

# MainStreet Advisors Financial Market Update

August 21, 2009  
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## Economic Update

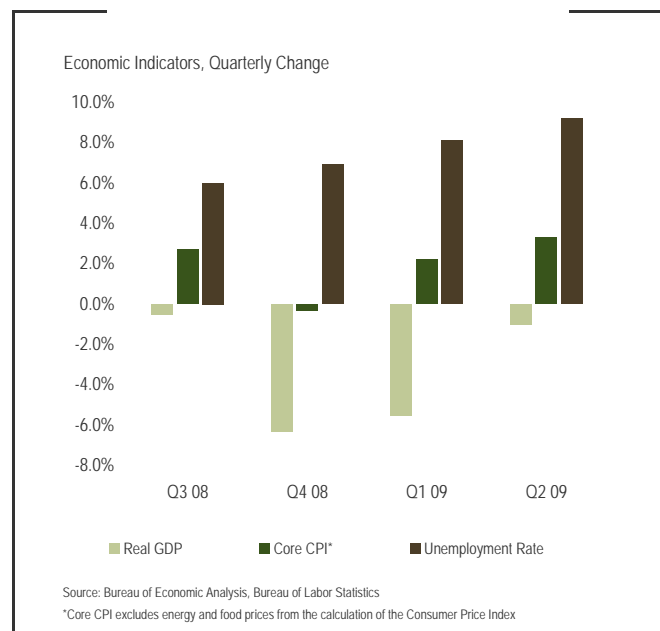
Federal Reserve Chairman Ben Bernanke recognized recent improvements in the global economy, but reiterated ongoing challenges during a speech at the economic symposium in Jackson Hole on Friday. He attributed stabilization in key financial markets to recent policy actions and noted the Fed's belief that "prospects for a return to growth in the near term appear good." Bernanke discussed expectations for a slow economic recovery due to lingering strains in the financial market, potential additional losses for financial institutions, and still difficult credit availability.

Economic data released this week indicated further recovery in the housing market. The National Association of Realtors (NAR) reported that sales of existing homes surged 7.2% to a seasonally adjusted rate of 5.24 million in July, marking the fourth consecutive month of increased activity. The NAR reported that the last time sales posted four back-to-back gains was in June 2004. The current sales rate is 5.0% higher than one year ago, which the NAR has concluded is a reflection of success in first-time buyer initiatives and greater affordability. Building permits for privately-owned houses retreated 1.8% in July, according to a report released by the U.S. Department of Commerce Tuesday. However, housing starts for single family homes rose 1.7% last month. Separately, the National Association of Home Builders/Wells Fargo Housing Market Index, which serves as a gauge of builder confidence, reached the highest level in more than a year again, largely as a result of the first-time home buyer tax credit.

The Conference Board Leading Economic Index advanced climbed 0.6% in July, up for the fourth consecutive month. The Conference Board concluded that the component indexes suggest economic conditions are improving and that "activity will begin to recover soon."

The Eurozone has started to display signs of recovery, according to the Markit Flash Eurozone Composite Index which reached a 15-month high this month. The improvement stemmed from gains in manufacturing activity and a notable deceleration in contraction within the service sector.

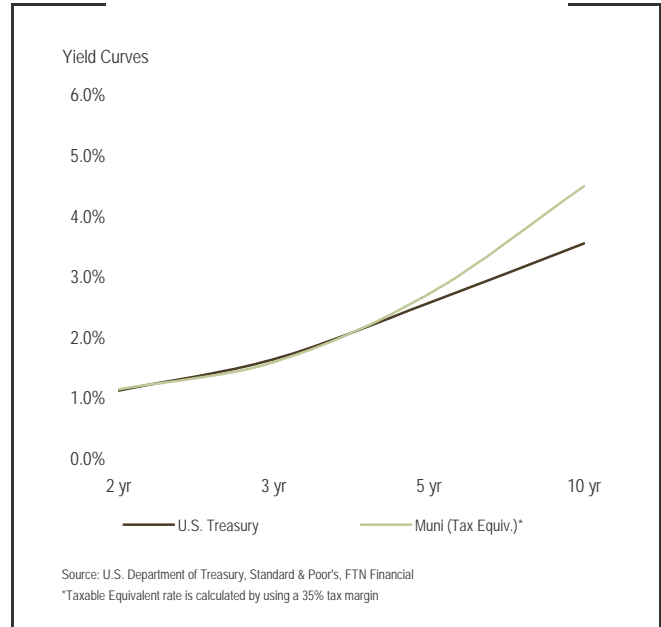
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, Bloomberg, National Association of Realtors, National Association of Home Builders, The Conference Board, Markit Economics.



Aug. 17 <sup>th</sup>	Empire State Mfg Survey, August	12.08
Aug. 17 <sup>th</sup>	Housing Market Index, August	18
Aug. 18 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.9%
Aug. 18 <sup>th</sup>	Housing Starts, July	581,000
Aug. 18 <sup>th</sup>	Producer Price Index, July Monthly Chg.	-0.9%
Aug. 19 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	3.9%
Aug. 19 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-8.4M Barrels
Aug. 20 <sup>th</sup>	Initial Jobless Claims ( Week ending 8/15)	576,000
Aug. 20 <sup>th</sup>	Leading Indicators, July Monthly Chg.	0.6%
Aug. 20 <sup>th</sup>	Philadelphia Fed Survey, August	4.2
Aug. 20 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	52 bcf
Aug. 21 <sup>st</sup>	Existing Home Sales, July SAAR*	5.24M

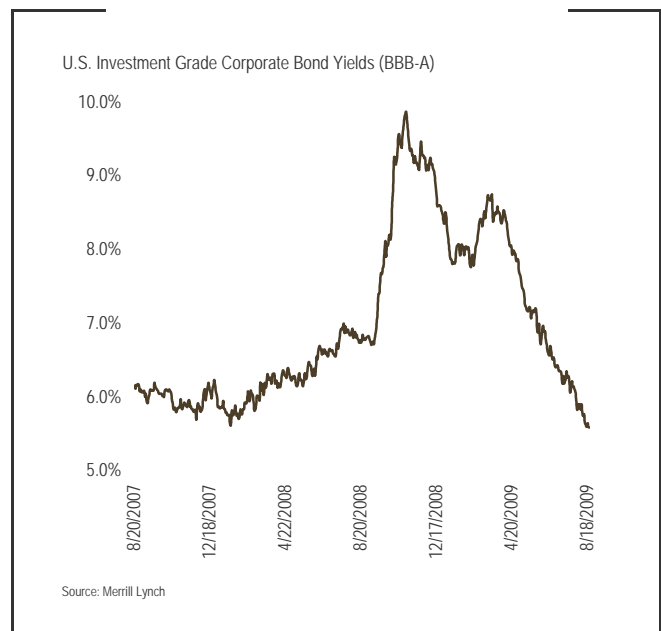
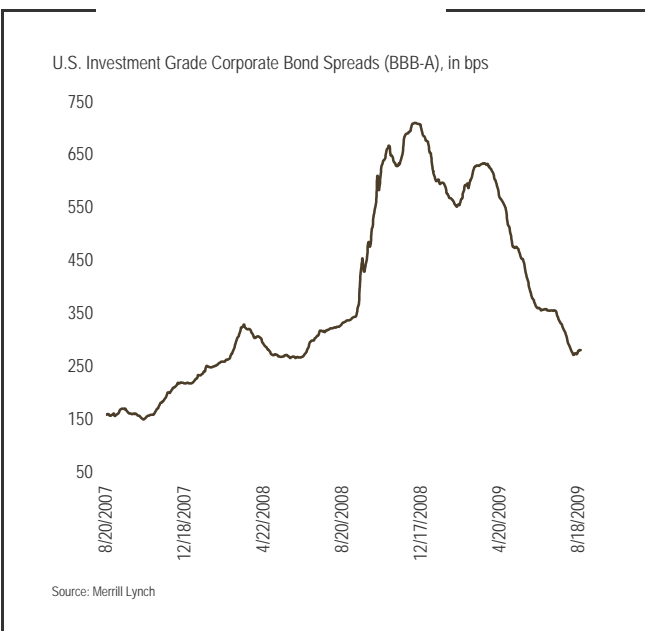
Bond Market Update

U.S. Treasuries finished the week mostly unchanged, as mixed data mirrored the uncertainty about the strength of the economic recovery. Overall, Treasuries have rebounded from earlier this month, mostly due to weakness in the global equity markets. Mixed signals from recent economic reports have tempered investor's appetite for riskier assets, pressuring market participants to sell stocks to lock in profits and return to the safety of Treasuries. Treasuries returned 2.1% for the past two weeks relative to a 1.4% return for corporate bonds, according to Merrill Lynch. Meanwhile, corporate new bond issuance slowed to the lowest level in more than four months, suggesting that the credit market rally may have run ahead of a U.S. economic recovery. A recent report from Standard & Poor's said the number of issuers that had their credit ratings cut to "junk" climbed to 62 with a combined face value of \$222 billion. The amount of debt in the "fallen angel" class almost matches the \$226.4 billion level reached in all of 2008. Evidence suggesting continued weakness in the economy grew, as the number of issuers with potential for a rating upgrade by S&P fell to 10 companies, the lowest monthly level since the rating firm began tracking data in 2002.



Issue	8.14.09	8.21.09	Change
3 month T-Bill	0.18%	0.17%	-0.01%
2-Year Treasury	1.07%	1.13%	0.06%
5-Year Treasury	2.51%	2.58%	0.07%
10-Year Treasury	3.55%	3.56%	0.01%
30-Year Treasury	4.41%	4.36%	-0.05%

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



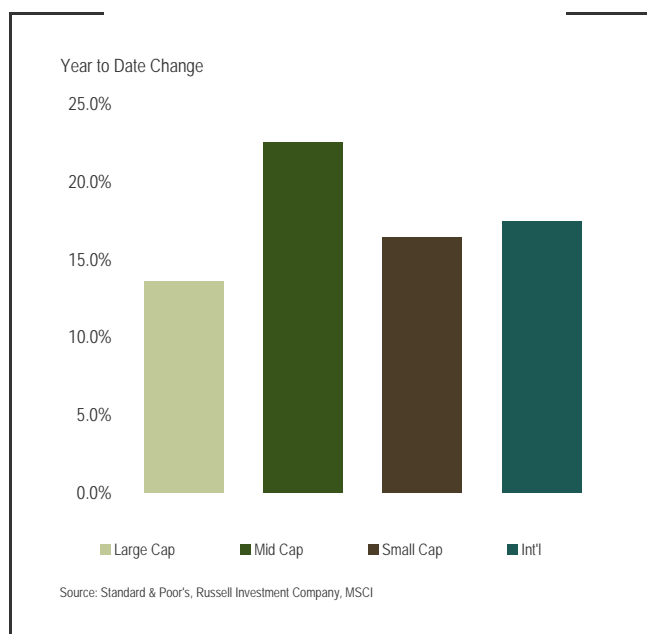
Stock Market Update

U.S. stocks gained this week as positive economic news outweighed a selloff on Monday that was sparked by declines in overseas markets. The Dow Jones Industrial Average gained 184.56 points or 1.98% this week to head into the weekend at 9,505.96, its highest close this year. The DJIA is now up 8.31% in 2009. The broader S&P 500 rose 2.20% this week to close Friday at 1,026.13, up 13.60% this year. The technology-heavy NASDAQ Composite rose 1.59% this week.

Energy stocks paced the gains this week, up 3.23%, followed by healthcare and utility stocks, up 2.69% and 2.34%, respectively. Consumer staples stocks trailed this week, gaining just 1.39%.

Sear Holdings Corp. (SHLD) returned to a net loss in the second quarter after reporting positive results in the first quarter. Investors, expecting a small profit, sent Sears share plummeting 12%. Sears announced that revenues declined 10% from a year earlier as the company struggled to compete with Wal-Mart Stores Inc.(WMT) and Target Corp. (TGT).

Stocks in China continued to decline this week with the Shanghai Composite down 2.83%; the index is now 14.71% off its high made in early August. Despite the recent selloff, Chinese stocks have gained over 62% this year, one of the best performing asset classes. According to the Wall Street Journal, the Chinese stock market is dominated by retail investors who are prone to swings in sentiment, rather than fundamentals of corporate earnings.



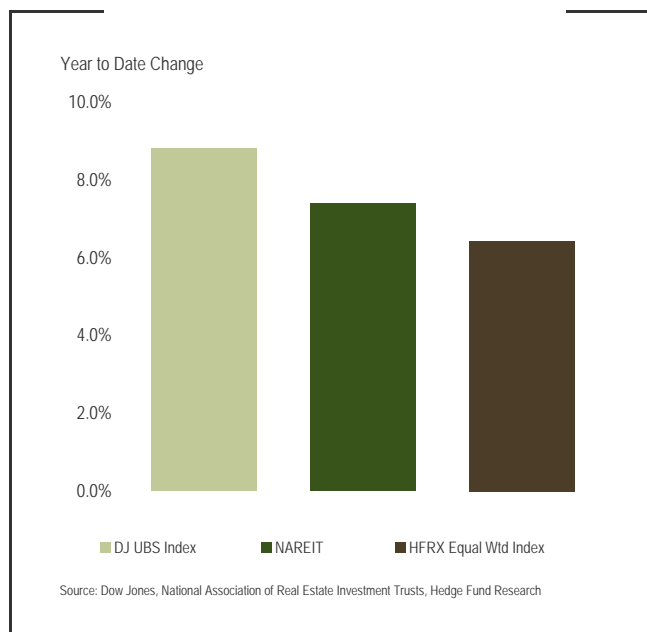
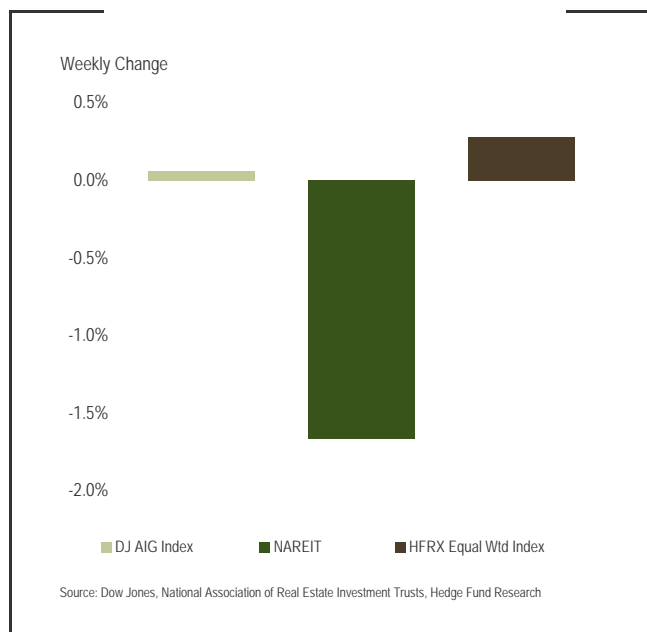
Issue	8.14.09	8.21.09	Change
Dow Jones	9,321.40	9,505.96	1.98%
S&P 500	1,004.09	1,026.13	2.20%
NASDAQ	1,985.52	2,020.90	1.78%
Russell 1000 Growth	441.27	449.69	1.91%
S&P MidCap 400	645.99	659.6	2.11%
Russell 2000	563.9	581.513	3.12%
MSCI EAFE	1,464.94	1,453.66	-0.77%
MSCI EM	855.64	837.12	-2.16%
MSCI Small Cap	133.33	133.43	0.08%

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

More than half of the commodities that make up the Dow Jones UBS Commodity Index declined during the week. The average return was -0.60%, which was led by a significant return in lean hog futures of 7.17%. Crude oil rose to a 10-month high on Friday after the positive news emerged in the U.S. housing market. October delivery for light sweet crude settled at \$73.89 per barrel, with the September contract valued at \$72.54 per barrel. Natural gas prices, which declined 7.12% for the week, plummeted to a seven year low by Thursday after a report was released which showed a record high level of inventory. The Wall Street Journal reported that the reason for the dramatic drop in prices from \$13 per thousand cubic feet seen last summer to \$3 today is a decrease in demand and a large expansion of domestic production.

Bloomberg reported that private equity giant, Blackstone Group LP, is embarking on a joint venture with Shanghai's government, which would mark the first step in China's effort to expand on its own private equity exposure. According to the article, Blackstone will be the first global private equity firm to secure investment from a tier-one city government in China. The arrangement is to set up a 5 billion yuan (\$732 million) fund, likely intending to help develop Chinese capital markets and help provide China with industry experience.



Issue	Previous Week	Current <sup>1</sup>	Change
Gold	948.70	954.70	0.63%
Crude Oil Futures	67.51	73.89	9.45%
Copper	2.85	2.89	1.40%
Sugar	21.89	21.70	-0.87%
HFRX Equal Wtd. Strat. Index	1,065.24	1,068.21	0.28%
HFRX Equity Hedge Index	1,090.43	1,085.03	-0.50%
HFRX Equity Market Neutral	994.37	995.78	0.14%
HFRX Event Driven	1,290.47	1,291.98	0.12%
HFRX Merger Arbitrage	1,401.56	1,404.19	0.19%
Dow Jones UBS Commodity Index	127.51	127.59	0.06%
FTSE/NAREIT All REIT	96.07	94.47	-1.67%

<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.

MainStreet Advisors performance results reflect time-weighted rates of returns based upon MainStreet Advisors proprietary trading strategies. Performance results reflect the reinvestment of dividends and other earnings as well as the deduction of management and transaction fees. Performance does not reflect additional fees charged by institutions MainStreet Advisors provides investment services. In some cases performance reflects the quarterly rebalancing of assets based upon MainStreet Advisors Tactical Asset Allocation Models.

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MAINSTREET ADVISORS™

120 North LaSalle Street Suite 3750  
Chicago, Illinois 60602  
312.223.0270 direct  
312.223.0276 fax  
[www.mainstreetadv.com](http://www.mainstreetadv.com)