

Morning Comments March 31, 2009

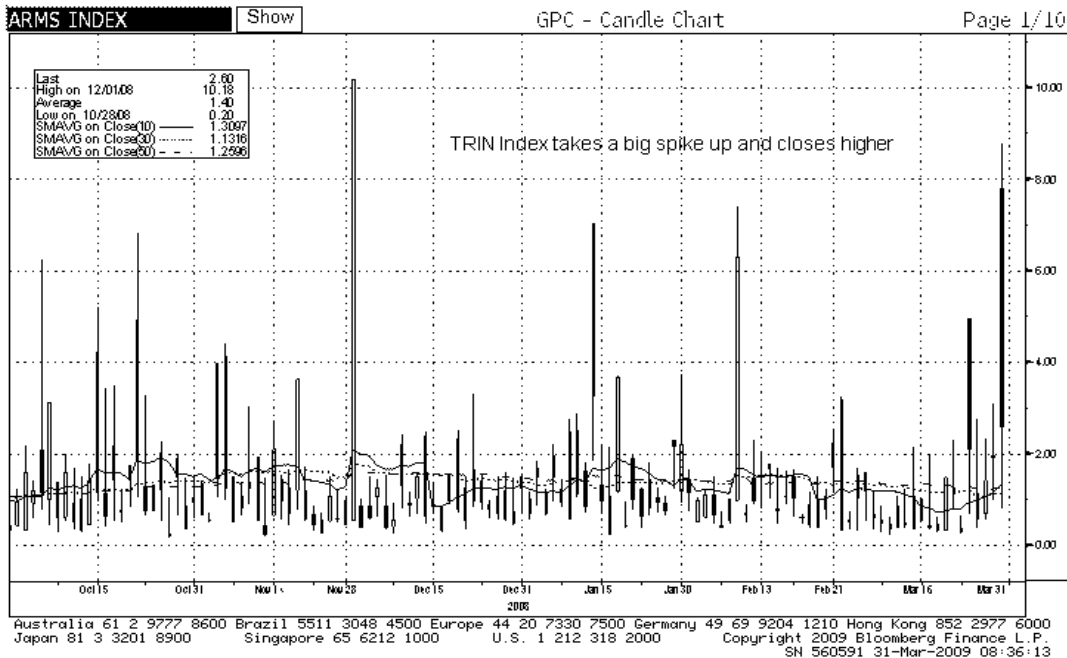
Short term traders on the long side of SPX were forced out of the market as prices broke below the 805 pivot and gapped down affording little opportunity to stop out at favorable prices. At this point short term traders are probably best served to stand aside for a bit until prices reach a more favorable entry point accompanied by reversal phenomena or can regain 805 and demonstrate a willingness to sustain that level. From an intermediate term perspective prices are retreating in line with our thinking on the potential for corrective action towards 770 even as the DXY reached for supply above 86. Volume flagged on the move down and we interpret yesterday's action as buyers standing aside not a serious renewal of selling pressure at this point. Fear and uncertainty dominated action as TRIN and Put/Call measures moved up sharply and are in position to provide a more constructive underpinning here.

We continue to believe the market is prime for renewed upside post G20 and those who can stomach some volatility should be accumulating weakness in anticipation of another leg up towards the low to mid 900's. Failure to hold the ~770 level will open the door to the November lows 735-740 and evasive action will be required failing ~770. The tension in the market is palpable so we should see resolution in the next day or so.

Overnight USD LIBOR spiked up last night and while the absolute level remains low its worth keeping a half eye on in case something more is brewing up.

ARMS 2.60Y as of close 3/30

Index **GPC**



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 Charts courtesy of Bloomberg Finance L.P.

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