

MainStreet Advisors Financial Market Update

June 4, 2010
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Economic Update

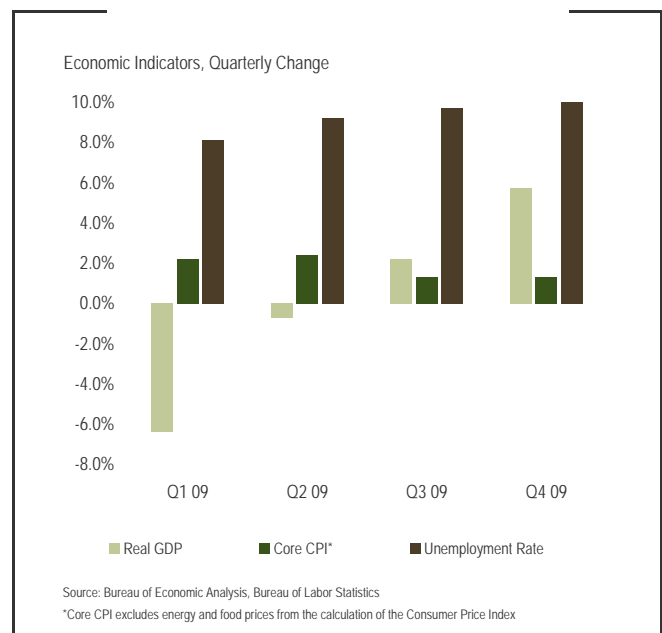
Mostly positive economic data was largely offset by a mixed employment report Friday. May payrolls show a 431,000 increase; however, nearly 411,000 of that total are related to temporary workers hired by the government for the census, a position lasting two-to-six weeks. Private sector employment rose 41,000, a trivial number based on the current situation and last month's surge of 218,000. The unemployment rate decreased to 9.7% from 9.9% as the size of the labor force declined, but June and July are likely to be flooded with recent college grads entering the labor force. On a positive note, there was a surge in temps and an increased workweek in May which may signal future hiring.

The ISM Manufacturing Index read 59.7 in May, indicating growth in the manufacturing sector for the 10th consecutive month. Sixteen of 18 industries reported growth, and many are reporting an inventory shortage. New orders, which registered 65.7%, continue to drive performance in the manufacturing sector. The non-manufacturing sector also continued to grow in May, registering 55.4%. Backlogs also rose in the non-manufacturing sector, signaling an advance in hiring may be necessary to match demand.

Construction spending surged 2.7% in April, marking the largest monthly advance in 10 years. As the consensus estimate was 0%, the increase was largely unexpected. Home construction has been elevated for the past several months as the government tax credit for new homes expired on April 30. Spending on private construction increased for the first time since October.

The Pending Home Sales Index rose 6% in the month of April, up 22.4% from a year ago. The index is at comparable levels to when the initial homebuyer tax credit expired at the end of October. The tax credit was extended to the end of April and many analysts were afraid not enough demand was left to take advantage of the extension. Lawrence Yun, NAR chief economist, attributed the resurgence in home demand to improved consumer confidence and historically low mortgage rates. The NAR has asked Congress to extend the closing deadline of June 30 to accommodate the large number of buyers that signed contracts in April.

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



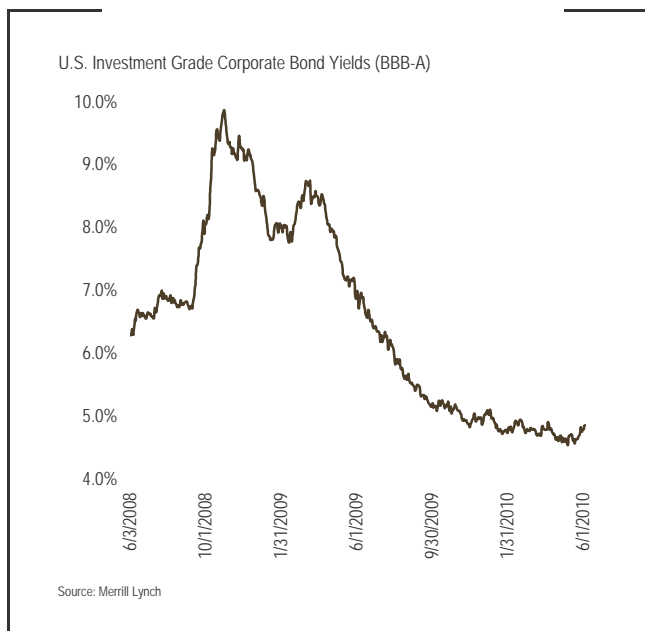
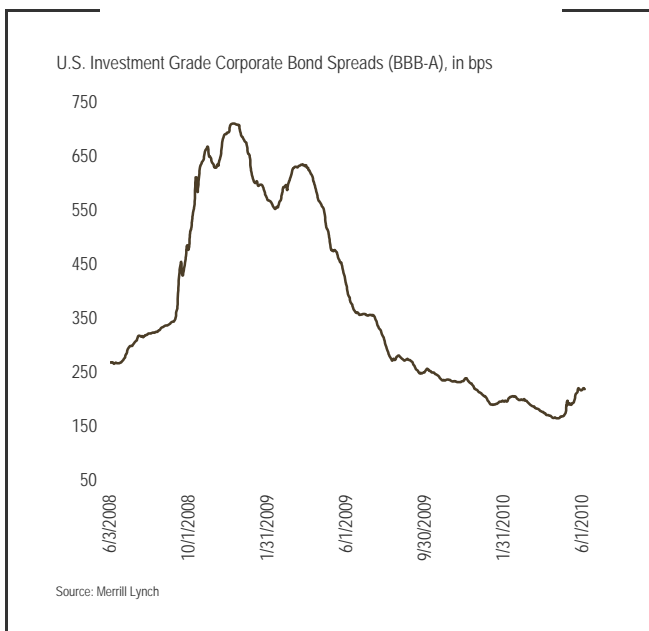
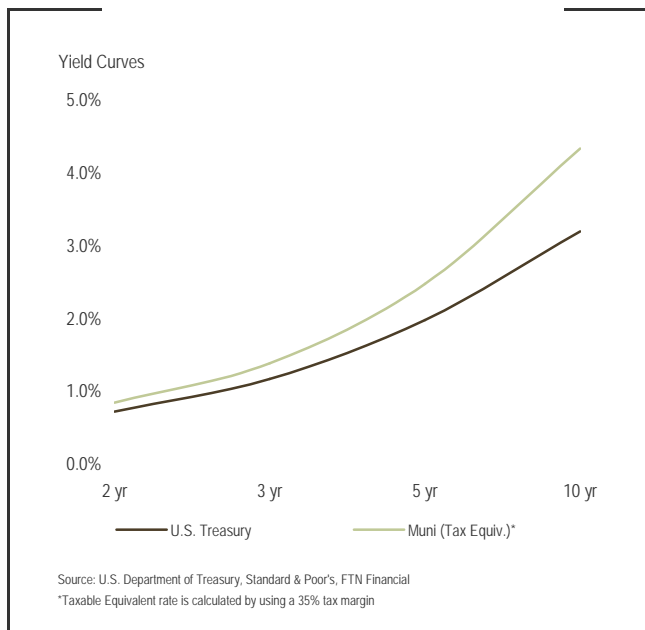
June 1 st	ISM Mfg. Index - Level, May	59.7
June 1 st	Construction Spending, Apr. Monthly Chg.	2.7%
June 2 nd	Domestic Motor Vehicle Sales, May	8.9M
June 2 nd	MBA Purchase Applications Index, Wkly. Chg.	-4.1%
June 2 nd	Announced Layoffs, May	38,810
June 2 nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.6%
June 2 nd	Pending Home Sales, Apr. Monthly Chg.	6.0%
June 3 rd	Initial Jobless Claims (Week ending 5/29)	453,000
June 3 rd	Factory Orders, Apr. Monthly Chg.	1.2%
June 3 rd	ISM Non-Mfg. Index, May	55.4
June 3 rd	EIA Natural Gas Report, Wkly. Chg.	88 bcf
June 3 rd	EIA Petroleum Status Report, Wkly. Chg.	-0.9M Barrels
June 4 th	Non-farm Payrolls, May Monthly Chg.	430,000
June 4 th	Unemployment Rate, May	9.7%

Bond Market Update

Bond markets had a fairly quiet week, but the jobs report on Friday sparked volatility in nearly every category. After a flat start, U.S. Treasuries finished the week higher following a dramatic rally on Friday. The market increase was centered on new worries over Hungary's fiscal problems and a disappointing U.S. jobs report, which resulted in yet another flight-to-quality trade. Heightened concerns over Europe's economy drove the euro to its lowest level against the dollar in over four years. This, along with confirmation that the unemployed are struggling to find jobs, pushed Treasuries to their largest single-day gain in over 14 months. Futures on the CME show a 41% chance U.S. policy makers will raise short-term interest rates by at least 25 basis points this year, down from 62% a month ago. Separately, Fitch and Moody's cut their ratings on BP's debt by one notch and placed the firm on negative watch for further possible downgrades, citing concerns over the cost of the Gulf of Mexico oil spill. "The downgrade of BP's ratings reflects Fitch's opinion that risks to both BP's business and financial profile continue to increase following the Deepwater Horizon accident," Fitch said on Thursday. Estimates for the total cost of the clean-up now range from \$5.3 billion to as high as \$37 billion, which may impede the company's free cash flow generating capabilities and constrain its ability to focus on other key areas of its business, according to analysts.

Issue	5.28.10	6.4.10	Change
3 month T-Bill	0.16%	0.14%	-0.02%
2-Year Treasury	0.76%	0.72%	-0.04%
5-Year Treasury	2.10%	1.98%	-0.12%
10-Year Treasury	3.31%	3.20%	-0.11%
30-Year Treasury	4.22%	4.13%	-0.09%

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



Stock Market Update

Domestic markets gave up their mid-week gains on Friday as disappointing U.S. job growth data and continued eurozone worries sent stocks tumbling. The biggest impact was felt in the industrial sector, sending the Dow Jones Industrial Average (DJIA) into sub-1,000 levels as all 30 blue-chip stocks traded lower. General Electric (GE), Caterpillar (CAT), and American Express (AXP) fell the most, dropping more than 4.5% each. The Standard & Poor's 500 Index fell 2.25% and the NASDAQ Composite dropped 1.68%. Some investors feel that the below average volume of trading this week is an indicator that the markets are still in a corrective pullback, and are not entering a new downtrend. All three indexes are down more than 10% from the rally highs experienced in late April.

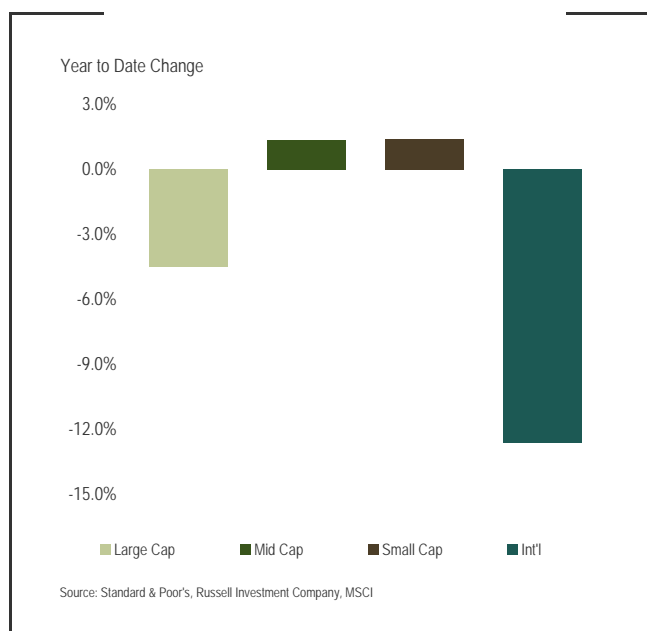
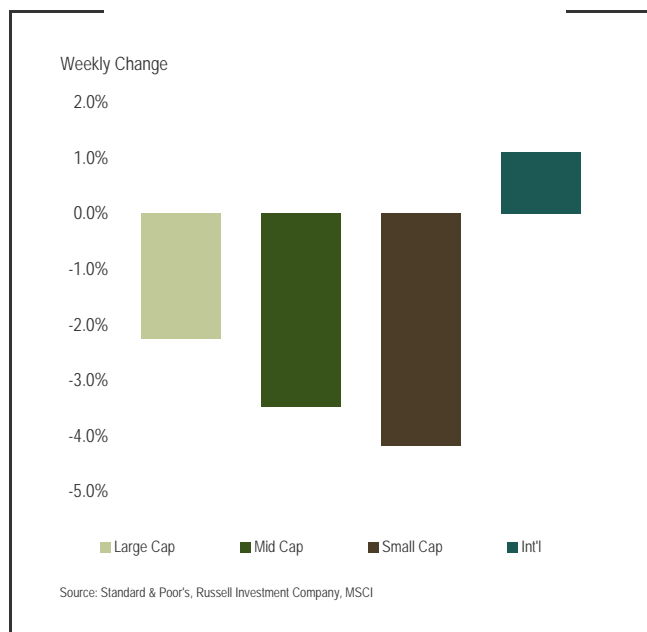
The decline on Friday is largely attributed to the poor payroll figures released by the Labor Department, which fell far short of expectations. The negative report injects uncertainty into the ability to achieve the growth needed to fuel a robust recovery. These concerns were exasperated by an increasingly worrisome situation in Europe. The Euro plunged to a new four-year low this week after Hungary warned the European Union of its fast growing debt, claiming that the threat of default was not an exaggeration. The negative news from a nation outside of the countries with well known issues (Portugal, Italy, Ireland, Greece, and Spain) increased investor concerns that a broad-based European debt crisis is developing.

Commodities producers were struck hard by plunging futures prices this week. Chevron Corp. (CVX) and Alcoa Inc. (AA) were down over 3.5% as oil prices dropped below \$72 a barrel. BP shares continued to plunge, dropping 13.48% on the week after Fitch, Moody's, and Standard & Poor's announced that they were downgrading the company's credit rating.

AT&T announced that it will stop selling unlimited mobile data plans to new customers buying internet-capable smartphones and iPads, opting instead to implement two data plans with monthly usage limits. The change could mean lower rates for light users and hefty charges for heavy users, possibly causing more headaches within the strained network's consumer base.

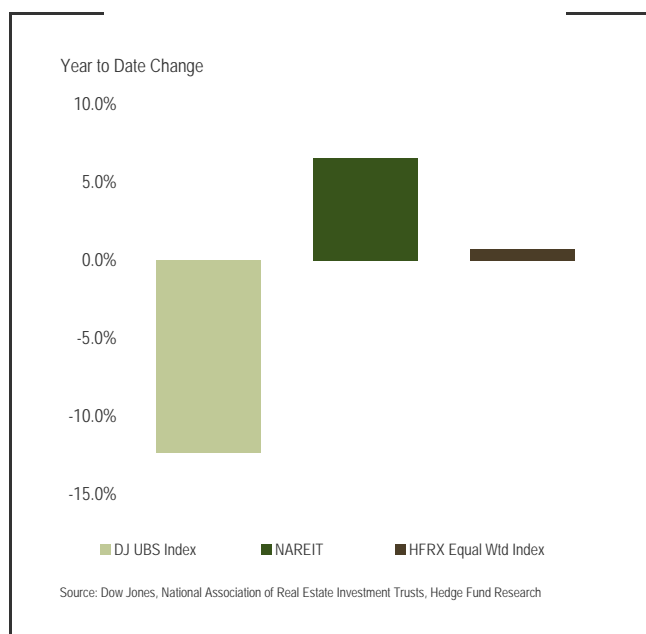
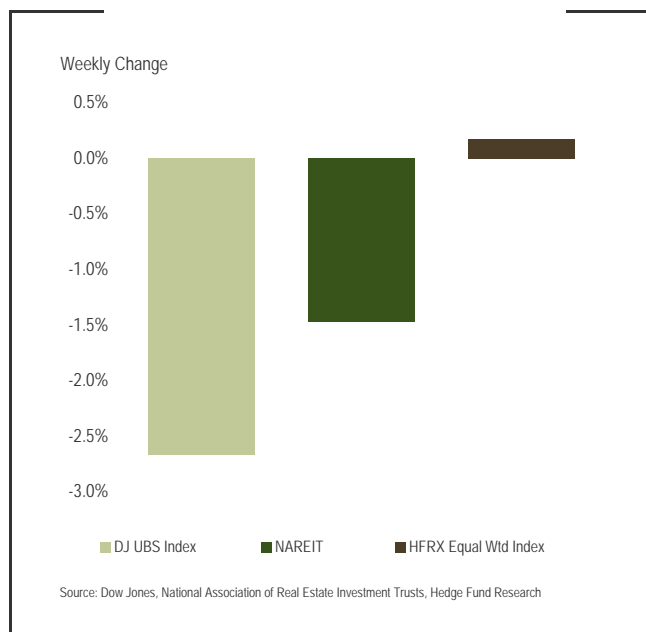
Issue	5.28.10	6.4.10	Change
Dow Jones	10,136.63	9,931.97	-2.02%
S&P 500	1,089.41	1,064.88	-2.25%
NASDAQ	2,257.04	2,219.17	-1.68%
Russell 1000 Growth	485.65	477.43	-1.69%
S&P MidCap 400	762.76	736.27	-3.47%
Russell 2000	661.61	633.97	-4.18%
MSCI EAFE	1,359.55	1,374.52	1.10%
MSCI EM	904.18	924.67	2.27%
MSCI Small Cap	130.24	132.41	1.67%

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

Oil and gold responded to economic news that shifted the perception from rising global growth, higher prices, to slowing global growth, lower prices, in typical fashion. Markets interpreted Friday's jobs report, which indicated the bulk of employment gains were in temporary census works, as a threat to the global recovery. As growth expectations have slowed since the European debt crisis, this news added to deflationary concerns. Safe haven buying in the dollar led to declines in nearly every commodity except for gold. Even real estate investment trusts (REITs), which moved sideways all week, were not immune to Friday's selloff; the majority of the decline in REITs occurred on Friday. The flight to quality affected currencies as well. The Euro broke below the \$1.20 level, a new four year low. Worries that Hungary, which is not a member of the European Monetary Union, might be the next Greece caused the Hungarian currency, the Florint, to decline 4% for the day. However, natural gas rose steadily as the week moved on. Investor concerns in the Gulf of Mexico initially spurred natural gas higher, but, later in the week, the Obama administration announced a 6 month moratorium on new drilling projects causing natural gas to trade sharply higher. For the week, natural gas rose nearly 50¢ per Mbtu, with approximately half of that advance occurring on Friday.



Issue	Previous Week	Current ¹	Change
Gold	1,215.60	1,221.50	0.49%
Crude Oil Futures	74.08	71.09	-4.04%
Copper	310.90	280.45	-9.79%
Sugar	14.19	14.52	2.33%
HFRX Equal Wtd. Strat. Index	1,117.77	1,119.69	0.17%
HFRX Equity Hedge Index	1,100.35	1,109.94	0.87%
HFRX Equity Market Neutral	1,007.14	1,005.35	-0.18%
HFRX Event Driven	1,341.60	1,341.99	0.03%
HFRX Merger Arbitrage	1,441.92	1,450.40	0.59%
Dow Jones UBS Commodity Index	125.36	122.02	-2.66%
FTSE/NAREIT All REIT	121.53	119.74	-1.47%

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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