

MainStreet Advisors Financial Market Update

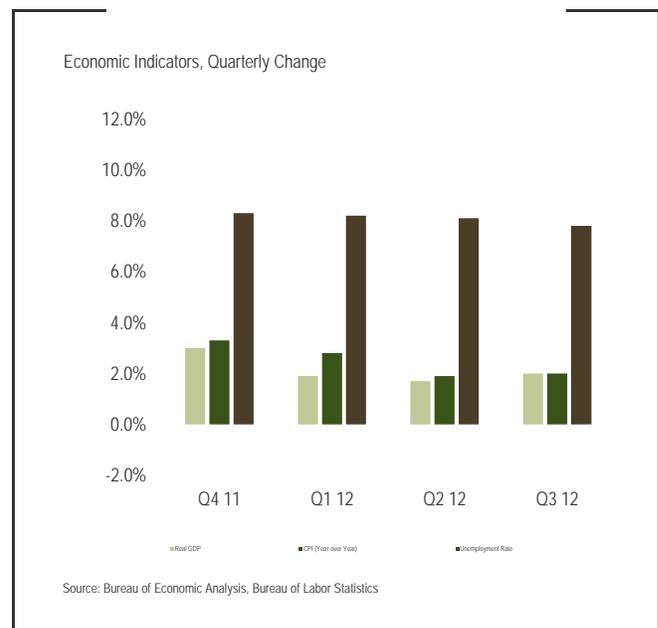
November 23, 2012
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Economic Update

Upbeat housing news dominated the economic headlines during this short holiday week. The existing home sales figures released this week showed a favorable jump of 2.1% in October after a 2.9% drop in September. The Northeast region was the only area to show a drop in existing home sales. analysts say Hurricane Sandy may have pushed the number down slightly as most home buying was suspended during the final week of the month as the storm affected millions of people in that region; all other regions improved significantly. This data has been highly volatile in the recent month but seems to be improving despite headwinds, particularly supply shortages. Housing supply, represented by median months on the market, is down to 5.4 months, the lowest figure in nearly seven years. Furthermore, the actual number of homes available for sale is down to 2.14 million, a ten-year low. Without more supply the housing market is being held back, despite the positive movement in recent months. On that note, housing starts came in strong this week, which will strengthen housing inventory supply over the coming months and should subsequently lead to higher sales numbers in 2013. Housing starts increased 3.6% in October to an annual figure of 894,000. This comes after an 18% increase in the previous two months, indicating that homebuilders are busier than they have been since July of 2008.

Finally, more good news in the housing market: The NAHB housing market index, which is based on the National Association of Home Builders survey of sales of new homes, expected future sales, and buyer outlooks, among other factors, was up a significant five points to land at the highest reading in over six years, easily beating consensus estimates. This index is an overall housing indicator that dipped as low as 8 in early 2009, and now stands at a healthy 46.

Jobless claims released Wednesday once again moved wildly, this time in a positive direction. A surge of 78,000 claims the previous week brought the actual level to 451,000, the highest count since May of 2011. The uptick in claims is surprising as this figure has been hovering below 370,000 since the beginning of the year. This week's drop of 41,000 left the current claims at 410,000, still considerably higher than claims reported in recent months. The Labor Department announced that they have no grasp on how long the storm effect will be seen in the jobless claims figures, but this past week showed some form of a return to normal.



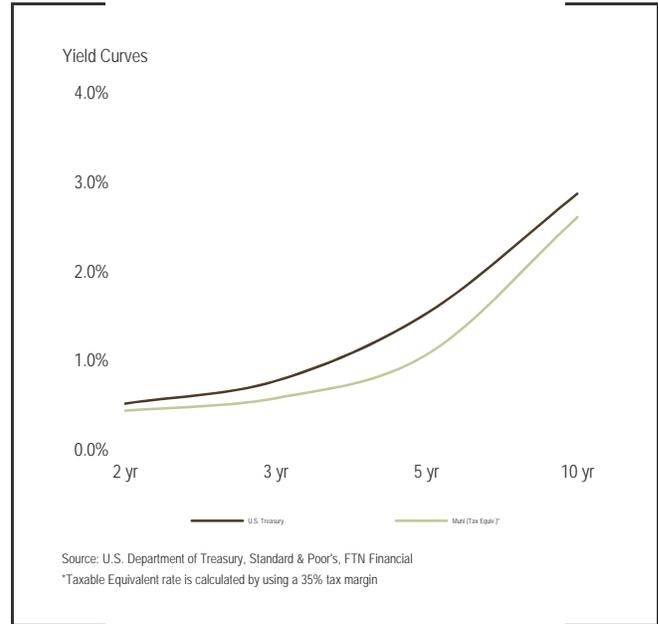
Nov. 19 th	Existing Home Sales, October SAAR	4.79M
Nov. 19 th	Housing Market Index, November	46.0
Nov. 20 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.3%
Nov. 20 th	Housing Starts, October	894,000
Nov. 21 st	MBA Purchase Applications Index, Wkly. Chg.	3.0%
Nov. 21 st	Initial Jobless Claims (week ending 11/17)	410,000
Nov. 21 st	Consumer Sentiment Index, November	82.7
Nov. 21 st	Leading Indicators, Oct. Monthly Chg.	0.2%
Nov. 21 st	EIA Petroleum Status Report, Wkly. Chg.	-1.5M Barrels
Nov. 21 st	EIA Natural Gas Report, Wkly. Chg.	-38 bcf

Bond Market Update

U.S. Treasury prices finished the week slightly lower as the gains in equity markets reduced investors' interest for safe haven securities. The promising global economic data, along with the ceasefire in Gaza, were positive for risk assets and negative for treasury securities.

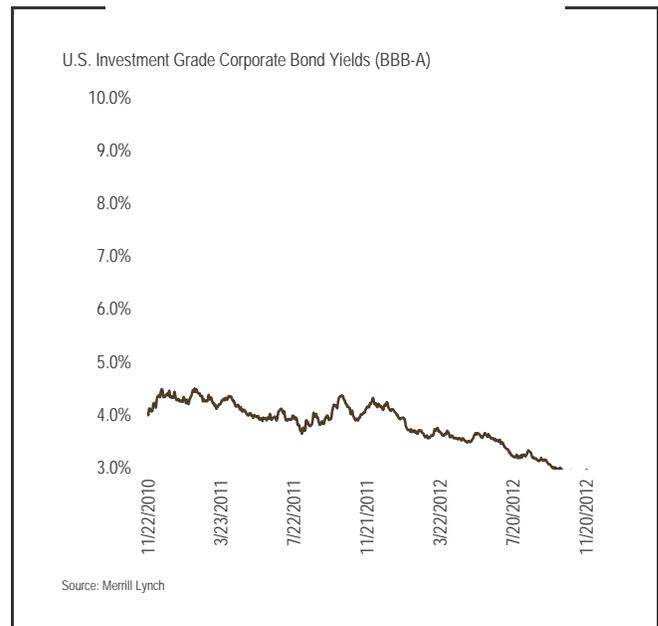
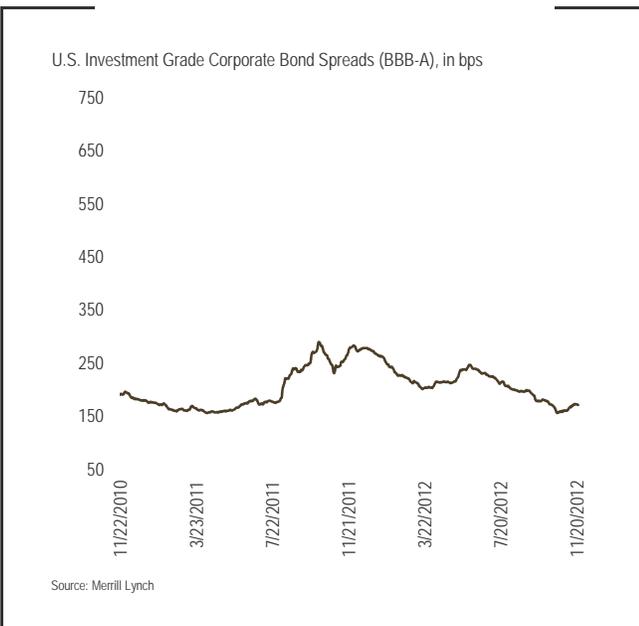
Moody's Investor Service is now the second major rating agency to cut the credit rating for France following similar downgrade actions taken by Standard & Poor's in January. Moody's stated deteriorating economic prospects as the primary reason for the cut, along with a negative outlook. In a separate report, Moody's also cautioned that it is unlikely the U.S. will keep their highest credit rating unless a "large and immediate fiscal shock" that eases the government deficit is approved by Congress. Another credit downgrade may not be immediately harmful for treasuries as they are still likely to be viewed as safe haven securities by many investors. Long term consequences, however, may include a weaker dollar and higher debt payments.

According to Freddie Mac, the average rate on the 30-year loan dropped to 3.31% this week, the lowest on record since 1971. While the borrowing rates have been low throughout the year they declined further after the introduction of QE3 in September, which has been positive for the holders of mortgage-backed agency bonds.



Issue	11.16.12	11.23.12	Change
3 month T-Bill	0.06%	0.10%	0.04%
2-Year Treasury	0.24%	0.27%	0.03%
5-Year Treasury	0.62%	0.69%	0.07%
10-Year Treasury	1.58%	1.69%	0.11%
30-Year Treasury	2.73%	2.83%	0.10%

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

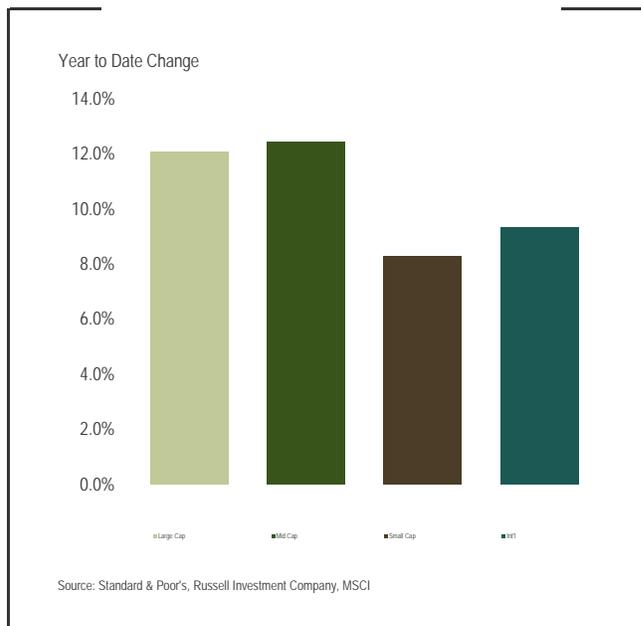
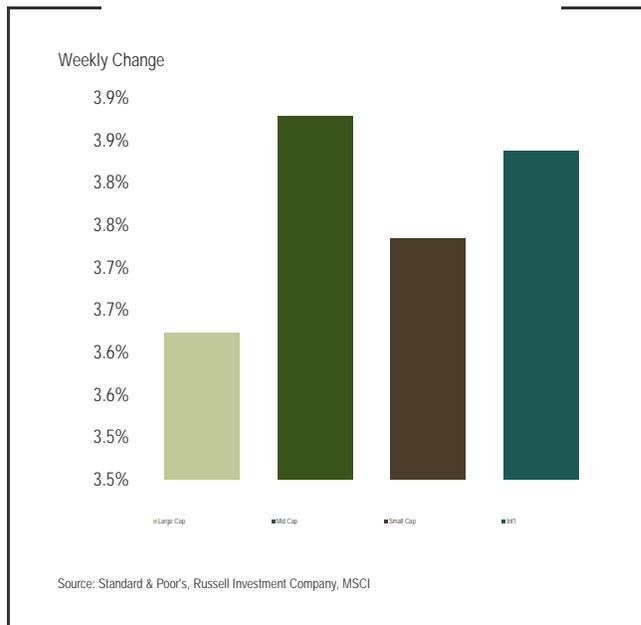


Stock Market Update

The equity markets rallied back in a shortened trading week as the S&P 500 Index posted positive returns all four trading days. The Dow Jones Industrial Average closed at 13009.7, up 421 points for the week, or up 3.34%. The broader S&P 500 Index ended the week up 3.62% to close at 1409.15, while the NASDAQ Composite finished higher by 113 points, or up 3.98% to close the week out at 2,966.85.

In a shortened trading week and little economic news the focus on Friday was retail sales and the consumer sentiment. Several retail stocks posted gains on "Black Friday" as many opened their doors on Thanksgiving night. Shares of Walmart (WMT), Target (TGT), and Macy's (M) each finished the day up over 1%. Electronics retailer, Best Buy (BBY), which has been losing market share to online retailers rose over 1% to finish the week at \$11.70/share.

Shares of Research in Motion (RIMM) surged Friday morning after several positive comments by analysts. The company has been in a downward spiral the last few years as it has lost significant market share to competitors. The company announced the launch of its new Blackberry 10 phone which will be available in February and analysts expect sales to reach 35 million units. Shares of RIMM had a 52-week low of \$6.22/share and today finished up 13% to close the week at \$11.67/share.



Issue	11.16.12	11.23.12	Change
Dow Jones	12,588.31	13,009.68	3.35%
S&P 500	1,359.88	1,409.15	3.62%
NASDAQ	2,853.13	2,966.85	3.99%
Russell 1000 Growth	629.97	653.54	3.74%
S&P MidCap 400	952.93	989.89	3.88%
Russell 2000	776.28	805.27	3.73%
MSCI EAFE	1,467.33	1,523.65	3.84%
MSCI Small Cap	974.33	985.72	3.27%

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

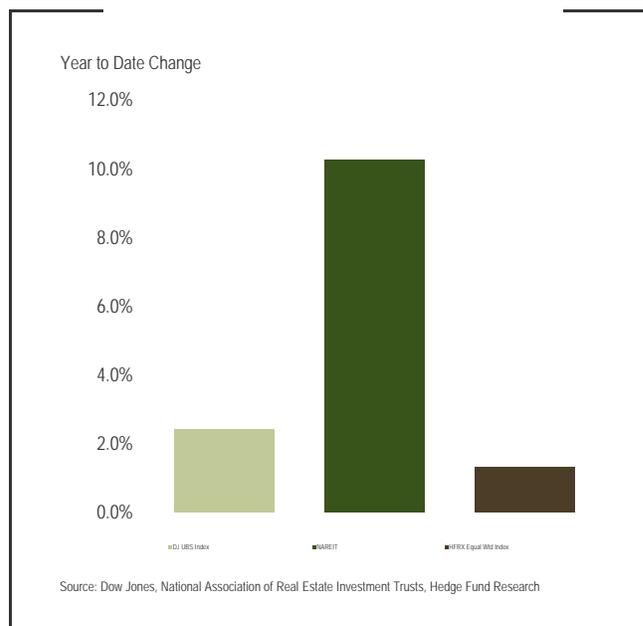
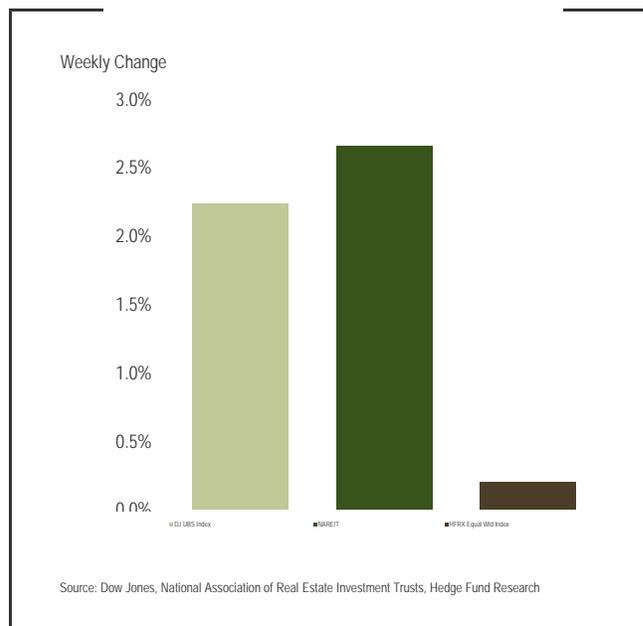
Crude oil prices remained elevated through the week as several factors gave traders reasons to be bullish. Aiding oil prices was positive economic data with both German and French PMI numbers coming in higher than expected. China likewise posted stronger than expected PMI numbers with the stronger economic data pointing to increased oil consumption in the future. Additionally, an unexpected drop in U.S. oil inventories heightened supply concerns as the diesel and heating oil distillates fell to a four-year low ahead of the winter heating season. Crude oil prices did edged lower Friday after an Egyptian negotiated cease-fire between Israel and Hamas eased tensions in the region by bringing hope that a more permanent resolution could be reached. In addition to oil, commodities traders were bullish on gold for the week. The yellow metal benefitted from weakness in the U.S. dollar which hit a two-week low. Further strength came from an IMF report which showed central banks across the globe increased their gold reserves throughout October.

With U.S. corporate tax rates the highest in the world, corporations continue to look to REIT conversions as a way to minimize tax impact. The recent announcement by Penn National Gaming (PENN) that it would split into two companies, with one being a REIT, illustrates the growing allure. The REIT portion of PENN will pay virtually no corporate taxes as long as it distributes at least 90% of its taxable income as dividends. Investors rewarded the announcement by bidding the stock up by over 30%. More companies are considering making the move, especially with increasing fears that the IRS may make REIT conversion more difficult in the future as a way to boost tax receipts. USA Today publisher, Gannett, as well as the CBS media group are reported to be evaluating a REIT conversion.

Hedge fund Tiger Global Management revealed in a SEC filing this week that the company had taken a large position in beat up daily deal maker, Groupon (GRPN). Tiger Global added to a small position taken earlier in the third quarter and now owns 9.9% of the company. The implied vote of confidence by one of the most successful hedge funds over the last two years sent shares up over 25% for the week. The action marks one of the few bright spots for GRPN which has seen its share price tumble from \$20 a share to under \$3 so far this year.

Issue	Previous Week	Current ¹	Change
Gold	1,713.35	1,751.40	2.22%
Crude Oil Futures	87.14	88.09	1.09%
Copper	346.05	353.75	2.23%
Sugar	19.15	19.20	0.26%
HFRX Equal Wtd. Strat. Index	1,109.62	1,111.84	0.20%
HFRX Equity Hedge Index	1,030.42	1,035.36	0.48%
HFRX Equity Market Neutral	928.24	931.31	0.33%
HFRX Event Driven	1,350.74	1,357.68	0.51%
HFRX Merger Arbitrage	1,479.78	1,484.77	0.34%
Dow Jones UBS Commodity Index	140.95	144.10	2.24%
FTSE/NAREIT All REIT	148.46	152.40	2.65%

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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