

# MainStreet Advisors Financial Market Update

July 2, 2009  
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## Economic Update

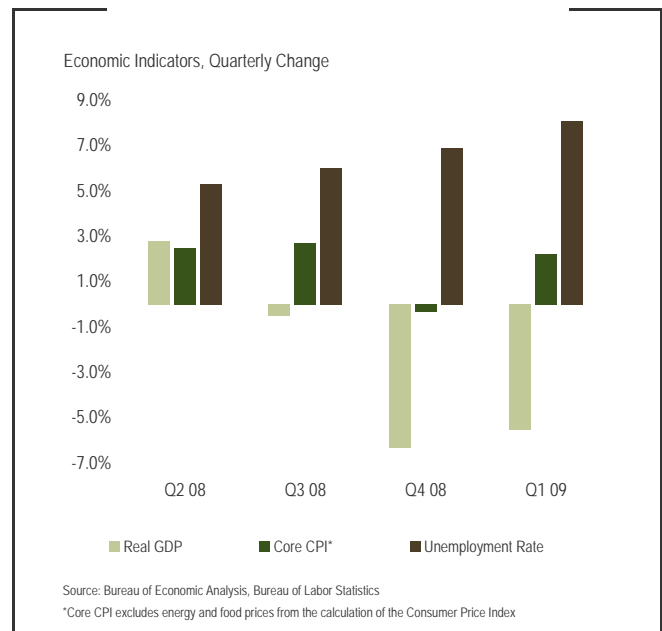
U.S. job losses unexpectedly accelerated in June, according to the U.S. Department of Labor. Payrolls shed 467,000 for the month amid broad-based weakness across major industries. The unemployment rate continued its uptrend, reaching 9.5%. The report served as a reminder that despite recent signs of slowing contraction, the economic environment remains challenging. Recent advances in consumer confidence were largely a reflection of an improved outlook for the jobs market and income prospects. However, The Conference Board Consumer Confidence Index edged lower in June as consumers again began to question the employment outlook. The Conference Board of Consumer Research Center Director Lynn Franco noted that the survey of 5,000 U.S. households suggested "less negative conditions in the months ahead, as opposed to strong growth."

Declines in manufacturing activity decelerated for the sixth consecutive month in June, as shown by the 44.8% reading in the Purchasing Managers Index (PMI). The Institute for Supply Management (ISM) reported that production started to rebound and inventories began to contract at a faster pace. Survey respondents from various industries seemed cautiously optimistic and commented on a return in demand, increased orders for the coming months, and sentiment that the market has bottomed.

The S&P/Case-Shiller Home Price Indices showed the rate of decline in U.S. home prices moderated in April. While still negative, annual declines of 18.0% and 18.1% posted by the 10- and 20-City Composite Indices, respectively, were significantly less than the 18.7% declines each experienced in March.

The European Central Bank (ECB) held its key interest rates unchanged at its monetary policy meeting Thursday. The ECB reiterated its expectation for economic activity to continue softening for the rest of 2009 albeit at a slower rate. Furthermore, the ECB announced that economic conditions in the euro zone should recover by mid-2010 given considerable policy stimulus in all facets of the economy.

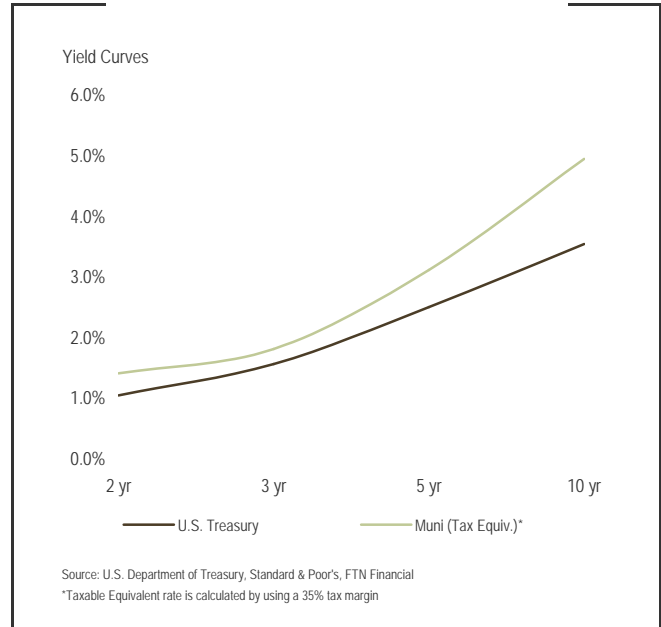
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, Bloomberg, The Conference Board, Institute for Supply Management, S&P/Case-Shiller, European Central Bank.



June 30 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.6%
June 30 <sup>th</sup>	S&P/Case-Shiller Composite 20 Index, April	139.2
June 30 <sup>th</sup>	Consumer Confidence Index, June	49.3
June 30 <sup>th</sup>	State Street Investor Confidence Index, June	115.5
July 1 <sup>st</sup>	Domestic Motor Vehicle Sales, June	7.1M
July 1 <sup>st</sup>	MBA Purchase Applications	267.7
July 1 <sup>st</sup>	Announced Layoffs, June	74,393
July 1 <sup>st</sup>	ISM Mfg. Index - Level, June	44.8
July 1 <sup>st</sup>	Construction Spending, May Monthly Chg.	-0.9%
July 1 <sup>st</sup>	Pending Home Sales, May Monthly Chg.	0.1%
July 1 <sup>st</sup>	EIA Petroleum Status Report, Wkly. Chg.	-3.7M Barrels
July 2 <sup>nd</sup>	Non-farm Payrolls, June Monthly Chg.	-467,000
July 2 <sup>nd</sup>	Unemployment Rate, June	9.5%
July 2 <sup>nd</sup>	Initial Jobless Claims (Week ending 6/27)	589,000
July 2 <sup>nd</sup>	Factory Orders, May Monthly Chg.	1.2%
July 2 <sup>nd</sup>	EIA Natural Gas Report, Wkly. Chg.	70 bcf

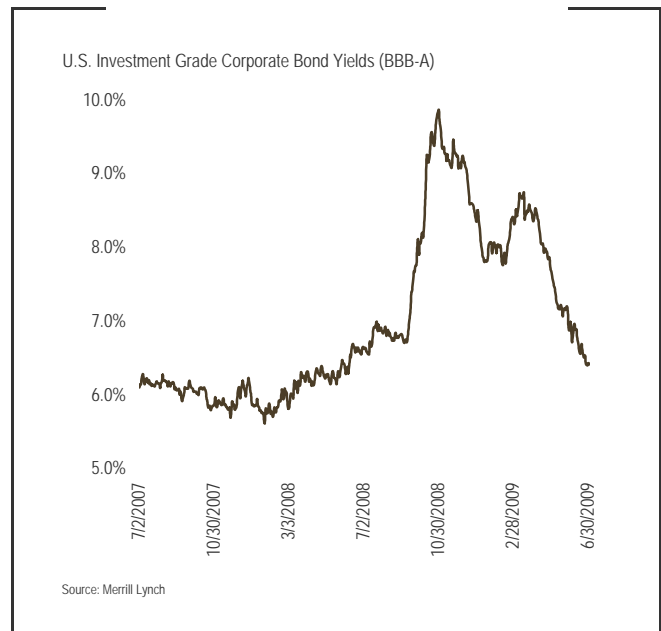
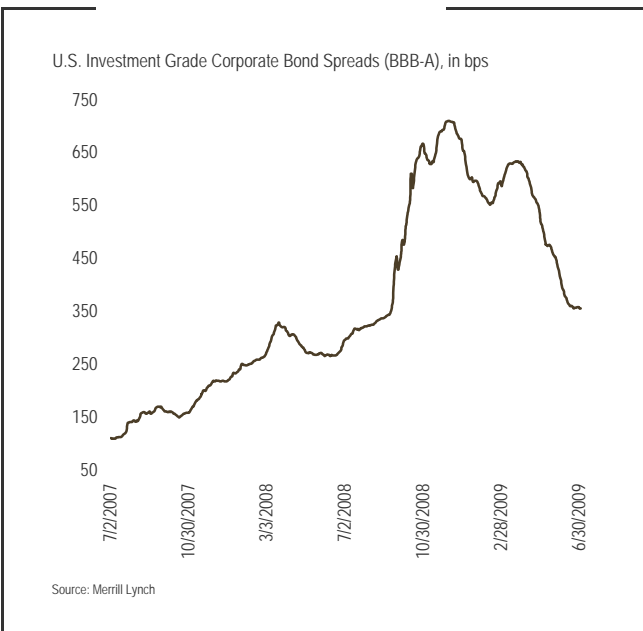
Bond Market Update

Bond yields were marginally lower on modest price gains during this holiday shortened week. Mid-week, bond traders focused on the better than expected readings in construction spending and pending home sales and sold bonds off over concerns that those two readings indicated stronger growth was around the corner. However, by week's end important non-farm payroll report indicated 100,000 more jobs lost than anticipated. Bond traders viewed this news as non-inflationary and bond prices rallied strongly. The state of California's budget is still not resolved, with a \$26 billion deficit for \$92 billion in planned expenditures. California Controller John Chiang announced the state will issue \$3.4 billion worth of "I O U's" to cover various bills for the coming weeks. Officially called "individual registered warrants," the state previously issued these for a short time in 1992 and some banks in the state would accept them. Mr. Chiang has said without the IOUs, the state would be depleted of cash by the end of July. In Europe, where bank loans finance the majority of lending needs by businesses, Dealogic reported the amount of bond issuance in Europe in year to date totals \$311 billion, up 50% from last year. Lastly, Moody's has downgraded Ireland's debt rating to Aa1, stripping yet another government of the coveted AAA status.



Issue	6.25.09	7.2.09	Change
3 month T-Bill	0.20%	0.17%	-0.03%
2-Year Treasury	1.10%	1.05%	-0.05%
5-Year Treasury	2.53%	2.51%	-0.02%
10-Year Treasury	3.52%	3.55%	0.03%
30-Year Treasury	4.30%	4.34%	0.04%

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



Stock Market Update

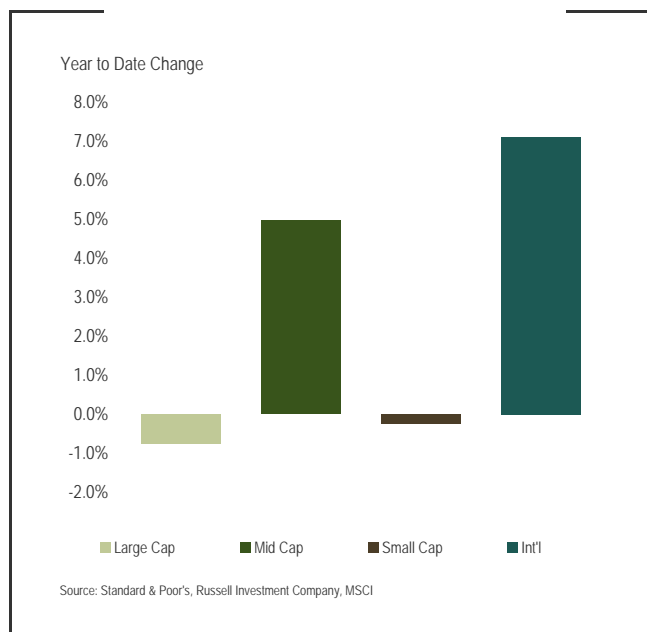
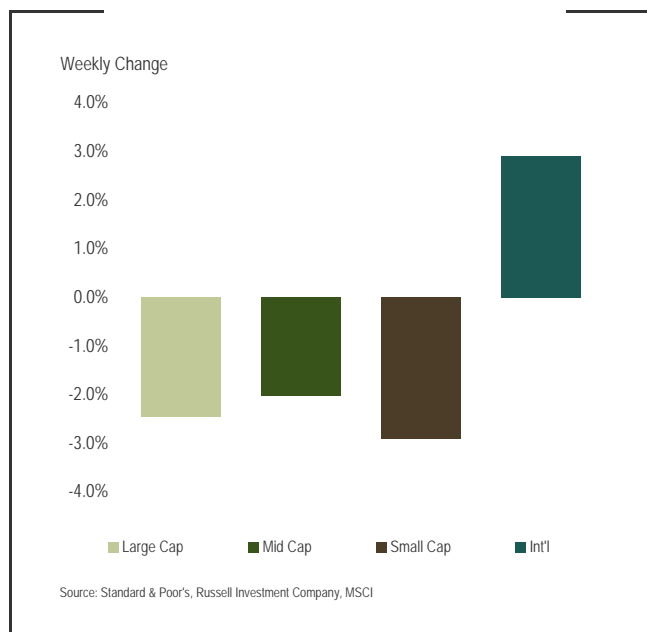
Stocks plummeted on Thursday to end the holiday-shortened week in negative territory as investors grappled with weak employment numbers. Friday's 219.62 point, or 2.58%, slide wiped out gains made earlier in the week to leave the Dow Jones Industrial Average at 8,284.44, down 1.82% for the week. The broader S&P 500 finished at 896.45, off 2.45% for the week. The technology-heavy NASDAQ composite lost 37.32 points, or 2.27%, for the week.

Friday's sell-off was broad-based with 2,404 NYSE issues declining, 562 issues advancing and 111 unchanged. Financial shares led the weekly decline, shedding 3.78%. High-volume declines were made on Thursday by Bank of America (BAC), which lost -3.07%; Citigroup (C) down -2.35%; and Wells Fargo (WFC), off -3.85%. Weak crude prices sent energy shares down 3.61% for the week. Consumer staples stocks held their ground this week, losing just 0.61%.

European stocks also fell on Thursday with the DJ Euro Stoxx 50 losing 3.27%. The FTSE 100 Index lost 2.45% in the U.K., in Germany the DAX Index lost 3.81% and the French CAC 40 Index lost 3.13%. In Japan, the NIKKEI 225 lost just 0.64%, but due to the time differences, most Asian stock markets are closed when U.S. economic data is released and therefore do not suffer similar declines.

Issue	6.25.09	7.2.09	Change
Dow Jones	8,438.39	8,284.52	-1.82%
S&P 500	918.90	896.42	-2.45%
NASDAQ	1,838.22	1,796.52	-2.27%
Russell 1000 Growth	410.30	402.04	-2.01%
S&P MidCap 400	576.73	565.04	-2.03%
Russell 2000	513.22	498.29	-2.91%
MSCI EAFE	1,288.25	1,325.58	2.90%
MSCI EM	750.23	773.07	3.05%
MSCI Small Cap	116.47	120.08	3.10%

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.



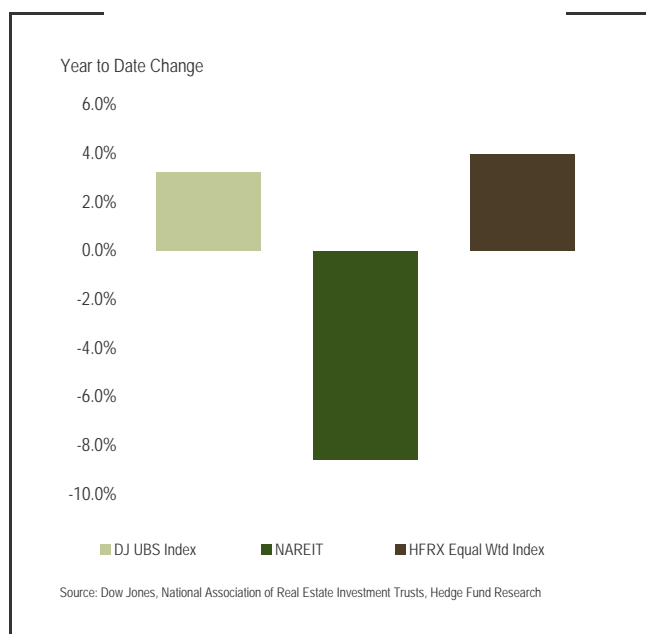
Alternative Investments Market Update

The Federal Deposit Insurance Corp.'s board of directors voted to seek comment on a proposal that would require private equity firms to maintain a 15% tier 1 leverage ratio for at least three years at the acquired bank. The Wall Street Journal reported that the vote came as a result of regulators becoming increasingly concerned that private equity investors may not be committed to the long-term ownership of a healthy bank.

Och-Ziff Capital Management, a publically listed hedge-fund manager, experienced gains on all main funds in June, however, investor withdrawals brought the total assets under management down \$800 million compared to May. Their total assets are down to \$20.7 billion. Their flagship fund, OZ Master Fund, is up 12.41% year to date, which includes a 2.16% appreciation in June.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	941.00	931.00	-1.06%
Crude Oil Futures	69.16	66.73	-3.51%
Copper	2.31	2.31	0.00%
Sugar	22.80	22.75	-0.22%
HFRX Equal Wtd. Strat. Index	1,043.21	1,043.41	0.02%
HFRX Equity Hedge Index	1,061.68	1,063.10	0.13%
HFRX Equity Market Neutral	1,002.15	1,006.69	0.45%
HFRX Event Driven	1,254.35	1,260.84	0.52%
HFRX Merger Arbitrage	1,378.96	1,385.92	0.50%
Dow Jones UBS Commodity Index	123.92	121.02	-2.34%
FTSE/NAREIT All REIT	78.29	80.40	2.70%

<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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