

MainStreet Advisors Financial Market Update

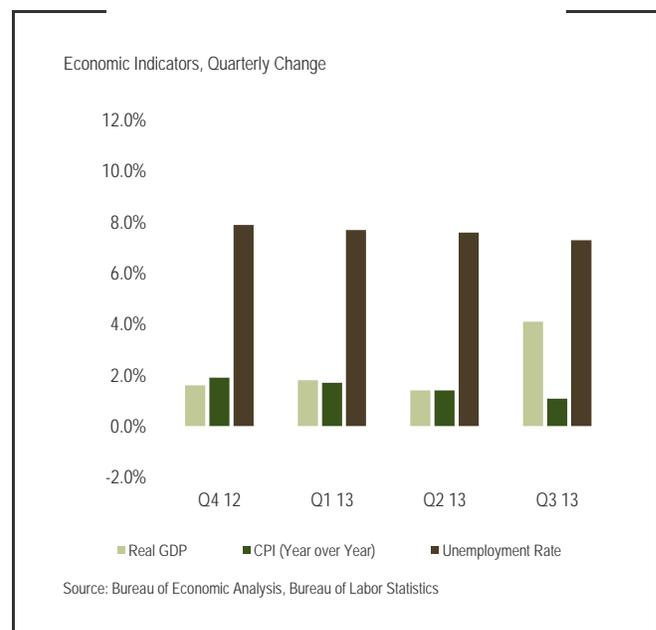
January 10, 2014
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Economic Update

French unemployment bumped up 0.1% to reach a level of 10.9%, the highest in over 16 years. President Francois Hollande continues to see low approval ratings while his "top political priority," the unemployment rate, continues to climb. The rate of increase is slowing, which could indicate a turnaround in 2014, but the young unemployed segment is still a very high 24.5%.

The employment data in the United States was also disappointing as Friday's report showed total payroll jobs increasing by 74,000, far under consensus of 200,000, which could induce a reconsideration of the Fed's decision to continue tapering back the quantitative easing program. This came as a surprise after a positive ADP private employment report earlier in the week. The cold weather likely had an effect as construction jobs fell in December but holiday retail employment more than offset this drop, meaning more employment subcategories had lower hiring numbers during the month. This report comes after a very positive November revised figure of 241,000 and 200,000 in October, so this could likely be a weather-related anomaly followed by a January bounce back. The unemployment rate fell significantly to 6.7% from 7.0% which on the surface appears to be positive, but in fact is almost entirely a result of the U.S. labor force dropping by 347,000.

A more favorable release was the November trade balance report. Exports rose 0.9% and imports dropped 1.4% to bring the trade balance to \$-34.3 billion, down from \$-39.3 billion in the previous release and far surpassing the consensus estimate of \$-39.9 billion. This is the most upbeat trade report since October of 2009, and the improvement can mostly be attributed to exports increasing and imports falling in petroleum, industrial supplies, and commercial aircraft.



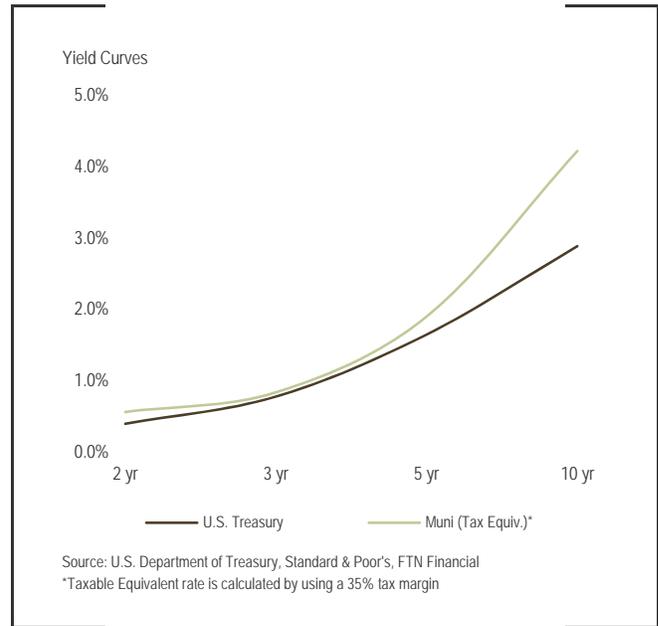
Dec 20th	Real GDP, Q4 Quarterly Change SAAR*	4.1%
Dec 23rd	Personal Income, Monthly Chg.	0.2%
Dec 23rd	Consumer Sentiment Index, December	82.5
Dec 24th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.4%
Dec 24th	Durable Goods New Orders, Dec. Monthly Chg.	3.5%
Dec 24th	New Home Sales, December	464,000
Dec 27th	EIA Natural Gas Report, Wkly. Chg.	-177 bcf
Dec 27th	EIA Petroleum Status Report, Wkly. Chg.	-0.6 M
Dec 30th	Pending Home Sales, Nov. Monthly Chg.	-06%
Jan 2nd	Construction Spending, Nov. Monthly Chg.	-0.3%
Jan 3rd	EIA Petroleum Status Report, Wkly. Chg.	-4.7 M Barrels
Jan 9th	Initial Jobless Claims (Week ending 1/4)	330,000

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.

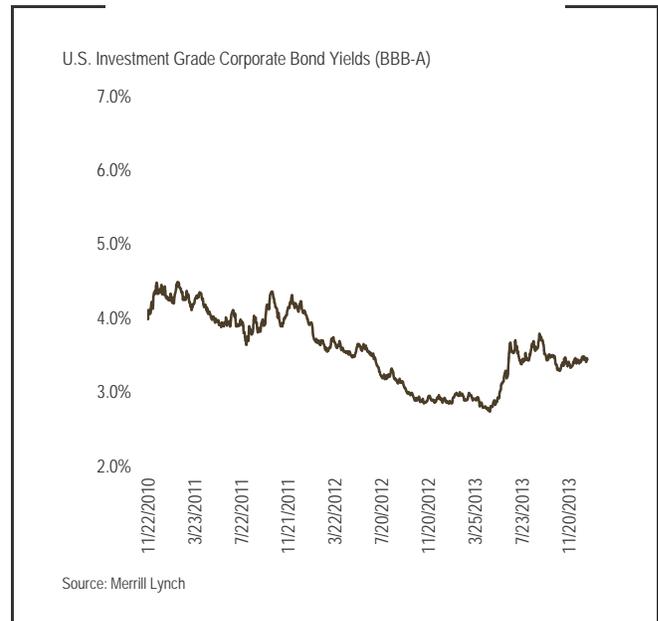
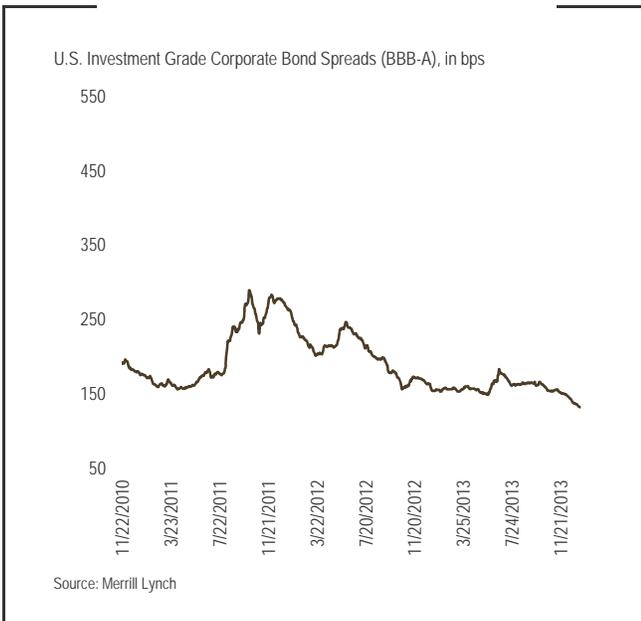
Bond Market Update

After muted moves earlier, U.S. Treasuries finished the week sharply higher after a jobs report released on Friday showed slower-than-expected payroll growth. Because the jobs report is one of the primary indicators the Federal Reserve uses to determine fiscal and monetary policy, any weakness fuels concerns the central bank will keep short-term rates lower for longer than previously believed. Despite this surprise, most strategists continue to suggest the yield on the 10-year note should remain anchored between 2.8% and 3.0% in the short term, barring any unforeseen market events. Meanwhile, the European Central Bank announced it would keep its benchmark interest rate at a record low of 0.25%. Borrowing testimony from Ben Bernanke, ECB president Mario Draghi said rates would "remain at present or lower levels for an extended period of time." With European economic growth and inflation at below target levels, he said risks for the Eurozone "remain on the downside" and the ECB is ready to "take further decisive action" to spur the weak recovery. Draghi refused to say the fight against Europe's debt crisis is over, even as countries like Ireland and Portugal return to the debt market. Against this backdrop, some strategists expect further rate cuts as Draghi stressed the importance of maintaining a high degree of monetary accommodation along with ECB's willingness to deliver further decisive action.



Issue	1.3.14	1.10.14	Change
3 month T-Bill	0.07%	0.05%	-0.02%
2-Year Treasury	0.40%	0.39%	-0.01%
5-Year Treasury	1.74%	1.64%	-0.10%
10-Year Treasury	3.02%	2.88%	-0.14%
30-Year Treasury	3.94%	3.80%	-0.14%

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

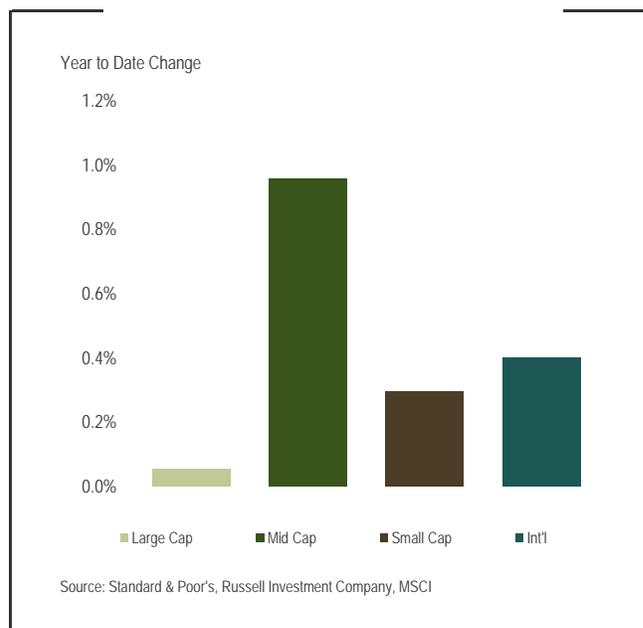
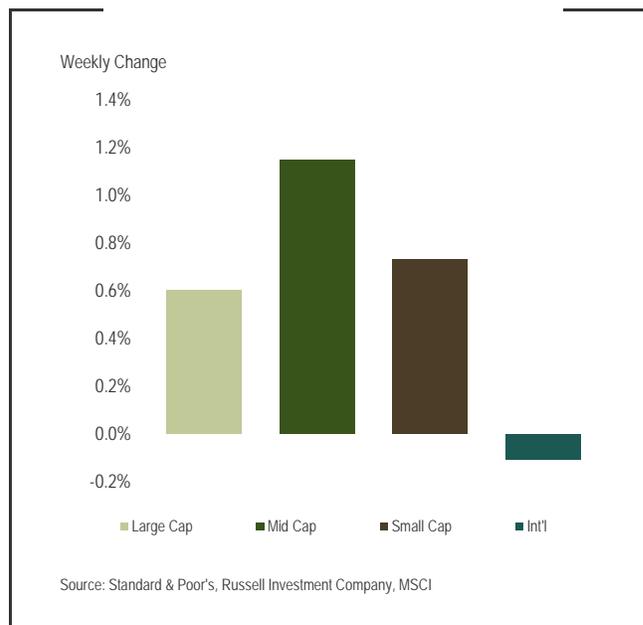


Stock Market Update

Domestic equity markets were mixed in the first full week of trading in the new year. A strong ADP employment report on Wednesday that showed an increase of 238,000 jobs for the month of December was contradicted on Friday by the government's report showing only 74,000 jobs created in December. The markets were choppy on Friday as they tried to make sense of the conflicting jobs reports. The Dow Jones Industrial Average closed the week at 16,437.05 down 0.20% for the week. The broader S&P 500 ended the week up 0.60% at 1842.37. The NASDAQ Index was better for the week, rising 1.03%, to finish at 4174.66.

European stocks ended higher on Friday and rose for the week. Data released on Friday showed that French industrial production rose a stronger-than-expected 1.3% in November. The European STOXX 600 Index increased 0.7% from last Friday's close. In Asia, the Nikkei Index declined slightly for the week to move just below the psychologically important 16,000 mark on Friday. The Shanghai Composite declined on the week as Chinese exports and China's trade surplus both came in lower than expected hinting at continued economic weakness in the world's second largest economy.

Fourth quarter earnings season kicked off on Thursday after the close with Alcoa (AA) reporting disappointing results. Despite higher demand than the year ago period, Alcoa reported adjusted net income of 4 cents a share that missed consensus estimates of 6 cents a share mainly due to lower average aluminum prices. Alcoa sees demand rising around 7% in 2014, driven by aerospace, automotive, and construction industries worldwide. The shares reacted negatively, selling off over 5% on Friday, retreating from a recent two-year high. Retailers have been reporting mixed holiday results so far this season. Sears Holdings (SHLD) dropped over 13% on Friday after reporting a 7.4% decline in holiday season comparable sales. On the other hand Abercrombie & Fitch (ANF) moved almost 12% higher after raising its full year earnings forecast.



Issue	1.3.14	1.10.14	Change
Dow Jones	16,469.99	16,437.05	-0.20%
S&P 500	1,831.37	1,842.37	0.60%
NASDAQ	4,131.91	4,174.66	1.03%
S&P MidCap 400	1333.78	1,349.09	1.15%
Russell 2000	1156.06	1,164.53	0.73%
MSCI EAFE	1,894.74	1,892.69	-0.11%
MSCI EM	990.79	963.11	-2.79%

Alternative Investments Market Update

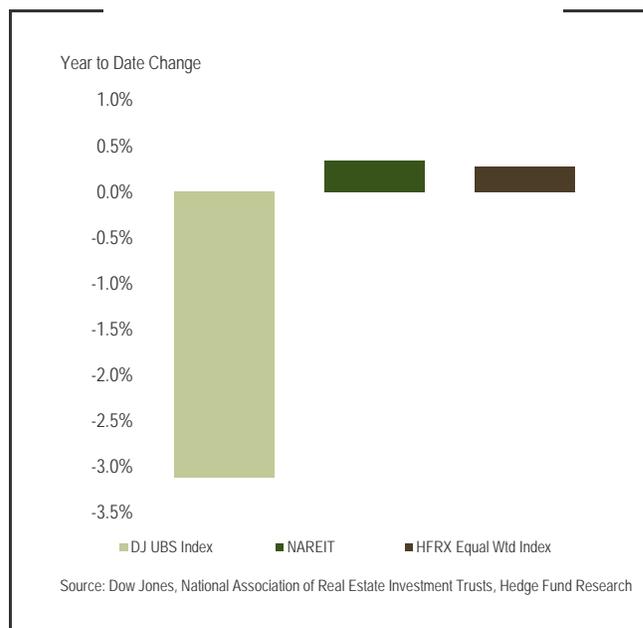
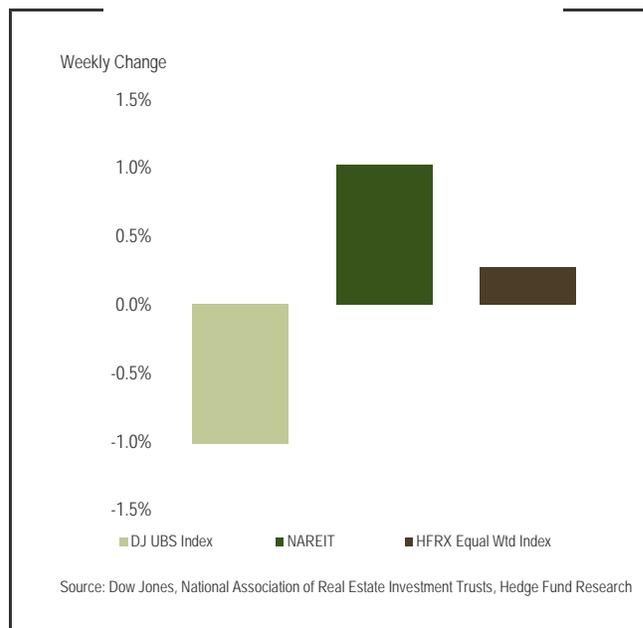
Gold rose on Friday as the dollar came off seven-week highs, while investors awaited U.S. nonfarm payrolls data for clues over the state of the world's largest economy. In wider markets, the dollar eased up against a basket of currencies, making dollar-denominated gold less expensive for holders of other currencies. Analysts expect the U.S. currency could easily rebound if data continues to support an improving U.S. economic outlook. The precious metal lost 28% of its value last year, ending a 12-year bull run, as worries over a stimulus cut prompted investors to shift money elsewhere, mainly to equities. Analysts' forecasts remain subdued and expectations are mostly for another drop in gold prices this year. Bank of America Merrill Lynch cut its 2014 average price forecast to \$1,150 an ounce, citing an uncertain macro-economic environment along with lack of investment demand. Barclay's stated that they expect the metal's price to average around \$1,205 an ounce in the coming year, mostly due to a macro backdrop of modest growth, fewer tail risks, and a stronger dollar increasing the scope for further disinvestment.

Crude oil pulled away from six-month lows during early trading on Friday, supported by upbeat Chinese import data, although expectations for further tapering to the Federal Reserve's stimulus program weighed on the markets. The Fed's economic stimulus measures have helped support the outlook for energy demand and provided support for oil prices. Crude found support after data showed that China's crude imports rose by 13% from a year earlier to a record 6.31 million barrels per day in December. China is the world's second biggest oil consumer. The ongoing unrest at Libyan ports seized by protesters also helped support crude prices, although exports from those ports could resume by the weekend. Libya is now reportedly producing about 650,000 barrels of oil a day, about half of normal capacity, though up from 100,000 barrels a day produced in 2013 when protesters disrupted operations in key oil fields.

Issue	Previous Week	Current ¹	Change
Gold	1,236.77	1,246.23	0.76%
Crude Oil Futures	94.22	92.78	-1.53%
Copper	335.15	334.25	-0.27%
Sugar	16.08	15.57	-3.17%
HFRX Equal Wtd. Strat. Index	1,195.80	1,199.07	0.27%
HFRX Equity Hedge Index	1,223.52	1,168.23	-4.52%
HFRX Equity Market Neutral	952.70	952.40	-0.03%
HFRX Event Driven	1,572.44	1,583.58	0.71%
HFRX Merger Arbitrage	1,568.93	1,567.75	-0.08%
Dow Jones UBS Commodity Index	124.91	123.64	-1.02%
FTSE/NAREIT All REIT	155.99	157.58	1.02%

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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