



Solutions Centered Wealth Management

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THE MARKETS

The year began with a tug of war between new indications of U.S. economic strength and ongoing euro zone weakness. A substantial jump in U.S. payrolls, greater manufacturing activity, and robust auto sales stood in contrast with growing concerns over potential Hungarian and Greek debt defaults and rising yields on Italian and Spanish government bonds.

Overall, last week saw gains in U.S. and global stocks while the price of oil and gold also rose. The euro plummeted to its lowest level in more than a year as fresh reports of economic decline made a euro zone recession appear more and more likely.

Returns through 01/06/12	1 Week	YTD	1-Year	3-Year	5-Year
Dow Jones Industrials	1.25	1.25	8.54	14.33	2.72
NASDAQ Composite	2.65	- 2.65	- 1.32	17.41	1.90
Russell 2000	1.20	- 1.20	- 3.99	14.93	0.69
S & P 500	1.67	1.69	2.44	13.43	- 0.20
MSCI EAFE NR USD	- 0.41	- 0.41	- 11.99	6.74	- 4.59

Source: Morningstar.com. * Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three and five-year returns are annualized. The S&P, excluding "1 Week" returns, is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

No bank failures in first week of 2012 – According to information available on the FDIC website, no bank failures were reported last week. 90 banks failed in 2011. The FDIC website listed 157 bank failures in 2010, 140 in 2009, 26 in 2008, 3 in 2007, zero in 2006 and 2005.

U.S. employment picture improves –The U.S. economy added 200,000 jobs in December, according to the U.S. Department of Labor. The unemployment rate fell to 8.5% in December from 8.7% in November. The Labor Department's nonfarm payroll report, released on Friday, was better than expected, adding momentum to a set of robust economic reports as 2012 begins. A day earlier, the monthly private sector jobs report, released by Automatic Data Processing (ADP), painted an even sunnier picture — 325,000 new private sector jobs. However, the government's official report stated that the private sector grew by 212,000 jobs.

Weekly U.S. jobless claims drop – Initial jobless claims fell by 15,000 to 372,000 for the week ended December 24, the eighth time in nine weeks that the weekly jobless number was below the 400,000 threshold. The four-week average fell to 373,250 from 376,500.

U.S. factory orders up 1.8% – U.S. factory orders grew by 1.8% in November from the previous month, as non-defense aircraft orders more than carried their weight, soaring 73.9%. Durable goods orders climbed 3.7%; orders for all capital goods rose 7.6%. Construction spending in the United States was 1.2% higher in November. Building permits were up 5.7%.

Kodak could file for Chapter 11 protection – Kodak could file for Chapter 11 bankruptcy protection in the next few weeks if its efforts to sell a portfolio of more than 1,000 digital patents falls through. The 131-year-old former blue-chip photography firm has struggled to transform itself from a film sales company to one focused more on commercial and consumer printers.

Barnes & Noble lowers guidance on earnings – Barnes & Noble, facing intense competition from rival Amazon.com, has cut its earnings guidance for the year. The bookseller now expects to lose \$1.10 to \$1.50 per share on \$7.0 billion to \$7.2 billion. In August, the firm had forecast a \$0.10 to \$0.50 per share loss on \$7.4 billion in revenue. While its Nook e-book reading device has soared in popularity, sales for its Nook Simple Touch product have been disappointing. Speculation is now growing that Barnes & Noble may opt to spin off or outright sell the Nook.

Monsanto reaps harvest from seed business growth – Monsanto reported robust growth in quarterly earnings on strong sales of seeds in South America, which is an increasingly important growth market to the world's largest seed supplier. Monsanto's corn-seed business saw sales soar 46% from a year ago, while its total net sales grew 33%. Profit for the quarter ended November 30 was more than 10 times higher than the year-earlier quarter.

Manufacturing picks up in U.S. and China – U.S. manufacturing activity picked up in December, according to the Institute for Supply Management's manufacturing purchasing managers index, which climbed to 53.9 from 52.7 in November. China's official PMI also rose, to 50.3 in December from 49.0 in November.

U.S. auto sales robust – U.S. auto sales finished 2011 in high gear, as domestic and imported automobiles sold in high volumes in December and for the year. Overall, U.S. consumers purchased 10% more cars and trucks in 2011 than in 2010. Chrysler Group's annual sales were up 26%. General Motors' annual sales rose 13%, while Ford Motor's sales increased 11%. Among foreign automakers, Volkswagen stood out with a 26% gain, while Nissan Motor posted a 15% annual increase. BMW ended a decade of dominance in luxury vehicle sales by Toyota Motor's Lexus, finishing just ahead of rival Daimler's Mercedes Benz unit. Lexus is now in third place in the luxury race.

U.S. retailers show mixed results for December – U.S. retailers reported mixed December sales results. While Macy's, Sak's, and Nordstrom had strong results, Kohl's, JC Penney, and Target had a disappointing month. Overall, the 22 retailers tracked by Thomson Reuters registered a 3.4% increase in sales, slightly ahead of an expected 3.3% increase.



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German jobless rate eases, factory orders drop – Despite weakness elsewhere in the euro zone, Germany's job market remained strong in December, as the country's seasonally adjusted unemployment rate edged downward to 6.8% from 6.9% in November. The overall euro zone jobless rate stood above 10%. However, Germany's industrial orders fell 4.8% in November after rising 5% in October.

Euro zone debt concerns increase again – The European Central Bank intervened to prop up bond markets by buying Italian and Spanish government bonds on Friday, after the yield on Italy's 10-year government bond hit 7.12%, a 5.24 percentage point premium over comparable German bond yields. Spanish government bond yields rose throughout the week on concerns over the country's finances. Both countries will seek to raise several billion euros in bond sales next week.

Euro zone confidence falls – Overall confidence among euro zone consumers and businesses fell to its lowest level in more than a year, with the European Commission's Economic Sentiment Indicator falling for the tenth consecutive month, to 93.3 from 93.8 in November.

Euro zone private sector contracts – Private sector activity in the euro zone decreased in December, providing further evidence of a recession-bound region. Markit Economics reported that its composite purchasing managers' index for manufacturing and services industries rose to 48.3 in December from 47, in November.

Euro zone inflation falls – Annual euro zone inflation fell to 2.8% in December, a decline from 3.0% in November, according to the European Union's statistics agency. This was the first decrease in the euro zone inflation rate since July.

Samsung predicts record profits – Korea's Samsung Electronics predicts record fourth-quarter earnings on robust smartphone sales. The world's largest manufacturer of flat-screen televisions estimated fourth-quarter profit of between 5.0 trillion won (\$4.3 billion) and 5.4 trillion won. Its profit for the fourth quarter of 2010 was 3.01 trillion won.

France's Total acquires Chesapeake Energy's Ohio shale minority stake – French oil giant Total bought a minority stake in a 619,000-acre Ohio shale-producing property from natural gas producer Chesapeake Energy, which is seeking to lower its long-term debt significantly. Like other international energy companies, Total is eager to get a stake in the booming U.S. shale-drilling business. It anticipates tapping into oil and a variety of lucrative natural gas liquids, including butane, ethane, and propane.

The week ahead

- The European Union reports preliminary fourth quarter GDP figures Wednesday, January 11.
- U.S. Department of Commerce December retail sales report Thursday, January 12.
- University of Michigan Consumer Sentiment report Friday, January 13
- Chevron announces its quarterly earnings Wednesday, January 11
- JPMorgan Chase announces its earnings Friday, January 13.

WEEKLY FOCUS

Even though lawmakers may shy away from passing major laws in an election year, 2012 will bring changes to 401(k)'s and other retirement plans. From fee disclosure to lifetime-income options and more, your 401(k) or other workplace plan likely will look different by this time next year.

2012 will largely be about enhanced disclosure. For instance, retirement-plan sponsors will have to disclose to 401(k) participants the fees and expenses associated with the funds in their retirement plan. That includes new annual notices, quarterly statements, enrollment workbooks and education about fees. The materials are mandated under new regulations and are intended to make it easier for participants to understand their retirement-plan investment choices by providing information about such things as past performance, benchmarks and fees in a comparative chart.

However, many are concerned that fee disclosure may not change participant behavior as intended. The most important way to change outcomes is to change how much you save. The savings rate is the most important element of a retirement plan, not the fees.

There are those who hope, or expect, that regulators and lawmakers will make progress on other initiatives. Several industry experts expect the U.S. Labor Department to issue guidance in 2012 on providing lifetime income illustrations on participant benefit statements. The illustrations would show participants their expected monthly benefit at retirement age given their current account balance and, perhaps, give certain assumptions regarding future contributions and earnings. Also on the docket: The Labor Department has said it plans to re-propose its rule on the definition of a fiduciary for the purposes of giving investment advice.

Also, expect to see large plan sponsors begin to follow the example set by United Technologies Corp. and look at ways to build lifetime income solutions into the default investment vehicles within their plans. United Technologies recently became the first Fortune 100 company to offer a lifetime income annuity as an investment option inside its 401(k) plan.

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