

MainStreet Advisors Financial Market Update

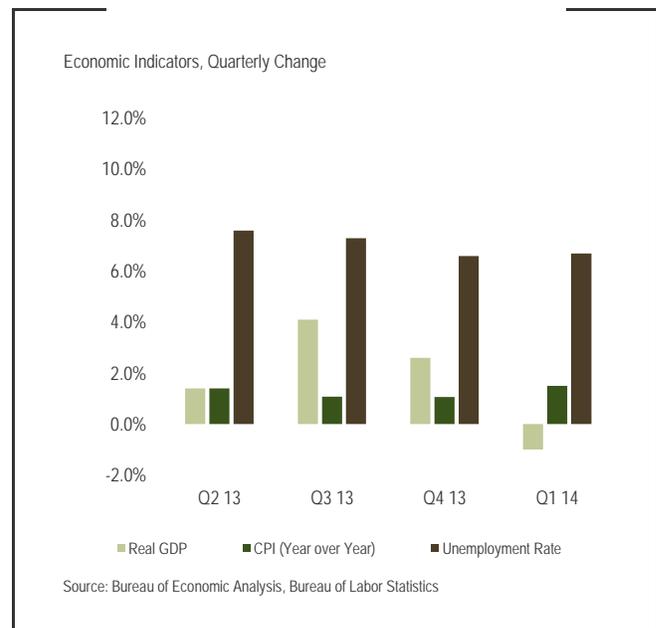
June 27, 2014
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Economic Update

Existing home prices rebounded in May from a slower April, gaining 4.9% against a 1.5% bump last month. This marks the first back-to-back increase for existing homes in a year and the new 4.89 million annual rate topped analyst expectations, although sales are still down 5% from this time last year. The single-family sector gained most, 5.7%, which was a lagging area for much of the last year. This surge comes despite continued tight inventory supply, which fell in May to 5.6 months from 5.7 last month. Overall, this upward trend shows progress in the recovery of the housing market.

New single-family home sales skyrocketed 18.6% in May to a 504,000 annual rate, crushing consensus expectations. All regions saw gains, and sales are now up 16.9% from this time last year. Because of the rush of sales, supply fell dramatically, down to 4.5 months from 5.3 last month. This is the highest monthly rate in six years, but the recovery is still slower than expected as many would-be buyers are still either renting or buying more affordable condos or townhouses, which do not contribute to this number. Prices have been rising as well, and credit remains tight so mortgages are not as easy to obtain as in the past. Furthermore, the construction industry has much potential growth to take advantage of as inventories remain very low.

Real GDP in the U.S. was revised down, again, to -2.9% for Q1 2014. Consumer spending in the service sector and net exports were the major downward movers; most other elements of the figure were unchanged. Despite many of the headline data points showing positive progress, this GDP figure is the worst since World War II. This is likely an exception rather than a trend as nearly every major factor, such as consumer strength, housing, and employment, have been strong or at least steady, with Q1 bump coming as a result of weather and a strong dollar hurting exports. The Q2 GDP release will be a hugely-anticipated indicator of where the U.S. economy stands.



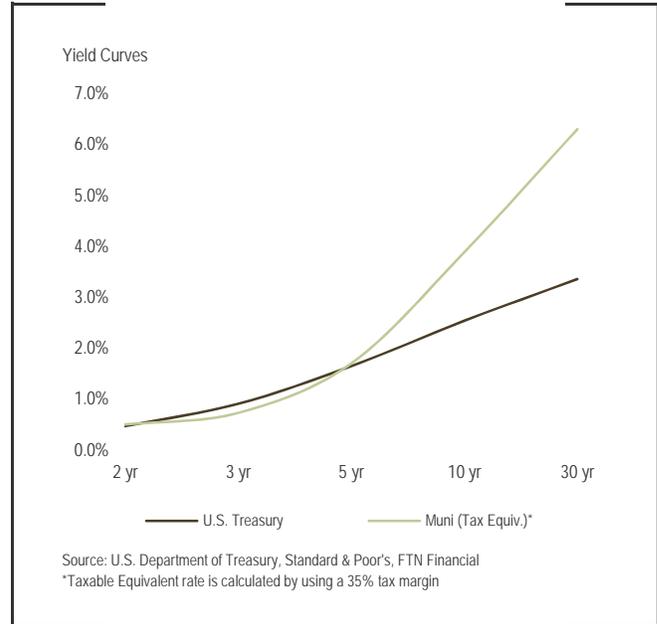
June 23rd Existing Home Sales, May SAAR*	4.89M
June 24th S&P/Case-Shiller Apr. Monthly Chg.	0.2%
June 24th New Home Sales, May	504,000
June 24th Consumer Confidence Index, June	85.2
June 25th Durable Goods New Orders, May Monthly Chg.	-1.0%
June 25th GDP Price Index, Q1 Quarterly Change SAAR*	-2.9%
June 26th Initial Jobless Claims (Week ending 6/21)	312,000
June 26th Personal Income, May Monthly Chg.	0.4%
June 27th Consumer Sentiment Index, June	82.5

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.

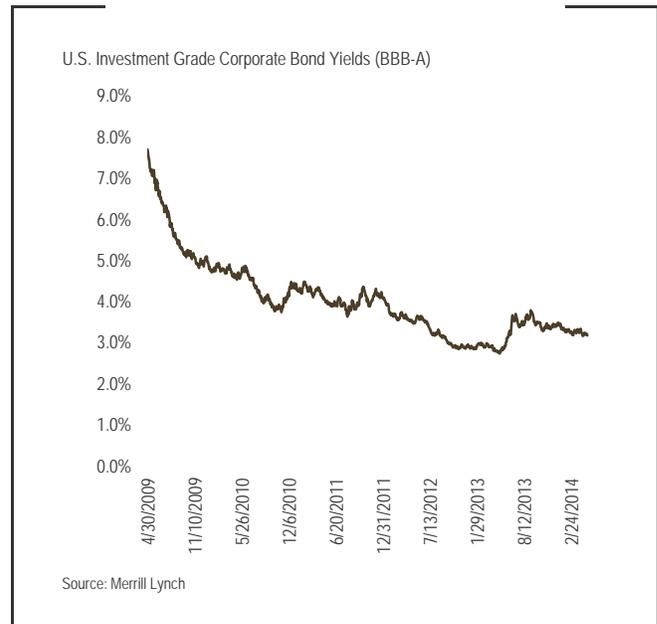
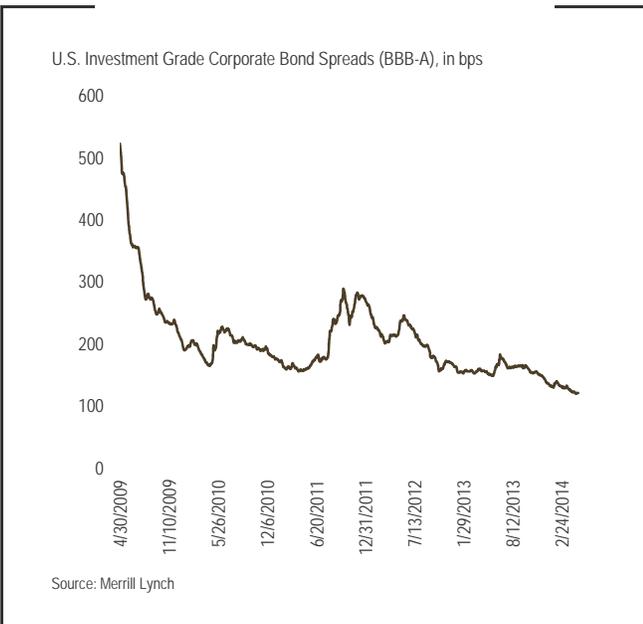
Bond Market Update

Despite several statements by Federal Reserve Governors suggesting interest rates in the U.S. could rise sooner than expected, U.S. Treasury bond yields beyond one year dropped this week. Weak economic data and comments by Federal Reserve Chair Janet Yellen which indicated there was noise in the latest inflation data countered selling pressure. International bond markets had increased activity this week after Indonesia became the latest emerging market nation to tap the Eurobond market. The issue marked the first euro-denominated bond by the country and highlighted a growing trend by emerging market nations to shun funding in U.S. dollars or local currencies. Analysts have noted the volatility in emerging market bond prices in dollar terms and the higher costs of issuing in local currencies as primary drivers of the phenomenon. With euro zone periphery bonds at record low yields, the Eurobond market offers a cheap and relatively stable opportunity for the emerging market nations. The Argentina debt saga continued to play out this week after the country deposited \$832 million to meet interest payments on its restructured debt. The move ran counter to a recent court order in New York Federal court which bans payment to restructured debt holders without also paying the hold outs from the restructuring deal. If the interest payments on the restructured debt cannot be made, the stage is set for another default by Argentina.



Issue	6.20.14	6.27.14	Change
3 month T-Bill	0.02%	0.04%	0.02%
2-Year Treasury	0.50%	0.46%	-0.04%
5-Year Treasury	1.71%	1.64%	-0.07%
10-Year Treasury	2.63%	2.53%	-0.10%
30-Year Treasury	3.44%	3.35%	-0.09%

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



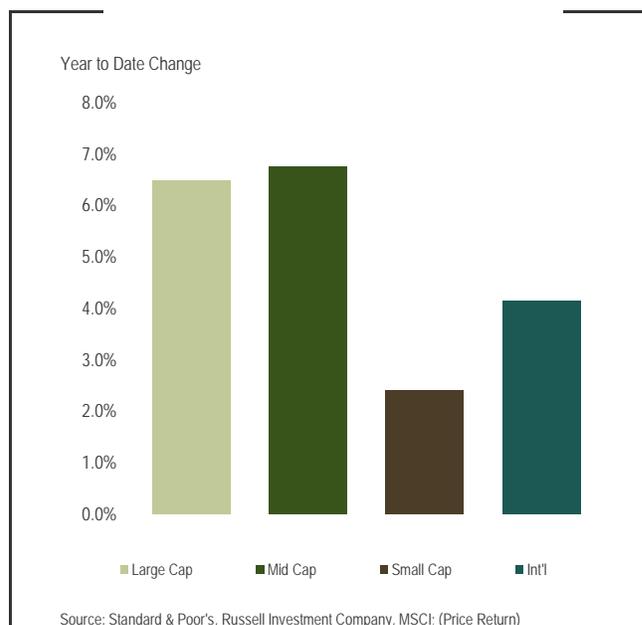
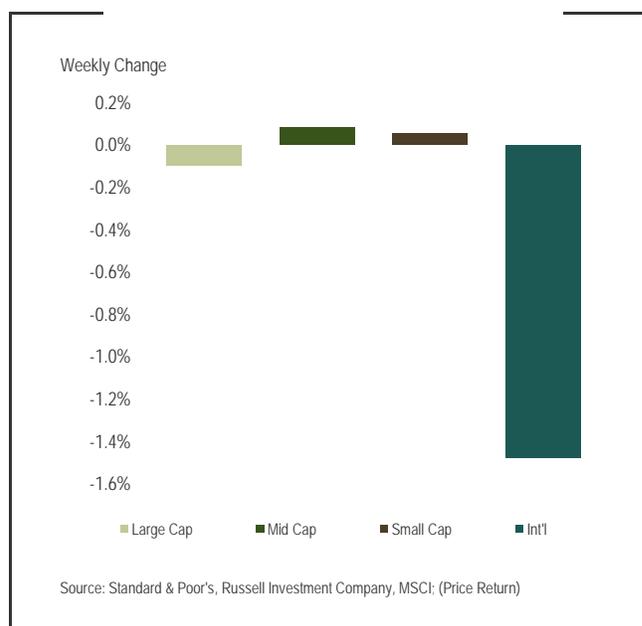
Stock Market Update

As the end of the first half of 2014 approaches, markets were generally down for the week, with mixed economic data and global conflicts weighing on stocks. On Tuesday, the Dow Jones Industrial Average declined triple digits, with explanations ranging from heightened tensions in Iraq to profit-taking towards the end of the quarter. For the week, the Dow was down 0.6% to close out at 16,851.84. The broader S&P 500 Index was down 0.1% for the week and finished at 1,960.96. The tech-heavy NASDAQ Composite Index rose slightly, 0.7% to finish the day at 4,397.93.

European equities also declined this week with the STOXX 600 Index down 1.7% from last Friday's close. Stocks sold off sharply on Wednesday, down 1.1%, the biggest decline since mid-April. Business activity in the euro zone slowed for a second straight month in June, a sign that the region's recovery continues to be modest. Germany's PMI strength was offset by weakness in France. Markets in Asia started the week out strong after reports showed June factory activity in China expanded for the first time this year, suggesting that the slowdown in the economy is stabilizing with help from recent government actions. Japan's Nikkei Index rose more than 2% on Monday, but the week ended with reports from Japan showing consumer spending fell 8% in May and core CPI rose 3.4%, sending the Nikkei Index down 1.4% on Friday.

Following last week's earnings report from Oracle, the company announced a \$5 billion acquisition of Micros Systems, a provider of software for the hospitality industry. It represents the biggest takeover since Oracle's purchase of Sun Microsystems in 2009. General Electric also announced a large deal this week, the \$13.5 billion purchase of the energy assets of French industrial conglomerate Alstom. Global M&A deal values have reached \$1.75 trillion year-to-date, the highest since 2007, according to Dealogic. While the actual number of announced transactions is down slightly, the total value is up 44% from this time last year. M&A activity in the healthcare sector alone has reached \$319 billion, with telecom and cable companies not far behind at \$261 million.

Name	Previous Week	Current ¹	Change
S&P 500	1,962.87	1,960.96	-0.10%
S&P Mid Cap 400	1,425.36	1,426.55	0.08%
Russell 2000	1,188.40	1,189.05	0.05%
MSCI EAFE	1,992.69	1,963.27	-1.48%
MSCI EM	1,049.94	1,046.81	-0.30%
DJ Industrial Average	16,947.08	16,851.84	-0.56%
NASDAQ	4,368.04	4,397.93	0.68%



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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

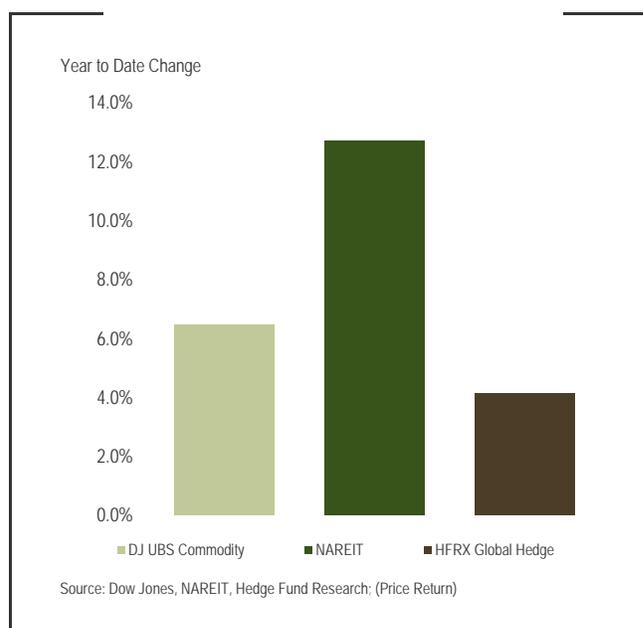
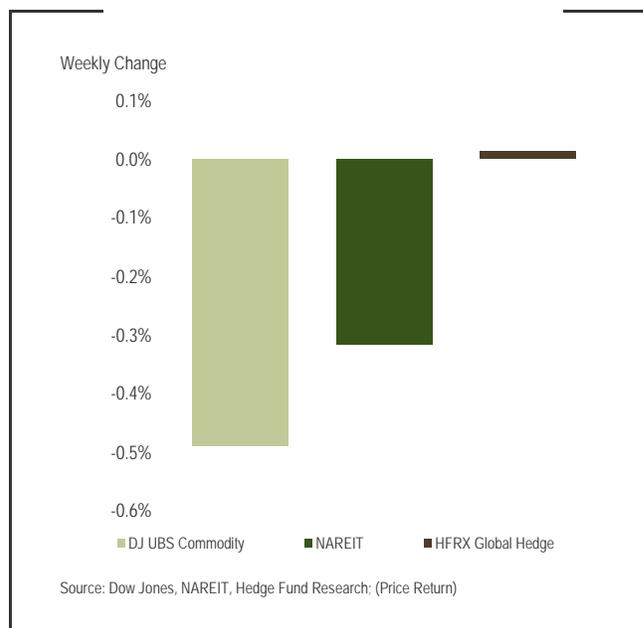
Alternative Investments Market Update

Gold traded near two-month highs this week as investors weighed signs of an uneven U.S. economic recovery thanks to the dollar falling to a seven-week low against a basket of 10 major currencies. This week, St. Louis Federal Reserve Bank President James Bullard stated that raising rates by the end of Q1 2015 would be appropriate, based on his own forecast that the U.S. economy would register growth of 3% for the next four quarters. The dollar was weighed down by a four-week low in the 10-year U.S. Treasury yield. Lower returns on U.S. bonds, which are watched by the gold market as the metal pays no interest, helped propel prices higher earlier in the week. Other factors that have affected the metal have been the ongoing tensions in both Iraq and Ukraine. In times of political or financial trouble investors often turn to gold or other precious metals, which can be perceived as insurance against risk. However, traders this week warned that bullion could still see some choppy trading amid concerns over weak imports in top consumer China and the discovery of \$15 billion of loans tied to falsified gold deals in the country.

The U.S. Commerce Department has given the go-ahead to several companies to begin exporting crude oil, a major policy change essentially ending a ban in place for the last four decades. Ultra-light oil often referred to as 'condensate' by the energy industry, will be cleared to be exported abroad, according to a private ruling by the federal government impacting Pioneer Natural Resources Co. and Enterprise Product Partners LP. Currently, the export of crude oil is restricted by the U.S. government, though the ban has not applied to refined versions such as gasoline and diesel. The restrictions were put into place during the 1970s as a direct result of the 1973 oil embargo imposed by a number of Arab nations.

Hedge fund assets under management (AUM) crossed the \$3 trillion threshold for the first time on record, according to data released this week from eVestment. The figure represents an all-time high, surpassing the industry's previous Q2 2008 peak, and is the result of both new allocations - \$22 billion in May, \$93.3 billion year to date, and performance gains - which added \$37.8 billion to total AUM in May.

Name	Previous Week	Current ¹	Change
DJ UBS Commodity Index	136.55	135.89	-0.49%
FTSE/NAREIT All REIT Index	177.55	176.99	-0.32%
HFRX Global Hedge Index	1,245.04	1,245.20	0.01%
Gold	1,314.92	1,318.80	0.30%
Crude Oil Futures	107.26	105.81	-1.35%



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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