MainStreet Advisors Financial Market Update

July 29, 2011
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Economic Update

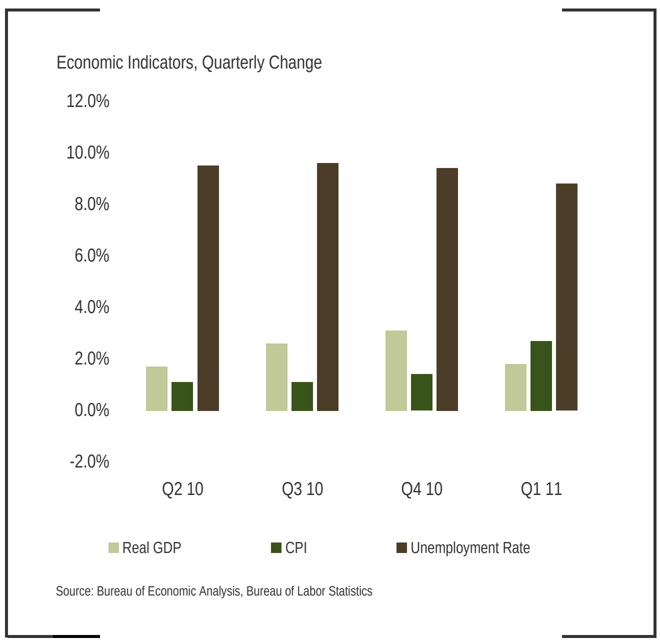
A delay on the vote to raise the debt ceiling this week meant the uncertainty regarding this issue will continue to hang over global markets into the weekend. Regardless of whether or not a deal is struck before August 2, the country's coveted AAA rating remains in jeopardy. If the debt ceiling is not raised, a downgrade would be imminent. However, if a deal is struck that does not sufficiently address the nation's long-term fiscal problems a downgrade would still be likely in the coming months.

Further evidence that economic growth is slowing came from a report from the Commerce Department showing the advance estimate for GDP came in at 1.3%, below the 1.8% figure that economists were expecting. Positive contributions from an uptick in federal government spending and non-residential fixed investment were dampened by a decrease in local and state government spending and weak growth in consumer spending. The report also showed that first quarter GDP numbers were drastically revised down from 1.9% to 0.4%.

There was some much needed positive news in the job market as initial jobless claims fell 24,000 to 398,000 in the week ended July 23, according to the Labor Department. This was the first time since early April the number was below 400,000. Fewer state government furloughs in Minnesota and fewer layoffs in the automotive industry were among the positive contributing factors. The continuing claims figure also fell to 3,703,000 for the week ended July 16, down 17,000 from the previous week.

The housing market is still showing some weakness in sales volume, but prices are showing surprising strength. New home sales fell 1.0% to an annual rate of 312,000 in June, according to the Commerce Department. The report also showed, however, that the median price was up 5.8% to $235,200. The outlook for housing in the coming months improved according to pending home sales figures from the National Association of Realtors (NAR). The index, which is based on contract signings, rose 2.4% in June.

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.

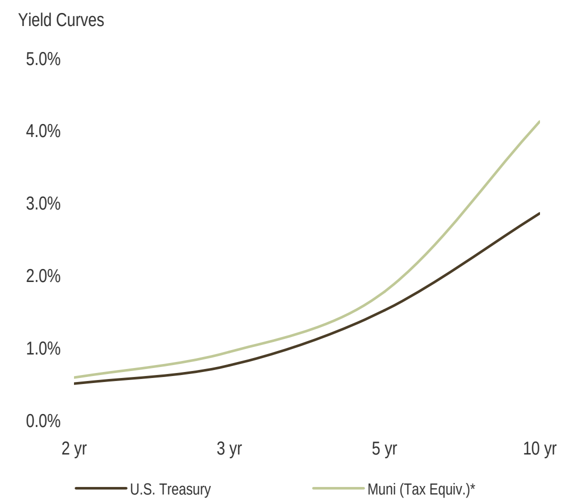


July 26th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.3%
July 26th	S&P/Case-Shiller 10-city Index, May Monthly Chg.	1.1%
July 26th	Consumer Confidence Index, July	59.5
July 26th	New Home Sales, June	312,000
July 26th	State Street Investor Confidence Index, July	101.1
July 27th	MBA Purchase Applications Index, Wkly. Chg.	-3.8%
July 27th	Durable Goods New Orders, June Monthly Chg.	-2.1%
July 27th	EIA Petroleum Status Report, Wkly. Chg.	2.3M Barrels
July 28th	Initial Jobless Claims (Week ending 7/23)	398,000
July 28th	Pending Home Sales, June Monthly Chg.	2.4%
July 28th	EIA Natural Gas Report, Wkly. Chg.	43 bcf
July 29th	GDP Price Index, Q2 Quarterly Change SAAR	1.3%
July 29th	Employment Cost Index, Q2 Quarterly Change	0.7%
July 29th	Chicago PMI Business Barometer Index, July	58.8
July 29th	Consumer Sentiment Index, July	63.7

Bond Market Update

As political wrangling continued in Washington over the debt ceiling, weak U.S economic data reported Friday boosted demand for “safe-haven” U.S. debt. Treasury yields fell to their lowest level in two weeks after the Commerce Department reported GDP growth of only 1.3% in the second quarter. GDP growth in the first quarter was revised down to 0.4% from 1.9%. Yields on 10-year Treasuries fell 11 bps to 2.82% on Friday alone. Yields on 2-year notes dropped 7 basis points to 0.36%, near the all-time low of 0.31% reached last November. Concerns about the U.S. economy and the eurozone’s debt problems continue to drive investors into Treasuries despite relatively low yields.

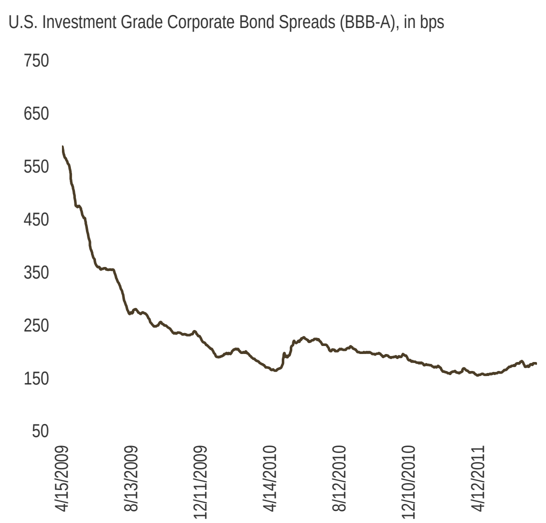
Worries have also been heightened as to the effect that a possible downgrade of U.S. debt may have on the municipal bond market. On Tuesday California Treasurer Bill Lockyer said that state had secured a $5.4 billion bridge loan in case Congress fails to raise the federal debt ceiling. The state was able to secure the package of short-term loans from a group of banks, credit unions and investment funds. "I'm hopeful Congress and the president will do the responsible thing, solve the problem before it's too late, and not risk pushing the country into a financial and economic abyss," Lockyer said in a statement.



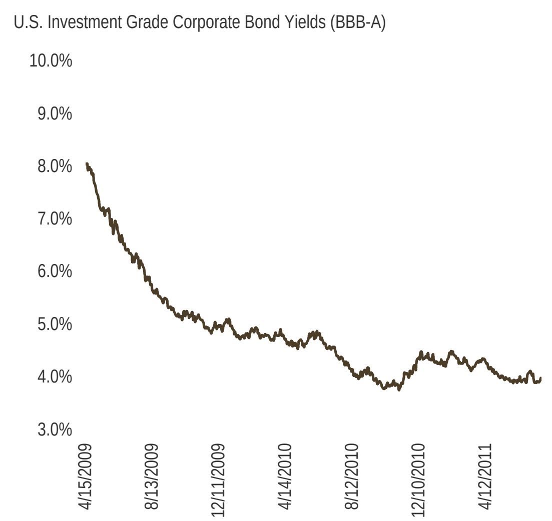
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	7.22.11	7.29.11	Change
3 month T-Bill	0.05%	0.10%	0.05%
2-Year Treasury	0.40%	0.36%	-0.04%
5-Year Treasury	1.53%	1.35%	-0.18%
10-Year Treasury	2.99%	2.82%	-0.17%
30-Year Treasury	4.26%	4.12%	-0.14%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

The stock market ended the month of July negative and finished the worst week in 2011. The markets have struggled with conflicting economic data, corporate earnings, and the lack of clarity regarding the debt ceiling. The Dow Jones Industrial Average closed at 12,143.24, down over 500 points for the week, or down 4.24%. The broader S&P 500 Index ended the week down by 3.92% to close at 1,292.28, while the NASDAQ Composite finished lower by 101 points, or down 3.58% to close the week out at 2,756.38.

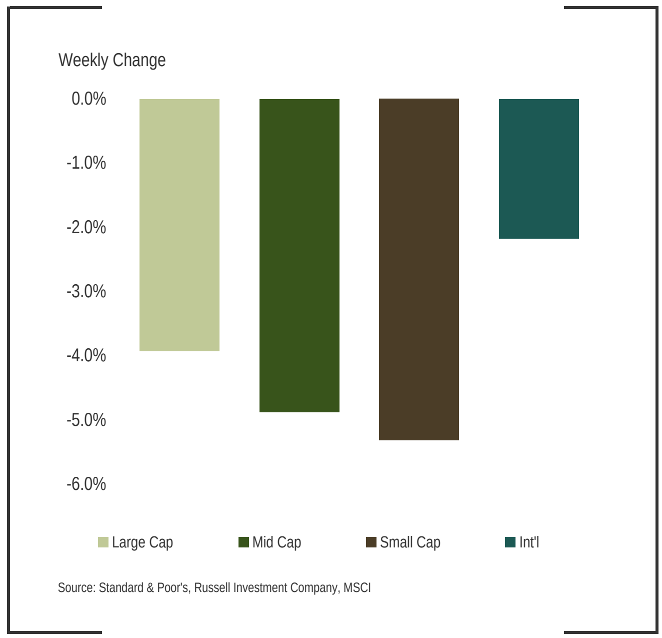
The market continues to react to the news regarding the debt ceiling as the August 2 deadline nears. A deal was to be finalized Thursday night only to be pulled off the table by house republican leaders when they knew they were lacking the necessary votes to have it passed. The uncertainty and inability by the U.S. government to have a deal in place put a downward pressure on the markets over the entire week.

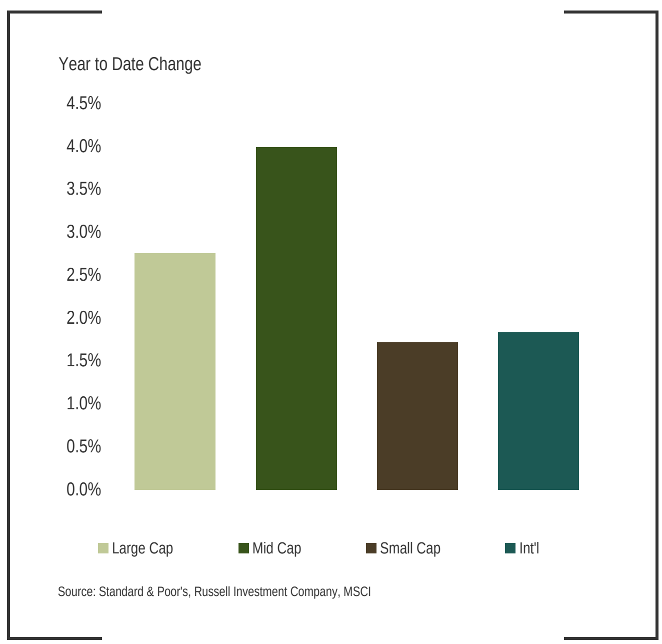
The two IPOs this week of Dunkin Brands (DNKN) and Teavana Holdings (TEA) were met with rave reviews. On Wednesday the parent company of Dunkin Donuts, DNKN, went public and opened up 47%. Thursday was tea time, as shares of Teavana Holdings, which sells tea the United States and Mexico, was up 64% midday and raised over $120 million in their IPO. Lastly, Starbucks (SBUX) reported earnings after the close on Thursday with profit up 34%. Also, Starbucks lifted its 2011 outlook and discussed its plan to accelerate the opening of new stores. Starbucks finished the week in negative territory, but was in positive territory Friday on the earnings announcement.

The energy giant Exxon Mobile (XOM) reported earnings before the opening bell on Thursday. The cash generation remains very strong within the company and benefited from the XTO Energy acquisition last year and doubled the size of its Marcellus Shale output. In the period from April-June, Exxon Mobile's profit jumped 41% to $10.7 billion.

Issue	7.22.11	7.29.11	Change
Dow Jones	12,681.16	12,143.24	-4.24%
S&P 500	1,345.02	1,292.28	-3.92%
NASDAQ	2,858.83	2,756.38	-3.58%
Russell 1000 Growth	627.99	603.08	-3.97%
S&P MidCap 400	991.79	943.42	-4.88%
Russell 2000	841.82	797.06	-5.32%
MSCI EAFE	1,717.06	1,679.84	-2.17%
MSCI Small Cap	1,151.05	1,145.40	-0.49%

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.





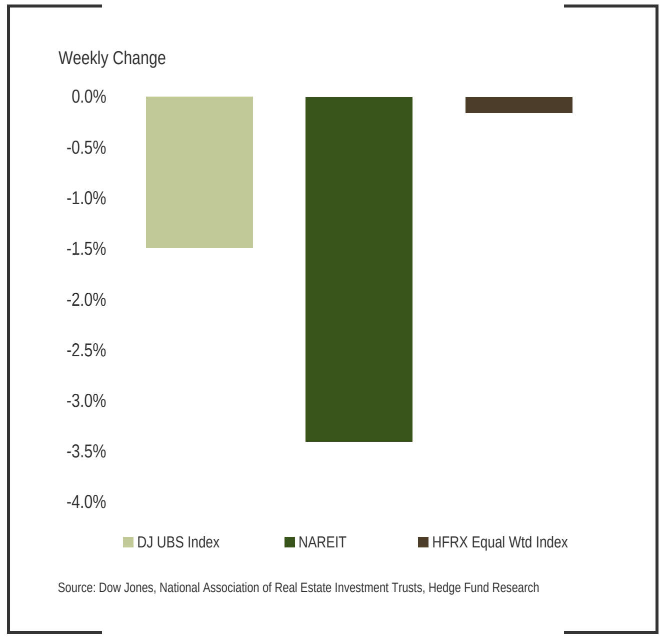
Alternative Investments Market Update

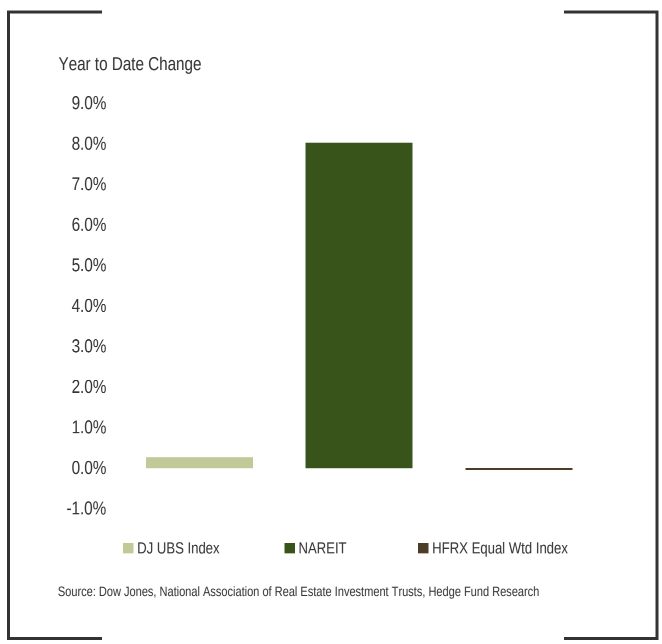
Amid mounting concerns over the U.S. debt crisis and signs of a faltering economy, gold hit a record $1,637.50 an ounce earlier this week, while settling at $1,629, up 1.65%. Experts believe that investors searching for a safe haven investment are choosing this precious metal because they desire something tangible to diversify away from U.S. assets. Copper settled at $4.4850 a pound, its highest in three and a half months as the labor stalemate at Escondida, the world's largest copper mine, reached a week. In addition, Chile, the world's top copper producer, reported a drop in production in June. Output fell 8.5% year-on-year to 426,500 metric tons, due to strikes at various mines, poor weather and power outages. With a dim showing of U.S. GDP, oil fell 3.89% this week, settling at $95.88 a barrel, for its first weekly drop since June.

According to a report from REIT.com, as property values begin to rise, investors once scared away from the commercial real estate market are beginning to return. In doing so, they face the decision of investing in public or private real estate. Public real estate's advantage is the quality of the assets they own and the high-quality management teams who know how to structure and execute deals. Conversely, private real estate, or the actual building itself, is more tangible to investors and allows them to target specific markets or property types on an individual asset-by-asset basis. A combination of both public and private sectors offers the best of both worlds to an investor's portfolio. In other REIT news, REITs that buy mortgage debt tumbled the most in more than a year on concern that the markets that finance them will be shaken if the U.S. government defaults on its debt. A Bloomberg index of the shares of 32 mortgage REITs dropped as much as 8.5%, the most since May 2010. The companies fell as the cost of overnight repurchase agreements, or repos, financing for government-backed mortgage securities jumped to its highest mark since January. Executives from several of these REITs told analysts on earnings calls this week that while repo rates were climbing, the gain was modest and the down payments required for the loans were not changing.

Issue	Previous Week	Current[1]	Change
Gold	1,602.60	1,629.00	1.65%
Crude Oil Futures	99.76	95.88	-3.89%
Copper	440.55	448.50	1.80%
Sugar	31.34	29.81	-4.88%
HFRX Equal Wtd. Strat. Index	1,168.73	1,166.91	-0.16%
HFRX Equity Hedge Index	1,137.02	1,128.95	-0.71%
HFRX Equity Market Neutral	1,043.64	1,035.87	-0.74%
HFRX Event Driven	1,392.90	1,390.04	-0.21%
HFRX Merger Arbitrage	1,534.66	1,530.63	-0.26%
Dow Jones UBS Commodity Index	165.28	162.81	-1.49%
FTSE/NAREIT All REIT	150.28	145.17	-3.40%

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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