

FIRST COVERAGE WEEKLY SENTIMENT (May 3, 2010)

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

Sell-side Sentiment Stagnates as Market Breaks Upward Trend

Sell-side Sentiment Mostly Unchanged Last Week

The First Coverage model still shows the indicator pointing toward bearish. Overall sell-side sentiment barely moved last week, with the index rising a statistically insignificant 0.2%.

The big exception was sentiment for the Oil & Gas industry which rose a spectacular 9%, but that was obviously on the heels of oil prices rising as the result of the big oil spill in the Gulf. Estimates of the size of the spill seem to get worse by the day, so the sell-side upgrades appear to be timely. The 9% surge in Oil & Gas put it close to the top-rated among the ten industries. Healthcare is at the top, with Oil & Gas, Technology, and Industrials bunched not far behind in a virtual tie for second. Consumer Services, which

had been at or near the top for many weeks, continues to slide down the list, falling an additional 2% last week.

Industry prices were a different story last week. The big price loser was the Financials industry. It, along with Technology, Basic Materials, and Oil & Gas, were all down more than 3%. Only Telecommunications and Utilities managed to keep their price losses under 1%.

Market Takes a Breather

Last week ended with the big banks leading the market down on Friday. The main culprit was a WSJ report that the Justice Department was investigating Goldman for criminal conduct. The market probably overreacted. The market was down for the week, breaking an eight week up streak. However, the DJIA was up for the third straight month, and for the tenth month of the last 12. This could be the start of the long talked about correction, but it's unclear at this stage. Individual investors have shown signs of returning to the market the last few months. They appear to have grown tired of watching the near zero return on their money market funds. However, it's probably too early to use that as an indicator that the market may be topping out.

Sell-side Sentiment for Financials Industry Seems to Have Been Prescient

Sentiment for the Financials industry has been on a downward trend since last November, when it was the highest rated industry. For the last five weeks, it has been firmly ensconced in the sentiment basement.

Last week's appearance of Goldman before Congress may have seemed like good entertainment, but this sort of thing, as it keeps reappearing, will increasingly have a negative impact on the markets. Even though the inquisition of Goldman showed that the SEC probably has a weak case, the reputational damage to Goldman was huge. Lord (sic) Blankfein no longer was making haughty remarks like an earlier statement that they were doing God's work. An even more subdued Blankfein appeared on Charlie Rose Friday night, but one who still felt the issue was more one of better PR rather than ethics. According to him, the only error was that Goldman should have provided more transparency and explained why Goldman does what it does. He couldn't bring himself to say there was any ethics problem at Goldman.

But as always, the end result of all of these investigations and inquisitions is publicity that provides fuel for tougher regulation and thereby provides a drag on the market. It is particularly effective coming at a time, when, as we said before, there is a strong populist undercurrent on Main Street, and which the politicians will cater to with elections only six months away. There appears to be no let up in sight. Floor debate on Dodd's FinReg bill starts next week with a myriad of amendments to be debated. Not all of these will be sane. If that weren't enough for one week, the Financial Crisis Inquiry Commission piles on with another of their inquisitions, this time Jim Cayne of Bear Sterns and Henry Paulsen. The Senate debate is likely to keep providing headlines through much of May with reconciliation to the House bill to follow. The FCIC will provide revelations for an even longer period.

Another Big Week for Earnings Reports, but Will the Market Care?

This is the third and last big week for Q1 earnings reports, with almost 20% of the S&P 500 scheduled to report this week. Two-thirds of the S&P 500 has reported. Most all of the industries and sectors have now been heard from in a meaningful way, so the die is pretty well cast as to what the final results will be. That die looks great. According to First Call, based on the results for those who have reported and current estimates for the rest, earnings for the S&P 500 are up 53%, and likely will rise further as most of the remaining companies to report beat expectations. However, that gain is meaningless because it compares to the very depressed numbers of Q1'09. That is especially true in Financials, Basic Materials, and Consumer Cyclical industries, all of which are up at least 100%. What is impressive is how much earnings are coming in above expectations. At the start of the Q1 earnings reporting season, Q1 earnings were expected to be up "only" 37%.

One of the bellwether companies reporting this week is Pulte, which made this week's list of stocks with the most bearish sentiment shifts vs. prior week. Their comments about the housing industry could have market impact. Bellwethers last week were Whirlpool, a stock also on this week's most bearish sentiment shifts, for consumer spending on home appliances and Caterpillar for business spending, although overseas sales was the main reason at Cat.

Big Economic News Next Week that the Market Should Care About

The real key to the sustainability of this economic recovery and the ongoing market recovery is jobs. The market will be fixated on the April employment data released Friday morning. Ex-Census jobs, only mediocre gains are expected. But almost as important next week are personal consumption and personal income for March on Monday. How much are consumers making and how much are they spending? Bigger increases are expected for March than were reported for February. The same day, manufacturing purchasing agents views are reflected in the ISM index report. Also on Friday, watch the report on consumer credit for March. Another decline is expected. All in all, it's an important week for economic news, important enough not to be overshadowed by earnings reports or FinReg headlines.

Last week, the GDP growth reported pleased the markets, especially the 3.4% growth in consumer spending. Unfortunately, most of the growth in consumer spending came from consumers drawing down savings. On the negative side, the University of Michigan consumer sentiment fell, influence by the frustration consumers feel that the economy is growing so slowly.

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
EXPE	Expedia	Consumer Services	NASDAQ
ABX	Barrick Gold	Basic Materials	NYSE
MHS	Medco Health Solutions	Health Care	NYSE
DLTR	Dollar Tree	Consumer Services	NASDAQ
LVS	Las Vegas Sands	Consumer Services	NYSE

Bearish:

Symbol	Company	Industry	Exchange
DNDN	Dendreon	Health Care	NASDAQ
EHTH	eHealth	Financials	NASDAQ
WHR	Whirlpool	Consumer Goods	NYSE
PHM	Pulte Homes	Consumer Goods	NYSE
MS	Morgan Stanley	Financials	NYSE

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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