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Morning Comments January 26, 2009

We have written several times over the last few months about the, “liquidity bid,” the action in VIX over the last several days and the renewed bid in lower quality credit amongst fairly heavy issuance suggest we are back at levels in equity pricing were the massive levels of liquidity in the financial system are squeezing out and spilling into prices causing downward progress to get sticky. The propensity of the equity markets to swoon early and close better in the last 3 sessions is an expression of the liquidity bid. While we believe the longer term path of least resistance for equity remains down, in the near term progress down will face a battle with liquidity until more dollars have been exhausted. Be cognizant of the markets will to close better for an important month end such as January.

Crude continues to show strength despite the unending stream of poor economic and supply/demand news. We have been long and will get longer as this market strengthens further we think high 40s for USO should be attainable and potential to low 60s is implicit in the price structure over an intermediate term time frame.

Last week we saw steady rotation from many defensive names into tech for the most part. This started slowly and grew all week becoming glaringly obvious towards the end of the week. This is in its initial stages and we expect to continue to see this type of rotational action for the foreseeable future. We expect rotation to broaden and begin to dominate the tape action. It’s time now. The market understands that despite the potential for a final whoosh out in broad index pricing, the time for rotation has come for the largest investors/institutions.

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

CurrencyGPC

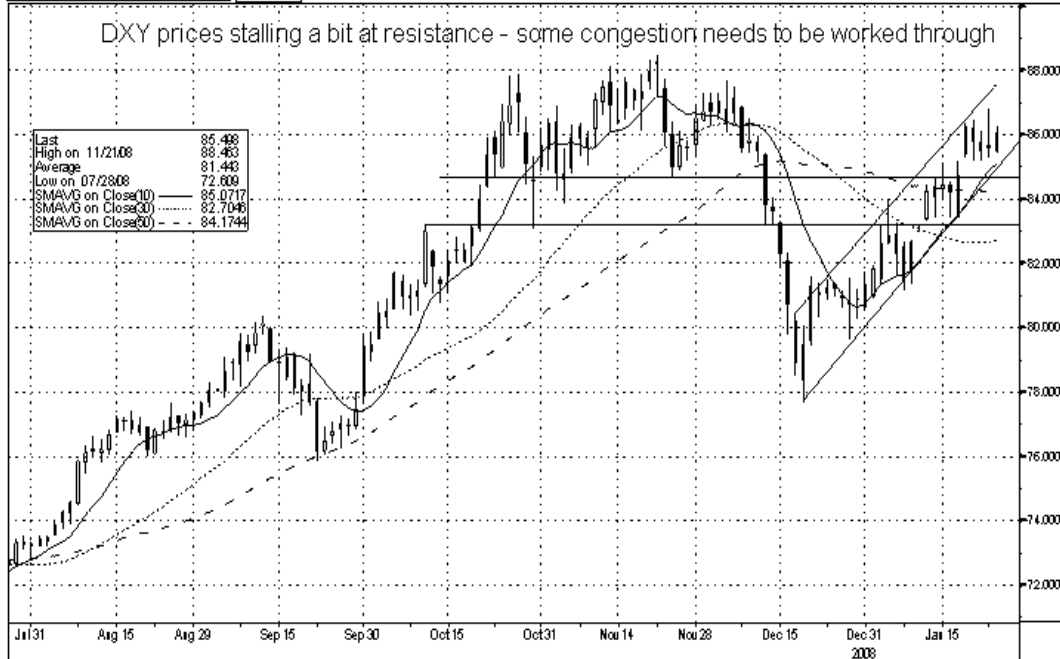
At 7:17 Op 86.082 Hi 86.276 Lo 85.530 Prev 85.608

DXY CURRENCY

Show

GPC - Candle Chart

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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.
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EquityGPC

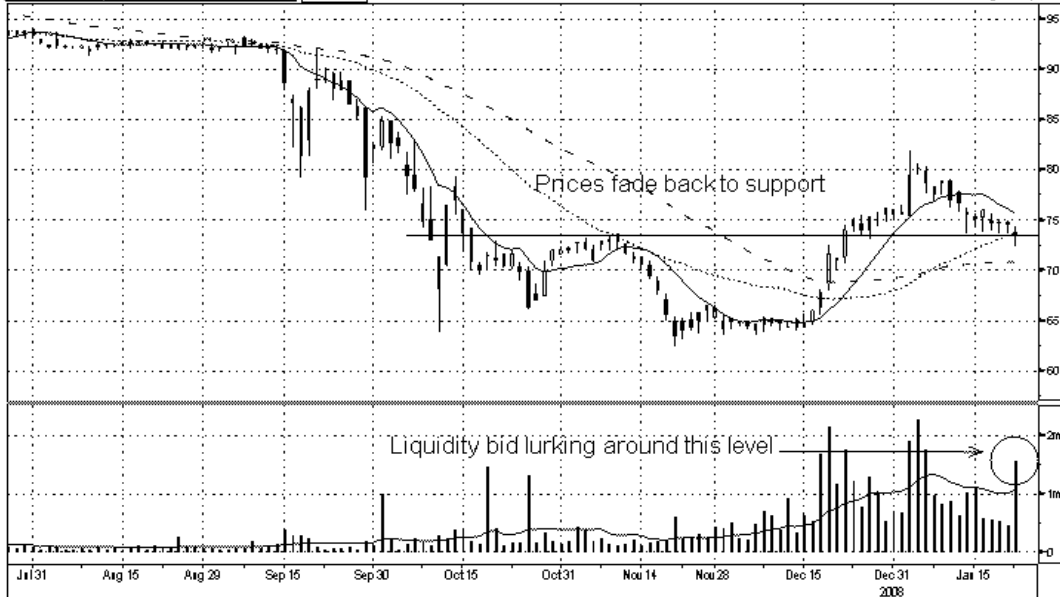
HYG US \$ Market P. 16/77.00P 1x4 Prev 73.31

HYG US EQUITY

Show

GPC - Candle Chart

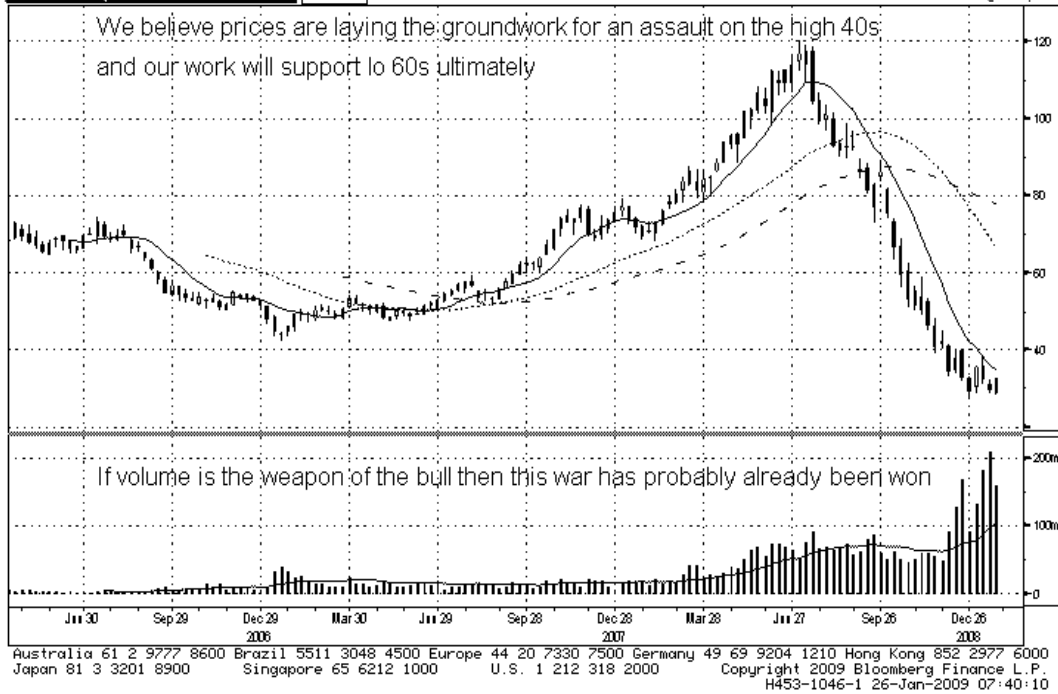
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Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
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USO US \$ Market T **32.49/32.57** P 30x32 Vol 15,900 Prev 32.33

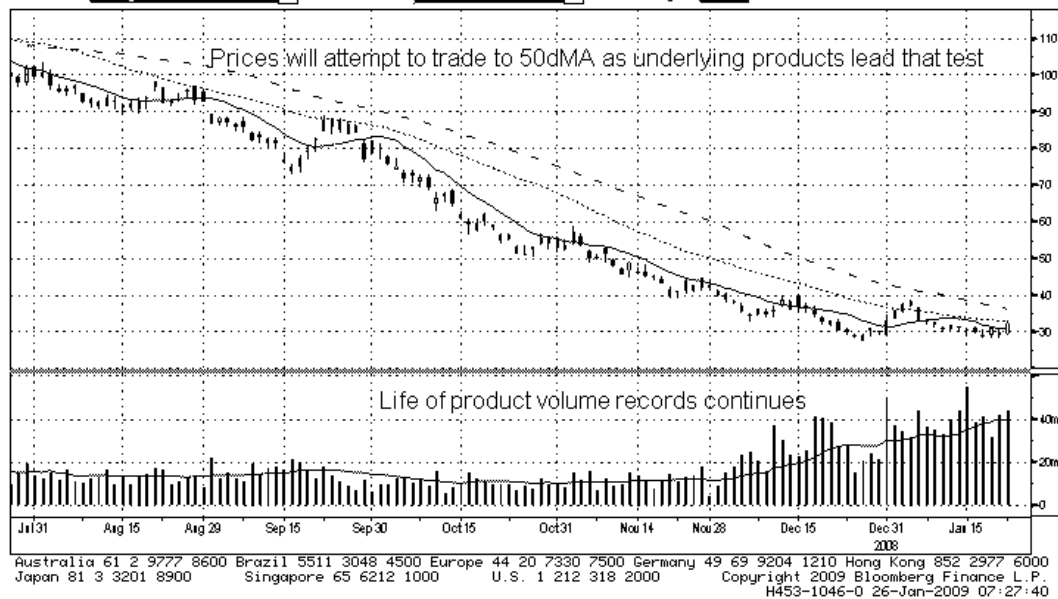
USO US EQUITY GPC - Candle Chart Page 1/13



USO US \$ Market T **32.48/32.57** P 20x40 Vol 5,000 Prev 32.33

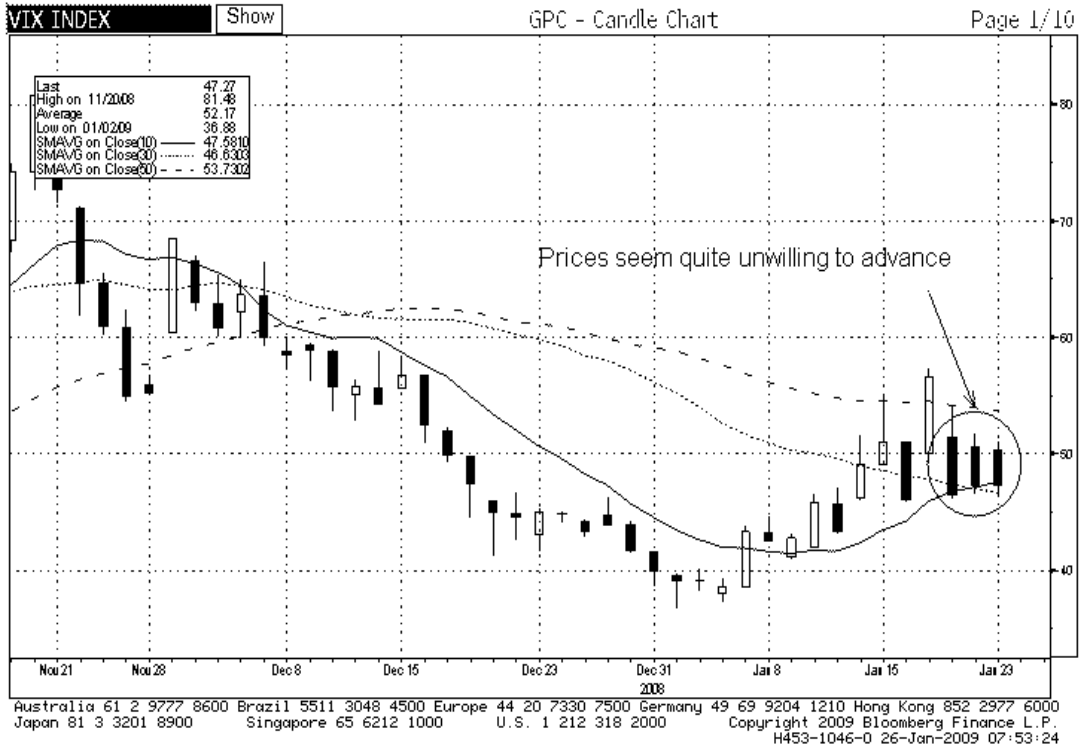
USO US EQUITY GPC - Candle Chart Page 1/10

Range **07/28/08 - 01/26/09** Upper Candle Chart How. Avgs **10 30 50** Currency USD
 Period Daily Lower Volume How. Avg **15** Events



VIX 47.27Y as of close 1/23

Index GPC



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