MainStreet Advisors
Financial Market Update

November 5, 2010

Economic Update

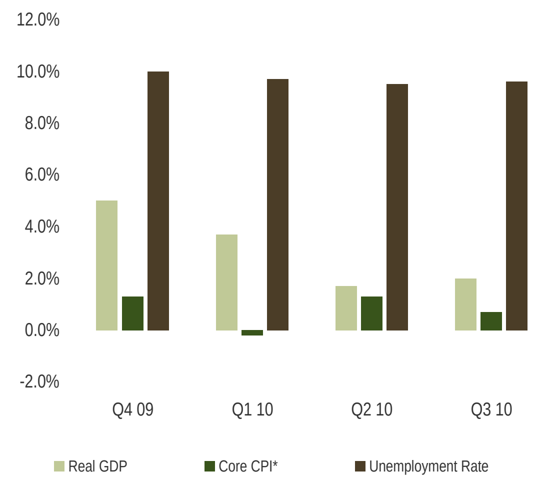
In a widely anticipated move, the Federal Open Market Committee (FOMC) announced its plans for further quantitative easing on Wednesday. The FOMC acknowledged the subdued pace of the economic recovery and that while household spending has increased, employment, income, housing wealth, and tight credit all continue to hamper growth. In an effort to promote stronger economic growth and preferred levels of inflation, the Fed will purchase another $600 billion of short- and intermediate-term U.S. Treasuries over the next seven months, giving them considerable flexibility. According to Former Fed Governor Randy Kroszner, the plan to gradually inject $75 billion per month effectively implies that the Fed intends to hold key interest rates steady through the end of the second quarter.

Non-farm payroll employment increased more than expected in October. The U.S. Department of Labor announced Friday that payrolls added 151,000 jobs for the month; the unemployment rate, however, remained unchanged at 9.6%. According to the report, the increase in jobs largely reflected hiring in mining and service-providing industries. Earlier in the week, data released by the Bureau of Economic Analysis, showed that personal spending increased 0.2% in September from the previous month while personal income decreased 0.1%. Adjusted for inflation, personal spending increased 0.1% for the month. The personal savings rate, as a percentage of disposable personal income, declined for the second consecutive month, falling from 5.6% to a 5.3% rate.

The manufacturing sector continued to expand in October. The Institute for Supply Management (ISM) Purchasing Managers Index (PMI) increased to a reading of 56.9, reflecting accelerating growth. Composite indexes for new orders, production, and employment also increased at a faster rate. ISM also reported that the Non-Manufacturing Index (NMI) increased, reflecting accelerating growth in the sector. Business activity/production, new orders, and employment composite indexes also showed increasing rates of expansion. Regarding survey respondents, ISM concluded that the “trend of the overall comments indicates that there are signs of economic stabilization.”

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, the Institute for Supply Management.

Economic Indicators, Quarterly Change



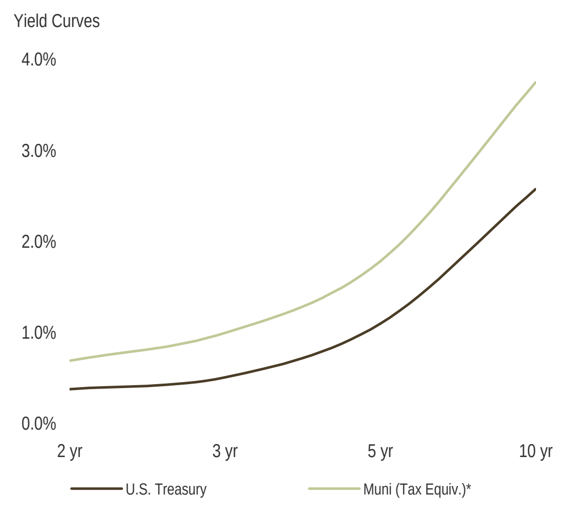
Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

Nov. 1st	Construction Spending, Sept. Monthly Chg.	0.5%
Nov. 1st	Personal Income, Sept. Monthly Chg.	-0.1%
Nov. 1st	Consumer Spending, Sept. Monthly Chg.	0.2%
Nov. 1st	Core PCE Price Index, Sept. Monthly Chg.	0.0%
Nov. 2nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Nov. 2nd	MBA Purchase Applications Index, Wkly. Chg.	1.4%
Nov. 3rd	Factory Orders, Sept.. Monthly Chg.	2.1%
Nov. 3rd	ISM Non-Mfg. Index, October	54.3
Nov. 3rd	EIA Petroleum Status Report, Wkly. Chg.	2.0M Barrels
Nov. 4th	EIA Natural Gas Report, Wkly. Chg.	67 bcf
Nov. 4th	Initial Jobless Claims (Week ending 10/29)	457,000
Nov. 5th	Unemployment Rate, October	9.6%
Nov. 5th	Non-farm Payrolls, Oct. Monthly Chg.	151,000
Nov. 5th	Pending Home Sales, Sept. Monthly Chg.	-1.8%

Bond Market Update

U.S. Treasuries finished the week mixed, with the long-end falling and short to intermediate term notes rallying. The long-bond sold off considerably after the Federal Reserve announced that only 4% of the $600 billion quantitative easing program would be devoted to maturities of 17 to 30 years. At the same time, investors have been selling the 30-year bond amid concerns that the Fed's stimulus plans may eventually lead to long-term inflation, which erodes real returns -particularly on longer dated securities. Due to the asymmetrical demand in the Treasury market, the spread, or difference in yields, between 10-year notes and 30-year bonds widened to the highest level on record. 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.

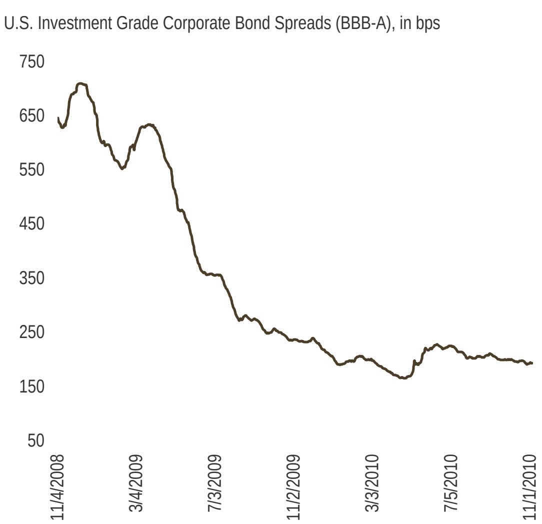
In a widely publicized report, PIMCO's Chief Executive Officer Mohamed El-Erian said Greece is likely to default over the next three years because budget cutting will not sufficiently reduce the country's debt burden. El-Erian feels the EU-IMF austerity package that rescued the nation from immediate insolvency will ultimately prevent it from growing its way out of the crisis and will test the political consensus.



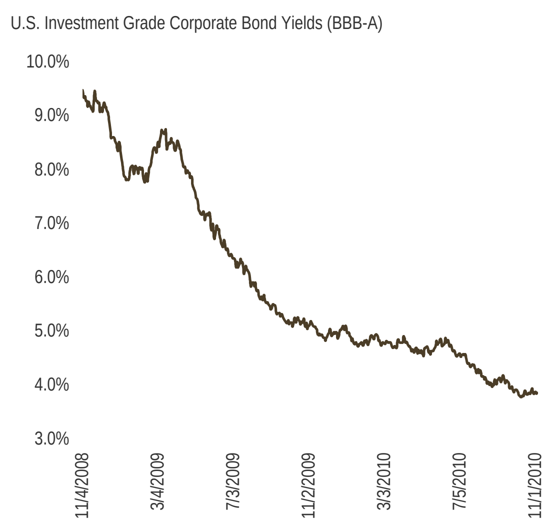
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	10.29.10	11.5.10	Change
3 month T-Bill	0.13%	0.13%	0.00%
2-Year Treasury	0.37%	0.38%	0.01%
5-Year Treasury	1.23%	1.10%	-0.13%
10-Year Treasury	2.69%	2.58%	-0.11%
30-Year Treasury	4.05%	4.12%	0.07%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

Markets rose to their highest levels since 2008, posting strong gains in reaction to a Federal Reserve announcement that the monetary policy committee would begin purchasing $600 billion in U.S. Treasury securities. The Dow Jones Industrial Average (DJIA) gained 325.59, or 2.93%, this week to close at 11,444.08. The broader S&P 500 gained 3.60% to close at 1,225.85, while the technology-heavy NASDAQ Composite Index ended at 2,578.98, up 2.85%.

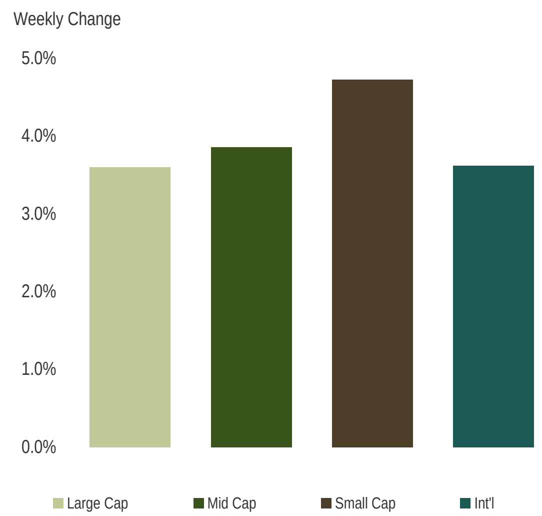
Investors were surprised by the size of the latest round of monetary stimulus, known as quantitative easing, and pushed the S&P 500 almost 2% higher on Thursday, the day after the announcement. The chief U.S. equity strategist at JPMorgan Chase sees a "9 to 10 percent upside until year end" for the stock market as the Fed continues its attempt to stimulate the economy.

Financial stocks gained 6.39% this week after the Wall Street Journal reported the Fed will allow big banks to increase their cash payouts. JPMorgan Chase (JPM) gained 8.80%, while Bank of America (BAC) and Goldman Sachs (GS) gained 7.96% and 6.17%, respectively. The S&P 500 energy sector gained 4.46% this week as oil continued to move higher.

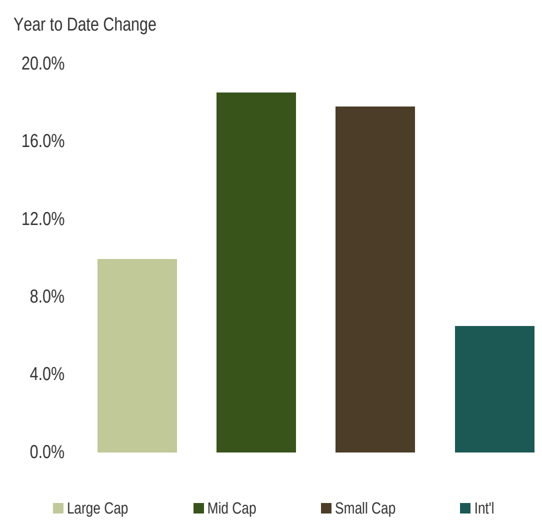
The U.S. announced further details in its plans to cut its share of failed automaker General Motors from 61% to 35%, according to the Wall Street Journal. A filing with the Securities and Exchange Commission (SEC) reported that the government expects to issue GM shares on November 18 at $26 to $29 a share, which puts the automaker's value at approximately $50 billion - just shy of Ford Motor Company's (F) market capitalization of $55.76 billion.

Issue	10.29.10	11.5.10	Change
Dow Jones	11,118.49	11,444.08	2.93%
S&P 500	1,183.26	1,225.85	3.60%
NASDAQ	2,507.41	2,578.98	2.85%
Russell 1000 Growth	540.07	559.27	3.56%
S&P MidCap 400	829.13	861.09	3.85%
Russell 2000	703.35	736.59	4.73%
MSCI EAFE	1,616.59	1,675.07	3.62%
MSCI EM	1,102.82	1,151.08	4.38%
MSCI Small Cap	157.89	162.94	3.20%

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.



Source: Standard & Poor's, Russell Investment Company, MSCI



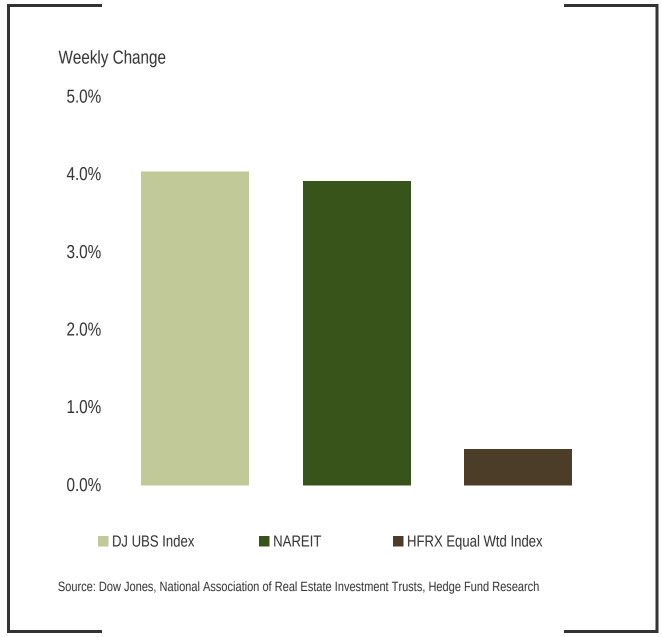
Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

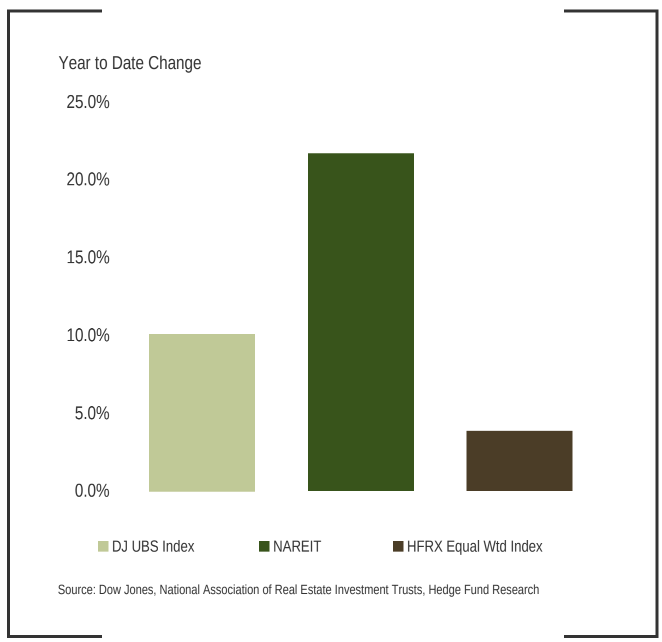
Ali Naimi, Saudi Oil Minister, suggested early in the week that the oil market could absorb prices as high as $90 per barrel sending oil futures to trade near a five month high. Mr. Naimi's updated forecast is sharply higher than the previous estimate of $80. During the height of the financial crisis, OPEC agreed to cut production by 4.2 million barrels a day—nearly half of that is kept off the market today. According to the Wall Street Journal, the threat of additional supply coming to market is one of the reasons oil has been kept range bound for so long. Later in the week, OPEC increased their global oil consumption forecast by 800,000 barrels a day for 2014, reasoning that the speed of the economic recovery has been faster than anticipated. For the week, oil is up $6.00, or 7.37% to settle at $87.40 per barrel.

Investment demand for gold continues to remain strong despite production supply and demand factors weakening for the precious metal. A recent WSJ article noted that jewelry sales are down, mining companies have unwound their price hedges, and global supplies are increasing. Despite these contrarian indicators, demand from hedge funds, ETFs, and institutions has been robust. Following the announcement of QE2 from the FOMC, investors sent gold, as well as other dollar-based commodities, to another record high with the expectation that the dollar will be sent lower. On Friday, gold nearly breached the $1400 per ounce level before settling at $1393.90, a gain of 2.58% for the week.

According to Glocap Search and Hedge Fund Research (HFR), year-end bonuses at hedge funds are expected to rise nearly 5% in 2010. Kenneth Heinz, president of HFR, noted that the increase in compensation is not as much about management and incentive fees as it is about liquidity, transparency, and retention. He went on to note that the compensation model of hedge funds will change as the industry continues to evolve.



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research

Issue	Previous Week	Current[1]	Change
Gold	1,358.80	1,393.90	2.58%
Crude Oil Futures	81.40	87.40	7.37%
Copper	374.55	397.00	5.99%
Sugar	29.12	31.76	9.07%
HFRX Equal Wtd. Strat. Index	1,149.37	1,154.70	0.46%
HFRX Equity Hedge Index	1,164.21	1,177.14	1.11%
HFRX Equity Market Neutral	994.65	996.25	0.16%
HFRX Event Driven	1,365.30	1,365.57	0.02%
HFRX Merger Arbitrage	1,499.06	1,502.47	0.23%
Dow Jones UBS Commodity Index	147.27	153.21	4.04%
FTSE/NAREIT All REIT	131.56	136.71	3.91%

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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