



Morning Comments September 25, 2009

It's too bad Warsh didn't write the Wednesday FOMC statement.

As I said prior to the FOMC meeting, the market is desirous of Fed signals towards a credible timetable for withdrawal of excess liquidity resulting from a belief in economic recovery. The statement was disappointing in this respect but overall little was gained or lost here. The difference between what the official statements say and what the officials say however seem a bit more positive. I think Gov. Warsh's op-ed piece shows much more of what the market wants to hear from the FOMC and he has built on recent Fed telegraphing of its members' true beliefs, intentions and fears. We are clearly on the road to increasing hawkishness in the official statements judging from the statements of the officials and this should be broadly positive for markets to the extent that confidence in monetary policy, the broad economy, and thereby Fed credibility, can be maintained.

There are two stocks I am watching with razor sharp interest right now, I spoke about XOM and its giant symmetrical triangle the other day, today I want to mention Ford. Ford is a wonderful proxy for gauging the success or failure of the general economic bailout in my view. It's horrifically over levered, partially or completely dependent on a government backstop or sponsorship (as in cash for clunkers) and is vested with the singular hope of survival in economic recovery. F has pivoted off an important level of support and the read through is simple – to the extent that F can maintain these levels then the market is signaling its willingness to continue sponsoring longer term views of sustained economic recovery and continued belief in the aversion of renewed economic downside as government support ultimately begins to fade. I see F as a baby bird about to be pushed from the nest. If F fails these levels I would expect broad swaths of equity in similar condition to begin to crumble as well and the market to enter a correction of intermediate proportions at a minimum. Sometimes being simple in the marketplace is best. I am long F personally and believe the equity is a call on the entire economic cycle.

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EquityGPC

F US \$ Market P 7.34/7.37 P 10x44 Vol 19,400 Prev 7.33



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