MainStreet Advisors Financial Market Update

November 18, 2011

Economic Update

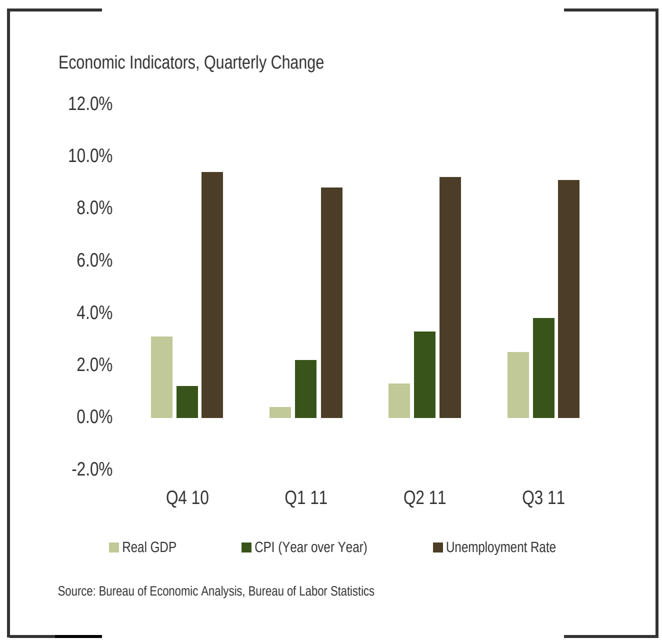
Things in Europe are not getting any better, as yields on bonds in troubled eurozone countries have been climbing. The situation was exacerbated when a report issued by Eurostat this week showed the region was flirting with recession. GDP growth for the 17 nations was an anemic 0.2% in the third quarter. A shrinking economy in Europe would also put downward pressure on growth here in the U.S.

We are finally seeing some relief on the inflation front, which had been running high over the past few months. The consumer price index edged down 0.1% in October after rising 0.3% the previous month, according to the Labor Department. The decline was largely driven by lower energy prices which fell 2.0%. Excluding food and energy, the core CPI rose a mild 0.1%. Year-over-year headline inflation softened to 3.6% from 3.9% in September, while the core rate climbed to 2.1% from 2.0%. Meanwhile, prices at the producer level also fell on weaker energy prices, down 0.3% following a 0.8% jump in September. The inflation relief will likely be short-lived, however, as energy prices have been rebounding strongly so far in November.

Retail sales continued to gain in October, up 0.5% for the month according to the Commerce Department. While it was not as strong of a showing as the 1.1% jump in September, it was still above consensus estimates and shows the consumer is willing to spend more despite low levels of confidence. Sales at electronics & appliance stores showed the greatest strength surging 3.7%, while clothing & accessory stores were the weakest with a 0.7% decline in sales. Retail sales gains on a year-over-year basis softened to 7.2% from 7.9% in September.

The number of Americans filing for first-time unemployment benefits fell yet again, according to the Labor Department. Initial jobless claims were 388,000 for the week ended November 12, a decline of 5,000 from the previous week. The four-week moving average dropped to 396,750, falling below the key 400,000 mark for the first time in seven months. While the declines have been slow, this downward trend appears to be gaining some traction. This coupled with the stronger retail sales should bode well for economic growth in the quarter.

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.



Nov. 15th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.3%
Nov. 15th	Producer Price Index, October Monthly Chg.	-0.3%
Nov. 15th	Retail Sales, October Monthly Chg.	0.5%
Nov. 15th	Empire State Mfg Survey, November	0.61
Nov. 15th	Business Inventories, Sep. Monthly Chg.	0.0%
Nov. 16th	MBA Purchase Applications Index, Wkly. Chg.	-10.0%
Nov. 16th	Consumer Price Index, October Monthly Chg.	-0.1%
Nov. 16th	Industrial Production, Oct. Monthly Chg.	0.7%
Nov. 16th	Housing Market Index, November	20.0
Nov. 16th	EIA Petroleum Status Report, Wkly. Chg.	-1.1M Barrels
Nov. 17th	Housing Starts, October	628,000
Nov. 17th	Initial Jobless Claims (week ending 11/12)	388,000
Nov. 17th	Philidelphia Fed Survey, November	3.6
Nov. 17th	EIA Natural Gas Report, Wkly. Chg.	19 bcf
Nov. 18th	Leading Indicators, Oct. Monthly Chg.	0.9%

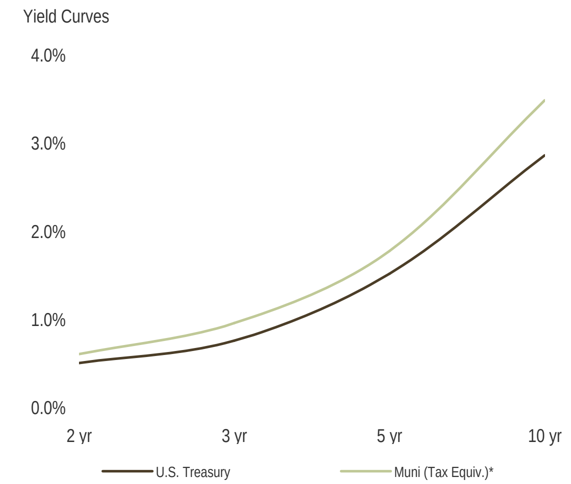
Bond Market Update

Events relating to Europe's debt crisis are now the primary driver of demand in the domestic fixed income markets. During the early part of the week, amplified fears concerning contagion affects on the euro zone's banking system sent investors into the safe-haven U.S. Treasury market. Although the sovereign debt crisis has plagued the markets for months, growing signs the region's banks are finding it more difficult and expensive to obtain funding have spurred the recent spike in anxieties.

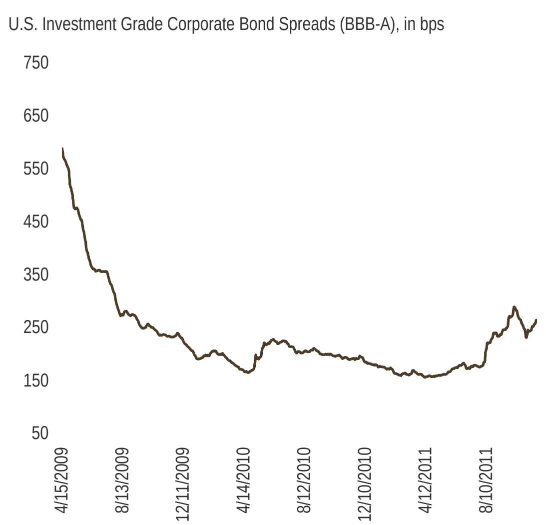
Adding to the confusion, France and Germany clashed over whether the ECB should intervene more forcefully to help arrest the spiraling debt crisis. Germany remains adamantly opposed to using the European Central Bank as a lender of last resort, suggesting large purchases of crisis-area bonds would ultimately lead to a rapid spike in inflation. At the same time, French leaders reiterated their view that the only way to prevent contagion is for the European Financial Stability Facility (EFSF) to have a banking license, allowing it to borrow from the ECB. Ultimately, most strategists feel the ECB must be willing to buy Italian debt in a large enough quantity to stem the spiral in interest rates, or else risk a serious banking crisis in Europe. On Friday, U.S. Treasuries fell after a decline in Italian and Spanish yields as the European Central Bank intervened in the markets in an attempt to stem spiraling debt costs in these nations. According to a Dow Jones report, the ECB may also start lending to the International Monetary Fund for additional bailouts in the region.

Issue	11.11.11	11.18.11	Change
3 month T-Bill	0.01%	0.01%	0.00%
2-Year Treasury	0.24%	0.29%	0.05%
5-Year Treasury	0.90%	0.94%	0.04%
10-Year Treasury	2.04%	2.01%	-0.03%
30-Year Treasury	3.12%	2.99%	-0.13%

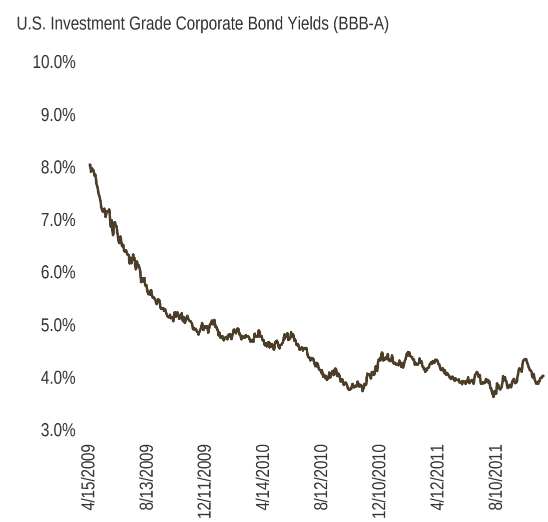
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



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

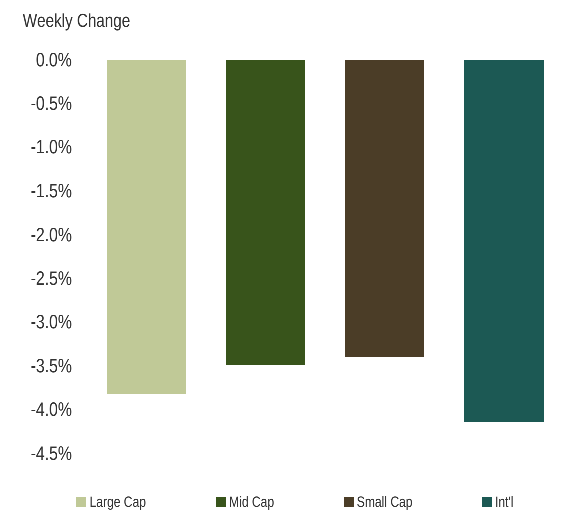
Volatility continued in major equity markets this week as uncertainty about the European economy outweighed mostly positive US economic data. Yields on Spanish and Italian bonds reached elevated levels not seen since the euro was first introduced. In an effort to calm the European markets, the ECB reportedly purchased large amounts of Italian and Spanish debt throughout the week. For the week the Dow Jones Industrial Average declined 2.9% to close at 11796.16. The broader S&P 500 Index closed at 1215.65, down 3.8% from the prior week, its worst performance in two months. The NASDAQ Composite Index fell 4.0% for the week to close at 2572.50. Financials and materials stocks both declined 6%.

Big box retailers Wal-Mart and Lowe's reported earnings this week. Wal-Mart posted positive quarterly same-store sales growth for the first time in nine quarters. Inventories grew less than sales for the first time since Q1 2010. Wal-Mart's chief executive believes the low income consumer will continue to struggle until the economy improves. Lowe's reported same store sales growth of 1%, ahead of expectations, helped by higher sales in states affected by Hurricane Irene. Profits declined year over year on a charge taken by the company to close 20 under-performing stores in 15 states. Both stocks were flat for the week.

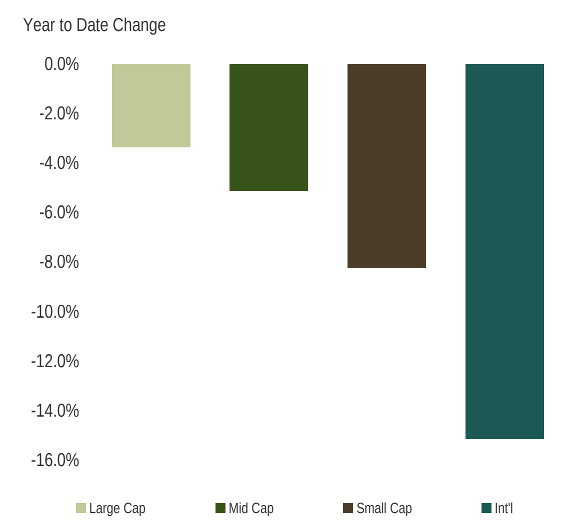
In a sign of increased difficulty navigating these volatile markets, another well-known investment guru called it quits this week. Bill Miller, the legendary portfolio manager for the Legg Mason Value Trust, will hand over management of the fund next April. The portfolio out-performed the S&P 500 for fifteen straight years through 2005. Over the past five years, the fund has fallen at an average annual rate of 9.6% ranking in the 99th percentile.

Issue	11.11.11	11.18.11	Change
Dow Jones	12,153.68	11,796.16	-2.94%
S&P 500	1,263.85	1,215.65	-3.81%
NASDAQ	2,678.75	2,572.50	-3.97%
Russell 1000 Growth	590.09	568.71	-3.62%
S&P MidCap 400	892.06	861.04	-3.48%
Russell 2000	744.64	719.41	-3.39%
MSCI EAFE	1,460.88	1,400.49	-4.13%
MSCI Small Cap	953.95	952.00	-1.61%

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

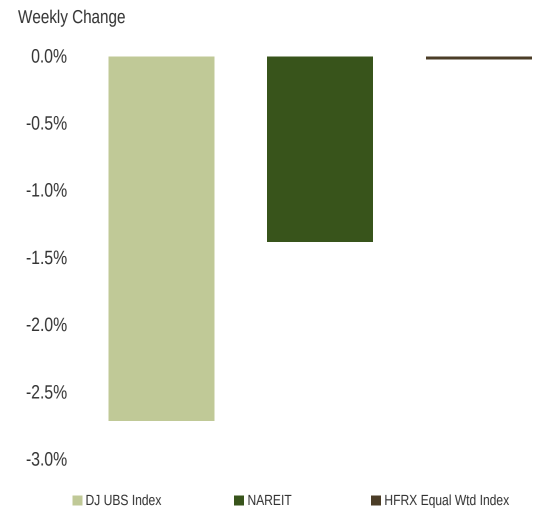
The Dow Jones Commodity Index fell 2.71% this week as commodities experienced high volume price movements. In the gold market, rises in the dollar have decreased the draw towards the precious metal in recent weeks. November began with a gold rally which peaked at $1,804.40 an ounce on Nov. 8th, but since then demand has slowed. For the week, the metal fell 3.68%, settling at $1,724 an ounce. The price of gold has been very volatile, as with the rest of the markets, because of investor perceptions concerning the ongoing European situation. Until the crisis stabilizes, the price of gold will continue to significantly fluctuate. Furthermore, analysts expect strong movement in the short term based on the outcome of the much anticipated report from the "super committee," which is expected to present on deficit cuts next week.

Light crude oil settled at $97.80 a barrel with analysts again citing European concerns as the primary cause. Oil surged above $100 a barrel earlier in the week with positive news from the Keystone Pipeline project, but was short-lived, as Thursday saw a sharp drop in prices. Heating oil, gasoline, and natural gas fell as well - all attributable to concerns about reduced future demand in Europe. Finally, corn fell nearly a percent Friday as sluggish export demand continues to hamper the market, leading to a selloff that has caused commodity futures to fall for the week, specifically most of the agricultural commodity market.

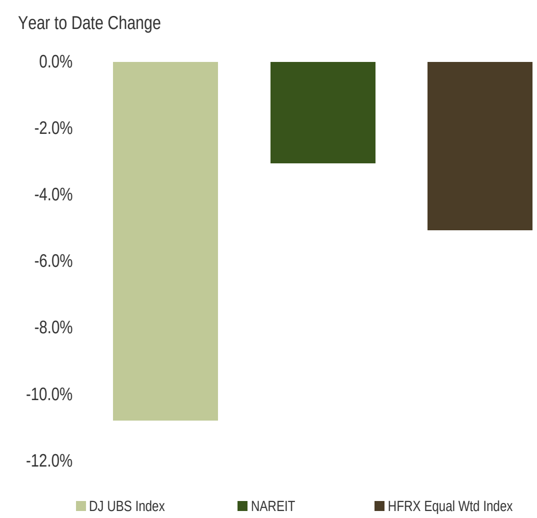
New-York based hedge fund Paulson & Co., which has been the most active investor in gold this year, sold off one-third of its holdings in the precious metal, reported a regulatory filing this week. The report noted the fund sold 20.3 million shares of its 31.5 million of the SPDR Gold Trust exchange-traded fund (ETF), reducing its holdings in the metal by nearly $2 billion. According to FinAlternatives, the sale may be linked to redemptions, as investors filed withdrawal requests totaling roughly $2.4 billion. For the week, the HFRX Equal Weighted Strategy index lost 0.2%, ending at 1,108.28 Diving deeper into strategy specific, the HFRX Merger Arbitrage posted gains, settling at 1,490.61, up 0.49%.

Issue	Previous Week	Current[1]	Change
Gold	1,789.90	1,724.00	-3.68%
Crude Oil Futures	98.97	97.80	-1.18%
Copper	349.05	342.70	-1.82%
Sugar	25.00	23.97	-4.12%
HFRX Equal Wtd. Strat. Index	1,108.48	1,108.28	-0.02%
HFRX Equity Hedge Index	1,016.68	1,017.40	0.07%
HFRX Equity Market Neutral	987.37	984.96	-0.24%
HFRX Event Driven	1,320.44	1,319.90	-0.04%
HFRX Merger Arbitrage	1,483.33	1,490.61	0.49%
Dow Jones UBS Commodity Index	148.93	144.90	-2.71%
FTSE/NAREIT All REIT	132.14	130.32	-1.38%

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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