

## FIRST COVERAGE WEEKLY SENTIMENT (November 3, 2009)

First Coverage Market Sentiment: <b>Bullish</b>	First Coverage Index: <b>55.2</b>	Weekly Change: <b>-1.9%</b>	Sell-Side Certainty: <b>Negative</b>
<b>Bullish Industries (9,-1)</b>	<b>Neutral Industries (1,+1)</b>	<b>Bearish Industries (0)</b>	<b>Weekly Sentiment Change</b>
Basic Materials			
	Consumer Goods (-)		
Consumer Services			<b>Bearish</b>
Financials			
Health Care			<b>Bearish</b>
Industrials			
Oil & Gas			<b>Bearish</b>
Technology			<b>Bearish (x2)</b>
Telecommunication			<b>Bearish</b>
Utilities			<b>Bullish</b>

## The Straw that Almost Broke the Camel's Back

### Close but No Cigar.

Here's a riddle for those that like puzzles: What is both reactive and predictive? I'll give you a hint...it rhymes with "mentiment" and starts with an "s." (No one said my hints were subtle!)

Okay, here's another riddle now that you're one for one. "When is sentiment reactive and when is it predictive?"

As those around us get a little more tense and try to determine if this is the beginning of a bear market or merely another bump in the road to higher highs, it's critical for everyone to understand the role that sentiment will have in determining the future of these markets.

Over the last week, sentiment has reacted to market movements and fallen another 1.9% over. This shouldn't surprise anyone; sentiment tends to rise when markets are doing well and falls when volatility rears its ugly head. In that way it demonstrates that market professionals are indeed like most people when it comes to their short-term impression of the market direction and are somewhat swayed by the "what have you done for me lately" school of thought.

So, while sentiment can't predict every bump in the market before it happens, there is a moment in time at which that same reaction to market gyrations becomes predictive. When those bumps come more often, when they seem more varied, when they start seeming large enough to be mountains to market participants, it is likely that what would have, in other times, been just another data point, now turns what was just another market gyration into a sustained downturn.

At First Coverage, we have always used a 2% shift in a single week as a proxy for a movement that was quick enough, large enough and different enough to indicate that any market trend that existed prior to that movement has been obliterated. Most times, that has worked well as a predictor of the market turning directions (e-mail us at [info@firstcoverage.com](mailto:info@firstcoverage.com) if you're interested in receiving a white paper we wrote on the topic of sentiment and market performance) and most times that has worked well as an indication that sentiment, so often a reactive emotion to what has gone on before, is now a predictive indicator of what is to come.

So, with all that said, what do you do with a 1.9% decline?

That's hard to say.

It's not going to move the needle on our model portfolio, which will stay long. However, it is clearly the biggest bearish shift in sentiment over a single week we've seen since the middle of the summer. Best advice: stay nimble, pay attention and realize that what last month might have been just another bump in the road, today might very well be the proverbial straw that breaks the rally's back.

### **Technology Hit Again, and This Time it's not Alone.**

Another significant decline of over four percent in the sentiment towards Technology indicates a continued lessening of risk tolerance by those still playing this market. However, while Technology was alone in its decline last week, this week there was a bearish sentiment shift in almost half of the industries we track.

Consumer Services and Consumer Goods both stand out for different reasons. Consumer Goods became the first of the ten industries to fall back into the neutral category, leaving our string of weeks with all bullish industries halted at two.

Consumer Services suffered the biggest single week-over-week decline as sentiment towards that industry fell over seven percent. Combining the two data points makes one think that the sell-side is fearful that the holiday shopping season might disappoint even today's muted expectations.

## Stocks to Watch

Over the last week, the following stocks had the largest bullish and bearish sentiment shifts amongst the sell-side.

### **Bullish:**

Symbol	Company	Industry
RTN	Raytheon	Industrials
PH	Parker-Hannifin	Industrials
JPM	JP Morgan Chase	Financials
SGMS	Scientific Games	Consumer Services
CYBS	CyberSource	Industrials

### **Bearish:**

Symbol	Company	Industry
TUP	Tupperware Brands	Consumer Goods
MGA	Magna International Class A	Consumer Goods
BCR	C.R. Bard	Health Care
COF	Capital One Financial	Financials
NBR	Nabors Industries	Oil & Gas

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 worldwide 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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