

MainStreet Advisors Financial Market Update

September 30, 2011
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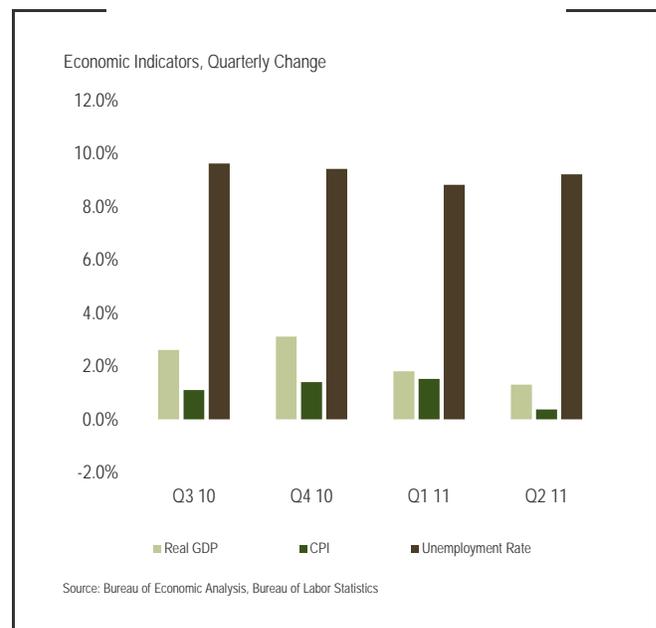
Economic Update

In a welcomed change of pace, GDP growth was actually revised up in the final estimate for the second quarter. The Commerce Department reported an annualized growth rate of 1.3% compared to the previous estimate of 1.0%. There was also a sign of improvement in the labor market as initial jobless claims fell to their lowest level since April. The number of Americans filing for first-time jobless benefits dropped 37,000 to 391,000 in the week ended September 24, according to the Labor Department. It is far too early to tell if this is the start of a trend, but it is certainly a step in the right direction.

Consumer confidence edged up very slightly in September to 45.4, according to The Conference Board's index. Consumers' pessimism about the six-month outlook eased while the current assessment of the job market worsened. 50% of the survey sample said jobs are currently hard to get, up 1.5 points from August. Lynn Franco, Director of The Conference Board Consumer Research Center said "consumers expressed greater concern about their expected earnings, a sign that does not bode well for spending."

The real estate market appears to be skipping along a deep bottom. New home sales remain depressed at a nine-month low of 295,000 in August, according to the Commerce Department. The number was slightly lower than revised figures of 302,000 and 303,000 for July and June respectively. Despite supplies at record lows, median new home prices were down 8.7% for the month and 7.7% year-over-year. Meanwhile, the National Association of Realtors reported a 1.2% drop in pending home sales for August and the S&P Case-Shiller 20-City Home Price Index was flat for the third month in a row.

Durable goods orders came in a little better than expected, nudging down 0.1% in August following a strong 4.1% jump the previous month, according to the Commerce Department. Nondefense aircraft had another impressive month up 23.5% following a 49.9% surge in July, while motor vehicles fell 8.5%. A 1.1% increase in nondefense capital goods excluding aircraft bodes well for manufacturing, which is trending up moderately despite the sluggish economy.



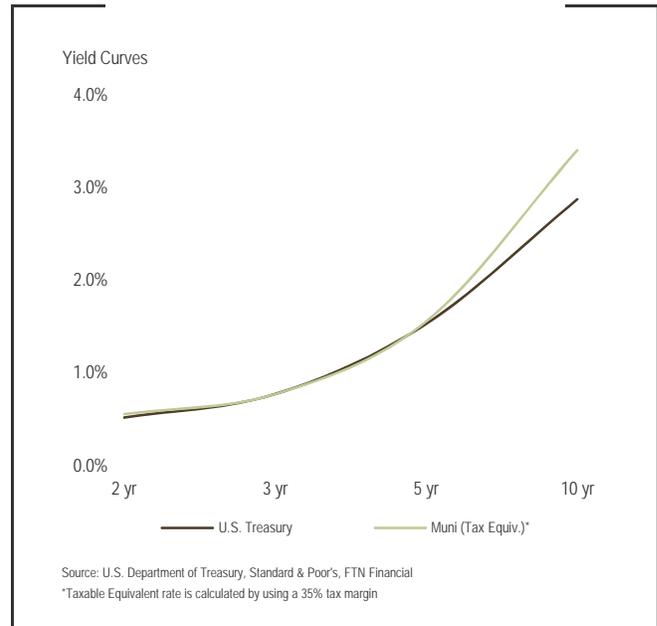
Sep. 26 th	New Home Sales, August	295,000
Sep. 27 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.2%
Sep. 27 th	S&P/Case-Shiller 20-city Index, July Monthly Chg.	0.9%
Sep. 27 th	Consumer Confidence Index, September	45.4
Sep. 27 th	State Street Investor Confidence Index, September	89.9
Sep. 28 th	MBA Purchase Applications Index, Wkly. Chg.	2.1%
Sep. 28 th	Durable Goods New Orders, Aug. Monthly Chg.	-0.1%
Sep. 28 th	EIA Petroleum Status Report, Wkly. Chg.	1.9M Barrels
Sep. 29 th	GDP Price Index, Q2f Quarterly Change SAAR*	1.3%
Sep. 29 th	Initial Jobless Claims (week ending 9/24)	391,000
Sep. 29 th	Pending Home Sales, Aug. Monthly Chg.	-1.2%
Sep. 29 th	EIA Natural Gas Report, Wkly. Chg.	111 bcf
Sep. 30 th	Personal Income, August Monthly Chg.	-0.1%
Sep. 30 th	Chicago PMI Business Barometer Index, September	60.4
Sep. 30 th	Consumer Sentiment Index, September	59.4

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.

Bond Market Update

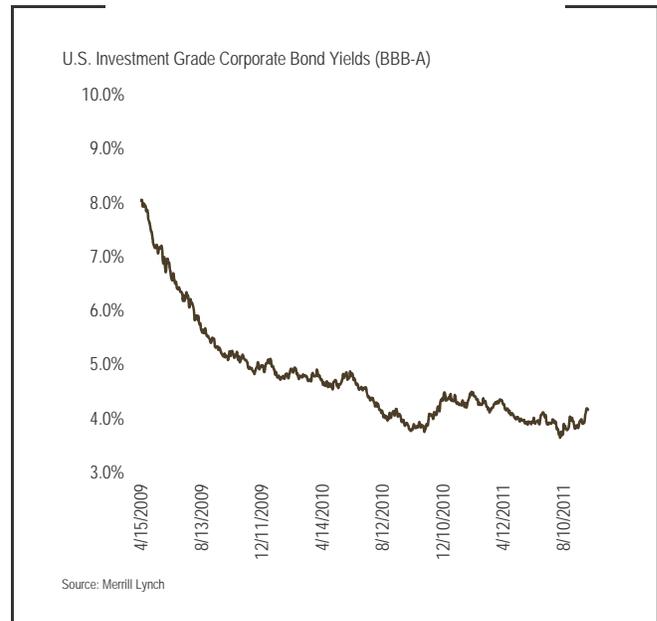
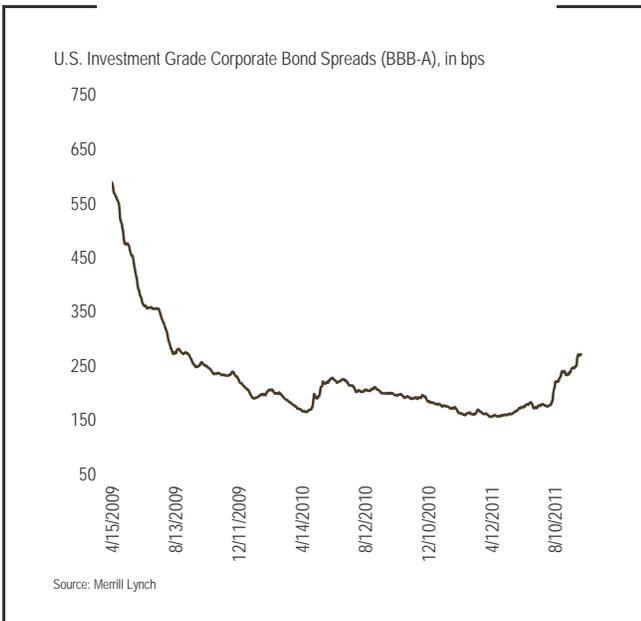
After an uneventful week in the fixed income markets, U.S. Treasuries finished the quarter significantly higher, posting their best three-month performance since the height of the financial crisis in 2008. Demand for safe-haven securities was driven by the combination of Europe's sovereign debt turmoil and slower than expected economic growth in the U.S. and China. Inflation expectations are also waning, with the spread, or difference in yields between 10-year Treasury notes and similar maturity TIPS, a gauge of trader expectations for increases in consumer prices, fell to 1.78% compared to the 12-month average of 2.26%.

In an effort to stoke the economy, the Federal Reserve recently announced a stimulus program known as Operation Twist in which the central bank sells short-term maturities in order to purchase longer-term securities. After the announcement, 30-year bond yields dropped 0.41%, the largest move in almost three years. Over the past three months, 30-year yields fell 1.40% compared to a decline of 0.20% for two-year notes. Many strategists feel longer-term maturities will likely continue to outperform other sectors, benefiting from the scheduled purchases by the Fed in coming months.



Issue	9.23.11	9.30.11	Change
3 month T-Bill	0.01%	0.02%	0.01%
2-Year Treasury	0.23%	0.27%	0.04%
5-Year Treasury	0.89%	0.98%	0.09%
10-Year Treasury	1.84%	1.99%	0.15%
30-Year Treasury	2.89%	3.03%	0.14%

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



Stock Market Update

Stock markets were mixed this week to end an exceptionally volatile month and third quarter. For the week, the Dow increased 1.3% to close at 10913.68, but declined 6.0% for September and 12.1% for the third quarter on a price basis. The broader S&P 500 Index closed at 1131.42, down 0.4% from the prior week, 7.2% from the prior month-end, and 14.3% from the end of the second quarter. The NASDAQ Composite Index declined 2.7% for the week, 6.4% for the month and 12.9% for the quarter to close at 2415.40. A weakening global economy and concerns about the European debt crisis continued to weigh on indices worldwide as stocks closed out their worst quarter since 2008. The Chicago Board Option Exchange's VIX index, which measures market expectations of future equity moves, increased 146% since June 30.

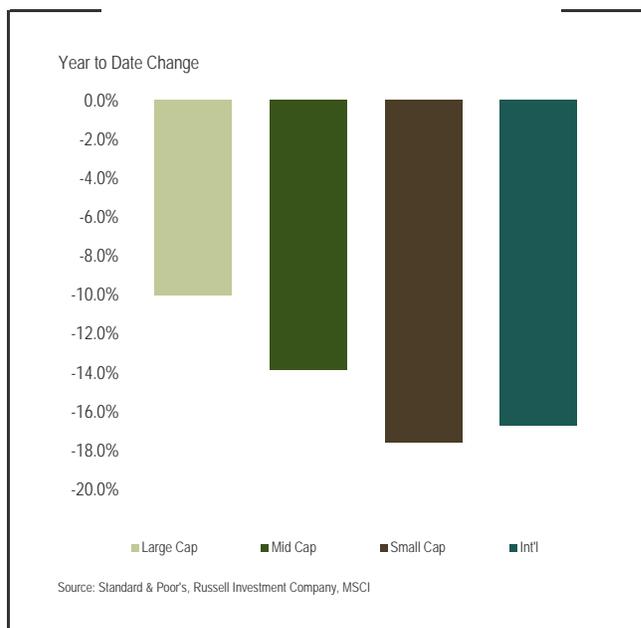
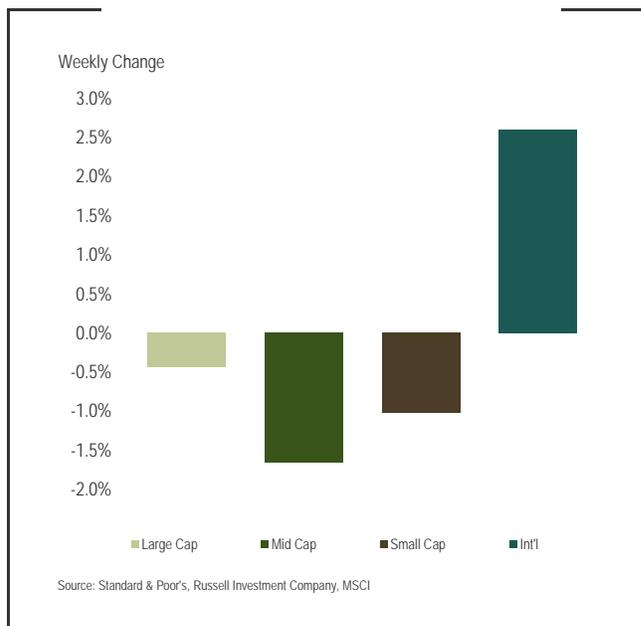
International markets fared worse than domestic indices this quarter. Asian markets experienced substantial quarter-to-date losses, with declines ranging from 11.4% for the Nikkei to over 21% for the Hang Seng Index in Hong Kong. Germany's DAX index sank 25.3% and the CAC Index in France plummeted 23.1%.

Corporate earnings continue to be quite strong despite global economic concerns. Paychex (PAYX) reported fiscal 2012 first quarter results this week with revenue increasing 9% and EPS up 14% as the company generated more revenue per check and also expanded its human resource client base.

The long awaited Boeing Dreamliner finally took flight this week as the company delivered the first 787 to All Nippon Airways. The new jet is the first commercial airliner built using carbon fiber - a strong, lightweight, high-tech plastic - as opposed to aluminum. It is quieter and uses about 20% less fuel than a similarly sized aluminum plane. To date airlines have ordered over 800 of the aircraft.

Issue	9.23.11	9.30.11	Change
Dow Jones	10,771.48	10,913.38	1.32%
S&P 500	1,136.43	1,131.42	-0.44%
NASDAQ	2,483.23	2,415.40	-2.73%
Russell 1000 Growth	535.30	527.91	-1.38%
S&P MidCap 400	794.43	781.26	-1.66%
Russell 2000	652.43	645.75	-1.02%
MSCI EAFE	1,338.48	1,373.33	2.60%
MSCI Small Cap	880.64	849.48	1.75%

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

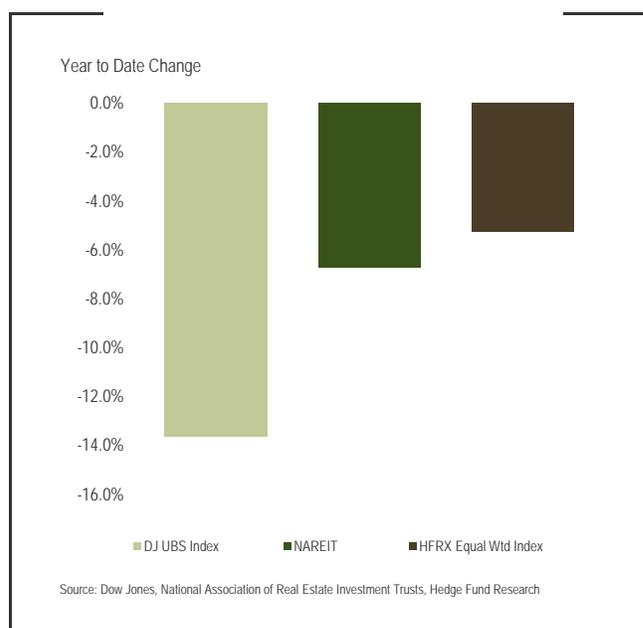
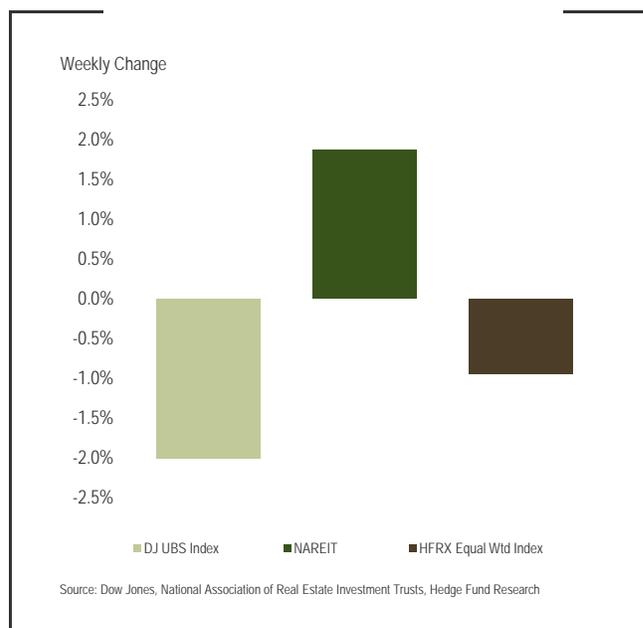
Oil plummeted to its largest quarterly drop since the 2008 financial crisis as signs of slowing growth in China, the U.S. and Germany heightened concern that fuel demand will weaken. Crude oil dropped 1.65% this week to settle at \$78.84 a barrel after China's purchasing managers' index fell for a third month and German retail sales declined in August, on top of disappointing U.S. consumer spending numbers. Spending in the U.S. slowed last month as incomes unexpectedly dropped for the first time in almost two years - rising 0.2% after a 0.7% increase in July. Crude prices have tumbled 15% since the end of June, the biggest quarterly decline since the end of 2008, and are down 8.7% this month.

Despite several hedge funds experiencing sharp declines in their assets under management for Q2 2011, industry experts are sticking with the notion that wholesale redemptions across the board are as doubtful as they were in 2008. Unlike three years ago, it is not money that is leaving the industry, but more so investors waiting for more clarity in the macro environment. Large-scale redemptions from hedge funds over the course of 2008 were driven as much by a need for liquidity as they were by bad performance. According to Hedge Fund Research, the average hedge fund is down 1.47% this year and the average equities hedge fund is down 3.54%.

As of this week, the MSCI U.S. REIT Index had declined 19% from its July 22 peak, which is worse than the 14% drop for the S&P 500 during that period. Despite this, many experts see an opportunity in real estate investment trusts (REITs), with low interest rates and a strong demand with tight supply. However, as noted in an article from the Wall Street Journal, REIT investing can be tricky because the portfolios specialize in a variety of real estate properties, from hotels to corporate data centers. One way for investors to evaluate different portfolios is to compare lease periods for the properties they hold. When leases are short, cash flows change more quickly in response to economic conditions.

Issue	Previous Week	Current ¹	Change
Gold	1,653.20	1,620.30	-1.99%
Crude Oil Futures	80.16	78.84	-1.65%
Copper	331.20	312.20	-5.74%
Sugar	24.13	25.29	4.81%
HFRX Equal Wtd. Strat. Index	1,116.45	1,105.84	-0.95%
HFRX Equity Hedge Index	1,028.27	1,009.97	-1.78%
HFRX Equity Market Neutral	981.19	978.36	-0.29%
HFRX Event Driven	1,325.19	1,307.49	-1.34%
HFRX Merger Arbitrage	1,490.70	1,483.87	-0.46%
Dow Jones UBS Commodity Index	143.09	140.20	-2.02%
FTSE/NAREIT All REIT	123.07	125.37	1.87%

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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