



# Weekly Interest Rate & Economic Update

November 7, 2012

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## Rate Update

November 7, 2012

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

	Average Maturity	Yield-to-Worst
CA Municipal	1.01 years	0.423%
CA Municipal	2.03 years	0.513%
CA Municipal	3.01 years	0.941%
CA Municipal	5.00 years	1.040%
CA Municipal	7.01 years	1.368%
CA Municipal	10.00 years	1.742%
National Municipal	2.02 years	0.837%
National Municipal	5.03 years	1.223%
National Municipal	10.00 years	2.104%

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

Corporate Income	5.00 years	1.390%
High-Yield Income	3.51 years	4.635%
High-Yield Income	8.02 years	6.401%

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Equity Income:	3.880%
MLP Income:	6.380%

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### US Treasury Rates (11/07/12):

3 Month Treasury Bill:	0.10%	3 Year Treasury Note:	0.35%
6 Month Treasury Bill:	0.14%	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:	1.64%

# Weekly Economic Update

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## News

- U.S. voters across the country passed approximately \$10.9 billion of municipal bond issues yesterday. More than \$37 billion of new bonds had been sought for approval, 45% less than in the 2008 national election. The largest issue passed was for the San Diego Unified School District in the amount of \$2.8 billion. The second largest issue passed was for \$1.9 billion for the Houston (Texas) Independent School District.
- U.S. Treasury yields are falling today to their lowest yields in five months. The 10-year bond is at 1.64% and 30-year is trading at 2.82%.
- Sprint Nextel Corp agreed to buy select United States Cellular Corp businesses in the mid-west to expand its upgraded network. The purchase price has been reported at \$480 million and the assumption of certain liabilities. The transaction is subject to approval by the Department of Justice and the FCC and is expected to close next summer.
- Housing prices in Dublin, Ireland rose for the third consecutive month, according to the Irish Central Statistics Office. Mortgage lending in Ireland for the first half of 2012 totaled 950 million euros, down from the pre-bubble high of 18.5 billion euros for the same period in 2006.
- The original “Gerber Baby”, Ann Turner Cook is 85 years young and lives in Florida. Her face has been featured on every Gerber Baby product since 1928. A new baby has been declared the winner of the baby food company’s new Gerber Baby contest and will replace Mrs. Cook as the featured face of the company.

## STATISTICS

National Unemployment Rate	7.9%	October 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)	2.0%	3rd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	11/07/12	
Gold (Spot)	\$1,714.58	11/07/12	
Silver (Spot)	\$31.68	11/07/12	
Crude Oil (NYMEX Crude Futures)	\$85.09	11/07/12	

	10/27/10	01/03/11	11/07/11	01/03/12	10/23/12	10/29/12	11/07/12
<b>MUNICIPAL BONDS</b>							
CA - 1 Year	0.509%	1.079%	0.713%	0.556%	0.442%	0.442%	0.423%
CA - 2 Years	0.947%	1.550%	0.801%	0.810%	0.566%	0.563%	0.513%
CA - 3 Years	1.317%	2.053%	0.931%	1.164%	0.986%	0.947%	0.941%
CA - 5 Years	1.889%	2.436%	1.758%	1.501%	1.121%	1.120%	1.040%
CA - 7 Years	2.465%	2.998%	2.109%	1.671%	1.413%	1.401%	1.368%
CA - 10 Years		3.842%	2.716%	2.396%	1.802%	1.822%	1.742%
NAT - 2 Years	1.102%	2.340%	0.618%	0.588%	0.833%	0.847%	0.837%
NAT - 5 Years		3.009%	1.427%	1.305%	1.298%	1.278%	1.223%
NAT - 10 years		3.783%	2.519%	2.315%	2.144%	2.136%	2.104%
<b>CORP. BONDS</b>							
INV. GRADE - 5 Years	1.459%	2.693%	1.538%	1.599%	1.406%	1.400%	1.390%
HI-YIELD - 3.5 YEARS		5.220%	5.370%	5.199%	4.804%	4.785%	4.635%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.132%	6.275%	6.493%	6.424%	6.401%
<b>EQUITY INCOME MODEL</b>							
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,072,922.64	\$ 1,132,073.80	\$ 1,184,515.27	\$ 1,186,455.17	\$ 1,156,818.29
MLP INCOME MODEL	6.220%	5.880%	6.400%	6.480%	6.150%	6.200%	6.380%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,084,832.09	\$ 1,170,773.07	\$ 1,217,636.17	\$ 1,209,113.54	\$ 1,190,641.50
<b>US TREASURY</b>							
3 - MONTH	0.120%	0.120%	0.000%	0.010%	0.100%	0.120%	0.100%
6 - MONTH	0.160%	0.180%	0.020%	0.060%	0.150%	0.160%	0.140%
12 - MONTH	0.210%	0.270%	0.080%	0.110%	0.170%	0.170%	0.170%
2 - YEAR	0.380%	0.600%	0.230%	0.250%	0.300%	0.290%	0.260%
3 - YEAR	0.570%	1.010%	0.370%	0.380%	0.410%	0.400%	0.350%
5 - YEAR	1.230%	2.020%	0.860%	0.880%	0.760%	0.730%	0.660%
7 - YEAR	1.930%	2.740%	1.413%	1.410%	1.190%	1.160%	1.070%
10 - YEAR	2.620%	3.340%	2.010%	1.950%	1.750%	1.710%	1.640%
<b>BLENDED MODELS (45% Tax Bracket)</b>							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.890%	1.790%	1.280%	1.280%	1.170%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.970%	2.870%	2.400%	2.410%	2.360%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.090%	3.970%	3.600%	3.600%	3.610%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.770%	5.660%	5.380%	5.390%	5.470%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.400%	6.390%	6.220%	6.220%	6.340%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
<b>Ultra Income Strategy</b>				
Municipal Income - Short-Term	75%	\$ 3,847.50	\$ 5,919.23	\$ 6,995.45
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,447.50	\$ 9,919.23	\$ 11,722.73
		<b>0.64%</b>	<b>0.99%</b>	<b>1.17%</b>
<b>Blended Income Strategy</b>				
Municipal Income - Short-Term	50%	\$ 2,565.00	\$ 3,946.15	\$ 4,663.64
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	10%	\$ 6,380.00	\$ 8,343.08	\$ 9,860.00
Equity Income	5%	\$ 1,940.00	\$ 2,536.92	\$ 2,998.18
Corporate Income	10%	\$ 1,390.00	\$ 1,390.00	\$ 1,390.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 14,875.00	\$ 20,216.15	\$ 23,639.09
		<b>1.49%</b>	<b>2.02%</b>	<b>2.36%</b>
<b>Balanced Income Strategy</b>				
Municipal Income - Short-Term	25%	\$ 1,282.50	\$ 1,973.08	\$ 2,331.82
Municipal Income - Mid-Term	25%	\$ 2,600.00	\$ 4,000.00	\$ 4,727.27
MLP Income	15%	\$ 9,570.00	\$ 12,514.62	\$ 14,790.00
Equity Income	15%	\$ 5,820.00	\$ 7,610.77	\$ 8,994.55
Corporate Income	15%	\$ 2,085.00	\$ 2,085.00	\$ 2,085.00
High-Yield Income	5%	\$ 3,200.50	\$ 3,200.50	\$ 3,200.50
	100%	\$ 24,558.00	\$ 31,383.96	\$ 36,129.14
		<b>2.46%</b>	<b>3.14%</b>	<b>3.61%</b>
<b>Diversified Income Strategy</b>				
Municipal Income - Short-Term	10%	\$ 513.00	\$ 789.23	\$ 932.73
Municipal Income - Mid-Term	20%	\$ 2,080.00	\$ 3,200.00	\$ 3,781.82
MLP Income	25%	\$ 15,950.00	\$ 20,857.69	\$ 24,650.00
Equity Income	25%	\$ 9,700.00	\$ 12,684.62	\$ 14,990.91
Corporate Income	5%	\$ 695.00	\$ 695.00	\$ 695.00
High-Yield Income	15%	\$ 9,601.50	\$ 9,601.50	\$ 9,601.50
	100%	\$ 38,539.50	\$ 47,828.04	\$ 54,651.95
		<b>3.85%</b>	<b>4.78%</b>	<b>5.47%</b>
<b>Dynamic Income Strategy</b>				
Municipal Income - Short-Term	5%	\$ 256.50	\$ 394.62	\$ 466.36
Municipal Income - Mid-Term	5%	\$ 520.00	\$ 800.00	\$ 945.45
MLP Income	30%	\$ 19,140.00	\$ 25,029.23	\$ 29,580.00
Equity Income	25%	\$ 9,700.00	\$ 12,684.62	\$ 14,990.91
Corporate Income	10%	\$ 1,390.00	\$ 1,390.00	\$ 1,390.00
High-Yield Income	25%	\$ 16,002.50	\$ 16,002.50	\$ 16,002.50
	100%	\$ 47,009.00	\$ 56,300.96	\$ 63,375.23
		<b>4.70%</b>	<b>5.63%</b>	<b>6.34%</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	0.5130%	Tax Free (California Residents)	2.03/years
Municipal Income - Mid-Term	1.0400%	Tax Free (California Residents)	5.00/years
MLP Income	6.3800%	85% Tax Efficient	
Equity Income	3.8800%	Assume 15% Qualified Tax Rate	
Corporate Income	1.3900%	Fully Taxable	5.00/years
High-Yield Income	6.4010%	Fully Taxable	8.02/years