

MainStreet Advisors Financial Market Update

September 9, 2011
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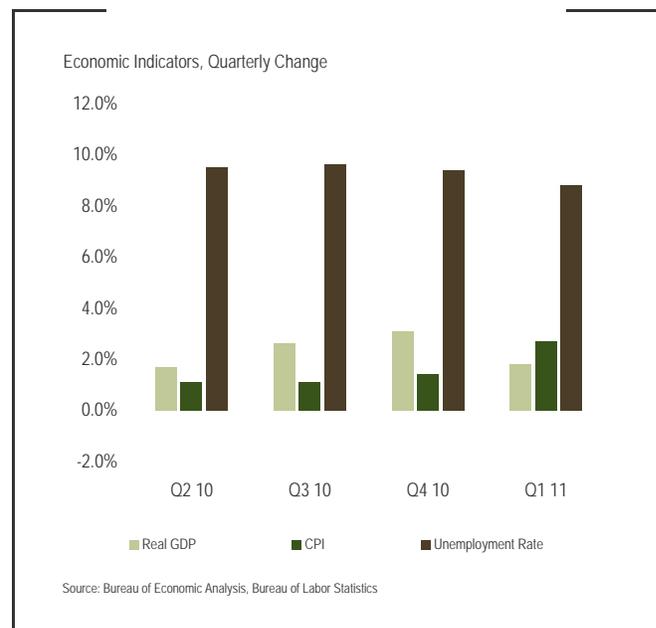
Economic Update

The attention of the markets this week was focused on what might come from speeches out of Ben Bernanke and President Obama. The Fed Chairman gave a speech in Minneapolis on Thursday that largely mirrored the one he gave two weeks ago from Jackson Hole. The market moved down sharply after the speech, indicating investors were hoping for something new from Mr. Bernanke. The President gave his speech later that evening, outlining a plan to overhaul the nation's unemployment benefits system and provide an extension of the payroll tax holiday. The announcement was overshadowed by something closer to the hearts of Americans, however – the return of NFL Football.

Growth in the non-manufacturing sectors accelerated in August, according to the Institute for Supply Management. The NMI edged up six tenths to 53.3 and new orders also accelerated to 52.8. Economists were expecting declines in both readings given the weak economic news that had come out during the month. Despite the positive reading, the comments from respondents to the survey remain mixed reflecting a degree of uncertainty for the remainder of the year.

The U.S. trade gap narrowed sharply in July falling to \$44.8 billion from a downwardly revised \$51.6 billion the previous month, according to the Department of Commerce. All three major components contributed to the improvement with the petroleum gap narrowing \$3.8 billion, nonpetroleum goods narrowing \$2.5 billion, and the services surplus expanding \$0.3 billion. The report also showed that exports surged 4.8% – led by increases in industrial supplies, capital goods, and automobiles – while imports declined 0.3%. These numbers are good news and should bode well for third quarter GDP.

Initial jobless claims held steady edging up only 2,000 to 414,000 in the week ended September 3, according to the Labor Department. The report also showed the four-week average increased to 414,750. The elevated but stable rate of claims indicates continued weakness in the job market and a lack of confidence amongst employers.

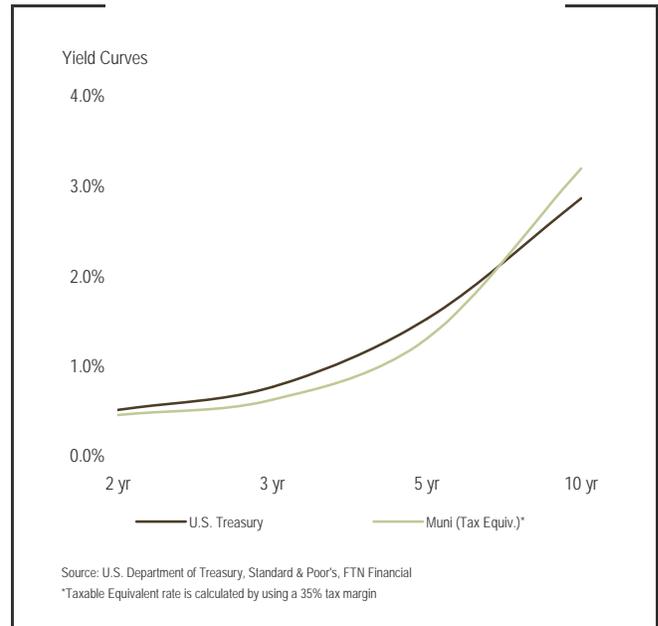


Sept. 6 th	ISM Non-Mfg. Index, August	53.3
Sept. 7 th	MBA Purchase Applications Index, Wkly. Chg.	0.2%
Sept. 7 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.7%
Sept. 8 th	International Trade Balance Level, July	-44.8B
Sept. 8 th	Initial Jobless Claims (week ending 9/3)	414,000
Sept. 8 th	EIA Natural Gas Report, Wkly. Chg.	64 bcf
Sept. 8 th	EIA Petroleum Status Report, Wkly. Chg.	-4.0M Barrels
Sept. 8 th	Consumer Credit, July Monthly Change	12.0B
Sept. 9 th	Wholesale Inventories, July Monthly Chg.	0.8%

Bond Market Update

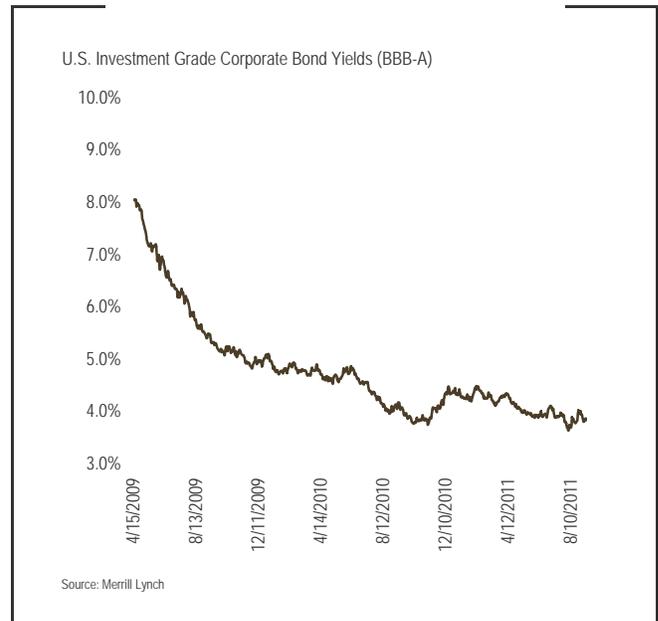
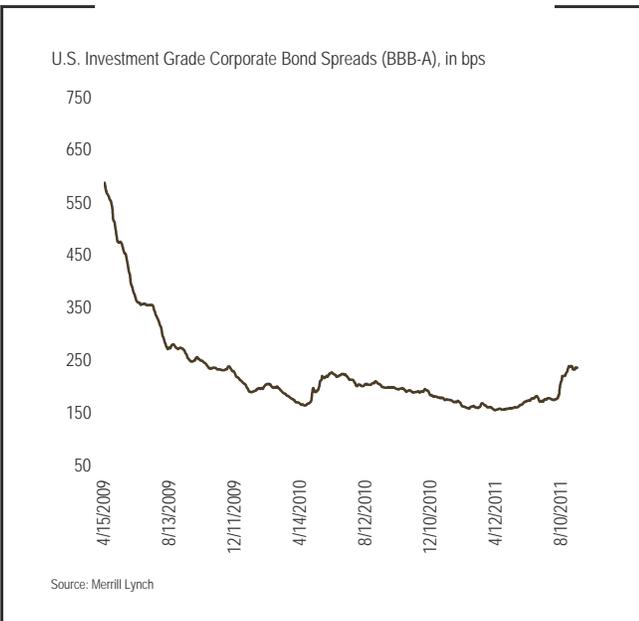
U.S. Treasuries posted strong gains yet again, with the 10-year Treasury yield closing at its lowest level in at least 60 years. Demand for government securities surged as stocks traded lower and investors looked for a safe haven on renewed worries a European debt crisis could eventually have a significant global impact. Growing fears that Greece may default along with a report that European Central Bank chief economist Jurgen Stark resigned because of a disagreement over the central bank's bond buying program also drove Treasuries higher. Strategists feel the timing of the Stark resignation may suggest a real danger of a eurozone default or bank failure, which could lead to a global banking crisis.

Meanwhile, FOMC chairman Bernanke noted on Thursday that policy makers are prepared to use the tools they have "as appropriate to promote a stronger economic recovery in the context of price stability." Options include what is known as a "yield curve twist", where the Fed sells short-term securities and buys long-dated government debt using proceeds from maturing Treasuries and mortgage-backed bond holdings. Similar to last week, speculation has sparked strong buying in 30-year bonds in recent weeks, with these securities outperforming short-term notes by a considerable margin.



Issue	9.2.11	9.9.11	Change
3 month T-Bill	0.02%	0.01%	-0.01%
2-Year Treasury	0.19%	0.17%	-0.02%
5-Year Treasury	0.90%	0.81%	-0.09%
10-Year Treasury	2.15%	1.93%	-0.22%
30-Year Treasury	3.51%	3.26%	-0.25%

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



Stock Market Update

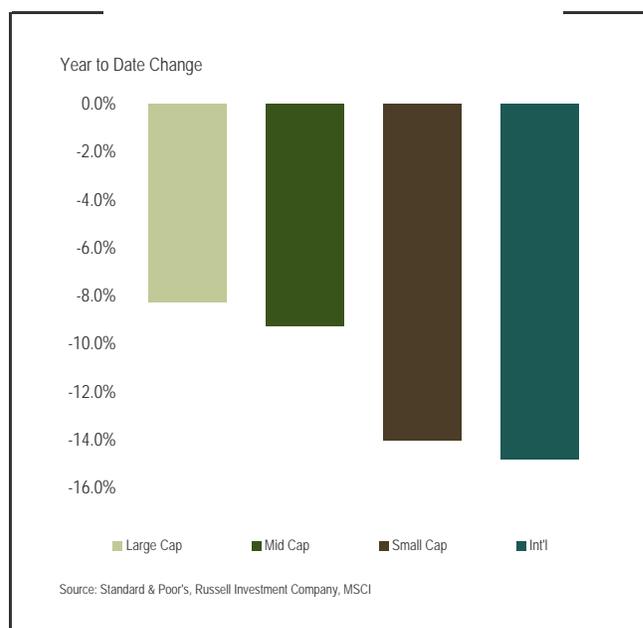
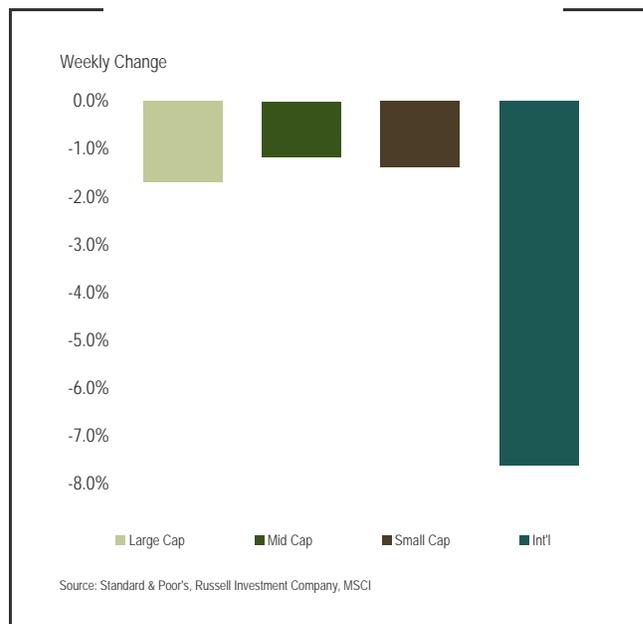
The stock market finished off a shortened week by wiping out any gains generated earlier in the week on Friday with the Dow falling over 300 points in one day. The equity market finished the week with every sector negative in the S&P 500. The Dow Jones Industrial Average closed at 10,992.13, down 248 points for the week, or down 2.21%. The broader S&P 500 Index ended the week down 1.68% to close at 1,154.23, while the NASDAQ Composite finished lower by 12 points, or down 0.52% to close the week out at 2,467.99.

This week's negative reaction is symptomatic of the lack of information regarding the most recent economic slowdown. The markets opened down on Friday despite Thursday's speech by Federal Reserve Chairman Ben Bernake along with President Obama's stimulus plan to provide both job growth and a jolt to a currently stalled economy. Additional pressure followed early Friday, with news from the European Central Bank (ECB) regarding the resignation of Juergen Stark, the top economist within the ECB, from the executive board. Stark has recently spoken out about a number of economic issues and concerns. His resignation leads to the perception the ECB is not all on the same page, and a clear vision or plan to reinvigorate the European economy does not exist. Greece continues to be a major concern, and other countries are beginning to take steps to shore up its banks in the case of a Greek default.

The financial stocks took the biggest hit on Friday as the concerns over European banks will make its way into the domestic banking system. Financial stocks finished the week lower 2.5% and were down over 3% on Friday. JPMorgan (JPM) led the way on Friday on concern over their exposure to sovereign debt and fell over 4% to finish at its 52 week low. Bank of America (BAC), which recently has been leading the declining bank shares, fell 3% and announced a 40,000 employee layoff leaving many people to wonder whether the TARP plan worked at all.

Issue	9.2.11	9.9.11	Change
Dow Jones	11,240.26	10,992.13	-2.21%
S&P 500	1,173.97	1,154.23	-1.68%
NASDAQ	2,480.96	2,467.99	-0.52%
Russell 1000 Growth	550.18	542.19	-1.45%
S&P MidCap 400	832.99	823.36	-1.16%
Russell 2000	683.42	673.96	-1.38%
MSCI EAFE	1,521.62	1,405.87	-7.61%
MSCI Small Cap	1,038.00	1,013.53	-6.28%

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

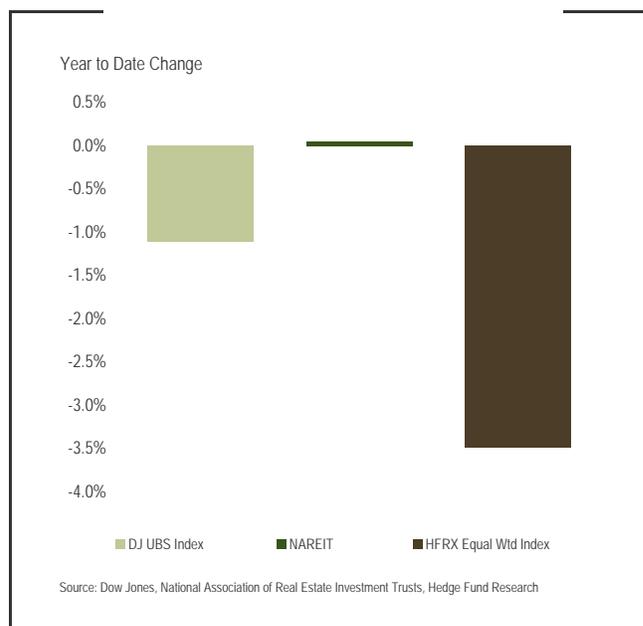
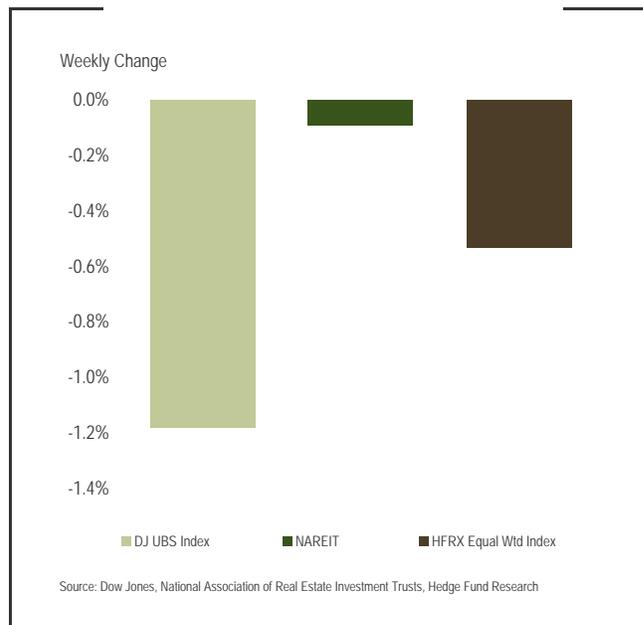
Gold finished the week down 0.86%, settling at \$1,860.80 an ounce. The precious metal was headed for an even steeper decline if not for stocks tanking later in the week, as gold and stocks have been locked in an inverse relationship over the past several months. Oil settled at \$87.20 a barrel, gaining 1.03% for the week, as the euro tumbled against the dollar on concern Greece's deteriorating debt crisis would lead to a default.

Increased distributions and call-ups among private equity real estate funds may indicate fundraising will begin to rebound, according to the latest data from Preqin. The report noted that in order to relieve some of the challenges in the stationary private equity real estate fundraising market, investors receiving distributions should reinvest that capital into new real estate funds in the near future. In 2010, private equity real estate funds distributed a total of \$28 billion back to investors, an increase from the \$18 billion distributed in the previous year. However, the 2010 distribution still fell well below the \$60 billion mark investors received in 2007. So far this year, the fundraising in the market remains sluggish, with just \$22.2 billion raised, but many anticipate institutions who receive additional distributions will become more active investors in funds for the remainder of the year.

According to Hedge Fund Research, volatility on Wall Street throughout August resulted in an average 2.32% decline for U.S. hedge funds, pushing the benchmark HFRF Fund Weighted Composite index into the red for the year. Although this was the worst month for hedge funds since May 2010, the industry as a whole performed better than the S&P 500 last month, which fell 5.7%. Equity hedge fund funds were particularly hard hit with fundamental value funds losing an average of 7.53% - down 17.1% YTD - and fundamental growth funds losing 5.95% - down 6.6% YTD. Equity hedge funds overall lost 5.64% and are down 14.22% YTD. Only short-sellers, who bet that stocks would fall, and global macro funds, which bet on interest rates and currencies, emerged with gains.

Issue	Previous Week	Current ¹	Change
Gold	1,876.90	1,860.80	-0.86%
Crude Oil Futures	86.31	87.20	1.03%
Copper	412.40	400.55	-2.87%
Sugar	29.18	27.64	-5.28%
HFRX Equal Wtd. Strat. Index	1,132.59	1,126.58	-0.53%
HFRX Equity Hedge Index	1,060.50	1,052.83	-0.72%
HFRX Equity Market Neutral	1,007.67	999.38	-0.82%
HFRX Event Driven	1,329.21	1,327.24	-0.15%
HFRX Merger Arbitrage	1,517.60	1,511.23	-0.42%
Dow Jones UBS Commodity Index	162.51	160.60	-1.18%
FTSE/NAREIT All REIT	134.58	134.46	-0.09%

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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