MainStreet Advisors
Financial Market Update

June 15, 2012

Economic Update

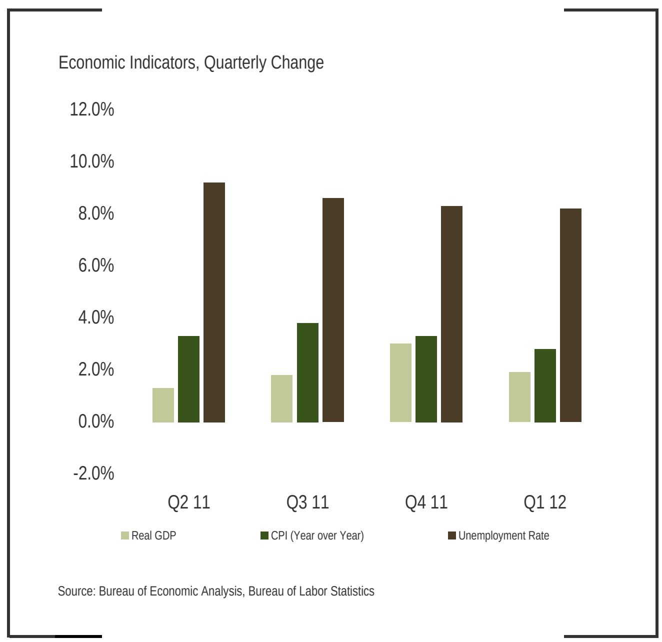
The week started with Spain requesting a €100 billion bailout from the European Union to provide capital to their struggling banks. The assets of Spain's largest two banks exceed the GDP of the entire country, and as such further aid will likely be needed. The move prompted rating agency Egan-Jones to downgrade Spain's debt even further to "CCC+" with an 18% probability of default within the next year. Europe will continue to be the focus over the weekend as Greeks return to the polls for a second election that will hopefully result in a functioning coalition government.

The housing market can not seem to catch a break as foreclosures jumped 9% in May, according to RealtyTrac. This is coming on the heels of the $26 billion dollar "robo-signing" settlement in April that cleared the way for banks to resume the foreclosure process with less uncertainty. Increases in foreclosures are likely to put downward pressure on home prices.

Retail sales declined 0.2% in May, but it was not all bad news as lower gas prices were one of the culprits. Without the 2.2% drop in sales at the pump the retail number would have been up 0.1%. Motor vehicle sales continued to show strength up 0.8%, and gains were also seen in clothing, electronics and furniture. Building materials & garden equipment sales dropped 1.7%, but it is possible warmer weather earlier in the year pulled some sales forward, taking away from May.

The retail sales numbers look better when you factor in inflation which turned negative during the month. The Consumer Price Index (CPI) fell 0.3% in May after being flat the previous month, according to the Labor Department. Year-over-year CPI inflation continued to trend downward falling to 1.7% from 2.3% in April and a recent high of 3.9% in September. A sharp 6.8% drop in gas prices was again at work here, which frees up cash for U.S. consumers allowing them to spend more on other things. The energy impact was seen even more at the producer level with PPI falling 1.0%. The year-over-year rate fell to 0.8% from 1.9% in April. Lower inflation opens the door again for speculation on further stimulus from the Fed.

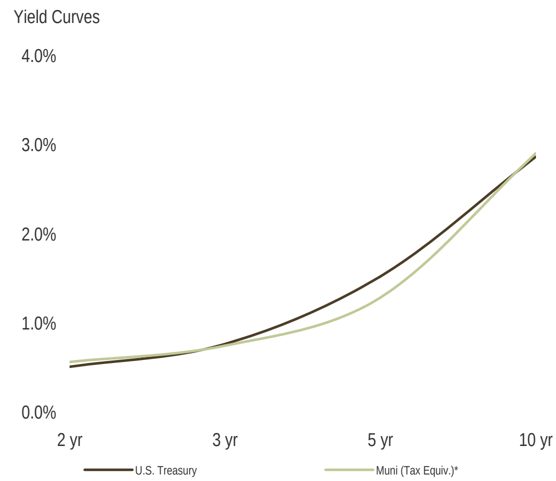
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Jun. 12th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.7%
Jun. 12th	Import Prices, May Monthly Chg.	-1.0%
Jun. 12th	Export Prices, May Monthly Chg.	-0.4%
Jun. 13th	MBA Purchase Applications Index, Wkly. Chg.	18.0%
Jun. 13th	Producer Price Index, May Monthly Chg.	-1.0%
Jun. 13th	Retail Sales, May Monthly Chg.	-0.2%
Jun. 13th	Business Inventories, April Monthly Chg.	0.4%
Jun. 13th	EIA Petroleum Status Report, Wkly. Chg.	-0.2M Barrels
Jun. 14th	Consumer Price Index, May Monthly Chg.	-0.3%
Jun. 14th	Initial Jobless Claims (week ending 6/9)	386,000
Jun. 14th	EIA Natural Gas Report, Wkly. Chg.	67 bcf
Jun. 15th	Empire State Mfg Survey, June	2.29
Jun. 15th	Industrial Production, May Monthly Chg.	-0.1%
Jun. 15th	Consumer Sentiment Index, June	74.1

Bond Market Update

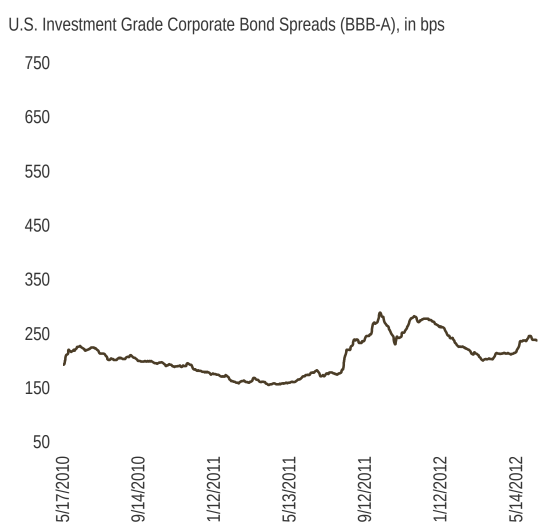
U.S. Treasuries rose modestly for the week amid concerns of slower economic growth in the U.S. and China, as well as, for something a little different, escalating anxieties regarding the eurozone sovereign debt crisis. Investors are hoping central banks will be more proactive going forward as yields on Spanish debt reached record high levels. With so much uncertainty remaining in the global fixed income markets, some strategists are now suggesting investors may be better off remaining on the sidelines rather than committing capital to Treasury securities of any country. Meanwhile, Bank of England Governor Mervyn King announced measures designed to protect the British financial system and economy from an escalation of the eurozone crisis. In addition to looser fiscal policy and central bank aid, Mr. King said the central bank would begin a credit-easing operation designed to spark lending in the economy. “Banks are at risk of future losses from a further downturn in the economy and exposures to the euro area,” he said. Although British banks are not encountering liquidity problems at this time, these emergency measures are designed to help prevent a destabilization of the country’s banking system. However, not all market strategists feel as bearish about the global markets citing, amidst other things, an expectation the U.S. Federal Reserve may hint at some type of additional fiscal stimulus after their two-day policy meeting next week.



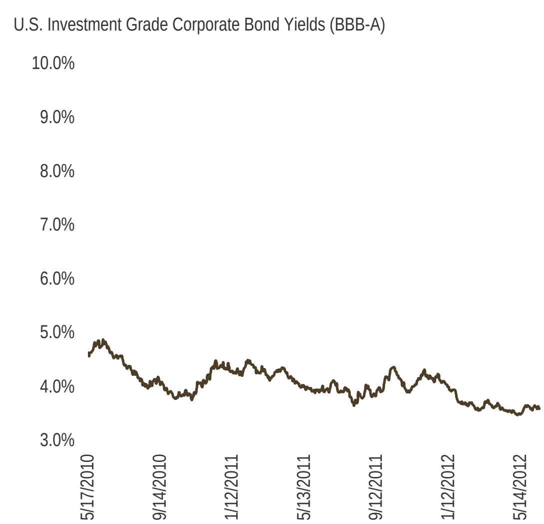
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	6.8.12	6.15.12	Change
3 month T-Bill	0.09%	0.11%	0.02%
2-Year Treasury	0.28%	0.30%	0.02%
5-Year Treasury	0.71%	0.73%	0.02%
10-Year Treasury	1.65%	1.64%	-0.01%
30-Year Treasury	2.77%	2.73%	-0.04%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

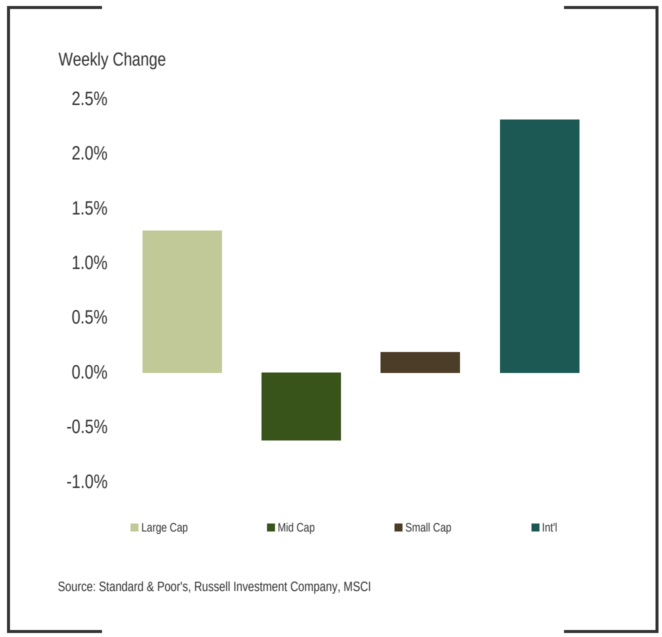
Stock markets were volatile but ended mostly positive for the week with renewed worries about Spain and Greece and weak domestic economic data. Markets initially cheered Spain's plans to borrow 100 billion euros to recapitalize its banks, but quickly retreated as buyers of the country's government bonds questioned the plan's effectiveness. Bond yields in Spain and Italy spiked mid-week. Markets rallied Friday on hopes that central banks would step in to provide support if Greek elections this weekend lead to more instability. The Dow Jones Industrial Average closed at 12767.17 up 1.7%, its second week in a row of gains. The S&P 500 Index closed at 1342.84, 1.3% higher than last Friday. The NASDAQ Composite Index ended the week 0.5% higher at 2872.80.

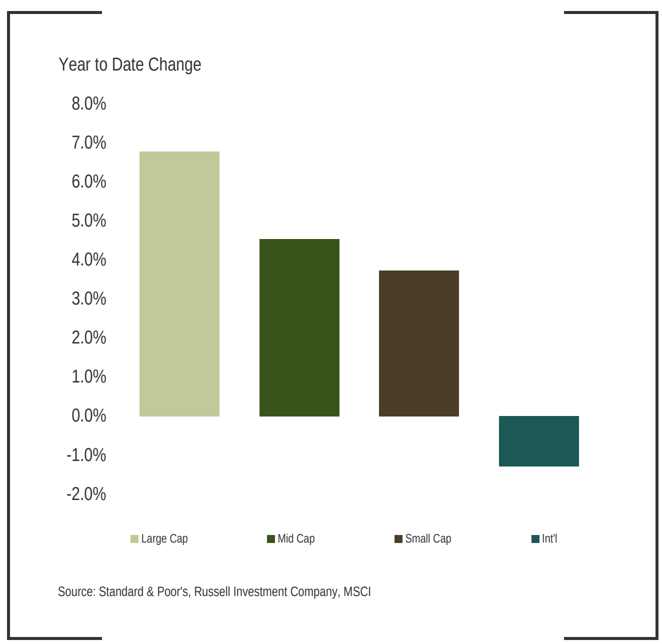
China reported several positive economic data points this week. Industrial production grew 9.6%, better than April's increase of 9.3%, the slowest growth in three years. Auto sales and property investment also improved. Chinese inflation of 3% was the lowest increase in 24 months. The Shanghai Composite Index rose 1.1% for the week. In Japan, leaders of the major political parties agreed to double the national sales tax in hopes of bringing the countries' finances under control. The Nikkei index was flat for the week.

In corporate news, Dell announced its goal to cut $2 billion in costs by the end of fiscal year 2015 mainly through expense reduction in supply chain and services delivery. The company also revealed that its Board of Directors has adopted a dividend policy under which the company will pay quarterly cash dividends beginning in the third quarter of the current fiscal year. Moody's reported that dividends from technology companies are expected to increase 14% in 2012. In a sign that warmer weather earlier this spring affected more than just last month's employment figures, Scotts Miracle-Gro stock fell 6.6% when the company reported that sales in May were below year-to-date trends.

Issue	6.8.12	6.15.12	Change
Dow Jones	12,554.20	12,767.17	1.70%
S&P 500	1,325.66	1,342.84	1.30%
NASDAQ	2,858.42	2,872.80	0.50%
Russell 1000 Growth	623.33	627.70	0.70%
S&P MidCap 400	925.98	920.26	-0.62%
Russell 2000	769.89	771.32	0.19%
MSCI EAFE	1,344.48	1,375.59	2.31%
MSCI Small Cap	913.18	913.55	1.33%

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

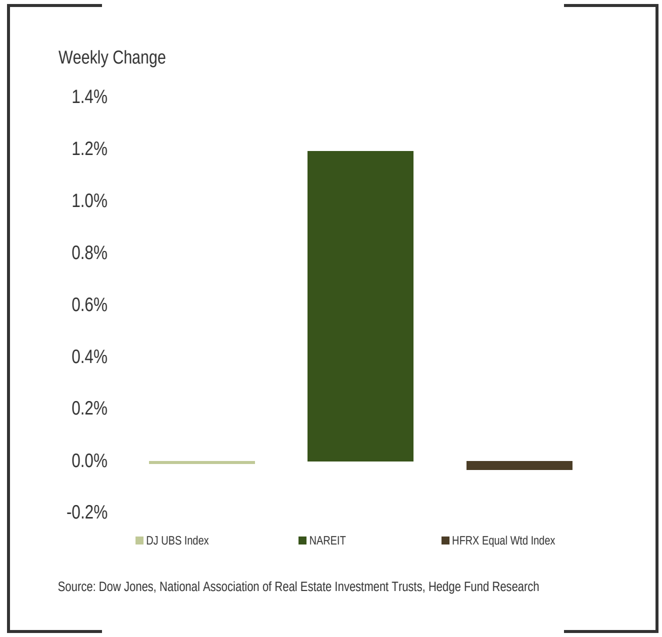
As the prospect of a fresh economic stimulus from the world's central banks reinforced demand, gold ended the week up 1.95%, settling at $1,625.60 an ounce. Gold's investment appeal as a hedge against economic weakness increased as central banks stood ready for any turmoil from Greece's elections, which could be the country's first step toward a chaotic break from the eurozone. Many analysts believe the more the debt crisis accelerates in Europe, the more likely fear will cause investors to trade back into gold, thus increasing the likelihood of the Federal Reserve initiating another economic stimulus.

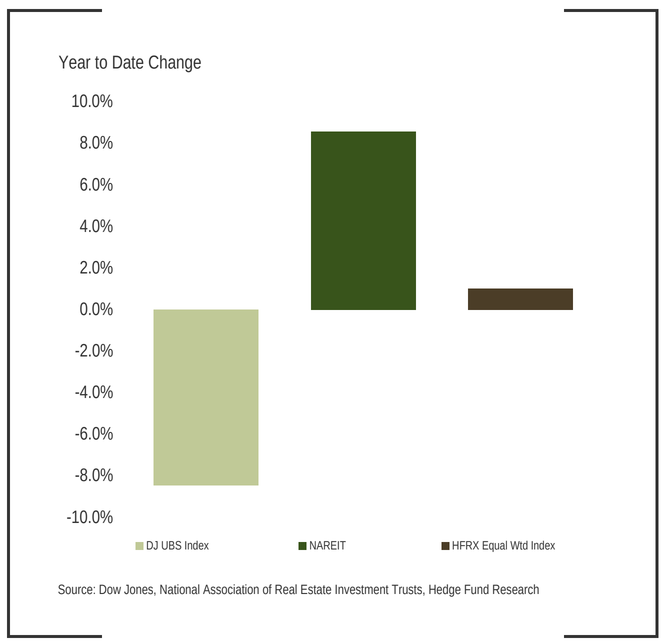
Despite lingering economic uncertainty, REIT industry analysts are maintaining a strong outlook for commercial real estate in the second half of 2012. A survey conducted jointly by professional services firm PwC and the Urban Land Institute indicated there is growing optimism about the remainder of the year throughout the commercial real estate industry. Survey participants forecasting "good-to-excellent" profits for 2012 increased from 42% at the beginning of the year to 48% in the latest report. Many believe we are in an obviously a challenging environment for both REITs and the broader markets, yet REITs should outperform due to their relatively good earnings ability and the ongoing fundamental recovery. According to REIT.com, the uncertainty surrounding Europe and the fiscal situation in the U.S. are dominant themes in the broader market and present challenges for REITs. That said, the search for yields has been one of the biggest drivers of REITs' performance so far this year as the average REIT dividend yield has ranged between 3% and 4%.

Hedge fund closures hit a two-year high in Q1 as 232 funds liquidated in the first three months of the year, according to Hedge Fund Research. Q1 marked the highest quarterly liquidation of hedge funds since 240 shuttered in Q1 of 2010. However, the closures this year have been offset by an increase in new hedge funds, as total hedge fund industry assets hit a record $2.13 trillion. There were 304 new funds launched in the Q1, the highest quarterly total since the final three months of 2007.

Issue	Previous Week	Current[1]	Change
Gold	1,594.50	1,625.60	1.95%
Crude Oil Futures	84.30	84.02	-0.33%
Copper	330.80	341.90	3.36%
Sugar	19.98	20.01	0.15%
HFRX Equal Wtd. Strat. Index	1,108.66	1,108.29	-0.03%
HFRX Equity Hedge Index	1,000.48	1,000.62	0.01%
HFRX Equity Market Neutral	934.58	937.71	0.33%
HFRX Event Driven	1,348.37	1,345.79	-0.19%
HFRX Merger Arbitrage	1,518.78	1,514.18	-0.30%
Dow Jones UBS Commodity Index	128.80	128.79	-0.01%
FTSE/NAREIT All REIT	148.29	150.06	1.19%

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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