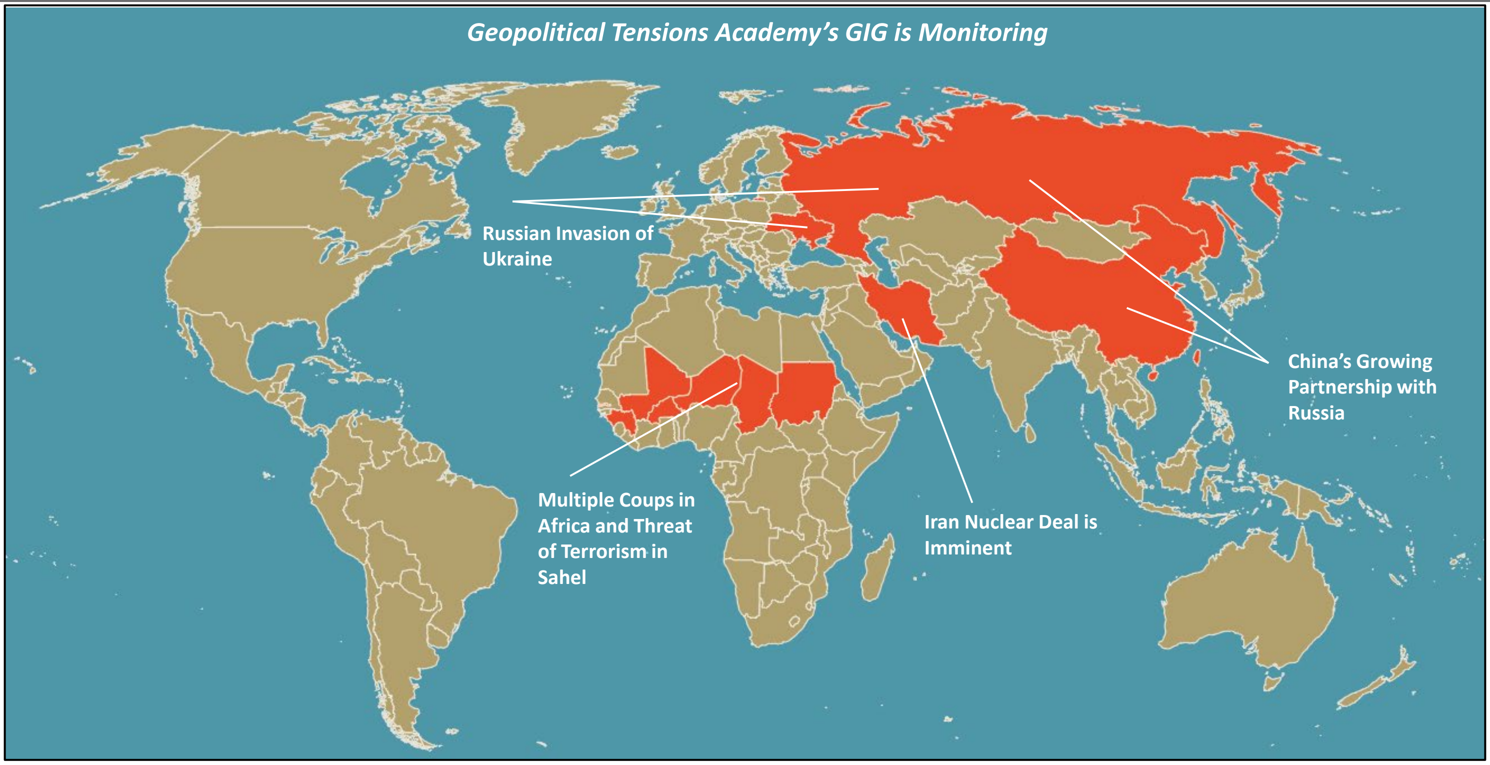
February 28, 2022

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 providing their perspective on the following geopolitical tensions that we are monitoring:

1. Russian Invasion of Ukraine
2. China's Growing Partnership with Russia
3. Nuclear Deal with Iran is Imminent
4. Multiple Coups in Africa and Threat of Terrorism in Sahel

We begin with the Russian invasion of Ukraine and the fierce resistance displayed by not only the Ukrainian military, but civilians as well. Putin's goal of conquering Ukraine and replacing its president with a Moscow friendly one has taken longer than he anticipated, and Putin has faced strong protests in Russia. While it was announced that peace talks were underway on February 28th between Russia and Ukraine on the Belarusian border, Zelensky (and our GIG) are skeptical, and this meeting is likely designed to buy Russian forces time (as they are significantly behind schedule). Next, we address the growing partnership between Russia and China that not only includes a 30-year energy deal, but will also act as a counterweight to the U.S./NATO in Europe and the Indo-Pacific region. We then address Iran, where we have been closely monitoring the Iranian nuclear negotiations. It appears that a return to the original JCPOA is imminent, which will not result in a "longer and stronger" deal and will not address many of the other concerns including Iran's ballistic missile program or its support of regional terrorism. Finally, we revisit Africa and review the recent coups/coup attempts over the past 18 months. One of the underlying factors behind the military taking power is the widespread violence in the region related to Islamic extremism. While coups in the region are unfortunately common, the concern is how these events will affect the U.S./allied counter-terrorism mission.

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

Front and Center: Russian Invasion of Ukraine

In our last ATW and February 15th webinar, we addressed the Russian military buildup on the Ukrainian border and the likelihood (and market implications) of a Russian invasion. By early December, our GIG was certain that a Russian military action was inevitable and on February 21st, President Putin recognized the independence of two separatist regions in eastern Ukraine (Donetsk and Luhansk). Putin then ordered "peacekeeping" troops into the region. Initially, the U.S. announced sanctions on only the breakaway regions, but on February 22nd, a Russian focused "first tranche" set of sanctions was announced targeting two sizable Russian financial institutions, Russian sovereign debt, and Russian elites (and their families). However, Russia has been preparing for these types of sanctions for some time now. Russia's debt to GDP ratio is only 17.88%, it has a current account surplus of $19 billion, and a reserve account of over $630 billion to absorb the impacts of these sanctions.

Many believed that there was a chance that Putin would stop in eastern Ukraine, but that was sadly not the case. On February 23rd, Putin announced that Russia has commenced a "special military operation" in Ukraine - effectively a full-scale invasion on multiple fronts. The Russian military's initial targets included Ukrainian air defense systems, communications, and government installations, but soon several major cities were targeted with shelling and rocket attacks. On February 25th, Russian forces advanced and entered the capitol city of Kyiv, where they faced significant resistance from the Ukrainian military and civilians that had taken up arms to defend their country.

The Russian advance on all three major fronts has taken longer than anticipated and the possibility exists that Putin was not expecting the resistance his forces faced (or the unrest back in Russia) and was not prepared for a prolonged operation. Putin needs to achieve his objectives quickly and remove Zelensky from power or risk becoming over-extended. Zelensky has requested additional defensive weapons with the likely goal of continuing to bog down the advancing Russian forces. In addition to the U.S., Germany is now sending weapons to Ukraine, including stinger missiles and anti-tank weapons, which is a major policy shift. Germany will also support some restrictions on SWIFT for certain Russian financial institutions.

The major question is, where does Putin go from here? Even if Putin removes Zelensky in the near-term, a longer-term occupation of Ukraine is unlikely. Conquering the whole country of 44 million people would require a very long and bloody campaign, which is not what Putin wants. However, the Ukrainian people removed a Putin-friendly leader before (2014) and Putin must believe this can happen again. With a broader goal of "avenging" the fall of the Soviet Union and pushing NATO back, there is a risk to bordering NATO countries, such as the Baltics. On February 25th, NATO activated their Response Force for the first time, a defensive measure demonstrating that NATO believes Putin may not be finished after Ukraine. There is also an elevated cyber-risk to the U.S. and its allies as highlighted in our February 25th webinar. However, on Sunday, February 27th, Ukraine announced that it was ready to negotiate with Moscow and sent a delegation to the Belarusian border (while Russia put its nuclear deterrence forces on alert). Our GIG believes that with the poor showing of the Russian invasion so far and the lack of leverage as a result, Putin is not able to negotiate until he has claimed at least some sort of victory (i.e., taking a major Ukrainian city). This could just be a way for him to buy some time for the Russian forces.

"The geopolitical consequences of Russia's invasion of Ukraine are greater than anything the world has seen since the Cuban Missile Crisis. Putin's radical strategic view of the world is deranged, unpredictable, and harkens back to violent earlier eras. The West cannot allow him to succeed strategically. He has thought through the geopolitical and military situation from the operational and tactical standpoints. While he will be able to achieve his military objectives, we can expect him to become isolated strategically by the free countries of the world if done right. Those countries that are on the fence on whether they should weigh in must be convinced to stand up and denounce Putin and Russia. There are consequences to his radical actions. But, in his lust for restoring the former Soviet Union, he may have overreached his influential powers both by underestimating the will of the Ukrainian people to not accept and resist his ruthlessness and the strength and will of the U.S., NATO, and the West to unite against him.

His immense nuclear stockpile and Russia's recent doctrinal changes using tactical nuclear weapons in a conventional manner challenges any NATO or Western military response. His positioning of warships from his Black Sea fleet is a means to counter any NATO asymmetric advantages. He will quickly achieve his military objectives by brute force. Expect him to try to rapidly overthrow the Ukrainian government and put in the puppet government he has already identified. However, the Ukrainian people will not accept this aggression and have (since the fall of the Soviet Union) moved closer to Europe and the West. Seventy-five percent of Ukrainians now support joining NATO while only twenty-five percent supported it before the invasion of eastern Ukraine in 2014. His actions have driven them westward.

The U.S., NATO, and the West are back on their heels and can only react strategically. The world of free countries must now slowly squeeze Putin and Russia strategically just as Putin has slowly squeezed Ukraine like an anaconda snake. This will take a long time. He has thought through this plan for years and he is in it for the long haul. Standby for cyber-attacks on our banks and infrastructure as sanctions are put in place by the West. His use of hybrid warfare and the threat of nuclear warfare will challenge the strength and will of NATO and the West.

Strategically, the U.S. needs to use the Russian invasion of Ukraine to weaken China in its attempt to become the sole global power. Xi Jinping's failure to call out Russia goes against the democratic norms represented in the United Nations. The U.S. (through the UN) should force China to abstain or vote against the world and side with Putin. These two ruthless leaders need to be called out for who they are. There can be no tiptoeing on Ukraine or Taiwan will become the next domino to fall in this new Cold War. If the U.S. and NATO do not act aggressively, Putin will begin to pressure the Baltic states next." ***– General Robert Walsh***

"I am skeptical that peace talks are serious and will establish a ceasefire or end the fighting. I think that some international pressure and pressure at home (Russia) can be released by starting talks. I think that it does indicate Putin may be reducing scope and scale of his efforts to focus less on the whole country. This also is a way to read the enemy (Ukraine) in person. We need to think of the messaging to his home audience, western audience, former satellites audience, and NATO/EU audience.

What are these talks saying to each audience? I suspect this will serve as a platform to set conditions with NATO and the world with adjusted demands that Putin has for a ceasefire. The sanctions will be part of this though Ukraine doesn't control those efforts. Talks also buy time to set conditions for the next attack after refusal by Ukraine to accept conditions. This allows Putin to talk to his home and near-abroad audiences about how Ukraine doesn't want to end the fighting. At this point, I think that it buys time to pause and adjust the plan, resupply, and then reengage. I can't believe he will stop without taking Kyiv and Kharkiv. National prestige and personal reputation for Putin are at stake. Once those two missions succeed, he can talk." – ***General Frank Kearney***

"Putin may have overplayed his hand strategically but there is little chance supposed peace talks are a legitimate opportunity to de-escalate. Russian forces have stumbled out of the blocks and at day five are trying to gain momentum, address logistics problems (vulnerable supply lines), and fight unexpectedly stiff Ukrainian resistance." ***– General James "Spider" Marks***

"Peace talks will only work if Putin needs them (i.e., has something he wants, stumbles badly enough to fall short of his objectives, etc.) It will be interesting to watch how things go this week. His 4-pronged attack could prove difficult

to support, especially if the Ukrainians are successful at coordinating a rear echelon subversion." – ***General Mastin Robeson***

"Putin has Russia where he wants Russia to be - on the world's stage, front and center, great power status, and not viewed as a declining great power. Every word Putin utters is being dissected and interpreted for the meaning of it. The most dangerous military threat we face as a nation is Russia because they have the nuclear capability to destroy our country.

We are a product of the environment in which we grow up, so we must never forget that Putin grew up as a KGB agent and became the President of Russia (he is not a politician). Politicians think they can negotiate with him (not happening). Putin will take what he can get away with as his only fear is a knockout punch to his face. For the U.S., relationships matter as that is our military strategic center of gravity when dealing with aggressive adversaries on the global stage. We need the ability to leverage all partners and allies to challenge adversaries with overwhelming threats in all domains (credible deterrence).

President Zelensky is winning the information warfare game with Russia by being proactive and telegraphing Putin's next steps, so the world knows the evil Putin plans to engage in; making it problematic for the Russian image on the world's stage as they look like the aggressor versus the peacekeeper. Putin's initial claim was that he was sending peacekeeping troops into the Donbas region controlled by Russian separatist groups. Putin's downfall (miscalculation) may be the support he expected to get from the Russian and Ukrainian population. By President Zelensky not leaving the country and declaring he and his family are staying in Kyiv, he is winning the information warfare aspect of the conflict (the world has sympathy for innocent civilians, especially women and children). I don't think that Putin counted on President Zelensky staying in Ukraine once he invaded and expected he would flee like President Ghani did in Afghanistan which made it easy for the Taliban to take over the country. End state right now is that Putin can't win the propaganda war and it looks like more influential Ukrainians are getting coverage of going to Ukraine to fight Russia to the death which builds further support and sympathy globally for the Ukrainian cause. Very honorable and the free world will sympathize with them." – ***General KK Chinn***

China's Growing Partnership with Russia

As we discussed in our previous ATW, China is continuing to exert influence around the world via investments and partnerships. The most recent engagement was with Putin during the opening ceremony of the Winter Olympics. This meeting was significant for multiple reasons. First, it was the first time Xi has met personally with a foreign leader since the COVID pandemic began. Second, the meeting resulted in a 30-year oil/gas deal worth over $100 billion, and finally, the leaders released a joint statement that laid the groundwork for a growing relationship and joint opposition to U.S. influence and NATO expansion. While it did not mention Ukraine directly, it was clear that China would not stand in the way of Russia's invasion (and even went as far as to blame the U.S. for creating "fear and panic" over Ukraine). The oil and gas deal that was signed during the Winter Olympics meeting was also designed to be a way for Russia to lessen the impact of sanctions that could preclude it from selling energy to its European customers. The partnership between China and Russia has been developing for many years and was brought to light during Russia's annexation of Crimea in 2014 when China started buying more oil and gas from Russia. However, beyond the energy deal, the growing partnership is designed to function as a counterweight to U.S./NATO expansion across Europe and in the Indo-Pacific region.

While the partnership called out joint U.S./NATO/allied initiatives such as the Australia/UK/U.S. nuclear submarine deal, it stopped short of being a formal alliance. There are a variety of reasons for this including Ukraine, where China is Ukraine's single largest trading partner and has historically supported the concept of territorial sovereignty. In addition, China and Russia are still competing for influence in many areas of the world, including in South America, Africa, the Middle East, and in Asia. The Arctic is still a region of contention, and so is Kazakhstan. With respect to Taiwan, both leaders agree that countries should be allowed to exercise authority within their speres of influence. Taiwan is watching the events in Ukraine play out very closely and while our GIG does not believe a Chinese move on Taiwan is imminent, actions like Putin's invasion of Ukraine will continue to establish the precedent that issues like Ukraine and Taiwan (as highlighted in our February 20th T-Report) are domestic issues that China and Russia believe they should be able to deal with without international interference.

> *"China and Russia are a marriage of convenience and why Putin's attacks waited until the Beijing Olympics were complete and why Xi Jinping has been relatively quiet in criticizing Putin. Behind the scenes, he is happy to see Putin shoulder this battle in their war to diminish U.S. global leadership. Both see the U.S. criticism of China and Russia on human rights and democracy as a threat to their sovereign authority. Russia sees the U.S. meddling in Ukraine the same way as China sees the U.S. meddling in Hong Kong and Taiwan. Their aim is to seek opportunities to fracture and divide the West. It should be no surprise that China flew nine military aircraft into Taiwan's ADIZ on the day of Russia's invasion of Ukraine. Both see reunifying Ukraine and Taiwan as a means to weaken the U.S. and the West. A new Cold War between democracy and autocracy is emerging. You can feel the cold winds blowing across the Ukrainian steppes." **– General Robert Walsh***

> *"Do we think both Russia and China knew that financial sanctions would be imposed because of Russia's actions in Ukraine? In the past, both partners and adversaries have united in efforts to bypass the dollar system (so far unsuccessfully). China has rolled out a digital RMB to compete with the U.S. dollar that completely bypasses the U.S. payments infrastructure. How does a digital RMB effect SWIFT in the future? Are both China and Russia working together to threaten dollar dominance? We need to watch closely to see if alternatives to the SWIFT system are proposed by China as this could this be the start of a long-term play to establish the Yuan as the global currency. China's 100-year plan for global dominance ends in 2049, so this may be the right time for China to get started on the Yuan as the future global currency.*
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> *China as expected is watching and observing the world's reaction to the events and learning from this so in the future they can execute what they want without world condemnation. They have been good so far at pushing and establishing new redlines in the South China Sea from island building to threatening neighboring countries by operating within their economic exclusion zones under the guise of their nine-dash line claim. In the end, China is the big winner as financial and oil sanctions on Russia will increase Russia's dependence on China." **– General KK Chinn***

Iran Nuclear Deal is Imminent

As we reported in our prior ATWs, the U.S. (through intermediaries) has been continuing down the path of trying to re-enter the Iran nuclear deal, or JCPOA. While negotiations have been ongoing since last year, it appears that a new deal could be imminent. However, the U.S. and its allies had hoped for a "longer and stronger" version of the prior agreement. That does not appear to be an option now and it looks more like the "new" deal will be a return to the "old" one. This will be a problem on many fronts, a few of which include the fact that it will not address Iran's ballistic missile program, the technical nuclear "knowledge" it has gained in the last few years, Iran's existing supply of highly enriched uranium, or its support of regional terrorism. Israel is very skeptical of the entire process here and Israeli Ambassador to the UN Gilad Erdan told the UN Security Council, "As a result of the quickly approaching sunset clauses included in the JCPOA, a renewed Iran deal will permit the ayatollahs to develop and operate the most advanced centrifuges, while shrinking the breakout time of a nuclear Iran to almost zero. While the world – including this council – continues to turn a blind eye to Iran's destructive and dangerous aspirations, the State of

Israel will not hesitate to act as is required. A return to the JCPOA will create a far more volatile and violent Middle East." With sanctions being lifted in conjunction with a return to the nuclear deal, Iran will be given the ability to sell oil again and potentially have access to previously frozen assets, giving them the financial firepower to continue with their malign activities, which is concerning to all in the region. This, coupled with Iran's strong ties to both Russia (Iran blames NATO for the Ukraine conflict) and China (Iranian economic/military partnership with China) will result in an economically and militarily stronger Iran that will continue to destabilize the Middle East.

Multiple Coups in Africa and Threat of Terrorism in Sahel

In the last 18 months, there have been seven coups/coup attempts in Africa; including in Burkina Faso, Chad, Guinea, Mali, and Sudan, where the military took power. In Niger and most recently in Guinea-Bissau, the coups failed. In Burkina Faso, Lieutenant-Colonel Paul-Henri Sandaogo Damiba was inaugurated as Burkina Faso's new president following the removal of the democratically elected Roch Marc Christian Kabore. The reason for the coup was that the prior administration was not doing enough to stop the violence coming over the border from Mali. Extremist groups in the Sahel have killed thousands over the past few years and forced millions of people from their homes. In addition, the UN estimates that nearly 15 million people in Burkina Faso, Mali and Niger will require humanitarian assistance this year, up from 11 million in 2021.

Coups will continue if the existing governments in the region cannot make some changes. However, some of these new military juntas are difficult to deal with as evidenced by France ending their counter-terrorism operations in the Sahel. The French forces, which had been in Mali since 2013, have decided to leave due to disagreements with the military leadership which took power in 2020. This development will likely cause Germany to remove its forces from the region as well. Even with the killing of the ISIS leader in Syria earlier this month, the threat of a resurgence of ISIS/Al Qaeda in Africa is real and will only grow as additional international forces are withdrawn from the region. With respect to U.S. forces in Somalia, the Biden administration is reportedly nearing a decision to return troops to the country to assist in training military forces in fighting Al Shabab, a well-funded and extremely dangerous Al Qaeda affiliate. Finally, with respect to China and Russia, how are their agendas in the region affected by the coups? China could use these events as an opportunity to become more engaged in the region and Russia's Wagner group was reportedly present in Mali during the coup, pointing to its involvement there at some level.

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