

MainStreet Advisors Financial Market Update

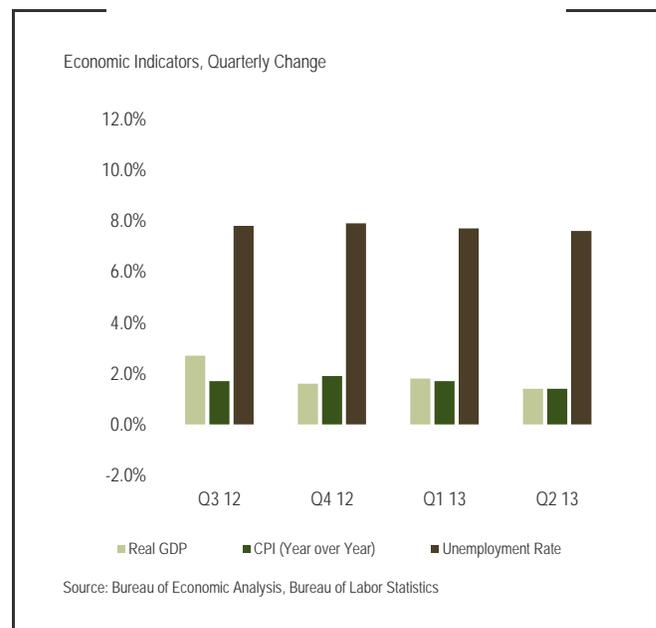
September 20, 2013
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Economic Update

There was a lot of market moving news surrounding the Fed this week, beginning with Larry Summers' withdrawal from consideration for the Chairmanship. Janet Yellen is now the frontrunner, but regardless of who is ultimately chosen the simple fact that it won't be Summers is probably more important as it eliminates widespread concern that monetary policy would take a hawkish turn. This removes a potential headwind for equity and bond prices, and both markets responded favorably to the news. Markets got another boost on Wednesday when the FOMC made an unexpected one-eighty turn with regards to its policy stance on quantitative easing. The Fed view at the end of July that QE tapering was "likely" to begin "later this year" is now merely a possibility. The timeframe for tapering to be completed by June 2014 seems to have been extended as well. Any future decisions by the Fed are going to be data-dependent, so keeping tabs on incoming economic data will be the best way to gauge the next policy move.

Inflation at the consumer level remained tame in August with headline CPI edging up only 0.1% for the month and the year-over-year rate easing to 1.5% from 2.0% in July. Gasoline prices have been falling so far in September with the end of the summer driving season and as tensions in the Middle East have subsided. Gasoline futures indicate prices will continue to drop at the pump, which will help CPI remain low and be a boost for consumer confidence.

One place where inflation is not in check is India which is currently seeing prices rise at a 6.1% annual rate and has seen its currency fall over 14% against the U.S. Dollar so far this year. In an effort to prevent inflation from spiraling out of control, the new governor of the Reserve Bank of India, Raghuram Rajan, made a bold and unexpected move this week by raising interest rates a quarter-point to 7.5%. Rajan, the former chief economist at the International Monetary Fund, seems undeterred by the challenges he faces and the difficult choices he has to make saying "some of the actions I take will not be popular. The governorship of the central bank is not meant to win one votes or Facebook likes."



Sep 16 th	Empire State Mfg Survey, September	6.29
Sep 16 th	Industrial Production, Aug. Monthly Chg.	0.4%
Sep 17 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.6%
Sep 17 th	Consumer Price Index, August Monthly Chg.	0.1%
Sep 17 th	Housing Market Index, September	58.0
Sep 18 th	MBA Purchase Applications Index, Wkly. Chg.	11.2%
Sep 18 th	Housing Starts, August	891,000
Sep 18 th	EIA Petroleum Status Report, Wkly. Chg.	-4.4M Barrels
Sep 19 th	Initial Jobless Claims (week ending 9/14)	309,000
Sep 19 th	Existing Home Sales, August SAAR	5.48M
Sep 19 th	Philadelphia Fed Survey, September	22.3
Sep 19 th	Leading Indicators, Aug. Monthly Chg.	0.7%
Sep 19 th	EIA Natural Gas Report, Wkly. Chg.	46 bcf

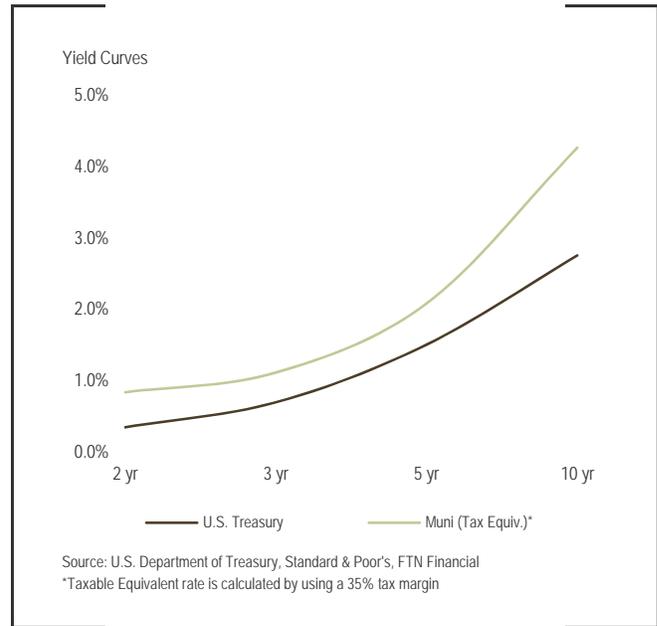
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

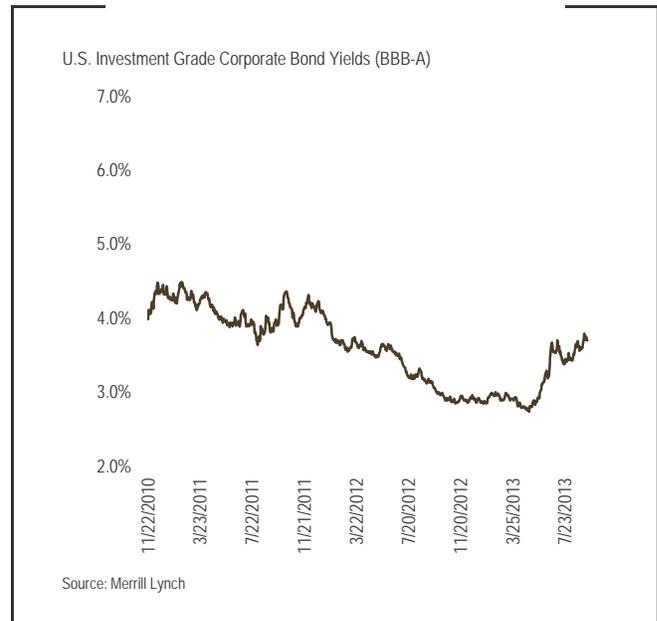
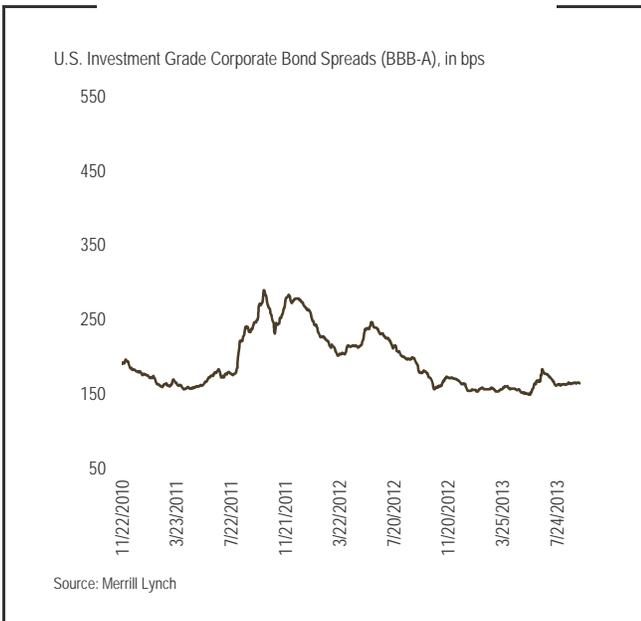
The U.S. Federal Reserve dominated news in the fixed income markets this week after the committee refrained from reducing the \$85 billion a month purchases of bonds. The news stunned investors as expectations had reached a near consensus that purchases would be tapered by \$20 billion at the meeting. Treasury prices soared after the announcement with the 10-year Treasury bond rallying the most in almost two years. Yields, which had topped 2.88% to start the week, dipped as low as 2.69% before ending the week up at 2.74%. The move spurred a new flurry of corporate debt issuance as companies look to lock in the low rates after months of rising yields.

The Fed's decision had ramifications beyond the U.S. as emerging market currencies rallied after months of weakness. The result was a drop of 0.22% in emerging market borrowing costs. Some of the countries hardest hit by capital outflows since the Fed first hinted at tapering were the biggest beneficiaries. Local currency Thai bonds posted their biggest sales since 2010 after global funds bought \$1.2 billion of debt. Mexico's peso denominated bonds also outpaced the broader emerging market average with yields dipping 0.34%.



Issue	9.13.13	9.20.13	Change
3 month T-Bill	0.01%	0.01%	0.00%
2-Year Treasury	0.45%	0.34%	-0.11%
5-Year Treasury	1.71%	1.50%	-0.21%
10-Year Treasury	2.90%	2.75%	-0.15%
30-Year Treasury	3.84%	3.77%	-0.07%

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



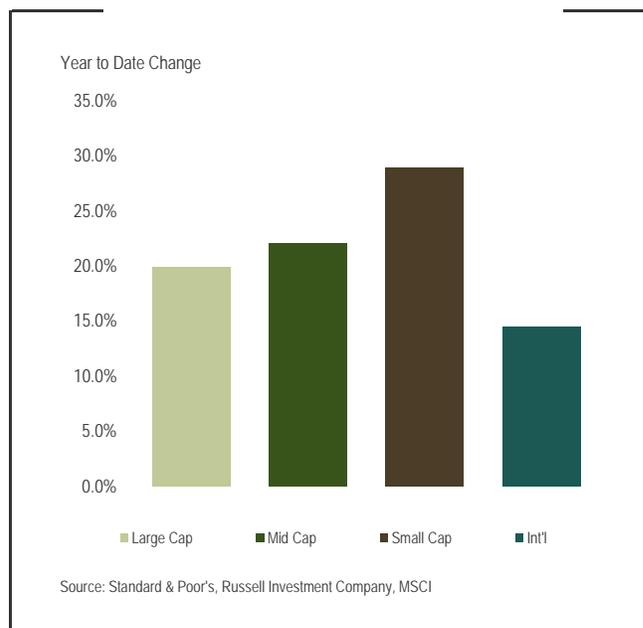
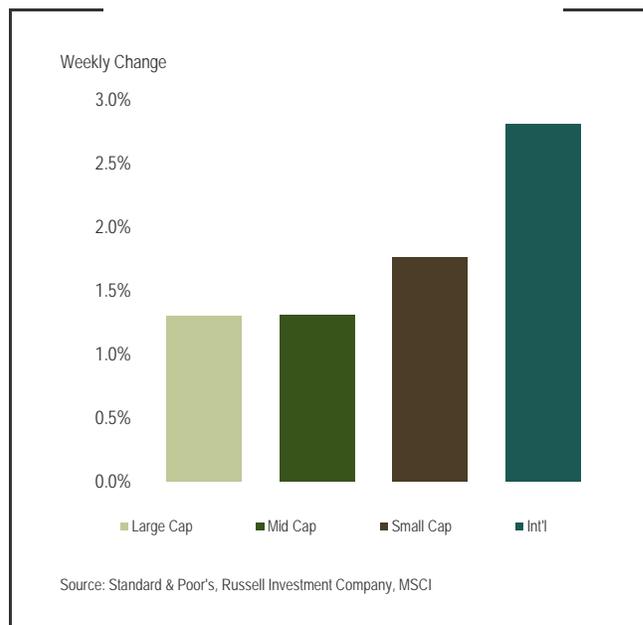
Stock Market Update

The equity markets experienced low volume early in the week ahead of the Federal Reserve meeting that took place Tuesday and Wednesday. Upon the announcement of the Fed's continued quantitative easing, both domestic and international equity markets rallied more than 1% Wednesday afternoon as both the Dow Jones Industrial Average and the S&P 500 Index reached record highs. Equities sold off Friday on news one FOMC member said the Fed might start to curb its bond buying program as soon as next month; underscoring the volatility markets have been experiencing lately. The Dow closed Friday at 15,451.09, finishing the week up 0.5%. The broader S&P 500 Index ended at 1,709.91, higher by 1.3% compared to last Friday's close. The NASDAQ Composite Index rose 0.7% and finished the week out at 3,774.73.

International stock markets also rallied significantly on the Fed news. The MSCI EAFE Index rose 2.6% on Wednesday and finished the week higher by 2.3%. Stocks in Europe closed at their highest level since June 2008 on Thursday, but sold off slightly on Friday ahead of this weekend's elections in Germany. The emerging markets were the best performing equity asset class after the Fed's announcement on Wednesday, rising by over 4% that day, but also sold off Friday to finish the week higher by only 2.1%.

Fiscal first quarter revenues for Oracle were up 4% y/y excluding currency, while EPS grew 12% to \$0.59, ahead of consensus estimates of \$0.56. The EPS upside was due to better than expected margins on improved sales productivity and cost controls. Highlights included strength in new license and cloud sales as well as growth in hardware support revenue. Over the last 12 months, ORCL has returned 90% of its cash flow to shareholders through dividends and share repurchases. In other corporate news, Caterpillar's retail machine sales continue to experience weakness, including a 30% decline in Asia in the month of August.

Issue	9.13.13	9.20.13	Change
Dow Jones	15,376.06	15,451.09	0.49%
S&P 500	1,687.99	1,709.92	1.30%
NASDAQ	3,722.18	3,774.73	1.41%
Russell 1000 Growth	781.57	794.85	1.70%
S&P MidCap 400	1229.4	1,245.42	1.30%
Russell 2000	1053.98	1,072.55	1.76%
MSCI EAFE	1,786.50	1,836.59	2.80%
MSCI Small Cap	190.69	194.95	2.24%



Alternative Investments Market Update

Crude oil dipped on Friday and was set for a weekly loss as the market assessed demand prospects after the Federal Reserve said that the world's largest economy isn't yet strong enough to withstand the withdrawal of monetary stimulus. Also effecting crude this week were reports that Libya's oil output would be increasing. Libya's production is said to rise from 700,000 to 800,000 barrels a day. In the wake of the massive flooding over thousands of square miles in Colorado, reports emerged that at least 5,250 gallons of crude had seeped into the South Platte River in the north central part of the state. The oil was leaking from damaged petroleum tanks and inspectors have yet to reach many of the sites due to most of the roads remaining inaccessible.

Gold fell the most in a week on Friday after Federal Reserve Bank of St. Louis President James Bullard stated that a "small taper" in fiscal stimulus would be possible next month, dampening demand for the metal as a store of value. Gold had previously jumped 4.7% earlier in the week when the Fed made it known that it would maintain its current pace of monthly bond purchases.

Investors poured \$2.2B into non-traded real estate investment trusts (REITs) last month, sending 2013 fundraising past a full-year record and returning money to the industry after payouts from takeovers and public offerings. In a report from the Investment Program Association, non-listed equity REITs have raised \$12B this year, surpassing the previous record of \$11.5B raised in 2007.

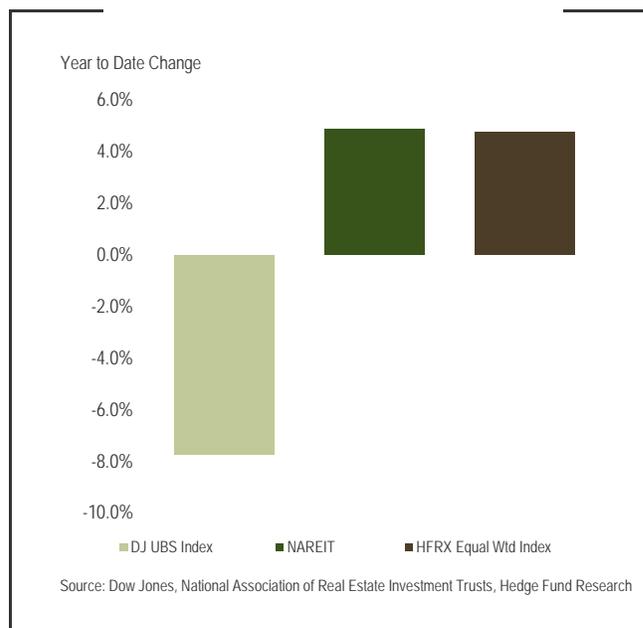
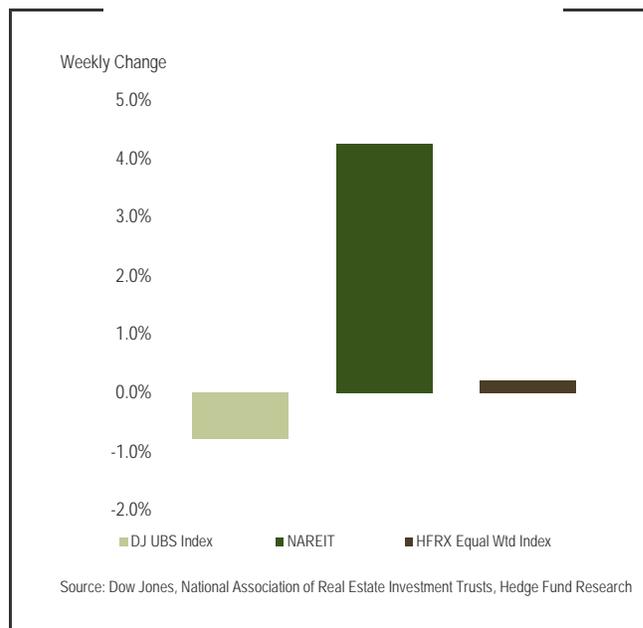
U.S.-based hedge funds have bounced back from the financial crisis better than those in other regions and currently account for 73% of total hedge fund industry assets. According to new research from Preqin, U.S. funds have added \$150B to their assets under management (AUM) year-to-date, primarily driven by performance. For comparison purposes, Europe-based hedge funds have added \$33B to their AUM year-to-date. U.S.-based hedge funds dominate that segment of the industry, managing \$508B, or 65% of all fund of funds capital. Also, according to eVestment, the industry saw inflows totaling \$19.6B in August, the largest on record so far this year.

Issue	Previous Week	Current ¹	Change
Gold	1,323.73	1,332.76	0.68%
Crude Oil Futures	108.53	104.67	-3.56%
Copper	322.50	330.50	2.48%
Sugar	17.68	17.74	0.34%
HFRX Equal Wtd. Strat. Index	1,175.31	1,177.80	0.21%
HFRX Equity Hedge Index	1,117.12	1,124.59	0.67%
HFRX Equity Market Neutral	933.27	933.63	0.04%
HFRX Event Driven	1,524.60	1,533.46	0.58%
HFRX Merger Arbitrage	1,549.35	1,552.16	0.18%
Dow Jones UBS Commodity Index	129.32	128.29	-0.79%
FTSE/NAREIT All REIT	156.87	163.52	4.24%

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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