MainStreet Advisors Financial Market Update

July 27, 2012

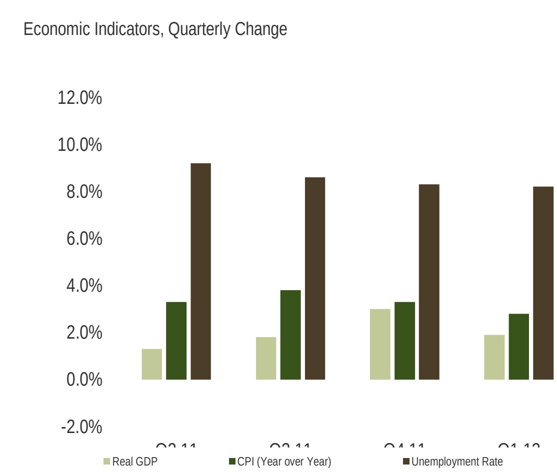
Economic Update

The U.S. economy saw its growth rate slow to 1.5% in the second quarter, down from 2.0% for the first quarter of the year. The deceleration was largely attributable to a slowdown in consumer spending growth which fell from 2.4% down to 1.5%. Still, the growth rate was higher than expected with consensus forecasts calling for only 1.2% GDP growth. Across the pond things were worse as the economy in the U.K. contracted 0.7% - the third consecutive decline in GDP for the country. Hopefully the Summer Olympic Games which begin in London today will give a boost to their economy.

The annual sales rate of new homes fell sharply in June to 350,000 but was offset by upward revisions to April and May data of 15,000 and 13,000 respectively. The May figure now stands at 382,000 – the highest figure in more than two years. This follows a report from the NAHB last week that showed a six point surge in the housing market index for July to 35. This is the highest level of the recovery and indicates home builders are growing increasingly optimistic about the outlook for new home sales.

New factory orders for durable goods jumped 1.6% in June, following a similarly sized increase in May. The number was higher than expected thanks to positive spikes in the ever-volatile aircraft components. Excluding transportation, orders fell 1.1% following a 0.8% rise the previous month. Overall it would appear than manufacturing has lost some steam outside nondefense aircraft, motor vehicles, and business equipment. Meanwhile manufacturing in China appears to be getting closer to moving back into growth territory. HSBC said its Chinese PMI rose to a 5-month high of 49.5 in July from 48.2 last month.

Initial jobless claims continued their seesaw action dropping 35,000 to 353,000 for the week ended July 21. Summer automobile factory retooling has been blamed for the volatile weekly readings this month making the four-week average, which is down about 20,000 from June, a much more reliable indicator. So despite the cloudiness of the data, the trend is heading in the right direction.



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

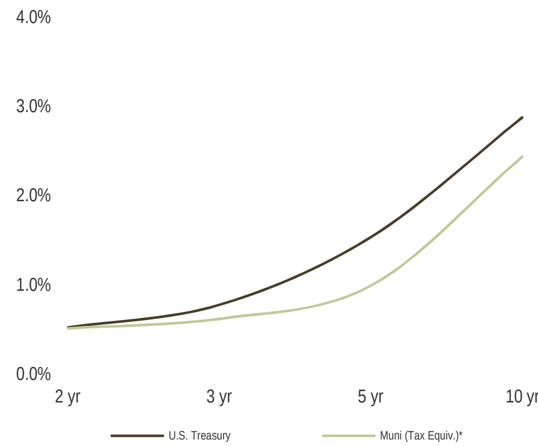
Jul. 24th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.0%
Jul. 25th	MBA Purchase Applications Index, Wkly. Chg.	0.9%
Jul. 25th	EIA Petroleum Status Report, Wkly. Chg.	2.7M Barrels
Jul. 25th	New Home Sales, June	350,000
Jul. 26th	Durable Goods New Orders, June Monthly Chg.	1.6%
Jul. 26th	Initial Jobless Claims (week ending 7/21)	353,000
Jul. 26th	Pending Home Sales, June Monthly Chg.	-1.4%
Jul. 26th	EIA Natural Gas Report, Wkly. Chg.	26 bcf
Jul. 27th	Real GDP, Q2a Quarterly Change SAAR	1.5%
Jul. 27th	GDP Price Index, Q2a Quarterly Change SAAR	1.6%
Jul. 27th	Consumer Sentiment Index, July	72.3

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.

Bond Market Update

Despite the Treasury Department's $29 billion sale of seven-year Treasury notes at a record low yield of 0.95% on Thursday morning, the bond market ended the week considerably lower after a stronger than expected jobless claims report and positive comments from European Central Bank president Mario Draghi. Yields on the 10-year note rose to as high as 1.60%, the highest level since July 6. Wednesday, the yield hit an intraday record low of 1.38%. Mr. Draghi pledged on Thursday to do "whatever it takes" to save the euro. "And believe me, it will be enough." Yields on ten-year government bonds in Spain and Italy fell considerably after the policymaker hinted the Bank might start its sovereign bond purchase program again, which has been dormant for close to four months. Draghi suggested the size of the "sovereign risk premia", or high borrowing costs, in Spain and Italy was hampering the functioning of the monetary policy transmission channel. However, some strategists feel that even if the ECB starts buying more sovereign bonds, it likely will not mark a turning point in the crisis. They believe the fiscal problems of Spain and Italy may necessitate full-blown sovereign bailouts. Not only is the required size of these operations far in excess of what the ECB would probably be prepared to commit, but at this point the Bank remains opposed to monetary financing of sovereign debt.

Yield Curves

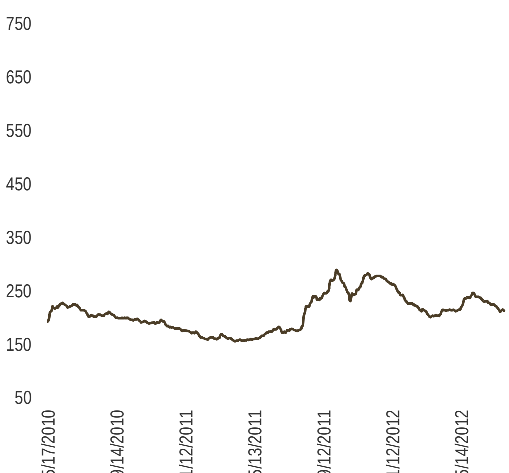


Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	7.20.12	7.27.12	Change
3 month T-Bill	0.09%	0.11%	0.02%
2-Year Treasury	0.22%	0.25%	0.03%
5-Year Treasury	0.59%	0.65%	0.06%
10-Year Treasury	1.49%	1.58%	0.09%
30-Year Treasury	2.55%	2.63%	0.08%

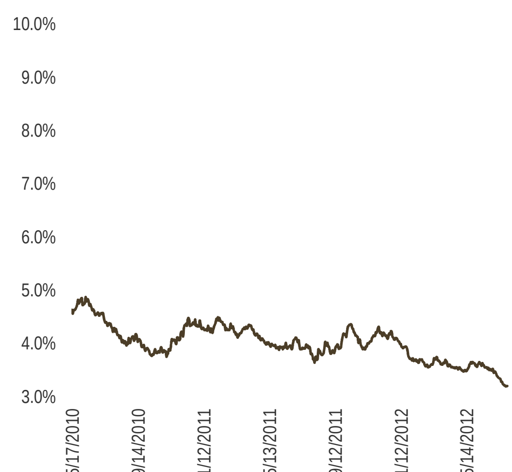
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



Source: Merrill Lynch

Stock Market Update

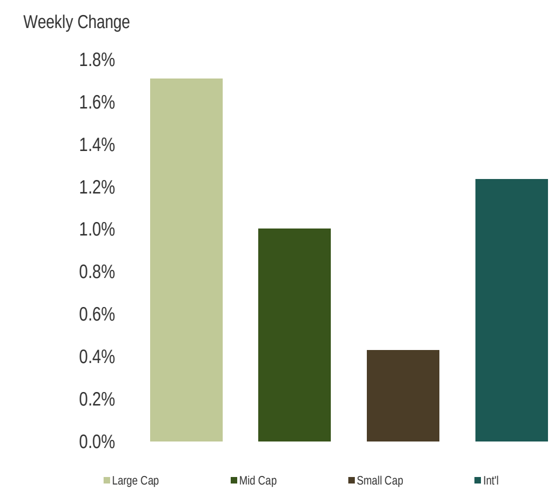
Stocks were volatile again this week with the Dow suffering triple digit declines on Monday and Tuesday, only to recover and close in positive territory for the five-day trading period. The week began with reports the IMF may cut off aid to Greece, Spanish and Italian bond yields hitting record highs, and Spain lowering its GDP estimates through 2014. Pledges from the European Central Bank president to “do whatever it takes to preserve the euro,” along with ECB purchases of Italian and Spanish debt convinced investors to buy back into equities. The Dow Jones Industrial Average closed above 13,000 for the first time since early May. The DJIA, up 188 points on Friday finished the week at 13075.66, up 2.0%. The S&P 500 Index closed at 1385.97, up 1.7%. The NASDAQ Composite Index eked out a gain as well ended the week 2958.09, 1.1% higher than last Friday.

Overseas, China reported a pick-up in manufacturing output to a nine-month high, possibly related to the recent interest rate cuts. Below-expectations results out of Apple impacted several Asian stock markets on Wednesday as many companies are in the Apple supply chain. Both Japanese and Chinese stocks closed down slightly for the week. The July German IFO Business Climate survey fell from 105.3 to 103.3, the lowest point in more than 2 years. European stocks as measured by the STOXX Europe 600 Index closed the week up slightly.

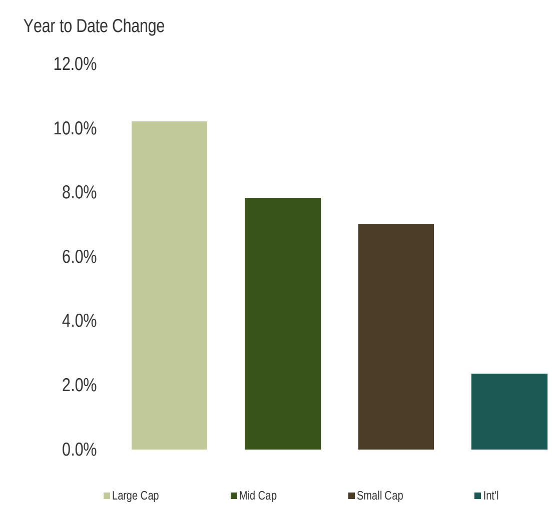
Apple and Facebook both disappointed investors this week with weak earnings reports. While iPhone sales increased 28% over last year, they declined from the prior quarter in anticipation of the iPhone 5 later this year. The company continues to lose market share to devices that run on the Android system. Facebook fell 10% after its first earnings report since the IPO. The shift to smart phones has been negatively impacting ad revenues. The company has also seen a slowdown in payments from social networking games. Amazon jumped over 7% on Friday despite profit and sales below expectations.

Issue	7.20.12	7.27.12	Change
Dow Jones	12,822.57	13,075.66	1.97%
S&P 500	1,362.66	1,385.97	1.71%
NASDAQ	2,925.30	2,958.09	1.12%
Russell 1000 Growth	636.85	645.86	1.41%
S&P MidCap 400	939.72	949.15	1.00%
Russell 2000	792.45	795.86	0.43%
MSCI EAFE	1,408.83	1,426.25	1.24%
MSCI Small Cap	941.13	916.44	0.06%

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.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

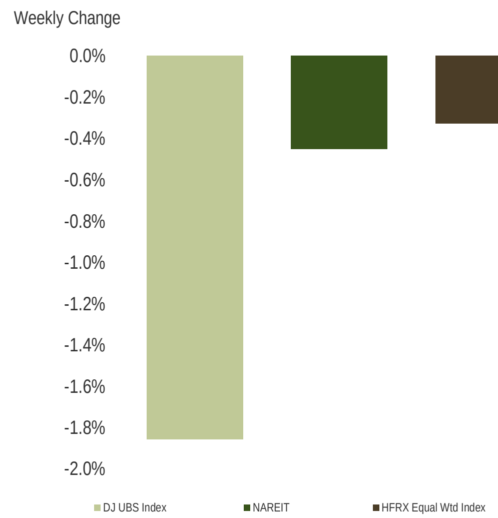
With gold on the mind of many this week as the Olympic Games kick-off in London, the metal trimmed its gains after official data showed U.S. economic growth slowed in Q2 coupled with the prospect that the Federal Reserve might pump out more money due to a weaker dollar. U.S. GDP expanded at a 1.5% annual rate between April and June, the slowest pace since Q3 of 2011, the Commerce Department announced on Friday. The weak Q2 reading, which was in line with economists' predictions, raised expectations of a third round of quantitative easing by the Fed which would weaken the currency and likely lift dollar-denominated commodities like gold. The precious metal has been trading between $1,530 and $1,630 an ounce, partly due to the Fed's uncertainty on further easing along with the metal being particularly sensitive to the lack of direction from physical demand. For the week, gold settled at $1,629.10 an ounce, up 2.87% or $45.40.

Crude oil also ended the week with a high note on hopes the U.S. and other governments would enact economic stimulus plans following weak economic growth. This news was not enough to bring crude out of the red for the week though, slipping 1.49%, to settle at $90.08 a barrel. Regular gasoline at the pump, averaged nationwide, fell $0.02 to $3.48 a gallon, AAA stated this week, the first decline since July 9. Prices have fallen 11% from a year-to-date high of $3.94 on April 4.

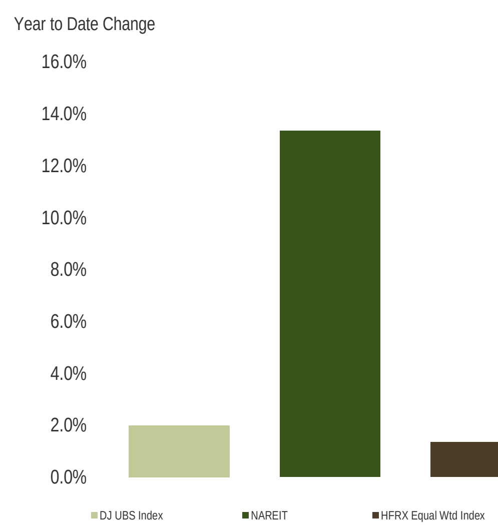
Crops in the midwest will benefit from showers and cooler temperatures over the next week, but heat and drought will continue to punish crops in the southwest, according to agricultural meteorologists. Corn and soybean conditions have been on a rapid skid since farmers planted each crop earlier than usual and at a quick pace. According to Reuters, farmers planted the most area to corn in 75 years this year, only to see it wilt in the most expansive drought in over a half century, and now soybeans are deteriorating at a similar pace. Corn and soybean prices eased a bit this week, however, after hitting record highs late last week, and on Friday soybean prices were leading a fresh charge higher since the soybean crop is now suffering the same fate as corn.

Issue	Previous Week	Current[1]	Change
Gold	1,583.70	1,629.10	2.87%
Crude Oil Futures	91.44	90.08	-1.49%
Copper	344.40	343.00	-0.41%
Sugar	23.92	22.52	-5.85%
HFRX Equal Wtd. Strat. Index	1,115.89	1,112.24	-0.33%
HFRX Equity Hedge Index	1,018.16	1,010.82	-0.72%
HFRX Equity Market Neutral	936.35	931.39	-0.53%
HFRX Event Driven	1,347.90	1,342.90	-0.37%
HFRX Merger Arbitrage	1,509.07	1,505.22	-0.26%
Dow Jones UBS Commodity Index	146.19	143.48	-1.86%
FTSE/NAREIT All REIT	157.39	156.68	-0.45%

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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