



NEWSLETTER

VOL. 32 ISSUE 2 · FEB 2024

WHAT IS GOING ON IN THE MIDDLE EAST AND HOW DOES IT AFFECT YOU?

BY ERIC M. NAGER, CRPS®

We write about current events because they affect markets. Perhaps no region of the world has experienced more turmoil than the Middle East over the past 35 years: The United States has gone to war twice with Iraq, and eliminated ISIS, while civil wars have raged in Yemen and Syria. What makes all of this so important is that the Middle East collectively is the world's greatest producer of oil and the site of key shipping lanes such as the Suez Canal.

HAMAS, HEZBOLLAH, AND HOUTHIS

What started the latest conflagration was the terrorist attack by Hamas on Israel on October 7. Hamas gunmen killed over 1,200 Israeli civilians and took about 230 hostages. The Israeli Defense Force responded by invading the Gaza Strip, and trying to wipe out Hamas. So far, they have conquered much of Gazan territory, but it is estimated that about 80% of the tunnels Hamas uses to hide weapons and fighters are still intact. During one cease fire period, about 100 of the hostages were released.

The Palestinian people occupy two disconnected areas around Israel: the West Bank and the Gaza Strip. The West Bank is ruled by the Palestinian Authority, the more moderate of the two, and is led by 88-year-old president Mahmoud Abbas, who is in the 20th year of a four-year term. Hamas, which was designated by the U.S. State Department as a terrorist organization in 1997, was popularly elected to run Gaza in about 2006. The Israelis left all settlements there but still have some in the West Bank.

Hezbollah, also designated as a terrorist organization, is a militant group in Lebanon with thousands of rockets it could fire on Israel. Israel has battled them before and as of now there is a low-level conflict between the two, with gunfire being exchanged across the border daily. Many Israeli citizens have had to evacuate northern Israel for safety. Hezbollah is wary that Israel is capable of fighting them and Hamas at the same time, so they have yet to be overly provocative.

The Houthis are a militant group in Lebanon that has declared allegiance with Hamas and is firing drones and

missiles upon commercial shipping near the Red Sea in order to disrupt international commerce. The United States recently redesignated the Houthis as a terrorist organization and has deployed the Navy to the area to protect and escort shipping. The U.S. has also carried out airstrikes against the Houthis.

What Hamas, Hezbollah, and the Houthis all have in common is that they are trained and funded by Iran. Prior to the October 7 attack, it appeared that Israel was close to making a peace deal with Saudi Arabia, Iran's enemy. The speculation is that Iran encouraged Hamas to attack Israel in order to disrupt that potential deal. Iran-backed militias in Iraq have also been firing on U.S. troops in Syria and Jordan and, as of this writing, had just killed three service members.

Israel is under much pressure from the world to conduct the Gazan war humanely. What makes that so difficult is that Hamas uses their own civilians as shields, and neighboring Egypt will not take Gazan refugees. As a result, nearly the entire pre-war Gazan population is trapped in a small area and thousands of civilians have been killed.

So far, this conflict has had minimal affect on the market. While some shipping companies have diverted ships away from the Red Sea, there has been no significant world-wide jump in transportation costs and the flow of oil is still moving freely from the region. If the conflict escalates, that would have a negative impact on markets and we are watching the situation closely.

(See map of the Middle East on page 2)



UPDATE ON WAR IN UKRAINE

The Middle East conflict has taken Ukraine out of the headlines but as of February, that war will enter its third year. Since our last update a year ago Ukraine was able to take the offensive over the summer, but that quickly bogged down in the face of heavy Russian mining and defensive structures. The Ukrainians did not have enough weaponry to overcome those obstacles, and now they are back on the defensive. The Russians are not able to make much headway either, and the war is right now in a stalemate. Russia continues to get drones from Iran and ammunition from North Korea, which sent them 1 million artillery rounds recently. Meanwhile, Europe does not have their defense industrial base cranked up enough yet to adequately supply the Ukrainians and U.S. aid is tied up in discussions linked to border security. If the Ukrainians do not get more arms in 2024, it is possible that the Russians could break through and win the war. This despite the fact that 80% or more of Russia's pre-invasion army has been destroyed on the battlefield.

A TIMELY REMINDER FOR BUSINESS OWNERS

For those who are not aware, a new law is in effect this year, courtesy of the Financial Crimes Enforcement Network (FinCEN), a part of the Treasury Department. It is called the Corporate Transparency Act, and it requires small business owners to report their business legal name, trade name, address, formation jurisdiction, and tax ID. Owners must disclose their legal names, birth dates, residential addresses, and images of valid identification. Generally, a small business is defined as under 20 employees and less than \$5 million in gross receipts. (Companies covered under the Securities and Exchange Commission are exempt.) Owners are defined as those having at least 25% of the company or "substantial control" of operations. Filing can be done on the FinCEN website and the deadline for existing companies is by January 1, 2025. Newly formed companies must report within 90 days. Not filing could lead to civil and criminal penalties of up to two years in prison and a \$10,000 fine.

For information: <https://www.forbes.com/sites/jayadkisson/2023/12/21/fincens-beneficial-ownership-information-form-required-in-2024/?sh=2086459621c8>



A TAX NOTE

You will be receiving TWO 1099s this year, one from TD Ameritrade and one from Charles Schwab. For those who have chosen electronic delivery, both of your 1099s can be found on Schwab Alliance. Please be sure you have both forms to complete your taxes.

If you do not receive yours by the end of the month, please contact us.

The information presented by the author and the publisher is for informational and educational purposes only. It should not be considered specific investment advice, does not take into consideration your specific situation, and does not intend to make an offer or solicitation for the sale or purchase of any securities or investment strategies. Additionally, no legal or tax advice is being offered. If legal or tax advice is needed, a qualified professional should be engaged. Investments involve risk and are not guaranteed. This newsletter contains information that might be dated and is intended only to educate and entertain. Any links or websites referred to are for informational purposes only and are unaffiliated sources of information believed to be correct. Be sure to consult a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Map source: CNN Google Images

