

# MainStreet Advisors Financial Market Update

December 23, 2009  
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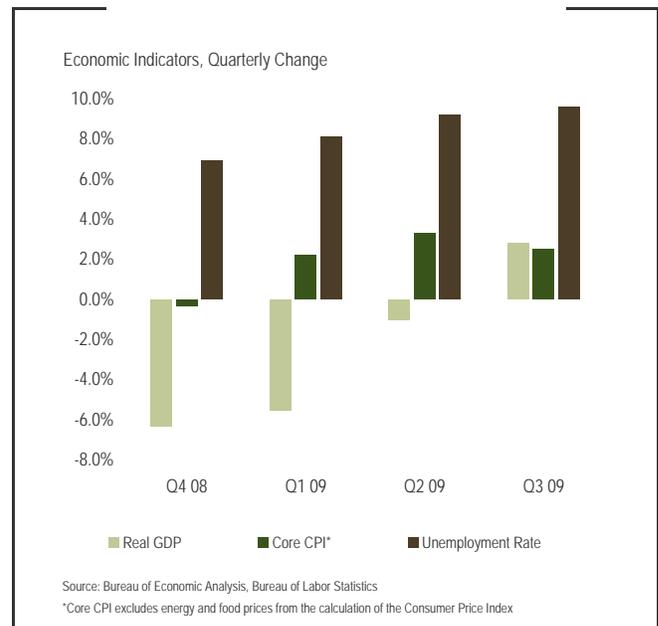
## Economic Update

Consumer sentiment rose in December as incomes increased and the perceived outlook for the labor market improved, according to the Reuters/University of Michigan Surveys of Consumers. The 72.5-point reading for the consumer sentiment index marked the greatest level of confidence since September. Reuters reported that, despite the recent improvement in personal financial situations, consumers overall assets still remain lower than normal.

The U.S. Department of Commerce reported Wednesday that personal income continued an uptrend in November, increasing 0.4% from the previous month. Personal consumption expenditures (PCE) climbed 0.5%, following a 0.6% increase in October. Meanwhile, the personal savings rate, as a percentage of disposable personal income, remained unchanged for the month at 0.7%.

Revised estimates for third quarter gross domestic product (GDP), released Tuesday by the Commerce Department, indicated that the economy expanded at a 2.2% annual rate from the second quarter opposed to the 2.8% growth estimated previously. Positive contributions to GDP were led by higher PCE followed by exports. Separately, the report showed that corporate profits increased \$132.4 billion in the third quarter—significantly higher than the \$43.8 billion increase that occurred in the second quarter.

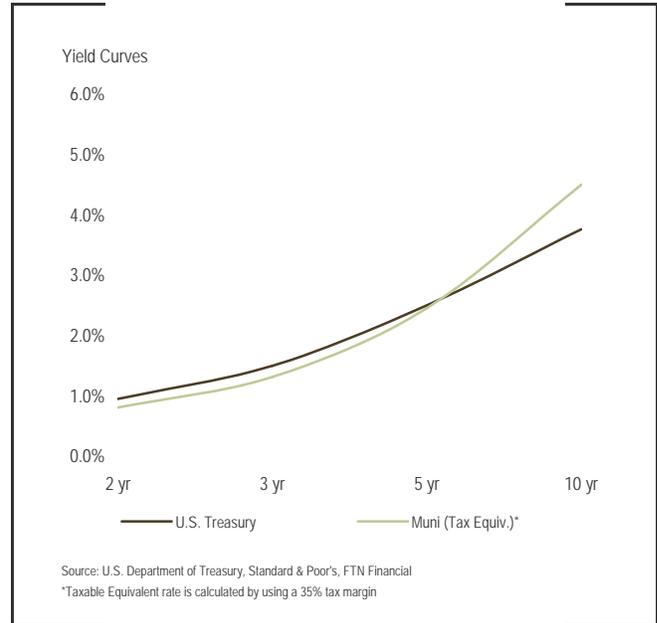
Sales of existing homes increased 7.4% to a seasonally adjusted annual rate of 6.54 million in November, as reported by the National Association of Realtors (NAR). The current level of sales represents a 44.1% increase from November 2008. NAR Chief Economist Lawrence Yun concluded that the rise in activity resulted from buyers trying to take advantage of the first-time home buyers' tax credit. Although Yun expects temporary sales to pullback shortly, he expects a rebound in activity for the spring market and hopes to see a "self-sustaining market in the second half of 2010." The Commerce Department reported on Wednesday that sales of new homes declined 11.0% in November from the October rate of 400,000 homes and is 9.0% below November 2008 levels.



|                       |   |               |
|-----------------------|---|---------------|
| Dec. 22 <sup>nd</sup> | ICSC-Goldman Same Store Sales, Wkly. Chg.     | 0.6%          |
| Dec. 22 <sup>nd</sup> | GDP Price Index, Q3 Quarterly Change SAAR*    | 0.4%          |
| Dec. 22 <sup>nd</sup> | Real GDP, Q3 Quarterly Change SAAR*           | 2.2%          |
| Dec. 22 <sup>nd</sup> | After-tax Corporate Profits, Q3 Annual Change | -7.7%         |
| Dec. 22 <sup>nd</sup> | Existing Home Sales, November SAAR*           | 6.54M         |
| Dec. 23 <sup>rd</sup> | MBA Purchase Applications Index, Wkly. Chg.   | -11.6%        |
| Dec. 23 <sup>rd</sup> | Personal Income, November Monthly Chg.        | 0.4%          |
| Dec. 23 <sup>rd</sup> | Consumer Spending, November Monthly Chg.      | 0.5%          |
| Dec. 23 <sup>rd</sup> | Core PCE Price Index, November Monthly Chg.   | 0.0%          |
| Dec. 23 <sup>rd</sup> | Consumer Sentiment Index, December            | 72.5          |
| Dec. 23 <sup>rd</sup> | New Home Sales, November                      | 355,000       |
| Dec. 23 <sup>rd</sup> | EIA Petroleum Status Report, Wkly. Chg.       | -4.9M Barrels |

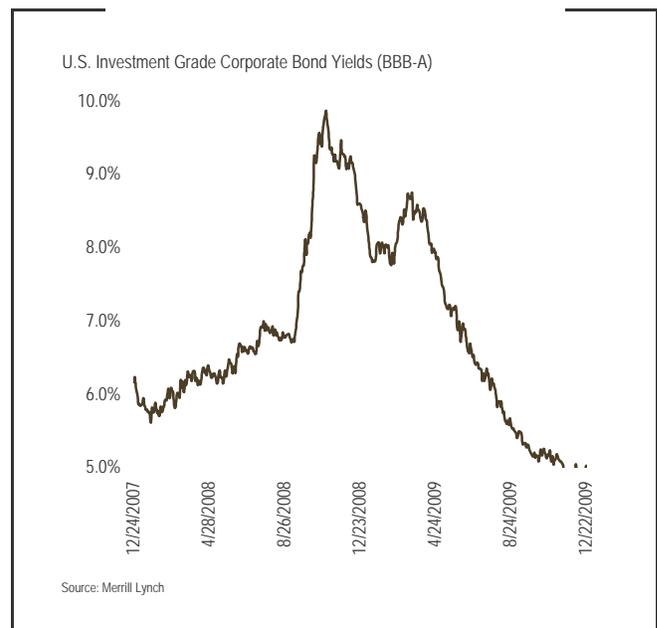
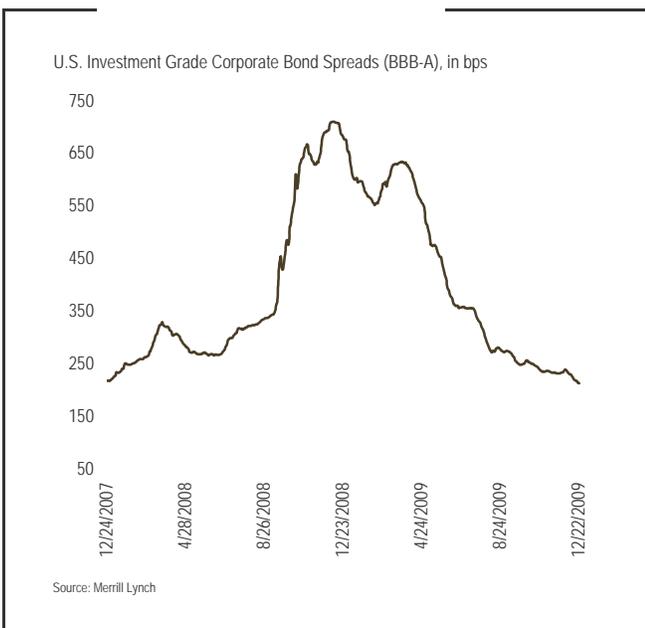
Bond Market Update

U.S. Treasuries headed for a weekly loss after the Treasury announced plans to sell \$118 billion in 2-, 5- and 7-year notes next week. A bout of profit taking often occurs before auctions as market makers tend to push up long-term bond yields as a way to underwrite these auctions at more attractive levels. The spread, or difference in yield, between 2- and 30-year government securities remained wide as investors bet the Federal Reserve will keep short-term rates low while the government continues to sell longer maturity debt, keeping these yields elevated. Treasury officials said recently that they will issue more long-term debt and reduce sales of bills and two- and three-year notes as the government borrows record amounts to fund spending programs. The Treasury spread remains near record high levels of 3.69% after averaging 1.32% over the past five years. Many analysts feel the yield curve may widen even further in what's known as a "bear steepener" wherein long-term yields increase at a faster rate than short-term government debt. A steepening yield curve often indicates that market participants expect positive economic growth and accelerating inflation expectations. Meanwhile, market participants question whether substantial Treasury sales and the decline of the dollar will stop foreign governments such as China and Saudi Arabia from investing large portions of their trade earned dollars into U.S. government securities.



| Issue            | 12.16.09 | 12.23.09 | Change |
|------------------|----------|----------|--------|
| 3 month T-Bill   | 0.05%    | 0.07%    | -0.02% |
| 2-Year Treasury  | 0.82%    | 0.96%    | 0.14%  |
| 5-Year Treasury  | 2.30%    | 2.51%    | 0.21%  |
| 10-Year Treasury | 3.04%    | 3.77%    | 0.73%  |
| 30-Year Treasury | 4.46%    | 4.61%    | 0.15%  |

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



Stock Market Update

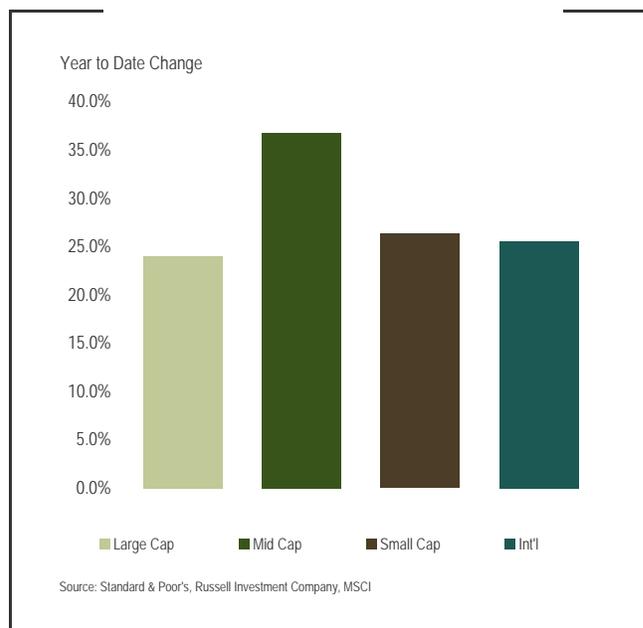
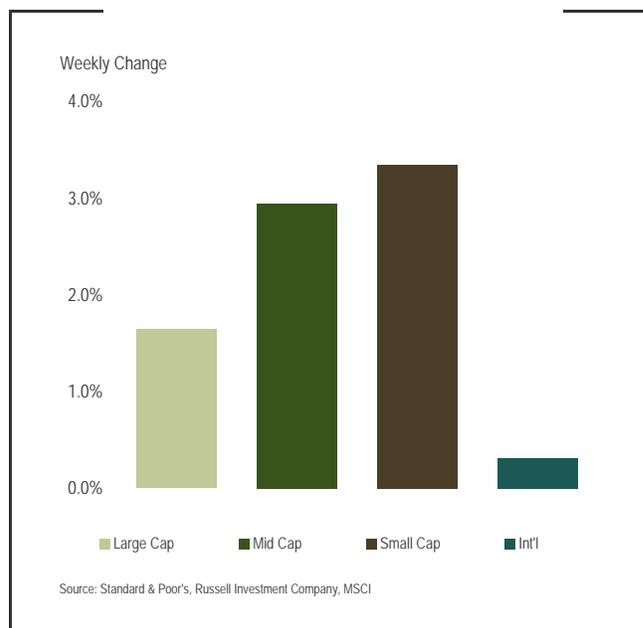
With a half-day of trading remaining in the holiday-shortened week U.S. stocks were in positive territory relative to Friday's close. The Dow Jones Industrial Average (DJIA) closed at 10,466.44 on Wednesday, a gain of 137.55 points or 1.33% for the week. The broader S&P 500 rose 1.64% to close at 1,120.59 while the technology-heavy NASDAQ Composite jumped 2.62%.

Stocks rose amid low volume on rosy consumer sentiment and personal income data on Monday and positive home-sales data released on Tuesday. The CBOE Volatility Index, or VIX, dropped below 20 for the first time since August of 2008, according to the Wall Street Journal, closing at 19.54 on Tuesday. The VIX is a measure of the implicit volatility of S&P 500 options and is viewed as a measure of "fear" in the overall market.

Health insurance stocks breathed a collective sigh of relief as the Senate neared passage of historic health care legislation that would bring health coverage to an estimated 30 million Americans. Insurers Cigna (CI), Aetna (AET) and Humana (HUM) jumped 1.93%, 3.83% and 5.09%, respectively, as the proposed legislation was absent a public option that would compete with private insurers. Expected to pass a Christmas Eve vote, the Senate bill would need to be reconciled with the House of Representative's version of the bill.

| Issue               | 12.16.09  | 12.23.09  | Change |
|---------------------|-----------|-----------|--------|
| Dow Jones           | 10,328.89 | 10,466.44 | 1.33%  |
| S&P 500             | 1,102.47  | 1,120.59  | 1.64%  |
| NASDAQ              | 2,211.69  | 2,269.64  | 2.62%  |
| Russell 1000 Growth | 492.57    | 502.19    | 1.95%  |
| S&P MidCap 400      | 714.89    | 735.95    | 2.95%  |
| Russell 2000        | 610.57    | 630.98    | 3.34%  |
| MSCI EAFE           | 1,548.97  | 1,553.72  | 0.31%  |
| MSCI EM             | 954.93    | 953.92    | -0.11% |
| MSCI Small Cap      | 140.27    | 139.66    | -0.44% |

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

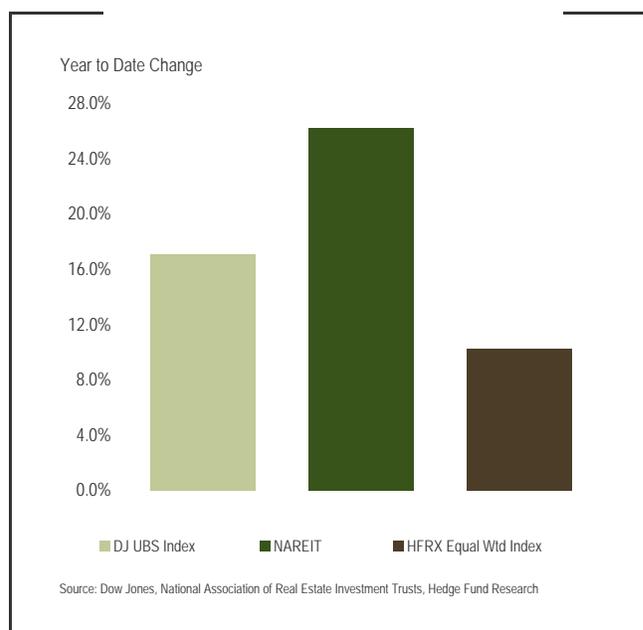
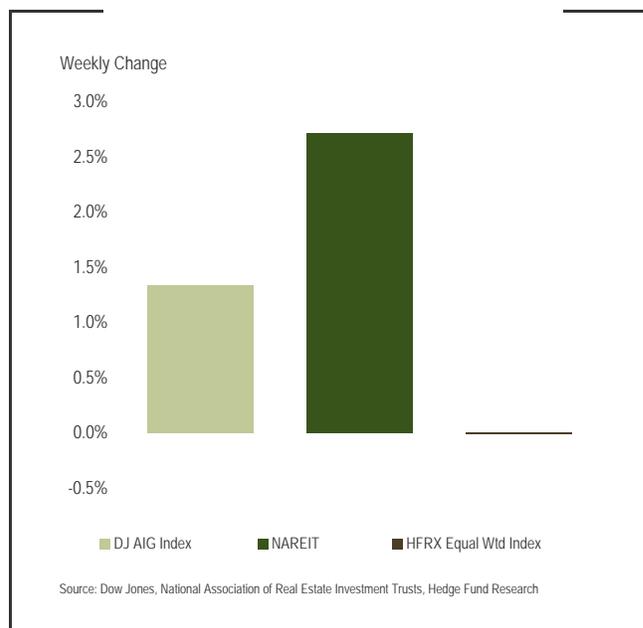
What appeared to be a U.S. dollar bouncing off its lows may now be turning into a rally causing many commodity prices to start the week with big declines. Gold futures began the week with another 1.5% drop posting a decline of nearly \$30 per ounce and closing below the psychologically important \$1,100 level. As the week progressed and economic news in the U.S. continued to point to a modest recovery gold's lure as a safe haven in uncertain times waned and prices continued to fall.

With only a non-binding resolution on CO2 emission cuts between the U.S. and China, the energy market sold off this week. Oil declined at the beginning of the week, but natural gas firmed. An early Nor'easter that socked much of the mid-Atlantic seaboard with 12-24 inches of snow was barely felt in energy prices. OPEC announced that they will keep their daily output quotas at 4.2 million barrels per day. However, they expressed concern over the historically high inventory levels and encouraged their members to do a better job adhering to the daily quotas.

In hedge fund news, Galleon continues to be in the headlines with reports that founder Rajaratnam and long-time associate Danielle Chiesi have both pleaded not guilty to the insider trading charges levied against them. Meanwhile, Dubai World's investments group last week lost control of the New York Union Square Hotel in a foreclosure auction after investing in the property near the top of the real estate market, according to Bloomberg. A real estate fund won the auction for mezzanine debt, agreeing to pay \$2 million for a portion of the debt. The Dubai investment group paid \$285 million for the property in 2006.

| Issue                         | Previous Week | Current <sup>1</sup> | Change |
|-------------------------------|---------------|----------------------|--------|
| Gold                          | 1,112.70      | 1,088.40             | -2.18% |
| Crude Oil Futures             | 73.18         | 76.65                | 4.74%  |
| Copper                        | 314.40        | 320.35               | 1.89%  |
| Sugar                         | 26.34         | 26.50                | 0.61%  |
| HFRX Equal Wtd. Strat. Index  | 1,106.57      | 1,106.47             | -0.01% |
| HFRX Equity Hedge Index       | 1,138.43      | 1,130.81             | -0.67% |
| HFRX Equity Market Neutral    | 992.41        | 985.32               | -0.71% |
| HFRX Event Driven             | 1,335.48      | 1,339.98             | 0.34%  |
| HFRX Merger Arbitrage         | 1,428.22      | 1,434.89             | 0.47%  |
| Dow Jones UBS Commodity Index | 135.49        | 137.30               | 1.34%  |
| FTSE/NAREIT All REIT          | 108.09        | 111.02               | 2.71%  |

<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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