

IN THE NEWS

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Economy

At the start of this newsletter period for the first time, gold reached a new record high above \$1,600 per ounce [1]. By July 29, gold reached \$1,637.50 a troy ounce [2]. Then for the week ending July 16, the number of first time unemployment claims rose to 418,000 [3]. For the following week, the first time claims fell to 398,000 however the previous week was raised by 4,000 to 422,000 [4]. To make matters worse, during the second quarter, the Gross Domestic Product (GDP) grew at only a 1.3% rate [5]. Moreover, the Government lowered the first quarter growth rate from 1.9% to 0.4% [6]. Then the Government revised the 2007–2009 recession contraction from 4.1% to a 5.1% [7]. Put another way, the GDP now is less than it was prior to the recession that started in 2007. However, the weak GDP drove the price of oil down below \$96 per barrel [8]. Based on the constant adjustments downward, it's safe to assume we are still in the deepest recession since the Great Depression. And the job picture does not look good for the near term. Case in point, after cutting 17,000 jobs, Merck announced plans to cut another 13,000 [9].

Meanwhile, banks are still failing. For example, on June 22, regulators shuttered the following three financial institutions: 56) Southshore Community Bank in Florida; 57) Landmark Bank

of Florida; and 58) Bank of Choice in Colorado [10]. Then on July 29, three more were closed: 59) Virginia Business Bank; 60) BankMeridian in South Carolina; and 61) the Integra Bank, National Association in Indiana [11].

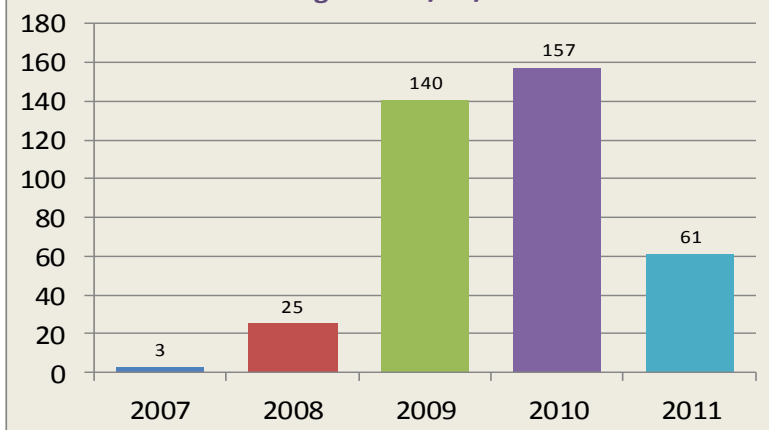
With the exception of Asia, the rest of the world is suffering from the recession. Case in point, Moody's lowered Greece's credit rating another three notches concluding default is almost certain [12]. What's more, U.S. industry continues its exodus to Asia. For instance, GE Healthcare announced plans to move its X-Ray headquarters from the U.S. to China [13]. This follows GE's announced plans to invest \$2 billion in China, including \$500 million in six research centers [14]. Then there is the medical device manufacturing company, Boston Scientific that plans to lay off 1,200 jobs world-wide while hiring 1,000 in China [15]. Moreover, Boston Scientific plans to spend \$150 million in China to expand operations [16]. So a question here is why do GE Healthcare and Boston Scientific believe exporting medical technology jobs to China is better than maintaining the capability in the US? Consider, the pharmaceutical giant, Merck, announced they would be adding jobs in China as the rest of the work force will be reduced to eliminate 13,000 jobs [17]. Elsewhere, the National Institutes of Health (NIH), a Government organization, is under fire for sponsoring \$90 million in grants for research projects conducted by China [18]. In conclusion, our current laws, regulations, treaties, and how we treat US business are driving more jobs to China.

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Bank Closings as of 7/31/2011



Special points of interest:

- 61st Bank Closed
- Gold hits new all-time high
- More US medical equipment jobs go to China

Economy

(Continued from page 1)

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3. Bartash, Jeffrey, Market Watch, *Applications for U.S. jobless benefits rise*, July 21, 2011.
4. Bartash, Jeffrey, Market Watch, *Jobless claims hit 3-month low of 398,000*, July 28, 2011.
5. Hersh, Adam, Market Watch, *Misery is not an option: Economy needs more demand*, July 29, 2011.
6. Rugaber, Christopher, AP, *Recession risks up amid slow growth, debt standoff*, July 29, 2011.
7. Kowalski, Alex, Bloomberg, *Recession Took Bigger Bite Than Estimated*, July 29, 2011.
8. AP, *Oil drops below \$96 after weak US GDP report*, July 29, 2011.
9. Loftus, Peter, Dow Jones, *Merck To Cut Up To 13,000 Jobs, Reports 2Q Net Gain*, July 29, 2011.
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11. Van Doom, Philip, *The Street, Integra Bank, Two Others Fail*, July 29, 2011.
12. AP, *Moody's warns Greek default virtually 100 percent*, July 25, 2011.
13. Jones, Terril Yue, Reuters, *GE Healthcare says to move global x-ray headquarters to Beijing*, July 25, 2011.
14. AP, *GE Moving X-ray leadership team from US to China*, July 25, 2011.
15. Weisman, Robert, Boston Globe, *Boston Scientific to lay off 1,200 plus*, July 29, 2011.
16. AP, *Boston Sci plans \$150M investment in China*, July 27, 2011.
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*Everything has its limit -
iron ore cannot be
educated—Mark Twain*

*Let China sleep, for when she awakes,
she will shake the world—Napoleon*

*Life is really simple, but we insist on
making it complicated—Confucius*

Japan

In the past, we have described the one-sided trade agreements the U.S. has in place. For instance in 2003, following discovery of Mad Cow Disease in some cattle, Japan placed an embargo on importing U.S. beef that lasted over six years [1]. In contrast, when the domestic beef in Japan became tainted with radioactivity from the Fukushima nuclear reactor meltdowns, little was done to protect the quality of Japan's beef. For example, the largest supermarket store in Japan, Aeon, reported that 174 stores may have sold radioactive beef [2]. The Japanese government conducted tests on 274 samples and 23 were above the standard for radioactivity [3]. So as Japan employs an army of inspectors that limit im-

ports, when it comes to domestic contamination, there is no program.

In the past, we have pointed out Japan's one sided trade agreements keep Japanese employed at the expense of trading partners. The earth quake shows the total reliance of Japanese cars to the parts supply, also made in Japan. Case in point, for the April-June quarter, Toyota and Honda production fell 80% and Nissan by 49% [4].

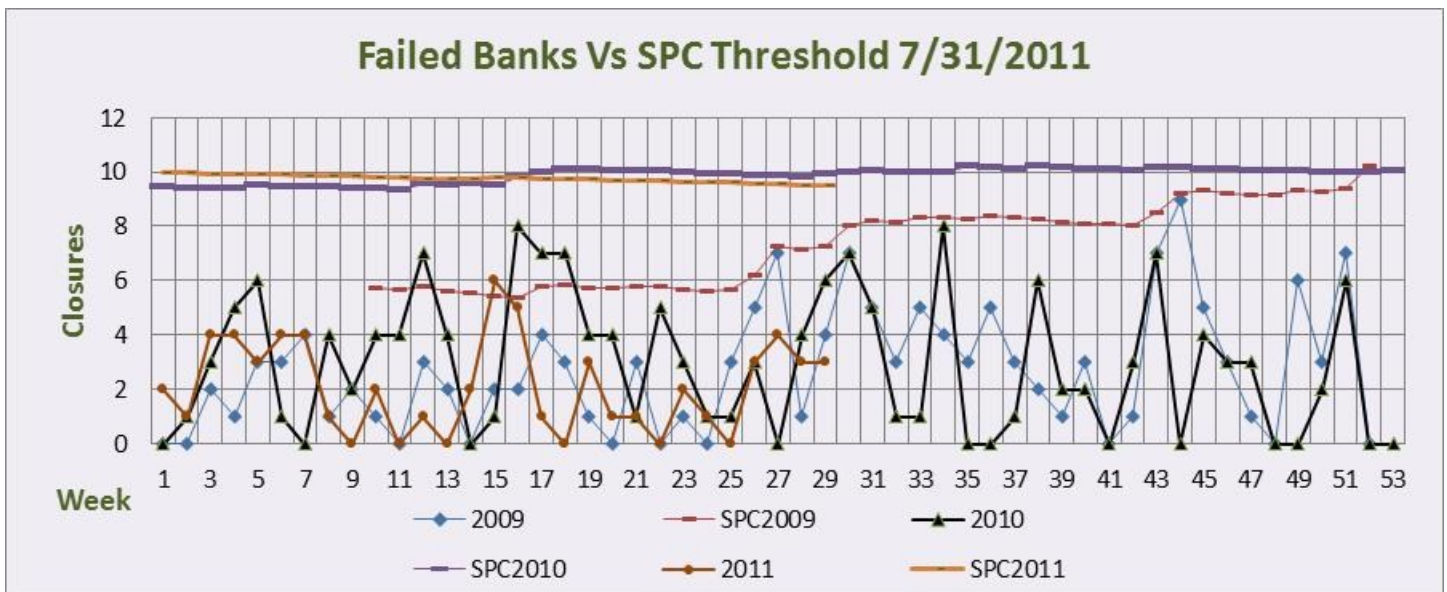
On the plus side, it appears that Japan has a new energy policy based on natural gas. For instance, Tokyo electric agreed to buy 4.1 million tons of LNG from Chevron's proposed Wheatstone project in Western Australia [5].

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2. Reidy, Gearoid, Bloomberg, Aeon Says Suspected Radioactive Beef Sold in 174 Supermarkets Across Japan, July 25, 2011.
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4. Kim, Chang-Ran, Reuters, Japan automakers' Q1 hit by quake, July 25, 2011.
5. Paton, James, Bloomberg, Chevron to Supply Tepco with Wheatstone LNG, May Sell Stake, July 27, 2011.

Remember that credit is money—Benjamin Franklin



World News

One question that arises is once China defeats a country, how are the conquered people treated? Perhaps the best answer comes from the next expected leader of China Vice-President Xi Jinping who vowed to crush any separatist action in Tibet [1]. China continues to flex its military muscle. For example, two Chinese military jets entered Taiwan's air space [2].

In a technology failure, one of China's bullet trains struck another train killing 35 people [3]. As a result, three senior officials were fired from their jobs [4].

Elsewhere in China, a fake Apple store was uncovered and will be investigated by the Chinese government [5]. Moreover, so far two of the bogus stores were shuttered by Chinese authorities [6].

Following the Fukushima meltdowns, not every country is withdrawing from nuclear

ambitions. For example, Iran is going full speed ahead in enhancing its nuclear fuel processing [7].

In the past we have pointed out the nuclear weapons treaty with Russia should have included the biggest threat to the US, China. Next the U.S. decided to sunset the Space Shuttle program and relies on Russia for space transportation [8]. However, Russia is threatening the U.S. relations if Congress passes a law criticizing Russia's human rights policy [9]. Although the initial Russian threats relate to cooperation with Iran and supplies to Afghanistan, what can we expect next?

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7. Karimi, Nasser, AP, *Iran says it is installing new centrifuges*, July 19, 2011.
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9. Rogin, Josh, Foreign Policy, *Russia threatens to wreck the reset*, July 26, 2011.

It's clearly a budget. It's got a lot of numbers in it—

George W. Bush

