MainStreet Advisors
Financial Market Update

Economic Update

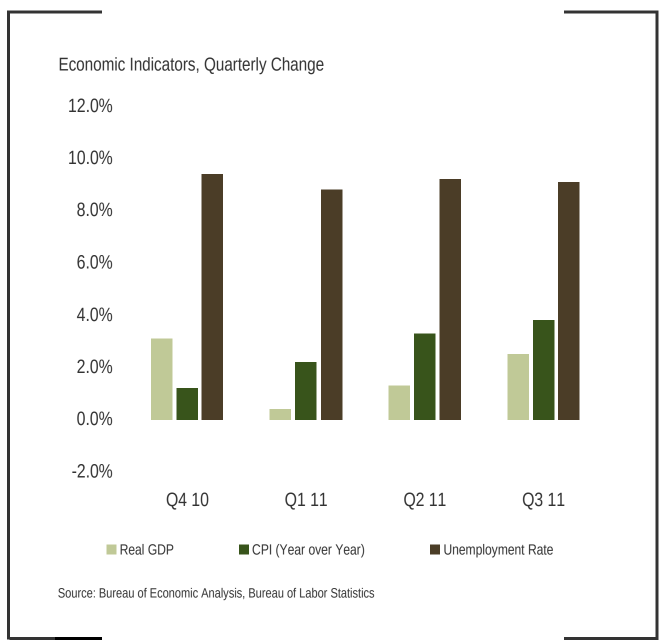
Just when we thought a deal had been struck and the Greek financial crisis would finally be removed from the front page, they find a way to stay in the headlines. Early in the week Greek Prime Minister George Papandreou made the surprising announcement the bailout issue would be decided by a vote of the people. The lack of popularity of the austerity measures included in the package sparked fears the Greek people would vote no on the referendum, default on their debt and leave the eurozone. Papandreou then called an emergency cabinet meeting where he backed off those plans under mounting pressure from other European leaders and members of his own government.

There were no surprises out of the FOMC meeting this week, with the Committee retaining its language that rates will remain exceptionally low through mid-2013. Meanwhile,ECB decided to cut interest rates by a quarter of a percentage point, its first rate cut in two years. "What we are observing now is slow growth heading towards a mild recession by year end," said Mario Draghi, the new president of the ECB.

Manufacturing expanded for the 27th consecutive month, according to the Institute for Supply Management. The PMI registered 50.8% in October, down 0.8 points from September's reading of 51.6%, but the underlying data was more positive than the headline number indicated. With prices paid falling 15 points, inventories contracting and new orders improving, the manufacturing sector looks poised to expand at an accelerated rate in coming months.

The headline number for October payrolls was below expectations, but upward revisions to previous months indicate the labor market is stronger than originally thought. Payrolls were up 80,000 for the month, while numbers for September were revised up to 158,000 (from 103,000) and August were increased to 104,000 (from 57,000), according to the Labor Department. The trend of strength in the private sector and weakness in the public sector continued, with private nonfarm payrolls up 104,000 and government payrolls declining 24,000. The household survey showed a 277,000 increase in household employment, which moved the unemployment rate down to 9.0% from 9.1%.

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. 31st	Chicago PMI Business Barometer Index, October	58.4
Nov. 1st	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.7%
Nov. 1st	ISM Mfg. Index - Level, October	50.8
Nov. 1st	Construction Spending, Sep. Monthly Chg.	0.2%
Nov. 2nd	MBA Purchase Applications Index, Wkly. Chg.	0.2%
Nov. 2nd	EIA Petroleum Status Report, Wkly. Chg.	1.8M Barrels
Nov. 3rd	Initial Jobless Claims (week ending 10/29)	397,000
Nov. 3rd	Factory Orders, Sep. Monthly Chg.	0.3%
Nov. 3rd	ISM Non-Mfg. Index, October	52.9
Nov. 3rd	EIA Natural Gas Report, Wkly. Chg.	78 bcf
Nov. 4th	Unemployment Rate, October	9.0%

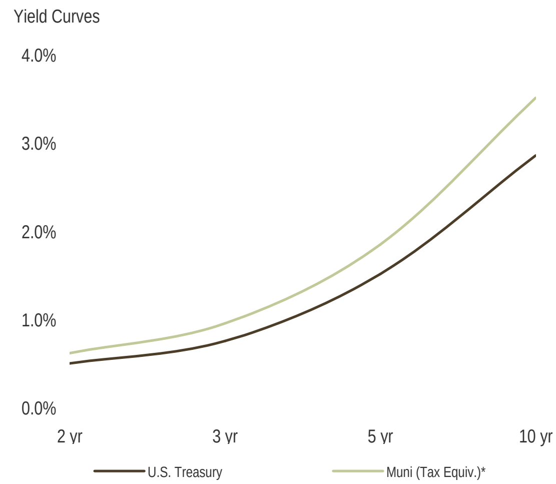
Bond Market Update

U.S. Treasuries rallied for their biggest weekly gain since August as investor confidence in global policy makers' ability to stem the eurozone's sovereign debt crisis waned, sparking a move out of equities and into safe-haven securities. The continued rise in government bond yields in Italy suggests market participants remain wary of the contagion risks associated with Greece. Reflecting this risk, the yield on the 10-year Italian bond rose to over 6.3%, near the highest level since the launch of the euro in 1999. Some strategists feel yields above such levels would hinder the country's ability to balance its budget, leading to another eurozone bailout. At the same time, expectations that cash-rich countries like China would provide funding to the bailout have failed to materialize, sparking additional demand for Treasuries. However, given the sharp gains year-to-date in this sector, we recommend investors keep a small position in Treasuries and focus on other areas of the bond market.

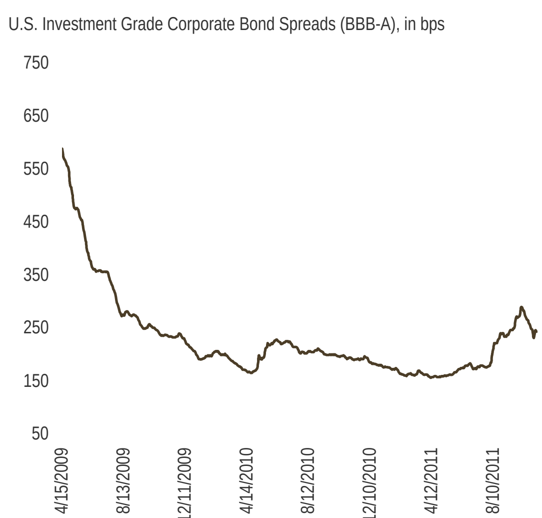
Because corporate bonds offer both attractive yields relative to Treasuries and meaningful supply, strategists feel excess demand conditions will return to this area, driving spreads considerably tighter. From a sector perspective, U.S. Banks and Financials are likely to outperform going forward after underperforming in August and September. Although revenue growth remains challenging in this sector, except for regional banks, some signs of growth in credit cards and auto loans have been encouraging.

Issue	10.28.11	11.4.11	Change
3 month T-Bill	0.01%	0.01%	0.00%
2-Year Treasury	0.28%	0.24%	-0.04%
5-Year Treasury	1.13%	0.91%	-0.22%
10-Year Treasury	2.34%	2.09%	-0.25%
30-Year Treasury	3.36%	3.10%	-0.26%

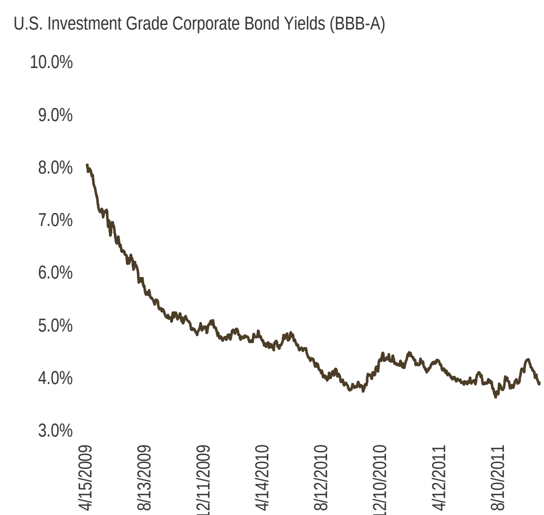
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

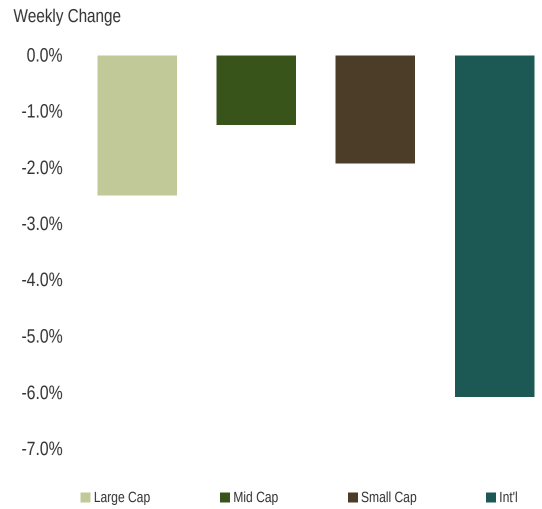
After the best October in decades, stocks took a breather this week on doubts the EU deal to restructure Greek debt would succeed. Early in the week the Greek prime minister announced a referendum for a popular vote on the European bail-out plan. Days later it was reported he had decided against a referendum due to pressure from other European leaders and members of his own political party. Continued positive corporate earnings reports, an unexpected lowering of interest rates by the European Central Bank, and a slightly better than expected jobs report on Friday were not enough to offset continued uncertainty in Greece. For the week, the Dow Jones Industrial Average declined 2.0% to close at 11983.24. The broader S&P 500 Index closed at 1253.23, down 2.5% from the prior week. The NASDAQ Composite Index fell 1.9% for the week to close at 2686.15.

International markets were also under pressure this week. Japan's government intervened in its currency markets for the third time this year in an effort to weaken the yen to make its exports more competitive. Sony, one of Japan's largest exporters of consumer electronics, reported a quarterly loss of $346 million on Wednesday and now projects a $1.2 billion loss for fiscal year 2012 due to the strong yen and lower flat panel TV sales. The company experienced production disruptions from widespread flooding in Thailand as well as supply problems experienced earlier this year as a result of the earthquake and tsunami disaster.

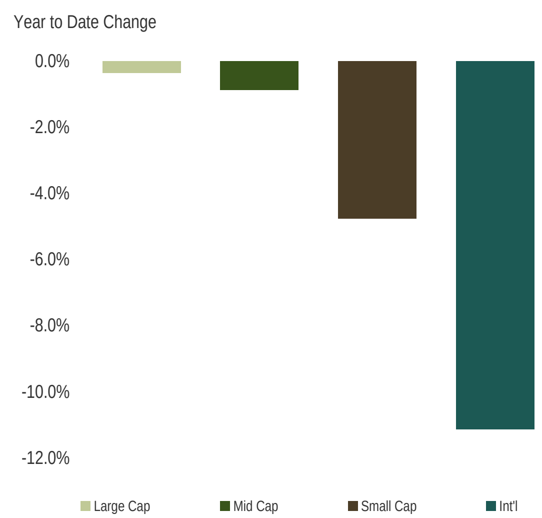
After talks to sell itself to Interactive Brokers failed last weekend, MF Global Holdings, a New York based broker-dealer, filed for bankruptcy protection on Monday. This represents the eighth largest bankruptcy in U.S. history and was mainly a result of large losses from recent bets on European sovereign debt. Retailers tracked by Thomson Reuters posted an average same store sales increase of 3.4%, missing consensus expectations of 4.5%. Kohl's and TJX reported better than expected comps while JC Penney and Nordstrom missed analysts' estimates.

Issue	10.28.11	11.4.11	Change
Dow Jones	12,231.11	11,983.24	-2.03%
S&P 500	1,285.08	1,253.23	-2.48%
NASDAQ	2,737.15	2,686.15	-1.86%
Russell 1000 Growth	598.07	588.04	-1.68%
S&P MidCap 400	910.64	899.46	-1.23%
Russell 2000	761	746.49	-1.91%
MSCI EAFE	1,560.85	1,466.29	-6.06%
MSCI Small Cap	993.81	973.99	-4.96%

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.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

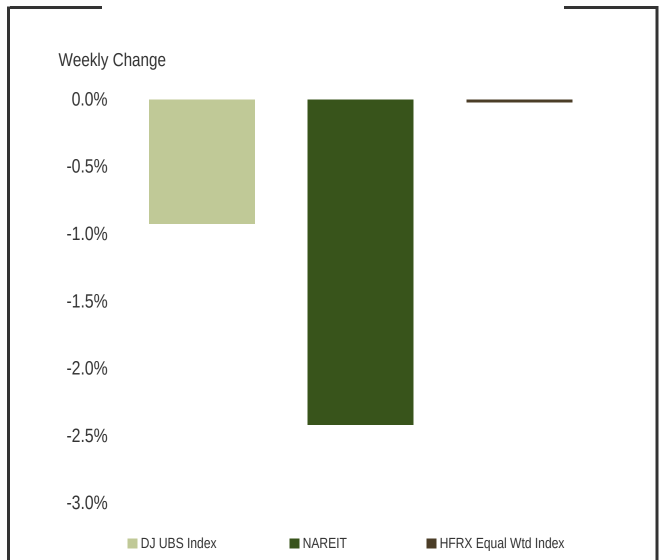
Despite taking a tumble on Friday as investors showed concern regarding the Greek government and renewed fear the country may in fact default, gold ended the week up 0.68%, settling at $1,756.30 an ounce. Gold hit a six-week high on Thursday as investors placed bets on monetary policy moves supporting prices of the metal heading into the end of the year. Analysts predict the precious metal may be poised for even further strength with it being viewed as an alternative asset due to the “easy-money” policies held by central banks.

Although Q3 returns from commercial real estate investment properties remained positive, they were down from the previous three-month period, according to data released by the National Council of Real Estate Investment Fiduciaries (NCREIF). In a report this week from REIT.com, the NCREIF Property Index’s (NPI) total return for Q3 was 3.3%, including an income return of 1.46% and a 1.83% return on capital. This reflected a total return 64 basis points lower than Q2. Calvin Schnure, NAREIT’s vice president of research and industry information, noted this data illustrates the divergence between near-term and long-term fundamentals in commercial real estate. While commercial property prices have stopped falling and actually edged up slightly, Schnure claims they are still well below the highs witnessed in 2007 before the financial crisis hit.

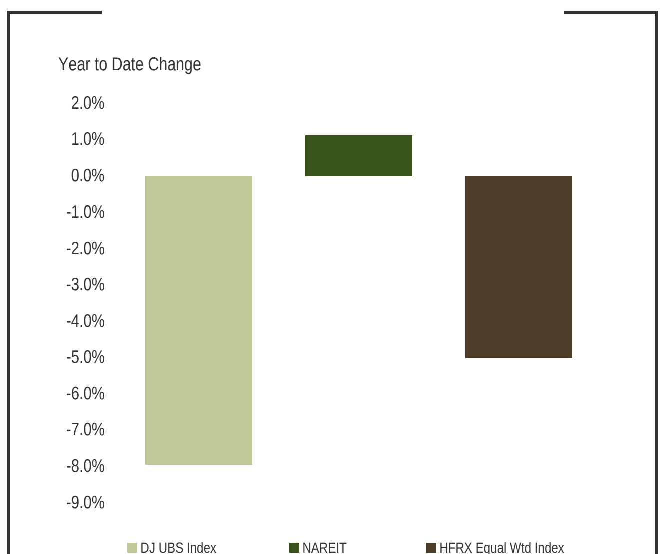
After a rough August and September, hedge funds bounced back last month posting positive returns, but still have a ways to go to avoid ending the year in the red. According to the Dow Jones Credit Suisse Core Hedge Fund Index, the average fund rose 1.85% in October, but remains down 6.13% on the year after falling more than 4% in September. Long/short equity hedge funds performed the best last month, rising 5.27% to cut their average year-to-date loss at 4.37%. Managed futures funds, which were the best performing strategy in September, were the worst performers in October, falling 5.07%, as trends reversed against many short equities, short commodities and long fixed-income positions, according to FinAlternatives.

Issue	Previous Week	Current[1]	Change
Gold	1,744.50	1,756.30	0.68%
Crude Oil Futures	93.47	94.36	0.95%
Copper	371.65	356.00	-4.21%
Sugar	26.15	25.57	-2.22%
HFRX Equal Wtd. Strat. Index	1,108.88	1,108.69	-0.02%
HFRX Equity Hedge Index	1,020.61	1,019.46	-0.11%
HFRX Equity Market Neutral	982.92	983.99	0.11%
HFRX Event Driven	1,322.34	1,322.19	-0.01%
HFRX Merger Arbitrage	1,498.72	1,495.73	-0.20%
Dow Jones UBS Commodity Index	150.87	149.48	-0.92%
FTSE/NAREIT All REIT	139.24	135.88	-2.41%

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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