MainStreet Advisors
Financial Market Update

March 7, 2014

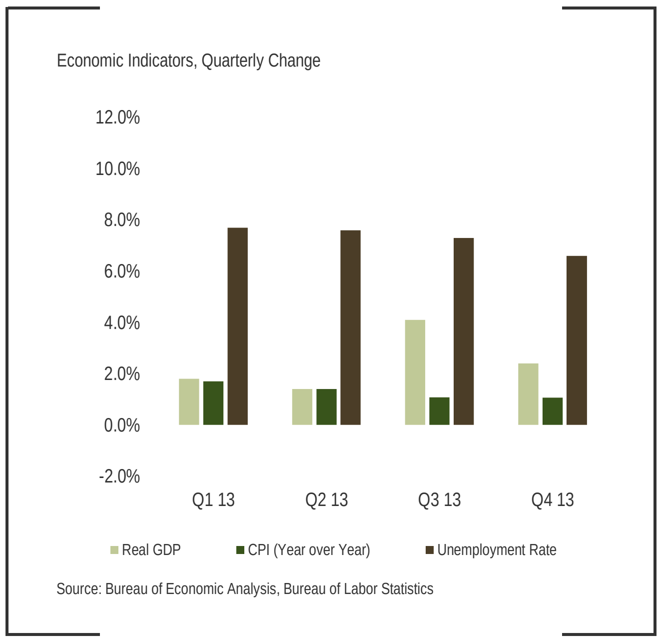
Economic Update

It was a big week for economic releases in the U.S. Payrolls came in at 175,000, beating consensus estimates of 150,000, with net upward revisions of 25,000 for the previous two months. Nearly all subsectors of the employment report saw gains, including government jobs, which rebounded after a January decline. This positive report should encourage the Federal Reserve to continue its tapering of the QE3 program.

Manufacturing data in the U.S. was mixed in February as the ISM Manufacturing Index climbed to 53.2 and the Non-manufacturing index level declined to 51.6. The manufacturing index has now maintained an expansionary nature, with levels over 50.0 for nine consecutive months. The non-manufacturing (service) sector index was mainly brought down by the employment component, which fell to 47.5 from 56.4 after hitting 3-year highs last month. As we move into spring the employment factor is set to rebound as many industries will likely see an uptick in activity.

Personal Income moved up by 0.3% in January and Personal Consumption jumped 0.4%, marking year-over-year gains of 4.1% for income and 3.5% for spending. Some of the income increases were due to Obama-care related Medicaid payments being distributed, but the increase in consumer spending indicates that Americans continued to shop in January despite the less-than-ideal weather conditions. Private sector wages increased by 0.3% as well to mark a 4.3% increase from a year ago, further aiding income gains and increasing spending power for the consumer.

Finally, Non-Farm Productivity numbers for Q4 2013 were revised down to 1.8% from the Q3 release of 3.5%. This downward revision is consistent with the GDP revisions from last week and falls short of the consensus estimates of 2.4%. Since 2008, productivity has grown by around 2.0%, therefore the Q4 release is not far off from the trend, and manufacturing productivity is still up 2.7% annually over the past 5 years.



Feb 28th	Real GDP, Q4 Quarterly Change SAAR*	2.4
Feb 28th	Consumer Sentiment Index, Feb	81.6
Feb 28th	Chicago PMI, Feb	59.8
Mar 3rd	Personal Income, March Monthly Chg	0.3%
Mar 3rd	ISM Mfg. Index - Level, Mar.	53.2
Mar 5th	ISM Non-Mfg. Index, Feb	51.6
Mar 6th	Initial Jobless Claims (Week ending 3/1)	323,000
Mar 7th	International Trade Balance Level, Jan	-39.1B

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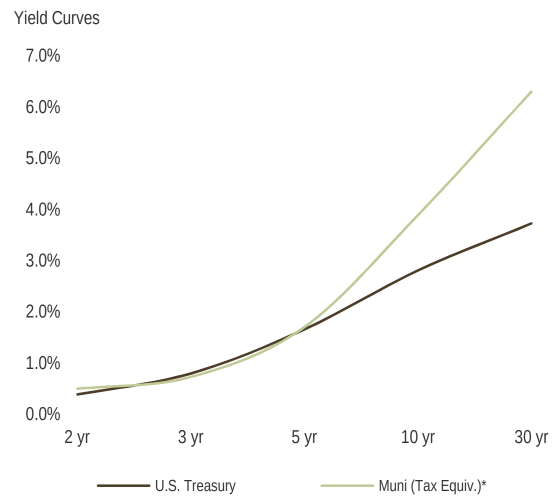
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

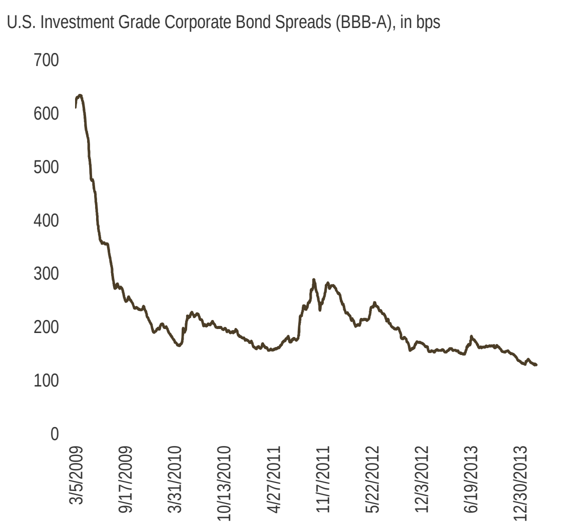
Reflecting signs of stronger economic growth, U.S. Treasuries finished the week lower, sending the yield on the 10-year note to its highest level since late January. Demand for safe-haven government debt waned after a jobs report exceeded market expectations, adding to indications the economy is starting to bounce back from a weather-induced setback. However, despite this strong report, traders will likely avoid betting aggressively on a further rise in yields until additional data suggests stronger growth is sustainable. Meanwhile, demand for high-yield corporate bonds and leveraged loan securities remains robust, as mutual funds in these areas continue to see strong inflows despite weakening underwriting standards. More than half of all below-investment-grade loans issued this year lack standard protection for lenders such as debt relative to cash flow limits. The magnitude of these "covenant-light" loans has the Federal Reserve and FDIC concerned that "prudent underwriting standards have deteriorated". Many strategists feel the rally in these areas of the bond market can endure as investors continue to reach for yield in a low interest environment. At the same time, defaults remain well below historical averages.



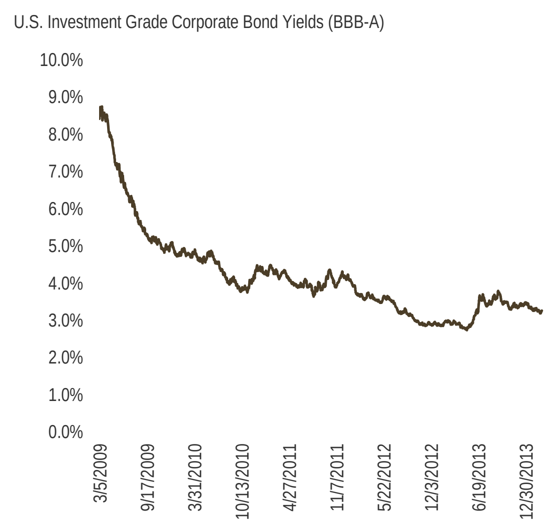
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	2.28.14	3.7.14	Change
3 month T-Bill	0.05%	0.06%	0.01%
2-Year Treasury	0.33%	0.38%	0.05%
5-Year Treasury	1.51%	1.65%	0.14%
10-Year Treasury	2.66%	2.80%	0.14%
30-Year Treasury	3.59%	3.72%	0.13%

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



Source: Merrill Lynch



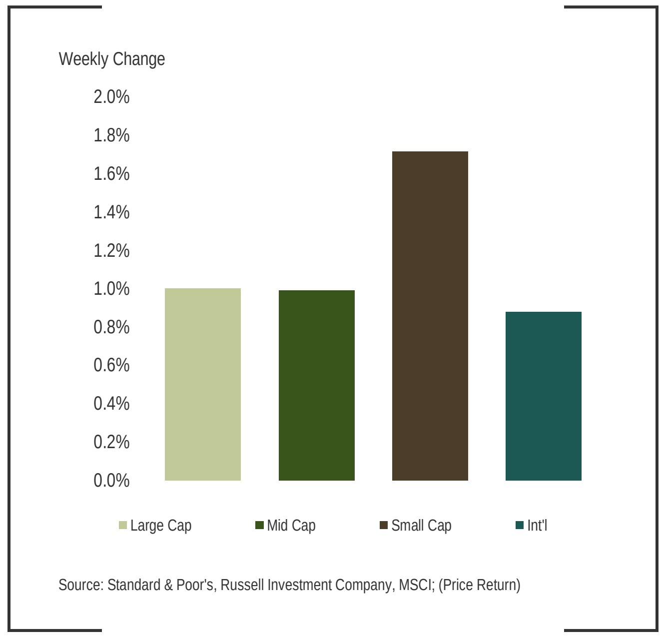
Source: Merrill Lynch

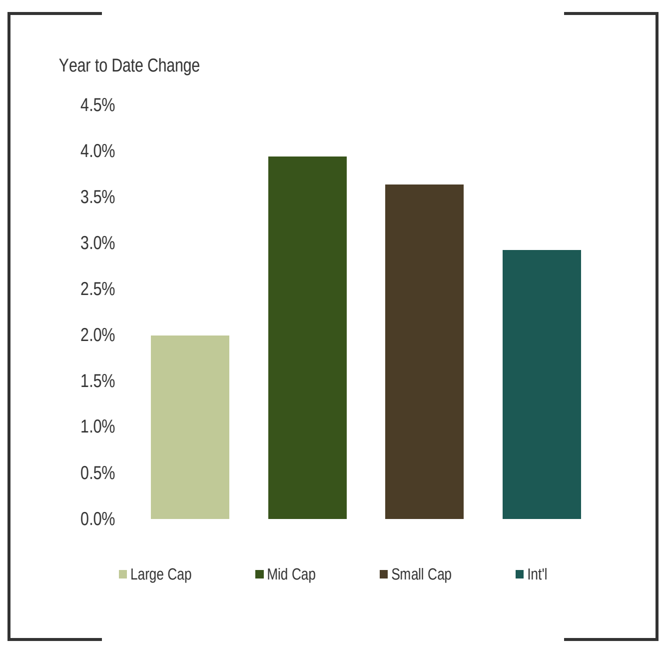
Stock Market Update

February's positive stock momentum continued into the first week of March. While equity markets were volatile throughout the week, domestic stocks finished positive across the board. Tensions in Russia and Ukraine sent stocks crashing on Monday, however on Tuesday the S&P 500 index and the Dow Jones Industrial Average Index recorded their best one-day percentage gains since December. For the week, the Dow rose 0.8% to close out at 16,452.72. The broader S&P 500 Index was up 1.0% to end the week at 1,878.04, recording its 51st record close in the last 12 months. The NASDAQ Composite Index reached a 14-year high on Thursday, fell slightly on Friday, but still finished the week up 0.7% to 4336.22.

International stocks were mixed this week. The Stoxx Europe 600 index fell 1.3% on Friday to close at 333.06, losing 1.5% since last Friday, marking the first weekly drop since January. The European Central Bank left its main refinancing rate unchanged at a record low of 0.25% and kept the deposit rate at 0%, despite some expectations that it may either cut rates or announce other monetary policy measures. Weakness on Friday was related to fears the crisis in Ukraine could escalate over the weekend. The Nikkei Index was up 2% for the week reaching a five-week high as investors cheered news about Japan's public pension fund's allocation plan, and as a weaker yen boosted shares of exporters. China's Shanghai Composite Index was flat while Russian stocks suffered their worst week since May 2012.

The S&P 500 Index has surged over 175% since the bear market bottom of 676 on March 9, 2009, the second best performing bull market rally since the 1940's. The only rally to perform better was the 228% rise in the S&P 500 from August 1982 to August 1987. The Dow has increased just over 150% since its low of 6547 in March 2009. Unfortunately not every investor has been a beneficiary of that rally as evidenced by data recently reported by the Investment Company Institute: in the five-year period through January 2014, outflows from equity mutual funds outpaced inflows in 30 out of the 60 months.





Name	Previous Week	Current[1]	Change
S&P 500	1,859.45	1,878.04	1.00%
S&P Mid Cap 400	1,375.33	1,388.95	0.99%
Russell 2000	1,183.03	1,203.32	1.72%
MSCI EAFE	1,923.34	1,940.23	0.88%
MSCI EM	963.23	970.27	0.73%
DJ Industrial Average	16,321.71	16,452.72	0.80%
NASDAQ	4,308.12	4,336.22	0.65%

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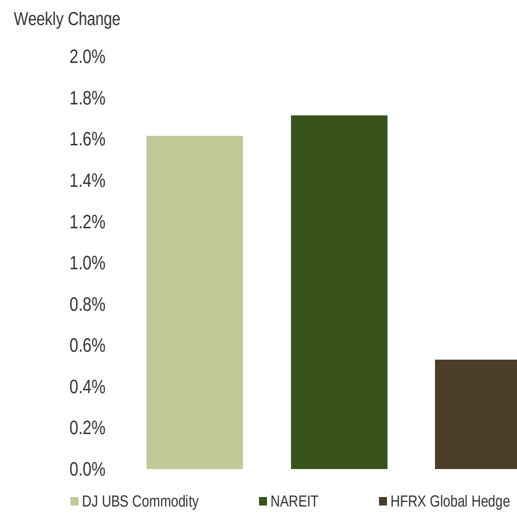
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Cornerstone, Morngingstar

Alternative Investments Market Update

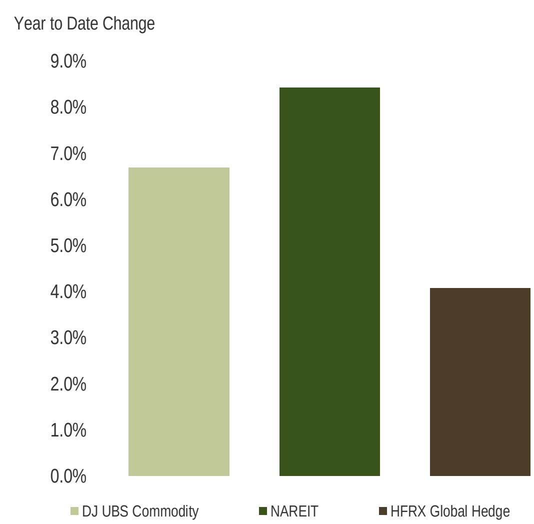
Gold fell 1% on Friday after data showed U.S. job growth accelerated sharply, easing fears of an abrupt economic slowdown and keeping the Federal Reserve on track to continue reducing its monetary stimulus. Bullion pared some early losses after benchmark 10-year Treasury yields gave back some gains after initially raising to six-week highs. The metal, seen as a safe haven, still managed to post its fifth straight week of gains, capitalizing on gains made earlier in the week when tensions in Ukraine escalated. The precious metal has gained nearly 9% in the last five weeks.

Crude oil ended the week relatively flat, again. The commodity had a late rally on Thursday, snapping a two-day loss, even as the dollar trended lower against a basket of major currencies amid the continued stand-off between Russia and the West, with the U.S. imposing sanctions against Moscow. Investors also mulled over some encouraging macroeconomic data out of the U.S. with initial claims for unemployment benefits declining more than expected last week. Domestically, the Energy Department's Energy Information Administration (EIA) stated that supplies of crude rose by 1.4 million barrels last week. Also, demand for both gasoline and distillate fuels, which include diesel and heating oil — fell over the past four weeks compared with a year ago. Natural-gas futures ticked higher this week ahead of an upcoming government supply report, which was expected to show natural-gas inventories at below average levels for this time of year. The market awaited the release of inventory data that acts as a barometer for how much gas will be left at the end of the heating season, and whether adequate amounts can be produced before the start of the new season in the fall. At the gas pump drivers are paying an average of $3.46 per gallon according to AAA, up 18 cents from a month ago but still 28 cents cheaper than this time last year.

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	133.98	136.14	1.62%
FTSE/NAREIT All REIT Index	167.41	170.28	1.71%
HFRX Global Hedge Index	1,238.00	1,244.56	0.53%
Gold	1,326.14	1,340.31	1.07%
Crude Oil Futures	102.50	102.54	0.04%



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



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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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