



# Weekly Interest Rate & Economic Update

February 25, 2013

**11150 Santa Monica Boulevard  
Suite 850  
Los Angeles, California 90025  
310.268.2625**

**5650 El Camino Real  
Suite 155  
Carlsbad, California 92008  
760.804.3814**

The information provided in this publication is for illustrative purposes only. Interest rates, prices, yields and ratings are subject to change without notice. Bond prices generally move inversely to the direction of interest rates in the overall market and may react to changes in economic conditions. All sources utilized are believed to be reliable by GSG Capital Advisors.

## Rate Update

February 25, 2013

### ***Safe Sector Income:***

	Average Maturity	Yield-to-Worst
CA Municipal	1.03 years	0.470%
CA Municipal	2.00 years	0.631%
CA Municipal	3.00 years	1.011%
CA Municipal	5.00 years	1.250%
CA Municipal	7.02 years	1.528%
CA Municipal	10.00 years	2.066%
National Municipal	2.01 years	0.984%
National Municipal	5.00 years	1.382%
National Municipal	10.00 years	2.299%

### ***Corporate Bond Income:***

Corporate Income	5.01 years	1.768%
High-Yield Income	3.51 years	5.101%
High-Yield Income	8.00 years	6.803%

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Equity Income:		3.870%
MLP Income:		6.180%

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### US Treasury Rates (02/25/13):

3 Month Treasury Bill:	0.10%	3 Year Treasury Note:	0.38%
6 Month Treasury Bill:	0.14%	5 Year Treasury Note:	0.84%
12 Month Treasury Note:	0.16%	7 Year Treasury Note:	1.19%
2 Year Treasury Note:	0.26%	10 Year Treasury Bond:	1.99%

# Weekly Economic Update

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## News

- SEQUESTRATION: The Sequel

U.S. lawmakers have four days to avoid the start of across-the-board government spending cuts. \$85 billion in spending cuts will commence March 1 if the President and Congress are unable to come to an agreement. Under this scenario, the Pentagon alone is expected to furlough 800,000 civilian employees.

- Moody's Investor Services reduced the credit rating of the U.K. from AAA to Aa1. Bond trading today in Europe was virtually unaffected by the downgrade, with U.K. sovereign debt falling an average of 1 basis point.
- Peugeot Citroen's credit rating was further cut by Fitch Ratings to B+ from BB-. The European automaker is now four levels below 'investment grade'.
- Ikea, the world's biggest furniture retailer, has stopped selling Swedish meatballs in their European stores after horse meat was discovered in the product.

## STATISTICS

National Unemployment Rate	7.9%	January 2013	
California Unemployment Rate	9.8%	December 2012	
Consumer Price Index (CPI)	1.6%	January 2013	Seasonally Unadjusted
Producer Price Index (PPI)	0.2%	January 2013	Seasonally Unadjusted
Gross Domestic Product (GDP)	-0.1%	4th Quarter 2012	Annually Adjusted
Prime Rate	3.25%	02/25/13	
Gold (Spot)	\$1,590.59	02/25/13	
Silver (Spot)	\$29.07	02/25/13	
Crude Oil (NYMEX Crude Futures)	\$93.22	02/25/13	

	10/27/10	01/03/11	02/28/11	01/03/12	02/27/12	01/02/13	02/04/13	02/11/13	02/25/13
<b>MUNICIPAL BONDS</b>									
CA - 1 Year	0.509%	1.079%	1.076%	0.556%	0.403%	0.440%	0.420%	0.440%	0.470%
CA - 2 Years	0.947%	1.550%	1.643%	0.810%	0.491%	0.598%	0.624%	0.627%	0.631%
CA - 3 Years	1.317%	2.053%	1.911%	1.164%	0.613%	0.964%	1.014%	1.019%	1.011%
CA - 5 Years	1.889%	2.436%	2.507%	1.501%	1.037%	1.150%	1.208%	1.222%	1.250%
CA - 7 Years	2.465%	2.998%	2.976%	1.671%	1.453%	1.477%	1.555%	1.537%	1.528%
CA - 10 Years		3.842%	3.910%	2.396%	1.980%	1.901%	2.037%	2.093%	2.066%
NAT - 2 Years	1.102%	2.340%	1.809%	0.588%	0.500%	0.911%	0.980%	0.990%	0.984%
NAT - 5 Years		3.009%	2.662%	1.305%	1.004%	1.312%	1.381%	1.396%	1.382%
NAT - 10 years		3.783%	3.493%	2.315%	1.773%	2.185%	2.294%	2.274%	2.299%
<b>CORP. BONDS</b>									
INV. GRADE - 5 Years	1.459%	2.693%	2.647%	1.599%	1.388%	1.534%	1.704%	1.722%	1.768%
HI-YIELD - 3.5 YEARS		5.220%	4.290%	5.199%	5.001%	4.799%	5.178%	5.162%	5.101%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.076%	6.275%	5.798%	6.532%	6.892%	6.877%	6.803%
<b>EQUITY INCOME MODEL</b>									
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,016,222.48	\$ 1,132,073.80	\$ 1,118,701.14	\$ 1,161,516.36	\$ 1,203,696.34	\$ 1,218,007.82	\$ 1,232,260.30
MLP INCOME MODEL	6.220%	5.880%	5.870%	6.480%	5.950%	6.420%	6.130%	6.160%	6.180%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,117,319.06	\$ 1,170,773.07	\$ 1,220,326.72	\$ 1,193,866.24	\$ 1,303,229.09	\$ 1,305,692.85	\$ 1,312,274.57
<b>US TREASURY</b>									
3 - MONTH	0.120%	0.120%	0.130%	0.010%	0.100%	0.060%	0.040%	0.070%	0.100%
6 - MONTH	0.160%	0.180%	0.160%	0.060%	0.140%	0.120%	0.090%	0.110%	0.140%
12 - MONTH	0.210%	0.270%	0.240%	0.110%	0.160%	0.170%	0.130%	0.140%	0.160%
2 - YEAR	0.380%	0.600%	0.700%	0.250%	0.290%	0.270%	0.240%	0.250%	0.260%
3 - YEAR	0.570%	1.010%	1.170%	0.380%	0.400%	0.370%	0.370%	0.380%	0.380%
5 - YEAR	1.230%	2.020%	2.140%	0.880%	0.850%	0.780%	0.850%	0.840%	0.840%
7 - YEAR	1.930%	2.740%	2.830%	1.410%	1.350%	1.130%	1.200%	1.190%	1.190%
10 - YEAR	2.620%	3.340%	3.420%	1.950%	1.930%	1.830%	1.980%	1.960%	1.990%
<b>BLENDED MODELS (45% Tax Bracket)</b>									
ULTRA INCOME STRATEGY	1.880%	3.220%	3.380%	1.790%	1.140%	1.340%	1.400%	1.410%	1.430%
BLENDED INCOME STRATEGY	2.970%	4.010%	4.130%	2.870%	2.270%	2.520%	2.540%	2.550%	2.570%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.910%	3.970%	3.460%	3.780%	3.780%	3.780%	3.790%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	6.130%	5.660%	5.180%	5.630%	5.580%	5.570%	5.560%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.490%	6.390%	5.960%	6.490%	6.440%	6.430%	6.410%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 4,732.50	\$ 7,280.77	\$ 8,604.55
Municipal Income - Mid-Term	25%	\$ 3,125.00	\$ 4,807.69	\$ 5,681.82
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 7,857.50	\$ 12,088.46	\$ 14,286.36
		<b>0.79%</b>	<b>1.21%</b>	<b>1.43%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 3,155.00	\$ 4,853.85	\$ 5,736.36
Municipal Income - Mid-Term	25%	\$ 3,125.00	\$ 4,807.69	\$ 5,681.82
MLP Income	10%	\$ 6,180.00	\$ 8,081.54	\$ 9,550.91
Equity Income	5%	\$ 1,935.00	\$ 2,530.38	\$ 2,990.45
Corporate Income	10%	\$ 1,768.00	\$ 1,768.00	\$ 1,768.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 16,163.00	\$ 22,041.46	\$ 25,727.55
		<b>1.62%</b>	<b>2.20%</b>	<b>2.57%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,577.50	\$ 2,426.92	\$ 2,868.18
Municipal Income - Mid-Term	25%	\$ 3,125.00	\$ 4,807.69	\$ 5,681.82
MLP Income	15%	\$ 9,270.00	\$ 12,122.31	\$ 14,326.36
Equity Income	15%	\$ 5,805.00	\$ 7,591.15	\$ 8,971.36
Corporate Income	15%	\$ 2,652.00	\$ 2,652.00	\$ 2,652.00
High-Yield Income	5%	\$ 3,401.50	\$ 3,401.50	\$ 3,401.50
	100%	\$ 25,831.00	\$ 33,001.58	\$ 37,901.23
		<b>2.58%</b>	<b>3.30%</b>	<b>3.79%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 631.00	\$ 970.77	\$ 1,147.27
Municipal Income - Mid-Term	20%	\$ 2,500.00	\$ 3,846.15	\$ 4,545.45
MLP Income	25%	\$ 15,450.00	\$ 20,203.85	\$ 23,877.27
Equity Income	25%	\$ 9,675.00	\$ 12,651.92	\$ 14,952.27
Corporate Income	5%	\$ 884.00	\$ 884.00	\$ 884.00
High-Yield Income	15%	\$ 10,204.50	\$ 10,204.50	\$ 10,204.50
	100%	\$ 39,344.50	\$ 48,761.19	\$ 55,610.77
		<b>3.93%</b>	<b>4.88%</b>	<b>5.56%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 315.50	\$ 485.38	\$ 573.64
Municipal Income - Mid-Term	5%	\$ 625.00	\$ 961.54	\$ 1,136.36
MLP Income	30%	\$ 18,540.00	\$ 24,244.62	\$ 28,652.73
Equity Income	25%	\$ 9,675.00	\$ 12,651.92	\$ 14,952.27
Corporate Income	10%	\$ 1,768.00	\$ 1,768.00	\$ 1,768.00
High-Yield Income	25%	\$ 17,007.50	\$ 17,007.50	\$ 17,007.50
	100%	\$ 47,931.00	\$ 57,118.96	\$ 64,090.50
		<b>4.79%</b>	<b>5.71%</b>	<b>6.41%</b>

**Assumptions:**

**Invested Amount:**    \$                    **1,000,000.00**

<b>Yields:</b>	<b>Yield</b>	<b>Notes:</b>	<b>Ave. Mat:</b>
Municipal Income - Short-Term	0.6310%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.2500%	Tax Free (California Residents)	5.00/years
MLP Income	6.1800%	85% Tax Efficient	
Equity Income	3.8700%	Assume 15% Qualified Tax Rate	
Corporate Income	1.7680%	Fully Taxable	5.01/years
High-Yield Income	6.8030%	Fully Taxable	8.00/years