

Morning Comments January 28, 2009

The firm saw steady and consistent buying of volatility yesterday as flow was quite lopsided buyers having the most interest in Feb-May even as the VIX easily took out nearby moving average support. We believe VIX prices are set for a test of the low to mid 30s now were we would again have an interest long. Ideally we would look for an opportunity to get long vol at our price ~35 as the month closes out to capture any month end equity price markups. Coincidentally we would look to build shorts through Friday as SPX prices rise up towards the 870 level building with an average price strategy in mind getting more aggressive 885 then reassessing at that point. Also look for DXY to trade 81-82 as VIX falls into 35 level and SPX rises towards 885.

Crude broadly reacted from its test of the 50dMA and this is to be expected we continue to recommend trading from the long side while mid January lows hold anticipating a major bottom forming. The loudest voices crying for higher prices at the top now shout with conviction lower prices are coming at the lows, this gives us great comfort in trading long.

VIX 42.25Y as of close 1/27 Index **GPC**



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