

FIRST COVERAGE WEEKLY SENTIMENT (April 26, 2010)

First Coverage Market Sentiment: Bearish	First Coverage Index: 57.1	Weekly Change: +1.8%	Sell-Side Certainty: Positive
Bullish Industries (8)	Neutral Industries (2)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			Bullish
Consumer Goods			Bullish
Consumer Services			
	Financials		Bearish
Health Care			Bullish
Industrials			
Oil & Gas			
Technology			Bullish
	Telecommunication		Bearish
Utilities			Bullish

Scandal and Regulation Dominate the News, but Earnings Still Count

Sell-Side Sentiment Rises but Still in Bearish Territory

Sentiment rose 1.8% last week, more than offsetting two weeks of modest declines. Nevertheless, sell-side sentiment remains bearish on the market by First Coverage analysis. At the same time, sentiment is bullish on eight of ten industries. The top four are closely bunched. Healthcare and Technology remain at the top, closely followed by Industrials and Consumer Services. Consumer Services remains high on the list despite sentiment falling for the group for six weeks in a row. Last week, sell-side sentiment for Consumer Goods, Basic Materials, and Healthcare all had major increases of 7% or more.

The Barron's quarterly survey of buy-side expectations was released last Friday. It showed 49% of investment professionals were bullish and only 15% bearish. The survey also showed that among these institutional investors, 20% thought the best performing industry would be Healthcare, followed by 19%

for Technology and 14% for Financials. On the other side, 21% thought Utilities would be the worst performing industry, followed by 19% (sic) for Financials, and 13% for Consumer Cyclical. Industry categories are a bit different from the Dow Jones Industry Groups used by First Coverage.

Price moves of just over 3% were achieved by the Industrials, Financials, and Consumer Services last week. The only industry to decline was Healthcare, registering a modest decline of just under 1%.

Markets Withstood the Media Onslaught on Regulation and Investigations of Wall Street

Although the market entered last week on the heels of the SEC charges against Goldman, it seemed not to have been concerned over what the media considered a bombshell. All the major indexes rose 1.7%, with the DJIA registering its eighth consecutive week of gains. In addition to all the negative stories on financial regulation and prospect of more charges brought against financial firms, the market weathered Greece asking the IMF for help. The economic and the earnings reports continued to just be too good. Never mind that the big surprises in existing and new home sales were probably anomalies resulting from the upcoming expiration this Friday of tax breaks for home purchases. Even the Building Supplies sector was a big price performer last Friday.

Can the Market Withstand More of the Same This Week?

The media barrage on financial regulation and possible investigations will continue this week. The testimony from Goldman execs before Congress on Tuesday should add fuel to the fire. The problem for the market at this point isn't whether the SEC makes the charges on Goldman stick, but the impact that the probing of Goldman and others will have on making financial regulation tougher. A key procedural vote is expected Monday night in the Senate, which may shed some light on how many Republicans may be ready to go along with most of what the Democrats and the White House want. And it's no longer the Dodd Bill or the Financial Regulation Bill. It's now the "Wall Street Bill." Congress and the White House are now on the populist train that has already left the station.

It is also another big week for earnings as well as for a few important economic announcements. Last week was the first big week for Q1 earnings reports, but this week will be the biggest week of the three big reporting weeks, with about one-third of the S&P 500 companies reporting. With one-third already reported, the combination of actual results and expectations has risen to 50% growth in earnings over last year. If one removes the Financials industry, which was comparing to losses a year ago, the gain is still a healthy 32%. Revenues are up 11%, which sounds good, but rising oil prices help. Leaving out Oil & Gas revenues, the gain is only 8%, which is not great for a recovery from a serious recession but still good. The earnings reports this week should provide more upward stimulus to the market.

Economic reports of note this week include the first look at Q1 GDP, consumer confidence data from the Conference Board and the University of Michigan, and the Case-Schiller housing price data. Surprises either way are possible in some of these. Also on tap for this week is a Fed meeting. No changes in interest rates are expected, nor is the word "extended" likely to be removed, thereby indicating that the Fed is not likely to raise rates anytime soon.

Financials Remains the Cellar Dweller in Sell-Side Sentiment

Despite the fallout last week from the Goldman bomb, the Financials industry was one of the best performers last week. Either investors think the SEC action doesn't mean much or they believe Q1 earnings reports from the Financials offset the increased regulation risk from the SEC charges. While Financials prices were rising 3% last week, sell-side sentiment for the industry took another big hit, falling almost 4% last week. Five months ago, the Financials were the highest rated industry, but the steady downward trend in sentiment since then has left Financials squarely in the basement for the fourth week in a row. Prices for the industry have risen 20% since the beginning of February, but even with the rise last week, the price chart shows that prices might be poised for a rollover. At least, that's what sell-side sentiment may be saying. According to Barron's quarterly survey of professional investors, Financials has the most polarized distribution of buy-side sentiment. While 14% expect it to be the best performing industry over the next 6-12 months, 19% expect it to be the worst.

Sentiment Looks to be Turning Up for Consumer Goods and Basic Materials

Surprise, surprise! There hasn't been good news for quite a while from the sell-side in their sentiment for Consumer Goods. But two weeks ago, there was the first hint of an upturn, when sentiment rose 3%. That was followed by a 10% gain last week. It seems to be shaping up as a solid upside breakout, after declining the prior four months. The rating for Consumer Goods is only the eighth highest rated industry, leaving plenty of upside potential for future sell-side sentiment upgrades.

Both Basic Materials and Healthcare also had big jumps in sentiment last week, with both up 7%. It is still not clear that Healthcare is ready to break out of the flattish, but very volatile, sentiment channel it has been in for ten months. On the other hand, the also volatile Basic Materials industry appears to be in a gradual upturn the past month from the low hit in the sharp fall off in sentiment early in February.

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
GILD	Gilead Sciences	Health Care	NASDAQ
DNDN	Dendreon	Health Care	NASDAQ
TRV	Travelers Companies	Financials	NYSE
HGSI	Human Genome Sciences	Health Care	NASDAQ
PCX	Patriot Coal	Basic Materials	NYSE

Bearish:

Symbol	Company	Industry	Exchange
CIEN	Ciena	Technology	NASDAQ
JPM	JP Morgan Chase	Financials	NYSE
DGC	Detour Gold	Basic Materials	TSX
ANF	Abercrombie	Consumer Services	NYSE
ZION	Zions Bancorp	Financials	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.

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