MainStreet Advisors
Financial Market Update

February 24, 2012
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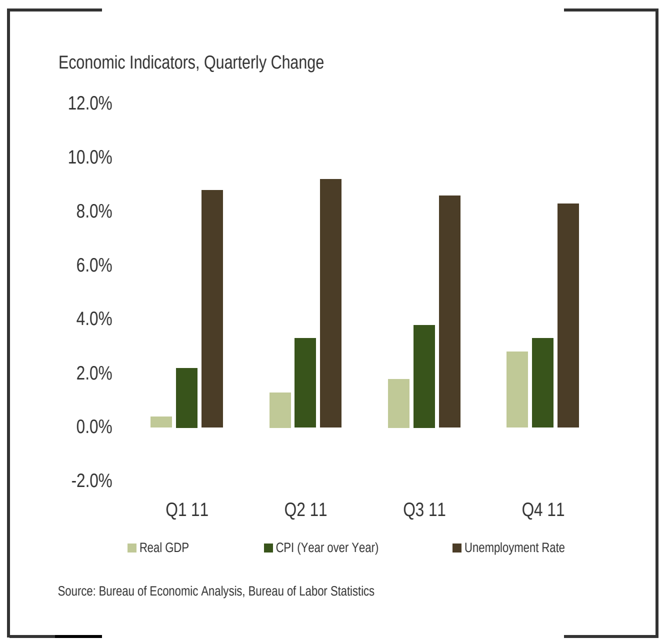
Economic Update

European finance ministers backed a second bailout package for Greece on Tuesday valued at €130 billion that will allow the country to make good on a €14.5 billion bond payment next month. For its part the Greek government agreed to more oversight by the EU, IMF and ECB and was required to pass an enormously unpopular package of austerity reforms. Greece was also required to amend its constitution to give priority to debt service payments over other obligations, a move viewed by some as compromising national sovereignty. The program still requires the approval of private sector investors who are being asked to take 75% losses on their Greek debt holdings. The goal is to get Greece's debt-to-GDP down to 120%, but that may be difficult to sustain as the focus on austerity creates further downward pressure on an economy already in its fifth year of recession.

Record low mortgage rates and sharp price declines spurred sales activity of existing homes in January. The median existing home price fell 4.6% and sales were up 4.3% during the month, according to the National Association of Realtors (NAR). The increased sales activity reduced supply to an economic recovery low of 6.1 months. In addition to low prices and mortgage rates NAR chief economist Lawrence Yun identified pent-up household formation and rising rents as contributors to the uptrend. Meanwhile new home sales failed to muster much strength in January, according to a report from the Commerce Department. Sales of new homes came in at a 321,000 annual rate, down 0.9% from the upwardly revised December number.

Initial jobless claims continue to point to sustained improvement in the labor market. The number of Americans filing for first-time unemployment benefits held steady at 351,000 for the week ended February 18, according to the Labor Department. The four-week average, a better indicator of trend, improved for the eleventh time in 12 weeks, falling 7,000 to 359,000. This is almost 20,000 below the month-ago reading and continues to reinforce the notion that the jobs recovery has legs.



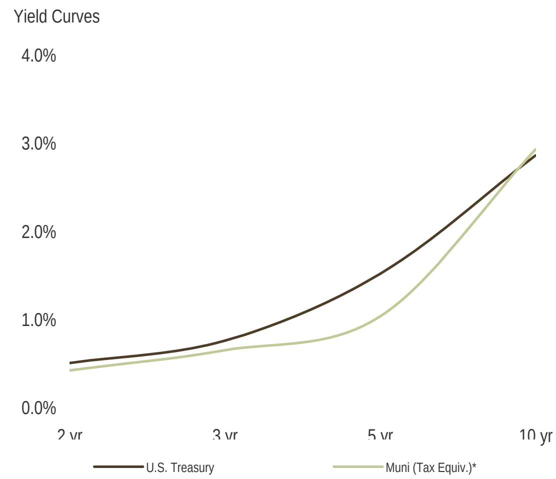
Feb. 22nd	MBA Purchase Applications Index, Wkly. Chg.	-4.5%
Feb. 22nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	3.0%
Feb. 22nd	Existing Home Sales, January SAAR*	4.57M
Feb. 23rd	Initial Jobless Claims (week ending 2/18)	351,000
Feb. 23rd	EIA Natural Gas Report, Wkly. Chg.	-166 bcf
Feb. 23rd	EIA Petroleum Status Report, Wkly. Chg.	1.6M Barrels
Feb. 24th	Consumer Sentiment Index, February	75.3
Feb. 24th	New Home Sales, January	321,000

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

U.S. Treasury yields rose to their highest levels in February on Tuesday after European finance ministers agreed to a second bail-out package for Greece. The 10-year U.S. Treasury jumped to a 2.05% yield before drifting lower through the week as concerns over the details of the bail-out grew. Increased scrutiny centered on the numerous pre-conditions Greece must meet that are embedded in the agreement and are feared to be detrimental to future Greek economic growth rates. Failure of Greece to meet their growth targets would make this latest bail-out merely a prelude to a default. The continued uncertainty of the situation prompted investors to continue to seek the relative safety of the U.S. bond market with Treasuries, investment grade corporate and high yield paper all gaining.

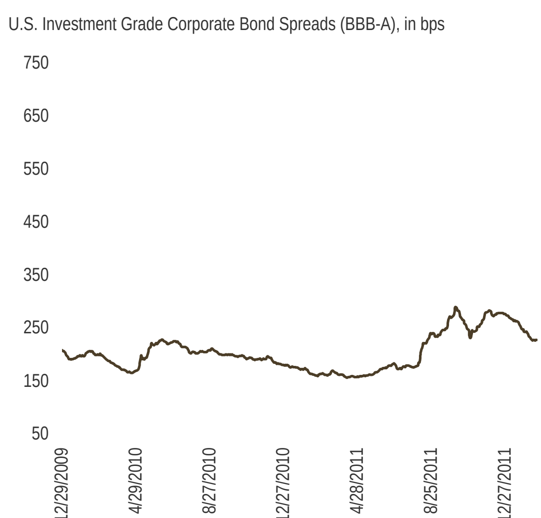
While U.S. investors remained concerned over Greece, international bond investors celebrated the avoidance of a disorderly default. Bids on high yielding sovereign debt were strong as Italian, Irish and Spanish debt all rose. The gains added to a remarkable run for European sovereign debt this year. Irish bonds have returned 10%, while Italian debt has gained 9% and posted gains for seven consecutive weeks. The surging demand for European debt allowed the ECB to refrain from making sovereign debt purchases last week and marked the first time since August that the ECB was able to avoid debt market intervention.



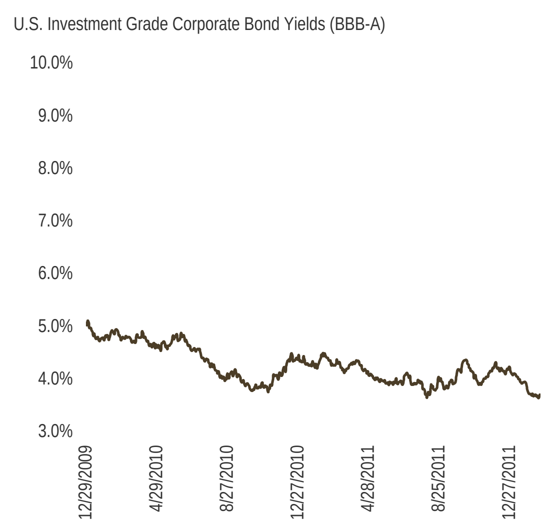
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	2.17.12	2.24.12	Change
3 month T-Bill	0.09%	0.10%	0.01%
2-Year Treasury	0.29%	0.31%	0.02%
5-Year Treasury	0.88%	0.89%	0.01%
10-Year Treasury	2.01%	1.98%	-0.03%
30-Year Treasury	3.16%	3.10%	-0.06%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

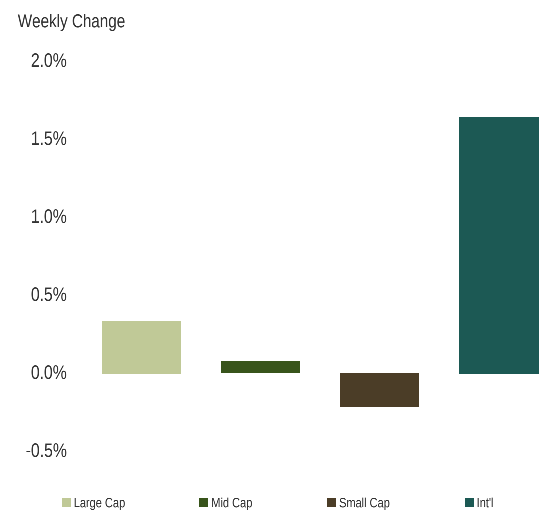
Stocks finished higher again this week, if only slightly, despite rising oil prices, on continued positive economic data. The Dow Jones Industrial Average broke the 13000 level mid-day on Tuesday for the first time since the financial crisis began, but failed to cross that mark again as the week progressed. The Dow increased 0.3% for the week to close at 12982.95. The S&P 500 Index finished at 1365.74, up 0.3%, while the NASDAQ rose 0.4% to 2963.75. Year-to-date, the Dow (+6.74%), NASDAQ (+13.51%) and S&P 500 (+8.76%) continue to defy expectations.

International markets were also higher this past week with Asian markets outperforming their major European counterparts. The Japanese stock market increased 2.7%. The yen continued to sink further due to recent monetary easing by the Bank of Japan, the country's shrinking current account surplus, and rising crude oil prices. The Shanghai composite closed the week up 3.5%. In Europe, while German business sentiment rose for a fourth straight month, the European commission also published its Interim Forecast which predicts stagnation in the European economy and a mild recession in the eurozone. The FTSE 100 Index closed up 0.5% for the week while the CAC 40 Index increased 0.8%, and the DAX Index in Germany rose 0.2%.

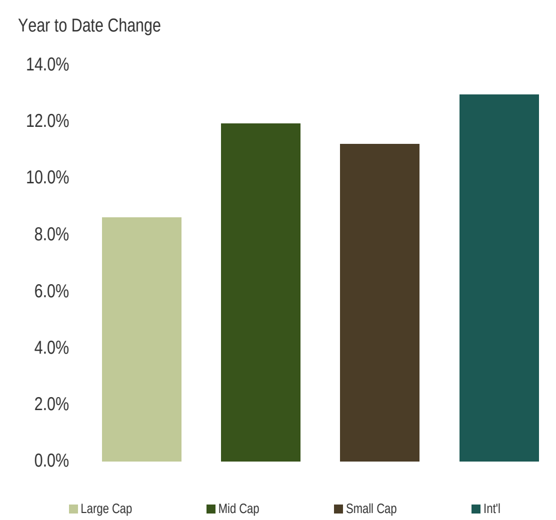
In corporate news, WalMart reported fourth quarter and full-year earnings this week. Sales increased 5.8%, 1.9% on a comparable store basis, but profits declined as the company was forced to lower prices to compete during the holiday season. The stock closed down 6% for the week. Dell and Hewlett Packard's earnings reports were also disappointing. Dell lowered first quarter revenue and earnings guidance reported weak revenue and earnings. Management commented that strength in corporate business was offset by weakness in the government sector. Hewlett Packard's gross margins fell 220 basis points in the fourth quarter. Both companies blamed weakness partially on the flooding in Thailand which led to a hard drive shortage.

Issue	2.17.12	2.24.12	Change
Dow Jones	12,949.87	12,982.95	0.26%
S&P 500	1,361.23	1,365.74	0.33%
NASDAQ	2,951.78	2,963.75	0.41%
Russell 1000 Growth	638.82	643.64	0.75%
S&P MidCap 400	984.6	985.36	0.08%
Russell 2000	828.68	826.92	-0.21%
MSCI EAFE	1,548.44	1,573.82	1.64%
MSCI Small Cap	1,049.24	1,059.26	2.12%

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.



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



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

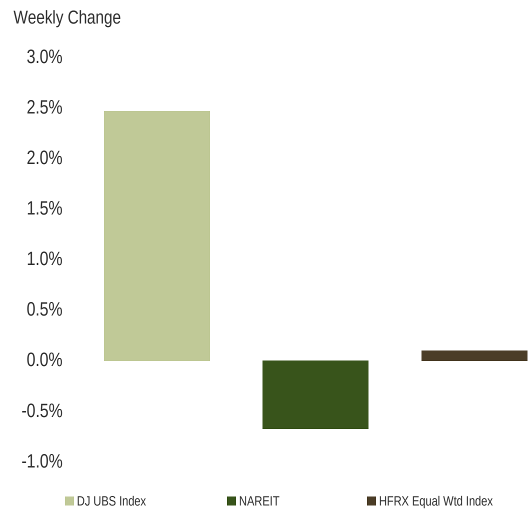
Alternative Investments Market Update

Oil prices are beginning to approach last year's high as tension continues to increase over Iran's potential nuclear program. Crude oil gained 5.96% this week, or $6.17, to settle at $109.74 a barrel. Many are becoming fearful of Iran building a nuclear weapon after the United Nations stated this week that the nation is speeding up production of higher-grade enriched uranium, feeding concerns that it is in fact developing a bomb. As the standoff continues, investors are snapping up oil contracts in case fighting breaks out in the heart of one of the world's biggest oil-producing regions. The price of gasoline, which is made from crude, has soared with oil, as the national average jumped by nearly $0.12 per gallon in a week, with no signs of coming down anytime soon. Analysts predict pump prices will add at least another $0.10 to $0.15 cents per gallon in the coming days to reflect the recent jump in the wholesale markets.

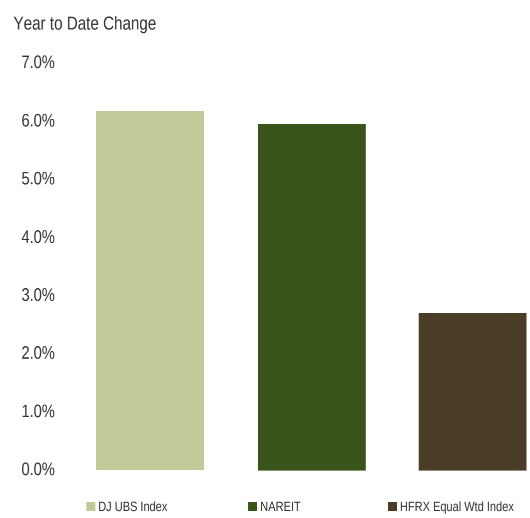
Increased bets by hedge funds that equities would gain early on in 2012 were not enough to keep their short sales from limited returns of half the S&P 500 performance so far this year. According to a report from Bloomberg, the average equity hedge fund has returned 3% through the second week of February, compared with 7% for the S&P 500 during the same period. In the report, a Goldman Sachs index of the 50 most-common stock investments at hedge funds gained 10%. These funds lagged even after boosting their net long exposure, a measure of how much they are investing in bets that stocks will rise, to 46% in Q4 from 36% at the end of Q3. The outperformance of the Goldman Sachs Hedge Fund VIP Basket suggests "that hedges and modest net exposure have created a drag on performance rather than poor stock selection. Despite finding success with their top picks, lack of net exposure to the cyclical rally has caused hedge funds to lag both the S&P 500 and the average large-cap core mutual fund so far in 2012." The VIP basket, which includes names such as Apple (AAPL) and Bank of America (BAC), declined 3.1% in 2011, while the S&P 500 was unchanged.

Issue	Previous Week	Current[1]	Change
Gold	1,723.80	1,774.30	2.93%
Crude Oil Futures	103.57	109.74	5.96%
Copper	372.05	386.55	3.90%
Sugar	23.77	25.22	6.10%
HFRX Equal Wtd. Strat. Index	1,125.83	1,126.93	0.10%
HFRX Equity Hedge Index	1,034.43	1,033.16	-0.12%
HFRX Equity Market Neutral	983.58	979.49	-0.42%
HFRX Event Driven	1,363.11	1,369.56	0.47%
HFRX Merger Arbitrage	1,513.16	1,512.74	-0.03%
Dow Jones UBS Commodity Index	145.76	149.35	2.47%
FTSE/NAREIT All REIT	147.44	146.45	-0.67%

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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