

IN THE NEWS

VOLUME 11 ISSUE 1

JANUARY 14, 2018

World News

China continues to advance its capabilities to wage war in the South China Sea. Case in point, the communist giant tested the world's largest (and domestically built) amphibious aircraft [1]. Such an aircraft is ideally suited for contested island combat. This comes as the Philippines plans to protest to China over an artificial island airbase constructed after a commitment not to do so [2]. Then China was caught providing oil to North Korea in an apparent violation of UN trade sanctions [3]. Another report indicates China is covertly offering North Korea with missiles and aid [4]. So China's promises should not be confused with commitment to follow through. We also learned China conducted two test lights of its DF-17 hypersonic nuclear capable vehicle [5]. Another report of Chinese military expansion indicates China is building a combined naval and air base in Pakistan near the border with Iran [6]. Meanwhile, China recently tested new nuclear capable ballistic missiles that places US forces on Okinawa at risk [7].

Meanwhile, China is also testing Japan in the East China Sea. The first incident this year was the incursion of 4 Chinese Coast Guard ships into Japanese territorial waters [8]. This was followed by a second incident where a Chinese frigate and unidentified submarine entered Japan-claimed waters [9]. The submarine was later reported to be Chinese [10].

While we are unsure of what to expect from North Korea, we do have some clues. For instance, one of the soldiers that defected from the north had Anthrax anti-bodies in his blood [11]. This would indicate Anthrax was weaponized and could be used in future conflicts.

1. Reuters/CNBC, *World's largest amphibious aircraft makes maiden flight in China*, December 24, 2017.
2. Business Insider/Reuters, *Philippines to protest Beijing's apparent air base on manmade island in the South China Sea*, January 9, 2018.

(Continued on page 2)

Security

In the race to fix security flaws, the worse-case scenario is when the hardware has vulnerabilities. The reason is the hardware is the foundation and not necessarily fixable with a patch. Now there are reports of 2 hardware flaws that effect billions of machines [1]. Some are calling for all devices to be replaced [2]. As a general rule, companies use tech refreshes to keep hardware current. We expect there

will be some risk reducing work arounds until new processors become available and can be replaced during normal tech refresh. Case in point, Apple announced plans to issue a path to its Safari browser to prevent the hardware from being exploited [3]. Embedded systems will be more challenging. With so many devices made overseas, it's difficult to determine if foreign powers were a factor in the security flaws.

Similarly, the weaknesses in software are continuing to result in real world consequences. For instance, Mozilla issued patches to fix flaws on the Thunderbird browser [4]. Finally, the Jones Memorial Hospital (JMH) in Wellsville, N.Y. was forced to operate on downtime procedures following a successful cyber-attack [5].

1. Newcomb, Alyssa,

(Continued on page 2)

Inside this issue:

Terrorism	3
Economy	4

Special points of interest:

- Dow 25,000
- Record trade deficit with China

Security

(Continued from page 1)

- NBC News, *Meltdown, Spectre chip flaws raise questions about hardware security*, January 4, 2018.
2. Larson, Selena, CNN Tech, *Major chip flaws affect billions of devices*, January 4, 2018.
3. Reuters/Fortune, *Apple Will Issue a Fix for Flawed Chips 'In the Coming Days'*, January 5, 2018.
4. Olenick, Doug, SC Magazine, *Mozilla patches one critical, two high flaws in Thunderbird*, December 26, 2017
5. Barth, Bradley, SC Magazine, *Cyberattack forces New York State hospital to run on downtime procedures*, December 28, 2017.

The economy is the start and end of everything. You can't have successful education reform or any other reform if you don't have a strong economy—
David Cameron

(Continued from page 1)

3. Reuters, *China says no sanction-breaking oil sales to North Korea*. December 28, 2017.
4. Gertz, Bill, Washington Free Beacon, *Secret Document Reveals China Covertly Offering Missiles, Increased Aid to North Korea*, January 2, 2018.
5. Panda, Ankit, Diplomat, *Introducing the DF-17: China's Newly Tested Ballistic Missile Armed With a Hypersonic Glide Vehicle*, December 28, 2017.
6. Gertz, Bill, Washington Free Beacon, *China Building Military Base in Pakistan*, January 4, 2018.
7. Valencia, Robert, Newsweek, *New Chinese Missiles Could Attack U.S. Military Base in Japan*, January 9, 2018
8. Panda, Ankit, The Diplomat, *4 China Coast Guard Vessels Enter Japan-Administered Waters Near Disputed East China Sea Islands*, January 8, 2018.
9. Panda, Ankit, The Diplomat, *Chinese Frigate, Unidentified Submarine Enter*

World News

- Japan-Claimed Waters Near Senkaku Islands*, January 12, 2018.
10. The Japan News, *Sub seen near Senkakus confirmed as Chinese*, January 13, 2018.
11. Steinbuch, Yaron, NY Post, *North Korea soldier who defected had immunity to anthrax*, December 28, 2017.

Terrorism

Iran has been singled out as the top sponsor of terrorism [1]. So when we see potential unrest we can only hope for an improved outcome.

Case in point, protesters are being killed in an internal revote [2]. Nevertheless, the US has decided to keep the Iranian nuclear agreement in place [3]. However, sanctions were implemented on select leaders of Iran [4].

In Kabul, an Islamic State (IS) suicide bomber killed at least 20 people [5]. In a separate attack in Kabul, a suicide bomber killed at least six people [6]. Then on December 27, an Islamic State (IS) suicide bomb attack on a Shia cultural center in Kabul killed at least 41 people [7].

1. PBS, *Iran still top state sponsor of terrorism, U.S. report says*, July 19, 2017.
2. Karimi, Nasser, and Gambrell, Jon, AP, *Iran protests have violent night; at least 12 dead overall*, January 1, 2018 .

3. Lee, Matthew, Washington Post, *Trump waives Iran sanctions, gives nuke deal 'last chance'*, January 13, 2018.
4. BBC News, *Iran sanctions: Tehran vows retaliation over Trump move*, January 13, 2018.
5. Abed, Fahim, New York Times, *ISIS Suicide Attack Kills at Least 20 in Kabul*, January 4, 2018.
6. AP/NBC News, *Suicide bomber kills six people in Afghan capital, Kabul*, December 25, 2016.
7. McKirdy, Euan, and Dewan, Angela, CNN, *ISIS suicide bombing in Kabul kills dozens*, December 27, 2017.

*Only a strong economy
can create higher asset
values and sustainably
good returns for savers.—*

Ben Bernanke

Economy

Thanks to advances in technology, the US is now the world's leading producer of Gas and Oil [1]. This means the US is less dependent on unreliable oil sources such as OPEC.

On January 4, the Dow Jones Industrial Average crossed the 25,000 for the first time [2]. By the end of the day, the Dow closed above the 25,000 level setting yet another gain [3].

According to the Labor Department, for the week ending December 23, the number of first time unemployment claims was 245,000 [4]. For the week ending December 30, the number rose to 250,000 [5]. Finally, for the week ending January 6, the number of claims reported was 261,000 [6].

Meanwhile the one sided trade with China continued to export US wealth. Case in point, the 2017 yearly trade deficit of \$275.81 billion the

highest ever [7]. This continued enrichment of China cannot have a happy ending.

1. Heath, Thomas, Washington Post, *U.S. oil production booms as new year begins*, December 31, 2017. .
2. AP/LA Times, *Dow tops 25,000 points for the first time as stocks rise*, January 4, 2018.
3. Forsyth, Randall W., Barron's, *Happy DJ 25K Day!*, January 4, 2018.
4. Ott, Matt, AP/USA Today, *Unemployment: Applications for U.S. jobless aid hold at 245,000*, December 28, 2017.
5. Nasdaq, *U.S. Weekly Jobless Claims Unexpectedly Inch Up To 250,000*, January 4, 2018.
6. Nasdaq, *U.S. Weekly Jobless Claims Unexpectedly Rise To 261,000*, January 11, 2018.
7. Rosenfeld, Everett, CNBC, *China's trade surplus with the US hit a record high in 2017*, January 12, 2018.

I don't know where the stock market is going, but I will say this, that if it continues higher, this will do more to stimulate the economy than anything we've been talking about today or anything anybody else was talking about.–

Alan Greenspan
