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Morning Comments January 13, 2009

Since bottoming in late November SPX prices had recovered in a series of higher highs and higher lows in the context of a relatively flat price structure. Oscillator work has been generally constructive while now showing some signs of tiring. Our conviction with regard to substantial progress to either side now is limited by the markets ability to demonstrate that it can make higher lows/highs thus building up a positive trend or by showing a lower high now. We had thought prices likely to rise into the Obama inauguration ahead of earnings reporting getting in full swing and to sell off thereafter in anticlimactic fashion and we continue to view this time frame around 1/20 as the most likely to beget a major move.

The ~ 885 level we had been talking about went down easily yesterday and prices moved quickly into the area of support just above 855 that produced reactions in mid and again in late December. The markets disregard for moving averages and ease of flight into the ~ 855 support area suggest a tight trading range 855 x 920 is attempting to be forged. Be alert for a lower high to develop (think 885 failure) along with weakening oscillator work and a break of 855 to signal a big move to the downside. Building value above 920 renews bullishness. Until a decisive break occurs either way focus more on oscillator work and less on moving average and trend.

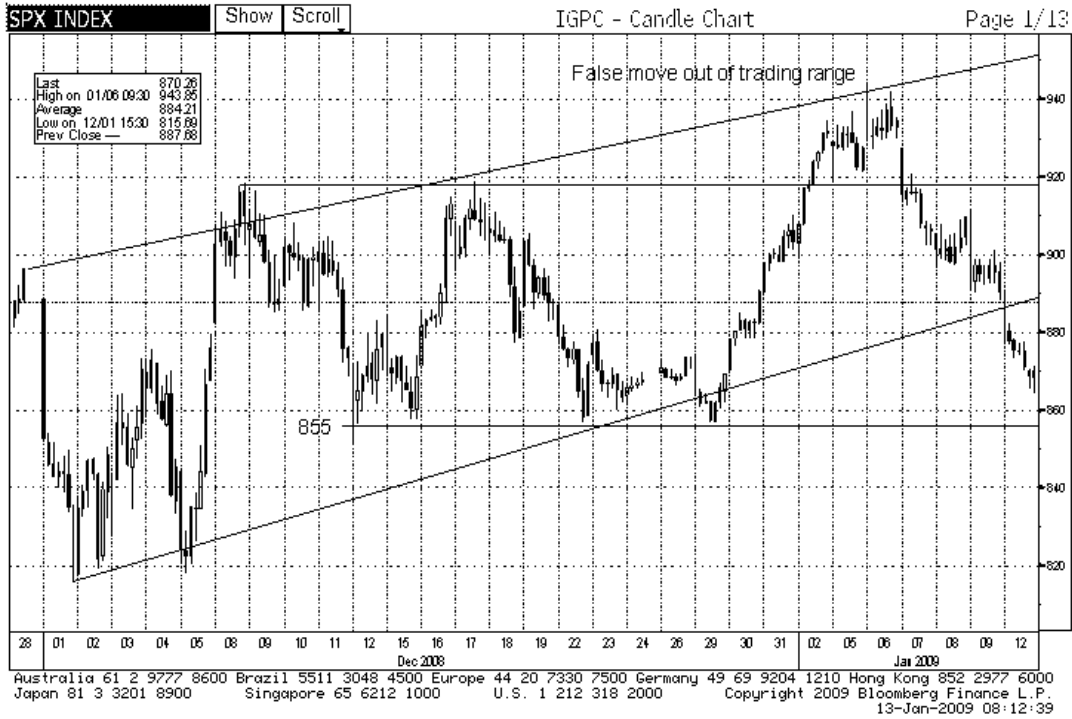
Our enthusiasm for prices rising towards the level of heavy resistance near the 1000 level has been dampened by the markets increasing negative divergence with credit. Even as prices in the corporate credit markets have rebounded strongly (we prefer to use LQD, HYG as simple gauges) SPX prices have resisted this upward pressure. This creates a negative divergence and suggests to us that the demand for corporate credit is mostly liquidity driven at this point and lacking in much informational content or predictive power.

Its been a few weeks since we have had the spotlight on currency factors but we are looking again as a number of the tertiary currencies we have discussed many times in the past are once again testing the levels associated with breakdowns v. the dollar. The Mexican Peso has enjoyed a high degree of inverse correlation with the SPX and is threatening to break out of an ascending triangle that would target the 16 level, a number of other tertiary currencies are in similar condition.

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

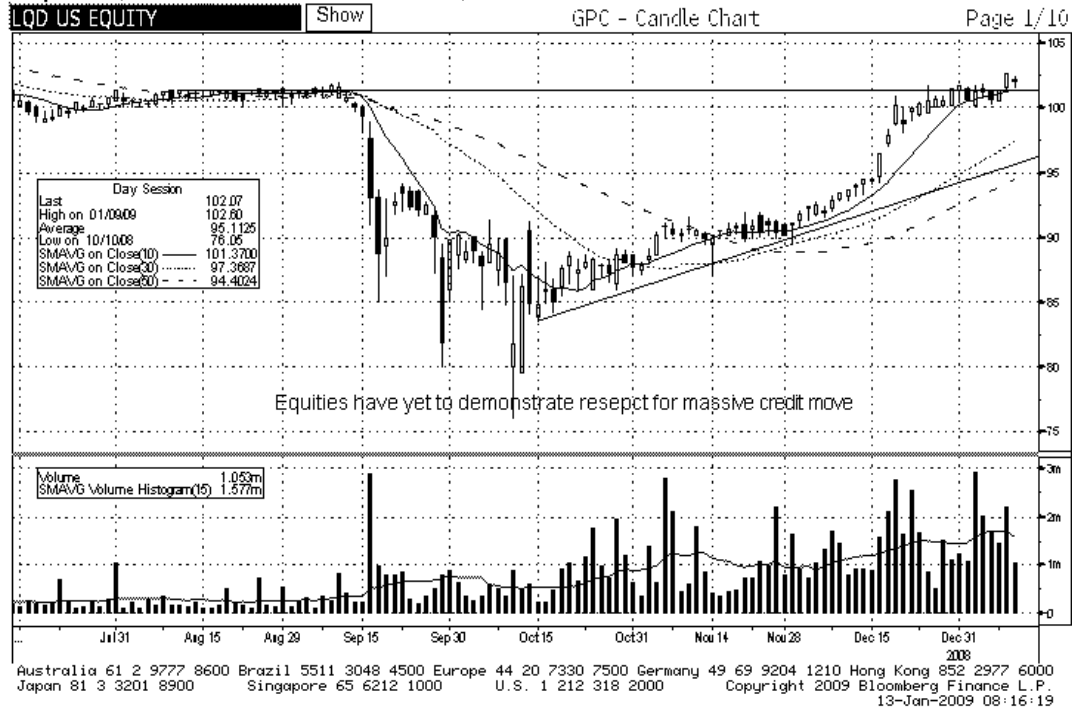
SPX 870.26Y as of close 1/12

Index IGPC



EquityGPC

LQD US \$ Market T101.52/102.88T 4x13 Prev 102.07



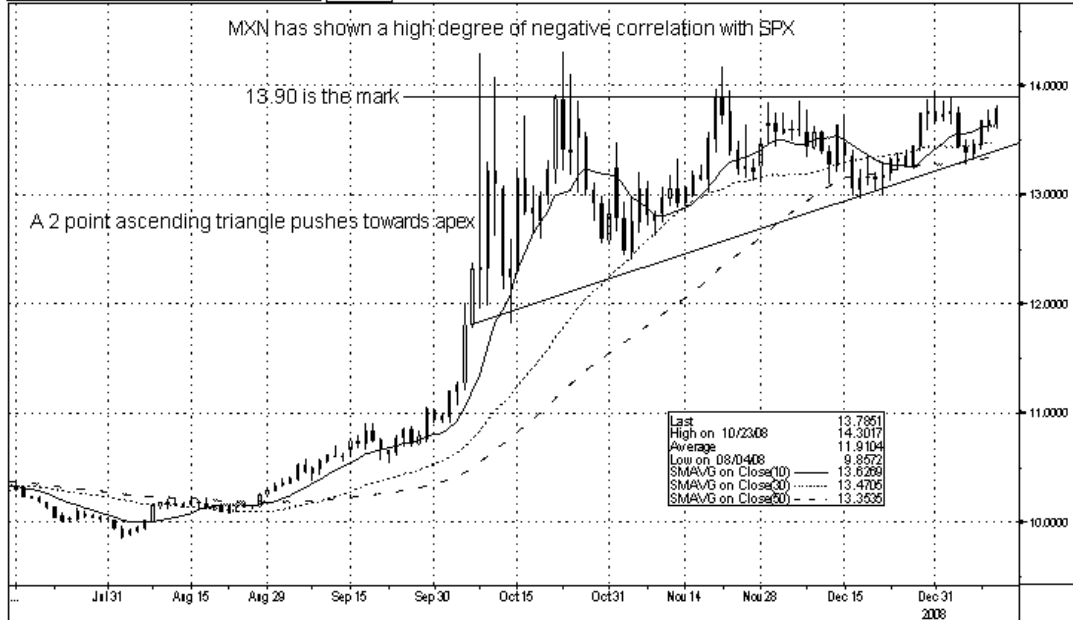
<HELP> for explanation. **CurrencyCORR**
 1<GO> to Edit, 2<GO> for more options, <MENU> to return to correlation menu

1) Edit	2) Actions	3)	currency corr matrix							
01/13/2008	01/12/2009	Daily	Calculation	Correlation	Local CCY					
Correlation Matrix (10 Rows x 10 Columns)										
Security	MXN	PLN	CZK	HUF	COP	BRL	KRW	SPX	RUB	TRY
1) SPX	-0.679	-0.386	-0.275	-0.464	-0.174	-0.519	-0.090	1.000	-0.156	-0.563
2) KRW	0.231	0.102	0.024	0.096	0.201	0.183	1.000	-0.090	0.060	0.176
3) RUB	0.304	0.605	0.657	0.584	0.275	0.303	0.060	-0.156	1.000	0.410
4) COP	0.229	0.321	0.295	0.263	1.000	0.447	0.201	-0.174	0.275	0.365
5) CZK	0.439	0.799	1.000	0.763	0.295	0.407	0.024	-0.275	0.657	0.553
6) PLN	0.546	1.000	0.799	0.787	0.321	0.441	0.102	-0.386	0.605	0.576
7) HUF	0.591	0.787	0.763	1.000	0.263	0.436	0.096	-0.464	0.584	0.635
8) BRL	0.613	0.441	0.407	0.436	0.447	1.000	0.183	-0.519	0.303	0.595
9) TRY	0.612	0.576	0.553	0.635	0.365	0.595	0.176	-0.563	0.410	1.000
0) MXN	1.000	0.546	0.439	0.591	0.229	0.613	0.231	-0.679	0.304	0.612

Color bands based on Statistical Significance: Most Significant Significant Less Significant Least Significant
 Click on a security to view more options, or on a matrix value to view correlation and scatter charts.
 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.
 12-Jan-2009 13:06:14

MXN ↑ **13.7851** + **.1651** BGN 13.7780/13.7923 BG **CurrencyGPC**
 At 13:04 Op 13.6433 Hi 13.8125 Lo 13.5961 Close 13.6200 Value 1/14/09

MXN BGN CURRENCY Show GPC - Candle Chart Page 1/10



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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
 12-Jan-2009 13:04:10

TRY 1.5978 +.0385 BGN 1.5973/1.5983 BGN CurncyGPC
 At 12:54 Op 1.5617 Hi 1.5999 Lo 1.5585 Close 1.5592 Value 1/13/09

TRY BGN CURRENCY Show GPC - Candle Chart Page 1/10



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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
 12-Jan-2009 12:54:17

PLN ↑ 3.0966 +.1053 BGN 3.0914/3.1018 BGN CurncyGPC
 At 13:05 Op 2.9895 Hi 3.1132 Lo 2.9820 Close 2.9913 Value 1/14/09

PLN BGN CURRENCY Hide GPC - Candle Chart Page 1/10

Range **07/14/08 - 01/12/09** Upper Candle Chart How. Avgs **10 30 50** Currency **PLN**
 Period **Daily** Lower None How. Avg **15** Source **BGN** Events



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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