

MainStreet Advisors Financial Market Update

May 15, 2009
[page 1]

Economic Update

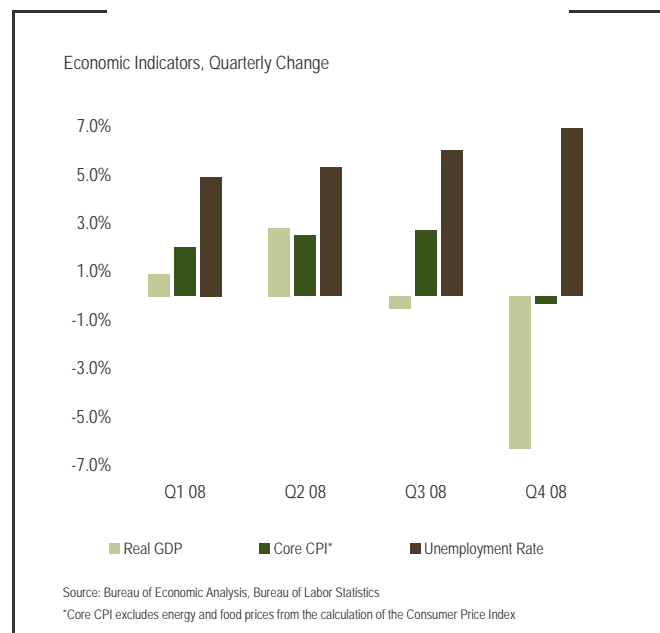
A survey of 52 economists by the Wall Street Journal this week reflected sentiment that the economy would begin to strengthen this fall but that a full recovery could take years. The survey indicated expectations for the economy to contract 1.4% in the current quarter, with slow growth returning later in the year. According to Bloomberg, Nobel Prize-winning economist Paul Krugman discussed his outlook for the world economy at a forum in Japan this week. Krugman compared the world to Japan during its lost decade, noting similarities including a distressed financial system, softened demand, and "helpful but limited fiscal support."

Mixed economic data released this week indicate continued challenges including weary consumers and high unemployment claims, yet deflation risks show signs of easing. The U.S. Department of Commerce reported that retail sales slipped 0.4% in April, as consumers continued to save amid ongoing softening in the jobs market. The slowdown in retail sales follows a 1.3% decline in March, suggesting that the slump in consumer spending is still in a bottoming process. With the personal savings rate up each of the last three months, thriftiness among consumers may linger even as the economy begins to recover.

Annual inflation in the U.S. declined to a 55-year low in April, as shown by the U.S. Department of Labor. The annual 0.7% decline in the Consumer Price Index (CPI) largely reflected the 25.2% annual decline in energy prices. The annual rate is well below the 2% often viewed by the Federal Reserve as supportive of price stability and strong employment. Meanwhile, core CPI, which excludes food and energy prices, advanced 0.3% for the month, the greatest advance since June 2008. The Labor Department also reported that producer prices trended higher in April as a result of climbing food prices. Core producer prices increased 0.1% for the month, helping lower the risk of deflation.

Gross domestic product in the euro-zone declined 2.5% in the first quarter, an approximate 10% decline on an annual basis. Despite this record rate of contraction, economists continue to anticipate a turn in the fourth quarter, as reported by 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, Bloomberg.



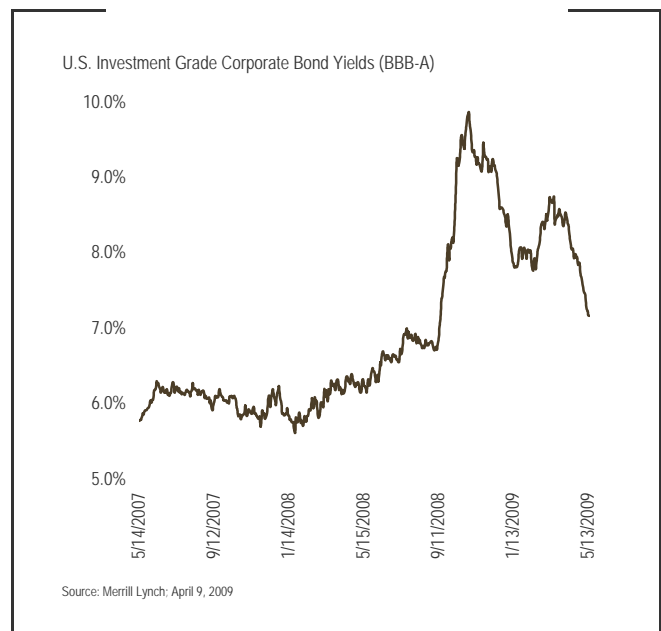
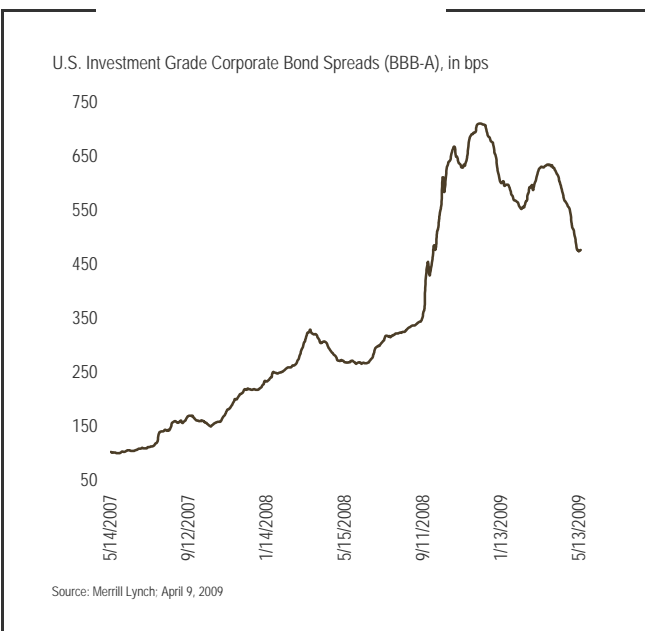
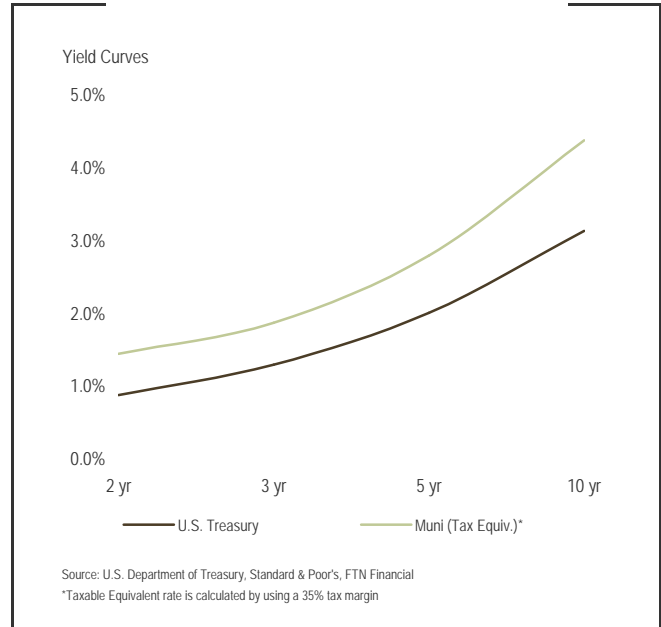
May 12 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.3%
May 12 th	International Trade Balance Level, March	-27.6B
May 12 th	Treasury Budget, April	-20.9B
May 13 th	MBA Purchase Applications	256.7
May 13 th	Retail Sales, April Monthly Chg.	-0.4%
May 13 th	Import Prices, April Monthly Chg.	1.6%
May 13 th	Export Prices, April Monthly Chg.	0.5%
May 13 th	Business Inventories, March Monthly Chg.	-1.0%
May 13 th	EIA Petroleum Status Report, Wkly. Chg.	-4.7M Barrels
May 14 th	Producer Price Index, April Monthly Chg.	0.3%
May 14 th	Initial Jobless Claims (Week ending 5/9)	637,000
May 14 th	EIA Natural Gas Report, Wkly. Chg.	95 bcf
May 15 th	Consumer Price Index, April Monthly Chg.	0.0%
May 15 th	Empire State Mfg Survey, May	-4.6
May 15 th	Frgn Dmnd for LT US Securities, March	55.8B
May 15 th	Industrial Production, April Monthly Chg.	-0.5%
May 15 th	Consumer Sentiment Index, May	67.9

Bond Market Update

U.S. Treasuries rallied for the week, amid the Federal Reserve's bond purchases, a two week pause in government bond and note auctions and as some weaker than expected economic reports dented investor optimism for a speedy economic recovery. Government debt slid on Friday amid a bout of profit taking and news that the contraction in U.S. manufacturing is slowing. In the course of three volatile weeks, the yield on the 10-year note retreated this week following a strong rally last Friday. According to a Bloomberg survey of banks and securities companies, this figure is expected to finish the year at 3.32% and increase to 3.53% by March 31, 2009. The TED spread fell to 67 basis points, the narrowest level in a year. The TED spread, which is the difference in yield between 90-day LIBOR and 90-day T-Bills, is a key indicator of the ease with which banks are lending each other short-term funds. Meanwhile, the extra yield, or spread, investors demand to own investment-grade debt rather than similar maturity Treasuries narrowed to 4.43%, from a record 6.56% in December. Mark Kiesel, managing director and global head of corporate bond portfolio management at PIMCO is encouraged that banks have been "able to raise equity and come to the unsecured bond market." Kiesel also discussed avoiding regional banks and focusing on national names. Although he expects the rally to slow, he notes that spreads continue to be attractive.

Issue	5.8.09	5.15.09	Change
3 month T-Bill	0.18%	0.17%	-0.01%
2-Year Treasury	1.00%	0.88%	-0.12%
5-Year Treasury	2.15%	2.01%	-0.14%
10-Year Treasury	3.29%	3.14%	-0.15%
30-Year Treasury	4.25%	4.09%	-0.16%

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



Stock Market Update

Stocks sold off this week as investors became concerned that the nine-week long rally has risen too far. The Dow Jones Industrial Average lost 306.01 points, or 3.57% to end the week at 8,268.64. The broader S&P 500 closed Friday at 882.88, 46.36 points, or 4.99% lower for the week. The technology-heavy NASDAQ Composite lost 3.38% to end the week at 1,680.14.

The U.S. Treasury Department announced on Friday that it had approved six life insurance companies to receive up to \$22 billion of federal TARP bailout money, according to the Wall Street Journal. In return for the aid the U.S. government would receive warrants and preferred shares that pay a 5% dividend.

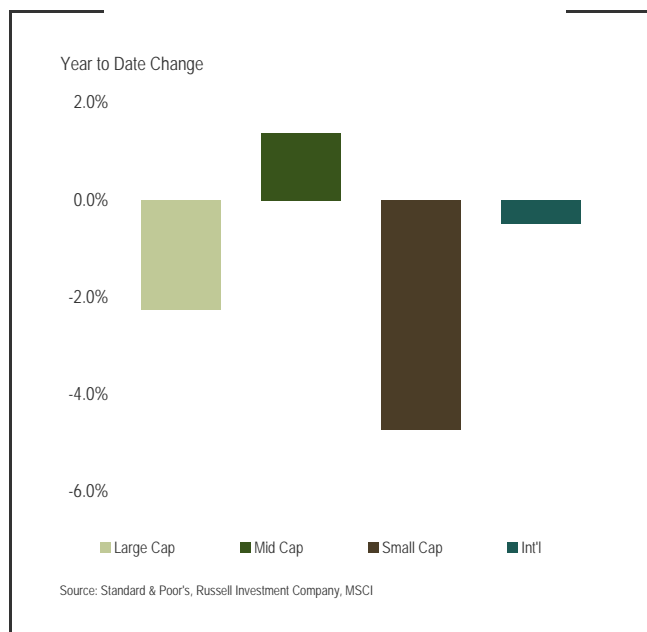
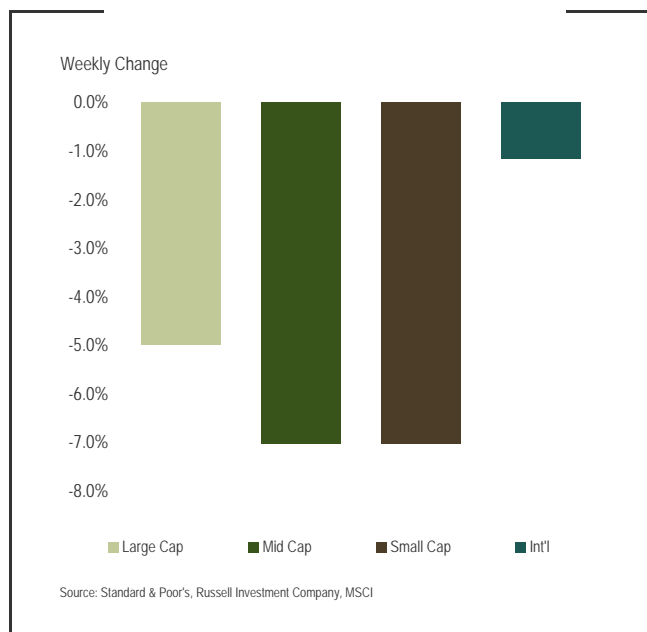
Chrysler announced the closure of almost one-quarter of its dealerships as part of its reorganization, threatening thousands of jobs. The Wall Street Journal Reported that General Motors (GM) was nearing a deal with the United Auto Workers (UAW) that would halve the company's cash outlays for retiree medical care to \$10 billion. The proposed deal would save GM approximately \$1 billion a year in hourly labor costs and is a key part of the company's restructuring plan.

Financial stocks led to the downside this week, losing over 11%, but the group remains 30% higher over the past three months. Consumer staples, technology and healthcare companies lost the least this week, shedding less than 2% each.

In international news, Sony (SNE) announced its first quarterly loss of the past 14 years and predicted that losses would continue in 2009 as sales of televisions, cameras and other electronics continued to decline in the economic slowdown. The Wall Street Journal reported that U.K. banking giant, Barclays PLC (BCS), just weeks after entering a deal to sell its iShares ETF business, was in talks to sell its asset management arm, Barclays Global Investors. The unit is rumored to be worth more than \$12 billion.

Issue	5.8.09	5.15.09	Change
Dow Jones	8,574.65	8,268.64	-3.57%
S&P 500	929.23	882.88	-4.99%
NASDAQ	1,739.00	1,680.14	-3.38%
Russell 1000 Growth	402.34	387.37	-3.72%
S&P MidCap 400	586.91	545.72	-7.02%
Russell 2000	511.82	475.84	-7.03%
MSCI EAFE	1,245.78	1,231.43	-1.15%
MSCI EM	714.91	699.39	-2.17%
MSCI Small Cap	108.96	107.93	-0.94%

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.



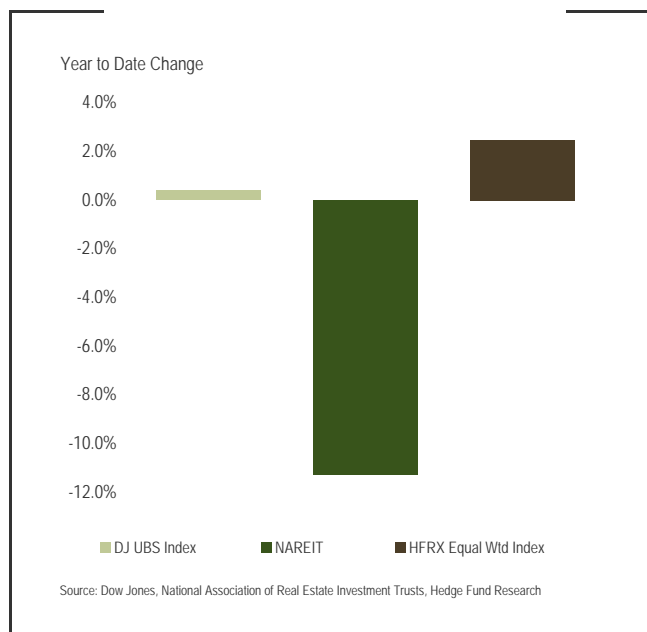
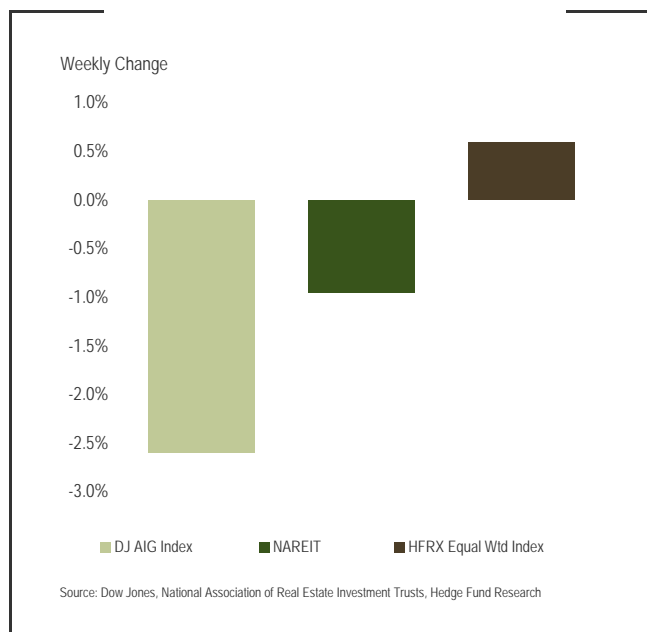
Alternative Investments Market Update

Corn prices fell to their lowest levels in two months due to speculation that favorable weather would boost crop yields. Bloomberg reported that, according to the president of Global Weather Monitoring in Mohawk, Michigan, Midwestern soil will get 10 days of mostly warm, dry weather in the upcoming days. According to government data, approximately 48% of the U.S. crop was planted by May 10th of this year, compared to the five-year average of 71%, primarily due to uncooperative weather conditions that would not allow for planting. Corn prices settled at \$4.1725 at the end of trading on Friday, which was a decline of 2.6%. Gold futures advanced after the report of an unexpected jump in the consumer-price index, ending the week up 1.8%, and 5.3% for 2009. Silver prices have also appreciated with a gain of 24% this year.

Private equity funds, according to BusinessWeek, have raised an estimated \$49 billion in funds so far this year, which would place them on track to match 2004's total of \$206 billion, which is currently the sixth-highest year ever. Last year, private equity firms raised a total of \$554 billion. According to Greenwich Associates, U.S. corporate pensions are anticipating a 10.1% return, on average, over the next five years, compared with their forecasted return of 7.8%, on average, for hedge funds over the same period. Some institutions, however, are predicting a mass consolidation of private equity firms, including research by Boston Consulting Group, which estimates that 20-40% of private equity firms will disappear over the next few years.

Issue	Previous Week	Current ¹	Change
Gold	914.90	931.30	1.79%
Crude Oil Futures	58.60	56.51	-3.57%
Copper	2.15	2.02	-6.05%
Sugar	21.68	22.25	2.63%
HFRX Equal Wtd. Strat. Index	1,022.44	1,028.48	0.59%
HFRX Equity Hedge Index	1,050.75	1,052.75	0.19%
HFRX Equity Market Neutral	1,006.84	1,007.58	0.07%
HFRX Event Driven	1,211.46	1,213.46	0.17%
HFRX Merger Arbitrage	1,353.90	1,355.77	0.14%
Dow Jones UBS Commodity Index	120.83	117.70	-2.60%
FTSE/NAREIT All REIT	78.78	78.03	-0.95%

¹ 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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