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## Morning Comments August 18, 2009

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SPX prices, having broken down sharply from a small reversal pattern, are testing a small band of lateral support. Take a look at the hourly chart below and one can see a bit more downside should be expected following some flagging back to test the breakdown. Traders should look to short 990s with conservative stops above 998 those with more latitude or those trying for much bigger trades may wish to give market scope to 1007 level. Downside implications look towards the low end of late July lateral support with the top of that band now serving as a resting spot following breakdown. Looking at the bigger picture the SPX is engaging in some very natural action currently probing resistance then testing support and we would expect, based on this action, to see a deeper test unfold towards lateral support beginning around the 950 level. I would point out that an important Fibonacci retracement level for this last leg up lies coincident with the 30d MA around 963 currently so expect price to be sticky there.

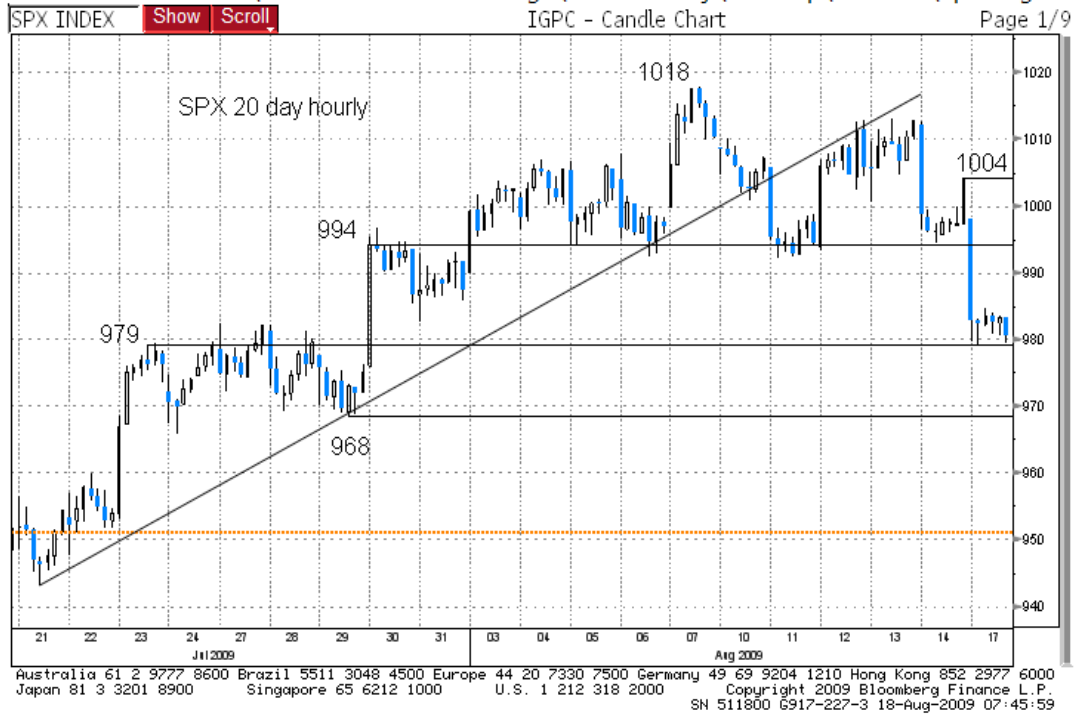
I wanted to include something today that's been on my mind for a while as I run through the charts. Take a look at FCX below, the stock is describing a cup and handle pattern which, having broken out, is now in the process of testing that break out. This pattern typically occurs as a continuation pattern at relatively high prices thus it's a bit unorthodox as a bottom. I chose FCX for its representational quality as there are many of these patterns in the marketplace currently, the majority of which I seem to be coming across in material or industrial names. This bears some careful watching since this is a completed pattern undergoing an important test and likely with meaningful implications in the space given the homogeneity of the pattern construction across the aforementioned sectors. Success should lead to the 80 level at a minimum while failure likely plunges prices towards a retest of low 40s. I would guess there are some excellent option trades buried in this and others in space that can encompass this proposition nicely. This bears careful observation.

I have also attached a few more of charts of the Asian indexes, the gravity of which I am sure will not be wasted on my readers. I think a bit more work needs to be done here but am getting increasingly inclined bearishly for a few months of short trading in these markets and I will keep you updated on our thoughts with respect to this.

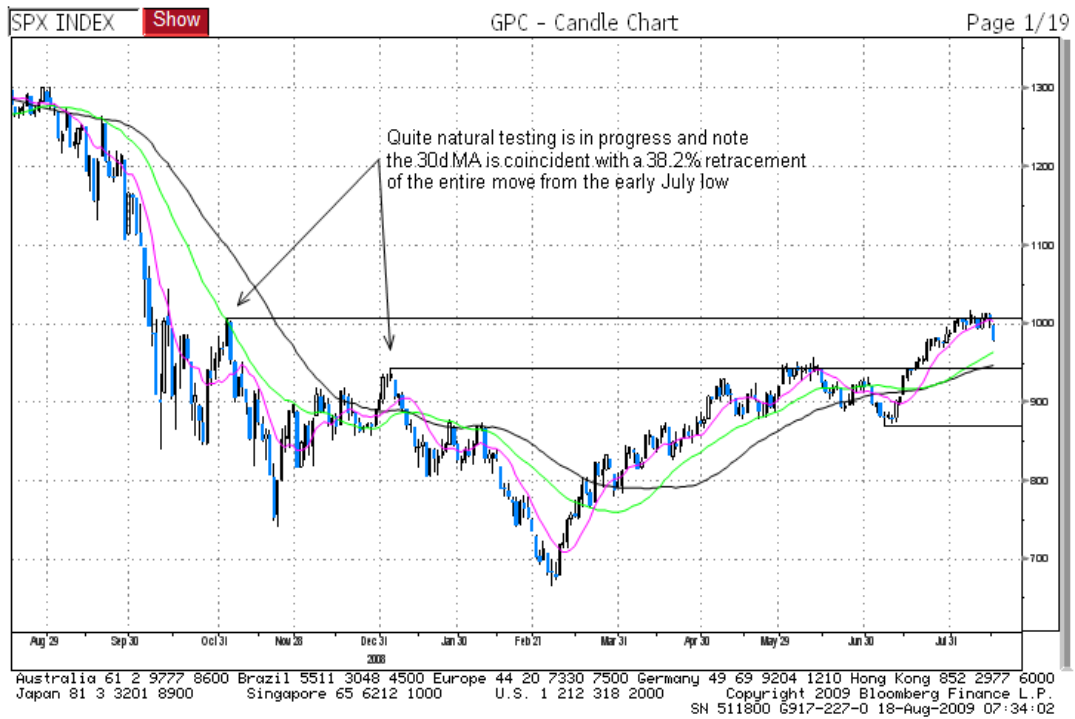
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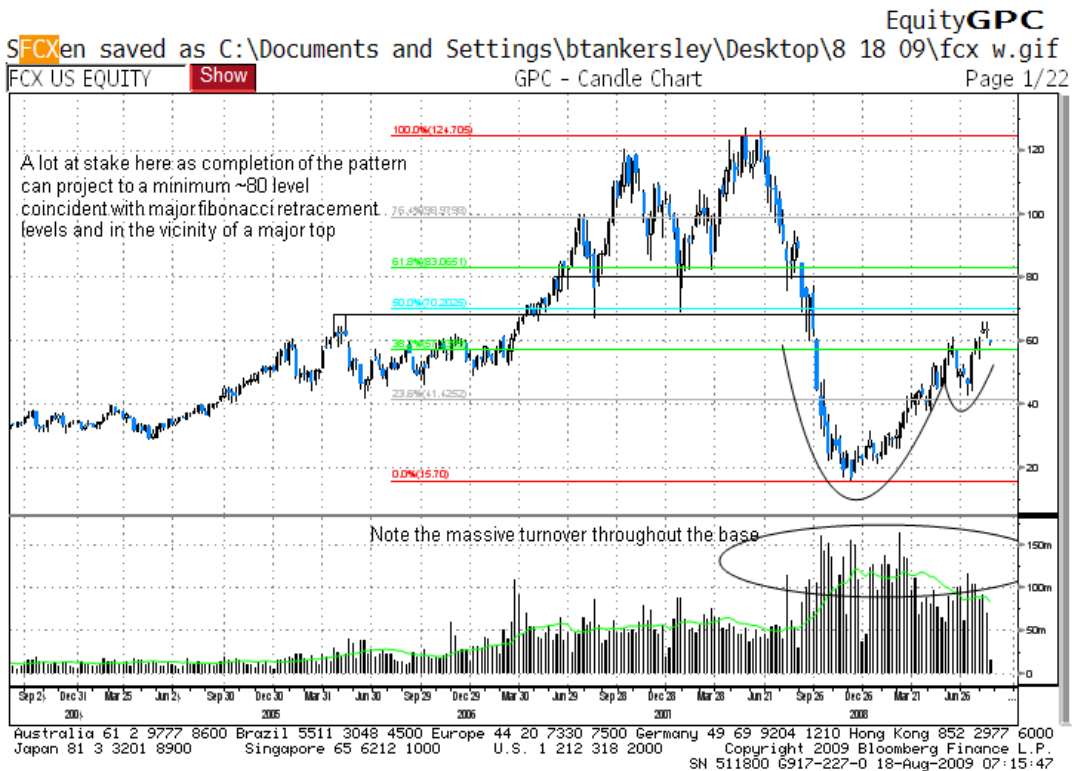
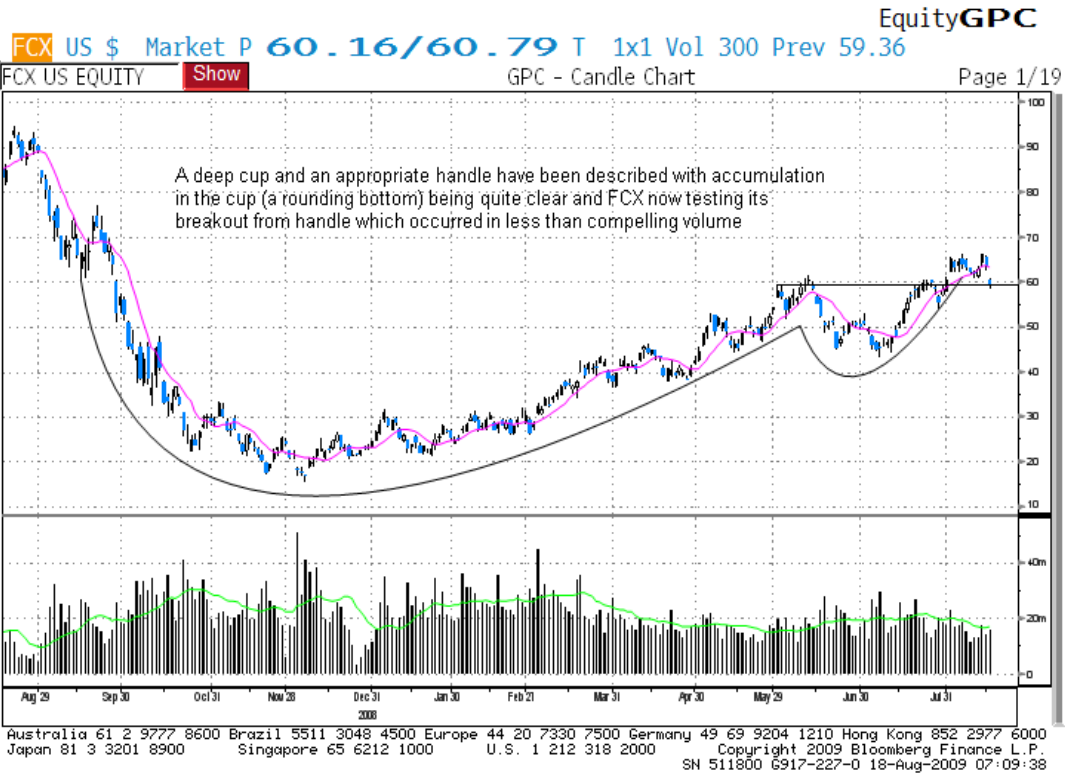
The results presented should not and cannot be viewed as an indicator of future performance.  
Charts courtesy of Bloomberg Finance L.P.

**SPX 979.73Y** as of close 8/17 **Index IGPC**  
 Screen saved as C:\Documents and Settings\btankersley\Desktop\8 18 09\spx h.gif



**SPX 979.73Y** as of close 8/17 **Index GPC**





**JCI** ↑2336.987 -49.878  
 At 05:00 Op 2384.802 Hi 2384.802 Lo 2296.964

Index **GPC**

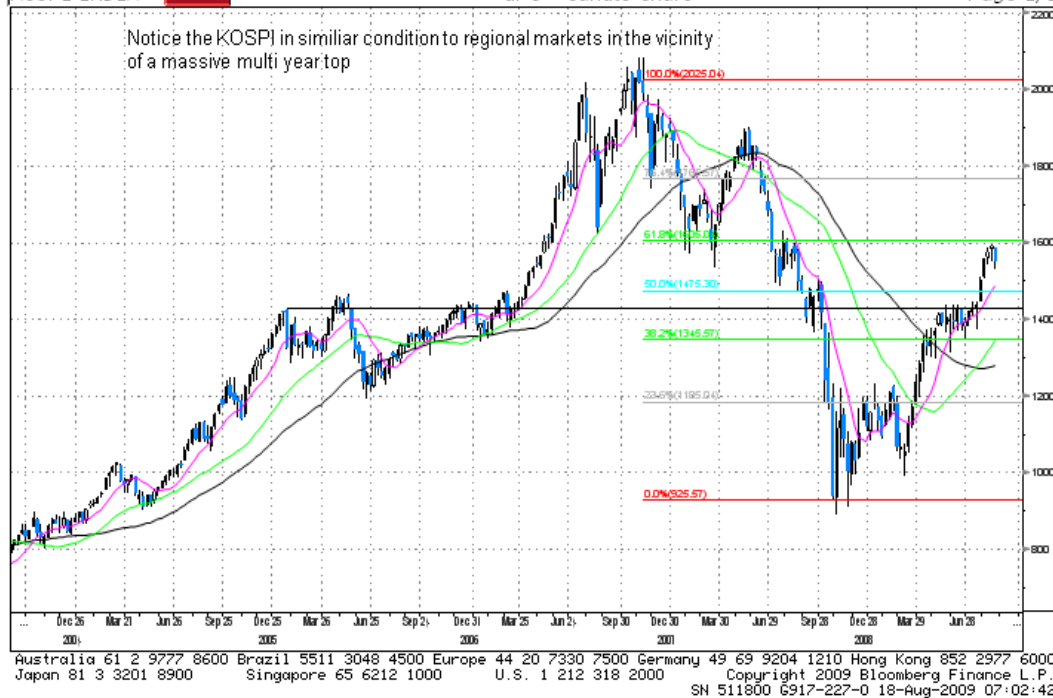
JCI INDEX Show GPC - Candle Chart Page 1/22



**KOSPI** ↑1550.24 +3.18  
 At DELAYED Vol 597,370 Op 1534.22 Hi 1560.73 Lo 1530.65

Index **GPC**

KOSPI INDEX Show GPC - Candle Chart Page 1/22



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