MainStreet Advisors
Financial Market Update

April 19, 2013
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Economic Update

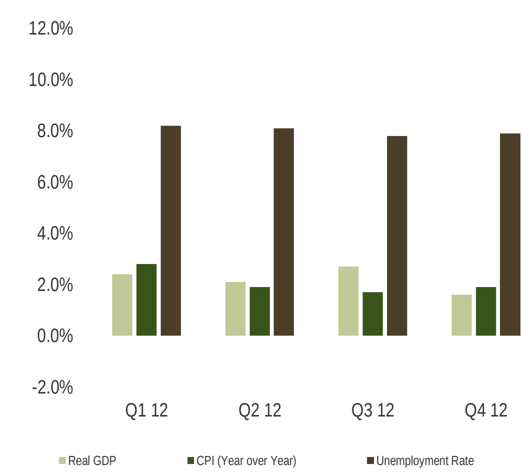
The reaccelerating growth story for China does not seem to be playing out. A report on economic growth showed GDP in the world's second largest economy only grew at a 7.7% annual pace in the first quarter, down 0.2% from the fourth quarter. The data was disappointing as economists had been forecasting growth of 8%. A separate report also showed a sharp slowdown in industrial production growth in the country.

Slower growth in China has helped keep inflation tame. Prices at the consumer level declined 0.2% in March after surging 0.7% the previous month. Energy prices fell 2.6% and the gasoline sub-component dropped 4.4% after jumping 9.1% in February. Excluding energy and food, which was flat for the month, core inflation was still only up 0.1%. Overall CPI inflation slowed to 1.5% year-over-year from 2.0% in the last report. Inflation remains well below the Fed's 2.5% threshold giving them plenty of room to maintain their current quantitative easing policy.

The National Association of Home Builders (NAHB) housing market index is indicating trouble ahead for the housing sector. The index declined for the third straight month to a lower-than-expected reading of 42 in April. The NAHB now points to higher construction costs in addition to tight lot supply and restrictive lending practices as the key obstacles for new building. Buyer traffic was down 4 points to 30 – the lowest reading since September. Despite the negative outlook for the near-term, some recent housing data still looks 'OK'. Starts were unexpectedly strong in March jumping 7.0% to an annual pace of 1.036 million. However, this strength came from a 31.1% surge in the multifamily component while single family home starts actually fell during the month.

The Conference Board Leading Economic Index for the U.S. declined 0.1% in March to 94.7 after posting gains the previous three months. Ken Goldstein, economist at The Conference Board stated "in addition to headwinds from government spending cuts, the private sector economy may struggle to maintain its momentum."

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Apr. 15th	Empire State Mfg Survey, April	3.05
Apr. 15th	Housing Market Index, April	42.0
Apr. 16th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.1%
Apr. 16th	Consumer Price Index, March Monthly Chg.	-0.2%
Apr. 16th	Housing Starts, March	1,036,000
Apr. 16th	Industrial Production, March Monthly Chg.	0.4%
Apr. 17th	MBA Purchase Applications Index, Wkly. Chg.	4.8%
Apr. 17th	EIA Petroleum Status Report, Wkly. Chg.	-1.2M Barrels
Apr. 18th	Initial Jobless Claims (week ending 4/13)	352,000
Apr. 18th	Philidelphia Fed Survey, April	1.3
Apr. 18th	Leading Indicators, March Monthly Chg.	-0.1%
Apr. 18th	EIA Natural Gas Report, Wkly. Chg.	31 bcf

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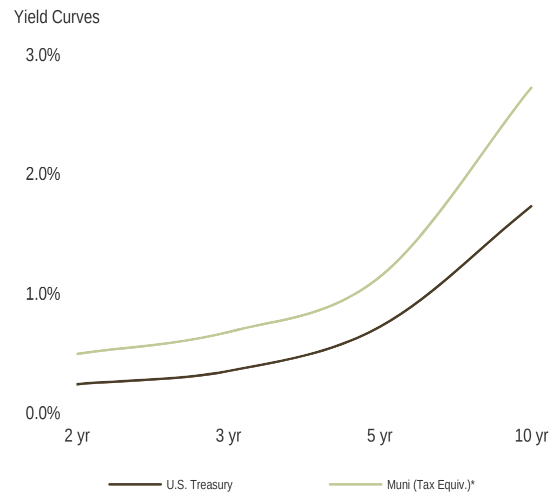
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Despite a volatile week for stocks, U.S. Treasuries finished only modestly higher during an unusually quiet bond market. Analysts suggest long-term investors are waiting for more clarity on the economy to make bets one way or another, while short-term traders remain on the sidelines due to a lack of volatility in this market. However, prior to this week Treasuries have rallied amid a weaker U.S. economic outlook. This rally has led to a rippling effect in the market with Treasury traders turning net long for the first time since mid-January as many who were shorting bonds are being forced to cover their positions, according to JP Morgan.

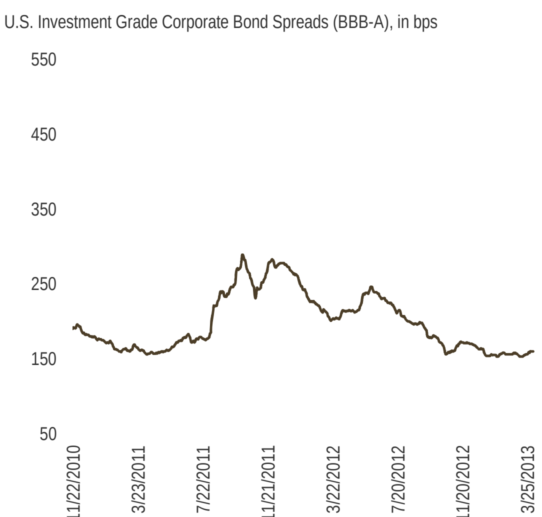
Meanwhile, finance ministers from the G-20 agreed on Friday Japan's recent monetary easing program is needed to boost growth, suggesting they will not pressure the Bank of Japan to support the yen after the currency's recent drop. As such, currency traders are likely to view the statement an indicator of an even weaker yen. To that end, the yen fell against the dollar on Friday after Japan's finance minister said fellow G-20 members accepted his explanation the country's recent monetary easing was aimed at ending deflation and boosting the economy, not weakening its currency. However, because policies that weaken currencies provide countries with an unfair trade advantage, many strategists believe Japan's monetary easing program will prove to be temporary.



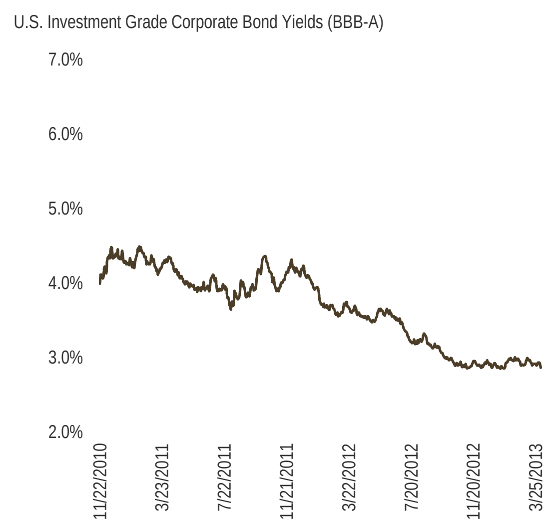
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	4.12.13	4.19.13	Change
3 month T-Bill	0.06%	0.05%	-0.01%
2-Year Treasury	0.22%	0.24%	0.02%
5-Year Treasury	0.70%	0.72%	0.02%
10-Year Treasury	1.75%	1.73%	-0.02%
30-Year Treasury	2.92%	2.88%	-0.04%

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



Source: Merrill Lynch



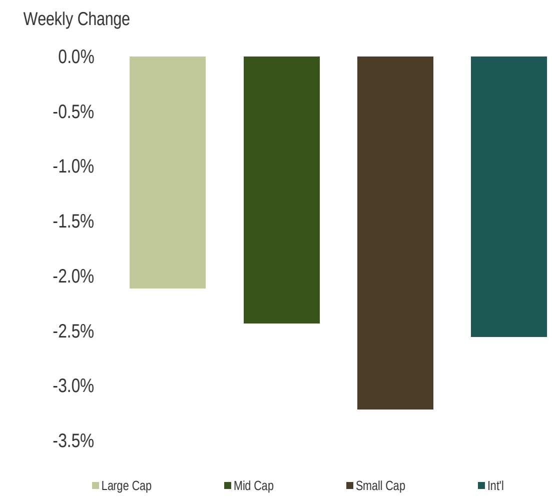
Source: Merrill Lynch

Stock Market Update

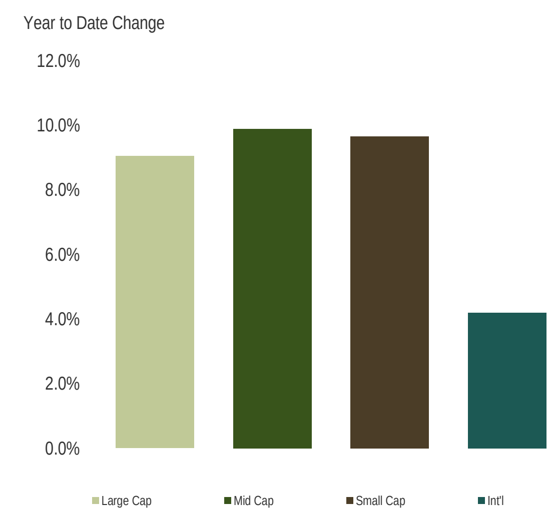
After a volatile week that included three triple-digit moves in the Dow Jones Industrial Average, all three domestic stock markets were down for the week. On Monday the Dow suffered its worse one-day decline since November, falling 266 points, as equity investors reacted to steep declines in gold prices, weak economic data out of China and declines in home builder confidence. Stocks bounced back on Tuesday, helped by strong earnings and better than expected new home construction data, only to fall again on Wednesday due to higher unemployment in the UK and threats of a downgrade of German debt. For the week the Dow Jones Industrial Average fell 2.1%, closing at 14547.51. The broader S&P 500 Index was off 2.1% to 1555.25, while the NASDAQ Composite Index declined 2.7% over the five-day trading session to finish at 3206.06.

European equities as measured by the STOXX Europe 600 Index were also quite volatile, down 2.4% for the week. In Asia, investors in Japanese equities have been taking profits after the recent rally. The Nikkei Stock Index fell 1.3%. The Shanghai Composite Index rallied over 2% on Friday to end the week 1.7%, despite the weak economic reports.

Earnings reports have been generally disappointing this week with guidance for the remainder of the year mixed. Negative surprises came from IBM, EBAY and General Electric, while Pepsi, Google and Blackrock reported earnings ahead of expectations. GE's first quarter results were impacted by deteriorating economic conditions in Europe. CEO Jeff Immelt said that while the company had anticipated weakness in Europe, it was even worse than expected as revenues in the region declined 17%. Pepsico reported strength in snacks and non-carbonated beverages, especially in emerging markets. Today the stock continued to reach new highs on news activist investor Nelson Peltz has gained a large stake in the company.



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



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

Issue	4.12.13	4.19.13	Change
Dow Jones	14,865.06	14,547.51	-2.14%
S&P 500	1,588.85	1,555.25	-2.11%
NASDAQ	3,294.95	3,206.06	-2.70%
Russell 1000 Growth	725.81	710.52	-2.11%
S&P MidCap 400	1149.23	1,121.30	-2.43%
Russell 2000	942.85	912.50	-3.22%
MSCI EAFE	1,715.09	1,671.23	-2.56%
MSCI Small Cap	177.44	173.14	-2.43%

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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

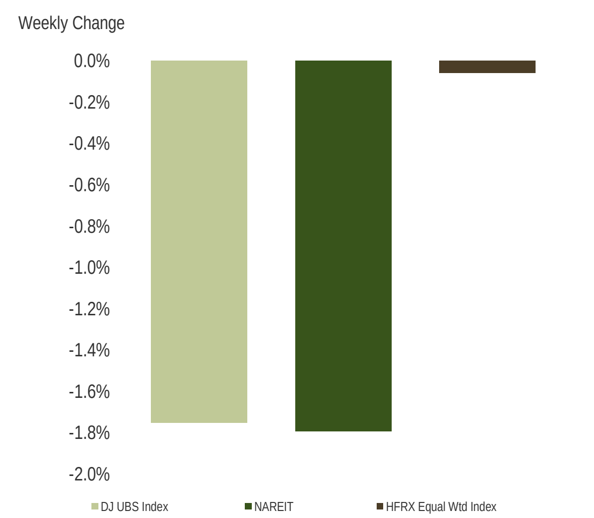
Along with equities, the commodity market in the U.S. and Europe had a choppy week as investors struggled to shake off lingering concerns about the prospects for global economic growth. Gold continued its free-fall, losing 5.84%, to close at $1,400.20 an ounce. The precious metal lost nearly $87 an ounce from last Friday's close of $1,487.05, marking the metals fourth consecutive weekly loss. On a percentage basis, this was this biggest weekly loss for the precious metal since the week ended September 23, 2011, according to data from MarketWatch. It could have been worse, though, had prices not gained ground in the final days of the week on support of strengthening physical demand for gold.

Crude oil settled higher on Friday, tracking the rising global equity markets, but still managed to drop 3.34% as concerns over the bleak outlook for global economic growth continued to weigh on investor sentiment this week. Despite crude losing over $10 a barrel in the past two weeks, prices did rebound and climb higher on Friday, as expectations that oil-producing countries could reduce lower output to avoid further drops. Members of OPEC announced this week that $100 a barrel could be a "reasonable" price for both producers and consumers.

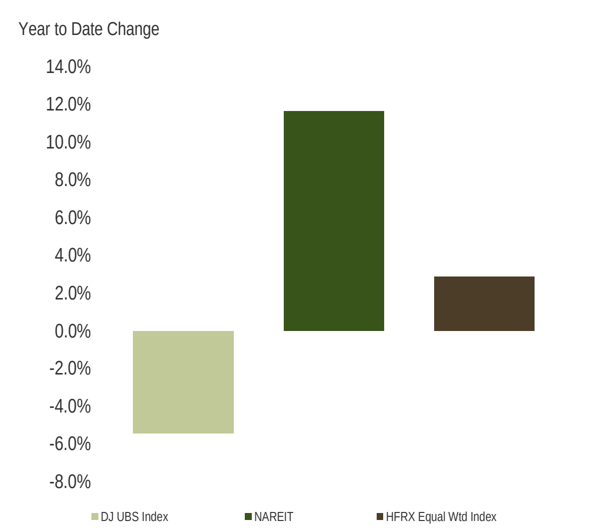
Total capital invested in the hedge fund industry expanded during Q1 at the fastest rate since 2010 as global financial institutions positioned for both growth and volatility across fixed income, equities, currencies and commodities. According to Hedge Fund Research (HFR), total assets under management (AUM) increased by $122 billion, the largest increase since Q4 2010, bringing industry capital to a record $2.375 trillion. Despite losing $12.4 billion in March, investors allocated $15.2 billion of net new capital to the industry in Q1, marking the highest inflow since Q1 of last year. Investor allocations were spread across a range of firm sizes, although the majority of net inflows were concentrated in the industry's most recognized firms. HFR noted firms managing less than $500 million in capital experienced net inflows of approximately $1.5 billion, reversing the trend of the prior quarter. Also, despite investor redemptions from several large funds, firms with greater than $5 billion AUM recorded net inflows of over $10 billion in the first quarter, increasing the total capital managed by these firms to more than $1.6 trillion.

Issue	Previous Week	Current[1]	Change
Gold	1,487.05	1,400.20	-5.84%
Crude Oil Futures	90.95	87.91	-3.34%
Copper	333.60	316.55	-5.11%
Sugar	17.84	17.88	0.22%
HFRX Equal Wtd. Strat. Index	1,157.12	1,156.44	-0.06%
HFRX Equity Hedge Index	1,099.64	1,089.74	-0.90%
HFRX Equity Market Neutral	943.18	939.68	-0.37%
HFRX Event Driven	1,459.13	1,454.16	-0.34%
HFRX Merger Arbitrage	1,534.56	1,534.12	-0.03%
Dow Jones UBS Commodity Index	133.86	131.51	-1.75%
FTSE/NAREIT All REIT	177.28	174.10	-1.79%

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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