

IN THE NEWS

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World News

The war in Syria continues to escalate. What's more, one report indicates Syria has repeatedly used chemical weapons in its war against the rebels [1]. Victims of the chemical weapons experienced dilated pupils and frothing at the mouth; consistent with liquid sarin nerve agent [2]. A question here is how long will it be before terrorist organizations gain access to sarin type chemical weapons?

Much is unknown regarding China's nuclear weapons. However, reports indicate that China is rapidly expanding its nuclear weapons program [3]. Additionally, there are suggestions China might resort to a nuclear weapons first use policy and they believe nuclear weapons provide strategic support for the country's status as a major power [4]. In turn, this is causing neighboring countries to bolster nationalism. For instance, in Japan, nearly 170 cabinet ministers and lawmakers have visited a war shrine [5]. Once again, the US announced it will use its nuclear umbrella to protect Japan [6]. In particular, the U.S.-Japan security treaty requires the US to defend Japan if that nation is attacked [7]. However perhaps Japan recalls another treaty, the Sino-American Mutual Defense Treaty signed in 1955. That treaty was unilaterally broken by President Carter in 1980 so the US could establish better relations with communist China. Meanwhile, the US denuclearization agenda is calling into question what nuclear umbrella the US will have to protect countries such as Japan [8]. This concern is not new and was expressed back in 2009 [9]. The logic follows, how can the US have a nuclear umbrella policy while trying to denuclearize its own capability?

Meanwhile, China is warning that North Korea may be preparing for a fourth nuclear test [10]. What's more, North Korea has again warned it will never give up its nuclear weapons program [11]. And let us not forget that North Korea informed Japan that its first nuclear target will be Tokyo [12]. Perhaps setting the stage for military conflict, Japanese Prime Minister Shinzo Abe vowed to forcefully remove any Chinese that landed on the islands claimed by both Japan and China [13]. In response, China sent its largest naval force, consisting of eight surveillance vessels into the disputed waters [14]. With this as a backdrop, one report suggests Japan currently has the ability process plutonium needed to construct between 1,000 and 2,000 nuclear weapons per year [15]. Furthermore, one report indicates the US is upset that Japan plans to process Plutonium even though most reactors are still offline following the Fukushima disaster [16].

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Security

Once again, the role of China in cyber espionage is in the news. By one report, most of the attacks during 2012 came from China [1]. Additionally, Chinese hackers may have compromised the U.S. Army Corps of Engineers' National Inventory of Dams [2].

As in the past, Java security issues are in the news. In the latest instance, Java 8

will be delayed until the first quarter of 2014 in order to address security concerns [3]. In other Java related news, less than a week after the most recent update, a new vulnerability was discovered in the Application Program Interface (API) [4].

The Associated Press is investigating how hackers were able to compromise their twitter account and

send out a bogus message indicating explosions at the White House [5]. The hack resulted in the stock market falling quickly, thereby prompting the FBI and SEC to investigate [6].

Elsewhere, the Charles Schwab website and mobile applications were shuttered for nearly two hours as a result of a cyber-attack [7].

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Special points of interest:

- Algos drop Dow 143 points on bogus tweet
- Software glitch halts Chicago Board Options Exchange for 3-hours
- China scientists create killer flu
- Unemployment at 7.5%
- Tenth bank shuttered

Security

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On Thursday, April 25, the Chicago Board Options Exchange (CBOE) didn't open, allegedly due to a technical glitch [8]. The CBOE announced the problem causing a 3-hour delay in operations was a software glitch and no way related to a cyber-attack [9].

1. Phnea, Ellyne, ZD Net, *China main source of cyber-espionage attacks in 2012*, April 23, 2013.
2. Gertz, Bill, Washington Free Beacon, *The Cyber-*

Dam Breaks, May 1, 2013.

3. SC Magazine, *Java 8 release pushed back due to security concerns*, April 22, 2013.
4. Walker, Danielle, SC Magazine, *New Java exploit on the loose following recent security update*, April 23, 2013.
5. Kaplan, Dan, SC Magazine, *Fake AP tweet says Obama injured in White House explosion*, April 23, 2013.
6. Charles, Deborah, and Selyukh, Alina, Reuters,

FBI investigating hacked AP tweet of White House explosions, April 23, 2013.

7. Barlyn, Suzanne, and Baker, Liana B., Reuters, *Cyber attack briefly shuts Charles Schwab website*, April 23, 2013.
8. Smith, Aaron, CNN Money, *Chicago Board Options Exchange does not open*, April 25, 2013.
9. Water, Frac, Chicago Tribune, *CBOE identifies software glitch that halted trading*, April 26, 2013.

World News

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Meanwhile, China appears to be fostering other nations to develop nuclear weapons. For instance, one report suggests China provided Pakistan with detailed nuclear weapons design and nuclear test results [17].

1. Rudoren, Jodi, and Sang-er, David E., New York Times, *Israel Says Syria Has Used Chemical Weapons*, April 23, 2013.
2. Ferziger, Jonathan, Bloomberg, *Israeli Intelligence Says Syria Using Chemical Weapons*, April 23, 2013.
3. Reuters, *China Submarines To Soon Carry Nuclear Weapons, Draft US Report Says*, November 8, 2012.
4. Acton, James M., New York Times, *Is China Changing Its Position on Nuclear Weapons?*, April 18, 2013.
5. Yamaguchi, Mari, and

Kurtenbach, Elaine, AP, *Japan War Shrine Reflects Ruling Party Nationalism*, April 23, 2013.

6. India Times, *Obama Vows to Defend Japan with US Nuclear Umbrella*, February 14, 2013.
7. Martina, Michael, and Yue Jones, Terril, Reuters, *China calls Japan-U.S. island drill "provocative"*, April 24, 2013.
8. Gaffney Jr., Frank J., Washington Times, *'No nukes' could beget nuclear war*, April 2, 2013.
9. Halloran, Richard, Taipei Times, *Doubts grow in Japan over US nuclear umbrella*, May 27, 2009.
10. AP, *China says on guard for possible fourth North Korean nuclear test, calls for talks*, April 22, 2013.
11. Birsal, Robert, Reuters, *North Korea reiterates it will not give up nuclear arms*, April 20, 2013.

12. Fox News, *North Korea reportedly warns Japan it would target Tokyo first*, April 12, 2013.

13. Reynolds, Isabel, & Hirokawa, Takashi, Bloomberg, *Abe Vows to Protect Isles as Shrine Visits Hurt Japan-China Ties*, April 23, 2013.
14. Jennings, Ralph, Christian Science Monitor, *China sends largest fleet yet to disputed islands*, April 23, 2013.
15. New York Times, *Toward a Nuclear Deal With South Korea*, April 18, 2013.
16. Hofilena, John, Japan Daily Press, *US officials voice concern over Japan's plutonium reprocessing*, April 23, 2013.
17. Times of India, *China may have provided nuclear weapons design to Pakistan: Declassified CIA document*, April 24, 2013.

*In a mad world, only the
mad are sane—Akira
Kurosawa*

Terrorism

Once again, the role of Iran's involvement in supporting terrorism is in the news. Case in point, a foiled plot to derail a passenger train in Canada was reported to have been organized by al Qaeda operatives in Iran [1].

Although we don't normally consider China as having a terrorist problem, this is not the case. For example, on April 23, 21 people died in a battle between police and Uyghur terrorists [2]. Of the 21 killed in the unrest, 15 were police officers [3].

In the last newsletter, we reported there was an arrest

made in the ricin letters sent to the President and several congressmen. Since then, the original suspect was released [3]. Finally, to add insult to injury, one report indicates the elder Boston bomber was receiving Massachusetts welfare [4].

1. CBS News, *Iran denies link to what Canada calls thwarted train terror plot*, April 23, 2013.
2. CNN, *Violence in western Chinese region of Xinjiang kills 21*, April 24, 2013.
3. BBC News, *China's Xinjiang hit by deadly clashes*, April 24, 2013.
4. Brown, Robbie, New

York Times, *Focus Shifts in Ricin Case as Charges Are Dropped*, April 23, 2013.

5. Cassidy, Chris, Boston Herald, *Tamerlan Tsarnaev got Mass. welfare benefits*, April 24, 2013.

*The best victory is when
the opponent surrenders of
its own accord before there
are any actual
hostilities...It is best to win
without fighting—Sun-tzu*

Algos

In past newsletters, we have documented the role of algorithm operated programs (algos) in causing bank failures and stock market flash crashes. Moreover, we have pointed out the controls put into place are inadequate to prevent future occurrences. We now have supporting information that tends to confirm our suspicion.

On April 23, hackers took over the AP twitter account

and sent out a bogus message indicating there were explosions at the White House and the President was injured [1]. After the bogus message was sent out, the Dow fell sharply 143 points [2]. One report points out, following the Twitter exploit, computer programs, without human intervention were responsible for \$134 billion in stock changing hands [3].

1. Selyukh, Alina, Reuters, *Hackers send fake market-*

moving AP tweet on White House explosions, April 23, 2013.

2. AP, *Hackers compromise AP Twitter account*, April 23, 2012.
3. Condon, Bernard, and Craft, Matthew, AP, *How a phony tweet and computer trades sank stocks*, April 24, 2013.

Economy

For the week ending April 20, the number of first time unemployment claims reported by the Labor Department was 339,000 [1]. Then for the Week ending April 27, the number of first time claims fell to 324,000 representing a five year low [2]. What's more, 165,000 jobs were added in April and the Labor Department's unemployment rate number fell to 7.5% [3]. Moreover, according to the Commerce Department, the US rate of growth for the first quarter was 2.5% [4].

Meanwhile, regulators continued closing financial institutions. For example, on April 26, the Parkway Bank in North Carolina and the Douglas County Bank in Georgia were shuttered [5].

The current lack of support to research and strategic planning is costing the US considerably. Consider the Russians provide the only method for US astronauts to reach the space station; consequently they raised the price per person by \$5.6 million to \$70.6 million a seat [6]. What's more, Russia is using its rocket technology (paid in part by NASA) to construct a fifth generation ICBM designed to penetrate the US missile defense [7].

1. Hwang, Inyoung and Wang, Lu, Bloomberg, *U.S. Stocks Rise Amid Jobless Claims, Earnings Reports*, April 25, 2013.
2. Kowalski, Alex, and Chandra, Shobhana, Bloomberg, *Jobless Claims in U.S. Unexpectedly De-*

cline to Five-Year Low, May 2, 2013.

3. Mutikani, Lucia, Reuters, *Job growth beats expectations in April*, May 3, 2013.
4. Washington Post/AP, *US economy accelerates at 2.5 percent rate in first quarter, propelled by consumer spending*, April 26, 2013.
5. Tadena, Nathalie, Wall Street Journal, *Regulators Close Banks in North Carolina, Georgia*, April 26, 2013.
6. AFP, *NASA to pay Russia \$424 mln more for lift into space*, May 1, 2013.
7. Gertz, Bill, Washington Times, *Inside the Ring: Russia builds up, U.S. down*, May 1, 2013.

China's Pollution

With air pollutions 40 times the safe exposure level, children in China are developing chronic coughs and stuffy noses [1]. A question here is what are the impacts to neighboring countries that are exposed to Chinese air pollution? For instance, researchers concluded that air pollution coming from China is killing trees in Japan [2]. And China's pollution does not stop in Japan. Case in point, dust from the Gobi desert reached California [3].

One of the risks associated with various types of pollution are the new diseases that result. To complicate matters further, one report indicates Chinese scientists (in a laboratory environment) have merged bird-flu with human-flu [4]. Guinea

pigs were used to verify the deadly new virus [5]. The new virus could result in a global pandemic and as we see from the weak environmental controls, laboratory safety may be poor. Of course the new virus could be part of China's biological warfare program. Furthermore, consider China's food safety where products including rat meat are sold as higher quality products [6]. So the pollution effecting rodents has a path into the regular human food chain.

1. Wong, Edward, New York Times, *In China, Breathing Becomes a Childhood Risk*, April 23, 2013.
2. Sydney Morning Herald, *China's pollution blamed for Japan's dying trees*, April 25, 2013.

3. Tata, Samantha, NBCLA 4, *Dust From Chinese Storm Reaches Calif.*, April 1, 2013.
4. Connor, Steve, The Independent (UK), *'Appalling irresponsibility': Senior scientists attack Chinese researchers for creating new strains of influenza virus in veterinary laboratory*, May 3, 2013.
5. Keim, Brandon, Wired, *Chinese Scientists Create New Mutant Bird-Flu Virus*, May 2, 2013.
6. Martina, Michael, and Huang, Sally, Reuters, *Chinese police bust million-dollar rat-meat ring*, May 3, 2013.

Battles are lost or won in
15 minutes—Napoleon
Bonaparte
