

MainStreet Advisors Financial Market Update

July 1, 2011
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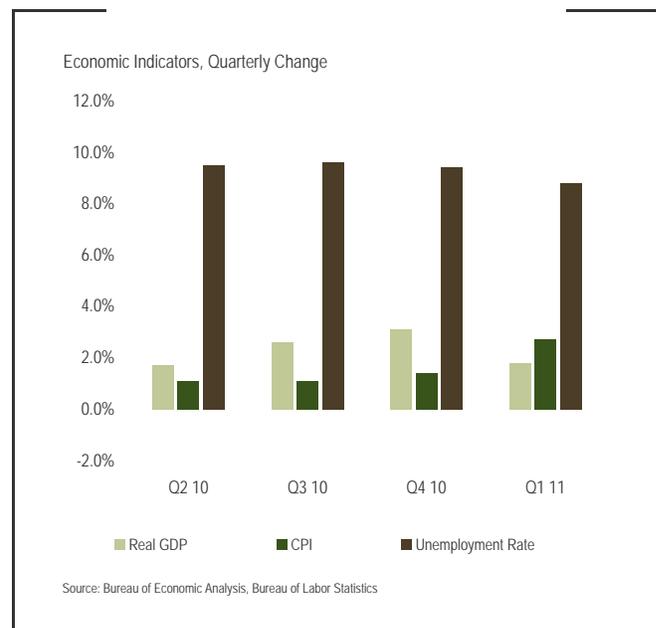
Economic Update

Manufacturing in the U.S. expanded for the 23rd consecutive month in June, according to a report from the Institute for Supply Management. The PMI rose 1.8 points from the previous month to 55.3, higher than economists had expected. Most of the increase was attributable to a rise in inventories, however, and may not necessarily indicate an improvement in demand.

The U.S. Labor Department announced another disappointing initial jobless claims number on Thursday. The number of Americans filing for first-time unemployment benefits for the week ended June 25 barely budged from the previous week, falling only 1,000 to 428,000. Most economists were anticipating a larger decrease. With 12 straight weeks of initial claims numbers above 400,000 the job market shows little indication of any sustainable improvement.

Consumer confidence fell significantly for a second straight month in June, according to The Conference Board. The index fell 3.2 points in June to 58.5, following a steep 6.7 point drop the previous month, indicating consumers are nervous about current business and labor market conditions. Lynn Franco, Director of The Conference Board Consumer Research Center said "Given the combination of uneasiness about the economic outlook and future earnings, consumers are likely to continue weighing their spending decisions quite carefully." Personal Income grew 0.3% in May but spending was flat, according to the Commerce Department.

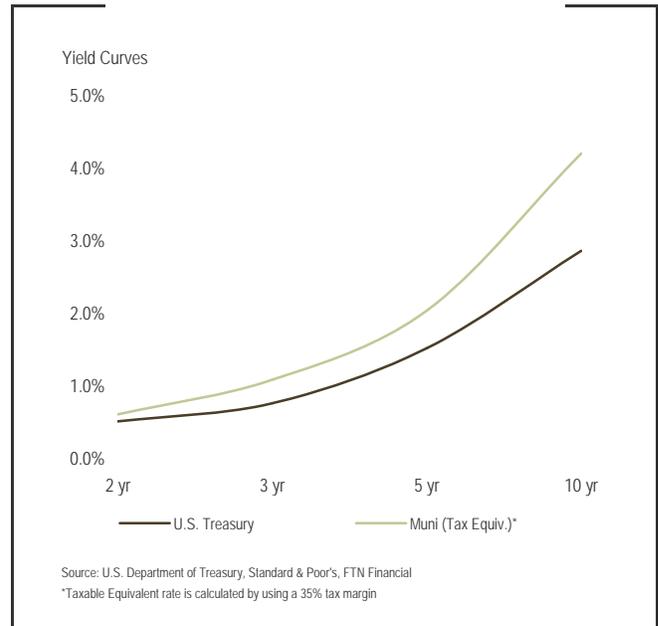
U.S. home prices snapped an eight-month losing streak as the S&P/Case-Shiller 20-City Composite index rose 0.7% in April. David M. Blitzer, Chairman of the Index Committee at S&P Indices was cautious saying "the seasonally adjusted numbers show that much of the improvement reflects the beginning of the Spring-Summer home buying season. It is much too early to tell if this is a turning point or simply due to some warmer weather." Pending homes sales – a leading indicator – rose 8.2% from the previous month in May, according to the National Association of Realtors.



June 28 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.9%
June 28 th	S&P/Case-Shiller 10-city Index, Apr. Monthly Chg.	0.8%
June 28 th	Consumer Confidence Index, June	58.5
June 28 th	State Street Investor Confidence Index, June	99.2
June 29 th	MBA Purchase Applications Index, Wkly. Chg.	-3.0%
June 29 th	Pending Home Sales, May Monthly Chg.	8.2%
June 29 th	EIA Petroleum Status Report, Wkly. Chg.	-4.4M Barrels
June 30 th	Initial Jobless Claims (Week ending 6/25)	428,000
June 30 th	Chicago PMI Business Barometer Index, June	61.1
June 30 th	EIA Natural Gas Report, Wkly. Chg.	80 bcf
July 1 st	Consumer Sentiment Index, June	71.5
July 1 st	ISM Mfg. Index - Level, June	71.5
July 1 st	Construction Spending, May Monthly Chg.	-0.6%

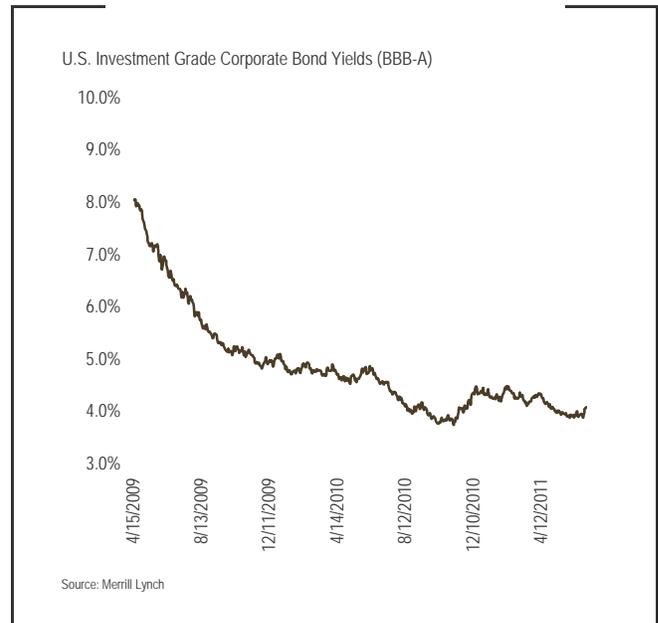
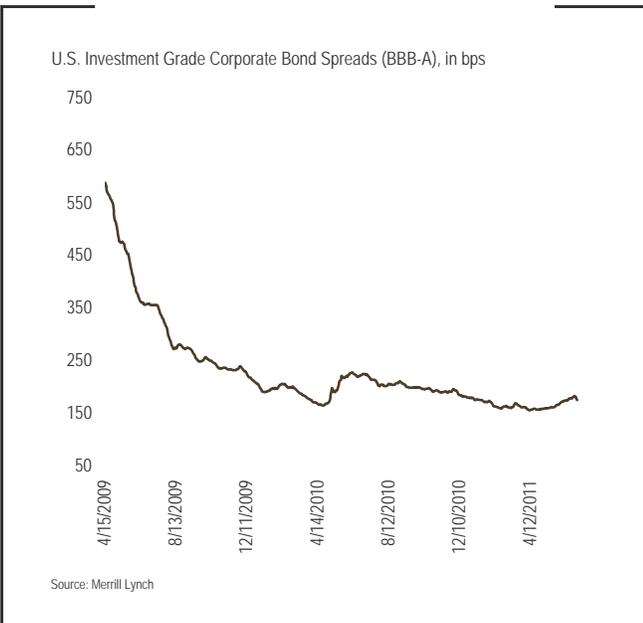
Bond Market Update

A report that Greece may receive a second bailout to avoid default along with strong stock market returns sent demand for safe-haven U.S. Treasuries lower for the week, pushing the yield on the benchmark 10-year note to 3.21%, the steepest weekly loss in almost two years. Greece may receive as much as 85 billion euros (\$124 billion) in new financing, including a contribution from private investors, in a second bailout aimed at preventing default and ending the region's debt crisis, according to an Austrian Finance Ministry official. Stronger than expected economic data also undermined the safe-haven allure of U.S. government debt, significantly affecting what is known as the "belly of the curve" as five-year notes dropped the most out of all maturities. Meanwhile, Barclays Capital put out two notes on Friday pointing to evidence that the surge in yields is not an abandonment of U.S. Treasuries due the end of the Federal Reserve's bond-buying program, QE2, which ended June 30. Barclays' strategist Ajay Rajadhyaksha remains bullish on bonds, "We believe that the end of QE2 will not cause the start of a sustained rise in bond yields, though the prospect of a large buyer disappearing could well affect a few auctions in a low liquidity environment, as happened this week. Such moves should be considered buying opportunities in our view."



Issue	6.24.11	7.1.11	Change
3 month T-Bill	0.01%	0.03%	0.02%
2-Year Treasury	0.35%	0.45%	0.10%
5-Year Treasury	1.48%	1.76%	0.28%
10-Year Treasury	2.93%	3.18%	0.25%
30-Year Treasury	4.17%	4.38%	0.21%

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



Stock Market Update

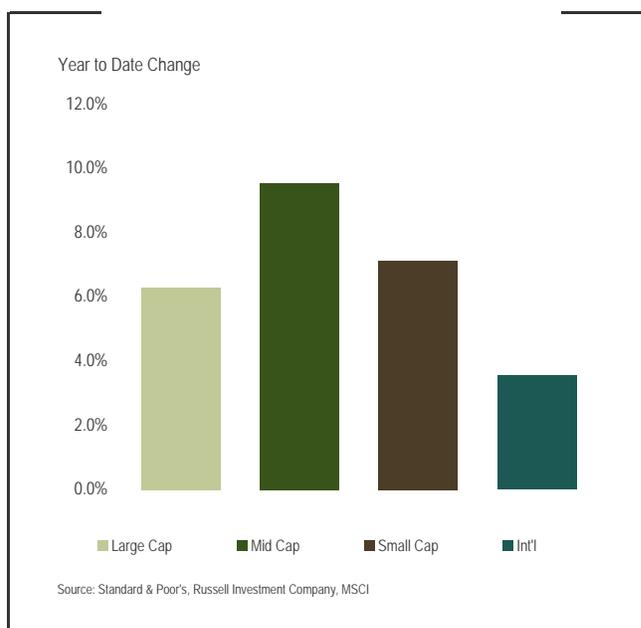
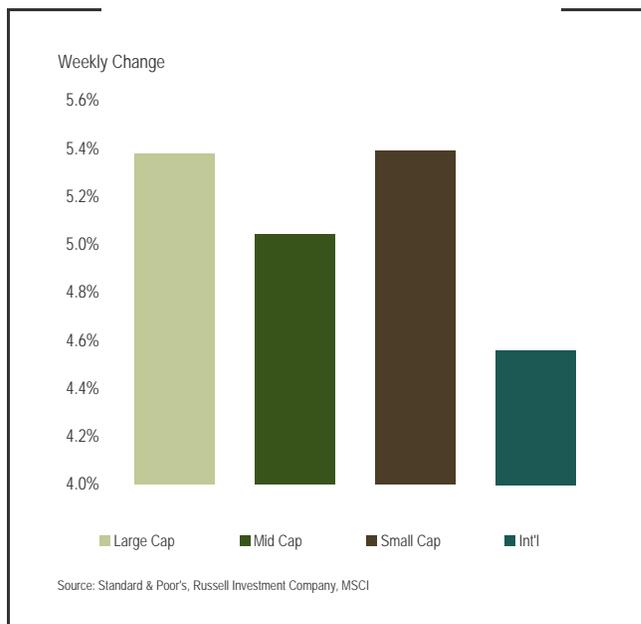
The stock markets ended a volatile first half of the year by increasing every day this week as we head into the July 4th weekend. The market reacted positively to news out of Greece along with positive earnings reports and economic data from the United States. The Dow Jones Industrial Average and the broader S&P 500 Index both closed up over 5% for the week, while the NASDAQ Composite finished 6% higher.

European markets rallied this week after a final vote was announced in Greece. The lawmakers voted 155 to 136 in favor of legislation implementing a program of around 28 Billion euros (\$40.6B) in tax hikes, spending cuts and other measures. This vote will set the stage for the European Union and the International Monetary Fund (IMF) to work out a new aid package without Greece being declared in default. For the week, stocks in the UK closed up 5%, while France increased 6%, and Germany rose 4%.

Shares of Bank of America Corp. (BAC) surged 3% on Wednesday of this week as the final estimate for mortgage bond payments was proposed at \$8.5 Billion. This has been a grey cloud that has been hanging over the company as the ghost of Countrywide Financial continues to linger. The settlement over debt sold by Countrywide Financial, which BAC bought back in 2008, would compensate investors roughly 8%-9% of the \$106 Billion in loans that have already defaulted or are severely delinquent. The financial sector ended the week on a high note by finishing up over 5%.

Issue	6.24.11	7.1.11	Change
Dow Jones	11,934.81	12,561.73	5.25%
S&P 500	1,268.49	1,336.70	5.38%
NASDAQ	2,652.89	2,812.00	6.00%
Russell 1000 Growth	583.14	616.66	5.75%
S&P MidCap 400	946.06	993.75	5.04%
Russell 2000	796.41	839.33	5.39%
MSCI EAFE	1,633.62	1,708.08	4.56%
MSCI Small Cap	1,105.31	1,146.22	3.70%

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

Crude oil closed the week at up 4.3% despite worries over a slowdown in the Chinese and euro-zone economies. Analysts stated that the U.S. government's offer of 30.2 million barrels of crude from the Strategic Petroleum Reserve was "substantially oversubscribed," and could keep ongoing pressure on prices. Corn tumbled this week after a U.S. government report showed that corn stocks were much higher than expected and farmers planted the crop on a bigger area than anticipated. The U.S. Agriculture Department (USDA) stated that farmers overcame a cold, rainy spring to plant 92.28 million acres of corn, the second largest area since World War Two. The USDA also noted there were 3.67 billion bushels of corn in storage on June 1, 11% above expectations.

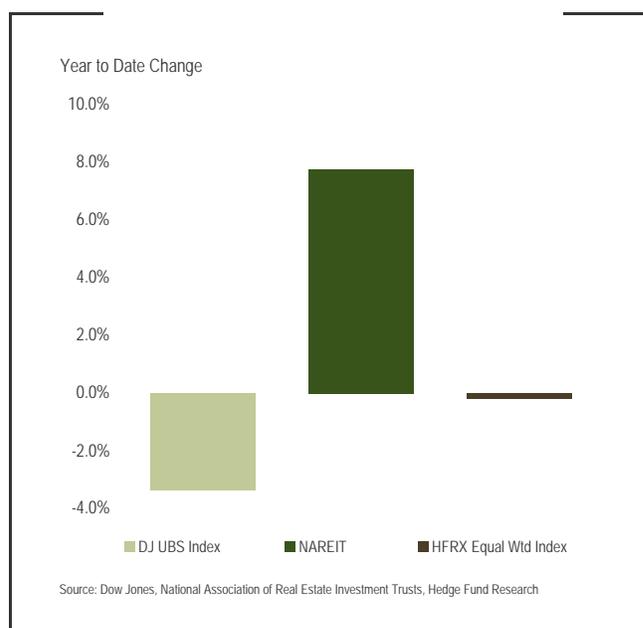
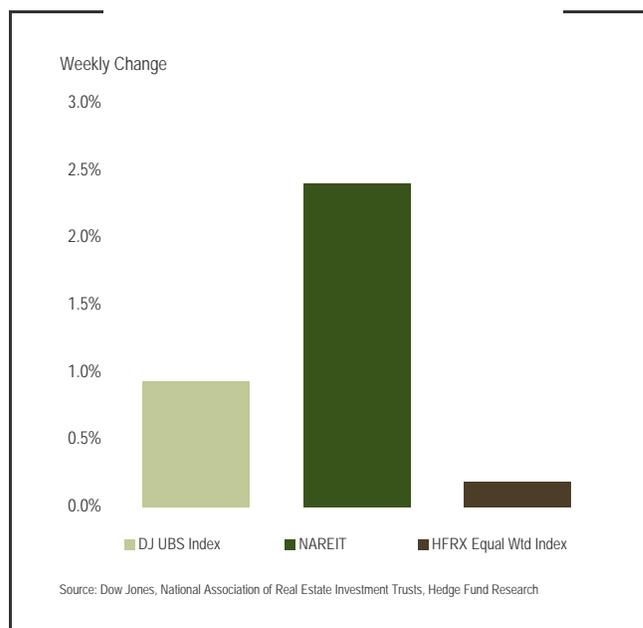
Gold slid below the \$1,500 an ounce mark again this week. Worries about the ability of Greece and other debt-laden euro-zone members to finance their debt had boosted the appeal of gold, as some investors view the precious metal as a refuge to preserve wealth during turmoil in other markets. However, the precious metal came under pressure this week as the dollar gained strength. Analysts with Barclays Capital say the metal may slide as low as \$1,460 to \$1,470 an ounce before finding a base.

In a recent report from REIT.com, the sputtering U.S. economy actually could benefit the domestic REIT market. According to Steve Brown, senior portfolio manager and head of global real estate for American Century Investments, the generally lackluster economic climate could make REITs more attractive to the investment community. "I think if we continue to have this modest and slow economic recovery, coupled with low interest rates, U.S. REITs could deliver outstanding results relative to the S&P 500, because, again, we're experiencing recovering fundamentals in commercial real estate." Brown went on the claim that if rates on 10-year Treasury bonds continue to drop, that should enhance REITs' attractiveness to investors as well.

Issue	Previous Week	Current ¹	Change
Gold	1,499.40	1,483.90	-1.03%
Crude Oil Futures	91.19	95.08	4.27%
Copper	410.30	430.45	4.91%
Sugar	26.00	27.25	4.81%
HFRX Equal Wtd. Strat. Index	1,163.01	1,165.15	0.18%
HFRX Equity Hedge Index	1,117.44	1,125.20	0.69%
HFRX Equity Market Neutral	1,030.54	1,036.62	0.59%
HFRX Event Driven	1,388.07	1,392.06	0.29%
HFRX Merger Arbitrage	1,531.90	1,538.65	0.44%
Dow Jones UBS Commodity Index	155.51	156.95	0.93%
FTSE/NAREIT All REIT	141.42	144.81	2.40%

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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