

## Economic Update

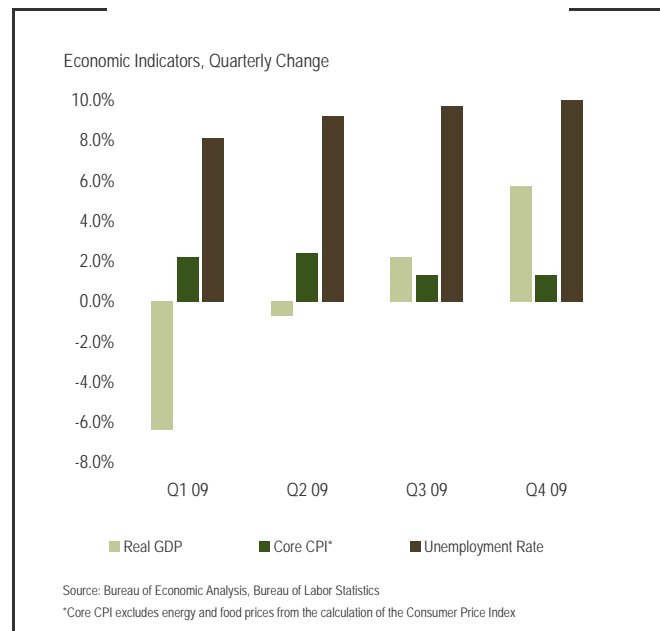
Senate lawmakers passed a sweeping bank-reform bill on Thursday that represents the most significant U.S. bank regulation increase since the Great Depression. The new legislation places new restrictions on "too-big-to-fail" banks, forcing them to liquidate their derivatives units and implement new capital limitations. The bill also outlines a one-time government audit of the Federal Reserve's emergency response procedures and initiates a government board tasked with assigning credit raters for banks' structured finance securities.

Employment data released on Friday showed that payrolls increased in 38 states for the month of April. Ohio, Pennsylvania, and New York led the increase, signaling that the labor market recovery is becoming more broad-based. The unemployment rate decreased in 34 states and the District of Columbia in April and increased in six, indicating that the unexpected rise in U.S. unemployment last month was geographically concentrated. Michigan leads the nation in unemployment with a rate of 14%. National unemployment ticked up to 9.9% in April, a result from the influx of jobseekers reentering the market on hopes that the economy is improving. Initial jobless claims jumped 25,000 for the week of May 15th, though there are no particular indicators as to why the increase occurred.

Inflation, as measured by the Consumer Price Index (CPI), remained relatively flat in April. Data released on Wednesday indicated that overall CPI index fell 0.1% after experiencing a 0.1% rise the month prior, falling in line with analyst projections.

The Housing Market Index rose 3 points to 22 in May, indicating that home builders are becoming more optimistic. Housing starts reflected this sentiment, rising nearly 7% to 0.672 million. Not all housing market news was positive however, as the Mortgage Bankers Association's Purchase Index plummeted 27.1% for the week of May 14th.

The United Kingdom posted its largest budget deficit in history in April, coming in at -10.9 billion pounds. Many economists predict that the report will lead to record cuts in public spending.



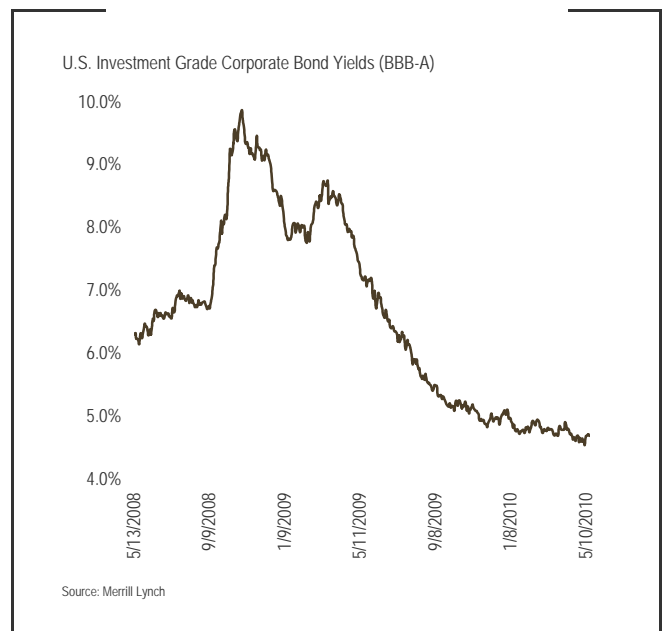
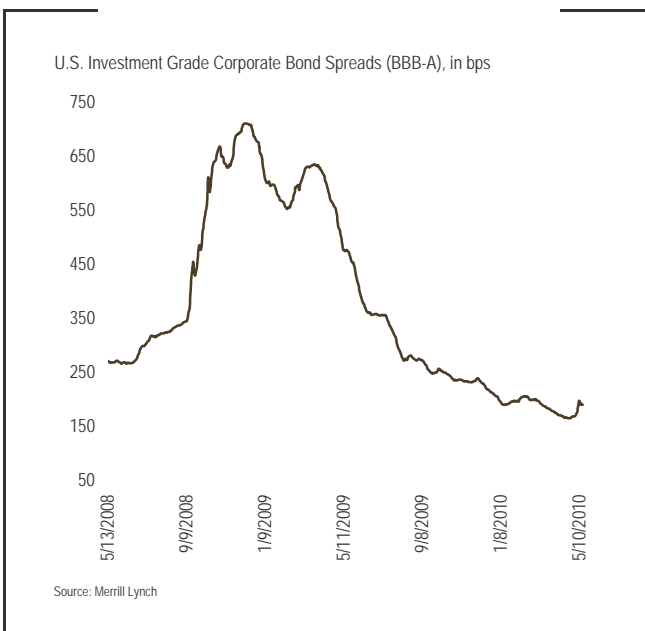
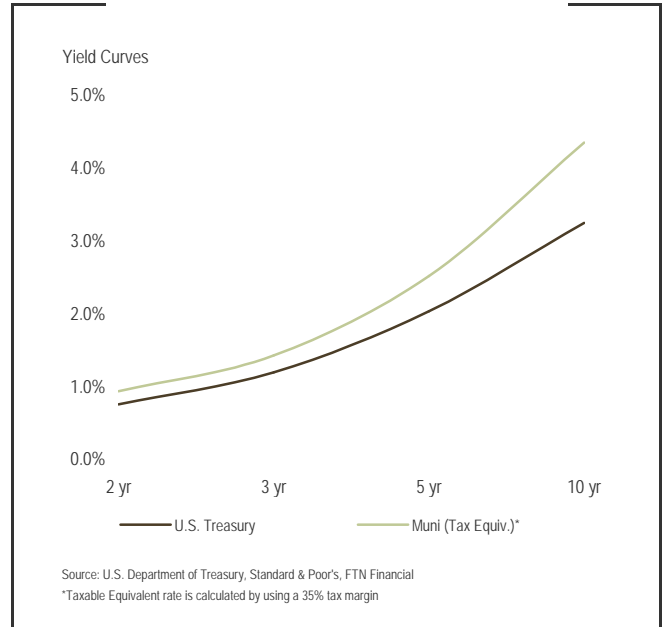
May 17 <sup>th</sup>	Empire State Mfg Survey, May	19.1
May 17 <sup>th</sup>	Frgn Dmnd for LT US Securities, March	140.5B
May 17 <sup>th</sup>	Housing Market Index, May	22.0
May 17 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-2.5%
May 17 <sup>th</sup>	Housing Starts, April	672,000
May 18 <sup>th</sup>	Producer Price Index, Apr. Monthly Chg.	-0.1%
May 19 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	-27.1%
May 19 <sup>th</sup>	Consumer Price Index, Apr. Monthly Chg.	-0.1%
May 19 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	0.2M Barrels
May 20 <sup>th</sup>	Initial Jobless Claims ( Week ending 5/15)	471,000
May 20 <sup>th</sup>	Leading Indicators, Apr. Monthly Chg.	-0.1%
May 20 <sup>th</sup>	Philidelphia Fed Survey, May	21.4
May 20 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	76 bcf

Bond Market Update

Worry has again rippled through the markets as investors remain concerned that a \$1 trillion European bailout package will not be sufficient to keep the contagion from spreading throughout Europe. As a result, the flight-to-safety trade continued as investors sold risk-bearing assets, including corporate bonds. According to Bloomberg, sales of U.S. corporate bonds sunk 67%, and investors withdrew almost \$1 billion from high-yield bond funds. Investors sought U.S. Treasuries as Greece drew on an emergency loan package to repay \$10.6 billion of 10-year bonds to avoid the euro region's first sovereign default and Germany prohibited naked short-selling on sovereign debt. For most of the week, U.S. Treasury yields faced downward pressure due to immense demand, and at one point, 10-year notes reached a one-year low. Dan Mulholland, a Treasury trader at RBC, said in an article published by Bloomberg that investors are moving out of the yield curve and buying longer duration treasuries as inflation prospects remain low. Reports emerged Friday that the European Central Bank may take unprecedented measures to prevent the collapse of the euro, which caused the euro to bounce off 4-year lows and higher yielding assets to stabilize. In a report published by Reuters, foreigners bought a record \$140.5 billion of long-term U.S. securities in the month of March, indicating the U.S. is still viewed as a safe haven in periods of turmoil.

Issue	5.14.10	5.21.10	Change
3 month T-Bill	0.16%	0.17%	0.01%
2-Year Treasury	0.79%	0.76%	-0.03%
5-Year Treasury	2.16%	2.04%	-0.12%
10-Year Treasury	3.44%	3.25%	-0.19%
30-Year Treasury	4.32%	4.13%	-0.19%

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



Stock Market Update

Stocks world-wide traded sharply lower this week as Euro-zone fears and an unexpectedly weak employment report conspired to rattle investors' nerves. The Dow Jones Industrial Average (DJIA) lost 426.77 points, or 4.02%, to end the week at 10,193.39. The broader S&P 500 closed at 1,087.69, 4.23% lower than last week.

On Thursday, the DJIA lost over 376 points when a weak initial unemployment claims report compounded investor concern over the potential impact of the euro zone debt crisis on global growth, according to the Wall Street Journal. Markets opened lower on Friday with the DJIA trading below 10,000 before investors scooped up shares, sending the benchmark index over 120 points higher for the day.

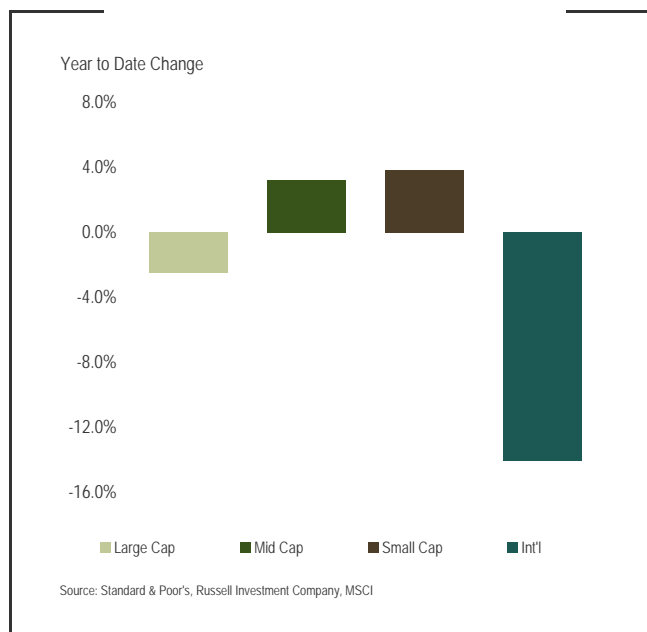
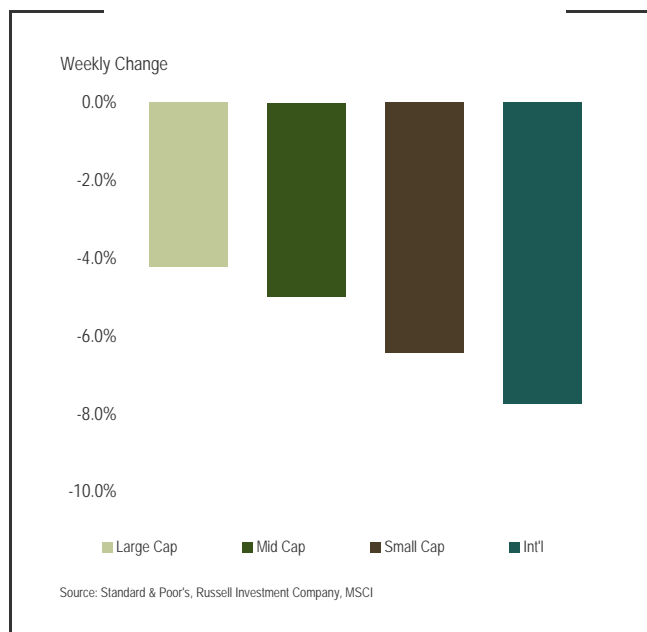
Financial stocks led the S&P 500 sectors on Friday, up 2.91%, one day after the financial regulation reform bill was passed in the Senate, which will now be reconciled with a bill passed in the House of Representatives in December. The bill marks the largest increase in financial regulation since the 1930s and will, among other reforms, place new restrictions on large banks and create a new consumer-protection division.

Home Depot (HD) reported that its profit jumped 41% in the first quarter from a year earlier, better than analysts expected, confirming the view that Americans are resuming their discretionary expenditures. The company raised its full year sales and earnings outlook. In more evidence that consumers are increasing their spending, computer maker DELL Inc. (DELL) reported a 52% increase in profits from a year earlier, according to the Wall Street Journal.

Euro-zone debt fears also had investors outside the U.S. worried, sending global equities lower for the week. In London, the FTSE 100 Index was down 3.80%; Japan's NIKKEI 225 lost 6.48%; and in China, the benchmark Shanghai dropped 4.19%.

Issue	5.14.10	5.21.10	Change
Dow Jones	10,620.16	10,193.39	-4.02%
S&P 500	1,135.68	1,087.69	-4.23%
NASDAQ	2,346.85	2,229.04	-5.02%
Russell 1000 Growth	505.55	481.18	-4.82%
S&P MidCap 400	789.31	750.01	-4.98%
Russell 2000	693.98	649.37	-6.43%
MSCI EAFE	1,465.13	1,351.69	-7.74%
MSCI EM	975.56	882.42	-9.55%
MSCI Small Cap	142.60	130.49	-8.49%

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

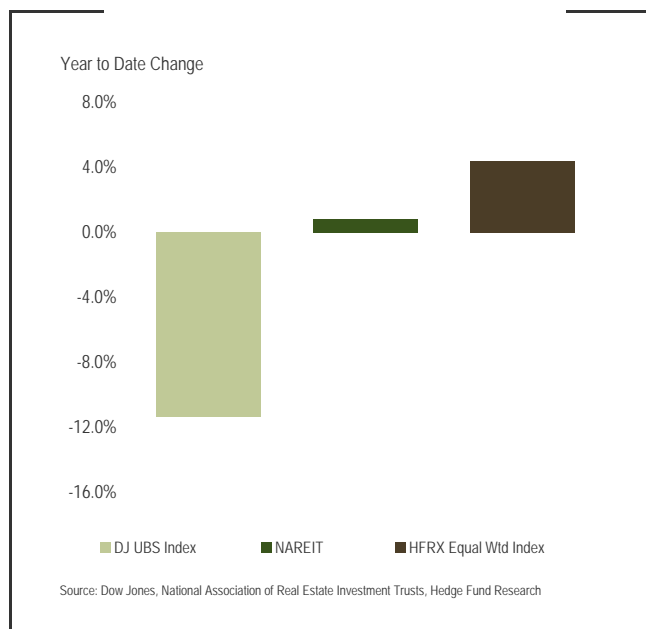
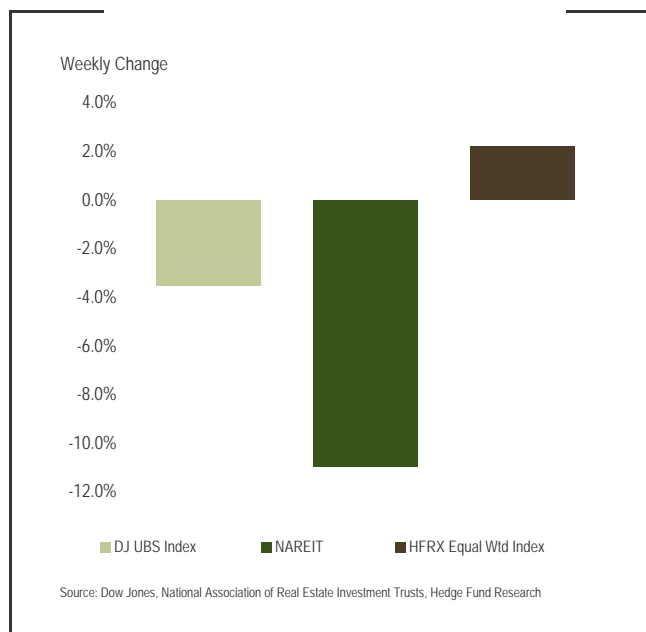
News that Germany banned certain types of short selling likely contributed to the volatility in equity markets this week which spilled over into alternative asset classes, though declines were not as steep. It was feared that these trading restrictions may spread throughout Europe and dampen the trading opportunities for hedge funds.

As the equity markets declined, a rally in the greenback offset the traditional safe haven of gold. Often precious metals rally in the face of uncertainty, but the impact of a rallying dollar was stronger than gold buying, causing it to retreat for the week. The deflationary Producer Price Index and Consumer Price Index reports for April further depressed metals prices. Crude oil continued last week's slide and ended the week at \$69.67 per barrel, just below the psychologically important \$70 level. Pro-cyclical copper, traded lower earlier in the week, but experienced a significant rally on Friday as the equity markets bounced off their intraday lows.

Luxury real estate developer, Robert Toll, thought to be the inventor of the "mcmansion," has announced the he will resign his post as CEO of homebuilder Toll Brothers at the end of June, but will keep the Chairman title. The reigns are being passed on to an executive president with 20 years of tenure at the firm. Separately, European hedge fund giant GLG has agreed to be acquired by Man Group, created a hedge fund giant managing about \$63 billion in various strategies.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,230.50	1,178.00	-4.27%
Crude Oil Futures	71.89	70.06	-2.55%
Copper	312.45	307.35	-1.63%
Sugar	14.13	15.65	10.76%
HFRX Equal Wtd. Strat. Index	1,135.71	1,160.45	2.18%
HFRX Equity Hedge Index	1,142.98	1,114.51	-2.49%
HFRX Equity Market Neutral	1,004.34	1,007.19	0.28%
HFRX Event Driven	1,373.24	1,357.65	-1.14%
HFRX Merger Arbitrage	1,465.21	1,455.94	-0.63%
Dow Jones UBS Commodity Index	127.84	123.35	-3.52%
FTSE/NAREIT All REIT	127.22	113.28	-10.96%

<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)