

MainStreet Advisors Financial Market Update

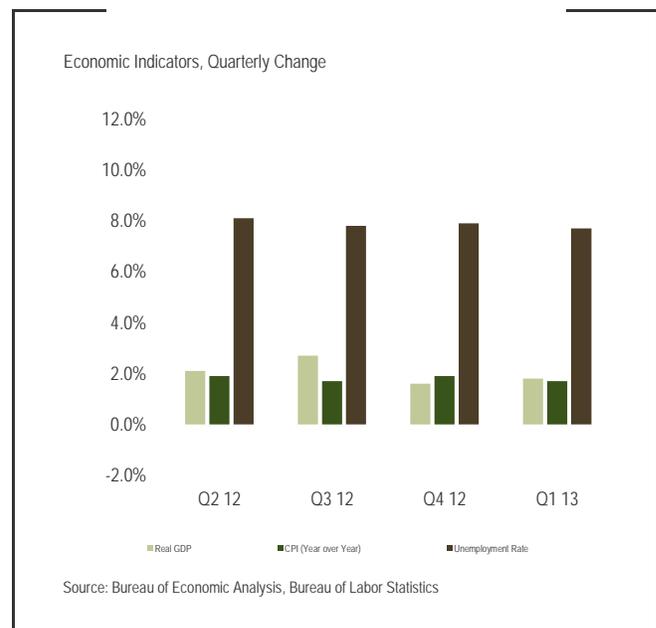
May 24, 2013
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Economic Update

Fed Chairman Ben Bernanke testified this week before a congressional committee, discussing the central bank's bond buying program. "A premature tightening of monetary policy could lead interest rates to rise temporarily, but would also carry a substantial risk of slowing or ending the economic recovery and causing inflation to fall further." While he did not specifically indicate when its controversial stimulus policy, known as quantitative easing, may slow down, Fed meeting minutes released later in the afternoon mentioned that some members would like to start tapering QE as soon as next month.

The Commerce Department reported a 3.3% increase in durable goods orders last month to a seasonally adjusted \$222.6 billion after a revised 5.9% drop in March, better than the 1.4% expected by economists. Excluding transportation, orders increased only 1.3% but demand was still broad based. Almost every key sector reported higher orders. This report is often viewed as an indicator of future business spending, but some economists expect government austerity programs may weigh on durable goods in the future.

The National Association of Home Builders reported April sales of newly built, single-family homes rose 2.3% to a seasonally adjusted annual rate of 454,000 units, according to data from HUD and the U.S. Census Bureau, 29% above April 2012. This gain builds on a strong upward revision to sales numbers reported for March (from 417,000 to 444,000). The inventory of new homes for sale increased slightly, but still stands at only a 4.1 month supply of 156,000 units.



May 21 st	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.2%
May 22 nd	MBA Purchase Applications Index, Wkly. Chg.	-9.8%
May 22 nd	Existing Home Sales, April SAAR	4.97M
May 22 nd	EIA Petroleum Status Report, Wkly. Chg.	-0.3M Barrels
May 23 rd	Initial Jobless Claims (week ending 5/18)	340,000
May 23 rd	New Home Sales, April	454,000
May 23 rd	EIA Natural Gas Report, Wkly. Chg.	89 bcf
May 24 th	Durable Goods New Orders, Apr. Monthly Chg.	3.3%

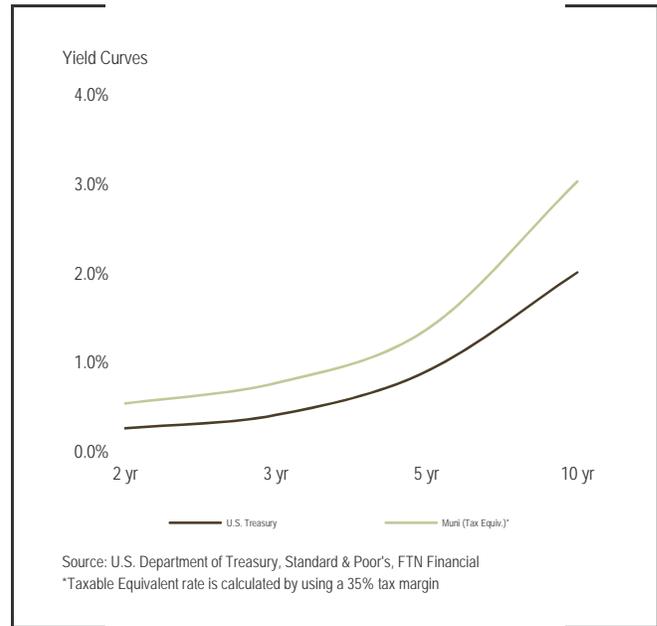
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Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the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

Bond Market Update

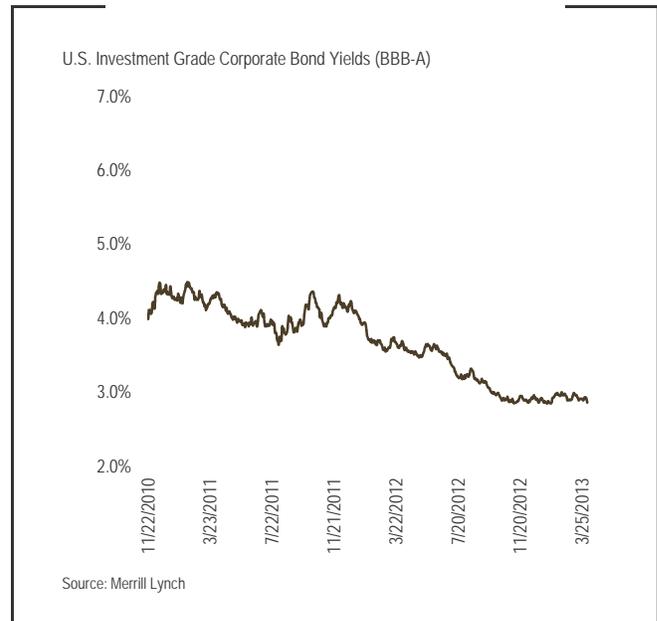
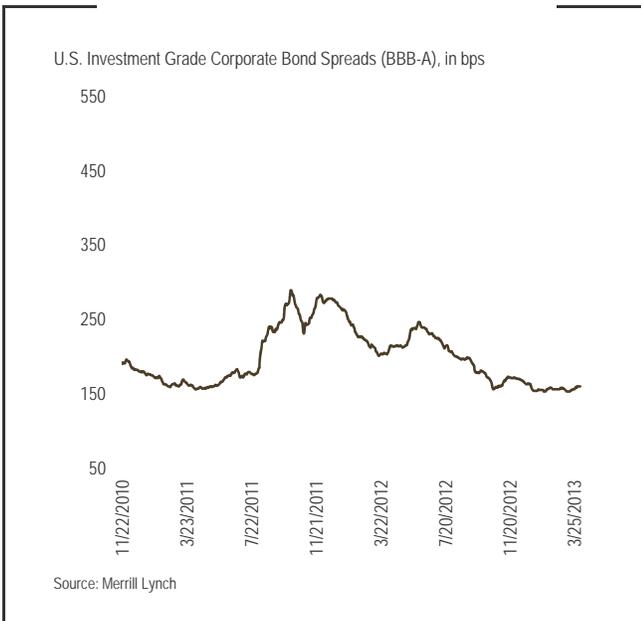
U.S. Treasuries extended their losing streak from last week with yields on 10-year notes climbing to their highest levels since March 14 after Fed Chairman Bernanke said the central bank may cut the pace of bond purchases if policy makers see signs of sustained growth. However, he also warned that a step down in purchases does not indicate a one-way march toward the end of quantitative easing. Because the Fed has made clear their monetary policy is data dependent, many strategists feel sensitivity to upcoming economic reports will be even greater than normal.

Meanwhile, Japanese government bonds plunged during the week, taking yields to their highest levels in a year. In keeping with its pledge to act as needed, the Bank of Japan injected funds into the market Thursday, buying ¥810 billion (\$7.8 billion) in JGBs maturing in less than five years. However, these large-scale bond purchases are reducing liquidity in the market, which is expected to keep market conditions turbulent. Less than two months after declaring the Bank of Japan would push down bond yields to spur economic activity and beat deflation, central bank governor Kuroda is struggling with an unexpected rise instead. Large purchases of Japanese government bonds by the BOJ, close to 70% of newly issued debt, were meant to bring down long-term interest rates, lowering borrowing costs for businesses and households. Because the bond market has defied the central bank's intentions, market participants continue to question the viability of the BOJ's aggressive fiscal and monetary stimulus programs.



Issue	5.17.13	5.24.13	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.26%	0.26%	0.00%
5-Year Treasury	0.84%	0.90%	0.06%
10-Year Treasury	1.95%	2.01%	0.06%
30-Year Treasury	3.17%	3.18%	0.01%

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



Stock Market Update

The domestic stock market fell on Friday and finished lower for the week for the first time in five weeks. During the last past week the Dow Jones Industrial Average closed at 15,303.10, finishing the week down .33%. The broader S&P 500 Index ended the week at 1,649.60, lower by 1.07% on the week. The NASDAQ Composite finished lower by 1.14% and closed the week out at 3,459.14.

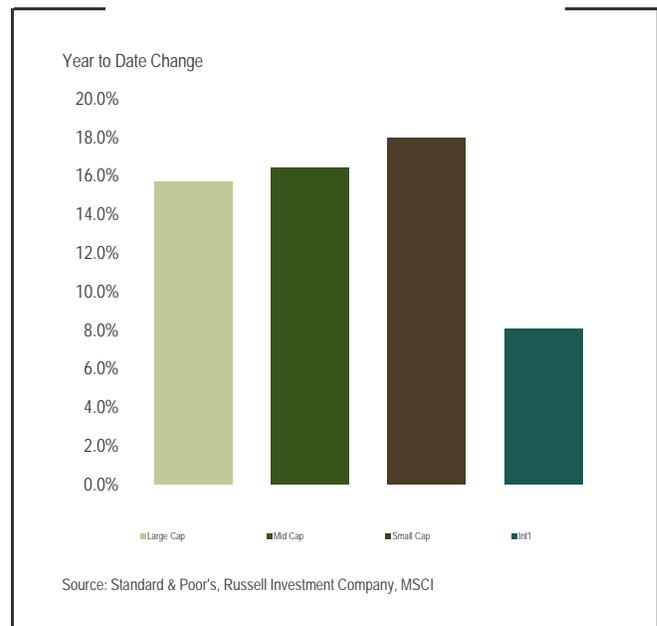
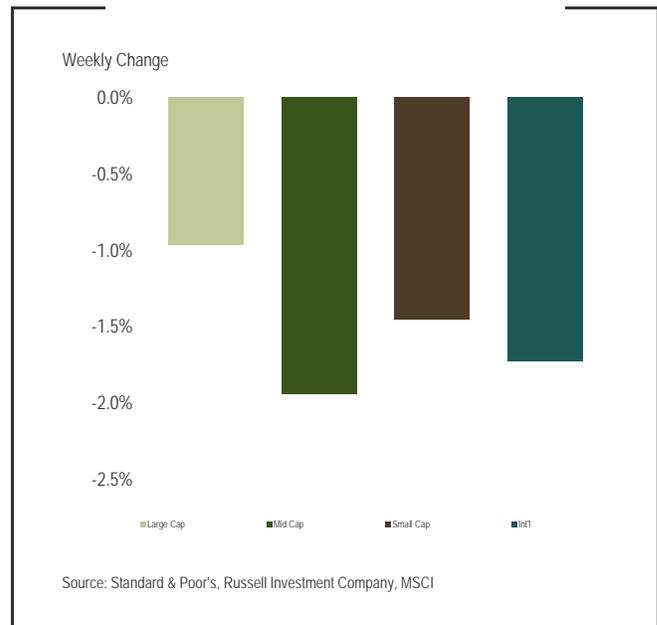
J.P. Morgan was in the news this week as the annual shareholders meeting voted on the separation of Chairman and CEO roles currently held by Jamie Dimon. The separation of duties was handily voted down with just over 30% of the vote. Several key board members were also up for re-election and maintained their seats on the board with well over 50% approval.

Other companies making news this week were Salesforce.com and Pandora in the technology sector. Salesforce.com fell over 7% after the company reported lower profit margin on higher expenses while Pandora saw its subscriber base increase and the stock jumped up over 5%. Proctor & Gamble was up Friday after the company announced current CEO and Chairman Bob McDonald is out and the previous CEO, A.G. Lafley will return and attempt to reinvigorate sales. Lafley held the title of CEO previously from 2000-09.

The Nikkei stock market opened up Thursday 2% higher than the prior day only to finish down over 7% for the day, posting the worst one-day drop since the earthquake and tsunami back in March of 2011. The reversal Thursday came after preliminary results for the China manufacturing Purchasing Managers' Index dropped to its lowest level in seven months. The Nikkei Index, despite the drop on Thursday, continues to be the best performing country with a return just under 40% year-to-date. On Friday, the market rebounded and finished higher by 3%.

Issue	5.17.13	5.24.13	Change
Dow Jones	15,354.40	15,304.00	-0.33%
S&P 500	1,666.12	1,650.00	-0.97%
NASDAQ	3,498.97	3,459.00	-1.14%
Russell 1000 Growth	684.62	676.25	-1.22%
S&P MidCap 400	1211.54	1,188.00	-1.94%
Russell 2000	996.28	981.78	-1.46%
MSCI EAFE	1,763.95	1,733.47	-1.73%
MSCI Small Cap	182.19	177.93	-2.33%

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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.

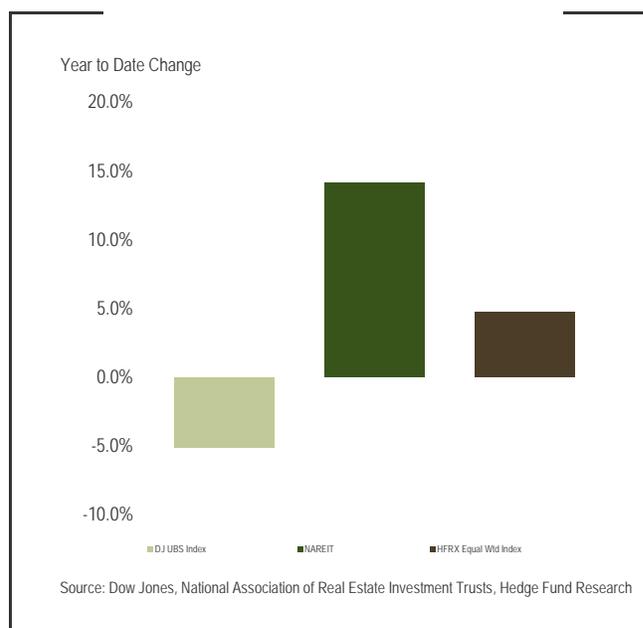
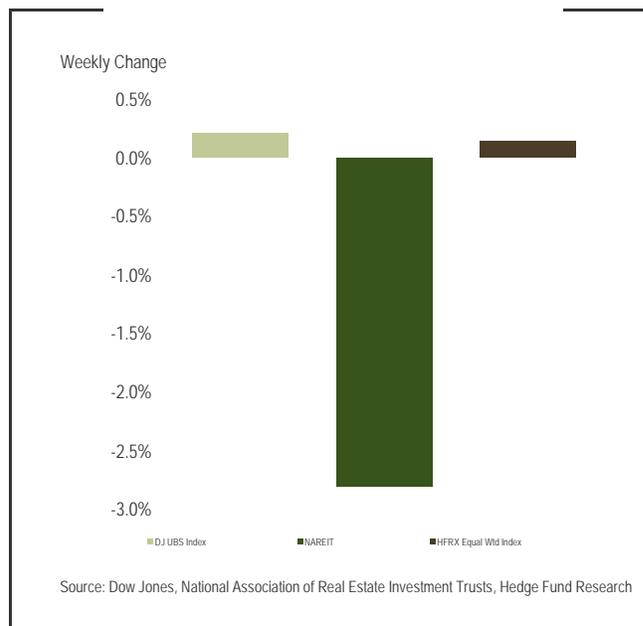


Alternative Investments Market Update

West Texas Intermediate crude (WTI) sold off this week after myriad concerns sent WTI to its biggest weekly loss in over a month. Improving U.S. economic data, including this week's durable goods orders, sent trepidation through the market that the Federal Reserve Board may taper asset purchases sooner rather than later. Reduction in asset purchases is expected to moderate U.S. and possibly global growth as well as lead to a strengthening in the U.S. dollar, which would prove a difficult environment for commodity prices. With U.S. stockpiles of crude oil sitting at 80 year highs, investors found little incentive to stake long positions. Furthering the dour mood in the oil markets is anticipation that increased pipeline capacity out Cushing, Oklahoma will be soon be online and could create a glut of supply on the Gulf Coast. Bearish sentiment also got a boost from poor economic data out of China where manufacturing data came in at seven month lows.

While oil prices slumped this week, gold futures enjoyed their first weekly gain this month, although prices weakened toward week-end with other commodities. The trend higher in futures prices narrowed the bifurcation between the demand seen in the futures market and the physical markets. While hedge funds remain bearish in the futures markets, demand for physical gold has surged since the April sell-off. Investors remain split on whether futures prices would rise to mirror the physical markets or physical demand would slow, although traders are the most bullish in a month.

After underperforming the S&P 500 since the financial crisis, hedge funds continue to have a difficult time in 2013. Goldman Sachs' quarterly report on hedge funds found that returns have averaged 5% for hedge funds versus the S&P's 15%. The poor performance led to only \$5.8 billion in net inflows into funds, the second lowest in a decade according to industry tracker eVestment.



Issue	Previous Week	Current ¹	Change
Gold	1,356.92	1,381.20	1.79%
Crude Oil Futures	95.99	93.86	-2.22%
Copper	331.25	329.55	-0.51%
Sugar	16.89	16.84	-0.30%
HFRX Equal Wtd. Strat. Index	1,175.89	1,177.55	0.14%
HFRX Equity Hedge Index	1,127.14	1,124.43	-0.24%
HFRX Equity Market Neutral	938.32	938.97	0.07%
HFRX Event Driven	1,499.30	1,504.04	0.32%
HFRX Merger Arbitrage	1,534.77	1,537.94	0.21%
Dow Jones UBS Commodity Index	131.70	131.98	0.21%
FTSE/NAREIT All REIT	183.08	177.95	-2.80%

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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