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Academy Securities Geopolitical SITREP

Geopolitical Flashpoints: The Macroeconomic Impact of the Geostrategic Landscape

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Key Points:

- For the last several years, the market has failed to fully recognize that Hong Kong is a part of China - it isn't completely independent.
- If the U.S. were to respond to the crisis, it would be with more difficult terms around trade.
- Much of the anti-government sentiment and protests began in April in response to an extradition bill.
- China and Hong Kong are part of "one country two systems":
 - The Hong Kong system and "basic law" protects civil freedoms of Hong Kong citizens.
 - The protesters wish to highlight the deterioration of these freedoms and protections.
- The protests are not hierarchical or organized.
 - The protesters and their recent actions risk alienating the population to their cause.
- China's growing global influence could impact its response.
- China's deft social media and AI capabilities are important considerations when evaluating these protests.
- Two U.S. Navy port visits have been canceled amid protests and accusations of U.S. involvement.
- The Chinese People's Armed Police - not Army - has massed on the Hong Kong boarder.
- China is walking a fine line trying to diminish the impact of the protests while using limited force.
- An escalation by mainland China would result in more disruptions to trade negotiations with the U.S.
- Taiwan is watching what happens in Hong Kong very closely:
 - The events in Hong Kong could lead to more anti-Chinese/anti-communist sentiment in Taiwan.
- The U.S. has approved new military sales to Taiwan and China has responded by increasing military operations around Taiwan.
- North Korea remains economically dependent on China and China remains a consideration as we evaluate the ongoing negotiations with North Korea and its behavior.

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Lieutenant General (Ret.) Robert S. Walsh retired from the Marine Corps in 2018 after over 35 years of service completing his career as the Commanding General of the Marine Corps Combat Development Command and the Deputy Commandant for Combat Development & Integration. A native of Chicago, Illinois, Bob is a graduate of the United States Naval Academy and he served as an F/A-18 pilot at all levels and was an instructor at the Navy Fighter Weapons School, also known as TopGun. In his last assignment, he was responsible for strategic planning and executing the reorganization of the Marine Corps to meet the new National Defense Strategy roles and missions. Bob often testifies before Congress on subjects such as modernization, acquisition, readiness and training of the Navy and Marine Corps. He created the Marine Corps Rapid Capabilities Office for rapid prototyping, experimentation, and demonstration in accordance with new legislative authorities. His operational and joint assignments as a General Officer included: serving as the Commanding General, 2d Marine Aircraft Wing leading all Marine Corps aircraft operations in Iraq, The Director of Operations, United States Northern Command responsible for ground-based missile defense, partnering with Mexico's military to support counterdrug and counterterrorism operations, and integrating U.S. military support to inter-agency actions during oil spills, hurricanes, wildfires, and multiple disasters.

Peter Tchir is head of Macro Strategy at Academy Securities. He has 25 years in the industry focusing on fixed income. He has traded and structured products ranging from complex transactions, junk bonds, liquid CDS indices, and ETFs. This background helps bring a unique frame of reference to his market strategies and analysis. It helps him focus on what is relevant for the here and now for investors and issuers. He has worked closely with a wide range of investors and portfolio managers since he established TF Market Advisors as an independent firm in 2010. He is regularly quoted in the media for his views on the macro outlook and fixed income strategies. His expertise provides insight into risk, identifying opportunities on a global macro basis, with an emphasis on fixed income. As the Head of Macro Strategy, Peter communicates these opportunities and approaches effectively to customers. Peter received a B.S. in mathematics and computer sciences from the University of Waterloo and an MBA with distinction from Vanderbilt University, where he also won the Matt Wiggington Leadership Award for outstanding performance in finance.

Rachel Washburn is an Associate of Geopolitical Strategy at Academy Securities. Rachel served six years in the U.S. Army as an Intelligence Officer. While serving, Rachel deployed twice to Afghanistan; first as a member of the pioneer Cultural Support Team attached to Special Forces and second as an intelligence Platoon Leader. Since leaving the Army in 2016, Rachel continued to pursue a career addressing global security and instability, most recently acting as a regional director with a nonprofit focused on bringing relief in the wake of disasters and armed conflicts. Rachel is a graduate of Drexel University.

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