

## FIRST COVERAGE WEEKLY SENTIMENT (June 23, 2009)

First Coverage Market Sentiment: <b>Neutral</b>	First Coverage Index: <b>53.3</b>	Weekly Change: <b>-1.7%</b>	Sell-Side Certainty:  <b>Positive</b>
<b>Bullish Industries (5,-3)</b>	<b>Neutral Industries (4,+2)</b>	<b>Bearish Industries (1,+1)</b>	<b>Weekly Sentiment Change</b>
Basic Materials			
		Consumer Goods(-)	<b>Bearish</b>
	Consumer Services(-)		<b>Bearish</b>
	Financials		<b>Bearish</b>
Health Care			<b>Bullish</b>
	Industrials (-)		<b>Bearish</b>
	Oil & Gas (-)		<b>Bearish</b>
Technology			
Telecommunication			
<b>Utilities</b>			

### **Sell-Side Weebles & Wobbles, but won't Fall Down...Yet.**

First Coverage Sell-Side Sentiment declined last week by the largest percentage since this rally began in early March., dropping 1.7%. The conundrum facing those of us that follow this indicator is that for the last two years we have labelled any week over week move greater than 2.0% as 'significant'. So, the question for those that are eager to sell this market short today is...what's 0.3% matter in the scheme of things? We'll get to that in a minute.

While there remains ambiguity aplenty surrounding a 1.7% move in a 2.0% world, there is clearly no doubt that the sell-side has, if not turned tail completely, at least started asking directions to the place from where we came a few months and 40% back.

For the first week in months, we saw many more industries with significant short term bearish shifts than bullish shifts (five bearish, one bullish). On top of that we have moved from a near 'nirvana' of eight industries having an overall bullish sentiment rating to just five. Specifically, Consumer Goods

declined markedly week over week in Sentiment and is back to being the whipping boy that this market has sorely missed over the last couple of months.

Why now? What caused Sentiment to turn, if not completely, than at least dramatically? While we don't want to fall into the mindset that believes everything can be explained away rationally, it is apparent that Americans (and I guess that would include the Sell-Side) are increasingly concerned about things like budget deficits. The Wall Street Journal had a recent survey that show 58% favouring that the President and Congress focus on keeping deficits down – even if it means the economy takes longer to recover.

While the rally has continued unabated until this last week, it's clear that 'less bad' doesn't mean 'good' or 'near term recovery'. And a begrudging acceptance of a delayed recovery for a better future might be prudent, that combined with talks by groups like the IMF, referencing the global picture stating that, "The large part of the worst is not yet behind us," might be enough to finally spook the sell-side into doffing their rally caps.

And most glaringly, let's not forget that stocks took a break and had their first down week in the last five. Dow Jones fell 3.0% back in negative territory for the year. The S&P 500 declined 2.6% and Nasdaq 1.7%. On top of that, liquidity and volume have been drying up recently as one might suggest that hesitation, second thoughts and fear begins to set in.

Tracking sentiment for two years has taught us many things. First, it's the changes that matter most. Does a two percent change mean materially different things than a 1.7% change? Hard to say...empirically you'd think not. In reality over the past 2 years, there have only been five weeks that have had sentiment shifts within that range (1.7% - 2.0%) on the positive or negative side. Four of those indicators wouldn't have caused a shift in position since they were in the same direction as the index was already positioned (confirmation weeks). Those that are looking for their cue to get short might have just seen it even as the First Coverage Sentiment Index will have to remain long for at least another week until we get our 2% threshold hit.

Most importantly however, following sentiment has taught us while it isn't some type of magic that predicts all moves before they happen...(Although it did a great job of positioning the buy-side long back on March 6<sup>th</sup> ahead of the recent rally) it is excellent at identifying when enough has gone on to make financial professionals finally think that a change is occurring and it is likely to be material. In the famous words of a not so famous sports caster, the 2% threshold is great at identifying the 'Boom goes the dynamite' moments of our market place. (Google the phrase watch the video...it's worth it!)

With that being said, here are the stocks that have had the largest bullish and bearish sentiment shifts over the last week.

Bullish:

GS	GOLDMAN SACHS GRP
POT	POTASH CORP SASK COM NPV
BARC	BARCLAYS
WAG	WALGREEN CO
HRS	HARRIS CP

Bearish:

MSFT	MICROSOFT CP
FSLR	FIRST SOLAR, INC.
DHI	D R HORTON INC
HVT	HAVERTY FURN COS SC
GE	GEN ELECTRIC CO

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).***

***For media inquiries, please contact Deborah Jorge at First Coverage: [Deborah.Jorge@FirstCoverage.com](mailto:Deborah.Jorge@FirstCoverage.com), 617-303-0067 (office) or 413-531-0959 (mobile).***

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