

MainStreet Advisors Financial Market Update

June 24, 2011
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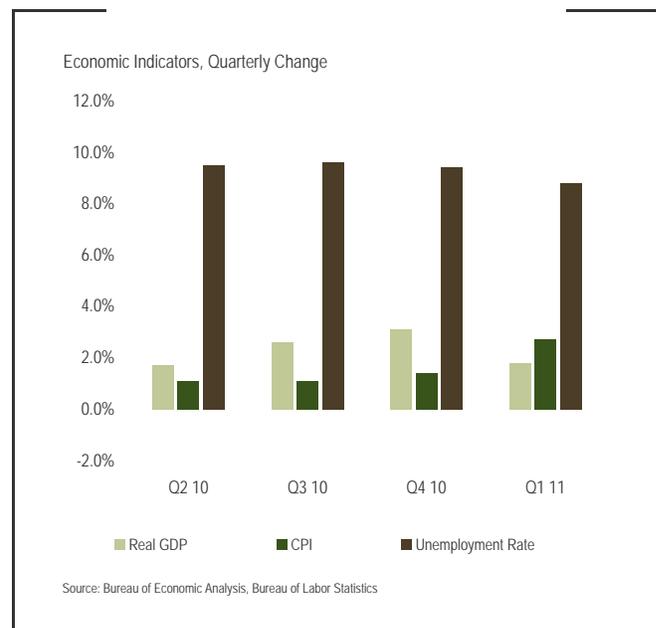
Economic Update

The Federal Open Market Committee (FOMC) met this week and, as expected, left policy rates unchanged. The statement from the FOMC took a slightly gloomier tone, saying that the economy is growing more slowly than the Fed had expected, and the labor market has been "weaker than anticipated." The statement also called the housing market "depressed" and noted a pickup in inflation in recent months.

Existing home sales fell 3.8% in the month of May to an annual rate of 4.81 million, according to the National Association of Realtors (NAR). The number was the lowest so far this year and 15.3% below the May 2010 pace. NAR Chief Economist Larry Yun blamed the weak number partly on what he believes are temporary factors, saying "Spiking gasoline prices along with widespread severe weather hurt house shopping in April, leading to soft figures for actual closings in May." A six percentage point decline in distressed property sales, which typically sell at a sizeable discount to other properties, contributed to a 1.7% monthly increase in the national median existing home price to \$166,500.

The Labor Department announced on Thursday that initial jobless claims experienced an increase of 9,000 last week, rising to a larger-than-anticipated 429,000. The uptick serves as additional evidence that U.S. job growth is slowing, a notion upheld by Federal Reserve Chairman Ben Bernanke who, in a speech on Wednesday, stated the Fed expects unemployment "to come down very painfully slow."

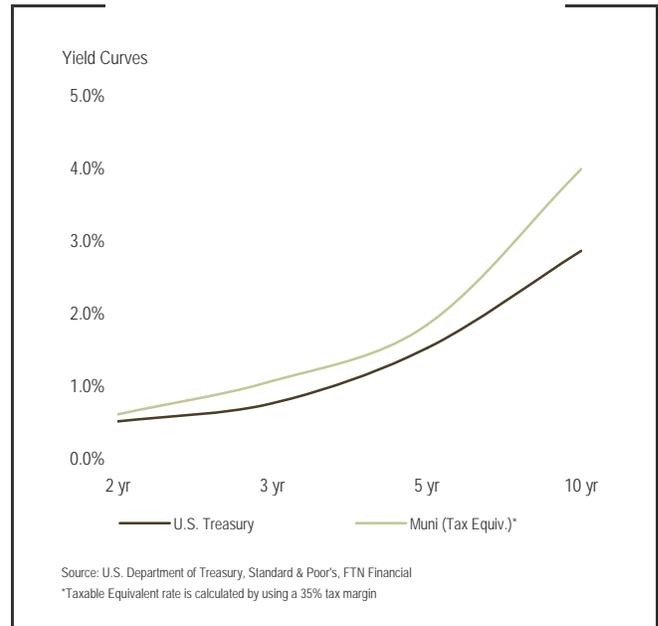
Prime Minister George Papandreou narrowly won a vote of confidence from Greece's parliament this week. The vote, which went along party lines, suggests that the Prime Minister has the necessary support within the government to pass another package of austerity measures scheduled for a vote on June 28. The austerity measures are needed for the country to win approval of the last \$17 billion tranche of last year's \$156 billion bailout package and delay default for another few months.



June 21 st	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.7%
June 21 st	Existing Home Sales, May SAAR*	4.81M
June 22 nd	MBA Purchase Applications Index, Wkly. Chg.	-2.8%
June 22 nd	EIA Petroleum Status Report, Wkly. Chg.	-1.7M Barrels
June 23 rd	Initial Jobless Claims (Week ending 6/18)	429,000
June 23 rd	New Home Sales, May	319,000
June 23 rd	EIA Natural Gas Report, Wkly. Chg.	98 bcf
June 24 th	Durable Goods New Orders, May Monthly Chg.	1.9%
June 24 th	GDP Price Index, Q1 Quarterly Change SAAR*	1.9%

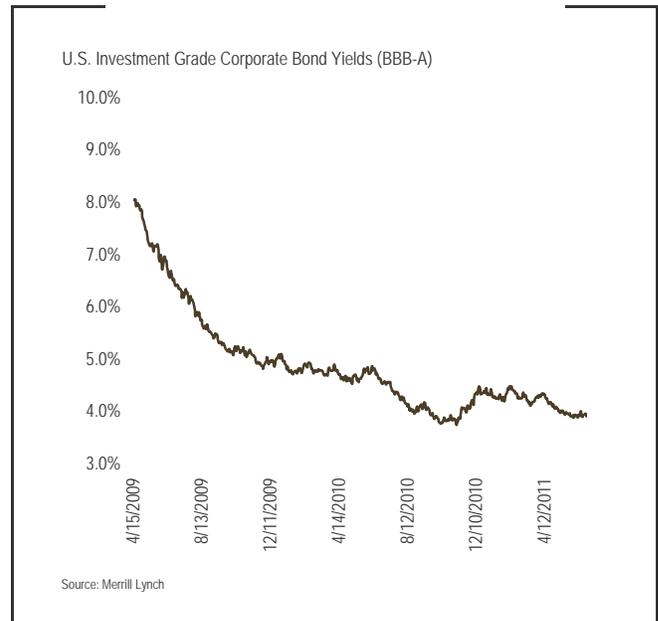
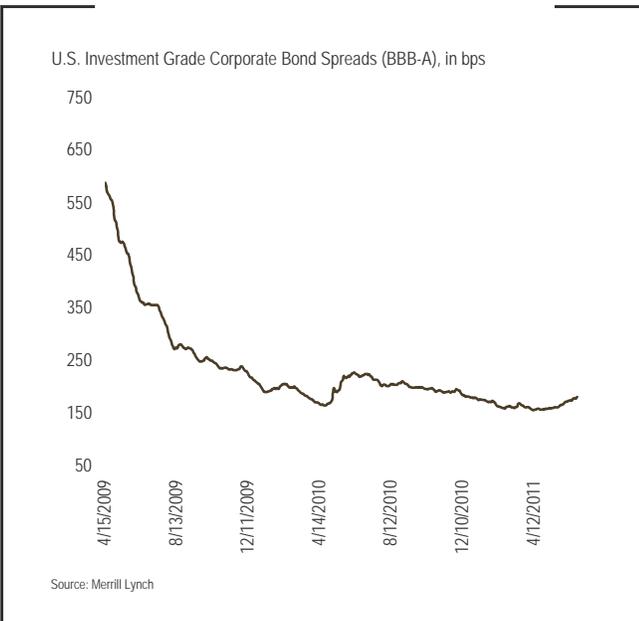
Bond Market Update

Continued anxiety about the European sovereign debt markets along with weak stock market returns sent demand for safe-haven U.S. Treasuries higher for the week, pushing the yield on the benchmark 10-year note to 2.86%, a new 2011 low and the lowest level since December 1 of last year. Given this strong move in the fixed income market, 10-year yields have dropped below what's known as their resistance level, a level where sell orders may be clustered, suggesting the bull market in bonds can continue. Two-year notes, among the most sensitive securities to what the Fed does with short-term interest rates, gained for the 11th straight week in the longest rally since the 1980s. Demand for T-bills also strengthened as banks, mutual funds and companies position into liquid assets at quarter-end to "window dress" balance sheets. On Friday, yields on T-Bills maturing in one month or less traded at -0.02%, suggesting that the desire to purchase these securities for short-term balance sheet objectives has trumped the consideration for returns. Meanwhile, new signs of contagion risks from the Greek debt crisis emerged after Moody's warned that it could cut the ratings on Italian banks, a move that followed last week's warning to downgrade Italy's sovereign rating. As has been the case recently, investors continue to place more emphasis on events in the euro-zone than domestically, given the tremendous uncertainty it is creating.



Issue	6.17.11	6.24.11	Change
3 month T-Bill	0.04%	0.01%	-0.03%
2-Year Treasury	0.38%	0.35%	-0.03%
5-Year Treasury	1.53%	1.48%	-0.05%
10-Year Treasury	2.94%	2.93%	-0.01%
30-Year Treasury	4.19%	4.17%	-0.02%

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



Stock Market Update

Stock markets were mixed this week as continued concerns about the economy and the European debt crisis led investors to take profits after a strong rally Tuesday. Demonstrating that Greece is not the only country with serious financial woes, late Thursday Moody's placed the ratings of more than a dozen Italian banks and two Italian government financial institutions on review for possible downgrades. For the week, the Dow Jones Industrial Average closed down 0.6% while the broader S&P 500 Index was flat.

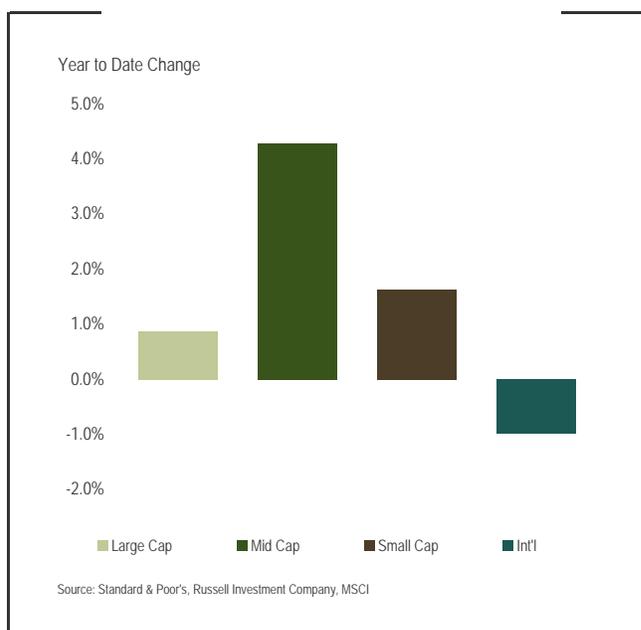
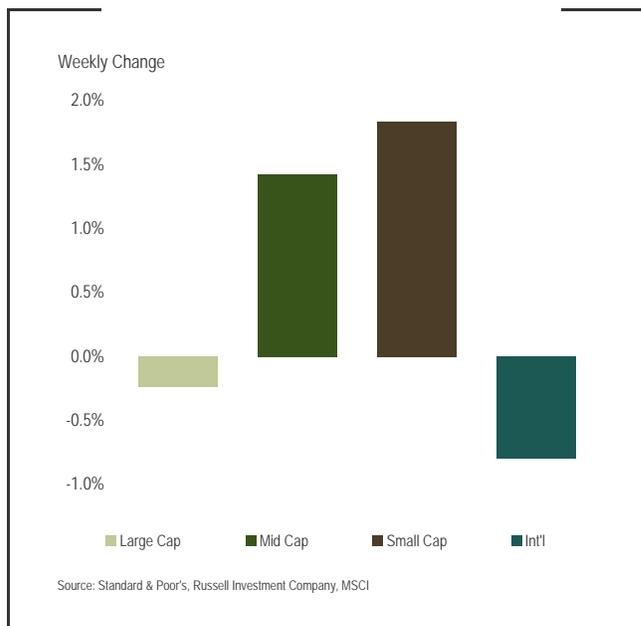
Helped by Tuesday's 2% rally, the NASDAQ Composite Index rebounded from last week's decline, increasing 1.4% despite Friday's weakness in Oracle (ORCL), Micron Technology (MU), and Google (GOOG). While profits beat estimates, Oracle reported that hardware sales declined 6%, well below expectations of an increase of 6-12%. The stock fell 4%. Micron Technology, the largest domestic producer of computer-memory chips, was down nearly 15% after third-quarter sales and profit fell short of analysts' estimates. Google confirmed that the FTC issued a subpoena regarding an investigation into the company's search and advertising practices.

In Europe, London's stock market was positive Friday on news that Greece received approval of its austerity plans from the European Central Bank and the International Monetary Fund. Mining and banking stocks were especially strong. Most major European stock markets declined about 1% for the week as their losing streak extended to eight weeks, the longest since 1998.

Asian markets rallied on Friday with Chinese banks, airlines and Japanese exporters strong. The Chinese premier wrote in an editorial in the Financial Times that the country's macroeconomic policies have been effective in controlling inflation, predicting that price levels will even begin to "drop steadily." For the week the Shanghai Composite Index increased 3.9% and the Nikkei was up 3.5%.

Issue	6.17.11	6.24.11	Change
Dow Jones	12,004.36	11,934.81	-0.58%
S&P 500	1,271.50	1,268.49	-0.24%
NASDAQ	2,616.48	2,652.89	1.39%
Russell 1000 Growth	581.53	583.14	0.28%
S&P MidCap 400	932.75	946.06	1.43%
Russell 2000	782.06	796.41	1.83%
MSCI EAFE	1,646.73	1,633.62	-0.80%
MSCI Small Cap	1,107.43	1,105.31	-0.19%

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

In the wake of the U.S. and other members of the International Energy Agency (IEA) announcing the release of emergency oil reserves to counter the loss of exports from Libya, crude oil fell 1.97%, or \$1.83, this week to close at \$91.19 a barrel. The IEA, which consists primarily of the U.S., the United Kingdom, Japan and other industrialized nations, stated it will release 60 million barrels of oil from its reserves into the markets over the next month. It's believed the U.S. will tap into its Strategic Petroleum Reserve to contribute roughly half of the 60 million. This marks the third time in IEA's history that its members decided to release reserves. Even though reserves are at an all-time high, according to the EIA, experts believe that such a move merely serves as a short-term fix in order to slow further economic declines.

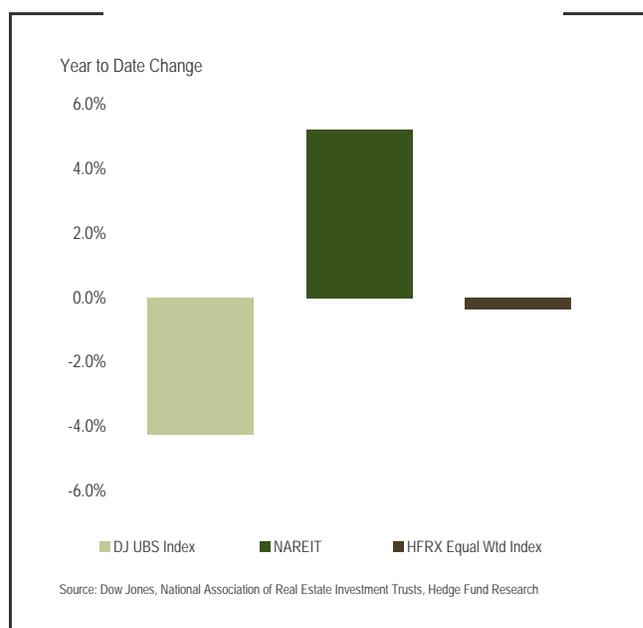
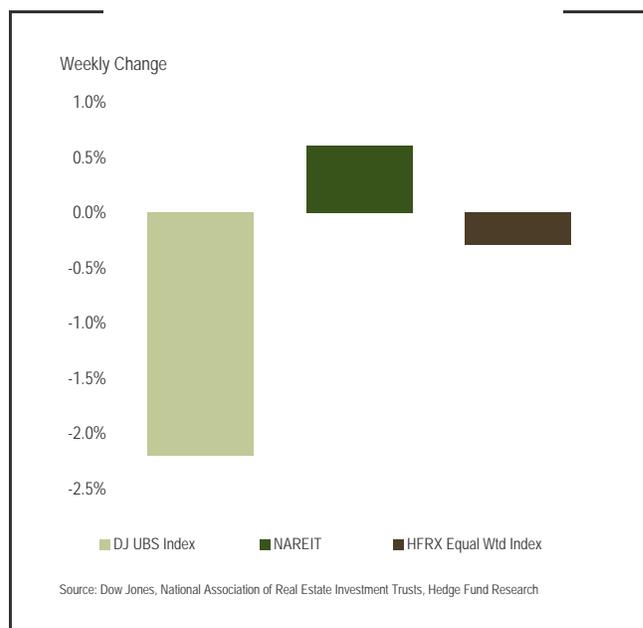
Gold ended the week down 2.62%, settling at \$1,499.40 an ounce, the precious metal's largest decline in over a month. It had rallied somewhat in recent weeks due to the prospect of sustained low U.S. rates, but the increasing strength of the U.S. dollar against the Euro countered that gain and has pushed prices down for the week. Further influencing the price drop was an announcement by the European Union leaders about stabilizing the region's economy, which cut demand for gold as a potential safe haven for investors.

This week the Securities and Exchange Commission (SEC) made official what's been inevitable for quite some time, passing a vote which requires hedge fund managers to register with the agency. According to FinAlternatives, under the new rule, required by the Dodd-Frank financial services regulation overhaul, all fund managers with more than \$150 million in assets under management will have to register and will be subject to unannounced inspections. This rule closes an existing loophole that exempts managers with fewer than 15 clients. In related hedge fund news, the HFRX Equity Market Neutral Index closed at 1,030.54, up 0.60% for the week, while the HFRX Equity Hedge Index slipped 0.46% to settle at 1,117.44.

Issue	Previous Week	Current ¹	Change
Gold	1,539.80	1,499.40	-2.62%
Crude Oil Futures	93.02	91.19	-1.97%
Copper	411.95	410.30	-0.40%
Sugar	25.38	26.00	2.44%
HFRX Equal Wtd. Strat. Index	1,166.36	1,163.01	-0.29%
HFRX Equity Hedge Index	1,122.64	1,117.44	-0.46%
HFRX Equity Market Neutral	1,024.37	1,030.54	0.60%
HFRX Event Driven	1,392.12	1,388.07	-0.29%
HFRX Merger Arbitrage	1,529.66	1,531.90	0.15%
Dow Jones UBS Commodity Index	159.00	155.51	-2.20%
FTSE/NAREIT All REIT	140.57	141.42	0.60%

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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MAINSTREET ADVISORS™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com