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What You Need to Know this Week:

March 15, 2009

SECTOR	RATIO
Basics	1.21
Services	1.04
Healthcare	1.03
Consumers	1.03
Industrials	0.98
Utilities	0.92
Financials	0.91
Tech	0.89

Basics and services score highest while financials and tech score lowest. Services have steadily improved since mid-February and remain a market leader (days-to-cover). The market has moved from losers. As we've noted for weeks, there are signs on the S&P there may be a period of excess return above critical period of excess return accumulation opportunity for active investors. period to embrace our mirroring broad market indexes.

Weekly, all scores across our large, mid and small cap universes are aggregated by sector. The sector rank provides early insight into baskets likely to generate the greatest over/underperformance in the benchmark. For example, a reading of 1.20 reflects an average score 1.2x the average score of the entire 1800 stock universe.

The USO has moved up 26% since February 18th. Since Feb 23rd, the DBB (Copper, Zinc, Aluminum) is up 11.05% while the SPX is up 1.93%. The top performing baskets year-to-date are dominated by basics – in line with historical seasonal strength and our sector ranking. Fertilizer stocks have outperformed this quarter ahead of North American crop intentions and in spite of retail backlogs driven by up to 50% fewer Fall fertilizers. We expect more volatility this season as corn and soybeans moved off its low stimulus inspired upside potential. The Baltic Dry Index has moved off Q4 lows thanks to strength in Panamex pricing tied to South American grain harvests. Unleaded is trending up in line with seasonality as summer grade switchover is underway ahead of summer driving season. Own West Coast refiners as their margins are strongest.

We continually monitor the largest, most-actively traded ETF's to help clients add conviction to buy or sell sector/industry recommendations.

ETF	Year-to-Date
UUP	6.16%
GLD	5.52%
SMH	4.32%
DBB	2.10%
TIP	-0.85%
MUB	-0.95%
SPY	-15.68%
IWM	-20.04%
IYJ	-23.85%
UNG	-30.30%
IYT	-31.42%
XLF	-34.58%
RKH	-39.38%

Services are moving up the ranking and remain heavily shorted. Cost cuts, lean inventory, less competition, cheaper lease rates and ample labor supply allow for margin leverage post recession. Particularly strong are restaurants. The average mid cap restaurant stock has 8.6 days to cover short – 50% higher than the average mid cap stock in our universe. Large cap department store scores are also moving higher. Auto repair/supply stores continue to screen bullish. Education stocks have become more mixed yet remain strong as do “dollar” stores. The IndexMetrix Specialty Apparel index is 12% ahead of the S&P 500 this year and 5% ahead of the broader retail ETF (RTH). This month the index is up 4.17% versus 2.57% for the SPX and 2.08% for RTH. Buy services stocks on down days.

Large cap healthcare scores higher than mid and small cap healthcare. Healthcare seasonality has ended. (Healthcare is more broadly this Fall). Rotate market weight. Consolidation has helped prop up large cap healthcare offers. Upside SPX returns (healthcare offers seasonal ebb and flow).

Every Monday, we look at each sector in our ranking and comment on the catalysts likely to influence the basket in the coming days, weeks, months or year. The commentary saves action-oriented PM’s time by providing timely insights into market, sector and industry direction.

Financials have made significant year-to-date. Until scores improve, the basket at resistance. The market and losers – bullish long term. However, dilution risk remains – specifically for those with low TCE ratios (notably: BAC, WFC, PNC, STT). Net revolving debt charge offs will move higher this year. Credit card profits are capped by 2010 legislation. Avoid credit card related plays as usage from credit worthy customer’s shrink. Commercial risk remains to related securitized pools. Critical to long term survival. Net interest current profits.

We regularly break out parts of our model to help add color to current market action. The following example provides insight into short ratios by sector – including their trend. These visuals help clients identify market inflection points.

Tech scores remain noting improving and instead own the by-stock we are and broad basket ETF’s (SIGM, TNDM, STAR, MTZ).

Days to Cover Short: By Sector in Large Cap

	3/10/2009	2/24/2009	1/1/2009	11/18/2008	YTD Change	From Nov. Low
Basic Materials	1.51	1.5	1.37	1.01	0.14	0.5
Conglomerates	2.4	2.59	2.06	1.39	0.34	1.01
Consumer Goods	2.81	2.55	2.44	2.05	0.37	0.76
Financial	2.41	2.35	3.06	2.2	-0.65	0.21
Healthcare	2.51	2.37	2.07	1.94	0.44	0.57
Industrial Goods	2.8	3	2.61	2.02	0.19	0.78
Services	3.32	3.42	3.32	2.83	0	0.49
Technology	2.23	2.17	2.17	1.65	0.06	0.58
Utilities	1.99	1.87	1.63	1.41	0.36	0.58
Average	2.44	2.42	2.30	1.83	0.14	0.61

Days to Cover Short: By Sector in Mid Cap

	3/11/2009	2/25/2009	1/9/2009	11/19/2008	YTD Change	From Nov. Low
Basic Materials	2.47	2.64	2.59	1.92	-0.12	0.55
Consumer Goods	5.83	6.06	5.81	5.29	0.02	0.54
Financial	6.22	5.9	5.39	6.66	0.83	-0.44
Healthcare	5.09	4.98	5.38	4.46	-0.29	0.63
Industrial Goods	5.25	5.91	4.73	4.33	0.52	0.92
Services	7.53	6.71	5.74	5.63	1.79	1.9
Technology	5.01	5.34	5.28	4.6	-0.27	0.41
Utilities	4.93	4.97	3.9	4.31	1.03	0.62
Average	5.29	5.31	4.85	4.65	0.44	0.64
Days to Cover Short: By Sector in Small Cap						
	3/12/2009	2/24/2009	1/1/2009	11/18/2008	YTD Change	From Nov. Low
Basic Materials	5.14	5.42	4.71	4.28	0.43	0.86
Consumer Goods	7.78	8.32	7.22	7.02	0.56	0.76
Financial	6.83	7.05	5.8	9.49	1.03	-2.66
Healthcare	8.73	9.19	7.77	7.83	0.96	0.9
Industrial Goods	8.99	9.47	7.4	7.05	1.59	1.94
Services	11.29	10.21	8.64	8.96	2.65	2.33
Technology	5.32	6.22	5.45	5.77	-0.13	-0.45
Utilities	4.88	5.68	5.3	7.4	-0.42	-2.52
AVERAGE	7.37	7.7	6.54	7.23	0.83	0.15

**Focus Stock Pick:
Panera Bread Co.
NASDAQ: PNRA**

Current Score: **80**
Universe Score: 44
Current Sector Score: 50

Symbol	PNRA
Trade	51.56
Volume	606,178
Avg Vol (3m)	955,746
P/E	23.26
Market Cap	1.59B
PEG Ratio	1.1
P/B	3.13
Pct from Yr High	-15.72%
Pct from 200d MA	8.87%
Short Ratio	6.8
EPS Est (next yr)	2.99
EPS Est (current yr)	2.63
Pct from 50d MA	10.22%

The score box provides the current individual score for the Focus Pick. The industry and overall universe score are also provided for consideration.

Every week, we select a Focus Pick from our 1800 stock universe. Each pick is designed to beat the S&P 500 over the coming 6-12 months. For example, our Q4 picks, through March 15th, 2009, were more than 25% ahead of the benchmark. The data table includes key stock-specific data to help clients quickly identify stocks of most interest.

Debt free with double-digit growth offers upside as investors differentiate services. Q4 EPS of \$0.84 and 24% respectively. Q4 revenue rose 19% to \$41.7mn from 10.3%. Full year operating profit rose 26% to \$1.1bn with operating margins up 30bps to 8.7%. Q4 revenue rose 19% to \$358mn. Net bakery café sales rose 18% to \$303mn (85% of revenue). Full year net bakery café sales rose 23.6% to \$1.1bn. Comp sales growth across company owned and franchised (85% owned) sales rose 3.3%). Full year operating profit in. Margins in. Franchises rose 24% to \$1.1bn. Last year was up 21.6% last quarter that fresh dough are normalizing as wheat inflation falls. PNRA has \$750mn in cash. Last

year results were dragged by a 120bps negative impact from wheat and diesel inflation. Lower ad costs allow for better media penetration, driving additional spends in 09 including new TV spends. Weaker cost of goods allow for a faster

Focus Pick's are evaluated to determine the likely catalysts for future returns. A synopsis provides the client with a quick review of the rationale for owning the stock over the coming months.

Against the Grain Stock Pick:

illumina Inc. NASDAQ: ILMN

Current Score:	70
Universe Score:	44
Current Sector Score:	46

Symbol	ILMN
Trade	35.72
Volume	2,361,737
Avg Vol (3m)	2,279,170
P/E	40
Market Cap	4.32B
PEG Ratio	1.49
P/B	5.18
Pct from Yr High	-25.39%
Pct from 200d MA	16.84%
Short Ratio	9
EPS Est (next yr)	1.17
EPS Est (current yr)	0.9
Pct from 50d MA	11.24%

The recently passed stimulus package provides an additional \$10.4 bn to the NIH, including \$8.2bn for research grants to be spent by 2010. Last year, the NIH awarded \$21bn in grants. ILMN has generated 30 consecutive quarters of revenue growth. ILMN gets 80% of its revenue from research and development, which is a significant portion of its revenue. ILMN's revenue last quarter rose 43% YoY to \$160.9mn – up 7% over the prior quarter. High margin consumable revenue is rising thanks to a larger installed base of sequencers and arrays. Consumable growth was 76% higher to \$98.6mn thanks to demand for Infinium HD beadchips and sequencing kits. Genome sequencing kit sales rose 200% YOY thanks to the higher installed base. Gross margins rose to 66.7% from 65.5% YoY with ILMN guiding mid 60's margins for 09. Gross margin upside remains toward 70%. YoY operating profit growth rose 61% - above the 43% top line growth. Free cash flow of \$0.27 was significantly above the 0.02 last year. ILMN is guiding \$690-720mn for 09, up 20-26% from 08 and \$1.10-1.20 per share. ILMN is guiding Q1 to \$158-164, up 30-35% - and \$0.20-0.23. ILMN claims 70% market share in high multiplex genotyping market and 60% in next gen sequencing market. New content deployment is increasingly important to growth and will drive additional sales. Ag product sales growth has risen to \$50mn last year – and provides further upside. The

Weekly, our Against the Grain picks seek out those companies trading significantly off their 52 week highs. These stocks have high scores in our work, suggesting upcoming catalysts will reward shareholders

average iScan system generates 700k a year in consumable sales while the average 75% of genome analyzer placements came outside of major genomic centers. Sequencing offers substantial upside growth over the coming decade as greater investment is made in personalized medicine. ILMN is upping headcount by 400-500 new hires this year. ILMN is 25.4% off its 52 week high and has 16.1mn shares short (13% of float) down from 16.4mn shares prior month.

Technical Commentary:

The long bond remains above critical support. Watch the TLT closely for erosion. Watch the TLT closely for erosion. Watch the TLT closely for erosion. Watch the TLT closely for erosion. Watch the TLT closely for erosion.

Our technical corner provides a quick overview of key indexes and ETF's. Often, market targets are included in this section, as are key technical data points.

for upside and yield. Gold has retreated from its recent high. Gold has retreated from its recent high. Gold has retreated from its recent high. Gold has retreated from its recent high. Gold has retreated from its recent high.

Economic Data to Watch this Week:

March 16th	March 17th	March 19th
Capacity Utilization 71.1% Industrial Production -1.2%	Core PPI 0.1%	Initial Claims Leading Indicators -0.6%

Every Monday we highlight the key economic data to be released that week and the current estimates.

STOCK HIGHLIGHTS:

Symbol	Trade	Volume	Avg Vol (3m)	P/E	Market Cap	PEG Ratio	P/B	Pct from Yr High	Pct from 200d MA	Short Ratio	EPS Est (next yr)	EPS Est (current yr)	Pct from 50d MA
AZO	152.76	1,794,135	1,504,870	14.85	8.38B	1.11	N/A	-3.00%	20.61%	4.6	12.03	10.85	9.67%
Aging vehicles and weak economy drive DIY sales; faltering dealerships provide marginal upside from comm'l sales into Do-it-for-Me.													
CECO	20.8	2,184,907	2,347,830	31.14	1.87B	1.95	1.99	-21.60%	13.57%	5.7	1.52	0.95	-6.75%
California's unemployment is 10.1% while U.S. unemployment is 8.1%; marketing costs are falling; enrollment is rising.													
DLTR	39.58	3,127,256	2,655,260	15.66	3.59B	1.08	2.9	-18.88%	13.57%	2.9	1.22	1.22	1.71%
Expansion into consumables improves turns and increases traffic flow.													
MNRO	23.55	230,967	164,166	20.6	455.81M	1.22	2.19	-18.88%	13.57%	2.9	1.22	1.22	-2.35%
Fix it for me market benefits from consumer shift away from expensive dealerships.													
MVSN	15.13	1,036,229	1,473,610	N/A	1.53B	0.87	0.99	-18.88%	13.57%	2.9	1.22	1.22	7.99%
At-home entertainment provides low cost alternative, increasing demand for copyright material drives rights protection demand.													
MYL	11.97	9,438,990	8,069,300	N/A	3.65B	0.73	1.37	-17.16%	15.06%	10.7	1.46	1.02	2.39%

Former Focus and Against Grain picks as well as individual high-scoring stocks are highlighted in this section. For each stock highlighted, we provide key data points including future and current EPS, short interest, market cap, etc. We also provide a quick one line synopsis of the catalyst likely to move the stock higher.

Cost control drives increases in generic scripts, providing margin upside.

NFLX	38.18	1,247,092	1,824,110	28.9	2.24B	1.55	6.43	-6.65%	32.02%	7.4	1.84	1.58	7.62%
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At home entertainment driving DVD demand; price cuts boost Blu Ray use; streaming content improves margins.

ORLY	32.14	3,686,613	2,623,440	21.64	4.34B	1.16	1.92	-5.14%	15.92%	6.9	2.26	1.84	5.92%
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CSK integration provides margin upside and West Coast footprint.