

## **FIRST COVERAGE WEEKLY SENTIMENT** (April 5, 2010)

First Coverage Market Sentiment: <b>Bearish</b>	First Coverage Index: <b>55.8</b>	Weekly Change: <b>-0.7%</b>	Sell-Side Certainty:  Negative
<b>Bullish Industries (7)</b>	<b>Neutral Industries (3)</b>	<b>Bearish Industries (0)</b>	<b>Weekly Sentiment Change</b>
Basic Materials			
	Consumer Goods		
Consumer Services			<b>Bearish</b>
	Financials		<b>Bearish</b>
Health Care			
Industrials			<b>Bearish, x3</b>
Oil & Gas			<b>Bearish</b>
Technology			
	Telecommunication		<b>Bullish</b>
Utilities			

### **Market Continues up, but Sell-Side Sentiment Eases Lower Again**

#### **Broad, but Small, Gains in Market Last Week**

Not surprisingly, given some favorable economic news last week, the market rose for the fifth week in a row. All the major indexes were up about 1% last week and were up about 5% for the first quarter of the year. All ten Dow Jones industries were up in price last week, although the gain for four (Consumer Goods, Technology, Health Care, and Financials) were each well under 1%. Leading the way with gains of about 4% were the two commodity industry groups (Oil & Gas and Basic Materials).

#### **Sell-Side Sentiment Weakening in Most Industries**

Last week, sell-side sentiment declined for the third week in a row. Although the decline in each of the last two weeks has been under 1%, the emerging pattern is of concern. Like the week before, the downward revisions in sell-side sentiment were broadly based across industry groups. The decline was 3% or more in five industries, and 1% or more in two additional. The only industry with a significant rise in sentiment was Telecomm, up 8%, but that merely offset a 7% drop the week before.

### **Last Week was a Good Week for Economic News**

The market dodged a bullet last week when the all important jobs numbers were announced on Friday. As expected, unemployment was unchanged at 9.7%. Additions to payrolls, qt 165k, were a bit below expectations, but unlike the 23k decline in private payroll additions announced the day before by ADP, the government numbers showed an addition to private payrolls. The market should be satisfied with the 165K, since part of the shortfall in the overall results was a lower than expected number of census workers added. Weather disruptions in March may have played a role, as well.

The rest of the economic news last week was mostly favorable. The ISM manufacturing number, consumer confidence, auto sales, and factory orders exceeded expectations. Only personal income, which was unchanged from the month before, fell short of expectations.

### **Treasury Auction Deserves Attention Next Week**

Believe it or not, Tiger Woods teeing off at the Masters on Thursday is not the biggest event of the week. There may not be much economic news to compete with Tiger's return to golf, but interest rates will be the real thing to focus on. The Wednesday Treasury auction of 10-year notes bears attention, given the poor reception of the auction two weeks ago and the upward pressure on rates after the mostly favorable employment data reported last week. Rates on the 10-year note hit 3.94% last Friday, creeping close to the psychological 4.00% level. Higher long-term rates usually mean lower price-earnings ratios for equity markets.

It may be a light week for economic news next week, but given the ongoing concern over housing, Monday's report of February pending home sales may have market impact. A decline is expected. Of course, any data reports that shed light on consumer spending attract the interest of investors. This week, mainly on Thursday, many retailers and restaurants will report same store sales. They likely will confirm the surprisingly strong same store sales results of February.

The first quarter is now history for most companies, but earnings report season does not hit full stride until the week of 19 April. Meanwhile, the pre-announcement phase of earnings season cranks up next week. Pre-announcements have been off to a good start, with the ratio of negative to positive pre-announcements at 1.5 running less negative than the 2.1 average. Expect that to continue.

The ongoing pain of discussion of the financial crisis and how to prevent a recurrence grinds on next week. The Financial Crisis Inquiry Commission opens hearings on Wednesday, followed soon by the return of Congress and its again taking up Senator Dodd's regulation bill. The President is reportedly

pushing for a bill on his desk by May, so don't ignore this potential drag on the markets in coming weeks.

### **Consumer Services Sell-side Sentiment Now in Decline, But Telecomm Back on Upward Trend**

Consumer Services had been the poster child for positive sell-side sentiment since the beginning of 2009. It had been in a long-term positive sentiment trend since October 2008 as well as in a shorter term positive trend since December 2009. A week ago, we noted that it appeared poised for a downside breakout from those positive trends. Last week, that reversal was resoundingly confirmed with a 6% decline in sentiment. Although the sell-side may like Consumer Services less than before, it still has the most positive sell-side sentiment of any industry group.

A week ago, Telecomm looked like its big bounce in sentiment off the mid-January 2009 low that followed the huge December 2008 swoon was turning into a dead cat bounce. It dramatically reversed course last week when sentiment rose 8%, so the bounce is firmly back on its upward trend. On a stock price basis, the Telecomm industry has been the weakest performer year-to-date with a decline of 4%, so maybe it's time is coming.

### **No Industries Now Look Poised For an Upside Breakout**

A month or so ago, sell-side sentiment was strongly rising for the Consumer Services and Technology industry groups. Industrials and Telecomm seemed to be breaking into upward trends. Over the last few weeks, Consumer Services, Tech, and Industrials slipped out of their upside trends. Industrials and Tech appeared recently to have even broken into downtrends. Despite downward revisions of 3% and 1%, respectively, last week, both now are showing small hints of possibly arresting those downtrends. It would take several weeks of upward revisions for each to get back on upward trends.

The Oil & Gas industry had bounced off the lower side of its downward channel, but with sentiment dropping 3% last week, it is hard to show much positive enthusiasm for the industry.

### **Financials Not Alone in Having Negative Sentiment Trends**

The sell-side just can't seem to warm up to the Financial Industry. Sentiment for the group has been steadily declining for five months. It has the lowest sentiment rating of any of the ten industry groups. It is probably the industry group with the greatest degree of uncertainty on first quarter earnings, although the year-over-year earnings improvement will clearly be huge.

In addition to Consumer Services now joining Financials in the downtrend category, Consumer Goods, and Basic Materials are also in the category.

### **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
ISIS	ISIS Pharms	Health Care	NASDAQ
GPN	Global Payments	Industrials	NYSE
LIZ	Liz Claiborne	Consumer Goods	NYSE
CERS	Cerus Corp	Health Care	NASDAQ
DRWI	DragonWave	Technology	NASDAQ

**Bearish:**

Symbol	Company	Industry	Exchange
ASF	Administaff	Industrials	NYSE
BHI	Baker Hughes	Oil & Gas	NYSE
GENZ	Genzyme Corp	Health Care	NASDAQ
AAPL	Apple	Technology	NASDAQ
SYNA	Synaptics	Technology	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**

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