

IN THE NEWS

NOVEMBER 8, 2009

Economic News

For the first time in a year, during the period July through September, the U.S. economy grew at a rate of 3.5% [1]. {In contrast, China is expected to grow at a 9.5% rate for the final quarter [2].} However, the loss of another 190,000 jobs resulted in the unemployment rate reaching 10.2% in October [3]. This is the highest level in 26 years [4]. If all unemployed are counted (the old measurement), the rate becomes 17.5%, the highest since the great depression [5]. On the housing front last quarter, Freddie Mac's loss was \$6.3 billion; while Fannie Mae's loss was \$18.9 billion [6].

Since the last newsletter, India purchased 200 tons of Gold, driving the price to a new all time record of \$1,086.10 per ounce [7]. One day later (November 3), gold continued to rise to \$1,090.90 per ounce [8]. Gold price increased during the week and peaked at \$1,101.90 an ounce [9]. Furthermore, other economic signs are not good. Case in point, for the first time in five months, consumer spending fell in September [10]. Spending fell after the end of the cash-for-clunkers program [11].

Financial institution weakness continues to stress the economy. For example, CIT Group with \$71 billion in assets became the fifth largest bankruptcy in U.S. history [12]. CIT was a major lender to small and medium sized businesses and the impact on small business is uncertain [13]. Concurrently, Secretary of Treasury Geithner called for banks to resume making loans to businesses [14]. What's more, bank the closing rate increased since last newsletter. For example, on October 30, U.S. Bancorp acquired nine banks shuttered by regulators [15]. The closed banks were: Bank USA, National Association; California National Bank; San Diego National Bank; Pacific National Bank; Park National Bank; Community Bank of Lemont; North Houston Bank; Madisonville State Bank; and Citizens National Bank [16]. Subsequently on November 6, five more financial institutions were shuttered. The first closed was the United Security Bank of Georgia [17]. Next, the Home Federal Savings in Michigan became the 117th financial institution closed this year [18]. After that, the Prosperan Bank in Minnesota became the 118th closed [19]. This was followed by the Gateway Bank in Missouri, the 119th closed [20]. In conclusion, the United Commercial Bank in California became the 120th financial institution closed [21].

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Special points of interest:

- Jobless rate reaches 26 year high of 10.2% (true rate is 17.5%, highest since Great Depression)
- CIT Group files for 5th largest bankruptcy in U.S. history
- Nine banks shutters during one week, busiest week this year
- Gold reaches new record high of \$1,100 per ounce
- 120th financial institution shuttered

IT security

Hackers continued targeting world government computers. Case in point, the Swiss foreign ministry was shut down for several days after suffering a cyber attack that compromised unspecified information [1].

Governments continue to address the growing threat from cyber attacks. For example, in the U.S., the Department of Homeland security (DHS) opened a \$9 million cybersecurity center in northern Virginia [2]. Illustrating

the growing risk from cyber attacks; the government will build and the NSA operate a \$1.5 billion cybersecurity data-center in Utah [3]. What's more, a house panel is exploring an expanded cybersecurity

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Economic News

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15. Shankar, Vivek and Campbell, Dakin, Bloomberg, *U.S. Bancorp Acquires Nine Failed Banks, Accelerating Growth*, October 31, 2009.
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19. Pepitone, Julianne, CNN Money, *Four banks fail - Georgia, Michigan, Minnesota and Missouri*, November 6, 2009.
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IT Security

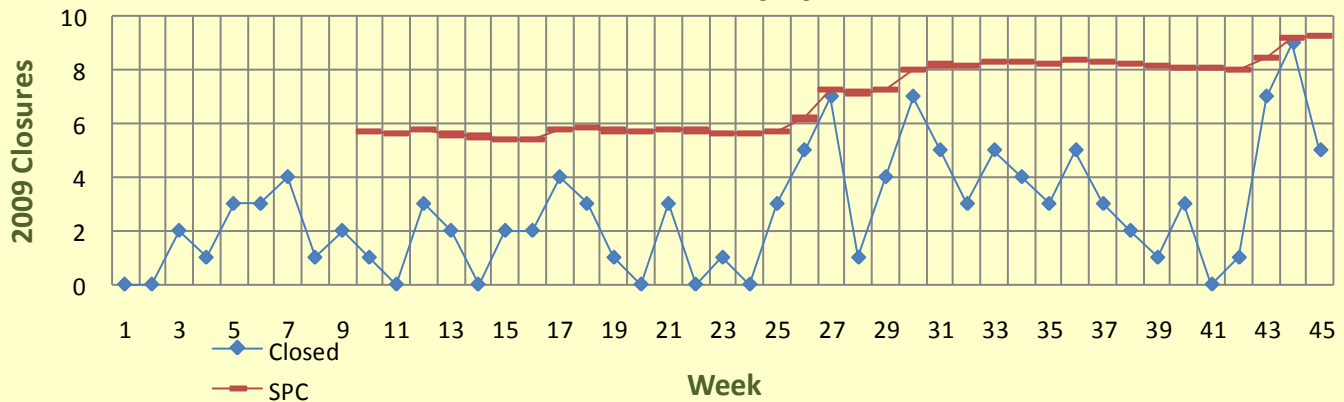
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role that includes international coordination for the National Institute for Standards and Technology (NIST) [4]. With Windows 7 now released, the first patch has been issued that fixes a Vista upgrade problem that hangs systems [5]. The next set of Microsoft patches will fix 15 security holes [6].

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*A well adjusted person is one
who makes the same mistake
twice without getting nervous*
—Alexander Hamilton

SPC Threshold 11/8/2009



Homeland Security

The war against terrorism continues. For example, Pakistan has been attacking Taliban strongholds for several weeks [1]. During one operation, Pakistan's army has uncovered a passport belonging to a German 9/11 suspect [2].

Domestically, new technology continues to expand the capabilities of our critical infrastructure. For instance, approximately \$3.4 billion in new smart grid projects will be funded under the stimulus bill [3]. We hope adequate

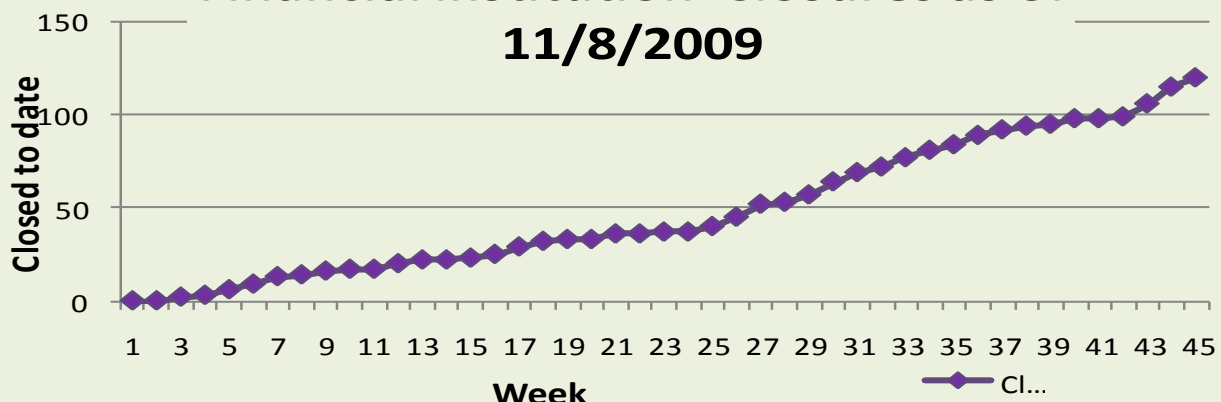
security is included in the new smart grid. Case in point, in 2005 and 2007, power outages in Brazil were caused by cyberattacks [4]. Elsewhere, the FBI is warning of an ongoing bank scam where \$100 million has been moved out of bank accounts [5].

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*We should seek by all means
in our power to avoid war,
by analyzing possible causes,
by trying to remove them, by
discussion in a spirit of
collaboration and good will.
I cannot believe that such a
program would be rejected by
the people of this country,
even if it does mean the
establishment of personal
contact with the dictators—
Neville Chamberlain*

Financial Institution Closures as of 11/8/2009



World News

China continues strategic military planning. For example, one Chinese general called military competition in space inevitable [1]. Furthermore, China tried to reassure the U.S. that its military buildup is no threat and would like closer ties with American military [2]. On the economic front, the China rep to the World Trade Organization (WTO) said proposed tariffs on CO₂ (Carbon Dioxide) emissions are unworkable and counterproductive [3]. Furthermore, China reported October manufacturing growth increased for the 8th month [4]. In other news, Senator Schumer called on the President to block Federal funds (\$450 million) for a planned a \$1.6 billion West Texas wind farm using made in China windmills [5]. In contrast, China has accused the U.S. of protectionism [6]. Using stalling techniques, Iran continues its nuclear weapons program. For instance, Iran agree with a proposal to send its nuclear fuel to other countries for refinement; only to later announce significant changes [7]. The revisions Iran was asking for included immediate nuclear fuel exchange and lower volume transfer; these were non-starters for Western countries [8]. In response to Iran's latest changes, the U.S. considered imposing

additional sanctions [9]. As expected, senior Iranian lawmakers rejected the UN back plan [10]. In yet another delaying tactic; Iranian officials announced they are ready for renewed nuclear talks [11]. Furthermore, an Iranian official says there will be no exchanging fuel [12]. In a clear sign of Iranian regional goals; Israel seized a ship carrying a large quantity of advanced Iranian weapons heading for Hezbollah terrorists [13]. Iran is not the only country to extort the world with threats. Case in point, North Korea announced they reprocessed additional Plutonium and can now make additional nuclear weapons [14].

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Crime

Fraud continues to dominate criminal news. Three examples follow. Over 100 people were charged in a \$400 million mortgage fraud scheme in Florida [1]. In New York, 14 people were charged with a \$20 million insider trading [2]. In Minnesota, the

operator of a paint services company was charged in a \$53 million Ponzi scheme [3].

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*Pessimism never won any
battle—Dwight Eisenhower*
