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The average score in small cap is 49.22, up from 45.15 last week and 41.72 on the 5th. The average small cap is -20.96% below its 2009 high of 61.22, which was higher than the 6.76 days during the first week of the November rally.

A quick summary of current universe scores and key statistics across the market cap serves as an introductory summary

Stock scores are aggregated by sector and ranked descending by average score. Scores are color-coded for quick reference. Green indicates the sector score is above the universe average, yellow is near and red indicates the score is below.

SMALL CAP					
	# Stocks	Average score	Median score	% 75 and above	% 25 and below
Basics	55	61.2	65	29.09%	0.00%
Services	129	51.4	50	13.18%	7.75%
Consumers	58	50.5	50	10.34%	6.90%
Utilities	5	49.0	45	20.00%	0.00%
Healthcare	87	47.2	45	5.75%	11.49%
Industrials	52	46.9	45	7.69%	7.69%
Tech	138	46.4	45	9.42%	17.30%
Financials	61	43.9	40	3.28%	11.48%

The Russell 2k is 21.2% off its intraday low from the 9th. We remain slightly below the 50dma. The last time the R2K traded above the 50dma consistently was the first week of 2009. The S&P 500 tested yet another area of major resistance near 795-800 yesterday.

Scores are also broken out by % strong and weak. The % above and below provides insight into how broad based accumulation/distribution is across the basket.

SMALL CAP SCORE-BY	
INDUSTRY	AVG. SCORE
BEST	
AGRICULTURAL CHEMICALS	85.00
OIL & GAS REFINING & MARKETING	72.50
ALUMINUM	70.00
RESTAURANTS	69.38
GOLD	67.50
CATV SYSTEMS	65.00
BEVERAGES-BREWERS	61.67
PROPERTY & CASUALTY INSURANCE	61.67
METAL FABRICATION	61.67
TECHINICAL SYSTEM & SOFTWARE	60.83
WORST	
RUBBER & PLASTICS	35.00
INDUSTRIAL EQUIPMENT & COMPONENTS	35.00
BROADCASTING	35.00
REGIONAL AIRLINES	35.00
MARKETING SERVICES	30.00

Basics are the highest scoring industry in the basket, offering positive seasonality in the small cap basics universe. While 0% score below 25, the Fed remains friendly to the basket as global stimulus supports demand. Copper is climbing the wall after a long wait. The highest and lowest scoring industries are presented to quickly identify the specific areas likely to generate alpha across various sectors.

Energy service returns have been solid this year as major producers seek to replace prior year production and legacy contracts remain intact –supporting earnings – particularly in deep water and horizontal drilling. While North American rig count has fallen 41.5% YoY, offshore rig count has fallen far less, down -21.6%. Horizontal rigs have fallen by only 10% versus a 51% drop in horizontal rigs. The

SMALL CAP		3/19/2009
Symbol	Sector	Quant Rating
BEST		
BKE	Services	105
JOSB	Services	105
STAR	Technology	105
TIVO	Services	105
WIRE	Basic Materials	105
GSS	Basic Materials	100
NCIT	Technology	100
NETL	Technology	100
PZZA	Services	100
SXCI	Technology	100
BWLD	Services	95
TNH	Basic Materials	95
ACIW	Technology	90
ALDA	Consumer Goods	90
MNRO	Services	90
PFCB	Services	90
LL	Services	85
PCLN	Technology	85
CRI	Consumer Goods	85
CWT	UTILITIES	85
GOLD	Basic Materials	85
MIG	financials	85
NFLX	Services	85
OTEX	Technology	85
SILC	Technology	85
SPAR	Consumer Goods	85
WORST		
CATT	Technology	10
QADI	Technology	10
DCGN		
MNDO		
NANO		
NOBH		
NVGN		

last time overall rigs were this low was early 2004. Gold remains under accumulation while silver has recaptured its 200dma as inflation risk is re-ignited by Fed debt purchases. Crude (USO) is above its 50dma for the first time since July. The Dollar has fallen ~7.5% from its May 5th highs – its steepest drop since mid December.

Services overtook basics for the top sector spot in mid cap and has the second highest average score in small cap. The basket entered the most recent bottom as the most heavily shorted sector. Investors are differentiating winners and losers. Store closures reduce competition and allow for inexpensive market share growth. Deep cost cuts and inventory controls instituted in the past 2 years will allow for margin leverage post recession. Restaurants have moved sharply since we highlighted them last week and should be bought on down days. Apparel stores, many of which fell to mid single digits, are exerting leadership – with the IndexMetrix Specialty Apparel index up 5% in 09. Education stocks continue to offers upside. Dollar stores are benefiting from consumer downsizing and larger consumables inventories. Auto repair/supply stores are benefiting from dealer closures and rising DIY demand.

Small resilient scores equip facilities strength. The highest scoring healthcare industries are drug related products (avg. score = 60), home healthcare (51.5).

Some stock-by-stock. Significant opportunity makers is evidenced in the basket. Seasonal turns to tech in Q2 – providing some support for ch this dynamic as we move into Q2. Stay SXCI, NCIT, NETL, ACIW, OTEX, TSYS,

Commentary is provided daily including economic, sector and stock specific news likely to impact high and low scoring sectors and stocks. Commentary focus is high impact, action-oriented in nature.

Our scoring system provides PM's with early identification of fundamentally and technically strong stocks. Our seasonality overlay helps PM's determine timing of entry and exits. High scoring and low scoring stocks are presented in the daily report.

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Financials have rallied sharply off the March lows. The XLF and IYF are into 50dma resistance and are trading back to levels where January buyers may exit. Credit card and CMBS exposed plays remain most at-risk of dilution. DFS “profit” was driven by \$0.61 from its legal settlement with V and MA. Operating profit was -0.36. DFS also cut its dividend to 0.02 from 0.06 as its charge-off rate rose to 6.48% from 5.48%.