

MainStreet Advisors Financial Market Update

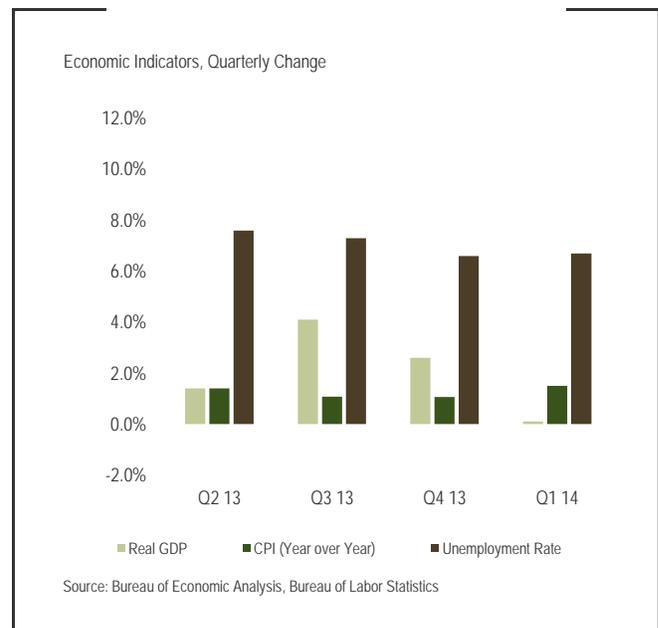
June 13, 2014
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Economic Update

A number of U.S. economic reports disappointed this week leading to weakness in equity prices. Retail sales rose less than forecast, with May sales advancing by 0.3% vs expectations of 0.6%. The weaker number is leading many economists to temper their expectations for a strong rebound in growth for the second quarter after a negative quarter to start the year. The Commerce Department did revise April figures to show a 0.5 percent gain rather than the previously reported 0.1 percent increase. With the increase, receipts climbed 2.9 percent from February through April, the strongest three-month gain seen since July to September 2012. One highlight of the recent report was the purchase of new cars and light trucks as demand surged in May reaching an annual pace of 16.7 million, the highest rate since February 2007.

A preliminary reading of the Reuters/University of Michigan Consumer Sentiment report was also released this morning with a number of 81.2, surprisingly lower than economist expectations of 83. Weekly jobless claims unexpectedly rose by 4,000 to 317,000 for the week ending June 9 with economist surveys expecting a decline to 310,000. The 13-week moving average also increased by 4,750 to 315,250, but claims continue to move lower than the 2014 year-to-date average of 324,000.

Oil prices posted a large weekly gain as turmoil in Iraq has many traders positioning for potential disruptions in oil supply. A positive on the international front was the rise in industrial production in the euro zone, which rebounded by 0.8 percent in April, buoyed by higher output of non-durable consumer goods and energy, the European Union's statistical office, Eurostat, said Thursday. Both Italy and Spain registered a rise in industrial production, with France showing a much more modest pace. The report is encouraging after a weaker than expected economic growth for the first quarter.



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%
June 11th	MBA Purchase Applications Index, Wkly. Chg.	10.3%
June 12th	Business Inventories, May Monthly Chg.	0.6%
June 12th	Export Prices, May Monthly Chg.	0.1%
June 12th	Retail Sales, May Monthly Chg.	0.3%
June 13th	Producer Price Index, May Monthly Chg.	-0.2%
June 13th	Consumer Sentiment Index, May	81.2

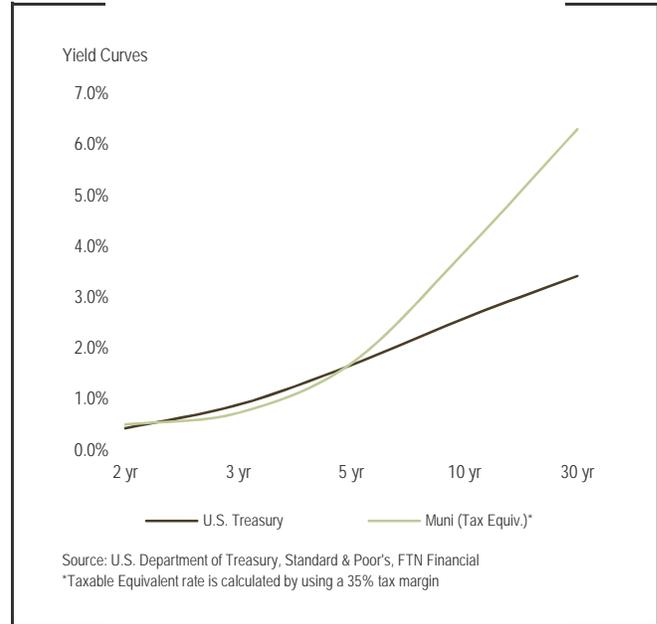
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

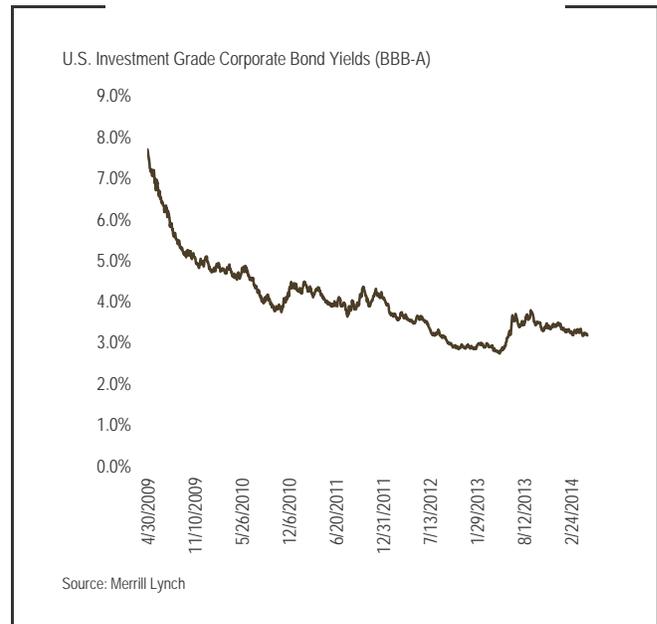
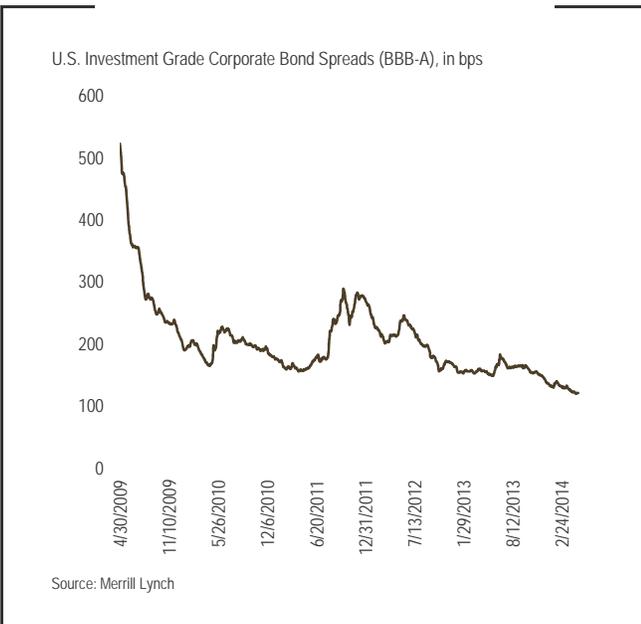
Long duration U.S. Treasuries continued their impressive performance this week amid speculation the Federal Reserve will need to raise short rates sooner rather than later. The markets took Bank of England Governor Mark Carney's hawkish statements regarding short-term rates as the first salvo in central bank tightening.

Investor trepidation of rising short rates in the U.S. caused little movement in short maturity Treasury notes as the overnight lending rate remains anchored at 0% to .25%, but helped spur buying in the longer maturity Treasury bonds. The move underscores the sensitivity of short rates to Federal Reserve policy and long rates to the inflation outlook. It also caused the yield curve to flatten, with the spread between the 5-year note and 30-year bond the tightest it has been in the last five years. Analysts view the 3 to 5 year part of the yield curve as the most vulnerable to changes in Federal Reserve policy.



Issue	6.6.14	6.13.14	Change
3 month T-Bill	0.04%	0.04%	0.00%
2-Year Treasury	0.41%	0.42%	0.01%
5-Year Treasury	1.66%	1.66%	0.00%
10-Year Treasury	2.60%	2.58%	-0.02%
30-Year Treasury	3.44%	3.41%	-0.03%

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



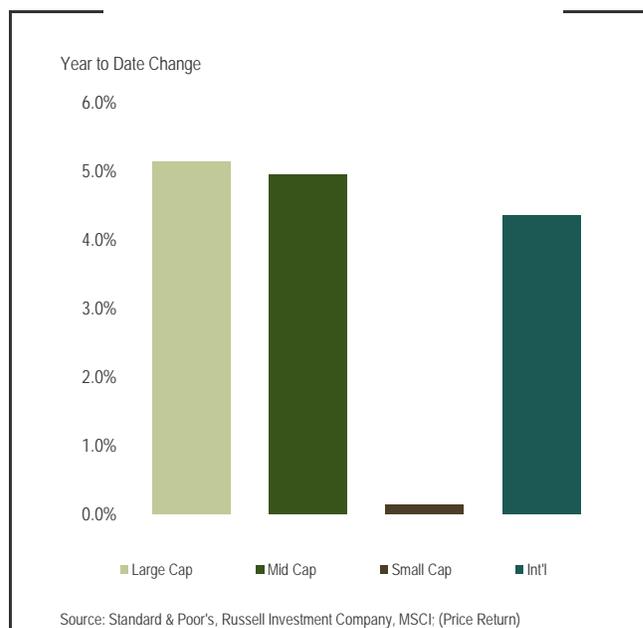
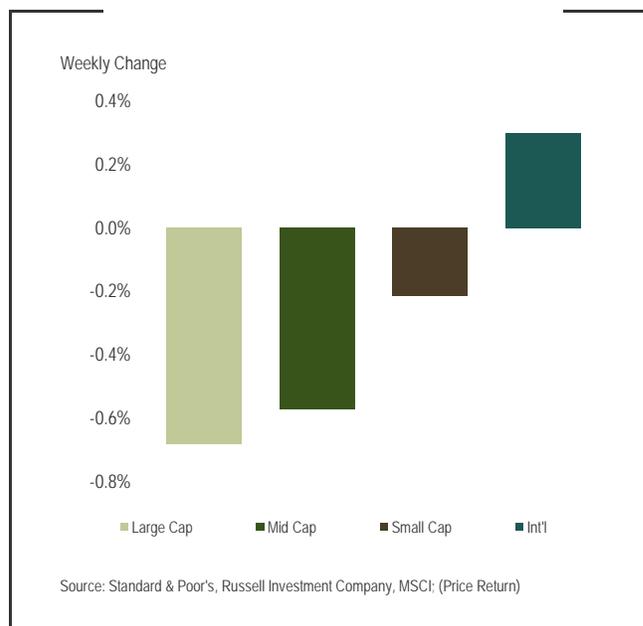
Stock Market Update

Equity markets were mixed this week, with declines in the U.S. that represented the worst losses in two months. On Wednesday the Dow Jones Industrial Average snapped a five-day winning streak, falling back from yet another record level on Tuesday, as the World Bank cut its global growth forecast. Expectations for growth in 2014 fell to 2.8% from 3.2% due to the harsh winter in the U.S. and the conflict between Russia and Ukraine during the first quarter. For the week, the Dow fell 0.9% to close out at 16,775.74. The broader S&P 500 Index declined 0.7% to end the week at 1,936.16. For the week, the NASDAQ declined only 0.25% to 4310.65.

European equities as measured by the STOXX 600 Index were flat this past week. Stronger-than-expected United Kingdom unemployment data reported on Wednesday weighed on stocks as it is believed there will be additional pressure on the Bank of England to hike its key lending rate. This also caused the British pound to reach a five-year high against the U.S. dollar. Markets in China and Japan reacted positively to news of an unexpected increase in Chinese bank loans, an indicator that the government is trying to boost the economy. Retail sales data also exceeded expectations, rising 12.5% in May from a year earlier. For the week, the Nikkei Index was flat, closing at 15,098 while the Shanghai Index in China was up 2% to 2071.

Early in the week Tyson won the bidding war for Hillshire Brands against its rival Pilgrim's Pride. Rising red meat prices due to a severe drought in 2012 have also sent chicken prices to their highest levels in three years. Tyson's bid For Hillshire was \$8 per share higher, but some analysts question if the company will be able to justify that price in the long run. Intel Corp surprised investors on Friday by raising its second quarter sales outlook, helped by stronger than anticipated demand for business PCs. The stock surged 6.5% as the company also announced that full year gross margin is expected to be in the upper end of its initial target range. Stockholders of Open Table, the on-line restaurant reservation company that seats more than 51 million diners per month at 31,000 restaurants, saw their shares rise 46% after the announcement that it agreed to be acquired by Priceline, Inc. for \$2.6 billion.

Name	Previous Week	Current ¹	Change
S&P 500	1,949.44	1,936.16	-0.68%
S&P Mid Cap 400	1,410.43	1,402.38	-0.57%
Russell 2000	1,165.19	1,162.68	-0.22%
MSCI EAFE	1,961.56	1,967.38	0.30%
MSCI EM	1,034.98	1,054.74	1.91%
DJ Industrial Average	16,924.28	16,775.74	-0.88%
NASDAQ	4,321.40	4,310.65	-0.25%



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

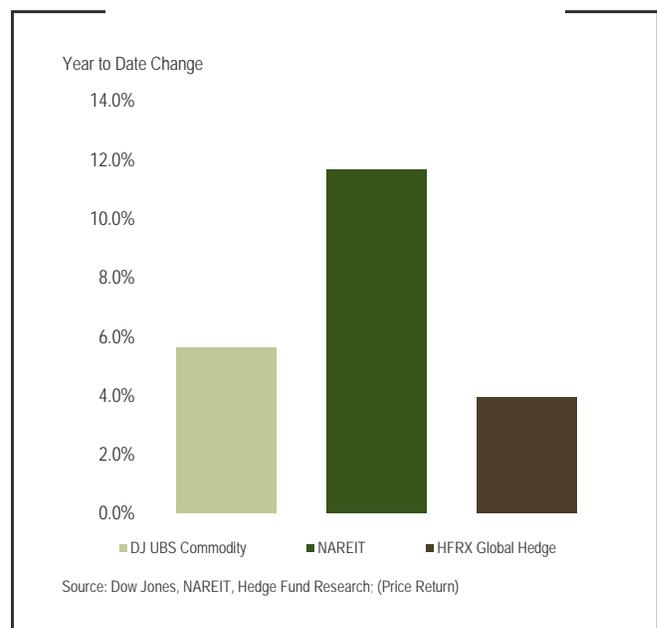
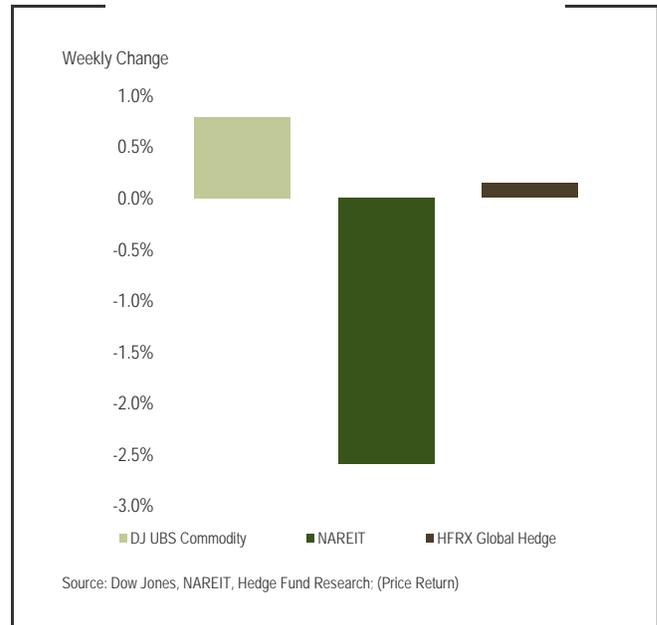
Escalating tensions in Iraq spilled over to energy markets this week, pushing crude oil prices near nine-month highs and setting the stage for stubbornly high gasoline prices in the U.S. to rise even further. Chaos unfolded Wednesday in Iraq as militant forces moved closer to Baghdad, seizing key cities along the way and increasing the likelihood of the country engaging in a civil war. Such a conflict may have a ripple effect on neighboring nations and could choke off a big chunk of the world's oil supply. If Baghdad loses control over the country's lucrative southern oil fields, which supply all of Iraq's exports, roughly 2.5 million barrels a day, the global oil supply will be severely pinched. The Organization of Petroleum Exporting Countries (OPEC) pumped 29.99 million barrels of crude a day in May, up from 29.91 million in April, according to the International Energy Agency (IEA). Of that, Iraqi crude output accounted for 3.37 million barrels a day versus 3.32 million the previous month.

Crudes' jump is likely to drive the price of regular unleaded gasoline, now about \$3.64 a gallon, up 5 to 10 cents in the coming days and keep summer prices elevated, according to industry analysts. Last year, gasoline averaged \$3.58 a gallon between Memorial Day and Labor Day. However, retail prices have averaged about \$3.65 for the past month, unlike 2011, 2012, and 2013, when prices plateaued weeks ahead of peak summer driving season.

The nation's wheat crop is smaller than previously predicted due to drought, but the U.S. Department of Agriculture stated this week that corn and soybean crop expectations have changed little in the last month. Farmers are expected to produce a record 13.9 billion bushels of corn and 3.6 billion bushels of soybeans, both estimates unchanged from the previous month.

Hedge funds took in an additional \$56.4 billion in the first four months of 2014, more than tripling the inflows of \$16.9 billion in the same period last year, according to BarclayHedge and TrimTabs Investment Research. In April, the industry took in \$18 billion (0.8% of assets), up from \$10.6 billion (0.5% of assets) in March.

Name	Previous Week	Current ¹	Change
DJ UBS Commodity Index	133.71	134.77	0.79%
FTSE/NAREIT All REIT Index	180.04	175.38	-2.59%
HFRX Global Hedge Index	1,241.21	1,243.00	0.14%
Gold	1,253.05	1,277.16	1.92%
Crude Oil Futures	102.84	106.87	3.92%



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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