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Morning Comments May 18, 2009

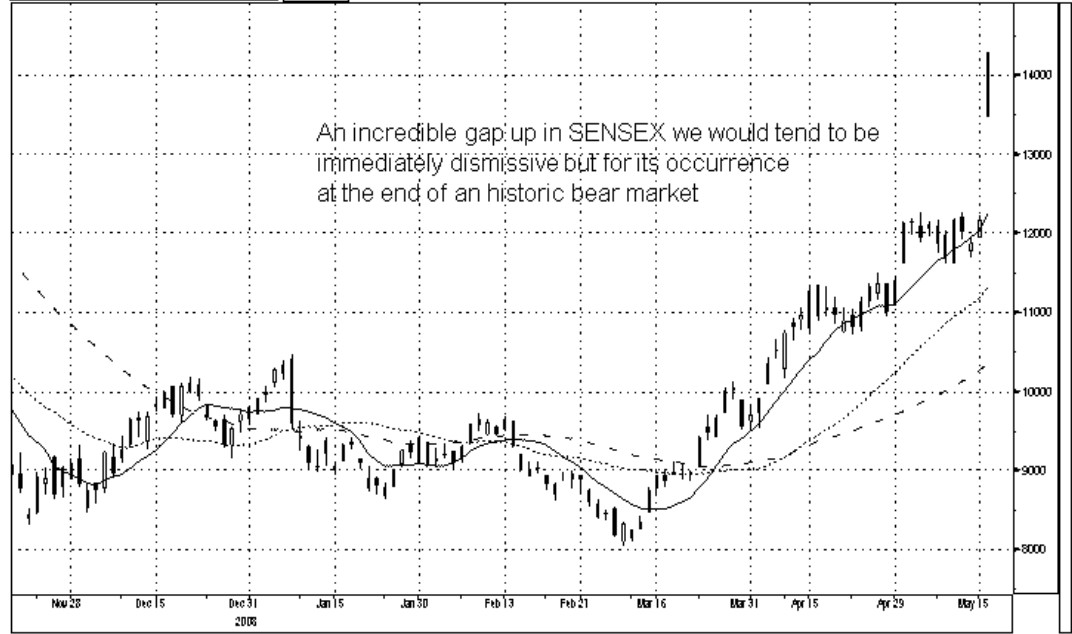
A stunning gap up for the SENSEX last night and not unlike the recent gap higher for the TWSE it occurs at an area of indicated resistance. Were it not for the fact that this enormous gap occurs after a long and punishing bear market of historic proportions we would probably be inclined to dismiss out of hand the SENSEX move as climactic and unsustainable given its sheer magnitude and location at the end of a several months long rally. Quite contrarily however, we are now watching with great interest since the ability of this market to shake off the pervasive global bearishness for equity in such demonstrative fashion is more synonymous with early strength than late weakness in our view. This has all the look of the breakaway gap and builds on the powerful gap up in TWSE recently. We are alert to a deeper message if more of this behavior should begin to manifest globally. As an old trader said to me with a shrug in late 2002, "bear markets end and bull markets begin," I never forgot that, Hank.

I wanted to post a few of the charts we are looking at bullishly as I mentioned last week. In general, we are first and foremost interested only in issues that demonstrate positive action with respect to earnings. I have written extensively about the phenomena of high volume earnings driven gaps up as a bullish indicator so I won't belabor this point. We prefer to let an issue demonstrate its willingness to appreciate and then buy pullbacks towards the gap up to minimize risk and maximize reward. I can see two scenarios right now around the majority of the stocks we favor bullishly. The most likely in my opinion is that after a short rally up not quite back to recent highs another corrective leg unfolds that brings the target right into the gap were we pounce. Alternatively, action is contained above the base from which the issue has gapped and the correction is sideways prior to renewed upside. The Nasdaq Composite's ability to hold above its pivot right here or decline into the much heavier level of support ~1600 will be useful in guiding us but ultimately I don't want to get too caught up in broad market action with respect to names exhibiting the bullish characteristics we look for as we believe the situation is progressing rapidly towards one of being a market of stocks and away from one of being a stock market. This is an expression of the distillation of new market leaders from the frustrations of old bubble leaders.

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

SENSEX ↑14284.21 +2110.79 Index **GPC**
 At 04:25 Op 13479.39 Hi 14284.21 Lo 13479.39

SENSEX INDEX Show GPC - Candle Chart Page 1/15



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
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SENSEX ↑14284.21 +2110.79 Index **GPC**
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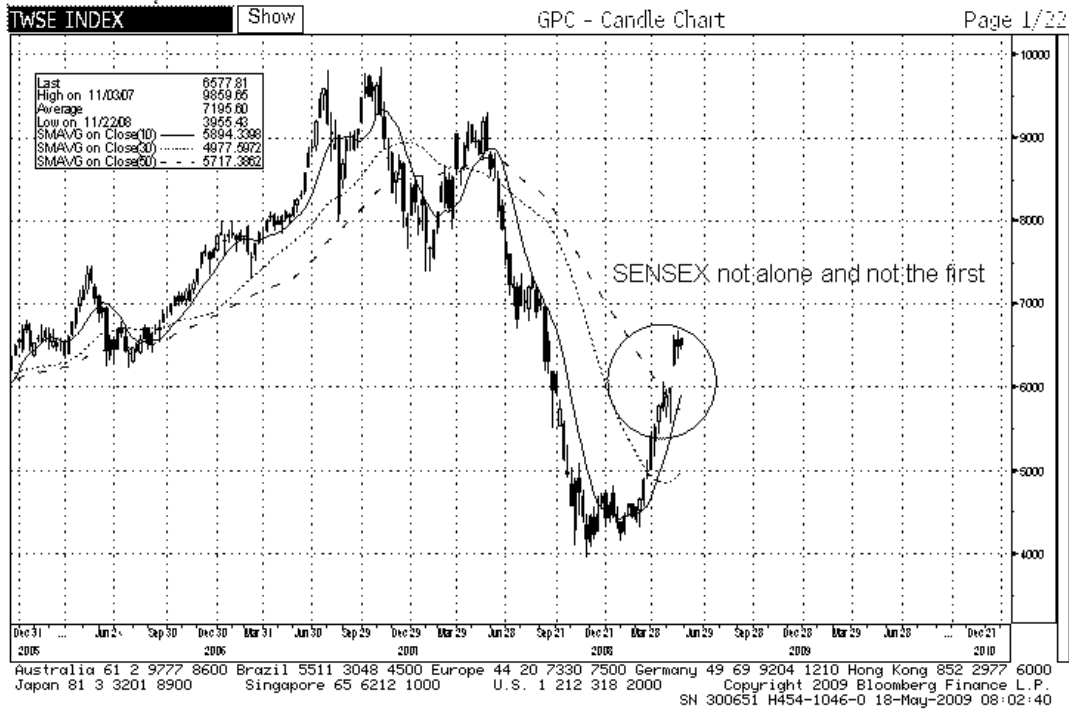
SENSEX INDEX Show GPC - Candle Chart Page 1/22



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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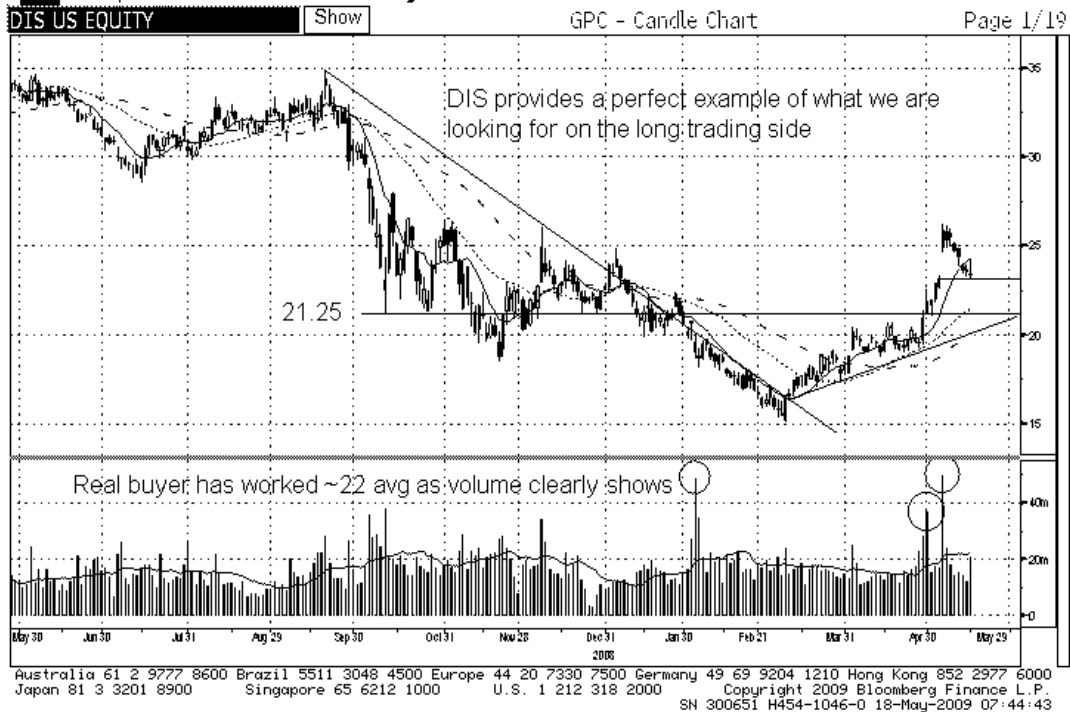
TWSE ↑6577.81 +88.72
 At 01:46 Op 6516.13 Hi 6577.81 Lo 6457.14

Index **GPC**



Equity **GPC**

DIS US \$ Market P 23.41/23.98 P 4x3 Prev 23.41





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