

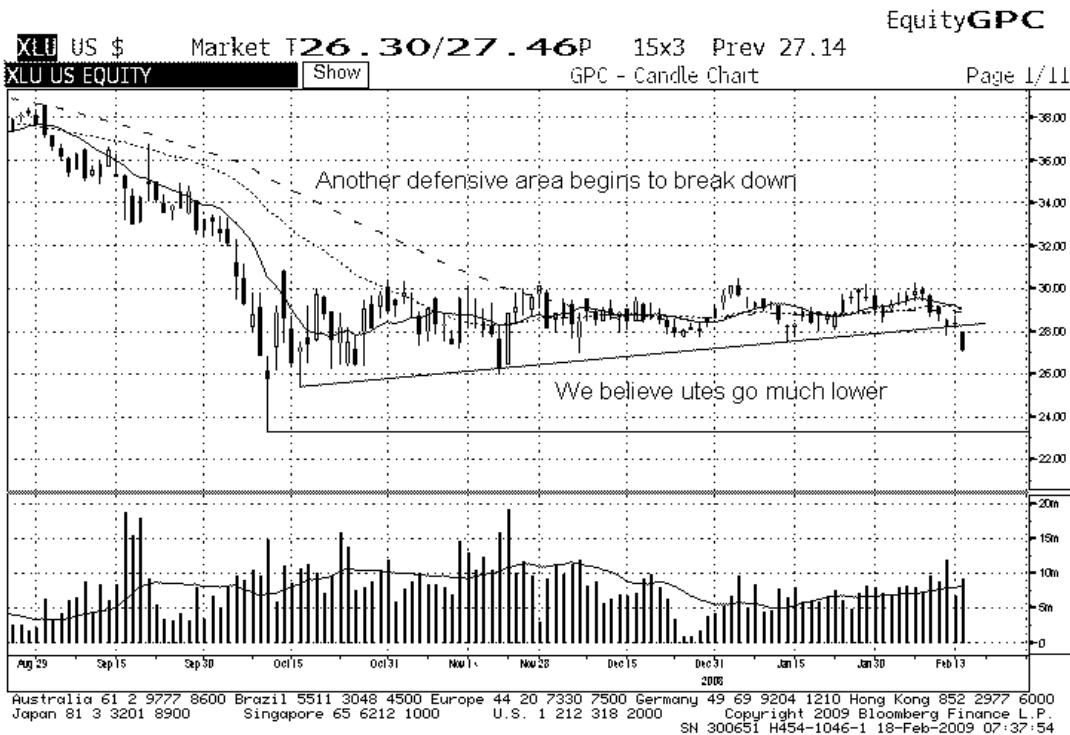
Morning Comments February 18, 2009

Utilities broke down emphatically yesterday and the action reinforces to us the notion that the market is beginning a dynamic phase of smoking out the last of the longs from their hiding spots. We believe this is a very natural late stage phenomena and it should be swift and violent.

TRAN made fresh lows for the move yesterday and INDU is striving to confirm a primary bear signal but has not yet made a fresh low. Dow theorists will likely take the opportunity to get super bearish when/if that happens but our analysis indicates that TRAN is nearing its nadir for the episode and potentially can setup a meaningful low just a few hundred points from here. We are thinking 2300-2550 can potentially contain TRAN on downside and mark the beginnings of an extensive consolidation phase.

The Brazilian Real concerns us as a major risk factor. Seems a layup short here for ~3 area. The ramifications of that move bode ill for equity. BRL has shown a high degree of inverse correlation with SPX albeit to a lesser degree than MXN.

It sad that the, "infrastructure bill," has no infrastructure spending in it, just plain sad. The market really bought that when it was first discussed.



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

TRAN 2803.62Y as of close 2/17
Vol 25,592y

Index **GPC**

TRAN INDEX Show

GPC - Candle Chart

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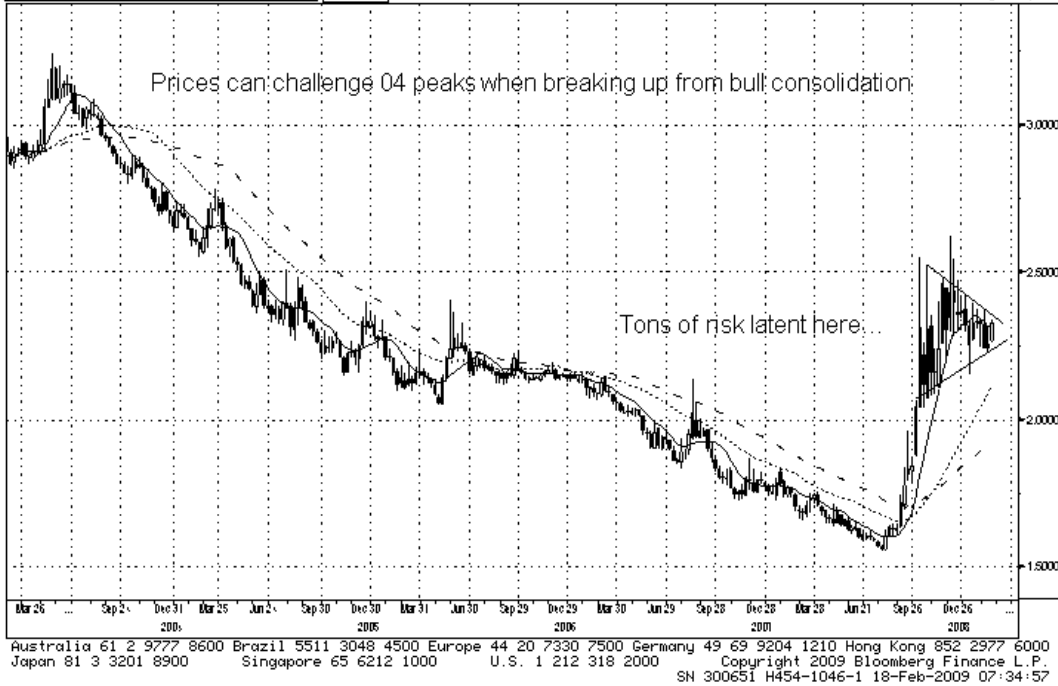


BRL ↑ 2.3285 - .0108 BGN 2.3280/2.3290 BGN Curncy **GPC**
At 7:34 Op 2.3278 Hi 2.3325 Lo 2.3211 Close 2.3393 Value 2/20/09

BRL BGN CURRENCY Show

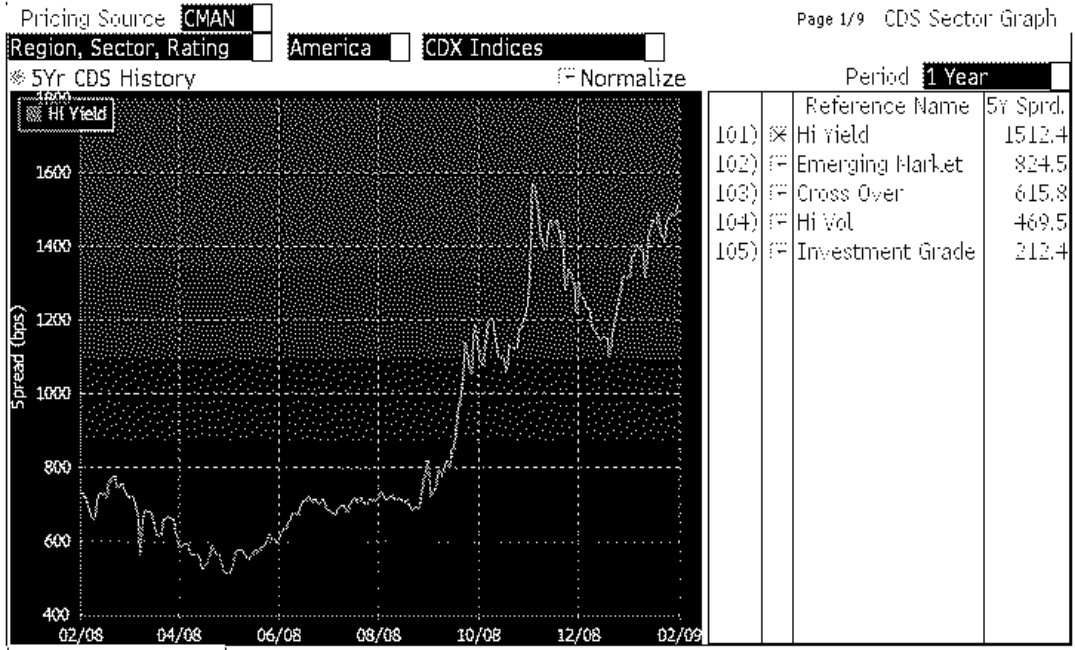
GPC - Candle Chart

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