

**THIS IS THE REASON THAT THIS MEDIUM CONTINUES TO BE A BEAR**

The game is over.

There have been too many broken promises.

The US Government no longer trusts North Korea and it will, never again, reward the country for being the world's naughty boy, playing with its 'toys' that have the capacity to wipe out an entire city, killing tens of thousands of innocent people.

So, what will Pyongyang do next?

Yesterday, a rally was held in Pyongyang, at which time, the North Korean Government warned that if it was provoked, it would retaliate, militarily, 1,000-fold.

The North Korean Government's threat came after US President Barack Hussein Obama said, at a news conference, attended by South Korea's President, Mr Lee Myung Bak, that the US would 'vigorously' pursue an end to the ambitions of North Korea to become another world nuclear power.

>The official North Korean propaganda agency, immediately, told the world:

*'If the US and its followers infringe upon our republic's sovereignty even a bit, our military and people will launch a one hundred- or one thousand-fold retaliation with merciless military strike. The nuclear programme is not the monopoly of the US.'*

In **TARGET's** opinion, 68 year-old Kim Jong Il, who rules North Korea with an iron fist, is determined to do what the world has dreaded for some years: Try to make North Korea a nuclear power with an arsenal of rockets, laden with nuclear warheads, able to strike at nearly any country within a range of 6,000 kilometres of Pyongyang.

The US Government has gone on record, on numerous occasions, stating that such a situation is unthinkable; and, it would take whatever steps are deemed necessary to thwart such plans.

Turning to Iran, the events of previous week and this week, especially in respect of the Presidential Elections, are encouraging, internationally, because they tend to indicate that the population of the country is not made of the same stuff as the human puppets of North Korea.

Democratic principles seem to be well engrained in a large proportion of the 70 million strong population of Iran in spite of the country, being theocratic republic where the power is, actually, in the hands of Chief of State: Supreme Leader Ali Hoseini-Khamenei (since 4 June 1989).

A large segment of the population of the country has made it known that it, no longer, wants a hardliner, such as President Mahmud Ahmadi-Nejad, preferring a more moderate leader.

It was not until very recently that Iran was put at the top of the Western World's list of potential trouble areas.

Iran has thumbed its nose at the United Nations with regard to its nuclear ambitions, but events of the past fortnight appear to indicate that the country's Supreme Leader will bend under pressure as long as that pressure is applied with sufficient force and by large outpourings of the masses.

The masses, however, comprise mostly the loyal opposition: There is that point over which the masses will not go.

So, with Iran out of the picture, at least for the time being, that leaves only North Korea as the thorn in the side of the Western World.

At this point in the history of this reclusive country, that thorn is a mighty big one.

Things could change very quickly, of course, but, for the time being, Pyongyang is the real concern to the West because, among other things, it is known that the country has a potential military force of about 9 million, men and women, all fit for military service.

Also, it is confirmed that the country has some knowledge of nuclear technology with the ability to launch long-range rockets, carrying weapons of mass destructions, at least 6,000 kilometres from the Capital City of the country.

Theoretically, North Korea is at war with South Korea although no shots in anger have yet been fired.

The Government of North Korea has warned, however, that should any of its ships be stopped at sea, for whatever reason, it would retaliate with furious force.

On June 12, 2009, the United Nations Security Council approved new sanctions on North Korea, sanctions which included inspections of any and all of its ships, suspected of carrying banned cargo to or from the country.

Also, banned is the trade of small arms and any access to international financial markets.

The uncertainty of this situation, especially, is worrying for investors, especially those in Asia.

Japan has closed its trade doors with North Korea, refusing to do any business with the country.

The walls are closing in on the reclusive Communist regime.

As with a cornered wild animal, North Korea is quite likely to strike out at any perceived aggressor without warning.

For thinking investors, locked into equity markets from New York to Tokyo, the uncertainty of it all must be very worrying.

Nobody wants a war – but Kim Jong Il has stated that his country is ready and able to wage war, at any moment.

Bravado?

Unlikely.

Then, there is the matter of industrial production in the US – or the lack of it –and capacity utilisation in the largest single economy of the world.

On Tuesday, the US Government announced that industrial production, during the month of May, slipped 1.10 percent, Year-On-Year.

Capacity utilisation, the US Government stated, fell to the lowest levels of the past 42 years.

The facts are clear: The recession in the US is far from being over.

During the past month or so, Wall Street gurus have been putting on a grand act, stating that the worst with regard to the faltering US economy; and, that one should consider, being fully invested.

Buy! Buy! Buy!

Rubbish! Rubbish! Rubbish!

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), one sees and hears of ga-ga gurus, proclaiming this and that.

The Hang Seng Index had been on the rise, over the past month or so, and **TARGET** has been accused of being far too conservative.

One party suggested that this medium should have been fanning the bullish flames of equity markets, not trying to soak them with fire-resistant materials.

An HKSAR ga-ga guru speaks bullishly about buying stocks and shares in the territory and up go the key indices of the equity markets: Post hoc, ergo propter hoc.

The fundamentals, however, do not justify the bullishness if one eliminates sentiment from the equation.

If anything, the key indices of the equity markets of US, of Europe, and of most of Asia do not warrant the upward movements of most shares as one has witnessed of late.

Certainly, most of the world is suffering some of the worst times since The Great Depression of 1929.

That depression lasted for an entire decade.

The US Government is doing all that it can to try to contain the situation, but, from time to time, more worms crawl out from under one entity or another.

Only in the PRC, proper, being distinct and separate from the HKSAR, can one note that the stimulus packages of that Government are having a positive effect on the second-largest economy of the world.

The PRC Government is concentrating on stimulating the domestic economy – because it has no other option due to the fact that its historic trading partners are in such dire straits.

Back in the HKSAR, with the Hang Seng Index still in fairyland, some companies are pitching rights issues and what-have-you in an effort to get some '*gravy*' while it is still in the pot, being kept hot.

No doubt, some companies will succeed, short term, but most will fail somewhere down the road.

While it is true that share prices move up or down in anticipation of future events, in the case of the current global recession, it is impossible to be able to foretell when will be the end of this terrible time.

Never in living history has the world seen an economy, such as that of the US, almost of the brink of total collapse.

It did happen, however, contrary to public opinion at the end of 2007.

At that time, one was told by the leaders of the country that the US economy, fundamentally, was on solid ground.

Such nonsense!

Today, the world is facing a situation whereby, at any time, a shooting war could break out on the Korean Peninsula, with a 68 year-old, North Korean ga-ga, pushing the launch button of North Korean rockets of mass destruction.

When this comes to pass, nobody in Asia will be safe.

The key indices of every equity market will fall out of bed.

It is a scenario that **TARGET** prays will never come to pass.

But ...

**TARGET has not taken into account, in this report, macroeconomic considerations because, in previous reports, this medium has done them to death. However, it is a given that banks, around the world, are unlikely to record profits over the next few years while retailers will be hard-pressed to sell their inventories in the High Street. Consumer spending in the US accounts for about 66 percent of the Gross Domestic Product (GDP). There, still, is no stabilisation in the US housing market with record numbers of defaulters, monthly. All these factors and many more are causes of grave concern to the Obama Administration.**

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