

# MainStreet Advisors Financial Market Update

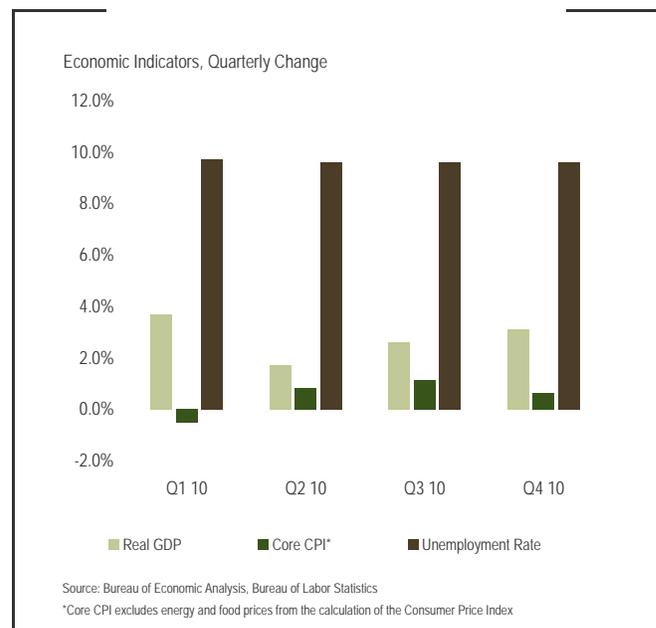
May 6, 2011  
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## Economic Update

The economy continues to recover as manufacturing and service industries both grew in the month of April, albeit at a slower pace. The Institute for Supply Management's manufacturing index fell to 60.4 last month, down slightly from March's 61.2 reading. Numbers over 50 indicate expansion, while numbers below 50 indicate contraction. Service industries showed less strength as the index of non-manufacturing companies dropped to 52.8 from 57.3 in March – the lowest reading since August. Meanwhile, the Commerce Department reported that factory orders rose a better-than-expected 3% in March.

Signals regarding the health of the job market in the U.S. were mixed this week. Conditions in the labor market have been steadily improving for months, but initial jobless claims have been trending higher the last four weeks. The number of Americans filing for initial unemployment benefits jumped 43,000 to 474,000 for the week ended April 30, according to the Labor Department. This was the highest number since August and well above the key 400,000 mark. Automobile manufacturing shutdowns that resulted from the disaster in Japan contributed to the spike, according to a spokesman from the Labor Department. The number of Americans filing for continuing jobless benefits rose to 3,733,000 the week ended April 23, up 74,000 from the previous week.

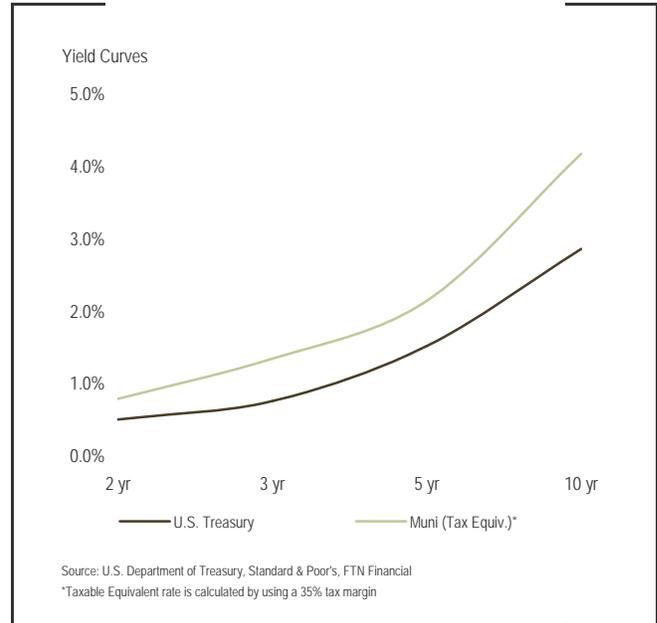
Meanwhile, a report released Friday from the Labor Department showed the economy added 244,000 jobs in March. That was higher than the upwardly revised 221,000 figure in March and significantly higher than the 185,000 number economists were expecting. Employment growth has been driven by the private sector, which has now added 854,000 jobs so far this year. The public sector continues to dampen improving employment conditions, however. Government payrolls dropped 24,000 in the month as local and state governments continue to cut staff to address budget concerns. The four month streak of unemployment rate declines ended, however, as the rate edged up to 9.0% from 8.8% in March. The higher figure was largely due to previously discouraged workers returning to the labor force.



May 2 <sup>nd</sup>	ISM Mfg. Index - Level, Apr.	60.4
May 2 <sup>nd</sup>	Construction Spending, Mar. Monthly Chg.	1.4%
May 3 <sup>rd</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.8%
May 3 <sup>rd</sup>	Factory Orders, Mar. Monthly Chg.	3.0%
May 4 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	0.3%
May 4 <sup>th</sup>	ISM Non-Mfg. Index, Apr.	52.8
May 4 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	3.4M Barrels
May 5 <sup>th</sup>	Initial Jobless Claims ( Week ending 4/30)	474,000
May 5 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	72 bcf
May 6 <sup>th</sup>	Consumer Credit, March Monthly Change	\$6.0B

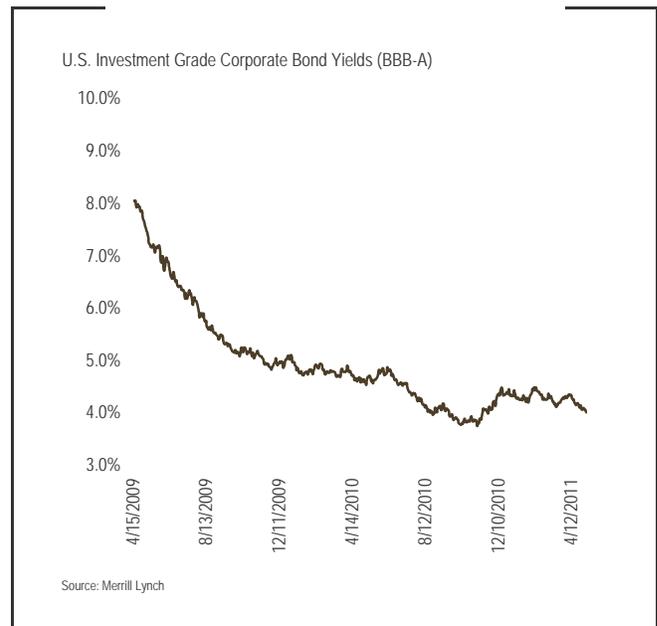
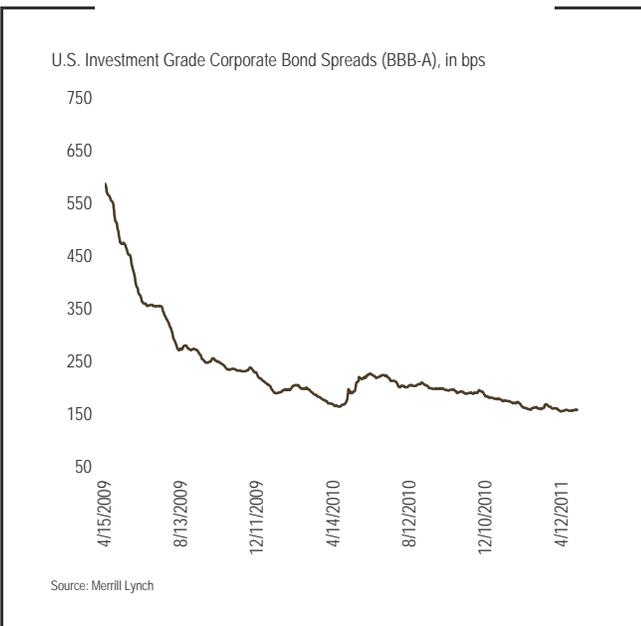
Bond Market Update

For the fourth straight week, U.S. Treasuries rallied with the yield on the Ten-year note falling to its lowest level since March 17. Demand for safe-haven U.S. government debt strengthened on speculation Greece may leave the European Union and reintroduce its own currency. Although the country's deputy Finance Minister denied the report, European finance officials are meeting in Luxembourg for an unscheduled meeting that may discuss proposals for restructuring Greek debt, according to Bloomberg. A German official said the discussions would include options for confronting Greece's growing debt burden, which has spurred speculation that restructuring was a likely outcome. Market participants also bought large positions in U.S. government debt in anticipation that yields would climb as the Treasury prepares to sell \$72 billion of three-, 10- and 30-year notes and bonds next week. Looking forward, some investors are betting the four-week rally in Treasuries could be nearing an end as new Treasury sales, expectations of heavy corporate debt issuance and the continuing debate over the debt ceiling are seen as factors leading to higher yields in the near-term. Also expecting an increase in yields, Bill Gross of PIMCO recently reduced his position in government related debt to 0%, citing quickening inflation and negative short-term real yields.



Issue	4.29.11	5.6.11	Change
3 month T-Bill	0.06%	0.02%	-0.04%
2-Year Treasury	0.69%	0.58%	-0.11%
5-Year Treasury	2.15%	1.88%	-0.27%
10-Year Treasury	3.43%	3.18%	-0.25%
30-Year Treasury	4.47%	4.26%	-0.21%

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



Stock Market Update

The stock market opened Friday to the positive news in the jobs report, which showed the economy adding 244,000 jobs in April, significantly higher than the expectations. Additionally, Friday marked the one year anniversary of the flash crash and a turnaround from the prior day's drop in the market. The Dow Jones Industrial Average closed at 12,810, down 170 points for the week, or down 1.34%. The broader S&P 500 Index ended the week down 23 points, down 1.72% to close at 1340.20, while the NASDAQ Composite finished lower by 46 points, or down 1.60% to close the week out at 2,827.56.

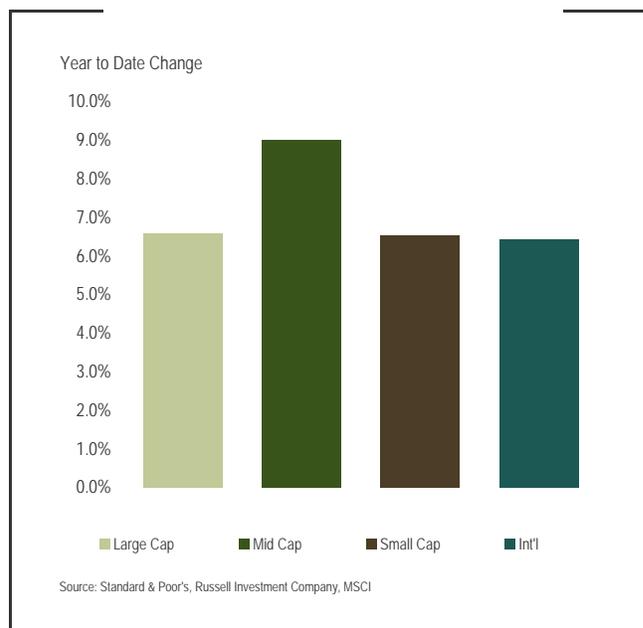
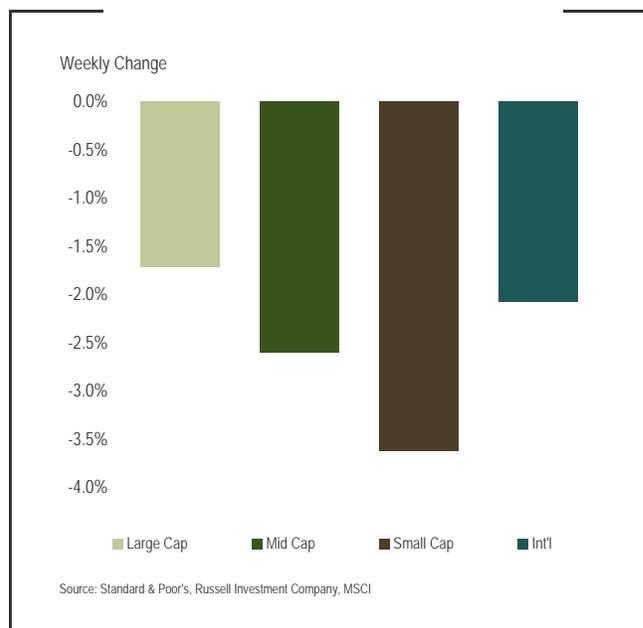
The week started with positive news coming out of the White House late Sunday night of the capture and killing of Osama Bin Laden. The markets opened up strong at the bell Monday morning, but it was the drop in commodity prices that was the focus for the week. The energy sector in the S&P 500 dropped over 7.06% versus the S&P 500 Index drop of 1.72%. The largest names that make up that sector, which include ExxonMobile (XOM), Chevron (CVX), and Conoco Phillips (COP), all ended the week down over 6%.

European markets finished Friday with their first gain of the week as the MSCI EAFE Index closed at 1,755.56, down 2.08%. The market rallied behind positive economic data coming from the developed nations, positive news in the banking sector, and the U.S. data that was announced this morning.

The Asian markets continued their slide as the commodity related stocks were battered over this weeks slide in commodity prices. The Hong Kong Hang Seng Index fell for an eighth consecutive session and the Japanese and South Korean markets, reopened after the holiday, to big losses. All eyes will be focused on the earnings next week out of Japan by Toyota and Nissan and what lingering effects the tsunami will have on future earnings.

Issue	4.29.11	5.6.11	Change
Dow Jones	12,810.54	12,638.81	-1.34%
S&P 500	1,363.61	1,340.20	-1.72%
NASDAQ	2,873.54	2,827.56	-1.60%
Russell 1000 Growth	626.75	617.08	-1.54%
S&P MidCap 400	1015.26	988.89	-2.60%
Russell 2000	866.08	834.75	-3.62%
MSCI EAFE	1,792.80	1,755.56	-2.08%
MSCI EM	1,200.71	1,161.68	-3.25%
MSCI Small Cap	182.49	179.45	-1.67%

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

Silver futures fell 27% to finish the week at \$35.335 an ounce, capping the metals biggest weekly plunge since 1975. Experts claim that this was thanks in large part to the \$1-billion of outflow from the iShares Silver Trust this week. Gold, which reached a record \$1,577.40 an ounce earlier in the week, declined 4.28%, or \$66.80, to close at \$1,492.50 an ounce. Although this precious metal failed to settle above \$1,500, its recovery later in the week gave investors some hope for future gains.

Aided by the sudden strength in the dollar and the spike in weekly jobless claims, crude oil capped its biggest weekly decline in more than two years. Crude fell \$15.87, or 13.96% in the week, closing at \$97.80 a barrel. Analysts state that one of the major factors towards this decline was non-commercial inventors holding record-high long positions in Nymex crude futures and options, anticipating further gains in prices. There is speculation that if the dollar continues to strengthen, oil is likely to fall even further.

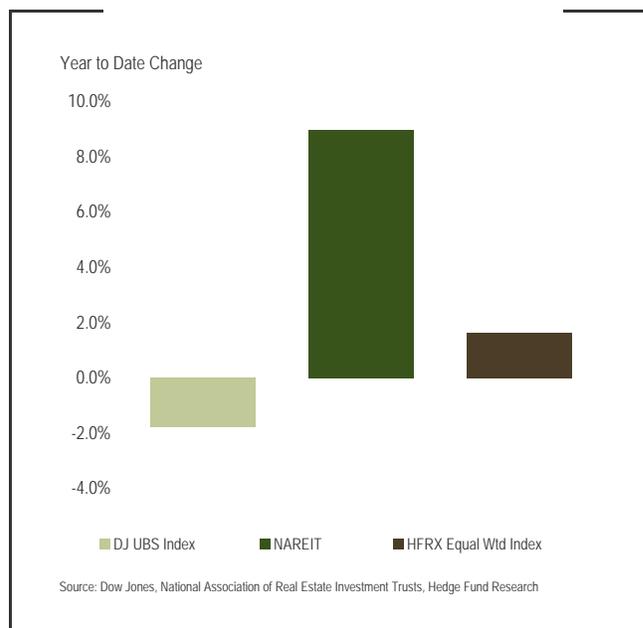
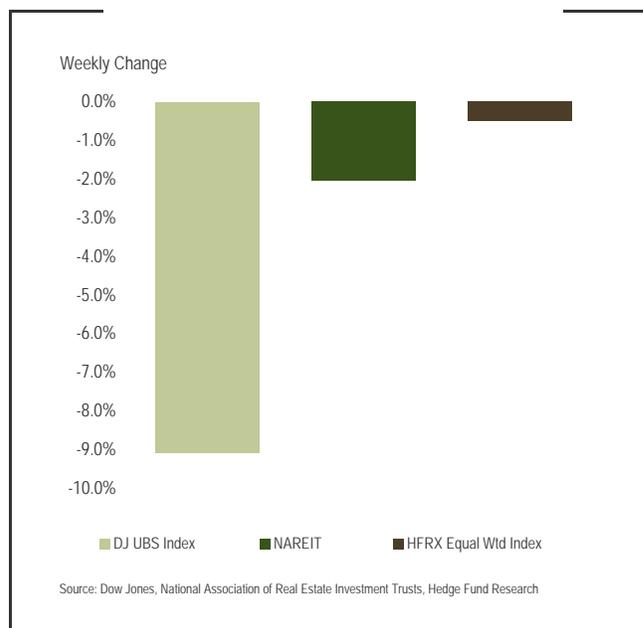
Corn, wheat and soybeans were also affected by the announcement of economic growth. Investors sold these commodities on speculation that higher prices would curb demand for raw materials, including those used to make food. Corn, wheat and soybeans closed the week at \$6.82, \$7.61 and \$13.26 a bushel respectively. The Dow Jones UBS Commodity Index ended the week at 175.42, down 9.07%.

According to Hedge Fund Research, hedge funds were up 1.86% in April, but lagged a strong rally in equity markets that made it tough for managers to short, or bet against stocks. Analysts at Hennessee Group claim that while managers are generating gains in long portfolios as the equity market continues to rally, shorting remains challenging. The HFRX Equal Weighted Strategy Index, HFRX Equity Hedge Index and the HFRX Equity Market Neutral Index all saw declines this week, .50%, 1.81% and 1.12% respectively.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,559.30	1,492.50	-4.28%
Crude Oil Futures	113.67	97.80	-13.96%
Copper	418.55	397.80	-4.96%
Sugar	22.25	20.47	-8.00%
HFRX Equal Wtd. Strat. Index	1,192.39	1,186.43	-0.50%
HFRX Equity Hedge Index	1,190.85	1,169.28	-1.81%
HFRX Equity Market Neutral	1,040.12	1,028.48	-1.12%
HFRX Event Driven	1,420.49	1,419.62	-0.06%
HFRX Merger Arbitrage	1,561.10	1,557.31	-0.24%
Dow Jones UBS Commodity Index	175.42	159.50	-9.07%
FTSE/NAREIT All REIT	149.50	146.46	-2.03%

<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.



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