

## Economic Update

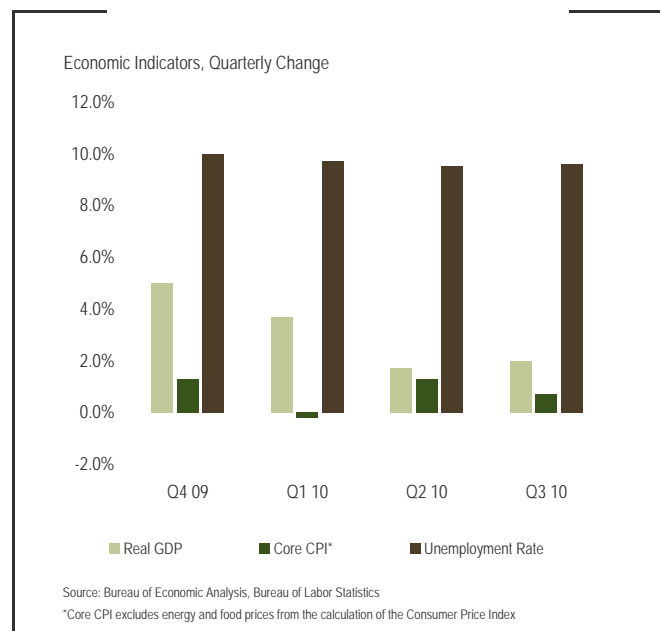
The Bureau of Labor Statistics released Consumer Price Index (CPI) data on Thursday that was slightly higher than expected, with the headline CPI index rising 0.4% and the core index (less food and energy) rising 0.2% in the month of January. Ongoing strength in energy prices and hikes in the cost of food have kept the headline index rising faster than the core counterpart. Rising prices of apparel and airline tickets were responsible for the jump in the core index. The Producer Price Index (PPI), released earlier in the week, showed a more convincing increase, with the headline PPI index rising 0.8% while the core PPI index rose 0.5%. Overall, the results suggest that upward inflationary pressures are growing at both the consumer and producer level.

The Labor Department reported import and export prices this week that were higher than expected. Export prices rose 1.2% in January while import prices jumped 1.5%. Rising energy costs were a primary cause for the upward movement.

Federal Reserve Chairman Ben Bernanke held two speaking engagements this week, the first of which was before the Senate Banking Committee on Tuesday regarding the progress of the Dodd-Frank reforms. In his prepared comments, Bernanke said that the Fed is moving quickly to put the new regulations into action, adding that "Dodd-Frank is a major step forward for financial regulation in the United States." The Chairman also spoke at the Banque de France Financial Stability Review in Paris on Thursday, addressing the topics of global imbalances and financial stability. Bernanke reinforced academic opinions that he has voiced previously, calling for deficit nations to reduce fiscal deficits and increase savings and surplus nations to allow their fundamentals to be accurately reflected in foreign exchange rates.

China's central bank announced on Friday that it would raise its reserve requirement by half of a percentage point in an effort to counteract accelerating inflation. The change comes only ten days after an interest rate hike as Premier Wen Jiabao attempts to use monetary policy to help mitigate the risk of asset bubbles among other inflationary byproducts in the world's fastest growing economy.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Feb. 15 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.4%
Feb. 15 <sup>th</sup>	Retail Sales, Jan. Monthly Chg.	0.3%
Feb. 15 <sup>th</sup>	Empire State Mfg Survey, February	15.43
Feb. 15 <sup>th</sup>	Import Prices, Jan. Monthly Chg.	1.5%
Feb. 15 <sup>th</sup>	Export Prices, Jan. Monthly Chg.	1.2%
Feb. 15 <sup>th</sup>	Frgn Dmnd for LT US Securities, December	65.9B
Feb. 15 <sup>th</sup>	Business Inventories, Dec. Monthly Chg.	0.8%
Feb. 15 <sup>th</sup>	Housing Market Index, February	16.0
Feb. 16 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	-5.9%
Feb. 16 <sup>th</sup>	Housing Starts, January	596,000
Feb. 16 <sup>th</sup>	Producer Price Index, Jan. Monthly Chg.	0.8%
Feb. 16 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	0.9M Barrels
Feb. 17 <sup>th</sup>	Consumer Price Index, Jan. Monthly Chg.	0.4%
Feb. 17 <sup>th</sup>	Initial Jobless Claims ( Week ending 2/12)	410,000
Feb. 17 <sup>th</sup>	Leading Indicators, Jan. Monthly Chg.	0.1%
Feb. 17 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	-233 bcf

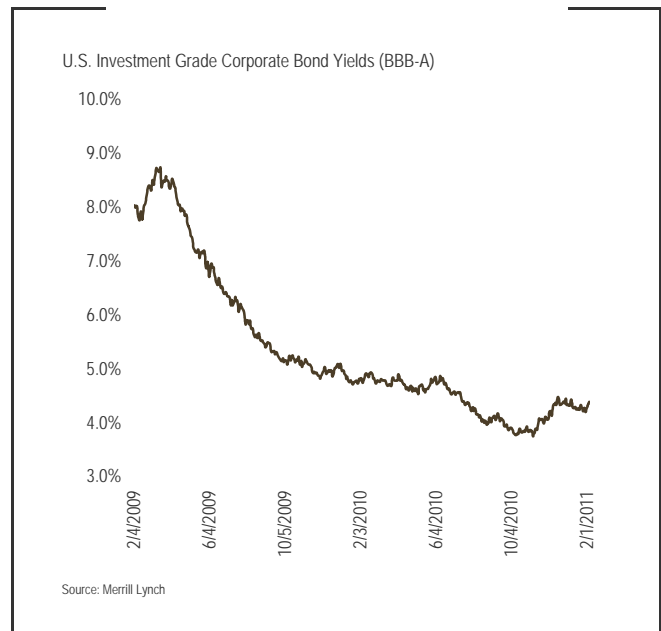
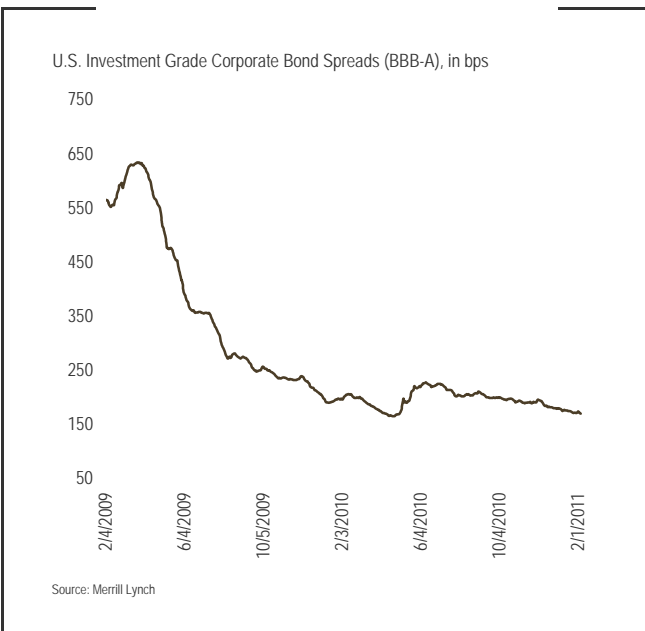
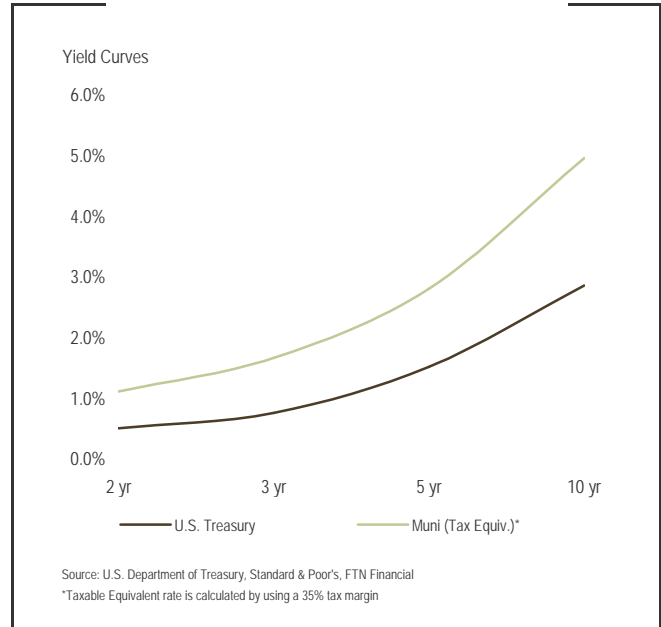
Bond Market Update

U.S. Treasuries finished the week higher across the entire yield curve, supported by flight-to-safety trade amid political instability in Egypt and other parts of the Middle East. Reports that Egypt approved passage of two warships through the Suez Canal increased fears that tensions could spread, potentially disrupting oil supplies and undermining the global economy. Other factors that moved the market included traders preparing for a new round of Treasury purchases by the Federal Reserve along with buying by fund managers who need longer-dated Treasuries to match their duration benchmarks. The auctions will be closely watched for investor demand after foreign buyers held back from a sale of three-year notes early this month, instead favoring 10-year notes sold the same week, according to Reuters.

Civil unrest across the Middle East has placed upward pressure on oil prices and other commodities, and has renewed worries of global inflationary pressures. A recent article from Bank of America notes that TIPS are attractive from both a real yield and a break-even basis. Core PCE, which excludes food and energy, remains muted but surging food and oil prices give cause for concern. The Federal Reserve recently affirmed their intention of sticking to an easy money policy, implying inflation pressures are likely to continue to build, causing the inflation premium to increase.

Issue	2.11.11	2.18.11	Change
3 month T-Bill	0.12%	0.10%	-0.02%
2-Year Treasury	0.85%	0.78%	-0.07%
5-Year Treasury	2.40%	2.30%	-0.10%
10-Year Treasury	3.70%	3.59%	-0.11%
30-Year Treasury	4.75%	4.70%	-0.05%

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



Stock Market Update

The Dow Jones Industrial Average rose on Friday to new two-and-a-half-year highs, entering the long holiday weekend with a third-straight weekly gain. The Dow ended the week at 12,391.25, up 117.99 points, or 0.96%. Gains in the broader S&P 500 and the technology-heavy NASDAQ Composite were less convincing as the two indices bounced from gain to loss on Friday, ending the day slightly higher. However, both indices ended with a weekly gain with the S&P 500 closing Friday at 1,343.01, up 1.04% for the week, and the NASDAQ Composite ended at 2,833.95, up 0.87%.

Caterpillar, Inc. (CAT) rose 2.42% on Friday, the strongest performer of the Dow 30 on comments from the company that worldwide demand for construction equipment remains strong.

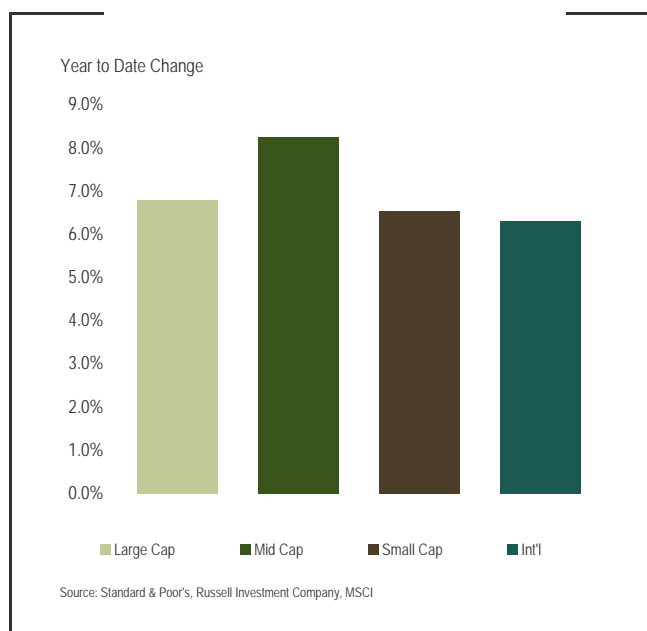
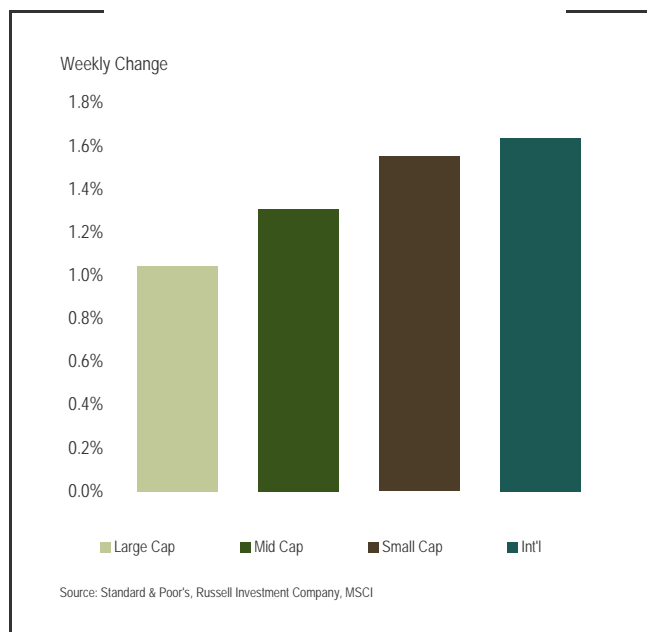
Bookseller Borders Group, Inc. (BGP) announced that it filed for Chapter 11 bankruptcy protection. Borders claimed it is unable to compete with online retailers and keep pace as consumer preferences shift to e-books. The company plans to close 30% of its 1,329 stores, strengthen its online presence, and expand into non-book products such as educational toys and games. Borders received \$505 million of Debtor-in-Possession Financing led by GE Capital to fund its business while restructuring.

As part of President Obama's visit with technology executives Friday, Intel (INTC) announced it will spend more than \$5 billion to build a leading-edge chip manufacturing plant in Chandler, Arizona and hire an additional 4,000 U.S. employees. Construction of the new plant is expected to support up to 8,000 jobs and the plant is expected to create 1,000 permanent high-skill manufacturing jobs.

In an attempt to fight inflation, China's central bank announced it would increase bank reserve requirements by 0.50 percentage points, prompting the Shanghai Stock Exchange A Shares Index to fall 0.93% on Friday.

Issue	2.11.11	2.18.11	Change
Dow Jones	12,273.26	12,391.25	0.96%
S&P 500	1,329.15	1,343.01	1.04%
NASDAQ	2,809.44	2,833.95	0.87%
Russell 1000 Growth	610.70	616.77	0.99%
S&P MidCap 400	969.5	982.17	1.31%
Russell 2000	822.08	834.82	1.55%
MSCI EAFE	1,725.59	1,753.83	1.64%
MSCI EM	1,089.28	1,111.92	2.08%
MSCI Small Cap	173.77	175.51	1.00%

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

Crude oil supply concerns remained an eminent theme as civil unrest spread to Iran. According to the Wall Street Journal, Iran is the world's fourth largest crude exporter, and major production disruptions could cause prices to surge. Analysts remain concerned that protests could spread to Bahrain, Algeria, and Yemen. A higher than expected inventory report caused futures to fall mid-week before rebounding and holding steady for the remainder of the week. Crude futures rose 0.76% for the week. Gold futures increased steadily throughout the week, finishing Friday up 2.28%. Investors flocked to safe haven securities amid the turmoil in the Middle-East. China again raised bank reserve requirements, providing the only headwind for gold this week.

According to Bloomberg, cotton industry research firm, Cotlook Ltd., projects cotton production will exceed demand by 1.2MM metric tons, making up nearly 1/3 of the shortfall. On Friday, cotton futures fell from record highs by the market imposed limits. Coffee futures rose to their highest levels since 1997 as demand rebounded significantly amid the economic recovery. Thomas Cawley, CEO of Peet's Coffee & Tea, suggested that rising prices will boost expense for retailers, which is likely to be passed on to end consumers.

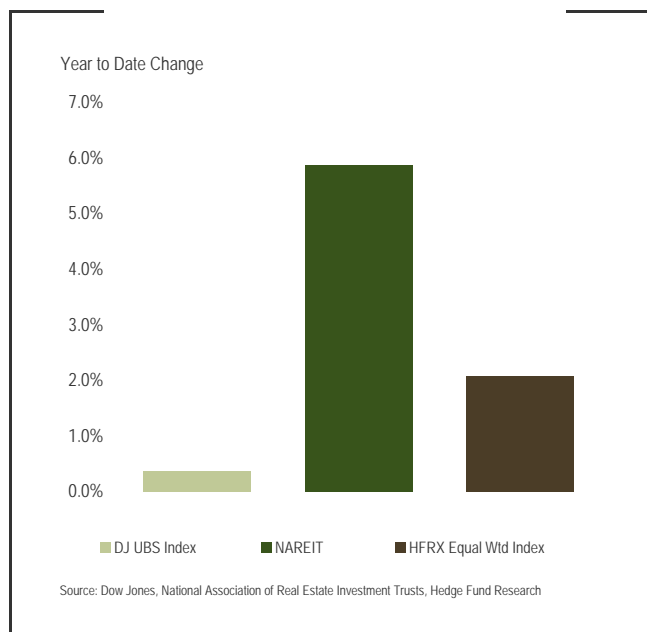
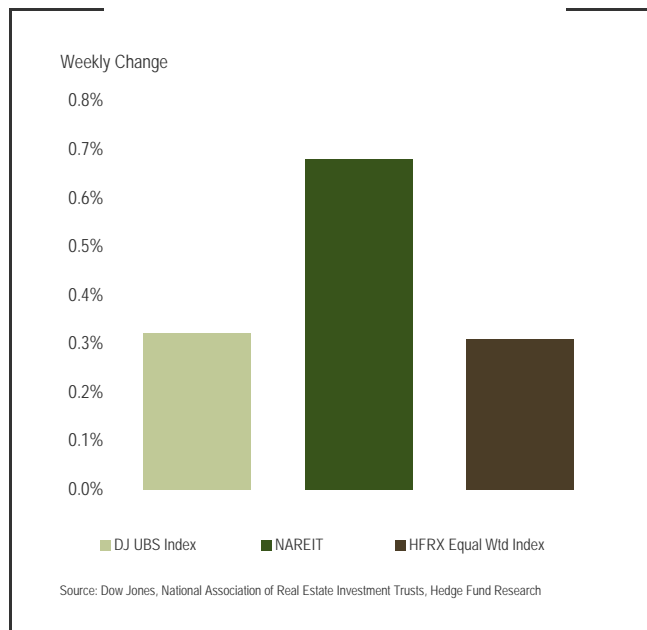
Preqin, an alternative investment data provider, surveyed 60 hedge funds with assets under management of \$100 billion on the composition of their funds. Among the findings, institutional investors account for 61% of hedge fund capital, an all-time high. Additionally, a vast majority of the managers believe that number will continue to trend higher in the near term. A surge in institution interest has altered the way some of these firms operate: 46% have developed addition risk management measures and 42% have reduced fees.

According to a study from the London Business School, investors in private equity buyout funds should capture an 11.5% higher return in comparison to a public portfolio of similar risk. The study was a follow-up to a study conducted last year arguing that buyout funds produce alpha, a widely disputed topic among investment professionals.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,356.90	1,387.90	2.28%
Crude Oil Futures	85.40	86.05	0.76%
Copper	455.35	448.65	-1.47%
Sugar	29.39	28.42	-3.30%
HFRX Equal Wtd. Strat. Index	1,187.78	1,191.44	0.31%
HFRX Equity Hedge Index	1,232.93	1,236.90	0.32%
HFRX Equity Market Neutral	1,016.32	1,026.71	1.02%
HFRX Event Driven	1,397.51	1,406.43	0.64%
HFRX Merger Arbitrage	1,545.30	1,549.28	0.26%
Dow Jones UBS Commodity Index	162.46	162.98	0.32%
FTSE/NAREIT All REIT	141.33	142.29	0.68%

<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 indices 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 indices 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.

Any investments purchased or sold are not deposit accounts and are not endorsed by or insured by the Federal Deposit Insurance Corporation (FDIC), are not obligations of the Bank, are not guaranteed by the Bank or any other entity, and involve investment risk, including possible loss of principal. MainStreet Advisors and Bank are independently owned and operated. MainStreet Advisors is an SEC registered investment advisor. Form ADV Part II is available upon request.



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)