MainStreet Advisors
Financial Market Update

August 5, 2011

Economic Update

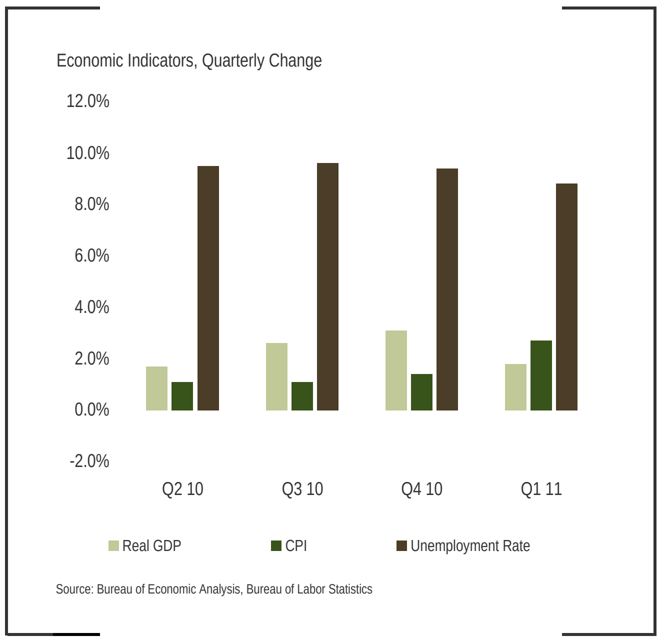
The easing of uncertainty that came with an eleventh hour end to the debt ceiling debacle proved fleeting as the market moved its focus to the weakening economic outlook. While raising the debt ceiling prevented the United States from defaulting this week, the deal reached left people on both sides of the aisle unhappy and did very little to address the nation's long-term fiscal problems.

Manufacturing growth appears to have slowed to a crawl, according to a report from the Institute for Supply Management (ISM). The PMI dropped 4.4 points in July from the previous month to 50.9. While the number is still above 50, and therefore indicates a 24th consecutive month of expansion, it is the slowest rate so far during the recovery. When you consider that June's number was inflated by a build-up in inventories, the outlook for further expansion appears to be souring. The ISM issued another report later in the week that showed the non-manufacturing index edged slightly lower to 52.7 as a deepening contraction in backlog orders overshadowed an increase in business activity.

Initial jobless claims edged slightly lower to 400,000 in the week ended July 30, according to the Labor Department. The previous week's number was revised up to 401,000 meaning this marked the 17th consecutive week the number has come in at or above 400,000 – a key level to stay under for the job market to show any real improvement. The four-week average moved down for a fifth straight week to 407,750. The Challenger report gave little reason for optimism as it showed planned job cuts surged 60% in July from the previous month amid a flurry of layoffs being announced by large companies including Cisco Systems, Merck, and Borders.

On Friday the Labor Department reported that the U.S. added 117,000 jobs in July as the unemployment rate fell to 9.1%. In another positive sign, the number of jobs created in May and June was revised upward by 54,000 over the two month period. While job creation in July was better than consensus estimates of 75,000, it was still below the 250,000 new jobs per month that analysts predict are needed to begin to put a dent in the unemployment rate.

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.



Aug. 1th	ISM Mfg. Index - Level, July	50.9
Aug. 1th	Construction Spending, June Monthly Chg.	0.2%
Aug. 2nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.3%
Aug. 2nd	Personal Income, June Monthly Chg.	0.1%
Aug. 3rd	MBA Purchase Applications Index, Wkly. Chg.	5.1%
Aug. 3rd	Factory Orders, June Monthly Chg.	-0.8%
Aug. 3rd	ISM Non-Mfg. Index, July	52.7
Aug. 3rd	EIA Petroleum Status Report, Wkly. Chg.	1.0M Barrels
Aug. 4th	Initial Jobless Claims (Week ending 7/30)	400,000
Aug. 4th	EIA Natural Gas Report, Wkly. Chg.	44 bcf
Aug. 5th	Unemployment Rate, July	9.1%
Aug. 5th	Consumer Credit, June Monthly Change	15.5B

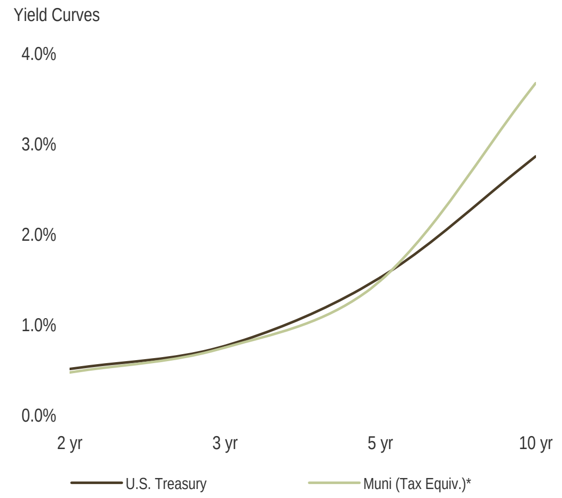
Bond Market Update

After a volatile week, U.S. Treasuries finished gaining the most since the last time the Federal Reserve cut interest rates in 2008, amid strong demand for safe-haven securities. However, government debt fell sharply on Friday on hopes the euro zone was finally taking steps to help resolve its sovereign debt crisis. Early speculation that Italy would announce measures to ease market pressure on its bonds initially drove bond prices lower. Later, Italian Prime Minister Silvio Berlusconi said he would accelerate austerity measures with the aim of a balanced budget in 2013 and would seek a constitutional principle of a balanced budget.

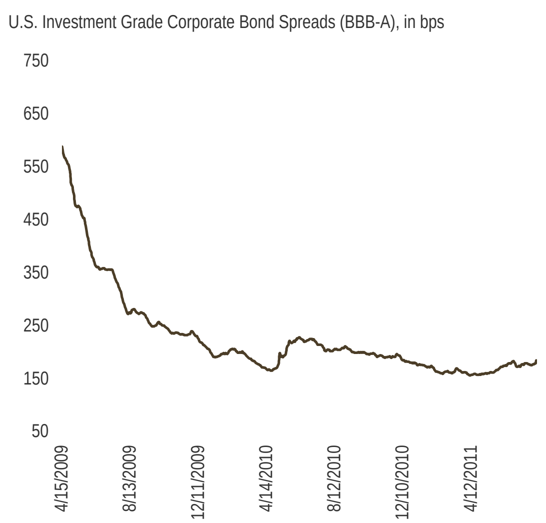
Overall, bonds ended the week significantly higher on concerns a weakening economy will prompt the Federal Reserve to provide additional monetary stimulus to bolster growth. Many market strategists feel fear and panic are driving the markets, resulting in considerable gains for Treasuries, which returned 3.67% over the last month, according to Merrill Lynch. Demand has also surged for T-Bills, Treasuries maturing in a year or less, driving yields to zero or even slightly negative. Flows into T-Bills by money market funds grew this week amid news that the Bank of New York Mellon Corp, will start charging a fee on large cash deposits next week. Market participants feel if other banks follow suit, it will likely drive more money market funds out of cash and into these short-term securities, keeping yields exceptionally low.

Issue	7.29.11	8.5.11	Change
3 month T-Bill	0.05%	0.01%	-0.04%
2-Year Treasury	0.40%	0.28%	-0.12%
5-Year Treasury	1.53%	1.23%	-0.30%
10-Year Treasury	2.99%	2.58%	-0.41%
30-Year Treasury	4.26%	3.82%	-0.44%

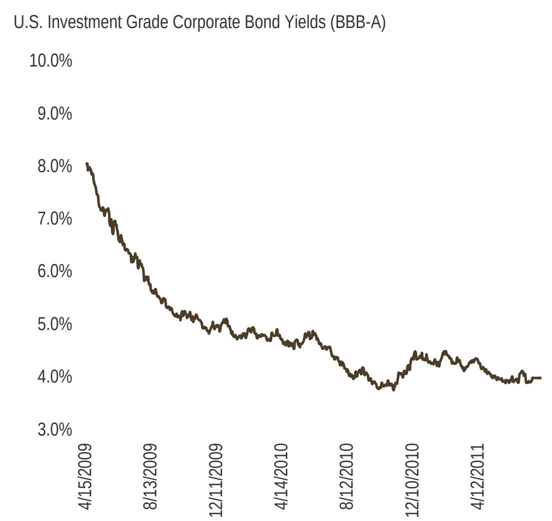
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



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

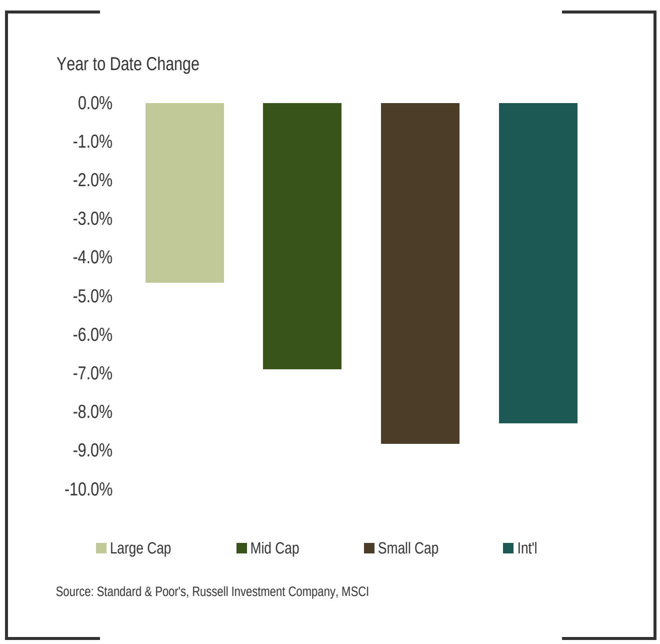
Domestic markets shrugged off the good news that a debt ceiling deal had finally been reached over the weekend as economic news and heightened fears of another recession led stocks lower throughout the week. ECB President Jean Claude Trichet's cautious comments regarding the health of global economic growth during a press conference Thursday led to a huge sell off in Europe and then the U.S. The Dow Jones Industrial Average sank 513 points. The rally from the better than expected jobs report Friday was short lived and the markets swung wildly throughout the day. For the week, the Dow fell 5.75% to 11444.61. The S&P 500 Index closed at 1199.38, down 7.19% from the prior week. The NASDAQ Composite Index declined 8.13% to close at 2858.83. The Volatility Index known as the VIX increased 35% on Thursday and was up nearly 5% on Friday.

International markets were mixed on a relative performance basis compared to the U.S. For the week, the German DAX stock market index fell 12.9%, France was down 10.7% and the FTSE 100 declined 9.8%. In Japan the Nikkei Index Shanghai Composite Index declined only 5.4% for the week. The Hong Kong Hang Seng Index fell 6.7% and the Shanghai Composite Index declined only 2.8%.

Procter & Gamble reported fiscal fourth quarter earnings grew 15% on organic sales growth of 5%. Strong sales from emerging markets like China and India, new product innovations, selective price hikes to offset commodity cost increases, and favorable foreign exchange all aided sales growth. Comcast also reported earnings this week. While the company lost 238,000 video subscribers, it generated 9% more revenue per pay TV customer while adding 144,000 high speed internet subscribers. The early 2011 acquisition of a 51% stake in NBC Universal has so far proved beneficial as its revenue grew 17% for the quarter on strength in cable TV, broadcast networks, filmed entertainment, and theme parks.

Issue	7.29.11	8.5.11	Change
Dow Jones	12,143.24	11,444.61	-5.75%
S&P 500	1,292.28	1,199.38	-7.19%
NASDAQ	2,756.38	2,532.41	-8.13%
Russell 1000 Growth	603.08	558.15	-7.45%
S&P MidCap 400	943.42	844.78	-10.46%
Russell 2000	797.06	714.63	-10.34%
MSCI EAFE	1,679.84	1,513.23	-9.92%
MSCI Small Cap	1,145.40	1,106.09	-3.43%

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

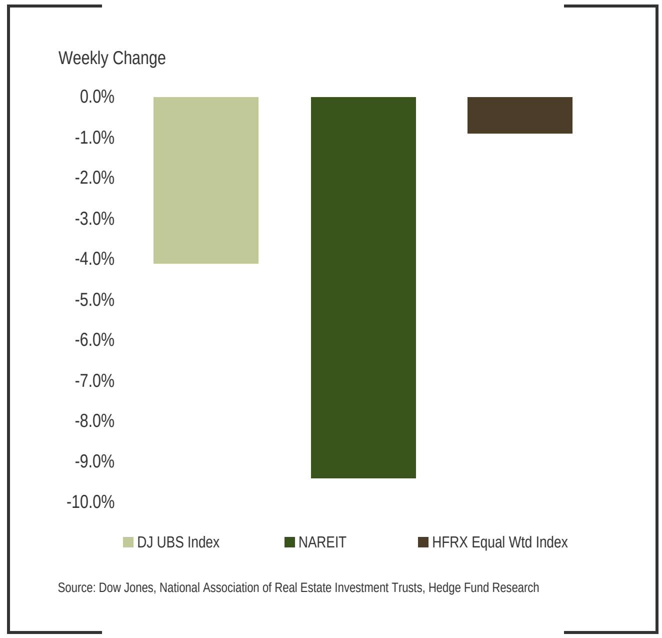
As investors continue to seek a haven from the turmoil in the markets, gold reached its fifth straight weekly gain, settling at $1,665.10 an ounce, up 2.22%, or $36.10. The precious metal hit a record $1,684.90 an ounce earlier in the week as less than expected economic growth led investors to scrutinize the future of the dollar. The dollar recently sank to a new low against the Swiss franc and a four-month low against the yen, which gave gold prices an additional boost. According to a recent report from Bloomberg, while global demand for gold is advancing on concerns about financial turmoil in the US and some European countries, consumers in China are beginning to buy larger amounts of the precious metal as an inflation hedge.

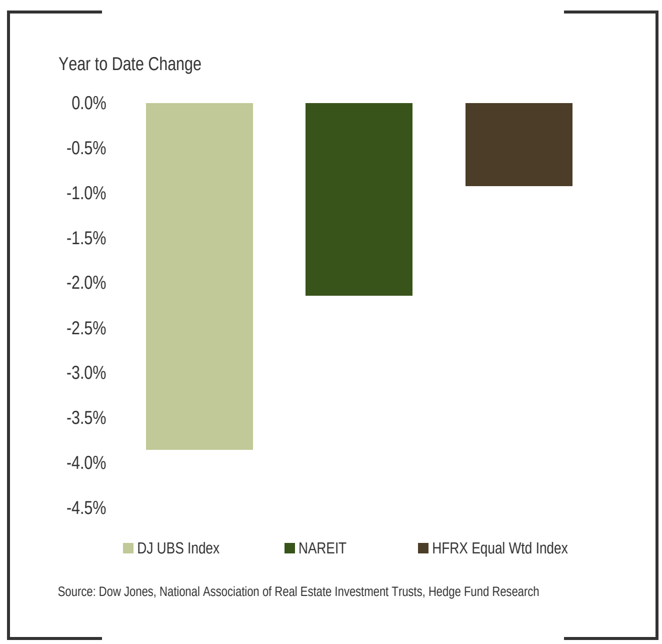
Crude oil cut its loses late this week after a better-than-expected reading on U.S. employment levels were released, temporarily easing fears that another recession was underway. Crude fell 9.17% or $8.79 for the week, settling at $87.09 a barrel. The Labor Department announced nonfarm payrolls rose 117,000 last month, up roughly 42,000 in comparison with economist's predictions, while the unemployment rate fell to 9.1% from 9.2%. This report helped ease fears of a double-dip recession in the U.S., which would undoubtedly cause lower demand for crude oil and gasoline. Fears of such a slowdown gripped the markets late in the week, which sent crude prices plunging to settle at their lowest levels since February.

According to FinAlternatives, the second half of 2011 opened in pretty much the same way the first half closed, with the majority of hedge funds in the red. The average hedge fund fell 0.11% in July, extending its 2011 losses to 2.22%, according to Hedge Fund Research's HFRX Global Hedge Fund Index. Equity hedge and event-driven strategies and sub-strategies were especially hit this past month, with the HFRX Equity Market Neutral Index down 0.51%. Relative-value arbitrage funds were one of the few winners in July, adding 0.26% and up 1.65% year-to-date.

Issue	Previous Week	Current[1]	Change
Gold	1,629.00	1,665.10	2.22%
Crude Oil Futures	95.88	87.09	-9.17%
Copper	448.50	412.35	-8.06%
Sugar	29.81	27.54	-7.61%
HFRX Equal Wtd. Strat. Index	1,166.91	1,156.51	-0.89%
HFRX Equity Hedge Index	1,128.95	1,103.76	-2.23%
HFRX Equity Market Neutral	1,035.87	1,028.40	-0.72%
HFRX Event Driven	1,390.04	1,373.38	-1.20%
HFRX Merger Arbitrage	1,530.63	1,520.89	-0.64%
Dow Jones UBS Commodity Index	162.81	156.15	-4.09%
FTSE/NAREIT All REIT	145.17	131.52	-9.40%

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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