

IN THE NEWS

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The Economy

One leading economic indicator is the stock market. For the first time since June 2008, the Dow closed above 12,000 [1]. However, with the threat of algorithmic trading programs (algos), cyber-crime, unfair trade practices, and the rising cost of oil; we are still at risk. For example, oil shot past \$100 per barrel for the first time since September 29, 2008 [2]. Likewise, reminiscent of the flash crash, on February 10, Apple stock fell \$10 billion in value within 4 minutes [3]. This demonstrates the financial system remains vulnerable to unanticipated meltdowns.

The number of first time unemployment claims was 415,000 for the week ending January 29 [4]. Perhaps we are poised to finally start exiting the current recession. Case in point, the number of first time unemployment claims for the week ending February 5 was 383,000; the lowest number since July 2008 [5]. What's more, 36,000 jobs were created in January and the unemployment rate was 9% [6]. However, this lower (9%) number indicates a number of people have given up on looking for work [7]. What's more, the unemployment rate is calculated by the Labor Department which polls 140,000 businesses and government agencies along with 60,000 households [8]. So a survey is much like the ever too popular polls taken with further adjustments. For those interested, a person from the Labor Department calls the business designated point of contact (sometimes repeatedly) and asks a series of questions. The time on the phone is typically a few minutes and the same questions are asked each month. With all the hard numbers collected elsewhere, a question here is why conduct a survey instead of letting a computer add and depict the actual numbers? The cost of the current sub-



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Security

Last year, hackers repeatedly broke into the company that runs the NASDAQ stock Exchange [1]. The owners of the NASDAQ networks asserted the penetration did not include the part of the system that handles trades [2]. Instead, the system compromised, called Directors Desk, allows top company

leaders to share confidential documents [3]. What's more, the attacks may have been ongoing for year [4]. If we follow this logic, what security controls exist in the trading part of the network that were not in place on portion compromised? Moreover, where controls on the part breached weaker?

It appears a successful email attack on White House accounts originated from China [5]. Elsewhere, in a revenge attack, a hacker group referred to as "Anonymous" was responsible for penetrating a security firm, causing the firm to temporarily disconnect from the Internet [6].

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Special points of interest:

- Hackers broke into the company that runs the NASDAQ network
- Apple stock fell \$10 billion during 4 minutes
- 18th financial institution shuttered
- China hackers compromise U.S. oil and gas
- Pakistan has over 100 nuclear weapons

Security

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On Tuesday, February 8, Microsoft issued 12 patches to correct 22 vulnerabilities [7]. Elsewhere, one firm is reporting hackers from China stole sensitive U.S. company oil company information [8]. Even though the Chinese hackers were described as unsophisticated; they still captured gigabytes of data about contracts, oil- and gas-field operations, and SCADA (supervisory control and data acquisition) systems [9].

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2. Bowley, Graham, New York Times, *Hackers Gained Access to Nasdaq Systems, but Not Trades*, February 5, 2011.
3. Barrett, Devlin, et. al., Wall Street Journal, *Nasdaq Confirms a Breach in Network*, February 7, 2011.
4. Rockwell, Mark, GCN Security News, *Breach in NASDAQ cloud application*, February 7, 2011.
5. Lipowicz, Alice, FCW, *Alleged White House e-mail cyber incident now called attack from China*, February 7, 2011.
6. Kaplan, Dan, SC Magazine, *Anonymous takes over security firm in vengeful hack*, February 7, 2011.
7. Kaplan, Dan, SC Magazine, *Two known flaws highlight Microsoft patch batch*, February 8, 2011.
8. McDonald, Joe, AP, *Report: Hackers in China hit Western oil companies*, February 10, 2011.
9. Keizer, Gregg, Computer World, *'Sloppy' Chinese hackers scored data-theft coup with 'Night Dragon'*, February 11, 2011.

*You are not a realist
unless you believe in
miracles—Anwar Sadat*

The Economy

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jective survey is significantly higher than a computer program that produces meaningful percentages.

Regulators continued to close troubled financial institutions. Starting on February 4, the following three were shuttered: 12) American Trust Bank in Georgia; 13) North Georgia Bank in Georgia; and 14) Community First Bank in Illinois [9]. Then on February 11, four more were closed: 15) Sunshine State Community Bank in Florida; 16) Peoples State Bank in Michigan; 17) Badger State Bank in Wisconsin; and 18) Canyon National Bank in California [10]

1. Hilzenrath, David S., and Irwin, Neil, Washington Post, *Dow closes above 12,000 for first time since 2008 as stocks jump*, February 2, 2011.
2. Gibbons, Robert, Reuters, *Brent oil surges past \$100 on Egypt uncertainty*, January 31, 2011.
3. Elmer-DeWitt, Philip, CNN Money, *Snapshot of an Apple flash crash*, February 10, 2011.
4. Reuters, *Jobless claims tumble 42,000 last week*, February 3, 2011.
5. Aversa, Jeannine, AP, *Fewest requests for unemployment aid since 2008*, February 10, 2011.
6. Chandra, Shobhana, Bloomberg, *U.S. Jobless Rate Falls to 9% in January; Payrolls Rise 36,000*, February 4, 2011.
7. Lee, Don, Los Angeles Times, *Unemployment falls to 9% but job growth remains sluggish*, February 4, 2011.
8. Reuters, *Q+A - U.S. jobless rate drops even as job growth disappoints*, February 4, 2011.
9. AP/New York Times, *Regulators Close 3 Failed Banks*, February 5, 2011.
10. Campbell, Dakin, Bloomberg, *Premier American Acquires Bank in Florida as 4 U.S. Lenders Fail*, February 11, 2011.

Egypt

The U.S. is without doubt the most successful democracy to date. When we see other countries poised to potentially become democracies, we tend to support the masses. However, we have had some miscalculations in the past. Consider; before the Iranian revolution, the U.S. Ambassador to the U.N. Andrew Young, described Ayatollah Khomeini as a saint [1]. Unfortunately, history painted a different picture of the former Iranian leader.

Similarly, in 1957, there were rallies in Miami to support the Cuban overthrow of Batista in favor of Castro [2]. The result was a communist state that almost led to a third-world-war with Russia [3].

During the past weeks we saw the crowds protesting the overthrow of the Egypt's President Hosni Mubarak [4]. The first day of major protests in Egypt took place on January

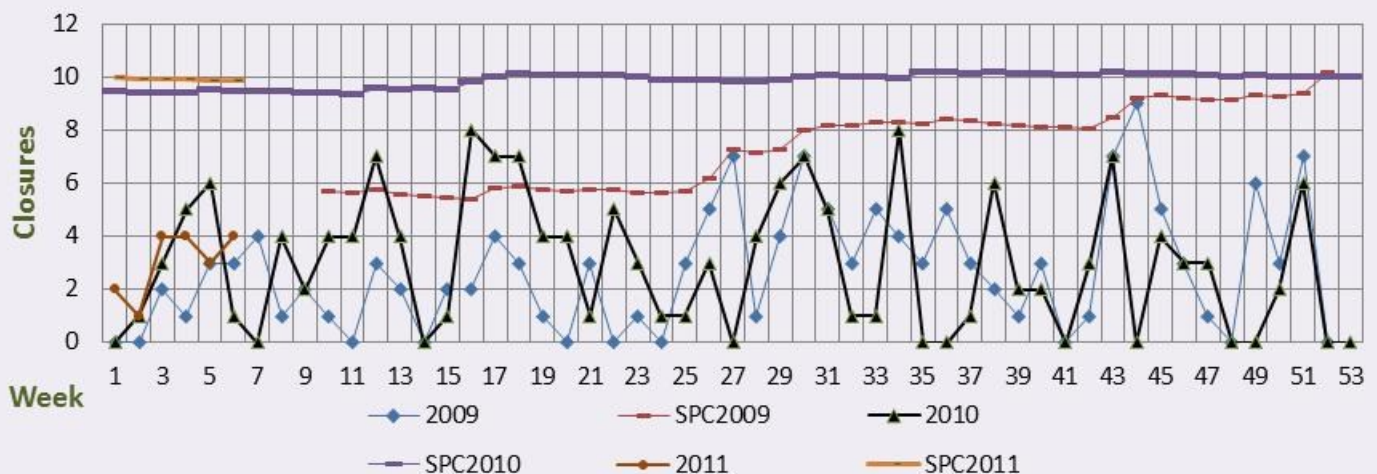
25 and by February 1, President Mubarak announced he would not seek re-election in September [5]. Meanwhile in response to spillover protests, Yemen's president Ali Abdullah Saleh also announced he would not seek re-election [6]. Moreover, the U.S. sided with the protesters [7]. Finally, Mubarak stepped down as Egypt's leader [8]. Now it remains to be seen how the vacuum will be filled. Elsewhere, it seems that the news covering uprising in Egypt is being blocked in China [9].

1. Toledo Blade, *Carter Reported Rebukes Young*, July 18, 1979.
2. Roberts, Jack W., *The Miami News, Batista Foes Plan Rally In Castro Cause*, June 1, 1957.
3. Bernstein, Richard, *New York Times, Meeting Sheds New Light on Cuban Missile Crisis*, October 14, 1987.
4. King, Laura, and Dara-gahi, Borzou, *Los Angeles Times, Cairo crowds swell in anticipation of massive march*, February 1, 2011.
5. Miami Herald, *Timeline of Egyptian protests*, February 2, 2011.
6. Almasmari, Hakim, *Wall street Journal, Yemen's President Is Latest to Vow Exit*, February 3, 2011.
7. Spetainick, Matt, and Stewart, Phil, *Reuters, U.S. demands immediate end to Egypt's emergency law*, February 8, 2011.
8. Coker, Margaret, et. al., *Wall Street Journal, Mubarak Resigns, Delegates Affairs to Army*, February 11, 2011.
9. Rauhala, Emily, *Time, What Uprising? China Censors News from Egypt*, January 31, 2011.



*I will not be triumphed
over—Cleopatra*

Failed Banks Vs SPC Threshold 2/13/2011



World News

The U.S. is reducing its nuclear weapons stockpile to no more than 1,550 devices [1]. However, other countries continue to increase their stockpile. For example, the Islamic Republic of Pakistan is now estimated to have deployed over 100 nuclear weapons [2]. This at a time when terrorists are trying to gain control over Pakistan's nuclear weapons [3]. Furthermore, it's unclear how many weapons India and China have, and these countries are not bound by a treaty to limit the number.

There may be a marked improvement in the U.S. energy policy. Case in point, China is investing \$570 million for a one third state in an oil shale project in Colorado and Wyoming [4]. To illustrate China's importance, consider the U.S. trade deficit for December was \$40.6 billion; \$20.7 billion of

which was with China [5]. For 2010, the deficit with China was \$273.07 billion [6]. Meanwhile, the Treasury Department again refused to call China a currency manipulator [7]. However, some lawmakers, such as Sen. Sherrod Brown (D., Ohio), are accusing China of currency manipulation [6].

1. Reuters, *START Set to Come Into Force Within Days*, January 31, 2011.
2. DeYoung, Karen, Washington Post, *New estimates put Pakistan's nuclear arsenal at more than 100*, January 31, 2011.
3. Serrano, Richard, Los Angeles Times, *U.S. intelligence officials concerned about cyber attack*, February 11, 2011.
4. Denver Post, *China firm's investment may fuel expansion of shale project*, Febru-

ary 1, 2011.

5. Rappeport, Alan, Financial Times, *US trade gap widens in December*, February 11, 2011.
6. Barkley, Tom, and Tally, Ian, Wall Street Journal, *U.S. Trade Deficit Widens*, February 11, 2011.
7. Talley, Ian, and Barkley, Tom, Dow Jones, *US Treasury Declines To Name China A Forex Manipulator*, February 4, 2011.
8. Crittenden, Michael R., Dow Jones, *US Lawmakers Blast China On Currency*, February 10, 2011.

*How far would Moses
have gone if he had taken
a poll in Egypt?—Harry S
Truman*

Fraud

It is estimated that health care fraud costs tax payers \$60 billion per year [1]. In response, the Health and Human Services (HHS) Office of Inspector General (OIG) is posting the faces of the 170 most wanted fugitives [2].

Elsewhere, 9 people were charged in Miami for operating a \$12 million Ponzi scheme [3]. Readers may recall one of the largest financial institution failures was In-

dyMac [4]. Now, the SEC has charged three former IndyMac executives with securities fraud [5].

1. Pittsburgh Post-Gazette, *Health care's most wanted*, February 7, 2011.
2. Alonso-Zaldivar, Ricardo, Washington Post, *Health care fraud: Not a faceless crime any longer*, February 5, 2011.
3. AP, *9 charged in \$12 mil-*

lion Florida bank fraud scheme, February 3, 2011.

4. Wutkowski, Karey, Reuters, *FDIC says IndyMac failure costlier than expected*, August 26, 2008.
5. Kell, John, SEC Charges Three Former IndyMac Executives With Securities Fraud, Dow Jones, February 11, 2011.