



Solutions Centered Wealth Management

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David L. Kaiser,
ChFC®, AIF®, President
Pinnacor Financial
Group, Inc.
4101 East Wesley
Avenue
Suite 7
Denver, Colorado
80222



Visit the
Pinnacor Financial
Group, Inc.
website



info@pinnacorfinancial.com



THE MARKETS

The week began with some relief that the worst fears regarding Hurricane Irene had failed to materialize. The storm blew through Manhattan with little disruption to stock market operations. However, millions of households were affected throughout the eastern United States, a development that could at least temporarily weigh down economic activity. U.S. and European stocks fell sharply in response to the U.S. Department of Labor's monthly nonfarm jobs report and the private sector jobs report.

Globally, manufacturing activity appears to be sluggish, with Chinese and U.K. manufacturing activity dropping to multi-year lows. However, Germany's economy continued to shine in contrast to many neighboring European countries, with bullish news on manufacturing and jobs.

Several major global stock indices showed gains for the week, which marked the end of the worst month in a decade for the U.S. stock market. Chinese stocks had their worst week in three months, as economic and earnings growth slumped while inflation remained at its highest level in three years. In Europe, the Stoxx Europe 600 Index had its strongest weekly rally since July. The U.S. 10-year Treasury yield fell to 2.05% as recessionary fears rose. Oil prices fell below \$86 a barrel.

Returns through 9/02/2011	1 Week	YTD	1-Year	3-Year	5-Year
Dow Jones Industrials	-0.34	-1.14	11.79	2.14	2.35
NASDAQ Composite	0.02	-6.50	12.74	1.83	2.49
Russell 2000	-1.19	-12.12	9.39	-1.17	0.36
S & P 500	-0.18	-5.38	9.86	-0.57	-0.08
MSCI EAFE NR USD	2.28	-8.20	4.07	-3.21	-2.00

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.

Two bank failures last week – There were two bank failures last week according to information available on the FDIC website. CreekSide Bank, Woodstock, GA with approximately \$102.3 million in total assets and \$96.6 million in total deposits was closed. Patriot Bank of Georgia, Cumming, GA with approximately \$150.8 million in total assets and \$111.2 million in total deposits was closed. Georgia Commerce Bank, Atlanta, GA has agreed to assume all deposits of both banks. 67 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.

U.S. job growth fizzles – U.S. employment stagnated in August, with no job growth, according to the monthly nonfarm payroll report released by the Labor Department Friday morning. It was the first time in 11 months there was no net increase in U.S. jobs. The disappointing news, however, was influenced by the 45,000 Verizon workers who were out of work because they were on strike at the time the report was compiled. Still, the report's employment picture fell far short of the 60,000- to 65,000-job gain that had been anticipated by economists, and the U.S. unemployment rate remained at 9.1%. More significantly, the weak showing reflected a lack of confidence among U.S. employers following the debt-ceiling showdown in Washington, the S&P downgrade of U.S. debt, the plummeting stock market, and ongoing concerns about Europe's sovereign debt crisis. While the report conveyed a flat employment picture, it did indicate an increase of 17,000 jobs in the private sector.

ADP reports 91,000 more private sector jobs – Private businesses added 91,000 jobs in August, on a seasonally adjusted basis, according to a report released by payroll giant Automatic Data Processing (ADP) and Macroeconomic Advisers, a consultancy. Almost all the hiring occurred at small businesses (a gain of 58,000) and medium-size businesses (30,000 new jobs). Businesses with 500 or more employees added only 3,000 jobs.

U.S. manufacturing growth stays surprisingly strong – U.S. manufacturing activity grew slightly in August, according to the Institute for Supply Management's factory index, which fell slightly to 50.6 from 50.9 in July. Economists had expected a drop to 48.5.

Weekly jobless claims ease slightly in United States – Initial claims for unemployment benefits by U.S. workers fell by 12,000 to a seasonally adjusted 409,000 in the week ended August 27, according to the Labor Department. However, the four-week moving average of new claims rose by 1,750 to 410,250.

Consumer confidence indices slip – U.S. consumers lost confidence in August, according to several confidence gauges. The Conference Board's index of consumer confidence dropped to 44.5 from 59.2 in July, its lowest reading since April 2009. The survey also showed that consumers expect inflation to rise to 5.8% in the next 12 months. Bloomberg's Consumer Confidence Index fell to -49.1 from -47.0 in July, its second lowest level in two years. The Thomson Reuters/University of Michigan final index of consumer confidence in August slipped to its lowest level since November 2008.

Consumer spending rose in July – U.S. consumers spent more than expected in July, on the basis of a report from the U.S. Department of Commerce, which showed that consumer spending rose 0.8%, the largest gain in five months. Income rose 0.3%, and the savings rate slowed to 5.0% from 5.5% in June, a trend that suggests a rise in confidence about the economy.



(303)758-2002

(800)781-6114

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U.S. auto sales rise – Sales rose in August for U.S. car manufacturers. Chrysler Group reported a 31% jump in sales, while General Motors and Nissan Motor each reported close to a 20% increase and Ford Motor had an 11% gain. Because of a slow recovery in production after the March tsunami, Japan's Honda Motor and Toyota Motor reported decreases in U.S. sales of 24.3% and 12.7%, respectively.

U.S. Justice Department a hard sell on merger – The U.S. Department of Justice filed an antitrust lawsuit to block a proposed \$39-billion merger between AT&T and T-Mobile USA, saying that it would substantially decrease competition, lead to higher prices, and reduce product innovation.

Eurozone confidence fades – Economic confidence among Eurozone businesses and consumers fell in August. The Economic Sentiment Indicator declined for the sixth-straight month, to 98.3 in August from 103.0 in July, the European Commission reported. It was the weakest reading since March 2010 and far below the 100.5 expected by economists. The consumer confidence index slid to -16.5 from -11.2, its largest one-month decline since 1990. In a separate report, Eurostat, the European Union statistics office, reported that inflation remained at 2.5% in August and unemployment stood unchanged at 10.0% in July.

Global manufacturing activity slumps – Manufacturing activity slumped across much of the world in August, according to various reports. Manufacturing in the Eurozone contracted, U.K. factory activity hit a two-year low, and a Chinese manufacturing index straddled the line between expansion and contraction, at 50.9, just above its 29-month low recorded in July. South Korea's purchasing managers' index fell into negative territory, to 49.7 from 51.3 in July.

German economic resilience a positive sign for Europe – Bullish reports from Germany indicate that Europe's largest and strongest economy continues to grow. Unemployment remained at its lowest level in two decades in August as unemployment fell for the twenty-sixth consecutive month. The unemployment rate remained at 7%, its lowest level since German reunification in 1991. Machine orders grew 9% in July from a year earlier.

Canadian economy shrinks– Canada's economic output shrank unexpectedly in the second quarter, its first contraction in two years. Canada depends heavily on international trade and has been hurt by the U.S. and European economic slowdown. Canadian GDP declined 0.1% in the second quarter, for an annualized 0.4% contraction. Among the G-7 nations, only Japan and Canada had a contraction in economic activity in the second quarter.

Bombardier profit soars – Canada's transportation giant Bombardier posted a 53% jump in second-quarter profit as revenue grew in both its aerospace and transportation divisions.

The week ahead

- The European Union reports its quarterly gross domestic product data Tuesday, September 6.
- U.S. Federal Reserve Board releases its "Beige Book," providing commentary on current economic conditions Wednesday, September 7.
- U.S. Commerce Department releases its trade balance data for August Thursday, September 8.
- U.S. Labor Department publishes its weekly report on unemployment insurance claims Thursday, September 8.
- Germany, France, the U.K., Canada, and Australia release their monthly trade figures next week.

WEEKLY FOCUS

Americas waiting for the President's job plan. Later this week President Obama will detail a fresh effort to bolster the American labor market. And it needs bolstering. The August numbers, released last Friday, showed that there was no change in nonfarm payrolls last month. On top of that, revisions to June and July eliminated 58,000 jobs. However, the jobs numbers themselves are a bit irrelevant.

The reality is that the Federal Reserve has done what it can, which Ben Bernanke and his regional counterparts have been saying publically in recent weeks. And there's seems to be little incentive for American lawmakers to compromise, ahead of the 2012 presidential vote.

That leaves President Obama on his own to propose ideas on improving the jobs situation. The question is, will he take the bull by the horns?

The White House is considering more infrastructure spending, tax incentives to encourage hiring, a cut in the employer portion of the payroll tax credit and changes to unemployment insurance to subsidize worker retraining, according to Bloomberg reports.

Certainly not exactly inspiring stuff. And what does this mean for investors? The certainty that there will be more uncertainty.

"We are into the 'bumpy journey' phase of our new normal where fear, lack of policy options and loss of control" can dominate, PIMCO Managing Director Bill Gross wrote in his September comment.

This week, shortened one day by North America's Labor Day holiday, will bring fresh data on the US services sector, the Fed's Beige Book and balance of trade numbers. Overseas, the European Central Bank will meet and at the weekend Group of Seven finance ministers and central bankers will gather in France. There's diminishing confidence among investors that these officials can affect any change.

Give us a call to set an appointment to discuss your portfolio or any other financial concerns.

Sources: *The Wall Street Journal*; The Associated Press Newswire, The Wall Street Journal Online; Bloomberg News; *Financial Times*, *Investor's Business Daily*. 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.