

IN THE NEWS

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The Economy

Confirming the current recession is not over; those on Social Security are facing a second year without a cost of living increase [1]. Another sign of a soft economy; U.S. production for September unexpectedly fell 0.2% [2]. Meanwhile, gold continued setting new price records [3].

Bank foreclosures reached a record in September of 102,134 homes [4]. On unemployment, first time claims for the week ending October 9 increased to 462,000, higher than economists predicted [5]. A week later, the first time unemployment claims for the week ending October 16 fell to 452,000; however, the numbers for the previous week were raised significantly to 475,000 from 462,000 [6]. There is more bad news for the employment numbers. For example, U.S. companies continue outsourcing jobs that are unlikely ever to return [7].

In China, auto sales rose 19.3% up from 18.7% in August [7]. What's more, China's foreign currency reserves increased by another \$194 billion from July to September reaching a new high of \$2.65 trillion [8]. It is interesting to observe other countries enriched by unfair trade responses to China. Case in point, Japan and South Korea are confronted with a growing China that uses the same unfair trade advantages that they used against the U.S. [9]. What's more, many investors are moving their money to China [10]. Unlike the U.S. that allowed industry and wealth to leave; Japan and South Korea are fighting to keep their acquired wealth. For instance, the U.S. stopped pressuring China to float their currency [11]. Meanwhile the August US trade gap increased to \$46.35 billion; \$28 billion of which was with China [12].

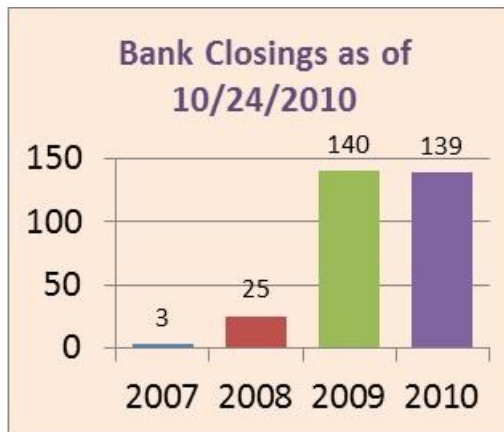
Regulators continued shuttering financial institutions. On October 15, the following three were closed: 130) Security Savings Bank in Kansas; 131) WestBridge Bank and Trust Company in Missouri; and 132) Premier Bank in Missouri [13].

Then on October 22, the following seven financial institutions were shuttered: 133) First Bank of Jacksonville in Florida; 134) Progress Bank in Florida; 135) The Gordon Bank in Georgia; 136) The First National Bank of Barnesville in Georgia; 137) First Suburban National Bank in Illinois; 138) Hillcrest Bank in Kansas; and 139) First Arizona Savings in Arizona [14]. Meanwhile, the Bank of America reported 3rd quarter loss of \$7.3 billion due to regulatory

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Special points of interest:

- 139th bank shuttered
- Bank foreclosures set new record
- China's foreign reserves reach \$2.65 trillion

Security

Finding security flaws in software products remains a constant challenge for security maintenance. For example, On October 12 Microsoft released 16 patches (the largest fix yet),

- fixing 49 security flaws [1].
- In the cyber world, Chinese hackers successfully stole South Korea defense secrets [2].
1. Finkle, Jim, Reuters, *Microsoft issues its biggest*

ever security fix, October 12, 2010.

2. AFP, *Hackers in China steal S.Korean secrets*: Seoul, October 15, 2010.

The Economy

(Continued from page 1)

changes associated with its credit card business [15].

1. McLaughlin, et. al., NY Daily News, Sorry, seniors, Social Security raise stalled for second year in a row, October 11, 2010.
2. Schlisserman, Courtney, Bloomberg, Production in U.S. Unexpectedly Falls for First Time in a Year, October 18, 2010.
3. Saefong, Mtra, Market Watch, Gold futures rise to highs near \$1,390 on Globex, October 14, 2010.
4. Schlisserman, Courtney, Bloomberg, Initial Jobless Claims in U.S. Rose 13,000 Last Week to 462,000, October 14, 2010
5. Riley, Charles, CNN

Money, Foreclosure auctions hit record as document crisis unfolds, October 14, 2010.

6. Lynch, Sarah, and Di Leo, Lucia, Wall Street Journal, Jobless Claims Remain Elevated, October 21, 2010.
7. Lee, Don, Los Angeles Times, U.S. jobs continue to flow overseas, October 6, 2010.
8. Lin, Liza, Bloomberg, China Auto Sales Rise 19% in September on Incentives, October 12, 2010.
9. Kong, Kanga, Wall Street Journal, South Korea Complains to Japan Over Minister's Comment. October 14, 2010.
10. Chiang, Langi, and Yao, Kevin, Reuters, Cash floods into China, raising

pressure on yuan, October 13, 2010.

11. Palmer, Doug, Reuters, U.S. backs off in currency dispute with China, October 16, 2010.
12. Talley, Ian, and Bater, Jeff, Wall Street Journal, U.S. Trade Deficit Widens, October 14, 2010.
13. AP, Regulators close 3 banks in Kan, Mo, October 15, 2010.
14. Gordon, Marcy, AP, 7 Banks Closed in Fla., Ga., Ill., Kan., Ariz., October 22, 2010.
15. Schwartz, Nelson, New York Times, Bank of America Reports \$7.3 Billion Loss, Citing Charges, October 19, 2010.

A disordered currency is
one of the greatest political
evils—Daniel Webster

Failed Banks Vs SPC Threshold 10/24/2010



Energy News

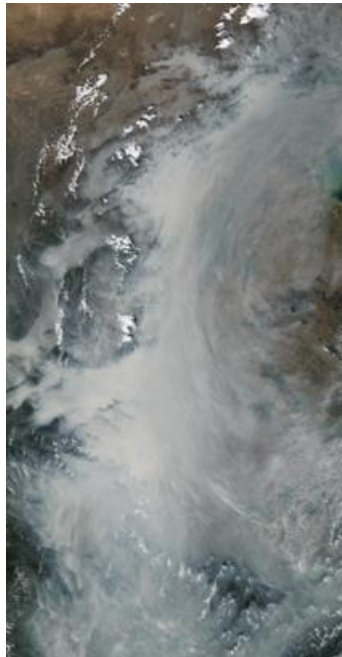
After months of delay, the Interior Department lifted the ban on deepwater drilling [1]. Meanwhile, in South Texas, State-owned Chinese energy giant CNOOC is buying a multi-million dollar stake in gas and oil fields [2].

Signaling an expanding economy, China set a new oil importing record of 5.52 million barrels per day [3]. When the inevitable weakening of the dollar occurs, Americans will be confronted with ever rising oil costs thereby causing further economic turmoil. For example, some members of Organization of Petroleum Exporting Countries (OPEC) want to see oil increase to \$100 per barrel to compensate for the weak dollar [4]. With the U.S. consuming 21 mil-

lion of the world's 86 million barrels of oil produced daily, the weak dollar will certainly pressure higher inflation [5]. Especially when 60% of the oil used in the U.S. is imported [6].

As the U.S. resists nuclear power; Russia agreed to build a nuclear power plant in Venezuela [7]. However, the U.S. does have natural gas in abundance [8].

1. Rascoe, Ayesha, Reuters, *U.S. Interior dept lifts deep-water drilling ban*, October 12, 2010.
2. Hatcher, Monica, Houston Chronicle, *China stakes claim to S. Texas oil, gas*, October 12, 2010.
3. Zhu, Winnie, Bloomberg, *China's September Crude Oil Imports Advance to Record*, October 13, 2010.
4. Graham, Rachel, and Schmollinger, Christian, Bloomberg, *OPEC Members Seek \$100 Oil to Counter Dollar Weakness*, October 15, 2010.
5. Walker, Julian, Virginia Pilot, *State's energy future lies offshore*, McDonnell says, October 14, 2010.
6. Burne, Nancy, Journal of Energy Security, *50 Years Later: OPEC's Continuing Threat to American Security*, September 29, 2010.
7. Isachenkov, Vladimir, AP, *Russia agrees to build nuclear plant in Venezuela*, October 15, 2010.
8. Lavelle, Marianne, National Geographic, *Natural Gas Stirs Hope and Fear in Pennsylvania*, October 13, 2010.



NASA Earth Observatory image
of China Smog October 14,
2010

*China's idea of fair trade is
government subsidies of its
textile and apparel exports
to the United States,
currency manipulation,
and forgiveness of loans by
its government banks—
Virginia Foxx*

World News

China is now calling for nuclear peace talks with North Korea [1]. This at a time when North Korea, Iran, and China are exchanging missile technology [2]. Elsewhere, China was upset when a Nobel Peace Prize was awarded to imprisoned dissident Liu Xiabo [3]. Furthermore, China is not the friend that it makes out to be. For example, the communist giant continues to bypass Iranian sanctions to include actively helping to improve Iran's missile technology [4]. Domestically, a man pleaded guilty to spying on the US for China [5].

As can be seen from the NASA image on page 3, China is suffering from massive air pollution. Yet, China claims that it is not blocking exports of Rare Earth elements but was rather cutting back on mining to reduce environmental damage [6]. The World Trade Organization (WTO) was supposed to prevent the kind of protectionism seen with China's restricting the export of rare earth elements [7]. The cost to the US of China's one sided trade policy is becoming clear.

For instance, the month old rare earths elements embargo to Japan has been expanded to include the U.S. and Europe [8]. Rare earth elements are used for the semiconductor computer chips used in most electronic devices [9]. In response, China simply denies there is an embargo [10]. Meanwhile, China has allowed anti-Japanese demonstrations in several cities [11].

There are indications that China may already be drilling for gas in the disputed islands (also claimed by Japan) [12]. Finally, China's inflation rate for August increased to 3.5% [13].

1. AP, *China Denies Blocking Rare Earths Exports*, October 15, 2010.
2. Wall, Robert, and Fulghum, David, *Aviation Week, Dangerous Liaisons*, October 18, 2010.
3. AFP, *China calls for resumption of N.Korea nuclear talks*, October 14, 2010.
4. Pomfret, John, *Washington Post, Chinese firms bypass sanctions on Iran, U.S. says*, October 18, 2010.
5. Barakat, Matthew, AP, *US Man Pleads Guilty to Spying*

Attempts for China, October 23, 2010.

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7. Wall Street Journal, *Rare Earths Leverage*, October 19, 2010.
8. Bradsher, Keith, New York Times, *China Said to Widen Its Embargo of Minerals*, October 19, 2010.
9. AFP, *China halting key minerals to US*, October 19, 2010.
10. Reuters, *China Denies Plans on Rare Earth Export Quotas: Report*, October 19, 2010.
11. AP, *China allows rowdy anti-Japanese protests*, October 18, 2010.
12. Sakamaki, Sachiko, and Duce, John, Bloomberg, *China May Be Drilling in East China Sea Near Disputed Islands, Japan Says*, October 21, 2010.
13. Yanping, Li, Bloomberg, *China Raises Lending, Deposit Rates as Inflation Accelerates*, October 19, 2010.

*Fear makes the wolf bigger
than he is—German
Proverb*

Financial Fraud

Throughout the US, seventy-three people were arrested in a \$163 million Medicare scam [1]. In Florida, owners of mental health clinics were charged with a \$84 million Medicare fraud and only \$7 million in assets can be located [2]. In New Jersey, two people were charged with operating a \$7 million mortgage fraud scheme [3].

Counterfeit currency remains a problem. In some cases, real currency, such as a \$1 bill, are

bleached and then superimposed with a bogus denomination. This technique was used to create the \$100 counterfeit bills circulated in Binghamton, New York [4]. In conclusion, a Massachusetts woman tried to pass a fake \$10,000 bill at a bank [5].

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2. Weaver, Jay, Miami Herald, *Medicare money paid*

for posh life, court files show, October 22, 2010.

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4. WBNG News, *More Counterfeit Money Passed In Greater Binghamton*, October 15, 2010.
5. AP, *Woman brings fake \$10,000 bill to Mass. Bank*, October 20, 2010.