

MainStreet Advisors Financial Market Update

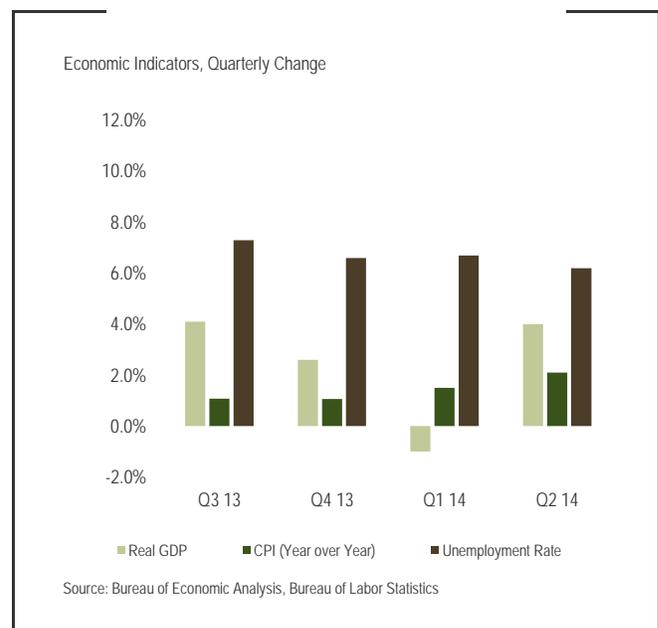
August 22, 2014
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Economic Update

The housing market appears to be picking up momentum as both the housing market index and housing starts posted strong numbers in July. The Housing Market Index, a measure of home builder optimism, rose two points this month to 55, its highest level since January. Home builder optimism also showed improvement this month with an 8.1% increase in applications for building permits, a leading indicator of future construction. Housing starts for July surged past expectations to an annualized rate of 1.093 million units, while June figures were revised up 52,000 to 945,000 units. The strength of the 15.7% increase in July was due to multifamily homes, which rose 33% to a 423,000 unit rate. This was the highest level since January of 2006. High property prices and mortgage rates contributed to homeownership declining to the lowest rate in 19 years. As the housing market gains further momentum the trend in demand continues to shift from single-family ownership to renting multifamily units.

The Consumer Price Index rose a modest 0.1% in July. Rising food and rent prices contributed to the increase, while energy prices declined. Excluding food and energy prices, the core Consumer Price Index rose 0.1%, missing estimates of 0.2%. Despite these slight movements, inflation is still steadily inching towards the Federal Reserve's goal of 2%.

The release of the FOMC minutes from the July 29 – 30 meeting reiterated that the economy continues to improve, but most Fed officials remain reluctant to change rate hike expectations until they see more convincing data. The minutes also revealed that a minority of Fed participants have developed more aggressive views on the timing of an interest rate increase, leading to a brief sell-off in stocks caused by fears that rates may be increased sooner than expected.



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
Aug 18th	Housing Market Index	55
Aug 19th	Consumer Price Index	0.01%
Aug 19th	Consumer Price Index - Core	0.01%
Aug 19th	Housing Starts	15.7%
Aug 20th	Crude Oil Inventories	-4.5 M
Aug 21st	Jobless Claims	298,000
Aug 22nd	Philadelphia Fed Survey	28.0
Aug 22nd	Existing Home Sales	2.4%

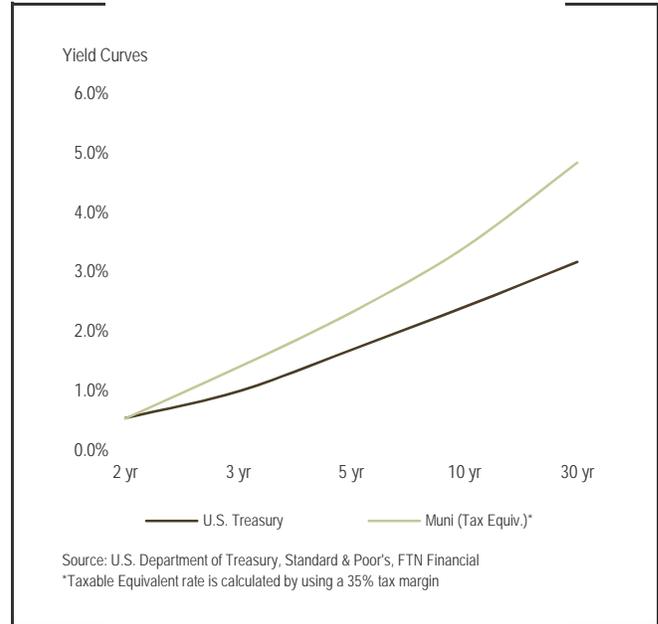
SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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

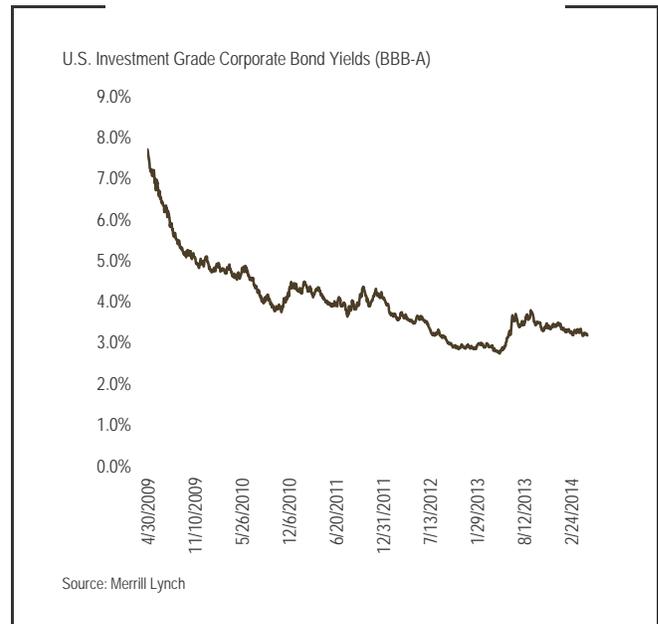
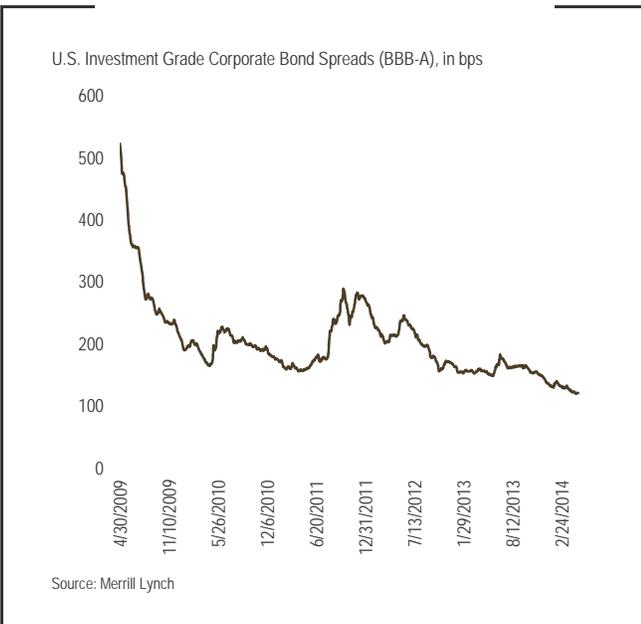
After rallying over the last three weeks, U.S. Treasuries fell led by shorter maturity notes following the latest comments from Federal Reserve Chair Janet Yellen. She said the central bank has no “mechanical answer” for when to raise rates, and before doing so policymakers must be certain the economy is on solid footing. Against this backdrop, many strategists expect the Fed to remain on pace to not raise rates until the middle of next year, with a median estimate from FOMC participants of 1.13% by the end of 2015 and 2.5% a year later.

Meanwhile, in the municipal markets, U.S. securities regulators are moving to require brokers to seek “best prices” when trading munis for customers. Lacking a centralized exchange in the \$3.7 trillion municipal bond market, the rule would place stricter standards on brokers who are currently required to trade at “fair and reasonable” prices. “A requirement that dealers seek the best execution of retail customer transactions in municipal securities will have benefits for investors, promote fair competition among dealers and improve market efficiency,” the Municipal Securities Rulemaking Board said. The board also said it might also force brokers to reveal what they paid for municipal bonds, allowing customers to determine dealers’ profits, which are typically embedded in offering prices.



Issue	8.18.14	8.25.14	Change
3 month T-Bill	0.03%	0.03%	0.00%
2-Year Treasury	0.42%	0.53%	0.11%
5-Year Treasury	1.55%	1.68%	0.13%
10-Year Treasury	2.34%	2.40%	0.06%
30-Year Treasury	3.13%	3.16%	0.03%

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



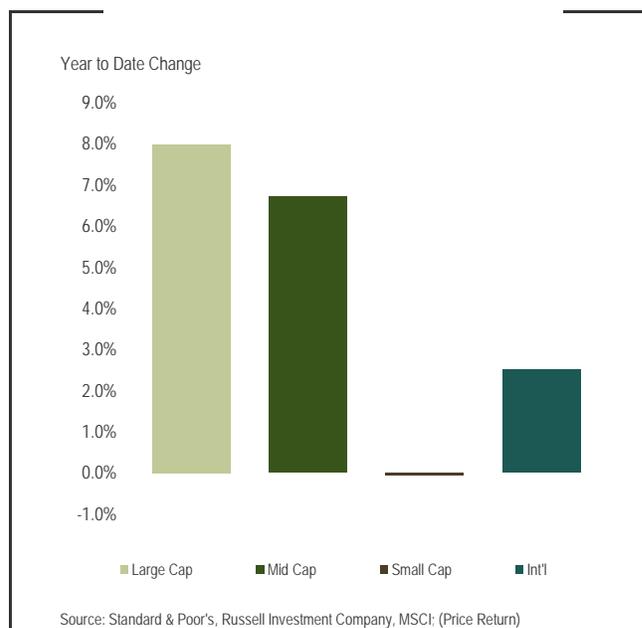
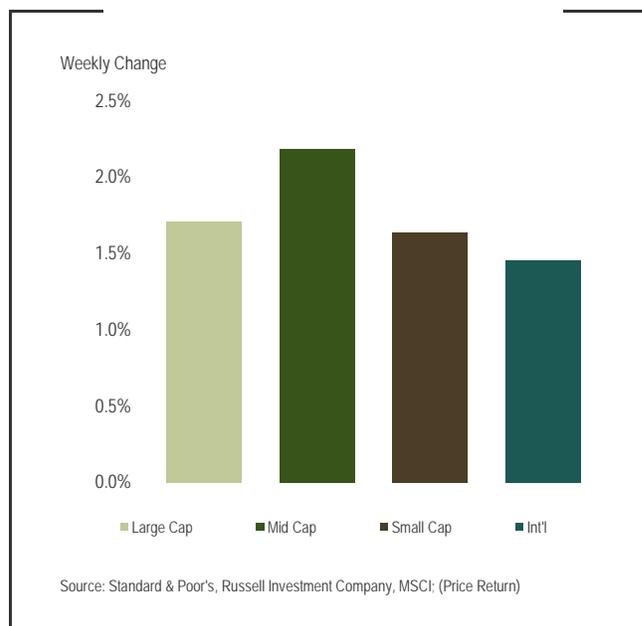
Stock Market Update

After much volatility over the past couple of weeks the equities market was back in bull mode as all three indices were higher on the week. The Dow Jones Industrial Average crossed the 17,000 level on Thursday after selling off in July and the S&P 500 Index reached its 17th new all-time high this week. The Dow Jones Industrial Average closed at 17,001.22, up slightly from the prior week. The broader S&P 500 Index ended the week at 1,988.41, while the NASDAQ Composite finished higher than last week closing out at 4,538.55.

Much of the anticipation on the week centered around the economic summit in Jackson Hole, Wyoming where Fed Chair Janet Yellen was to speak Friday morning. Economists and the market were looking for insight as to when the Federal Reserve will begin to raise interest rates and what the overall health of the economy looks like right now. Yellen's main concern centered on the number of people participating in the labor market and those that are either working part-time or have moved to the ranks of the long-term unemployed.

Shares of Home Depot (HD) were on the move this week as the retail giant reported earnings Tuesday that topped analyst expectations. The company also raised its full year guidance on improvements across multiple sectors of the business due to an improved housing market. On Thursday, the company also announced that Craig Menear will become president and CEO starting November 1st; previously, Menear was head of U.S. retail operations. Frank Blake, who has been chairman and chief executive officer since 2007, will remain on as the chairman of the company.

Name	Previous Week	Current ¹	Change
S&P 500	1,955.06	1,988.41	1.71%
S&P Mid Cap 400	1,395.50	1,425.93	2.18%
Russell 2000	1,141.65	1,160.34	1.64%
MSCI EAFE	1,904.90	1,932.59	1.45%
MSCI EM	1,072.37	1,065.78	-0.61%
DJ Industrial Average	16,662.91	17,001.22	2.03%
NASDAQ	4,464.93	4,538.55	1.65%



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

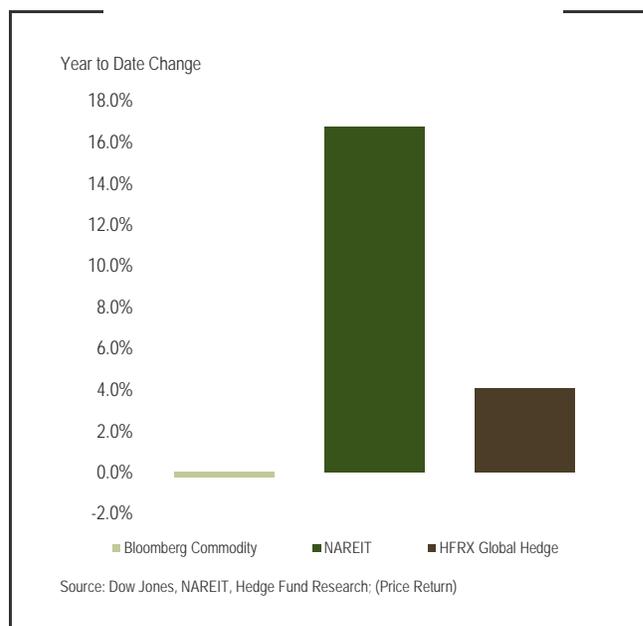
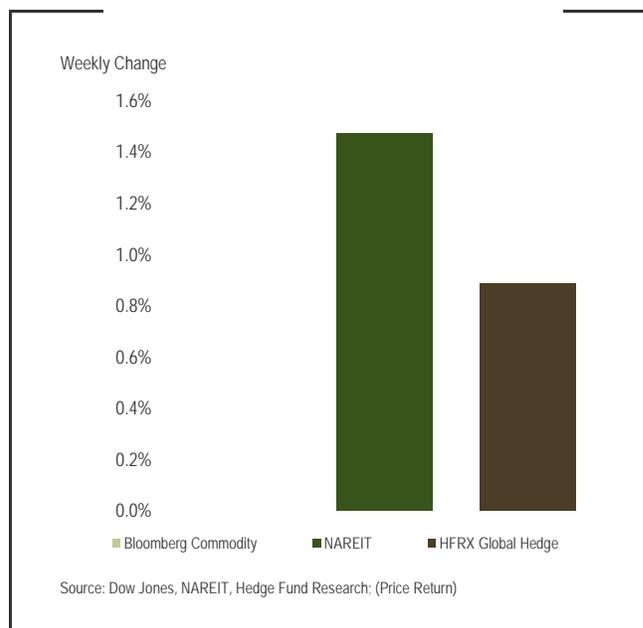
Gold rebounded Friday after touching a two-week low following the release of the Fed's July minutes. In a rising rate environment gold is comparatively not as attractive an investment given the metal pays no interest and returns come only through price appreciation. Any improvements in U.S. data that support higher interest rates and a higher dollar will likely be bearish for the metal. Following the release of the Fed minutes, the U.S. Dollar rose against ten major currencies, hitting a six-month high. Still, gold remains up over 6% for the year as ongoing geopolitical conflicts in the Middle East and tensions between Ukraine and Russia have spurred demand.

Oil fell this week, despite a brief rise following the release of several data points this week showing continued economic strength in the U.S. recovery. West Texas Intermediate (WTI) fell for a fifth week, the longest streak in nine months, and Brent fell as supply remains high. A report by the American Petroleum Institute released this week indicated U.S. imports of crude fell in July to a 19-month low for the period as production in the U.S. rose. Domestic production continued to increase in July, and output surpassed eight million barrels a day for the sixth straight month.

Soybean prices fell to nearly a four-year low this week on record harvest expectations following field observations from the annual Pro Farmer Midwest Crop Tour. Crops have benefitted from cooler weather in much of the growing area this year, as well as ample rainfall as of late. Corn and wheat prices also dropped following the tour.

Following its second default in thirteen years, Argentina unveiled a plan this week to exit default by circumventing the U.S. court order that helped put it there. Argentina defaulted on July 30 after losing a legal battle with hedge funds that rejected the terms of previous debt restructurings and instead sued the country for full payment, while most creditors had accepted around 30 cents on the dollar. The country defaulted after a court order prevented distribution of the latest interest payment until the holdouts were paid in full. This week Argentina offered to swap the defaulted New York bonds for new Argentine bonds that would be governed by Argentine law. The market was skeptical of the offering, as Argentine bond prices fell and the Argentine peso slid against the dollar.

Name	Previous Week	Current ¹	Change
FTSE/NAREIT All REIT Index	180.66	183.32	1.47%
HFRX Global Hedge Index	1,233.47	1,244.39	0.89%
Gold	1,306.20	1,281.20	-1.91%
Crude Oil Futures	97.06	93.59	-3.58%



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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