# FINANCIAL TIMES

THURSDAY 18 JANUARY 2024 | ASIA



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Biden's Gaza blind spot leaves him exposed
EDWARD LUCE, PAGE 15


# Global sell-off as eurozone and UK warning signs dash rate cut hopes

- Borrowing cost bets curtailed
- Lagarde says markets 'not helping'
- Retail data hurts US stocks

MARTIN ARNOLD — FRANKFURT
STEPHANIE STACEY AND GEORGE STEER — LONDON

Global stocks and bonds retreated yesterday as investors scaled back expectations of swift interest rate cuts in the eurozone, UK and US.

The worldwide sell-off followed European Central Bank president Christine Lagarde's signalling that borrowing costs would stay higher for longer after markets had been pricing in rate cuts as soon as the spring. It also followed the first rise in UK inflation in 10 months.

Lagarde said that market expectations for an ECB rate cut in the next few months were "not helping" the fight against inflation, although she hinted that a cut could come by the summer.

The Stoxx Europe 600 closed 1.2 per cent lower, its worst day since late October, while the FTSE 100 closed down 1.5 per cent — its weakest day since August.

> 'I would say [a summer rate cut] is likely too, but I have to be reserved'
> Christine Lagarde, ECB president

The losses spread to the US as strong retail sales data cast further doubt on the prospect of early cuts by the Federal Reserve. The S&P 500 was down 0.6 per cent by midday trading on Wall Street, while the tech-heavy Nasdaq Composite fell 1 per cent.

"It now seems that hopes for early cuts in rates from global central banks were a tad optimistic," said Charles Hepworth, investment director at GAM Investments.

Asked if she agreed with fellow ECB governing council members who have signalled an expected rate cut this summer, Lagarde said: "I would say it is likely too, but I have to be reserved."

She told Bloomberg TV at the World Economic Forum that the ECB would have information it required on wage pressures by "late spring". Such data would be necessary before any decision to lower borrowing costs.

In the UK, the unexpected rise in inflation to 4 per cent prompted traders to scale back bets on Bank of England rate cuts. December's figure was the first rise in UK inflation since February 2023.

Matthew Landon, global market strategist at JPMorgan Private Bank, warned that the data would almost certainly delay a policy pivot: "Markets may be too enthusiastic about how many cuts the [BoE] can manage this year."

As European stocks reacted to the prospect of interest rate cuts coming later than previously expected, rate-sensitive property groups were among the worst performers. France's Cac 40 dropped 1.1 per cent, while Germany's Dax slipped 0.8 per cent.

Bond markets were also hit by a sell-off. Rate-sensitive UK two-year bond yields, which move inversely to prices, climbed 0.21 percentage points to 4.38 per cent and the US two-year yield rose 0.13 percentage points to 4.36 per cent.

Prices of government debt had already been hit after US Federal Reserve board member Christopher Waller warned on Tuesday that the US central bank should not rush to slash rates, saying policymakers must "take our time to make sure we do this right".

Speaking ahead of the ECB's next meeting on January 25, Lagarde said she was confident that eurozone inflation would sustainably drop to the ECB's 2 per cent target in the medium term. Annual price growth in the bloc has slowed from a peak of 10.6 per cent in October 2022 to 2.9 per cent last month.

But the ECB president warned that inflation was still too high in the labour-intensive services sector — at 4 per cent in December — and there was a risk of high wage growth, which pushed up pay per eurozone employee 5.2 per cent last year, keeping price pressures too high.

"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 kept falling.

Lagarde added that there was risk in going "too fast" with rate cuts, which would force the bank "to come back" and increase rates again.


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Christine Lagarde at Davos. She says the ECB will have the wage pressures data it needs by 'late spring' — Chris Ratcliffe/Bloomberg

## Briefing

**PwC drops diversity goals after pressure from right**
The Big Four accounting firm has ditched some of its targets in the US and opened up off-limits scholarships to white students after pressure from activists and a Supreme Court ruling against affirmative action.— PAGE 5

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Washington is preparing to name the Iran-backed militant group in Yemen as a specially designated terrorist group, people familiar with the matter have revealed.
— PAGE 4; EDWARD LUCE, PAGE 15

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**Walt Disney blasts Peltz**
The US entertainment group has attacked activist investor Nelson Peltz in a proxy filing, saying he had not "presented a single strategic idea" in two years of pressing for a board seat.— PAGE 6

**JPMorgan hackers 'savvy'**
The US bank has suffered a wave of cyber attacks as fraudsters get "smarter, savvier, quicker, more devious, more mischievous", its head of wealth management has revealed.— PAGE 5

**Surge in climate denial**
A study of 12,000 videos by a disinformation campaign group has identified a new wave of climate change denial that seeks to puncture faith in green energy as well as climate science.— PAGE 4

**Modi builds image of new India around Hindu shrine**


**Analysis** ▸ PAGE 3




| | |
|---|---|
| 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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# China's quickening population decline and low economic growth put Xi to test

JOE LEAHY — BEIJING
ELEANOR OLCOTT, HUDSON LOCKETT AND ANDY LIN — HONG KONG

China's population decline accelerated last year as its economy grew at one of the lowest rates in decades, pointing to persistent challenges posed for the world's second-largest economy by a property slowdown, deflation and demographic pressures.

Gross domestic product expanded 5.2 per cent last year, outpacing growth of just 3 per cent in 2022, when the economy was constrained by Beijing's draconian Covid-19 curbs, and exceeding the official target of about 5 per cent, already the lowest benchmark in decades.

But the population dropped for a second year in a row as deaths rose and births fell. Wang Feng, an expert on Chinese demographics at the University of California, Irvine, said the decline of 2mn people revealed the "footprint of Covid-19", which spread through the country in early 2023 after authorities hastily lifted anti-pandemic measures.

Analysts said the data highlighted the challenge for President Xi Jinping, who began an unprecedented third five-year term in power last year, in trying to engineer a stronger economic recovery.

"In some senses, the strong headline number is a bit misleading," said Fred Neumann, chief Asia economist at HSBC. "It comes off a very weak prior year and really it masks some of the underlying weaknesses that we are seeing in terms of aggregate demand."

Chinese equities lost ground following the data release. The Hang Seng index declined 3.4 per cent, while the CSI 300 index of Shanghai and Shenzhen-listed stocks fell 1.1 per cent.

China's population fell to 1.4bn in 2023, as 11mn deaths outstripped 9mn births, and demographers forecast further falls as the population rapidly ages.

The number of deaths last year was almost 600,000 more than in 2022, exceeding the increase of more than 200,000 between 2021 and 2022.

"It is very likely that the rapid increase in number of deaths comes from the chaotic ending of zero-Covid, which led to many excess deaths," Wang said.

The population, which fell for the first time in 60 years in 2022, is the result of a 1980s policy that restricted most couples to one child, well below the average of 2.1 needed to stay level. The national death rate was 7.87 per 1,000 people in 2023, the highest since the early 1970s, and up from 7.37 the previous year.


**FT View** page 14
**Lex** page 16


## World Markets

**STOCK MARKETS**

| | Jan 17 | Prev | %chg |
|---|---|---|---|
| S&P 500 | 4737.99 | 4765.98 | -0.59 |
| Nasdaq Composite | 14809.49 | 14944.35 | -0.90 |
| Dow Jones Ind | 37320.68 | 37361.12 | -0.11 |
| FTSEurofirst 300 | 1849.52 | 1869.98 | -1.09 |
| Euro Stoxx 50 | 4401.82 | 4446.51 | -1.01 |
| FTSE 100 | 7446.29 | 7558.34 | -1.48 |
| FTSE All-Share | 4069.74 | 4134.31 | -1.56 |
| CAC 40 | 7318.69 | 7398.00 | -1.07 |
| Xetra Dax | 16431.69 | 16571.68 | -0.84 |
| Nikkei | 35477.75 | 35619.18 | -0.40 |
| Hang Seng | 15276.90 | 15865.92 | -3.71 |
| MSCI World $ | 3146.04 | 3165.14 | -0.60 |
| MSCI EM $ | 979.72 | 995.16 | -1.55 |
| MSCI ACWI $ | 718.96 | 724.03 | -0.70 |
| FT Wilshire 2500 | 6166.33 | 6193.82 | -0.44 |
| FT Wilshire 5000 | 48019.40 | 48240.10 | -0.46 |

**CURRENCIES**

| Pair | Jan 17 | Prev | Pair | Jan 17 | Prev |
|---|---|---|---|---|---|
| $/€ | 1.085 | 1.088 | €/$ | 0.922 | 0.919 |
| $/£ | 1.266 | 1.265 | £/$ | 0.790 | 0.790 |
| £/€ | 0.857 | 0.860 | €/£ | 1.167 | 1.163 |
| ¥/$ | 148.450 | 146.940 | ¥/€ | 161.061 | 159.820 |
| ¥/£ | 187.916 | 185.939 | £ index | 82.160 | 82.223 |
| SFr/€ | 0.942 | 0.935 | SFr/£ | 1.099 | 1.088 |

**CRYPTO**

| | Jan 17 | Prev | %chg |
|---|---|---|---|
| Bitcoin ($) | 42439.46 | 43149.33 | -1.65 |
| Ethereum | 2534.58 | 2572.98 | -1.49 |

**COMMODITIES**

| | Jan 17 | Prev | %chg |
|---|---|---|---|
| Oil WTI $ | 72.06 | 72.40 | -0.47 |
| Oil Brent $ | 77.50 | 78.29 | -1.01 |
| Gold $ | 2038.15 | 2049.90 | -0.57 |

**GOVERNMENT BONDS**

| Yield (%) | Jan 17 | Prev | Chg |
|---|---|---|---|
| US 2 yr | 4.36 | 4.22 | 0.14 |
| US 10 yr | 4.10 | 4.04 | 0.05 |
| US 30 yr | 4.30 | 4.29 | 0.02 |
| UK 2 yr | 4.36 | 4.15 | 0.20 |
| UK 10 yr | 4.21 | 4.01 | 0.19 |
| UK 30 yr | 4.64 | 4.48 | 0.16 |
| JPN 2 yr | 0.02 | 0.02 | 0.00 |
| JPN 10 yr | 0.60 | 0.59 | 0.01 |
| JPN 30 yr | 1.62 | 1.60 | 0.02 |
| GER 2 yr | 2.69 | 2.60 | 0.09 |
| GER 10 yr | 2.31 | 2.26 | 0.06 |
| GER 30 yr | 2.47 | 2.46 | 0.01 |

Prices are latest for edition
Data provided by Morningstar

Ukraine funding

# EU lawmakers revolt at Hungary concession

Threat of legal action after decision to unfreeze €10bn for Budapest

ANDY BOUNDS — STRASBOURG
MARTON DUNAI — BUDAPEST

The European parliament has threatened legal action against Ursula von der Leyen's decision to unfreeze part of Hungary's EU funding in order to secure Viktor Orbán's support for Ukraine.

In a heated debate yesterday, the European Commission president denied giving in to blackmail and said the Hungarian government had carried out sufficient judicial reforms to unblock €10bn in EU funds, which had been frozen due to rule of law issues.

"Hungary delivered," von der Leyen said. "These are the rules we have all agreed to and we will follow them. This is what makes the rule of law stand out from arbitrary power." She said a further €20bn was still frozen because of concerns about LGBT+ rights, academic freedom and migrants' rights under Orbán's increasingly autocratic rule.

But MEPs from the four biggest political groups, including von der Leyen's own centre-right European People's party, argue the money was released too early in order to persuade Orbán to drop his veto to Ukraine's membership of the EU and long-term funding for Kyiv.

Just days after the commission decided to unblock Hungary's funds, Orbán allowed the opening of accession talks with Ukraine but refused to budge on the bloc's plans to allocate €50bn to Kyiv over the next four years.

"The fact that [those] who are supposed to protect the EU's financial interests are now giving in to blackmail is unbelievable," Malik Azmani, leader of the liberal Renew Europe group, said. "We can no longer give in to Mr Orbán's demands. The confidence of this house in the commission depends on what happens next."

'The confidence of this house in the commission depends on what happens next'

MEPs are now threatening to sue the commission over the decision, with a vote to take place today on whether to prepare a case before the European Court of Justice. Lawmakers could also trigger a vote of confidence in the commission if it were to release further funds to Hungary.

Von der Leyen, who is expected to declare her candidacy for a second term next month, needs to be approved by parliament and cannot afford to alienate its biggest groups, given that in 2019 she was voted into office with just a nine-vote majority.

Iratxe García Perez, the leader of the Socialists, which supported her then, said they had yet to decide whether to back her. "We are defending the rule of law conditionality mechanism, and the European Commission has to respect this rule of law conditionality mechanism," she said.

But before being voted in by parliament, von der Leyen has to secure the backing of leaders who will decide on the bloc's top jobs after EU elections in June. In a sign of how pressing that matter is, the commission president left the parliamentary debate midway through to fly to Italy and meet Prime Minister Giorgia Meloni.

Orbán, who is unlikely to endorse von der Leyen, continues to veto the idea of using the EU budget to send €50bn in grants and loans to Kyiv.

If Orbán continues to veto, there are plans for the 26 other member states to raise the money outside the EU budget.

Diplomats said they were hopeful of a deal at a summit on February 1.

Separatists. Electoral deal

# Spain's Catalan amnesty stirs business backlash

Executives say Sánchez pact will create uncertainty and harm investment climate

BARNEY JOPSON AND CARMEN MUELA
MADRID


Spanish split: demonstrators take to the streets of Madrid in November to protest against the amnesty deal of Pedro Sánchez, below
Rodrigo Jimenez/EPA-EFE

Spain's government is pushing ahead with a controversial amnesty law for Catalan separatists despite accusations that the move threatens the country's image as an investment destination.

Pedro Sánchez, prime minister, who was courting business leaders in Davos yesterday, secured another term in office in November by striking a deal to pardon separatist politicians involved in an illegal independence referendum held in Catalonia in 2017.

The amnesty agreement has been met with fierce criticism from parts of the country's business elite, which has labelled it a cynical ploy that undermines the rule of law and creates an unnerving sense of uncertainty that can scare away investors.

"I do not agree at all with the amnesty," said Antonio Garamendi, head of the CEOE, the main business lobby, last week. "And I am going to tell you that 99.9 per cent of Spanish business people do not agree with it either."

The CEOE has previously warned that the deal — which is opposed by a majority of Spaniards — is "creating an increasingly complicated business climate" and risks causing a "deterioration of our image abroad".

The chair of Mercadona, Spain's largest supermarket group, said last year the amnesty was creating "division among Spaniards". The chief executives of the lender Bankinter and insurer Mapfre have also attacked the move.

The criticism has been rejected by Sánchez, who was due to meet the chief executives of Siemens Energy, Sanofi and Fujitsu as well as Bill Gates in Davos.

Sánchez justified the pact this week by saying it was "great news" that separatists who wanted to break away from the Spanish state were now participating in its governance. His Socialist-led coalition lacks a parliamentary majority but the Catalan parties gave it the votes it needed to secure another term as part of the amnesty deal.

The amnesty will end criminal cases against several hundred pro-independence leaders and supporters related to the 2017 referendum, erasing charges ranging from public order offences to the misuse of taxpayer money.

In the political turbulence that has followed the deal, a new threat to companies emerged last week from Together for Catalonia, a hardline separatist party that led amnesty demands.

One idea floated by Together in its horse-trading with the government was to penalise companies that moved their head offices out of Catalonia during the 2017 crisis and have not returned.

"It is ridiculous," said Carlos Artal, director-general of the Spanish branch of Ayming, a Paris-based business consultancy. "European law allows the free movement of people, companies and goods. It goes against European law."

The idea of penalties fell by the wayside, but the Socialist party said it was open to providing incentives for companies to return to Catalonia. It also agreed to give the region more influence over the management of immigration.

The episode reinforced a sense of uncertainty fostered by the amnesty, Artal said. "What is happening is that today there are laws [and] rules, but tomorrow they could change."

Isabel Díaz Ayuso, the conservative head of the Madrid regional government, said the Sánchez government "rules for the few and for itself". Investment, she said, was "starting to fall" as a consequence. Rocío Albert López-Ibor, Ayuso's economic chief, told the Financial Times the amnesty "sends a signal that what's been established by judges and ruled on by the supreme court may not be adhered to. This is very bad news for the business sector".

But the government dismissed the warnings. Carlos Cuerpo, economy minister, told the Spain Investors Day conference last week that foreign direct investment was "booming".

A senior government official said that "we are working with investors all the time and we have not seen absolutely anything in terms of projects being postponed, delayed or cancelled". But the official added: "There is a lot of political noise. I cannot deny that."

'We have not seen absolutely anything in terms of projects being postponed, delayed or cancelled'
Government official

Spain attracted €34.5bn of foreign direct investment in gross terms in 2022, the second-highest figure on record, according to foreign investment consultancy SIfdi. The level dipped last year but the government official predicted it would remain "very high".

In November, Google opened a cyber security centre in Málaga, and a month later oil group Cepsa and an affiliate of Maersk announced an investment of up to €1bn to open Europe's biggest "green" methanol plant on the south coast.

But some in government fear that warnings about damage to Spain's image could become self-fulfilling.

The issue would dominate politics in the weeks ahead because the Socialists wanted an amnesty law to be passed by the lower house of parliament this month, a party official said.

Sánchez has presented the amnesty as part of a broader effort to "normalise" relations between the region and the rest of Spain. He has also defended the country as "an ideal place to invest", with strong democratic institutions.

"If anything, people tell us that if there is less confrontation with Catalonia there is more stability," the government official said. "That is good for business."

Diplomatic visit

# China hails friendly ties with Ireland as premiers meet in Dublin

JUDE WEBBER — DUBLIN
JAMES KYNGE — LONDON

Chinese Premier Li Qiang held talks with Ireland's Taoiseach Leo Varadkar in Dublin yesterday as part of a trip that highlighted the nations' close trade and investment ties — and their potential vulnerability to geopolitical tensions.

Ireland's chip and other exports to China and its role as an important destination for Chinese investment have made the country a poster child for the benefits of friendly ties with Beijing.

But exports fell last year and the tight economic relations have put Dublin in the crossfire of US efforts to control technology flows to China and the EU's policy of "de-risking" trade with the world's second-largest economy.

Analysts said Li's trip to Dublin, his only European destination outside Switzerland, following an appearance at the World Economic Forum in Davos, was a chance to encourage Ireland to maintain ties and keep semiconductor sales flowing at a time when larger EU states are taking a harder stance on Beijing.

China and Ireland had been "setting a good example of friendly coexistence and win-win co-operation" since they established diplomatic relations 45 years ago, Beijing's embassy in Dublin quoted Li as saying after his arrival.

"Premier Li's visit to the only EU country with a trade surplus with China speaks volumes. It shows China always has friends, somewhere," said Philippe Le Corre, senior fellow at the Asia Society Policy Institute. "This is a message to its own people as well as to the world."

While Dublin had endorsed "de-risking" the EU's trade with China, it was seen as "more open to constructive relations" than some member states, said Ben Tonra, professor of international relations at University College Dublin.

Li's visit could be an opportunity to "test the waters" on Ireland's approach to the bigger geopolitical question of how the EU would deal with tensions between the US and China, Tonra said, adding: "Ireland is a very, very small player, but has some weight in terms of shifting debates."

Li said he saw "huge potential" for the two countries' "longstanding friendship and co-operation".

Integrated circuits made in Ireland — many of them by US chipmaker Intel — have in recent years accounted for about 60 per cent of the country's rapidly expanding exports to China.

But Washington has been tightening controls on exports of advanced semiconductors to China.

Ireland's central bank said in its latest quarterly bulletin in September that it was not clear whether US restrictions on exports to China had affected Irish sales.

"However, since US-owned multinational enterprises account for a significant share of exports from this sector in Ireland, it is possible that the restrictions are playing a role in the weakness in Ireland-China ICT goods exports."

Alexander Davey, an analyst at Berlin-based think-tank Merics, said Li's visit could be seen as an intervention to make clear China's sensitivity to the pressure on Intel and also to new Irish laws that tighten controls on exports with potential military uses and investments that could pose security risks.




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Votes in congress

# Milei's ambitious reforms for Argentina face crunch time

CIARA NUGENT — BUENOS AIRES

Frenetic negotiations are under way in Argentina's opposition-dominated congress as libertarian President Javier Milei seeks to push through his ambitious reform agenda while lashing out at lawmakers with key swing votes.

Milei, whose party holds only a tiny minority of seats in the legislature, has moved at unprecedented speed to capitalise on what analysts predict will be a brief honeymoon period amid Argentina's severe economic crisis.

He has put forward more than 1,000 rule changes via a sweeping emergency decree issued last month and a proposed "omnibus law". These aim to deregulate industries, expand presidential powers, reduce the right to protest, and deliver spending cuts and tax increases central to Milei's plan to eliminate the fiscal deficit this year.

Both the decree and law face congressional oversight in the coming days. Yet Milei, who took office in December, has taken an intransigent tone, saying he "will not negotiate" on the bill or decree, accusing lawmakers who challenge them of "looking for bribes".

At the same time, congressional leaders from his La Libertad Avanza coalition were demonstrating a more pragmatic approach, said Alejandro Cacace, parliamentary secretary for centrist bloc Union Civica Radical. "Moments of dialogue are becoming possible."

To pass Milei's changes, the government needs to win over several dozen legislators from the UCR and other centrist or independent blocs. Together, LLA and its loose ally, the rightwing PRO, hold just 75 of 257 seats in the lower house and 13 of 72 in the Senate.

Large, left-leaning Peronist blocs in both houses have vowed to reject most measures Milei has proposed. The lower house of congress began debating the omnibus bill last week. Milei hopes to hold a vote there as early as next week, after he returns from Davos where he delivered a fiery speech yesterday, accusing western leaders of abandoning "the values of the west".

Measures seen as controversial by the centrist parties include proposals to end automatic pension increases; raise taxes on agricultural companies and other exporters; and delegate broad legislative powers to the president in energy, tax, pensions, security and other areas, in effect until Milei's term ends in 2027.

Cacace said recent conversations led him to believe they could reach an agreement on those issues with LLA, including "a reduction in the time period, topics and scope" of the legislative powers and "a temporary and more reasonable" scheme on export taxes.

An LLA source in the lower house said leaders there had accepted the pension reform was "unlikely to pass" as written, despite Milei's attitude, and were "frenetically negotiating".

Officials have also agreed to rewrite articles deregulating the fishing and biofuel sectors after criticism from industry, and scrapped an article that defined protests — for which the government wants to require organisers to notify authorities in advance — as any public gathering of three or more people.

Talking tough: Javier Milei remains defiant despite minority in congress

But Germán Martínez, leader of the 102-strong Peronist bloc Unión por la Patria in the lower house, said such concessions were window dressing "to distract" from the "true authoritarian core" of the bill.

An even fiercer battle is brewing over Milei's emergency decree, which entered into force in late December.

It strikes down or modifies major regulations governing imports, exports, the housing market, food retailers, pharmaceutical and healthcare companies, airlines and more. The decree stays in effect unless both houses vote it down.

The UCR has called on the government to introduce a "mirror bill" to congress, or for the decree to be withdrawn and replaced by many mini-decrees so lawmakers can vote on individual changes. So far the government has rejected those requests, demanding an all-or-nothing approach.

INTERNATIONAL

# Temple shrine symbolises Modi's Hindu nationalism

## India PM seeks vote boost by attending consecration at destroyed mosque site

Ram Mandir: more than 200,000 people are expected to visit daily after the consecration of the temple in Ayodhya, northern India
Ram Temple Trust

'This is a symbolic celebration of showing Muslims their place in today's India'

JOHN REED AND JYOTSNA SINGH
AYODHYA

Three decades after Hindu zealots tore down a mosque at Ayodhya, Indian Prime Minister Narendra Modi will attend the consecration of a massive Hindu temple on the same site, setting the tone for an election campaign in which religious nationalism will play an influential role.

About 4,500 workers have been toiling day and night for months to complete the first stage of the three-storey Ram Mandir shrine, dedicated to one of Hinduism's most revered deities, Lord Ram, in time for a visit by the prime minister on January 22.

Modi, who has ruled India since 2014, is hoping to return for a third term with a big enough majority to sideline his political opposition and continue his Bharatiya Janata party's project of restoring the country's majority religion to a central place in public life.

Rebuilding the temple, where Hindus believe Ram was born — one of three main holy sites that have been a point of contention with minority Muslims — is a core BJP project. Analysts say the temple, once completed, will secure an enduring legacy for India's most powerful leader since Indira Gandhi.

"What Modi is trying to do by developing Ayodhya is [make this] . . . Hinduism's Vatican," said Nilanjan Mukhopadhyay, author of a book on the prime minister and an expert in Hindu nationalist politics. "He has always been driven by this desire to be a very important personality in history, talked about in centuries to come with the same kind of reverence with which the other national icons are."

The construction of the 161ft tall pink sandstone shrine has been accompanied by the building of a new airport, wider roads and pink and saffron building facades on the approach to the temple. Real estate prices have soared in Ayodhya, in the Hindi heartland and Uttar Pradesh state, a BJP stronghold.

"I think every citizen of India — I am including everyone, I am consciously using the word — would like to see and visit this temple at least once in a lifetime," Nripendra Mishra, chair of the construction committee and a former Modi adviser, told the Financial Times.

The temple's holy of holies and five mandaps, or enclosures, along with a temple boundary allowing pilgrims to circumambulate it, will be opened on January 22, with the second and third floors to be completed later, he said.

Officials said they expected about 200,000 to 300,000 people to come to Ayodhya daily after the temple's consecration. "Ayodhya clearly reflects the mood of the nation," Modi said at a recent public rally there. "No country can progress without securing its heritage along with development."

The Indian leader's opposition, bound together last year in an alliance with the acronym INDIA, have accused the BJP of undermining India's secular foundations and exploiting religion for political gain in underwriting the project. The temple, funded by donations from Indians and the diaspora, is expected to cost about Rs32bn ($386mn), but the central and state governments are spending millions more on developing the pilgrimage city and its infrastructure.

"Temples are not the government's business; unemployment, inflation, public welfare and national security are," Shashi Tharoor, an MP with the Indian National Congress, which was swept aside by the BJP in 2014 elections, wrote on X last month. Senior members of Congress, including Sonia Gandhi, have declined to attend the ceremony.

Politicians representing India's roughly 200mn Muslims say the temple is part of a drive by Modi's BJP government to push their mosques and history aside, and their status as fellow Indians.

Ayodhya's neighbouring city, Faizabad, has been swallowed up as part of the redevelopment, losing its name. "This is a symbolic celebration of showing Muslims their place in today's India," said Asaduddin Owaisi, an MP and head of the All India Majlis-e-Ittehadul Muslimeen party. "This has opened the floodgates for many more *masjid* (mosque) issues to be reopened."

Ayodhya is the most prominent of several contested religious sites, where Hindu nationalists have been fighting to demolish or demote mosques built during India's Muslim domination.

In 1992, Hindu hardliners demolished the 16th century Babri Mosque built by the Muslim ruler Babar on what they believed was the site of a temple in Ayodhya destroyed by India's Mughal rulers. The demolition ignited Hindu-Muslim communal violence across India in which about 2,000 people were killed.

At a second contested religious site in Varanasi, Hindu nationalists await a legal green light for a construction project. A decision on the Gyanvapi mosque, which sits by the Hindu Kashi Vishwanath temple, is likely by June.

In Ayodhya, the trappings of a major pilgrimage site are forming. Munna Kumar, a migrant worker from the poor state of Bihar, has been selling a dozen or more miniature models of the Ram Mandir a day for the past three months, earning up to Rs1,000 a day. "It's important to build this temple," Kumar said. "Our culture was vanishing."


US Republicans

## Haley steps up Trump attacks in bid to create two-horse race

LAUREN FEDOR AND JAMES POLITI
WEST DES MOINES, IOWA

**Nikki Haley is escalating her attacks on Donald Trump — including jibes about his age — as she tries to turn the Republican presidential primary contest into a two-way race between her and the former president.**

Haley finished third in the Iowa caucuses on Monday, underperforming polls, and has pulled out of two planned televised debates with Florida governor Ron DeSantis, who finished second, unless Trump appears too.

"That's who I'm running against," Haley told CNN.

"There is nobody else I need to debate. I'm going after Trump," the former US ambassador to the UN said. "People are tired of the division and the chaos. We can't go through four more years of chaos. We won't survive it."

As the campaign shifted from Iowa to New Hampshire, she has started more directly blasting Trump for his age — he is 77 — and his litany of legal problems, saying he and President Joe Biden are representatives of a staid gerontocracy and have more "in common" than people believe.

"The truth is, we don't want any more 80-year-olds in [Washington] DC," she told Fox News. "We don't want to go and hear about any more investigations. We're done with that."

Haley, who was also formerly governor of South Carolina, has gambled on a strong showing in New Hampshire, which holds its primary next week and where she hopes her brand of traditional conservatism may appeal to the state's more centrist voters.

Trump responded to Haley's criticism at a rally in New Hampshire, saying she was "counting on the Democrats and liberals to infiltrate" the local Republican primary. "It's artificially boosting her numbers here, although we're still leading her by a lot."

Trump was speaking alongside Vivek Ramaswamy, the biotech investor who finished fourth in Iowa. He dropped out of the race and endorsed Trump.

Red Sea attacks

# US to classify Houthi rebels as terror group

Move comes as militants backed by Iran continue to target commercial vessels

FELICIA SCHWARTZ — WASHINGTON

The US is preparing to name the Houthis, an Iran-backed militant group in Yemen, as a specially designated global terrorist group, according to people familiar with the matter.

The decision, to be announced in the coming days, comes as the Houthis continue to attack commercial vessels in the Red Sea, a crucial shipping lane for global trade, even after the US began striking Houthi targets in Yemen last week in response. Houthi rebels have stepped up their attacks in response to Israel's war in Gaza against Hamas.

The designation falls under the auspices of an executive order that aims to impede terrorist funding. It comes three years after US secretary of state Antony Blinken reversed a Trump administration decision to designate the Houthis as a foreign terrorist organisation and as a specially designated global terrorist group — an effort by the Biden administration to ease the delivery of humanitarian aid to Yemen.

The specially designated global terrorist group label allows the US government, with some exceptions, to block the assets of individuals and entities that provide support or assistance to the group as well as related subsidiaries, front organisations or associates.

The foreign terrorist organisation designation, unlike the specially designated global terrorist one, triggers a criminal prohibition on knowingly providing material support or resources to the organisation. The Associated Press first reported the news of the new designation.

Aid organisations previously said the Trump-era designations could hinder aid access for those affected by civil war in Yemen, where a fragile truce is holding.

Earlier on Tuesday, US National Security Council spokesman John Kirby said the US was still assessing whether to redesignate the Houthis as a terrorist group. Asked last week whether he was willing to call the Houthis a terrorist group, President Joe Biden responded: "I think they are."

Tensions between the US and the Iran-backed group have continued to escalate in recent days, despite officials in Washington insisting that the US is not intending to go to war with the Yemen-based rebels.

US forces on Tuesday carried out new strikes on targets in Yemen, with the military's Central Command saying its forces struck and destroyed four anti-ship ballistic missiles that the Houthis had prepared to launch earlier in the day. The US has now struck the militants three times in less than a week.

The attacks on Red Sea vessels and those in the Gulf of Aden have prompted ships to avoid the critical shipping route, instead taking a longer and costlier journey between Asia and Europe via the Cape of Good Hope.

World Economic Forum. Fragmentation fears

# Geopolitical cloud hangs over Davos optimism

The mood in the mountains is better than last year but there is still little to celebrate

SAM FLEMING — DAVOS

Ebullient financial markets. Better than expected economic growth. Rising optimism that the worst inflationary surge in decades has been vanquished.

The economic backdrop to this week's Davos meetings was far more promising than many anticipated a year ago. But if the tone of discussions at the World Economic Forum is anything to go by, nobody is ready to celebrate.

Even if big economies led by the US are heading for a "soft landing" in the wake of brutal interest rate increases, that story is being drowned out by rising anxiety about the myriad geopolitical risks looming in 2024 and casting a haze of uncertainty over policymaking.

Wars are raging in Europe and the Middle East, the latter conflict leading to the diversion of shipping around southern Africa, lifting corporate input costs and potentially inflation.

At the same time, eight of the 10 most populous countries in the world are holding elections this year, heralding a period of acute political volatility.

The most consequential is arguably the US presidential election in November. Donald Trump's victory in the Iowa caucuses on the first day of the WEF rekindled concerns the White House could be retaken by a president with scant regard for traditional alliances or a rules-based international system already under threat.

"The economic mood ought to be lifting right now, because if you look around the world the US seems to be doing better than anticipated and China seems to be stabilising," said Eswar Prasad, a professor at Cornell University and former senior IMF official. Instead, "a pervasive sense of doom seems to be setting in on the geopolitical front".

The anxiety is in some ways surprising, given the global economy has weathered the inflation shock far better than many expected when delegates last gathered in the Swiss mountains.

In its latest outlook, for example, the IMF pencilled in growth of 2.1 per cent for the US in 2023, more than double the rate it was predicting a year earlier. It also upgraded its estimate of global growth for 2023 to 3 per cent, predicting a similar pace of expansion in 2024.

There has been "a lot of resilience in the economy despite the rate hikes", said Gita Gopinath, first deputy managing director of the IMF, in a session on Tuesday, pointing out that the effects of 75 per cent of the US rate increases have already been felt.

François Villeroy de Galhau, governor of the French central bank, said the job of beating inflation was not complete.

But he added: "Interest rate tightening has been quite successful so far, and more successful than we expected in Davos say one year ago. What we can see on both sides of the Atlantic is something like a soft landing."

Nevertheless, the pervading mood among delegates has focused on the impact a multitude of geopolitical risks could have on economic policy.

Ursula von der Leyen, European Commission president, said the world had entered an era of "conflict and confrontation, of fragmentation and fear". She added: "We face the greatest risk to the global order in the postwar era."

The war in Ukraine was uppermost in many minds, as President Volodymyr Zelenskyy warned that Russia's Vladimir Putin had ambitions for conquest that extended elsewhere.

This was twinned with discussion of the potential for the Israel-Gaza conflict to escalate and potentially trigger fresh price shocks and disruptions.

"The whole topic [of geopolitical disruptions] is really getting complex," said Beat Simon, chief commercial officer of logistics at DP World, the container terminal operator, who warned rising shipping costs and potentially higher oil prices could fuel inflation.

Apart from Houthi rebel activity in the Red Sea off Yemen, there were tensions in the South China Sea over Beijing's claim to Taiwan, said Simon, and a severe drought was disrupting traffic through the Panama Canal.

Alongside this was a shift away from globalisation as countries prioritised national security and resilience over economic efficiency, and traditional methods of co-operation broke down.

A survey of 30 chief economists by the WEF ahead of the meetings showed almost 70 per cent felt geoeconomic fragmentation would accelerate this year. Chinese premier Li Qiang warned the meetings of what he described as a "trust deficit" among nations. "If the rules are set by certain or a few countries, we have to put quotation marks on the multilateralism because it will still be unilateralism in nature," he said.

Given Trump's vow to double down on his "America First" policies, including a possible 10 per cent tariff and an aggressive decoupling from China, his strong showing in Iowa only deepened concerns about relations between the two biggest economies.

Prasad said the world was looking at the US election in November with "great apprehension", given the outcome could widen geopolitical fractures, damping confidence and thus business investment. "There is a sense that the multilateral order is breaking down . . . That could bring a lot more conflict and volatility," he added.

*Additional reporting by Anne-Sylvaine Chassany in Davos*

Mideast worries: Yemenis protest on Sunday against US-led air strikes on Houthi targets, near Sana'a, the capital. Below, Ursula von der Leyen speaks in Davos

Khaled Abdullah/Reuters; Stefan Wermuth/Bloomberg


'A pervasive sense of doom seems to be setting in on the geopolitical front'

Lebanon

# Fear of border war spurs US to push Israel and Hizbollah for truce deal

RAYA JALABI — BEIRUT
JAMES SHOTTER — JERUSALEM
FELICIA SCHWARTZ — WASHINGTON
NERI ZILBER — TEL AVIV

The US is stepping up efforts to broker a diplomatic solution to intensifying hostilities between Israel and Lebanon's Hizbollah, as fears grow in Washington that the window is narrowing to prevent a full-blown war from erupting on the shared border.

Amos Hochstein, the US envoy spearheading the talks who was in Beirut last week, suggested to Lebanon's caretaker prime minister the idea of a deal for an interim cessation of hostilities between Israel and the militant group. It would be followed by a longer-term solution, according to people briefed on the talks.

However, those people said discussions were still in their early stages and that significant obstacles remained as Israel and Hizbollah had each ratcheted up cross-border attacks in recent weeks.

"Diplomacy and war are in a race right now — and we're not sure which one is going to win," said one of those familiar with the talks. The pro-Hizbollah Lebanese newspaper Al Akhbar said on Tuesday that Hochstein's visit to Beirut was being interpreted as "the last warning before a major escalation".

Israeli officials have publicly demanded that Hizbollah forces withdraw 30km inland to the Litani river, as mandated by a long-ignored UN resolution, but recent talks have focused on a lesser withdrawal of 10km in an apparent effort to find a compromise.

Israel is also pushing for an additional 15,000 members of the Lebanese military to be deployed to the border areas, according to people briefed on the talks, in keeping with the same UN resolution. Fewer than a third of that number are thought to be stationed in southern Lebanon, according to three people with knowledge of security operations.

Washington has privately raised the potential for a US-led economic aid package to Lebanon. A deal would involve more western support for the military, one of the few independent institutions in Lebanon but much weakened by a devastating economic crisis.

The Israel-Hamas war that began on October 7 has triggered intensifying hostilities across the region. As well as Hizbollah's clashes with Israel, Houthi rebels in Yemen have attacked merchant ships in the Red Sea, and Iran-supported militants have fired missiles against US forces in Iraq and Syria.

While the exchanges between Israel and Hizbollah have been largely contained, they have steadily intensified, including a suspected Israeli strike this month that killed senior Hamas leader Saleh al-Arouri in southern Beirut, Hizbollah's stronghold. On Tuesday, Israel unleashed its heaviest barrage.

Each incident has raised the spectre of miscalculation. "Hizbollah saw the Arouri killing as a violation of its rules of engagement . . . and won't accept Israel taking it one step further," said one person familiar with the group's thinking.

Pressed by Washington, Israel is allowing time for diplomacy but has not ruled out force. Prime Minister Benjamin Netanyahu has said that if talks fail, "we will work in other ways". His government has made clear it will not accept Hizbollah fighters on its border.

See Opinion

Jihadi targets

# Iran angers Islamabad with attack in Pakistan

NAJMEH BOZORGMEHR AND BITA GHAFFARI — TEHRAN
FARHAN BOKHARI — ISLAMABAD

Iran has attacked a jihadi group in Pakistan, increasing tensions between the neighbouring states following similar attacks by the Islamic republic in Iraq and Syria.

Iranian media late on Tuesday reported the destruction of two bases of Jaish ul-Adl in the remote western province of Balochistan, which borders Iran. The Pakistan-based Sunni militant group has waged an armed campaign against Tehran since its foundation in 2012.

Pakistan "strongly condemned" the strikes, saying two children were killed and three injured. Its foreign ministry said the incident was a "blatant breach" of sovereignty. The country recalled its ambassador from Iran and ordered the Iranian ambassador to Islamabad, who is visiting Tehran, to "not return for the time being".

The missile and drone strikes followed similar operations this week by Iran's elite Revolutionary Guard in Iraq and Syria in response to a suicide bombing in the southern city of Kerman. Sunni group Isis took responsibility for the Kerman attack this month. The guards took responsibility for Iran's strikes in Iraq and Syria but have not commented on the Pakistan attack.

Western concerns about the Islamic republic's support for anti-Israel and anti-US Islamist groups, including Hizbollah in Lebanon, Hamas in the Palestinian territories, Houthi rebels in Yemen and Iraqi militias, have escalated in recent months. Houthi rebels are targeting merchant shipping in the Red Sea while Iranian-backed Iraqi militants have launched attacks against US forces in Iraq and Syria. The activity has increased fears that war between Israel and Hamas will become a wider conflict.

Pakistan 'strongly condemned' the strikes, saying two children were killed and three injured

Iran denies any intentions to escalate regional tensions or engage in a war with Israel. But Iran's defence minister, Brigadier General Mohammad Reza Gharaei Ashtiani, said yesterday that the country's response to threats would be "proportional, decisive and firm".

According to the guard-affiliated Tasnim News Agency, the area targeted in Balochistan was Koh-e-Sabz near the town of Panjgur. The region borders a restive area in south-eastern Iran where Sunni Muslims are a majority in the Shia-dominated Islamic republic.

Jaish ul-Adl claimed responsibility for an attack on a police station in Rask, an Iranian city in Sistan-Baluchestan province, in December that left 11 police officers dead.

Iran has retaliated by killing Jaish ul-Adl militants and loyalists in recent years. The group has been designated by the US as a terrorist organisation.

Hossein Amirabdollahian, Iran's foreign minister, said at the World Economic Forum in Davos, Switzerland, yesterday that the latest missile and drone strikes were directed at an Israeli spy base in Iraqi Kurdistan and Jaish ul-Adl in Pakistan, adding that the targets of the strikes were Iranian nationals.

Online misinformation

# Warning of new wave of climate change denial

EMILIYA MYCHASUK — CLIMATE EDITOR

A new wave of denial about climate change is on the rise even as there is greater acknowledgment of human-caused global warming, a study of more than 12,000 videos by a disinformation campaign group warns.

The "new denial" seeks to undermine confidence in green energy solutions, as well as climate science and scientists, shows the research, led by a group of academics and the Center for Countering Digital Hate. These forms of denial made up 70 per cent of falsehoods related to climate change in videos published on sites such as YouTube and X over a six-year period, said the report.

Videos identified as containing climate denial claims received more than 325mn views in total, based on research that used artificial intelligence tools to sort and classify the assertions in content uploaded from 2018 to 2023.

The academics, led by Travis Coan from the UK's Exeter university, found older forms of denial fell to a third of the disinformation. Fewer instances highlighting cold weather or a coming ice age were found, for example, as evidence of global warming increased.

Instead, the majority of claims focused on three new main categories: that the consequences of global warming were either harmless or even beneficial; that climate science was unreliable; and that climate solutions would not work — the most predominant theme.

Examples of this included that electric vehicles produce three times as much toxic pollution as internal combustion engines when mining of the rare earth materials involved in making the vehicle is taken into account. In fact, the US Environmental Protection Authority and many scientists are clear that over an EV's lifetime total greenhouse gas emissions are lower, even when accounting for manufacturing.

Another claim, made by the Heartland Institute, a conservative and libertarian US policy think-tank, was that the shift to wind power would involve razing half of the world's forests, wildlife habitats and open plains and would be more destructive than even the worst-case climate change scenarios. In fact, it is estimated the shift to wind and solar would use an area comparable to the fossil fuel industry's current footprint.

The study identified TheBlaze, a media company with 1.95mn YouTube subscribers founded by ex-Fox News host Glenn Beck. He said on X that climate change played no role in wildfires, despite evidence of multiple studies.

YouTube said: "Debate or discussions of climate change topics, including around public policy or research, is allowed. But when content crosses the line to climate change denial, we stop showing ads on those videos."

One claim is that electric vehicles emit more pollution than non-EVs

**Silver lining** Its ageing population is a worry for China but spells opportunity in healthcare, biotech, pharma and robotics ● LEX

# Companies & Markets

## PwC abandons some diversity goals in altered legal landscape

- US internships and awards affected
- Race-based eligibility criteria ended

STEPHEN FOLEY — NEW YORK

PwC has dropped some of its diversity targets in the US and opened up previously off-limits scholarships to white students after pressure from rightwing activists and a Supreme Court ruling against affirmative action.

The Big Four accounting firm, which employs 46,000 people in the US, said that it was applying "rigour" to its diversity, equity and inclusion efforts to reflect the new legal backdrop.

The changes included ending race-based eligibility criteria for a student internship programme and for scholarships to help candidates prepare for professional exams, initiatives that were designed to increase the diversity of the employee base, according to executives and changes to PwC's website.

> Factoring ethnicity into hiring decisions might be deemed unconstitutional, law analysts have warned

The firm's latest annual DEI report, published over the Martin Luther King Jr holiday weekend in the US, also dropped a pledge to award 40 per cent of its procurement spending to minority-owned suppliers.

The Supreme Court ruled last June against race-conscious university admissions, prompting legal analysts to warn that factoring a job applicant's ethnicity into hiring decisions could also be considered unconstitutional. Groups including Pfizer and law firm Morrison Foerster have also opened up diversity fellowships to students of all races.

PwC's DEI report named the Supreme Court ruling among the challenges to progress in 2023, along with economic uncertainty and social unrest. "We've also reflected on the Supreme Court ruling and applied rigour to advance our diversity commitment in a way that fully accords with the changing legal landscape," the report said.

PwC was targeted last year by America First Legal, led by Stephen Miller, a White House adviser under former president Donald Trump. It says corporate diversity efforts discriminate against white staff. AFL questioned whether PwC's internship and scholarship programmes and supplier targets were legal, and asked the US Equal Employment Opportunity Commission to investigate.

"There are changes in nuance and emphasis, but this is still the same racial bean-counting that contrives to reduce individuals to their immutable characteristics in a way that is difficult to square with what the law requires," Reed Rubinstein, AFL senior counsellor, said.

The DEI report showed that as of June 30 2023, 55 per cent of PwC US employees were white. Some 22 per cent of employees identified as Asian and 9 per cent as Hispanic or Latino, both up 1 percentage point on the previous year, while black employees accounted for 7 per cent, the same as in 2022.

The firm amended some of the language in its report versus the previous year. It said it had an "aspiration" rather than a "goal" to reflect the racial make-up of the US university student population, which is 35 per cent black and Hispanic. It removed a guide to diversity metrics that labelled them as "on track" or "behind".

"Our commitment to attract the most diverse and dynamic group of professionals hasn't changed," Yolanda Seals-Coffield, chief people officer of PwC US, said. "Our commitment to cultivating an environment where all our professionals can thrive hasn't changed. How we get there may face a few hurdles that it didn't a year ago."

## Diamond deal Amazon takes $115mn stake in largest operator of US regional sports networks


Amazon's investment means Prime Video will be able to stream NHL matches — Brad Penner/USA Today Sports via Reuters

SARA GERMANO — NEW YORK

**Amazon is taking a stake in television networks broadcasting big league sports in some of the US's largest media markets, expanding its footprint of live matches into regional networks that carry most NBA, NHL and MLB matches.**

The ecommerce group announced yesterday that it agreed a $115mn minority investment in the largest operator of so-called regional sports networks in the US, Diamond Sports Group, which is seeking to emerge from bankruptcy protection.

The agreement will allow Amazon's Prime Video to stream programming for half of all MLB, NBA, and NHL teams in North America, intensifying the tech group's competition with the likes of Apple and Google to show live sports.

The investment is part of a new restructuring agreement for Diamond, allowing it to emerge from Chapter 11 bankruptcy and staving off a potential media rights crisis for three of the four major US professional sports leagues.

Prime Video "will become Diamond's primary partner through which customers will be able to purchase direct-to-consumer access to stream local Diamond channels", Diamond said in a statement. Prices and availability of local sports on Prime Video will be announced at a later date, Diamond said.

Amazon first entered the live sports market in 2017 when it acquired the rights to stream the US National Football League's Thursday night fixture.

It has since expanded into global football rights in Europe and North America.

Diamond was acquired from Disney for $10.6bn, including debt, by Sinclair Broadcast Group in 2019. Subsequent challenges to its business, including the shortening of professional sports seasons during the onset of the Covid-19 pandemic and the broader shift by consumers to cancel cable subscriptions in favour of streaming platforms, left Diamond unable to pay down nearly $9bn in debt by the time it filed for bankruptcy in March 2023.

The group's fate has been closely followed by much of the sports world, which heavily depends on broadcast rights fees as a source of revenue.

The bankruptcy proceedings have caused a splinter movement by some team owners, such as the Phoenix Suns' Mat Ishbia, to move fixtures off of Diamond-owned networks and over free-to-air channels.

As part of Diamond's restructuring agreement, subject to approval by a US bankruptcy court, Sinclair will pay Diamond $495mn in cash and continue to offer management and support services during its transition.

## JPMorgan says cyber crooks are becoming 'smarter' and 'more devious'

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

**JPMorgan Chase is suffering a wave of cyber attacks as fraudsters grow more adept, the bank's head of asset and wealth management has said.**

Speaking at Davos yesterday, Mary Erdoes said that the bank spent $15bn on tech every year and employed 62,000 technologists, with many focused solely on the rise in cyber crime.

She said: "We have more engineers than Google or Amazon. Why? Because we have to. The fraudsters get smarter, savvier, quicker, more devious, more mischievous. It's so hard and it's going to become increasingly harder."

Erdoes said that the bank suffered 45bn hacking attempts every day.

This figure was later corrected by JPMorgan, which said: "Ms Erdoes was referring to observed activity collected from our technology assets, malicious or not. This activity is then processed by our monitoring infrastructure. Examples of activity can include user logins like employee virtual desktops, and scanning activity, which are often highly automated and not targeted."

Western lenders have suffered a surge in cyber attacks in the past two years, partly blamed on Russian hackers acting in response to sanctions placed on the country and its banks following its full-scale invasion of Ukraine.

But the use of artificial intelligence by cyber criminals has also increased the number of incidents and level of sophistication of attacks.

Last year, the number of ransomware attacks in the finance industry surged 64 per cent, and was nearly double the 2021 level, according to Sophos, a cyber security company.

JPMorgan was the victim of one of the biggest cyber attacks on a bank a decade ago when the data on 83mn accounts — including 76mn households and 7mn business — were compromised.

Speaking at the same Davos event, Gita Gopinath, deputy managing director of the IMF, said the use of AI by cyber criminals was raising concerns for policymakers. "Given the tremendous uncertainty about the scale of the impact of this technology and the way it is evolving, policy could be playing catch-up," she said. "We could risk having a big event before we actually work out how to fix it."

## Pepsi's battle with Carrefour is inflamed by French retail rules

INSIDE BUSINESS
EUROPE
Peggy Hollinger

No one likes to be dumped. Not even a mighty global brand like PepsiCo, it seems. Last week the US drinks and snacks maker insisted it had not been pulled from the shelves of France's Carrefour, which a few days earlier had banned PepsiCo for demanding "unacceptable" price rises.

In fact, said PepsiCo, it had dumped Carrefour last year after failing to reach agreement on pricing, accusing the French grocer of mischaracterising the chain of events.

Price disputes between food retailers and their suppliers are as old as time, and temporary product bans are not unheard of. Normally, they are resolved. But the bun fight being waged in France right now is still more than usually heated.

Talks have been strained by a host of new regulations that are curtailing retailers' ability to lower prices, while encouraging suppliers to play hardball.

First, the government has ordered annual price talks between retailers and suppliers to finish by the end of this month instead of March, as dictated by the country's commercial code.

Second, lawmakers have passed rules that restrict retailers' ability to source products on a pan-European basis.

Negotiations relating to food products sold in French stores are subject to French regulations — even if the discussions are conducted in another country.

In many cases, those French regulations dictate minimum pricing.

In addition, the rules cap discounts that retailers can give on health, beauty and hygiene products to 34 per cent. The law's aim is to ensure that small local suppliers are not squeezed by retailers demanding price cuts that only the big multinational brands can afford.

France takes an unusually interventionist stance on food retailing. Politicians are keenly aware French voters are highly sensitive to the cost of living, and have been since bread prices contributed to a revolution 235 years ago.

The Banque de France noted last year the top two priorities for most French were inflation and purchasing power. Food price inflation hit an all-time high in 2023, and while that has retreated, no one wants a repeat of the Gilets Jaunes protests of 2018-2020.

> The government's decision to accelerate price talks was meant to give consumers access to lower prices more quickly. It will fail

The government's decision to accelerate the price discussions this year was meant to give consumers access to lower prices more quickly. It will fail. Not only is there no chance of an outright reduction in prices, the accelerated timetable appears to have spurred PepsiCo's hardline stance. Retailers such as Carrefour face hefty fines if they do not meet the deadline and PepsiCo knows that.

The problem with France's counterproductive regulations is that the big multinational brands have ended up as the biggest beneficiaries, and many have no intention of cutting prices.

"It is the perfect storm for retailers in France," says Ananda Roy of consumer consultancy Circana. "The retailer wants to be seen as the friend of the consumer but they have to satisfy very severe regulations. They are constrained from offering consumers the best possible price and can't give promotions that would drive footfall to their stores. Brands have been handed a very strong negotiating position."

PepsiCo has been one of the most aggressive, largely because consumers keep buying its products. The price of Lay's potato chips was lifted 25 per cent in the year to end-September, against an average increase of just 7-10 per cent for the category, according to market research group Kantar. It is asking for another price rise of about 7 per cent, a person close to the talks said. A French retailer also told me that makes a rise of close to 30 per cent over two years.

Carrefour's chief executive, Alexandre Bompard, has been outspoken about the injustice of such big price increases. Roy says such brands already enjoy double-digit margins above 15 per cent, while retailers struggle on wafer-thin returns of less than 5 per cent.

In the end, consumers will decide how far PepsiCo can push the limit. Yet there are signs that Carrefour believes the limit is fast approaching. PepsiCo products may not be on Carrefour shelves right now but shoppers might find similar snacks under the supermarket chain's own label close to signage denouncing the US company's "unacceptable" price demands.

If customers are buying increasing volumes of snacks, why not use the current dispute to snare a share — gaining a reputation as the consumer's champion along the way? Given the harsh regulatory environment in France, retailers have little choice but to spot any opportunity in adversity.

*peggy.hollinger@ft.com*

Media

# Disney makes case for rejecting Peltz

## Board refuses to back nominees and says activist has put forward no ideas

CHRISTOPHER GRIMES — LOS ANGELES

Walt Disney took Nelson Peltz to task in a proxy filing, saying the activist investor had not "presented a single strategic idea" to the company during two years of campaigning for a seat on its board.

Peltz, co-founder of the Trian Partners hedge fund, is waging a proxy fight to gain board seats for himself and Jay Rasulo, former Disney chief financial officer. Disney did not endorse either for election to the board.

In its filing, Disney said Peltz and Isaac Perlmutter, a large shareholder in the group and former chair of Marvel Entertainment, had tried 24 times to win a seat on the board for Peltz. Trian and Peltz abandoned an earlier proxy contest in February last year. The filing noted the "fraught history" between Perlmutter and Bob Iger, the Disney chair and chief who oversaw the group's acquisition of Marvel in 2009.

Iger, who fired Perlmutter in 2023 after years of tension between the two men, asked Peltz in a November phone call if he knew Perlmutter's "objective" in pursuing board changes. Peltz did not engage with Iger on the subject of Perlmutter's motivations, the filing said.

Trian declined to comment on Disney's preliminary proxy filing.

Perlmutter became a large Disney shareholder after selling Marvel to the company and has pledged his shares to

> Disney said Peltz and Perlmutter had tried 24 times to win a seat on the board for Peltz

Trian as it pursues its proxy battle. His stake is worth about $2.4bn, the FT has reported. The secretive billionaire's tenure at Disney was marked by clashes with Iger and colleagues.

Disney noted in its filing that Perlmutter had been a "staunch supporter" of Rasulo, who had been chief financial officer of the company but resigned after he was passed over for the role of chief operating officer. Perlmutter reportedly told Iger, "You broke my heart", when he learnt that Rasulo was not being considered as a potential successor to the chief executive. Rasulo left Disney in 2015 and has not held an executive role at a public company since.

Disney said its board cited Rasulo's "close relationship" with Perlmutter as one of the reasons for not recommending him for election as a director, calling it a "significant concern".

"Perlmutter's sponsorship of him as a CEO successor would likely inhibit Rasulo's ability to work constructively with Iger and other executives at the company with whom Perlmutter had clashed," the filing said.

In November, Disney named two new directors — James Gorman, former Morgan Stanley chair and chief executive, and Sir Jeremy Darroch, former group chief executive of Sky, to its board.

The company recently won the support of investor ValueAct Capital, but Blackwells Capital, another activist firm, said this month that it would put forward its own slate of nominees at the shareholder meeting.

Disney shares have fallen about 7 per cent in the past year.

Retail & consumer. EV adoption

# Ola wheels out India electric scooter listing

## Founder Aggarwal challenged by tepid interest in start-ups and keen rivalry from incumbents

CHLOE CORNISH — MUMBAI

Bhavish Aggarwal sees a public listing of his electric-scooter business early this year as reflecting the contribution his bikes have been making to India's nascent electric-vehicle market.

"Some companies need to be in the public domain given the scale of impact they have on society," he said ahead of a move by Ola Electric that is expected to be among the largest Indian IPOs of the past two years.

But the entrepreneur is facing the challenges of tepid interest in start-ups, high staff turnover, increased competition from established makers and a loss of subsidies that is expected to make e-scooters less attractive to consumers.

Aggarwal co-founded ride-hailing app Ola Cabs over a decade ago before adding to his empire by creating Ola Electric, and recently expanding into AI with start-up Krutrim. The scooter unit said in December it would seek to raise Rs55bn ($661mn) in the IPO, with proceeds being used to build a battery plant in India, fund research and pay off debts at the lossmaking start-up.

As India's first listed EV group, Ola would give investors an opportunity to bet on the country's EV adoption, which is so far concentrated in two-wheelers in one of the largest vehicles markets. But enthusiasm for richly valued newcomers has waned. In 2021, internet groups including fintech, delivery and ecommerce services were the rage, enjoying record listing sizes, only for their shares to sink over profitability concerns.

Aggarwal, who owns 37 per cent of Ola Electric, said that the six-year-old EV group did not need more private capital after a Rs3.2bn funding round last year led by Temasek that valued the company at $5.4bn. Backers, which include SoftBank and Tiger Global, will offload part of their stakes in the sale. SoftBank's Vision Fund is the biggest outside shareholder, with 22 per cent.

The Ola listing comes two years after it delivered its first scooter and Aggarwal attempted to float Ola Cabs before he had to retreat in tough conditions.

While Ola Cabs has been locked in a battle with Uber, Aggarwal said that he was "very happy" with the business. He said it was profitable, although Ola Cabs said in 2018 it was facilitating 1bn rides per year and now cites a more modest 550mn annual rides.

At Ola Electric, losses before tax widened to Rs14.7bn for the financial year ending in March 2023 from Rs7.8bn the previous year, as it established a scooter site in Tamil Nadu and began its development of battery-cell production. But revenue for the 2023 financial year was Rs27.8bn, about six times higher than the Rs4.6bn the previous year.

Customers inspect the Ola S1 Pro. The scooter business is looking to raise $661mn in what is expected to be among the country's largest IPOs of the last two years Samyukta Lakshmi/Bloomberg

Although New Delhi has backed electrification of India's two-wheelers with generous subsidies, they still make up only 5 per cent of the scooter market, according to HSBC analysts.

As government support programmes wind down, the challenge is keeping prices competitive. HSBC estimates that the cost of manufacturing e-scooters is up to three times higher than a fuel-burning equivalent, while the retail price of an Ola two-wheeler is about Rs120,000 ($1,500) compared with the non-electric Honda Activa scooter at about Rs76,000.

While Ola Electric dominates the small but growing market in e-scooters with about a third of sales, it is facing competition from the likes of Honda and established participants such as Hero and Bajaj looking to make their own e-scooters.

Analyst Basudeb Banerjee at ICICI Securities said Ola Electric's market share was likely to shrink, but "for Ola to operate at about 20, 25 per cent sustainable market share in e-scooters is definitely do-able".

Two-wheeler sales have surged since 2021, when monthly sales in the e-scooter market were less than 20,000 in India, to a high of more than 100,000 last May. But as the subsidy programme has been wound down, sales have fallen.

In December, fewer than 80,000 e-scooters were sold.

Ola Electric also aims to produce electric cars, and has been designing batteries that it hopes to put into commercial production this year, after missing Aggarwal's previous 2023 deadline.

Although it has achieved sales of more than 250,000 scooters a year, taking the product to market has been challenging. Selling to consumers online, Ola has drawn complaints about delivery delays and problems with aftersales.

The business had to offer to replace the front fork on the S1 and S1 Pro, its first models to be sold, after what it said were "unfounded" safety concerns.

Aggarwal said that the mass part-replacement was "not technically a recall" but "a voluntary thing . . . Just because we did it proactively, doesn't make it a widespread issue."

It had to refund thousands of customers after being accused of "mispricing" scooters. It had sold the scooter's charger separately to keep the price down in line with the subsidy scheme.

Aggarwal said that the company "had planned for reducing our cost structure with the objective of keeping our gross margins healthy as subsidies taper off", and he acknowledged that there had been aftersales issues. "We have again been very open about the fact that our service network is lagging our sales."

However, "we are expanding our service network very fast", he said.

He said Ola Electric's digital model meant complaints were often more visible than with traditional operators, which tended to deal with issues offline at service centres.

EV batteries, including Ola's, have been scrutinised after vehicle blazes. The highways ministry fined Ola Electric Rs1.5mn in 2022 after one of its scooters caught fire, leading the authorities to administer tests on its batteries that Ola argued were unfair.

> Aggarwal defended an 'intense' workplace culture: 'This is my purpose, this is my life. I'm not here to win friends'

Seen by his supporters as India's answer to Elon Musk but by detractors as a boss who demands too much of workers, Aggarwal has defended Ola Electric's "intense" work culture.

"This is my purpose, this is my life," he said. "I'm not here to win friends and be happy ever after. We obviously have to be respectful. And we've gotten here only because we've been good enough with our stakeholders, our suppliers, our people, our partners."

He denied that churn was high, and said that the group attracted top talent. "People need to come in with fire in their belly," he said, estimating that the company's working hours were probably 20-30 per cent higher than normal in India. "We've made some hiring mistakes probably in the past. We've learnt from them."

According to the IPO filings, Ola Electric had an employee attrition rate of 47 per cent in its last financial year. That is more than double India's average of 21 per cent in 2022, according to a report by Aon.

"The kind of aggressiveness, the kind of multitasking he does: some people like it, some people may not," said Banerjee, pointing to the results Aggarwal had achieved. "Making an empire of e-two wheelers of this scale in a few years' timeframe — this is tangible."

Oil & gas

# BP promotes interim boss Auchincloss to CEO as it stays on green track

TOM WILSON — LONDON

BP has appointed interim boss Murray Auchincloss as its permanent chief executive, in a move that signals the oil major will stick with the shift to greener energy launched by his predecessor Bernard Looney.

The UK-listed energy major conducted an internal and external search for a replacement for Looney, who quit in September after failing to disclose past relationships with company colleagues.

"The board is in complete agreement that Murray was the outstanding candidate and is the right leader for BP," chair Helge Lund said yesterday.

In its 113-year history, BP has never hired a chief executive from outside the business. Auchincloss, a Canadian national, joined BP from Amoco in 1998, when the UK-listed company merged with the US business. He served as chief financial officer from July 2020 to September 2023, when he took over from Looney on an interim basis.

Lund had said the company remained committed to the pivot to greener energy despite Looney's departure, but an external hire may have sought to push BP in a different direction.

"Murray is well known and respected within the market and, most importantly, was one of the key architects of BP's current strategy," said Oswald Clint, an analyst at Bernstein.

The appointment of Auchincloss should also reduce BP's immediate vulnerability to a potential takeover attempt. The leadership uncertainty at BP had led to speculation that it could become a target amid consolidation in the industry during the past six months.

> 'Murray is well known and, most importantly, was one of the key architects of BP's current strategy'

However, Auchincloss inherits a company still processing Looney's sudden departure and trailing its competitors in terms of share price performance. BP's shares dropped 2 per cent in 2023, while rival Shell closed the year up 11 per cent.

Shares in BP closed 0.84 per cent lower in London trading yesterday.

BP in December said Looney's failure to disclose past relationships with company colleagues amounted to "serious misconduct" and that he would forfeit up to £32.4mn of his pay packet.

At the time, it stressed that Auchincloss was not involved in that decision and sought to assure staff that the board's treatment of the former chief executive was not "unduly harsh".

Auchincloss is also in a relationship with a BP colleague but, unlike Looney, it was properly disclosed at the time he became chief financial officer in 2020, BP has said. BP said yesterday that this relationship had been discussed with the board during the appointment process, adding the company was satisfied the correct protocols had been followed.

BP's code of conduct does not ban relationships with colleagues but highlights the risk of conflicts of interest, particularly if the relationships are not appropriately disclosed.

Finance chiefs have traditionally not been appointed to chief executive at BP but Auchincloss is generally well liked by BP's institutional investors.

"If they went with Murray I am not convinced it would be the worst decision," one top-10 shareholder told the Financial Times earlier this week.

But he lacks operational experience, having moved through predominantly finance roles at BP in the past 25 years.

See Lex

Technology

# Samsung seeks lead over Apple with launch of AI-capable smartphones

SONG JUNG-A — SEOUL

Samsung Electronics has unveiled smartphones capable of running generative artificial intelligence features "on-device", as handset makers hope the cutting-edge technology will revive a market that suffered its worst year in a decade in 2023.

The South Korean technology group launched the 2024 versions of its Galaxy smartphone series at a Silicon Valley event yesterday. The devices feature the latest AI-capable Snapdragon processor from US chipmaker Qualcomm and its own Galaxy AI software and services.

The S24 Android phones appear to give Samsung a technological edge over its main rival Apple, which has taken its usual cautious approach to adopting new advances. The January launch also provides about a nine-month lead before the release of the next iPhone.

Bryan Ma, an analyst at the IDC research group, said: "[Android developer] Google has a big leg-up in AI, given all of its data and experience in this space, but Apple has been noticeably quiet about its efforts here, so this is an opportunity for Samsung to differentiate itself from its arch-rival."

Samsung's 12-year reign as the world's top smartphone maker by units sold ended in 2023, according to IDC, as Apple took its place, helped by consumers trading up to premium handsets.

The popularisation of generative AI through OpenAI's ChatGPT has led to mobile-phone makers exploring the potential of running AI features through the device. This will require reductions

> '[The] Galaxy S24 series introduces mobile AI in a . . . way that no other phone has yet delivered'

in the size of the large language models that power AI, as well as higher-performance processors.

Cracking these challenges will allow AI chatbots and apps to run on the phone's own hardware and software rather than be powered by cloud services in data centres. It also means faster response times, greater security and more personalisation for users, as well as lower costs for AI providers.

Google has been developing on-device AI for its Pixel smartphones while Samsung announced its Gauss model for phones and other devices in November. Several Chinese handset makers, including Honor, Oppo and Xiaomi, are following the trend.

Yesterday Samsung introduced a suite of AI-enabled features to three new phones, including live phone call translations, transcription of voice recordings, video search and photo editing. The S24, S24 Plus and S24 Ultra will be priced between $800 and $1,300 in the US.

"[The] Galaxy S24 series introduces mobile AI in a truly meaningful way that no other phone has yet delivered," said TM Roh, head of Samsung's mobile division. "Our ambition is to demonstrate the benefits of mobile AI and provide Galaxy users with mobile experiences that will transform everyday life."

Sheng Win Chow, an analyst at Canalys, wrote in a recent note:."Generative AI is integral to Samsung's long-term product strategy, especially in the premium and flagship segments.

"Samsung must seek a new way to compete with Apple and extend its market leadership in the Android ecosystem through product innovation and business models beyond just hardware."

Canalys expects 5 per cent of smartphones shipped this year to be AI-capable before reaching 635mn units, or 45 per cent of the total smartphone market, in 2027. Counterpoint Research expects Samsung to control nearly half of the AI-powered phone market in the next couple of years.

IDC predicts the global smartphone market will grow 3.2 per cent this year after shrinking 4 per cent to the lowest for a decade last year, but Ma noted the rebound would have more to do with the improving economic outlook than AI.

See Lex

# Blackstone-backed geolocation trailblazer corners critical link in US betting market

## Canada's GeoComply processes checks on online American gamblers but its restrictive contracts are raising concerns

OLIVER BARNES AND WILL LOUCH
LONDON

US private equity group Blackstone is among the biggest investors in the global gambling industry, owning swaths of the Las Vegas strip and casinos elsewhere.

But in 2021, the firm, which has $1tn of assets under management, spotted an opportunity in America's new and booming online betting industry, in the form of a little-known Canadian technology company called GeoComply.

Before a US gambler can place a single bet online, their location must first be verified to ensure they are complying with the complex patchwork of state-specific laws that governs the market.

While it caters for clients in a fiercely competitive $15bn a year industry, GeoComply has a near monopoly on providing this service. The company processes 1bn geolocation checks every month on average and charges a small fee each time. Its clients include FanDuel, DraftKings, BetMGM, Caesars Entertainment and ESPN Bet, which between them account for more than 90 per cent of US online sports betting.

Huge market share in a rapidly expanding industry meant the company looked a winner to Blackstone, which has already cashed out part of its investment at a sizeable profit, according to people close to the firm. The company's founders are now considering a stock market listing, according to people familiar with their thinking.

But while GeoComply is a long way ahead for now, competitors are lining up to take a shot at the market. The business is also drawing scrutiny over litigation and restrictive contracts that have helped maintain its lead.

Founded in 2011 by husband and wife David Briggs and Anna Sainsbury, GeoComply began developing a geolocation service tailored to the gambling industry well in advance of a 2018 US Supreme Court ruling that opened up the industry, testing the product in New Jersey where online casinos were legal from 2013 onwards.

"Ten years ago, we founded GeoComply with scant resources and amid pervasive scepticism. Many dismissed the potential of our product and target market," Sainsbury, GeoComply's chief executive, told the Financial Times.

The legalisation of online sports gambling in the US has been a game-changer for the industry. Betting had previously been allowed only in casinos in Nevada and a handful of other states. Since the 2018 Supreme Court ruling, Americans have bet nearly $300bn online.

Consultancy Eilers & Krejcik Gaming forecasts that annual gross gaming revenues of US online betting operators will grow a further 60 per cent over the next four years to $24bn.

GeoComply has been able to capitalise on this huge growth, boosted by a minority investment from Blackstone in March 2021 — from the firm's debut $4.5bn growth-equity fund.

Blackstone was attracted by the size and speed of growth in the online betting market, and the essential role geolocation plays in meeting the industry's regulatory requirements, according to a person familiar with the firm's thinking. GeoComply is among the growth-equity fund's best-performing assets.

But rival geolocation companies have also attracted investor attention. Between them, geolocation companies Radar and Xpoint raised about $80mn at their most recent funding rounds in 2022.

Xpoint — which counts Raine Group, an early backer of DraftKings, among its investors — last year won business from its first top-10 online betting operator, agreeing a contract with UK-based Bet365 in at least one of the six US states where it operates. Xpoint is now licensed in 16 states and has 19 clients, mainly start-ups.

In attempting to maintain its market share in this corner of the gambling industry, GeoComply has pursued litigation against rivals and drawn up stringent contracts with clients, raising concerns among some customers, competitors and antitrust experts.

GeoComply brought a patent infringement claim against Xpoint, but in 2022 a judge granted Xpoint's motion to dismiss and invalidated GeoComply's patent. GeoComply is appealing against the decision.

The FT has also examined a contract between GeoComply and a top-five sports betting operator that in effect blocked the operator from exploring rival services for a time.

The contract, which ran from the start of 2021, stipulated that for the first 30 months of the agreement, the client "shall not directly or indirectly receive or seek the provision of solutions or services which are similar to the solution [provided by GeoComply]".

Breaching the exclusivity clause incurs a big penalty, in that it gives GeoComply the right retrospectively to increase all fees from the start of the agreement, according to the contract.

GeoComply has imposed similar conditions on operators across the industry, according to three people familiar with the contracts.

In late 2022, GeoComply served its client BetMGM with a $4mn breach notice accusing it of failing to transition completely to the GeoComply platform and working on replacing some of its technology with an in-house product. BetMGM declined to comment.

Nick Patrick, chief executive of Radar, which processes billions of geolocation checks for brands such as telecoms group T-Mobile, said that GeoComply's exclusivity clause was "not something we've seen before . . . and it puts [GeoComply's] customers in a tough position because it makes it very difficult to switch".

Barak Orbach, professor of law and business at the University of Arizona, said that GeoComply had seemingly gained its monopoly through "a superior product and business acumen." "There is nothing unlawful in monopolies that emerge this way," Orbach said. However, "exclusivity clauses used by monopolies may amount to unlawful monopolisation or unlawful restraints of trade under US antitrust laws" as they may be aimed at "wilfully preventing the market from moving forward", he added.

> 'Gambling groups might seek alternatives, especially if GeoComply '[pushes] its pricing power as a virtual monopoly'

"If this wasn't gambling, I would think you would find enforcers looking at this as a fairly serious violation of antitrust rules because I can't imagine there's any kind of business rationale for that [clause] other than exclusion," agreed Peter Carstensen, a senior fellow at the American Antitrust Institute.

A person close to GeoComply said it was not unusual for tech companies taking on new customers to stipulate a period of exclusivity, in preference to a large upfront fee, to ensure initial onboarding costs were recouped.

They added that the company had always had customers that used multiple geolocation services. GeoComply's Sainsbury said the company welcomed competition: "From day one we had to compete to win. Competition has been constant, driving us to excel and enhancing the overall market."

Christian Goode, a gaming industry expert, said the biggest sports betting operators might look for an alternative to GeoComply as they push to become profitable in the coming year, especially if GeoComply "[overexploits] its pricing power as a virtual monopoly".

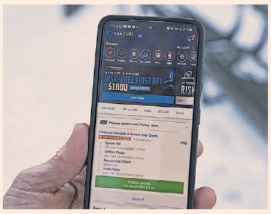
In the first year of its contract with GeoComply in 2021, BetMGM spent at least $7.8mn on the service, against net gaming revenues of $842mn, according to FT calculations based on internal documents. "The damn thing works but it's expensive," said an executive at a major sports betting operator.

Unlike GeoComply, which charges clients per geolocation check, Radar charges customers a flat fee based on the number of monthly active users gambling in a certain location. Radar's Patrick said he expected its product would be between 50 per cent and 90 per cent cheaper than GeoComply's. But GeoComply stressed: "All things combined our total costs are actually lower than the alternatives."

For now, GeoComply dominates this corner of the US gambling industry, benefiting from its first-mover advantage.

Last year, new investors came on board including Arctos Partners, a sports-focused firm that has invested in French football club Paris Saint-Germain. Blackstone still owns just under a fifth of the company, according to people close to the firm.

"No one predicted that [the US online gambling industry] would get as big as it is now or successful," said GeoComply co-founder Briggs during a recent podcast interview. "I never imagined in my wildest dreams that it would be that big . . . I was OK planning for a dream that I thought was pretty big and I thought: if it happens, we'll work out the rest later."




Game-changer: the legalisation of online sports gambling has transformed the US betting industry. Below, Anna Sainsbury and David Briggs founded GeoComply, whose clients include FanDuel
Timothy A. Clary/AFP via Getty Images; Brandon Hart; Angus Mordant/Bloomberg

Airlines

## Wizz pays extra £1mn owed to passengers after CAA probe

PHILIP GEORGIADIS

**Wizz Air has paid out more than £1mn in extra compensation to passengers after the aviation regulator told it to change the way it handles complaints.**

The Civil Aviation Authority last July forced Wizz to review a number of compensation claims after investigating a "high volume of complaints about the airline", particularly during a period of travel disruption in 2022.

The CAA said that it had "significant concerns" that Wizz had not paid passengers what they were owed and had "failed to meet its passenger rights obligations".

As a result, the regulator announced that London-listed Wizz had paid out an extra £1.24mn to 6,000 passengers after it re-examined more than 25,000 claims involving UK flights from March 2022.

The regulator cannot fine airlines, and has long called for tougher powers. Yet the action against Wizz represented an unprecedented intervention.

The claims Wizz was told to review relate to the requirement to provide alternative flights and care and assistance such as covering hotel costs.

"While we welcome the steps taken by Wizz Air after falling short in its treatment of disrupted passengers, airlines should routinely look after passengers and uphold their rights when flights are delayed and cancelled," said Paul Smith, consumer director at the CAA.

Wizz said it had "fully complied" with the CAA's requests and had invested £90mn in improving its operations.

Like many other airlines, Wizz faced delays and cancellations in 2022 as the sector struggled to cope with a surge in passenger numbers after pandemic travel curbs were lifted. The handling of the disruption became a reputational problem for Wizz, named the "UK's worst airline" by Which? last year.

Wizz said its operations improved in 2023, and 90 per cent of refunds were now processed within five days. Wizz said it had added spare aircraft to give it greater resilience during disruption, and built increased time into crew rosters and between flights to make schedules more robust.

"Like all airlines in Europe, we faced unprecedented operating challenges in the summer of 2022 but the improvements we put in place have led to a better customer experience, and our performance in 2023 was among the strongest in the industry," said Wizz Air UK managing director Marion Geoffroy.

Airlines

## Judge turns down JetBlue's $3.8bn deal for rival Spirit

STEFANIA PALMA — WASHINGTON
STEFF CHÁVEZ — CHICAGO

**A US federal judge has blocked JetBlue Airways' proposed $3.8bn acquisition of Spirit Airlines, in a victory for the Biden administration's top antitrust enforcer at the Department of Justice.**

US authorities and states last year sued to halt the transaction, alleging it would reduce competition. Judge William Young ruled in their favour, prohibiting the companies from closing the deal.

"[If] JetBlue were permitted to gobble up Spirit — at least as proposed — it would eliminate one of the airline industry's few primary competitors that provides unique innovation and price discipline," Young wrote in his order.


Flight plan: Spirit and JetBlue said they disagreed with the ruling

JetBlue outbid Frontier Airlines to acquire Spirit in 2022. The deal would have combined two leading low-cost carriers in the US and created the fifth-largest domestic airline.

Shares in Spirit fell 23 per cent by midday yesterday in New York, while those of JetBlue were 8 per cent lower.

JetBlue and Spirit said in a statement they disagreed with the ruling and were evaluating their next steps.

"We continue to believe that our combination is the best opportunity to increase much-needed competition and choice," they added. The decision came just a week after Joanna Geraghty became JetBlue's chief executive.

US attorney-general Merrick Garland called the ruling a "victory for tens of millions of travellers who would have faced higher fares and fewer choices" had the proposed merger moved ahead.

The order is a win for the DoJ's antitrust unit, which has taken a tougher stance under leader Jonathan Kanter.

Savanthi Syth, airlines analyst for Raymond James, said JetBlue and Spirit were unlikely to appeal against the decision but Frontier could return with a lower, all-stock offer for Spirit.

See Lex

Banks

## Consumer regulator proposes capping lender overdraft fees

STEPHEN GANDEL — NEW YORK

**The Consumer Financial Protection Bureau is proposing to cap overdraft fees at as low as $3, potentially saving consumers billions of dollars a year and stepping up President Joe Biden's war on so-called junk fees ahead of the 2024 US election.**

The move could also further squeeze revenue for the big banks. In recent years they have lowered overdraft fees but still bring in nearly $9bn a year from the charges, according to estimates from the CFPB.

Individual overdraft fees can run as high as $39, according to a report published last year by Bankrate.

The CFPB was expected yesterday to publish a draft of its proposed fee cap. It will begin a comment period that will close on April 1. The bureau will not initially propose a specific figure for the cap, which it said could be anywhere from $3 to $14, but rather will seek industry and consumer feedback.

Any cap was not likely to go into effect, if it does, until late 2025 at the earliest, the CFPB said.

The proposal will apply only to banks with more than $10bn in assets, roughly the 175 biggest US lenders. It could ignite a new fight between the banking industry and the CFPB, which financial executives and Republicans have long argued does not have the authority to regulate financial institutions or limit fees.

The Supreme Court is expected to rule later this year in a case brought by a group of payday lenders who claim that the government's funding of the CFPB, which was set up after the financial crisis, is unconstitutional.

Biden raised the issue of junk fees in his State of the Union speech last year. In October, the Federal Trade Commission proposed a rule to bar companies from showing consumers one price — for a concert ticket or hotel room, for example — only to inflate the final cost of the purchase with extra fees.

A number of banks have cut their overdraft fees to $10, or eliminated them completely, after complaints and earlier regulatory crackdowns.

The average overdraft fee last year was nearly $27, according to data from Bankrate. More than 90 per cent of US checking accounts are subject to overdraft fees.

The CFPB said that its new rule could save consumers as much as $3.5bn in fees a year.

Equities. Distressed sellers

# Investors raise billions to grab discounted stakes in start-ups

Wall Street rush: the secondary market has grown in the past decade as banks and asset managers invest in trading platforms Michael Nagle/Bloomberg

Buyers return after secondary trade for private shares had been hit by rise in interest rates

GEORGE HAMMOND AND TABBY KINDER
SAN FRANCISCO
NICHOLAS MEGAW — NEW YORK

Investment firms are raising billions of dollars to buy stakes in venture capital-backed technology start-ups as a long drought in acquisitions and initial public offerings forces early investors to offload their stock at discounts.

The start-up secondary market — where investors and employees buy and sell tens of billions of dollars' worth of shares in privately held companies — is becoming an increasingly important trading venue in the absence of traditional ways of cashing out and given a slowdown in start-up funding.

Venture secondaries buyers are primed for a busy year as start-up employees look for a way to sell their stock and investors seek to return capital to their own backers or reallocate it elsewhere.

Secondary market specialist Lexington Partners last week announced a new $23bn fund to buy up stakes from "large-scale investors".

Lexington had originally aimed to raise $15bn but upped its target on the back of high demand and said it was "in the early stages of a generational secondary buying opportunity" that could last years.

The fund will predominantly buy shares from private equity funds but also expects to invest as much as $5bn into venture capital secondaries, said a spokesperson.

"We are seeing crazy amounts of LPs [limited partner investors] that are distressed and need to lighten their venture load," said the head of a $2bn venture capital firm.

The latest Lexington fund "speaks to the sheer demand" from LPs that feel "over-allocated" to private capital including to start-ups, they said.

Other specialist firms such as Pinegrove Capital Partners, a joint vehicle created by Brookfield Asset Management and Sequoia Heritage, and StepStone have also been raising multibillion-dollar funds to target venture secondaries.

StepStone has raised an initial $1.25bn for its latest fund, according to Securities and Exchange Commission filings and earnings transcripts, and is targeting a total raise of more than twice that, said a person with knowledge of the deal.

The large sums of new capital point to a return to high levels of trading after a two-year downturn, according to investors.

The secondary market has grown massively over the past decade with major banks, asset managers and trading firms all investing in various trading platforms.

It has also become a critical release valve for start-up employees who have been unable to realise the value of their stock because of the lack of IPOs.

In the last year, companies including OpenAI and Elon Musk's SpaceX have arranged the sale of employee stock via the secondary market.

"The main exit for VCs is primarily IPOs and M&A [mergers and acquisitions], and neither of those are happening," said Tom Callahan, chief executive of Nasdaq Private Market, a trading venue. "It creates this immense pressure . . . [and] incredible opportunities for investors coming in and buying companies at deep discounts."

However, it is still more lightly regulated, more opaque and far less liquid than public markets.

One venture investor described it as "a messy backwater market dominated by brokers on the phone".

Carta, a $7.4bn software company backed by investors including Goldman Sachs, Andreessen Horowitz and Silver Lake, last week said it would shut down its employee-focused secondaries platform following allegations that it had tried to trade customers' shares without their consent.

IPO activity is expected to pick up later this year but it is still likely to take several months for volumes to normalise.

Secondaries trade stalled in 2022 as start-up valuations were belatedly hit by higher interest rates.

Callahan said that, at points in the past two years, venture capital firms were demanding prices 30 per cent higher than potential buyers were willing to pay.

Marcus New, chief executive of trading platform InvestX, said valuation gaps had begun to shrink as venture capital firms became "more and more distressed", leading to an increase in the supply of shares for sale.

'It is a messy backwater market dominated by brokers on the phone'

However, he and Callahan both said hedge funds and institutional investors have remained cautious about buying shares in all but the largest and most well-known private companies.

Investors and trading platforms are hoping the arrival of specialist secondary buyers with billions of dollars to spend will make up for that and drive up volumes.

"Values will get adjusted down this quarter," said Hans Swildens, a secondaries investor and founder of Industry Ventures.

"There will be a markdown across the market," he added. "If that happens, then the volume [of trade] will start spiking."

Forge Global, a publicly traded secondary exchange for privately held stock, reported a more than 50 per cent quarter-on-quarter increase in trading volumes in the third quarter of 2023 and chief executive Kelly Rodriques told the Financial Times "that trend will continue".

On average, recent share sales on Forge were priced at about a 50 per cent discount to each company's most recent primary fundraising.

New said those willing to brave the market before the broader IPO market recovers could pick up bargains.

"We've been successful in putting in low-priced bids [where] we're the only person in the market," he said. "I think the next few months will be the best time to be a buyer of these types of securities in the past half decade."



Fixed income

## Corporate defaults surge as Moody's points to more pain ahead

HARRIET CLARFELT — NEW YORK

Global corporate defaults surged in December, according to a report by rating agency Moody's, setting the stage for more missed debt payments ahead as low-grade, highly leveraged businesses grapple with a prolonged period of steep funding costs.

Twenty companies rated by Moody's defaulted on their debt last month, up from four in November, lifting the annual count to 159.

That took the global 12-month trailing corporate default rate to 4.8 per cent by December, the highest rate since the year to May 2021 — a period that included bankruptcies linked to the economic fallout from the coronavirus pandemic.

"High funding costs, together with tighter financing conditions . . . prompted a rise in corporate defaults during 2023," wrote Moody's.

More than half of December's defaults related to US-based companies, but a further eight were in Europe. That is the highest count for the region since the global financial crisis 15 years ago, excluding war and sanction-related corporate failures in Russia and Ukraine.

The latest default tally underscored the challenges still facing lowly rated borrowers across the globe after interest rates in the US rose from near-zero two years ago to more than 5 per cent last year.

'Caution is still required because the market embodies a very optimistic view of Fed rate cuts'

The sharp increase has put particular pressure on loan issuers, whose debt payments typically float up and down with prevailing borrowing costs.

"Caution is still required because the market embodies a very optimistic view of rate cuts, by the Federal Reserve in particular," said Marty Fridson, chief investment officer of Lehmann, Livian, Fridson Advisors. "There are sectors of the economy for which complacency would be a dangerous stance."

The two worst-hit sectors by default count last year were what Moody's classifies as "business services" and healthcare with 15 and 13 defaults, respectively.

Among bankruptcies late last year were US medical ambulance group Air Methods, which cited its "unsustainable" debt load, while personal loan marketplace LendingTree implemented a transaction known as a "distressed exchange", classified by Moody's as a default.

Other companies that Moody's counted among defaults in December included US cinema advertising company Screenvision, cinema chain AMC Entertainment and German cable provider Tele Columbus.

A separate report released on Tuesday by S&P Global Ratings painted a similar picture with global defaults jumping by four-fifths last year to 153.

Commodities

## Trading firm ETG tries to halt $60mn shipment of seized pigeon peas

JOSEPH COTTERILL AND
SUSANNAH SAVAGE — LONDON

**African commodities house ETG is racing to halt the shipment of up to $60mn in pigeon peas and other foods from Mozambique after accusing authorities of helping a local trader illegally seize its assets.**

The Mauritius-headquartered group is trying to stop the export of goods seized by Mozambican food trading firm Royal Group as a long-running dispute between the two companies escalates, people familiar with ETG's plans said.

Mahesh Patel, ETG chair, wrote to Mozambique's President Filipe Nyusi last month, seeking his intervention into what he characterised as "widespread theft and expropriation of our property by the Royal Group Limitada, misusing state agencies", in a letter seen by the Financial Times.

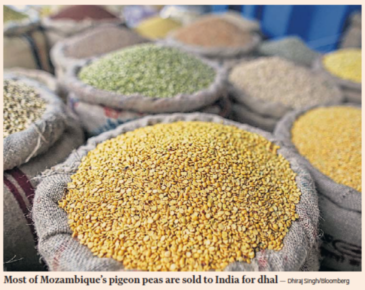
CMA-CGM, the Marseille-based shipping company set to transport the goods, did not respond to a request for comment.

Royal Group did not provide a response for publication when approached for comment. Mozambique's presidency did not respond to a request for comment.

Patel's characterisation of the seizure could reignite concerns about corruption in Mozambique, one of the world's poorest countries, which is still haunted by its $2bn "tuna bond" fraud scandal of the past decade.

ETG is one of Africa's oldest and biggest agricultural traders. The group's international shareholders include Japan's Mitsui, the South African Public Investment Corporation, which is the continent's largest fund manager, and Saudi Arabia's Sabic chemicals company.

"In 40 years of operations across Africa, we have never witnessed acts as malignant and damaging as this," ETG said.



Most of Mozambique's pigeon peas are sold to India for dhal — Dhiraj Singh/Bloomberg

The company added that it was now calling for "an immediate cessation in hostilities" and for the release of its assets.

Most of Mozambique's pigeon pea exports go to India, the world's biggest consumer and producer of the protein-rich pulse used in dhal.

However, low rainfall in India's growing regions in recent years has hit local production of the key food staple.

The country will need to import 1.2mn tonnes in the harvest year ending in March this year, up from nearly 900,000 tonnes in the previous year, according to government estimates.

Mozambique provides about half of India's pigeon pea imports, typically from small-scale farming.

Analysts noted that Mozambique's agricultural exports have often been subject to political interference by members of Frelimo, Mozambique's ruling party.

The dispute between ETG and its local rival dates back to 2022 when Royal Group accused competitors of incorrectly informing Indian authorities that the company had falsely certified a food shipment worth more than $60mn as free of genetically modified products.

All of the competitors settled the case except for ETG, which has since been fighting in the Mozambican courts against orders for its assets to be seized as part of a $60mn claim against the company.

After the civil court system ruled in ETG's favour, Royal Group launched criminal proceedings in Mozambique last month that led to the arrest of an ETG employee, who was freed on bail, and which again permitted assets to be seized.

'Even if there's a scarcity and Mozambique could have helped, we won't be held to ransom'

Drone footage and photographs reviewed by the FT appear to show goods being transferred out of ETG warehouses on to trucks and moved to other parts of the port of Nacala this month.

ETG's lenders such as regional development banks were "deeply concerned" about the seizure in Mozambique because "much of the product stolen from our facilities was collateralised in their favour so they also have a direct interest", Patel said in the letter to Nyusi.

Mozambican pigeon peas sold in Mumbai reached prices of Rs8,300 ($100) per 100kg last week, up 4 per cent compared with a week earlier, amid rising demand from millers and limited supply.

Bimal Kothari, chair of the India Pulses and Grains Association, said a pigeon pea trader in Mozambique was attempting to monopolise the export trade to India in order to drive up prices. He declined to name the trader.

"The Mozambique government knows the situation and despite this, they are indulging the wholly corrupt practice," he said, adding that the association has asked the Indian government to suspend Mozambican pigeon pea imports in response.

Such a halt might drive up prices of the pulse in the country, Kothari added, but "even if there's a scarcity and Mozambique could have helped, we don't want it at this cost. We won't be held to ransom."

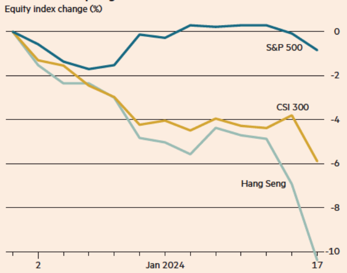
*Additional reporting by Sarah White in Paris*

## The day in the markets

### What you need to know

- **Global equities slide on doubts over China economic health**
- **Gilts sell off after surprise jump in UK inflation figures**
- **Wall Street volatility index highest in more than two months**

**Chinese stocks plunge on weak economic data**
Equity index change (%)




Source: Bloomberg

Global stocks sank yesterday as fresh doubts over the health of China's economy added to caution from central bankers in the US and Europe over the outlook for interest rates.

Stock and bond markets on both sides of the Atlantic were also hit by comments from Christine Lagarde, European Central Bank president, who signalled that borrowing costs were likely to fall in summer rather than spring.

Wall Street's benchmark S&P 500 was down 0.7 per cent in early afternoon trading in New York while the tech-heavy Nasdaq Composite dropped 1 per cent.

Meanwhile, the region-wide Stoxx Europe 600 closed 1.2 per cent lower.

UK government debt sold off after inflation jumped unexpectedly to an annual rate of 4 per cent in December, the first rise in 10 months.

Yields on rate-sensitive two-year UK gilts rose 21 basis points to 4.38 per cent as investors offloaded the debt.

Traders also scaled back their expectations that the Bank of England would cut interest rates before June.

Swaps markets were pricing in less than a 50 per cent chance of a cut in May compared with nearly 90 per cent on Tuesday.

"Central bankers have been stating the obvious: the harder markets are pushing for early rate cuts, the less likely it is that central banks will be able to meet these hopes," said Frederik Ducrozet, head of macroeconomic research at Pictet Wealth Management.

Market sentiment had earlier been overshadowed by news that the Chinese economy had grown at 5.2 per cent last year, one of the lowest rates in decades.

China's CSI 300 index of Shanghai and Shenzhen stocks dropped 2.2 per cent and Hong Kong's Hang Seng shed 3.7 per cent — bringing its total decline for the year to 10.6 per cent.

Pushback on rate cut expectations from the US Federal Reserve's Christopher Waller rattled markets on Tuesday but Chinese data was "the real reason" for yesterday's initial sell-off in Asian and European equities, said Al Munro, a strategist at Marex, a London broker.

China-focused real estate groups were hard hit by data that showed investment in the nation's property development fell 9.6 per cent last year compared with a year earlier and housing prices fell 0.4 per cent from the previous month.

The data sent the Hang Seng Mainland Properties index in Hong Kong down 5.4 per cent to reach a fresh all-time low.

The Vix volatility index, which measures the implied volatility in the S&P 500 over the next 30 days in options pricing, rose to 15 — its highest level in more than two months. **George Steer and Stephanie Stacey**

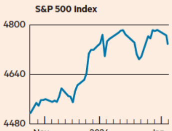
### Markets update

| | US | Eurozone | Japan | UK | China | Brazil |
|---|---|---|---|---|---|---|
| **Stocks** | **S&P 500** | **Eurofirst 300** | **Nikkei 225** | **FTSE100** | **Shanghai Comp** | **Bovespa** |
| Level | 4737.99 | 1849.52 | 35477.75 | 7446.29 | 2833.62 | 128389.32 |
| % change on day | -0.59 | -1.09 | -0.40 | -1.48 | -2.09 | -0.70 |
| **Currency** | **$ Index (DXY)** | **$ per €** | **Yen per $** | **$ per £** | **Rmb per $** | **Real per $** |
| Level | 103.431 | 1.085 | 148.450 | 1.266 | 7.197 | 4.933 |
| % change on day | 0.072 | -0.276 | 1.028 | 0.079 | 0.175 | 0.351 |
| **Govt. bonds** | **10-year Treasury** | **10-year Bund** | **10-year JGB** | **10-year Gilt** | **10-year bond** | **10-year bond** |
| Yield | 4.097 | 2.312 | 0.604 | 4.205 | 2.569 | 10.362 |
| Basis point change on day | 5.330 | 5.500 | 1.130 | 19.200 | -1.900 | 9.500 |
| **World Index, Commods** | **FTSE All-World** | **Oil - Brent** | **Oil - WTI** | **Gold** | **Silver** | **Metals (LMEX)** |
| Level | 469.98 | 77.50 | 72.06 | 2038.15 | 23.05 | 3640.90 |
| % change on day | -0.91 | -1.01 | -0.47 | -0.57 | -0.69 | -0.08 |

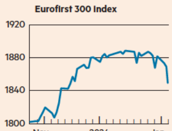
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

### Main equity markets

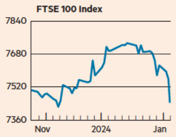
S&P 500 Index




Eurofirst 300 Index




FTSE 100 Index




### Biggest movers

| % | US | | Eurozone | | UK | |
|---|---|---|---|---|---|---|
| Ups | Humana | 2.66 | A.p. Moller - Maersk B | 2.58 | Imi | 3.68 |
| | Citizens Fin | 1.84 | Muench Rueckvers | 2.46 | Smith & Nephew | 1.60 |
| | Elevance Health | 1.71 | Coloplast | 2.42 | Convatec | 1.56 |
| | Boeing | 1.70 | Casino Guichard | 1.71 | Jd Sports Fashion | 1.35 |
| | Jm Smucker (the) | 1.68 | Colruyt | 1.23 | Bae Systems | 0.93 |
| Downs | Estee Lauder Companies (the) | -3.72 | Kone | -5.85 | Ocado | -6.15 |
| | Jabil | -3.65 | Novozymes | -4.87 | Entain | -5.19 |
| | Fortinet | -3.48 | Hugo Boss | -4.41 | Persimmon | -4.97 |
| | Charles Schwab (the) | -3.44 | Adidas | -4.22 | Glencore | -4.47 |
| | On Semiconductor | -3.28 | Rwe | -3.73 | Land Securities | -4.10 |

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

Commodities

# Saudi Aramco pumps $4bn into VC unit as Riyadh seeks to diversify from crude

SHOTARO TANI — LONDON

**Saudi Aramco is beefing up its global venture capital arm with a $4bn cash injection as part of a wider push to diversify the kingdom's oil-dependent economy.**

**The extra money for Aramco Ventures would more than double its capital to $7bn from $3bn, the state-run company said yesterday.**

The cash will be deployed over the next four years, with spending on sectors such as new energies, chemicals, transition materials and digital technologies to diversify the Saudi economy when oil demand eventually starts to decline.

Saudi Arabia's government owns more than 90 per cent of Aramco's shares, with another 8 per cent held by the country's sovereign wealth fund, making it a vital cog in attempts to transform its economy.

The company, the world's third largest and the biggest oil producer responsible for almost 10 per cent of supplies, has committed to cut its operational emissions to net zero by 2050.

The venture capital arm, which manages three global and one domestic fund, has invested in companies that operate in sectors as wide-ranging as green steel production, artificial intelligence, and blockchain technology.

> 'Innovation is key to addressing some of the fundamental challenges facing the world today'

"Innovation is key to addressing some of the fundamental challenges facing the world today, including the energy transition," said Ahmad al-Khowaiter, Aramco's executive vice-president of technology and innovation.

The additional capital "will provide crucial impetus to businesses at various stages of development around the world, while also contributing to Aramco's own long-term objectives", he said.

The company, with a market capitalisation of more than $2tn — only Microsoft and Apple are bigger — has also pledged to provide the "lowest-carbon" barrel of oil in the industry.

The capital injection to its venture capital arm comes as the business grapples with subdued oil prices, which have failed to pick up despite deep production cuts by Opec+ last year.

The company's net profit for the third quarter of 2023 was down 23 per cent compared with a year earlier, although the tally was above analysts' expectations.

The country in early January was forced to cut its official selling price for oil exports in February in what analysts called an attempt to remain competitive in the market.

# Risk of premature celebrations over taming inflation

Karen Ward

Markets Insight

Markets are still parsing the implications of the early Christmas present delivered by Jay Powell during his December press conference with comments signalling a sharp shift in the US Federal Reserve's stance on interest rates.

As the initial wave of excitement over the shift fades in the new year, there is now a considerable amount of head scratching regarding the change of heart that came just a few weeks after the US Federal Reserve chair was still warning of the possibility of even higher rates.

Given the scale of the move in both stock and bond prices since the comments, this does warrant examination.

The argument that Powell has put forward is that the outlook for inflation has improved significantly. As such, the Fed is increasingly convinced that economic growth can continue at trend, unemployment can stay low and it will still sustainably meet its 2 per cent target. In contrast to what it thought earlier in 2023, a recession is no longer required.

Powell's argument is then that, without a need for economic weakness, interest rates do not need to be as restrictive. They should instead be at what economists would term "neutral".

In simple terms, the Fed doesn't need to keep its foot on the brake so should shift gear and move to idle.

The Fed is one of the few central banks that produce an estimate of what it believes "idle" is. Its current estimate is 2.5 per cent — suggesting that the current policy rate of 5.25-5.5 per cent is way above where it needs to be.

If all elements of this argument are correct, the Fed would be right to not waste any time in bringing rates down.

This is what the market is now pricing with the first cut in March and interest rates that are 1.5 percentage points lower by the end of the year.

There are two elements of this argument that are worth questioning. First is whether too much weight is being placed on current inflation to assess medium-term inflationary pressure.

It was acknowledged when inflation was at the highs of 9 per cent that the Fed should look through temporary spikes caused by distortions related to the pandemic. If it were working, then on the basis that it needed to keep real interest rates close to 0.5 per cent and deflated the policy rate using headline inflation, it should have taken interest rates to 8.5 per cent.

> The Fed cutting interest rates would add further stimulus that might undo all its good work so far

The Fed should be symmetric in how it reacts to deviations from target. It was right to look through the upside temporary distortions that came with the pandemic. In a similar vein, it should look through temporary weakness arising as supply chain distortions unwind.

The second element comes from its confident assessment that the neutral or "idle" rate of interest is 2.5 per cent.

The fact that the US economy has proved so resilient suggests that it is significantly less rate-sensitive than it was and can sustain materially higher rates more easily than before the pandemic.

In part, this is because fiscal policy is and remains much more stimulative than it was in the decade after the global financial crisis. My concern is that the US economy is at, or very close to, full capacity.

Falling energy and goods prices alone will provide a significant boost to consumers' real income and spending power. It is a cost of living shock but, this time, of the good kind.

The Fed cutting interest rates would then add further stimulus that risks reigniting inflationary pressures and undoing all its good work so far.

We have seen the problems caused by premature central bank celebrations in the past — well-documented in a paper by the IMF last summer titled *One Hundred Inflation Shocks: Seven Stylized Facts*.

The key line was: "Most unresolved [inflation] episodes involved 'premature celebrations', where inflation declined initially, only to plateau at an elevated level or reaccelerate."

There is no doubt the inflation picture has improved globally. We are not facing a 1970s style wage-price spiral that requires a deep recession to stop companies and workers asking for higher pay.

But central banks should consider the risks of large, pre-emptive cuts when so little is clear about sustained inflationary pressures or the neutral rate.

If the Fed does deliver large cuts in the coming months, markets for "riskier" assets such as equities could initially do very well. But these gains may not be sustained.

In such a scenario, I would be more inclined to add bonds with inflation index-linked returns to my portfolio rather than long-term government bonds or risk assets.

*Karen Ward is chief market strategist for Europe, Middle East and Africa at JPMorgan Asset Management*

# MARKET DATA

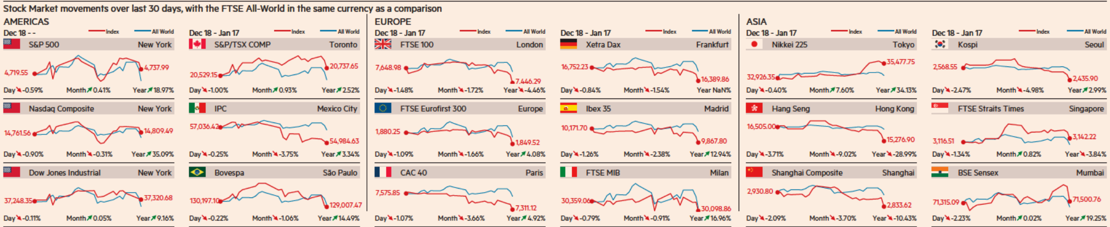
## WORLD MARKETS AT A GLANCE

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 $ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| -0.59% | -0.90% | -0.11% | -1.48% | -1.09% | -0.40% | -3.71% | -0.91% | -0.276% | 0.079% | 1.028% | -0.349% | -2.18% | -0.57% |

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




| Country | Index | Latest | Previous |
|---|---|---|---|
| Canada | S&P/TSX 60 | 1252.04 | 1263.80 |
| | S&P/TSX Comp | 20737.65 | 20948.09 |
| | S&P/TSX Div Met & Min | 1580.12 | 1581.98 |
| Chile | S&P/CLX IGPA Gen | 30179.57 | 30335.98 |
| China | FTSE A200 | 8513.27 | 8705.04 |
| | FTSE B35 | 9000.71 | 8988.96 |
| | Shanghai A | 2970.97 | 3034.25 |
| | Shanghai B | 224.42 | 228.94 |
| | Shanghai Comp | 2833.62 | 2893.99 |
| | Shenzhen A | 1776.92 | 1823.31 |
| | Shenzhen B | 1027.94 | 1047.44 |
| Colombia | COLCAP | 1261.61 | 1260.21 |
| Croatia | CROBEX | 2013.05 | 2011.29 |

| Country | Index | Latest | Previous |
|---|---|---|---|
| Germany | M-DAX | 25250.06 | 25698.02 |
| | TecDAX | 3224.62 | 3260.93 |
| | XETRA Dax | 16431.69 | 16571.68 |
| Greece | Athens Gen | 1331.34 | 1332.47 |
| | FTSE/ASE 20 | 3231.70 | 3234.43 |
| Hong Kong | Hang Seng | 15276.90 | 15865.92 |
| | HS China Enterprise | 5132.82 | 5343.30 |
| | HSCC Red Chip | 3088.66 | 3211.88 |
| Hungary | Bux | 61374.10 | 61454.62 |
| India | BSE Sensex | 71500.76 | 73128.77 |
| | Nifty 500 | 19487.60 | 19827.55 |
| Indonesia | Jakarta Comp | 7200.64 | 7242.79 |
| Ireland | ISEQ Overall | 8469.85 | 8491.37 |
| Israel | Tel Aviv 125 | 1843.84 | 1869.55 |

| Country | Index | Latest | Previous |
|---|---|---|---|
| Kenya | NSE 20 | 1503.34 | 1512.64 |
| Kuwait | KSX Market Index | 6633.44 | 6603.51 |
| Latvia | OMX Riga | 1368.41 | 1368.27 |
| Lithuania | OMX Vilnius | 956.64 | 955.26 |
| Luxembourg | LuxX | 1474.49 | 1479.44 |
| Malaysia | FTSE Bursa KLCI | 1491.21 | 1493.87 |
| Mexico | IPC | 54984.63 | 55124.58 |
| Morocco | MASI | 12594.94 | 12548.37 |
| Netherlands | AEX | 771.43 | 778.54 |
| | AEX All Share | 1045.41 | 1055.88 |
| New Zealand | NZX 50 | 11767.03 | 11770.76 |
| Nigeria | SE All Share | 87971.09 | 84640.89 |
| Norway | Oslo All Share | 1017.37 | 1006.88 |
| Pakistan | KSE 100 | 63567.34 | 63737.46 |

| Country | Index | Latest | Previous |
|---|---|---|---|
| Singapore | FTSE Straits Times | 3142.22 | 3184.99 |
| Slovakia | SAX | 315.64 | 315.64 |
| Slovenia | SBI TOP | - | - |
| South Africa | FTSE/JSE All Share | 71693.09 | 73007.62 |
| | FTSE/JSE Res 20 | 50417.49 | 51904.84 |
| | FTSE/JSE Top 40 | 65353.15 | 66608.24 |
| South Korea | Kospi | 2435.90 | 2497.59 |
| | Kospi 200 | 326.11 | 334.73 |
| Spain | IBEX 35 | 9867.80 | 9994.10 |
| Sri Lanka | CSE All Share | 10480.29 | 10545.88 |
| Sweden | OMX Stockholm 30 | 2297.85 | 2323.79 |
| | OMX Stockholm AS | 861.13 | 871.91 |
| Switzerland | SMI Index | 11148.56 | 11229.65 |

| Country | Index | Latest | Previous |
|---|---|---|---|
| | FTSE techMARK 100 | 6508.04 | 6538.28 |
| USA | DJ Composite | 12006.82 | 12056.83 |
| | DJ Industrial | 37320.68 | 37361.12 |
| | DJ Transport | 15215.19 | 15342.58 |
| | DJ Utilities | 866.16 | 875.64 |
| | Nasdaq 100 | 16681.55 | 16830.71 |
| | Nasdaq Cmp | 14809.49 | 14944.35 |
| | NYSE Comp | 16539.17 | 16639.38 |
| | S&P 500 | 4737.99 | 4765.98 |
| | Wilshire 5000 | 42053.18 | 41446.59 |
| Venezuela | IBC | 56758.28 | 56602.80 |
| Vietnam | VNI | 1162.53 | 1163.12 |

| Country | Index | Latest | Previous |
|---|---|---|---|
| | FTSE Gold Min ($) | 1699.46 | 1780.16 |
| | FTSE Latibex Top (Eur) | 4440.00 | 4432.20 |
| | FTSE Multinationals ($) | 3303.92 | 3321.44 |
| | FTSE World ($) | 863.22 | 870.42 |
| | FTSEurofirst 100 (Eur) | 4943.45 | 4997.83 |
| | FTSEurofirst 80 (Eur) | 5969.53 | 6031.21 |
| | MSCI ACWI Fr ($) | 718.96 | 724.03 |
| | MSCI All World ($) | 3146.04 | 3165.14 |
| | MSCI Europe (Eur) | 1895.20 | 1899.11 |
| | MSCI Pacific ($) | 2925.80 | 2975.80 |
| | S&P Euro (Eur) | 1942.82 | 1962.47 |
| | S&P Europe 350 (Eur) | 1900.79 | 1921.58 |
| | S&P Global 1200 ($) | 3420.64 | 3449.44 |
| | Stoxx 50 (Eur) | 4032.46 | 4072.50 |

(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 | 98.4 | 554.16 | -9.66 |
| Tesla | 71.5 | 213.19 | -6.72 |
| Advanced Micro Devices | 47.5 | 156.49 | -2.25 |
| Apple | 22.8 | 181.70 | -1.93 |
| Microsoft | 19.1 | 386.97 | -3.30 |
| Boeing | 15.0 | 203.94 | 3.42 |
| Amazon.com | 13.7 | 150.99 | -2.17 |
| Meta Platforms | 12.8 | 363.00 | -4.46 |
| Alphabet | 8.7 | 140.22 | -2.27 |
| Alphabet | 6.7 | 141.75 | -2.33 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Humana | 450.46 | 11.67 | 2.66 |
| Citizens Fin | 31.78 | 0.58 | 1.84 |
| Elevance Health | 481.40 | 8.11 | 1.71 |
| Boeing | 203.94 | 3.42 | 1.70 |
| Jm Smucker (the) | 130.32 | 2.16 | 1.68 |
| **Downs** | | | |
| Estee Lauder Companies (the) | 124.93 | -4.83 | -3.72 |
| Jabil | 120.83 | -4.58 | -3.65 |
| Fortinet | 59.84 | -2.16 | -3.48 |
| Charles Schwab (the) | 62.10 | -2.21 | -3.44 |
| On Semiconductor | 71.38 | -2.42 | -3.28 |

Based on the constituents of the S&P500

**LONDON**

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Shell | 208.7 | 2378.50 | -57.00 |
| Astrazeneca | 195.3 | 10446.00 | -200.00 |
| Bp | 112.5 | 448.50 | -3.80 |
| Hsbc Holdings | 110.4 | 587.70 | -5.80 |
| Glencore | 108.4 | 419.50 | -19.65 |
| Rio Tinto | 104.4 | 5382.00 | -83.00 |
| Haleon | 90.3 | 329.30 | -4.30 |
| Flutter Entertainment | 87.6 | 13200.00 | -70.00 |
| Gsk | 86.9 | 1575.60 | -6.20 |
| Diageo | 79.4 | 2749.00 | -48.50 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Imi | 1608.00 | 57.00 | 3.68 |
| Mitchells & Butlers | 264.00 | 9.20 | 3.61 |
| Trustpilot | 163.00 | 4.00 | 2.52 |
| Keller | 850.00 | 20.00 | 2.41 |
| Foresight Holdings | 423.00 | 7.00 | 1.68 |
| **Downs** | | | |
| Safestore Holdings | 779.00 | -71.00 | -8.35 |
| Ocado | 580.00 | -38.00 | -6.15 |
| Drax | 497.60 | -29.60 | -5.61 |
| Osb | 411.20 | -24.40 | -5.60 |
| Me Int | 120.00 | -7.00 | -5.51 |

Based on the constituents of the FTSE 350 index

**EURO MARKETS**

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Lvmh | 193.1 | 647.10 | -19.20 |
| Nestle N | 180.5 | 104.01 | -0.45 |
| Unicredit | 176.2 | 25.82 | 0.02 |
| Enel | 170.5 | 6.64 | -0.11 |
| Novartis N | 157.6 | 99.19 | 0.67 |
| Asml Holding | 156.6 | 648.10 | -4.20 |
| Totalenergies | 150.2 | 58.27 | -1.31 |
| Eni | 149.1 | 14.70 | -0.23 |
| Richemont N | 132.2 | 111.90 | -2.76 |
| Roche Gs | 118.1 | 263.19 | -2.34 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| A.p. M__ller - M__rsk A A/s | 1798.14 | 45.59 | 2.60 |
| A.p. M__ller - M__rsk B A/s | 1837.03 | 46.26 | 2.58 |
| Muench.rueckvers.vna O.n. | 392.20 | 9.40 | 2.46 |
| Orange | 11.18 | 0.09 | 0.81 |
| Allianz Se Na O.n. | 244.40 | 1.75 | 0.72 |
| **Downs** | | | |
| Kering | 345.95 | -12.75 | -3.55 |
| Bay.motoren Werke Ag St | 92.48 | -3.28 | -3.43 |
| Adyen | 1152.80 | -38.80 | -3.26 |
| Mercedes-benz Grp Na O.n. | 59.36 | -1.97 | -3.21 |
| Bay.motoren Werke Vzo | 85.90 | -2.80 | -3.16 |

Based on the constituents of the FTSEurofirst 300 Eurozone index

**TOKYO**

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Lasertec | 4296.8 | 36130.00 | 1430.00 |
| Kawasaki Kisen Kaisha, | 3070.4 | 7330.00 | 9.00 |
| Toyota Motor | 1226.2 | 2856.50 | 2.00 |
| Tokyo Electron | 1121.5 | 26390.00 | 470.00 |
| Mitsubishi Ufj Fin | 1041.2 | 1293.00 | 8.50 |
| Tokyo Electric Power | 968.6 | 810.20 | -38.40 |
| Advantest | 800.8 | 5162.00 | 52.00 |
| Mitsubishi | 757.2 | 2551.00 | 76.50 |
| Fast Retailing Co., | 746.2 | 38750.00 | -250.00 |
| Mitsui O.s.k.lines, | 726.2 | 5166.00 | 16.00 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Furukawa Electric Co., | 2423.00 | 100.00 | 4.30 |
| Lasertec | 36130.00 | 1430.00 | 4.12 |
| Cyberagent | 909.20 | 30.50 | 3.47 |
| Mitsubishi | 2551.00 | 76.50 | 3.09 |
| Aeon Co., | 3535.00 | 77.00 | 2.23 |
| **Downs** | | | |
| M3 | 2227.00 | -110.00 | -4.71 |
| Tokyo Electric Power | 810.20 | -38.40 | -4.53 |
| Nexon Co., | 2460.50 | -108.50 | -4.22 |
| Fujitsu | 19460.00 | -825.00 | -4.07 |
| Daiichi Sankyo , | 4352.00 | -172.00 | -3.80 |

Based on the constituents of the Nikkei 225 index

## UK MARKET WINNERS AND LOSERS

| FTSE 100 | Jan 17 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Hikma Pharmaceuticals | 1965.00 | 3.9 | 10.0 |
| Bae Systems | 1192.00 | 3.2 | 6.8 |
| Flutter Entertainment | 13200.00 | 2.8 | -4.1 |
| Relx | 3221.00 | 1.9 | 5.0 |
| Imi | 1608.00 | 1.6 | -3.2 |
| Whitbread | 3606.00 | 1.6 | -0.2 |
| Experian | 3181.00 | 1.1 | 1.9 |
| Tesco | 299.60 | 1.1 | 2.2 |
| 3i | 2319.00 | 1.0 | -1.1 |
| Coca-cola Hbc Ag | 2340.00 | 0.9 | 1.1 |
| Imperial Brands | 1883.50 | 0.8 | 3.7 |
| Antofagasta | 1593.50 | 0.7 | -3.5 |
| **Losers** | | | |
| Ocado | 580.00 | -15.4 | -21.6 |
| Burberry | 1235.00 | -12.0 | -11.8 |
| Lloyds Banking | 42.27 | -10.1 | -12.1 |
| Marks And Spencer | 253.50 | -8.7 | -8.2 |
| Standard Chartered | 575.00 | -8.2 | -12.7 |
| Barclays | 140.68 | -7.8 | -9.4 |
| Prudential | 773.40 | -7.8 | -9.7 |
| Centrica | 142.90 | -7.4 | 1.1 |
| Land Securities | 641.00 | -7.2 | -9.5 |
| Fresnillo | 487.90 | -6.9 | -14.6 |
| Informa | 731.00 | -6.9 | -5.5 |
| Hsbc Holdings | 587.70 | -6.8 | -6.8 |

| FTSE 250 | Jan 17 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Trustpilot | 163.00 | 12.0 | 17.4 |
| Bakkavor | 91.60 | 9.0 | 9.3 |
| Wood (john) | 168.60 | 8.4 | -0.1 |
| Bytes Technology | 616.00 | 6.4 | 4.1 |
| Hunting | 297.00 | 5.9 | 0.0 |
| Spirent Communications | 123.90 | 5.7 | 1.1 |
| Harbour Energy | 316.80 | 5.2 | 0.0 |
| Hilton Food | 795.00 | 5.2 | 2.8 |
| 4imprint | 4635.00 | 5.0 | 3.5 |
| Future | 763.00 | 4.4 | -2.1 |
| Foresight Holdings | 423.00 | 4.4 | 0.5 |
| Qinetiq | 331.20 | 4.2 | 6.8 |
| **Losers** | | | |
| Close Brothers | 599.00 | -22.4 | -23.8 |
| Diversified Energy | 978.50 | -12.2 | -18.4 |
| Ferrexpo | 72.40 | -11.2 | -17.5 |
| Moneysupermarket.com | 246.40 | -11.1 | -9.7 |
| Wizz Air Holdings | 1940.50 | -10.4 | -12.4 |
| Watches Of Switzerland | 587.00 | -10.1 | -13.2 |
| Tui Ag | 524.00 | -10.0 | -16.0 |
| Dowlais | 92.70 | -9.0 | -13.6 |
| Crest Nicholson Holdings | 198.50 | -8.9 | -6.8 |
| Aston Martin Lagonda Global Holdings | 194.20 | -8.7 | -9.8 |
| Derwent London | 2082.00 | -8.6 | -10.9 |
| Syncona | 112.80 | -8.1 | -6.2 |

| FTSE SmallCap | Jan 17 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Mears | 352.00 | 12.5 | 13.4 |
| Luceco | 136.80 | 9.4 | 8.2 |
| Cab Payments Holdings | 95.00 | 7.7 | 15.9 |
| Alfa Fin Software Holdings | 166.00 | 7.1 | 17.3 |
| Atrato Onsite Energy | 76.00 | 6.7 | 5.3 |
| Porvair | 660.00 | 6.5 | 6.5 |
| Robert Walters | 435.00 | 6.1 | -3.3 |
| Foresight Sustainable Forestry | 66.40 | 6.1 | 5.2 |
| Galliford Try Holdings | 247.50 | 5.3 | 9.5 |
| Gulf Marine Services | 15.85 | 5.0 | 4.3 |
| Cmc Markets | 133.80 | 4.2 | 26.5 |
| Ocean Wilsons (holdings) Ld | 1270.00 | 4.1 | 5.8 |
| **Losers** | | | |
| Superdry | 21.20 | -30.9 | -36.9 |
| Synthomer | 127.00 | -19.2 | -30.5 |
| Smiths News | 46.00 | -14.5 | -11.2 |
| Ricardo | 432.00 | -13.3 | -12.4 |
| Ceres Power Holdings | 151.10 | -12.1 | -17.3 |
| Tt Electronics | 151.00 | -10.4 | -4.2 |
| Regional Reit | 29.60 | -10.3 | -15.3 |
| Digital 9 Infrastructure | 27.00 | -10.3 | -15.0 |
| Petrofac | 25.12 | -9.2 | -25.1 |
| Card Factory | 94.00 | -8.9 | -9.3 |
| Petra Diamonds | 60.70 | -8.6 | -8.0 |
| Gore Street Energy Storage Fund | 76.00 | -8.1 | -13.2 |

| Industry Sectors | Jan 17 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| General Financial | 14375.03 | 1.0 | -1.7 |
| General Retailers | 3845.35 | 0.9 | 2.1 |
| Media | 11247.23 | 0.8 | 0.9 |
| Aerospace & Defense | 8890.94 | 0.4 | 3.5 |
| Software & Computer Services | 2345.98 | 0.1 | -3.0 |
| Electronic & Electrical Equip. | 9450.90 | -0.2 | -5.1 |
| Support Services | 10155.70 | -0.6 | -3.9 |
| Beverages | 21760.91 | -0.6 | -3.2 |
| Health Care Equip.& Services | 10597.08 | -1.3 | -1.5 |
| Tobacco | 26670.99 | -1.5 | 1.8 |
| Equity Investment Instruments | 11101.25 | -1.8 | -3.8 |
| Industrial Engineering | 13445.03 | -1.9 | -5.5 |
| **Losers** | | | |
| Personal Goods | 18707.22 | -10.2 | -13.8 |
| Banks | 3369.57 | -8.1 | -8.5 |
| Automobiles & Parts | 1388.68 | -7.9 | -12.6 |
| Electricity | 10410.51 | -7.6 | -5.6 |
| Mining | 8132.33 | -7.2 | -17.9 |
| Life Insurance | 5763.07 | -5.6 | -7.7 |
| Chemicals | 8570.83 | -5.4 | -10.6 |
| Real Estate Investment Trusts | 2227.92 | -5.3 | -7.2 |
| Industrial Metals | 6171.01 | -4.8 | -9.5 |
| Mobile Telecommunications | 1822.62 | -4.7 | -4.4 |
| Industrial Transportation | 3533.10 | -4.5 | -11.3 |
| Nonlife Insurance | 3227.63 | -4.3 | -3.8 |

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

## CURRENCIES

| Jan 17 | 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 | 818.6425 | 0.4965 | 888.1877 | -1.6722 | 1036.2826 | 0.9955 |
| Australia | Australian Dollar | 1.5310 | 0.0155 | 1.6611 | 0.0128 | 1.9381 | 0.0204 |
| Bahrain | Bahrainin Dinar | 0.3770 | - | 0.4090 | -0.0010 | 0.4772 | 0.0002 |
| Bolivia | Bolivian Boliviano | 6.9100 | - | 7.4970 | -0.0187 | 8.7471 | 0.0031 |
| Brazil | Brazilian Real | 4.9334 | 0.0172 | 5.3525 | 0.0054 | 6.2450 | 0.0240 |
| Canada | Canadian Dollar | 1.3518 | 0.0037 | 1.4666 | 0.0004 | 1.7112 | 0.0053 |
| Chile | Chilean Peso | 922.1500 | -6.1000 | 1000.4882 | -9.1266 | 1167.3080 | -7.3054 |
| China | Chinese Yuan | 7.1965 | 0.0125 | 7.8079 | -0.0058 | 9.1098 | 0.0191 |
| Colombia | Colombian Peso | 3973.9500 | 32.2900 | 4311.5454 | 24.3826 | 5030.4442 | 42.6419 |
| Costa Rica | Costa Rican Colon | 520.5000 | - | 564.7174 | -1.4066 | 658.8775 | 0.2334 |
| Czech Republic | Czech Koruna | 22.7937 | 0.0580 | 24.7301 | 0.0015 | 28.8535 | 0.0836 |
| Denmark | Danish Krone | 6.8738 | 0.0172 | 7.4577 | 0.0001 | 8.7012 | 0.0248 |
| Egypt | Egyptian Pound | 30.9034 | 0.0394 | 33.5287 | -0.0407 | 39.1192 | 0.0637 |
| Hong Kong | Hong Kong Dollar | 7.8238 | -0.0034 | 8.4885 | -0.0248 | 9.9039 | -0.0008 |
| Hungary | Hungarian Forint | 351.6752 | 2.8130 | 381.5506 | 2.1092 | 445.1698 | 3.7172 |
| India | Indian Rupee | 83.1363 | 0.0625 | 90.1988 | -0.1567 | 105.2384 | 0.1164 |
| Indonesia | Indonesian Rupiah | 15640.0000 | 50.0000 | 16968.6521 | 12.1134 | 19797.9814 | 70.2634 |
| Israel | Israeli Shekel | 3.7965 | 0.0249 | 4.1190 | 0.0168 | 4.8058 | 0.0331 |
| Japan | Japanese Yen | 148.4500 | 1.5100 | 161.0611 | 1.2412 | 187.9162 | 1.9773 |
| ..One Month | | 148.4493 | 1.5085 | 161.0605 | 1.2400 | 187.9153 | 1.9755 |
| ..Three Month | | 148.4479 | 1.5058 | 161.0594 | 1.2378 | 187.9136 | 1.9723 |
| ..One Year | | 148.4425 | 1.4952 | 161.0553 | 1.2298 | 187.9153 | 1.9673 |
| Kenya | Kenyan Shilling | 161.0000 | 1.0500 | 174.6772 | 0.7070 | 203.8026 | 1.4009 |
| Kuwait | Kuwaiti Dinar | 0.3081 | 0.0003 | 0.3342 | -0.0005 | 0.3899 | 0.0005 |
| Malaysia | Malaysian Ringgit | 4.7175 | 0.0255 | 5.1183 | 0.0150 | 5.9717 | 0.0344 |
| Mexico | Mexican Peso | 17.3345 | 0.1617 | 18.8071 | 0.1291 | 21.9430 | 0.2125 |
| New Zealand | New Zealand Dollar | 1.6406 | 0.0136 | 1.7799 | 0.0104 | 2.0767 | 0.0180 |
| Nigeria | Nigerian Naira | 910.7500 | -48.2500 | 988.1198 | -54.9404 | 1152.8773 | -60.6475 |
| Norway | Norwegian Krone | 10.5466 | 0.0845 | 11.4425 | 0.0635 | 13.3504 | 0.1117 |
| Pakistan | Pakistani Rupee | 280.0000 | -0.5700 | 303.7865 | -1.3766 | 354.4394 | -0.5957 |
| Peru | Peruvian Nuevo Sol | 3.7407 | 0.0269 | 4.0584 | 0.0191 | 4.7351 | 0.0357 |
| Philippines | Philippine Peso | 55.9150 | 0.0800 | 60.6651 | -0.0641 | 70.7803 | 0.1263 |
| Poland | Polish Zloty | 4.0629 | 0.0278 | 4.4080 | 0.0192 | 5.1430 | 0.0369 |
| Romania | Romanian Leu | 4.5866 | 0.0113 | 4.9762 | -0.0002 | 5.8060 | 0.0163 |
| Russia | Russian Ruble | 88.6250 | 0.4237 | 96.1538 | 0.2214 | 112.1864 | 0.5760 |
| Saudi Arabia | Saudi Riyal | 3.7505 | - | 4.0691 | -0.0101 | 4.7476 | 0.0017 |
| Singapore | Singapore Dollar | 1.3466 | 0.0042 | 1.4609 | 0.0009 | 1.7045 | 0.0059 |
| South Africa | South African Rand | 19.1494 | 0.1831 | 20.7762 | 0.1475 | 24.2404 | 0.2403 |
| South Korea | South Korean Won | 1344.1500 | 12.4000 | 1458.3380 | 9.8547 | 1701.4989 | 16.2939 |
| Sweden | Swedish Krona | 10.5001 | 0.0794 | 11.3920 | 0.0580 | 13.2915 | 0.1052 |
| Switzerland | Swiss Franc | 0.8681 | 0.0081 | 0.9419 | 0.0065 | 1.0990 | 0.0107 |
| Taiwan | New Taiwan Dollar | 31.6170 | 0.1995 | 34.3029 | 0.1315 | 40.0225 | 0.2666 |
| Thailand | Thai Baht | 35.5013 | 0.1363 | 38.5171 | 0.0523 | 44.9394 | 0.1883 |
| Tunisia | Tunisian Dinar | 3.1157 | 0.0063 | 3.3804 | -0.0016 | 3.9440 | 0.0094 |
| Turkey | Turkish Lira | 30.1303 | 0.0215 | 32.6899 | -0.0580 | 38.1405 | 0.0407 |
| United Arab Emirates | UAE Dirham | 3.6729 | - | 3.9849 | -0.0099 | 4.6494 | 0.0016 |
| United Kingdom | Pound Sterling | 0.7900 | -0.0003 | 0.8571 | -0.0024 | - | - |
| ..One Month | | 0.7900 | -0.0003 | 0.8570 | -0.0024 | - | - |
| ..Three Month | | 0.7900 | -0.0003 | 0.8568 | -0.0024 | - | - |
| ..One Year | | 0.7900 | -0.0003 | 0.8558 | -0.0025 | - | - |
| United States | United States Dollar | - | - | 1.0850 | -0.0027 | 1.2659 | 0.0004 |
| ..One Month | | - | - | 1.0848 | -0.1805 | 1.2659 | 0.0004 |
| ..Three Month | | - | - | 1.0846 | -0.1805 | 1.2659 | 0.0004 |
| ..One Year | | - | - | 1.0833 | -0.1805 | 1.2659 | 0.0004 |
| Vietnam | Vietnamese Dong | 24540.0000 | 20.0000 | 26624.7770 | -44.5210 | 31064.1008 | 36.3371 |
| European Union | Euro | 0.9217 | 0.0023 | - | - | 1.1667 | 0.0033 |
| ..One Month | | 0.9216 | 0.0023 | - | - | 1.1666 | 0.0033 |
| ..Three Month | | 0.9213 | 0.0023 | - | - | 1.1665 | 0.0033 |
| ..One Year | | 0.9200 | 0.0023 | - | - | 1.1654 | 0.0033 |

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

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| FastRetail | 38750.00 | 39000.00 | -250.00 | -0.64 | 4540.00 | 12.4 | 8.91 |
| MitsbCp | 2551.00 | 2474.50 | 76.50 | 3.09 | 172.00 | 10.8 | 14.16 |
| Keyence | 66610.00 | 66190.00 | 420.00 | 0.63 | 4610.00 | 8.2 | 6.58 |
| Sony | 14415.00 | 14380.00 | 35.00 | 0.24 | 1040.00 | 8.1 | 7.86 |
| Nomura | 727.60 | 732.50 | -4.90 | -0.67 | 57.20 | 7.7 | 17.35 |
| KDDI | 4951.00 | 4968.00 | -17.00 | -0.34 | 372.00 | 7.7 | 11.31 |
| Nippon TT | 188.00 | 186.80 | 1.20 | 0.64 | 11.70 | 7.4 | 10.72 |
| Infosys | 1640.20 | 1631.55 | 8.65 | 0.53 | 102.25 | 7.3 | 3.92 |
| OilNatGas | 232.05 | 235.10 | -3.05 | -1.30 | 18.45 | 7.1 | 15.42 |
| Orange | 11.18 | 11.09 | 0.09 | 0.81 | 0.55 | 6.1 | 5.83 |
| Toyota | 2856.50 | 2854.50 | 2.00 | 0.07 | 160.50 | 6.0 | 9.84 |
| TokioMarine | 3784.00 | 3765.00 | 19.00 | 0.50 | 183.00 | 5.6 | 8.36 |
| AutoZone | 2660.98 | 2669.56 | -8.58 | -0.32 | 148.28 | 5.5 | 1.25 |
| Relianceln | 2723.15 | 2749.25 | -26.10 | -0.95 | 168.75 | 5.5 | 9.12 |
| Tata Cons | 3884.60 | 3861.30 | 23.30 | 0.60 | 171.40 | 5.3 | 0.61 |
| Fanuc | 4342.00 | 4433.00 | -91.00 | -2.05 | 303.00 | 5.1 | 5.62 |
| Hitachi | 11175.00 | 11105.00 | 70.00 | 0.63 | 460.00 | 5.0 | 13.35 |
| MitsubishiEle | 2125.50 | 2103.00 | 22.50 | 1.07 | 77.00 | 4.9 | 4.55 |
| Advanced Micro | 156.49 | 158.74 | -2.25 | -1.42 | 9.48 | 4.8 | 12.47 |
| Softbank | 6526.00 | 6386.00 | 140.00 | 2.19 | 144.00 | 4.5 | 7.19 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| VF Cp | 15.16 | 15.43 | -0.28 | -1.78 | -1.73 | -11.7 | -23.93 |
| Ch OSLnd&Inv | 11.22 | 11.98 | -0.76 | -6.34 | -0.68 | -11.4 | -17.38 |
| Delta | 37.71 | 37.47 | 0.24 | 0.63 | -4.85 | -10.9 | -10.96 |
| Walgreen | 22.66 | 22.87 | -0.22 | -0.94 | -2.49 | -10.7 | -10.10 |
| LlydsBkg | 42.27 | 43.12 | -0.85 | -1.96 | -3.88 | -10.1 | -10.44 |
| Boeing | 203.94 | 200.52 | 3.42 | 1.70 | -25.24 | -9.7 | -22.70 |
| China Vanke | 5.94 | 6.19 | -0.25 | -4.04 | -0.37 | -9.5 | -19.40 |
| Tesla Mtrs | 213.19 | 219.91 | -6.72 | -3.06 | -15.05 | -9.3 | -15.92 |
| ChinaPcIns | 13.64 | 14.34 | -0.70 | -4.88 | -0.60 | -8.7 | -9.91 |
| BOC Hold | 18.36 | 18.80 | -0.44 | -2.34 | -1.30 | -8.7 | -12.36 |
| AmerAir | 13.17 | 13.19 | -0.02 | -0.15 | -1.19 | -8.4 | -9.11 |
| SandsCh | 20.70 | 21.55 | -0.85 | -3.94 | -1.05 | -8.4 | -3.50 |
| BMW | 92.48 | 95.76 | -3.28 | -3.43 | -5.06 | -8.3 | -8.27 |
| StandCh | 575.00 | 589.20 | -14.20 | -2.41 | -37.20 | -8.2 | -10.80 |
| Citic Ltd | 6.89 | 7.25 | -0.36 | -4.97 | -0.25 | -8.1 | -10.05 |
| MorganStly | 84.62 | 85.97 | -1.35 | -1.57 | -6.09 | -8.1 | -7.59 |
| Formosa PetChem | 73.00 | 74.80 | -1.80 | -2.41 | -4.50 | -7.9 | -12.89 |
| JohnsonCn | 53.11 | 52.40 | 0.71 | 1.35 | -5.26 | -7.9 | 1.37 |
| Barclays | 140.68 | 141.40 | -0.72 | -0.51 | -11.24 | -7.8 | -3.98 |
| Prudential | 773.40 | 805.20 | -31.80 | -3.95 | -33.60 | -7.8 | -11.67 |

Based on the FT Global 500 companies in local currency

## BONDS: HIGH YIELD & EMERGING MARKET

## BONDS: GLOBAL INVESTMENT GRADE

## INTEREST RATES: OFFICIAL

| Jan 17 | Rate | Current | Since | Last |
|---|---|---|---|---|
| US | Fed Funds | 5.25-5.50 | 26-07-2023 | 5.00-5.25 |
| US | Prime | 8.50 | 26-01-2023 | 8.25 |
| US | Discount | 5.50 | 01-08-2023 | 5.25 |
| Euro | Repo | 4.0 | 14-09-2023 | 3.438 |
| UK | Repo | 5.25 | 03-08-2023 | 5.00 |
| Japan | O'night Call | 0.00-0.10 | 01-02-2016 | 0.00 |
| Switzerland | Libor Target | -1.25-0.25 | 15-01-2015 | -0.75--0.25 |

## INTEREST RATES: MARKET

| Jan 17 (Libor: Jan 16) | Over night | Change Day | Change Week | Change Month | One month | Three month | Six month | One year |
|---|---|---|---|---|---|---|---|---|
| US$ Libor | 5.06157 | 0.010 | 0.000 | -0.006 | 5.44624 | 5.55952 | 5.51728 | 6.04143 |
| Euro Libor | -0.64957 | -0.064 | 0.000 | 0.001 | -0.61943 | -0.58057 | -0.55600 | -0.48571 |
| £ Libor | 0.18063 | -0.005 | 0.000 | 0.001 | 4.20130 | 5.31310 | 4.74470 | 0.81363 |
| Swiss Fr Libor | | | | -0.002 | -0.77540 | -0.75300 | -0.70280 | -0.55320 |
| Yen Libor | | | | 0.000 | -0.06005 | -0.02617 | 0.07165 | 0.04867 |
| Euro Euribor | | | | 0.026 | 3.89400 | 3.89400 | 3.86700 | 3.59600 |
| Sterling CDs | | | | 0.000 | 0.50000 | 0.63000 | 0.78500 | |
| US$ CDs | | | | 0.000 | 5.38000 | 5.38000 | 5.25000 | |
| Euro CDs | | | | 0.000 | 3.92000 | 3.91000 | 3.79000 | |

## BOND INDICES

| | Index | Day's change | Month's change | Year change | Return 1 month | Return 1 year |
|---|---|---|---|---|---|---|
| **Markit IBoxx** | | | | | | |
| ABF Pan-Asia unhedged | 211.28 | -0.42 | -1.88 | -1.88 | -0.29 | -0.04 |
| Corporates( £) | 348.98 | -0.11 | -1.56 | -1.56 | -0.14 | 4.53 |
| Corporates(€) | 222.40 | -0.11 | -0.84 | -0.84 | -0.45 | 5.01 |
| Eurozone Sov(€) | 219.66 | -0.15 | -1.22 | -1.22 | -0.95 | 2.61 |
| Gilts( £) | 271.73 | -0.33 | -2.72 | -2.72 | -1.47 | -1.69 |
| Overall( £) | 285.48 | -0.26 | -2.37 | -2.37 | -1.09 | -0.12 |
| Overall(€) | 216.52 | -0.13 | -1.07 | -1.07 | -0.78 | 3.16 |

## VOLATILITY INDICES

## GILTS: UK CASH MARKET

## BONDS: BENCHMARK GOVERNMENT

## GILTS: UK FTSE ACTUARIES INDICES

## COMMODITIES

## BONDS: INDEX-LINKED

## BONDS: TEN YEAR GOVT SPREADS

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

# Vivid portrait of people in motion

**Kin**
National Theatre (Lyttelton), London
★★★☆☆

**Kim's Convenience**
Park Theatre, London
★★★★☆

**The Enfield Haunting**
Ambassadors Theatre, London
★★☆☆☆

THEATRE
Sarah Hemming

With immigration such a charged and contested issue at present, drama can peel away from the slogans and statistics and remind us of the human stories involved. In **Kin** at the National, Gecko theatre company sets out to create one such show: a deeply personal production from artistic director Amit Lahav that reaches back into his own family history to create a vivid, visually stunning piece of physical theatre. But while the message is powerful, the intimacy that could make it really hit home is missing.

In 1932, Lahav's grandmother fled Yemen for Palestine to escape persecution. Here, her story becomes the impetus for a broader piece about displacement, in which nameless groups of immigrants are met repeatedly with prejudice, rejection and hostility from the authorities. Gecko's trademark physical style becomes key to the storytelling. The show (created with the company by Lahav) is characterised by constant movement: characters never settle long before being moved on and there's a restless, rootless feel to the piece.

Tableaux, beautifully lit and composed, swirl by, and the movement is precisely choreographed, the cast hitting gestures together in a chorus of pain. There's no discernible script: the actors, from a wide variety of backgrounds, speak their own language but always fast and inaudibly. It's a deliberate technique: their fear and agitation are palpable, but their individual arguments and expressions are lost to us — they remain a huddle of strangers. The music and costumes likewise slip between cultures and timeframes.

This lack of specificity is both a strength and a weakness. It pulls away from the particular to make the more universal point that displacement and exile are always traumatic, and desperate people are desperate whatever the era or cause. But the absence of individual focus and clear narrative becomes distancing. Certain shocking moments — a woman daubed with yellow paint; a man forced to "white up" — stand out, but, for the most part, individual stories become part of the maelstrom. You long for close engagement with characters: the nub of good drama.

> Gecko company's trademark physical style becomes key to the storytelling in 'Kin'

The ending, however, which refers more overtly to current events, is immensely powerful. And perhaps the most moving moment is when the performers step forward to disclose their own heritage. This simply makes you want to hear more of their individual stories.
*To January 27, nationaltheatre.org.uk*

Personal experience also informs Ins Choi's **Kim's Convenience**, set in a Toronto corner shop run by a Korean Canadian family and loosely inspired by Choi's own background. That authenticity is one factor in the drama's success and its subsequent five-season triumph as a Netflix sitcom.

Now Esther Jun's sprightly new production (the European premiere) goes back to the original 2011 stage version, which has the great benefit of placing the audience in the store with the characters; Mona Camille's set is so richly detailed that you're sorely tempted to step in and buy a couple of snacks for the journey home.

Top: 'Kin' is a precisely choreographed drama about migration. Above: Namju Go and Ins Choi in 'Kim's Convenience'
Mark Sepple, Mark Douet

Choi himself plays paterfamilias Mr Kim (Appa to his family), bringing to him the combination of sharp, critical eye and warm affection that charges the whole piece. When we first meet him, as he opens up the shop, Appa is grumbling about the Japanese car parked outside and he later subjects his unwilling daughter, Janet, to a lecture on which customers are most likely to steal, based on a dubious set of stereotypes.

Appa's views and his determination to meddle in Janet's life are often at the core of family arguments, while questions about legacy and belonging — familiar to many immigrant families — rumble through the drama. Appa's hard work has placed him at the heart of the community, but, as he nears retirement, the shop's future is in doubt. Janet, who dreams of becoming a photographer, is not interested in taking it on, his son Jung is estranged, and there are sharp-suited developers sniffing around.

Covering all this in the course of one day is a stretch, and there's no time to explore the issues in depth, while the resolution, though touching, is unrealistically swift. But Choi's writing balances spiky honesty with gentle comedy.

The cast meet that spirit. Jennifer Kim's Janet deftly suggests how conflicted she is between her desire for independence and her affection for her parents; Miles Mitchell nimbly plays a series of customers, each with an ulterior motive; Namju Go carries with grace the underwritten role of wife Umma. And one of the play's great achievements is to pay tribute to all those open-all-hours shopkeepers who toil away on so many street corners.
*To February 10, parktheatre.co.uk*

**The Enfield Haunting** is a mystery. Not just the story — inspired by the infamous 1970s case of two young girls who became the focus of apparent poltergeist activity in a modest house in north London — but the play itself.

It's hard to fathom how, in the hands of such a talented and experienced team, such a crackling story has produced such a tepid result. The play feels muffled, as if events have somehow been swathed in dust sheets, and the pacing is peculiarly solid.

Writer Paul Unwin and director Angus Jackson compress the story into one night, which should lend focus and suspense; they also steer away from pure horror and into a subtler discussion of fear and uncertainty. But the upshot is that the drama becomes bitty and confusing. Younger daughter Janet (Ella Schrey-Yeats) is withdrawn, taciturn and possessed by a weirdly guttural voice; older daughter Margaret (Grace Molony) strides around, making darkly sarcastic pronouncements. Their mother, Peggy, played by Catherine Tate in strangely numb mode, tries to impose normality, while an insistent neighbour (Mo Sesay) and a psychic investigator Maurice Grosse (David Threlfall) keep bursting in.

There's such great potential here: the paranormal and the psychological rub shoulders and the show raises the possibility that psychic distress may indeed foment inexplicable events. Amid sudden bangs and flashes, ghoulish apparitions and violent disorder, as items of furniture and even Janet herself are flung about (illusions by Paul Kieve), a tapestry of emotional issues emerges.

Real-life spectres include an absent and possibly abusive father, the girls' dawning adolescence, the family's financial insecurity, revelations about a former occupant of the house and, in the case of Grosse, the loss of a child. The intruders — real or otherwise — are notably all male.

All this could be both unsettling and intriguing and yet here it runs into the ground. There's no time to let ideas bed in or breathe, the dialogue feels unnatural and the characters sketchy, despite the best efforts of the cast. Everyone looks marooned. A bumpy night, but sadly not in a good way.
*To March 2, atgtickets.com*

Grace Molony and Jude Coward Nicoll in 'The Enfield Haunting'
Marc Brenner



# Encounters in a time-twisting labyrinth

GAMING

**Prince of Persia: The Lost Crown**
PC, PlayStation, Xbox and Nintendo Switch
★★★★☆

*Lewis Gordon*

From the outside, the fortress of Mount Qaf looks like the embodiment of human might, but step inside its towering walls and its metaphysical malaise becomes clear. Time doesn't flow in one direction; it has gone haywire. Colossal, shattered statues appear frozen at the moment of their destruction. Those languishing within Qaf's booby-trapped halls either age rapidly, racing towards death, or find themselves trapped in an eternal present.

It's entirely fitting that a twisted version of time should be at the thematic and mechanical heart of a game that doesn't so much break with the past as remix it. *Prince of Persia: The Lost Crown* returns the action-platformer franchise to the 2D roots of Jordan Mechner's acclaimed original games released some 30 years ago. In structure, this entry's sprawling palace, which is uncovered gradually through the gaining of new abilities, riffs on the Metroidvania formula laid down by 1980s classics *Metroid* and *Castlevania*. However, in tone and style, it is thoroughly modern: the script has the bantering whiff of Marvel movies while cutscenes and deadly finishing moves are delivered with the exaggerated aplomb of anime.

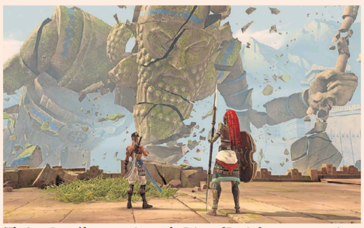
The first wholly new *Prince of Persia* game in 13 years simultaneously speaks the language of nostalgia while attempting to reinvent the eponymous royal for a new generation — a tricky balancing act for both developer Ubisoft Montpellier and Sagron, the highly coordinated star of the game. At times, the combination lands awkwardly, the game cutting from a story that's more simplistic than a Saturday morning cartoon to absorbing and frequently challenging exploration.

The vast fortress of Qaf is really the star of the show, a labyrinth filled with false floors, guillotines, spiked pendulums, bioluminescent fungal platforms and secret doors. Navigating this warren-like space and solving its puzzles requires the chaining of multiple time-bending abilities and pinpoint platforming skills.

In some of its best moments, such as those in the Temple of Knowledge, *The Lost Crown* tests both your grey matter and controller dexterity, all while summoning the wider problem-solving tension of the Metroidvania genre: what pockets of this strange realm remain unexplored? What secrets might be contained within? Spend extended time in this temporally blighted place and a wonderfully unnerving sense of isolation rises to the fore. It's just you, the vast tangle of Qaf's walls and the unlucky few imprisoned by them.

Yet even in this moody exploration, the game falls a little short of modern Metroidvania greats such as *Hollow Knight* and *Blasphemous*. In those indie games, a visual artistry reinforced their challenging, lonesome journeys. Here the graphics are of a bright, bland, *Fortnite*-esque flavour. The sense of mystery sustained by the design is somewhat diminished.

But *The Lost Crown* is courting a broader audience than either of those games, as its swashbuckling swordplay makes clear. In spite of the underwhelming presentation, it's impressive how many of the same emotions the game elicits as the high point of the series, 2003's *Prince of Persia: The Sands of Time*. That game was defined by a sense of eeriness, its intricate 3D palace bathed in the blue of perpetual moonlight. *The Lost Crown* isn't quite so evocative but comes close through its own meticulously designed means. Here is a fresh perspective on a franchise whose central appeal — daredevil acrobatics through a mysterious Persian palace — remains timeless.



'The Lost Crown' hopes to reinvent the Prince of Persia for a new generation

FT BIG READ. ARTIFICIAL INTELLIGENCE

Scientists hope the same technology powering tools like ChatGPT will allow us to understand and even communicate with the non-human world. Will generative AI prove to be a Rosetta Stone?

*By Persis Love*

# Decoding the animal kingdom

African savanna elephants 'really are autonomous, intelligent animals who have discussions with one another', according to one ethologist, who hopes advances in computer processing power can penetrate the secret world of animals ElephantVoices

One day, in the early 1980s, Joyce Poole drove her small green jeep out into the open grasslands of Amboseli National Park in Kenya to observe African savanna elephants. She was approached by a male elephant in "musth", a period of heightened sexual and aggressive activity.

The animal made a rumble like the sound of water gurgling through a deep pipe. Poole knew this should signal a threat but she could barely hear it. "I started thinking, maybe it's not audible to me, but it is very audible to them."

Recordings of the elephants confirmed her hunch. Viewed as spectrograms — a visual "heat map" of sound waves that shows volume and pitch — she and her co-researcher Katy Payne discovered that a great deal of elephant vocalisations take place in infrasound, or below the range of human hearing.

Poole, 67, has now been studying elephants for five decades. She believes the animals are capable of complex communication, using low-frequency sounds to stay in touch from afar.

Yet there is a great deal about elephant communication that she still doesn't know. Most difficult to untangle are overlapping calls when, in a birth or mating ritual, a group of elephants will talk over each other. Unstitching this cacophony of rumbles is near-impossible — especially when so much of the sound is emitted below the lower limit of human audibility.

However, a new tool reshaping many aspects of the human world could also transform our understanding of the animal kingdom: generative artificial intelligence.

Researchers hope that the same technology that is powering tools like ChatGPT will allow us to reach into the non-human world, and begin to understand — even speak — animal languages.

But building the Rosetta Stone of the animal kingdom requires more than just feeding elephant rumbles, orangutan howls and bat squeaks into a machine. If AI is successful in finding meaning in the data, scientists will have to grapple with how to translate those signals into the human realm.

If the effort to penetrate the secret world of animals even partially succeeds, it could radically alter our perception of the billions of other creatures we share the planet with, while also raising thorny ethical questions about how we use this information.

For researchers like Poole, it will also serve as validation. "Having studied elephants for so long . . . and feeling that they really are autonomous, intelligent animals who have discussions with one another," she says, "I am so excited that AI may be able to show this."

In 1974, American philosopher Thomas Nagel asked in a renowned paper, "What is it like to be a bat?"

In attempting to lend philosophical scrutiny to a question that has dogged humans from King Solomon to Dr Dolittle, he concluded that our attempt to comprehend animal experience from the framework of the human mind and body was doomed to fail.

In order to remove the human goggles, he wrote, researchers must put themselves in the *umwelt*, or worldview, of an animal. When it came to bats, he argued, this was impossible, as humans could never experience the world in a bat's body.

But this was before the advent of digital technology. Already, technological advances have granted us fresh insights. As microphones become more affordable and portable, scientists are uncovering a new world of sound.

Unhatched turtles use sonics to coordinate from within their shells, healthy soil emits a cacophony of noises from worms and bugs, and coral larvae can hear the sound of their home reef from across the ocean.

"Sonics is the equivalent of optics insofar as it decentres humanity within the tree of life," Karen Bakker, the late professor and author of *The Sounds of Life*, explained in an interview before her death last year. Just as the telescope opened up a new world of scientific discovery, microphones and AI may do the same.

As humans tune into the non-human world, some of our practices are changing. Off the coast of Canada, microphones detect the live locations of endangered North Atlantic right whales, diverting or slowing shipping routes to avoid deadly collisions.

As the number of AI tools increases, providing researchers with new ways to tune into the animal kingdom, goals that once seemed fantastical may now be within reach.

Several organisations have been launched in recent years to make those ambitions reality, including the non-profit Earth Species Project. Its co-founder Aza Raskin, a Silicon Valley entrepreneur, says he was inspired by a radio interview where a scientist described recording and transcribing the sounds of gelada monkeys, which the scientist believed to be one of the richest languages of primates.

"Could we use machine learning and microphone arrays to understand a language we've never understood before?" Raskin remembers pondering.

In 2013, machine learning was not advanced enough to translate a language where no prior examples existed. But that started to change four years later, when researchers at Google published "Attention Is All You Need" — the paper that paved the way for large language models (LLMs) and generative AI. Suddenly, Raskin's idea of translating animal languages "without the need for a Rosetta Stone" seemed possible.

The core insight of LLMs, explains Raskin, is that they treat everything as a language whose semantic relationships can be transcribed as geometric relationships.

Translation comes, therefore, not from a pre-existing understanding of the meaning of the words, but from the relationships between those words, as observed through usage.

If the data sample is large enough, no prior understanding of a word is needed to translate its meaning.

Nonetheless, even if armed with a comprehensive embedding space or galaxy for elephant language, how would we begin to translate when our physiologies and worldview are so different? Could there be pockets of experience that are shared between animals and humans, like love, grief and joy?

Raskin thinks so — and if AI can identify the areas where these experiences overlap then a piece of the code could be cracked.

Yet even if generative AI can interpret all manner of animal modes of communication, what that looks like for a human-intelligible translation is still unclear.

"Maybe the translation ends up not looking like a Dr Dolittle or Google translator where you get specific words, but maybe it ends up as flashes of colour and some sound, and you get a sort of a felt sense of what maybe they mean," Raskin says.

But getting to the point where translation is feasible requires overcoming some significant obstacles.

The volume of data needed to train generative algorithms is vast: GPT-3 was trained on billions of words — data that could also be understood and verified by the scientists running the algorithms.

Earth Species Project relies on data sets from researchers like Poole. Yet even after decades recording and filming elephants, she has only captured a fraction of the data needed to comprehensively train generative AI.

This limitation is exactly what the Cetacean Translation Initiative, also known as Project Ceti, is trying to tackle. Off the coast of Dominica, the alliance of animal scientists and machine learning experts is installing a continuous recording set-up to capture the social interactions of sperm whales.

Sperm whales, which have the largest brains of all animals, gather at the surface of the water in family groups and talk using morse code-like sequences of clicks known as codas.

It is these codas that marine biologists Shane Gero and David Gruber, the founders of Project Ceti, want to understand. For two decades Gero has been recording sperm whale noises by throwing a hydrophone — an underwater microphone — over the side of his boat.

Ceti's AI team tested algorithms on Gero's recordings to see if they were capable of recognising where one coda stopped and another started. If they fed the machine 20 per cent of what they had, they found that it could predict outcomes for the remaining 80 per cent, in the same way that predictive text can anticipate the next words in a sentence. Initial results were 95 per cent accurate. What could they achieve, Gruber wondered, if they could quadruple the volume of data?

In Dominica's seas, Ceti is installing microphones on buoys. Robotic fish and aerial drones will follow the sperm whales and tags fitted to their backs will record their movement, heartbeat, vocalisations and depth. With this new recording set-up, Ceti predicts it could accrue 400,000 times more data than Gero already has, every year.

Could these kinds of advances pave the way for a Google Translate that renders whale sounds into human words? Zoology professor Yossi Yovel is sceptical.

> 'I started thinking, maybe it's not audible to me, but it is very audible to them'

> 'Humans have been passing down culture vocally for maybe 300,000 years. Whales have been for 34mn'

Yovel runs a department at the University of Tel Aviv called the Bat Lab. Eight years ago, before the advent of large language models, he used machine learning to show that Egyptian fruit bats communicate through aggressive calls.

Now he plans to run the same data through generative AI to see if it throws up new results, but he is not optimistic that the technology will revolutionise the field.

For Yovel, the issues boil down to two things: human perception is limited, and animal communication is limited. "We want to ask animals, how do you feel today? Or what did you do yesterday? Now the thing is, if animals aren't talking about these things, there's no way [for us] to talk to them about it." Communication, Yovel argues, may not allow access to an animal's interior life.

Then there's the question of *umwelt*. Many animals use scent to convey information, some use electrical fields, others stridulate (make noise by rubbing body parts together, like crickets), and some create seismic waves.

While technology may enable humans to capture these more unexpected communication modes, for Yovel the field is still dependent on human interpretation. A lot of the training data for generative AI models is based on data sets labelled by human researchers.

"I'll write that the bats are fighting over food, but maybe that's not true," Yovel explains. "Maybe they're fighting over something that I have no clue about because I am a human." Removing the bias of human interpretation, Yovel says, is impossible. Even if enough of the right data could be run through generative AI, what would humans make of the computerised rumbles and squeaks, or scents and seismic waves?

What is meaningful to an algorithm may still be unintelligible to a human. As one researcher put it, translation is contingent on testing what AI has learnt. Traditionally, this is done through a playback experiment — a recording of a vocalisation is played to a species to see how they respond. But getting a clear answer on what something means is not always possible.

Yovel describes playing back recordings of different aggressive calls to the bats he studies, and each call being met with a twitch of the ears. "There's no clear difference in the response and it's very difficult to come up with an experiment that will measure these differences," he says.

With generative AI, these playback experiments could now be done using synthesised animal voices. But that prospect thrusts this field of research into a delicate ethical balance.

In the human world, debates around ethics, boundary setting and AI are fraught, especially when it comes to deepfaked human voices. There is already evidence that conducting playbacks of pre-recorded animal sounds can have an impact on behavioural patterns — Raskin shares an anecdote about accidentally playing a whale's name back to itself, to the creature's evident distress.

The unknowns with using synthetic voices are vast. Take humpback whales: the songs sung by humpbacks in one part of the world get picked up and spread until a song that emanates from the coast of Australia can be heard on the other side of the world a couple of seasons later, says Raskin.

"Humans have been passing down culture vocally for maybe 300,000 years. Whales and dolphins have been passing down culture vocally for 34mn," he explains. If researchers start emitting AI-synthesised whalesong into the mix, "we may create like a viral meme that infects a 34mn-year-old culture, which we probably shouldn't do".

There are other ethical questions. Who should be allowed to speak on behalf of humans? Who can be trusted to act in the animals' best interests? What kinds of protections should be placed on the data to ensure it isn't used against those interests — for hunting or poaching?

This is a field in its infancy, and its ethical boundaries are not yet fixed. Actions taken now will shape this discipline for decades to come. For Gruber, Project Ceti is more about listening and building empathy. "The last thing I think humans need to do is to start talking at animals."

In any case, many of the concerns about talking to animals are still hypothetical. Project Ceti is only just installing its autonomous recording equipment. Earth Species Project is at the start of its work with algorithms. Poole has a great deal more data to label.

"We may be able to do simple things, like issue better alarm calls or better interpret the sounds of other species," said Bakker. "But I don't think we're going to have a zoological version of Google Translate available in the next decade."

Yet even without technology, the veil between the human and non-human worlds is already permeable, especially for those paying attention. Elephants in Amboseli greet Poole when they see her. Gero suspects sperm whales in Dominica recognise their research vessel.

One day, Gero was out on the boat watching sperm whales dive. Each time one submerged, he would approach that spot to collect samples from the water's surface. One whale, known to the researchers as Can Opener, appeared to realise what was happening, he recalls.

The whale dived, but immediately resurfaced, rolling its eye out of the water to look at the biologists who, giddy with excitement, ran up and down the boat looking back at it. "To me, that says a lot about who a whale is and what they're thinking about without being able to show it empirically," he says.

*Additional reporting by John Thornhill*

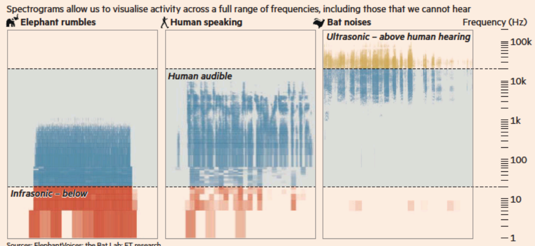
FT

**Reporting team**
Irene de la Torre Arenas, Sam Learner and Sam Joiner

**Full visual story**
For an extended version of this article, complete with audio samplings, go to **ft.com/ai-animals**

### A picture of sound

Spectrograms allow us to visualise activity across a full range of frequencies, including those that we cannot hear




Sources: ElephantVoices; the Bat Lab; FT research

# The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

## China is not alone in having unreliable growth data

*Emerging nations would benefit from raising trust in their economic statistics*

When China's premier, Li Qiang, announced at Davos on Tuesday that the country's economy grew at an estimated 5.2 per cent in 2023 it caught economists off guard. Many had projected a figure close to Beijing's 5 per cent growth target — but markets had not expected the data to come until yesterday, as per the official release schedule. It is fair to say that this is not the only example of China's hazy approach to reporting national statistics.

Economists now largely consider Beijing's official economic data to be only a reference point. While China puts significant resources into its National Bureau of Statistics, trust in its output has been dented by deteriorating transparency. The number of economic indicators made available by the agency has dropped significantly since President Xi Jinping became leader in 2013. At the same time, forecasters have become more sceptical over China's official gross domestic product numbers. The country's slowdown in trend growth over the past decade has increased the spotlight on its system of GDP targets.

It is of course possible that China's economy has done a consistently accurate job of hitting those targets. But limited transparency, including on its statistical methodologies, does not engender trust. Economists have meanwhile developed their own GDP estimates using directly observable statistics, such as night-light density, or data collected by surveys and international agencies. Staggeringly, Rhodium Group thinks China's growth last year may have been as low as 1.5 per cent. Capital Economics's "China Activity Proxy" suggests that Beijing has been overestimating its output notably since the start of 2022.

China is not the only country with unreliable growth statistics. India's are spotty too. This is one of the fastest-growing major economies, and the most populated. Yet World Economics ranks the quality of the country's GDP and population data around 90th place globally. A lot of India's economic data is based on outdated surveys and information. Its existing numbers are also too frequently revised.

A lack of transparency, subpar methodologies and the scope for data manipulation are common in much of the so-called developing world. Indeed, researchers lament the dearth of credible economic data across Africa. Large informal sectors and limited resources mean measurement is not simple either. Even advanced economies have data problems; Britain's labour market survey suffers from a potentially distorting low response rate.

Yet as the economic and demographic centre of gravity shifts away from the west it is even more important that developing world data becomes less opaque. Domestic policymakers will struggle to tackle and identify barriers to economic growth without decent numbers. Foggy statistics add risk for investors, and can raise the cost of capital for developing nations. For China and India, in particular, trust in their data is important to maintain and attract the interest of multinationals and capital markets. Ambiguity is not good for companies.

> Foggy numbers add risk for investors and can raise the cost of capital for developing countries

After lamenting the global "trust deficit" in his Davos speech, Premier Li should ensure the world's second-largest economy greatly improves the transparency of its own economic statistics and methodologies. For its part, India needs to invest in updating its data systems. International agencies and the private sector should also step up their support — better technology, training and data sharing can help raise data standards. After all, given how important good data is for effective government, investment and business, as emerging economies rise so must the reliability of their statistics.

Opinion Society

## Many of the deaths in childbirth are avoidable

Maria Hergueta

Jayasree K Iyer

In 1934, Kaveri, a 19-year-old girl in Malaya, died of severe bleeding after giving birth to a baby boy. She was my grandmother. My father grew up motherless while my grandfather toiled round the clock in a rubber plantation.

Nearly a century later, the international community has committed to consigning such avoidable deaths to history. Yet progress has stalled, leaving vulnerable women and newborns around the world at the mercy of broken healthcare systems and without access to life-saving medicines.

The evidence is plain to see. A woman dies somewhere in the world every two minutes during pregnancy or childbirth, and each day more than 6,000 neonatal babies die within their first four weeks of life. This unacceptable death toll is especially high in sub-Saharan Africa.

> Women's health must become a much higher priority on the global healthcare agenda

But it doesn't have to be this way. As of 2020, there were around 30 countries where maternal and newborn deaths were still falling, showing that progress is possible. However, mortality rates in the majority of resource-poor countries have stagnated or gone backwards. While the UN's sustainable development goals set a target of no more than 70 maternal deaths per 100,000 live births by 2030, the global ratio remained three times above that level at 223 per 100,000 in 2020.

So, what is going wrong? In the case of post-partum haemorrhage (PPH), the condition that killed my grandmother, the World Health Organization has issued comprehensive guidance on prevention and treatment. Yet far too often this is not translated into practice on the ground. We need to improve access to oxytocin, the first-line treatment for severe bleeding, and train health workers to administer treatment and protect mothers from such preventable deaths. PPH causes about 70,000 deaths a year and many survivors are left with serious disabilities and psychological trauma.

Women's health must become a far higher priority on the global healthcare agenda. Severe bleeding, high blood pressure, pregnancy-related infections, unsafe abortion, and conditions such as HIV or malaria that can be aggravated by pregnancy are among the leading causes of maternal deaths — even though they are largely preventable or treatable. Many lives could be saved if mothers received simple, low-cost interventions such as antibiotics and drugs to manage complications of labour.

Pharmaceutical companies also have a key role to play in providing affordable access to these essential products. The global industry's response to date has been inadequate and fragmented. These firms have the products, the means and the market presence to take action at scale. They also have the scientific knowhow to find innovative new ways of delivering treatment. They now need to put these resources to work.

The case of post-partum haemorrhage highlights both the challenge and the opportunity. The standard treatment is oxytocin, and many lives could be saved by improving generic supplies of this medicine — whether from multinational companies or, even better, by making more drugs locally in factories in Africa and other resource-poor regions.

More research is also needed to find heat-stable versions of oxytocin and simpler ways of administering the drug, which currently requires intravenous or intramuscular injection by skilled healthcare workers.

Similarly, more must be done by the global health community to ensure that a full spectrum of appropriate antibiotics is available, especially given the rise in antimicrobial resistance. Oral and injectable antibiotics are essential in dealing with multiple infections, including the risk of life-threatening sepsis following childbirth or congenital syphilis, a condition that leads to many stillbirths in Africa.

In some cases, outdated attitudes stand in the way of better maternal care. Misoprostol, for example, is a drug with many uses, including the management of miscarriage, induction of labour, cervical ripening before surgical procedures, and the treatment of post-partum haemorrhage. It is cheap, does not require refrigeration and can be given by a non-physician healthcare worker. But the fact that it can also be used to cause abortion too often stalls its integration into routine obstetric care.

We can make the difference between life and death for millions of women and babies globally. If we as a society are serious about women's rights, then pharmaceutical companies and the wider global health community must ensure that mothers in the 21st century have a better chance than Kaveri of bringing their babies safely into the world.

*The writer is chief executive of the Access to Medicine Foundation*

# Letters

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## Shipping lives with arcane world of geopolitics

Although QatarEnergy has yet to issue a formal statement as to the rerouting of its fleet, sources say the company is seeking out security advice on passage ("Cargo ship hit by missile in Red Sea after new US attack on Houthis", Report, January 17).

The cautious approach taken by fleet managers is perfectly in line with what lawyers and security professionals recommend doing in these circumstances: stay informed, consider the arcane world of geopolitics a part of your business, be prepared to negotiate on different fronts, develop negotiation skills within your own company, and minimise risk for as long as possible.

At present, based on the prevailing reading of Article 44 of the UN Convention on the Law of the Sea, the right of passage in the Red Sea's Bab-el-Mandeb strait is probably not hampered to an extent that could be interpreted as an act of war. However, the current environment in the Red Sea is heated to say the least.

It has been clear since the very beginning — when part Israeli-owned car carrier Galaxy Leader was hijacked — that we are dealing with sophisticated and determined paramilitary organisations. Indeed, many shipping operators are tempted to take the easiest way out and simply avoid the Suez Canal altogether.

The liquefied natural gas market — already reeling from the sanctions against Russia — could well be in for even further adverse conditions, with a substantial increase in prices and difficulties in ensuring timely supplies.

**Enrico Vergani**
*Partner and Lead on Shipping, Transport & Logistics, BonelliErede (lawyers)*
*London EC4, UK*

## US may rule the waves, but who's really benefiting?

While reading your report "US and UK air strikes seek to draw sting from Houthis' Red Sea attacks" (January 16), I couldn't help but think that the vast amount of cargo being rerouted around the Red Sea, in fact, originated in either China, India, Malaysia or Indonesia. As they are all maritime-capable powers, with China having set up shop in Djibouti, why aren't they part of this alliance in support of the freedom of navigation? It seems to me that they are lying low in order to avoid criticism for aiding the west in protecting the shipping lanes that their own goods traverse on their way to the west.

The west is giving these four maritime-capable powers a free pass for no apparent return on the costs and dangers, ensuring that their locally produced goods get to market.

Our leaders would be well advised to pick up the phone and insist on their participation or, perhaps, start selectively protecting ships that don't include many of their goods. This is yet another example of other nations freeloading off the west, rather than sending a joint signal to the Houthis and Iran that everyone cares about the freedom of navigation rules, not just the west.

**Norman Fontaine**
*Rockwall, TX, US*


## What economics needs is more diversity of ideas

Soumaya Keynes ("Economists are trying to be less male, pale and stale", Opinion, January 12) reports on the increasing, yet still inadequate, position of women in the economics profession.

It is important that women have more opportunities within the field. However, it is wrong to assume that increasing demographic diversity will make economics better. There is no necessary connection between gender — or other forms of demographic diversity — and increased diversity of ideas.

What economics needs, especially at the top universities, is more diversity of approaches — methodological, philosophical and more openness to unconventional ideas.

To achieve this it will take more than hiring for demographic diversity and the conformity of ideas.

**Mario J Rizzo**
*Professor of Economics,*
*New York University*
*New York, NY, US*

## Post Office scandal exposes board structure limitations

The role of the board in the Post Office scandal highlights a systemic governance issue that deserves deeper investigation ("Grandees who let barrage continue to the bitter end", Report, January 15).

The corporate board structure has been widely adopted in government and the public sector, apparently without much thought about whether this is an appropriate governance mechanism for such organisations.

The limitations of corporate governance may have been perpetuated in this replication, in particular with regard to the role of independent non-executive directors. Recurring financial scandals suggest that they struggle to exercise effective oversight. Meeting the monitoring expectations of their role may be even more challenging within more complex accountability frameworks.

More positively, it is possible that the role may have been successfully adapted to these different contexts, in which case the corporate sector may have something to learn.

**Laura F Spira**
*Emeritus Professor of Corporate Governance, Oxford Brookes University, Oxford, UK*

## Correction

● Neri Oxman was previously a professor of media arts and sciences at the Massachusetts Institute of Technology, not material sciences as wrongly stated in articles on January 15 and January 16.

OPINION ON FT.COM
**The Red Sea, world trade and the vagaries of American foreign policy**
US military power has so far kept the arteries of commerce flowing, writes Alan Beattie
**www.ft.com/opinion**

OUTLOOK

SOUTH ASIA

## *Afghan refugees are a political football again in Pakistan*

*by Zehra Munir*

On a cold December evening in Peshawar, a young Afghan artist is showing me his latest work.

In bold, colourful brush strokes, he has depicted the departure of refugees at Torkham, a major border crossing between Afghanistan and Pakistan. A woman pushes the wheelchair of an elderly, turbaned man, who is craning his neck to take a last look at his former home. Ahead of them, on the road to Afghanistan, trundles an orange truck full of their possessions. The point, says 18-year-old Marwan, is to show that "they had a life here".

His painting is a response to the Pakistani government's recent crackdown on foreign nationals residing in the country without valid visas or refugee registrations. The move has had a disproportionate impact on the nation's 1.7mn Afghan population, some of whom crossed the border during the 1980s Soviet-Afghan war; others arrived after the 2021 Taliban takeover.

While Moniza Kakar, a Karachi-based lawyer, laments that Afghans have long been "a political football" in Pakistan, government officials cite recent attacks in the country's border provinces as one reason for their expulsion, claiming that terrorists are entering under cover as Afghan refugees. One theory is that Islamabad is enacting deportations to put pressure on the Taliban government, which has not been suitably co-operative since coming to power.

Suffering the consequences are the estimated 450,000 Afghans who have been returned home in the past three months. The Pakistani authorities are accused of harassing and illegally detaining some of them, including those with valid documentation. Kakar, who works with Afghans facing deportation, says that in the port city where she resides, refugees have become "a source of income" for some police officers, who confiscate documents and demand money for their return.

The life that awaits those who are expelled is bleak, and some have never set foot in Afghanistan before. Kakar recalls a young girl weeping in her lap before being deported, afraid she would be barred from school on her arrival. "I want to be a doctor — I want to stay here," she cried.

Those who remain live in the fear that they will be next. Azra Gul, executive director of Pak Women, an Islamabad-based NGO, explains that "there exist [Afghan] families where some members are documented and others are not".

Those who have documents "have mobility", but those who don't "are not leaving their houses". For male refugees — many of whom earn a pittance as fruit sellers, street cleaners and manual labourers — the financial strain of staying at home is immense.

Mired in economic crisis and political turbulence, many Pakistanis are unconcerned by the thinning of the Afghan refugee population. There have been some protests by civil society groups but the exodus of hundreds of thousands of people appears to be largely passing the nation by. In cities such as Karachi, public animosity towards Afghan refugees has grown in recent years.

Yet there has been a quieter, more local show of support for the refugees' plight. Peshawar-based journalist Riaz Ghafur insists they are his "friends, students — some have even become family".

The city's residents, he says, "don't feel good that people are being expelled in this way". Across the nation, Pakistanis who have lived alongside Afghans for decades are taking action. After officials clamped down on landlords renting houses to undocumented refugees in Karachi, some Pakistani neighbours put their own names on the letting agreements, Kakar reports. In Peshawar, local communities stepped in to arrange deliveries of food for Afghan families when they were made homeless by the authorities.

However, all the goodwill in the world cannot reverse a government diktat. Ripples of pushback in the form of pro bono legal work and community aid are already fading. Lives built over decades have been demolished in a matter of months.

As one refugee told Kakar on the eve of his deportation: "We arrived in this country empty-handed — now we are leaving empty-handed, and will reach Afghanistan empty-handed."

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# Opinion

## Biden's invisible Palestinians problem

AMERICA
Edward Luce

Every leader has their blind spots. In Joe Biden's case, his seeming indifference to Palestinians could prove costly. Ten thousand Palestinian children have been killed in the past 100 days, according to Save the Children. Yet Biden's statement last Sunday calling on Hamas to release its 100 or so hostages made next to no reference to Palestinian suffering. It is as though acknowledgment of their plight would cast doubt on his heartfelt sympathy for the Israeli victims of Hamas's barbaric rampage on October 7. Many younger Americans, whose enthusiasm Biden will badly need in November, are alienated. That is not to mention Arab-Americans, who are a key voting bloc in several swing states.

It is not only progressive Democrats who are upset about Biden's muteness on Israel's heavy-handedness. Several of his most trusted allies in the US Senate are also disturbed. In Davos this week, Chris Coons, the centrist senator from Delaware and Biden's closest friend in politics, said that America should consider putting conditions on military aid to Israel. In Coons's tempered language, that is the equivalent of a broadside. In a letter to Biden before Christmas, a group of Democrats with national security backgrounds, including Abigail Spanberger and Elissa Slotkin — both former CIA employees — urged him to use America's leverage for "an immediate and significant shift of military strategy and tactics in Gaza".

White House officials insist Biden is doing what he can in private to restrain Israel's prime minister, Benjamin Netanyahu. There is scant evidence to show for it. Israel has received more than 100 2,000lb bunker buster bombs from the US since October 7. These pack the kind of punch meant for the battlefield, not for precision targeting of terrorists in urban settings. No one seriously disputes claims the Israel Defense Forces have used such munitions indiscriminately. Yet Biden continues to resist attaching strings to the almost $14.5bn in Israeli aid he wants from Congress. He has military leverage and the power of the bully pulpit. What is preventing him from using them?

The answer boils down to Biden's deep-seated sentiments about Israel. From his earliest days in politics he was one of Israel's staunchest allies on Capitol Hill. But the circumstances in which his affection was forged have changed drastically. Golda Meir and Yitzhak Rabin, two Israeli leaders he admired, stood for the antithesis of Netanyahu's brand of politics. Biden has always stuck to the unshakeable belief that Israel only compromises when there is "no daylight" between America and Israel. The record suggests the opposite.

> Many younger voters, whose enthusiasm the president will badly need in November, are alienated

Biden was a fierce critic of George HW Bush's push for a peace process in 1992 between Israel and the Palestinian Liberation Organisation. He also attacked Bush Sr's threat to withdraw US loan guarantees if Israel went ahead with settlements in the occupied territories. Bush's pressure helped topple Israel's then Likud government and bring Rabin to power. That resulted in the Oslo peace accords. As vice-president, Biden undermined Barack Obama's attempt in 2010 to put similar pressure on Netanyahu's government. Partly because of Biden's private reassurances, Israel's prime minister stared Obama down. Obama blinked first.

By putting tough conditions on US aid, Biden could topple Netanyahu if he wanted — and earn the thanks of Israelis, the Arab world and the majority of Jewish-Americans. It would also reclaim some of the ground America has lost in the global south over its perceived double standards. Much of the world thinks that America cares more about European victims such as Ukrainians than about civilians in the Middle East or elsewhere. Netanyahu's exit would probably pave the way for Benny Gantz, a centrist Israeli leader, who could be a partner in Biden's rhetorical commitment to a two-state solution. At a fundraiser last month, Biden said: "We're not going to do a damn thing other than to protect Israel. Not a single thing."

Continuing like this will be a double whammy against Biden. First, Netanyahu's tactics are harming Israel. They are creating a generation of bereft parents and orphans. Netanyahu is capable of broadening the war to Lebanon if he thought it would save his skin. Though Biden has warned against it, what would he do then? Second, Biden is harming his re-election chances. Michigan's Arab-American community is almost twice the size of his victory margin over Trump there in 2020. In Arizona, it is six times bigger. Telling such voters Trump would be worse is bad politics. They might not vote. Nor, when it comes to Gaza, would that warning necessarily be true.

The longer Netanyahu clings to power, the worse for Biden. Yet his actions seem designed to ensure just that.

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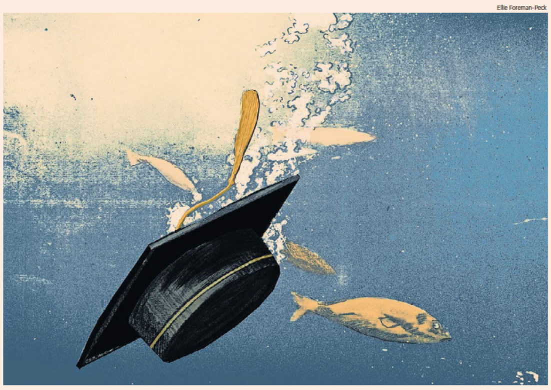
## Politics is failing Britain's universities

Ellie Foreman-Peck



EDUCATION
Robert Shrimsley

It is a rare politician who takes on a complex problem that offers little electoral dividend just ahead of an election they expect to lose. This reality is troubling Labour strategists who fear that Conservatives are parking a number of issues in the file marked "another party's problem". One such toxic parcel is the brewing financial crisis in UK higher education.

What makes this particularly sad is that the great universities are one of the UK's success stories. World rankings show Britain boasts more top rated institutions than the rest of the EU put together. Oxford, Cambridge and Imperial rank in the top 10. Four more are in the top 50. The UK has long been a leading destination for international students and academics.

And yet universities face severe challenges, a situation not helped by a government that feels no great love for a sector it accuses of breeding anti-conservative values. Tories argue with some justification that there are too many undergraduates, often taking courses of limited economic value in the arts and humanities, and the country needs to shift towards vocational skills.

Most pressing is a deepening funding crisis. Undergraduate tuition fees in England, capped at £9,250 (£9,000 in Wales), are being eroded by inflation, while research and teaching grants are falling as a percentage of income. Universities UK estimates the £9,250 will be worth £5,800 by 2025-26. The research-intensive Russell Group institutions claim English universities made an average loss of £2,500 per domestic student last year. (Scotland, with a different funding model, has similarly tight budgets.) There is a shortfall in funding for postgraduate research. Universities are also under further financial pressure over pension payments.

Until now the solution has been to rely on the uncapped fees of international students. Yet recent changes to the immigration rules mean declining applications. Some universities, like York, have responded by lowering the entry requirements. A PwC report for Universities UK concluded that universities would face a deficit if the boom in recruiting foreign students ended.

Some of the challenges must fall to the universities. A few are experimenting with closer collaboration on courses and back-office functions. Some complain they will have to cut courses but universities should not be exempt from belt-tightening. Ministers privately insist that they are prepared to see even a major institution fail.

Meanwhile, the value of outstanding student loans is expected to reach £460bn by the mid-2040s. Recent changes to the repayment rules have improved the prospect of recouping the money but 39 per cent of students will still not repay their loan in full.

Universities are now campaigning hard for the £9,250 tuition fee cap to be index-linked, an argument that makes economic sense, but neither main party is in a mood to countenance any increase. Without yet saying how, Labour has pledged to reduce the debt burden on graduates without any extra cost to the taxpayer. Unless governments of either colour want to significantly increase public funding, which seems unlikely, there are no easy answers. But there are some obvious questions to ask.

Should students be removed from the immigration statistics since a clear majority ultimately leave the UK? Immigration hawks might cry foul but it could ease the political pressure to claw back student visas. While there are undoubted abuses of the student visa there are strong arguments against making it harder to recruit foreign students who are not only a source of income but bolster British soft power.

> Both parties acknowledge the challenges, but appear to be relying on the institutions for a solution

It is worth asking if the current student loans system in England is working. Students are faced with decades of debt. Universities still feel underfunded but it is politically difficult to raise fees and the government is paying out billions that will never be recouped.

Ministers could raise or abolish the £9,250 fee cap to create a genuine market but this might price poorer families out of elite universities or the courses that lead to high-status professions. Should the state simply spend more in grants to courses in spite of tight public finances? If so, should it guide universities on what to offer?

Finally and most crucially, does the entire model still serve both society and the individual, when too many graduates are emerging with degrees that do not guarantee them the career they could once expect? Should undergraduate places be scaled back, mergers encouraged and more students pushed towards job-focused alternatives? They could, as advocated by one Tory think-tank, look to the US tiered model or support an elite sector with higher central funding, with the rest of higher education evolving towards vocational skills.

Perhaps, but parties see the dangers of rationing the dream of a university education. Patently not every college can be a world-beater; too many may be offering a range of courses instead of specialising or addressing regional needs.

Each question raises unwelcome political and societal issues. But while both sides acknowledge the challenges, they appear to be relying on the institutions, or just osmosis, for a solution.

As the parties look beyond the election, they must reflect on where they hope to see higher education 10 years from now and start asking how to secure the future of one of the nation's undisputed competitive advantages.

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## Will China let Japan forget its 1980s bubble?

ASIA
Leo Lewis

After a dog-off-the-leash start to the year, Japan's Nikkei 225 Average has advanced to within striking distance of the once untouchable-looking "bubble" high of 38,915 points reached on December 29 1989.

At one time yesterday, the difference between current trading levels of the Nikkei and a history-making stride into the unknown shrank to just over 7 per cent — a distance that, with the market in this mood, could be eliminated before January is out.

There is, inevitably, a frisson around this proximity. And it is one that has focused attention both on how Japan got (back) here and how much it would mean for the country if its equity markets did, finally, beat that bubble. Less in focus is China's potentially pivotal role in all this. A big new survey of Japanese companies suggests they may be ahead of the market in recognising this.

The Japan-specific reasons that the 1989 bubble high is within reach were building throughout 2023. Bank of America's latest survey of global fund managers confirms that a positive number of asset allocators have entered the year with Japanese stocks overweight in their portfolios, and the justifications for that seem to keep coming.

The optimism derives from factors including the return of inflation and wage growth after a near 20-year absence, the still weak yen, the now (following the January 1 Noto peninsula quake) more muted prospect of an imminent interest-raising move by the Bank of Japan and the broad sense that, at the nudging of the Tokyo Stock Exchange, an increasingly shareholder-friendly attitude is taking root at an ever larger proportion of listed companies.

Also critical has been the government's invitation to the public to join the bubble-beating party. From January 1, individual Japanese — who hold about ¥1,113tn ($7.5tn) of the nation's household assets in cash — can invest up to ¥18mn each in tax-protected accounts. They are more likely to trust their savings to the stock market, say brokers, once the 1989 high has been surpassed, and that era's demons decisively slain.

There are a number of ways, though, in which China — its population now in decline and its economy growing at one of the slowest paces in decades — could act as either propellant or decelerator of Japan's bubble-beating ambitions.

> Beijing could act as either propellant or decelerator of Tokyo's ambitions in a number of ways

One clear positive is that, for global investors now either unwilling (for economic reasons) or unable (for geopolitical ones) to invest in China, Japan represents a more viable alternative destination than it has for many years.

Buying Japan as Asia's most liquid "not China" trade, say fund managers, remains a legitimate strategy. On the one hand, Japan's is a market driven (for now) by interesting indigenous factors while China's moulders. On the other, say analysts, many of Japan's companies are better positioned through historic investment strategies to benefit from any surprise China rebound than their US and European counterparts, and as such represent a two-way bet.

Another factor that could potentially benefit Japanese companies is the combination of the lead China has in electric vehicles and the colossal overcapacity and investment issues that overhang it. China's pioneering EV makers are locked in a price war that will force some out of business while revealing the successful strategies and technology to the rest of the world. This may not be the worst moment for Japanese automakers to be on the sidelines taking notes.

On the negative side, Japan's exposure to China — in particular its trio of property, youth unemployment and consumer crises — could become a significant drag. If, as economists increasingly expect, China's manufacturing overcapacity results in the global export of deflationary pressure, Japan's fledgling wage-boosting inflation could prove shortlived.

A survey of over 1,700 Japanese companies, published this week by the Japan Chamber of Commerce and Industry in China, provides useful context for the questions that investors should ask as Japan's 1989 bubble-era magic number approaches. Fifty-one per cent said China was either their most important market, or in their top three, while 78 per cent said that on policy and regulation in China they were either better off or no worse off than local Chinese companies. Some 39 per cent expect economic conditions in China to worsen in 2024, against a quarter who see some improvement. Just 15 per cent increased capital spending in China in 2023, while 25 per cent actively cut it.

Investors may see destiny knocking at the Nikkei's door; Japan's companies can see that the bursting of China's bubble could yet delay Japan's ability to finally forget its own.

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## *BlackRock bets governments will blink first on infrastructure*

Brett Christophers

BlackRock's recently announced deal to buy Global Infrastructure Partners, a leading asset manager in private infrastructure investment, is a striking move.

On the one hand, it makes obvious strategic sense. BlackRock has long been light in alternative asset classes such as infrastructure. Moreover, the world's yawning "infrastructure gap" — between infrastructure investment ongoing or planned and investment actually required, not least to hit climate goals — gets ever larger. If any asset class is guaranteed robust long-term growth in investment, infrastructure would seem to be it.

On the other hand, infrastructure investment is currently in the doldrums. Listed infrastructure indices were flat across 2022 and 2023, while the private market — GIP's territory — has seen fundraising collapse.

The principal cause of the downturn is macroeconomic conditions. And the issue is not so much inflation as central banks' measures for dealing with it. What has subdued infrastructure investing is rising interest rates.

Infrastructure investment has never been a high-returns business; its appeal is regular annual yields. That appeal peaked between 2009 and 2021, when interest rates in much of the world were at rock-bottom and investors for whom bonds had conventionally been the go-to asset class for yield were forced to look elsewhere. Infrastructure fitted the bill. But now that central bank rates have climbed back to 5 per cent or more, it has lost its shine. This is the backdrop against which the BlackRock-GIP deal must be assessed. Clearly, BlackRock does not think the current downturn in the infrastructure market will last. What does it expect to change?

> The broader political-economic orthodoxy of our age suggests the wager will pay off

A progressive loosening of monetary policy and fall in interest rates must be part of its reckoning. It is unimaginable that BlackRock would pay $12.5bn for GIP if it believed higher interest rates were here to stay. But there is certainly more to the deal rationale than that. As much as anything else, BlackRock's GIP wager is a wager on government policy.

A notable feature of private financing and ownership of public infrastructure has always been risk-sharing. To encourage investment, governments widely assume risks that private investors will not shoulder, including many demand risks.

Since interest rates began climbing in 2021, infrastructure asset managers and governments have been playing high-stakes poker. Implicitly or explicitly, the former have been saying to the latter: if you want us to continue to finance new infrastructure, you need to absorb more risk because macroeconomic conditions have turned against us.

Who will blink first? BlackRock's move to acquire GIP is, above all, a bet that it will be governments who do so. Indeed, the blinking has already begun. That is exactly how we should conceive the US Inflation Reduction Act, designed as it was to reignite infrastructure investment through enhanced subsidies. In explaining the GIP deal, BlackRock chief executive Larry Fink expressed confidence that other governments would fall into line: "Policymakers are only just beginning to implement once-in-a-generation financial incentives for new infrastructure technologies and projects."

The broader political-economic orthodoxy of our age suggests BlackRock's wager will pay off. Public investment for public infrastructure ownership seems beyond the pale: one after another, politicians, even in rich countries, have lined up to rule out significant fiscal expansion. If governments are not prepared to act as infrastructure owner-investors themselves in the manner of, say, China then what choice, other than to appease private investors, do they really have?

*The writer is a professor at Uppsala University and author of 'Our Lives in Their Portfolios' and the forthcoming 'The Price is Wrong'*

# Lex.

X: @FTLex

## China demographics: the sectors set to benefit

China's demographic collapse is accelerating. Births fell to a record low in 2023. The potential economic drag prompted China stocks to fall after the figures were announced yesterday, along with weak property data.

The shift has serious implications. It stymies a 2020 forecast that China would soon surpass the US as the largest economy. But it is not all bad news. Some sectors stand to benefit from Beijing's policies to cope with changing demographic trends.

The population fell more than 2mn to 1.41bn last year, says government data. The drop, which was more than double that of the previous year, results from both the lowest number of babies being born since the founding of the People's Republic in 1949 and the highest death rate since 1974.

A worry is falling labour supply and higher wages. China already faces shortages in its manufacturing sector as younger workers shun factory jobs. Average Chinese wages have more than doubled in the decade to 2022, outpacing those in such countries such as Thailand and Vietnam.

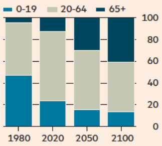
Yet the sheer size of China's elderly population — a fifth of the population was 60 or older as of 2022 — should mean growth sectors that should start to attract more funding.

Beijing this week seized the initiative with a plan to develop a "silver economy" that caters to senior citizens with tailored products and services, a market estimated to be worth trillions of dollars. Health-related consumption, ranging from medical devices to pharmaceuticals, would account for the biggest share of spending among the older age group.

The push would provide a boost for the biggest biotech and pharma groups, including Jiangsu Hengrui, WuXi Biologics, Shanghai Fosun Pharma and Sinopharm. These were hurt by a slowdown as the Covid-19 effect wore off. Shares of WuXi Biologics are down 60 per cent in the past year; Shanghai Fosun Pharma fell almost 40 per cent. Part of the problem was that in August the sector became a target for an anti-corruption campaign by Beijing.

Another overlooked sector has been robotics. As the need for automation in the manufacturing sector grows, groups including Siasun Robot & Automation and China Shanghai Step Electric would be leading beneficiaries.

The impact of China's shrinking population will reverberate around the global economy. But it should also create the next wave of investment opportunities as government spending shifts to match changing demographic and consumption trends.



Source: UN

## BP: new chief needs to reassure on energy shift

BP has adopted many slogans in its 113-year history — "beyond petroleum" comes to mind first. An imperative for new chief Murray Auchincloss is to move "beyond polarisation".

For some investors, nothing but full regime change would have sufficed following Bernard Looney's abrupt resignation as CEO in September.

For others, appointing an external candidate would have darkened the cloud of uncertainty that has hung over the stock. BP's shares are 12 per cent lower since he resigned, outpacing falls from rivals Shell and TotalEnergies.

Continuity won out: Auchincloss has worked for BP since 1998 when it merged with his ex-employer Amoco. As CFO until Looney's exit, he was involved in drawing up BP's strategy.

Auchincloss confirmed yesterday that BP's transition "from international oil company to integrated energy company . . . does not change".

The overarching principle may not change. But he would do well to spell out how the strategy has evolved since it was first drawn up in 2020. Markets responded well last February when BP pared back its commitment to cut oil and gas production by the end of the decade, for instance.

BP earns almost half of its ebitda from upstream oil production activity. As a result, its approach to the energy transition has shifted. Production of oil and other liquids is forecast to grow 3 per cent a year on average until 2027.

BP must make good on its renewed focus on areas such as biofuels and electric-vehicle charging, where it promises returns of over 15 per cent.

These should be profitable in the second half of the decade. Meanwhile, it has pulled out of questionable offshore wind contracts. Auchincloss will need to redouble the emphasis on returns. Previously, investors had the impression they were being asked to fund energy transition plans "at all costs", said Alastair Syme at Citi.

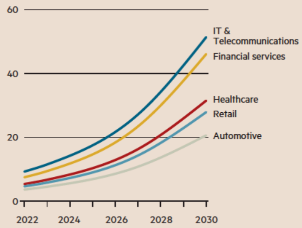
He can also win over remaining disgruntled investors with more buybacks. Average annual $14bn of free cash flow is expected by 2025.

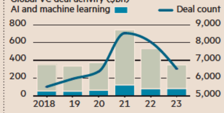
Bernstein expects Standard & Poor's to upgrade BP's credit rating to an A. This could mean improving on BP's policy of committing 60 per cent of free cash flow to share buybacks.

The best thing this new (veteran) boss can provide is strategic consistency and proper execution. That should suit the taste of every investor.

## AI gadget frenzy: smartphone groups dig in

Telecoms devices are expected to dominate spending on hardware-related artificial intelligence over the next decade. Start-ups are aiming to capture a slice of smartphone demand, with AI-enabled gadgets. AI is already the most popular area for venture capital investment.





FT graphic Sources: Precedence Research; PitchBook; IDC

AI-washing has reached consumer tech. Dozens of internet-connected devices are now described as powered by artificial intelligence.

The gadget attracting attention is a smartphone replacement that looks like a Playmobil toy. The R1 is an AI "pocket companion" that costs $199 and claims to have sold over 40,000 units on pre-order in the past week.

Creator Rabbit, which has raised $30mn from investors, described it as a new generation of device. It claimed that its "large action model" has been trained on existing interfaces, like apps, and that the voice-activated device can carry out tasks — booking a train ticket say — on a user's behalf.

A paucity of smartphone upgrade ideas contributed to a fall in unit sales last year. The five largest groups' shipments fell 3 per cent in 2023, noted IDC data. At 1.17bn, the total is at a decade low. If AI gadgets could take just 0.1 per cent of smartphone sales, the market could be worth half a billion dollars. But phonemakers have no intention of letting that happen.

Start-ups see an opening. AI is the most popular area of investment for venture capital already. PitchBook tracked VC deals worth nearly $80bn in AI and machine learning last year.

San Francisco start-up Humane, created by ex-Apple employees, has raised more than $100mn for its AI lapel pin. It has an Apple-like price point; $699 plus a $24 per month subscription that accesses T-Mobile's network. Investors include OpenAI.

The pin can apparently be used to make calls, listen to music and answer queries. But the start-up laid off staff this month, suggesting pre-order numbers may be poor.

The weakness of both products is their proximity to existing devices. Voice activation already exists. Making calls and listening to music is already possible.

Consultancy Precedence Research predicted that telecoms would be the largest market for AI hardware. Smartphone groups will not hand this market to newcomers. They could eliminate demand for Humane and Rabbit products by incorporating AI features into new handsets before the start-ups have time to ship products.

Samsung yesterday announced AI-enabled features for new phones. Apple is expected to announce AI model integration soon. In AI hardware, old technology adaptation will trump early-mover hype.

## JetBlue/Spirit: hedge funds crash and burn

No one likes making the wrong choice when deciding on an expensive trip. On Monday, a US federal judge nixed JetBlue's all-cash buyout for Spirit Airlines with an equity value of $3.8bn.

The court decided that Spirit's ultra-discount model was too important in the airfare marketplace to sacrifice in the deal. Instead of getting about $34 per share, Spirit equity holders have a piece of paper trading for $6.

Adding to the anguish, Spirit directors had a choice in 2022. The airline had initially signed up to a stock merger with Frontier Group, a similar deep discounter like Spirit. But the board, under heavy pressure from hedge funds, went for broke by taking a premium bid from JetBlue, hoping it could push a deal past the Department of Justice and eventually the judiciary. That wager has imploded. It serves as a cold lesson in corporate governance and capital markets.

According to the court's reasoning, JetBlue's objective in buying Spirit was mostly about acquiring planes, pilots, routes and other infrastructure rather than preserving its business model. The jilted Frontier had previously warned that the only way to make the JetBlue/Spirit combination work was to reduce Spirit's capacity.

As for JetBlue, it has been searching for a way to keep up with the big four — American, United, Delta and Southwest — which via their own dealmaking control 80 per cent of the domestic US market. JetBlue's shares rallied slightly on Tuesday after the ruling.

JetBlue will pay $470mn in total reverse termination fees through various interesting mechanisms. The Florida-based airline has already paid Spirit shareholders $2.50 a share upon the target's successful shareholder approval vote. It separately has paid a 10 cent per month "ticking fee" to Spirit shareholders for a year. Spirit itself will get only $70mn.

Thanks to 2022's deal wrangling, much of Spirit's shareholder register comprises merger arbitrage investors. These firms probably would not have supported a Frontier merger. They wanted to play the long odds of a JetBlue all-cash takeover, along with the various interim payouts.

In the intervening two years, the US airline industry has suffered from the plateauing of the post-pandemic travel surge. At the same time, labour and operating costs have soared, creating greater impetus for consolidation.

Spirit's market cap is down to $700mn against a net debt load of $5.5bn, including leases. It could very well face bankruptcy; the Biden administration and others cheering the JetBlue decision should reflect on that possibility. Spirit's cleanest remaining route might be the one originally forsaken: a tie-up with Frontier.

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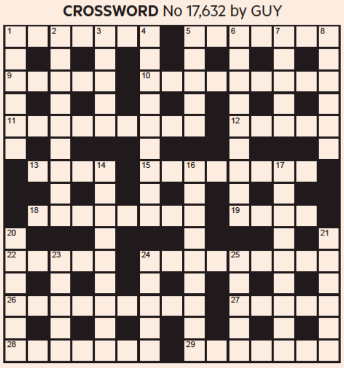
## CROSSWORD No 17,632 by GUY



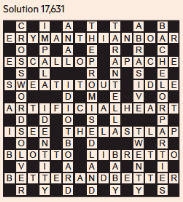
**ACROSS**

1 Very saintly bishop returned to detox (5,2)
5 Weight on women's shoulders (7)
9 Concrete mall's opening in the country (5)
10 Lucrative trading so get more supplies in (9)
11/12 Story about animal that loses its tail, reworking of first Manx cat? (9,2,3)
13 Annual trip to Saudi enjoyed by Jack (4)
15 PC that is crashing sent superfluous emails (6,2)
18 Mother's painter organised tilers after coat of whitewash (8)
19 Leaves back on oak tree (4)
22/24 Mad aristocrat and defrocked priest running races (5,9)
26 Demand more chips immediately (2,3,4)
27 In the morning mist, ash's last leaves blow away (5)
28 Communist troublemaker in the 50s jogged (7)
29 Day of reckoning sees vote for split (4-3)

**DOWN**

1 Trouble in street spread widely (6)
2 Give thought to dirty underwear? (9)
3 Strange pub closes early for dance (5)
4 Illicitly tail Capri like hijackers (9)
5 Children boxing eggs up creates chaos (5)
6 Blank statement not implicating mademoiselle in fraud (2,7)
7 Bank's ploy to conceal weakness (5)
8 Stars party with unknowns (6)
14 In the boulangerie I used a broom, bagging us crumbs! (5,4)
16 Cook mere fry-up creating nice smells (9)
17 Lifeless two sandwiches granny put before friend (9)
20 Clear account somewhat curtailed (6)
21 Dicky dances to get high (6)
23 Trump barred by party (5)
24 World in Action brought back, featuring relative of 12? (5)
25 Jewellery initially affects River Island's turnover (5)

Solution 17,631



JOTTER PAD

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