



Weekly Interest Rate & Economic Update

October 15, 2012

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Rate Update

October 15, 2012

Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.02 years	0.415%
CA Municipal	2.00 years	0.499%
CA Municipal	3.01 years	0.868%
CA Municipal	5.00 years	1.021%
CA Municipal	7.00 years	1.336%
CA Municipal	10.01 years	1.668%
National Municipal	2.01 years	0.699%
National Municipal	5.01 years	1.205%
National Municipal	10.00 years	2.087%

Corporate Bond Income:

Corporate Income	5.00 years	1.414%
High-Yield Income	3.50 years	4.682%
High-Yield Income	8.03 years	6.401%

Equity Income:		3.730%
MLP Income:		6.150%

US Treasury Rates (10/15/12):

3 Month Treasury Bill:	0.10%	3 Year Treasury Note:	0.34%
6 Month Treasury Bill:	0.15%	5 Year Treasury Note:	0.66%
12 Month Treasury Note:	0.17%	7 Year Treasury Note:	1.07%
2 Year Treasury Note:	0.26%	10 Year Treasury Bond:	1.65%

Weekly Economic Update

October 15, 2012

News

- Softbank Corporation, the third biggest mobile phone operator in Japan, has agreed to buy 70% of Sprint Nextel Corp (“S”) for \$20.1 billion. Sprint shareholders will receive a combination of cash and stock. The combined entity will create the world’s third largest mobile phone services provider.

Softbank Chairman, Masayoshi Son, is the second richest man in Japan with an estimated net worth of \$7.3 billion. In 2010, Son released his *300-Year Plan*, in which he predicted that 99.98% of companies would cease to exist in their current form within the next 30 years. He vowed that Softbank would survive.

- The 2012 Nobel Prize in Economics was awarded to two Americans. Alvin Roth and Lloyd Shapley will share the prize. Roth, currently a professor at Harvard University will be assuming a new position at Stanford University next year. Shapely is Professor Emeritus at UCLA. Their combined work studies the science of how scarce resources are allocated for everything from single men and women to organ donors and their recipients.
- Individual investors added \$915 million to municipal bond mutual funds in the week ending October 10. More than \$51 billion has flowed into these funds since September 2011. Local municipalities across the country have increased the issuance of bonds by more than 50% over 2011 levels. Low interest rates and concern over European debt are major factors, according to Bloomberg News.

STATISTICS

National Unemployment Rate	7.8%	September 2012	
California Unemployment Rate	10.6%	August 2012	
Consumer Price Index (CPI)	1.7%	August 2012	Seasonally Unadjusted
Producer Price Index (PPI)	2.1%	September 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	1.3%	2 nd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	10/15/12	
Gold (Spot)	\$1,733.85	10/15/12	
Silver (Spot)	\$32.74	10/15/12	
Crude Oil (NYMEX Crude Futures)	\$90.70	10/15/12	

10/27/10 **01/03/11** 10/17/11 01/03/12 09/24/12 10/01/12 **10/15/12**

MUNICIPAL BONDS

CA - 1 Year	0.509%	1.079%	0.520%	0.556%	0.449%	0.442%	0.415%
CA - 2 Years	0.947%	1.550%	0.869%	0.810%	0.513%	0.505%	0.499%
CA - 3 Years	1.317%	2.053%	1.020%	1.164%	0.855%	0.852%	0.868%
CA - 5 Years	1.889%	2.436%	1.722%	1.501%	1.023%	1.014%	1.021%
CA - 7 Years	2.465%	2.998%	2.419%	1.671%	1.303%	1.301%	1.336%
CA - 10 Years		3.842%	3.095%	2.396%	1.695%	1.622%	1.668%
NAT - 2 Years	1.102%	2.340%	0.592%	0.588%	0.666%	0.687%	0.699%
NAT - 5 Years		3.009%	1.501%	1.305%	1.156%	1.198%	1.205%
NAT - 10 years		3.783%	2.498%	2.315%	2.032%	2.011%	2.087%

CORP. BONDS

INV. GRADE - 5 Years	1.459%	2.693%	1.807%	1.599%	1.402%	1.382%	1.414%
HI-YIELD - 3.5 YEARS		5.220%	4.961%	5.199%	4.900%	4.924%	4.682%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.978%	6.275%	6.377%	6.314%	6.401%

EQUITY INCOME MODEL

EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,058,054.74	\$ 1,132,073.80	\$ 1,194,279.35	\$ 1,197,157.89	\$ 1,191,236.92
MLP INCOME MODEL	6.220%	5.880%	6.590%	6.480%	6.140%	6.090%	6.150%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,015,182.99	\$ 1,170,773.07	\$ 1,209,211.41	\$ 1,224,660.89	\$ 1,220,226.85

US TREASURY

3 - MONTH	0.120%	0.120%	0.020%	0.010%	0.100%	0.090%	0.100%
6 - MONTH	0.160%	0.180%	0.060%	0.060%	0.140%	0.130%	0.150%
12 - MONTH	0.210%	0.270%	0.100%	0.110%	0.170%	0.160%	0.170%
2 - YEAR	0.380%	0.600%	0.270%	0.250%	0.250%	0.230%	0.260%
3 - YEAR	0.570%	1.010%	0.480%	0.380%	0.340%	0.310%	0.340%
5 - YEAR	1.230%	2.020%	1.070%	0.880%	0.650%	0.620%	0.660%
7 - YEAR	1.930%	2.740%	1.650%	1.410%	1.090%	1.040%	1.070%
10 - YEAR	2.620%	3.340%	2.180%	1.950%	1.710%	1.620%	1.650%

BLENDED MODELS (45% Tax Bracket)

ULTRA INCOME STRATEGY	1.880%	3.220%	1.970%	1.790%	1.160%	1.150%	1.140%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.080%	2.870%	2.310%	2.290%	2.300%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.250%	3.970%	3.510%	3.490%	3.510%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	6.000%	5.660%	5.290%	5.260%	5.310%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.750%	6.390%	6.150%	6.110%	6.170%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 3,742.50	\$ 5,757.69	\$ 6,804.55
Municipal Income - Mid-Term	25%	\$ 2,552.50	\$ 3,926.92	\$ 4,640.91
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,295.00	\$ 9,684.62	\$ 11,445.45
		0.63%	0.97%	1.14%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,495.00	\$ 3,838.46	\$ 4,536.36
Municipal Income - Mid-Term	25%	\$ 2,552.50	\$ 3,926.92	\$ 4,640.91
MLP Income	10%	\$ 6,150.00	\$ 8,042.31	\$ 9,504.55
Equity Income	5%	\$ 1,865.00	\$ 2,438.85	\$ 2,882.27
Corporate Income	10%	\$ 1,414.00	\$ 1,414.00	\$ 1,414.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 14,476.50	\$ 19,660.54	\$ 22,978.09
		1.45%	1.97%	2.30%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,247.50	\$ 1,919.23	\$ 2,268.18
Municipal Income - Mid-Term	25%	\$ 2,552.50	\$ 3,926.92	\$ 4,640.91
MLP Income	15%	\$ 9,225.00	\$ 12,063.46	\$ 14,256.82
Equity Income	15%	\$ 5,595.00	\$ 7,316.54	\$ 8,646.82
Corporate Income	15%	\$ 2,121.00	\$ 2,121.00	\$ 2,121.00
High-Yield Income	5%	\$ 3,200.50	\$ 3,200.50	\$ 3,200.50
	100%	\$ 23,941.50	\$ 30,547.65	\$ 35,134.23
		2.39%	3.05%	3.51%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 499.00	\$ 767.69	\$ 907.27
Municipal Income - Mid-Term	20%	\$ 2,042.00	\$ 3,141.54	\$ 3,712.73
MLP Income	25%	\$ 15,375.00	\$ 20,105.77	\$ 23,761.36
Equity Income	25%	\$ 9,325.00	\$ 12,194.23	\$ 14,411.36
Corporate Income	5%	\$ 707.00	\$ 707.00	\$ 707.00
High-Yield Income	15%	\$ 9,601.50	\$ 9,601.50	\$ 9,601.50
	100%	\$ 37,549.50	\$ 46,517.73	\$ 53,101.23
		3.75%	4.65%	5.31%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 249.50	\$ 383.85	\$ 453.64
Municipal Income - Mid-Term	5%	\$ 510.50	\$ 785.38	\$ 928.18
MLP Income	30%	\$ 18,450.00	\$ 24,126.92	\$ 28,513.64
Equity Income	25%	\$ 9,325.00	\$ 12,194.23	\$ 14,411.36
Corporate Income	10%	\$ 1,414.00	\$ 1,414.00	\$ 1,414.00
High-Yield Income	25%	\$ 16,002.50	\$ 16,002.50	\$ 16,002.50
	100%	\$ 45,951.50	\$ 54,906.88	\$ 61,723.32
		4.60%	5.49%	6.17%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.4990%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.0210%	Tax Free (California Residents)	5.00/years
MLP Income	6.1500%	85% Tax Efficient	
Equity Income	3.7300%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4140%	Fully Taxable	5.00/years
High-Yield Income	6.4010%	Fully Taxable	8.03/years