



## Technical Analysis & Strategy

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### Morning Comments September 29, 2009

I want to start out with a quick word on copper. Prices are weakening and have spent the last several days closing below the trend described by its 50dMA. According to the US Geological Survey approx. 49% of domestic copper demand in 2008 was attributable to, "building construction." We believe copper prices have staged an enormous counter trend rally and are in the process of reversing in favor of primary bear trends. Can anyone believe building construction is a likely driver of demand or even a stabilizing factor in the foreseeable future? Copper is the king of shorts in my opinion and I find the prices almost fundamentally insulting to be frank. Our work suggests prices nearer 200 will be necessary to find real demand. We would be selling 275-282 copper with stops over 288.

We have written quite a bit lately about airline shares and have identified the XAL ~28 level as an important area of former resistance now seen as near term support. While a brief trip to the 25-27 level is clearly possible to test deeper support we feel that our component level analysis tips quite bullishly as the following charts show and we have an easily identifiable catalyst in soon to be released traffic reports for August. Use any weakness in front of reports to accumulate shares of legacy carriers in favor of a major move towards the ~40 level. I also want to take one moment to speak about JBLU which I am personally long. JBLU is fundamentally in the strongest position in the industry in my opinion given it's superior product, modern efficient workforce, relatively new fleet, lack of legacy issues, and most importantly its hammer lock on the most important travel market in the world. I think JBLU is a hidden asset play which gets little or no credit for its T5 asset amongst other things. As is often the case on Wall Street the thing which is the best is loved the least principally because, it's not right, right now. Over time JBLU is our favorite fundamental airline story but unfortunately it must take a back seat to more levered stories for now.

The defense index has perked up recently and while I have my doubts about the long term outlook for these companies in an overstretched budgetary environment, as I stated extensively when I was killing them short, that wont stop me from trying some big trades right now. Take a look at the attached charts, stops are well defined and shares are gaining favor. We like trading RTN long for ~54 on a 45.75 closing stop putting some on here then pressing above 49. NOC and GD also look good in a similar vein. We will need to see LMT start to trade better and ATK to turn above the 73.50 level for these to really work big. While these were great shorts for us late last year and early this, we perceive that this is yet another laggard group being swept up in rotation.

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HG1 ↓ **269.10** -2.40 E 268.95/269.35 E 4x2 Comdty **GPC**  
 At 3:56 Vol 15 Op 269.80 Hi 270.55 Lo 269.00 Prev 271.50



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

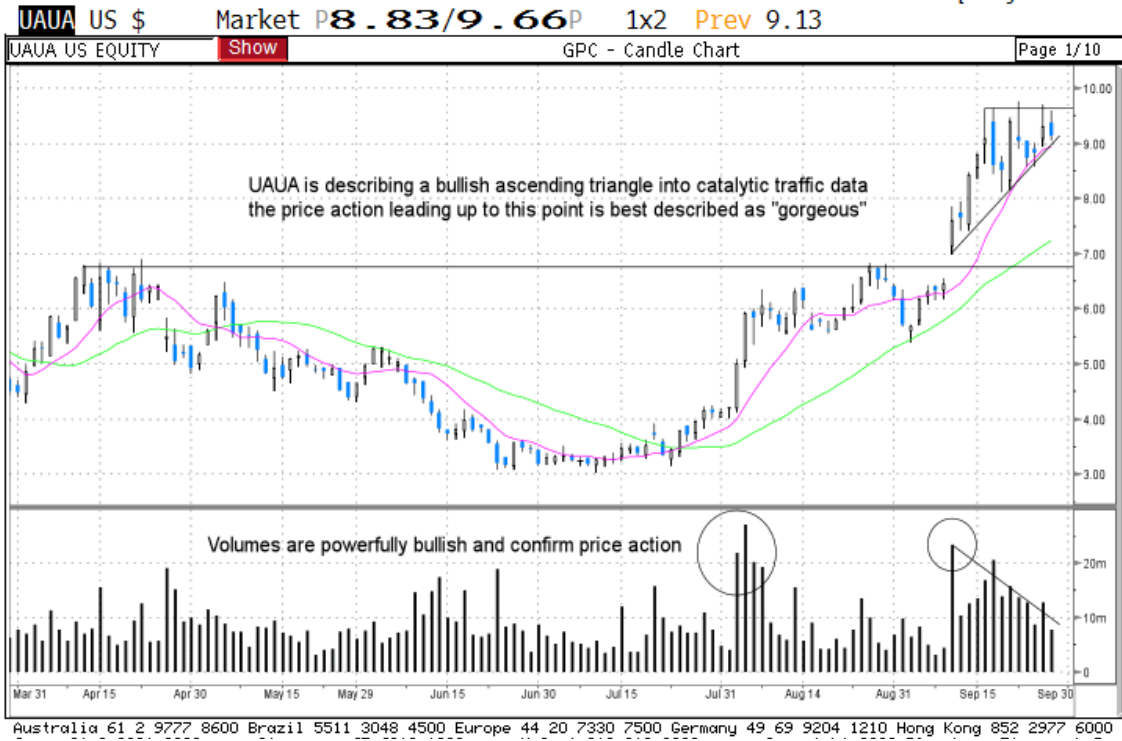
**XAL** **29.12Y** as of close 9/28 Index **GPC**



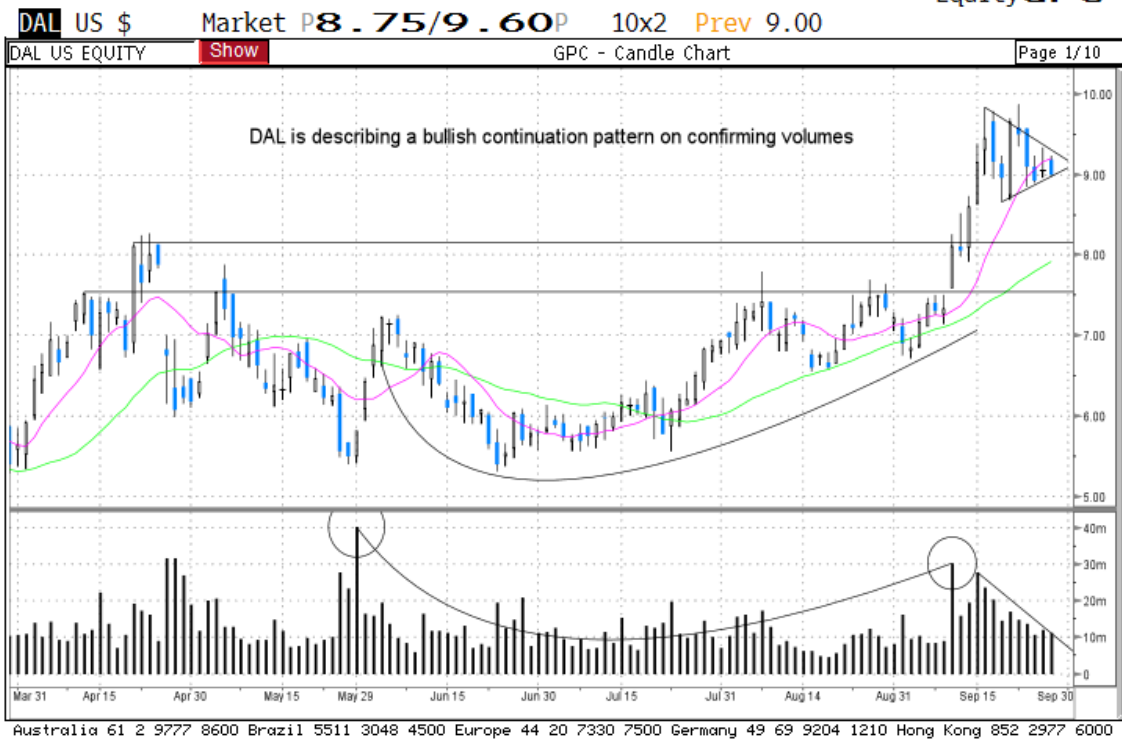
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EquityGPC



EquityGPC



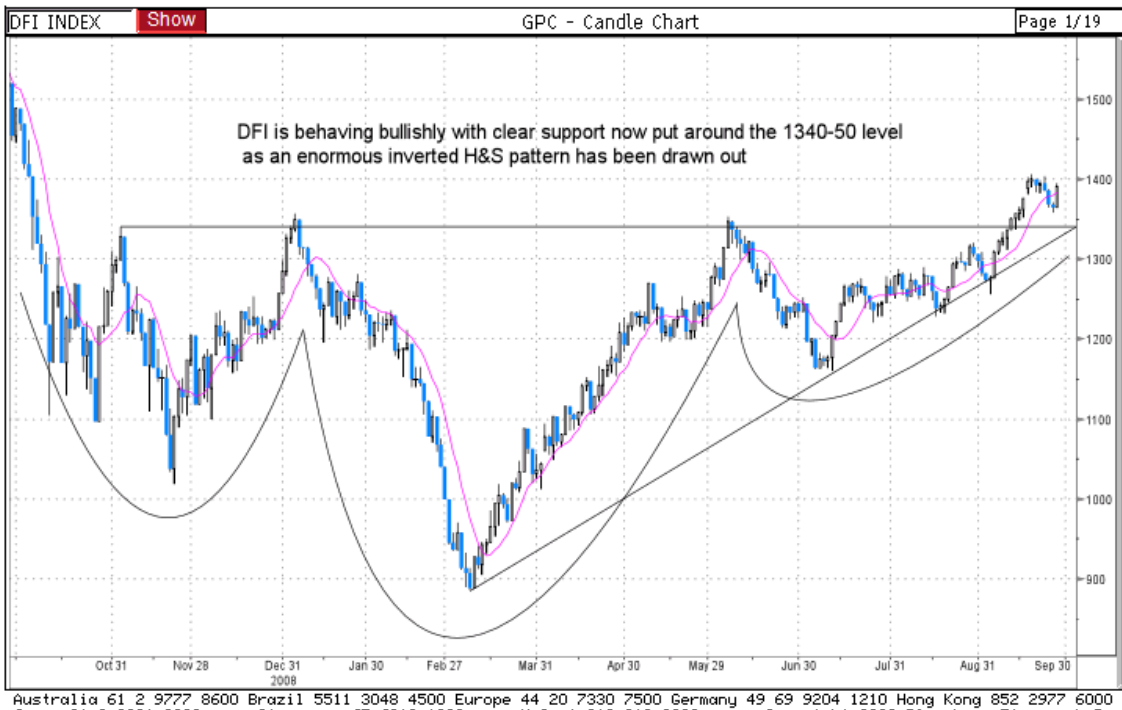
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Equity GPC



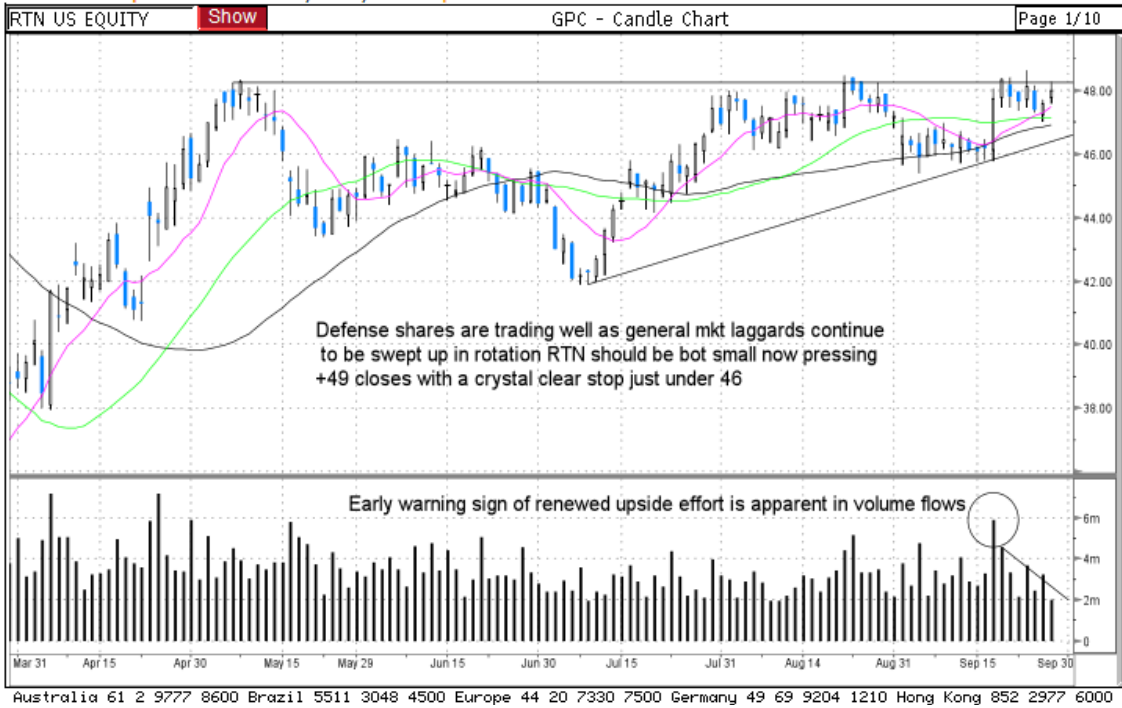
**DFI** **1390.87Y** as of close 9/28

Index GPC



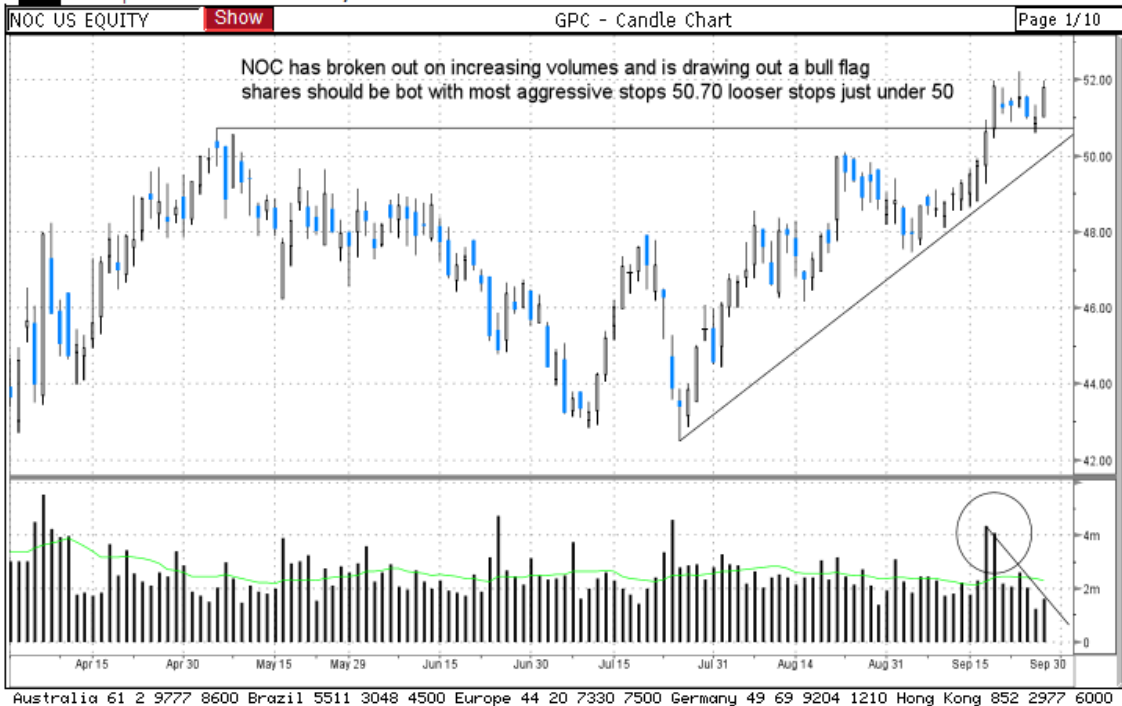
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RTN US \$ C **48.00** +.41 N 47.96/47.97 450x45 EquityGPC  
 As of Sep28 Vol 2,023,468 Op 47.76 T Hi 48.27 N Lo 47.63 N



EquityGPC

NOC US \$ Market ---/52.84P --x2 Prev 51.80



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EquityGPC



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