MainStreet Advisors
Financial Market Update

July 22, 2011
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Economic Update

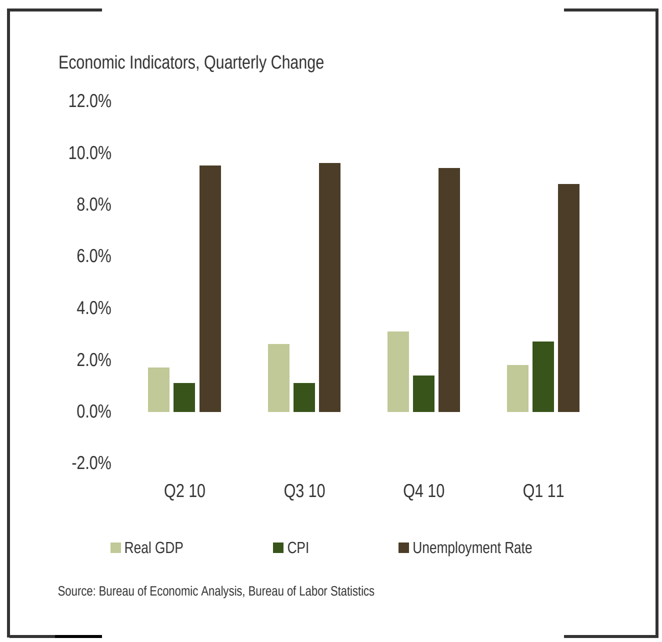
Government officials continued discussions regarding the debt ceiling this week in an attempt to avoid an impending government default and subsequent credit rating downgrade. The Treasury Department announced that the government could begin defaulting on its obligations as soon as the first week in August if the debt ceiling is not raised – something many representatives refuse to do without an accompanying deficit-reduction plan. Word spread early on Friday that President Barack Obama and House Speaker John Boehner were making progress toward a deal that would reduce the deficit by cutting nearly $3 trillion in spending and raising up to $1 trillion through tax code modifications. The largest roadblock for this deal, and many that preceded it, is the issue of taxes – Democrats insist that the budget reduction can not be comprised entirely of cuts and wish to source additional revenue from a tax overhaul, while Republicans would prefer to leave the tax code, specifically the Bush-era tax cuts for the wealthy, intact.

The U.S. Labor Department announced on Thursday that jobless claims rose to higher than expected levels last week, jumping 10,000 to a seasonally adjusted 418,000. This marks the first weekly increase in three weeks; however, the four-week moving average of new claims fell 2,750 to 421,250. The report reflects a stubborn, volatile job market that may be improving slightly over the long term.

Existing home sales dropped for the third straight month in June, falling 0.8% to a seven-month low seasonally adjusted rate of 4.77 million. The report released on Wednesday by the National Association of Realtors contained some encouraging news however, as prices of the homes that did sell increased a substantial 8.9% for the month, bringing the median home price to $184,300.

Eurozone leaders announced on Thursday that a bailout plan for Greece has been approved that will offer €109 billion (roughly $157 billion) over the next three years at approximately 3.5% interest. The plan takes aim at an 18-month-old debt crisis that was quickly becoming more volatile, and includes measures to prevent the debt issues from spreading further across Europe.

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.



July 18th	Housing Market Index, July	15.0
July 19th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.4%
July 19th	Housing Starts, June	629,000
July 20th	MBA Purchase Applications Index, Wkly. Chg.	-0.1%
July 20th	Existing Home Sales, June SAAR	4.77M
July 20th	EIA Petroleum Status Report, Wkly. Chg.	-3.7M Barrels
July 21st	Initial Jobless Claims (Week ending 7/16)	418,000
July 21st	Philidelphia Fed Survey, July	3.2
July 21st	Leading Indicators, July Monthly Chg.	0.3%
July 21st	EIA Natural Gas Report, Wkly. Chg.	60 bcf

Bond Market Update

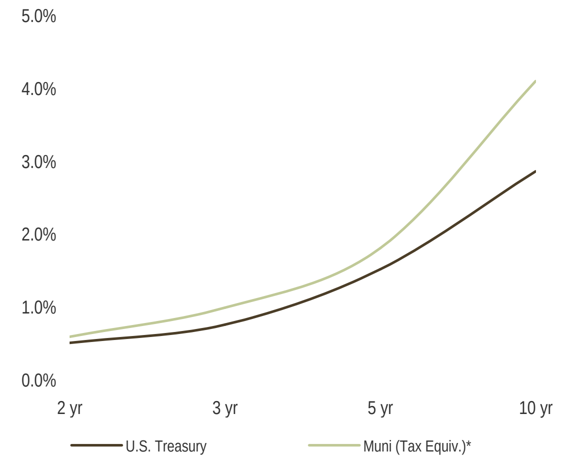
After a lackluster beginning to the week, U.S. Treasuries gained on Friday amid optimism politicians were reaching a deal to raise the debt limit and avoid a default. U.S. government debt strengthened after House Ways and Means Committee Chairman Dave Camp predicted Congress would raise the $14.3 billion debt ceiling before the government runs out of funds on August 2. Earlier, Standard & Poor's reiterated its view that there is a 50/50 chance it may downgrade Treasuries over the near-term if the government does not agree on a plan the significantly reduce the budget deficit. However, a recently proposed $3 trillion spending cut may be large enough to persuade the ratings agency to maintain its top rating on U.S. government debt.

Meanwhile, eurozone leaders agreed on a new bailout for Greece along with measures purported to prevent the country's debt crisis from spreading to other areas. Still, market participants remain skeptical, as, even after the new plan, the country will have a staggering amount of debt. The new plan suggests private creditors who hold Greek debt that matures in the near-term "voluntarily" turn in their bonds and accept new longer-dated securities. These private investors would also accept to be repaid at lower interest rates and renounce a small portion of the original interest. This exchange would cause ratings agencies to place Greece into "selective default" – a term indicating it has defaulted on some obligations but is honoring others.

Issue	7.15.11	7.22.11	Change
3 month T-Bill	0.02%	0.05%	0.03%
2-Year Treasury	0.37%	0.40%	0.03%
5-Year Treasury	1.46%	1.53%	0.07%
10-Year Treasury	2.94%	2.99%	0.05%
30-Year Treasury	4.26%	4.26%	0.00%

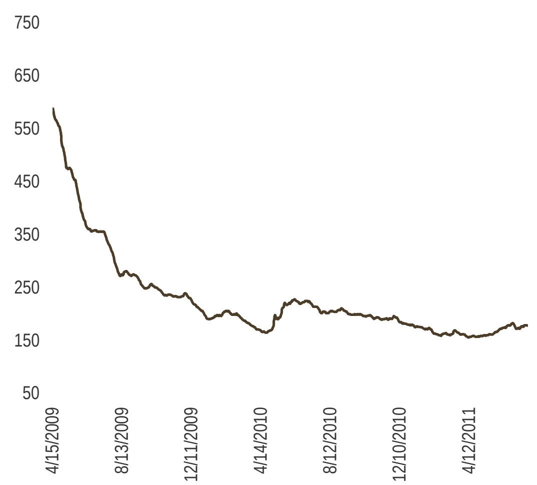
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

Yield Curves



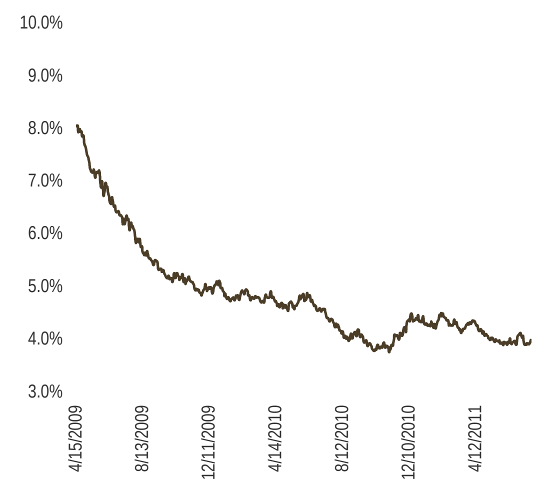
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



Source: Merrill Lynch

Stock Market Update

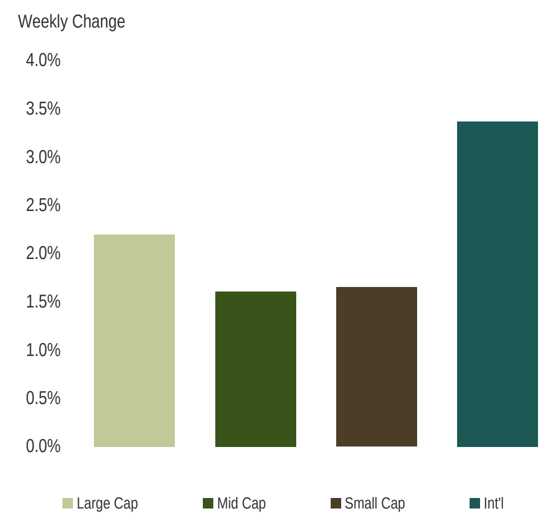
Most major markets were volatile but closed higher for the week as mostly positive earnings reports overshadowed U.S. debt ceiling concerns. On Tuesday the S&P recorded its biggest jump in four months, up 1.6%. Stocks were up early in the day on strong earnings and then shot up on news that the President Obama had endorsed a deal put forth by the "Gang of Six" regarding the debt ceiling. By Friday no official deal had been reached. The Dow Jones Industrial average finished at 12681.16, up 1.6 % for the week. The broader S&P 500 Index closed at 1345.02, up 2.2% from the prior week. The NASDAQ Composite Index increased 2.5% to close at 2858.83.

International markets were mixed as the Shanghai Composite Index declined 1.8% for the week. Chinese property developers and banks dropped amid worries about slowing economic growth and high inflation. On Wednesday a closely watched survey of purchasing managers showed that manufacturing activity in China actually contracted. In Japan the Nikkei Index increased 1.6% for the week. News that eurozone leaders had reached a new bailout deal for Greece boosted markets in Asia and Europe on Friday.

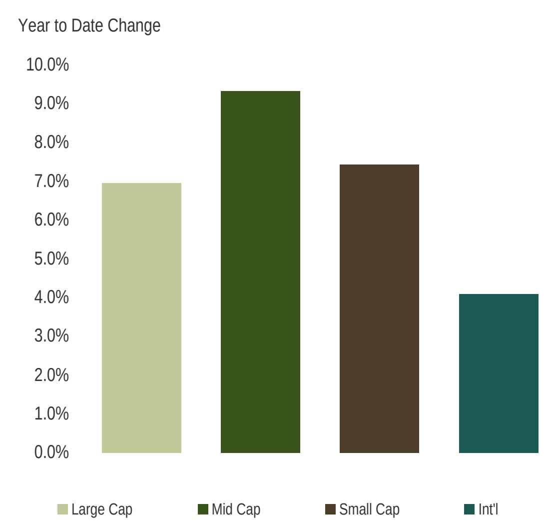
Domestic companies that reported earnings this week included Apple (AAPL), Bank of America (BAC), Goldman Sachs(GS), IBM (IBM), Yahoo (YHOO), Microsoft (MSFT) American Express (AXP), General Electric (GE) and Caterpillar (CAT). Apple reported that third quarter net income more than doubled on higher iPhone and iPad sales. Yahoo's revenue missed estimates as marketers preferred competing sites, and a shakeout in the advertising sales force contributed to a revenue downturn in the U.S. during June. American Express said that average spending on the company's cards for the quarter rose 15% over last year, and the number of outstanding cards rose 6% to 94 million. Earnings were $0.08 ahead of analysts' expectations.

Issue	7.15.11	7.22.11	Change
Dow Jones	12,479.73	12,681.16	1.61%
S&P 500	1,316.14	1,345.02	2.19%
NASDAQ	2,789.80	2,858.83	2.47%
Russell 1000 Growth	614.46	627.99	2.20%
S&P MidCap 400	976.11	991.79	1.61%
Russell 2000	828.18	841.82	1.65%
MSCI EAFE	1,661.14	1,717.06	3.37%
MSCI Small Cap	1,135.42	1,151.05	1.38%

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

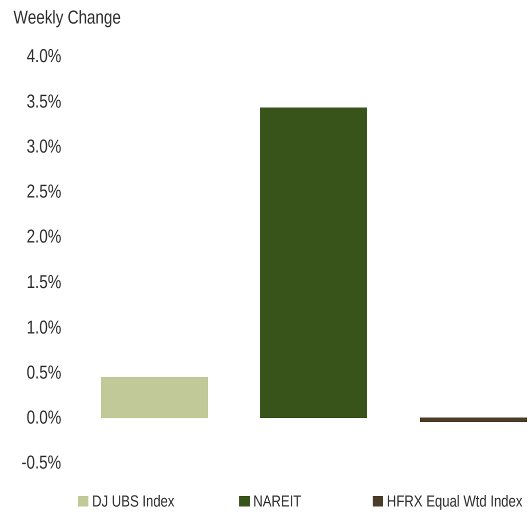
With the progress towards reaching an agreement regarding the U.S. debt ceiling slowing, gold closed the week up 0.53%, settling at $1,602.60 an ounce. Analysts believe reasons for owning gold may only be getting stronger as cash continues to earn nothing with the U.S., European Union and China, among others, keeping interest rates artificially low. Crude oil finished the week up 2.44%, or $2.38, settling at $99.76 a barrel, thanks in large part to the eurozone plan to deal with the sovereign debt crisis raising optimism regarding economic recovery and an increased demand for energy. Crude also benefited this week when the International Energy Association announced they would discontinue releasing further stockpiles for the time being.

Despite their volatile performance in Q2, hedge funds attracted nearly $30 billion in new allocations, bringing the level of capital invested in the global industry to a record $2.04 trillion. According to Hedge Fund Research's latest report, inflows in the first half of 2011 were in excess of $62 billion, the industry's strongest half-year total since 2007, when investors contributed $75 billion to the asset class. Investors in Q2 showed a preference for macro and relative value strategies which were on the receiving end of over $20 billion of the new allocations. In terms of performance, however, relative value strategies gained 0.76% in Q2, while macro strategies declined 1.7%.

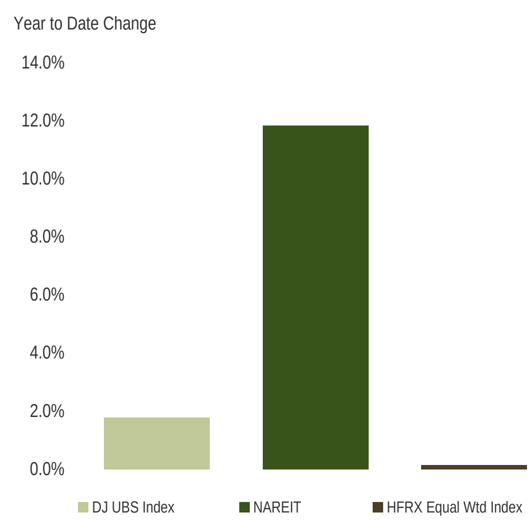
Health care REITs have been active in a number of mergers and acquisitions during the first half of 2011, a trend that experts attribute to more owners and operators of health care properties joining forces to maximize value. According to a report from REIT.com, the increased collaboration is the result of new transactional structures and improved capital markets. There's been more activity from the big health care REITs because of REIT Industry Diversification and Empowerment Act (RIDEA). The report noted that REITs are buying properties and having them operate on a triple net leases basis. Under the RIDEA structure, health care REITs are allowed to lease facilities to a taxable REIT subsidiary if that subsidiary hires an unrelated eligible independent contractor to manage the operations.

Issue	Previous Week	Current[1]	Change
Gold	1,594.20	1,602.60	0.53%
Crude Oil Futures	97.38	99.76	2.44%
Copper	441.85	440.55	-0.29%
Sugar	28.97	31.34	8.18%
HFRX Equal Wtd. Strat. Index	1,169.29	1,168.73	-0.05%
HFRX Equity Hedge Index	1,129.70	1,137.02	0.65%
HFRX Equity Market Neutral	1,045.96	1,043.64	-0.22%
HFRX Event Driven	1,390.31	1,392.90	0.19%
HFRX Merger Arbitrage	1,539.59	1,534.66	-0.32%
Dow Jones UBS Commodity Index	164.54	165.28	0.45%
FTSE/NAREIT All REIT	145.29	150.28	3.43%

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.



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

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