

# MainStreet Advisors Financial Market Update

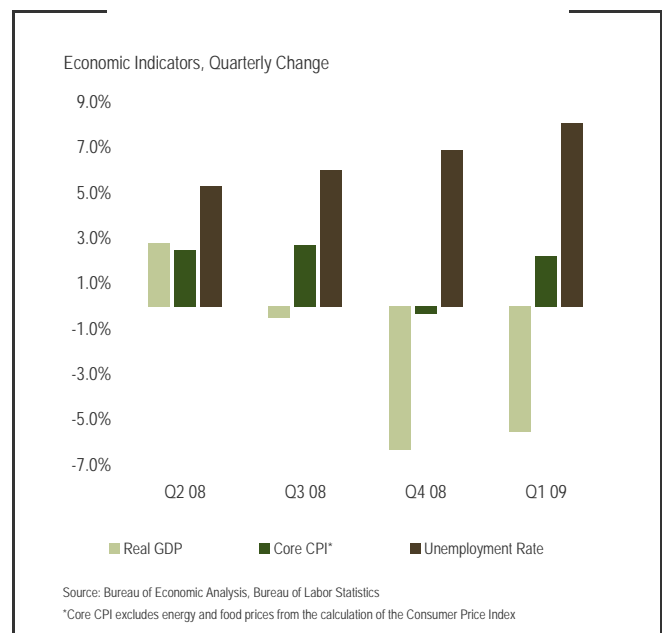
July 10, 2009  
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## Economic Update

U.S. consumer sentiment slipped in early July, as shown by the Reuters/University of Michigan Surveys of Consumers. The preliminary index of confidence retreated to March lows as consumers returned to concerns about length of the economic downturn, job market, and erosion of wealth. Lower consumer confidence levels are a reminder of ongoing headwinds the economy faces and suggests a gradual economic recovery. Retailers reported soft sales last month, in comparison to June 2008 when consumers were spending their economic stimulus checks. Sales at stores open for more than one year, decreased by an average of 5.1%, according to the International Council for Shopping Centers (ICSC). ICSC acknowledged signs of improvement, particularly in teen and value retailers which achieved unexpectedly solid gains in June.

The U.S. Department of Commerce announced Friday that the trade gap narrowed in May as the goods and services deficit shrank to \$26.0 billion. Export activity for the month increased by \$1.9 billion, while imports fell by \$900 million. Lower global trade activity has become an increasing concern in recent months and was discussed when the Group of Eight (G-8) met this week. The G-8 set aggressive goals to make progress in trade negotiations for the September meeting. The Wall Street Journal reported that both developed and developing countries have agreed to a series of bilateral meetings in order to help speed the process of global trade negotiations.

The International Monetary Fund released its World Economic Outlook this week, upgrading its 2010 economic growth forecast to 2.5%. The improved outlook was a result of decelerating downward pressures and expectations for higher growth in the United States and in Japan. IMF Chief Economist Olivier Blanchard noted that "while the world economy is still in recession, the recovery is coming."



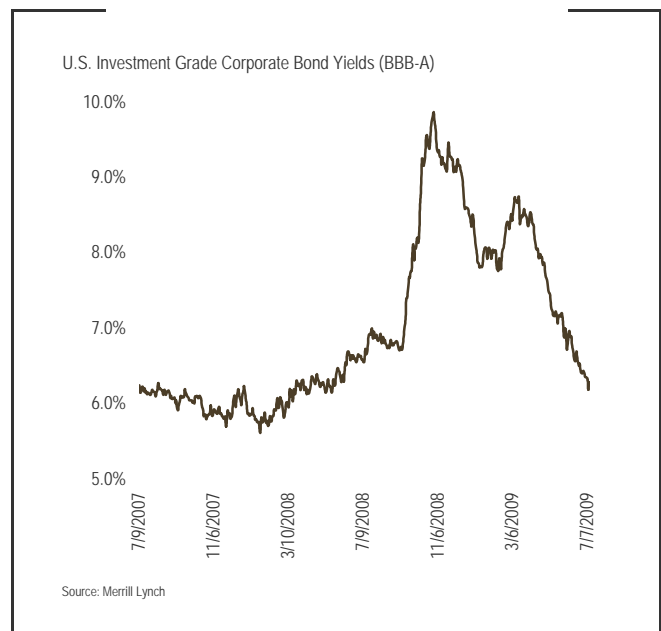
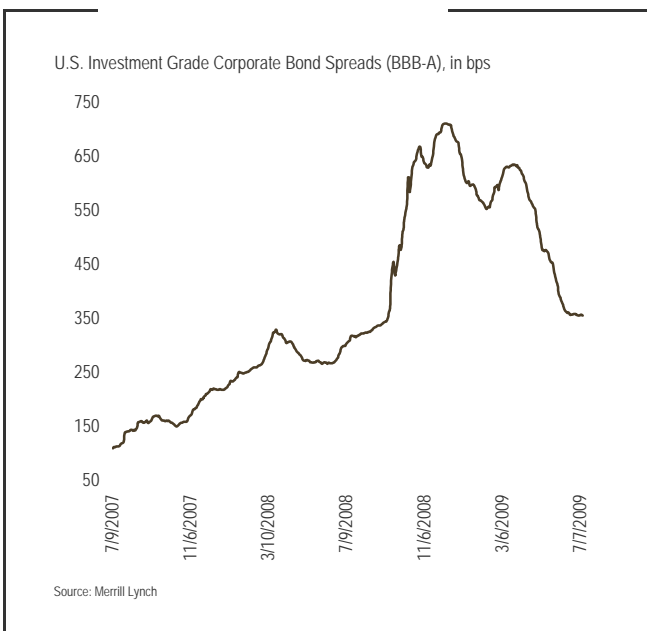
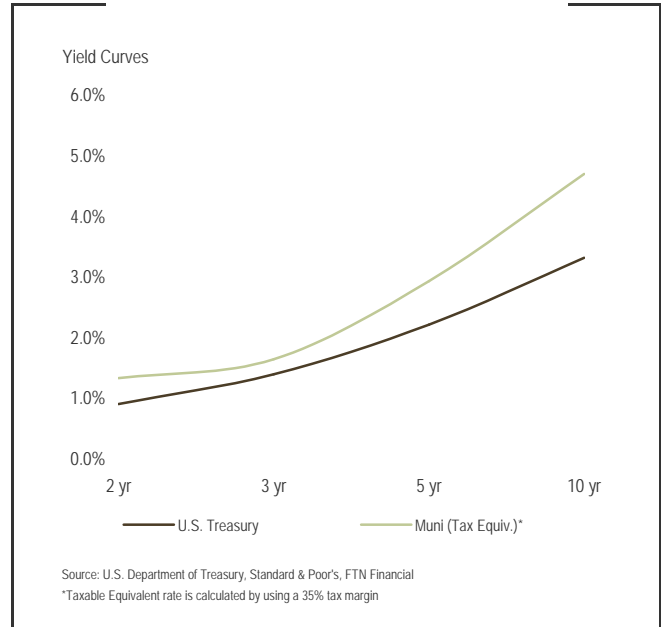
July 6 <sup>th</sup>	ISM Non-Mfg. Index, June	47
July 7 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
July 8 <sup>th</sup>	MBA Purchase Applications	285.6
July 8 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-2.9M Barrels
July 8 <sup>th</sup>	Consumer Credit, May Monthly Change	-3.2B
July 9 <sup>th</sup>	Initial Jobless Claims ( Week ending 7/4)	565,000
July 9 <sup>th</sup>	Wholesale Inventories, May Monthly Chg.	-0.8%
July 9 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	75 bcf
July 10 <sup>th</sup>	International Trade Balance Level, May	-26.0B
July 10 <sup>th</sup>	Import Prices, June Monthly Chg.	3.2%
July 10 <sup>th</sup>	Export Prices, June Monthly Chg.	1.1%
July 10 <sup>th</sup>	Consumer Sentiment Index, July	64.6

Bond Market Update

U.S. Treasuries rallied considerably for the week, with 10-year yields decreasing by 23 basis points. Government bond prices rose as a recent pause in global equity increased demand for the relative safety of government debt, and rising doubt about the strength of the economic recovery caused investors to seek comfort in Treasuries. The 10-year note's yield has fallen significantly over the past month after briefly rising above 4% in early June. The decline gained momentum after a government report released last week showed non-farm job losses were greater than economist's forecasts. Concern also rose about the funding problems of CIT Group, a major U.S. lender to small businesses. The Federal Deposit Insurance Corp (FDIC) reported they are unwilling to guarantee CIT's bond sales through the Temporary Liquidity Guarantee Program, according to a Bloomberg report. Market participants are worried that if the company cannot access liquidity, it could struggle to meet its debt maturities in 2010 without taking actions that could hurt its bond holders. Small businesses may be directly affected by CIT's lack of lending, putting additional pressure on a speedy economic recovery. Meanwhile, Mark Kiesel, global head of the corporate bond group at PIMCO, cautioned investors about high-yield, high-risk bonds and announced expectations for investment grade corporates to outperform junk-bonds throughout the second half of the year.

Issue	7.3.09	7.10.09	Change
3 month T-Bill	0.17%	0.18%	-0.01%
2-Year Treasury	1.05%	0.91%	-0.14%
5-Year Treasury	2.51%	2.22%	-0.29%
10-Year Treasury	3.55%	3.32%	-0.23%
30-Year Treasury	4.34%	4.20%	-0.14%

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



Stock Market Update

Stocks retreated for a fourth straight week, sending the Dow Jones Industrial Average (DJIA) lower by shedding 134.22 points or 1.67% to close at 8,146.52. The broader S&P 500 closed at 879.13, down 17.29 points, or 1.93% and the technology-heavy NASDAQ Composite shed 2.25%. A larger-than-expected slide in consumer confidence added to concerns that the economic recovery would take longer than previously expected.

Google, Inc. (GOOG) announced that it was developing a new PC operating system in the company's latest battle in its war against software giant Microsoft (MSFT). Google has also attempted to chip away at Microsoft's dominance of the internet browser and the office productivity software businesses.

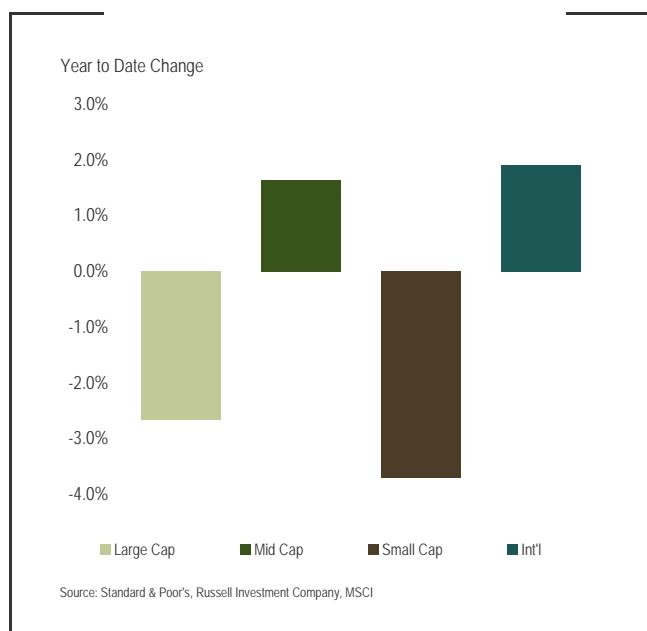
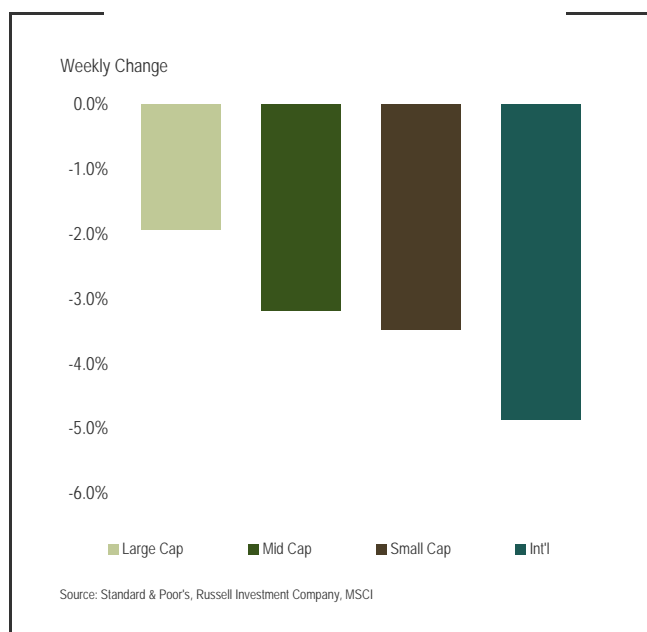
Chevron (CVX), the second largest U.S. energy producer, slid 2.6% on Friday when the company announced that the falling dollar reduced overseas profit from oil and gas wells during April and May, according to Bloomberg.

General Motors (GM) emerged from bankruptcy after just 39 days, well ahead of the 60 to 90 days predicted by the Obama administration. The reorganized company will have just four domestic brands instead of eight, will have less debt, fewer employees and a slimmer dealership network. In addition, the company will have a smaller team of executives to run the company.

Losses this week were concentrated in four sectors: materials, industrials, energy and financial, each of which lost over 3%. The consumer staples led the pack with no change on the week and health care lost a modest 0.43%.

Issue	7.3.09	7.10.09	Change
Dow Jones	8,284.52	8,146.52	-1.67%
S&P 500	896.42	879.13	-1.93%
NASDAQ	1,796.52	1,756.03	-2.25%
Russell 1000 Growth	402.04	396.06	-1.49%
S&P MidCap 400	565.04	547.08	-3.18%
Russell 2000	498.29	480.98	-3.47%
MSCI EAFE	1,325.58	1,261.18	-4.86%
MSCI EM	773.07	741.75	-4.05%
MSCI Small Cap	120.08	115.12	-4.13%

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

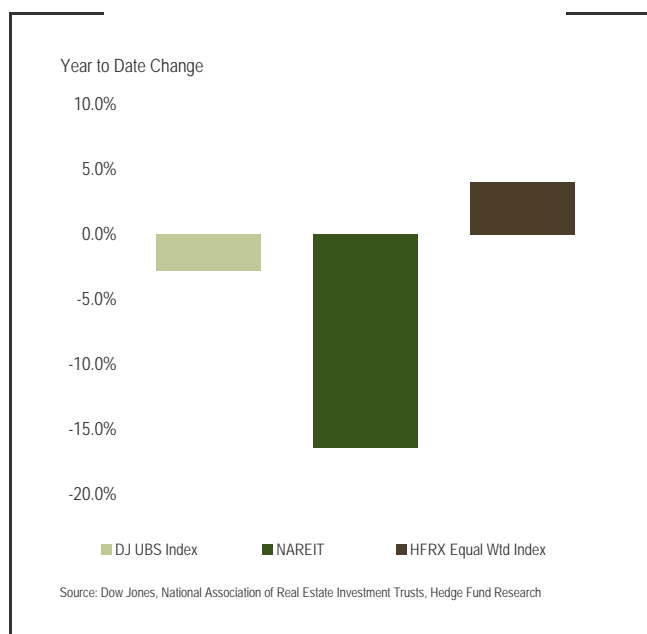
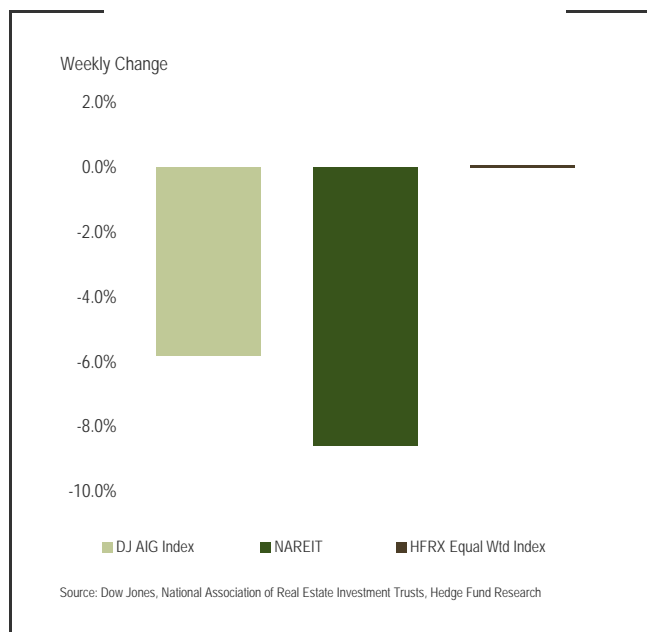
Crude oil futures fell for the fourth consecutive week, losing over 10% in the biggest weekly decline since the beginning of the year. The slide was attributed to concerns that the demand for energy will be slow to rebound from the global recession that has crippled consumer spending. Contrary to this opinion, the International Energy Agency has projected that worldwide crude oil consumption will increase by 1.7% (or 1.4 million barrels per day) next year. Oil has plunged 59% from its high of \$147.27 reached nearly one year ago.

Copper prices fell 4.3%, marking its second weekly drop. The decline was fueled by speculation that China, the world's biggest purchaser of copper, will experience decreased demand after building a surplus from its currently high volume of imports. Analysts suspect that copper prices could fall further in the second half of the year on the heels of a probable decline in imports.

Gold lost nearly 2% this week, falling to \$912.50 per ounce. Gold prices have recently experienced a downward trend due to the dollar gaining strength and crude oil losing ground. Analysts predict that this trend will continue, estimating that the price of gold next week will fall below the \$900 mark.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	931.00	912.50	-1.99%
Crude Oil Futures	66.73	59.89	-10.25%
Copper	2.31	2.21	-4.33%
Sugar	22.75	22.55	-0.88%
HFRX Equal Wtd. Strat. Index	1,043.41	1,044.17	0.07%
HFRX Equity Hedge Index	1,063.10	1,053.36	-0.92%
HFRX Equity Market Neutral	1,006.69	1,005.67	-0.10%
HFRX Event Driven	1,260.84	1,257.79	-0.24%
HFRX Merger Arbitrage	1,385.92	1,384.65	-0.09%
Dow Jones UBS Commodity Index	121.02	113.99	-5.81%
FTSE/NAREIT All REIT	80.40	73.51	-8.57%

<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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