

FIRST COVERAGE WEEKLY SENTIMENT (June 1, 2010)

First Coverage Market Sentiment: Bullish	First Coverage Index: 60.0	Weekly Change: 0.0%	Sell-Side Certainty: Negative
Bullish Industries (10)	Neutral Industries (0)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			Bullish
Consumer Goods			
Consumer Services			
Financials			Bullish, x3
Health Care			
Industrials			
Oil & Gas			Bearish
Technology			
Telecommunication			
Utilities			Bullish

Markets and Sell-Side Sentiment Quiet Down Somewhat

Sell in May and Go Away

If only investors had followed that old adage! The DJIA was only down 1.2% last week but was down 8% for the month, the worst monthly percentage drop for May since 1940. The S&P 500 and NASDAQ were both down more than 8% for the month of May. It remains to be seen if the correction continues or the bull market resumes. Although the uncertainties are greater than usual, investors are looking for any excuse to get back to viewing the glass as half full.

The milestones in the news a month or so ago are being reversed. Last week, it was the DJIA briefly dropping below 10,000. It came back later in the week to close at 10,137. The week before the S&P 500 broke below 1,100. It remained below the 1,100 milestone last week, eking out a two point gain. Even bonds are doing it. The 10-year Treasuries, which briefly went above the 4.0% yield mark in April, last week flirted with 3%. The yield on Wednesday closed at 3.19%, although by Friday it was back to 3.30%.

Sell-Side Sentiment Treaded Water Last Week

It may have been another week of market turmoil, but sell-side sentiment calmed down from the big changes of the prior week. In the prior week, the overall sentiment index rose 2.9% and five of the ten industry groups rose by more than 5%. Last week, the overall sentiment index was unchanged, but still in positive territory. Only one group, the seldom written about Utility industry, rose more than 4% last week.

The Triumvirate of Highest Rated Industries Remains the Same

For the past four weeks, the three highest rated industries by a good margin have been Industrials, Oil & Gas, and Health Care. The order within the group has changed during that period. Two weeks ago Oil & Gas skyrocketed from third to first within the triumvirate. Last week a 3% slide in sentiment for Oil & gas, coupled with a 2% sentiment gain in Health Care, pulled the three into a very tight race for the leadership position. Industrials and Health Care are at their highest level since the start of the First Coverage data base in March 2007. The current Oil & Gas peak is about the same as its December 2009 peak, although, still below levels in early 2008.

Sentiment for Financial Industry Registers Another Solid Week of Gains

Sell-side sentiment for Financials rose almost 4% last week. It was the fifth week in a row of rising sentiment for the industry. It still lags well behind the most favored industries, but May was a month during which Financials recovered about twenty percentage points of the 30% drop experienced in the prior five months. The high achieved in November 2009 before the recent decline started was the highest level the Financials had achieved First Coverage began tracking data.

Housing Double Dip Looks More Likely

In our week ago summary, we said the housing reports last week wouldn't mean much because they would benefit from a spike upward as buyers tried to benefit from the tax breaks before their April 30th expiration. That was true with both existing and new home sales for April. But that was not the case for some other housing data reported for the pre-expiration period. April existing home inventories lengthened and building permits declined from March. Worse yet was that the first post-expiration data available has been negative. Weekly purchase mortgage applications have fallen in each of the first three weeks of May. All of this was going on while mortgage rates fell to near record lows. For some time, a double dip in housing has looked like a good bet on the basis that foreclosures would rise again as another sequence of Alt-A et al mortgages flipped up to higher rates. Recent data may be indicating

that if one ignores the fact that the tax-credit expiration fueled gains in housing sales and construction starts, housing in reality may again be slowing.

Market Will Be Riveted on Employment Reports This Week

There is no question that the market will scrub every bit of data in Friday's employment report for hopes that employment growth is showing signs of improving. Will the employment numbers be enough to overcome renewed fears of a double-dip recession? Probably! The market is looking for about 500,000, but as long as the April employment gains are similar to or better than the 290,000 of March, the market may be happy. Also, don't forget the weekly unemployment claims report on Thursday. The dilemma is that unemployment has to drop to generate better gains in home sales, but homebuilding is normally a key source of employment gains in an economic recovery. There may be a temporary burst of home building as the contracts that had to be signed by April 30th to get the tax break begin to get built but will it be enough to break out of the current chicken-and-egg situation.

Probably the next most important economic data will be the April construction report on Tuesday. Other economic news this week should provide some insights on manufacturing. The May ISM numbers are due Tuesday, followed by April factory orders on Thursday.

Separate speeches by two different Fed Presidents on Thursday deserve full attention. We do expect the Fed to continue to be more concerned over deflation than inflation.

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
VMW	VMware Ord Shs Class A	Technology	NYSE
GILD	Gilead Sciences Ord Shs	Health Care	NASDAQ
MS	Morgan Stanley Ord Shs	Financials	NYSE
MMR	McMoRan Expl Ord Shs	Oil & Gas	NYSE
AGU	Agrium Ord Shs	Basic Materials	NYSE

Bearish:

Symbol	Company	Industry	Exchange
LVS	Las Vegas Sands Ord Shs	Consumer Services	NYSE
MELA	Electro Optical Ord Shs	Health Care	NASDAQ
ATPG	ATP Oil & Gas Ord Shs	Oil & Gas	NASDAQ
TIF	Tiffany & Company Ord Shs	Consumer Services	NYSE
DO	Diamond Offshore Ord Shs	Oil & Gas	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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