

FIRST COVERAGE WEEKLY SENTIMENT (January 26, 2009)

First Coverage Market Sentiment: Bearish	First Coverage Index: 45.6	Weekly Change: -0.1%	Sell-Side Certainty: Positive
Bullish Industries (0)	Neutral Industries (4)	Bearish Industries (6)	Weekly Sentiment Change
	Basic Materials		Bearish
		Consumer Goods	
		Consumer Services	
		Financials	
	Health Care		
		Industrials	Bearish (x2)
	Oil & Gas		Bullish
		Technology	
	Telecommunication		
		Utilities	

With all due respect to James Carville...“It’s the Sentiment, Stupid”

New U.S. president. Historic moment. Renewed optimism. This should change everything. Right?

Well, everything it turns out except the economy and subsequently the market.

Participants are still bearish. The market is still depressed. The trend is still down, down and down.

Political pundits will remember that the last time a democrat swept to power, it was on the tagline, “It’s the Economy Stupid!” We are beginning to feel that this is the perfect statement to help succinctly explain what is driving the equity markets today, “It’s the Sentiment, Stupid!”

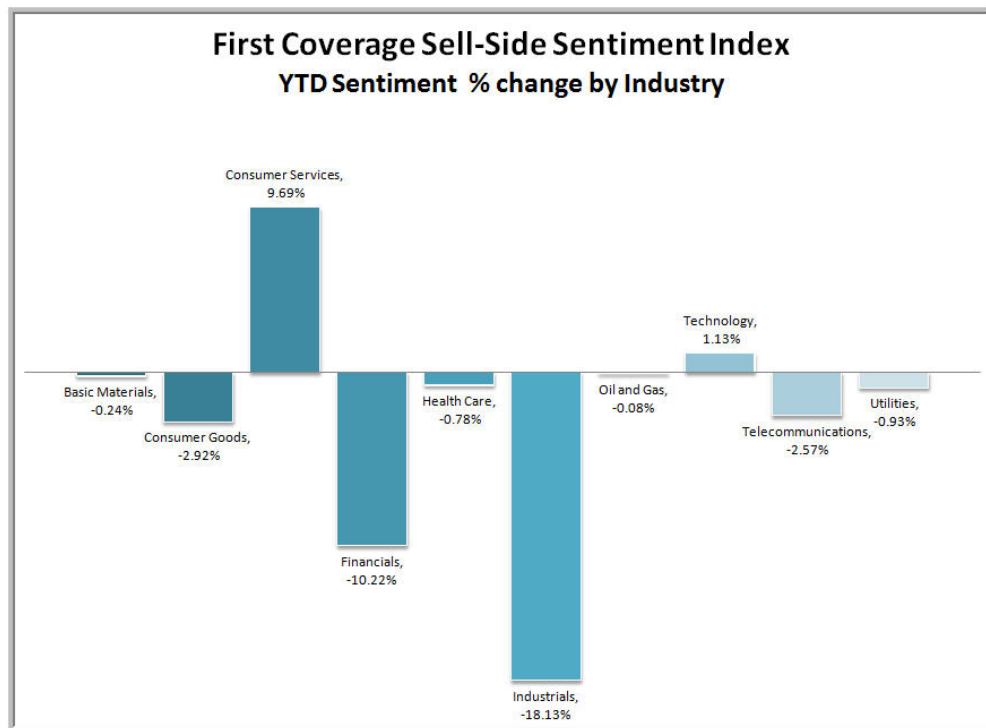
Sentiment of the sell-side is helpful by letting us better understand this market in two manners. It continues to be a good gauge of not only how upcoming information, like quarterly calls, is anticipated to occur, but it also is a great indicator of how the market is likely to react when nothing is happening.

We saw a couple examples of sentiment acting as a stock-specific indicator last week. Specifically, in our last report, we informed our readers that for the first time in a long time, GE had fallen out of the top five in sell-side sentiment. This happened because many long positions that had previously been suggested were being closed out ahead of the earnings report, while multiple new short positions were being suggested to the institutional buy-side. It was clear by the data that the sell-side was souring on GE. Sure enough, last week GE provided an earnings report that took its stock down by an incremental 11%.

On the other side of the sentiment spectrum, Google, also heading into an earnings week, stayed in the top five of sentiment by the sell-side and subsequently outperformed most people's expectations and finished the week up a couple of percent.

While the earning numbers of both companies in question justified the market's response, it is clear that the sentiment preceding the announcement also exaggerated the market's response. People were positively disposed to Google ahead of the call, ready to give them the benefit of the doubt, and negatively disposed to GE ahead of the call, looking for reasons to sell it off.

On a more macro level, for the second week in a row, industrials suffered a very bearish short-term sentiment drop. When we took a closer look at all the industries since the start of the year, the sentiment on Industrials has fallen by more than 18%, while Financials has fallen by more than 10%. No other industry has seen sentiment fall by more than 3%.



Much of the decline has to do with the sell-side suggesting, as we've already discussed, that capital be taken off the table by closing GE positions. Whereas before the sell-side would suggest that their buy-side clients play it safe by having a proxy for the economy in GE, now they are suggesting that the buy-side probably could do better by staying away from anything that is going to be a proxy for the economy.

Apple, a stock that did a fairly good job with its earnings last week, has since become the fifth most bearish stock in the country based on what the sell-side is actually telling their buy-side client base. Based on what we've seen historically, it is going to be a challenge for this stock to climb higher given that investors may be sceptical regardless of any positive news Apple might release going forward.

The last data point at the stock-specific level is that there are two new companies amongst the most bullish by sentiment this week: Devry Inc. and Transocean Inc. The inclusion of Devry Inc. says volumes about where the sell-side feels this economy is heading. (If you are interested in getting a list of the current top and bottom 10 stocks by sentiment, please send an e-mail to info@firstcoverage.com.)

It's critically important to understand that in most cases, in fact for 89 out of every 90 days, companies are not producing material information for the market to analyze and digest. It's during these "gap days" that the sentiment of the professional involved in the market has an even more powerful influence on what is likely to transpire in the market.

News is never consumed in a vacuum. It is always analyzed in the context of something. In this market, that "something" has been, currently is, and will continue to be, the pre-existing 'Sentiment' of the participants. We are well past the time when any single piece of data — economic, company-specific or otherwise — is enough to save this market. This market continues to remain in a downward trajectory because of a lack of confidence, conviction and constitution by former risk takers.

Until these three things return, regardless of the historic events that occur, this market will be "more of the same."

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](http://www.firstcoverage.com) 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 or contact us at info@firstcoverage.com.

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