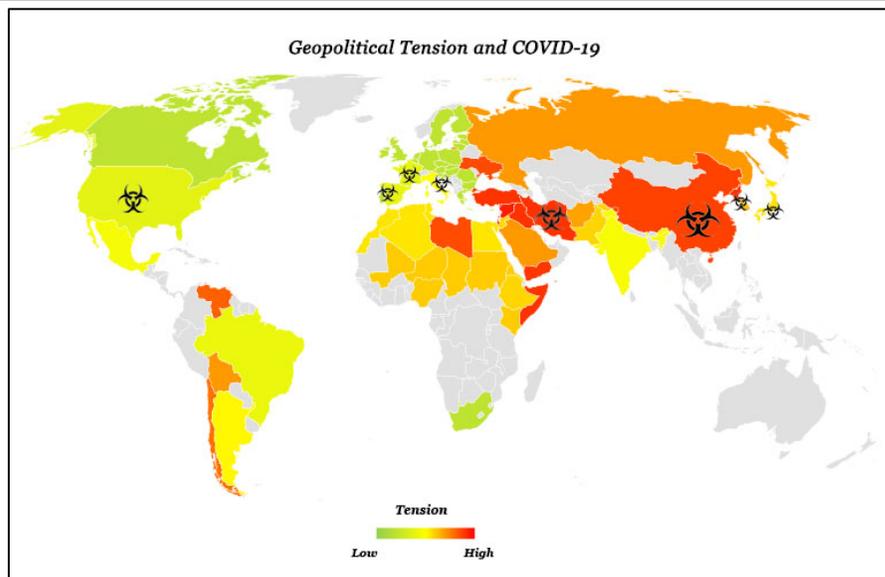


Around the World with Academy Securities

While the impact of the coronavirus continues to drive markets globally, the Academy Securities [Geopolitical Intelligence Group](#) continues to monitor other hot spots around the world for key developments. We are keeping an eye on the oil stand off between Saudi Arabia and Russia and watching for indications of which country might blink first in the price war. In Afghanistan, the “peace” process continues to struggle while the leadership in Kabul refuses to form a unity government. Meanwhile, the ceasefire between Turkey and Syria continues to hold in the Idlib region as questions remain regarding NATO. In addition, our GIG comments on the activation of National Guard units in states most affected by the spread of the virus in the U.S. As the coronavirus spreads internationally, our Head of Macro Strategy has focused his [reporting](#) this week on Central Banks, governments, and local response efforts. He is concerned about the re-opening of China not going smoothly (i.e. concerns of a second wave) and what that could mean for the U.S., as it just rose to number one globally on the list of countries with confirmed cases. He is also perplexed with the impact the virus is having on Italy, but countries like Germany are faring much better, on a relative basis. However, the real focus will be on how the U.S. and China can cooperate during this crisis and work together to ease the tension. Our GIG examines the element of “information” in the strategic competition with China below.



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The Academy GIG Weighs in on Coronavirus

As we have discussed in the past, the U.S. has labeled China a [strategic competitor](#) since 2017. There is little doubt that this pandemic will strain relations between the U.S. and China. With trade, North Korea, Belt and Road, and China’s expansion into the South China Sea, the ripple effects of any fallout here could be significant. While a March 27th phone call between President Trump and President Xi will hopefully lead to cooperation, we will continue to monitor the situation.

“The president’s personal use of the term “China Virus” comes as no surprise. It aligns with his National Security and National Defense Strategies written at the very beginning of his administration that mark China as a strategic competitor. While most of the competition has been focused on economic, diplomatic, and military, he also sees information as another form of the competition. While China came out of the current COVID-19 virus situation with a black eye, they are now trying to right the ship through an information campaign that places China as the global leader on how to handle the virus going forward. President Trump considers China’s lack of transparency when the virus first emerged as the root cause in the global pandemic. He is not about to let them change the narrative in this competition.” **General Robert Walsh**

“The global supply chain is too exposed, too long, and, as we are now realizing, too vulnerable. All nations are re-thinking their respective business reliance on China. There are alternatives to include designing, modeling, and producing at home or minimally closer to home. China will be the loser in the coronavirus long recovery. However cynically, business recidivism will drive everyone right back to China if it remains more cost competitive than the alternatives.” **General Spider Marks**

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Front and Center – Who Will Blink First in the Oil Price Showdown?

As we reported in our [previous edition](#) of ATW, on Friday, March 6th, Russia refused to go along with an agreement with Saudi Arabia to reduce oil production in the wake of the coronavirus driven global demand slowdown (supply is building in China for example, at 2.26mm barrels per day, according to Orbital Insight). Since then, Saudi Arabia (and Russia) have announced intentions to increase production. The question remains: which country will blink first? With Saudi Arabia “weaponizing” their production capacity and announcing that it would increase production by 26%



on April 1, up to 12.3 million barrels per day, how will this impact both countries? With potential instability in Saudi Arabia, Crown Prince Mohammed bin Salman (who Secretary of State Pompeo called on March 25th to urge calm) recently arrested rivals on corruption charges, possibly to head off discontent that could result from a drop off in spending. The “Vision 2030” fund will also be hit by this price war and could affect the plan to diversify away from oil. In the end, Russia may be better positioned for the price war in the near term, but longer term, Russia will have to deal with a significant drop in GDP and will have trouble funding its overseas “influence” strategy in places like Venezuela (where the U.S. recently indicted Maduro on drug trafficking charges), Syria and Libya.

“It will be interesting to watch as Russia is certainly making a play to compete with/unseat the Gulf States. I think the bigger question is how long the virus lock down continues and how long/harshly will it impact worldwide use of fuel as lock downs and travel restrictions increase. We may well end up with a worldwide surplus of oil and significantly reduced demand. Probably not the ideal time for Russia and Saudi to be having this competition.”

General Mastin Robeson

“The Saudi/Russian production standoff and its impact on oil prices is enhanced by the reduced fuel demand resulting from the virus. Brent crude prices are down to under \$30 per barrel from almost \$70 per barrel at the beginning of the year. Putin’s goal to impact the U.S. debt-laden shale oil industry at this moment is also improved by the reduced worldwide demand. He wants to regain Russia’s role as the world’s leading oil producer. He sees the U.S. shale oil producers as vulnerable and at risk. Both Saudi Aramco and Russia say they can withstand lower prices for years if their price war continues. Putin is not one to back down and he views his oil price battle with the Saudis as an additional way to restore his global power as the leading oil producer and cripple the U.S. shale oil industry.”

Robert Walsh

Update on the “Peace” Deal with the Taliban

This week, the U.S. threatened to withdraw over \$1 billion in aid to Afghanistan (and possibly more in 2021) because the rival Afghan leaders have failed to come together and form a unity government. There was some hope that the discussion to free the Taliban prisoners would lead to further peace talks, but since then, the two Afghan rivals (President Ghani and Abdullah, who contested the election) have failed to come to terms. With the U.S. Secretary of State Pompeo directly involved, it clearly demonstrates the desire of the U.S. to make sure this infighting does not derail the peace process with the Taliban altogether.

“The peace process certainly is not going any better than we thought it would go, but this will not stop the U.S. draw down to 8,600 and it will still allow POTUS to politically claim a significant drop in our contribution to Afghanistan. Meanwhile, I am still not certain if the continuing attacks are good or bad for the process. Since most seem to be targeted against Afghan/Taliban targets, it may be the storm before the calm (do as much damage as you can before any agreement), or it may be the Taliban’s inability to produce less attacks, or both...likely both are in play here. Bottom line is U.S. forces are less active now than they have been in years. I believe we will be down to 8,600

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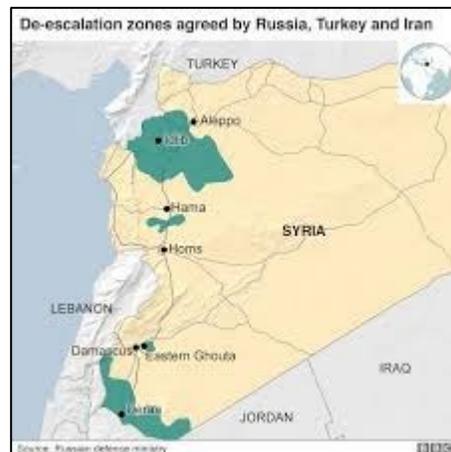
by July and the 8,600 left behind will be extremely capable.” **General Mastin Robeson**

“Lack of a cohesive, unified Afghan government is troubling (ISIS attack this week in Kabul indicative of Afghan government struggles) but what is of greatest concern is the inability of the Taliban to exercise any kind of control over the various tribal elements. Afghan government lack of unity is a challenge but ISIS inspired attacks happen everywhere...U.S., Europe, Mideast. They simply are unable to bring the disparate groups together; the Taliban is not monolithic. However, Afghan government dysfunction should not be viewed by the Taliban as an opportunity to continue deadly attacks in country. Taliban must acknowledge their responsibility to enforce stipulations of the peace deal. The Taliban is at a crossroads...continue their incendiary attacks or gain some legitimacy. The former will ensure that they suffer; the latter can bring an end to it.” **General Spider Marks**

Turkey and Syria: Ceasefire in the Idlib Region Continues

As we reported in our three previous issues on [February 14](#), [March 1](#), and [March 13](#), Turkey is engaged with its neighbor, Syria over the Idlib. However, the March 5th peace deal looks like it is holding while Turkish and Russian forces now conduct joint patrols in the disputed region.

“The current situation in the Idlib is holding for now because neither Turkey, Russia, or Syria want war. Putin is deftly playing both sides. NATO will be unwilling to play a physical role in Syria with all that is going on with the COVID-19 virus and with the increased economic uncertainty. NATO is looking for a new focus and is slowly joining the U.S. in viewing both Russia and China as greater threats in places like Syria.” **General Robert Walsh**



“If NATO wants Turkey to remain in the alliance, it must provide an alternative to Turkey’s growing reliance on and friendship with Russia. This is not an impossible decision. NATO has to answer the fundamental question...is NATO better off, more secure, and more cohesive with Turkey as a member? The answer is yes; therefore, Turkey’s behavior is the responsibility of NATO to modify. This may seem like NATO is being asked to swallow the poison pill of complicity in Turkey’s dangerous adventurism with Russia. It’s not a poison pill; it’s called doing your job to affect compromise without neglecting fundamental core principles. The ball’s in NATO’s court to get Turkey more fully in the formation.” **General Spider Marks**

Activation of National Guard: Governors are in Charge

As we discussed in our most recent [SITREP](#) and [Podcast](#), there is a high likelihood that additional states will call upon the National Guard or reserve forces to help fight the coronavirus pandemic. On Sunday, March 22, the National Guard was activated in New York, California and Washington under Title 32. Under this special status, the Guard is under the control of the respective Governors of the states in which they were activated, but the cost is covered 100% by the federal government. **This activation should be viewed as a good thing that will help fight the spread of the virus and the troops will advise/assist in the response.**

“The National Guard can be mobilized under federal authority via Title 10 or Title 32 of the U.S. Code. In both cases, mobilization is federally funded. Under Title 10 authority, the National Guard is ordered to federal-level active duty and works for the President. Under Title 32 authority the National Guard is still considered operating under federal-level active duty, but works for the Governor for specific state missions.

When the National Guard operates in Iraq or Afghanistan, they operate under Title 10 authorities. Title 32 is the normal method of National Guard activation while in the U.S. Natural disasters are normally state focused operations led by state Governors and no one knows a state better than its own citizen soldiers working for their Governor. States have agreements to support other states as required. President Trump has been clear that even though FEMA has been placed in charge of the federal response, they are in support of the Governors and their

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states in the containment of the virus. U.S. Northern Command in conjunction with the National Guard Bureau has well-practiced command structures to support the states via dual-status commanders where a U.S. Northern Command certified and trained National Guard officer is placed in command of both National Guard and active duty forces when required. The current approach will work as long as the federal government, with FEMA leading the federal response effort to the states, is able to prioritize where and how to weigh the supporting state efforts. The prioritization should be done at the federal level and once inside the states, the National Guard forces should operate under their Governors. This is a well thought out and practiced command alignment with many successful operations under its belt.” **General Robert Walsh**

“A Title 10 authorization of specific state’s National Guards would provide greater unity of command and mission clarity currently where the crisis is greatest. The federal government would “own” those forces and consequently pay for them. Beyond the morale boost, it would be a strong message of the administration’s tangible and immediate support to the civil authorities.” **General Spider Marks**

“I do not see Trump implementing a one size fits all model for dealing with the virus (i.e. federalized). NY, CA, etc. are impacted more than most of the other states. I think this one is better fought by Governors and at the state level. NG is a great way to maintain civil control, reduce looting as things get tighter, increase medical and testing sites, and distribute goods and services. I see the predominant federal influence through financial and economic assistance.” **General Mastin Robeson**

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