FIRST COVERAGE WEEKLY SENTIMENT (March 29, 2010)

First Coverage Market Sentiment: **Bearish**	First Coverage Index: **56.3**	Weekly Change: **-0.9%**	Sell-Side Certainty: **Positive**
Bullish Industries (7)	**Neutral Industries (3)**	**Bearish Industries (0)**	**Weekly Sentiment Change**
Basic Materials			
	Consumer Goods		**Bearish, x2**
Consumer Services			
	Financials		
Health Care			
Industrials			**Bearish, x2**
Oil & Gas			
Technology			
	Telecommunication		**Bearish**
Utilities			

Market up again in March; Sell-Side Sentiment down…again

Is the Sell-Side Implying a Market Correction?

It was another negative week for sell-side sentiment, although not nearly as bad as the week before. The overall sentiment number declined 0.9%, following a drop of 2.6% the prior week. Despite last week's further erosion, sell-side sentiment remains on the positive side. A week ago, we asked if that big 2.6% hit meant the sell-side was onto something, that it might be signaling the correction that the market has been apprehensive of, following the steady price rises since early February. The downgrades last week on top of the big hit sentiment took the prior week may be indicating that the sell-side is hunkering down for a correction.

The change in sentiment last week for six of the 10 industries was negligible, but the changes for the remaining four were downward. Of greater note was that among the four industries (i.e., Consumer Services, Technology, Industrials and Telecommunications) that had been showing positive trends over the last two months only Consumer Services remains solidly on the upside.

On the other hand, the market so far is ignoring the drops in sell-side sentiment. It was another up week for the major market indices. Financials and Consumer Services, with gains of about 3% each, led the way, while Oil & Gas declined over 1% for the week. Consumer Services and Oil & Gas were consistent with sentiment trends, but Financials was counter.

Housing Remains a Big Concern

Except for housing, most economic news shows the economy is improving, albeit at a slower pace than normal. The problem though is that exception of housing. Last week was a big week for data that provides clues on the housing market. The results were not good. Last week's home sales data indicated housing is slumping again. After a boost last fall from the government offer of a tax credit for buying a home, sales fell back in reaction to expiration of the credit. It was later extended to April 1, 2010.

February existing home sales were down 0.1%, although that was better than expected. The real problem was new home sales were down 2.2%. It remains unclear if housing might slide back into another downturn. None of the uncertainties were resolved by last week's data.

And now another major uncertainty has moved to center stage. The Treasury auctions last week were disappointing. If this was more than an anomaly, it's a whole new ball game for the market. If long-term rates are going to begin reflecting the long-term concerns about the U.S. deficit and debt problems, that would be the coup de grace for housing. It also would seriously crimp equity valuations.

Employment Data: the Big Concern Next Week, along with Other Data Tied to Consumer Spending

Last week was not a good time for the market to show signs of running out of gas. It was a very big week for economic data, especially data associated with consumer spending.

All eyes this week will be on the employment data released on Friday. Expectations are for a gain of almost 200,000 in payroll data for March. Many expect the March data to be the start of an upward trend in adding to payrolls, a critical need for the consumer to regain confidence to spend and for the economy to continue to expand. Consumer confidence has shown weakness of late as measured both by the Conference Board and the University of Michigan. The Conference Board reports its survey for March on Tuesday. Analysts expect a rebound. Also on Tuesday, the Case-Shiller home price data is reported with a small decline expected. The week starts off with important data for February on personal income and consumption reported on Monday. Month-over-month gains are expected for both. All this is a lot of data this week that should shed some light on the trend for consumer spending and the sustainability of the economic recovery. At the same time, investors have to be looking at long term interest rates.

Sell-Side Positive Sentiment Now Limited to Consumer Services

Consumer Services was one of those industries seeing only negligible change in sell-side sentiment last week. But that was enough to keep it firmly on its upward trends of the past three and seventeen months. It's hard to fight that kind of long and short-term sell-side sentiment strength.

After three weeks of declines, sentiment last week for Tech was essentially flat. But with no gains in sentiment for a month, Tech appears to be reversing the upward trend of the first three months of this year.

No Industries Now Look Poised For an Upside Breakout

Since late February, both the Industrials and Telecomm Industries had appeared to be on the verge of upside breakouts, ready to join Consumer Services and Tech as positively rated industries. But the week ago results showed that sentiment for the Industrials might be faltering.

This past week, sentiment for the Industrials repeated the 5% decline of the week before. Those two drops appear to have reversed the emerging upward trend for Industrials. The drop for Telecomm was 7%, apparently reversing its two-month bounce off the January bottom hit after its huge sentiment decline that began in December.

With Tech, Industrials, and Telecomm no longer exhibiting positive trends, Consumer Services is now the only industry with a positive sell-side sentiment trend.

Financials Retains Industry Crown for Strongest Sentiment Downtrend

Sell-side sentiment was essentially unchanged last week, but that followed an 8% decline the week before, so the five-month downward trend remains firmly in place. However, with the recent negative bias to sell-side sentiment changes, Financials may soon have company. Oil & Gas is already in a three-month decline and probably now deserves to join Financials in the penalty box. It would only take two or three weeks of declines in sell-side sentiment for Health Care, Consumer Goods, Materials, Industrials, Tech and Telecomm to join the group.

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
WDC	Western Digital	Technology	NYSE
C	Citigroup	Financials	NYSE
PMI	PMI Group	Financials	NYSE
TIVO	TiVo	Consumer Goods	NASDAQ
WFC	Wells Fargo & Company	Financials	NYSE

Bearish:

Symbol	Company	Industry	Exchange
VECO	Veeco Instrum	Industrials	NASDAQ
SBUX	Starbucks	Consumer Services	NASDAQ
LULU	lululemon athletica	Consumer Goods	NASDAQ
CBG	CB Richard Ellis Group	Financials	NYSE
PLCE	Children's Place	Consumer Services	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 300 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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