

# MainStreet Advisors Financial Market Update

October 2, 2009  
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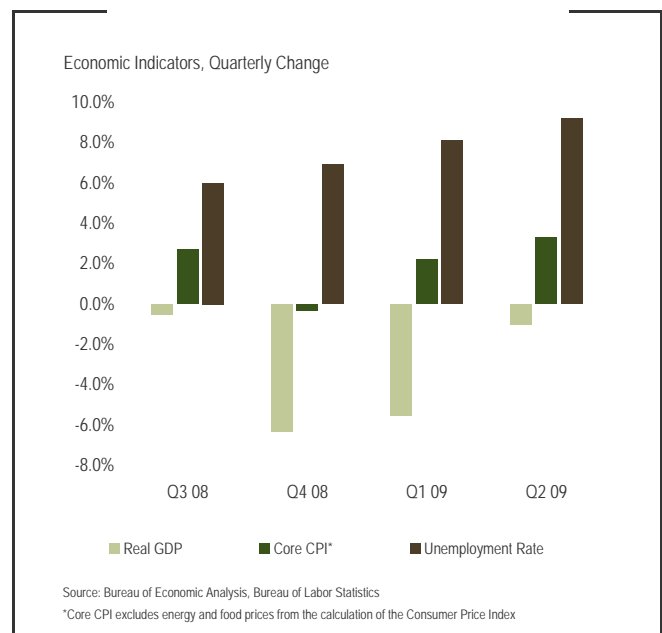
## Economic Update

The U.S. Department of Labor announced Friday that non-farm payrolls shed 263,000 jobs in September. The unemployment rate increased to 9.8%, twice as high as when the recession began in December 2007. The highly anticipated report reflected further declines in construction, manufacturing, retail trade, and government. Personal income however has continued to increase modestly, according to the Department of Commerce. The 0.2% monthly gain in August was offset with a 1.3% increase in personal spending. The report also indicated that personal savings, as a percentage of disposable personal income, was 3.0% in August compared with 4.0% the preceding month. A higher savings rate suggests that an economic recovery will be very gradual, because consumer spending comprises approximately 70% of gross domestic product (GDP). The Department of Commerce reported that the third and final estimates of second quarter GDP indicated the economy declined at an annual rate of 0.7% in the quarter. Earlier estimates reflected a decline of 1.0%. Corporate profits for the second quarter were revised downward, falling 19.2% from the previous year versus the 17.7% decline originally estimated.

Data released this week indicated continued improvements in the housing market. The Standard & Poor's/Case Shiller Home Price Indices, with data through July 2009, showed that prices in the largest 10-City and 20-City U.S. metropolitan areas are recovering. Chairman of the Index Committee at Standard & Poor's noted "we now seem to be witnessing some sustained monthly increases across many of the markets." Separately, the National Association of Realtors reported the seventh consecutive increase in its October Pending Home Sales Index, a leading indicator of housing activity.

Manufacturing activity accelerated in September, according to the Institute for Supply Management (ISM). The sector expanded for the second consecutive month, with 13 of the 18 industries surveyed reporting growth. ISM asked whether these industries expected to experience some benefit from the American Recovery and Reinvestment Act—12 responded yes.

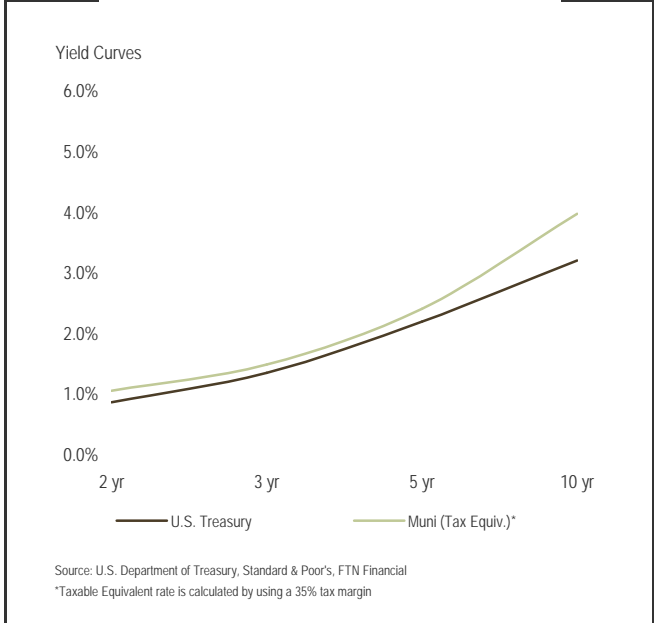
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, National Association of Realtors, The Conference Board.



Sep. 29 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Sep. 29 <sup>th</sup>	Consumer Confidence Index, September	53.1
Sep. 30 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	-6.2%
Sep. 30 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	2.8M Barrels
Sep. 30 <sup>th</sup>	Domestic Motor Vehicle Sales, September	6.7M
Sep. 30 <sup>th</sup>	Announced Layoffs, September	66,404
Oct. 1 <sup>st</sup>	Personal Income, August Monthly Chg.	0.2%
Oct. 1 <sup>st</sup>	Consumer Spending, August Monthly Chg.	1.3%
Oct. 1 <sup>st</sup>	Initial Jobless Claims ( Week ending 9/26)	551,000
Oct. 1 <sup>st</sup>	ISM Mfg. Index - Level, September	52.6
Oct. 1 <sup>st</sup>	Construction Spending, August Monthly Chg.	0.8%
Oct. 1 <sup>st</sup>	Pending Home Sales, August Monthly Chg.	6.4%
Oct. 1 <sup>st</sup>	EIA Natural Gas Report, Wkly. Chg.	64 bcf
Oct. 2 <sup>nd</sup>	Non-farm Payrolls, September Monthly Chg.	-263,000
Oct. 2 <sup>nd</sup>	Unemployment Rate, September	9.8%
Oct. 2 <sup>nd</sup>	Factory Orders, August Monthly Chg.	-0.8%

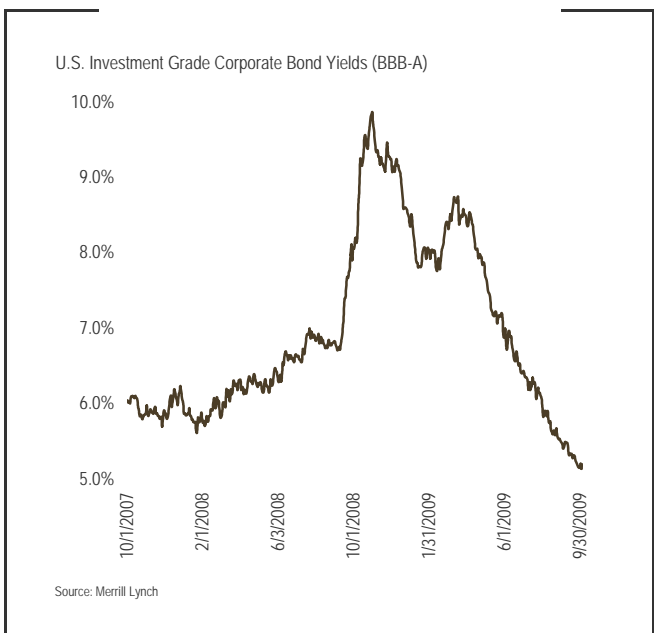
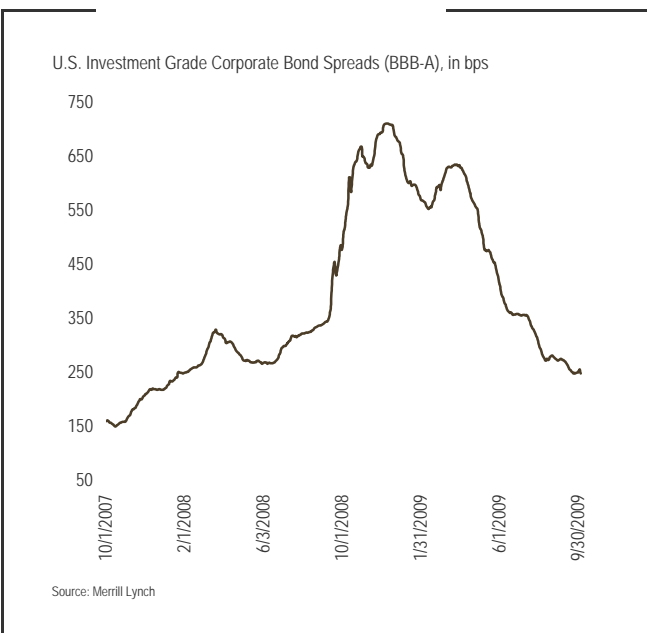
Bond Market Update

Although U.S. Treasuries rallied earlier in the week, investors sold bonds on Friday as they shifted their focus to next week's auction. Overall, government debt ended the week slightly higher. Next week, the Treasury will auction \$39 billion of three-year notes, \$20 billion in 10-year securities, \$12 billion in 30-year bonds and \$7 billion of 10-year TIPS. This marks the second straight week where the Treasury auctioned more than \$70 billion in new securities. Ten-year note yields had dropped earlier in the week to the lowest level since May after a government report showed the U.S. economy lost more jobs than forecast in September, reinforcing expectations for a slower recovery. For the quarter, Treasuries rose 2.1%, marking the strongest three-month performance since the last quarter of 2008, according to Merrill Lynch. Meanwhile, market participants question whether substantial Treasury sales and the decline of the dollar will stop foreign governments such as China and Saudi Arabia from investing large portions of their trade earned dollars into U.S. government securities. However, year-to-date quite the contrary has occurred. So far in 2008, foreign investors bought 43% of all notes and bonds issued by the Treasury versus 27% for the same period in 2007, according to Bloomberg.



Issue	9.25.09	10.2.09	Change
3 month T-Bill	0.10%	0.10%	0.00%
2-Year Treasury	0.93%	0.87%	-0.06%
5-Year Treasury	2.37%	2.20%	-0.17%
10-Year Treasury	3.40%	3.21%	-0.19%
30-Year Treasury	4.17%	3.97%	-0.20%

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



Stock Market Update

U.S. stocks dropped for a second straight week as weak economic reports weighed on investor optimism about the strength of the economic recovery. The Dow Jones Industrial Average lost 177.52 points, or 1.84%, to close at 9,483.97. The broader S&P 500 also lost 1.84%, or 19.17, to end the week at 1,025.17. The technology-heavy NASDAQ Composite finished at 2,048.11, down 42.81 points, or 2.05%.

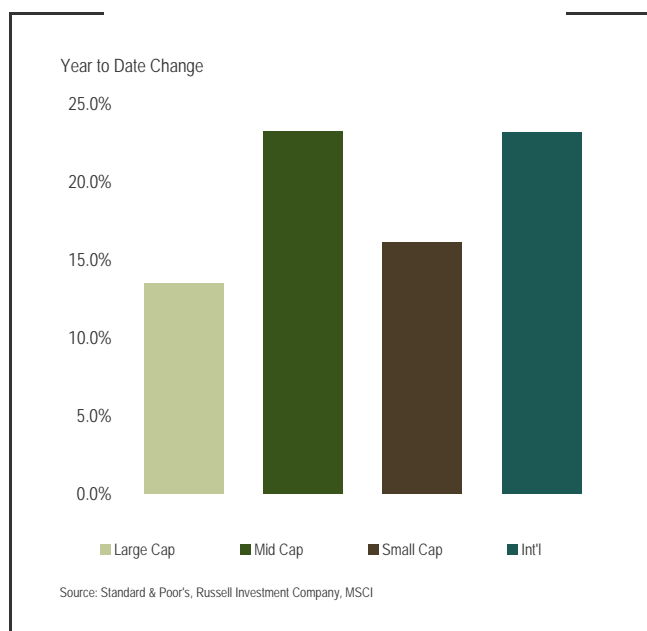
Bank of America Corp. (BAC) made news this week when President and CEO Ken Lewis announced he would retire at the end of the year. Lewis had helped build the company from a mid-sized North Carolina Bank to the largest bank by assets, but had recently come under pressure for the company's harried purchase of Merrill Lynch and billions of dollars of losses during the financial crisis. Separately, Bank of America announced that it would sell the long-term asset management business of Columbia Management to Ameriprise Financial, Inc. (AMP). Ameriprise investors cheered the news, sending the stock up 12.34% on Wednesday.

Energy, industrial, and material stocks led the downside this week, losing 2.97%, 2.99% and 3.05%, respectively, as commodity prices dropped. Consumer staple stocks added 0.28%, the only S&P 500 sector to post a gain on the week.

International stocks sold off this week as well, with the DJ Euro Stoxx 50 dropping 2.52%, Japan's NIKKEI 225 shedding 5.20% and China's Shanghai A Shares dropping 2.09%.

Issue	9.25.09	10.2.09	Change
Dow Jones	9,665.35	9,487.67	-1.84%
S&P 500	1,044.38	1,025.21	-1.84%
NASDAQ	2,090.92	2,048.11	-2.05%
Russell 1000 Growth	459.09	452.91	-1.35%
S&P MidCap 400	678.31	663.43	-2.19%
Russell 2000	598.86	580.2	-3.12%
MSCI EAFE	1,554.09	1,524.76	-1.89%
MSCI EM	908.13	911.26	0.34%
MSCI Small Cap	144.13	142.21	-1.33%

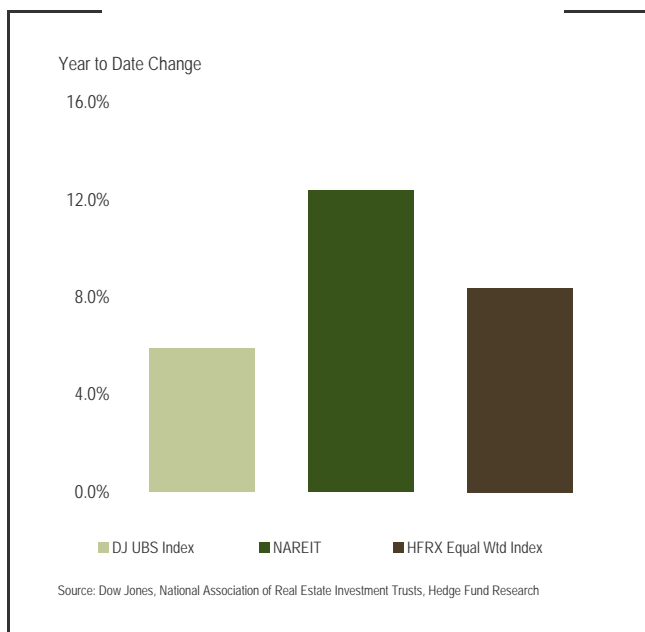
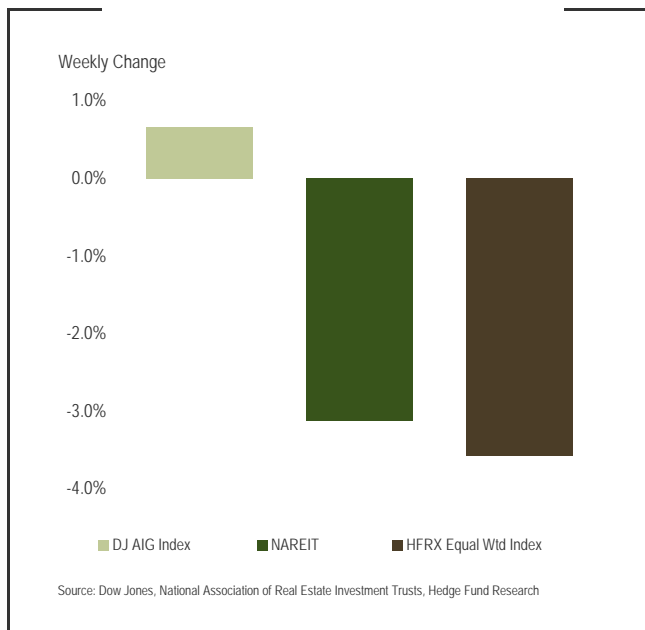
Prices reflect most recent data available at the time of publication  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

The Dow Jones UBS Commodity Index rose 0.66% for the week, with the petroleum sector appreciating nearly 6%. Copper prices fell to the lowest levels in two months in response to the recently announced U.S. employment data. Natural gas fell by 4.65%, followed by soybeans, down 4.43%, and copper, down 2.15%. Unleaded gas and crude oil led the group, up 6.41% and 5.95%, respectively.

Private equity firm KKR & Co. began trading publically in Europe today, which has been two years in the making after withdrawing plans for an initial public offering in 2008. It was also reported by research firm Prequin that private equity commitments in the third quarter of 2009 amounted to \$38 billion, the lowest level of fundraising since the fourth quarter of 2003.



Issue	Previous Week	Current <sup>1</sup>	Change
Gold	991.60	1,004.30	1.28%
Crude Oil Futures	66.02	69.95	5.95%
Copper	2.74	2.68	-2.19%
Sugar	23.17	23.78	2.63%
HFRX Equal Wtd. Strat. Index	1,128.00	1,087.77	-3.57%
HFRX Equity Hedge Index	1,125.01	1,119.42	-0.50%
HFRX Equity Market Neutral	985.34	977.19	-0.83%
HFRX Event Driven	1,316.61	1,323.01	0.49%
HFRX Merger Arbitrage	1,402.02	1,413.52	0.82%
Dow Jones UBS Commodity Index	123.37	124.17	0.65%
FTSE/NAREIT All REIT	102.02	98.84	-3.12%

<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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