MainStreet Advisors
Financial Market Update

March 15, 2013

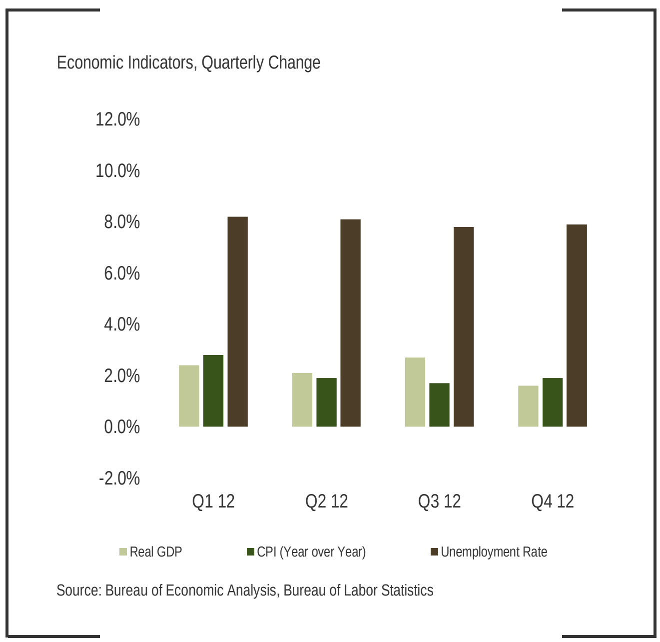
Economic Update

The number of Americans filing for first time unemployment benefits continued its downward trend. Initial claims fell 10,000 to 332,000 for the week ended March 9, pushing the four-week average down to a new recovery low of 346,750. This number had surged to over 660,000 at the height of the recession, but is now around normal pre-recession levels. Continuing claims also hit a new recovery low, falling 89,000 to 3.024 million for the week ended March 2. Strength in the labor market has been having a positive impact on other economic data lately.

Retail sales showed surprising strength in February despite the headwinds created by payroll tax increases and delayed income tax returns. Sales jumped past expectations of a 0.6% gain by rising 1.1%, with gasoline sales spiking 5.0%. It was no surprise gasoline sales were a big contributor given the price of gas rose every single day of the month, but strength was seen in many of the other subcomponents as well including motor vehicles sales which were up 1.1%. It appears job growth has been more than offsetting the negative impact of tax increases.

The increase in energy prices also had an impact on headline inflation numbers for February. Prices at the producer level rose a significant 0.7% for the month as the energy component lead with a 3.0% surge. Food prices fell 0.5% helping to offset some of the bite from higher gas prices. The year-over-year rate heated up to 1.8% from 1.4% in January. Prices for consumers also bumped up by 0.7%, with energy again leading the pack posting a 5.4% gain last month after falling 1.7% in January. Gasoline significantly recovered from a January drop of 3% as prices jumped 9.1% in February.

Industrial production numbers came in positive for February, beating analyst expectations and showing a 0.7% gain after a flat January. The manufacturing component jumped 0.8%, led by a 3.6% rise in motor assemblies. The positive manufacturing data will likely boost first quarter GDP estimates after a somewhat weak January gave analysts some cause for concern.



Mar. 12th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.7%
Mar. 13th	MBA Purchase Applications Index, Wkly. Chg.	-4.7%
Mar. 13th	Retail Sales, Feb. Monthly Chg.	1.1%
Mar. 13th	Import Prices, Feb. Monthly Chg.	1.1%
Mar. 13th	Export Prices, Feb. Monthly Chg.	0.8%
Mar. 13th	Business Inventories, Jan. Monthly Chg.	1.0%
Mar. 13th	EIA Petroleum Status Report, Wkly. Chg.	2.6M Barrels
Mar. 14th	Initial Jobless Claims (week ending 3/9)	332,000
Mar. 14th	Producer Price Index, February Monthly Chg.	0.7%
Mar. 14th	EIA Natural Gas Report, Wkly. Chg.	-145 bcf
Mar. 15th	Consumer Price Index, February Monthly Chg.	0.7%
Mar. 15th	Empire State Mfg Survey, March	9.24
Mar. 15th	Industrial Production, Feb. Monthly Chg.	0.7%
Mar. 15th	Consumer Sentiment Index, March	71.8

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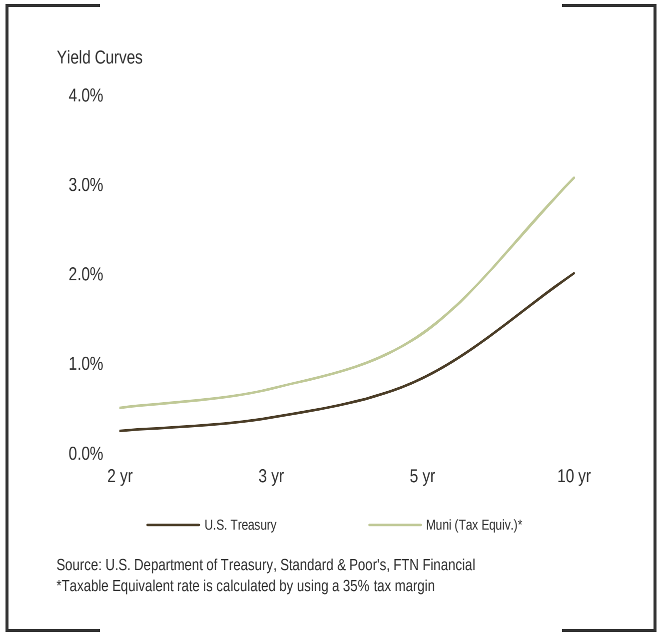
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Treasury bond prices were little changed despite declines after a somewhat weaker auction of longer term bonds this week. While the benchmark 10-year Treasury is currently above the record low level touched last year, it will likely remain low and range bound until the Fed scales back its current purchases of mortgages and Treasuries. However, the bulk of economists believe the Fed will continue its bond purchase program throughout the rest of the year, which could take total QE3 purchases to $1 trillion.

According to data provided by Lipper, investors pulled out $210 million from municipal bond mutual funds over the past two weeks as they shifted their focus toward riskier asset classes. Consequently, the states are required to offer higher interest rates on their bonds to spark interest with investors. This week, California alone had to pay a 14% higher yield on its 20-yr bond compared to a week ago. Meanwhile, yields on riskier high yield bonds are still hovering around their all-time low of 5.6% as investors allocate more money into this asset class in search of higher income; given that this is happening when new bonds are being issued with less debt covenants, some analysts believe the sector may be overheating.

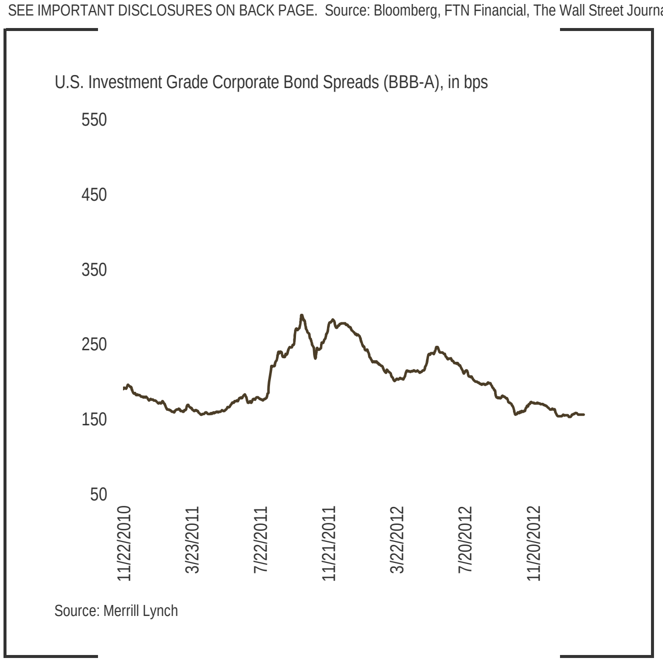
Additional evidence of greater risk appetite and an improving economy is the revival of the convertible bond market. Year-to-date, U.S. companies have already issued twice the amount of convertible paper compared to the same time period last year, according to data provider Dealogic.



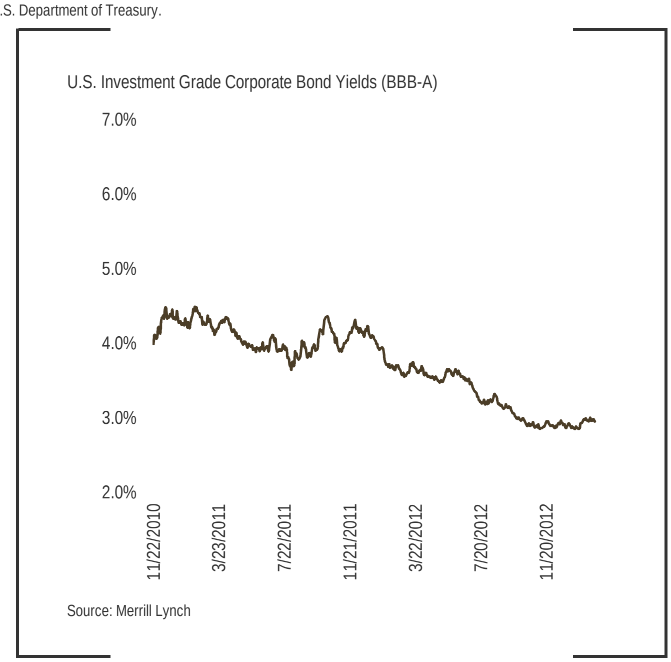
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.8.13	3.15.13	Change
3 month T-Bill	0.10%	0.09%	-0.01%
2-Year Treasury	0.27%	0.25%	-0.02%
5-Year Treasury	0.90%	0.84%	-0.06%
10-Year Treasury	2.06%	2.01%	-0.05%
30-Year Treasury	3.25%	3.22%	-0.03%

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



Source: Merrill Lynch



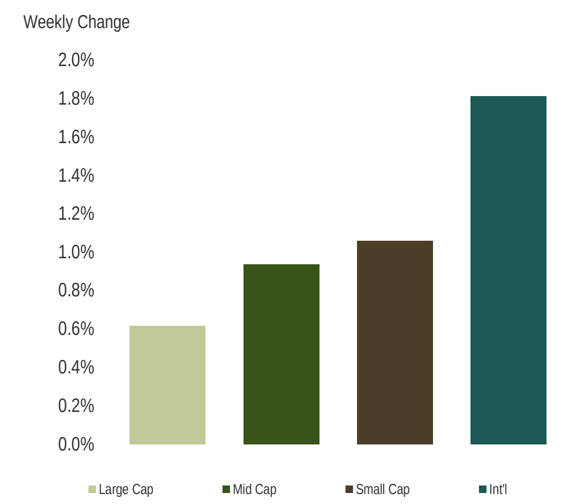
Source: Merrill Lynch

Stock Market Update

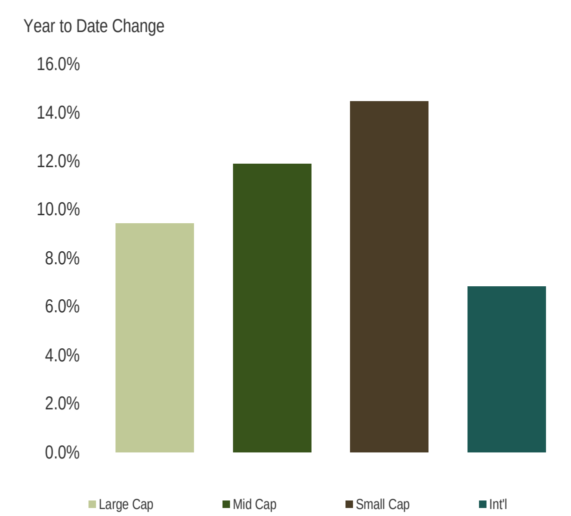
Major domestic stock markets were up for the five-day trading session following strong performance last week. Stocks were down on Friday as better-than-expected industrial production growth was offset by a slight increase in inflation and weak consumer sentiment data. The Dow Jones Industrial Average closed at 14514.11, down 25 points on Friday, putting a halt to its first ten-day winning streak since November 1996. For the week the Dow closed up 0.8%. Both the broader S&P 500 Index (+0.6%) and the NASDAQ Composite Index (+0.1%) were also positive, ending the week at 1560.70 and 3249.07, respectively.

European equities as measured by the STOXX Europe 600 Index closed at their highest level since June 2008 on Thursday, only to decline slightly on Friday. For the week the Index rose 0.6%. Economic data from China showed higher inflation and a slight decline in industrial production growth. While some experts blame the Lunar New Year holiday for the spike in inflation, one noted economist believes that if the central bank's current monetary policy continues, inflation will likely surpass the stated 3.5% target. The Shanghai Composite Index fell 1.7% for the five-day trading period, while Japan's Nikkei gained 2.2%.

Financial stocks were in the news as the Federal Reserve announced it approved the capital plans of fourteen financial institutions in its annual "stress tests" of the country's eighteen largest banks. Two other institutions, JP Morgan and Goldman Sachs, received conditional approval, while the Federal Reserve objected to the plans of two firms. Lipper reported yesterday that investors continued to add equity exposure to their portfolios, showing confidence in the continued upward trend for stocks. Over $8.7 billion flowed into mutual funds and exchange-traded funds that hold U.S. stocks in the week ended March 13, more than twice the amount added the prior week. This also represented the highest inflows since late January, and the tenth consecutive week of additions to equity mutual funds.



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



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

Issue	3.8.13	3.15.13	Change
Dow Jones	14,397.07	14,514.11	0.81%
S&P 500	1,551.18	1,560.70	0.61%
NASDAQ	3,244.37	3,249.07	0.14%
Russell 1000 Growth	708.56	710.49	0.27%
S&P MidCap 400	1131.25	1141.83	0.94%
Russell 2000	942.5	952.47	1.06%
MSCI EAFE	1,683.20	1,713.66	1.81%
MSCI Small Cap	173.57	177.70	2.38%

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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

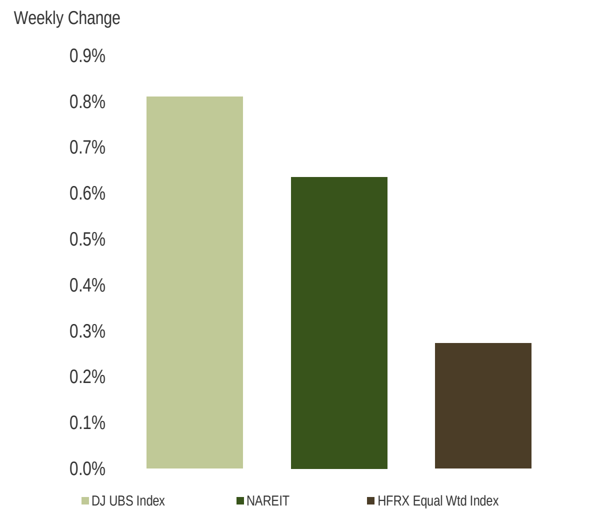
Gold rose on Friday as the euro gained and the market interpreted the latest data on U.S. consumer prices as a sign the Federal Reserve has the flexibility to continue monetary easing. The precious metal gained 0.84% for the week, settling at $1,591.50 an ounce, marking the metal's second straight week of gains with underlying price pressures being seen as a potential opportunity for the U.S. central bank to continue pumping money into the economy. In the past, accommodative monetary policies have favored gold, because low interest rates encourage investors to put money into non-interest-bearing assets, such as precious metals. Gold also found support this week from a rebounding euro, which had reached three-month lows against the dollar earlier this week.

Crude oil gained for the week as investors ignored high stock levels and sluggish demand growth. The latest data from the Energy Information Administration (EIA) showed refinery maintenance had slowed crude oil processing to a two-year low, pushing crude inventories to more than 40 million barrels above the five-year average. Inventories of 384 million barrels are sufficient to cover more than 27 days of refiner needs, the highest level in 21 years. Also, traders believe the flare-up in tensions between the U.S. and Iran may be underpinning prices. Iran, who had been the second-biggest oil producer in OPEC, has seen their flows cut to their lowest levels in 30 years thanks to international sanctions. For the week, crude gained 1.85%, or $1.70, to settle at $93.52 a barrel.

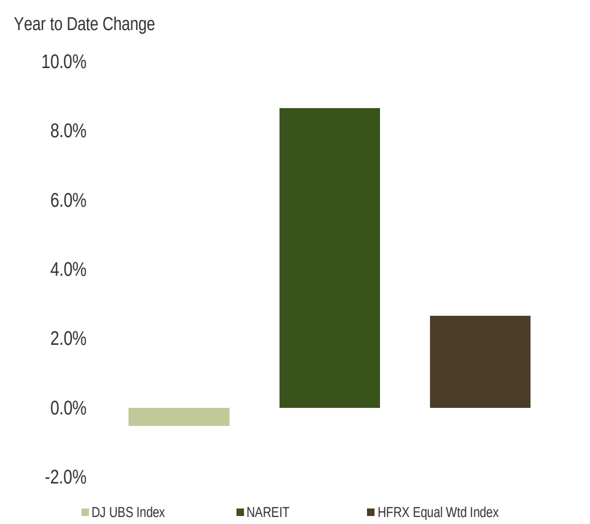
New hedge fund launches rose at year-end 2012, narrowly trailing total launches for 2011 as total hedge fund industry assets increased to a record of $2.25 trillion. According to Hedge Fund Research Market Microstructure Industry Report released this week, new launches totaled 284 in Q4, representing the second highest quarter for 2012, while the full year total of 1,108 launches was in line with the 2011 total of 1,113 launches. Unfortunately, hedge fund liquidations also increased, with 238 funds liquidating in Q4 and 873 funds for the full year, the highest since over 1,000 funds liquidated in 2009. Most of the liquidations last year were concentrated in Equity Hedge, with over 300 funds closing in this strategy.

Issue	Previous Week	Current[1]	Change
Gold	1,578.28	1,591.50	0.84%
Crude Oil Futures	91.82	93.52	1.85%
Copper	351.40	351.75	0.10%
Sugar	18.75	18.89	0.75%
HFRX Equal Wtd. Strat. Index	1,150.73	1,153.88	0.27%
HFRX Equity Hedge Index	1,096.75	1,100.47	0.34%
HFRX Equity Market Neutral	939.16	941.03	0.20%
HFRX Event Driven	1,448.15	1,454.13	0.41%
HFRX Merger Arbitrage	1,515.74	1,516.47	0.05%
Dow Jones UBS Commodity Index	137.25	138.37	0.81%
FTSE/NAREIT All REIT	168.35	169.42	0.64%

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



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

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