

MainStreet Advisors Financial Market Update

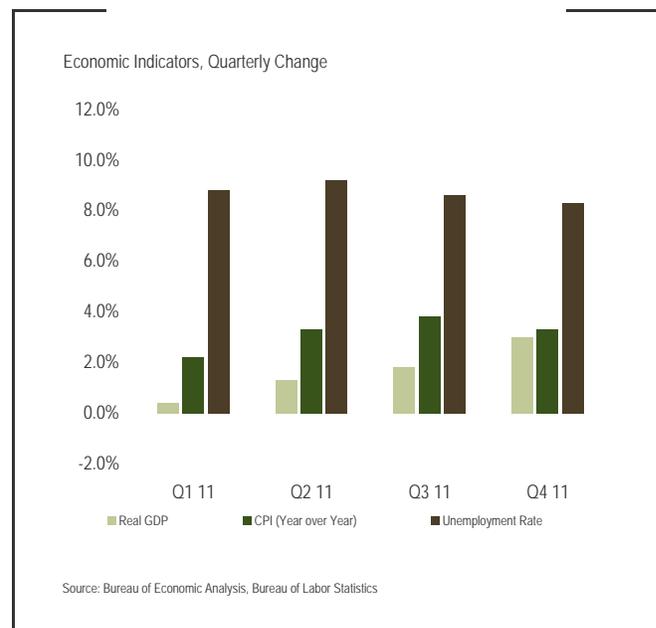
May 4, 2012
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Economic Update

Despite a convincing drop in initial unemployment claims in the final full week of the month, the April jobs report came in under expectations for the second month in a row as seasonality issues continued to depress the numbers. The Labor Department reported only 115,000 jobs were added during the month when the market had been expecting 165,000. On a positive note, the two previous months of data were revised up with the March number now at 154,000 (previously 120,000) and the February reading now at 259,000 (previously 240,000). The private sector continues to be the sole driver of the jobs recovery adding 130,000 to the payrolls while the government shed 15,000. The household survey showed the unemployment number fell again to 8.1% from 8.2%, but for the second month in a row it was the result of the labor pool shrinking faster than people are losing their jobs. This is not how we want to see the unemployment rate go down, and we could easily see an increase in the coming months if people decide to rejoin the job market.

A report from the Institute for Supply Managers (ISM) showed growth in the manufacturing sector is accelerating. The PMI registered 54.8 for the month of April, a 1.4 point improvement over the previous month. This was in contrast to a number of other recent indicators that had been pointing to a slowdown. The majority of the underlying data was positive with the most encouraging number being a 3.7 point jump in the new orders component to 58.2. The report also showed a reduction in inventories which should point to the need for more orders in the future.

Things continue to get worse in Europe as Spain became the twelfth European nation to fall into recession as their GDP slipped 0.3% for the second quarter in a row. Spain has been struggling with a bursting housing bubble and record-high unemployment of 24.4%. Egan-Jones downgraded the nation's debt to junk status following the release.



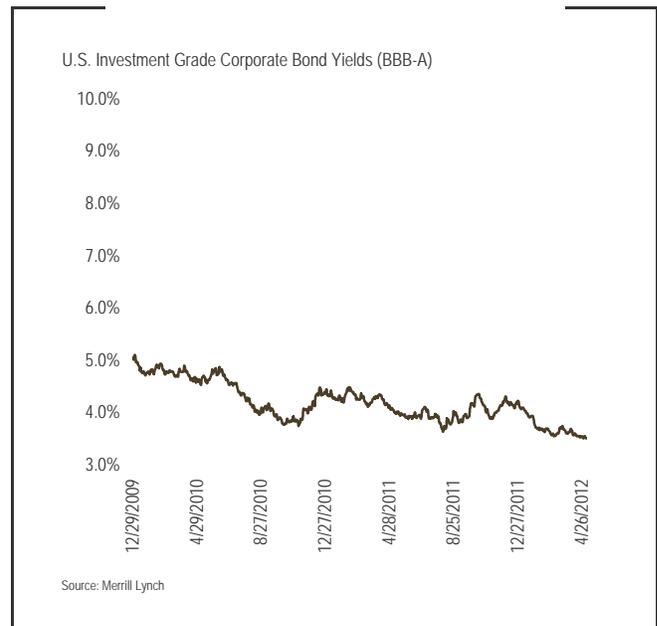
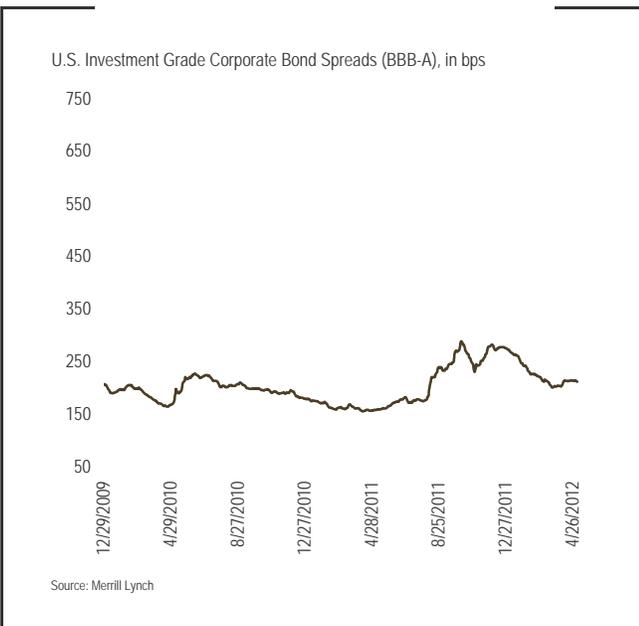
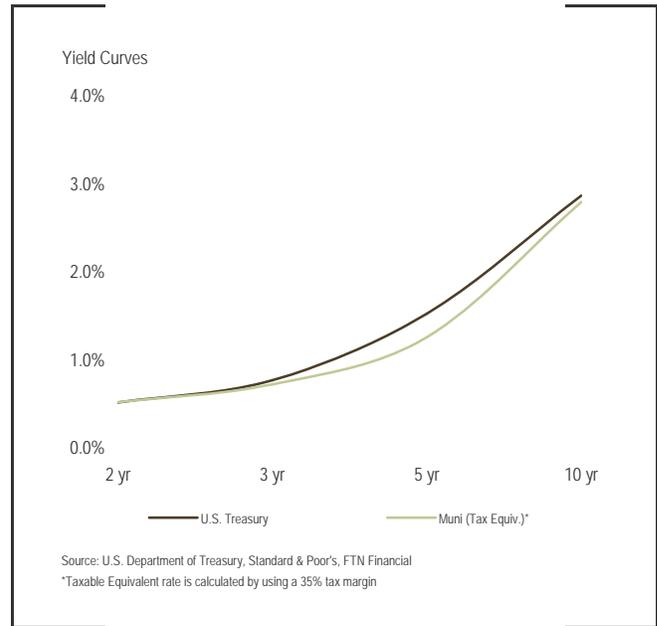
Apr. 30 th	Personal Income, March Monthly Chg.	0.4%
Apr. 30 th	Consumer Spending, March Monthly Chg.	0.3%
Apr. 30 th	Core PCE Price Index, March Monthly Chg.	0.2%
Apr. 30 th	Chicago PMI Business Barometer Index, April	56.2
May 1 st	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.3%
May 1 st	ISM Mfg. Index - Level, April	54.8
May 1 st	Construction Spending, March Monthly Chg.	0.1%
May 2 nd	MBA Purchase Applications Index, Wkly. Chg.	0.1%
May 2 nd	Factory Orders, March Monthly Chg.	-1.5%
May 2 nd	EIA Petroleum Status Report, Wkly. Chg.	2.8M Barrels
May 3 rd	Initial Jobless Claims (week ending 4/28)	365,000
May 3 rd	ISM Non-Mfg. Index, April	53.5
May 3 rd	EIA Natural Gas Report, Wkly. Chg.	28 bcf
May 4 th	Non-farm Payrolls, April Monthly Chg.	115,000
May 4 th	Unemployment Rate, April	8.1%

Bond Market Update

A weaker than expected jobs report sparked a safe-haven trade on Friday, with U.S. Treasuries posting their seventh consecutive weekly gain, the longest stretch of advances since 2008. Uncertainties over elections in France and Greece over the upcoming weekend also drove investors into the safety of government securities. Yields on the 10-year note fell as low as 1.87% in intra-day trading on Friday, less than 0.25% away from historical trough set in September. Traders note the sharp decline from this year's high of 2.40% in March underscores a growing anxiety that the strength of the U.S. economic recovery may be stalling. As evidence, they cite the rally in Treasuries since this point, up 2.4% according to Merrill Lynch indices relative to a decline in the S&P 500 of roughly 1%. However, some market strategists feel the bond market is overbought, suggesting yields may need to rise to lure investors into next week's \$72 billion in auctions, which includes \$24 billion in 10-year notes. Looking forward, many market participants feel we are at the tight end of the range for credit, and it will be difficult to see yields drop materially. However, very accommodative fiscal and monetary policy from global central banks may make it possible for the markets to remain at these levels for an extended period. If a catalyst for a sell-off does not originate from Europe in the near-term, markets may remain strong at least through the end of Operation Twist this summer.

Issue	4.27.12	5.4.12	Change
3 month T-Bill	0.09%	0.07%	-0.02%
2-Year Treasury	0.26%	0.27%	0.01%
5-Year Treasury	0.82%	0.78%	-0.04%
10-Year Treasury	1.96%	1.91%	-0.05%
30-Year Treasury	3.12%	3.07%	-0.05%

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



Stock Market Update

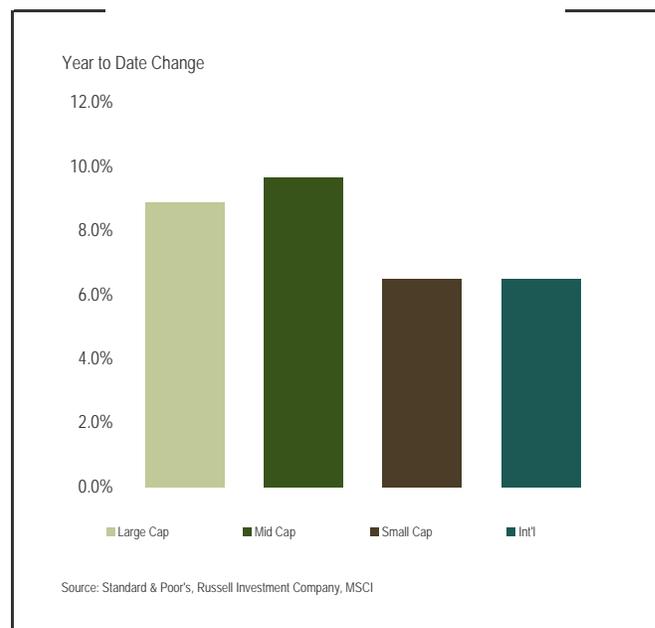
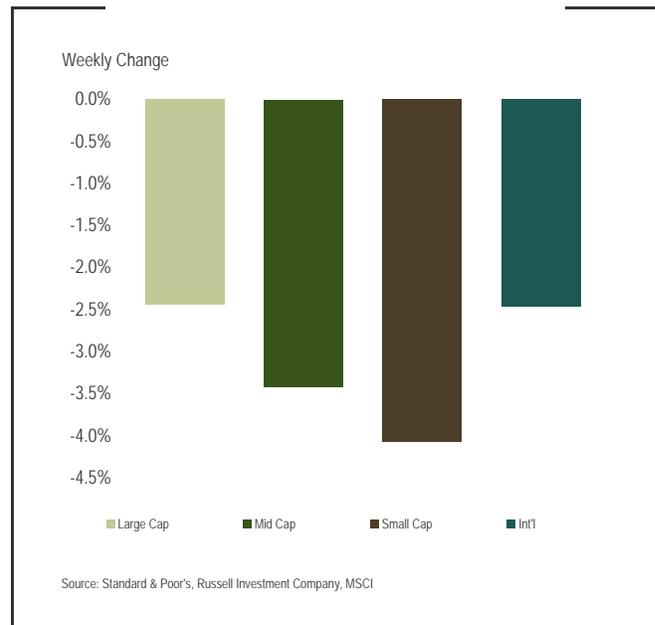
Most major stock markets were negative this week, starting the month of May on a sour note. A series of disappointing economic data in the U.S. culminated in the release of Friday's payroll report which showed slowing job growth in April. The Dow Jones Industrial Average finished the week at 13038.27 down 1.4%. The S&P 500 Index closed at 1369.10, off 2.4% from last Friday. The NASDAQ Composite Index ended the week 3.7% lower at 2956.34.

International markets were mixed this week as stocks struggled in Europe and Japan but China's Shanghai Composite index rose 2.3% for the May Day holiday-shortened trading period. ECB President Mario Draghi said the Governing Council left the bank's key lending rate unchanged at 1% and had not even discussed the possibility of a rate cut at its policy meeting in Barcelona. Upcoming elections in France and Greece also kept European stock investors on the sidelines. The FTSE 100 Index in London fell 2.1% for the week. The CAC 40 Index in France and Germany's DAX Index both declined over 3%. China's official purchasing managers' index for manufacturing rose to 53.3 in April to its highest level in more than a year. Optimism that the country will avoid a hard landing after GDP growth slowed last quarter sent Chinese stocks higher.

The once high flying Green Mountain Coffee Roasters stock fell sharply on Thursday after the company reported earnings results below estimates and lowered full year profit expectations. The maker of the popular Keurig single-serve coffee brewing system announced that K-Cup coffee refills sales rose 59% in the second quarter, significantly less than the 115% growth seen in the prior quarter. The stock fell 48% that day and is down 75% since last fall. Also this week, retailers reported 2.1% same store sales results for April, the weakest monthly increase since late 2010. The earlier Easter holiday and the warmer weather in March that pulled forward spring sales from April were cited by most retailers as the reasons for the shortfall.

Issue	4.27.12	5.4.12	Change
Dow Jones	13,228.31	13,038.27	-1.44%
S&P 500	1,403.36	1,369.10	-2.44%
NASDAQ	3,069.20	2,956.34	-3.68%
Russell 1000 Growth	665.50	647.01	-2.78%
S&P MidCap 400	999.4	965.3	-3.41%
Russell 2000	825.47	791.84	-4.07%
MSCI EAFE	1,521.38	1,483.87	-2.47%
MSCI Small Cap	1,015.94	1,024.27	-2.11%

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.



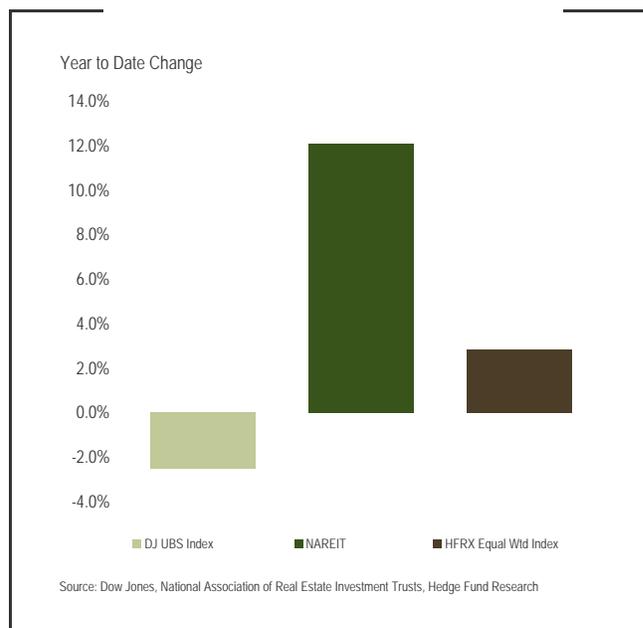
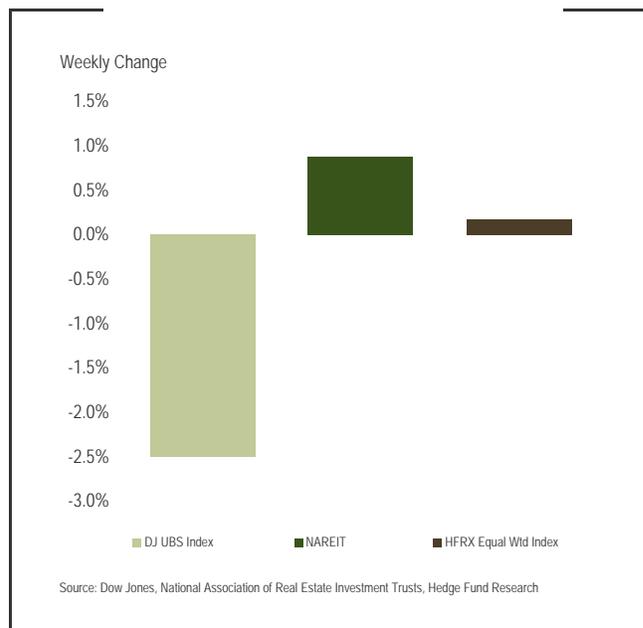
Alternative Investments Market Update

Crude oil plunged this week, erasing gains from recent months and removing fears of \$5-per-gallon gas, at least for now. The price of crude slipped beneath \$100 a barrel on Friday, settling at \$98.50 a barrel, down 5.95% for the week. Oil prices are usually a predictor of gasoline prices, which typically follow the fluctuations in oil, although sometimes not until days or weeks later. In reaction to dropping oil prices, gas prices have dropped about 6.5% over the last week, reaching a national average of \$3.802 a gallon on Friday, according to the motorist group AAA. This knocks the price of oil back down to where it was in early February, the last time oil traded below \$100 per barrel before it began its dramatic rise. The price of oil peaked in late February, when it exceeded \$109 a barrel. According to some analysts, the pre-summer run-up in oil and gas prices happened earlier than usual this year, as demand fizzled out thanks primarily to a slowdown in Asian demand for crude. Analysts also noted the conflict with Iran, which fueled anxiety into the markets and drove up prices in recent months, has been notably absent this week as Iran has backed off its threat to shut down the Strait of Hormuz, a major shipping lane for oil.

After a government report showed U.S. employers added fewer workers than forecasted in April, gold gained for the first time this week upon speculation the Federal Reserve will add stimulus measures to boost growth. According to the Labor Department, nonfarm payrolls increased by 115,000 last month, compared to estimates close to 170,000. Many believe this modest increase in payrolls will raise fears that the recovery is fading fast, as it did at this time last year. After the report was released on Friday, gold hit a high of \$1,648 per ounce. Although the metal traded off its intra-day highs, it still outperformed the broader market, which is an encouraging sign for precious metal investors who have been waiting for gold to return to its safe-haven status. For the week though, gold ended down 1.26%, closing at \$1,642.40 an ounce.

Issue	Previous Week	Current ¹	Change
Gold	1,663.40	1,642.40	-1.26%
Crude Oil Futures	104.73	98.50	-5.95%
Copper	382.70	371.65	-2.89%
Sugar	21.21	20.81	-1.89%
HFRX Equal Wtd. Strat. Index	1,126.36	1,128.33	0.17%
HFRX Equity Hedge Index	1,038.46	1,039.07	0.06%
HFRX Equity Market Neutral	958.71	949.95	-0.91%
HFRX Event Driven	1,373.10	1,383.89	0.79%
HFRX Merger Arbitrage	1,520.46	1,521.06	0.04%
Dow Jones UBS Commodity Index	140.63	137.14	-2.49%
FTSE/NAREIT All REIT	153.61	154.96	0.88%

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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