MainStreet Advisors
Financial Market Update

June 6, 2014

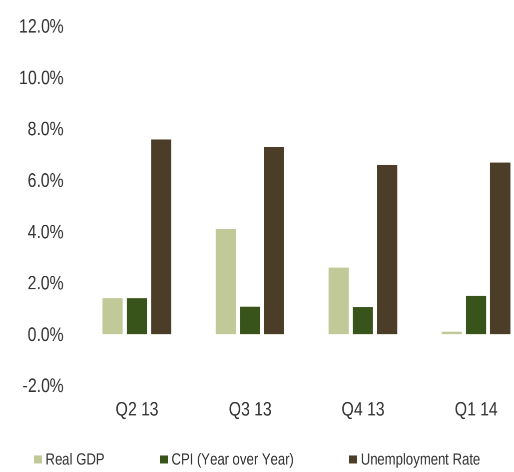
Economic Update

The May employment report released today marked a long-awaited milestone for the U.S. economy as we have now regained all jobs lost from the 2008 recession. With a 217,000 gain, just slightly above consensus, total non-farm payrolls climbed above the 2007 pre-recession peak for the first time. The largest increase came from the service sector, followed by the goods-producing, construction, and manufacturing industries. The unemployment rate remained unchanged at 6.3%, which is still nearly a six-year low. The U.S. employment situation is still sluggish, but showing steady growth. This steady pick-up in economic strength is favorable for equity markets; too weak data can cause worries about growth, and too strong data can create worries about the Fed accelerating monetary tightening. Hopefully the U.S. economic machine can maintain this steady pace of growth in the coming months.

The ISM Manufacturing Index grew to 55.4 in May, meeting analyst expectations and signaling further expansion in the manufacturing sector. All components of the index maintained levels above 50, indicating growth, and this marks the fourth consecutive month of increases for the ISM index. May marks the twelfth consecutive month that the index has stood above 50, signaling a year of consistent expansion. The Institute for Supply Management says that an overall reading of 55.4 is consistent with annual GDP growth of 4.1%, which is near what many economists are predicting for Q2 Real GDP after a disappointing Q1.

On the service side, the ISM Non-Manufacturing index moved up to 56.3 in May, 0.8 points above the consensus estimate of 55.5. The business activity, new orders, and employment components of the index all climbed, while supplier deliveries fell slightly. The service sector has rebounded quickly from February lows, and looks to trend higher as new orders lead the gains. This report coupled with the manufacturing component of the ISM shows strong production increases in May, and the potential to grow further into the summer.

Economic Indicators, Quarterly Change



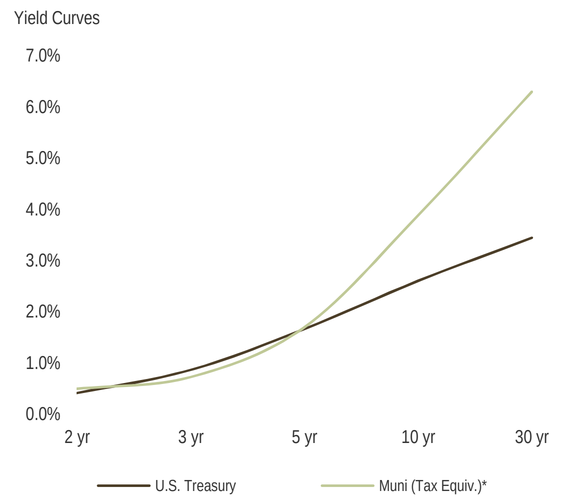
Source: Bureau of Economic Analysis, Bureau of Labor Statistics

June 2nd	PMI Manufacturing Index - Level, May	56.4
June 2nd	ISM Mfg. Index - Level, May	55.4
June 2nd	Construction Spending, Apr. Monthly Chg.	0.002
June 3rd	Factory Orders, Apr. Monthly Chg.	0.7%
June 4th	International Trade Balance Level, Apr.	-$47.2B
June 4th	ISM Non-Mfg. Index, May	56.3
June 5th	Initial Jobless Claims, wk 5/31	312,000
June 6th	Non-farm Payrolls, May Monthly Chg.	217,000
June 6th	Unemployment Rate, May	6.3%

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

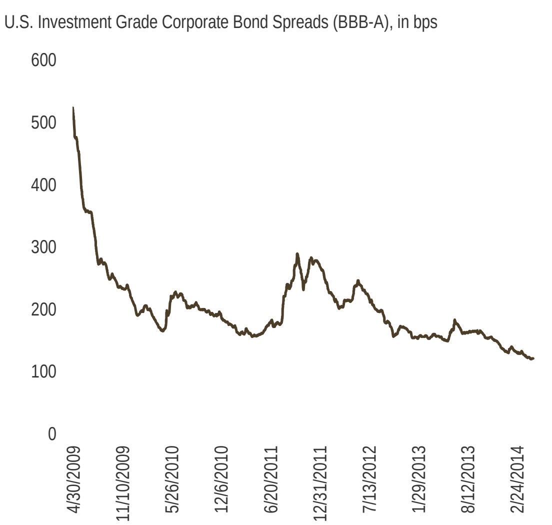
In sharp contrast to the last several weeks, U.S. Treasuries trended lower as stronger domestic economic data trumped the ECB's announcement that they will cut interest rates and introduce a package of stimulus measures designed to boost euro zone growth. Bonds yields rose briefly on Friday after the U.S. labor department reported better than expected non-farm payroll growth. Many strategists feel this report will not alter the stance of the Federal Reserve to keep short-term interest rates low for an extended period. Futures prices put the likelihood the Fed will begin raising borrowing costs by July 2015 at 61%. Meanwhile, ECB President Draghi said the central bank would conduct long-term refinancing operations to motivate its region's banks to lend, while also preparing for purchases of asset-backed securities. Draghi's plan is adding fuel to the rally in European bonds, banishing memories of the sovereign debt crisis that threatened the ongoing viability of the euro as recently as 2012. Against this backdrop, yields on Belgian, French, Irish, Italian, and Spanish government debt fell to all-time lows, while German government debt, the euro zone's benchmark, fell to levels not reached since early 2013. All else equal, this increases the appeal of U.S. bonds from a relative value perspective.



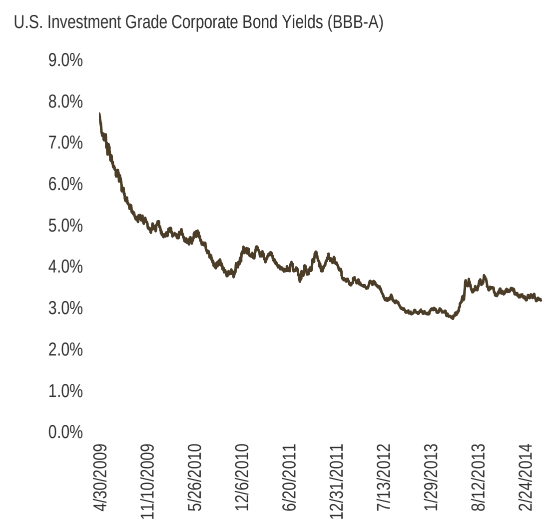
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	5.30.14	6.6.14	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.37%	0.41%	0.04%
5-Year Treasury	1.54%	1.66%	0.12%
10-Year Treasury	2.48%	2.60%	0.12%
30-Year Treasury	3.33%	3.44%	0.11%

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



Source: Merrill Lynch



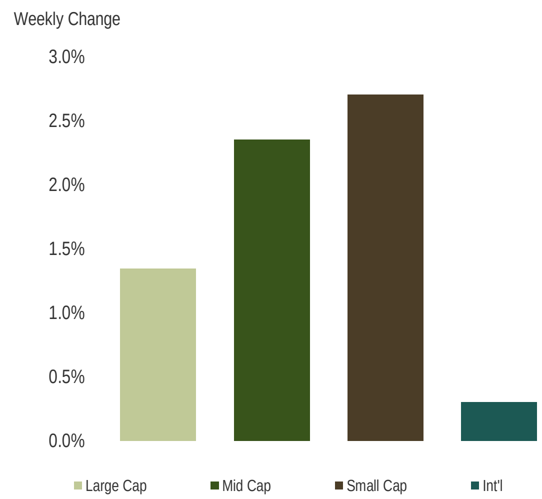
Source: Merrill Lynch

Stock Market Update

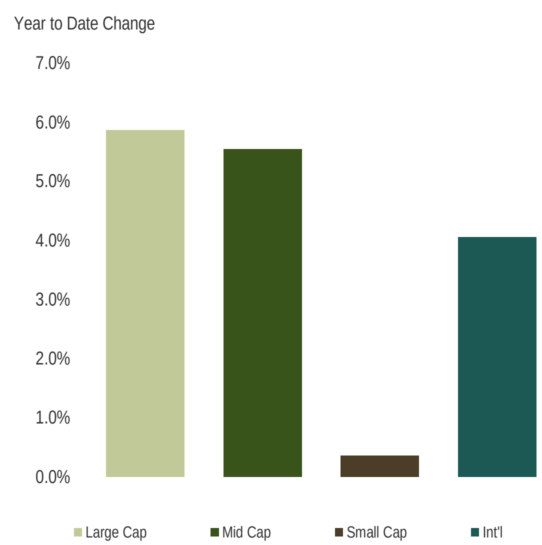
The equity markets began June where they left off in May making new highs during the first week of trading. In a widely expected move, the European Central Bank (ECB) announced a negative reserve rate on overnight bank deposits held at the Central Bank. This move was announced Thursday, creating a boost to both the domestic and foreign equity markets. The markets received additional positive news before the open Friday as the unemployment numbers came out better than expected, creating fresh new intraday highs for the domestic markets. During the past week The Dow Jones Industrial Average closed at 16,924.28, finishing the week higher by 1.24%. The broader S&P 500 Index ended the week at 1,949.44, higher by 1.34% on the week. The NASDAQ Composite finished higher by 1.86% and closed the week out at 4,321.40.

The biggest news this week came from overseas on Thursday when the ECB cut its deposit facility to negative .10% from zero, and dropped its main lending rate to 0.15% from 0.25%. The negative deposit rate is designed to encourage banks to lend money rather than sitting on reserves, essentially banks will have to pay money to hold onto their reserves. This move is designed to foster economic growth, and also induce much needed inflation into the European economies. The Stoxx Europe 600 Index finished Thursday at a six year high and continued to move higher Friday after the U.S. unemployment numbers were announced better than analyst's expectations.

The close of Friday will mark the last day of trading when Apple (AAPL) will trade in the $600 range. The company announced a 7:1 split back in April that will take effect when trading opens Monday morning. Although a stock split does not create any new shareholder value, it is intended to make the stock more accessible to a larger number of retail investors. Shares of Apple are up over 15% year-to-date, and over the past month since the announcement of the stock split the share are up almost 10%. The stock finished out the day relatively flat and closed the day at $645.57 a share.



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	1,923.57	1,949.44	1.34%
S&P Mid Cap 400	1,377.98	1,410.43	2.35%
Russell 2000	1,134.50	1,165.19	2.71%
MSCI EAFE	1,955.68	1,961.56	0.30%
MSCI EM	1,038.64	1,034.98	-0.35%
DJ Industrial Average	16,717.17	16,924.28	1.24%
NASDAQ	4,242.62	4,321.40	1.86%

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, Morningstar

Alternative Investments Market Update

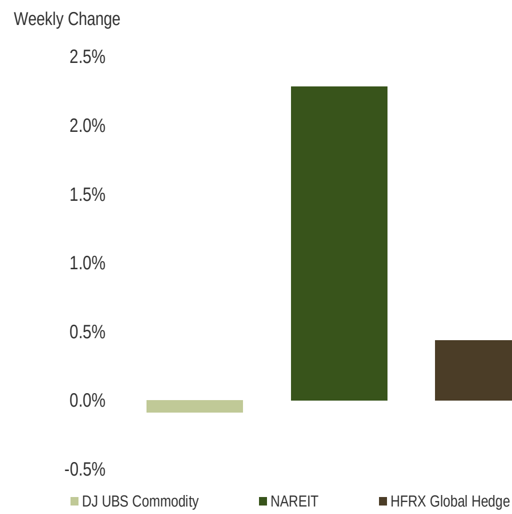
Crude oil finished the week higher after the ECB announced a more aggressive monetary policy, and U.S. economic data did not disappoint investors. The ECB announced a package of cheap loans for euro zone banks coupled with negative interest rates for banks parking capital at the ECB to encourage lending. Investors were encouraged by the news, and bid crude higher as stimulus to the euro zone's tepid economic growth is seen as bullish for crude oil consumption. Friday's U.S. jobs report also lifted crude markets as the solid employment figures supported the economic growth story.

In other oil news, natural gas was bid higher as crude oil gains buoyed most energy markets. Natural gas traders viewed seasonal 11-year lows in supplies as bullish for prices. After an unusually harsh U.S. winter depleted natural gas stockpiles, the quick shift in weather to above average high temperatures has continued to put strain on inventories. As power plants account for over 30% of all natural gas consumption, summer weather promises to keep stockpiles at multi-year lows over the remainder of 2014.

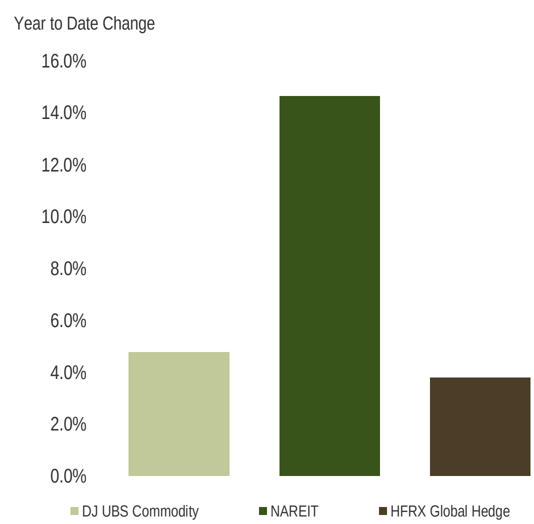
Global central bank stimulus has hedge funds betting that the equity bull run will continue. The lack of short-term obstacles to new highs has led to new index highs across equities, but with lower trading volumes. Bears have lamented the market "complacency," but hedge funds have been making big bets that equities will continue their march higher by shorting VIX (volatility) options. Net short options totaled 81,779 contracts, well above the mean of 56,000 since the end of 2011. The pressure has sent VIX futures down to 11.20 which marks the lowest close since 2007. Europe's Vstoxx Index has followed suit, with the index closing at lows not seen since February 2007.

Soybeans fell this week as most crop futures remained under pressure this year. Warm weather coupled with ample rain has provided a near perfect environment for sowing. Soybean planting is estimated to be a record this year, and continued good weather portends a record corn planting as well. Government forecasts estimate corn production to top 13.935 billion bushels and soybeans at 3.631 billion bushels; both would be record harvests.

Name	Previous Week	Current[1]	Change
DJ UBS Commodity Index	133.83	133.71	-0.09%
FTSE/NAREIT All REIT Index	176.02	180.04	2.28%
HFRX Global Hedge Index	1,235.77	1,241.21	0.44%
Gold	1,251.46	1,253.05	0.13%
Crude Oil Futures	102.85	102.84	-0.01%



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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