

MainStreet Advisors Financial Market Update

March 18, 2011
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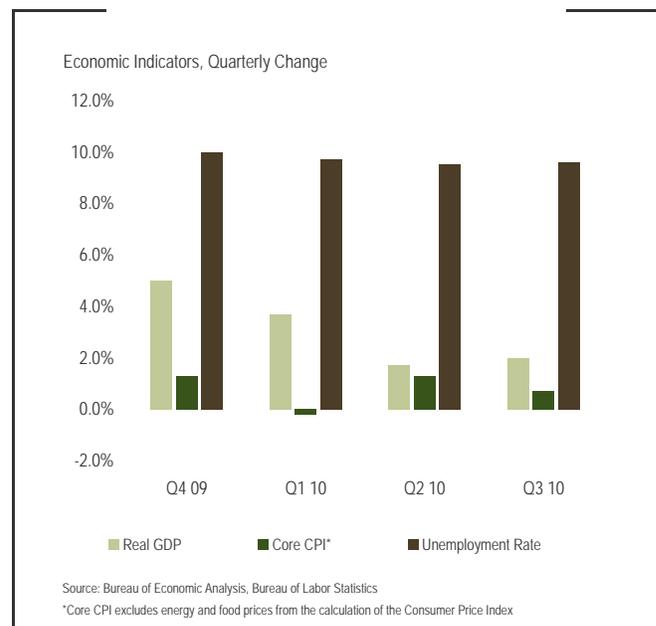
Economic Update

The Federal Open Market Committee (FOMC) held a one-day policy meeting on Tuesday wherein it was decided that the target federal funds rate would remain at a range of zero to 0.25% for an extended period, which experts perceive as being at least several more months. Fed officials voted unanimously to proceed with government bond purchases, keeping the second round of quantitative easing on track to conclude at the end of June. The committee marginally improved its outlook on the economy, noting that gradual improvement in the labor market and increases in business and household spending have placed the overall economy on "firmer footing." Despite the rising prices of commodities, specifically oil, the Fed commented that "longer-term inflation expectations have remained stable" and that underlying inflation measures remain subdued.

The U.S. Department of Labor announced on Wednesday that the producer price index jumped 1.6% in February, an increase of more than double the consensus analyst estimate of 0.7%. The headline number was heavily influenced by surging food and energy prices, which is evident by the meager 0.2% increase in the core index, which excludes food and energy. The largest component increase was in food, which rose 3.9% to mark the biggest price jump for the category in 37 years. The energy component increased 3.3% due to the upward pressure on oil prices resulting from continuing turmoil in the Middle East. A report released on Thursday by the Labor Department showed that the consumer price index also increased in February, with the headline index climbing 0.5% and the core index rising 0.2%.

Japan's struggles continue as the country is now facing a nuclear disaster triggered by last week's 9.0 magnitude earthquake and subsequent tsunami. The situation arose from three explosions at the Fukushima Daiichi nuclear complex after a power outage disabled the cooling systems that prevent nuclear fuel from reaching full meltdown. Growing concerns about Japan's ability to quickly recover from the recent chain of disasters has added a new layer of uncertainty to the global economic recovery, as implications could ripple across numerous industries and financial markets.

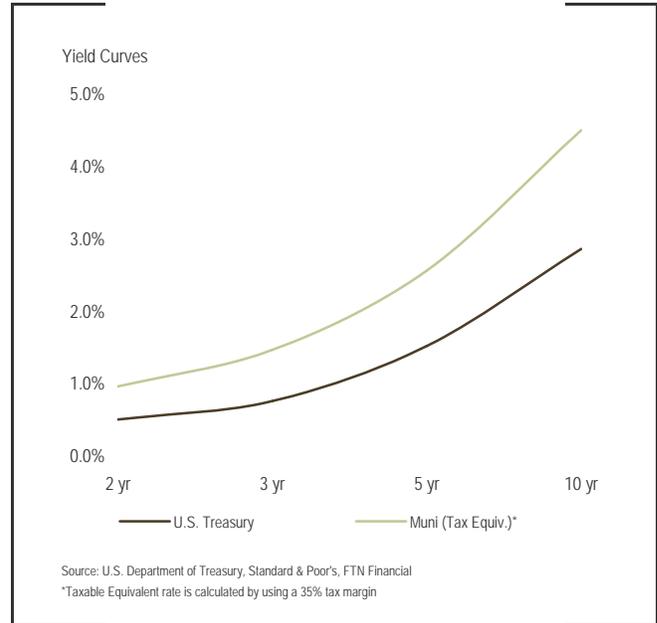
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Mar. 15 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Mar. 15 th	Empire State Mfg Survey, March	17.5
Mar. 15 th	Import Prices, Feb. Monthly Chg.	1.4%
Mar. 15 th	Export Prices, Feb. Monthly Chg.	1.2%
Mar. 15 th	Frgn Dmnd for LT US Securities, January	51.5B
Mar. 15 th	Housing Market Index, March	17.0
Mar. 16 th	MBA Purchase Applications Index, Wkly. Chg.	-4.0%
Mar. 16 th	Housing Starts, February	479,000
Mar. 16 th	Producer Price Index, February Monthly Chg.	1.6%
Mar. 16 th	EIA Petroleum Status Report, Wkly. Chg.	1.7M Barrels
Mar. 17 th	Consumer Price Index, Feb. Monthly Chg.	0.5%
Mar. 17 th	Initial Jobless Claims (Week ending 3/12)	385,000
Mar. 17 th	Industrial Production, Feb. Monthly Chg.	-0.1%
Mar. 17 th	Leading Indicators, Feb. Monthly Chg.	0.8%
Mar. 17 th	Philidelphia Fed Survey, March	43.4
Mar. 17 th	EIA Natural Gas Report, Wkly. Chg.	-56 bcf

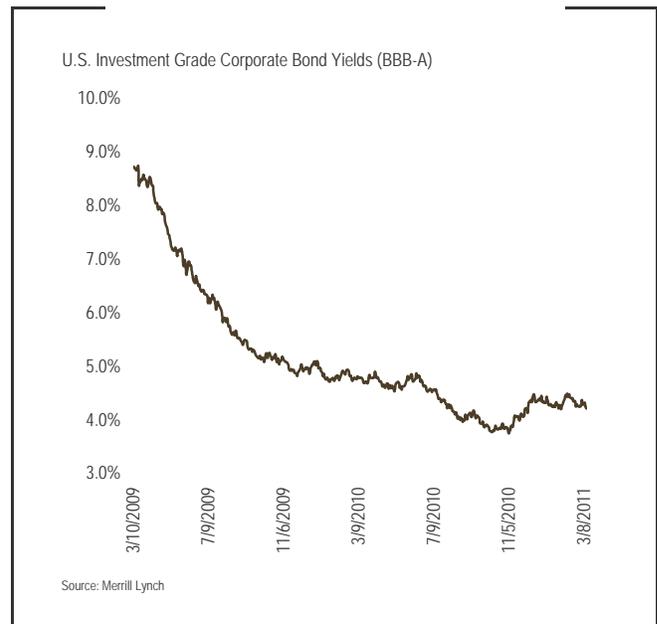
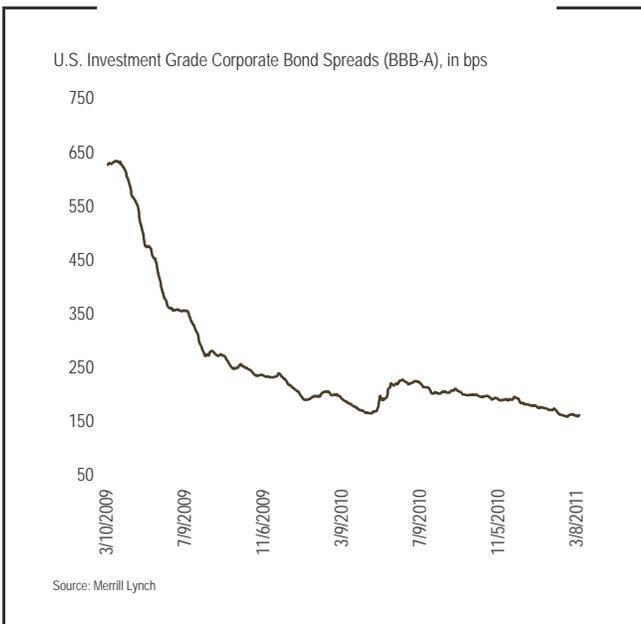
Bond Market Update

Although U.S. Treasuries fell Friday as Libya apparently ceased all military action, they ended the week modestly higher amid another flight to safety trade. The G-7 nations also said they would jointly intervene in the currency market to weaken the yen, helping boost Japanese stocks and reduce demand for safer assets. Earlier in the week, geopolitical risk coupled with Japan's nuclear crisis drove overall investor demand, with market participants closing short positions as a means to steer clear of risks associated with an increasingly uncertain global market environment. Meanwhile, a recent report by Moody's suggests municipalities will likely suffer more credit downgrades than upgrades in 2011, with an overall negative outlook. This opinion is based on a still-fragile economic recovery, the end of the federal stimulus plan, and a growing "anti-tax" movement. The debt burden of states is still "relatively affordable," amounting to roughly 6.1% of state GDP versus 103.8% for the largest industrialized nations. Moody's does not expect any states to stop repaying general obligation debt, which is backed by an issuer's full faith and credit. The risks are higher for counties, cities, and towns, as well as non-traditional ventures, including issues backed by the operations of power plants, hospitals, or nursing homes. Given the risks associated with lower-quality munis, we continue to emphasize intermediate-term general obligation or essential service revenue bonds.



Issue	3.11.11	3.18.11	Change
3 month T-Bill	0.08%	0.07%	-0.01%
2-Year Treasury	0.65%	0.61%	-0.04%
5-Year Treasury	2.05%	1.96%	-0.09%
10-Year Treasury	3.46%	3.28%	-0.18%
30-Year Treasury	4.53%	4.43%	-0.10%

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



Stock Market Update

Stocks rebounded Friday after G-7 nations vowed to intervene in the market for the Japanese Yen, making a speedy recovery from the devastating earthquake more likely. Adding to investor optimism was news that NATO voted to enforce a no-fly zone over Libya, prompting president Muammar Qaddafi to declare a ceasefire against rebels. Despite rallies on Thursday and Friday, the Dow Jones Industrial Average ended a roller coaster week at 11,858.52, down 185.88 points, or 1.54%. The broader S&P 500 lost 1.92 percent to end the week at 1,279.21, while the technology-heavy NASDAQ Composite lost 2.65%.

General Electric Corp (GE), designer of the Fukushima Daiichi nuclear facility, fell 3.36% as investors worried that the company's nuclear operation would suffer should a widespread movement against nuclear energy coalesce in the wake of the crisis in Japan.

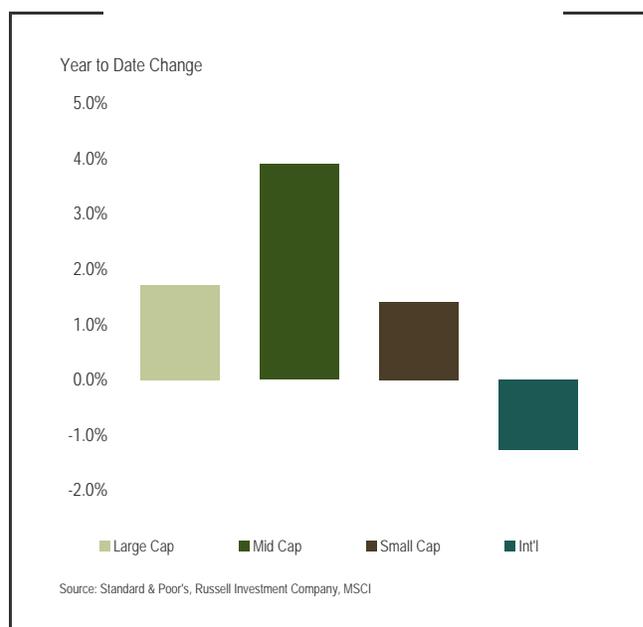
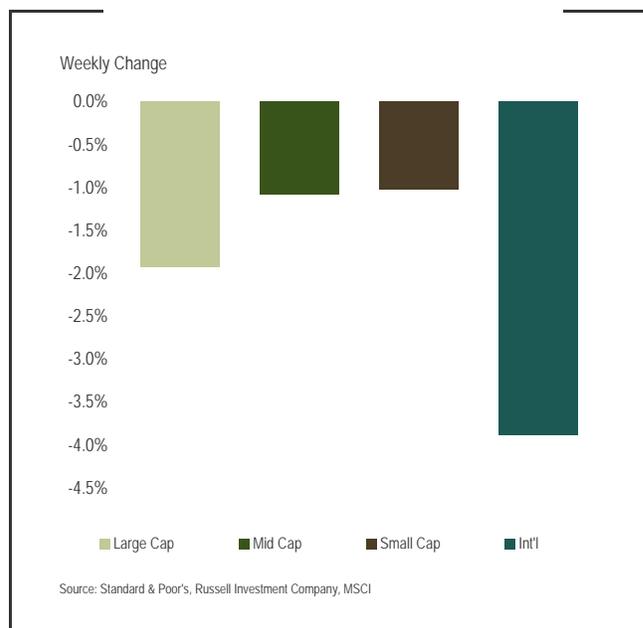
Exelon (EXC) operator of the largest fleet of nuclear power plants in the U.S. and third largest in the world, lost 6.67% this week as the company's 17 current reactors will likely come under increased scrutiny.

The Federal Reserve announced Friday that it would allow some banks to increase dividends, buy back stock, or repay government loans. However, the Fed will limit dividend payouts to 30% of net income. J.P Morgan Chase (JPM) and Wells Fargo (WFC) both announced an increase to their dividends, while Bank of America (BAC) and Citigroup (C) announced plans to increase payouts in the second-half of 2011 or next year.

Stocks in Tokyo, plummeted this week as the scope of the devastation caused by the earthquake and tsunami there became more apparent sending the benchmark NIKKEI 225 down 10.22%. Toyota Motor (TM) reopened seven of the 28 plants it shut down in a sign that the recovery is beginning. Investors also sent European stocks lower with the Euro Stoxx 30 ending the week 3.16% lower.

Issue	3.11.11	3.18.11	Change
Dow Jones	12,044.40	11,858.52	-1.54%
S&P 500	1,304.28	1,279.21	-1.92%
NASDAQ	2,715.61	2,643.67	-2.65%
Russell 1000 Growth	594.89	581.20	-2.30%
S&P MidCap 400	952.94	942.69	-1.08%
Russell 2000	802.83	794.66	-1.02%
MSCI EAFE	1,694.76	1,628.90	-3.89%
MSCI EM	1,115.69	1,091.45	-2.17%
MSCI Small Cap	171.55	164.18	-4.30%

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 futures settled modestly lower Friday as investors grew uncertain Libya's government had indeed halted hostilities in the oil-rich, rebel-controlled east. Futures were up as much as 2.2% to \$103.66 before the Libyan announcement, but finished the week up 0.64% at \$101.37. Oil markets were also being influenced by the situation in Japan, in the wake of the 9.0 magnitude earthquake and tsunami that hit the country last week, sparking a nuclear crisis.

Gold prices also fell from session highs on Friday after the ceasefire announcement in Libya. Prices of the safe haven investment often fall when crises show signs of stabilizing. Experts state that the ceasefire idea is naturally taking some risk premium out of the gold market. For the week, however, gold finished at \$1,419.80, a 0.16% increase from the previous week.

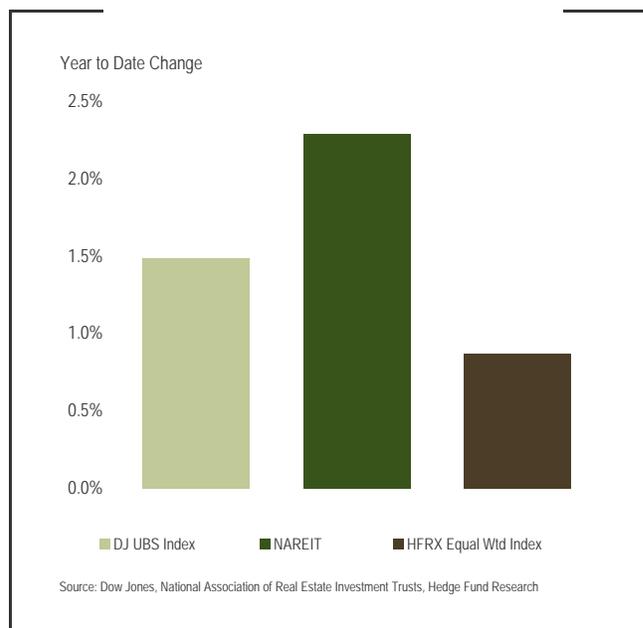
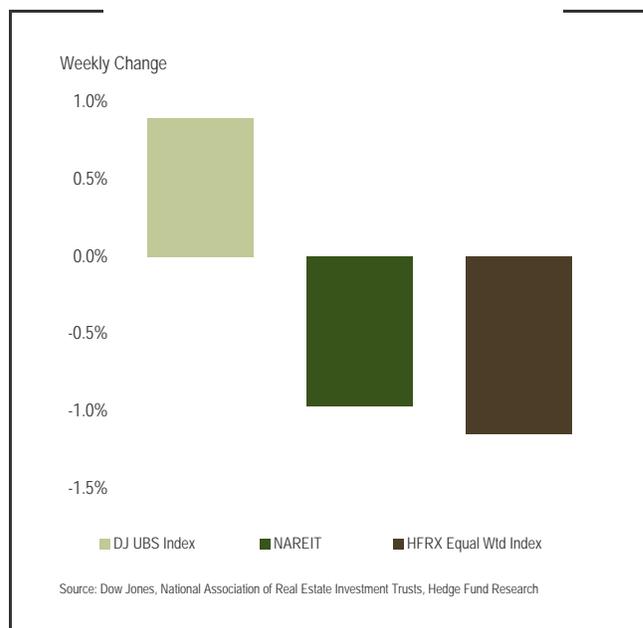
Wheat futures rose again on Friday, heading for the biggest two-day rally since August, on speculation that dry weather from Kansas to Russia will erode global grain supplies. Wheat finished the week up 0.6%, after dropping to a five-month low on March 16 due concern the Japanese earthquake would cut demand for U.S. exports. Futures are up 48% in the past year as drought spurred Russia to ban exports until July 1 and floods eroded crops from Canada to Australia.

Early reports show that U.S. real estate investment trusts (REITs) with property holdings in disaster-stricken regions of Japan report little damage and few, if any, injuries. Although information is far from complete, U.S. retail, warehouse, and hotel REITs with holdings in Japan appear to have fared relatively well so far. To get a rough idea of the impact on U.S. REITs, Affleck noted the performance of Japanese REITs (J-REITs) since the disaster which indicated none of the J-REITs in the affected areas appear to have extremely high exposure, no more than about 3% of total portfolio asset value.

Issue	Previous Week	Current ¹	Change
Gold	1,417.60	1,419.80	0.16%
Crude Oil Futures	100.73	101.37	0.64%
Copper	423.50	436.15	2.99%
Sugar	28.86	27.71	-3.98%
HFRX Equal Wtd. Strat. Index	1,191.06	1,177.39	-1.15%
HFRX Equity Hedge Index	1,226.02	1,186.76	-3.20%
HFRX Equity Market Neutral	1,028.77	1,024.92	-0.37%
HFRX Event Driven	1,410.88	1,393.36	-1.24%
HFRX Merger Arbitrage	1,548.68	1,536.36	-0.80%
Dow Jones UBS Commodity Index	163.35	164.81	0.89%
FTSE/NAREIT All REIT	138.81	137.47	-0.97%

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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