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Morning Comments May 12, 2009

On a personal note, my daily publishing has recently been suffering as I have been out the last couple weeks with a vicious bout of bronchitis and an ear infection but I am now back in the saddle and expect to begin publishing regularly again this week.

Everyone seems to be in a tizzy that the market has, "come too far, too fast," I really can't disagree the market has gone up quite a bit and rather quickly at that but neither do I care much or place much importance on this well observed phenomena. The market took a sickening slide from January 6 through March 6 of this year (also too far, too fast I suppose) and now in almost the exact same amount of time it took to go down it has recovered those losses. I've come to understand quite well over the years that the market obeys Newton's Laws of Motion as well as any and this time is no exception. Its probably a better exercise to look for the "external unbalanced force," of the first law that will stop the current upward motion at this point rather than worry about the "equal and opposite reaction," that created a snap back from a severe condition.

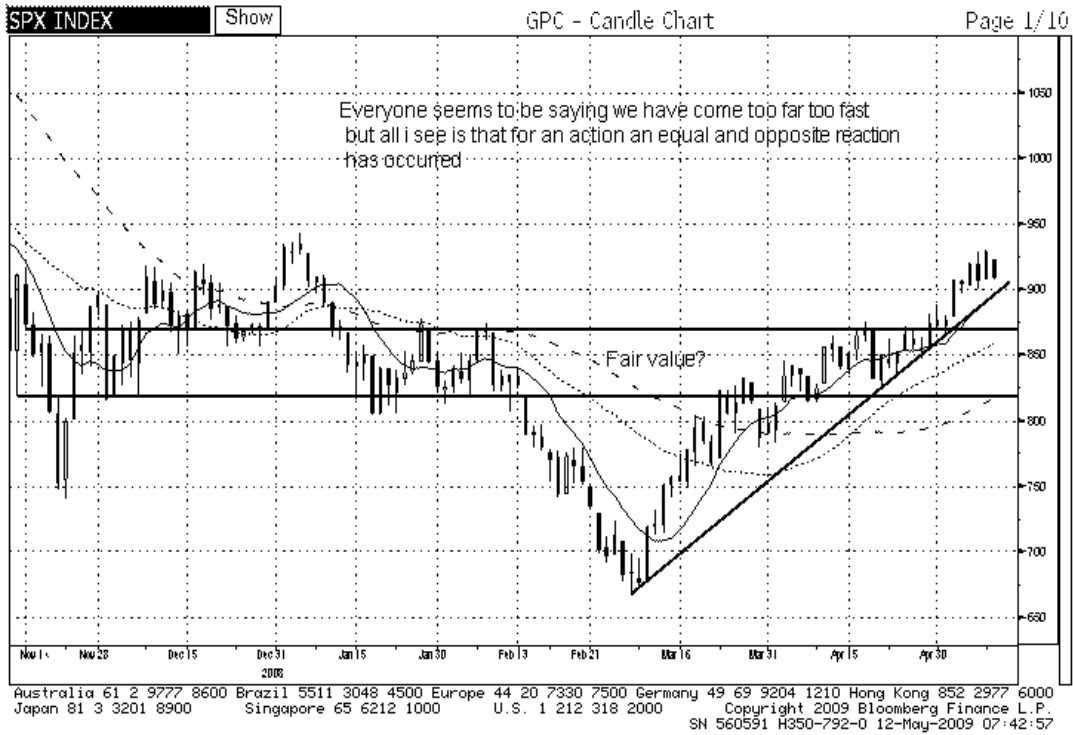
As we have written about in the past, we put fair value currently in that band where the biggest volume distributions lie roughly 830-40 and 870-5. How the market behaves in tests around these levels is of paramount importance in our opinion and will prove whether the recent move up has some real longevity embedded in it or whether we are establishing the top of a potential trading range. I would note that a number of leading issues have begun to show weakness around the 10dMAs that have been guiding them the last couple months and this usually leads to tests of deeper moving averages at the 30 or 50 day level so we would not be surprised by a normal test here. The key question in a bigger sense is really whether or not the market is now trending up and whether we can expect it to be higher in the months and quarters ahead the action in the coming days or weeks notwithstanding. We believe the weight of the evidence suggests we are in the early stages of establishing a durable uptrend at this point and thus our focus on how the market behaves around the support of the moving averages and the previous high volume distributions. In the same vein, we expect many issues to test the recent earnings driven gaps up that fostered the rally and we will most certainly be buyers on the initial tests. It will be critical to monitor these high volume gap up tests. I will be publishing charts that illustrate this in the coming days as the situations arise.

http://en.wikipedia.org/wiki/Newton's_laws_of_motion

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

SPX 909.24Y as of close 5/11

Index GPC



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