



Weekly Interest Rate & Economic Update

October 1, 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	2.01 years	0.505%
CA Municipal	3.00 years	0.852%
CA Municipal	5.02 years	1.014%
CA Municipal	7.04 years	1.301%
CA Municipal	10.01 years	1.622%
National Municipal	2.02 years	0.687%
National Municipal	5.03 years	1.198%
National Municipal	10.03 years	2.011%

Corporate Bond Income:

Corporate Income	5.00 years	1.382%
High-Yield Income	3.51 years	4.924%
High-Yield Income	8.00 years	6.314%

Equity Income:		3.710%
MLP Income:		6.090%

US Treasury Rates (10/01/12):

3 Month Treasury Bill:	0.09%	3 Year Treasury Note:	0.31%
6 Month Treasury Bill:	0.13%	5 Year Treasury Note:	0.62%
12 Month Treasury Note:	0.16%	7 Year Treasury Note:	1.04%
2 Year Treasury Note:	0.23%	10 Year Treasury Bond:	1.62%

Weekly Economic Update

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News

- The unemployment in the Euro-Region (17 nations using the euro) rose to 11.4% in August. This is the highest rate since this data has been collected beginning in 1995. The rate is the same as in June and July after those months' figures were revised higher.
- Banco Popular Espanol SA, the largest bank in Spain, will seek to raise as much as 2.5 billion euros (\$3.2 billion) from a stock sale and has suspended its October dividend as the bank tries to cover a shortfall found in a stress test. The capital increase may be equivalent to 80% of the bank's current market value. Bank officials said they will avoid at all cost asking the Spanish government for a bailout. Popular has seen its stock price decline more than 65% this year.
- US banks are holding more municipal bonds as of the end of Q-3 than in the previous 27 years, according to a report published by the Federal Reserve Bank. Banks nationwide are holding about \$330 billion of munis, a \$20 billion increase over the previous quarter. Banks have eclipsed property and casualty insurers as the third largest investors in the \$3.7 trillion market, behind households and mutual funds.
- The European Ryder Cup team overcame a four point deficit at the start of play on Sunday to pull off a stunning comeback and retain the Cup. The final score was 14 ½ - 13 ½ .

STATISTICS

National Unemployment Rate	8.1%	August 2012	
California Unemployment Rate	10.6%	August 2012	
Consumer Price Index (CPI)	1.7%	August 2012	Seasonally Unadjusted
Producer Price Index (PPI)	2.0%	August 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	1.7%	2 nd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	10/01/12	
Gold (Spot)	\$1,777.62	10/01/12	
Silver (Spot)	\$34.91	10/01/12	
Crude Oil (NYMEX Crude Futures)	\$92.28	10/01/12	

	10/27/10	01/03/11	10/03/11	01/03/12	09/18/12	09/24/12	10/01/12
MUNICIPAL BONDS							
CA - 1 Year	0.509%	1.079%	0.571%	0.556%	0.451%	0.449%	0.442%
CA - 2 Years	0.947%	1.550%	0.804%	0.810%	0.522%	0.513%	0.505%
CA - 3 Years	1.317%	2.053%	0.906%	1.164%	0.842%	0.855%	0.852%
CA - 5 Years	1.889%	2.436%	1.498%	1.501%	1.094%	1.023%	1.014%
CA - 7 Years	2.465%	2.998%	2.207%	1.671%	1.398%	1.303%	1.301%
CA - 10 Years		3.842%	2.733%	2.396%	1.699%	1.695%	1.622%
NAT - 2 Years	1.102%	2.340%	0.489%	0.588%	0.675%	0.666%	0.687%
NAT - 5 Years		3.009%	1.185%	1.305%	1.166%	1.156%	1.198%
NAT - 10 years		3.783%	2.262%	2.315%	2.041%	2.032%	2.011%
CORP. BONDS							
INV. GRADE - 5 Years	1.459%	2.693%	1.768%	1.599%	1.444%	1.402%	1.382%
HI-YIELD - 3.5 YEARS		5.220%	4.918%	5.199%	4.901%	4.900%	4.924%
HI-YIELD - 8 YEARS	7.503%	6.735%	7.662%	6.275%	6.391%	6.377%	6.314%
EQUITY INCOME MODEL							
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,017,481.79	\$ 1,132,073.80	\$ 1,179,098.47	\$ 1,194,279.35	\$ 1,197,157.89
MLP INCOME MODEL	6.220%	5.880%	7.540%	6.480%	6.190%	6.140%	6.090%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 930,966.12	\$ 1,170,773.07	\$ 1,207,423.41	\$ 1,209,211.41	\$ 1,224,660.89
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%	0.130%	0.140%	0.130%
12 - MONTH	0.210%	0.270%	0.100%	0.110%	0.160%	0.170%	0.160%
2 - YEAR	0.380%	0.600%	0.250%	0.250%	0.250%	0.250%	0.230%
3 - YEAR	0.570%	1.010%	0.400%	0.380%	0.340%	0.340%	0.310%
5 - YEAR	1.230%	2.020%	0.940%	0.880%	0.680%	0.650%	0.620%
7 - YEAR	1.930%	2.740%	1.410%	1.410%	1.160%	1.090%	1.040%
10 - YEAR	2.620%	3.340%	1.880%	1.950%	1.790%	1.710%	1.620%
BLENDED MODELS (45% Tax Bracket)							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.780%	1.790%	1.210%	1.160%	1.150%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.070%	2.870%	2.360%	2.310%	2.290%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.400%	3.970%	3.570%	3.510%	3.490%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	6.450%	5.660%	5.360%	5.290%	5.260%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	7.400%	6.390%	6.200%	6.150%	6.110%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 3,787.50	\$ 5,826.92	\$ 6,886.36
Municipal Income - Mid-Term	25%	\$ 2,535.00	\$ 3,900.00	\$ 4,609.09
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,322.50	\$ 9,726.92	\$ 11,495.45
		0.63%	0.97%	1.15%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,525.00	\$ 3,884.62	\$ 4,590.91
Municipal Income - Mid-Term	25%	\$ 2,535.00	\$ 3,900.00	\$ 4,609.09
MLP Income	10%	\$ 6,090.00	\$ 7,963.85	\$ 9,411.82
Equity Income	5%	\$ 1,855.00	\$ 2,425.77	\$ 2,866.82
Corporate Income	10%	\$ 1,382.00	\$ 1,382.00	\$ 1,382.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 14,387.00	\$ 19,556.23	\$ 22,860.64
		1.44%	1.96%	2.29%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,262.50	\$ 1,942.31	\$ 2,295.45
Municipal Income - Mid-Term	25%	\$ 2,535.00	\$ 3,900.00	\$ 4,609.09
MLP Income	15%	\$ 9,135.00	\$ 11,945.77	\$ 14,117.73
Equity Income	15%	\$ 5,565.00	\$ 7,277.31	\$ 8,600.45
Corporate Income	15%	\$ 2,073.00	\$ 2,073.00	\$ 2,073.00
High-Yield Income	5%	\$ 3,157.00	\$ 3,157.00	\$ 3,157.00
	100%	\$ 23,727.50	\$ 30,295.38	\$ 34,852.73
		2.37%	3.03%	3.49%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 505.00	\$ 776.92	\$ 918.18
Municipal Income - Mid-Term	20%	\$ 2,028.00	\$ 3,120.00	\$ 3,687.27
MLP Income	25%	\$ 15,225.00	\$ 19,909.62	\$ 23,529.55
Equity Income	25%	\$ 9,275.00	\$ 12,128.85	\$ 14,334.09
Corporate Income	5%	\$ 691.00	\$ 691.00	\$ 691.00
High-Yield Income	15%	\$ 9,471.00	\$ 9,471.00	\$ 9,471.00
	100%	\$ 37,195.00	\$ 46,097.38	\$ 52,631.09
		3.72%	4.61%	5.26%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 252.50	\$ 388.46	\$ 459.09
Municipal Income - Mid-Term	5%	\$ 507.00	\$ 780.00	\$ 921.82
MLP Income	30%	\$ 18,270.00	\$ 23,891.54	\$ 28,235.45
Equity Income	25%	\$ 9,275.00	\$ 12,128.85	\$ 14,334.09
Corporate Income	10%	\$ 1,382.00	\$ 1,382.00	\$ 1,382.00
High-Yield Income	25%	\$ 15,785.00	\$ 15,785.00	\$ 15,785.00
	100%	\$ 45,471.50	\$ 54,355.85	\$ 61,117.45
		4.55%	5.44%	6.11%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.5050%	Tax Free (California Residents)	2.01/years
Municipal Income - Mid-Term	1.0140%	Tax Free (California Residents)	5.02/years
MLP Income	6.0900%	85% Tax Efficient	
Equity Income	3.7100%	Assume 15% Qualified Tax Rate	
Corporate Income	1.3820%	Fully Taxable	5.00/years
High-Yield Income	6.3140%	Fully Taxable	8.00/years