MainStreet Advisors
Financial Market Update

November 8, 2013

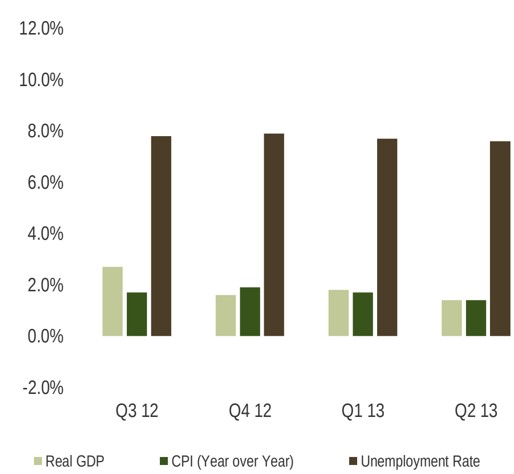
Economic Update

Rating agency, Standard & Poor's, cut France's credit rating for the second time in two years, this time from AA+ to AA. The downgrade was justified by S&P as a reflection of economic risks and concerns about government finances. The outlook is now stable at this level, rather than negative, but the cut certainly will affect the approval rating of President Francois Hollande, who already has the lowest approval rating of any leader in the last 55 years. Prime Minister Pierre Moscovici called the downgrade "critical and inexact" and maintains that French debt is among the safest in the eurozone. Unemployment in France is still very high and concerns over government spending continue to be at the forefront of the nation's economic issues.

Real GDP in the United States grew 2.8% in Q3 after gaining 2.5% in the second quarter of 2013. Housing investment was a healthy contribution to GDP, as was personal consumption (1.04% of the 2.8%) and inventories (0.83% of the 2.8%). The headline number looked good but the overall economy may not be as strong as the report suggests. Inventories may see a pullback in the fourth quarter and import growth decelerated significantly from Q2 figures, marking a slowing of domestic demand.

Initial jobless claims were free of the distorting impact of special factors for the first time since September. The new claims number came in at 336,000 this month, down 9,000 from the previous week, marking the 4th consecutive decline from an early October peak. Non-farm payrolls jumped 204,000 this month, significantly beating consensus estimates of 120,000 and following steep upward revisions in the previous two months. Private sector service jobs led the way, gaining 177,000 in October following a September figure of 123,000. Government jobs fell by 8,000. Wage growth was stagnant, as has been the case for some time, gaining just 0.1% in October. The jobs outlook is stable but slow as wage growth is lagging and unemployment hovers around 7.3%.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Nov 4th	Factory Orders, Aug. Monthly Chg.	-0.1%
Nov 5th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.6%
Nov 5th	ISM Non-Mfg. Index, October	55.4
Nov 6th	MBA Purchase Applications Index, Wkly. Chg.	-7.0%
Nov 6th	Leading Indicators, Sep. Monthly Chg.	0.7%
Nov 6th	EIA Petroleum Status Report, Wkly. Chg.	1.6M Barrels
Nov 7th	Real GDP, Q3a Quarterly Change SAAR	2.8%
Nov 7th	GDP Price Index, Q3a Quarterly Change SAAR	1.9%
Nov 7th	Initial Jobless Claims (week ending 11/2)	336,000
Nov 7th	EIA Natural Gas Report, Wkly. Chg.	35 bcf
Nov 8th	Consumer Sentiment Index, November	72.0
Nov 8th	Personal Income, September Monthly Chg.	0.5%
Nov 8th	Consumer Spending, September Monthly Chg.	0.2%
Nov 8th	Core PCE Price Index, September Monthly Chg.	0.1%
Nov 8th	Non-farm Payrolls, Oct. Monthly Chg.	204,000
Nov 8th	Unemployment Rate, October	7.3%

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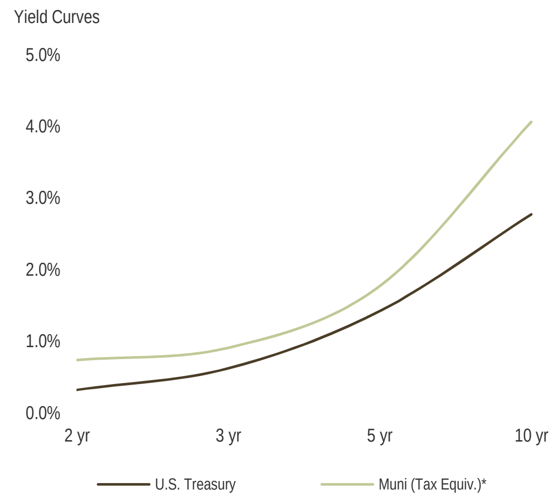
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

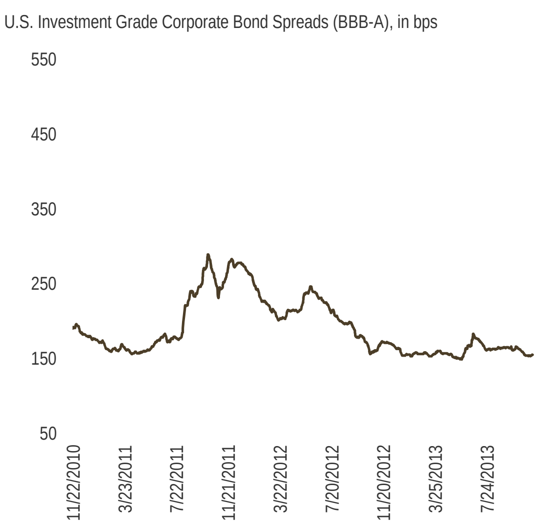
Unlike last week, U.S. Treasuries sold off amid stronger-than-expected economic reports. The bond market reacted sharply to Friday's robust jobs report, suffering their largest one-day drop since July. The stronger data heightens the prospect the U.S. economy may be healthy enough for the Fed to soon begin tapering its bond buying program. Central bank officials have signaled the timing of a pullback in stimulus hinges on the health of the U.S. economy, particularly the labor market. Meanwhile, the European Central Bank surprised market participants by cutting short-term interest rates this week. ECB president Draghi announced the main refinancing rate would drop to 0.25% from 0.50%, while, at the same time, reaffirming the central bank's commitment to keep interest rates at or below current levels for an extended period of time and emphasized the bias to monetary policy remains on the accommodative side. Draghi also said that bank funding operations would continue to be conducted at a low fixed rate until at least the end of the second quarter of 2015. Against this backdrop, many strategists feel the ECB will likely pursue further policy loosening over the coming months, which should continue to weigh on the euro. All else equal, a weaker euro should benefit eurozone corporate bonds going forward, particularly companies with significant revenues derived outside of Europe.



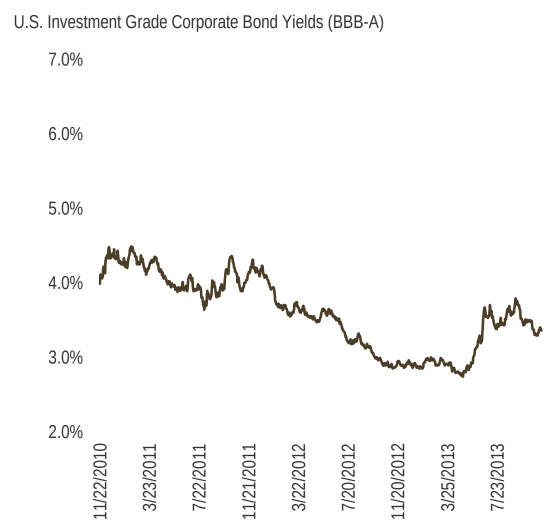
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	11.1.13	11.8.13	Change
3 month T-Bill	0.04%	0.06%	0.02%
2-Year Treasury	0.33%	0.32%	-0.01%
5-Year Treasury	1.37%	1.42%	0.05%
10-Year Treasury	2.65%	2.77%	0.12%
30-Year Treasury	3.69%	3.84%	0.15%

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



Source: Merrill Lynch



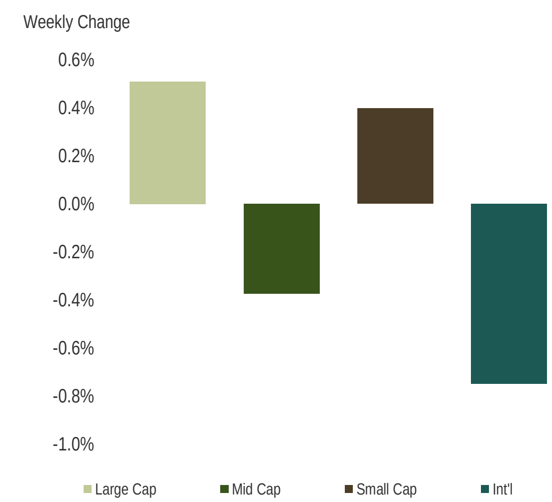
Source: Merrill Lynch

Stock Market Update

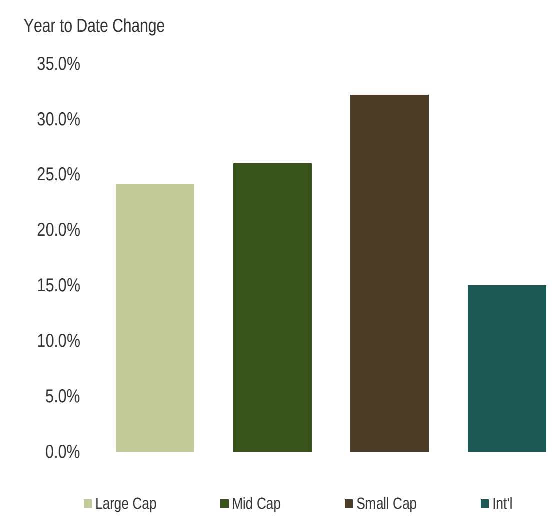
The stock market crossed through another all-time high in the first half of this week only to have a sharp correction Thursday, followed by another rally on Friday after the jobs data was reported. During the past week The Dow Jones Industrial Average closed at 15,761.78, finishing the week up 0.94%. The broader S&P 500 Index ended the week at 1,763.77, higher by 0.51% on the week. The NASDAQ Composite finished lower by 0.07% and closed the week out at 3,919.23.

Making news on Thursday was the decision by the European Central Bank to cut interest rates by 25 basis points to a record low of .25%. This news sent most international equity markets higher. The Stoxx Europe Index finished higher by 1.2% on Thursday with Germany higher by 1.1%, France up 1.2%, and the U.K.'s FTSE Index higher by .40%. Following the rate cut by the ECB was news out of Standard & Poor's on Friday morning indicating their decision to lower the credit rating on sovereign debt issued in France citing higher unemployment and lower economic growth as the reason.

The much anticipated debut of Twitter (TWTR) took place on Thursday as investors bid the stock up 75% from its initial public offering price. IPOs in the social media space have been particularly volatile over the past couple of years. Shares of LinkedIn (LNKD), Facebook (FB), and Zynga (ZNGA) all were bid up on the first day of trading only to remain volatile over the next several weeks of trading. Shares of Twitter closed Thursday at $44.90/share up 75% and finished Friday lower by 7.24% to close out the day at $41.65.



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



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

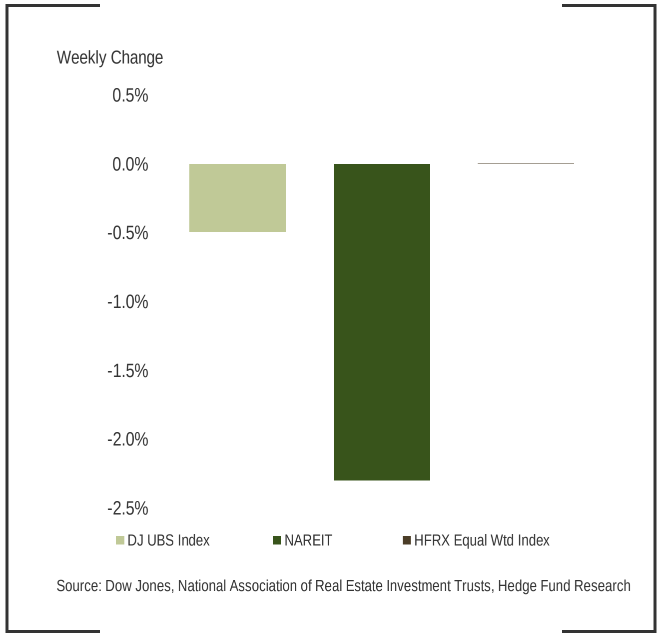
Issue	11.1.13	11.8.13	Change
Dow Jones	15,615.55	15,761.78	0.94%
S&P 500	1,761.64	1,770.61	0.51%
NASDAQ	3,922.04	3,919.23	-0.07%
Russell 1000 Growth	821.40	821.16	-0.03%
S&P MidCap 400	1290.71	1,285.86	-0.38%
Russell 2000	1095.62	1,099.97	0.40%
MSCI EAFE	1,858.53	1,844.62	-0.75%
MSCI Small Cap	198.75	197.72	-0.52%

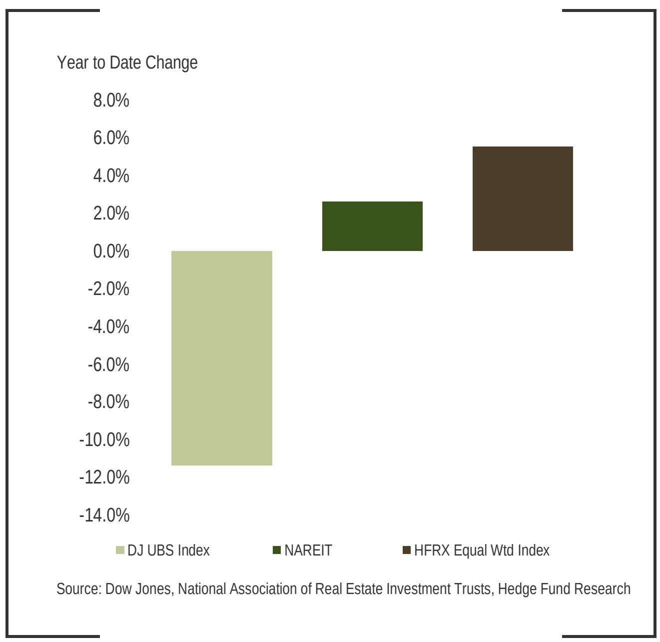
SEE IMPORTANT DISCLOSURES ON BACK PAGE.
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

Alternative Investments Market Update

Gold reached a three-week low on Friday and has dropped for the second consecutive week after strong U.S. economic growth sparked fears that the U.S. Federal Reserve may scale back its bullion-friendly bond purchases. U.S. GDP grew at a 2.8% annual rate in Q3, the quickest pace in a year, after expanding 2.5% in Q2. Also hurting the metal was U.S. payrolls increasing more than forecasted in October, further raising speculation that the Fed could begin reducing economic stimulus by the end of the year. The Labor Department announced that the U.S. economy added 204,000 jobs in October, doubling expectations. Despite a government shutdown that was expected to weigh on hiring, August and September payrolls data were revised even higher. Strength in the dollar also weighed on gold prices this week. The precious metal has lost about a fifth of its value this year due to fears that the Fed would begin cutting back its $85 billion monthly bond purchases. The metal's inflation-hedge appeal had been helped by the bond purchases and low interest rates. Barring a miracle, 2013 will mark the first annual drop in 13 years for the gold prices.

Crude oil prices posted their biggest gains in almost two months earlier this week after government data suggested stronger-than-expected demand for gasoline and diesel fuel. U.S. gasoline stockpiles dropped 3.755 million barrels in the week ended November 1. The Energy Information Administration (EIA) stated that implied demand for gasoline in the latest week was 9.29 million barrels a day, the most since July 5. Stocks for distillate fuel, composed of diesel and heating oil, fell by 4.9 million barrels, compared with expectations of a drop of 900,000 barrels. Analysts point to the decline in these inventories as a promising sign for crude as refiners are now expected to restart their facilities after seasonal maintenance and begin to carve down an overhang in supply. Crude stockpiles rose 1.6 million barrels last week, less than the 1.9 million-barrel increase analysts had anticipated, but managed to still climb to its highest level for the end of October based on EIA records which date back to 1930.





Issue	Previous Week	Current[1]	Change
Gold	1,315.69	1,287.89	-2.11%
Crude Oil Futures	94.71	94.36	-0.37%
Copper	329.85	325.80	-1.23%
Sugar	18.25	18.08	-0.93%
HFRX Equal Wtd. Strat. Index	1,186.37	1,186.39	0.00%
HFRX Equity Hedge Index	1,139.94	1,139.86	-0.01%
HFRX Equity Market Neutral	941.74	947.74	0.64%
HFRX Event Driven	1,558.26	1,560.31	0.13%
HFRX Merger Arbitrage	1,557.44	1,557.99	0.04%
Dow Jones UBS Commodity Index	123.87	123.26	-0.49%
FTSE/NAREIT All REIT	163.76	160.00	-2.30%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.
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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