

IN THE NEWS

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World News

The military powers confronting China's expansion continue to evolve. For instance, India launched its first domestically produced aircraft carrier and installed a nuclear reactor into a home built submarine [1]. This comes after India's Cabinet Committee on Security agreed to raise a 45,000 strong Mountain Strike Corps [2].

Meanwhile, tension is increasing between the nuclear powers India and Pakistan. The latest crisis started on August 8 when India accused Pakistan killing five Indian soldiers in the disputed Himalayan region [3]. Next, both nations exchanged fire repeatedly over the weekend ending August 11 [4]. Then, Pakistan accused India of shelling across the disputed border in Kashmir [5]. In separate news, an explosion aboard an Indian submarine (a diesel ship built by Russia) trapped 18 sailors [6].

Elsewhere, China conducted its third test of the DF-31A ballistic missile; capable of delivering nuclear weapons to continental US targets [7]. Combined with over 3,000 miles of underground tunnels, the DF-31A mobile intercontinental ballistic missile provides China with a considerable nuclear capability [8]. Additionally, China expressed outrage that Japan's Fukushima reactors were still leaking radioactive water [9].

In another nuclear power state, Iran's outgoing nuclear chief claims his country has 18,000 uranium centrifuges installed [10]. Moreover, one Iranian official claims Western sanctions against Iran have been ineffective [11]. Perhaps the best example is China increased its oil imports from Iran by an additional \$500 million [12].

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Security

Whenever wild fluctuations occur on any of the stock exchanges, we consider the impact of algorithmic trades and wonder about the security of the system. The latest wild swing came from the Shanghai Composite exchange that jumped 6% in just a few minutes [1].

Then on August 22, the world's second largest stock exchange, the NASDAQ froze for three hours [2]. Officials were quick in reporting the problem was not caused by hackers [3]. However, days later, the cause was still considered a mystery [4]. What's more, it

appears that select traders were able to continue trading for 15 minutes before the NASDAQ announced a stop; thereby enriching some large volume traders [5]. As a final note on market fluctuations, it is unclear how a malicious exploit could be ruled out prior to determining the actual cause.

Another security practice, patches to commercial software, has become a normal fixture. For example, the Microsoft patches for August address 23 vulnerabilities, including three considered critical [6]. Moreover, one of the major challenges

with commercial software is maintaining security fixes. This becomes problematic when the vendor no longer maintains the product that many are still using. With this as a backdrop, Microsoft announced it will end support for the XP operating system next April [7]. Users of the product will either upgrade or risk more zero-date security attacks.

One of the most cited security control, the *Air Gap*, is under fire. For example, one researcher points out there is no such thing as a non-networked environ-

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Special points of interest:

- Chinese stock exchange spikes 6% within minutes
- NASDAQ stops for three hours
- China's third launch of the DF-31A mobile ballistic missile
- 20th bank shuttered

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Security

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ment thereby negating the concept of an air gap security control [8]. As a further discussion, consider that any device with an embedded wireless capability that is connected to the alleged air gap side is a potential portal of entry.

1. Yan, Sophia, CNN Money, *China stocks jump 6% in mystery spike*, August 16, 2013.
2. McCoy, Kevin, et. al., USA Today, *Crisis of market confidence after*

Nasdaq shutdown, August 22, 2013.

3. Leyden, John, The Register (UK), *Microsoft Patch Tuesday: The '90s called. It wants its 'Ping of Death' back*, August 14, 2013.
4. Kaplan, Dan, SC Magazine, *Microsoft: Upgrade from Windows XP or risk infinite "zero-days"*, August 18, 2013.
5. Byres, Eric, Communications of the ACM, *The Air Gap: SCADA's Enduring Security Myth*, August, 2013.
6. Booton, Jennifer, Fox

News, Nasdaq CEO Defends Exchange After 'Flash Freeze', August 23, 2013.

7. Waggoner, John, and Shell, Adam, USA Today, *Cause of Nasdaq flash freeze still a mystery*, August 23, 2013.
8. McCoy, Kevin, USA Today, *Did some traders profit during Nasdaq freeze?*, August 23, 2013.

World News

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*Denial ain't just a river in
Egypt—Mark Twain*

1. AP/USA Today, *India unveils home-built aircraft carrier*, August 12, 2013.
2. Upadhayaya Venus, Epoch Times, *India Raises Soldiers to Counter China's Military Might*, July 18, 2013.
3. ABC News/AP, *India Accuses Pakistan of Killing 5 of Its Troops*, August 8, 2013.
4. Mahr, Krista, Time, *India-Pakistan Tensions Spike as Two Sides Trade Fire Across the Border*, August 13, 2013.
5. Naqash, Abu Arqam,

Reuters/Chicago Tribune, Pakistan accuses India of shelling as Kashmir tension simmers, August 12, 2013.

6. BBC News, *India submarine blast: Lives lost in Mumbai port*, August 14, 2013.
7. Gertz, Bill, Washington Free Beacon, *China Conducts Another Mobile ICBM Test*, August 14, 2013.
8. Lyons, James A., Washington Times, *'Transforming' America becomes disarming America*, July 29, 2013.

9. Takenaka, Kiyoshi, and Topham, James, Reuters, *Japan's nuclear crisis deepens, China expresses 'shock'*, August 21, 2013.
10. Reuters, *Iran has 18,000 centrifuges, says outgoing nuclear chief*, August 17, 2013.
11. ABC News/AP, *Iran Official Says Sanctions Can't Change Policy*, August 22, 2013.
12. Ma, Wayne, and Tracy, Tennille, Wall Street Journal, *Sanctions Gap Allows China to Import Iranian Oil*, August 21, 2013.

The civil war in Syria is having some destabilizing consequences. For instance, the terrorist group al Qaeda is expanding its influence in Syria [1]. One report indicates the intelligence community is concerned over al Qaeda's growing presence in Syria and the possibility the terrorist organization will get chemical weapons [2].

Closely related to the events in Syria are those unfolding in Egypt. The question is will Egypt become the next Middle-East civil war along the lines of the Syrian conflict? For instance, the Egyptian military cracked down on protest camps and the initial report indicated a dozen people were killed [3]. Later, the estimate was revised above 100 while Egypt's interim president declared a state of emergency [4].

The Syrian war is also spilling over into Lebanon. For example, a car bomb exploded in the militant Hezbollah area of Beirut killing 14 people and wounding approximately 200 [5].

It appears that Saudi supplied weapons are starting to help the rebels effectively wage war. For instance, one report indicated Russian made anti-tank missiles are being provided to

the rebels by Saudi Arabia [6]. However, to make the situation in Syria less clear, several battles between jihadists and armed Kurdish groups have further eroded the rebel opposition [7].

Meanwhile the violence within Syria appears to be escalating. For example, one report indicates the government again used poison gas, this time killing scores [8]. One estimate of the number of killed in the latest gas attack ranges from 500 and 1,300 [9]. Another report indicates the group, *Doctors Without Borders*, counted approximately 3,600 victims of poison gas, including 355 that have died [10]. Meanwhile, US forces are moving closer to the war zone indicating possible involvement in the conflict [11].

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2. CBS News, *Syria power vacuum could pave way for al Qaeda leadership*, August 13, 2013.
3. Lynch, Sarah, USA Today, *Egypt forces clear Cairo sit-ins*, August 14, 2013.
4. Abi-Habib, Maria, and Elmergawi, Leila, Wall Street Journal, *Egypt's*

Deadly Crackdown Spurs Street Violence, August 14, 2013.

5. AP, *Lebanese state-run news agency says 14 killed, over 200 wounded in Beirut blast*, August 15, 2013.
6. Al-Khalidi, Suleiman, Reuters, *New Saudi-supplied missiles boost rebels in south Syria*, August 15, 2013.
7. Yildiz, Guney, BBC News, *Kurdish-jihadist clashes fracture Syria opposition*, August 18, 2013.
8. McDonnell, Patrick J., Los Angeles Times, *Syria rebels say scores dead in poison-gas attack*, August 21, 2013.
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10. Mroue, Bassem, and Aji, Albert, AP/ABC News, *Aid Group Says Syria 'Chemical' Attack Killed 355*, August 24, 2013.
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*If you don't know where
you are going, every road
will get you nowhere—
Henry A. Kissinger*

Economy

The US oil and gas fracking technology is having a positive impact on our energy production. For example, the Energy Information Agency expects October China will surpass the US as the world's largest oil importer [1].

The number of first time unemployment claims for the week ending August 10 fell to 320,000 [2]. Then for the following week, the number was 336,000 [3].

Following on the heels of Detroit's bankruptcy, other large cities are starting to slip. For example, Cook County (this includes Chicago), had its general obligation rating lowered one level (to A1 from

Aa3) by Moody's [4].

Meanwhile regulators continued closing financial institutions. For instance the Community South Bank in Tennessee and the Sunrise Bank in Arizona became the 19th and 20th banks closed for the year [5].

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3. Chandra, Shobhana,

Bloomberg, *U.S. Jobless Claims Fell to Five-Year Low Over Past Month*, August 22, 2013.

4. Roeder, David, Chicago Sun-Times, *Moody's credit downgrade hits Cook County*, August 16, 2013.
5. Jones, Kristin, Wall Street Journal, *Regulators Close Banks in Tennessee, Arizona*, August 23, 2013.

*Every attempt to make
war easy and safe will
result in humiliation and
disaster—William
Tecumseh Sherman*

China Pollution

Many of the effects of pollution are not well understood. However, one study indicates people living near the polluted Huaihe River in China, have a 50% higher rate of cancer than the national average [1]. Additionally, polluted water in China is putting 20 million at risk from arsenic poisoning [2].

To placate the masses, China announced plans to spend

\$277 billion combatting pollution [3]. The plan includes converting many power plants from coal to natural gas [4].

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