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Morning Comments August 17, 2009

We have maintained the position that SPX (and the balance of developed Western indexes for that matter) would only come off when Asia began to falter, this has begun now to play out. SHCOMP has been the leader for a few years now and continues to drive all others. The small double top overhead in SHCOMP has roughly predicted the level at which prices settled last night but in so doing the intermediate term uptrend has been severed and the dominant uptrend looks to be around the 2600 level. The balance of Asia looks to have a lot of catching up to do given the swiftness and severity of recent declines in SHCOMP and we would note that several of the Pac Rim indexes we follow have moved to areas of indicated major resistance in the vicinities of the neck lines on major tops. Having sold these markets out early we have waited to get short and the time now seems upon us for the next trade here. High risk/reward opportunities look to have setup and traders should look to get short KOSPI v. 1595, KLCI v. 1197, STI v. 2648. Daily neg divergences coupled with key reversals at major retracement levels coincident with rallies to major tops support this. Longer term investors will likely need to see greater confirmation to avoid major policy error before embarking on this path but traders need to look for entries. I expect to be writing more on this tomorrow after I see some confirmation or lack thereof tonight.

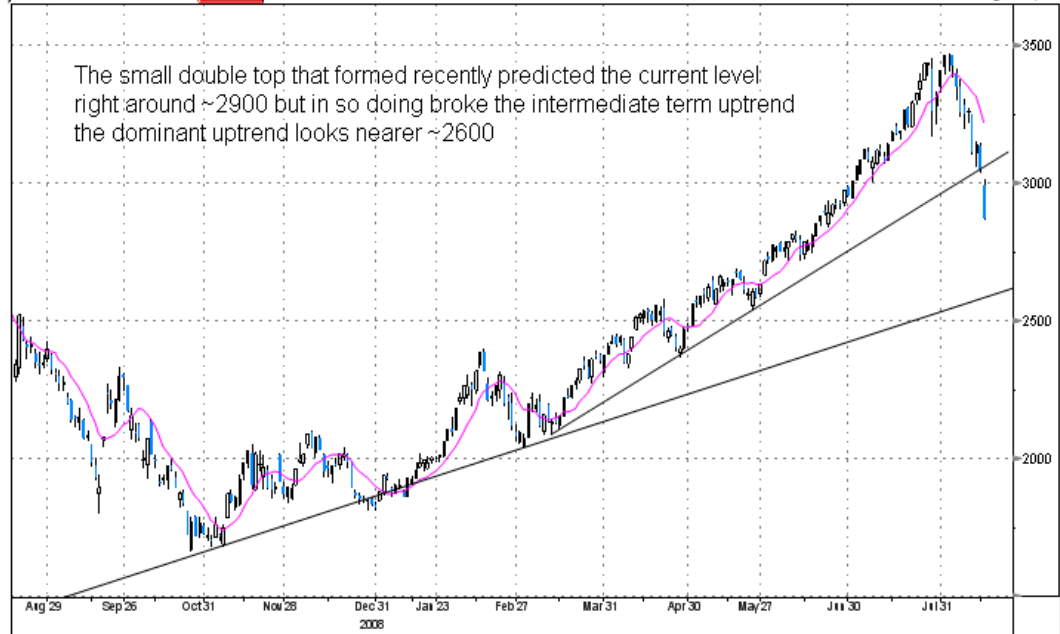
I covered some steel and material shorts recently having gotten squeezed out and today this appears to be a very poor trade indeed. As I have said many times and will continue to maintain until proven otherwise, fear the old bubble leaders. I will give them time to prove themselves before I go back in but I am ready and willing to do this trade again when shown the right opportunity. My poor timing here thus far is a source of regret but that's how the markets work. All the material names you see are so much dark fiber and these names will trade as tech did throughout this decade of 2000. There will be no shortage of opportunities to express this opinion of that I am certain.

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

SHCOMP ↑2870.630 -176.342
 At 03:15 Vol 125,058 Op 2994.866 Hi 3020.264 Lo 2867.394

Index **GPC**

SHCOMP INDEX Show GPC - Candle Chart Page 1/19

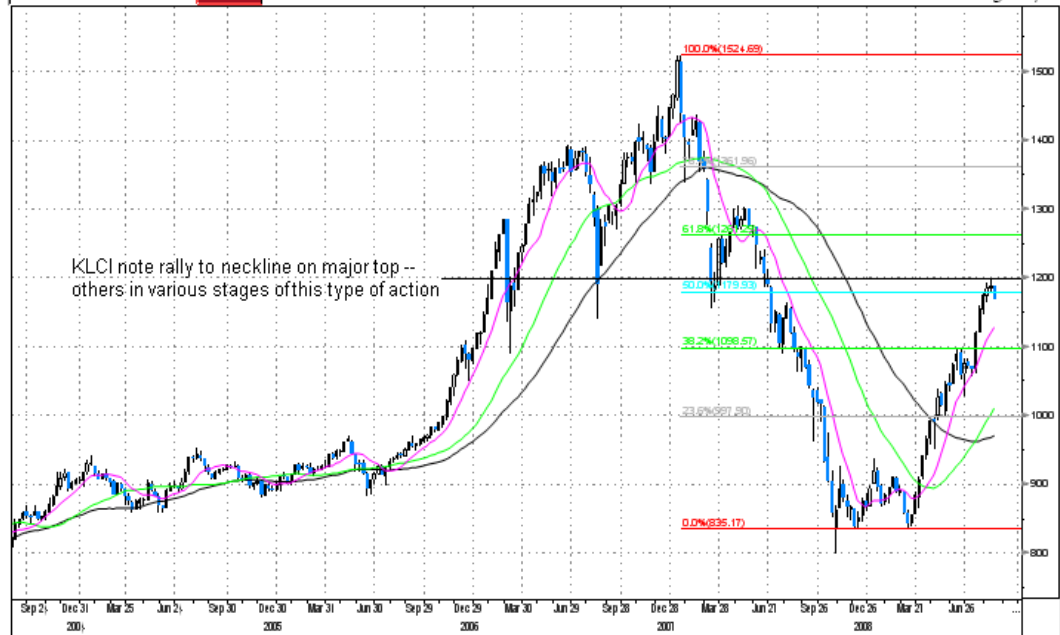


Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
 SN 511800 6537-227-3 17-Aug-2009 07:06:18

Index **GPC**

At 05:05 Vol n.a. Op 1188.57 Hi 1188.57 Lo 1168.64 OpInt n.a.

FEMKLCI INDEX Show GPC - Candle Chart Page 1/22



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