



Weekly Interest Rate & Economic Update

December 17, 2012

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Rate Update

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Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.410%
CA Municipal	2.00 years	0.556%
CA Municipal	3.01 years	0.922%
CA Municipal	5.00 years	1.090%
CA Municipal	7.02 years	1.425%
CA Municipal	10.00 years	1.853%
National Municipal	2.01 years	0.888%
National Municipal	5.03 years	1.276%
National Municipal	10.00 years	2.166%

Corporate Bond Income:

Corporate Income	5.01 years	1.493%
High-Yield Income	3.51 years	4.725%
High-Yield Income	8.01 years	6.432%

Equity Income:	3.880%
MLP Income:	6.700%

US Treasury Rates (12/17/12):

3 Month Treasury Bill:	0.04%	3 Year Treasury Note:	0.34%
6 Month Treasury Bill:	0.10%	5 Year Treasury Note:	0.70%
12 Month Treasury Note:	0.15%	7 Year Treasury Note:	1.07%
2 Year Treasury Note:	0.23%	10 Year Treasury Bond:	1.72%

Weekly Economic Update

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News

- The cost of office space in San Francisco increased the most of any market in the world through the 12 month period ending September 30, according to a survey of 144 global markets conducted by CBRE. Occupancy costs (rents plus local taxes and service charges) jumped 36.4% to approximately \$90/sq. ft.
- U.S. Treasury prices fell today pushing rates to a five week high. The 10-year note traded above 1.70% this morning. The Treasury is scheduled to auction \$113 billion in notes this week.
- Federal Reserve Bank of Richmond President Jeffrey Lacker said it could take as long as three years for the U.S. unemployment rate to fall to 6.5%, the central bank's threshold for an interest rate increase.
- Physicists at Cornell University are conducting research to test a theory that our entire universe exists *inside* a computer simulation conducted by an ancient civilization (You can't make this stuff up, folks). Cornell's explanation: "Using the historical development of lattice gauge theory technology as a guide, we assume that our universe is an early numerical simulation with unimproved Wilson fermion discretization and investigate potentially observable consequences." Makes sense when you put it that way.

STATISTICS

National Unemployment Rate	7.7%	November 2012	
California Unemployment Rate	10.1%	October 2012	
Consumer Price Index (CPI)	1.8%	November 2012	Seasonally Unadjusted
Producer Price Index (PPI)	1.5%	November 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	2.7%	3rd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	12/17/12	
Gold (Spot)	\$1,695.09	12/17/12	
Silver (Spot)	\$32.14	12/17/12	
Crude Oil (NYMEX Crude Futures)	\$87.44	12/17/12	

	10/27/10	01/03/11	12/19/11	01/03/12	12/03/12	12/10/12	12/17/12
MUNICIPAL BONDS							
CA - 1 Year	0.509%	1.079%	0.556%	0.556%	0.401%	0.400%	0.410%
CA - 2 Years	0.947%	1.550%	0.802%	0.810%	0.533%	0.530%	0.556%
CA - 3 Years	1.317%	2.053%	1.166%	1.164%	0.928%	0.907%	0.922%
CA - 5 Years	1.889%	2.436%	1.526%	1.501%	1.088%	1.079%	1.090%
CA - 7 Years	2.465%	2.998%	1.998%	1.671%	1.393%	1.385%	1.425%
CA - 10 Years		3.842%	2.412%	2.396%	1.821%	1.804%	1.853%
NAT - 2 Years	1.102%	2.340%	0.575%	0.588%	0.855%	0.846%	0.888%
NAT - 5 Years		3.009%	1.345%	1.305%	1.244%	1.246%	1.276%
NAT - 10 years		3.783%	2.372%	2.315%	2.109%	2.114%	2.166%
CORP. BONDS							
INV. GRADE - 5 Years	1.459%	2.693%	1.566%	1.599%	1.422%	1.465%	1.493%
HI-YIELD - 3.5 YEARS		5.220%	5.010%	5.199%	4.693%	4.691%	4.725%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.225%	6.275%	6.426%	6.405%	6.432%
EQUITY INCOME MODEL							
	4.110%	4.070%	3.900%	3.740%	3.870%	3.860%	3.880%
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,085,644.52	\$ 1,132,073.80	\$ 1,167,212.79	\$ 1,167,635.96	\$ 1,163,935.65
MLP INCOME MODEL							
	6.220%	5.880%	6.800%	6.480%	6.400%	6.600%	6.700%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,114,655.40	\$ 1,170,773.07	\$ 1,189,325.09	\$ 1,155,468.55	\$ 1,133,908.42
US TREASURY							
3 - MONTH	0.120%	0.120%	0.000%	0.010%	0.050%	0.050%	0.040%
6 - MONTH	0.160%	0.180%	0.030%	0.060%	0.120%	0.110%	0.100%
12 - MONTH	0.210%	0.270%	0.100%	0.110%	0.180%	0.170%	0.150%
2 - YEAR	0.380%	0.600%	0.230%	0.250%	0.250%	0.240%	0.230%
3 - YEAR	0.570%	1.010%	0.350%	0.380%	0.330%	0.320%	0.340%
5 - YEAR	1.230%	2.020%	0.810%	0.880%	0.630%	0.620%	0.700%
7 - YEAR	1.930%	2.740%	1.310%	1.410%	1.040%	1.020%	1.070%
10 - YEAR	2.620%	3.340%	1.810%	1.950%	1.630%	1.620%	1.720%
BLENDED MODELS (45% Tax Bracket)							
ULTRA INCOME STRATEGY	1.880%	3.220%	1.790%	1.790%	1.220%	1.210%	1.250%
BLENDED INCOME STRATEGY	2.970%	4.010%	2.930%	2.870%	2.410%	2.440%	2.490%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.080%	3.970%	3.650%	3.700%	3.750%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	5.850%	5.660%	5.500%	5.560%	5.620%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.580%	6.390%	6.360%	6.450%	6.510%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 4,170.00	\$ 6,415.38	\$ 7,581.82
Municipal Income - Mid-Term	25%	\$ 2,725.00	\$ 4,192.31	\$ 4,954.55
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 6,895.00	\$ 10,607.69	\$ 12,536.36
		0.69%	1.06%	1.25%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,780.00	\$ 4,276.92	\$ 5,054.55
Municipal Income - Mid-Term	25%	\$ 2,725.00	\$ 4,192.31	\$ 4,954.55
MLP Income	10%	\$ 6,700.00	\$ 8,761.54	\$ 10,354.55
Equity Income	5%	\$ 1,940.00	\$ 2,536.92	\$ 2,998.18
Corporate Income	10%	\$ 1,493.00	\$ 1,493.00	\$ 1,493.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 15,638.00	\$ 21,260.69	\$ 24,854.82
		1.56%	2.13%	2.49%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,390.00	\$ 2,138.46	\$ 2,527.27
Municipal Income - Mid-Term	25%	\$ 2,725.00	\$ 4,192.31	\$ 4,954.55
MLP Income	15%	\$ 10,050.00	\$ 13,142.31	\$ 15,531.82
Equity Income	15%	\$ 5,820.00	\$ 7,610.77	\$ 8,994.55
Corporate Income	15%	\$ 2,239.50	\$ 2,239.50	\$ 2,239.50
High-Yield Income	5%	\$ 3,216.00	\$ 3,216.00	\$ 3,216.00
	100%	\$ 25,440.50	\$ 32,539.35	\$ 37,463.68
		2.54%	3.25%	3.75%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 556.00	\$ 855.38	\$ 1,010.91
Municipal Income - Mid-Term	20%	\$ 2,180.00	\$ 3,353.85	\$ 3,963.64
MLP Income	25%	\$ 16,750.00	\$ 21,903.85	\$ 25,886.36
Equity Income	25%	\$ 9,700.00	\$ 12,684.62	\$ 14,990.91
Corporate Income	5%	\$ 746.50	\$ 746.50	\$ 746.50
High-Yield Income	15%	\$ 9,648.00	\$ 9,648.00	\$ 9,648.00
	100%	\$ 39,580.50	\$ 49,192.19	\$ 56,246.32
		3.96%	4.92%	5.62%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 278.00	\$ 427.69	\$ 505.45
Municipal Income - Mid-Term	5%	\$ 545.00	\$ 838.46	\$ 990.91
MLP Income	30%	\$ 20,100.00	\$ 26,284.62	\$ 31,063.64
Equity Income	25%	\$ 9,700.00	\$ 12,684.62	\$ 14,990.91
Corporate Income	10%	\$ 1,493.00	\$ 1,493.00	\$ 1,493.00
High-Yield Income	25%	\$ 16,080.00	\$ 16,080.00	\$ 16,080.00
	100%	\$ 48,196.00	\$ 57,808.38	\$ 65,123.91
		4.82%	5.78%	6.51%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.5560%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.0900%	Tax Free (California Residents)	5.00/years
MLP Income	6.7000%	85% Tax Efficient	
Equity Income	3.8800%	Assume 15% Qualified Tax Rate	
Corporate Income	1.4930%	Fully Taxable	5.01/years
High-Yield Income	6.4320%	Fully Taxable	8.01/years