresh right here or break down for a deeper retracement. Look at the 62% retrace level right at 805 and the 50% retracement level at 813 both of which have figured prominently in our work. Intraday can see a trip down to 805 but we do not want to see prices closing down below these levels. Building value and closing lower would signal the need to correct towards ~770. The early blowoff in the DXY this morning, should it hold, indicates the market should be bought on weakness in anticipation of a bullish outcome. A strengthening DXY would weaken the argument so lets watch this closely as it unfolds and trade from the long side versus early weakness.

Over the intermediate term we believe the SPX will trade up into the mid 900s and the question for us is really only about where to buy at this point. Please see our recent updates with regard to this.

Not unlike our recent call that weakness ahead of G20 should be bought, we believe that the start of earnings season is the next big focus and weakness in anticipation of poor results should be bought. Analyst estimates and investor expectations have come low enough to allow for even mediocre results to generate positive price action and we believe this message that has been embedded in the tape recently in a small way is tipped to grow now. Our belief here is rooted in the high volume gap ups we saw across tech reports in early February and that has since broadened out to include retail and restaurant names.



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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