MainStreet Advisors
Financial Market Update

December 16, 2011

Economic Update

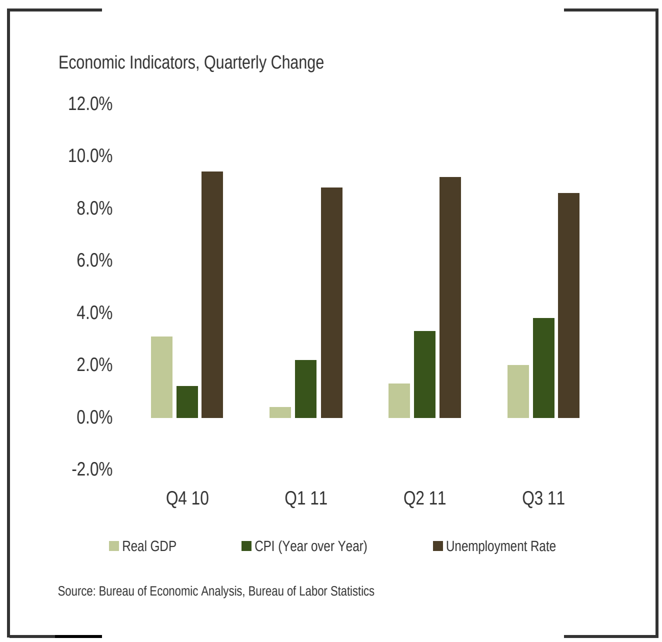
The Federal Open Market Committee announced this week it will retain the current policy rate of 0.0 to 0.25% and also kept the language in its statement saying the rate will likely remain exceptionally low through at least mid-2013. Chicago Fed President Charles Evans was the lone dissenter in the vote as he wanted to see “additional policy accommodation at this time.” According to the statement “the Committee continues to expect a moderate pace of economic growth over coming quarters and consequently anticipates that the unemployment rate will decline only gradually” and “strains in global financial markets continue to pose significant downside risks to the economic outlook.”

Initial jobless claims declined sharply again this week, falling 19,000 to 366,000 for the week ended December 10, according to the Labor Department. The figure was well below expectations and was in fact the lowest reading since May 2008. The four-week average fell 6,500 to 387,750 and is now at its lowest level since July 2008. These numbers are very encouraging and we are now at levels low enough to expect improvement in the unemployment rate in December.

Despite a strong Black Friday, retail sales figures for November were up only 0.2% according to a report from the Commerce Department. The figure fell short of expectations, but the disappointment was partially offset by upward revisions to the previous two months of data. Electronics & appliance stores were the strongest component up 2.1%, while sales at miscellaneous retailers fell 1.2%.

Inflation pressures for the consumer remained at bay for the second month in a row thanks to falling energy prices. A report from the Labor Department showed headline inflation was flat for November after a 0.1% decline the previous month. Year-over-year CPI inflation decelerated to 3.4% from 3.6% in October. Inflation at the producer level picked up, however, rising 0.3% during the month. The increase was largely attributable to a 1.0% jump in food prices. The Fed needs inflation levels to remain tame in order to keep its accommodative monetary policies in place.

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.

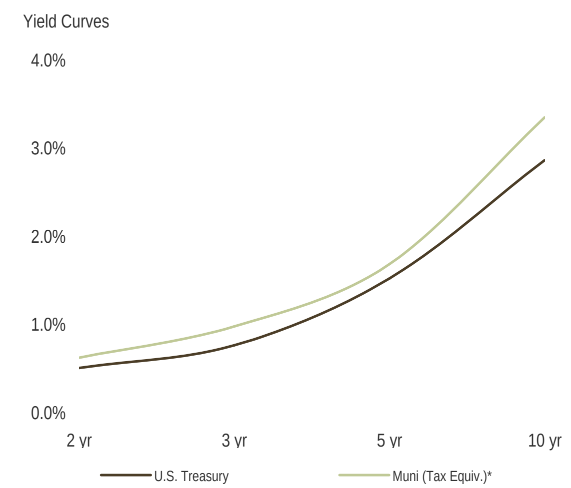


Dec. 13th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.1%
Dec. 13th	Retail Sales, Nov. Monthly Chg.	0.2%
Dec. 13th	Business Inventories, Oct. Monthly Chg.	0.8%
Dec. 14th	MBA Purchase Applications Index, Wkly. Chg.	4.1%
Dec. 14th	Import Prices, Nov. Monthly Chg.	0.7%
Dec. 14th	Export Prices, Nov. Monthly Chg.	0.1%
Dec. 14th	EIA Petroleum Status Report, Wkly. Chg.	-1.9M Barrels
Dec. 15th	Initial Jobless Claims (week ending 12/10)	366,000
Dec. 15th	Producer Price Index, November Monthly Chg.	0.3%
Dec. 15th	Empire State Mfg Survey, December	9.53
Dec. 15th	Industrial Production, Nov. Monthly Chg.	-0.2%
Dec. 15th	Philidelphia Fed Survey, December	10.3
Dec. 15th	EIA Natural Gas Report, Wkly. Chg.	-102 bcf
Dec. 16th	Consumer Price Index, November Monthly Chg.	0.0%

Bond Market Update

Concern over the viability of the EU's latest agreement to end their sovereign debt crisis and the increasing likelihood of rating agency downgrades of European sovereign debt prompted investors to reduce risk. U.S. Treasury bonds were the major beneficiary of the flight to safer fixed income assets, with Treasury auction bid-to-cover ratios at historic highs for some issues. The biggest move came at the long end of the yield curve, with the 30-year U.S. Treasury bond dropping to a 2.85% yield and the 10-year U.S. Treasuries trading below 1.85%. Gains were not limited to Treasuries, however, as investors bid up investment grade corporate bonds due to attractive spreads over Treasuries and the healthy balance sheets of issuing companies.

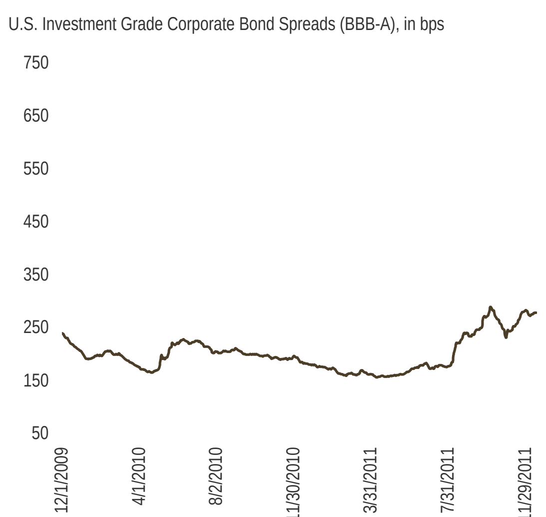
International fixed income market pressures persisted in the wake of the new concerns over EU debt. European banks began increasing pledged hard assets for short-term funding needs due to a shortage of fixed income collateral, but still found low liquidity in commercial paper markets as both U.S. and European money market funds continue to reduce exposure to the Eurozone. Additionally, Italy was forced to pay the highest five-year bond rate, 6.47%, since they joined the EU in order to place 3 billion euros of paper. Market sentiment was not as detrimental to Spain's bond auction, as Spain was able to sell five-year bonds two percent below Italy's five-year yield.



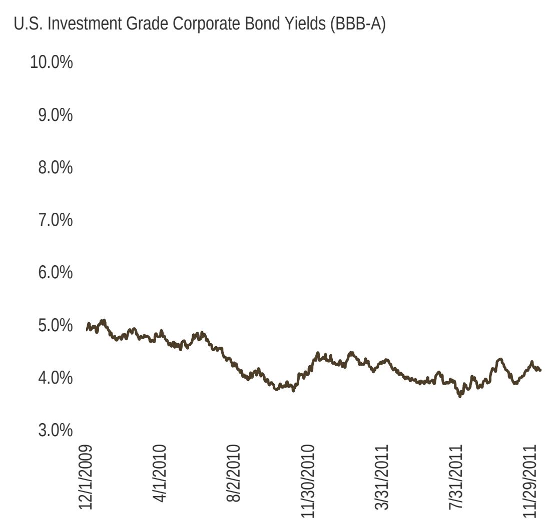
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	12.9.11	12.16.11	Change
3 month T-Bill	0.01%	0.00%	-0.01%
2-Year Treasury	0.22%	0.24%	0.02%
5-Year Treasury	0.86%	0.81%	-0.05%
10-Year Treasury	1.99%	1.86%	-0.13%
30-Year Treasury	3.00%	2.86%	-0.14%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

All three indices opened Friday on a positive note as the roller coaster ride continued this week. The week began in negative territory as additional news coming out of Europe added more questions than answers regarding the debt crisis. The markets finished in positive territory Thursday on positive economic news only to be followed by a downgrade to both U.S. and European Banks. The Dow Jones Industrial Average closed at 11,866.39, down 318 points for the week, or down 2.61%. The broader S&P 500 Index ended the week down 2.83% to close at 1,219.66, while the NASDAQ Composite finished lower by 92 points, or down 3.46% to close the week out at 2,555.33.

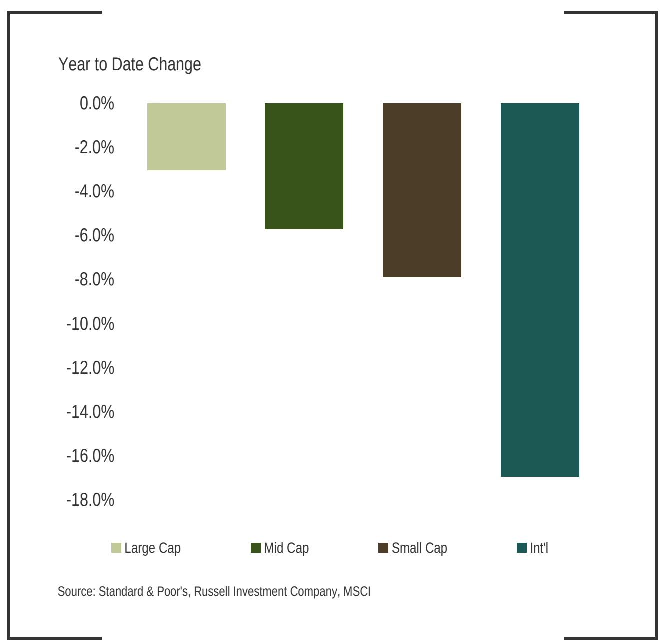
The financial sector finished the week lower by 4% as Fitch made several downgrades to the banking sector. Most notably, in the United States, there were downgrades to Bank of America (BAC), Morgan Stanley (MS) and Goldman Sachs (GS). Europe also had several downgrades with Societe Generale, BNP Paribas, Deutsche Bank and Credit Suisse.

The social media industry was again in the spotlight this week as another highly anticipated IPO began actively trading on the Nasdaq Friday. Online game maker Zynga (ZNGA), which makes the popular Facebook game Farmville, set a target price of $10/share. The stock opened up 10% Friday morning, but quickly fell to below the initial public offering price and closed the day at $9.50/share.

Research in Motion (RIMM) announced earnings after the close on Thursday and once again came out with lackluster numbers alongside an announcement for the delay of the new Blackberry 10 smart phone. RIMM has been counting on its new QNX operating system and the Blackberry 10 to regain market share lost to Apple's iPhone and Google's Android. Several analysts continue to downgrade this stock, and on Friday the company finished lower by 11% to close at $13.44/share.

Issue	12.9.11	12.16.11	Change
Dow Jones	12,184.26	11,866.39	-2.61%
S&P 500	1,255.19	1,219.66	-2.83%
NASDAQ	2,646.85	2,555.33	-3.46%
Russell 1000 Growth	585.39	566.33	-3.26%
S&P MidCap 400	885.38	855.67	-3.36%
Russell 2000	745.91	722.05	-3.20%
MSCI EAFE	1,428.19	1,370.78	-4.02%
MSCI Small Cap	947.59	896.68	-3.89%

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.



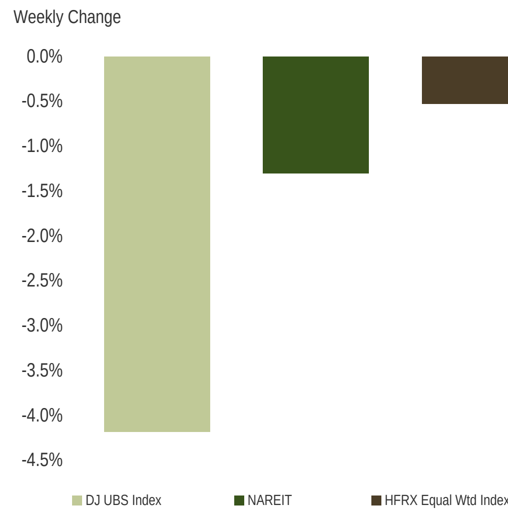
Alternative Investments Market Update

Although the majority of commodities were hit hard earlier in the week after across-the-board sell-offs, some benefited later in the week as investors looked for bargains. These were in large part thanks to better-than-expected U.S. data, signaling the world's largest economy may be strengthening. The two main contributors were initial jobless claims in the U.S. unexpectedly dropping to a three-year low and the Federal Reserve gauging of manufacturing in the New York and Philadelphia regions topping earlier estimates. Gold had a bounce back Friday, but the metal still managed to slip this week, falling 6.76%, settling at $1,599.40 an ounce. Crude oil also was unable to avoid negative territory, closing at $94.01 a barrel, down 5.82% from last week. The news was encouraging for corn and soybeans, as speculation that adverse weather will reduce the output potential in Argentina and Brazil over the next week boosted demand for U.S. supplies.

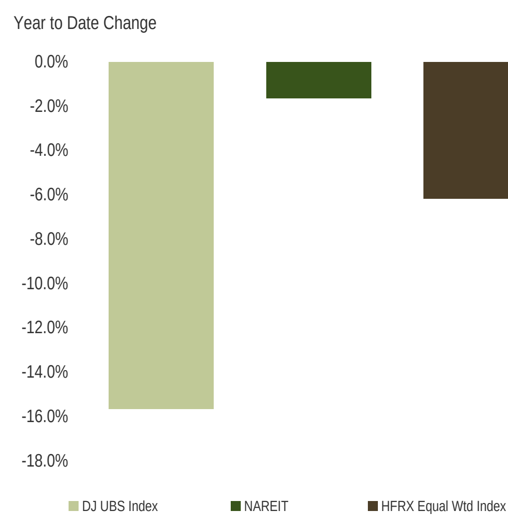
Hedge funds appear set to end the year on at least one positive note; cumulative net subscriptions are at their highest level since 2008, as investors have turned to alternative strategies in order to combat recent market volatility. According to Reuters, the GlobeOp Capital Movement Index, which tracks monthly net subscriptions to and redemptions from hedge funds managing around $170 billion of assets, advanced 1.55 points to 141.01 points this month, topping the 140-point mark for the first time since October 2008, when the Lehman Brother's "demise had sent markets across the world into a tailspin." Hedge funds saw a net inflow of money last month, with gross inflows rising to 3.41%, up from a rise of 2.84% a month earlier. Gross exits from hedge funds also rose in the month, doubling to 1.86% from 0.83% a month earlier, suggesting that investors may be adjusting portfolios before year-end. Analysts at GlobeOp made mention how investors typically make some of the biggest changes in their strategies at the start of the year, so hedge fund data for January may show even more dramatic shifts. For the week, the HFRX Equity Market Neutral Index was down 1.59%, ending at 980.32. Year-to-date, the worst performing strategies, according to the Dow Jones Credit Suisse Index, have been event driven multi-strategy, down 10.85%, event driven, down 8.35% and long/short equity, down 6.48%.

Issue	Previous Week	Current[1]	Change
Gold	1,715.30	1,599.40	-6.76%
Crude Oil Futures	99.82	94.01	-5.82%
Copper	357.20	335.80	-5.99%
Sugar	23.40	23.08	-1.37%
HFRX Equal Wtd. Strat. Index	1,101.25	1,095.52	-0.52%
HFRX Equity Hedge Index	1,005.78	989.75	-1.59%
HFRX Equity Market Neutral	980.32	976.60	-0.38%
HFRX Event Driven	1,318.40	1,302.14	-1.23%
HFRX Merger Arbitrage	1,494.54	1,487.41	-0.48%
Dow Jones UBS Commodity Index	142.98	137.01	-4.18%
FTSE/NAREIT All REIT	133.94	132.20	-1.30%

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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