

## IN THE NEWS

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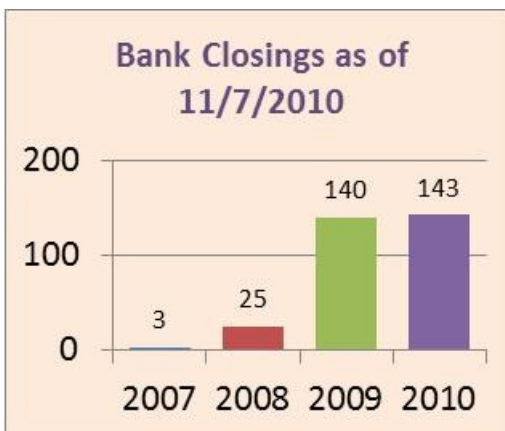
### The Economy

For the week ending October 23, the number of first time unemployment claims was 434,000 [1]. For the week ending October 30, the number increased to 457,000 [2]. According to the Labor Department, the unemployment rate for October remained unchanged at 9.6% [3]. However, some countries are moving out of the recession. Case in point, Germany reported its lowest unemployment level in 18-years [4]. Meanwhile, Pontiac officially went out of business after 84-years [5].

For the week ending October 29, regulators decided not to close any additional banks. With 139 banks shuttered for the year, one more would have equaled the previous year and likely have become a newsworthy October event. However, on November 5, four financial institutions were shuttered: 140) K Bank in Maryland; 141) Western Commercial Bank in California; 142) Pierce Commercial Bank in Washington state; and 143) First Vietnamese America Bank in California [6].

On the housing front, there are 3 million fewer homeowners today than there were in 2005 [7]. In a sign of weakness, September existing home sales unexpectedly fell 1.8% [8]. Another sign that housing remains soft, Freddie Mac reported a \$4.1 billion third quarter loss [9]. Following this announcement, Fannie Mae reported a quarterly loss of \$1.3 billion [10].

In an attempt at stimulating the economy, the Federal Reserve pumped an additional \$600 billion into the economy by buying Government bonds and printing money to cover the loan [11]. Since this is in effect creating money (increasing the money supply) it lowers the value of the dollar. By one estimate, the Fed's decision could devalue the U.S. dollar by 20% over the next five years [12]. Consequently, gold hit a new high [13]. Another consequence, the price of oil traded near a two-year high [14].



#### Inside this issue:

Nuclear Energy	3
World News	4
Financial Fraud	4

#### Special points of interest:

- Pontiac goes out of business
- 143 banks closed this year exceeding all of last year
- Gold set record high

(Continued on page 2)

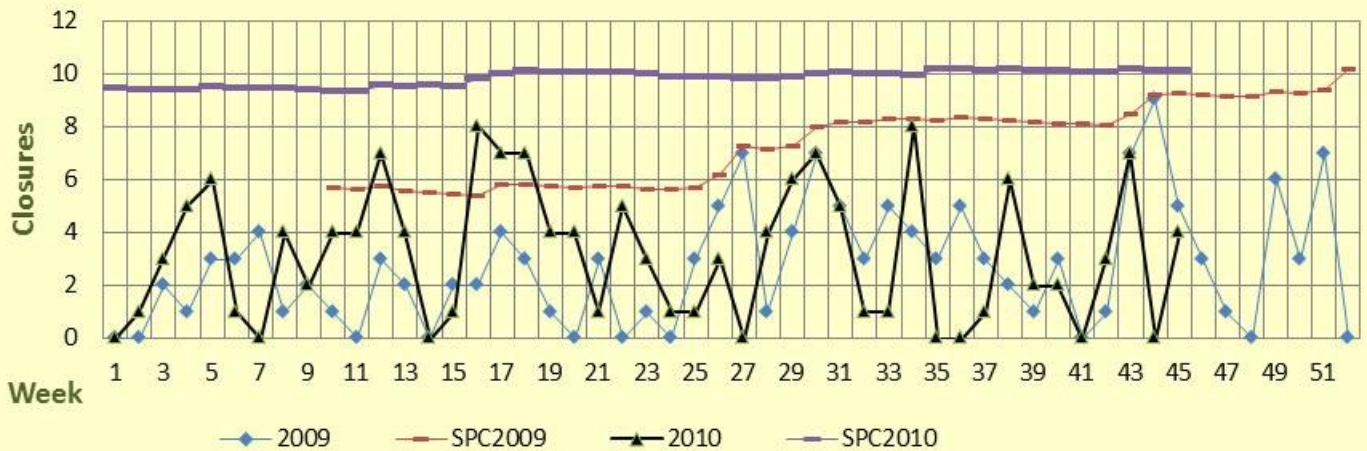
### Security

The critical infrastructure is still at risk. For example, a recent GAO report includes a recommendation the DHS do more to protect cyber infrastructure tied to power and telecommunications [1]. Meanwhile, security vulnerabilities with mobile bank applications have been

uncovered [2]. What's more, by one estimate, USB interfaces are used in 13.5% of security attacks [3].

1. Montalbano, Elizabeth. Information Week, *DHS Urged To Bolster Cyber Infrastructure Security*, October 27, 2010.
2. Van Camp, Jeffrey, Digital Trends, *Major mobile banking app security holes uncovered*, November 5, 2010.
3. Carroll, Sean, PC Magazine, *USB Malware Attacks On the Rise*, November 4, 2010.

## Failed Banks Vs SPC Threshold 11/7/2010




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The Giant Sucking  
Sound—Ross Perot  
(describing the sound of  
U.S. jobs leaving the  
country if NAFTA was  
passed)

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## The Economy

(Continued from page 1)

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- Krisher, Tom, AP, Pontiac, *Maker of Muscle Cars,*

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# Nuclear Energy

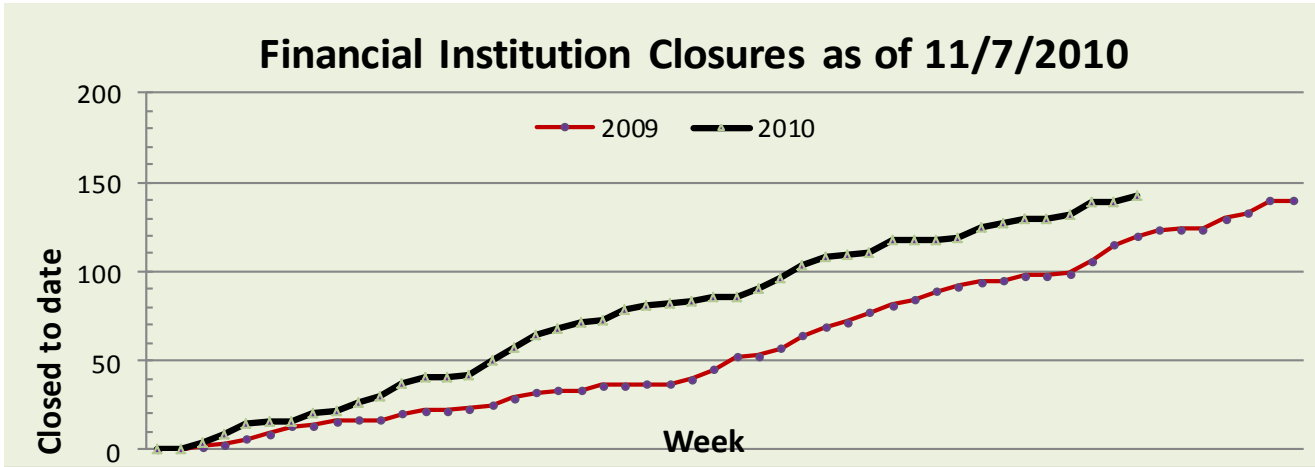
In the U.S., nuclear power is still some time away [1]. Without a viable energy source, we will continue to rely on imported oil. Meanwhile, Japan announced it plans to build a nuclear power plant for Vietnam and mine rare earth elements there [2]. Additionally, Vietnam and Russia have inked a deal for a nuclear power plant [3]. In the Middle-East, one Saudi prince is warning that Iran's

nuclear program represents an international danger [4]. The Iranian actions are forcing other moderate countries to embark on nuclear power (and weapons) programs.

1. Toledo Blade/New York Times, *Economy puts brakes on nuclear reactor plans*, October 31, 2010.
2. Kubota, Yoko, Reuters, *Vietnam and Japan to mine rare earths together*, October 31, 2010.

3. Smolchenko, Anna, AFP, *Vietnam, Russia sign deal on first nuclear plant*, October 31, 2010.
4. Alexander, David, and Quinn, Andrew, Reuters, *Iran nuclear program on "explosive" path: Saudi Prince*, November 4, 2010.

He who tampers with the  
currency robs labor of its  
bread—Daniel Webster



## World News

Certain to keep up hostilities; the Japanese government logged a complaint over Chinese warships near the Senkaku Islands [1]. What's more, Japan is now planning to expand its 16 submarine fleet to 22 vessels [2]. To complicate matters, China rejected Secretary of State Clinton's request to mediate the Senkaku/Diaoyu island dispute between Japan and China [3].

In the world of technology, China now claims to have the fastest supercomputer in the world capable of 2.5 quadrillion calculations per second [4]. Furthermore, indications are the Chinese are planning supercomputers without imported parts [5].

China is already the world's largest user of copper and demand for the red metal unexpectedly grew by 11.5% [6]. Meanwhile, Secretary of State Clinton said she plans to press China to lift the Rare Earth embargo [7]. In response, China announced it has no plans to use Rare Earths as a trade leverage [8]. It seems words are more important than actions. The impact of China cutting back its Rare Earth elements is having a crippling impact on Japan. Ironically, Japan did something very similar to the

U.S. in 1982. Back then, Japan was dumping memory chips, selling below cost. Companies such as Intel that pioneered the industry got out of the business. With no competition, Japan cut deliveries of the 64K devices to the U.S. but made the devices available to domestic (Japanese) industry; all the while denying there was an embargo [9].

China, the country known for exporting anti-freeze tooth paste, toxic sheet rock, lead paint toys, and toxic wheat gluten is showing how to manipulate trade. Case in point, China's quarantine bureau rejected U.S. genetically modified corn [10].

Meanwhile, a shipment of weapons loaded in Iran was seized in Nigeria [11]. Indications are the weapons were going to the Hamas-controlled Gaza strip for use against Israel [12].

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2. Bodeen, Christopher, AP, *Japan, worried by China, may boost submarine fleet*, October 25, 2010.
3. Dyer, Geoff, Financial Times, *China rebuffs US offer on disputed islands*, November 2, 2010.
4. BBC News, *China claims supercomputer crown*, October 28, 2010.
5. Thibodeau, Patrick, Computer World, U.S. *says China building 'entirely indigenous' supercomputer*, November 4, 2010.
6. Sun, Helen, Bloomberg, *Copper Consumption in China Higher Than Expected This Year*, *Antaike Says*, November 2, 2010.
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9. Lohr, Steve, New York Times, *Japanese Deny any Cut in Chip Exports to the U.S.*, April 9, 1982.
10. Shuping, Niu, and Miles, Tom, Reuters, *China quarantine bureau rejects U.S. corn cargo*, November 2, 2010.
11. Tattersall, Nick, Reuters, *Weapons seized in Nigeria came from Iran: shipping co*, October 31, 2010.
12. UPI, *Iran seen behind arms seized in Nigeria*, November 5, 2010.

## Financial Fraud

A French doctor was arrested for insider trading tips to a hedge fund that resulted in a \$30 million loss [1].

In Florida, a man was arrested for operating a \$30 million Ponzi scheme [2]. In Chicago, a man was arrested for operating a \$5 million Ponzi scheme [3]. In Philadelphia, a man

was charged with operating a \$17 million Ponzi scheme [4].

1. Strasburg, Jenny, and Eaglesham, Jean, Wall Street Journal, *Insider Case Alleges Doctor's Tips*, November 2, 2010.
2. WJXT, *Gainesville Man Arrested In \$30M Ponzi Scheme*, November 4, 2010.
3. Chicago Sun-Times, *Feds: NW suburban man swindled \$5M from investors*, November 3, 2010.
4. Brubaker, Harold, Philadelphia Inquirer, U.S. *accuses Life's Good Inc. owner Robinson Stinson Jr. of Ponzi scheme*, November 6, 2010.

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*do not let these  
calculations make your  
timid—Frederick The Great*

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