MainStreet Advisors Financial Market Update

July 16, 2010
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Economic Update

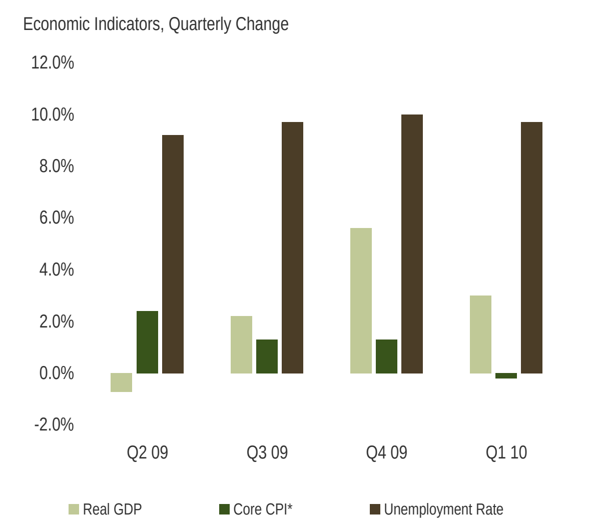
Consumer sentiment retreated to the lowest level in nearly a year in early July, as shown by the Thomson Reuters/University of Michigan Surveys of Consumers. According to Reuters, renewed concerns about economic conditions caused the sharp pullback, which may continue to soften retail sales. On Wednesday, the U.S. Department of Commerce announced that sales for retail and food services fell by 0.5 % last month but are 4.8% above June 2009 sales. Meanwhile, the combined value of distributive trade sales and manufacturers' shipments for May dropped 0.9 % from sales in April, according to the U.S. Census Bureau. May 2010 manufacturers' and trade inventories were up 0.1 % from April. The total business inventories/sales ratio for May 2010 was 1.24.

Minutes from the Federal Open Market Committee (FOMC) June meeting, released Wednesday, indicated expectation for slower than previously expected economic growth for the remainder of this year and in 2011. Although the Committee noted strengthening consumer and business confidence, it also acknowledged that domestic demand may slow amid growing investor concerns about the debt situation in Europe, a rising dollar, and falling equity prices. The minutes also reflected lower expectations for headline and core inflation. On Thursday, the Federal Reserve announced industrial production increased by 0.1% in June after a 1.3% rise in May. Manufacturing output dropped 0.4% in June following three months of gains.

According to the Department of Labor, the Producer Price Index for Finished Goods dropped 0.5 % in June, with over 80% of the decrease traced to a decline 2.2% decrease in consumer foods. The Consumer Price Index (CPI) declined 0.1% last month; however, excluding food and energy, prices advanced 0.2%.

The U.S. Department of Commerce announced that the May 2010 trade deficit was its widest level since November 2008, reaching $42.3 billion, a 4.8 % increase from April 2010. Although the deficit gap widened between April and May, both exports and imports advanced. Increased demand for capital goods drove exports higher and higher demand for consumer goods let imports higher.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Wall Street Journal, the U.S. Census Bureau.

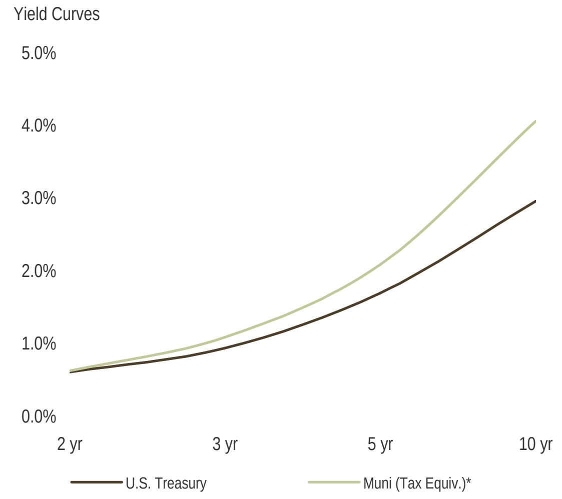


Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

July 13th	International Trade Balance Level, May	-42.3B
July 14th	MBA Purchase Applications Index, Wkly. Chg.	-3.1%
July 14th	Retail Sales, June Monthly Chg.	-0.5%
July 14th	Import Prices, June Monthly Chg.	-1.3%
July 14th	Export Prices, June Monthly Chg.	-0.2%
July 14th	Business Inventories, May Monthly Chg.	0.1%
July 14th	EIA Petroleum Status Report, Wkly. Chg.	-5.1M Barrels
July 14th	Producer Price Index, June Monthly Chg.	-0.5%
July 15th	Empire State Mfg Survey, July	5.08
July 15th	Initial Jobless Claims (Week ending 7/10)	429,000
July 15th	Industrial Production, June Monthly Chg.	0.1%
July 15th	Philidelphia Fed Survey, July	5.1
July 15th	EIA Natural Gas Report, Wkly. Chg.	78 bcf
July 16th	Consumer Price Index, June Monthly Chg.	-0.1%
July 16th	Frgn Dmnd for LT US Securities, May	35.4B
July 16th	Consumer Sentiment Index, July	66.5

Bond Market Update

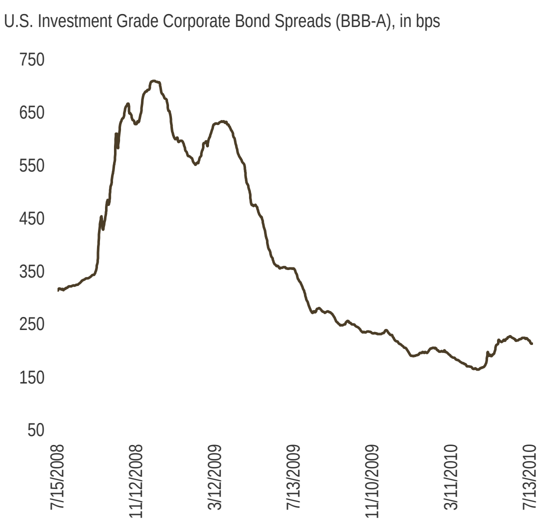
U.S. Treasuries finished the week higher, as continued uncertainty about the global economic recovery, weak consumer sentiment, and nonexistent inflation supported demand for the safety of government securities. Yields on the two-year note fell to a record low, dropping for the seventh straight week amid speculation the Federal Reserve will keep borrowing costs near zero as unemployment persists and consumers remain reluctant to spend. The historically steep yield curve observed several months ago is now normalizing. Although most strategists suggested a flatter yield curve would be driven by higher short-term rates, strong demand for longer-term paper has pushed yields in this segment of the market sharply lower. All else equal, a narrower yield curve indicates market participants expect weaker economic growth and decelerating inflation prospects. Global demand for long-term U.S. Treasuries slowed during last month, according to Bloomberg. Total net foreign purchases of government debt fell to $15 billion, the weakest level since May 2009 and down from $76.4 billion the month before, as overseas investors focused on other securities to diversify their portfolios.



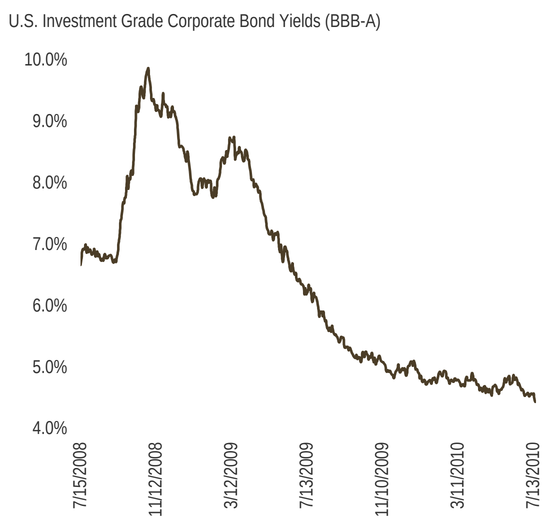
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	7.9.10	7.16.10	Change
3 month T-Bill	0.16%	0.15%	-0.01%
2-Year Treasury	0.63%	0.61%	-0.02%
5-Year Treasury	1.85%	1.70%	-0.15%
10-Year Treasury	3.07%	2.96%	-0.11%
30-Year Treasury	4.04%	3.95%	-0.09%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

A round of disappointing earnings late in the week overshadowed earlier strong results as a 2.88% Friday sell off wiped out early week gains to leave the S&P 500 down 1.21% since last Friday. The Dow Jones Industrial Average (DJIA) lost 100.13 points or 0.98%, to end the week at 10,097.90.

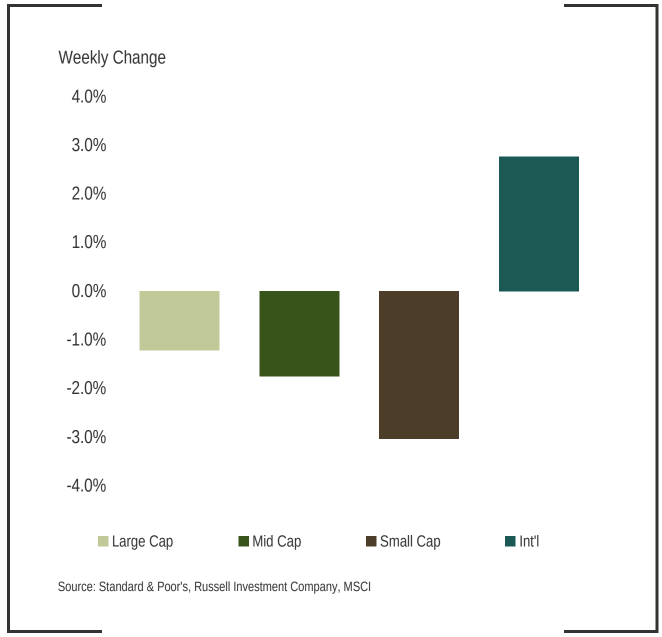
Second quarter earnings season got under way this week with a mixed bag of news. Stocks were driven higher early in the week on strong news from Alcoa (AA), JPMorgan Chase (JPM), and chipmaker Intel (INTC). However, earnings news from Bank of America (BAC) put a damper on the positive news from earlier in the week, when the company announced that is profit fell 3.1%. Additionally, Bank of America CEO Brian Moynihan said in the earnings call that the new financial reform bill would cost the bank approximately $5 billion in annual revenue, according to the Wall Street Journal. Bank of America shares were off 9.16% Friday on the news. Also posting lackluster earnings were Citigroup (C) and General Electric (GE).

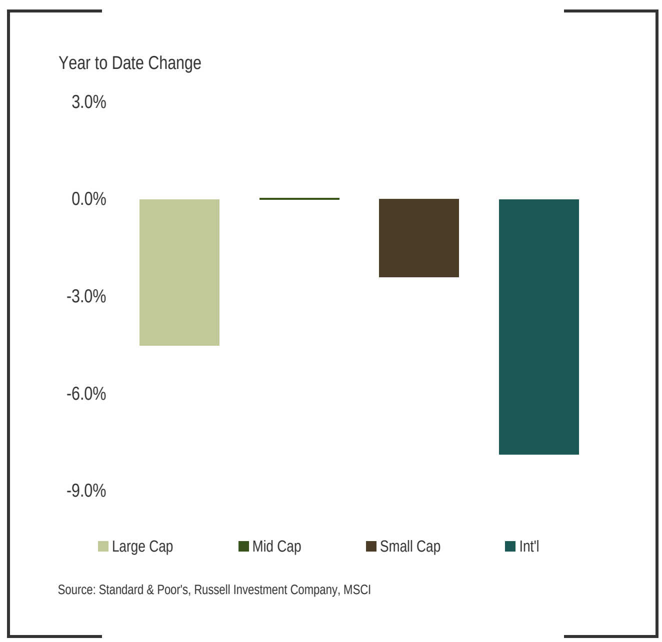
BP (BP) announced Thursday that it had temporarily halted the flow of oil into the Gulf of Mexico under a test of its newly installed sealing cap. The test, commenced on Thursday, is expected to last between six and 48 hours and will assess the the cap's efficiency and ability to contain the oil and gas spewing from the well. BP stock jumped on the news, closing 7.57% higher on Thursday. Also on Thursday, Goldman Sachs (GS) gained 4.50% after the company announced that it came to an agreement with the SEC to pay $550 million to settle civil charges that the firm's mortgage security marketing defrauded clients.

Apple (APPL) CEO Steve Jobs responded to the latest round of criticism of the iPhone 4 with an offer to give free cases to owners to help remedy problems with reception related to its antenna.

Issue	7.9.10	7.16.10	Change
Dow Jones	10,198.03	10,097.90	-0.98%
S&P 500	1,077.96	1,064.88	-1.21%
NASDAQ	2,196.45	2,179.05	-0.79%
Russell 1000 Growth	478.87	474.19	-0.98%
S&P MidCap 400	739.89	726.96	-1.75%
Russell 2000	629.43	610.39	-3.02%
MSCI EAFE	1,410.40	1,449.40	2.77%
MSCI EM	940.75	957.14	1.74%
MSCI Small Cap	135.96	138.85	2.13%

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

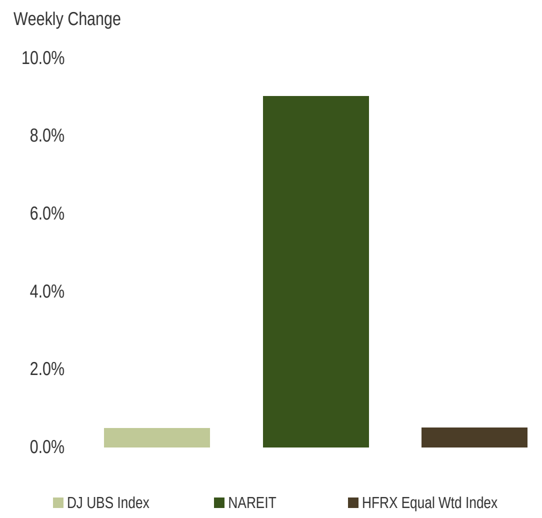
On the heels of the largest one week gain since May, crude oil futures slipped early in the week as investors cautiously awaited earnings results. The International Energy Agency raised its outlook for 2010 oil demand by 2.1% on Tuesday, which temporarily pushed oil past $77 per barrel. Weak regional manufacturing data in New York and Philadelphia, along with the sharp downturn in equities provoked crude futures to trade lower Thursday and Friday, ending down 0.46%, or $0.35 for the week. Worries of deflation and a stronger dollar placed downward pressured on gold early in the week before a strong earnings report from Alcoa Inc (AA) spread momentum to metals in general. On Friday, investors removed money from commodities, including gold, and instead turned to government debt after weak earnings data, dampened consumer sentiment, and mixed economic data. Questions over the pace of the domestic recovery have caused the dollar to sink and the euro to rise above $1.30, a two-month high after successful debt sales in Spain, Portugal, and Greece. Cocoa futures reached a 33-year high this week after a group of unidentified investors bought enough contracts that could potentially procure all inventory stored in European warehouses. The value of cocoa involved in the transaction, should the investors require the counterparty to deliver, is more than $1 billion.

Forest-products company Weyerhaeuser Co (WY) announced it will distribute $5.6 billion in the form of a special dividend after announcing last December it will convert its corporate structure to a Real Estate Investment Trust (REIT). Since REITs pass along all profits to shareholders, Weyerhaeuser will slash it corporate income taxes to zero in a strategic play to return to profitability.

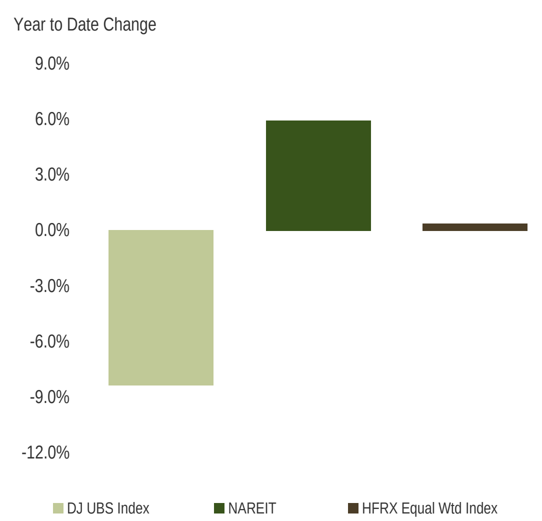
Kohlberg Kravis & Roberts (KKR), one of the largest private equity firms, began trading on the New York Stock Exchange this week. Previously, shares were trading in Amsterdam on the Euronext exchange. KKR has wanted to list in the U.S. since 2007, but the credit crunch hurt the firm significantly as they were one of the largest players in the leveraged buyout boom in the mid-2000s. Shares started at $10.50 but fell 7.7% to $9.69 by Friday's close.

Issue	Previous Week	Current[1]	Change
Gold	1,210.30	1,193.10	-1.42%
Crude Oil Futures	76.20	75.85	-0.46%
Copper	306.35	293.80	-4.10%
Sugar	16.61	17.11	3.01%
HFRX Equal Wtd. Strat. Index	1,110.38	1,115.94	0.50%
HFRX Equity Hedge Index	1,094.05	1,109.74	1.43%
HFRX Equity Market Neutral	1,001.91	1,007.43	0.55%
HFRX Event Driven	1,335.36	1,344.29	0.67%
HFRX Merger Arbitrage	1,450.78	1,462.51	0.81%
Dow Jones UBS Commodity Index	126.94	127.56	0.48%
FTSE/NAREIT All REIT	109.17	119.01	9.01%

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.



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

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