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## Morning Comments August 20, 2009

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The big draw in crude reported yesterday seemed a bit shocking. Shorts panicked and covered aggressively in the SPX pit just as quick as their NYMEX brothers. This action puts crude in a very interesting position near the top of its recent range as the price structure is describing a large cup and handle formation. Building value and closing above 73.5 would predict material upside.

I am interested in the action in crude because I am interested in XAL amongst other things. Watching the charts of many leading stocks levered to travel and leisure I am interested in the lagging nature of XAL currently. It seems a bit unreasonable to me that stocks like PCLN EXPE OWW TZOO HTZ CAR MAR HOT should be performing so well and yet XAL names linger near life of index lows, indeed prices are even below the index lows that followed in the aftermath of 9/11. People love to hate airlines probably because they are nearly impossible to make money in and rightly so I guess. When I invest I look for 10x opportunities as a general rule. XAL has the characteristics right now of a space that can yield major returns. There are some longer term signs of meaningful basing now in the airline index, although likely too early to be buying now, it is right on time to do the fundy work and find out if the recent strength in the on-line bookers and at the car rental, cruise and hotel names is close to trickling down in a meaningful way to XAL names. Perhaps a spike in crude can help with the timing of XAL entries, I am not sure at this point, but want to watch how the XAL crude correlations look here going forward. The crude/XAL correlation was negative for most of 08 but has turned positive now thus far in 09. The historical longer term relationship has been mildly negative. Its the YTD correlation that's most interesting to me since the positive relationship thus far in 09 appears to be telling a demand side story in my mind and this dovetails with strength in the bookings names which is clearly demand or demand expectations lead. I expect to be talking more about 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.

CL1 ↓ **72.07** -.35 S S 72.04/72.06 S 2x2  
 At 7:37 Vol 3,297 Op 72.15 Hi 72.79 Lo 71.65 Prev 72.42

Comdty**GPC**

CL1 COMB COMDTY 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 560591 20-Aug-2009 07:38:06

**XAL 22.58Y** as of close 8/19

Index **MACD**

XAL INDEX Show MACD - Moving Average Convergence/Divergence Page 1/22



... Dec 31 ... Jun 24 Sep 30 Dec 30 Mar 31 Jun 30 Sep 29 Dec 29 Mar 30 Jun 29 Sep 28 Dec 28 Mar 28 Jun 27 Sep 26 Dec 26 Mar 27 Jun 26  
 2004 2005 2006 2007 2008  
 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.  
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HTZ UN \$ C **10.08** -.18 N N10.07/10.08N 1x1  
 As of Aug19 Vol 570,000 Op 10.09 N Hi 10.39 N Lo 9.91 N

EquityGPC

HTZ UN EQUITY [Show](#)

GPC - Candle Chart

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CAR UN \$ C **10.08** +.16 N N10.07/10.09N 1x1  
 As of Aug19 Vol 668,700 Op 9.76 N Hi 10.57 N Lo 9.74 N

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GPC - Candle Chart

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