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Morning Comments August 13, 2009

We have been long tech and Nasdaq since the beginnings of the year and this has served us well and we believe will continue to do so. I have not been writing much lately as the market has basically been on auto pilot and I was content to let the defensive posture we took a few weeks back work but now I must relent on the short side of the materials and industrials I had recommended v. the tech longs as they are stopping me out technically and their relative performance has begun to improve. I have given up way too much performance and have played this last leg up in the market worse than at any other time in my career despite having one of the best years I have ever had. I want to stick with XLI a bit longer as it presses a critical level as you can see in the chart below cognizant that it will take GE going through 15 to really bring this one on. The steels we have been short have been laggards as well but the strength in materials is trickling down now and we have only fundamentals to stand on here so we must relent. For those that need shorts to pair off the long book I feel things have degenerated to a pure market call when I had been looking for a more pronounced breakdown in correlations so I can only weakly and humbly suggest a seasonal play in Sep or Oct puts.

Tech continues to shine and show the signs of real leadership and price appreciation potential on a sustainable basis that we look for when investing longer term as opposed to what I see in materials and old bubble leaders that are simply recovering from dramatically depressed levels. Take a look at CHKP below closing at new multi year highs in constructive volume while trading on a depressed multiple despite steady growth throughout the economic slump we have come through. I believe this stock can double over the next 12-18 months as expanding earnings are finally greeted with an expanding multiple and investors begin to look for real growth stories to the exclusion of chasing old bubble 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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XLB US \$ Market P29.00/31.02P 2x2 Prev 30.01

XLB US EQUITY Show

GPC - Candle Chart

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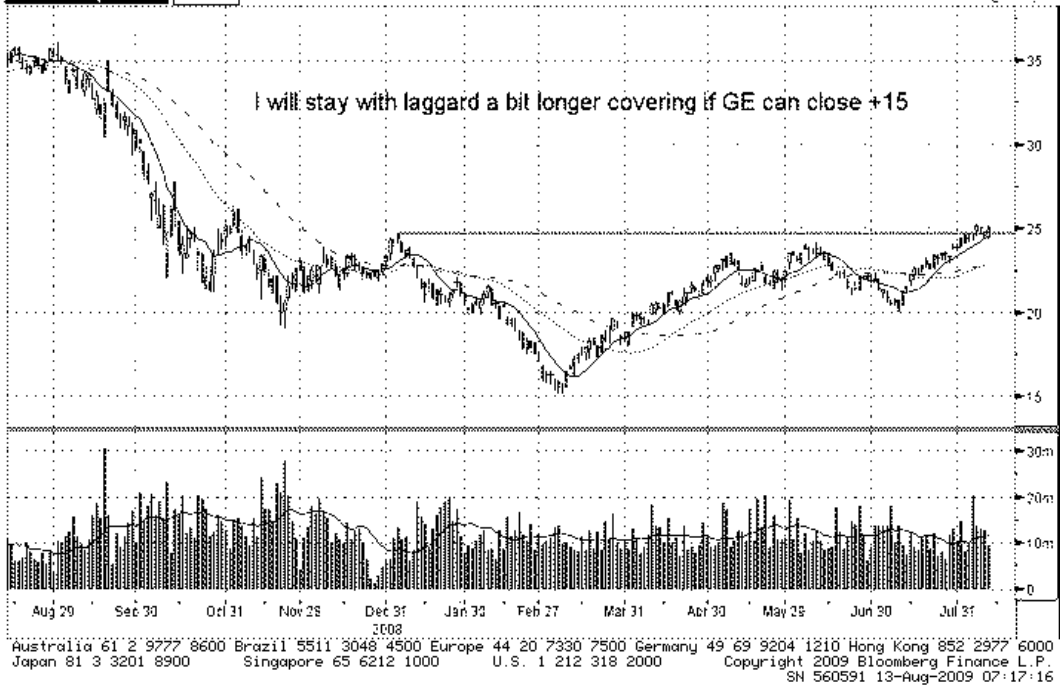
EquityGPC

XLI US \$ Market P 24/399.99 P 1x8 Prev 24.98

XLI US EQUITY Show

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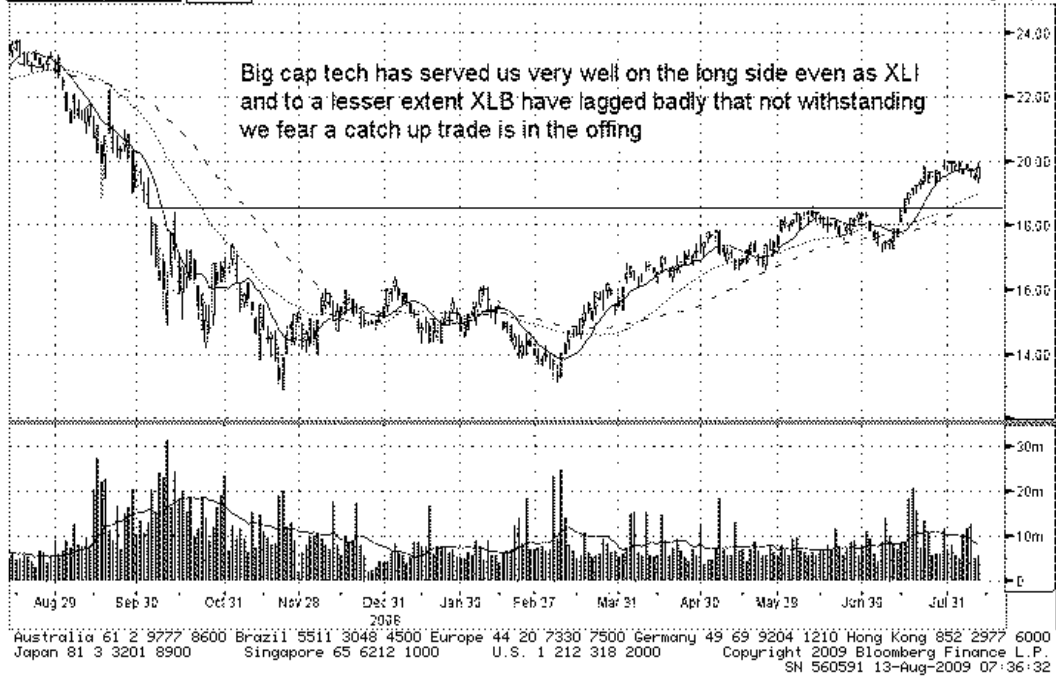
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XLK US \$ Market P 19.87/20.09 P 25x73 Prev 19.81

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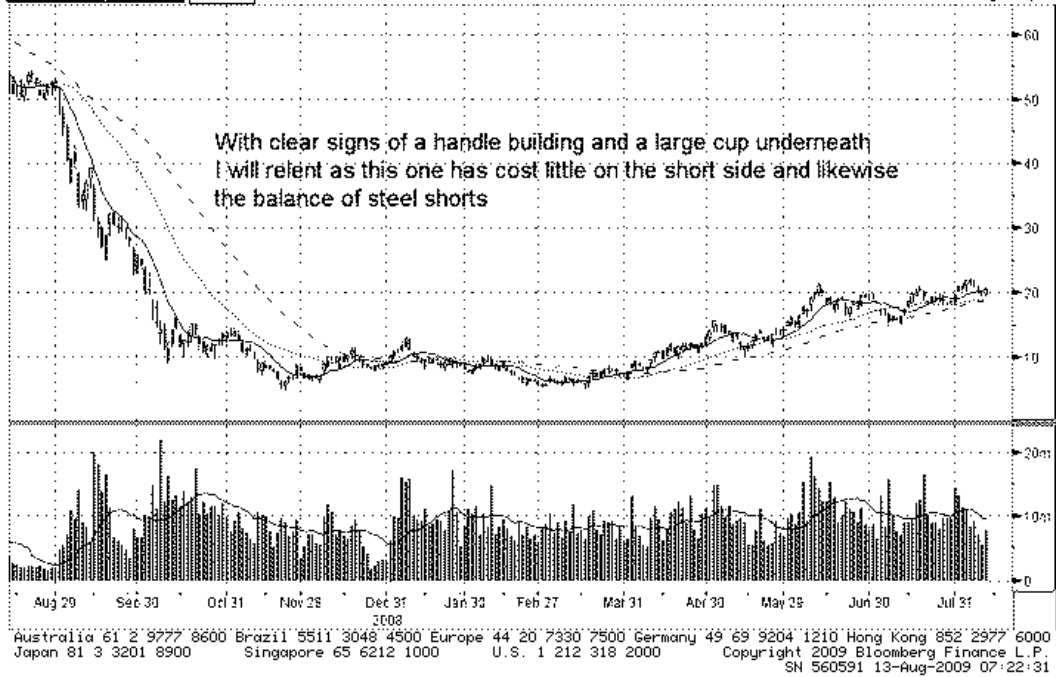
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AKS US \$ Mkt P 21.05/22.08T 3x3 Vol 200 Prev 20.59

AKS US EQUITY Show

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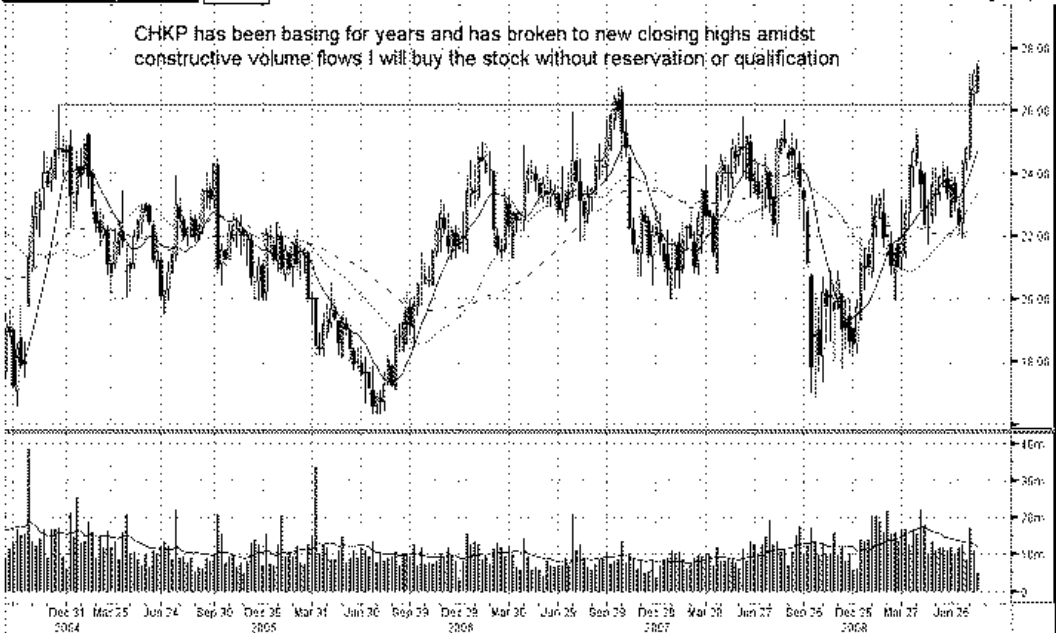


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CHKP US \$ Market P↑**25.14**/--- 1x-- Prev 27.42
CHKP US EQUITY GPC - Candle Chart

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CHKP has been basing for years and has broken to new closing highs amidst constructive volume flows I will buy the stock without reservation or qualification



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LLTC US \$ Market ---/**29.77P** --x1 Prev 26.51
LLTC US EQUITY GPC - Candle Chart

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LLTC is trying to pivot off the apex on a large bottom coincident with a high volume gap up on EPS and should be accumulated now



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ALTR US \$ Market Q 17.48/2000 Q 1x1 Prev 19.06

ALTR US EQUITY Show

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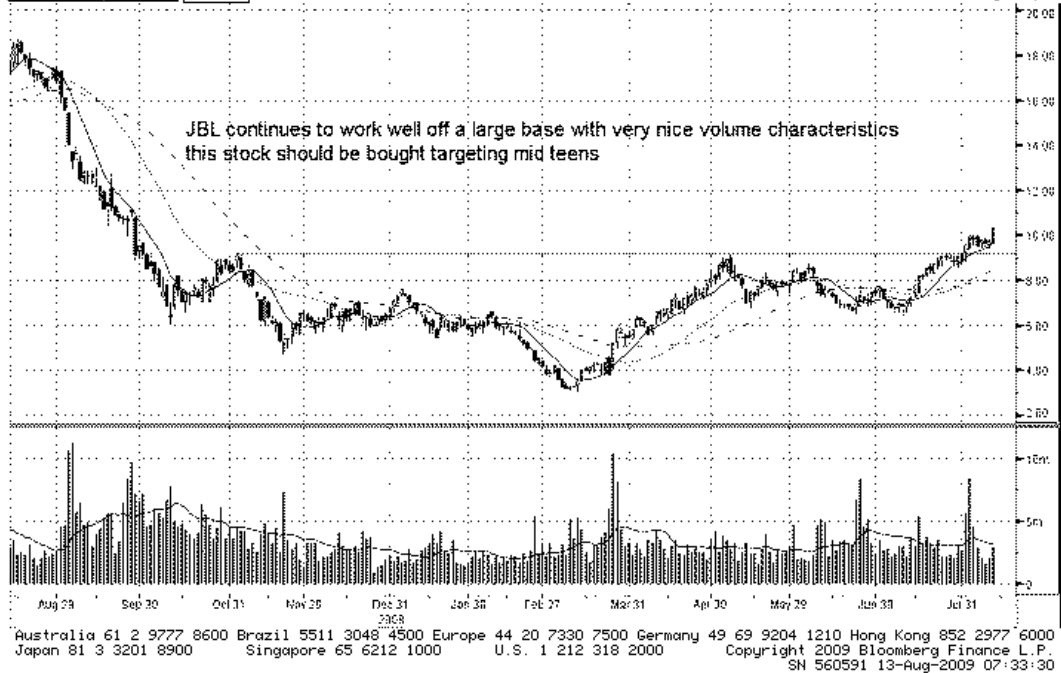
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JBL US \$ Market P10.30/11.70P 1x3 Prev 10.27 X

JBL US EQUITY Show

GPC - Candle Chart

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I wanted to put this chart up as I think it very telling about tech in general. As with many tech names this stock has been basing for many years post the bubble (an historical precedent that i think compares to steel materials and industrials currently) and now showing signs of emerging, this in our opinion is how bona fide longs look/ behave. I am not reccommending CREE at this moment but think the action is illustrative.

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