

MainStreet Advisors Financial Market Update

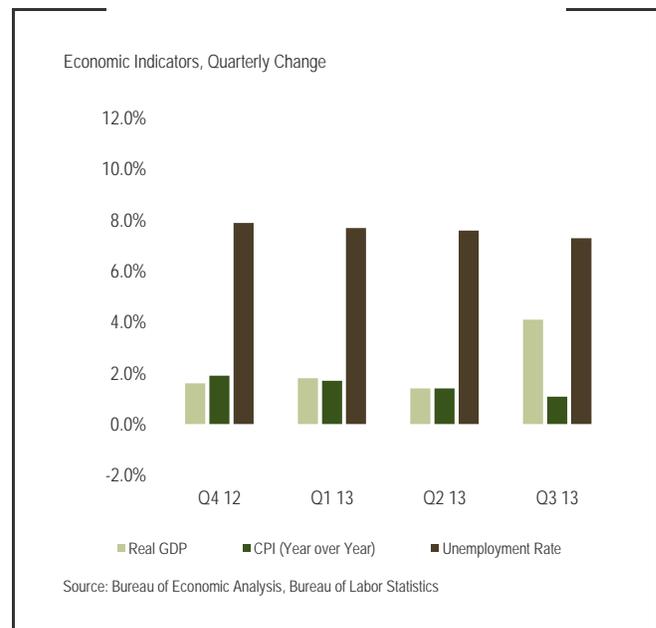
January 3, 2014
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Economic Update

The December ISM manufacturing number showed continued strength, coming in at an expansionary level of 57.0 as a boost in orders pushed factories to increase production. This report represents the strongest new orders figure since April of 2010 according to Bloomberg, and gains can likely be attributed to recovering developed economies worldwide and a resurgence of business investment in the U.S., both of which will continue to act as tailwinds for the manufacturing sector.

The Conference Board's Consumer Confidence Index picked up in December as stronger hiring numbers boosted economic expectations for 2014, particularly with regards to consumer spending. After a 72.0 November release the index now stands at 78.1, the highest year-end report since 2007. The rise in home values has also contributed to consumer confidence. The S&P/Case-Shiller home price report on Tuesday noted that home values across 20 U.S. cities rose a booming 13.6% year over year in October after a similar gain of 13.3% year over year in September. Inventory continues to be a price boost for U.S. homes as the amount of foreclosed homes available falls, despite mortgage rates rising.

U.S. companies are helping economists and consumers lean towards optimism in 2014, Ford, GM, and Apple among them. Ford (F) announced in December that it will add 5,000 new jobs in Dearborn, Michigan, and expects spending in North America to increase next year. Apple (AAPL), in addition to building a new plant in Mesa, Arizona, is making a point to announce that its new Mac Pro computer is now available for order and is being built in Austin, Texas with U.S.-made components.



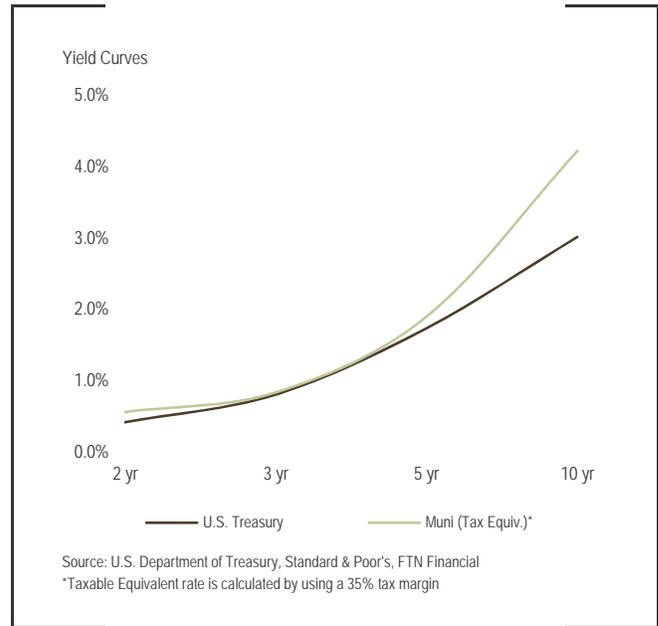
Dec 20th	Real GDP, Q4 Quarterly Change SAAR*	4.1%
Dec 23rd	Personal Income, Monthly Chg.	0.2%
Dec 23rd	Consumer Sentiment Index, December	82.5
Dec 24th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.4%
Dec 24th	Durable Goods New Orders, Dec. Monthly Chg.	3.5%
Dec 24th	New Home Sales, December	464,000
Dec 26th	Initial Jobless Claims (Week ending 12/21)	338,000
Dec 27th	EIA Natural Gas Report, Wkly. Chg.	-177bcf
Dec 27th	EIA Petroleum Status Report, Wkly. Chg.	-0.6 M
Dec 30th	Pending Home Sales, Nov. Monthly Chg.	-0.6%
Jan 2nd	Construction Spending, Nov. Monthly Chg.	-0.3%
Jan 3rd	EIA Petroleum Status Report, Wkly. Chg.	-4.7 M Barrels

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.

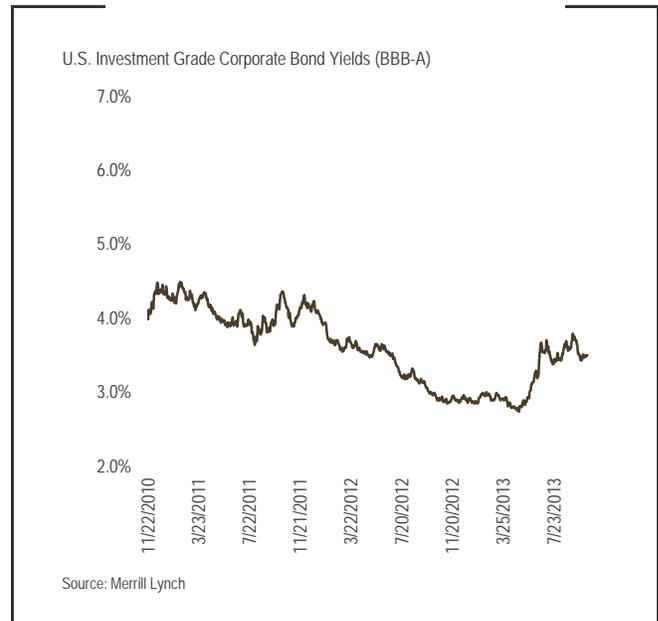
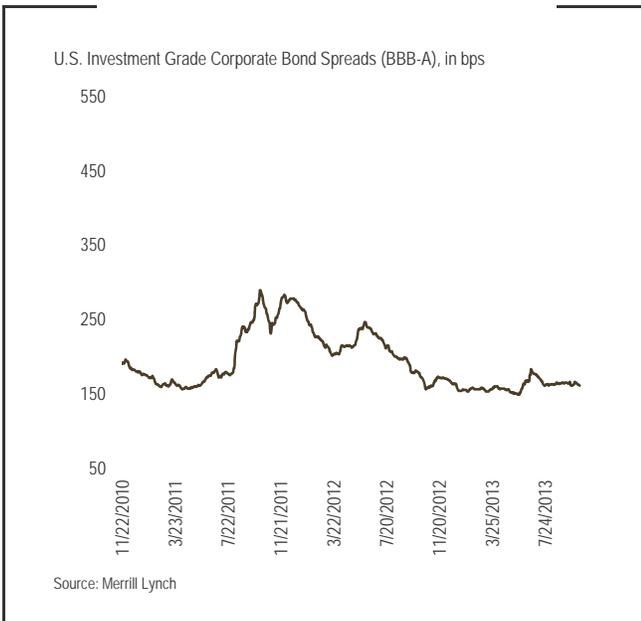
Bond Market Update

After a sharp rise in interest rates last week, U.S. Treasuries finished the week mostly unchanged. Over the past two weeks, yields on the 10-year note reached a high of 3.00% on several occasions, the steepest level in almost two years. At these levels, many strategists feel Treasuries have already priced in an improving U.S. economy, with the only thing that could cause a paradigm shift in market expectations being a weaker-than-expected jobs report next Friday. Meanwhile, new European Union rules will require S&P, Moody's and other credit rating agencies to make public the dates on which they review a country's rating. Specifically, the regulation requires ratings companies to submit a 12-month calendar to regulators showing when they plan to publish solicited and unsolicited sovereign ratings. These new rules are part of a number of increased regulations on the agencies after eurozone officials noted they exacerbated the region's debt crisis by downgrading the ratings of struggling countries at critical moments. With respect to legal liability, investors and credit issuers will be able to claim damages from a ratings company if they suffer losses because of malpractice or gross negligence in the drawing up of assessments. However, although intended to make the ratings process more transparent, some policymakers warn countries might try to game the new system by delaying bad news until just after the pre-scheduled review dates. Based on the new regulations, ratings firms will only be able to make changes outside the pre-set timetable in extreme cases, including a significant change in a country's financial stability.



Issue	12.27.13	1.3.14	Change
3 month T-Bill	0.07%	0.07%	0.00%
2-Year Treasury	0.40%	0.41%	0.01%
5-Year Treasury	1.74%	1.73%	-0.01%
10-Year Treasury	3.02%	3.01%	-0.01%
30-Year Treasury	3.94%	3.93%	-0.01%

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



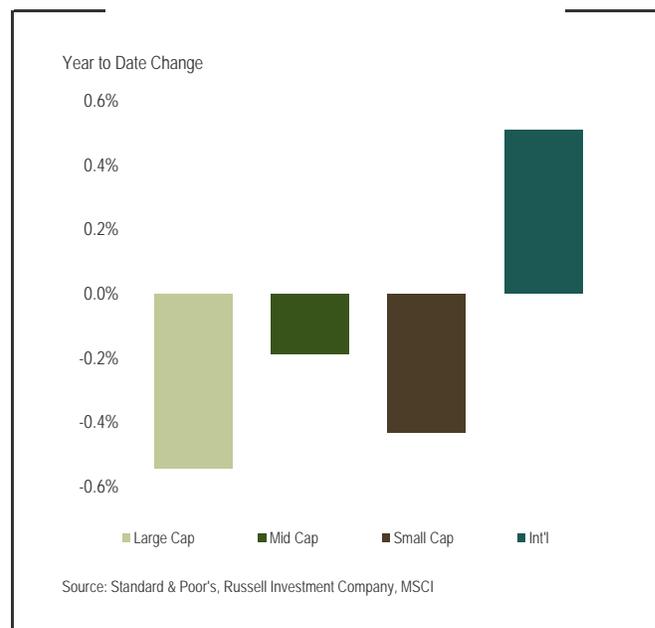
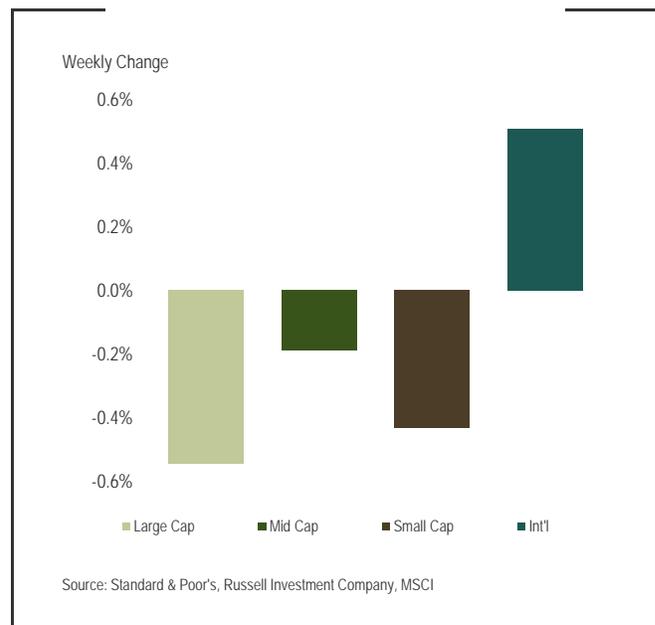
Stock Market Update

The stock market finished the year on Tuesday at record highs only to open lower at the start of trading for 2014. During the past week the Dow Jones Industrial Average closed at 16,469.99, finishing the week lower by 0.05%. The broader S&P 500 Index ended the week at 1,831.37, lower by 0.55% on the week. The NASDAQ Composite finished lower by 0.59% and closed the week out at 4,131.91.

The new year brings with it a new outlook for stocks and Apple (AAPL) started the year down almost 2% dragging down the NASDAQ Composite Index on the first day of trading. One analyst cited concerns over the sustainability of the gross profit margin of the iPhone and iPad. Apple has also been facing tough competition from Samsung with their lower end product lines and Android devices. Apple fell further on Friday and closed out the week down 3.4% at \$540.98/per share.

Contrary to Apple, Bank of America (BAC) started the year higher by over 3% on Thursday while the banking sector fell by 0.50%. The company received several positive comments from analysts about the long-term prospect for growth. BAC has an asset sensitive balance sheet so as the consumer and economy improves so too will the balance sheet of the company. The announcement by the Fed to begin the tapering process is also seen as a positive for all banks. Bank of America was up almost another 2% on Friday and finished the week at \$16.41 a share or up 4.7% for the week.

International equities were also down to start the year with all major indices across Europe and Asia starting the year out in negative territory. Specific countries rose on Friday, however, the sentiment was to the downside. China started the new year negative both Thursday and Friday over growing concerns about the financial stability of the country.



Issue	12.27.13	1.3.14	Change
Dow Jones	16,478.41	16,469.99	-0.05%
S&P 500	1,841.40	1,831.37	-0.54%
NASDAQ	4,156.59	4,131.91	-0.59%
Russell 1000 Growth	859.23	854.84	-0.51%
S&P MidCap 400	1336.3	1,333.78	-0.19%
Russell 2000	1161.08	1,156.06	-0.43%
MSCI EAFE	1,885.14	1,894.74	0.51%
MSCI Small Cap	202.12	205.25	1.55%

Alternative Investments Market Update

Crude oil was trading around \$95 a barrel on Friday, dropping nearly 6% this week due to the impact of a strengthening dollar, along with fluctuating expectations regarding global supplies. On Thursday, crude lost nearly \$3, which marked the biggest one-day drop since November of 2012. Crude has dropped sharply since closing above \$100 a barrel last Friday for the first time since October. The recovery in the U.S. economy, the world's largest oil consumer, has supported commodity prices with expectations of rising demand. This bright outlook has also raised expectations of the Federal Reserve continuing to shrink its stimulus program, thereby boosting the value of the dollar making commodities such as gold which are priced in dollars more expensive for buyers. The steep dip in prices earlier this week was also partly attributed to expectations of a production increase at a Libyan oil field that could return 300,000 barrels of daily production to the global market. It was also announced that domestic crude inventories moved down during the week ended December 27th. The U.S. Energy Information Administration (EIA) in its weekly crude oil report stated that U.S. commercial crude inventories decreased 7 million barrels to 360.60 million barrels last week, however, this inventory level is still above the upper limit of the average range for this time of year.

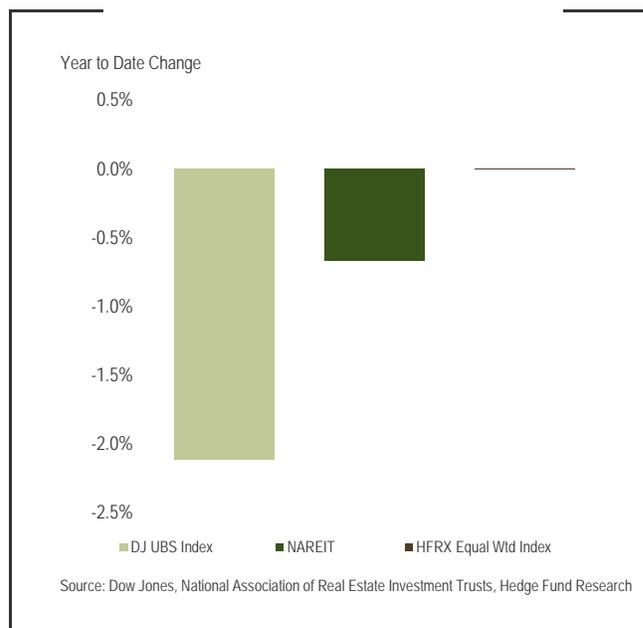
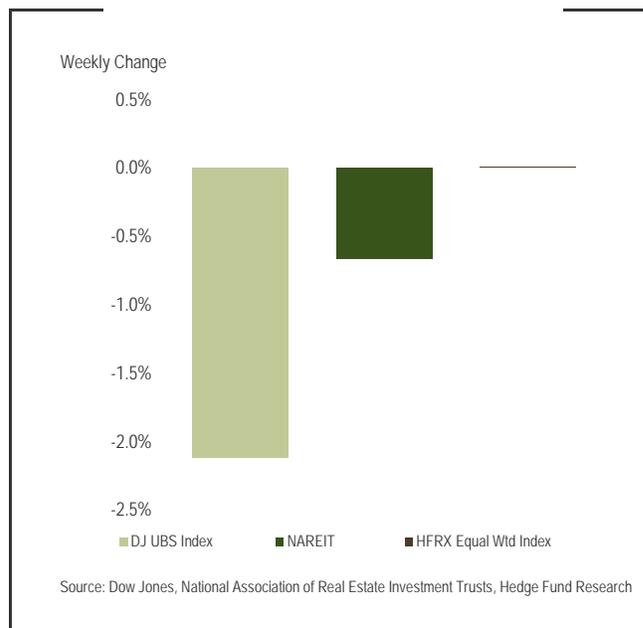
Gold is headed for its best weekly climb since October on speculation demand will increase in Asia, the largest consuming region, prompting investors to reverse bearish bets. This increase was a nice start to the year for gold as the metal dropped 28% in 2013, its largest annual decline in 32 years. Analysts, however, cautioned the recent upward momentum in the early days this year may only last a few weeks due to index rebalancing and that the metal could record another drop in value in 2014.

Hedge funds closed gold's worst year in decades by cutting their long positions in the metal and increasing their shorts to near-record levels. According to the Commodity Futures Trading Commission (CFTC), net-long bets on the precious metal dropped nearly 3% in the week ended December 17th. Short interest gained over 1%, bringing it near July's record. Gold wasn't the only commodity to have a tough 2013, but investors remain bullish on the others, with net-long positions across 18 commodities rising 8.5% in the week to December 17, to a nearly two-month high.

Issue	Previous Week	Current ¹	Change
Gold	1,214.63	1,236.77	1.82%
Crude Oil Futures	100.15	94.22	-5.92%
Copper	338.40	335.15	-0.96%
Sugar	16.43	16.08	-2.13%
HFRX Equal Wtd. Strat. Index	1,195.79	1,195.80	0.00%
HFRX Equity Hedge Index	1,158.58	1,223.52	5.61%
HFRX Equity Market Neutral	955.75	952.70	-0.32%
HFRX Event Driven	1,572.52	1,572.44	-0.01%
HFRX Merger Arbitrage	1,567.36	1,568.93	0.10%
Dow Jones UBS Commodity Index	127.61	124.91	-2.12%
FTSE/NAREIT All REIT	157.04	155.99	-0.67%

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