



# Weekly Interest Rate & Economic Update

June 12, 2013

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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

June 12, 2013

### *Safe Sector Income:*

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.510%
CA Municipal	2.00 years	0.640%
CA Municipal	3.00 years	0.910%
CA Municipal	5.00 years	1.040%
CA Municipal	7.00 years	1.522%
CA Municipal	10.00 years	2.110%
National Municipal	2.00 years	0.960%
National Municipal	5.00 years	1.200%
National Municipal	10.00 years	2.240%

### *Corporate Bond Income:*

Corporate Income	5.00 years	1.610%
High-Yield Income	3.50 years	4.820%
High-Yield Income	8.00 years	6.699%

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Equity Income:		3.560%
MLP Income:		5.910%

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### US Treasury Rates (06/12/13):

3 Month Treasury Bill:	0.05%	3 Year Treasury Note:	0.59%
6 Month Treasury Bill:	0.08%	5 Year Treasury Note:	1.10%
12 Month Treasury Note:	0.15%	7 Year Treasury Note:	1.60%
2 Year Treasury Note:	0.32%	10 Year Treasury Bond:	2.18%

# Weekly Economic Update

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## News

- PIMCO Investment Management Company, the world's largest bond manager, predicted a more than 60% chance of a global recession in the next three to five years. The report warned investors not to add risk in the search for yield. Bill Gross, PIMCO's co-founder and co-chief investment officer, said in a Bloomberg Television interview last week he's sticking with high quality bonds as market risks are rising and stocks, high-yield debt, currency and emerging market bonds are all in disarray.
- Robert Fogel, the University of Chicago professor awarded the Nobel Prize for Economics in 1993 died at the age of 86. Professor Fogel was considered a pioneer in applying modern mathematics to the study of history and specifically how the railways and slavery influenced the U.S. economy in the 19<sup>th</sup> century.
- ANA Holdings Inc, operator of the world's biggest fleet of Boeing 787's, cancelled flights of the Dreamliner today after one of the engines failed to start. This is the third cancellation in the past 12 days of a Dreamliner flight by ANA. The company said the engine failure was separate from the battery issues that caused cancellations over the past several months.
- The "T-Rex Burger". A nine burger patty was introduced at the Brandon, Manitoba, Canada Wendy's Hamburger restaurant last week. The sandwich will set you back \$21.99 (Canadian) and \$24.99 (Canadian) for a combo, but you do get fries and a drink. Such a deal.

## STATISTICS

National Unemployment Rate	7.6%	May 2013	
California Unemployment Rate	9.0%	April 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)	2.4%	1st Quarter 2013	Annually Adjusted
Prime Rate	3.25%	06/12/13	
Gold (Spot)	\$1,376.70	06/12/13	
Silver (Spot)	\$21.71	06/12/13	
Crude Oil (NYMEX Crude Futures)	\$95.26	06/12/13	

	10/27/10	01/03/11	06/13/11	01/03/12	06/11/12	01/02/13	05/29/13	06/03/13	06/12/13
<b>MUNICIPAL BONDS</b>									
CA - 1 Year	0.509%	1.079%	0.377%	0.556%	0.292%	0.440%	0.365%	0.355%	0.510%
CA - 2 Years	0.947%	1.550%	0.762%	0.810%	0.421%	0.598%	0.435%	0.430%	0.640%
CA - 3 Years	1.317%	2.053%	1.245%	1.164%	0.724%	0.964%	0.792%	0.781%	0.910%
CA - 5 Years	1.889%	2.436%	1.855%	1.501%	1.187%	1.150%	0.852%	0.866%	1.040%
CA - 7 Years	2.465%	2.998%	2.135%	1.671%	1.549%	1.477%	1.394%	1.385%	1.520%
CA - 10 Years		3.842%	3.001%	2.396%	2.041%	1.901%	1.936%	1.922%	2.110%
NAT - 2 Years	1.102%	2.340%	0.579%	0.588%	0.748%	0.911%	0.801%	0.815%	0.960%
NAT - 5 Years		3.009%	1.339%	1.305%	0.998%	1.312%	1.082%	1.055%	1.200%
NAT - 10 years		3.783%	2.746%	2.315%	1.901%	2.185%	2.104%	2.088%	2.240%
<b>CORP. BONDS</b>									
INV. GRADE - 5 Years	1.459%	2.693%	2.002%	1.599%	1.396%	1.534%	1.568%	1.544%	1.610%
HI-YIELD - 3.5 YEARS		5.220%	4.001%	5.199%	4.665%	4.799%	4.777%	4.701%	4.820%
HI-YIELD - 8 YEARS	7.503%	6.735%	5.901%	6.275%	6.297%	6.532%	6.591%	6.573%	6.690%
<b>EQUITY INCOME MODEL</b>									
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,043,491.04	\$ 1,132,073.80	\$ 1,149,273.24	\$ 1,161,516.36	\$ 1,299,039.32	\$ 1,292,883.88	\$ 1,307,212.42
<b>MLP INCOME MODEL</b>									
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,022,028.03	\$ 1,170,773.07	\$ 1,083,130.69	\$ 1,193,866.24	\$ 1,391,865.96	\$ 1,358,531.08	\$ 1,370,683.03
<b>US TREASURY</b>									
3 - MONTH	0.120%	0.120%	0.040%	0.010%	0.080%	0.060%	0.050%	0.040%	0.050%
6 - MONTH	0.160%	0.180%	0.090%	0.060%	0.140%	0.120%	0.080%	0.070%	0.080%
12 - MONTH	0.210%	0.270%	0.170%	0.110%	0.170%	0.170%	0.130%	0.120%	0.150%
2 - YEAR	0.380%	0.600%	0.410%	0.250%	0.270%	0.270%	0.310%	0.300%	0.320%
3 - YEAR	0.570%	1.010%	0.730%	0.380%	0.370%	0.370%	0.510%	0.500%	0.590%
5 - YEAR	1.230%	2.020%	1.590%	0.880%	0.710%	0.780%	1.020%	0.990%	1.100%
7 - YEAR	1.930%	2.740%	2.290%	1.410%	1.080%	1.130%	1.390%	1.370%	1.600%
10 - YEAR	2.620%	3.340%	2.990%	1.950%	1.620%	1.830%	2.150%	2.070%	2.180%
<b>BLENDED MODELS (45% Tax Bracket)</b>									
ULTRA INCOME STRATEGY	1.880%	3.220%	1.880%	1.790%	1.110%	1.340%	0.980%	0.980%	1.350%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.070%	2.870%	2.380%	2.520%	2.110%	2.130%	2.400%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.240%	3.970%	3.680%	3.780%	3.320%	3.360%	3.530%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.900%	5.660%	5.560%	5.630%	5.070%	5.130%	5.240%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.520%	6.390%	6.420%	6.490%	5.980%	6.050%	6.100%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 4,800.00	\$ 7,384.62	\$ 8,727.27
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 7,400.00	\$ 11,384.62	\$ 13,454.55
		<b>0.74%</b>	<b>1.14%</b>	<b>1.35%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 3,200.00	\$ 4,923.08	\$ 5,818.18
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	10%	\$ 5,910.00	\$ 7,728.46	\$ 9,133.64
Equity Income	5%	\$ 1,780.00	\$ 2,327.69	\$ 2,750.91
Corporate Income	10%	\$ 1,610.00	\$ 1,610.00	\$ 1,610.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 15,100.00	\$ 20,589.23	\$ 24,040.00
		<b>1.51%</b>	<b>2.06%</b>	<b>2.40%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,600.00	\$ 2,461.54	\$ 2,909.09
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	15%	\$ 8,865.00	\$ 11,592.69	\$ 13,700.45
Equity Income	15%	\$ 5,340.00	\$ 6,983.08	\$ 8,252.73
Corporate Income	15%	\$ 2,415.00	\$ 2,415.00	\$ 2,415.00
High-Yield Income	5%	\$ 3,345.00	\$ 3,345.00	\$ 3,345.00
	100%	\$ 24,165.00	\$ 30,797.31	\$ 35,349.55
		<b>2.42%</b>	<b>3.08%</b>	<b>3.53%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 640.00	\$ 984.62	\$ 1,163.64
Municipal Income - Mid-Term	20%	\$ 2,080.00	\$ 3,200.00	\$ 3,781.82
MLP Income	25%	\$ 14,775.00	\$ 19,321.15	\$ 22,834.09
Equity Income	25%	\$ 8,900.00	\$ 11,638.46	\$ 13,754.55
Corporate Income	5%	\$ 805.00	\$ 805.00	\$ 805.00
High-Yield Income	15%	\$ 10,035.00	\$ 10,035.00	\$ 10,035.00
	100%	\$ 37,235.00	\$ 45,984.23	\$ 52,374.09
		<b>3.72%</b>	<b>4.60%</b>	<b>5.24%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 320.00	\$ 492.31	\$ 581.82
Municipal Income - Mid-Term	5%	\$ 520.00	\$ 800.00	\$ 945.45
MLP Income	30%	\$ 17,730.00	\$ 23,185.38	\$ 27,400.91
Equity Income	25%	\$ 8,900.00	\$ 11,638.46	\$ 13,754.55
Corporate Income	10%	\$ 1,610.00	\$ 1,610.00	\$ 1,610.00
High-Yield Income	25%	\$ 16,725.00	\$ 16,725.00	\$ 16,725.00
	100%	\$ 45,805.00	\$ 54,451.15	\$ 61,017.73
		<b>4.58%</b>	<b>5.45%</b>	<b>6.10%</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	0.6400%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.0400%	Tax Free (California Residents)	5.00/years
MLP Income	5.9100%	85% Tax Efficient	
Equity Income	3.5600%	Assume 15% Qualified Tax Rate	
Corporate Income	1.6100%	Fully Taxable	5.00/years
High-Yield Income	6.6900%	Fully Taxable	8.00/years