THE PLANNING GROUP

A Wealth Management Firm

Weekly Commentary Report
November 28, 2011

Big Picture[10 11 & 12]

Since VPM is one of our core models, I thought I would provide some of Bob Kendall's comments from his Monday *Weekly Report*, (which was pulled together Sunday night)

As this week begins, we've seen the volatility pick up again, this time to the upside. Rumors overnight that the IMF (Europe's central bank) was going to add $600 billion to Italy started a short covering rally. The rally has remained in place for most of the evening, suggesting that the market will open around 2 1/2% higher.

The IMF has denied that it is lending any funds to Italy and stated that there are no talks of doing so. I mentioned last week in commentary that the market is very oversold and this is the oversold bounce that is unfolding. This is very timely as we had a large tranche of sell signals for this morning's opening which will give us an opportunity to sell at much higher prices than we could have on Friday of last week.

It appears that every time that the market gets down to a failure point, an erroneous story that triggers short covering comes out to save the day. There seems to be little substance to any of the stories that are coming out of Europe. It just seems like another day, another plan; we've heard all that before.

Europe seems to be working on a plan for the long-term, but what they need is a plan for the short-term. They need a way to recapitalize the banks and to finance needs of the periphery of Europe. There doesn't seem to be a plan on the table to do anything that is needed for the short-term. Everything is for the longer-term. Meanwhile, the system continues to be under pressure.

My expectation is that we will see a highly volatile week as there are several auctions coming out of Italy and other areas of the periphery all this week that will be under a microscope for every new story, every action that comes from these bond auctions. Last week's failure of the German bunds was a major warning signal to the European nations. Even Germany and France are at risk. Meanwhile, S&P and other rating agencies continue to lower the ratings on many of the periphery EU countries.

The systemic nature of these issues continues, suggesting there is a lot of risk that is coming back to the markets. Market participants will be watching every new story, every bond auction, and reacting to them as they occur.

As we look back on the action of last week, Friday marked the seventh consecutive session of lower prices as it has fallen 7.8%. Last week alone the markets were down approximately 4.7%.

The gold market continues to be highly correlated with the stock market as it seems to decline and rise with the stock market. Meanwhile, other commodities seem to be not affected by currency movements at this time. There's so much emotion, this crosses currents in every direction possible, especially in the crude oil market.

The markets declined sharply on Wednesday as a broad-based selloff sent the market to the lowest level in over a month. Most of this action was not even related to Europe as market participants became pessimistic due to jobless claims, mixed durable goods orders, and moderate personal income growth.

Earlier in the week, the market decline related to the third quarter GDP revision downward, keeping pressure on the markets. Just when market participants started to take weakness in the economy off the table, it shows up again as some of the numbers are indicating a mixed economic picture.

The Markets[6]

"It's a small world after all."

Living in an age of jet travel, the internet and mobile communication have its advantages. It makes our world of 7 billion people seem a bit smaller since we're just one plane ride or "one boot of the computer" away from connecting with anyone in the world. But, along with the good comes the bad. Worldwide interconnectedness not only connects us socially, it also connects us economically.

A bit closer to home, the sovereign debt problems in Europe are helping keep a lid on stock prices in the U.S., according to MarketWatch. As the debt problem spreads from the peripheral euro-zone countries to the core in Germany -- which had a failed bond auction last week - the U.S. is caught in the cross fire.

What's disappointing about being joined at the hip with Europe is that the U.S. economy is actually performing okay. Consider these positive points:

- Our trade deficit declined for the third month in September, thanks to rising exports.
- Industrial production rose strongly in October.
- Residential building improvements are touching record highs.
- October car sales hit the highest level since February.
- Consumer sentiment in November rose to the highest level since June, according to data from the University of Michigan and Thomson Reuters.
- Personal income in October showed the largest increase since March.
- Black Friday sales rose sharply from a year ago.

Sources: Economist; MarketWatch

Granted, these improvements are coming off a low base and are so fragile that the modest recovery in the U.S. could get derailed if the euro-zone situation continues to deteriorate. Our small world is now focused on Europe and whether it can pull out of its debt debacle. Time to do so is running out for our friends across the pond.

Data as of 11/25/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-4.7%	-7.9%	-2.6%	10.6%	-3.5%	0.0%
DJ Global ex US (Foreign Stocks)	-5.7	-21.2	-17.5	9.7	-5.3	3.8
10-year Treasury Note (Yield Only)	2.0	N/A	2.9	3.1	4.5	5.0
Gold (per ounce)	-1.8	19.7	23.0	27.2	21.5	20.0
DJ-UBS Commodity Index	-2.2	-12.7	-3.2	5.4	-3.8	4.7
DJ Equity All REIT TR Index	-5.7	-4.0	-0.2	23.4	-3.5	9.2

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

The concept of diversification suggests that you own a diverse group of investments. One of these diverse groups of investments could include non-U.S. stocks. That might make sense because, as the following chart shows, the U.S. stock market captures less than one-third of worldwide stock market value based on market capitalization.

% of World Equity Market Capitalization			
Country	**5 Years Ago**	**Mid August 2011**	**5-Year Change**
1. U.S.	36.05%	29.14%	-6.91%
2. China	1.36	7.87	6.52
3. Japan	10.93	7.73	-3.20
4. UK	7.76	6.43	-1.33
5. Hong Kong	2.98	4.88	1.90
6. Canada	3.25	4.20	0.96
7. France	4.95	3.33	-1.62
8. Germany	3.35	2.80	-0.55
9. India	1.43	2.77	1.35
10.Brazil	1.34	2.72	1.37

Source: Bespoke Investment Group, August 22, 2011; *New Forces in the World Economy* by Brad Roberts

The above chart shows some interesting trends:

- The U.S. is still, by far, the largest market in the world, but it has declined substantially in the past five years.
- China has catapulted to second place with dramatic growth in the past five years.
- Japan, UK, France, and Germany join the U.S. as developed countries that have lost ground over the past five years.
- Emerging countries such as Hong Kong, India, and Brazil have shown strong relative growth.
- Although not shown on the chart, back in the late 1980s, Japan's stock market represented 45% of world equity market capitalization. Now, it's less than 8% due to a 20-year bear market.

Financial Facts[7]

The yearly energy consumption of oil is now virtually the same for the United States and China - both utilize approximately 18 billion barrels of oil annually.

Chuckle For The Day

“I've never thought about divorce. I’ve thought about murder, but never divorce.

Dr. Joyce Brothers

Additional Thoughts

“So many people spend their health gaining wealth, and then have to spend their wealth to regain their health.” A.J. Reb Materi

“Being rich is having money; being wealthy is having time.” Margaret Bonnano.

“Ordinary riches can be stolen, real riches cannot. In your soul are infinitely precious things that cannot be taken from you.”Oscar Wilde.

“Real wealth is not achieved through the collection of lavish in tangible items, but through the collection of knowledge, experiences, adventures and memories.” Unknown.

Best regards,

Reid Johnson and the Investment Team

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* You cannot invest directly in an index. 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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market. Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association. The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998. The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

[6] The source for the information was derived from Peak’s *Weekly Commentary 11/28/11* edition.
[7] The source for the information was derived from Bob LeClair's *Finance & Markets Newsletter 11/27/11*
[8] Information derived from *The Virtual Advisor 11/26/11.*
[9] Information derived from *The Kipplinger Letter 11/26/11* edition.
[10] Information derived from John Mauldin as noted in this weekend’s *FrontLine Thoughts 11/20/11.*
[11] Information derived from *Day Hagan Asset Management 11/27/11*

[12] Information derived from Bob Kendall as noted in his weekend's *Weekly Commentarys 11/28/11*
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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Scottsdale Office - 8800 N. Gainey Center Drive - Suite 176 - Scottsdale - Arizona - 85258-2122
Sun City West Office - 13912 W. Stardust Blvd. - Suite 119 - Sun City West - Arizona - 85375
Telephone (480) 596-1580 - (888) 596-1580 - Fax (480) 596-2165 - e-mail - kris@theplanninggroup.com
www.theplanninggroup.com