

MainStreet Advisors Financial Market Update

March 23, 2012
[page 1]

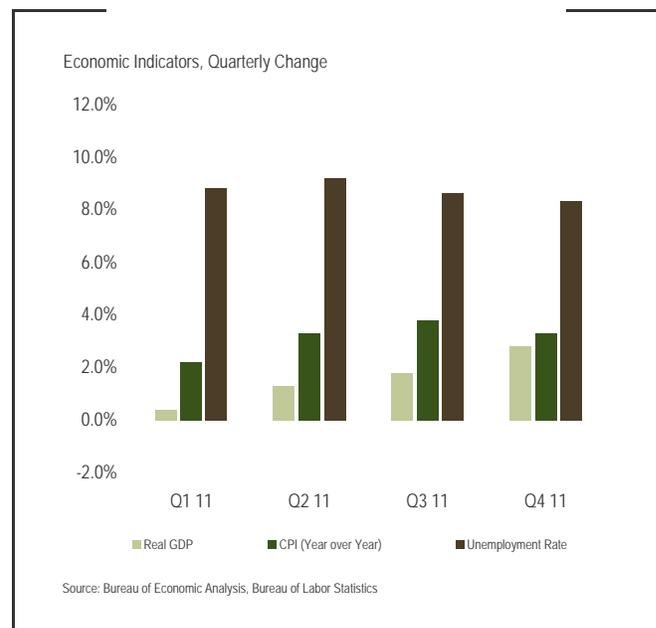
Economic Update

There were more concerns over China's slowing economy this week as manufacturing in the country weakened in March. The purchasing manager's index fell to 48.1 from the prior month's reading of 49.6, according to HSBC. Any reading below 50 indicates contraction. "With new export orders sluggish and domestic demand still softening, China's slowdown has yet to finish," wrote HSBC China economist Xiaoping Ma in the report.

The job market continued to show strength as the number of Americans filing for first-time unemployment benefits fell to a four year low. Initial jobless claims were down 5,000 to 348,000 for the week ended March 17, according to the Labor Department. The four-week average is now down to 355,000. This is a level considered normal for a healthy job market and is a significant improvement from the peak levels of over 600,000 during the recession.

There was a bevy of mixed data released this week on the condition of the U.S. housing market. The NAHB housing market index edged down a point to 28. Any reading below 50 indicates poor conditions but this is still a significant improvement from the January 2009 all-time low of 8. Housing starts slipped 1.1% in February but the prior month was revised up to a 3.7% gain, according to the Census Bureau. Strength for the month was in the multifamily component which jumped 21.1% as single-family starts fell 9.9%. Permits were moderately stronger up 5.1%.

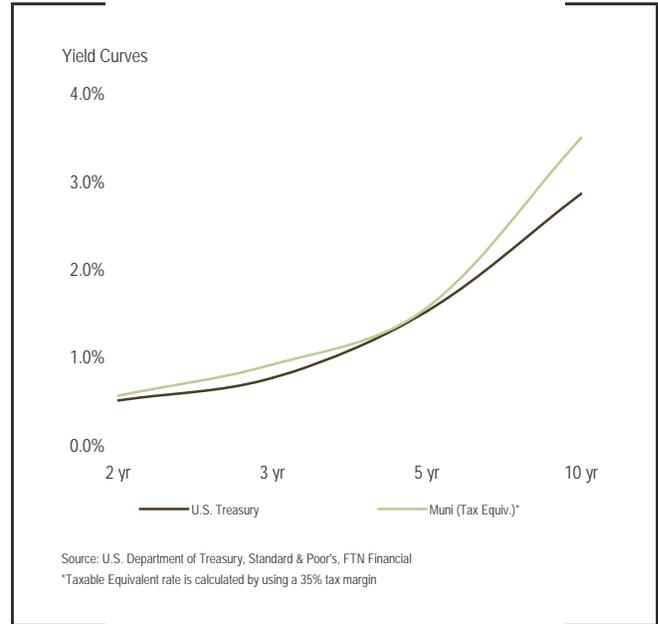
Sales of existing homes were down 0.9% in February, but that was compared to a January figure that was revised sharply higher to a 5.7% gain. The report from the National Association of Realtors also showed prices firmed during the month, up 1.3% after a steep 4.7% drop in January. The median price for an existing home now stands at \$156,600. Meanwhile the Census Bureau reported new home sales fell 1.6% in February. There was some good news in the report though as median prices for new homes surged 8.3% to \$233,700 – the highest level since June.



Mar. 19 th	Housing Market Index, March	28.0
Mar. 20 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.9%
Mar. 20 th	Housing Starts, February	698,000
Mar. 21 st	MBA Purchase Applications Index, Wkly. Chg.	-7.4%
Mar. 21 st	Existing Home Sales, February SAAR*	4.59M
Mar. 21 st	EIA Petroleum Status Report, Wkly. Chg.	-1.2M Barrels
Mar. 22 nd	Initial Jobless Claims (week ending 3/17)	348,000
Mar. 22 nd	Leading Indicators, Feb. Monthly Chg.	0.7%
Mar. 22 nd	EIA Natural Gas Report, Wkly. Chg.	11 bcf
Mar. 23 rd	New Home Sales, February	313,000

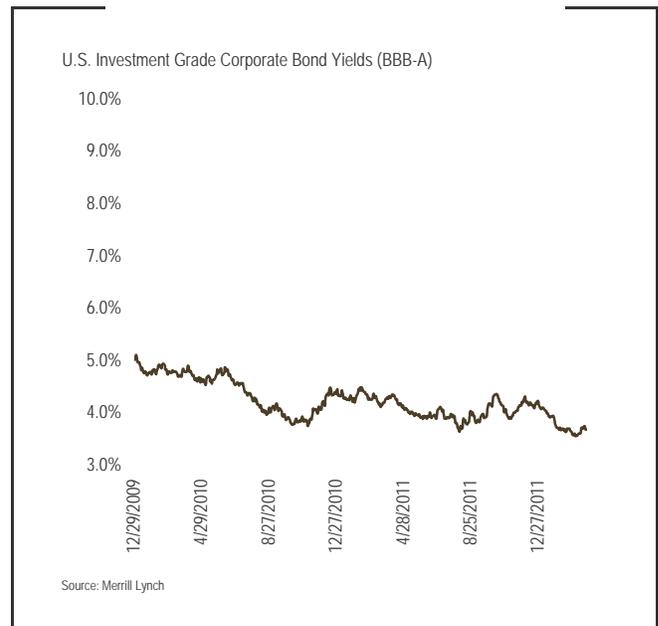
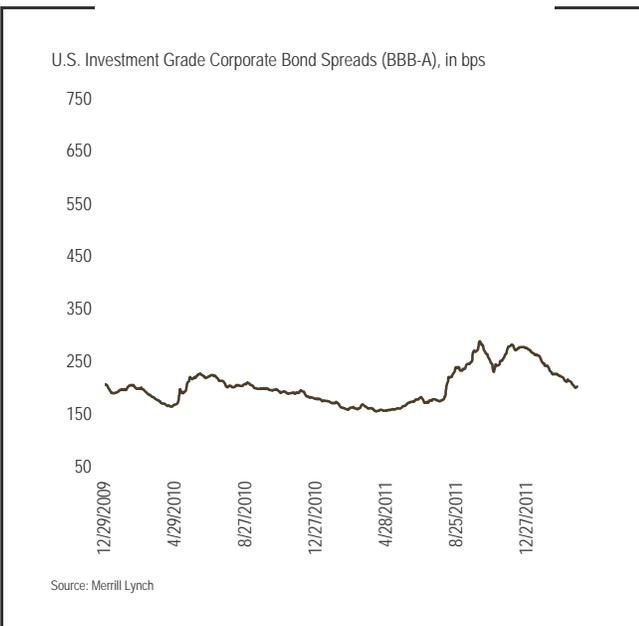
Bond Market Update

Reversing a recent downtrend, U.S. Treasuries finished the week higher as investors once again sought the relative safety of government bonds. Yields on the thirty-year bond fell below their technically important 200-day moving average, with some analysts suggesting this month's sell-off may be drawing to a close. Barclays reiterated their forecast for a 2% yield on the 10-year note, noting the market has been "too aggressive" in expecting the Fed to increase rates in 2013 instead of its 2014 guidance. Renewed anxieties concerning Europe's credit crisis and the toll it has taken on the region's economy was the primary driver of the flight-to-safety trade after a weaker than expected purchasing manager's index report showed business activity slowed considerably for the month. Although market participants refocused on the slowdown in Europe, many analysts feel the U.S.'s own economic health will be a significant driver of demand going forward. Investors are particularly interested in how the Fed will interpret upcoming economic data and how it will affect future monetary stimulus. However, views among the central bank's policy makers are varied, with St. Louis regional president James Bullard commenting that recent loose monetary policy will lead to a spike in inflation, while Chicago president Charles Evans called for an even stronger commitment to keep short-term interest rates low.



Issue	3.16.12	3.23.12	Change
3 month T-Bill	0.08%	0.08%	0.00%
2-Year Treasury	0.37%	0.37%	0.00%
5-Year Treasury	1.11%	1.10%	-0.01%
10-Year Treasury	2.29%	2.25%	-0.04%
30-Year Treasury	3.41%	3.31%	-0.10%

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



Stock Market Update

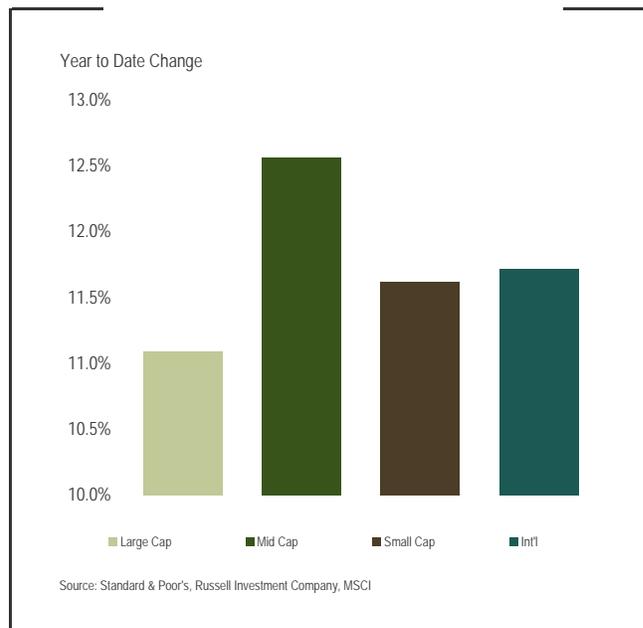
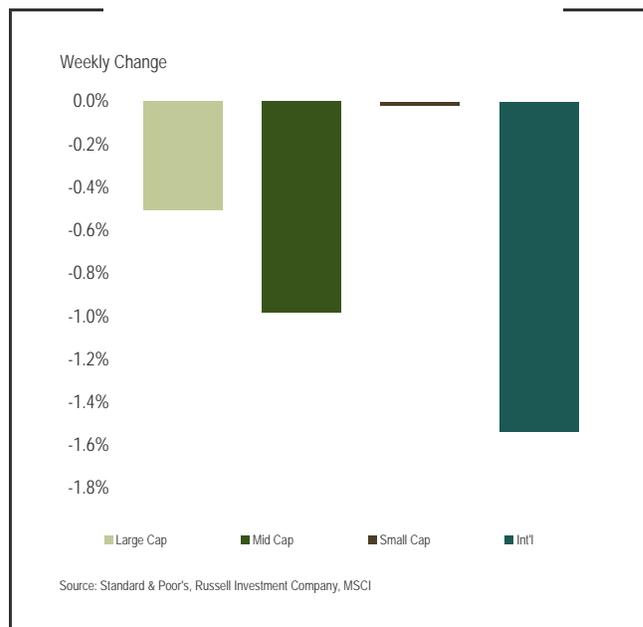
The stock market oscillated between positive and negative territory on Friday, and although it finished in the black, this was the worst week for equities since mid-December. The Dow Jones Industrial Average closed at 13,080.73, down 152 points for the week, or down 1.15%. The broader S&P 500 Index ended the week down 0.50% to close at 1,397.11, while the NASDAQ Composite finished higher by 13 points, or up 0.41% to close the week out at 3,067.92.

The European and Asian markets followed the U.S. markets lower for the week with the European index losing over 2% since last Friday, the Hong Kong Index down 3% and Japan trading lower for the week by 2%. Much of the news that drove the market this week was the eurozone purchasing managers index (PMI) falling unexpectedly as new factory orders fell to a four month low. The European banking sector took the largest hit on concerns about the eurozone recovery. The news was similar coming out of China as their manufacturing numbers suggested the world economy is slowing.

The housing data along with the manufacturing data out of both Europe and China pushed the U.S. markets into the red for the week. Housing is a key component of the U.S. economy, and the Commerce Department stated Friday new homes sales fell 1.6% for the month of February. Also, KB homes, the fifth largest home builder in the U.S., announced earnings before the open on Friday reporting a bigger than expected loss. The shares opened down over 15% and recovered throughout the day to close at \$10.45 or down 8.45% from the prior day.

Issue	3.16.12	3.23.12	Change
Dow Jones	13,232.62	13,080.73	-1.15%
S&P 500	1,404.17	1,397.11	-0.50%
NASDAQ	3,055.26	3,067.92	0.41%
Russell 1000 Growth	659.86	657.63	-0.34%
S&P MidCap 400	1000.73	990.93	-0.98%
Russell 2000	830.17	830.03	-0.02%
MSCI EAFE	1,581.00	1,556.76	-1.53%
MSCI Small Cap	1,065.45	1,040.58	-1.18%

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

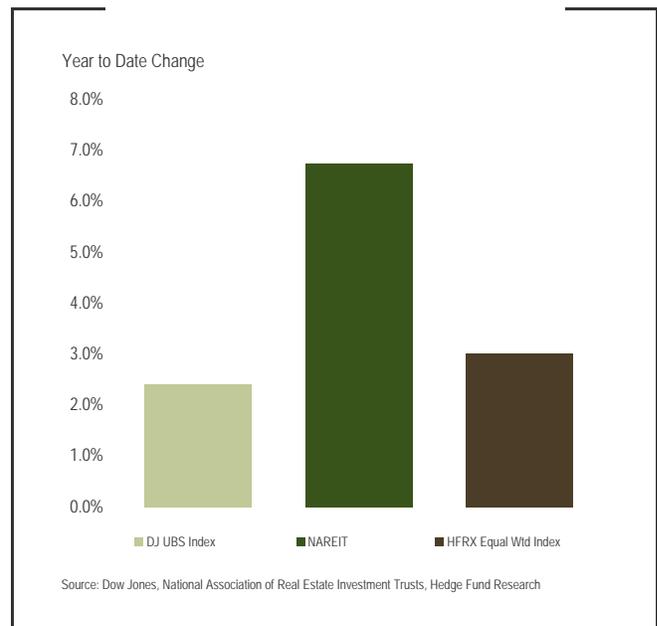
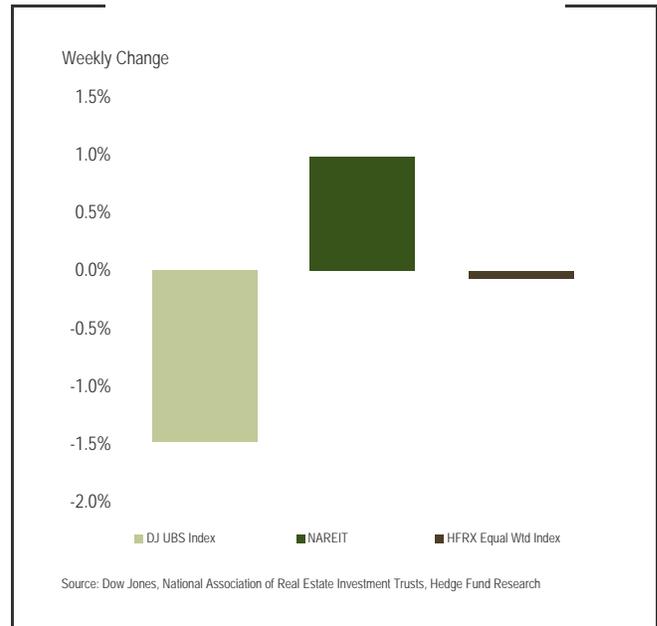
Crude oil surged almost \$3 a barrel on Friday after it was reported that Iranian oil exports dropped by nearly 300,000 barrels a day this month because of tighter sanctions. This 14% drop in exports is the first sizeable decrease in oil shipments from the Organization of the Petroleum Exporting Countries (OPEC) producer since the European Union announced plans to embargo Iran's crude come July. Some oil industry officials say Saudi Arabia is increasing shipments to compensate for lower Iranian supplies and to lower prices, which may lead to Saudi output climbing above 10 million barrels per day. Saudi Arabia stated this week that its March output was around 9.9 million barrels per day, its highest in decades. This news was not enough to bring crude out of the red for the week though, as it dropped 0.4% to close at \$106.87 a barrel. The oil industry also laid out a set of proposals it believes will instantly lower gasoline prices. The proposals call for more domestic oil production, fewer environmental regulations and for not raising taxes on the industry. However, many analysts claim these ideas will do little in terms of lowering prices at the pump in the near future.

Like crude, gold settled higher on Friday amid worries regarding Iran exports. Many analysts claim that the tighter oil gets the more likely a conflict is to erupt, which is when safe haven investments become most appealing. A report from the Wall Street Journal noted that gold prices tend to swell during periods of rising geopolitical tensions as investors seek out "low-risk investment options that will keep their value in the face of uncertainty." Along with the turmoil in the Middle East, a weaker dollar also added to gold's performance this week, up 0.2%, settling at \$1,662.50 an ounce. After January's gain of more than 11%, bullion has fallen steadily in the past seven weeks, although still shows a gain of nearly 5% on the year.

Issue	Previous Week	Current ¹	Change
Gold	1,659.10	1,662.50	0.20%
Crude Oil Futures	107.30	106.87	-0.40%
Copper	388.10	380.95	-1.84%
Sugar	25.41	25.63	0.87%
HFRX Equal Wtd. Strat. Index	1,131.10	1,130.37	-0.06%
HFRX Equity Hedge Index	1,039.16	1,039.30	0.01%
HFRX Equity Market Neutral	974.57	965.63	-0.92%
HFRX Event Driven	1,379.49	1,383.36	0.28%
HFRX Merger Arbitrage	1,519.28	1,522.49	0.21%
Dow Jones UBS Commodity Index	146.23	144.06	-1.48%
FTSE/NAREIT All REIT	146.11	147.55	0.99%

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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