



# Weekly Interest Rate & Economic Update

September 10, 2012

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## Rate Update

September 10, 2012

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

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.457%
CA Municipal	2.01 years	0.536%
CA Municipal	3.00 years	0.801%
CA Municipal	5.00 years	1.044%
CA Municipal	7.01 years	1.390%
CA Municipal	10.01 years	1.660%
National Municipal	2.02 years	0.689%
National Municipal	5.01 years	1.156%
National Municipal	10.02 years	2.021%

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

Corporate Income	5.02 years	1.453%
High-Yield Income	3.50 years	4.821%
High-Yield Income	8.02 years	6.451%

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Equity Income:	3.740%
MLP Income:	6.160%

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### US Treasury Rates (09/10/12):

3 Month Treasury Bill:	0.10%	3 Year Treasury Note:	0.32%
6 Month Treasury Bill:	0.13%	5 Year Treasury Note:	0.63%
12 Month Treasury Note:	0.16%	7 Year Treasury Note:	1.07%
2 Year Treasury Note:	0.25%	10 Year Treasury Bond:	1.66%

# Weekly Economic Update

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## News

- Hewlett-Packard (HP) announced an additional 2,000 jobs will be eliminated raising the total to 29,000 by October 2014. The company also says it expects to record charges of \$3.7 billion associated with these job cuts.
- Japan's GDP grew at an annual rate of 0.7% through Q-2, less than the estimate of 1.0%, according to the government report released this week. Reconstruction demand slowed in the tsunami damaged northeast and lower exports to China were cited as major factors.
- General Motors Co is losing as much as \$49,000 on every Chevrolet Volt it sells. The \$39,900 sales price for the electric vehicle coupled with a "lease special" this summer of \$199/month has resulted in year-to-date sales of 13,500 units, well below the 40,000 units estimated for 2012. GM's cost to build each vehicle is estimated at \$89,000.
- Today, Chicago public school teachers staged their first strike in 25 years. More than 29,000 teachers and support staff are involved. In 1987 the teachers union went on strike and remained out for 19 days.

## STATISTICS

National Unemployment Rate	8.1%	August 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 <sup>nd</sup> Quarter 2012	Annually Adjusted
Prime Rate	3.25%	09/10/12	
Gold (Spot)	\$1,732.22	09/10/12	
Silver (Spot)	\$33.77	09/10/12	
Crude Oil (NYMEX Crude Futures)	\$96.34	09/10/12	

	10/27/10	01/03/11	09/12/11	01/03/12	08/20/12	09/04/12	09/10/12
<b>MUNICIPAL BONDS</b>							
CA - 1 Year	0.509%	1.079%	0.457%	0.556%	0.481%	0.466%	0.457%
CA - 2 Years	0.947%	1.550%	0.646%	0.810%	0.522%	0.502%	0.536%
CA - 3 Years	1.317%	2.053%	0.822%	1.164%	0.809%	0.811%	0.801%
CA - 5 Years	1.889%	2.436%	1.412%	1.501%	1.105%	1.005%	1.044%
CA - 7 Years	2.465%	2.998%	2.230%	1.671%	1.414%	1.384%	1.390%
CA - 10 Years		3.842%	2.849%	2.396%	1.727%	1.611%	1.660%
NAT - 2 Years	1.102%	2.340%	0.428%	0.588%	0.674%	0.655%	0.689%
NAT - 5 Years		3.009%	1.065%	1.305%	1.199%	1.107%	1.156%
NAT - 10 years		3.783%	2.252%	2.315%	2.046%	1.997%	2.021%
<b>CORP. BONDS</b>							
INV. GRADE - 5 Years	1.459%	2.693%	1.546%	1.599%	1.487%	1.401%	1.453%
HI-YIELD - 3.5 YEARS		5.220%	4.767%	5.199%	4.921%	4.883%	4.821%
HI-YIELD - 8 YEARS	7.503%	6.735%	7.119%	6.275%	6.445%	6.375%	6.451%
<b>EQUITY INCOME MODEL</b>							
	4.110%	4.070%	4.240%	3.740%	3.730%	3.800%	3.740%
<b>EQUITY INCOME MODEL VALUE</b>	\$ 1,000,000.00	\$ 1,014,146.52	\$ 998,040.90	\$ 1,132,073.80	\$ 1,169,175.40	\$ 1,158,896.22	\$ 1,173,787.51
<b>MLP INCOME MODEL</b>							
	6.220%	5.880%	7.350%	6.480%	6.170%	6.150%	6.160%
<b>MLP INCOME MODEL VALUE</b>	\$ 1,000,000.00	\$ 1,066,140.90	\$ 951,050.26	\$ 1,170,773.07	\$ 1,181,518.76	\$ 1,183,369.43	\$ 1,185,853.55
<b>US TREASURY</b>							
3 - MONTH	0.120%	0.120%	0.010%	0.010%	0.090%	0.090%	0.100%
6 - MONTH	0.160%	0.180%	0.050%	0.060%	0.140%	0.130%	0.130%
12 - MONTH	0.210%	0.270%	0.090%	0.110%	0.180%	0.160%	0.160%
2 - YEAR	0.380%	0.600%	0.190%	0.250%	0.280%	0.220%	0.250%
3 - YEAR	0.570%	1.010%	0.310%	0.380%	0.410%	0.290%	0.320%
5 - YEAR	1.230%	2.020%	0.830%	0.880%	0.790%	0.610%	0.630%
7 - YEAR	1.930%	2.740%	1.340%	1.410%	1.240%	1.020%	1.070%
10 - YEAR	2.620%	3.340%	1.910%	1.950%	1.800%	1.550%	1.660%
<b>BLENDED MODELS (45% Tax Bracket)</b>							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.520%	1.790%	1.210%	1.140%	1.210%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.850%	2.870%	2.370%	2.300%	2.350%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.210%	3.970%	3.580%	3.520%	3.550%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	6.250%	5.660%	5.360%	5.330%	5.340%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	7.170%	6.390%	6.210%	6.190%	6.200%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 4,020.00	\$ 6,184.62	\$ 7,309.09
Municipal Income - Mid-Term	25%	\$ 2,610.00	\$ 4,015.38	\$ 4,745.45
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,630.00	\$ 10,200.00	\$ 12,054.55
		<b>0.66%</b>	<b>1.02%</b>	<b>1.21%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 2,680.00	\$ 4,123.08	\$ 4,872.73
Municipal Income - Mid-Term	25%	\$ 2,610.00	\$ 4,015.38	\$ 4,745.45
MLP Income	10%	\$ 6,160.00	\$ 8,055.38	\$ 9,520.00
Equity Income	5%	\$ 1,870.00	\$ 2,445.38	\$ 2,890.00
Corporate Income	10%	\$ 1,453.00	\$ 1,453.00	\$ 1,453.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 14,773.00	\$ 20,092.23	\$ 23,481.18
		<b>1.48%</b>	<b>2.01%</b>	<b>2.35%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,340.00	\$ 2,061.54	\$ 2,436.36
Municipal Income - Mid-Term	25%	\$ 2,610.00	\$ 4,015.38	\$ 4,745.45
MLP Income	15%	\$ 9,240.00	\$ 12,083.08	\$ 14,280.00
Equity Income	15%	\$ 5,610.00	\$ 7,336.15	\$ 8,670.00
Corporate Income	15%	\$ 2,179.50	\$ 2,179.50	\$ 2,179.50
High-Yield Income	5%	\$ 3,225.50	\$ 3,225.50	\$ 3,225.50
	100%	\$ 24,205.00	\$ 30,901.15	\$ 35,536.82
		<b>2.42%</b>	<b>3.09%</b>	<b>3.55%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 536.00	\$ 824.62	\$ 974.55
Municipal Income - Mid-Term	20%	\$ 2,088.00	\$ 3,212.31	\$ 3,796.36
MLP Income	25%	\$ 15,400.00	\$ 20,138.46	\$ 23,800.00
Equity Income	25%	\$ 9,350.00	\$ 12,226.92	\$ 14,450.00
Corporate Income	5%	\$ 726.50	\$ 726.50	\$ 726.50
High-Yield Income	15%	\$ 9,676.50	\$ 9,676.50	\$ 9,676.50
	100%	\$ 37,777.00	\$ 46,805.31	\$ 53,423.91
		<b>3.78%</b>	<b>4.68%</b>	<b>5.34%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 268.00	\$ 412.31	\$ 487.27
Municipal Income - Mid-Term	5%	\$ 522.00	\$ 803.08	\$ 949.09
MLP Income	30%	\$ 18,480.00	\$ 24,166.15	\$ 28,560.00
Equity Income	25%	\$ 9,350.00	\$ 12,226.92	\$ 14,450.00
Corporate Income	10%	\$ 1,453.00	\$ 1,453.00	\$ 1,453.00
High-Yield Income	25%	\$ 16,127.50	\$ 16,127.50	\$ 16,127.50
	100%	\$ 46,200.50	\$ 55,188.96	\$ 62,026.86
		<b>4.62%</b>	<b>5.52%</b>	<b>6.20%</b>

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

**Assumptions:**

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

<b>Yields:</b>	<b>Yield</b>	<b>Notes:</b>	<b>Ave. Mat:</b>
Municipal Income - Short-Term	0.5360%	Tax Free (California Residents)	2.01/years
Municipal Income - Mid-Term	1.0440%	Tax Free (California Residents)	5.00/years
MLP Income	6.1600%	85% Tax Efficient	
Equity Income	3.7400%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4530%	Fully Taxable	5.02/years
High-Yield Income	6.4510%	Fully Taxable	8.02/years