



# Weekly Interest Rate & Economic Update

May 29, 2013

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## Rate Update

May 29, 2013

### *Safe Sector Income:*

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.365%
CA Municipal	2.00 years	0.435%
CA Municipal	3.00 years	0.792%
CA Municipal	5.00 years	0.852%
CA Municipal	7.00 years	1.394%
CA Municipal	10.00 years	1.936%
National Municipal	2.00 years	0.801%
National Municipal	5.00 years	1.082%
National Municipal	10.00 years	2.104%

### *Corporate Bond Income:*

Corporate Income	5.00 years	1.568%
High-Yield Income	3.50 years	4.777%
High-Yield Income	8.00 years	6.591%

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Equity Income:		3.580%
MLP Income:		5.780%

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### US Treasury Rates (05/29/13):

3 Month Treasury Bill:	0.05%	3 Year Treasury Note:	0.51%
6 Month Treasury Bill:	0.08%	5 Year Treasury Note:	1.02%
12 Month Treasury Note:	0.13%	7 Year Treasury Note:	1.39%
2 Year Treasury Note:	0.31%	10 Year Treasury Bond:	2.15%

# Weekly Economic Update

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## News

- President Obama is expected to nominate Jason Furman to replace Alan Krueger as the head of the Council of Economic Advisors. Furman supported the “cash for clunkers” program and is a proponent of additional public sector fiscal stimulus.
- California is on pace to regain the top position as the biggest issuer of municipal bonds in the United States. Issuance in 2013 is expected to exceed \$5.6 billion. New York led all states in debt issued in 2011 and 2012.
- Israel’s central bank, The Bank of Israel, lowered interest rates for the second time this month. The latest reduction of 25 bps to 1.25%, marks the lowest rate for the Israeli benchmark in more than three years.
- Moody’s Investors Services warned Jamaica, Antigua & Barbuda and Grenada to reduce their outstanding debt and to aggressively reorganize their respective fiscal and economic policies. The Moody’s report warned of a very real chance of default by each of the three nations over the next 10 years if drastic changes don’t occur.
- Mayor Stubbs of Talkeetna, Alaska is a cat. He was first elected to the office by the town of 900 shortly after his birth 15 years ago. He was a ‘write in’ candidate the first time elected.

## STATISTICS

National Unemployment Rate	7.5%	April 2013	
California Unemployment Rate	9.4%	March 2013	
Consumer Price Index (CPI)	1.1%	April 2013	Seasonally Unadjusted
Producer Price Index (PPI)	0.6%	April 2013	Seasonally Unadjusted
Gross Domestic Product (GDP)	2.5%	1st Quarter 2013	Annually Adjusted
Prime Rate	3.25%	05/29/13	
Gold (Spot)	\$1,392.13	05/29/13	
Silver (Spot)	\$22.45	05/29/13	
Crude Oil (NYMEX Crude Futures)	\$93.46	05/29/13	

	10/27/10	01/03/11	05/31/11	01/03/12	05/29/12	01/02/13	04/08/13	04/15/13	05/29/13
<b>MUNICIPAL BONDS</b>									
CA - 1 Year	0.509%	1.079%	0.502%	0.556%	0.487%	0.440%	0.395%	0.388%	0.365%
CA - 2 Years	0.947%	1.550%	0.824%	0.810%	0.545%	0.598%	0.501%	0.500%	0.435%
CA - 3 Years	1.317%	2.053%	1.304%	1.164%	0.762%	0.964%	0.965%	0.962%	0.792%
CA - 5 Years	1.889%	2.436%	1.805%	1.501%	1.089%	1.150%	1.170%	1.190%	0.852%
CA - 7 Years	2.465%	2.998%	3.030%	1.671%	1.328%	1.477%	1.399%	1.422%	1.394%
CA - 10 Years		3.842%	3.509%	2.396%	1.700%	1.901%	1.968%	2.110%	1.936%
NAT - 2 Years	1.102%	2.340%	1.081%	0.588%	0.759%	0.911%	0.900%	0.976%	0.801%
NAT - 5 Years		3.009%	1.494%	1.305%	1.022%	1.312%	1.214%	1.244%	1.082%
NAT - 10 years		3.783%	2.862%	2.315%	1.849%	2.185%	2.173%	2.199%	2.104%
<b>CORP. BONDS</b>									
INV. GRADE - 5 Years	1.459%	2.693%	2.158%	1.599%	1.368%	1.534%	1.766%	1.833%	1.568%
HI-YIELD - 3.5 YEARS		5.220%	4.167%	5.199%	4.622%	4.799%	4.910%	4.980%	4.777%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.031%	6.275%	6.001%	6.532%	6.597%	6.685%	6.591%
<b>EQUITY INCOME MODEL</b>									
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,084,463.46	\$ 1,132,073.80	\$ 1,131,193.67	\$ 1,161,516.36	\$ 1,280,460.84	\$ 1,311,700.16	\$ 1,299,039.32
<b>MLP INCOME MODEL</b>									
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,042,249.26	\$ 1,170,773.07	\$ 1,118,057.24	\$ 1,193,866.24	\$ 1,365,024.43	\$ 1,359,286.44	\$ 1,391,865.96
<b>US TREASURY</b>									
3 - MONTH	0.120%	0.120%	0.050%	0.010%	0.080%	0.060%	0.060%	0.060%	0.050%
6 - MONTH	0.160%	0.180%	0.110%	0.060%	0.130%	0.120%	0.100%	0.090%	0.080%
12 - MONTH	0.210%	0.270%	0.160%	0.110%	0.180%	0.170%	0.130%	0.120%	0.130%
2 - YEAR	0.380%	0.600%	0.480%	0.250%	0.290%	0.270%	0.230%	0.230%	0.310%
3 - YEAR	0.570%	1.010%	0.790%	0.380%	0.400%	0.370%	0.290%	0.290%	0.510%
5 - YEAR	1.230%	2.020%	1.700%	0.880%	0.740%	0.780%	0.690%	0.680%	1.020%
7 - YEAR	1.930%	2.740%	2.350%	1.410%	1.140%	1.130%	1.000%	0.990%	1.390%
10 - YEAR	2.620%	3.340%	3.060%	1.950%	1.710%	1.830%	1.710%	1.700%	2.150%
<b>BLENDED MODELS (45% Tax Bracket)</b>									
ULTRA INCOME STRATEGY	1.880%	3.220%	1.940%	1.790%	1.240%	1.340%	1.220%	1.220%	0.980%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.080%	2.870%	2.430%	2.520%	2.350%	2.360%	2.110%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.210%	3.970%	3.640%	3.780%	3.550%	3.550%	3.320%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.800%	5.660%	5.450%	5.630%	5.260%	5.250%	5.070%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.440%	6.390%	6.280%	6.490%	6.090%	6.090%	5.980%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 3,262.50	\$ 5,019.23	\$ 5,931.82
Municipal Income - Mid-Term	25%	\$ 2,130.00	\$ 3,276.92	\$ 3,872.73
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 5,392.50	\$ 8,296.15	\$ 9,804.55
		<b>0.54%</b>	<b>0.83%</b>	<b>0.98%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 2,175.00	\$ 3,346.15	\$ 3,954.55
Municipal Income - Mid-Term	25%	\$ 2,130.00	\$ 3,276.92	\$ 3,872.73
MLP Income	10%	\$ 5,780.00	\$ 7,558.46	\$ 8,932.73
Equity Income	5%	\$ 1,790.00	\$ 2,340.77	\$ 2,766.36
Corporate Income	10%	\$ 1,568.00	\$ 1,568.00	\$ 1,568.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 13,443.00	\$ 18,090.31	\$ 21,094.36
		<b>1.34%</b>	<b>1.81%</b>	<b>2.11%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,087.50	\$ 1,673.08	\$ 1,977.27
Municipal Income - Mid-Term	25%	\$ 2,130.00	\$ 3,276.92	\$ 3,872.73
MLP Income	15%	\$ 8,670.00	\$ 11,337.69	\$ 13,399.09
Equity Income	15%	\$ 5,370.00	\$ 7,022.31	\$ 8,299.09
Corporate Income	15%	\$ 2,352.00	\$ 2,352.00	\$ 2,352.00
High-Yield Income	5%	\$ 3,295.50	\$ 3,295.50	\$ 3,295.50
	100%	\$ 22,905.00	\$ 28,957.50	\$ 33,195.68
		<b>2.29%</b>	<b>2.90%</b>	<b>3.32%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 435.00	\$ 669.23	\$ 790.91
Municipal Income - Mid-Term	20%	\$ 1,704.00	\$ 2,621.54	\$ 3,098.18
MLP Income	25%	\$ 14,450.00	\$ 18,896.15	\$ 22,331.82
Equity Income	25%	\$ 8,950.00	\$ 11,703.85	\$ 13,831.82
Corporate Income	5%	\$ 784.00	\$ 784.00	\$ 784.00
High-Yield Income	15%	\$ 9,886.50	\$ 9,886.50	\$ 9,886.50
	100%	\$ 36,209.50	\$ 44,561.27	\$ 50,723.23
		<b>3.62%</b>	<b>4.46%</b>	<b>5.07%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 217.50	\$ 334.62	\$ 395.45
Municipal Income - Mid-Term	5%	\$ 426.00	\$ 655.38	\$ 774.55
MLP Income	30%	\$ 17,340.00	\$ 22,675.38	\$ 26,798.18
Equity Income	25%	\$ 8,950.00	\$ 11,703.85	\$ 13,831.82
Corporate Income	10%	\$ 1,568.00	\$ 1,568.00	\$ 1,568.00
High-Yield Income	25%	\$ 16,477.50	\$ 16,477.50	\$ 16,477.50
	100%	\$ 44,979.00	\$ 53,414.73	\$ 59,845.50
		<b>4.50%</b>	<b>5.34%</b>	<b>5.98%</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	0.4350%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	0.8520%	Tax Free (California Residents)	5.00/years
MLP Income	5.7800%	85% Tax Efficient	
Equity Income	3.5800%	Assume 15% Qualified Tax Rate	
Corporate Income	1.5680%	Fully Taxable	5.00/years
High-Yield Income	6.5910%	Fully Taxable	8.00/years