MainStreet Advisors
Financial Market Update

February 14, 2014

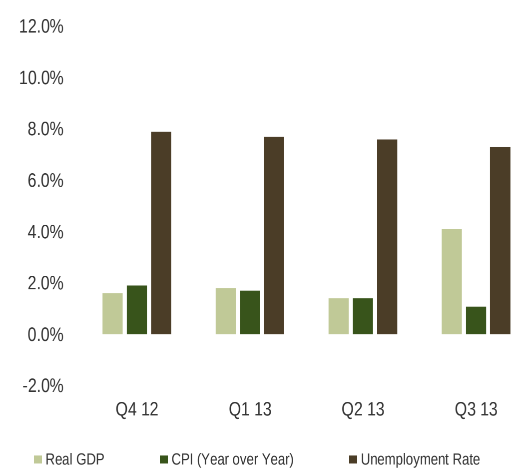
Economic Update

Positive news emerged from the Eurozone this week as GDP growth across the region grew more than expected in the final quarter of 2013. Eurozone GDP advanced at a rate of 0.3% in the fourth quarter compared to estimates of 0.1% growth, although GDP growth for the full year still fell 0.4%. The end-of-year economic expansion was mainly led by Germany, growing at 0.4%, France grew 0.3%, and Dutch GDP improved by 0.7%. Germany remains the strongest economic element of the Eurozone, but some of the weaker parts of the European economy improved in the second half of the year. These countries include Italy (0.1% growth), Spain (up 0.3%), and Portugal (up 0.5%). Factory output also grew faster than expected, furthering the economic improvement in Europe, and economic confidence has continuously improved for the past nine months.

In the U.S., industrial production declined by 0.3% in January but marked a 2.9% increase since this time last year. Consensus estimates were for a 0.2% growth rate for January. The manufacturing element of the report fell 0.8% in January as auto production saw a significant drop. High-tech manufacturing increased 0.2% last month and is up over 6% from one year ago. Analysts are blaming some of this manufacturing weakness on the "polar vortex" that gripped the U.S. over the past two months, bringing many elements of the economy down slightly.

Retail sales in the U.S. fell by 0.4% last month after a 0.1% drop in December. Auto sales declined by over 2%, bringing the overall retail sales number down significantly; without auto sales the retail sales figures were flat in January. Electronics and appliances demonstrated strength in sales growth but overall the weather certainly affected the final numbers and this could in turn affect GDP numbers for the first quarter, and possibly revisions for the fourth quarter of 2013.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

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 7th	Unemployment Rate, Jan	6.6%
Feb 12th	EIA Petroleum Status Report Wk Chg	3.3 M Bls
Feb 13th	Initial Jobless Claims (Week end 2/8)	339,000
Feb 13th	Retail Sales Jan. Monthly Chg	-0.4%
Feb 14th	Industrial Production, Dec. Monthly Chg.	-0.3%
Feb 14th	Consumer Sentiment Index, January	81.2

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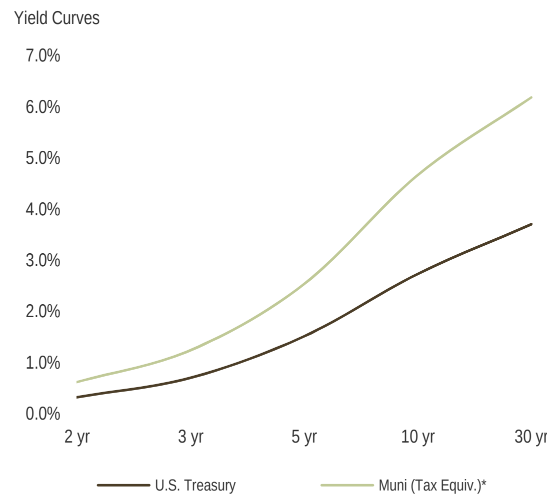
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

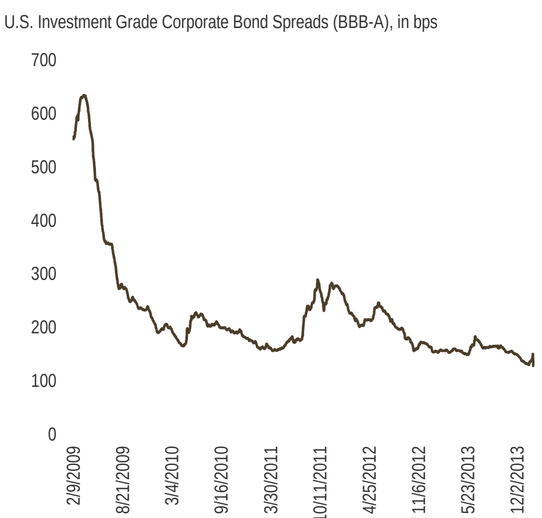
U.S. Treasury bonds finished the week modestly lower as yields on 3-year bonds and longer rose a few basis points. The relative stability in yields this week veils the strong market forces at work both pushing rates higher and pulling them lower. The Federal Reserve's decision to taper their asset purchases led many fixed income analysts at the beginning of the year to predict yields would move higher over 2014. While rates began the year at 3.0% and looked poised to increase, consequences of the Federal Reserve's actions began to play themselves out in the emerging markets. Rising rates in the U.S. made emerging market investments less attractive and capital rapidly flowed out of several emerging market nations causing a large depreciation in their currencies. The instability in the global markets prompted investors to seek the relative safety of U.S. Treasury bonds. While U.S. rates initially rose in reaction to Fed tapering, concern over global market stability proved a stronger influence over markets in the short term. The markets have had this duplicity when dealing with market data; data suggesting further tapering has seen market participants position themselves for higher and lower rates. Looking forward, it does appear emerging market economies are trying to stabilize their currencies and capital flows through higher short-term rates which suggests higher U.S. rates in the future and a less opaque market for fixed income investors.



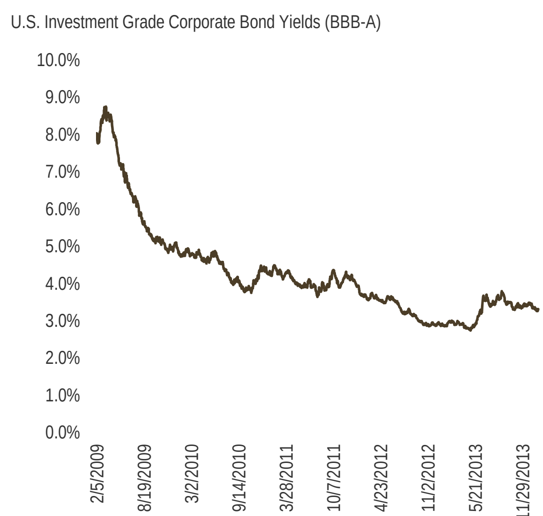
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	2.7.14	2.14.14	Change
3 month T-Bill	0.08%	0.03%	-0.05%
2-Year Treasury	0.30%	0.32%	0.02%
5-Year Treasury	1.47%	1.51%	0.04%
10-Year Treasury	2.71%	2.73%	0.02%
30-Year Treasury	3.67%	3.70%	0.03%

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



Source: Merrill Lynch



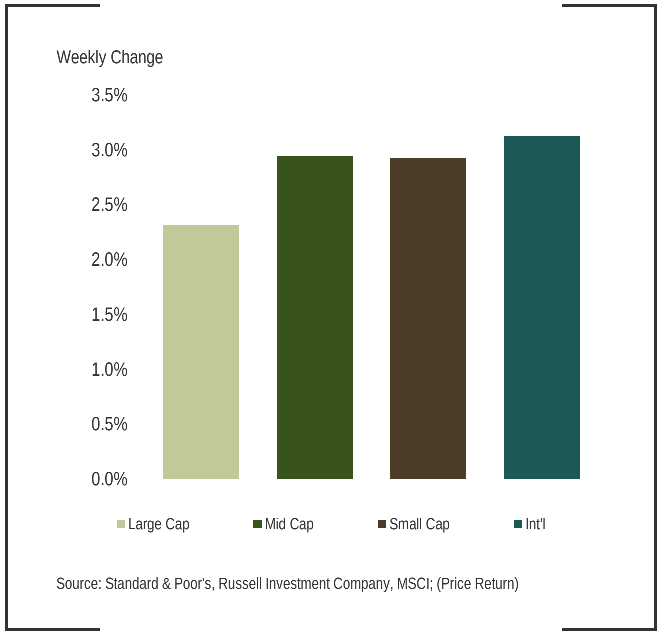
Source: Merrill Lynch

Stock Market Update

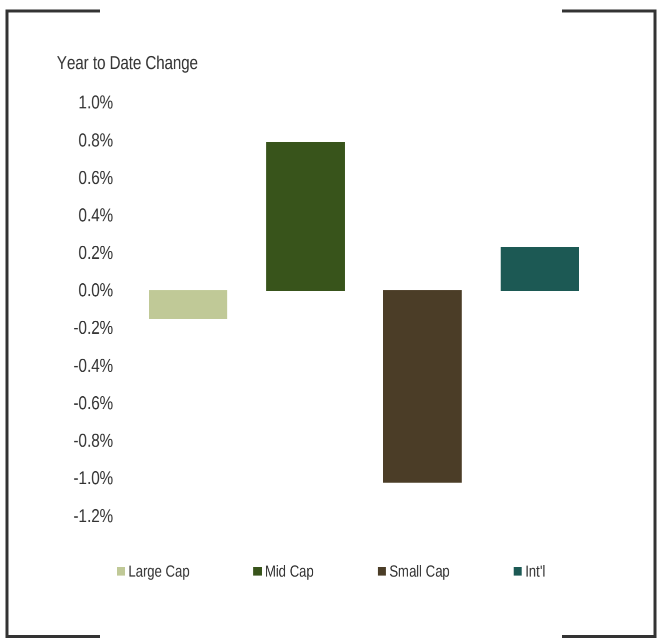
Stocks were strong across the board this week amid mixed economic data and earnings reports. Janet Yellen's comments that the Fed will continue to follow its low interest rate policy course was widely cheered as the Dow Jones Industrial Average Index increased 193 points on Tuesday. For the week, the Dow rose 2.3% to close at 16,154.39. The broader S&P 500 Index was also up 2.3% to end the week at 1,838.63. The NASDAQ Composite Index closed Friday up for the sixth consecutive day, finishing the week up 2.9% to 4,244.03. The NASDAQ is now in the black year-to-date, up 1.6%.

International stocks were also strong this week. European markets rose on Friday after economic data for the Eurozone confirmed the region is gradually recovering. Gross domestic product in the 18-nation Eurozone grew by 0.3% in the fourth quarter of 2013, compared with the previous quarter, when it grew by only 0.1%. European stocks as measured by the STOXX 600 Index were up 2.5% compared to last Friday's close. The Nikkei Index in Japan increased 1.1% while China's Shanghai Composite Index was up 3.2% for the week. Trade data reported on Wednesday showed a sharp gain for Chinese exports of 10.6% vs. a 2% rise as expected by analysts polled by Reuters.

Although earnings season is winding down, several major companies reported quarterly results this week including Cisco (CSCO) and Pepsi (PEP). Cisco reported revenue declines as the company continues to face product transitions in several of its key market segments. Pepsi's shares fell as revenue came in below expectations and management confirmed its commitment to maintaining its current operational structure. What should come as no surprise to anyone this winter, Campbell Soup Company (CPB) earnings topped expectations. In M&A news Comcast announced its intent to purchase Time Warner Cable while Jos. A Bank Clothier (JOSB) said on Friday it will acquire Eddie Bauer (EBHI).



Source: Standard & Poor's, Russell Investment Company, MSCI; (Price Return)



Name	Previous Week	Current[1]	Change
S&P 500	1,797.02	1,838.63	2.32%
S&P Mid Cap 400	1,308.39	1,346.86	2.94%
Russell 2000	1,116.55	1,149.20	2.92%
MSCI EAFE	1,832.15	1,889.48	3.13%
MSCI EM	929.81	945.83	1.72%
DJ Industrial Average	15,794.08	16,154.39	2.28%
NASDAQ	4,125.86	4,244.03	2.86%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.
1 Prices reflect most recent data available at the time of publication
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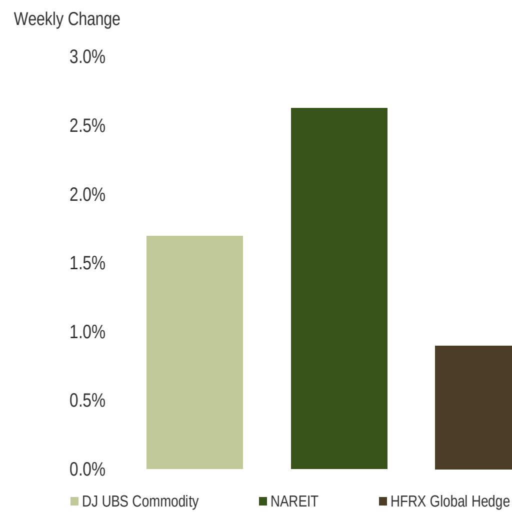
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Cornerstone, Morngingstar

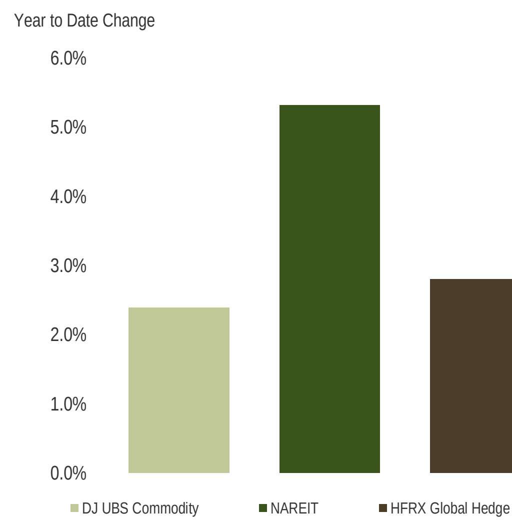
Alternative Investments Market Update

Gold had its biggest weekly advance since August as concern that the U.S. economy may be slowing down increased demand for the precious metal as a safe-haven investment. Bullion recorded its eighth straight day of gains, extending the longest rally since July 2011. The precious metal has jumped nearly 10% so far this year, rebounding from a 28% plunge in 2013 that was the biggest annual decline since 1981. Gold prices are currently above the $1,300 an ounce threshold, which is normally a bullish signal for the metal. Gold has been viewed as an initial boost for safe-haven demand amid a sharp rise in risk aversion as emerging markets intensified in January. Also, this week new Federal Reserve Chairman Janet Yellen stated how the U.S. central bank's monthly bond buying purchases are not on a "pre-set course." The central bank has cut purchases by $10 billion at each of its past two meetings, leaving purchases at $65 billion. Gold jumped 70% from December 2008 to June 2011 as the central bank pumped more than $2 trillion into the financial systems raising inflation concerns. Investor sentiment seems to have improved when looking at ETF inflows as well, with SPDR Gold Trust, the world's largest gold-backed exchange traded fund, posting its biggest inflows since late December, up 7.5 tonnes to 806.35 tonnes this week.



Source: Dow Jones, NAREIT, Hedge Fund Research; (Price Return)

Crude oil prices slipped to around $100 a barrel on Friday, ending the week relatively flat as fresh U.S. economic data and higher-than-expected crude supplies indicated weaker demand. The severe cold weather that's been sweeping the U.S. has had mixed influences on energy prices. It has boosted consumption of fuels such as heating oil, but more people are not leaving their homes, suggesting less travel and less usage of gasoline. The Energy Department stated that crude stockpiles rose 3.3 million barrels last week, more than analysts had expected, while distillate stocks, including heating fuels and diesel, fell far less than anticipated. Crude found support earlier in the week as forecasts from the International Energy Agency, the Organization of Petroleum Exporting Countries and the Energy Information Administration upgraded their demand expectations.



Source: Dow Jones, NAREIT, Hedge Fund Research; (Price Return)

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	128.48	130.66	1.69%
FTSE/NAREIT All REIT Index	161.16	165.39	2.62%
HFRX Global Hedge Index	1,218.36	1,229.30	0.90%
Gold	1,267.08	1,318.18	4.03%
Crude Oil Futures	100.03	100.27	0.24%

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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