



Weekly Interest Rate & Economic Update

October 29, 2012

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Rate Update

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Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.442%
CA Municipal	2.00 years	0.563%
CA Municipal	3.03 years	0.947%
CA Municipal	5.01 years	1.120%
CA Municipal	7.00 years	1.401%
CA Municipal	10.02 years	1.822%
National Municipal	2.00 years	0.847%
National Municipal	5.01 years	1.278%
National Municipal	10.01 years	2.136%

Corporate Bond Income:

Corporate Income	5.00 years	1.400%
High-Yield Income	3.52 years	4.785%
High-Yield Income	8.01 years	6.424%

Equity Income: 3.750% (as of 10/26/12)

MLP Income: 6.200% (as of 10/26/12)

US Treasury Rates (10/29/12):

3 Month Treasury Bill:	0.12%	3 Year Treasury Note:	0.40%
6 Month Treasury Bill:	0.16%	5 Year Treasury Note:	0.73%
12 Month Treasury Note:	0.17%	7 Year Treasury Note:	1.16%
2 Year Treasury Note:	0.29%	10 Year Treasury Bond:	1.71%

Weekly Economic Update

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News

- **The U.S. Securities and Exchange Commission cancelled all equity trading today and tomorrow. The bond markets closed early today and will also be closed tomorrow.**
- UBS AG (UBS), Switzerland's largest bank, announced the elimination of 10,000 jobs around the globe. Most of the reductions will occur in the securities trading division. This latest round of job cuts represents approximately 16% of the current 63,250 employees. UBS employed approximately 85,000 people prior to the 2008 financial crisis.
- Hong Kong's government announced its first property tax targeted at overseas buyers in an effort to slow accelerating home prices. Non-local and corporate buyers will have to pay a 15% tax upon closing. Average home prices have doubled over the past three years.
- Penn State University had its long term bond rating downgraded to Aa2 from Aa1 (stable) by Moody's Investors Services because of the expected financial costs from pending lawsuits related to the Jerry Sandusky case.

STATISTICS

National Unemployment Rate	7.8%	September 2012	
California Unemployment Rate	10.2%	September 2012	
Consumer Price Index (CPI)	2.0%	September 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%	10/29/12	
Gold (Spot)	\$1,707.80	10/29/12	
Silver (Spot)	\$31.77	10/29/12	
Crude Oil (NYMEX Crude Futures)	\$86.03	10/29/12	

	10/27/10	01/03/11	10/31/11	01/03/12	10/15/12	10/23/12	10/29/12
MUNICIPAL BONDS							
CA - 1 Year	0.509%	1.079%	0.638%	0.556%	0.415%	0.442%	0.442%
CA - 2 Years	0.947%	1.550%	0.868%	0.810%	0.499%	0.566%	0.563%
CA - 3 Years	1.317%	2.053%	1.097%	1.164%	0.868%	0.986%	0.947%
CA - 5 Years	1.889%	2.436%	1.868%	1.501%	1.021%	1.121%	1.120%
CA - 7 Years	2.465%	2.998%	2.621%	1.671%	1.336%	1.413%	1.401%
CA - 10 Years		3.842%	2.867%	2.396%	1.668%	1.802%	1.822%
NAT - 2 Years	1.102%	2.340%	0.638%	0.588%	0.699%	0.833%	0.847%
NAT - 5 Years		3.009%	1.594%	1.305%	1.205%	1.298%	1.278%
NAT - 10 years		3.783%	2.266%	2.315%	2.087%	2.144%	2.136%
CORP. BONDS							
INV. GRADE - 5 Years	1.459%	2.693%	1.647%	1.599%	1.414%	1.406%	1.400%
HI-YIELD - 3.5 YEARS		5.220%	5.477%	5.199%	4.682%	4.804%	4.785%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.348%	6.275%	6.401%	6.493%	6.424%
EQUITY INCOME MODEL	4.110%	4.070%	3.880%	3.740%	3.730%	3.750%	3.750% (as of 10/26/12)
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,081,074.83	\$ 1,132,073.80	\$ 1,191,236.92	\$ 1,184,515.27	\$ 1,186,455.17 (as of 10/26/12)
MLP INCOME MODEL	6.220%	5.880%	6.250%	6.480%	6.150%	6.150%	6.200% (as of 10/26/12)
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,102,587.77	\$ 1,170,773.07	\$ 1,220,226.85	\$ 1,217,636.17	\$ 1,209,113.54 (as of 10/26/12)
US TREASURY							
3 - MONTH	0.120%	0.120%	0.020%	0.010%	0.100%	0.100%	0.120%
6 - MONTH	0.160%	0.180%	0.050%	0.060%	0.150%	0.150%	0.160%
12 - MONTH	0.210%	0.270%	0.110%	0.110%	0.170%	0.170%	0.170%
2 - YEAR	0.380%	0.600%	0.260%	0.250%	0.260%	0.300%	0.290%
3 - YEAR	0.570%	1.010%	0.430%	0.380%	0.340%	0.410%	0.400%
5 - YEAR	1.230%	2.020%	1.030%	0.880%	0.660%	0.760%	0.730%
7 - YEAR	1.930%	2.740%	1.630%	1.410%	1.070%	1.190%	1.160%
10 - YEAR	2.620%	3.340%	2.200%	1.950%	1.650%	1.750%	1.710%
BLENDED MODELS (45% Tax Bracket)							
ULTRA INCOME STRATEGY	1.880%	3.220%	2.030%	1.790%	1.140%	1.280%	1.280%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.070%	2.870%	2.300%	2.400%	2.410%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.160%	3.970%	3.510%	3.600%	3.600%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.790%	5.660%	5.310%	5.380%	5.390%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.400%	6.390%	6.170%	6.220%	6.220%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 4,222.50	\$ 6,496.15	\$ 7,677.27
Municipal Income - Mid-Term	25%	\$ 2,800.00	\$ 4,307.69	\$ 5,090.91
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 7,022.50	\$ 10,803.85	\$ 12,768.18
		0.70%	1.08%	1.28%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,815.00	\$ 4,330.77	\$ 5,118.18
Municipal Income - Mid-Term	25%	\$ 2,800.00	\$ 4,307.69	\$ 5,090.91
MLP Income	10%	\$ 6,200.00	\$ 8,107.69	\$ 9,581.82
Equity Income	5%	\$ 1,875.00	\$ 2,451.92	\$ 2,897.73
Corporate Income	10%	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 15,090.00	\$ 20,598.08	\$ 24,088.64
		1.51%	2.06%	2.41%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,407.50	\$ 2,165.38	\$ 2,559.09
Municipal Income - Mid-Term	25%	\$ 2,800.00	\$ 4,307.69	\$ 5,090.91
MLP Income	15%	\$ 9,300.00	\$ 12,161.54	\$ 14,372.73
Equity Income	15%	\$ 5,625.00	\$ 7,355.77	\$ 8,693.18
Corporate Income	15%	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
High-Yield Income	5%	\$ 3,212.00	\$ 3,212.00	\$ 3,212.00
	100%	\$ 24,444.50	\$ 31,302.38	\$ 36,027.91
		2.44%	3.13%	3.60%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 563.00	\$ 866.15	\$ 1,023.64
Municipal Income - Mid-Term	20%	\$ 2,240.00	\$ 3,446.15	\$ 4,072.73
MLP Income	25%	\$ 15,500.00	\$ 20,269.23	\$ 23,954.55
Equity Income	25%	\$ 9,375.00	\$ 12,259.62	\$ 14,488.64
Corporate Income	5%	\$ 700.00	\$ 700.00	\$ 700.00
High-Yield Income	15%	\$ 9,636.00	\$ 9,636.00	\$ 9,636.00
	100%	\$ 38,014.00	\$ 47,177.15	\$ 53,875.55
		3.80%	4.72%	5.39%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 281.50	\$ 433.08	\$ 511.82
Municipal Income - Mid-Term	5%	\$ 560.00	\$ 861.54	\$ 1,018.18
MLP Income	30%	\$ 18,600.00	\$ 24,323.08	\$ 28,745.45
Equity Income	25%	\$ 9,375.00	\$ 12,259.62	\$ 14,488.64
Corporate Income	10%	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
High-Yield Income	25%	\$ 16,060.00	\$ 16,060.00	\$ 16,060.00
	100%	\$ 46,276.50	\$ 55,337.31	\$ 62,224.09
		4.63%	5.53%	6.22%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.5630%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.1200%	Tax Free (California Residents)	5.01/years
MLP Income	6.2000%	85% Tax Efficient	
Equity Income	3.7500%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4000%	Fully Taxable	5.00/years
High-Yield Income	6.4240%	Fully Taxable	8.01/years