

IN THE NEWS

DECEMBER 6, 2009

Economic News

The number of FDIC insured troubled financial institutions increased from 416 in June to 552 at the end of September [1]. So during 92 days, 136 more banks were added to the troubled list for a rate of 1.48 banks per day. What's more, 50 financial institutions were shuttered during this quarter. If we add to the list, 186 more banks were added for a rate of 2.02 banks per day. More troubling news for the FDIC; for the second time since its creation, it's in the red (\$8.2 billion) [2]. Meanwhile, for the 5th consecutive quarter banks reduced lending, this time by 2.8% [3].

Continuing its upward trend, gold started with a new high of \$1,179.80 an ounce [4]. Then, as Americans celebrated Thanksgiving, gold reached a new high of \$1,194.90 per ounce [5]. The new month saw gold continuing to rise to over \$1,200 per ounce [6]. For the newsletter period, gold achieved a record high of \$1,227.50 before pulling back [7]. Advertised as a significant improvement, only 466,000 first time unemployment claims were filed for the week ending November 21 [8]. What's more, the Labor Department indicated the number of people drawing unemployment compensation fell from 10.2% to 10.0% [9].

During the week of Thanksgiving, no financial institution was shuttered. However, on December 4, six were closed. The first shuttered was the Buckhead Community Bank of Atlanta [10]. Next, the First Security National Bank became the 126th closed [11]. Then the Tattnell Bank in Georgia and AmTrust Bank in Ohio became numbers 127 and 128 respectively [12]. The next bank closed (129th) was the Benchmark Bank in Illinois [13]. Finally, 130th closed was the

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Special points of interest:

- Gold reaches new all-time high of \$1,227.50 an ounce per ounce
- 130th bank closed

IT security

Our information technology dependent critical infrastructure remains vulnerable. This article describes two examples where the root cause has yet to be determined, followed by a privacy breach with global implications.

The London stock exchange was down for over three hours due to a "technical glitch" [1]. The reason cited for the glitch was inadequate

routing systems of liquidity providers [2].

There was another accident with the Washington DC metro train system; one train crashed into the rear of another at the West Falls Church rail yard [3]. The National Transportation Safety Board (NTSB) has started an investigation [4].

Hackers stole thousands of email messages from climate scientists and then posted

throughout the internet; the compromised emails are having a detrimental impact on the theory of global warming [5]. The compromised email messages are particularly embarrassing to the Intergovernmental Panel on Climate Change (IPCC) because a scientist there was awarded a Nobel Prize (along with Al Gore) for research on global warming [6]. What's more, the chief scien-

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Greater Atlantic Bank in Reston, Virginia [14]. Of the six banks closed, AmTrust was the largest with a cost to the of FDIC approximately \$2 billion [15].

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The problem is that agencies sometimes lose sight of common sense as they create regulations—Fred Thompson

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11. Gordon, Marcy, AP, *Regulators shut 2 Georgia banks*, December 4, 2009.
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13. Feiger, Mitchell, Business Wire (Chicago), *MB Financial Bank Acquires Deposits and Loans of Benchmark Bank*, December 4, 2009.
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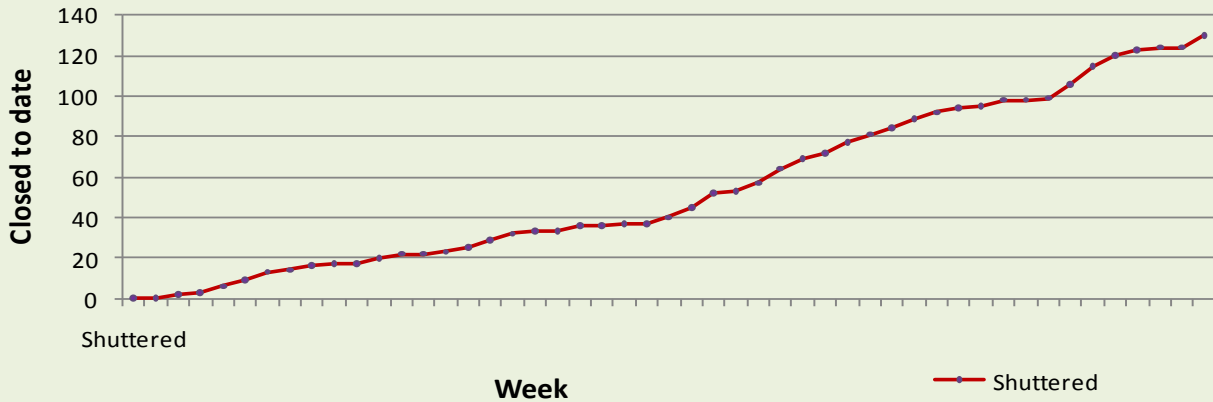
IT Security

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tist, Phil Jones, has stepped down during the investigation [7]. A lesson from this incident, encrypt sensitive information.

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4. WJLA (ABC News), *NTSB Probes Metro Rail Yard Crash*, November 30, 2009.
5. Crovitz, L. Gordon, Wall Street Journal, *The Web Discloses Inconvenient Climate Truths*, November 29, 2009.
6. Randerson, James, Guardian (UK), *Leaked emails won't harm UN climate body, says chairman*, November 29, 2009.
7. Eilperin, Juliet, Washington Post, *Scientist steps down during e-mail probe*, December 2, 2009.

Financial Institution Closures as of 12/6/2009



Defective Chinese Products

The U.S. Consumer Product Safety Commission (CPSC) found evidence that imported Chinese drywall was corroding metal [1]. In particular, evidence of Hydrogen Sulfide (H_2S) originates from the contaminated drywall [2]. So far the investigation has cost \$3.5 million and there have been 2,091 complaints reported so far [3]. The cleanup costs are estimated at (\$15–25) billion [4].

Now that H_2S from Chinese drywall has been identified as a source of corrosion; what are the health impacts? The Centers for Disease Control (CDC) has a good description how deadly this rotten egg smelling gas is. Even in small

concentrations, it is extremely toxic [5]. So while people are getting sicker, the international debate continues.

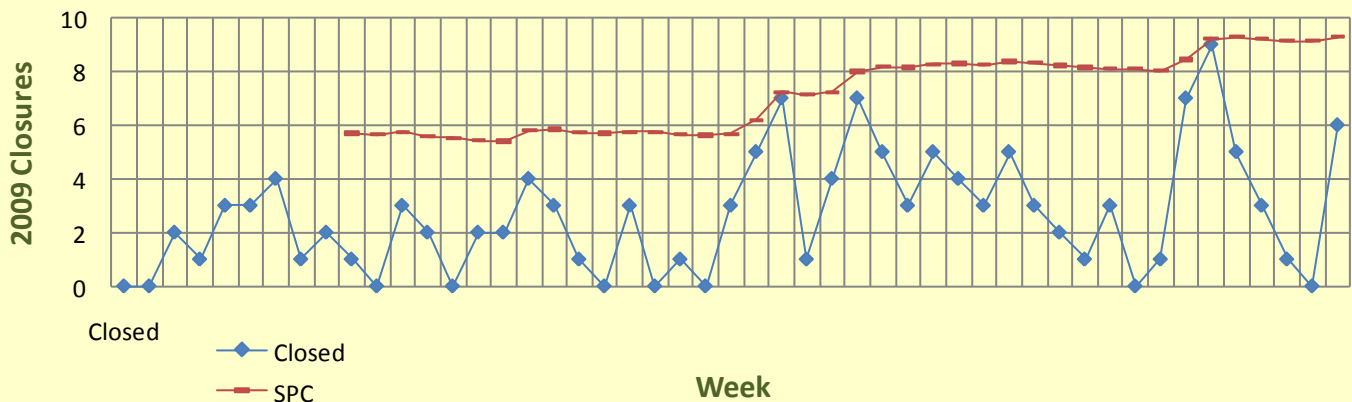
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*The greatest meliorator of
the world is selfish,
huckstering Trade—Ralph
Waldo Emerson*

SPC Threshold 12/6/2009



World News

While U.S. companies cannot get loans from banks, this is not the case with our largest creditor. Case in point, China State Construction Engineering Corp will be getting some Federal funded dollars after it won a \$94.35 million NY subway construction project [1]. What's more, the China Construction Bank's NY offices are turning away loan applications from US companies [2]. So until the US banks can start lending again, global competition will continue to favor Chinese industry. Meanwhile, the European Union Chamber of Commerce warned, China's industrial overcapacity is causing far reaching damage to the global economy [3]. Furthermore, China will not allow its currency to appreciate against the dollar, thereby making Chinese exports cheaper [4]. Meanwhile, China's manufacturing expanded by the fastest pace in five years, thereby driving the price of oil higher [5].

China announced it will cut new growth emissions in half by 2020 [6]. To be clear, China is not agreeing to cut any of its current emissions, only to slow the amount of new industrial emissions in 2020 by half. In contrast,

President Obama plans to cut U.S. emission by 17% of 2005 levels [7]. A quick calculation shows the offset by the U.S. will not equal the increase by China.

Along the border with Yemen, 9 Saudi soldiers fighting Shi'ite rebels were reported missing [8]. Furthermore, after the rebels have captured land in Saudi Arabia, the Saudis reported retaking a mountain on their side of the border [9].

Iran continues to defy the UN. Case in point, Iran announced plans to build 10 new uranium enrichment plants [10]. Later, Iran increased the number to 20 nuclear sites [11].

Meanwhile, India's economy grew 7.9% in the July-September period, its largest increase in six quarters [12].

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Merchants have no country.

The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains—

Thomas Jefferson

Crime

Since the last newsletter, three notable cases of fraud are presented. In Chicago, a businessman was arrested for allegedly swindling \$millions from investors [1]. Elsewhere in Chicago, a software company co-founder was charged in a \$60 million fraudulent scheme [2]. In Mas-

sachusetts, a mortgage broker was charged with a \$1 million loan fraud [3].

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