

## **FIRST COVERAGE WEEKLY SENTIMENT (January 5, 2009)**

<b>First Coverage Market Sentiment: Bearish</b>	<b>First Coverage Index: 46.7</b>	<b>Weekly Change: +1.4%</b>	<b>Sell-Side Certainty: Positive</b>
<b>Bullish Industries (0)</b>	<b>Neutral Industries (4)</b>	<b>Bearish Industries (6)</b>	<b>Weekly Sentiment Change</b>
	Basic Materials		
		Consumer Goods	Bullish
		Consumer Services	
		Financials	
	Health Care		
		Industrials	
	Oil & Gas		
		Technology	
	Telecommunication		
		Utilities	

### **Sometimes it's what you don't see that matters most!**

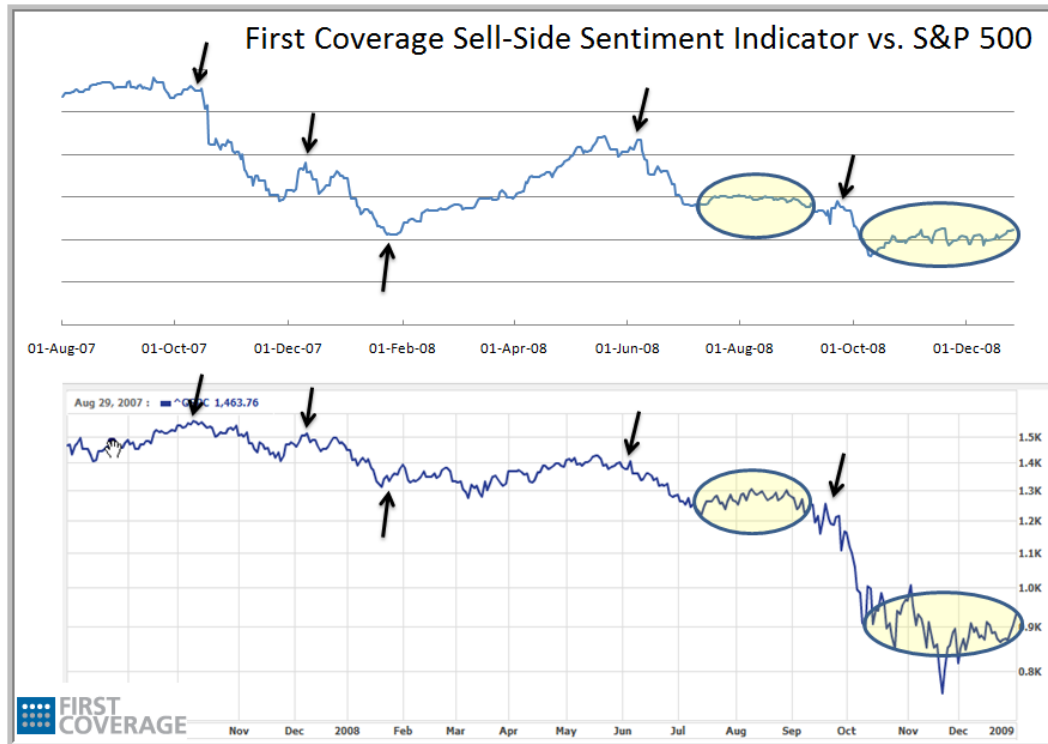
On the surface, the most surprising thing about the sell-side's sentiment at the start of a brand new year is how much it feels like their sentiment from the old year that just passed. Fashions change. Hemlines adjust. Fads come and go. But the feeling of the sell-side continues to stay bearish with no bullish industries identified.

That being said, there could be more going on here than initially meets the eye. Since we've started tracking sell-side sentiment, it has become increasingly clear that it is not only the level of the sentiment that matters but also the velocity at which sentiment is accelerating, changing directions or, in some cases, not moving at all.

As the diagram below indicates, sell-side sentiment has only had five meaningful changes in direction over the last 18 months, each indicated by an arrow on both the indicator graph and the aligned chart of the S&P 500. Four shifts were signified by an accelerating bearish sentiment; the other shift was bullish.

Most importantly, all four bearish shifts in sentiment preceded meaningful downturns in the market, while the bullish shift preceded a period of moderate appreciation and a mainly flat market.

The ability for shifts in the aggregated sentiment of the sell-side to precede market movements is an indicator of incredible importance in markets, where these days nothing much seems to make sense or be consistent.



The obvious question is "Where are we now?"

The not-so-obvious answer is, "Hard to tell."

The sell-side continues to be relatively blasé about the last two months of the market as indicated by the fact that their sentiment has remained almost unchanged for an extended period of time even as volatility continued to move the market in a whip saw like fashion on a daily basis.

So...what happens when the sell-side is indifferent?

The only other time we've seen this level of indifference towards the market was between July and September of 2008 (indicated by the first oval in the attached "Shift in Direction" chart). During this period, the S&P 500 gyrated around but ended up almost exactly back where it began. It wasn't until after a sentiment break by the sell-side in mid-September that the S&P 500 began its last and most dramatic decline of 2008.

Periods of static sentiment have historically indicated that not much is likely to occur until sell-side conviction re-enters the picture. While it is possible that we will likely continue to see substantial

movements one way or the other, these movements will likely continue to revert and keep the S&P 500 range bound as a result of a lack of true conviction by market participants.

Entering into 2009, we will continue to keep an eye out for a significant sentiment shift in either direction. While it's true that the First Coverage Sell-Side Sentiment Indicator does have a mildly bullish undertone right now vs. November, we would need to see a more dramatic move to feel confident that the future direction of the market was already set. Until then we believe the sell-side is of the opinion that we'll be living with a market that's going nowhere fast in the long-term but might continue to exhibit short-term volatility.

Finally, a message to the brave who are starting to once more re-allocate capital in this market and wonder what type of year 2009 will likely be. According to the sell-side, the most bearish consumer stock of the year by sentiment...Tiffany's...the most bullish...Wal-Mart.

Happy New Year!

Until next week...

### **About The First Coverage Weekly Street Sentiment**

***Derived from the aggregated analysis of thousands of actual trade ideas and data being sent in real-time from the sell-side to the buy-side, the First Coverage Weekly Street Sentiment provides a snapshot of market trends and a unique perspective of the mindset of the Street for the week ahead. The following data has been extracted directly from all information transmitted in the past week by sell-side representatives from more than 250 firms submitting information to portfolio and asset managers across North America via the First Coverage platform.***

### **About First Coverage**

***Catering to more than 300 financial institutions worldwide, [First Coverage](#) provides a web-based platform that simplifies the gathering, evaluation and organization of all sell-side services and information. For more information, visit [www.firstcoverage.com](http://www.firstcoverage.com) or contact us at [info@firstcoverage.com](mailto:info@firstcoverage.com).***

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