

MainStreet Advisors Financial Market Update

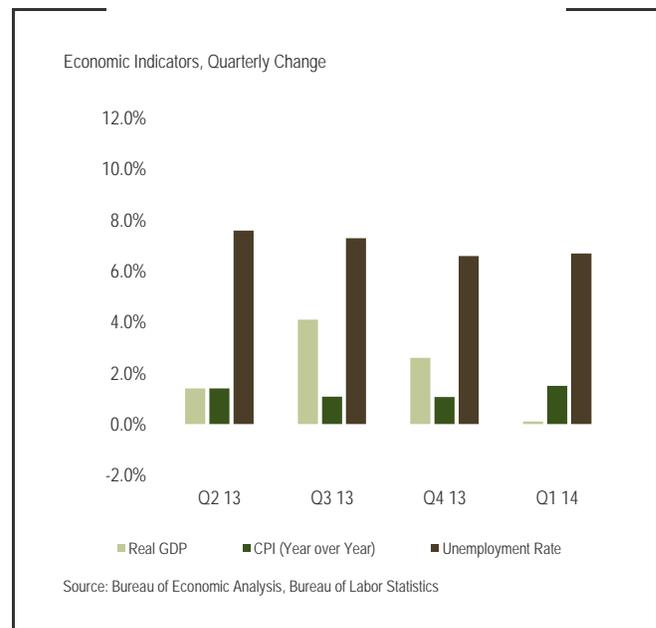
May 23, 2014
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Economic Update

New home sales in the U.S. jumped 6.4% in April to a 433,000 annual rate, coming in above expectations and accompanying an 11,000 upward revision for the previous release in March. A modest fall in median home prices and lower rates may have contributed to the bounce, but supply is still very tight and could be a headwind for new home sales going forward. Despite the healthy rise in April, the 433,000 annual rate is lower than six of the last seven months, and the new construction sector of the housing market has made little progress from 2009 lows. Housing still needs to improve in order to reach pre-crisis levels. Starts and permits climbed significantly in April, which could potentially translate into more supply and stronger home sales through the summer.

Existing home sales saw some recovery as well with a 1.3% April increase to 4.65 million annually. This marks only the second monthly gain in nine months. Condo sales saw large gains and single-family homes also climbed upward, both positive signs after several months of suppressed growth. Higher prices have bumped supply up significantly as people have been more willing to list houses when pricing becomes more favorable. Existing home supply is up 16.8% from March while prices have climbed 2.5% since last month. This could be the beginning of a positive growth trend that can pull the existing housing market out of the slump that has been evident since mid-2013.

No surprises came from the release of FOMC minutes from the Federal Reserve Board's end of April policy meeting. Planning for an exit strategy and the path to normalizing monetary policy was the focus, with the members emphasizing strong communication, and a clear path of utilizing certain tools to stabilize policy. The Fed expects a significant pickup in growth during the second quarter after first quarter weakness, but estimates for the year have not changed.



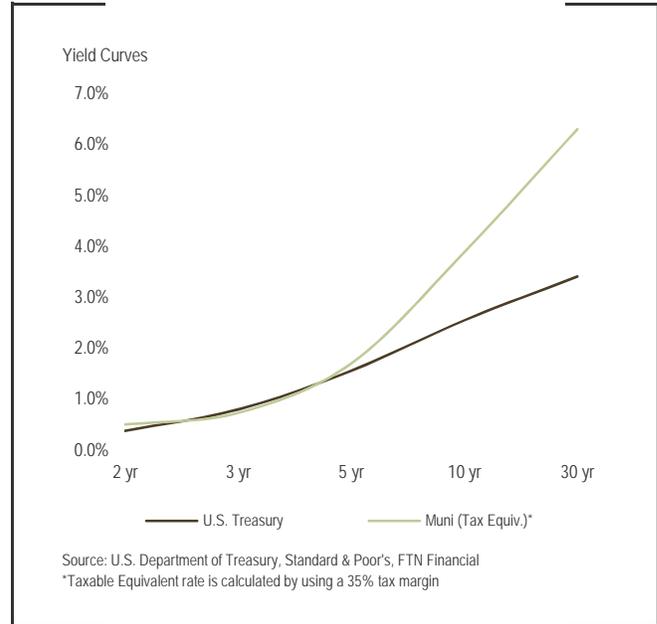
May 15th	Initial Jobless Claims, wk 5/10	297,000
May 15th	Industrial Production, Apr. Monthly Chg.	-0.6%
May 15th	Philadelphia Fed Survey, May	15.4
May 16th	Housing Starts, April	1.072 M
May 21st	MBA Purchase Applications Index, Wkly. Chg.	-3.0%
May 22nd	Initial Jobless Claims, wk 5/17	326,000
May 22nd	Existing Home Sales, April SAAR*	4.65 M
May 23rd	Housing Starts, April	433,000

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.

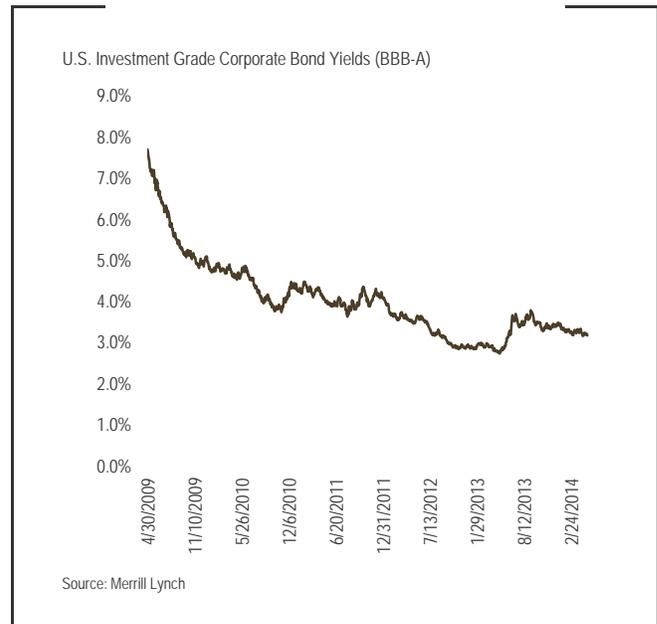
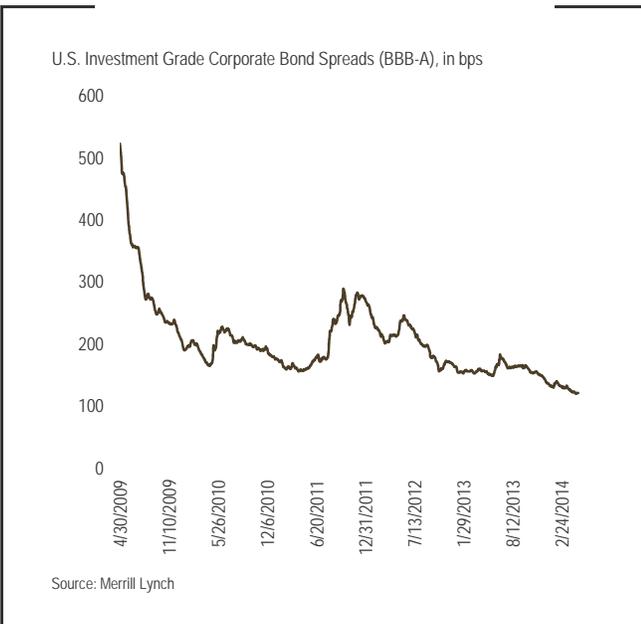
Bond Market Update

U.S. Treasuries received modestly stronger bids on Friday as geopolitical tension increased surrounding elections in Greece and the Ukraine. Buying pressure helped mitigate some of the early week losses on the longer end of the yield curve as many traders looked to cover short positions ahead of a long holiday weekend in the U.S. bond markets. While U.S. economic data has been mediocre thus far in 2014, analysts have been finding fewer reasons that support the current low yields on U.S. Treasuries, and price action this week reflected a general softening with a lack of substantial news. Relative yields versus other safe haven bonds, a short squeeze, and the lack of inflationary pressure in the U.S. remain popular these explaining the stubbornly low Treasury yields. A reversal in current market sentiment regarding the suitability of the current low yield environment, however, could trigger a violent sell-off.



Issue	5.16.14	5.23.14	Change
3 month T-Bill	0.03%	0.04%	0.01%
2-Year Treasury	0.38%	0.37%	-0.01%
5-Year Treasury	1.56%	1.55%	-0.01%
10-Year Treasury	2.52%	2.54%	0.02%
30-Year Treasury	3.34%	3.40%	0.06%

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



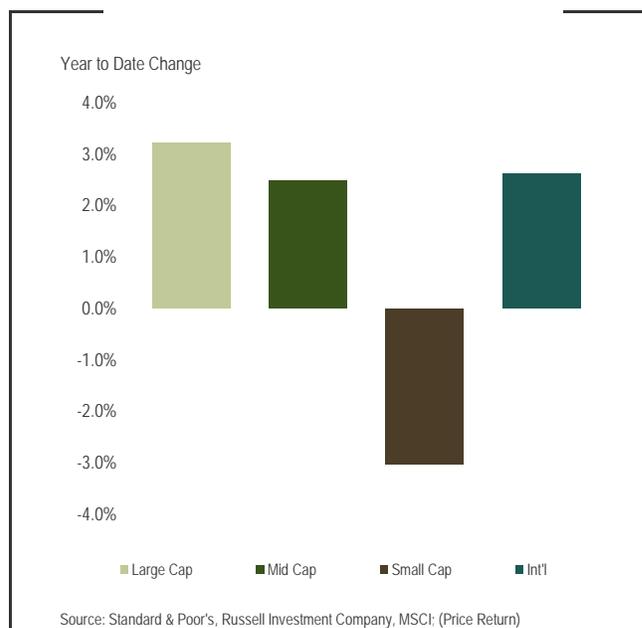
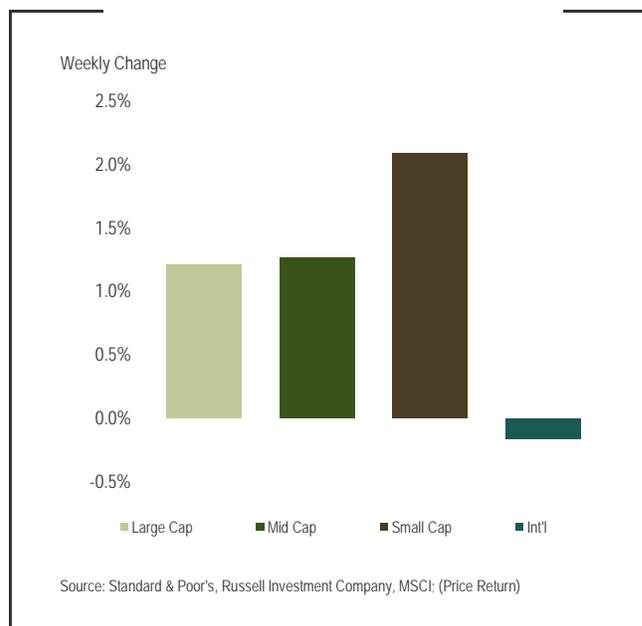
Stock Market Update

Equity markets were volatile this week, but finished in positive territory across most major markets. The Dow Jones Industrial Average declined 138 points on Tuesday as investors reacted negatively to poor earnings reports from several major retailers. Data that showed improvements in both existing and new home sales after recent weakness pushed up stocks in the U.S. in the second half of the week. The Dow finished 0.7% higher since last Friday to 16,606.27. The broader S&P 500 Index closed above 1900 for the first time ever on Friday, increasing 1.2% for the week to 1900.53. The NASDAQ rose 2.3% to 4185.81. Small cap stocks as measured by the Russell 2000 Index bounced back as well, up 2.1% from last Friday's close.

International stocks were also positive this week. European equities as measured by the STOXX 600 rose 0.8%. Investors were encouraged by strong consumer-confidence data for the euro zone for May. Confidence rose to -7.1 from -8.6 in April, marking the highest level since October 2007, and beating analyst expectations. Stocks increased in Asia with the Nikkei index rising 2.5% and the Shanghai Composite Index up slightly, 0.4%. Recent weakness in the yen has helped Japanese stocks, while the Chinese flash PMI report for May improved to a five month high, ahead of expectations.

In corporate news this week, AT&T announced its intention to purchase Direct TV for \$48.5 billion, in a combination of cash and stock. Some analysts question not only if this is a good financial deal for AT&T, but also whether it will receive regulatory approval. Home Depot and Lowe's reported their first quarter earnings results. Sales were negatively impacted for both companies by severe winter weather and a slow start to spring in many parts of the country, but both noted strength so far in May. Lowe's reaffirmed its fiscal 2014 sales outlook while raising its earnings guidance. The company continues to expect its sales and comparable-store sales to register year-over-year growth of approximately 5% and 4%, respectively. Home Depot also raised its full-year forecast.

Name	Previous Week	Current ¹	Change
S&P 500	1,877.86	1,900.53	1.21%
S&P Mid Cap 400	1,352.53	1,369.63	1.26%
Russell 2000	1,102.91	1,125.90	2.08%
MSCI EAFE	1,937.72	1,934.60	-0.16%
MSCI EM	1,029.11	1,041.19	1.17%
DJ Industrial Average	16,491.31	16,606.27	0.70%
NASDAQ	4,090.59	4,185.81	2.33%



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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

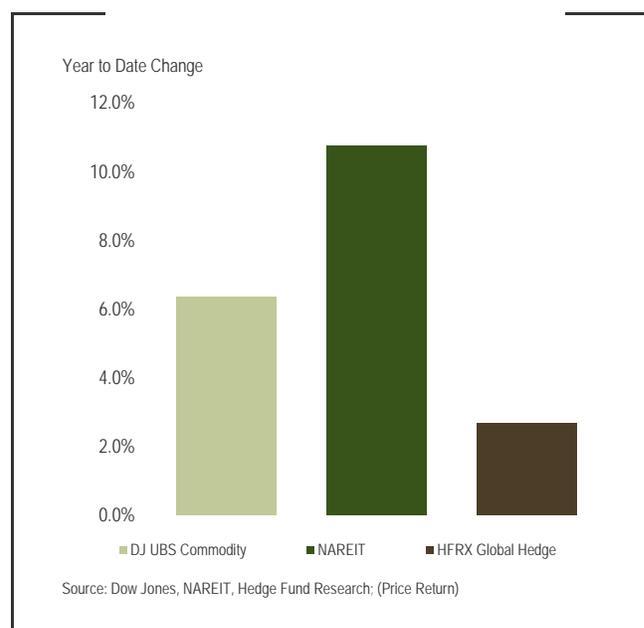
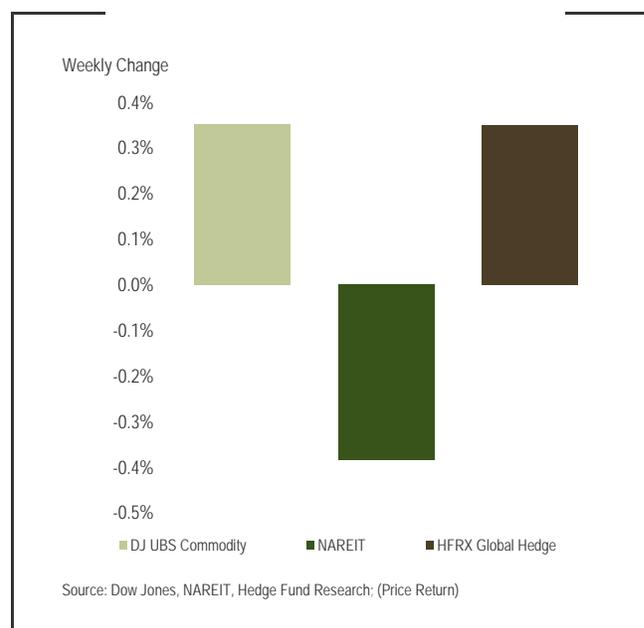
Alternative Investments Market Update

West Texas Intermediate (WTI) oil rose to a five-week high after U.S. crude inventories tumbled. According to the Energy Information Administration (EIA), crude futures ended the week higher for the third consecutive week as domestic crude supplies dropped 7.23 million barrels in the seven days ended May 16. This marks the biggest weekly decline in more than four months. The drop was driven by a slide in imports of crude to a 17-year low, averaging 6.5 million barrels per day. Analysts said the decline was a reaction to surging oil production in the U.S. that has offset the need for foreign crude, and warned it was hard to draw bigger implications about price direction from a single week's data. Stockpiles at Cushing, Oklahoma, the delivery point for WTI, fell to 23.4 million barrels last week, the lowest amount since December 2008. Cushing supplies have dropped 44% since January, EIA data shows, as the southern leg of the Keystone XL pipeline began moving oil to Gulf Coast refineries from the hub. Crude prices also advanced as violence flared ahead of Ukraine's presidential election this weekend and the continued unrest in Libya.

Gold futures slipped this week following better-than-expected data on new U.S. home sales and strength in U.S. equities, curbing demand for the precious metal as an alternative asset. Also this week, Barclays PLC (BCS) was fined 26 million pounds (\$43.8 million) for failures in internal controls that allowed a trader to manipulate the setting of gold prices, just a day after the bank was fined for rigging Libor interest rates in 2012.

Soybeans extended their biggest weekly gain since August on signs exports from the U.S. are increasing amid a rebound in Chinese demand. U.S. exporters sold 164,435 metric tons of soybeans last week for delivery before the marketing year ends, doubling the amount from a week earlier, the U.S. Department of Agriculture (USDA) stated this week. China also bought 120,000 tons for delivery after September 1, the USDA said in a separate daily sales report. Soybeans touched an 11-month high earlier in the week, rebounding after concern earlier this year that feed demand would drop amid outbreaks of bird flu and lower hog prices.

Name	Previous Week	Current ¹	Change
DJ UBS Commodity Index	135.23	135.71	0.35%
FTSE/NAREIT All REIT Index	174.60	173.93	-0.38%
HFRX Global Hedge Index	1,223.54	1,227.82	0.35%
Gold	1,293.10	1,292.81	-0.02%
Crude Oil Futures	102.05	104.39	2.29%



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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