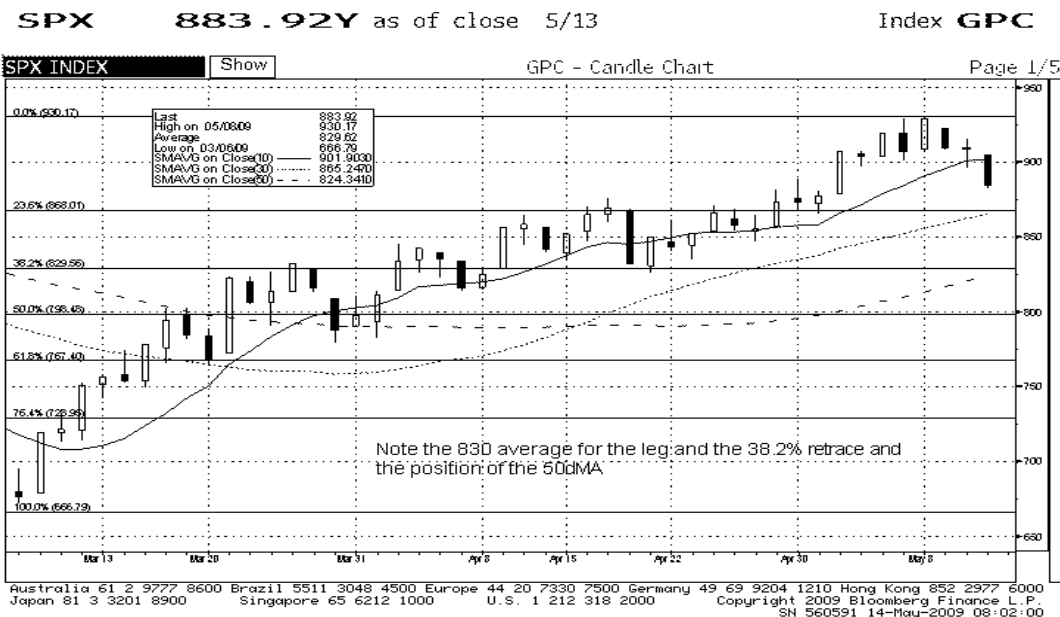


## Morning Comments May 14, 2009

As we wrote on Tuesday, the market seems intent on testing the levels at which the largest amount of activity occurred, an area we call fair value having two distinct levels right around 870 then down near 830. We would also note that the average price on the entire leg up from the 3/6 lows to date is precisely 830 and furthermore 830 represents the 38.2% retracement of the entire bull leg up from the March lows. Additionally the important 50dMA lies currently at 824 but is moving upward and so when, "we skate to where the puck will be," we will be looking for this average to move towards intersection of the 830 level when its time to test there. Let the market try to bounce just north of 870 as this will likely contain expiration activity for now and get things bouncing up in the near term to build up for an eventual deeper test.

We also spoke a bit about stocks breaking their 10dMAs and that this should be expected to result in deeper tests of 30 and 50 day moving averages. This is playing out now with big early leaders like AMZN testing the 50d right now while AAPL broke down through its 30dMA and looks set for a test of the 50dMA as well. Across the spectrum of leading names similar situations are unfolding. In general we are inclined to let names we favor long test the 50dMA and show real buy interest and then take out some long trading positions particularly when in the vicinity of high volume earnings driven gaps up. One source of concern is the ease with which market leading restaurant names are breaking their uptrends but for the most part these have been in bull markets for the better part of the last 6 months or so and rotation away at this point is probably natural in favor of fresher bullish activity elsewhere. We do not want to see expansion in 50dMA breakdowns sector wise and we are cognizant of large numbers of issues displaying small bull trap setups now. We will publish some specific long ideas over the next few days as they setup.



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 Charts courtesy of Bloomberg Finance L.P.

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