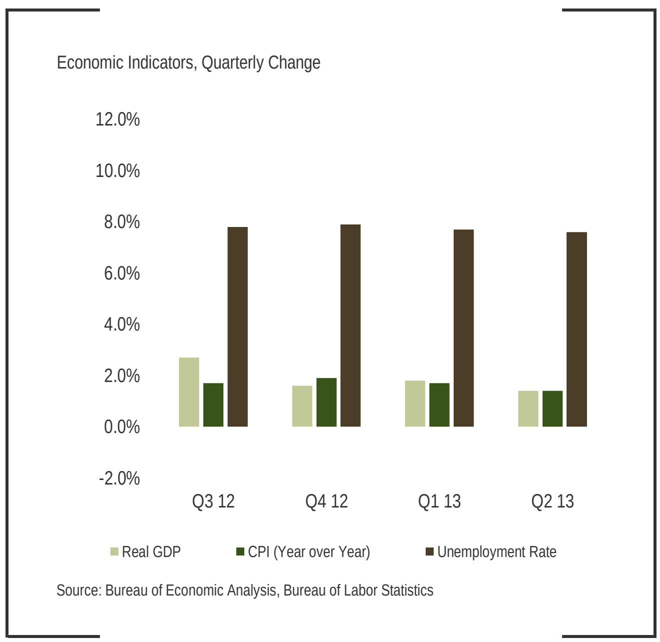
MainStreet Advisors
Financial Market Update

Economic Update

Inflation remained in check for the month of July thanks to a surprise drop in energy prices, providing support for further P/E expansion in the equity markets. Prices at the producer level were much softer than anticipated coming in flat for the month after a 0.8% increase in June. Excluding food and energy inflation was still contained creeping up only one-tenth of a percent. At the consumer level prices eased 0.2% after a half-percent increase in June. In contrast the year-over-year rate of inflation firmed to 2.0% from 1.8% the previous month. Both the doves and the hawks on the FOMC will try to find something in this data to make their case to either taper QE or keep it going, but the bottom line is neither inflation nor deflation looks to be a threat right now. Inflation is likely to remain well contained over the next year thanks to slower emerging market growth, high unemployment, low unit labor costs, and a stronger dollar.

Retail sales rose 0.2% in July following an upwardly revised 0.6% increase the previous month. This was slightly below expectations for a 0.3% increase as a 1.0% decline in auto sales weighed on the number. Excluding motor vehicle sales retail spending was up 0.5% and the gains were widespread within the core. Gasoline sales were up 0.9% and a recent upturn in gasoline futures suggest that retail prices could move higher this month, which might depress consumer confidence. Overall, though, spending remains moderately healthy.

The August number for the NAHB Index came in higher than expected for the third month in a row, climbing three points to 59 when the market was only expecting a reading of 56. Homebuilder confidence is now at its highest since the bubble days of 2005. Housing starts rebounded 5.9% in July to an annual pace of 896,000 while permits resumed a moderate uptrend climbing 2.7% to an annual pace of 943,000. Despite a full one percentage point increase in mortgage rates from their recent lows, they are still low on a historical basis. The rise has had a significant impact on refinancings, though, which have declined 54% from recent highs.



Aug 13th	Retail Sales, July Monthly Chg.	0.2%
Aug 13th	Import Prices, July Monthly Chg.	0.2%
Aug 13th	Export Prices, July Monthly Chg.	-0.1%
Aug 13th	Business Inventories, June Monthly Chg.	0.0%
Aug 14th	MBA Purchase Applications Index, Wkly. Chg.	-4.7%
Aug 14th	Producer Price Index, July Monthly Chg.	0.0%
Aug 14th	EIA Petroleum Status Report, Wkly. Chg.	-2.8M Barrels
Aug 15th	Consumer Price Index, July Monthly Chg.	0.2%
Aug 15th	Initial Jobless Claims (week ending 8/10)	320,000
Aug 15th	Empire State Mfg Survey, August	8.24
Aug 15th	Industrial Production, July Monthly Chg.	0.0%
Aug 15th	Housing Market Index, August	59.0
Aug 15th	Philidelphia Fed Survey, August	9.3
Aug 16th	Housing Starts, July	896,000
Aug 16th	Consumer Sentiment Index, August	80.0

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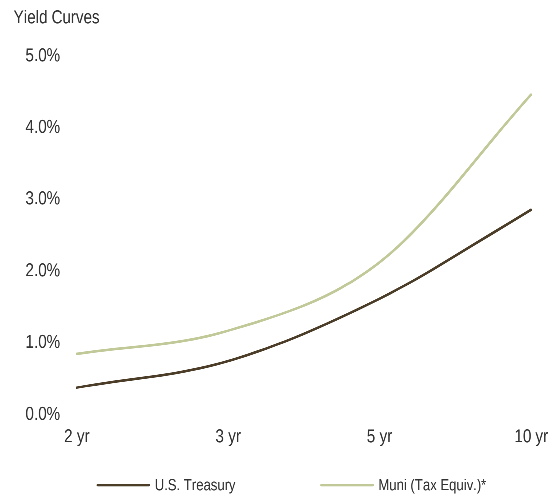
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

U.S. 10-year Treasuries ended the week at a two-year high for yields as investors increased bets that domestic economic growth will soon end the Federal Reserve's bond purchases at current levels. The move in yields marked the biggest weekly increase in more than a month. The sell-off was strongest on the long end of the yield curve as spreads widened between the 5-year and 10-year Treasuries. At 1.25%, this was the largest spread in two years. The softness in Treasuries was not limited to domestic investors as a Treasury Department report indicated foreign investors have contributed to the recent rise in yields. Total foreign sales of Treasuries reached $40.8 billion in June which marked the highest monthly sell-off on record.

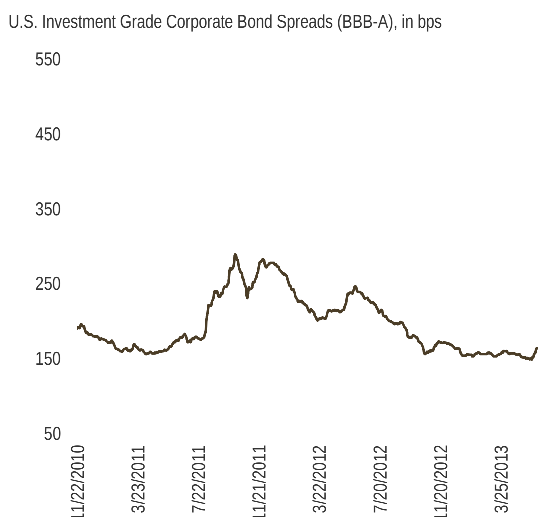
The recent sell-off in Treasuries has brought considerable turmoil throughout the fixed income markets. Corporate bonds rated AAA have recently started trading with yields above lower rated credits, an oddity that only happened as recently as 2009 when bell weather financial company paper was trading on par with junk bonds. The reasoning this time around stems from the slightly higher duration AAA bonds carry relative to other bonds. In that context, the move makes sense as investors have strongly run from interest rate risk to credit risk.



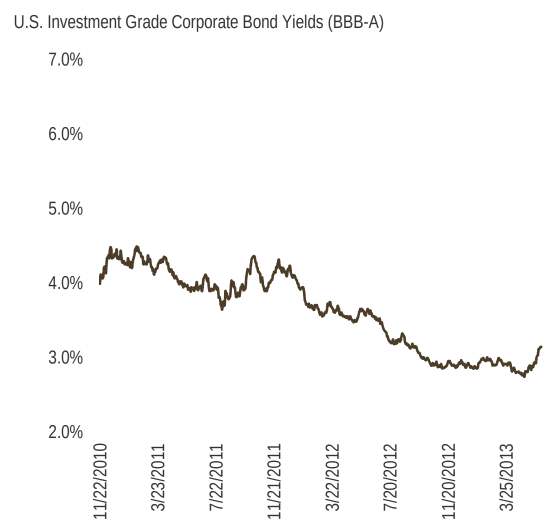
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	8.9.13	8.16.13	Change
3 month T-Bill	0.05%	0.05%	0.00%
2-Year Treasury	0.32%	0.36%	0.04%
5-Year Treasury	1.36%	1.60%	0.24%
10-Year Treasury	2.57%	2.84%	0.27%
30-Year Treasury	3.63%	3.86%	0.23%

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



Source: Merrill Lynch



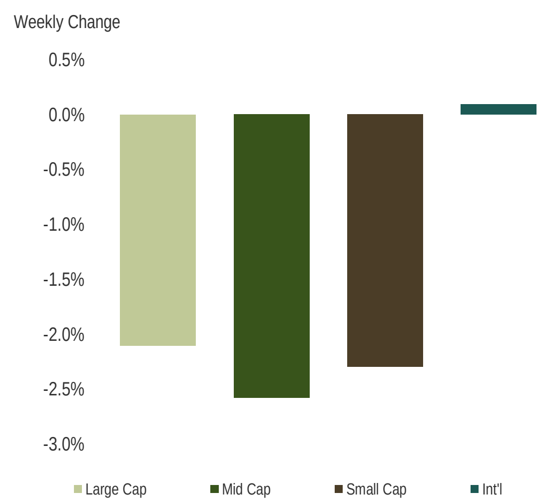
Source: Merrill Lynch

Stock Market Update

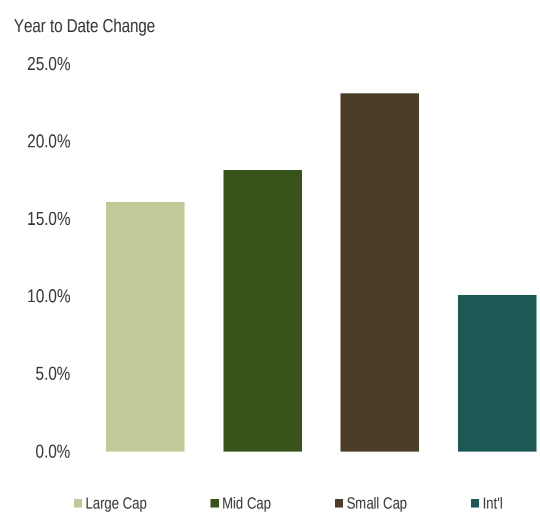
Domestic stocks continued to show weakness as markets saw their first back-to-back weekly declines since late June. The stock market was down for the week despite seeing continued improvement in initial unemployment claims and tame inflation. Concerns included the rise in Treasury yields and uncertainties about the timing and extent of tapering and who the next Fed chairman will be. The Dow Jones Industrial Average closed at 15,081.47, dropping 344 points for the week, or down 2.23%. The broader S&P 500 Index ended the week at 1655.83, to close down 2.10% for the week, while the NASDAQ Composite fell 1.57% for the week to finish at 3602.78.

Economic data showed that the euro zone ended a year-and-a-half long recession in the second quarter as euro zone GDP expanded by 0.3% in the second quarter. European stocks got some lift from this news on Wednesday, but failed to follow through for the rest of the week and only ended up with a slight gain for the week. In China, the Shanghai Composite Index ended the week with a gain of 0.8% despite selling off on Friday. The Hang Seng Index was among the best performers in the region for the week as it posted a 3.3% gain, its best weekly return for the year. Japanese stocks declined on Friday but held onto a slight gain for the week.

With earnings season just about done, the generally positive reporting period turned a bit negative this week with earnings misses and reduced guidance from retailers Macy's and Wal-Mart. The warning from Wal-Mart was especially concerning as same store sales declined and it halved its revenue growth expectations for the rest of the year to between 2% and 3%. Another earnings report that investors fretted over came from Cisco Systems. Despite posting in-line earnings and better than forecast revenues, Cisco announced plans to reduce its workforce by 4,000 employees or 5%, causing the stock to sell off more than 7% on Thursday.



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



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

Issue	8.9.13	8.16.13	Change
Dow Jones	15,425.51	15,081.47	-2.23%
S&P 500	1,691.42	1,655.83	-2.10%
NASDAQ	3,660.11	3,602.78	-1.57%
Russell 1000 Growth	773.70	756.74	-2.19%
S&P MidCap 400	1237.66	1,205.70	-2.58%
Russell 2000	1048.4	1,024.29	-2.30%
MSCI EAFE	1,763.82	1,765.48	0.09%
MSCI Small Cap	185.91	185.71	-0.10%

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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.

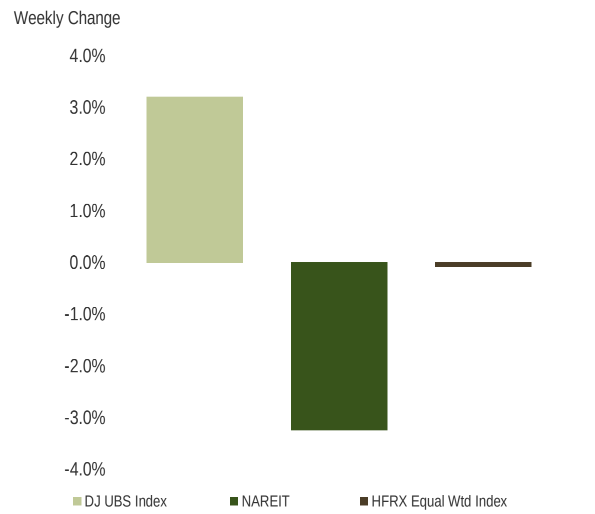
Alternative Investments Market Update

Hedge fund managers have been cutting their stakes in gold ETFs while many long-term investors appear to be standing their ground despite the precious metal's price decline so far this year. The amount of gold held in bullion-backed ETFs listed around the globe fell by more than 400 metric tons in Q2, according to a World Gold Council report released this week. The reduction was "driven by hedge funds and other speculative investors continuing to exit their positions, predominantly in the U.S." In Q2, overall gold demand fell by 12% from the previous quarter to 856.3 metric tons. The report went on to note that ETF outflows accelerated during Q2 as a number of hedge funds and speculative investors "exited their positions in reaction to predictions of U.S. economic recovery." Despite these outflows, the precious metal closed in on a two-month high on Friday, leaving prices on course for their biggest weekly gain in a month.

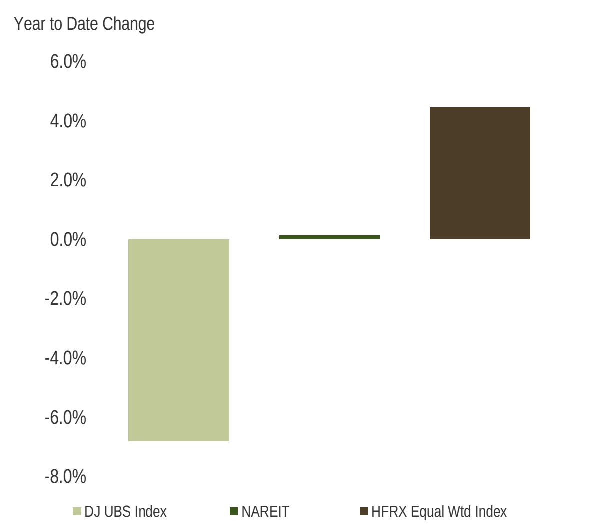
Crude oil traded near its highest price in two weeks as an escalating conflict in Egypt weighed on oil prices amid concerns that shipments through the Suez Canal would be impacted. Traders continue to monitor the news but the market is better prepared for disruptions due to alternative sources of supply including the U.S. Traders were also monitoring a weather system heading towards the Gulf of Mexico which is home to about 6 percent of U.S. natural gas output, 23 percent of oil production and more than 45 percent of refining capacity, according to the U.S. Energy Department.

A number of hedge fund indices reported results for July this week including the Credit Suisse Hedge Fund Index and RBC Hedge 250 Index with both showing positive results of 0.88% and 1.05% respectively. Best performing strategies were Market Neutral, Equity Long/Short and Mergers and Special Situation funds. Also dominating the news in the hedge fund space this week were the ongoing problems at SAC Capital which has been indicted for insider trading and is facing large client withdrawals as a result. Many clients are demanding that redemptions be accelerated as they fear assets may be frozen as the case proceeds. SAC has refused the withdrawal requests and indicated it will follow contractual procedures in meeting client withdrawal requests.

Issue	Previous Week	Current[1]	Change
Gold	1,313.20	1,375.05	4.71%
Crude Oil Futures	106.01	107.67	1.57%
Copper	330.90	336.70	1.75%
Sugar	16.98	16.94	-0.24%
HFRX Equal Wtd. Strat. Index	1,175.13	1,174.10	-0.09%
HFRX Equity Hedge Index	1,128.35	1,123.02	-0.47%
HFRX Equity Market Neutral	943.52	937.88	-0.60%
HFRX Event Driven	1,507.36	1,513.29	0.39%
HFRX Merger Arbitrage	1,543.60	1,545.25	0.11%
Dow Jones UBS Commodity Index	125.57	129.61	3.21%
FTSE/NAREIT All REIT	161.39	156.14	-3.25%



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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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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