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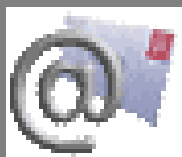
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THE MARKETS

An upbeat week for markets stood in sharp contrast to the previous week's large financial market declines. The key was a decisive move by central banks to allow for less expensive overseas borrowing of U.S. dollars, particularly helpful to the European Central Bank's effort to avert an immediate worsening of the euro zone debt crisis. Other positive signs include a drop in the U.S. unemployment rate to 8.6%, accompanied by a healthy increase in the number of U.S. jobs, and a sharp rise in U.S. consumer confidence. Strong early holiday-season sales among U.S. retailers are also encouraging.

For the week, major stock indices around the world posted gains of 5% or more, highlighting once again the abnormally volatile period for global markets. U.S. Treasury yields rose in response to the unexpected drop in the U.S. unemployment rate, while the euro rallied earlier in the week in reaction to the improved prospects for European liquidity.

Returns through 12/2/11	1 Week	YTD	1-Year	3-Year	5-Year
Dow Jones Industrials	7.12	6.47	8.62	15.88	2.48
NASDAQ Composite	7.59	-0.98	1.84	21.91	1.71
Russell 2000	10.38	-5.11	-0.88	20.15	0.15
S & P 500	7.46	0.87	3.98	16.13	-0.16
MSCI EAFE NR USD	9.09	-10.44	-6.84	12.14	-3.75

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 last week – According to information available on the FDIC website, there were no bank failures last week. 90 banks have failed so far 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.

Unemployment rate down; jobs numbers up –The U.S. labor market strengthened in November, as a rise of 120,000 jobs in the nonfarm payroll total was accompanied by a drop in the unemployment rate to 8.6% from 9.0% in October. Also positive are upward revisions of the October and September payroll numbers. October's figure rose to a gain of 100,000 from a previously reported 80,000, and September was revised to a 210,000 gain from 158,000, as more reports from small businesses came in.

U.S. consumer confidence rises sharply – Consumer confidence rose sharply in November, according to three domestic U.S. indices. The Conference Board's index increased to 56 from 40.9 in October, its biggest jump since April 2003. The Thomson Reuters/University of Michigan final index of consumer sentiment rose to 64.1 from 60.9, and the Bloomberg Consumer Comfort Index's monthly expectations gauge also rose.

Weekly jobless claims rise above 400,000 – Initial claims for unemployment benefits among U.S. workers rose unexpectedly last week, climbing by 6,000 to a seasonally adjusted 402,000. Economists surveyed by Dow Jones Newswires had expected a drop of 3,000. This was the first week since October that new claims for jobless benefits were above 400,000. The four-week average for new claims increased by 500 to 395,750.

House prices fall again – The S&P/Case-Shiller index of property values in 20 cities dropped 3.6% in September from a year earlier while the figure for the 10-city index was 3.3% lower than September 2010, demonstrating that the housing market has yet to find its bottom.

Fitch cuts U.S. credit outlook to negative – Fitch Ratings downgraded the outlook for U.S. government debt to negative from stable following the failure of the congressional super committee on deficit reduction to come to an agreement by the end of November after being given a mandate to cut the federal budget deficit by \$1.2 trillion over 10 years.

American Airlines' parent files for bankruptcy – AMR, the parent of American Airlines, filed for bankruptcy protection despite having more than \$4 billion in cash. American was the only U.S. legacy airline that had not yet sought bankruptcy protection. Over the past decade, AMR has lost more than \$10 billion, struggling to compete against rivals United Airlines and Delta Air Lines, who had benefited from court protected restructurings and mergers.

Retailers boast surge in early holiday sales – November was a good month for many major retailers, who started the critically important holiday sales season with better figures than last year's. Close to two dozen retailers tracked by Thomson Reuters were on target for a 3.1% growth in sales at stores open for more than a year. This included Macy's (up 4.8% in same-store sales), Saks registered a 9.3% sales rise, and Costco had 7% sales growth. However, sales at Kohl's fell 6.2%, Target's same-store sales grew by 1.8%, and J.C. Penney had a 2% decline.

American Eagle profit soars – American Eagle Outfitters posted a 59% increase in its fiscal third-quarter earnings versus a charge it took a year ago and reported a strong Black Friday shopping weekend. The company started 2011 with weak sales, but results have improved as the year has progressed.



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November a hot month for U.S. car sales – Domestic and foreign automakers benefited from an outpouring of pent-up consumer demand in November, as sales of automobiles in the United States were boosted by lower gas prices and a wider availability of Japanese vehicles. Among U.S. manufacturers, Chrysler's domestic sales rose 45%, Ford Motor's sales were up 13%, General Motors had a 7% increase in sales.

Foreign automakers had a strong month in U.S. sales – Sales increases by Kia Motor (up 39%), Hyundai Motor (up 22%), Mazda Motor (up 20%), Nissan Motor (up 19%), and Toyota Motor (up 6.7%). Those not faring as well were Honda Motor (sales off by 6.7%), Mitsubishi Motors (down 13%) and Suzuki Motor (down 22%).

Canadian banks post strong results – Four of Canada's large chartered banks posted strong quarterly results in sharp contrast to beleaguered European banks. Royal Bank of Canada's fiscal fourth-quarter earnings rose 43%, Toronto-Dominion Bank's net income rose 58%, Canadian Imperial Bank of Commerce had a 59% rise in quarterly profit, and Bank of Nova Scotia's fourth-quarter earnings rose by 11%. Canada's banks generally benefited from minimal exposure to highly indebted European countries.

Global central bank action sparks market rally – Central banks including the U.S. Federal Reserve, the Bank of Canada, the European Central Bank (ECB), the Bank of England, the Bank of Japan, and the Swiss National Bank on Wednesday announced a plan to cut in half the cost of borrowing dollars from the Fed. The move is designed to assure financial markets that the ECB will have the money it needs to lend to struggling euro zone banks and therefore avoid a deepening of the debt crisis. However, the measure is seen as only a temporary way to alleviate market concerns, and doesn't directly address the deep financial troubles facing European governments.

Belgian credit rating cut – Belgium's government credit rating was cut by Standard & Poor's by one notch to AA. The country's borrowing costs rose to their highest levels in 11 years after it agreed to buy Dexia's Belgian bank unit and guarantee part of its liabilities for the next decade.

Moody's cuts loom for European banks – Moody's Investors Service has placed the subordinated debt ratings of 87 banks in 15 European nations, including France, Italy, and Spain, on review for a downgrade. The move reflects the potential impact of the removal of government support to all subordinated, junior-subordinated, and Tier 3 debt ratings of banks in countries where subordinated debt assumes a level of government support.

Manufacturing weakens in euro zone and Asia – Separate reports from the euro zone and Asian countries point to the same thing — a contracting manufacturing sector. The euro zone manufacturing purchasing managers' index (PMI), a monthly survey by Markit, fell to its lowest point in 28 months, 46.4 in November, from 47.1 in October. Anything below 50 denotes contraction. China, South Korea, Taiwan, and Australia also reported shrinking manufacturing activity. India's PMI was barely positive at 51, down from 52 the previous month.

China shifts stance to monetary easing – In response to signs that its economy is slowing, the Chinese government unexpectedly changed direction with its monetary policy, reversing a trend toward monetary tightening with the announcement that it would allow commercial banks to keep a smaller percentage of their profits as reserves at the central bank. The reserve requirement ratio is now 21% for large banks and 19% for smaller banks.

The week ahead

- European Monetary Union retail sales posted Monday, December 5.
- Germany's Manufacturers' Orders report released Tuesday, December 6.
- Bank of Montreal announces quarterly earnings Tuesday, December 6.
- The weekly report on unemployment insurance claims Thursday, December 8.
- Costco announces quarterly earnings Thursday, December 8.
- The Michigan Consumer Sentiment published Friday, December 9.

WEEKLY FOCUS

Medicare open enrollment ends this week. With housework, doctor appointments and spending time with family, there are always tasks that get left until the last minute. But whether you're choosing an insurance plan or planning a vacation, you still want to make sure your "I"s are dotted and "T"s crossed. You want to know that everything's taken care of – without worry and confusion.

Speaking of insurance, time is running out! If you've been thinking about changing your Medicare coverage, the time to act is now. The dates for Medicare Open Enrollment are earlier this year to allow for a smoother transition to a new plan. Not only did Open Enrollment start earlier, but it also ends earlier – the last day for you to change your Medicare plan is **Wednesday, December 7**. This gives Medicare enough time to process any change you may make and have you linked correctly to the plan you choose as soon as your coverage starts. That way you can go to the doctor or your pharmacy on January 1 without having to worry about your coverage.

This year you have better choices, more benefits and lower costs, and it's worth it to review them. We all know that sorting through your health and drug coverage choices during Open Enrollment can be confusing but you don't have to do it alone. Medicare offers counselors to assist you in understanding the various plans available. You can visit the online [Open Enrollment center](#), where you'll find everything you need, [including a video on how the Medicare Plan Finder works](#), to walk you through your options.

Medicare counselors are there to help you with these decisions if needed. Take the time in the next few days to review and compare plans. It's worth it! You can call us too for assistance.

Sources: The Wall Street Journal; The Associated Press Newswire, The Wall Street Journal Online; Bloomberg News; Financial Times, Investor's Business Daily, medicare.gov. This material does not constitute tax, legal or accounting advice and neither Pinnacor Financial Group, Inc. nor Cambridge offers such specific tax advice. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Diversification does not guarantee against market declines or portfolio losses. You cannot invest directly in an index.

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