MainStreet Advisors
Financial Market Update

May 3, 2013

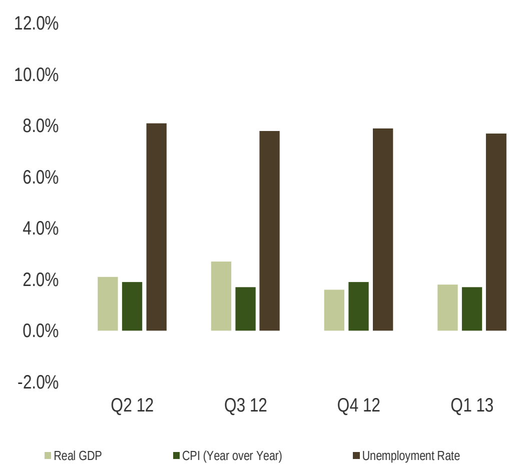
Economic Update

The number of Americans filing for first-time unemployment benefits fell 18,000 to 324,000 for the week ended April 27. This is the lowest figure we have seen in over five years, and it was a nice precursor to a rather upbeat employment report that came out today. 165,000 jobs were added in April in the U.S., beating expectations of 140,000. This improvement alone would have been good news, but the big story in the report was a massive upward revision to the previous two months of data. March was revised up to 138,000 from 88,000 and February was revised to an eye-popping 332,000 – the highest figure since the government was hiring Census workers back in 2010. The household survey also showed the unemployment rate ticked down to 7.5%. The labor force participation rate, at 63.3%, is still at its lowest level since May 1979, but overall the report was a good sign for the economy.

Growth in manufacturing slowed in April as the ISM reported its PMI fell to 50.7 from 51.3 the previous month. Behind the weaker headline number there were a couple good signs, though. New orders accelerated to 52.3 and there was a continued rise in backlogs at 53.0. The larger service side of the economy continued to expand, but at a somewhat slower pace falling from 54.4 to 53.1. Overall the two reports show the economy is still growing at a respectable pace.

The European Central Bank cut its interest rate for the first time in ten months this week, taking it from 0.75% to a record low of 0.50%. The cut will likely have only a limited impact, but any relief for Europe is welcome. Unemployment in the eurozone hit a record high just above 12% in March, and growth is elusive especially for hard-hit southern members like Spain who just reported its seventh consecutive quarter of recession. There was some good news out of Italy, though, as the country finally swore in Enrico Letta as Prime Minister after two months of political stalemate. Italian 10-year bonds fell below 4% and Greek bond yields fell below 10% for the first time since 2010, indicating concerns over the sovereign debt crisis are abating.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Apr. 29th	Personal Income, March Monthly Chg.	0.2%
Apr. 29th	Consumer Spending, March Monthly Chg.	0.2%
Apr. 29th	Core PCE Price Index, March Monthly Chg.	0.0%
Apr. 29th	Pending Home Sales, March Monthly Chg.	1.5%
Apr. 30th	Employment Cost Index, Q1 Quarterly Change	0.3%
Apr. 30th	S&P/Case-Shiller 20-city Index, Feb. Monthly Chg.	1.2%
Apr. 30th	Chicago PMI Business Barometer Index, April	49.0
Apr. 30th	Consumer Confidence Index, April	68.1
Apr. 30th	State Street Investor Confidence Index, April	93.6
May 1st	ISM Mfg. Index - Level, April	50.7
May 1st	Construction Spending, March Monthly Chg.	-1.7%
May 2nd	International Trade Balance Level, March	-38.8B
May 2nd	Initial Jobless Claims (week ending 4/27)	324,000
May 3rd	Non-farm Payrolls, April Monthly Chg.	165,000
May 3rd	Unemployment Rate, April	7.5%
May 3rd	ISM Non-Mfg. Index, April	53.1

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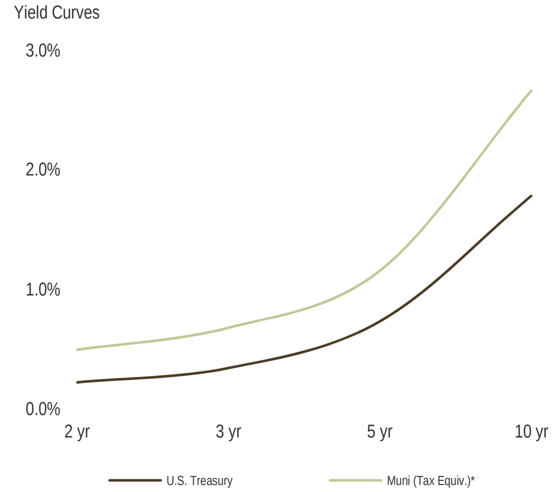
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Treasuries had their largest one-day selloff in nearly eight months on Friday as a better than expected jobs report drove investors into risker asset classes, sending the bond market lower for the week. However, Treasuries posted their best one-month gain in April since July of 2011 amid weaker than expected economic data, according to Bloomberg. Separately, the Fed's bond buying program has helped reduce volatility in the bond market as Merrill Lynch's MOVE index, a measure of price swings, declined to a record low level in early May.

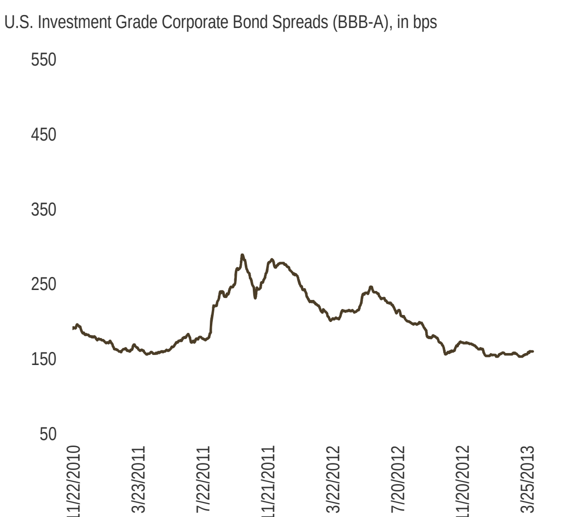
Meanwhile, Apple Inc. sold $17 billion in bonds, the world's largest corporate bond issue ever, despite having $145 billion in cash. Even with very low yields (0.5% for the three-year maturities), demand for these bonds was surprisingly robust with the deal more than three times over-subscribed. Reflecting this strong demand for high quality investments in a low yield world, so far this year U.S. companies have managed to issue nearly $300 billion of new debt, on track to surpass last year's record of $1 trillion. Although low yields benefit corporate treasurers, investors holding this debt may end up with negative real interest rates if the Fed succeeds in getting the moderate inflation it wants. In the short-term we believe the combination of low default rates, robust demand and room for spreads to narrow will likely drive corporate bonds higher. Over longer periods, the threat of higher inflation along with a probable reduction in the U.S. central bank's bond buying program later in the year suggest investors will need to soon focus on duration reduction strategies.



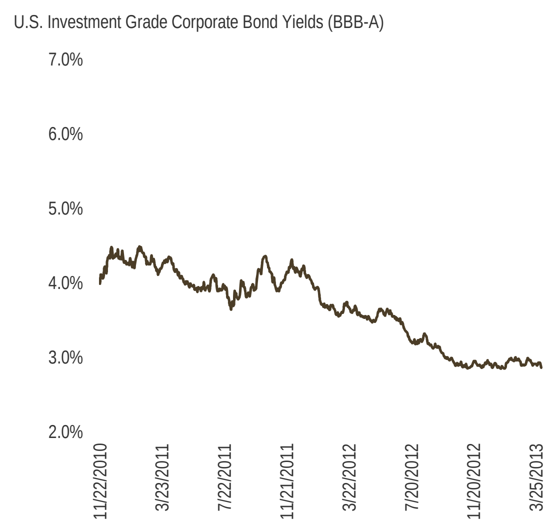
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	4.26.13	5.3.13	Change
3 month T-Bill	0.05%	0.05%	0.00%
2-Year Treasury	0.22%	0.22%	0.00%
5-Year Treasury	0.68%	0.73%	0.05%
10-Year Treasury	1.70%	1.78%	0.08%
30-Year Treasury	2.87%	2.96%	0.09%

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



Source: Merrill Lynch



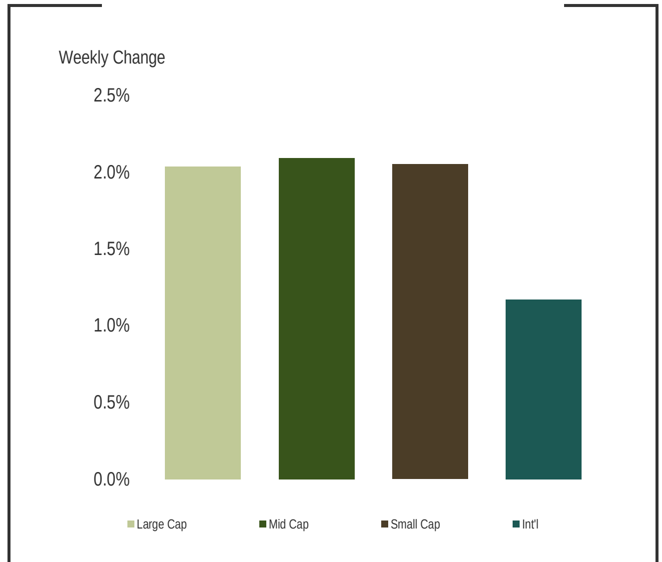
Source: Merrill Lynch

Stock Market Update

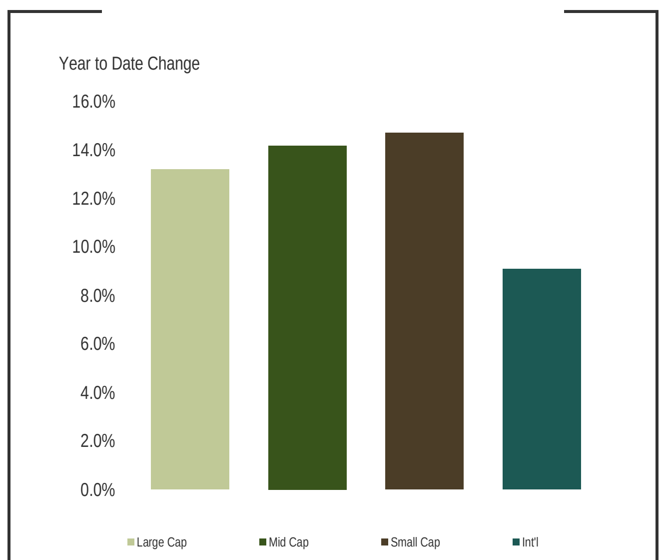
Stocks ended on a high note Friday after the strong employment report as the Dow Jones Industrial Average crossed the 15,000 level and the S&P closed up over 1600 for the very first time. Stocks were higher each day this week, with the exception of Wednesday when investors took profits following weak manufacturing data and cautious comments from Ben Bernanke. For the week the Dow Jones Industrial Average increased 1.8%, closing at 14973.96. The broader S&P 500 Index ended 2.0% higher at 1614.42, while the NASDAQ Composite Index climbed 3.0% over the five-day trading session to finish at 3378.63.

European equities as measured by the STOXX Europe 600 Index were also strong, up 1.7% for the week. Of note in Europe was the decline in Greek bond yields below 10% for the first time since 2010, a sign, some analysts believe, that Europe may truly be on the road to recovery. Germany's DAX index closed Friday at its highest level in history. In Asia, investors in Japanese equities took profits after the recent rally. The Nikkei Stock Index fell 1.3% after climbing 12% in the month of April.

According to S&P, of the more than 300 companies that have reported quarterly earnings, 68% beat expectations, 21% missed estimates and 11% reported in-line with analysts' consensus. Earnings surprises have outpaced the last three reporting periods. Sectors with the highest percentage of companies to report earnings upside are Consumer Discretionary and Financials while Materials and Industrials have seen the lowest percentage of outperformance. Companies reporting earnings this week included Exelon, Express Scripts, Merck and Pfizer. Exelon's results were in-line with expectations, but investors have been selling the stock in the last few days after strong performance through April. EBITDA per adjusted claim, a true measure of profitability in the pharmacy benefit industry, increased 20% for Express Scripts as the company increased its use of generic drugs. Both Merck and Pfizer missed revenue estimates.



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



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

Issue	4.26.13	5.3.13	Change
Dow Jones	14,712.55	14,973.96	1.78%
S&P 500	1,582.24	1,614.42	2.03%
NASDAQ	3,279.26	3,378.63	3.03%
Russell 1000 Growth	723.24	741.77	2.56%
S&P MidCap 400	1141.2	1,165.07	2.09%
Russell 2000	935.25	954.42	2.05%
MSCI EAFE	1,729.64	1,749.86	1.17%
MSCI Small Cap	179.45	181.12	0.93%

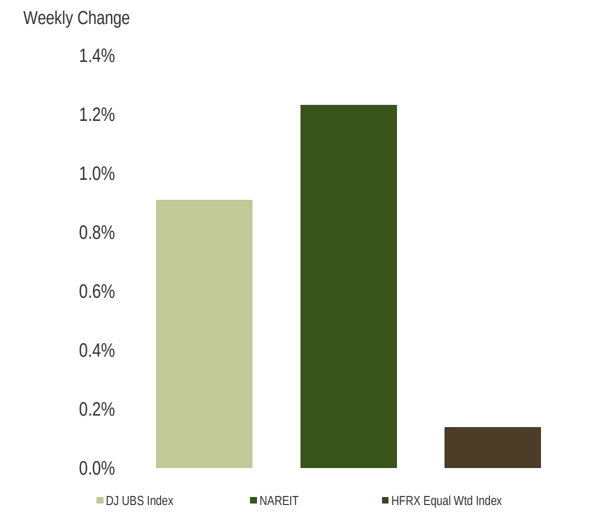
SEE IMPORTANT DISCLOSURES ON BACK PAGE.
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

Alternative Investments Market Update

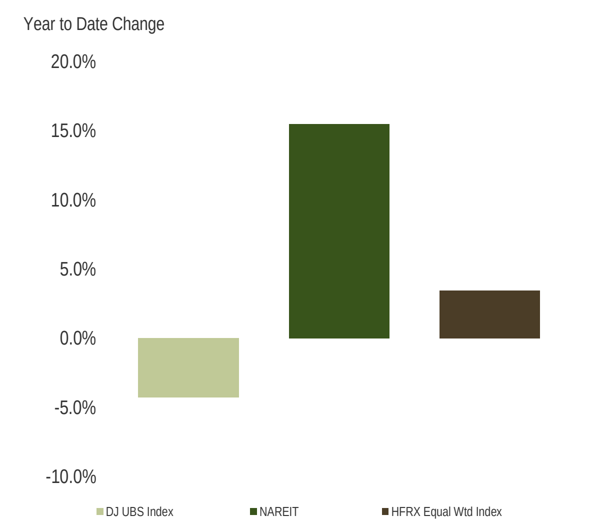
Crude oil gained 2.93% this week hitting a one-month high after monthly U.S. jobs data showed hiring picked up in April, offering a hopeful sign for the broader economy. For traders, the jobs report helped quiet expectations that rising domestic oil supplies and weak readings on fuel demand would translate to falling oil prices for crude and gasoline. U.S. oil stockpiles rose to their highest level in at least three decades last week, while gasoline supplies in the high-demand Northeast U.S. are 11% above average for this time of the year.

Gold finished higher for the second consecutive week as the precious metal had its best showing since March with cuts in interest rates by the European Central Bank and the U.S. Federal Reserve's decision to stick to its stimulus program backing bullion's appeal as a hedge against inflation. The gains could have been higher for the metal, though, had it not fallen on Friday thanks to the dollar erasing gains and rising against a basket of currencies after April payrolls pushed the unemployment rate to a four-year low of 7.5%. Right before the data's release, gold prices were trading around $13 an ounce higher than Thursday's close, but then fell around $10 lower after the employment figures came out. For the week, gold gained 0.85%, settling at $1,470 an ounce.

Real estate investment trusts (REITs) were up last month and for the first time this year surpassed the returns of the broader stock market. According to NAREIT.com, the FTSE NAREIT All Equity REITs Index posted returns of 5.8% in April, besting the S&P 500 which was up 1.93%. The index is now up 15.44% on the year, compared to 12.74% for the S&P 500. Many continue to point to REITs' dividends, hard assets and visible cash flows as attractors for investors in search of safe havens from broader economic concerns. Retail REITs, composed of Shopping Center and Regional Malls, were the best performing sector for the month, posting gains of 9.81%. Many believe Retail REITs faired so well last month because of trends in consumer spending indicating growing confidence in the economy. Timber REITs were the leading performers in March, up 7.3%; however, they underperformed in April, losing 1.61%.



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	1,457.61	1,470.00	0.85%
Crude Oil Futures	92.76	95.48	2.93%
Copper	318.30	330.80	3.93%
Sugar	17.42	17.53	0.63%
HFRX Equal Wtd. Strat. Index	1,161.54	1,163.14	0.14%
HFRX Equity Hedge Index	1,101.96	1,105.14	0.29%
HFRX Equity Market Neutral	942.33	940.99	-0.14%
HFRX Event Driven	1,467.40	1,467.66	0.02%
HFRX Merger Arbitrage	1,533.42	1,534.29	0.06%
Dow Jones UBS Commodity Index	131.92	133.12	0.91%
FTSE/NAREIT All REIT	177.88	180.07	1.23%

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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