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STREETWISE: EQUITIES

Market rally provides Street with buy signal it desperately wanted

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The Street was building for yesterday's rally.

You could see the longing, for something, anything upbeat to talk about in the way the dealers were talking to their institutional clients. There's a service called First Coverage that magically tracks all the recommendations research analysts and sales desks are pitching at portfolio managers - okay, it's not magic, its software. Last week saw a 50-per-cent spike in the volume of ideas coming out of the investment banks - the sell side of the Street - and a 3.4-per-cent rise in bullish sentiment.

"The sell side is more aggressively suggesting to their buy-side clients that now is the time to buy," said a report from First Coverage early yesterday. And you could see that in all manner of reports from dealers: Scotia Capital highlighting the promise of money manager Gluskin Sheff + Associates after Ira and Gerry took a pay cut, or Merrill Lynch showing sectors that used to be value traps are now just plain value.

"It's a question of timing. What comes first, the rally or the final resolution to the banks?" said the First Coverage team, many of whom used to work at the Ontario Teachers' Pension Plan. "The sell side believes it's the rally, but if they're wrong they are limiting the potential damage to their clients by suggesting their clients continue to stay away from financials."

Take all this talk as dry tinder. Citigroup proved a spark and set the market ablaze.

It's fanciful to think that a few profitable months at Citi mark an end to the market's woes. There will be difficult days ahead as we struggle to get banks fixed. But signs of life from Citi and Bank of America after months filled with nothing but setbacks for these institutions are a reminder that the market will turn. And if history is any guide, the market will bounce back well ahead of the overall economy.

For this rally to have legs, U.S. Treasury Secretary Tim Geithner must show his stuff and set out a detailed plan for soaking up the banks' bad assets. Yesterday's long overdue rise in markets shows just what might happen if Mr. Geithner can get the bailout right.

BANKER RELIEF

It's not just equity markets that rallied yesterday. Structured products are attracting solid investor interest for the first time in months, much to the relief of deal-starved investment bankers.

No less than six flavours of offerings are currently being peddled to retail investors, and one of these deals, a $75-million-plus issue called Deans Knight Income Corp., filed its final prospectus yesterday. This closed-end fund, led by GMP Securities, is now in the home stretch of the sales process.

The fund offers a mixed bag of high-yield bonds, all run by the respected Vancouver money manager, and may well break the $100-million mark.

The $100-million threshold is relevant because so few closed-end funds have hit this level of relevancy. The O'Leary Global Income Opportunities Fund - the latest offering from BNN TV host Kevin O'Leary - got this kind of backing in February. Beyond that, the last structured product deal to garner $100-million was the Coxe Commodity Strategy Fund, which raised $297-million last May, in what feels like another era.

A number of structured products made it to market with less than $20-million in assets over the past few months, which is not a healthy development. Small closed-end funds struggle to deliver performance after paying their fees.

Two themes are appealing to investors these days: Main Street is buying either income vehicles at a time when rates are at record lows, or the retail crowd is looking for strategies that can steer clear of the carnage.

Deans Knight Income is in that first camp, as is a Preferred Share Investment Trust being sold by CIBC World Markets, a real estate-based offering from Research Capital and Manulife Brompton Advantaged Bond Fund, led by RBC Dominion Securities.

The new strategies theme comes from Trident Performance Trust, which invests in macroeconomic trends and is led by TD Securities, and the Horizons AlphaPro Gartman Fund, which puts real money behind the strategies set out in the Gartman Letter.

CI ADDS UNIT

Mutual fund manager CI Financial picked up fixed-income expertise yesterday by acquiring Perimeter Financial, which operates fixed-income trading networks.

CI, one of the largest fixed-income investors in the country, acquired three alternative trading networks with solid market share: CBID Institutional, CBID Retail and CBID Futures.

These networks have brought price disclosure to a world that was previously opaque, at best, to outsiders.

The sale marks a wind-down at Perimeter, founded by trading whiz Doug Steiner. The electronic trading world has been rationalizing ever since the tech wreck - recall the mergers between exchanges in recent years - and this sale is part of that trend.

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