

Another interesting week is coming to a close with, as we wrote last week, the referendum held in occupied Ukrainian territories producing an overwhelming majority showing support. The rest of the world shook its head in disbelief but otherwise did little else. So-called votes were held in Luhansk and Donetsk in the east, and in Zaporizhzhia and Kherson in the south. A stage has already been set up in Moscow's Red Square, with billboards proclaiming the four regions as part of Russia and a concert planned for the evening. The event echoes Russia's annexation of Crimea in 2014, which also followed a discredited referendum and was heralded by a Kremlin signing followed by a presidential victory speech in parliament. That initial annexation has never been recognised by the vast majority of the international community, and nor will this.

As we suggested last week, the main concern, aside from the appalling bully boy Russian actions, is what will happen if Ukraine "invades" or "attacks" the new Russian territories. Will it invoke a more serious response from Russia with nuclear options included? What would happen if the west at last offered a more effective form of assistance to Ukraine? It all adds up to yet more uncertainty and as we all know markets hate uncertainty more than anything.

As supplies of Russian gas to European markets continue to be withheld the news that the Nordstream gas pipelines had "leaks" has led to finger pointing towards Russian sabotage according to US Energy Secretary Jennifer Granholm. Russia has denied it is to blame. President Putin described the damage as "unprecedented sabotage, in fact, an act of international terrorism" during a phone call with Turkey's President Erdogan, according to the Kremlin, which added Russia plans to bring it up for "urgent discussion" at the UN Security Council. Earlier Russia's Foreign Ministry suggest it was the US that stood to benefit from the pipeline being out of action because it would be able to increase its own natural gas sales. The White House has dismissed such suggestions.

In the UK the latest mini budget has received censure from the IMF in messages more usually reserved for developing economies with calls for a rethink on some of the latest moves. The Prime Minister has said she would stick to her controversial plan to reignite economic growth, breaking her silence after nearly a week of financial market chaos triggered by the government's push for huge tax cuts. A day after the Bank of England resumed its bond-buying in an emergency move to protect pension funds from partial collapse, Truss blamed the upheaval on the Russian invasion of Ukraine, which has caused inflation to spike around the world.

Global equity markets have responded to geo-political and financial troubles with sharp moves lower with the S&P 500 reaching a new low for the year, the Dow Jones Industrial Average tumbled to below 30,000 points for the first time since January 2021 and the FTSE 100 Index slid below 6,900 after a wave of selling hit the markets. The Bank of England's intervention in the UK government debt market is expected to cost £65 billion with possible further bond buying on the cards. Initial details of the size of the operation provided the main talking point in dealing rooms across London and beyond, while the former governor of the Bank of England, Mark Carney, said the government's tax cuts were "working at some cross purposes" with the monetary policy being run out of Threadneedle Street.

The impact on agricultural commodities has been somewhat less dramatic with Chicago corn trading broadly sideways across the week, soybeans sideways to lower and Chicago wheat trending firmer. Matif wheat continued firmer, more so that Chicago in a move higher that started in August with the London contract moving in parallel.

New crop US supplies are hitting the market, Russia has a very large stockpile of wheat that needs to find buyers and S America's impact is becoming more important to forthcoming price discovery. There are suggestions that Russian winter crops are a long way behind normal due to extreme wet weather conditions and suggesting winter plantings will be down year on year. There is also the risk of greater than normal winterkill as late planted crops have less time to harden off before dormancy and potentially damaging low temperatures arrive.

It seems that we are indeed in turbulent times and that further volatility is to be expected. We remain cautiously friendly to the grains and have a more neutral to slightly bearish soybeans.