MainStreet Advisors Financial Market Update

April 8, 2011

Economic Update

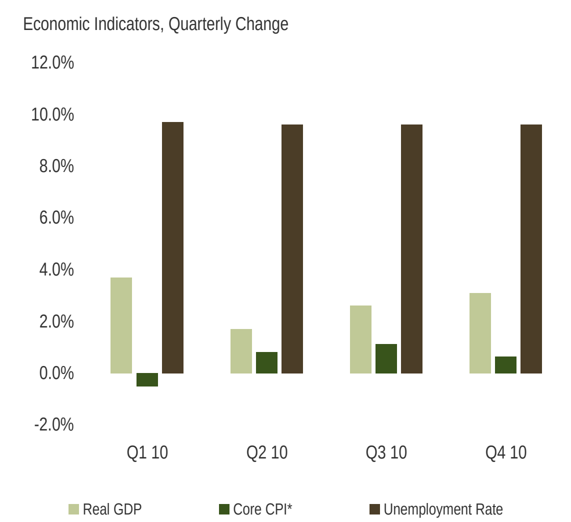
Headlines this week were flooded with news that the U.S. government is quickly approaching a shutdown as a result of stalling budget negotiations. If an agreement is not reached on federal spending before midnight on Friday the government will begin partially shutting down for the first time in 15 years. The consequences of such an event would be broad, and could possibly include a substantial loss in taxpayer dollars, widespread temporary lay-offs of federal employees, delayed social security claims, a slowdown in police force and court operations, and the closure of national parks. A shutdown would also result in a delay in the release of economic data, most notably information originating from the Labor, Energy, and Commerce Departments. This would be challenging for the Federal Reserve, which will remain open in the event of a shutdown, as the agency relies heavily upon government economic data to make policy decisions.

Minutes were released this week from the March 15 Federal Open Market Committee meeting, reflecting some difference in opinions about the direction of current quantitative easing measures. While the Fed is not likely to amend their second round of quantitative easing, members are beginning to discuss ways to tighten and eventually unwind the program. The staff also issued a slight downward revision to their 2011 GDP forecast.

Initial jobless claims released on Thursday came in at a better-than-expected level of 382,000, dropping 10,000 from the month prior. Claims fell for the seventh time in ten weeks. Future reports will likely be impacted by the effect of Japanese supply disruptions and the looming government shutdown on U.S. jobs.

The European Central Bank announced on Thursday that it would raise interest rates for the first time since 2008 in an attempt to contain inflation, a move that was widely anticipated. The rate was raised from 1% to 1.25%, a modest increase that leaves interest rates at a relatively approachable level. The policy change was spurred by soaring energy and food prices that threaten to push inflation to unreasonable levels in what is already a sensitive economic environment.

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.

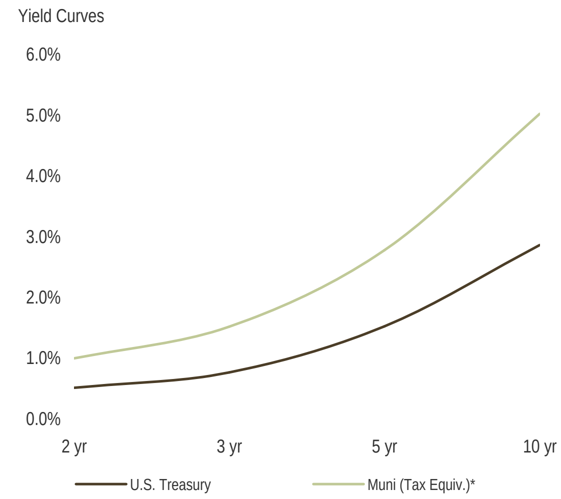


Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

Apr. 5th	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.3%
Apr. 5th	ISM Non-Mfg. Index, March	57.3
Apr. 6th	MBA Purchase Applications Index, Wkly. Chg.	6.7%
Apr. 6th	EIA Petroleum Status Report, Wkly. Chg.	2.0M Barrels
Apr. 7th	Initial Jobless Claims (Week ending 4/2)	382,000
Apr. 7th	EIA Natural Gas Report, Wkly. Chg.	-45 bcf
Apr. 7th	Consumer Credit, Feb. Monthly Change	7.6B
Apr. 8th	Wholesale Inventories, Feb. Monthly Chg.	1.0%

Bond Market Update

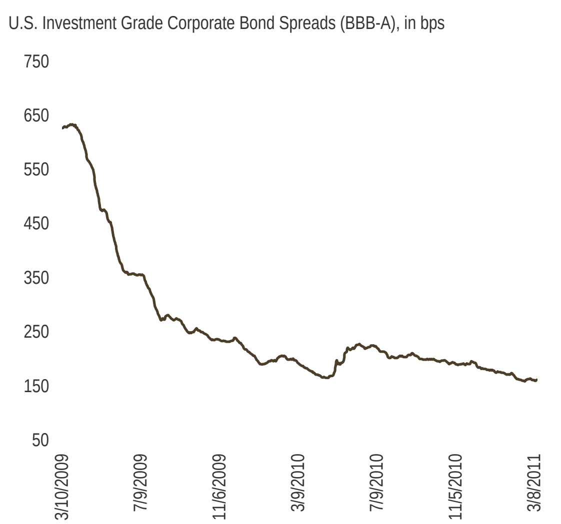
For the third straight week U.S. Treasuries finished lower, though modestly amid mounting inflation concerns, with the dollar dropping to the lowest level since December 2009, oil reaching $112 a barrel, and gold rising to new highs. Federal funds futures contracts peg the odds of an interest rate increase this year at 36%, with a 71% chance of an increase in the first quarter of 2012. To that end, Dallas Fed Bank President Richard Fisher said Friday that the Federal Reserve is "near a tipping point" and risks over-stimulating the economy, which would lead to an increase in consumer prices. However, in a continued effort to confuse market participants, Atlanta Fed Bank President Dennis Lockhart reiterated that the central bank should take its time in withdrawing economic stimulus amid moderate growth and rising inflation that will likely prove temporary. The economy has "a halting and fragile quality," he said in a speech. Meanwhile, as mentioned in the economic section, the European Central Bank increased short-term interest rates from 1.00% to 1.25% in an attempt to tame inflation. Inflation risks remain on the upside and the ECB's monetary policy is still "accommodative," Central Bank President Jean-Claude Trichet said at a press conference in Frankfurt. In light of recent credit rating downgrades in Portugal and Spain, the ECB will need to balance the need for tighter policy in countries like Germany, whose economy is booming, against the risk that higher rates could aggravate the sovereign debt crisis.



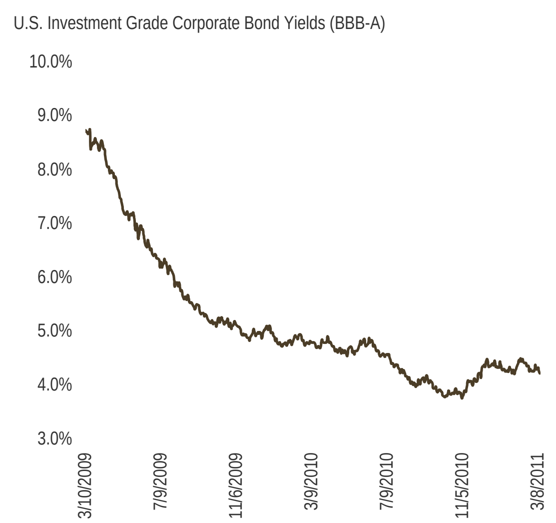
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	4.1.11	4.8.11	Change
3 month T-Bill	0.09%	0.04%	-0.05%
2-Year Treasury	0.80%	0.81%	0.01%
5-Year Treasury	2.24%	2.29%	0.05%
10-Year Treasury	3.47%	3.58%	0.11%
30-Year Treasury	4.51%	4.63%	0.12%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

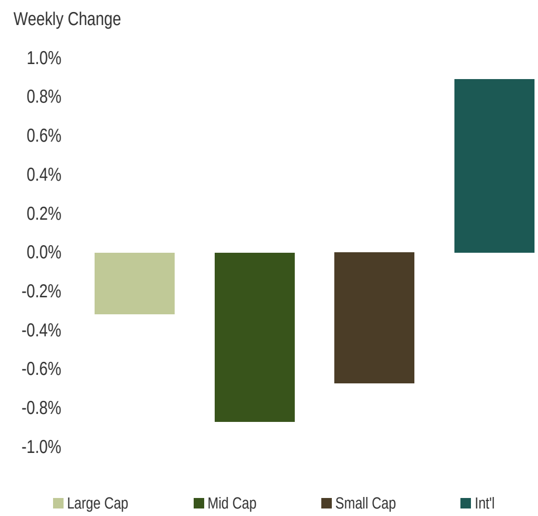
The stock market ended the week flat as investors remain anxious over the first quarter earnings reports, which are set to roll out next week. Although most analysts expect positive year-over-year results, the recent stories from Japan and the impact on future earnings remain a concern. The Dow Jones Industrial Average closed at 12,380.05, up slightly from the prior week, or 0.03%. The broader S&P 500 Index ended the week down 4.19 points, or – 0.31%, to close at 1,328.17, while the NASDAQ Composite finished lower by 9.19 points, or – 0.33%, to close the week out at 2,780.41.

Technology companies continue to add growth through acquisitions with the latest blockbuster deal coming from the purchase of National Semiconductor (NSM) by Texas Instruments (TXN). The deal was announced after the close of business on Monday by Texas Instruments in an all cash deal placing a value of $6.5 Billion on National Semiconductor or a premium of 78% to Monday's closing price. Texas Instruments has long been focused on the wireless side of the business with a market share of 14% in the analog communication and computing chip business. The expected closing date of the deal will not be for another six to nine months and other bids are expected.

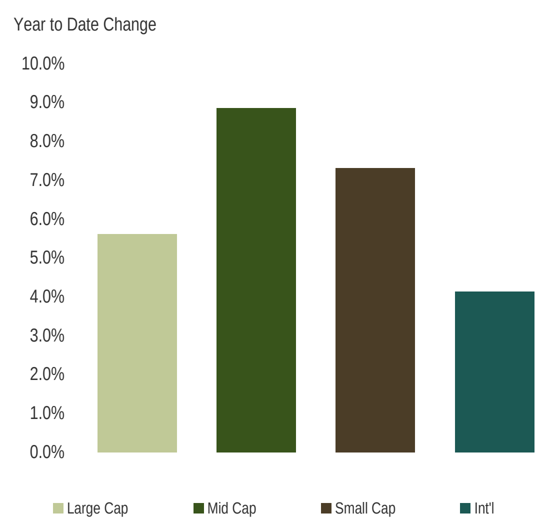
In an expected move this week, the European Central Bank raised rates and became the first developed country to do so since the recession. The expectations of the move have been factored into the market and the developed European countries, MSCI EAFE Index, posted a moderate gain for the week of 0.89%, while the emerging markets, MSCI EM Index, posted a gain of 2.68%. In unexpected news, another sizable earthquake hit the northern part of Japan early Thursday sending rumors across the globe of additional damage to the nuclear reactor and another tsunami. The initial shock of the new sent the markets lower, however those fears were abated and the Japan Nikkei Index finished the week down less than 1.0%.

Issue	4.1.11	4.8.11	Change
Dow Jones	12,376.72	12,380.05	0.03%
S&P 500	1,332.36	1,328.17	-0.31%
NASDAQ	2,789.60	2,780.41	-0.33%
Russell 1000 Growth	609.57	607.73	-0.30%
S&P MidCap 400	996.27	987.62	-0.87%
Russell 2000	846.58	840.89	-0.67%
MSCI EAFE	1,702.55	1,717.73	0.89%
MSCI EM	1,170.87	1,202.24	2.68%
MSCI Small Cap	174.27	173.87	-0.23%

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.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

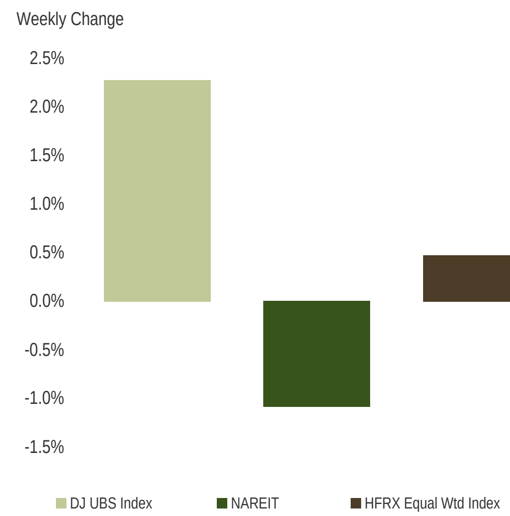
Federal forecasters left projected end-of-season corn supplies unchanged, surprising traders who had bid record highs on futures over concerns that strong demand would drain inventories. This estimate contradicted the report last week from the U.S. Department of Agriculture (USDA) that showed a larger-than-expected drop in grain supplies over the winter. Many thought that the USDA's forecast would be lowered due to the increasing demand for ethanol production, as well as animal feed. Closing the week at 774 cents per bushel, its highest price since 2008, the USDA estimated supplies of this crop at 675 million bushels for August 31, a 15-year low. Analysts speculated that the USDA may have been reluctant to cut its corn supplies forecast to avoid fears about dwindling inventories.

The U.S. dollar slid to its lowest level since 2009 amid concerns about a looming U.S. government shutdown. This paired with increased inflationary concerns pushed gold to a record high this week of $1,475 per ounce. Silver closed above $40 an ounce, its highest price since January 1980. Gold rose 3.23% on the week, the metals highest five-day gain since early December and its third weekly gain in a row. Crude oil jumped above $110 a barrel for the first time since September 2008 on skepticism that Libyan output would rebound when the ongoing tensions end, as well as increased demand for raw materials as the dollar continues to fall. Crude finished the week at $113.15 per barrel, up $5.01, or 4.63%.

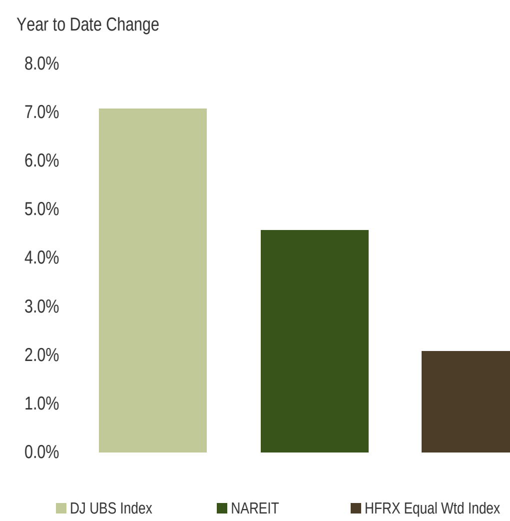
Citing the U.S. housing crisis as the catalyst, Pacific Investment Management Co. (PIMCO) is poised to launch an initial public offering for a new REIT, opening the door to $600 million of equity raised to invest in Agency mortgage-backed securities, non-agency residential and commercial real estate loans. According to Bloomberg, to further validate the launch of PIMCO REIT Inc., management believes the current level of government involvement in the U.S. residential mortgage market is not sustainable and that, over time, Agency support may be significantly reduced and replaced by private capital.

Issue	Previous Week	Current[1]	Change
Gold	1,429.40	1,475.50	3.23%
Crude Oil Futures	108.14	113.15	4.63%
Copper	424.90	450.65	6.06%
Sugar	27.44	24.88	-9.33%
HFRX Equal Wtd. Strat. Index	1,185.98	1,191.57	0.47%
HFRX Equity Hedge Index	1,195.92	1,204.04	0.68%
HFRX Equity Market Neutral	1,038.51	1,035.42	-0.30%
HFRX Event Driven	1,407.86	1,419.85	0.85%
HFRX Merger Arbitrage	1,549.32	1,552.71	0.22%
Dow Jones UBS Commodity Index	170.02	173.88	2.27%
FTSE/NAREIT All REIT	142.07	140.53	-1.08%

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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