MainStreet Advisors
Financial Market Update

September 2, 2011

Economic Update

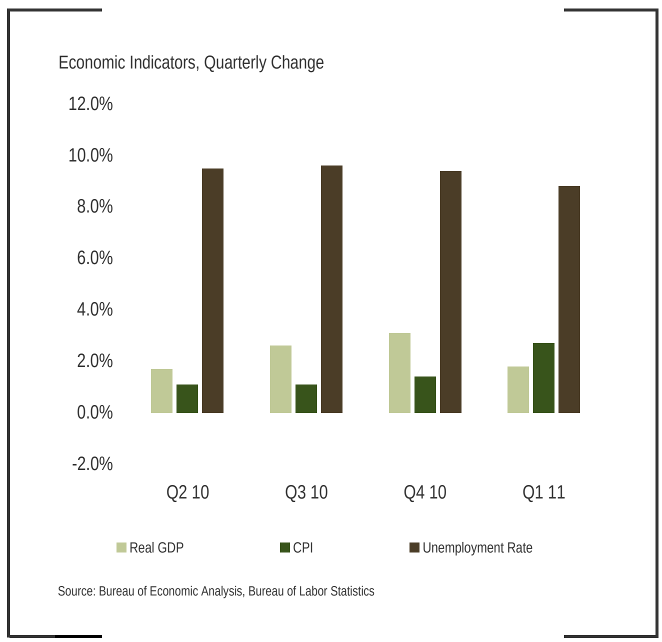
The FOMC meeting minutes released this week indicated that the likelihood of QE3 was higher than implied by the fed statement released after the August 9 meeting. According to the minutes there were there were a few FOMC members felt that recent economic developments justified a more substantial move. Markets will be eagerly anticipating the outcome of the expanded two-day meeting September 20-21.

Employers added zero jobs and the unemployment rate stayed at 9.1% in August, according to the Employment Situation report from the Labor Department. The establishment survey continued to show that the private sector is the sole driver of job growth, as it added 17,000 jobs during the month. The figures were clouded, though, as about 45,000 workers tied to the Verizon strike were off company payrolls. Despite the return of 22,000 state workers in Minnesota, government payrolls still declined by 17,000, nullifying the small gain in the private sector. Local government jobs have now declined 550,000 since the peak in September 2008, as municipalities struggle to balance budgets.

Despite a number of shocks in August, manufacturing came in better than expected for the month. Manufacturing in the U.S. expanded for the 25th consecutive month, according to a report from the Institute for Supply Management. The PMI edged lower to 50.6, but was still above the key 50 level indicating growth for the month.

The strength of the U.S. consumer appears to have improved in July, according to a report from the Commerce Department. Personal income rose 0.3% and consumer spending rebounded nicely, up 0.8% for the month. Consumer confidence plummeted in August, however, as the debt ceiling drama and the S&P downgrade led to a stock market correction that rattled many Americans. The Conference Board's Consumer Confidence Index fell to 44.5, down from 59.2 in July. The index is now at its lowest level since the recession. The bottom line is that while the consumer was alive and well in July, and adding to economic growth, consumer sentiment is down and that may begin to have a negative impact on spending in the coming months.

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.

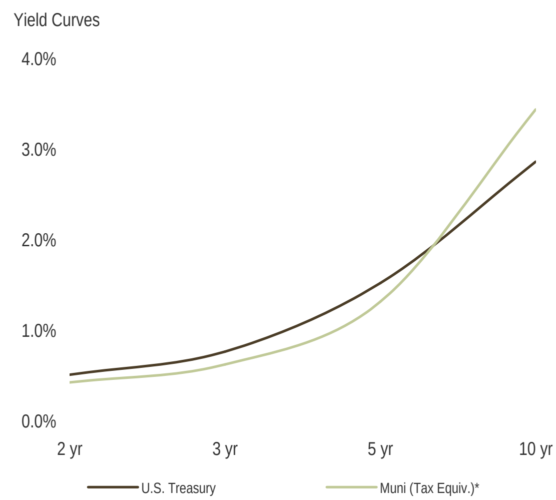


Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Aug. 29th	Consumer Spending, July Monthly Chg.	0.8%
Aug. 29th	Pending Home Sales, July Monthly Chg.	-1.3%
Aug. 30th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Aug. 30th	S&P/Case-Shiller 10-city Index, June Monthly Chg.	1.1%
Aug. 30th	Consumer Confidence Index, August	44.5
Aug. 30th	State Street Investor Confidence Index, August	89.6
Aug. 31st	MBA Purchase Applications Index, Wkly. Chg.	0.9%
Aug. 31st	Chicago PMI Business Barometer Index, August	56.5
Aug. 31st	Factory Orders, Aug. Monthly Chg.	2.4%
Aug. 31st	EIA Petroleum Status Report, Wkly. Chg.	0.5M Barrels
Sept. 1st	Initial Jobless Claims (week ending 8/27)	409,000
Sept. 1st	ISM Mfg. Index - Level, August	50.6
Sept. 1st	Construction Spending, August Monthly Chg.	-1.3%
Sept. 1st	EIA Natural Gas Report, Wkly. Chg.	55 bcf
Sept. 2nd	Unemployment Rate, August	9.1%

Bond Market Update

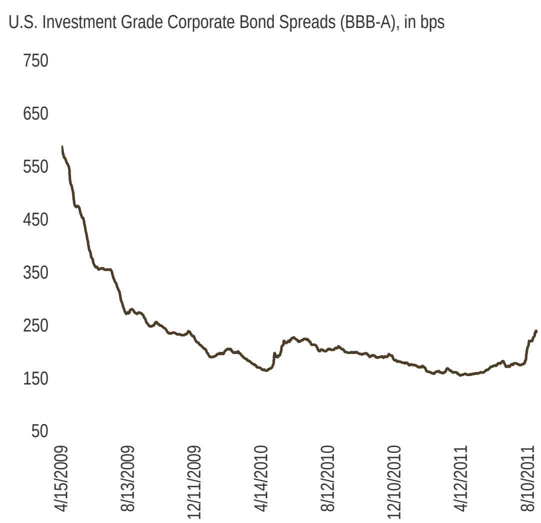
After last week's losses, Treasuries posted strong gains amid a weaker than expected payrolls report and minutes from the Fed's August 9 meeting showing policy makers will debate further monetary stimulus at their September gathering. The rally added to one of the biggest bull runs in the Treasury market, with yields on the 10-year note dropping more than 0.50% in August. Meanwhile, another stimulus option gathering increased attention centers on what is known as a "yield curve twist", with the Fed selling short-term securities and buying long-dated government debt using proceeds from maturing Treasuries and mortgage-backed bond holdings. The intent of this strategy is to reduce long-term borrowing costs for U.S. consumers and businesses. This speculation has sparked strong buying in 30-year bonds in recent weeks, with these securities outperforming short-term notes by a considerable margin. Accordingly, the spread, or difference in yields, between two-year and 10-year notes narrowed to its lowest level in more than two years. The flattening yield curve has heightened fears about the possibility of another recession in the U.S., fueling further demand for safe-haven securities. The euro zone's sovereign debt problems also showed no signs of easing. Concerns have risen that Italy may fail to meet its deficit reduction target by 2013 and that the new bailout for Greece may unravel, which prompted investors to flee government bonds in this region.



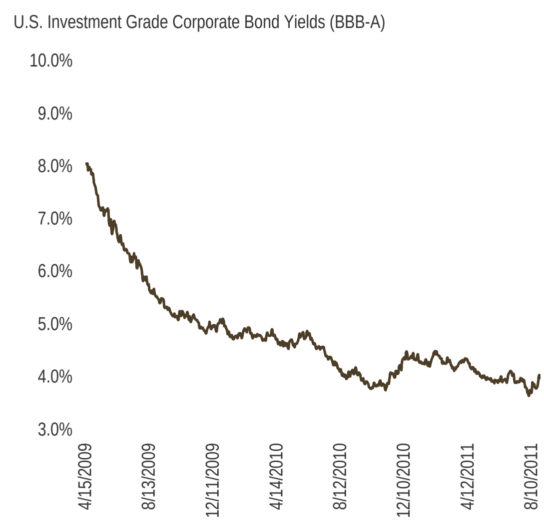
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	8.26.11	9.2.11	Change
3 month T-Bill	0.01%	0.02%	0.01%
2-Year Treasury	0.20%	0.19%	-0.01%
5-Year Treasury	0.94%	0.90%	-0.04%
10-Year Treasury	2.19%	2.15%	-0.04%
30-Year Treasury	3.54%	3.51%	-0.03%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

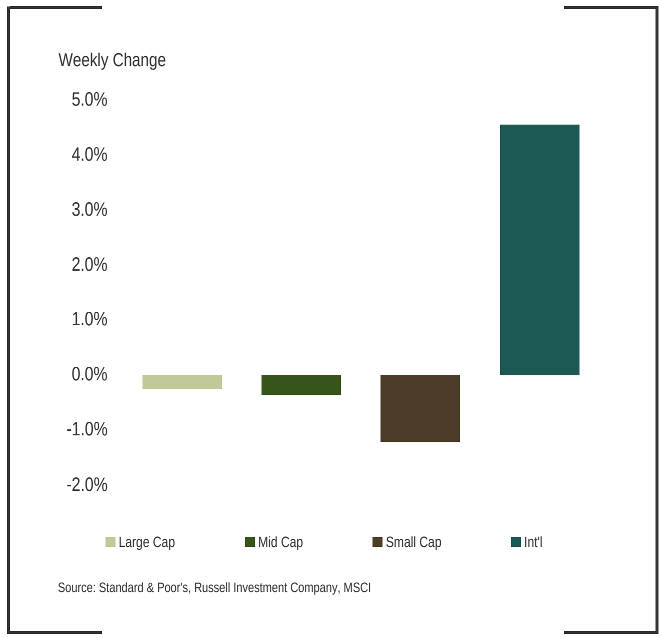
It was another volatile week for the stock market as investors breathed a sigh of relief on Monday that Hurricane Irene was not as bad as expected in the major cities. Insurance stocks in particular were especially strong. The market was also boosted by robust personal spending data. The Dow Jones Industrial Average rose 240 points on Monday. News of a merger between two Greek banks also helped lift investor sentiment. The Athens General Index (ATH:GR:GD) rose 14.4% after EFG Eurobank Ergasias SA and Alpha Bank SA announced a merger. Markets in general continued to be positive through Wednesday to close out the month of August on a positive note. Stocks fell slightly on Thursday in anticipation of Friday's jobs report which came in lower than expected, plunging markets worldwide. For the week, the Dow fell 0.4% to 11240.26. The broader S&P 500 Index closed at 1173.97, down 0.2% from the prior week. The NASDAQ Composite Index closed at 2480.3, flat for the week.

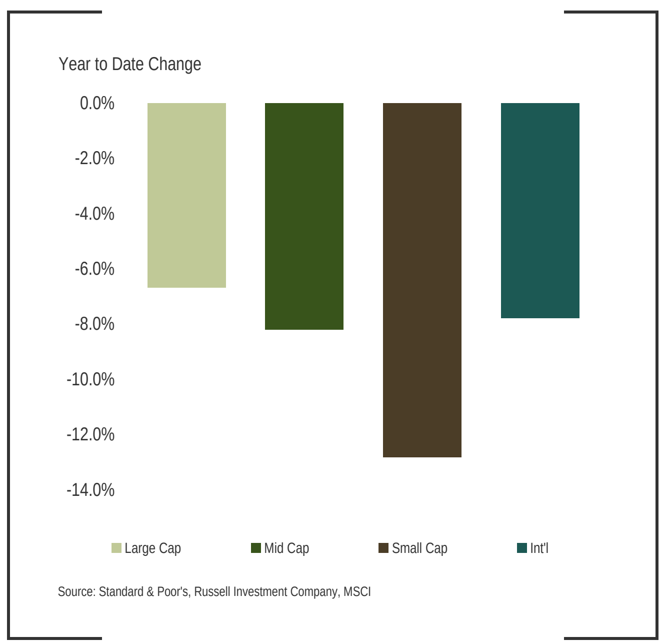
On Wednesday the U.S. Justice Department sued to block AT&T's proposed $39B acquisition of T-Mobile USA, arguing that the proposed merger would lead to higher wireless prices, less innovation and fewer choices for consumers by stifling competition in the wireless industry. Bank of America jumped 6.8% on Monday after agreeing to sell half its stake in China Construction Bank Corp. On Tuesday, Bank of America was sued on behalf of investors in a $1.75B bond deal involving Countrywide loans that became delinquent soon after they were sold.

On an encouraging note for stocks, recent data from S&P shows that companies flush with cash are returning more to shareholders through dividends than in the recent past. Year-to-date through August 31, nearly half of the companies in the S&P Index have either increased or initiated a dividend payment, up from 175 companies during the same period in 2010, and only 102 companies through August 31 in 2009. Additionally, investor dividend checks are up nearly 13% since December 2010.

Issue	8.26.11	9.2.11	Change
Dow Jones	11,284.54	11,240.26	-0.39%
S&P 500	1,176.80	1,173.97	-0.24%
NASDAQ	2,479.85	2,480.96	0.04%
Russell 1000 Growth	550.07	684.11	24.37%
S&P MidCap 400	835.92	832.99	-0.35%
Russell 2000	691.79	683.42	-1.21%
MSCI EAFE	1,455.41	1,521.62	4.55%
MSCI Small Cap	973.05	1,038.00	4.78%

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

The market saw calm movement for alternatives this week considering the volatility swings of the past months. The Dow-Jones UBS Commodity Index, an ETN that tracks nineteen different commodities, was up a modest 1% on the week. This fund's top holdings include crude oil (14% of holdings), gold (13% of holdings), natural gas (10% of holdings) and corn (8% of holdings), making it a reliable indicator of broad commodity performance.

Gold had a strong finish to the week as the equity markets sold off on Friday, erasing the gains from the previous four trading days. According to many analysts gold continues to be a solid strategic investment vehicle to preserve capital, especially in the face of continued economic weakness and low interest rates. Friday in particular saw a gold spike, most likely due to poor unemployment data. This pattern continues to play out as poor economic news draws investors into the gold safe-haven.

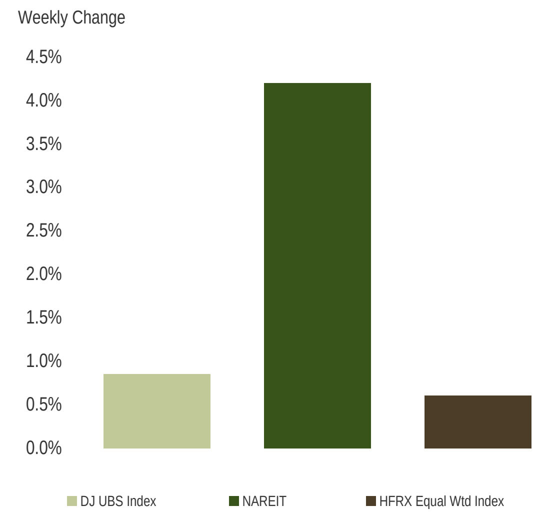
A tropical storm in the Gulf of Mexico caused several oil rigs to hold production, reducing gulf oil output by more than 6%. This factor, combined with the poor employment report, pushed New York oil futures down as slower jobs growth fueled concerns of lower oil consumption in the coming years.

In hedge fund news, Citadel and RenTech were among the few gainers for the month of August; most managers will be going into Labor Day weekend with a solid loss for the month. Hedge funds collectively dropped 4.1% in August, marking the worst drop since fall of Lehman in 2008.

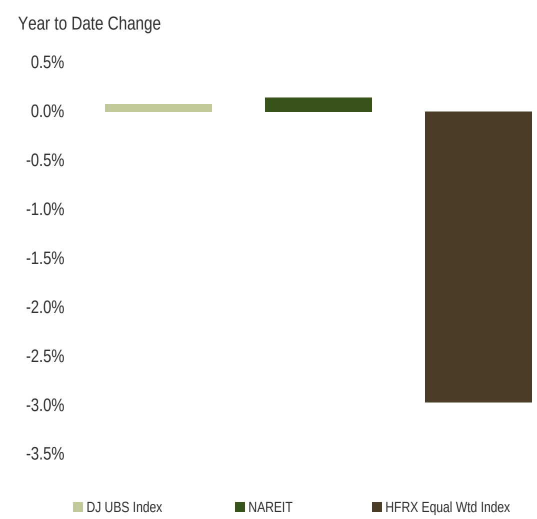
Finally, staying consistent with the general state of the markets, real estate, specifically the All REIT Total Return Index, fell over 5% for the month as lagging economic progress continues to hamper growth potential in the housing market; this can surely be attributed to the political and economic uncertainty plaguing the U.S. and Europe.

Issue	Previous Week	Current[1]	Change
Gold	1,830.30	1,876.90	2.55%
Crude Oil Futures	85.51	86.31	0.94%
Copper	412.00	412.40	0.10%
Sugar	30.22	29.18	-3.44%
HFRX Equal Wtd. Strat. Index	1,125.80	1,132.59	0.60%
HFRX Equity Hedge Index	1,048.61	1,060.50	1.13%
HFRX Equity Market Neutral	1,001.45	1,007.67	0.62%
HFRX Event Driven	1,319.34	1,329.21	0.75%
HFRX Merger Arbitrage	1,502.79	1,517.60	0.99%
Dow Jones UBS Commodity Index	161.14	162.51	0.85%
FTSE/NAREIT All REIT	129.16	134.58	4.20%

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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