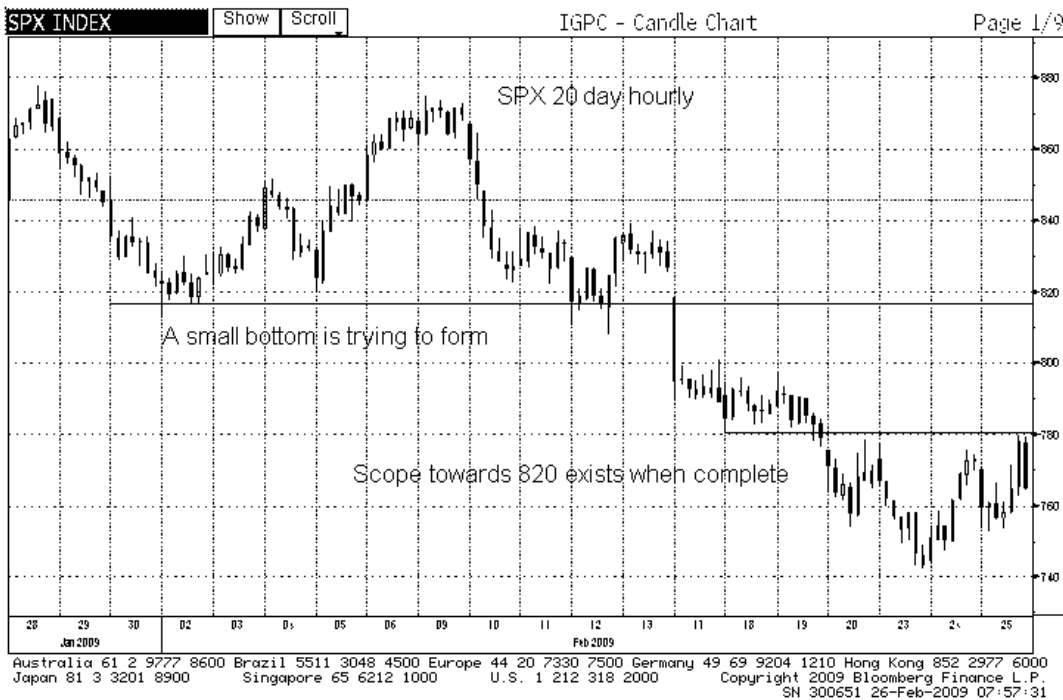


Morning Comments February 26, 2009

SPX prices have chopped out a small inverted H&S consolidation pattern which shows upside potential to 816 when closing through 780. Its too early to tell how real or durable the current bid is but we suspect the generally underinvested and net short investment stance of funds allows for a test of their resolve in the near term. We continue to favor trading around the shorts at current levels giving the market some time to show its true intentions. Squeezy crude and copper prices combine with rising treasury yields to reinforce this notion. We will be happy to lay back out the defensive names we have been using as they rally back to resistance.

Treasury yields have been creeping up steadily as heavy supply comes on and it will be important to watch prices here as the current treasury auctions clean up. LQD came off sharply yesterday and its not clear at this point whether that's a function of being crowded out by Uncle Sam or an expression of risk appetite increasing but it seems at odds with any durable equity rally. Too, high yield CDS are hanging around up at the highs and haven't tipped their hand as too their intentions yet. Lets keep a close eye on developments here, I suspect an attempt at rallying credit for a day or 3 is in the offing.

SPX 764.90Y as of close 2/25 Index IGPC



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

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