MainStreet Advisors
Financial Market Update

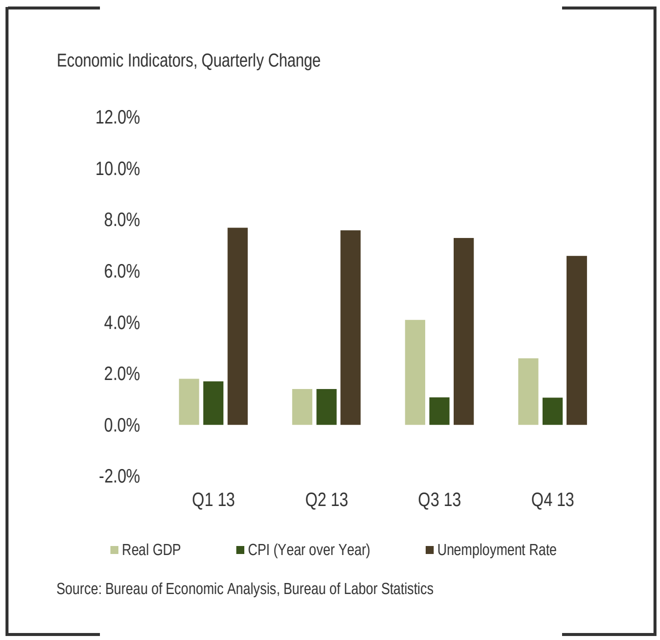
April 4, 2014

Economic Update

Total non-farm payrolls rose 192,000 in March while the unemployment rate stayed firm at 6.7%. This comes after a 197,000 revised gain in February and a 144,000 report in January. Although the March release did not beat analyst consensus, it still signifies a continuation of steady job growth over the past several months. Goods-production jobs, healthcare, retail, and business services saw strong gains while manufacturing and government jobs came in essentially flat. This report should not change anything that is happening with regards to the Fed and QE3 tapering as it is positive but not extraordinary.

The Non-Manufacturing ISM Index saw a predictable gain in March after a weather-laden February caused the index to drop significantly. This indicator of activity in the U.S. service sector gained 1.5 points in March to reach a level of 53.1 from a February reading of 51.6. New orders were strong and inventories are fairly low, which could indicate re-stocking in the coming months. The manufacturing counterpart of the ISM, gained a half a point to reach 53.7. This was not as strong a rebound as expected but production rebounded nicely as well as new export orders.

German factory orders saw a 0.6% seasonally-adjusted rise in February after a forecasted gain of 0.2%. This is a sign that the largest economic power in Europe is gaining strength in the manufacturing sector, which likely stems from domestic demand as exports to emerging economies have weakened. Unlike the deep freeze that the U.S. experienced, Germany experienced a warm winter which resulted in strong construction numbers throughout the season. The slower economic growth in emerging economies as well as the Russia-Ukraine situation provides obstacles to German manufacturing growth; however, this report was an indicator for positive growth in the Eurozone.



Mar 27th	Initial Jobless Claims, wk 3/22	311,000
Mar 31st	Chicago PMI, Business Baro, Mar	55.9
Apr 1st	ISM Mfg. Index - Level, Mar	53.7
Apr 3rd	International Trade Balance, Feb	-42.3 B
Apr 3rd	Intial Jobless Claims, wk 3/29	326,000
Apr 4th	Non-farm Payrolls, Mar. Monthly Chg.	192,000
Apr 4th	Unemployment Rate, March	6.7%

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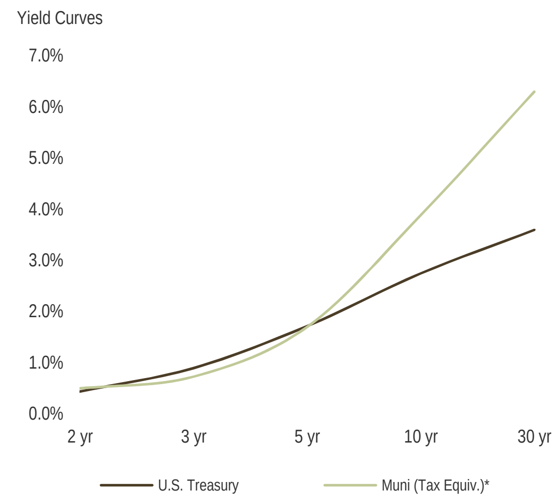
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Although the treasury curve ended the week with only modest change, higher volatility was observed around key economic data releases. The recent drastic flattening of the yield curve was slightly reversed this week after a slower than expected payroll growth. On Monday the spread between the 5-year notes and the 30-year bonds narrowed to 178 basis points, the smallest spread since October 2009, ending on Friday at 190 basis points compared to 181 last week. The flattening of the yield curve is an indication of market's expectation for the Fed to begin raising short-term rates soon after the QE program concludes, reinforced in the recent press conference by the Fed's Chairperson Janet Yellen. Consequently, market participants now anticipate the first rate hike in May-June 2015.

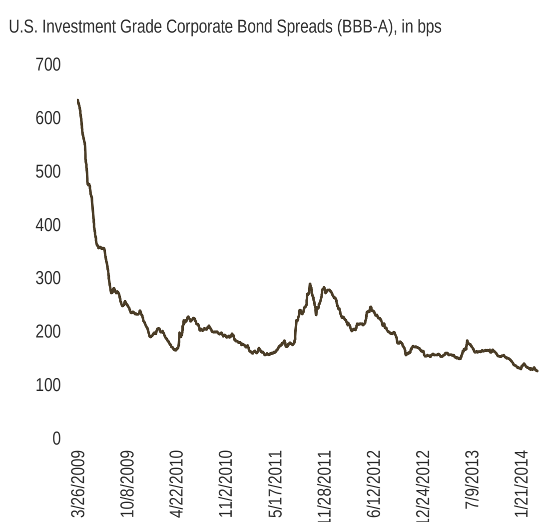
Sovereign bond yields are declining across Europe largely on the speculation of possible ECB stimulus. As a result, Spain's 5-year note yield dropped to 1.69% during the week, which was surprisingly below its U.S. equivalent. Similarly, the yield on Italy's 5-year note fell to as low as 1.74%, the lowest since 1993 according to data collected by Bloomberg. In addition, credit quality seems to be improving on the periphery. During the week, Fitch Ratings increased its outlook for Lithuania to positive from stable while stating "prudent economic policy making" and the upcoming adoption of the euro as primary reasons.



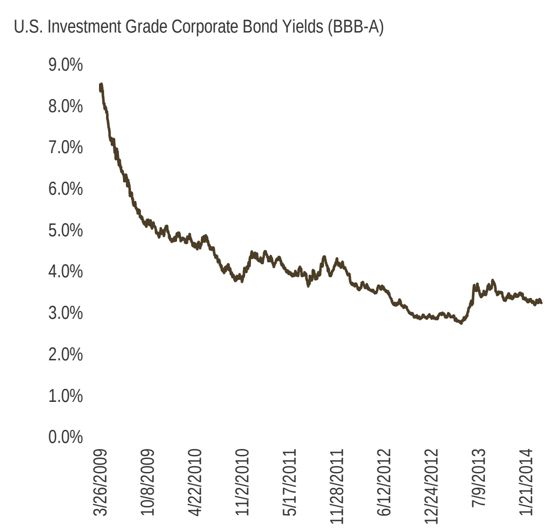
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.28.14	4.4.14	Change
3 month T-Bill	0.04%	0.03%	-0.01%
2-Year Treasury	0.45%	0.43%	-0.02%
5-Year Treasury	1.74%	1.71%	-0.03%
10-Year Treasury	2.73%	2.74%	0.01%
30-Year Treasury	3.55%	3.59%	0.04%

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



Source: Merrill Lynch



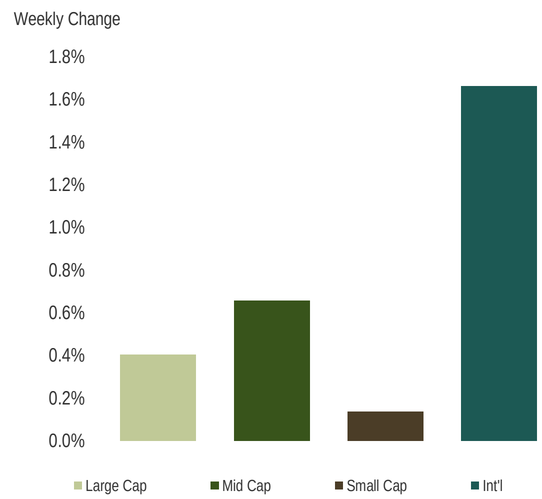
Source: Merrill Lynch

Stock Market Update

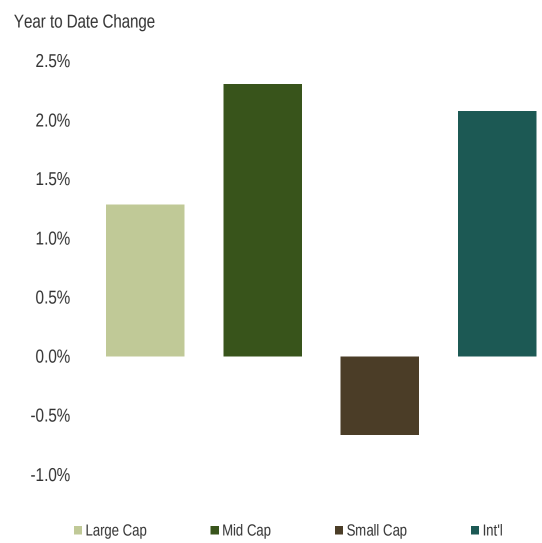
The stock market started the week strong only to pull back slightly Thursday ahead of the jobs data set to be announced Friday before the open. The markets didn't rally on the news Friday morning, but they remained positive long enough at the open for the Dow and the S&P 500 Index to reach new intraday highs, only to sell off throughout the day. The Dow Jones Industrial Average closed at 16,412.71, finishing the week higher by 0.55%. The broader S&P 500 Index ended the week at 1,865.09, higher by 0.40% on the week. The NASDAQ Composite finished lower by 0.67% to close the week out at 4,127.73.

European markets held their ground Friday after the employment report in the U.S. There have been nine straight days of gains for the European markets making it the longest winning streak in over five months. Asian markets were broadly positive for the week but declined slightly on Friday. Japan's Nikkei Index posted a return of 2.7% for the week benefitting from a weaker yen.

Shares of Google split 2:1 in the form of a new share class when the stock opened Thursday morning creating a third share class. The new shares will be the non-voting "C" class and will trade under the original symbol GOOG. The Class "A" shares will trade under the new ticker symbol GOOGL. Shareholders received 1 new share of each class for every existing share they owned. The third share class, called "B" shares, are closely held by management as a way to maintain control over the company. Shares of GOOG finished higher on the day to finish at $569.74/share while the "A" shares, ticker GOOGL, finished higher also and closed at $571.50/share. Analysts expect a slight disparity between the two liquid share classes based on the lack of voting rights for the "C" shares.



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



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

Name	Previous Week	Current[1]	Change
S&P 500	1,857.62	1,865.09	0.40%
S&P Mid Cap 400	1,358.20	1,367.11	0.66%
Russell 2000	1,151.82	1,153.38	0.14%
MSCI EAFE	1,892.86	1,924.32	1.66%
MSCI EM	975.29	1,000.17	2.55%
DJ Industrial Average	16,323.06	16,412.71	0.55%
NASDAQ	4,155.76	4,127.73	-0.67%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.
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, Cornerstone, Morngingstar

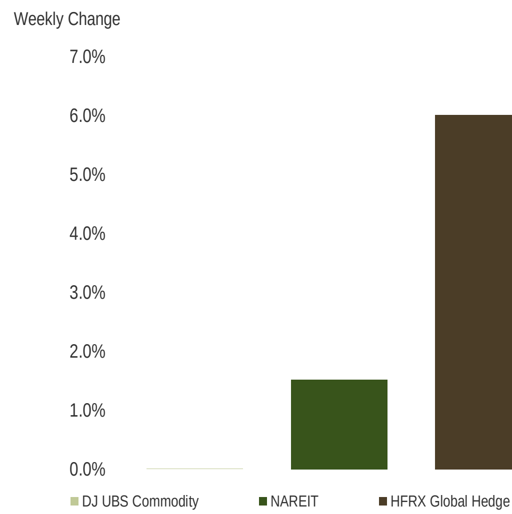
Alternative Investments Market Update

Gold climbed back above $1,300 an ounce on Friday in the wake of a U.S. jobs report that did not quite meet market expectations. Bullion traders believe that the weaker-than-expected job numbers could force the Federal Open Market Committee to curtail tapering of quantitative easing in the near future. The 1.5% rise in the metal was its biggest daily gain in a month. The Federal Reserve’s stimulus, which has kept the dollar cheap and rates low, has helped boost gold over the last several years as bullion is traditionally viewed as a hedge against currency debasement or inflation. The precious metal has slipped around 7% since March 14 as some investors have become more optimistic about U.S. economic outlook; others grew wary of holding zero-yielding assets after the Fed signaled it could raise benchmark interest rates as early as the first half of 2015.

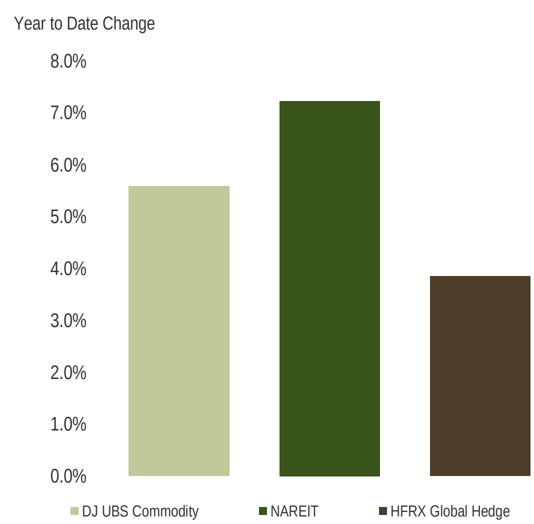
Crude oil futures ended the week relatively flat, even after monthly U.S. employment data missed expectations but showed hiring expanded in March. Higher employment has the tendency to indicate increased demand for petroleum products in the world’s top oil-consuming nation, however this month’s data wasn’t strong enough to give crude a strong and sustained boost. Uncertainty about Libyan supply returning to the market has also supported price gains recently, despite talks between rebels and government officials to end their standoff and re-open blocked ports to get supply flowing. Libya's oil production has been well below capacity this year amid the political tension. The country produced an average output of 370,000 barrels a day during Q1, while output capacity is about 1.4 million barrels a day.

Returns on equity real estate investment trusts (REITs) far outpaced gains seen in the broader market during Q1 and analysts expect solid fundamentals to continue to support the sector. Total returns for the FTSE NAREIT Equity REITs Index were just under 10% in the first quarter, compared with the 1.8% gain seen in the S&P 500. Gains for the FTSE NAREIT All REITs Index stood at 8.6% in the first quarter. REIT returns softened though in March compared with the first two months of the year with total returns from the FTSE NAREIT All REIT Index gaining just 0.3%, compared with a gain of 0.8% for the S&P 500.

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	134.75	134.75	0.00%
FTSE/NAREIT All REIT Index	165.88	168.40	1.52%
HFRX Global Hedge Index	1,171.53	1,241.95	6.01%
Gold	1,292.70	1,304.14	0.88%
Crude Oil Futures	101.58	101.14	-0.43%



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



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

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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MainStreet Advisors

120 North LaSalle Street, Suite 3700
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com