

MainStreet Advisors Financial Market Update

May 31, 2013
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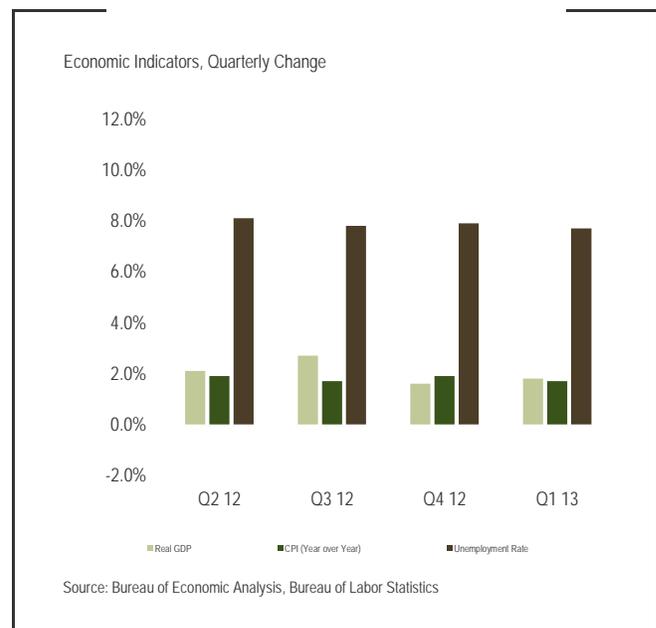
Economic Update

Real GDP growth in the U.S. was revised down one-tenth of a point to 2.4% in the final estimate for the first quarter of the year. Growth is forecast to moderate in the second quarter, but we believe it will likely reaccelerate in the latter half of the year. Meanwhile the IMF lowered its forecast for 2013 growth in China to 7.75% from its 8% forecast made earlier this year. In its statement the IMF recommended China reduce government involvement in the economy, improve local oversight and push to increase household incomes.

Initial unemployment claims rose 10,000 to 354,000 for the week ended May 25, but the rolling three-month trend is still declining. Additionally this week's data may have been distorted by holiday closures which prevented five states from completing a full count. The troubled eurozone reported unemployment hit a record high of 12.2% in April. Things continue to be the worst for Spain and Greece with both countries at roughly 27% unemployment. There are some indications the pace of decline in Europe may be moderating, though, and hopefully that leads to a turning point in their employment situation.

Personal income was flat in April and consumers cut back a little with spending decreasing 0.2%. Things may pick up in the months ahead, as consumer confidence has been buoyed by rising home prices and a strong stock market as well as an improving jobs market. The consumer confidence index jumped 7.2 points in May to a recovery best level of 76.2.

Home prices rose 1.1% in March according to Case-Shiller's 20-city index. It was the fourth straight increase over 1.0% and is the strongest run the housing market has seen since the glory days of 2005. Year-over-year gains are now in double-digit territory at 10.9%. Supply has been tight and has kept sales activity essentially flat for the past six months, but a rising trend in pending sales suggests sales are likely to pick up. On the other hand mortgage rates have climbed 50 bps this month, creating a headwind for prospective buyers.



May 28 th	S&P/Case-Shiller 20-city Index, Mar. Monthly Chg.	1.1%
May 28 th	Consumer Confidence Index, May	76.2
May 28 th	State Street Investor Confidence Index, May	94.8
May 29 th	MBA Purchase Applications Index, Wkly. Chg.	-8.8%
May 29 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.9%
May 30 th	Real GDP, Q1 Quarterly Change SAAR	2.4%
May 30 th	GDP Price Index, Q1 Quarterly Change SAAR	1.1%
May 30 th	Initial Jobless Claims (week ending 5/25)	354,000
May 30 th	Pending Home Sales, Apr. Monthly Chg.	0.3%
May 30 th	EIA Natural Gas Report, Wkly. Chg.	88 bcf
May 30 th	EIA Petroleum Status Report, Wkly. Chg.	3.0M Barrels
May 31 st	Personal Income, April Monthly Chg.	0.0%
May 31 st	Consumer Spending, April Monthly Chg.	-0.2%
May 31 st	Core PCE Price Index, April Monthly Chg.	0.0%
May 31 st	Chicago PMI Business Barometer Index, May	58.7
May 31 st	Consumer Sentiment Index, May	84.5

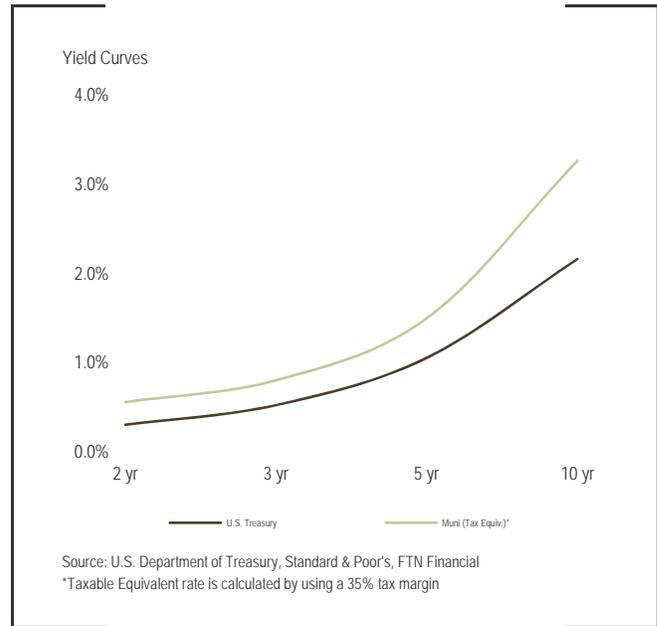
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

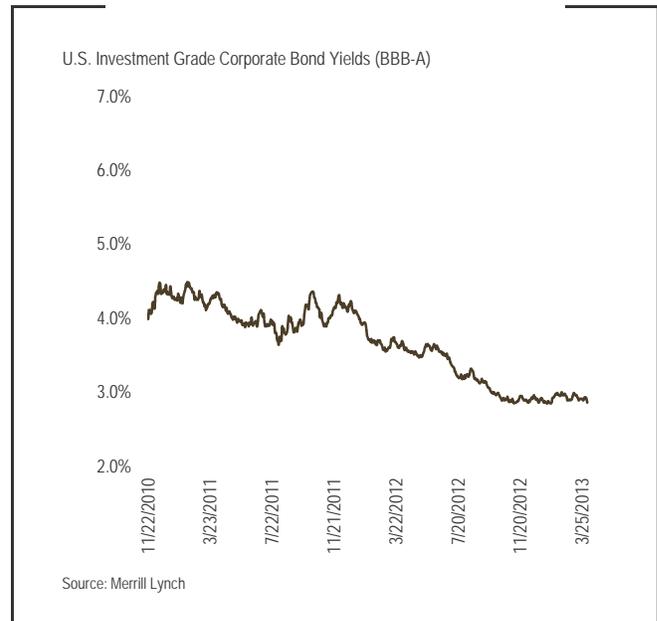
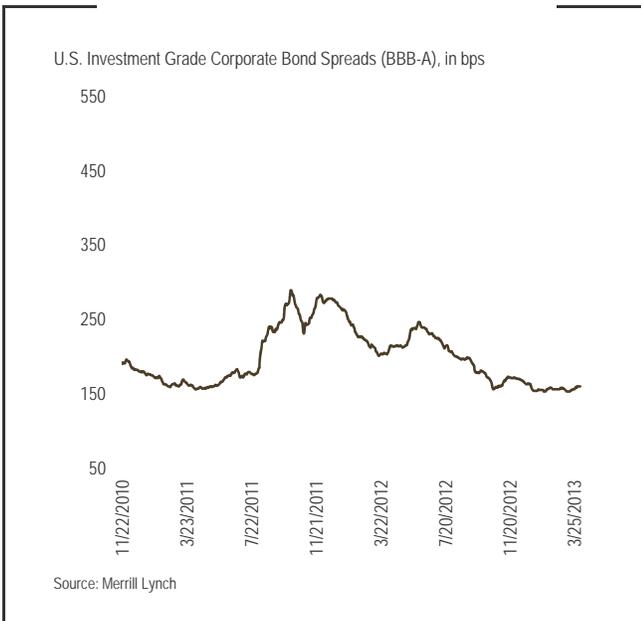
U.S. Treasuries slid further this week as a number of positive economic reports including a strong Chicago Purchasing Managers Index and higher consumer confidence numbers again led investors to be concerned over the future of the Federal Reserve's quantitative easing program. The yield on the ten-year Treasury hit an intra-day high of 2.20% on Friday, the highest level in more than a year, before finishing the week at 2.16% as equity prices slid at the end of the day. Stronger economic data will continue to reinforce the opinion that the Fed would have the opportunity to end its bond-buying program in the not too distant future and potentially continue to place pressure on bond prices.

Yields on Spanish bonds were on the rise again, extending their first monthly increase since August. Ten-year yields rose 30 basis points in May to close the month at 4.44%. Meanwhile German bonds had their worst month of performance since January. Despite the weak economy and worsening job market, inflation accelerated across the eurozone to 1.4% in May from 1.2% in April.



Issue	5.24.13	5.31.13	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.26%	0.30%	0.04%
5-Year Treasury	0.90%	1.05%	0.15%
10-Year Treasury	2.01%	2.16%	0.15%
30-Year Treasury	3.18%	3.30%	0.12%

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



Stock Market Update

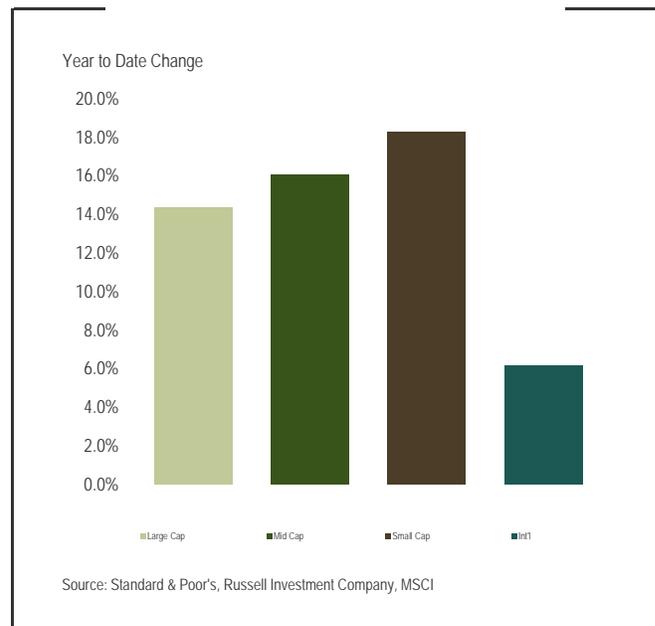
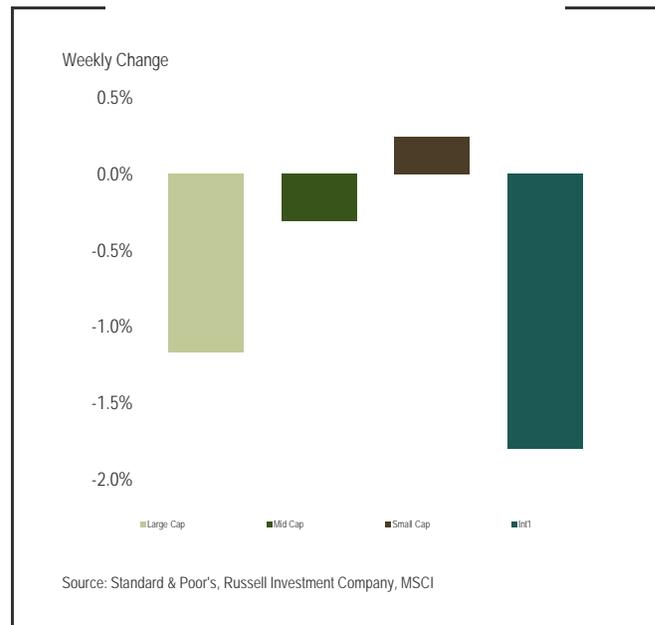
The domestic equity markets started the holiday-shortened week with strong gains on Tuesday but gave back the gains over the rest of the week, punctuated by a late sell-off on Friday, and ended mostly lower. The Dow Jones Industrial Average closed at 15,115.57, losing 187 points, or down 1.22%. The broader S&P 500 Index ended the week down 1.14% to close at 1,630.74, while the NASDAQ Composite finished slightly lower by 3 points, or down 0.09%, to close the week out at 3,455.91.

Investors continued to fret over the Fed's talk of tapering its latest round of quantitative easing and mixed economic readings. The Personal Income and Spending report for April was disappointing as income was flat and spending declined 0.2%. The May Chicago PMI surprised on the upside, coming in at 58.7 versus the expected 49.3. The University of Michigan final May Consumer Sentiment Survey rose to 84.5, the highest level since July 2007. The S&P/Case-Shiller 20-city home price index gained 1.2 percent for February which followed a 1.0 percent boost in the prior month. The year-on-year rate, at an adjusted plus 9.4%, was the highest since May 2006.

With 490 of the 500 companies in the S&P 500 having reported their first quarter 2013 earnings, about 74% met or exceeded expectations; however, companies continued to be cautious in their outlooks for the rest of the year. According to S&P, earnings for the full year 2013 for the S&P 500 companies are expected to increase about 13% over last year. International markets declined for the week as disappointing economic news out of Europe weighed on foreign equities. Some of the data included weaker than expected retail sales in Germany, a decline in French consumer spending and an unemployment rate of 12% in Italy that marked a 36-year high. In Japan, despite rising 1.37% on Friday, the Nikkei Index ended the week lower by more than 5%.

Issue	5.24.13	5.31.13	Change
Dow Jones	15,304.00	15,115.57	-1.23%
S&P 500	1,650.00	1,630.74	-1.17%
NASDAQ	3,459.00	3,455.91	-0.09%
Russell 1000 Growth	763.92	744.63	-2.53%
S&P MidCap 400	1188	1,184.32	-0.31%
Russell 2000	981.78	984.15	0.24%
MSCI EAFE	1,733.47	1,702.25	-1.80%
MSCI Small Cap	177.93	176.60	-0.75%

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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

Gold prices pulled back on Friday, locking in a second consecutive monthly decline on signs the pace of coin and bar purchases were slowing. The 5.4% drop in May marked the seventh monthly drop in the last eight months for the precious metal as the surge in demand for coins and bars following the market's record-setting April selloff faded. The precious metal extended its losses on separate reports published this week which showed gains in both consumer confidence and Chicago-area business conditions this month. Such data could spur the Federal Reserve to end its stimulus measures sooner, which may limit demand for gold as a refuge from the inflation that could follow such policies. Traders note the U.S. central bank's bond-buying programs have been key supporters for the precious metal's prices in recent years. For the week, though, gold managed modest gains to settle at \$1,385.52 an ounce.

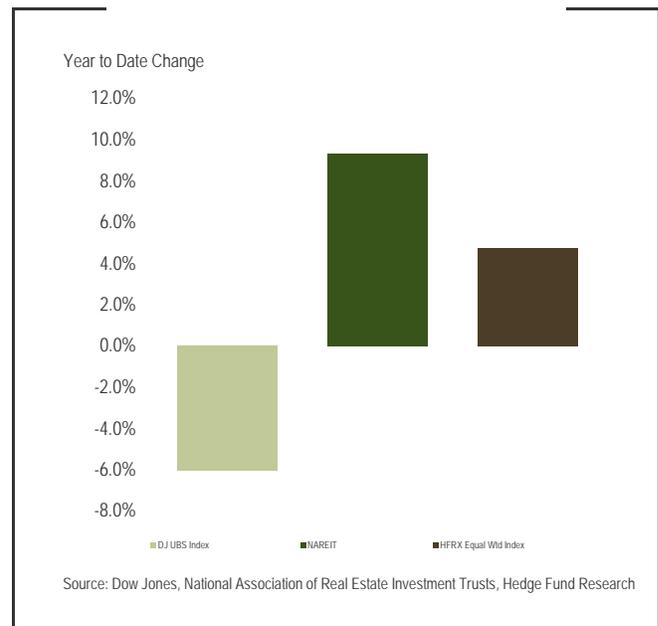
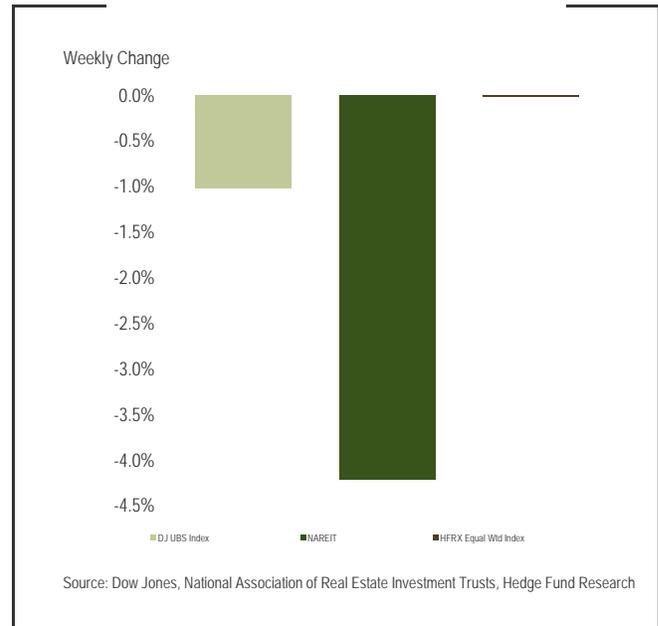
Crude oil finished the week lower, suffering from losses for the month as well as pessimism among traders over the outlook for energy demand, which fueled a drop in prices below \$92 a barrel. The market also assessed the Organization of the Petroleum Exporting Countries' (OPEC) decision to keep its oil production target unchanged despite worries about energy demand and rising U.S. output. OPEC announced on Friday it would maintain its current target for oil production at 30 million barrels a day. On the horizon for crude are official China manufacturing data, which is due out Saturday. Analysts claim a key factor in the government-sponsored purchasing managers' index will be whether the data matches preliminary results from a privately compiled version from HSBC and Markit, which showed Chinese manufacturing activity contracting in May. Manufacturing PMIs are expected to weaken in China, the country with the strongest growth momentum, which could further disappoint investors. For the week, crude lost 2.26%, settling at \$91.74 a barrel.

Issue	Previous Week	Current ¹	Change
Gold	1,381.20	1,385.52	0.31%
Crude Oil Futures	93.86	91.74	-2.26%
Copper	329.55	327.25	-0.70%
Sugar	16.84	16.55	-1.72%
HFRX Equal Wtd. Strat. Index	1,177.55	1,177.31	-0.02%
HFRX Equity Hedge Index	1,124.43	1,121.78	-0.24%
HFRX Equity Market Neutral	938.97	944.76	0.62%
HFRX Event Driven	1,504.04	1,503.42	-0.04%
HFRX Merger Arbitrage	1,537.94	1,537.66	-0.02%
Dow Jones UBS Commodity Index	131.98	130.63	-1.02%
FTSE/NAREIT All REIT	177.95	170.46	-4.21%

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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