

MainStreet Advisors Financial Market Update

February 19, 2010
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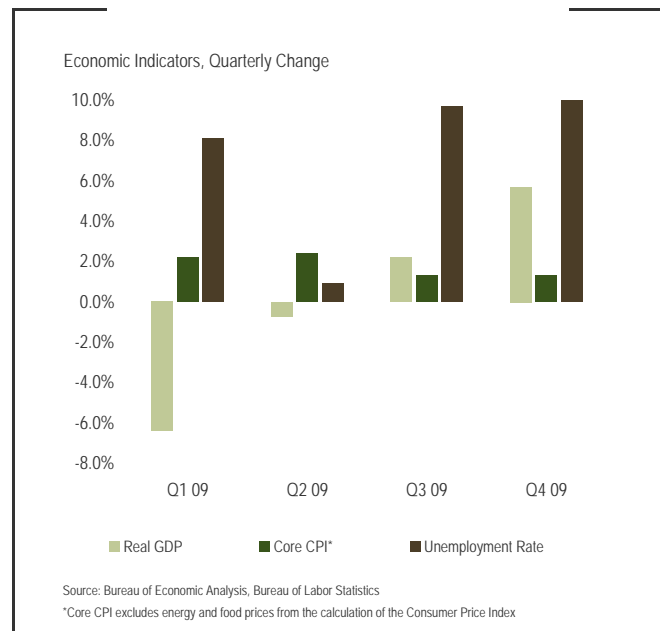
Economic Update

Minutes from the Federal Open Market Committee (FOMC), released Wednesday, noted continued economic improvements ranging from expanding consumer and business spending to slowing inventory liquidations. Despite ongoing weakness in the labor market and tapering momentum in the housing market, the FOMC noted expectations for continued economic recovery, albeit at a modest pace before picking up again in 2011 and 2012. Interestingly, the FOMC noted that participants believe "the upside and downside risks to the outlook for economic growth as roughly balanced."

The Conference Board Leading Economic Index for the U.S. advanced for the tenth consecutive month in January, climbing 0.3%. The Conference Board attributed continued improvements throughout the last year to strengthening financial markets and expansion in the manufacturing sector. Consumers have become more optimistic about the housing market, which has also supported increases in the index. On Wednesday, the Commerce Department reported that January housing starts increased 2.8% from the previous month to an annual rate of 591,000. This is a 21.1% increase from January 2009. Although building permits declined slightly from December, they were 16.9% higher than levels one year ago.

The U.S. Import Price Index climbed 1.4% in January from the previous month, up 11.5% from January 2009. Rising petroleum prices were largely attributable for the increase. Export prices have also increased, but at a slower pace. Export prices advanced for the third consecutive month in January, up 0.8% from December and 3.4% from January 2009. The report reflected increasing price pressure for producers, although consumer prices have remained relatively stable. The Department of Labor announced Friday that the Consumer Price Index increased 0.2% in January, up 2.6% since January 2009. Food prices rose 0.2% for the month, while energy prices rose 2.8%. Excluding food and energy, prices declined 0.1% in January. Separately, the Labor Department reported that the Producer Price Index increased 1.4% in January. Prices for intermediate and crude goods advanced as well, up 1.7% and 9.6%, respectively.

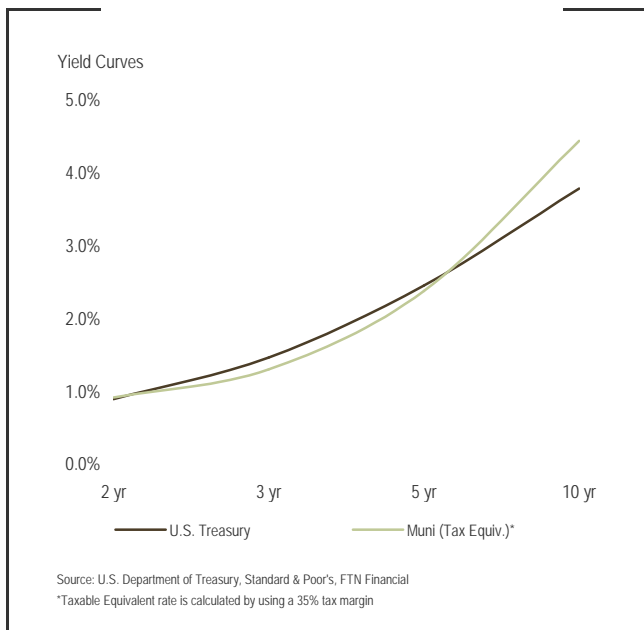
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Conference Board.



Feb. 16 th	Empire State Mfg Survey, February	24.9
Feb. 16 th	Frgn Dmnd for LT US Securities, December	63.3B
Feb. 16 th	Housing Market Index, February	17.0
Feb. 17 th	MBA Purchase Applications Index, Wkly. Chg.	-4.0%
Feb. 16 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.6%
Feb. 17 th	Housing Starts, January	591,000
Feb. 17 th	Import Prices, Jan. Monthly Chg.	1.4%
Feb. 17 th	Export Prices, Jan. Monthly Chg.	0.8%
Feb. 17 th	Industrial Production, Jan. Monthly Chg.	0.9%
Feb. 18 th	Producer Price Index, Jan. Monthly Chg.	1.4%
Feb. 18 th	Initial Jobless Claims (Week ending 2/13)	473,000
Feb. 18 th	Leading Indicators, Jan. Monthly Chg.	0.3%
Feb. 18 th	Philidelphia Fed Survey, February	17.6
Feb. 18 th	EIA Natural Gas Report, Wkly. Chg.	-190 bcf
Feb. 18 th	EIA Petroleum Status Report, Wkly. Chg.	3.1M Barrels
Feb. 19 th	Consumer Price Index, Jan. Monthly Chg.	0.2%

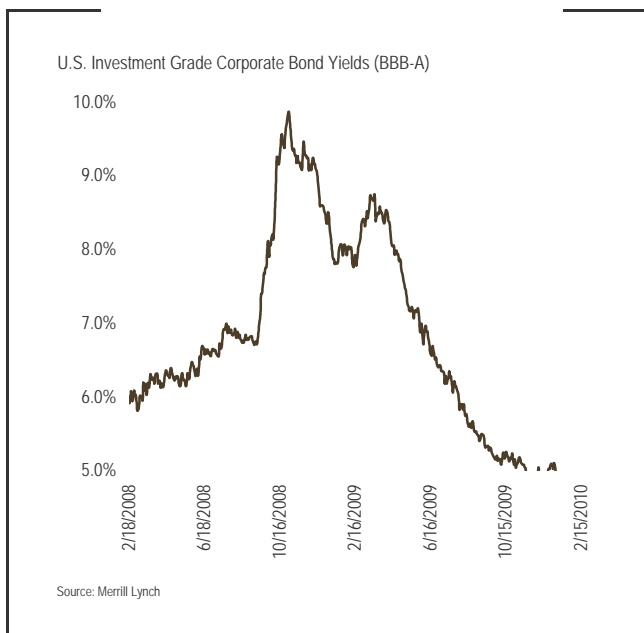
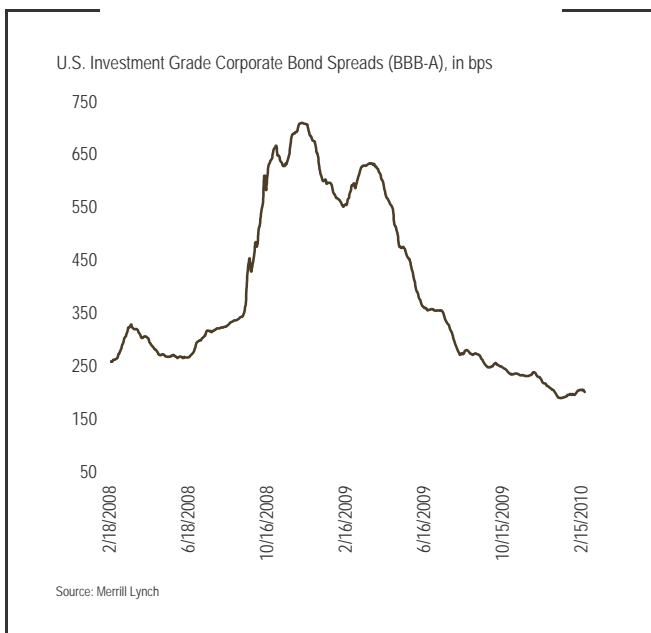
Bond Market Update

U.S. Treasuries finished the week lower as the Federal Reserve raised the discount rate, which is the rate charged to banks for direct loans from the Fed, to 0.75% from 0.50%. Remarks last week from Federal Reserve Chairman Ben Bernanke hinted that the central bank might be preparing to unwind some of its monetary stimulus policies. On Thursday of this week, they followed through and said the move will encourage banks to rely more on the money market sector rather than the Fed for short-term liquidity needs. They also noted "the modifications are not expected to lead to tighter financial conditions for households and businesses and do not signal any change in the outlook for the economy or monetary policy." Despite these inspirational comments, short-term rate increases are never taken positively by the fixed income markets as evidenced by the spike in yields on the 10-year note, which reached a five-week high. Concerns that supply will overwhelm demand as China seeks to diversify its reserves away from U.S. Treasuries also weighed on the markets. China's Treasury holdings dropped in November and December, the first consecutive months of reductions since 2007, according to Bloomberg.



Issue	1.22.10	1.29.10	Change
3 month T-Bill	0.11%	0.10%	-0.01%
2-Year Treasury	0.91%	0.90%	-0.01%
5-Year Treasury	2.39%	2.46%	0.07%
10-Year Treasury	3.73%	3.79%	0.06%
30-Year Treasury	4.69%	4.74%	0.05%

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



Stock Market Update

Investors were able to look beyond last week's sour news regarding the debt crisis enveloping Greece and China forcing banks to increase reserves to take advantage of downtrodden prices. According to the Wall Street Journal, seven of the eleven trading days in February have experienced price swings of 100 points or more. The DJIA and S&P 500 closed the week up 2.96% at 10,402.35 and 3.13% at 1,109.17 respectively. The tech-heavy NASDAQ ended 2.76% higher at 2,243.87.

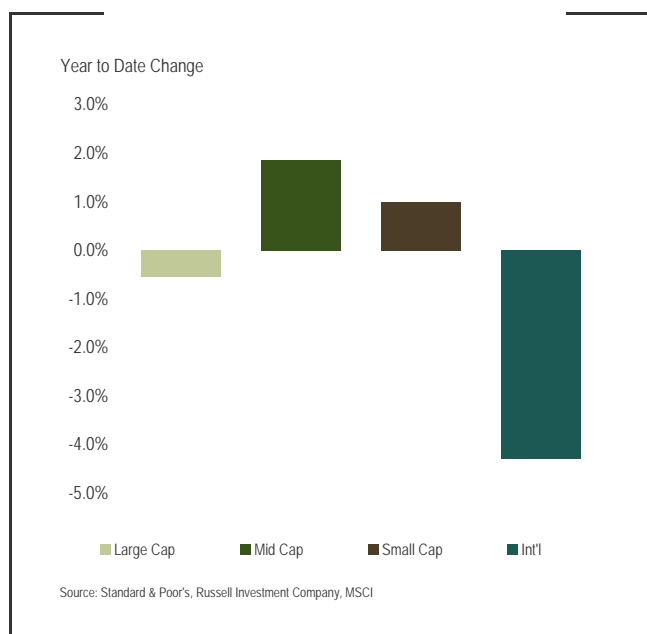
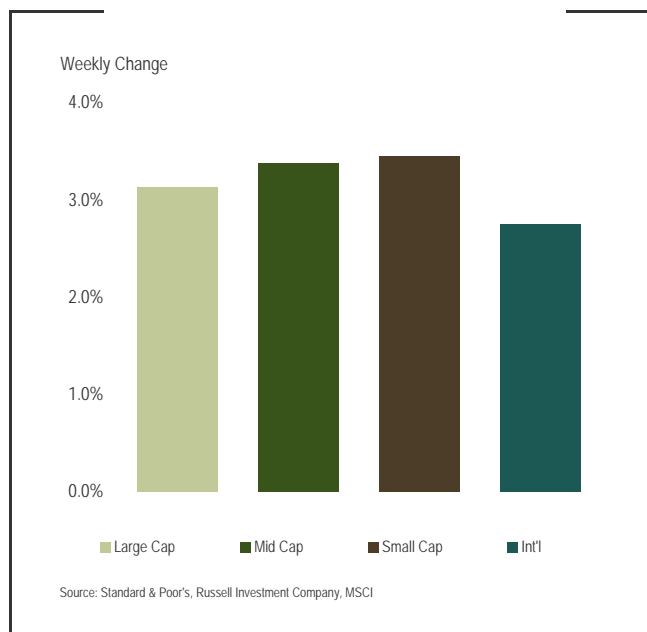
On Tuesday, the Dow rallied 169.67 points marking the best trading day since November 9. On Wednesday and Thursday, both the Dow and S&P 500 increased conservatively, largely due to growing optimism fueled by ever-improving economic reports. To end the week, indexes across the board edged higher, albeit modestly, overcoming a surprise 25 basis point hike in the discount rate.

JP Morgan Chase (JPM) announced a \$1.7 billion deal to purchase pieces of an energy trading unit owned by Royal Bank of Scotland and Sempra Energy. RBS was initially ordered to sell their stake as a condition of the European Union providing more bailout money late last year. The deal excludes North American units over fears the recent proprietary trading restrictions proposed by President Obama and former Fed chief Paul Volcker could become law.

Walgreen Co. (WAG) announced plans on Wednesday to buy Duane Reade for \$620 million, plus \$480 million in debt. The purchase is intended to increase presence in New York City by adding 257 stores in the area. Walgreen CEO Greg Wasson said the acquisition was the only way to achieve growth in the city and it allows the company to take advantage of Duane Reade's product and marketing initiatives to keep pace with rival CVS.

Issue	1.22.10	1.29.10	Change
Dow Jones	10,102.85	10,402.35	2.96%
S&P 500	1,075.47	1,109.17	3.13%
NASDAQ	2,183.53	2,243.87	2.76%
Russell 1000 Growth	482.85	496.57	2.84%
S&P MidCap 400	715.96	740.16	3.38%
Russell 2000	610.53	631.58	3.45%
MSCI EAFE	1,465.46	1,505.76	2.75%
MSCI EM	922.91	943.11	2.19%
MSCI Small Cap	136.89	139.64	2.00%

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.



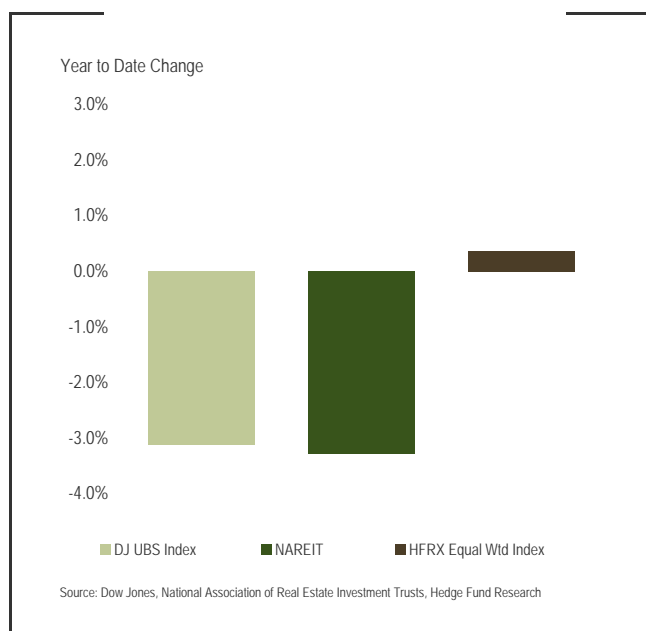
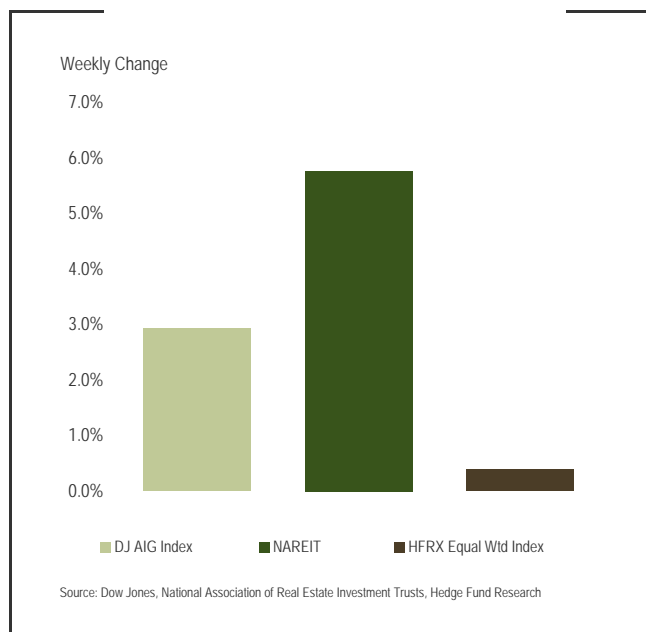
Alternative Investments Market Update

Improvements in Greece, a surprise hike in the largely symbolic discount rate, and continued tame inflation readings had a significant impact on commodities. Early in the week, relief over Greece's debt situation being contained by European Central Bank efforts caused a near \$3 per barrel rise in the price of oil, the largest one day gain since September 2009. A continued slow and steady rise followed the rest of the week. By Friday, the benign inflation report was not enough to slow down oil's climb amid further news of a strike by French refinery workers. Oil closed at \$79.95 per barrel, up 7.88% on the week. Gold followed nearly the same pattern as oil, rising on the improved perception over Greece. However, the price fell nearly \$20 per ounce in the 10 minutes following news of the Federal Reserve's decision to raise the discount rate, only to recoup most of that the following day. Many commodity traders viewed the move as an overreaction to the Fed's announcement.

In real estate investment trusts (REITs) news, investors are now focusing on a potential takeover of near-bankrupt mall operator General Growth Properties (GGWPO) by Simon Property Group (SPG). Simon offered \$10 per share in cash and stock for General Growth, which has not responded favorably, claiming the offer is too low. General Growth's stock rallied from \$9 to \$12 on the news, making for an unusual opportunity for merger arbitrage hedge funds since the normal pattern would be for the target's stock price to move to just below the offer. The fact that the market price is higher than the offer may indicate a belief by traders that Simon will have to raise its offer price.

Issue	Previous Week	Current ¹	Change
Gold	1,093.10	1,117.40	2.22%
Crude Oil Futures	74.11	79.95	7.88%
Copper	309.75	336.50	8.64%
Sugar	26.33	25.96	-1.41%
HFRX Equal Wtd. Strat. Index	1,111.45	1,115.77	0.39%
HFRX Equity Hedge Index	1,122.46	1,135.91	1.20%
HFRX Equity Market Neutral	983.52	988.37	0.49%
HFRX Event Driven	1,352.87	1,356.08	0.24%
HFRX Merger Arbitrage	1,446.99	1,450.62	0.25%
Dow Jones UBS Commodity Index	131.00	134.84	2.93%
FTSE/NAREIT All REIT	102.73	108.66	5.77%

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