

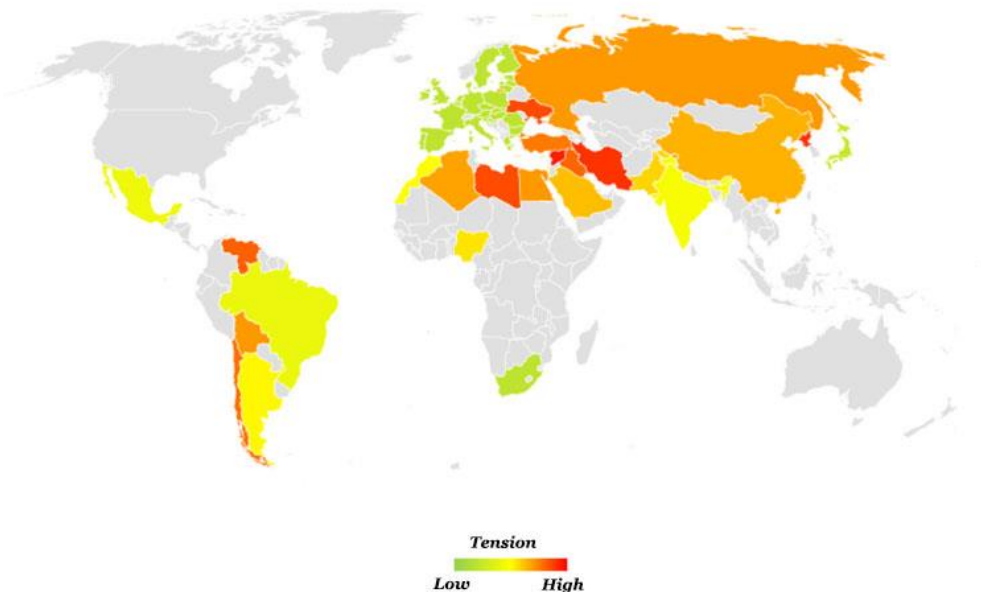
Around the World With Academy Securities

In the two weeks since our [previous Around the World](#) report, **the macroeconomic backdrop has stabilized:**

- We have reached a Trade Truce with China (some are calling it a Phase 1 deal, but that is too generous given that there is still some uncertainty about what the deal commits both sides to, and a lot of implementation risk). On the bright side, as Academy expected, we are decreasing some tariffs and not imposing any new tariffs, allowing markets to relax. The USMCA deal also seems to be on track to become law.
- Boris Johnson won a resounding victory, giving him a clear mandate to finalize Brexit. Markets have responded positively to that, not necessarily because Brexit is a good thing, but because the uncertainty has been removed and most companies and investors have already implemented contingency plans.
- On the domestic front, the Fed seems to have convinced investors that they have enough ammunition to ensure that year-end funding proceeds relatively smoothly.

This confluence of events has allowed markets to have the [December to Remember](#) that Academy’s macro strategist was looking for. While the macro front improved dramatically in the past two weeks, the same cannot be said on the geopolitical front. With the exception of the trade truce with China, uncertainty remains high. We highly recommend reading our report on how the administration has [shifted their DIME strategy with China to focus on Economics](#) and how that should influence our geopolitical positioning across the globe in 2020. Trouble spots continue to be trouble spots and Academy’s GIG will continue to monitor them into the New Year.

Geopolitical Tensions Across the Globe



From a risk and reward standpoint, we focused on trade in the last report and identified the market as being too pessimistic on the outcome of trade talks, which seems to have been the correct call as stocks have surged and bond yields have risen since the Trade Truce was announced.

This week’s Around the World will start with a review of 2019 and our outlook on the top 5 regions of the world, with a focus on potential surprises.

Around the World With Academy Securities

2019 Year in Review - Highlights

As we look back at the key events that drove geopolitical discussion in 2019, Academy's Geopolitical Intelligence Group has focused on a few key regions: the Middle East (Iran, Iraq, Saudi Arabia, Syria, and Turkey), Asia (China, Hong Kong, and North Korea), and Latin America (Venezuela and Chile). As events have unfolded in these regions, many have played out directionally as we have anticipated. In the Middle East, we kicked off the year with a [podcast](#) on U.S. Involvement in Syria and the importance of Turkey in NATO. General Marks commented that the strategy in the Middle East must be "tailored to the conditions on the ground" and Turkey will remain a "complicating factor." As this situation evolved towards the October U.S. withdrawal from Northern Syria and the subsequent Turkish incursion and offensive against Kurdish forces, it became clear that improving relations with Turkey was the priority. Turkey is a NATO ally and a country that can act as a counterweight to Iran's regional ambitions. The U.S. relationship with Turkey, while complicated and imperfect, is too important to U.S. national security strategy.



Iran, clearly reeling from the effects of the economic sanctions and the ending of waivers intended to drive oil exports to zero, ramped up its proxy campaigns in 2019. It was no coincidence that our GIG chose to lay out Iran's fighting strategy in a piece titled "[How Iran Fights](#)" back in May. Smaller provocations such as the Iranian attack on two oil tankers in the [Gulf of Oman](#) and the downing of a U.S. drone in June, culminated in an act of war when Iran utilized drones and small cruise missiles to strike two Saudi Arabian oil facilities. General Stewart, who was in Saudi Arabia at the time of the attack, advised that Saudi Arabia would exercise restraint in the face of such a flagrant attack on their infrastructure and General Kearney agreed given that Iran would use the aftermath of any retaliation to position themselves as the aggrieved party to anyone that will listen (particularly in Europe).

In Asia, our GIG focused on the ongoing nuclear talks with North Korea and the relationship between President Trump and Kim. In our April [podcast](#) (and follow up in [June](#)) we introduced our argument that while China is a strategic competitor, its role in helping advance U.S. talks on the Korean Peninsula cannot be overlooked. Additionally, the Hong Kong protests are nowhere near resolution. As we [reported](#) in August, this situation will further complicate relations between the U.S. and China - with respect to cooperation in North Korea.



When evaluating Russia, whether it is in [Venezuela](#), Syria, [Libya](#) or [Ukraine](#), the U.S. will continue to see Russian limited expeditionary operations, attempting to demonstrate its relevance on the world stage. Russia has benefited greatly from the instability in these countries and it will continue to take advantage of opportunities to expand its strategic influence.

Finally, in Latin America we have kept an eye on the environment where there is [Chinese influence](#) as well as civil unrest. The protests in [Chile](#), whose economy is suffering as a result, have been particularly concerning and are showing no signs of abatement. While tensions over inequality have been simmering for some time now, few expected the scenes that we see today playing out in Santiago. With the risk of this spilling over to neighboring countries, the GIG will continue to monitor this in the New Year.

Around the World With Academy Securities

Surprises in 2020

Turkey

- **We feel that one surprise in 2020 could be that Turkey departs the 1968 Nuclear Non-Proliferation Treaty (“NPT”) and begins to develop its own nuclear weapons program.**
 - *“President Erdogan indicated in October of this year that he thinks the nuclear powers have an unacceptable monopoly on nuclear weapons. He wants to challenge that. However, Turkey will not depart NATO. NATO will do just enough to restrain and address Turkey’s aggrieved status.” General Marks*
- Turkey signed the NPT in 1980 and executed the Comprehensive Test Ban Treaty in 1996. Turkey has also been a member of NATO since 1952 and allows the U.S. to store tactical nuclear weapons at Incirlik Air Base. As tensions over the acquisition of the S-400 missile system from Russia continue, it becomes more and more important to ensure Turkey remains in NATO.

North Korea

- **General Marks believes that the U.S. will take a more thoughtful, but direct approach toward North Korea in 2020.**
 - *“Concerns regarding challenged bilateral U.S.-Japan and U.S.-ROK ties because of this administration’s efforts at building a relationship with North Korea, will produce a more cautious, but hard line strategy toward North Korea. Sanctions and military exercises will remain in place.” General Marks*
- These relationships are critical to applying pressure to the North - especially given Russia and China will push for sanctions removal. The feeling is that if North Korea does not commence nuclear testing, China and Russia will support full removal of sanctions, enabling North Korea to trade with the two nations. The U.S. response will have to consider the current state of trade negotiations with China including the Phase One deal agreed upon last week.
- We will have to see what “Christmas gift” Kim is referring to and how the denuclearization talks continue in 2020. Longer-term, our GIG believes that we could see a scenario where the North Korean economy opens up to trade/investment with countries besides China and Russia. The prospect of being a pariah for Kim’s entire time in power may evolve into a desire to widen the scope of economic engagement with the world, ensuring the future survival of his regime. We are not there yet, but anything is possible.

“Expect the U.S. to put more pressure on Pyongyang to come back to the negotiating table. This will include closer team building with South Korea and Japan, continued military exercises in South Korea, putting less pressure on Japan and South Korea to pay for a greater part of the U.S. military presence, and increased U.S. military equipment sales to South Korea and Japan.” General Walsh

Russia

- **We believe that although it does not have the capacity to overextend, in 2020 Russia will select the Middle East as a strategic stronghold for the long-term.**
- Syria was the model for influence (note the recent \$500m Russian investment in the port of Tartus), with Libya and Egypt more recent examples of this strategy. In Egypt, a new Russian Industrial Zone will soon open and the largest delivery of MiG-35 fighters since the fall of the Soviet Union will be made in the New Year. Additionally, Russia will begin construction of the new El Dabaa nuclear power plant in Egypt in 2020.
 - Egypt’s GDP is poised to reach \$8.2 trillion by 2030, making it the fastest growing economy in the

Around the World With Academy Securities

region. As Russia looks for growth opportunities, its foothold in Egypt will be increasingly important.

“Russia will continue its anti-American mission across the globe to counter U.S. influence wherever possible. Putin has used land grabs in Georgia, Crimea, and eastern Ukraine, desires to control the Baltic countries, is conducting information and cyber campaigns on western countries, and is modernizing his military forces through nuclear-propelled cruise and hypersonic missiles.” **General Walsh**

Iran

- **While a nuclear weapon is not imminent, we believe Iran will continue to ramp up their proxy campaign in response to the sanctions in 2020.**
 - Iran believes the U.S. does not want another war in the Middle East and Saudi Arabia is not capable of defeating Iran on its own. Iran is also watching our interaction with North Korea, another rogue state. President Trump has engaged directly with Kim and provided concessions but has gotten little in return.

“Expect Iran to continue on its path of enriching uranium at its underground nuclear site at Fordow in the hopes of driving a wedge between the U.S. and the European countries. Their objective will remain to coerce the Europeans into providing financial support, thus alleviating the impact of U.S. sanctions while pressuring the U.S. into easing its maximum pressure campaign. President Trump views the sanctions as effective and will continue to encourage France and Germany to hold the line. Evidence has shown the pro-freedom pro-democracy riots across Iran are resulting in massive government crackdowns and repression and restricted internet access.” **General Walsh**

China

- As we reported in [A D.I.M.E Framework for China, Trade and Strategic Competition](#), General Walsh believes that during the Soviet Era, we relied on Diplomacy and the Military rather than Information and Economic measures as a deterrent. **Now that we view China as a strategic competitor, General Walsh believes we will focus more on the Information and Economic opportunities on the battleground in 2020 and beyond.**
 - With respect to Information, as Peter Tchir notes, we have led with the strategy of America First. With respect to Economic, the Belt & Road initiative is a strong economic policy designed to achieve China’s objectives. We are seeing Debt Diplomacy play out with China lending money for projects that cannot be sustained without Chinese help. China has been using economics as a weapon for years.
- China looks at Hong Kong as a wake-up call and what could happen in their larger mainland cities should there be a negative economic effect related to the showdown with the U.S. The option to simply “outlast” President Trump and wait for him to leave office was taken off the table with the recent overwhelming bipartisan vote in the House to support Hong Kong. Economic means will continue to be a key arrow in the quiver in 2020 for the U.S. General Marks believes that the U.S. sees this as so important that it will also shore up Transatlantic trade relations to ensure a more robust China trade deal. This has also informed the U.S. decision to move closer to India rather than Pakistan - reducing our reliance on China.

“China remains the greatest long-term strategic threat to the U.S global power. The Trump administration continues to walk a fine line with trade tariffs and trade agreements as they manage the economic competition. Expect this back and forth approach to continue into the 2020 elections. The strategic competition remains an ideological fight pitting western democracy against China’s central focus on the survival of the Communist Party, China’s massive growing economy, coercion and intimidation of its neighbors, its challenge to replacing an international rules-based order that has been in place since World War II, and its malicious theft of intellectual property and forced technology transfer.” **General Walsh**

Around the World With Academy Securities

Markets at a Glance

Country	Currency*	1 Week	1 Month	10 Yr Yield*	1 Week	1 Month	Stock Index	1 Week	1 Month
United States	97.38	-0.02%	-0.43%	1.92	0.03	0.11	3,205	1.16%	2.67%
Asia Pacific									
China	7.0	-0.77%	0.38%	3.23	0.04	0.04	4,027	3.50%	3.05%
Korea	1,166	1.79%	-0.10%	1.65	0.01	-0.13	2,197	2.77%	1.66%
India	71.0	-0.28%	1.13%	6.75	-0.02	0.27	12,260	2.40%	3.16%
Indonesia	13,986	0.33%	0.67%	2.90	0.03	-0.09	6,250	1.80%	2.08%
Philippines	50.6	0.16%	0.05%	2.74	0.03	-0.08	7,654	-1.13%	-2.88%
EMEA									
Russia	62.4	0.67%	2.20%	2.99	0.02	-0.33	3,008	0.86%	2.87%
Saudi	3.8	-0.03%	-0.03%	2.85	-0.03	-0.13	8,291	3.57%	3.64%
South Africa	14.2	1.87%	3.97%	4.83	-0.22	-0.11	57,559	3.11%	1.93%
Turkey	5.9	-2.60%	-3.59%	6.19	-0.10	0.06	110,599	0.44%	3.51%
Ukraine	23.3	1.03%	3.82%	6.72	-0.05	-0.22	510	0.03%	-1.58%
Americas									
Argentina	59.8	-0.01%	-0.57%	20.62	-1.09	-3.73	33,228	7.49%	18.44%
Brazil	4.1	0.63%	3.40%	3.73	-0.02	-0.15	115,131	2.61%	8.34%
Colombia	3,316	1.71%	3.68%	3.13	0.00	-0.09	1,647	1.74%	1.48%
Mexico	18.9	0.75%	2.05%	3.29	-0.01	-0.12	44,649	3.37%	2.40%
Venezuela	47,883	-3.92%	-63.16%				1,647	1.74%	1.48%

Commodities								
Oil	1 Week	1 Month	Gold	1 Week	1 Month	Bitcoin	1 Week	1 Month
61.22	3.45%	7.31%	1,479	0.61%	0.50%	7,157	-0.61%	-12.92%

U.S. Currency is DXY. China, Korea and India are local currency bonds, the remainder are U.S. denominated bonds. Bloomberg data as of 12/20/2019.

It's an Emerging Market World! Emerging markets have done well this month and over the past week. It is seen across the board in FX moves and also in stock market moves. The Trade Truce, while benefitting the U.S., should also be a boon to Emerging Markets as concerns about global growth have been reduced. **You can see it in commodity prices as well.** Not only has oil surged, but copper and many agricultural commodity prices have also popped since the Trade Truce was announced. This may set the table for **inflation early next year** and Canada just had a very high print in their inflation data.

The U.S. Dollar may be set to experience some weakness against G7 currencies. Our macro strategist believes that the Euro could do very well against the dollar as many traders have bet the opposite direction and may be surprised by a renewed shift in flows into the Euro.

Turkey was a noticeable exception. Turkey is a country of great concern for us, as expressed earlier, and its stock market didn't do as well as other Emerging Markets last week and the Turkish Lira has started weakening again. Of all the Emerging Market currencies, we believe this one has the most potential to drop significantly lower.

Around the World With Academy Securities

Disclaimer

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise, and is a Service Disabled Veteran Owned Small Business as per the U.S. SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.