

STUNNING!

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As video emerged of Russian forces attacking a nuclear power plant last night, my phone, e-mail, and social media feeds blew up with “insane” and “insanity” dominating the initial threads.

But, as the team at Academy had time to digest this latest development, our thoughts turned to what strategy the Russians might be employing.

Rachel Washburn is working on a SITREP that will go into more detail, but there are a few key takeaways:

- The Geopolitical Intelligence Group, universally, has believed that the Russians were preparing to amp up their attacks. They talked about knocking out power and other tactics designed to decrease the Ukrainian ability and will to fight. We did not discuss nuclear power plants, possibly because it seemed so off limits, but it is clearly not.
- We have discussed “tactical” nukes more and more (which is as scary as it sounds). General (ret.) Spider Marks explained the crucial difference in doctrine, which is that the U.S. and NATO have the same protocols for tactical and strategic nukes (battlefield vs intercontinental). However, Russia gives battlefield commanders much more control over battlefield nukes. One thing that he and General (ret.) Robeson mentioned on calls yesterday was to keep an eye on the wind. Any use will create fallout and **prevailing winds (i.e., not blowing towards Russia) could be something to watch**. No one seemed to think that it was likely that Russia would resort to this, but after last night’s action, it is something to be aware of.
- The first read was that this wouldn’t cause NATO to impose no-fly zones or get more involved, but that is a question that is gaining traction as this attack seems incredibly dangerous.
- It is also a bit distressing, but as we talk about “how this ends” the Baltics and the “stans” come up with increasing frequency.

The war is getting worse, not better!

Private Sanctions

As we wrote Wednesday, one pleasant “surprise” has been the [Private Sanctions](#) we are seeing. While I had been pessimistic regarding the effectiveness of sanctions, I’m encouraged by all the steps companies have been taking on their own initiative! This will take time to influence the outcome, but the power of these additional sanctions is important!

China as Russia’s Banker

China signaling that it won’t support Russia in any way would be a critical step, but so far, China has not gone that route. China is critical to any semblance of an economy for Russia at this stage.

Food May be a Bigger Problem than Oil and Gas

Increasingly, I’m pointing out the rapid rise in the price of wheat, corn, and even soybeans! There are growing doubts about what Ukraine (the breadbasket of Europe) can sow and harvest during an invasion. While the Russian harvest shouldn’t be impacted, embargoes could lead to spoilage. In any case, this hit wheat first, but is spreading to other “substitute” crops as farmers consider what to grow.

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I'm told it is planting season in Brazil, for example, and they will shift to wheat to take advantage of the price increase, which will hit other agricultural products. Ultimately, this will find its way to cattle prices, as the cows have to eat something and corn prices rising isn't good.

An energy crisis is bad, but a food shortage is disastrous.

We aren't there yet, but it is a topic that isn't getting enough attention.

Bottom Line

I don't see how this doesn't get worse before it gets better and we should see more "risk-off" as markets digest the full impact of what has happened, what seems likely to happen, and how quickly this will hit the European economy.

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