

MainStreet Advisors Financial Market Update

September 18, 2009
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Economic Update

Economic data released this week supported speculation of improving conditions despite lingering challenges. On Tuesday, Federal Reserve Chairman Ben Bernanke acknowledged that the recession was likely over in a technical sense, with tentative signs of growth in the third quarter, as reported by the Wall Street Journal. The Commerce Department reported that July retail sales advanced 3.0% from the previous month, but remained 5.3% lower than August 2008. Although much of this stemmed from the Cash for Clunkers program, sales excluding motor vehicles and parts still increased 1.1% from July.

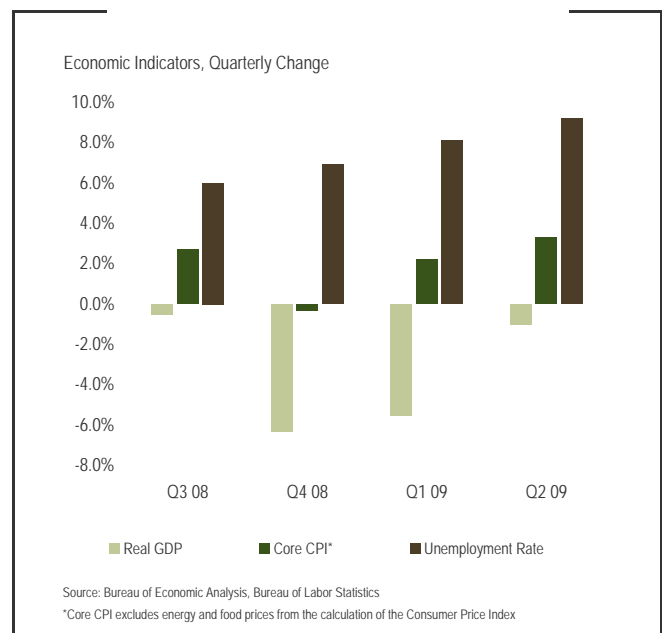
Industrial production continued to rise in August, up 0.8% according to the Federal Reserve. Higher production for both durable and non-durable goods caused output for consumer goods to climb 1.3% for the month. Capacity utilization increased as well, reaching 69.9% for the month.

Builder confidence strengthened for the third month in September, as shown by the National Association of Home Builders/Wells Fargo Housing Market Index. The 19-point reading reflected improvements from the first-time buyer tax credit, attractive mortgage rates, and greater housing affordability. The U.S. Department of Commerce announced Thursday that privately-owned housing starts rose 1.5% in August to a seasonally adjusted annual rate of 598,000. Building permits for privately-owned homes increased 2.7% for the month, showing further signs of recovery in the housing industry.

The Consumer Price Index (CPI) and Producer Price Index (PPI) reports indicated that inflationary pressures remained soft in August. The Labor Department reported that CPI increased 0.4% for the month, up 0.2% less food and energy. Meanwhile, PPI for finished goods climbed 1.7% in August, up 0.2% for the month excluding food and energy.

The Federal Reserve announced Thursday that household net worth increased in the second quarter—the first in nearly two years. Household debt decreased at an annual rate of 1.75% in the quarter, resulting from lower home mortgage debt and consumer credit.

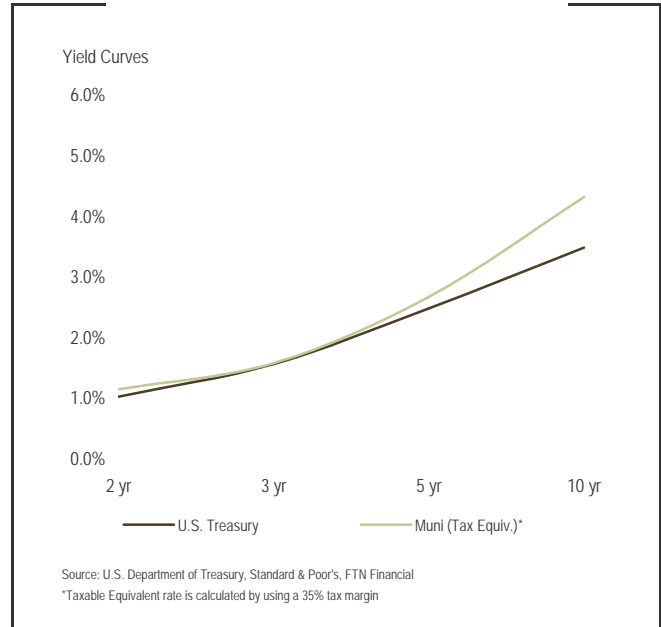
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, National Association of Home Builders.



Sep. 15 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.0%
Sep. 15 th	Producer Price Index, August Monthly Chg.	1.7%
Sep. 15 th	Retail Sales, August Monthly Chg.	-2.7%
Sep. 15 th	Empire State Mfg Survey, September	18.9
Sep. 15 th	Business Inventories, July Monthly Chg.	-1.0%
Sep. 16 th	MBA Purchase Applications Index, Wkly. Chg.	-10.3%
Sep. 16 th	Consumer Price Index, August Monthly Chg.	0.4%
Sep. 16 th	Frgn Dmnd for LT US Securities, November	15.3B
Sep. 16 th	Industrial Production, August Monthly Chg.	0.8%
Sep. 16 th	EIA Petroleum Status Report, Wkly. Chg.	-4.7M Barrels
Sep. 16 th	Housing Market Index, September	19.0
Sep. 17 th	Housing Starts, August	598,000
Sep. 17 th	Initial Jobless Claims (Week ending 9/12)	545,000
Sep. 17 th	Philidelphia Fed Survey, September	14.1
Sep. 17 th	EIA Natural Gas Report, Wkly. Chg.	66 bcf

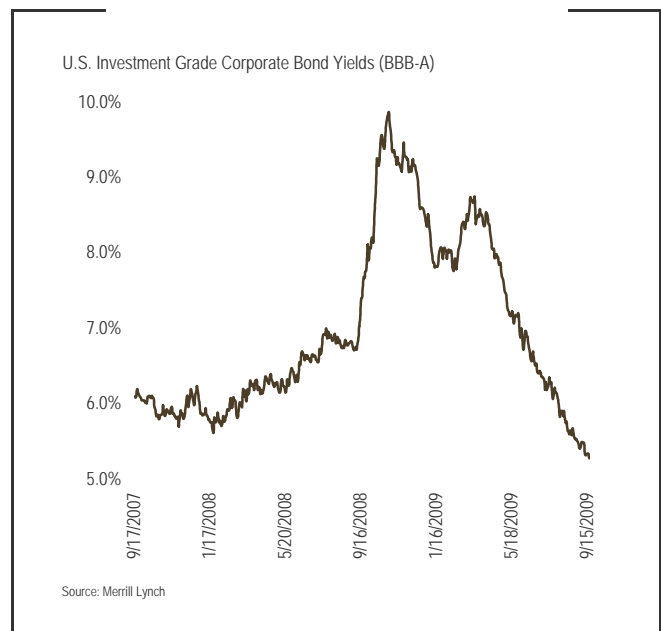
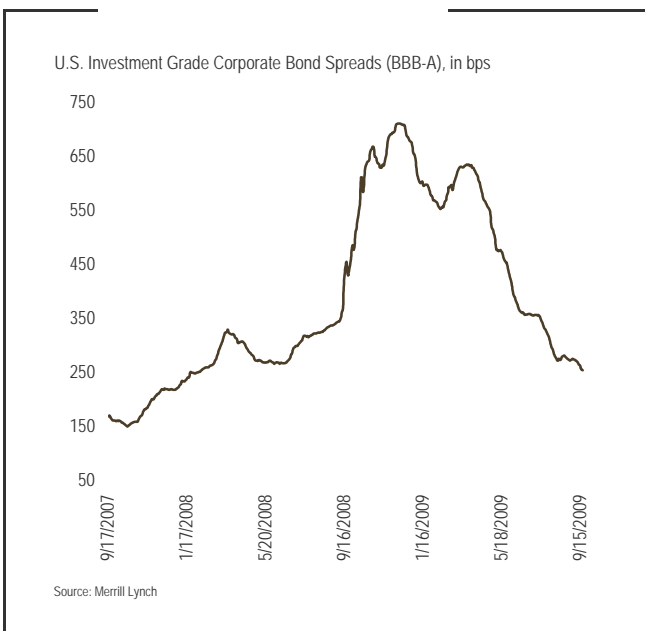
Bond Market Update

U.S. Treasuries closed the week lower across the yield curve marking their first weekly loss since early August. A bout of profit taking before next week's record Treasury auctions drove much of selling. The government will sell \$112 billion of Treasury notes, including \$43 billion in two-year notes, \$40 billion in five-year notes and \$29 billion in seven year notes, according to the Wall Street Journal. Analysts note that the buying that took place in August and early September has pushed these securities to the richer end of their historical trading range. Equally important, what is known as "rate-locked hedging" also nudged prices lower. New U.S. corporate bond sales surged to the highest level in four months as companies locked in the narrowest yield spreads relative to similar maturity Treasuries in more than a year. Because these bonds will not be priced until next week, companies tend to sell Treasuries to lock in relatively low interest rates. Investment-grade spreads tightened nine basis points this week to 2.35%, the narrowest level since February 2008, according to Merrill Lynch. High-yield spreads also narrowed to their lowest level in 18 months, falling by 69 basis points to 8.09%.



Issue	9.11.09	9.18.09	Change
3 month T-Bill	0.14%	0.08%	-0.06%
2-Year Treasury	0.90%	1.03%	0.13%
5-Year Treasury	2.29%	2.49%	0.20%
10-Year Treasury	3.34%	3.49%	0.15%
30-Year Treasury	4.18%	4.24%	0.06%

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



Stock Market Update

Stocks continued their march higher this week as the Dow Jones Industrial Average (DJIA) closed Friday at 9,820.20, up 2.24% or 214.79 points higher for the week. The index is now within striking distance of the psychologically important 10,000 point level. The broader S&P 500 also gained on the week, adding 25.57 points, or 2.45% to close Friday at 1,068.30. The tech-heavy NASDAQ Composite added 2.50%, ending the week at 2,132.86.

Financial shares again provided sector leadership, gaining 4.20% this week. Material companies also made large gains this week, adding 3.96% as commodity prices rose. The health care sector posted the only loss this week, shedding 0.55% on continued uncertainty regarding health care reform.

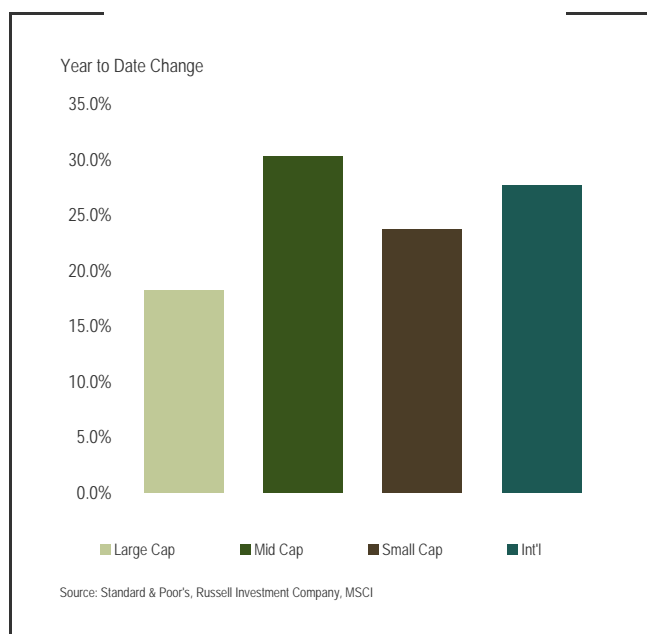
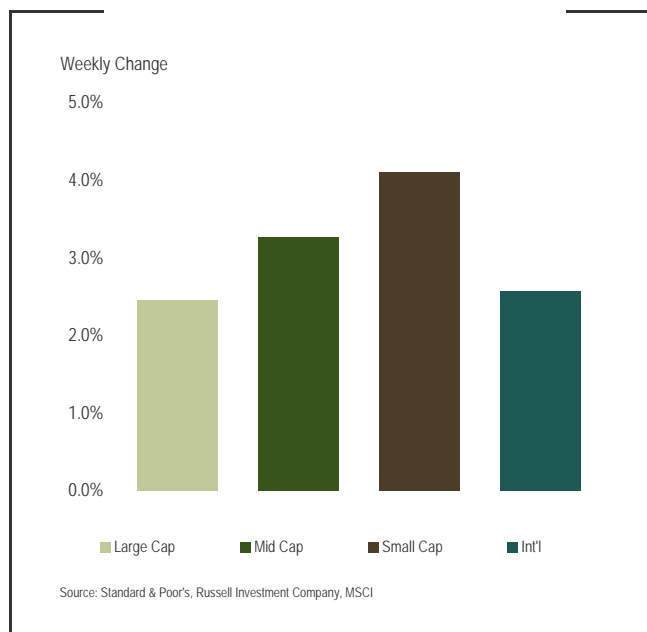
AMR Corp (AMR), the parent company of American Airlines, obtained \$2.9 Billion in liquidity and new aircraft-lease financing; the company also announced that it would cut daily departures from St. Louis and Raleigh /Durham in North Carolina. Investors cheered the news, sending AMR stock up 19% on Thursday.

FedEx Corp. (FDX) announced fiscal first quarter earnings that were 53% lower than a year earlier. Despite the earnings decline, FedEx announced that its U.S. volume rose slightly and CFO Alan B. Graf, Jr. "sees signs of improvement in the overall economy." The year-over-year decline in earnings was widely expected and was in-line with analyst expectations; however, revenues for the quarter fell short by a small margin.

Stocks in Europe and Japan gained this week, with the DJ Euro Stoxx 50 adding 1.97% and the NIKKEI 225 Index adding 1.65%. However, stocks in China saw continued volatility, losing 2.13% this week as measured by the Shanghai Stock Exchange A Shares Index.

Issue	9.11.09	9.18.09	Change
Dow Jones	9,605.41	9,820.20	2.24%
S&P 500	1,042.73	1,068.30	2.45%
NASDAQ	2,080.90	2,132.86	2.50%
Russell 1000 Growth	458.99	467.90	1.94%
S&P MidCap 400	679.41	701.53	3.26%
Russell 2000	593.59	617.88	4.09%
MSCI EAFE	1,541.09	1,580.58	2.56%
MSCI EM	887.05	919.89	3.70%
MSCI Small Cap	143.23	146.45	2.25%

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 Dow Jones UBS Commodity Index rose 3% for the week and real estate investment trusts (REITs) rose over 7%. Notable intraday swings in copper, sugar, natural gas, and gold were all observed Friday.

In a potential blow to trading desks at hedge funds, the Securities Exchange Commission proposed eliminating "flash trading" this week. Critics say this flash trading gives its users an unfair advantage over traders without super fast computing power.

Private equity firm Kohlberg Kravis & Roberts (KKR) invested \$400 million in newly issued 8-year bonds issued by cash strapped Kodak. As part of the deal, KKR also purchased warrants from Kodak allowing it to control 20% of the company upon exercise.

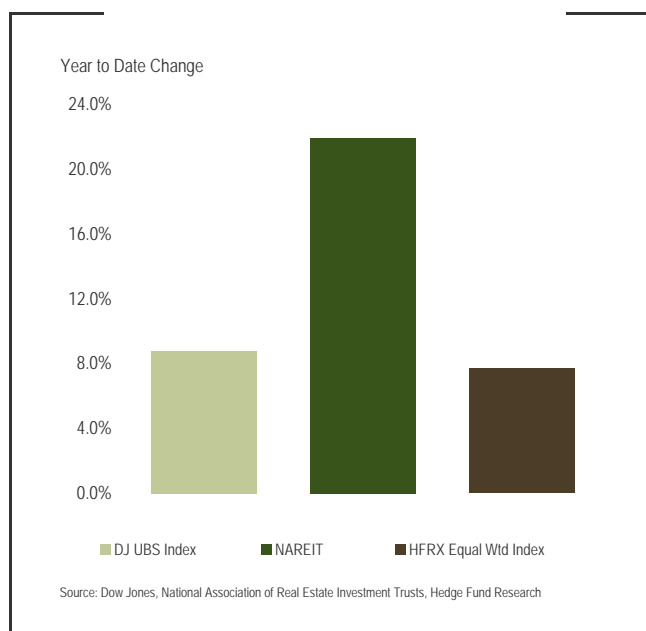
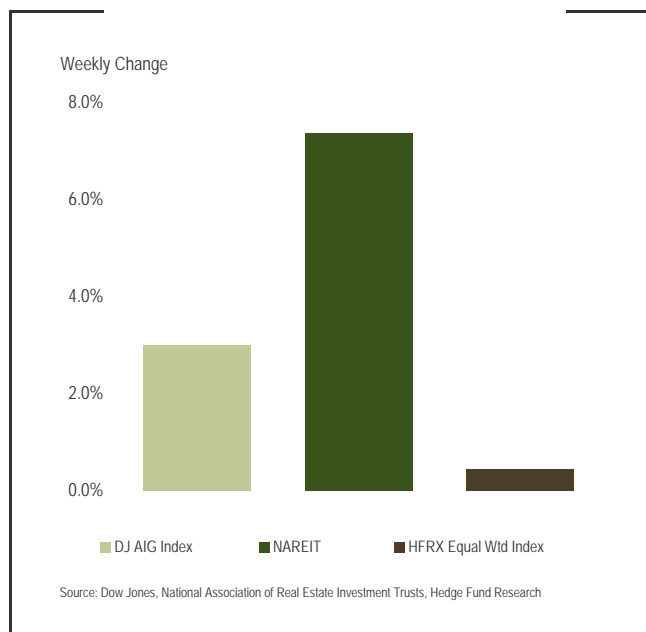
Natural gas reversed the near historic declines of last week and rallied nearly 30% on the week. The rise in natural gas prices is surprising considering recent gas field discoveries and record amounts stored in the United States. According to the Energy Institute of America (EIA), inventory levels are at 3.458 trillion cubic feet, 16% higher than the 5-year average. The EIA estimates that storage levels will rise to 3.840 trillion cubic feet by year-end, just short of peak capacity estimates of 3.889 trillion feet.

Gold reached an 18-month high on Thursday, climbing to \$1,025.80 an ounce on its way to its fifth weekly gain. Trading took gold marginally lower on Friday, ending the week with a modest increase of 0.39%. Many investors remain bearish on gold due to the concern of possible inflation.

Issue	Previous Week	Current ¹	Change
Gold	1,006.40	1,010.30	0.39%
Crude Oil Futures	69.29	72.04	3.97%
Copper	2.85	2.79	-2.11%
Sugar	21.21	21.95	3.49%
HFRX Equal Wtd. Strat. Index	1,075.85	1,080.54	0.44%
HFRX Equity Hedge Index	1,111.69	1,130.23	1.67%
HFRX Equity Market Neutral	995.13	984.62	-1.06%
HFRX Event Driven	1,297.66	1,313.65	1.23%
HFRX Merger Arbitrage	1,405.80	1,408.05	0.16%
Dow Jones UBS Commodity Index	123.79	127.51	3.00%
FTSE/NAREIT All REIT	99.88	107.24	7.37%

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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