

# MainStreet Advisors Financial Market Update

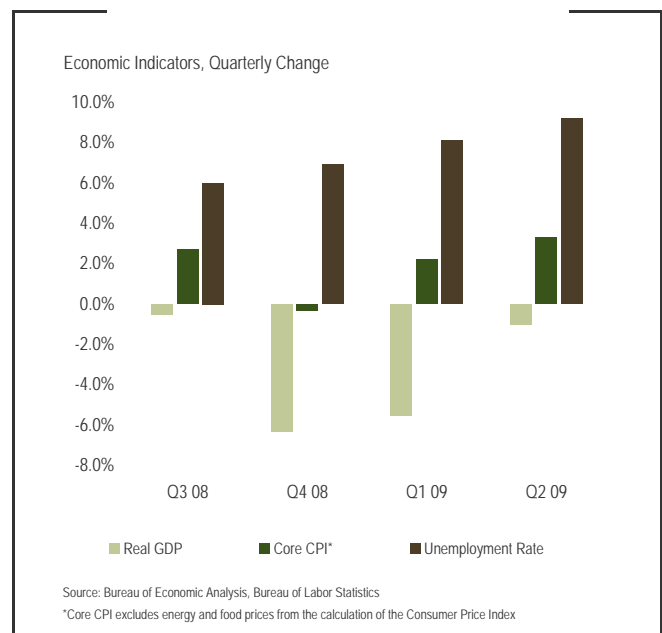
September 11, 2009  
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## Economic Update

In the Federal Reserve's Beige Book released this week, data from the 12 Federal Reserve Districts reflected greater stabilization in economic conditions over the past two months. According to the report, the economic outlook has improved as business leaders "remained cautiously positive." Although consumer spending remains muted and the labor market continues to shed jobs, the manufacturing sector and real estate market have shown signs of recovering. These improvements have bolstered consumer confidence. The Reuters/University of Michigan Surveys of Consumers indicated that consumer sentiment is at the highest level since June as the economic outlook becomes more favorable. However, Reuters reported that consumers still have concerns regarding their personal financial situations, which they do not expect to improve in the near-term.

The U.S. Department of Commerce announced that the international trade deficit expanded to \$32.0 billion in July—a 16.3% increase from the previous month. This marked the greatest monthly advance in more than a decade. Exports increased by \$2.7 billion and imports advanced by \$7.2 billion. The considerable jump in imports was largely reflective of increased energy-related petroleum products and higher crude oil prices. Separately, the Labor Department reported that the U.S. Import Price Index increased 0.2% in August as a result of a 9.8% surge in fuel prices. All import prices have advanced 18.1% since August 2008 whereas export prices have increased a modest 8.3% in the last year. The U.S. Export Price Index climbed 0.7% in August as prices for agricultural exports increased by 0.2% and non-agricultural export prices rose 0.8%.

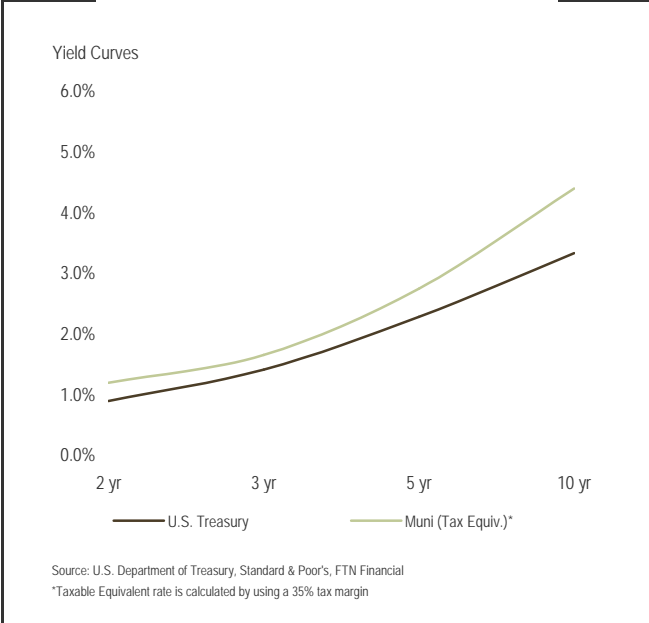
The Wall Street Journal released results Friday from its latest economic forecasting survey in which economists indicated their expectations for the labor market to add jobs over the next year and the unemployment rate to continue on an upward trend into next year. According to the survey, forty of the 51 economists that responded believe the economy has come out of the recession that began in December 2007.



Sep. 9 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	9.5%
Sep. 9 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.6%
Sep. 10 <sup>th</sup>	International Trade Balance Level, July	-32.0B
Sep. 10 <sup>th</sup>	Initial Jobless Claims ( Week ending 9/5)	550,000
Sep. 10 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	69 bcf
Sep. 10 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-5.9M Barrels
Sep. 11 <sup>th</sup>	Import Prices, August Monthly Chg.	2.0%
Sep. 11 <sup>th</sup>	Export Prices, August Monthly Chg.	0.7%
Sep. 11 <sup>th</sup>	Consumer Sentiment Index, September	70.2
Sep. 11 <sup>th</sup>	Wholesale Inventories, July Monthly Chg.	-1.4%

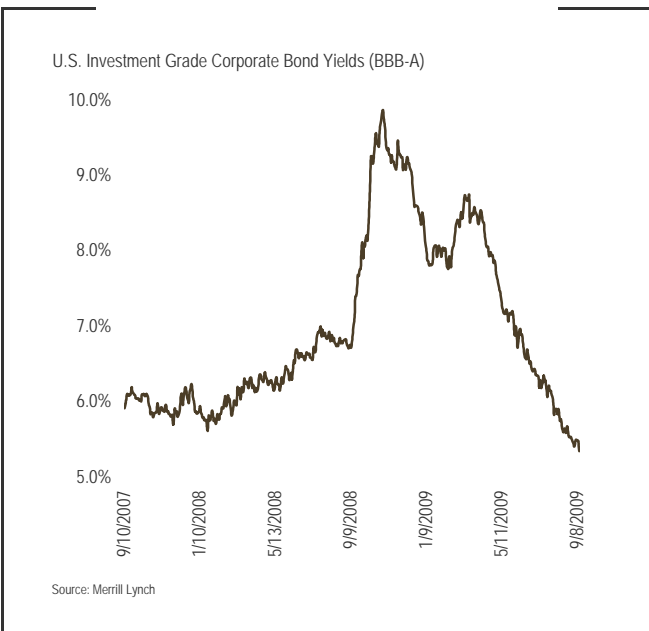
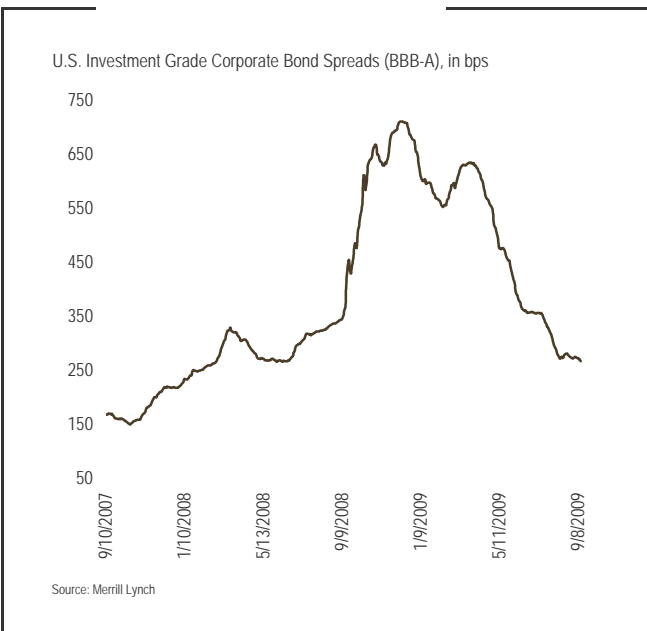
Bond Market Update

U.S. Treasuries rallied with the 10-year note gaining for the fifth straight week. Strong demand for government debt drove yields lower this week amid the Treasury Department's auction of \$70 billion in notes and bonds. Even at historically low interest rates, this week's \$12 billion sale of 30-year bonds drew robust interest as investors bid 2.92 times the amount of securities offered. This was the highest "bid-to-cover" ratio for the 30-year bond since November 2007, according to Bloomberg. The success of the auctions suggest that market participants feel inflation will remain tame given the tepid economic recovery, which, in turn, will likely encourage central bankers to leave short-term rates unchanged. Although the Treasury Department has sold over \$442 billion of notes and bonds this quarter, Treasuries have returned 1.79% since June, according to Merrill Lynch. The U.S. government is relying specifically on China to sustain their level of Treasury note and bond purchases to help fund a \$787 billion stimulus spending package. Recently, Chinese investors have doubled their holdings of U.S. government bonds to \$776 billion as of June, according to Treasury Department data. However, looking forward, some strategists feel these purchases may slow as China begins to diversify their currency reserves due to their large scale holdings.



Issue	9.4.09	9.11.09	Change
3 month T-Bill	0.14%	0.14%	0.00%
2-Year Treasury	0.94%	0.90%	-0.04%
5-Year Treasury	2.36%	2.29%	-0.07%
10-Year Treasury	3.45%	3.34%	-0.11%
30-Year Treasury	4.27%	4.18%	-0.09%

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



Stock Market Update

U.S. stocks gained during the holiday-shortened week despite a slight decline on Friday. The Dow Jones Industrial Average (DJIA) added 164.14 points since last Friday, or 1.74%, to close at 9,605.41, its highest point since last October. The broader S&P 500 also gained on the week, adding 26.33 points, or 2.59%, to close at 1042.73.

Investors sent FedEx Corp. (FDX) higher by 6.41% on Friday when the company raised its first quarter 2010 earnings outlook and issued a better than expected second quarter 2010 outlook. FedEx and UPS Inc. (UPS) are often viewed as proxies for the U.S. economy as they handle almost 80% of the nation's package shipments, according to Bloomberg.

General Motors Co. announced that it reached an agreement to sell its European operations, Opel and Vauxhall, to a group of investors led by Magna International Inc. (MGA), the Canadian auto parts manufacturer, according to the Wall Street Journal.

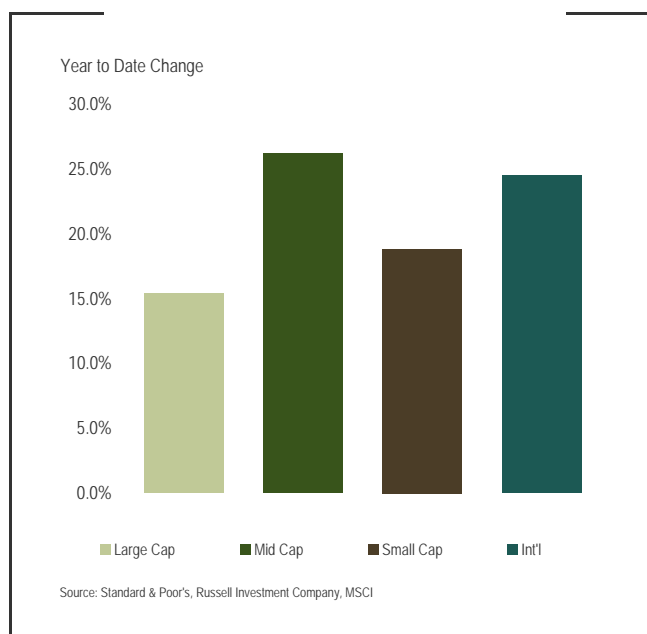
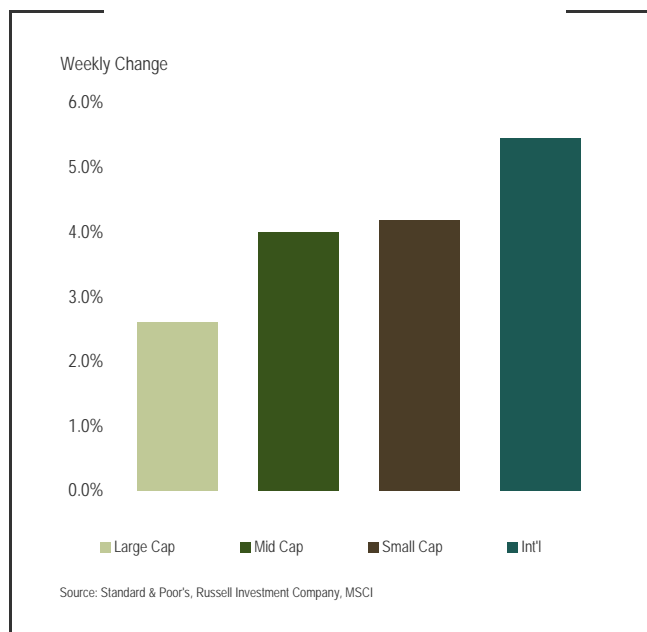
Apple Corp. (AAPL) CEO Steve Jobs appeared in public for the first time since his liver transplant to announce the company's latest offerings. Major announcements include adding a video camera to iPod nano and price reductions across all iPods in an effort to bolster sales.

Energy and industrial stocks led the gains this week, adding 5.18% and 4.11% respectively. While no S&P 500 sectors declined, utility stocks posted a gain of just 0.07% this week.

Stocks rose 4.48% in China on a government report that output at Chinese factories gained 12.3% from a year earlier.

Issue	9.4.09	9.11.09	Change
Dow Jones	9,434.24	9,605.41	1.81%
S&P 500	1,016.25	1,042.73	2.61%
NASDAQ	2,016.34	2,080.90	3.20%
Russell 1000 Growth	448.08	458.99	2.43%
S&P MidCap 400	653.35	679.41	3.99%
Russell 2000	569.84	593.59	4.17%
MSCI EAFE	1,461.47	1,541.09	5.45%
MSCI EM	840.99	887.05	5.48%
MSCI Small Cap	134.93	143.23	6.15%

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.



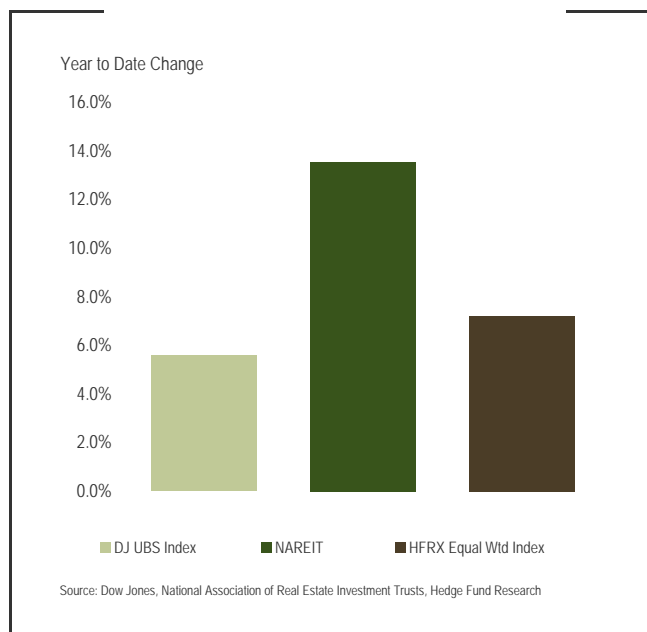
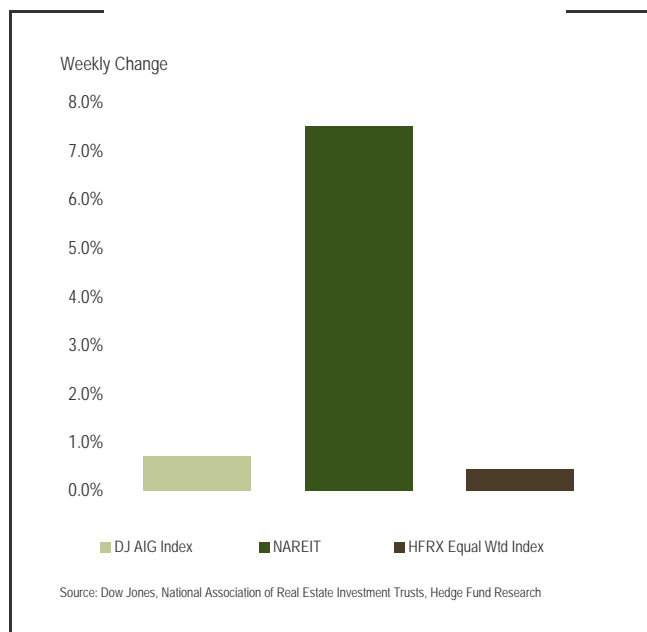
Alternative Investments Market Update

The Dow Jones UBS Commodity Index finished the week just above flat as price declines in the industrial metals sector held back gains seen in precious metals and energy. Natural gas futures posted their biggest weekly gain since May as prospects for a global economic recovery increased. According to Bloomberg, the commodity soared 15% on Thursday, which was the biggest one day gain in nearly five years due to Department of Energy data showing a smaller than forecast increase in domestic stockpiles. Additionally, it is speculated that consumer confidence increased in September due to a slower pace of job losses and negative economic news. Natural gas futures led the week, gaining 7.33%, followed by corn, up 4.42%. Gold prices, \$1,006.40 per ounce, finished the week above \$1,000 for the first time since February.

The Wall Street Journal reported that both Harvard and Yale's endowments declined 30% in the year ended June 30th. Collectively, the endowments shrank by \$17.8 billion over the time period. Harvard announced that their total endowment is now worth \$26 billion, down from \$36.9 billion a year earlier. Harvard reduced its risk profile by reducing exposure to private equity by \$3 billion, and reducing its real estate exposure by 3%, down to a total of 23%. It also plans to hold 2% of assets in cash, as compared to its previous strategy of -5%, which was achieved through leverage. Yale's endowment fell to \$16 billion, down from \$22.9 billion a year before. Yale had only forecast a drop of 25% and may call for additional budget cuts.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	996.70	1,006.40	0.97%
Crude Oil Futures	68.02	69.29	1.87%
Copper	2.87	2.85	-0.70%
Sugar	21.65	21.21	-2.03%
HFRX Equal Wtd. Strat. Index	1,071.25	1,075.85	0.43%
HFRX Equity Hedge Index	1,087.28	1,111.69	2.25%
HFRX Equity Market Neutral	990.17	995.13	0.50%
HFRX Event Driven	1,292.45	1,297.66	0.40%
HFRX Merger Arbitrage	1,401.49	1,405.80	0.31%
Dow Jones UBS Commodity Index	122.93	123.79	0.70%
FTSE/NAREIT All REIT	92.90	99.88	7.51%

<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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