

## IN THE NEWS

VOLUME 5 ISSUE 10

MAY 6, 2012

### World News

China has expressed its confidence in the new North Korean leader [1]. Moreover, despite the missile test and potential nuclear test being prepared, China's President Hu Jintao vowed to bolster ties with North Korea [2]. Not only did China provide UN restricted weapons components to North Korea; the company responsible has a press release on its web page boasting about the sale [3]. Concurrently, North Korea is threatening to reduce South Korea to ashes in 3 to 4 minutes [4]. Moreover, North Korea continues to actively jam GPS navigation signals causing problems for South Korean commercial planes [5]. A question here is what does China hope to gain by actively supporting nuclear armed rogue countries that appear to be bent on attacking Western democracies?

The nuclear arms race continues to escalate. For example, Pakistan launched a new intermediate-range nuclear-capable ballistic on April 25 [6]. Meanwhile, Russia is ratcheting up the heat on a planned NATO missile defense system. For instance, Russia is indicating it could conduct a pre-emptive military strike against the missile defense [7].

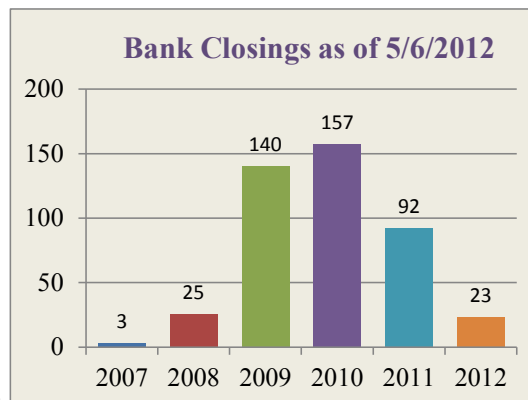
Once again Israel is showing concern that Iran continues to progress toward building an atomic bomb while sanctions are not working. For example, Israel Prime Minister Benjamin Netanyahu warned that sanctions against Iran better work soon [8].

Spain has become the 12<sup>th</sup> European nation to slip back into recession [9]. In contrast, China is claiming its manufacturing is expanding [10].

When the US food supply becomes tainted, this typically hurts US trade. Case in point, two large Korean retailers pulled US beef following discovery of a California dairy cow with mad cow disease [11].

The border with Mexico continues to be a topic of concern. Case in point, across the border from Lerado (Texas), the Mexican city of Nuevo Laredo, awoke to 23 mur-

(Continued on page 2)



### Security

Death does not stop hackers from identity theft. Case in point, one study estimates 2.5 million identities annually are stolen from deceased people [1].

The old saying, crime does not pay, apparently does not apply to cyber-crime.

For instance, by one estimate, Russia's cyber-crime market is now \$2.3 billion, up from \$1.2 billion last year [2]. Elsewhere, in South Carolina, personal Medicaid information on 228,000 people was leaked from a personal email account [3]. Furthermore, a panel of experts testifying

before Congress warned a major cyber-attack against the US is inevitable [4].

Hackers released source code for VMware's ESX hypervisor [5]. The concern is that with the source code leaked, hackers will find ways to breach security.

(Continued on page 2)

#### Inside this issue:

Energy	3
Economy	4

#### Special points of interest:

- More Mexican immigrants leaving than arriving
- 342,000 people left the workforce in April
- Oil falls to lowest price in 6-months after poor April jobs report
- Natural gas produced from methane hydrate crystals
- 23<sup>rd</sup> Bank closed

## Security

(Continued from page 1)

In Illinois, a city of Dixon official was indicted for stealing over \$53 million over a two decade period [6]. Not to be outdone, 107 people are charged with bilking Medicare out of \$452 million [7].

The Chinese company, Hangzhou DPTech Technologies, was removed from the Microsoft Active Protection Program (MAPP) after they disclosed a serious exploit [8].

1. Sullivan, Bob, MSNBC, *Study: ID thieves robbing the grave; 2.5 million dead*

*hit annually*, April 23, 2012.

2. Kaplan, Dan, SC Magazine, *Russian cyber crime market more organized, lucrative*, April 24, 2012.
3. Colon, Marcos, SC Magazine, *South Carolina Medicaid employee leaks recipient data*, April 24, 2012.
4. Jackson, William, GCN, *Major cyberattack on US 'inevitable,' experts tell Congress*, April 24, 2012.
5. Burt, Jeffrey, eWeek, *VMware Code Leak Highlights Security Concerns*

*Around Virtualization*, April 27, 2012.

6. Jeffreys, Samantha, WREX, *Dixon comptroller indicted, accused of stealing over \$53 million*, May 1, 2012.
7. Serrano, Richard A., Los Angeles Times, *107 charged in Medicare fraud crackdown*, May 2, 2012.
8. Chandra, Shobhana, Business Week, *Payrolls in U.S. Rise 115,000; Below Forecast*, May 4, 2012.

## World News

(Continued from page 1)

---

*The boisterous sea of liberty is never without a wave—Thomas Jefferson*

---

ders, 14 of which were decapitated [12].

1. AP, *China expresses confidence in NKorea's leader Kim*, April 23, 2012.
2. Buckley, Chris, Reuters, *Chinese President Hu lauds North Korea ties despite tension*, April 23, 2012.
3. Charbonneau, Louis, Reuters, *Exclusive: China firm boasts about missile-linked North Korea sale: envoys*, April 24, 2012.
4. NBC News, *North Korea threatens to reduce South Korea's government 'to ashes'*, April 23, 2012.

5. Ramstad, Evan, Wall Street Journal, *Two Big Korean Retailers Halt U.S. Beef Sales*, April 25, 2012.
6. AFP, *N. Korea GPS jamming hits S. Korea flights: Seoul*, May 2, 2012.
7. Croft, Adrian, and Gutterman, Steve, Chicago Tribune/Reuters, *Russia says it could pre-emptively strike missile shield*, May 4, 2012.
8. Wright, Tom, Wall Street Journal, *Pakistan Fires Missile*, April 25, 2012.
9. CNN, *Israeli prime minister Netanyahu says sanctions*

*on Iran 'better work soon'*, April 25, 2012.

10. Isidore, Chris, CNN Money, *Spain falls into recession*, April 30, 2012.
11. Isidore, Chris, CNN Money, *China says manufacturing recovery continues*, May 1, 2012.
12. AFP, *23 dead in day of horror for Mexican border city*, May 4, 2012.

# Energy

China continues to profit from the energy sanctions imposed on Iran [1]. However, closer to the super-power's home; a Philippine exploration company has discovered a large quantity of natural gas in South China Sea [2].

In the US, due to low prices the largest producer of natural gas, Exxon, saw profits fall [3]. Of particular interest, the Department of Energy conducted an applied research pilot that produced a steady stream of natural gas from methane hydrate ice crystals [4]. By one estimate, there are enough methane hydrate crystals in Alaska to meet the US power needs for 1,000 years [5]. Overall, it is estimated there is more energy lock up in hydrates than all other fossil fuels combined [6].

A meteorite exploded over California with the explosive yield estimated at 5 kilotons of explosive force [7]. Interestingly, NASA and SETI scientists chartered a zeppelin to help locate pieces of the meteorite [8].

The negotiations with Iran seem to be favoring the rogue nation as it continues its program toward building nuclear weapons. Case in point, one report indicates the US is now willing to allow Iran to continue refining uranium to a 5% concentration [9]. Concurrently, another report indicates the US has deployed F-22's to bases near Iran [10]. Perhaps there are concerns that Israel may launch an attack against Iran that could threaten oil supplies.

One report that helps explain how North Korea has enough enriched uranium for a nuclear

bomb test; 1,000 centrifuges are sufficient for refining enough uranium for two atomic bombs per year [11]. However, Iran has 9,000 centrifuges at Natanz enrichment plant alone [12]. It is probably more likely that North Korea is preparing to test an Iranian atomic bomb. If Iran made such a test domestically, there would be an immediate response from Israel. However, by allowing North Korea to conduct the test, UN talks can continue with no impact to the Iranian nuclear program.

In Iraq, oil exports rose to 2.508 million barrels per day, the highest since 1989 [13]. Gasoline prices are dropping fast and should continue to fall due to a glut of oil. Case in point, with the economic slowdown, world oil is well supplied [14]. What's more, when the poor April jobs report was announced by the Labor Department, the price of oil fell to its lowest price in 6 months [15]. This illustrates the close relationship between growth and energy prices. If we would embrace natural gas, the economy would be insulated from external oil politics.

1. Hua, Judy, et. al., Reuters, *China shippers profit from sanctions on Iran pet-chem trade*, May 4, 2012.
2. Dela, Erik, Cruz and Mogato, Manuel, Reuters, *Philippine South China Sea gas find may fuel China tensions*, April 24, 2012.
3. AP, *Exxon streak of profit gains may have ended in 1st quarter because of natural gas price drop*, April 26, 2012.
4. Rascoe, Ayesha, Reuters, *DOE says test shows poten-*

*tial for natgas hydrates*, May 2, 2012.

5. Swann, Kirsten, KTVB (CBS), *Successful Natural Gas Extraction Test "Game-Changer" for Alaska's Energy Future*, May 2, 2012.
6. Levitan, Dave, IEEE Spectrum, *DOE Completes Field Test of Methane Hydrate Extraction in Alaska*, May 2, 2012.
7. AP, *From giant fireball over Calif., tiny meteorites*, April 26, 2012.
8. Weiser, Matt, Sacramento Bee, *SETI and NASA scientists charter zeppelin to fly over meteorite zone*, May 4, 2012.
9. Richter, Paul, Los Angeles Times, *U.S. signals major shift on Iran nuclear program*, April 27, 2012.
10. Market Watch, *Wired: US Air Force Quietly Assembling Near Iran*, April 27, 2012.
11. Dahl, Fredrik, Chicago Tribune/Reuters, *Could North Korea test "uranium bomb" for first time?*, April 27, 2012.
12. George, Marcus, et. al., Reuters, *Suspected cyber attack hits Iran oil industry*, April 23, 2012.
13. AFP, *Iraq April oil exports highest since 1989*, May 1, 2012.
14. Philips, Matthew, Business week, *Sudden Oil Sell-Off Should Drive Down Gasoline Prices*, May 4, 2012.
15. AP, *Jobs report sends oil to lowest price in 6 months*, May 4, 2012.

---

*The existence of the sea  
means the existence of  
pirates—Malayan Proverb*

---

## Economy

There are many indicators that the US economy is stuck. But perhaps the most telling is for the first time since the Great Depression, the total number of Mexican immigrants (legal and illegal) fell from 12.6 million down to 11.9 million people [1]. This indicates the employment opportunities in Mexico are better than in the US. Concurrently, manufacture's orders for durable goods for March fell 4.2% providing another economic warning sign [2].

What's more, there is a belief that the Europe and the US economies are tired together. If true, the news from the UK that it slipped back into a double-dip recession is a bad sign [3].

For the week ending April 21, the reported number of first time unemployment claims was 388,000 [4]. For the week ending April 28, there were 365,000 new claims for unemployment [5]. In a further sign of economic trouble, one out of two new college graduates is either unemployed or under employed [6]. What's more, for April, the US added the fewest number of new jobs, 119,000, in seven months [7].

The more people that drop from the workplace, the better the unemployment number looks. Case in point, with only 115,000 jobs adding in April, not enough to cover the number of new people looking for work, the Labor Department announced the unemployment rate fell from 8.2% down to 8.1% [8]. At 63.6%, the percentage of people in the workforce is the lowest since 1981 [9]. In fact, the labor force fell by 342,000 people in April [10]. To put this in perspective, in total there were 227,000 fewer people working; yet the

advertised unemployment rate fell to 8.1%.

More disappointing news on the economic front; the first quarter saw a GDP growth rate of only 2.2% [11]. What's more, three fourths of the new jobs added by the 35-largest US job creating companies were overseas positions [12].

Regulators started picking up the pace for shuttering financial institutions. For instance, on April 27, the following five were closed: 18) Bank of the Eastern Shore in Maryland; 19) HarVest Bank of Maryland; 20) Inter Springs Bank in Minnesota; 21) Plantation Federal Bank in South Carolina; and 22) Palm Desert National Bank in California [13]. Then on May 4, another financial institution was closed: 23) Security Bank, National Association in Florida [14].

Once again, Treasury Secretary Geithner is asking China to allow its currency to strengthen [15]. Given China's economic growth at our expense; why would they want to strengthen their currency?

An indication of large cap stock health, the Dow Jones Industrial Average reached its highest level since December 2007 [16]. However, after the jobs report, the Dow fell 168 points [17].

1. Los Angeles Times, *Historic wave of Mexican immigration at a standstill, report says*, April 23, 2012.
2. Barkley, Tom, and Morath, Eric, Wall Street Journal, *Durable-Goods Orders Fall*, April 25, 2012.
3. Milliken, David, Reuters, *UK slides back into recession*, April 25, 2012.
4. Homan, Timothy, Bloomberg, *More Americans Than Projected Filed Jobless Claims Last Week*, April 26, 2012.
5. Homan, Timothy R., and Chandra, Shobhana, Bloomberg, *Jobless Claims in U.S. Decline More Than Forecast*, May 3, 2012.
6. Yen, Hope, AP, *1 in 2 new graduates are jobless or underemployed*, April 23, 2012.
7. Harding, Robin, and Raval, Anjali, Financial Times, *US data raise fears over jobs*, May 2, 2012.
8. Rampell, Catherine, New York Times, *U.S. Added Only 115,000 Jobs in April; Rate Is 8.1%*, May 4, 2012.
9. Chandra, Shobhana, Business Week, *Payrolls in U.S. Rise 115,000; Below Forecast*, May 4, 2012.
10. Merline, John, Investor's Business Daily, *Labor Force Shrinks As Jobless Swell Disability Ranks*, May 4, 2012.
11. Censky, Annalyn, CNN, *GDP: Recovery slows in first quarter*, April 27, 2012.
12. Thurm, Scott, Wall street Journal, *U.S. Firms Add Jobs, but Mostly Overseas*, April 27, 2012.
13. Businssweek/AP, *Regulators close 5 banks in 4 states*, April 27, 2012.
14. AP, *FDIC closes small bank in Florida*, May 4, 2012.
15. AP, *Geithner Asks China to Let Its Currency Strengthen*, April 27, 2012.
16. CNN Money, *Dow soars to 4-year high*, May 1, 2012.
17. Wang, Lu, Bloomberg, *U.S. Stocks Fall as S&P 500 Has Worst Weekly Drop in 2012*, May 5, 2012.

---

*The wisdom of man never  
yet contrived a system of  
taxation that would  
operate with perfect  
equality—Andrew Jackson*

---