MainStreet Advisors Financial Market Update

August 13, 2010
[page 1]

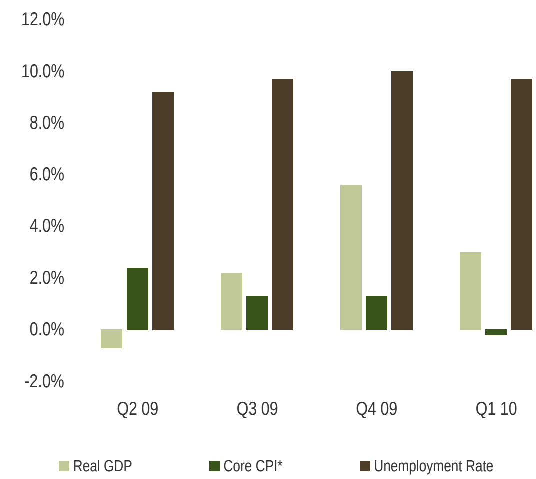
Economic Update

Consumer sentiment improved modestly early this month, as shown by the Thomson Reuters/University of Michigan Surveys of Consumers. The preliminary 69.6 reading exceeded consensus estimates, but remains only a few points above year-ago levels amid continued concerns about job growth and income prospects, according to Reuters. Although consumers remain cautious, the Census Department reported that retail sales climbed 0.4% in July, up 5.5% from July 2009. The advance largely resulted from a surge in auto sales.

Earlier this week, the Federal Open Market Committee announced that it will maintain the target fed funds rate at 0 to 0.25% given continued economic challenges. The Committee noted the recent deceleration in the recovery. Although the Committee reiterated its expectation for price stabilization, it noted that “the pace of economic recovery is likely to be more modest in the near term than had previously been anticipated.” The Fed’s softened economic outlook, and its decision to reinvest proceeds from maturing securities in longer-term Treasuries, caused the Yen to reach a 15-year high against the dollar on Wednesday, according to the Wall Street Journal. This comes at a time when trade remains in the spotlight. The U.S. trade deficit for goods and services widened significantly in June, according to a report released by the U.S. Department of Commerce on Wednesday. The $49.9 billion deficit represents the greatest deficit since October 2008. Analysts surveyed by Bloomberg expected a trade deficit of $42.5 billion. The trade data suggests that second quarter gross domestic product (GDP) will be revised lower than the first estimate of 2.4%.

The U.S. Department of Labor announced Friday that the Consumer Price Index (CPI) advanced 0.3% in July, up 1.2% over the last year. Energy prices climbed 2.6% for the month, while food prices declined 0.1%. Excluding food and energy, prices rose 0.1% and are 0.9% higher than July 2009. Separately, the Labor Department reported that U.S. import prices increased 0.2% last month on higher fuel prices and a weaker U.S. dollar, following two consecutive declines. Export prices, however, slipped 0.2% lower amid declining prices for nonagricultural goods.

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



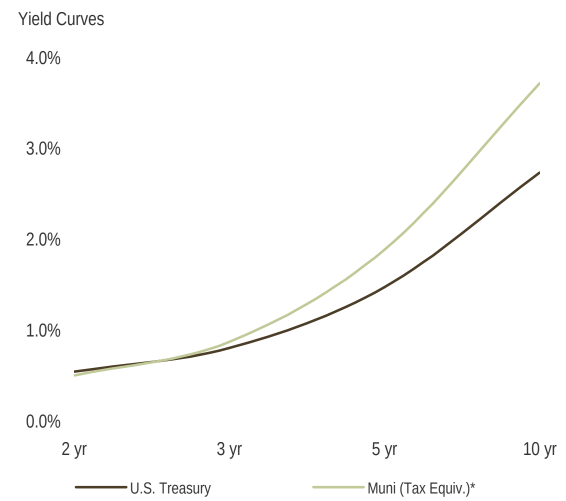
Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

Aug. 10th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.2%
Aug. 10th	Wholesale Inventories, June Monthly Chg.	0.1%
Aug. 11th	MBA Purchase Applications Index, Wkly. Chg.	0.3%
Aug. 11th	International Trade Balance Level, June	-49.9B
Aug. 11th	EIA Petroleum Status Report, Wkly. Chg.	-3.0M Barrels
Aug. 12th	Initial Jobless Claims (Week ending 8/7)	484,000
Aug. 12th	Import Prices, July Monthly Chg.	0.2%
Aug. 12th	Export Prices, July Monthly Chg.	-0.2%
Aug. 12th	EIA Natural Gas Report, Wkly. Chg.	37 bcf
Aug. 13th	Consumer Price Index, July Monthly Chg.	0.3%
Aug. 13th	Retail Sales, July Monthly Chg.	0.4%
Aug. 13th	Consumer Sentiment Index, August	69.6
Aug. 13th	Business Inventories, June Monthly Chg.	0.3%

Bond Market Update

After a sharp rally on Friday, U.S. Treasuries finished the week higher with strongest gains occurring on the long-end of the curve. The yield on 10-year notes dropped to their lowest levels in 16 months, as government reports showed retail sales increased in July less than forecast and inflation remained constrained. Prices on the 30-year bond closed the week sharply higher as investors sought the security of government debt, focusing on securities that offer higher rates than money market funds and short-term paper. Also buoying the market was an increase in buying of older Treasury issues, as traders looked to profit from the central bank's latest quantitative easing program.

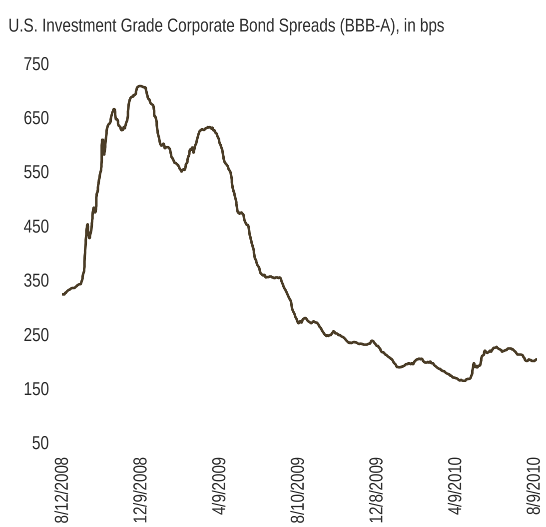
Separately, improving economic developments in Europe and a favorable reaction to the European bank stress tests over the last several weeks sparked a rally in oversold peripheral country government debt. Strong earnings results has been another factor in the confidence building process, which contributed to spreads, or yield differences, on euro zone bonds tightening considerably against benchmark German bunds.



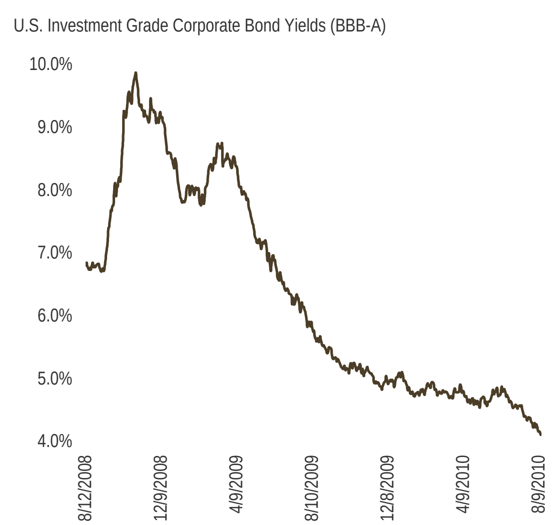
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	8.6.10	8.13.10	Change
3 month T-Bill	0.15%	0.16%	0.01%
2-Year Treasury	0.50%	0.55%	0.05%
5-Year Treasury	1.51%	1.48%	-0.03%
10-Year Treasury	2.86%	2.74%	-0.12%
30-Year Treasury	4.00%	3.94%	-0.06%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

Domestic equity markets had a rough week, with each major index slipping four consecutive sessions as investor concerns over the possibility of a double-dip recession continued to gain momentum. Monday saw a modest gain in stocks as anticipation mounted for the Federal Reserve's policy-setting meeting on Tuesday. The Federal Open Market Committee acknowledged that it would continue to assist the U.S. economy by reinvesting mortgage-bond proceeds to buy more Treasurys, a move that suggests that the Fed feels that the U.S. remains in an economic soft patch. The news was poorly received by investors, leading to a four-day plunge that was exasperated by announcements of a widening U.S. trade deficit, a slowdown in China's factory production, increasing jobless claims, and mixed company outlooks. The S&P 500, NASDAQ Composite Index, and Dow Jones Industrial Average Indexes finished the week down 3.78%, 5.02%, and 3.29%, respectively. The poor performance placed all three into negative territory year-to-date.

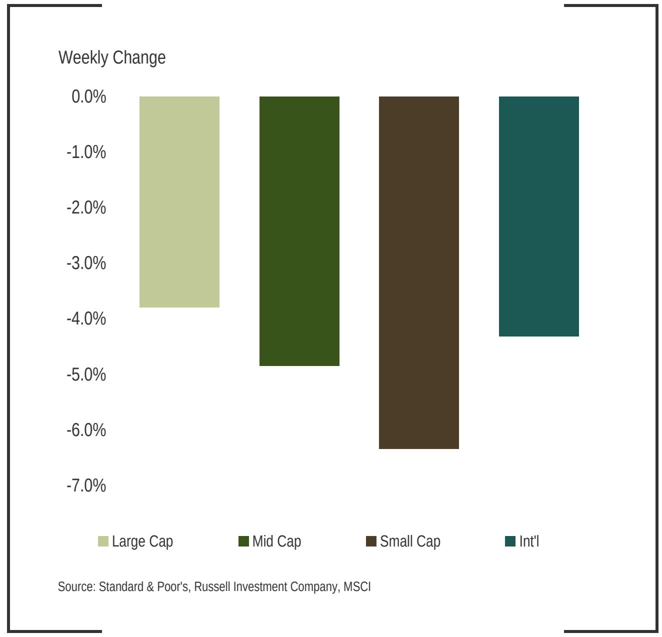
Cisco Systems Inc. (CSCO), the world's largest supplier of software and equipment for data networking, reported on Thursday that revenue fell short of forecasts and offered a downtrodden sales outlook. The stock was pummeled as a result, dropping nearly 10% after the announcement and losing 11.26% on the week. Some investors use Cisco as a broad corporate spending barometer due to the company's global reach, which makes it quite sensitive to shifts in spending from businesses and consumers. The stock's tumble sent a ripple throughout much of the technology sector.

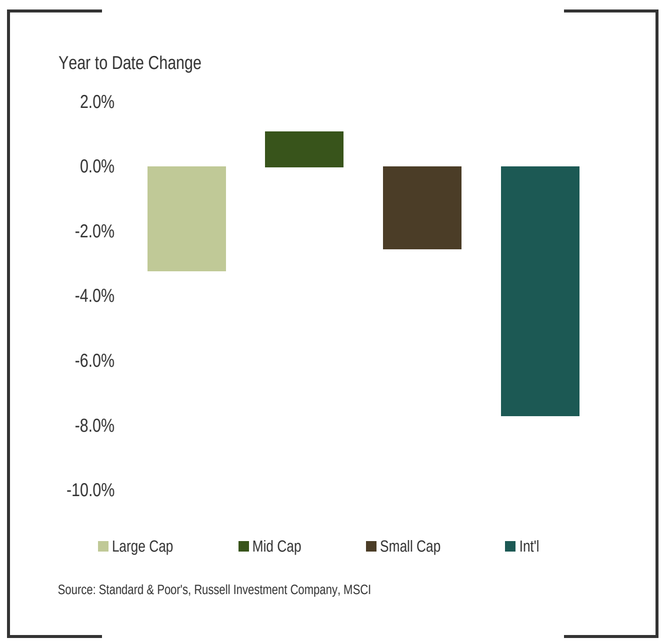
Shares of Autodesk Inc. (ADSK), a leading company in computer-aided design software, fell this week despite rising 3.6% after reporting adjusted earnings that beat analyst forecasts. The stock ended the week down 2.26%.

Pharmaceutical company Eli Lilly& Co. (LLY) dropped 2.5% on Thursday after the company reported that it lost a patent dispute over its drug Straterra, which is used in the treatment of attention deficit disorder. The ruling will allow a generic of the drug to hit the market soon, causing Eli Lilly to revise its revenue forecast downward.

Issue	8.6.10	8.13.10	Change
Dow Jones	10,653.56	10,303.15	-3.29%
S&P 500	1,121.64	1,079.25	-3.78%
NASDAQ	2,288.47	2,173.48	-5.02%
Russell 1000 Growth	500.43	479.69	-4.14%
S&P MidCap 400	771.93	734.59	-4.84%
Russell 2000	650.68	609.49	-6.33%
MSCI EAFE	1,517.55	1,452.10	-4.31%
MSCI EM	1,011.72	976.18	-3.51%
MSCI Small Cap	145.39	138.25	-4.91%

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

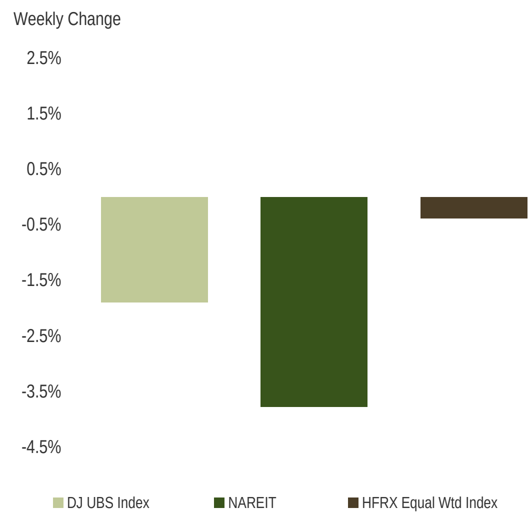
Fortress Investment Group (FIG), one of the largest U.S. private equity firms, took an 80% share in American General Finance, the retail credit arm of embattled insurance giant American International Group (AIG). AIG will record a $1.9 billion pre-tax loss after selling AGF for $130 million, less than 1% of its $20 billion in assets. The divesture is move by AIG to restructure and shed assets requiring more federal funding.

Through the first seven months of 2010, hedge funds increased their investment in U.S. Treasury bonds by a factor of seven and have accounted for nearly 20% of Treasury bond trading this year. An article in the Financial Times suggests current monetary policy creates pricing inefficiencies providing opportunities to hedging strategies such as relative value. A recent survey by Preqin shows 29% of institutional investors plan to allocate more money to hedge funds. Over a longer horizon of three to five years, 46% plan to increase their exposure.

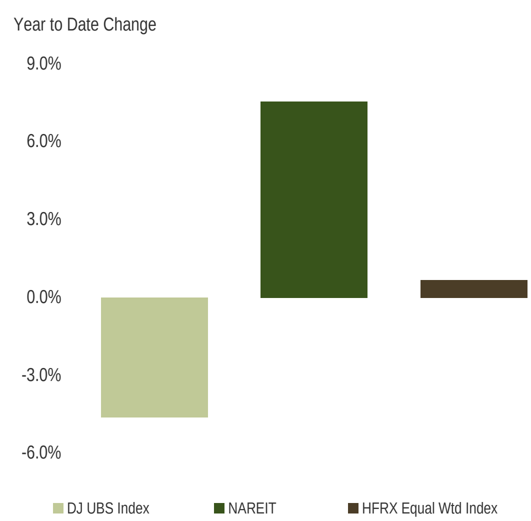
Crude oil futures finished a tumultuous week down $5.40 per barrel, or 6.67%. An oil and oil by-product report released by the Department of Energy showed gasoline stockpiles rose for the seventh consecutive week, a troublesome sign for crude markets prompting the most actively traded September contract to fall 2.8% on Wednesday. On Thursday, crude fell another 2.9% and nearly breached a key technical level of $75 per barrel, the largest one day drop since early July and the largest three day decline since May, after an unexpected increase in jobless claims. Gold rose 0.88% for the week as investors returned to safe haven buying following disappointing data and an announcement from the Federal Reserve that they would reinvest proceeds from maturing securities into longer-term Treasuries, a symbol of concern over the economic recovery. Further accommodative policy would likely suppress the U.S. dollar and keep interest rates low. A weak dollar attracts foreign investment in commodities and low interest rates reduce the opportunity cost of holding gold.

Issue	Previous Week	Current[1]	Change
Gold	1,206.70	1,217.30	0.88%
Crude Oil Futures	80.96	75.56	-6.67%
Copper	335.95	327.70	-2.46%
Sugar	18.24	19.42	6.47%
HFRX Equal Wtd. Strat. Index	1,123.42	1,119.15	-0.38%
HFRX Equity Hedge Index	1,128.01	1,116.64	-1.01%
HFRX Equity Market Neutral	999.65	984.86	-1.48%
HFRX Event Driven	1,347.60	1,344.12	-0.26%
HFRX Merger Arbitrage	1,466.68	1,451.98	-1.00%
Dow Jones UBS Commodity Index	135.32	132.76	-1.89%
FTSE/NAREIT All REIT	125.55	120.82	-3.77%

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.



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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MAINSTREET ADVISORS™

120 North LaSalle Street Suite 3750
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com