MainStreet Advisors
Financial Market Update

March 2, 2012

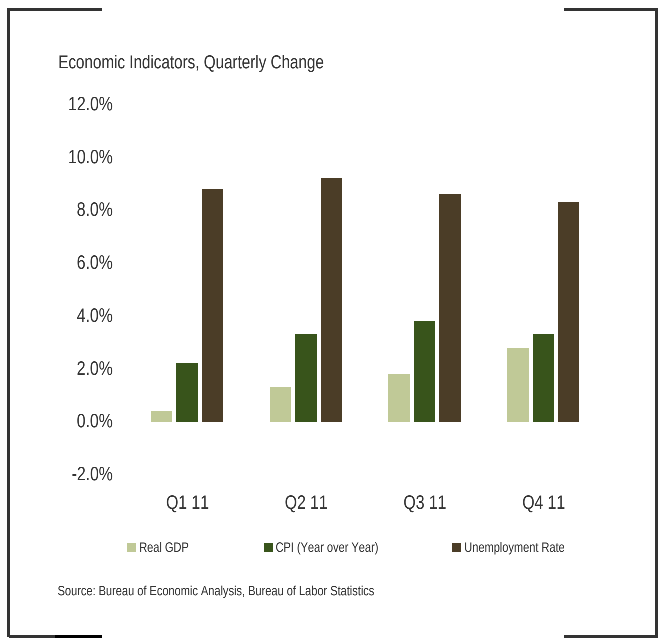
Economic Update

U.S. economic growth in the last quarter was stronger than originally thought. The Commerce Department revised fourth quarter GDP growth up to 3.0% from the initial 2.8% estimate released in January. The improvement was largely attributed to an upward revision in nonresidential fixed investment, a downward revision to imports, and an upward revision to personal consumption expenditures.

The momentum we have seen recently in manufacturing hit a slight speed bump in January. Durable goods orders slipped 4.0% during the month following a revised 3.2% jump in December, according to data from the Commerce Department. Weakness was led by the volatile aircraft subcomponents, but most other components were down as well. A separate report from the Institute for Supply Management (ISM) showed manufacturing in the U.S. expanded at a decelerated rate. The PMI registered 52.4 in February, down 1.7 from January's reading of 54.1. New orders, backlogs, production and employment components all slowed but are still growing at a respectable pace. One surprising positive in the report, given the economic contraction in Europe, was a jump in new export orders from 55.0 to 59.5. Despite the reports the overall picture for manufacturing still looks strong and comments from respondents to the ISM survey indicated a pick-up in demand. Meanwhile, manufacturing in China showed a small sign of improvement as the government's purchasing manager's index rose by a half point to 51 and a separate report from bank company HSBC showed modest contraction but at a slower rate.

The weakness in existing home prices reported earlier this month by the National Association of Realtors (NAR) was confirmed this week by S&P Case Shiller data that showed the 20-city index fell a steep 0.5% in December. This closed out the 2011 year with a 4.0% annual drop in prices, the worst reading since the infancy of the housing crisis in mid-2006. The low prices have been spurring activity, though, as contract signings for existing home purchases rose 2.0% in January according to the NAR.

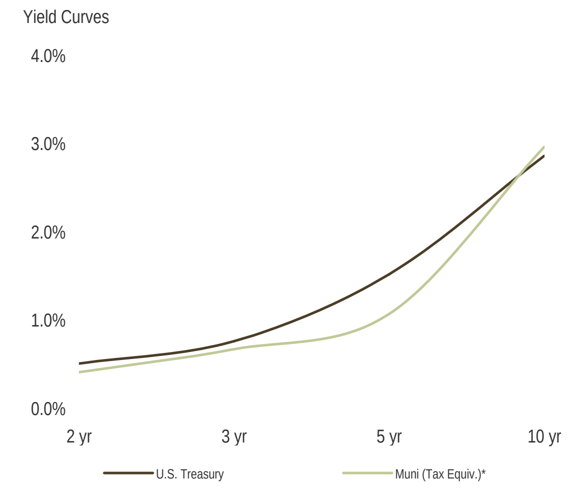
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Feb. 27th	Pending Home Sales, Jan. Monthly Chg.	2.0%
Feb. 28th	Durable Goods New Orders, Jan. Monthly Chg.	-4.0%
Feb. 28th	S&P/Case-Shiller 20-city Index, Dec. Monthly Chg.	-0.5%
Feb. 28th	Consumer Confidence Index, February	70.8
Feb. 28th	State Street Investor Confidence Index, February	86.5
Feb. 29th	MBA Purchase Applications Index, Wkly. Chg.	8.2%
Feb. 29th	Real GDP, Q4p Quarterly Change SAAR*	3.0%
Feb. 29th	GDP Price Index, Q4p Quarterly Change SAAR*	0.9%
Feb. 29th	Chicago PMI Business Barometer Index, February	64.0
Feb. 29th	EIA Petroleum Status Report, Wkly. Chg.	4.2M Barrels
Mar. 1st	Initial Jobless Claims (week ending 2/25)	351,000
Mar. 1st	Personal Income, January Monthly Chg.	0.3%
Mar. 1st	Consumer Spending, January Monthly Chg.	0.2%
Mar. 1st	Core PCE Price Index, January Monthly Chg.	0.2%
Mar. 1st	ISM Mfg. Index - Level, February	52.4
Mar. 1st	Construction Spending, Jan. Monthly Chg.	-0.1%

Bond Market Update

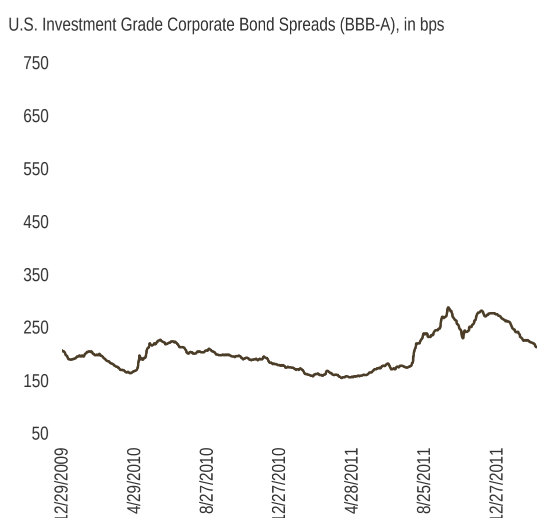
After four straight losing sessions, Treasuries recovered Friday to end the week mostly unchanged. With few U.S. economic reports to guide traders, many market participants used the lull in headlines as an opportunity to reverse short positions before the weekend. Earlier in the week, reduced expectations for more monetary stimulus from the Federal Reserve drove Treasuries lower amid an unmistakable lack of mention of the possibility of another round of quantitative easing by Chairman Bernanke in his testimony before Congress. Without the impetus of QE3, worried investors sold government debt concerned prices could fall without the Fed as a major buyer. However, many strategists continue to anticipate the Fed will adopt additional easing measures later this year if economic growth disappoints, as Bernanke characterized the recovery as “uneven and modest.” Bernanke repeated his broadly dovish assessment of the economy citing the soft backdrop of “restrained growth, persistent downside risks and moderating inflation. “ Finally, some market participants earlier had interpreted post-FOMC comments about the distribution of the first rate hikes in 2014 as implying “exceptionally low” meant anything below 1%. Barring unforeseen developments, the Fed Chairman clarified that forward guidance refers to the commitment to the 0% to 0.25% range on the federal funds rate.



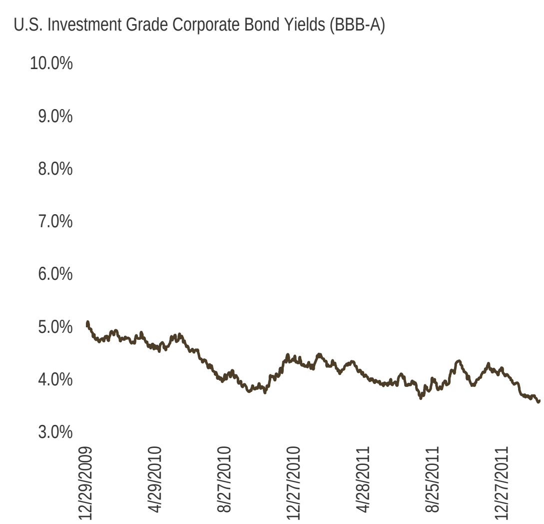
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	2.24.12	3.2.12	Change
3 month T-Bill	0.10%	0.07%	-0.03%
2-Year Treasury	0.31%	0.28%	-0.03%
5-Year Treasury	0.89%	0.84%	-0.05%
10-Year Treasury	1.98%	1.99%	0.01%
30-Year Treasury	3.10%	3.11%	0.01%

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



Source: Merrill Lynch



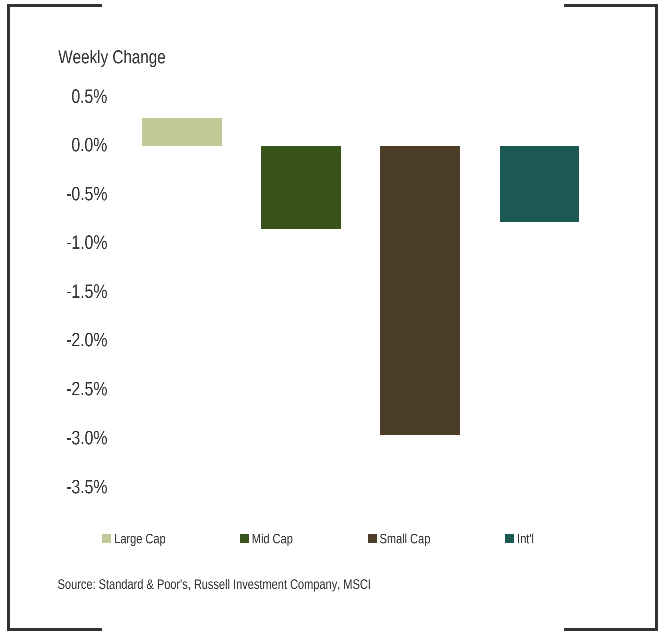
Source: Merrill Lynch

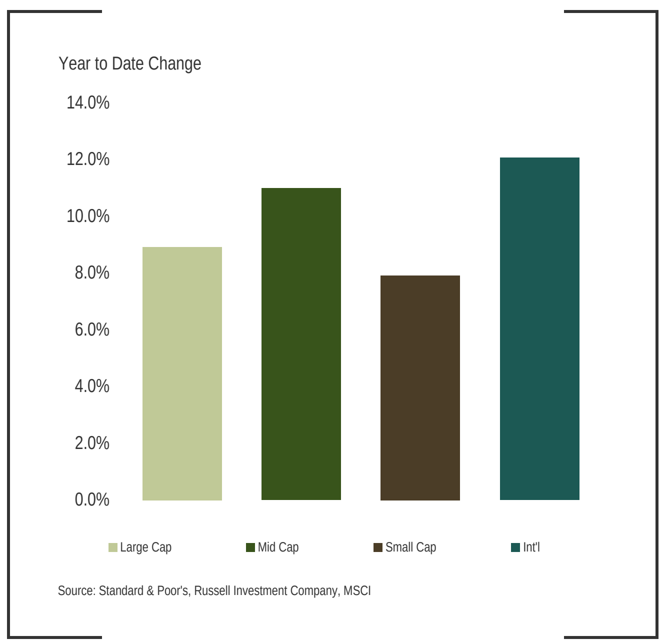
Stock Market Update

The stock market remained volatile this week and struggled to finish three weeks in a row in positive territory. The Dow Jones had its three week run snapped while the S&P 500 Index and the NASDAQ Composite were both higher for the fourth week in a row. The Dow Jones Industrial Average closed at 12,977.57, down 5 points for the week, or down 0.04%. The broader S&P 500 Index ended the week down 0.28% to close at 1,369.63, while the NASDAQ Composite finished higher by 12 points, or up 0.42% to close the week out at 2,976.19.

News out of Europe has been a principal cause for the volatility in the markets over the past six months. Recently, the news has been positive as Greece appears to have secured a second bailout and the European Central Bank has completed a second round of loans to European banks worth 529.5 billion euros. Also this week, leaders of the European Union met in Brussels for a two day meeting to discuss a fiscal pact by all the members designed to prevent a future crisis by strengthening the budget discipline. Concerns do remain about Europe's capacity to support larger economies than Greece, mainly Spain and Italy.

The technology sector got a boost on Friday from the newest company within the social media space to go public. Yelp (YELP) debuted on Friday with an initial public offering of $15 a share. The stock surged over 60% at the open to garner a market cap of $1.6 billion. Similar to other social media companies that have gone public over the past year, Yelp has yet to turn in a profitable quarter. Next up in the social media space will be the IPO of Facebook later this year, but for now it will be another pleasant valley Sunday this weekend for all the shares holders of Yelp who reside in the Silicon Valley.





Issue	2.24.12	3.2.12	Change
Dow Jones	12,982.95	12,977.57	-0.04%
S&P 500	1,365.74	1,369.63	0.28%
NASDAQ	2,963.75	2,976.19	0.42%
Russell 1000 Growth	643.64	645.27	0.25%
S&P MidCap 400	985.36	977.05	-0.84%
Russell 2000	826.92	802.42	-2.96%
MSCI EAFE	1,573.82	1,561.54	-0.78%
MSCI Small Cap	1,059.26	1,076.42	-0.56%

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.

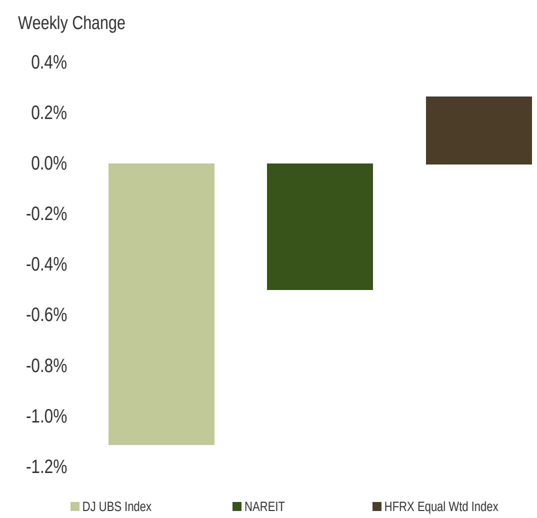
Alternative Investments Market Update

After several weeks of consecutive gains, gold fell this week as a strengthening dollar left investors less interested in the precious metal as an alternative asset. Gold ended the week down 3.44%, or $61.10, settling at $1,713.20 an ounce, its largest weekly drop this year. The dollar surged on Friday after Federal chairman Ben Bernanke offered no clues earlier in the week regarding another monetary stimulus. This sparked a selloff in gold as investors saw less need for the metal as a currency hedge, representing the biggest one-day drop in more than three years for the metal. Going forward, analysts will closely watch the readings on physical demand for precious metals. Demand for gold bullion, especially from China and India, the world's top two gold consumers, has helped cushion price declines after similar drops in prices last year. According to the Wall Street Journal, some analysts say gold may recover and head toward record highs, as investors may buy the metal in order to shield their wealth from easy-money policies being deployed by central banks in Europe and the U.S. However, there are still those experts that believe the metal may drop to $1,600 an ounce in the near-term thanks to the dollar continuing to show strength.

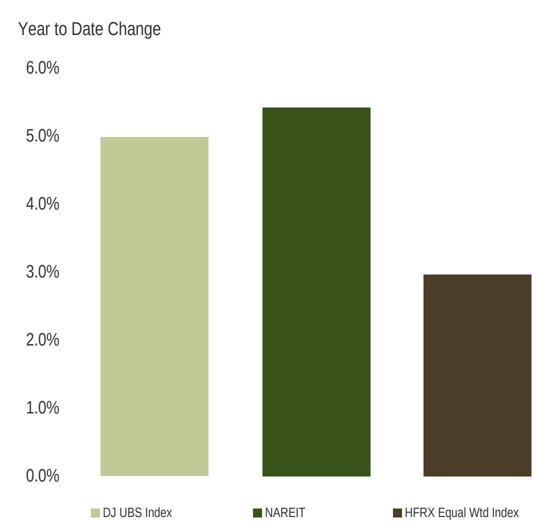
Oil also dropped this week on reports of an oil pipeline explosion in Saudi Arabia, although the country continues to deny such claims. Oil experienced a 4.8% price swing on Thursday because of the alleged burst in Saudi Arabia, the world's biggest crude exporter, showing the market's vulnerability to supply disruptions as sanctions continue to hamper sales from Iran. Crude prices have risen 16% this year as the EU imposes an oil embargo on Iran, which the International Energy Agency (IEA) said may affect daily supply of 600,000 to 1 million barrels. The Organization of the Petroleum Exporting Countries (OPEC) has an "effective" spare oil production capacity of 2.82 million barrels a day, of which 72% is in Saudi Arabia, reports the IEA. For the week, crude dropped 2.89%, closing at $106.57 a barrel.

Issue	Previous Week	Current[1]	Change
Gold	1,774.30	1,713.20	-3.44%
Crude Oil Futures	109.74	106.57	-2.89%
Copper	386.55	390.85	1.11%
Sugar	25.22	24.96	-1.03%
HFRX Equal Wtd. Strat. Index	1,126.93	1,129.93	0.27%
HFRX Equity Hedge Index	1,033.16	1,035.68	0.24%
HFRX Equity Market Neutral	979.49	977.24	-0.23%
HFRX Event Driven	1,369.56	1,375.48	0.43%
HFRX Merger Arbitrage	1,512.74	1,515.92	0.21%
Dow Jones UBS Commodity Index	149.35	147.69	-1.11%
FTSE/NAREIT All REIT	146.45	145.72	-0.50%

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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MAINSTREET ADVISORS™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com