

# MainStreet Advisors Financial Market Update

August 28, 2009  
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## Economic Update

Federal Reserve Chairman Ben Bernanke reiterated his commitment to promoting the foundation for economic growth and price stability when accepting President Barack Obama's nomination for another term as the Fed Chief. While still defending aggressive actions the Fed has taken in the last year to stabilize financial and credit markets, Bernanke faces lingering economic challenges.

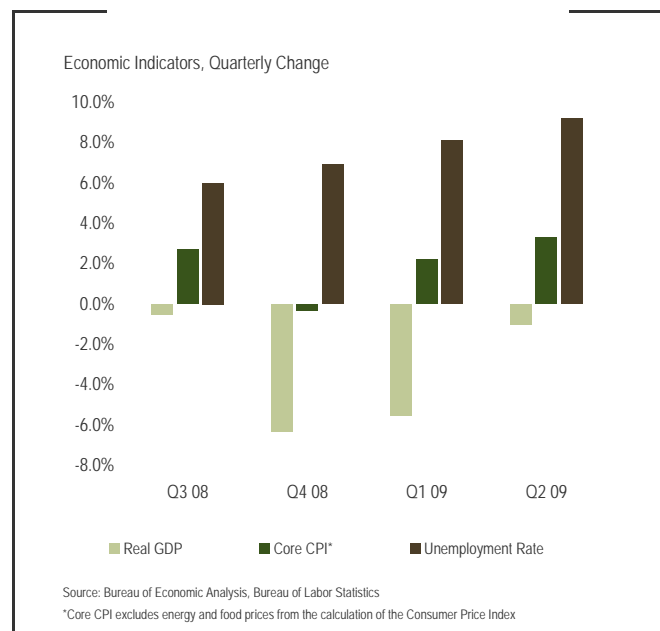
The Bureau of Economic Analysis (BEA) confirmed that gross domestic product (GDP) contracted by 1% in the second quarter. The BEA also reported that corporate profits rebounded for the second consecutive quarter to an annualized \$1.050 trillion, up 33.8% from the first quarter.

According to the S&P/Case-Shiller Home Price Indices, prices in 18 of the 20 largest U.S. metropolitan areas rose for the second straight month. Chairman of the Index Committee at Standard & Poor's noted that for the first time since 2006, prices have increased on a quarterly basis. Sales for new homes rose to a seasonally adjusted annual rate of 433,000 in July, as reported by the Commerce Department. This represents a 9.6% increase from the previous month.

The Commerce Department reported that new orders for durable goods soared 4.9% to \$168.4 billion in July, marking the strongest monthly increase in two years, as demand for both defense and non-defense capital goods increased.

The Conference Board Consumer Confidence Index advanced 6.7 points in August to a reading of 54.1. The Conference Board attributed the rebound to the improvements in consumers' appraisal of the labor market and the short-term economic outlook. However, the Reuters/University of Michigan Surveys of Consumers indicated that sentiment is at a four-month low due to ongoing concerns about job market and personal financial situations, but has improved from earlier this month. Separately, the Commerce Department announced that personal spending increased 0.2% in July, while personal incomes remained unchanged. The personal savings rate, as a percentage of disposable personal income, fell for the second month to 4.2%.

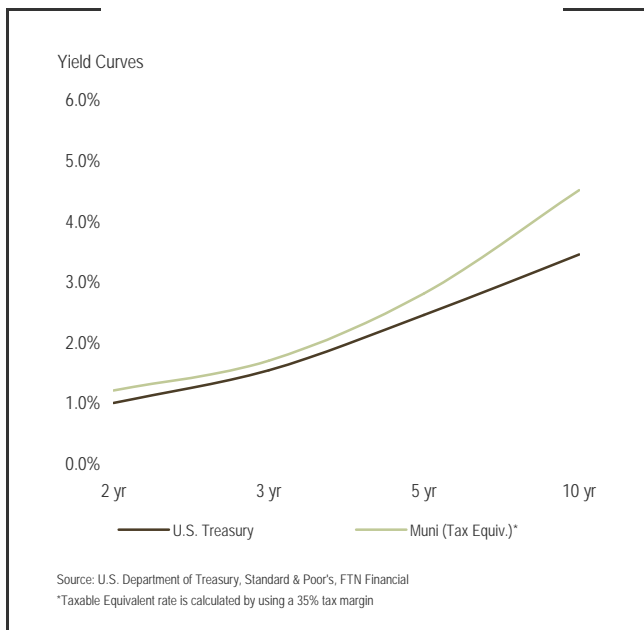
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, Standard & Poor's, The Conference Board, Reuters.



Aug. 25 <sup>th</sup>	S&P/Case-Shiller Composite 20 Index, June	141.86
Aug. 25 <sup>th</sup>	Consumer Confidence Index, August	54.1
Aug. 25 <sup>th</sup>	State Street Investor Confidence Index, August	122.9
Aug. 26 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	1.0%
Aug. 26 <sup>th</sup>	Durable Goods New Orders, Dec. Monthly Chg.	4.9%
Aug. 26 <sup>th</sup>	New Home Sales, July	331,000
Aug. 26 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	0.2M Barrels
Aug. 27 <sup>th</sup>	GDP Price Index, Q2 Quarterly Change SAAR*	-1.0%
Aug. 27 <sup>th</sup>	Real GDP, Q2 Quarterly Change SAAR*	0.0%
Aug. 27 <sup>th</sup>	Initial Jobless Claims ( Week ending 8/22)	570,000
Aug. 27 <sup>th</sup>	After-tax Corporate Profits, Q2 Annual Change	-17.7%
Aug. 27 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	54 bcf
Aug. 28 <sup>th</sup>	Personal Income, July Monthly Chg.	0.0%
Aug. 28 <sup>th</sup>	Consumer Spending, July Monthly Chg.	0.2%
Aug. 28 <sup>th</sup>	Core PCE Price Index, July Monthly Chg.	0.0%
Aug. 28 <sup>th</sup>	Consumer Sentiment Index, August	65.7

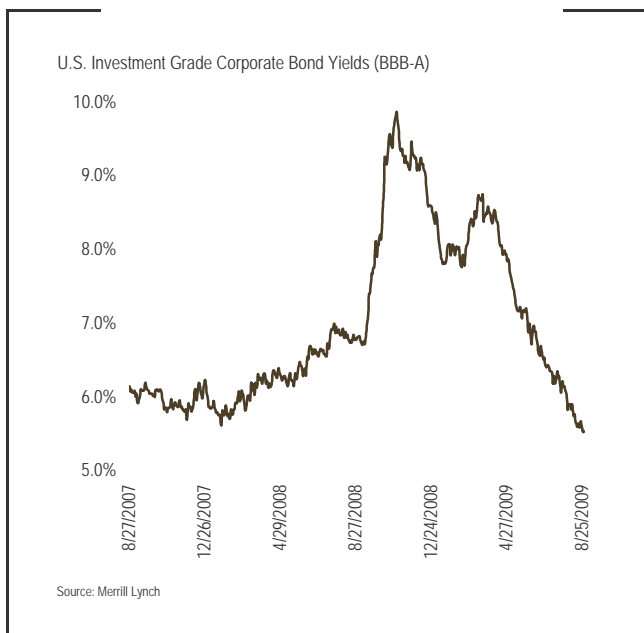
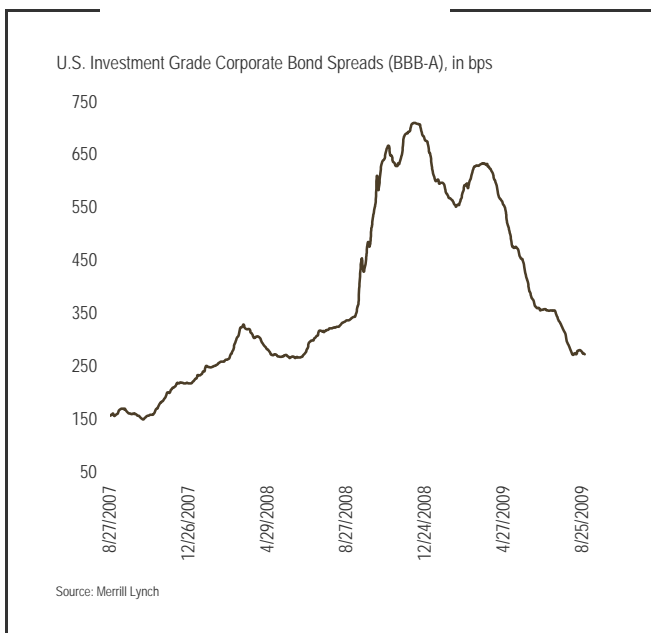
Bond Market Update

Despite mixed economic reports, and a seasonal lull in corporate and municipal bond issuance, the bond market finished a little stronger for the week. The benchmark 10-year Treasury rallied nearly 10 basis points on the week, to yield 3.44% by week's end. Bonds even managed to rally in the face of an ever growing U.S. federal budget deficit, which was revised downward for fiscal '09, from \$1.8 trillion to \$1.58 trillion, the long-term total accumulated debt was predicted to be over \$9 trillion by 2019. Signs of improvement in the credit markets continue as Bank of America/Merrill Lynch managed to issue another large asset backed security, a \$2 billion note backed by auto loans and eligible purchase by the Treasury under the TALF guidelines. Also, the TED spread continues to remain close to historical norms. In a surprising reversal, it became cheaper to borrow short term in dollars compared to the yen. Earlier this week, it was observed that 3-month U.S. dollar LIBOR was quoted at 0.372% and 3 month Yen LIBOR was 0.388%. The last time it was cheaper to borrow in dollars was in May of 1993. Lastly, in a sign that inflation concerns may soon return, Israel became the first country to raise interest rates, hiking its key short term rate from 0.50% to 0.75%.



Issue	8.21.09	8.28.09	Change
3 month T-Bill	0.17%	0.15%	-0.02%
2-Year Treasury	1.13%	1.01%	-0.12%
5-Year Treasury	2.58%	2.46%	-0.12%
10-Year Treasury	3.56%	3.46%	-0.10%
30-Year Treasury	4.36%	4.21%	-0.15%

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



Stock Market Update

Stocks ended the week slightly higher as mixed economic news released throughout the week sent stocks on a rollercoaster ride. The Dow Jones Industrial Average closed Friday at 9,544.20, 38.24 points, or 0.40%, higher than last week. The broader S&P 500 gained 2.8 points, or 0.27% to end the week at 1,028.93.

General Electric Corp. (GE) announced it would put its security business up for auction. The unit is expected, according to Reuters, to fetch about \$2 billion; Bloomberg News reported that Tyco International Ltd. (TYC) and United Technologies Corp. (UTX) were expected to place bids.

Apple Inc. (AAPL) announced that it had entered a three-year deal with China's number two wireless carrier, Unicom to sell Apple's iPhone in China. The deal is Apple's first in China, the world largest mobile phone market, according to Reuters.

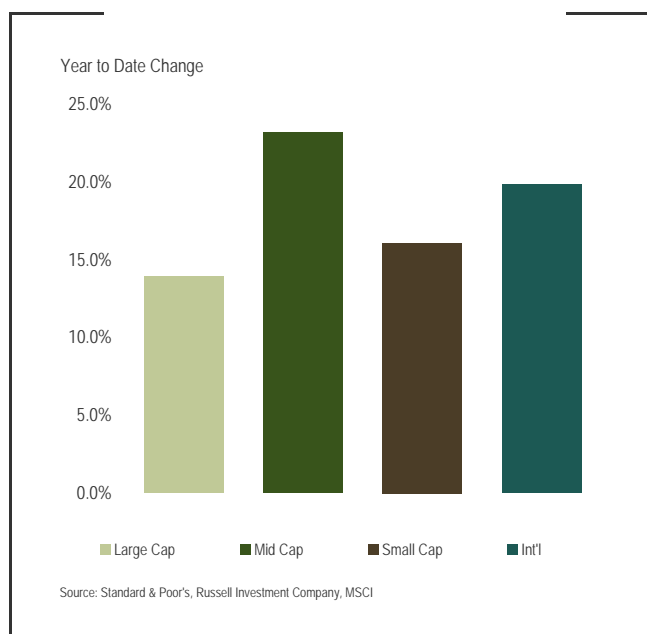
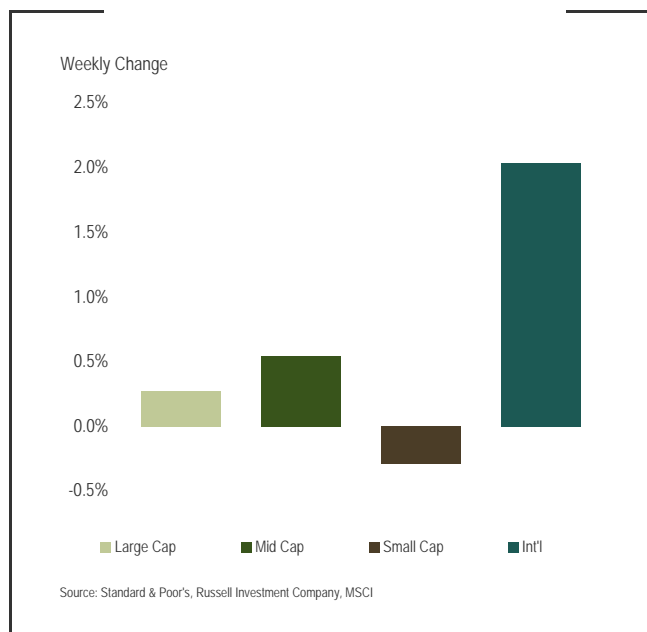
Dell Inc. (DELL) reported quarterly results that exceeded analyst expectations on Friday, rallying 1.76% and helping to send technology stocks higher by 0.35% as a group. Dell reported that it expects revenues to on an annual basis beginning in 2010, on increased demand from China and India.

The Federal Deposit Insurance Corp. (FDIC) announced that it was adding 111 banks to the list of endangered banks, bringing the total to 416, or about 5% of U.S. banks, according to the Wall Street Journal. The problem bank list is a list of banks that the FDIC deems as highly likely to fail, according to the Wall Street Journal; the FDIC has already shuttered 81 banks this year.

Financial stocks led the upside this week adding 1.44%, followed by consumer discretionary and technology stocks, which gained 1.03% and 0.80%, respectively. Utility stocks trailed, losing 1.01% this week.

Issue	8.21.09	8.28.09	Change
Dow Jones	9,505.96	9,544.20	0.40%
S&P 500	1,026.13	1,028.93	0.27%
NASDAQ	2,020.90	2,028.77	0.39%
Russell 1000 Growth	449.69	450.19	0.11%
S&P MidCap 400	659.6	663.15	0.54%
Russell 2000	581.513	579.86	-0.28%
MSCI EAFE	1,453.66	1,483.19	2.03%
MSCI EM	837.12	843.99	0.82%
MSCI Small Cap	133.43	136.25	2.11%

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

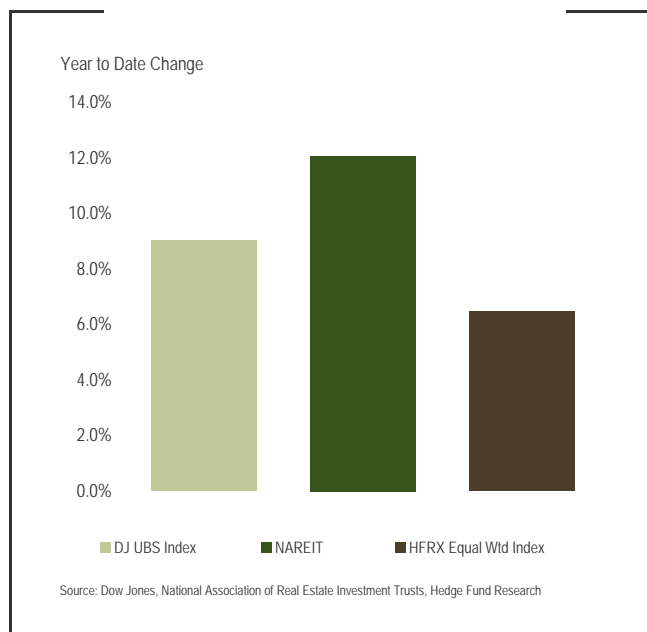
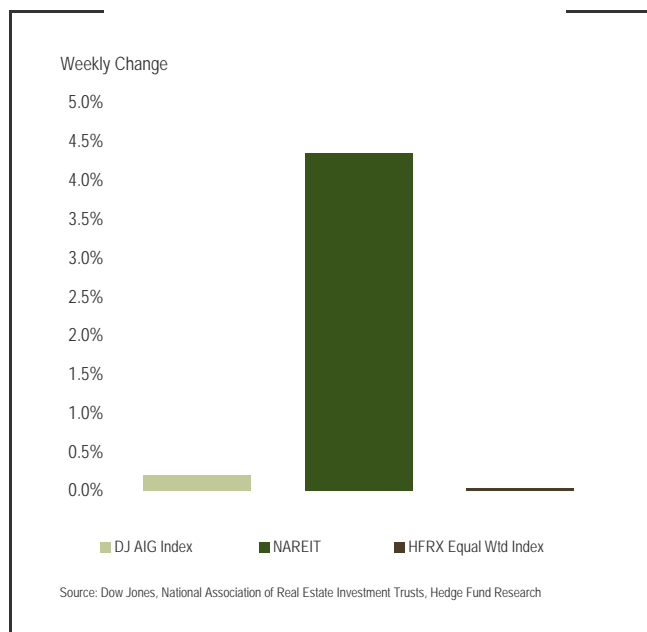
The Dow Jones UBS Commodity Index finished the week just above flat as price declines in the energy sector held back gains seen in precious metals, agriculture, grains, and softs. Natural gas prices, down 3.43% for the week, continue to decline as global supply and demand diverge. Sugar prices appreciated 7.70%, reaching their highest price level since 1981. According to BBC News, India, the world's largest consumer of sugar and the second largest producer, will be unable to match domestic demand for the upcoming year due to monsoon rains significantly reducing output. BBC also reported that India's sugar supply may have declined to 4.5 million tons, which is the equivalent of two months of domestic supply. Pakistan has faced similar troubles, where the government doubled sugar prices, resulting in public outrage in the months leading up to Ramadan. They announced that they will be importing 175,000 tons of sugar on an emergency basis. Also contributing to the shortage is Brazil's growing demand to turn sugar into ethanol for fuel.

USA Today reported that more than two dozen large well-known private equity companies, including Blackstone Group and Carlyle Group, have contributed over \$1.97 million to the campaigns of many officials including governors and treasurers. These officials are thought to be influential to the public pension fund money manager selection process. None of these firms, however, were charged in connection with pay-to-play investigations by the Securities and Exchange Commission thus far.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	954.70	958.80	0.43%
Crude Oil Futures	73.89	72.74	-1.56%
Copper	2.89	2.95	2.08%
Sugar	21.70	23.52	8.39%
HFRX Equal Wtd. Strat. Index	1,068.21	1,068.56	0.03%
HFRX Equity Hedge Index	1,085.03	1,099.09	1.30%
HFRX Equity Market Neutral	995.78	991.96	-0.38%
HFRX Event Driven	1,291.98	1,294.86	0.22%
HFRX Merger Arbitrage	1,404.19	1,404.14	0.00%
Dow Jones UBS Commodity Index	127.59	127.84	0.20%
FTSE/NAREIT All REIT	94.47	98.57	4.34%

<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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MAINSTREET ADVISORS™

120 North LaSalle Street Suite 3750  
Chicago, Illinois 60602  
312.223.0270 direct  
312.223.0276 fax  
[www.mainstreetadv.com](http://www.mainstreetadv.com)