MainStreet Advisors
Financial Market Update

March 28, 2014

Economic Update

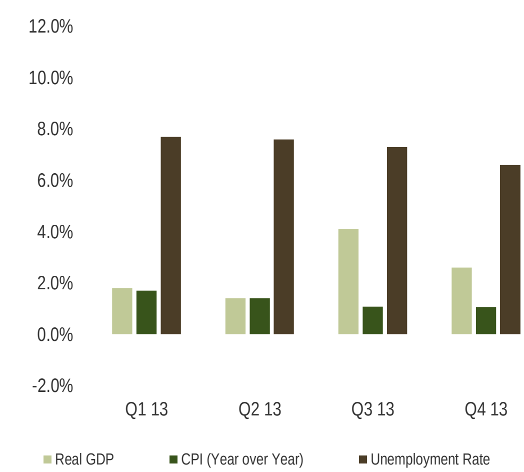
Consumer spending in the U.S. increased 0.3% in February, the largest gain in three months, after a 0.2% climb in January. This is a positive shift to the upside as a tough winter had taken some steam out of the consumer spending trend, which makes up 70% of consumption in the economy. An improving job market and higher incomes contributed to the consumption gains, which came from increased spending on durable goods, cars, and the service sector. Part of the gain in incomes (also up 0.3% in February) is due to a spike in government transfer payments from Medicaid distributions related to the Affordable Care Act, and private sector wages were also up 3.6% over the past year.

Real GDP for the fourth quarter of 2013 was reported at 2.6% annualized, an upward revision from the 2.4% stated last month. Consumer spending, the largest contributor to the GDP figure, increased by 3.3% in Q4 to mark the strongest quarterly gain since 2010. Many retailers are waiting for the spring to evaluate the state of the economy and the U.S. consumer because of skewed data from the winter, and expectations are high for a rebound in Q2 of this year.

While consumer spending has been strong, the story is different in the corporate world. Factories reported fewer orders for machinery and technical equipment in February as weak sales during the winter dampened order demand. Capital goods orders fell 1.3% in February after a 0.8% increase in January, but demand for durable goods still climbed 2.2% year over year, led by auto sales.

The consumer confidence fell in March to the lowest reading in four months, which could indicate slower upcoming spending. The Thomson Reuters/University of Michigan survey of consumer sentiment dropped to 80 from a February reading of 81.6. Higher heating costs and gasoline prices contributed to the fall in sentiment, but stronger wage gains and an improving employment outlook kept the number from falling further.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Mar 20th	Initial Jobless Claims, wk 3/15	320,000
Mar 25th	New Home Sales, Feb	440,000
Mar 25th	Consumer Confidence, March	82.3
Mar 26th	Durable Goods Order, Feb	2.2%
Mar 27th	GDP, Q4 2013	2.6%
Mar 27th	Initial Jobless Claims, wk 3/22	311,000
Mar 28th	Pending Home Sales, Feb Chg	-0.8%

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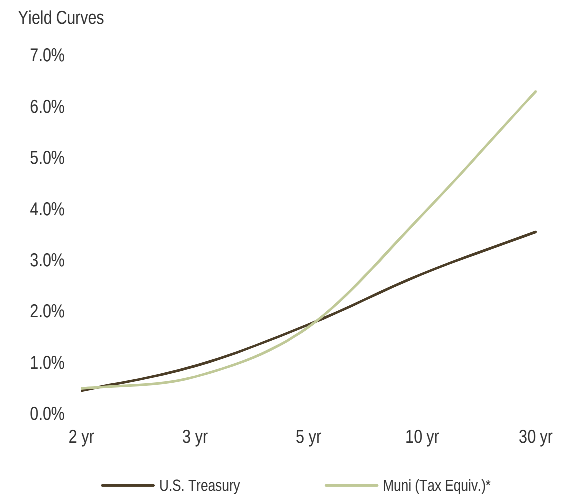
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

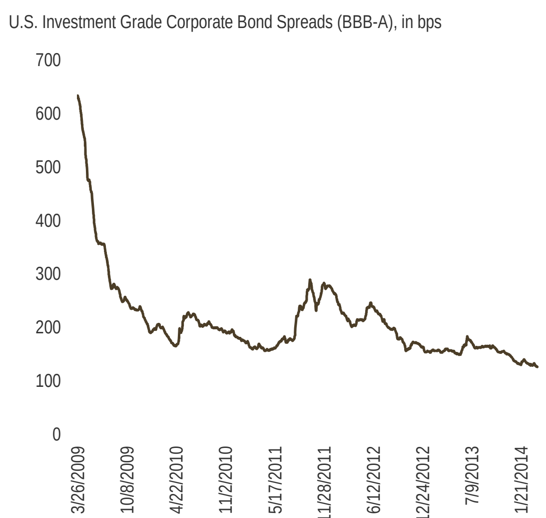
Despite a modest sell-off on Friday, U.S. Treasuries finished the week higher as mixed economic reports deflated concerns from last week's comments from the Federal Reserve. Looking forward, many strategists expect the yield on the 10-year note to trade between 2.5% and 3.0% in the short-term given continued uncertainty over the domestic economic outlook. This outlook will play a key factor shaping the central bank's pace of tapering of quantitative stimulus. If the Fed continues its current pace, their bond-buying program should come to end in the fourth quarter of this year, paving the way for an increase in short-term interest rates. Meanwhile, Standard & Poor's cut Brazil's sovereign debt rating to BBB-, noting a multiyear economic slump has eroded the country's finances. President Rousseff tried to revive the economy with a combination of tax cuts and social spending. At the same time, the president has been widely criticized for resorting to sometimes opaque accounting moves to meet budget targets. S&P said fiscal credibility had been "systematically weakened" following cuts in the government's main target, with loans by state run banks undermining "policy credibility and transparency." The short-term effect of the downgrade on the financial markets remains unclear. Analysts feel some market participants might be forced to liquidate positions due to policies prohibiting holding lower quality assets, while others may focus on the low likelihood of further downgrades.



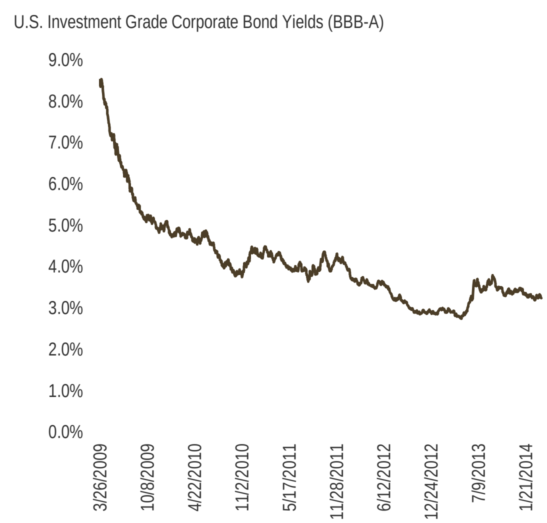
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.21.14	3.28.14	Change
3 month T-Bill	0.06%	0.04%	-0.02%
2-Year Treasury	0.45%	0.45%	0.00%
5-Year Treasury	1.73%	1.74%	0.01%
10-Year Treasury	2.75%	2.73%	-0.02%
30-Year Treasury	3.61%	3.55%	-0.06%

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

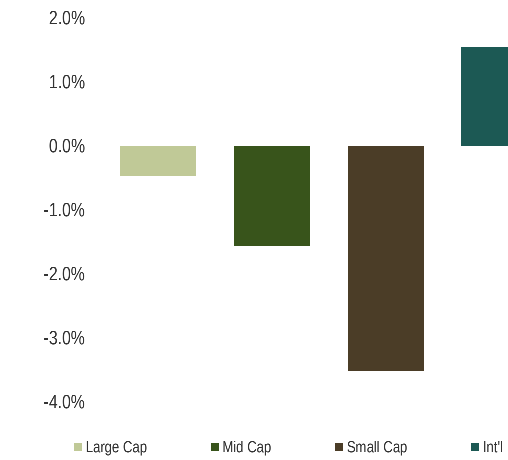
Stock Market Update

Domestic stocks fluctuated this week, ending close to where they began. As we approach the end of the quarter on Monday, equity markets are trying to decipher a number of variables, including the Fed tapering, concerns over Ukraine, a slowing Chinese economy, healthy U.S. corporate profit growth, a still-suffering consumer, and the impact of a cold and snowy winter. With that many uncertainties, it's no wonder that the week, like the first quarter as a whole, meandered rather than moving consistently in either direction. The S&P 500 index closed the week at 1857.62 or down 0.5% on the week, while the Dow Jones Industrial Average finished at 16,323.06, down 0.1% over the five days. With one more trading day remaining in the first quarter, the S&P 500 has eked out a 0.5% gain year to date.

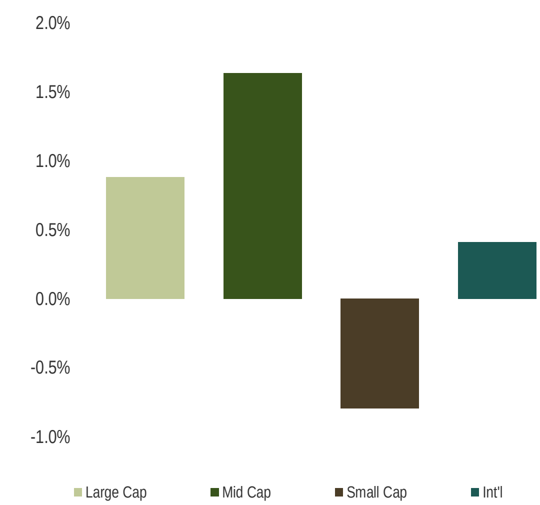
Foreign stocks generally fared better than American stocks this week. The Stoxx Europe 600 index closed Friday at 333.76, higher for the week by almost 2%. European and Asian equities were supported by China's commentary about continued infrastructural investment. Japan's Nikkei 225 index rounded out the week up just over 3%, at 14,696.03, on the back of a weaker yen and favorable inflation data. Emerging markets also outpaced domestic stocks this week, with the iShares MSCI Emerging Markets ETF rising 4.5% to close at 40.74.

Though the broader U.S. stock market indexes have been nearly flat, there has been movement lately within equity styles and industry sectors. In particular, the market has lost some of its desire for the highest-flying stocks. These "momentum" stories have had a hard ride in March, and we attribute this to valuation concerns and money flows more than changes in fundamentals. The biotech sector, as measured by the IBB ETF, has fallen more than 10% in the month, as have Priceline, Twitter, and Tesla. March losses in NetFlix and 3D-printing company 3D Systems have been approximately 20%.

Name	Previous Week	Current[1]	Change
S&P 500	1,866.52	1,857.62	-0.48%
S&P Mid Cap 400	1,379.82	1,358.20	-1.57%
Russell 2000	1,193.73	1,151.82	-3.51%
MSCI EAFE	1,864.01	1,892.86	1.55%
MSCI EM	940.70	975.29	3.68%
DJ Industrial Average	16,302.77	16,323.06	0.12%
NASDAQ	4,276.79	4,155.76	-2.83%



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



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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

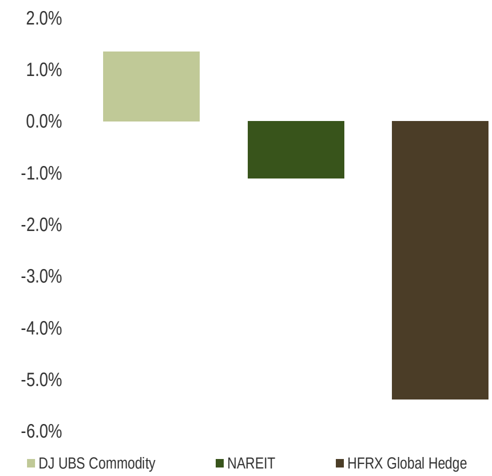
Alternative Investments Market Update

Crude oil futures rose to three-week highs this week on continued supply drawdowns at a key storage hub and signs of improving U.S. demand. Supplies in Cushing, Oklahoma, a main U.S. storage hub where the Nymex contract is priced, fell for the eighth straight week last week, as announced by the U.S. Energy Information Administration (EIA). Cushing stockpiles are at their lowest level since January 2012. A storage surplus has built up in Cushing as domestic oil production rapidly increased without sufficient transportation channels to connect the crude to existing refineries.

Gold prices sank to six-week lows this week on signs of improving U.S. economic growth and easing concerns regarding Ukraine drained investor interest in the safe-haven asset. This marks the second consecutive weekly drop for the precious metal, after it had rallied over the first two months of the year as investors sought to protect their wealth from risks such as a slowing economy, turbulence in emerging markets and the political crisis in Ukraine. After Russia annexed Ukraine's Crimea region in mid-March, some of the uncertainty surrounding the geopolitical tensions in Eastern Europe appeared to subside and bullion prices have turned lower, on pace for a 2% loss this month. This week, the metal's retreat came amid signs that the U.S. economic recovery is gaining traction after a stretch of weak economic readings at the beginning of the year.

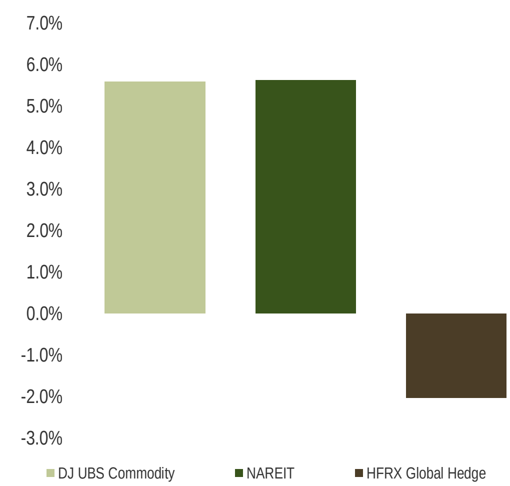
Brazil's worst drought in decades comes with a silver lining for coffee growers responsible for one in every three cups of fresh java consumed in the world. The dry spell has triggered a price surge allowing farmers to sell stockpiled coffee at a profit for the first time in a year which should help pay debt and fertilizer bills. Brazilian coffee trees suffered the driest and hottest start to a year in at least six decades, fueling a rally that sent New York futures to a two-year high earlier this month. Coffee roasters, who until December were buying the bare minimum on the prospect of ample supplies and lower prices, have been speeding up purchases due to uncertainty over the crop as growers will start harvesting in April or May.

Weekly Change



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

Year to Date Change



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

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	132.94	134.75	1.35%
FTSE/NAREIT All REIT Index	167.74	165.88	-1.11%
HFRX Global Hedge Index	1,238.22	1,171.53	-5.39%
Gold	1,333.95	1,292.70	-3.09%
Crude Oil Futures	99.43	101.58	2.16%

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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