

# MainStreet Advisors Financial Market Update

April 23, 2010  
[page 1]

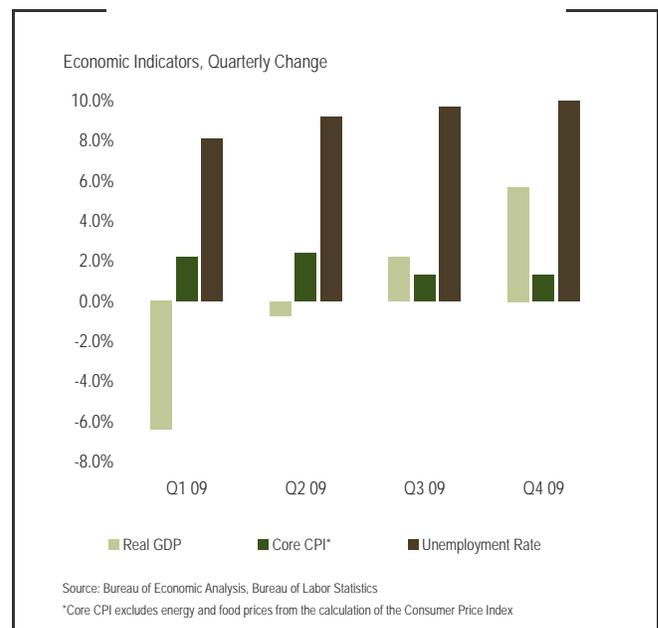
## Economic Update

Early this week, The Conference Board announced that its Leading Economic Index for the U.S. continued to increase in March. The index has climbed consistently throughout the last year as a result of improvements in both financial and labor market indicators. According to Ken Goldstein, an economist at The Conference Board, the March increase suggests "a slow recovery that should continue over the next few months."

New orders for durable goods declined in March, as shown by the U.S. Department of Commerce. The \$2.2 billion, or 1.3%, decline was largely attributed to a steep pullback in aircraft demand. When excluding transportation orders, durable good orders actually advanced 2.8% in a positive sign for the manufacturing industry. In addition, the report indicated that inventories of manufactured goods rose for the third consecutive month, up \$0.5 billion, or 0.2%.

The Labor Department reported that the Producer Price Index (PPI) for finished goods increased 0.7% in March. More than 70% of the increase resulted from a 2.4% surge in food prices. Excluding food and energy, PPI rose 0.1% from the previous month. Crude goods posted the most significant monthly increase as prices climbed 3.2%.

The housing market showed renewed activity in March, according to the National Association of Realtors (NAR). The traditional spring buying season began with a strong start as sales of existing single-family homes increased 6.8% to a seasonally adjusted annual rate of 5.35 million. This represents a 16.1% rebound from March 2009. NAR Chief Economist Lawrence Yun noted encouragement from continued improvements in sales levels for the last nine months, reduced inventory levels, and the home buyer tax credit. Housing inventory is now at an 8.0-month supply, down from an 8.5-month supply in February. Separately, the Commerce Department reported that March sales of new residential home sales rose 26.9% from February to a seasonally adjusted annual rate of 411,000. This level represents a 6.7 month inventory supply.



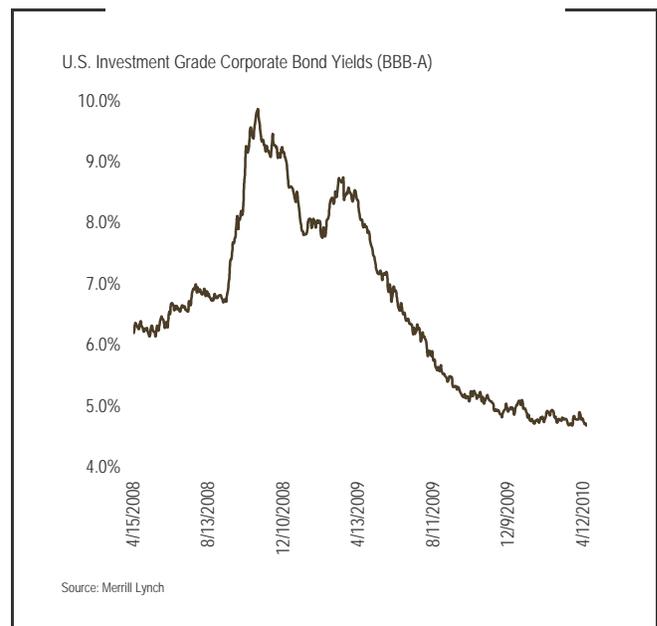
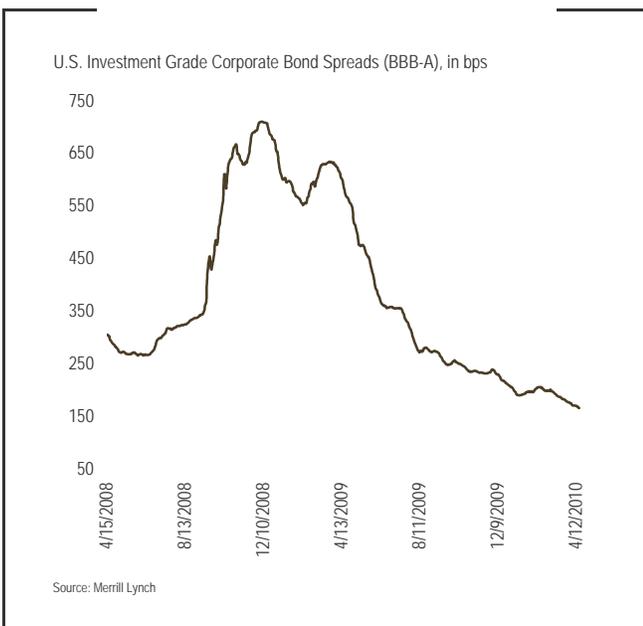
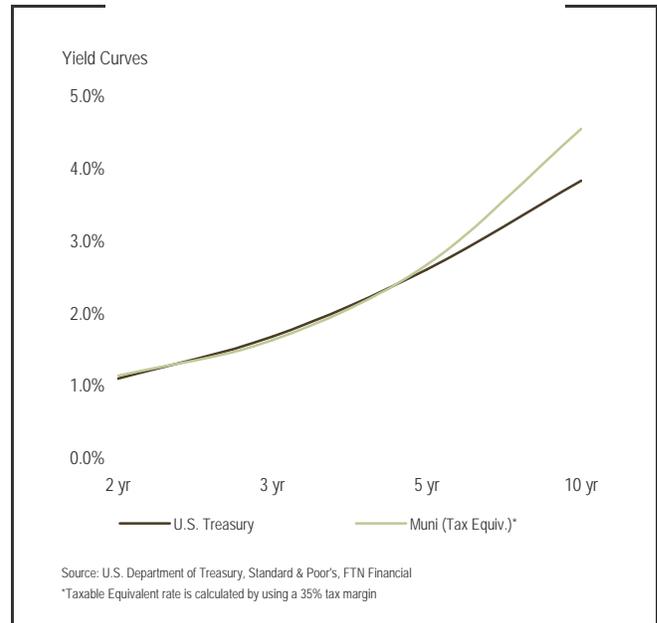
Apr. 19 <sup>th</sup>	Leading Indicators, Mar. Monthly Chg.	1.4%
Apr. 20 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.2%
Apr. 21 <sup>st</sup>	MBA Purchase Applications Index, Wkly. Chg.	10.1%
Apr. 21 <sup>st</sup>	EIA Petroleum Status Report, Wkly. Chg.	1.9M Barrels
Apr. 22 <sup>nd</sup>	Producer Price Index, Mar. Monthly Chg.	0.7%
Apr. 22 <sup>nd</sup>	Initial Jobless Claims ( Week ending 4/17)	456,000
Apr. 22 <sup>nd</sup>	Existing Home Sales, March SAAR*	5.35M
Apr. 22 <sup>nd</sup>	FHFA House Price Index, Feb. Monthly Chg.	-0.2%
Apr. 22 <sup>nd</sup>	EIA Natural Gas Report, Wkly. Chg.	73 bcf
Apr. 23 <sup>rd</sup>	Durable Goods New Orders, Mar. Monthly Chg.	-1.3%
Apr. 23 <sup>rd</sup>	New Home Sales, March	411,000

Bond Market Update

Greece's debt situation continues to control the headlines. Earlier in the week spreads between Greek and German bonds grew to a 12-year high as Greece's borrowing costs surged higher on renewed negotiations with the International Monetary Fund (IMF) and other EU countries. On Thursday, Moody's downgraded Greek government bonds to A3, which is still investment-grade but warned more downgrades are possible in the near-term. The ratings cut pushed two-year Greek note yields to above 11%, which is more than 10-year bonds—a signal that investors believe default is likely. Faced with little option and the need to act swiftly, Greece Prime Minister George Papandreu enacted the \$53 billion aid package from the EU and IMF that was agreed upon earlier this month. Fears eased slightly but investors remain fearful of default or restructuring forcing investors to accept less than face value. Treasury prices slid early this week on a surprise announcement from the Bank of Canada that they no longer pledge to keep rates near zero, leaving investors less interested in the safety of U.S. debt. On Thursday, the Treasury Department announced auction plans for \$129 billion in notes and TIPS, which was more than anticipated, placing further downward pressure on Treasuries. In part to strong first quarter profits, the spreads between yields of non-financial companies to similar maturity Treasuries is the largest since the start of the credit crisis.

Issue	4.16.10	4.23.10	Change
3 month T-Bill	0.16%	0.16%	0.00%
2-Year Treasury	0.98%	1.10%	0.12%
5-Year Treasury	2.49%	2.61%	0.12%
10-Year Treasury	3.79%	3.84%	0.05%
30-Year Treasury	4.67%	4.67%	0.00%

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



Stock Market Update

Stocks looked to strong earning results and positive economic news to shake-off concerns that more banks would follow Goldman Sach (GS) and come under SEC scrutiny for dealings during the run-up to the 2008 financial crisis. The Dow Jones Industrial Average (DJIA) gained 185.62 points, or 1.68%, to close at a new 52-week high of 11,204.28. The broader S&P 500 climbed 2.11% this week to close Friday at 1,217.28.

Apple Inc. (APPL) surprised investors when the company announced strong first quarter results this week. Revenue was up 49% compared to last year on a surge in iPhone shipments - the company sold 8.75 million phones in the quarter, higher than analysts' expectations of 7 to 7.5 million, according to the Wall Street Journal. Sales from the iPhone represent approximately 40% of the company's revenue; Apple shares were up 9.47% this week.

Air travel resumed this week as the ash cloud that crippled European air travel subsided. The Amex Airline stock index rallied on the news, gaining 4.57% of the low made early Thursday.

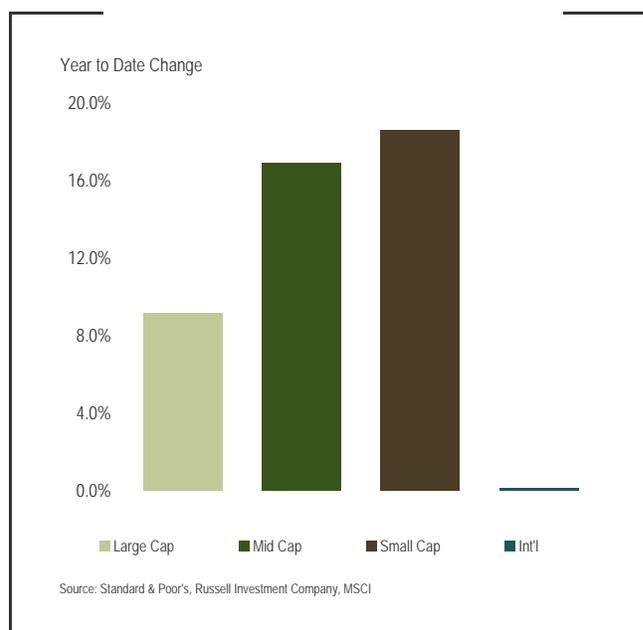
CenturyTel (CTL) announced an all-stock deal to acquire Qwest Communications (Q) for approximately \$10.6 billion, including the assumption of Qwest debt, a 15% premium to Wednesday's closing price. The deal combines two of the largest U.S. landline phone operators giving the combined entity a footprint across 40 states, according to the Wall Street Journal.

Asian and European stocks sold off Friday on news that Greece requested formal assistance from European countries and the International Monetary Fund; the FTSE 100 and the NIKKEI 225 both ended little changed for the week.

Issue	4.16.10	4.23.10	Change
Dow Jones	11,018.66	11,204.28	1.68%
S&P 500	1,192.14	1,217.28	2.11%
NASDAQ	2,481.26	2,530.15	1.97%
Russell 1000 Growth	530.95	540.02	1.71%
S&P MidCap 400	820.62	849.82	3.56%
Russell 2000	714.63	741.92	3.82%
MSCI EAFE	1,636.19	1,575.10	-3.73%
MSCI EM	1,047.51	1,020.67	-2.56%
MSCI Small Cap	154.98	151.70	-2.11%

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

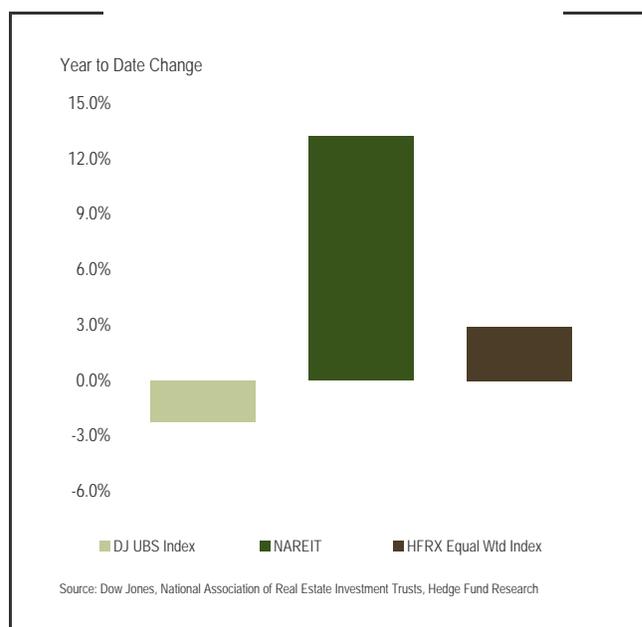
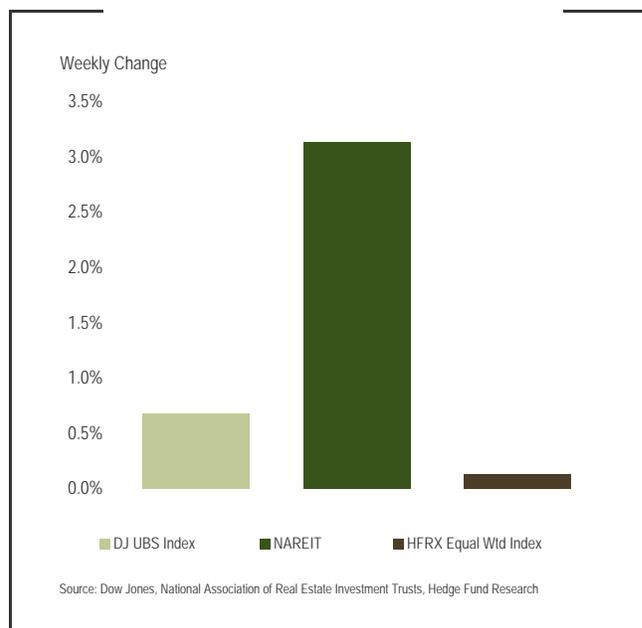
Hedge fund investors were surprised this week as allegations surfaced that current Goldman Sachs director Rajat Gupta tipped off Raj Rajatanaram, head of the indicted hedge fund Galleon Group, of Warren Buffet's \$5 billion investment in Goldman stock during the tumultuous summer of 2008. The news that a director of Goldman would divulge inside information to a hedge fund may have been embarrassing for the company, but provided an insight into the potential strength of the SEC's case against Galleon Group.

Commodity markets continue to demonstrate that they often trade independent of the overall economic outlook, as evidenced by crude oil and gold this week. What started off as a calm week for both, with oil hovering around \$85 per barrel and gold near \$1140 per ounce, ended with sharp intraday moves. For oil, news of a fire and then sinking of a deep water oil rig in the Gulf of Mexico was the likely cause of a 4% two day move, nearly \$3.50 per barrel, in oil from Thursday's open to Friday's close. After losing nearly \$30 per ounce in the futures market over Thursday and Friday of last week, gold was slowly retrenching those losses early in the week. However, on news that Greece was officially planning to ask the European Union and International Monetary Fund for a \$60 billion bailout, the price of gold jumped \$20 per ounce in the hour following the announcement.

Land prices have been significantly depressed as of late, causing homebuilders to come back to the market to acquire property for future development. The Wall Street Journal reported that land prices in some of the hardest hit areas like Arizona and California have recently begun to rebound, a potentially welcome sign for residential real estate and the homebuilding industry.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,137.20	1,156.60	1.71%
Crude Oil Futures	83.12	85.13	2.42%
Copper	354.10	353.95	-0.04%
Sugar	16.18	15.75	-2.66%
HFRX Equal Wtd. Strat. Index	1,142.47	1,143.92	0.13%
HFRX Equity Hedge Index	1,155.55	1,151.43	-0.36%
HFRX Equity Market Neutral	1,003.64	998.32	-0.53%
HFRX Event Driven	1,390.66	1,388.37	-0.16%
HFRX Merger Arbitrage	1,475.38	1,473.28	-0.14%
Dow Jones UBS Commodity Index	135.13	136.05	0.68%
FTSE/NAREIT All REIT	123.36	127.22	3.13%

<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.



MainStreet Advisors performance results reflect time-weighted rates of returns based upon MainStreet Advisors proprietary trading strategies. Performance results reflect the reinvestment of dividends and other earnings as well as the deduction of management and transaction fees. Performance does not reflect additional fees charged by institutions MainStreet Advisors provides investment services. In some cases performance reflects the quarterly rebalancing of assets based upon MainStreet Advisors Tactical Asset Allocation Models.

Past performance may not be indicative of future results and the performance of a specific individual account may vary substantially from performance presented herein. Therefore, no current or prospective client should assume that future performance will be profitable or equal the performance results reflected herein. In calculating account performance, MainStreet Advisors has relied upon information provided by various sources believed to be accurate and reliable but cannot be guaranteed. All past recommendations are available upon request. Investments in equities, fixed income, mutual funds, and exchange traded funds involve risk and may lose value.

Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable. MainStreet Advisors investment strategies may involve portfolio turnover, which could negatively impact the next after-tax gain experienced by an individual client.

MainStreet Advisors displays its performance results in addition to the market index that it believes represents a similar strategy in terms of asset allocation (stocks, bonds), generally accepted investment objectives (growth, income, or balanced), style benchmarks (growth, value, or core), geographic allocations (US, Foreign, or Global), sector allocation potential, and cap size objective (small cap, mid cap, or large cap). The index is shown in order for clients to make a comparison of performance for the designated time period. However, the indices shown above may not completely reflect the risk or volatility of the overall market or of the risk taken by the MainStreet Advisors program. The indexes shown are not intended to be an absolute benchmark for the MainStreet Advisors program due to the fact that clients may not be able to duplicate exact holdings in the indexes shown, MainStreet Advisors programs may reallocate some or all assets in the program to cash in response to market conditions, and MainStreet Advisors programs utilize a flexible management strategy with regard to equity selection, cap size, style, and asset allocation. It should be noted that market indices are always fully invested and holdings are limited to the index charter. The market index used for comparison is an unmanaged index and is a common measure of performance of the relevant stock markets. They are not available for direct investment.



MAINSTREET ADVISORS™

120 North LaSalle Street Suite 3750  
Chicago, Illinois 60602  
312.223.0270 direct  
312.223.0276 fax  
[www.mainstreetadv.com](http://www.mainstreetadv.com)