



Weekly Interest Rate & Economic Update

August 20, 2012

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Rate Update

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Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.03 years	0.481%
CA Municipal	2.00 years	0.522%
CA Municipal	3.01 years	0.809%
CA Municipal	5.00 years	1.105%
CA Municipal	7.04 years	1.414%
CA Municipal	10.01 years	1.727%
National Municipal	2.02 years	0.674%
National Municipal	5.00 years	1.199%
National Municipal	10.00 years	2.046%

Corporate Bond Income:

Corporate Income	5.02 years	1.487%
High-Yield Income	3.50 years	4.921%
High-Yield Income	8.03 years	6.445%

Equity Income:		3.730%
MLP Income:		6.170%

US Treasury Rates (08/20/12):

3 Month Treasury Bill:	0.09%	3 Year Treasury Note:	0.41%
6 Month Treasury Bill:	0.14%	5 Year Treasury Note:	0.79%
12 Month Treasury Note:	0.18%	7 Year Treasury Note:	1.24%
2 Year Treasury Note:	0.28%	10 Year Treasury Bond:	1.80%

Weekly Economic Update

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News

- The nation of Belize will miss a coupon payment of \$23 million on about \$544 million of sovereign bonds due today. Belize bonds were trading this morning at about 38 percent of par.
- The city of Fresno, California had its debt rating cut three levels by S & P over concerns the city will not be able to manage projected budget deficits. The city's underlying rating was cut from **A-** to **BBB-** and its issuer grade was dropped from **A** to **BBB**.
- Spanish government 10-year bonds traded up in price today, pushing yields to a seven week low. The rate on the 10-year bond fell 15 bps to 6.29%. Confidence in the European Central Bank (ECB) plan to limit the borrowing costs for indebted nations is credited for the price increase.
- The gap between U.S. bank deposits and loans grew at the fastest pace in two years for the two month period ending July 31, 2012. Deposits increased 3.3% to \$8.88 trillion and business loans rose 0.7% to \$7.11 trillion. This gap is more than 17x the \$100 billion average for the period of 1998 – 2008.
- Augusta National Golf Club, home of the Masters Tournament, announced the admission of its first two female members since its founding in 1933. Former U.S. Secretary of State Condoleezza Rice and financier Darla Moore have both reportedly accepted the invitations after completing a lengthy membership candidacy process.
- Ticketmaster announced a partnership with the NBA to create a website to buy and sell game tickets. The tickets will be available from primary sellers as well as season ticket holders.

STATISTICS

National Unemployment Rate	8.3%	July 2012	
California Unemployment Rate	10.7%	July 2012	
Consumer Price Index (CPI)	0.0%	July 2012	Seasonally Unadjusted
Producer Price Index (PPI)	0.3%	July 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	1.5%	2 nd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	08/20/12	
Gold (Spot)	\$1,621.25	08/20/12	
Silver (Spot)	\$28.61	08/20/12	
Crude Oil (NYMEX Crude Futures)	\$95.87	08/20/12	

	10/27/10	01/03/11	08/31/11	01/03/12	08/07/12	08/13/12	08/20/12
MUNICIPAL BONDS							
CA - 1 Year	0.509%	1.079%	0.410%	0.556%	0.488%	0.478%	0.481%
CA - 2 Years	0.947%	1.550%	0.612%	0.810%	0.519%	0.535%	0.522%
CA - 3 Years	1.317%	2.053%	0.782%	1.164%	0.820%	0.804%	0.809%
CA - 5 Years	1.889%	2.436%	1.377%	1.501%	1.020%	1.061%	1.105%
CA - 7 Years	2.465%	2.998%	2.223%	1.671%	1.321%	1.355%	1.414%
CA - 10 Years		3.842%	2.749%	2.396%	1.844%	1.877%	1.727%
NAT - 2 Years	1.102%	2.340%	0.529%	0.588%	0.699%	0.662%	0.674%
NAT - 5 Years		3.009%	1.291%	1.305%	1.111%	1.141%	1.199%
NAT - 10 years		3.783%	2.581%	2.315%	1.998%	1.974%	2.046%
CORP. BONDS							
INV. GRADE - 5 Years	1.459%	2.693%	1.489%	1.599%	1.432%	1.466%	1.487%
HI-YIELD - 3.5 YEARS		5.220%	5.308%	5.199%	4.902%	4.998%	4.921%
HI-YIELD - 8 YEARS	7.503%	6.735%	5.815%	6.275%	6.355%	6.374%	6.445%
EQUITY INCOME MODEL							
EQUITY INCOME MODEL VALUE	4.110%	4.070%	4.050%	3.740%	3.580%	3.710%	3.730%
	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,041,991.91	\$ 1,132,073.80	\$ 1,207,039.12	\$ 1,170,703.48	\$ 1,169,175.40
MLP INCOME MODEL							
MLP INCOME MODEL VALUE	6.220%	5.880%	7.160%	6.480%	6.270%	6.250%	6.170%
	\$ 1,000,000.00	\$ 1,066,140.90	\$ 970,205.61	\$ 1,170,773.07	\$ 1,158,637.27	\$ 1,163,460.58	\$ 1,181,518.76
US TREASURY							
3 - MONTH	0.120%	0.120%	0.010%	0.010%	0.100%	0.100%	0.090%
6 - MONTH	0.160%	0.180%	0.050%	0.060%	0.140%	0.140%	0.140%
12 - MONTH	0.210%	0.270%	0.090%	0.110%	0.170%	0.170%	0.180%
2 - YEAR	0.380%	0.600%	0.190%	0.250%	0.270%	0.260%	0.280%
3 - YEAR	0.570%	1.010%	0.310%	0.380%	0.380%	0.370%	0.410%
5 - YEAR	1.230%	2.020%	0.930%	0.880%	0.710%	0.700%	0.790%
7 - YEAR	1.930%	2.740%	1.510%	1.410%	1.130%	1.100%	1.240%
10 - YEAR	2.620%	3.340%	2.170%	1.950%	1.630%	1.640%	1.800%
BLENDED MODELS (45% Tax Bracket)							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.460%	1.790%	1.170%	1.210%	1.210%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.750%	2.870%	2.320%	2.370%	2.370%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.020%	3.970%	3.520%	3.570%	3.580%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.890%	5.660%	5.300%	5.360%	5.360%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.670%	6.390%	6.160%	6.220%	6.210%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 3,915.00	\$ 6,023.08	\$ 7,118.18
Municipal Income - Mid-Term	25%	\$ 2,762.50	\$ 4,250.00	\$ 5,022.73
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,677.50	\$ 10,273.08	\$ 12,140.91
		0.67%	1.03%	1.21%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,610.00	\$ 4,015.38	\$ 4,745.45
Municipal Income - Mid-Term	25%	\$ 2,762.50	\$ 4,250.00	\$ 5,022.73
MLP Income	10%	\$ 6,170.00	\$ 8,068.46	\$ 9,535.45
Equity Income	5%	\$ 1,865.00	\$ 2,438.85	\$ 2,882.27
Corporate Income	10%	\$ 1,487.00	\$ 1,487.00	\$ 1,487.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 14,894.50	\$ 20,259.69	\$ 23,672.91
		1.49%	2.03%	2.37%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,305.00	\$ 2,007.69	\$ 2,372.73
Municipal Income - Mid-Term	25%	\$ 2,762.50	\$ 4,250.00	\$ 5,022.73
MLP Income	15%	\$ 9,255.00	\$ 12,102.69	\$ 14,303.18
Equity Income	15%	\$ 5,595.00	\$ 7,316.54	\$ 8,646.82
Corporate Income	15%	\$ 2,230.50	\$ 2,230.50	\$ 2,230.50
High-Yield Income	5%	\$ 3,222.50	\$ 3,222.50	\$ 3,222.50
	100%	\$ 24,370.50	\$ 31,129.92	\$ 35,798.45
		2.44%	3.11%	3.58%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 522.00	\$ 803.08	\$ 949.09
Municipal Income - Mid-Term	20%	\$ 2,210.00	\$ 3,400.00	\$ 4,018.18
MLP Income	25%	\$ 15,425.00	\$ 20,171.15	\$ 23,838.64
Equity Income	25%	\$ 9,325.00	\$ 12,194.23	\$ 14,411.36
Corporate Income	5%	\$ 743.50	\$ 743.50	\$ 743.50
High-Yield Income	15%	\$ 9,667.50	\$ 9,667.50	\$ 9,667.50
	100%	\$ 37,893.00	\$ 46,979.46	\$ 53,628.27
		3.79%	4.70%	5.36%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 261.00	\$ 401.54	\$ 474.55
Municipal Income - Mid-Term	5%	\$ 552.50	\$ 850.00	\$ 1,004.55
MLP Income	30%	\$ 18,510.00	\$ 24,205.38	\$ 28,606.36
Equity Income	25%	\$ 9,325.00	\$ 12,194.23	\$ 14,411.36
Corporate Income	10%	\$ 1,487.00	\$ 1,487.00	\$ 1,487.00
High-Yield Income	25%	\$ 16,112.50	\$ 16,112.50	\$ 16,112.50
	100%	\$ 46,248.00	\$ 55,250.65	\$ 62,096.32
		4.62%	5.53%	6.21%

Rates are subject to change and may be significantly different than those used in these models.

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.5220%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.1050%	Tax Free (California Residents)	5.00/years
MLP Income	6.1700%	85% Tax Efficient	
Equity Income	3.7300%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4870%	Fully Taxable	5.02/years
High-Yield Income	6.4450%	Fully Taxable	8.03/years