



## Morning Comments September 15, 2009

Is a sleepy old giant waking up? Shares of GE have been showing signs of accumulation for some time and now this old laggard has begun to move. Volume has been coming on over the past few sessions and we understand that continued building of value and closing above the upper 14 resistance level will confirm upside targets in the low 20s. Whether one is disposed bullishly or bearishly towards the market overall, attention should be paid to this once mighty index name as we would expect it to be difficult for the market to express material or sustained weakness while this stock is rising. The action here also naturally presses the question of whether or not many of the names which have been lagging so clearly over the markets rise, particularly in the energy, heavy industrial and materials space, are ready to take a cue from GE. I have been better short these names versus the far superior longs I have consistently found all year but now I wish to hedge against upside here and will recommend getting long GE Jan or Mar calls to protect against the upside possibility. Also as I had stated in previous missives, GE through 15 triggers a closing of XLI shorts. OIH is on deck with a similar setup but we can discuss this when it is manifest.

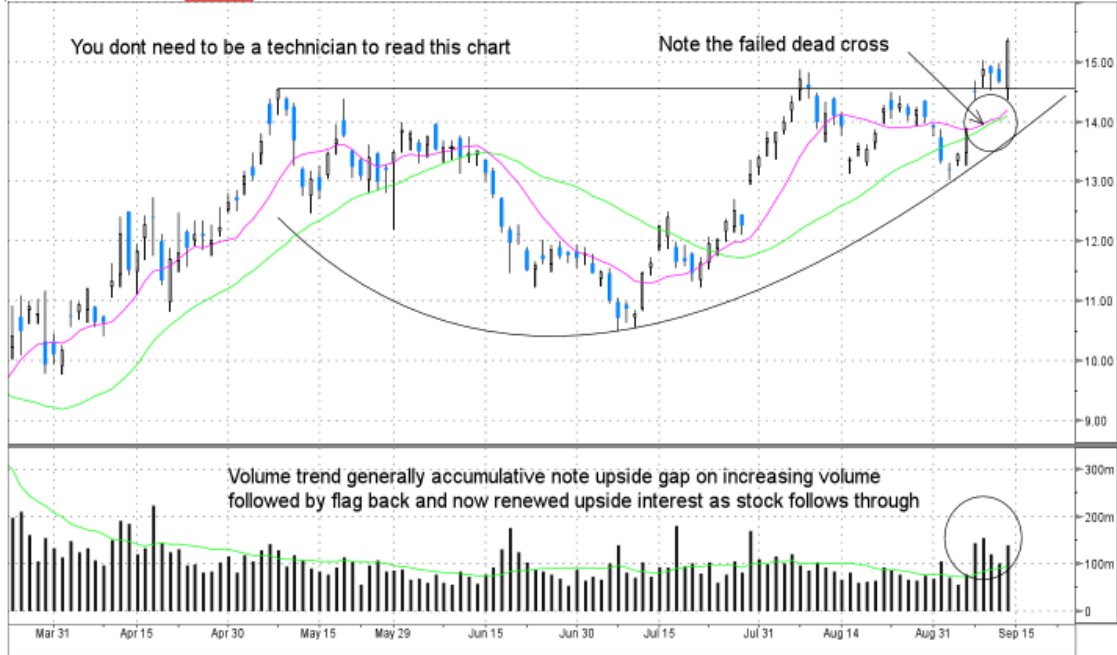
We are likely entering a dangerous phase for the market now as the best names that lead the market up have become extended and are deep into important resistance levels while the worst lagging junk begins to bubble up. This can be extremely frustrating to bull and bear alike as emotions escalate and rotation chops up the traders.

Our XAL longs have gone deep in the money and are now challenging the critical 28 level resistance I had spoken about when we began putting this trade on about a month ago. I believe based on the component level analysis that an upside break is highly likely leading to a challenge of the 40 level next. The setup for this index is quite powerful in my opinion and I would prefer to be on record now stating that new all time highs are possible given the secular fundamental shifts in the industry and the extreme negative sentiment. The street has taken a dogmatic dislike to airlines long since forgetting the darling years gone past when they tended to trade in triple digits as they likely will again. The setup technically, fundamentally and sentimentally is the stuff of my dreams. When I tell the bull airline story I am typically dismissed out of hand by managers who tell me things like, "You don't understand, we don't buy airlines, they are uninvestable!" My reply, "Sorry, I only know how to make money."

# Technical Analysis & Strategy

GE US \$ ↓ **15.35** +.68 N L 15.38/15.36 N 1x149 EquityGPC  
 At 16:15 Vol 139,053,722 Op 14.55 B Hi 15.41 B Lo 14.4 D ValTrd 2088.026m

GE US EQUITY Show GPC - Candle Chart Page 1/10



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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GE US \$ ↓ **15.35** +.68 N L 15.38/15.36 N 1x149 EquityGPC  
 At 16:15 Vol 139,055,972 Op 14.55 B Hi 15.41 B Lo 14.4 D ValTrd 2088.060m

GE US EQUITY 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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# Technical Analysis & Strategy

**XAL** ↑27.59 +.85 23.72/127.38  
 At 16:45 Op 26.74 Hi 27.71 Lo 26.24

Index **GPC**

XAL INDEX [Show](#) GPC - Candle Chart Page 1/31



**XAL** ↑27.59 +.85 23.72/127.38  
 At 16:45 Op 26.74 Hi 27.71 Lo 26.24

Index **MACD**

XAL INDEX [Show](#) MACD - Moving Average Convergence/Divergence Page 1/22



# Technical Analysis & Strategy

**XAL** ↑27.59 +.85 23.72/127.38  
 At 16:45 Op 26.74 Hi 27.71 Lo 26.24

Index **MACD**

XAL INDEX Show MACD - Moving Average Convergence/Divergence Page 1/18



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