

India

India Strategy

Money, Military & Markets - IV

- Hezbollah's attempted attack on Benjamin Netanyahu's residence with a small drone could unleash the bloodiest chapter of the Israel-Hezbollah-Hamas war.
- Don't worry about oil, though. It might rally a bit on Monday, but after Israel's attack on Iran, prices will likely cool down as Israel is unlikely to target oil wells.
- The killing of Yahya Sinwar, the attack on Netanyahu, and the consequent likely Israeli retaliation are likely to fuel radicalized movements in Europe.

Bloodiest part of Israel war on the cards, but oil may not rise much

The Iranian attack on Israel has yet to receive a direct response from Israel. However, on 19 Oct 2024, there was an unprecedented action by the Iranian proxy, Hezbollah. The paramilitary group reportedly targeted Israel Prime Minister Benjamin Netanyahu's residence, something it had never done before. The drone, which travelled 70km undetected, collided with the building. This incident highlights how drones can penetrate even the most fortified airspace in the world. While a new age of warfare had already begun, this incident marks a turning point, suggesting a shift towards a new kind of warfare in the Middle East, where Israel may no longer hold its technological advantage. Fortifying air defence even further would be disproportionately costly for Israel, making the brutal suppression of Hezbollah and Hamas as the only viable option. To achieve this, Israel needs to cut Iran's funding, which can only happen if Iran is under heavy sanctions. US presidential candidate Donald Trump despises Iran, and now his rival Kamala Harris calls Iran as the No. 1 enemy. However, an attack on Iran's oil wells, which could push gasoline prices above US\$4 per gallon in the US—especially before the presidential election—would not be in Israel's interest. But we expect the bloodiest phase of the Middle East battle to begin.

Reverberations of Middle East will be felt in Europe very soon

Europe's policy of welcoming war-torn people, but allowing them to settle in ghettos, has undermined the primary goal of labour force enrichment. While Europe may espouse higher ideological and moral principles like liberalism, it ultimately boils down to basic capitalism. However, they have completely miscalculated. [One of the best summarization of the situation was done by the foreign minister of the UAE.](#) Europe faces a complex situation when it comes to balancing its foreign policy regarding the Palestine-Israel conflict. On the one hand, many European nations have historically supported the Palestinian cause and called for a two-state solution, emphasizing the need for peace, justice, and the recognition of Palestinian rights. On the other hand, Europe also has strategic relationships with Israel, particularly in terms of security, trade, and diplomacy. But this historic balancing act may no longer suffice to appease the migrant population. Violent protests are frequent in various European cities, threatening established law and order. A political force will soon emerge—or may already be emerging—that will capitalize on the votes of these migrants. As it always happens, to balance this force, a far-right force is already emerging in Europe.

Figure 1: Nobody has predicted Europe's current predicament better than the foreign minister of UAE; <https://www.youtube.com/watch?v=-dV4m43xZmY>



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)

**Satish KUMAR**

T (91) 22 4161 1562

E satish.kumar@incredresearch.com

Abbas PUNJANI

T (91) 22 4161 1598

E abbas.punjani@incredresearch.com

Money, Military & Markets - IV

The Iranian attack on Israel has yet to receive a direct response from Israel. However, on 19 Oct 2024, there was an unprecedented action by the Iranian proxy, Hezbollah. This political party and paramilitary group reportedly targeted Israel Prime Minister Benjamin Netanyahu's residence, something never done by it before. A drone, which travelled 70km undetected, collided with the building. This incident highlights how drones can penetrate even the most fortified airspace in the world. While a new age of warfare had already arrived, this incident marks a turning point, indicating a shift towards a new kind of warfare in the Middle East where Israel may no longer hold its technological advantage.

Middle East: The deadliest chapter is yet to come

The attack attempted on Netanyahu on 19 Oct 2024 could trigger one of the deadliest phases in the Middle East conflict. By using low-tech swarm drones, which can be sourced from multiple suppliers, Iran and Hezbollah could attack Israel. This offers a cost-effective solution for Iran, Hezbollah, and Hamas, all of whom are reeling from severe leadership losses. To counter this low-tech threat, a complete ban on the funding sources of terror groups is required, and it must come from the West. Only time will tell if the Western world has the resolve to impose such bans and risk the wrath of local populations.

Top leadership of Hezbollah and Hamas has been eliminated by Israel >

Israeli forces have eliminated several key leaders of Hamas and Hezbollah. Some notable names include:

- **Yahya Sinwar:** He was a senior Hamas leader in Gaza, responsible for orchestrating large-scale attacks.
- **Hassan Nasrallah:** Leader of Hezbollah, a key figure in Lebanon and a long-term adversary of Israel.
- **Wissam al-Tawil:** Senior commander of Hezbollah's elite Redwan force.
- **Suhail Hussein Hussein:** Hezbollah's logistics and budget chief.

These actions have significantly weakened the operational leadership of both groups,

The graphic photograph of Yahya Sinwar's dead body will only fuel resentment >

Yahya Sinwar was identified in a dilapidated building by an Israeli drone and eliminated by artillery attack. Naturally, his body is in a very poor condition, and graphic images are being freely circulated on Twitter. In the case of Yahya Sinwar, these images may serve as propaganda or rallying points for supporters on both sides.

Yahya Sinwar's body will become a major agenda in the coming months; contrary to news reports, we don't believe Israel will use it as leverage for the release of hostages >

We don't believe Israel will become too desperate and seek the release of hostages in exchange for Sinwar's dead body. The way the US handled Osama Bin Laden makes it clear that handing over the body to Hamas could turn the burial into a rallying point, and his grave could become a shrine.

On 19 Oct 2024, Hezbollah attempted to assassinate Netanyahu using low-tech drone technology >

On 19 Oct 2024, Hezbollah launched a drone targeting Israel Prime Minister Benjamin Netanyahu's home in Caesarea. The incident, which Netanyahu

described as an assassination attempt orchestrated by "agents of Iran," did not result in any injuries. Unconfirmed reports suggest that the house may have been hit, although no sirens were sounded during the attack. Netanyahu responded firmly, warning that those responsible had made a "bitter mistake" and implied that a strong response was forthcoming from Israel, particularly amid the broader conflict between Israel and Hezbollah.

This attack is more potent than Iran's launch of 200 ballistic missiles, and Israel will have to respond ►

The drone attack on Netanyahu's residence by Hezbollah does mark a significant escalation in the ongoing conflict. While missile launches are often seen as more direct and large-scale attacks, this drone strike carries a different kind of weight. Targeting a specific individual, especially a national leader like Netanyahu, adds a personal and psychological dimension to the conflict. The precision and audacity of such an attempt can provoke an equally forceful response, as it threatens not only national security but the leadership directly.

Israel has historically responded to significant provocations with military strikes aimed at dismantling the capability of groups like Hezbollah, and this attack is likely to prompt such a reaction. Additionally, Israel is already heavily engaged on multiple fronts, with its military involved in both Gaza and northern skirmishes with Hezbollah, further heightening the stakes.

Widespread bombing in Lebanon and an attack on Iran are now a foregone conclusion ►

Given the escalation represented by the Hezbollah drone attack on Netanyahu, widespread bombing of Lebanon, and possibly an Israeli attack on Iran, could indeed become the likely outcomes. Israel has a history of responding decisively to provocations, particularly when its leadership or sovereignty is threatened, and Netanyahu has warned that Hezbollah and those behind the attack have made a "bitter mistake."

Any further escalation, especially involving targeted attacks on Israeli leadership, is expected to intensify Israel's military response against Hezbollah in Lebanon.

Israel may also extend its actions to Iran, given the claim that Iran is behind the drone attack through its proxies. Israeli strikes on Iranian facilities or assets, either directly or through proxies in Syria or Iraq, are not unprecedented.

In such a context, broader military actions seem almost inevitable, especially if the goal is to neutralize Hezbollah's capabilities and send a strong message to Iran about the consequences of involvement in the conflict.

Crude oil prices will rally in anticipation of the attack, but Israel won't target Iran's oil wells ►

The mere anticipation of an escalation in the Israel-Iran conflict can indeed trigger a rally in crude oil prices, even without a direct attack on Iran's oil infrastructure. However, an actual Israeli attack on Iran's oil wells seems unlikely for several reasons:

- **Global economic impact:** An attack on Iran's oil infrastructure could significantly disrupt global oil markets, potentially leading to a major spike in prices. Such disruptions could have far-reaching consequences for global economies, which Israel may want to avoid.
- **US presidential elections:** Israel has good relations with both Democrats and Republicans and in the last-hour Joe Biden presidency, USA won't like to see gasoline queues and its prices beyond US\$4/gallon .
- **Strategic targeting:** Israel's primary concerns with Iran revolve around its nuclear capabilities and military infrastructure, not necessarily its economic assets. Attacking oil infrastructure would be a major escalation, and Israel is likely to focus on strategic military targets rather than economic ones.

For a long-term solution, Israel needs to degrade the war-waging capabilities of Hezbollah ►

For a long-term solution, Israel will have to completely eliminate Hezbollah’s war-waging capability. Please note that Israel’s airspace is heavily fortified and a further increase in defence capability will cost it disproportionately. A better and simpler solution is to completely destroy Hezbollah. Hence, the bloodiest hand-to-hand combat phase is likely in the coming weeks.

How Hezbollah and Hamas might respond? May be, attack Israeli civilians and bring the war to supporters of Israel ►

It’s common knowledge that the working population in Europe is declining. The continent is responding to this crisis with an age-old technique—inviting younger migrant populations. The war zones of Syria, Iraq, and Libya have been the largest recruitment points for Western countries. Therefore, in the name of political correctness and wokeness, they have allowed the influx of migrant populations.

Figure 2: The influx of migrant populations has helped Europe to achieve some demographic balance but as time alone shows, it has come at a significant cost

Population age structure by major age groups, 2013, 2022 and 2023
(% of the total population)

	0–14 years			15–64 years			65 years and over		
	2013	2022	2023	2013	2022	2023	2013	2022	2023
EU (*)	15.4	15.0	14.9	66.3	63.9	63.8	18.3	21.1	21.3
Belgium	17.0	16.6	16.5	65.4	63.8	63.8	17.6	19.5	19.7
Bulgaria(*)	13.6	14.5	14.2	67.3	63.8	62.3	19.2	21.7	23.5
Czechia	14.8	16.1	16.2	68.4	63.3	63.4	16.8	20.6	20.4
Denmark	17.4	16.1	16.0	64.7	63.5	63.6	17.8	20.3	20.5
Germany	13.3	13.9	14.1	66.0	63.9	63.7	20.8	22.1	22.1
Estonia	15.7	16.4	16.4	66.3	63.2	63.4	18.0	20.4	20.2
Ireland	21.9	19.7	19.3	66.2	65.3	65.5	12.2	15.0	15.2
Greece	14.7	13.7	13.4	65.3	63.6	63.7	20.1	22.7	23.0
Spain	15.2	14.0	13.6	67.1	65.9	66.3	17.7	20.1	20.1
France(*)	18.6	17.5	17.3	63.8	61.5	61.5	17.6	21.0	21.2
Croatia	14.9	14.3	14.3	66.9	63.2	63.0	18.1	22.5	22.7
Italy	14.0	12.7	12.4	64.8	63.5	63.5	21.2	23.8	24.0
Cyprus	16.4	16.1	16.1	70.4	67.4	67.3	13.2	16.5	16.6
Latvia	14.4	16.0	16.0	66.8	63.1	63.1	18.8	20.9	21.0
Lithuania	14.7	14.9	14.9	67.1	65.1	65.0	18.2	20.0	20.0
Luxembourg	17.0	15.9	15.9	69.0	69.3	69.3	14.0	14.8	14.9
Hungary (*)	14.4	14.6	14.5	68.4	64.9	65.0	17.2	20.5	20.5
Malta	14.6	13.4	12.7	68.3	67.4	68.7	17.2	19.2	18.6
Netherlands	17.2	15.4	15.3	66.0	64.5	64.5	16.8	20.0	20.2
Austria	14.4	14.4	14.4	67.5	66.2	66.0	18.1	19.4	19.6
Poland (*)	15.1	15.4	15.4	70.5	65.4	64.7	14.4	19.1	19.9
Portugal	14.8	12.8	12.9	65.8	63.5	63.1	19.4	23.7	24.0
Romania (*)	15.7	16.2	16.1	68.0	64.3	64.2	16.3	19.5	19.7
Slovenia	14.5	15.1	15.0	68.4	63.8	63.6	17.1	21.1	21.4
Slovakia	15.4	16.1	16.1	71.5	66.6	66.1	13.1	17.4	17.9
Finland	16.4	15.4	15.1	64.8	61.6	61.6	18.8	23.1	23.3
Sweden	16.9	17.6	17.4	64.0	62.1	62.2	19.1	20.3	20.4
Iceland	20.7	18.6	18.2	66.4	66.5	66.8	12.9	15.0	15.0
Liechtenstein	15.5	14.6	14.5	69.6	66.3	65.9	14.9	19.2	19.6
Norway	.	16.9	16.7	.	64.9	64.9	.	18.2	18.4
Switzerland	14.9	15.1	15.1	67.7	65.9	65.8	17.4	19.0	19.2
Montenegro	18.8	17.9	.	68.1	66.1	.	13.1	16.0	.
North Macedonia	17.0	17.0	.	71.0	65.9	.	12.0	17.1	.
Albania	20.1	16.3	16.0	68.3	68.0	67.5	11.6	15.7	16.5
Serbia (*)	14.4	14.3	14.4	68.0	64.4	63.4	17.6	21.3	22.1
Moldova	16.1	.	18.0	74.0	.	65.9	9.9	.	16.1
Turkiye	24.9	22.4	22.0	67.6	67.9	68.1	7.5	9.7	9.9
Ukraine	14.6	.	.	70.2	.	.	15.2	.	.

(*) 2023 break in time series.
(*) 2023 provisional/estimated.
Source: Eurostat (online data code: demo_pjanind)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

This “unintended” open-border policy in Europe, along with settling migrants in ghettos, has increased radicalization ►

Europe’s policy of welcoming war-torn people, but allowing them to settle in ghettos, has undermined the primary goal of labour force enrichment. While Europe may espouse higher ideological and moral principles like liberalism, it ultimately boils down to basic capitalism. However, they have completely miscalculated. These people are war-hardened, unlike the docile populations of the Indian sub-continent that Europe imported in the late 19th and early 20th

centuries. One of the best summarization of the situation was done by Sheikh Abdullah bin Zayed bin Sultan Al Nahyan, the foreign minister of UAE.

Figure 3: Nobody has predicted Europe's current predicament better than the foreign minister of the UAE. <https://www.youtube.com/watch?v=-dV4m43xZmY>



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Europe has a tight rope to balance – will have to show sympathy for the Palestine cause in deed as well ➤

Europe faces a complex situation when it comes to balancing its foreign policy regarding the Palestine-Israel conflict. On the one hand, many European nations have historically supported the Palestinian cause and called for a two-state solution, emphasizing the need for peace, justice, and the recognition of Palestinian rights. On the other hand, Europe also has strategic relationships with Israel, particularly in terms of security, trade, and diplomacy.

But this historic balancing act may no longer suffice to appease the migrant population. Violent protests are frequent in various European cities, threatening established law and order. A political force will soon emerge—or may already be emerging—that will capitalize on the votes of these migrants.

If not done, then expect instability in Europe ➤

Rise in domestic protests and social unrest

Many European countries have strong civil society movements advocating for Palestinian rights. These movements are gaining momentum, and if Europe is perceived as not backing its rhetoric with concrete action, this could lead to more widespread protests and demonstrations. The frustration could build, especially among younger generations who are more vocal in their support for human rights issues. We've seen similar protests in the past, but if Europe continues to fall short of expectations, the discontent may increase and lead to unrest, particularly in countries with large immigrant populations from the Middle East or North Africa.

Polarization of political parties

Europe's political landscape could become more polarized. Far-right parties, which often hold pro-Israel views, may clash with left-wing and progressive parties, which have increasingly voiced strong support for Palestinian rights. This polarization could deepen existing social fractures and increase political instability, especially in countries like France, the UK, and Germany where tensions around identity, immigration, and foreign policy are already high.

Growing influence of radicalized movements

If Europe is seen as failing to act in favour of the Palestinian cause, there may be a rise in the influence of radicalized groups, both pro-Palestinian and otherwise. Far-right extremists may exploit perceived weaknesses or perceived bias to further their own agendas, while pro-Palestinian groups could become more radical in their demands. This could lead to an increase in extremism, social divisions, and potentially even violent clashes.

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.