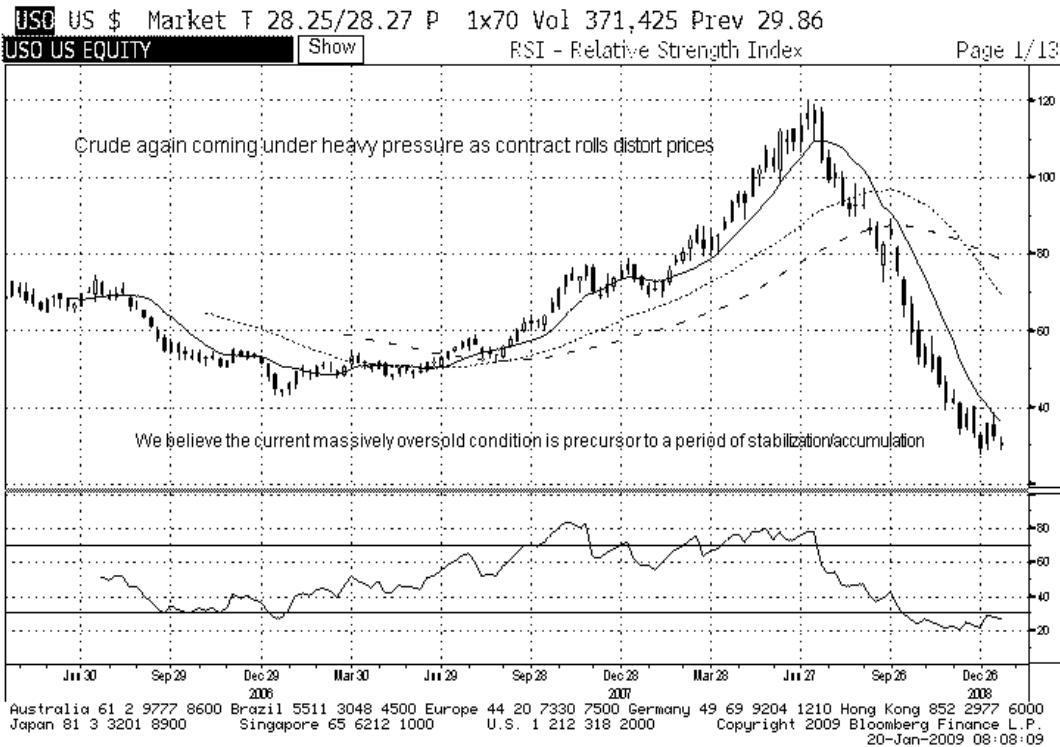


Morning Comments January 20, 2009

We believe that the inherent arbitrage opportunities presented by the near 10 points of contango between crude expiring today and that expiring in December and the 10 point spread of Brent over WTI are unsustainable. We have argued that the heavy volumes in USO over the past month are an expression of prices reaching a market clearing level and this combined with the extreme oversold conditions present represent the price decline reaching its nadir. We thought DXY would get sticky around the 85 level and work in our favor with respect to the implicit inverse dollar play. Some time is necessary for the moving parts in this trade to mesh and begin to work. The ease with which DXY moves through 85 is a bit surprising to us but we are willing to give this a little time. Lets give contract roll machinations a day or so to play out as well. Sustained fresh lows in USO mean we have mistimed the trade or are just plain wrong.



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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