MainStreet Advisors
Financial Market Update

Economic Update

As the eminent default of Greece looms over Europe, a common theme is emerging: containment. Barring unforeseeable events, Spain and Italy are solvent if borrowing costs can be kept low. Spain was downgraded on Thursday by S&P, and the consensus seems to be yields in those two nations cannot rise above 6% without compromising the ability to pay debt obligations. A major plan is expected to be completed at the October 23 summit that calls for several major moves, including a proposed 50% write-off of Greek debt – a move German and French banks have been preparing for. In addition, the remodeling plan of the eurozone's rescue fund was passed yesterday, which will allow the fund to buy debt from stressed nations and banks. According to Bloomberg, many emerging market nations are considering financing a bulk of the capital needed for the rescue package, namely Brazil and China. It is clear the rescue of Europe will benefit the global economy, especially major trade nations. EU leaders, the IMF, the ECB and other major entities will be meeting more often in the next few weeks to continue delegations on the matter.

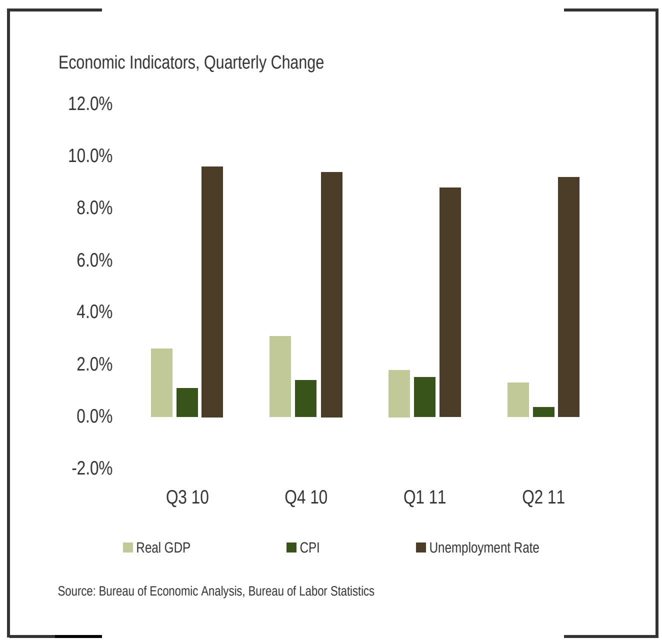
The Federal Open Market Committee had mixed opinions about options for the economy back in the United States. Some pushed for lowering long-term rates by increasing maturities on Fed holdings, while some believed another round of quantitative easing, buying mass amounts of large assets, would be more effective. Either way, inflationary risks are a concern, and rates will remain depressed in the next few years.

The trade gap was virtually unchanged as businesses continued to be conservative on imports, which could reflect a pessimistic outlook for demand on goods for the coming months.

Jobless claims decreased very slightly this week, but levels are still over 400,000. The trend is looking like claims are headed down, based on 4-week averages, which is good for the October job outlook.

Finally, retail sales made a solid 1.1% jump in September, indicating the consumer is spending more money. Very few components of the indicator were down; motor vehicles, clothing, gasoline, furniture, and food service all rose by over 1%.

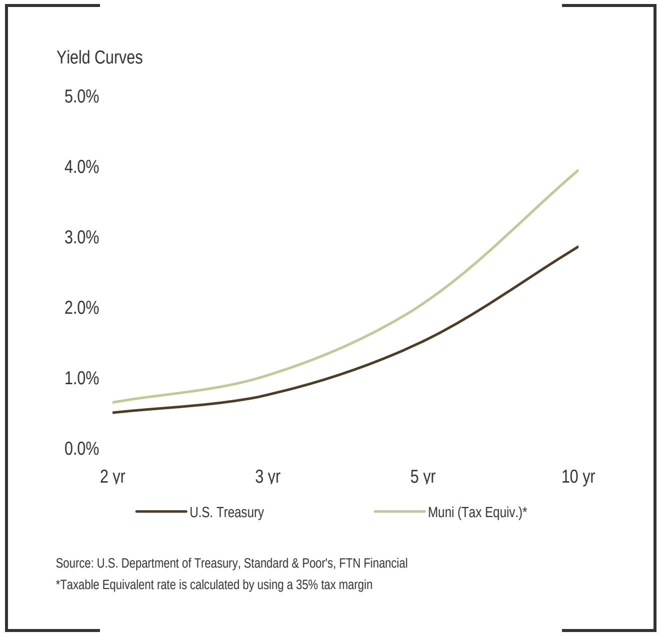
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Oct. 11th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.1%
Oct. 12th	MBA Purchase Applications Index, Wkly. Chg.	1.3%
Oct. 13th	International Trade Balance Level, August	-45.6B
Oct. 13th	Initial Jobless Claims (week ending 10/8)	404,000
Oct. 13th	EIA Natural Gas Report, Wkly. Chg.	112 bcf
Oct. 13th	EIA Petroleum Status Report, Wkly. Chg.	1.3M Barrels
Oct. 14th	Retail Sales, Sep. Monthly Chg.	1.1%
Oct. 14th	Import Prices, Sep. Monthly Chg.	0.3%
Oct. 14th	Export Prices, Sep. Monthly Chg.	0.4%
Oct. 14th	Consumer Sentiment Index, October	57.5
Oct. 14th	Business Inventories, Aug. Monthly Chg.	0.5%

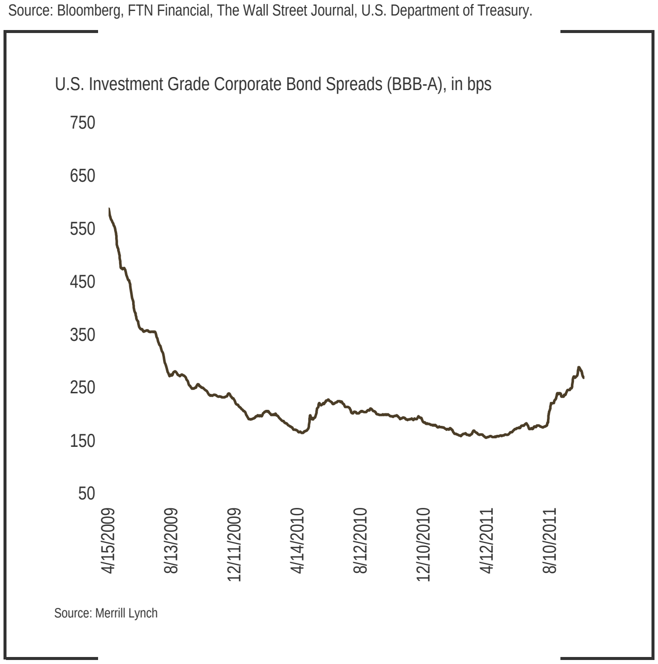
Bond Market Update

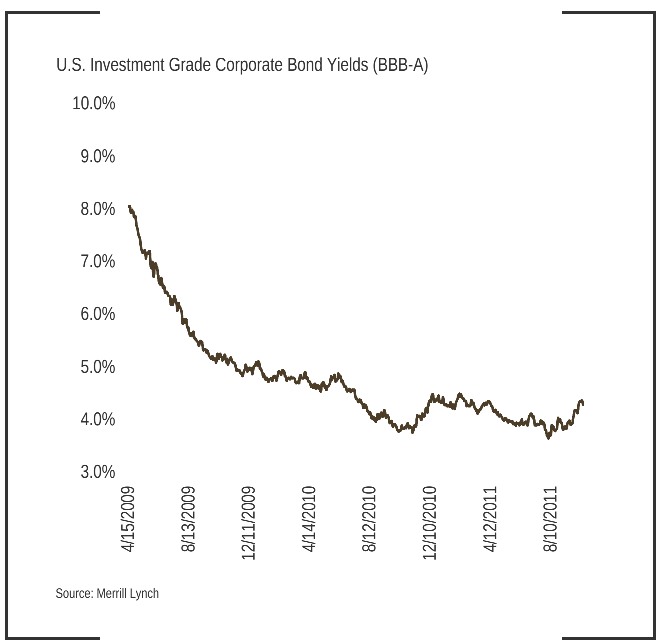
Largely attributable to hopes the eurozone's crisis would be contained and the U.S. economy would not slip into a recession, U.S. Treasuries finished the week lower, particularly on the long-end, triggering their longest weekly losing streak in six months. Sentiment in the fixed income markets has transitioned away from the gloom that permeated the markets in August and September. Reflecting this change, Treasuries, one of the market's best performing asset classes in the third quarter, sold-off in all but two trading days in October. A share of this decline may be attributable to developments in the emerging markets. The Fed's holdings of Treasury securities on behalf of foreign official accounts tumbled sharply again this week and is now down over $73 billion since the end of August, according to the latest Federal Reserve data. This drop represents the largest six-week decline since late 2007. Strategists feel emerging market economies have started to shift from reserve accumulation to reserve liquidation, purchasing U.S. dollars in an effort to support their domestic currencies. Meanwhile, spreads, or the difference in yields, for both investment-grade and high-yield corporate bonds narrowed relative to Treasuries, suggesting market participants have begun to nibble on riskier asset classes.



Issue	10.7.11	10.14.11	Change
3 month T-Bill	0.01%	0.02%	0.01%
2-Year Treasury	0.30%	0.28%	-0.02%
5-Year Treasury	1.08%	1.12%	0.04%
10-Year Treasury	2.10%	2.26%	0.16%
30-Year Treasury	3.02%	3.22%	0.20%

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





Stock Market Update

Stock markets closed up for the second week in a row as investors focused on renewed optimism for a resolution in the Greek debt crisis and better than expected economic data. On Wednesday, the EU presented a plan that would help solve the debt crisis and strengthen European banks. On Thursday, Slovakia's parliament approved an expansion of the European Financial Stability Fund (EFSF), a significant feat as all nations needed to vote yes for approval. For the week the Dow increased 4.9% to close at 11644.49. The broader S&P 500 Index closed at 1224.58, up 6% from the prior week. The NASDAQ Composite Index increased 7.6% for the week to close at 2667.85.

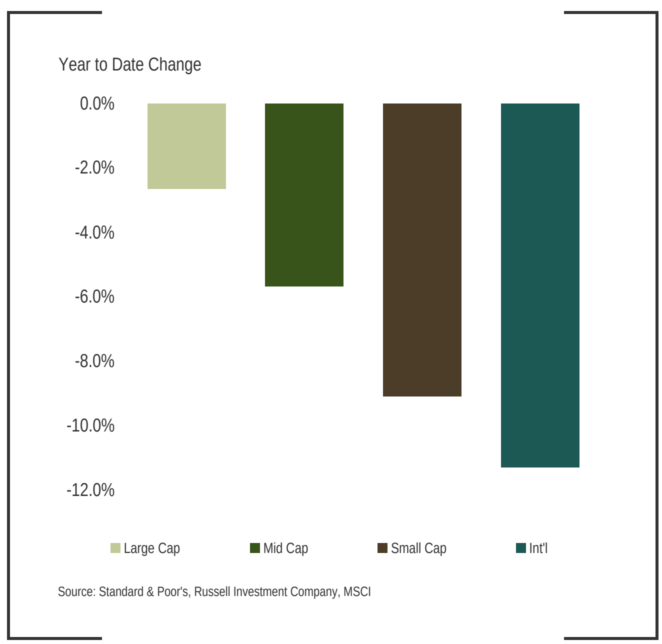
Asian markets were also strong this week on easing of European concerns as well as news China's state-run Central Huijin Investment bought shares in Jong Kong's "big four" banks. On Friday, Asian stocks were down on news the Chinese inflation rate fell slightly to 6.1%, but is still above the target rate of 4%.

Pepsico (PEP) announced third quarter results on Wednesday, with revenues and earnings ahead of expectations as the company was successful in raising prices to offset commodity inflation. Emerging markets showed strong double digit growth in both snacks and beverages. JPMorgan Chase (JPM) was the first of the big banks to report quarterly earnings. The company reported profits declined due to weakness in investment banking and trading. On a positive note, deposits were strong, credit cards contributed to profits compared to losses last year and write-offs fell from 8.9% to 4.7%.

Google (GOOG) also reported third quarter results ahead of analysts' expectations. Revenues increased 33% over the same period last year with mobile revenues were especially strong. The run rate for mobile revenues is now $2.5 billion, up from $1 billion a year ago.

Issue	10.7.11	10.14.11	Change
Dow Jones	11,103.12	11,644.49	4.88%
S&P 500	1,155.46	1,224.58	5.98%
NASDAQ	2,479.35	2,667.85	7.60%
Russell 1000 Growth	540.33	576.47	6.69%
S&P MidCap 400	799.18	855.84	7.09%
Russell 2000	656.21	712.46	8.57%
MSCI EAFE	1,400.85	1,463.69	4.49%
MSCI Small Cap	864.08	930.47	4.52%

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.

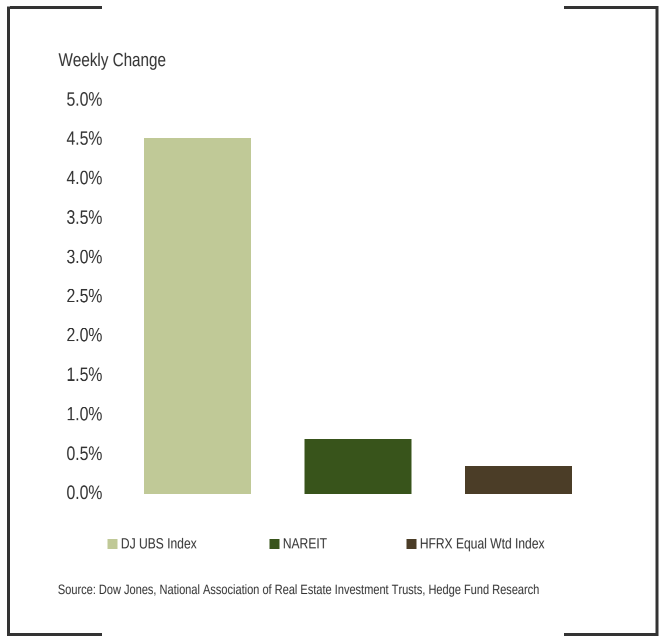


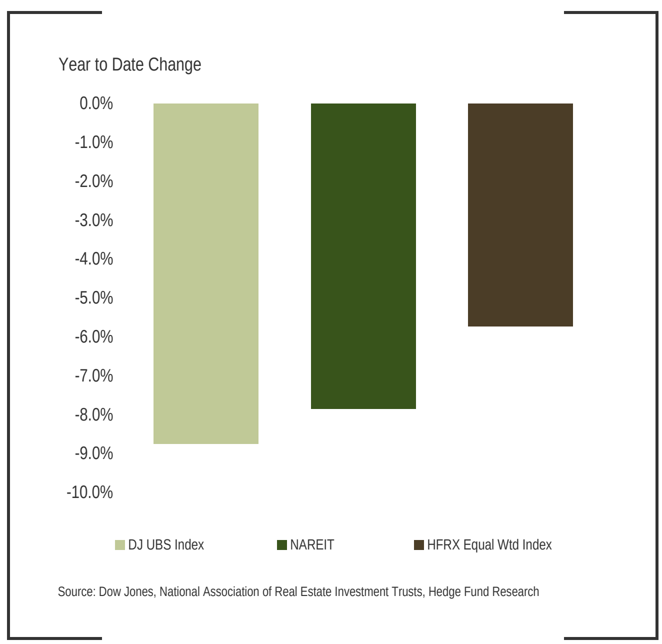
Alternative Investments Market Update

Oil ended the week up $4.35, or 5.25% to close at $87.27 a barrel, posting a second straight weekly gain. Crude's gains this week were twofold: stronger-than-expected U.S. retail sales and optimism over European leaders reaching a deal to address the eurozone debt crisis. A dip in Chinese inflation to 6.1% in September also boosted crude's price, raising the possibility of the central bank putting monetary tightening on hold, which could boost the economy and thus fuel demand.

Oil was not the only commodity to benefit from increased U.S. consumer spending. Gold gained 2.57% for the week, settling at $1,681.90 an ounce, its second straight weekly gain and highest level in six weeks. Prices have rebounded 9.2% since reaching two-month lows at the end of September, and investors are now adding to their holdings in gold-backed exchange-traded products for the first time in a month, according to a report from Bloomberg. The precious metal had slipped nearly 20% since reaching a record $1,923.70 an ounce on September 6 as investors sold the metal to cover their losses.

Despite a rough Q3, hedge funds managed $2.16 trillion at the end of the first half, up 6.7% from the beginning of the year, according to HedgeFund Intelligence. Majority of this growth was contributed by the bigger funds, those managing more than $1 billion, which added $150 billion in assets during these six months and now manages $1.85 trillion, accounting for 82% of total industry assets. This growth brings hedge funds back to their 2006 levels, but remain well behind the historic highs set in 2007 prior to the financial crisis. In other hedge fund news, Raj Rajaratnam, the hedge fund billionaire at the center of the biggest insider-trading case in U.S. history, was sentenced earlier this week to 11 years in prison – one of the longest terms ever for insider-trading. The founder of Galleon Group hedge fund was also fined $10 million and ordered to forfeit $53.8 million in what were deemed "illicit profits from trading on confidential corporate information."





Issue	Previous Week	Current[1]	Change
Gold	1,639.80	1,681.90	2.57%
Crude Oil Futures	82.92	87.27	5.25%
Copper	329.45	342.95	4.10%
Sugar	25.16	27.93	11.01%
HFRX Equal Wtd. Strat. Index	1,096.70	1,100.48	0.34%
HFRX Equity Hedge Index	1,007.61	1,017.95	1.03%
HFRX Equity Market Neutral	978.91	979.21	0.03%
HFRX Event Driven	1,291.60	1,306.80	1.18%
HFRX Merger Arbitrage	1,477.49	1,486.34	0.60%
Dow Jones UBS Commodity Index	141.81	148.21	4.51%
FTSE/NAREIT All REIT	123.01	123.86	0.69%

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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MAINSTREET ADVISORS™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com