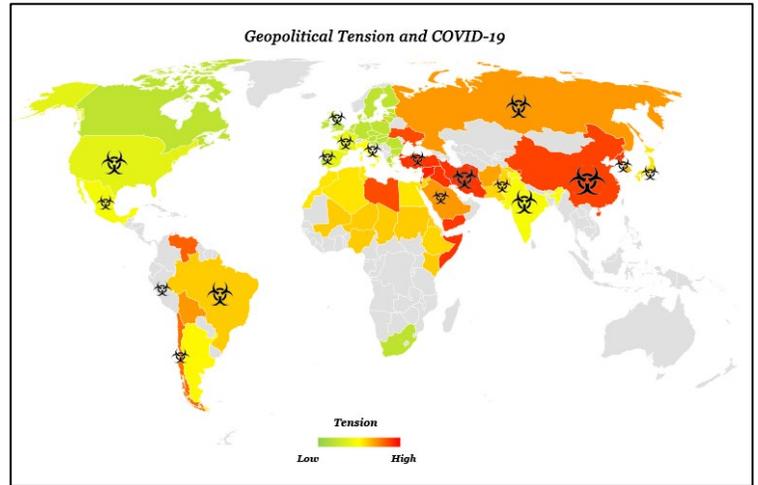


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Across the globe, the fight against COVID-19 continues. While Beijing and some U.S. states have seen spikes in cases, other regions are experiencing declines in cases, hospitalizations, and fatalities. Academy’s macro strategist continues to watch hospitalizations as the key metric along with hospital utilization. The view has been that new cases are still partly a function of testing, but we have also learned in the past few months that who gets the virus is a material factor in how dangerous it is to the individual. While the data remains balanced between good and bad, there is risk that the reopening will be slower than hoped for as fear remains an issue.

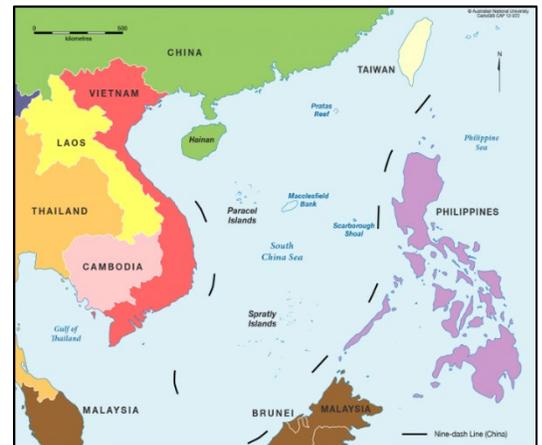


Increasingly, we are being asked about China. While COVID-19, equality, and government/central bank support continue to drive markets and businesses on a daily basis, our relationship with China is increasingly important. There are mixed signals from this administration regarding our China policy. The election could shift that, though Academy’s GIG strongly believes that national security issues surrounding China will remain a focus regardless of who wins the November elections. China itself is sending mixed signals, though they increasingly seem to be flexing their muscles.

China is the focus of this edition of Around the World, but we continue to monitor situations in **MENA and Brazil**.

Front and Center – China, Hong Kong, and North Korea

As we reported in our previous [ATW](#), tension between China and the U.S. (and its allies in the region) is growing. Chinese ships once again attacked a Vietnamese fishing boat in disputed waters in the South China Sea. With elections coming up this fall in Hong Kong and the protests continuing over the new National Security Law (see our [SITREP](#)), the situation there continues to deteriorate. We are also monitoring the incident on the border with India where 20 Indian troops were killed in a confrontation with Chinese troops this week. The U.S. will stand behind its allies as China continues to flex its muscles and expand its influence.



“Chief of Naval Operations, Admiral Michael Gilday, announced that the United States Navy had six out of its eleven aircraft carriers underway at sea. Three of these carriers are operating in the Pacific Ocean to send a strong message to China. This came after China’s criticism of the U.S. Navy’s handling of the coronavirus onboard the USS Roosevelt. This action accompanies increased U.S. and partnered nation’s naval activity in the South and East China Seas. Some of the activity is occurring near China’s controversial man-made islands. U.S. Navy leadership also highlighted the fact that China is now operating combat aircraft out of one of the man-made islands, Fiery Cross Reef, a location that China previously said would be solely used for humanitarian missions.

The military action is also taking place while Secretary of State Pompeo is meeting with his Chinese counterpart in Hawaii ahead of the Russia-U.S. arms control talks scheduled for next week. The U.S. would like China to be a part of those talks but China has not yet signaled their acceptance. All of these actions are ratcheting up tensions in the competition between the U.S. and China. At stake are trade relations and the future of Taiwan and Hong Kong. Potential military missteps are also possible as both sides take on more aggressive approaches to the competition. China continues to accuse the U.S. of starting a new cold war. With elections looming this fall in both Hong Kong

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*and in the U.S., both sides are carefully managing the potential political fallout. Meanwhile, China's increasingly aggressive actions are more and more concerning to countries in the region." **General Robert Walsh***

On June 16, 20 Indian troops were killed by Chinese soldiers in the first instance of combat deaths in the border region since 1975. The Himalayan border is not clearly delineated and open for dispute, but there have been no shots fired since an Indian patrol was ambushed by Chinese forces there over 40 years ago. In this most recent incident, the only weapons used were rocks and sticks and many of the Indian troops fell from the high cliffs on the Himalayan ridge. While both sides are trying to deescalate the situation, it comes at a time of heightened tensions in the region.



*"China has a very predictable history of handling criticism...change the subject. The brutal, medieval slaughter (with clubs) of 20 Indian soldiers along the Chinese-Indian border was Beijing's way of ignoring criticism regarding their role in the global coronavirus pandemic. China simply does not care. Significantly, it is important to realize that the Chinese military leadership is far more overtly anti-western than the CCP leadership. That's not by accident. The CCP leadership will always be the reasonable party in any global engagement, i.e. the "good cop." The "bad cop," the hard knuckles enforcer, is always the military. In fact, in recent years, the military has pushed the party to accept adventurism in the South China Sea and no doubt provided the impetus for the recent thuggish activity against India. This is recidivist behavior and it's what China does." **General Spider Marks***

"The conflict between China and India along their disputed border running through the Himalayan mountains certainly raised the ante this week with at least 20 Indian soldiers killed and an unreported number of Chinese casualties. Tensions between the two countries over the disputed border have been ongoing for many years. However, it is very clear that China has been taking a much more aggressive approach not only with India, but also across the globe. Their nationalistic approach to dealing with other countries is becoming more aggressive and more confrontational. China's strategic objective to be the global leader economically through their Belt and Road initiative is increasingly aggravating other countries after the deals that were made left them with a huge debt to the Chinese government. We are seeing more and more that China is now including the military instrument of power to pressure other countries into complying with China's objectives. This is playing out not only on the China-India border but also with many countries bordering the South and East China Seas.

*China has used the coronavirus pandemic to its advantage in exerting pressure on other nations across the entire Indo-Pacific region. The U.S. must continue to call China out for who they are and reach out to other friendly nations across the globe to confront China and bring them into compliance with global norms. The Trump administration has already strategically changed its position between India and Pakistan building much stronger relations with India. This in part builds a coalition of nations opposing Beijing's actions. Having India on the U.S. side in opposing China's actions presents President Xi with a major problem for his Belt and Road Initiative. India lies smack in the middle-of-the-road between China, Europe, and Africa. China's ongoing aggressive actions, including with India, present an important opportunity for President Trump to not only assure India's Prime Minister Modi, but others, that the U.S. stands with India while China is evermore using hard power to get their way across the globe. If he doesn't, friends in the region like Australia, Japan, South Korea, Vietnam, the Philippines, Singapore, and Taiwan will waiver in their opposition to aggressive Chinese actions." **General Robert Walsh***

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North Korea Destroys Joint Liaison Office in Kaesong

On June 16, North Korea destroyed a joint liaison office it has used with South Korea since 2018 to improve relations. Kim’s sister, Kim Yo-jong, had warned that there would be “consequences” if the South did not stop defectors from sending propaganda balloons containing leaflets into the North. With concerns around Kim Jong-un’s health ([SITREP](#)), his sister’s status and public profile have risen in recent weeks. With increasing rhetoric and Kim himself saying that he sees no need to continue discussions with the U.S., the North could be setting the stage for another “manufactured” crisis. However, as the North struggles with sanctions, there are fewer options available to stay in the spotlight. The North’s recent announcement to move troops back into the DMZ is also of concern. As relations between North and South Korea continue to deteriorate, our GIG will monitor the situation.



*“I’m not sure Kim Jong-un has better insights into our presidential election, but his provocative decision to destroy the joint North Korea-South Korea liaison office is, not surprisingly, about him, not anyone or anything else. Every decision and every move Kim makes (apologies to Sting) is about leverage and advantage. Kim’s actions garner attention - his primary import. He’ll have a future relationship with President Trump...or his successor. It’s to his advantage.” **General Spider Marks***

*“Kim Jong-un was incapacitated as evidenced by missing key events earlier in the year. His photo op caused me some concern - he did not look well and appeared medicated, his movement was in question, and he sat through most of the event. Succession questions emerged including whether Kim's sister could/would be a viable option. North Korea has never had a female ruler, but the Kim dynasty must continue and she is the strongest candidate. Her more public presence suggests to me that the regime has selected her as the successor to Kim and is now grooming her to replace him. What she says in her strategic communications will likely happen (see liaison house comments). She will be increasingly visible and active in messaging. Tensions on the peninsula will rise.” **General Vincent Stewart***

“This week the ongoing crisis on the Korean Peninsula saw North Korea blow up the Inter-Korean Liaison Office in Kaesong, North Korea. The facility was built by South Korea and is just over the border. Kim Jong-un’s increasingly powerful sister Kim Yo-jong called for the action and further threatened military force against South Korea if they did not stop North Korean refugee activists from floating anti-North Korean leaflets across the border.

Recently, Pyongyang warned that it would remilitarize border areas that had been evacuated under agreements with the current South Korean government. Could the leaflets really be the reason for the antagonistic rhetoric and actions by North Korea? Probably not. The current crisis is being invented by the North in their typical way of distracting attention at home from the ongoing economic crisis. They are also furious with the lack of economic and humanitarian support by the U.S. that the North expected when it began negotiations with the Trump administration. The economic crisis is a result of the sanctions put on North Korea because of their nuclear weapons program and its border closure with China due to the ongoing coronavirus pandemic. The North gets the majority of its economic support from China. The recent actions appear to be a means by North Korea to put pressure on Seoul to open discussions with the Trump administration to reduce the sanctions and provide humanitarian relief.

*Of even greater concern, are reports that there is new activity at the Pyongsan Uranium Concentrate Plant. Kim Jong-un declared on New Year’s Day that he was no longer bound to a moratorium on testing nuclear weapons.” **General Robert Walsh***

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Middle East and North Africa Updates

Iran Continues to Enrich Uranium

Recently, the IAEA report noted that Iran continues to stockpile highly enriched uranium above the limits set by the 2015 JCPOA. A “break out” towards a nuclear device and Iran’s advanced long range missile program continues to be a risk. However, sanctions, decimated oil exports, and COVID have taken its toll on the economy. With Iran continuing to breach the agreement (that the U.S. withdrew from in May 2018) in full view of international inspectors leads us to believe that this could be another way to create leverage. Further complicating the situation is the U.S. demand that the UN arms embargo (originally part of the JCPOA) on Iran be extended past its October 2020 expiration.



“Iran’s uranium enrichment program is counterintuitive and borderline suicidal. Iran’s people are suffering from the maximum pressure campaign of economic sanctions which have no clear horizon. However, the ruling mullahs feel none of that personal economic pain so they continue to invest in the march toward an unacceptable nuclear capability and conduct provocative military actions regionally. Our administration views this as dangerous and unstable. These are the actions of a revolution not a state that aspires to join the community of nations.” **General Spider Marks**

“Tehran continues to enrich uranium beyond the limits set in the Joint Comprehensive Plan of Action that it signed in 2015. This is another attempt by Iran to pressure the other nations that signed the JCPOA to increase economic support after crippling sanctions were put on Tehran by the Trump administration. The nuclear agreement was signed by the United Kingdom, France, Germany, Russia, and China. The U.S. also signed the agreement but pulled out when President Trump determined that Iran was not making any progress in accordance with the deal. The U.S. reimposed sanctions on Iran under its maximum pressure campaign.”

Adding to the tensions between the U.S. and Iran was Iran’s April 22 satellite launch that the U.S. claims violated the UN resolution that endorsed the nuclear deal. Russia expectantly jumped in and defended Iran’s right to launch the satellite. Russia claims Iran’s launch was a peaceful display of technology, while the U.S. claims that it is part of Iran’s ballistic missile development program. The U.S. is now requesting that the UN Security Council increase existing sanctions on Iran and impose binding restrictions against further missile and satellite launches.” **General Robert Walsh**

Syria/Libya Talks Postponed between Turkey and Russia

This week, the planned talks between Turkey and Russia over the future of Syria and Libya were postponed. Some believe it was cancelled by Russia due to Turkish “heavy handed” involvement in Libya. However, Turkey is also uncomfortable with Iranian paramilitary units increasing in size in the Idlib region. Turkey will likely use Libya as leverage given U.S. concerns about the Russian presence in the country. While the Russian backed LNA is losing ground to the Turkish backed GNA, the increased Russian footprint in Libya has gotten the attention of the U.S. As we discussed in our [SITREP](#), there will have to be a political solution to the conflict in Libya and both Russia and Turkey are jockeying for position to take the lead role.

“U.S. influence in MENA is essential and non-negotiable. It is clear what happens in ungoverned spaces - we see the chaos and have experienced it at great cost. The shared national security objectives of our partners (Egypt, Jordan, Saudi Arabia, and GCC states) and our Turkish ally require a strategy that currently is either under development or is waiting for the next crisis...either option is bad. The United States requires local friends and local incentives to stay engaged effectively.” **General Spider Marks**

“Russia brokered a deal with Turkey three months ago to produce a cease-fire that halted fighting in the Idlib

Around the World with Academy Securities

Province in Syria. Meanwhile, in Libya, Russia has stepped up its military activity against the Turkish backed forces. In both cases, Russian actions are increasing U.S. concerns of undue Russian influence. European allies are looking at the inaction by the U.S in Libya with great concern. Last month, U.S. Africa Commander, General Stephen Townsend, had harsh words for Russia’s recent deployment of fighter aircraft to Libya. This and U.S. Secretary of State Pompeo’s comments welcoming United Nations cease-fire talks are the only signs of leadership shown by the U.S. Most believe that President Trump will avoid getting involved in another conflict prior to the November elections.” **General Robert Walsh**

South America Update: Brazil

Now that Brazil has the second highest number of COVID deaths in the world, there are doubts surrounding President Bolsonaro’s future. With warnings ignored, the crisis is almost out of control in Brazil, which appears to be playing “chicken” with the virus. As the death toll rises, there is no national lockdown and President Bolsonaro has fired key health officials over disagreements. It is clear that Bolsonaro has made mistakes in the handling of the pandemic and a growing number of people are calling for his impeachment. The country also witnessed an impeachment of their president in 2016 (Dilma Rousseff). However, we don’t see an imminent threat of military intervention.

“When I was the Army South Commander, and met with Brazil’s former Army Commander in a private conversation (OCT 15) he told me that Brazil did not have the institutions of the 1960’s, that they were much stronger today and would survive a potential impeachment of the President, if it occurred (it did). He also said that they could successfully conduct the Olympics later in 2016 (which they did). He was true to his word that the Army would ensure law and order so the democratic process could move forward, and they would not take over the government. The Brazilian military sees its role in upholding democracy and providing stability for the country and would not step in outright just because the president is no longer popular.” **General KK Chinn**



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