FINANCIAL TIMES

FRIDAY 19 JANUARY 2024 ASIA

Can AI be a tool for social levelling up?
GILLIAN TETT, PAGE 17

Spotify's great cull of little-heard musicians
ANNA NICOLAOU, PAGE 6

Arab nations develop strategy to end Gaza war and create Palestinian state

- Aim to present plan within weeks
- Potential for formal Israeli-Saudi ties
- US urges long-term solution

ANDREW ENGLAND
MIDDLE EAST EDITOR

Arab states are working on a plan to secure a ceasefire and release hostages in Gaza as part of an initiative that could offer Israel a normalisation of relations if it agrees to "irreversible" steps towards creating a Palestinian state.

A senior Arab official said they hoped to present the plan, which could include the prize of Saudi Arabia formalising ties with Israel, within a few weeks in an effort to end the Israel-Hamas war and prevent a wider Middle Eastern conflict.

Arab officials have discussed the plan with the US and European governments. It would include western nations agreeing to formally recognise a Palestinian state or support Palestinians being granted full membership of the UN. "The real issue is you need hope for Palestinians: it can't just be economic benefits or removal of symbols of occupation," the senior official said.

The initiative comes as Israel faces mounting international pressure to end its offensive in besieged Gaza, with the US pushing for a long-term resolution.

US secretary of state Antony Blinken this week described the war in Gaza as "gut-wrenching", adding that what was needed was a Palestinian state "that gives people what they want and works with Israel to be effective".

When Saudi foreign minister Prince Faisal bin Farhan was asked this week if Riyadh would recognise Israel as part of a wider political agreement, he said "certainly". He told a panel at the World Economic Forum in Davos: "We agree that regional peace includes peace for Israel, but that could only happen through peace for the Palestinians through a Palestinian state."

US national security adviser Jake Sullivan also said this week that Washington remained focused on securing an agreement that led to Saudi Arabia normalising relations with Israel as part of its plans for the postwar era. "Our approach is and remains focused on moving towards greater integration and stability in the region," he said in Davos.

But there are multiple challenges to securing a deal with Israel. After Hamas's October 7 attack killed at least 1,200 people, Israeli officials warned that the war in Gaza would last months.

Prime Minister Benjamin Netanyahu has ruled out working with the western-backed Palestinian Authority and rejects a two-state solution. Netanyahu, who presides over the most far-right government in Israel's history, said last month that he was "proud" that he had prevented the establishment of a Palestinian state.

> 'The real issue is you need hope for Palestinians: it can't just be removal of symbols of occupation'

The senior Arab official said: "Given the Israeli body politic today, normalisation is maybe what can bring Israelis off the cliff."

Saudi Arabia was edging closer to establishing diplomatic relations with Israel before Hamas's attack, in return for the US agreeing to a security pact with Riyadh and supporting the development of its nuclear ambitions. US and Saudi officials were also discussing a Palestinian element to the deal that included freezing the expansion of Israeli settlements in the West Bank and establishing a pathway towards a two-state solution.

Before the war erupted, Blinken had been scheduled to visit Riyadh in mid-October to discuss the plans for the Palestinians. Hamas's attack and Israel's response in Gaza upset that process. But Saudi Arabia made clear that while the process was stalled, the kingdom had not taken the option off the table.

Since October 7, President Joe Biden's administration has repeatedly spoken of the need for a two-state solution as the only option for providing security for the Jewish state.

Saudi Arabia's willingness to consider normalising relations potentially provides an important bargaining chip with Israel, which has considered diplomatic relations with the kingdom the grand prize in its efforts to develop ties with Arab states.

The Saudi leadership has expressed outrage at Israel's offensive in Gaza, which has killed more than 24,000 people, according to Palestinian officials.

Devastation: Palestinians in Rafah, southern Gaza, mourn the deaths yesterday of relatives who were killed by an Israeli air strike — Abed Rahim Khatib/dpa

Briefing

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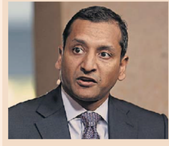
- **Firms pitch crypto ETFs** US asset managers are vying to launch exchange traded funds with leveraged bitcoin exposure and expand into bitcoin-based options after the approval of 11 spot bitcoin ETFs.— PAGE 10



Investor fatigue reins in Jain's hedge fund drive

Lower ambitions ▸ PAGE 9

Zara billionaire grabs chance to snap up cheap real estate from indebted groups

BARNEY JOPSON — MADRID
JOSHUA OLIVER — LONDON

Zara's billionaire founder Amancio Ortega is seizing on the commercial property downturn as a chance to buy assets on the cheap as high borrowing costs hand the advantage to debt-free investors.

Pontegadea, Ortega's €90bn-plus personal investment group, is expanding its real estate holdings via a "buy the dip" strategy. The Spanish fund, which owns 59 per cent of Zara's parent group Inditex, has announced 10 purchases worth €1.1bn in the past year spanning logistics, offices and residential property.

Its real estate portfolio is focused on western Europe and North America, where its prize assets include Devonshire House in London and Amazon's Seattle headquarters.

Because Pontegadea is awash with dividends from its Inditex stake and does not need to take on debt, it has been unaffected by the high interest rates that have pushed transaction volumes down more than 50 per cent in the US and Europe in the past year.

Roberto Cibeira, Pontegadea's chief executive, told the Financial Times the group had observed "a price adjustment in Europe across asset classes" in the past few months. "This is a good time for investors with low debt given the tightening of credit conditions, which is reducing competition for potential acquisitions of a reasonable size."

He added that Pontegadea was in many cases being offered assets before they were advertised publicly, in areas ranging from logistics to retail.

Pontegadea is eclipsed in size by just a handful of family offices, including those of Bill Gates, Jeff Bezos and Sergey Brin, according to the Sovereign Wealth Fund Institute, a research group.

In the past month, Pontegadea has spent $113mn on a cold-storage warehouse in the Miami area and €100mn on a distribution centre in the Netherlands used by Primark. Those deals have boosted its property portfolio to about €20bn across 11 countries.

Although distressed sales are increasing in commercial real estate, many lenders have offered indebted property owners flexibility to avoid fire sales. But Savills, the real estate group, said last week that lenders were reaching the limit of forbearance and that this could be a "catalyst" for more deals in 2024.

Ortega, who started out in 1963 with a home workshop making dresses, is the world's 13th-richest person, with a fortune of $98bn, according to Forbes.

Country	Price
China	RMB30
Hong Kong	HK$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Philippines	Peso 140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140

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World Markets

STOCK MARKETS

	Jan 18	Prev	%chg
S&P 500	4760.73	4739.21	0.45
Nasdaq Composite	15027.61	14855.62	1.16
Dow Jones Ind	37244.48	37266.67	-0.06
FTSEurofirst 300	1860.46	1850.49	0.54
Euro Stoxx 50	4450.53	4403.08	1.08
FTSE 100	7459.09	7446.29	0.17
FTSE All-Share	4080.28	4072.19	0.20
CAC 40	7401.35	7318.69	1.13
Xetra Dax	16567.35	16431.69	0.83
Nikkei	35466.17	35477.75	-0.03
Hang Seng	15391.79	15276.90	0.75
MSCI World $	3120.44	3146.04	-0.81
MSCI EM $	958.39	979.72	-2.18
MSCI ACWI $	712.11	718.96	-0.95
FT Wilshire 2500	6130.08	6166.33	-0.59
FT Wilshire 5000	47737.10	48019.40	-0.59

CURRENCIES

Pair	Jan 18	Prev	Pair	Jan 18	Prev
$/€	1.085	1.085	€/$	0.922	0.922
$/£	1.267	1.266	£/$	0.789	0.790
£/€	0.856	0.857	€/£	1.168	1.167
¥/$	148.195	148.450	¥/€	160.814	161.061
¥/£	187.793	187.916	£ index	82.374	82.160
SFr/€	0.943	0.942	SFr/£	1.101	1.099

CRYPTO

	Jan 18	Prev	%chg
Bitcoin ($)	42415.62	42783.00	-0.86
Ethereum	2507.27	2530.20	-0.91

COMMODITIES

	Jan 18	Prev	%chg
Oil WTI $	73.79	72.48	1.81
Oil Brent $	78.96	77.88	1.39
Gold $	2011.75	2038.15	-1.30

GOVERNMENT BONDS

Yield (%)	Jan 18	Prev	Chg
US 2 yr	4.35	4.36	-0.02
US 10 yr	4.12	4.10	0.03
US 30 yr	4.37	4.30	0.06
UK 2 yr	4.29	4.36	-0.07
UK 10 yr	4.15	4.21	-0.06
UK 30 yr	4.59	4.64	-0.05
JPN 2 yr	0.03	0.02	0.02
JPN 10 yr	0.65	0.60	0.05
JPN 30 yr	1.72	1.62	0.10
GER 2 yr	2.68	2.69	-0.01
GER 10 yr	2.34	2.31	0.03
GER 30 yr	2.51	2.47	0.05

Prices are latest for edition
Data provided by Morningstar

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As a firm, as a partner to our clients, and as a champion for global communities, Bain is creating a more sustainable, equitable and inclusive world. **Let's go further, together.**

BAIN & COMPANY

INTERNATIONAL

Italy

Rome moves to rescue key steelworks

Special administration process under way after ArcelorMittal talks fail

AMY KAZMIN — ROME

Italy has started formal proceedings to put Europe's largest steelworks under special administration after Giorgia Meloni's government failed to agree with operator ArcelorMittal on the plant's future.

Invitalia, Italy's state investment agency and a stakeholder in the plant's operations, formally requested the appointment of a special administrator to run the company earlier this week, Meloni's office said yesterday.

The decision to start special administration proceedings comes after a tense stand-off between Rome and ArcelorMittal over the injection of €320mn in fresh capital urgently needed to keep the factory running — including to pay its outstanding gas bills.

The historic steelworks is being operated by Acciaierie d'Italia, a joint venture majority-owned by ArcelorMittal, the Luxembourg-based steel giant, with Invitalia holding a minority share.

Formerly known as Ilva, the plant in the southern town of Taranto has long been dogged by environmental problems and struggled to stay afloat, with production dropping to less than 3mn tonnes last year, despite its capacity of 8mn tonnes.

A court this week ruled that gas company Snam could stop supplying energy to the steelworks over about €200mn in unpaid bills, though AdI has appealed.

But closing a factory that employs about 10,000 people would become a problem for Meloni, who has vowed to bolster Italy's industry and create jobs.

Once the plant is under special administration — an Italian insolvency regime intended to keep large illiquid industries operating — Rome will be able to appoint its own interim executive to take over management from ArcelorMittal while it seeks a buyer.

The process, which could still take several weeks to complete, would bring the steelworks back full circle to 2018, when ArcelorMittal took control of the plant from special administration and was hailed as the plant's saviour before relations with Rome quickly soured.

During emergency talks in Rome last week, Aditya Mittal, chief executive of ArcelorMittal, told Italian ministers his company was not willing to inject any more money into the business. The government — which provided an emergency €680mn loan to the steelworks last year — has said Invitalia could inject the money itself and convert last year's loan into equity, thereby becoming the majority stakeholder.

The plant in Taranto has long been dogged by problems and has struggled to stay afloat

But the partners were at odds over how AdI would be governed if Invitalia became the majority shareholder, said several people familiar with talks.

They said ArcelorMittal had also offered to exit the business altogether but wanted compensation of €200mn for its shares, and an additional €200mn for supplies provided to the factory.

Built in the 1960s, the plant was once a source of pride. But it proved an environmental disaster, spewing out carcinogens that neighbours said were fuelling a surge of cancer cases.

Additional reporting by Sylvia Pfeifer in London

Europe. Collision of interests

German coalition limps from crisis to crisis

Pressures build on unhappy marriage of parties that embrace conflicting ideals

GUY CHAZAN — BERLIN

It was one of the toughest crowds German finance minister Christian Lindner had ever faced: a sea of livid farmers drowning him out with vuvuzelas, whistles, boos and cries of "get lost".

But Lindner's reception at a protest in Berlin against cuts to farm subsidies was no anomaly. It was just the latest manifestation of growing popular anger with a government that appears to be lurching from crisis to crisis.

The three parties in Chancellor Olaf Scholz's coalition — the Social Democrats (SPD), Greens and liberals — have suffered a steep fall in popularity. Their combined share of the vote is less than a third, compared with 52 per cent at the last elections in September 2021.

The far-right Alternative for Germany (AfD) leads them all, at 22 per cent, and is on course to win three regional polls in the east in September.

"To forfeit 21 percentage points in support is really dramatic," said Hermann Binkert, head of pollsters Insa. But the government's plight was inevitable, given "the parties in this coalition just don't belong together", he added.

It has been a gloomy start to 2024 for Scholz. Germany's gross domestic product contracted by 0.3 per cent last year, making it the world's worst-performing major economy. Train drivers held a nationwide rail strike over working hours. And then came the farmers' protests that brought transport across large parts of the country to a standstill.

The subsidy cut had its roots in last November's constitutional court ruling against the coalition's use of off-balance sheet funds, which blew a gaping hole in the public finances.

To plug a €17bn gap in the 2024 budget, ministers adopted austerity measures, including scrapping the diesel subsidy for agricultural vehicles. But they did so without telling farmers, who called for a "week of action", including convoys that blocked motorways. The farmers appear to have overwhelming public support. A Forsa poll found 81 per cent of voters sympathise with the protests, and 66 per cent think the subsidy should be reinstated. An Insa poll found 45 per cent could imagine taking to the streets against the government.

Truck stop: farmers protest near the Brandenburg Gate in Berlin on Monday. Their week of action, which disrupted transport nationwide, won public support Krisztian Bocsi/Bloomberg

Scholz and his ministers are not solely to blame. Soaring energy costs, record inflation and high interest rates were part of the fallout from the Ukraine war, which forced Germany to break its addiction to cheap Russian gas.

Indeed, the government won praise for its crisis management in the first year of the war, especially in securing other energy sources, preventing blackouts and keeping industry humming.

But that record was tarnished last year by unforced errors, such as a law on replacing gas boilers with heat pumps that triggered a public outcry.

"There are so many screw-ups and careless mistakes," said Ursula Münch of the Academy for Political Education in Tutzing, Bavaria. "And after every botched job all the coalition partners say, 'it wasn't me, it was the others'."

Discontent with the coalition is translating into support for the AfD, which polls predict will win in Brandenburg, Saxony and Thuringia in September.

The party remains popular despite reports some of its functionaries met far-right activists to discuss plans to deport millions with immigrant roots, including those with German passports.

Even Germany's president, who normally stands above the political fray, has joined the coalition's critics. "When a government's credibility declines, it's often because decisions are not adequately communicated or accepted," Frank-Walter Steinmeier told Süddeutsche Zeitung, "or they're overlaid by internal disputes that are leaked."

Internal disputes were, in many ways, predestined. The coalition comprises an SPD focused on social justice; Greens dedicated to fighting climate change; and the liberal Free Democrats (FDP), committed to upholding strict rules on debt and preventing tax increases.

The collision of interests was all too visible when Lindner, FDP leader, addressed the farmers on Monday. Railing against "excessive environmental standards" and a welfare system "giving people money for doing nothing" — policies that might be associated with the Greens and SPD respectively — he sounded like an opposition firebrand.

Even some in the coalition say relations are so bad, particularly between the FDP and Greens, that it might not survive its parliamentary term. Wolfgang Kubicki, the FDP's deputy leader, told a Nuremberg newspaper "the centrifugal forces in the coalition will be so strong that I'll start to wonder whether it will hold till the 2025 election".

Many people are nostalgic for Angela Merkel, whose 2005-21 reign is seen as a period of calm. Her Christian Democrats are polling at about 31 per cent — much higher than the 24 per cent the party achieved in the 2021 election.

"We were so used to Merkel, and now you have three parties in government that are really different and that argue all the time," said one cabinet member. "Sometimes it feels more like childcare than actually running the country."

GLOBAL INSIGHT

FRANCE

Leila Abboud

Macron tacks right to nullify Le Pen and protect his legacy

Higher birth rates. More police on the streets. Compulsory uniforms in schools, as well as enthusiastic singing of "La Marseillaise" national anthem.

President Emmanuel Macron's latest vision for protecting France in an era of global upheaval — and fighting the ascendant far right — has a distinctly conservative, even nostalgic, edge. At a press conference this week, the president's pitch was "for France to remain France".

As he seeks to reboot his problem-plagued second term, Macron argued for promoting "order" and "authority" to address concerns that if ignored would drive voters to the far right, led by his perennial rival, Marine Le Pen, in 2027.

But the "France to remain France" slogan has been used before — most recently by Éric Zemmour, an anti-immigration author turned presidential candidate, and before that by the conservative Les Républicains (LR) party.

It was only the latest sign that Macron, once a minister for socialist president François Hollande, has completed a gradual but significant shift to the right. Much has changed since he was first elected in 2017 as a 39-year-old outsider, promising to be "neither right nor left" in his mission to transform France by breaking political taboos.

The left-leaning newspaper Libération captured the vibe of the press conference on its front page with a sober-looking president flanked by a French flag. The headline read: "Emmanuel Macron, Vieille France".

That tag of "Old France" is one that is almost unimaginable for Macron, a politician who was elected as the country's youngest president and only last week named France's youngest prime minister, Gabriel Attal.

'Public opinion in France is more in favour than before of a return to authority'

But Macron's rightward tilt in both rhetoric and on a wide array of topics — immigration, law and order, terrorism, the place of Islam in France, given the republic's fierce secularism — has been clear for a while.

Author and political analyst Chloé Morin said Macron was merely following a societal shift observed in polling in recent years. "Public opinion in France is more in favour than before of a return to authority, fundamental values, and many have a sense things were better in the past, so symbols like uniforms in schools speak to that," she said.

Further evidence came in a recent government reshuffle, with eight of the 15 cabinet appointments held by politicians Macron had poached from the rightwing LR over the years. Key ministries, including finance and economy, defence, interior and a new super ministry of health and labour, are all headed by rightwing politicians. Several left-leaning figures were dismissed, such as the prime minister, Élisabeth Borne.

But the splashiest recruit was Rachida Dati, a high-ranking member of LR who was Nicolas Sarkozy's justice minister and is now gunning to be Paris mayor. Dati remains close to the former president, who she is said to have consulted before taking the job as Macron's culture minister.

For Macron, her nomination had twin advantages — adding a high-profile politician to his team and dealing yet another blow to his LR opponents. Although Macron practically killed off the socialists in 2017, it has taken longer to chip away at the rightwing, one-time Gaullist party.

What might be driving Macron's shift to the right? There are tactical reasons, of course. But one key consideration is who succeeds him when his final term ends in 2027. With the left fragmented and led by its extreme faction, right-leaning voters may determine whether Le Pen wins the presidency, a result that would dynamite Macron's legacy.

Macron's entourage argues that he is not growing conservative and that the spirit of 2017 is still alive — a desire to overcome old partisan divides to bring about a better, more dynamic France.

But today's Macron speaks a different language than before, one that reflects not just how his presidency has changed, but perhaps France, too.

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Ukraine

Attacks on journalists mar Zelenskyy's media rights record

CHRISTOPHER MILLER — KYIV

A series of attacks and smear campaigns targeting prominent Ukrainian journalists has cast a shadow over Volodymyr Zelenskyy's record on safeguarding media freedom.

In a rare statement since Russia's full-scale invasion of Ukraine in 2022, Mediarukh, an association of media outlets and watchdogs, called on the president on Wednesday to "resolutely condemn" the attacks and "take over control of the investigation" in order to find out who the culprits were.

"Unknown aggressors are trying to smear Ukrainian journalists as 'enemies of the people', Russian agents, drug addicts, and to discredit their professional work," Mediarukh said. "There is surveillance, wiretapping and a violation of journalists' right to privacy — all with the aim of putting pressure on independent media."

Zelenskyy said on Wednesday the domestic security service (SBU) had launched an investigation into the monitoring of journalists, adding: "Any pressure on journalists is unacceptable."

Ukraine's media freedom has been partly curtailed over what the government has said were national security concerns since the Russian invasion, with Reporters Without Borders warning that the war "threatens the survival of the Ukrainian media".

While journalists have previously been subject to online intimidation and smear campaigns, this has escalated in the past few days into harassment in real life. Yuriy Nikolov, a journalist who exposed corruption in the defence ministry, was targeted by several men on Sunday, who banged on his door, yelling that he would be sent to the front line, and plastered signs on his house that called him a "traitor" and "provocateur".

Nikolov's articles led to the resignation of defence minister Oleskiy Reznikov, who was not directly accused of graft, and Zelenskyy saying he would demand greater transparency and reforms.

Pictures of the men engaged in the attack were soon published on pro-government Telegram channels, stoking accusations that the incident was carried out with the blessing of one of the law enforcement agencies.

Natalia Lyhachova, editor-in-chief of Detector Media, said the case showed how online attacks allegedly waged at the behest of the government against journalists working to hold those in power to account have moved into the physical world.

The incident was followed by what appeared to be a co-ordinated campaign to discredit Bihus.info, an investigative news outfit in Kyiv that has spent years exposing government corruption.

Denys Bihus, the group's founder, said several of his employees appeared to have been under surveillance, after a video appeared online allegedly showing some of them using illegal drugs during a private New Year's Eve party. They had rented a cottage outside Kyiv where a camera had been installed without their knowledge, Bihus said.

Journalist Yuriy Nikolov, who was harassed by men visiting his house

The reporters' phones were also likely to have been tapped for more than a year, he added, because the conversations included in the video date back as far as 2022.

The video was posted a day after Bihus.info published an investigation looking into reports prepared by a state-funded company that analysed media articles "critical" of Zelenskyy and his cabinet. The company is controlled by an MP in the president's party.

The SBU said on Wednesday that a criminal investigation had been opened into the illegal wiretapping and video recording of Bihus.info employees.

Yaroslav Yurchyshyn, the head of parliament's committee on freedom of speech, said the surveillance of Bihus.info's journalists was "definitely pressure [and] illegal". Failure to investigate and find the culprits would confirm suspicions that law enforcement agencies were acting on behalf of some government figures, he added.

IMF warns central banks against fuelling hopes of rapid rate cuts

Cautious approach to easing advocated along 'bumpy' path to lower inflation

SAM FLEMING — DAVOS
MARTIN ARNOLD — FRANKFURT

A top IMF official has warned central banks need to move cautiously on cutting interest rates this year, as market expectations of looser monetary policy could fuel another flare-up of inflation.

Gita Gopinath, the first deputy managing director of the IMF, said inflation was set to decline less sharply than it did last year because of tight labour markets and high services inflation in the US, euro area and elsewhere.

This points to a "bumpy" path towards lower inflation, she said, suggesting official rates should not be lowered until the second half of the year.

"The job is not done," Gopinath told the Financial Times at the World Economic Forum in Davos, Switzerland. "[Central banks] must move cautiously. Once you cut rates, it solidifies expectations of further rate cuts and you could end up with much larger loosening — which can be counter-productive."

"Based on the data we have seen, we would expect rate cuts to be in the second half, not in the first half," she said.

Markets sold off on Wednesday as Christine Lagarde, European Central Bank president, warned rates were unlikely to start falling this spring, while UK inflation was higher than expected.

While headline inflation fell rapidly last year as supply shocks in energy and other markets unwound, strong labour markets are keeping services price inflation stickier.

Minutes of the December 15 ECB governing council meeting, released yesterday, showed members were concerned investor bets on rate cuts as early as March had loosened financial conditions so much that they "could derail the disinflationary process". Members decided to push back on market expectations of early rate cuts and agreed June was likely to be the earliest they could know if inflation had been tamed.

US officials have tried to damp market expectations that they could cut rates from their 23-year high of 5.25 per cent to 5.5 per cent as soon as March, with Federal Reserve board member Christopher Waller this week insisting policymakers should "take our time to make sure we do this right".

Yet the gap between central bank and investor expectations persists, with markets still expecting six quarter-point cuts beginning in the early spring, compared with rate-setters' forecasts of three later in the year.

"What we think some in the markets have been missing — or not putting enough weight on — is the central banks' shared fear of starting too soon and having to stop or reverse course," said Krishna Guha, vice-chair of US investment bank Evercore ISI. This meant central banks were likely to be "a bit late" relative to market expectations of rate cuts, he added.

Gopinath said easier financial conditions after the market rally in recent weeks risked undermining "the forces that would drive demand down". As a result, efforts to bear down on inflation with high official interest rates could be dented. Central bankers, she said, should not add further fuel to the situation by adding to speculation over rate cuts. This meant treading cautiously, given labour markets were still "strong" in the US, UK and euro area, potentially underpinning services inflation.

The IMF last year warned history was littered with episodes of central banks indulging in "premature celebrations" when they relaxed after an initial fall in inflation, only to find price growth went on to plateau or to start heading higher.

Hopes that the Bank of England will soon ease policy suffered a setback on Wednesday as official figures showed inflation accelerated to 4 per cent in December — the first rise since February. Services inflation accelerated to 6.4 per cent from 6.3 per cent in November.

At Davos, Lagarde said the ECB would only have the information it required on wage pressures by "late spring" and that such data would be necessary before any decision to lower borrowing costs. Her comments jolted markets, which had fully priced in a cut to the benchmark interest rate of 4 per cent by April.

Annual price growth in the bloc slowed from a peak of 10.6 per cent in October 2022 to a two-year low of 2.4 per cent in November, before picking up to 2.9 per cent last month after the phasing out of government energy subsidies.

Lagarde warned inflation was still too high in the services sector, highlighting her concern wages may keep price pressures high after pay per eurozone employee rose 5.2 per cent last year.

"Short of another major shock, we have reached a peak" in interest rates, she said. "But we have to stay restrictive for as long as necessary" to ensure inflation keeps falling.

Additional reporting by Claire Jones in Washington

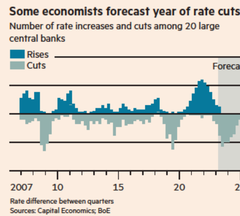
Opinion see Letters page

New York: US officials have tried to damp market expectations of a Fed cut in rates as soon as March

Spencer Platt/Getty Images

Some economists forecast year of rate cuts

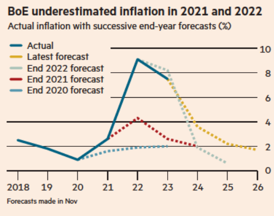
Number of rate increases and cuts among 20 large central banks



Rate difference between quarters
Sources: Capital Economics; BoE

BoE underestimated inflation in 2021 and 2022

Actual inflation with successive end-year forecasts (%)



Forecasts made in Nov

> 'Once you cut rates, it solidifies expectations of further rate cuts and you could end up with much larger loosening — which can be counter-productive'
>
> Gita Gopinath, IMF deputy managing director, below

Energy

IEA signals 'substantial surplus' of oil this year

LUKANYO MNYANDA — LONDON

The west's energy watchdog has said the world could generate a "substantial surplus" of oil this year as faltering economic growth hits demand and non-Opec countries step up production to record levels.

The International Energy Agency said yesterday that a surge in output by countries such as the US might offset the impact of cuts by Opec+, the oil exporters' cartel, which is seeking to shore up prices.

The IEA's monthly report added that, while the recent cuts agreed by the cartel "may tip the oil market into a small deficit at the start of the year, strong growth from non-Opec producers could lead to a substantial surplus".

It said this outcome was likely to happen if additional voluntary cuts in Opec+ countries were phased out in the second quarter of this year.

The cartel's efforts to support prices above $80 a barrel have been hindered by internal divisions and production by other countries.

Opec+, which includes Opec members plus countries including Russia and Kazakhstan, has announced several rounds of reductions since October 2022.

But the most recent cuts by countries such as Saudi Arabia and Russia have been additional and voluntary, and their future is less certain.

The IEA predicted demand would grow this year at only about half the pace of 2023 — by an average of about 1.2mn barrels a day this year, rather than the 2.3mn b/d last year.

It attributed this to slowing growth in the world's big economies, with the impact of the end of Chinese Covid-19 restrictions fading, as well as increases in electric vehicle sales.

But yesterday's report marked a slight upward revision in the IEA's growth forecast from last month, when it forecast demand would rise by 1.1mn b/d.

The IEA, funded primarily by the OECD club of mostly rich nations, acknowledged that the risk of disruption to oil supply from "rising geopolitical tensions" in the Middle East remained elevated. But it was ready to respond "decisively", with members holding combined stocks of 4bn barrels.

Despite continuing uncertainty over the Red Sea, one of the world's key oil routes, prices were broadly steady yesterday, with benchmark Brent crude up 0.5 per cent on the day at $78.31 a barrel.

The IEA added that record output from the US, Brazil, Guyana and Canada would help boost global supply this year by 1.5mn b/d to a record 103.5mn b/d.

Such increases would force Opec+ to decide whether to implement more cuts at the risk of losing further market share as supply outstrips demand.

The IEA report contrasts with Opec's analysis, which predicts that oil demand will continue to grow steadily, by about 2.3mn b/d this year, before falling to a still "robust" 1.8mn b/d in 2025.

The two organisations have been at loggerheads over the future of fossil fuels as governments seek to shift to renewable energy.

Fatih Birol, IEA executive director, has argued the organisation's analysis shows that oil demand will peak this decade. But Haitham al-Ghais, Opec secretary-general, has rejected such suggestions and called for more investment in the industry.

"Today, what is clear is that peak oil demand is not showing up in any reliable and robust short and medium-term forecasts," Ghais said this week.

Full tilt: pump jacks at work in the US, where output has risen sharply

Coronavirus

Blood protein changes offer clue to long Covid

MICHAEL PEEL — LONDON

Changes in blood protein have been found in people with long Covid, according to research that will boost efforts to diagnose and devise treatments for a debilitating condition afflicting tens of millions of people worldwide.

The research adds to a growing mix of factors that appear to contribute to long Covid months or even years after initial infection. About 5 per cent of people who contracted the virus are thought to suffer from the condition, creating a growing burden on public health systems still struggling to recover from the demands of Covid's pandemic phase.

The central finding of the research, published yesterday in journal Science, is the importance of the "complement system" — a group of proteins that help fight off infections, but whose localised activation was seen as a "likely culprit" that induces inflammation.

"This was a piece of the puzzle that has been missing that explains so many different manifestations of long Covid," said Onur Boyman, a University of Zurich professor and leader of the research. "This provides an opportunity to better diagnose and potentially even treat the condition."

Boyman's team measured the levels of more than 6,500 blood proteins in 113 people who had either fully recovered from Covid or developed the long form of the respiratory disease. The 40 long Covid sufferers exhibited effects including abnormal activation of the complement system, the researchers found.

The study was important because it "nails the role" in long Covid of the complement system's inflammation of blood vessel walls, said Eric Topol, director of the Scripps Research Translational Institute in California.

It raises the prospect that blood protein changes might serve as one of the key biological indicators that will help medical practitioners identify patients' susceptibility to long Covid.

Long Covid has emerged as a lingering destructive effect of the pandemic, afflicting sufferers with symptoms including acute fatigue, shortness of breath and cognitive impairment. People lost more "healthy life years" to the syndrome in the first two years after infection than cancer or heart disease, according to a study in August.

Previous research has found how long Covid — defined as symptoms or conditions that last 12 weeks or more after diagnosis — is associated with problems including abnormalities in vital organs, microclots, reduced serotonin and persistent levels of the Covid-19 virus.

The complement system's significance is another sign of how the syndrome shares traits with autoimmune diseases. In these complex conditions, the defensive response to pathogens ends up damaging the body itself.

Long Covid's causes appeared to be similarly "heterogeneous", and bigger studies would be needed to tease out how they interacted, said Aran Singanayagam, a respiratory physician at Imperial College London.

"It's a really frustrating condition to try and treat," said Singanayagam, who welcomed the latest research. "It's one of the most difficult — if not the most difficult — thing that we see currently."

FT FINANCIAL TIMES

DEMOCRACY 2024

Dear readers,

Welcome to Democracy 2024, a series of short films produced by the Financial Times to mark an extraordinary year for democracy. While some elections will be rightly celebrated as evidence of people's power, others will be more an exercise in window dressing than an expression of free will.

Democracy as an idea remains the most powerful of aspirations, but the health of many democracies is increasingly challenged.

The FT's award-winning filmmaker Juliet Riddell has commissioned authors Margaret Atwood, Elif Shafak, Lola Shoneyin and comedian Aditi Mittal to share their perspectives on democracy and its relevance, fragility and value. This is the FT's latest collaboration with world-renowned artists to explore the most important issues of our time and engage audiences in new ways.

Roula Khalaf, FT editor

To watch the videos, go to ft.com/democracy2024

East Asia

Taiwan vote triggers Beijing show of force

Taipei says PLA violated buffer zone after Lai's presidential victory

KATHRIN HILLE — TAIPEI

China has staged its largest military manoeuvres around Taiwan in three weeks, in its first active response to the election of Lai Ching-te as the country's president last weekend.

The People's Liberation Army conducted joint air and naval combat patrols near Taiwan on Wednesday night, with 24 PLA aircraft and five PLA Navy vessels operating in the area, Taiwan's defence ministry said.

According to the ministry, "11 of the aircraft crossed the median line of the Taiwan Strait or entered Taiwan's southwest and north air defence identification zone".

An ADIZ is a self-declared buffer zone within which countries monitor and ward off foreign military aircraft to guard against attacks.

The PLA's moves marked the largest air manoeuvre and ADIZ violation since December 28 and came after Lai won Saturday's election, giving the Democratic Progressive party an unprecedented third term in office.

China claims Taiwan as part of its territory and refuses to renounce the use of force to bring it under control if Taipei resists unification indefinitely. The Chinese Communist party cut off all exchanges with Taiwan's government after its current president, Tsai Ing-wen, also of the DPP, was elected in 2016. It has also rebuffed Lai's calls for a resumption of dialogue.

Beijing on Wednesday said some Taiwanese had a "bias" in their understanding of cross-Strait relations and national identity because they had been "poisoned by 'Taiwan independence' thought and because political differences across the Taiwan Strait have not yet been resolved".

Taiwanese government officials have said they do not expect China to stage a military attack or large show of force in reaction to Lai's victory, but Beijing is likely to increase pressure on Taipei.

The PLA flew more than 1,700 sorties into Taiwan's ADIZ last year and in 2022, almost double the number in 2021 and more than 80 times the tally in 2019, when Taipei started publicising the incursions on a regular basis.

This week, Taiwan's defence ministry adjusted the way it reports PLA activity to begin including information on which Chinese air bases the aircraft were coming from and how close they came to Taiwan's airspace. But it discontinued publishing detailed data on how many of which type of aircraft participated in each action.

"The reason they are no longer naming the exact types of drones, for example, is that our air force is no longer scrambling fighters to identify each PLA drone in order to limit wear on our aircraft," said Su Tzu-yun, an analyst at the Institute for National Defense and Security Research, a defence ministry-backed think-tank.

Taiwanese defence experts said the changes were part of a review after the ministry botched the announcement of a Chinese satellite launch three days before the election.

The announcement called it a missile overflight in an English message and warned the public about potential falling debris without providing instructions for how to take shelter.

Demographics. Zodiac year tradition

China places population hope in 'dragon babies'

Economic gloom combines with legacy of one-child policy to make rebound unlikely

ELEANOR OLCOTT AND ANDY LIN
HONG KONG
WANG XUEQIAO — SHANGHAI

The year of the dragon has historically augured a surge in births in China and other countries in east Asia as potential parents try to time the births of their offspring with an auspicious zodiac sign.

But experts said this demographic idiosyncrasy was unlikely to come to Beijing's aid in this dragon year — which begins next month — after a gloomy economic outlook, ageing society and the coronavirus pandemic pushed China's population to a second annual decline in 2023.

On Wednesday, official data showed deaths in China exceeded births by 2mn last year. The country registered 11mn deaths against 9mn births, down from 9.6mn in 2022, resulting in a population of 1.4bn.

"The population decline is not just increasing. The decline has more than doubled from the previous year," said Wang Feng, an expert on Chinese demographics at the University of California, Irvine. In 2022, China's fell 850,000, marking its first decline since a man-made famine 60 years ago.

The national death rate is also accelerating, reaching 7.87 per 1,000 people in 2023, the highest level since the early 1970s. The death toll was believed to have been worsened by the sudden relaxation of strict anti-pandemic controls in late 2022, but authorities have not published comprehensive Covid-19 fatality data.

Last year, India officially overtook China as the world's most populous nation. Economists have warned that this year will be critical for China to revive the growth factors that propelled its four-decade expansion and escape the threat of a debt-deflation spiral.

In China, Taiwan, Singapore and Hong Kong, so-called dragon babies are seen as lucky, translating into a jump in births every 12 years.

But Wang said that superstition was less commonly held among China's contemporary child-bearing population, which was already shrinking because of the long-term effects of the one-child policy that held the birth rate far below the average of 2.1 needed to maintain a stable population for decades.

New arrivals: medical staff at Lianyungang hospital in Jiangsu province with three babies born on January 1 2023
CFOTO/Sipa USA/Reuters

"In the past there have been higher births in auspicious zodiac years," said Wang. "But given the pessimistic economic outlook and pessimism among young people, I doubt we will see a noticeable rebound this year."

This is bad news for Beijing's population planners, who are desperate to reverse the rapidly declining birth rate as the country faces the prospect of a prolonged economic slowdown and long-term labour shortages.

Experts said there was a mutually reinforcing cycle between the economic malaise and low birth rate. China's consumer price index remained in deflationary territory for the third consecutive month in December, according to data released last week, reflecting consumers' wariness about the prospects of an economic recovery.

"Having a child is a life-long responsibility. Economic pessimism is a strong counterforce for improving the birth rate this year," said Wang.

But policymakers have limited tools to encourage women to give birth, experts warned. Authorities loosened the one-child policy in 2016, but the number of births has fallen every year since, and incentive schemes for new parents have largely failed to boost the birth rate.

> 'Chinese women's desire to have children is low. There is no sign that this will change'

"Chinese women's desire to have children is low. There is no sign that this will change, even as concerns about the demographic crisis increase and even if policymakers try to incentivise increased births through subsidies," said Lü Pin, a Chinese feminist writer in New York.

China's State Council, the cabinet, indicated a different tack this week, calling for investment in a "silver economy" to meet the needs of a growing elderly cohort, including in pensions, healthcare and leisure services.

Dora Gao, a 30-year-old married finance worker in Shanghai, said she did not feel confident enough in her financial situation to raise a child. "I don't have enough resources to devote to a child's education," she said. "The competition is fierce and there are high costs that come with that."

She added that the "professional penalty" on mothers was dissuading her and others from getting pregnant. "Professional mothers in China have work taken away from them and given to colleagues," she said. "They are less likely to be promoted."

Border tension

Pakistan hits Iran targets in response to attack on jihadi group

FARHAN BOKHARI — ISLAMABAD
BENJAMIN PARKIN — NEW DELHI
NAJMEH BOZORGMEHR AND
BITA GHAFFARI — TEHRAN

Pakistan carried out an attack on suspected militant bases in Iran yesterday in a retaliatory strike that threatened to escalate tensions after Iran attacked a jihadi group in Pakistan.

Pakistan's foreign ministry said it "undertook a series of highly co-ordinated and specifically targeted precision military strikes against terrorist hide-outs" in Iran's Sistan-Baluchestan province, killing several militants.

Sistan-Baluchestan has long been a base for separatist groups fighting an insurgency against the Pakistani state.

The foreign ministry said it carried out the strikes because Iran had failed to act on "serious concerns about the safe havens and sanctuaries enjoyed by Pakistani origin terrorists" who had "continued to spill the blood of innocent Pakistanis with impunity".

Iran confirmed that Pakistan had fired several missiles at an Iranian border village at 4.30am local time. Interior minister Ahmad Vahidi said nine foreign nationals, among them three women and four children, had been killed in the village, which lies about 4km from the border.

Foreign ministry spokesperson Nasser Kanaani condemned the attack and said Pakistan's chargé d'affaires in Tehran had been summoned.

Alireza Rahmati, a deputy to the governor of Sistan-Baluchestan, told state television that there had been "another explosion" near the border town of Saravan, but there were no casualties.

Yesterday's strike follows an attack by Iran on a Pakistan-based jihadi group on Tuesday, which targeted Koh-e-Sabz near the town of Panjgur in the neighbouring Pakistani province of Balochistan. The Jaish ul-Adl, a Sunni militant group, has waged an armed campaign against Tehran from Balochistan.

Pakistan recalled its ambassador from Iran after the strike and instructed Tehran's envoy, who was overseas, not to return. Iranian media said Tehran yesterday demanded an "immediate explanation" from Islamabad.

Pakistan's acting prime minister, Anwar ul-Haq, also cut short a visit to the World Economic Forum in Davos, Switzerland, this week.

The military escalation has prompted alarm that rising tensions across the region could threaten a broader conflict, after war broke out between Israel and Hamas in October.

Iran's strikes this week followed similar operations by its elite Revolutionary Guard in Iraq and Syria in response to a suicide bombing in the southern city of Kerman this month, for which the Isis terrorist group took responsibility.

Iran-backed Houthi rebels in Yemen are targeting merchant shipping in the Red Sea, while Iraqi militants linked to Tehran have launched attacks against US forces in Iraq and Syria.

US Central Command forces on Wednesday conducted its fourth mission on Houthi targets, launching strikes on 15 missiles, which it said the rebel group was preparing to fire from areas it controls in Yemen.

South-east Asia

Singapore minister charged with corruption

A. ANANTHA LAKSHMI — HONG KONG

Singapore's transport minister has been charged with corruption and has resigned in a rare case in the city-state that prides itself on its reputation for clean governance and transparency.

S Iswaran faces 27 charges including graft, obstruction of justice and obtaining "valuable things" from a real estate tycoon, the corruption watchdog said in a statement yesterday.

Iswaran, who denies wrongdoing, faces a penalty of up to S$100,000 and seven years in prison if found guilty.

The Corrupt Practices Investigation Bureau alleges he received kickbacks totalling S$384,000 (US$285,770) between 2015 and 2022.

"I reject the allegations in the charges and will now focus on clearing my name," Iswaran said in a resignation letter made public by the office of Prime Minister Lee Hsien Loong yesterday. Iswaran added he would return salary and allowances received since the investigation began in July.

The government would deal with the case "rigorously", said Lee. "I am determined to uphold the integrity of the party and the government, and our reputation for honesty and incorruptibility," he added, referring to the ruling People's Action party, of which Iswaran was also a member until this week. "Singaporeans expect no less."

The charges came six months after the arrest of Iswaran and Ong Beng Seng, the tycoon. Both were given bail.

The watchdog said Iswaran received bribes for "advancing Ong's business interests" in a contract between his Singapore GP Pte and the Singapore Tourism Board, a government agency.

> 'I am determined to uphold the integrity of the party and the government'
> Lee Hsien Loong, prime minister

According to a charge sheet, the kickbacks allegedly included tickets to English Premier League football matches, Formula One races and plays including *Harry Potter and the Cursed Child*, *Hamilton* and *Kinky Boots*, as well as a business class flight from Doha to Singapore.

Iswaran, who previously served as minister of communications and of trade and industry, was instrumental in bringing the Formula One Grand Prix to Singapore with Ong in 2007.

Ong, who has not been charged, is the founder of Hotel Properties, which has brands such as Four Seasons and Intercontinental in its portfolio. The company has previously said Ong was providing details of his dealings with Iswaran to the watchdog.

Singapore GP Pte declined to comment. The Singapore Tourism Board did not immediately respond to requests for comment. Ong declined to comment.

The case comes amid mounting scandals for the ruling party, which faces a leadership transition this year. Lee is set to hand over to Lawrence Wong, his deputy, in the fourth change of leadership in Singapore's history. In 2025, Singaporeans will go to the polls in a race the PAP, which has ruled since independence in 1965, is expected to win.

Lee said last year the accusations against Iswaran and Ong, along with the resignations of two senior PAP lawmakers over an "inappropriate relationship", had hit the party's reputation.

Singapore's ministers earn about S$1mn a year, in part to discourage corruption. The last graft case in Singapore involving a minister was in 1986.

US primary

New Hampshire surge vital, says Haley donor

ALEX ROGERS — WASHINGTON

One of Nikki Haley's billionaire backers has warned he may withhold further support for her presidential candidacy unless she has a strong showing in next week's Republican primary in New Hampshire.

Ken Langone, co-founder of US retail chain Home Depot, said he was prepared to give Haley "a nice sum of money" — but may wait until after Tuesday's primary ballot before making the "major gift".

"If she doesn't get traction in New Hampshire, you don't throw money down a rat hole," Langone said.

Haley has sharpened her attacks on Donald Trump, attempting to lump him and President Joe Biden together as ageing, scandal-ridden members of the establishment who need to be cast out of presidential politics.

Langone's comments underscore the dilemma facing megadonors who endorsed Haley and Florida governor Ron DeSantis as alternatives to Trump — but now fear they will lose, as grassroots support for the former president surges despite criminal indictments against him. "Right now, if I had to bet, I think the two candidates will be Biden and Trump," said Langone, adding that he would "probably" vote for Trump in a rematch of 2020.

On Wednesday, private equity billionaire Stephen Schwarzman — a former large donor to Trump who in 2022 said he would not support another bid by the former president — told CNBC he was also watching for "surprises" in the primary race before deciding whether to back Trump.

If Langone backs Trump, he would do so despite his reservations about the former president's conduct. "Trump showed that from election day 2020 to January 6, his whole focus, in my opinion, was himself — not what was good for the country," he said.

Nikki Haley: sharpened her attacks on Donald Trump after Iowa defeat

But "away from the histrionics, away from the drama, away from the lack of decorum, . . . [Trump] did some pretty good things", he added.

"My problem is we're going to need a very competent manager, as well as a president-statesman . . . I am supporting Nikki Haley because I think she comes [as] close to what you could hope for as anybody out there."

The billionaire recently met House Speaker Mike Johnson and said he could focus his donations on Republican efforts to save its majority in the House and win control of the Senate.

Trump dominated Monday's Iowa caucuses, which mark the official start of the Republican primary season, winning 51 per cent of the vote — 30 percentage points more than DeSantis and 32 points more than Haley.

Despite her weak showing in the state, recent polls show Haley closing the gap with Trump in New Hampshire. She and DeSantis are significantly behind Trump in South Carolina, which will hold its primary vote in late February,

BIOCERAMIC
SCUBA Fifty Fathoms
COLLECTION
OCEAN OF STORMS
BLANCPAIN
MANUFACTURE DE HAUTE HORLOGERIE
×
swatch
Only available in selected Swatch Stores

Trust in Turkey Pimco snaps up lira debt after Erdoğan's economic policy shift but many investors remain cautious ● PAGE 10

Companies & Markets

Lessor AerCap calls on Boeing to sharpen its quality focus

- Boss underlines overriding priority
- Financial metrics now 'secondary'

SYLVIA PFEIFER — LONDON

Boeing cannot "afford another slip-up" with its 737 Max family of aircraft and must set aside financial targets to focus solely on quality and safety, the head of one of the largest aircraft owners has warned.

"Given what has happened with the two fatal crashes and this incident, the financial targets have to take a back seat for Boeing and its supply chain," said Aengus Kelly, chief executive of the world's biggest aircraft leasing company AerCap.

Kelly said he backed Boeing management but the company "must now focus

> 'If there were another issue with the product line, it would be a very hard sell'
> Aengus Kelly, AerCap CEO

100 per cent on quality and safety metrics. Financial metrics are completely secondary to the future of the company at this point".

His comments come as Boeing seeks to contain the fallout from the damaging fuselage breach on a 737 Max 9 aircraft operated by Alaska Airlines 12 days ago.

The US Federal Aviation Administration has grounded 171 of the Max 9 aircraft while investigations continue into what went wrong, but the incident has already raised questions over Boeing's quality controls.

It also refocused scrutiny on the 737 Max, Boeing's most popular plane, whose smaller model, the Max 8, was involved in two fatal crashes in 2018 and 2019.

Kelly stressed that he thought Boeing was a "tremendous" company with "tremendous" people and that it was premature to speculate on what went wrong. He threw his weight behind the Max aircraft, adding that AerCap was continuing to buy it.

However, he said of the Max aircraft: "That product is the backbone of Boeing, so everything must be done in the near to medium term to ensure the quality of the product. [They] cannot afford another slip-up . . . If there were another issue with the product line, it would be a very hard sell for customers to take incremental aircraft."

Boeing declined to comment.

After the Max 8 crashes, Boeing faced criticism that the US company's shift in priorities from engineering to financial performance had affected its focus on quality control and safety.

The company has repeatedly stressed its commitment to safety over the years.

AerCap owns 53 Max aircraft, including a handful of Max 9s, all of which are on lease to airlines. It has ordered another 124 Maxes. The company owns more than 1,400 passenger aircraft with a range of Boeing and Airbus models.

Boeing's customers have been watching closely to see whether the Alaska incident could have wider repercussions for the Max family of jets.

Michael O'Leary, Ryanair boss and one of the biggest buyers of the aircraft, said on Tuesday that the airline had doubled the number of its engineers overseeing Boeing's production lines.

Boeing has since announced that it will open its factories to airline customers, and on Tuesday named Kirkland H. Donald, a retired US Navy admiral, to lead a third-party review of its quality management systems.

The FAA on Wednesday said inspections of an initial group of 40 of the 171 grounded Max 9 planes had been completed.

The agency had said last Friday that 40 needed to be reinspected and that it would then review the results before determining if it was safe to allow the Max 9s to resume flying.

Stepping aside Sandberg set to leave board of Facebook parent Meta but remain as adviser

Sheryl Sandberg was one of Facebook's early executives, helping it become a global success — David Paul Morris/Bloomberg

TABBY KINDER — SAN FRANCISCO

Sheryl Sandberg, the former chief operating officer of Meta, has said she will stand down from the Facebook and Instagram parent's board of directors in May after 12 years.

Announcing the departure in a Facebook post, Sandberg wrote: "After I left my role as COO, I remained on the board to help ensure a successful transition." The Meta business was "strong and well-positioned for the future, so this feels like the right time to step away", she added.

Although she would not stand for re-election to Meta's board in May, Sandberg said she would remain as an adviser. In a comment on the Facebook post, Mark Zuckerberg, chief executive of Meta, which was founded as Facebook in 2004, thanked Sandberg for "the extraordinary contributions you have made to our company and community over the years".

Sandberg stepped down as chief operating officer of Meta in June 2022 after 14 years with the company, in a shock departure that cost Zuckerberg one of his closest lieutenants.

Sandberg, 54, was one of Facebook's early executives, helping it to grow from a start-up with no revenue into a digital advertising behemoth. She became one of the most prominent women in Silicon Valley and positioned herself as an advocate for women in the workplace, writing the feminist call to arms *Lean In*.

But she was a polarising figure due to her role in building Facebook's ads empire and for various controversies during her tenure, including comments she made minimising the notion that the platform played a role in the events leading to the January 6 2021 storming of the US Capitol by a mob of Donald Trump's supporters.

Her departure came at a difficult time for the company, shortly after it faced multiple scandals, including the Cambridge Analytica data privacy controversy and Russian disinformation campaigns surrounding the 2016 US election.

The share price had also declined because of increasing competition and a slowdown in growth. Zuckerberg had changed the company's name to Meta less than a year earlier as part of a multibillion-dollar pivot to focus on the "metaverse", a bet that has since been widely criticised.

Sandberg, a committed Democrat, stirred speculation about a possible entry into politics when she left Meta. Since then, she has fought abortion bans, including making a $3mn contribution to the American Civil Liberties Union, and campaigned alongside Israeli officials against sexual violence in the war with Hamas. She has also spent time on philanthropy including her leadership programme called Lean In Girls.

German car parts groups cut jobs as EV costs mount

PATRICIA NILSSON — FRANKFURT

A fresh wave of job cuts is sweeping across Germany's car suppliers, with companies including Bosch and ZF Friedrichshafen racing to reduce costs as they struggle with an expensive transition to battery-run vehicles.

Bosch, the world's largest automotive supplier, yesterday said up to 1,200 employees in its software and electronics division would be let go by the end of 2026, citing high inflation and increased raw material and energy costs.

These trends were "increasing the necessary expenditure" and slowing the transition towards electric vehicles, the company said. Nearly 80 per cent of the expected job cuts are in Germany.

Bosch's announcement comes amid rising tensions between ZF's management and its employee representatives, as the maker of transmissions, chassis components and shock absorption systems considers job cuts by 2030 as part of a restructuring programme.

ZF, which employs about 165,000 people globally, said 12,000 jobs could be lost in a "worst-case scenario". About 3,000 ZF employees on Wednesday pro-

> 'We want to maintain jobs, but we know that the transformation to e-mobility will cost jobs'

tested against the cuts in Friedrichshafen, south Germany, where the company has its headquarters.

"We want to maintain jobs, but we know that the transformation to e-mobility alone will cost jobs," ZF said, adding that some EV components required half the labour to make compared with the combustion engine equivalent.

The transition to EVs has required large investments by Germany's network of automotive suppliers. But the companies are seeing margins hit as the slow uptake of battery-run vehicles has dragged out the transition phase while overall car sales remain historically low.

ZF is in a particularly difficult position, as acquisitions of tech-focused rivals TRW in 2015 and Wabco in 2020 have left it with high debt levels.

Bosch and ZF now face long negotiations with labour representatives who sit on companies' supervisory boards and whose support is required to move ahead with restructuring plans.

Music streaming payments structure looks set for a shake-up

INSIDE BUSINESS
MEDIA
Anna Nicolaou

The music industry, for all its quirks and eccentric personalities, has done some growing up in recent years. Its largest companies have listed on public stock exchanges. The world's biggest institutional investors have gone into business with music executives, with mixed results.

But the way that money flows in the music business remains opaque. Spotify and other streaming services pay "the industry" billions of dollars a year in royalties. But where that money ends up is largely kept a secret, because it boils down to individual contracts between record labels, musicians, managers and other stakeholders. In this context, a hefty new data set from Luminate, the group that tabulates the all-powerful Billboard charts, is instructive for clues about the money behind the music.

Luminate offers some fun statistics about Taylor Swift's singular dominance of the industry. Swift accounted for one in every 78 streams in the US last year. Her music sales amount to that of a decent-sized record label, taking up nearly 2 per cent of the album consumption of the entire business. (Americans spent more time last year listening to Swift than the entire genres of classical or jazz.) It is little wonder, then, that the towering figures of the business, such as Universal Music's Lucian Grainge, have made it a key priority this year to monetise "superfans" of the biggest stars.

Perhaps the most staggering revelation, though, is how little time people spend listening to the vast majority of songs available on Spotify. In fact, much of the catalogue is barely listened to at all. Out of the 184mn total audio tracks available, more than 150mn songs received only 1,000 streams or fewer in 2023, according to Luminate. Some 80mn songs received 10 streams or fewer. And within that group, more than half — some 46mn songs — received zero streams.

This matters because the industry's largest companies are in the midst of a campaign to remake the way money flows in streaming. Led by Grainge, such services are being pressured to get rid of what he has described as "merchants of garbage" — clutter that has populated the platforms. It is the first major move to reconstruct the music streaming model that has been in place for more than a decade.

> One of the more controversial elements of the new model is to stop paying for songs that are not streamed much

One of the more controversial elements of the new model is "demonetising" — in other words, stop paying — for songs that are not streamed much. Spotify in November appeared to fall in line with Grainge's wishes. The company confirmed that it would stop paying royalties on songs that received fewer than 1,000 streams a year. The move quickly incited blowback. Amelia Fletcher, a competition professor and independent musician, slammed the changes as discriminatory and exploitative.

It's important to note that Spotify, which is in the midst of a radical cost-cutting drive, won't actually save any money from these changes. The group pays a percentage of its sales out to the music rightsholders, which is then divided between artists based on their share of total listening. These changes are about how much money each artist gets from within that fixed pot.

The financial consequences will be more significant for the major labels, which will expect a windfall with more money going to a select group of blue-chip musicians. This comes after Universal Music in October warned it would be introducing a "cost savings program" in 2024. Lay-offs are set to begin in the next few weeks, with a couple of hundred jobs expected to be cut globally, according to people familiar with the matter.

In a company of more than 10,000 staff, it's not a particularly dramatic culling. But it is symbolic for an industry that had experienced a roaring comeback in recent years, posting double-digit revenue growth. That music-streaming boom is now slowing.

Spotify estimates these changes will re-divert $1bn in royalties back towards the "emerging and professional" artists over the next five years. But my hunch is that this has less to do with Spotify, and is more about Big Music trying to get ahead of an AI future. It will not want to repeat the mistakes made during the Napster era.

If tools to create AI-generated songs take off among fans and regular people, there could easily be a future in which thousands of tracks by an AI copy of Drake are added to Spotify, receive four streams and are instantly forgotten about. With these rules already in place, the music industry has preemptively removed such tracks from the financial equation.

anna.nicolaou@ft.com

Legal Notices

THE HIGH COURT
Record No: H.COS.2024.0000010
IN THE MATTER OF PFS CARD SERVICES (IRELAND) LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 2014

TAKE NOTICE that on the 17th day of January 2024, a Petition, pursuant to the Companies Act 2014 for the winding up by the High Court of PFS Card Services (Ireland) Limited (the "**Company**"), was presented to the Central Office of the High Court by the Company. The said Petition is directed to be heard at 11.00am or as soon thereafter on the 13th day of February 2024 at the Four Courts, Inns, Quay Dublin 7, to the intent that the matter be taken up on that date or on such other date that the Court may fix. Any creditor or contributory of the Company who wishes to support or oppose the making of an Order on the Petition may appear at the time of the hearing by himself or his counsel for that purpose and a copy of the Petition will be furnished to any creditor or contributory of the Company.

FURTHER TAKE NOTICE that by Order of the High Court dated the 17th day of January 2024, Messrs Kiernan Wallace and Andrew O'Leary of Interpath Advisory, 6 Fitzwilliam Square East, Dublin 2, were appointed as the Joint Provisional Liquidators of the above Company in accordance with the Companies Act 2014 and by way of main proceedings in accordance with Article 3(1) of the Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings.

Arthur Cox LLP
Solicitors for the Petitioner
10 Earlsfort Terrace
Dublin 2
Ireland

NOTE: Any person who intends to appear at the hearing of the Petition must give notice in writing to the Petitioner's Solicitors and serve any affidavit upon which they wish to rely, by email to john.donald@arthurcox.com by no later than 5pm on the 7th day of February 2024. The notice must state the name and address of the person or the firm and must be signed by the person or firm or their solicitors (if any).

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION
CAUSE NO: FSD 1 OF 2024 (JAJ)
IN THE MATTER OF THE COMPANIES ACT (2023 REVISION)
AND IN THE MATTER OF LUMIRADX LTD.

TAKE NOTICE that a petition for an order that LumiraDx Ltd. whose registered office is situated at c/o Ocorian Trust (Cayman) Limited, P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands (the "**Company**") be put into liquidation and wound up in accordance with the provisions of the Companies Act has been presented to the Grand Court of the Cayman Islands (the "**Petition**").

The Petition was presented by BPCR Limited Partnership, acting by its General Partner, BPCR GP Limited, whose registered office is at Link Group, Company Matters Ltd., 6th Floor, 65 Gresham Street, London EC2V 7NQ, United Kingdom and BioPharma Credit Investments V (Master) LP, acting by its General Partner, BioPharma Credit Investments V GP LLC, whose registered office is at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands (together, the "**Petitioners**"). Copies of the Petition and supporting affidavits may be obtained free of charge from the Petitioners' attorneys Walkers (Cayman) LLP of 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands.

The Petition seeks an order that Margot MacInnis and Sandipan Bhowmik of Grant Thornton Specialist Services (Cayman) Limited, 2nd Floor, Century Yard, Cricket Square, Grand Cayman KY1-1102, Cayman Islands be appointed as joint official liquidators of the Company.

AND FURTHER TAKE NOTICE that the hearing of the Petition will take place on 1 February 2024 at the Law Courts, George Town, Grand Cayman at 10.00 am. Any creditor or shareholder of the Company may be heard on the questions whether or not a winding up order should be made and, if a winding up order is made, who should be appointed as official liquidator(s) of the Company. Any creditor or shareholder who opposes the appointment of Margot MacInnis and Sandipan Bhowmik of Grant Thornton Specialist Services (Cayman) Limited, 2nd Floor, Century Yard, Cricket Square, Grand Cayman KY1-1102, Cayman Islands must nominate an alternative qualified insolvency practitioner(s) who consents to act and has sworn an affidavit complying with the requirements of the Companies Winding Up Rules, Order 3, rule 4.

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Shipping

Maersk unveils Hapag-Lloyd tie-up

Operational collaboration comes as groups grapple with Red Sea disruption

ROBERT WRIGHT

Two of the biggest container shipping lines have announced a partnership in a reshaping of the industry's commercial relationships.

Denmark's Maersk and Germany's Hapag-Lloyd have announced they will establish a "new long-term operational collaboration" from February 2025.

Container shipping alliances offer customers a wider range of destinations and services because lines share space on each other's ships. Maersk, the operator of the second-biggest container ship fleet, said last year that from January 2025 it would end its 2M alliance with Mediterranean Shipping Company, the biggest container line. Hapag-Lloyd, which runs the fifth-biggest fleet, will leave the THE Alliance, of which it is the largest member.

News of the "Gemini Cooperation" comes as container lines grapple with disruption from terror attacks in the Red Sea that have forced them to divert nearly all services travelling though the Suez Canal to longer routes via the Cape of Good Hope.

Services between Asia and Europe have been most affected, although shipping between Asia and the US east coast via Suez has also been hit.

Simon Heaney, senior manager in container research at Drewry Shipping Consultants, said: "Alliances . . . allow operators to get more efficiency from their networks. From a shipper perspective, you get more competition between any two given ports."

The announcement on Wednesday took the industry by surprise because Maersk, which controls 14.6 per cent of container ship capacity, had been expected to operate without alliance partners after January 2025. Maersk is part of Denmark's AP Møller-Maersk.

Hapag-Lloyd's departure from the THE Alliance put the remaining alliance members — Japan's Ocean Network Express, Taiwan's Yang Ming, and South Korea's HMM — "under the spotlight", Heaney said.

Hapag-Lloyd operated 6.9 per cent of global container ship capacity, according to figures from Alphaliner, an information service. The remaining THE Alliance members accounted for 11.6 per cent of the fleet.

"What are they going to do?" Heaney asked. "They don't have the scale to continue as they were."

The other big alliance — the Ocean Alliance — between France's CMA CGM, China's Cosco and Taiwan's Evergreen — controls 29.3 per cent of the fleet.

Another industry veteran agreed the deal was likely to force changes in other alliances.

Ocean Network Express said it had been "aware" of the possibilities of changing partnerships and would continue to provide a "broad, high-quality service network" beyond 2025.

The Gemini Cooperation will cover seven trade routes, including Asia to the US west coast, Asia to the US east coast, and Asia to northern Europe.

Johan Sigsgaard, Maersk chief product officer, said both groups expected the Suez Canal to be back in normal use by February 2025, when the arrangement came into force. But "if that's not the case, we'll need to look at the alternative".

Industrial goods. Electronic waste

Fraud rattles recycling and metals industry

Germany's Aurubis suspects collusion between workers and suppliers has cost it millions

PATRICIA NILSSON — LÜNEN
HARRY DEMPSEY — LONDON

Tobias Kuhm was searching through a pile of discarded circuit boards taller than himself at a German recycling plant when he pulled out a large military-green plate with golden pins and big microchips — a bonanza of precious metals.

"But in the same delivery, you will have boards like these," said Kuhm, picking up something similar likely to have less precious metal. The head of supply chain management at the Aurubis plant in Lünen added that this was a "challenge", pointing to the difficult process of estimating how much gold, silver and palladium the whole shipment might contain.

Electronic waste, such as old laptops, phones and smart devices, is a fast-growing sector, according to Aurubis, one of the world's largest recycling companies, and the World Health Organization.

But unlike copper, which makes up most of the 1mn tonnes of material processed annually by Aurubis, the value of e-scrap cannot be visually estimated and requires lengthy sampling in a lab — an operation suspected of having been exploited by organised criminals.

In September, Aurubis reported a €185mn shortfall of metals in its inventories, revised to €169mn in December, due to suspected collusion between suppliers and employees, while in June it was raided by police over missing goods worth more than €20mn.

The suspected thefts sent shockwaves through the global metals industry following a host of other scandals, with two separate nickel frauds that have affected commodity trader Trafigura and warehouse operator Access World.

At Aurubis, tensions have remained high as a police investigation into the frauds is forcing the company to continue operating as before, without disclosing internally or externally who the suspected employees or suppliers are.

"It's a nightmare," said one person with insight into executive-level discussions, adding that the suspected involvement of organised criminals was making it difficult to get those with knowledge of what has happened to talk. "You don't mess with organised crime . . . that guy out there knows where you live, knows your family and knows when you walk your dog."

Electronic waste, such as old laptops, phones and smart devices, is a fast-growing sector, according to Aurubis — Carsten Behler/FT

Aurubis insists its finances are strong enough to absorb the blows, despite a big hit to profits and a tumbling share price. The company reported a 34 per cent fall in pre-tax profits to €349mn in December, while shares have dropped 35 per cent since February last year.

But with the findings of an investigation into the performance of chief executive Roland Haring and three other board members in relation to the scandal expected in the coming days, divisions have emerged on the company's supervisory board, which oversees the executive board and appoints its members.

One camp is critical of the chief executive and other board-level executives for failing to identify the frauds, while others believe Haring has done the best he could when faced with organised crime.

Kunal Sinha, head of recycling at Glencore, one of the largest e-waste recyclers in the world, admitted the industry was "notorious for having an informal market" and e-scrap and other materials with high levels of precious metals might pass through many hands before landing in the yards of the large recycling companies.

Discarded electronic devices, for example, are usually first collected by local authorities or manufacturers, which then pass them on to companies that do the dismantling and so-called pre-processing, where materials are chopped down into fractions.

"You would have to have a meaningful volume [of scrap] before it would get to us — so our suppliers would be further up in the value chain," said Aurubis' chief operating officer of its multi-metal business Inge Hofkens.

"What we're facing [with suppliers and employees colluding on fraud] doesn't mean by default that it should harm the entire industry," she added.

However, the supply of waste with high proportions of precious metals is expected to rise, according to the Sustainable Cycles Programme, which is part of the United Nations Institute for Training and Research (Unitar).

'You don't mess with organised crime . . . that guy out there knows where you live and when you walk your dog'

According to UN data published in 2020, less than a fifth of the 53mn tonnes of electronics that people worldwide annually discard — equivalent to the weight of 440 average-sized cruise ships — reaches recycling companies, with the rest cluttering people's drawers, ending up in landfill or being sold on through hidden channels.

Sinha argued that there is "so much headroom" for countries such as the US, Canada, India and Brazil to implement legislation to raise their global e-waste collection rates that currently range from close to zero to 15 per cent, according to the Global E-waste Statistics Partnership.

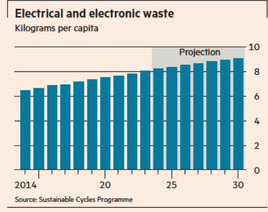
As collection rates rise, there is a danger that interest in the sector from fraudsters and criminals will increase too.

Tess Pozzi, head of public affairs at the French recycler Derichebourg Environnement, said criminal activity in the recycling space used to be more closely watched by law enforcement.

But police were increasingly focused on gang activities related to trade in medicines and animals rather than e-scrap, added Pozzi, who is also chair of the e-waste branch of Euric, the European recycling trade body.

"The recyclers are still victims of theft," she said. "The quantity is really underestimated."

Electrical and electronic waste
Kilograms per capita



Source: Sustainable Cycles Programme

Banks

Valuation gap of Morgan Stanley and Goldman at three-year low

JOSHUA FRANKLIN — NEW YORK

The perennial rivalry between Morgan Stanley and Goldman Sachs is intensifying in the eyes of investors, as the investment banks' stock market values converge to their narrowest gap in more than three years.

The shrinking difference in market capitalisation comes after Morgan Stanley warned this week that its flagship wealth management business — which helped make it a Wall Street darling — would fall short of profitability targets in the near future.

The share moves underscore challenges facing new Morgan Stanley chief executive Ted Pick as he seeks to chart new growth. At Goldman, CEO David Solomon spent much of last year redefining his strategy for the bank and coping with internal criticism.

Morgan Stanley's market cap at the market close on Wednesday stood at $138.5bn, down from a high of about $192bn set in 2022, according to data from Bloomberg. Goldman's market cap was $127.4bn, leaving the difference between the two at about $11bn, the lowest since September 2020 and well off the peak gap of about $60bn in 2022.

Morgan Stanley's price-to-book ratio, another of the measures Wall Street uses to keep score, is still 1.5 times, while Goldman trades at slightly more than 1 times. Goldman and Morgan Stanley declined to comment.

'Ted Pick probably lowered the bar a little bit, near term, on the wealth management business'

The market caps of the two US banks started to diverge in 2020, the year in which Morgan Stanley announced a pair of deals that crystallised for investors then chief executive James Gorman's strategy to expand into asset and wealth management. The purchases were online trading platform ETrade and money manager Eaton Vance.

The expansion into more predictable businesses helped Morgan Stanley's value leapfrog that of Goldman, which is still more reliant on volatile investment banking and trading revenues.

But Morgan Stanley has come under pressure with US interest rates at 23-year highs, as more of its wealth management clients are able to earn attractive returns by leaving their money in cash and more liquid products from which the bank earns lower fees.

Pick, who took over from Gorman in January, spooked some investors by warning during a fourth-quarter earnings call on Tuesday that Morgan Stanley's pre-tax profit margins from wealth management would "consolidate in the mid-20s range over the near term", short of a 30 per cent target.

"Ted Pick probably lowered the bar a little bit, near term, on the wealth management business," said David Konrad, an analyst at Keefe, Bruyette & Woods. "Ultimately, I think they'll get there," he said of the 30 per cent target.

In a note to clients on Tuesday, Konrad downgraded Morgan Stanley's stock to "market perform".

Some investors have also seen Goldman as a prime candidate to benefit from a potential rebound in investment banking.

Additional reporting by Brooke Masters in New York

Technology

Boost for Intel in €1bn Brussels penalty fight

ANDY BOUNDS — BRUSSELS

Intel has been handed a lifeline in its fight to avoid a €1bn fine from the European Commission after an adviser to Europe's top court found fault in the case made by antitrust regulators.

Laila Medina, an advocate-general for the European Court of Justice, said the commission had miscalculated the damage to competitors arising from the US chipmaker's practice of offering rebates to customers.

Her findings follow an appeal from the commission over a 2022 decision from the European Court of Justice to quash a €1.06bn fine on Intel as part of a long-running case against the Silicon Valley company.

Medina said the problem lay in the commission's "as-efficient competitor" test, which is intended to establish whether the company was offering unfair pricing compared with rivals with comparable costs.

Miranda Cole, partner at Norton Rose Fulbright law firm in Brussels, said the opinion could have implications for the application of the widely used AEC test in the future.

"This case is being closely watched, given its potentially broad impact on pricing practices — rebates and beyond," Cole said.

"While AG Medina's opinion today is not the end of this matter, it will add to the ongoing debate about the appropriate test for identifying abusive rebates, and the commission's discretion to not apply the AEC test."

Intel said it was "pleased" with the opinion.

The ECJ usually follows the advocate-general's recommendations, which are non-binding but often influence a final judgment.

The original EU fine dates back to 2009, after the commission concluded that Intel had abused its position by giving hidden rebates to computer makers on condition that they bought all, or almost all, their chips from it.

Intel had also paid manufacturers to halt or delay the launch of products with competitors' chips and limited their routes to market, a practice known as "naked restrictions".

The court judgment in 2022 upheld this part of the commission's case and, in September, Brussels reimposed a €376mn fine, which Intel is appealing against.

Intel is nevertheless investing heavily in the EU. It has pledged €30bn to boost chip manufacturing there. Along with a factory in Germany, attracting about €10bn in subsidies, there are manufacturing and research facilities in France, Ireland, Italy, Poland, Belgium and Spain. The decade-long investment plan could eventually cost €80bn, subject to demand and subsidies availability.

The commission declined to comment on a continuing case. Intel has yet to respond to a request for comment.

Technology

Apple Watch sales ban can resume, court rules

MICHAEL ACTON — SAN FRANCISCO

A US appeals court has allowed a sales ban on Apple's Watch Series 9 and Ultra 2 to resume, the latest setback in the technology group's dispute with health technology company Masimo over patents for its blood oxygen tracking feature.

The decision on Wednesday by the US Court of Appeals for the Federal Circuit will remain in place while Apple pursues its appeal against a decision from a trade panel that blocked the products that Masimo has challenged from being sold in the US.

It casts further uncertainty over when sales of the two products — which were released in September — can resume, even as Apple faces concerns over the strength of its hardware sales.

At the core of the patent dispute with Masimo is a technology called pulse oximetry, which measures blood oxygen levels by shining light into the wrist. California-based Masimo has also accused Apple of misappropriation of trade secrets, partly through hiring its employees, in separate litigation against the company. A mistrial was declared in that case in May.

The International Trade Commission confirmed in October that Apple was violating Masimo's patents with the latest versions of its Watch and issued a limited exclusion order, prompting the company to pull the devices from its online and physical stores in the US before Christmas.

The US group is locked in a patent dispute with Masimo over its watch

The White House, which has the power to veto such bans from the ITC, opted not to intervene by a December 25 deadline. After the brief pause, Apple resumed US sales late last year when the appeals court granted its request to temporarily lift the ban.

On Wednesday, the same court opted to lift that stay pending the outcome of Apple's appeal of the ITC's order. It said it considered factors, including the risk of harm to both sides and the public interest. It emphasised, it had not reached a conclusion on the merits of Apple's appeal. Masimo and the ITC opposed any extension to the stay.

The court said that the temporary stay would be lifted at 5pm Eastern Time yesterday. Masimo did not respond to a request for comment.

Meanwhile, Apple has asked US Customs and Border Protection to approve redesigns of its Watch.

Multi-manager ‘investor fatigue’ forces Jain to lower ambitious $8bn-$10bn hedge fund aim

Expensive war for talent and high returns elsewhere persuade the Credit Suisse and Millennium veteran to recalibrate

COSTAS MOURSELAS AND HARRIET AGNEW — LONDON
ORTENCA ALIAJ — NEW YORK

Bobby Jain’s new hedge fund is falling short of its original $8bn-$10bn fundraising target, thwarting his ambition for the industry’s largest debut.

The Credit Suisse veteran and former co-chief investment officer of Millennium Management has told potential clients he is now aiming to launch Jain Global in July with $5bn-$6bn of assets, according to investors.

The smaller target comes as performance among so-called multi-manager hedge funds slows and as cracks start to appear in the model pioneered by Izzy Englander’s Millennium and Ken Griffin’s Citadel.

“Bobby let the expectation get set at too high a level,” said one big investor. “Now he has to reel it back.”

Running a multi-manager platform is a fiendishly complicated juggling act that requires market-leading IT systems, sophisticated risk management and the allocation of capital across dozens of portfolio managers trading different strategies.

Jain has sweetened the terms for investors who sign up fast, cutting performance fees for those willing to commit by the end of this month.

Those who invest $250mn or more will pay a performance fee of only 10 per cent indefinitely, said people familiar with the situation — half the industry standard. Accounts of $100mn-$250mn will pay a 13 per cent performance fee, while those investing less than $100mn will pay 15 per cent.

Since Jain started the firm last July he has faced a delicate balancing act in generating enough buzz around the launch to entice clients and hire portfolio managers without setting expectations at a level he is unable to meet.

“With a launch like this, it’s a race between hiring the people and raising the capital,” said another big investor. “The people want to know the capital has been raised and the investors want to know who the people are.”

Jain, who left Millennium in June last year, began fundraising for his new firm last September but was hamstrung by an agreement with his former employer not to solicit any of its clients until this year, according to several people familiar with the situation.

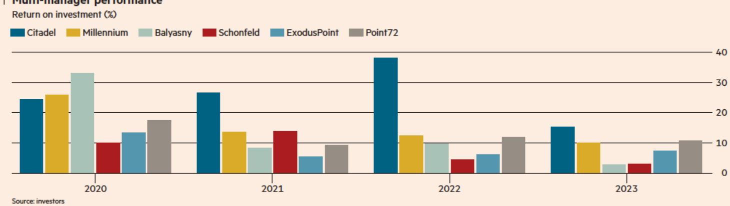
Multi-managers seek to make money regardless of overall market performance and their record of strong risk-adjusted returns has made theirs the most popular strategy among investors in the $4tn global hedge fund industry.

Assets at multi-manager firms increased 150 per cent between 2018 and 2022, according to Goldman Sachs, against 13 per cent growth for the rest of the hedge fund industry. Last year, Citadel was up more than 15 per cent, outperforming peers that recorded annual returns of between 3 per cent and 10 per cent, according to investors.

But an expensive war for talent is eating into returns, and their “pass through” charging model — where investors pay all the fund’s costs instead of a management fee — is drawing greater scrutiny from clients.

Meanwhile, successive interest rate rises have lifted the risk-free return available elsewhere to investors, putting greater pressure on hedge funds to justify their positions in client portfolios.

Bobby Jain has sweetened the terms for investors who sign up fast at Jain Global, cutting performance fees for those willing to commit by the end of this month — Patrick T. Fallon/Bloomberg



Source: investors

All of this has contributed to a level of “investor fatigue” towards the multi-manager sector, said one person close to Jain Global.

Jain, 53, began his career at Chicago trading firm O’Connor and Associates before joining Credit Suisse in 1996, where he worked his way up to global head of asset management. In 2016, he left for New York-based Millennium, as part of Englander’s push to make the business more institutional.

At Millennium, where he was co-chief investment officer with Englander, Jain helped refine the firm’s risk management approach. It carefully monitors its more than 320 investment teams, forcing managers to cut positions that are going sour and allocating more money to those who are doing well.

Jain had been regarded internally and externally as a potential successor to Englander, although this has been disputed by some in the Millennium camp. Jain left abruptly in 2022 after it became clear to him that his career there had reached a ceiling.

Details around the launch of Jain Global have been trickling out since. Hedge fund debuts have been few and far between in the past few years as potential founders have opted to join established platforms rather than take on the cost and risk of setting up a business themselves.

“Putting together a large number of high-quality teams and executing flawlessly on day one is going to be a real challenge . . . kind of like the Moon landing,” said one investor that is a large allocator to hedge funds.

Citadel and Millennium, each of which runs about $60bn in assets, employ roughly 2,500 and 5,500 people respectively and invest tens of millions of dollars a year in technology and data analytics.

> ‘Bobby let the expectation get set at too high a level. Now he has to reel it back’

The fortunes of ExodusPoint, whose founder Michael Gelband is another Millennium alumnus, illustrate the challenges for new entrants. Its $8bn debut in 2018 remains the largest hedge fund launch but, despite the initial fanfare, the firm’s returns have been underwhelming, according to some investors; it was up 7.3 per cent last year, said people familiar with its performance.

Meanwhile, Canadian alternatives giant Brookfield Corporation last year closed its multi-strategy hedge fund Brookfield Hedge Solutions Advisors after four years, reflecting challenges scaling the $1.3bn business.

Even established players such as Schonfeld Strategic Advisors have struggled to keep up in recent years. Millennium and Schonfeld held talks last year about a tie-up but were unable to agree on a deal.

People close to Jain say there is still room for a new entrant that can attract portfolio managers interested in joining a smaller start-up business, with greater opportunities for subsequent management responsibilities and shared rewards if the business does well.

In his favour is his charisma, experience and network. However, he is launching during a costly bidding war for portfolio managers in which signing bonuses and performance fees have climbed to their highest levels.

“There has been a war for talent for some time. There will be vast swaths of the talent market who won’t be accessible to him,” the allocator said.

In recent years, incumbent firms such as Citadel, Millennium and Balyasny Asset Management have moved to lock up investors’ capital for years, in part because a stable business is a draw for talent.

Jain, however, is offering investors the opportunity to fully redeem their investments within two years. While longer than most other hedge funds, it is shorter than some multi-manager hedge funds, including Millennium, which has moved to five years.

Redemptions create problems if too many investors pull their cash out at the same time because the cost of running the hedge fund has to be borne by a smaller number of investors. One established rival questioned whether seasoned portfolio managers would leave their existing employers to join a firm whose longevity was not guaranteed.

Jain has tried to entice potential employees, dangling a future allocation of capital from Jain Global to portfolio managers who may want to spin out with their own hedge funds later. He has made several big hires as he sets out to build a team of 35-40 portfolio managers in offices in New York, London, Singapore and Hong Kong.

Jain Global’s chief investment officer for fundamental equities in the Americas will be Townie Wells, a former portfolio manager at Citadel, who is joining in October. Sam Kellie-Smith, who was chair of global markets at Morgan Stanley, will lead the Asia team while Paul Enright, who managed his own money for six years after 12 years at hedge fund Viking Global, will be chair of fundamental equities.

Automobiles

China’s BYD to build EV plant in Indonesia

A. ANANTHA LAKSHMI — HONG KONG
PETER CAMPBELL — LONDON
EDWARD WHITE — SHANGHAI

BYD is to invest $1.3bn in an electric vehicle factory in Indonesia, after the Chinese carmaker unveiled three new battery models for sale with the aim of becoming Indonesia’s biggest EV brand.

The site would be the sixth plant outside China planned by the Warren Buffett-backed group, following projects in Brazil, Hungary, Mexico, Thailand and Uzbekistan, as it expands its manufacturing footprint closer to overseas markets.

BYD, which overtook Tesla in EV sales last quarter, is also looking in Mexico for a factory location that could serve the US market, despite rising trade barriers.

At an event in East Jakarta to launch the three new models, the Indonesian government’s co-ordinating minister of economic affairs, Airlangga Hartarto, said the carmaker would invest $1.3bn to build a plant with a capacity of 150,000 vehicles.

BYD’s Indonesia chief Eagle Zhao did not comment on the figures, but said the group would start construction of its facilities this year. “As part of our long-term commitment, we envision building an EV ecosystem and fostering development in Indonesia,” he added.

BYD wants to overtake the top-selling models in the Indonesian market last year, which included the Hyundai Ioniq 5, and the Air EV from China’s Wuling Motors.

Jakarta has been trying to convince global carmakers to set up manufacturing plants in the country as it aims to build an EV ecosystem on the back of its vast nickel reserves.

The south-east Asian nation is home to the world’s largest reserves of nickel, an integral part of batteries for electric vehicles. President Joko Widodo banned exports of nickel ore in 2020 in an effort to attract metal processors, battery manufacturers and carmakers to invest in Indonesia.

Chinese EV manufacturer BYD exported 243,000 cars last year

Following the export ban, billions of dollars have poured into the Indonesian nickel industry, particularly from Chinese mining groups.

BYD, which is also one of the world’s biggest EV battery makers, is aggressively expanding overseas at a time of rising protectionism in the west against products made in China.

China last year overtook Japan as the world’s largest exporter of cars, and BYD is among a clutch of Chinese EV and battery makers trying to build factories and secure access to mineral deposits closer to overseas consumers.

Of the 243,000 cars BYD exported to more than 50 countries last year, about half were sold in the Asia-Pacific region, followed by Europe, South America and Africa, according to Citigroup.

The company, over the long term, is targeting overseas sales of between 2mn and 3mn vehicles, excluding the US and European markets. This week, BYD’s first cargo ship to transport its own cars departed China for Europe and the company has plans to build six more vessels.

Technology

TSMC bullish as chip sector prospects improve

KATHRIN HILLE — TAIPEI

Taiwan Semiconductor Manufacturing Company forecast a return to strong growth this year, with revenues expected to grow up to 25 per cent as the chip market pulls out of a deep trough.

“We expect 2024 to be a healthy growth year for TSMC, supported by . . . robust [artificial intelligence] demand,” CC Wei, chief executive of the world’s largest contract chipmaker, told investors yesterday.

The company’s growth outlook is more than double its forecast for the overall semiconductor market, which Wei said was likely to see an increase of more than 10 per cent.

TSMC forecast that revenues in the current quarter would decrease by 6.2 per cent compared with the fourth quarter, to between $18bn and $18.8bn, in line with seasonal patterns. However, they were likely to rise each quarter after that, the company said.

In the three months to December 31, revenues from high-performance computing applications — which include generative AI — increased 17 per cent quarter on quarter, while smartphone chip revenues rose 27 per cent and sales from automotive applications were up 13 per cent.

The company’s capital expenditure is plateauing following a big expansion of cutting-edge capacity in Taiwan and construction of fabrication plants in the US and Japan.

“The rate of increase of our capital spending has begun to level off as we start to harvest growth,” said Wendell Huang, chief financial officer. Capital expenditure would be between $28bn and $32bn this year, or flat compared with 2023.

> ‘The rate of increase of our capital spending has begun to level off as we start to harvest growth’

The company reported a 19.3 per cent drop in net profit to NT$238.7bn ($7.6bn) for the fourth quarter compared with the same period a year earlier. The net earnings figure slightly exceeded the high end of TSMC’s guidance given three months ago.

Gross margins slid 9.2 percentage points compared with the fourth quarter of 2022 to 53 per cent, but TSMC said it was confident it could achieve an average gross margin above that in the long term.

With TSMC’s rivals Intel and Samsung pushing ahead with the next generation of chipmaking tech, called N2, management hit back at some observers’ questions over whether TSMC could keep its lead over competitors. It repeated its argument that Intel’s 18A technology, due to enter mass production this year, could not be compared with TSMC’s N2 but was similar to its N3P, a technology the Taiwanese company already has in volume production.

“The other side’s claim might be right but only for their own product,” TSMC chair Mark Liu said, pointing to Intel’s so-called integrated device manufacturer business model under which it manufactures semiconductors for its own products and for other chip companies that create designs but do not have their own fabrication capacity.

“IDM typically only optimises their technology for their own product, while foundry optimises for their customers,” Liu said.

Commodities. Defying downturn

Coloured gemstones shine in battle with lab-grown rivals

Green for go: wholesale buying prices for emeralds have risen 13% on average each year since 2020 as supply struggles to keep up with strong demand Edinson Arroyo/Bloomberg

Prices of rubies and emeralds hold up but man-made stones damp demand for diamonds

HARRY DEMPSEY — LONDON
CHAN HO-HIM — HONG KONG

Coloured gemstones are defying the downturn in price for diamonds as consumers look past cheaper man-made stones towards more personalised jewellery.

While the diamond sector fends off a flood of lab-grown equivalents and struggles with weak global luxury demand, the prices of other precious stones has held up on global markets.

Rings and necklaces studded with rubies, emeralds and sapphires are rising in value, helped by endorsements from social media influencers and celebrities such as Halle Berry and Kate Middleton, the Princess of Wales.

Mining and retail executives said consumer preference for unique and bespoke jewellery, as well as the growth in reliable, responsible supplies, were likely to keep demand high until at least the end of the decade.

"Consumer preferences have changed substantially," said Ankur Daga, founder of Angara, an online jewellery retailer. "Perfection has given way to individual, creative expression. The people that were looking at diamonds as an asset class are migrating to coloured gemstones."

No benchmark pricing exists for coloured gems because of the uniqueness of each stone.

However, Gemfields, the world's largest miner of coloured stones, has tripled production at its Kagem emerald mine in Zambia to more than 30mn carats a year since 2009 and revenue from that asset was eight times higher in 2023 at about $90mn.

In Gemfields's latest ruby auction — regarded as the world's most important sale — in Bangkok in December, sales rose marginally over last year to $69.5mn.

However, the average value per carat soared to $290 versus $154 a year ago.

Daga said wholesale buying prices for sapphires have gone up 12 per cent, emeralds 13 per cent and rubies 17 per cent on average each year since 2020 as supply struggles to keep up with red-hot demand.

"It's not just one thing why there has been such a shift to coloured gemstones," said Sean Gilbertson, chief executive of Gemfields, the world's largest miner of coloured stones. "It's fair to say coloured gems have bucked that trend [of falling commodity prices]. It's one of the few mineral resources that have increased in price dramatically."

The booming market contrasts with a marked downturn in the far larger market for diamonds as mined stones struggle in the face of competition from lab-grown alternatives.

De Beers, the world's largest diamond producer by value, sold $110mn of gems in its tenth and final sale of 2023, down from $417mn a year earlier, while India halted imports of rough diamonds for two months from October to protect its manufacturers from oversupply.

Sales of diamond rings in the US market have gradually dropped from 86 per cent of ring sales in 2020 to 82 per cent in 2023, said Edahn Golan, managing partner of Tenoris, a diamond analytics company, based on transaction data collected from retailers.

He said emeralds and sapphires had filled most of the gap.

Industry executives said natural gemstones' imperfections were likely to keep the market strong for the rest of the decade.

Dev Shetty, chief executive of Fura Gems, a private Dubai-based gemstone mining group, estimated that the coloured gemstone market will hit $5bn by 2030, up from $2bn in 2012.

The natural rough diamond market has stagnated at $15bn since then, he noted.

The depth of the diamond market downturn is, in part, because of its larger size. While some producers can try to constrict supply and manage stock levels, others keep producing large volumes.

The natural diamond market malaise has brought into question its ability to serve as a store of value and inflation hedge for investors as it also faces a long-term challenge of a ready supply of lab-grown alternatives.

"The lab-grown element for diamonds is a newer phenomenon that consumers and the industry are just starting to get their head around," said Kieron Hodgson, analyst at Panmure Gordon.

By contrast, coloured gemstones have faced the same threat from as far back as the 1890s when French chemist Auguste Verneuil created a synthetic ruby.

Some analysts argue that the shift back to coloured gemstones could mark the start of a rebalancing towards their centuries-long dominance of the global jewellery market — before De Beers's successful marketing campaigns reshaped the industry in the 20th century.

'Consumer preferences have changed. Perfection has given way to individual, creative expression'

But others saw hope that diamonds would also, in time, shrug off the lab-grown threat.

"Lab-grown gemstones are not something new," said Kent Wong, managing director of Chow Tai Fook, China's largest jewellery retailer.

"Only very few of those went into making jewellery. A lot more have been used for industrial functions . . . such as lab-grown sapphire crystal smartphone screens," he said, predicting diamonds would go the same way.

About 15 years ago, coloured gemstone supply came almost exclusively from informal mine sites that were often unsafe, tied to criminal activity and carried too many reputational risks for large jewellery brands. While that is changing, some risks remain.

The UK National Crime Agency in August charged Romy Andrianarisoa, the chief of staff to Madagascar's president, in August for attempting to solicit a bribe from Gemfields, which the company did not pay.

Her lawyer did not respond to a request for comment but Andrianarisoa has pleaded not guilty in London courts.

However, Shetty said the industry's biggest challenge was keeping up with demand as production is still only approximately 20-25 per cent of the 140mn to 150mn carats per year of diamonds.

"The gap of supply is so much between us and diamonds that there's a lot of catch-up to be done," Shetty added.

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Crypto

Firms pitch inverse bitcoin funds after approval of 11 spot ETFs

WILL SCHMITT — NEW YORK

US asset managers are vying to launch exchange traded funds with leveraged bitcoin exposure and expand into bitcoin-based options and other cryptocurrencies after last week's Securities and Exchange Commission approval of 11 spot bitcoin ETFs.

ProShares this week disclosed plans to launch five ETFs, including one that would offer twice the daily exposure to a bitcoin-tracking index and others to provide inverse bitcoin returns, paying out up to double any decline in an underlying index, according to filings with the SEC.

The extra leverage in the ETFs — which are not designed to be long-term investments — would amplify swings experienced by the already volatile bitcoin price.

ProShares, which declined to comment on the filings, is working in the newly unencumbered part of the market alongside firms such as Grayscale Investments, which last week filed to launch a product that will sell options on its $26bn bitcoin ETF.

So are asset managers including BlackRock, which is looking to widen its massive ETF line-up to include exposure to other cryptocurrencies — foreshadowing future clashes with wary regulators.

'These companies will do exactly what they did with bitcoin, which is go back and look for more clarity'

"I see value in having an ethereum ETF," BlackRock chief executive Larry Fink told CNBC last week.

Ethereum is a widely used blockchain with its own cryptocurrency (ether, or ETH, the second-largest token behind bitcoin). The SEC in October allowed a number of ether futures ETFs to launch.

Any such strategy will need to pass muster with the SEC, which approved spot bitcoin ETFs after years of reluctance and with serious reservations.

SEC chair Gary Gensler cautioned about the spot bitcoin ETF approvals that they did not "signal anything about the commission's views as to the status of other crypto assets under the federal securities laws or about the current state of non-compliance of certain crypto asset market participants with the federal securities laws".

Ether ETFs were likely to face "significant hurdles to overcome but, if the SEC denies it, I don't think that's the end of the story", Chris Brodersen, a managing director specialising in blockchain and digital assets at accounting firm EisnerAmper. "I think these companies will do exactly what they did with bitcoin, which is go back and look for more clarity if necessary or look to the courts for some relief and try again."

The SEC's loss in a legal battle with Grayscale last year is widely seen as a turning point away from nearly a decade of denial.

Fixed income

Pimco says Turkey on track for investment grade rating

MARY MCDOUGALL — LONDON
ADAM SAMSON — ANKARA

Pimco has been wading into Turkey's bond market, betting that President Recep Tayyip Erdoğan's commitment to a sweeping economic overhaul has set the country on a path to regaining its investment grade credit rating.

The California-based firm, one of the biggest bond fund managers, has been buying Turkey's lira-denominated debt since the second half of last year, prompted by Erdoğan's abrupt change of economic policy after his victory in May's general election.

"Interest rates have risen substantially, fiscal policy has tightened . . . policymakers continue to unwind unsustainable programmes, encouraging locals to invest back into the lira and away from US dollars . . . These efforts are working," said Pramol Dhawan, who heads the firm's emerging markets team.

The fund firm was "very constructive" on domestic Turkish assets, he said.

A return to investment grade status for Turkey would mark a turnaround from before the election when many economists were fretting about the risks that the country would face a balance of payments crisis or be forced to impose capital controls.

Such an upgrade could happen "within the next five years if everything goes to plan", said Dhawan.

Turkey holds a single B rating across the major agencies, five or six notches into junk status, having lost its investment grade designation in the wake of a 2016 failed coup attempt against Erdoğan.

Moody's Investors Service last Friday upgraded its outlook on Turkey to positive, suggesting that it could soon lift its B3 rating. It cited "signs that inflation dynamics are starting to turn, indicative of monetary policy regaining credibility and effectiveness".

Recep Tayyip Erdoğan has reversed many unorthodox economic policies

Investors' and analysts' more constructive outlook on Turkish assets has come as Erdoğan's new economic team, appointed in June, has reversed many of the unconventional monetary and fiscal policies that had sent foreign investors fleeing in recent years.

The central bank, led by former Goldman Sachs banker Hafize Gaye Erkan, has lifted its main interest rate to 42.5 per cent from 8.5 per cent last summer in an attempt to cool price growth, which peaked at an annual rate of more than 80 per cent in 2022.

Erkan's rate rises sparked a sell-off in Turkish government bonds, sending yields rising and heightening their allure for foreign fund managers.

Policymakers have also taken steps to rebuild Turkey's seriously depleted foreign currency war chest and have increased taxes to slow runaway domestic demand.

They have also eased up on a costly programme to defend the lira, which has tumbled almost 40 per cent in the past year to a record low of about TL30 against the US dollar.

"Turkey is likely to attract foreign capital once again, helping to stabilise the lira, which is a necessary precondition for bringing down inflation," Dhawan said.

There are early signs foreign investors are being tempted back after almost entirely abandoning the market in recent years.

Foreign fund managers have bought about $2bn in lira-denominated Turkish government bonds since the start of June, central bank data shows.

Still, many investors remain cautious on Turkey, pointing out that Erdoğan has in the past made numerous abrupt changes in economic policy and sacked central bank chiefs for increasing interest rates.

Local elections in March are seen as an important test of whether Turkey's leader, who has been in power for the past two decades, will be willing to stick to the more orthodox policy programme.

"Investors are closely monitoring Turkey's economic policy due to the recent high turnover of central bank governors," Dhawan said.

However, "currently the market is optimistic about Turkey's commitment to the adjustment process", he said.

Fixed income

Hedge fund Caxton suffers in choppy year for bond trading

COSTAS MOURSELAS
AND HARRIET AGNEW — LONDON

Caxton Associates, one of the oldest and best-known global macro hedge fund managers, lost money in its two main funds in 2023 during a turbulent year for bond markets, say two people who have seen the numbers.

The London-based firm, which is led by Andrew Law, lost 9.2 per cent in its Caxton Macro fund while its flagship Caxton Global Investments fund lost about 1 per cent. The macro fund takes more concentrated bets than the flagship.

Caxton did not immediately respond to a request for comment.

The macro fund was down as much as about 20 per cent last year following losses in the first half of the year but made back some ground in the remainder of 2023, investors said.

"At the start of the year, there was so much volatility in rates the fund got whipped around," said a person close to the firm.

Caxton was founded in 1983 by Bruce Kovner. Global macro funds trade moves in bonds, currencies, commodities and equities on the back of economic trends.

The performance figures punctuate a challenging year for macro hedge funds.

After a sharp sell-off in debt markets at the start of the year as central banks raised interest rates to fight inflation, bond prices rocketed as the collapse of Silicon Valley Bank sparked a flight to safety, taking many hedge funds by surprise.

Caxton's losses last year marked a change in fortunes after strong gains in 2022 when the macro fund was up roughly 35 per cent.

Brevan Howard, another prominent global macro manager, also had a tough year in 2023.

Its flagship fund was down 2.1 per cent while its Alpha Strategies fund was up 2.4 per cent, according to people who have seen the figures.

However, Rokos Capital Management, run by former Brevan Howard co-founder Chris Rokos, ended 2023 up 8.8 per cent.

BlueCrest Capital, the family office of billionaire trader Mike Platt, gained 20.3 per cent last year, according to people familiar with the performance.

The day in the markets

What you need to know

- **Global equities rebound on bullish outlook for chipmakers**
- **Philadelphia Semiconductor index surges close to all-time high**
- **Rate-sensitive two-year gilts pare some losses from previous session**

Global equity markets rebounded yesterday as investors set aside uncertainty over the outlook for interest rates to focus on stronger corporate earnings for chipmakers.

Wall Street's benchmark S&P 500 stood 0.2 per cent higher in early afternoon trading in New York while the tech-dominated Nasdaq Composite was up 0.8 per cent.

Chipmakers were among the top performers after TSMC, one of the industry's leading companies, forecast a return to strong growth in 2024.

The Taiwan group said there was robust demand for chips in high performance computing applications such as artificial intelligence and smartphones.

The Philadelphia Semiconductor index rose 3.1 per cent, drawing close to an all-time high.

The region-wide Stoxx Europe 600 gained 0.6 per cent, pulled higher by a strong performance from chipmakers and consumer cyclicals.

Paris's luxury-heavy CAC 40 firmed 1.1 per cent amid strong gains from index heavyweights LVMH and Kering.

TSMC's bullish forecasts helped Asian stocks rebound from early losses. China's CSI 300 of Shanghai and Shenzhen stocks rose 1.4 per cent higher and Hong Kong's Hang Seng gained 0.8 per cent.

The moves offset US economic data which — along with stern words from top central bankers — dented traders' optimism that interest rates will fall sharply this year.

Fresh data showed that there were 187,000 initial jobless claims last week, the lowest figure since September 2022.

Markets have started 2024 "as wildly optimistic — and wildly wrong — about rates" as they did 2023, said Michael Every, global strategist at Rabobank, referring to investors' misplaced bets a year ago that rising borrowing costs would push the US into recession.

Traders also continued to adjust their expectations for interest rate cuts on both sides of the Atlantic after cautious comments on inflation from policymakers this week.

Rate-sensitive two-year UK gilt yields fell 8 basis points to 4.29 per cent as prices rose on investor buying.

Prices for gilts had previously dropped sharply on Wednesday on an unexpected uptick in UK inflation in December.

In commodity markets, prices for Brent crude, the international oil benchmark, advanced 1.7 per cent to $79.22 a barrel.

George Steer and Stephanie Stacey

US chipmakers rally on strong TSMC earnings

Philadelphia Semiconductor Index

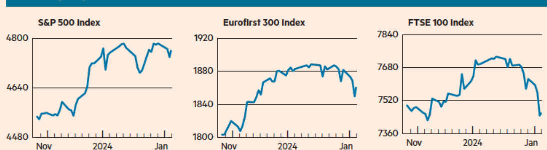
Source: Bloomberg

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4760.78	1860.46	35466.17	7459.09	2845.78	127466.44
% change on day	0.46	0.54	-0.03	0.17	0.43	-0.82
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.462	1.085	148.195	1.267	7.196	4.947
% change on day	0.012	0.000	-0.172	0.079	-0.009	0.279
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.123	2.344	0.650	4.147	2.569	10.424
Basis point change on day	2.570	3.200	4.610	-5.800	0.000	6.200
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	471.70	78.96	73.79	2011.75	22.81	3595.80
% change on day	0.43	1.39	1.81	-1.30	-1.06	-1.24

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

%	US		Eurozone		UK	
Ups	Fastenal	6.47	Casino Guichard	3.90	Flutter Entertainment	15.34
	Kla	4.78	Infineon Tech	3.83	Entain	6.12
	Caesars Entertainment	4.30	Commerzbank	3.54	Rolls-royce Holdings	3.34
	Lam Research	4.29	Asml Holding	3.46	St. James's Place	2.74
	Applied Materials	3.88	Unicredit	2.72	Intercontinental Hotels	2.31
Downs	Humana	-12.11	Coloplast	-2.65	B&m Eur Value Retail S.a.	-3.35
	Discover Fin Services	-10.06	Solvay	-2.56	Admiral	-2.34
	Cvs Health	-5.12	Grifols	-2.41	Centrica	-2.24
	Key	-4.66	Bayer	-2.24	Hikma Pharmaceuticals	-1.98
	Us Ban	-3.75	Lindt	-2.17	Smurfit Kappa	-1.81

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

African criticism of credit ratings is a red herring

Moritz Kraemer

Markets Insight

A debt crisis is ravaging what has been dubbed the "global south". According to the IMF more than half of all low-income countries in sub-Saharan Africa are in or at high risk of debt distress.

After a long lull during the era of low interest rates, sovereign defaults have picked up again. African frontier market sovereigns are now largely locked out of the market to issue new international bonds.

For hard currency bonds, the average yield on the S&P Africa Sovereign Bond Index is running at 13 per cent from below 9 per cent three years ago.

When listening to African politicians, the culprits are soon identified: rating agencies. A wave of downgrades has hit African sovereigns since the pandemic.

Finance ministers are rarely ecstatic when their credit rating is slashed. Their reflexive reaction has become a bit of a cliché: the agencies do not appreciate the country's strengths and anyway suffer from home bias.

African officials are no different. Ghana's outspoken finance minister, Ken Offori-Atta, asked in the Financial Times in 2020 whether "rating agencies [are] beginning to tip our world into the first circle of Dante's inferno?"

Senegal's president, Macky Sall, took a similar line when speaking in his role as chair of the African Union, stating that "the perception of risk continues to be higher than actual risk".

The UN has implausibly argued that had the rating agencies applied "objective" ratings, African countries could have saved a staggering $75bn in debt service costs. The African Union wants to set up an African rating agency to right the wrongs.

Agencies would contest the bias claim. They say they apply a common set of criteria for all sovereigns, from Canada to Cameroon. Still, the agencies' methodologies leave a lot of room for discretion and opinion, for example when assessing the strength of institutions and predictability of policies.

Hence frustrated finance ministers in frontier countries could have a point lamenting discrimination. But do they?

Let's recall what the rating agencies' narrow job description actually is. They exist for the purpose of ranking debtors by relative risk of default. The rating is a shorthand for the expected probability of a sovereign missing a debt payment. With this in mind, answering the question whether an anti-African ratings bias exists is actually not very hard.

> The actual, objectively observed bias in sovereign ratings has been in favour of Africa

In a world of perfect ratings, the probability of default of all B rated sovereigns, to pick an example, should be the same, irrespective of the countries' geography or culture.

Ratings are opinions about likelihood of default. As the future is unknown, the claim that an inherent bias exists in the current rating cannot therefore be objectively confirmed or rejected. Only the future will tell. But we can look into the rear-view mirror and assess the comparability of sovereign ratings.

Examining observed default episodes that have occurred in the past, we can compare the ratings that had been assigned prior to the default. If B rated African sovereigns would have been less likely to default within, say, a five-year period than other B rated sovereigns, the agencies would indeed have scored African sovereigns unfairly. But if the observed default probabilities are identical, everyone has been rated equally. Nothing to see here, move along.

Digging through the data of S&P Global offers surprising findings. Sub-Saharan African sovereigns rated in the B category between 2010 and 2023 defaulted in 22 per cent of all cases within five years. The respective global number stands at a long-term average of just 16 per cent. At Moody's, the observed default ratios look similar at 30 per cent for sub-Saharan African sovereigns and 15 per cent for its global average.

The default data shows that default rates of African sovereigns are higher at each rating level than that of their global peers. Africa's ratings have been too high, not too low. The actual, objectively observed bias in sovereign ratings has been in favour of Africa.

This is not to belittle the severity of the debt crisis ravaging the continent and the consequent setback in its quest for progress and poverty alleviation.

However, the data shows that much of African criticism of credit rating agencies is a red herring. The agencies are convenient scapegoats. African leaders should focus instead on pushing for faster debt restructuring mechanisms.

Progress in this area has been at a glacial pace. Each day that goes by without removing the debt overhang intensifies the social and economic crisis in Africa.

Moritz Kraemer is chief economist at German bank LBBW and former chief ratings officer at S&P

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Fixed income

FSB warns Italy against overhaul of bad loans to favour small borrowers

SILVIA SCIORILLI BORRELLI — MILAN

The Financial Stability Board has warned Italy to "resist" proposed laws being discussed by Giorgia Meloni's government that it says would "undermine" the country's bad loans market and increase uncertainty for investors.

In a report published yesterday, the Basel-based institution, which makes recommendations about the global financial system, said the country had made tremendous progress on cleaning up its banks' balance sheets since non-performing loan levels peaked at €360bn in 2015.

But proposed changes to the legislation by Italy's rightwing government, aimed at helping households and small businesses that have previously defaulted on their debts, "would introduce uncertainty or undermine the NPL secondary market", said the FSB.

Italian banks piled up bad loans between 2008 and 2015 in the aftermath of the financial crisis. Reforms introduced from 2016 under prime ministers Matteo Renzi and Paolo Gentiloni opened up the market, allowing hedge funds and other international investors to buy loans in a bid to bolster the health of the Italian banking system.

However, some of Meloni's allies have argued that the market favours "foreign speculators" and damages small businesses and families.

Under the complex set of proposals, first introduced in early 2023 by Meloni's Brothers of Italy party, small borrowers who have defaulted on their loans between 2015 and 2021 would have the option of repurchasing the NPLs even if banks had already sold them on to professional investors.

> Proposed changes 'would introduce uncertainty or undermine the NPL secondary market'

The borrowers would have to pay a 20 per cent premium on the loans if recovery proceedings have not started or 40 per cent otherwise.

Investors have criticised such proposals, with analysts warning they would impair the market.

Most of these NPLs have been securitised and given state-backed guarantees on the senior tranches of the debt as a way of attracting investors.

The FSB's review said such state-backed guarantees, known as GACS, as well as an overhaul of restructuring and enforcement procedures, "successfully" helped banks slash NPLs from a 2015 peak to €63bn in June 2023.

Italy's "remarkable progress" can serve as a framework for other countries in the future, it said.

However, the government should work on progressing such achievements without undermining them, it added.

Economy and finance under-secretary Federico Freni tried to reassure investors at the end of last year, saying it was a "non-issue" and there was "no reason for the government to intervene" with new legislation on the NPL market.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.46%	1.16%	-0.06%	0.17%	0.54%	-0.03%	0.75%	0.43%	No change	0.079%	-0.172%	-0.117%	-0.06%	-1.30%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

Country	Index	Latest	Previous
	S&P/TSX Div Met & Min	1545.43	1580.12
Chile	S&P/CLX IGPA Gen	29967.34	30011.49
China	FTSE A200	8634.19	8513.27
	FTSE B35	9000.71	8988.96
	Shanghai A	2983.72	2970.97
	Shanghai B	225.47	224.42
	Shanghai Comp	2845.78	2833.62
	Shenzhen A	1780.87	1776.92
	Shenzhen B	1021.00	1027.94
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
	XETRA Dax	16567.35	16431.69
Greece	Athens Gen	1341.10	1331.34
	FTSE/ASE 20	3259.94	3231.70
Hong Kong	Hang Seng	15391.79	15276.90
	HS China Enterprise	5172.05	5132.82
	HSCC Red Chip	3114.39	3088.66
Hungary	Bux	61374.10	61454.62
India	BSE Sensex	71186.86	71500.76
	Nifty 500	19414.80	19487.60
Indonesia	Jakarta Comp	7252.97	7200.64
Ireland	ISEQ Overall	8796.60	8469.85
Israel	Tel Aviv 125	1830.41	1843.84
Latvia	OMX Riga	1367.38	1368.41
Lithuania	OMX Vilnius	951.78	956.64
Luxembourg	LuxX	1478.84	1474.49
Malaysia	FTSE Bursa KLCI	1479.18	1491.21
Mexico	IPC	54578.66	54711.69
Morocco	MASI	12646.68	12594.94
Netherlands	AEX	778.17	771.43
	AEX All Share	1056.15	1045.41
New Zealand	NZX 50	11687.18	11767.03
Nigeria	SE All Share	91896.97	90063.25
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	63202.40	63567.34
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	72344.40	71693.09
	FTSE/JSE Res 20	50805.90	50417.49
	FTSE/JSE Top 40	66009.28	65353.15
South Korea	Kospi	2440.04	2435.90
	Kospi 200	327.13	326.11
Spain	IBEX 35	9880.30	9867.80
Sri Lanka	CSE All Share	10460.88	10480.29
Sweden	OMX Stockholm 30	2309.95	2297.85
	OMX Stockholm AS	865.47	861.13
Switzerland	SMI Index	11185.88	11148.56
	DJ Industrial	37244.48	37266.67
	DJ Transport	15341.44	15232.04
	DJ Utilities	853.78	863.61
	Nasdaq 100	16949.21	16736.28
	Nasdaq Cmp	15027.61	14855.62
	NYSE Comp	16517.04	16522.83
	S&P 500	4760.78	4739.21
	Wilshire 5000	42053.18	41446.59
Venezuela	IBC	56790.57	56758.28
Vietnam	VNI	1169.06	1162.53
Cross-Border	FTSE Multinationals ($)	3277.12	3303.92
	FTSE World ($)	866.50	862.66
	FTSEurofirst 100 (Eur)	4976.51	4945.06
	FTSEurofirst 80 (Eur)	6031.42	5971.45
	MSCI ACWI Fr ($)	712.11	718.96
	MSCI All World ($)	3120.44	3146.04
	MSCI Europe (Eur)	1875.59	1895.20
	MSCI Pacific ($)	2883.57	2925.80
	S&P Euro (Eur)	1962.68	1943.00
	S&P Europe 350 (Eur)	1911.66	1900.94
	S&P Global 1200 ($)	3436.80	3423.50
	Stoxx 50 (Eur)	4058.14	4033.40

(c) Closed. (u) Unavaliable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Nvidia	133.3	575.08	14.55
Tesla	118.0	211.95	-3.61
Advanced Micro Devices	106.3	162.21	2.04
Apple	67.6	188.49	5.81
Microsoft	35.4	392.85	3.38
Meta Platforms	26.8	376.59	8.22
Amazon.com	23.9	153.55	1.84
Boeing	22.4	209.12	6.06
Unitedhealth	20.6	509.65	-15.30
Humana	18.9	393.53	-54.23

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Fastenal	67.48	4.10	6.47
Kla	589.38	26.88	4.78
Caesars Entertainment	46.09	1.90	4.30
Lam Research	785.22	32.32	4.29
Applied Materials	159.32	5.95	3.88
Downs			
Humana	393.53	-54.23	-12.11
Discover Fin Services	97.81	-10.94	-10.06
Cvs Health	73.05	-3.94	-5.12
Key	13.20	-0.65	-4.66
Us Ban	39.29	-1.53	-3.75

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Astrazeneca	334.6	10432.00	-14.00
Unilever	247.1	3708.50	-52.50
Shell	189.1	2374.00	-4.50
Haleon	182.6	326.00	-3.30
Compass	180.2	2175.00	-17.00
Hsbc Holdings	176.5	589.50	1.80
National Grid	176.3	1024.50	-12.50
Flutter Entertainment	153.7	15225.00	2025.00
Bp	126.8	444.25	-4.25
Rio Tinto	120.7	5435.00	53.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Ferrexpo	84.65	12.25	16.92
Flutter Entertainment	15225.00	2025.00	15.34
Currys	49.38	3.92	8.62
Syncona	120.20	7.40	6.56
Elementis	125.00	7.40	6.29
Downs			
Watches Of Switzerland	371.40	-215.60	-36.73
Harbour Energy	289.00	-27.80	-8.78
Drax	464.40	-33.20	-6.67
Dr. Martens	74.30	-3.20	-4.13
B&m Eur Value Retail S.a.	524.80	-18.20	-3.35

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Richemont N	399.6	123.38	11.61
Unicredit	393.7	26.60	0.70
Roche Gs	306.7	260.80	-1.38
Novartis N	288.5	98.74	-0.56
Nestle N	264.4	103.50	-0.60
Asml Holding	259.3	672.10	22.50
Allianz Se Na O.n.	218.5	245.10	0.25
Eni	206.6	14.61	-0.04
Enel	198.7	6.62	-0.01
Lvmh	195.2	663.30	15.90

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Richemont N	123.38	11.61	10.39
Orsted A/s Dk 10	6.98	0.26	3.92
Stmicroelectronics	40.40	1.51	3.87
Infineon Tech.ag Na O.n.	33.90	1.19	3.64
Asml Holding	672.10	22.50	3.46
Downs			
Bayer Ag Na O.n.	32.46	-0.75	-2.24
Iberdrola	11.27	-0.19	-1.62
Pernod Ricard	143.30	-2.30	-1.58
Heineken	90.98	-1.44	-1.56
Neste	31.75	-0.49	-1.52

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Lasertec	3213.3	36930.00	800.00
Kawasaki Kisen Kaisha,	2137.7	7269.00	-61.00
Toyota Motor	1341.1	2931.50	75.00
Tokyo Electron	825.4	26625.00	235.00
Advantest	780.5	5351.00	189.00
Mitsubishi Ufj Fin	650.0	1299.00	6.00
Tokyo Electric Power	643.6	800.60	-9.60
Fast Retailing Co.,	523.3	38790.00	40.00
Mitsubishi	478.4	2545.00	-6.00
Sumitomo Mitsui Fin	477.5	7220.00	-46.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Advantest	5351.00	189.00	3.66
Konami	8844.00	291.00	3.40
Fuji Electric Co.,	6553.00	199.00	3.13
Toyota Motor	2931.50	75.00	2.63
Mazda Motor	1734.00	39.50	2.33
Downs			
Nexon Co.,	2324.50	-136.00	-5.53
Showa Denko K.k.	2926.00	-97.00	-3.21
Sumitomo Chemical ,	339.00	-11.00	-3.14
Mercari	2383.00	-73.00	-2.97
Shiseido ,	3956.00	-117.00	-2.87

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jan 18 price(p)	%Chg week	%Chg ytd
Winners			
Flutter Entertainment	15225.00	20.1	10.6
Relx	3264.00	3.3	6.4
Rolls-royce Holdings	306.50	3.2	2.8
Smith & Nephew	1097.50	2.9	2.8
Intercontinental Hotels	7344.00	2.7	3.2
Experian	3196.00	2.7	2.4
Imi	1605.00	2.6	-3.4
3i	2326.00	2.2	-0.8
Auto Trader	710.20	1.7	1.0
Imperial Brands	1883.50	1.3	3.7
Melrose Industries	579.40	1.3	3.6
Bae Systems	1178.50	1.3	5.6
Losers			
Ocado	571.40	-13.6	-22.7
Burberry	1230.00	-9.6	-12.1
Centrica	139.70	-8.3	-1.1
Fresnillo	482.60	-6.8	-15.5
Land Securities	640.40	-6.5	-9.6
Rentokil Initial	394.50	-6.1	-8.8
Lloyds Banking	42.50	-6.1	-11.6
Standard Chartered	576.80	-6.0	-12.4
Glencore	419.85	-5.7	-10.4
Segro	823.00	-5.4	-6.1
B&m Eur Value Retail S.a.	524.80	-5.4	-6.4
Smith (ds)	278.40	-4.7	-9.1

FTSE 250	Jan 18 price(p)	%Chg week	%Chg ytd
Winners			
Bakkavor	96.80	17.8	15.5
Ferrexpo	84.65	15.1	-3.5
Foresight Holdings	437.00	12.9	3.8
Bytes Technology	633.00	10.5	7.0
Wood (john)	166.90	9.4	-1.1
Hunting	297.50	8.2	0.2
Aj Bell	313.80	7.6	5.2
Mitchells & Butlers	265.60	7.1	4.6
Abrdn	179.85	6.7	2.9
Genuit	399.00	6.5	-0.4
Qinetiq	333.60	6.2	7.5
Spirent Communications	123.20	6.2	0.6
Losers			
Watches Of Switzerland	371.40	-41.0	-45.1
Diversified Energy	955.00	-12.9	-20.3
Close Brothers	601.00	-12.6	-23.5
Drax	464.40	-10.5	-5.4
Moneysupermarket.com	244.20	-9.8	-10.5
Safestore Holdings	764.00	-9.4	-12.5
Derwent London	2064.00	-7.9	-11.7
Tritax Eurobox	52.20	-7.6	-12.1
Wizz Air Holdings	1975.50	-7.3	-10.9
Hammerson	25.64	-6.9	-8.2
Mobico	83.00	-6.3	-1.1
Aston Martin Lagonda Global Holdings	190.40	-5.9	-11.6

FTSE SmallCap	Jan 18 price(p)	%Chg week	%Chg ytd
Winners			
Ceres Power Holdings	208.00	26.4	13.9
Kier	124.60	11.6	16.4
Atrato Onsite Energy	77.80	9.3	7.8
Avon Protection	949.00	7.2	13.7
Gulf Marine Services	16.00	6.5	5.3
Foresight Sustainable Forestry	68.00	6.4	7.8
Galliford Try Holdings	251.00	6.1	11.1
Cmc Markets	133.80	5.0	26.5
Harworth	127.50	4.1	3.2
Molten Ventures	259.00	3.6	-4.4
888 Holdings	80.80	3.5	-11.5
Robert Walters	434.00	3.3	-3.6
Losers			
Superdry	16.90	-43.9	-49.7
Synthomer	122.70	-18.4	-32.9
Digital 9 Infrastructure	26.20	-10.6	-17.5
Regional Reit	28.85	-10.4	-17.5
Kenmare Resources	325.00	-9.7	-18.5
Capricorn Energy	148.40	-9.1	-11.1
Ricardo	436.00	-9.0	-11.6
Fisher (james) & Sons	325.00	-9.0	-1.4
Petra Diamonds	60.50	-8.5	-8.3
Custodian Property Income Reit	79.60	-8.1	-9.5
Tt Electronics	149.00	-8.0	-5.5
Schroder Income Growth Fund	255.00	-7.6	-8.6

Industry Sectors	Jan 18 price(p)	%Chg week	%Chg ytd
Winners			
Travel & Leisure	7630.14	6.4	1.5
Aerospace & Defense	8962.11	2.0	4.3
Media	11375.95	1.8	2.1
Food Producers	7116.90	1.0	-2.9
Construction & Materials	9078.37	1.0	-2.6
Software & Computer Services	2371.04	0.8	-1.9
Electronic & Electrical Equip.	9489.05	0.6	-4.7
Health Care Equip.& Services	10692.12	0.4	-0.7
Support Services	10220.72	0.2	-3.3
General Financial	14387.64	0.1	-1.6
General Retailers	3815.52	-0.4	1.4
Industrial Engineering	13462.90	-0.6	-5.4
Losers			
Personal Goods	17095.81	-16.1	-21.2
Real Estate Investment Trusts	2220.37	-4.7	-7.5
Electricity	10325.12	-4.4	-6.4
Automobiles & Parts	1387.16	-4.3	-12.7
Banks	3382.22	-3.9	-8.2
Gas Water & Multiutilities Index	5943.85	-3.3	-3.0
Real Estate & Investment Servic	2171.47	-2.8	-6.1
Mining	8163.97	-2.8	-17.6
Industrial Metals	6220.32	-2.7	-8.8
Oil & Gas Producers	8003.86	-2.6	-6.8
Pharmaceuticals & Biotech.	20473.06	-2.6	0.9
Beverages	21647.55	-2.6	-3.7

Based on last week's performance. †Price at suspension.

CURRENCIES

Jan 18	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	819.2460	0.6035	889.0064	0.8187	1038.1505	1.8678
Australia	Australian Dollar	1.5254	-0.0056	1.6553	-0.0058	1.9330	-0.0050
Bahrain	Bahrainin Dinar	0.3770	-0.0001	0.4090	0.0000	0.4777	0.0004
Bolivia	Bolivian Boliviano	6.9100	-	7.4984	0.0014	8.7564	0.0093
Brazil	Brazilian Real	4.9472	0.0138	5.3684	0.0159	6.2690	0.0241
Canada	Canadian Dollar	1.3517	-0.0001	1.4667	0.0001	1.7128	0.0016
Chile	Chilean Peso	920.5250	-1.6250	998.9095	-1.5787	1166.4915	-0.8166
China	Chinese Yuan	7.1959	-0.0006	7.8086	0.0007	9.1187	0.0089
Colombia	Colombian Peso	3931.1800	-42.7700	4265.9277	-45.6177	4981.6005	-48.8438
Costa Rica	Costa Rican Colon	517.1150	-3.3850	561.1483	-3.5690	655.2893	-3.5881
Czech Republic	Czech Koruna	22.8586	0.0649	24.8051	0.0750	28.9665	0.1130
Denmark	Danish Krone	6.8712	-0.0026	7.4562	-0.0014	8.7071	0.0060
Egypt	Egyptian Pound	30.8978	0.0324	33.5288	0.0413	39.1538	0.0826
Hong Kong	Hong Kong Dollar	7.8214	-0.0025	8.4874	-0.0011	9.9113	0.0074
Hungary	Hungarian Forint	351.9330	0.2578	381.9007	0.3501	445.9702	0.8005
India	Indian Rupee	83.1213	-0.0150	90.1992	0.0004	105.3314	0.0930
Indonesia	Indonesian Rupiah	15620.0000	-20.0000	16950.1006	-18.5515	19793.7100	-4.2714
Israel	Israeli Shekel	3.7605	-0.0360	4.0807	-0.0383	4.7653	-0.0404
Japan	Japanese Yen	148.1950	-0.2550	160.8141	-0.2470	187.7930	-0.1231
..One Month		148.1943	-0.2564	160.8135	-0.2482	187.7922	-0.1249
..Three Month		148.1929	-0.2592	160.8124	-0.2504	187.7905	-0.1282
..One Year		148.1876	-0.2699	160.8084	-0.2585	187.7922	-0.1334
Kenya	Kenyan Shilling	161.7500	0.7500	175.5233	0.8461	204.9700	1.1673
Kuwait	Kuwaiti Dinar	0.3079	-0.0002	0.3341	-0.0002	0.3901	0.0002
Malaysia	Malaysian Ringgit	4.7180	0.0005	5.1197	0.0015	5.9787	0.0070
Mexico	Mexican Peso	17.1970	-0.1375	18.6614	-0.1457	21.7921	-0.1509
New Zealand	New Zealand Dollar	1.6385	-0.0020	1.7781	-0.0019	2.0764	-0.0003
Nigeria	Nigerian Naira	910.7500	-	988.3022	0.1823	1154.1046	1.2273
Norway	Norwegian Krone	10.5391	-0.0075	11.4365	-0.0060	13.3552	0.0048
Pakistan	Pakistani Rupee	280.2500	0.2500	304.1138	0.3273	355.1334	0.6941
Peru	Peruvian Nuevo Sol	3.7386	-0.0021	4.0569	-0.0015	4.7376	0.0024
Philippines	Philippine Peso	55.8275	-0.0875	60.5813	-0.0838	70.7447	-0.0355
Poland	Polish Zloty	4.0474	-0.0155	4.3920	-0.0160	5.1288	-0.0142
Romania	Romanian Leu	4.5861	-0.0005	4.9766	0.0004	5.8115	0.0055
Russia	Russian Ruble	89.4500	0.8250	97.0668	0.9130	113.3512	1.1649
Saudi Arabia	Saudi Riyal	3.7506	0.0001	4.0700	0.0009	4.7528	0.0052
Singapore	Singapore Dollar	1.3453	-0.0013	1.4598	-0.0011	1.7047	0.0002
South Africa	South African Rand	18.9600	-0.1894	20.5745	-0.2017	24.0262	-0.2142
South Korea	South Korean Won	1339.6500	-4.5000	1453.7238	-4.6142	1697.6075	-3.8914
Sweden	Swedish Krona	10.4935	-0.0066	11.3870	-0.0050	13.2974	0.0058
Switzerland	Swiss Franc	0.8691	0.0009	0.9431	0.0012	1.1013	0.0023
Taiwan	New Taiwan Dollar	31.5905	-0.0265	34.2805	-0.0224	40.0316	0.0090
Thailand	Thai Baht	35.5925	0.0913	38.6233	0.1061	45.1029	0.1635
Tunisia	Tunisian Dinar	3.1176	0.0019	3.3831	0.0027	3.9506	0.0066
Turkey	Turkish Lira	30.1325	0.0022	32.6983	0.0085	38.1840	0.0434
United Arab Emirates	UAE Dirham	3.6729	-	3.9857	0.0007	4.6543	0.0049
United Kingdom	Pound Sterling	0.7891	-0.0008	0.8563	-0.0008	-	-
..One Month		0.7892	-0.0008	0.8562	-0.0008	-	-
..Three Month		0.7892	-0.0008	0.8561	-0.0008	-	-
..One Year		0.7892	-0.0008	0.8551	-0.0007	-	-
United States	United States Dollar	-	-	1.0852	0.0002	1.2672	0.0013
..One Month		-	-	1.0850	-0.1807	1.2672	0.0013
..Three Month		-	-	1.0848	-0.1807	1.2673	0.0013
..One Year		-	-	1.0835	-0.1807	1.2672	0.0013
Vietnam	Vietnamese Dong	24560.0000	20.0000	26651.3865	26.6095	31122.4950	58.3943
European Union	Euro	0.9215	-0.0002	-	-	1.1678	0.0010
..One Month		0.9214	-0.0002	-	-	1.1677	0.0010
..Three Month		0.9211	-0.0002	-	-	1.1675	0.0010
..One Year		0.9199	-0.0001	-	-	1.1665	0.0010

Rates are derived from WM Reuters Spot Rates and MorningStar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

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Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jan 18	Day's chge%	Euro Index	£ Strlg Jan 17	£ Strlg Jan 16	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7459.09	0.17	6788.56	7446.29	7558.34	7830.70	4.01	2.43	10.28	4.44	7976.57
FTSE 250 (250)	18948.04	0.44	17244.71	18864.37	19193.32	19890.90	3.50	1.18	24.23	16.07	16340.41
FTSE 250 ex Inv Co (167)	19652.55	0.42	17885.89	19569.70	19936.64	20600.74	3.65	0.85	32.10	19.77	17315.72
FTSE 350 (350)	4120.36	0.21	3749.96	4111.71	4174.98	4325.47	3.94	2.27	11.19	2.60	8737.52
FTSE 350 ex Investment Trusts (264)	4063.13	0.19	3697.88	4055.24	4117.67	4268.31	4.01	2.27	11.00	2.58	4455.50
FTSE 350 Higher Yield (130)	3430.09	-0.20	3121.74	3436.95	3496.95	3702.81	5.79	2.31	7.47	1.12	8335.35
FTSE 350 Lower Yield (220)	4422.41	0.63	4024.86	4394.61	4452.85	4512.47	2.05	2.14	22.76	4.16	5576.61
FTSE SmallCap (221)	6172.64	-0.32	5617.75	6192.32	6250.95	6464.30	4.14	-0.18	-131.02	9.48	10794.06
FTSE SmallCap ex Inv Co (114)	5137.75	0.23	4675.89	5126.18	5190.16	5245.52	4.26	-0.49	-47.70	4.56	9331.06

Time of FTSE 100 Day's high:12:27:30 Day's Low08:03:00 FTSE 100 2010/11 High: 7723.07(04/01/2024) Low: 7446.29(17/01/2024)
Time of FTSE All-Share Day's high:12:31:00 Day's Low08:03:00 FTSE 100 2010/11 High: 4220.90(02/01/2024) Low: 4072.19(17/01/2024)

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FT 30 INDEX

	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	Yr Ago	High	Low
FT 30	2679.10	2659.40	2696.10	2699.80	2708.20	0.00	2780.90	2639.70
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2659.4	2664.6	2672.8	2675.7	2676.9	2679.4	2673.7	2679.1	2677.9	2683.5	2655.8

FT30 constituents and recent additions/deletions can be found at www.ft.com/ft30

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	4.36	Industrials	-2.30	Electronic & Elec Eq	-4.98
Media	1.77	Financial Services	-2.56	Nonlife Insurance	-5.01
Health Care Eq & Srv	1.31	Food Producers	-2.69	Support Services	-5.05
Travel & Leisure	1.27	Gas Water & Multi	-3.00	Industrial Eng	-5.13
Household Goods & Ho	1.08	NON FINANCIALS Index	-3.01	Financials	-5.62
Health Care	0.89	Food & Drug Retailer	-3.10	Real Est Invest & Se	-5.70
Pharmace & Biotech	0.86	Tech Hardware & Eq	-3.38	Life Insurance	-6.33
Tobacco	0.81	Equity Invest Instr	-3.38	Electricity	-6.35
Leisure Goods	0.25	FTSE 100 Index	-3.54	General Retailers	-6.64
Beverages	31.66	FTSE All{HY-}Share Index	-3.59	Oil & Gas	-6.77
Consumer Services	-0.29	Beverages	-3.73	Oil & Gas Producers	-6.81

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	2326	7.00	Jd Sports Fashion PLC	108.25	-0.55
Admiral Group PLC	2501	-60.00	Kingfisher PLC	219.80	4.60
Airtel Africa PLC	127.30	0.60	Land Securities Group PLC	640.40	-0.60
Anglo American PLC	1786.6	36.60	Legal & General Group PLC	244.90	4.30
Antofagasta PLC	1591.5	-2.00	Lloyds Banking Group PLC	42.50	0.23
Ashtead Group PLC	4849	82.00	London Stock Exchange Group PLC	9164	12.00
Associated British Foods PLC	2270	19.00	M&G PLC	218.20	0.80
Astrazeneca PLC	10432	-14.00	Marks And Spencer Group PLC	254.00	0.50
Auto Trader Group PLC	710.20	7.60	Melrose Industries PLC	579.40	9.40

UK STOCK MARKET TRADING DATA

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.

Data provided by Morningstar | www.morningstar.co.uk

POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

Issue price	Amount paid up	Latest renun. date	High	Low	Stock	closing Price p	+or-

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Edinburgh Worldwide Investment Trust	Pre			182.515L	542.124L	46.860L	135.310L	0.00000	0.00000	-	0.000	0.000
TheWorks.Co.uk	Int	122.575	118.932	14.769L	7.255L	17.600L	8.400L	0.00000	0.00000	-	0.000	2.400

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period year earlier.
For more information on dividend payments visit www.ft.com/marketsdata

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)

§Placing price. *Intoduction. ‡When issued. Annual report/prospectus available at www.ft.com/ir
For a full explanation of all the other symbols please refer to London Share Service notes.

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
SHOP	105.81	-2.69	110.55	53.16	-	-49.71	94512.61
Suncor En	42.28	-0.28	48.26	37.09	4.89	8.97	40365.09
ThmReut	201.88	2.13	201.95	157.54	1.29	34.18	67653.71
TntoDom♦	79.96	0.08	94.05	75.89	4.88	14.04	104990.42
TrnCan♦	52.15	-0.39	58.56	43.70	7.15	56.91	40028.84
China (HK$)							
AgricBkCh	2.86	-0.01	3.28	2.50	8.55	3.62	11239.96
Bk China	2.88	0.04	3.45	2.60	9.00	3.55	30791.39
BkofComm	4.45	-	5.65	4.23	9.42	3.48	19920
BOE Tech	0.54	-0.01	0.87	0.47	-	8.34	13.74
Ch Coms Cons	3.32	0.02	5.52	3.33	7.66	2.67	1875.55
Ch Evrbrght	2.19	0.02	2.78	2.15	9.43	3.00	3550.05
Ch Rail Cons	4.24	0.03	7.46	4.33	7.30	2.10	1125.56
Ch Rail Gp	3.18	0.02	6.30	3.22	6.94	2.31	1710.64
ChConstBk	4.37	0.03	5.70	4.01	9.93	3.00	134325.96
China Vanke	6.02	0.08	17.26	6.42	12.45	3.31	1698.31
ChinaCitic	3.60	0.02	4.74	3.39	10.29	2.87	6849.96
ChinaLife	8.63	0.11	15.84	8.85	6.14	7.81	8210.44
ChinaMBank	25.35	0.30	53.00	24.20	7.67	4.11	14879.62
ChinaMob	65.05	0.15	70.20	55.80	7.27	9.45	170411.51
ChinaPcIns	13.66	0.02	26.50	14.34	8.34	6.86	4847.03
ChMinsheng	2.51	0.01	3.52	2.48	9.66	3.23	2670.07
ChMrchSecs	13.13	0.13	15.91	12.95	1.44	14.59	13542.56
Chna Utd Coms	4.04	0.03	6.45	3.95	2.76	15.74	17385.05
ChShenEgy	27.80	-	28.75	21.45	10.77	8.47	12004.75
ChShpbldng	4.07	-0.04	5.32	3.57	0.07	-63.40	12490.6
ChStConEng	4.68	-0.03	7.35	4.64	5.52	3.72	26873.54
ChUncHK	4.86	0.06	6.58	4.45	7.25	7.27	19012.76
CNNC Intl	7.94	-0.01	8.04	5.93	2.19	14.59	20836.01
CSR	3.33	0.03	5.26	3.10	6.78	7.31	1860.98
Daqin	7.34	-0.03	8.21	6.61	6.69	11.39	15679.28
GuosenSec	7.99	-0.08	10.90	8.12	3.46	15.02	10147.31
HaitongSecs	3.78	0.02	6.01	3.94	6.27	9.44	1647.81
Hngzh HikVDT	31.63	0.65	48.84	30.21	2.19	24.08	40036.66
Hunng Pwr	4.23	-0.09	5.28	3.22	-	-98.57	2542.06
IM Baotou Stl	1.42	-	2.14	1.37	-	128.69	6215.33
In&CmBkCh	3.57	0.02	4.73	3.35	9.49	3.31	39616.27
IndstrlBk	15.09	0.28	18.20	13.95	7.77	4.05	43564.31
Kweichow	1610.87	33.87	1935	1616.25	1.59	29.74	281211.76
Midea	0.32	-0.04	0.44	0.26	-	-1.15	12.32
New Ch Life Ins	13.48	0.04	25.00	13.96	8.99	4.68	1782.26
PetroChina	4.98	-0.07	6.05	4.02	9.41	5.52	13433.88
PingAnIns	30.40	0.30	64.15	31.55	9.21	6.30	28947.02
PngAnBnk	9.20	-0.03	15.74	8.99	3.17	3.81	24810.19
Pwr Cons Corp	4.60	-0.05	8.15	4.64	2.67	6.87	8355.97
SaicMtr	13.37	0.12	15.65	13.08	2.58	10.11	21707.87
ShenwanHong	0.07	-	0.15	0.06	-	4.50	73.78
ShgPdgBk	6.56	0.03	8.22	6.49	4.99	6.05	26758.32
Sinopec Corp	3.77	0.01	5.47	3.78	10.49	7.30	11750.09
Sinopec Oil	1.75	-0.04	2.39	1.79	-	59.05	3299.94
Denmark (kr)							
DanskeBk	184.95	-1.45	192.65	131.45	3.83	8.08	23207.33
MollerMrsk	13535	-105.00	17265	9800	14.81	2.01	14700.19
NovoB	732.30	-0.10	743.90	463.15	0.85	49.03	366102.37
Deut Tlkm	22.89	0.16	23.13	18.50	3.10	18.68	123859.29
DeutsPost	44.73	0.54	45.03	29.68	4.14	12.32	60466.66
E.ON	12.33	-0.21	12.80	9.75	4.19	-36.87	35326.32
Fresenius Med	35.50	0.21	49.62	30.16	3.20	22.76	11303.13
Fresenius SE	26.16	-0.09	31.22	23.29	3.56	15.46	15854.52
HenkelKgaA	64.94	0.18	70.10	58.36	2.82	20.00	18307.75
Linde	373.35	-1.30	402.55	295.15	1.28	32.28	196449.23
Mercedes-Benz	59.84	0.52	76.10	55.08	8.80	4.16	69470.42
MuenchRkv	393.50	0.70	400.40	292.40	2.95	19.12	58272.89
SAP	147.26	2.44	149.12	103.74	1.41	79.44	196314.31
Siemens	160.82	1.88	171.06	119.48	2.65	14.47	139611.3
Volkswgn	117.25	0.70	184.50	105.95	7.52	4.17	37545.48
Hong Kong (HK$)							
AIA	59.25	-0.35	90.65	61.15	2.58	85.21	86070.32
BOC Hold	18.66	0.30	28.25	19.20	7.23	6.31	25224.12
Ch OSLnd&Inv	11.56	0.34	22.80	12.50	6.81	5.89	16176.54
ChngKng	35.15	-0.25	51.70	36.95	6.45	6.68	15948.97
Citic Ltd	6.99	0.10	10.86	6.53	9.26	3.11	25997.97
Citic Secs	15.20	-0.06	19.18	13.54	3.49	10.04	5091.83
CK Hutchison	39.10	0.50	54.55	38.35	7.44	5.23	19146.81
CNOOC	13.28	0.10	14.28	10.90	10.40	4.36	75687.33
HangSeng	83.30	1.80	135.50	84.10	5.37	11.61	20361.64
HK Exc&Clr	232.00	-0.60	378.00	238.20	3.06	25.60	37606.84
MTR	25.85	-0.05	43.00	27.10	5.04	17.32	20548.02
SandsCh	20.95	0.25	31.45	18.74	-	-33.59	21678.52
SHK Props	75.10	-0.05	115.90	75.40	6.56	9.15	27824.08
Tencent	277.60	3.00	411.00	263.60	0.87	12.47	336595
India (Rs)							
BhartiartI	1087.05	1.80	1107.3	735.80	0.38	79.97	78692.49
HDFC Bk	1486.15	-51.35	1757.5	1460.25	1.08	16.17	135748.31
Hind Unilevr	2548	-14.90	2769.65	2393	1.59	56.03	72024.39
HsngDevFin	2724.3	-23.05	2927.4	2160	1.16	18.17	61324.4
ICICI Bk	986.35	4.60	1043.7	796.00	0.84	16.84	83242.37
Infosys	1642.6	2.40	1649	1185.3	2.16	26.07	82019.03
ITC	465.50	-1.10	499.70	329.10	2.85	27.65	69873.99
L&T	3596	25.05	3616.5	2072.65	0.62	44.10	59465.85
OilNatGas	233.55	1.50	237.15	141.60	6.05	7.73	35347.44
RelianceIn	2735.9	12.75	2856	2180	0.34	25.92	222703.57
SBI NewA	628.30	2.30	660.40	499.35	1.87	7.91	67459.71
SunPhrmInds	1335.75	36.75	1343.4	922.45	0.89	36.10	38557.09
Tata Cons	3902.6	18.00	3929	3070.25	1.30	30.77	169871.71
Israel (ILS)							
TevaPha	41.44	-0.23	43.44	26.37	-	-5.45	12234.84
Italy (€)							
Enel	6.62	-0.01	6.81	5.14	6.12	11.89	73056.54
ENI	14.61	-0.04	15.83	11.69	6.24	9.24	53515.03
Generali	20.42	0.28	20.57	16.67	5.75	-	34551.81
IntSPaolo	2.75	0.02	2.81	2.08	6.04	7.04	54558.98
Unicred	26.60	0.71	26.80	14.82	3.76	5.40	51514.37
Japan (¥)							
AstellasPh	1716.5	-25.00	2360.5	1600.5	3.90	88.36	20960.8
Bridgestne	6230	103.00	6245	4747	3.14	11.71	30003.31
Canon	3760	-13.00	3912	2790.5	3.56	13.72	33840.22
CntJpRwy	3645	-74.00	3926	2984	0.79	10.95	25333.85
Denso	2285.5	31.50	2613.75	1678.75	2.20	20.26	48607.54
EastJpRwy	8386	-129.00	8949	6706	1.29	16.19	21397.89
Fanuc	4228	-114.00	24645	3603	2.59	24.87	28617.68
FastRetail	38790	40.00	39180	25366.67	0.67	40.09	83294.25
Fuji Hvy Ind	2878.5	34.50	3115	1987.5	2.72	7.79	14643.58
Hitachi	11090	-85.00	11130	6502	1.44	14.78	69383.52
HondaMtr	1594	22.50	1821	1030	2.56	9.07	58451.72
JapanTob	3840	24.00	3858	2618	5.51	14.33	51823.62
KDDI	4973	22.00	4960	3912	2.90	15.05	77272.44
Keyence	65790	-820.00	71890	52080	0.47	42.82	107970.13
MitsbCp	2545	-6.00	2577.33	1438.33	7.23	3.73	74059.63
MitsubEst	1125.06	-0.50	1140.18	948.63	-	-	-
MitsubishiEle	2156	30.50	2150	1331	2.20	17.01	31238.35
MitsuiFud	927.21	-9.49	1147.48	774.38	-	-	-
MitUFJFin	1299	6.00	1344	805.00	2.90	8.46	108145.96
Mizuho Fin	2540.5	-10.00	2724.5	1744	3.75	9.80	43530.23
Murata Mfg	2898.5	5.50	3054	2409.33	1.78	22.04	39654.13
Nippon TT	188.30	0.30	183.40	151.24	2.68	13.13	115055.04
Nissan Mt	572.20	8.30	712.50	433.20	2.70	4.79	15482.03
Nomura	721.70	-5.90	708.00	476.70	2.41	19.28	15406.33
Nppn Stl	3426	-14.00	3816	2584	4.97	5.54	21969.71
Panasonic	1392	1.00	1808	1119.5	2.41	7.06	23052.95
Seven & I	5650	-138.00	6619	5162	1.98	21.78	33795.99
ShnEtsuCh	5676	-24.00	21055	3797	1.91	17.99	76666.58
Softbank	6478	-48.00	7297	4766	0.70	-4.08	64257.43
Sony	14240	-175.00	14580	11050	0.54	19.33	121191.28
SumitomoF	7220	-46.00	7849	4997	3.71	11.64	65163.87
Takeda Ph	4385	-5.00	4873	3900	4.33	35.05	46822.03
TokioMarine	3713	-71.00	3799	2511	2.75	19.36	50172.3
Toyota	2931.5	75.00	2911.5	1764	2.29	9.97	322732.8
Mexico (Mex$)							
AmerMvl	16.40	0.11	20.25	15.66	2.62	11.28	41116.45
FEMSA UBD	224.11	2.33	228.15	152.42	1.47	34.97	28164.3
WalMrtMex	68.69	-0.04	76.04	59.28	1.50	22.70	69746.08
Netherlands (€)							
ASML Hld	676.00	26.40	698.10	534.40	0.88	34.56	295727.27
Heineken	91.10	-1.32	106.30	81.54	1.90	20.25	56942.09
ING	12.70	0.00	13.83	9.59	4.41	7.82	48202.53
Unilever	43.35	-0.61	50.93	42.97	3.31	22.25	137279.1
Norway (Kr)							
DNB	210.50	2.80	224.40	177.45	6.11	8.25	30810.96
Equinor	299.20	-3.35	382.85	278.70	3.66	4.93	85256.7
Telenor	123.75	0.55	134.95	102.00	4.15	22.71	16432.42
Qatar (QR)							
QatarNtBk	16.10	0.05	18.86	14.31	3.87	8.32	40642.19
Saudi Arabia (SR)							
AlRajhiBnk	85.10	-1.60	7317	0.00	1.46	20.67	90758.8
Natnlcombnk	42.35	-0.55	1552.5	0.00	3.55	12.72	67749.18
SaudiBasic	77.00	-1.00	2115	0.00	5.12	57.49	61590.15
SaudiTelec	41.25	-0.35	8480	0.00	4.03	14.45	54991.2
Singapore (S$)							
DBS	31.91	0.08	36.40	30.30	5.39	8.00	61178.54
JardnMt US$	40.30	0.09	54.79	38.37	5.32	23.78	11642.62
OCBC	12.80	0.08	13.39	11.93	5.26	8.67	42763.77
SingTel	2.39	-0.01	2.68	2.25	4.24	12.13	29319.57
UOB	27.88	-	31.00	26.82	4.80	7.54	34660.89
South Africa (R)							
Firstrand	67.00	0.44	74.77	58.60	5.99	9.16	19822.58
MTN Grp	107.65	-0.03	149.42	87.00	3.07	9.68	10698.39
Naspers N	2898.92	50.71	17839200	2673.3	-	6.71	28008.31
South Korea (KRW)							
HyundMobis	200000	-5500.00	250000	199900	2.03	6.08	13982.02
KoreaElePwr	18720	-260.00	20850	16030	-	-0.84	8970.68
SK Hynix	136200	5200	143700	76700	0.89	-11.27	74014.8
SmsungEl	71700	700.00	79800	59000	2.04	13.50	319511.36
Spain (€)							
BBVA	8.08	-0.01	8.73	5.74	3.88	6.54	51212.57
BcoSantdr	3.72	0.05	3.97	2.94	3.21	6.05	65287.65
CaixaBnk	3.83	0.00	4.23	3.12	6.10	6.96	31196.11
Iberdrola♦	11.27	-0.19	12.25	9.88	4.46	15.21	77627.32
Inditex	38.63	0.21	39.85	27.11	1.98	24.78	130648.24
Repsol	13.23	0.18	15.87	12.46	5.36	4.52	18339.01
Telefonica	3.73	-0.04	4.15	3.42	8.14	13.65	23294.36
Sweden (SKr)							
AtlasCpcoB	142.15	1.35	150.40	106.54	1.48	25.31	21144.38
Ericsson	64.22	0.71	65.33	48.53	4.22	-8.97	18864.2
H & M	161.36	0.46	189.58	119.92	3.86	43.51	22070.61
Investor	227.00	0.85	235.45	187.66	1.90	5.85	39412.94
Nordea Bk	125.20	-0.36	134.94	103.86	7.37	7.70	42096.61
SEB	138.00	-0.25	143.50	105.20	4.91	7.83	27825.29
SvnskaHn	107.90	0.35	112.90	83.92	4.94	8.82	19997.29
Swedbank	198.60	0.10	219.90	161.60	4.92	6.74	21424.34
Telia Co	27.06	-0.13	28.92	20.98	7.60	-6.92	10139.89
Volvo	247.30	0.65	264.85	188.96	2.84	11.30	37435.33
Switzerland (SFr)							
ABB	36.62	0.52	37.87	29.13	2.27	19.14	79303.77
CredSuisse	0.82	0.01	5.86	0.66	11.88	-0.31	3611.19
Nestle	97.61	-0.57	116.84	96.12	2.93	27.85	299889.19
Novartis	93.12	-0.53	93.79	69.89	3.39	26.74	244035.13
Richemont	116.35	10.95	161.10	102.95	1.95	17.68	71972.47
Roche	245.95	-1.30	296.75	230.90	3.74	18.54	198832.4
Swiss Re	96.96	-0.72	104.20	83.10	5.72	19.20	35423.21
Swisscom	506.40	-2.60	619.40	501.20	4.21	16.26	30185.26
UBS	25.48	0.19	26.55	14.38	2.24	2.59	88214
Zurich Fin	430.20	-4.10	457.90	393.00	5.38	15.50	72449.51
Taiwan (NT$)							
Dunghwa Telecom	118.50	-	128.00	111.50	4.03	24.55	29099.19
Formosa PetChem	72.30	-0.70	90.00	78.00	1.55	64.39	21801.68
HonHaiPrc	99.90	1.30	116.50	94.00	5.39	10.69	43839.49
MediaTek♦	897.00	18.00	1055	636.00	8.61	20.14	45421.38
TaiwanSem	588.00	7.00	594.00	489.00	1.94	17.21	482678.56
Thailand (THB)							
PTT Explor	33.75	0.25	36.50	29.50	4.51	9.72	27084.29
United Arab Emirates (Dhs)							
Emirtestele	24.30	0.70	38.98	11.60	2.93	24.15	57535.64
United Kingdom (p)							
Anglo American	1786.6	36.60	3640	1630	8.77	13.28	30282.55
AscBrFd	2270	19.00	2485	1804.5	1.93	23.82	21810.51
AstraZen	10432	-14.00	12828.45	9778	2.26	33.68	204923.04
Aviva	427.00	2.30	467.30	366.00	7.26	-21.57	14823.23
Barclays	140.72	0.04	198.86	128.12	5.47	4.16	27023.75
BP	444.25	-4.25	570.57	4.75	4.88	3.90	96422.75
BrAmTob	2289	-30.50	3242.5	2233	9.80	5.91	64869.83
BT	114.40	0.90	161.40	109.40	6.73	6.05	14420.76
Compass	2175	-17.00	2250	1852.5	1.45	30.08	47102.12
Diageo	2732.5	-16.50	3779.5	2712	2.84	16.62	77411.58
GlaxoSmh	1555.6	-20.00	1725.81	16.64	3.57	10.50	81118.88
Glencore	419.85	0.35	583.25	410.95	6.62	7.02	64912.06
HSBC	589.50	1.80	665.60	512.30	5.52	6.25	143357.05
Imperial Brands	1883.5	-	2084	1553.5	7.50	10.70	21030.5
Jardine Mathes.	62.50	-	53.91	40.80	3.50	36.88	18056.17
LlydsBkg	42.50	0.23	54.33	39.42	5.93	4.52	34235.84
LSE Group	9164	12.00	9438	7140	1.17	75.99	60693.18
Natl Grid	1024.5	-12.50	1229.21	918.00	5.04	13.88	48291
Natwest Group	207.70	1.90	310.00	168.00	7.46	4.26	23111.89
Prudential	787.00	13.60	1357.5	767.80	1.88	7.93	27422.12
ReckittB	5568	-46.00	6570	5306	3.29	17.99	50365.2
RELX	3264	43.00	3270	2347	1.67	35.79	77986.24
RioTinto	5435	53.00	6354	4509.5	7.06	13.11	86181.54
RollsRoyce	306.50	9.90	313.10	103.20	-	15.54	32690.2
Shell PLC	2374	-4.50	2801	2149.45	3.56	7.34	195716.36
StandCh	576.80	1.80	799.40	571.00	2.84	10.90	19479.48
Tesco	296.10	-3.50	307.23	217.53	3.68	15.08	26474.63
Unilever	3708.5	-52.50	4868.64	3708.5	4.01	13.26	117439.34
Vodafone♦	65.91	-0.95	103.24	64.65	11.84	2.00	22616.43
WPP	727.80	9.40	1082	656.00	5.41	14.91	9912.91
United States of America ($)							
21stC Fox A	30.70	0.06	37.26	28.67	1.72	14.42	7588.62
3M	105.65	-0.43	123.90	85.35	5.89	-7.65	58352.3
AbbottLb	113.59	-0.34	115.83	89.67	1.72	38.89	197198.89
Abbvie♦	162.56	0.52	166.20	130.96	3.74	42.90	292608
Accenture	356.55	2.90	357.62	242.80	1.26	33.10	226407.74
Activision Bli.	94.42	-0.05	94.57	70.94	-	36.23	74289.5
Adobe	595.55	-0.55	633.89	318.60	-	53.55	271155.05
Advanced Micro	162.21	2.04	168.60	71.54	-	4068.74	259528
AEP	78.92	-0.81	96.05	69.38	4.13	20.62	41502.1
Aflac	82.77	-0.06	84.64	60.20	2.08	10.92	48369.12
AirProd♦	257.62	-2.52	320.90	251.63	2.77	24.09	57245.15
Allstate	151.05	-1.50	153.30	100.57	2.42	-18.21	39527.83
Alphabet	143.76	2.29	145.22	88.58	-	26.53	850771.68
Altria	40.20	-0.54	51.57	39.07	9.81	7.90	71095.35
Amazon	153.55	1.84	157.17	88.12	-	77.43	1586790.4
AmerAir	13.09	0.16	19.08	10.86	-	5.28	8554.85
AmerExpr♦	178.77	-2.23	189.51	140.91	1.65	16.14	130285.78
AmerIntGrp	66.21	-0.54	69.37	45.66	2.13	11.07	46482.09
AmerTower	203.17	-1.79	228.97	154.58	2.40	130.46	94715.52
Amgen	302.05	-2.03	311.05	211.71	2.86	20.69	161650.52
Amphenol Corp	96.38	1.05	99.93	72.00	0.90	29.95	57665.14
Analog Devices	189.53	4.10	202.77	154.99	1.84	27.71	94056.48
Aon Cp	305.85	2.59	347.37	280.89	0.80	22.37	61235.17
Apple	188.49	5.81	199.62	137.90	0.49	31.73	2914412.78
Applied Materi.	159.32	5.95	165.01	107.97	0.68	21.34	132401.46
Aptiv	78.32	-0.54	124.88	71.01	-	23.81	22153.76
ArcherDan	68.47	-0.45	87.30	68.25	2.65	9.17	36520.67
AT&T	16.24	-0.18	22.84	13.43	7.10	-10.36	116080.58
Autodesk	240.79	2.32	245.88	188.38	-	54.38	51508.67
AutomData	234.93	-0.47	256.84	201.46	2.21	26.87	96625.78
AutoZone	2683.72	14.51	2750	2277.88	-	20.77	46406.54
Avago Tech	1143.02	39.35	1151.82	569.78	1.54	35.71	535094.03
BakerHu	30.83	0.04	37.58	26.12	2.25	76.26	31017.16
Bank of NY	54.12	-0.75	54.98	39.65	2.94	12.21	41618.4
BankAm	31.51	-0.30	37.00	24.96	2.97	8.50	249322.13
Baxter	38.07	-0.62	50.21	31.01	3.16	79.71	19313.81
BectonDick	235.17	0.87	287.32	228.62	1.61	44.41	68293.09
BerkshHat	544754.98	-495.02	566569.97	442363.5	-	9.96	311450.59
Biogen	244.08	-1.19	319.76	220.86	-	23.37	35366.73
BlackRock	787.07	-0.36	819.00	596.18	2.62	32.54	117086.48
Boeing	209.12	6.06	267.54	176.25	-	-27.97	126512.75
Booking Holdings	3513.47	23.57	3580.62	2329.8	-	23.94	122584.43
Bristol-Myers♦	48.78	-1.21	75.18	48.25	4.65	11.92	99245.31
Broadcom	1143.02	39.35	1151.82	569.78	1.54	35.71	535094.03
Cadence Design	277.55	2.16	279.33	177.20	-	76.16	75510.81
CapOne	123.65	-2.44	134.26	83.93	2.02	8.92	47089.8
CardinalHlth	105.29	-0.17	108.85	68.53	1.96	166.25	25950.63
Carnival	17.28	0.42	19.74	8.37	-	-13.39	19344.01
Caterpillar	279.39	0.76	299.20	204.04	1.82	15.26	142233.19
Centene Corp	75.42	-2.58	79.83	60.83	-	16.11	40289.44
CharlesSch	62.25	-1.21	81.96	45.00	1.51	18.15	110278.32
Charter Comms	362.95	3.71	458.30	315.02	-	11.42	53687.67
Chevron Corp	141.35	-1.77	184.23	139.62	4.37	10.11	266833.27
Chipotle Mexic.	2317	6.56	2348.42	1470.05	-	52.95	63589.28
Chubb	227.68	-0.57	231.37	183.40	1.47	16.27	92891.14
Cigna	302.52	-5.96	319.92	240.50	1.55	13.90	88523.39
Cintas Corp	588.18	-0.71	607.79	425.00	0.82	44.22	59624.65
Cisco♦	50.66	0.36	58.19	45.56	3.20	14.65	205835.36
Citigroup	50.79	-0.58	54.67	38.17	4.21	7.76	97196.49
CME Grp	200.80	-2.17	223.80	171.93	4.32	24.63	72285.96
Coca-Cola	59.79	-0.20	64.99	51.55	3.16	23.31	258479.63
Cognizant	75.66	-0.04	76.85	56.45	1.56	17.77	37936.87
ColgtPlm	80.31	-0.66	82.09	67.62	2.35	45.01	66120.91
Comcast♦	42.34	-0.01	47.46	34.63	2.80	11.36	170022
ConocPhil	106.63	-0.94	127.35	91.53	4.42	11.19	126613.31
Constellation	253.46	0.80	273.65	210.15	1.33	29.78	46330.66
Corning	30.18	0.33	37.10	25.26	3.63	40.92	25748.82
Corteva	44.35	-0.49	65.21	43.22	1.35	28.34	31254.73
Corteva	44.35	-0.49	65.21	43.22	1.35	28.34	31254.73
Costco	683.14	-1.05	684.43	465.33	0.56	49.49	303128.63
CrownCstl	107.81	-0.69	150.19	84.72	5.70	27.52	46756
CSX	34.34	-0.06	35.09	27.60	1.30	17.50	67850.46
CVS	73.05	-3.94	90.62	64.41	3.36	10.78	94007.8
Danaher♦	225.10	0.52	247.62	182.09	0.46	26.51	166332.49
Deere♦	377.43	-1.18	450.00	345.55	1.26	11.35	105776.81
Delta	37.26	0.12	49.81	30.60	0.28	6.77	23975.45
Devon Energy	40.83	-0.26	66.96	40.51	11.01	5.60	26159.78
Digital Realty♦	135.66	0.10	139.35	86.33	3.73	45.21	41084.91
DiscFinServ	97.81	-10.94	122.50	79.04	2.76	6.98	24456.92
Disney	92.29	1.95	118.18	78.73	-	68.91	168910.7
Dollar General♦	136.10	-1.06	238.40	101.09	1.78	15.00	29873.58
DominRes	45.39	-0.79	63.68	39.18	5.86	16.86	37978.02
DukeEner	95.71	-1.12	103.22	83.06	4.19	20.56	73764.82
DuPont	73.11	0.03	78.74	62.80	1.88	36.13	31440.41
Eaton	237.75	0.49	243.65	154.95	1.48	30.66	94932.1
eBay	40.53	-0.15	50.75	37.17	2.31	17.16	21032.48
Ecolab	198.96	1.52	201.62	143.91	1.05	48.57	56729.99
Edwards Lifesc.	73.58	-0.24	94.87	60.57	-	32.66	44626.27
Elevance	458.29	-17.83	508.78	412.00	1.30	17.18	107698.15
Eli Lilly	618.43	-10.48	639.76	302.14	0.68	86.41	587080.07
Emerson	92.73	0.31	100.62	76.94	2.23	16.72	52865.37
EOG Res♦	110.17	-0.46	137.95	98.52	3.04	7.87	64245.59
Equinix	792.30	-6.56	824.86	661.66	1.75	82.15	74383.84
EquityResTP	59.71	-0.50	69.45	52.57	4.54	33.11	22671.48
Exelon	35.08	-0.52	43.71	34.05	3.96	16.44	34914.97
ExxonMb	96.45	-0.53	120.70	95.82	3.73	7.74	382223.43
Fedex	243.21	-0.08	285.53	183.59	1.94	14.85	60776.37
Fidelity NIS	58.42	-1.38	77.28	46.91	3.38	-1.49	34612.89
Fiserv	-	-	-	-	-	-	-
FordMtr	11.07	-0.20	15.42	9.63	5.40	10.78	43528.37
Franklin	27.03	-0.35	32.88	21.88	4.61	15.13	13391.62
GenDyn♦	248.89	-1.08	261.39	202.35	2.18	20.03	67921.79
GenElectric	127.53	0.65	130.20	77.47	0.19	13.85	138796.43
GenMills♦	62.62	-0.47	90.89	60.33	3.53	15.27	35561.28
GenMotors	34.78	-0.24	43.63	26.30	1.03	4.87	47623.71
GileadSci	85.85	-0.64	87.82	72.87	3.60	17.71	106966.47
GoldmSchs	375.52	-1.66	389.47	289.36	2.65	16.03	122461.75
Halliburton	33.29	0.05	43.85	27.84	1.68	12.32	29796.27
HCA Hold	281.70	3.82	304.86	215.96	0.82	13.96	75400.05
Hew-Pack	28.72	0.07	33.90	25.22	3.60	10.67	28458.72
Hilton Worldwi.	184.04	0.52	185.28	129.86	0.34	35.81	47195.27
HiltonWwde	184.04	0.52	185.28	129.86	0.34	35.81	47195.27
HomeDep	355.35	-0.35	361.00	274.26	2.40	21.81	353666.3
Honywell	198.38	0.43	210.87	174.88	2.04	24.63	130782.14
Humanalnc♦	393.53	-54.23	541.21	390.50	0.85	14.70	48447.79
IBM	166.38	0.30	166.64	120.55	3.96	71.03	151924.67
IDEXX Laborato.	518.74	3.26	568.30	372.50	-	55.19	43081.82
IllinoisTool	250.99	0.77	265.00	217.06	2.20	23.47	75519.68
Illumina	133.63	0.07	238.55	89.00	-	-5.04	21219.65
Intcntl Exch	125.89	0.06	129.16	94.16	1.35	28.13	70372.51
Intel	47.09	1.03	51.28	24.73	2.16	-116.30	198531.44
Intuit	606.89	7.05	631.07	384.05	0.56	63.65	169867.11
John&John	160.23	-0.20	175.97	144.95	3.01	28.96	385718.25
JohnsonCn	53.50	-0.73	70.43	47.90	2.66	18.01	36416.05
JPMrgnCh	165.62	-1.47	173.38	123.11	2.41	10.69	478808.8
Kimb-Clark	122.20	-1.12	147.87	116.32	3.99	22.63	41296.27
KinderM	17.25	-0.32	18.90	15.89	6.74	15.24	38331.74
KLA Corp	589.38	26.88	597.43	355.88	0.92	25.39	80115.11
Kraft Heinz	37.28	-0.52	41.47	30.68	4.28	14.61	45719.23
Kroger	45.81	-0.72	50.36	42.10	2.24	20.76	32956.79
LasVegasSd	48.94	0.71	65.58	43.77	0.42	54.18	37152.92
LibertyGbl	18.80	-0.08	21.89	15.01	-	-1.70	3221.93
Lilly (E)	618.43	-10.48	639.76	302.14	0.68	86.41	587080.07
Linde	405.01	-1.74	434.21	318.88	1.28	32.27	196385.5
Lockheed	456.21	-0.26	508.10	393.77	2.73	16.08	113185.11
Lowes	217.02	-1.03	237.21	181.85	2.07	15.94	124810.94
Lyondell	92.48	-0.23	102.05	81.24	5.48	12.74	29995.35
Marathon Ptl	150.86	-1.14	159.99	104.32	2.06	5.48	57281.13
Marsh&M	196.40	0.06	202.81	151.86	1.37	27.26	96839.43
MasterCard♦	428.92	1.50	431.79	340.21	0.53	36.02	399078.81
McDonald's	293.28	2.12	299.35	236.77	2.02	27.12	212728.31
McKesson	489.39	3.57	490.75	331.75	0.48	18.64	65118.76
Medtronic	86.29	0.24	92.02	68.84	3.32	26.83	114729.22
Merck	117.50	-0.63	119.94	96.36	2.44	96.63	297747.71
Meta	376.59	8.22	376.85	138.66	-	32.01	835881.81
Metlife	67.33	-0.08	73.28	48.95	3.15	-162.13	49837.01
Microsoft	392.85	3.38	393.19	239.65	0.72	36.67	2919764.26
Mnstr Bvrg	56.91	-0.20	60.47	47.13	-	37.16	59211.52
MondelezInt	72.75	-0.56	78.59	60.75	2.25	20.98	98998.35
Monsanto	10.07	0.02	11.13	9.56	-	51.84	251.75
MorganStly	83.59	-0.82	100.99	69.42	3.94	14.38	137197.23
Netflix	484.15	3.82	503.41	285.33	-	46.54	211902.77
NextEraE	57.56	-0.72	84.20	47.15	3.30	14.63	118086.04
Nike	100.48	-0.34	130.22	88.66	1.35	31.01	122988.81
NorfolkS	226.66	0.52	259.67	183.09	2.42	23.91	51166.77
Northrop	472.87	-1.01	496.89	414.56	1.58	14.98	71305.3
NXP	211.55	6.07	238.27	155.31	1.91	18.90	54528.54
Occid Pet	56.09	-0.13	67.93	55.12	1.24	11.77	49380
Oracle	108.32	1.89	127.54	82.04	1.33	32.14	297763.23
Pepsico	166.01	-0.43	196.88	155.83	3.02	26.65	228241.17
Perrigo	32.65	-0.08	40.28	26.81	3.43	393.13	4424.29
Pfizer	27.66	-0.50	45.32	25.76	6.12	14.56	156151.56
Phillips66	127.62	-0.65	137.42	89.74	3.35	7.43	56147.13
PhilMorris	92.46	-1.25	105.62	87.23	5.74	17.29	143535.46
PNCFin	145.59	-3.23	166.57	109.40	4.31	9.74	57994.48
PPG Inds	144.25	1.17	152.89	120.33	1.81	23.27	34014.15
ProctGmbl	147.20	-1.80	158.38	135.83	2.62	23.02	346933.65
Prudntl	101.05	-0.80	107.31	75.37	5.09	27.49	36479.05
PublStor	288.67	-5.84	316.48	233.18	3.96	25.48	50757.75
Qualcomm	144.05	4.73	146.89	101.47	2.23	21.28	160327.65
Raytheon	85.64	0.59	108.84	68.56	2.76	38.01	123141.87
Regen Pharm	936.05	6.92	937.39	684.81	-	25.72	100277.95
S&P Global	436.94	-0.80	443.72	321.15	0.84	54.73	138421.01
Salesforce	274.93	3.49	275.69	153.23	-	100.10	266132.24
Schlmbrg	48.29	0.40	62.78	42.73	1.99	16.15	68729.87
Sempra Energy	72.90	-0.67	81.36	63.75	3.36	16.25	22938.24
Shrwin-Will	302.30	1.42	314.14	205.43	0.83	31.17	77378.55
SimonProp	140.98	-1.14	146.91	100.17	5.41	20.15	45993.23
SouthCpr	78.42	-0.07	88.40	64.66	4.63	20.30	60623.46
Starbucks	92.78	1.01	115.48	89.21	2.37	24.96	105457.34
StateSt	74.06	-0.63	94.74	62.78	3.62	10.37	22853.69
Stryker♦	313.59	-0.09	317.82	248.96	0.99	44.81	119131.16
Sychrony Fin	35.49	-0.98	39.34	26.59	2.75	6.30	14685.92
T-MobileUS	164.70	0.43	164.85	124.92	-	24.63	190471.44
Target	136.86	-1.89	177.68	102.93	3.31	16.69	63180.73
TE Connect	129.32	0.19	146.60	115.00	1.85	20.72	40188.42
Tesla Mtrs	211.95	-3.61	299.29	134.27	-	65.85	673756.49
TexasInstr	166.17	3.76	188.12	139.48	2.92	20.01	150916.27
TheTrvelers	197.31	-0.19	197.93	157.33	2.03	20.52	45065.49
ThrmoFshr	542.06	2.81	609.85	415.60	0.26	34.21	209436.98
TJX Cos	94.36	-0.04	95.34	72.92	1.39	25.52	107534.21
Truist Financial Corp	35.49	-0.30	53.34	25.56	6.09	8.59	47325.21
Twitter	53.70	0.35	60.16	31.30	-	-402.23	41093.72
UnionPac	236.15	0.34	246.99	183.69	2.29	21.83	143956.45
UPS	155.70	1.14	197.80	133.68	4.02	13.55	112607.43
USBancorp	39.29	-1.53	49.93	27.27	5.07	11.30	61175.02
UtdHlthcre	509.65	-15.30	554.70	445.68	1.34	22.89	471383.55
ValeroEngy	125.47	-0.84	160.16	104.18	3.34	4.12	42716.63
Verizon♦	38.67	-0.20	44.73	30.14	6.73	7.76	162572.61
VertexPharm	429.58	-4.18	431.59	283.60	-	31.06	110695.54
VF Cp	15.20	-0.06	31.98	12.85	10.56	50.82	5909.08
Visa Inc	267.48	0.85	268.45	208.76	0.70	31.11	423285.66
Walgreen	21.92	-0.26	37.53	19.68	8.76	-6.14	18898.96
WalMartSto	161.37	0.30	169.94	136.09	1.47	25.71	434445.75
Walt Disney	92.29	1.95	118.18	78.73	-	68.91	168910.7
Waste Manage.	182.34	0.87	182.61	148.31	1.57	31.08	73442.07
WellsFargo	46.24	-0.43	50.77	35.25	2.81	9.72	167922.3
Williams Cos	33.74	-0.25	37.45	27.80	5.16	15.18	41044.67
Workday	282.14	0.82	284.82	171.08	-	1125.74	58967.26
YumIBrnds	129.76	0.68	143.25	115.53	1.91	23.76	36372.79
Zoetis♦	190.28	-0.19	201.92	145.20	0.73	40.19	87360.15
Zoom	66.90	-1.05	85.13	58.87	-	84.29	17245.92
Venezuela (VEF)							
Bco de Vnzla	7.01	-	9.20	2.68	106.38	-	709.55
Bco Provncl	18.00	-	79400	6.80	-	3.22	199.83

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.
♦ ex-dividend
■ ex-capital redistribution
price at time of suspension

FT 500: TOP 20

FT 500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

BOND INDICES

VOLATILITY INDICES

GILTS: UK CASH MARKET

INTEREST RATES: MARKET

BONDS: BENCHMARK GOVERNMENT

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

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Nostalgia warms a winter's tale

This week's new film releases reviewed by Danny Leigh, Jonathan Romney and Leslie Felperin

Top, from left: Da'Vine Joy Randolph, Paul Giamatti and Dominic Sessa are left behind at Christmas in 'The Holdovers'. Above: Jodie Comer in survival thriller 'The End We Start From'

The Holdovers
Alexander Payne
★★★★☆

The End We Start From
Mahalia Belo
★★★★☆

Werner Herzog: Radical Dreamer
Thomas von Steinaecker
★★★☆☆

Mean Girls
Samantha Jayne and Arturo Perez Jr
★★★☆☆

Christmas cheer is late again. So it is that **The Holdovers**, the most charming Yuletide movie for an age, comes to the UK and other parts of Europe in the third week of January, a point about as post-festive as it gets. Baffling timing aside, the movie is a box of delights: a spin on Scrooge that reminds us that holidays are about who you're stuck with. The result is a highly skilled, sharply intelligent comic drama dressed up as a gooey heartwarmer. And sometimes vice versa.

The director is Alexander Payne, his brand built on two old favourites: the acid *Election* (1999) and the bittersweet *Sideways* (2004). Both were tales of weary schoolteachers. Now Payne returns to the blackboard and reunites with the star of *Sideways*, Paul Giamatti. This time, though, the actor finds himself not in Californian sun, but midwinter Massachusetts, and the past: December 1970.

He plays the curdled Paul Hunham, a bow-tied teacher of ancient history ending another term at the grand private boys' school where he has seen out many terms before. Time has only honed his loathing of the sons of wealth and influence who stare back blankly at his Latin quips.

But is fate ever crueller than at Christmas? And so while the rest of the faculty flees, Hunham must spend the next two weeks on site, stuck with the ragbag of rich kids left behind by their parents. We soon learn he has been on the wrong end of this sort of luck before. Ancient history gets everywhere.

And nostalgia colours the film. Payne would have been nine in the year the movie is set; it has the sense of a moment restored by someone who spent the real thing just a little too small to join in. This 1970 duly comes in loving stylistic quote marks, the film given the soft, grainy look of a movie from the time, like the lost half of a double-bill with *Harold and Maude*.

Meanwhile, our epic misanthrope sets about babysitting. For much of the film, the only other adult is head cook Mary Lamb (Da'Vine Joy Randolph), a lone black woman in this bastion of moneyed white men and boys. Her own son, we learn, died in Vietnam. In other hands, that plot point could feel crass, but Payne's touch is so deft, the tone simply deepens and widens.

The story now settles into place, focused on a central trio of Paul, Mary and Angus Tully (Dominic Sessa), a wan teenager whose veryexistence seems forgotten by his family.

What follows is often wonderfully funny. The film's hit rate with zingers is quite something; Payne is also not above

> 'The Holdovers' is often wonderfully funny. The film's hit rate with zingers is quite something

a Tabasco dash of slapstick. But all-round depth of flavour is again the real strong suit. Despite the visual nostalgia, the bigger picture of time and place is less completely fond.

The film is often caustic about the finger on the scale that is private education. Many movies would be. But *The Holdovers* makes the class critique mart and organic: self-aware, not self-conscious. (And in a tale of two generations, take it as knowing irony that young Tully, whom we grow to greatly like, is destined to become that modern punchbag: the boomer.)

Randolph and Sessa both excel. (Remarkably, this is the latter's first real acting job.) But Giamatti tops the tree. Watching *The Holdovers*, you can often feel the star was put on earth solely to insult the "hormonal vulgarians" before him. But the character he creates is more than a dusty punchline. Instead, he makes an old lesson seem new: just how often life feels like a familiar classroom. And, oh — Happy Christmas. **DL**
In UK cinemas now

In *Children of Men*, Alfonso Cuarón's haunting account of a bleak future, the UK appeared the last domino upright amid global catastrophe. New survival thriller **The End We Start From** flips that script from the start. Now, the country seems the one place gripped by a disaster that might once have passed for a joke about national summers: so much rain for so long that vast swathes of the British Isles flood.

And where Cuarón foresaw a birth rate dropped to zero, Mahalia Belo's impressive debut upends that premise too. Instead, our heroine is an ordinary young woman, unnamed and played by Jodie Comer, whom we meet in London heavily pregnant. Her waters break in time with Britain's. From there, mother and child must navigate a long stampede for higher ground, amid mounting panic and abandoned niceties.

Belo made a name for herself more than a decade ago as a talented director of short films; since then, she has mostly worked in high-end TV. That long run-up might explain the poise of her work here. The film has cinematic scale *and* a miss-nothing eye for detail. But others are also on good form. To say Alice Birch's script is queasy is a compliment. Adapted from Megan Hunter's 2017 novel, the lurch the flood delivers through grim new normals feels horribly plausible.

And then there is Comer. Though her role has no name, the actress gives the part such nuance and presence, we instantly see her in three vivid dimensions. (There is also solid support from Joel Fry, and a fine, offbeat turn from Katherine Waterston, lugging another papoose.)

The result is the kind of film the UK rarely makes anymore: a clever, propulsive picture with enough mainstream oomph for multiplexes. Like Comer's character, it often has choices to make about just how dark to get. In common with her too, it works hard to hold on to optimism. **DL**
In UK cinemas now

You might know Werner Herzog as a great cinematic adventurer, as one of the re-inventors of modern German film, as the theorist of "ecstatic truth" in documentary — or you may know him as an intergalactic baddie in *The Mandalorian* or a cameo voice on *The Simpsons*. Thomas von Steinaecker's **Werner Herzog: Radical Dreamer** — released to accompany BFI Southbank's Herzog retrospective — attempts gamely to fit these different faces into a portrait.

Herzog's career has taken him from outsider experimentation; through spectacular struggles with the material challenges of filmmaking (most notoriously, heaving a riverboat over a hill in Amazonia for *Fitzcarraldo*); to a bizarre state of affairs in which, now 81 and resident in Los Angeles, he is a bona fide celeb, his rasping monotone one of the most recognisable voices in showbiz.

The film covers some very well-mapped ground — including the battles with legendarily combustible actor Klaus Kinski — along with some that is less familiar, illustrated by footage from the early years. Among the celebrities paying tribute, Nicole Kidman, Robert Pattinson and Patti Smith offer next to no insight, but Wim Wenders and Volker Schlöndorff — two of Herzog's contemporaries in the New German Cinema — have rather more to contribute, as do his brothers and his wives past and present.

Most importantly, von Steinaecker films his subject today: revisiting an early location, Herzog muses in diffident deadpan, "I did good battle here, and that was that." A revealing moment comes at the waterfall near the Bavarian village where Herzog lived as a child, when he says (sternly, or self-mockingly?) "I'm not crying because of emotion."

Von Steinaecker does more than due diligence, but the film can't begin to account for the strangeness and variety of Herzog's career. Where it scores, however, is in its welcome demystification: on one hand, a Promethean champion of the cinematically near-impossible, on the other an improbable world-class Good Sport. **JR**
In UK cinemas now

Carefully calibrated to appeal to that overlap in the demographic Venn diagram where queer teenagers, theatre nerds and Tina Fey fans intersect, this song-and-dance reboot of the 2004 film **Mean Girls** kind of works. The musical comedy numbers are funnier than the situational comedy, which is often contrived, the best zingers recycled from the original soft satire of US high-school cliques.

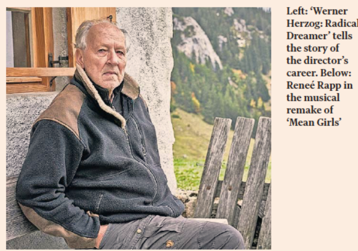
For those who haven't done their homework: this new film is based on Fey's 2018 Broadway show, which was itself an adaptation of the 20-year-old teen comedy, which was based on a 2002 book. The first *Mean Girls* movie featured a formidable roster of stars then in the making, including Lindsay Lohan as a naive homeschooled girl who infiltrates the clique run by head mean girl Rachel McAdams. It had just the right blend of snappy snark and goofy charm to make it a cult classic.

It helped that the screenplay was written by Fey, an anointed star of *Saturday Night Live*, who also played a key role. She is still on board for *Mean Girls 1.2*, onscreen and off, but her scalpel doesn't cut quite as deep. The analysis of teen popularity dynamics feels out-of-date compared with last year's glorious queer teen comedy *Bottoms*.

As if aware that the material risks feeling passé, the filmmakers insert whizzy montages of people reacting on social media, the film starting to resemble one long TikTok. There's a good reason that platform limits the duration of videos: viewers can only handle so much of people saying "omigod!" and cascades of emoji reactions.

On the plus side, the new *Mean Girls* has a laudably more diverse supporting cast, but the leads — Angourie Rice in the Cady role originally played by Lohan, and Reneé Rapp taking over from McAdams as Regina — fail to remake the roles in their own image.

Both are upstaged by Avantika Vandanapu as Karen, an academically challenged bombshell who gets to sing the film's wittiest song, about how women can be anything they want on Halloween as long as it's sexy. Its key lyric, "This is modern feminism talkin'/I expect to run the world/In shoes I cannot walk in," is a perky, *Barbie*-level summation of feminism's cognitive dissonance. But, for all its good intentions, the rest of the film lacks both *Barbie*'s ample budget and raw originality. **LF**
In UK and US cinemas now



Left: 'Werner Herzog: Radical Dreamer' tells the story of the director's career. Below: Reneé Rapp in the musical remake of 'Mean Girls'

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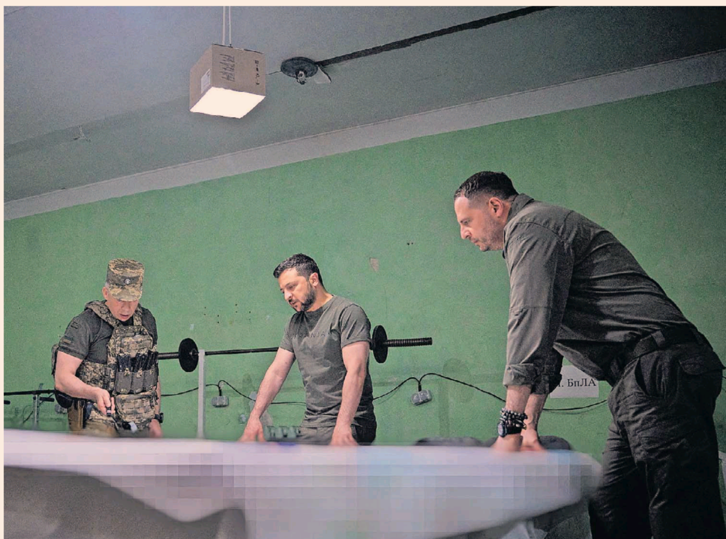
After its summer counteroffensive ended in failure, Kyiv is shifting to 'active defence' as it prepares itself for a third year of war. But do its western backers have the patience for the long haul?

By Christopher Miller

How Ukraine plans to survive 2024



President Volodymyr Zelenskyy goes over battle plans (obscured) with his generals at a position near the front line last summer. Below: Ukrainian artillerymen fire a howitzer near Avdiivka. US intelligence estimates that Russia suffered more than 13,000 casualties and lost over 220 combat vehicles during its autumn offensive in the area

Ukrainian Presidential Press Service/Reuters; Vlacheslav Ratynskyi/Reuters

I'm going to tell you the truth," says Vanya, a Ukrainian soldier serving in a reconnaissance unit fighting alongside marines on the east bank of the Dnipro river in southern Ukraine. "The situation is deplorable."

His damning assessment follows months of daring raids into enemy territory by Ukrainian forces last autumn to establish a tenuous bridgehead deep in the southern Kherson region. Under the cover of darkness, troops zipped across the river to inflict damage on Russian units and provide one of few bright spots since Ukraine's much-vaunted summer counteroffensive ended in failure.

But the unit's grip on the Dnipro foothold, near the village of Krynky, is slipping. Ukrainian troops are suffering heavy casualties, laments Vanya, declining to give specifics, citing military secrecy. The Russians, he adds, have an advantage of at least four or five soldiers to every one Ukrainian.

Part of the problem is logistical. Because the Ukrainians must cross the river in small vessels to remain undetected and more nimble, they are not able to transport larger, more deadly weapons. "Everything we take is what we can carry ourselves," Vanya says. "There are at most some types of grenade launchers. In a very rare case, I saw one heavy machine gun brought across."

The end goal was to create a position from which the Ukrainian army could launch new attacks deeper into Russian-controlled territory. That is looking less likely by the day, Vanya says. In recent weeks, Russian military bloggers and western analysts say that Russian forces have retaken some of the positions on the eastern bank.

Asked whether Ukraine can hold its base there long-term, Vanya was blunt. "Of course not," he says. "The Marine Corps was unable to maintain the pace of the offensive and for sure lost the initiative a long time ago."

Vanya now expects the troops to fall back to defensive positions on the Dnipro's west bank — or risk suffering heavy losses among its strongest units.

But to what extent it should adopt a more secure defensive position in

> 'Without an offensive component, Putin will be projecting around the world that the war is unwinnable for Ukraine'

anticipation of a difficult third year of war is no longer a question just for those stationed on the Dnipro river, but for Ukraine's entire military and its commander-in-chief.

As the second anniversary of Russia's all-out invasion nears on February 24, Ukraine's military prospects appear to be dimming. It has abandoned hopes of a swift victory and is instead girding itself for a drawn-out war. One western official working on Ukraine policy says there is "little prospect of an operational breakthrough by either side in 2024".

This reality has been acknowledged in Kyiv, where President Volodymyr Zelenskyy declared in early December that "a new phase" has set in. After his troops failed to recapture large areas of the south as planned, he ordered the army to build new fortifications along key segments of its 1,000km frontline, signalling a shift from an offensive to a defensive posture.

The western official says that a strategy of "active defence" — holding defensive lines but probing for weak spots to exploit coupled with long-range air strikes — would allow Ukraine to "build out its forces" this year and prepare for 2025, when a counteroffensive would have a better chance.

But several factors are likely to determine Ukraine's fortunes. Chief among them is the uncertainty surrounding western military assistance, including munitions, which Ukraine is burning through. There are open questions about the west's resolve and whether it will continue backing Ukraine in its fight — and, if it does, to what extent.

The biggest concern lies with Washington, where the White House announced the final drawdown of weapons and military equipment for Ukraine on December 27. Though European nations, including the UK and Germany, are providing some financial support, the US is Ukraine's biggest supplier of military aid. But right-wing Republicans in the US Congress are holding up tens of billions of dollars in future military funding for Kyiv. Until Congress acts, there will be no more support.

Fiona Hill, a foremost expert on Russia who served as a national security adviser in the White House, told Politico in December that Ukraine has succeeded so far "because of massive military support from European allies and other partners".

"We've now reached a tipping point between whether Ukraine continues to win in terms of having sufficient fighting power to stave Russia off, or whether it actually starts to lose because it doesn't have the equipment, the heavy weaponry, the ammunition. That external support is going to be determinative."

Even if the White House strikes a deal with Congress to extend aid to Ukraine, it seems unlikely to be able to offer the leap in capabilities and technologies that would allow Ukraine to decisively regain the advantage this year.

Asked when the cessation of US aid to Ukraine would start to affect the battlefield, another western official working on Ukraine policy says: "We're confident the Ukrainians have what they need [to hold their positions]."

During his high-stakes visit to Washington in December, Zelenskyy struck an urgent tone, pleading with congressional Republicans to approve without delay $60bn in new military assistance for his country. More air defences, in particular, are of immediate importance, Zelenskyy said, in order to safeguard Ukraine's critical infrastructure. That need was evident earlier this month, when Kyiv's nearly 4mn residents awoke to the roar of explosions from Russian attack drones as well as ballistic and cruise missiles.

All the signs suggest there is more to come. Jens Stoltenberg, Nato's secretary-general, warned in November that Russia had stockpiled missiles for winter and was planning to launch them over the coming weeks in an attempt to plunge Ukraine into darkness.

This bleak prediction arrives as the Kremlin's unprovoked war against its neighbour goes into its third year, and 12 months after Ukraine appeared to have the upper hand in the fight. It is a marked contrast from Zelenskyy's visit to Washington in early 2023, when he received standing ovations from US lawmakers as he told them that "you can speed up our victory."

Ukraine appeared to have the upper hand on the battlefield after counteroffensives in eastern Kharkiv and southern Kherson resulted in the liberation of the largest swaths of territory from Russian forces since they were pushed out of Kyiv and Chernihiv in 2022.

The sweeping advances gave troops a big morale boost and a weary Ukrainian society confidence that the war could end in victory. "At that time, the country was living with the feeling that the only thing preventing the end of the war was the weather," Ukrainian journalist Pavlo Kazarin wrote recently for the independent Ukrainian Truth news outlet.

Russia, meanwhile, was reeling from its defeats. When it launched an offensive in January 2023, the Ukrainians held off its forces. It eventually found some success in the eastern city of Bakhmut, where it employed scorched-earth tactics. But it was a Pyrrhic victory in which tens of thousands of its battle-hardened fighters were killed and huge amounts of artillery munitions used up.

But in the months that followed, Ukraine's counteroffensive fell short of its lofty objectives, including retaking territories controlled by Russia and severing their land bridge to Crimea. Thousands of Ukrainian soldiers were killed or wounded, and hundreds of western-supplied fighting vehicles and weapons were destroyed. As a result, Ukrainian spirits have fallen and polls indicate that the unprecedented unity shown at the start of the war may be fracturing.

More crucially, the country is facing a mobilisation challenge.

Zelenskyy's army chiefs have asked him to conscript upwards of 500,000 new soldiers, a figure that takes into account Ukraine's staggering losses and the fact that many troops have fought for nearly two years without rest. But the president has said he needs to hear "more arguments" to support the move, while also worrying about making an unpopular decision when his own poll numbers are falling.

Echoing a growing fear among ordinary Ukrainians that the outcome of the war may not go in their favour, Kazarin said: "We enter this winter with an apparently smaller reserve of psychological resilience — and with an apparently greater collective fatigue."

The nation's worries are not entirely misplaced. Right now, it is Russian forces who are on the offensive.

Its military is trying to encircle the strategic industrial town of Avdiivka, where Ukrainian troops are barely clinging on, in their pursuit of capturing the entire Donetsk region. In December 2023, the Russians also took what was left of the destroyed town of Mariinka, 40km north-east.

> 'Both sides are finding it challenging to engage, train and sustain [their] armed forces in large numbers'

However, Kyrylo Budanov, chief of Ukraine's military intelligence department, argues that Russian attacks have thus far failed to achieve any breakthroughs. "Their latest pathetic attempt . . . [has] been going on for two months," he says. "No results."

But Russia's gains on the battlefield have forced Ukraine to adopt a more defensive posture — a strategy supported by Kyiv's strongest allies.

The Estonian defence ministry published a report in December saying Ukraine should switch to a "strategic defence" to give the country and its allies time to build up its industrial base, train reserves, increase manpower and boost artillery production capacity to resume an offensive campaign in 2025.

That aligns with the strategy that Washington is reportedly selling to Ukraine. The Americans are also pushing for a more conservative approach. Instead of ground offensives, the focus would be to hold the territory it has now, entrenching positions and beefing up supplies and forces.

In the meantime, according to the US view, Ukrainian troops could continue to look for weak spots in Russian defences to exploit when the opportunity arises. Equally, Ukraine could carry on with — and possibly step up — the long-range air attacks with missiles and drones that have proved successful in strikes on Russia's Black Sea Fleet in Crimea and airfields there, for example.

Oleksandr Syrsky, Ukraine's number two commander in charge of ground forces, suggested this week that the strategy does not amount to a drastic shift. "Our goals remain unchanged: holding our positions . . . exhausting the enemy by inflicting maximum losses," he told Reuters.

There are others in Kyiv who worry that relying only on a defensive strategy would be detrimental to Ukraine's war effort. Containment with no offensive component would be "a mistake of historic proportions", warns Andriy Zagorodnyuk, a former defence minister of Ukraine. Without it, Putin "will be projecting around the world that the war is unwinnable for Ukraine", he says. "It basically just hands him the initiative."

For that reason, Zagorodnyuk adds, keeping Russia on its toes is essential.

Budanov, the military intelligence chief, agrees that it is important to continue pressing Russian forces, particularly in Crimea through its air campaign, sea drone attacks and covert operations. "Our units repeatedly entered Crimea [last year]," he says, vowing to send more commandos to the peninsula to disrupt Russian logistics.

There are some reasons for Ukrainian forces to remain upbeat. Since it launched its offensive around Avdiivka in October, US intelligence estimates that the Russian military has suffered more than 13,000 casualties and over 220 combat vehicle losses, or the equivalent of six manoeuvre battalions in equipment alone.

Budanov says those figures have grown significantly in recent weeks but could not give exact numbers. The first western official involved in Ukraine policy suggests that in November 2023 Russia suffered an average of 1,000 dead and injured each day.

Another reason for Kyiv to increase focus on strengthening defences, say Ukrainian security officials speaking on condition of anonymity, is that Russia may be planning a large-scale offensive as early as summer.

Its goal would be to capture the remainder of the four regions — Donetsk, Luhansk, Kherson and Zaporizhzhia — Putin claimed to have annexed in September 2022. In addition, the officials say, another attempt at Kharkiv or even Kyiv is possible.

A newly declassified US intelligence assessment reviewed by the FT in December also notes that Putin's ultimate goal in Ukraine of conquering the country and subjugating its people remains unchanged.

Russia has been bolstered in recent months by shipments of artillery shells and rockets from North Korea and increased production of arms and munitions that are being helped by Chinese chips for manufacturing machinery. These efforts have put them in a better position than they were after being weakened in the 2023 battle of Bakhmut, the officials say.

Whether the Russians will be successful is another question. Budanov is not convinced that his enemies can produce as many shells and troops as they are losing, even with North Korea's support. On top of that, Ukrainians have proven adept at defending their territory.

"It's clear that both sides find it challenging to engage, train and sustain [their] armed forces," says Mykola Bielieskov, a research fellow at Ukraine's National Institute for Strategic Studies. "Neither is able to create and leverage [a] preponderance in numbers."

But first, both sides must face the brutal winter. While the sub-zero temperatures will undoubtedly affect Russian military logistics and operations, it will not completely put a stop to them, says Zagorodnyuk.

Being prepared to strongly defend its territory may be the smarter move. After all, he warns, "Russia will always try to attack in winter."

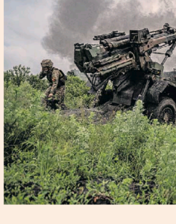
But a military deadlock may benefit Moscow. Putin, according to the US intelligence, is banking that a stalemate will drain western support for Ukraine and ultimately give the Kremlin the advantage.

The western official working on Ukraine policy says: "It's probably fair to say that the Ukrainian system is entirely dependent on the continued military assistance from the west."

Additional reporting by Ben Hall in London and Felicia Schwartz in Washington
Cartography by Stephen Bernard

1,000km Length of frontline that the Ukrainian army has been ordered to fortify

500,000 Number of soldiers army chiefs have advised Zelenskyy to conscript



Source: Brady Africk, an open-source intelligence analyst, FT research, AEI's Critical Threats Project, Institute for the Study of War. Ukrainian counteroffensives before May 1 2023 are not shown. Updated Jan 17
*Crimea is not recognised by the international community after annexation by Russia in 2014 © FT

The FT View

FINANCIAL TIMES
'Without fear and without favour'

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The world's cities are not ready for climate change

Urban areas must rapidly become more resilient to rising temperatures

Think of climate change, and the mind instantly tends to go to melting ice caps, arid plains, forest fires and sinking tropical islands. But the impact of rising temperatures will not only be felt in the hinterlands. A report, commissioned by London's mayor, this week highlighted the possibility of "more intense and frequent heatwaves, more intense rainfall, flash flooding and sea level rise" in the British capital. It is a reminder that cities across the world — where more than 80 per cent of global gross domestic product and the majority of the planet's population live — are also under significant threat.

Major urban ports — including those on America's eastern and western coastlines — risk becoming increasingly swamped in the coming decades. The 2050 Climate Change City Index, produced by Nestpick, a rentals platform, places a range of high and low-income cities at risk of rising sea-level damage. This includes Bangkok in top place, with Amsterdam, Shenzhen and Dubai also ranking high.

It is not only coastal cities that face challenges. Many riverside cities including Paris, Cairo and New Delhi are at risk of flooding too, while those farther from flowing water are under threat from drought, such as Phoenix, Brasilia and Mexico City. The number of cities exposed to extreme heat is expected to almost triple by 2030. Extreme weather events are also expected to become more intense and frequent.

The human and economic costs could be enormous. In young and fast-growing African and Asian countries, urbanisation is set to continue unabated. This will put millions more impoverished city dwellers directly at risk of flooding, heat illnesses and famine. The urban heat island effect — where cities tend to be hotter than rural areas due to heat trapping and emissions from buildings — could also be exacerbated as populations and economic activity swells. Trading floors, skyscrapers and factories in urban centres risk becoming uninhabitable. According to C40, a network of city mayors, climate-related flooding and drought could cost the world's major cities $194bn annually.

With the Paris Climate Agreement's goal to limit global warming to 1.5C or to well below 2C potentially slipping out of reach, cities need to make a step-change in their adaptation and resilience efforts. Some are already acting. At the extreme end, the Indonesian government plans to abandon its capital, Jakarta, 40 per cent of which now lies below sea level, for a new capital city over 1,000km away. Others have begun by greening cities with parks and gardens, which help to cool urban space and reduce flood risk.

> Investment in flood defences, land engineering solutions and green technology need to be ramped up

But too many cities are taking inadequate action. The report on London stated the capital was "underprepared" for the effects of climate change. Greening and retrofitting often aged infrastructure in dense urban spaces is complicated, disruptive and expensive. To navigate this, more cities must first create adaptation strategies. Planning rules may need reform and local areas will also need the powers and resources to adapt their cities. Investment in flood defences, land engineering solutions and green technology also need to be ramped up.

There are political challenges too. Boosting cities' resilience could be seen as shifting funds from needy regions to wealthier urbanites. Big populations in urban areas may also vote down necessary, but ugly, infrastructure adaptations. It is essential nonetheless that national and local governments find a way through the myriad difficulties. Otherwise their urban economic powerhouses will come under increasing strain, multiplying their problems in the process.

Opinion America

Trump is back — is that a problem for the Fed?

Ann Kiernan

Soumaya Keynes

When news outlets called Donald Trump's election defeat in November 2020, my neighbours in Washington DC celebrated by banging pots and pans from their windows. Because nothing says, "This is nearly over" like the clang of a kitchen implement. Except it wasn't nearly over. Exactly a year from now, Trump could re-enter the White House.

Among the many questions raised by the prospect of a second Trump presidency is how hard will monetary policy makers be bashed. So far, the former president has not hit the Federal Reserve particularly aggressively. In an interview last September with NBC News, he said interest rates were "too high", but when asked whether he would direct Fed chair Jay Powell to lower them, he said "it depends".

> A loss of respect for the rule of law is impossible to feed into a macroeconomic model

Inflation, which in his victory speech after Monday's Iowa caucuses he called "a country killer", is apparently a more pressing concern.

That could frame a clash in the run-up to the election. If the real economy starts to weaken, the Fed may decide that high rates are no longer necessary. (Inflation has been falling fast enough that lowering it is no longer the Fed's sole focus.) Cue attacks that the Fed is juicing the economy to help President Joe Biden win.

The suggestion that the Fed might move early to avoid accusations of partiality is already swirling around Washington DC. At his last press conference, in December, Powell said, "We don't think about politics". The experience of the past 30 years suggests that America's monetary policy makers have few qualms about moving in election years. In 2004, for example, they lifted rates dramatically, while in 2008 they did the reverse.

If Trump wins, he will take office at a time when the Fed expects inflation to be much closer to 2 per cent. So barring any further shocks, it seems likely that he will become more vocal about keeping rates low. He seems to think such behaviour gets results. In the NBC interview, he described "jawboning" Powell during his first term, and noted that interest rates then fell.

Surprisingly, there is some evidence that investors agree. One study compared pricing of financial contracts before and after presidential tweets, and found that each one raised expectations of a rate cut over the next year. (Admittedly, a different study found that the effect on rate expectations faded over time.) Another found that exchange rate volatility rose on the day of Fed-related Trump tweets.

Beyond the CAPS LOCK hectoring, there are other ways Trump could chip away at the Fed's credibility. Inserting political personnel is the obvious one. Steve Moore of the Heritage Foundation, an informal adviser to Trump on the economy, says that a President Trump would probably replace Powell.

Although it is unclear whether the Fed chair could be sacked over a policy disagreement, his term as chair ends in 2026, and his term on the board in 2028. The term of board member Adriana Kugler ends in January 2026.

Last time the Senate blocked Trump's more controversial candidates, including Judy Shelton of the Independent Institute. That could be less of an obstacle come 2026, depending on who votes plump for. Moore reckons frontrunners would include Shelton, Kevin Warsh of the Hoover Institution or perhaps Arthur Laffer of Laffer curve fame.

A chat with Shelton gives a flavour of the debates to come. She is confident that fewer regulations and reduced taxes would spur growth, and points out that stifling demand by raising interest rates makes life difficult for entrepreneurs who would otherwise be willing to expand output. And she says it would be "truly ludicrous" if the Fed set interest rates too high, "just to prove that they haven't caved to what an administration wants them to do".

Even if Trump only inserted two of 12 voting Fed board members, it could send a message about the central bank's future immunity from partisan politics. More immediately, a political chair could become less effective at communicating the committee's views.

The biggest challenges posed by a Trump presidency are the hardest to predict. A 10 per cent tariff on all imports — if he could enact it — would provoke retaliation. A loss of respect for the rule of law is impossible to feed into a macroeconomic model, but would certainly have deep effects.

"Volatility would be well deserved," says Julia Coronado of the consultancy MacroPolicy Perspectives. As if the Fed's job wasn't already complicated enough.

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Letters

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The productivity growth challenge is not unique to Africa

Ruchir Sharma's column (Opinion, December 18) misses the real challenge confronting African and other low and middle-income economies around the world — that of how to achieve accelerating productivity growth to enable convergence with advanced economies.

Although the notion that African countries have failed to harness the continent's population boom by increasing labour productivity is a reasonable point, Africa's slow productivity growth is a common affliction in dozens of countries across Asia, the Middle East and Latin America.

In explaining how Africa has not capitalised on population growth, he compares South Korea and Taiwan, which in the 1960s were at par with several African countries. Yet this comparison is superficial. South Korea and Taiwan's feat — alongside the rest of the Asian Tigers — in converging with high-income economies is distinct even within east Asia. Their mostly lower middle-income neighbours — Cambodia, Indonesia, Myanmar, Laos, the Philippines and Vietnam, all with gross national income of less than $5,000 per capita — are on a similar catch-up quest as African countries, to raise their total factor productivity.

Thus, the challenge of accelerating productivity growth is not a uniquely African problem. According to an IMF working paper, over the 1960-2014 period, only 16 out of 182 countries reached high-income status. Take out the Asian Tigers and the oil-rich Bahrain, Oman, Qatar, Saudi Arabia and UAE and the number of countries that sustained high levels of per capita income growth rates drops to less than 10 countries around the world.

Africa must urgently prioritise policies to accelerate productivity growth to raise incomes and reduce poverty, a task that, in the best of times, will be hard to accomplish for the region's leaders.

Zainab Usman
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What a new temple tells us about a 'secular' India

I read with a growing sense of despair John Reed and Jyotsna Singh's piece on the new temple in Ayodhya ("Temple shrine symbolises Modi's Hindu nationalism", Report, January 18).

The preamble to the Indian constitution declares the country to be "a sovereign, socialist, secular, democratic republic". The government of a secular republic very evidently should not be promoting a particular religion or basing its development on the promotion of that religion. It has not escaped most people that Prime Minister Narendra Modi's tearing hurry to consecrate a visibly incomplete temple in an election year (rather than have priests carry out the ceremony) has more to do with politics than religion.

In case there was any doubt about this, it should be laid to rest by what Nripendra Mishra (a former principal secretary to the prime minister) told the FT, that "every citizen of India" — and he goes on to emphasise his use of the word citizen — "would like to . . . visit this temple at least once".

In other words, good citizenship in India — which according to its constitution is still a secular democracy — now depends on visiting a temple that is being built on the site of a former mosque that was brought down by a Hindu mob in one day in December 1992 while the authorities looked on.

Slowly, but steadily, India appears to be moving towards a state religion, much like its twin, Pakistan.

Priyanjali Malik
London NW6, UK

'Advocating independence for Taiwan is irresponsible'

Your recent article "Becoming Taiwan" (The Weekend Essay, Life & Arts, January 6), which backs the "Taiwan independence" narrative, and goes as far as to call Taiwan a "country", is dominated by wrong perceptions of Taiwan's history.

The claim that "Taiwan was made a Chinese province only in 1887" is completely wrong. The fact is that in the third and the seventh century, the state of Wu, during the period of the Three Kingdoms, and the Sui Dynasty sent over 10,000 people to Taiwan respectively.

Since the early 17th century, the Chinese people increased efforts to develop Taiwan. Starting from the Yuan Dynasty (1206-1368), successive Chinese governments set up administrative bodies, exercising effective jurisdiction over Taiwan.

In the mid-17th century, Dutch colonists invaded and seized Taiwan. Zheng Chenggong, a national hero of China, expelled the Dutch colonists in 1662 and recovered Taiwan. In 1895, owing to its defeat in the 1894-1895 Sino-Japanese war, the Qing government was forced to sign the unequal Treaty of Shimonoseki, ceding Taiwan and Penghu Islands to Japan. In 1945, Japan announced its surrender, unconditionally accepted the Potsdam Proclamation and the Cairo Declaration, and returned Taiwan to China. As such, China recovered Taiwan de jure and de facto through a host of documents with international legal effect. Since 1949, Taiwan and the motherland have been in a state of temporary division due to well-known reasons, but this has not changed the fact that Taiwan is an inalienable part of China.

There is only one China in the world. The historical and legal fact of Taiwan being part of China is beyond question. The status of Taiwan as part of China, not a country, cannot be changed. Solving the Taiwan question and realising the complete reunification of China is the common aspiration of all the Chinese people. Our stance on promoting the great cause of the reunification of the motherland is consistent, rock-solid and unshakeable. China will realise reunification, and this is unstoppable.

To maintain peace and stability across the Taiwan Strait, the one China principle must be followed. Advocating "Taiwan independence" and inciting confrontation is dangerous provocation and extremely irresponsible.

Bi Haibo
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Animal communication — Tories should take note

Persis Love writes a fascinating piece (Visual story, January 18) on our endeavour to understand the languages of the animal kingdom.

One wonders if the same can be done for the Tory government, which speaks a language the country doesn't comprehend at all?

Mark Peaker
London W1, UK

Economists — parochial as Ninth Avenue New Yorkers

One can cheer along with your columnist Soumaya Keynes, but only if one focuses on the last five words of her headline: "Economists are trying to be less male, pale and stale" (Opinion, January 12).

The problem is actually the first word. With it, her piece betrays economists' parochial mindset, equivalent to that of a Ninth Avenue New Yorker's view of the world. Namely, what happens in US economics — with the broader "rich world" barely an echo — is what happens in economics.

But economics in the non-rich world is not a residual. And topping its woes is the presumption there is nothing general to be learnt there because all such knowledge has been unearthed by the male, pale and stale profession.

Insular economists of both genders need to get into their heads — and their headlines — that the world is out there.

Peter Doyle
Washington, DC, US

'First mover' isn't always an advantage for new drugs

I enjoyed reading the Lex note on obesity drugs ("Obesity drugs: weighty matter", January 9). One line jumped out: "Pharma's first movers can often prove resilient . . . Merck's blockbuster Keytruda managed this in cancer therapy."

Keytruda was technically the second mover, receiving approval in September 2014, when Opdivo was approved in July 2014. Opdivo actually outperformed Keytruda in product sales from 2014 to 2017, at which point Merck's lifecycle efforts paid off, and it has since been far more successful. In working with pharma/biotech clients who are preparing to launch drugs, I have always made clear first mover isn't an overwhelming advantage.

A 2014 McKinsey study found: "Overall, first-to-market players have a 6 per cent market share advantage over later entrants, but they achieve market share leadership in less than 50 per cent of the drug classes we evaluated.

"Despite these circumstances, it is important to note that late movers win in more than 50 per cent of the drug classes we evaluated. And we find that the odds are greatly improved for late entrants when they are second entrants to the market, fast followers (launched within the same year or one year after the first entrant), and marketed by a large pharma company."

Case studies include multiple examples of second mover and even third mover advantage, eg Zantac, Lipitor, Biogen's Aduhelm drug versus other Alzheimer monoclonal antibodies (MABs).

Simon Vanstone
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Blaming planning and Nimbys misses the point

The Big Read "England's 'Nimby' conundrum" (January 16) identifies a range of issues that hold up building the new homes we need. But blaming the planning system and Nimbyism ("not in my back yard") is to miss a core issue — building more homes will not on its own solve the crisis since new builds contribute less than 1 per cent each year to the stock of homes.

We also need to make better use of our existing stock, by encouraging the elderly to downsize by waiving stamp duty, releasing under-occupied homes for households needing them, and encouraging the building of more homes suited to "downsizers".

Fundamentally, we need to align our taxation policy better with our housing objectives. We can start by revaluing homes for council tax, so that those of us living in high-value properties (whose values have gone up so much in recent years) pay more.

Of course we must build more too. This means all planning authorities having an up-to-date local plan (60 per cent do not). The lack of plans increases uncertainty and risk for developers, potentially resulting in delays. Often this means more time and costs taken up in appeals, with decisions ultimately taken by ministers not local councillors. Two other matters are critical. First, mandatory local housebuilding targets should be restored since the new policy making them "advisory" is almost certainly going to lead to less new building than we need. Second, if we are to have local plans in place and speedy decisions on applications, we must ensure planning authorities are better resourced since there has been a 40 per cent cut in their staffing since 2010.

Finally, we need policy to be much more integrated and consistent than it is. When we last built the homes we needed (it was in the 1970s) there was just one government department involved. Now there are several and they are not all pulling in the same housing direction.

Professor Tony Crook
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Chinese progress of sorts?

Kathrin Hille quotes China as saying that the results of Taiwan's election indicates that the Democratic Progressive party does not represent majority public opinion on the island ("Taiwan's ruling party secures presidency as voters defy China", Report, FT.com, January 14). It is encouraging to hear that China respects majority opinion in Taiwan.

Willem Thorbecke
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Opinion

How corporate credit investors are pricing the future

MARKETS
Toby Nangle

Financial market data is endlessly fascinating. In describing collective expectations, it holds a mirror to our hopes and fears. At the moment, however, the picture is confused. It's hard to immediately square what's going on in corporate bonds with the prospects priced into other markets.

The overarching market story of the past year has been the rise and fall of expectations around central bank interest rates. While speculation over what happens next continues, growth is expected to slow in major economies, if not stall. And, despite persistent strength in jobs and wage data, some leading economic indicators are flashing recessionary signals.

Equity markets, which depict the anticipated and varied futures of thousands of companies, have been upbeat in the face of this. Investor confidence in upcoming rate cuts may have boosted overall valuations. And the rise and rise of the so-called Magnificent Seven tech stocks is also driving the US market higher on the back of hopes over the artificial intelligence boom. But predictions about the impact of AI have created real winners and losers, foretelling an environment littered with the remnants of creative destruction.

Meanwhile, corporate markets tell another story. Corporate bondholders tend to be a sceptical bunch focused on downside risks. The joke that corporate bonds are like equities, just without the upside, contains a germ of truth. Both can lose everything in the event of default. But while stockholder returns are uncapped, the best case for corporate bondholders is timely payment of interest and a return of principal.

As a result, corporate bondholders tend to be more cautious. So it is difficult to immediately reconcile what's going on in this market with the prospects priced into the other ones. Today's corporate credit pricing might more typically be associated with the sunlit uplands of buoyant growth and corporate stability than the dark clouds factored into other markets.

In compensation for credit risk and inferior liquidity, corporate bondholders demand higher yields than those on offer from government bonds of comparable term. The quantum of additional yield — the credit spread — tends to increase in anticipation of rockier economic and corporate environments, leading to poor relative returns. Today, spreads are nearing their skimpiest levels in 20 years.

> Compared with equity traders, these bondholders tend to be a sceptical bunch focused on downside risks

Structurally, diversified corporate bonds tend to overcompensate owners for credit losses. Schroders estimates holders of US investment-grade and high-yield credit need only 0.3 per cent and 2.2 per cent of spread respectively to compensate them for their expected costs over the cycle. Spreads clear these hurdles easily. But they have consistently cleared them for at least the past 25 years (which does explain why it's hard for investors to bet against corporate bonds over long periods).

Expectations for inflation to recede have delivered a boon to equity and bondholders of late. But inflation itself has been a boon to credit metrics. US debt service ratios are at their strongest for more than 40 years. But the factors driving improved creditworthiness have recently flipped. As old low-coupon debt is refinanced at progressively greater yields, the rate of change in debt service costs now substantially eclipses fast-fading revenue growth.

Despite this deteriorating outlook, it's not hard to find asset allocators who are still keen to hold corporate bonds. The valuation measure they first cite, however, is overall yield rather than spread. Compared with the past three decades, corporate yields are substantial, buoyed almost entirely by higher government rates. Investors see, at last, a realistic possibility of locking in total returns that meet their targets.

Theory dictates that investors price corporate bonds so that they get paid for their expectations of credit losses and liquidity cost vis-à-vis government bonds. Practice suggests that they just want to get paid. Although history suggests that this will happen, expectations of supercharged creative destruction and recession-level rate cuts factored into other markets are, however, perhaps too incongruous with today's meagre credit spreads for them to be sustained.

As well as reflecting our expectations of the future, financial market prices can change it. Tighter spreads made possible by investors' allocations have reduced the cost of credit. In turn, that has eased financial conditions and stimulated the economy. Paradoxically, this makes it harder for central banks to swiftly cut rates, undermining valuations across markets and ultimately threatening the very returns that investors are so keen to lock in.

The writer is an FT contributing editor

Despite fear of AI, it may help level up society

INNOVATION
Gillian Tett

Will.i.am, the Grammy-award winning rapper from the Black Eyed Peas group, has long mesmerised millennials with his music. This week, however, he grabbed the attention of economists, government ministers and corporate leaders with a different tune — a vision for artificial intelligence.

As debates about AI dominated this year's World Economic Forum meeting in Davos, will.i.am was among the loudest extolling the technology's putative power. That is partly because it is sparking his own creativity (this week he launched the first music radio show with a bot). But there is another reason too. He thinks AI could pull marginalised people into the mainstream economy in future years, and thus be a tool for social levelling. In particular, he told me — in a lively, expletive-laden speech on stage — he thinks AI will "break down barriers" for people "who have nothing", in a near-unprecedented way.

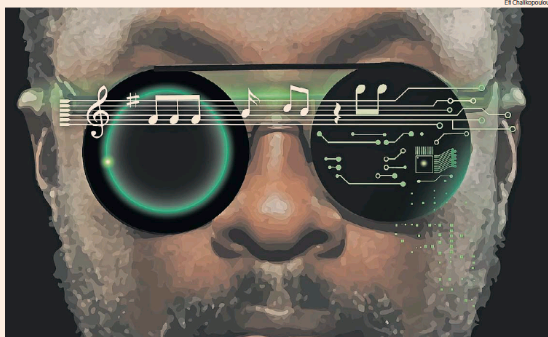
Is this just another bit of Davos hype? Many might think so. It is true that in recent months a host of economists have predicted that AI will deliver a big boost to growth. Michael Spence, a Stanford university professor, for example, thinks it will add at least $4tn annually to global gross domestic product.

But this chatter about a putative productivity miracle usually occurs amid fears about rising social inequalities, due to the displacement of jobs. Indeed, at the start of this week's WEF meeting, a survey from PwC revealed that a quarter of global chief executives expect generative AI to lead to headcount reductions of at least 5 per cent this year. Meanwhile, the IMF predicted that AI will change 40 per cent of all global jobs — and 60 per cent of those affected will be in developed countries.

More alarming still is a widening "digital divide" in terms of uneven levels of digital literacy and access to the technology across populations — one that cannot be easily closed by education alone. No wonder that a poll from the Edelman public relations group shows only 30 per cent of the global public want to embrace AI — while 35 per cent reject it.

However, there are two key factors that help explain the alternative, more optimistic view about inclusion, espoused by will.i.am and others. One concerns how AI might hit "head, hand, heart" jobs — to cite British author David Goodhart — or those deploying cognitive, manual and caring skills.

In the 20th century, digitisation primarily hit jobs done by "hand". And the displacement of factory workers in the west by robots did fuel income polarisation, even if other jobs were created elsewhere, as economists such as David Autor have noted.



Efi Chalikopoulou

But the difference between AI today, and automation in the 20th century is that the new tech is hitting "head" jobs (and, to a lesser extent, "heart" roles), as Josephine Teo, Singapore's digital minister, told a WEF meeting. That hurts the elite professions, arguably for the first time. Hence the squeals of alarm from pundits — which might leave some manual workers feeling some justified *schadenfreude*, observes Teo (herself a former union leader).

The second factor is that history also shows that technological revolutions "undermine incumbents", says Andrew McAfee, an economist at MIT business school. This is the case be they companies, countries or economic cohorts.

That might seem hard to imagine today, since the elite who have developed and deployed AI have become fabulously wealthy. But if the acronym is presented in terms of "augmented" — rather than "artificial" — intelligence, it is possible to see why hierarchies might yet be challenged by a tool that enables workers to execute complex cognitive tasks far more easily than before.

> Activists hope that putting these tools in the hands of disadvantaged children will be empowering

Consider the jobs of writing legal contracts, advanced computer code or medical diagnoses. Today, they are dominated by an educated elite. But if less-educated workers can deploy AI to perform these roles in the future, that will break some of the barriers to entry for "head" work. That is scary for the elite. Not so much for others.

Hence why some AI leaders, such as James Manyika of Alphabet, argue that this is already sparking a more positive attitude towards AI in the developing world than the developed one. And why social activists, including will.I.Am, hope that putting AI tools in the hands of more disadvantaged children will be empowering.

The cynic in me would retort that there are endless obstacles that could torpedo this. Wealthy elites are often extremely good at finding ways to protect their privilege — and at building professional "moats". And one grubby aspect of AI is that its development to date has hitherto been dominated by elites in the west.

This means there is an urgent need to get wider participation in the creation of the technology, says Alex Tsado of Alliance4ai, a lobby group promoting access in African countries. Without this, the tech will reinforce biases and hierarchies. Proactive, smart and holistic government policies must be developed to bolster education and IT access, and to ensure open-source AI development.

But here is the key point: if a rapper who grew up in a poor district in Los Angeles can dare to dream of a levelling upside for AI, other pundits should try do so as well — even amid the dystopian chatter. I just wish the Black Eyed Peas would create a song urging governments to deliver the policies to support this; it might finally grab attention from voters.

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Germany should go big on nuclear fusion energy

TECHNOLOGY
John Thornhill

In both a metaphorical and a literal sense, Germany is running low on energy. The country was the most sluggish of the world's major economies last year with output shrinking 0.3 per cent. This was partly because Europe's biggest economy has an acute energy challenge having renounced the use of coal, nuclear power and Russian gas. Once again The Economist asks: is Germany the sick man of Europe?

Yet the country is seen as a "sleeping giant" when it comes to one promising future source of energy: nuclear fusion. Germany's formidable research base and engineering prowess give it a good shot at developing the technology. There is a strong argument that the country should go all in on fusion, which promises to deliver safe, clean, carbon-free energy with none of the dangers of nuclear fission reactors. Not only would this approach solve Germany's energy security needs, it could also create a highly lucrative new industry.

For decades, fusion energy has been regarded as the technology of the future that will forever remain that way. Although fusion is the most abundant source of energy in the universe, the challenges of harnessing the power of the sun on Earth are dazzling. Although the theory is well understood, the practice of fusing hydrogen atoms to release energy is a diabolical engineering puzzle.

But some striking recent progress has triggered a surge of investment. One milestone was reached in December 2022 when the Lawrence Livermore National Laboratory in the US achieved "net energy gain" for the first time by firing the world's biggest laser at a tiny pellet of hydrogen plasma (even though the overall facility consumed far more energy than it generated).

The Fusion Industry Association says a "technology explosion" is now occurring in the field. Last year, 13 new fusion companies were launched taking the global total to 43. Overall, they have attracted $6.2bn of investment. Nineteen of those companies have forecast they will deliver fusion power to the grid by 2035. Helion Energy, a US fusion company, has already signed a deal with Microsoft to deliver electricity in 2028.

The International Atomic Energy Agency had previously assumed that Iter, the mammoth, multinational fusion reactor being built in France, would only fully prove its worth from the 2050s. But recent advances elsewhere have led the agency to create a fusion working group to co-ordinate regulation. "I am telling them now that we should be focused on the mid-2030s. We need to be ready by 2040," says Ryan Wagner, the IAEA's tech lead for fusion energy. As in so many other technological fields, the US leads the world, with 25 private fusion companies. However, Germany, which has invested heavily in basic fusion research, also boasts impressive expertise and two of the most intriguing start-ups Marvel Fusion and Proxima Fusion, both based in Munich.

> This would solve the country's power security needs and could also create a highly lucrative industry

Last September, the federal government said it would invest €1bn over the following five years to ensure that Germany developed a fusion power plant as quickly as possible. But some doubt this funding is enough to win such a capital-intensive race.

Heike Freund, chief operating officer of Marvel, told me she welcomed the increasing political momentum in Germany behind the industry but questioned whether it could compete with the US, given Washington's activist industrial policy and dynamic venture capital sector. "We're facing a funding gap. There's a missing zero," she said on the sidelines of the Digital-Life-Design conference last week. "The Americans set a mission of 10 years and then do everything they can to reach it."

Similarly, Proxima, the first company to spin out of the prestigious Max Planck Institute for Plasma Physics in 60 years, says it would need €500mn to finance the construction of a demonstration fusion plant using its stellarator magnetic confinement technology by 2031. "Stellarators are the clearest and most robust path to develop the technology," says Francesco Sciortino, Proxima's chief executive. But Germany's regulatory regime is still uncertain and such sums are hard to raise given the lack of private European growth capital.

In spite of the industry's excitement, fusion is not going to help solve the climate crisis in time. Because of this uncertain timetable, critics say investment would be better directed at the more rapid deployment of renewable energy, such as solar and wind. But German manufacturers have lost their grip on both those markets to state-subsidised Chinese competitors. It would be galling if Germany lost out again with fusion.

The writer is founder of Sifted, an FT-backed site about European start-ups

Introducing the Sunak survivability statistic

ECONOMICS
Chris Giles

After much flip-flopping, Prime Minister Rishi Sunak has plumped for John Major's winning 1992 strategy as his "narrow path" to victory in the UK general election expected to be held this year. The Conservatives will herald an improving economy, warn that voting for Labour would be risky and cut personal taxes in the Budget on March 6.

Only the last of those three remains uncertain because Sunak is beholden to the independent Office for Budget Responsibility to provide the necessary resources via its fiscal forecasts. The first version of these has not yet been shared with the Treasury or No 10.

There are good reasons to think that the fiscal watchdog will provide Sunak with a larger war chest than the £13bn of headroom it identified after November's Autumn Statement. Since then, financial market expectations of future interest rates have fallen by roughly one percentage point and government borrowing costs have also dropped. Using the OBR's ready reckoner for debt interest payments, this alone could provide roughly another £14bn. Add to this the likely effects of lower than expected inflation, and benefit expenditure in 2028-29 might well be revised down by roughly £4bn.

The Office for National Statistics will publish important new population projections at the end of this month that might also be significant for the public finances, although the effect depends on the balance between higher migration assumptions and longevity.

> If he blows his war chest on tax cuts, it will show that he knows his chances at the UK election are minimal

It is not all good news for the Treasury, however. Offsetting the potential gains is a likely downward revision to nominal gross domestic product — the cash size of the economy — reflecting lower domestic inflation and nominal wage increases than expected in November. This would directly lower projected tax revenues, but the scale is highly dependent on fine OBR judgments on the size and composition of economic output. If the level of nominal GDP at the end of the forecast period in 2028-29 was 1 per cent lower than forecast in November, government receipts would decline by about £14bn.

The OBR Budget forecasts are therefore likely to provide a war chest, but its size remains highly uncertain and could easily be reversed in a subsequent fiscal event. Facing these circumstances, any government that knew it would be in power for a long time would want to build up a buffer as insurance against a potentially difficult future. This is especially true at a time when an ageing population will raise pressure on public spending in the years ahead, existing plans are tight and Tory ministers know they will not raise petrol and diesel duties even though they force the OBR to assume the opposite.

Having a bigger fiscal buffer would allow the Tories to shrug off the occasional unfavourable OBR forecast and let ministers to get on with government without the endless drama. It means we can define a "Sunak survival statistic", measuring both the proportion of any windfall saved and simultaneously the prime minister's own view of his chances in the coming election.

If Sunak saves none of his coming war chest and blows the lot on tax cuts, the survival statistic will be zero, demonstrating that he knows his party's chances at the election are minimal. That would be the actions of someone who merely wants to make life difficult for Labour. On the other hand, if he saves most of any fiscal windfall, the higher statistic would demonstrate that he believes he might be in power and able to effect change up to 2029.

The March 6 Budget will certainly not determine the economic future of the UK, the amount of tax we will pay in the medium term nor the quality of public services. All these things will be decided by the next government. But it will demonstrate whether Sunak thinks he will be in charge this time next year.

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Supermarket banking: UK misadventures

Who wants to do their banking where they buy their bread? Not many people, judging by the flight of Britain's supermarkets from financial services.

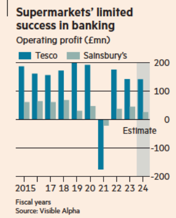
Sainsbury's has announced a "phased withdrawal" from its banking business. Tesco is also reportedly seeking a buyer for its bank for about £1bn. The UK's biggest grocer already sold off its mortgage book in 2019.

Their retreat should serve as a salutary lesson to companies that believe they can use their brand to conquer other capital-intensive sectors.

Sainsbury's and Tesco moved into banking in 1997, initially via joint ventures with established banks. The logic appeared sound enough: traditional banks were struggling with large, expensive branch networks. Supermarkets could poach customers via a phone line and low-cost kiosks in stores.

There were early warning signs, though. Just months after launch, Tesco had to compensate customers who suffered long delays setting up their accounts. It had to hire more staff to deal with inquiries.

In 2008, just months before its partner was nationalised, Tesco bought out Royal Bank of Scotland — now NatWest — for £950mn. It confidently declared it could generate £1bn of profit annually from services including financial services and telecoms. Tesco Bank never came close. It is forecast to generate operating profits of about £142mn this year, according to Visible Alpha, barely changed from 2023.



Fiscal years
Source: Visible Alpha

As UK challenger banks know too well, building a financial services business of scale requires huge financial and human capital. Given that the same is needed to maintain core food businesses, Sainsbury's and Tesco banks never broke through, says Clive Black of Shore Capital.

Sainsbury's Bank has less than 5 per cent share of UK consumer lending, reckons RBC Capital; Tesco is marginally higher at 5 to 6 per cent.

The idea that lenders such as Barclays or HSBC, among those reportedly bidding, would now see great potential in cross-selling to supermarket customers should be treated with scepticism.

Sainsbury's tried to sell its bank in 2021 and failed. And these are small morsels. Lex's back-of-the-envelope calculations, based on sector price/earnings ratios, suggest a valuation of perhaps £100mn for Sainsbury's Bank and under £600mn for Tesco.

Other groups such as John Lewis that have suggested they can use shoppers' brand affection to find success in unrelated sectors should take note.

Japan Inc: focus shifts to building growth abroad

US merger and acquisition activity is getting a boost from an unlikely source: the Bank of Japan. Japanese homebuilder Sekisui House yesterday agreed to buy Denver-based developer MDC for $4.9bn in cash. A shrinking domestic market is forcing Japan Inc to look for growth overseas. Ultra-low interest rates back home have further whet the appetite for deals.

Sekisui is the latest in the wave of Japanese companies prowling for cross-border transactions. Nippon Steel snapped up US Steel for $14.9bn last month. Astellas Pharma bought eye-treatment specialist Iveric Bio in a $5.9bn deal in May. Mizuho splashed out $550mn for US boutique investment bank Greenhill & Co.

The US has been by far the most popular hunting ground for Japanese chief executives. Deals for American companies accounted for 57 per cent of total Japanese outbound M&A by value last year, according to LSEG.

Access to easy money helps. Even as other big economies moved to aggressively raise borrowing costs over the past two years, benchmark interest rates in Japan have remained stuck at -0.1 per cent. The flipside is low funding costs tend to encourage companies to overpay. In the case of Sekisui, it is stumping up to buy MDC. The $63 a share purchase offer is a 40 per cent premium to MDC's 90-day weighted average share price.

Low inventory and high prices for previously owned homes are prompting house-hunters to turn to new build properties, boosting developers' order books. MDC shares rose 75 per cent last year. It ended its most recent quarter with 1,695 new orders, a 467 per cent increase on the year-ago period.

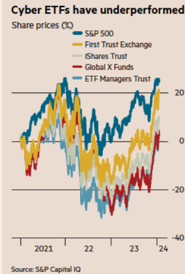
Sekisui, which also owns builders Woodside Homes, Holt Homes and Chesmar Homes, said it would become the fifth-biggest US home builder. The purchase price looks more reasonable on an enterprise value to ebitda basis. The multiple of 5 times is below the 8 times commanded by market leader DR Horton. But DR Horton is also much bigger and boasts better margins.

Japan's renewed interest in US business hasn't always met with a warm welcome: Nippon Steel's deal provoked political angst and calls to block the purchase.

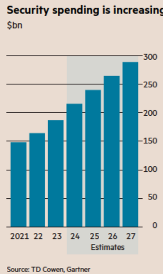
This time, it is certainly the US shareholders that look to be getting the better deal.

Cyber security investing: betting perils

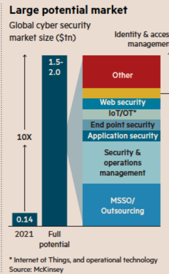
Cyber security exchange traded funds have trailed the S&P 500 over the past three years despite rapidly rising security investment. Meanwhile, the current sector spend — expected to be $215bn in 2024 — is only a fraction of the potential market size, which consultants McKinsey put at $1.5tn-$2tn.



Source: S&P Capital IQ



Source: TD Cowen, Gartner



* Internet of Things, and operational technology
Source: McKinsey

Megatrends are an appealing investment concept. The theory is that some sectors are set to grow faster than gross domestic product, and a rising tide lifts most boats. A broad investment in sectors undergoing secular growth should therefore be a relatively easy way to make money.

That thinking is riddled with bugs. The cyber security sector provides an opportunity to reflect on this.

As megatrends go, cyber security ticks many boxes. Attacks are becoming a bigger risk: a JPMorgan executive this week bemoaned a wave of attacks as fraudsters get "more devious, more mischievous".

Would-be hackers are becoming ever more sophisticated. The latest trend is to use artificial intelligence to identify security weaknesses.

Investment in security is increasing accordingly. This year, it will be up 14.3 per cent from 2023, according to Gartner. The UK's Darktrace this month raised full-year revenue growth forecasts to between 23 and 24.5 per cent. Meanwhile, the current sector spend — expected to be $215bn in 2024 — is a fraction of the potential market, which McKinsey puts at $1.5tn-$2tn.

With that tailwind, you might expect cyber security exchange traded funds to be racing ahead. They are not. Over the past three years, they have underperformed the S&P 500.

One reason the cyber security megatrend has been so hard to tap into via an index is that products have a short shelf life. Criminals are innovative and the nature of the threat keeps changing. New security tools need to be introduced quickly.

That makes even market leaders vulnerable to upstarts. Indeed, the first wave of cyber security products were sold by network companies that have since lost share to specialised outfits such as Fortinet and Palo Alto.

This may be changing, however. Some companies, says Shaul Eyal of TD Cowen, are attempting to turn themselves into cyber security one-stop shops, the metaphorical equivalent of Walmart or Tesco. Outfits such as Palo Alto are developing multiple technologies and supplementing them through bolt-on acquisitions, which should make them larger and more resilient to changing threats.

Buying into such cyber platforms may be a better way to crack this investment megatrend.

China banks: exposure to Russia carries rising risks

China's lenders were once considered some of the country's safest investments. The relatively stable returns on offer from investing in shares of the largest state-owned banks came with the benefit of fat dividends. Those days may be numbered.

There are two big risks. The first is well known: China's property crisis. The second, less so: Russia.

Sanctions from countries including the US left Russia heavily dependent on China, one of the few countries left that would buy Russian coal. China also became crucial in providing its ostracised neighbour with financial services.

After Russia's central bank lost access to a big chunk of international reserves, the renminbi offered one of its few remaining options. The absence of Visa, Mastercard and American Express, which suspended operations in Russia in 2022, meant China's UnionPay was the only service left. This meant that the renminbi's portion of payments surged to 4.6 per cent in November, according to Swift data, surpassing the yen. That makes it the fourth most active currency.

Chinese lenders had distanced themselves from big Russian clients in 2022, when sanctions first kicked in. Nonetheless, their exposure to Russia's banking sector has increased, having already quadrupled in the 14 months to the end of March last year. For China's smaller banks, this business would have been a welcome source of additional revenue.

It increasingly does not look worthwhile for bigger lenders. US laws and enforcement policies require foreign financial institutions that engage in dollar transactions to comply with sanctions or face penalties. In the worst case, there is the threat of curbs on all sources of US dollar liquidity. At the end of last year the US granted the Treasury new authority to penalise foreign lenders doing business with certain Russian sectors, even where there is no US connection to the transaction — "secondary sanctions".

Those penalties would far outweigh the small boost to sales Russian clients mean for the largest banks, such as Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and Agricultural Bank of China.

The rising risk of US sanctions is another challenge for a sector already struggling with supporting the property market, as the largest lenders are called on by Beijing to bail out developers. China banks' price to tangible book value ratio, at 0.4 times, is among the lowest in the region.

As state-owned banks, the downside risk from those requests is not something they can avoid. But exposure to Russia is one that they can.

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Solution 17,632

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