

FIRST COVERAGE WEEKLY SENTIMENT (May 10, 2010)

First Coverage Market Sentiment: Bullish	First Coverage Index: 58.9	Weekly Change: +2.9%	Sell-Side Certainty: Negative
Bullish Industries (8)	Neutral Industries (2)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			Bullish
Consumer Goods			
Consumer Services			
	Financials		Bullish
Health Care			Bullish
Industrials			Bullish
Oil & Gas			Bullish, x2
Technology			Bullish
	Telecommunication		Bullish
Utilities			Bearish

Market Has a Wild Week But Sell Side Sentiment Turns Bullish

A Week of Market Surprises

What a week! Legitimate pressure on the market from Greece and the sovereign debt contagion problem obscured other things that would normally have impacted the market. Everyone went into the week thinking the Friday employment numbers would determine the performance of the market for the week, but improvements in employment could only muster a brief upturn in the market at the opening. Most of the Q1 earnings reporting season is now over. The results were very good, but all that was forgotten last week. Even more good economic news, including those fairly good employment reports, had only brief impacts. Suddenly, the glass was half empty after months of it being viewed as half full.

Of course the huge dip in the market on Thursday wasn't for real. But something surely went wrong in the system. To date it is unclear what triggered the action, but whether it was an accidental error or someone gaming the system doesn't matter. It is clear the complex computer models that put the circuit breakers into action didn't work. Hmm. Complex computer models that didn't take into account all the possibilities that might occur. Why do we keep finding that at the root of the problems of recent years?

Last Week Produces Major Rises in Overall Market and Industry Sell-Side Sentiment

For the past seven weeks, overall sentiment has been bearish, although it had risen modestly over the two weeks prior to last week. Sell-side contributors were on the right track. They may have been weeks early from calling it exactly, but the DJIA closed Friday about 400 points below when First Coverage's Market Sentiment turned bearish. If the market correction lasts a little longer than it will have been a great sell call rather than just a good one.

Last week as prices fell, sell-side sentiment began shifting somewhat more positive, rising a little each day for a total increase of 1.4%. But on Friday, the sell-side really became more bullish and the index increased another 1.4 percentage points.

One week of data does not make a trend, but at least the sentiment reversal last week may be saying that this correction may not have much further to run.

Not only did overall sell side sentiment turn positive last week, but sell-side sentiment jumped by at least 6% in five of the ten industries, leading the parade, at 11% was Industrials, followed by Oil & Gas and Telecomm at 8%, Financials at 7%, and Basic Materials at 6%. Health Care and Technology were up 4% and Consumer Services rose 3%. Quite a week! Sentiment fell in only two industries. The Consumer Goods industry was down a meager 1%, while Utilities fell 9%.

Again one week of data does not make a trend, but at least the sentiment changes last week may provide an idea where sentiment will gravitate when the market correction reverses.

Four Highest Rated Industries Get Further Boosts in Sell-Side Sentiment

The four highest rated industries at the beginning of last week were among those receiving substantive increases in sentiment. The aforementioned 11% rise in Industrials pushed the industry rated fourth highest at the beginning of the week to the top of the list. Oil & Gas, up 8% for the week, and Healthcare, up 4%, stand just behind the Industrials on the list. Sentiment for Oil & Gas has now risen 15% over the last two weeks and for Health Care has risen 15% over the last three weeks, possibly signaling an upward breakout for both. Tech managed to stay in the top four with a 4% gain. All four top rated industries have been in upward patterns for the last two months.

Sentiment for Financials Shows Some Real Life

Sell-side sentiment did rise 7% last week for the Financials industry. Even so it remains the lowest rated industry of the ten. During last week, sentiment for the Financials seesawed but ultimately closed up

7%. That was enough to create the best breakout so far from the downward channel of the last six months. However, even with the 7% gain, the Financials industry remains the lowest rated industry, but at least the rating is not in bearish territory. A meaningful rise in sell-side sentiment next week would provide a strong confirmation of a beginning uptrend. Next week could be a pivotal week for sentiment for Financials.

Don't Overlook Telecomm

Although it was only the ninth highest rated industry at the beginning of last week, its sell-side sentiment has been climbing dramatically for the past four months. With the help of an 8% increase last week it is now the seventh highest rated.

Tough Week Ahead

Obviously, the situation in Europe will be front and center this week for the market. The European Central Bank is on the hot seat. They, and others, need to do more to calm the fears of contagion, no matter how valid those fears may actually be. The risk is, as usual these days, that nobody really knows how interconnected all the components of the financial system are.

If the market takes time to pay attention to fundamentals in the United States, Friday is the critical day. Reports on retail sales, consumer sentiment, industrial production, and capacity utilization are on tap that morning. The headline numbers for retail sales, as was seen in last week's releases of retailer same store sales, will likely only show a modest increase, but part of the reason is the early Easter that helped March sales. The best way to look at the retail sales data will be to combine April with March.

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
MON	Monsanto Ord Shs	Consumer Goods	NYSE
CME	CME Group Ord Shs Class A	Financials	NASDAQ
KGC	Kinross Gold Ord Shs	Basic Materials	NYSE
BP	BP ADR Each Representing Six Ord Shs	Oil & Gas	NYSE
TPX	Tempur Pedic Ord Shs	Consumer Goods	NYSE

Bearish:

Symbol	Company	Industry	Exchange
STP	Suntech Power Holdings ADR Reptg One Ord Shs	Oil & Gas	NYSE
GO	Galleon Energy Ord Shs Class A	Oil & Gas	TSX
AMZN	Amazon Com Ord Shs	Consumer Services	NASDAQ
QCOM	Qualcomm Ord Shs	Technology	NASDAQ
AFL	AFLAC Ord Shs	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](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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