

MainStreet Advisors Financial Market Update

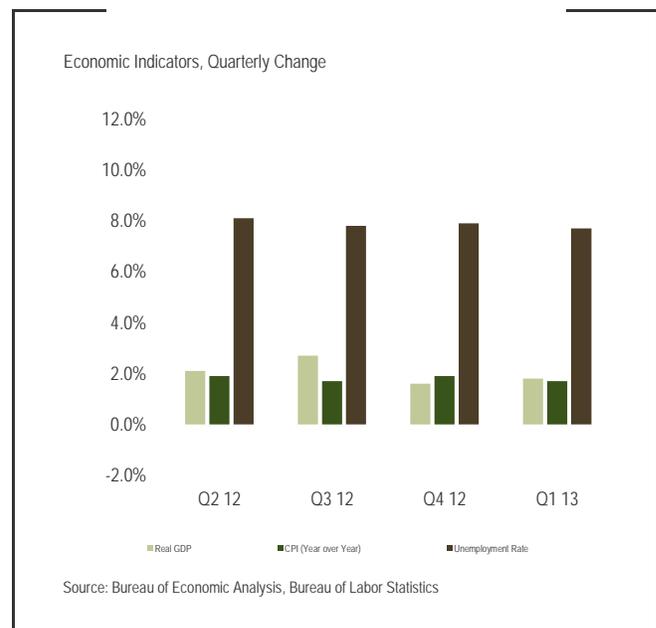
July 5, 2013
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Economic Update

This week's major economic report was the June employment released on Friday which came in stronger than analyst expectations. The U.S. economy added 196,000 new jobs in June stronger than the expected 155,000, continuing the improving trend we have seen in the last number of job reports. The unemployment rate remained unchanged at 7.6% as more workers are seeking out jobs with the improving employment picture, which is also a positive sign. The bond market reacted negatively to the report as it bolsters the outlook for the Federal Reserve to begin tapering asset purchases later this year. The ten-year yield moved immediately to 2.69%, reaching levels last seen in August 2011.

The U.S. auto sales report for June was released on Tuesday which also came in strong due to the improving economy and higher consumer confidence. The Ford Motor Company led the growth, reporting a 13 percent increase for its Ford and Lincoln brands. General Motors reported gains of 6 percent and the Chrysler Group reported gains of 8 percent. These gains were also fueled by increases in pickup and SUV sales supported by the improving housing and construction markets.

Oil prices moved higher this week largely due to the political unrest in Egypt, rising above \$100/barrel. Though Egypt is not a major oil producer, it does control the Suez Canal, and its proximity to major exporters has caused a spike in prices. This oil price rise has yet to be captured in gas prices and, depending on the course of resolution, it remains to be seen as to whether prices at the pump will be impacted. The strong jobs number, which generally reinforces an accelerating economy, also contributed to the rise in oil prices.



Jul 1 st	ISM Mfg. Index - Level, June	50.9
Jul 1 st	Construction Spending, May Monthly Chg.	0.5%
Jul 2 nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.6%
Jul 3 rd	MBA Purchase Applications Index, Wkly. Chg.	2.1%
Jul 3 rd	International Trade Balance Level, May	-45.0B
Jul 3 rd	Initial Jobless Claims (week ending 6/29)	343,000
Jul 3 rd	ISM Non-Mfg. Index, June	52.2
Jul 3 rd	EIA Petroleum Status Report, Wkly. Chg.	-10.3M Barrels
Jul 4 th	Non-farm Payrolls, June Monthly Chg.	195,000
Jul 4 th	Unemployment Rate, June	7.6%

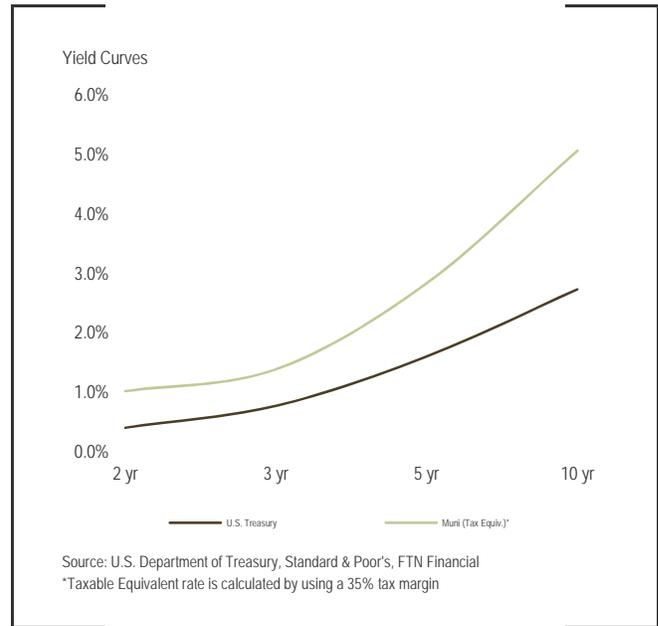
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

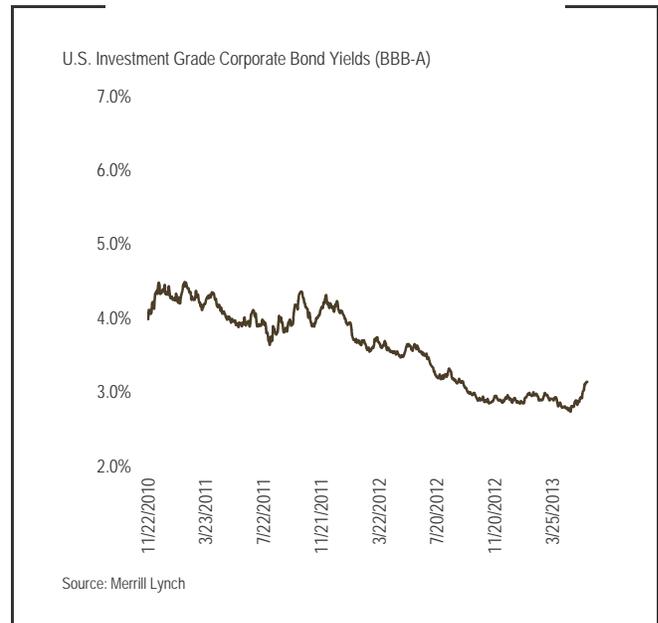
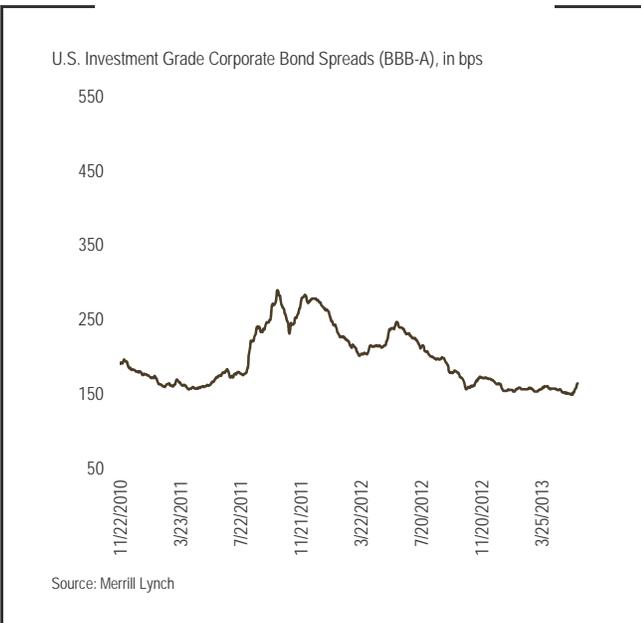
Bonds suffered another tumultuous week after Friday's strong U.S. jobs report sent bond yields sharply higher. Investors viewed the labor report as further confirmation that the Federal Reserve will begin tapering off their bond buying program in the fall. The U.S. 10-year Treasury note which had stabilized near the 2.5% yield mark earlier this week, jumped to the 2.72% level. The spike marked the highest yield in two years and the 20 basis point rise marked the biggest intra-day decline in two years as well.

European bonds also struggled this week although comments from the European Central Bank helped pare losses at week's end. Political problems in Portugal sparked soaring bond yields across peripheral EU countries as Portugal's ruling government struggles to maintain control. Portuguese 10-year yields spiked over 8% before Thursday's pledge by the ECB to keep rates low for an "extended period" helped trim losses on Friday. Adding to investor angst is the coming show down between Greece and its lenders as creditors threatened to withhold the next loan payment unless the nation followed through with agreed upon public sector job cuts.



Issue	7.1.13	7.8.13	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.36%	0.40%	0.04%
5-Year Treasury	1.41%	1.60%	0.19%
10-Year Treasury	2.52%	2.73%	0.21%
30-Year Treasury	3.52%	3.68%	0.16%

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



Stock Market Update

The stock market rallied Friday during a shortened trading week after an upbeat jobs report Friday morning. The upbeat data pushed domestic equities into positive territory for the week while emerging markets continued their decline due to political unrest. During the past week The Dow Jones Industrial Average closed at 15,135.84, finishing the week up 1.52%. The broader S&P 500 Index ended the week at 1,631.89, higher by 1.59% on the week. The NASDAQ Composite finished higher by 2.24% and closed the week out at 3,479.38.

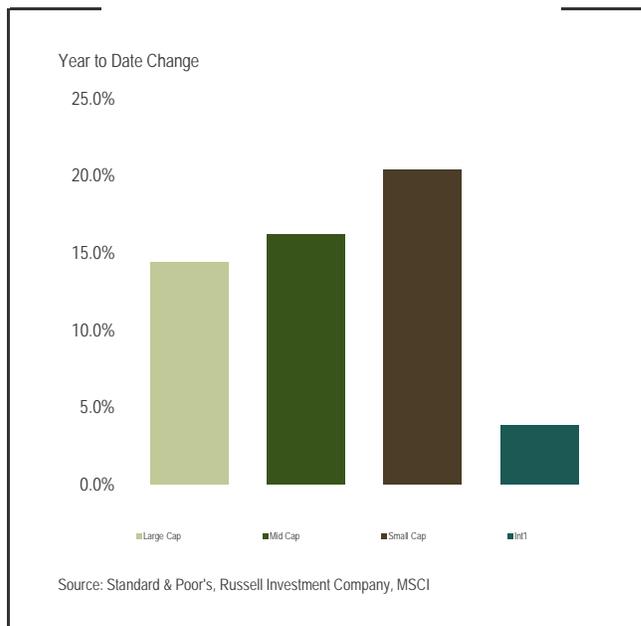
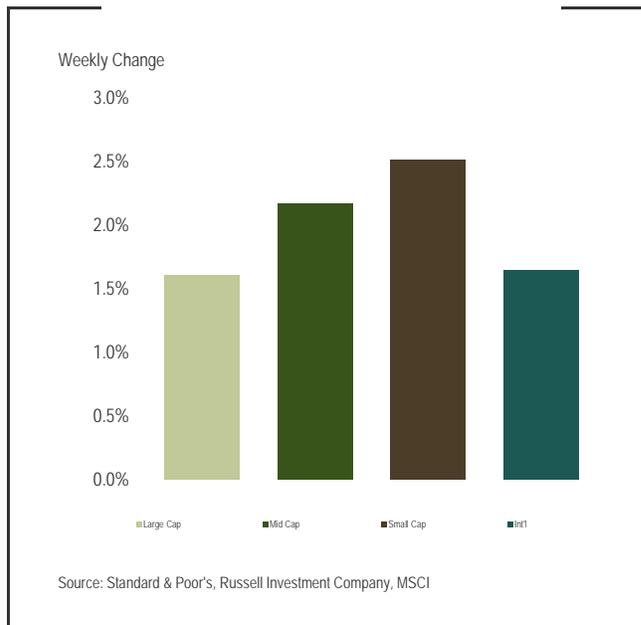
International equities continue to decouple as developed international equities rallied after comments out of the Bank of England and the European Central Bank while emerging markets declined due to unrest in Egypt and lowered GDP forecast out of China. On Thursday, as the U.S. markets were closed, both the Bank of England and the ECB commented that key interest rates will remain unchanged in the short-term. It was the comments from ECB President Mario Draghi that sent shares rallying as he stated "euro-zone interest rates will remain low or go even lower for an extended period of time."

Emerging markets finished lower this week as Egypt dominated the headlines with the overthrow of President Mohammed Morsi. The country declared a state of Emergency on Friday ahead of mass protests to be staged by the Muslim Brotherhood. The political unrest, along with a stagnant output in China, contributed to a decline in the emerging markets.

Domestic stocks rallied Friday in a shortened week that saw light volume. The jobs data came in at 195,000, well ahead of the 155,000 that was expected. The jobs report is being closely monitored as it may be a signal that the Federal Reserve may begin to taper its bond buying program.

Issue	7.1.13	7.8.13	Change
Dow Jones	14,909.60	15,136.00	1.52%
S&P 500	1,606.28	1,632.00	1.60%
NASDAQ	3,403.25	3,479.00	2.23%
Russell 1000 Growth	729.59	742.25	1.74%
S&P MidCap 400	1160.82	1,186.00	2.17%
Russell 2000	977.48	1,002.00	2.51%
MSCI EAFE	1,638.94	1,665.87	1.64%
MSCI Small Cap	169.80	173.31	2.07%

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

Gold fell over 3% on Friday as the U.S. dollar gained strength after a positive jobs report. Markets are likely reacting in anticipation of the Federal Reserve's plan to scale back the current stimulus plan, which could occur sooner as economic (specifically employment) data improves further. Gold prices dropped 23% in the second quarter of 2013, the largest quarterly loss on record, while the U.S. dollar climbed to a three-year high against other major currencies. The other primary precious metals, including silver, platinum, and palladium, also dropped significantly this week. If bond yields remain at elevated levels, or rise further, the downward trend of gold prices will likely continue as the attractiveness of the metal against U.S. treasury securities is lessened

Oil prices moved in a different direction this week as political turmoil in Egypt fueled supply concerns throughout the Middle East. Brent crude hit \$107/barrel on Friday and West Texas Intermediate moved to over \$102/barrel after the Egyptian military expelled President Mursi from power. There have not been any supply disruptions as of Friday afternoon, but Egypt is located on the Suez Canal where ships and pipelines transport over 2.2 million barrels of oil per day, making political stability in the region a potential issue for oil markets.

In hedge fund news Steve Cohen, billionaire and head of SAC Capital, will not face charges for his involvement in the insider trading ring that was run by portfolio manager Mathew Martoma. This is not the first time Cohen has been accused of involvement with securities fraud, and investigators say he still could incur civil charges.

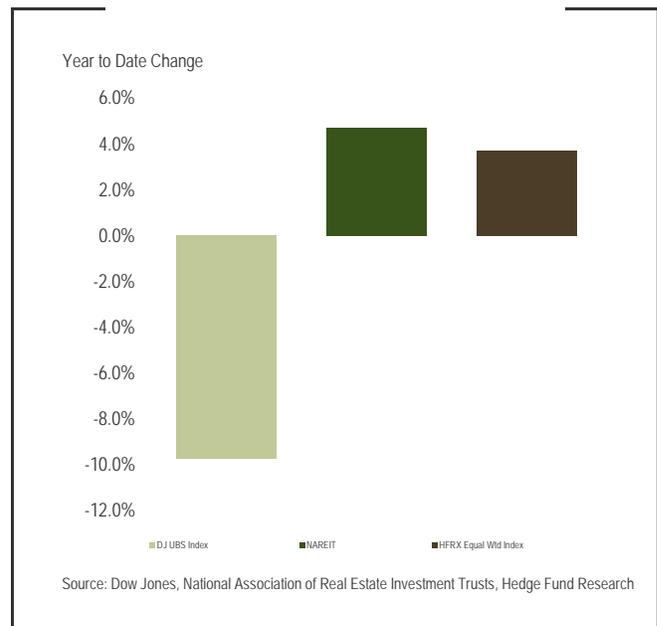
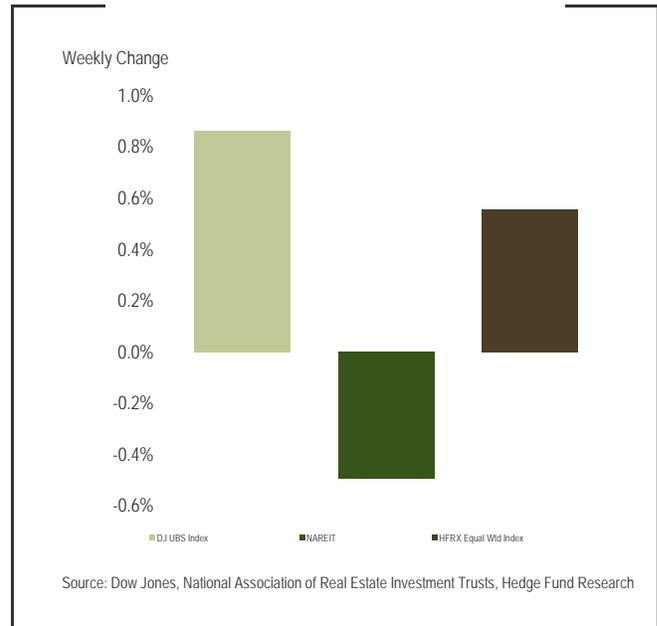
Hedge funds have significantly underperformed U.S. equity markets in 2013, posting an average 3.4% gain year-to-date while the S&P 500 has climbed nearly 13%. Many hedge funds showed losses in June as the market sell-off caught many fund managers off guard after Ben Bernanke's comments regarding the tapering of the quantitative easing program. Some, however, have still managed to hold up quite well; David Tawil's Maglan fund, for example, has posted a 23% gain so far in 2013, and Niederhoffer Capital Management reported a 30% gain during this period.

Issue	Previous Week	Current ¹	Change
Gold	1,232.00	1,217.01	-1.22%
Crude Oil Futures	96.53	103.09	6.80%
Copper	305.80	306.50	0.23%
Sugar	16.92	16.26	-3.90%
HFRX Equal Wtd. Strat. Index	1,159.27	1,165.70	0.55%
HFRX Equity Hedge Index	1,087.97	1,104.47	1.52%
HFRX Equity Market Neutral	939.26	938.78	-0.05%
HFRX Event Driven	1,479.11	1,493.36	0.96%
HFRX Merger Arbitrage	1,532.37	1,536.04	0.24%
Dow Jones UBS Commodity Index	124.47	125.54	0.86%
FTSE/NAREIT All REIT	164.08	163.27	-0.49%

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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MAINSTREET ADVISORS™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com