

IN THE NEWS

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World News

China continues to explore research in area typically off limits to Western scientists. Case in point, one report indicates China has successfully gene edited babies using powerful new tools [1]. China is also continuing to advance its military capability. For instance, they demonstrated a mature anti-aircraft laser system designed to network with other weapon systems or operate standalone [2]. Additionally, China tested a new submarine launched ballistic missile, the Julong-3, that is capable of delivering multiple nuclear warheads at a distance of between 7,456 and 8,700 miles [3]. In a further act of aggression, Chinese military warplanes flew over Korea's Air Defense Identification Zone [4]. One consequence of China military expansion is Japan is rethinking its military options. Case in point, Japan announced on December 17 that two helicopter carriers would be retrofitted to operate F-35B fighters, giving Japan its first aircraft carriers since 1945 [5].

In other news, Russia continues to flex its military muscle. One report indicates Russia seized three Ukrainian ships in the Black Sea [6]. This comes as Russia announced the deployment of a new anti-aircraft laser weapon [7].

Meanwhile, Iran fired multiple nuclear capable missiles in violation of United Nations restrictions [8]. In response, the UN Security Council discussed the matter behind closed doors [9].

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2. Economic Times, *China showcases new laser defence weapon system capable of intercepting aerial targets*, November 12, 2018.
3. Gertz, Bill, Washington Free Beacon, *China Flight Tests New Submarine-Launched Missile*, December 18, 2018.
4. Shim, Elizabeth, UPI, *Chinese military dismisses South Korea concerns over trespassing spy plane*, November 30, 2018.

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Security

The Marriott hack appears to have started back in 2014, going undetected until this year [1]. Moreover, one report indicates the Marriott hack was rooted in China [2]. Elsewhere, two Chinese hackers were charged for targeting NASA, JPL, and Navy sites [3].

Criticism of security vulnerabilities by companies standing to lose market share is not new. For instance, one report indicates back in 1990 Novell aggres-

sively challenged a researcher, Dr. David, after he reported security vulnerabilities resulting from a computer virus [4]. Compare this to the Chinese insertion of malicious chips in motherboards where vendors are disclaiming the attack [5]. One impacted company, Supermicro, hired an outside firm that could find no problem and disputed the claim [6]. In another article, a vendor claims that such a hack is nearly impossible [7]. If

malicious software at Marriott went undetected for 4 years; how would motherboard vendors detect the more difficult problem of uncovering malicious hardware? For those motherboard chips made in Chinese foundries, discovery of extra circuitry would be incredibly difficult.

Then there was the breach at Quora that exposed 100 million users [8]. On October 23, NASA servers containing personal infor-

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Special points of interest:

- Marriott breach went undetected for 4 years
- US now an oil exporter for the first time in 75 years
- Largest USGS oil reserves reported
- Stocks in free fall

Asia is rich in people, rich in culture and rich in resources. It is also rich in trouble.—Hubert H. Humphrey

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mation were breached [9]. Finally, one report suggests that for years, Chinese hackers breached the European Union's diplomatic communications [10].

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2. Sanger, David E. , et. al., New York Times, *Marriott Data Breach Is Traced to Chinese Hackers as U.S. Readies Crackdown on Beijing*, December 11, 2018.
3. Wibler, Del Quentin, Los

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Angeles Times, *NASA, JPL and U.S. Navy Targeted in Chinese Hacks*, December 21, 2018.

4. Virus Bulletin (University of Finland), *sLANging Match*, December 1990.
5. Bensinger, Greg, Wall Street Journal, *Semiconductor Chiefs Cast Doubt on Report of Malicious Chips in Global Supply Chain*, November 13, 2018.
6. Fazzini, Kate, CNBC, *Supermicro says an outside investigator found no evidence of Chinese spy chips claimed by disputed Businessweek report*, December 11, 2018.

7. Sumagaysay, Levi, The Mercury News, *Supermicro to review 'practically impossible' Chinese chip hack alleged in report*, October 22, 2018.
8. Acharya, Bhargav, Reuters, *Quora says 100 million users hit by security breach*, December 3, 2018.
9. Fox News, *NASA got hacked*, December 19, 2018.
10. BBC News, *European Union diplomatic communications 'targeted by hackers'*, 19 December, 2018.

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5. Lockie, Alex, Business Insider, *Japan unveiled new plans for an F-35 aircraft carrier – and it's a Chinese navy killer*, December 18, 2018.
6. Reuters, *Ukraine says Russia seizes three of its ships in Black Sea*, November 25, 2018.
7. Pickrell, Ryan, Business Insider, *Russian laser weapon designed to obliterate targets 'within fractions of a second' just entered combat service*, December 6, 2018.
8. Kredo, Adam, Washington Free Beacon, *U.S. Confirms: Iran Successfully Fired Nuclear Capable*

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Missiles, December 3, 2018.

9. Lederer, Edith M., AP, *UN council meets on Iran's ballistic missile launches*, December 4, 2018.

Terrorism

There is some good news regarding terrorism. One report indicates the number of deaths due to terrorism was down for 2017 [1]. However, Afghanistan has overtaken Iraq to become the deadliest country for terrorism [2].

In Strasbourg, France, a Christmas market attacker opened fire killing at least 3 people [3]. It was later revealed the gunman was on a terrorist watch list [4]. Days later, the terrorist was killed in a shootout with French security forces [5]. In Morocco, two Scandinavian women were murdered by ISIS terrorists [6]. In Iran, a suicide bomber killed at least 2 people during an attack outside a police station [7].

Whenever we see disruption of services, we have to consider the likelihood that terrorists will copy the same tactic. Case in point, flights at Gat-

wick (British airport) were disrupted by drone activity [8].

1. Hansler, Jennifer, CNN, *Terrorism deaths down in 2017, but far-right terrorism rising, report says*, December 5, 2018.
2. Jamieson, Alastair, NBC News, *Afghanistan becomes world's deadliest country for terrorism, overtaking Iraq*, December 5, 2018.
3. Chee, Foo Yun, and Reilhac, Gilbert, Reuters, *Gunman kills three people in French Christmas market, flees*, December 11, 2018.
4. Reuters, *Strasbourg gunman was on French intelligence watchlist: prefecture*, December 11, 2018.
5. USA Today/AP, *Strasbourg Christmas market attack suspect dead; video captures aftermath of shootout*, December 14, 2018.
6. Olsen, Jan M., and El-Masaiti, Amira, Time/AP, *2 Scandinavian Women Were Brutally Killed in Morocco. The Suspects Pledged Allegiance to ISIS*, December 20, 2018.
7. Hosseini, Bijan, and Thornton, Chandler, CNN, *Iran suicide bomber kills 2 outside police station, state media reports*, December 6, 2018.
8. BBC, *Gatwick drone: What took so long?*, December 21, 2018.

The main American naval forces were shifted to the Pacific region and an American admiral made a strong declaration to the effect that if war were to break out between Japan and the United States, the Japanese navy could be sunk in a matter of weeks.

—Hideki Tojo

Economy

Great news for the U.S. Oil industry. Back in September, the U.S. became the world's largest oil producer [1]. Then in December, the U.S. became an oil exporter [2]. This was the first time in 75 years that the U.S. exported more oil than it imported [3]. And the future continues to look bright. In July it was reported the U.S. has the largest known old reserves in the world [4]. Then in November, the U.S. Geological Survey (USGS) reported their largest oil deposits discovered in Texas [5]. Finally, the USGS reported a new largest oil reserve in Texas and New Mexico [6]. In other positive news, Apple announced plans to build a \$1 billion campus in Austin, Texas, that will create 5,000 new jobs [7].

For the week ending December 1, the number of first time unemployment claims was 231,000 [8]. For the week ending December 8, the number of first time claims fell to 206,000 [9]. Finally, for the week ending December 15, the number of claims was 214,000 [10].

On the negative side, the US trade deficit for August was \$55.5 Billion with China capturing \$43.1 Billion of the spoils [11]. There is a growing realization that Artificial Intelligence (AI) driven trading, by programs called algos, are replacing human trading. For example, reports indicate the dominance of algos in exchange trading and wild market swings [12, 13, 14, 15, 16]. In conclusion, the stock markets were in free fall and the Dow Jones Industrial Average suffered its worst loss since

the 2008 financial meltdown [17].

1. Egan, Matt, CNN, *America is now the world's largest oil producer*, September 12, 2018.
2. Gaffen, David, Reuters, *In major shift, U.S. now exports more oil than it ships in*, December 6, 2018.
3. Blas, Javier, Bloomberg, *The U.S. Just Became a Net Oil Exporter for the First Time in 75 Years*, December 7, 2018.
4. Cunningham, Nick, Business Insider, *The US has the largest oil reserves in the world*, July 6, 2018.
5. Bowerman, Mary, USA Today, *USGS: Largest oil deposit ever found in U.S. discovered in Texas*, November 17, 2018.
6. Blum, Jordan, Houston Chronicle, *USGS: Permian's Wolfcamp is largest potential oil and gas resource ever assessed*, December 6, 2018.
7. Liedtke, Michael, et. al., AP, *Apple to build new Austin hub, expand in other tech hotbeds*, December 13, 2018.
8. Dmitrieva, Katia, Bloomberg, *U.S. Jobless Claims Rise, Though Still Show Solid Labor Market*, December 20, 2018.
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10. Nasdaq, *U.S. Jobless Claims Drop Much More Than Expected To 206,000*, December 13, 2018.
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12. Schatzker, Erik, and Burton, Katherine, Bloomberg, *Stan Druckenmiller Says Algos Are Robbing Markets of Trade Signals*, December 18, 2018.
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14. Curran, Kevin, The Street, *Are Algos Jumping on J&J Headlines?*, December 17, 2018.
15. Burton, Katherine, Bloomberg, *WorldQuant's New Fund Said to Lose 9.5% as Chaos Smashes Algos*, November 22, 2018.
16. Wigglesworth, Robin, and Rennison, Joe, Financial Times, *Bond trading algos find fresh hunting ground*, June 14, 2018.
17. Ungarino, Rebecca, Business Insider, *Dow caps off worst week since the financial crisis with 414-point plunge*, December 21, 2018.

*The atom bombs are piling
up in the factories, the
police are prowling through
the cities, the lies are
streaming from the
loudspeakers, but the earth
is still going round the sun.*

—George Orwell
