

MainStreet Advisors Financial Market Update

January 15, 2010
[page 1]

Economic Update

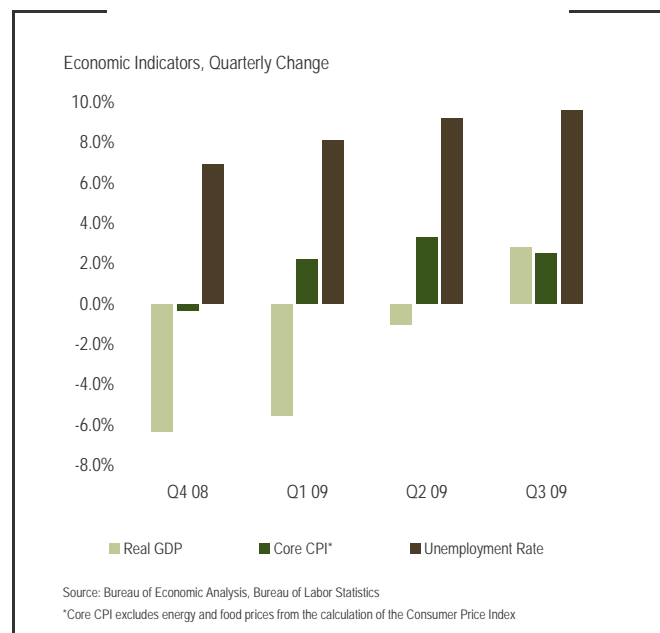
Consumer sentiment remained essentially unchanged in early January, as shown by the Reuters/University of Michigan Surveys of Consumers. Reuters concluded that ongoing concerns about the jobs market and personal financial situations have overshadowed a more positive economic outlook. The RBC CASH Index, which measures consumers' attitudes about economic conditions, personal financial situations, savings and confidence to make large investments, climbed to the strongest level since September 2008. RBC Capital announced that the survey showed an improved appraisal of the outlook for the labor market, more favorable expectations for the economy, and "a striking increase in consumer optimism."

The U.S. Census Bureau reported that business inventories increased slightly for the second straight month in November, a possible sign that the correction in business inventories has finished. Manufacturing and trade sales increased as well, causing the ratio of inventories to sales to decline. This produces a more favorable mix for economic growth. Industrial production increased 0.6% in December, according to the Federal Reserve. Capacity utilization edged higher to 72% in December and while this is a great improvement from lows seen earlier this year, it is still less than the levels witnessed in either the 1990-1991 or 2001-2002 recessions.

The U.S. international trade deficit widened to \$36.4 billion in November amid a \$1.2 billion increase (0.9%) in exports and a \$4.4 billion (2.6%) rise in imports. The goods and services deficit declined \$6.8 billion in the November 2008 as exports declined 2.3% and imports fell 5.5%. Meanwhile, the U.S. Import Price Index, prepared by the Department of Labor, showed that import prices remained flat in December as a result of lower crude oil prices. Conversely, the U.S. Export Index posted an increase of 0.6%.

The Department of Labor announced on Friday that the Consumer Price Index advanced 0.1% in December, in-line with consensus estimates. In 2009, total consumer prices climbed 2.7%, largely driven by an 18.2% increase in prices for all energy-related goods.

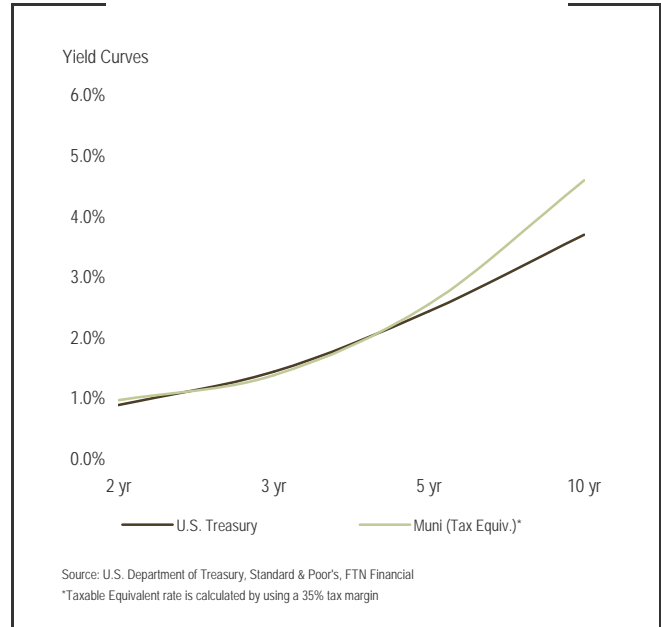
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, Thompsons Reuters, RBC Capital.



Jan. 12 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-3.0%
Jan. 12 th	International Trade Balance Level, November	-36.4B
Jan. 13 th	MBA Purchase Applications Index, Wkly. Chg.	0.8%
Jan. 13 th	EIA Petroleum Status Report, Wkly. Chg.	3.7M Barrels
Jan. 14 th	Retail Sales, Dec. Monthly Chg.	-0.3%
Jan. 14 th	Initial Jobless Claims (Week ending 1/9)	444,000
Jan. 14 th	Import Prices, Dec. Monthly Chg.	0.0%
Jan. 14 th	Export Prices, Dec. Monthly Chg.	0.6%
Jan. 14 th	RBC Cash Index, January	58.3
Jan. 14 th	Business Inventories, Nov. Monthly Chg.	0.4%
Jan. 14 th	EIA Natural Gas Report, Wkly. Chg.	-266 bcf
Jan. 15 th	Consumer Price Index, December Monthly Chg.	0.1%
Jan. 15 th	Industrial Production, December Monthly Chg.	-2.0%
Jan. 15 th	Consumer Sentiment Index, January	72.8

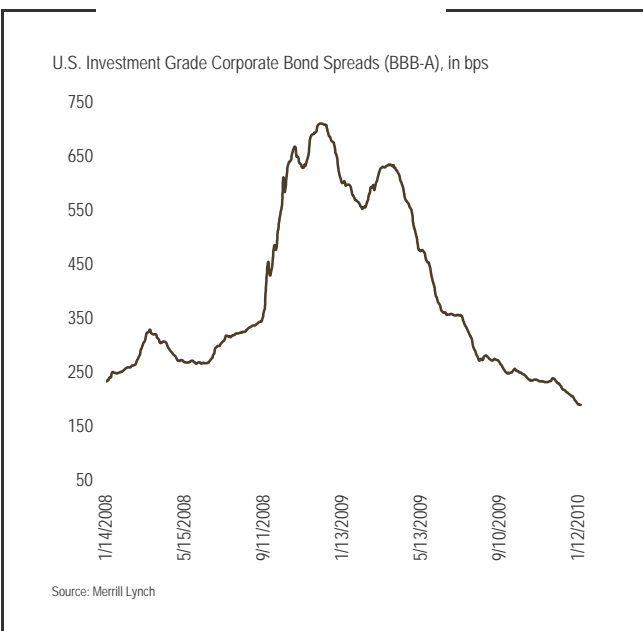
Bond Market Update

U.S. Treasuries rallied for the week, particularly on the long-end. A weaker than expected inflation report and increased concerns about sovereign risk in Greece and other parts of Europe drove prices higher. Long maturities led the rally as investors bid for 2.68 times the amount of 30-year bonds offered at auction, prompting dealers to cover their short positions. Many strategists feel that low inflation expectations may persist given the weak CPI report and comments from New York Fed President William Dudley suggesting that short-term interest rates may remain low for at least six months and possibly for as long as two years. Futures on the CME exchange now show a 27% chance the Federal Reserve will raise interest rates by at least 0.25% at its June meeting, down from almost 55% a month ago, according to Bloomberg. Equally important, the spread, or difference in yields, on 10-year notes and Treasury Inflation Protected Securities (TIPS), a gauge of trader expectations for consumer price inflation, tightened to 2.34% from 2.47%. All else equal, dormant inflation expectations benefits long-dated bonds by keeping rates low. Meanwhile, corporate credit quality is improving by the fastest pace in almost three years, according to Moody's. In a sign that company balance sheets have improved, Moody's ratio of upgrades to downgrades reached 1.2, the first positive reading since June 2007.



Issue	1.8.10	1.15.10	Change
3 month T-Bill	0.05%	0.06%	-0.01%
2-Year Treasury	1.03%	0.89%	-0.14%
5-Year Treasury	2.62%	2.44%	-0.18%
10-Year Treasury	3.85%	3.70%	-0.15%
30-Year Treasury	4.69%	4.58%	-0.11%

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



Stock Market Update

Domestic markets ended lower this week after stocks suffered their worst one-day decline in a month on Friday. The most notable fall was in the financial sector, where the S&P 500 Financial Index slipped 2% after JPMorgan Chase & Co. (JPM) released a disappointing quarterly earnings report. The company reported a loss in its retail bank, sending shares down 2.26% on the day. The effects of the unfavorable news rippled through other banks as well, with Bank of America Co. (BAC) and Wells Fargo & Co. (WFC) losing 3.33% and 3.14% respectively by the end of trading.

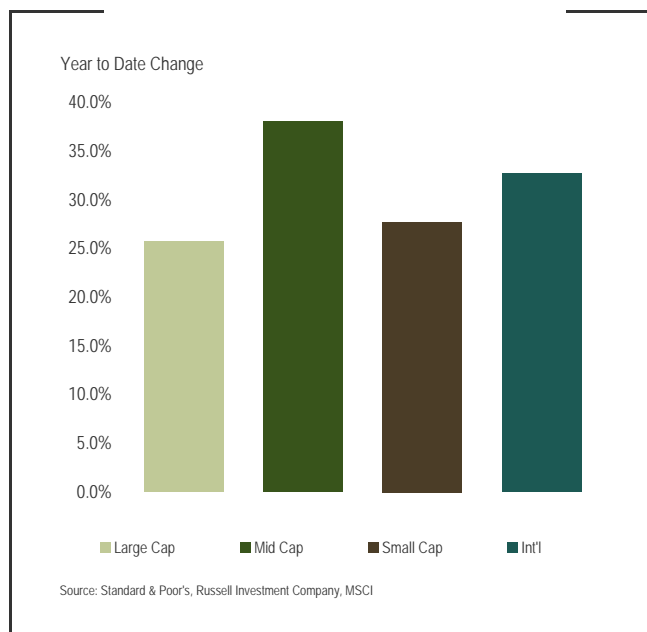
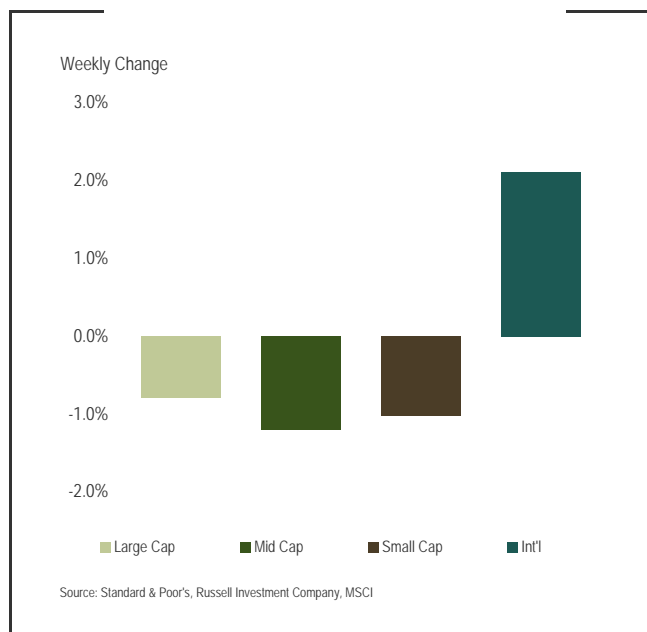
The S&P 500, NASDAQ Composite, and Dow Jones Industrial Average ended the week down 0.78%, 1.26%, and 0.08% respectively.

The U.S. filed a complaint against Johnson & Johnson (JNJ) this week alleging that the company made kickbacks on drug sales. Prosecutors claimed that J&J illegally paid Omnicare Inc., one of the nation's largest pharmacies serving nursing homes, to get the company to purchase and recommend the use of J&J products to nursing homes. It was stated that Omnicare's annual J&J purchases nearly tripled to \$280 million during the alleged payment period. Johnson & Johnson is reviewing the complaint and will respond to the lawsuit in court. J&J's stock was down 0.83% on Friday.

Intel Corp. (INTC) was down 3.17% at market close on Friday. The company reported earnings on Thursday, displaying an impressive surge in profit as revenue jumped 28% in the fourth quarter. The decline can be attributed to analysts and investors questioning whether the stock can continue to climb after the most profitable quarter in company history.

Issue	1.8.10	1.15.10	Change
Dow Jones	10,618.19	10,609.65	-0.08%
S&P 500	1,144.98	1,136.03	-0.78%
NASDAQ	2,317.17	2,287.99	-1.26%
Russell 1000 Growth	509.31	506.04	-0.64%
S&P MidCap 400	752.08	743.11	-1.19%
Russell 2000	644.56	637.96	-1.02%
MSCI EAFE	1,608.36	1,642.20	2.10%
MSCI EM	1,014.42	1,013.29	-0.11%
MSCI Small Cap	147.07	150.45	2.30%

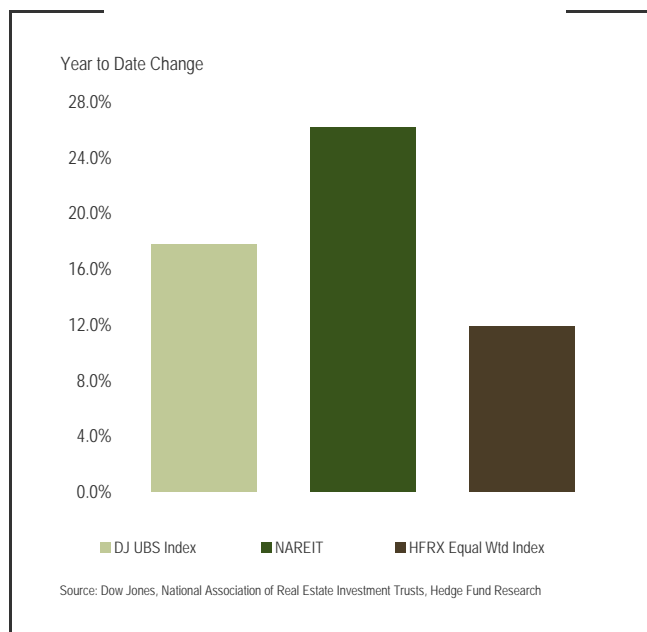
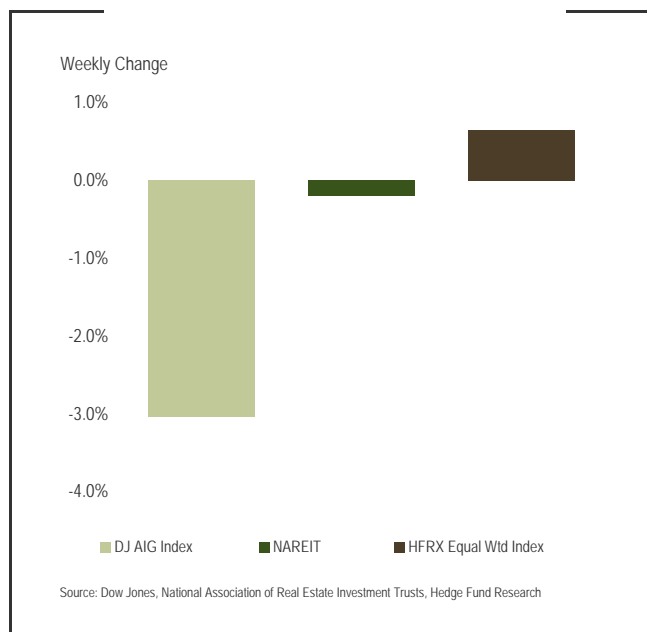
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

Predictions of a warm up from the new year's cold snap placed downward pressure on oil and energy markets as well as agricultural commodities. With last week's news about growing energy demand and record cold in the U.S. pushing oil to a 15-month high, just under \$84 per barrel, news of a thaw in the U.S. started what turned out to be a week long slide for oil. On Monday, crude oil traded down nearly \$2 per barrel and by week's end had broken through \$80 to settle below \$79 by week's end. Also helping to drive down oil prices were a mid-week report that gasoline stockpiles are at a two year high of 3.8 million barrels. Distillate stockpiles, primarily heating oil and diesel, rose 1.4 million barrels when the consensus estimate was expecting a decline of 1.8 million barrels due to the cold snap. Orange juice prices, after rising 7% on Friday, collapsed 13% on Monday as crop losses may not be as bad as initially feared and forecasts for warmer weather later in the week. Volume in orange juice futures for Monday was near 12,750 contracts, nearly five times higher than average daily volume in 2009 of about 2,700.

Private equity firm Carlyle Group has announced plans to launch a private equity fund priced in local Chinese currency. Hyatt Hotels, now a publicly traded REIT following its IPO in October of 2009, has announced an aggressive hotel expansion plan, either by acquiring hotels currently on the market or entering into contracts to manage existing ones.



Issue	Previous Week	Current ¹	Change
Gold	1,137.10	1,130.70	-0.56%
Crude Oil Futures	82.91	77.95	-5.98%
Copper	342.85	336.75	-1.78%
Sugar	27.53	27.62	0.33%
HFRX Equal Wtd. Strat. Index	1,115.62	1,122.81	0.64%
HFRX Equity Hedge Index	1,150.17	1,155.77	0.49%
HFRX Equity Market Neutral	977.74	983.79	0.62%
HFRX Event Driven	1,353.22	1,361.82	0.64%
HFRX Merger Arbitrage	1,445.65	1,449.99	0.30%
Dow Jones UBS Commodity Index	142.41	138.09	-3.04%
FTSE/NAREIT All REIT	111.24	111.02	-0.20%

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, The International Monetary Fund.

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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