



Morning Comments October 2, 2009

Stretched Credit Rope Fraying

Mostly charts today and a couple of quick comments. We have been blindsided a couple of times recently in longs that came with secondary offerings that priced materially below recent prevailing quotations. I suppose this is a good thing in the sense that the merchandise has been priced in favor of buyers but I must confess I am surprised at the lack of price sensitivity on the part of the issuers, UAUA this morning being a fair example of this dynamic. This argues for a less dynamic market and a period of consolidation generally speaking, in a good market secondary offerings get gobbled right up.

HYG took gas yesterday in the biggest volume day of the year which can hardly be surprising given that the CDS market had tightened to near its practical limit, in my opinion. This signals a period of consolidation/distribution has begun.

Charts of SOX and XAL follow. Both are behaving as they should and look consolidative in bullish overall patterns. It seems most equities are demanding some recovery time now exhausted from big runs and meeting some volumes that need to be worked through as profits are harvested by longs.

Technical Analysis & Strategy

EquityGPC

HYG US \$ Market T 83.22/83.88 P 2x4 Prev 83.39

HYG US EQUITY Show GPC - Candle Chart Page 1/19

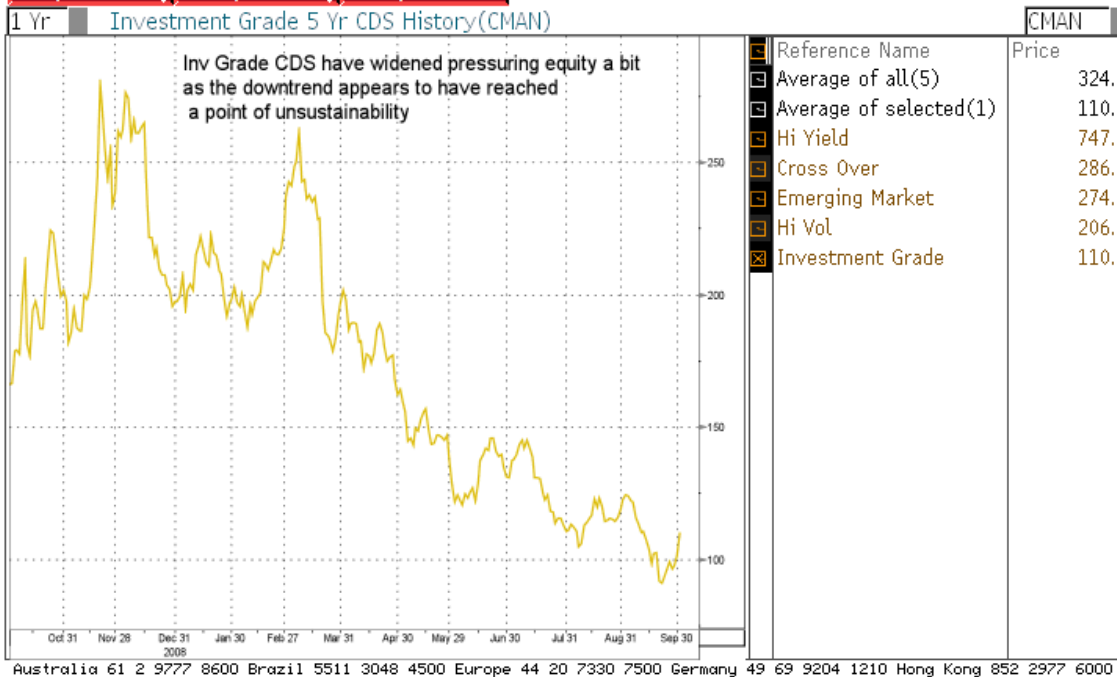


<HELP> for explanation.

EquityGCDS

90) Actions 91) View 92) Show

Price View : GCDS 2.0



Technical Analysis & Strategy

SOX 309.97Y as of close 10/ 1

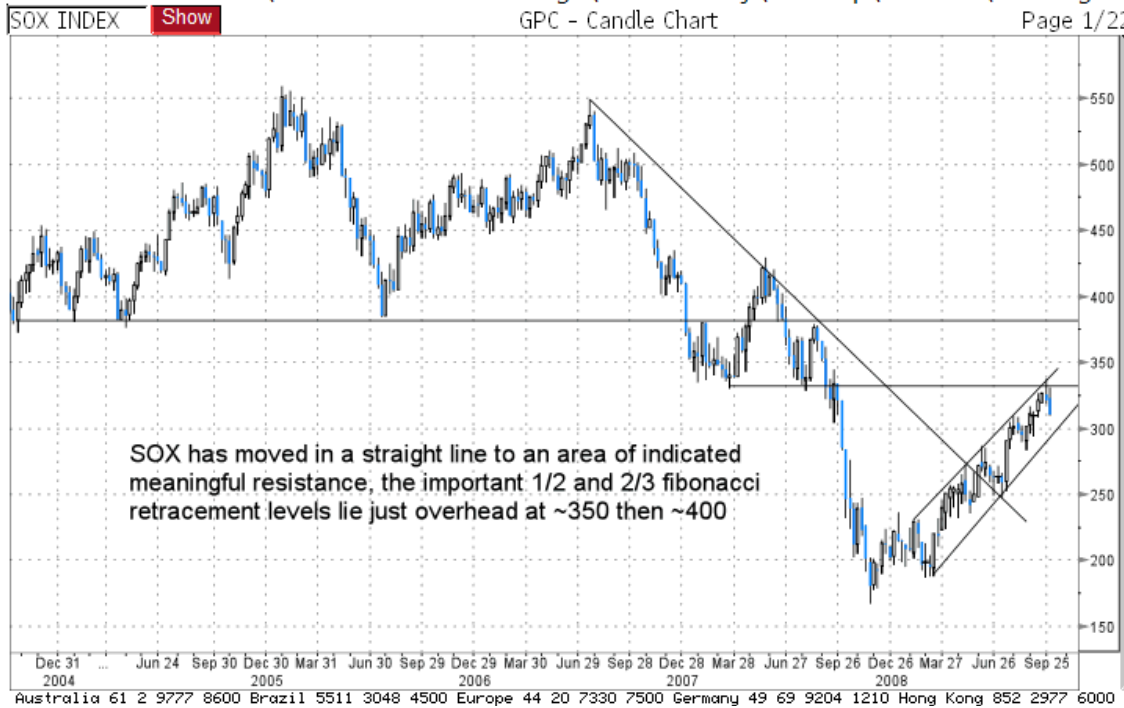
Index GPC



SOX 309.97Y as of close 10/ 1

Index GPC

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XAL 26.39Y as of close 10/ 1

Index **GPC**



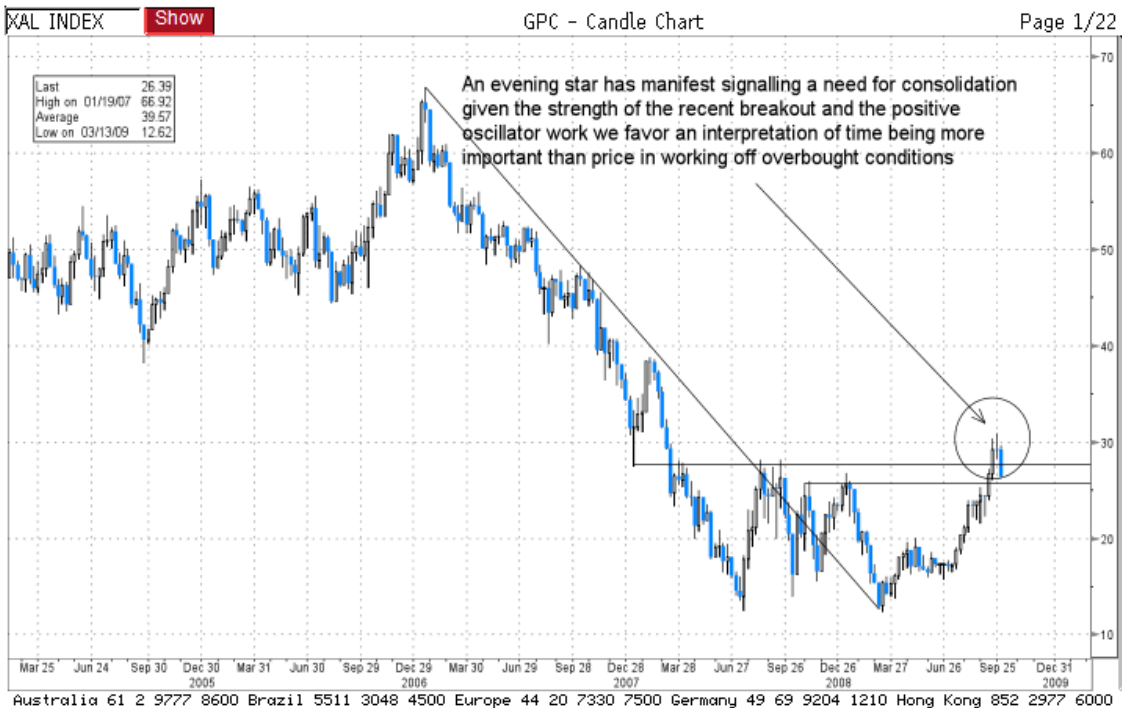
XAL 26.39Y as of close 10/ 1

Index **MACD**



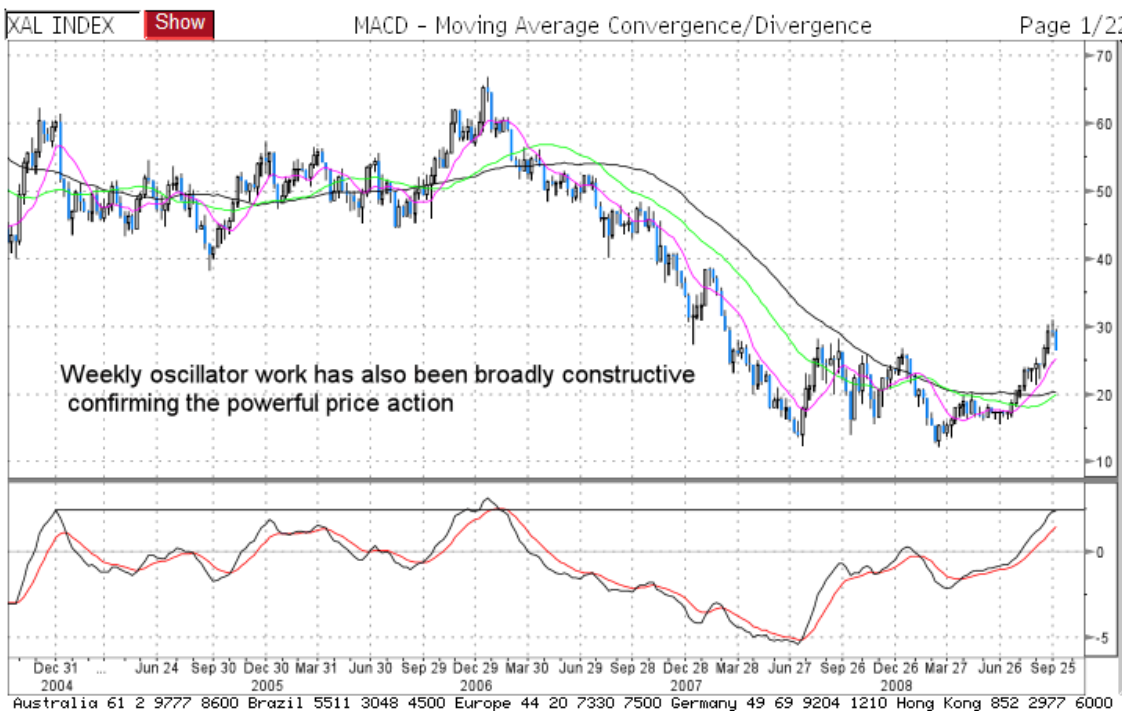
XAL 26.39Y as of close 10/ 1

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XAL 26.39Y as of close 10/ 1

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Technical Analysis & Strategy

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