

IN THE NEWS

JANUARY 31, 2010

Economic News

The economic outlook for the U.S. suffered more bad news. For example, Citigroup reported a \$7.6 billion quarterly loss [1]. Next, the Bank of America reported a quarterly loss of \$5.2 billion [2]. In contrast, Goldman Sachs earned \$4.95 billion for the quarter [3]. China maintains an artificially depressed currency at the expense of the U.S. [4]. While the U.S. endures a protracted recession, China reported a quarterly growth of 10.7% [5]. However, the U.S. economy grew at the fastest rate in four years [6]. Meanwhile for the week ending January 16, the number of first time unemployment claims rose 36,000 to 482,250; economists had expects a slight drop [7]. What's more, the number of first time unemployment claims for the week ending January 23 fell to 470,000; however, this was 20,000 more than expected [8]. Elsewhere, Russia is moving away from the U.S. dollar in favor of Canadian currency [9]. Moreover, according to former Treasury secretary, in 2008, Russia encouraged China to dump its Fannie and Freddie bonds to force a U.S. bailout [10]. On the housing front, existing home sales fell last month by the most in 40 years [11]. In a surprise, Ford Motor Company reported a \$2.7 billion profit for 2009 [12]. In another sign of trouble ahead, the Senate approved a \$1.9 trillion increase in debt for a new ceiling of \$14.3 trillion [13].



At last count, there were 552 financial institutions on the FDIC watch list, suggesting more pain in the banking industry [14]. What's more, the pace of bank closings has increased. For example, regulators shuttered the following five financial institutions January 22: 5) The Premier American Bank in Miami; 6) The Bank of Leeton in Missouri; 7) The Charter Bank in Santa Fe, New Mexico; 8) The Evergreen Bank in

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IT Security

The multi-stage zero-date Internet Explorer exploit used against Google also hit 30 other companies [1]. What's more, at least 2 foreign journalists in China had their email hacked [2]. Interestingly, even though all signs indicate China launched the attack, the U.S. is asking China to investigate the matter [3]. In response, China claims the Google problem is a conspiracy by the U.S. [4]. Microsoft released a patch on

Thursday (January 21) that fixed 8 security holes, including the one used to exploit Google [5]. Since the attack, additional evidence shows the attack against Google originated in China [6]. Security breaches are not limited to Google. Case in point, the Lincoln National Corporation financial services firm alerted 1.2 million individuals of a security breach [7]. Elsewhere, 57

hard drives containing sensitive patient information were stolen from BlueCross BlueShield in Tennessee [6]. It is unclear what the cost to the insurance company will be; however in 2009, the average data breach per record cost \$204 [8].

In a recent survey, half of critical infrastructure operators (such as power plants), indicated their networks were penetrated by sophisticated attacks

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Special points of interest:

- Ozone from China is causing smog in the Western U.S
- China's last quarterly growth rate was 10.7%
- 15th bank shuttered
- Half of critical infrastructure networks experienced sophisticated attacks

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Seattle, Washington; and 9) The Columbia River Bank in Oregon was shuttered [15]. Then on January 29, regulators closed six more banks. The banks shuttered were: 10) the First National Bank of Georgia; 11) the Florida Community Bank; 12) The Marshall Bank in Minnesota; 13) the Community Bank and Trust in Georgia; 14) the First Regional Bank in Los Angeles [16]. Finally, the 15th financial institution shuttered was the American Marine bank in Washington [17].

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*Shall we suppress the impost
and give that advantage to
foreign over domestic
manufactures?—Thomas
Jefferson*

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[9]. Furthermore, 49 U.S. House of Representatives web sites were hacked and defaced during one night [10].

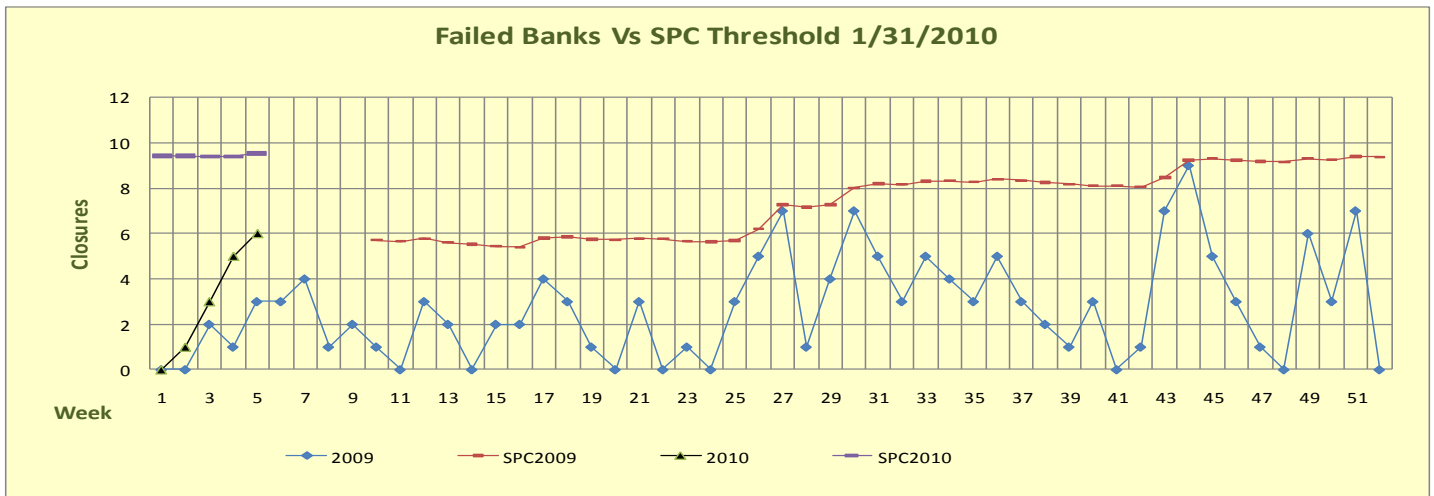
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Needs to Investigate Google Attack, U.S. Says, January 20, 2010.

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Somali Pirates

Crime on the high seas pays off. Case in point, a record \$5.5 million ransom was paid to Somali pirates for the release of a Greek oil tanker [1]. Another report suggests the ransom was \$7 million and that three pirates were killed during infighting over the spoils [2]. Consequently, the pirate successes are drawing more Somali recruits; indicating piracy will not abate anytime soon [3].

What's more, the pirates are brutal to their captives. Case in point, a British couple captured on their yacht have been beaten, whipped, and are in fear for their lives [4].

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Killed in Fight Over Ransom for Tanker, January 19, 2010.

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A man with a new idea is a crank - until the idea succeeds—Mark Twain

Algorithm Trades

The NYSE Euronext fined Credit Suisse Securities \$150,000 for high-frequency computer algorithm driven trading rule violations from November, 2007 that resulted in slowed the exchange [1]. Algorithmic trading refers to automated trades executed through software programs which do not require humans to place orders [2]. Fear is growing that the algorithm driven trades may have been behind the three hour London Stock Exchange last year and other exchange failures [3]. In the meantime, the SEC is examining the risk from

high-frequency computer driven trading [4]. Furthermore, the SEC is proposing banning naked exchange access that allow high speed transactions in which the exchange and regulators may not know who is making the transactions [5].

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World News

The increased level of Ozone from China is responsible for smog in the Western U.S. [1]. Adding to air pollution, last year China produced 46.5 percent of the world's steel [2].

For those hoping there would be sanctions applied against Iran; China has again opposed such a measure [3]. What's more, Iran has a \$144 million contract with a German company for technology used in expanding Iran's natural gas export industry [4]. In such an environment, it's unclear what chance sanctions could have on slowing Iran's quest to build nuclear bombs.

Trying to determine what China is doing was left to the intelligence community. Relying on China to tell the truth is a questionable policy. For example, China rejected claims of Internet hacking [5]. In light of this, one report suggests U.S. intelligence has lowered China as high priority [6]. Not knowing what China's real military capability is a very dangerous policy. Case in point, Russia and the U.S. are close to a nuclear

arms reduction treaty that will reduce warheads and delivery systems; while China is not part of the treaty talks [7]. In summary; we are reducing our nuclear capability, transporting our wealth, technology, and industry to China; and while China expands its intelligence gathering capability, we are cutting back on ours. On a positive note, the U.S. will impose \$30 million in duties on imported Chinese electric blankets ranging from 90% to 175% [8].

Elsewhere, South and North Korea exchanged artillery fire near the disputer sea area [9]. Furthermore, India, one of the rapidly growing countries in the world plans to launch its first manned space mission in 2016 [10]. In contrast, the U.S. plans to abandon any near term return to the moon [11].

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The new American finds his challenge and his love in the traffic-choked streets, skies nested in smog, choking with the acids of industry, the screech of rubber and houses leashed in against one another while the town lets wither a time and die—John Steinbeck

Multi-million dollar crime continues in the news. For example, in Wisconsin, a former employee of the Koss Corporation was charged with embezzling \$31 million

[1]. In Chicago, two men were charged with operating a \$4 million Ponzi scheme [2].

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Crime