MainStreet Advisors
Financial Market Update

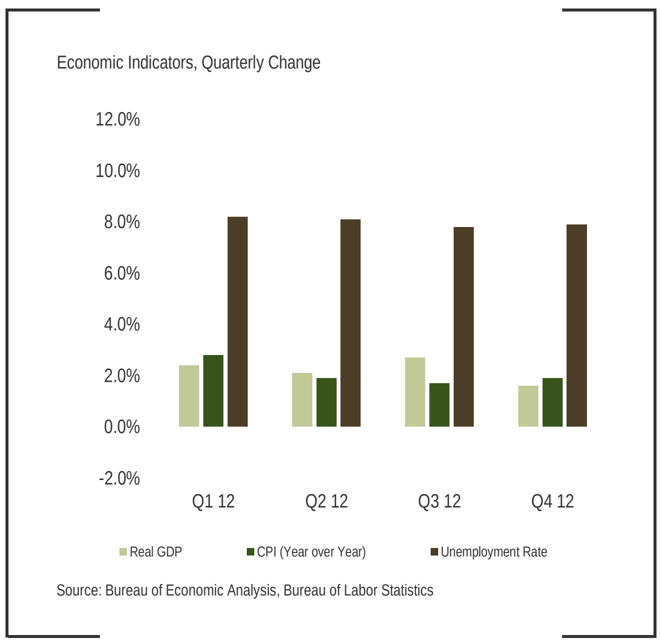
March 8, 2013

Economic Update

The U.S. labor market showed good improvement in February with 236,000 jobs added during the month. This number is well above expectations of 165,000 and much stronger than January's revised growth of 119,000. The private sector continues to be the sole source of hiring, while governments cut another 10,000 from the payrolls. The household survey showed the unemployment rate fell to 7.7% from 7.9% last month – the lowest level in over four years. The decrease in the unemployment rate was in part due to more people getting jobs, but was also the result of 130,000 people leaving the work force bringing the participation rate back down to a 31-year low of 63.5%. This was not as great of a report as the headline would indicate, but it was still a good report that shows hiring is picking up a little steam. Meanwhile initial jobless claims for the week ended March 2 declined 7,000 to 340,000. While this is not the lowest weekly level recently, it does appear the numbers have shifted into a lower range with the four-week down 7,000 to a recovery low of 348,750. Continuing claims also hit a recovery low of 3.122 million.

The U.S. trade balance widened a little more than expected in January. The deficit increased from $38.1 billion to $44.4 billion, $1.4 billion over consensus estimates. Exports declined 1.2% while imports rebounded 1.8%. The worsening of the trade gap was almost entirely attributed to the petroleum deficit which increased $5.7 billion during the month. The increase in the deficit will be a drag on first quarter GDP, but expectations are still for much improved growth over the weak fourth quarter.

The manufacturing portion of the economy saw new orders for factory goods fall 2.0% in January after rising 1.3% in December. Aircraft orders typically skew the headline numbers sharply from month-to-month, though, and if those are stripped out orders were actually up 1.3%. Meanwhile, the much larger service side of the economy is growing strong and in our opinion it looks like it will continue to do so. The ISM's non-manufacturing index rose nearly a full point to 56.0 indicating the pace of growth is accelerating. Looking at the components of the report we see new orders were up sharply and hiring continues to expand at a good clip, which we see as a good sign for the economy.



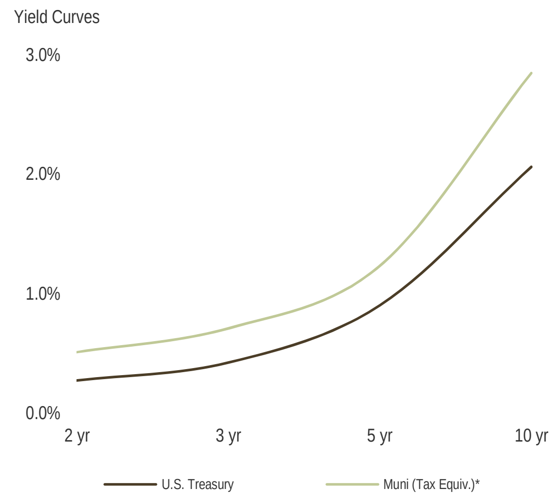
Mar. 5th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.2%
Mar. 5th	ISM Non-Mfg. Index, February	56
Mar. 6th	MBA Purchase Applications Index, Wkly. Chg.	14.8%
Mar. 6th	Factory Orders, Jan. Monthly Chg.	-2.0%
Mar. 6th	EIA Petroleum Status Report, Wkly. Chg.	3.8M Barrels
Mar. 7th	International Trade Balance Level, January	-44.4B
Mar. 7th	Initial Jobless Claims (week ending 3/2)	340,000
Mar. 7th	EIA Natural Gas Report, Wkly. Chg.	-146 bcf
Mar. 7th	Consumer Credit, January Monthly Change	16.2B
Mar. 8th	Non-farm Payrolls, Feb. Monthly Chg.	236,000
Mar. 8th	Unemployment Rate, January	7.7%
Mar. 8th	Wholesale Inventories, Jan. Monthly Chg.	1.2%

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

Undermining demand for safe-haven assets, a better than expected jobs report on Friday added to earlier selling pressures, with U.S. Treasuries finishing considerably lower for the week and yields climbing to their highest levels in 11 months. Although recent data reports suggest an improving economic landscape, most strategists feel the Fed will continue its $85 billion per month bond purchase program in an effort to hold down borrowing costs and encourage growth. However, the central bank may curtail its stimulus program earlier than its scheduled termination in January 2014 should improving trends in economic growth continue.

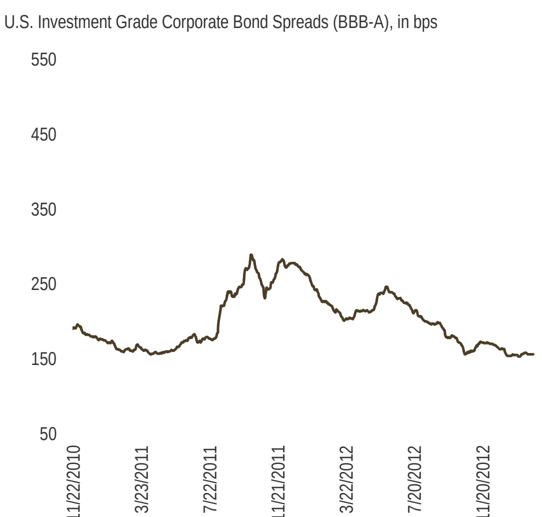
Separately, we feel municipal bonds represent one of the few attractive sectors in the fixed income markets today. While the basic tenet of supply and demand affects all financial markets to some degree, it is particularly influential in the municipal bond market, as supply can become uneven and demand relies on a relatively narrow band of buyers. From a supply perspective, tight municipality budgets combined with onerous pension and health care obligations have led to a low level of new supply coming to the market, despite historically low interest rates. At the same time, demand remains robust, particularly from retail investors who typically hold securities for long periods, which reduces volatility. Despite the short-term effects the U.S. government's sequestration may bring to the market, we feel current supply/demand metrics will favorably influence the muni space over the course of at least the next year. For investors seeking tax-free income, we continue to recommend municipals given their attractive risk/return characteristics.



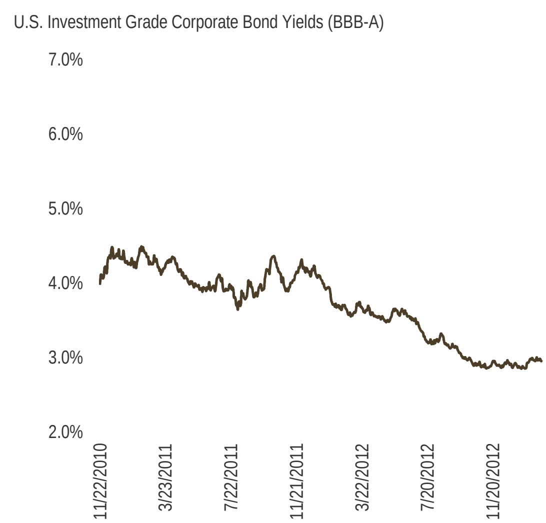
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.1.13	3.8.13	Change
3 month T-Bill	0.11%	0.10%	-0.01%
2-Year Treasury	0.25%	0.27%	0.02%
5-Year Treasury	0.75%	0.90%	0.15%
10-Year Treasury	1.86%	2.06%	0.20%
30-Year Treasury	3.06%	3.25%	0.19%

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



Source: Merrill Lynch



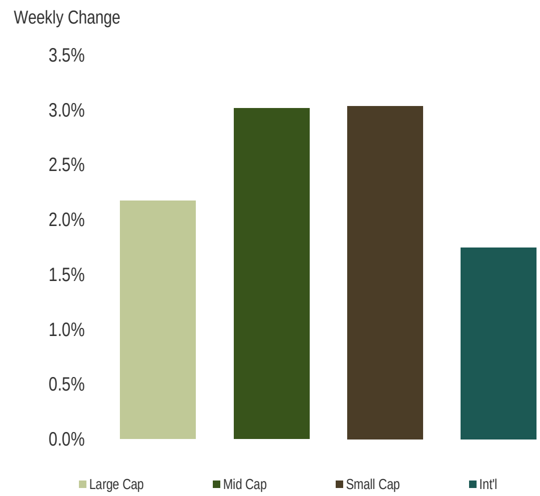
Source: Merrill Lynch

Stock Market Update

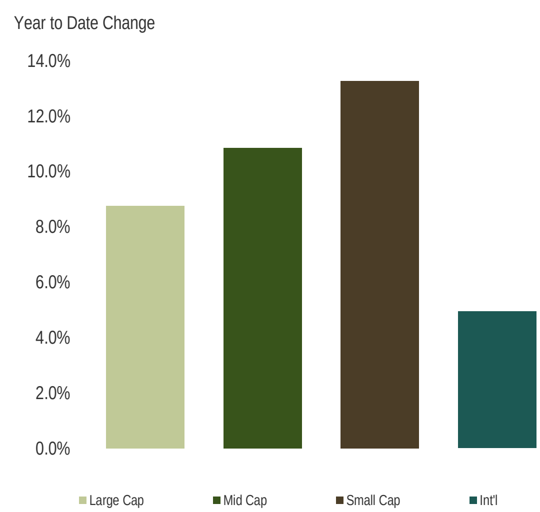
The equity markets continue to make records this week. After the stellar jobs report showing 236,000 jobs added and an unemployment rate falling to 7.7% from 7.9% the markets rallied Friday capping off the second best week of 2013 for the equity markets. The Dow Jones Industrial Average closed at 14,397.07, finishing at another all-time high. The broader S&P 500 Index ended the week higher to close at 1,551.18, while the NASDAQ Composite finished higher and closed the week out at 3,244.37.

The Federal Reserve announced the results of its annual stress test of the 18 largest banks in the United States. The estimates show that if the country were to enter into another recession the estimated losses by the largest 18 banks could top $462 Billion. This put pressure on banks such as JP Morgan (JPM), Morgan Stanley (MS) and Goldman Sachs (GS) who came in at the bottom of the list, each finishing the day in negative territory. Citigroup (C), which has been struggling since the financial crisis, was deemed the most prepared to weather another recession. For the day, Citigroup was up 3.71% to finish the day at $46.67/share.

The social media stocks received a boost Friday after Pandora (P) announced earnings after the close on Thursday that exceeded analysts' expectations. The company cited an increase in billing of 59%, but more importantly was able to manage through the rise in content acquisition costs. The stock surged 20% during after hours trading only to fall back slightly on Friday as the CEO announced his plans to step down from the company. Joe Kennedy had been CEO of Pandora since 2004 and has grown the company to a subscriber base of 67 million listeners. Shares of the company finished high by 17% on Friday and closed the week at $13.79/share.



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



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

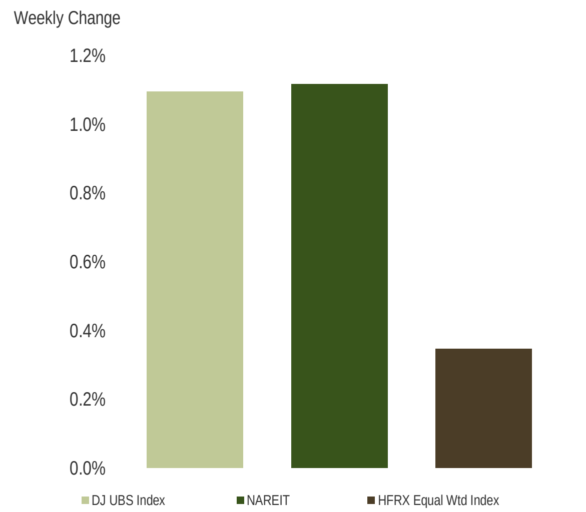
Issue	3.1.13	3.8.13	Change
Dow Jones	14,089.66	14,397.07	2.18%
S&P 500	1,518.20	1,551.18	2.17%
NASDAQ	3,169.74	3,244.37	2.35%
Russell 1000 Growth	694.56	708.56	2.02%
S&P MidCap 400	1098.15	1131.25	3.01%
Russell 2000	914.73	942.5	3.04%
MSCI EAFE	1,654.34	1,683.20	1.74%
MSCI Small Cap	1,054.62	1,057.92	0.99%

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.

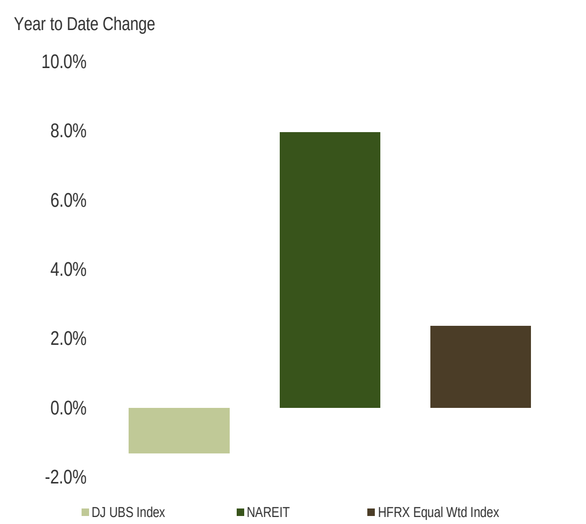
Alternative Investments Market Update

Crude oil pared some of its losses on Friday after a better-than-expected report on the U.S. labor market, though a surging dollar kept prices in check. For the week, crude gained 0.95% to close at $91.82 a barrel. This data is closely watched in the oil market as the health of the job market in the U.S., the world's biggest oil consumer, is closely correlated with crude oil demand. The Labor Department announced this week that employers added 236,000 jobs in February, far more than the 160,000 forecasted by economists. Despite this, oil futures failed to breach positive territory following the report after the payrolls data sent investors gobbling up another asset, the dollar. As is the trend, a stronger dollar typically weighs on oil prices because it makes the dollar-denominated commodity more expensive for holders of other currencies. According to the Wall Street Journal, the ICE Dollar Index, which tracks the greenback against a basket of currencies, shot to its highest level since early August, recently rising 0.9% to 82.804. Many analysts said these gains contributed to keeping oil in check, at least in the short term.

Gold defied the common price pressures from a higher dollar and posted strong returns on Friday. This, coupled with the stronger-than-expected U.S. jobs growth, left some analysts believing that the metal's perseverance was a sign of positive change in sentiment after a lackluster week and monthly declines. Analysts believe the market interpreted Friday's jobs data as being bearish for the metal, and it initially sold off as expected. However, the downturn failed to gain momentum, which many view as an indication that the selling has been exhausted. Also announced this week, gold imports by China from Hong Kong fell for the first time in four months in January after a surge in purchases in the previous months to meet Lunar New Year demand, leading investors to curb buying on falling prices.



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	1,575.95	1,578.28	0.15%
Crude Oil Futures	90.96	91.82	0.95%
Copper	351.30	351.40	0.03%
Sugar	17.91	18.75	4.69%
HFRX Equal Wtd. Strat. Index	1,146.75	1,150.73	0.35%
HFRX Equity Hedge Index	1,087.33	1,096.75	0.87%
HFRX Equity Market Neutral	941.33	939.16	-0.23%
HFRX Event Driven	1,438.18	1,448.15	0.69%
HFRX Merger Arbitrage	1,515.51	1,515.74	0.02%
Dow Jones UBS Commodity Index	135.77	137.25	1.10%
FTSE/NAREIT All REIT	166.49	168.35	1.12%

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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