

# MainStreet Advisors Financial Market Update

December 10, 2010  
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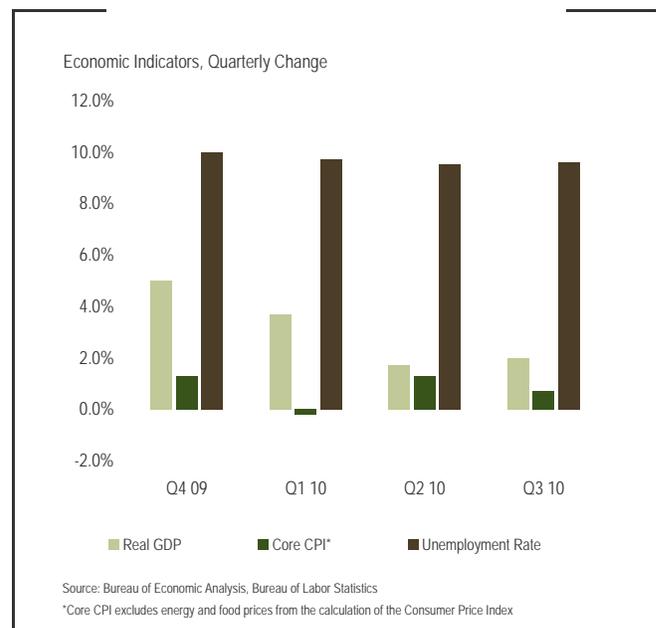
## Economic Update

In a positive sign for the holiday shopping season, consumer sentiment rallied in early December, as shown by the Thomson Reuters/University of Michigan Surveys of Consumers. The index reflecting consumers' assessment of current conditions surged to the highest level in nearly two years, beating consensus estimates. Overall morale strengthened to the best level in six months. Survey respondents indicated an improved outlook for the jobs market.

The Federal Reserve announced this week that consumer credit increased for the second consecutive month in October, climbing at an annual rate of 1.75%. Revolving credit, which is largely focused in credit cards continued to decline, falling at an annual rate of 8.4% for the month.

The Institute for Supply Management (ISM) released its December 2010 Semiannual Economic Forecast on Tuesday, noting expectations for continued economic recovery. ISM still expects the manufacturing to expand at a faster pace than the non-manufacturing sector. It anticipates revenue growth in 16 of the 18 manufacturing industries and 12 of 18 non manufacturing industries. In addition, business investment is expected to increase at a faster pace in the manufacturing sector than the non-manufacturing sector.

The U.S. Department of Commerce reported that the U.S. international trade deficit narrowed in October. A \$4.9 billion increase in exports, combined with a \$0.9 billion decrease in imports, resulted in a deficit of \$38.7 billion. A \$2.6 billion increase in international demand for U.S. industrial supplies and materials led exports higher. Separately, data released Friday by the Labor Department showed a 1.3% increase in import prices last month. Fuel import prices rose 3.7% while non-fuel prices edged 0.8% higher. Export prices advanced as well for the month, climbing 1.5% amid an 8.0% surge in agricultural prices.



Dec. 7 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-2.1%
Dec. 7 <sup>th</sup>	Consumer Credit, Oct. Monthly Change	3.4B
Dec. 8 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	1.8%
Dec. 8 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-3.8M Barrels
Dec. 9 <sup>th</sup>	Initial Jobless Claims ( Week ending 12/4)	421,000
Dec. 9 <sup>th</sup>	Wholesale Inventories, Oct. Monthly Chg.	1.9%
Dec. 9 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	-89 bcf
Dec. 10 <sup>th</sup>	International Trade Balance Level, October	-38.7B
Dec. 10 <sup>th</sup>	Import Prices, Nov. Monthly Chg.	1.3%
Dec. 10 <sup>th</sup>	Export Prices, Nov. Monthly Chg.	1.5%
Dec. 10 <sup>th</sup>	Consumer Sentiment Index, December	74.2

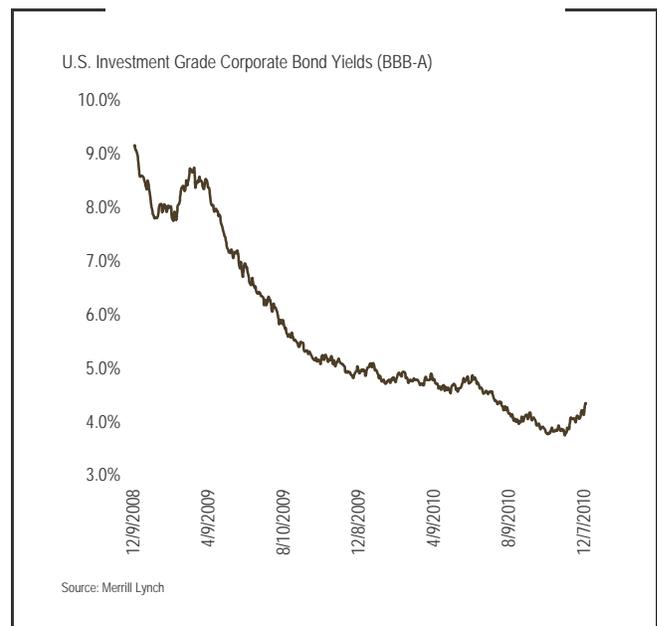
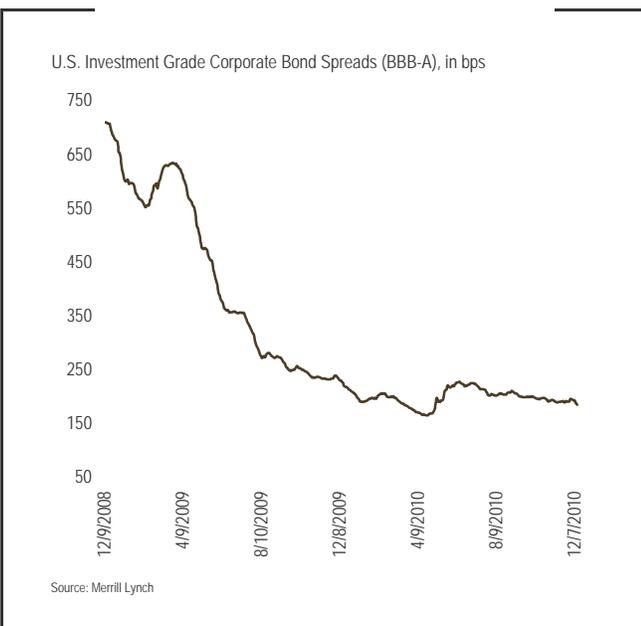
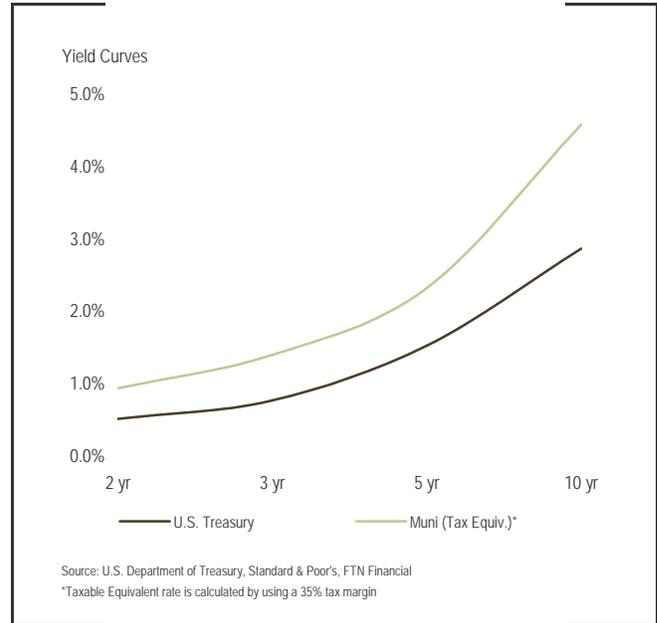
Bond Market Update

U.S. Treasuries finished markedly lower for the second straight week amid stronger than expected economic data and market positioning before next week's bond auctions. The ten-year yield reached a peak of 3.33% earlier in the week, the highest level in six months. All else equal, better than expected economic data typically leads to higher growth forecasts for the U.S. economy, reducing the demand for safe-haven securities. Another factor that moved the market was President Obama's deal to extend all Bush-era tax cuts in exchange for extending federal unemployment insurance and cutting payroll taxes. Looking ahead, many traders expect continued volatility with dealers selling Treasuries to lock in gains and strengthen their balance sheets, while hedge funds and investment managers postpone purchases until January.

Separately, investors are concerned that the end of the federally subsidized Build America Bonds program may increase yields in the long-end of the muni market and place additional pressures on states and cities with budget deficit issues. Senate democrats backing the subsidy recently fell short in a bid to have the program extended. Build America Bonds allowed municipalities to issue taxable debt, typically with long-term maturities, with yields commensurate to corporate bonds, creating a strong demand for these securities. This, in turn, reduced the supply of tax-exempt bonds, buoying prices.

Issue	12.3.10	12.10.10	Change
3 month T-Bill	0.14%	0.14%	0.00%
2-Year Treasury	0.49%	0.64%	0.15%
5-Year Treasury	1.64%	1.90%	0.26%
10-Year Treasury	3.03%	3.23%	0.20%
30-Year Treasury	4.32%	4.41%	0.09%

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



Stock Market Update

Domestic equity markets edged into positive territory for the second consecutive week as mostly positive economic data and strength in the technology sector overshadowed concerns about the U.S. deficit and European debt woes. The Dow Jones Industrial Average lagged other major indices for the week, gaining only 0.25% while the S&P 500 and NASDAQ Composite increased 1.28% and 1.78%, respectively. Stocks have recently exhibited uncharacteristically flat movement, with Friday marking the fifth consecutive session that the Dow changed less than 20 points – the longest such streak in over four years.

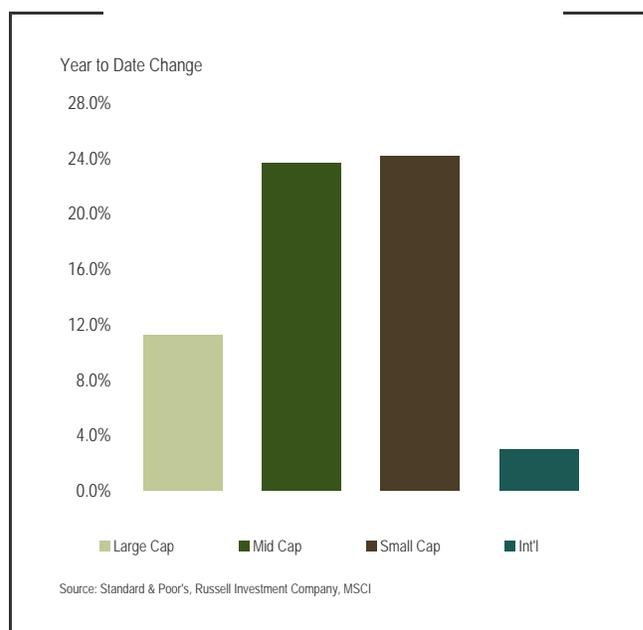
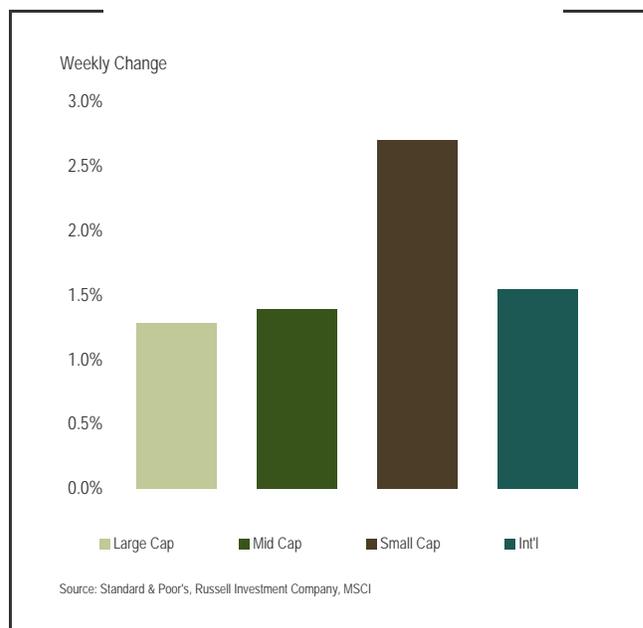
Two Chinese technology companies held highly successful initial public offerings (IPOs) on the New York Stock Exchange this week. Yoku.com (YOKU), an online video company that aims to be China's equivalent of YouTube and Hulu, rose 42.79% this week after opening at \$27, a valuation over 100% above its IPO price of \$12.80. The other company, China Dandang (DANG) – considered to be China's version of Amazon.com (AMZN) – climbed 31.89% by the end of trading Friday.

General Electric Company (GE) announced that it would increase its quarterly dividend 17%, marking the second occasion this year that the industrial giant has raised its payout. Shares of GE increased more than any company in the Dow on Friday, ending the week up 5.59%. Bank of America Corporation (BAC) led financial stocks higher, jumping 7.93% this week after announcing that foreclosure proceedings that were temporarily suspended were to resume. 3M Company (MMM) lost 3.01% this week after forecasting decelerating 2011 sale volumes at existing businesses.

Standard & Poor's submitted changes to its S&P 500 index on Friday. Effective after market close on December 17, The New York Times (NYT), Eastman Kodak (EK), Office Depot (ODP), and King Pharmaceuticals (KG) will be replaced by Netflix (NFLX), F5 Networks (FFIV), Newfield Exploration (NFX), and Cablevision Systems (CVC). Shares of Netflix rose 1.87% after the announcement, while the other newly added companies surged over 3% each.

Issue	12.3.10	12.10.10	Change
Dow Jones	11,382.09	11,410.32	0.25%
S&P 500	1,224.71	1,240.40	1.28%
NASDAQ	2,591.46	2,637.54	1.78%
Russell 1000 Growth	564.96	569.38	0.78%
S&P MidCap 400	886.74	899.04	1.39%
Russell 2000	756.42	776.83	2.70%
MSCI EAFE	1,595.08	1,619.74	1.55%
MSCI EM	1,114.03	1,116.57	0.23%
MSCI Small Cap	158.67	162.06	2.13%

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

For the week, gold declined \$28.60, or 2.02%, to settle at \$1,387.30. According to the Wall Street Journal, gold set new records and silver traded near 30-year highs on Monday. Over the weekend, Fed Chairman Ben Bernanke hinted that the Fed may expand its stimulus beyond the \$600 billion announced in early November, causing inflation concerns. A compromise on an extension of the Bush tax-cuts and a potential interest rate increase in China caused gold to pull back late in the week. Crude oil futures retreated \$1.64, or 1.83%. Oil finished up on Monday, just shy of \$90 per barrel despite a rising U.S. dollar. The U.S. Department of Energy reported a larger-than-expected rise in gasoline inventories causing crude to pull back.

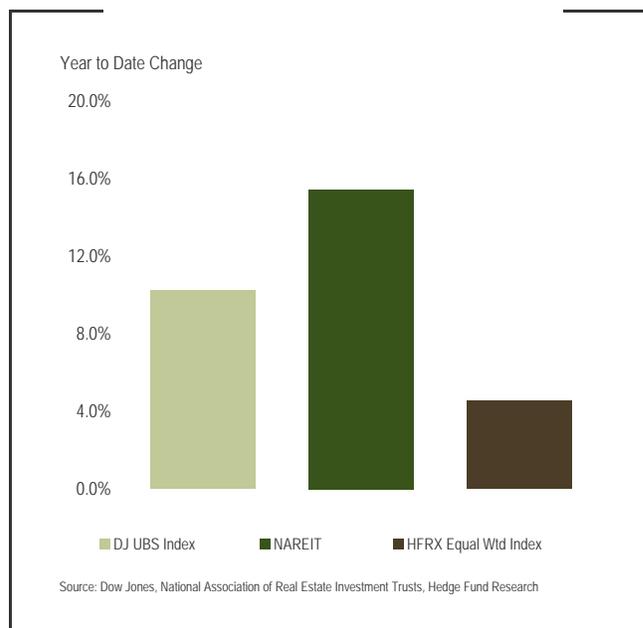
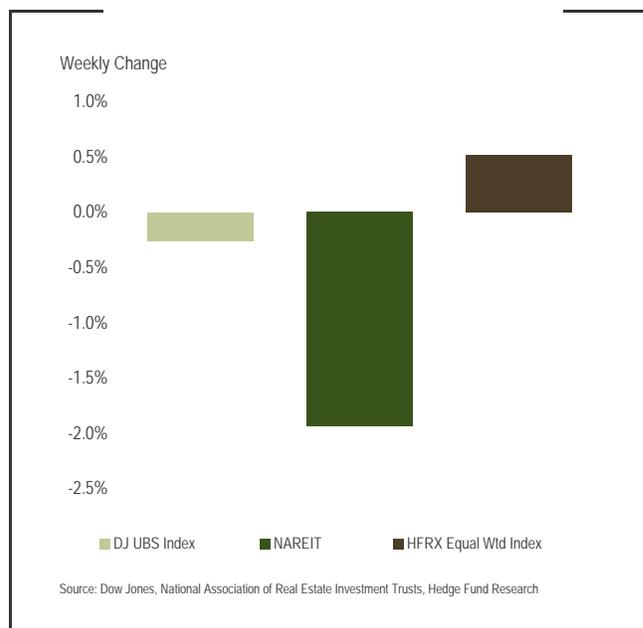
According to the Wall Street Journal, U.S. regulators are considering limiting the amount a single trader can bet in energy, metals, and agricultural markets. The number of contracts for individual commodities now exceeds mid-2008 levels. Speculative investors, as compared to users or producers of the commodity, are controlling a growing portion of the market and are largely responsible for surging prices and volatility in commodities markets. Regulators are contending that increased speculation makes it more difficult for users and producers to manage risk and renders traditional factors, such as supply and demand, useless.

Last week the Federal Reserve Bank of New York indicated that hedge funds were among the largest beneficiaries of a federal bailout program designed to inject liquidity into the asset-backed securities (ABS) market. The program, the Term Asset-Backed Securities Loan Facility (TALF), lent \$71 billion according to FINalternatives. Other alternatives investment firms, outside of hedge funds, were participants in the programs. More than 60% of the loans have been paid in full, while \$29 billion remains outstanding.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,415.90	1,387.30	-2.02%
Crude Oil Futures	89.39	87.75	-1.83%
Copper	400.55	411.80	2.81%
Sugar	29.50	29.13	-1.25%
HFRX Equal Wtd. Strat. Index	1,156.42	1,162.35	0.51%
HFRX Equity Hedge Index	1,187.83	1,212.16	2.05%
HFRX Equity Market Neutral	1,017.89	1,021.08	0.31%
HFRX Event Driven	1,360.17	1,359.61	-0.04%
HFRX Merger Arbitrage	1,510.00	1,512.77	0.18%
Dow Jones UBS Commodity Index	153.81	153.42	-0.25%
FTSE/NAREIT All REIT	132.27	129.71	-1.94%

<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, The International Monetary Fund.



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