

MainStreet Advisors Financial Market Update

November 25, 2011
[page 1]

Economic Update

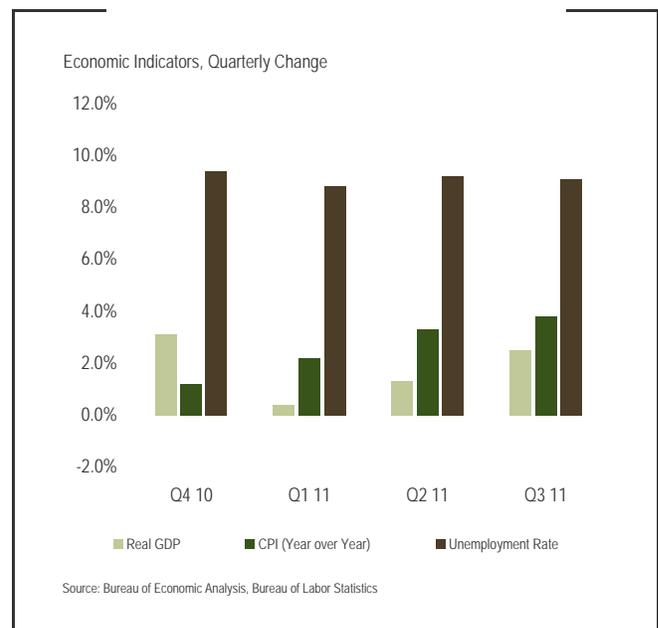
The so-called "Super Committee" proved to be anything but, failing on Monday to agree on a \$1.2 trillion debt reduction package. The committee's squabbling over taxes and entitlements is just one more example of how far the ideological divide has grown between Republicans and Democrats, and why congressional approval ratings are polling as low as 9% right now. The failure to reach a deal will result in \$1.2 trillion in automatic cuts in defense and non-defense spending, but those cuts will not take effect until 2013 and are not nearly enough to slow the growth of our nation's debt relative to GDP.

Sales of existing homes rose 1.4% in October to a 4.97 million annual rate, according to the National Association of Realtors. Buyers were likely drawn in by lower prices which fell 2.0% during the month to a median of \$162,500. The expiration of higher conforming loan limits on October 1 was likely a contributing factor to the drop in prices.

Economic growth got a slight downgrade in the Commerce Department's second estimate for the third quarter. GDP growth was revised down to 2.0% from the initial 2.5% estimate released last month. The negative revision was largely due to a downward adjustment to inventory investment which does little to damage the economy's forward momentum.

Personal income and spending continued to post gains in October, according to a report from the Commerce Department. Personal income rose 0.4% and the wages & salaries component came in at an even stronger 0.5%, indicating that despite high unemployment the situation for those with jobs is improving. Consumer spending on durables jumped 0.8%, likely aided by a drop in gasoline prices.

Durable goods orders softened as a result of a drop in the volatile civilian aircraft orders component. The headline number fell 0.7%, but excluding transportation durable orders were up 0.7%. Boeing recently announced a record order for new jets valued at nearly \$22 billion which will add strength to next month's numbers.



Nov. 21 st	Existing Home Sales, October SAAR	4.97M
Nov. 22 nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.9%
Nov. 22 nd	GDP Price Index, Q3p Quarterly Change SAAR	2.5%
Nov. 22 nd	After-tax Corporate Profits, Q3 Annual Change	6.5%
Nov. 23 rd	MBA Purchase Applications Index, Wkly. Chg.	-1.2%
Nov. 23 rd	Durable Goods New Orders, Oct. Monthly Chg.	-0.7%
Nov. 23 rd	Personal Income, October Monthly Chg.	0.4%
Nov. 23 rd	Consumer Spending, October Monthly Chg.	0.1%
Nov. 23 rd	Core PCE Price Index, October Monthly Chg.	0.1%
Nov. 23 rd	Initial Jobless Claims (week ending 11/19)	393,000
Nov. 23 rd	Consumer Sentiment Index, October	64.1
Nov. 23 rd	EIA Natural Gas Report, Wkly. Chg.	9 bcf
Nov. 23 rd	EIA Petroleum Status Report, Wkly. Chg.	-6.2M Barrels

Bond Market Update

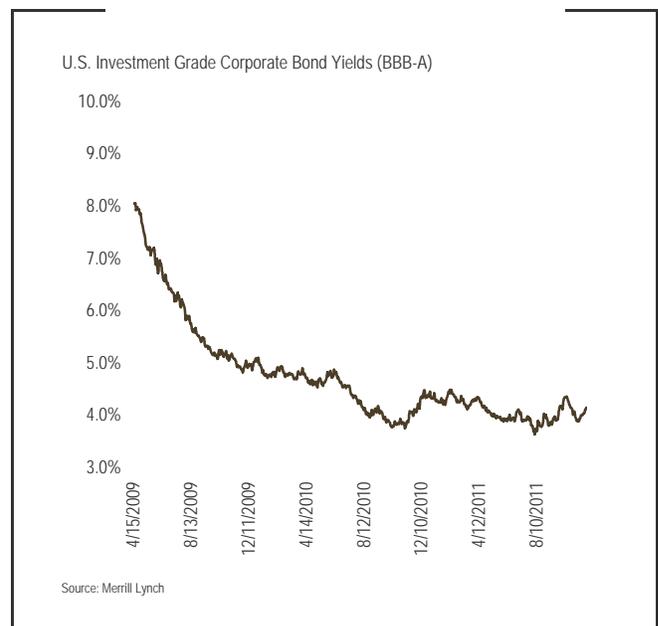
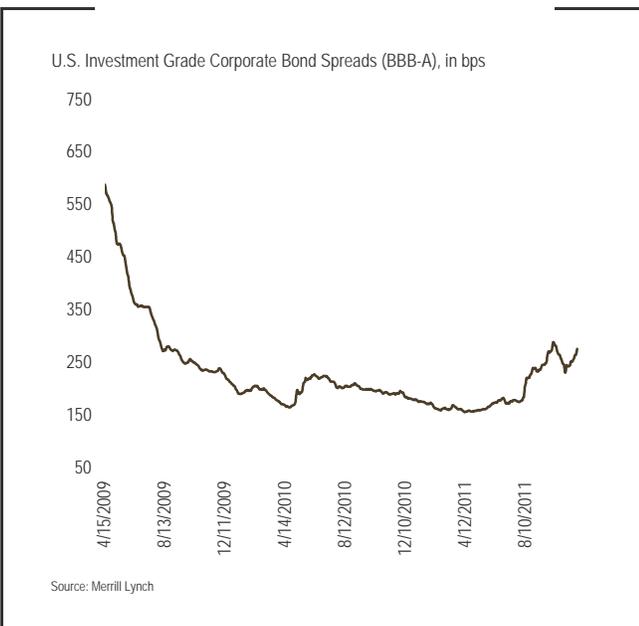
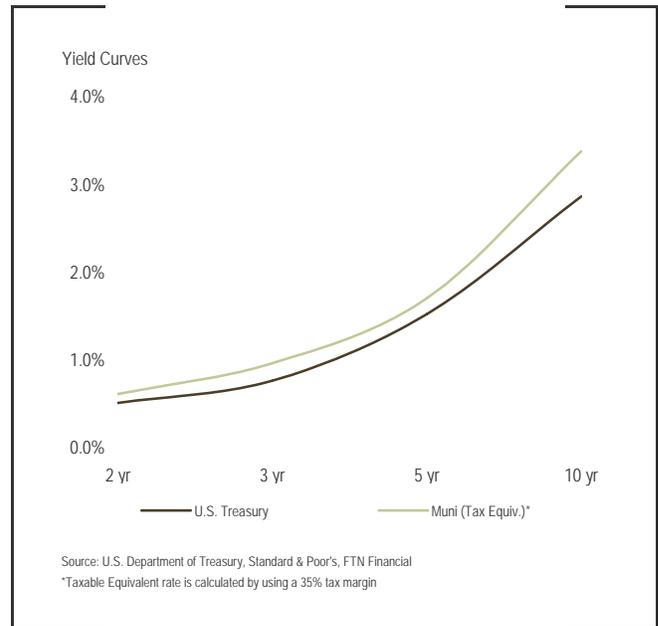
Investors fled to U.S. Treasuries during a volatile trading week dominated by headlines. Domestically, the Congressional super committee's failure to reach a deficit cutting agreement increases the chances that economic stimulus measures will expire and not be renewed in 2012. The increased probability of slower economic growth ahead for the U.S. pushed investors to accept lower yields and diminished the attractiveness of bonds with risk.

Internationally, the eurozone debt crisis continued to smolder. A change in political leadership in Spain did little to boost confidence in Spanish sovereign debt as 3 and 6 month bills traded at over 5% yields following elections. Additional concerns arose over a warning by Moody's that the increased spread between French and German bonds threatens the current AAA credit rating of French debt. France's AAA rating is viewed as essential for the European debt rescue fund to be viable.

Most troubling, however, was an anemic German bond auction where only €3.6 billion of the offered €6 billion 10-year bonds sold at increased yields. With other sovereign bonds trading at a spread to German bonds, the increased German yields pushed up already elevated borrowing costs across the EU. Rather than indicate German bonds have become riskier, analysts viewed the poor auction as an indication investors have increased doubt the EU will make it through the debt crisis intact.

Issue	11.18.11	11.25.11	Change
3 month T-Bill	0.01%	0.02%	0.01%
2-Year Treasury	0.29%	0.26%	-0.03%
5-Year Treasury	0.94%	0.88%	-0.06%
10-Year Treasury	2.01%	1.89%	-0.12%
30-Year Treasury	2.99%	2.82%	-0.17%

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



Stock Market Update

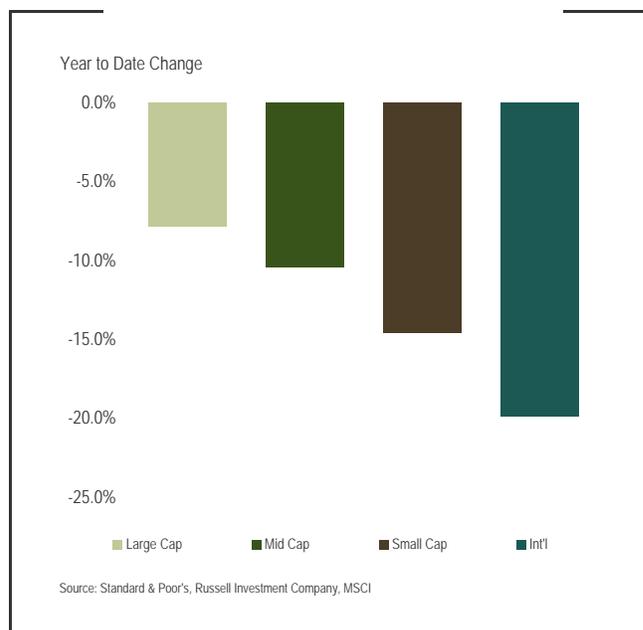
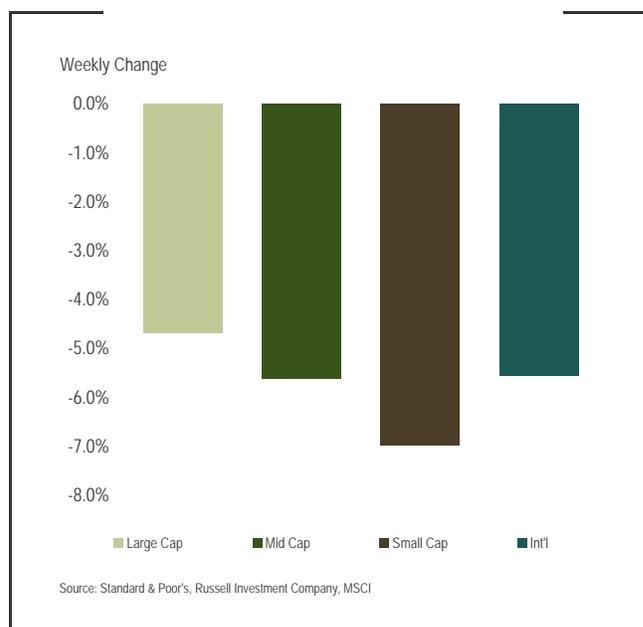
The stock market finished Friday where it had been the whole week, in negative territory, leaving investors with nothing to be thankful for over the past week. The markets continued to remain volatile as the European debt fears continued to take stocks lower earlier in the week. The Dow Jones Industrial Average closed at 11,233.68, down 563 points for the week, or down 4.77%. The broader S&P 500 Index ended the week down 4.67% to close at 1,158.91, while the NASDAQ Composite finished lower by 130 points, or down 5.09% to close the week out at 2,441.58.

The European markets finished the week with several consecutive days of the market ending in negative territory. The markets were looking for leadership this week as the meeting between French president Sarkozy and German Chancellor Angela Merkel failed to calm investor fears. Merkel has openly criticized the issuance of euro bonds stating the common interest rate would send the wrong signal. The Italian government sold 8 billion euros (\$10.7 billion) of six-month Treasury bills with an average yield of 6.50%, significantly higher than the sale on October 26th when the average yield was 3.50%. The higher interest rate reinforces concerns that as the debt crisis spreads Italy will have a difficult time meeting its funding needs.

All three indexes in the U.S. were lower by over 4% for the entire week. The markets seemed to get some relief on Friday as investors returned from Thanksgiving Day and the shortened trading week. Investors seemed to flock back into the market at the open Friday only to turnaround and finish another day this week in negative territory on little volume. Enticed by huge discounts, early Black Friday openings attracted shoppers to major retailers such as Macy's (M), Best Buy (BBY), and Walmart (WMT). Analysts are expecting record crowds with the number of shoppers expected to rise 10% from last year's number of 152 million.

Issue	11.18.11	11.25.11	Change
Dow Jones	11,796.16	11,233.68	-4.77%
S&P 500	1,215.65	1,158.91	-4.67%
NASDAQ	2,572.50	2,441.58	-5.09%
Russell 1000 Growth	568.71	544.91	-4.18%
S&P MidCap 400	861.04	812.67	-5.62%
Russell 2000	719.41	669.24	-6.97%
MSCI EAFE	1,400.49	1,322.57	-5.56%
MSCI Small Cap	952.00	888.24	-5.08%

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.



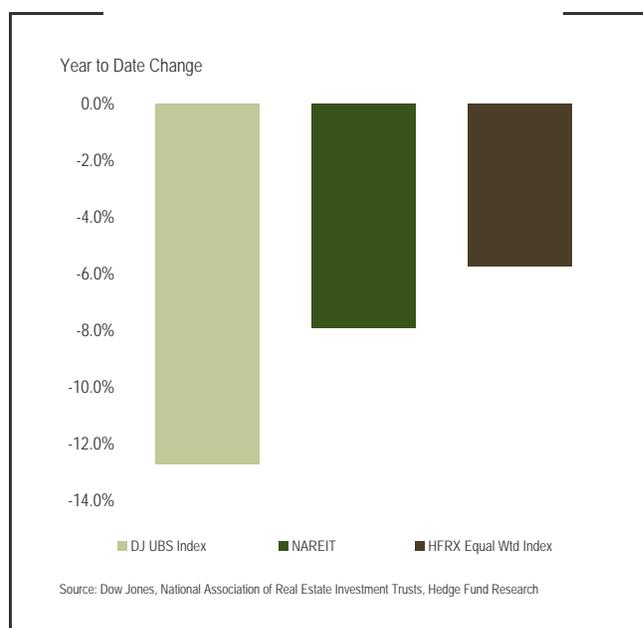
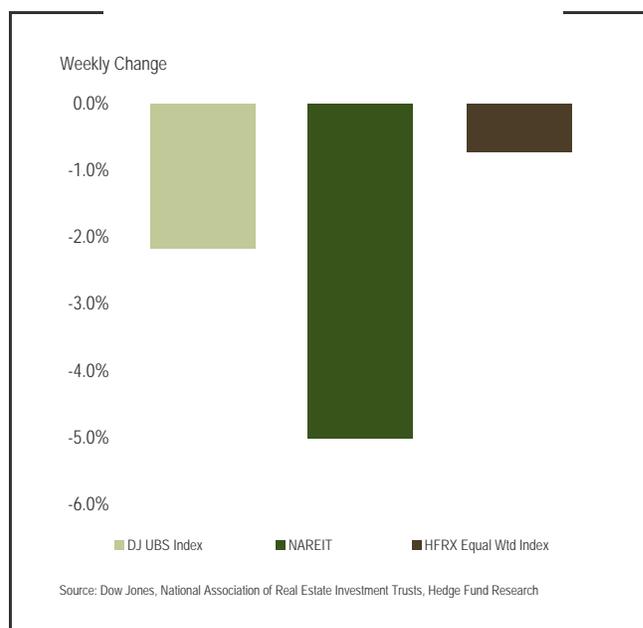
Alternative Investments Market Update

Crude oil fell 1.80% this week, settling at \$96.04 a barrel, as equity markets were hit hard, especially in Asia and Europe, on worries pertaining to the ongoing financial turmoil in the eurozone, along with strength in the U.S. dollar. Analysts believe prices may jump in the near future though, amid France's call for an embargo on crude exports from Iran. This week, the French government reached out to its European counterparts to find an agreement to sanction exports from Iran following reports that allege the country is producing nuclear weapons. In other oil news, the narrowing price gap between the two main benchmarks for crude oil, WTI and Brent, could bring relief for U.S. airlines. The premium of Brent to WTI stood at around \$11.40 a barrel earlier in the week, down from as much as \$27.88 in October. Crude prices affect the cost of jet fuel, which along with labor, are airlines' biggest costs. Airlines use fuel hedge contracts to protect against price swings, so with the gap closing between the two, it gives better protection than was offered when WTI was trading at a discount.

According to Morningstar, hedge funds posted positive gains in October, despite the funds failing to fully participate in the equity market's huge rebound. The Morningstar MSCI Composite Hedge Fund Index, an asset-weighted composite of nearly 1,000 hedge funds, rose 1.1% last month. Despite this rise, however, the index significantly trailed the MSCI World NR Stock Index, which increased 10.3%. According to analysts at Morningstar the lagging performance of hedge funds is attributed to the "abruptness of the market's reversal, coupled with lingering bearish sentiment, which likely caught some defensively positioned managers off guard." To no surprise, stock-picking hedge fund strategies significantly lagged the equity markets, as the Morningstar MSCI North America and the Morningstar MSCI Europe Hedge Fund Indexes rose only 5% and 3.4%, respectively. Emerging markets hedge fund strategies, represented by the Morningstar MSCI Emerging Markets Hedge Fund Index, increased only 4.1% last month, even though emerging markets stocks outperformed developed markets in October.

Issue	Previous Week	Current ¹	Change
Gold	1,724.00	1,687.30	-2.13%
Crude Oil Futures	97.80	96.04	-1.80%
Copper	342.70	329.00	-4.00%
Sugar	23.97	22.90	-4.46%
HFRX Equal Wtd. Strat. Index	1,108.28	1,100.37	-0.71%
HFRX Equity Hedge Index	1,017.40	1,003.66	-1.35%
HFRX Equity Market Neutral	984.96	981.17	-0.38%
HFRX Event Driven	1,319.90	1,307.17	-0.96%
HFRX Merger Arbitrage	1,490.61	1,487.52	-0.21%
Dow Jones UBS Commodity Index	144.90	141.76	-2.17%
FTSE/NAREIT All REIT	130.32	123.79	-5.01%

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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