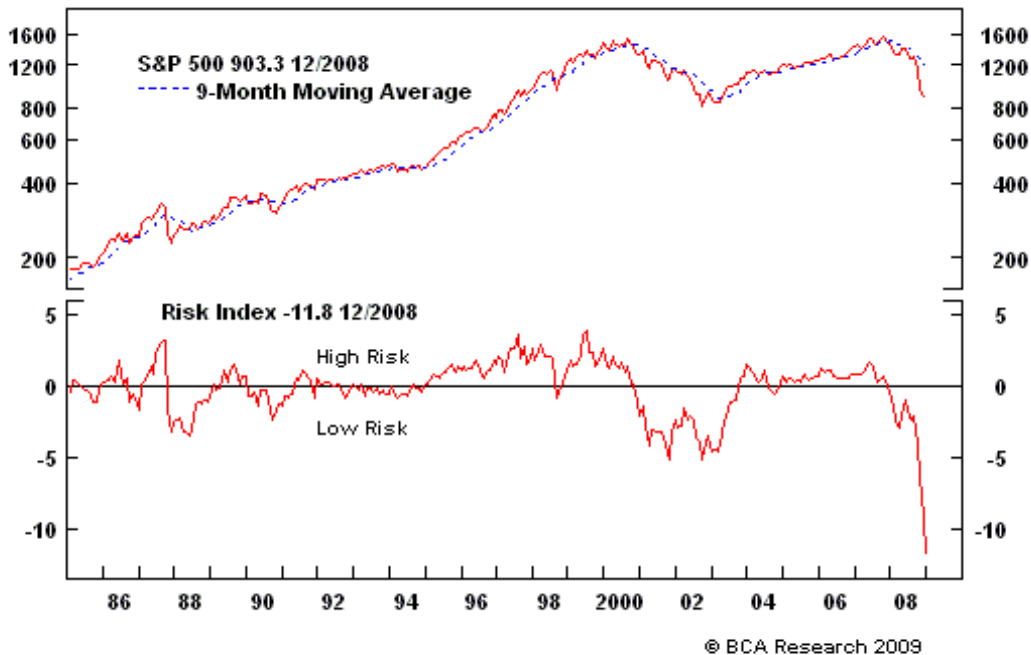


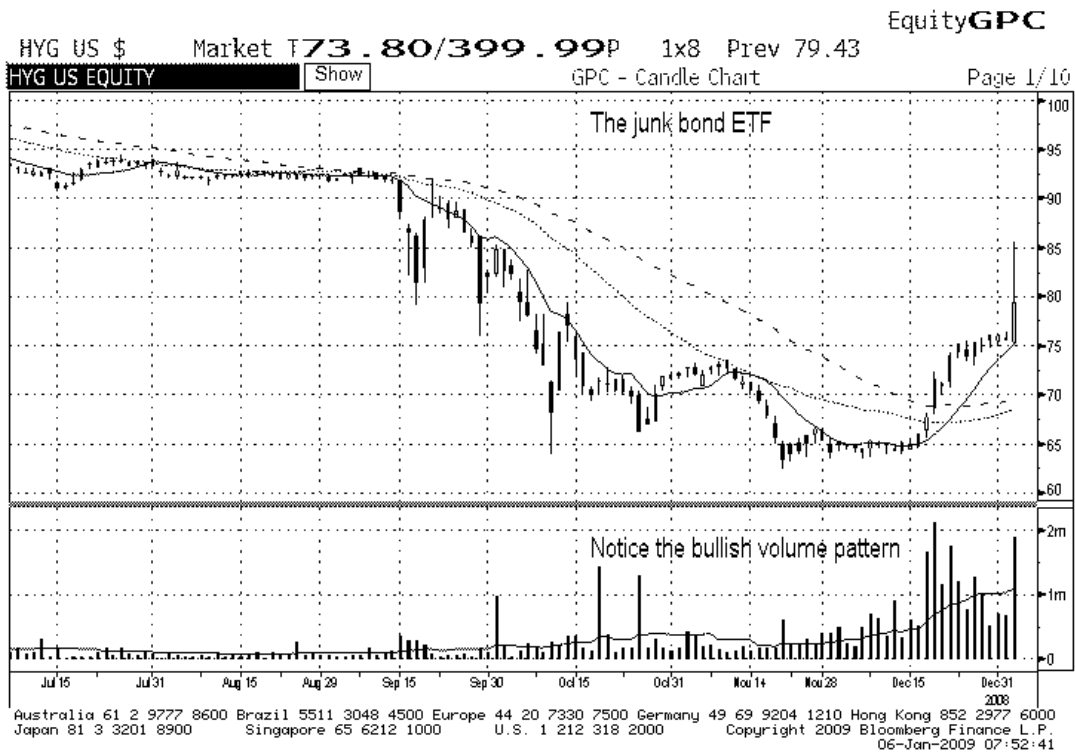
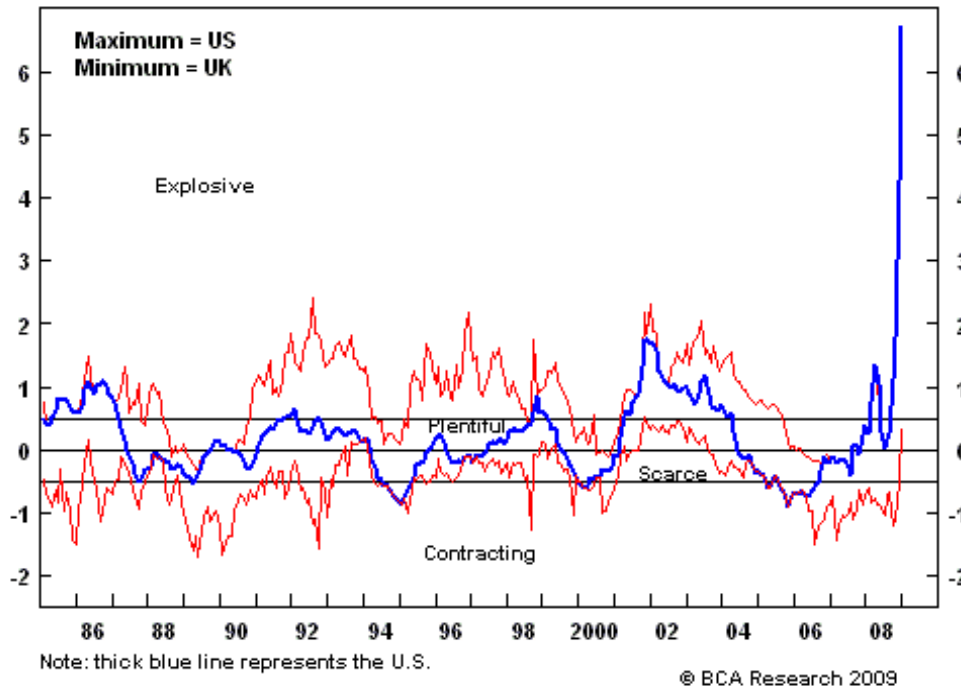
## Morning Comments January 6, 2009

Equity markets are behaving bullishly. Corporate credit markets are corroborating this action. While the buying is clearly unnatural in the sense that it is driven by Fed induced liquidity, nonetheless bears should fear this action. I have included a couple of charts from BCA Research this morning which show their proprietary risk and liquidity indexes for US equity. (For those unfamiliar BCA is an independent research provider covering global macro subjects and in my many years of subscribing I have never met their peer.) While an upward move in equity may be held in great disdain by the fundamentalists at this point the fact is that liquidity may trump any fundamental arguments in the near to intermediate term.

SPX prices bounced yesterday around the shallowest retracement levels of the most recent leg up coincident with the level from which prices broke out of the prevailing price structure just under 920. Building value and closing above 920 should be considered bullish. Oscillator work is gathering strength. The MACD line having turned down at normal zero line resistance is now progressing above this level bullishly. Furthermore, the attempt to generate a sell signal in this indicator was met with positive inflection even as RSI built on its big positive divergence of recent months. The risk in our opinion over the next few days is in the Jobs number and the low level of VIX relatively as well as in the recent tightening in junk spreads. We will use any weakness around these factors to build longs. Stick with 885 level as stops for longer term accounts adding as close to this level as possible while traders be wary of longs when trading below ~920.



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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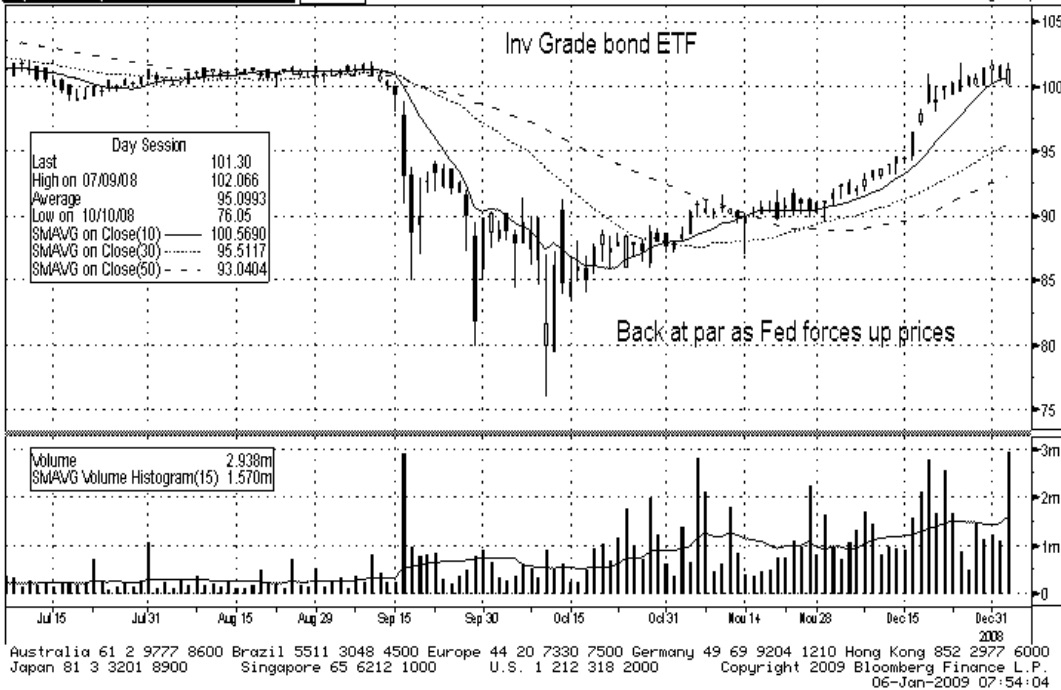
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LQD US EQUITY

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GPC - Candle Chart

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SPX 927.45Y as of close 1/ 5

Index IGPC

SPX INDEX

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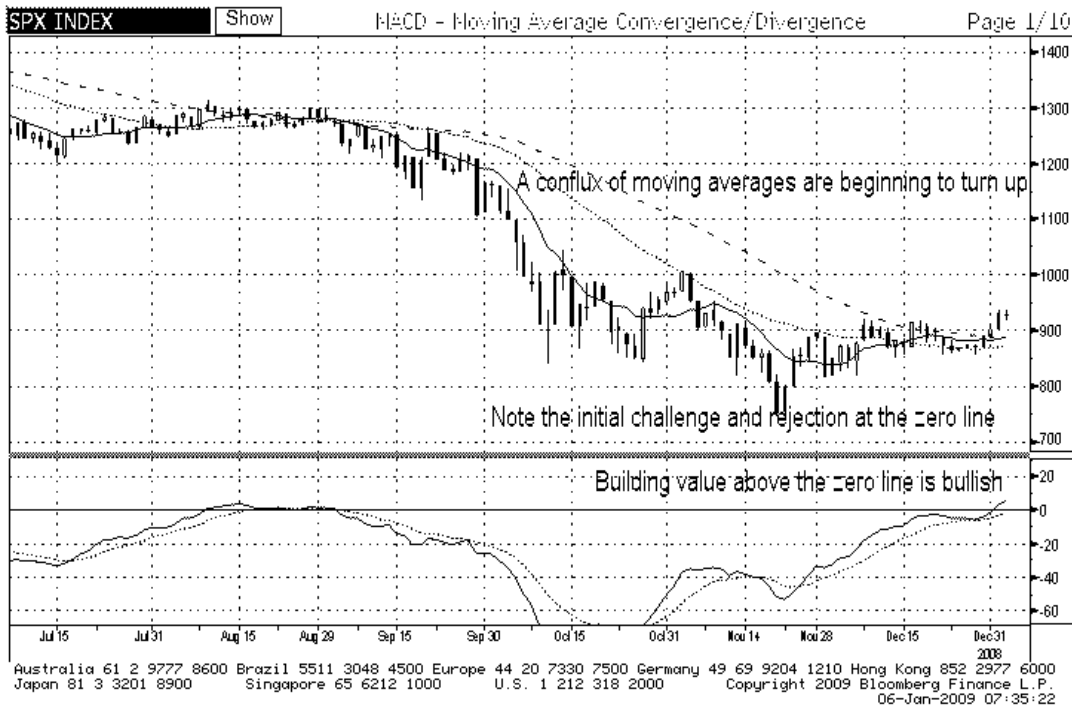
IGPC - Candle Chart

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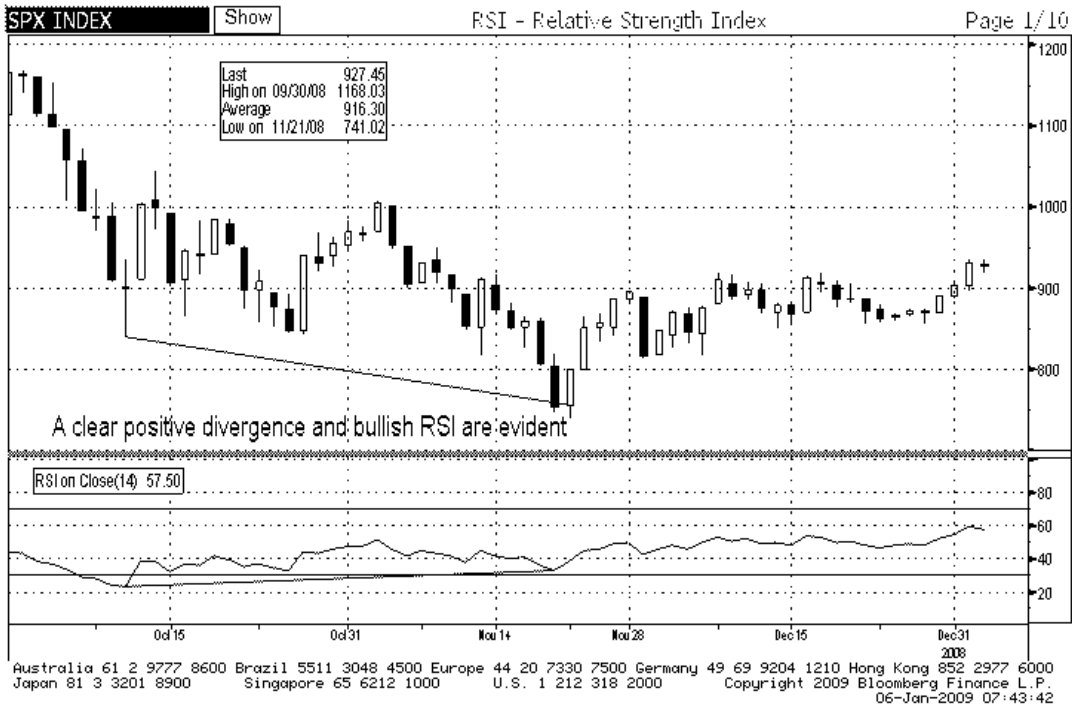
SPX 927.45Y as of close 1/ 5

Index MACD



SPX 927.45Y as of close 1/ 5

Index RSI



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