

MainStreet Advisors Financial Market Update

August 27, 2010
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Economic Update

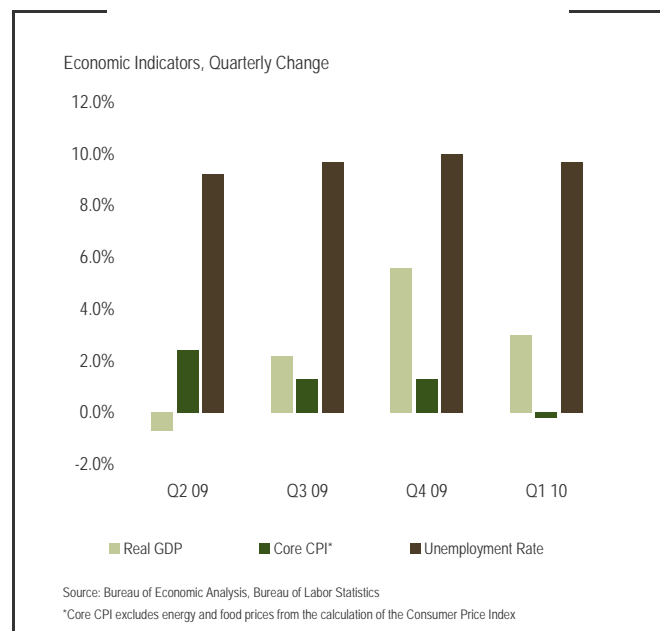
In his address on Friday, Federal Reserve Chairman Ben Bernanke stated that while he expects "some pickup in growth in 2011," the Fed is prepared to take measures if needed to prevent deflation and boost the economy. Bernanke acknowledged the progress households have made repairing their personal financial situations which may bolster consumer spending as economic conditions become more certain. The second estimate for gross domestic quarter (GDP) in the second quarter was revised lower to an annual rate of 1.6%, compared with the 1.3% consensus estimate reported by Bloomberg. The Bureau of Economic Analysis also reported that corporate profits in the second quarter advanced 37.7% on a year-over-year basis.

Despite mixed economic news, consumer morale remained essentially unchanged in August, according to the Thomson Reuters/University of Michigan. The Index of Consumer Sentiment edged slightly lower from July as consumers remain concerned about future job and income prospects.

The National Association of Realtors (NAR) announced that sales of existing homes slipped 27.2% in July to a seasonally adjusted annual rate of 3.83 million—marking the lowest level since the series began in 1999. According to NAR chief economist Lawrence Yun, this is largely due to the number of buyers that took advantage of the home buyer tax credit before it expired in May. Yun noted that historically low mortgage interest rates and improved housing affordability should help activity rebound if conditions in the labor market improve. The U.S. Department of Commerce reported that new home sales declined 12.4% from June and 32.4% from July 2009.

On Wednesday, the Commerce Department announced that new orders for durable goods climbed 0.3% in July after experiencing declines the previous two months. The increase, however, stemmed from the transportation sector and missed consensus estimates. Excluding transportation, new orders posted a 3.8% decline. The report stoked concerns about fading momentum in the manufacturing sector, which initially led the U.S. economy out of the recession.

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

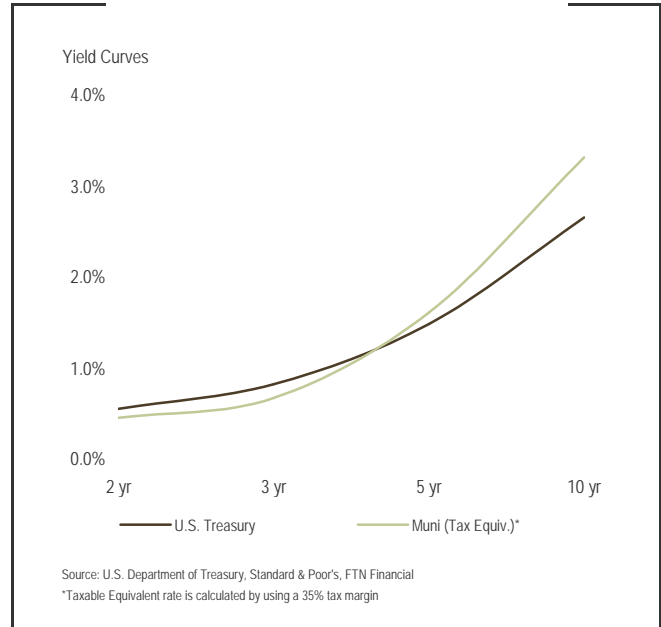


Aug. 24 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.4%
Aug. 24 th	Existing Home Sales, July SAAR*	3.83M
Aug. 25 th	MBA Purchase Applications Index, Wkly. Chg.	0.6%
Aug. 25 th	Durable Goods New Orders, July Monthly Chg.	0.3%
Aug. 25 th	New Home Sales, July	276,000
Aug. 25 th	FHFA House Price Index, June Monthly Chg.	-0.3%
Aug. 25 th	EIA Petroleum Status Report, Wkly. Chg.	4.1M Barrels
Aug. 26 th	Initial Jobless Claims (Week ending 8/21)	473,000
Aug. 26 th	EIA Natural Gas Report, Wkly. Chg.	40 bcf
Aug. 27 th	Real GDP, Q2 Quarterly Change SAAR*	1.6%
Aug. 27 th	GDP Price Index, Q2 Quarterly Change SAAR*	1.9%
Aug. 27 th	After-tax Corporate Profits, Q2 Annual Change	37.7%
Aug. 27 th	Consumer Sentiment Index, August	68.9

Bond Market Update

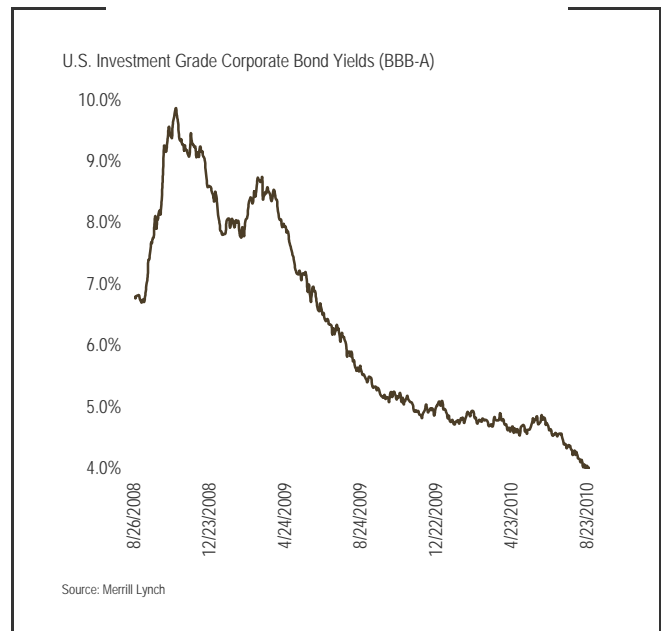
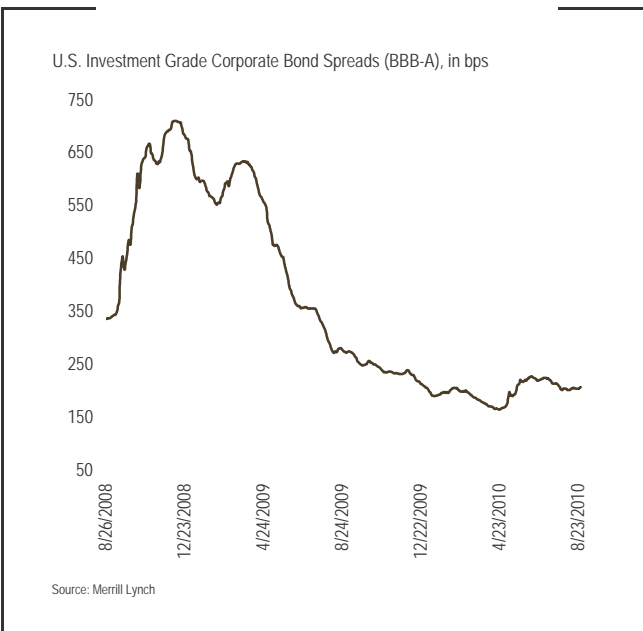
After rallying sharply earlier in the week, U.S. Treasuries finished the week mostly unchanged. Treasuries fell sharply on Friday as Fed Chairman Ben Bernanke signaled no new bond buying by the central bank was imminent. This triggered the largest one-day sell-off in three months with the 30-year bond losing over 3%. Because the market was expecting the Fed to step-up its quantitative easing program by purchasing more U.S. government debt, Bernanke's comments exacerbated a decline in bonds sparked by better than expected economic reports earlier in the day. However, the Fed Chairman left the quantitative easing door open, saying the Federal Open Market Committee "is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary, especially if the outlook were to deteriorate significantly."

From a technical analysis perspective, traders will be watching to see if the sell-off gains momentum by monitoring what is known as "support" of 2.67% on the 10-year note, according to Reuters. Some say current bond prices are factoring in too great a possibility of a double-dip recession. However, the bond bulls suggest that demand can remain robust given low inflation expectations along with strong demand from pension funds, insurers, mortgage companies and overseas investors.



Issue	8.20.10	8.27.10	Change
3 month T-Bill	0.15%	0.15%	0.00%
2-Year Treasury	0.49%	0.56%	0.07%
5-Year Treasury	1.47%	1.49%	0.02%
10-Year Treasury	2.62%	2.66%	0.04%
30-Year Treasury	3.67%	3.69%	0.02%

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



Stock Market Update

Domestic stocks were down nearly every day this week until Friday, when a strong rally following a well-received speech by Federal Reserve Chairman Ben Bernanke helped pare losses for the week. The Dow Jones Industrial Average (DJIA) and S&P 500 indices each fell over 1.6% between Monday and Tuesday, capping off a four-session losing streak as excitement over increased acquisition activity was overshadowed by continuing economic concerns and dismal housing market data. A small rally on Wednesday offered some moderate relief, but markets pushed lower on Thursday amid the release of poor manufacturing growth data and nervous anticipation for Bernanke's speech on Friday. The Chairman's message along with a better-than-expected GDP revision helped inject some confidence into the markets on Friday, pushing each of the major indices up over 1.6% by the end of trading. The S&P 500, DJIA, and NASDAQ Composite indices finished the week down 0.66%, 0.62%, and 1.20%, respectively.

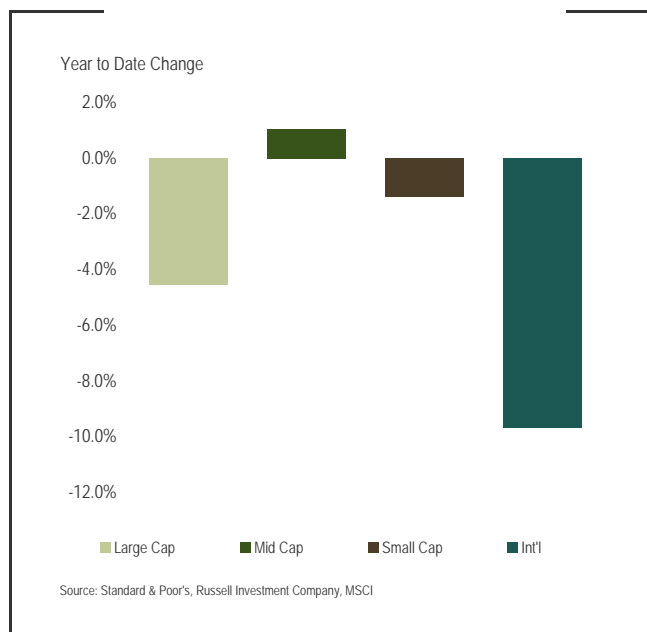
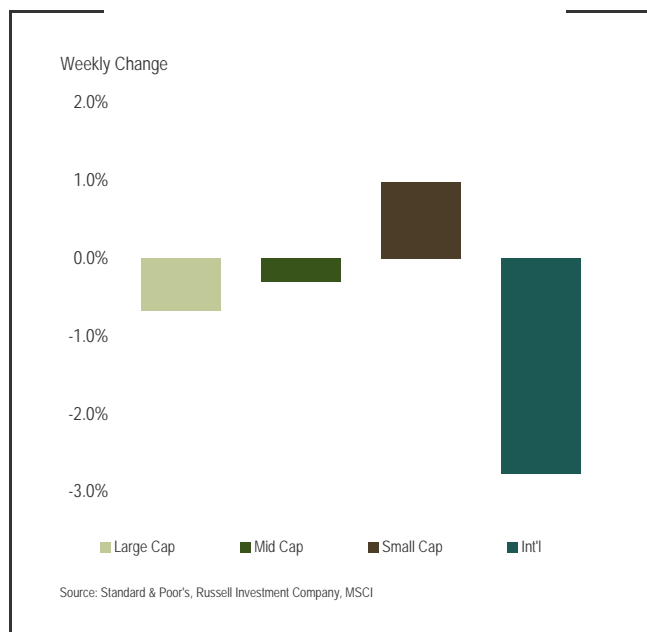
Intel Corporation (INTC) announced on Friday that it lowered its third-quarter revenue targets due to depleted consumer demand for personal computers. The revised forecast, which was nearly \$1 billion lower than previous guidance, sent shares of the chip manufacturer up 1.05% for the day.

The bidding war between Hewlett-Packard Company (HPQ) and Dell Inc. (DELL) over the small data storage company 3Par Inc. (PAR) has been at the center of acquisition activity this week, pushing valuation of the company over \$2 billion after an intense week of back-and-forth takeover offers. The most recent bid hailed from HP, offering \$30 per share just hours after Dell matched HP's previous offer at \$27 per share and 3Par accepted it. Shares of HP and Dell were down 4.63% and 1.52% for the week, respectively, while 3Par jumped 79.93%.

Retail stocks traded mostly lower on Friday after cautious outlooks for the third-quarter were voiced by Tiffany & Co. (TIF) and J. Crew Group Inc. (JCG), which dropped 3.02% and 5.37% at market close, respectively. The S&P Retail Index (RLX) fell 0.96% for the day.

Issue	8.20.10	8.27.10	Change
Dow Jones	10,213.62	10,150.65	-0.62%
S&P 500	1,071.69	1,064.59	-0.66%
NASDAQ	2,179.76	2,153.63	-1.20%
Russell 1000 Growth	479.36	474.55	-1.00%
S&P MidCap 400	736.52	734.3	-0.30%
Russell 2000	610.78	616.76	0.98%
MSCI EAFE	1,461.14	1,420.64	-2.77%
MSCI EM	994.25	966.05	-2.84%
MSCI Small Cap	140.60	136.42	-2.97%

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

Early in the week, fresh demand worries sent crude futures below \$72 per barrel, the lowest level in over two months. Record high gasoline inventories, a major crude oil by-product, continue to persist in the midst of the summer driving season. According to the Wall Street Journal, hedge funds that took speculative wagers on rising oil prices after crude broke the \$70-\$80 per barrel range have begun to exit the market. Oil finished the week on a three-day winning streak on the heels of better-than-expected new jobless claims and an announcement from the Federal Reserve that they will do what is necessary to keep the economy moving forward. Despite advancing for the week, gold moved in the opposite direction of crude. Investors sent gold to an eight-week high early in the week after disappointing housing data and demand for U.S. durable goods was less than expected. Gold pulled back Thursday and Friday after positive economic news decreased safe haven buying.

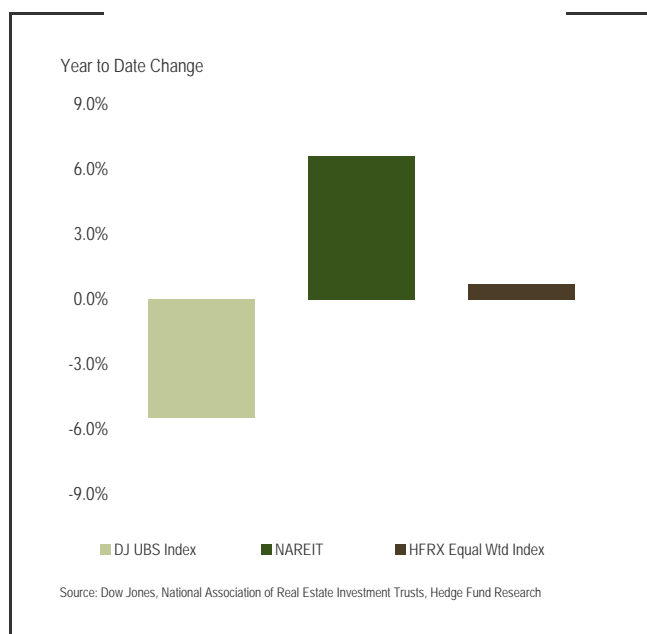
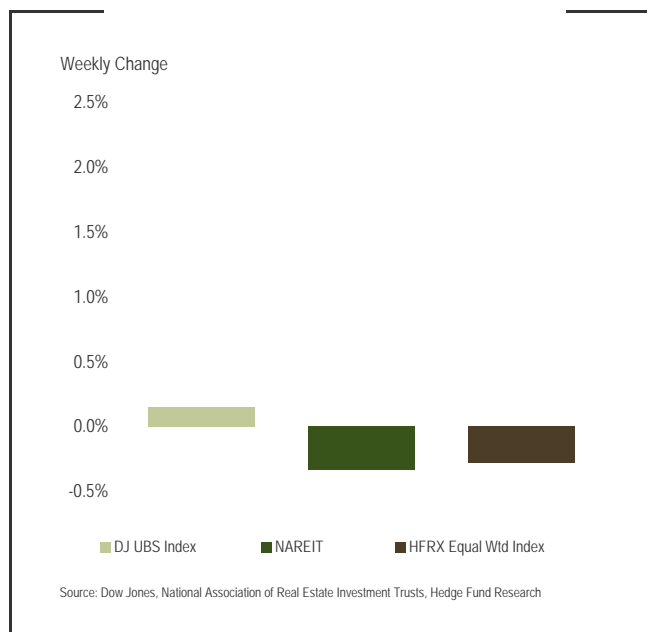
Cattle futures, in reaction to higher global demand and dwindling U.S. inventory, are approaching the \$1 per pound level, the highest since a record \$1.04 set in 2008. Grocery stores have passed along the higher cost to end consumers, stoking new fears about a new wave of food inflation. Worries over the supply of coffee beans sent coffee futures to 13-year highs this week. According to the Wall Street Journal, short-term supply worries have caused global inventory levels to plunge 40%. Both J.M. Smucker (SJM) and Kraft Foods (KFT) announced they would boost coffee prices of their respective coffee lines, Folgers and Maxwell House.

For the first time in two years, U.S. commercial real estate posted a quarterly gain in the period ending June 30; however, many commercial property owners stopped making mortgage payments on underwater mortgages, placing pressure on lenders to restructure debt. According to property consulting firm Cushman & Wakefield, \$2.2 trillion worth of commercial mortgages are due to mature in the next seven years. Many U.S. real estate investment trusts (REITs) are paying premiums to retire debt due within the next two years in order to secure new, long-term debt at low rates.

Issue	Previous Week	Current ¹	Change
Gold	1,229.20	1,239.60	0.85%
Crude Oil Futures	73.46	75.41	2.65%
Copper	331.00	339.60	2.60%
Sugar	19.95	19.96	0.05%
HFRX Equal Wtd. Strat. Index	1,122.49	1,119.37	-0.28%
HFRX Equity Hedge Index	1,124.89	1,110.35	-1.29%
HFRX Equity Market Neutral	980.55	971.65	-0.91%
HFRX Event Driven	1,349.55	1,344.70	-0.36%
HFRX Merger Arbitrage	1,460.52	1,453.89	-0.45%
Dow Jones UBS Commodity Index	131.39	131.58	0.15%
FTSE/NAREIT All REIT	120.20	119.80	-0.33%

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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