



Morning Comments December 1, 2009

Waiting for Mr. Heebner

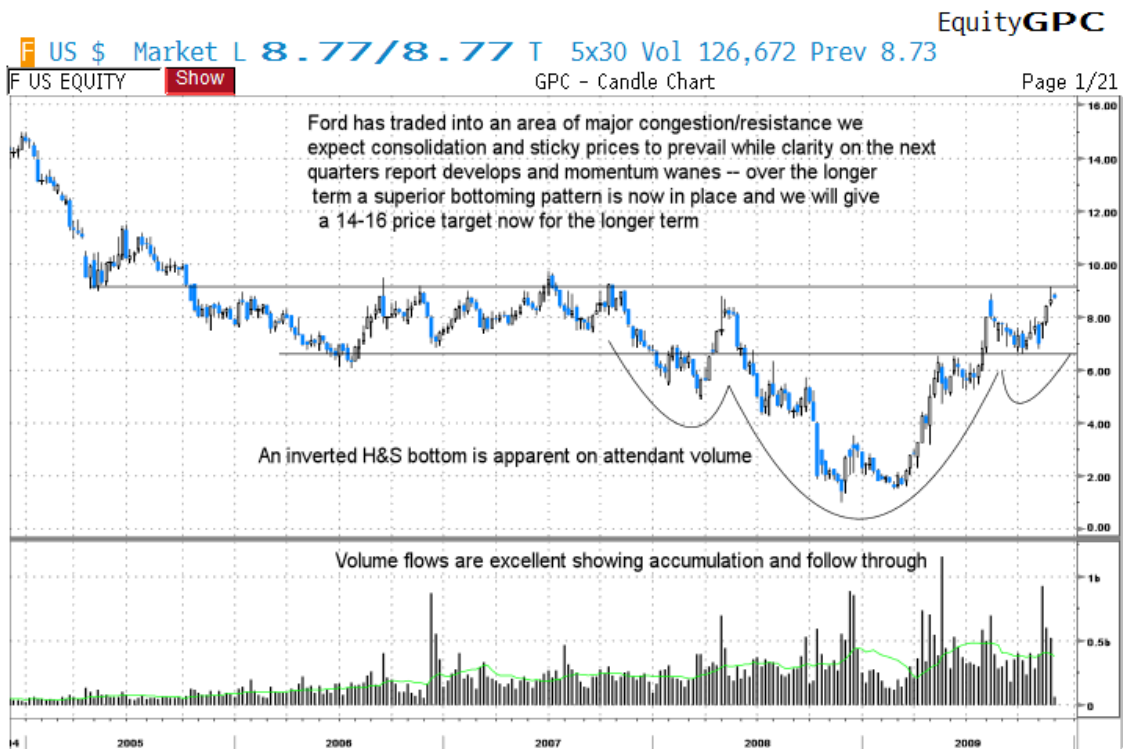


I want to get SPX shorts in place today as prices move back into 1105 and try to capitalize on dejected traders getting squeezed out of the erstwhile Dubai contagion trade. I believe the market has been deteriorating well in advance of this situation as I have noted a number of times recently, and so I will act here and put stops up over the recent highs nearby. The risk is mostly seasonal I think, but I am not willing to let this get away from me in a liquidity tsunami such as the one that currently exists. Should prices break up I will cover and try to reassess higher. I will be targeting a test of the lower end of the recent range near 1020-1040.

Given my feelings on the market in general, it's probably a good time to go over some of the longs I have been recommending as well. I like them hedged up here for the most part in addition to being short SPX for a trade, thus creating a mild net short.

Technical Analysis & Strategy

I have been long Ford all year on the belief that the collapse in build rates and the reorganization of domestic competitors has created a cyclical if not secular opportunity to invest in Ford shares; I feel strongly that this has the potential to run for many months if not years. That said the stock is coming into an area of major long term resistance that should give rise to some degree of consolidation right around the 9-10 level as you can see on the charts below. I also want to put up a simple chart of the long term auto SAAR that's a backbone of my thesis and for which current data will roll today. I would expect SAAR data to eventually move back up to test the long term regression line depicted at a bare minimum.



Technical Analysis & Strategy

US \$ Market P 8.76/8.77 T 35x102 Vol 159,672 Prev 8.73

F US EQUITY Show

GPC - Candle Chart

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SAARTOTL Last 10.45M OCT Next 12/01/09 Surv -- Index GP
 US Auto Sales Total Annualized SA

SAARTOTL INDEX Show

GP - Line Chart

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Technical Analysis & Strategy

The other big cyclical/secular trade I believe in is airlines as I have written about since August. We will start to see November traffic data over the next few days and I am expecting it to be good. Recent commentary and results from the likes of Priceline and Tui Travel, in conjunction with travel industry commentary broadly, give me great confidence we are on track with this trade. Like a number of trades of this sort I have put on over the years I am basically waiting around for Ken Heebner to show up to let me know if I am really right or not (sic).

XAL 27.70Y as of close 11/30

Index **RSI**



Technical Analysis & Strategy

CHKP has been a great long for us but it's looking a bit extended here and I expect to see consolidation at current levels prior to renewed upside attempts. I'll try to cover the balance of the longs tomorrow.



Technical Analysis & Strategy

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