

## FIRST COVERAGE WEEKLY SENTIMENT (December 8, 2009)

First Coverage Market Sentiment: <b>Bullish</b>	First Coverage Index: <b>57.1</b>	Weekly Change: <b>+0.4%</b>	Sell-Side Certainty:  Neutral
Bullish Industries (10)	Neutral Industries (0)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			
Consumer Goods			
Consumer Services			
Financials			
Health Care			
Industrials			Bullish
Oil & Gas			
Technology			Bullish
Telecommunication			
Utilities			

### **Data Demonstrates Sell-Side was Optimistic and Maybe Even Correct!**

#### **Rose-colored Glasses Now equipped with 20/20 Vision**

For those on the other side of employed, last Friday's job report was like seeing that first flower in spring.

Fewer jobs lost than anticipated coupled with revisions and one can't help but think that this 'jobless recovery' might not be jobless for much longer. Real data leading to renewed hope amongst the unemployed, all 10.0% of them, and once again, an increase in the sentiment of an already bullish sell-side.

The jobs number might have surprised some, but it clearly wasn't a surprise to an institutional sell-side that has been on the record as much more bullish and less nervous than both the media and the general population through this entire period of naysayers screaming 'too far, too fast.' In fact, the sell-side has not just been optimistic over the last few months, but in hindsight, absolutely correct in their aggregate advice to their buy-side clients to stay fully allocated and long the market into the end of calendar year 2009.

While many times we have opined that the biggest reason for sustained optimism amongst the sell-side might have been motivated by self-interest (bigger bonuses and a healthier 2009 to offset the bad taste of 2008), it now seems that a credible argument can be made that their sustained optimism was not just mercenary. Some would argue that this bullishness was in fact drawn from a better understanding and greater experience in how the markets work, how the government would play its role, and a greater degree of clarity earlier on that the economic worst was behind us and the market would lead the way out.

### **So what's the difference between a market built on bullishness and one built on fundamentals?**

It's critical to those looking to position themselves for the start of 2010 to understand the underlying rationale of what is now driving this market.

This rally started in the last week of February 2009 (not the first week of March as many think) when there was a perceptible bullish shift in sentiment. There is no question that the market led the recovery in March and the first leg up was driven strictly by a sentiment to take it higher.

Now here's the rub ... any bullish rally that outdistances fundamentals will eventually see the gap between perception and reality become so large that a bear market becomes a short-term inevitability. The average sentiment trend is three months, and this one has been bullish for over eight months with just a single one-week break. In short, if this current market is still only being driven by sentiment rather than a recovery, it seemed very likely that the start of 2010 would be a challenging one and extremely vulnerable to external geo-political shocks. This is why this notion of a real 'recovery' and not a 'jobless' one is so critical to get to the bottom of.

There's an old saying that if you repeat something to yourself for long enough you might actually end up believing it ... but that doesn't make it any more truthful. However, what it looks like we might have stumbled upon right now is a market in which the sell-side has repeated their claims of 'don't worry, be happy' for so long that the fundamentals have had enough time to actually catch up to the optimism. If this is the case, instead of vulnerabilities, we now have a strong foundation heading into 2010.

For the first time in almost nine months, we are back watching fundamentals. With an immense amount of risk to the downside, butting up against a chance to demonstrate sentiment has given way to reality, it's likely that the tone of 2010 will not be set by the data points in the first few weeks of next year, but in the scant data points left in 2009. If these data points continue to support the notion of 'all clear' up ahead, then those in the 'too far, too fast' camp will probably find themselves on the outside looking in next year.

And, if that is the case, then the sell-side not only took this market off its bottom nine months ago but also kept it afloat for just long enough to make their bullishness correct.

### **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	Exchange
CBS	CBS Class B	Consumer Services	NYSE
PNC	PNC Financial Services Group	Financials	NYSE
ABX	Barrick Gold	Basic Materials	TSX
ENTG	Entegris	Technology	NASDAQ
MOS	Mosai	Basic Materials	NYSE

#### **Bearish:**

Symbol	Company	Industry	Exchange
STT	State Street	Financials	NYSE
ESI	ITT Education	Consumer Services	NYSE
UA	Under Armour Class A	Consumer Goods	NYSE
AXL	Amer Axle & Manu	Consumer Goods	NYSE
ERII	Energy Recovery	Industrials	NASDAQ

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

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