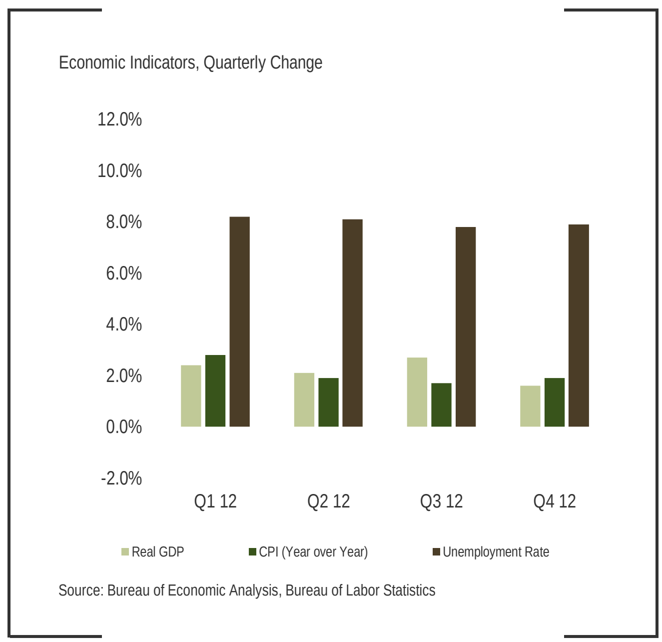
MainStreet Advisors
Financial Market Update

March 22, 2013

Economic Update

Cyprus dominated the headlines this week as the small Mediterranean nation sought a €10 billion bailout from the European Union to avoid financial collapse. Cyprus has been crippled by a deep recession and losses that its oversized banking sector sustained on investments in Greece. The original deal proposed by European regulators requires Cyprus to raise €5.8 billion on its own and called for an unprecedented 6.75% tax on deposits of less than €100,000 and 9.9% on anything above €100,000. The announcement had Cypriots protesting in the streets and rushing to ATMs around the country trying to pull their money out of the banks. It also had Russia up in arms. Cyprus is a massive off-shore banking center, and Russian elite looking to avoid taxes and political risk at home make up about one-third of all deposits in Cyprus banks. The proposal was ultimately rejected by lawmakers earlier this week, but lawmakers are scrambling to put together and vote on a new plan today. Without a deal to raise the required €5.8 billion the emergency funding from the ECB that is keeping the banking system afloat will cease on Tuesday, threatening the nation's membership in the eurozone. The island is such an important money-laundering center for Russia that Gazprombank even offered up a plan for the private company to bail out the nation's economy. For now the Russian government is waiting to see what decision comes out of the troika, but will likely try to be involved in some way if a deal is not made. The outcome will have permanent ramifications for the futures of Cyprus and the eurozone.

Here in the U.S. there is more evidence the housing market is slowing down a little. The NAHB housing market index fell two points in March to 44 – the second straight decline. The decline was largely attributed to a lack of available lots and credit for potential homebuyers, but the outlook going forward still looks to be improving. Housing permits and starts were both up moderately in February. Sales of existing homes also improved marginally during the month, up 0.8% to an annualized pace of 4.98 million units. A nice surprise in the report was an increase in supply which has been very constrained lately.



Mar. 18th	Housing Market Index, March	44.0
Mar. 19th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.4%
Mar. 19th	Housing Starts, February	917,000
Mar. 20th	MBA Purchase Applications Index, Wkly. Chg.	-7.1%
Mar. 20th	EIA Petroleum Status Report, Wkly. Chg.	-1.3M Barrels
Mar. 21st	Initial Jobless Claims (week ending 3/16)	336,000
Mar. 21st	Existing Home Sales, December SAAR	4.98M
Mar. 21st	Philidelphia Fed Survey, March	2.0
Mar. 21st	EIA Natural Gas Report, Wkly. Chg.	-62 bcf
Mar. 21st	Leading Indicators, Feb. Monthly Chg.	0.5%

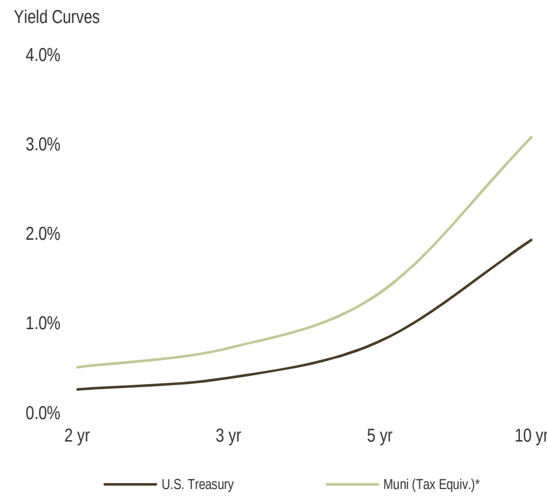
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

Continuing a recent trend, U.S. Treasuries closed lower for the week with 10-year bond yields closing below 2%. In a post-meeting press conference, the Fed gave a clear view the current quantitative easing program will last through year-end. As a result, the markets likely will now focus on how far the central bank is willing to go in terms of reducing its support for the markets as it draws down the size of its asset-buying program at the end of the fourth quarter. Just as the fiscal cliff provided all the angst heading into year-end 2012, nervousness over reduced Fed support will likely emerge as a fresh source of concern by early fall.

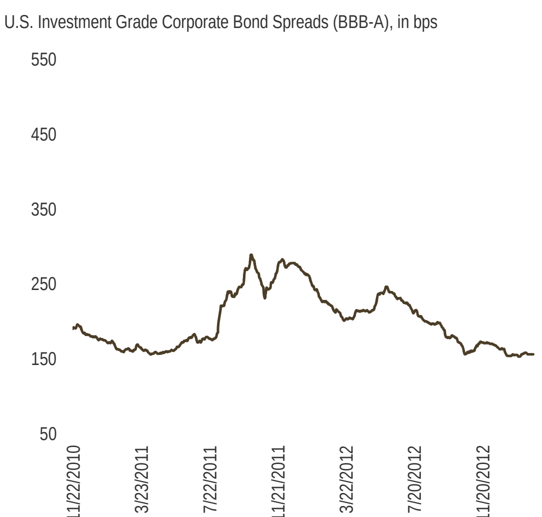
More bond-buying stimulus also raises the possibility of inflation. Although inflation is not currently a concern from a labor cost perspective, the perception the central bank will do whatever it takes to reflate the economy has some market participants concerned. The yield gap, or difference in yields, between Treasuries and similar maturity TIPS (Treasury Inflation Protected Securities), an indication of traders' outlook for consumer prices, widened to its highest level in 13 months.



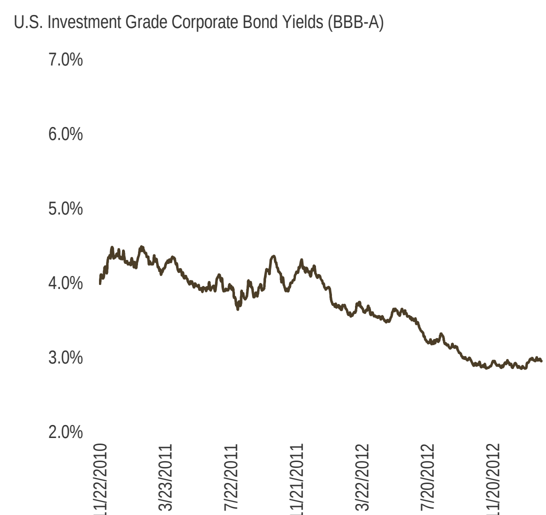
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.15.13	3.22.13	Change
3 month T-Bill	0.09%	0.07%	-0.02%
2-Year Treasury	0.25%	0.26%	0.01%
5-Year Treasury	0.84%	0.80%	-0.04%
10-Year Treasury	2.01%	1.93%	-0.08%
30-Year Treasury	3.22%	3.13%	-0.09%

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



Source: Merrill Lynch



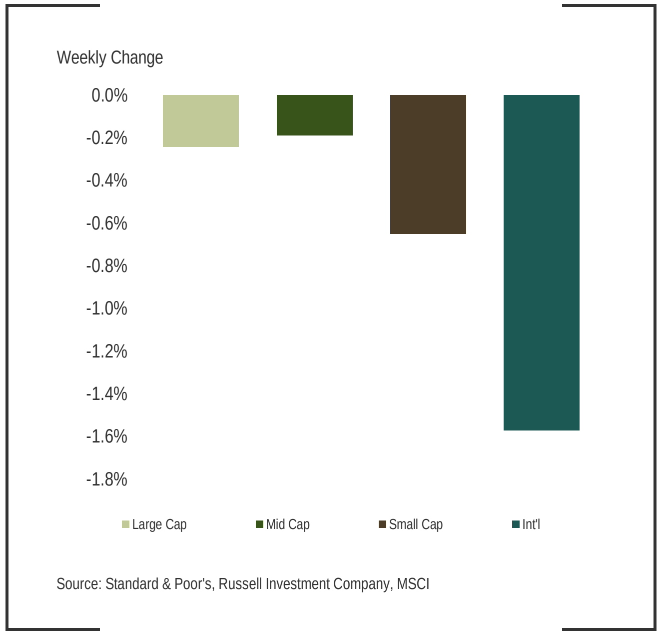
Source: Merrill Lynch

Stock Market Update

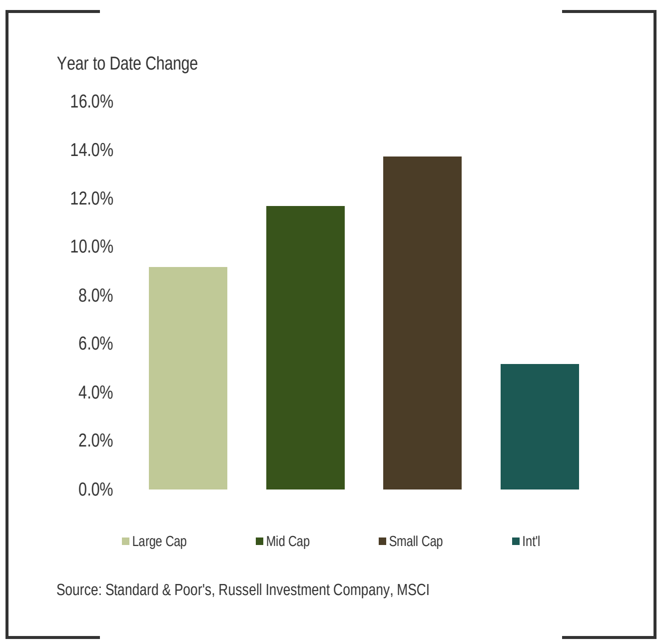
Major domestic stock markets were volatile throughout the week, down overall from last Friday on concerns about the latest European debt crisis in Cyprus. By Friday, it appeared authorities in Cyprus were close to a deal to qualify for a eurozone bailout, leading investors back into stocks. For the week the Dow declined 2 points to close at 14512.03. Both the broader S&P 500 Index (-0.2%) and the NASDAQ Composite Index (-0.1%) were also slightly negative, ending the week at 1556.89 and 3245.00, respectively.

European equities as measured by the STOXX Europe 600 Index ended down 1.1% for the week after reaching their highest level since June 2008 last week. In addition to fears of the impact from the crisis in Cyprus, European purchasing managers' activity in both services and manufacturing declined unexpectedly in February after several months of improving data. Stocks in Japan were especially volatile this week, falling over 2% on two of the five trading sessions. Japanese currency markets have been fluctuating recently in light of the appointment of a new Bank of Japan governor who is expected to implement a more aggressive monetary policy. The Shanghai Composite Index rebounded from last week's decline, increasing 2.2%.

Earnings reports from Oracle, FedEx and Nike came out this week. Oracle reported a shortfall in revenue and EPS for its third fiscal quarter, blaming poor sales execution rather than a downturn in economic activity. Management is confident the 25% increase in the sales force over the last eighteen months will pay off, citing deals that closed in the fourth quarter rather than the third. FedEx missed earnings expectations and lowered its full-year profit forecast. Excess capacity in the air freight industry due to weak international demand is weighing on margins. Nike's business in China continues to lag, but North American revenue rose 18%. Earnings increased 20% on 9% overall company revenue growth as higher pricing and lower material costs offset labor cost pressures.



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



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

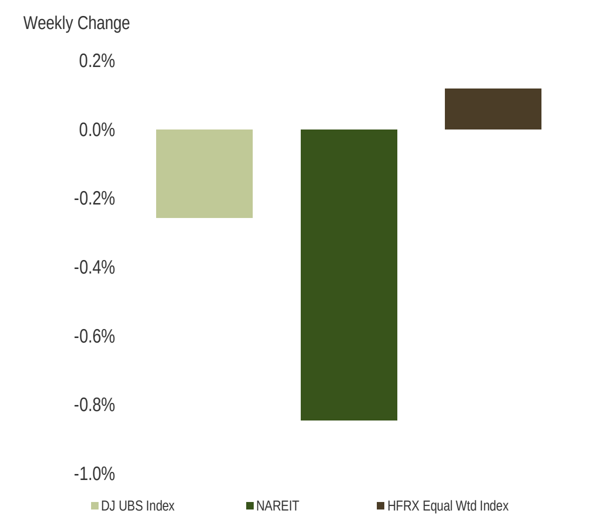
Issue	3.15.13	3.22.13	Change
Dow Jones	14,514.11	14,512.03	-0.01%
S&P 500	1,560.70	1,556.89	-0.24%
NASDAQ	3,249.07	3,245.00	-0.13%
Russell 1000 Growth	710.49	710.96	0.07%
S&P MidCap 400	1141.83	1139.67	-0.19%
Russell 2000	952.47	946.27	-0.65%
MSCI EAFE	1,713.66	1,686.72	-1.57%
MSCI Small Cap	177.70	176.34	-0.77%

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.

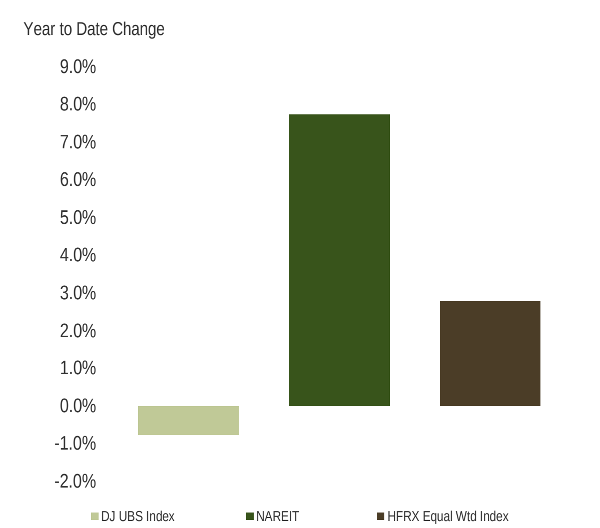
Alternative Investments Market Update

Gold fell on Friday as investors took profits a day after the precious metal hit a one-month high, and safe-haven buying ceased as a potential deal between Greece and Cyprus reduced fears of an escalating eurozone debt crisis. The metal hit $1,616.36 an ounce earlier in the week as the crisis lifted the metal out of a downtrend thanks to an improving economic outlook that sent prices to a seven-month low in February. For the week, bullion gained 1.05%, its biggest weekly gain in two months, as investors sought refuge amid worries over Cyprus and the potential to secure a bailout from the European Union. Crude oil settled higher Friday, tracking strength in U.S. equities even as investors kept a close eye on efforts to secure a bailout in Cyprus ahead of the Monday deadline. Crude gained 0.37% for the week, settling at $93.87 a barrel, as it erased earlier losses from concerns the economic collapse in Cyprus could spread throughout Europe.

Hedge fund investor flows were positive again in February, creating a pattern very similar to the first two months of 2012. Investors added an estimated $20.3 billion in net new capital last month, even as performance accounted for a decline of $12.1 billion, according to recent asset flow data from eVestment. Credit strategies were the run-away favorite last month bringing in nearly $8 billion in new flows and over $15 billion so far this year. Equity-focused funds also saw inflows last month, taking in a net $1.4 billion; however, the strategy remains negative year-to-date. Total estimated hedge fund assets climbed 0.31% to $2.653 trillion in February. Despite these positive inflow trends, expectedly investors have filed more redemption notices so far this month than the previous as we approach the end of a quarter. But worries over Cyprus could push withdrawals even higher next month. The SS&C GlobeOp Forward Redemption Indicator, which measures forward redemption notices received by hedge funds, ticked up to 4.33% this month. It was at 3.96% last month.



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	1,591.50	1,608.24	1.05%
Crude Oil Futures	93.52	93.87	0.37%
Copper	351.75	346.85	-1.39%
Sugar	18.89	18.20	-3.65%
HFRX Equal Wtd. Strat. Index	1,153.88	1,155.25	0.12%
HFRX Equity Hedge Index	1,100.47	1,104.22	0.34%
HFRX Equity Market Neutral	941.03	940.59	-0.05%
HFRX Event Driven	1,454.13	1,459.62	0.38%
HFRX Merger Arbitrage	1,516.47	1,518.67	0.15%
Dow Jones UBS Commodity Index	138.37	138.01	-0.26%
FTSE/NAREIT All REIT	169.42	167.99	-0.84%

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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