



Morning Comments December 23, 2009

Stops Elected, but Still a Very Merry Christmas!

SPX prices finally took out our 1115 stops yesterday, and so we will relent on the market short here for the time being. The deterioration we saw in the broader tape that first got us involved in this trade has been reversing lately as small and mid cap indexes press new highs, and our thesis has been broken. In the meantime, our longs have come on with a vengeance and the short cost us almost nothing, so I can't really cry about that. The real question is whether or not to pull the hedge on the long book. I will sit tight on that for now because I would like a bit more proof and, thankfully, because I can.

Some other maintenance work: JBL is achieving the price targets we set back in August and it's time to work out of this one. Notice the elegance of the wave structure. I also want to talk about XAL which now seems to be getting a much warmer reception than when I began buying back in August. I have been quite adamant in my long term belief in the space as a major cyclical if not secular opportunity and I have gone so far as to say time will find many of these names in triple digit quotations. Investors should stay put, but traders consider a trim up or overwrite on some of these big gains now as I feel prices are increasingly vulnerable in this volatile sector. Take a look at analyst recommendations in the space and there is not much firepower for bullish action. DAL and UAUA, for instance, show every analyst at BUY. I think the names are quite vulnerable to negative analyst action and as XAL achieves mid 30s I will make the technical case for correction as well. I am personally very long these and intend to overwrite when the compliance window opens.

I want to thank everyone for all the support and thought-provoking interaction you have given all year and I wish all the Happiest of Holidays and a wonderful New Year!!

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Equity GPC

JBL US \$ Market P 16.95/17.27 P 2x1 Prev 17.18

JBL US EQUITY [Show](#)

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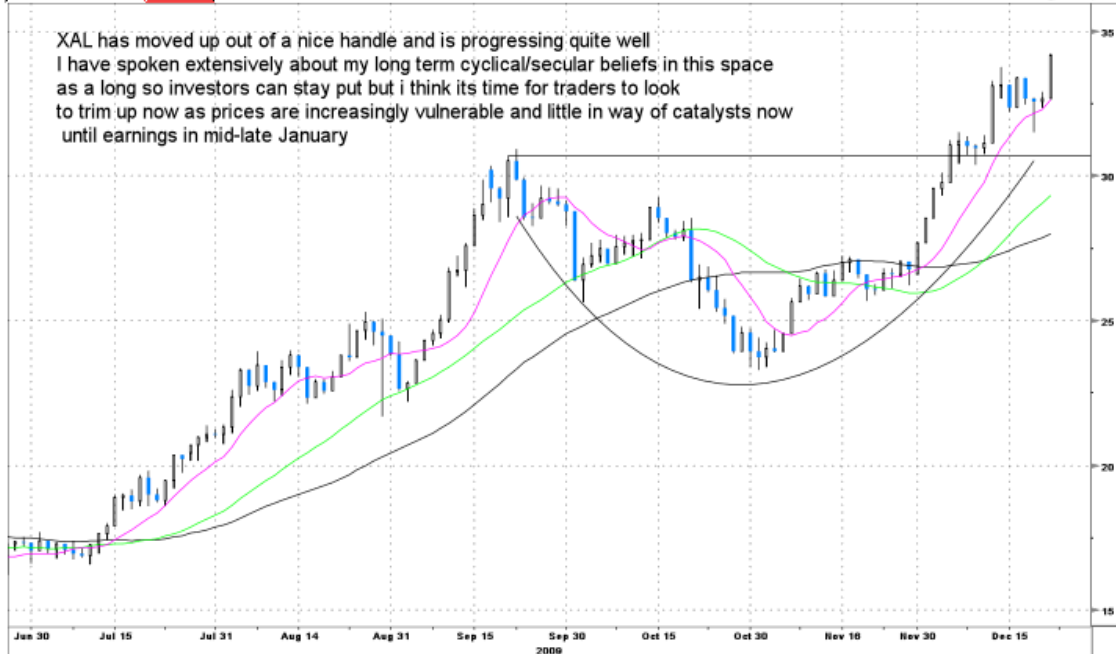
XAL 34.17Y as of close 12/22

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