MainStreet Advisors Financial Market Update

December 17, 2010
[page 1]

Economic Update

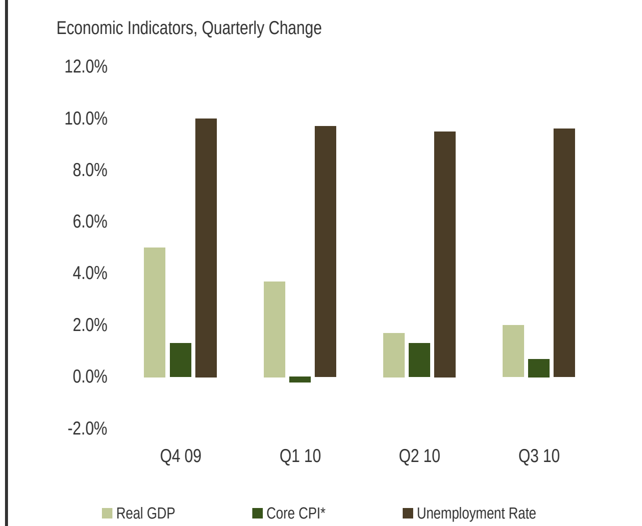
The Conference Board Leading Economic Index climbed for the fifth consecutive month, climbing 1.1% in November after a 0.4% increase the previous month and a 0.6% gain in September. According to The Conference Board, this is “an early sign that the expansion is gaining momentum and spreading.” Indeed, consumers have continued to spend despite ongoing concerns. In an encouraging sign before the holiday shopping season, retail sales exceeded consensus estimates in November. The U.S. Census Bureau reported that total sales climbed 0.8% from the previous month. Excluding autos, sales increased 1.2% after rising 0.8% in October.

The U.S. Department of Labor reported that the Consumer Price Index (CPI) gained a seasonally adjusted 0.1% in November. In the last year, prices advanced 1.1% before seasonal adjustment. Core CPI, which exclude the impact of food and energy prices, increased 0.1% for the month after remaining unchanged for three consecutive months. The Producer Price Index (PPI) increased 0.8% in November as food prices increased 1.0% and energy prices climbed 2.1%. Excluding food and energy, PPI advanced a modest 0.3%.

On Tuesday, the Federal Reserve announced its decision to maintain the target fed funds rate at 0 to 0.25%. The Fed noted that while the economy is recovering, concerns about the jobs market continue to dampen consumer spending. Business spending is increasing, but at a decelerating pace. In addition, the Fed acknowledged that expectations for inflation remain stable. The Fed also said that it will consider current economic conditions and is prepared to adjust the current round of quantitative easing, if needed. It will maintain its program of buying approximately $75 billion longer-term U.S. Treasuries per month through the second quarter.

Housing starts increased to a seasonally adjusted annual rate of 555,000 in November, according to the U.S. Department of Commerce. The level represents a 3.9% increase from the previous month, but a 5.8% decline from November 2009. Building permits, however, fell 4.0 % in November to a seasonally adjusted rate of 530,000.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, U.S. Census Bureau.



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

Dec. 14th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.8%
Dec. 14th	Producer Price Index, Nov. Monthly Chg.	0.8%
Dec. 14th	Retail Sales, Nov. Monthly Chg.	0.8%
Dec. 14th	Business Inventories, Oct. Monthly Chg.	-0.7%
Dec. 15th	MBA Purchase Applications Index, Wkly. Chg.	-5.0%
Dec. 15th	Consumer Price Index, Nov. Monthly Chg.	0.1%
Dec. 15th	Empire State Mfg Survey, December	10.6
Dec. 15th	Frgn Dmnd for LT US Securities, November	27.6B
Dec. 15th	Industrial Production, Nov. Monthly Chg.	0.4%
Dec. 15th	Housing Market Index, December	16.0
Dec. 15th	EIA Petroleum Status Report, Wkly. Chg.	-9.9M Barrels
Dec. 16th	Housing Starts, November	555,000
Dec. 16th	Initial Jobless Claims (Week ending 12/11)	420,000
Dec. 16th	Philidelphia Fed Survey, December	24.3
Dec. 16th	EIA Natural Gas Report, Wkly. Chg.	-164 bcf
Dec. 17th	Leading Indicators, Dec. Monthly Chg.	1.1%

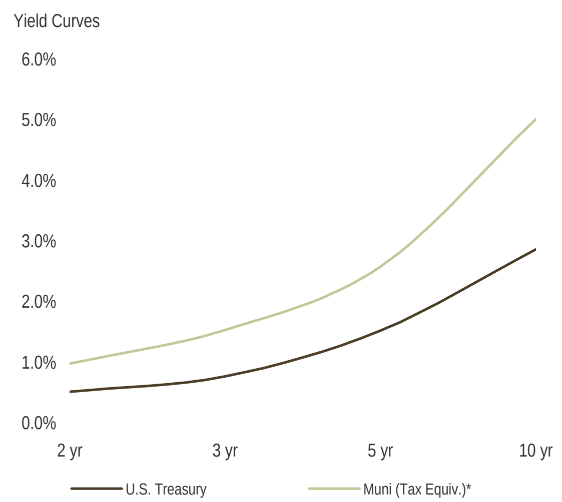
Bond Market Update

After declining considerably earlier in the week, U.S. Treasuries finished only modestly lower following a strong rally on Thursday and Friday. Negative news from Europe sparked a flight-to-safety trade after Moody's downgraded Ireland's sovereign credit ratings from Aa2 to Baa1, a decrease of five grades, and warned further downgrades could follow if the country was unable to stabilize its debt. Bargain hunting from the recent sell-off along with Federal Reserve purchases provided extra support. Despite the late week rally, yields on the 10-year note, a benchmark for U.S. consumer and corporate borrowings, rose for the third straight week, touching a seven-month high and pushing up mortgage rates, a negative for the still struggling housing market.

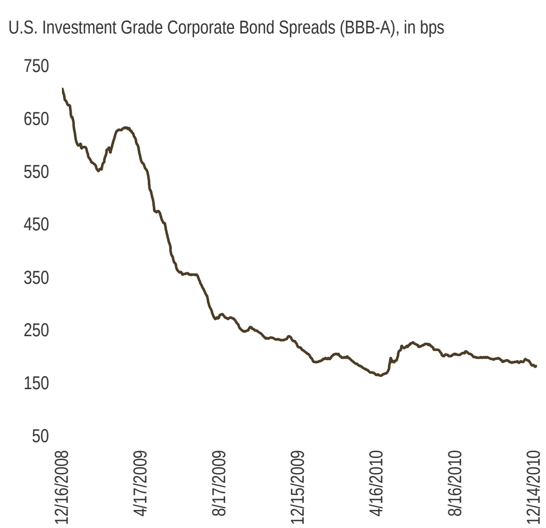
Bond market volatility, coupled with better-than-expected U.S. data, has left investors exceedingly uncertain about the direction of the markets. Looking ahead, the bond bears point out that more selling may hit the market as many dealers and investors attempt to lock in gains, according to The Wall Street Journal. As liquidity continues to fade, it may intensify the price swings in the market. They also suggest that President Obama's recent $858 billion tax cut has buoyed optimism that the U.S. economic recovery can gather pace. In contrast, the bond bulls cite increasing sovereign debt concerns and the Fed's recent quantitative easing program as drivers to boost demand for Treasuries.

Issue	12.10.10	12.17.10	Change
3 month T-Bill	0.14%	0.11%	-0.03%
2-Year Treasury	0.49%	0.61%	0.12%
5-Year Treasury	1.64%	1.97%	0.33%
10-Year Treasury	3.03%	3.33%	0.30%
30-Year Treasury	4.32%	4.41%	0.09%

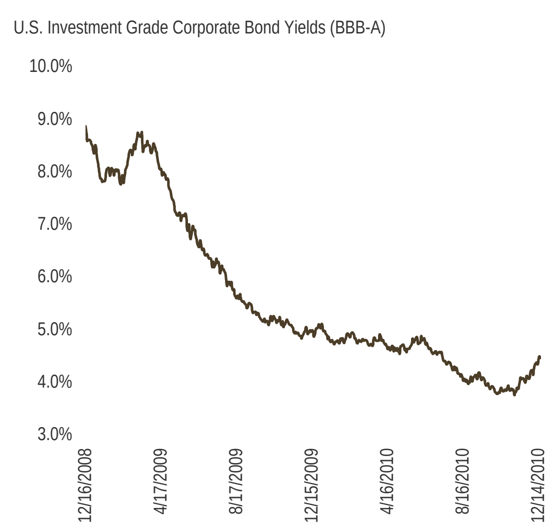
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



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



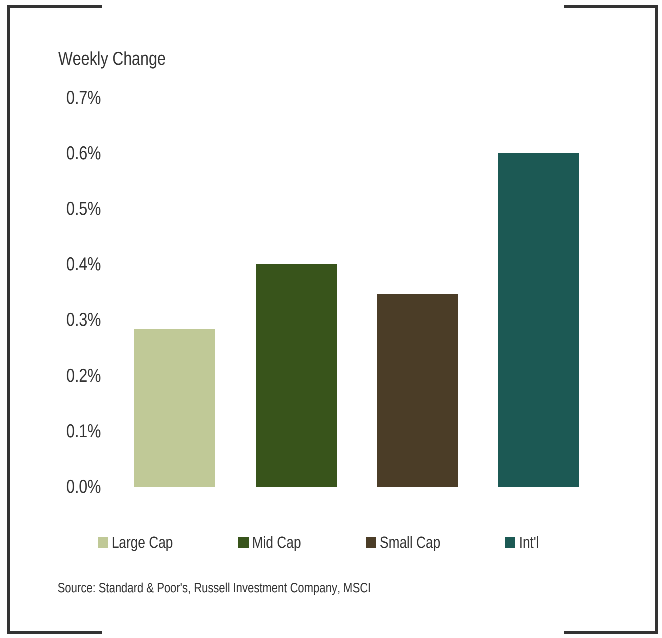
Source: Merrill Lynch



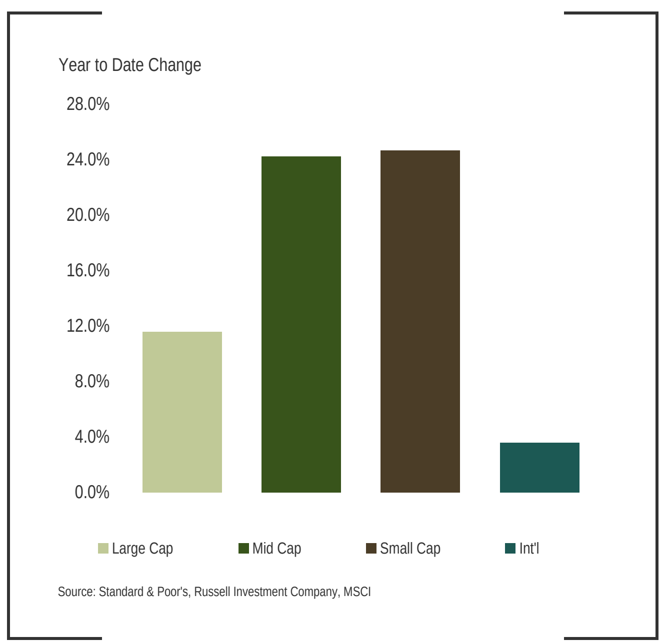
Source: Merrill Lynch

Stock Market Update

Stocks remained relatively flat this week, with markets finishing slightly higher for the third consecutive week as investors reacted positively to China's decision to refrain from hiking interest rates as well as news that the Federal Reserve would maintain its current policy to support the economy. Stocks were also boosted by optimistic economic releases, including better-than-expected retail sales numbers, and a favorable forecast outlined by FedEx (FDX) on Friday. Concerns about inflation dampened the market, but the effect was not drastic enough to push equities into negative territory for the week. The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices concluded the week up 0.28%, 0.72%, and 0.21%, respectively.



Dell Inc. (DELL) announced this week that it would purchase data storage company Compellent Technologies (CML) for $27.75 per share, a price amount above original estimates. The deal comes after Dell lost an intense bidding war earlier this year with Hewlett-Packard (HPQ) over an acquisition it initiated for data storage company 3Par. In an attempt to avoid a similar scenario from happening again, Compellent initiated a defensive "poison pill" shareholder rights plan that will make it virtually impossible for a hostile bidder to intervene and acquire the company. Dell and Compellent fell 1.80% and 3.06% in trading this week, respectively.



Shares of Best Buy Co. (BBY) plummeted this week, falling 18.01% after the electronics retailer announced a decline in third-quarter profit and reduced its full-year earnings forecast. Some analysts partially attribute the disappointing results to the increasing flight of consumers to online retailers as a resource for electronic goods. Visa Inc. (V) and MasterCard Inc. (MA) tumbled 13.15% and 16.57% this week, respectively, after the Federal Reserve announced a proposal to limit debit-card transaction fees.

European stocks finished lower this week amid declines in the banking sector as investors responded to disppointing progress in the European Union's response to the debt crsis. A downgrade of Ireland's credit rating also pressured major European indices.

Issue	12.10.10	12.17.10	Change
Dow Jones	11,410.32	11,491.91	0.72%
S&P 500	1,240.40	1,243.91	0.28%
NASDAQ	2,637.54	2,642.97	0.21%
Russell 1000 Growth	569.38	571.83	0.43%
S&P MidCap 400	899.04	902.64	0.40%
Russell 2000	776.83	779.52	0.35%
MSCI EAFE	1,619.74	1,629.47	0.60%
MSCI EM	1,116.57	1,111.85	-0.42%
MSCI Small Cap	162.06	163.83	1.10%

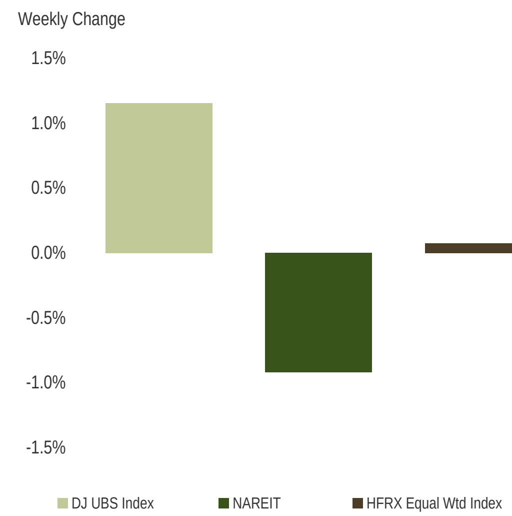
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.

Alternative Investments Market Update

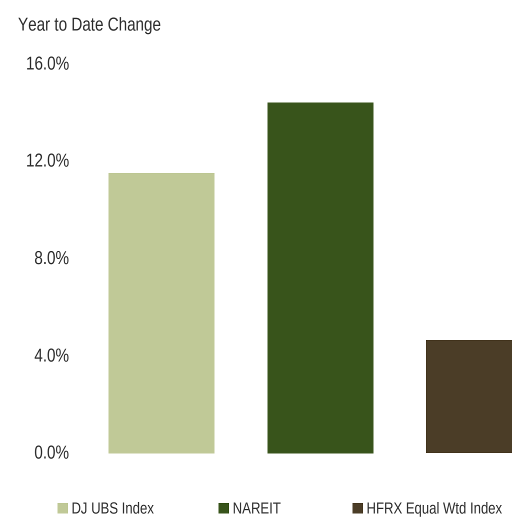
Gold fell a modest $10.90, or 0.79%, to settle at $1,376.40 per ounce in an extremely volatile week for the precious metal. Early in the week gold futures broke the $1,400 level but the metal has fallen over $33 since Wednesday. Some of the volatility is attributed to traders booking profits before year end and what is known as a quadruple witching session, a day in which stock index futures, index options, stock options, and single stock futures all expire, according to Yahoo! Finance. Gold contracts did receive some support on the downside as concerns over Irish debt boosted safe haven purchasing. Crude oil finished 0.28% higher in an up and-down week. Oil soared on Monday after OPEC pledged to keep output steady but fell back the following day after a report indicated gasoline demand fell 2.7% from the prior week. Trade for the remainder of the week remained choppy, but was pushed higher after the index of leading economic indicators inched upward for November. Also, the U.S. Department of Energy said crude stockpiles fell by the largest amount in eight years.

According to Bloomberg, coffee futures reached a 13-year high on Friday as a shortage of Arabica coffee has caused supply concerns. Flooding in Columbia, a top producer, has ruined crops and delayed shipments. Copper—a strong economic indicator—rose for the third consecutive week on news of a European Union plan to handle future debt crises, in addition to a rise in German business confidence.

Earlier this year, Armajaro Asset Management, a London based hedge fund, purchased over 240,000 metric tons of cocoa—almost all available stock—in a bet that prices would increase. The firm unwound its entire position at a loss over the course of the past three months. The position was initially established as supply concerns ravaged the Ivory Coast, which accounts for nearly 40% of all cocoa production. Harvest came in better than anticipated, easing fears and lowering cocoa prices.



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	1,387.30	1,376.40	-0.79%
Crude Oil Futures	87.75	88.00	0.28%
Copper	411.80	417.00	1.26%
Sugar	29.13	32.50	11.57%
HFRX Equal Wtd. Strat. Index	1,162.35	1,163.22	0.07%
HFRX Equity Hedge Index	1,212.16	1,220.10	0.66%
HFRX Equity Market Neutral	1,021.08	1,014.39	-0.66%
HFRX Event Driven	1,359.61	1,362.59	0.22%
HFRX Merger Arbitrage	1,512.77	1,515.87	0.20%
Dow Jones UBS Commodity Index	153.42	155.19	1.15%
FTSE/NAREIT All REIT	129.71	128.52	-0.92%

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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