

FIRST COVERAGE WEEKLY SENTIMENT (March 24, 2009)

First Coverage Market Sentiment: Bearish	First Coverage Index: 48.8	Weekly Change: +0.8%	Sell-Side Certainty: Negative
Bullish Industries (0)	Neutral Industries (7)	Bearish Industries (3)	Weekly Sentiment Change
	Basic Materials		Bullish
	Consumer Goods		
	Consumer Services		Bullish
		Financials	
	Health Care		
		Industrials	
	Oil & Gas		Bearish(x2)
	Technology		
	Telecommunication		
		Utilities	

Confidence Game: (n) A swindle when the victim (a.k.a. investor) is defrauded after their confidence has been won.–

There are some interesting benefits with going to print Monday night rather than Sunday night, and one of those is clearly that “stuff” happens on Mondays.

Today was a whopper of a day – the biggest one-day surge since the November bear market rally, and in a week when it was likely that we’d be talking about how things like the AIG bonus fiasco, the continually imploding fundamentals of the economy or the President being on the Tonight Show may have impacted sell-side sentiment (in three words, Not At All). Instead, we’re writing about how the street reacted to the incredible melt-up we just witnessed to start this week.

For as long as we can remember, this commentary has focussed on the notion that confidence, not fundamentals had a much greater likelihood of leading us out of this free-fall in the equity markets. That was evident from the predictive nature of both the sell-side sentiment and certainty indices that we’ve

been tracking over the last two years. As recent as a month ago, it was this very lack of confidence in the leadership of both the financial institutions as well as the administration that was clearly holding back any serious rally.

So, why are we now up more than 20% since sell-side sentiment markedly turned? Why has everything, including materializing trillions of dollars of aid out of thin air become “good news”? Why is the “benefit of the doubt” being granted to the President, other politicians, and leaders of companies? In a single word...confidence!

Last week, there was Fed Chairman Bernanke’s turn on “60 Minutes,” where he said, “This decline will begin to moderate and we’ll begin to see a levelling off...We’ll see the recession coming to an end probably this year. We’ll see recovery beginning next year.”

Over the last few weeks, there has been President Obama saying, “I am very confident about our long-term prospects” when talking with business leaders. Or, “...things two years ago were not as good as we thought...and they’re not as bad as we think they are now.”

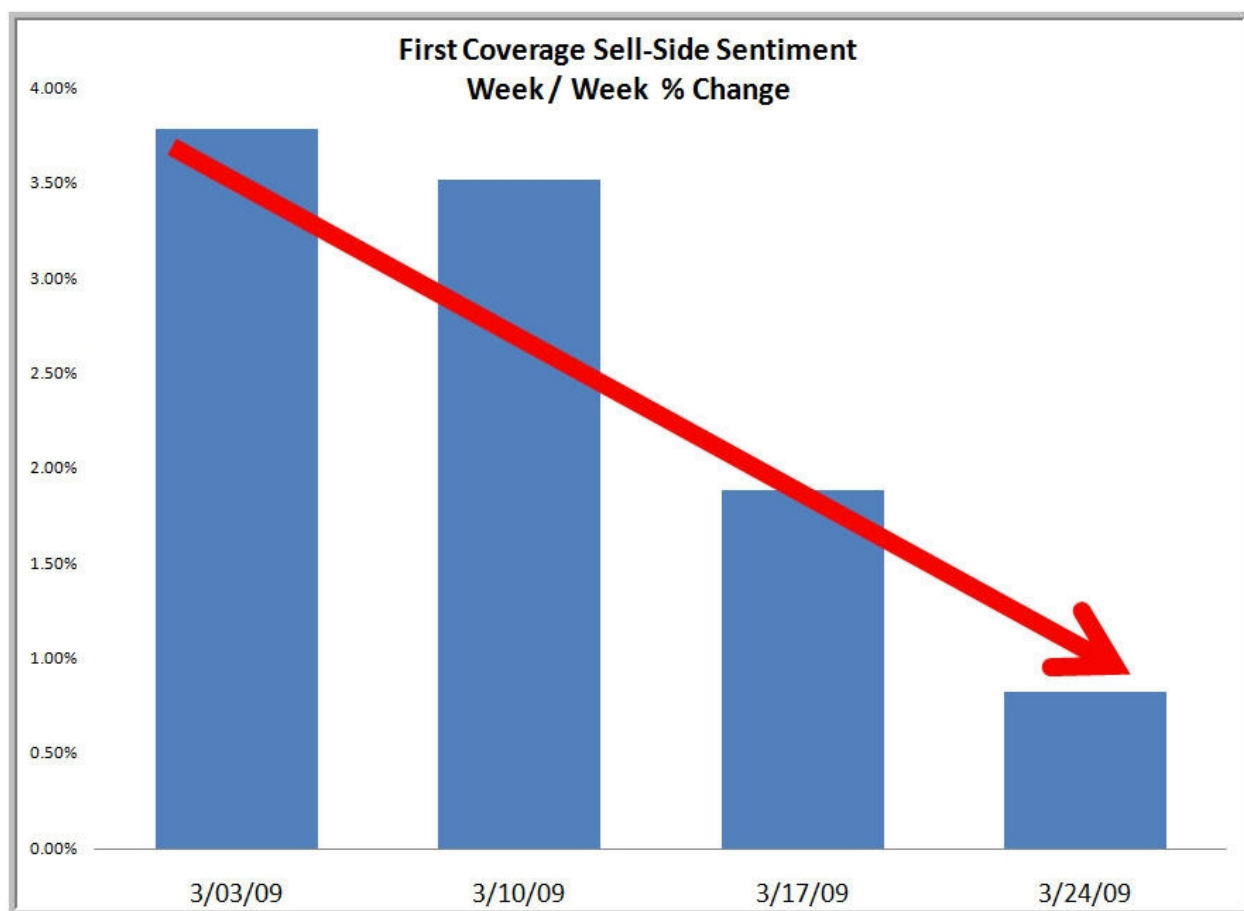
Then today, there’s salvation in the form of a more-detailed Geithner rescue plan for the banks that brings a degree of confidence in both the future and our leadership.

But, here’s where it gets tricky. Are we seeing the market rally because there is great confidence in what those in the know are telling us will eventually bear out to be true? Or is it just that we now are finally seeing the appearance of confidence in our leaders and that’s enough of a change from their harried, panicked, doomsday stylings that we’ve become accustomed to and that change created this type of rebound?

You see the difference, right?

One is clearly a recipe for a sustained rally where the market leads the economy and the confidence is well-placed in leaders who are guiding us out of the abyss. The other is a head fake that, to put it in terms of the other March Madness currently going on, will lead to broken ankles and broken hearts, never mind broken wallets.

So, which is it? Well, we still find ourselves in a position where it’s difficult to tell what the sell-side is thinking. There is no denying that they set up their buy-side clients perfectly for this rally. There is no denying that they have stayed bullish through the past four weeks as the markets continued to climb. But, there also is no denying the following graph:



Numbers don't lie. It's apparent that instead of this rally building upon itself, momentum in bullish sentiment is petering out.

Week after week, since the beginning of the month, the sell-side has found it harder and harder to see the glass half-full, find the silver lining or determine that there is some shoe left to drop that the bulls have not already taken into account.

Clearly positive change, no matter how small, is still positive. However, we reiterate that it's not the level as much as the change in the direction or momentum that matters most when watching an indicator such as sentiment.

It's hard to overlook the fact that while the sell-side isn't getting off this train just yet, their lack of suggesting to their buy-side clients that they should be increasing commitment of capital to this market is a clear indication that, to them, this rally seems much more like a gasp of excitement in the fact that leaders have started acting like leaders rather than a belief that what is being said by those leaders is likely to be accurate.

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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