MainStreet Advisors
Financial Market Update

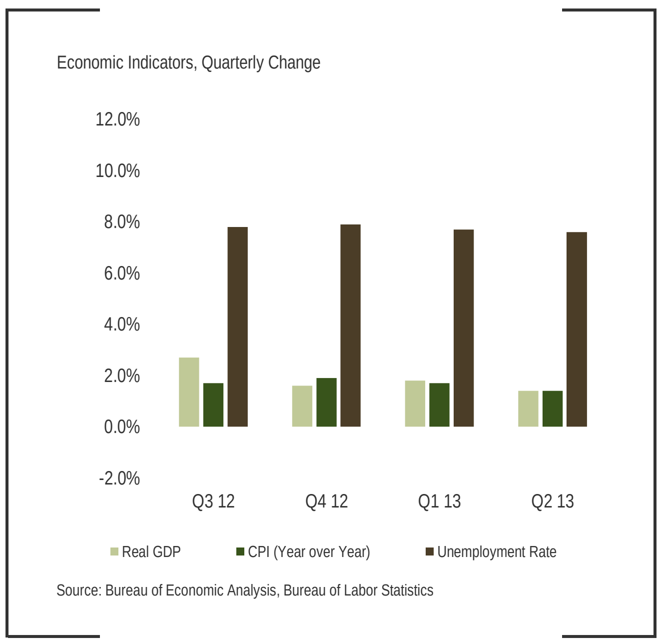
November 1, 2013

Economic Update

The FOMC announced Wednesday that the quantitative easing policy will remain in place and rates will remain unchanged for the time being. The Federal Reserve will continue to purchase $40 billion of mortgage-backed securities and $45 billion of long-term treasury securities each month, but this action will be more data dependent than has been the case in the past. The levels at which the Fed has indicated it will take action continue to be a 6.5% inflation rate and a 2.5% inflation rate, but no additional clues were given about when a supposed tapering of the quantitative easing will begin.

Manufacturing continues to show strength in the United States as measured by the ISM Manufacturing Index. The index came in at 56.4 this month, marking the best reading since early 2011. The leading factors in the report, new orders and new export orders, which indicate domestic and foreign demand, respectively, both came in strong at 60.6 and 57.0. This data goes along with yesterday's Chicago PMI reading that significantly exceeded analyst expectations, showing a reading of 65.9 versus consensus estimates of 55.0. This jump was the third largest gain since data has been collected (data collection began in 1967) and the largest monthly bump since the early 1980's. These two manufacturing reports create a strong basis for improved production in the U.S. which will likely flow into other sectors of the economy.

Spain announced finally that the recession is over after two years. Spanish GDP in Q3 2013 moved up 0.1%, but a continued recovery may be difficult to achieve as domestic demand is still very low and CPI numbers are showing levels close to deflation. Retail sales in Spain increased for the first time since June of 2010, but this number has been called into question as tax consequences may have affected previous readings.



Oct 28th	Industrial Production, Sep. Monthly Chg.	0.6%
Oct 28th	Pending Home Sales, Sep. Monthly Chg.	-5.6%
Oct 29th	Producer Price Index, September Monthly Chg.	-0.1%
Oct 29th	Retail Sales, Sep. Monthly Chg.	-0.1%
Oct 29th	S&P/Case-Shiller 20-city Index, Aug. Monthly Chg.	0.9%
Oct 29th	Business Inventories, Aug. Monthly Chg.	0.3%
Oct 29th	Consumer Confidence Index, October	71.2
Oct 29th	State Street Investor Confidence Index, October	95.7
Oct 30th	Consumer Price Index, September Monthly Chg.	0.2%
Oct 31st	Initial Jobless Claims (week ending 10/26)	340,000
Oct 31st	Chicago PMI Business Barometer Index, October	65.9
Nov 1st	ISM Mfg. Index - Level, Oct.	56.4

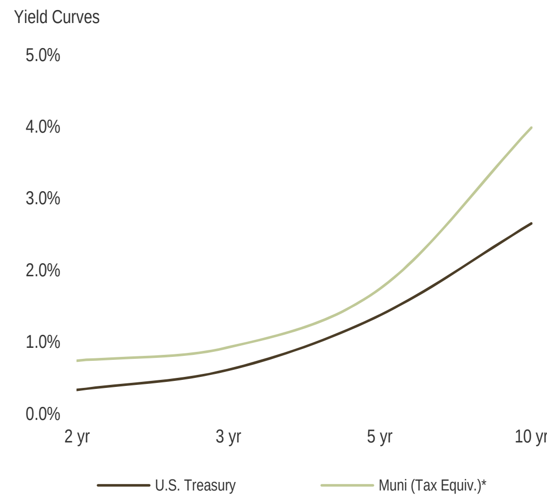
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

U.S Treasury yields crept up to two-week highs after a pair of manufacturing reports indicated economic activity is picking up in the U.S. With bond market participants pouring over economic data to try and ascertain when the Federal Reserve will taper their current monthly bond purchasing program, the positive data points provided some evidence that the economy may be getting strong enough to justify an earlier taper than March, where the current consensus forecast lies. Bond investors were also concerned after the Federal Open Market Committee's statement was released and included language pointing to "underlying strength in the broader economy." The apparent shift to a tighter Fed stance had investors beginning to speculate that a reduction in bond purchases may come as soon as December.

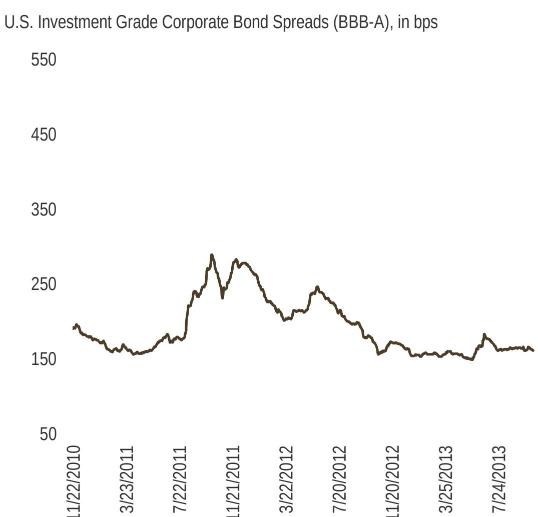
While Fed monetary policy had fixed income investors dealing with interest rate fluctuations, Fed regulations had municipal bond investors dealing with a potential loss of demand in their markets. The Fed announced liquidity requirements for banks which included qualifications for easy-to-sell assets during a potential 30-day credit crunch. Assets that qualified as easy-to-sell included Treasuries, some sovereign debt, and investment-grade corporate bonds. Municipal bonds did not qualify which reduces their attractiveness as bank holdings and potentially takes some large buyers out the municipal markets.



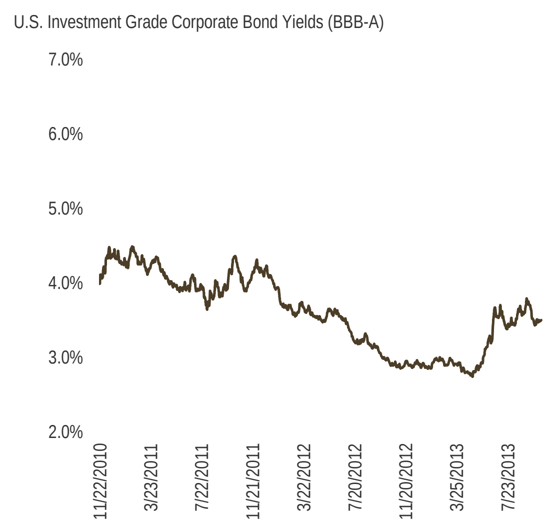
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	10.25.13	11.1.13	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.32%	0.33%	0.01%
5-Year Treasury	1.30%	1.37%	0.07%
10-Year Treasury	2.53%	2.65%	0.12%
30-Year Treasury	3.60%	3.69%	0.09%

SEE IMPORTANT DISCLOSURES ON BACK PAGE. Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Source: Merrill Lynch



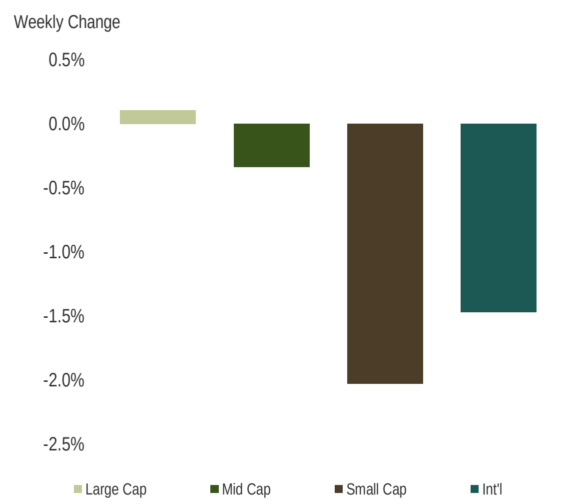
Source: Merrill Lynch

Stock Market Update

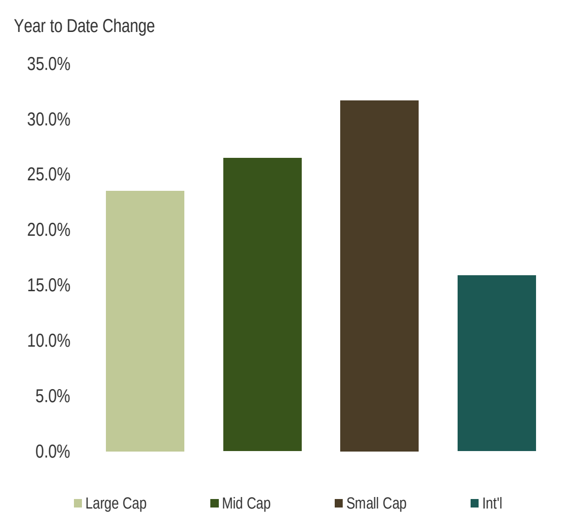
Major equity markets were mixed for the week amid volatility regarding the timing of the tapering of the Federal Reserve's bond buying program and strong economic data. Commentary from Wednesday's meeting of the FOMC led investors to believe the Fed might actually start cutting back on its bond purchases before year-end. The Dow Jones Industrial Average rose slightly for the week, up 0.3%, to close at 15615.55. The broader S&P 500 Index finished up 0.1%, to 1761.64. The NASDAQ Composite Index declined 0.5% to 3922.04. In the month of October which ended yesterday, the Dow advanced 2.8%, the S&P gained 4.5% and the NASDAQ rose 3.9%.

International markets were also only slightly positive for the five-day trading session. The European STOXX 600 Index increased 0.4% from last Friday's close. For October, the index finished up 3.8%. In Asia, the Nikkei Index bounced back from losses last week, increasing 0.8%, helped by the reversal of recent strength in the yen. The Shanghai Composite index also rebounded, up 0.8% since last Friday, in a light week for economic news in China. The index rose on Friday as markets are anticipating an important Communist Party meeting this month, where there are expectations that the country's new government will unveil economic reforms.

As earnings season continued, Zacks Investment Research reported total earnings for the 355 S&P 500 companies that have reported as of Thursday morning were up 4.5% from the same period last year; with 67% beating expectations with a median surprise of +2.6%. Total revenues for these companies have increased 2.9%, with 49% beating revenue expectations with a median surprise of +0.1%. The company predicts "the final Q3 earnings growth tally will likely be not much different from the +3.4% achieved in Q2." On Friday the major auto manufacturers announced their October sales data. General Motors and Ford reported monthly U.S. sales gains as demand recovered following the 16-day government shutdown and remained on track for the best annual increase in six years. Sales of cars and light trucks rose 16% at GM and 14% at Ford, while Chrysler reported an 11% gain, ahead of analysts' expectations.



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



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

Issue	10.25.13	11.1.13	Change
Dow Jones	15,570.28	15,615.55	0.29%
S&P 500	1,759.77	1,761.64	0.11%
NASDAQ	3,943.36	3,922.04	-0.54%
Russell 1000 Growth	821.09	821.40	0.04%
S&P MidCap 400	1295.1	1,290.71	-0.34%
Russell 2000	1118.34	1,095.62	-2.03%
MSCI EAFE	1,886.29	1,858.53	-1.47%
MSCI Small Cap	202.17	198.75	-1.69%

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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.

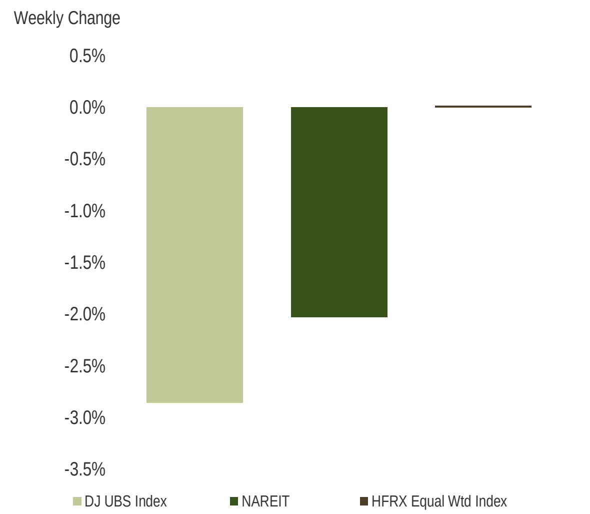
Alternative Investments Market Update

Crude oil dropped to four-month lows this week as positive U.S. manufacturing data strengthened the idea that the Federal Reserve would taper its stimulus program sooner than expected. Rising domestic supplies also hurt crude prices, as inventories in the U.S. have climbed by 7.9% in the past six weeks as processing at refineries has been slowed by seasonal maintenance work, along with unplanned outages. Meanwhile, rapid growth in domestic oil output has continued, with flows from shale-oil fields boosting supplies to 24-year highs. The increase in stockpiles has been greater than expected, thus adding pressure on prices. The Energy Information Administration (EIA) reported stocks climbed 4.1 million barrels last week to 383.9 million barrels. That's the highest level since late June, when crude last traded around its current weak levels. EIA data shows crude stocks are on pace to reach their highest end-October level since 1930. Analysts believe the prospects for a rebound in prices are unclear until refiners begin to cut down on the 10.8% surplus to the five-year average for this time of year. EIA also reported that inventories of gasoline and distillate fuel dropped by more than expected last week, but still remain above levels from a year ago.

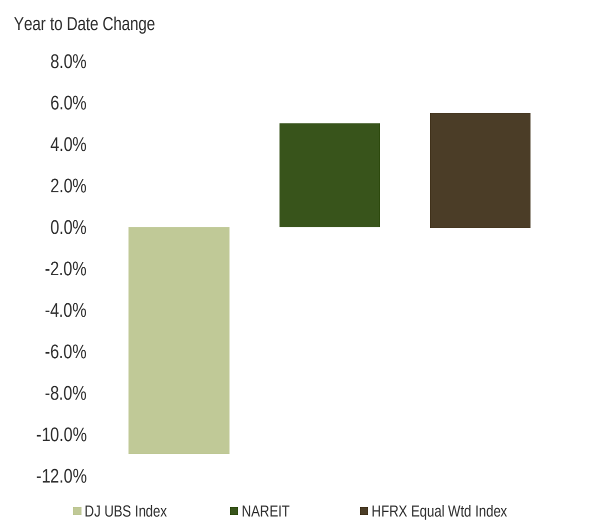
Gold fell to a three-week low on Friday and is headed for its worst week since mid-September as upbeat U.S. economic data boosted the dollar. The precious metal dropped this week after climbing for two consecutive weeks as the dollar rose to six-week highs against a basket of currencies, after U.S. data showed the country's manufacturing sector expanded at its fastest pace in two and a half years last month. The U.S. currency was also boosted by weakness in the euro after a plunge in eurozone inflation left markets suddenly eyeing the outside chance of a cut in interest rates by the European Central Bank.

Hedge fund industry compensation rose for the third consecutive year, as trends of increased investor visibility and increased reporting requirements accelerated on record industry assets. Average compensation has risen between five and ten percent this year, with wide categorical and performance driven disparity, according to Hedge Fund Research (HFR). Over the first three quarters of 2013, global hedge fund industry capital exceeded $2.51 trillion, the fifth consecutive quarterly asset level record, as the HFRI Fund Weighted Composite Index gained 5.5% year to date.

Issue	Previous Week	Current[1]	Change
Gold	1,352.54	1,315.69	-2.72%
Crude Oil Futures	97.97	94.71	-3.33%
Copper	326.95	329.85	0.89%
Sugar	19.03	18.25	-4.10%
HFRX Equal Wtd. Strat. Index	1,186.16	1,186.37	0.02%
HFRX Equity Hedge Index	1,140.43	1,139.94	-0.04%
HFRX Equity Market Neutral	942.20	941.74	-0.05%
HFRX Event Driven	1,553.68	1,558.26	0.29%
HFRX Merger Arbitrage	1,559.04	1,557.44	-0.10%
Dow Jones UBS Commodity Index	127.51	123.87	-2.86%
FTSE/NAREIT All REIT	167.16	163.76	-2.03%



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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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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