MainStreet Advisors
Financial Market Update

January 25, 2013
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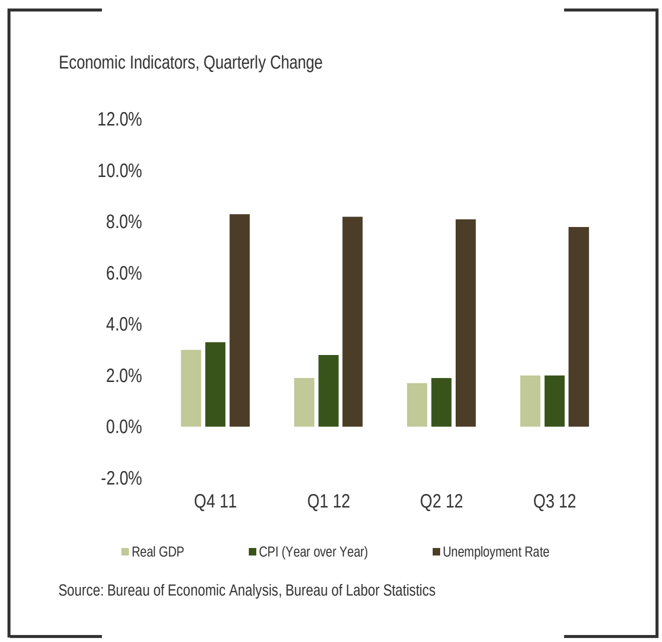
Economic Update

The number of Americans filing for first-time unemployment benefits fell to another recovery low for the week ended January 19. Initial claims were down 5,000 to 330,000 and the four-week average now at 351,750 is near a five-year low. Continuing claims are at a four-and-a-half year low after falling 71,000 to 3.157 million. Weekly data can be noisy, but the trend appears to indicate the job market is improving at a faster rate. Initial jobless claims are one of the ten components of the Conference Board's Leading Economic Index for the U.S., which rose 0.5% in December.

Things were also looking good on the job front for the Brits as U.K. unemployment claims fell to a one-and-a-half year low. The improvement in the labor market may indicate that the flat-lining economy across the pond could start to see growth once again this year. Unfortunately U.K. GDP numbers released on Friday showed the economy contracted by 0.3% in the 4th quarter of 2012, which could be attributed to the inflated figures from Olympic effects earlier in the year. Meanwhile Prime Minister David Cameron pledged to put the question of leaving the European Union to voter referendum by the end of 2017. Cameron claims he wants to remain in the EU, but plans to negotiate the return of some powers to the U.K.

Sales of existing homes fell 1.0% in December to an annual rate of 4.94 million. NAR chief economist Lawrence Yun attributed the weakness is sales to tight supply and restrictive lending standards. The limited inventory seems to be supporting prices with the median up 0.8% for the month and 11.5% on the year. An even more extreme drop was seen in the new homes sales numbers, which fell over 7% to an annual rate of 369,000. A massive 9.3% upward revision in November numbers can account for much of this lagging December figure, but sales are still under pressure as new homes continue to be in short supply.

The House passed the "No Budget, No Pay Act" on Wednesday. The Republican bill would allow the Treasury to borrow new money until mid-May, while requiring both chambers of Congress to pass a budget resolution or have their pay withheld until they do. Most members of Congress don't live paycheck-to-paycheck, though, so despite delaying the debt ceiling this is really nothing more than a political gimmick.

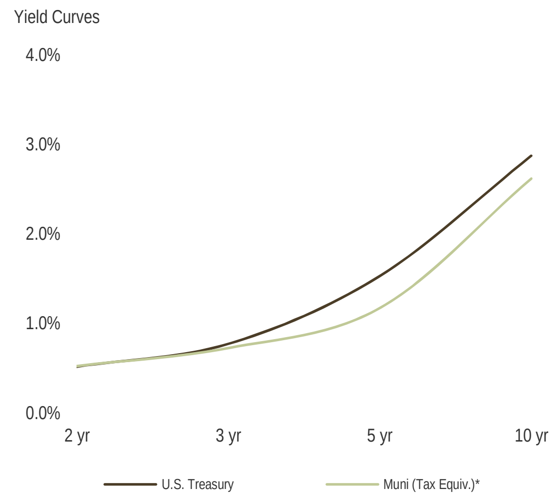


Jan. 22nd	Existing Home Sales, December SAAR	4.94M
Jan. 23rd	MBA Purchase Applications Index, Wkly. Chg.	7.0%
Jan. 23rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.5%
Jan. 24th	Initial Jobless Claims (week ending 1/19)	330,000
Jan. 24th	Leading Indicators, Dec. Monthly Chg.	0.5%
Jan. 24th	EIA Natural Gas Report, Wkly. Chg.	-172 bcf
Jan. 24th	EIA Petroleum Status Report, Wkly. Chg.	2.8M Barrels
Jan. 25th	New Home Sales, December	369,000

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

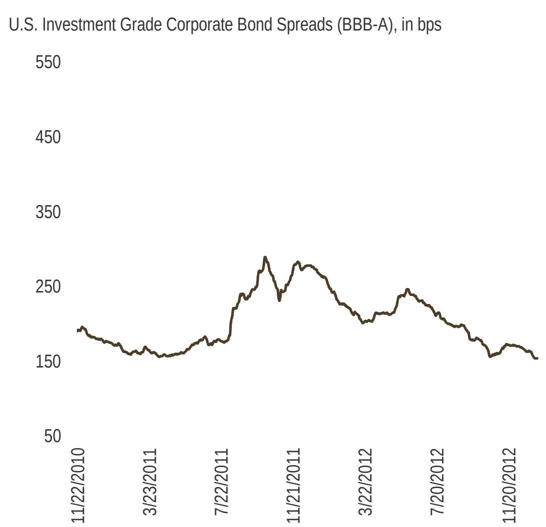
Losing their safe-haven appeal, U.S. Treasuries fell for the week, with ten-year yields climbing near their highest levels since April 2012. Signs the eurozone is healing from its sovereign debt crisis sparked the sell-off. Reports this week showed a higher than forecast gauge of business confidence in Germany and larger than expected repayments of loans from the Longer-Term Refinancing Operations (LTRO) by eurozone banks. Reflecting this improvement, once beleaguered sovereign debt markets in Greece, Ireland, Spain and Italy have rallied sharply over the past six months. In particular, interest rates on Spanish 10-year government bonds fell below 5% for the first time in over one year. Other measures also show improvement; institutional investors such as pension funds and insurers are now returning to these markets given that Spanish and Italian government bonds still offer juicy yields relative to other sectors, even when adjusted for default risk. At the same time, however, the bond bulls point out that although the risks of a break up in the eurozone have diminished, the region has yet to find a permanent solution to the crisis, and austerity measures designed to shrink deficits continue to slow economic growth. More fundamentally, they feel the fall in yields may blunt the incentive for politicians to make tough decisions on reforms going forward.



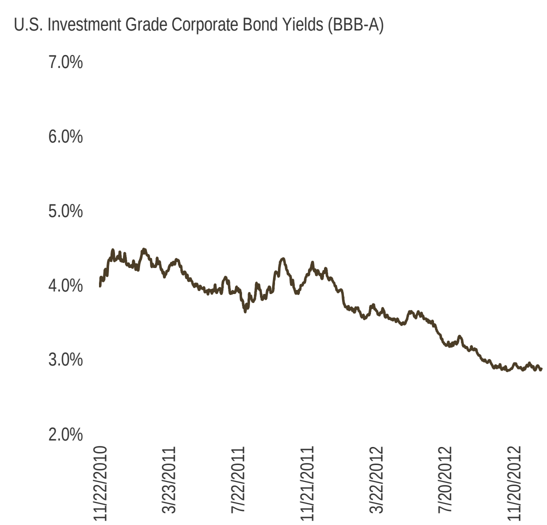
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	1.18.13	1.25.13	Change
3 month T-Bill	0.08%	0.08%	0.00%
2-Year Treasury	0.26%	0.28%	0.02%
5-Year Treasury	0.77%	0.87%	0.10%
10-Year Treasury	1.87%	1.98%	0.11%
30-Year Treasury	3.03%	3.14%	0.11%

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



Source: Merrill Lynch



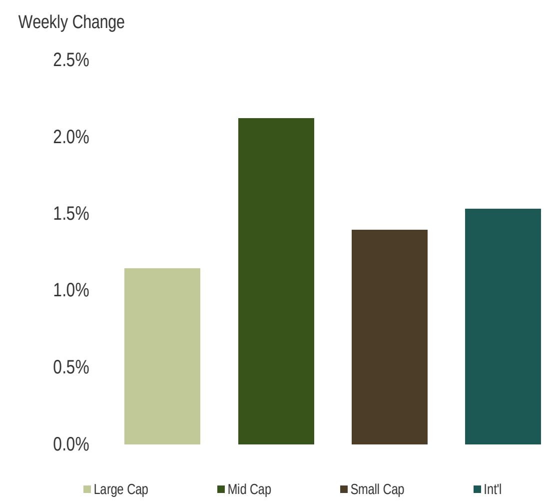
Source: Merrill Lynch

Stock Market Update

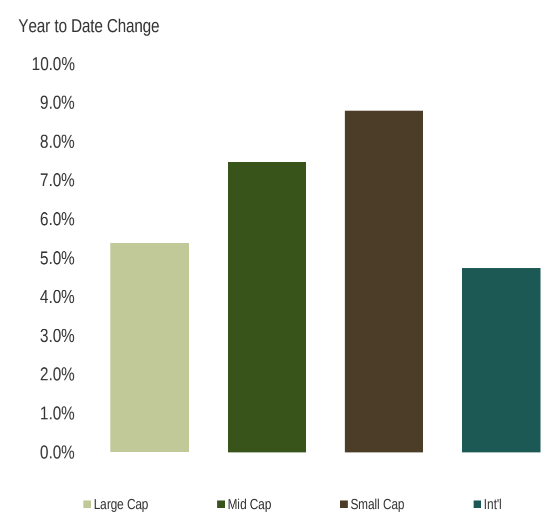
The equity markets continued their recent advance on Friday and finished the week at new five year highs. Markets advanced for the fourth consecutive week. The Dow Jones Industrial Average closed at 13,642.09, down 8 points for the week, or down 0.06%. The broader S&P 500 Index ended the week down 0.20% to close at 1,483.05, while the NASDAQ Composite finished lower by 10 points, or down 0.32% to close the week out at 3,124.80.

Investors reacted positively to better than expected earnings reports and some positive domestic economic data reports. The U.S. Labor department reported that initial unemployment claims came in at 330,000 for the week ending January 19, the lowest level seen since January 2008. The Conference Board's Leading Indicator Index rose 0.5% in December, the strongest reading since September. These signs of recovery also reassured global investors and drove weekly gains for most European and Asian markets.

In a busy week of earnings, we have seen several large companies such as Google (GOOG), IBM (IBM), McDonalds (MCD), 3M (MMM) and Procter & Gamble (PG) post results ahead of expectations, providing investors with positive outlooks for 2013. Shares of Apple (AAPL) continued to move lower as investors reacted to the company's earnings report and disappointing guidance. Apple's large weight in the NASDAQ Composite has caused the index to lag the other major U.S. indices on a year-to-date basis. Mid-day on Friday also saw Apple's total market capitalization fall below that of Exxon, marking the loss of its top spot as the world's most valuable company in terms of market capitalization. For the full year 2013, earnings for the S&P 500 are expected to increase around 14% over 2012.



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



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

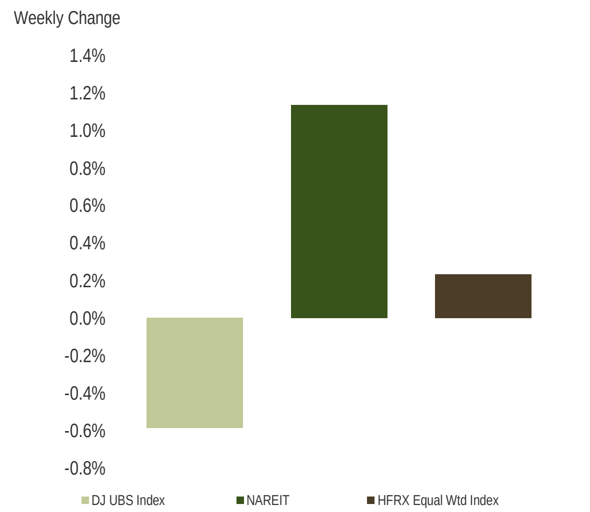
Issue	1.18.13	1.25.13	Change
Dow Jones	13,649.70	13,895.96	1.80%
S&P 500	1,485.98	1,502.96	1.14%
NASDAQ	3,134.71	3,149.71	0.48%
Russell 1000 Growth	683.21	688.76	0.81%
S&P MidCap 400	1073.93	1096.7	2.12%
Russell 2000	892.8	905.24	1.39%
MSCI EAFE	1,654.54	1,679.88	1.53%
MSCI Small Cap	1,073.15	1,072.26	1.26%

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.

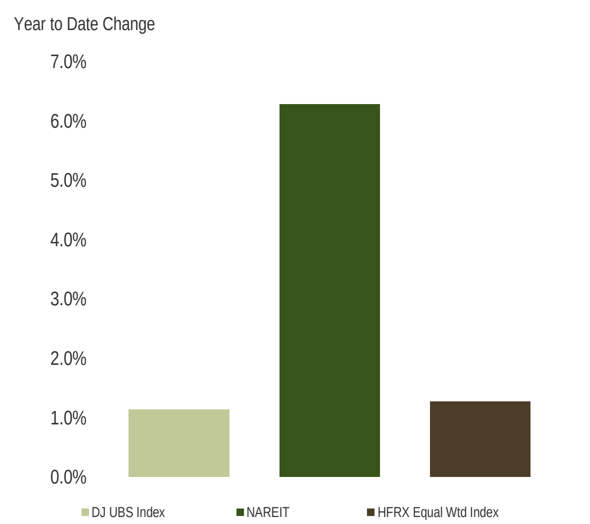
Alternative Investments Market Update

Gold prices continued their retreat on Friday as investors moved money into better performing assets, namely equities, thanks to gold's failure to rise above $1,700 an ounce in recent days. The metal captured its biggest weekly loss in five weeks as an improving global economic outlook sent the precious metal below expectations. Stronger U.S. equities posed a threat to the metal by luring investor money away from the gold market. Gold struggled to find traction this week as the contract's repeated attempts to breach above the $1,700 level came up short. Gold bullion fell below its 200-day moving average, which it had held for the most part in the last five months. Many analysts point to next week's Federal Reserve policy meeting and U.S. employment data as key factors in setting the tone for the gold market. Analysts believe if the unemployment number comes in better than expected, or even at expectation, it will put pressure on the safe-haven metal. For the week, gold lost 1.55%, settling at $1,658.65 an ounce.

Oil traders sold crude to book profits on Friday after strong data from some of the major economies increased optimism about the state of the global economy while also reinforcing gains from earlier in the week. Although U.S. crude slipped in price on Friday, oil ended the week up 0.71% posting its seventh straight weekly price increase, the longest such streak since early 2009. Gasoline was the biggest daily gainer Friday, up 0.54%, while heating oil declined despite cold weather hitting the Northeastern U.S., a major consuming region for heating oil. Data released this week revealed lower-than-expected domestic gasoline stocks, which could be supporting prices. Crude oil traders were also keeping a watchful eye on the Seaway crude oil pipeline after it was forced to curtail deliveries to its Gulf Coast terminal this week. The move would potentially reduce flows out of the delivery point for WTI crude oil futures at Cushing, Oklahoma. U.S. crude stock rose 3.2 million barrels last week, according to the American Petroleum Institute (API). API also announced this week that crude stocks fell 463,000 barrels at Cushing, the delivery point for the New York Mercantile Exchange's oil contracts.



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

Issue	Previous Week	Current[1]	Change
Gold	1,684.84	1,658.65	-1.55%
Crude Oil Futures	95.34	96.02	0.71%
Copper	367.60	365.55	-0.56%
Sugar	18.37	18.38	0.05%
HFRX Equal Wtd. Strat. Index	1,135.77	1,138.42	0.23%
HFRX Equity Hedge Index	1,065.03	1,067.48	0.23%
HFRX Equity Market Neutral	931.78	931.65	-0.01%
HFRX Event Driven	1,411.16	1,432.96	1.54%
HFRX Merger Arbitrage	1,513.17	1,513.39	0.01%
Dow Jones UBS Commodity Index	141.48	140.65	-0.59%
FTSE/NAREIT All REIT	163.86	165.72	1.14%

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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