

MainStreet Advisors Financial Market Update

December 31, 2010
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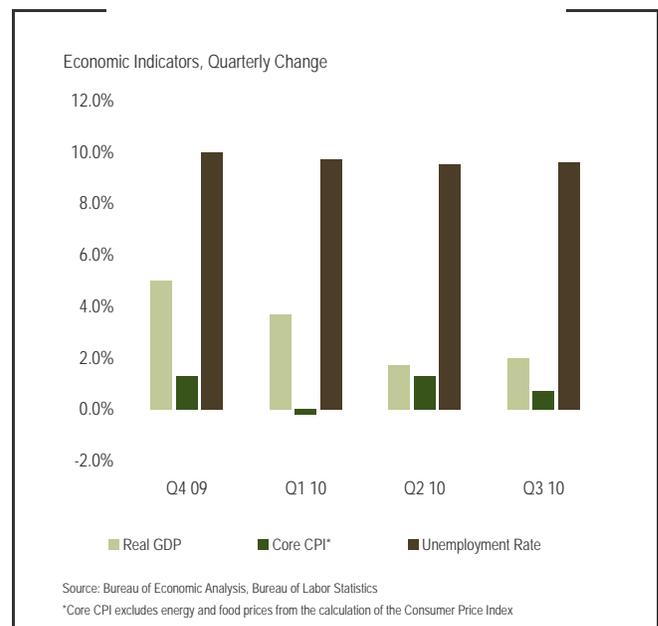
Economic Update

Consumer morale retreated modestly in December, as shown by The Conference Board Consumer Confidence Index. The survey of 5,000 U.S. households indicated that consumers remain wary of the economic outlook, with 16.6% of survey participants anticipating an improvement in business conditions over the next six months. Director of the Consumer Research Center at The Conference Board, Lynn Franco concluded that despite the slight setback, "all signs continue to suggest that the economic expansion will continue well into 2011, but that the pace of growth will remain moderate."

Initial claims for unemployment benefits for the week ending December 25 fell 34,000 from the previous week to 388,000. This represents the lowest level since July 2008, according to the Wall Street Journal. The four-week moving average declined to 414,000, a significant improvement from 474,000 one year ago.

Standard & Poor's announced this week that U.S. home prices, represented by the S&P/Case-Shiller Home Price Indices, continued to slide in October. Data indicated a deceleration in annual growth rates for 18 of the 20 largest U.S. metropolitan areas. Six markets including: Atlanta, Charlotte, Miami, Portland, Seattle, and Tampa have fallen to the lowest levels since prices began to fall three to four years ago. Although housing prices remain depressed, the outlook for housing activity has improved slightly. The National Association of Realtors (NAR) announced that its Pending Home Sales Index, which serves as a forward-looking indicator, climbed 3.5% in November. However, NAR Chief Economist, Lawrence Yun, noted that "further gains are needed to reach normal levels of activity."

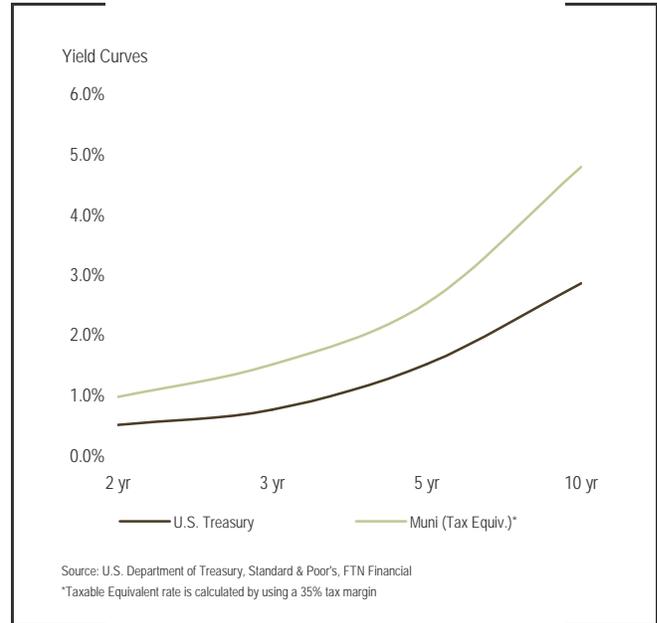
The Institute for Supply Management—Chicago reported that its seasonally adjusted Chicago Business Barometer surged to the highest level since July 1988 and indicated expansion for the fifteenth consecutive month. This diffusion index of Chicago-area business conditions reflected significant improvements in production, new orders, and employment.



Dec. 28 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.0%
Dec. 28 th	S&P/Case-Shiller 10-city Index, Oct. Monthly Chg.	-1.2%
Dec. 28 th	Consumer Confidence Index, January	52.5
Dec. 28 th	State Street Investor Confidence Index, December	104.4
Dec. 30 th	Initial Jobless Claims (Week ending 12/25)	388,000
Dec. 30 th	Chicago PMI Business Barometer Index, December	68.6
Dec. 30 th	Pending Home Sales, Nov. Monthly Chg.	3.5%
Dec. 30 th	EIA Natural Gas Report, Wkly. Chg.	-136 bcf
Dec. 30 th	EIA Petroleum Status Report, Wkly. Chg.	-1.3M Barrels

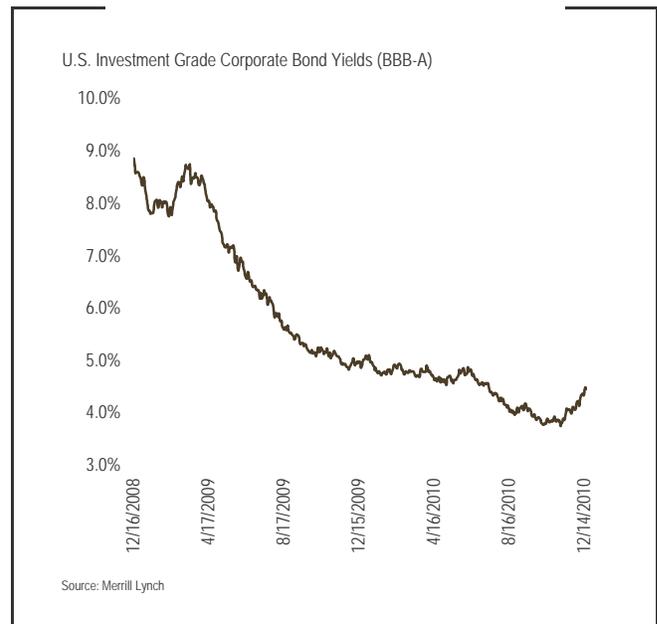
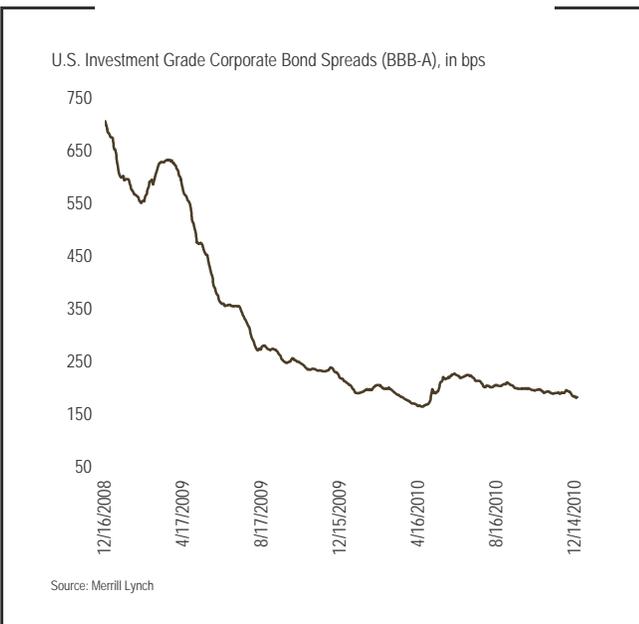
Bond Market Update

U.S. Treasury prices across the yield curve ended the week higher but not before exhibited unusual volatility in what is normally a quiet week of trading. The volatility resulted from three Treasury Department auctions totaling \$99 billion worth of bonds this week, which were met with mixed results. Bond prices rallied Monday on strong demand at the \$35 billion auction of two-year notes as well on surprise news of an interest rate hike in China. However, bond prices tumbled on Tuesday after the \$35 billion auction of five-year notes was met with the lowest demand in six months, according to CNN, pushing the yield on the benchmark 10-year note to 3.48%. The Tuesday sell-off was short lived, however, as the Wednesday auction of \$29 billion of seven-year Treasury notes drew strong demand, sending the 10-year Treasury bond down to 3.35%. After a brief sell-off on Thursday, bond prices continued to rally on Friday as investors ignored better-than-expected economic reports on jobs, manufacturing and the housing market. The 10-year Treasury bond ended the week with a yield of 3.29%, thus ending the year well above the early October low of 2.38% but below the year-ago level of 3.83%.



Issue	12.24.10	12.31.10	Change
3 month T-Bill	0.14%	0.12%	-0.02%
2-Year Treasury	0.67%	0.66%	-0.01%
5-Year Treasury	2.09%	2.06%	-0.03%
10-Year Treasury	3.41%	3.38%	-0.03%
30-Year Treasury	4.47%	4.43%	-0.04%

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



Stock Market Update

Domestic stocks experienced choppy trading this week as the year came to an end, experiencing thin volumes that are characteristic of the holiday week. A weekend blizzard that dropped 20 inches of snow on New York City made travel in the northeastern U.S. difficult, exacerbating the light market activity. Downward pressure this week was partially generated by investors selling positions for tax purposes, taking advantage of their final opportunity to lock in gains from the year. Positive economic reports on factories, housing, and the job market helped prevent stocks from slipping too far, leaving the major indices with mixed results; the S&P 500 and Dow Jones Industrial Average indices finished in positive territory for the fifth straight week, gaining 0.07% and 0.03%, respectively, while the NASDAQ Composite index fell 0.48%.

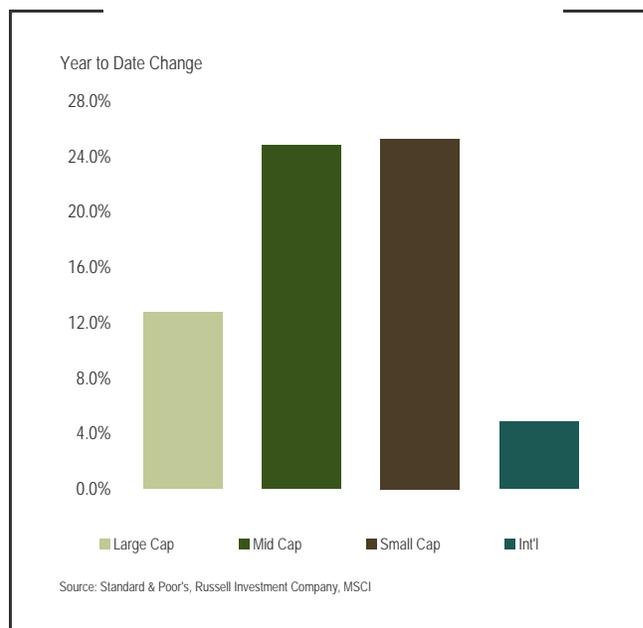
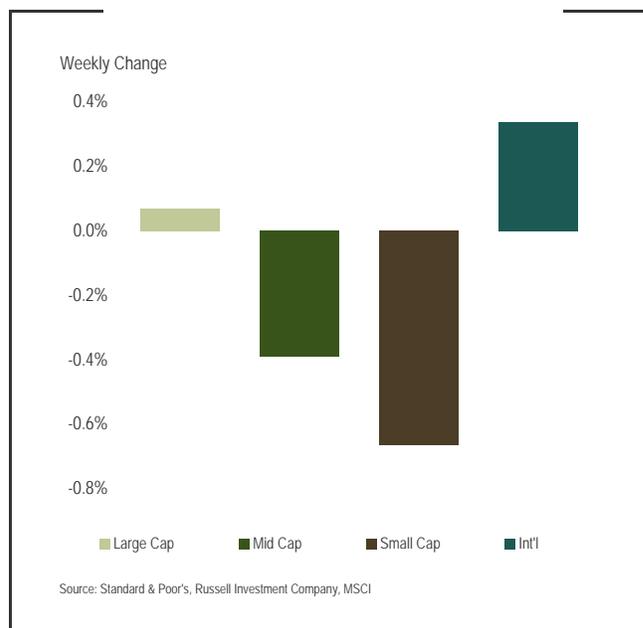
Equities had a strong year in 2010, with each major large cap benchmark increasing by double digits. The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices concluded the year up 12.78%, 11.02%, and 16.91%, respectively. A majority of the gains came in the second half of the year, with the S&P 500 jumping 22.99% since hitting a closing low on July 2. The best performing sectors in the S&P 500 for 2010 were consumer discretionary, industrials, materials, and energy, with each segment rising over 20% on the year. The utilities and health care sectors increased the least, with each adding less than 6%. Small and mid cap stocks performed almost twice as well in 2010 as their large cap counterparts, with the S&P 600 SmallCap and S&P 400 MidCap indices gaining 24.98% and 24.85%, respectively.

American International Group, Inc. (AIG) made a splash this week after a regulatory filing showed that the insurance giant has signed \$4.3 billion worth of credit agreements. AIG, which has been seeking independence since its 2008 government bailout, gained 6.06% on the week, leading the financial sector higher. Shares of Borders Group, Inc. (BGP) plummeted 22.40% on Friday after the bookseller announced that it would delay payments to several publishers as a part of its refinancing efforts in light of its depleted borrowing capacity. The company has struggled to cope with the advent of digital book readers, a fast growing market that has captured a large portion of the consumer base.

Issue	12.24.10	12.31.10	Change
Dow Jones	11,573.49	11,577.51	0.03%
S&P 500	1,256.77	1,257.64	0.07%
NASDAQ	2,665.60	2,652.87	-0.48%
Russell 1000 Growth	575.09	574.67	-0.07%
S&P MidCap 400	910.79	907.25	-0.39%
Russell 2000	788.87	783.65	-0.66%
MSCI EAFE	1,644.16	1,649.69	0.34%
MSCI EM	1,126.49	1,145.79	1.71%
MSCI Small Cap	165.45	168.31	1.73%

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

Commodities performed impressively in 2010, rising 16.67% as measured by the Dow Jones UBS Commodity Index. The largest gains were realized by cotton, which surged over 90% (the biggest increase since 1973) in a year where supply was embattled by the elements and high demand, leaving stockpiles nearly 72% depleted. China is forecasted to have a nearly 56% increase in imports in 2011, leading analysts to predict that the price of cotton will remain strong in the near future. Silver had a remarkable year as well, increasing over 80% and reaching a new 30-year intra-day high in the final day of trading in 2010. Natural gas contracts fared the worst in 2010, dropping over 40% on the year as demand has been negatively impacted by milder weather.

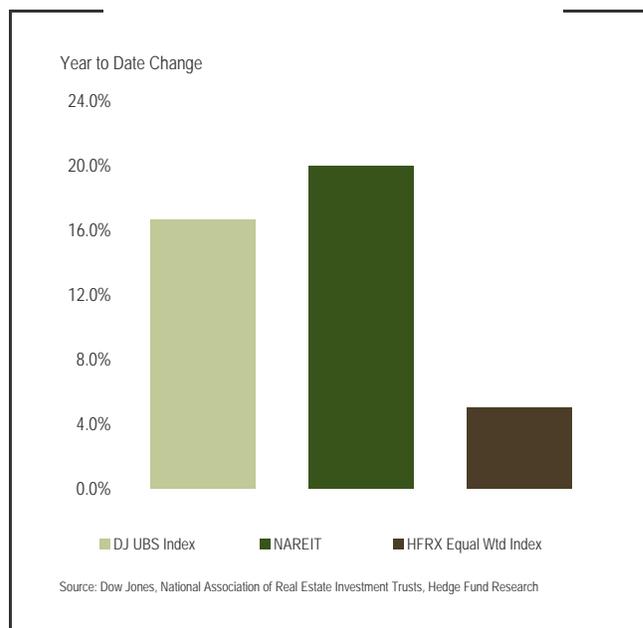
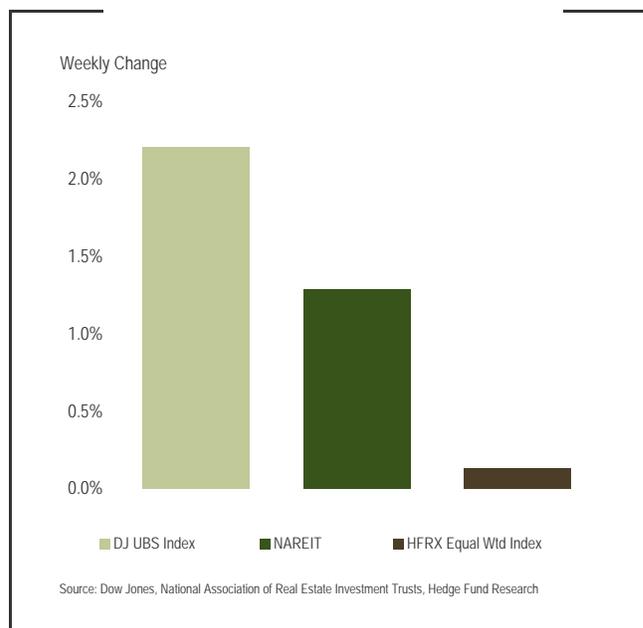
Gold contracts increased 2.87% in the last week of trading for the year, helping push the precious metal close to a 30% increase for the year. This marks the tenth consecutive annual gain for gold, with a weaker dollar and uncertainty in the global economy pushing the safe-haven investment to its strongest increase in three years. Some analysts predict that the positive momentum will carry into 2011, driven by continued uncertainty and increasing inflationary pressures. Crude oil futures enjoyed a stable advance in 2010, rising 15.03% for the year primarily in the final two months of trading. Copper contracts, which jumped over 32% this year, reached their fourth-recorded closing high this week. Many economists use the industrial metal as an indicator of global economic health.

In private equity news, closely held Groupon, Inc. raised \$500 million of a planned \$1 billion round of new funding, according to the Wall Street Journal. The daily coupon service company recently rejected a \$6 billion takeover offer from Google Inc (GOOG) and is rumored to be planning an initial public offer for 2011.

Issue	Previous Week	Current ¹	Change
Gold	1,380.00	1,421.50	3.01%
Crude Oil Futures	91.41	91.48	0.08%
Copper	425.45	443.90	4.34%
Sugar	33.98	32.12	-5.47%
HFRX Equal Wtd. Strat. Index	1,165.74	1,167.24	0.13%
HFRX Equity Hedge Index	1,219.15	1,223.89	0.39%
HFRX Equity Market Neutral	1,015.69	1,013.14	-0.25%
HFRX Event Driven	1,369.96	1,374.18	0.31%
HFRX Merger Arbitrage	1,518.94	1,521.87	0.19%
Dow Jones UBS Commodity Index	158.89	162.39	2.20%
FTSE/NAREIT All REIT	133.12	134.83	1.28%

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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