

# MainStreet Advisors Financial Market Update

November 25, 2009  
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## Economic Update

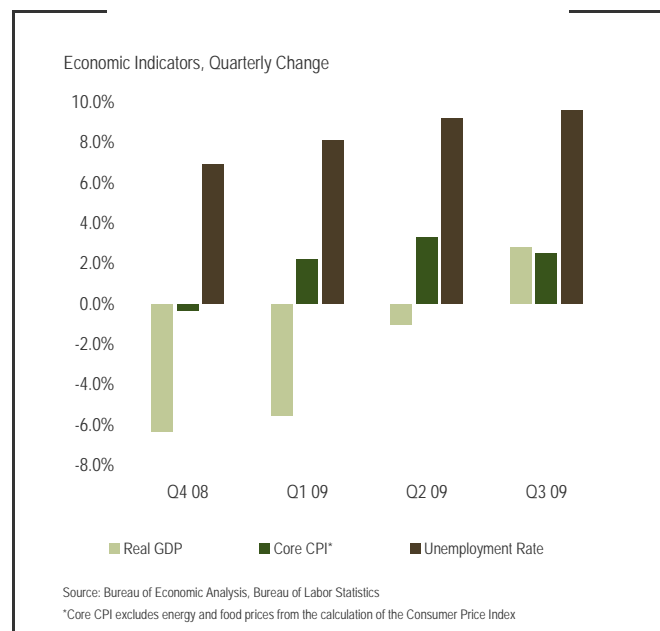
Economic data released this week continued to suggest that the economy is recovering. The U.S. Department of Commerce reported that personal consumption expenditures (PCE) climbed 0.7% in October while personal income increased 0.2%. The report indicated that the personal savings rate, as a percentage of disposable personal income, declined to 4.4% from 4.6% in September. While consumer spending is widely expected to remain mild in the coming months, gauges of consumer confidence have indicated slight improvements in November. The Conference Board Consumer Confidence Index increased 0.8 points to a reading of 49.5 this month. Separately, the Reuters/University of Michigan Surveys of Consumers showed that consumer sentiment increased modestly late-November, largely as a result of ongoing concerns about personal financial situations.

Initial claims for unemployment benefits dropped to 466,000 for the week ending November 21—35,000 less than the previous two weeks. This signals that payroll losses, reported by the U.S. Department of Labor next week, may have continued to taper.

The Commerce Department reported revised estimates of third quarter gross domestic product this week. The revision indicated that the economy expanded at a 2.8% in the quarter, matching consensus estimates. Several factors contributed to the downward revisions, led by lower estimates for PCE.

Activity in the housing market improved further in October, as shown by new and existing home sales. The National Association of Realtors (NAR) reported that sales of existing single-family homes soared to a seasonally adjusted annual rate of 6.10 million units, 10.1% above September. Sales are now at the highest level since February 2007. The Commerce Department announced that new home sales surged 6.1% in October to a seasonally adjusted annual rate of 430,000—a 5.1% increase from October 2008. Meanwhile, home prices have continued to improve. The Standard & Poor's/Case-Shiller Home Price Indices indicated that the U.S. National Home Price Index posted its second consecutive quarterly increase in the third quarter.

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

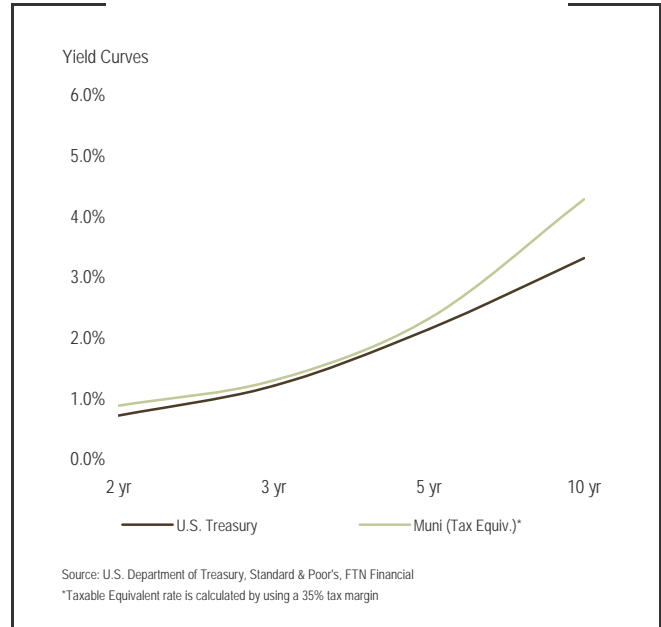


Nov. 23 <sup>rd</sup>	Existing Home Sales, October SAAR*	6.10M
Nov. 24 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.0%
Nov. 24 <sup>th</sup>	Real GDP, Q3 Quarterly Change SAAR*	2.8%
Nov. 24 <sup>th</sup>	GDP Price Index, Q3 Quarterly Change SAAR*	0.5%
Nov. 24 <sup>th</sup>	After-tax Corporate Profits, Q3 Annual Change	-7.2%
Nov. 24 <sup>th</sup>	S&P/Case-Shiller Composite 20 Index, December	146.5
Nov. 24 <sup>th</sup>	Consumer Confidence Index, November	49.5
Nov. 24 <sup>th</sup>	State Street Investor Confidence Index, November	100.8
Nov. 24 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	9.6%
Nov. 24 <sup>th</sup>	Durable Goods New Orders, Oct. Monthly Chg.	-0.6%
Nov. 25 <sup>th</sup>	Personal Income, October Monthly Chg.	0.2%
Nov. 25 <sup>th</sup>	Consumer Spending, October Monthly Chg.	0.7%
Nov. 25 <sup>th</sup>	Initial Jobless Claims ( Week ending 11/21)	466,000
Nov. 25 <sup>th</sup>	Consumer Sentiment Index, November	67.4
Nov. 25 <sup>th</sup>	New Home Sales, October	430,000
Nov. 25 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	1.0M Barrels

Bond Market Update

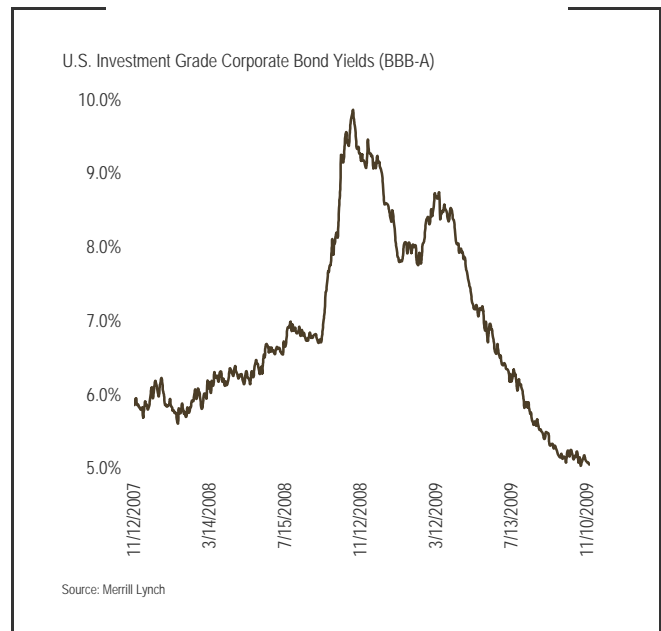
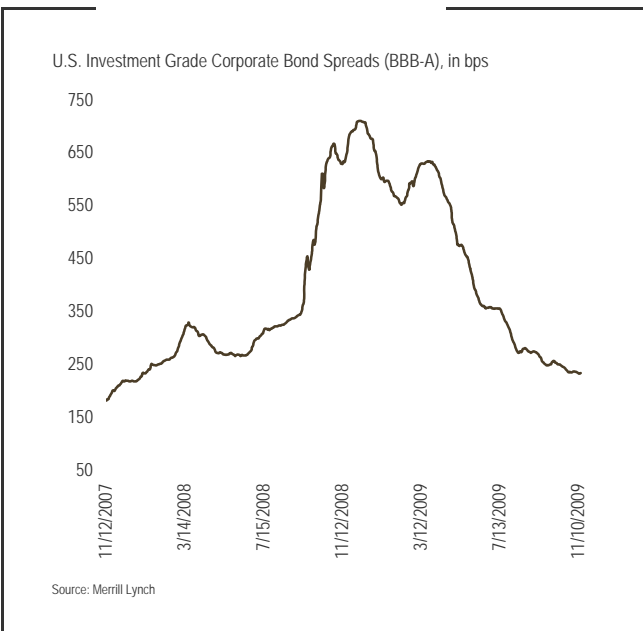
Economic news releases and record supply of Treasury bonds at auction dominated the fixed income market's attention this week. The Treasury market continued to be well bid for the record setting \$44 billion in two-year notes, priced to yield a historically low 0.802%, and \$44 billion in 5 year notes, yielding 2.175%. At the time the 5-year auction closed, the high bid yield was actually lower than market prices by 2.5 basis points, and the market immediately moved to that level. On Wednesday, \$32 billion of 7-year notes was auctioned to a yield of 2.835%, again a level modestly below the market at time of announcement. The bid to cover ratio, an indication of the number of total auction bids compared to the number of securities offered, remains high by historical standards, but slightly less than last month's auctions.

New York Federal Reserve Bank Chairman Stephen Friedman resigned. Friedman was a director of Goldman Sachs, and when Goldman converted to a bank holding company, Friedman was in violation of Fed rules on conflicts of interest. A new Fed policy was unveiled today, providing further guidelines on these matters.



Issue	11.18.09	11.25.09	Change
3 month T-Bill	0.02%	0.05%	-0.03%
2-Year Treasury	0.75%	0.73%	-0.02%
5-Year Treasury	2.20%	2.15%	-0.05%
10-Year Treasury	3.36%	3.32%	-0.04%
30-Year Treasury	4.30%	4.25%	-0.05%

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



Stock Market Update

With an early market close on Friday that has historically seen light volume, stocks gained on a healthy dose of positive economic news. Major indices all posted gains through Wednesday, with the Dow Jones Industrial Average (DJIA) up 146.24 points, or 1.42% to close at 10,464.40. The broader S&P 500 gained 19.25, or 1.76%, to close at 1,110.63, and the technology-heavy NASDAQ Composite gained 1.40%.

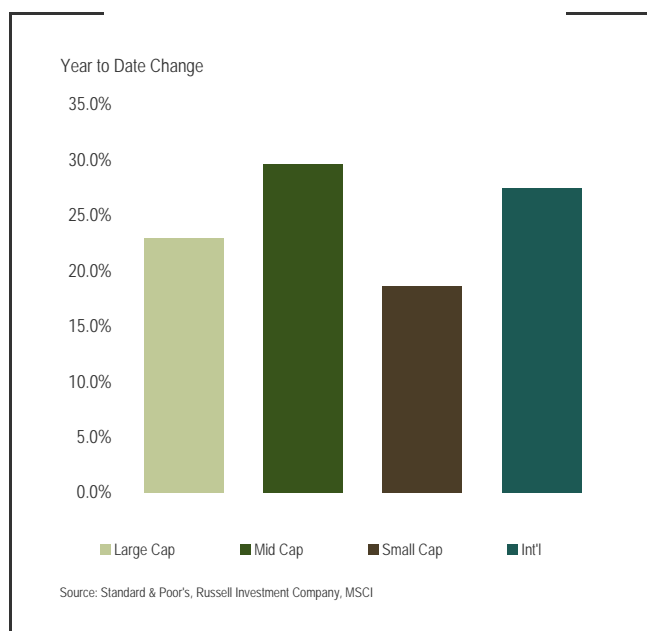
Toyota Motor Corp (ADR: TM), the world's largest auto manufacturer, announced this week a recall that would affect nearly four million U.S. vehicles, according to Bloomberg. The recall relates to incidents of the accelerator pedal becoming trapped beneath the floor mat. This recall, the firm's largest ever, comes just one day after it recalled 110,000 Tundra pickups for frame corrosion that damaged brake lines, according to Bloomberg.

Battered by competition, price wars and the general slump in the overall economy, booksellers Barnes & Noble (BKS) and Borders (BGP) posted dismal third quarter results. Sales at stores open at least one-year declined 3.2% and 12.0%, respectively. Despite the disappointing quarter, Barnes & Noble remains excited about its Nook electronic book reader, which has sold-out for the holiday season, forcing the company to increase its production schedule.

Stocks in Europe and Australia rose through Wednesday on higher metals prices. The DJ Euro Stoxx 50 gained 2.25% and the S&P/ASX 200 index gained 0.78% in Australia. However, Asian stocks posted modest declines with the NIKKEI 225 shedding 0.59% in Japan and the Shanghai SE A Shares Index dropping 0.54% in China.

Issue	11.18.09	11.25.09	Change
Dow Jones	10,318.16	10,460.92	1.38%
S&P 500	1,091.38	1,110.63	1.76%
NASDAQ	2,146.04	2,175.49	1.37%
Russell 1000 Growth	484.97	492.94	1.64%
S&P MidCap 400	687.54	697.78	1.49%
Russell 2000	584.68	592.19	1.28%
MSCI EAFE	1,568.37	1,576.77	0.54%
MSCI EM	968.46	972.19	0.38%
MSCI Small Cap	143.37	143.54	0.12%

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

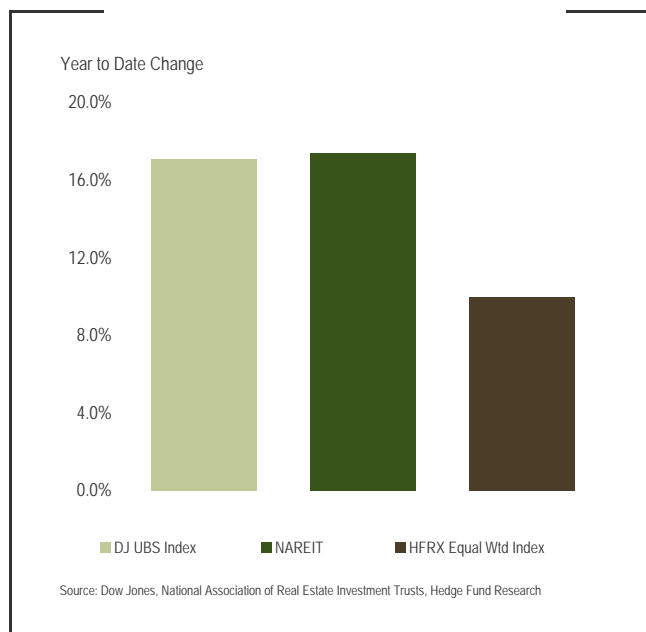
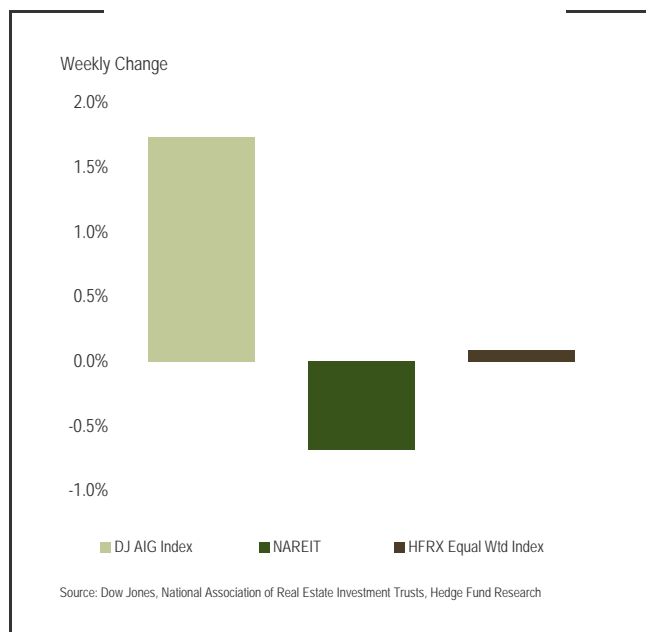
News in the alternative space continues to be dominated by commodities. The usual lack of volume and trading activity Thanksgiving week was not observed in precious metals, with gold again hitting new highs this week. On Wednesday, dollar weakness was fairly strong with the U.S. dollar index trading below the crucial 75 level, the Euro breaking through \$1.50 and the dollar trading below 88 yen, two key levels for the greenback. As the dollar weakens, commodities priced in dollars rise, and gold made another record high, trading over \$1,185 this week. However, oil continues its seesaw between \$75-\$80 bbl, despite the dollar weakness.

A story in the Wall Street Journal pointed out that demand for vault storage of bullion by exchange traded funds has gotten so strong that one vault operator, HSBC, is now requiring its non-institutional clients relocate their gold to another vault operator or HSBC will deliver to it them. In a sign of life for the beleaguered private equity industry, Leon Black's Apollo Global Management LLC has brought back plans to go public and list the shares on the New York Stock Exchange.

In venture capital (VC), a trend toward cheaper pricing on partnership terms has taken hold. Previously the VC industry charged annual fees of 3-4% and a "carried interest" fee - the fee the VC company charges when it sells one of its investments for profit - of 30%. Recent deals have quoted those fees at 2% and 20%, respectively. According to VC industry research firm Prequin, 134 VC funds have raised \$20.4 billion, through November, compared to \$58.2 billion for all of 2008.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,150.70	1,191.90	3.58%
Crude Oil Futures	76.72	77.95	1.60%
Copper	314.95	320.25	1.68%
Sugar	22.47	22.32	-0.67%
HFRX Equal Wtd. Strat. Index	1,102.65	1,103.64	0.09%
HFRX Equity Hedge Index	1,144.12	1,145.37	0.11%
HFRX Equity Market Neutral	996.50	993.18	-0.33%
HFRX Event Driven	1,337.49	1,341.11	0.27%
HFRX Merger Arbitrage	1,429.00	1,426.96	-0.14%
Dow Jones UBS Commodity Index	134.90	137.24	1.73%
FTSE/NAREIT All REIT	103.94	103.23	-0.68%

<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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