MainStreet Advisors
Financial Market Update

February 8, 2013

Economic Update

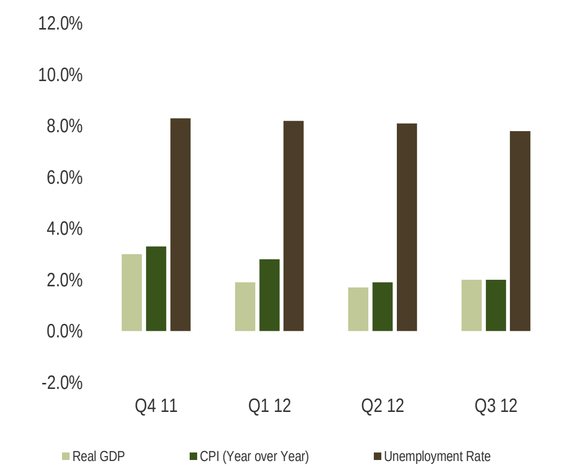
It was a relatively light week with regards to economic data releases. The ISM's non-manufacturing index slipped 0.3 points but at 55.2 still indicates a healthy rate of expansion for the service side of the economy. Particularly encouraging was a 2.2 point bump in the employment component to 57.5, meaning a strong rate of new hiring in the service side of the economy.

Initial jobless claims continued to trend downward as fewer Americans filed for first-time unemployment benefits in the week ended February 2. New claims fell 5,000 to 366,000 pushing the four-week average down 2,250 to 350,500; the four-week average is down more than 15,000 from the month-ago trend and at a new recovery low. Businesses are still cautious to hire amid uncertainty about taxes and government spending, but seem somewhat more willing to hire so far this year.

The U.S. trade balance narrowed much more sharply than expected in December thanks in part to a drop in crude oil imports and the reversal of the iPhone impact in November. The trade deficit shrank just over $10 billion to $38.5 billion – the smallest trade gap since January 2010. Exports jumped 2.1% while imports declined 2.7%. The petroleum gap narrowed $4.7 billion to $18.7 billion, although this is likely to reverse somewhat in January. The sharp decline in the trade deficit suggests there will be a sizeable upward revision to the initial estimate of fourth quarter GDP, which had disappointed at -0.1%.

China reported both exports and imports rose more than expected in January. Exports rose 25.0% from the previous year while imports jumped 28.8%, giving the country a trade surplus of $29.15 billion. There were five extra working days during the month this year as compared to last year, but the gains were still above forecasts. The data suggests both domestic and foreign demand is strong and China's economic growth rebound remains on track. Despite the increased economic activity, inflation in the country actually moderated to an annual rate of 2.0% from 2.5% in December.

Economic Indicators, Quarterly Change



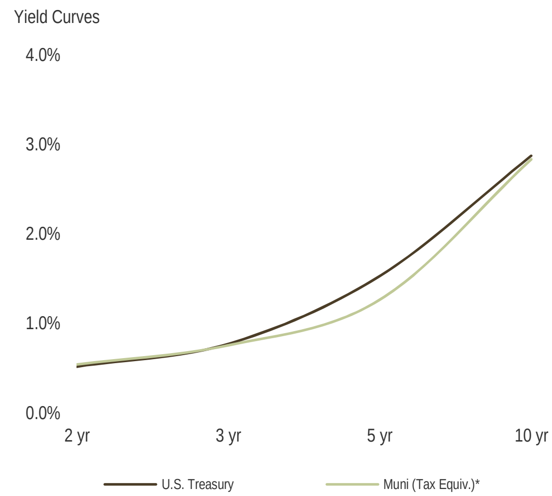
Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Feb. 4th	Factory Orders, Dec. Monthly Chg.	1.8%
Feb. 5th	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.4%
Feb. 5th	ISM Non-Mfg. Index, January	55.2
Feb. 6th	MBA Purchase Applications Index, Wkly. Chg.	3.4%
Feb. 6th	EIA Petroleum Status Report, Wkly. Chg.	2.6M Barrels
Feb. 7th	Initial Jobless Claims (week ending 2/2)	366,000
Feb. 7th	EIA Natural Gas Report, Wkly. Chg.	-118 bcf
Feb. 8th	International Trade Balance Level, December	-38.5B
Feb. 8th	Wholesale Inventories, Dec. Monthly Chg.	-0.1%

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

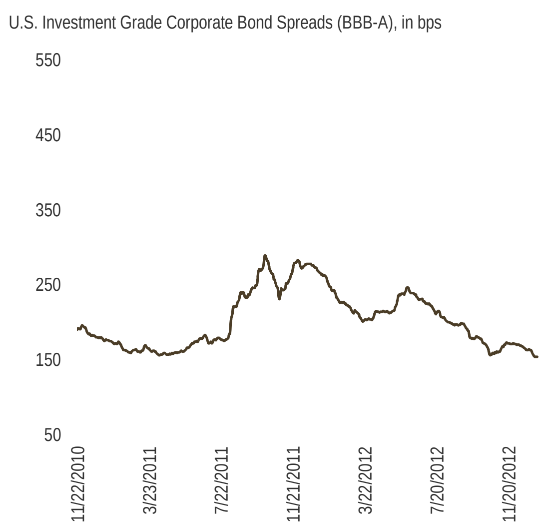
For the first time in three weeks, U.S. Treasuries finished higher amid a report from the ECB stating efforts to trim eurozone country budgets will escalate, adding to concerns the region's economy will struggle to expand and boosting demand for safe-haven securities. European leaders agreed to a seven-year budget that cuts spending, in accordance with U.K. Prime Minister David Cameron's insistence on thrift. This week's decline in yields also forced some bond bears to reduce their negative bets (shorts) against Treasuries, adding to the market's upturn. Meanwhile, ECB President Draghi's commitment to remain accommodative along with a deal to ease Ireland's funding needs over the next 10-years boosted demand for higher yielding eurozone government debt. Draghi also said inflation risks in the region remains muted, as central bank policy makers kept interest rates unchanged at 0.75%. At the same time, Spain retained its investment-grade rating from Fitch Ratings who said the country's debt will peak below 100% of GDP and the government still has room to maneuver in the event of further shocks. Although the country's rating remains lower than other large advanced economies in Europe, it does reflect Fitch's opinion the country maintains some fiscal ammunition. Outperforming most sectors in the fixed income markets, Spanish bonds have returned 0.9% year-to-date.



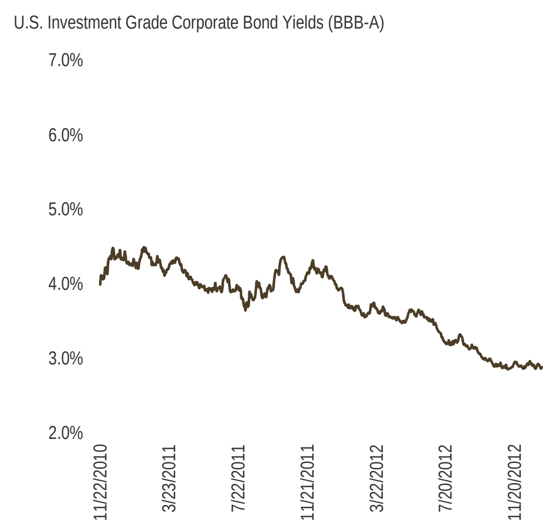
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	2.1.13	2.8.13	Change
3 month T-Bill	0.06%	0.07%	0.01%
2-Year Treasury	0.27%	0.25%	-0.02%
5-Year Treasury	0.88%	0.84%	-0.04%
10-Year Treasury	2.04%	1.99%	-0.05%
30-Year Treasury	3.21%	3.17%	-0.04%

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

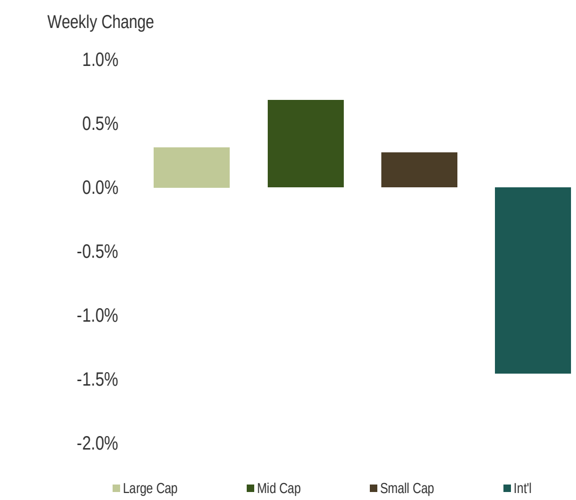
Stock Market Update

The current quarterly earnings are coming to an end with 70% of the companies reporting and 65% beating analyst estimates. Of the other 35% only 23% missed analyst expectations while the other 12% met analyst expectations. The Dow Jones Industrial Average closed at 13,992.97, slightly down for the week. The broader S&P 500 Index ended the week slightly higher to close at 1,517.93, while the NASDAQ Composite finished higher by 0.46% to close the week out at 3,193.87.

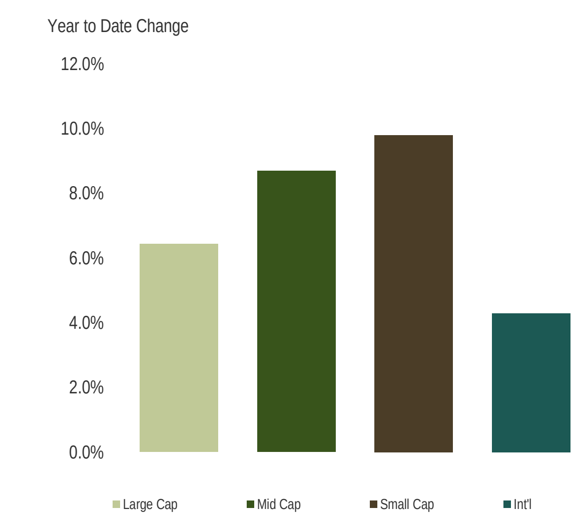
Shares of Dell (DELL) have moved higher on rumors of a buyout over the past few weeks, and on Tuesday it was officially announced that Michael Dell along with Silver Lake Partners would acquire the company in a $24.5 billion deal, or $13.65 a share in cash. It was reported on Friday Southeastern Asset Management, Dell's largest shareholder, would oppose the deal believing the price significantly undervalues the company. This may put Dell's bid on hold and into the hands of the shareholders in a proxy war.

Social Media got a boost from shares of LinkedIn (LNKD) when they reported their fourth quarter earnings. Shares of the company reached an all-time high of $151.89 intra-day and finished Friday up 21% at $150.48. This puts the shares at almost double what they were one year ago today. The company is now trading at 111 times next years earnings, which is significant when Facebook (FB) trades at 48 times next years earnings.

For those following the SBI (Superbowl Indicator) the Baltimore Ravens are an AFC team, but were formally the Cleveland Browns – meaning they are actually an old NFL team prior to the merger with the AFL. Each year that an old NFL team wins the Superbowl, the stock market has been positive 80% of the time.



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



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

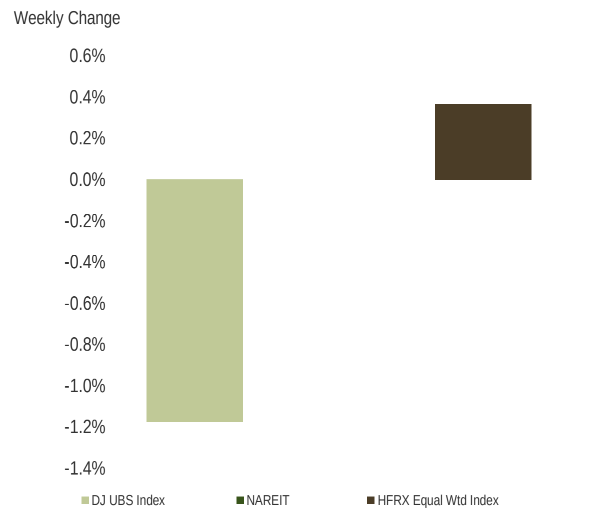
Issue	2.1.13	2.8.13	Change
Dow Jones	14,009.79	13,992.97	-0.12%
S&P 500	1,513.17	1,517.93	0.31%
NASDAQ	3,179.10	3,193.87	0.46%
Russell 1000 Growth	693.07	696.13	0.44%
S&P MidCap 400	1101.59	1109.09	0.68%
Russell 2000	911.19	913.67	0.27%
MSCI EAFE	1,697.38	1,672.67	-1.46%
MSCI Small Cap	1,069.01	1,059.56	-0.39%

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.

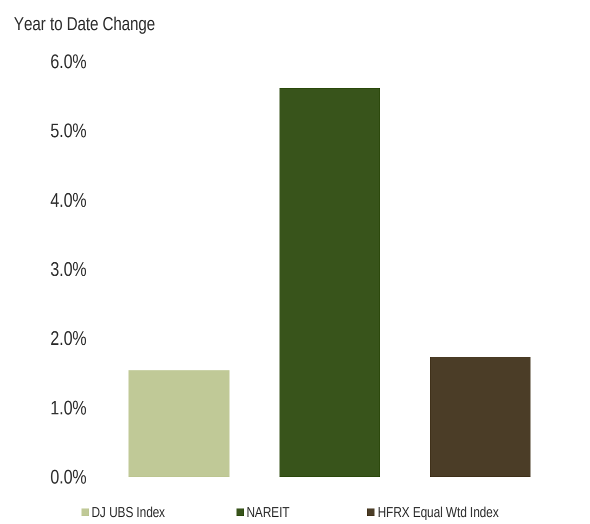
Alternative Investments Market Update

Crude oil futures posted a slight 0.5% gain early Friday as strong trade data from China reinforced expectations for a steady economic recovery from the world's second largest crude consumer. China said exports in January rose 25% from a year earlier, while imports were up 28.8% on the year. Most notably, China's crude imports climbed 7.4% from a year earlier, indicating increased oil demand. Crude's price gains were capped by constrained flows at the Seaway pipeline in Cushing, Oklahoma. The problem continues to reduce the amount of oil that can be transported from the Midwest to Gulf Coast refineries. All the excess oil that remains in Cushing has weighed on the price at the Midwestern oil hub where the WTI contract is settled. For the week, oil dropped 1.89%, settling at $95.78 a barrel. In product markets, heating oil prices are up sharply ahead of the winter storm bearing down on the Northeast. The storm has raised concerns about increased demand for heating oil amid expectations that heating oil supply will tighten on lower refinery output. China imports also played a major factor earlier in the week with the rise of copper. China, the largest copper buyer accounting for around 40% of refined copper demand, imported 350,958 tons of copper last month. This was almost a 3% increase from December as preparations get underway to avoid delays during their week-long festive holiday next week.

Commodities hedge funds lost nearly 20% of their assets last year after investors pulled out large sums following the sector's worst annual performance in more than a decade, according to fund managers and investors. The average commodity hedge fund lost 3.7% in 2012, according to Newedge, the biggest decline since the measure was created more than a decade ago and substantially worse than the 1.4% loss of 2011. The investor redemptions come after several multi-billion dollar commodities hedge funds, including the likes of the two largest Blenheim and Clive Capital, posted losses for the second year running, denting a previously stellar record of performance. The $5 billion in withdrawals are the largest since the commodities hedge fund sector became attractive in the early 2000s.



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	1,667.60	1,667.95	0.02%
Crude Oil Futures	97.63	95.78	-1.89%
Copper	377.80	375.85	-0.52%
Sugar	18.89	18.14	-3.97%
HFRX Equal Wtd. Strat. Index	1,139.44	1,143.60	0.37%
HFRX Equity Hedge Index	1,072.81	1,082.40	0.89%
HFRX Equity Market Neutral	931.27	939.35	0.87%
HFRX Event Driven	1,430.51	1,435.36	0.34%
HFRX Merger Arbitrage	1,512.06	1,512.35	0.02%
Dow Jones UBS Commodity Index	142.89	141.21	-1.18%
FTSE/NAREIT All REIT	164.69	164.69	0.00%

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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MainStreet Advisors™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com