

# FIXED Income

FEBRUARY 1, 2012

Provided By:

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Market News

With little supply to provide direction, the Tax-Exempt market followed Treasuries higher as municipal bonds continued their fifth consecutive trading session of gains. The combination of little supply and a strong Treasury market is holding municipal bond prices up. Municipal bonds rallied Monday as prices lifted across the curve, according to the Municipal Market Data scale. The 10 year municipal yields fell seven basis points to 1.70%, the lowest level since Jan. 18th when the 10-year yield set a record low at 1.67%. The 30-year yield also fell seven basis points to 3.16%, the lowest level since the record 3.15% set Jan. 18. Two-year municipal yields fell two basis points to 0.33%, its lowest since Sept. 27th.

Treasuries rallied to levels not seen since Jan. 18th. Treasuries rose, pushing 10-year note yields to the lowest in almost four months, as reports showed consumer confidence unexpectedly dropped and business activity in the U.S. cooled in January. Benchmark yields fell for a fifth straight day, the longest streak since September, as reports on housing prices, business output and consumer sentiment indicated U.S. economic growth still faces headwinds. Demand for safe assets was supported as European leaders worked toward a financial rescue for Greece. Thirty-year bond yields dropped as the Federal Reserve bought

longer-term debt and announced operations for February. Benchmark 10-year yields fell five basis points, or 0.05 percentage point, to 1.8 percent at 4:59 p.m. New York time, according to Bloomberg Bond Trader prices, the lowest since Oct. 4. The 2 percent securities due in November 2021 rose 13/32, or \$4.06 per \$1,000 face amount, to 101 26/32.

Five-year note yields fell three basis points to 0.70% and reached a record low 0.6981%. Yields on 30-year bonds dropped six basis points to 2.94 percent after earlier gaining three basis points. When comparing Municipals to Treasuries, Municipal bonds have gotten more expensive on the short-end as Municipal-to-Treasury ratios on the five-year and 10-year have increased. Over the past week, the five-year ratio jumped to 98.7% from 91.2% and the 10-year ratio has risen to 93.7% from 90.8%. Ratios on the long-end have fallen as munis outperformed Treasuries. The 30-year Municipal-to-Treasury ratio fell to 105.6% from 107.3% the week prior. The yield curve has fallen significantly in the past week. On Monday, the 10- to 30-year slope fell to 146 basis points from 150 basis points the week before.

Sources: [www.Bloomberg.com](http://www.Bloomberg.com) (1/31/12) and [www.themuni-center.com](http://www.themuni-center.com) > Top Stories (1/31/12)

Fixed Income Education

**INTERNAL RATE OF RETURN: "IRR"**

Step-rate coupon bonds are different than regular bonds because unlike a regular bond, a step-rate bond's interest rate increases or decreases over time on a predetermined schedule until maturity or until the bond is called or sold.

One way for investors to evaluate a step-rate offering is to look at the "IRR." The IRR is the Internal Rate of Return, which is the amount of interest a step-rate investment is earning from settlement date, if the bond is held to maturity and is not called. This figure should provide a fair comparison between a step-rate

bond and a regular bond that has a Yield-to-Maturity figure. Step-rate bonds can also be used for retirement planning. When an investor moves into retirement, his or her income may be reduced. With a step-up rate coupon bond that reduction may be partially offset with higher coupons being paid in the later years of the offering. However, just like with regular bonds, step-rate bonds contain call risk, credit risk and interest rate risk. If they are sold prior to maturity, they may be worth more or less than their original cost.

Current Market Rates

| U.S. Treasury Yields |       |       |       |       |        |        |
|----------------------|-------|-------|-------|-------|--------|--------|
| 3 mo.                | 6 mo. | 1 yr. | 2 yr. | 5 yr. | 10 yr. | 30 yr. |
| 0.05%                | 0.08% | 0.11% | 0.21% | 0.70% | 1.80%  | 2.94%  |

| Inflation Index Treasury Yields |        |        |        |
|---------------------------------|--------|--------|--------|
| 5 yr.                           | 10 yr. | 20 yr. | 30 yr. |
| -1.31%                          | -0.31% | 0.23%  | 0.59%  |

| CD Rates |       |       |       |       |       |
|----------|-------|-------|-------|-------|-------|
| 1 mo.    | 3 mo. | 6 mo. | 1 yr. | 2 yr. | 5 yr. |
| 0.10%    | 0.20% | 0.25% | 0.35% | 1.10% | 1.50% |

|                    |       |
|--------------------|-------|
| <b>Bank Prime</b>  | 3.25% |
| <b>Crude Oil</b>   | 98.48 |
| <b>3 mo. Libor</b> | 0.56  |
| <b>Gold</b>        | 1737  |
| <b>Fed Funds</b>   | 0.11% |

| Relative Value: High Grade Relative Value |       |       |       |       |        |        |          |
|---|-------|-------|-------|-------|--------|--------|----------|
|   | 1 yr. | 3 yr. | 5 yr. | 7 yr. | 10 yr. | 15 yr. | 15 yr. + |
| <b>Municipals</b>                         | 0.45  | 0.87  | 1.25  | 1.75  | 2.55   | 3.20   | 4.02     |
| <b>Tax-Equiv. Municipals</b>              | 0.69  | 1.34  | 1.92  | 2.69  | 3.92   | 4.92   | 6.18     |
| <b>Taxable Municipals</b>                 | 0.75  |       |       | 2.04  | 3.11   | 3.55   | 5.36     |
| <b>Corporates</b>                         | 1.55  | 2.71  | 2.74  |       | 4.06   | 4.35   | 4.71     |
| <b>Agencies</b>                           | 1.00  | 1.63  | 1.47  | 3.03  | 2.70   | 3.39   | 3.76     |
| <b>Treasuries</b>                         | 0.22  | 0.52  | 1.00  | 1.47  | 2.02   | 2.41   | 2.99     |
| <b>Medium Term Notes</b>                  |       |       | 2.51  | 3.00  |        | 4.00   | 4.35     |
| <b>CDs</b>                                | 0.75  | 1.30  | 1.70  | 2.20  | 2.80   | 3.63   | 3.00     |

Taxable equivalent based on a 35% tax bracket

## Municipal Bonds

Municipal bonds are subject to interest rate risk. Investors should be aware that bond values may decline, if interest rates rise.

All offerings as of 01/31/12 and are subject to price change and availability.

**YIELD TO MATURITY (YTM)** - MSRB "The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield, presuming that the security remains outstanding until the maturity date. Yield to maturity takes into account the amount of the premium or discount at the time of purchase, if any, and the time value of the investment."

**YIELD TO CALL (YTC)** - MSRB "The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated

yield, presuming that the security is redeemed on a specified call date (if the security is redeemed at a premium call price, the amount of the premium is also reflected in the yield). Yield to call takes into account the amount of the premium or discount at the time of purchase, if any, and the time value of the investment."

U.S. Treasuries are a full faith and credit obligation of the U.S. Government while AAA municipals are not. The AAA municipals are a random selection of current offerings in the open market as of the date of this publication.

| National Municipal Bond Yields: Triple-A Rated, Tax-Exempt General Obligation Bonds |               |                |                 |              |                    |                     |                     |
|---|---------------|----------------|-----------------|--------------|--------------------|---------------------|---------------------|
|   | Current Yield | Previous Yield | Change in Yield | 28% Eq Yield | 1 Week Prior Yield | 1 Month Prior Yield | 6 Month Prior Yield |
| <b>1-Year</b>   | 0.252%        | 0.270%         | -0.018%         | 0.350%       | 0.264%             | 0.180%              | 0.189%              |
| <b>2-Year</b>   | 0.455%        | 0.457%         | -0.002%         | 0.631%       | 0.416%             | 0.303%              | 0.377%              |
| <b>5-Year</b>   | 0.829%        | 0.860%         | -0.031%         | 1.151%       | 0.886%             | 0.851%              | 1.214%              |
| <b>7-Year</b>   | 1.273%        | 1.305%         | -0.033%         | 1.768%       | 1.349%             | 1.134%              | 1.943%              |
| <b>10-Year</b>  | 1.791%        | 1.845%         | -0.055%         | 2.487%       | 1.892%             | 1.777%              | 2.718%              |
| <b>15-Year</b>  | 2.474%        | 2.463%         | 0.012%          | 3.437%       | 2.451%             | 2.749%              | 3.426%              |
| <b>20-Year</b>  | 2.993%        | 3.001%         | -0.008%         | 4.157%       | 2.994%             | 3.325%              | 3.812%              |
| <b>30-Year</b>  | 3.392%        | 3.422%         | -0.030%         | 4.711%       | 3.548%             | 3.607%              | 4.368%              |

Source: Bloomberg 01/31/12

### SAMPLING OF MUNICIPAL OFFERINGS:

| Rating      | Security Description and Coupon Rate            | Maturity Date |
|-------------|---|---------------|
| ---/AA-/--- | BESSEMER ALA BRD ED SCH TAX WT<br>086372AX7 2.0 | 02/01/2017    |
| AL          | Revenue, Insured, Bank Qualified                |               |

102.421 = 1.495% YTM & YTC

|           |  |            |
|-----------|--|------------|
| Aa2/AA/AA | LAS VEGAS NEV GO VARIOUS PURP<br>517696U73 2.5 | 12/01/2019 |
| NV        | Gen. Obligation, Cont Callable                 |            |

103.451 = 2.021% YTM & 1.751% YTC

|            |   |            |
|------------|---|------------|
| A2/---/--- | GADSDEN ALA GO SCH WTS<br>362460TQ0 2.75<br>Gen. Obligation, Callable | 08/01/2022 |
| AL         |   |            |

101.288 = 2.609% YTM &amp; 2.603% YTC

|            |   |            |
|------------|---|------------|
| A1/---/--- | ALABAMA ST BRD ED REV REV BDS<br>010488JN5 3.25<br>Revenue, Cont Callable | 06/01/2025 |
| AL         |   |            |

100.711 = 3.184% YTM &amp; 3.161% YTC

|             |   |            |
|-------------|---|------------|
| Aa3/AA-/--- | LYNWOOD CALIF UNI SCH DIST GO<br>551800DJ1 3.875<br>Gen. Obligation, Cont Callable, Insured | 08/01/2027 |
| CA          |   |            |

104.366 = 3.507% YTM &amp; 3.412% YTC

|             |  |            |
|-------------|--|------------|
| Aa1/AA+/--- | MANCHESTER N H FOR ISSUES DTD<br>562333JP0 3.375<br>Gen. Obligation, Cont Callable | 12/01/2029 |
| NH          |  |            |

104.111 = 3.074% YTM &amp; 2.891% YTC

|                                |   |            |
|--------------------------------|---|------------|
| A1/A-/A-<br>SEC MKT MBIA<br>CA | CALIFORNIA ST GO REFUNDING BDS<br>130627X6 4.5<br>Gen. Obligation, Cont Callable, Insured | 08/01/2030 |
|                                |   |            |

106.674 = 3.986% YTM &amp; 3.049% YTC

|             |  |            |
|-------------|--|------------|
| Aaa/AA+/AAA | BEXAR CNTY TEX CTFS OF OBLIG<br>088281JU5 4.0<br>Double-Barrelled, Cont Callable | 06/15/2034 |
| TX          |  |            |

106.459 = 3.578% YTM &amp; 3.117% YTC

|            |  |            |
|------------|--|------------|
| A1/---/AA- | MARSHALL UNIV W VA UNIV REVS U<br>572716JU3 4.25<br>Revenue, Cont Callable | 05/01/2036 |
| WV         |  |            |

106.952 = 3.808% YTM &amp; 3.368% YTC

|             |   |            |
|-------------|---|------------|
| Aaa/AA-/AAA | FRISCO TEX INDPT SCH DIST G O<br>358802T22 4.0<br>Gen. Obligation, Cont Callable, Insured | 08/15/2040 |
| TX          |   |            |

104.495 = 3.742% YTM &amp; 2.934% YTC

|          |   |            |
|----------|---|------------|
| A2/A/--- | MASSACHUSETTS ST DEV FIN AGY R<br>57583UJD1 4.5<br>Extraordinary Redemption, Revenue, Cont Callable | 10/01/2041 |
| MA       |   |            |

106.094 = 4.141% YTM &amp; 3.742% YTC

Source: [www.knightbondpoint.com](http://www.knightbondpoint.com) 01/31/12

The MSRB recommends that all Advisors who offer municipal bonds to their clients regularly review <http://emma.msrb.org/>, to ensure complete security & material event disclosure.

### SOME MUNICIPAL HEADLINES:

Pittsburgh Penalized in Biggest Rally as Buyers Shun Risk: Muni Credit  
 Indiana House Passes Right-to-Work Measure Against Mandatory Union Dues  
 Foreclosure-Ridden Florida Waits to Hear What Republicans Plan for Housing  
 Huck Forms San Diego Company to Invest in Defaulted Florida 'Dirt Bonds'  
 Cutwater's Corso Opts for 'Barbell' Investing Strategy Amid Steep Curve  
 Hamptons Home Prices Fall 13% as Buyers Seek Less-Expensive Properties  
 Manufacturing Jobs Obama Wants Are Unlikely to Return in Large Numbers  
 Treasuries Extend Biggest Gain in Two Weeks as Gross Sees More Stimulus  
 Sales of Foreclosed Properties Decline to 20% of Home Purchases in U.S.  
 Subprime Debt Insured by FHA Climbs in Bet on Housing Recovery: Mortgages  
 Bernanke Makes Case for Further Asset Purchases as Fed Sets Inflation Goal

## Corporate Bonds

## Weekly Spreads a/o 01/30/12

(Source: [www.themunicenter.com](http://www.themunicenter.com)) > Market Strategist

The following is based upon sources TMC believes to be reliable. TMC cannot guarantee its accuracy or completeness. All opinions are those of TMC's employees as of the publishing date and are subject to change without notice. This report is for informational use only—it is not intended as an offer/ solicitation for the purchase/ sale of any security.

| Term | U.S. Tsy | FDIC Ins. | Agency   | A Rated    | BB Rated   | A Rated | BB Rated | A Rated | BB Rated |
|------|----------|-----------|----------|------------|------------|---------|----------|---------|----------|
|      | Yield    |           | Non Call | Industrial | Industrial | Utility | Utility  | Finance | Finance  |
| 1YR  | 0.13     | 28        | 6        | 42         | 355        | 99      | 407      | 110     | 368      |
| 2YR  | 0.22     | 54        | 9        | 43         | 386        | 110     | 402      | 145     | 398      |
| 3YR  | 0.31     | 90        | 30       | 60         | 406        | 121     | 383      | 164     | 451      |
| 4YR  | 0.53     | 102       | 35       | 74         | 420        | 119     | 389      | 179     | 454      |
| 5YR  | 0.75     | 113       | 40       | 86         | 446        | 128     | 431      | 176     | 452      |
| 7YR  | 1.31     | 114       | 44       | 106        | 480        | 131     | 413      | 196     | 427      |
| 8YR  | 1.52     | 64        | 56       | 103        | 463        | 140     | 408      | 182     | 430      |
| 9YR  | 1.73     | 73        | 63       | 95         | 450        | 147     | 412      | 192     | 434      |
| 10YR | 1.90     | 113       | 67       | 113        | 432        | 146     | 441      | 206     | 421      |
| 15YR | 2.20     |           | 68       | 116        | 393        | 166     | 407      | 183     | 427      |
| 20YR | 2.49     |           | 83       | 127        | 431        | 159     | 422      | 235     | 443      |
| 25YR | 2.78     |           | 84       | 120        | 365        | 141     | 451      | 238     | 426      |

## Spread vs TSY 25 yr

Corporate bonds are subject to interest rate risk. Investors should be aware that bond values may decline if interest rates rise.

## NEW ISSUE CORPORATE BONDS THAT CAME TO MARKET LAST WEEK:

| Issued | Issuer           | Coupon | Maturity   | Spread | Issued. | Moody   | S&P  |
|--------|------------------|--------|------------|--------|---------|---------|------|
| 1/27   | GENESIS ENERGY   | 7.875  | 12/15/2018 | 636    | 100     | B2e     | N.A. |
| 1/27   | PBF HOLDING CO   | 8.25   | 2/15/2020  | 699    | 650     | Ba3     | BB+  |
| 1/27   | POST HOLDINGS IN | 7.375  | 2/15/2022  | 545    | 775     | B1e     | N.A. |
| 1/27   | CEVA GROUP PLC   | 12.75  | 3/31/2020  | 1149   | 475     | (P)Caa2 | B-   |
| 1/27   | CEVA GROUP PLC   | 8.375  | 12/1/2017  | 763    | 775     | B1/*+   | B/*+ |
| 1/27   | ICAHN ENTER/FIN  | 8      | 1/15/2018  | 626.3  | 700     | Ba3     | BBB- |
| 1/27   | NARA CABLE FUNDI | 8.875  | 12/1/2018  | 818    | 1000    | (P)B1   | B    |
| 1/26   | NATL RURAL UTIL  | 1      | 2/2/2015   | 80     | 400     | A1e     | N.A. |
| 1/26   | NATL RURAL UTIL  | 3.05   | 2/15/2022  | 115    | 400     | A1e     | N.A. |
| 1/26   | HARLEY-DAVIDSON  | 2.7    | 3/15/2017  | 195    | 400     | Baa1    | BBB+ |
| 1/26   | LAMAR MEDIA CORP | 5.875  | 2/1/2022   | 395    | 500     | B1      | BB-  |
| 1/26   | TARGA RES PRTNRS | 6.375  | 8/1/2022   | 442    | 400     | Ba3     | BB   |
| 1/25   | REALOGY CORP     | 9      | 1/15/2020  | 740    | 325     | Caa1    | N.A. |
| 1/25   | REALOGY CORP     | 7.625  | 1/15/2020  | 603    | 593     | B1      | N.A. |
| 1/25   | PETROBAKKEN ENER | 8.625  | 2/1/2020   | 714    | 900     | Caa1    | CCC+ |
| 1/25   | GRUPO AVAL LTD   | 5.25   | 2/1/2017   | 457.5  | 600     | Baa3    | N.A. |
| 1/25   | REPUBLIC OF PERU | 5.625  |            | 225    | 1500    | Baa3    | BBB  |
| 1/25   | LITHUANIA        | 6.625  | 2/1/2022   | 480.3  | 1500    | Baa1e   | BBB  |
| 1/25   | JBS USA LLC/JBS  | 8.25   | 2/1/2020   | 688    | 700     | B1      | BB   |

|      |                  |       |           |       |        |       |      |
|------|------------------|-------|-----------|-------|--------|-------|------|
| 1/25 | WELLTEC A/S      | 8     | 2/1/2019  | 703   | 325    | (P)B1 | BB-  |
| 1/24 | SLM CORP         | 6     | 1/25/2017 | 534.9 | 750    | N.A.  | BBB- |
| 1/24 | SLM CORP         | 7.25  | 1/25/2022 | 543.6 | 750    | Ba1e  | BBB- |
| 1/24 | UNIV OF CHICAGO  | 4.683 | 10/1/2042 | 155   | 154.99 | Aa1e  | N.A. |
| 1/24 | UNIV OF CHICAGO  | 3.065 | 10/1/2024 | 100   | 35.49  | Aa1e  | N.A. |
| 1/24 | BERKSHIRE HATHWY | 1.9   | 1/31/2017 | 100   | 1100   | Aa2   | AA+  |

**SOME CURRENT HEADLINES, JANUARY 23RD AND 24TH:**

Stocks Rise as Euro Strengthens on Greek Debt Talks; Commodities Advance  
 Treasuries Drop Before U.S. Housing Report, Paring Monthly Gain  
 Home Prices in 20 U.S. Cities Fell 3.7% from Year Ago, Case-Shiller Says  
 Europe Moves Towards Greek Rescue Confrontation as Leaders Seal Fiscal Pact  
 UPS Profit Forecast for Year Tops Estimates as Shipping Demand Increases  
 Shell Seen Raising Dividend 4.8% for First Time Since 2009 on Oil; Energy  
 Pfizer Net Beats Estimates as Animal Health Counters Generics Competition  
 U.K. Consumer Confidence Rises to Highest in Seven Months  
 French Consumer Spending Falls As Jobless Claims Surge

**SAMPLING OF CORPORATE BOND OFFERINGS**

Merrill Lynch & Co. (BAC) 6.05% 05/16/16  
 Baa2/BBB+ 5901884M7

At \$102.250 YTM 5.452%

Bank of America Corp (BAC) 5.75% 12/01/17

Baa1/A- 060505DP6

At \$104 YTM 4.882%

Computer Sciences Corp (CSC) 6.50% 03/15/18

Baa1/BBB+ 205363AL8

At \$103.00 YTM 5.907%

Dr. Pepper Snapple Group (DPS) 2.60% 01/15/19

Baa1/BBB 26138EAN9

At \$101.645 YTM 2.341%

Altria Group Inc. (MO) 9.25% 08/06/19

Baa1/BBB 02209SAJ2

At \$137.075 YTM 3.576%

Morgan Stanley (MS) 5.50% 07/24/20

A2/A- 6174467P8

At \$99.805 YTM 5.529%

Bank of America Corp. (BAC) 5.0% 05/13/21

Baa1/A- 06051GEH8

At \$99.00 YTM 5.136%

Goldman Sachs Group Inc. (GS) 5.25% 07/27/21

A1/A- 38141GGQ1

At \$100.775 with \$7.50 per bond YTM 5.146%

Amerenenergy (AEE) 7.95% 06/01/32

Ba1/BBB- 02360XAJ6

At \$100.75 with \$10.00 per bond YTM 7.874%

**SAMPLING OF STEP COUPON OFFERINGS**

MORGAN STANLEY D W DISC SRMTNS

61745EE31

A2/A-/A

Maturity: 09/22/2020

4% until 2013, 5% until 2017, 7.50% until 2020

Quarterly Par call beginning 9/22/13

100 Price

IRR 5.51% if not called and held to maturity

BANK OF AMERICA CORP

Survivor Option

06048WKC3

---/A-/---

Maturity 1/27/2027

5.5% until 2018, 7% until 2023, 10% until 2027

Semi-annual call beginning 1/27/2013

100 Price

IRR 6.75% if not called and held to maturity

**INTERNOTE OFFERINGS FOR THIS WEEK:**

This information is neither an offer to sell, nor a solicitation of offers to buy, any InterNotes. Any such offering will be made only by prospectus. Each individual investor must determine whether InterNotes are suitable based on financial situation, investment objectives, and risk tolerance. InterNotes represent the unsecured debt of each respective issuer, subject to credit, interest rate, and secondary market risk. There can be no assurance of a trading market, although certain InterNotes dealers currently intend to maintain an active secondary market. Accordingly, InterNotes should generally be held to maturity. InterNotes are not insured by the FDIC or any government agency. In the case of callable InterNotes, a specific issue may be callable at the discretion of the issuer. InterNotes involve investment risks, including possible loss of the principal invested.

An investor should read the individual prospectus or offering circular carefully for risks specific to each issuer and each series of notes and contact your registered financial advisor for more information.

## General Electric Capital Corporation - rates current as of 01/31/2012

| Cusip                     | Coupon | Payment     | Maturity  | Trades   | Call Date | Yield* | Ratings  |
|---------------------------|--------|-------------|-----------|----------|-----------|--------|----------|
| <a href="#">36966TEK4</a> | 3.000% | Semi-Annual | 2/15/2020 | 2/6/2012 | No Call   | 3.000% | Aa2/AA+/ |
| <a href="#">36966TEL2</a> | 4.000% | Semi-Annual | 2/15/2027 | 2/6/2012 | No Call   | 4.000% | Aa2/AA+/ |
| <a href="#">36966TEMO</a> | 4.350% | Semi-Annual | 2/15/2032 | 2/6/2012 | No Call   | 4.350% | Aa2/AA+/ |

## Goldman Sachs Group - rates current as of 01/31/2012

| Cusip                     | Coupon | Payment | Maturity  | Trades   | Call Date | Yield* | Ratings |
|---------------------------|--------|---------|-----------|----------|-----------|--------|---------|
| <a href="#">38141EL49</a> | 3.150% | Monthly | 2/15/2016 | 2/6/2012 | No Call   | 3.171% | A1/A-/A |
| <a href="#">38141EL56</a> | 4.500% | Monthly | 2/15/2020 | 2/6/2012 | No Call   | 4.542% | A1/A-/A |
| <a href="#">38141EL64</a> | 5.150% | Monthly | 2/15/2024 | 2/6/2012 | No Call   | 5.206% | A1/A-/A |

## National Rural Utilities Cooperative Finance Corp - rates current as of 01/31/2012

| Cusip                     | Coupon | Payment | Maturity  | Trades   | Call Date | Yield* | Ratings |
|---------------------------|--------|---------|-----------|----------|-----------|--------|---------|
| <a href="#">63743FPF7</a> | 4.000% | Monthly | 2/15/2030 | 2/6/2012 | 2/15/2013 | 4.033% | A2/A/   |
| <a href="#">63743FPE0</a> | 3.050% | Monthly | 2/15/2023 | 2/6/2012 | No Call   | 3.069% | A2/A/   |

## The Royal Bank of Scotland Group plc - rates current as of 01/31/2012

| Cusip                     | Coupon | Payment | Maturity  | Trades   | Call Date | Yield* | Ratings |
|---------------------------|--------|---------|-----------|----------|-----------|--------|---------|
| <a href="#">78012DAE3</a> | 4.000% | Monthly | 2/15/2015 | 2/6/2012 | No Call   | 4.033% | A3/A-/A |
| <a href="#">78012DAF0</a> | 5.000% | Monthly | 2/15/2017 | 2/6/2012 | No Call   | 5.052% | A3/A-/A |
| <a href="#">78012DAG8</a> | 5.250% | Monthly | 2/15/2019 | 2/6/2012 | No Call   | 5.308% | A3/A-/A |

## Westpac Banking Corporation - rates current as of 01/31/2012

| Cusip                     | Coupon | Payment | Maturity  | Trades   | Call Date | Yield* | Ratings    |
|---------------------------|--------|---------|-----------|----------|-----------|--------|------------|
| <a href="#">96121BAX5</a> | 2.500% | Monthly | 2/15/2017 | 2/6/2012 | No Call   | 2.513% | Aa2/AA-/AA |

The list of new issues is a representative list of new issues provided for illustration purposes only. This information does not constitute an offer to sell or a solicitation of an offer to buy Corporate Notes, nor shall there be any sale of those Notes, in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. Any fixed income instrument sold prior to maturity may be worth more or less than the original amount invested. Incapital does not offer or sell investment products to individual investors. Investors should consult with their financial professional prior to investing any money in these or other products and carefully review the disclosure statement or other offering documents.

**Interest Rate Risk** — Fixed Income securities may be secured or unsecured debt obligations of each respective issuer. In addition to issuer-specific risk, fixed income investment carries interest rate risk — if sold prior to maturity. **Credit Risk relies on the** ability of an issuer of InterNotes to pay its debt — that is, make all interest and principal payments in full and on schedule — is a critical concern for investors. Most InterNotes are evaluated for credit quality by the major rating services, such as Standard & Poor's (S&P) and Moody's Investors Service (Moody's). Investors should note that time-lags may occur between when a rating agency adjusts a credit rating and when this information is disseminated. **Call Risk** — If a specific issue is callable, the issuer retains the right to retire — that is, redeem — the debt before the scheduled maturity date. A call feature creates uncertainty as to whether an investment will remain outstanding until its maturity date. Investors risk losing an investment paying a higher rate of interest when rates have declined and an issuer decides to call their securities and investors may be faced with reinvesting in securities with lower yields. Calls also tend to limit the appreciation in price that could be expected when interest rates decline. Given these potential disadvantages, callable securities may carry higher yields than non-callable securities

**Treasuries and Agencies**

All offerings as of 01/31/12 and are subject to price change and availability. Municipal bonds, Corporate bonds, U.S. Treasury Securities, Government Agency bonds, and CDs will fluctuate in value and if sold prior to maturity may be worth more or less than their original cost. Treasury Securities are subject to interest rate risk. Investors should be aware that bond values may decline, if interest rates rise.

|                 | Coupon | Maturity Date | Current Price/Yield | Price/Yield Change | Time  |
|-----------------|--------|---------------|---------------------|--------------------|-------|
| <b>3-Month</b>  | 0.000  | 05/03/2012    | 0.05 / 0.05         | 0.000 / 0.000      | 09:57 |
| <b>6-Month</b>  | 0.000  | 08/02/2012    | 0.08 / 0.08         | -0.005 / -0.005    | 09:57 |
| <b>12-Month</b> | 0.000  | 01/10/2013    | 0.11 / 0.11         | 0.000 / 0.000      | 09:57 |
| <b>2-Year</b>   | 0.250  | 01/31/2014    | 100-02+ / 0.21      | -0-00+ / 0.004     | 09:58 |
| <b>3-Year</b>   | 0.250  | 01/15/2015    | 99-28 / 0.29        | 0-01 / -0.011      | 09:57 |
| <b>5-Year</b>   | 0.875  | 01/31/2017    | 100-26¾ / 0.70      | 0-05 / -0.032      | 09:58 |
| <b>7-Year</b>   | 1.250  | 01/31/2019    | 100-02+ / 1.24      | 0-08 / -0.037      | 09:57 |
| <b>10-Year</b>  | 2.000  | 11/15/2021    | 101-25+ / 1.80      | 0-13½ / -0.047     | 09:57 |
| <b>30-Year</b>  | 3.125  | 11/15/2041    | 103-22+ / 2.94      | 1-07½ / -0.061     | 09:57 |

Source: Bloomberg, 01/31/12

**INTERNOTE OFFERING FOR THIS WEEK:**

Westpac Banking Corporation - rates current as of 01/31/2012

| Cusip     | Coupon | Payment     | Maturity  | Trades   | Call Date | Yield* | Ratings     |
|-----------|--------|-------------|-----------|----------|-----------|--------|-------------|
| 3133FXCC9 | 1.500% | Semi-Annual | 5/15/2019 | 2/3/2012 | 2/15/2013 | 1.500% | Aaa/AA+/AAA |

**ECONOMIC NEWS**

- Monday January 30th** Personal Income
- Tuesday January 31st** Home Prices, Chicago Purchasing Managers Index Consumer Confidence
- Wednesday February 1st** ADP Personal Employment Report, Construction, ISM manufacturing
- Thursday February 2nd** Productivity and Costs, Initial Claims
- Friday February 3rd** Employment Situation, ISM Non-manufacturing

Disclaimer: The documents contained herein are for informative purposes only, and should not be considered a recommendation to buy or sell securities. Bond prices, yields and availability are subject to change based upon market conditions. Yields represent yield to maturity. Please review the information carefully to assure it meets investment objectives. Certain early redemption features, such as a call at the issuer's option, provide the issuer an option to repay principal prior to maturity and may change the term of the investment. Also, please note a call feature is dependent upon market conditions & does not ensure that the bond will be called. If you sell securities prior to maturity, you will receive the current market price, which may be more or less than your initial investment. Please consult a tax advisor for tax implications on any fixed income product.

| Bond Ratings            |   |                             |  |
|-------------------------|---|-----------------------------|--|
| Standard & Poor's Corp. |   | Moody's Investor's Services |  |
| AAA                     | Highest Quality; principal & interest well protected.   | Aaa                         | Highest Quality; principal is well protected and interest payments are virtually assured.              |
| AA                      | High Quality; marginally higher long-term risk than AAA.  | Aa                          | High Quality; marginally higher long-term risk than AAA.   |
| A                       | Good Quality; somewhat more susceptible to adverse conditions over the long term.               | A                           | Good quality; many favorable investment aspects. Suggestion credit risk could increase over long-term. |
| BBB                     | Adequate; adverse conditions could threaten principal or interest payments.                     | Baa                         | Medium grade; neither highly protected nor poorly secured, may be regarded as somewhat speculative.    |
| BB                      | Questionable; faces major uncertainties. Adverse conditions could jeopardize prin/int payments. | Ba                          | Lack characteristics of desirable investment; protection of prin/int payments over long-term is small. |
| B                       | Speculative; adverse conditions would likely impair ability to pay interest or repay principal. | B                           | Speculative; with only moderate protection of principal and interest payments.                         |
| CCC                     | Risky; has been identified as being vulnerable to default.                                      | Caa                         | Poor quality; may be in default and protection of principal is questionable.                           |
| D                       | In default.   | Ca                          | Highly speculative; issues may be in default or have other large shortcomings.                         |
|                         | Sources: S&P / Moody's / Barron's<br>Rating Definition source is Barron's                       | C                           | Lowest rated; extremely poor chances of ever attaining investment standing                             |

Municipal bonds are subject to numerous risks, including higher interest rates, economic recession and deterioration of the municipal bond market, possible downgrades and defaults of interest and/or principal. Corporate bonds are subject to interest rate risk. Investors should be aware that bond values may decline, if interest rates rise. All bonds are subject to availability, prior sale and change in price. As with any investment, market value will fluctuate during the period held and if sold prior to maturity, the yield received may be more or less than the yield calculated at time of purchase.

All offerings are available as of 01/31/2012 and are subject to price change and availability. This information is obtained from internal and external sources which are believed to be reliable, however, no guarantee of its accuracy can be made. Neither the information nor any opinion that may be expressed constitutes a solicitation for the purchase or sale of any security referred to herein. This firm does not make a market in any of the securities listed throughout this report.

- For certain investors, the income from bonds designated "AMT" may be subject to the Alternative Minimum Tax.
- Discount bonds may be subject to capital gains tax.
- Minimum purchase amounts may apply.
- Not all municipal bonds are free from both state and federal taxes.
- If bonds are insured, no representation is made as to the insurer's ability to meet its commitments.
- Insurance does not remove market, credit, safety and/or interest rate risk.
- All bond ratings are from S&P or Moody and may be under review for possible downgrade.

Bond ratings relate to credit worthiness and are not indicative of market risk. Investors should note that time-lags may occur between when a rating agency adjusts a credit rating and when this information is disseminated.

Bond offering yields include calculations which are the lower of the yield to maturity or the yield to call.