

FIRST COVERAGE WEEKLY SENTIMENT (February 2, 2010)

First Coverage Market Sentiment: Bullish	First Coverage Index: 57.9	Weekly Change: +0.7%	Sell-Side Certainty: Positive
Bullish Industries (9)	Neutral Industries (1)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			
Consumer Goods			
Consumer Services			Bullish, x2
Financials			
Health Care			Bearish, x2
Industrials			
Oil & Gas			Bullish
Technology			Bullish
	Telecommunication		Bullish
Utilities			Bearish

Market Outlook: Mostly Cloudy with a Chance of Sunshine

Uncertainty Reigns in Equity Markets

As we enter February, the market continues to struggle. It rose modestly in early January but has been in decline since the beginning of the fourth quarter earnings reporting season, despite the strength Monday in the market.

The tug of war between consumers' reluctance to spend and government stimulus continues. The latter appears to be encouraging businesses to be more positive, with many beginning to increase inventories or to stop drawing them down. Today's upward surprise in the purchasing managers' index for manufacturing reaffirmed that trend. The problem is businesses are not ready to do much hiring or capital spending. The weak results today in personal income and consumer spending reaffirmed the reluctance of consumers to spend. A key to near term market performance will clearly be the employment reports on Friday.

The Fed appears to be on hold for some time in raising interest rates, but the pall of additional regulation of the financial industry hangs over the market.

How the market behaves in January, often has shown the way for the year. In many years, an up January means the market will be up for the year as a whole. Within January, market performance in the first week is often an indicator of how the full month of January will go. This year the market had a good first week, but it was on low volume and low volatility. Unfortunately, the market for January as a whole was down slightly. So the January indicators appear inconclusive.

Sell-side Stormy on Financials, Industrials and Health Care

The 2.1% decline in sentiment last week in Financials reaffirmed the pronounced trend of the last three months. Even though sentiment in Industrials was up 1% last week, sentiment shows no signs of breaking out of its downward trend of the last six weeks.

The 5.7% decline in Health Care followed a drop of 3.0% the week before, and strongly indicates the upward surge in sentiment and prices in early January may have been a flash in the pan... or perhaps, Health Care stocks may have fallen into bearish territory possibly due to investor uncertainty driven by the stalling of health care reform.

Telecom and Basic Materials Sentiment Rising

Sell-side sentiment for Telecommunications was up 3.5% last week following a modest 0.6% gain the week before. This upward move may be an indication that sentiment is reversing after a two-month drop of about 25%, or it may only be a temporary correction. Either way, it is an industry that deserves attention.

Sentiment in Basic Materials has been very volatile over the last three months. Although, it flat over the last week, it was nevertheless in an upward pattern throughout January. It was not enough to declare a breakout of its three-month channel, but it may be poised for one.

Bright Opportunities in Tech, Oil & Gas and Consumer Services

There are three sectors where sell-side sentiment appears to be signaling positive opportunities in the market. Technology had the biggest upsurge in sentiment last week at 5.2%, followed by Oil & Gas at 3.7% and Consumer Services at 3.6%. All three have shown a pronounced positive upward trend over the past month, while stock prices for each of the sectors have been downward in that period.

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
NTAP	NetApp Ord Shs	Technology	NASDAQ
FLEX	Flextronics International Ord Shs	Industrials	NASDAQ
INTC	Intel Ord Shs	Technology	NASDAQ
UFS	Domtar Ord Shs	Basic Materials	NYSE
DV	DeVry Ord Shs	Consumer Services	NYSE

Bearish:

Symbol	Company	Industry	Exchange
BMS	Bemis Ord Shs	Industrials	NYSE
NEU	NewMarket Ord Shs	Basic Materials	NYSE
LZ	Lubrizol Corp Ord Shs	Basic Materials	NYSE
AMLN	Amylin Ord Shs	Health Care	NASDAQ
CFP	Canfor Ord Shs	Basic Materials	TSX

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 or contact us at info@firstcoverage.com.

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