



Weekly Interest Rate & Economic Update

August 19, 2013

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Rate Update

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Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.577%
CA Municipal	2.00 years	0.752%
CA Municipal	3.00 years	1.010%
CA Municipal	5.00 years	1.344%
CA Municipal	7.00 years	1.963%
CA Municipal	10.00 years	3.146%
National Municipal	2.00 years	1.202%
National Municipal	5.00 years	1.689%
National Municipal	10.00 years	2.983%

Corporate Bond Income:

Corporate Income	5.00 years	1.999%
High-Yield Income	3.50 years	5.198%
High-Yield Income	8.00 years	7.088%

Equity Income:		3.590%
MLP Income:		6.110%

US Treasury Rates (08/19/13):

3 Month Treasury Bill:	0.05%	3 Year Treasury Note:	0.75%
6 Month Treasury Bill:	0.07%	5 Year Treasury Note:	1.60%
12 Month Treasury Note:	0.12%	7 Year Treasury Note:	2.11%
2 Year Treasury Note:	0.36%	10 Year Treasury Bond:	2.87%

Weekly Economic Update

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News

- The U.S. Treasury 10 - year Note rose to the highest level since 2011. Treasury prices have been steadily declining ahead of likely tapering of the Federal Reserve's bond buying program next month. The minutes of the July 30 – 31 Fed meeting will be published this Wednesday.
- The Department of Labor released conflicting economic data this morning. Payrolls increased in 32 states and the unemployment rate rose in 28 states. California's rate rose to 8.7% in July from the previous month level of 8.5%. Nevada remained the state with the highest level of unemployment at 9.5%, followed by Illinois at 9.2%. North Dakota had the lowest at 3%.
- The U.S. Food and Drug Administration will begin regulating e-cigarettes this fall. After a federal judge ruled the FDA couldn't classify the e-cigs as medical devices (because they deliver a drug, nicotine), they will be regulated as a tobacco product. U.S. consumers will spend an estimated \$ 1 billion on battery powered smokes this year. The act of "smoking" the e-cigs is referred to as "vaping" because of the water vapor emitted after inhaling the liquid nicotine.
- BMW's rechargeable hybrid i8 will be available in the U.S. in early 2014. The carbon fiber and aluminum vehicle uses electric power for the front wheels and a three cylinder gasoline engine for the rear wheels. The system delivers a combined 362 horsepower. The car will go from 0 to 62 mph in 4.5 seconds, while averaging 94 miles per gallon. The price is expected to be less than \$150,000.

STATISTICS

National Unemployment Rate	7.4%	July 2013	
California Unemployment Rate	8.7%	July 2013	
Consumer Price Index (CPI)	1.8%	June 2013	Seasonally Unadjusted
Producer Price Index (PPI)	2.5%	June 2013	Seasonally Unadjusted
Gross Domestic Product (GDP)	1.7%	2nd Quarter 2013	Annually Adjusted
Prime Rate	3.25%	08/19/13	
Gold (Spot)	\$1,366.55	08/19/13	
Silver (Spot)	\$23.11	08/19/13	
Crude Oil (NYMEX Crude Futures)	\$107.63	08/19/13	

	10/27/10	01/03/11	08/31/11	01/03/12	08/20/12	01/02/13	07/30/13	08/05/13	08/19/13
MUNICIPAL BONDS									
CA - 1 Year	0.509%	1.079%	0.410%	0.556%	0.481%	0.440%	0.532%	0.565%	0.577%
CA - 2 Years	0.947%	1.550%	0.612%	0.810%	0.522%	0.598%	0.724%	0.741%	0.752%
CA - 3 Years	1.317%	2.053%	0.782%	1.164%	0.809%	0.964%	0.910%	0.980%	1.010%
CA - 5 Years	1.889%	2.436%	1.377%	1.501%	1.105%	1.150%	1.240%	1.283%	1.344%
CA - 7 Years	2.465%	2.998%	2.223%	1.671%	1.414%	1.477%	1.726%	1.788%	1.963%
CA - 10 Years		3.842%	2.749%	2.396%	1.727%	1.901%	2.800%	2.950%	3.146%
NAT - 2 Years	1.102%	2.340%	0.529%	0.588%	0.674%	0.911%	1.090%	1.154%	1.202%
NAT - 5 Years		3.009%	1.291%	1.305%	1.199%	1.312%	1.400%	1.499%	1.689%
NAT - 10 years		3.783%	2.581%	2.315%	2.046%	2.185%	2.627%	2.700%	2.983%
CORP. BONDS									
INV. GRADE - 5 Years	1.459%	2.693%	1.489%	1.599%	1.487%	1.534%	1.833%	1.899%	1.999%
HI-YIELD - 3.5 YEARS		5.220%	5.308%	5.199%	4.921%	4.799%	5.199%	5.152%	5.198%
HI-YIELD - 8 YEARS	7.503%	6.735%	5.815%	6.275%	6.445%	6.532%	6.865%	6.902%	7.088%
EQUITY INCOME MODEL									
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,041,991.91	\$ 1,132,073.80	\$ 1,169,175.40	\$ 1,161,516.36	\$ 1,339,777.75	\$ 1,338,043.87	\$ 1,279,184.66
MLP INCOME MODEL									
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 970,205.61	\$ 1,170,773.07	\$ 1,181,518.76	\$ 1,193,866.24	\$ 1,398,420.00	\$ 1,384,743.31	\$ 1,357,307.58
US TREASURY									
3 - MONTH	0.120%	0.120%	0.010%	0.010%	0.090%	0.060%	0.030%	0.040%	0.050%
6 - MONTH	0.160%	0.180%	0.050%	0.060%	0.140%	0.120%	0.070%	0.070%	0.070%
12 - MONTH	0.210%	0.270%	0.090%	0.110%	0.180%	0.170%	0.090%	0.100%	0.120%
2 - YEAR	0.380%	0.600%	0.190%	0.250%	0.280%	0.270%	0.290%	0.310%	0.360%
3 - YEAR	0.570%	1.010%	0.310%	0.380%	0.410%	0.370%	0.720%	0.750%	0.750%
5 - YEAR	1.230%	2.020%	0.930%	0.880%	0.790%	0.780%	1.300%	1.390%	1.600%
7 - YEAR	1.930%	2.740%	1.510%	1.410%	1.240%	1.130%	1.770%	1.800%	2.110%
10 - YEAR	2.620%	3.340%	2.170%	1.950%	1.800%	1.830%	2.470%	2.650%	2.870%
BLENDED MODELS (45% Tax Bracket)									
ULTRA INCOME STRATEGY	1.880%	3.220%	1.460%	1.790%	1.210%	1.340%	1.550%	1.590%	1.640%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.750%	2.870%	2.370%	2.520%	2.570%	2.630%	2.720%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.020%	3.970%	3.580%	3.780%	3.650%	3.720%	3.860%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.890%	5.660%	5.360%	5.630%	5.270%	5.340%	5.540%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.670%	6.390%	6.210%	6.490%	6.090%	6.160%	6.380%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 5,640.00	\$ 8,676.92	\$ 10,254.55
Municipal Income - Mid-Term	25%	\$ 3,360.00	\$ 5,169.23	\$ 6,109.09
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 9,000.00	\$ 13,846.15	\$ 16,363.64
		0.90%	1.38%	1.64%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 3,760.00	\$ 5,784.62	\$ 6,836.36
Municipal Income - Mid-Term	25%	\$ 3,360.00	\$ 5,169.23	\$ 6,109.09
MLP Income	10%	\$ 6,110.00	\$ 7,990.00	\$ 9,442.73
Equity Income	5%	\$ 1,795.00	\$ 2,347.31	\$ 2,774.09
Corporate Income	10%	\$ 1,999.00	\$ 1,999.00	\$ 1,999.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 17,024.00	\$ 23,290.15	\$ 27,161.27
		1.70%	2.33%	2.72%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,880.00	\$ 2,892.31	\$ 3,418.18
Municipal Income - Mid-Term	25%	\$ 3,360.00	\$ 5,169.23	\$ 6,109.09
MLP Income	15%	\$ 9,165.00	\$ 11,985.00	\$ 14,164.09
Equity Income	15%	\$ 5,385.00	\$ 7,041.92	\$ 8,322.27
Corporate Income	15%	\$ 2,998.50	\$ 2,998.50	\$ 2,998.50
High-Yield Income	5%	\$ 3,544.00	\$ 3,544.00	\$ 3,544.00
	100%	\$ 26,332.50	\$ 33,630.96	\$ 38,556.14
		2.63%	3.36%	3.86%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 752.00	\$ 1,156.92	\$ 1,367.27
Municipal Income - Mid-Term	20%	\$ 2,688.00	\$ 4,135.38	\$ 4,887.27
MLP Income	25%	\$ 15,275.00	\$ 19,975.00	\$ 23,606.82
Equity Income	25%	\$ 8,975.00	\$ 11,736.54	\$ 13,870.45
Corporate Income	5%	\$ 999.50	\$ 999.50	\$ 999.50
High-Yield Income	15%	\$ 10,632.00	\$ 10,632.00	\$ 10,632.00
	100%	\$ 39,321.50	\$ 48,635.35	\$ 55,363.32
		3.93%	4.86%	5.54%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 376.00	\$ 578.46	\$ 683.64
Municipal Income - Mid-Term	5%	\$ 672.00	\$ 1,033.85	\$ 1,221.82
MLP Income	30%	\$ 18,330.00	\$ 23,970.00	\$ 28,328.18
Equity Income	25%	\$ 8,975.00	\$ 11,736.54	\$ 13,870.45
Corporate Income	10%	\$ 1,999.00	\$ 1,999.00	\$ 1,999.00
High-Yield Income	25%	\$ 17,720.00	\$ 17,720.00	\$ 17,720.00
	100%	\$ 48,072.00	\$ 57,037.85	\$ 63,823.09
		4.81%	5.70%	6.38%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.7520%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.3440%	Tax Free (California Residents)	5.00/years
MLP Income	6.1100%	85% Tax Efficient	
Equity Income	3.5900%	Assume 15% Qualified Tax Rate	
Corporate Income	1.9990%	Fully Taxable	5.00/years
High-Yield Income	7.0880%	Fully Taxable	8.00/years