

# MainStreet Advisors Financial Market Update

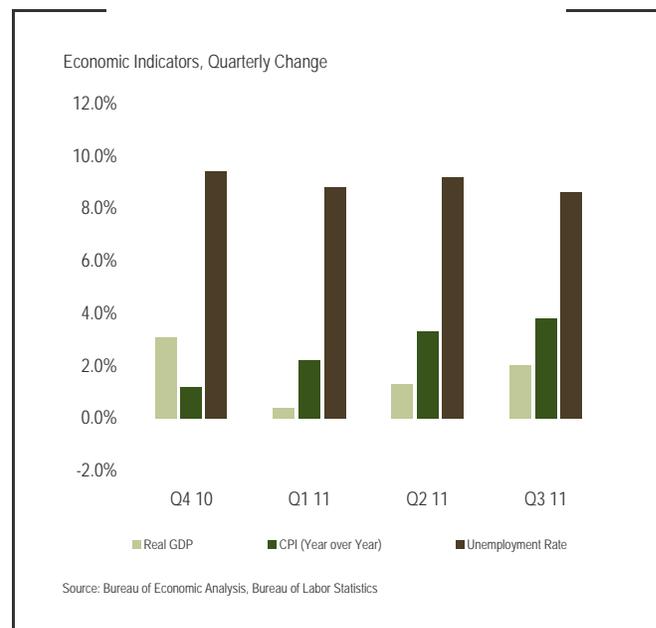
February 10, 2012  
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## Economic Update

It has been a couple of happy months since we last mentioned Greece, but all good things come to an end. Greece needs to implement further austerity measures to receive another installment of their bailout funds required to avoid defaulting on a €14.5 billion bond redemption next month. "Despite the important progress achieved over recent days, we did not yet have all necessary elements on the table to take decisions today," said Eurogroup president Jean-Claude Juncker this week. The nation's government needs to agree on three issues before more emergency loans can be paid. First, the parliament needs to approve the most recent program – which predictably has already incited riots – when they meet on Sunday. They also need to find an additional €325 million in structural expenditure reductions to meet their fiscal targets. Finally, they need to provide assurances the reforms will be implemented after the elections are held later this year. Greece has struggled so far to meet the conditions of last year's bailout as the country falls deeper into recession.

It was a light week for new economic data. The U.S. trade deficit expanded for the second month in a row in December as imports grew faster than exports, according to a report from the Commerce Department. The trade gap widened \$1.7 billion to \$48.8 billion following a revised \$3.8 billion increase the previous month. Exports rebounded 0.7% after a 1.0% decline in November, but imports grew at a faster 1.3%. The worsening in the trade gap was led by a \$2.4 billion increase in the nonpetroleum goods deficit. The report was slightly below consensus expectations.

Things continue to improve in the job market with the initial unemployment claims figure slowing at an increasing rate, according to the Labor Department. The number of American filing for first-time unemployment benefits fell 15,000 in the week ended February 4 to 358,000. The four-week average fell a sizable 11,000 to 366,250. Both figures are a positive sign for the labor market. We are not at levels that can be considered average for a normal labor market, signaling we should expect to see another good employment report for the month.

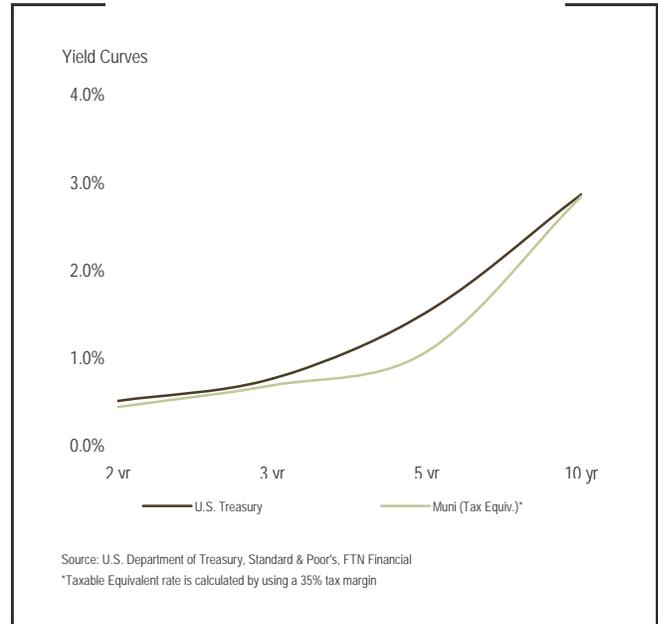


Feb. 7 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.8%
Feb. 7 <sup>th</sup>	Consumer Credit, December Monthly Change	19.3B
Feb. 8 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	7.5%
Feb. 8 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	0.3M Barrels
Feb. 9 <sup>th</sup>	Initial Jobless Claims (week ending 2/4)	358,000
Feb. 9 <sup>th</sup>	Wholesale Inventories, Dec. Monthly Chg.	1.0%
Feb. 9 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	-78 bcf
Feb. 10 <sup>th</sup>	International Trade Balance Level, December	-48.8B
Feb. 10 <sup>th</sup>	Consumer Sentiment Index, February	72.5

Bond Market Update

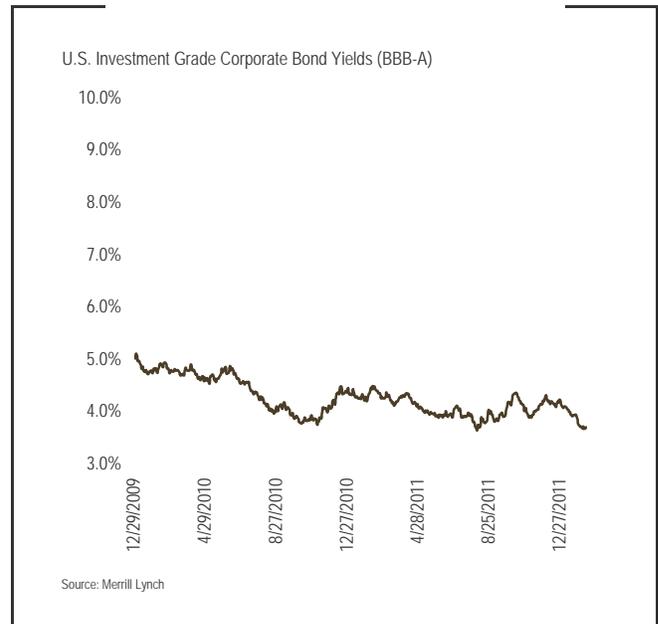
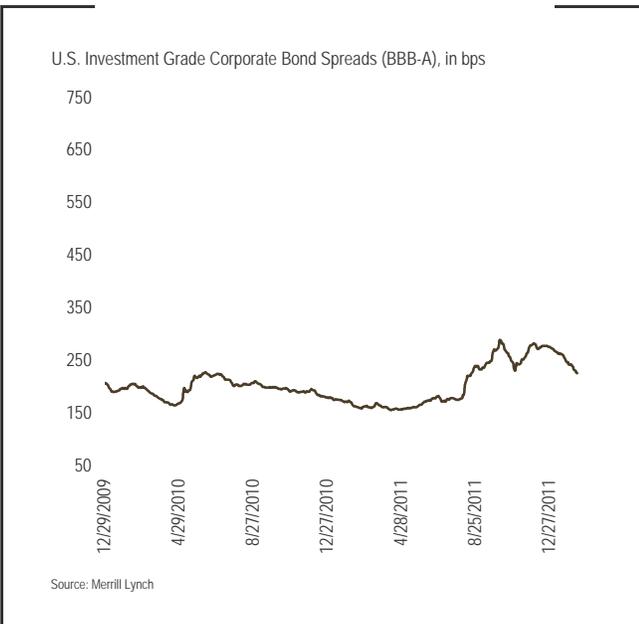
Although the bond market rallied Friday, U.S. Treasuries finished the week lower amid continued uncertainty surrounding a rescue package for Greece, which also sparked the highest volatility levels seen in eight months. Weaker than anticipated bidding at this week's \$72 billion in government debt auctions also contributed to an anemic market. Looking forward the outlook remains clouded as Bill Gross of PIMCO increased his Treasury exposure from 30% to 38%, while Warren Buffet of Berkshire Hathaway suggested bonds are "dangerous" at these levels.

Meanwhile, the Fed's "Operation Twist", an effort to stoke the economy in which the central bank sells short-term maturities in order to purchase longer-term securities, may be having an unintended consequence on the markets, according to some market participants. One of the goals of the program was to push investors out of Treasuries and into stocks. However, this, along with the Fed's pledge to keep short-term rates near zero until late 2014, has encouraged some investors to focus on longer-dated Treasuries in an effort to increase yield in their portfolios. Strategists suggest this combination has caused 30-year bond yields to fall below rational levels, distorting the ability of long-term bonds to act as an important gauge of inflation expectations.



Issue	2.3.12	2.10.12	Change
3 month T-Bill	0.08%	0.09%	0.01%
2-Year Treasury	0.23%	0.27%	0.04%
5-Year Treasury	0.71%	0.81%	0.10%
10-Year Treasury	1.86%	1.96%	0.10%
30-Year Treasury	3.01%	3.11%	0.10%

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



Stock Market Update

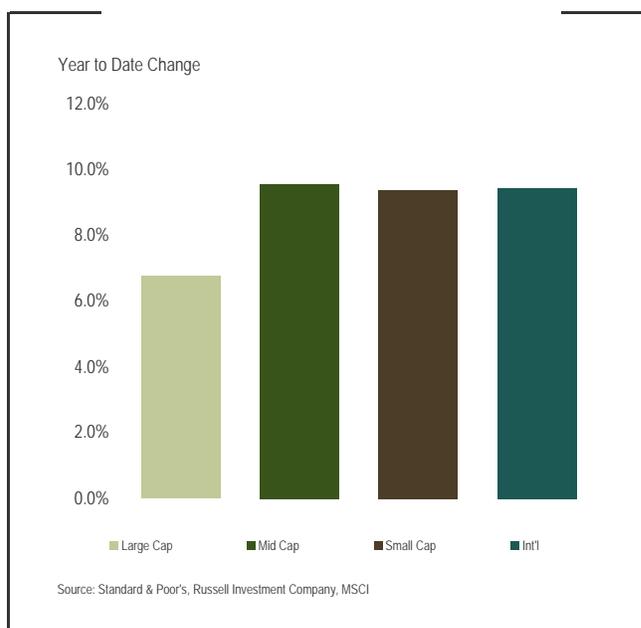
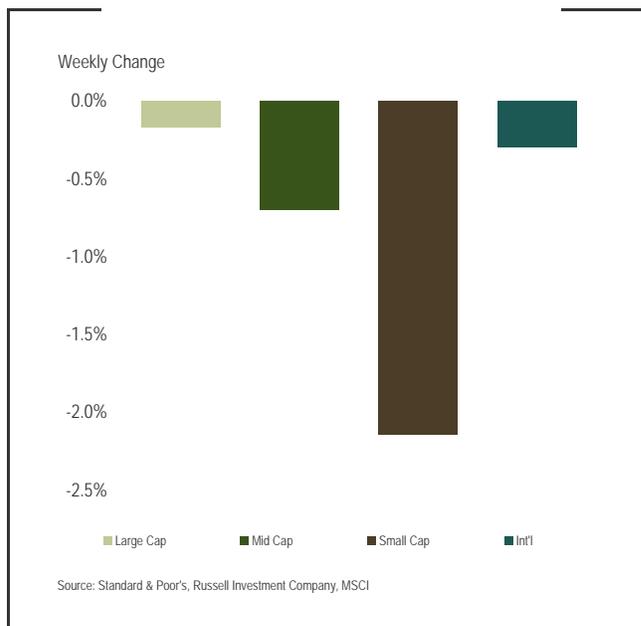
The stock market took a breather on Friday and gave back most of the gains earned throughout the week. The uncertainty over Greece's ability to secure a second bailout and avoid default sent global markets into negative territory. The Dow Jones Industrial Average closed at 12,801.23, down 61 points for the week, or down 0.47%. The broader S&P 500 Index ended the week down 0.17% to close at 1,342.64, while the NASDAQ Composite finished lower by 1.78 points, or down 0.06% to close the week out at 2,903.88.

Greece must approve an austerity plan that will include €325 million in spending cuts before eurozone nations will back another full round of financing. Greek officials agreed on Thursday to cut Greek debt to 120% of gross domestic product, which includes a 22% cut in private sector minimum wage. Upon this announcement, Greece's major unions called for a 48 hour nationwide strike. This news sent shares around the globe lower with Asian markets closing down over 1%, the Europe 600 Index fell 0.60%, and the local exchange in Athens fell by 3%. It would appear that Greece has continued the trend of taking two steps forward then two steps back.

The social media stocks were the talk of the week as Groupon (GRPN) posted their first ever quarterly earnings. The company posted a loss of \$0.02/share versus the analyst estimate of a \$0.03/share gain. The loss was attributed to an unexpected tax hit and various one-time charges. The news sent shares down over 15% erasing \$2.5 billion in market cap for a \$42 million dollar miss. Investors always look closely to the first earnings announcement of a new publicly traded stock, and missing the estimate has been a sign that management does not have good control over the company and its finances. Prior to earnings Groupon was up 20% in February and finished the week down 13%.

Issue	2.3.12	2.10.12	Change
Dow Jones	12,862.23	12,801.23	-0.47%
S&P 500	1,344.90	1,342.64	-0.17%
NASDAQ	2,905.66	2,903.88	-0.06%
Russell 1000 Growth	630.53	630.56	0.00%
S&P MidCap 400	971.25	964.49	-0.70%
Russell 2000	831.11	813.33	-2.14%
MSCI EAFE	1,529.46	1,524.97	-0.29%
MSCI Small Cap	1,043.96	1,061.69	0.27%

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

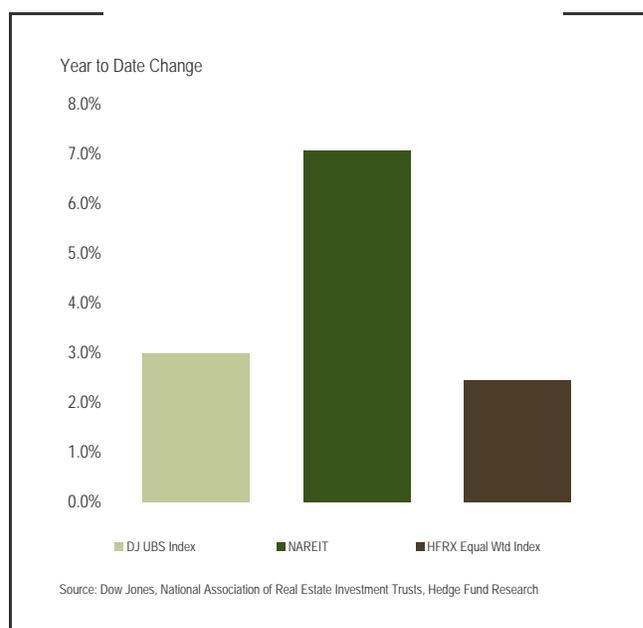
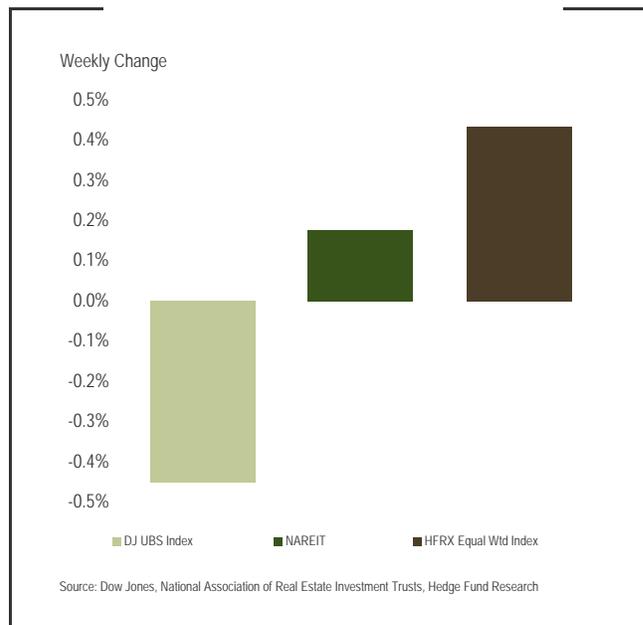
Gold closed down for the week as uncertainty over the future of Greece saw investors run to cash, getting away from the alleged "safe-haven". The precious metal settled at \$1,722.70 an ounce, down 0.3% for the week, or \$5.20, as European leaders withheld approval for a second bailout on Friday, demanding proof of Greece's commitment to austerity. The metal was set back even further by a stronger dollar, as investors flocked to the perceived safety of dollar-denominated cash. Gold is priced in dollars, so when the greenback rallies, it appears more expensive to investors who use other currencies, decreasing their interest in the metal. Though the Greece crisis and strengthening of the dollar are the primary factors in the decline of gold, Warren Buffett did not help the metal when he dismissed it this week as a "valueless asset that has no inherent value." He went on to claim that investors of the metal have been "pinning their hopes on future demand, failing to grasp the realization that it was in fact a self-inflating bubble, created by those desperate for a viable alternative to property and shares - bubbles blown large enough inevitably pop."

The latest hitch in the negotiations surrounding the Greek bailout also hit oil on Friday, but not hard enough to bring it into the red for the week. Crude oil settled at \$99.04 a barrel, up \$1.30 or 1.33%, its third straight weekly rise. On top of the ongoing crisis in Greece, the International Energy Agency (IEA) announced a decrease in the oil demand growth forecast, the sixth consecutive monthly report with diminished expectations. The IEA has cut half a million barrels a day from its 2012 oil demand growth forecast since the start of this year, a change that the IEA says leaves the oil market with enough flexibility to "adjust to any loss of Iranian crude exports because of sanctions that will take effect in July." The IEA continued in its report with the expectation that oil demand will increase 800,000 barrels a day, to 89.9 million barrels, in 2012, even though this figure is 300,000 barrels a day lower than its January forecast.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,727.90	1,722.70	-0.30%
Crude Oil Futures	97.74	99.04	1.33%
Copper	390.30	385.65	-1.19%
Sugar	23.94	23.25	-2.88%
HFRX Equal Wtd. Strat. Index	1,119.35	1,124.19	0.43%
HFRX Equity Hedge Index	1,026.63	1,033.22	0.64%
HFRX Equity Market Neutral	988.30	985.49	-0.28%
HFRX Event Driven	1,350.11	1,363.12	0.96%
HFRX Merger Arbitrage	1,502.95	1,506.88	0.26%
Dow Jones UBS Commodity Index	145.54	144.89	-0.45%
FTSE/NAREIT All REIT	147.74	148.00	0.18%

<sup>1</sup> 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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