MainStreet Advisors
Financial Market Update

February 3, 2012
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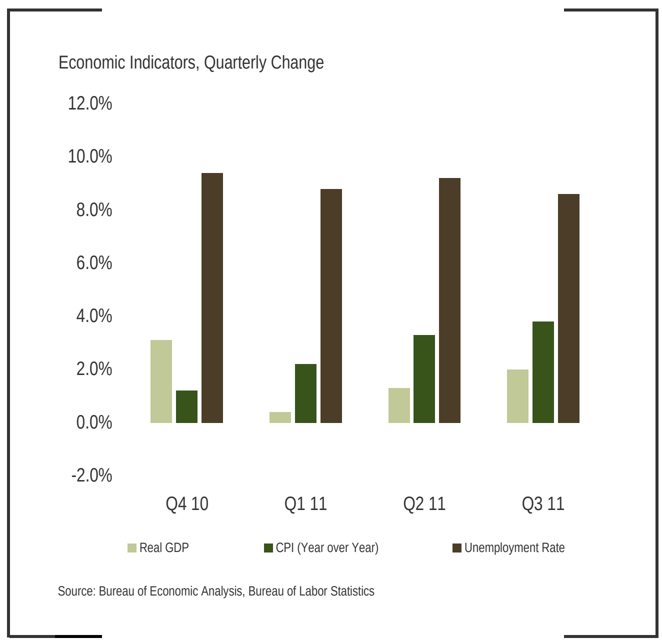
Economic Update

The job market turned in its best performance since April, according to the Labor Department. 243,000 U.S. workers were added to the payrolls in January, following a 203,000 increase in December. The private sector once again outstripped the total adding 257,000 jobs while government continued to get leaner shedding 14,000 from its payrolls. The report also included annual revisions that showed 180,000 more jobs than originally thought were added in 2011, bringing the total for the calendar year up to 1.82 million. The household survey showed the unemployment rate dropped for the fifth straight month falling to 8.3% from 8.5%, although that cannot be taken at full face value as the improvement was in part due to a revised population count. Overall the employment report was a huge positive surprise and it would appear the jobs recovery is in full swing.

There was more good economic news as manufacturing expanded for the 30th consecutive month, according to the Institute for Supply Management. The PMI registered 54.1 in January, up one point from December's revised reading of 53.1. New orders accelerated further and the order backlog also started to grow – both positive signs. Comments from respondents to the survey were more upbeat and indicated a positive outlook for 2012. The non-manufacturing sector also expanded up a strong 3.6 points to 56.8. The employment index surged 8 points mirroring the strength seen in the employment numbers. Both reports indicate economic growth is accelerating in a more broad fashion than we have seen in recent months.

Personal income grew at an accelerated pace in December but did not translate into more spending, according to the Commerce Department. Personal income jumped 0.5% following a 0.1% increase in November. The key wages & salaries component also showed strength growing 0.4%. Despite having more income consumers did not loosen their purse strings and spending came in flat for the month. The increase in income should translate to gains in consumer spending in the coming months, however.



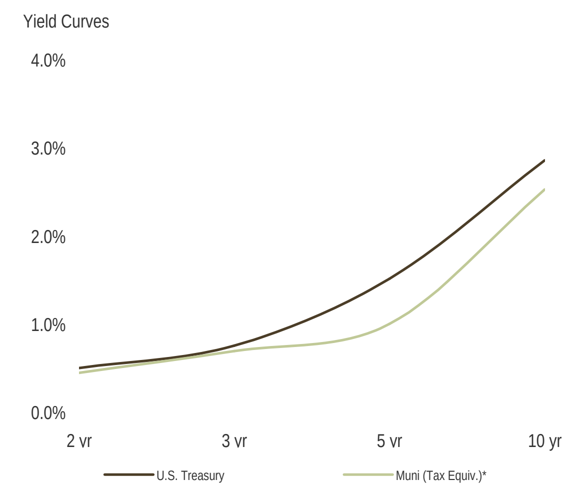
Jan. 30th	Personal Income, December Monthly Chg.	0.5%
Jan. 30th	Consumer Spending, December Monthly Chg.	0.0%
Jan. 30th	Core PCE Price Index, December Monthly Chg.	0.2%
Jan. 31st	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Jan. 31st	Employment Cost Index, Q4 Quarterly Change	0.4%
Jan. 31st	S&P/Case-Shiller 20-city Index, Nov. Monthly Chg.	-0.7%
Jan. 31st	Chicago PMI Business Barometer Index, January	60.2
Jan. 31st	Consumer Confidence Index, January	61.1
Jan. 31st	State Street Investor Confidence Index, January	92.4
Feb. 1st	ISM Mfg. Index - Level, January	54.1
Feb. 1st	Construction Spending, Dec. Monthly Chg.	1.5%
Feb. 2nd	Initial Jobless Claims (week ending 1/28)	367,000
Feb. 3rd	Non-farm Payrolls, Jan. Monthly Chg.	243,000
Feb. 3rd	Unemployment Rate, January	8.3%
Feb. 3rd	Factory Orders, Dec. Monthly Chg.	1.1%
Feb. 3rd	ISM Non-Mfg. Index, January	56.8

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.

Bond Market Update

Continued delay in a Greek debt resolution and lackluster U.S. company earnings reports had investors bidding up U.S. Treasuries during the week before a strong U.S. jobs report for January sent investors rushing into riskier assets on Friday. The 10-year U.S. Treasury yield had steadily declined through the week to eventually drop 10 basis points below the previous week's close of 1.93% before the jobs report was released Friday morning. With the strong growth in jobs supporting the potency of the U.S. economic recovery, investors favored yield over safety and sent the 10-year U.S. Treasuries back up to a yield of 1.93% while high yield securities received strong bids.

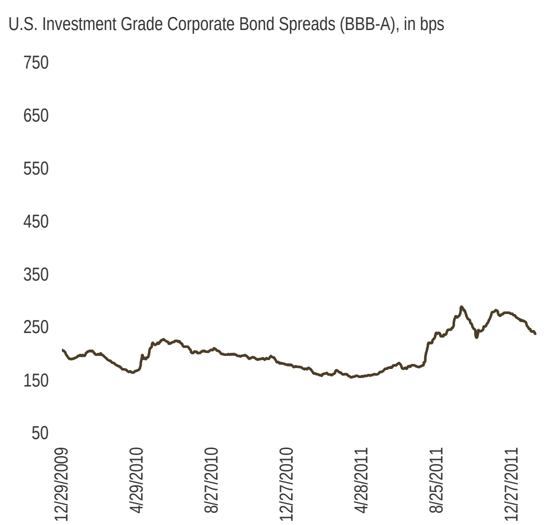
International bond markets continued to send mixed messages to investors. Dropping yields for European sovereign debt continued to give hope that the worst of the European debt crisis is over, although some question the longer-term sustainability of bids for periphery paper due to the reliance on European banks' carry trades using cheap ECB loan money. Additionally, Asian debt markets have surged with new investment grade issuance in 2012 as strong demand suggests investors are increasingly more comfortable in accepting risk for higher yields; however, the large issuance can be traced to a withdrawal of bank lending in the region and heightens concerns of corporate funding if investor demand were to weaken.



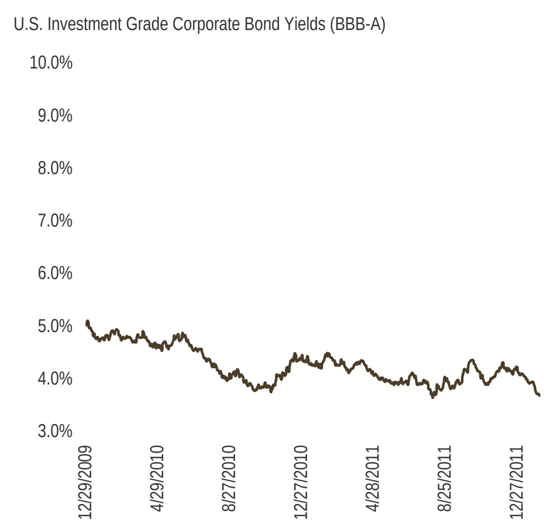
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	1.27.12	2.3.12	Change
3 month T-Bill	0.06%	0.08%	0.02%
2-Year Treasury	0.22%	0.23%	0.01%
5-Year Treasury	0.75%	0.71%	-0.04%
10-Year Treasury	1.93%	1.86%	-0.07%
30-Year Treasury	3.07%	3.01%	-0.06%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

Stocks continued their positive run in 2012 this week with most major markets finishing higher for the five-day trading period, helped on Friday by the positive jobs report. On Tuesday, both the Dow Jones Industrial Average and the broader S&P 500 Index closed at levels that allowed the indices to record their best percentage jump for the month of January since 1997. The NASDAQ Composite Index logged its best January since 2001. For the week, the Dow increased 1.6% to 12862.23, a four-year high. The S&P 500 Index closed at 1344.90, up 2.2% while the NASDAQ rose 3.2% to 2905.66 to end the week at an 11-year high.

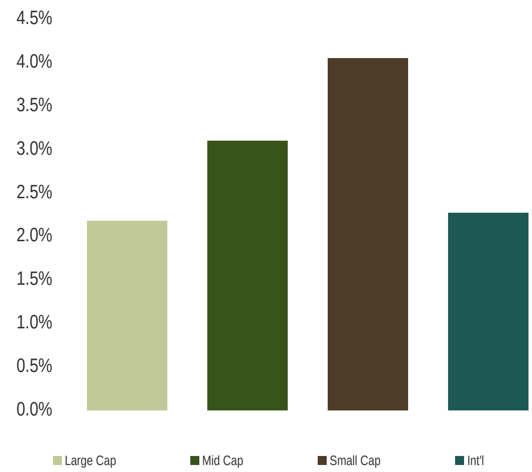
International markets were mostly higher this past week. The eurozone Purchasing Managers Index increased to 48.8 in January, slightly above consensus. The German PMI rose to 51.0 in January from 48.4 in December, also beating consensus expectations. In the U.K., PMI rose to an eight-month high of 52.1 in January. The FTSE 100 finished up 2.9% for the week while the CAC 40 Index increased 3.3% and the DAX rose 3.9%. Chinese PMI increased to 50.5 in January, up from 50.3 in December and beating expectations for a decline to 49.5. China's Shanghai composite increased 0.49%, while Japan's Nikkei index was flat for the week.

In corporate news, Facebook filed its long awaited initial public offering on Wednesday that could value the company in the range of $75-$100 billion. As earnings season winds down, UPS, MasterCard and Exxon Mobil all reported profits slightly ahead of expectations. Merck, Amazon and Dow Chemical all missed analysts' estimates. For the first time in nine quarters it appears as though S&P earnings growth rate will not reach double-digits. Automakers reported January sales data showing an annual pace of 14.18 million, the highest rate since August 2008.

Issue	1.27.12	2.3.12	Change
Dow Jones	12,660.46	12,862.23	1.59%
S&P 500	1,316.32	1,344.90	2.17%
NASDAQ	2,816.55	2,905.66	3.16%
Russell 1000 Growth	616.03	630.53	2.35%
S&P MidCap 400	942.13	971.25	3.09%
Russell 2000	798.85	831.11	4.04%
MSCI EAFE	1,495.59	1,529.46	2.27%
MSCI Small Cap	1,014.98	1,043.96	2.72%

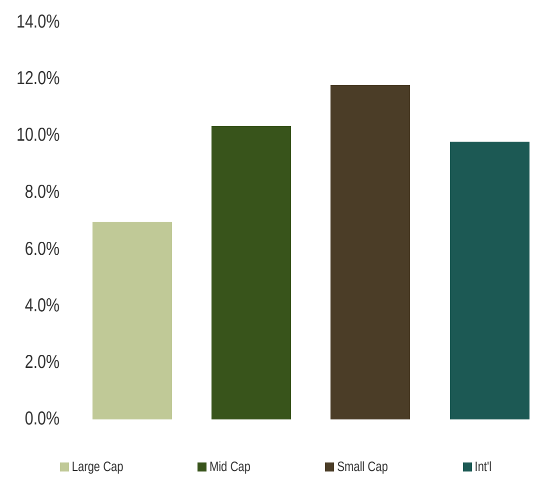
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.

Weekly Change



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

Year to Date Change



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

Alternative Investments Market Update

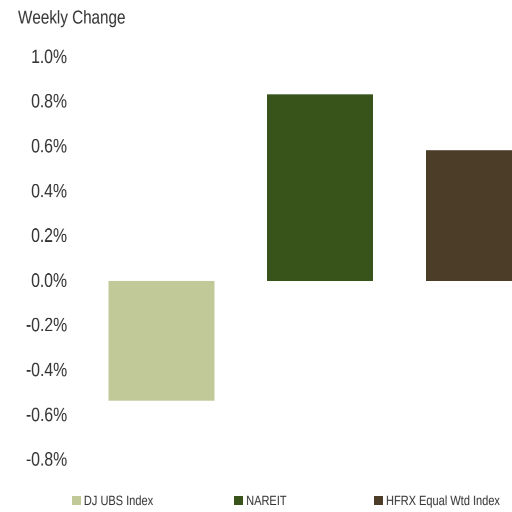
In what started off as another fairly good week for gold, the metal was hit hard on Friday, falling $19 an ounce, thanks to a better-than-expected increase in the employment situation, dampening investor demand for the precious metal. Analysts believe the lower the unemployment numbers, which fell to 8.3% for January, the less likely the Federal Reserve is to enact of any sort of quantitative easing or additional stimulus, hurting gold's appeal as a safe-haven investment. Despite this significant drop, the metal only lost 0.74% for the week, settling at $1,727.90 an ounce, but is up nearly 12% for the year.

Oil gained for the first time in six days on Friday, paring a weekly loss, after the U.S. jobless rate fell to its lowest level in three years. With this announcement from the Labor Department, analysts believe Americans will be commuting more to work, thereby sparking the economy as well as demand for energy, which is expected to rise. The positive U.S. jobs data added to evidence that the world's largest economy and the biggest user of gasoline, is bouncing back. Oil prices dropped nearly 3% at the beginning of the week, but thanks to trading on Friday, ended the week down 1.88%, closing at $97.74 a barrel.

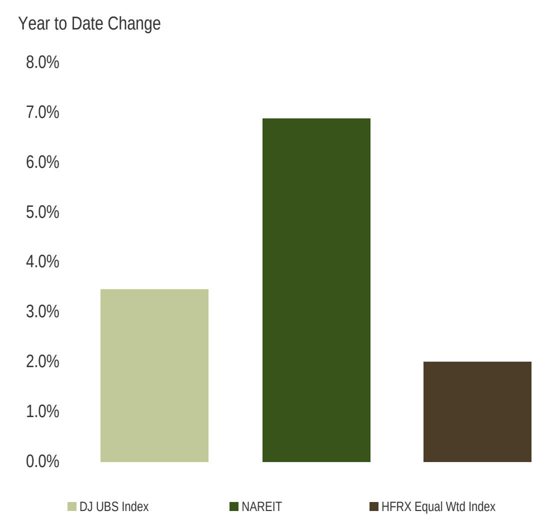
Real estate investment groups in the U.S. are set to raise more funds to buy subprime and other private mortgage-backed securities, aided by attractive returns and rising share prices. Real estate investment trusts (REITs) have already been big buyers in the market for packages of mortgages backed by Fannie Mae, Freddie Mac and other government agencies, creating what some have termed a "shadow" financing system for U.S. mortgages. According to a report from the Financial Times, REITs are beginning to turn their attention to subprime and other riskier 'non-agency' mortgage securities, drawn by high yields relative to the low cost of borrowing, which is a result of the Federal Reserve's move to keep rates at close to zero until 2014." For the week, the FTSE/NAREIT All REIT index was up 0.83%, closing at 147.74.

Issue	Previous Week	Current[1]	Change
Gold	1,740.80	1,727.90	-0.74%
Crude Oil Futures	99.61	97.74	-1.88%
Copper	389.40	390.30	0.23%
Sugar	24.21	23.94	-1.12%
HFRX Equal Wtd. Strat. Index	1,112.88	1,119.35	0.58%
HFRX Equity Hedge Index	1,018.49	1,026.63	0.80%
HFRX Equity Market Neutral	983.60	988.30	0.48%
HFRX Event Driven	1,341.04	1,350.11	0.68%
HFRX Merger Arbitrage	1,497.65	1,502.95	0.35%
Dow Jones UBS Commodity Index	146.32	145.54	-0.53%
FTSE/NAREIT All REIT	146.52	147.74	0.83%

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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