

## IN THE NEWS

FEBRUARY 28, 2010

### Economic News

Last year, 1,605 car dealerships folded reducing the total number by 8% [1]. The information comes from the dealer information resource *Urban Science* and 2009 holds the record for closed dealerships since data was collected (in 1991) [2]. China has been unloading U.S. Treasury securities since last year [3]. Currently, China is selling U.S. Treasury securities faster than Japan; consequently, Japan now holds more Treasury debt [4]. In other bad news, the job outlook continues to look bleak. For example, for the week ending February 13, the first time unemployment rate increased 31,000 to 473,000; analysts expected the number to be 430,000 [5]. In another disappointment, the number of first time unemployment claims for the week ending February 20 unexpectedly increased to 496,000; economist expected the number to fall to 460,000 [6]. What's more, inflation is rising with the *Producer Process Index* for January growing to 1.3% [7]. In response, the Fed increased the rate banks pay for emergency loans by one quarter 0.75 percent [8].

With better weather, regulators resumed closing financial institutions. For example, On February 19, the Maco Community Bank in Florida became the 17<sup>th</sup> closure for 2010 [9]. Before the day ended, three more banks were closed: The La Coste National Bank in Texas; George Washington Savings Bank in Illinois; and La Jolla Bank in California [10]. Then on February 26, regulators closed two more financial institutions: the Carson River Community Bank in Nevada and the Rainier Pacific Bank in Tacoma, Washington [11]. Banks continue to slip with the number of troubled financial institutions on the FDIC's list increasing from 450 to 702, the highest level since 1993 [12]. This represents a 27% increase during the fourth quarter [13]. What's more, bank lending fell by \$587 billion (7.5%) during 2009 [14].

1. Bennett, Jeff, Dow Jones Newswires, *Record Number Of US Auto Dealers Closed In 2009 -Study*, February 3, 2010.
2. Canadian Driver, *Record number of U.S. dealerships lost in 2009*, February 3, 2010.
3. Rappeport, Alan, *Financial Times*, *Foreign demand falls for Treasuries*, February 16, 2010.
4. Crutsinger, Martin, AP, *Foreign demand for Treasury securities falls*, February 16, 2010.
5. Mutikani, Lucia, Reuters, *New jobless claims, producer prices surge*, Febru- (Continued on page 2)

### IT Security

Readers may recall past newsletters where we discussed the role of negative news and automated trading algos. This combination is now being investigated in Spain by Spanish intelligence following weeks of bad news and debt market turbulence [1].

In the U.S., a simulated cyber-attack exercise illustrated the critical infrastructure is very vulnerable to cyber attack [2].

Furthermore, a new BotNet called *Zeus* successfully infected 74,000 PCs [3]. Another malicious program, the Chuck Norris Botnet, is exploiting default home router passwords [4].

Elsewhere, hackers continued breaching networks. For example, the Wyndham Hotels was once again hacked [5]. One recent approach Microsoft is using to restrict malicious code distribution

by hackers is having the court block domains thereby reducing delivery [6].

1. Roberts, Martin, Reuters, *Spanish intelligence probing debt "attacks" report*, February 14, 2010.
2. AFP, *US officials rehearse fending off cyberattack*, February 16, 2010.
3. Kaplan, Jeremy A., Fox News, *Massive Hack Attack*

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#### Special points of interest:

- 702 banks on the troubled list
- Washington Metrorail fail-safe failed three times
- Regulators shutter 22<sup>nd</sup> bank

## Economic News

(Continued from page 1)

- ary 18, 2010.
6. Ellis, Blake, CNN Money, *Jobless claims up 12% in past 2 weeks*, February 25, 2010.
7. Di Leo, Luca, and Lynch, Sarah N., Wall Street Journal, *January Producer Prices Rose 1.4%*, February 18, 2010.
8. Aversa, Jeannine, AP, *Fed bumps up rate banks pay for emergency loans*, February 18, 2010.
9. Paletta, Damian, Wall street Journal, *Marco Community Bank in Florida Fails, Marking 17th Bust of 2010*, February 19, 2010.
10. Britt, Russ, Market Watch, *La Jolla Bank among 4 new closures*, February 19, 2010.
11. Bernard, Stephen, AP, *FDIC shuts down banks in Nevada and Washington*, February 26, 2010.
12. Dash, Eric, New York Times, *List of Troubled Banks at 16-Year Peak*, F.D.I.C. Says, February 23, 2010.
13. Wutkowski, Karey, Reuters, *US FDIC reports 27 pct jump in problem banks*, February 23, 2010.
14. Appelbaum, Binyamin, Washington Post, *Troubled banking industry sharply reduced lending in 2009*, February 24, 2010.

## IT Security

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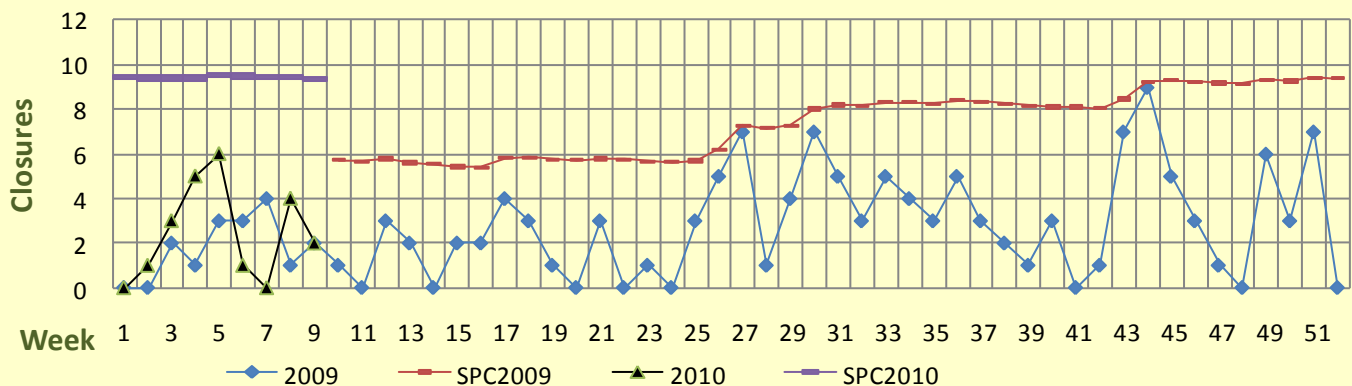
- Shows Major Flaws in Today's Cybersecurity, February 18, 2010.
4. McMillan, Robert, IDG News Service, *Chuck Norris Botnet Karate-chops Routers Hard*, February 19, 2010.
5. McMillan, Robert, IDG News Service, *Wyndham Hotels Hacked Again*, February 26, 2010.
6. Wingfield, Nick, and Worthen, Ben, Wall Street Journal, *Microsoft Battles Cyber Criminals*, February 26, 2010.

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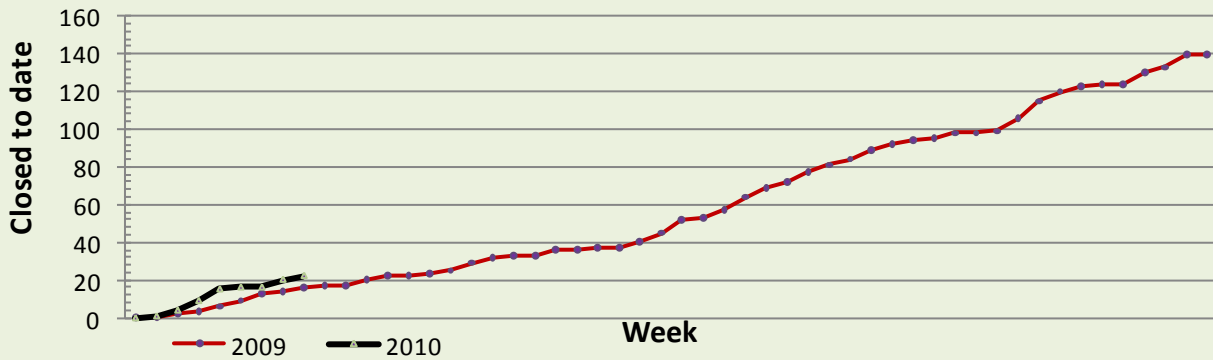
*I like the dreams of the future better than the history of the past—Thomas Jefferson*

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**Failed Banks Vs SPC Threshold 2/28/2010**



## Financial Institution Closures as of 2/28/2010



## Trains

There was another train crash in the news. This time, the crash was in Belgium with a death toll of at least 18 [1]. What's more, the train system includes a security system designed to prevent such accidents [2].

In the U.S., the National Transportation Safety Board (NTSB) has four current investigations into accidents on the Washington Metrorail

system [3]. Indeed, during the hearings on the Washington Metrorail system, one Metro official claimed three incidents were failures of the fail-safe system [4].

1. Miller, John W., Wall Street Journal, Belgian Rail Collision Kills 18, February 16, 2010.
2. AFP, Train drivers strike after deadly Belgium crash, February 16, 2010.
3. Tyson, Ann Scott, Washington Post, *Safety, budget woes threaten to consume Metro*, February 21, 2010.
4. Sun, Lena H., et. al., Washington Post, *2 near-misses and June crash linked, Metro official testifies*, February 24, 2010.

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*When a finger points to the moon, the imbecile looks at the finger—Chinese Proverb*

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## Energy

Showing renewed energy leadership in making the tough decisions, President Obama announced awarding a conditional \$8.33 billion federal loan guarantee for construction of two nuclear power plants [1]. However, the U.S. has a long way to go before catching up to the rest of the world. Case in point, worldwide there are 56 nuclear reactors being built: including 21 in China, 9 in Russia, 6 in South Korea and 5 in India [2].

In the area of oil, China continues to grow in consumption demand. For example, China now imports more oil from Saudi Arabia than does the U.S. [3]. In other news, even though Iran announced they are processing uranium at a 20% enrichment level; China opposes any sanctions [4].

1. West, Paul, Baltimore Sun, *Pushing nuclear power*, February 16, 2010.
2. Whitten, Daniel, Business Week, *Nuclear Industry Gets Lift, No 'Renaissance' From U.S. Loan Aid*, February 18, 2010.
3. Meyer, Gregory, Financial Times, *China taps more Saudi crude than US*, February 21, 2010.
4. Küntzel, Matthias, Wall Street Journal, *The Berlin-Dubai-Tehran Axis*, February 25, 2010.

## Anthrax Update

The FBI closed its books on the anthrax investigation, concluding that Bruce Ivings was the culprit [1]. Bruce Ivings died in 2008; the cause of death reported was an overdose of the painkiller Tylenol; no autopsy was performed; and there was no suicide note [2]. Much of the information released by the FBI was heavily redacted so there may be more information that draws the conclusion announced. However, based on the limited information released, questions remain.

The released information includes inconsistencies. For example, five years after the anthrax attacks, the story circulated was it was not weaponized [3]. However, the redacted documents released by the FBI include the statement "Once the letter were determined to be weaponized-anthrax" [4].

What the released information did not resolve were the questions pointing toward terrorist organizations. Case in point, Iraq spent \$ millions to buy the equipment to weaponized its Anthrax [5]. What's more, many researchers believe the sophistication and equipment necessary to develop a weaponized version of anthrax is beyond the capabilities of a single person [6].

Then there was the 9/11 ring

leader, Mohamed Atta, who tried to buy a crop duster [7]. Why would Atta want a crop duster? In a bizarre coincidence the first anthrax victim's wife, Gloria Irish, rented two apartments in Florida to two of the 9/11 terrorists [8]. Then a doctor in Florida reported treating one of the suspected terrorists for a skin lesion that the physician later came to believe was cutaneous anthrax [9]. Perhaps future information releases will clarify the matter.

1. Apuzzo, Matt, *New York Times*, *FBI Closes Anthrax Case, Says Scientist Was Killer*, February 20, 2010.
2. Epstein, Edward Jay, *Wall Street Journal*, *The Anthrax Attacks Remain Unsolved*, January 24, 2010.
3. Kennedy, Helen, *New York Daily News*, *G-Man Says Terror-Letter Anthrax Not 'Weaponized'*, September 26, 2006.
4. <http://foia.fbi.gov/foiaindex/amerithrax.htm>, USAMRIIS Section 12, Page 40 of 52.
5. Milloy, Stephen, *Fox News*, *Misinformation Is Real Anthrax Danger*, October 19, 2001.
6. Gugliotta, Guy, and

Mats , Gary, *Washington Post*, *FBI's Theory On Anthrax Is Doubted*, October 28, 2002.

7. Canedy, Dana, *New York Times*, *A NATION CHALLENGED: AVIATION PRECAUTIONS; Crop-Dusters Are Grounded on Fears of Toxic Attacks*, September 24, 2001.
8. Gillian, Audrey, *The Guardian*, *Biological weapons link to al-Qaida*, October 16, 2002.
9. Burger, Timothy J., *New York Daily News*, *NEW ANTHRAX-9/11 FEAR Doc treated hijacker for possible germ ill*, March 24, 2002.

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*Three things cannot be long  
hidden: the sun, the moon, and  
the truth—Hindu Prince  
Gautama Siddharta*

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## Crime

Fraud continues to result in high dollar loss. For example, several bank officials and a former SBA official were indicted in a \$10 million bank fraud scheme [1]. In Texas, a restaurant owner was

indicted in a \$1.9 million bank fraud scheme [2].

1. *Springfield Business Journal*, *Former bank officials, SBA manager indicted for bank fraud*, February 18, 2010.

2. *KFOX (14) El Paso*, *Indictment Reads Restaurant Owner Falsified Invoices*, February 22, 2010