



# Weekly Interest Rate & Economic Update

December 3, 2012

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## Rate Update

December 3, 2012

### *Safe Sector Income:*

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.401%
CA Municipal	2.00 years	0.533%
CA Municipal	3.01 years	0.928%
CA Municipal	5.04 years	1.088%
CA Municipal	7.02 years	1.393%
CA Municipal	10.02 years	1.821%
National Municipal	2.01 years	0.855%
National Municipal	5.00 years	1.244%
National Municipal	10.00 years	2.109%

### *Corporate Bond Income:*

Corporate Income	5.02 years	1.422%
High-Yield Income	3.50 years	4.693%
High-Yield Income	8.01 years	6.426%

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Equity Income:		3.870%
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MLP Income:		6.400%
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### US Treasury Rates (12/03/12):

3 Month Treasury Bill:	0.05%	3 Year Treasury Note:	0.33%
6 Month Treasury Bill:	0.12%	5 Year Treasury Note:	0.63%
12 Month Treasury Note:	0.18%	7 Year Treasury Note:	1.04%
2 Year Treasury Note:	0.25%	10 Year Treasury Bond:	1.63%

# Weekly Economic Update

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## News

- Italy's unemployment rate in October rose to 11.1% marking the highest rate in 13 years.
- Florida has reduced its debt (bond) issuance for the second consecutive year. This state hasn't cut debt for two straight years since 1982, according to the state's Bond Finance Office. \$410 million in new bonds were issued in the fiscal year most recently ended, down from \$888 million the prior year. Florida averaged more than \$2 billion a year in new bonds between 2002 and 2010.
- The next Federal Reserve Bank FOMC (Federal Open Market Committee) is scheduled to meet December 11 and 12. There is a debate taking place among the members as to whether or not the Fed Funds rate should be linked to a key economic figure such as the unemployment rate.
- The former CEO of National Lampoon, Tim Durham, was sentenced to 50 years in federal prison for defrauding investors of \$208 million. In his role as CEO of Indianapolis based buyout firm Obsidian Enterprises Inc., Durham and two other accomplices were convicted of spending the money on themselves.

## STATISTICS

National Unemployment Rate	7.9%	October 2012	
California Unemployment Rate	10.1%	October 2012	
Consumer Price Index (CPI)	2.2%	October 2012	Seasonally Unadjusted
Producer Price Index (PPI)	2.3%	October 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	2.0%	3rd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	12/03/12	
Gold (Spot)	\$1,714.61	12/03/12	
Silver (Spot)	\$33.64	12/03/12	
Crude Oil (NYMEX Crude Futures)	\$89.10	12/03/12	

	10/27/10	01/03/11	12/06/11	01/03/12	11/19/12	11/26/12	12/03/12
<b>MUNICIPAL BONDS</b>							
CA - 1 Year	0.509%	1.079%	0.630%	0.556%	0.401%	0.414%	0.401%
CA - 2 Years	0.947%	1.550%	0.821%	0.810%	0.502%	0.525%	0.533%
CA - 3 Years	1.317%	2.053%	1.201%	1.164%	0.939%	0.940%	0.928%
CA - 5 Years	1.889%	2.436%	1.592%	1.501%	1.023%	1.063%	1.088%
CA - 7 Years	2.465%	2.998%	2.070%	1.671%	1.389%	1.399%	1.393%
CA - 10 Years		3.842%	2.491%	2.396%	1.787%	1.791%	1.821%
NAT - 2 Years	1.102%	2.340%	0.581%	0.588%	0.835%	0.820%	0.855%
NAT - 5 Years		3.009%	1.396%	1.305%	1.200%	1.202%	1.244%
NAT - 10 years		3.783%	2.433%	2.315%	2.084%	2.099%	2.109%
<b>CORP. BONDS</b>							
INV. GRADE - 5 Years	1.459%	2.693%	1.799%	1.599%	1.393%	1.443%	1.422%
HI-YIELD - 3.5 YEARS		5.220%	5.196%	5.199%	4.624%	4.688%	4.693%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.397%	6.275%	6.411%	6.406%	6.426%
<b>EQUITY INCOME MODEL</b>							
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,092,118.83	\$ 1,132,073.80	\$ 1,138,995.69	\$ 1,154,211.86	\$ 1,167,212.79
<b>MLP INCOME MODEL</b>							
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,106,972.86	\$ 1,170,773.07	\$ 1,161,189.25	\$ 1,178,669.88	\$ 1,189,325.09
<b>US TREASURY</b>							
3 - MONTH	0.120%	0.120%	0.000%	0.010%	0.050%	0.050%	0.050%
6 - MONTH	0.160%	0.180%	0.040%	0.060%	0.110%	0.110%	0.120%
12 - MONTH	0.210%	0.270%	0.100%	0.110%	0.160%	0.170%	0.180%
2 - YEAR	0.380%	0.600%	0.250%	0.250%	0.240%	0.260%	0.250%
3 - YEAR	0.570%	1.010%	0.390%	0.380%	0.330%	0.350%	0.330%
5 - YEAR	1.230%	2.020%	0.930%	0.880%	0.630%	0.660%	0.630%
7 - YEAR	1.930%	2.740%	1.500%	1.410%	1.010%	1.040%	1.040%
10 - YEAR	2.620%	3.340%	2.060%	1.950%	1.610%	1.650%	1.630%
<b>BLENDED MODELS (45% Tax Bracket)</b>							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.840%	1.790%	1.150%	1.200%	1.220%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.000%	2.870%	2.380%	2.410%	2.410%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.160%	3.970%	3.660%	3.660%	3.650%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.910%	5.660%	5.560%	5.530%	5.500%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.660%	6.390%	6.450%	6.400%	6.360%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 3,997.50	\$ 6,150.00	\$ 7,268.18
Municipal Income - Mid-Term	25%	\$ 2,720.00	\$ 4,184.62	\$ 4,945.45
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,717.50	\$ 10,334.62	\$ 12,213.64
		<b>0.67%</b>	<b>1.03%</b>	<b>1.22%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 2,665.00	\$ 4,100.00	\$ 4,845.45
Municipal Income - Mid-Term	25%	\$ 2,720.00	\$ 4,184.62	\$ 4,945.45
MLP Income	10%	\$ 6,400.00	\$ 8,369.23	\$ 9,890.91
Equity Income	5%	\$ 1,935.00	\$ 2,530.38	\$ 2,990.45
Corporate Income	10%	\$ 1,422.00	\$ 1,422.00	\$ 1,422.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 15,142.00	\$ 20,606.23	\$ 24,094.27
		<b>1.51%</b>	<b>2.06%</b>	<b>2.41%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,332.50	\$ 2,050.00	\$ 2,422.73
Municipal Income - Mid-Term	25%	\$ 2,720.00	\$ 4,184.62	\$ 4,945.45
MLP Income	15%	\$ 9,600.00	\$ 12,553.85	\$ 14,836.36
Equity Income	15%	\$ 5,805.00	\$ 7,591.15	\$ 8,971.36
Corporate Income	15%	\$ 2,133.00	\$ 2,133.00	\$ 2,133.00
High-Yield Income	5%	\$ 3,213.00	\$ 3,213.00	\$ 3,213.00
	100%	\$ 24,803.50	\$ 31,725.62	\$ 36,521.91
		<b>2.48%</b>	<b>3.17%</b>	<b>3.65%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 533.00	\$ 820.00	\$ 969.09
Municipal Income - Mid-Term	20%	\$ 2,176.00	\$ 3,347.69	\$ 3,956.36
MLP Income	25%	\$ 16,000.00	\$ 20,923.08	\$ 24,727.27
Equity Income	25%	\$ 9,675.00	\$ 12,651.92	\$ 14,952.27
Corporate Income	5%	\$ 711.00	\$ 711.00	\$ 711.00
High-Yield Income	15%	\$ 9,639.00	\$ 9,639.00	\$ 9,639.00
	100%	\$ 38,734.00	\$ 48,092.69	\$ 54,955.00
		<b>3.87%</b>	<b>4.81%</b>	<b>5.50%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 266.50	\$ 410.00	\$ 484.55
Municipal Income - Mid-Term	5%	\$ 544.00	\$ 836.92	\$ 989.09
MLP Income	30%	\$ 19,200.00	\$ 25,107.69	\$ 29,672.73
Equity Income	25%	\$ 9,675.00	\$ 12,651.92	\$ 14,952.27
Corporate Income	10%	\$ 1,422.00	\$ 1,422.00	\$ 1,422.00
High-Yield Income	25%	\$ 16,065.00	\$ 16,065.00	\$ 16,065.00
	100%	\$ 47,172.50	\$ 56,493.54	\$ 63,585.64
		<b>4.72%</b>	<b>5.65%</b>	<b>6.36%</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	0.5330%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.0880%	Tax Free (California Residents)	5.04/years
MLP Income	6.4000%	85% Tax Efficient	
Equity Income	3.8700%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4220%	Fully Taxable	5.02/years
High-Yield Income	6.4260%	Fully Taxable	8.01/years