

MainStreet Advisors Financial Market Update

August 7, 2009
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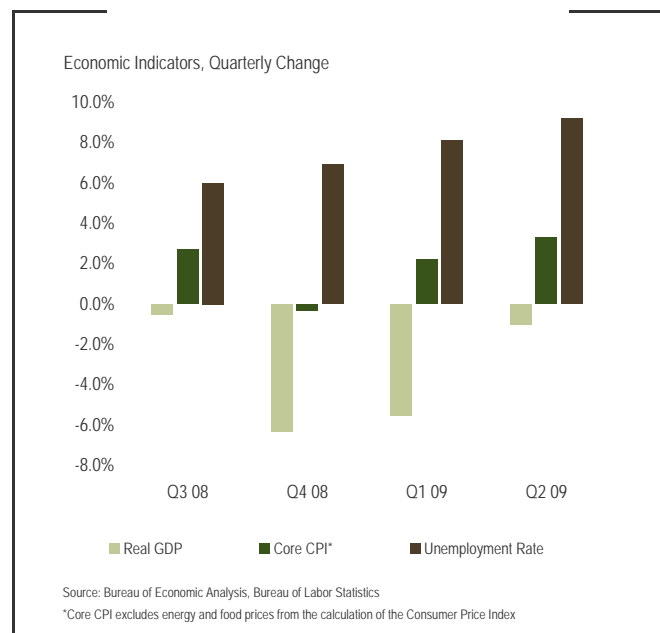
Economic Update

The unemployment rate remained almost unchanged at 9.4% in July, as reported by the Labor Department. However, there is some indication that the labor market will start to improve. Both temporary employment and employment in the service sector showed slower declines. Temporary employment, one of the leading indicators, decreased by less than 10,000, while the service sector, the main source of U.S. jobs, experienced a decline of 119,000, much less than in the previous month. According to the Wall Street Journal, in the week ending August 1, the number of initial claims for state jobless benefits fell to 550,000. The four-week average fell to 555,250, its lowest level since January 24.

The Bureau of Economic Analysis reported that personal income decreased 1.3% in June offsetting its 1.3% growth in May, which was primarily driven by government transfer payments. Personal consumption expenditures increased 0.4% in June following a 0.1% increase in May. However, according to the Wall Street Journal, this increase was mostly fueled by rising gasoline prices, as retail gas hit a 2009 high in June. The weak consumer spending resulted in another tough month for retailers in July. They are expected to continue to be hit hard in the coming months by weak back-to-school sales as teen retailers were hit the hardest. The Commerce Department also reported that personal saving as a percentage of disposable personal income was 4.6% in June, down from a 14-year high last month of 6.2%.

Although the overall economy expanded for the third month in a row, the Institute for Supply Management (ISM) reported that the manufacturing sector showed no growth for the eighteenth consecutive month. In July, only six of the eighteen manufacturing industries showed growth, while ten reported contraction. Service industries, which make up 90% of the U.S. economy, contracted at a slower pace than in May. The ISM non-manufacturing index increased from 43.7 to 44, its highest level in seven months.

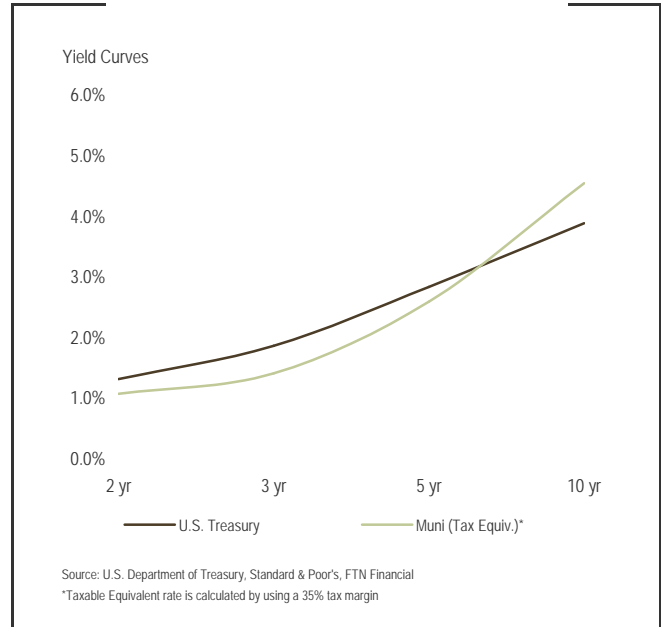
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, Bloomberg, The Institute for Supply Management.



Aug. 3 rd	Domestic Motor Vehicle Sales, July	8.3M
Aug. 3 rd	ISM Mfg. Index - Level, July	48.9
Aug. 3 rd	Construction Spending, June Monthly Chg.	0.3%
Aug. 4 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.2%
Aug. 4 th	Pending Home Sales, June Monthly Chg.	3.6%
Aug. 4 th	Personal Income, June Monthly Chg.	-1.3%
Aug. 4 th	Consumer Spending, June Monthly Chg.	0.4%
Aug. 4 th	Core PCE Price Index, June Monthly Chg.	0.2%
Aug. 5 th	ANCE Pooled Layoffs, July	97,373
Aug. 5 th	Factory Orders, June Monthly Chg.	0.4%
Aug. 5 th	ISM Non-Mfg. Index, July	46.4
Aug. 5 th	EIA Petroleum Status Report, Wkly. Chg.	1.7M Barrels
Aug. 6 th	Initial Jobless Claims (Week ending 8/1)	550,000
Aug. 6 th	EIA Natural Gas Report, Wkly. Chg.	66 bcf
Aug. 6 th	Non-farm Payrolls, July Monthly Chg.	-247,000
Aug. 7 th	Unemployment Rate, July	9.4%
Aug. 7 th	Consumer Credit, June Monthly Chg.	-10.3B

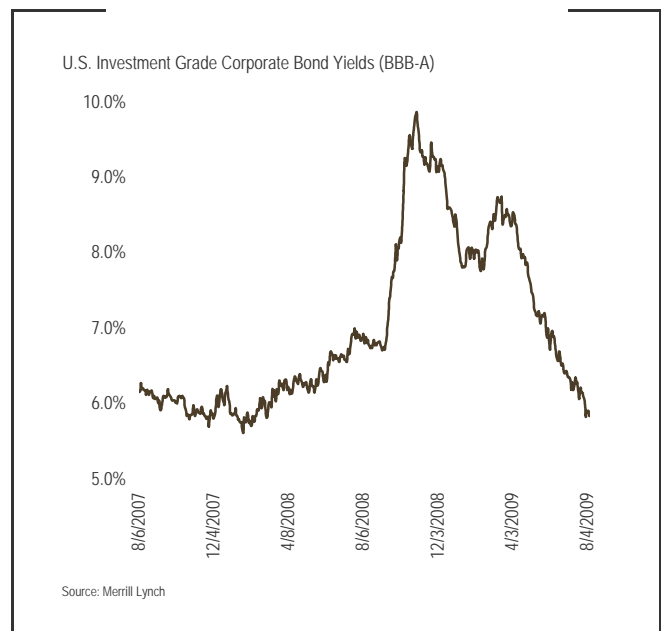
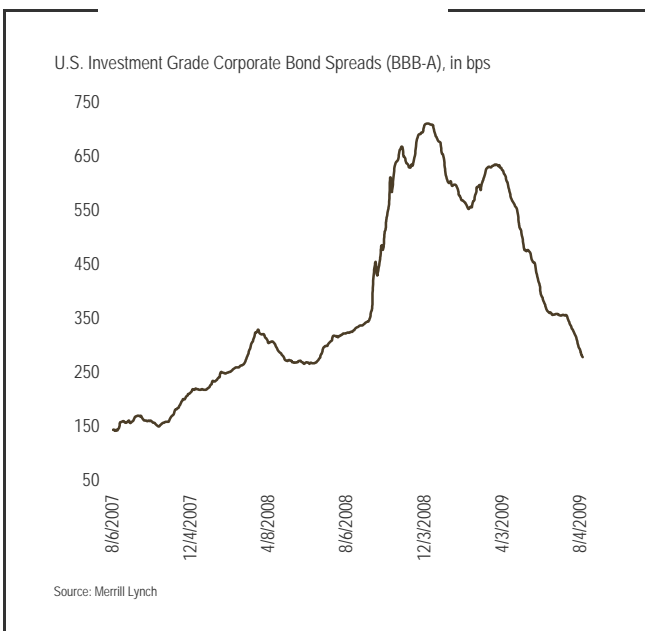
Bond Market Update

After a strong rally earlier, U.S. Treasuries finished only modestly higher for the week as better-than-expected jobs data drove bonds sharply lower on Friday. The jobs report bolstered investor sentiment yet again amid a string of improvements in recently released economic data. As the outlook for the economy recovers, Treasuries lose their appeal as a safe haven security. Strengthening the case for an economic rebound, the spread between 10-year TIPS and similar maturity Treasury notes increased to 2.02% from near zero earlier in the year. This yield difference has averaged 2.20% for the past five years, according to Bloomberg. A widening of this spread often results from increased expectations for higher consumer prices. The threat of inflation typically increases when traders anticipate the economy will strengthen sometime in the next three to six months. Meanwhile, demand for European bonds far exceeded supply this week, even as non-financial investment grade new issuance reached record levels. Record-high spreads relative to government securities have attracted investors to this asset class. Investment grade notes in euros returned 10.2% this year, the highest level since at least 1998, according to Merrill Lynch.



Issue	7.31.09	8.7.09	Change
3 month T-Bill	0.18%	0.19%	0.01%
2-Year Treasury	1.19%	1.32%	0.13%
5-Year Treasury	2.66%	2.84%	0.18%
10-Year Treasury	3.67%	3.89%	0.22%
30-Year Treasury	4.44%	4.61%	0.17%

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



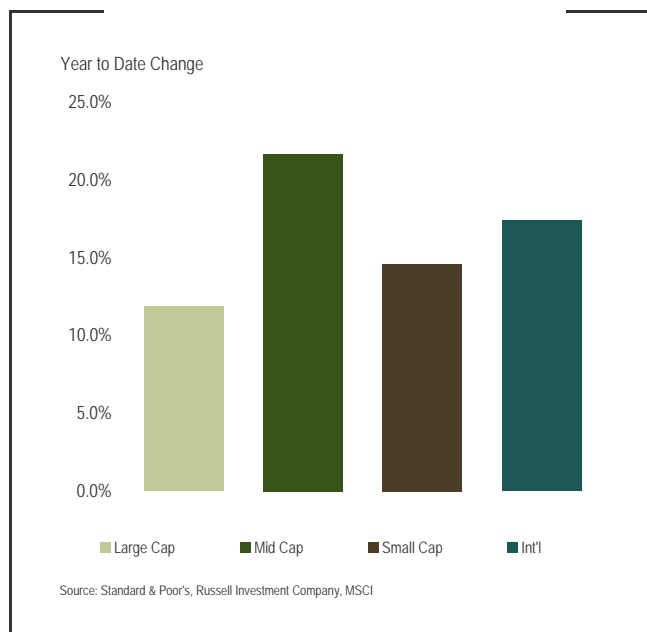
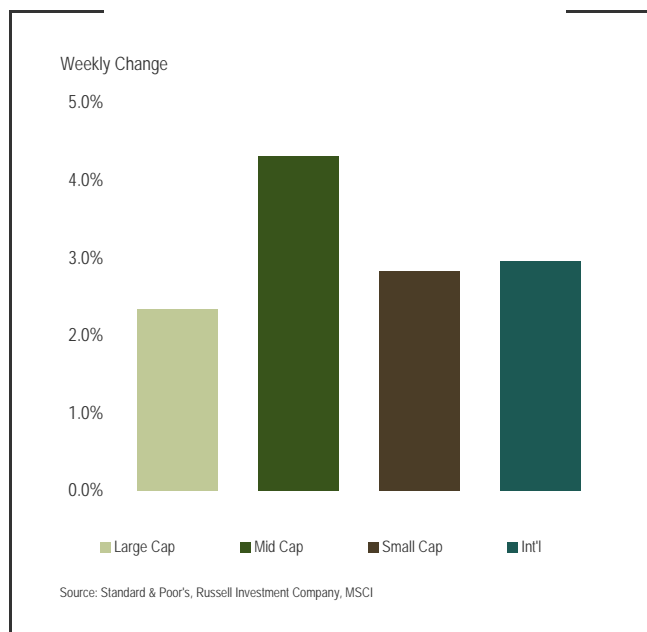
Stock Market Update

As the second quarter's corporate earnings reporting season comes to a close, the Wall Street Journal reported earlier this week that 75% of the companies that had reported beat the consensus estimate. This latest reading was the highest ever recorded in results going back to 1994. With the bulk of earnings now out, and not much in the way of economic releases except for the monthly jobless number on Friday, many investors initially expected the week to be fairly quiet. But the summer rally continued. On Monday stocks hit two psychologically important levels, with the S&P 500 trading over 1000 and the NASDAQ over 2000. The S&P 500 last closed over 1000 on November 4—the DJIA had broken through 9000 11 days earlier.

Hope that the worst of the recession is now behind us and a surge in auto sales from the Cash for Clunkers program were thought to spur the averages higher early in the week. During the middle of the week stocks moved mostly sideways, accompanied by Procter & Gamble (PG) and Cisco (CSC) both earning near their consensus estimates, which had been significantly guided down by management. It was also reported this week that the advisory fees to Investment Banks for breaking up AIG would be near \$1 billion. However, some of those same firms could be dealt a blow as the SEC announced they were considering a ban on so called "flash trading," a form of high frequency stock trading that may be create an unfair advantage for firms that use it. Morgan Stanley repurchased the government's long-term warrants for \$950 million. On Friday, the monthly jobs number was a positive surprise, with the nationwide unemployment rate declining to 9.4%. On this good news, stocks on Friday leapt at the opening and closed nearly 1.5% higher for the day.

Issue	7.31.09	8.7.09	Change
Dow Jones	9,170.93	9,370.07	2.17%
S&P 500	987.48	1,010.48	2.33%
NASDAQ	1,978.50	200.25	-89.88%
Russell 1000 Growth	438.81	443.53	1.08%
S&P MidCap 400	628.05	655.1	4.31%
Russell 2000	556.71	572.4	2.82%
MSCI EAFE	1,410.91	1,452.56	2.95%
MSCI EM	833.54	855.52	2.64%
MSCI Small Cap	125.61	131.47	4.66%

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.



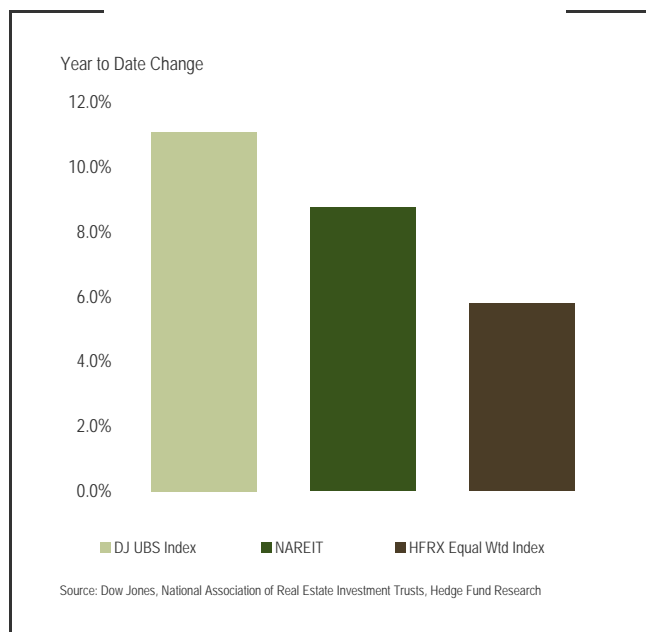
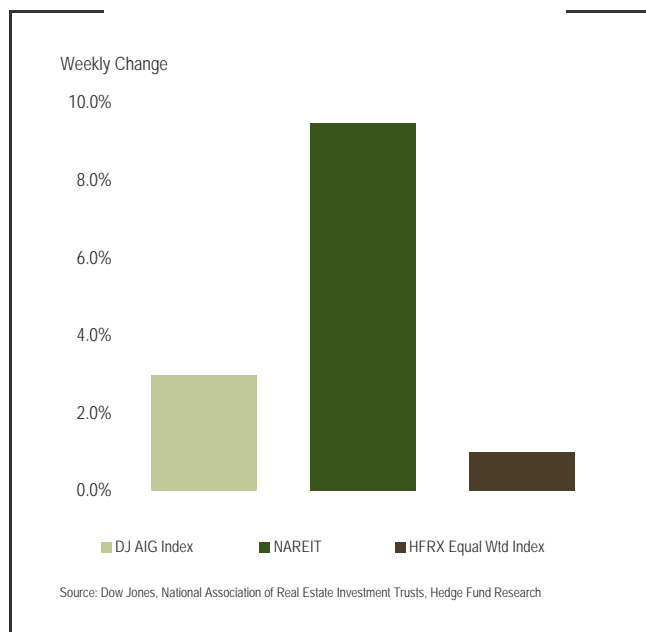
Alternative Investments Market Update

Blackstone Group LP, the world's largest buyout company, posted solid earnings on Thursday, citing improvement among its private equity funds. Alternative investments firm Fortress Investment Group LLC also posted a moderate earnings report on Wednesday. Although most private equity firms are, in fact, private unlisted companies, the apparent earnings stabilization of these two public companies could signal a new trend from the significant downward pressure seen in the industry over the past two years. These reports come as private equity firms Kohlberg Kravis & Roberts and Silver Lake Partners announced that they raised \$650 million from an IPO of Avago Technologies Ltd., which marks the first significant buyout-backed IPO of the year. In related news, it was reported that U.S. alternative asset management firm Och-Ziff Capital Management has acquired a 7.61% stake in Australia's oldest property trust, GPT Group, representing approximately \$356 million.

Blackstone Group LP's president Tony James was also in the news on Friday where he was reportedly quoted by Bloomberg as claiming that the latest FDIC proposition for new buyout rules would "kill it for private equity." The new rule, if implemented, would require banks bought by private equity firms to maintain a Tier 1 capital ratio of 15%, which is nearly double the amount currently required for startup. Tier 1 capital, often used as a measure of a bank's financial strength, is comprised of highly liquid assets that are regularly priced on the open market, and can include common stock, retained earnings, and non-redeemable non-cumulative preferred stock.

Issue	Previous Week	Current ¹	Change
Gold	955.80	959.50	0.39%
Crude Oil Futures	69.45	70.93	2.13%
Copper	2.63	2.79	6.08%
Sugar	23.20	24.73	6.59%
HFRX Equal Wtd. Strat. Index	1,051.25	1,061.69	0.99%
HFRX Equity Hedge Index	1,068.60	1,092.73	2.26%
HFRX Equity Market Neutral	996.29	990.20	-0.61%
HFRX Event Driven	1,265.53	1,283.59	1.43%
HFRX Merger Arbitrage	1,384.40	1,389.65	0.38%
Dow Jones UBS Commodity Index	126.48	130.24	2.98%
FTSE/NAREIT All REIT	87.39	95.65	9.45%

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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