



Weekly Interest Rate & Economic Update

January 24, 2013

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Rate Update

January 24, 2013

Safe Sector Income:

	Average Maturity	Yield-to-Worst
CA Municipal	1.00 years	0.420%
CA Municipal	2.00 years	0.586%
CA Municipal	3.00 years	0.996%
CA Municipal	5.01 years	1.163%
CA Municipal	7.02 years	1.498%
CA Municipal	10.01 years	1.931%
National Municipal	2.00 years	0.945%
National Municipal	5.02 years	1.342%
National Municipal	10.01 years	2.225%

Corporate Bond Income:

Corporate Income	5.00 years	1.587%
High-Yield Income	3.52 years	4.902%
High-Yield Income	8.00 years	6.596%

Equity Income:	4.010%
MLP Income:	6.180%

US Treasury Rates (01/24/13):

3 Month Treasury Bill:	0.07%	3 Year Treasury Note:	0.37%
6 Month Treasury Bill:	0.11%	5 Year Treasury Note:	0.77%
12 Month Treasury Note:	0.14%	7 Year Treasury Note:	1.12%
2 Year Treasury Note:	0.24%	10 Year Treasury Bond:	1.85%

Weekly Economic Update

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News

- Los Angeles received its first credit rating increase in more than 20 years from Moody's Investor Service. The rating is now Aa2. The increase was due to growth in property taxes. Moody's also said Los Angeles continues to have a substantial structural deficit and must deal with growing pension and employee health care costs. Property taxes are expected to yield about \$1.5 billion this year vs \$1.4 billion in 2012.
- The Swiss Stock Exchange (SMI) and UK market (FTSE 100) both closed at 4 ½ year highs today.
- The Federal Reserve is expected to continue the current policy of bond purchases (QE) when the FOMC meets next week.
- A surge of international students applying to U.S. colleges is expected to result in record admissions of non-U.S. students. The University of California, Berkeley reports a 22% increase in applications this year and the University of Pennsylvania reports a 38% increase over the past two years. Most international students pay full tuition with very few receiving any type of aid, helping colleges as states continue to reduce funding and endowment returns have dropped.

STATISTICS

National Unemployment Rate	7.8%	December 2012	
California Unemployment Rate	9.8%	December 2012	
Consumer Price Index (CPI)	1.7%	December 2012	Seasonally Unadjusted
Producer Price Index (PPI)	1.3%	December 2012	Seasonally Unadjusted
Gross Domestic Product (GDP)	2.7%	3rd Quarter 2012	Annually Adjusted
Prime Rate	3.25%	01/24/13	
Gold (Spot)	\$1,672.90	01/24/13	
Silver (Spot)	\$31.86	01/24/13	
Crude Oil (NYMEX Crude Futures)	\$96.18	01/24/13	

	10/27/10	01/03/11	01/24/11	01/03/12	01/23/12	12/17/12	01/02/13	01/24/13
MUNICIPAL BONDS								
CA - 1 Year	0.509%	1.079%	1.028%	0.556%	0.556%	0.410%	0.440%	0.420%
CA - 2 Years	0.947%	1.550%	1.333%	0.810%	0.811%	0.556%	0.598%	0.586%
CA - 3 Years	1.317%	2.053%	1.791%	1.164%	1.162%	0.922%	0.964%	0.996%
CA - 5 Years	1.889%	2.436%	2.749%	1.501%	1.499%	1.090%	1.150%	1.163%
CA - 7 Years	2.465%	2.998%	3.341%	1.671%	1.605%	1.425%	1.477%	1.498%
CA - 10 Years		3.842%	4.317%	2.396%	2.134%	1.853%	1.901%	1.931%
NAT - 2 Years	1.102%	2.340%	2.135%	0.588%	0.623%	0.888%	0.911%	0.945%
NAT - 5 Years		3.009%	2.946%	1.305%	1.300%	1.276%	1.312%	1.342%
NAT - 10 years		3.783%	3.591%	2.315%	2.329%	2.166%	2.185%	2.225%
CORP. BONDS								
INV. GRADE - 5 Years	1.459%	2.693%	2.510%	1.599%	1.638%	1.493%	1.534%	1.587%
HI-YIELD - 3.5 YEARS		5.220%	4.700%	5.199%	5.299%	4.725%	4.799%	4.902%
HI-YIELD - 8 YEARS	7.503%	6.735%	6.105%	6.275%	6.555%	6.432%	6.532%	6.596%
EQUITY INCOME MODEL								
EQUITY INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,014,146.52	\$ 1,018,396.87	\$ 1,132,073.80	\$ 1,109,126.47	\$ 1,163,935.65	\$ 1,161,516.36	\$ 1,196,178.40
MLP INCOME MODEL	6.220%	5.880%	5.860%	6.480%	6.480%	6.700%	6.420%	6.180%
MLP INCOME MODEL VALUE	\$ 1,000,000.00	\$ 1,066,140.90	\$ 1,071,026.51	\$ 1,170,773.07	\$ 1,176,866.72	\$ 1,133,908.42	\$ 1,193,866.24	\$ 1,280,730.44
US TREASURY								
3 - MONTH	0.120%	0.120%	0.150%	0.010%	0.040%	0.040%	0.060%	0.070%
6 - MONTH	0.160%	0.180%	0.180%	0.060%	0.060%	0.100%	0.120%	0.110%
12 - MONTH	0.210%	0.270%	0.260%	0.110%	0.100%	0.150%	0.170%	0.140%
2 - YEAR	0.380%	0.600%	0.620%	0.250%	0.240%	0.230%	0.270%	0.240%
3 - YEAR	0.570%	1.010%	1.030%	0.380%	0.380%	0.340%	0.370%	0.370%
5 - YEAR	1.230%	2.020%	2.000%	0.880%	0.910%	0.700%	0.780%	0.770%
7 - YEAR	1.930%	2.740%	2.730%	1.410%	1.490%	1.070%	1.130%	1.120%
10 - YEAR	2.620%	3.340%	3.390%	1.950%	2.050%	1.720%	1.830%	1.850%
BLENDED MODELS (45% Tax Bracket)								
ULTRA INCOME STRATEGY	1.880%	3.220%	3.070%	1.790%	1.790%	1.250%	1.340%	1.330%
BLENDED INCOME STRATEGY	2.970%	4.010%	3.930%	2.870%	2.880%	2.490%	2.520%	2.490%
BALANCED INCOME STRATEGY	4.190%	4.860%	4.840%	3.970%	4.020%	3.750%	3.780%	3.730%
DIVERSIFIED INCOME STRATEGY	6.010%	6.160%	6.120%	5.660%	5.760%	5.620%	5.630%	5.540%
DYNAMIC INCOME STRATEGY	6.730%	6.610%	6.430%	6.390%	6.510%	6.510%	6.490%	6.380%

Model		Annual Income	TEY 35% (Bracket)	TEY 45% (Bracket)
Ultra Income Strategy				
Municipal Income - Short-Term	75%	\$ 4,395.00	\$ 6,761.54	\$ 7,990.91
Municipal Income - Mid-Term	25%	\$ 2,907.50	\$ 4,473.08	\$ 5,286.36
MLP Income	0%	\$ -	\$ -	\$ -
Equity Income	0%	\$ -	\$ -	\$ -
Corporate Income	0%	\$ -	\$ -	\$ -
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 7,302.50	\$ 11,234.62	\$ 13,277.27
		0.73%	1.12%	1.33%
Blended Income Strategy				
Municipal Income - Short-Term	50%	\$ 2,930.00	\$ 4,507.69	\$ 5,327.27
Municipal Income - Mid-Term	25%	\$ 2,907.50	\$ 4,473.08	\$ 5,286.36
MLP Income	10%	\$ 6,180.00	\$ 8,081.54	\$ 9,550.91
Equity Income	5%	\$ 2,005.00	\$ 2,621.92	\$ 3,098.64
Corporate Income	10%	\$ 1,587.00	\$ 1,587.00	\$ 1,587.00
High-Yield Income	0%	\$ -	\$ -	\$ -
	100%	\$ 15,609.50	\$ 21,271.23	\$ 24,850.18
		1.56%	2.13%	2.49%
Balanced Income Strategy				
Municipal Income - Short-Term	25%	\$ 1,465.00	\$ 2,253.85	\$ 2,663.64
Municipal Income - Mid-Term	25%	\$ 2,907.50	\$ 4,473.08	\$ 5,286.36
MLP Income	15%	\$ 9,270.00	\$ 12,122.31	\$ 14,326.36
Equity Income	15%	\$ 6,015.00	\$ 7,865.77	\$ 9,295.91
Corporate Income	15%	\$ 2,380.50	\$ 2,380.50	\$ 2,380.50
High-Yield Income	5%	\$ 3,298.00	\$ 3,298.00	\$ 3,298.00
	100%	\$ 25,336.00	\$ 32,393.50	\$ 37,250.77
		2.53%	3.24%	3.73%
Diversified Income Strategy				
Municipal Income - Short-Term	10%	\$ 586.00	\$ 901.54	\$ 1,065.45
Municipal Income - Mid-Term	20%	\$ 2,326.00	\$ 3,578.46	\$ 4,229.09
MLP Income	25%	\$ 15,450.00	\$ 20,203.85	\$ 23,877.27
Equity Income	25%	\$ 10,025.00	\$ 13,109.62	\$ 15,493.18
Corporate Income	5%	\$ 793.50	\$ 793.50	\$ 793.50
High-Yield Income	15%	\$ 9,894.00	\$ 9,894.00	\$ 9,894.00
	100%	\$ 39,074.50	\$ 48,480.96	\$ 55,352.50
		3.91%	4.85%	5.54%
Dynamic Income Strategy				
Municipal Income - Short-Term	5%	\$ 293.00	\$ 450.77	\$ 532.73
Municipal Income - Mid-Term	5%	\$ 581.50	\$ 894.62	\$ 1,057.27
MLP Income	30%	\$ 18,540.00	\$ 24,244.62	\$ 28,652.73
Equity Income	25%	\$ 10,025.00	\$ 13,109.62	\$ 15,493.18
Corporate Income	10%	\$ 1,587.00	\$ 1,587.00	\$ 1,587.00
High-Yield Income	25%	\$ 16,490.00	\$ 16,490.00	\$ 16,490.00
	100%	\$ 47,516.50	\$ 56,776.62	\$ 63,812.91
		4.75%	5.68%	6.38%

Assumptions:

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

Yields:	Yield	Notes:	Ave. Mat:
Municipal Income - Short-Term	0.5860%	Tax Free (California Residents)	2.00/years
Municipal Income - Mid-Term	1.1630%	Tax Free (California Residents)	5.01/years
MLP Income	6.1800%	85% Tax Efficient	
Equity Income	4.0100%	Assume 15% Qualified Tax Rate	
Corporate Income	1.5870%	Fully Taxable	5.00/years
High-Yield Income	6.5960%	Fully Taxable	8.00/years