

FIRST COVERAGE WEEKLY SENTIMENT (April 19, 2010)

First Coverage Market Sentiment: Bearish	First Coverage Index: 56.1	Weekly Change: -.4%	Sell-Side Certainty: Positive
Bullish Industries (8)	Neutral Industries (2)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			
	Consumer Goods		
Consumer Services			
	Financials		
Health Care			
Industrials			
Oil & Gas			
Technology			
Telecommunication			
Utilities			

Did the SEC Trigger the Start of a Market Correction Last Friday?

SEC Drops Bombshell

We've watched the parade of bank officials say, "I'm sorry about what happened, but don't blame me." After the SEC dropped the Goldman bombshell on Friday, that no longer will cut it. Blood is in the water, and the reform sharks are circling. Whenever there is a financial crisis, only part of the rot gets exposed. Most of what is found is in companies that went bankrupt, putting internal documents on the public record. AIG and Lehman are the poster children this cycle. The incriminatory emails at those who did wrong, but survived, remain buried. It looked like business as usual this time around. But Friday's bombshell changes the calculus, especially with its arriving at the height of Congressional activities in writing new financial regulations.

We have previously said the developments on the Dodd bill deserved close scrutiny by investors. It is now front and center on investor radar screens. This week, focus should also be on the bill introduced Friday by Senator Lincoln of the Agriculture Committee to severely regulate derivatives. What comes

out of her committee will be incorporated in the Dodd bill. (Could anyone be so bold to suggest that the timing of the SEC announcement and the Lincoln bill relative to the Dodd bill discussion was possibly coordinated by the White House?) All this comes in the face of the upcoming political campaigns for the November elections. And it comes when a strong populist undercurrent is running on Main Street. The target on Wall Street's back is expanding, and the White House and Congress appear to be noticing.

Sell-side May be Proven Right on its Declining Sentiment on Financials

As a result of the SEC bombshell, financials may be under pressure as its full implications get digested, and as additional investigative announcements and regulatory proposals shoes drop. Sell-side sentiment for financials hit a cyclical bottom in late 2008, falling well into bearish territory. Sentiment began rebounding in early 2009 as the sell side considered the stocks severely oversold. The financial stocks began rebounding March 2009. Sentiment continued its rise through the remainder of 2009, although prices leveled off from October 2009 through January 2010. Sell-side sentiment peaked at a level that was solidly bullish at the end of 2009 but has dropped steadily since then and now stands smack in neutral territory. Meanwhile, financial stocks have rallied 20% since early February. That rally may now be over, and the four-plus months of sell-side sentiment downgrading of the financials may have been prescient. Financials are already the industry with the lowest sell-side sentiment rating.

Milestones Sort of Turn to Smilestones

After toying with several key psychological market milestones two weeks ago, last week markets landed on the right side of the fence on four major indexes. But two ended back on the wrong side after the Goldman announcement. Maybe the best performance was turned in by the 10-year Treasury note. At 3.77%, it dropped further away from the ominous 4.00% level briefly touched recently. The DJ Industrials ended a six-day streak of gains but barely held above 11,000. However, The S&P 500 and NASDAQ couldn't hold the 1,200 or 2,500 levels reached during the week. They closed at 1,192 and 2,481, respectively.

Last Week's Changes in Sell-side Sentiment Will Likely Not Provide Much Guidance

Sell-side sentiment numbers for last week are less helpful than usual. First, there was not much change last week from the week before. Second, the Goldman bombshell on Friday came too late for any meaningful reaction from the sell-side.

Overall sentiment declined a modest 0.4% during the week. Changes for the ten industries were balanced with four virtually unchanged. Three were up less than 3% and three were down less than 3%. Sentiment for the Tech industry dropped 2%, knocking it into a virtual tie with the Industrials, Consumer Services, and Healthcare as the industries rated highest by the sell-side. Technology, Industrials, and Consumer Services were the best price performers last week, each with a rise of about 1%.

Don't Forget Earnings Reports This Week and the Next Two

It had been expected that earnings reports by far would be the main focus this week, but now they will have to share the spotlight with what will likely be daily headlines and comments about proposals for stronger financial regulation. But, ultimately stock prices depend on earnings, so don't forget about the flood of earnings reports this week.

Last week gave only a tiny peek at the 1Q reports. It was a good start and likely will be indicative of what is to come but not enough to be statistically valid. This week the rubber meets the road for Q1 earnings. Well over 100 S&P 500 companies report each of the next three weeks. The results will likely be terrific. The peak weeks for earnings pre-announcements are now behind us. The ratio of negatives to positive at 1.1 was well below the 4.0 for last year's 1Q or even the 2.1 long-term averages. Furthermore, Q1 earnings estimates for the S&P 500 companies went into the reporting season at 37%, slightly above the estimate at the start of the quarter. Usually the estimates trail off during a quarter, than beat the final estimates by a similar amount. This time, earnings results should be well above the start-of-the-quarter estimates.

There are also a few economic reports this week, two of which would appear to be of significance. Recovery in the housing market is critical to sustained economic growth. This week we get existing and new home sales for March. Unfortunately, with home buyer tax credits scheduled to expire at the end of this month, the sales numbers will be distorted.

The market likely will respond mainly this week to downward pressure from financial regulation developments and the upward pressure from earnings reports.

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
AMZN	Amazon Com	Consumer Services	NASDAQ
GES	Guess	Consumer Services	NYSE
AGO	Assured Guaranty	Financials	NYSE
NEM	Newmont Mining	Basic Materials	NYSE
NFLX	Netflix	Consumer Services	NASDAQ

Bearish:

Symbol	Company	Industry	Exchange
TRGT	Targacept	Health Care	NASDAQ
COH	Coach	Consumer Goods	NYSE
SPG	Simon Property REIT	Financials	NYSE
CRK	Comstock Resource	Oil & Gas	NYSE
VECO	Veeco Instrum	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 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](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 or contact us at info@firstcoverage.com.

For media inquiries, please contact Deborah Jorge at First Coverage: Deborah.Jorge@FirstCoverage.com, 617-303-0067 (office) or 413-531-0959 (mobile).

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