

MainStreet Advisors Financial Market Update

July 24, 2009
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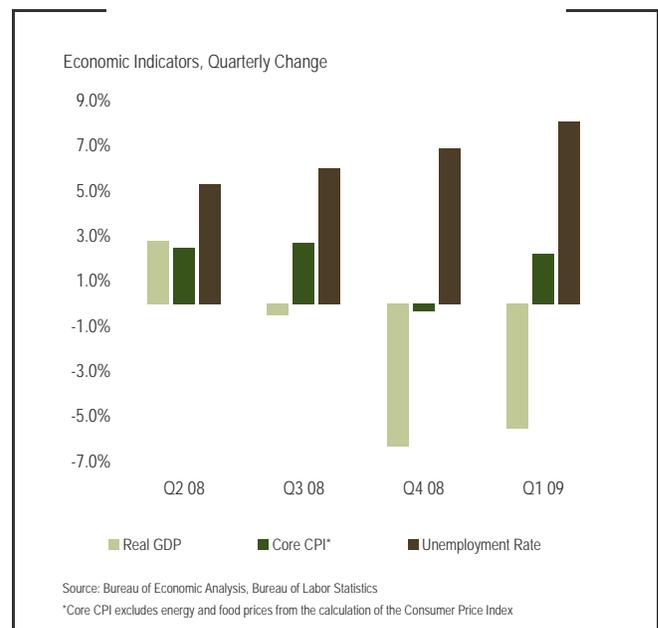
Economic Update

In testimony to the U.S. House of Representatives earlier this week, Federal Reserve Chairman Ben Bernanke stressed the role aggressive policy action has played in the stabilization of the global financial system and economy. He reiterated the Fed's expectations that the target federal funds rate will need to remain at historically low levels for "an extended period." Later in the week, Bernanke returned to Congress to comment on the restructuring of regulatory powers over the U.S. financial system. Bernanke argued that effective regulation will require the cooperation and adjustments from all regulatory agencies. Further, he explained that promoting effective systematic risk controls will require consolidating regulatory oversight, an outlook that encompasses the financial system as a whole, and improved mechanisms to identify and monitor systematic risk. U.S. Treasury Secretary Timothy Geithner also addressed Congress on Friday, asking for a total overhaul of the financial regulatory system by the end of this year. Geithner emphasized the importance of revamping an outdated system as quickly as possible and pointed to examples of regulatory ineffectiveness that surfaced during the financial crisis.

Meanwhile, consumer sentiment has dropped in recent weeks, as shown by the Reuters/ University of Michigan Surveys of Consumers. The final July reading was the weakest since April as consumers are now more concerned about the long-term economic outlook. The survey indicated that while consumers acknowledge the pace of economic contraction appears to have stabilized, many doubt that stimulus policies will be able to effectively improve their personal financial conditions in the near-term.

The Conference Board Leading Economic Index advanced 0.7% in June, marking the third consecutive increase. Seven of the ten indicators were positive for the month, led by the interest rate spread, building permits, and stock prices. The National Association of Realtors (NAR) reported that sales of existing homes rose for the third straight month as well, with signs of improvement in all major regions. The NAR noted expectations for a gradual recovery to continue and expressed optimism for price stabilization in much of the country by the end of the year.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, Bloomberg, Reuters, The Conference Board, National Association of Realtors.



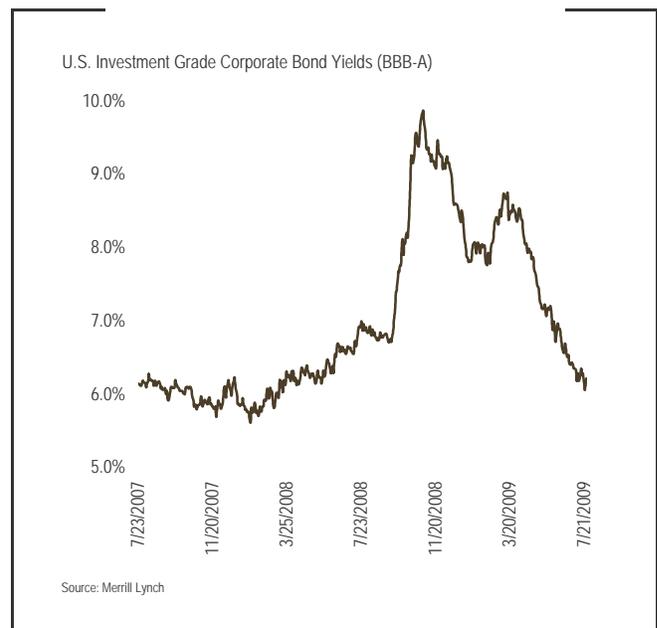
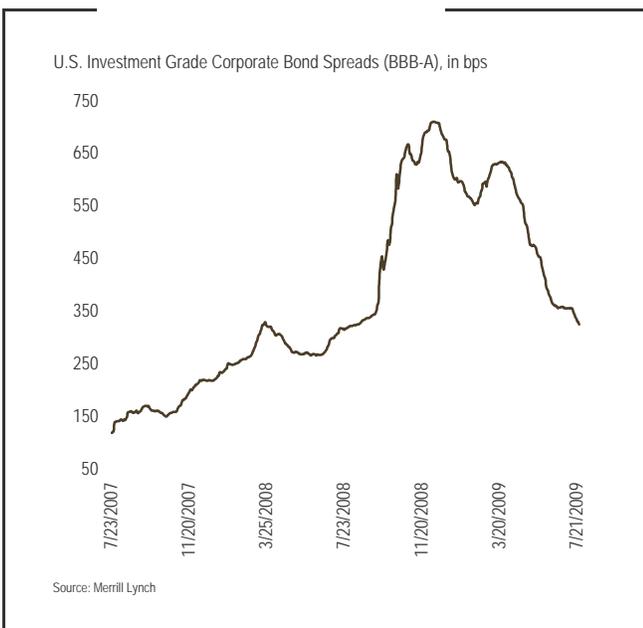
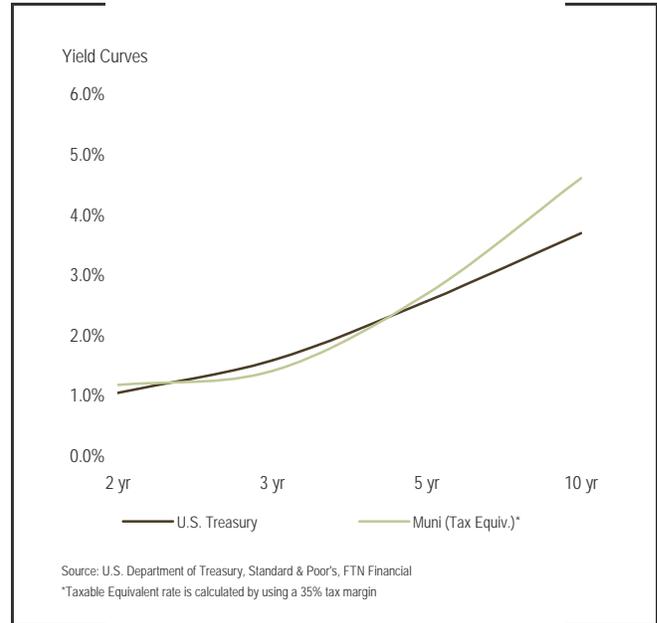
July 20 th	Leading Indicators, June Monthly Chg.	0.7%
July 21 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.5%
July 22 nd	MBA Purchase Applications	262.1
July 22 nd	EIA Petroleum Status Report, Wkly. Chg.	-1.8M Barrels
July 23 rd	Initial Jobless Claims (Week ending 7/18)	554,000
July 23 rd	Existing Home Sales, June SAAR*	4.89M
July 23 rd	EIA Natural Gas Report, Wkly. Chg.	66 bcf
July 23 rd	Consumer Sentiment Index, January	66.0

Bond Market Update

U.S. Treasuries were little changed this week, dropping modestly and marking the second straight weekly decline as market participants await a record amount of new debt sales next week. The Treasury plans to sell a record \$115 billion of coupon debt, including \$109 billion in notes and \$6 billion in 20-year TIPS. The government will also sell \$90 billion in three-, six- and 52-week Treasury Bills. Fortunately, central banks of emerging nations are increasing their purchases of Treasuries as they sell their currencies to stem appreciation. A rising currency can cause prices of exported goods to rise, curtailing demand for a country's products. While the rise in yields so far this year has been tempered by the increase in emerging market central bank purchases and the U.S. economic downturn, investors remain concerned that yields may begin to rise given the government's massive monetary stimulus policies. Foreign investors, including central banks, are becoming concerned that the U.S. needs to return to more responsible fiscal policies to prevent a devaluation of the dollar, which would cut the value of their large U.S. Treasury debt holdings. Meanwhile, CIT Group reworked its tender offer for \$1 billion of notes maturing next month to encourage investors to deliver the debt to the company sooner, according to Bloomberg. Investors tendering their notes by July 31 will receive \$775 plus a \$50 early delivery payment for every \$1,000 of securities they own.

Issue	7.17.09	7.24.09	Change
3 month T-Bill	0.19%	0.18%	-0.01%
2-Year Treasury	1.00%	1.05%	0.05%
5-Year Treasury	2.46%	2.57%	0.11%
10-Year Treasury	3.59%	3.70%	0.11%
30-Year Treasury	4.45%	4.55%	0.10%

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



Stock Market Update

Domestic equity markets had a strong week, with the S&P 500, NASDAQ, and Dow Jones Industrial Average indices each posting nearly 4% in gains. Encouraging corporate reports and a jump in housing sales fueled the rally, leaving the NASDAQ at a nine-month high and the S&P 500 and Dow indices at eight-month highs. Bloomberg.com reported that investors are pouring money into shares on speculation that the fastest rally since the Great Depression will reverse losses from last year.

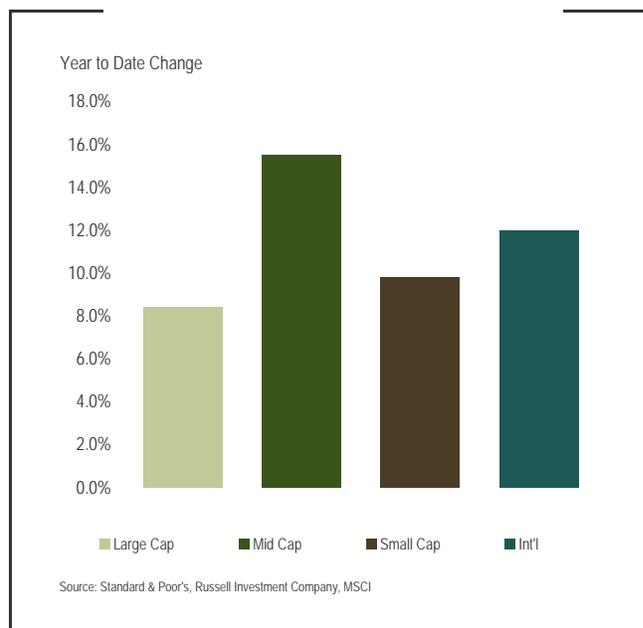
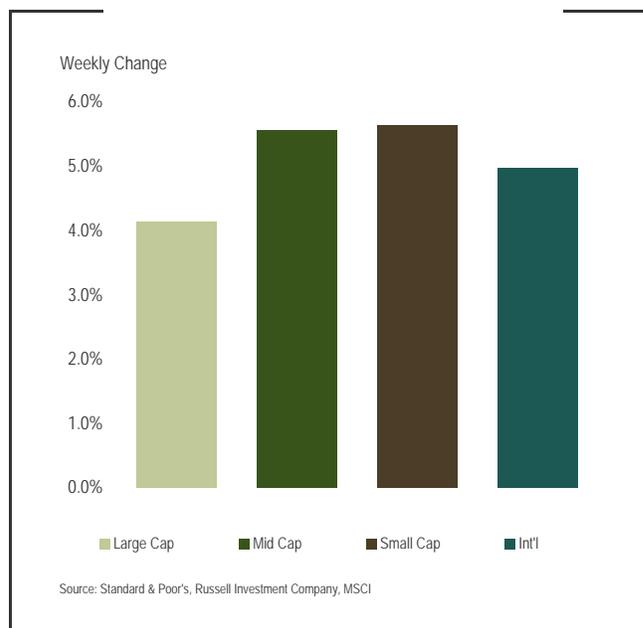
The largest gains occurred Thursday, though some late-released disappointing profit reports weighed on investors leading into trading on Friday. Microsoft (MSFT) announced a 29% decrease in earnings for its fiscal fourth period, a figure well below analyst estimates. The stock lost as much as 11% during trading on Friday before making a faint recovery. American Express (AXP) reported a 48% drop in profit. Despite technology and finance companies leading the broader market lower, most indices managed slight gains on Friday, surprising many investors expecting a substantial drop. The NASDAQ did fall however, ending a streak of 13 session gains.

Oil and natural gas prices propelled energy stocks this week, boosting Exxon Mobil Corp. (XOM) and ConocoPhillips (COP) 11.0% and 6.1%, respectively. Financials produced mixed results this week. Fifth Third Bank (FITB) posted a gain of 15.2% after an impressive earnings report, while Citigroup (C) and Bank of America (BAC) experienced losses of 9.9% and 5.0% for the week.

Emerging market equity funds continued to entice investors this week, drawing in \$2.6 billion on the optimism that the demand for exports in the U.S. will recover. The inflows add to a near \$32 billion sum invested in emerging markets this year, giving developing nations 10 of the world's best performing stock markets this year.

Issue	7.17.09	7.24.09	Change
Dow Jones	8,743.94	9,093.24	3.99%
S&P 500	940.38	979.26	4.13%
NASDAQ	1,886.61	1,965.96	4.21%
Russell 1000 Growth	422.18	437.46	3.62%
S&P MidCap 400	589	621.7	5.55%
Russell 2000	519.22	548.46	5.63%
MSCI EAFE	1,320.25	1,385.79	4.96%
MSCI EM	773.41	822.11	6.30%
MSCI Small Cap	118.94	124.39	4.58%

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

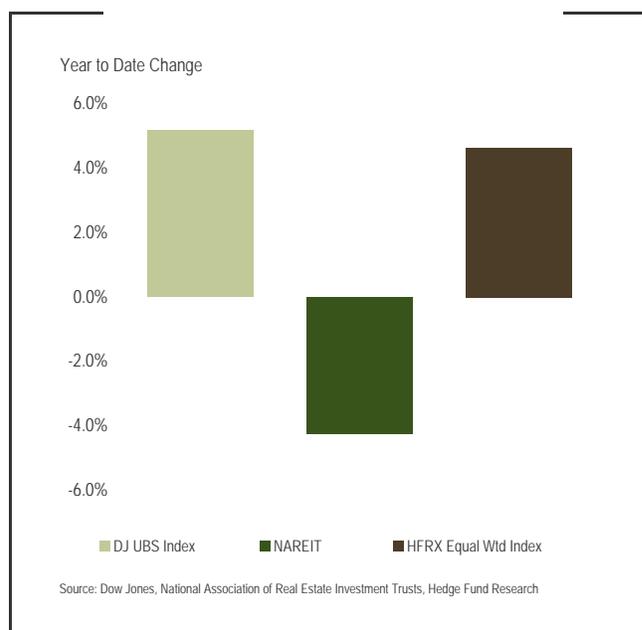
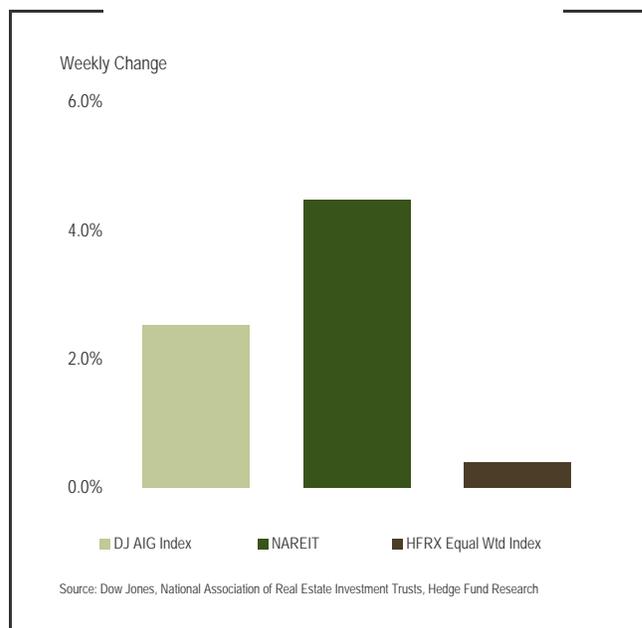
After record purchases, China's copper imports have reportedly slowed, according to Bloomberg. The recent flurry of buying has resulted in a 75% rally this year, as reflected by data from Dow Jones. Chinese copper demand is expected by some analysts to grow by 7-8%, or 400,000 tons this year. In related news, China is on course to overtake India to become the world's top consumer of gold in 2009. Total gold demand in the first quarter was six times that of India, according to the World Gold Council.

As reported by Dow Jones, the first half of 2009 resulted in 173 private equity funds raise \$54.9 billion, amounting to a 64% decline from the levels seen over the first half of 2008. The majority of the money is moving towards leverage buyout and corporate finance funds. Since January, 73 buyout funds raised \$28.7 billion, or 72% less than the amount raised by 98 funds in the year ago period.

Online retail giant Amazon intends to purchase online shoe store Zappos in exchange for approximately 10 million shares of Amazon common stock, which roughly equates to \$807 million based on a trailing 45 day estimate. Additionally, Amazon will provide Zappos employees with \$40 million in cash and restricted stock units. Private equity firm Sequoia Capital, an early financial backer, reportedly owns 10% of the company, which would likely amount to a highly profitable exit opportunity.

Issue	Previous Week	Current ¹	Change
Gold	937.50	953.10	1.66%
Crude Oil Futures	63.56	68.05	7.06%
Copper	2.42	2.52	4.13%
Sugar	23.15	23.25	0.43%
HFRX Equal Wtd. Strat. Index	1,046.09	1,050.15	0.39%
HFRX Equity Hedge Index	1,061.20	1,069.02	0.74%
HFRX Equity Market Neutral	1,002.58	1,001.03	-0.15%
HFRX Event Driven	1,259.52	1,267.79	0.66%
HFRX Merger Arbitrage	1,384.55	1,385.23	0.05%
Dow Jones UBS Commodity Index	120.29	123.32	2.52%
FTSE/NAREIT All REIT	80.60	84.21	4.48%

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.



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