



# Weekly Interest Rate & Economic Update

August 26, 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**

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## Rate Update

August 26, 2013

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

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.598%
CA Municipal	2.00 years	0.743%
CA Municipal	3.00 years	1.032%
CA Municipal	5.00 years	1.314%
CA Municipal	7.00 years	1.879%
CA Municipal	10.00 years	3.122%
National Municipal	2.00 years	1.199%
National Municipal	5.00 years	1.589%
National Municipal	10.00 years	2.900%

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

Corporate Income	5.00 years	1.911%
High-Yield Income	3.50 years	5.099%
High-Yield Income	8.00 years	7.025%

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Equity Income:		3.580%
MLP Income:		6.000%

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### US Treasury Rates (08/26/13):

3 Month Treasury Bill:	0.05%	3 Year Treasury Note:	0.74%
6 Month Treasury Bill:	0.06%	5 Year Treasury Note:	1.59%
12 Month Treasury Note:	0.11%	7 Year Treasury Note:	2.10%
2 Year Treasury Note:	0.37%	10 Year Treasury Bond:	2.80%

## Weekly Economic Update

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### News

- The U.S. Commerce Department reported orders for U.S. durable goods fell more than forecasted in July after three consecutive months of increases. Bookings (for goods meant to last at least three years) decreased by 7.3%, the largest drop in thirteen months. Orders had increased 3.9% in June.
- California Governor Jerry Brown is forecasting an \$817 million surplus this coming year for the state. Standard & Poors and Fitch Ratings have each raised the state's credit rating to "A" this year. This is the first time California has received an increased credit rating since 2006.
- The New York State Attorney General's office filed a lawsuit accusing Donald Trump and The Trump Organization of engaging in "an elaborate bait-and-switch" and "engaging in illegal business practices" as related to enticing people to enroll in Trump University. The lawsuit claims Mr. Trump and his organization offered free seminars on real estate investing which were actually sales pitches for seminars costing between \$1,495.00 and \$35,000.00. New York state is seeking more than \$40 million in restitution.
- Contrary to popular wisdom, cows do not sleep standing up. They actually spend 12 – 14 hours a day lying down, even though their shape makes that position uncomfortable. A Wisconsin company, Advanced Comfort Technology, markets a \$200 cow waterbed designed to make it easier for cows to lower themselves and to rest comfortably.

### 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%	08/26/13	
Gold (Spot)	\$1,396.09	08/26/13	
Silver (Spot)	\$24.23	08/26/13	
Crude Oil (NYMEX Crude Futures)	\$106.20	08/26/13	

	10/27/10	01/03/11	08/31/11	01/03/12	08/20/12	01/02/13	08/05/13	08/19/13	08/26/13
<b>MUNICIPAL BONDS</b>									
CA - 1 Year	0.509%	1.079%	0.410%	0.556%	0.481%	0.440%	0.565%	0.577%	0.598%
CA - 2 Years	0.947%	1.550%	0.612%	0.810%	0.522%	0.598%	0.741%	0.752%	0.743%
CA - 3 Years	1.317%	2.053%	0.782%	1.164%	0.809%	0.964%	0.980%	1.010%	1.032%
CA - 5 Years	1.889%	2.436%	1.377%	1.501%	1.105%	1.150%	1.283%	1.344%	1.314%
CA - 7 Years	2.465%	2.998%	2.223%	1.671%	1.414%	1.477%	1.788%	1.963%	1.879%
CA - 10 Years		3.842%	2.749%	2.396%	1.727%	1.901%	2.950%	3.146%	3.122%
NAT - 2 Years	1.102%	2.340%	0.529%	0.588%	0.674%	0.911%	1.154%	1.202%	1.199%
NAT - 5 Years		3.009%	1.291%	1.305%	1.199%	1.312%	1.499%	1.689%	1.589%
NAT - 10 years		3.783%	2.581%	2.315%	2.046%	2.185%	2.700%	2.983%	2.900%
<b>CORP. BONDS</b>									
INV. GRADE - 5 Years	1.459%	2.693%	1.489%	1.599%	1.487%	1.534%	1.899%	1.999%	1.911%
HI-YIELD - 3.5 YEARS		5.220%	5.308%	5.199%	4.921%	4.799%	5.152%	5.198%	5.099%
HI-YIELD - 8 YEARS	7.503%	6.735%	5.815%	6.275%	6.445%	6.532%	6.902%	7.088%	7.025%
<b>EQUITY INCOME MODEL</b>									
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	\$ 1,338,043.87	\$ 1,279,184.66	\$ 1,279,968.27
<b>MLP INCOME MODEL</b>									
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	\$ 1,384,743.31	\$ 1,357,307.58	\$ 1,382,610.29
<b>US TREASURY</b>									
3 - MONTH	0.120%	0.120%	0.010%	0.010%	0.090%	0.060%	0.040%	0.050%	0.050%
6 - MONTH	0.160%	0.180%	0.050%	0.060%	0.140%	0.120%	0.070%	0.070%	0.060%
12 - MONTH	0.210%	0.270%	0.090%	0.110%	0.180%	0.170%	0.100%	0.120%	0.110%
2 - YEAR	0.380%	0.600%	0.190%	0.250%	0.280%	0.270%	0.310%	0.360%	0.370%
3 - YEAR	0.570%	1.010%	0.310%	0.380%	0.410%	0.370%	0.750%	0.750%	0.740%
5 - YEAR	1.230%	2.020%	0.930%	0.880%	0.790%	0.780%	1.390%	1.600%	1.590%
7 - YEAR	1.930%	2.740%	1.510%	1.410%	1.240%	1.130%	1.800%	2.110%	2.100%
10 - YEAR	2.620%	3.340%	2.170%	1.950%	1.800%	1.830%	2.650%	2.870%	2.800%
<b>BLENDED MODELS (45% Tax Bracket)</b>									
ULTRA INCOME STRATEGY	1.880%	3.220%	1.460%	1.790%	1.210%	1.340%	1.590%	1.640%	1.610%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.750%	2.870%	2.370%	2.520%	2.630%	2.720%	2.670%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.020%	3.970%	3.580%	3.780%	3.720%	3.860%	3.790%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.890%	5.660%	5.360%	5.630%	5.340%	5.540%	5.460%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.670%	6.390%	6.210%	6.490%	6.160%	6.380%	6.300%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 5,572.50	\$ 8,573.08	\$ 10,131.82
Municipal Income - Mid-Term	25%	\$ 3,285.00	\$ 5,053.85	\$ 5,972.73
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 8,857.50	\$ 13,626.92	\$ 16,104.55
		<b>0.89%</b>	<b>1.36%</b>	<b>1.61%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 3,715.00	\$ 5,715.38	\$ 6,754.55
Municipal Income - Mid-Term	25%	\$ 3,285.00	\$ 5,053.85	\$ 5,972.73
MLP Income	10%	\$ 6,000.00	\$ 7,846.15	\$ 9,272.73
Equity Income	5%	\$ 1,790.00	\$ 2,340.77	\$ 2,766.36
Corporate Income	10%	\$ 1,911.00	\$ 1,911.00	\$ 1,911.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 16,701.00	\$ 22,867.15	\$ 26,677.36
		<b>1.67%</b>	<b>2.29%</b>	<b>2.67%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,857.50	\$ 2,857.69	\$ 3,377.27
Municipal Income - Mid-Term	25%	\$ 3,285.00	\$ 5,053.85	\$ 5,972.73
MLP Income	15%	\$ 9,000.00	\$ 11,769.23	\$ 13,909.09
Equity Income	15%	\$ 5,370.00	\$ 7,022.31	\$ 8,299.09
Corporate Income	15%	\$ 2,866.50	\$ 2,866.50	\$ 2,866.50
High-Yield Income	5%	\$ 3,512.50	\$ 3,512.50	\$ 3,512.50
	100%	\$ 25,891.50	\$ 33,082.08	\$ 37,937.18
		<b>2.59%</b>	<b>3.31%</b>	<b>3.79%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 743.00	\$ 1,143.08	\$ 1,350.91
Municipal Income - Mid-Term	20%	\$ 2,628.00	\$ 4,043.08	\$ 4,778.18
MLP Income	25%	\$ 15,000.00	\$ 19,615.38	\$ 23,181.82
Equity Income	25%	\$ 8,950.00	\$ 11,703.85	\$ 13,831.82
Corporate Income	5%	\$ 955.50	\$ 955.50	\$ 955.50
High-Yield Income	15%	\$ 10,537.50	\$ 10,537.50	\$ 10,537.50
	100%	\$ 38,814.00	\$ 47,998.38	\$ 54,635.73
		<b>3.88%</b>	<b>4.80%</b>	<b>5.46%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 371.50	\$ 571.54	\$ 675.45
Municipal Income - Mid-Term	5%	\$ 657.00	\$ 1,010.77	\$ 1,194.55
MLP Income	30%	\$ 18,000.00	\$ 23,538.46	\$ 27,818.18
Equity Income	25%	\$ 8,950.00	\$ 11,703.85	\$ 13,831.82
Corporate Income	10%	\$ 1,911.00	\$ 1,911.00	\$ 1,911.00
High-Yield Income	25%	\$ 17,562.50	\$ 17,562.50	\$ 17,562.50
	100%	\$ 47,452.00	\$ 56,298.12	\$ 62,993.50
		<b>4.75%</b>	<b>5.63%</b>	<b>6.30%</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	0.7430%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.3140%	Tax Free (California Residents)	5.00/years
MLP Income	6.0000%	85% Tax Efficient	
Equity Income	3.5800%	Assume 15% Qualified Tax Rate	
Corporate Income	1.9110%	Fully Taxable	5.00/years
High-Yield Income	7.0250%	Fully Taxable	8.00/years