

MainStreet Advisors Financial Market Update

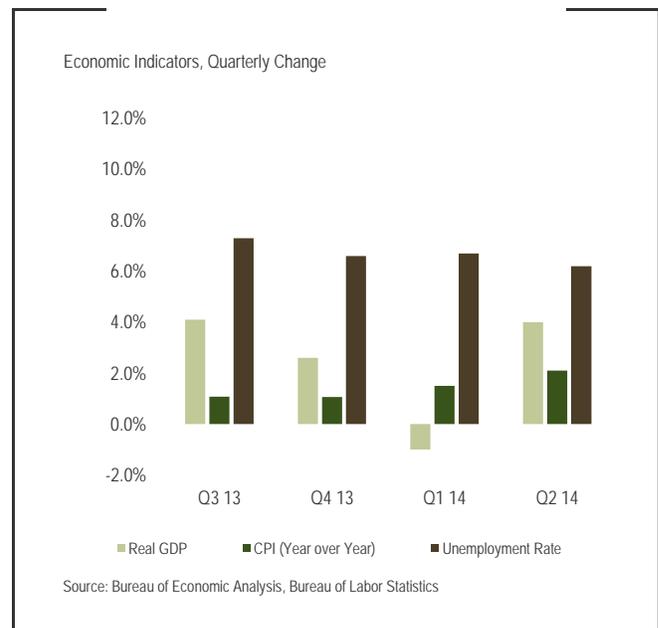
August 15, 2014
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Economic Update

U.S. consumer spending has demonstrated weakness in the third quarter after a strong spring recovery in Q2. While economists were expecting around 0.2% growth, retail sales were flat in July, dragged down by autos, furniture, electronics, and appliances. July is the fourth consecutive month with disappointing retail sales numbers following the brief rebound in February and March. Slow wage growth has limited consumers' ability to increase spending, but wage growth is likely to pick up sooner rather than later due to increasing pressure on employers to raise wages as the labor market's slack tightens. At the start of the year, there were 2.6 unemployed job seekers for each job opening. This ratio fell to 2.02 in June, the lowest level since April 2008. As this ratio falls, employers will feel more pressure to offer higher wages.

Higher wage growth in combination with improving employment data could influence the Federal Reserve's plan to hike interest rates. The market expects the Fed to start raising interest rates around mid-2015. Markets currently have a 'good news is bad news' mindset, meaning when good data is reported markets have reacted negatively, fearing the Fed will accelerate their timetable for raising interest rates. Recent weak retail sales data could be enough to reduce optimistic growth expectations for the remainder of 2014, possibly leading to a Q2 GDP downward revision, and causing the Fed to delay any interest rate moves.

Japan's second quarter GDP fell by an annualized rate of 6.8%, the largest decline since the beginning of 2011; fueled by an 18.7% drop in annualized consumer spending. In April, the sales tax rate increased from 5% to 8% in an effort to improve the country's fiscal position, but consumers anticipated this tax increase with additional spending, resulting in a first quarter GDP surge of 5.9% annualized. Japan's law states that the sales tax will climb up to 10% until the economy begins to consistently improve, but according to Prime Minister Abe's special advisor the tax increase may not occur if third quarter GDP is too weak.



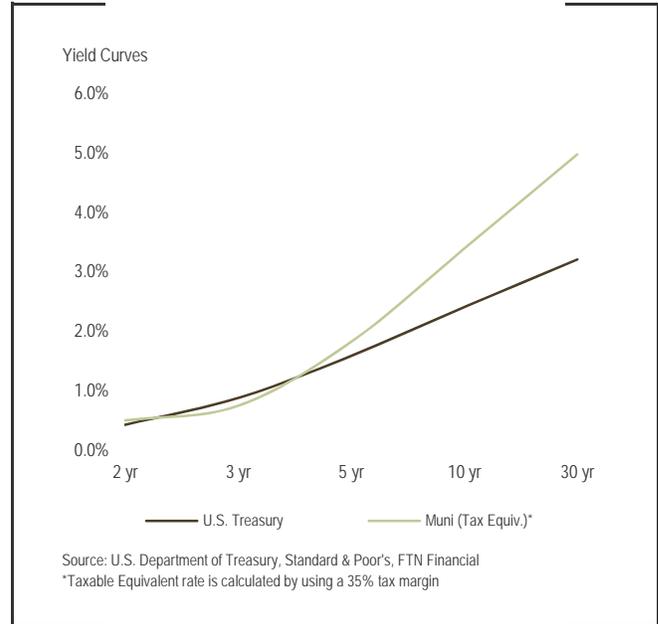
Aug 13th	MBA Purchase Applications Index, Wkly. Chg.	-2.70%
Aug 13th	Retail Sales, July Monthly Chg.	0.0%
Aug 13th	Business Inventories, June Monthly Chg.	0.4%
Aug 14th	Initial Jobless Claims (Week ending 8/9)	311,000
Aug 14th	Export Prices, July Monthly Chg.	0.0%
Aug 14th	Import Prices, July Monthly Chg.	-0.2%
Aug 15th	Producer Price Index, July Monthly Chg.	0.1%
Aug 15th	Industrial Production, July Monthly Chg.	0.4%
Aug 15th	Consumer Sentiment Index, July	79.2

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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.

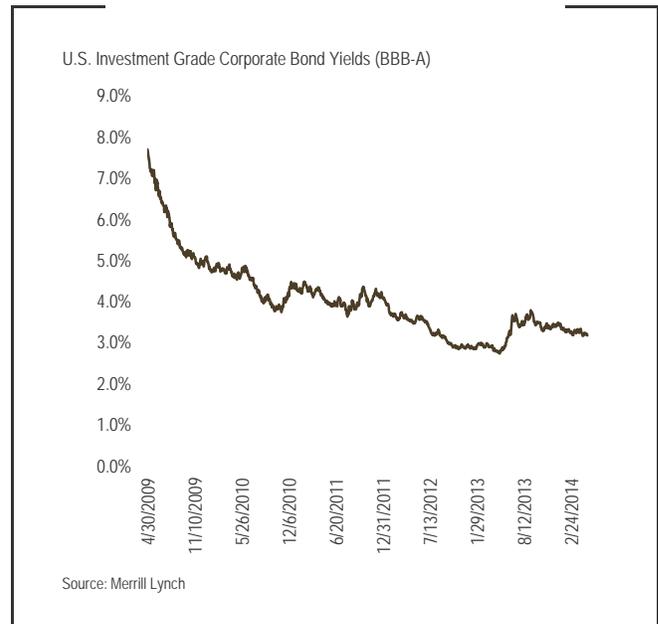
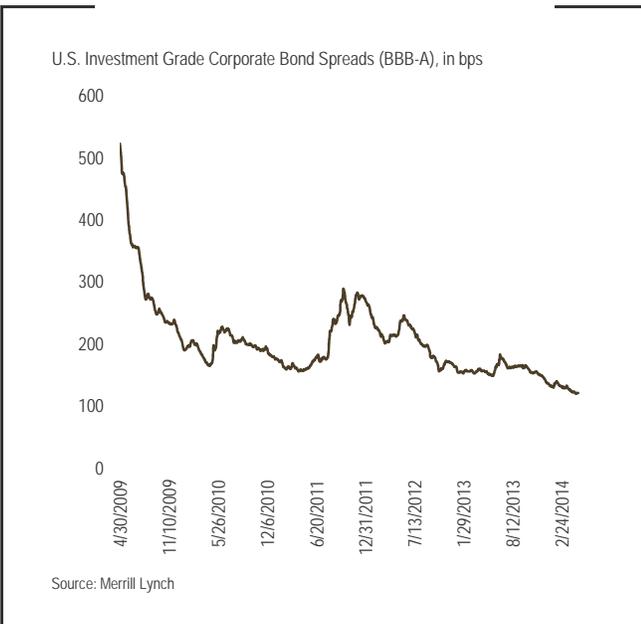
Bond Market Update

For the second straight week, U.S. Treasuries rallied as uneven economic data reports suggested the Federal Reserve would keep interest rates low for an extended period. Yields on long-dated bonds, especially those maturing in 30 years, fell to their lowest levels since May 2013, having attracted buyers given their higher yields relative to shorter-dated notes. At the same time, government bond yields from Germany and the U.K. fell to fresh lows this week, with the 10-year Bund's yield briefly dipping below 1% for the first time on record. The fall in the 10-year Bund yield follows a similar drop in the country's two-year note interest rate, which is now below zero. Lower German bond yields also drive buyers into similar maturity U.S. government debt that offers considerably higher yields. Demand for the euro zone's safest debt rose after data showed the region unexpectedly posted zero growth last quarter with its three largest economies failing to expand. Because of this, ECB president Mario Draghi vowed to build on unprecedented stimulus that may include large scale quantitative easing. Draghi also signaled that monetary policy would diverge from that of the U.S. for a long period of time. Against this backdrop, many strategists expect the European fixed income market to remain biased toward lower rates, suggesting Bunds and other safe-haven euro zone government debt are not yet expensive at these levels.



Issue	8.8.14	8.15.14	Change
3 month T-Bill	0.03%	0.04%	0.01%
2-Year Treasury	0.45%	0.42%	-0.03%
5-Year Treasury	1.62%	1.58%	-0.04%
10-Year Treasury	2.44%	2.40%	-0.04%
30-Year Treasury	3.23%	3.20%	-0.03%

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



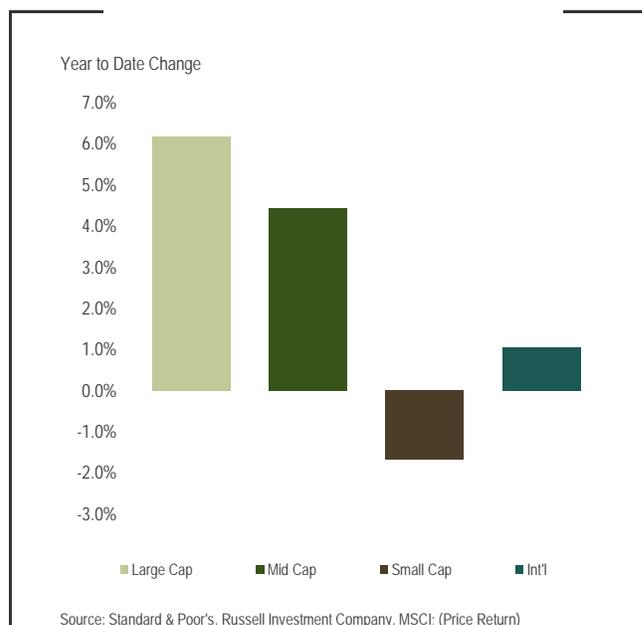
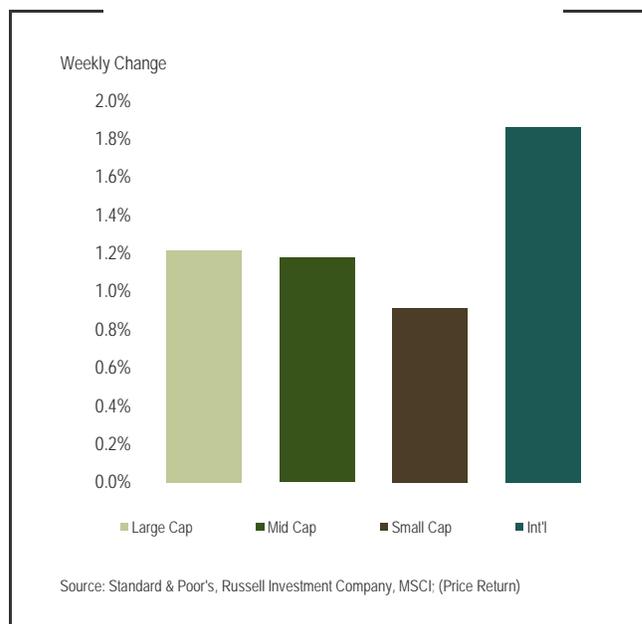
Stock Market Update

Domestic equity markets were positive for the second week in a row despite continued global political tensions and mixed economic data. On Thursday, the Dow Jones Industrial Average was back in positive territory for the year. The Dow finished Friday at 16,662.91, higher by 0.66% for the week. The broader S&P 500 Index increased 1.22% to end the week at 1,955.06, and now stands less than 1.5% below its record high. The tech-heavy NASDAQ Composite Index ended Friday at 4,464.93, up 2.15% from last week's close.

Stocks in Europe were also positive this week despite reports the euro zone's economic recovery has grinded to a halt. Reported GDP for the second quarter was flat, while inflation fell to a four year low. Germany saw a 0.2% decline in economic output, its first drop since 2012. Reports also showed Germany's index of confidence among professional investors was much lower than anticipated. In Asia, the Nikkei Index rallied 2.4% on Monday, after a 3% decline last Friday, on the heels of a strong performance from the Dow at the end of last week. The index closed 3.7% higher for the week, despite a report its GDP shrunk 6.8% on an annualized basis in the second quarter. In China, the Shanghai Composite Index was up 1.5%.

Many big name retailers reported earnings results this week. After outperforming peers over the last several years, Macy's sales and earnings were both below analysts' expectations, citing constrained spending in the uncertain economic environment. Walmart reported its seventh straight decline in U.S. store traffic, and also lowered its full year earnings forecast. JC Penney, on the other hand, reported a same store sales increase of 6%, gross margin improvement of 640 basis points, and a 71% increase in net income. In other corporate news, Coca Cola boosted its stake in Monster Beverage Corp, lifting that stock 30%.

Name	Previous Week	Current ¹	Change
S&P 500	1,931.59	1,955.06	1.22%
S&P Mid Cap 400	1,379.30	1,395.50	1.17%
Russell 2000	1,131.35	1,141.65	0.91%
MSCI EAFE	1,870.10	1,904.90	1.86%
MSCI EM	1,051.22	1,072.37	2.01%
DJ Industrial Average	16,553.93	16,662.91	0.66%
NASDAQ	4,370.90	4,464.93	2.15%



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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

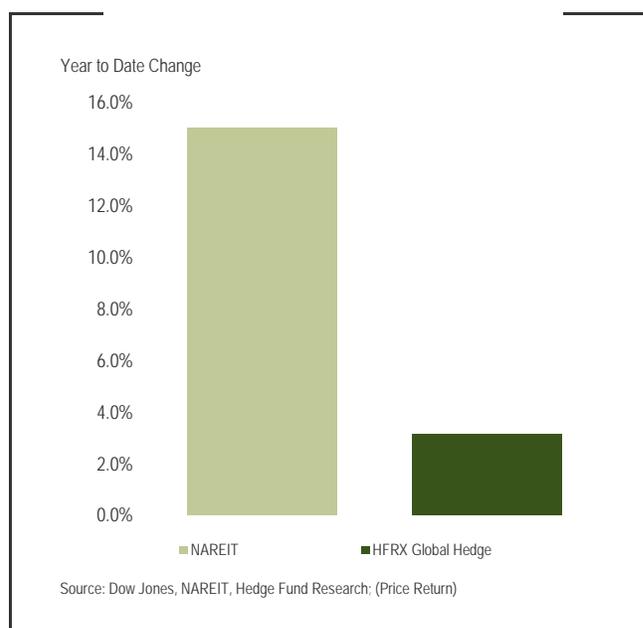
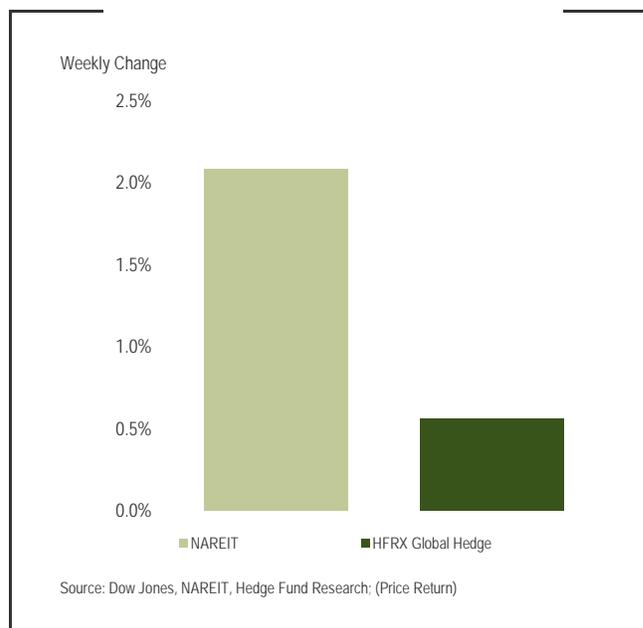
Alternative Investments Market Update

Gold rose early this week as investors continued to seek a safe haven in the precious metal from the ongoing conflict the Middle East, and tensions between Ukraine and Russia. The bullion is up this year as a result of the aforementioned geopolitical conflicts as well as continuing concerns about the U.S. economic recovery. Worries about the labor market reignited this week after reported jobless claims increased 21,000 to 311,000 for the week ended August 9, ahead of the 295,000 expected by analysts. A report by the World Gold Council released on Thursday shows global gold demand declined 16% year-over-year in Q2 2014, the result of bullion prices trading relatively sideways throughout the period, as compared to the 25% price decline seen in the comparable period of 2013. Gold ended the week Friday on a down note, falling the most in a month as equities rallied globally.

A report from the Energy Information Association (EIA) released Wednesday reported crude stockpiles increased by 1.4 million barrels to 367 million for the week ended August 8, compared to expectations of a 2.05 million barrel decline. The rise in stockpiles ended a string of six weekly declines, and was the first increase since June. Following the release, prices slid amid speculation that demand in the U.S. has slowed, and reports of stalled growth coming out of Europe. Supporting these speculations was a 418,000 barrel increase in crude stockpiles at Cushing, Oklahoma, the largest U.S. oil-storage hub. The increase, which brought total stockpiles at the hub to 18.4 million barrels, was the largest weekly percentage gain since January. As well, the International Energy Agency (IEA) cut oil demand estimates for the rest of 2014 and 2015 amid slowing annual expansion in fuel consumption, and the weakest global oil demand seen since 2012. The news comes despite threats to supply due to unrest in the Middle East and North Africa.

Soybeans rebounded on Friday after touching the lowest price since 2010 earlier in the week following speculation that expected rainfall over the next week could boost crop yields to a record high. Corn futures rose on Friday after reports from the Department of Agriculture said yields will likely be lower than what analysts expect (167.4 bushels an acre versus 170.2 expected). As of August 10, 73% of the corn crop was rated as good to excellent condition, a high for that weekly period since 2004.

Name	Previous Week	Current ¹	Change
FTSE/NAREIT All REIT Index	176.98	180.66	2.08%
HFRX Global Hedge Index	1,226.61	1,233.47	0.56%
Gold	1,311.60	1,306.20	-0.41%
Crude Oil Futures	97.60	97.06	-0.55%



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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