

MainStreet Advisors Financial Market Update

May 13, 2011
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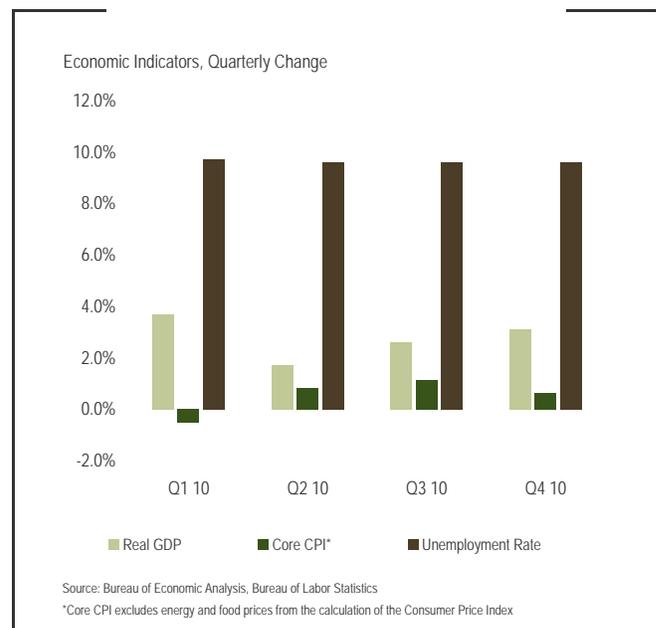
Economic Update

Surging gasoline prices continue to drive overall prices higher. The Labor Department reported that higher gas prices accounted for almost half of the 0.4% rise in the Consumer Price Index (CPI) in the month of April. The rate of inflation accelerated to its fastest annual pace in two and a half years, rising 3.2% from April 2010. The Labor Department also reported that the producer-price index (PPI) rose 0.8% in April; most of the increase was again attributed to higher energy prices. Prices for finished goods moved up 6.8% for the 12 month period, the largest year-over-year increase since September 2008. A separate report showed that the weakening dollar is putting upward pressure on import prices. The import price index rose 2.2% in April following a 2.6% gain in March.

Despite record exports bolstered by a weak U.S. dollar, the trade deficit widened due to the high cost of oil imports. The Department of Commerce reported that the U.S. trade deficit was \$48.2 billion in March, up from \$45.4 billion in February. The non-petroleum trade deficit, though, actually narrowed \$3 billion.

The labor market recovery is having difficulty establishing traction. The number of Americans filing first-time unemployment claims dropped 44,000 to 434,000 for the week ended May 7, according to the Labor Department. The decrease was less than expected and the four week moving average increased to 436,750, the highest since November. The continuing claims number rose by 5,000 in the week ended April 30 to 3.76 million, but the number of Americans receiving emergency and extended federal benefits declined.

The U.S. median price for a single family house dropped 7% in the first three months of the year to \$158,700, according to the National Association of Realtors (NAR). The median home price is now over 30% below its 2006 high of \$227,100. Distressed properties – short sales or foreclosures – made up 40% of sales in March. Lawrence Yun, NAR chief economist, said “When buyers principally purchase distressed properties in a given market, the recorded prices will be very low, which is what we’re seeing now in much of the country.”



May 10 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.0%
May 10 th	Import Prices, Apr. Monthly Chg.	2.2%
May 10 th	Export Prices, Apr. Monthly Chg.	1.1%
May 10 th	Wholesale Inventories, Mar. Monthly Chg.	1.1%
May 11 th	MBA Purchase Applications Index, Wkly. Chg.	6.7%
May 11 th	International Trade Balance Level, March	-48.2B
May 11 th	EIA Petroleum Status Report, Wkly. Chg.	3.8M Barrels
May 12 th	Producer Price Index, April Monthly Chg.	0.8%
May 12 th	EIA Natural Gas Report, Wkly. Chg.	70 bcf
May 12 th	Retail Sales, Apr. Monthly Chg.	0.5%
May 12 th	Initial Jobless Claims (Week ending 5/7)	434,000
May 12 th	Business Inventories, Mar. Monthly Chg.	1.0%
May 13 th	Consumer Sentiment Index, May	72.4
May 13 th	Consumer Price Index, April Monthly Chg.	0.4%

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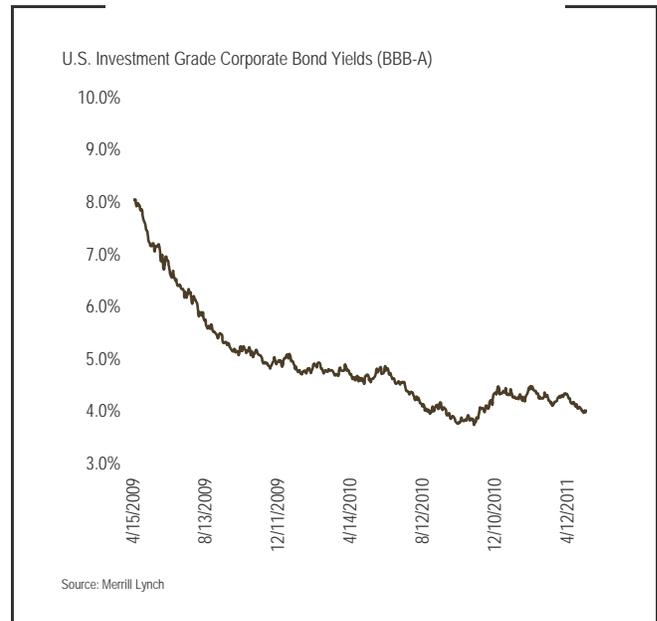
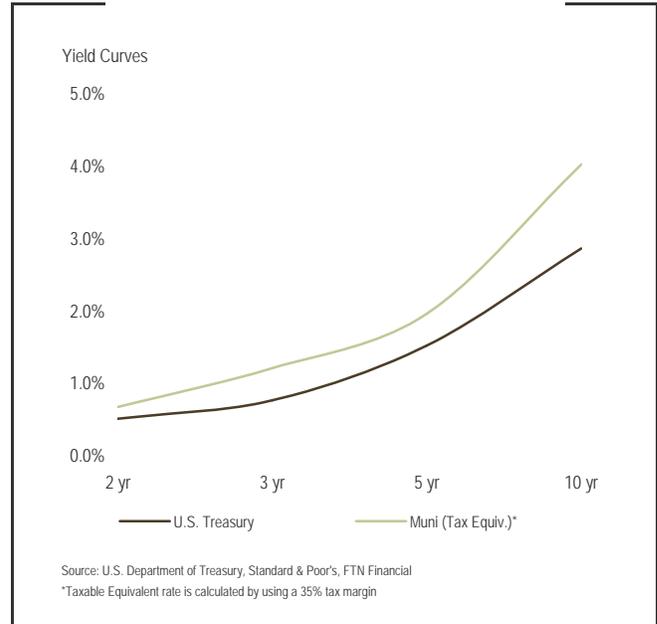
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Bond Market Update

After four straight weeks of gains, U.S. Treasuries finished mostly unchanged despite lower inflation data and weaker commodity prices. Market sentiment turned more defensive amid the euro zone's sovereign debt problems and the looming end of the Federal Reserve's quantitative easing program. Investor's recent preference for safety helped pushed yields on the 10-year note to their lowest levels since December. However, traders said the 10-year faces strong "resistance" at 3.14%, a level at which the note has struggled to break through in recent sessions. Meanwhile, a tame inflation report on Friday bolstered Fed Chairman Bernanke's view that inflation risks remain confined and the impact from higher commodity prices will be transitory. Confirming easing inflation concerns, the spread, or difference between yields, on 10-year Treasuries and similar maturity TIPS narrowed to 2.39% from 2.67% on April 11, the widest level in three years. Because this measure is considered a gauge of expectations for consumer price increases, strategists feel that investors are beginning to factor in the possibility of slower economic growth ahead. Separately, the International Monetary Fund (IMF) said in its most recent report on the European economy that the fiscal crisis in Greece, Ireland and Portugal could yet spread to other parts of the euro zone and parts of Eastern Europe. They recommend that the European Central Bank not raise interest rates too quickly, since "monetary policy in the euro area can afford to remain relatively accommodative."

Issue	5.6.11	5.13.11	Change
3 month T-Bill	0.02%	0.02%	0.00%
2-Year Treasury	0.58%	0.57%	-0.01%
5-Year Treasury	1.88%	1.89%	0.01%
10-Year Treasury	3.18%	3.22%	0.04%
30-Year Treasury	4.26%	4.37%	0.11%

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



Stock Market Update

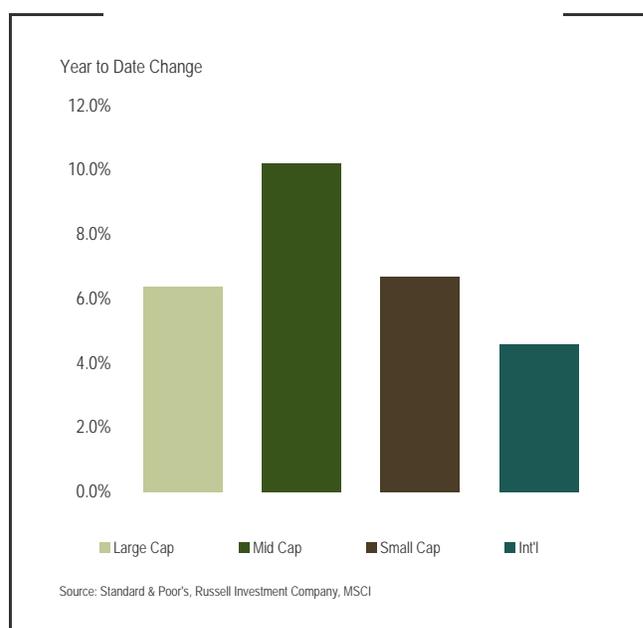
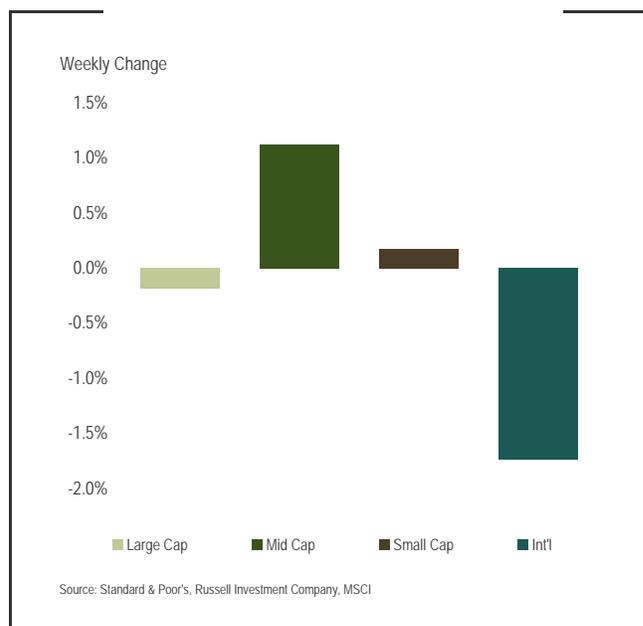
The stock market tumbled on Friday despite an increase in consumer sentiment and in-line inflation numbers. Commodity prices continued to tumble and the euro weakened further on nervousness about Greece's financial woes, leading to stock market declines for the week. The Dow Jones Industrial Average closed at 12596, down 43 points, or 0.34%. The broader S&P 500 Index ended the week down 2.4 points, down 0.18%, to close at 1340. The NASDAQ Composite closed at 2828.47, flat for the week.

Markets were strong earlier in the week as commodities rebounded from steep declines late last month. The announcement by Microsoft (MSFT) of its \$8.5 billion offer for Skype Global also lifted investors' enthusiasm. Cisco (CSCO) reported results on Thursday that beat expectations, but the company projected weakness in its fiscal fourth quarter. Several retailers including Macy's (M) and Kohl's (KSS) also reported strong earnings results. Macy's reached its highest level in two years on solid profit growth and a better than expected same store sales outlook. Wal-Mart and home improvement retailers Lowe's and Home Depot are on tap to report earnings early next week.

In Europe, gross domestic product in the euro zone expanded by a stronger-than-expected 0.8% in the first quarter of 2011 compared with the previous three months. Germany's GDP grew by 1.5% in the first quarter, while France was up 1.0%. This news was offset by reports from the European Union that the debt loads of Greece, Ireland and Portugal may be much worse than previously forecast, adding to fears that international bailouts are failing to solve the region's financial crisis. The euro fell to a six week low versus the U.S dollar. Overseas developed markets as measured by the MSCI EAFE Index declined by 1.73% for the week.

Issue	5.6.11	5.13.11	Change
Dow Jones	12,638.81	12,595.67	-0.34%
S&P 500	1,340.20	1,337.77	-0.18%
NASDAQ	2,827.56	2,828.47	0.03%
Russell 1000 Growth	617.08	616.59	-0.08%
S&P MidCap 400	988.89	999.93	1.12%
Russell 2000	834.75	836.17	0.17%
MSCI EAFE	1,755.56	1,725.11	-1.73%
MSCI EM	1,161.68	1,147.59	-1.21%
MSCI Small Cap	179.45	177.04	-1.34%

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

After a volatile last couple of weeks, crude oil settled at \$99.32 a barrel, up 1.55% from the previous week. A major factor in oil's rise was the stronger-than-forecasted economic growth in euro zones, signaling that European fuel consumption would increase. In the wake of President Obama calling for an investigation into the forecasting and speculating of oil prices, Exxon Mobil (XOM) CEO Rex Tillerson was quoted telling the Senate Finance Committee that "oil prices did not currently reflect supply and demand." When asked to value a current marketable barrel, Tillerson answered somewhere in the "\$60 to \$70 range." Seeing as the price of oil barrels is currently slightly below \$100, experts believe something beyond the laws of supply and demand is driving these high prices and, consequently, the elevated price of gasoline.

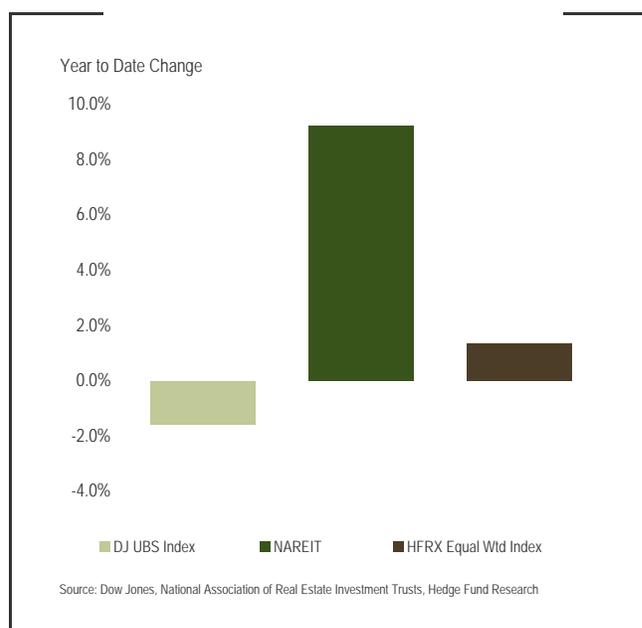
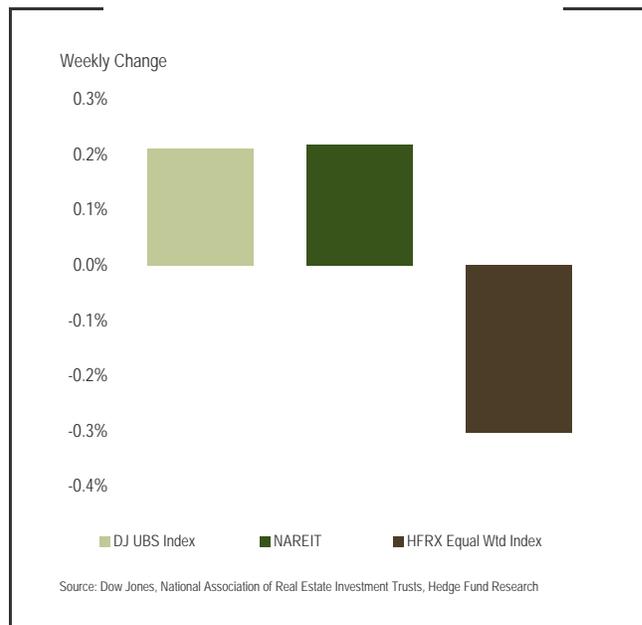
Capping its biggest weekly gain since January, sugar rose 4.7% to close at 21.45 cents a pound. Experts attribute this rise to the recent output plunge Brazil, the world's largest producer and exporter of sugar, has suffered. From mid-march to the end of April, sugar output in Brazil has fallen 69% to 795,000 metric tons from a year earlier. With the dollar strengthening, precious metals experienced a slight decline this week, as both gold and silver settled at \$1,492.50 and \$35.01 an ounce, respectively. The lone bright spot was copper, which closed the week at \$3.9750 a pound, up 0.55%.

In the wake of Raj Rajaratnam's arrest, hedge fund managers are beginning to brace for a new era of intensified scrutiny of their research activities. According to the Financial Times, many managers, unhappy with the government's tactics, expressed fear that the boundary of what constitutes insider information is being pushed ever so close toward normal research activities, the tactic of using wiretaps will now make analysts and traders far more cautious when communicating. On the other hand, some managers believe that insider trading will continue to take place, if not accelerate, after the Galleon Group scandal.

Issue	Previous Week	Current ¹	Change
Gold	1,492.50	1,492.30	-0.01%
Crude Oil Futures	97.80	99.32	1.55%
Copper	397.80	400.00	0.55%
Sugar	20.47	21.45	4.79%
HFRX Equal Wtd. Strat. Index	1,186.43	1,182.83	-0.30%
HFRX Equity Hedge Index	1,169.28	1,166.48	-0.24%
HFRX Equity Market Neutral	1,028.48	1,026.38	-0.20%
HFRX Event Driven	1,419.62	1,420.12	0.04%
HFRX Merger Arbitrage	1,557.31	1,544.60	-0.82%
Dow Jones UBS Commodity Index	159.50	159.84	0.21%
FTSE/NAREIT All REIT	146.46	146.78	0.22%

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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