MainStreet Advisors
Financial Market Update

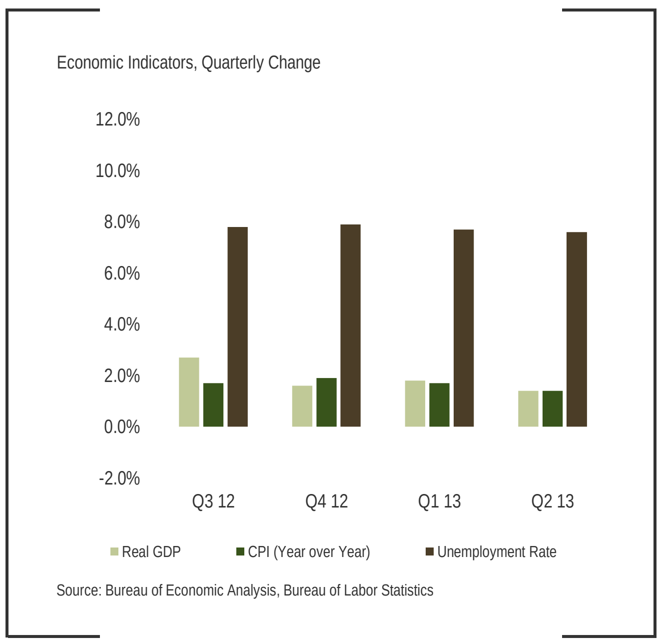
November 22, 2013

Economic Update

This week had no shortage of economic data releases but results were mixed. Retail sales moved up 0.4% in October and were revised upward for previous months as well, significantly outpacing the expected 0.1% gain. The year-over-year number increased 3.9% from this time last year. It seems that the government shutdown did not affect the consumer as much as many political analysts and economists had suggested; in the first seventeen days of October (the duration of the shutdown) consumers continued to spend in a healthy manner. Auto sales were a major factor, up 1.3%, but this is not the entire story as retail sales excluding autos still gained 0.2%, and core retail jumped 0.5% up for the 16th straight month.

October existing home sales slipped by 3.2% to a 5.12 million annual rate, just slightly under consensus, but are still up 6% from a year ago. This was not a regional drop but rather a country-wide decline that likely was the result of the government shutdown, at least slightly, as many sales were delayed because the IRS could not perform income verification and other services. This will likely result in a bounce-back in November numbers, but a lack of inventory is still a large reason why existing home sales have been weak. Meanwhile prices continue to rise steadily as the median existing home price now stands at $199,500, up 12.8% from this time last year.

Inflation remains very low in the United States as gasoline prices fell a significant 2.9% in October. Headline CPI dropped 0.1%, pulled down by a 1.7% dip in the energy index, after a slight rise in September. Some elements in the CPI basket did increase but by a very marginal amount. Year-over-year inflation is just 0.9% now, dropping from 1.2% year-over-year in October. This report gives the Federal Reserve the freedom to continue the QE program according to their target of economic growth, as inflation remains significantly lower than the target the Fed has set. Regardless, the Fed seems more focused on the labor market as the key indicator of health in the economy with regards to plans of tapering back the QE program.



Nov 18th	Housing Market Index, November	54.0
Nov 19th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.1%
Nov 19th	Employment Cost Index, Q3 Quarterly Change	0.4%
Nov 20th	MBA Purchase Applications Index, Wkly. Chg.	-2.3%
Nov 20th	Consumer Price Index, October Monthly Chg.	-0.1%
Nov 20th	Retail Sales, October Monthly Chg.	0.4%
Nov 20th	Business Inventories, Sep. Monthly Chg.	0.6%
Nov 20th	Existing Home Sales, October SAAR	5.12M
Nov 20th	EIA Petroleum Status Report, Wkly. Chg.	0.4M Barrels
Nov 21st	Initial Jobless Claims (week ending 11/16)	323,000
Nov 21st	Producer Price Index, October Monthly Chg.	-0.2%
Nov 21st	Philidelphia Fed Survey, November	6.5
Nov 21st	EIA Natural Gas Report, Wkly. Chg.	-45 bcf

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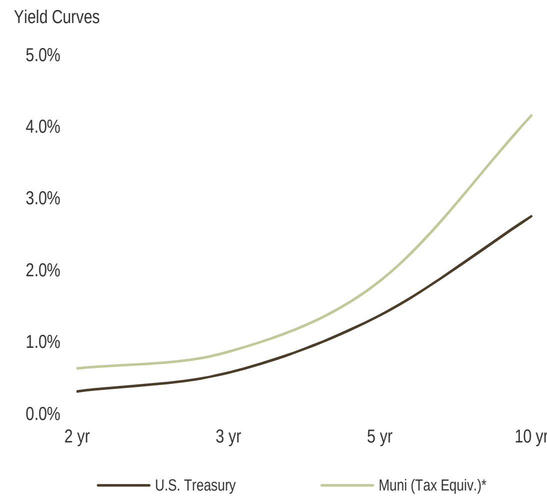
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

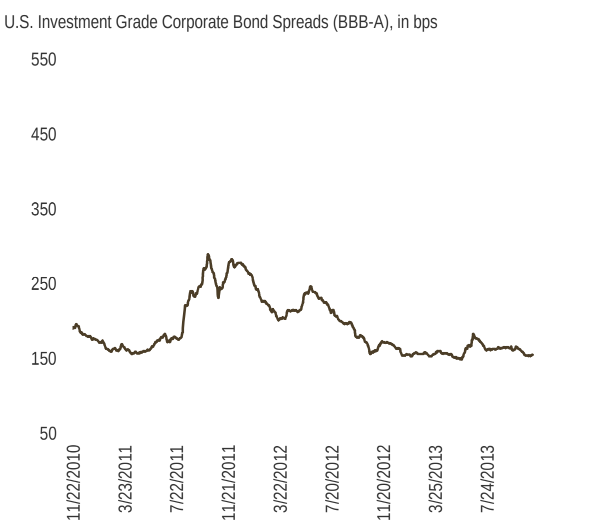
Despite lower prices earlier in the week, U.S. Treasuries finished mostly unchanged with the exception of short-term bonds as buyers re-emerged on Friday to take advantage of a two-month high on yields. As investors bought long-dated bonds while selling shorter-dated notes, the spread between the two- and 10-year notes widened to the highest level since 2011. Separately, Fed Chairman Bernanke said the labor market has shown "meaningful improvement" since the start of the central bank's quantitative easing program, but also suggested short-term interest rates will likely remain low well after their bond-buying program ends. Even if the unemployment rates fall below the Fed's threshold of 6.5%, the central bank would need a "preponderance of data" suggesting sustainable economic growth before increasing rates. Meanwhile, the People's Bank of China injected a sizable sum into the country's money markets in an attempt to lower short-term rates. This came after yields surged amid comments from the central bank suggesting they will continue to focus on pressuring banks and other financial services companies to reduce leverage. Reflecting continued concerns of systemic defaults in the Chinese financial system, 10-year treasury yields had climbed to their highest levels in nine years, forcing even quasi-government lenders like the China Development Bank to cancel new issuance plans and delay investment projects. Although the PBOC failed to force deleveraging during their last attempt in June, most strategists feel the central bank needs to stay the course to prevent a widespread financial system crisis.



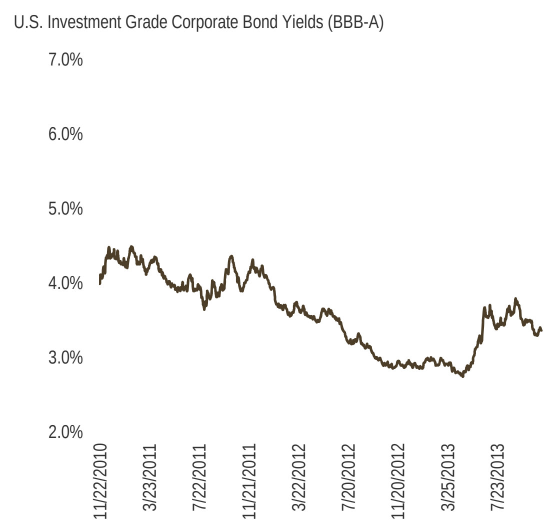
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	11.15.13	11.22.13	Change
3 month T-Bill	0.08%	0.07%	-0.01%
2-Year Treasury	0.29%	0.31%	0.02%
5-Year Treasury	1.34%	1.37%	0.03%
10-Year Treasury	2.69%	2.75%	0.06%
30-Year Treasury	3.79%	3.84%	0.05%

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



Source: Merrill Lynch



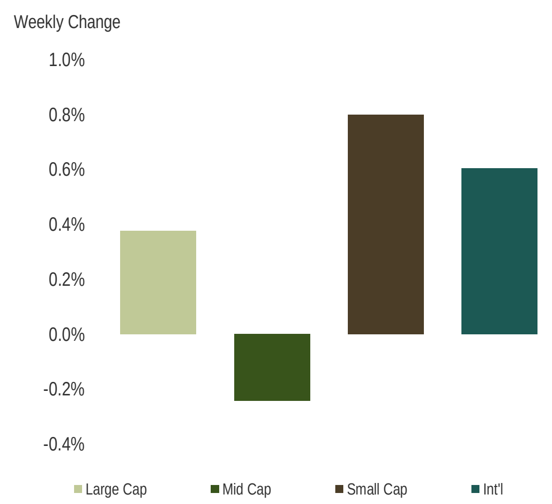
Source: Merrill Lynch

Stock Market Update

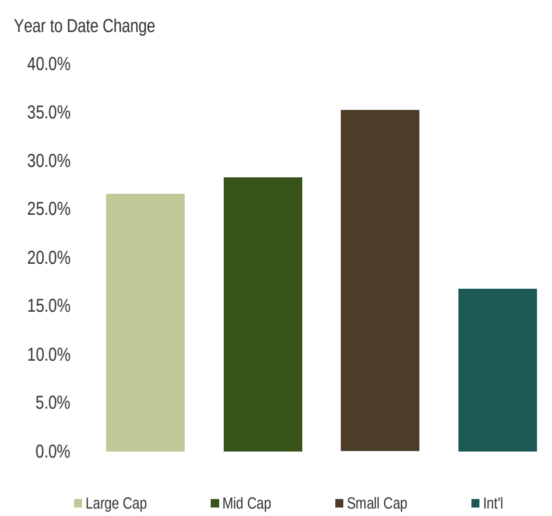
The stock market sold off the first half of the week only to rally on Thursday with the Dow closing above 16,000 for the first time. The markets continued the positive momentum Friday as each domestic index closed out the week finishing higher for the seventh week in a row. The Dow Jones Industrial Average closed at 16,064.77, finishing the week up 0.65%. The broader S&P 500 Index ended the week at 1,804.76, higher by 0.37% on the week. The NASDAQ Composite finished higher by 0.14% and closed the week out at 3,991.65.

The healthcare sector has been outperforming all other sectors in the market this year and continued that pace. The sector is up over 38.54% for the year and up another 1.5% for the week, with the leaders being companies in the biotechnology industry. Biogen Idec (BIIB) announced Friday it won a 10-year exclusivity deal by the European Medicines Agency (EMA) for a drug that focuses on Multiple Sclerosis. This pushed the company to finish the week higher by 16.5% and is now up over 95% year-to-date. Gilead Sciences (GILD) jumped today after an advisory committee in the European Union recommended that the company's hepatitis C drug receive marketing approval by the EMA. GILD closed at an all time high of $74.27/share and finished the week higher by 6.27%.

The technology sector finished negative for the week driven by the disappointing outlook announcement from Intel Inc. (INTC). The company reported disappointing earnings that missed analyst expectations and also lowered the sales forecast for 2014 to be flat for the year. The news sent shares down 5.43% and finished the week at $23.86/share.



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



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

Issue	11.15.13	11.22.13	Change
Dow Jones	15,962.00	16,064.77	0.64%
S&P 500	1,798.00	1,804.76	0.38%
NASDAQ	3,986.00	3,991.65	0.14%
Russell 1000 Growth	836.69	837.03	0.04%
S&P MidCap 400	1312	1,308.81	-0.24%
Russell 2000	1116	1,124.92	0.80%
MSCI EAFE	1,862.30	1,873.54	0.60%
MSCI Small Cap	198.90	199.21	0.15%

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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

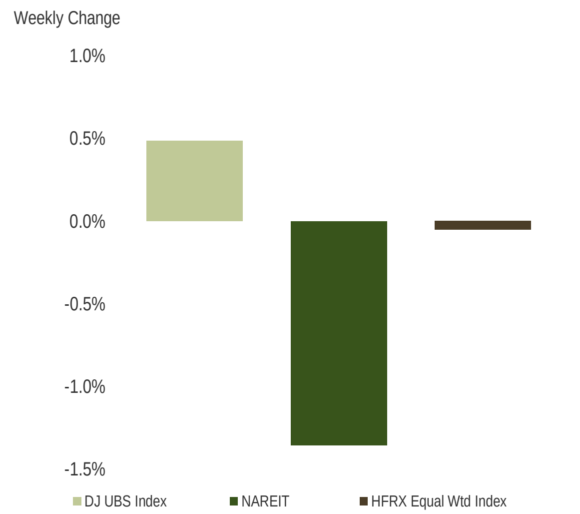
Crude oil prices dropped by more than 1% on Friday but managed to post weekly gains as data revealed that fewer Americans sought first-time jobless assistance last week, a sign that the economy is improving and may demand more fuel and energy going forward. Also playing a role in crude gains were talks regarding Iran and the dismantling of its nuclear program. Such a deal would resume the flow of Iranian crude into global markets and lower prices, as sanctions placed on the country due to its alleged nuclear ambitions have taken out more than 1 million barrels of oil per day from the global market.

Gold climbed higher on Friday as the dollar weakened but was unable to escape the red. The metal settled for its sharpest weekly drop in more than two months as strong U.S. economic data raised uncertainty over the timing of the U.S. Federal Reserve's stimulus slowdown. Strong U.S. data over the past several weeks has hurt bullion prices as it suggests that the stimulus could begin curbing soon. The precious metal has dropped 26% this year on expectations that the Fed would start to cut its monthly asset purchases of $85 billion that helped gold cap a 12-year bull run last year.

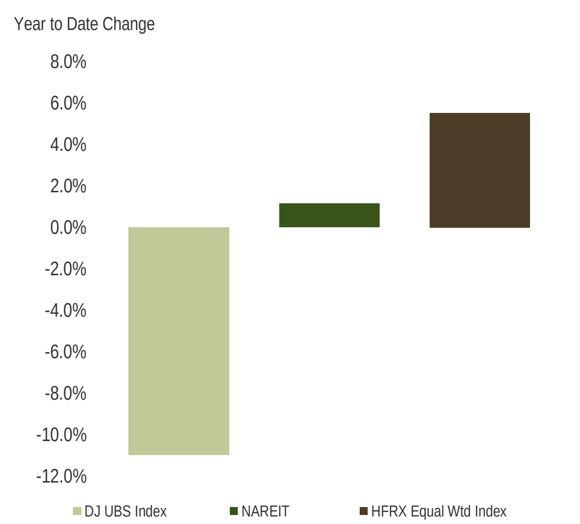
October was the fourth consecutive month of asset inflows for the hedge fund industry. The latest asset flow data from eVestment shows that inflows added approximately $9.3 billion last month. October's performance gains also increased assets under management (AUM) by an additional 1.74%, making it the industry's best month since December 2010. With over $2.8T now in AUM, the industry is nearing its all-time pre-financial crisis peak. When breaking flows down by specific strategies, equity hedge funds outpaced credit strategies for only the second month this year. Allocations of $18.4 billion in the last four months have now pushed year-to-date flows into positive territory, which would mark the first calendar year in the black since 2010. While credit fund flows were positive for the 12th consecutive month, October was its second lowest month this year. Last month also saw emerging market hedge funds' first three-month string of inflows, a measure not seen since early 2010. Investor interest in European market exposure has been on a rise of late with $2.9 billion added in October and $7.3 billion in the last three months.

Issue	Previous Week	Current[1]	Change
Gold	1,288.12	1,244.25	-3.41%
Crude Oil Futures	93.76	94.81	1.12%
Copper	318.20	322.50	1.35%
Sugar	17.55	17.40	-0.85%
HFRX Equal Wtd. Strat. Index	1,186.96	1,186.35	-0.05%
HFRX Equity Hedge Index	1,142.05	1,144.40	0.21%
HFRX Equity Market Neutral	948.51	950.78	0.24%
HFRX Event Driven	1,564.92	1,560.81	-0.26%
HFRX Merger Arbitrage	1,561.84	1,561.98	0.01%
Dow Jones UBS Commodity Index	123.21	123.81	0.49%
FTSE/NAREIT All REIT	159.92	157.75	-1.36%

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.



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research



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