

Economic Update

The Bureau of Labor Statistics (BLS) reported September unemployment of 9.6%, unchanged from the prior month. Private-sector employment added 64,000 jobs and continued to trend upwards; however, total non-farm payroll fell by 95,000—largely skewed by government layoffs as another large round of temporary census workers were released. The BLS reported that the average workweek remained unchanged at 34.2 hours, while average hourly earnings rose 1 cent to \$22.67.

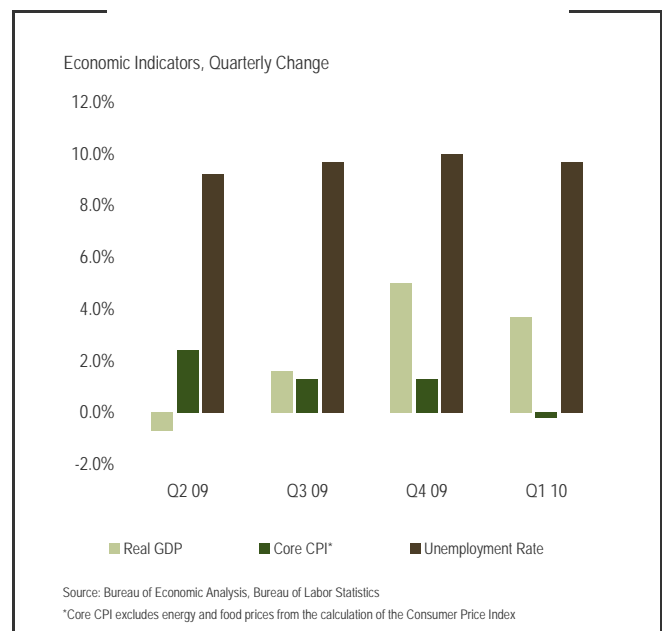
The National Association of Realtors (NAR) reported that the Pending Home Sales Index advanced for the second consecutive month to 82.3, or 4.3%. NAR chief economist Lawrence Yun noted “attractive affordability conditions from very low mortgage interest rates appear to be bringing buyers back to the market.” Uncertainty in the housing markets remains high due to several factors, including consumer confidence, mortgage rate stability, and inflation.

Activity in the non-manufacturing sector, shown by the Institute for Supply Management Non-Manufacturing Index, picked up in September. Component indexes reflected growth in employment and export orders but a deceleration in business activity and production. The survey found that 11 industries reported growth for the month and that survey participants’ comments “continue to be mixed about business conditions, with a slight majority reflecting optimism.”

Data released on Thursday reflected a \$3.3 billion decrease in consumer credit outstanding for August, marking the seventh straight month of downward movement. Credit card debt has been aggressively reduced by consumers in tandem with continued high rates of unemployment. Non-revolving credit, led by car loans, rose \$1.7 billion in August.

The Bank of Japan announced this week that it would cut its key lending rate to almost zero in an attempt to stimulate its economy, which has been negatively impacted by falling prices and a strong Yen. Investors were encouraged by the move, which promoted the view that international central banks would take necessary actions to support the global economy.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, National Bureau of Economic Research, the Institute for Supply Management, the National Association of Realtors.



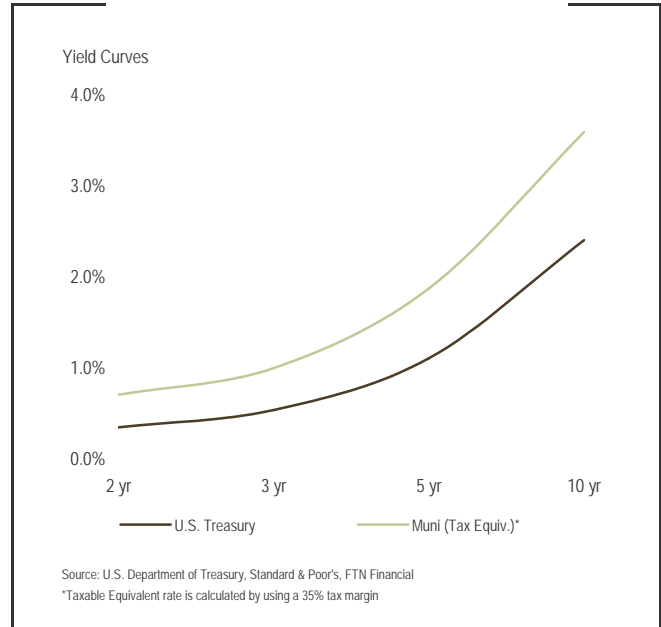
Oct. 4 th	Factory Orders, Nov. Monthly Chg.	-0.5%
Oct. 4 th	Pending Home Sales, August Monthly Chg.	4.3%
Oct. 5 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.8%
Oct. 5 th	ISM Non-Mfg. Index, September	53.2
Oct. 6 th	MBA Purchase Applications Index, Wkly. Chg.	9.3%
Oct. 6 th	Announced Layoffs, September	37,151
Oct. 6 th	EIA Petroleum Status Report, Wkly. Chg.	3.1M Barrels
Oct. 7 th	Initial Jobless Claims (Week ending 10/2)	445,000
Oct. 7 th	EIA Natural Gas Report, Wkly. Chg.	85 bcf
Oct. 7 th	Consumer Credit, August Monthly Change	-3.3B
Oct. 8 th	Non-farm Payrolls, September Monthly Chg.	-95,000
Oct. 8 th	Unemployment Rate, September	9.6%
Oct. 8 th	Wholesale Inventories, August Monthly Chg.	0.8%

Bond Market Update

Yields fell across the entire Treasury curve with the exception of the 30-year Treasury bond. Despite rising equity markets, investors still purchased bonds following a disappointing employment report and further speculation the Federal Reserve will undergo additional quantitative easing. On Friday, 2- and 5-year Treasury yields fell to a record low, while the 10-year fell to the lowest level since early 2009. The 5-year Treasury note set fresh lows each day this week.

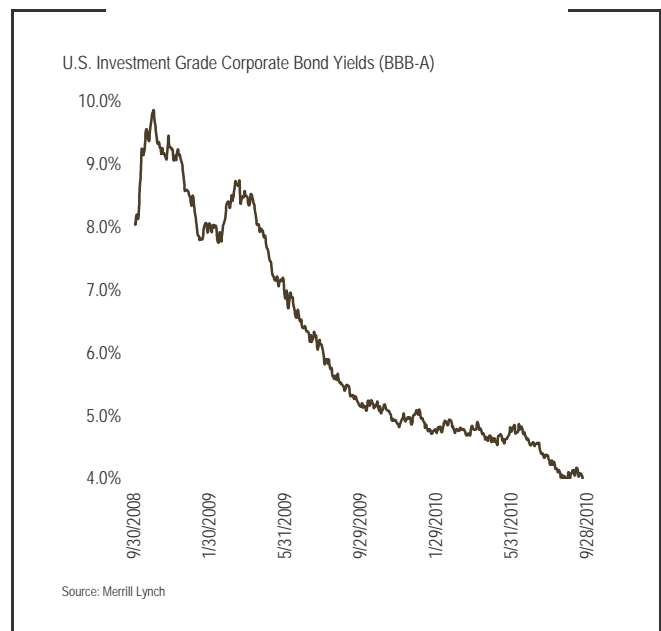
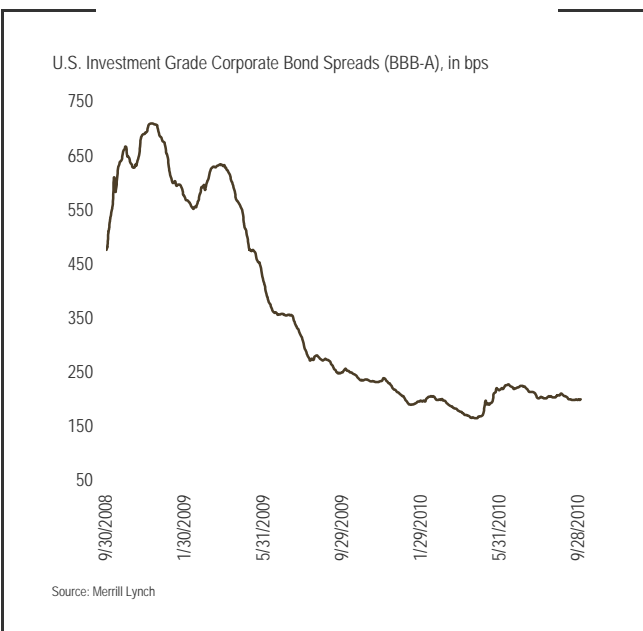
According to Bloomberg, investors purchased \$13.2 billion of junk-bonds in the first week of October, pushing the YTD total to \$263.5 billion—26% higher than the previous record set last year following the financial crisis. Default rates continue to decline, further fueling investor demand for higher yielding assets. Moody's predicts default rates will fall to 2.7% by year-end and under 2% by late 2011. Additionally, during September, upgrades outpaced downgrades for the 17th consecutive month.

Many analysts and strategists expect the Federal Reserve to announce a plan to purchase \$500 billion in bonds over a period of several months in November. In response, Barclays lowered their year-end forecast for the 2-year yield to 0.3% and the 10-year yield to 2.4%.



Issue	10.1.10	10.8.10	Change
3 month T-Bill	0.16%	0.12%	-0.04%
2-Year Treasury	0.42%	0.35%	-0.07%
5-Year Treasury	1.27%	1.11%	-0.16%
10-Year Treasury	2.53%	2.41%	-0.12%
30-Year Treasury	3.69%	3.75%	0.06%

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



Stock Market Update

Stocks had a strong second week of October, shrugging off a sluggish start to finish in positive territory. Monday saw the Dow Jones Industrial Average fall 78.41 points, or 0.7%, in its largest drop in nearly a month. This reversed dramatically on Tuesday as upbeat U.S. economic data and news that Japan would lower rates to bolster its economy pushed stocks to 5-month highs. Downgrades in the technology sector and concerns about the employment report kept markets grounded as the week proceeded, but Friday sent stocks back on the rise as a downtrodden employment report boosted investor hopes that the Fed will take further steps to stimulate the economy. The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices finished the week up 1.65%, 1.63%, and 1.31%, respectively.

Pessimistic expectations sent shares of aluminum maker Alcoa, Inc. (AA) stumbling on Monday, with some analysts fearing that forecasts for the company were unrealistic ahead of its earnings report on Thursday. Sentiment improved as the week proceeded, with the stock surging after the company reported better-than-expected third quarter profits and increased its projection for global aluminum demand in 2010. Alcoa, which gained the most in the Dow Jones on Friday, jumped 5.4% on the week.

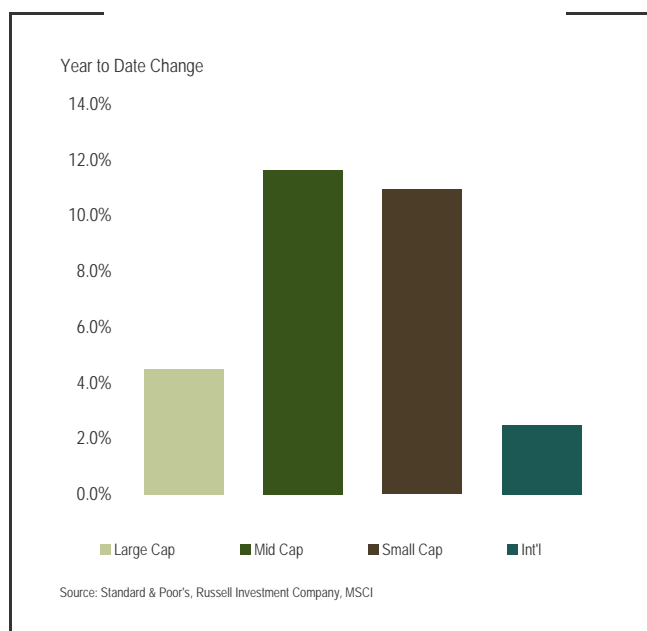
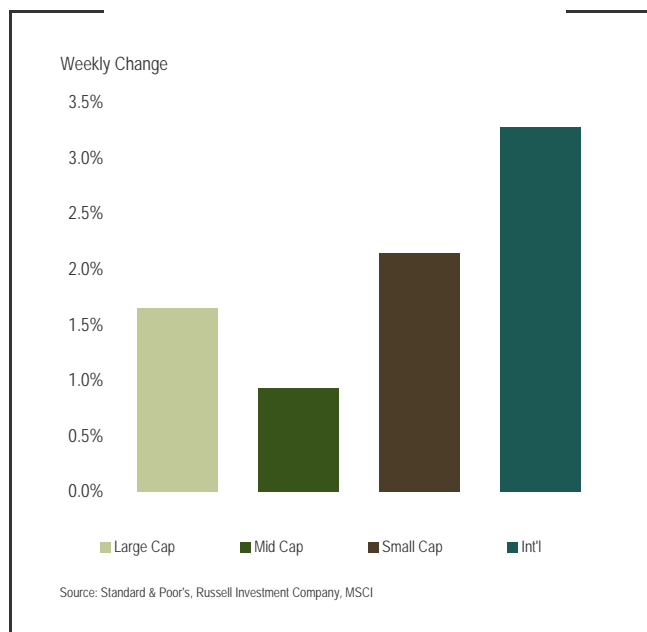
Shares of software giant Adobe Systems Inc. (ADBE) dropped 5.93% on Friday after the Wall Street Journal published an article dismissing rumors that Microsoft Corp. (MSFT) might attempt to acquire the company. The article was poignant in asserting that the deal would be a disaster, claiming that such a merger could even help competitor Apple Inc. (AAPL).

Mexican stocks closed this week at the highest level of all time, reacting favorably to the weak U.S. employment report and the strong rally in U.S. markets. The local IPC Index that tracks the 35 most active Mexican stocks was up 0.6% to finish at 34,464.82.

Issue	10.1.10	10.8.10	Change
Dow Jones	10,829.68	11,006.48	1.63%
S&P 500	1,146.24	1,165.15	1.65%
NASDAQ	2,370.75	2,401.91	1.31%
Russell 1000 Growth	517.17	525.76	1.66%
S&P MidCap 400	803.9	811.37	0.93%
Russell 2000	679.29	693.82	2.14%
MSCI EAFE	1,561.01	1,612.09	3.27%
MSCI EM	1,075.53	1,102.82	2.54%
MSCI Small Cap	152.61	157.20	3.01%

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

Reduced crop forecasts from the U.S. Department of Agriculture and a weakening dollar fueled a surge in commodity prices on Friday. On Friday, corn futures soared 6% to a 2-year high of \$5.28 per bushel, driving wheat and soybean prices higher as well. According to Bloomberg, these grains experienced the maximum daily gain allowed by the Chicago Board of Trade. Gold futures rebounded Friday on increased expectation for another round quantitative easing by the Fed. Investors continue to seek gold as a hedge against expected inflation and to transition away from currencies into "hard assets".

The dollar continued to depreciate against major currencies on Friday, down over 7% in six weeks. Additional quantitative easing by the Federal Reserve would push the dollar lower. While a lower U.S. dollar is good for domestic exporters, other countries are also beginning to take proactive steps to lower the value of their local currencies. Countries such as Japan and China are attempting to artificially lower their currency to protect their exporting economy prompting many to worry about a potential currency war.

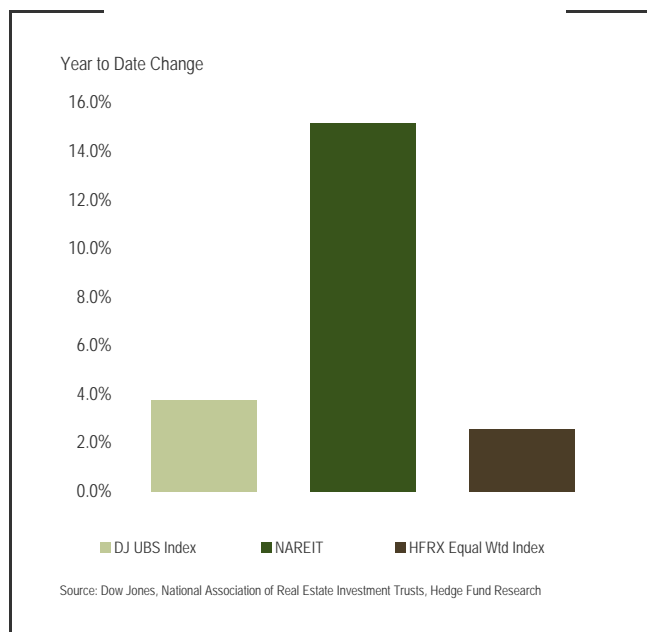
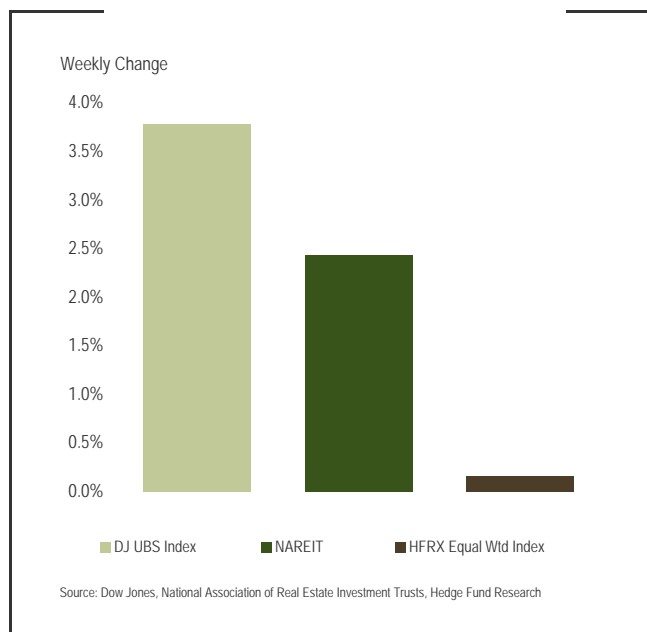
Treasury Secretary Timothy Geithner criticized France for opposing recent European Union proposals for better regulation in the hedge-fund industry. The proposal would allow non-European hedge-fund managers to operate across the EU under the same regulatory conditions as European funds. France argued that non-European funds would not benefit from the same degree of protection. Geithner voiced concern that this could lead to unfair competition and discrimination against non-European funds.

Prior to the financial crisis, the private-equity industry made headlines by completing "mega-deals". With refinancing and borrowing costs falling, larger corporations are better able to recapitalize themselves without the assistance of buyout shops. The industry may remain a focused, niche market on smaller deals for the foreseeable future.

Issue	Previous Week	Current ¹	Change
Gold	1,320.30	1,347.90	2.09%
Crude Oil Futures	81.65	82.84	1.46%
Copper	369.10	378.50	2.55%
Sugar	23.36	26.32	12.67%
HFRX Equal Wtd. Strat. Index	1,138.56	1,140.33	0.16%
HFRX Equity Hedge Index	1,154.04	1,163.20	0.79%
HFRX Equity Market Neutral	986.28	981.44	-0.49%
HFRX Event Driven	1,375.85	1,374.83	-0.07%
HFRX Merger Arbitrage	1,489.26	1,487.70	-0.10%
Dow Jones UBS Commodity Index	139.14	144.39	3.78%
FTSE/NAREIT All REIT	126.30	129.37	2.43%

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, The International Monetary Fund.



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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