

MainStreet Advisors Financial Market Update

January 21, 2011
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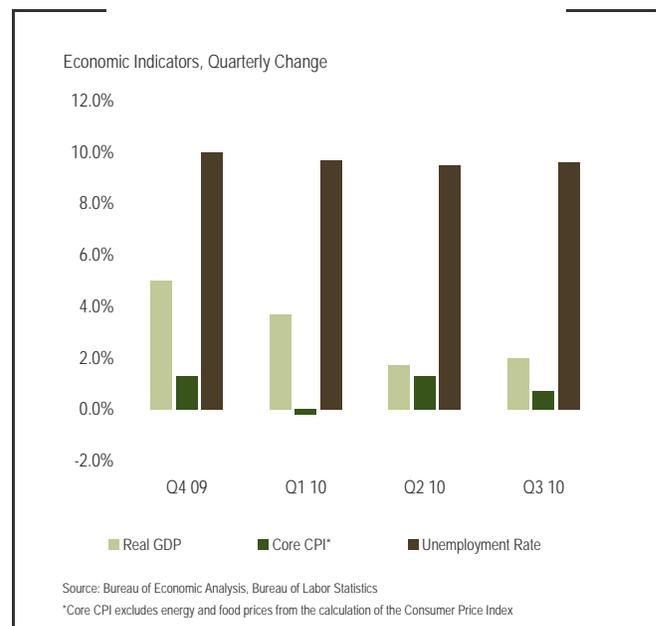
Economic Update

The Wells Fargo/National Association of Home Builders (NAHB) Housing Market Index, a gauge of builder confidence, remained soft for the third straight month in January. According to NAHB, home construction continues to be held back by an extreme lack of construction financing and difficulties with appraisals. The report indicated that consumers and home builders continue to wait for stronger signals of recovery in the jobs market. NAHB believes that financing and problems maintaining credit lines "threaten to significantly slow the onset of a housing recovery." On Thursday, the National Association of Realtors (NAR) announced that December sales of existing homes increased 12.3% to a seasonally adjusted annual rate of 5.28 million. At this sales rate, current inventory represents an 8.1-month supply.

The Conference Board U.S. Leading Economic Index (LEI) increased 1.0% in December. The fourth straight monthly gain serves as an encouraging sign for the strength of the economy. According to Ken Goldstein, an economist at The Conference Board, "economic activity is likely to continue to gain momentum in 2011."

The U.S. Department of Labor announced that claims for initial unemployment benefits declined by 37,000 to a seasonally adjusted 404,000. This marks the third consecutive week of lower claims. The four-week moving average decreased as well, falling 4,000 to 411,750.

Within world economic news, the European Central Bank (ECB) warned of rising inflationary pressures in its January Monthly Bulletin, released Thursday. Despite improving business confidence, the ECB believes risks to the economic outlook are "still slightly tilted to the downside, with uncertainty remaining elevated." Headline inflation was 2.2% in December, following a 1.9% level the previous month, which the ECB will closely monitor. Despite inflation concerns, the ECB stated that its key interest rates remain appropriate.



Jan. 18 th	Empire State Mfg Survey, January	11.92
Jan. 18 th	Frgn Dmnd for LT US Securities, November	85.1B
Jan. 18 th	Housing Market Index, January	16.0
Jan. 19 th	MBA Purchase Applications Index, Wkly. Chg.	-1.9%
Jan. 19 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.1%
Jan. 19 th	Housing Starts, December	529,000
Jan. 20 th	Initial Jobless Claims (Week ending 1/15)	404,000
Jan. 20 th	Existing Home Sales, December SAAR*	5.28M
Jan. 20 th	Leading Indicators, Dec. Monthly Chg.	1.0%
Jan. 20 th	Philidelphia Fed Survey, January	19.3
Jan. 20 th	EIA Natural Gas Report, Wkly. Chg.	-243 bcf
Jan. 20 th	EIA Petroleum Status Report, Wkly. Chg.	2.6M Barrels

*Seasonally Adjusted Annual Rate

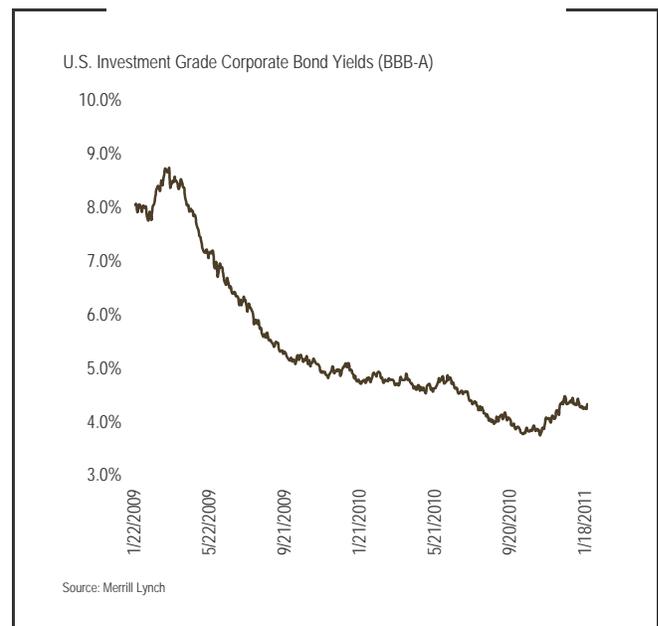
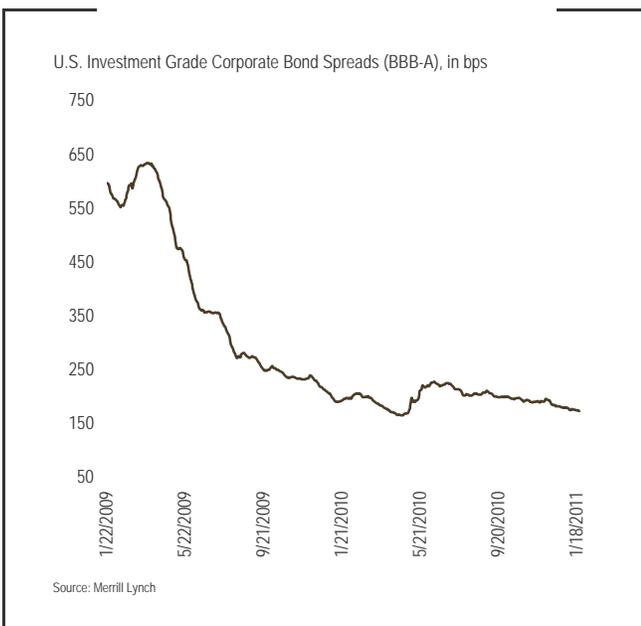
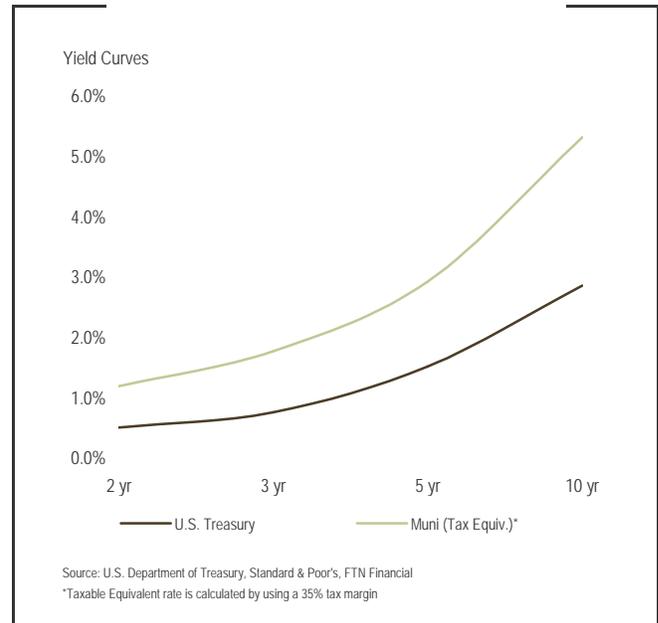
Bond Market Update

U.S. Treasuries finished the week modestly lower after healthy economic releases, bolstering speculation the economic recovery is strengthening. Prices rose on Friday as Asian central banks bought heavily in overseas trading, according to Reuters. Although the U.S. economy has been on a rising trajectory in the near-term, many strategists feel yields will not increase dramatically amid continued Treasury note purchases by the Federal Reserve along with benign inflation expectations. Traders reduced bets on inflation as the spread between 10-year Treasuries and similar maturity Treasury Inflation-Protected (TIPS) fell for the second straight week.

Meanwhile, the yield curve, as measured by the spread between two- and thirty-year bonds, a record high of 4.00%. An upward sloping yield curve is typical as the economy expands and is steepest during the earliest stages of the recovery. Eventually, investors anticipate the Fed will begin raising interest rates to stave off inflation, which tends to lift short-term rates and flattens the curve. However, the slope of the curve has not started to flatten, as might be expected at this point in the recovery, which officially began in July of 2009, according to the National Bureau of Economic Research. This suggests, perhaps, that investors may not expect the Fed to be as aggressive as in the past in raising rates, even if they see inflation expectations begin to rise.

Issue	1.14.11	1.21.11	Change
3 month T-Bill	0.15%	0.16%	0.01%
2-Year Treasury	0.59%	0.65%	0.06%
5-Year Treasury	1.95%	2.06%	0.11%
10-Year Treasury	3.35%	3.47%	0.12%
30-Year Treasury	4.53%	4.60%	0.07%

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



Stock Market Update

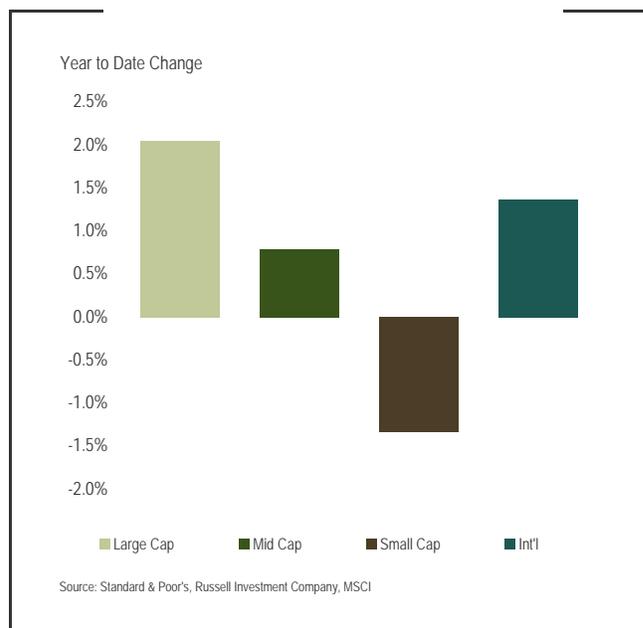
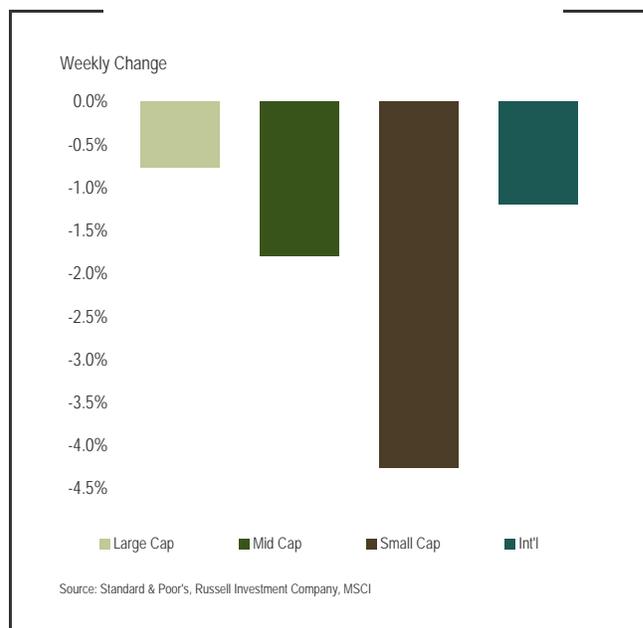
Stocks were mixed this week, with the S&P 500 slipping for the first time in eight weeks and the Dow Jones Industrial Average extending its impressive rally over the same time period. Markets started the holiday-shortened week with slight gains on Tuesday resulting from positive manufacturing data overshadowing disappointing earnings reports from some big-name companies. Lackluster corporate announcements continued on Wednesday, weighing down the S&P 500 and NASDAQ Composite indices 1.01% and 1.46%, respectively, while the Dow was held afloat by positive earnings from International Business Machines Corp. (IBM), dipping merely 0.11% by the end of the day. Optimistic reports on Friday led by impressive earnings at General Electric Company (GE) helped investors regain confidence, sending markets back on an upward path. The gains on Friday were not enough to erase the week of declines for the S&P 500, which finished down 0.76%, however the Dow Jones Industrial Average was able to post a 0.72% increase. The NASDAQ Composite index, which slid from Wednesday on, ended the week down 2.39%.

General Electric Company (GE) dominated headlines on Friday after the company released fourth quarter financials that far exceeded analyst forecasts, pushing shares up 7.11% by the end of trading. The report reflected a profit of \$4.54 billion, a 51% jump from a year ago, and the highest level of orders since 2007. A broad restructuring of the company's industrial and financial portfolio drove the strong results.

Apple Inc. (AAPL) dropped 6.24% this week after word circulated that Steve Jobs would take another medical leave from the company. The news overshadowed an impressive report on Tuesday that showed sales at Apple rose 71% to a record \$26.74 billion in the first-quarter on strong iPhone and iPad sales. Goldman Sachs Group, Inc. (GS) reported a 53% drop in earnings for the fourth quarter, attributing the decreases to declines in its investment banking and trading segments. Shares of Goldman Sachs fell 5.03% on the week. Internet search giant Google Inc. (GOOG) released earnings this week that beat estimates, with profits jumping 29%. The company also announced that co-founder Larry Page would take over the role of chief executive. Shares ended the week down 1.98%.

Issue	1.14.11	1.21.11	Change
Dow Jones	11,787.38	11,871.84	0.72%
S&P 500	1,293.24	1,283.35	-0.76%
NASDAQ	2,755.30	2,689.54	-2.39%
Russell 1000 Growth	591.70	585.13	-1.11%
S&P MidCap 400	931.07	914.36	-1.79%
Russell 2000	807.57	773.18	-4.26%
MSCI EAFE	1,692.31	1,672.17	-1.19%
MSCI EM	1,163.03	1,143.16	-1.71%
MSCI Small Cap	172.48	170.04	-1.42%

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

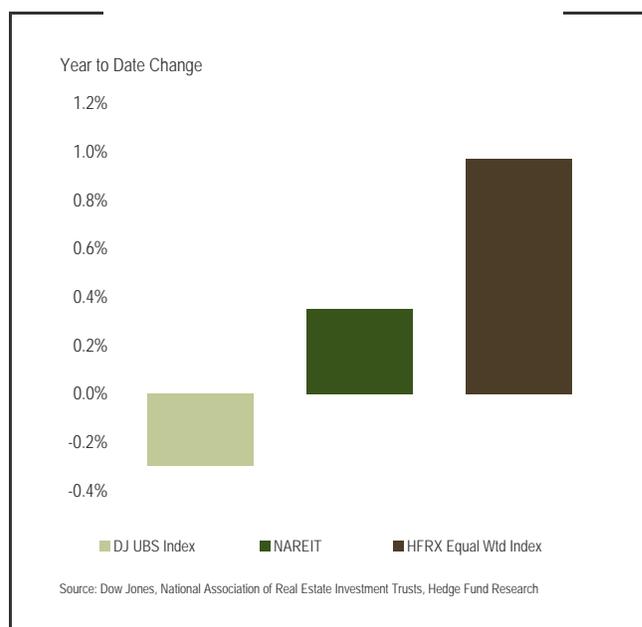
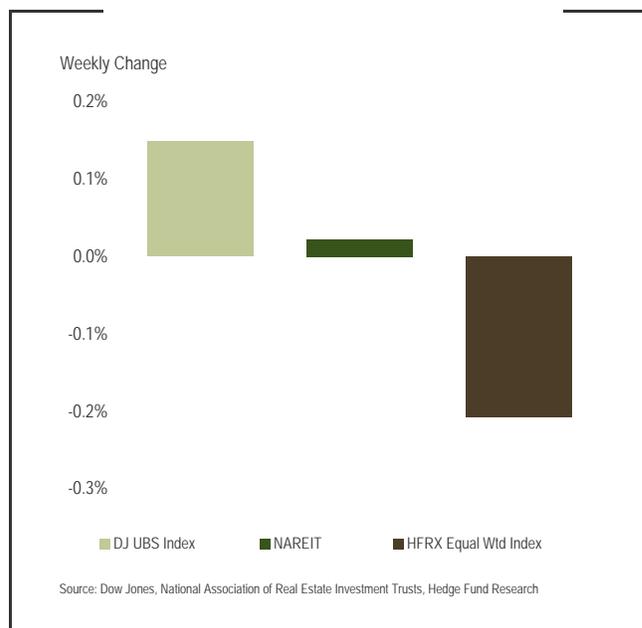
Broad commodities ended the week relatively flat as the Dow Jones UBS Commodity Index finished 0.15% higher. Positive contributors were those with supply concerns, such as sugar and cotton. According to Bloomberg, cotton for March delivery rose the maximum allowable amount in three of four trading days this week. Chinese imports jumped 86% in 2010, according to a report released by China's General Administration of Customs, even as global inventories are at the tightest level since the mid-90's.

Nearby gold contracts slipped 1.44%, the third consecutive weekly loss, and is headed for the first monthly loss since July. Speculation that interest rates will rise given continued strength in the economy reduced the appeal of the precious metal, eroding the argument based on low opportunity costs. Crude oil (-2.72%) traded lower each day this week on continued concerns that China may take further steps to cool their economy, as well as a surprise increase in U.S. inventories.

The International Energy Agency (IEA) released a report mid-week calling for increased crude oil production from OPEC. Demand estimates for 2011 were boosted by 320,000 barrels a day. In the report, the IEA notes that faster-than-expected demand growth may cause oil prices to surge, threatening the health of the global economic recovery unless production elevates. OPEC fired back by saying that "any assumption that there is tightness in the market...is incorrect," according to the Wall Street Journal. Global stockpiles remain elevated relative to historical standards, despite OPEC keeping their production ceiling unchanged and global stockpiles falling considerably in recent months.

Issue	Previous Week	Current ¹	Change
Gold	1,361.40	1,341.80	-1.44%
Crude Oil Futures	91.67	89.18	-2.72%
Copper	443.45	431.00	-2.81%
Sugar	30.89	32.33	4.66%
HFRX Equal Wtd. Strat. Index	1,181.02	1,178.58	-0.21%
HFRX Equity Hedge Index	1,259.75	1,241.97	-1.41%
HFRX Equity Market Neutral	1,005.02	1,004.74	-0.03%
HFRX Event Driven	1,384.48	1,383.66	-0.06%
HFRX Merger Arbitrage	1,537.55	1,536.73	-0.05%
Dow Jones UBS Commodity Index	161.67	161.91	0.15%
FTSE/NAREIT All REIT	134.83	134.86	0.02%

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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