

IN THE NEWS

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Economy

For the past two weeks, regulators have not shuttered any financial institution. What's more, actions by the central banks to pump more money into the global financial system resulted in a 490 point Dow Jones Industrial Average rise [1]. This was the largest increase in the Dow since 2009 [2]. Moreover, the number of troubled banks on the FDIC list dropped by 21 to 844 [3]. However, the bank stress tests required by regulators could have the adverse impact of prolonging or worsening the recession [4]. These new stress tests required by the Fed assume a 13% unemployment rate and a 4% reduction in the Gross Domestic Product [5]. We do not know if the Fed is being cautious or expects the economy to fall hard. Either way, this is not good news for investors that were considering making investments at this time.

It seems the previously advertised Gross Domestic Product (GDP) rate for the September quarter has been reduced from 2.5% down to 2.0% [6]. In another sign of a struggling GDP, the parent company of American Airlines filed for bankruptcy [7]. Meanwhile, China is probing US subsidies to renewable energy and plans to complain to the World Trade Organization [8].

On the good news front, it looks like the holiday shopping season will be healthy. For example, the retail sales for the busiest day in the US, Black Friday, set a new record of approximately \$52 billion [9]. Moreover, online sales for Cyber-Monday increased 24% from the previous year setting a new record [10].

For the week ending November 19, the number of first time unemployment claims was 393,000 [11]. However, the week ending November 26, saw the number of first time unemployment claims increase to 402,000 [12]. Meanwhile, the Labor Department announced the unemployment rate fell to 8.6% for November; this after 315,000 gave up looking for work [13]. So this number should continue to improve as more Americans fall from the job seeking pool. Unfortunately, this is not a meaningful measurement of the unemployment and paints a positive picture over a bleak reality. For example, the Labor Department derives the results from a separate survey of households [14]. A question here is: why conduct a subjective survey at a premium price when the actual numbers are available from computer matching?

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(Continued on page 2)

Security

Due to a lack of security, the utility grids are vulnerable to networked cyber-attacks [1]. Perhaps this is one reason overall spending on security is expected to reach \$60 billion this year with 10% annual growth going forward [2].

Last December, a Romanian hacker broke into a NASA server and caused

\$500,000 in damage [3]. In time of tight budgets, who pays for the damages? Meanwhile, four people in the Philippines were charged with hacking into AT&T business accounts and diverting money to terrorist groups [4]. The hackers were arrested and allegedly helped finance the 2008 terrorist attack in Mumbai, India [5].

In other news, Feds closed 150 web sites, most operating from China, that were selling counterfeit goods [6].

So far for 2011, one in three businesses have reported being a victim of cyber-fraud [7]. Elsewhere, hackers posted the names and passwords for approximately 100 UN staffers [8].

(Continued on page 2)

Inside this issue:

European Crisis	3
World News	4

Special points of interest:

- Chicken jerky treats imported from China killing US dogs
- Hackers supporting terrorist groups
- Security spending estimate is \$60 Billion

Security

(Continued from page 1)

As if security problems are not challenging enough, now some networked devices may be portals of entry. Case in point, researchers claim some cyber-attacks and hackers could give instructions to the fuser potentially causing a fire [9]. In response, HP claims there is no way for hackers to cause printer fires [10].

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Economy

(Continued from page 1)

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14. Chandra, Shobhana, Bloomberg, *U.S. Jobless Rate Unexpectedly Declines to 8.6%*, December 2, 2011.

*If anybody thinks that
kings, nobles, priests are
good conservators of the
public happiness, send him
(to Europe)—Thomas
Jefferson*

European Crisis

With the credit downgrade by Standard & Poor's of Belgium, it looks like Europe is still in economic crisis [1].

What's more, there is a potential for the European economic problems to impact the US. For example, Italy's increased lending rate lowered US futures [2]. Italy had to offer a 7.89 percent yield to sell 3-year bonds, up from 4.93 percent it paid in late October [3]. In turn, the problems in Europe are likely to extend globally [4]. For example, Hungary's credit rating was lowered by Moody's to junk status [5]. In fact, some are



suggesting that all European nations are at risk [6].

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6. Los Angeles Times, *Moody's: Every European nation now at risk on debt*, November 27, 2011.

We have a firm
commitment to NATO,
we are a part of NATO.

We have a firm
commitment to Europe.
We are a part of Europe—

Dan Quayle

It seems that Japan is running into serious competition from other Asian countries. For example, for October, Japan unexpectedly reported a \$3.56 billion trade deficit [1]. What's more, Japan's core consumer prices fell for the first time in four months indicating deflation continues [3].

In past newsletters we have pointed out how contaminated Chinese products are causing illness. Now it appears that many pet dogs that consumed imported Chinese chicken flavored treats have died [4].

As expected, China announced it is not for Western sanctions against Iran [3]. Meanwhile, China has announced it will create a government office to protect intellectual property rights [5].

In previous newsletters, we have identified US companies operating in China that were subjected to government interference. In another example, Johnson Controls, a company that had to stop manufacturing lead batteries while China investigated claims of environmental leaks, was exonerated and cleared for restarting manufacturing in January [6].

Meanwhile, North Korea is

reporting progress in building a new nuclear reactor for refining uranium needed for expanding its atomic bomb program [7].

In the Middle East, a nuclear processing facility was damaged by an explosion [8]. Then following an attack on the British embassy in Tehran, the UK announced plans to close its embassy there [9]. Elsewhere, it seems our good friend Russia delivered anti-ship cruise missiles to Syria days after the United Nations called for an arms embargo [10]. Further south, the *Muslim Brotherhood* won 40% of Egypt's vote [11].

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9. Pomeroy, Robin, and Amiri, Mitra, Reuters, *UK expels Iran diplomats after embassy attack*, November 30, 2011.
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Will Create Office to Protect IP Rights, Bryson Says, November 21, 2011.

*To understand Europe,
you have to be a genius - or
French—Madeleine
Albright*
