

# MainStreet Advisors Financial Market Update

April 17, 2009  
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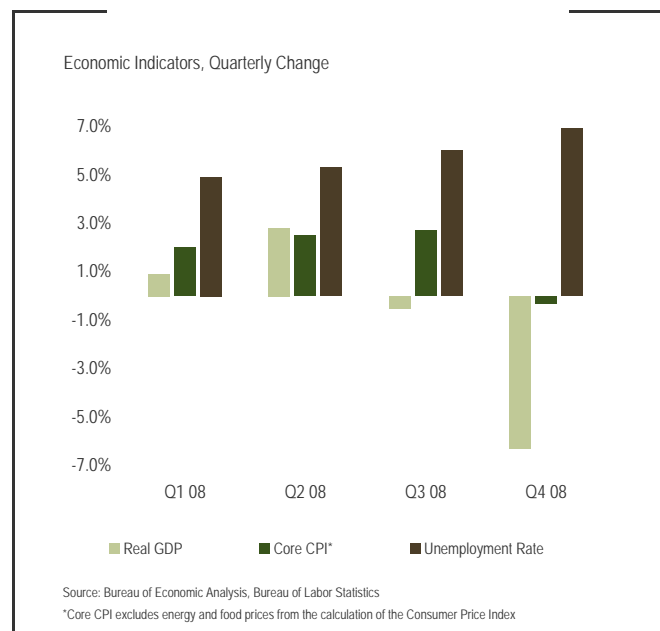
## Economic Update

U.S. consumer sentiment unexpectedly rebounded in April, as shown by the preliminary reading of the Reuters/University of Michigan Surveys of Consumers. The 61.9-point reading was the strongest since the Lehman Brothers fallout and ensuing global economic recession. Consumers have also become slightly more positive about current economic conditions yet the majority believes a recovery will be gradual. In addition, the surveys showed that consumers are more pessimistic about their personal financial situations. Such sentiment was reflected in the U.S. Department of Commerce's March retail sales report, which reflected a 1.1% decline as consumers continued to respond to mounting job losses. Softened consumer spending signaled that current economic challenges remain despite less negative economic data.

The Consumer Price Index (CPI) decreased 0.1% in March, according to the U.S. Department of Labor. However, the index declined 0.4% on an annual basis, marking the first 12-month decline since 1955. Continued declines in prices have furthered concerns of a deflationary environment. Indeed, the Federal Reserve's beige book released on Wednesday noted widespread downward pressure on prices, including wages and salaries. The Labor Department reported that the Producer Price Index (PPI) fell 1.2% in March, down 3.5% on an annual basis. Excluding foods and energy, producer prices remained flat from the previous month.

On Friday the Labor Department reported that unemployment climbed in most states during March. Both California and North Carolina posted the highest levels since formal data began in 1976, reaching 11.2% and 10.8%, respectively. Twelve states reported unemployment above the national average of 8.5%. Michigan experienced the highest rate of unemployment at 11.4% amid further weakening in the auto industry. Separately, the national report showed that initial claims of state unemployment benefits declined by 53,000 people to 610,000 in the week ending April 11th. This brought the four-week moving average down for the first time in 2009, according to the Wall Street Journal.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, Reuters.



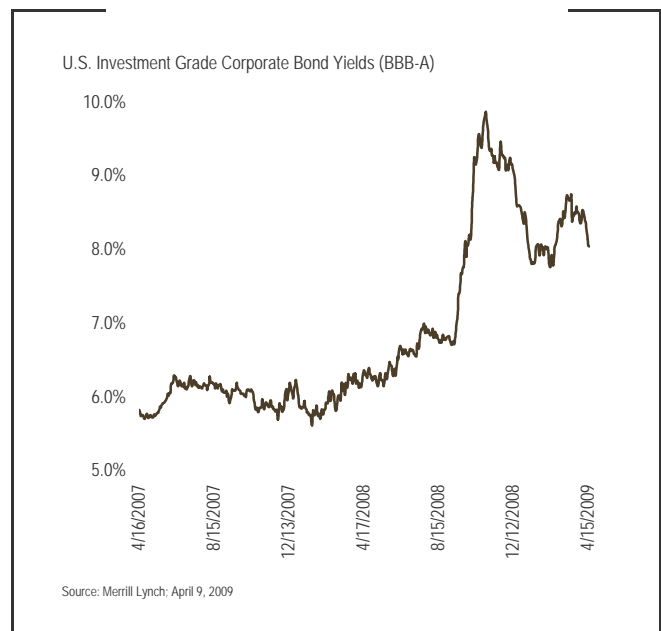
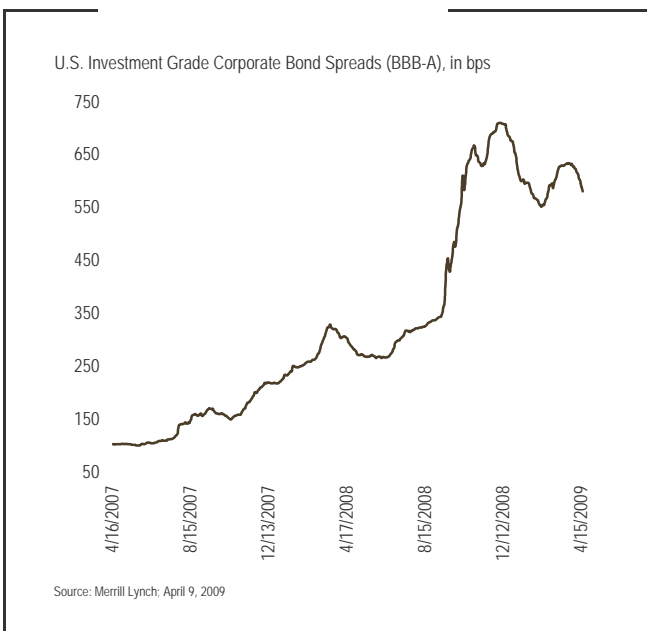
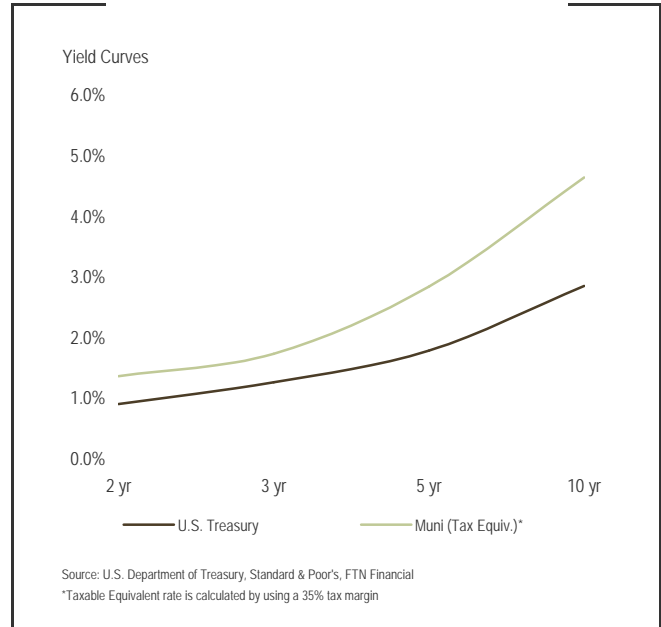
Apr. 14 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	80.0%
Apr. 14 <sup>th</sup>	Producer Price Index, March Monthly Chg.	-1.2%
Apr. 14 <sup>th</sup>	Retail Sales, March Monthly Chg.	-1.1%
Apr. 14 <sup>th</sup>	Business Inventories, Feb. Monthly Chg.	-1.3%
Apr. 15 <sup>th</sup>	MBA Purchase Applications	264.1
Apr. 15 <sup>th</sup>	Consumer Price Index, March Monthly Chg.	-0.1%
Apr. 15 <sup>th</sup>	Empire State Mfg Survey, April	-14.7
Apr. 15 <sup>th</sup>	Frgn Dmnd for LT US Securities, February	22.0B
Apr. 15 <sup>th</sup>	Industrial Production, March Monthly Chg.	-1.5%
Apr. 15 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	5.6M Barrels
Apr. 15 <sup>th</sup>	Housing Market Index, April	14.0
Apr. 16 <sup>th</sup>	Housing Starts, March	510,000
Apr. 16 <sup>th</sup>	Initial Jobless Claims ( Week ending 4/11)	610,000
Apr. 16 <sup>th</sup>	Philidelphia Fed Survey, April	-24.4
Apr. 16 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	21 bcf
Apr. 17 <sup>th</sup>	Consumer Sentiment Index, April	61.9

Bond Market Update

U.S. Treasuries finished the week mostly unchanged, after a small rally earlier in the week. A spell of selling on Friday following better than expected earnings, improvement in consumer sentiment, and some technical breaches pushed prices lower. Hedge-related selling from companies issuing new debt also pressured Treasuries. In what is known as “rate lock selling”, companies tend to sell government bonds to hedge against the risk of rising interest rates. Treasury yields may hold at current low levels because the “severe” recession may last through 2009, according to PIMCO, the world’s largest bond fund manager. The company expects 10-year notes to yield somewhere between 2% and 3% over the next year. Central bank purchases have been the major catalyst in moving rates lower this year as the Fed plans to buy \$300 billion of Treasuries in an effort to lower mortgage rates and revive business and consumer lending. Meanwhile, JP Morgan issued \$3 billion in new debt without the backing of the U.S. government, the first such issuance for the company since August of last year. The company is the third participant in the Federal Deposit Insurance Corporation’s (FDIC) debt guarantee program to test the credit markets without the government’s support. Goldman Sachs and GE Capital both issued unsecured debt earlier, a sign that investors are now more willing to purchase non-FDIC backed bonds from some of the stronger institutions.

Issue	4.10.09	4.17.09	Change
3 month T-Bill	0.18%	0.13%	-0.05%
2-Year Treasury	0.96%	0.91%	-0.05%
5-Year Treasury	1.90%	1.79%	-0.11%
10-Year Treasury	2.96%	2.86%	-0.10%
30-Year Treasury	3.76%	3.72%	-0.04%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

Stocks extended their rally for a sixth straight week as earnings season got into full swing. The Dow Jones Industrial Average added 0.59% or 47.95 points to finish the week at 8,131.33. The broader S&P 500 closed Friday at 869.60, up 13.04 points or 1.52% higher for the week.

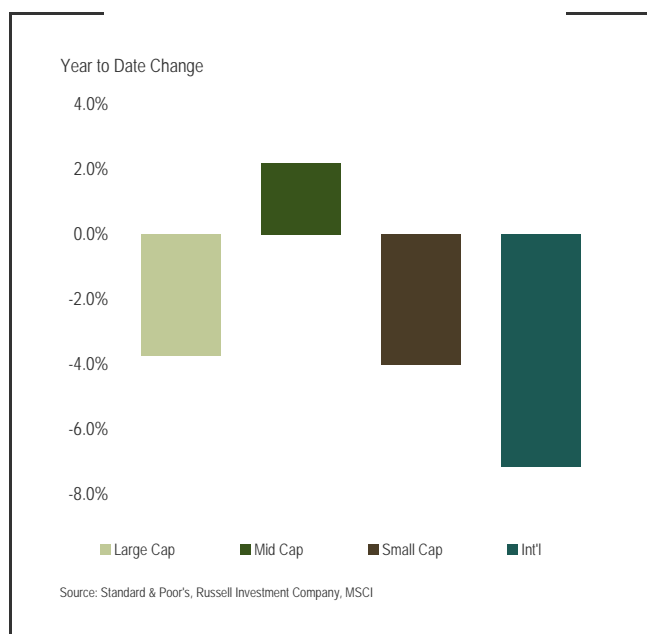
Better than expected earnings reports from J.P. Morgan (JPM) and Citigroup (C), helped buoy the markets this week. After the market closed on Monday, Goldman Sachs reported strong first-quarter earnings, according to the Wall Street Journal. Goldman announced on Tuesday morning that it raised \$5 billion of common stock in an effort to raise cash to help pay back the \$10 billion government loan received last fall. Investors focused on the dilutive effect of the additional common stock and sent Goldman shares lower by 12%. Later in the week, markets rallied on positive earnings news from J.P. Morgan and Citigroup. The banks reported earnings that beat analyst estimates due partly from reduced write-downs of toxic assets and more favorable accounting treatment of some of those assets.

Internet search giant Google, Inc (GOOG) and diversified manufacturer, General Electric (GE) both announced results at the close of the market on Thursday. Google's results exceeded analysts' expectations, but the company warned that consumers are still not spending, according to Reuters. Bloomberg reported that General Electric beat expectations as well, but GE's finance arm was the main contributor to the company's 36% year-over-year earnings decline.

Emerging markets paused this week, as measured by the iShares MSCI Emerging Markets ETF (EEM). The fund added just 0.57%, after a rally of over 40% off the lows made on March 2nd.

Issue	4.10.09	4.17.09	Change
Dow Jones	8,083.38	8,131.33	0.59%
S&P 500	856.56	869.60	1.52%
NASDAQ	1,652.54	1,673.07	1.24%
Russell 1000 Growth	377.78	382.66	1.29%
S&P MidCap 400	536.43	550.2	2.57%
Russell 2000	468.2	479.37	2.39%
MSCI EAFE	1,098.82	1,148.92	4.56%
MSCI EM	610.22	648.39	6.26%
MSCI Small Cap	93.54	99.33	6.20%

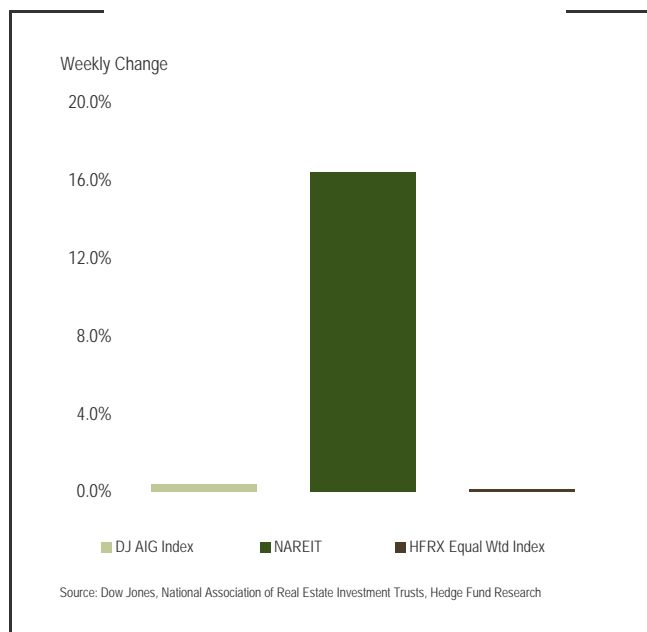
Prices reflect most recent data available at the time of publication  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

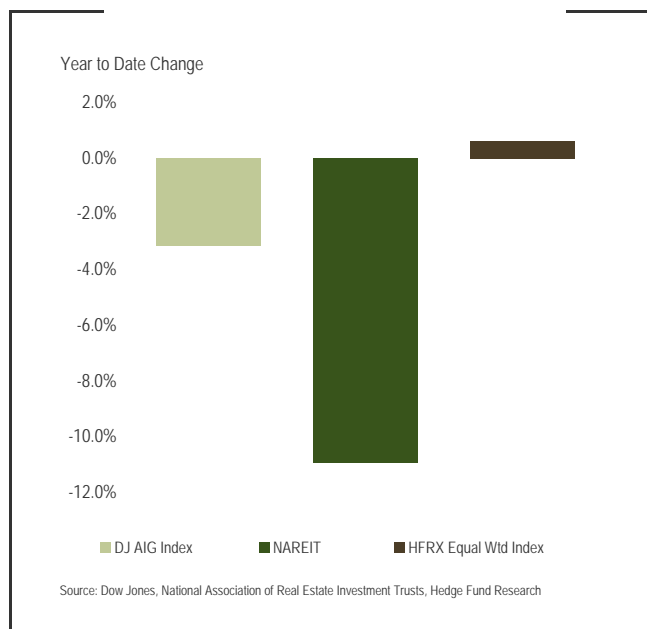
According to Bloomberg, copper futures rose for the fifth consecutive week, extending its longest rally in a year. The activity was likely spurred by revived prospects of global economic growth and metal demand. Copper futures for July gained \$1.85, or 0.8%, to \$2.1975/lb. A significant portion of demand comes from China, which has pledged 4 trillion yuan (\$585 billion) in economic stimulus spending. Copper prices have gained 56% year to date. Sugar prices rose on Friday for the first time in four days as India, the world's largest consumer of the sweetener, signaled that imports may increase amid a production shortfall. Sugar prices have appreciated 16% year to date.

The Wall Street Journal reported on Thursday that JPMorgan Chase & Co reported a write-down of \$462 million on its private equity portfolio after posting a company wide net profit of \$2.1 billion. The private equity arm, known as One Equity Partners, experienced a net loss of \$280 million for the first quarter. In 2008, the same division posted net income of \$57 million in the same quarter. The results are still better than results seen in the previous quarter, where the PE arm posted a net loss of \$682 million on a \$1.1 billion write-down.



Issue	Previous Week	Current <sup>1</sup>	Change
Gold	883.30	867.90	-1.74%
Crude Oil Futures	52.24	50.33	-3.66%
Copper	2.07	2.20	6.28%
Sugar	21.70	21.50	-0.92%
HFRX Equal Wtd. Strat. Index	1,008.74	1,009.71	0.10%
HFRX Equity Hedge Index	1,019.35	1,026.21	0.67%
HFRX Equity Market Neutral	1,008.17	1,004.42	-0.37%
HFRX Event Driven	1,183.78	1,184.56	0.07%
HFRX Merger Arbitrage	1,351.55	1,352.56	0.07%
Dow Jones AIG Commodity Index	113.12	113.58	0.40%
FTSE/NAREIT All REIT	67.30	78.33	16.39%

<sup>1</sup> Prices reflect most recent data available at the time of publication  
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal.



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