MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 4/22/16

THE WEEK IN REVIEW

U.S. stock prices were slightly higher this week after the S&P 500 gained 0.50% aided by a strong rally in financial and energy shares. Conversely, bonds declined with the long end of the treasury curve faring the worst. Overall, the Barclays Aggregate Bond Index declined nearly a quarter point.

Pepsi announced earnings generally in line with analysts' estimates; however, unfavorable currency exchange rates impacted results. Pepsi shares were slightly lower to end the week. McDonald's all-day breakfast offering appears to be boosting sales and profits. The company's latest earnings, released Friday, showed an increase of greater than 35% in quarterly profit. The numbers topped analysts' expectations and sent the shares higher during Friday trading. Abbott Labs beat earnings estimates despite unfavorable currency exchange rate movement, which impacted sales 5.3%. Despite the slight headwind, the company upped its earnings outlook for 2016, above its previous range and higher than current consensus estimates. U.S. Bancorp reported earnings that beat analysts' expectations despite slightly higher costs and increased required reserves for energy loans. From a year earlier the company set aside $330 million, up from $264 million, to cover mostly energy-related loans. However, USB's CEO has an upbeat outlook for Q2. USB shares were up 3% this week. Google earnings underwhelmed as adjusted earnings missed analysts' estimates. Operating earnings were $7.50 versus estimates of $7.97. Lastly, Microsoft shares were also sharply lower as investors digested the reported slowdown in the growth rate of its cloud-based business. Further, the company provided weak Q4 guidance, which was below consensus estimates. MSFT shares declined 7% Friday.

The Conference Board Leading Economic Index gained in March, improving its six-month growth rate. The report showed a 0.2% increase in March, following a 0.1% decline in February. Overall, gains were widespread among the leading indicators and the report continues to indicate labor market strength. The current trend in initial jobless claims of 59 straight weeks below 300,000 is the longest streak in more than 40 years. The housing market index was released Monday and remained unchanged for the third consecutive month, continuing to signal solid expansion, but housing starts came in below consensus expectations, falling 8% in March. Building permits were almost as weak, down 7.7%, also well below expectations. However, starts and permits are up 14.2% and 4.6% on a year-over-year basis, respectively. Existing home sales increased 5.1% in March and 4.8% in the first quarter of 2016. Most of the March gain was in single-family homes, up 5.5%. The median home price is now $222,700, up 5% from year-ago levels.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,003.75	0.59%	3.32%	-0.30%
NASDAQ	4,906.23	-0.65%	-2.02%	-2.96%
S&P 500 LargeCap	2,091.58	0.52%	2.33%	-1.01%
S&P 400 MidCap	1,477.05	0.84%	5.61%	-4.10%
S&P 600 SmallCap	702.10	1.37%	4.52%	-3.35%
MSCI EAFE	1,703.27	1.26%	-0.76%	-10.86%
MSCI Emerging Markets	853.69	0.83%	7.50%	-18.51%
Barclays Aggregate US		-0.38%	3.07%	2.01%
Bloomberg Non-US Govt Bond		0.06%	6.68%	1.87%
Bloomberg US Treasury Index		-0.70%	2.75%	1.73%
Bloomberg High Yield Index		1.08%	6.92%	-0.93%
FTSE/NAREIT All REIT Index		-1.64%	3.01%	-0.24%
Bloomberg Commodity Index		3.31%	5.72%	-17.48%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.23%	0.30%	0.03%
2-Year Treasury	0.84%	0.91%	0.57%
5-Year Treasury	1.37%	1.42%	1.41%
10-Year Treasury	1.89%	1.94%	1.99%
30-Year Treasury	2.70%	2.72%	2.66%
Municipal Bond Yields (10 Yr)	1.68%	1.84%	2.03%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified. Returns include reinvestment of dividends, if any and there is no guarantee they will continue.

UPCOMING WEEK

Next week will be a busy one, starting with new home sales on Monday, followed by durable goods orders, home prices, and consumer confidence on Tuesday. Wednesday is highlighted by the FOMC announcement, while Thursday sees the release of housing vacancies and Q1 2016 GDP, expected to be around 0.7%. Friday will bring personal income, consumer spending, consumer sentiment, and core inflation data, the last of which is expected to remain unchanged after February's underwhelming 0.1% increase.