MainStreet Advisors
Financial Market Update

December 23, 2011

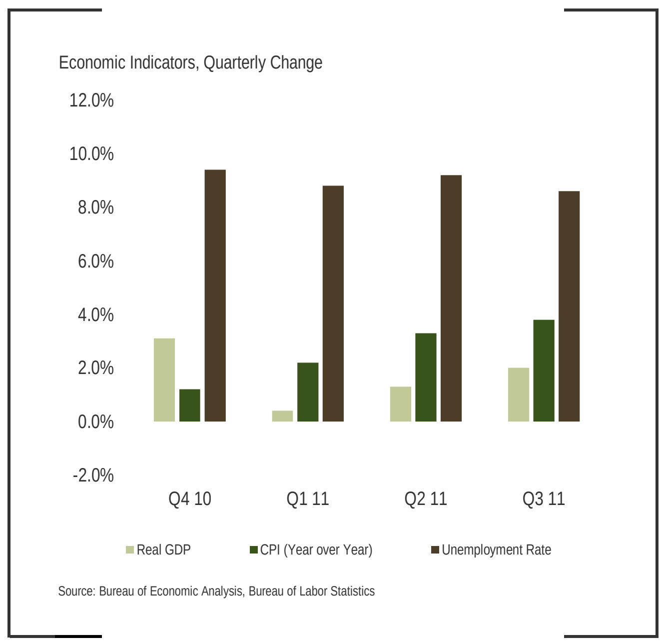
Economic Update

Economic data for the week was mixed as GDP growth for the third quarter was revised down while the employment situation continued to improve. The Commerce Department revised GDP down to 1.8% in its third estimate, slightly lower than the prior 2.0% estimate. On the positive side, initial jobless claims fell for a third straight week down 4,000 to 364,000 in the week ended December 17, according to the Labor Department. This is good news for the labor market, which should ultimately be good news for the economy.

A strong 25.3% jump in the multifamily component helped new housing construction rebound 9.3% in November after slipping 2.9% the previous month, according to the Commerce Department. A 5.7% increase in housing permits was also led by the multifamily component. While the improvement is welcome, the trend towards the multifamily sector is likely driven by the inability of many to purchase homes due to unemployment or tight lending standards. New home sales were reported up 1.6% for November, but it came at the expense of softening median prices which fell 3.8% to $214,000. Meanwhile, the severity of the housing crash was revealed to be much worse than initially thought after the National Association of Realtors issued a sweeping downward revision of the past five years of data. Sales from 2007 to 2010 were actually 14.3% less than originally reported. Data for November was positive, though, with sales up 4.0%, supply down to 7.0 months and the median price up 2.1% to $164,200.

The European Central Bank issued a record amount of three-year loans to 523 European banks this week. The loans, totaling €489 billion, will be charged the average benchmark rate over their term – currently 1.0%. The funds come at a time when the sovereign debt crisis has made banks reluctant to lend to each other, driving the cost of credit up. While this does nothing to solve the region's long-term problems, it will help European banks deal with funding constraints and might help the troubled nations of Europe in the near term if banks use some of the loaned money to buy up their sovereign debt.

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.



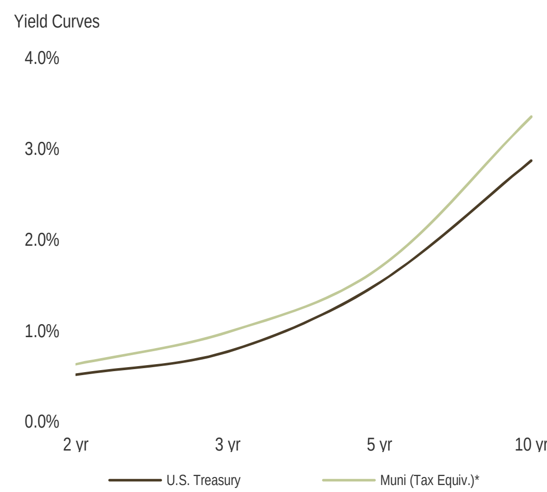
Dec. 19th	Housing Market Index, December	21.0
Dec. 20th	ICSC-Goldman Same Store Sales, Wkly. Chg.	3.4%
Dec. 20th	Housing Starts, November	685,000
Dec. 21st	MBA Purchase Applications Index, Wkly. Chg.	-2.6%
Dec. 21st	Existing Home Sales, November SAAR*	4.42M
Dec. 21st	EIA Petroleum Status Report, Wkly. Chg.	-10.6M Barrels
Dec. 22nd	Real GDP, Q3f Quarterly Change SAAR*	1.8%
Dec. 22nd	GDP Price Index, Q3f Quarterly Change SAAR*	2.6%
Dec. 22nd	Initial Jobless Claims (week ending 12/17)	364,000
Dec. 22nd	Consumer Sentiment Index, December	69.9
Dec. 22nd	Leading Indicators, Nov. Monthly Chg.	0.5%
Dec. 22nd	EIA Natural Gas Report, Wkly. Chg.	-100 bcf
Dec. 23rd	Durable Goods New Orders, Dec. Monthly Chg.	3.8%
Dec. 23rd	Personal Income, Dec. Monthly Chg.	0.1%
Dec. 23rd	Consumer Spending, Dec. Monthly Chg.	0.1%
Dec. 23rd	Core PCE Price Index, Dec. Monthly Chg.	0.1%

Dec. 23rd	New Home Sales, December	315,000

Bond Market Update

Investors rotated out of safe-haven Treasuries into stocks, as reports showing the U.S. economy is strengthening offset continued concerns that Europe is struggling to contain its sovereign debt crisis. However, recent declines have done little to blemish this year's incredible bull run in U.S. government debt, with the 10-year note returning 16% and the 30-year bond increasing 33%, according to Barclays. Looking ahead, some analysts feel the bond market could face more downside during the last trading week of the year, as investors lock-in profits while banks try to preserve balance sheet strength. The Federal Reserve will also pause from its bond-buying program, removing a source of demand until early January. Separately, volatility in the Treasury market fell with Merrill Lynch's MOVE index, a measure of price swings in government securities based on over-the-counter options, dropping to its lowest level since August.

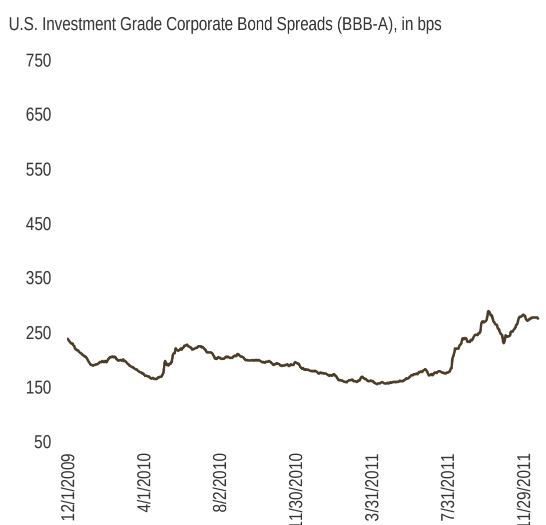
In an encouraging sign, Spain's Treasury sold 5.6 billion euros of short-term debt at sharply lower borrowing costs, as the European Central Bank began rolling out a new lending program encouraging banks to buy eurozone government bonds. Spanish three-month bills sold at a yield of 1.74%, down considerably from the 5.11% rate for similar maturities issued in November. Six-month yields averaged 2.44%, compared with 5.23% one month ago.



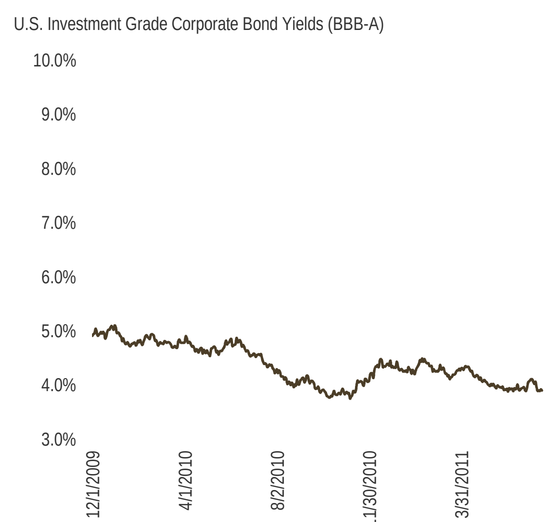
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	12.16.11	12.23.11	Change
3 month T-Bill	0.00%	0.01%	0.01%
2-Year Treasury	0.24%	0.28%	0.04%
5-Year Treasury	0.81%	0.97%	0.16%
10-Year Treasury	1.86%	2.03%	0.17%
30-Year Treasury	2.86%	3.05%	0.19%

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



Source: Merrill Lynch



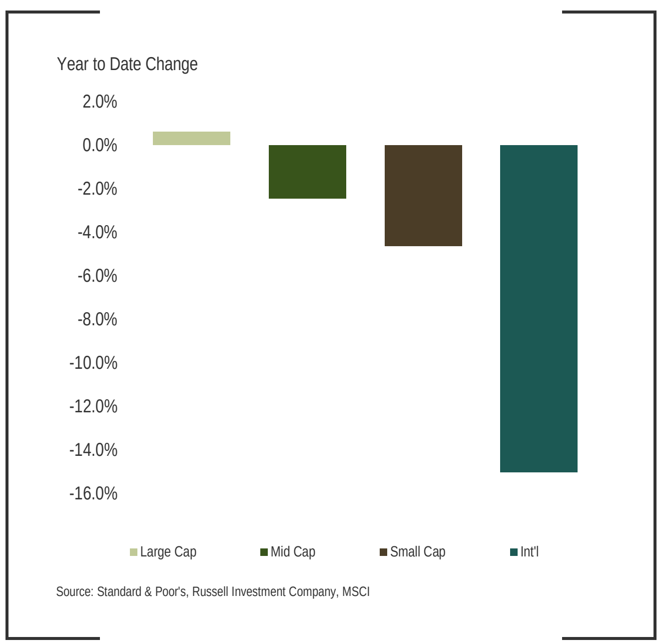
Source: Merrill Lynch

Stock Market Update

Following last week's nearly 3% decline domestic stock markets turned positive again this week. Concerns the European banking sector is worse off than most feared were offset by positive economic data in the U.S as well as the extension of the payroll tax cut. For the week the DJIA increased 3.6% to close at 12293.85. The broader S&P 500 Index closed at 1265.33, up 3.74% from the prior week. The NASDAQ Composite Index rose only 2.48% to 2618.64 due to several weak earnings reports from technology companies.

International markets were mixed this past week. Most European markets were higher while Asia was weak. The FTSE 100 index in the UK closed 2.3% higher than last Friday, while the DAX Index was up 3.0% and the CAC 40 rallied 4%. South Korea's Kospi stock market plunged 5% on Monday following the news of Kim Jung Il's death, before recovering to close down 3.4% for the day and up 2% for the week. The Shanghai Composite rebounded Friday after four down sessions. Resource and financial stocks were particularly strong on positive economic news out of the U.S.

In the last week for earnings reports this year, Oracle missed estimates as customer delayed purchases in the core software business and revenue in the hardware division declined more than predicted. General Mills reported strong sales growth with the recent acquisition of Yoplait's international assets. Gross margins fell from 40.2% to 34.5% due mainly to higher input costs and increased advertising expenses. Paychex Inc.'s fiscal second-quarter earnings rose 4.9% as the payment-processing company generated more revenue per check. While growth in checks per client slowed, the faster growing human resources and benefits services solutions business saw its client base increase by 12%.



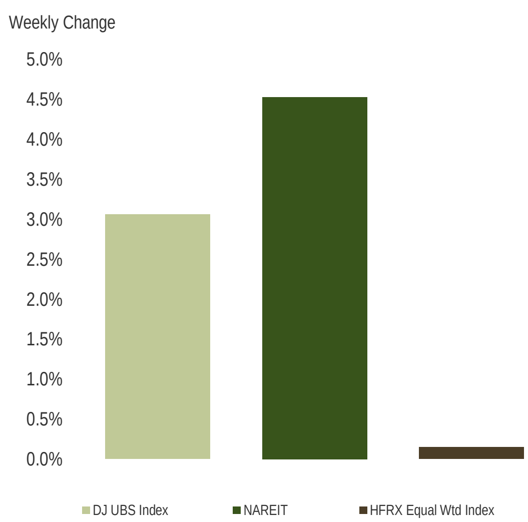
Issue	12.16.11	12.23.11	Change
Dow Jones	11,866.39	12,293.85	3.60%
S&P 500	1,219.66	1,265.33	3.74%
NASDAQ	2,555.33	2,618.64	2.48%
Russell 1000 Growth	566.33	578.76	2.19%
S&P MidCap 400	855.67	884.89	3.41%
Russell 2000	722.05	747.33	3.50%
MSCI EAFE	1,370.78	1,401.60	2.25%
MSCI Small Cap	896.68	919.55	1.71%

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.

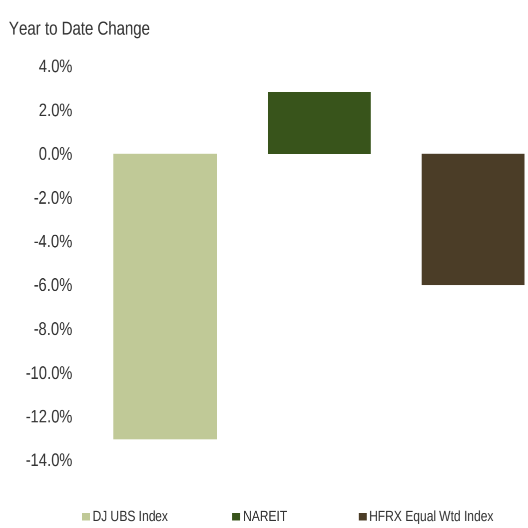
Alternative Investments Market Update

After U.S. oil supplies fell the most in a decade last week, crude had a bounce back week, closing at $107.96 a barrel, up 0.06%. The rebound is mostly attributed to signs of economic growth after the number of applications for unemployment benefits in the U.S. unexpectedly decreased to a three-year low and the index of U.S. leading indicators climbed more than forecasted in November. This was good end-of-year news for oil because U.S. crude stockpiles fell 10.6 million barrels last week, the largest decrease since February 2001, reported the Energy Department. Gold had a volatile week as the dollar rose against the euro over concerns the ongoing eurozone crisis would put further pressure on the currency. Months ago the precious metal was viewed as a safe haven, but is now moving more in line with assets believed to be of higher risk, such as stocks and the euro, which tend to rise at the dollar's expense.

Hedge funds needed a strong December to avoid ending the year in the red, but so far this month, the industry is getting anything but help. As things stood at the end of November, the industry needed a major rally in the final month to avoid a losing year. According to Hedge Fund Research though, hedge funds have not received any such rally, and instead are losing even further ground in the first half of December. The HFRX Global Hedge Fund Index lost 0.59% through last week and is down just over 9% on the year, with only two weeks left. Industry losses were fairly widespread, except among macro and relative value strategies. FinAlternatives notes systematic diversified commodity trading advisors gained 1.67% during the first half of December, while convertible arbitrage funds added 0.27%. Multi-strategy relative value funds added 0.18% and are up 0.39% year-to-date, remaining the only HFRX strategy in the black for 2011. Unfortunately the bad outweighs the good, though, as fundamental growth funds have dropped an average of 2.57% through December and are down 15.01% year-to-date. Equity hedge funds have slipped 1.61% through the first half of the month and are down 19.69% on the year.



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

Issue	Previous Week	Current[1]	Change
Gold	1,599.40	1,607.60	0.51%
Crude Oil Futures	94.01	99.80	6.16%
Copper	335.80	346.45	3.17%
Sugar	23.08	23.59	2.21%
HFRX Equal Wtd. Strat. Index	1,095.52	1,097.17	0.15%
HFRX Equity Hedge Index	989.75	997.88	0.82%
HFRX Equity Market Neutral	976.60	980.56	0.41%
HFRX Event Driven	1,302.14	1,305.31	0.24%
HFRX Merger Arbitrage	1,487.41	1,486.00	-0.09%
Dow Jones UBS Commodity Index	137.01	141.20	3.06%
FTSE/NAREIT All REIT	132.20	138.18	4.52%

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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