

MainStreet Advisors Financial Market Update

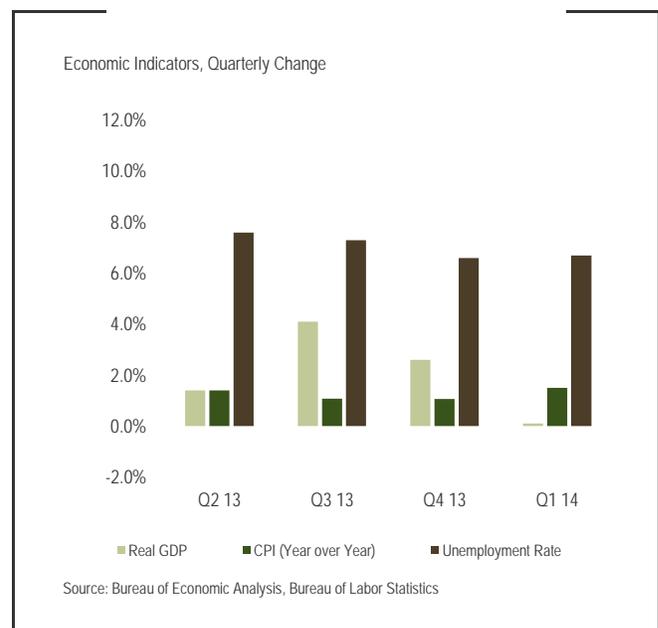
May 9, 2014
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Economic Update

Headline productivity in the U.S. marked a 1.7% decline in the first quarter of 2014, a figure heavily influenced by an increase in hours worked. Underlying production output actually increased by 0.3%, but total hours worked increased by 2.0%, resulting in a reduced rate of production per hour. This comes after a 2.3% boost in the fourth quarter of 2013 which has raised flags about the weather effect on the data in the beginning of this year. Technology improvements seem to be the leading factor in productivity gains throughout all areas of the economy; as service and goods production becomes more efficient, productivity per unit of time increases. The results of the second quarter will be more telling about the strength of non-farm productivity in the U.S.

The ISM non-manufacturing index, a measure of the strength of the service-sector in the U.S., grew 2.1 points to 55.2, overshooting consensus estimates and even exceeding the high consensus range of 55.0. The largest and most important factor in the index, new orders, jumped 4.8 points to its highest level since August. Exports were very positive, but hiring has stayed low despite higher order demand in the index. Businesses seem to be handling extra demand without needing to increase staff at this point, which is good for the service sector but not for job-seekers in the service industry. Hiring figures should pick up if new orders continue to show strong growth throughout Q2 as businesses will need more employees to handle higher volumes.

Initial jobless claims fell this week to 319,000, a nice reading coming in below even the lowest end of the consensus range. Despite this week's positive reading, the 4-week average has trended higher after slightly elevated numbers in April. Continuing claims data painted a rosier picture of the job market as both the weekly constant and the four-week moving average are at recovery lows.



May 1st	Initial Jobless Claims, wk 4/26	344,000
May 1st	Personal Income, Mar. Monthly Chg.	0.5%
May 1st	ISM Mfg. Index - Level, Apr.	54.9
May 2nd	Non-farm Payrolls, Apr. Monthly Chg.	288,000
May 5th	ISM Non-Mfg. Index, April	55.2
May 6th	International Trade Balance Level, March	\$-40.4 B
May 7th	MBA Purchase Applications Index, Wkly. Chg.	9.0%
May 8th	EIA Natural Gas Report, Wkly. Chg.	74 bcf
May 8th	Initial Jobless Claims, wk 5/3	319,000

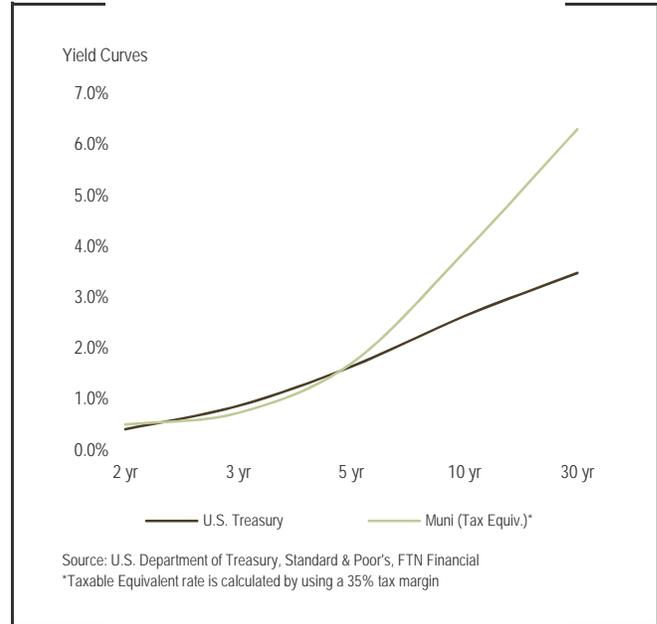
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

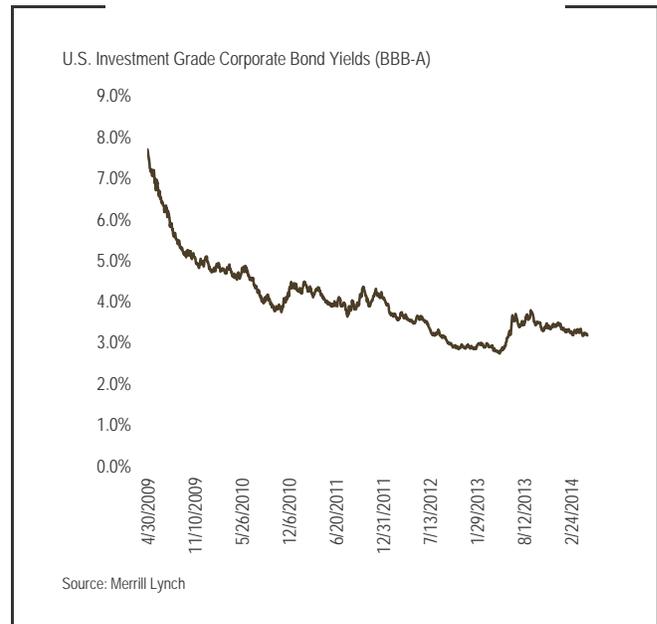
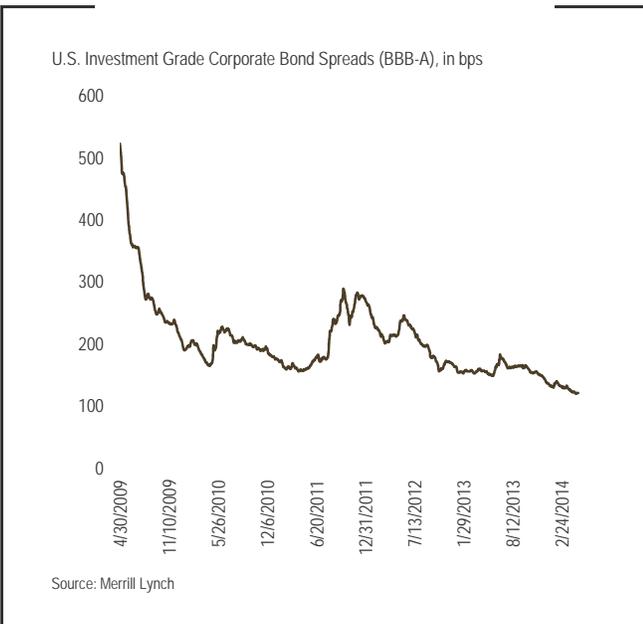
U. S. Treasury bonds reversed the main trend of 2014 as shorter maturity notes out-performed longer maturity Treasury bonds. The 10-year Treasury remained largely unchanged, but yields on notes maturing between two and five years dropped periodically this week by 2 to 5 basis points. Yields on the 30-year Treasury bond rose at times above 3.47%, an increase of over 10 basis points.

After remaining flat much of 2014, the yield curve steepened, with the spread between short notes and long bonds rising to the highest point since November 2013. Much of the market action can be attributed to comments from Federal Reserve chairperson, Janet Yellen. Yellen testified to Congress this week and indicated that the Fed would need to see stronger economic data before considering raising interest rates. This countered prevailing market sentiment that a Fed hike in early 2015 was likely. After Yellen's comments, market outlook seemed to shift with the first Fed rate hike expected to be moved to the second half of 2015.



Issue	5.2.14	5.9.14	Change
3 month T-Bill	0.02%	0.03%	0.01%
2-Year Treasury	0.42%	0.40%	-0.02%
5-Year Treasury	1.67%	1.63%	-0.04%
10-Year Treasury	2.60%	2.62%	0.02%
30-Year Treasury	3.37%	3.47%	0.10%

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



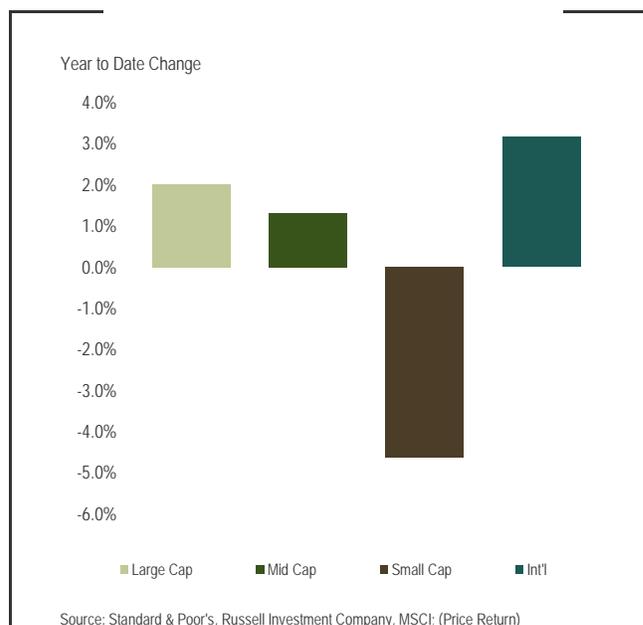
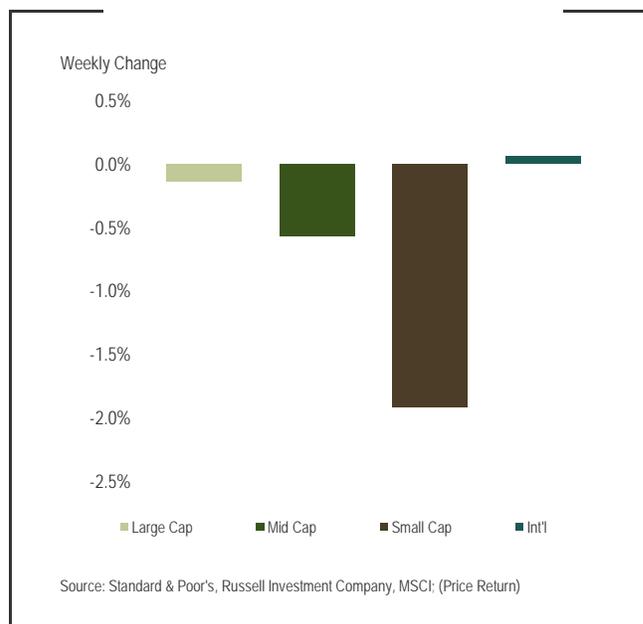
Stock Market Update

U.S. equities were mostly negative for the week, with small cap stocks and the technology sector continuing to slide more than the overall market. Small cap stocks as measured by the Russell 2000 Index have fallen more than 8% over the past three weeks. For the week, the Dow Jones Industrial Average managed to close at a record high with a slight gain of 0.4% to close out at 16,583.34. The broader S&P 500 Index fell 0.1% for the week to close at 1,878.48, while the NASDAQ Composite Index declined 1.3% and ended the week at 4071.87.

International stocks were mostly lower to flat for the week. European equities as measured by the STOXX 600 Index managed to post a slight increase of 0.1% for the week after ECB President Draghi indicated more easing is probable at its June meeting. There continues to be concerns over the crisis in Ukraine as there is a scheduled independence vote for the eastern part of the country on Sunday. Stocks were weak in Asia with the Nikkei 225 Index falling 1.8% and the Shanghai Composite Index closing 0.5% lower for the week. Chinese economic data was mixed as a positive surprise that showed gains in both exports and imports for the month of April was offset by a lower than expected inflation reading that might indicate further slowing of China's economy.

Earnings season is winding down as 454 or 91% of companies in the S&P 500 have reported first quarter results through Thursday. Total earnings for these companies increased 2.2% from the same period last year on 2.7% higher revenues, with about 75% beating EPS estimates and 54% reporting positive revenue growth surprises. Of note this week, results were reported by media companies Disney and CBS. Disney reported results that beat estimates for earnings and revenues as strong results from ESPN, theme parks, and the movie Frozen all added to the positive quarter. CBS also beat earnings estimates, but missed on revenues and the stock declined on Friday. Also in the news this week was the IPO filing for Alibaba, the Chinese e-commerce company that handled around \$245 Billion in transactions last year. The IPO is expected to be one of the largest in history for a company with more revenue than Amazon and E-Bay combined.

Name	Previous Week	Current ¹	Change
S&P 500	1,881.14	1,878.48	-0.14%
S&P Mid Cap 400	1,361.57	1,353.79	-0.57%
Russell 2000	1,128.80	1,107.22	-1.91%
MSCI EAFE	1,943.58	1,944.74	0.06%
MSCI EM	996.01	1,008.85	1.29%
DJ Industrial Average	16,512.89	16,583.34	0.43%
NASDAQ	4,123.90	4,071.87	-1.26%



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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, Morningstar

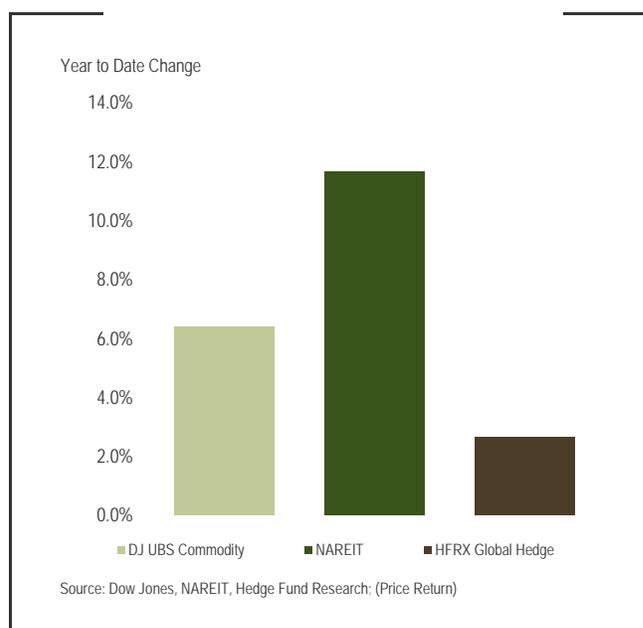
Alternative Investments Market Update

It was announced this week that the White House would begin taking a look at the impact of the long-standing ban on exporting crude oil, and the implications of lifting such a ban. The amount of crude oil produced in the United States last month was the highest monthly figure recorded in more than 20 years, the U.S. government stated this week. The Energy Information Administration (EIA) said that the monthly average production for April was 8.3 million barrels per day (bpd), the highest monthly average recorded since 1988. Much of the increase in U.S. crude oil production comes from inland shale basins. The increase means import levels are lower for the U. S., prompting less demand from members of the Organization of Petroleum Exporting Countries (OPEC). EIA, in a monthly report published earlier this week, said it expects OPEC crude oil production to decline by 400,000 bpd this year and another 100,000 bpd in 2015. The U.S. has largely banned exporting crude oil since 1973 when a law was enacted in response to the embargo by OPEC. The Energy Department can issue a limited number of permits to export oil, but has generally only allowed small amounts to go to Canada. Some oil producers, along with the American Petroleum Institute, have pushed for the ban to be lifted in recent years with the U.S. producing historic amounts of oil.

Gold traded around \$1,290 an ounce on Friday, underpinned by strong chart support, but still fell for a second straight week as the dollar took support from euro weakness and traders awaited further news out of Ukraine. Gold rallied to a three-week high on Monday on the back of elevated tensions in Ukraine, but it failed to maintain those gains after Russian President Vladimir Putin announced he would be willing to negotiate with European officials over the crisis. The precious metal is down just over half a percent on the week.

U.S. soybean inventories are slated to double before next year's harvest as the 2014 crop jumps to a record high as farmers anticipate sowing the most acres ever. Reserves on Aug. 31, 2015, will be 330 million bushels, up from an estimated 130 million this year, the U.S. Department of Agriculture stated this week. The USDA announced back in February that reserves may total 285 million bushels. This year's crop is projected at a record 3.635 billion bushels, compared with 3.55 billion forecast in February and 3.289 billion a year earlier.

Name	Previous Week	Current ¹	Change
DJ UBS Commodity Index	136.68	135.76	-0.67%
FTSE/NAREIT All REIT Index	173.44	175.34	1.10%
HFRX Global Hedge Index	1,230.12	1,227.30	-0.23%
Gold	1,298.66	1,289.30	-0.72%
Crude Oil Futures	99.80	100.08	0.28%



SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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