

MainStreet Advisors Financial Market Update

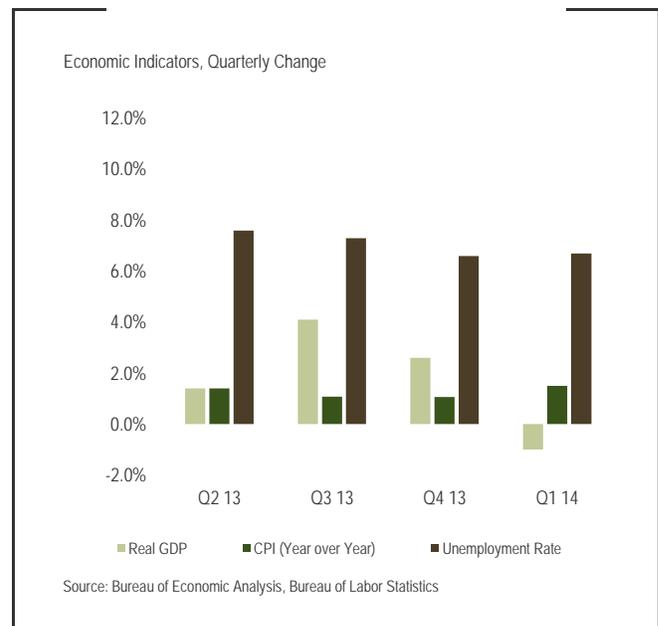
July 18, 2014
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Economic Update

Retail sales grew 0.2% in June, falling short of the 0.6% consensus expectation. However, taking into account April and May upward revisions, sales gained about 0.5% on the month and 3.7% since this time last year. The June increase was led mostly by merchandise and internet/mail order business, while autos and construction material saw weak numbers. Excluding motor vehicles, last month's sales gain was actually 0.4% and 1% including revisions. While this below-consensus release is not favorable, the upward revisions show potential for a strong second quarter number.

Housing starts dropped significantly in June as the southern region experienced a record decline while all other regions saw gains. Overall starts fell 9.3% in June to an annualized 0.893 million after consensus estimates of 1.020 million, but remain up 7.5% from this time last year. Since June of last year, single family starts are down 4.3% while multi-family units are up nearly 40%, and new permit figures show the same trend. Although the surge in multi-family units is positive for the economy, single family starts contribute more on a per-unit basis to economic growth, and there has been little in the way of gains in that sector. Despite the headline drop in starts this month, the silver lining is that three of the four regions of the country actually saw gains while the southern region dropped 30%, the largest decline in a single month in over 50 years. Housing starts are one of the more volatile data points so one month should not be over emphasized.

Inflation rebounded in June as noted by the Producer Price Index, which was up 0.4% in June after a 0.2% drop in May. This gain was led by energy prices, which rose 2.1% during the month. The year-over-year figure now stands at 1.9% for the overall PPI inflation figure, which is steady but we are beginning to see some acceleration in inflation. This trend will likely continue as the Fed continues to support a loose monetary policy and plans to raise rates in 2015.



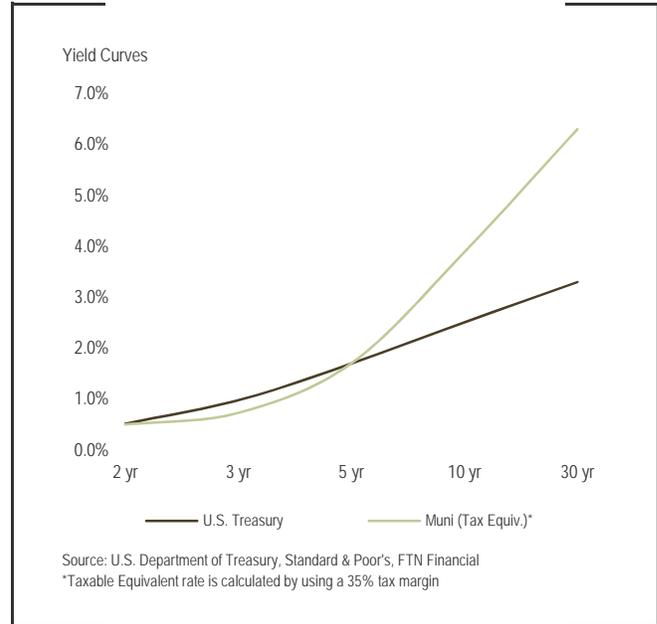
July 15th	Retail Sales, July Monthly Chg.	0.2%
July 15th	Business Inventories, July Monthly Chg.	0.5%
July 16th	Producer Price Index, July Monthly Chg.	0.4%
July 16th	Industrial Production, July Monthly Chg.	0.2%
July 16th	Housing Market Index, July	53
July 17th	Housing Starts, July	0.893M
July 17th	Initial Jobless Claims (Week ending 7/17)	302,000
July 17th	Philidelphia Fed Survey, July	23.9
July 18th	Consumer Sentiment Index, July	81.3

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.

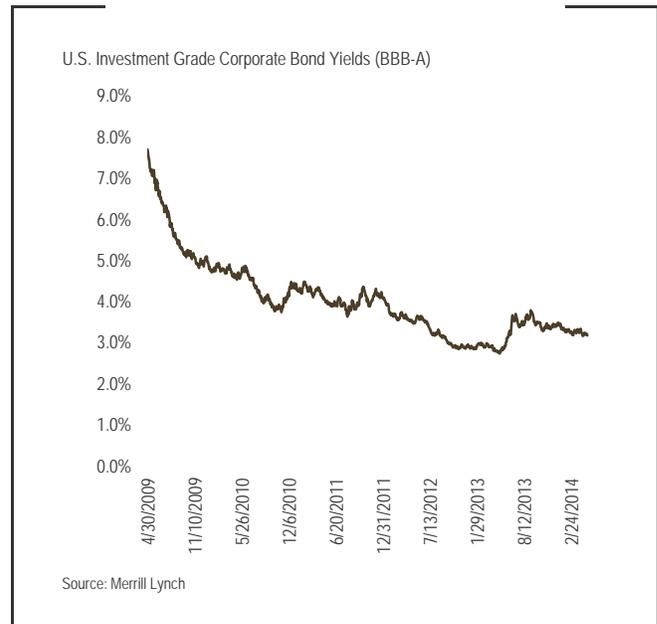
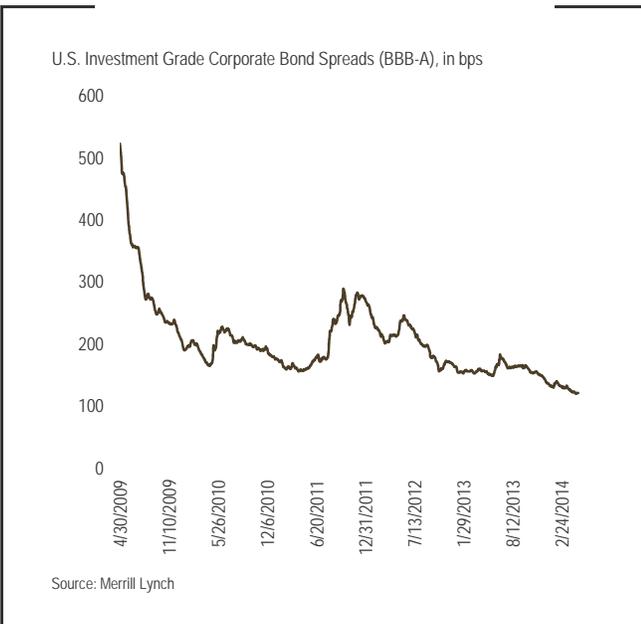
Bond Market Update

U.S. Treasuries rallied this week, and ten-year yield fell under 2.5% and touched a seven week low on Thursday as investors sought out safe-haven investments with the downing of the Malaysian airliner over Ukraine. Yields moved modestly higher on Friday as tensions eased and the impact of the initial reaction lessened, but investors continue to be more focused on current geopolitical events than economic data and fundamentals. Federal Reserve Chair Janet Yellen also testified before congress on Tuesday, and bonds were little moved as her testimony did not provide any new insight and was a reconfirmation of current strategy. The Federal Reserve plans to end their bond buying program by October, but expects to keep interest rates anchored at zero for some time. She recognized the improvements in the economy, but believes it continues to operate below capacity with inflation currently not a concern. Investors also continue to seek out yield, based on a report from Bank of America, as more than \$350 billion in high yield debt has been issued this year and is on pace to surpass last year's record issuance of \$477 billion. The value of bonds tracked by the Bank of America Merrill Lynch High Yield Index, which started at the end of 1997, has now surpassed \$2 trillion. It took the index 12 years to reach \$1 trillion, and only another 4 years to reach the \$2 trillion milestone.



Issue	7.11.14	7.18.14	Change
3 month T-Bill	0.02%	0.02%	0.00%
2-Year Treasury	0.48%	0.51%	0.03%
5-Year Treasury	1.65%	1.69%	0.04%
10-Year Treasury	2.53%	2.50%	-0.03%
30-Year Treasury	3.34%	3.29%	-0.05%

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



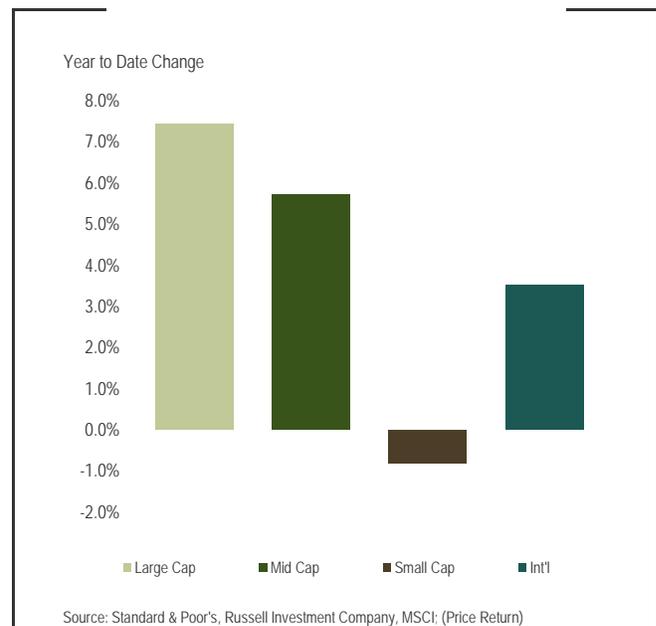
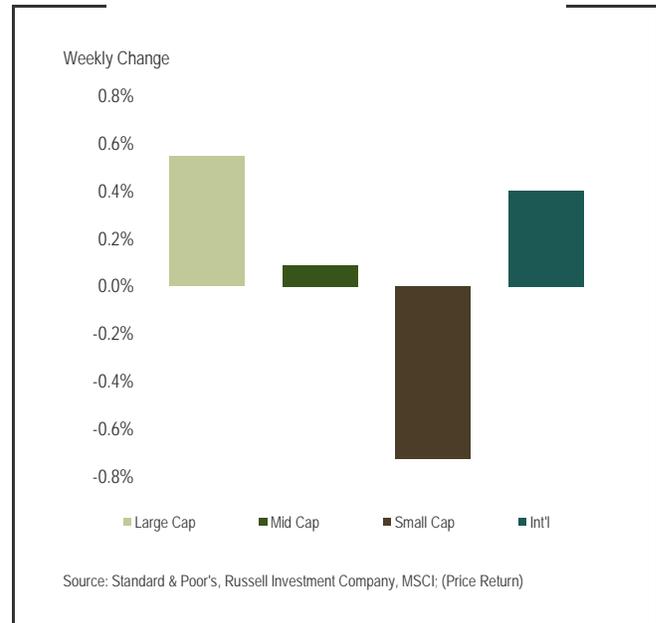
Stock Market Update

American stocks closed out a volatile week approximately unchanged over the five trading days. Driven by mostly favorable earnings reports, stocks had seen gains earlier in the week into Thursday, when reports emerged of the downing of a commercial passenger jet over Ukraine. That event, and Israel's ground incursion into Gaza, reminded investors about the risks of geopolitical events upending economic growth. Friday's rally brought the indexes back to about flat for the week, with the S&P 500 closing at 1,978.22, up 0.5% over the period. After a record-high closing level on Wednesday, the Dow Jones Industrial Average closed out the week at 17,100.18, up 0.9% for the week. Illustrating the market's nervousness about instability, the CBOE Volatility Index (VIX) surged over 30% on Thursday.

Emerging market stocks showed continuing strength this week, supported by a summit of the BRICS nations in Brazil, at which was announced the formation of a \$100 billion New Development Bank, an emerging markets' equivalent of the World Bank. The MSCI Emerging Markets index returned approximately 0.6% for the week. Chinese stocks, the biggest weight in the index, rose 1.3% on the week, helped by healthy industrial production numbers. Russian stocks were hard-hit during the week, losing over 5%. Shares were already under pressure from increased Western sanctions related to the Ukraine conflict, and losses steepened after the tragic news of the downed Malaysian plane hit the markets. International developed markets mostly tracked the same path as American stocks this week, with the MSCI EAFE index gaining 0.3%.

Domestic stocks were buoyed by continuing news of merger activity. This week's mega-deal was the \$80 billion bid for Time Warner by Rupert Murdoch's 21st Century Fox. There is the possibility that this bid, driven by the search for valuable content, and size to offset the power of the cable service providers like Comcast, will spark a wave of consolidations in the media sector. Earnings news this week included favorable results from Honeywell and Google, while investors panned results from Johnson Controls and GE.

Name	Previous Week	Current ¹	Change
S&P 500	1,967.51	1,978.22	0.54%
S&P Mid Cap 400	1,411.48	1,412.73	0.09%
Russell 2000	1,160.01	1,151.61	-0.72%
MSCI EAFE	1,943.87	1,951.66	0.40%
MSCI EM	1,062.37	1,062.59	0.02%
DJ Industrial Average	16,943.81	17,100.18	0.92%
NASDAQ	4,415.49	4,432.15	0.38%



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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

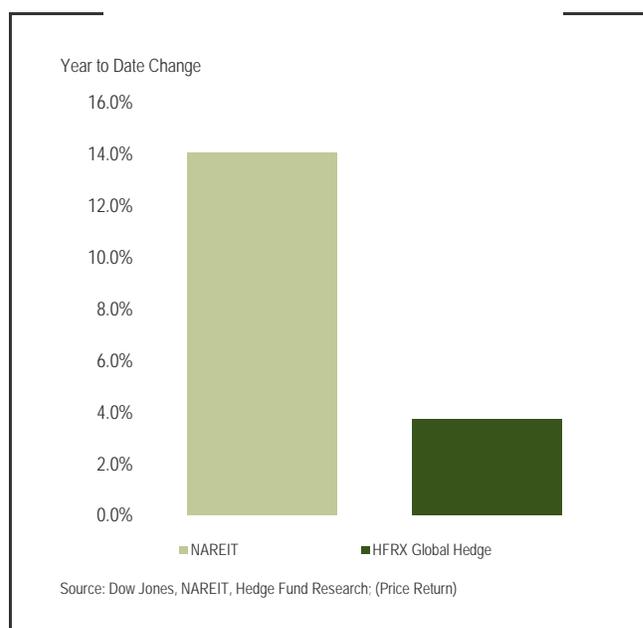
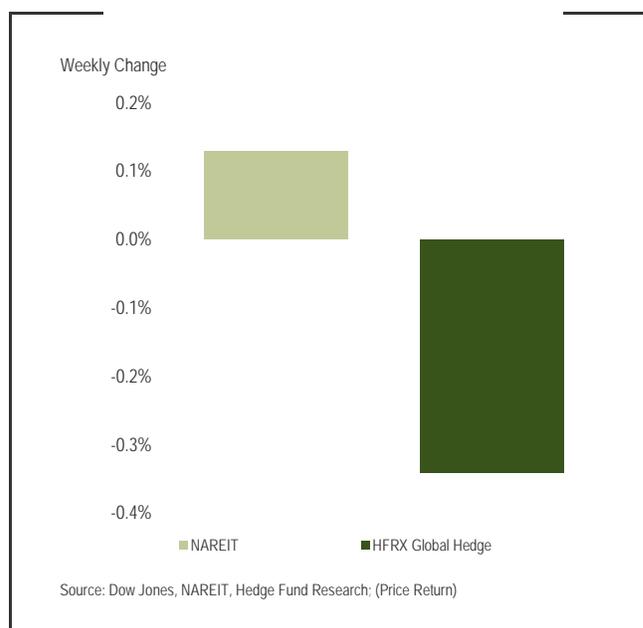
Alternative Investments Market Update

Crude oil futures rose on Friday, trading near two-week highs amid growing concerns over fresh tensions in Ukraine, and as U.S. manufacturing data released earlier in the week continued to support crude. Prices strengthened after a Malaysian Airlines passenger jet crashed in eastern Ukraine. Tragically, all on board were killed, which sharply raised the stakes in a conflict between Kiev and pro-Moscow rebels, in which Russia and the West back opposing sides. The crash came a day after the U.S. and European Union announced a fresh round of sanctions against Russia, following the annexation of Crimea in April and ongoing tensions in the rest of Ukraine. The U.S. package was the largest round of penalties so far. Russia is the world's second-largest crude oil producer, and its month long standoff with the West over Ukraine has raised concerns among traders that the tensions could lead to an interruption in those supplies. Also, Israel's decision to send ground troops into the Gaza Strip lent support to prices, which in recent weeks have been bolstered by flare-ups in the Middle East.

Gold dropped on Friday, suffering its first week of decline in seven weeks on fears of higher U.S. rates, and as investors took profits after a 1.5% jump on the downing of a passenger plane in eastern Ukraine. The precious metal, seen as a hedge against risk in times of geopolitical and financial uncertainty, posted its biggest daily gain in a month on Thursday after the loss of the Malaysian airliner. Federal Reserve Chair Janet Yellen stated this week that the U.S. central bank could raise rates sooner if hiring and wages take off in an unexpected way. Higher interest rates would encourage investors to switch to assets that, unlike gold, pay interest. As a gauge of investment sentiment, holdings in the SPDR Gold Trust, the world's largest gold-backed exchange traded fund, fell 2.69 tonnes to 803.34 tonnes this week.

Prices for soybeans, corn, and wheat fell sharply on Friday after the USDA projected bigger-than-expected harvests and stockpiles this year, extending months of market bearishness for three of the biggest U.S. crops by value. Soybean futures dropped about 3%, wheat fell by more than 4%, and corn prices slid to the lowest level in nearly four years as the USDA, in its closely watched monthly World Agricultural Supply and Demand Estimates report, stated favorable weather is expected to lead to big jumps in crop production this year, outpacing demand.

Name	Previous Week	Current ¹	Change
FTSE/NAREIT All REIT Index	178.87	179.10	0.13%
HFRX Global Hedge Index	1,244.54	1,240.29	-0.34%
Gold	1,337.99	1,311.40	-1.99%
Crude Oil Futures	100.71	103.00	2.27%



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