

# MainStreet Advisors Financial Market Update

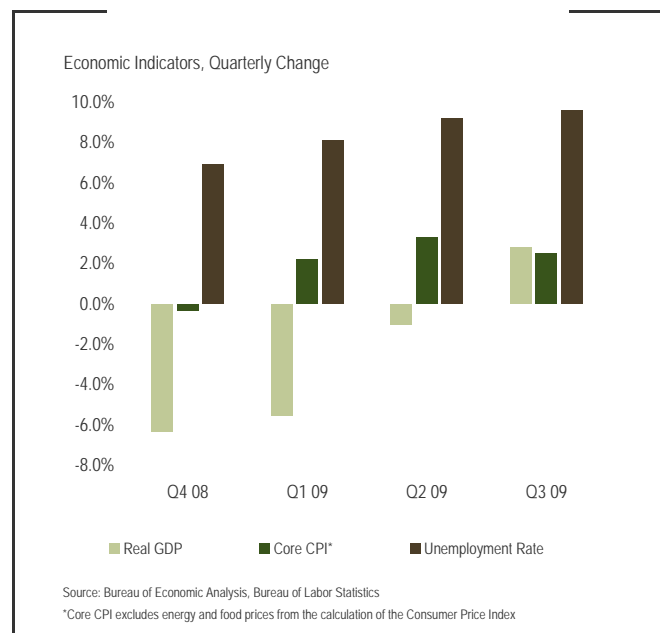
December 11, 2009  
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## Economic Update

The Reuters/University of Michigan Surveys of Consumers showed that sentiment has picked up in early December. The survey indicated that consumers consider current economic conditions to have improved and that expectations for the economic outlook have increased as well. The RBC CASH Index, a measure of U.S. consumer attitudes towards economic conditions, personal financial situations, savings, and the confidence to make large investments, also increased in December. The reading of 39.0 is twice as strong as December 2008. RBC Capital Markets U.S. Economist Tom Porcelli noted that consumers are typically more optimistic during the holiday season and while overall confidence remains weak, consumers are becoming more hopeful. These gauges in consumer confidence are encouraging for the holiday shopping season. Data showed that retail activity increased heading into the holiday season. The U.S. Department of Commerce announced on Friday that retail sales advanced 1.3% in November, beating consensus estimates. Excluding auto-related sales, retail sales increased 1.2%.

The Department of Commerce reported that business inventories increased 0.2% in October, following a 0.4% decline in September. This suggests that the correction in business inventory since August 2008 may have concluded. Businesses will have to restock diminished inventories at some point, which will likely be the next stage in working towards an economic recovery.

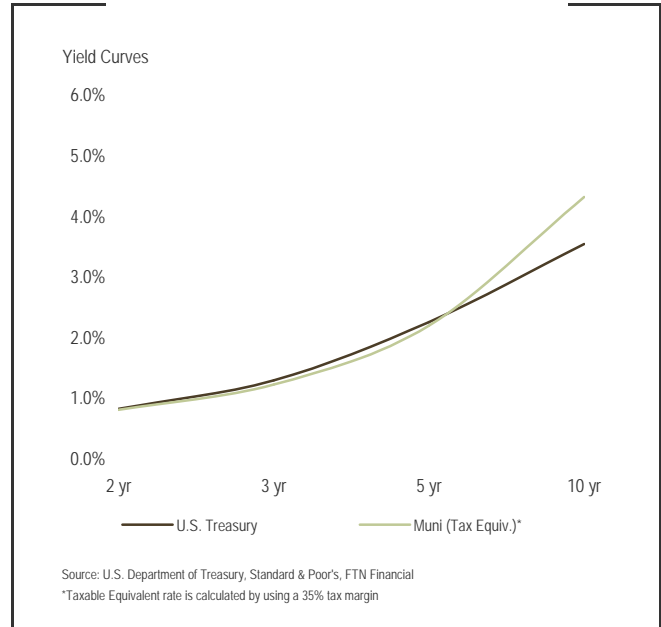
The U.S. international trade gap narrowed to \$32.9 billion in October as exports increased \$3.5 billion from September and imports increased \$0.7 billion. The Commerce Department reported that higher exports were led by increases in capital goods and consumer goods. Separately, the Department of Labor released the U.S. Import and Export Price Indexes for November on Friday. Import prices climbed 1.7% for the month while export prices advanced 0.8%.



Dec. 7 <sup>th</sup>	Consumer Credit, October Monthly Change	-3.5B
Dec. 8 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.3%
Dec. 9 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	4.0%
Dec. 9 <sup>th</sup>	Wholesale Inventories, October Monthly Chg.	0.3%
Dec. 9 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-3.8M Barrels
Dec. 10 <sup>th</sup>	International Trade Balance Level, October	-32.9B
Dec. 10 <sup>th</sup>	Initial Jobless Claims ( Week ending 12/5)	474,000
Dec. 10 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	-64 bcf
Dec. 11 <sup>th</sup>	Retail Sales, November Monthly Chg.	1.3%
Dec. 11 <sup>th</sup>	Import Prices, November Monthly Chg.	-4.2%
Dec. 11 <sup>th</sup>	Export Prices, November Monthly Chg.	-2.3%
Dec. 11 <sup>th</sup>	Consumer Sentiment Index, December	73.4
Dec. 11 <sup>th</sup>	Business Inventories, October Monthly Chg.	0.2%

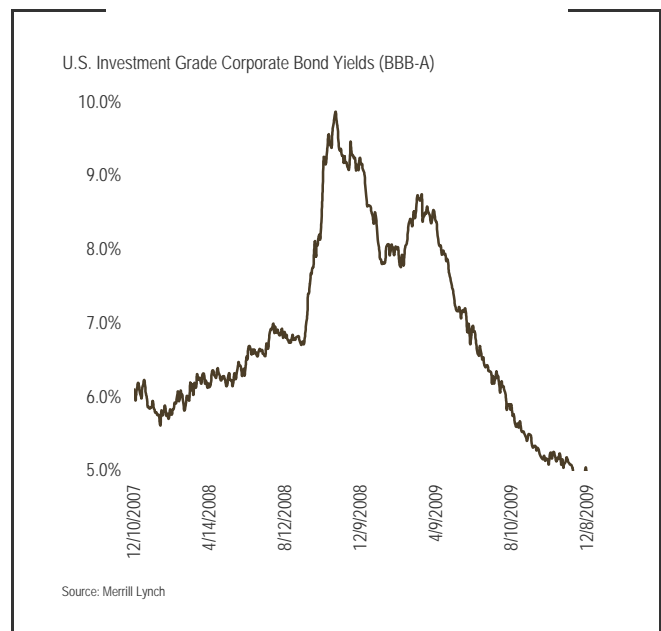
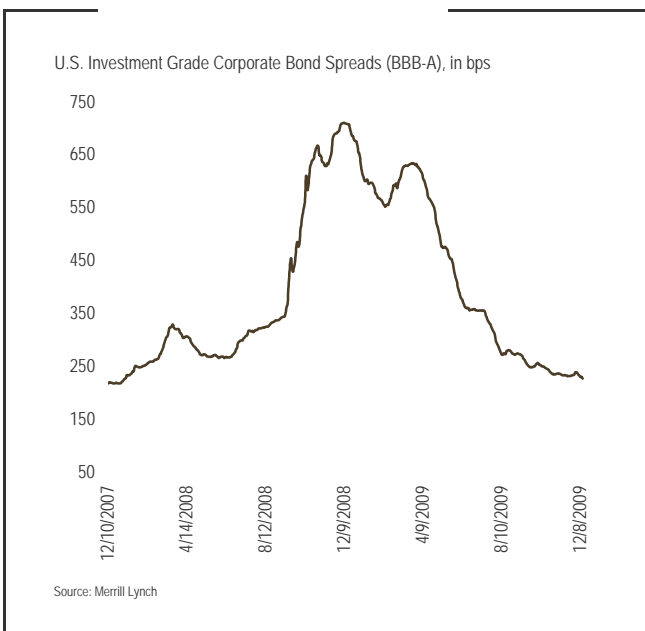
Bond Market Update

U.S. Treasuries sold off for the second straight week on some surprisingly positive reports on the consumer, as retail sales and the Reuters/University of Michigan consumer confidence survey came in stronger than expected. The spread, or difference in yield, between 2 two- and 30-year government securities widened to the highest level in over 30 years as investors bet the Federal Reserve will keep short-term rates low while the government continues to sell longer maturity debt, keeping these yields elevated. Treasury officials said recently that they will issue more long-term debt and reduce sales of bills and two- and three-year notes as the government borrows record amounts to fund spending programs. The Treasury spread has now reached 3.74% after averaging 1.32% over the past five years. Many analysts feel the yield curve may widen even further in what's known as a "bear steepener" wherein long-term yields increase at a faster rate than short-term government debt. A steepening yield curve often, but not always, indicates that market participants expect positive economic growth and accelerating inflation expectations. Currently, traders have reduced bets that the Fed will raise short-term rates by June 2010 as fed fund futures fell to 47.8% versus 54.0% a week ago, indicating that these market participants feel the central bank will keep short-term rates low for an extended period.



Issue	12.4.09	12.11.09	Change
3 month T-Bill	0.06%	0.03%	-0.03%
2-Year Treasury	0.84%	0.83%	-0.01%
5-Year Treasury	2.24%	2.26%	0.02%
10-Year Treasury	3.48%	3.55%	0.07%
30-Year Treasury	4.40%	4.49%	0.09%

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



Stock Market Update

Stocks ended the week slightly higher as weakness in financial stocks weighed on the performance of indices. The Dow Jones Industrial Average (DJIA) added 65.67 points, or 0.63%, to end the week at 10,471.50 while the broader S&P 500 gained 0.37%, closing at 1,106.41.

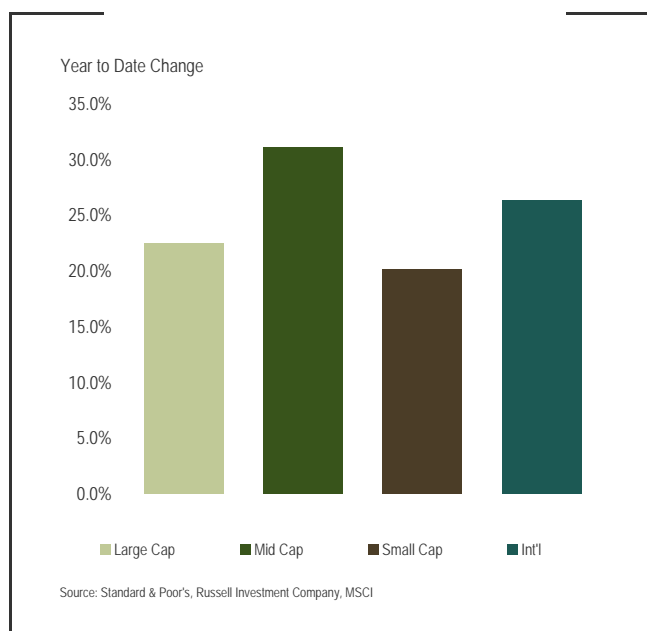
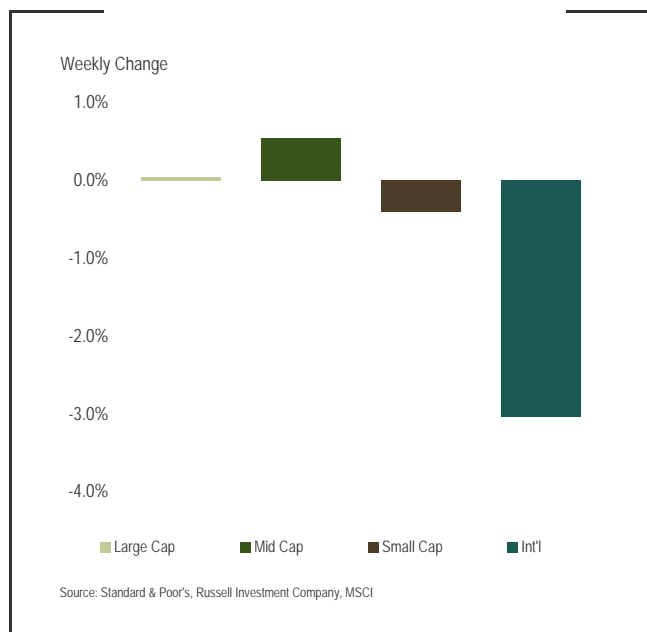
The financial sector posted a decline of 2.12% this week, despite news that Bank of America (BAC) would repay the \$45 billion it lent from the federal government under the Troubled Asset Relief Program, according to Reuters. Leading the upside were utilities stocks on weak coal and crude oil prices, both of which are inputs to the power generation process. Consumer discretionary stocks gained 1.92% this week, largely on big gains made Thursday and sustained Friday on news that retail sales were better than expected in November.

Shipper FedEx (FDX), often viewed as a bellwether for the broader economy, announced Monday that its fiscal second quarter was better than expected. The company reported that it earned \$1.10 a share, 24 cents above the consensus estimate of 86 cents. FedEx cited its cost controls and a pick-up in shipping due to businesses restocking inventory, according to Bloomberg.

Stocks in Japan lost 0.59% as measured by the NIKKEI 225 Index as Japan unveiled an \$81 billion stimulus plan. Stocks in Europe dropped 1.17% as measured by the DJ Euro Stoxx 50 Index, after Spain had its credit outlook reduced and the credit rating of Greece was downgraded.

Issue	12.4.09	12.11.09	Change
Dow Jones	10,388.90	10,471.50	0.80%
S&P 500	1,105.98	1,106.41	0.04%
NASDAQ	2,194.35	2,190.31	-0.18%
Russell 1000 Growth	492.10	492.62	0.11%
S&P MidCap 400	702.14	705.94	0.54%
Russell 2000	602.79	600.37	-0.40%
MSCI EAFE	1,612.59	1,563.64	-3.04%
MSCI EM	986.07	965.26	-2.11%
MSCI Small Cap	146.57	141.49	-3.47%

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.



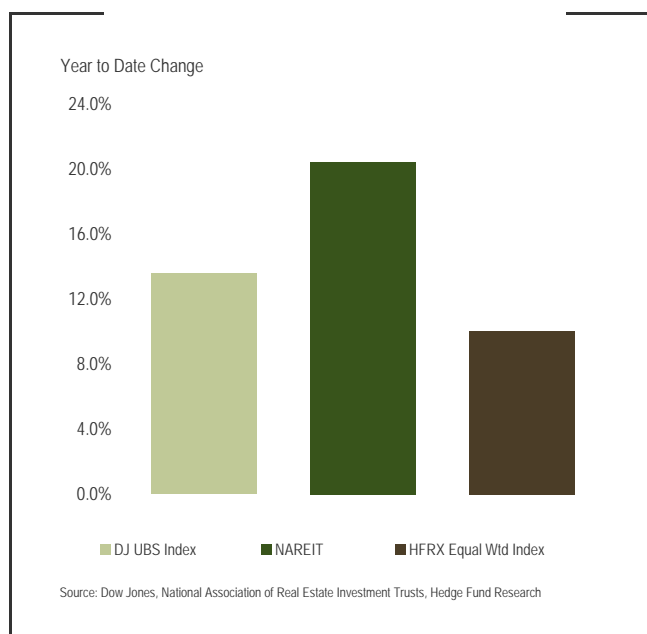
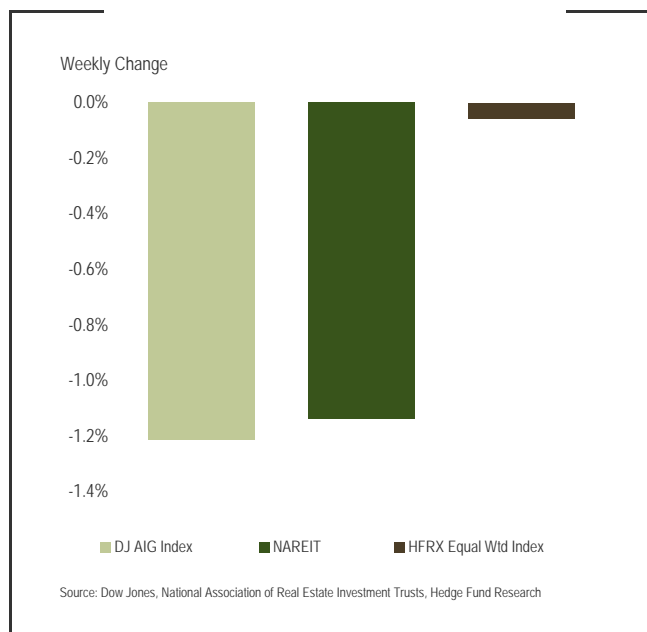
Alternative Investments Market Update

Commodity prices tend to be more volatile than stocks and bonds, a trend that continued this week. Last Friday's \$48 per ounce drop in gold prices due to positive trends in unemployment continued this week as commodity prices fell amid good economic news and a rally in the U.S. dollar. This week's closing prices made a four-week low and erased all of the price gains for November. Gold declined and the dollar rose despite news of worsening sovereign credit outlooks for Portugal, Spain, Greece, Dubai, Abu Dhabi and the U.K. Often rising risks in sovereign debt ratings stoke a flight to quality trade of heavy dollar buying, but the market focused more on the relative health of the U.S. economy. Crude oil, having see-sawed from \$75-\$80 per barrel for the last several weeks, succumbed to the rising dollar and broke through the psychological barrier of \$70 to settle at \$69.87 per barrel on Friday.

A climate change conference kicked off this week in Copenhagen, with the world wide attendees focusing efforts on reducing CO2 emissions. Vice President Al Gore, an ardent supporter of alternative investments and also a partner and advisor to Kleiner Perkins, a private equity firm with significant investments in alternative energy, cancelled his appearance at the meeting. Critics cite the growing focus on hacked emails demonstrating data manipulation among top scientist, "ClimateGate," as a possible reason for his absence. Also in private equity developments, the U.S. House of Representatives voted to raise the tax on so called "carried interest" from 15% to 35%. Carried interest, represents a gain on activity performed within a limited partnership and industry experts fear this measure may impact funding of small and mid-sized start-up businesses.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,162.70	1,116.20	-4.00%
Crude Oil Futures	75.74	69.81	-7.83%
Copper	320.05	314.20	-1.83%
Sugar	22.52	24.00	6.57%
HFRX Equal Wtd. Strat. Index	1,105.11	1,104.49	-0.06%
HFRX Equity Hedge Index	1,149.43	1,135.48	-1.21%
HFRX Equity Market Neutral	988.43	989.64	0.12%
HFRX Event Driven	1,337.28	1,338.50	0.09%
HFRX Merger Arbitrage	1,426.70	1,435.27	0.60%
Dow Jones UBS Commodity Index	134.79	133.15	-1.21%
FTSE/NAREIT All REIT	107.17	105.95	-1.14%

<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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