MainStreet Advisors
Financial Market Update

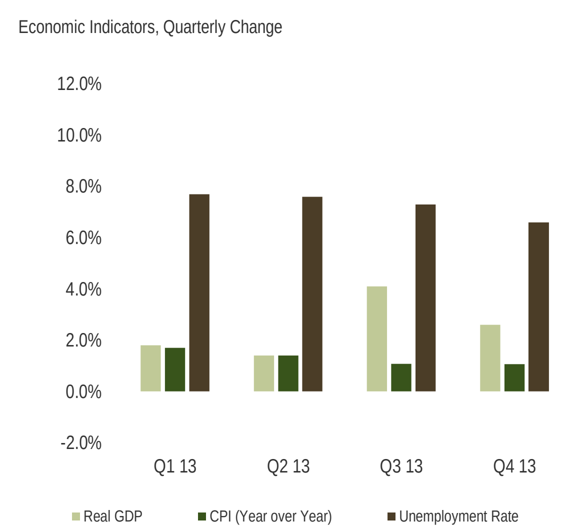
April 17, 2014

Economic Update

According to reports from Beijing this week Chinese GDP grew at an annualized pace of 7.4% during the first quarter of 2014, falling just under the IMF estimate of 7.5% released last week. This is the weakest GDP report in six quarters for China as construction and industrial production dipped significantly. Slow property investment indicates a tightening credit environment and lower property demand, which adds more concern to the economic situation in China as local debt and shadow banking are already becoming significant dangers to the economy.

Looking to the U.S., the largest threat to the economy may be persistently low inflation, according to Janet Yellen in a statement made on Wednesday. She maintained that the U.S. central bank will continue to stimulate the economy until the labor market is healed to satisfaction and inflation rises towards the 2% goal that the Fed has stated. While it seems a far stretch at this point, Yellen did say that overshooting that 2% goal could be "very costly to reverse."

The U.S. economy showed strength in the business sector and on the consumer side last month. Industrial production increased 0.7% in March and is now up 3.7% on the year. Auto production declined, but is still up over 5% since this time last year. Meanwhile, manufacturing jumped 0.6% while high-tech production was up 0.7%. This is a very positive report from the industrial sector of the U.S. economy as we slowly ease out of the winter weather and into spring. On the consumer side, solid gains were reported in retail sales (1.1% gain) for the second straight month as buyers make up for lost time this winter. Despite lower auto production, auto sales gained more traction this month since September of 2012. Furthermore, housing starts rose 2.8% in March, fueled by a 6% jump in single-family homes. While the annualized rate is still below the consensus estimate, this trend marks continued progress towards normalization in the housing construction industry. These numbers should continue to pick up as demand increases in warmer months.



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Apr 10th	Intial Jobless Claims, wk 4/5	300,000
Apr 14th	Retail Sales, March. Monthly Chg.	1.1%
Apr 15th	CPI, March Monthly Chg.	0.2%
Apr 16th	Housing Starts, March	946,000
Apr 16th	Industrial Production, Mar. Monthly Chg.	0.7%
Apr 17th	Intial Jobless Claims, wk 4/12	304,000
Apr 17th	Philidelphia Fed Survey, April	16.6

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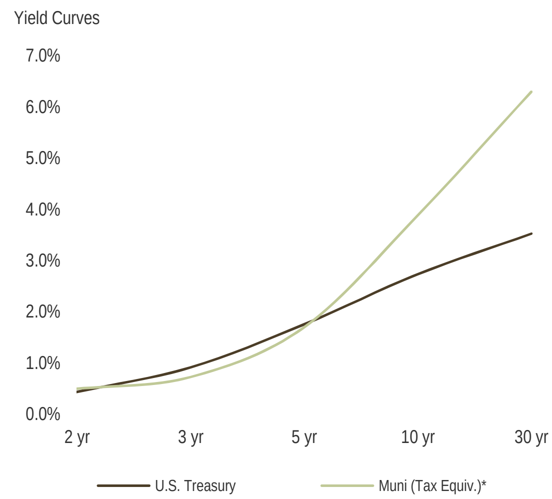
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

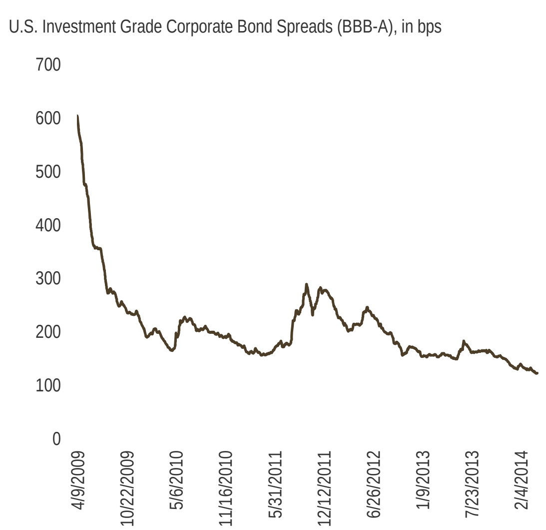
U. S. Treasury bond prices eased slightly over the past week as economic data supported an improving U.S. economy, and progress in Ukrainian negotiations took luster off Treasuries as a safe haven. Yields were up across the curve from 2-year notes and longer, but the biggest move was in 5-year notes where yields jumped from 1.58% to 1.75%. The middle of the yield curve continues to be under the most pressure this year as long-term inflation expectations remain modest and investors position themselves for interest rate normalization. The strategy has gained popularity this year, but analysis on the current 10-year Treasury yield reveals the long end of the yield curve remains overvalued European sovereign bonds posted strong gains this week as the ECB's talk of potential "unconventional measures" to support euro zone growth fueled speculation that the ECB may undertake a Federal Reserve style bond purchasing program to force bond yields lower. In response, the Italian and Irish 10-year bonds dropped to their lowest yield on record, while Portugal's debt traded at eight year lows. The demand was focused on higher yielding periphery debt as the German bund remained little changed for the week.



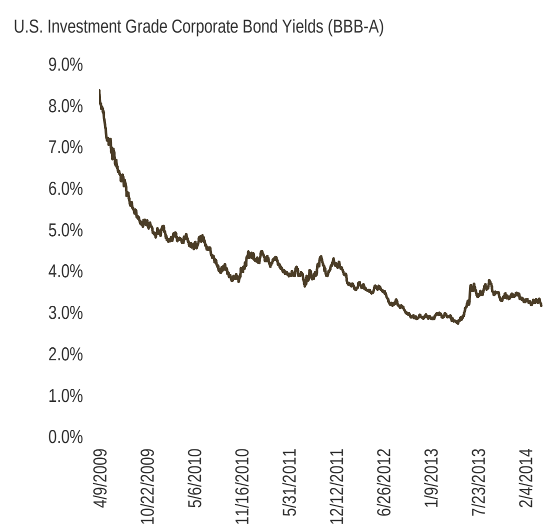
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	4.10.14	4.17.14	Change
3 month T-Bill	0.04%	0.03%	-0.01%
2-Year Treasury	0.37%	0.43%	0.06%
5-Year Treasury	1.58%	1.75%	0.17%
10-Year Treasury	2.63%	2.73%	0.10%
30-Year Treasury	3.48%	3.52%	0.04%

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



Source: Merrill Lynch



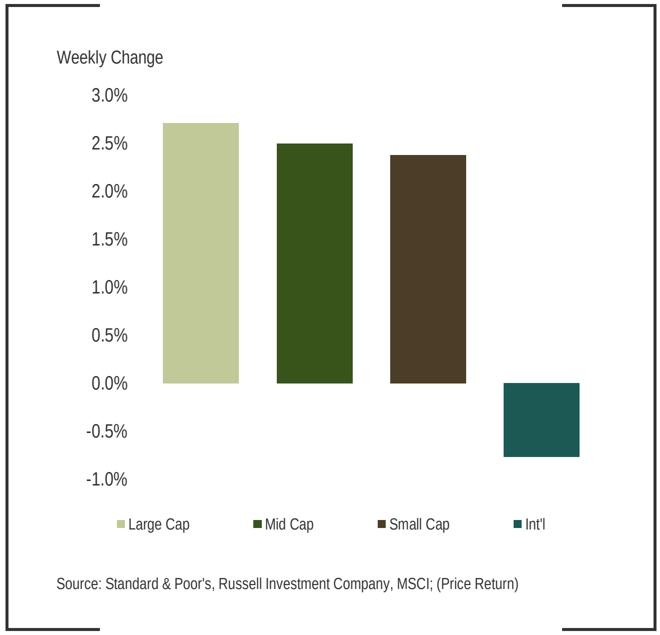
Source: Merrill Lynch

Stock Market Update

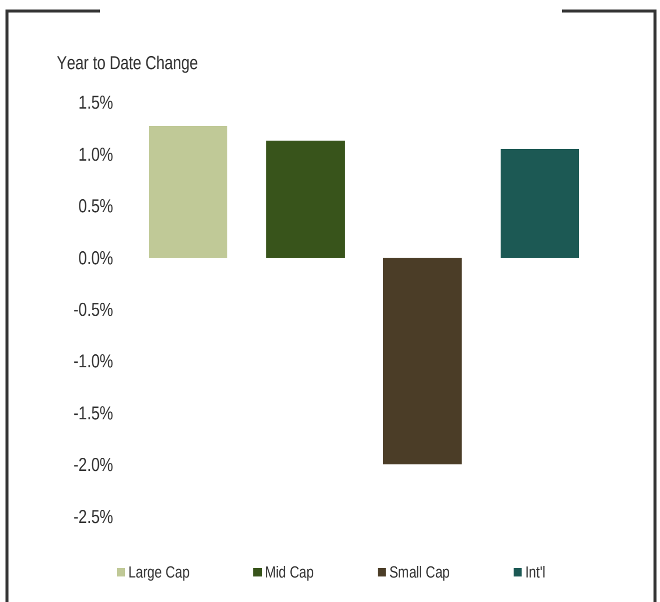
U.S. stocks rebounded on this holiday-shortened week, encouraged by generally positive corporate earnings reports and accommodative language from Federal Reserve Chair, Janet Yellen. The S&P 500 index closed out the week at 1,864.85, up 2.7%, undoing the damage from last week's rout. The index is now within 1.5% of its 2014 high set on April 2nd. The NASDAQ Composite index bounced off the 4,000 level and closed this week at 4,095.52, a rise of 2.4% for the week. The fact that the NASDAQ is approximately 6% below its 2014 high illustrates the rotation away from higher-PE tech and biotech stocks in favor of traditional growth and value equities.

Foreign stocks edged higher for the week. In the developed world, the STOXX Europe 600 index gained about 1% this week, despite a revival of Ukraine tensions and the threat of stronger sanctions against Russia. Japan's Nikkei 225 index rebounded just over 3% this week, a rally likely fueled by bargain seekers more than fundamentals, as the market is still down approximately 11% year to date on concerns of wavering growth. The MSCI Emerging Markets index was about flat for the week, as China's announcement of 7.4% first-quarter GDP growth was largely in line with expectations.

The focus for domestic equities this week was on corporate earnings, and the week brought a mixed bag of hits and misses. Google's revenue disappointed, and IBM posted declining sales for the eighth consecutive quarter, sending both stocks over 3% lower on Thursday. GE's industrial sales growth and EPS beat expectations and lifted the stock 1.7% on Thursday. The nation's largest banks are under pressure from slow mortgage activity, weak trading revenue, and increased legal and compliance costs. Investors were warmer to Wells Fargo's results than they were to JP Morgan or Bank of America.



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	1,815.69	1,864.85	2.71%
S&P Mid Cap 400	1,318.50	1,351.42	2.50%
Russell 2000	1,111.44	1,137.90	2.38%
MSCI EAFE	1,919.80	1,904.98	-0.77%
MSCI EM	1,021.74	1,002.50	-1.88%
DJ Industrial Average	16,026.75	16,408.54	2.38%
NASDAQ	3,999.73	4,095.52	2.39%

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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

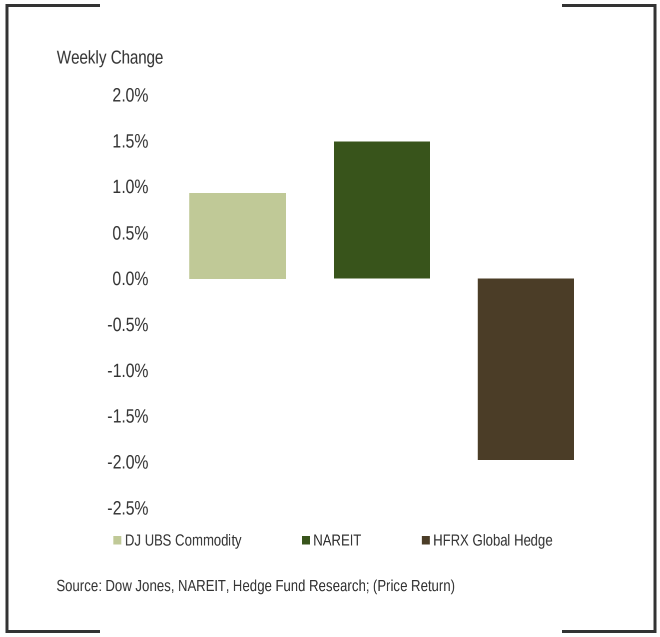
Alternative Investments Market Update

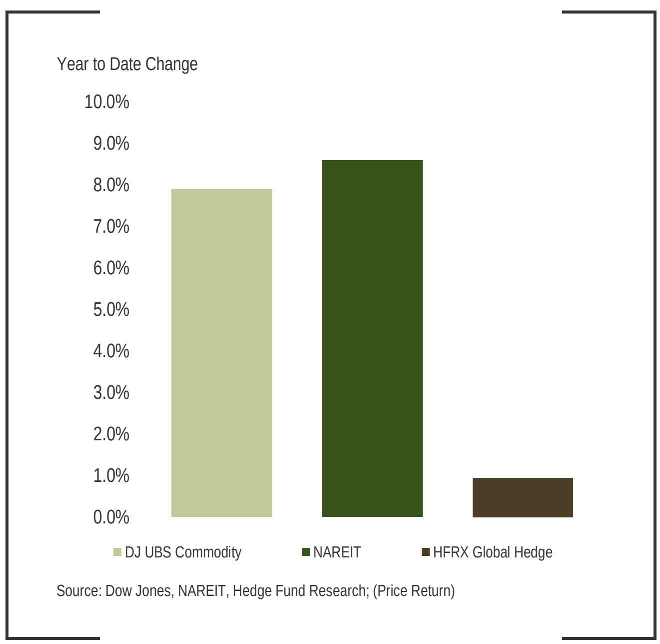
Crude oil futures traded near six-week highs this week despite a large increase in oil stockpiles last week as the escalating conflict in Ukraine underpinned prices. Concerns over the situation in eastern Ukraine remained supportive of oil prices, after three pro-Russian separatists were killed in clashes with Ukrainian forces this week. Concerns that the West may impose new sanctions against Russia fanned fears over possible supply disruptions. Russia is the world's second largest oil exporter after Saudi Arabia. Crude was relatively flat earlier in the week after the U.S. Energy Information Administration announced that crude inventories rose by 10.01 million barrels in the week ended April 11, compared to expectations for a build of 2.25 million barrels. It was the largest one-week increase in U.S. oil stockpiles in 13 years. Total U.S. crude oil inventories stood at 394.1 million barrels as of last week, 3.4 million barrels below the peak reached in May 2013.

Gold futures fell this week on signs that gains in the U.S. economy eroded demand for the metal as a store of value. Government data released this week showed the U.S. consumer price index rising 0.2%, topping the 0.1% forecast. A year ago today, the metal plunged 9.3%, the most in three decades, partly on concern the Fed would taper stimulus. Through Friday, the precious metal has gained over 8% this year on safe haven demand linked to the turmoil in Ukraine.

Soybeans rose this week, extending their climb to the highest level in more than 10 months after a report showed record demand from U.S. mills, which boosted concern that supplies from the world's second-largest exporter would be reduced. Figures released this week from the U.S. National Oilseed Processors Association showed that companies crushed 153.84 million bushels of soybeans last month compared with earlier market forecasts of about 145 million bushels. Last month's volume was nearly 9% greater than the figure in February and higher-than-anticipated levels of soybeans could add pressure on stocks, which are already at low levels.

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	136.40	137.68	0.94%
FTSE/NAREIT All REIT Index	168.03	170.54	1.49%
HFRX Global Hedge Index	1,231.40	1,207.08	-1.97%
Gold	1,318.43	1,295.10	-1.77%
Crude Oil Futures	103.38	104.54	1.12%





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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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