

IN THE NEWS

MAY 23, 2010

Economic News

Since the May 6th stock market melt-down, experts were still trying to figure out what went wrong [1]. Separately, securities regulators are trying to get market-wide circuit breakers in place that are tied to the standard and Poor's 500 Stock Index in the hope that future melt-downs can be avoided [2]. However, we believe this is treating the symptom and not curing the disease. By the time circuit breaker kick in, trading confidence will be lost. Moreover, algos can artificially inflate as well as decrease stock value. We suggest the Government assume the role of the stock specialist and be the real-time broker tied to every transaction. This would provide valuable revenue and guarantee the ability to contain rumor driven stock swings.

In an effort to stop the financial impact of countries such as Greece, the European Union has come up with a \$1 trillion bail-out package that includes help from the U.S. Federal Reserve [3]. Through the IMF, the U.S. contribution to the Greece bail-out is \$50 billion [4]. Meanwhile, the monthly U.S. trade shortfall increased to a 15-month high; and deficit with China ballooned to \$16.90 billion [5]. Furthermore, the budget deficit for April grew to \$82.7 billion [6]. In other news, Fannie Mae is seeking another \$8.4 billion from the Government following a reported quarterly loss of \$13.1 billion [7]. What's more, during the January-March period, more than 10% of homeowners with a mortgage missed at least one payment [8]. Elsewhere, fear of inflation continued; on May 11, gold reached an inter-day all-time high of \$1,233.50 per ounce [9]. Before falling, gold again set another record on May 12 [10]. Moreover, employment continues to drag down the chance for recovery. For example, the number of first time jobless claims for the week ending May 8 fell to 444,000 [10]. However, for the week ending May 15 the number of first time unemployment claims unexpectedly increased 25,000 to 471,000 [12].

Once again, the number of troubled banks on the FDIC's watch list increased, this time to an 18 year high of 775 (an increase of 73 since last quarter) [13]. Meanwhile, regulators were again busy shuttering troubled financial institutions. On May 14, the following four banks were closed: 69) Satilla Community Bank in Georgia; 70) New Liberty Bank in Michigan; 71) Southwest Community Bank in Missouri; and 72) Midwest Bank & Trust Company in Illinois [14]. Then on May 21, one additional financial institutions was shuttered; 73) Pinehurst Bank in Minnesota [15].

(Continued on page 2)

Inside this issue:

| | |
|----------------|---|
| Nuclear Treaty | 3 |
| World News | 4 |
| Crime | 4 |

Special points of interest:

- Gold reaches an all-time high then falls
- 73rd bank shuttered
- U.S. contributed \$50 billion for Greece's bail-out

Security

A vulnerability was discovered with 35 antivirus products that could allow intrusion detection and other security features to be bypassed [1]. The new vulnerability report included an outline of a malicious software (malware) exploit that would effectively reduce the capability of anti-virus software [2]. What's more, Microsoft is working on a Windows 7.0 and Vista fix for Aero that could allow remote code execution [3].

Elsewhere, researchers have identified ways to hack cars to kill brakes, the engine, changing speedometer reading, locking passengers in the car and other exploits [4].

International Internet espionage against the U.S. is a problem. It is estimated that the U.S. is losing to foreign spy agencies, enough data to fill the Library of Congress many times over [5]. Meanwhile, some are suggesting the need for an additional 10,000 cyber security personnel [6].

while, some are suggesting the need for an additional 10,000 cyber security personnel [6].

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Economic News

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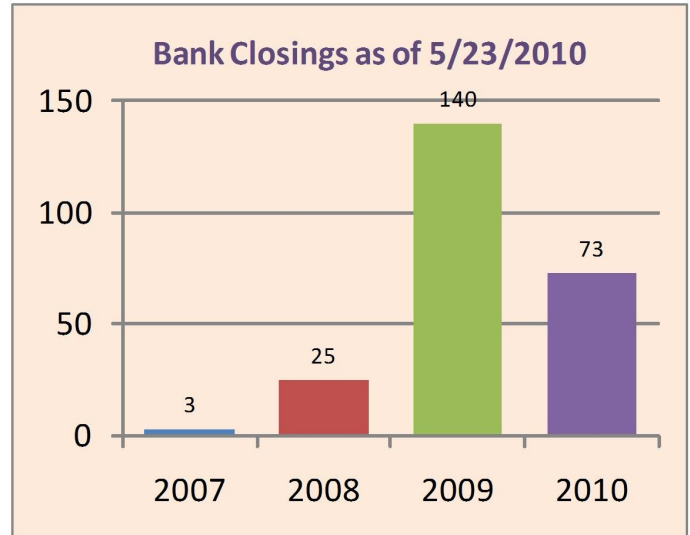
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Kill Brakes, Engine, and More, May 14, 2010.

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Over the last 20 months that these tariffs have been in place, I have seen a true renewal in our steel industry - companies consolidated, production grew and workers sacrificed for a better future-

Bob Ney

Nuclear Treaty

Not only will the U.S. reduce its nuclear warhead inventory to 1,550; the treaty with Russia requires the U.S. to spend \$180 billion for implementation [1]. Note, China is not bound to the treaty and can build any number of warheads without consequence [2]. However, Japanese Foreign Minister Katsuya Okada accused China of accumulating nuclear weapons and demanded that they stop [3]. What's more, China has expressed no interest in discussing nuclear weapons reduction talks [4]. Consider that China's nuclear arsenal

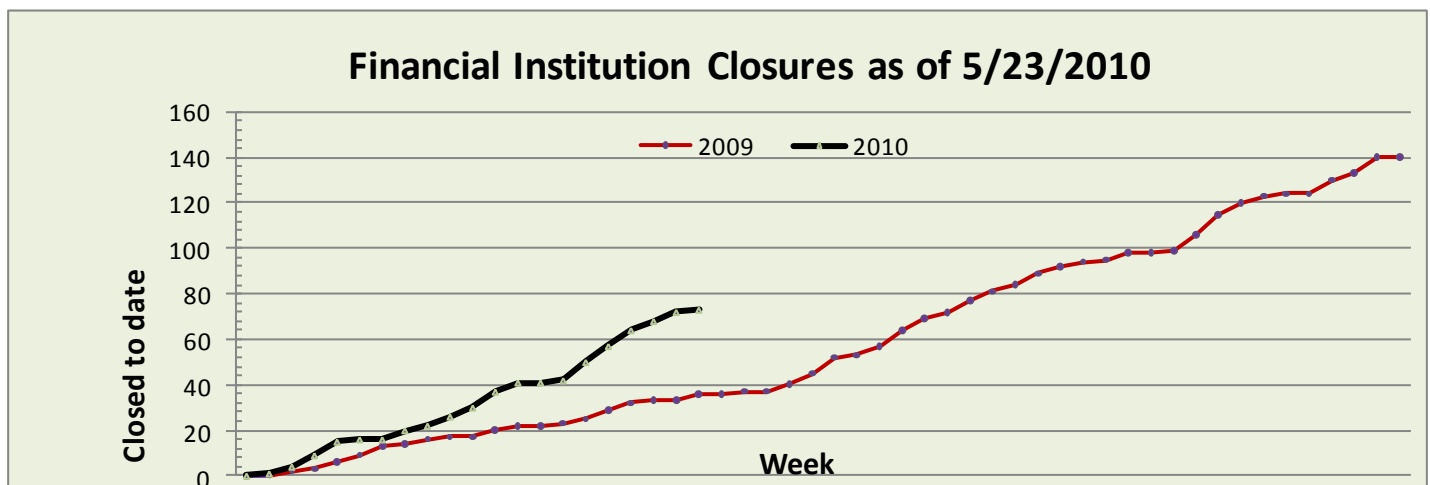
includes 60 Dong Feng-31 ICBMs; and 5-7 submarines each with 16 Julang-2 missiles [5]. What's more, these missiles could carry multiple warheads. For example, by one estimate, five submarines could carry 180 nuclear warheads [6]. Ignoring China is perhaps not the best international policy.

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Democratic nations must try
to find ways to starve the
terrorist and the hijacker of
the oxygen of publicity on
which they depend—Margaret
Thatcher



World News

Evidence suggests a 1,200-ton South Korean warship was sunk by a North Korean torpedo [1]. With the facts showing North Korea responsible for sinking a South Korean warship; it looks like there will be little in response [2]. Now that North Korea has been accused of the attack that killed 46 South Koreans; some are predicting there will be an economic war between the two neighboring countries [3]. However, so far the main response has been suspending funding for government-level exchanges [4]. This comes at a time when North Korea announced they have advanced their fusion research [5]. This may indicate the North is progressing in developing a hydrogen bomb; a device much more powerful than an atomic bomb.

China's increase in imports has little to do with U.S. exports because the increases were predominantly for raw materials including oil and ore [6]. Domestically, for April, GM sold 183,614 light vehicles [7]. However, during the same month, GM sold 213,115 vehicles in China [8]. What's more, China still honors its founding father, Mao who supported communist expansion. However, Mao was a violent man. Case in point, in India, Maoist rebels killed at least 20 people in a land mine detonation [9].

The president of Iran has indicated; if new sanctions against his country are approved, they would be worthless [10]. In a further sign that Iran will be allowed to continue its nuclear program unabated; a Russian senator indicated advanced S-300 surface to air missiles will be provided to Iran [11]. What's more, in a surprise move, the U.S. lifted sanctions against three Russian organizations that have assisted Iran's nuclear program [12]. Meanwhile, Turkey has secured a deal with Russia to build the first Turkish nuclear power plant [13].

A Venezuelan natural gas exploration rig has exploded and sank in the Caribbean Sea [14].

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Crime

One news article suggests online bank fraud is costing the system \$700 million per quarter and some smaller businesses have been bankrupted by malicious softer (Malware) [1]. Meanwhile, in Oregon, six people were indicted in a \$3.5 million mortgage fraud scheme [2]. Elsewhere, the Department of Justice charge six

people in a \$20.8 million mortgage fraud scheme [3]. Finally, a former Wachovia Bank vice president was charged in a \$11.2 million bank fraud [4].

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Damn the torpedoes! Full speed ahead—Admiral David G. Farragut
