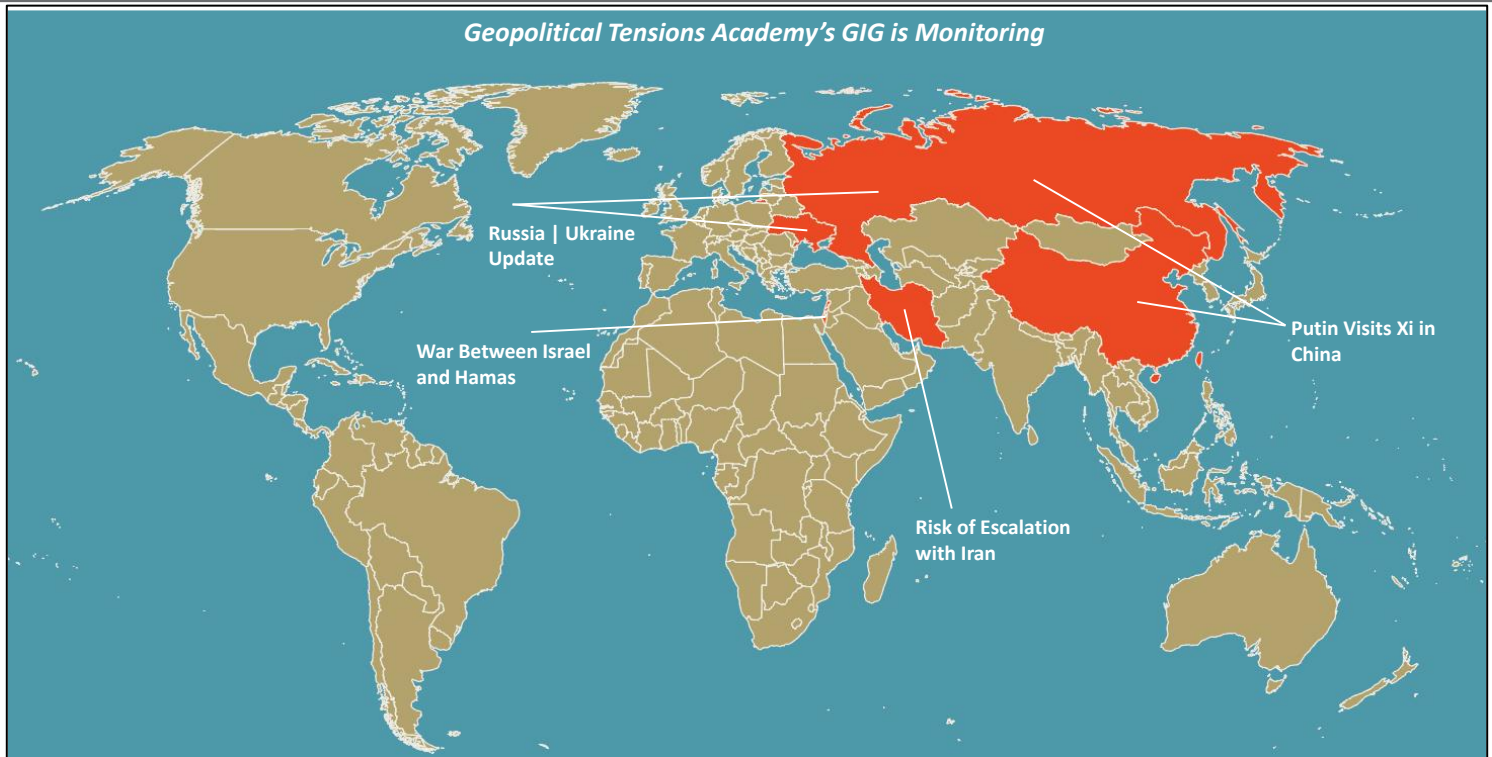


Around the World with Academy Securities

In this month's edition of *Around the World with Academy Securities*, our [Geopolitical Intelligence Group](#) (GIG) focuses on the following geopolitical tensions that we are monitoring:

1. War Between Israel and Hamas
2. Risk of Escalation with Iran
3. Russia | Ukraine Update
4. Putin Visits Xi in China

Last week, Academy held its 3rd annual Geopolitical Summit East in Annapolis, MD. On the first day, the event included a Geopolitical and Macroeconomic Risk panel with General Walsh, General Ashley, and General Marks from our GIG, and our Head of Macro Strategy Peter Tchir. Following that session, we conducted a Cyber Risk panel with GIG members General Groen and General Hernandez, along with Peter Tchir. Rachel Washburn from our team moderated the panels. The topics covered during the sessions were heavily focused on the war between Israel and Hamas, but also addressed the war in Ukraine, the relationship between Russia and China, and the importance of India economically and as a U.S. partner in the region to counterbalance China's influence. The Cyber panel addressed risks and opportunities in emerging technologies, AI, quantum computing, and cyber threats to U.S. critical infrastructure from countries such as China, Russia, Iran, and North Korea. The second day of the summit included a panel focused on the Societal Impact of AI led by Academy's SVP of Inclusion and Innovation Janie Mines and featured General Groen, Professor Chris Callison-Burch, and Dennis Chornenky. The summit concluded with an ESG panel led by Mike Rodriguez, our Head of ESG. The summit was another amazing event that highlighted Academy's differentiated perspectives and the value that we provide to our clients. In our *Around the World*, we focus on the war between Israel and Hamas, the risk of escalation with Iran, an update on the war in Ukraine, and address the growing partnership between Xi and Putin as highlighted by their recent meeting at the Belt and Road Summit in China.

Please reach out to your Academy coverage officer with any questions and we would be happy to engage.

*Around the World with Academy Securities***Front and Center: War Between Israel and Hamas**

As we have addressed in our [SITREPs](#) and [podcast](#), our GIG has been closely monitoring the war between Israel and Hamas. Following the horrific attack on Israel by Hamas on October 7th, Israel struck back with an air campaign targeting senior Hamas leadership. While Prime Minister Netanyahu has vowed to “destroy” Hamas, there are many questions regarding how best to accomplish that mission. Gaza, which is just twice the size of Washington D.C., has over 2 million Palestinians living there, making it one of the most densely populated areas on Earth. This fact, combined with the complicated urban terrain, will make any ground assault extremely difficult. Also, with over 200 hostages still believed to be alive and hidden in Hamas tunnels and bunkers, there is a significant risk that in addition to civilian casualties, hostages may be killed as well. With many around the world supporting Israel in the aftermath of the terrorist attack that killed over 1,400 people (mostly civilians), the risk is that Israel’s response (and the likely collateral damage) could further enflame the region and bring other parties into the conflict. In a show of support to Israel (and deterrence to Iran), the U.S. has deployed the USS Ford Carrier Strike Group to the Eastern Mediterranean and the USS Eisenhower Carrier Strike Group to the Persian Gulf. President Biden and Secretary of State Blinken have already made trips to the region with the primary goal of limiting the threat of an escalation to the conflict. However, even if there has not been a “smoking gun” intelligence report directly linking Iran to the Hamas-led attack, its support of not just Hamas but other groups in the region, namely Hezbollah and Islamic Jihad, has been steadfast for years. In our previous [ATWs](#) this year, we have reported on Iran-backed operations executed by both of these parties against Israel. While this most recent Hamas-led attack was not anticipated, it was clear that tension in the region was boiling over, and it may have been the Abraham Accords and the recent Israel-Saudi Arabia discussions that drove Hamas to act. However, as Israel conducts its mission to eradicate Hamas, all eyes will be on the U.S. goal of deterring Hezbollah (and other proxy forces) from opening up additional fronts in the war that could bring the U.S. and Iran closer to a direct conflict.



“Iran is behind the Hamas attacks in Israel and on the U.S. forces in Iraq and Syria. Their goal has always been to drive the U.S. out of the Middle East, build a “ring of fire” around Israel, and use their proxy force Hamas to light the match. Support is low (from the Palestinians living in Gaza) for the Hamas attacks on Israel. The U.S. and the Arab countries must show the Palestinians that there is a better way. This will be difficult until Israel shows its hand on how far it intends to go with its military invasion of Gaza. Israel is using its air campaign to degrade the command-and-control capabilities of Hamas and kill as many operatives as it can while gaining intelligence to facilitate its ground invasion. There has been no rush by the IDF to enter Gaza without first significantly degrading Hamas’ capabilities. However, Israel has limited leeway with world opinion after the horrific Hamas attacks and hostage taking as the mounting scenes of death and destruction increase the international cry for diplomatic intervention.”

– **General Robert Walsh**

“I don’t think that Israel will preemptively strike Hezbollah. I believe that they will have a limited reaction to Hezbollah’s rocket attacks and incursions until the U.S. has its air defenses in the region. They will also need more interceptors if they initiate attacks in Lebanon and I am not sure where they stand in terms of resupply. The ground invasion is delayed due to hostage negotiations which Qatar seems to be leading. The invasion (when it occurs) will be 2-6 months long in my view depending on the pace. The leadership may have been targeted but it regenerates. Iteratively killing those who replace existing leadership will be required. The second goal is to collapse Hamas’ infrastructure underground to remove storage sites and force Hamas to live above ground. It is likely that Hamas

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*leadership will move south along with refugees from the north creating the need to go deeper into Gaza. Israel will have to govern Gaza initially, but long-term it is not the answer. I don't believe that they have decided on a governance course of action for the long-term.” – **General Frank Kearney***

*“The key to deterring Hezbollah is getting them to understand the willingness of the U.S. to actually use force against them. That needs to be made very clear to both Hezbollah and Iran. Deterrence is only credible if those being deterred understand that we will follow through. Second, we must not tell adversaries what we won't do. That cedes the initiative to an adversary and is self-defeating. On balance, I think that the actions of President Biden to date (and his being in Israel recently) are making it clear that we are serious about using force if Hezbollah attacks.” – **General David Deptula***

“Should what's happening between Israel and Hamas in Gaza remain limited in scope and contained geographically, then the impact on the global economy might very well be relatively minimal. However, how likely will the matter stay contained? Not likely, in my mind. The Israeli execution of its sole objective of eliminating Hamas altogether is going to be a lengthy and ugly “door-to-door” slog thru Gaza with many civilians being killed and injured that will be played out both in traditional and social media. While most nations, including the U.S., may likely stay on the sidelines watching with great interest and issuing warning statements, escalation will most likely come in the form of Hezbollah. They likely see the situation in the south as a tactical opportunity and perhaps as its “obligation” given its shared views/goals with Hamas.

*Like Hamas, Hezbollah will serve as Iran's proxy, so Iran can continue to present a front of non/passive-involvement to deflect global rebuke. Escalation in the conflict, in whatever form, will bring much greater uncertainty to global financial markets, with increasing oil prices being a primary driver of that volatility. Not sure we can count on the Saudis to increase oil production given the scrutiny that they would receive from other Arab nations. An escalation in the conflict could force many countries to come off of the sidelines and call for a ceasefire and a cessation of hostilities. But, in the meantime, the Israeli-Hamas war will be waged.” – **Admiral AB Cruz***

“We have seen a significant increase in attacks against Israel from a variety of sources including Hamas, Palestinian hacker support groups, the government of Iran, and other groups that support the Palestinian cause. On the other side, Israel's extensive cyber defense force, which has significant capability, has focused on cyber defensive operations causing chaos for Hamas and interrupting their internet propaganda and fundraising efforts. In one week, there was an 18% increase in the number of cyber-attacks against Israel. Forty to fifty different groups have claimed responsibility for over four hundred attacks since the conflict began. Most of these were against soft targets like media sites and were fairly unsophisticated (denial of service attacks, defacement of websites, etc.). The damage to Israel has been very limited because of their robust cyber defense force. In the past week, there has been a shift from commercial sites to Israeli government sites including those used by the military.

*Israel has some of the best cyber security defensive forces in the world, such as Unit 8200 which uses civilian cyber security experts (fulfilling their mandatory military service). The concern is that assistance including critical intelligence on cyber targets will be provided to Hamas hackers by Iran or possibly Russia, thus escalating the cyber element of the conflict. Hamas will continue to use the internet for propaganda, disinformation campaigns, targeted phishing attacks against key government personnel, and to raise money for their cause. This will be increasingly challenging as Israeli forces cut off access to electricity and the internet in Palestinian held territory.” – **Admiral Danelle Barrett***

*Around the World with Academy Securities***Risk of Escalation with Iran**

As we reported in our previous [ATWs](#), the risk of escalation with Iran has been growing for months (if not years). Iran has deepened its ties with Russia and continues to send drones for use in Ukraine. Iran has also grown closer to China via its 25-year economic agreement and the promise by China to invest over \$400 billion in Iran in exchange for discounted oil. We also saw increased Iranian proxy activity in the region in April and May of this year when Israel struck Hezbollah positions in Lebanon and Islamic Jihad leadership in Gaza. Additionally, in response to Iranian harassment of commercial shipping in the Strait of Hormuz, the U.S. sent forces to the region this summer including additional aircraft, an Amphibious Ready Group, and a Navy destroyer to deter Iranian aggression. For a short time, that strategy appeared to be working (as evidenced by a decline in incidents at sea and fewer attacks on U.S. personnel in the region). However, with the Hamas attack on Israel earlier this month, Iran has reverted to encouraging its web of proxy forces to once again target U.S. interests. Last week alone, two rockets were fired at U.S. targets in Baghdad and four drones targeted al-Tanf, a U.S. garrison in southern Syria. In addition, a U.S. Navy destroyer in the Red Sea downed three cruise missiles and several drones launched from Yemen by pro-Iranian Houthi forces (the cruise missiles were likely heading for Israel). While the U.S. currently believes that Iran does not want a conflict with the U.S. at this time, the risk is growing that a miscalculation or an escalation of the violence in Israel by Iranian proxy forces could result in a confrontation with the U.S.



“Iran has already achieved its strategic aim of changing the Middle East’s focus from Saudi Arabia joining the Abraham Accords (and further isolating Iran) to now putting the focus back on the Palestinian problem. The attack by Hamas and the reaction by the Arab nations have undone diplomatic normalization talks between Saudi Arabia and Israel. The diplomatic objective of the U.S. is to now contain the spread of the Hamas-Israel conflict as much as possible and keep Iran out. The current limited attacks by Israel and Hezbollah could turn into a second front and further result in Iran’s proxy militias attacking U.S. military forces throughout the Middle East. It’s Iran’s choice as to whether or not Hezbollah becomes involved just as it was with Hamas. A full-scale war with Hezbollah would turn Gaza into a sideshow. President Biden’s speech was sound, as was his decision to move military forces to the region. The behind-the-scenes discussions are important to threaten Iran with U.S. military force and make Iran pay if they widen the war. Iran perceives U.S. weakness, sees opportunity, and is empowered by support from China and Russia. The world is now more dangerous than it has been in a long time. Meanwhile China moved six warships into the Persian Gulf this week.” – General Robert Walsh

“I suspect that Iran will continue to use its proxies to carry the fight rather than get directly involved. However, the potential for an unexpected escalation is very high. The Abraham Accords are at risk as is the near-term relationship with KSA, but I think that even the Saudis know that a stable Middle East is good for all the Arab nations. I also believe that their relationship with Iran is still nascent and there remains considerable mistrust for Iran despite the restarting of diplomatic relations.” – General Frank Kearney

“Despite Iran’s bold warnings and bellicose rhetoric, the most likely scenario (given the current situation and considerations impacting Iran’s thinking) would be that Iran ultimately remains on the sidelines and avoids its own direct military engagement. Further, because Iran can ill afford (politically or strategically) to have both Hamas and Hezbollah eliminated or significantly compromised, it will likely exert its influence to limit the extent to which Hezbollah exposes itself to an all-out fight with Israel. Iran is frankly in a very tough spot, with its long-time strategic objectives and political influence in the region hanging in the balance. And, although Israel’s defeat or elimination of Hamas in Gaza alone would be a major setback for Iran, an added defeat or serious degradation of its proxy

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Hezbollah in the north would further undermine Iran’s profile and presence. So, Iran is likely thinking more about damage control and managing its losses (by sacrificing Hamas in Gaza) while preserving Hezbollah in Lebanon. Iran’s hope might be that after the anticipated Israeli military campaign in Gaza is complete, cooler heads will prevail and the world’s nations will call for an end to hostilities in the region.” – Admiral AB Cruz

Russia | Ukraine Update

As we have addressed in our previous [ATWs](#), the stalemate in Ukraine continues. As Ukraine receives more support from the West, including the delivery of the long-range Army Tactical Missile System (ATACMS), it has been stepping up its attacks and striking deeper behind Russian lines in an effort to continue the counteroffensive in advance of the winter months. Last week, Ukraine employed the ATACMS for the first time near the coast of the Azov Sea and in Luhansk in Eastern Ukraine, destroying Russian helicopters and a munitions depot. As the recent battles have intensified in Avdiivka (Donetsk region), Russia has suffered heavy losses both in personnel and equipment. Ukrainian forces have also recently crossed the Dnipro River into the Russian-occupied Kherson region. If this advance holds and Ukraine is successful in establishing a position, Russian targets in Crimea would be at a greater risk (especially Russian supply lines), which would create a new front in the war where Russian defensive positions are not as strong. With the U.S. now fully supporting Israel in its fight against Hamas, President Biden has recently asked Congress for a \$105 billion aid package that would provide further assistance to Ukraine (in addition to Israel, Taiwan, and the U.S. southern border with Mexico).



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“Putin’s objective in attending Xi’s Belt and Road Summit was to portray himself as part of a new world order led by China and Russia. Xi and Putin want to counter the U.S. and the West’s efforts to defeat Russia’s military invasion of Ukraine and undermine China’s growing economic and military power. The U.S. and European nations are trying to isolate Putin and condemn him as an outcast on the world’s stage over his invasion of Ukraine. Putin used his summit attendance to deepen his cooperation with China. Their growing alliance against the U.S.- led international order has made Putin more dependent on Xi for support in Ukraine. Putin risks falling further into the role of Xi’s junior partner as he seeks more Belt and Road projects. Xi told Putin at the summit that China intends to increase its energy purchases from Russia and speed up the building of the natural gas pipeline between the two countries. Putin and Xi also held a three-hour bilateral meeting during the summit, at which they discussed Ukraine and the Middle East. Putin mentioned the growing conflicts in the world and how they represent the “outside factors” that are common threats that strengthen Russian-Chinese cooperation.” – General Robert Walsh

“Russia’s war with Ukraine will continue in a stalemate. While Ukraine’s commandos in Crimea and the ATACMS will create stress in Russia’s rear areas, I don’t see either as a game changer. Putin seeks continued support in the international community through his relationship with Xi. The Russia, China, Iran, and North Korea support relationship really needs China’s strength to allow Iran and NK to send direct military aid. I don’t see Russia as a player in an Israeli-Hamas negotiation.” – General Frank Kearney

*Around the World with Academy Securities***Putin Visits Xi in China**

We have closely monitored the growing relationship between China and Russia, especially following Russia's invasion of Ukraine. While Xi has stopped short of offering up military assistance to Putin, the "no limits" partnership is one that should deeply concern the West. Last week at the Belt and Road Summit, Putin visited with Xi in China to proclaim that the two nations are taking the lead in building a "fairer, multipolar world." Both of these nations are trying to reshape the global order as China's Belt and Road Initiative reached its 10th anniversary. Over 130 developing countries were also present at the conference. China has provided almost \$1 trillion through the Belt and Road Initiative (mostly loans) to build power plants, seaports, and other infrastructure across Asia, Africa, and Latin America. While many of the recipients have not been able to support the high cost of capital associated with this lending program, it has enabled China to further expand its footprint and influence across the globe. In addition, with the war between Israel and Hamas, both China and Russia have criticized the Israeli response and both nations have once again highlighted the need for a Palestinian state. Both leaders see an opportunity in the Middle East following the U.S. pivot to the Indo-Pacific and would like to build upon their relationships with nations in the region. While Russia has benefited from the support it has received from Iran, China has tried to act as a power broker in the region this year by opening up a diplomatic dialogue between Iran and Saudi Arabia. While China and Russia are seeking to expand their economic ties, a deal on the proposed Power of Siberia-2 natural gas pipeline was discussed (but not signed). The concern is that as the relationship between these two nations grows stronger, the U.S. will have to further increase its outreach and support to developing nations in the region, especially following events of this past weekend where Chinese coastguard ships reportedly "intentionally" hit a Philippines supply boat and coastguard ship in the South China Sea.



*"Last spring Beijing brokered an agreement between Iran and Saudi Arabia to reduce tensions. Xi then met with the Palestinian president and was scheduled to meet with President Netanyahu when Hamas invaded Israel. Both moves are designed to increase China's growing role in the region. The U.S. supports Israel in the conflict and China is putting more blame on Israel and wants to undermine the U.S. standing with the Arab nations. China's foreign minister said that the matter is the result of justice not being done for the Palestinian people. He added that Israel "had gone further than the scope of self-defense." China will use the conflict to position itself as a neutral intermediary in the growing great power competition since the U.S. has placed itself undeniably on the Israeli side. China will put more blame on Israel and will increase support to the Palestinians in its attempt to undermine the U.S. in the international community. At last week's Belt and Road Summit, Xi told Egypt's Prime Minister that China wants to work with Egypt and the Arab nations to provide a lasting solution to the Palestinian problem." – **General Robert Walsh***

*"While the U.S. has its head turned to Ukraine and Israel, it still has the same force posture in the Indo-Pacific region. The diversion of military funding can affect our ability to keep up. I don't see China being convinced to support Israel, but I don't expect strong condemnation either. China sees more value in its relationships with Gulf Arab nations and wants to maintain those economic and political relationships." – **General Frank Kearney***

"Maintaining a high-profile public display of the close and symbiotic relationship between China and Russia is of primary importance to the leaders of both nations, especially with Russia being mired in its protracted war with Ukraine, and China beginning to hit some economic headwinds at home. Both Xi and Putin care a great deal about the "world order" and their standing in it. Unless the situation in the Middle East significantly deteriorates, we can

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expect Xi and Putin to take a wait-and-see approach and keep an arm's-length distance from the back-and-forth political discourse for the time being. Finally, I'm sure both Xi and Putin are watching the breakdown of President Biden's recently proposed \$100B foreign aid funding package with some curiosity." – Admiral AB Cruz

"China and India continue to work with Putin because it is in their own national interest to continue to receive cheap oil from Russia to fuel their growing economies. Russia replaced Saudi Arabia as China's top oil supplier earlier this year and this was probably discussed during Putin's/Xi's recent meeting (along with Xi attending the upcoming November APEC Summit in San Francisco and meeting with President Biden). Putin and Hong Kong's leader, Chief Executive John Lee, cannot attend unless they obtain a special visa waiver as both are under sanctions that bar entry into the U.S. While the U.S. is distracted with the war in Ukraine and now in the Middle East, China will continue to influence the Taiwan election by working to ensure that the DPP candidate (current VP Lai) does not win in January. China will "apply pressure" where it can to reduce the number of candidates (and force Foxconn billionaire founder, Terry Gou, out of the race) and "encourage" the TPP and KMT parties to cooperate and agree on a single candidate. That is the only way that the DPP will not win a third straight Presidential election." – General KK Chinn

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