

MainStreet Advisors Financial Market Update

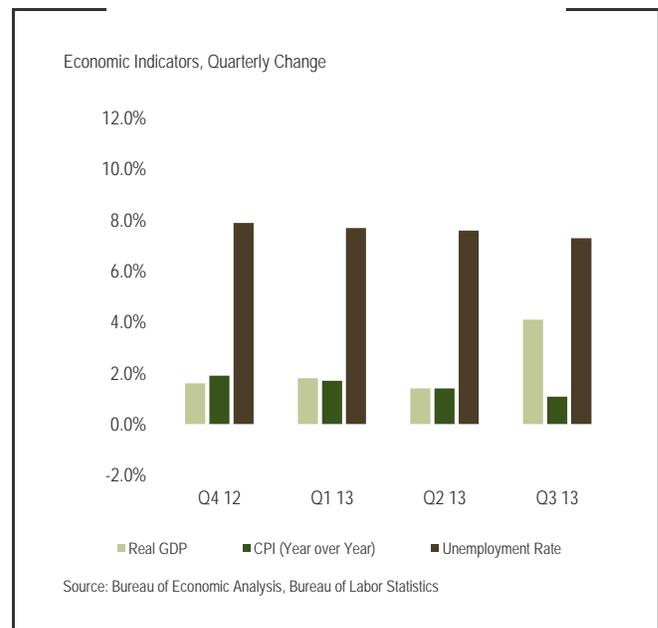
February 7, 2014
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Economic Update

Friday's employment report underwhelmed for the second straight month, although it did show improvement from December. Non-farm payrolls gained 113,000 in January trailing consensus estimates of 181,000, and following a weak 75,000 December figure. The unemployment rate continued its downward trend to 6.6% while the labor force rebounded sharply, indicating the drop in the unemployment rate is not due to people giving up on the job search or leaving the labor force. This is actually a plus as households reported 616,000 new jobs this month, indicating natural growth in the jobs market and true reduction in unemployment. Many economists are blaming weather as a partial factor in the headline weakness as many people did not work for part of December and January due to the cold temperatures and increased snowfall.

Manufacturing was weak in January as the ISM Manufacturing Index was down 5.2 points to 51.3 from 56.5 in December. This is the largest monthly drop in nearly 3 years and the lowest reading since May of last year. The new orders component posted the largest decline, down 13.2 points to 51.3, which still indicates positive growth but at a much slower pace. This report somewhat contradicted the monthly factory orders figures, which came in up 0.2%, excluding aircrafts (-1.5% including aircrafts). Weather could have been a factor in these numbers as well. Some economists are revising first quarter GDP estimates and other data points downward to account for weather-related slowdowns. We expect these indicators can rebound as weather improves.

The Non-Manufacturing ISM Index, which represents the service sector (the largest contributor to the economy), increased by a point to 54.0. The business activity component jumped 2 points to 56.3 while other components moved up just slightly. This increase comes despite the weather-related headwinds to business, an indication of positive growth acceleration and a comforting counterbalance to the negative news from the manufacturing portion of the ISM survey.



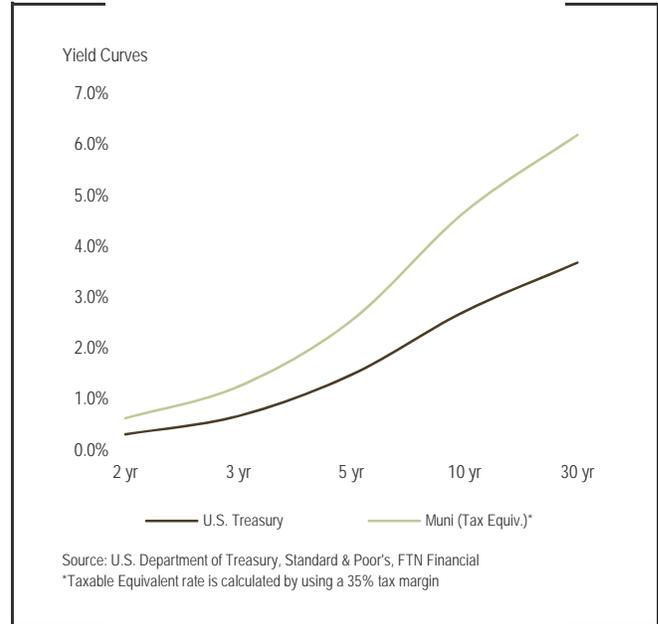
Feb 3rd	ISM Mfg. Index - Level, Jan.	51.3
Feb 4th	Factory Orders, Dec Monthly Chg.	-1.5%
Feb 5th	ISM Non-Mfg. Index, Jan	54.0
Feb 6th	International Trade Balance Level, Dec	-38.7 B
Feb 6th	Initial Jobless Claims (Week ending 2/1)	331K
Feb 7th	Unemployment Rate, Jan	6.6%

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.

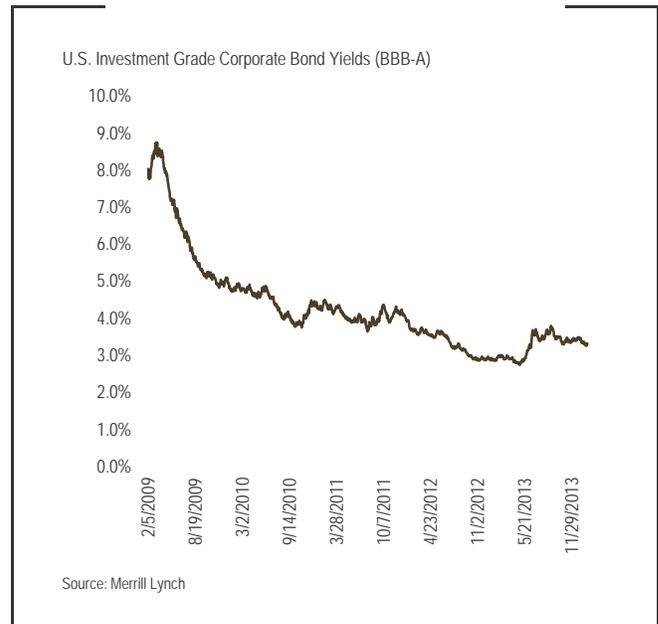
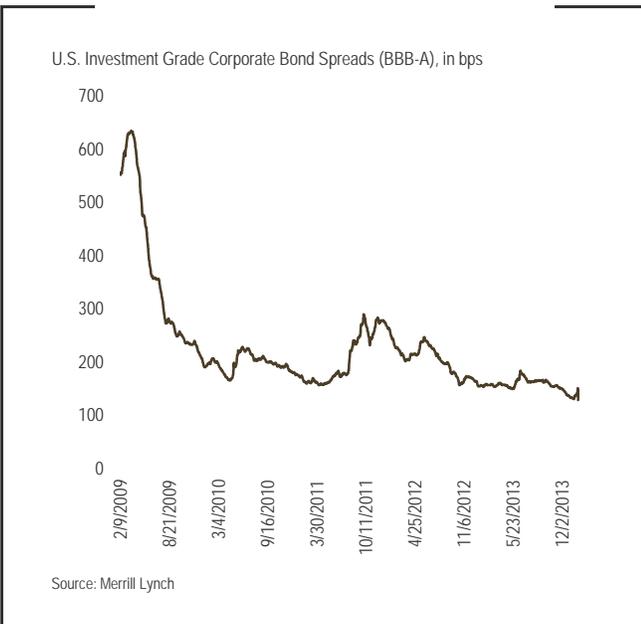
Bond Market Update

For the first time all year, U.S. Treasuries finished the week lower after a weaker-than-expected jobs report on Friday. However, many strategists, including PIMCO's Bill Gross, feel the rally in the bond market can continue, particularly if employment growth remains subdued and key inflation measures stay below the Fed's target. Meanwhile S&P downgraded Puerto Rico's general obligation bonds to below investment grade, citing short-term liquidity concerns in the commonwealth. This move comes despite a year in which Puerto Rican officials took several steps to strengthen its balance sheet including implementing widespread pension reforms, widening its corporate tax and sales base, reducing its deficit, and making plans for a balanced budget by 2015. Still, these are long-term positives, in contrast to more immediate concerns about liquidity. Analysts David Hitchcock and Horacio Aldrete-Sanchez noted, "While we believe a near-term bond sale would provide temporary liquidity into fiscal 2015 and could be an important stabilizing factor, we believe there remains implementation risks over the next year in light of continued economic weakness." Looking forward, given the widespread sell-off observed during the second half of 2013, much of the bad news is likely already priced in to valuations for Puerto Rico GO Bonds, which were yielding well over 10% for a 10-year maturity.



Issue	1.31.14	2.7.14	Change
3 month T-Bill	0.02%	0.08%	0.06%
2-Year Treasury	0.34%	0.30%	-0.04%
5-Year Treasury	1.49%	1.47%	-0.02%
10-Year Treasury	2.67%	2.71%	0.04%
30-Year Treasury	3.61%	3.67%	0.06%

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 finally reversed the negative trend to finish the week higher. Volume was light during the week as investors were awaiting the jobs data number Friday morning, which came out lower than expected. During the past week the Dow Jones Industrial Average closed at 15,794.08, finishing the week higher by 0.61%. The broader S&P 500 Index ended the week at 1,797.02, higher by 0.81% on the week. The NASDAQ Composite finished higher by 0.54% and closed the week out at 4,125.86.

European stocks rallied Thursday after the European Central Bank left its key lending rate unchanged at a record low of 0.25%. The Stoxx 600 index continued to rise on Friday posting its best weekly return for the year at 0.80%. Asian markets also rallied Friday on the jobs report and a strengthening U.S. dollar. This is a reversal from a huge sell-off on Tuesday when the markets reacted negatively to the disappointing manufacturing number out of the U.S.

Several domestic companies had news causing price movement. Green Mountain Coffee Roasters (GMCR) rose 26% of Thursday after it was announced the company signed a 10-year partnership deal with Coca-Cola (KO). KO also purchased a 10% stake in the company valued at \$1.25 Billion. Shares of GMCR continued to rise on Friday and finished the week up 32.99%.

Google (GOOG) announced that it will be establishing a new C share class that will be distributed to holders of both the A and B shares. Holders will receive one share of the C class for each share held and the C shares will have no voting rights. The shares will be used primarily for stock-based acquisitions and also equity-based employee compensation.

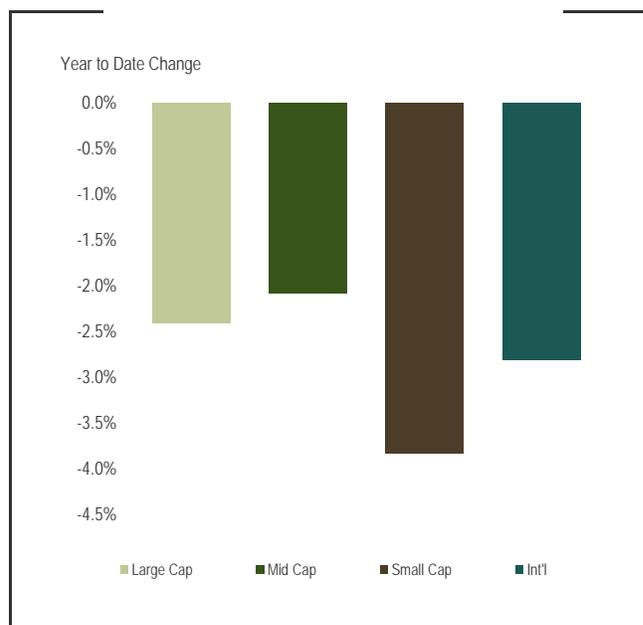
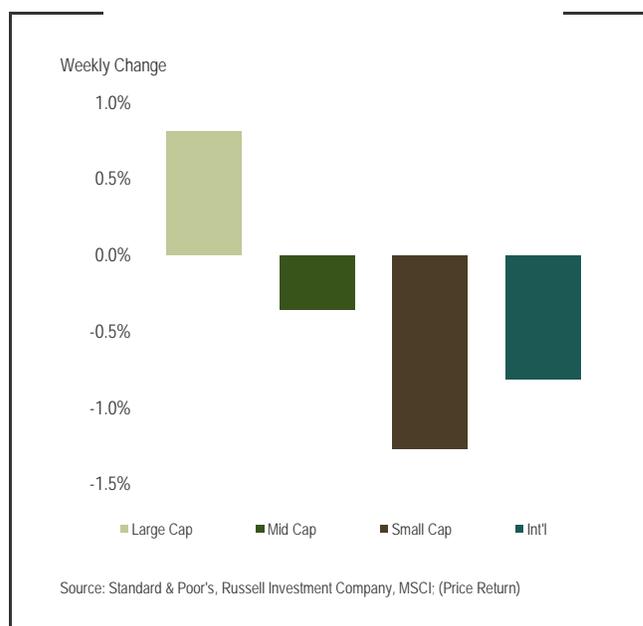
Name	Previous Week	Current ¹	Change
DJ Industrial Average	15,698.85	15,794.08	0.61%
S&P 500	1,782.59	1,797.02	0.81%
NASDAQ	4,103.88	4,125.86	0.54%
S&P Mid Cap 400	1,313.08	1,308.39	-0.36%
Russell 2000	1,130.88	1,116.55	-1.27%
MSCI EAFE	1,847.18	1,832.15	-0.81%
MSCI EM	936.37	929.81	-0.70%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

¹ Prices reflect most recent data available at the time of publication

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Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Cornerstone, Morningstar

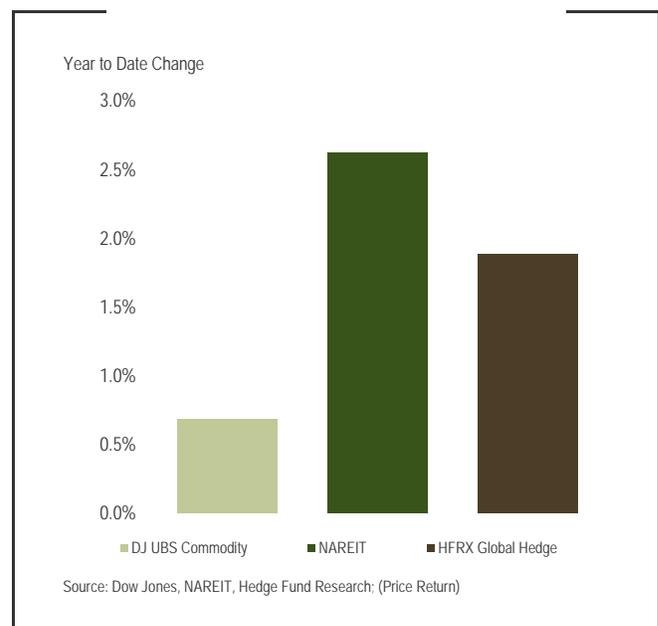
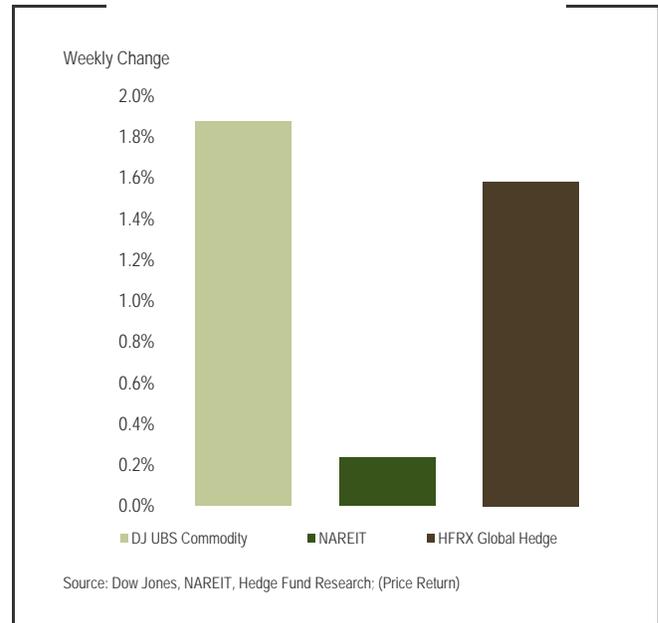


Alternative Investments Market Update

Crude oil edged above \$98 to end the week after the U.S. unemployment rate fell to 6.6% even as U.S. payrolls rose less than expected. Crude erased a drop that immediately followed the much-anticipated U.S. jobs report as analysts suggest the report had plenty of strong underlying data. However, weather forecasters are gauging the possibility of a winter storm arriving this week in the U.S. Northeast, which is still clearing snow from two systems earlier this week. According to the Energy Information Administration (EIA), distillate inventories, including heating oil and diesel, dropped for the fourth consecutive week through January 31. Analysts believe crude will likely decline next week as domestic refineries shut down plants for maintenance, reducing crude demand and bolstering stockpiles. Refineries operated at 86.1% of capacity in the week ended January 31, according to the EIA, the lowest rate since last October. Units are often idled at the start of the year after the heating season in November and December.

Gold also advanced on Friday and saw its sixth weekly gain out of seven as Chinese buyers returned from a week-long holiday, while investors weighed the U.S. payrolls data for signs of economic growth. The precious metal posted its biggest weekly gain in a month, despite a steadier dollar and higher European equities and is now up almost 5% since the beginning of the year. Usually gold holds an inverse correlation with the dollar, as a weaker dollar makes the metal cheaper, increasing demand and vice versa. Markets in China, the world's biggest gold consumer, opened on Friday after celebrating their Lunar New Year Holiday this past week, which boosted volumes that had thinned over the past several days. Premiums for 99.99% purity gold, the most-active spot contract on the Shanghai Gold Exchange, climbed to nearly \$11 an ounce on Friday, compared to about \$4 an ounce last Thursday prior to the holiday.

Name	Previous Week	Current ¹	Change
DJ UBS Commodity Index	126.12	128.48	1.87%
FTSE/NAREIT All REIT Index	160.78	161.16	0.24%
HFRX Global Hedge Index	1,199.42	1,218.36	1.58%
Gold	1,244.87	1,267.08	1.78%
Crude Oil Futures	97.54	100.03	2.55%



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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