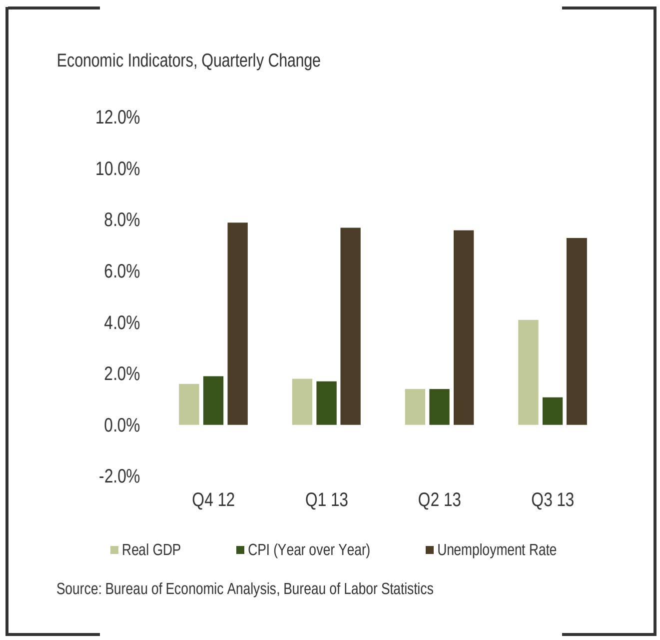
MainStreet Advisors
Financial Market Update

January 31, 2014

Economic Update

The advanced estimate for U.S. GDP in final quarter of 2013 was reported at 3.2%, outpacing a consensus estimate of 3.0%. This comes after a 4.1% figure for Q3, which marked a jump of unexpected magnitude and stronger growth than we experienced in the fourth quarter, especially with regards to government spending. This fourth quarter slowdown in government purchases can likely be attributed to the shutdown which affected the budgets of many sectors of the U.S. government and almost certainly pulled down government spending for the period. Aside from this data, personal consumption increased 3.3% and exports increased 11.4%, both very strong contributors. Demand was not quite as healthy as expected, growing 2.8% in Q4 after a 2.5% jump in Q3, and final sales to domestic purchases slowed to a 1.4% growth rate after 2.3% in the previous quarter. Overall the report suggests that the private sector is strong but may have shown some weakness towards the end of the quarter, and a slowdown in the government sector offset some of the positive private sector contribution.

The Federal Reserve announced on Wednesday that they will continue with the tapering of the quantitative easing program by another $10 billion, which brings the monthly purchase amount to $65 billion ($30 billion in mortgage-backed securities and $35 billion in long-term treasuries). Based on the wording of the report the Fed still seems dovish, especially with the improving employment numbers, but they did make an effort to point out that the current state of low inflation could present future risks to the economy. It is fairly safe to assume that as long as the economy continues to improve the Fed will continue to taper the asset purchase program, but any unexpected event or unfavorable data could alter the course of action. It is also worth noting that this was Ben Bernanke's final meeting as Chairman; Janet Yellen will be replacing him on February 1st as Chairman (Chairwoman) of the Federal Reserve.



Jan 15th	Producer Price Index, December Monthly Chg.	-1.9%
Jan 16th	Housing Starts, December	998,999
Jan 23rd	Existing Home Sales, December SAAR*	4.870 M
Jan. 27th	New Home Sales, December	414,000
Jan 28th	Durable Goods New Orders, Dec. Monthly Chg.	-4.3%
Jan 29th	EIA Petroleum Status Report, Wkly. Chg.	-0.8 M Barrels
Jan 30th	Initial Jobless Claims (Week ending 1/31)	348,000
Jan 30th	Pending Home Sales, Dec. Monthly Chg.	-8.7%
Jan 31st	Employment Cost Index, Q4 Quarterly Change	0.5%
Jan 31st	Consumer Sentiment Index, January	81.20

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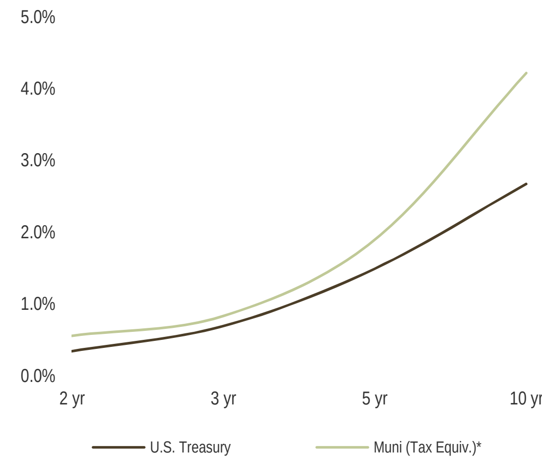
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Despite widespread predictions earlier in the year for a sell-off in the bond markets, U.S. Treasuries rallied for the fourth straight week. Yields dropped to their lowest levels in three months amid an economic slowdown in China, emerging market losses and a further tapering of the Fed's quantitative easing program. Because the events of the past few weeks surprised the markets, some strategists have started to change their outlook on bonds, with a greater emphasis on lower yields than previously predicted. Meanwhile, unlike the Treasury market, munis will likely finish the month higher with much of January's rally attributable to lack of new-issues which has pressured market participants to compete over a limited number of bonds. Demand remains robust for shorter issuers, likely symptomatic of duration lowering strategies. Puerto Rico general obligations bonds also outperformed other sectors of the muni market, with yields falling by as much as 0.69% since the beginning of the year. Market participants suggest these bonds might have been oversold at year-end due to mutual fund window-dressing and tax-loss harvesting. Based on renewed interest from single state municipal bond managers who can purchase Puerto Rico bonds due to their state tax exemption status, the rally in these bonds will likely continue in the short term.

Yield Curves

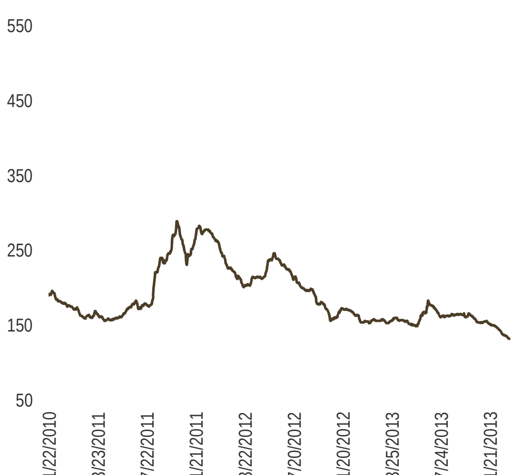


Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	1.24.14	1.31.14	Change
3 month T-Bill	0.04%	0.02%	-0.02%
2-Year Treasury	0.37%	0.34%	-0.03%
5-Year Treasury	1.58%	1.49%	-0.09%
10-Year Treasury	2.75%	2.67%	-0.08%
30-Year Treasury	3.64%	3.61%	-0.03%

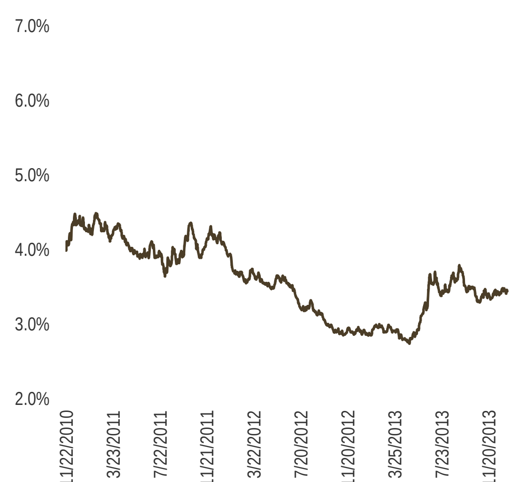
SEE IMPORTANT DISCLOSURES ON BACK PAGE. Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



Source: Merrill Lynch

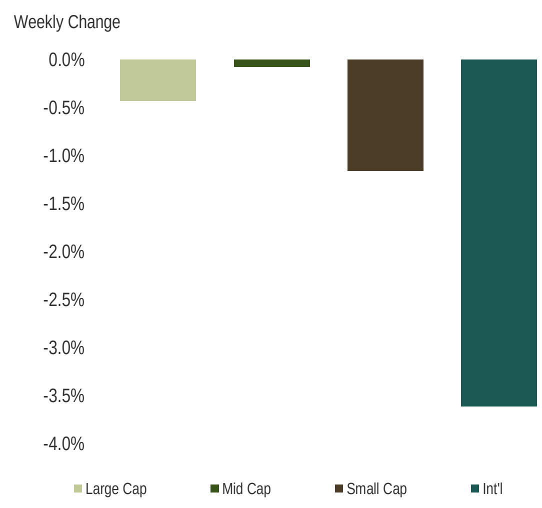
Stock Market Update

Stocks began the last day of January on a very weak note but recovered a bit before the end of the day and the markets ended the week and the month with negative returns. This was the first down month for the major market averages since last August as continued concerns about emerging markets and lower-than-expected inflation data from Europe weighed on the equity markets. The Dow Jones Industrial Average Index dropped 180 points for the week to close at 15,698.85, down 1.1%. The broader S&P 500 Index finished the week 0.4% lower at 1,782.59. The NASDAQ Composite Index declined 0.6% for the week to close at 4,103.88. All three indices are lower year to date. The CBOE volatility index increased for the week to close at its highest levels since October.

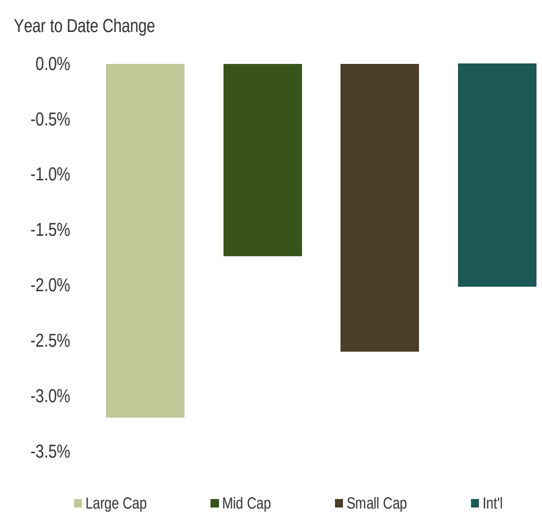
International stocks were also weak as renewed fears of deflation in the euro zone and much weaker-than-expected German retail sales for December disappointed investors. Japanese data was better with inflation edging up to a five-year high at 1.3% for December and unemployment dropping to a multi-year low of 3.7% for December. Japanese industrial production also rebounded in the latest period, rising 1.1%. Despite the good news, The Nikkei Index in Japan fell 3.1% for the week. European stocks, as measured by the STOXX 600 index, declined 0.7% this week, to close with their worst monthly loss since last June, while China's Shanghai Composite Index finished the week with a 1.0% decline.

According to Standard & Poors, total earnings for the S&P 500 are on track to reach new all-time quarterly and annual records for the fourth quarter and year 2013 respectively. Through today, 251 S&P 500 companies have reported fourth quarter earnings. Positive reports this week from Facebook and Google drove their share prices to all-time highs. Amazon and Chevron were among the companies with disappointing earnings and saw their shares fall for the week. According to FactSet Research, 74% of companies have beaten earnings expectations and 67% have surpassed sales expectations. The beat rates are better than the quarterly averages over the past four years. However, earnings guidance for the first quarter of 2014 has been mostly negative as 44 of the 54 companies have issued guidance lowering their earnings estimates.

Issue	1.24.14	1.31.14	Change
Dow Jones	15,879.11	15,698.85	-1.14%
S&P 500	1,790.29	1,782.59	-0.43%
NASDAQ	4,128.17	4,103.88	-0.59%
S&P MidCap 400	1314.07	1,313.08	-0.08%
Russell 2000	1144.13	1,130.88	-1.16%
MSCI EAFE	1,916.36	1,847.18	-3.61%
MSCI EM	963.98	936.37	-2.86%



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



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

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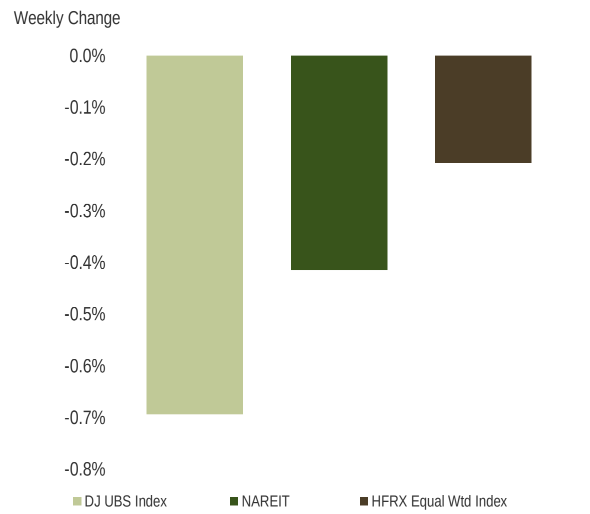
Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

Alternative Investments Market Update

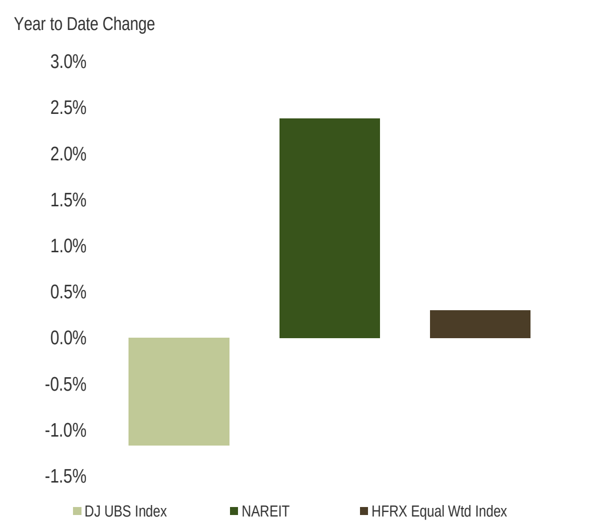
Gold traded higher on Friday, but ended with its first weekly drop in six weeks due to strong U.S. economic growth, concerns over the U.S. Federal Reserve's withdrawal of monetary stimulus and a slump in Chinese demand. The metal fell around 2% earlier in the week as a pullback in the Fed's stimulus program and an equities rally on robust domestic growth prompted investors of the metal to take profits. Bullion had gained for most of January until this week, as it was supported by weakness in global equities on concerns over emerging economies. Gold also missed the support of physical demand as the world's number one buyer, China, is currently on a break with the celebration of their New Year holiday. Chinese premiums had fallen to $4 just before the holiday from over $20 at the beginning of the month. Even when the country returns from its hiatus, its purchases are not expected to be as strong as last year when it imported a record 1,158 tonnes of the precious metal. Gold finished with a 1.8% loss for the week, after five straight weeks of gains. However, early strength this month was enough to push the metal to its first monthly rise in five months and is up more than 3% so far on the year, which is a good sign seeing as the metal dropped 28% in 2013.

Crude oil futures climbed to over $98 a barrel this week, reaching their highest level so far this year, as investors reacted to the strong domestic growth data which bodes well for energy demand. Investors were concerned, however, after the official Energy Information Administration's (EIA) weekly oil report showed a jump in domestic crude stockpiles with gasoline and distillate inventories declining more than anticipated. Also this week, for the first time in a quarter century a hearing was held on the issue of whether it should be legal to export crude oil. Shortly after the 1973 Arab Oil Embargo, Congress passed the Energy Policy and Conservation Act of 1975, which generally prohibits the export of crude. Given that the U.S. imported about 60% of its crude as recently as 2005, the notion of exporting crude was virtually unthinkable until the last couple of years. The issue being debated is that if domestic production continues to increase, there may not be enough refining capacity to turn it into refined product. The debate is merely in the beginning stages and we will continue to monitor developments in this area.

Issue	Previous Week	Current[1]	Change
Gold	1,267.86	1,244.87	-1.81%
Crude Oil Futures	96.92	97.54	0.64%
Copper	326.25	319.40	-2.10%
Sugar	15.11	15.55	2.91%
HFRX Equal Wtd. Strat. Index	1,201.92	1,199.42	-0.21%
HFRX Equity Hedge Index	1,167.98	1,156.18	-1.01%
HFRX Equity Market Neutral	955.41	959.78	0.46%
HFRX Event Driven	1,589.00	1,585.41	-0.23%
HFRX Merger Arbitrage	1,567.36	1,567.36	0.00%
Dow Jones UBS Commodity Index	127.00	126.12	-0.69%
FTSE/NAREIT All REIT	161.45	160.78	-0.41%



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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