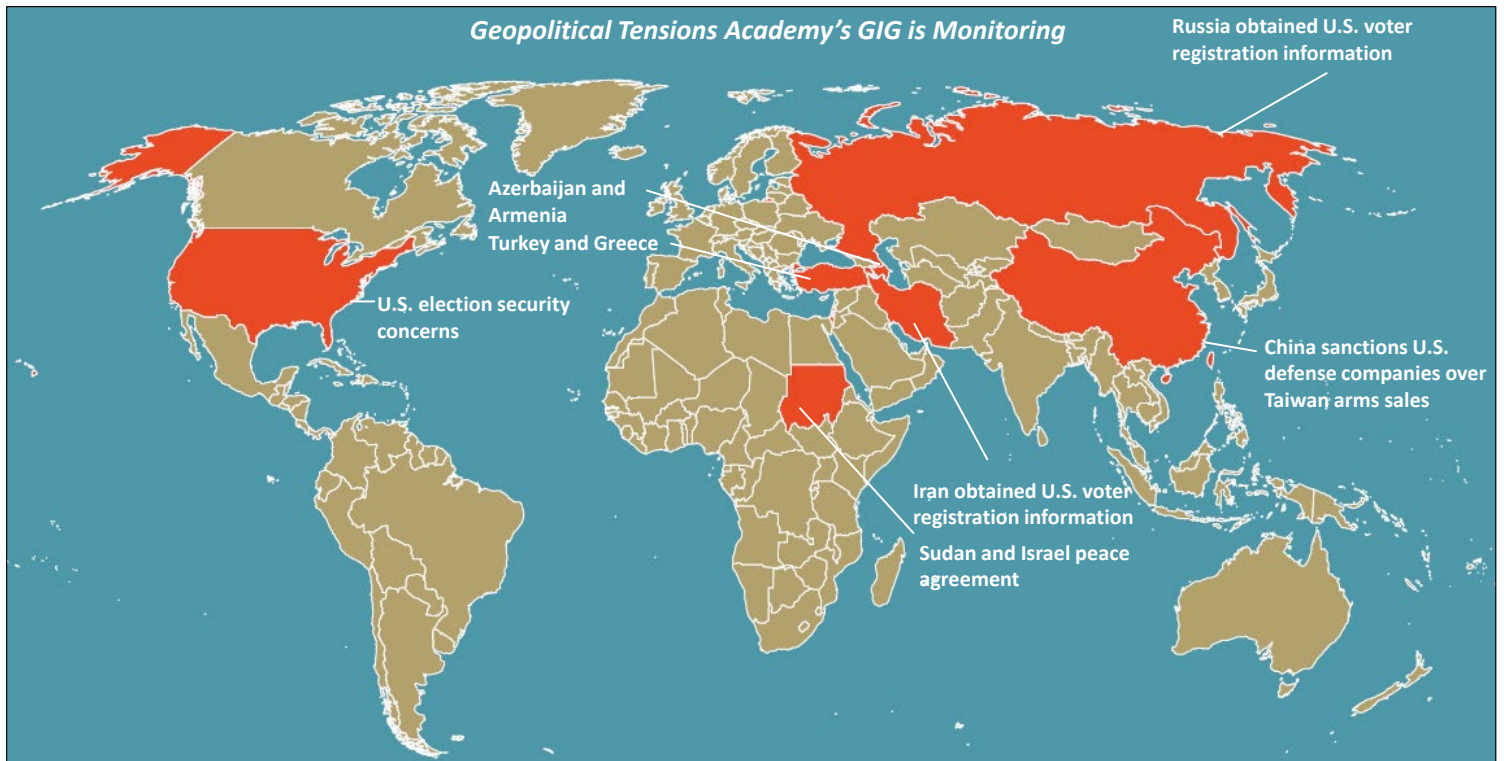


***Around the World with Academy Securities***



With just a few days remaining until the U.S. elections, Academy's GIG sees little risk of direct foreign intervention in the results but continues to see attempts to influence voting with disinformation.

China continues to put Taiwan in the crosshairs of U.S./China relations. Their latest sanctions against companies for selling arms to Taiwan serve to highlight the geopolitical risks in the region. While no escalation is imminent, it is worth noting that Taiwanese insurance companies have been large buyers of U.S. investment grade corporate debt and anything that disrupts that flow could have an immediate impact on the credit markets. Not a near-term risk, given our current geostrategic assessment, but something to keep in the back of your mind as a potential negative surprise in the coming years.

The friction between Turkey and Greece is unique in that both are NATO members, and the posturing is increasingly aggressive. The Turkish Lira continues to get hit hard and is weaker by 8% for the month. Turkish foreign-denominated bonds have traded relatively well, despite the currency weakness, but this is a region we watch closely, because they have issued so much foreign-denominated debt at the sovereign and bank level that any problems with their bonds can quickly cascade throughout the region and impact global markets.

Sudan has joined other countries in the region in signing a peace deal with Israel. While the countries signing the deals with Israel are relatively small in terms of Middle East influence, the deals are landmark events and could signal that there are more to come. We may well be witnessing the first steps in the most important political shift in the Middle East in decades. While it is somewhat surprising how little attention these deals are getting, the GIG views them as important and potential stepping-stones.

While neither Azerbaijan nor Armenia are likely to roil capital markets, the proximity of Turkey and Russia and their involvement could turn this seemingly small regional battle into something with larger ramifications.

## Around the World with Academy Securities

### Front and Center – China and Taiwan

As we discussed in our [SITREP](#) in September as well as in our most recent [ATW](#), the tension continues to rise between the U.S. and China regarding Taiwan. With multiple incursions into Taiwanese airspace (many in response to visits by U.S. representatives to Taiwan), the diplomatic situation has continued to deteriorate. China has also been conducting more frequent patrols in the Taiwan Strait and has augmented its bases in the area with the DF-17 hypersonic missile. Also upsetting China is the increase in military support by the U.S. to Taiwan, in the form of defensive as well as offensive weapons. While we rate the probability of a cross-strait invasion of Taiwan by China as extremely unlikely at this time, China will continue to try to push the envelope, similar to how they “redrew” the lines in the South China Sea, to see how far they could advance their agenda before the international community (led by the U.S.) responded last summer with the presence of two aircraft carrier strike groups.



Most recently, on Monday, October 26<sup>th</sup>, China announced sanctions against Lockheed Martin, Boeing, Raytheon Technologies, and other U.S. companies it says are involved in U.S. defensive/offensive arms sales to Taiwan. While the penalties are unclear (China has done this in the past), the bottom line is that China will continue to try and deter any U.S. support of Taiwan.

*“The strategic competition between the U.S. and China took another negative turn this week with China announcing sanctions against U.S. defense companies Boeing (defense division only), Lockheed Martin, and Raytheon Technologies. The sanctions are the result of sophisticated U.S. arms sales to Taiwan valued at up to \$1.8B. China has also increased its anti-Taiwan rhetoric along with increased economic and military pressure on Taiwan while the world has been distracted by the COVID-19 pandemic. China’s aggressive actions also follow the recent anti-democratic crackdown in Hong Kong. The U.S. was unable to stop Beijing’s national security law restricting Hong Kong’s democracy and now seems determined to support Taiwan during this time of increased tension over the South China Sea, Hong Kong, India, human rights, and trade.*”

*China is using both its economic and military strength to pressure Taiwan and its current pro-independence administration. The Trump administration immediately jumped in to support Taiwan in ways not seen since the Taiwan Relations Act was enacted in 1979. Beijing is also pressuring other countries to cut diplomatic ties with Taipei. We should expect Beijing to continue to pressure Taiwan by using its growing economic and military power, however, the chance of a military conflict remains low.”* **General Robert Walsh**

*“The financial back and forth between the U.S. and China will never reach an acceptable or balanced equilibrium. The global dependence on Chinese trade and supply lines for technology and inexpensive goods is too great to be altered in the next few years regardless of our presidential election. China will agree to lose on the margins but fundamentally will not be affected by American, EU, or other nations’ trade sanctions. What is significant, however, is the U.S.-Indian strategic agreement to increase intelligence sharing (especially geospatial mapping). Clearly, this week’s signing ceremony is aimed at China by enhancing Indian military precision fires. The world’s two largest democracies are codifying their shared interest to more effectively challenge autocratic rule.”* **General Spider Marks**

*“China imposing sanctions doesn’t really mean much as China doesn’t buy anything of significant value from Boeing (defense), Lockheed Martin, or Raytheon. This is just another example of how China uses economic coercion to get corporations/countries to self-censure or speak out on China’s behalf. China is not ready to fight a large-scale war with the U.S. Their goal is to bide their time and hide their strength with a vision of displacing the U.S. as the global power without fighting.*”

## Around the World with Academy Securities

*China continues to develop the capabilities required to bring Taiwan under their control militarily as they now have the largest Navy. They need their Navy to defend their SCS/ECS claims and 200-mile EEZ, defend trading routes (Middle East oil), and displace U.S. influence in the Western Pacific. The artificial islands they created are unsinkable aircraft carriers that allow them to dominate the region and deny others access. They continue to develop their precision strike capabilities and networked Command and Control along with their Anti-Access/Area Denial (A2/AD) capabilities. Once complete, their goal is to have the capability to deter, delay, and deny enemy forces from intervening in a conflict in SCS/ECS/Taiwan. China will continue to message that the U.S. cannot be relied upon and while they initially seek a balance of power with the U.S., their overall goal is to oust the U.S. from the region.”*

**General K.K. Chinn**

### Turkey and Greece

As we reported in our previous [ATW](#), we continue to monitor the situation in the Eastern Mediterranean as it relates to the oil and gas exploration standoff between Turkey and Greece. After U.S. intervention, Turkey sent its survey vessel back to port in mid-September. However, on October 21<sup>st</sup>, Greece raised the state of alert of its Navy and ordered gunships to surround a cluster of islands in the Aegean Sea. These warships were being deployed to try to stop Turkey from further oil and gas survey operations. What makes this recent incident more concerning is the fact that the Oruc Reis, the Turkish survey ship, transited only 14 kilometers off the shore of the Greek island of Kastellorizo. Greece claims the right to 19 kilometers off of its shores and will not grant Turkey permission to look for resources in its territorial waters. As a result, Greece has been lobbying the EU to impose sanctions on Turkey. Also of note is that the U.S. is now selling Greece some of the F-35 fighters originally earmarked for Turkey, while Turkey has begun testing their Russian made S-400 missile system. While Turkey and Greece recently cancelled military drills originally scheduled for this week as a gesture of good faith, the tension over Turkish oil and gas exploration in the Eastern Mediterranean will continue to build.



*“NATO must step up to restrain two member states from further military escalation. Turkey and Greece are on opposite sides over oil and gas reserves in the Eastern Mediterranean, specifically off Cyprus. The Cypriot government along with Greece, Israel, and Egypt have agreed to work together in the exploitation of this resource. Turkey, on the other hand, claims the northern half of Cyprus as their territory. However, this has much more to do with Turkish and Greek competition. This is more than just posturing; it could become a conflagration without much encouragement. It also reflects a growing loss of community within Europe and a competitive (not a cooperative) instinct. A Euro crisis, a refugee crisis, Russian adventurism, Brexit, cultural challenges, physical isolation, and near economic collapse forced by a pandemic, are pushing nations to act independently. The post-World War II order of a European community at peace with shared values and interests is fraying. The Greek-Turkish tension can be calmed, but all parties must agree to de-escalate immediately and NATO leadership is required.”* **General Spider Marks**

*“Turkey’s actions in the Eastern Mediterranean are not only impacting relations with Greece, but they are also severely straining relations with NATO and the European Union. They come after Turkey “thumbed its nose” at NATO’s attempts to stop the operational deployment of its Russian made S-400 surface-to-air missile system. Ankara’s redeployment of its mineral survey ship, the Oruc Reis, in the Aegean Sea comes after the U.S. and EU were able to ease tensions last month during the standoff and get Turkey to return the Oruc Reis to port. This time the Oruc Reis came within eight miles of several Greek islands causing the Greek Navy to sortie warships in response. Both countries’ naval forces are on high alert and are operating near each other heightening the risk for miscalculation. The two sides have threatened to use military force. Turkish President Erdogan has been using his*



## ***Around the World with Academy Securities***

*military to detract from Turkey's economic woes. Secretary Pompeo recently engaged with both Turkey and Greece to reduce tensions and begin talks. He considers Turkey the aggressor in the maritime dispute which does not sit well after the failed S-400 negotiations. It remains unclear what Erdogan's strategic objectives are in the region other than to flex his muscles at every opportunity and demonstrate his independence." **General Robert Walsh***

### **Azerbaijan and Armenia**

As we discussed in our most recent [SITREP](#), our GIG has been monitoring the situation in the contested mountainous area of Nagorno-Karabakh, which sits in Azerbaijani territory but is populated by Armenians. The most recent conflict escalated quickly and the involvement of Turkish airpower made the situation more concerning. Turkey has historically supported Azerbaijan while Russia supports Armenia. This conflict once again puts Turkey and Russia on opposite sides, similar to where they find themselves in Libya and Syria. While the fighting has continued, despite the two previous Russian/French brokered ceasefire attempts, the U.S. hopes the most recent attempt (facilitated by the U.S.) will bring a peaceful ending to the conflict. While violations of the ceasefire are already being reported, Secretary Pompeo urged both sides to abide by their commitments because there will not be a military solution to this conflict.



*"The U.S.- led truce to establish a ceasefire was the third attempt to stop the war between Armenia and Azerbaijan since the first two attempts brokered by Russia and France quickly failed. Ceasefires usually only hold if the casualties become too high to continue, outside support ends, or a stalemate ensues. In this case, none of the three have occurred. The aggressor is Azerbaijan with the conflict being tilted in their favor by military support from Turkey. Ankara is also being accused of recruiting Syrian mercenaries to fight for Azerbaijan. Turkey has spent many years developing sophisticated military capabilities such as drones that are now restricting the movement of Armenian forces. Turkey has even positioned U.S. made F-16 fighter jets in Azerbaijan. It's also interesting to observe that even though Turkey and Russia have developed closer military relations, they are at opposite sides here as they are in Syria and Libya. It is another example of Turkey's President Erdogan pushing his military weight in the region. The most recent meeting of the Minsk Group made up of France, Russia, and the United States occurred on October 29th." **General Robert Walsh***

### **Election Security**

As we discussed in our previous [ATW](#) and our most recent [podcast](#) featuring Academy GIG member General Stewart (who was the former Head of the DIA), nation states such as Russia, Iran, and China have tried to capitalize on our vulnerabilities in order to reduce the trust Americans have in their electoral system. While there is little risk of an intervention altering election results, there continues to be the threat of disinformation campaigns designed to sway voters. On October 21<sup>st</sup>, Director of National Intelligence John Ratcliffe (along with FBI Director Chris Wray) said that both Iran and Russia had obtained U.S. voter registration information. It was also announced that Iran had been sending spoof emails to voters designed to intimidate them and foment social unrest. While our adversaries will continue to try to undermine our democratic processes, the U.S. is now much



## ***Around the World with Academy Securities***

better prepared to deal with these actions than it was in 2016.

*“Russian, Iranian, and to some degree, Chinese efforts to cast doubt in our elections are more about shaking the confidence in the election process with the American public. This could cause post-election chaos and rejection of the results by some. Adding confusion to the Russian and Iranian disinformation campaigns is the abnormally high number of mail-in ballots due to the pandemic. In some ways the early mail-in voting could help reduce the impact of election day hacking. Election officials are doing everything they can to shore up voter confidence. They have been studying the technical problems related to cyber vulnerabilities since the 2016 elections. Solutions included putting redundant and back-up systems in place, disconnecting voting machines from the internet, and ensuring physical security. There is no evidence that foreign cyber-attacks have manipulated any previous election results. Because most of the voting machines are kept offline, it is difficult to believe that hacking election infrastructure could have any major effects on voting results. However, public confidence in the voting process remains the easiest path to influence elections through disinformation.”* **General Robert Walsh**

### **Israel and Sudan Peace Deal**

In our September 11<sup>th</sup> [ATW](#), we reported on the normalization of relations between Israel and the UAE, as well as with Bahrain. Now, a third deal has been agreed to, this time between Israel and Sudan. Prior to these three deals, it had been 26 years since the recognition of Israel by Jordan in 1994 (Egypt also recognized Israel in 1979). While this deal may take some time to fully come to fruition, it is another step in the right direction. Additionally, the U.S. has now taken Sudan off of the list of countries that are state sponsors of terrorism. As the Iranians continue to drive forward with their nuclear and ballistic missile programs (Iran is actively trying to rebuild the Natanz nuclear facility underground), additional nations may look toward peace deals with Israel to act as a counterweight to Iran.



*“Regardless of your politics, the U.S.- brokered Israeli-UAE peace agreement was strategic brilliance. The accord is having the intended result: more Muslim nations are acknowledging the risks of unresolved ancient animosities. The possibility exists that the Middle East will become nuclearized starting with Iran, then Saudi Arabia, and then Israel (Israel will not acknowledge its nuclear capabilities). That cascade of Middle East nuclear powers, however, is not inevitable. Washington and Tehran can normalize relations where neither nation feels threatened, but the ball’s in our court to make that happen. America’s strategic policy of “maximum pressure” is not intended to force the collapse of the regime in Tehran. The regime of Supreme Leader Ali Khamenei is not at risk as there is not a clear alternative. Washington’s purpose is clear: keep Tehran from acquiring nuclear weapons and stop its funding and support for international terrorism. Washington’s task is to surround Iran with like-minded partners. The political will and geostrategic wisdom exist to get that accomplished. We should expect Saudi Arabia (and possibly Indonesia) to normalize relations with Israel.”* **General Spider Marks**

*“Last week’s U.S. announcement that Sudan was the third Arab state to join the Abraham Accords was another setback to Iran and the Palestinians and a win for Israel and the Trump administration. However, this deal may not come with the same enthusiasm that existed with the Israeli agreements to normalize relationships with the UAE and Bahrain. It also comes with some descent in Sudan with concerns that the newly formed government agreed to work with Israel only for financial reasons and became a bargaining chip to be removed from the U.S. list of state sponsors of terrorism. It is still a huge event that continues to isolate Iran in the Middle East. President Trump also mentioned that there are five more countries in negotiations (specifically mentioning Saudi Arabia).”* **General Robert Walsh**

---

***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.