MainStreet Advisors
Financial Market Update

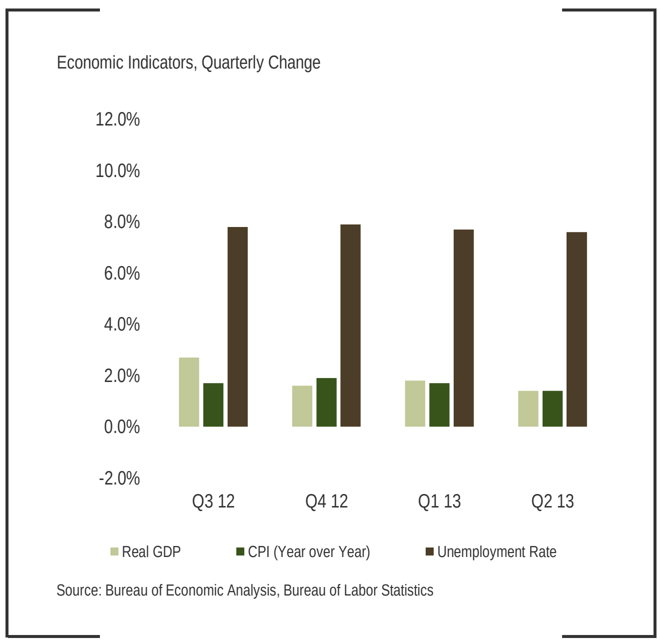
November 29, 2013

Economic Update

Although this week was shorter due to the Thanksgiving Holiday, there was no shortage of economic data releases. The National Association of Realtors reported on Monday that the pending existing home sales index declined 0.6% in October and and suggested that existing home sales will likely remain weak throughout the end of the year. Higher mortgage rates and rising home prices are key factors affecting real estate market. Nevertheless, increases in housing permits and lumber orders indicate that housing starts are likely to pick up in the following months. Meanwhile, the Case-Shiller home price index, which measures home prices in 20 major metro areas, grew 1% in September, bringing the index up 13.3% over the past year.

Fewer employees applied for unemployment benefits last week, demonstrating an ongoing improvement in the labor market. New unemployment insurance claims declined 10,000 to 316,000 compared to 330,000 for consensus estimates. The less volatile, 4-week average came in at 331,750, which is 7,500 less than the previous week and roughly 15,000 lower than a month ago. Excluding seasonal factors, unemployment claims have generally been on a clear declining path since last November. The last month's rise in claims was rather transitory than a start of a negative trend, which should be encouraging for the overall labor market and 4Q retail sales.

The Commerce Department reported that new orders for U.S. durable goods dropped 2% last month. The transportation sector, led by civilian and defense aircraft orders, accounted for almost all the decline in October. Excluding a more volatile transportation sector, durable goods orders hardly changed (down 0.1%) from the previous month. One explanation for this weaker report is that a two-week government shutdown last month temporarily affected business confidence. The anticipated recovery in home construction is expected to boost demand for big-ticket consumer purchases in the following months.



Nov 25th	Pending Home Sales, Oct. Monthly Chg.	-0.6%
Nov 26th	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.6%
Nov 26th	Housing Starts, September	N/A
Nov 26th	S&P/Case-Shiller 20-city Index, Sep. Monthly Chg.	1.0%
Nov 26th	Consumer Confidence Index, November	70.4
Nov 26th	State Street Investor Confidence Index, November	91.3
Nov 27th	MBA Purchase Applications Index, Wkly. Chg.	-0.3%
Nov 27th	Durable Goods New Orders, Oct. Monthly Chg.	-2.0%
Nov 27th	Initial Jobless Claims (week ending 11/23)	316,000
Nov 27th	Chicago PMI Business Barometer Index, November	63.0
Nov 27th	Consumer Sentiment Index, November	75.1
Nov 27th	Leading Indicators, Oct. Monthly Chg.	0.2%
Nov 27th	EIA Petroleum Status Report, Wkly. Chg.	3.0M Barrels

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

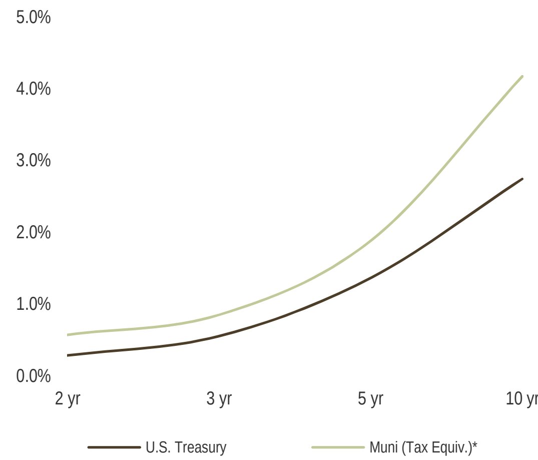
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

U.S. Treasuries ended a sleepy week of trading modestly lower as investors eschewed making big bets during a holiday shortened trading week. The 10-year U.S. Treasury yield ended the week flat with shorter duration bonds following suit and longer duration bonds ticking down slightly. While the bond markets enjoyed a tranquil week, Treasury yields remained elevated for the month and are poised for the first losing month since August. October's strong jobs report remains in the back of investor's minds as the November jobs report looms at the end of next week. Investors are wary of being caught long Treasuries if the November report surprises to the upside and prompts an early Federal Reserve bond purchasing taper decision at their December meeting.

Potential changes to the Federal Reserve's bond purchasing program affected international bond markets in addition to investors domestically. The ECB issued a warning to EU policy makers in their bi-annual report Wednesday which highlighted the potential negative impact a change in U.S. monetary policy could have on the EU financial markets. The report expressed concern over bank and institutional investor exposure to fixed income that stands to lose during a normalization of rates. Additional concerns include the impact of currency and emerging market volatility that has erupted since the Fed began hinting of a tapering in purchases over the summer.

Yield Curves

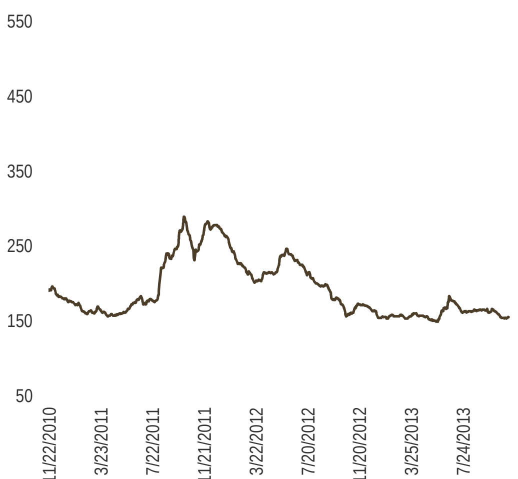


Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	11.22.13	11.29.13	Change
3 month T-Bill	0.07%	0.07%	0.00%
2-Year Treasury	0.31%	0.28%	-0.03%
5-Year Treasury	1.37%	1.36%	-0.01%
10-Year Treasury	2.75%	2.74%	-0.01%
30-Year Treasury	3.84%	3.81%	-0.03%

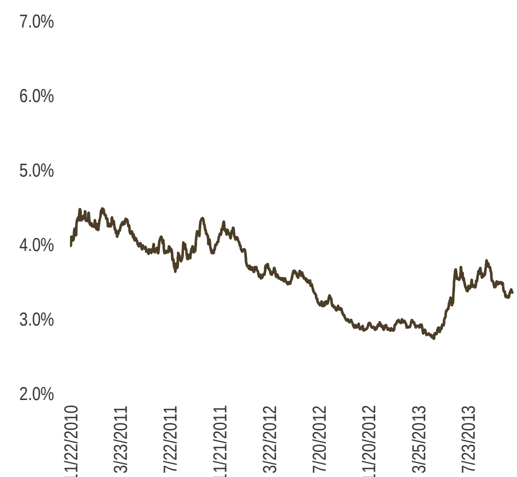
SEE IMPORTANT DISCLOSURES ON BACK PAGE. Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



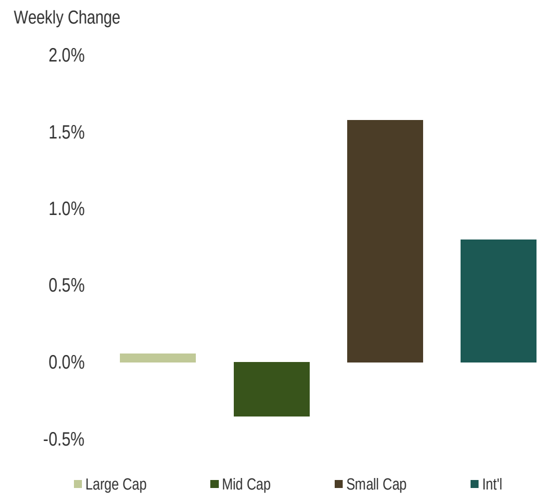
Source: Merrill Lynch

Stock Market Update

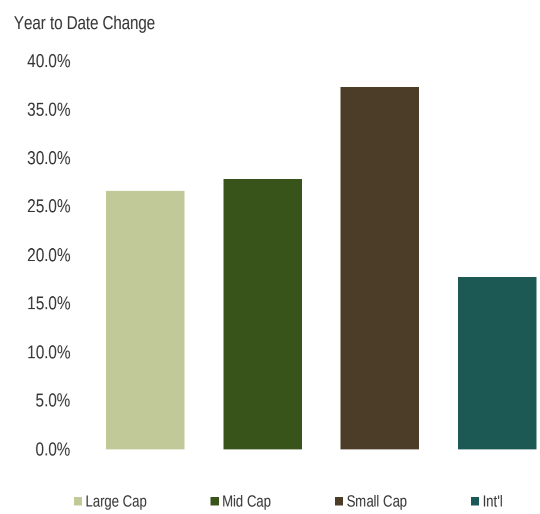
The last trading day and week of November finished in positive territory as we head into the final month of 2013. News of the deal with Iran that will limit advancements in its nuclear program in exchange for easing economic sanctions helped boost stocks Monday. On Tuesday, the NASDAQ Composite Index closed about 4,000 for the first time in thirteen years. The Dow Jones Industrial Average increased slightly, 0.X%, closing at X for the holiday-shortened week. The broader S&P 500 Index finished up X%, to X. The NASDAQ Index was the strongest of the three major domestic indices, gaining X%, to finish at X. For the month of November, the Dow advanced 2.8%, the S&P gained 4.5% and the NASDAQ rose 3.9%.

International markets were also positive for the week. The European STOXX 600 Index increased 0.9%. Economic data out of Europe this week point to the region's continued slow economic recovery. The U.K. confirmed that the economy grew 0.8% in the third quarter, driven by the fastest rise in household spending in more than three years. On Friday, Standard & Poor's revised up its outlook on Spain's debt to stable from negative. For November, the STOXX index finished up 1.0%. In Asia, the Nikkei Index increased 1.8% for the week, slipping slightly on Friday from a six-year high. Japanese stocks increased 9.3% for the month. The Shanghai Composite index rose 1.1% this week after the head of China's central bank assured the market of more financial reforms. These include free deposit rates, a more flexible currency and permission to allow more foreign institutions to invest in China's domestic stock and bond markets. The index finished up 3.7% for the month.

Despite some complaints that retailers are starting Black Friday sales on Thanksgiving Day, WalMart and Target reported strong traffic in both the stores and on-line. Earnings reports of note this week were Tiffany and Hewlett Packard. Hewlett Packard reported better than expected revenue as the company works to transition its portfolio to benefit from the shift to cloud computing. Tiffany's comps were particularly strong in the Asia/Pacific region, helped by double-digit sales growth in China, while the Americas region posted only a 1% comp gain.



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



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

Issue	11.22.13	11.29.13	Change
Dow Jones	16,064.77	16,086.41	0.13%
S&P 500	1,804.76	1,805.81	0.06%
NASDAQ	3,991.65	4,059.89	1.71%
Russell 1000 Growth	837.03	840.93	0.47%
S&P MidCap 400	1308.81	1,304.18	-0.35%
Russell 2000	1124.92	1,142.66	1.58%
MSCI EAFE	1,873.54	1,888.51	0.80%
MSCI Small Cap	199.21	201.25	1.02%

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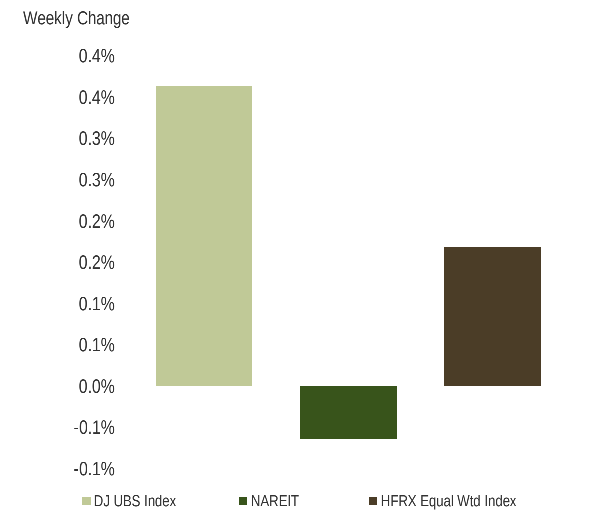
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

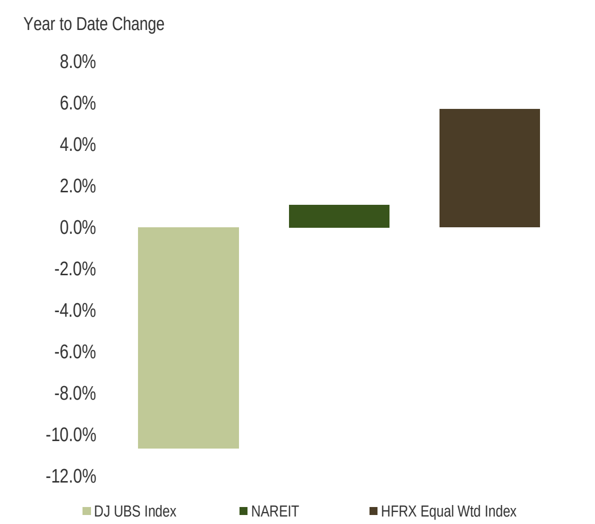
Alternative Investments Market Update

Gold prices were modestly higher on Friday morning but still headed for a third straight monthly loss and close to breaking through the low of the year set back in June. Gold's allure as a safe haven continues to wane as weekly U.S. jobless claims and leading economic indicators continue to signal an improving economy prompting many analysts to continue to forecast that the Federal Reserve will begin to taper asset purchases in the coming months. "Gold prices continue to be dictated by U.S. economic data and monetary policy," said Lv Jie, an analyst at Cinda Futures Co.. Silver prices also continue to follow gold lower and are poised to finish down for the fifth week in a row and down over 9% for month. Crude oil prices also dropped to their lowest levels in six months on Wednesday after the U.S. Energy Administration reported an increase in crude oil inventories for the 10th consecutive week. Prices were in a modest rebound on Friday, but many analysts continue to expect further downward pressure on oil prices. Analysts are also waiting for comments from the Organization of Petroleum Exporting Countries following next week's semi-annual meeting in Geneva.

U.S Equity REITs are trading lower on Friday morning but are positive for the week curbing month-to-date losses. After a strong month of returns in October for the S&P U.S. REIT index, the index is down over 4% for the month of November. The S&P Global REIT index Ex.-U.S. is also down over 2.5% for the month of November after a positive finish in October. Expectations of higher interest rates and the Federal Reserve initiating tapering of asset purchases continues to weigh on the performance of REITs as it did in the middle of 2013. REIT prices were in a recovery since the sell-off in the middle of the year as there was confusion surrounding the Federal Reserve's policy and direction of interest rates. With stronger economic data, the rate question is back in focus with many investors concerned about real estate devaluation as interest rates rise. Based on comments by David Totti, an analyst at Cantor Fitzgerald, REIT sectors which may be less impacted by rising rates are the short lease market, "apartments, self-storage, pockets of health care—anything where there's an ability to pass on any margin pressure to the consumer in the context of pricing power.



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	1,244.25	1,251.35	0.57%
Crude Oil Futures	94.81	93.33	-1.56%
Copper	322.50	320.50	-0.62%
Sugar	17.40	17.16	-1.38%
HFRX Equal Wtd. Strat. Index	1,186.35	1,188.35	0.17%
HFRX Equity Hedge Index	1,144.40	1,147.54	0.27%
HFRX Equity Market Neutral	950.78	949.60	-0.12%
HFRX Event Driven	1,560.81	1,567.87	0.45%
HFRX Merger Arbitrage	1,561.98	1,563.97	0.13%
Dow Jones UBS Commodity Index	123.81	124.26	0.36%
FTSE/NAREIT All REIT	157.75	157.65	-0.06%

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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