



## Morning Comments September 23, 2009

The domestic equity market is bracing for the Fed. Media chatter recently about a shift towards a more hawkish stance has been growing. I can't profess to have any real edge on what the Fed will say, nor do I have any bias but I can see the market has set itself up for upside given seemingly Fed guided media reports and a recent Bernanke speech.

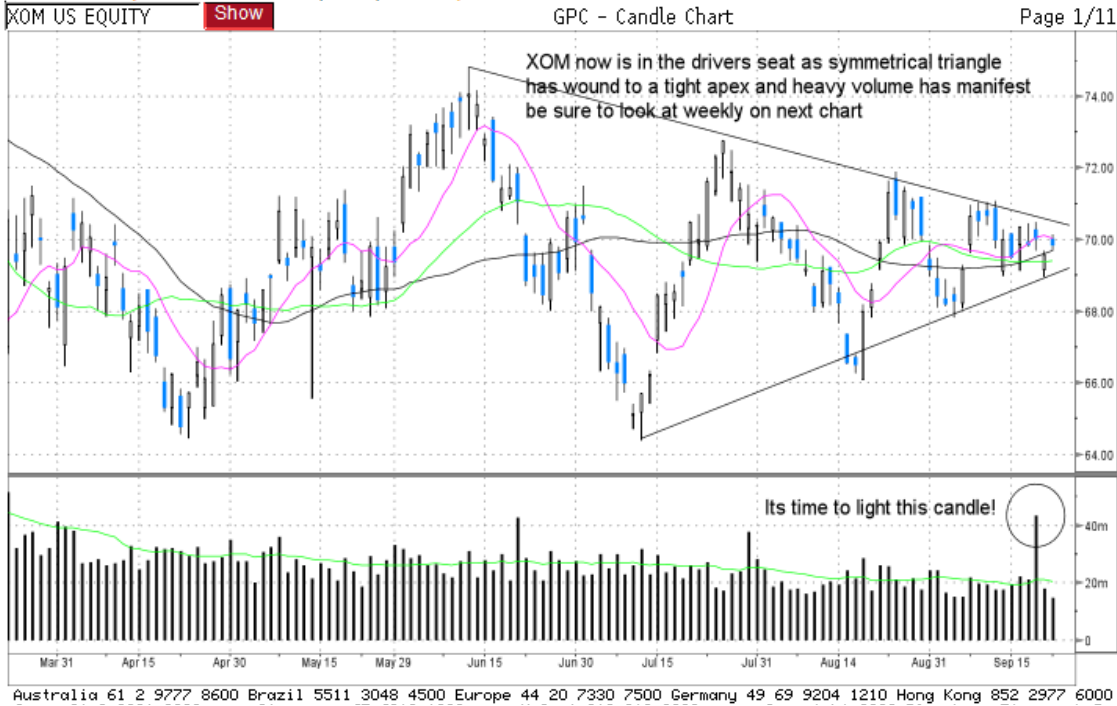
I believe the market is longing for the Fed to adopt a liquidity draining timetable and show that indeed as the Chairman has stated recently, the recession in the US is, "very likely over," and an eye towards tightening is therefore warranted. Rhetoric to the hawkish side will continue to reinforce current market beliefs in recovery and some modicum of normalization. A shift towards communiqué espousing a tightening cycle (initial knee jerk reactions notwithstanding) will also serve to allay fears of inflation/hyper inflation that have manifest aggressively in gold recently and likely result in a stabilizing of the dollar. Fed failure to confirm the markets opinions favoring an end of this episode will not be tolerated well in my opinion.

Let's take a look down at the component level. I want to put up the XOM charts first and foremost. I have often used XOM short in conjunction with its primary trend for the better part of the last year and a half with some mediocre success but I have no position at this juncture. XOM's value now is as a weathervane. Back on 9/15 I spoke about how important GE was to the market, now it is all about XOM. An enormous triangle has formed and we expect a potent move to be manifest in the very near term with critical importance to the market given XOM's standing as the #1 weight in the SPX. The evidence recently has been piling up bullishly as OIH has started to break out and looks quite bullish while small and mid cap energy names have really come on as well. Take a look at small cap names like REXX and HERO with powerful bull patterns developing even as higher quality mid cap leaders like CXO and CLR have already been rising. Despite this action XOM has refused to confirm broad energy share strength and has coiled even tighter in its triangle. XOM's direction will have a very heavy hand in guiding the space and the market as well, over the near term, in my opinion. I will let XOM breakout and move with it when it does, placing trading stops around the apex opposite the break for a major move of ~20 points.

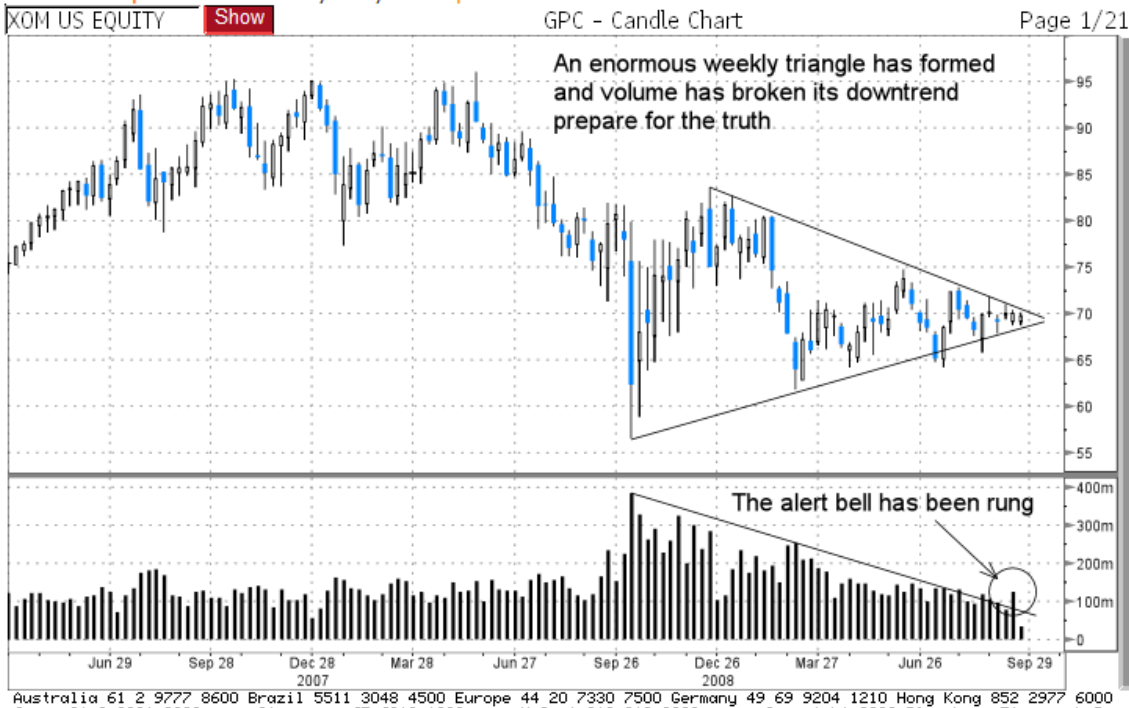
I also want to show a bunch of other index heavies that I am watching closely as our technical work at the component level is showing an overall bias towards upside currently and we think this fits with Christian's index conclusions that there is likely one final push higher prior to meaningful corrective activity. The charts are annotated and mostly self explanatory I think.

# Technical Analysis & Strategy

XOM US \$ C **69.83** +.26 N 69.81/69.82 3x74 EquityGPC  
 As of Sep22 Vol 14,563,663 Op 70.03 D Hi 70.14 P Lo 69.70 Z



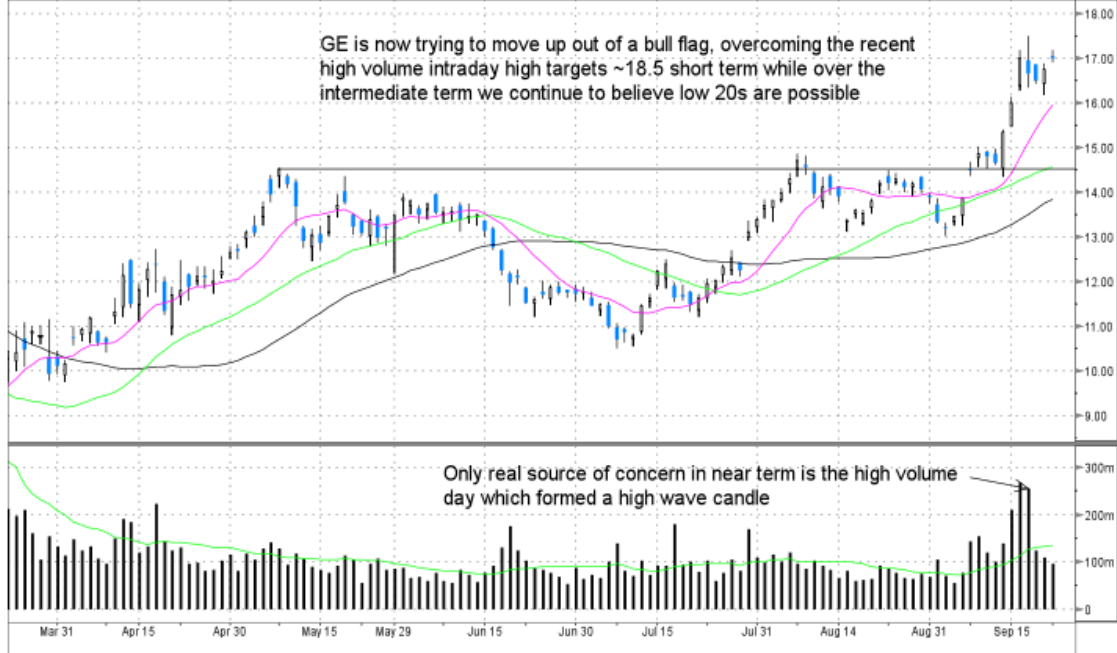
XOM US \$ C **69.83** +.26 N 69.81/69.82 3x74 EquityGPC  
 As of Sep22 Vol 14,563,663 Op 70.03 D Hi 70.14 P Lo 69.70 Z



# Technical Analysis & Strategy

**GE** US \$ C **17.01** +.25 N 16.98/16.98 2,361x17 Equity**GPC**  
 As of Sep22 Vol 95,910,499 Op 17.06 Z Hi 17.19 D Lo 16.91 D

GE US EQUITY [Show](#) GPC - Candle Chart Page 1/11



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000

**UPS** US \$ C **58.63** +.11 N 58.65/58.66 187x23 Equity**GPC**  
 As of Sep22 Vol 3,619,303 Op 58.95 T Hi 58.95 T Lo 58.30 P

UPS US EQUITY [Show](#) GPC - Candle Chart Page 1/19



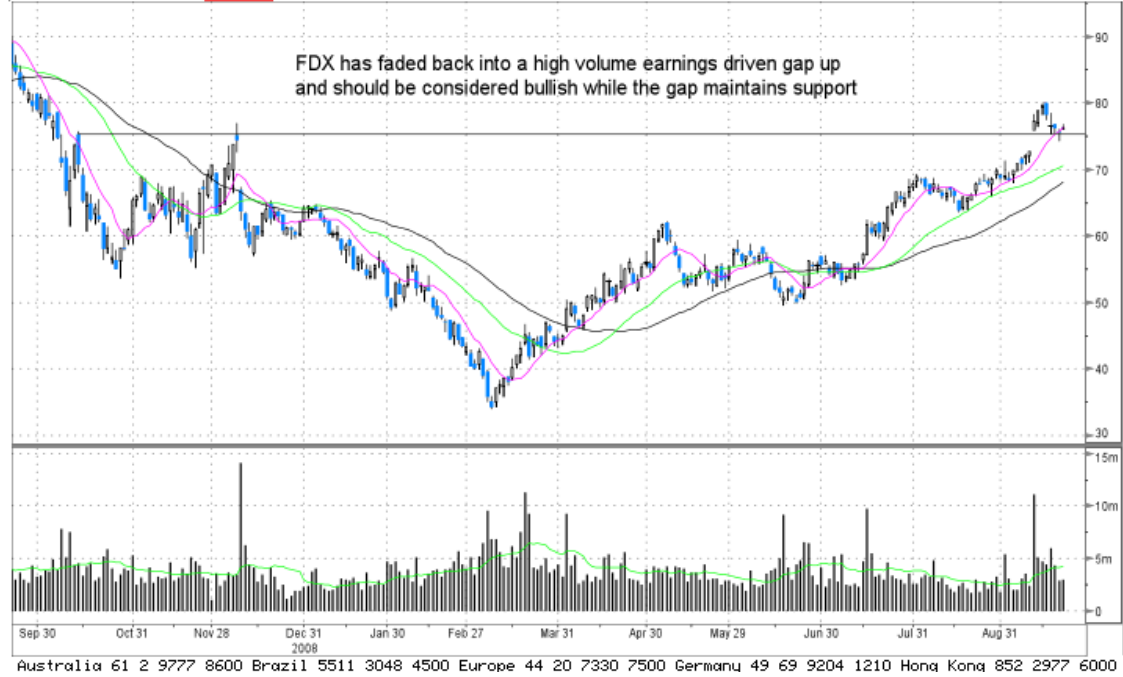
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Technical Analysis & Strategy

EquityGPC

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



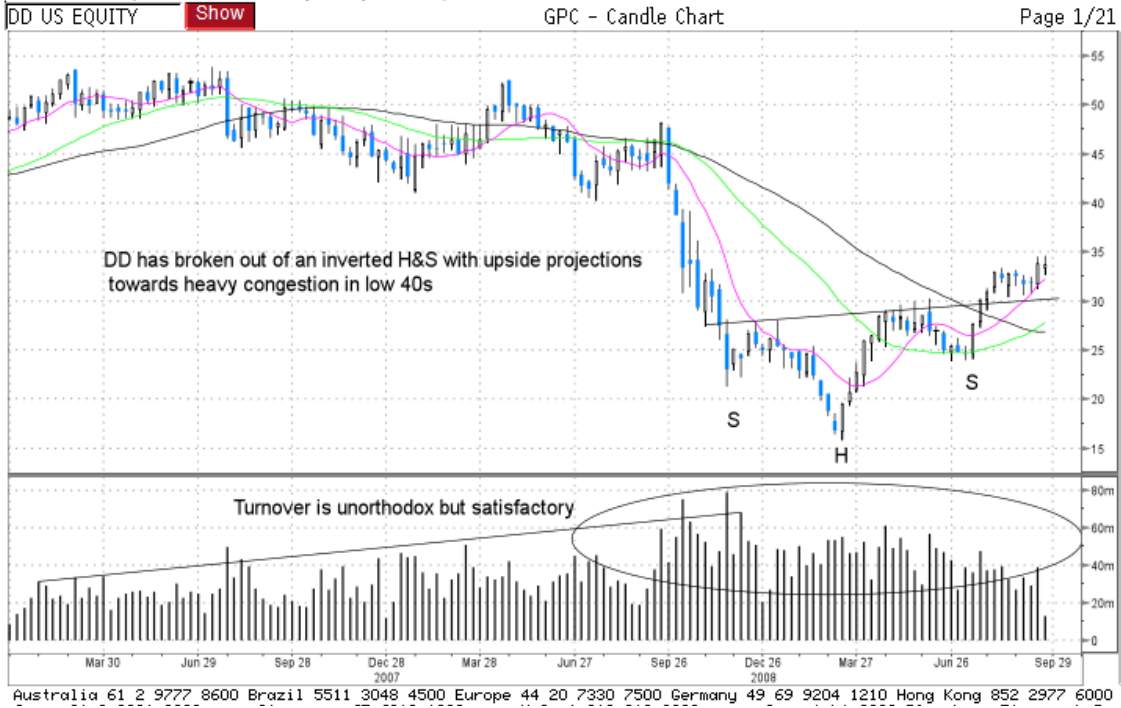
**CAT** US \$ C **54.34 +1.88** N 54.28/54.32 7x22 EquityGPC  
 As of Sep22 Vol 11,181,110 Op 52.99 T Hi 54.43 P Lo 52.86 T

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

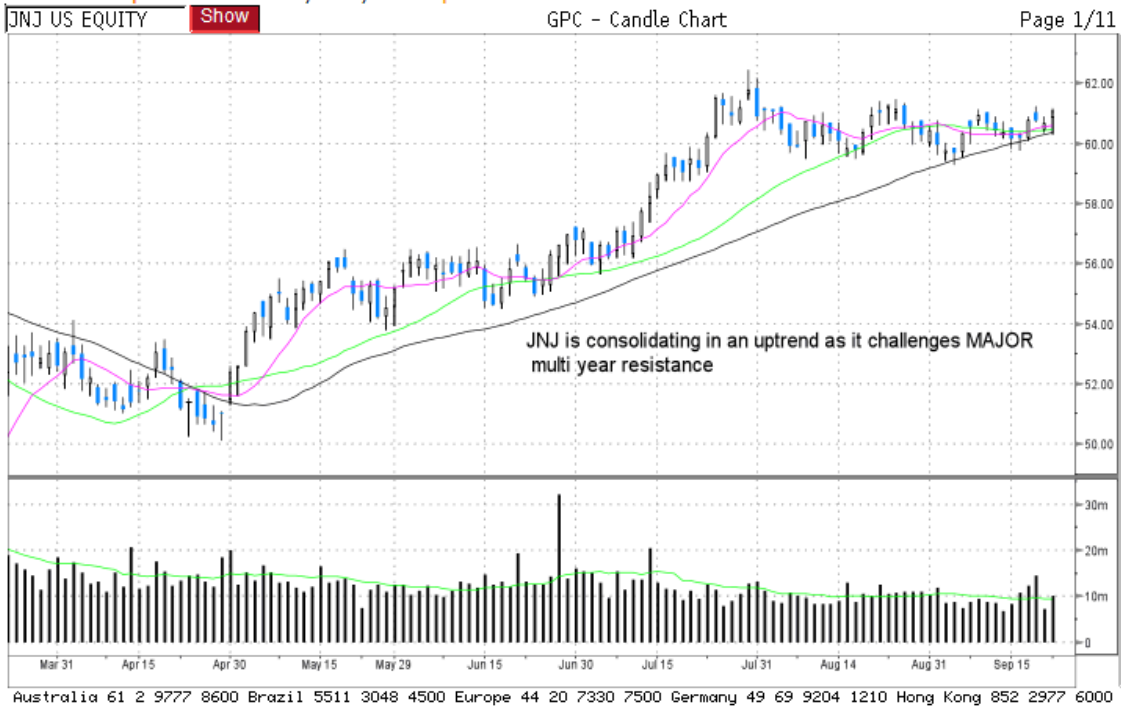


# Technical Analysis & Strategy

**DD** US \$ C **33.70** -.08 N 33.65/33.67 15x46 Equity**GPC**  
 As of Sep22 Vol 6,833,232 Op 34.08 T Hi 34.59 Z Lo 33.50 D

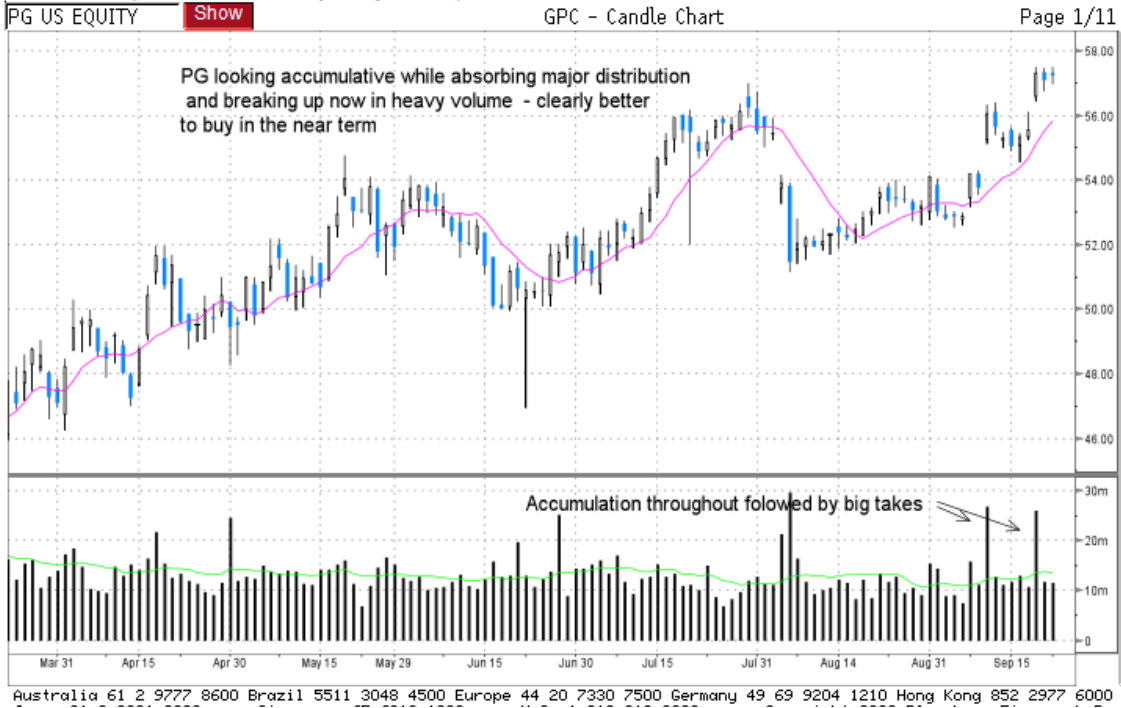


**JNJ** US \$ C **61.08** +.41 N 61.06/61.07 187x40 Equity**GPC**  
 As of Sep22 Vol 9,997,319 Op 60.87 T Hi 61.17 D Lo 60.35 T

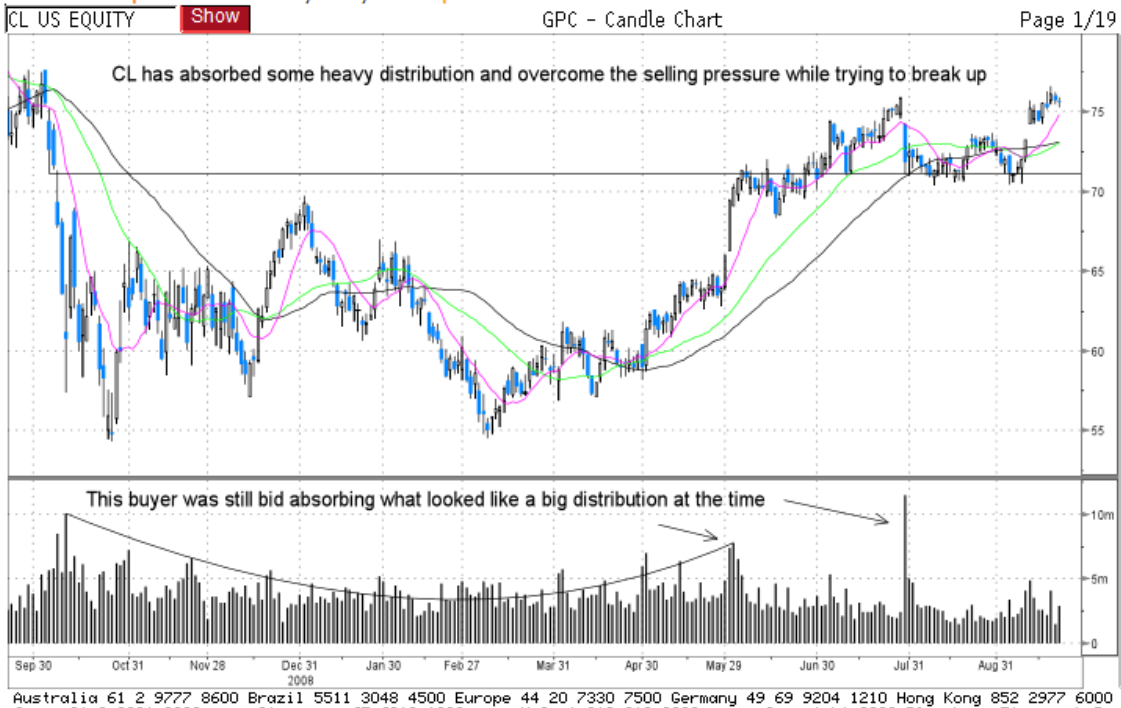


# Technical Analysis & Strategy

**PG** US \$ C **57.24** +.14 N 57.26/57.27 54x24 Equity**GPC**  
 As of Sep22 Vol 11,517,366 Op 57.30 T Hi 57.51 D Lo 56.96 B



**CL** US \$ C **75.66** -.04 N 75.73/75.71 10x16 Equity**GPC**  
 As of Sep22 Vol 2,874,171 Op 75.68 P Hi 75.91 T Lo 75.25 Z



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# Technical Analysis & Strategy

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