

# MainStreet Advisors Financial Market Update

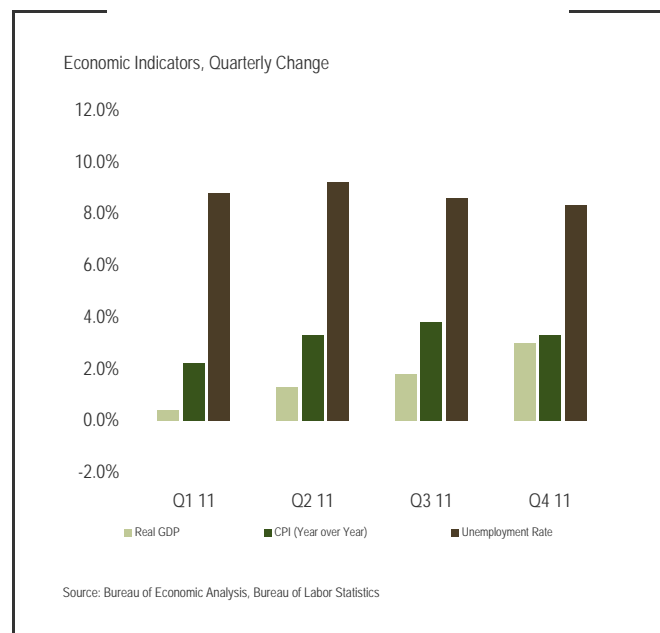
May 25, 2012  
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## Economic Update

Home buyers appear to be slowly returning to the market as existing home sales rose 3.4% in April, according to the National Association of Realtors. The gain was expected coming off a weak March number, but perhaps what has been most encouraging is the mix of sales. Distressed properties made up only 28% of sales, down from 37% in the same month last year. This has helped median prices surge to \$177,400 – 7.6% higher than last month and 10.1% over last year. At the same time all-cash deals are making up less of the mix and first-time buyers are making up more, suggesting real home buyers and not just investors are coming back to the market. Meanwhile new home sales showed moderate improvement climbing 11,000 from last month to a 343,000 annual pace, according to the Census Bureau. Upward revisions to past data indicate the weakness in new home sales was slightly less severe than previously thought.

Headline durable goods orders were lackluster climbing 0.2% in April following a 3.7% decline the previous month. The report indicates despite robust growth in the motor vehicles segment there is some softness in the manufacturing sector. The core number excluding transportation was disappointing falling 0.6% with weakness across many components.

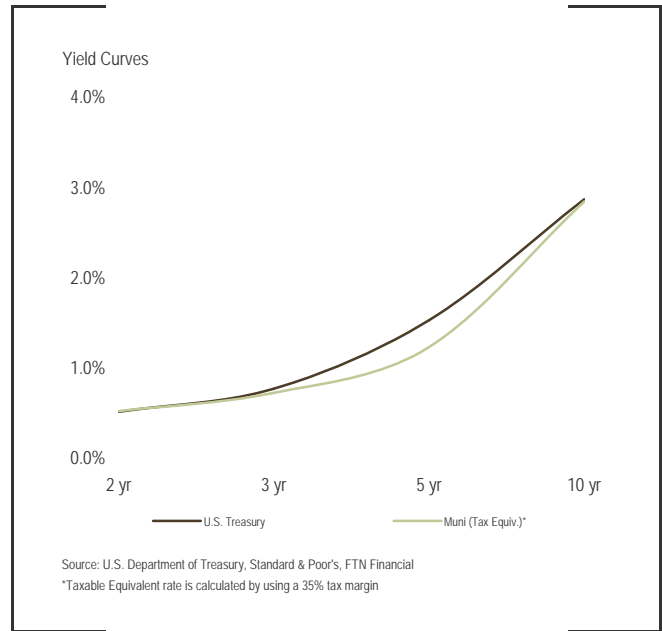
Initial jobless claims continue to trend lower, suggesting the elevated numbers seen in April were a short-term blip and are moving comfortably into our rear-view mirror. The number of Americans filing for first-time unemployment benefits fell 2,000 to 370,000 for the week ended May 19, according to the Labor Department. The four-week average also stands at 370,000 and is down for the third week in a row. Continuing claims are showing improvement as well with the four-week average down to a recovery low of 3.272 million. These are both positive signs and should fuel optimism for an improved monthly employment report due out next week.



May 22 <sup>nd</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.7%
May 22 <sup>nd</sup>	Existing Home Sales, April SAAR*	4.62M
May 23 <sup>rd</sup>	MBA Purchase Applications Index, Wkly. Chg.	3.8%
May 23 <sup>rd</sup>	New Home Sales, April	343,000
May 23 <sup>rd</sup>	EIA Petroleum Status Report, Wkly. Chg.	0.9M Barrels
May 24 <sup>th</sup>	Durable Goods New Orders, April Monthly Chg.	0.2%
May 24 <sup>th</sup>	Initial Jobless Claims (week ending 5/19)	370,000
May 24 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	77 bcf
May 25 <sup>th</sup>	Consumer Sentiment Index, May	79.3

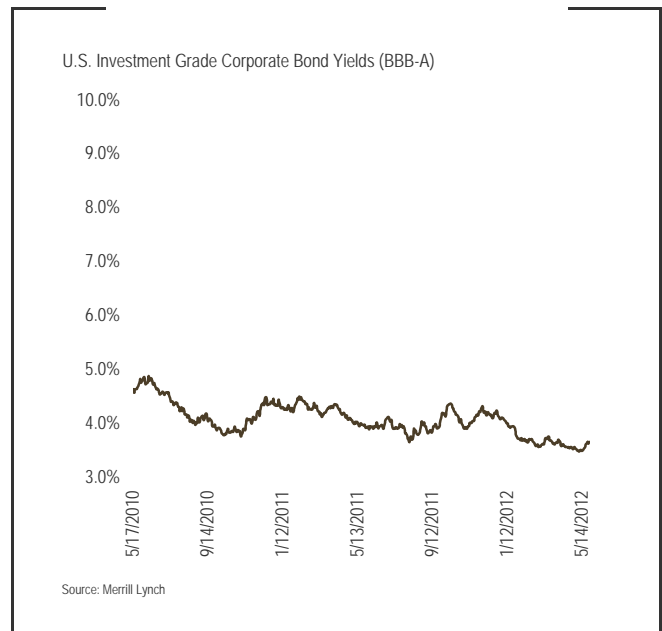
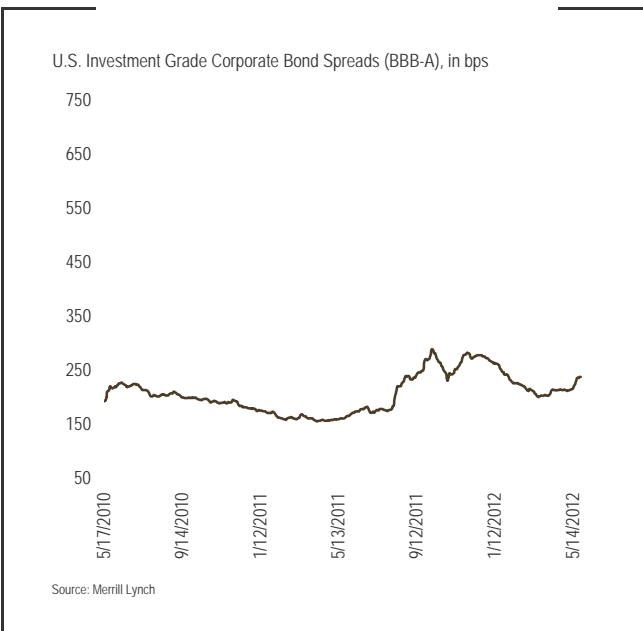
Bond Market Update

After a near two-month rally, U.S. Treasuries fell for the week, but remain close to record high levels. Looking forward, many strategists feel investors in safe-haven government debt stand a good chance of losing money over time, given that rates along most of the yield curve have fallen below long-term inflation expectations. The last time yields were near these levels was in the early 1950s, when World War II era interest-rate caps were in place. Yet investors cannot seem to get enough of U.S. Treasury securities, citing safety of principle and constant yields as reasons to purchase these bonds. The current rally started in 1981 after the Fed increased interest rates to quell inflation, with the 10-year note yield climbing to almost 16%. Since then, rates have been in a general downward trend with few interruptions. However, with CPI near 2.3%, Treasuries with maturities out to 14 years yield less than inflation, meaning investors in these securities will lose money from an inflation-adjusted perspective. Still, with worries over Europe's debt crisis flaring once again, skittish market participants are more concerned about preservation of capital. Nevertheless, over the longer-term, an improvement in the eurozone coupled with a strengthening U.S. economy could trigger sharp losses in Treasuries because with yields this low, prices tend become volatile, even with relatively small changes in yields.



Issue	5.18.12	5.25.12	Change
3 month T-Bill	0.08%	0.09%	0.01%
2-Year Treasury	0.32%	0.30%	-0.02%
5-Year Treasury	0.75%	0.76%	0.01%
10-Year Treasury	1.71%	1.75%	0.04%
30-Year Treasury	2.80%	2.85%	0.05%

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



Stock Market Update

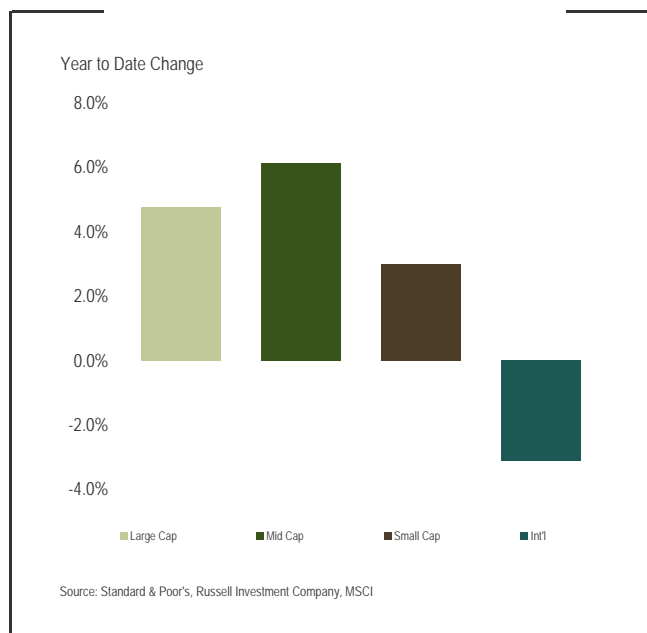
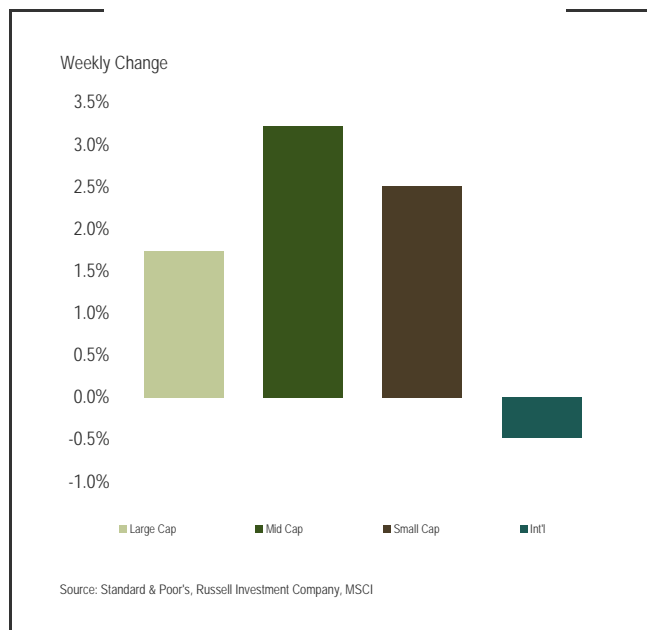
The domestic and the international equity markets continued to remain volatile as the European banking crisis and Greece's potential exit from the European Union dominated headlines. The Dow Jones Industrial Average closed at 12,451.95, up 82 points for the week, or up 0.67%. The broader S&P 500 Index ended the week up 1.73% to close at 1,317.64, while the NASDAQ Composite finished higher by 59 points, or up 2.11% to close the week out at 2,837.53.

The European stock markets finished slightly higher on the week, however the MSCI EAFE Index is down over 12% for the past three months and continues to be in negative territory year-to-date. Not only is Europe continuing to show signs of a recessionary trend, but talks of a potential Greece exit from the European Union have begun causing additional pressure on the markets. The European markets received some positive news out of Germany Friday morning lending stability to the markets. The overall consumer confidence in Germany held steady in May and is expected to remain at these levels through June. The MSCI EAFE Index finished the week down slightly by 0.48% and remains negative on the year.

After one week of trading, the much anticipated IPO of Facebook (FB) is trading well below the IPO price of \$38. The company is now fraught with a public relations problem with accusations that some investors were privy to financial information prior to the IPO. Mark Zuckerberg has taken the approach to ignore the media and has not made a comment on these issues or the decline over the first week in the stock price. After its debut at \$38 last Friday it is now trading 16.54% lower and closed Friday at \$31.91.

Issue	5.18.12	5.25.12	Change
Dow Jones	12,369.38	12,451.95	0.67%
S&P 500	1,295.22	1,317.64	1.73%
NASDAQ	2,778.79	2,837.53	2.11%
Russell 1000 Growth	609.62	623.12	2.21%
S&P MidCap 400	905.28	934.36	3.21%
Russell 2000	747.21	765.96	2.51%
MSCI EAFE	1,356.91	1,350.38	-0.48%
MSCI Small Cap	920.78	902.09	-0.65%

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, Wolfe Trahan.



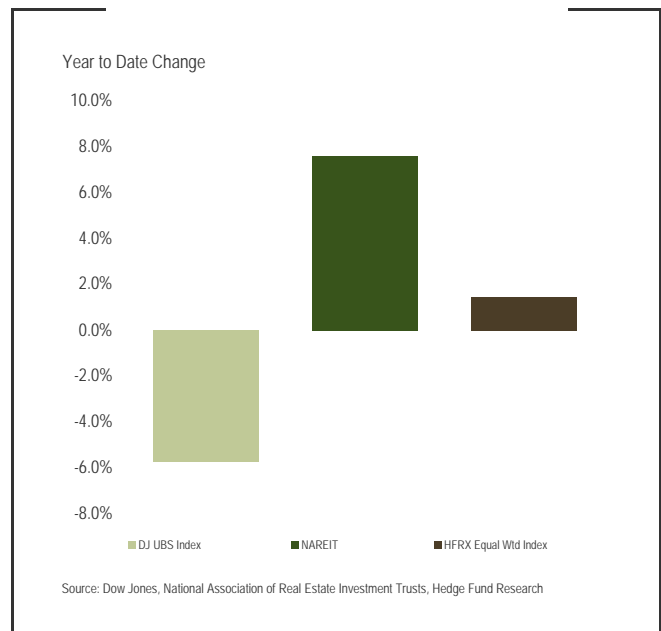
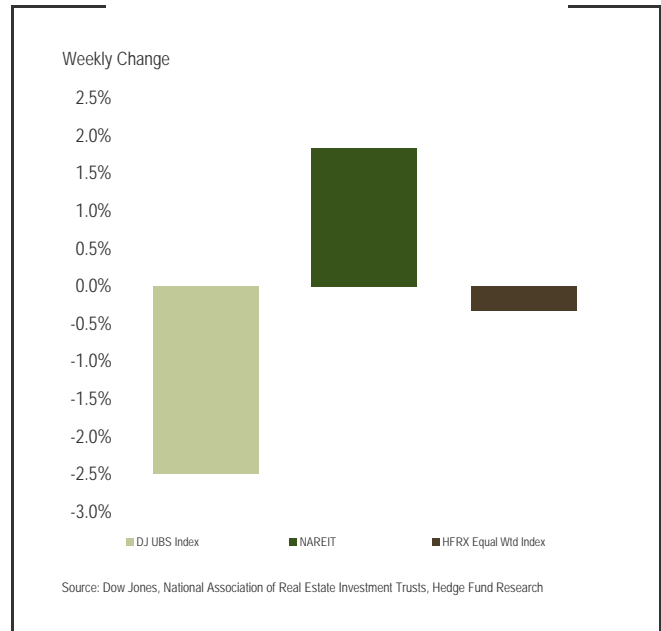
Alternative Investments Market Update

The price of oil slipped below \$90 a barrel this week for the first time in nearly seven months with domestic supplies on the rise. It was announced that U.S. oil supplies grew last week by 900,000 barrels and hit their highest level since 1990 after analysts expected supplies to grow by 750,000 barrels. For the week, crude oil dropped 0.25%, settling at \$90.86 a barrel and is down nearly 11% in the past three weeks. Pump prices in the U.S. have followed oil as the average price for a gallon of regular gas has fallen each day since May 16 and stood at \$3.66 on Friday, according to AAA data. At the beginning of the year, prospects for record prices above \$4 or even \$5 were a top concern, but talks of reaching those levels has all but disappeared. Many analysts say prices already reached their peak for the year back in April at around \$3.94 a gallon. Gasoline is \$0.165 per gallon cheaper than it was this time last year, a drop travelers typically do not see before a holiday weekend. Summer gasoline prices tend to be higher due to more expensive blends of gasoline and the summer driving season, but since crude, which has been volatile of late, accounts for roughly 66% of the price, analysts believe pump prices this summer will largely depend on what happens to the price of crude.

Gold prices rose back above \$1,565 an ounce on Friday, snapping four sessions of losses and temporarily decoupling from the euro, as investors saw the precious metal's current price as a buying opportunity after its recent fall. Alongside worries Greece could be set to exit the eurozone, hurting the euro and boosting interest in the dollar, gold ended the week down 1.07%, finishing at \$1,574.80 an ounce. Such fears were instrumental in sending gold to a record high last year, but since January prices have tended to react negatively to bad news from the eurozone as investors turned to the dollar or Treasuries as alternative safe-havens from risk.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,591.90	1,574.80	-1.07%
Crude Oil Futures	91.09	90.86	-0.25%
Copper	343.40	345.20	0.52%
Sugar	20.47	19.62	-4.15%
HFRX Equal Wtd. Strat. Index	1,116.86	1,113.28	-0.32%
HFRX Equity Hedge Index	1,011.59	1,005.93	-0.56%
HFRX Equity Market Neutral	942.26	940.68	-0.17%
HFRX Event Driven	1,364.16	1,357.41	-0.49%
HFRX Merger Arbitrage	1,508.14	1,510.80	0.18%
Dow Jones UBS Commodity Index	136.00	132.61	-2.49%
FTSE/NAREIT All REIT	146.04	148.72	1.84%

<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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