MainStreet Advisors
Financial Market Update

May 20, 2011
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Economic Update

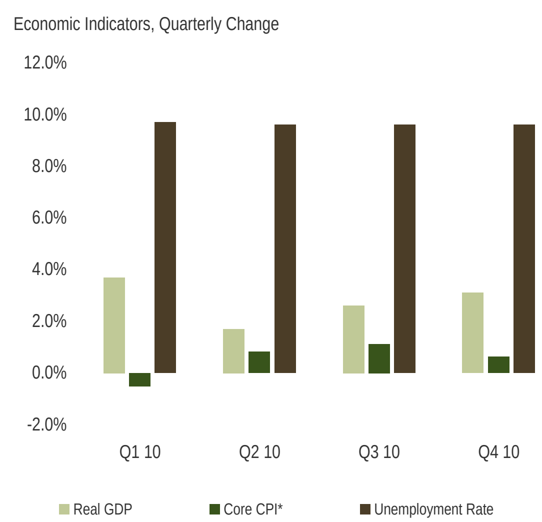
The housing market's woes continue even while we are almost two years into the economic recovery. Housings starts in the U.S. unexpectedly fell 11% from the previous month to 523,000 in April, according to a report from the Commerce Department. The South was hit the hardest as flooding and tornadoes forced many construction sites to shut down, contributing to a 23% drop in starts for the region. Building permits, an indicator of future construction, fell 4% to a 551,000 annual pace.

Purchases of existing homes fell 0.8% to a 5.05 million annual pace in April, according to a release from the National Association of Realtors (NAR). This figure was down 12.9% from the previous year when housing purchases were inflated by the home buyer tax credit. NAR chief economist Lawrence Yun blamed the weak number on "unnecessarily tight credit …, along with a steady level of low appraisals that result in contract cancellations." The national median existing-home price for all housing types fell 5% in April from the previous year to $163,700. Distressed homes accounted for 37% of sales in April, down from 40% in March, and all-cash transactions fell from a record 35% to 31%.

There was a positive sign in the job market as fewer Americans than expected filed initial unemployment claims last week. Jobless claims fell 29,000 to 409,000 in the week ended May 14, according to the Labor Department. This may indicate that the rise in initial claims in April was only a temporary setback in the jobs recovery. The rise in jobless claims last month was blamed for a 0.3% decline in the he Conference Board's Leading Economic Index.

The Federal Open Market Committee minutes indicated that members had a lengthy discussion about establishing a roadmap for withdrawing record levels of stimulus. The report did note that the discussion did not mean that any moves "would necessarily begin soon." Another report from the Federal Reserve showed that growth in industrial production stalled in April as auto manufacturing faces disruptions caused by the earthquake and tsunami in Japan.

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

May 16th	Empire State Mfg Survey, May	11.88
May 16th	Housing Market Index, May	16.0
May 17th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-2.0%
May 17th	Housing Starts, April	523,000
May 17th	Industrial Production, Apr. Monthly Chg.	0.0%
May 18th	MBA Purchase Applications Index, Wkly. Chg.	-3.2%
May 18th	EIA Petroleum Status Report, Wkly. Chg.	0.0M Barrels
May 19th	Initial Jobless Claims (Week ending 5/14)	409,000
May 19th	Existing Home Sales, April SAAR*	5.05M
May 19th	EIA Natural Gas Report, Wkly. Chg.	92 bcf

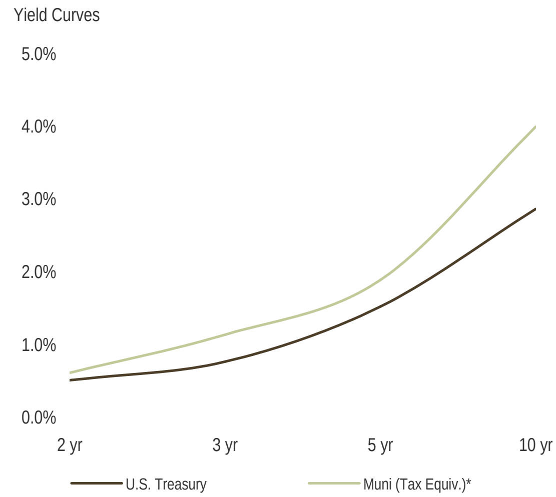
Bond Market Update

After substantial gains in recent weeks, U.S. Treasuries rallied yet again on concerns the European sovereign debt crisis has worsened, boosting demand for safe-haven government debt. Fitch cut Greece's credit ratings to B+ and placed the country on negative watch. French Finance Minister Christine Lagarde warned that the nation is at risk of default if it does not do more to bring its public finances into order. Yields on the 10-year U.S. Treasury note touched 3.09%, the lowest level since December and within one basis point of its 200-day moving average.

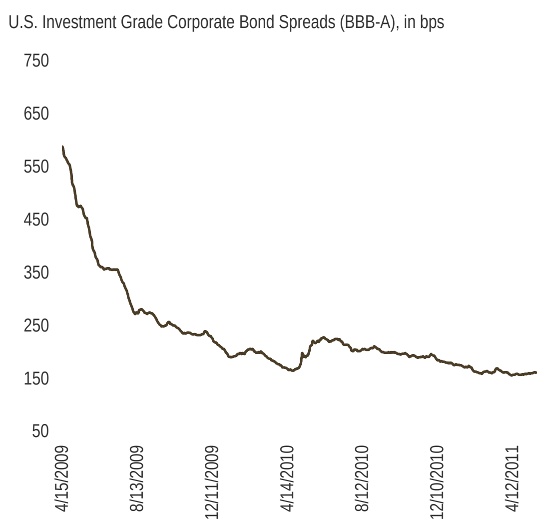
With the recent move down in rates over the past several weeks, investment grade companies have been issuing record amounts of new debt amid some of the lowest interest rates seen in several months. Johnson & Johnson (JNJ) just completed its largest bond deal on record. Texas Instruments (TXN) raised debt for the first time in more than ten years, and Google (GOOG) sold their first bonds ever. Companies with investment-grade ratings have sold $392 billion in bonds so far in 2011, about 30% more than the $296 billion they sold in the same period last year, according to Dealogic. Junk-rated companies have also been able to raise debt at a record pace with spreads, or the yield investors demand to own high-yield bonds instead of Treasuries, little changed at 480 basis points this week. Investors favoring new issues over existing bonds are helping to keep junk-bond spreads from narrowing amid concerns that economic growth may be slumping.

Issue	5.13.11	5.20.11	Change
3 month T-Bill	0.02%	0.05%	0.03%
2-Year Treasury	0.57%	0.55%	-0.02%
5-Year Treasury	1.89%	1.85%	-0.04%
10-Year Treasury	3.22%	3.17%	-0.05%
30-Year Treasury	4.37%	4.30%	-0.07%

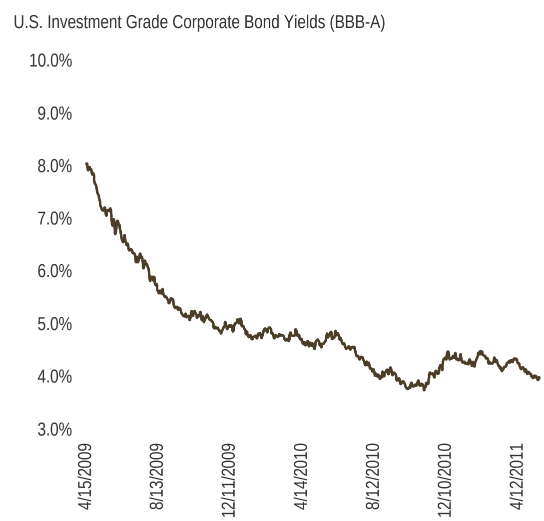
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

The stock market finished the week on a slightly lower note after experiencing a two day climb. Overall, the market closed in negative territory across all sectors for the third consecutive week. Consumers continue to remain concerned about the increasing commodity and oil prices. The Dow Jones Industrial Average closed at 12512, down 84 points, or 0.66%. The broader S&P 500 Index ended the week down 5 points, down 0.34%, to close at 1333. The NASDAQ Composite closed at 2803, down 25 points, or 0.89%. The MSCI EAFE closed at 1714, down 11 points, or 0.66%.

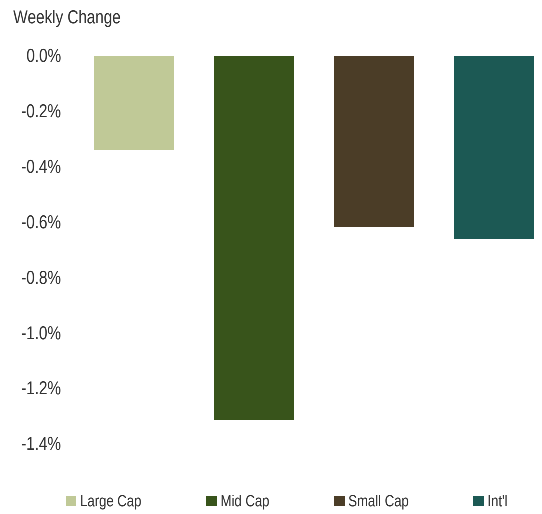
The technology sector continued its volatile performance throughout the week. The sector as a whole struggled, however, an initial public offering from LinkedIn Corporation (LNKD) spurred positive activity back into the market. The company priced its initial public offering at $45 and the stock was well received, rising over 125% to close to $102. The company has engaged the social media era, introducing a professional theme to uniquely identify itself from other social media sites.

The European markets finished the week in negative territory as well. Remaining debates between Germany and the European Central Bank regarding debt restructurings have kept investors questioning risks associated with European sovereign debt. Benchmark indices also felt negative effects resulting from Fitch Inc.'s downgrade of Greece to 'B+'.

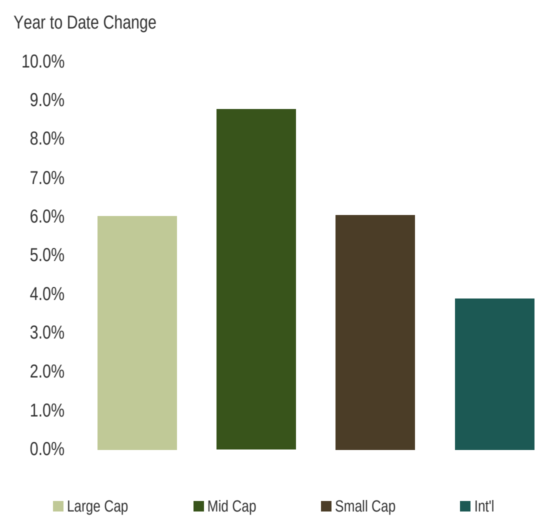
Market turmoil increased in Japan as historic losses were posted by Tokyo Electric Power Co., due to the post-earthquake crisis at its Fukushima Daiichi nuclear power plant. According to reports, 80% of the loss, or 1 trillion yen, was due to a one-time charge for efforts in containing the radiation from the site following the March 11 earthquake. Excluding the financial sector, this was the largest reported loss ever for a Japanese firm. New management changes are expected to be underway as reports state that President Masataka Shimizu will step down due to the losses.

Issue	5.13.11	5.20.11	Change
Dow Jones	12,595.67	12,512.04	-0.66%
S&P 500	1,337.77	1,333.26	-0.34%
NASDAQ	2,828.47	2,803.32	-0.89%
Russell 1000 Growth	616.59	614.20	-0.39%
S&P MidCap 400	999.93	986.8	-1.31%
Russell 2000	836.17	831.02	-0.62%
MSCI EAFE	1,725.11	1,713.75	-0.66%
MSCI EM	1,147.59	1,140.43	-0.62%
MSCI Small Cap	177.04	175.32	-0.97%

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



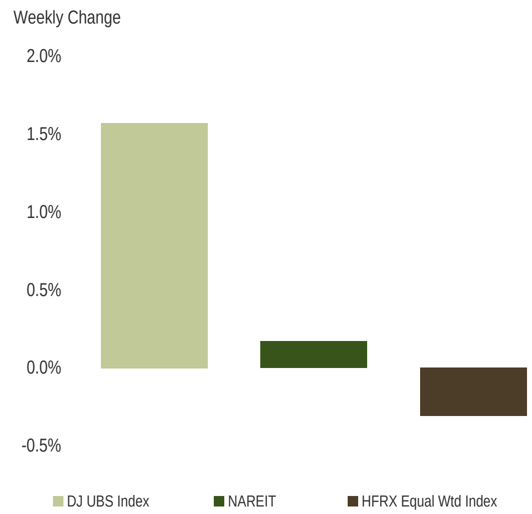
Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

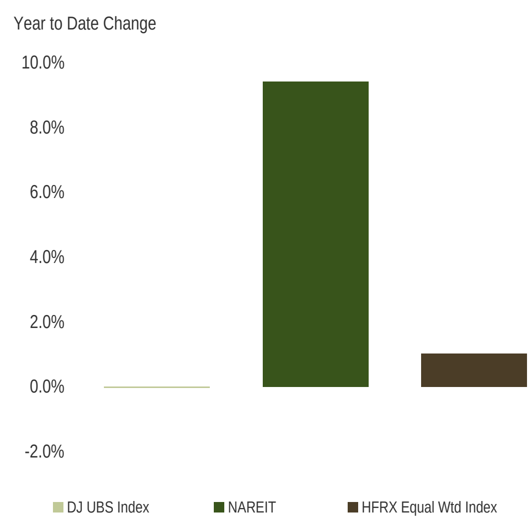
With the American Petroleum Institute (API) reporting a 5.2% increase in fuel consumption in April, primarily due to sudden economic growth, crude oil rose 0.17% this week to close at $99.49 a barrel. Experts expect a stronger demand in the crude market, seeing as refineries that were shut down in the past, are beginning to come back online. The report went on to note that fuel consumption has increased to 19.9 million barrels a day last month from a year earlier. As a result, the American Automobile Association stated that U.S. air travel will jump to its highest level since 2005 over Memorial Day weekend.

Precious metals shook off a strong rally in the dollar this week, as euro-zone debt worries became the center of attention. Gold increased 1.46%, or $21.80, to close at $1,514.10 an ounce, whereas silver rose 0.21% to settle at $35.01 an ounce. Investors worry about the potential of something similar to the Greece default occurring and inevitably contaminating the rest of Europe. Experts believe that gold may reach a record high of $1,625 an ounce sometime this summer, and, if it were to do so, silver could trade around $41-$42 an ounce.

According to a report released earlier this week by Hedge Fund Research (HFR), hedge fund industry leverage has been declining in the last 12 months. This is due in large part to the decline in investor inflows and less volatile performance gains. The report went on to claim that average standard leverage has decreased across all hedge fund strategies from 1.27 to 1.10 times investment capital, while average margin to equity also declined, falling from 17.13% to 16.98%, year over year. The percentage of funds which do not typically utilize leverage has risen to approximately one third of all funds, an increase of 4% over last year. Larger funds typically employ a higher level of leverage – 23% of funds with assets under management greater than $1 billion utilize leverage between two and five times investment capital.



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

Issue	Previous Week	Current[1]	Change
Gold	1,492.30	1,514.10	1.46%
Crude Oil Futures	99.32	99.49	0.17%
Copper	400.00	410.75	2.69%
Sugar	21.45	22.41	4.48%
HFRX Equal Wtd. Strat. Index	1,182.83	1,179.17	-0.31%
HFRX Equity Hedge Index	1,166.48	1,152.91	-1.16%
HFRX Equity Market Neutral	1,026.38	1,024.15	-0.22%
HFRX Event Driven	1,420.12	1,414.06	-0.43%
HFRX Merger Arbitrage	1,544.60	1,547.02	0.16%
Dow Jones UBS Commodity Index	159.84	162.35	1.57%
FTSE/NAREIT All REIT	146.78	147.03	0.17%

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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