MainStreet Advisors Financial Market Update

December 6, 2013

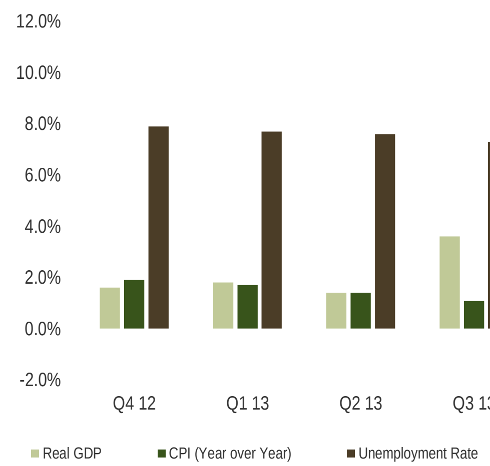
Economic Update

Initial jobless claims fell substantially last week to the second-lowest level of the recovery. The data came in at 298,000 claims, a drop of 23,000 from the previous week, indicating continued improvement in the labor market. Some outstanding factors, such as a late Thanksgiving holiday and the reversal of skewed data during the government shutdown in October, likely have some influence on these numbers, but the trend is clearly downward. The unemployment rate dropped to 7.0%, the lowest level in five years, but as has been the case during most of the recovery this drop is partially due to a lower participation rate. Non-farm payrolls did increase by 203,000, a very healthy report following net upward revisions for the past two months. Overall this is a very positive jobs report and it should bring the discussion of tapering back into focus for the Fed.

Third quarter GDP revisions were released this week with mixed signals. Q3 numbers came in originally at 2.8% and were subsequently revised up to 3.6% after a second quarter figure of 2.5%. The revised 3.6% was significantly higher than analyst consensus of 3.1% but this was mostly due to an upward revision in inventory growth estimates. Exports, government purchases, consumer expenditures, and the other primary elements of the number were not changed by more than a few tenths of a percent. Overall demand is still sluggish and fourth quarter GDP will partially depend on how those increased inventory figures will roll off.

Both the September and October new home sales reports came out this week due to delays stemming from the government shutdown. New home sales dropped 6.6% in September and the August rate was revised downward as well, but October followed with a surprising 25.4% jump to a 444,000 annual rate. Tight supply has been a major headwind for home sales, as seen in September, and October's surge of purchases will tighten that supply further. Supplies fell from 6.4 months to 4.9, marking a very tight market, but median prices dropped 4.5% to $245,800, which could help new home sales going into 2014.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Dec 2nd	ISM Mfg. Index - Level, Nov.	57.3
Dec 2nd	Construction Spending, Nov. Monthly Chg.	-0.3%
Dec 3rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-2.8%
Dec 4th	International Trade Balance Level, December	-40.6B
Dec 4th	New Home Sales, December	444,000
Dec 4th	ISM Non-Mfg. Index, December	53.9
Dec 4th	Non-farm Payrolls, Dec. Monthly Chg.	203,000
Dec 5th	Real GDP, Q3Quarterly Change SAAR*	3.6%
Dec 5th	GDP Price Index, Q3 Quarterly Change SAAR*	2%
Dec 5th	Initial Jobless Claims (Week ending 12/6)	298,000
Dec 5th	Factory Orders, Nov. Monthly Chg.	-0.9%
Dec 5th	Unemployment Rate, November	7.0%
Dec 6th	Consumer Credit, March Monthly Change	18.2B
Dec 6th	Core PCE Price Index, Nov Monthly Chg.	0.1%
Dec 6th	Personal Income, March Monthly Chg.	-0.1%
Dec 6th	Consumer Sentiment Index, January	82.5

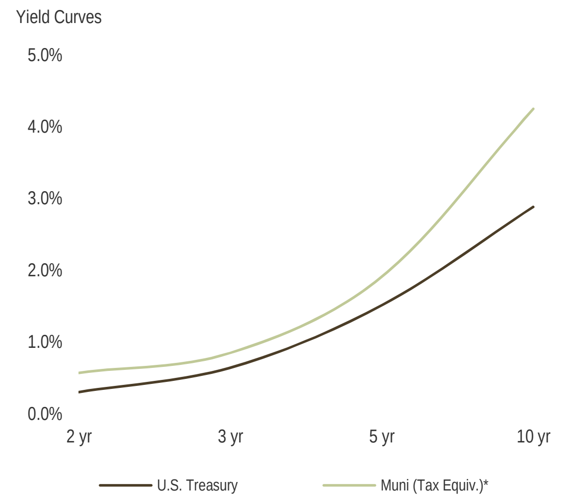
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

Reflecting continued concerns about stronger economic growth, U.S. Treasuries finished the week lower amid a particularly volatile trading session on Friday after the jobs report. The strong price swings at the end of the week suggest investors are still undecided as to when the Federal Reserve will begin to taper their bond buying program. At the same time, market participants will need to factor into bond market expectations the central bank's short-term interest rate policy, which should remain near zero for a long period according to Fed chairman Bernanke.

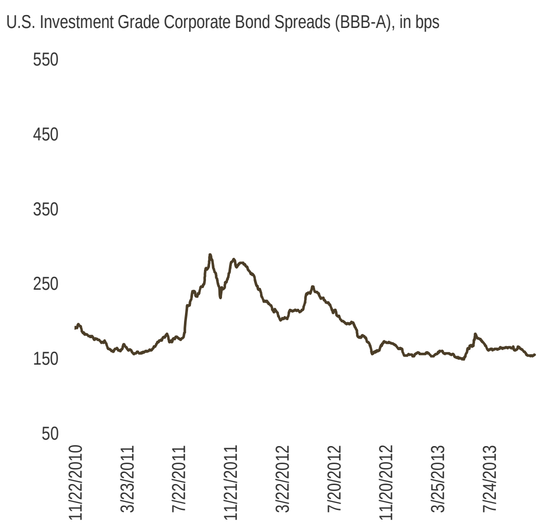
Meanwhile, uncertainties in the muni markets waned as Illinois lawmakers approved a reform of the state's severely underfunded pension system after months of negotiations. The plan aims to fully fund the state's $100 billion pension shortfall by 2044 while saving Illinois an estimated $160 billion in interest payments over 30 years. Despite strong opposition from organized labor, this is an important step toward placing the state and its pension systems, among the worst funded in the country, on a more stable financial footing. Unions will challenge the legislation, arguing that government workers should not be punished for decades of mismanagement and corruption by state officials. Without passage of the bill, Illinois, already among the lowest rated states, faces further downgrades.



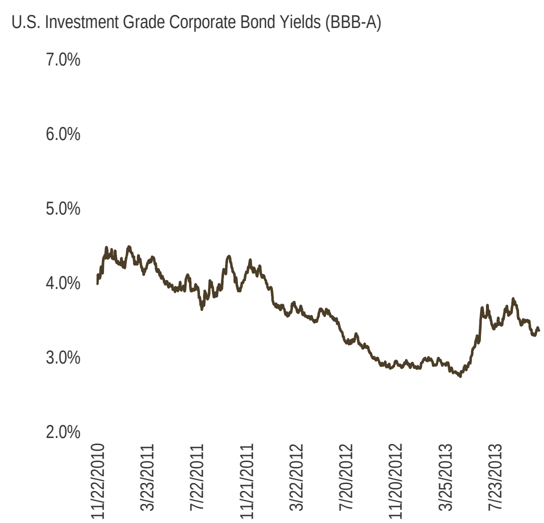
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	11.29.13	12.6.13	Change
3 month T-Bill	0.07%	0.06%	-0.01%
2-Year Treasury	0.28%	0.30%	0.02%
5-Year Treasury	1.36%	1.51%	0.15%
10-Year Treasury	2.74%	2.88%	0.14%
30-Year Treasury	3.81%	3.90%	0.09%

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



Source: Merrill Lynch

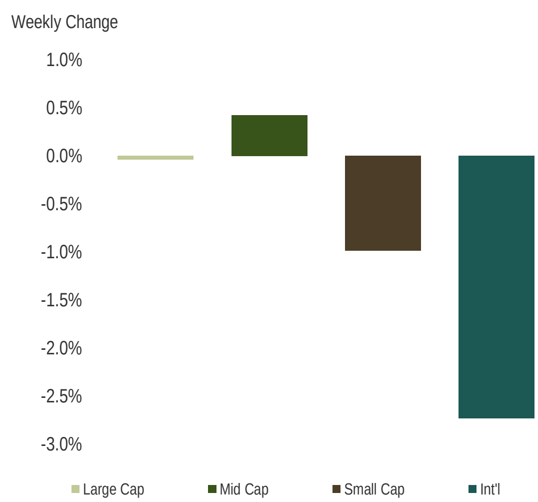


Source: Merrill Lynch

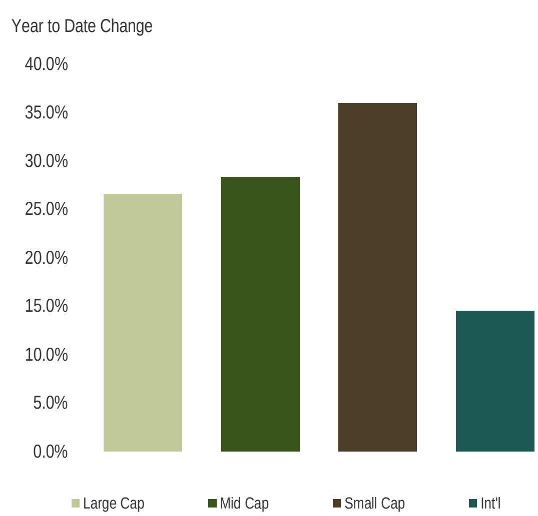
Stock Market Update

As the stock market finished November in record territory, it began December quite the opposite with four straight days of negative performance. The domestic markets opened higher on Friday as investors welcomed a better-than-anticipated jobs report for the month of November. The U.S. economy generated 203,000 jobs in November and the unemployment rate fell to 7.0% from 7.3%. The Dow Jones Industrial Average closed Friday at 15,761.78, finishing the week lower by 0.94%. The broader S&P 500 Index ended the week at 1,763.77, lower by 0.51% on the week. The NASDAQ Composite finished lower by 0.07% and closed the week out at 3,919.23.

The international markets are coming off five straight days in negative territory only to surprise to the upside Friday after the jobs report was announced in the United States. The STOXX Europe 600 index finished Friday up 0.7%, yet finished lower by 2.7% on the week. The Asian markets followed suit finishing the week lower. The Nikkei average propelled higher by 9.3% in the month of November only to give some of those gains back to start December having finished the week lower by 2.3%.



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



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

Issue	11.29.13	12.6.13	Change
Dow Jones	16,086.41	16,020.20	-0.41%
S&P 500	1,805.81	1,805.09	-0.04%
NASDAQ	4,059.89	4,062.52	0.06%
Russell 1000 Growth	840.93	840.34	-0.07%
S&P MidCap 400	1304.18	1,309.68	0.42%
Russell 2000	1142.66	1,131.38	-0.99%
MSCI EAFE	1,888.51	1,836.93	-2.73%
MSCI Small Cap	201.25	197.61	-1.81%

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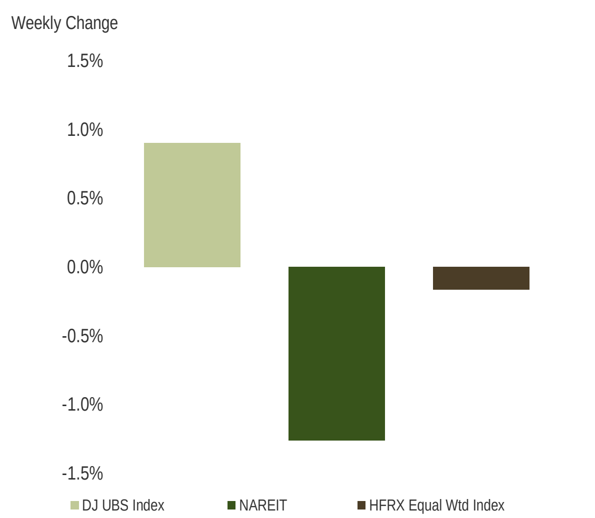
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

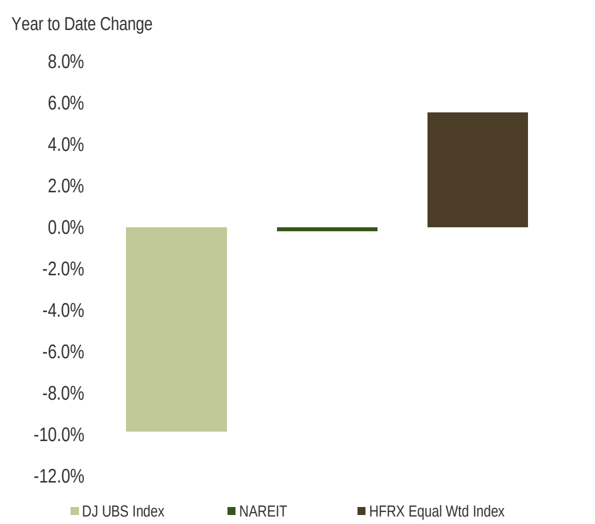
Alternative Investments Market Update

Crude gained this week as positive U.S. economic data hinted towards a resurgence of demand for oil in the world's largest consumer. Traders noted that gains could have been even higher this week, but there was concern over whether the positive data would prompt the Federal Reserve to start curbing its monthly bond-buying program, which could reduce support for riskier assets such as commodities. The U.S. Energy Information Administration (EIA) also announced this week that crude inventories fell by 5.6 million barrels in the week to November 29, cutting around one-sixth of the 36 million barrels that had built up over the previous 10 weeks. Domestic crude oil production dipped slightly last week, but managed to hold above 8 million barrels per day. Elsewhere, the Organization of the Petroleum Exporting Countries (OPEC) agreed this week to keep its production target unchanged at 30 million barrels per day for the first half of 2014. Iran, which recently struck an interim nuclear treaty easing sanctions with the United States and other world powers, warned that it would increase production as quickly as possible once sanctions were lifted and would ignore OPEC restrictions. Bijan Namdar Zanganeh, the oil minister of Iran, said that after sanctions were lifted it would raise production from 2.7 million barrels a day to Iran's former level of 4 million barrels a day. Iran is unlikely to be able to increase exports much over the next six months, and most experts think that rebuilding the Iranian oil industry will be a lengthy process.

Gold, however, dropped this week on the improving U.S. economic data, thanks to raised fears of an early end to monetary stimulus. The precious metal attempted to escape from the red on Friday after the U.S. unemployment rate dropped to a five year low, but was unsuccessful. Gold traders have been fixed on U.S. employment data for insight into the likely path of U.S. monetary policy. The Fed's $85 billion-per-month bond purchasing program had prompted many investors to buy gold as a hedge against risks such as high inflation or a weaker dollar. Central bank officials have stated that a stronger labor market is a necessary precursor to winding down the stimulus measures.



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	1,251.35	1,228.28	-1.84%
Crude Oil Futures	93.33	97.69	4.67%
Copper	320.50	323.95	1.08%
Sugar	17.16	16.59	-3.32%
HFRX Equal Wtd. Strat. Index	1,188.35	1,186.39	-0.16%
HFRX Equity Hedge Index	1,147.54	1,142.46	-0.44%
HFRX Equity Market Neutral	949.60	950.73	0.12%
HFRX Event Driven	1,567.87	1,562.30	-0.36%
HFRX Merger Arbitrage	1,563.97	1,566.27	0.15%
Dow Jones UBS Commodity Index	124.26	125.38	0.90%
FTSE/NAREIT All REIT	157.65	155.66	-1.26%

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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