

MainStreet Advisors Financial Market Update

November 30, 2012
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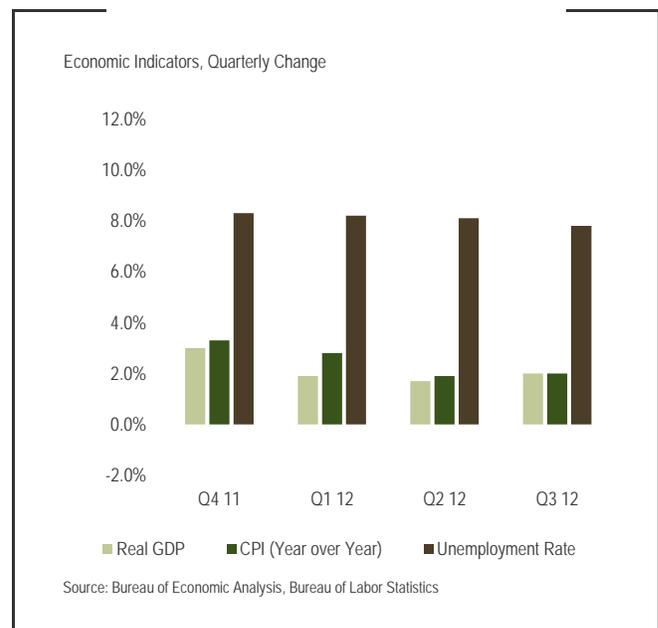
Economic Update

Economic growth here in the U.S. was substantially higher for the third quarter than originally estimated. The second estimate for GDP growth was revised up to 2.7% from the 2.0% estimate given last month. Upward revisions were largely tied to increases in inventories, nonresidential structures and exports. On the flipside a decrease in consumer spending and business equipment took some cheerfulness out of the news, but overall we feel the GDP number looks pretty good.

Consumer spending fell 0.2% in the month of October following a healthy 0.8% gain the previous month, while personal incomes were flat. The Commerce Department noted the effects of Hurricane Sandy weighed down the numbers. By components spending on durables was down 1.9% and nondurables down 0.2%. We believe it will take another couple months post-Sandy to determine what the true trend is with this data. Looking at inflation, the report showed the PCE price index eased 0.1% for the month, but the year-over-year rate increased slightly to 1.7%.

The trend of steadily rising new home sales we have seen over the past year took a breather in October. The annual rate edged down 1,000 to 368,000 from a September figure that was revised down a steep 19,000. The negative impact of Hurricane Sandy on the numbers was reported to be mild, but we still might see some effects in the November data. There was also some weakness seen in pricing with the median figure falling 4.2% to \$237,700. On a positive note, the pending home sales index which tracks contract signings for existing homes jumped 5.2% in October indicating sales are still improving in that category.

The struggling nation of Greece got some welcomed relief this week as eurozone finance ministers and the International Monetary Fund reached an agreement on the country's debt. The deal includes lower interest rates as well as an extension of maturities for existing debt which will alleviate some of the strain on the government's cashflows. The deal is a big positive for the country, but the risk of a departure from the eurozone and the social costs of austerity still remain.



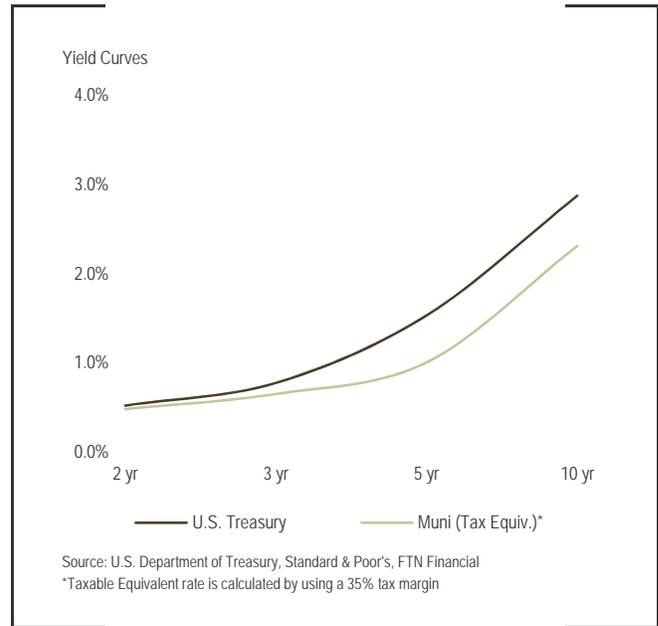
Nov. 27 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	3.3%
Nov. 27 th	Durable Goods New Orders, Oct. Monthly Chg.	0.0%
Nov. 27 th	S&P/Case-Shiller 20-city Index, Sep. Monthly Chg.	0.4%
Nov. 27 th	Consumer Confidence Index, November	73.7
Nov. 28 th	MBA Purchase Applications Index, Wkly. Chg.	-0.9%
Nov. 28 th	New Home Sales, October	368,000
Nov. 28 th	EIA Petroleum Status Report, Wkly. Chg.	-0.3M Barrels
Nov. 29 th	Real GDP, Q3p Quarterly Change SAAR	2.7%
Nov. 29 th	GDP Price Index, Q3p Quarterly Change SAAR	2.7%
Nov. 29 th	Initial Jobless Claims (week ending 11/24)	393,000
Nov. 29 th	Pending Home Sales, Oct. Monthly Chg.	5.2%
Nov. 29 th	EIA Natural Gas Report, Wkly. Chg.	4 bcf
Nov. 30 th	Personal Income, October Monthly Chg.	0.0%
Nov. 30 th	Consumer Spending, October Monthly Chg.	-0.2%
Nov. 30 th	Core PCE Price Index, October Monthly Chg.	0.1%
Nov. 30 th	Chicago PMI Business Barometer Index, Nov.	50.4

Bond Market Update

Bolstered by month-end demand and increased concerns about the fiscal cliff, U.S. Treasuries rose modestly for the week. At month-end, mutual funds and ETFs need to match adjustments made in their benchmark indices. Although not a primary driver of demand, on the last trading day of each month, maturing debt in bond market indices is replaced with newly issued bonds, spurring managers to replicate these purchases.

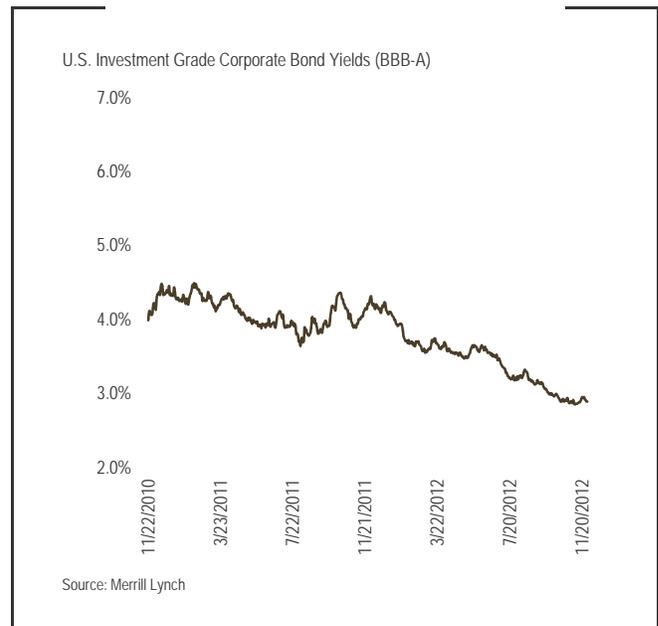
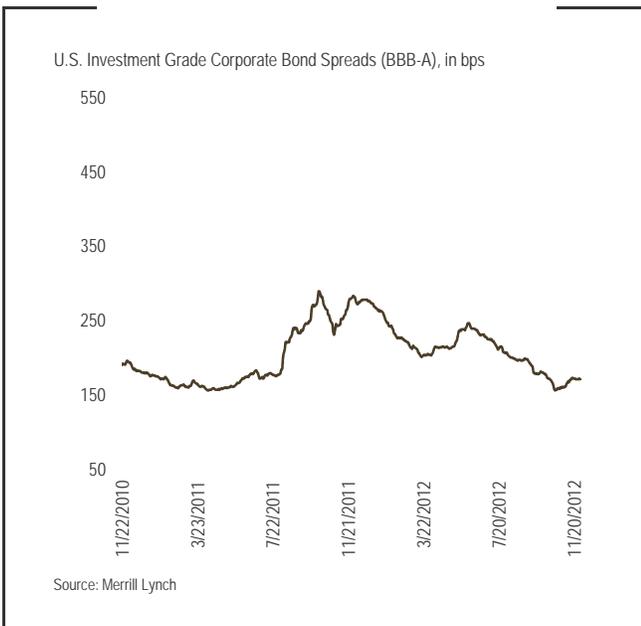
Even with increased volatility in the markets, particularly on an intraday basis, 10-year yields remained range-bound between 1.57% and 1.74% over the last month. Nonetheless, appetite for the safety of U.S. government bonds remains strong as reflected in the results from the three Treasury note auctions conducted this week. Thursday's \$29 billion new issue of seven-year notes yielded 1.045%, the second lowest level on record. Direct buyers, mostly domestic banks and mutual funds, grabbed the largest proportion of the auction on record for this maturity.

Looking forward, the primary driving factor of interest rates will likely be related to a resolution or non-resolution to the fiscal cliff. House Speaker John Boehner recently noted little progress has been made to avert year-end tax cuts and automatic spending cuts. Because this was not unexpected, most bond traders expect Treasuries to remain in a tight range until a clear deal emerges.



Issue	11.23.12	11.30.12	Change
3 month T-Bill	0.10%	0.10%	0.00%
2-Year Treasury	0.27%	0.27%	0.00%
5-Year Treasury	0.69%	0.69%	0.00%
10-Year Treasury	1.69%	1.69%	0.00%
30-Year Treasury	2.83%	2.83%	0.00%

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



Stock Market Update

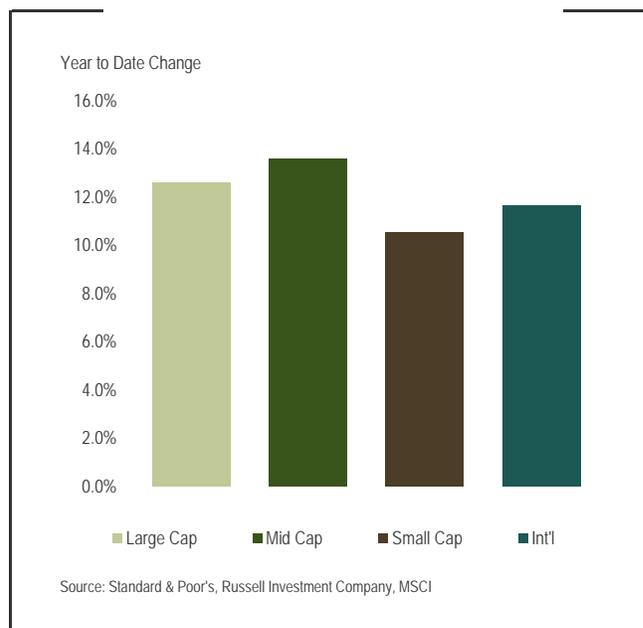
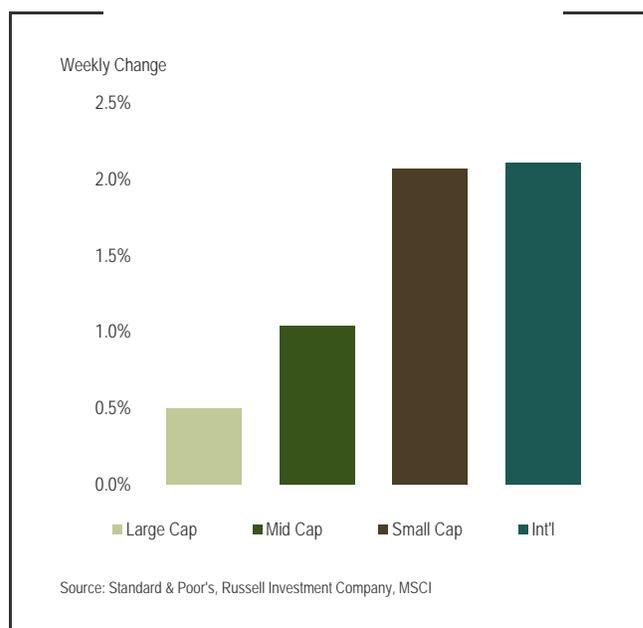
Most stock markets were volatile throughout the week as headlines regarding fiscal cliff discussions moved markets in both directions, with one trading day showing a 200 point swing. Domestic stocks finished in positive territory for the second week in a row. The Dow Jones Industrial Average closed Friday at 13025.58, up 16 points for the week. The S&P 500 Index finished at 1416.18, up 0.5% over the five-day trading period. The NASDAQ Composite Index was the best performer, up 1.5% to 3014.24. For the month of November, the Dow declined slightly, (-0.6%), while the S&P 500 (+0.3%) and the NASDAQ (+1.1%), were both positive.

European markets were positive this week as well. Eurozone finance ministers and the IMF agreed earlier in the week to reduce interest rates on Greece's bailout loans, defer interest payments by up to a decade, and allow the country to buy back around 30 billion euros in debt. European stocks as measured by the Stoxx Europe 600 Index increased 0.8% for the week and about 2% for the month of November. Asian stocks were mixed with the Nikkei gaining 0.8% for the week and 5.8% for the month. The U.S. dollar hit an 8-month high versus the yen as the Japanese government announced its second stimulus plan in less than a month and industrial output growth of 1.8% surprised analysts' expectations for a 2.2% decline.

Retailers reported strong Black Friday weekend sales early in the week, only to report worse than expected November same store sales on Thursday. The National Retail Federation reported sales for the weekend were up 13% compared to a year ago. NRF data also showed average holiday shopper spending rose 6.3%. But this was not enough to offset weakness earlier in the month, mainly due to disruptions from Hurricane Sandy. Thomson Reuters noted the 1.6% rise in same store sales missed analysts' expectations for 3.3% growth. In M&A news, Conagra offered to buy private label food maker Ralcorp Holdings for \$6.8 billion, including the assumption of debt.

Issue	11.23.12	11.30.12	Change
Dow Jones	13,009.68	13,025.58	0.12%
S&P 500	1,409.15	1,416.18	0.50%
NASDAQ	2,966.85	3,010.24	1.46%
Russell 1000 Growth	653.54	659.44	0.90%
S&P MidCap 400	989.89	1000.15	1.04%
Russell 2000	805.27	821.92	2.07%
MSCI EAFE	1,523.65	1,555.73	2.11%
MSCI Small Cap	985.72	1,003.79	1.63%

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.



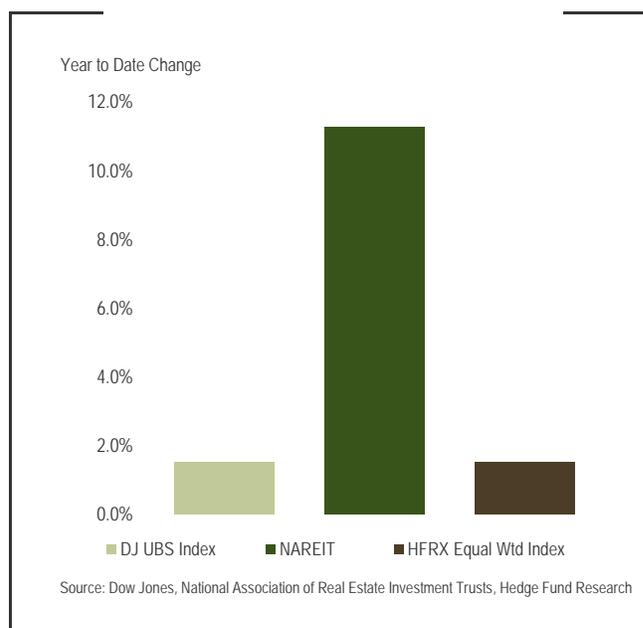
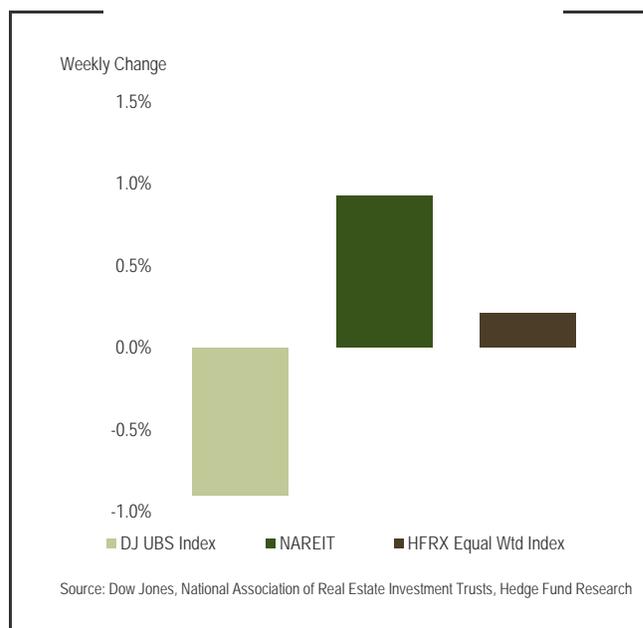
Alternative Investments Market Update

Gold capped its biggest weekly drop in more than five months on concern U.S. lawmakers may fail to reach a settlement in talks aimed at avoiding self-imposed tax increases and budget cuts known as the “fiscal cliff”. The precious metal dropped almost 1% on Friday and posted its second consecutive monthly decline on investor worries the crisis may lead to another recession. Bullion’s drop accelerated after Speaker of the House John Boehner said U.S. lawmakers from his Republican Party and President Barack Obama were in a stalemate over a new budget deal to avoid the automatic tax hikes and spending cuts. Although it is believed by many that a solution will be reached before the deadline, the gold market appears to be taking the opposite approach. Analysts have said extended and wavering progress in the fiscal talks would support gold’s safe-haven credentials, but the market is currently in risk asset mode, taking refuge in stocks and other assets associated with growth. For the week, the metal lost 2.07%, or \$36.23, to close at \$1,715.17 an ounce. Crude oil posted modest gains this week, rising 0.86%, to close at \$88.85 a barrel. Oil capped its first monthly increase since August on signals that economic expansion in the U.S. is accelerating.

Greece’s efforts to reduce indebtedness by repurchasing its own bonds will not be a “resounding success” because hedge funds, which hold as much as \$28.6 billion of debt, lack incentives to participate, according to analysts at Nomura Holdings Inc. According to Bloomberg Businessweek, Greece is scheduled to unveil details next week of a plan to buy bonds with a face value of 62 billion euros, but believe it will not offer more than the \$0.281 on the euro the bonds closed at on November 23. With bonds now trading higher, hedge funds will be seeking a higher price. Hedge funds have been buying up discounted Greek government bonds after the nation restructured its debt earlier this year as part of an effort to stave off economic collapse and an exit from the 17-nation pact.

Issue	Previous Week	Current ¹	Change
Gold	1,751.40	1,715.17	-2.07%
Crude Oil Futures	88.09	88.85	0.86%
Copper	353.75	364.45	3.02%
Sugar	19.20	19.34	0.73%
HFRX Equal Wtd. Strat. Index	1,111.84	1,114.16	0.21%
HFRX Equity Hedge Index	1,035.36	1,042.08	0.65%
HFRX Equity Market Neutral	931.31	933.78	0.27%
HFRX Event Driven	1,357.68	1,361.08	0.25%
HFRX Merger Arbitrage	1,484.77	1,490.80	0.41%
Dow Jones UBS Commodity Index	144.10	142.80	-0.90%
FTSE/NAREIT All REIT	152.40	153.81	0.93%

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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