MainStreet Advisors Financial Market Update

April 12, 2013

Economic Update

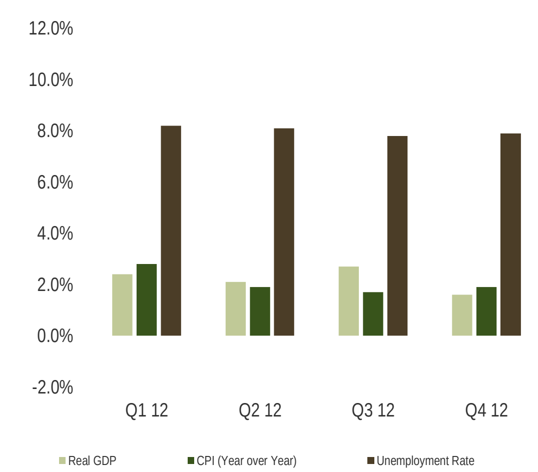
The Minutes from the last FOMC meeting were accidentally released one day early to 154 individuals, including employees at some of the world's largest banks. Oops. They chalked it up to human error and then released the minutes to the broader public earlier than scheduled, but still the following day. There was very little new information about Fed Policy in the release, but the main takeaway was the doves were still firmly in control and the central bank will continue buying $85 billion in assets per month for the time being. Fed economists gave a generally favorable evaluation of U.S. economic data releases, but this was before the disappointing March employment report that will likely keep the hawks at bay for now.

The number of Americans filing for first-time unemployment benefits plunged 42,000 to 346,000 for the week ended April 6. The report comes on the heels of a 31,000 spike in claims last week and the aforementioned soft employment report, alleviating some concerns about the job market. However, the four-week average is at 358,000, its highest level since February, so the trend is still of concern.

Retail sales declined 0.4% in March, below the consensus of no change. Year-over-year sales are up 2.8%. Last month's decline was primarily due to gas prices, department stores and autos. The service industry sector showed gains for the month. This modest drop is of minor importance in the overall economic picture as year-over-year numbers are strong. Analysts believe an early Easter was to blame for the small drop and consumer spending is still on pace to increase at an annual rate of nearly 3%.

The Producer Price Index number came in significantly under analyst expectations at -0.6%, versus the consensus of 0.7%. This can almost entirely be attributed to a drop in gasoline prices as the core number, which excludes food and energy, gained 0.2% in March. Energy dropped 3.4%, with gasoline falling nearly 7% after an equally large rise in February. The year-over-year price change eased down to 1.1% in March from 1.8% in February as the core year-over-year rate stayed steady at 1.7%.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Apr. 9th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.7%
Apr. 9th	Wholesale Inventories, Feb. Monthly Chg.	-0.3%
Apr. 10th	MBA Purchase Applications Index, Wkly. Chg.	4.5%
Apr. 10th	EIA Petroleum Status Report, Wkly. Chg.	0.3M Barrels
Apr. 11th	Initial Jobless Claims (week ending 4/6)	346,000
Apr. 11th	Import Prices, March Monthly Chg.	-0.5%
Apr. 11th	Export Prices, March Monthly Chg.	-0.4%
Apr. 11th	EIA Natural Gas Report, Wkly. Chg.	-14 bcf
Apr. 12th	Producer Price Index, March Monthly Chg.	-0.6%
Apr. 12th	Retail Sales, March Monthly Chg.	-0.4%
Apr. 12th	Consumer Sentiment Index, April	72.3
Apr. 12th	Business Inventories, Feb. Monthly Chg.	0.1%

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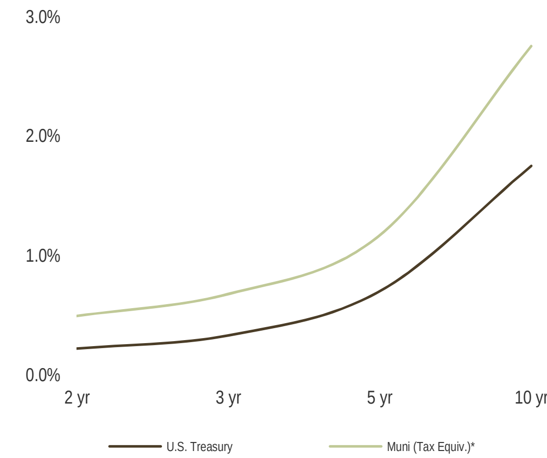
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

After losses earlier in the week, U.S. Treasuries finished mostly unchanged with a rally on Friday driven by separate reports showing measures of wholesale prices and consumer sentiment fell more than was forecast. On Monday, Fed Chairman Bernanke said economic conditions “are clearly still far from where we would all like them to be,” fueling speculation the central bank will not scale back its bond purchase program anytime soon. Given these developments, bond fund managers have increased duration relative to their respective benchmarks to levels not seen in over four years, according to a survey by Stone & McCarthy Research Associates.

Meanwhile, despite a recent rally in high yield bonds, the strength of the new issue market along with the historically low level of yields have raised questions as to whether investors are abandoning disciplined fundamental analysis as they seek out yield. According to strategists, the yields offered in this sector may no longer compensate investors for the risks involved. In an effort to reduce these risks, many investors have transitioned to short-term high yield funds. PIMCO’s 0-5 Year High Yield Corporate Bond Index ETF (HYS), which has amassed $1.2 billion since its June 2011 inception, recently reported $204.1 of inflows in one day, according to Bloomberg. On that same day, the SPDR Barclays High Yield Bond ETF (JNK), a longer-term high yield platform, recorded its second-largest daily redemption since its inception more than five years ago. Our recommendation to transition to short-duration mutual funds and ETFs in January remains in effect.

Yield Curves



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

Issue	4.5.13	4.12.13	Change
3 month T-Bill	0.07%	0.06%	-0.01%
2-Year Treasury	0.24%	0.22%	-0.02%
5-Year Treasury	0.68%	0.70%	0.02%
10-Year Treasury	1.72%	1.75%	0.03%
30-Year Treasury	2.87%	2.92%	0.05%

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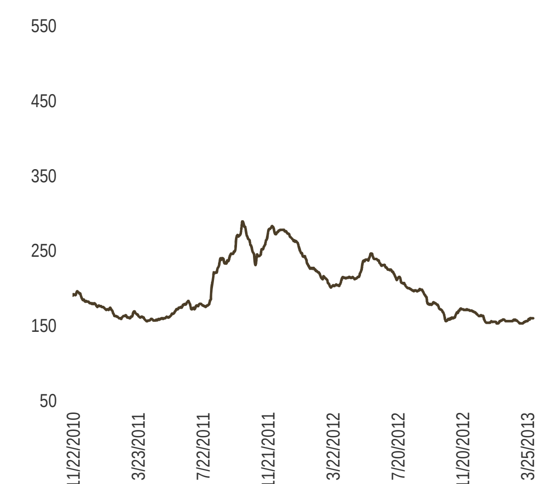
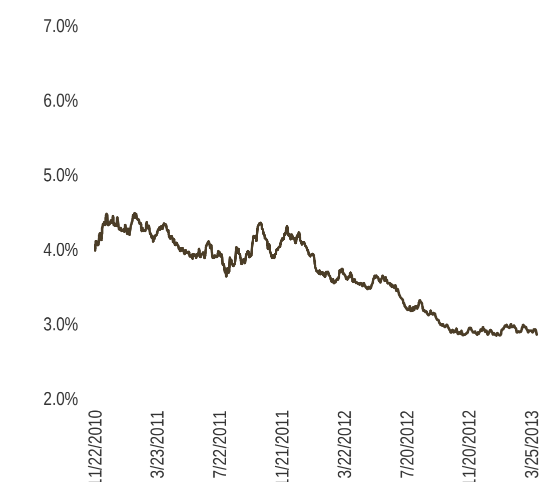
U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



Source: Merrill Lynch

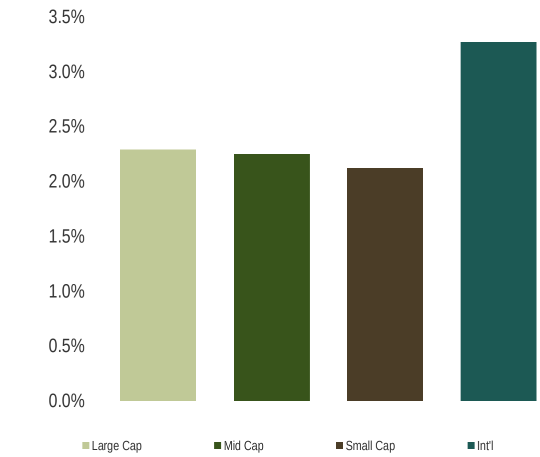
Stock Market Update

The stock market pulled back on Friday, but only after hitting another all time high for the week ending April 12. All three indices finished the week higher by 2%. The Dow Jones Industrial Average closed at 14,865.06, finishing the week up 2.06%. The broader S&P 500 Index ended the week at 1,588.85, while the NASDAQ Composite finished higher and closed the week out at 3,294.95.

Alcoa kicked off the earnings season at the close on Monday, but much of the anticipation for the week centered around the earnings of JP Morgan (JPM) and Wells Fargo (WFC) which were announced before the open on Friday. JP Morgan reported revenue that topped analysts' forecasts, but missed slightly on revenue. Wells Fargo reported similar results with an increase in profit, yet a decline in revenue. The first quarter was expected to be difficult for banks given the record low interest rates. Both banks opened lower on Friday based on the earnings reports. Next week we will hear from Citigroup (C), Bank of America (BAC), Goldman Sachs (GS) and Morgan Stanley (MS).

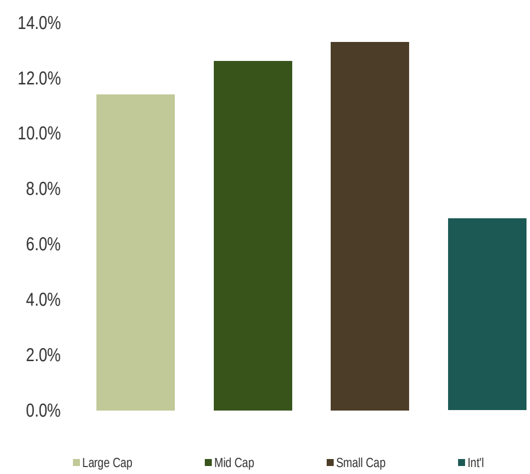
Japan's Nikkei Index continued to surge as the value of the Yen fell in the wake of the Bank of Japan's aggressive plan to spur inflation. Despite the decline in the index on Friday, the Nikkei index finished the week up over 5% marking the second strongest week this year. The dollar continued to gain against the Yen also rising another 1.8% for the week.

Weekly Change



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

Year to Date Change



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

Issue	4.5.13	4.12.13	Change
Dow Jones	14,565.25	14,865.06	2.06%
S&P 500	1,553.28	1,588.85	2.29%
NASDAQ	3,203.86	3,294.95	2.84%
Russell 1000 Growth	708.02	725.81	2.51%
S&P MidCap 400	1123.97	1149.23	2.25%
Russell 2000	923.28	942.85	2.12%
MSCI EAFE	1,660.80	1,715.09	3.27%
MSCI Small Cap	172.55	177.44	2.83%

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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.

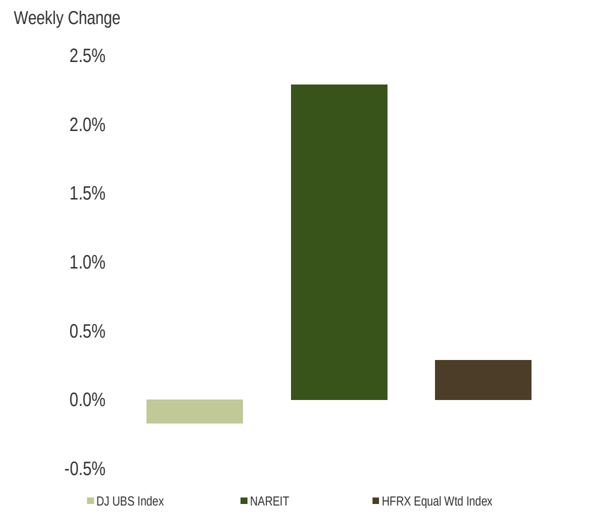
Alternative Investments Market Update

The price of gold fell on Friday to its lowest level in nearly three years as investors grew increasingly worried about the economy's forward momentum heading into spring. For the week, the precious metal dropped nearly 6%, settling at $1,487 an ounce, and entered bear market territory as the commodity's price fell 20% below its July 2011 peak. Investors appear to be losing their confidence in gold as a safe-haven investment from the risks of inflation or a potential drop in the stock market. There is also growing concern that as the banking sector in Cyprus worsens, citizens and investors there and in other parts of the eurozone will ratchet up gold sales to raise cash. According to the Financial Times, Cyprus agreed this week to sell gold worth €400m from its reserves as a contribution to an international bailout, shaking the metal markets as investors fear it could set a precedent for other troubled eurozone countries. This plan to dispose of most of its gold holdings would be the first such sale by a country seeking international assistance since the Asian financial crisis in 1997-1998 when South Korea asked the public to donate jewelry to the central bank for the "good of the nation". To raise €400m, Cyprus would need to sell just over 10 of their 13.9 tonnes of gold. The central bank's holdings account for 62% of its total official reserves, according to the World Gold Council.

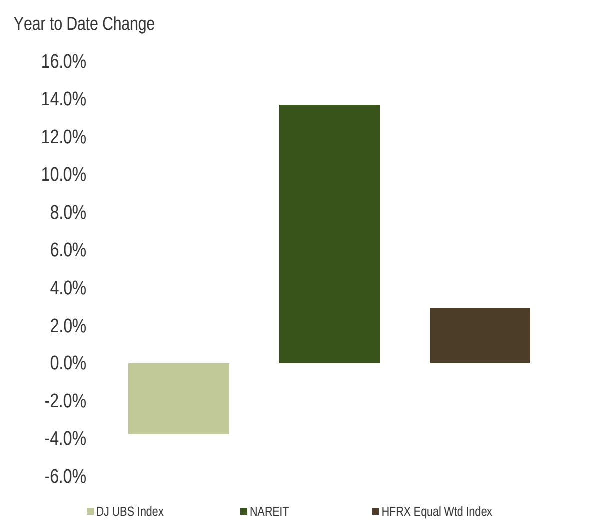
It appears the banking crisis in Cyprus caused a rise in the number of redemption requests in the hedge fund industry last month. According to the hedge fund administrator SS&C GlobeOp, March's Forward Redemption Indicator, a percentage of SS&C GlobeOp's hedge fund assets under administration being redeemed, showed more clients submitted notices of withdrawal. It was announced this week the withdrawal requests hit a three-month high in March as the Indicator measured 4.33%, up from 3.96% in February. However, SS&C GlobeOp went on to note that while the banking crisis may have led to a rise in demands to exit from hedge funds, inflows to hedge funds also rose in March, which is an indication the capital is being transferred from one fund manager to another instead of moving it out of the industry completely.

Issue	Previous Week	Current[1]	Change
Gold	1,580.05	1,487.05	-5.89%
Crude Oil Futures	93.01	90.95	-2.21%
Copper	334.25	333.60	-0.19%
Sugar	17.65	17.84	1.08%
HFRX Equal Wtd. Strat. Index	1,153.78	1,157.12	0.29%
HFRX Equity Hedge Index	1,097.10	1,099.64	0.23%
HFRX Equity Market Neutral	942.16	943.18	0.11%
HFRX Event Driven	1,451.33	1,459.13	0.54%
HFRX Merger Arbitrage	1,534.18	1,534.56	0.02%
Dow Jones UBS Commodity Index	134.08	133.86	-0.17%
FTSE/NAREIT All REIT	173.31	177.28	2.29%

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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