MainStreet Advisors
Financial Market Update

August 19, 2011

Economic Update

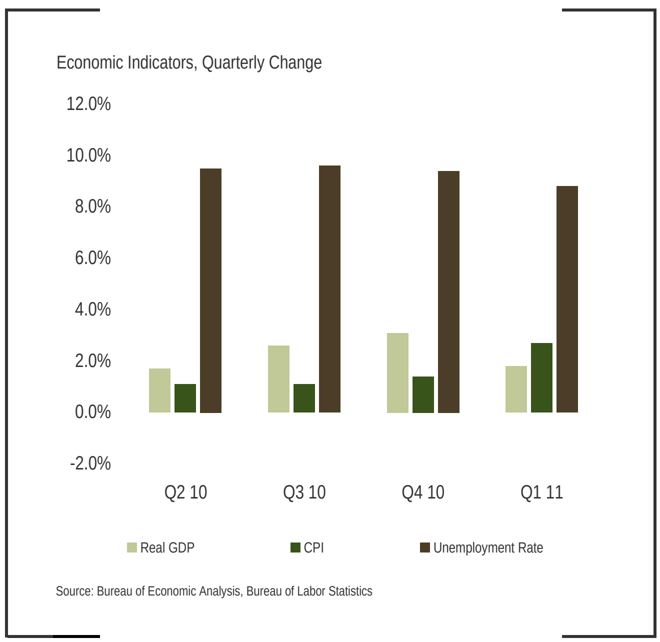
There was a significant slowdown in domestic manufacturing this month, according to a survey from the Philadelphia Fed. The report showed a staggering -30.7 reading for the General Business Conditions Index, indicating a dramatic decrease in production. The survey only covers the Philadelphia Federal Reserve district, however, and a separate report from the Federal Reserve issued earlier in the week showed manufacturing improving across the nation as a whole. Industrial production posted a 0.9% gain in July, driven higher by a strong 5.2% comeback for the automobile industry.

The Consumer Price Index (CPI) surged 0.5% in July following a 0.2% drop the prior month, according to the Labor Department. The increase was driven by a rebound in energy prices and an acceleration in food price inflation. Year-over-year the CPI is up 3.6%. The Producer Price Index (PPI) also surprised on the high side despite a softening in energy costs, rising 0.2% in July.

Housing starts edged down 1.5% in July following a revised 10.8% jump in the previous month, according to a report from the Commerce Department. The figure came in at an annualized pace of 604,000 which was slightly ahead of expectations and 9.8% higher on a year-over-year basis. Housing permits – a leading indicator – fell 3.2% following a 1.3% rise the previous month. The housing market is likely to continue to struggle amid anemic job growth and heightened economic uncertainty.

The European economy grew at a disappointing 0.2% rate in the second quarter following growth of 0.8% the previous quarter, according to a report from Eurostat. Germany, the largest economy in Europe, saw growth almost grind to a halt, rising only 0.1% amid growing fiscal problems for the eurozone. The Japanese government also reported GDP figures this week, with their economy contracting 0.3%. The decline was less than expected, however, and is a positive indication Japan has recovered quickly from the tragic earthquake and tsunami that struck in March.

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.



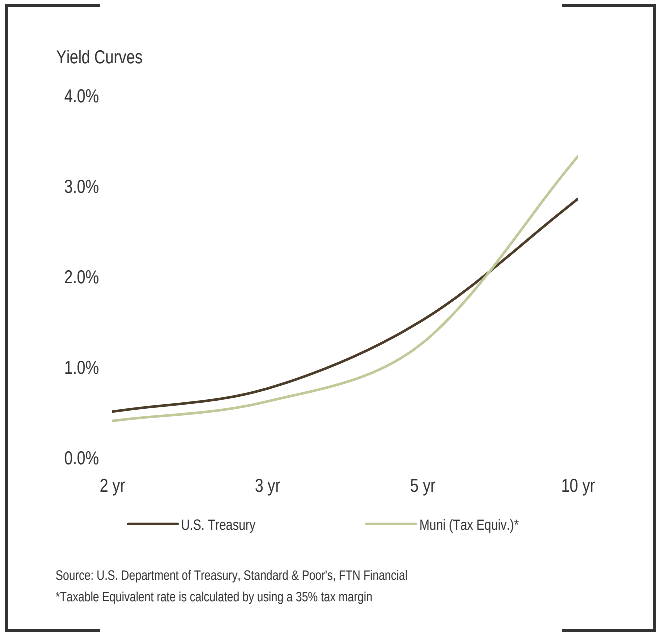
Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Aug. 15th	Empire State Mfg Survey, August	-7.72
Aug. 15th	Housing Market Index, August	15.0
Aug. 16th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.5%
Aug. 16th	Housing Starts, July	604,000
Aug. 16th	Import Prices, July Monthly Chg.	0.3%
Aug. 16th	Export Prices, July Monthly Chg.	-0.4%
Aug. 16th	Industrial Production, July Monthly Chg.	0.9%
Aug. 17th	MBA Purchase Applications Index, Wkly. Chg.	-9.1%
Aug. 17th	Producer Price Index, July Monthly Chg.	0.2%
Aug. 17th	EIA Petroleum Status Report, Wkly. Chg.	4.2M Barrels
Aug. 18th	Consumer Price Index, July Monthly Chg.	0.5%
Aug. 18th	Initial Jobless Claims (week ending 8/13)	408,000
Aug. 18th	Existing Home Sales, July SAAR*	4.67M
Aug. 18th	Philidelphia Fed Survey, August	-30.7
Aug. 18th	Leading Indicators, July Monthly Chg.	0.5%
Aug. 18th	EIA Natural Gas Report, Wkly. Chg.	50 bcf

Bond Market Update

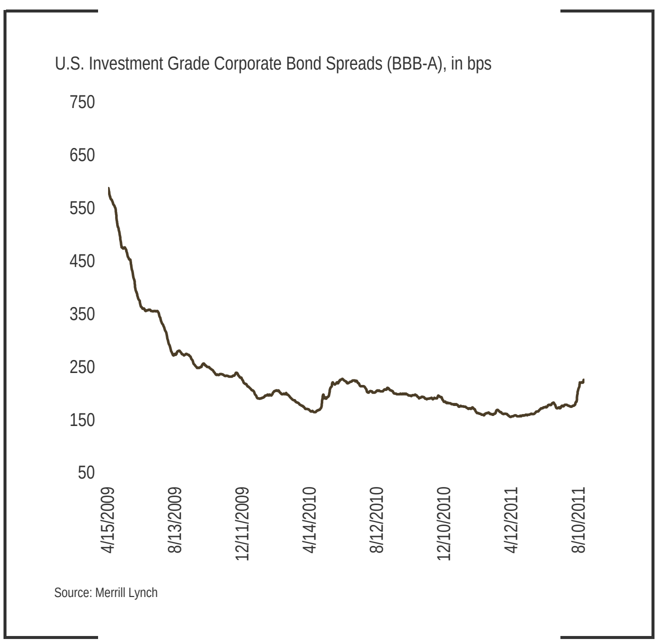
Treasuries rallied yet again amid concern the U.S. economic recovery is stalling and Europe's sovereign-debt crisis is getting worse, with the 30-year bond posting its biggest weekly gain since the depths of the financial crisis in December 2008. On Thursday, the yield on the 10-year note, a key interest rate that tends to guide moves in consumer borrowing costs such as mortgages, fell to 1.9872% in early trading, the lowest level in 60 years, according to St. Louis Federal Reserve records. Suggesting continued economic weakness, Bill Gross of PIMCO said on Friday the decline in Treasury yields reflects a high probability of recession as the U.S. is running out of monetary and fiscal policy options. Similarly, Morgan Stanley warned in a research report the United States and euro zone are "dangerously close to recession," joining a number of firms that have cut forecasts for global growth in the second half of the year.

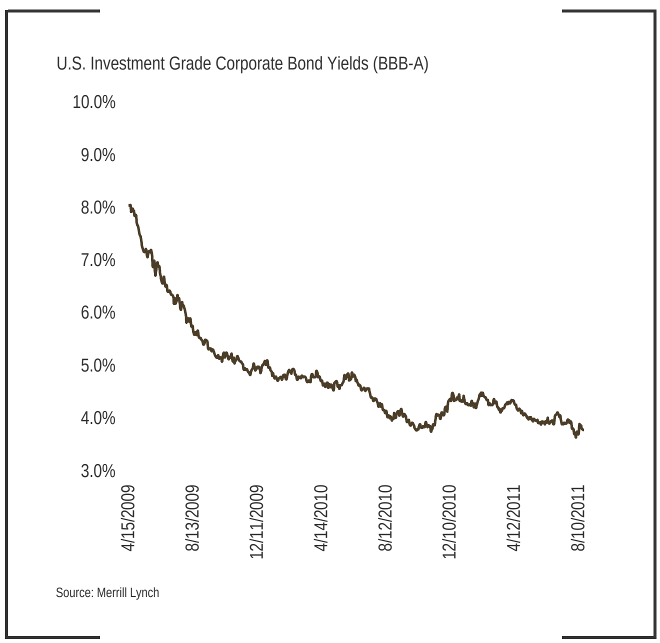
Meanwhile, Fitch Ratings reaffirmed its AAA rating on U.S. government debt and stable outlook, a clear difference of opinion with rival Standard & Poor's. Fitch said its rating is underpinned by the country's pivotal role in the global financial system along with the flexible, diversified and wealthy economy that provides a sustainable revenue base. However, the ratings agency threatened to assign a negative outlook should lawmakers fail to implement over $2 trillion in savings that were agreed to earlier this month or if the economy deteriorates significantly.



Issue	8.12.11	8.19.11	Change
3 month T-Bill	0.02%	0.02%	0.00%
2-Year Treasury	0.20%	0.20%	0.00%
5-Year Treasury	0.96%	0.90%	-0.06%
10-Year Treasury	2.24%	2.07%	-0.17%
30-Year Treasury	3.72%	3.39%	-0.33%

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





Stock Market Update

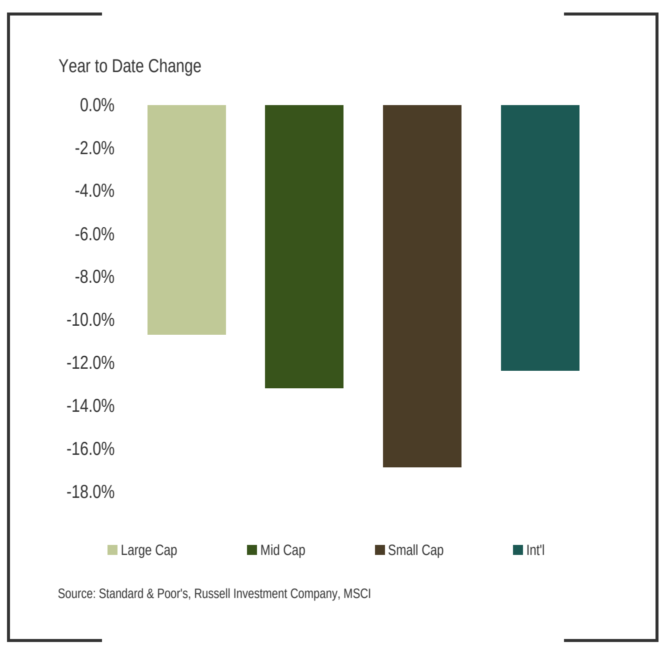
Stock markets started the week strong, posting the third straight day of gains on Monday. The Dow Jones Industrial average posted its biggest three-day percentage gain since March 2009. On Monday Google (GOOG) announced its intention to acquire Motorola Mobility Holdings, Inc. (MMI) for $12.5 billion, or $40 per share, in cash, a 63% premium to MMI's closing price last Friday. Management explained that the acquisition will enable Google "to supercharge the Android ecosystem and will enhance competition in mobile computing. Motorola Mobility will remain a licensee of Android and Android will remain open. Google will run Motorola Mobility as a separate business."

The rally fizzled on Tuesday, however, when weak economic data out of Germany and the fact that the meeting between French president Nicholas Sarkozy and German Chancellor Angela Merkel failed to produce any substantial solutions to the ongoing debt crisis in Europe. After a relatively quiet day on Wednesday, markets plunged on Thursday amid more weak US economic data. For the week, the Dow fell 4%. The broader S&P 500 Index closed at 1,123.53, down 4.7% from the prior week. The NASDAQ Composite Index declined 6.6% to close at 2,341.84. The Volatility Index known as the VIX increased almost 25% for the week.

Retailers made headlines this week with earnings being reported by Wal Mart, Home Depot, Lowe's, Target and most other major retailers. Both Wal Mart (WMT) and Home Depot (HD) lifted their 2011 profit outlook. Target (TGT) said more customers are trading up to higher-end products. Other stocks of note included Dell & Hewlett Packard. On Wednesday Dell (DELL) sank 10% in its worst day since October 2008 after the company reported weak consumer demand and market share gains by Apple in PCs. Hewlett Packard (HPQ) shares were weak on Thursday as the company announced a major software acquisition while also saying it is exploring options for its PC business which include spinning off or selling the business.

Issue	8.12.11	8.19.11	Change
Dow Jones	11,269.02	10,817.65	-4.01%
S&P 500	1,178.81	1,123.53	-4.69%
NASDAQ	2,507.98	2,341.84	-6.62%
Russell 1000 Growth	553.30	520.79	-5.88%
S&P MidCap 400	843.08	787.86	-6.55%
Russell 2000	697.5	651.7	-6.57%
MSCI EAFE	1,498.56	1,446.14	-3.50%
MSCI Small Cap	989.95	995.44	-2.93%

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

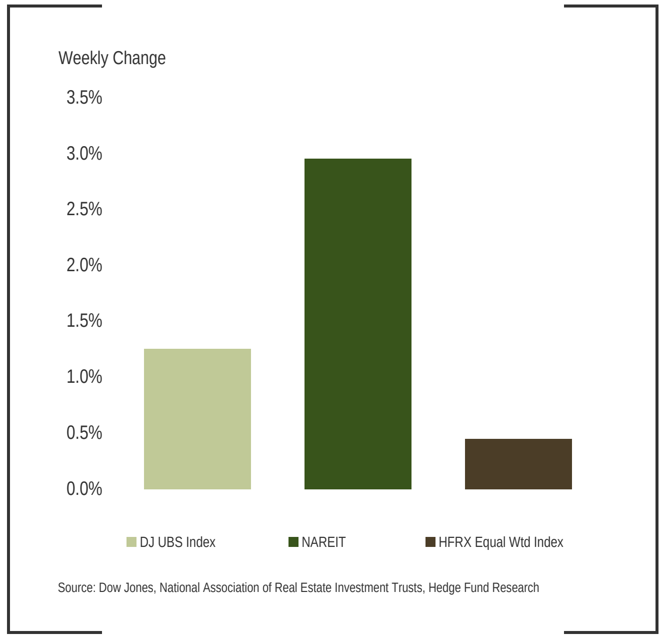
Gold settled at $1,854.50 an ounce, gaining 6.01% for the week, its 7th straight weekly increase, and the largest jump since February 2009. Since the beginning of August, the precious metal has risen 15%, whereas in contrast, the S&P has dropped 12%. Gold has continued to set records as investors remain cautious about the global economy and flock to safety - this week the metal hit a record $1,881.40 an ounce. Other precious metals, such as silver and platinum, have also shown significant gains as metals remain the favorite method of preserving capital in these volatile economic times.

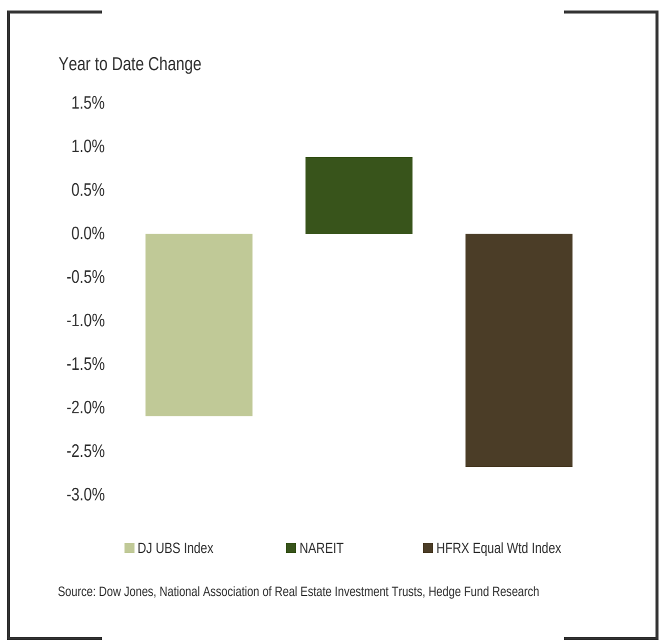
Hedge funds need a strong rally to avoid another month in the red. According to Hedge Fund Research, while the average fund has outperformed the broader markets during the volatile swings this month, it appears they will extend their losses for the year. The HFRX Global Hedge Fund Index was down 2.7% for the month, bringing its year-to-date loss to 4.86%. Unsurprisingly, most of the damage has been done among equity strategies. Equity hedge funds are down 4.53% through the middle of the month, down 13.22% year-to-date. The only bright spots so far this month have been macro strategies and systematic diversified funds, gaining 0.29% and 0.88%, respectively.

Due to concerns about the economy and reduced access to bank financing for landlords, commercial real estate could be losing its prestige as a safe-haven investment. According to a report from the Wall Street Journal, for most of the past year, investors have been seeking stocks of real-estate investment trusts, with the assumption they would be immune from the turmoil of Europe's debt crisis. In the first half of the year, the Dow Jones Equity All REIT Index was up 9.9%, compared with a 6.0% rise in the Standard & Poor's stock Index, on a total return basis. But, in recent weeks, REITs have gotten roughed up with the change in investor sentiment. Analysts say the access to funding those real-estate companies enjoyed in the commercial-mortgage-backed-securities markets is closing and volatility has made bankers more reluctant to provide new loans. The total return for the Dow Jones Equity All REIT Index has declined 10.42% in the past three weeks.

Issue	Previous Week	Current[1]	Change
Gold	1,749.30	1,854.50	6.01%
Crude Oil Futures	85.40	82.69	-3.17%
Copper	402.00	399.25	-0.68%
Sugar	27.84	30.96	11.21%
HFRX Equal Wtd. Strat. Index	1,131.01	1,136.07	0.45%
HFRX Equity Hedge Index	1,045.08	1,067.07	2.10%
HFRX Equity Market Neutral	1,016.13	1,012.83	-0.32%
HFRX Event Driven	1,326.55	1,336.91	0.78%
HFRX Merger Arbitrage	1,481.90	1,509.89	1.89%
Dow Jones UBS Commodity Index	157.03	159.00	1.26%
FTSE/NAREIT All REIT	131.68	135.57	2.95%

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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