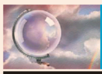
FINANCIAL TIMES

WEDNESDAY 17 JANUARY 2024

USA $2.50



Five certainties driving the global economy
MARTIN WOLF, PAGE 17

Can Lula's state capitalism revitalise Brazil?
BIG READ, PAGE 15

Rivals Morgan Stanley and Goldman take hit to profits

- Earnings in 2023 lowest for 4 years
- Wall St starved of deals and listings

JOSHUA FRANKLIN AND STEPHEN GANDEL — NEW YORK

Goldman Sachs and Morgan Stanley have reported their lowest annual profits in four years, as the Wall Street rivals suffered from slowdowns in investment banking and bond trading.

The results capped a challenging year for the banks, as a dearth of deals and public listings weighed on fee income.

At Goldman, the decline in investment banking was compounded by losses caused by its pullback from retail banking, including the sale of its GreenSky online lending business. Net income fell 24 per cent in 2023 to $8.5bn.

Morgan Stanley reported an 18 per cent drop in full-year net income to $9.1bn in its final results under long-serving chief executive James Gorman, who has been succeeded by former investment banking boss Ted Pick. Profits at its investment banking and trading division fell about a third.

Despite its lacklustre annual profits, Goldman's fourth-quarter results were still better than analysts had expected.

Shares in Goldman were trading slightly higher in late trading while Morgan Stanley's stock fell nearly 5 per cent.

Goldman's net income for the quarter rose 51 per cent from a year earlier to $2bn, with the bank's asset and wealth management and equities trading businesses driving the gains. Analysts polled by Bloomberg had forecast quarterly net income of about $1.5bn.

However, the drop-off in dealmaking continued to weigh on its investment bank, where the quarter's revenues were 12 per cent lower than a year earlier.

David Solomon, Goldman's chief executive, described operating conditions in 2023 as "not a B+ or an A environment" but expressed optimism for this year.

"As we enter 2024, the potential for rate cuts in the first half of this year has renewed optimism for a soft landing," Solomon told analysts. "We are already seeing signs of potential resurgence in strategic activity, which is reflected in our backlog" of investment banking business.

Pick said geopolitical tensions and the US economy represented the two biggest risks but that Morgan Stanley was starting 2024 "with confidence".

"Based on the evidence we see — our building M&A and IPO pipelines, improving boardroom confidence, and an increasingly positive tone from our retail and institutional clients — we remain constructive on the year ahead," Pick told analysts.

Morgan Stanley's powerhouse wealth management arm has transformed its fortunes over the past decade but profits fell slightly in 2023. The bank's fourth-quarter profits fell almost a third, as wealth management costs climbed and a $249mn deal was reached with regulators to settle a block-trading probe.

Under Solomon, Goldman has sought to emulate Morgan Stanley's diversification, building up its asset and wealth management division to balance out the lumpier investment banking business.

Goldman said it had surpassed a fundraising target of $225bn at its so-called alternatives business, a plank of that strategy that includes private equity, private credit and real estate. The bank had said it would hit the goal by the end of 2024; it has now raised $251bn.

Lex page 18

Caucus to courthouse Trump celebrates Iowa sweep before heading to New York for hearing

Brian Snyder/Reuters

Donald Trump in jubilant mood in Des Moines on Monday night after winning 98 out of 99 of Iowa's Republican presidential caucuses.

The former US president won 51 per cent of the vote, compared with 21 per cent for Ron DeSantis and 19 per cent for Nikki Haley. Biotech investor Vivek Ramaswamy, who finished in fourth place, dropped out of the running and endorsed Trump.

During his victory speech, Trump sought to be charitable towards his rivals, praising them for being "smart people" after having launched vicious attacks against them during the race.

Despite Trump's trouncing his rivals in Iowa, the results did not raise serious alarm bells for President Joe Biden's re-election campaign. Even discounting the impact of freezing temperatures, turnout was the lowest since 2000 for a Republican primary.

Just hours after celebrating his first big win of the election campaign, Trump travelled to a New York courtroom yesterday, where he is defending himself for a second time against charges that he defamed writer E Jean Carroll after she had accused him of raping her decades ago.

Time runs out & Edward Luce page 4
Janan Ganesh page 17

Briefing

▸ Shell heads towards Nigeria exit after 68 years
The UK-listed oil major has agreed to sell its onshore production business in Nigeria for at least $1.3bn, following a flood of other international groups in seeking to withdraw from the country's restive Niger Delta region.— PAGE 6

▸ Fresh strike on Houthis
US forces have attacked targets linked to Iran-backed Houthis in Yemen, hours before the militants struck a ship heading to the Suez Canal for a second successive day.
— REPORT & ANALYSIS, PAGE 3

▸ Kyiv renews funds appeal
Volodymyr Zelenskyy has urged allies at the World Economic Forum in Davos to boost funding for Ukraine, arguing that Kyiv's ability to fight back against Russia is in their own interests.— PAGE 2

▸ Ben & Jerry's urges truce
The ice-cream maker's board has called for a permanent ceasefire in Gaza, a move that risks reigniting tensions with parent Unilever over its stance on Israel's policies.
— PAGE 8; HOSTAGES BACKLASH, PAGE 4

▸ Northvolt charges up
The Swedish battery maker has cemented its place as Europe's best-funded start-up after raising $5bn in debt financing to help it expand its first gigafactory and build a recycling facility.— PAGE 10

▸ Beijing curbs stock sales
Chinese authorities have in recent days told some institutional investors not to sell stocks as regulators face renewed pressure to stabilise share prices following the steep decline.— PAGE 10

▸ ECB damps rate cut hope
European Central Bank officials have pushed back on investors' bets that they will start cutting interest rates this spring, despite rising belief that the worst of eurozone inflation is over.— PAGE 2

▸ Korea union goal ditched
Pyongyang is to drop from its constitution the commitment to unification with South Korea, a historic break with a decades-long policy amid mounting military tensions on the peninsula.— PAGE 4

Crunch year for China as deflation stalks economy

Beijing faces a decisive year in its fight to restore the economy's animal spirits and escape a looming debt-deflation spiral. Policymakers must confront a property slump in its third year, weak exports, wary investors and analysts' forecasts of slowing growth. With companies cutting debt, slamming the brakes on investment and hiring, wage expectations are deteriorating. 'To break that cycle, we need meaningful policy efforts,' says one analyst.
Critical year ▸ PAGE 3

Apple outsells Samsung to take crown as world's biggest smartphone maker

TIM BRADSHAW — LONDON

Apple became the world's number-one smartphone maker by volume for the first time last year, ending Samsung's 12-year reign as consumers bought more expensive handsets.

The iPhone manufacturer was the only big handset maker to report annual unit growth in 2023, according to research group IDC, with shipments rising 3.7 per cent to 234.6mn — edging ahead of Samsung's 226.6mn.

Apple's boost was in contrast to the overall industry, which suffered its worst year in a decade as shipments fell 3.2 per cent to 1.17bn units, IDC added.

By revenue and profits, Apple has long been the top smartphone maker thanks to the iPhone's dominance at the high end of the market. But last year was the first in which it also led by volume.

Samsung, which is set to launch its flagship Galaxy S24 this week, reported a 13.6 per cent fall in shipments last year, as Huawei regained share in China and cheaper Android manufacturers raced ahead. Chinese group Transsion — whose brands Tecno, Infinix and itel have made it dominant in Africa — grew 30.8 per cent last year, putting it in the top five behind Xiaomi and Oppo.

"In 2023, Samsung focused on the mid to high-end segment for profitability but lost share in the low-end segment and also its leading position in the global market," said Amber Liu, a manager at research group Canalys.

Canalys said that smartphone shipments increased about 8 per cent year on year in the fourth quarter, reversing seven consecutive quarters of decline, as demand from shoppers improved.

Microsoft last week overtook rival Apple as the most valuable public company, as Wall Street fretted over the outlook for iPhone sales in China. Apple is offering Chinese customers a discount on some of its latest models. The unusual move, following falling sales in the region, comes as local rivals gain share.

Globally, however, iPhone sales rebounded 11.6 per cent in the fourth quarter following the September launch of its new models, according to IDC.

Smartphone market rankings have changed beyond recognition since Samsung took top spot in 2011, when Nokia, LG and BlackBerry led the market.

As technology matures and new features become more incremental, consumers upgrade everyday devices less frequently. But when they do, more are choosing more expensive devices — largely benefiting Apple, which has raised iPhone prices in recent years.

World Markets

STOCK MARKETS

	Jan 16	Prev	%chg
S&P 500	4768.43	4783.83	-0.32
Nasdaq Composite	14937.78	14972.76	-0.23
Dow Jones Ind	37400.33	37592.98	-0.51
FTSEurofirst 300	1869.10	1873.69	-0.24
Euro Stoxx 50	4443.52	4454.68	-0.25
FTSE 100	7558.34	7594.91	-0.48
FTSE All-Share	4133.64	4152.21	-0.45
CAC 40	7398.00	7411.68	-0.18
Xetra Dax	16571.68	16622.22	-0.30
Nikkei	35619.18	35901.79	-0.79
Hang Seng	15865.92	16216.33	-2.16
MSCI World $	3165.14	3168.31	-0.10
MSCI EM $	995.16	996.30	-0.11
MSCI ACWI $	724.03	724.77	-0.10
FT Wilshire 2500	6193.82	6191.42	0.04
FT Wilshire 5000	48240.10	48222.40	0.04

CURRENCIES

Pair	Jan 16	Prev	Pair	Jan 16	Prev
$/€	1.088	1.095	€/$	0.919	0.913
$/£	1.265	1.273	£/$	0.790	0.785
£/€	0.860	0.860	€/£	1.163	1.163
¥/$	146.940	145.785	¥/€	159.820	159.642
¥/£	185.939	185.614	£ index	82.223	82.292
SFr/€	0.935	0.936	SFr/£	1.088	1.089

CRYPTO

	Jan 16	Prev	%chg
Bitcoin ($)	43161.55	42532.00	1.48
Ethereum	2554.18	2511.38	1.70

COMMODITIES

	Jan 16	Prev	%chg
Oil WTI $	72.77	72.45	0.44
Oil Brent $	78.61	78.15	0.59
Gold $	2049.90	2055.65	-0.28

GOVERNMENT BONDS

Yield (%)	Jan 16	Prev	Chg
US 2 yr	4.22	4.13	0.09
US 10 yr	4.04	3.94	0.10
US 30 yr	4.29	4.18	0.11
UK 2 yr	4.15	4.15	0.01
UK 10 yr	4.01	4.00	0.02
UK 30 yr	4.48	4.44	0.04
JPN 2 yr	0.02	0.00	0.02
JPN 10 yr	0.59	0.55	0.04
JPN 30 yr	1.60	1.57	0.02
GER 2 yr	2.60	2.58	0.02
GER 10 yr	2.26	2.23	0.03
GER 30 yr	2.46	2.43	0.03

Prices are latest for edition
Data provided by Morningstar

Subscribe In print and online

www.ft.com/subsusa
Tel: 1 800 628 8088
For the latest news go to
www.ft.com

No: 41,532 ★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt, Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai

6 14919 00001 5 03300>

World Economic Forum

Zelenskyy urges allies to increase funding

Ukraine leader tells Davos attendees Putin will not stop at current conflict

SAM FLEMING AND HENRY FOY — DAVOS

Volodymyr Zelenskyy has urged allies to boost funding for his country, arguing that Kyiv's ability to fight back against the Russian invasion is also in their own security interests.

Ukraine's president told the World Economic Forum in Davos yesterday that anyone who believed Vladimir Putin's war was only about Ukraine was "fundamentally mistaken", adding that the Russian leader embodies war without an end. The solution was not a frozen conflict in Ukraine, he said. "Putin is a predator who is not satisfied with frozen products."

His Davos pitch came as western aid is running perilously low after decision makers in Washington and Brussels were unable to renew a total of $110bn for the next few years. Russia, meanwhile, has ramped up its aerial attacks on Ukrainian cities, as well as its domestic arms production and imports of drones and missiles from Iran and North Korea.

"If anyone thinks this is only about us, this is only about Ukraine, they are fundamentally mistaken. Possible directions and even . . . a new Russian aggression beyond Ukraine become more and more obvious," Zelenskyy warned. "Strengthen our economy and we will strengthen your security."

Zelenskyy met government and business leaders in the Swiss resort, including JPMorgan Chase chief executive Jamie Dimon, Blackstone Group chair Stephen Schwarzman and Lakshmi Mittal, founder of steel giant ArcelorMittal.

'If anyone thinks this is only about us, only about Ukraine, they are fundamentally mistaken'

He struck a particularly optimistic note regarding the EU's delayed financing package, saying he had seen positive signs on this front. EU officials are increasingly confident that they can strike a deal on February 1 to allocate €50bn of fresh funding to Ukraine, either through concessions to Hungary that would allow the use of the bloc's shared budget, or an off-budget "plan B" arrangement to bypass Budapest.

Zelenskyy said his country was still counting on Congress to unlock the latest US package, as concerns in Kyiv and allied capitals are mounting about Donald Trump returning to the White House. The former president is campaigning on halting support for Ukraine and "ending the war" with Russia.

European Commission president Ursula von der Leyen, who also spoke at Davos yesterday, said Ukraine could prevail in the war, but warned that the allies needed to "continue to empower their resistance".

Brussels is conducting an audit of how much weaponry EU member states have provided to Ukraine since Russia's full-scale invasion, in response to claims that some capitals have failed to send as much as they could.

The EU's diplomatic service, the External Action Service (EEAS), is conducting the audit of weapons supplied by member states since February 2022, three EU diplomats briefed on the plans told the Financial Times. The EEAS aims to present the findings before a summit of EU leaders on February 1.

The audit follows a demand from German Chancellor Olaf Scholz last week that countries' military deliveries to Kyiv be tallied up and compared.

"The arms deliveries for Ukraine planned so far by the majority of EU member states are too small," he said.

Central Europe. Political clash

Warsaw's 'dangerous' power struggle escalates

PM's pro-EU policies at odds with opposition, which holds offices including presidency

RAPHAEL MINDER — WARSAW

A deepening power struggle between Poland's leaders is threatening to derail Donald Tusk's pro-EU agenda and pit state institutions against one another.

In a highly anticipated meeting held on Monday, Polish President Andrzej Duda and Prime Minister Tusk failed to ease tensions, with Duda describing the new administration's reforms as attempts to "violate the law" and Tusk blaming the president for "devastation of the rule of law" under the previous rightwing Law and Justice (PiS) government.

Tusk has previously denounced the "obvious sabotage" tactics of the PiS opposition as a bid to maintain control over part of the state apparatus. "To put it bluntly, we are dealing with an attempt to build a dual power and with involvement of the most important state institutions," he said in a news conference last week.

Mutual recriminations were creating "a dangerous situation", forcing Tusk to navigate from one crisis to the next, which could lead to the creation of a "dual state", said Polish investor and columnist Paweł Konzal. "It's unprecedented and it seems not to have been anticipated by the new government," he told the Financial Times.

The most recent source of discord between the two politicians is the fate of the national prosecutor appointed by the previous PiS government, who was fired on Friday but whom the president wants to keep in the job.

Duda, himself a PiS nominee, has also sided with the former ruling party in defending two of their lawmakers convicted of abuse in office.

In a news conference on Monday, Tusk accused Duda of being "involved in the devastation of the rule of law and legal order in Poland since 2015". But he acknowledged that Duda had veto powers that could hobble his premiership until next year's presidential elections.

"It is in our common interest that the last dozen or so months of his term of office pass in a good atmosphere," Tusk said. He vowed to press ahead with the removal of PiS appointees and a judicial overhaul required for Brussels to unblock Warsaw's frozen EU funds.

Frosty relations: President Andrzej Duda, left, who backs the rightwing opposition PiS, in talks with Prime Minister Donald Tusk on Monday
Czarek Sokolowski/AP

Since he took office a month ago, Tusk has struggled to deliver on his election promises, with Duda already showing an appetite for being disruptive.

First, the president delayed Tusk's appointment as prime minister, then he vetoed his December budget bill and last week he turned the dispute over the two convicted PiS lawmakers into a full-blown constitutional crisis.

Duda repeated calls on Monday for the release of the two "political prisoners" — as PiS refers to them — who were detained in the presidential palace where they had sought shelter. The Tusk government has said it would respect Duda's plans to issue a fresh pardon but would not speed up their release in the meantime.

Anna Wojciuk, a politics professor at Warsaw university, said she had harboured "a small hope that Duda would play more the role of an arbiter" between Tusk's coalition and the opposition, but his interventions showed his priority was to "defend his own heritage, as one of the founding fathers of the legal changes made by PiS".

Faced with such a battle, Tusk has opted to avoid issues that could create tensions within his unwieldy coalition or reinvigorate PiS's ultranationalist message.

He has so far maintained the protectionist agenda of the previous government at the risk of breaking his own election pledge to return Poland to the heart of EU policymaking. He recently said Poland would "never accept" illegal migrants under an EU deal to share responsibilities for hosting asylum seekers that was agreed last year despite Poland and Hungary voting against it.

On Ukraine, he has pledged to support Kyiv in its defence against Russia's war, but not at the expense of Polish farmers and truck drivers, who have blocked Ukrainian border crossings since November in protest at cheaper imports and services from the neighbouring country. Truckers are due to lift their blockade today.

Tusk's stance is also motivated by his concerns about PiS mobilising its electorate ahead of local elections in April and European parliament elections in June. Tens of thousands of Poles braved freezing Warsaw weather last week to hear PiS leader Jarosław Kaczyński denounce Tusk's alleged violation of the constitution.

'To put it bluntly, we are dealing with an attempt to build a dual power'
Donald Tusk

An opinion poll by SW Research published last weekend in newspaper Rzeczpospolita found that 47 per cent of respondents expected Poland's democracy to improve under Tusk, compared with 28 per cent who saw it deteriorating. The rest were either undecided or believed Tusk would make little change.

Wojciuk said the post-election feuding might be "a surprise for part of the public, but not for those who understood that PiS had been building a system of electoral authoritarianism that it was never going to give up easily".

Tusk was likely to face "strong resistance against every step that he takes", she added, "but what we see in the polls is that the coalition is not losing its support — and that is essential".

See The FT View

Trade dispute

Polish truck drivers agree to lift border blockade with Ukraine

RAPHAEL MINDER AND BARBARA ERLING — WARSAW

Polish truckers have agreed to suspend a border blockade with Ukraine that was hurting Kyiv's trade and war efforts and casting a shadow over Donald Tusk's premiership.

Poland's infrastructure minister Dariusz Klimczak yesterday said he had struck a deal with the hauliers to suspend their protest against cheap competition from Ukrainian drivers.

The truckers will stop their blockade today while they hold negotiations with the ministry in order to reach a final deal by March 1. Klimczak told a news conference the aim was "to implement everything requested by the hauliers".

The minister also called on Ukrainian authorities to help control cross-border traffic and ensure "Poland is a window to the world for Ukraine".

The blockade had hobbled Tusk's early efforts to improve relations with Ukraine after taking office last month. He said last week he wanted to give full support to Ukraine's war against Russia, but not at the expense of Polish economic interests and in particular the hauliers and farmers who had been suffering from cheaper, unregulated competition from neighbouring Ukraine.

Tusk is expected to make a long-awaited visit to Kyiv in coming days. He said this month that his trip would be facilitated once the blockade ended, because "our arguments will be better heard when Poland is not a country blocking borders".

Officials gave few details about yesterday's deal, but Poland's infrastructure minister pledged to tighten controls on the paperwork of Ukrainian truckers, rather than return to an EU permit system that was abolished in 2022 after Russia's full-scale invasion. The protesters also want authorities to stop Ukrainian trucks from making unauthorised trips within the EU to transport goods.

The Polish government said it would negotiate with Kyiv to make changes to its electronic border check system, which Polish drivers claimed had given preferential treatment to Ukrainian drivers and also left some Polish trucks waiting for days to return home.

Poland's truckers started protesting on November 6, blockading cargo traffic in and out of Ukraine and forcing Ukrainian drivers to wait for days in freezing temperatures on both sides of the border, except for military and humanitarian supplies. Polish drivers have blamed waiting lines on the Ukrainian side on the Ukrainians taking retaliatory measures.

The Polish drivers warned they would return to the border crossings if the infrastructure ministry failed to fulfil its pledges. "We are giving the ministry a mandate of trust. This is not a capitulation, but a strategic pause," said Rafał Mekler, leader of the Polish Carriers Protest and an activist of the Confederation party, on social media platform X.

Farmers joined the border protests late last year after having prompted a unilateral import ban on cheaper Ukrainian grain in the spring, in violation of the EU's common trade policy. Joining forces with the truckers was a way to keep up pressure on the new government to maintain the ban.

FINANCIAL TIMES
330 Hudson Street,
New York, NY 10013

Subscriptions and Customer Service
Tel: +1 800 628 8088
uscirculation@ft.com, www.ft.com/subsusa
Advertising
Tel: +1 917 551 5040
usads@ft.com
Letters to the editor
letters.editor@ft.com
Executive appointments
www.exec-appointments.com

Published by
F.T. Publications Inc.
330 Hudson St, New York,
NY 10013, USA;
Tel: +1 917-551-5000;
Editor: Roula Khalaf

Printed by
Blue Island Newspaper Printing, Harvey, IL
Evergreen Printing Company, Bellmawr, NJ
Bay Area Production Services, Fremont, CA

Published daily except Sundays, New Year's Day, Good Friday, Independence Day, Thanksgiving, the day after Thanksgiving, Christmas Day and the day after Christmas Day.

US subscription rates, 1 year $406. Periodicals postage paid at New York, NY and at additional mailing offices; Post-Master. Send address changes to F.T. Publications Inc., PO Box 469, Newburgh, NY 12551; USPS number, 190640; ISSN# 0884-6782.

Monetary policy

ECB seeks to ease speculation over spring interest rate cut

MARTIN ARNOLD — FRANKFURT

European Central Bank officials are pushing back against investors' bets that they will start cutting interest rates this spring, despite consumers' increasing belief that the worst of eurozone inflation is over.

Consumer expectations for eurozone inflation have "declined noticeably" to their lowest level since shortly after Russia's full-scale invasion of Ukraine triggered a surge in prices almost two years ago, according to an ECB survey published yesterday.

Economists said the change in expectations would be welcomed by the ECB as its officials looked for signs of whether price pressures would ease sufficiently to bring them down to its 2 per cent inflation target in the next year.

The data seemed to strengthen investor bets that the ECB would start cutting rates in April. The euro fell 0.6 per cent against the dollar and Germany's 10-year bond yield dipped slightly yesterday after the survey was published.

However, several members of the ECB governing council spoke out to question whether markets were being too optimistic ahead of their meeting next week to discuss monetary policy.

"It's too early to declare victory," French central bank governor François Villeroy de Galhau told the World Economic Forum in Davos yesterday. While the ECB's next move was likely to be a rate cut, the timing was unclear, he said, adding: "The job is not done yet."

Finnish central bank board member Tuomas Välimäki said the ECB should be careful not to jump the gun by cutting rates too early only for inflation to pick up again.

"It's better to wait a bit longer than doing a premature exit from this restrictive level, and then perhaps having to do a reversal," he told Reuters.

German central bank head Joachim Nagel went further, saying: "The markets are from time to time, they are optimistic — maybe from time to time they are over-optimistic. It's their view. I have a different view."

US central bank

Fed within 'striking distance' of inflation goal, says official

CLAIRE JONES — WASHINGTON

A senior Federal Reserve official has said the US central bank is within "striking distance" of returning inflation to its 2 per cent goal, but cautioned that rate-setters would "take our time" before cutting borrowing costs from their 23-year high.

Christopher Waller, a governor on the Fed's board, said at an online event hosted by Washington's Brookings Institution yesterday that recent economic and jobs data showed the central bank's effort to contain price pressures was bearing fruit.

"Based on economic activity and the cooling of the labour market, I am becoming more confident that we are within striking distance of achieving a sustainable level of 2 per cent PCE inflation," he said, referring to the personal consumption expenditures index.

Waller also said job openings may have already declined to a point where any further downturn in the labour market could trigger a sharp rise in unemployment. "From now on, the setting of policy needs to proceed with more caution to avoid over-tightening," he said. But Waller also cautioned against a rush to slash rates, saying the bank must "take our time to make sure we do this right".

The tone on inflation pointed to the Fed's unwillingness to commit to rate cuts as quickly as March, as some market participants expect.

Waller's remarks are being closely watched after a speech he made in November suggested he was increasingly sure that the Fed now had the worst bout of inflation for a generation under control, enabling it to take a more dovish stance on interest rates.

The bank's more dovish shift emerged again at the Fed's December meeting, which revealed policymakers planned to cut rates by as much as 0.75 percentage points in 2024, from the current level of 5.25-5.5 per cent. Those 2024 projections have boosted markets' hopes of a cut as soon as March.

See Markets Insight

INTERNATIONAL

China faces 'critical year' with need to dispel deflation and revive confidence

Premier says 2023 growth was above 5% target but experts believe 2024 will be more problematic

JOE LEAHY — BEIJING
CHAN HO-HIM — HONG KONG

As the head of China's biggest jewellery retailer, Kent Wong has his finger on the pulse of consumers in the second-largest economy — and they are wary.

Wong, managing director of Chow Tai Fook, said the chain's customers had been pivoting from diamonds and other gemstones to gold, a store of wealth in tough times. "In the short term, people will continue to be more cautious no matter [whether it's] consumption or investment," he said, adding though that he expected consumer confidence to return in a year or two.

Wong's subdued outlook for 2024, shared by many analysts, comes as policymakers in Beijing are braced for a decisive year in their battle to restore the economy's animal spirits and escape the threat of a debt-deflation spiral.

In a speech at the World Economic Forum in Davos, Premier Li Qiang said yesterday that China's gross domestic product grew an "estimated" 5.2 per cent last year. While that would slightly exceed the official target of 5 per cent, economists said 2024 was likely to be more challenging, with a Reuters poll of analysts predicting growth would slow to 4.6 per cent.

A property downturn is well into its third year, exports are weak, wary investors are steering clear of China's financial markets and policymakers are fighting what Morgan Stanley analysts say is the country's longest run of deflationary pressure since the 1997-98 Asian financial crisis.

"I think it's a critical year for the Chinese economy in the sense that deflation could be entering a vicious cycle," said Robin Xing, chief China economist at Morgan Stanley.

Xing said companies had started cutting debt and refraining from capital expenditure and hiring, while the job market was tough and salary expectations were deteriorating. "To break that cycle, we need to have some very meaningful policy efforts," he said.

Analysts expect the annual meeting of the National People's Congress, the rubber-stamp parliament, to again set an economic growth target of about 5 per cent when it meets in early March.

While robust compared with developed economies, last year's target was China's lowest in decades. After harsh lockdowns battered the economy in 2022 it should have been easy to achieve, analysts say, but the government was forced to step up fiscal support after growth wavered in the middle of the year.

The base effect of comparison with 2022 probably flattered China's gross domestic product growth last year by about 2 percentage points, said Hui Shan, chief China economist at Goldman Sachs.

As with last year, the property sector is the biggest uncertainty facing the economy in 2024, say analysts. The government has announced multiple initiatives, recently revealing that the central bank in December channelled Rmb350bn ($49bn) into banks through a facility known as "pledged supplementary lending".

It did not explain what the loans were for, but analysts expect they might be earmarked for the "three major projects" — a stimulus programme to help the housing construction industry.

Circuit-breaker: workers at an electronics factory in Fuyang, eastern China, yesterday. Many employers have stopped hiring as they try to reduce debt
AFP/Getty Images

Chris Beddor, deputy director of China research at Gavekal, said this scheme could be enough to put a floor under moribund construction activity, but property sales would be a bigger unknown. In December, property sales were still only 60 per cent of pre-pandemic 2019 levels in 30 big cities.

Beddor said if the property crisis deepened further, authorities might be forced to launch a "bazooka" stimulus package that would surprise the market on the upside. But he added that his base case was for stabilisation rather than a rebound.

"There will be some pretty modest pick-up this year, in other words at least things just stop getting worse," he said.

Beyond the property sector, economists argued that a much broader stimulus package coupled with reforms was urgently needed to reflate the economy.

"Deflation is tremendously worrisome for a country like China that is accumulating public debt faster than Japan ever did," said Alicia García-Herrero, chief economist for Asia-Pacific at Natixis. In times of deflation, prices and wages fall but the value of debt does not, raising the burden of repayments.

The central government needed to provide a fiscal package that targeted consumption rather than more investment in manufacturing, said Morgan Stanley's Xing. This could benefit China's hundreds of millions of migrant workers, for instance, by offering them more access to social benefits, reducing their incentive to hoard savings rather than spend.

"We need a decisive shift to fiscal easing," Xing said. "Of course the size matters and the speed matters. If policy continues to undershoot, eventually the policy ask to break this debt-deflation trap could be even bigger."

'We need a decisive shift to fiscal easing. Of course the size matters and the speed matters'

Economists argued that exports, which shrank in dollar terms last year, could not be relied on to rescue the economy, given soft global demand. China's stimulus policies, which prioritise expansion of state bank lending to manufacturers, have resulted in overcapacity and increasing friction with trading partners such as the EU.

Despite market calls for Beijing to ease policy and China's own efforts to present an investor-friendly face, analysts say policymakers continue to send mixed signals.

The People's Bank of China left an important lending rate on hold on Monday despite market expectations of a cut. Last month the government shocked investors by announcing tough draft restrictions on video games after previously offering reassurances that a tech crackdown had ended.

The government tried to calm concerns by firing the official responsible for the draft rules, but analysts said the damage was done.

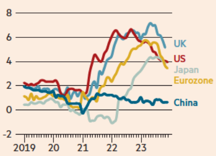
All of this would make hitting a GDP growth target of 5 per cent this year ambitious, economists said. Shan at Goldman said the government would need to reduce the drag from property, implement more expansive fiscal measures and "get lucky on exports".

"If the government really wants to, one way or another it will figure out a way to get to 5 per cent. But it's going to be a difficult task," Shan said.

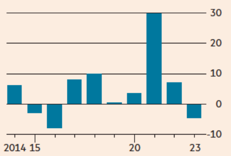
Additional reporting by Andy Lin in Hong Kong

Martin Wolf see Opinion

China's core inflation remains low
Consumer price index excluding food and energy, year-on-year change (%)



Exports fell for first time since 2016
Annual exports in dollar terms, year-on-year change (%)



Sources: Bloomberg; China's General Administration of Customs

Trade disruption

Cargo ship hit by missile in Red Sea after new US attack on Houthis

ROBERT WRIGHT, ANDREW ENGLAND AND SHOTARO TANI — LONDON

US forces yesterday conducted renewed attacks against targets associated with Iranian-backed Houthis in Yemen, hours before the group struck a commercial ship heading towards the Suez Canal for a second successive day.

The US military's Central Command (Centcom) said that around 4.15am local time its forces struck and destroyed four anti-ship ballistic missiles that the Houthis had prepared to launch from Yemen.

However, the Houthis still succeeded hours later in launching a missile that struck the Zografia, a Maltese-flagged ship for carrying dry bulk commodities, which was sailing towards the Suez Canal. The strike on the Zografia followed Monday's missile strike on the Gibraltar Eagle, another bulk carrier, in the Gulf of Aden.

The latest strikes have prompted more categories of ships to avoid the key route through the Red Sea. Vessels are instead taking the longer route between Asia and Europe via the Cape of Good Hope.

Automotive companies have been especially affected by the delays to ships. Volvo Cars said yesterday it had halted production at its factory in Belgium after the shipping disruption delayed a delivery of gearboxes, while tyre manufacturer Michelin said Red Sea delays would lead to "occasional stoppages" at its European factories in January.

The latest missile strike was in the southern Red Sea some 100 nautical miles north-west of Saleef, Yemen, according to the UK's Maritime Trade Operations office. Vanguard, a maritime security service, identified the Zografia, a category of ship that may carry commodities ranging from coal and iron ore to grain and steel products.

UKMTO said the strike damaged the ship above the water line. There were no casualties.

Figures from Clarksons, the London-based shipping services company, showed that between January 13 and 15, arrivals of dry bulk carriers in the Gulf of Aden, by the Red Sea, had fallen 25 per cent from the rate in the first half of December. Until last week, arrivals of such vessels had scarcely been affected.

Yesterday's incident followed a missile strike on Monday on the Gibraltar Eagle, another bulk carrier, in the Gulf of Aden. US and UK forces launched strikes on more than 60 Houthi targets on Thursday and Friday last week in an effort to halt the attacks.

The Houthis have vowed to respond aggressively and continue targeting ships in a campaign that they say is a response to Israel's offensive against Hamas in Gaza.

Meanwhile, Iran launched a barrage of ballistic missiles against targets in Syria and northern Iraq, including what it described as an Israeli-run intelligence centre in the Iraqi city of Erbil.

The strikes by the elite Revolutionary Guards were a response to Israeli attacks that have killed an Iranian commander in Syria and members of Tehran-backed militant groups in the region.

Supply chains

US-led strikes on Islamist rebels rekindle fears of oil price surge and jump in inflation

SAM FLEMING, AIDEN REITER AND DELPHINE STRAUSS — LONDON

A US-led barrage of strikes on Houthi rebels in Yemen has reawakened fears of a wider conflict in the Middle East that could inflame price growth just as inflation appears to be subsiding.

Dozens of Houthi attacks, which the Yemeni Islamist movement began in October, have already led to mass diversions of shipping from the Red Sea.

Economists had expected the wider impact on goods prices to be relatively contained. But concerns are mounting over more significant knock-on effects for commodities, including oil, should US forces be sucked deeper into a regional crisis raging since Hamas's October 7 attack on Israel.

Ana Boata, head of macroeconomic research at Allianz Trade, said the situation was not yet a "red flag" for the global economy but added that "the impact on global supply chains could become more severe" if the crisis drags on beyond the first half of the year.

What are the effects of the attacks?

The Red Sea is a vital commercial shipping lane, typically accounting for 15 per cent of total global sea trade, including 8 per cent of grain, 12 per cent of seaborne oil and 8 per cent of seaborne liquid natural gas. Since the first Houthi attack on October 19, Red Sea traffic has dived.

The latest monthly Kiel trade indicator, published on Thursday by the Kiel Institute for the World Economy, showed that after the onset of Houthi attacks, container flows through the Red Sea were less than half the usual level in December and fell below 70 per cent of usual volumes in early January.

With the detour around Africa taking ships an extra seven to 20 days, this has pushed up freight rates for a standard container shipped from China to Northern Europe from about $1,500 in November to more than $4,000.

Some economies are already feeling the effects. Egypt is likely to be one, given its reliance on shipping via the Suez Canal, which raised more than $9bn in transit fees in the last fiscal year.

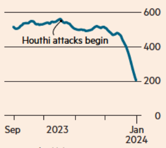
Companies are also reporting strains. Tesla's German factory has halted production until February 11 because of longer shipping times around the Cape of Good Hope for components.

How serious is the shipping disruption for the wider economy?

The disruption is significant enough for the US and its allies to take military action against the Houthis. Since the Israel-Hamas war broke out, economic policymakers have flagged a wider Middle East conflict as a key "upside risk" to inflation, which currently appears to be receding in major economies.

But central bankers have sounded relatively sanguine about the wider macroeconomic implications of conditions as they stand. Bank of England governor Andrew Bailey said last week that "from an economic point of view — if you take the oil price, which is an obvious place to look — it hasn't actually had the effect that I sort of feared it might".

Cargo carried through Red Sea has fallen sharply
Daily freight capacity in 20-foot equivalent shipping containers ('000)



Source: Kiel Institute

Freight rates are still far below the peaks of up to $14,000 reached during the pandemic. Julian Hinz, director of the Kiel Institute's Trade Policy Research Center, does not expect noticeable consequences for consumer prices given that freight costs are a small proportion of the value of high-priced goods such as consumer electronics.

"Eventually companies will learn to manage their inventory and pricing for longer shipping timelines," said Hinz.

Simon MacAdam of consultancy Capital Economics said even the far bigger spike in spot container freight rates during the pandemic had lifted global inflation by only a few tenths of a percentage point; most goods were transported at contractual rates set for a year or more.

He argued that inventory levels should allow most companies to cope with longer shipping times. Slower consumer demand after the spate of interest rate increases may limit companies' ability to raise prices and pass through higher shipping costs.

Can economic policymakers relax?

Not necessarily. Analysts say a protracted disruption would be more serious. Consultancy Oxford Economics said last week, before the US-led strikes, that if the Red Sea was closed to commercial traffic for several months, higher shipping rates could add 0.7 percentage points to annual consumer price index inflation by the end of 2024.

In this scenario, global inflation could continue to slow and central banks would be able to start cutting interest rates from mid-year, Oxford Economics said. But rates might not fall as far as investors were expecting.

Tomasz Wieladek, chief European economist at T Rowe Price, noted that global shipping had also been under pressure from a drought in the Panama Canal, which has reduced transit slots. This could make the inflationary threat more significant, he argued. "Two of the world's most important shipping lanes are affected at the same time . . . [so] shipping rates will probably stay elevated for some time," he said.

What is the biggest economic danger?

The more serious risk to inflation, say analysts, is that oil and gas markets take fright at the prospect of a much wider Middle East conflict. To date the oil price has declined throughout October, November and December even as the Israel-Gaza conflict raged.

Christian Keller, head of economics research at Barclays, said high levels of spare capacity, slowing demand and robust non-Opec+ supplies have so far contained concerns about a material disruption to oil supplies. But a jump in the oil price late last week in the wake of the US-led strikes, which took Brent crude up by 4 per cent to $80.50 a barrel, underscored fears in financial markets that the US-led response could herald more trouble ahead.

Falling energy costs have been a key driver behind declining inflation, so any interruption would be a setback to central banks' efforts to quell price growth. Wieladek estimates a 10 per cent rise in the oil price can raise eurozone inflation by 0.4 per cent within a year.

Party rivals. State caucuses

Haley and DeSantis running out of time in Republican race

Former president's campaign triumphant in Midwest poll despite criminal charges

JAMES POLITI AND LAUREN FEDOR
WEST DES MOINES

Donald Trump showed no cracks in the armour of his campaign to return to the White House after scoring an overwhelming victory in Iowa over his closest Republican rivals, prevailing in all but one of the Midwestern state's 99 counties.

The result was widely expected, but it confirmed the tight grip Trump has retained over most voters in his party, who remain devoted to him despite the criminal charges he faces across the US and yearn to see him back in office.

It has also raised the stakes for Ron DeSantis, the Florida governor, and Nikki Haley, the former US ambassador to the UN, to mount more effective campaigns against the former president — starting with the primaries in New Hampshire next week and South Carolina next month.

"No one's campaign is over," said Kevin Madden, senior partner at consultancy Penta and a former Mitt Romney 2012 campaign official. "Both DeSantis and Haley still have an argument for continuing on. However, judging by what Republican base voters in Iowa are saying, they are currently falling short in making a convincing case that Trump is beatable.

"Republican voters see him as the inevitable nominee, and they're already falling in line," he added.

Trump won the Iowa caucuses with 51 per cent of the vote compared with 21 per cent for DeSantis and 19 per cent for Haley. Vivek Ramaswamy, the biotech investor who finished in fourth place, dropped out of the race and endorsed the former president.

With 99 per cent of votes counted yesterday, Trump had won 98 of Iowa's 99 counties. The only exception was Johnson County, where Haley was a single vote ahead.

Trump won a majority of Iowa Republicans over 45, very conservative voters, white evangelical Christians and those with some or no university education, according to entrance polls published by the Washington Post.

During his victory speech in downtown Des Moines, the state capital, Trump sought to be charitable towards his rivals, praising them for being "smart people" after launching vicious attacks against them during the race.

"It's time for the country to come together," he said. Trump then flew to New York for a court appearance yesterday morning, before heading back to the campaign trail in New Hampshire.

Elise Stefanik, the member of Congress from New York and one of Trump's top allies on Capitol Hill, called on DeSantis and Haley to drop out of the race. But both of his rivals are vowing to press on.

Even though she finished third in Iowa, Haley has been polling far better than DeSantis in New Hampshire and is hoping to notch a win against Trump to be able to shake up the race in her favour.

Embracing the challenge: Nikki Haley hugs a supporter after speaking at a caucus event in West Des Moines, Iowa, on Monday
Justin Lane/EPA-EFE/Shutterstock

New Hampshire is considered more advantageous terrain for her because it is less conservative than Iowa and she appeals to moderates and independents. "Do you want more of the same or do you want a new generation of conservatives?" Haley asked her supporters at a hotel in West Des Moines, honing the message she will take to New Hampshire. "When I say more of the same, you know what I'm talking about? It's both Donald Trump and Joe Biden. They have more in common than you think. Seventy per cent of Americans don't want another rematch."

DeSantis has also staked out a claim to keep going in the race, even though his polling in New Hampshire is dismal.

"In spite of all that they threw at us, everyone against us, we've got our ticket punched out of Iowa," he said.

Dan Eberhart, chief executive of Canary, a Denver-based drilling services company and a prominent DeSantis supporter, dismissed suggestions that the Florida governor would be strapped for cash. "The governor has been husbanding resources on the campaign side," he said. "They will have the money to fight on."

But Jeff Holcomb, a Republican state representative from Florida who came to Iowa to support DeSantis, was less convinced. He said it was "frustrating" that so many voters were still supporting Trump. "I think a lot of people just say, 'Things were better three years ago', and they are like, 'That is good enough for me'," he said.

At a school in Van Meter, a small town west of Des Moines, Lindy Snyder caucused for Trump. "I believe he did a very good job when he was in office and we've been downhill ever since," she said. Many Trump voters said they would vote for him even if he were convicted of a crime and embraced his debunked denial of the 2020 election results.

Linda Bos, 71, a caucus captain for Trump at Eternity Church in Clive, Iowa, said she did not have confidence that the elections in November would be free and fair, saying Trump would only defeat Biden "if they don't cheat".

While Trump trounced his rivals in Iowa, the results did not necessarily trigger big alarm bells for Biden's re-election campaign.

Even discounting the impact of freezing weather and snowy roads, turnout was the lowest it has been since 2000 for a Republican primary election. Trump's raw vote tally was just over 56,000 out of nearly 719,000 registered Republicans — which means he gained only 11,000 votes compared with the 2016 Iowa caucuses he lost to Ted Cruz.

In a memo released after the votes were counted in Iowa, Haley's campaign manager Betsy Ankney wrote that Trump was still "more vulnerable than commonly believed" and still "the polarising figure he has long been".

"Around half of Republican primary voters want more of Trump and around half prefer an alternative. That is the picture of a seriously contested nomination," she wrote.

Janan Ganesh Opinion

Iowa result

Candidate	Votes	%	Delegates
D Trump	56,260	51	20
R DeSantis	23,420	21.2	8
N Haley	21,085	19.1	7
V Ramaswamy	8,449	7.7	3
R Binkley	774	0.7	0
A Hutchinson	191	0.2	0
Others	84	0.1	0
C Christie	35	0	0

Iowa Republicans vote in 1,657 precincts. Delegates are allocated to the party's nationwide convention according to each candidate's vote share
Source: AP; as of 1:50pm GMT with 99% of votes counted

GLOBAL INSIGHT
US POLITICS

Edward Luce

Iowa rarely predicts a winner but Trump is set to be the exception

There are two ways to interpret Donald Trump's cruise to victory in Iowa. The first, which I lean towards, is confirmation that the former president owns the Republican party in a way that no figure has done before. But we have known that for years. It looks as though he has the 2024 nomination wrapped up.

The second interpretation, which cannot be dismissed, is that Iowa is a quirky state that presages nothing. The Midwestern state is routinely bad at predicting what will happen in other primaries. A quick glance at history tells us why: it has identified the eventual nominee of either party only six times in nearly 50 years.

The last time Iowa picked the Republican winner was at the turn of the millennium. For the most recent Republicans, victory in the state's caucuses has been a better predictor of a career on cable TV. In 2012 it was the former Pennsylvania senator, Rick Santorum, and in 2008 it was the Arkansas governor Mike Huckabee. Ted Cruz, who won in 2016, remains a US senator but also graces Fox News frequently.

Those three names were natural draws for the state's heavy evangelical Christian vote. They fared far less well the following week in New Hampshire, where religion is far less of a factor.

Their example is particularly bad news for Florida governor Ron DeSantis, who visited all 99 counties but finished a distant second on Monday with just a fifth of the vote. Not only was he the natural candidate of the state's so-called values-based voter, he also threw his campaign's kitchen sink at the state. DeSantis could hardly expect to do better in New Hampshire. His rapid exit from the field would not be a shock.

> Haley's big test will come in New Hampshire, where she has placed most of her chips

It was a less bad night for Nikki Haley because her campaign never bet on winning in Iowa. Her big test will come in New Hampshire, where she has placed most of her chips. If Haley does not pull off at least a strong second to Trump there, her planned breakthrough in South Carolina the following month may turn out to be bathetic.

An interesting test of her expectations is whether she finally removes the proverbial gloves in the next few days and attacks Trump directly. In her speech to supporters on Monday night, she showed signs she was ready to go after America's 45th president. But if she persists with the weak-tea approach, it would be a sign that she is keeping her options open to be Trump's running mate.

Having been raised in the only immigrant family in a South Carolina town, Haley is tough and capable of bare-knuckled politics. Yet she routinely ducks opportunities to assail Trump's character. Her refusal in response to a recent question to say that the American civil war was fought over slavery spoke volumes about her fear of offending Maga Republicans.

If Trump had any downsides on Monday night, it was the relatively low turnout. With his heavily rural base and a wind-chill factor of minus 30C, the absence of enthusiasm may be unsurprising. But it suggests there are limits to the cultish devotion of his fans.

Yet his margin of victory was unprecedented. Here, both interpretations arrive at the same answer. Trump won the caucuses by about 30 percentage points. The previous largest margin of victory was George W Bush's 11 percentage points in 2000. Whether or not Iowa is predictive, Trump still looks set to sweep the board. The only question is whether Haley's baring of teeth on Monday night is a sign she has finally decided to go for his jugular.

edward.luce@ft.com

Kim speech

North Korea abandons aim of unification

CHRISTIAN DAVIES — SEOUL

North Korea is to drop from its constitution its commitment to unification with South Korea, in a historic break with a decades-long policy amid mounting military tensions on the Korean peninsula.

Kim Jong Un, North Korea's leader, told the Supreme People's Assembly on Monday that South Korea was his country's "principal enemy" and its citizens should no longer be regarded as "fellow countrymen", as he ordered officials to close state agencies dedicated to unification and inter-Korean tourism.

"The expressions 'northern half' and 'independent, peaceful unification, and great national unity' in our constitution should now be deleted," Kim said, according to state media.

"The reality is that the North-South relationship is no longer a relationship of kinship or homogeneity, but a relationship of two hostile countries, a complete relationship of two belligerents in the midst of war."

He also called for the dismantling of an "eyesore" monument in Pyongyang that promotes inter-Korean unity.

The Korean states, which remain in a state of war after a 1953 armistice that halted hostilities, have both maintained an official commitment to reunification. But last month, Kim announced that his regime's decades-old unification policy of "one nation, one state with two systems" was no longer realistic.

Jeongmin Kim, an analyst at Seoul-based information service NK Pro, said the North Korean leader was trying to resolve a "tricky ideological contradiction" between his nuclear-armed regime's threats against South Korea and its historic stance that the countries remained compatriots eventually to be reunited.

"In North Korea, ideological consistency is not just an abstract concept," she said. "It is seen as the foundation of the regime's legitimacy."

Accusing successive governments in Seoul of pursuing "unification by absorption" and "unification under liberal democracy", Kim said his country should prepare "for a great event to suppress the whole territory of South Korea" in the event of war.

Some analysts have warned that Kim could be laying the foundations for a nuclear attack against South Korea.

Jeongmin Kim noted Kim's speech contained several caveats, including insisting his country would not initiate a war on the Korean peninsula. But his emphasis on territorial integrity left "more space for border clashes".

Yoon Suk Yeol, South Korea's president, condemned Kim's "anti-national" remarks, vowing to punish the North "multiple times as hard" in the event of a military provocation.

Jeongmin Kim said the abandonment of the goal of unification would have ramifications for politics in South Korea, where voters will go to the polls in parliamentary elections in April.

"The South Korean left has long promoted a policy of engagement and co-operation with North Korea with a view to achieving some form of reunification in the future," she said. "That approach [is] going to be much harder to sustain."

Israel

Netanyahu faces backlash on hostage strategy

NERI ZILBER — TEL AVIV

Benjamin Netanyahu is under renewed pressure to prioritise Israel's hostages in Gaza, with some of his war cabinet, opposition leaders and large parts of public opinion swinging behind calls to stop military operations to enable their release.

While Israel's premier has faced weeks of protests from relatives of the 136 remaining hostages, support among politicians for halting the offensive against Palestinian militant group Hamas to allow negotiations has increased in recent days.

Public polls last month showed more than 57 per cent of Israelis place the hostages' return as more important than toppling Hamas. Last weekend, Netanyahu faced dissent from within his war cabinet, according to one person familiar with discussions.

The problem for his government deepened on Monday after Hamas released a video showing three hostages appealing to Netanyahu personally.

"Stop this madness and bring us home to our families while we are still alive," Noa Argamani, one hostage, said in the video, which also featured pleas from the two other captives before gruesome images at the end of the film purportedly showing their dead bodies.

Netanyahu and his security chiefs have insisted that only sustained military pressure can secure the hostages' return. "If the war ends now, the fate of the hostages will be sealed for many years — in Hamas captivity," said Yoav Gallant, defence minister. "Only from a position of strength can we ensure the release of hostages."

But Gadi Eisenkot, a centrist politician and former military chief, demanded the government begin "thinking outside the box" and show "courage" in pursuing a broader deal with Hamas to release hostages, according to Israeli media reports.

Relatives of the hostages staged a rally in Tel Aviv over the weekend to mark 100 days since they were taken in Hamas's October 7 attack on Israel. Hagar Brodutch, one of more than 100 released in November, told the rally of her fears for those still in captivity.

Benjamin Netanyahu: premier's popularity is falling in the polls

"The security cabinet must make freeing the hostages its top priority and agree to any deal that will bring them home," she told the crowd.

This sentiment is echoed by a growing number of politicians. Yair Lapid, head of Yesh Atid, the largest opposition group, told the same rally that the freedom of hostages was a more urgent goal than toppling Hamas.

Qatar, along with the US and Egypt, has been attempting to negotiate a new "multiphase" deal between Israel and Hamas that would include an extended truce, the release of all hostages and increased humanitarian aid to Gaza. The aim would be to also use the truce to secure a permanent ceasefire, according to a person familiar with the talks.

Such an agreement, rightwing Israeli ministers have said, would effectively allow Hamas to survive and emerge from the war victorious.

Netanyahu, whose popularity is falling in polls, has been loath to break with his far-right political allies. But at the weekend, he touted broader national security "considerations" for the lack of progress. "Just like we can't put ourselves in their place . . . they [the hostage families] with all the sorrow, pain, grief and suffering, can't put themselves in the place of the political echelon that needs to make these difficult decisions."


omegawatches.com
IN TRIBUTE TO APOLLO 8
OMEGA innovation has reached breathless new heights for the latest update of the Speedmaster Dark Side of the Moon Apollo 8. Our tribute to the 1968 mission is built from black ceramic and features a subdial hand inspired by the Saturn V rocket. Most impressive of all, the Co-Axial Master Chronometer Calibre 3869 has been laser-ablated to represent the lunar surface with even greater definition than before. Take an orbit of this pioneering chronograph and discover state-of-the-art details with every glance.
Ω
OMEGA

China rout Authorities have instructed some institutional investors to desist from offloading shares after steep decline ● MARKETS

Companies & Markets

Shell offloads Nigeria oil unit for $1.3bn to local-led group

- Supermajor joins rivals' pullout efforts
- Sale requires ratification from Abuja

TOM WILSON — LONDON

Shell has agreed to sell its onshore oil production business in Nigeria following a flood of other international groups seeking to withdraw from the country's restive Niger Delta region.

The 68-year-old Shell Petroleum Development Company of Nigeria (SPDC) will be acquired by a consortium of local and international companies for at least $1.3bn, the UK-listed oil major said yesterday.

The departure follows ExxonMobil of the US, Italy's Eni, Norway's Equinor and China's Addax, which have all announced deals to sell onshore assets in Nigeria in the past two years because of overlapping problems of oil theft, violence and environmental damage.

> 'SPDC will move to its next chapter under the ownership of an ambitious Nigerian-led consortium'

Although Shell is not leaving Nigeria entirely, the planned sale marks an end of an era for the company, which has been at the centre of the country's oil industry for almost 100 years. The group said it would continue to invest in Nigeria, focusing on its deepwater oil operations and integrated gas business.

"After decades as a pioneer in Nigeria's energy sector, SPDC will move to its next chapter under the ownership of an experienced, ambitious Nigerian-led consortium," said Zoë Yujnovich, Shell's integrated gas and upstream director, in a statement.

The acquiring consortium, known as Renaissance, includes Switzerland-based Petrolin and four Nigerian oil producers, ND Western, Aradel Holdings, First E&P and Waltersmith. Although some of the consortium have been operating in the Niger Delta for 20 years, the companies have little profile outside of Nigeria.

Shell has been seeking to leave its onshore business in Nigeria for the past three years. It was forced to halt the process in 2022 after a Nigerian court ordered Shell to pause its divestment plans pending the result of a court case related to compensation for environmental damage in the Niger Delta.

Nigeria's Supreme Court upheld the company's appeal earlier this month, allowing the sales process to resume.

However, the sale to Renaissance still requires approval from the Nigerian government; similar exits by other international oil companies have proved to be complicated.

ExxonMobil, which also began operations in Nigeria in the 1950s, agreed to sell its oil business in the Niger Delta two years ago for $1.28bn but is yet to complete the transaction after the regulator insisted on reviewing the deal.

Shell was granted its first exploration licence to prospect for oil onshore in Nigeria in 1938 and drilled the country's first successful well in 1956 in Bayelsa state in the Niger Delta.

Oil production in the delta has since generated billions of dollars in revenues for the companies and the government but become increasingly costly for international operators.

SPDC controls 30 per cent of the so-called SPDC joint venture in partnership with the state-owned Nigerian National Petroleum Corporation, which controls 55 per cent. Local units of France's TotalEnergies and Italy's Agip own 10 per cent and 5 per cent, respectively. The joint venture controls 18 oil production licences and is operated by SPDC.

Under the terms of the deal, SPDC will remain intact and continue to operate the joint venture, Shell said.

Sports package F1 documentary maker brings in US investor Bruin to help fund expansion

Box to Box Films produces the 'Formula One: Drive to Survive' Netflix documentary series

SAMUEL AGINI — LONDON

The UK production company behind television series *Formula One: Drive to Survive* is set to announce a fundraising worth tens of millions of pounds from a US investment group to help fund its expansion, according to two people with knowledge of the matter.

Box to Box Films, founded by James Gay-Rees and Paul Martin, is raising about £30mn from Bruin Capital, whose founder is George Pyne, a former senior executive at sports agency IMG, the people said.

New York-based Bruin is taking a significant minority stake in Box to Box as documentary series are increasingly used to market sport.

"For decades, production companies have tried to turn insider access into storytelling that you can point to as creating value and meaningful growth," Pyne said. "Box to Box is really the first to crack that code, which has caught the attention of the global sports industry."

Bruin and Box to Box confirmed the deal on Monday but declined to comment on the financial details.

Drive to Survive, which first ran in 2019, has been credited with attracting a new audience to F1, particularly in the US. The Netflix series has played an important role in shifting the way sports market themselves to new fans, as they chase younger viewers coveted by advertisers.

John Malone's Liberty Media, which has owned F1 since 2017, said in an investor presentation last year that the average age of an F1 fan had dropped to 37 in 2022 from 40 four years earlier. The series' success, which rests on bringing sporting personalities to life for fans, has spurred demand from other sports to work with Box to Box. This has produced similar series, including *Break Point* on tennis and *Full Swing* for golf.

In a third-quarter earnings update last year, Netflix said it was "having great success" with sports programmes such as *Break Point*, *Drive to Survive* and other documentary series, including *Tour de France: Unchained*.

Gay-Rees, who won an Oscar for a documentary on the late singer Amy Winehouse and produced a film about the life of former F1 driver Ayrton Senna, said other sports had taken note of how *Drive to Survive* had connected with younger fans. "All sports are competing for the same younger audience," he said. "Modern audiences are fascinated by what goes on with athletes behind the scenes."

Pyne founded Bruin in 2015 following the sale of IMG to Hollywood powerbroker Ari Emanuel's media agency Endeavor. Bruin has a strategic partnership with CVC Capital Partners, the private equity firm that previously owned F1, and middle-market buyout group The Jordan Company.

Diddy and Diageo settle dispute over tequila brand

DARIA MOSOLOVA — LONDON

Diageo and former rapper Sean Combs, known as Diddy, announced a surprise settlement of their legal dispute, narrowly avoiding a public trial over their tequila joint venture.

Combs had sued the London-listed drinks group last May for allegedly failing to honour their joint venture agreement for DeLeón, a premium tequila brand the two sides acquired in 2014.

A joint statement yesterday said that Combs had "withdrawn all of his allegations about Diageo and will voluntarily dismiss his lawsuits against Diageo with prejudice", adding the two parties have terminated their business relationship.

When Combs filed the original lawsuit, he accused Diageo of racial discrimination, claiming the company failed to promote his lines of alcoholic drinks to the broader market having "typecast" them as "black brands".

In the legal suit, Combs Wines and Spirits alleged that its drinks, including DeLeón and Cîroc vodka, had received less production, distribution and sales resources for the benefit of other brands owned by the conglomerate.

Diageo, which denied all allegations and ended its decade-long partnership with the rapper, lost the first step of a legal battle after a New York court denied the company's attempt to resolve the dispute behind closed doors.

The ruling meant the case could have proceeded to trial in a state court, which would have exposed the details of Diageo's negotiations and correspondence with Combs. A representative for Combs would not disclose whether, or for what amount, the rapper sold his share in the venture, but the joint statement noted Diageo was now the sole owner of the DeLeón brand.

Amid the dispute, Diageo rushed the appointment of its new chief executive Debra Crew, following the death of her predecessor Ivan Menezes in June.

Diageo and the Grammy-winning Combs first joined forces in 2007 when the company hired him to promote its Cîroc vodka brand. They entered a joint venture in 2013 to buy the much-hyped DeLeón Tequila, limited edition shots of which were being sold for $90 each.

The settlement comes as Combs is facing a series of separate lawsuits after four women made rape and abuse allegations against the rapper at the end of last year. Combs' representative did not comment on the allegations.

BYD's share price weakness points to rivals in the rear-view mirror

INSIDE BUSINESS
ASIA
June Yoon

Sales of BYD electric vehicles keep hitting fresh records, surpassing even Tesla as the world's biggest maker in the last quarter. Yet shares of the Chinese EV-maker keep falling. Has BYD already peaked?

BYD, China's best-selling EV brand, has continued to expand sales volume and market share, selling about 1.6mn battery EVs last year. Exports set another record, more than quadrupling last year with sales to over 70 countries.

But its Shenzhen-listed shares are down 45 per cent from their 2022 peak, pushing the valuation to the lowest level in more than a decade. At just 15 times forward earnings, its shares trade at just a fraction of its more than 170 times multiple in 2021 and at a steep discount to peers including Tesla. This marks a big shift from the foreign investor frenzy in Chinese EV stocks in 2020, when buying shares of BYD had offered comparable returns to those of Tesla.

True, there is reason for concern. Price wars are getting serious on its home turf. As Tesla has cut prices in China, BYD has had to increase discounts to keep up. The pace of sales growth slowed last year.

A price war is especially detrimental for BYD given its relatively high proportion of smaller cars — such as its $11,000 compact EV Seagull model — within its total sales. That means its average selling price of EVs is already lower than peers.

The problem with the price war on its home turf is that BYD makes more than 90 per cent of its sales in China. BYD, along with other Chinese manufacturers, has yet to replicate its success in major foreign markets such as the US and Europe. An EU anti-subsidies investigation into Chinese-made EVs and the risk of tariffs could dent growth prospects there.

Unexpected competitors pose another risk. Smaller, newer rivals such as Xpeng and Li Auto, with a head start in software development, had already been chipping away at its market share by offering connected and smart features in their EVs. But tech giants such as Xiaomi and Huawei are joining the market, equipped with autonomous driving technology, an area where Beijing is increasing support.

> As Tesla has cut prices in China, BYD has had to increase discounts to keep up. The pace of sales growth slowed last year

But while these problems are particularly acute for BYD, they are not restricted to the company. Any EV-maker joining the market now faces the urgent task of becoming a high-volume carmaker. Given the high cost of EV parts, expanding market share is crucial to getting to break-even point. The ability to lower production costs is becoming increasingly important.

Here, BYD has an edge over its rivals. Founded as a battery maker in 1995, its strength lies in making batteries at scale. In an EV, the battery is by far the most expensive component.

Its fully vertically integrated business model, which includes everything from owning lithium mines to in-house chip manufacturing, offers a new take on the industry's "just-in-time" production method. This model ensures not just a stable supply chain, but stable prices.

Now, as it starts building a sodium-ion battery plant in China, that edge over rivals should widen. A battery using sodium, cheaper and more abundant than lithium, would cut the price of the battery cell by about 40 per cent.

Drawbacks of sodium-ion batteries, which include lower energy density and a shorter life cycle than lithium counterparts, mean they are unlikely to completely replace lithium batteries anytime soon. But as public charging networks are built up, long-range batteries will become less of a priority, opening a market for cheaper EVs using sodium-ion batteries — one in which BYD would have a first-mover advantage.

In the short term, BYD is well placed to take on the challenges it faces as it expands overseas. Gross profit margins have risen 60 per cent to 19 per cent over the past two years. A wider range of price points for its models — from its Seagull to the electric sedan Seal, which it launched in Europe at a starting price of $49,200 — should start attracting a wider audience. A boost at home, where Beijing is supporting the industry after pulling forward its goal to have green cars make up 45 per cent of new car sales by three years to 2027, will help.

A series of Chinese EV-maker bankruptcies last year is driving a new era for the industry, in which a handful of companies with stable access to low-cost batteries will dominate. For now, Tesla and BYD, among the few sector companies to have made it past break-even point, have the best potential. With EVs making up less than a fifth of global car sales, there is still room to run.

june.yoon@ft.com


PSA WORLD TOUR PLATINUM
TOURNAMENT OF CHAMPIONS
CROWNED BY THE STELLA TROPHY
Truly Grand Since 1930
J.P. Morgan
TOURNAMENT
OF CHAMPIONS
SQUASH · 2024
JANUARY 17 – 25
GRAND CENTRAL TERMINAL
TOCSQUASH.COM
Lexington Partners
FT FINANCIAL TIMES
OG OPTIONS GROUP
J.P.Morgan

Food & beverage

Ben & Jerry's urges end to fighting in Gaza

Ice cream maker's board risks reigniting tensions with parent Unilever

MADELEINE SPEED

Ben & Jerry's board has called for a permanent ceasefire in Gaza, in a move that risks reigniting tensions with parent company Unilever over the ice cream maker's stance on Israeli policies.

"Peace is a core value of Ben & Jerry's," the company's board chair Anuradha Mittal said. "From Iraq to Ukraine [the company] has consistently stood up for these principles. Today is no different as we call for peace and a permanent and immediate ceasefire."

The decision follows a long dispute between the board of Ben & Jerry's and Unilever over the ice cream brand's attempt in 2021 to stop selling its products in occupied Palestinian territories.

To prevent the move, Unilever sold the Israeli arm of the brand to a local licensee. Ben & Jerry's responded by filing a lawsuit against Unilever, in a rare case of a company being sued by its own subsidiary.

Unilever, which also owns brands from Dove soap to Marmite, said in December 2022 that the lawsuit had been resolved. The Israeli business is now owned by local licensee Avi Zinger.

After consulting with Ben & Jerry's management and stakeholders, Mittal said the board was confident its stance on a ceasefire was "consistent with the history and values of our company".

The independence of Ben & Jerry's board was enshrined when Unilever acquired the company in 2000.

Israel declared war on Hamas after its militants stormed into the country on October 7, killing 1,200 people and taking a further 240 hostage, according to Israeli officials. Israel's retaliatory bombardment of Gaza has killed more than 24,000 people, according to Palestinian officials, as well as displacing 1.9mn of the enclave's 2.3mn inhabitants and rendering much of the territory uninhabitable.

Ben & Jerry's is one of only a few companies to have taken a public stance on the Israel-Hamas war or to have backed a permanent ceasefire. Several companies that have commented publicly have faced consumer backlashes.

"It is stunning that millions are marching around the world but the corporate world has been silent," said Mittal of the response to the conflict.

Starbucks has been targeted with a boycott of its coffee shops after a union representing some of its employees, Starbucks Workers United, posted "Solidarity with Palestine!" on social media platform X last October.

The chain's chief executive Laxman Narasimhan wrote to staff in December that protesters had been "influenced by misrepresentation on social media of what we stand for".

Unilever board member and activist investor Nelson Peltz stepped down last month as chair of Jewish human rights organisation the Simon Wiesenthal Center after it called for a boycott of Ben & Jerry's, which it previously branded "antisemitic" over its attempt to cease sales in the occupied West Bank.

The board of Ben & Jerry's said it had made its decision to call for a ceasefire independently of Unilever, pointing out that it is an autonomous subsidiary of the consumer goods conglomerate and that the ice cream brand's board held "primary responsibility for its social mission and essential brand integrity".

Unilever did not immediately respond to a request for comment.

Additional reporting by James Shotter in Jerusalem

Financials

UAE detains consultancy executive working on Brooge rescue

ROBERT SMITH AND MICHAEL O'DWYER
LONDON

An executive from consulting firm Alvarez & Marsal was detained in the United Arab Emirates while working to overhaul a Nasdaq-listed company that US authorities charged, according to people familiar with the matter.

Guy Wall, managing director of A&M's restructuring practice in Dubai, last month became a director of Brooge Energy Limited, a UAE oil storage company that had been plagued by financial reporting failings since listing in New York in 2019.

Wall and a colleague became directors after A&M was appointed in November by a Cayman Islands court to oversee the liquidation of BPGIC Holdings, the holding company that is the majority owner of Brooge.

The court appointed A&M as liquidators following a successful legal claim over unpaid debts from Bahrain-based investment firm Asma Capital.

Wall was detained this month by authorities in the UAE, the people said, as he was in the process of working out a plan to stabilise Brooge after the fraud charges from the US Securities and Exchange Commission.

They added that Wall was held in prison in Fujairah, the emirate where Brooge's oil storage tankers are based, before being released. Wall was detained for allegedly trying to remove documents from Brooge's Fujairah offices without authorisation, the people added.

A&M, which has its headquarters in

> Wall was detained as he was working out a plan to stabilise Brooge after SEC fraud charges

New York, declined to comment. Wall did not respond to requests for comment. A lawyer for Brooge declined to provide a comment for publication.

A representative of the Fujairah police said they "cannot share personal information about people who are detained in our prison". The UAE government did not provide a comment.

Brooge was part of a wave of companies that capitalised on investors' appetite for special acquisition companies and was valued at more than $1bn when it went public.

The company had the backing of Middle East investors including Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan, the son of the previous UAE president, who died in 2022.

The sheikh held a minority stake in Brooge through his 24 per cent stake in BPGIC Holdings. A businessman, Salman Dawood Salman al-Ameri, was the majority shareholder in BPGIC Holdings. Their stakes were in effect to be stripped from them, however, when Wall and fellow A&M executive Alexander Lawson were appointed as liquidators of BPGIC Holdings.

A&M has significantly expanded its international operations in recent years, including in the Middle East, competing with global advisory firms such as the Big Four professional services groups. It employs about 8,500 people globally.

The SEC on December 22 charged Brooge and two of its former executives with fraud after it found the company had "created false invoices to support inflating revenues from its oil facilities in Fujairah, UAE, by over $70mn over three years". Brooge, which did not admit or deny the SEC's charges, agreed to pay a $5mn penalty.

Both EY and PwC have resigned as auditors of Brooge since it went public.

Retail & consumer. Sports goods

Nike risks falling behind in the running arena

Chief tries to reposition brand as competitors gain ground in market for specialist footwear

SARA GERMANO — NEW YORK

When John Donahoe took over as chief executive of Nike four years ago, the company had a stranglehold on the sport of running, its largest category. Now, it is at risk of falling behind.

Seventeen Nike athletes won individual gold medals in running events at the World Athletics Championships in 2019, compared with just five representing all other brands combined. Its Vaporfly 4% running trainers were such a technological breakthrough that competing brands were giving their elite athletes permission to wear Nike shoes in races with the logo covered up.

Four years later, the rest of the running world has caught up. The breakthrough of the Vaporflys — a carbon-fibre plate inserted into the midsole — has since been adopted by the rest of the market. At the 2023 World Athletics Championships, athletes representing brands other than Nike won more individual running gold medals, 12, versus Nike's 10.

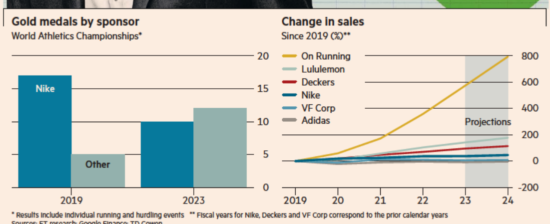
The changes in the running footwear market are the starkest examples of how much the sportswear industry has shifted during Donahoe's tenure. Today, Nike's competition goes beyond traditional rivals such as Adidas as newer, nimbler shoe companies take market share.

Athletes who drove sales at the start of the century, such as US golfer Tiger Woods, are now in the twilight of their careers. And macroeconomic effects, from the pandemic to inflation and supply chain disruptions, have not favoured a global behemoth such as Nike.

"We know we must be faster, increasing the pace of innovation, increasing the pace of market to consumer and increasing our agility and responsiveness," Donahoe told analysts on an earnings call last month, as he announced the second big restructuring of the company during his term in response to slowing demand for its products worldwide.

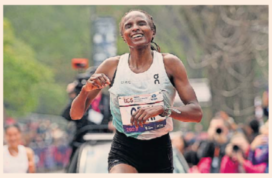
The "everyday running category", he added, "is the area where we have the most work."

Wall Street analysts are concerned about Nike's performance as its margins tighten and sales growth slows. Revenues for the most recent fiscal year, which ended in May 2023, rose 10 per cent year on year, but profits shrank 16 per cent. Excluding the nadir of the pandemic, Nike's margins on earnings before interest and tax are at 10-year lows. In December, it lowered its outlook for 2024, projecting sales growth of



* Results include individual running and hurdling events ** Fiscal years for Nike, Deckers and VF Corp correspond to the prior calendar years
Sources: FT research; Google Finance; TD Cowen

Nike CEO John Donahoe plans $2bn of cuts and reinvestment. Below, Kenya's Hellen Obiri — FT montage/AFP/ Getty Images; Elsa/Getty



just 1 per cent, down from expected mid-single-digit growth.

The shortfall between the latest forecasts and earlier revenue projections, "is challenging CEO John Donahoe's credibility", wrote Jim Duffy, managing director of consumer and retail at Stifel.

Donahoe has moved quickly to make changes. A former chief executive of ServiceNow, eBay and Bain & Co, he hit the ground running after taking the helm. In the early months of the pandemic, he implemented one of the largest overhauls in the company's history, eschewing Nike's internal organisation by sport categories — such as running, basketball and football — in favour of silos for men, women and kids.

The changes were made in part to speed Nike's transition from relying mainly on selling its products through retail stores towards selling more directly to consumers, especially online. The latest restructuring, announced in December, is aimed at cutting $2bn of costs in the next three years.

Nike said the savings from this round of cuts would be reinvested into its running, women and Jordan brand divisions. Its newest running shoes, the Alphafly3, were worn by Kelvin Kiptum

> 'We know we must be faster, increasing the pace of innovation, increasing the pace of market to consumer'

when he set a world record at the 2023 Chicago Marathon.

"We've proven in our labs that Nike racing shoes provide measurable benefits and we will continue to deliver breakthrough innovations for elite athletes and everyday runners alike," the company said, adding that it would roll out newer models in the lead-up to the Paris Olympics.

When Donahoe first came to Nike it was "a period of a lot of disruption in the industry and globally", said John Kernan, managing director at TD Cowen — even for big players with global name recognition. Nike's primary rival, Adidas, has recently warned investors it could post its first annual loss in three decades, after cutting ties with Kanye West, the US rapper and designer of their Yeezy brand.

The age of social media has also allowed upstart brands to grow more effectively. Two newcomers in particular — Hoka and On Running — have benefited from stronger direct sales and strategic endorsements. They have also capitalised on the appetite from big retailers to reduce their reliance on Nike amid Donahoe's emphasis on direct sales.

Mary Dillon, chief executive of shoe retailer Foot Locker, said Hoka and On Running were two of its fastest-growing brands. The retailer said 36 per cent of sales in the most recent quarter came from brands other than Nike, up from 32 per cent the year before, and on track to reach Foot Locker's goal of 40 per cent by 2026.

Hoka, originally a niche brand known for "maximalist" shoes with thick soles, is the fastest-growing brand in the Deckers Outdoor Corporation portfolio, outpacing sibling brands Ugg boots and Teva sandals. In December, Hoka took over the sponsorship of a top US competition for high school cross-country running, improving its visibility with the target youth demographic.

On Running, a Swiss brand founded in 2010, received a global profile boost in 2019 when tennis champion Roger Federer invested in the company. Since then, the company has gone public, signing top-ranked tennis player Iga Świątek as well as Hellen Obiri, the 2023 winner of the New York City and Boston Marathons. Both athletes had previously been outfitted by Nike.

Federer's effect on On Running could be a template for Woods, who left Nike this month after 27 years. Both men spent decades of their pro careers in the swoosh while breaking records in their respective sports.

In the meantime, analysts think Nike should focus on its strengths. "It is still a great company, but the industry is much more challenging and there is only so much management can do," said Kernan. "Brands cannot be all things to all people any more."

Technology

Synopsys to buy Ansys in $35bn 'fusion' deal

TIM BRADSHAW — LONDON

Chip design toolmaker Synopsys has agreed to buy engineering software maker Ansys in a $35bn cash-and-stock deal in the latest sign of an upturn in tech dealmaking activity.

Synopsys and Ansys said yesterday the tie-up would address a need for a "fusion of electronics and physics", as chipmakers seek to design larger appliances while makers of cars, aircraft and industrial equipment see a growing role for semiconductors.

The deal values Ansys at about $390 a share, based on Synopsys's stock price of $559.96 on December 21, the last trading day before news of a potential deal leaked, or about $35bn on an enterprise value basis. Sassine Ghazi, Synopsys chief executive, said Ansys's much larger customer base offered scope to increase their market with a "silicon-to-systems" product.

"Our solutions are very complementary; we don't have a lot of overlap," he said, adding that this should make it easier to obtain regulatory approval.

Tech mergers and acquisitions slowed in 2023 amid antitrust scrutiny of Big Tech and falling start-up valuations. But a trickle of big-ticket deals in enterprise technology in recent months has included Cisco's move to buy Splunk, a data and security software group, for $28bn in September and Hewlett Packard Enterprise's $14bn bid for Juniper Networks, announced last week.

Shares in Synopsys, up more than 50 per cent over the past 12 months, rose about 3 per cent after the deal was announced. Ansys stock, which had risen more than 25 per cent in the past year, fell 5 per cent to around $328.

The two companies are expected to report combined revenues of around $8bn for 2023 and have worked together as partners for seven years.

Synopsys's software tools and intellectual property are used by chipmakers including Nvidia and Intel to help design and test their processors.

Ansys, which has its origins in structural analysis tools, makes engineering simulation software used in industries from automotive and construction to healthcare and defence.

Airlines

Ryanair engineers step up Boeing oversight

PHILIP GEORGIADIS AND SYLVIA PFEIFER
LONDON

Ryanair has doubled the number of its engineers overseeing Boeing's production lines after the safety problems that have plagued the US plane maker.

The Irish airline, which is one of the largest customers of Boeing's 737 Max narrow-body aircraft, increased the number of engineers it has on site at the US group's production line in Seattle from six to 12.

Ryanair has also raised the number of engineers on the production line of Spirit AeroSystems, one of Boeing's suppliers, from four to eight.

"We all as an industry want to be seen to be investing more in quality control and what is coming off the line," Ryanair chief executive Michael O'Leary said yesterday.

O'Leary said Boeing had last week asked Ryanair to increase its oversight, and the plane maker had pledged to add more of its own engineers working on "quality control".

He said: "To be fair to Boeing, from last September they have significantly increased the number of engineers on quality control. I would have to say we have seen a marked improvement in the quality of aircraft deliveries."

Ryanair only flies Boeing aircraft, and has an order book of more than 400 new jets, made up of 737 Max 8s and the yet to be certified Max 10. The airline does not operate any Max 9 aircraft, the focus of a federal investigation after the fuselage breach of an Alaska Airlines aircraft 11 days ago. The Federal Aviation Authority has grounded 171 of the Max 9 aircraft pending inspections of the production lines as well as suppliers.

Boeing customers are watching to see whether the issues on the Max 9 affect its order book for the narrow-body jet, which has a backlog of 4,777 aircraft and has been beset by delivery delays.

Boeing shares yesterday extended their fall since the start of the year, down 7.6 per cent. Analysts at Wells Fargo downgraded their rating on the stock, citing concerns that the FAA probe could expand to other Max models.

Additional reporting by Steff Chavez in New York

COMPANIES & MARKETS

GIP chair takes unaccustomed place in the limelight with BlackRock deal

Publicity-shy Ogunlesi's status as one of Wall Street's most dynamic figures cemented by $12.5bn tie-up

ANTOINE GARA AND BROOKE MASTERS
NEW YORK

Adebayo Ogunlesi, co-founder of Global Infrastructure Partners, credits his wife Amelia for a career switch that led on Friday to a $12.5bn deal and a leadership position at BlackRock, the world's largest money manager.

In 2005, Ogunlesi, then a top banker at Credit Suisse, was summoned to Omaha, Nebraska, by the energy arm of Warren Buffett's Berkshire Hathaway to study a large takeover. It was the kind of call most financiers dream of but Ogunlesi complained to his wife: "I really don't want to go."

In an interview with the Financial Times, he said his wife offered an ultimatum: "Either you decide you like your job and you want to keep doing it. Or, if you decide you don't, go find something else. But please don't think you can spend the next five years moaning."

After that "kick in the behind", Ogunlesi quit banking and, at the age of 52, decided to try his hand as an investor.

Ogunlesi and a handful of colleagues, mostly from Credit Suisse, considered private equity, then near the apex of a pre-financial crisis takeover bubble. But they opted for a contrarian bet, raising a fund to invest in the niche sector where he had done his first deal in 1983, the financing and operating of airports, energy plants and other infrastructure. "We picked infrastructure because that was an area where there was very little competition," says Ogunlesi, 70.

In just 17 years, GIP quietly amassed $105bn in assets and pioneered a booming $1tn sector that is one of the fastest growth segments of money management. BlackRock chief executive Larry Fink said Friday's deal was "transformational" for the larger group's ambitions in private markets.

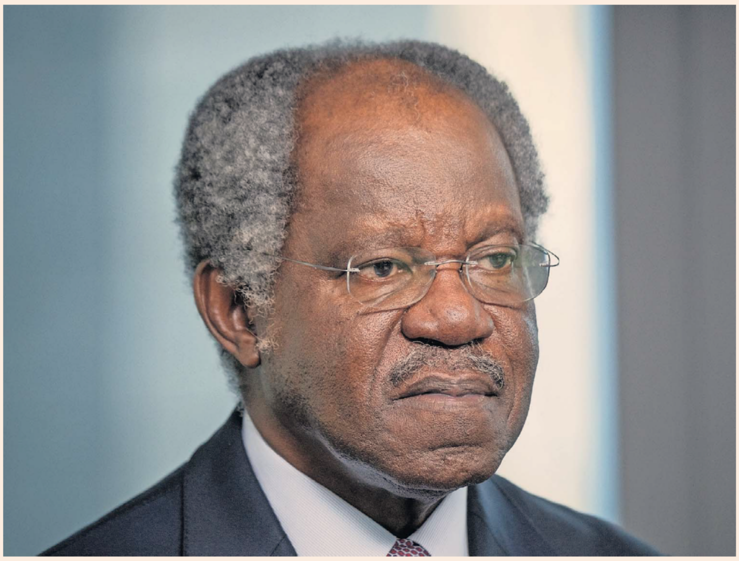
The tie-up will put Ogunlesi on BlackRock's board and global executive committee, pushing the publicity-shy Nigerian-born financier into the spotlight. It also cements his status as one of Wall Street's wealthiest and most powerful figures. He and his GIP colleagues will collectively become the second-largest shareholders of BlackRock, a nearly $120bn company.

"In the early days, people underestimated 'Bayo'," says Kenneth Chenault, former chief executive of American Express and a close friend of Ogunlesi's since both were at Harvard Law School. "He was flying under the radar and then people woke up one day and saw [GIP] was a $50bn fund . . . What he has done is amazing and historic."

Raised in Lagos by a father who was the first Nigerian professor of medicine and a mother who ran a nursery school, Ogunlesi earned a first-class degree at Oxford university, and law and business degrees from Harvard. Ogunlesi then won a prestigious Supreme Court clerkship working for Thurgood Marshall, the first black justice. "It was one of the best jobs I've ever had," he says. The justice provided a model that still influences him today.

"When you watch somebody who's a giant or an icon and see that he conducts himself as a normal person, you cannot help but learn from that," says Ogunlesi. "Be serious in what you do but don't take yourself too seriously. When you become pompous, nobody wants to be around you."

He moved to New York to work at the Cravath law firm but quickly jumped to First Boston, later bought by Credit Suisse, to work on a Nigerian gas project. Six months in, the deal died when Nigeria experienced a coup and Ogunlesi's client nearly went to jail. "I learnt very early on that there is a lot of political risk associated with infrastructure projects," he said.



Adebayo Ogunlesi, 70, learnt from roles in law and banking. Below, GIP invested heavily in key infrastructure, such as airports
Victor J Blue/Bloomberg, Brendon Thorne

At CS, Ogunlesi forged the connections that later helped GIP succeed. He ruffled feathers with a brutal early 2000s restructuring of the investment bank, and later became chief client officer. When Ogunlesi and his co-founders struck out on their own to launch GIP in 2006, Credit Suisse's then-CEO Oswald Grübel backed them with $1bn of the bank's money. A meeting with Jeff Immelt led to $500mn more from General Electric.

Building a business let Ogunlesi implement another of Marshall's principles: "If you can find people who are smarter than you, surround yourself with them and consider your job as a leader to be clearing obstacles out of their way and inspiring them to do the best that they possibly can."

The first years were not easy. A $600mn equity investment in UK waste management company Biffa in early 2008 proved disastrous. Fallout from the global financial crisis drove down activity at its customers such as restaurants and construction sites, and it lost business to fly-by-night competitors. Telling investors in 2012 that the stake's value had dropped to $93mn was "the most mortifying moment in my career as CEO", Ogunlesi said. "The moral of the story is avoid businesses where there are no barriers to entry."

Failed infrastructure investments are particularly painful, because margins are thinner than in traditional corporate buyouts. "You cannot afford to have an investment that turns out to be a zero," Ogunlesi said.

GIP was one of the first private fund specialists to hire a powerful chief risk officer, and was an early advocate of operational improvements to boost the value of infrastructure assets. Its first investment, a 2006 stake in London City airport, sold a decade later for four times the original purchase.

At London Gatwick airport, GIP introduced oversized luggage trays and other innovations that cut security screening times by more than half, freeing passengers to spend more in restaurants and shops where GIP received a concession.

"The thing about infrastructure businesses is a lot of them are monopolies and monopolies tend not to focus on customer service," Ogunlesi said. "There are things you can do to generate improvements in operational efficiency and customer service and, obviously, revenues."

GIP's sprawling portfolio also includes Sydney and Edinburgh airports, the port of Melbourne, critical US pipelines, CyrusOne data centres and Italo high-speed rail. Its companies have combined annual revenues of $75bn and 115,000 employees.

The BlackRock deal is aimed at opening the doors to even larger investments by leveraging the heft of a $10tn asset management goliath that is a top shareholder of most global companies.

"This is not about cashing out," Ogunlesi said. "It is about the opportunity we have as part of BlackRock to build what is without question the premier infrastructure investing business. That's the mission I'm on."

Most of the $12.5bn price tag will be paid in BlackRock shares, and 40 per cent will not vest for five years. Ogunlesi and GIP president Raj Rao will lead a division that combines GIP with BlackRock's $50bn infrastructure business.

> 'He was flying under the radar and then people woke up one day and saw [GIP] was a $50bn fund'

Though Ogunlesi will have his first boss in 18 years, he said Fink, a friend since both worked at First Boston, has played down the potential for conflict: "Larry said to me: 'You will be on the board of directors, you will be my boss.' I think we have mutually assured destruction."

Joining BlackRock will immediately increase Ogunlesi's public profile, something he has resisted while serving on the boards of Goldman Sachs, Lincoln Center and two hospitals. A pragmatist, he played golf with George W Bush and served with Fink on Donald Trump's economic advisory council. But he also chairs Joe Biden's infrastructure advisory council and most of his $220,000 in political donations went to Democrats.

Asked why he has remained so private, the father of two laughed. "I don't need to read about myself. I know enough about myself and who I am."

Friends say that Ogunlesi, a passionate cricket and Tottenham Hotspur fan, makes time for them at critical moments. When Ken Frazier, another law school friend, was CEO of Merck and facing criticism for refusing to cut research budgets, Ogunlesi reassured him he was doing the right thing. Last summer, Frazier's daughter fell ill in California while both men were at a wedding in Italy, so Ogunlesi volunteered his private plane.

Ogunlesi, a director of Topgolf Callaway Brands, said he has become an "atrocious golfer" since knee surgery. But Chenault, who plays with him regularly, said that self-deprecation minimises his "competitive fire".

"He is not a 'master of the universe' persona but at the same time don't try to fool Bayo. He will shred you to pieces."

Transport

CMA CGM and Air France scrap cargo flights project

SARAH WHITE — PARIS

French shipping group CMA CGM and carrier Air France-KLM are terminating an air cargo partnership after struggling to secure US approval to operate North American routes and deliver on the project's promise in the wake of pandemic lockdowns.

The companies said yesterday they would scrap a tie-up announced barely two years ago at the end of March, and that each would go back to operating their own cargo aeroplane fleets while still trying to co-operate on some routes.

One of the biggest hurdles had been the partnership's difficulty in obtaining antitrust approval to operate in and out of the US, killing off one of their biggest markets, two people familiar with the matter said.

"A constrained regulatory environment on some important markets did not allow us to co-operate in an optimal fashion," the companies said.

The original 10-year deal, which was partly motivated by CMA CGM branching into new avenues on the back of Covid-19 era windfall profits, was coupled with a direct investment by the shipping group into the Franco-Dutch airline group. CMA CGM will keep its 9 per cent stake in Air France, but a lock-up on those shares will end in February 2025 and no longer be partly extendable until 2028.

The Marseille-based transport group, the world's third-biggest container shipping company, will also give up its seat on the board of Air France-KLM. The airline group also counts the French and Dutch governments as big shareholders, and had welcomed CMA CGM as it looked to turn the page from pandemic-related bailouts and raise fresh capital.

The collapse of the partnership comes after CMA CGM's rivals such as Maersk and MSC also branched into air cargo in recent years. The companies were lured by surging demand when pandemic lockdowns in 2020 grounded aeroplanes that also carried goods on passenger flights. This in turn exhausted capacity on maritime routes and sent customers searching for speedier transport solutions.

Recent Houthi attacks on container ships in the Red Sea have begun to push up air freight rates and shown fresh pockets of demand for such services.

But prior to this, the expected air cargo boom was damped by a return to pre-Covid traffic levels on passenger flights, adding extra capacity and competition, which weighed on freight rates. In the first nine months of 2023, Air France-KLM's cargo revenues were down 31 per cent on the previous year.

The US antitrust issue was complicated by the Dutch government's attempts to cut flights at Amsterdam's Schiphol airport on environmental grounds, a plan it abandoned at the end of last year but which had also irked US airlines such as Jet Blue, which had risked getting no slots.

That had added to the struggle to obtain competition approval, one of the people familiar with the matter said.

Flush with cash after the pandemic, a boom that is now waning as shipping rates come down from the lockdown-era surge, CMA CGM began its air cargo push by buying six planes and has six more on order, which it intended to contribute to the partnership.

The shipping group will still use the aircraft, but trying to break into the industry on its own has its challenges too, a third person familiar with CMA CGM's business said.

Some potential clients proved hard to entice because CMA CGM was proposing its services to logistics companies it was also competing with through its own divisions such as CEVA.

Human rights concerns rain on Shein's parade while Lululemon basks in the sunlight of due diligence

MORAL MONEY
Patrick Temple-West

Late last year Shein, the fast-fashion giant, filed for an initial public offering. If the Chinese company completes its listing this year, it is likely to be one of the biggest IPOs of 2024.

Shein is the third-largest "unicorn", according to CB Insights, a private company valued at $1bn or more; Shein was recently valued at $64bn.

But Shein's stock market hopes have invited public criticism about human rights in its supply chain. Last year, the US government's US-China Economic and Security Review Commission published a report about "controversies in Shein's business practices" that included human rights concerns.

Human rights worries are far from unique in the apparel business. A report published last week by KnowTheChain, a non-profit that ranks companies on possible forced labour concerns, awarded top marks to Lululemon, the Vancouver-based athleisure brand.

"Lululemon [has] disclosed markedly stronger human rights due diligence efforts to address forced labour risks in its supply chains," the report said. Its stock market performance "demonstrates that a corporate strategy which embeds human rights due diligence does not have to come at the cost" of investors, the report said. Lululemon's shares have surged 49 per cent over the past 12 months, easily beating a 4.6 per cent rise for the S&P Retail Select Industry index. Other top performers included Hennes & Mauritz, Inditex and Nike. (The report scores public companies only so Shein was not included.)

In contrast, 13 companies scored 5 out of 100 or less, many of them marked down for failing to disclose their actions in response to possible rights violations.

Notably for the companies' shareholders, only about 10 disclosed even partial information about where they source cotton. That looks like a risk as new regulations around supply chain transparency start to be introduced.

Germany's Supply Chain Due Diligence Act went into effect a year ago, requiring companies to consider human rights when working with suppliers. Similar legislation is on the way in for the EU a whole. In 2022, the US Uyghur Forced Labour Prevention Act banned imports from the Xinjiang Uyghur Autonomous Region.

> 'When it comes from the top down — that is the most effective way to drive change on this internally'

Companies eager to boost their scores should have governance programmes to oversee rights issues, said Áine Clarke, KnowTheChain project director. Ideally, a company's sustainability committee should report to the board, she said. "When companies have board involvement — when it comes from the top down — that is the most effective way to drive change on this internally."

Board oversight came up last year at TJX, parent of TJ Maxx (known outside North America as TK Maxx). TJX faced a shareholder proposal seeking more information about its due diligence to prevent forced labour in its supply chain. But this proposal did not pass, with BlackRock and Vanguard among the investors declining to back it.

In its most recent report, KnowTheChain gave TJX a low score of 9. The company was one of a number surveyed that disclosed no relevant supplier or sourcing data.

TJX said it "believes in the importance of responsible and ethical sourcing in [its] supply chain" and pointed to its social compliance programme.

Shein said it "has a zero-tolerance policy for forced labour. To comply with US law, we require our contract manufacturers to only source cotton from approved regions," it added.

Poor scores for human rights records can have implications for shareholders.

In 2020, Standard Life Aberdeen, the UK's largest listed asset manager, sold almost all of its shares in Boohoo, a big fast-fashion retailer. The stock sale came immediately after a Sunday Times investigation that alleged workers were paid below minimum wage and suffered from poor working conditions.

"It is in investors' interest to be proactive in engaging with companies on these issues," Clarke said. "It is in their own interest to be looking at these issues and taking them into account."

Equities. Window guidance

Beijing tells some investors not to sell as China stock rout resumes

Wild ride: Chinese stocks rebounded about 3% in the final week of 2023, only to fall more than 4% this month
Alex Plavevski/EPA-EFE

Traders say process of easing and then reimposing informal curbs is damaging confidence

HUDSON LOCKETT — HONG KONG
JOE LEAHY — BEIJING

Chinese authorities have in recent days told some institutional investors not to sell stocks as regulators face renewed pressure to stabilise share prices following the steep decline in the first weeks of the new year.

Since October, market regulators have been providing private instructions — known as "window guidance" — to some investors, which prevent them from being net sellers of equities on certain days.

Such restrictions on selling helped to spur a rebound of about 3 per cent for the benchmark CSI 300 index of Shanghai and Shenzhen stocks in the final week of 2023, traders said.

But as the curbs on some smaller mutual funds and on brokers were eased in the new year, the index completely reversed those gains and is down more than 4 per cent this month.

Beijing has now reimposed such restrictions on securities companies — large institutional investors in China that both act as brokers and have proprietary trading arms — according to traders and investment managers at three different financial institutions.

The investors and traders also said the change of direction by regulators — the latest in a series of U-turns — was distorting the market and undermining broader confidence.

"This type of window guidance creates delayed selling pressure but it's not like you can postpone that forever," explained a director at one Shanghai-based securities company whose proprietary trading desk was recently told to avoid net selling again.

"Market sentiment will eventually dictate performance," the director said.

Financial regulators are under pressure from top leaders to end a protracted sell-off that has left the CSI 300 down 19 per cent in the past year.

Public measures to reinvigorate demand, such as trading fee cuts and purchases of bank shares by a central government investment fund, have failed to restore investor confidence.

Instead, officials at the China Securities Regulatory Commission and stock exchanges in Shanghai and Shenzhen have turned to issuing private window guidance.

The CSRC, Shanghai Stock Exchange and Shenzhen Stock Exchange did not respond to requests for comment.

Authorities were forced at the start of January to permit net sales at smaller mutual funds, which faced mounting redemptions from customers worried about further price falls, said traders and fund managers.

Those divestments spooked Chinese retail investors, said the traders and investment managers, triggering renewed selling.

This saddled some of the country's largest mutual funds — which still face strict limits on net selling — with heavy losses.

The recent interventions have differed from the playbook typically deployed by Beijing, traders said.

The government has yet to deploy state-run funds and financial institutions — the so-called "national team" — to buy up stocks on a large scale as they have done during previous routs.

For mutual fund companies, the severity of restrictions on net sales is based on a given fund's assets under management, with larger funds facing more stringent policing.

"There's not a good track record of this type of intervention in equities actually working," said Mohammed Apabhai, head of Asia trading strategy at Citigroup.

"Yes it can potentially relieve some of the selling pressure but the Chinese market is very much driven by what's going on with the fundamentals and attitudes towards private business more than anything else," he added.

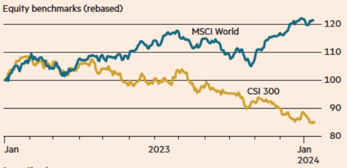
Allowing some smaller funds to sell more shares has enabled them to meet demand for redemptions but fund managers said these exceptions were only granted on a case-by-case basis by officials, who did not provide any rationale for rejecting one request or accepting another.

Xia Chun, chief economist at Forthright Financial Holdings in Hong Kong, said the net sales restrictions were unlikely to lift investor sentiment in China.

"Retail investors won't welcome such window guidance in any case because it's simply not working," he added.

'There's not a good track record of this type of intervention in equities actually working'

Stealth intervention fails to halt China's stock market slide
Equity benchmarks (rebased)



Source: Bloomberg

Fixed income

Northvolt raises $5bn debt financing for expansion

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Northvolt cemented its position as Europe's best-funded start-up as the Swedish battery manufacturer raised $5bn in debt financing to help it expand its first gigafactory and build a recycling facility on the same site.

It is the largest green loan raised in Europe so far and underlines the insatiable need for capital that has forced the region's leading battery maker to ready itself for a possible stock market listing.

Executives said the Swedish industrial start-up was ready to list if market conditions improve but investors have said it will be tricky so long as the group remains heavily lossmaking.

Confirming a story from the Financial Times in March that it was looking to raise $5bn in debt, Northvolt said yesterday the funding — which includes the refinancing of a $1.6bn debt package from July 2020 — was provided by 23 banks plus the European Investment Bank and Nordic Investment Bank.

Northvolt has now raised more than $13bn in debt and equity as it looks to build four large factories in Sweden, Germany and Canada this decade.

Peter Carlsson, Northvolt's chief executive and co-founder, said: "This financing is a milestone for the European energy transition."

'Our ambition to mass produce the world's greenest battery attracts top-tier financial partners'

He added that it would allow the company to realise the full potential of Northvolt Ett, its first gigafactory.

Northvolt Ett, located just below the Arctic Circle in northern Sweden, started producing batteries in late 2021 but has been hit by a series of delays and accidents, complicating production.

Customers who have together placed $55bn of orders with Northvolt have been left waiting for batteries, especially Swedish truckmaker Scania.

Losses at the start-up for the first three quarters of 2023 increased eightfold from the year before to almost SKr11bn ($1.1bn).

Northvolt will also use the debt financing to fund its adjacent recycling plant, Revolt Ett — the first time a company outside Asia has placed such a facility next to battery manufacturing.

Recycled battery materials have a carbon footprint that is 70 per cent lower than mined minerals, it said.

Northvolt was advised by BNP Paribas, Allen & Overy and Mannheimer Swartling.

"I'm proud to see how our ambition to mass produce the world's greenest battery attracts top-tier financial partners," said Emma Nehrenheim, chief environmental officer at the group.

Equities

Bubble fears siphon ETF flows away from Magnificent Seven tech elite

STEVE JOHNSON

Investors are pushing back against the dominance of the Magnificent Seven by increasingly looking for alternatives that downplay the power of the US tech elite as concerns grow over a possible bubble.

Funds that equal-weight the S&P 500 index — buying the same amount of every stock irrespective of its size — saw record inflows last year, even though this approach hit investors in the pocket as the tech titans entrenched their ascendancy.

The largest 10 companies in the S&P 500 index accounted for 32.8 per cent of the $42tn benchmark at the end of November — up from 25.5 per cent at the start of the year and the highest weighting since the early 1970s — before slipping a fraction to 32.1 per cent at the end of 2023, according to data from S&P Dow Jones Indices.

This extreme concentration was driven by the continued rise of the Magnificent Seven of Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia and Tesla, which added $5.4tn to their market capitalisation last year — equal to the combined size of the eurozone's four largest economies (Germany, France, Italy and Spain), according to Vincent Deluard, global macro strategist at StoneX, a broker.

Some investors are growing wary of the septet's supremacy, however.

The Invesco S&P 500 Equal Weight ETF (RSP) sucked in $12.9bn, equivalent to 39.7 per cent of its assets at the start of the year, according to data from VettaFi, a consultancy.

It recently passed $50bn for the first time, having held $15bn at the end of 2020.

While traditional market-capitalisation-weighted ETFs attracted more in absolute terms, their flows were lower in relative terms.

The $483bn SPDR S&P 500 ETF Trust (SPY) had inflows equivalent to 14.9 per cent of its starting assets, the $397bn iShares Core S&P 500 ETF (IVV) 13.2 per cent, and the $367bn Vanguard S&P 500 ETF (VOO) 16.4 per cent, according to VettaFi.

The approach was also in vogue in Europe with the €5.3bn Xtrackers S&P 500 Equal Weight Ucits ETF (XDEW) enjoying record inflows last year, even though the equal-weighted index underperformed the S&P 500 itself by 12.4 percentage points in 2023.

"The degree of concentration is so historically extreme that it makes sense to mechanistically reintroduce diversification back into a portfolio," said Dan Suzuki, deputy chief investment officer at investment manager Richard Bernstein Advisors.

He said concentration on a global scale was "unprecedented", with the US share of the MSCI All-Country World Index having risen from about 40 per cent in 2010 to 62.6 per cent now, a period during which the Magnificent Seven's share of the S&P 500 has jumped.

"We think this run has gone so far that it has become a bubble," Suzuki said, drawing parallels with the decade-long underperformance of US equity markets in the wake of the Nifty Fifty-driven bull market of the early 1970s and the "lost decade" that followed the bursting of the dotcom bubble in 2000.

Bryan Armour, director of passive strategies research, North America, at Morningstar expressed similar concerns.

"I think a lot of people are wary of bubbles because of what happened in 2022 [when technology stocks fell sharply] after a strong 2020 and 2021," he said.

"Equal-weighting is a good way to keep the full broad market in your portfolio but tilt everything towards the small companies so you are not overweight the Nvidias, the Microsofts, the Teslas etc," Armour explained.

Suzuki said: "What you are capturing [with an equal-weighted approach] is a much more diversified exposure."

Nick Kalivas, head of factor and core equity product strategy at Invesco ETFs, cited two additional reasons for RSP's strong inflows.

One is that the S&P 500 has become more "growthy".

Kalivas said: "If you look at the overlap with the Nasdaq 100, it's up to the 45 per cent area. That is up from the 20s 10 years ago" — meanwhile, the overlap with the S&P 500 Growth index is 68 per cent.

'Tilt towards the small companies so you are not overweight the Nvidias, the Microsofts, the Teslas'

The other is valuations with the equal-weighted version of the S&P trading at a 20 per cent discount to the cap-weighted version, he added, when the two benchmarks have historically sported similar valuations.

Suzuki believed valuations were key with the Magnificent Seven trading at a punchy 27 times 12-month forward forecast earnings while everything else "is between extremely cheap or roughly in line with average" — with the S&P at 20 times, the MSCI ACWI at 17 times, small caps 15 times, and the rest of the world outside the US just 13 times.

Kalivas pointed to the potential for the equal-weighted variant to outperform over the cycle almost irrespective of the starting point.

Since its inception in 2003, the equal-weighted index has beaten its parent benchmark by 0.9 per cent on an annualised basis, with $100 becoming $995 rather than $841, according to S&P. This was despite last year's undershoot.

Kalivas believed that this was due to the equal-weighted version benefiting from the small size effect — as well as a value tilt with RSP selling winners and buying losers every quarter.

Small size and value are regarded by aficionados of "smart beta" as factors that boost returns over the long run.

Not everyone is persuaded. Armour argued that, over the cycle, "it makes sense to stick to the market cap-weighted index", which benefits from lower turnover and therefore costs.

Mark Northway, investment manager at Sparrows Capital, argued that flows into equal-weighted vehicles were primarily being driven by the decisions of active managers who use ETFs to build portfolios.

"New money, certainly where it has an [active] manager sitting on top of it, is thinking 'if I get into the US what am I going to be criticised for? I am going to be criticised for going into the Magnificent Seven at the valuations they are trading at'," Northway said.

Apple is part of the Magnificent Seven tech stock grouping — Mario Tama/Getty Images

COMPANIES & MARKETS

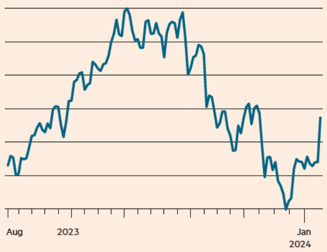
The day in the markets

What you need to know

- Dollar advances to one-month high amid rate cut scepticism
- US government bonds and Wall Street stocks hit by selling
- European and Asian equity indices also lose ground

Dollar strengthens as traders pare bets on rapid interest rate cuts

US Dollar index



Source: Bloomberg

The dollar strengthened to a one-month high yesterday as investors trimmed their bets on rapid interest rate cuts from the US Federal Reserve.

The US Dollar index, a measure of the currency's strength against a basket of six of its peers, gained 0.9 per cent as traders continued to unwind their bets that the Fed could begin cutting rates as soon as March.

Comments from Christopher Waller, a member of the Fed's board, helped to dent trader confidence that interest rates could start to fall as early as March.

At an online event hosted by Washington's Brookings Institution, Waller said the Fed was within "striking distance" of bringing inflation down to target but also warned there was "no reason to move as quickly or cut as rapidly as in the past".

Waller "maybe wasn't dovish enough for the market, which has been ramping up expectations of a Fed easing cycle", said Jan Nevruzi, US rates strategist at NatWest Markets, who nonetheless judged the comments to be "relatively balanced".

Futures markets implied a roughly 65 per cent chance of a Fed cut by March, compared with more than 70 per cent before the comments.

Following Waller's comments, yields on benchmark 10-year Treasuries rose 9 basis points to 4.04 per cent while those on rate-sensitive two-year Treasuries rose 8bp to 4.22 per cent as the debt was offloaded by investors.

US equity markets also slipped, with Wall Street's S&P 500 and the tech-dominated Nasdaq Composite down 0.4 per cent and 0.3 per cent, respectively, by midday in New York.

Boeing was the worst-performing stock on the S&P 500, down 7.5 per cent.

European stocks also slipped as investors weighed the outlook for interest rates amid commentary from European Central Bank policymakers at Davos.

Waller's comments came a day after ECB governing council member Robert Holzmann said people "should not bank on" rate cuts this year.

The region-wide Stoxx Europe 600 lost 0.3 per cent, Paris's CAC 40 dipped 0.2 per cent, Frankfurt's Xetra Dax fell 0.3 per cent and London's FTSE 100 slid 0.5 per cent.

In Asia, Hong Kong's Hang Seng fell 2.2 per cent, Seoul's Kospi slipped 1.1 per cent and Tokyo's Topix retreated 0.8 per cent, snapping an eight-session winning streak.

But China's CSI 300 index of Shanghai and Shenzhen stocks edged up 0.6 per cent. **Stephanie Stacey and George Steer**

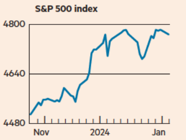
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4768.43	1869.10	35619.18	7558.34	2893.99	130213.24
% change on day	-0.32	-0.24	-0.79	-0.48	0.27	-0.99
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.254	1.088	146.940	1.265	7.184	4.916
% change on day	0.830	-0.639	0.792	-0.628	0.159	0.765
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.044	2.257	0.592	4.013	2.588	10.267
Basis point change on day	10.200	2.500	3.970	1.800	0.500	0.800
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	474.85	78.61	72.77	2049.90	23.21	3643.70
% change on day	-0.61	0.59	0.44	-0.28	0.67	0.25

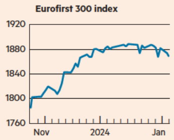
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

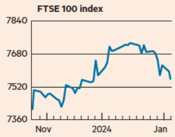
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Advanced Micro Devices	7.22	Lindt	6.55	Experian	2.37
	Western Digital	4.19	Dassault Systemes	2.64	Hikma Pharmaceuticals	1.91
	O 'Reilly Automotive	3.38	Saipem	1.77	Compass	1.37
	Autozone	3.30	Linde	1.49	Burberry	1.24
	NVIDIA Corp	3.17	A.p. Moller - Maersk B	1.45	Flutter Entertainment	0.91
Downs	Boeing	-7.49	Hugo Boss	-9.50	Jd Sports Fashion	-5.25
	Ansys	-5.55	Commerzbank	-4.33	Fresnillo	-4.63
	Johnson Controls Int	-5.34	Alstom	-3.88	Rightmove	-3.90
	Moderna	-5.04	Edp	-2.50	Standard Chartered	-2.61
	Delta Airlines	-4.58	B. Sabadell	-2.30	Barclays	-2.47

Prices taken at 17:00 GMT Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

A warning shot over last mile in inflation battle

Mohamed El-Erian

Markets Insight

Despite a sharp decline in US inflation over the past year, the monthly US data release on movement in prices continues to garner significant attention, extending beyond economists and market participants.

It shapes perspectives on economic growth prospects, central bank policy and market performance. It also has social and political consequences. And now the data has sent a warning shot.

Last week's release showed that, on an annual basis, headline inflation increased from 3.1 per cent to 3.4 per cent, surpassing the consensus forecast of 3.2 per cent.

After that rate had hit a peak of 9 per cent in 2022, the US economy has led to a generalised fall in consumer price inflation across the advanced world.

Surprisingly, this impressive disinflation has not impeded growth or employment. The US economy has continued to outperform internationally, growing almost 5 per cent in the third quarter of 2023 and, according to consensus forecasts, above 2 per cent in the final quarter of the year. Meanwhile, unemployment has remained at a low 3.7 per cent.

This unique combination anchors consensus expectations of a very soft landing for the economy. It is the primary reason why markets are pricing in rate cuts — starting in March — double the 0.75 percentage points signalled by US Federal Reserve officials and analysts forecast that markets will build on last year's impressive rally.

It has offered hope to the Biden administration that voters will put behind them the unanticipated inflation shock and, instead, focus more on the recent real wage gains, robust job creation and legislative measures supporting future growth and productivity.

However, caution was already warranted in the "last mile" of the inflation battle before last Thursday's data release. There are even more reasons now, given the numbers and the most recent geopolitical developments.

Going into the release, reaching the Fed's 2 per cent inflation target required accelerated disinflation in the services sector to accompany the persistent slowing of price growth (and in some cases outright deflation) for goods.

The task was to be made more difficult due to less favourable year-on-year comparisons — so-called base effects.

The data highlighted the degree of difficulty. While core inflation edged lower from 4.0 per cent to 3.9 per cent in the month, this was higher than consensus market forecasts of 3.8 per cent.

> Politically, the Biden administration cannot rely on lower inflation to alleviate voters' concerns

Meanwhile, the data is yet to reflect cost pressures already in the pipeline. The current disruption to Red Sea navigation will impact inflation directly, by increasing input and final goods prices, and indirectly by delaying the availability of goods. The economy will also need to absorb higher labour costs.

The implications for growth depend largely on whether the Fed is willing to tolerate a longer period of inflation above its 2 per cent target. There is little risk to economic and financial stability in running an implicit inflation target closer to 3 per cent for now.

Indeed, it is warranted given the current period of less flexible aggregate supply — a multiyear environment that is opposite to the world of insufficient aggregate demand that dominated the decade after the 2008 financial crisis.

Politically, the Biden administration cannot simply rely on lower inflation to alleviate voters' concerns. It needs to communicate more effectively the exceptionalism of US economic performance relative to other advanced economies — as well as translate into more accessible language how its policy approach promotes more inclusive and sustainable growth in the future.

Finally, financial markets need to recognise that the Fed's guidance of 0.75 percentage points of rate cuts starting later in the year is more reasonable than the significantly more dovish current market pricing. In terms of strategy for investors, this translates into a greater focus on individual name selection in investments (as opposed to passive index investing), sound structuring and solid balance sheets.

Returning quickly to 2 per cent was never going to be easy, especially considering the Fed's initial mistakes of analysis and policy reaction. The recent data serves as a surprisingly early warning of the long and winding road ahead in the last mile of the inflation battle.

What would make things a lot more reassuring — for the economy, the markets and the Biden administration — is a set of domestic and international measures that promote the supply flexibility that enables the "immaculate inflation" that many have been hoping for.

Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy

Equities

More Heathrow airport shareholders plan to sell stakes alongside Ferrovial

PHILIP GEORGIADIS — LONDON

Three shareholders in Heathrow that between them own more than a third of the London airport have said they want to sell out alongside majority owner Ferrovial, according to the infrastructure group, as part of £2.4bn deal agreed last year.

Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ), Singapore sovereign wealth fund GIC and the UK's Universities Superannuation Scheme all intend to exit, according to a person familiar with the deal.

Ferrovial did not identify the trio and all three companies declined to comment. Ferrovial agreed to sell its 25 per cent stake in the UK's biggest airport in November for £2.4bn to French private equity company Ardian and the Saudi Public Investment Fund, ending 17 years of ownership.

As part of that deal, the airport's other shareholders were given the option to sell their own stakes at the same valuation with the Saudis and Ardian offered first refusal. Ardian originally agreed to buy 15 per cent and the Saudis 10 per cent.

Ferrovial yesterday said other shareholders that between them owned 35 per cent of the London airport had decided to exercise their "tag-along" rights, throwing a potential roadblock in the way of the transaction.

With 60 per cent of the airport now involved in the sale process, the £2.4bn deal could collapse if all the shareholders cannot find buyers.

> Ferrovial added that it was a 'condition' of the transaction that 'tagged shares' were also sold

Ferrovial added that it was a "condition" of the transaction that the "tagged shares" were also sold.

Neither Ardian or the Saudis are compelled to buy the new shares on offer. The Saudis plan to stick with their original plan to buy 10 per cent and do not want to increase their stake in the airport beyond this, according to a person familiar with the deal.

Ardian is considering raising its offer, the person said.

Another option being considered is for the Saudis and Ardian to find a third investor to come on board to take the fresh stakes.

The change in ownership would represent one of the biggest shake-ups in Heathrow's boardroom since it was privatised under the Thatcher government in the 1980s.

Any new investors will buy into an asset that has been lossmaking for three years because of the pandemic and travel restrictions but also has a history of generating strong returns for shareholders.

Still, plans to build a third runway to generate significant new growth have stalled amid high inflation and rising interest rates.

Additional reporting by Josephine Cumbo in London and Mercedes Ruehl in Singapore

MARKET DATA

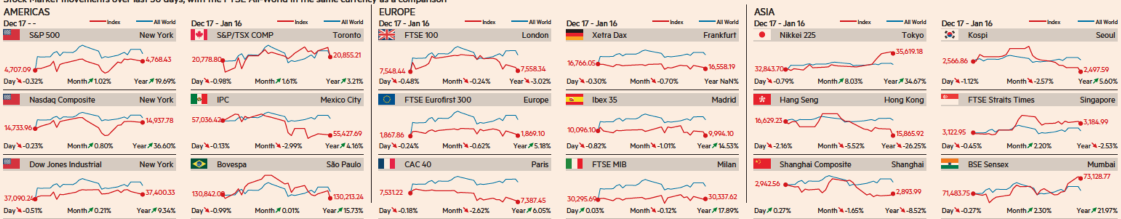
WORLD MARKETS AT A GLANCE

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 $
-0.32%	-0.23%	-0.51%	-0.48%	-0.24%	-0.79%	-2.16%	-0.61%	-0.639%	-0.628%	0.792%	No change	0.61%	-0.28%

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



Country	Index	Latest	Previous
Argentina	Merval	1035195.94	1038358.25
Australia	All Ordinaries	7647.10	7730.10
	S&P/ASX 200	7414.80	7496.30
	S&P/ASX 200 Res	5978.90	6073.40
Austria	ATX	3383.83	3410.35
Belgium	BEL 20	3630.30	3667.32
	BEL Mid	10596.53	10718.78
Brazil	IBovespa	130213.24	131520.91
Canada	S&P/TSX 60	1257.22	1269.64
	S&P/TSX Comp	20855.21	21061.88
	S&P/TSX Div Met & Min	1581.98	1580.74
Chile	S&P/CLX IGPA Gen	30422.01	30439.98
China	FTSE A200	8705.04	8652.08
	FTSE B35	9000.71	8988.96
	Shanghai A	3034.25	3026.18
	Shanghai B	228.94	227.22
	Shanghai Comp	2893.99	2886.29
	Shenzhen A	1823.31	1823.90
	Shenzhen B	1047.44	1041.79
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1445.83	1457.28
Denmark	OMXC Copenahgen 20	2360.47	2355.23
Egypt	EGX 30	26938.14	26250.73
Estonia	OMX Tallinn	1824.66	1821.00
Finland	OMX Helsinki General	10134.43	10180.52
France	CAC 40	7398.00	7411.68
	SBF 120	5617.89	5631.31
Germany	M-DAX	25698.02	25987.69
	TecDAX	3260.93	3254.45
	XETRA Dax	16571.68	16622.22
Greece	Athens Gen	1332.47	1353.46
	FTSE/ASE 20	3234.43	3286.84
Hong Kong	Hang Seng	15865.92	16216.33
	HS China Enterprise	5343.30	5446.52
	HSCC Red Chip	3211.88	3259.40
Hungary	Bux	61374.10	61454.62
India	BSE Sensex	73128.77	73327.94
	Nifty 500	19827.55	19885.55
Indonesia	Jakarta Comp	7242.79	7224.00
Ireland	ISEQ Overall	8491.37	8492.40
Israel	Tel Aviv 125	1869.55	1877.69
[illegible]			

(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

[illegible]

AMERICA Downs	Close price	Day's change	Day's chng%	LONDON Downs	Close price	Day's change	Day's chng%	EURO MARKETS Downs	Close price	Day's change	Day's chng%	TOKYO Downs	Close price	Day's change	Day's chng%
Boeing	204.78	-12.92	-5.94	Moneysupermarket.com	249.80	-18.80	-7.00	Sartorius Sted Bio	224.20	-7.40	-3.20	Nexon Co.,	2569.00	-127.50	-4.73
Moderna	100.45	-5.50	-5.19	Jd Sports Fashion	107.35	-5.95	-5.25	Orsted A/s Dk 10	6.91	-0.17	-2.46	Toho Co.,ltd	4821.00	-191.00	-3.81
Delta Air Lines	36.85	-1.62	-4.21	Fresnillo	502.80	-24.40	-4.63	Engie	15.70	-0.37	-2.31	Dai Nippon Printing Co.,	4254.00	-153.00	-3.47
Ansys	331.96	-14.52	-4.19	Helios Towers	87.30	-3.70	-4.07	Richemont N	115.19	-2.25	-1.91	Mitsubishi Materials	2553.50	-90.00	-3.40
Johnson Controls Int	54.11	-2.24	-3.97	Tui Ag	529.50	-22.00	-3.99	Ab Inbev	58.66	-0.91	-1.53	Nichirei	3482.00	-122.00	-3.39

Based on the constituents of the S&P500 | Based on the constituents of the FTSE 350 index | Based on the constituents of the FTSEurofirst 300 Eurozone index | Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

[illegible]

FTSE 100	Jan 16 price(p)	%Chg week	%Chg ytd	FTSE 250	Jan 16 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Jan 16 price(p)	%Chg week	%Chg ytd	Industry Sectors	Jan 16 price(p)	%Chg week	%Chg ytd
Centrica	146.40	-6.8	3.6	Int Distributions Services	249.10	-7.7	-8.7	Motorpoint	95.00	-8.7	-13.6	Nonlife Insurance	3268.08	-3.1	-2.6
Hsbc Holdings	593.50	-6.5	-5.9	Tritax Eurobox	55.80	-7.6	-6.1	Xaar	100.50	-8.2	-12.2	Life Insurance	5931.12	-2.8	-5.0
Sse	1766.50	-6.2	-3.9	Dowlais	96.00	-7.1	-10.6	Xps Pensions	202.00	-8.2	-14.4	Industrial Transportation	3601.69	-2.6	-9.6
Jd Sports Fashion	107.35	-6.1	-33.2	Oxford Instruments	2120.00	-6.8	-6.4	Pollen Street	586.00	-8.2	-7.0	Industrial Metals	6347.81	-2.0	-6.9
Int Consolidated Airlines S.a.	142.10	-6.0	-8.9	Itv	59.48	-6.7	-5.5	Ricardo	451.00	-8.1	-8.5	Oil & Gas Producers	8196.72	-1.6	-4.5

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

CURRENCIES

Jan 16	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	818.1460	0.4460	889.8598	-5.5629	1035.2871	-5.8119
Australia	Australian Dollar	1.5155	0.0146	1.6483	0.0047	1.9177	0.0067
Bahrain	Bahrainin Dinar	0.3770	0.0000	0.4100	-0.0028	0.4771	-0.0030
Bolivia	Bolivian Boliviano	6.9100	-	7.5157	-0.0511	8.7440	-0.0539
Brazil	Brazilian Real	4.9162	0.0373	5.3471	0.0045	6.2209	0.0092
Canada	Canadian Dollar	1.3481	0.0045	1.4663	-0.0050	1.7059	-0.0048
Chile	Chilean Peso	928.2500	14.4000	1009.6149	8.9031	1174.6135	11.0958
China	Chinese Yuan	7.1840	0.0114	7.8137	-0.0407	9.0907	-0.0415
Colombia	Colombian Peso	3941.6600	30.1050	4287.1627	3.8122	4987.8023	7.5937
Costa Rica	Costa Rican Colon	520.5000	0.8150	566.1240	-2.9573	658.6440	-3.0211
Czech Republic	Czech Koruna	22.7357	0.1811	24.7286	0.0301	28.7699	0.0532
Denmark	Danish Krone	6.8566	0.0452	7.4576	-0.0012	8.6764	0.0041
Egypt	Egyptian Pound	30.9028	-0.0104	33.6116	-0.2400	39.1046	-0.2542
Hong Kong	Hong Kong Dollar	7.8273	0.0052	8.5133	-0.0523	9.9047	-0.0545
Hungary	Hungarian Forint	348.8623	2.8506	379.4414	0.5413	441.4525	0.9091
India	Indian Rupee	83.0738	0.1850	90.3555	-0.4119	105.1220	-0.4123
Indonesia	Indonesian Rupiah	15590.0000	35.0000	16956.5387	-76.9730	19727.7180	-77.0074
Israel	Israeli Shekel	3.7716	0.0192	4.1022	-0.0069	4.7726	-0.0050
Japan	Japanese Yen	146.9400	1.1550	159.8199	0.1780	185.9388	0.3247
..One Month		146.9393	1.1535	159.8193	0.1767	185.9379	0.3229
..Three Month		146.9379	1.1509	159.8182	0.1746	185.9363	0.3197
..One Year		146.9327	1.1405	159.8142	0.1667	185.9379	0.3147
Kenya	Kenyan Shilling	159.9500	-0.0500	173.9703	-1.2378	202.4017	-1.3109
Kuwait	Kuwaiti Dinar	0.3078	0.0004	0.3347	-0.0018	0.3894	-0.0019
Malaysia	Malaysian Ringgit	4.6920	0.0225	5.1033	-0.0101	5.9373	-0.0079
Mexico	Mexican Peso	17.1728	0.2778	18.6780	0.1771	21.7305	0.2197
New Zealand	New Zealand Dollar	1.6269	0.0135	1.7695	0.0028	2.0587	0.0045
Nigeria	Nigerian Naira	959.0000	-	1043.0602	-7.0931	1213.5248	-7.4781
Norway	Norwegian Krone	10.4620	0.1079	11.3790	0.0408	13.2387	0.0558
Pakistan	Pakistani Rupee	280.5700	0.3200	305.1631	-1.7248	355.0351	-1.7804
Peru	Peruvian Nuevo Sol	3.7138	0.0158	4.0393	-0.0101	4.6994	-0.0088
Philippines	Philippine Peso	55.8350	0.0450	60.7292	-0.3637	70.6540	-0.3781
Poland	Polish Zloty	4.0351	0.0472	4.3888	0.0219	5.1060	0.0287
Romania	Romanian Leu	4.5754	0.0333	4.9764	0.0026	5.7897	0.0067
Russia	Russian Ruble	88.2013	0.3350	95.9324	-0.2855	111.6104	-0.2613
Saudi Arabia	Saudi Riyal	3.7505	0.0002	4.0792	-0.0275	4.7459	-0.0290
Singapore	Singapore Dollar	1.3424	0.0089	1.4600	-0.0001	1.6986	0.0009
South Africa	South African Rand	18.9663	0.2700	20.6287	0.1554	24.0000	0.1959
South Korea	South Korean Won	1331.7500	11.5500	1448.4833	2.7977	1685.2050	4.3209
Sweden	Swedish Krona	10.4207	0.1097	11.3341	0.0431	13.1864	0.0584
Switzerland	Swiss Franc	0.8600	0.0050	0.9354	-0.0009	1.0882	-0.0004
Taiwan	New Taiwan Dollar	31.4175	0.1615	34.1714	-0.0555	39.7559	-0.0394
Thailand	Thai Baht	35.3650	0.4150	38.4649	0.1929	44.7511	0.2526
Tunisia	Tunisian Dinar	3.1094	0.0133	3.3820	-0.0084	3.9347	-0.0072
Turkey	Turkish Lira	30.1088	0.0095	32.7479	-0.2123	38.0998	-0.2227
United Arab Emirates	UAE Dirham	3.6729	0.0002	3.9948	-0.0270	4.6477	-0.0284
United Kingdom	Pound Sterling	0.7903	0.0048	0.8595	-0.0005	-	-
..One Month		0.7903	0.0048	0.8594	-0.0005	-	-
..Three Month		0.7903	0.0048	0.8593	-0.0005	-	-
..One Year		0.7903	0.0049	0.8583	-0.0005	-	-
United States	United States Dollar	-	-	1.0877	-0.0074	1.2654	-0.0078
..One Month		-	-	1.0875	-0.1855	1.2654	-0.0078
..Three Month		-	-	1.0873	-0.1856	1.2655	-0.0078
..One Year		-	-	1.0860	-0.1856	1.2655	-0.0078
Vietnam	Vietnamese Dong	24520.0000	40.0000	26669.2980	-137.5506	31027.7636	-140.3227
European Union	Euro	0.9194	0.0062	-	-	1.1634	0.0007
..One Month		0.9193	0.0062	-	-	1.1633	0.0007
..Three Month		0.9190	0.0062	-	-	1.1632	0.0007
..One Year		0.9178	0.0062	-	-	1.1622	0.0007

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jan 16	Day's chge%	Euro Index	£ Strlg Jan 15	£ Strlg Jan 12	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7558.34	-0.48	6854.80	7594.91	7624.93	7860.07	3.95	2.43	10.42	2.31	8080.40
FTSE 250 (250)	19193.32	-0.04	17406.76	19200.84	19197.62	20082.33	3.46	1.17	24.78	11.43	16547.86
FTSE 250 ex Inv Co (167)	19936.64	-0.03	18080.89	19943.12	19961.69	20813.20	3.60	0.86	32.16	15.75	17562.42
FTSE 350 (350)	4174.98	-0.42	3786.36	4192.55	4206.65	4345.35	3.88	2.27	11.35	1.45	8850.85
FTSE 350 ex Investment Trusts (264)	4117.67	-0.43	3734.38	4135.55	4150.70	4286.88	3.95	2.27	11.14	1.45	4514.04
FTSE 350 Higher Yield (130)	3496.95	-0.49	3171.44	3514.13	3528.48	3725.56	5.68	2.31	7.62	0.90	8497.28
FTSE 350 Lower Yield (220)	4452.85	-0.35	4038.37	4468.34	4480.07	4525.99	2.03	2.15	22.98	1.96	5612.17
FTSE SmallCap (221)	6250.95	-0.96	5669.10	6311.42	6294.47	6493.96	4.09	-0.18	-132.68	6.50	10925.74
FTSE SmallCap ex Inv Co (114)	5190.16	-0.79	4707.05	5231.54	5227.94	5268.17	4.21	-0.49	-48.19	3.38	9424.07
[illegible]											

FT 30 INDEX

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10	Yr Ago	High	Low
FT 30	2696.10	2699.80	2706.20	2700.30	2739.10	0.00	2780.90	2691.30
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2699.8	2701.5	2702.2	2698.9	2699.8	2702.4	2694.6	2693.6	2702.6	2705.5	2680.7

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

FT WILSHIRE 5000 INDEX SERIES

	Jan 12		Jan 12
FT Wilshire 5000	48240.10	FT Wilshire Mid Cap	5928.10
FT Wilshire 2500	6193.82	FT Wilshire Small Cap	5438.84
FT Wilshire Mega Cap	6371.69	FT Wilshire Micro Cap	4791.84
FT Wilshire Large Cap	6299.51		

Source: Wilshire. Wilshire Advisors LLC (Wilshire) is an investment advisor registered with the SEC. Further information is available at https://www.wilshire.com/solutions/indexes. Wilshire® is a registered service mark. Copyright ©2024 Wilshire. All rights reserved.

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	3.55	Beverages	-1.55	Telecommunications	-3.56
Tobacco	2.97	NON FINANCIALS Index	-1.62	Electricity	-3.76
Pharmace & Biotech	2.85	Mobile Telecomms	-1.66	Oil Equipment & Serv	-3.89
Household Goods & Ho	2.71	Industrials	-2.01	Support Services	-4.30
Health Care	2.64	Financial Services	-2.16	Financials	-4.40
Media	1.08	Construct & Material	-2.18	Oil & Gas	-4.55
Gas Water & Multi	0.99	FTSE 100 Index	-2.26	Oil & Gas Producers	-4.55
Consumer Goods	0.44	Food Producers	-2.30	Industrial Eng	-4.66
Leisure Goods	0.32	Equity Invest Instr	-2.30	Electronic & Elec Eq	-4.83
Beverages	31.66	FTSE All{HY-}Share Index	-2.31	Life Insurance	-4.97
Utilities	-0.25	Technology	-2.34	Industrial Metals &	-5.26
Tech Hardware & Eq	-0.37	Industrial Transport	-2.49	General Retailers	-6.04
Personal Goods	-0.65	Software & Comp Serv	-2.49	Fixed Line Telecomms	-7.20
Food & Drug Retailer	-0.65	Nonlife Insurance	-2.50	Mining	-7.25
Health Care Eq & Srv	-0.99	FTSE 250 Index	-2.52	Banks	-7.33
Consumer Services	-1.23	FTSE SmallCap Index	-2.71	Basic Materials	-7.35
Travel & Leisure	-1.46	Real Est Invest & Tr	-3.39	Chemicals	-8.76
		Real Est Invest & Se	-3.42	Automobiles & Parts	-10.34

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	2333	12.00	Intertek Group PLC	4337	12.00
Admiral Group PLC	2620	-5.00	Jd Sports Fashion PLC	107.35	-5.95
Airtel Africa PLC	128.70	-1.80	Kingfisher PLC	216.20	1.30
Anglo American PLC	1792.2	-32.60	Land Securities Group PLC	668.40	-8.00
Antofagasta PLC	1622	-2.00	Legal & General Group PLC	247.50	-5.00
Ashtead Group PLC	4868	-40.00	Lloyds Banking Group PLC	43.12	-0.71
Associated British Foods PLC	2278	-5.00	London Stock Exchange Group PLC	9224	14.00
Astrazeneca PLC	10646	-206.00	M&G PLC	220.70	-1.80
Auto Trader Group PLC	705.60	-2.00	Marks And Spencer Group PLC	259.60	-0.40
Aviva PLC	430.00	-2.50	Melrose Industries PLC	582.40	-0.20
B&M European Value Retail S.A.	554.00	1.00	Mondi PLC	1444	-1.50
Bae Systems PLC	1181	3.00	National Grid PLC	1066.5	-4.00
Barclays PLC	141.40	-3.58	Natwest Group PLC	208.70	-3.50
Barratt Developments PLC	537.60	-4.60	Next PLC	8558	74.00
Beazley PLC	506.00	-5.50	Ocado Group PLC	618.00	-1.00
Berkeley Group Holdings (The) PLC	4762	-23.00	Pearson PLC	980.20	0.40
BP PLC	452.30	-0.70	Pershing Square Holdings LTD	3592	-12.00
British American Tobacco PLC	2349	-1.00	Phoenix Group Holdings PLC	507.20	-6.00
Bt Group PLC	114.30	-2.00	Prudential PLC	805.20	-10.60
Bunzl PLC	3224	-19.00	Reckitt Benckiser Group PLC	5658	8.00
Burberry Group PLC	1227	15.00	Relx PLC	3224	22.00
Centrica PLC	146.40	-3.40	Rentokil Initial PLC	412.00	-7.60
Coca-Cola Hbc AG	2375	-9.00	Rightmove PLC	542.80	-22.00
Compass Group PLC	2220	30.00	Rio Tinto PLC	5465	25.00
Convatec Group PLC	243.20	-3.80	Rolls-Royce Holdings PLC	298.20	-1.80
Croda International PLC	4492	-16.00	Rs Group PLC	749.20	0.20
Dcc PLC	5608	-32.00	Sage Group PLC	1158	-0.50
Dechra Pharmaceuticals PLC	3866	2.00	Sainsbury (J) PLC	287.80	-
Diageo PLC	2797.5	-7.50	Schroders PLC	416.10	-3.10
Diploma PLC	3338	-28.00	Scottish Mortgage Investment Trust PLC	765.20	-8.40
Endeavour Mining PLC	1443	-27.00	Segro PLC	854.20	-12.80
Entain PLC	943.80	1.40	Severn Trent PLC	2613	3.00
Experian PLC	3200	74.00	Shell PLC	2435.5	-24.50
F&C Investment Trust PLC	948.00	-5.00	Smith & Nephew PLC	1065	-1.50
Flutter Entertainment PLC	13270	120.00	Smith (Ds) PLC	289.50	-3.70
Frasers Group PLC	809.00	-13.00	Smiths Group PLC	1677.5	-7.00
Fresnillo PLC	502.80	-24.40	Smurfit Kappa Group PLC	3012	-6.00
Glaxosmithkline PLC	1581.8	1.80	Spirax-Sarco Engineering PLC	9914	84.00
Glencore PLC	439.15	-5.85	Sse PLC	1766.5	-23.00
Haleon PLC	333.60	-0.50	St. James's Place PLC	629.20	1.40
Halma PLC	2169	-4.00	Standard Chartered PLC	589.20	-15.80
Hikma Pharmaceuticals PLC	1970	37.00	Taylor Wimpey PLC	144.60	-0.15
Howden Joinery Group PLC	771.60	-3.40	Tesco PLC	302.30	1.70
HSBC Holdings PLC	593.50	-2.90	Unilever PLC	3814	-3.00
Imi PLC	1551	-6.00	Unite Group PLC	1027	-7.00
Imperial Brands PLC	1896.5	-4.50	United Utilities Group PLC	1057.5	6.50
Informa PLC	734.00	-13.80	Vodafone Group PLC	67.40	0.24
Intercontinental Hotels Group PLC	7176	-44.00	Weir Group PLC	1818	-20.00
Intermediate Capital Group PLC	1587	-21.50	Whitbread PLC	3676	3.00
International Consolidated Airlines Group S.A.	142.10	-3.40	Wpp PLC	729.20	-3.40

FTSE GLOBAL EQUITY INDEX SERIES

Jan 16 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	10074	808.28	-0.1	1.0	-0.6	1327.37	-0.5	2.1
FTSE Global All Cap	10074	808.28	-0.1	1.0	-0.6	1327.37	-0.5	2.1
FTSE Global Large Cap	2002	736.70	-0.1	1.3	-0.1	1247.12	-0.1	2.0
FTSE Global Mid Cap	2293	989.47	-0.1	0.2	-1.4	1529.55	-1.4	2.2
FTSE Global Small Cap	5779	1019.94	-0.1	-0.4	-2.5	1504.52	-2.5	2.0
FTSE All-World	4295	477.75	-0.1	1.1	-0.4	830.99	-0.3	2.1
FTSE World	2616	876.48	-0.1	1.2	-0.3	2045.70	-0.3	2.0
FTSE Global All Cap ex UNITED KINGDOM In	9795	855.80	-0.1	1.0	-0.5	1377.46	-0.5	2.0
FTSE Global All Cap ex USA	8315	542.87	-0.3	0.8	-1.4	998.34	-1.4	3.0
FTSE Global All Cap ex JAPAN	8648	841.57	-0.1	0.7	-0.8	1394.00	-0.8	2.1
FTSE Global All Cap ex Eurozone	9434	855.27	-0.1	1.2	-0.4	1372.82	-0.4	2.0
FTSE Developed	2108	806.27	-0.1	1.2	-0.2	1331.78	-0.2	1.9
[illegible]								

Jan 16 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	26	277.16	0.0	-0.2	-1.4	539.68	-1.4	4.5
Basic Materials	423	610.25	-0.4	-1.9	-4.5	1168.76	-4.4	3.6
Chemicals	208	813.41	-0.1	-1.4	-3.5	1484.75	-3.5	2.7
Forestry & Paper	18	261.53	-0.3	1.1	-0.7	552.56	-0.6	4.2
Industrial Metals & Mining	114	549.43	-0.4	-2.1	-5.1	1097.71	-5.0	4.0
Mining	83	914.68	-0.9	-2.8	-6.0	1874.48	-6.0	4.8
Industrials	843	569.53	-0.1	0.8	-1.0	929.48	-1.0	1.9
Construction & Materials	164	706.61	-0.4	-0.7	-2.0	1217.41	-2.0	1.8
Aerospace & Defense	37	1038.21	-0.3	1.6	-0.4	1647.59	-0.4	1.4
General Industrials	80	291.51	0.0	1.2	-0.8	528.90	-0.8	2.2
Electronic & Electrical Equipment	171	660.10	-0.1	-0.2	-2.3	965.02	-2.3	1.5
Industrial Engineering	169	1154.39	-0.2	0.4	-2.2	1879.43	-2.2	1.9
[illegible]								

UK STOCK MARKET TRADING DATA

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10	Yr Ago
Order Book Turnover (m)	45.76	88.89	88.89	88.89	194.14	74.36
Order Book Bargains	537192.00	538608.00	538608.00	538608.00	615192.00	485952.00
Order Book Shares Traded (m)	1584.00	1475.00	1475.00	1475.00	1812.00	1367.00
Total Equity Turnover (£m)	5559.01	5503.83	5503.83	5503.83	5552.01	4217.62
Total Mkt Bargains	1305243.00	1091565.00	1091565.00	1091565.00	1276266.00	1210304.00
Total Shares Traded (m)	5951.00	10091.00	10091.00	10091.00	6620.00	5616.00

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. (u) Unavaliable. (c) Market closed.

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed [illegible]

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

UK RIGHTS OFFERS

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

UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
[illegible]							
New Ch Life Ins	14.12	-0.06	25.00	13.96	8.58	4.91	1865.48
PetroChina	5.22	-0.06	6.05	4.02	8.97	5.79	14070.86
PingAnIns	31.85	-0.85	64.15	31.55	8.78	6.61	30305.08
PngAnBnk	9.34	0.13	15.74	8.99	3.11	3.88	25229.35
Pwr Cons Corp	4.75	-0.01	8.15	4.64	2.58	7.12	8642.76
SaicMtr	13.46	0.14	15.65	13.08	2.55	10.21	21890.25
ShenwanHong	0.07	0.00	0.15	0.06	-	4.50	73.69
ShgPdgBk	6.59	0.08	8.22	6.49	4.95	6.10	26925.34
Sinopec Corp	3.87	-0.08	5.47	3.78	10.21	7.50	12052.86
Sinopec Oil	1.81	-0.02	2.39	1.79	-	61.26	3418.81
Denmark (kr)							
DanskeBk	187.40	-2.15	192.20	131.45	3.77	8.22	23564.65
MollerMrsk	13355	220.00	17265	9800	14.96	1.99	14535.48
NovoB	731.50	5.90	742.20	463.15	0.85	49.15	366478.45
[illegible]							
Tata Cons	3861.3	-42.50	3965	3070.25	1.32	30.51	168170.12
Israel (ILS)							
TevaPha	42.16	-0.04	42.99	26.37	-	-5.58	12593.54
Italy (€)							
Enel	6.75	-0.06	6.82	5.14	5.98	12.16	74640.31
ENI	14.93	-0.06	15.83	11.69	6.08	9.48	54828.1
Generali	20.06	0.26	20.06	16.67	5.84	-	34020.93
IntSPaolo	2.72	-0.01	2.81	2.08	6.09	6.98	54008.67
Unicred	25.81	0.21	26.15	14.82	3.86	5.26	50089.96
Japan (¥)							
AstellasPh	1783.5	26.00	2360.5	1600.5	3.72	92.73	21964.96
Bridgestne	6110	43.00	6245	4747	3.17	11.60	29676.71
Canon	3781	-44.00	3912	2790.5	3.51	13.93	34319.85
CntJpRwy	3744	-14.00	3926	2984	0.76	11.36	26244.18
[illegible]							
AtlasCpcoB	142.90	1.10	150.40	106.54	1.46	25.66	21404.54
Ericsson	63.95	-0.10	64.90	48.53	4.20	-9.01	18916.2
H & M	167.20	-1.96	189.58	119.92	3.69	45.46	23029.26
Investor	229.75	-0.80	235.45	187.66	1.86	5.97	40169.28
Nordea Bk	126.12	-0.66	134.94	103.86	7.26	7.82	42702.38
SEB	137.85	-4.90	144.70	105.20	4.87	7.89	27989.35
SvnskaHn	107.25	-3.15	112.90	83.92	4.92	8.84	20015.76
Swedbank	198.55	-8.35	219.90	161.60	4.88	6.80	21568.68
Telia Co	27.36	-0.25	28.92	20.98	7.45	-7.05	10323.99
Volvo	247.70	-0.55	264.85	188.96	2.81	11.41	37758.01
Switzerland (SFr)							
ABB	36.31	-0.11	37.87	29.13	2.26	19.21	79459.9
CredSuisse	0.82	0.01	5.86	0.66	11.88	-0.31	3611.19
Nestle	98.39	1.17	116.84	96.12	2.87	28.41	305466.64
Novartis	92.80	0.80	92.92	69.89	3.37	26.96	245755.75
[illegible]							
Autodesk	241.49	-0.96	245.88	188.38	-	54.62	51657.34
AutomData	234.81	-1.14	256.84	201.46	2.21	26.90	96578.48
AutoZone	2653.92	84.82	2750	2277.88	-	20.57	45891.33
Avago Tech	1115.71	8.03	1151.82	569.78	1.58	34.91	522309.11
BakerHu	30.93	-0.59	37.58	26.12	2.24	76.63	31122.81
Bank of NY	55.26	0.41	55.47	39.65	2.87	12.48	42497.76
BankAm	32.21	-0.60	37.00	24.96	2.90	8.70	254861.74
Baxter	39.14	-0.86	50.21	31.01	3.07	82.07	19857.15
BectonDick	236.51	0.24	287.32	228.62	1.60	44.73	68683.69
BerkshHat	548832.5	-2967.50	566569.97	442363.5	-	10.05	313781.81
Biogen	244.42	-3.70	319.76	220.86	-	23.44	35416
BlackRock	795.03	-4.58	819.00	596.18	2.59	32.91	118269.88
Boeing	201.40	-16.31	267.54	176.25	-	-26.98	121839.3
Booking Holdings	3493.87	-8.53	3580.62	2329.8	-	23.84	121900.84
[illegible]							
Intcntl Exch	126.64	-0.32	129.16	94.16	1.34	28.34	70791.76
Intel	46.83	-0.30	51.28	24.73	2.17	-115.81	197414.2
Intuit♦	606.00	-5.80	631.07	384.05	0.56	63.65	169619.4
John&John	161.48	-0.91	175.97	144.95	2.98	29.22	388727.35
JohnsonCn	53.33	-3.02	70.43	47.90	2.67	17.98	36296.93
JPMrgnCh	166.69	-2.36	173.38	123.11	2.39	10.77	481902.18
Kimb-Clark	123.01	-1.17	147.87	116.32	3.96	22.82	41568.31
KinderM	17.92	-0.05	18.90	15.89	6.48	15.86	39832.11
KLA Corp	564.69	4.08	597.43	355.88	0.95	24.36	76759.62
Kraft Heinz	37.62	-0.06	41.47	30.68	4.23	14.76	46142.39
Kroger	46.34	0.31	50.36	42.10	2.21	21.03	33338.08
LasVegasSd	48.94	-0.68	65.58	43.77	0.42	54.25	37149.12
LibertyGbl	18.86	-0.13	21.89	15.01	-	-1.71	3231.35
Lilly (E)	642.56	-0.36	647.73	302.14	0.65	89.91	609986.86
[illegible]							
Zoetis	194.39	-4.55	201.92	145.20	0.72	41.12	89247.11
Zoom	68.68	-1.78	85.13	58.87	-	86.66	17704.78
Venezuela (VEF)							
Bco de Vnzla	7.94	-	9.20	2.68	94.19	-	805.98
Bco Provncl	17.80	-	79400	6.80	-	3.18	198.17

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

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Advanced Micro	157.15	146.56	10.59	7.22	7.98	13.4	12.94
FastRetail	39000.00	39470.00	-470.00	-1.19	4970.00	13.0	9.61
Keyence	66190.00	67370.00	-1180.00	-1.75	7240.00	10.1	5.90
Cadence Design	277.26	268.50	8.76	3.26	15.79	9.7	2.30
Nomura	732.50	724.20	8.30	1.15	55.00	9.5	18.15
Sony	14380.00	14520.00	-140.00	-0.96	1350.00	9.2	7.59
Hitachi	11105.00	11385.00	-280.00	-2.46	1140.00	8.4	12.64
Fanuc	4433.00	4416.00	17.00	0.38	326.00	8.4	7.83
KDDI	4968.00	4993.00	-25.00	-0.50	399.00	8.1	11.69
OilNatGas	235.10	233.50	1.60	0.69	15.55	7.9	16.94
Salesforce	270.50	271.93	-1.43	-0.53	20.81	7.7	3.49
Nippon TT	186.80	186.00	0.80	0.43	12.10	7.4	10.01
Infosys	1631.55	1652.10	-20.55	-1.24	129.30	7.1	3.37
Microsoft	392.10	388.47	3.63	0.93	20.72	6.6	5.81
Digital Realty	139.26	137.08	2.18	1.59	6.25	6.4	5.29
Avago Tech	1116.79	1107.68	9.11	0.82	58.40	6.4	-1.13
Broadcom	1116.79	1107.68	9.11	0.82	58.40	6.4	-1.13
Workday	282.65	283.24	-0.59	-0.21	17.44	6.3	3.70
RelianceIn	2749.25	2788.25	-39.00	-1.40	200.90	6.3	10.16
Amazon	154.01	154.62	-0.62	-0.40	9.38	6.0	2.81

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 %
Boeing	204.78	217.70	-12.92	-5.94	-31.30	-17.8	-22.47
Nutrien	67.19	67.53	-0.34	-0.50	-6.86	-9.7	-8.94
LlydsBkg	43.12	43.83	-0.71	-1.62	-3.78	-9.4	-7.56
Devon Energy	41.75	42.77	-1.03	-2.40	-3.17	-9.1	-6.91
Delta	36.85	38.47	-1.62	-4.21	-2.07	-9.1	-13.05
Barclays	141.40	144.98	-3.58	-2.47	-9.30	-8.3	-1.84
Cielo	4.56	4.70	-0.14	-2.98	-0.27	-8.2	0.66
Walgreen	22.98	23.27	-0.29	-1.25	-1.74	-8.1	-8.99
MorganStly	86.17	89.70	-3.53	-3.94	-3.54	-7.6	-5.97
StandCh	589.20	605.00	-15.80	-2.61	-32.00	-7.5	-8.31
VF Cp	15.69	16.21	-0.52	-3.21	-0.69	-7.2	-21.75
ShenwanHong	0.07	0.07	0.00	-2.94	0.00	-7.0	-13.16
TntoDom	80.78	81.48	-0.70	-0.86	-5.41	-7.0	-3.42
Fresenius SE	26.56	26.95	-0.39	-1.45	-1.61	-7.0	-6.45
BankAm	32.08	32.80	-0.73	-2.21	-1.63	-6.8	-4.43
Deut Bank	11.85	11.94	-0.09	-0.77	-0.77	-6.8	-6.76
BOC Hold	18.80	19.04	-0.24	-1.26	-1.11	-6.7	-10.26
SocGen	23.10	23.35	-0.25	-1.07	-1.41	-6.7	-5.42
BakerHu	31.20	31.52	-0.32	-1.02	-1.90	-6.6	-7.04
EOG Res	112.54	115.14	-2.61	-2.26	-5.24	-6.5	-6.26

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Jan 16	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.75	4.24	0.00	0.12	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

BONDS: GLOBAL INVESTMENT GRADE

Jan 16	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL

Jan 16	Rate	Current	Since	Last
US	Fed Funds	5.25-5.50	26-07-2023	5.00-5.25
[illegible]				8.25
[illegible]				5.25
[illegible]				3.438
[illegible]				5.00
[illegible]				0.00
[illegible]				-0.75--0.25

INTEREST RATES: MARKET

[illegible]

COMMODITIES

[illegible]

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	212.18	0.00	-1.46	-1.46	0.13	0.65
Corporates(£)	-	-	-	-	-	-
Corporates(€)	-	-	-	-	-	-
Eurozone Sov(€)	-	-	-	-	-	-
Gilts(£)	-	-	-	-	-	-
Overall(£)	-	-	-	-	-	-
Overall(€)	-	-	-	-	-	-
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
[illegible]						

BONDS: INDEX-LINKED

[illegible]

BONDS: TEN YEAR GOVT SPREADS

[illegible]

VOLATILITY INDICES

	Jan 16	Day Chng	Prev	52 wk high	52 wk low
VIX	13.82	0.57	13.25	30.81	11.81
VXD	17.44	-1.65	19.09	31.86	3.10
VXN	17.93	1.39	16.54	32.60	12.19
VDAX	14.09	0.15	13.94	93.30	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility.
‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	05/32	1.25	80.52	4.02	0.00	-0.09	-0.07	0.43
[illegible]								

GILTS: UK CASH MARKET

Jan 16	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 0.125pc '24	99.81	5.10	-0.20	-0.20	-1.73	41.67	99.81	96.48	35.55
Tr 2pc '25	96.66	4.13	0.24	0.00	-2.36	24.02	97.82	92.80	39.93
Tr 0.125pc '26	92.77	3.85	0.00	-1.28	-3.75	19.57	93.02	87.71	35.32
Tr 1.25pc '27	92.22	3.63	0.00	-2.16	-3.46	10.00	93.30	86.03	40.99
Tr 0.5pc '29	85.76	3.62	0.00	-0.82	-2.16	9.37	87.71	78.59	28.92
Tr 1pc '32	81.20	3.73	0.00	0.54	0.00	10.36	110.14	74.53	35.96
Tr 4.25pc '36	102.21	4.02	0.50	1.26	1.52	10.44	109.78	94.63	31.68
Tr 4.5pc '42	101.53	4.38	0.69	1.62	3.30	15.57	113.53	92.93	28.35
Tr 3.75pc '52	88.54	4.46	0.90	2.06	4.45	19.25	103.90	79.70	25.11
[illegible]									

GILTS: UK FTSE ACTUARIES INDICES

[illegible]

Tradeweb

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

POWERED BY MORNINGSTAR

ARTS

Bold new vision of a tragic opera

OPERA

Médée
La Scala, Milan
★★★★★

James Imam

In the footsteps of Callas: soprano Marina Rebeka proved equal to the challenge in the title role of 'Médée'
Brescia/Amisano

Maria Callas's performances of *Medea* at La Scala in the 1950s and '60s defined the way many contemporary opera-lovers listen to the work today. Those productions of Cherubini's mythological work — written for Paris in 1797 — were in Italian, with the spoken dialogue replaced with richly orchestrated recitatives, and the classical score conducted with the plodding weight of a Wagner opera, as the recordings attest.

On Sunday, Cherubini's opera returned to La Scala after a 62-year hiatus, but as it had never been heard here before. This was the house's first production of the original French version, *Médée*, with La Scala cutting the declamatory 1850s recitatives and substituting them with newly written dialogue that was pre-recorded and relayed through speakers. The orchestra's playing further stripped the score of excess fat, helping restore the work to its original classical proportions to ensure that the tragedy cut deep.

Ancient Corinth is the setting, the libretto recounting how the betrayed sorceress Médée murders her children and reduces a temple to rubble to avenge her ex-lover, Jason, on the day he weds another. Damiano Michieletto's new production places the children at the centre, setting the action in a tapering, modern-day living room that looks larger than it actually is, as if seen from a young person's perspective. Two ever-present children, silent extras, receive wrapped presents and shelter in a playhouse, raising the stakes as we observe the full impact of their dysfunctional parents' behaviour.

As Médée succumbs to rage, Jason's domestic realm falls apart, the pyrotechnic anti-heroine ushering plumes of stage smoke and scrawling a message on the living room wall, which eventually crumbles as if battered by a supernatural force. In the whispered French dialogue, written by dramaturge Mattia Palma, the children take stock of the developments with youthful naivety. The horrifying finale, relayed on a video screen, shows Médée spoon-feeding the kids poisoned medicine at bedtime as Jason frantically bangs on a locked door.

Some of the horror came from the pit. Rising conductor Michele Gamba's reading of the score was transparent, compact and combustible where it needed to be. By steering clear of musical heft, he ensured that the natural structure of Cherubini's score could carry the drama, so that initial breeziness was gradually enveloped by darkness, before bursting into a final diabolical blaze.

As Callas's successor, Marina Rebeka had big shoes to fill, and proved equal to the challenge. In an alternative approach to fire-and-brimstone interpretations of the past, she invested her clear voice with introspection and psychological nuance to provide engrossingly believable characterisation. She was duly showered with incandescent applause.

Perhaps inevitably, most of the other singers — Stanislas de Barbeyrac's cocky Jason, Nahuel Di Pierro's authoritative Créon, the Corinthian king, and Martina Russomanno's long-suffering Dircé, Créon's daughter — were eclipsed by Rebeka's triumph. Ambroisine Bré's moving delivery of Néris's aria, with mournful bassoon obbligato, was an exception, as were the chorus's atmospheric contributions. With bold vision and skilful execution, La Scala has, finally, mustered a compelling production in which there is very little to fault. Catch it if you can.

To January 28, teatroallascala.org

Hip-hop dance with a shot of slapstick

DANCE

Suresnes Cités Danse
Théâtre Jean-Vilar, Suresnes
★★★☆☆

Laura Cappelle

Pantomime isn't exactly the first thing you'd expect at a hip-hop festival. Yet from over-the-top lip syncs to glitching office encounters, there was plenty of slapstick comedy to be found over the opening weekend of Suresnes Cités Danse, France's most venerable hip-hop festival.

Much of it could have used additional refining. Carolyn Occelli, who succeeded the event's founding director Olivier Meyer in 2022, opted to open this year's edition with Leïla Ka, a bright new talent on the French scene. She has made her name in recent seasons with a series of vivid vignettes centred on women. In 2022's *Bouffées*, the only sound was their breath, setting the pace of their staccato gestures — a raised fist to the cheek, a hand to the forehead, in complex canons that kept separating them and then bringing them together.

Bouffées now forms the first — and strongest — part of Ka's first evening-length creation, *Maldonne*, which opened Suresnes Cités Danse's main-stage line-up. Transitioning from fierce, compact bursts of movement to the light and shade required over 60 minutes is a challenge for any choreographer, and *Maldonne* often feels like a series of separate scenes cobbled together.

The lack of a musical arc doesn't help: the uncredited score veers from shapeless techno to classical music and popular songs. To a 1990s tear-jerker from singer Lara Fabian, the five performers lip sync like *Drag Race* veterans; shortly afterwards, they return to more reserved swaying, predictably structured to Leonard Cohen's "Dance Me to the End of Love".

The potential is there: in a burlesque scene reminiscent of Jiří Kylián's *Sechs Tänze*, Ka ably amps up the theatricality, with women coming in and out to scold and help each other. All *Maldonne* needs is the craft to take them on a larger journey.

On Suresnes' smaller stage, on the other hand, two multitalented young performers sustained distinctive characters. In *En pièce jointe*, Armande Sanseverino and Gaël Germain spoof an old-fashioned office dynamic: the boorish boss who sexually harasses a timorous secretary.

Workplace offences would likely be a lot more subtle today, but they take it to impressive physical extremes. Technicians initially wheel them on to the stage on carts, like life-size dolls, and both move in choppy phrases, rewinding and fast-forwarding through mimed sequences. Both speak, too, adding to the absurdity with self-aware asides to the audience. The wide-eyed Sanseverino ultimately rebels and turns the situation on its head — an unsurprising ending point, but a neat start for this duo to watch.

Armande Sanseverino and Gaël Germain in 'En pièce jointe'

Festival runs to February 8, theatre-suresnes.fr/suresnes-cites-danse

Theatricality: Leïla Ka's 'Maldonne' — Nora Houguenade

Imaginative response to a masterpiece

DANCE

Les Noces — The Departure
Woolwich Works, London
★★★★☆

Louise Levene

A stimulating Sunday afternoon at the old fireworks factory at Woolwich Arsenal in south-east London, where New Movement Collective were presenting *Les Noces — The Departure*, an imaginative response to Diaghilev's enduring Ballets Russes masterpiece.

The original *Les Noces*, first danced in Paris in 1923, boasted a score by Igor Stravinsky, choreography by Bronislava Nijinska (sister of) and sets and costumes by Russian cubo-futurist Natalia Goncharova — *Gesamtkunstwerk* doesn't begin to cover it. The piece, together with her 1924 *Les Biches*, was restaged by Nijinska herself during Frederick Ashton's directorship of the Royal Ballet in 1964 and was regularly revived, but it hasn't been seen at the Royal Opera House since 2012. Programmers, like publishers, are normally slaves to the calendar, yet last year's centenary came and went with scarcely a peep from Covent Garden. November's one-night-only Insight evening felt like an afterthought but was at least filmed for posterity.

Last weekend's 60-minute four-part show was presented in the round on a narrow platform (roughly five by 20 metres) erected in the handsome, flexible space of Woolwich Works. The seating, for around 500, was unallocated but should the piece ever be revived (fingers crossed), grab a table near the band.

Stravinsky's *Les Noces* was the main event but was topped and tailed by three terrific new compositions. *Appels*, a percussive piece — rainsticks, kettledrums, bells — by French-Mexican new wave R&B artist Andrea Balency-Béarn was followed by *Cage Letters*, a piano setting of three of John Cage's love letters to Merce Cunningham composed and played by the project's music director Yshani Perinpanayagam and sung by baritone Ross Ramgobin.

The celebratory finale, *Rhythmic Resurgence*, featured the buzzy English National Ballet Youth Company throwing shapes to a beatbox reimagining of *Les Noces* by MC Zani performed by Jack Hobbs, who flooded the space with noises, sounds and sweet airs using just his microphone (and Josh Bobby's first-class sound design).

Les Noces itself rightly formed the centrepiece, conducted by the versatile Perinpanayagam and strongly performed by four pianos (Julian Chan, Junyan Chen, Milda Daunoraite and Ekaterina Grabova), seven percussionists, four soloists and the chorus of Opera Holland Park.

The dancers for *Les Noces* began infiltrating the audience during the second section, wearing a range of loose tops and trousers, only taking to the floor when the Stravinsky began. When *Les Noces* was first mooted, Diaghilev commissioned multicoloured sets and costumes from Goncharova (who was fascinated by Russian folkloric art). Nijinska, though, found them too operatic, and the final version was starkly monochrome, like a sepia photograph.

April Dalton's designs for *The Departure* use a similarly restricted mood board of greige and off-white, with a washing line of discarded garments that carries echoes of the long, strangling plaits of Nijinska's sacrificial bride.

The movement was co-devised by a thoroughbred contemporary troupe of nine dancers (mostly ex-Rambert). They huddled and whirled and formed plastic groupings to the rhythms but the dead weight of ritual was missing (as yet) and ultimately their doings were no match for the overwhelming power of Stravinsky's score.

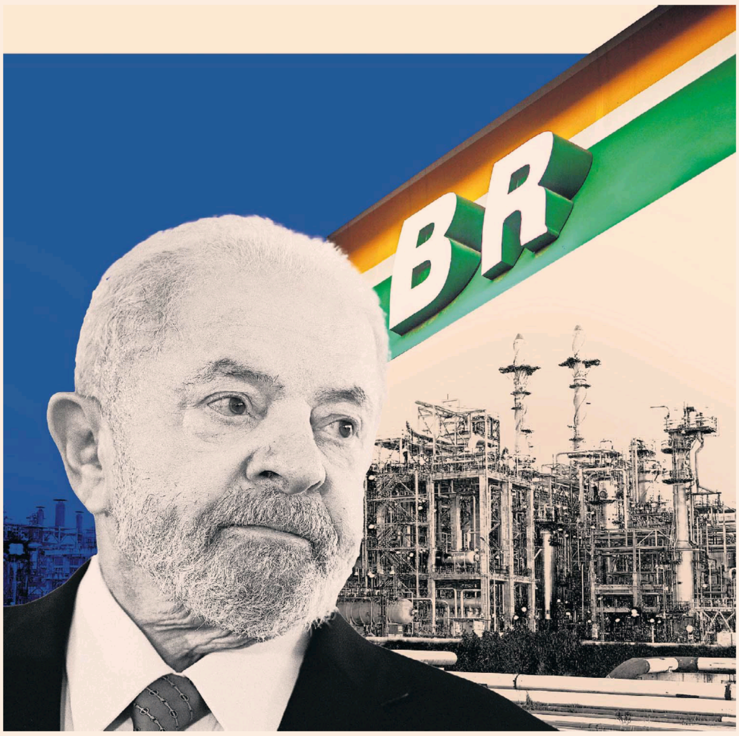
newmovement.org.uk

New Movement Collective in 'Les Noces — The Departure'
ASH

Brazil bets on a return to state capitalism

President Lula has big plans to kick-start the economy, relaxing limits on public expenditure and setting a green agenda to attract foreign capital. But critics say he is trying to revive a discredited strategy.

By Michael Pooler and Bryan Harris



The expansion of the sprawling Abreu e Lima refinery falls into a broader public works programme that is one pillar of President Luiz Inácio Lula da Silva's economic blueprint

FT montage/Dreamstime

Beneath the blistering sun, workers in overalls and hard hats are putting the finishing touches to an industrial undertaking that until recently seemed destined to remain uncompleted.

A sprawling mass of smokestacks and pipework, the Abreu e Lima project was originally launched in 2005 by then president Luiz Inácio Lula da Silva as Brazil's first new oil refinery in decades. It ended up one of the world's most expensive.

After cost estimates ballooned to $20bn — nine times the initial budget — the development would be held up by Lula's critics as a monument to waste, corruption and incompetence during the rule of his Workers' party, or PT.

Caught up in a political bribery scheme that stole billions from state-controlled oil company Petrobras, its construction was paused in 2014 under Lula's chosen successor Dilma Rousseff, with only half the planned facility operational. Yet after the 78-year-old Lula won a non-consecutive third term as president last year, activity has resumed to finish the plant, located an hour away from Recife, capital of the northeastern state Pernambuco.

The refinery expansion falls into a broader public works programme that is one pillar of the veteran left-winger's plans to kick-start Latin America's largest economy and drag it out of a prolonged period of mediocrity.

Since returning to power, Lula — who previously governed between 2003 and 2010 — has looked to strengthen the role of the state in his bid to lift stagnant living standards in the nation of more than 200mn. Under its blueprint for the

economy, his administration has boosted welfare payments, relaxed restrictions on public expenditure, promised infrastructure improvements and unveiled a green agenda aimed at attracting foreign capital.

"I want to transform this country into a middle-class country where people can eat well, dress well, live well, relax well, take care of their family," he said in a weekly online broadcast last month.

However, detractors say his more hands-on approach threatens to revive a discredited model of statist development that went wrong in the past.

Brazil rode a commodities boom fuelled by China in the early 21st century to become an emerging markets darling, before a brutal crash almost a decade ago as prices for raw materials plunged. Opponents said the PT's overspending and political interference under Rousseff were key factors in the country's worst recession in a century.

Now, says Kim Kataguiri, an opposition lawmaker, "the government is repeating its failed recipe of levying more taxes, indebting the country and spending more on areas that benefit the elites more than the poorest".

Officials in the year-old administration defend its performance by pointing to positive indicators, such as falling unemployment, inflation and growth. Initial full-year predictions by analysts of gross domestic product growth below 1 per cent in 2023 have been upgraded to nearly 3 per cent ahead of fourth-quarter numbers.

Situated far from international conflict and with abundant natural resources — from hydrocarbons and minerals to agriculture and renewable energy — Brazil's advocates say the country is ideally placed to fulfil its long-vaunted potential.

But investors and economists remain sceptical of Lula's state-driven economic game plan. If he is seen to have lost control of the public accounts, they warn it will be difficult for the central bank to continue cutting its base lending rate, which at 11.75 per cent is exerting a drag on activity.

"Brazil just suffered its second lost decade for growth since the 1980s, with per capita income yet to return to its 2013 levels," says Roberto Secemski, chief Brazil economist at Barclays. "The country needs higher productivity and capital investments, which would be more viable under lower interest rates. The problem lies in Brazil's loose fiscal stance."

With GDP expansion forecast to cool this year, the president faces a choice: to take a more moderate macroeconomic path — or to double down on spending in a bid to rekindle growth, at the risk of history repeating itself.

"We need to improve what didn't go right before," says Abinadade Santos, general secretary of the metalworkers' union in Recife. On the wall in his office is a black-and-white photo of Lula addressing strikes in the 1970s. Santos has faith the president can deliver, but says there is no room for complacency. "This is the Lula government's duty — to see the mistakes of the past and guarantee it doesn't happen again."

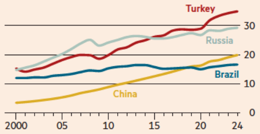
Perched on the coast of Brazil's poor north-east, in a state built on the colonial sugar trade, the Recife metropolitan area was a microcosm of the country's last boom and bust.

During the PT era, thousands of jobs were created by the refinery and the nearby Atlântico Sul shipyard, which opened in 2008 and was billed as the largest in the southern hemisphere. It was part of a signature Lula industrial policy aimed at resurrecting the national shipbuilding industry with orders of tankers and rigs by Petrobras.

But then, in 2014 a nationwide investigation uncovered a kickbacks-for-contracts scam centred on the oil giant, leading to the imprisonment of dozens of politicians and businessmen. Lula himself served time for a corruption conviction that was later overturned.

Brazil has had a 'lost decade' of income growth, only now close to 2013 levels

GDP per head at purchasing power parity ($'000 at constant 2017 values)



Source: IMF 2023, 2024=forecasts

Together with the scandal, a drop in crude prices led Petrobras to cancel a number of vessel purchases, dealing a blow to domestic shipyards. Mass lay-offs at the Suape port and industrial complex, the vast site home to the refinery and shipyard, reverberated across the local economy.

The ensuing national turmoil helped force Rousseff's removal from office by impeachment in 2016 and tainted the legacy of Lula, a former trade unionist born in Pernambuco before moving to São Paulo as a child.

During his first stint in office, he won acclaim for lifting 20mn citizens out of poverty in one of the world's most unequal societies through social benefits. "When Lula was president, it was one of the best times here in Pernambuco — and perhaps in the whole of Brazil," says John Bezerra da Silva, who worked as a welder at both the shipyard and refinery but now drives a taxi for a living.

The 34-year-old wants to return to his trade. "People here have a lot of hope that the refinery and shipbuilding will really come back."

These dreams may yet be realised. Now headed by a Lula ally, Petrobras plans to place orders again with domestic shipyards as it embarks on a massive ramp-up of offshore production forecast to catapult Brazil into the top tier of crude producers. But to succeed, the industry will have to overcome factors that previously left it struggling to be competitive and meet deadlines.

Ecio Costa, a professor of economics at the Federal University of Pernambuco, argues the government should concentrate on improving the conditions for private enterprise as a whole to thrive: "To have rapid development, you need an environment that is more accommodating to business and investments."

This will involve tackling deep structural issues such as red tape, poor logistics infrastructure, skills shortages and unwieldy state bureaucracy.

The recent passage of a constitutional amendment to simplify the country's complex tax system was broadly welcomed as a step in the right direction, with S&P upgrading Brazil's sovereign rating one notch.

It followed other market-friendly reforms by preceding rightwing governments, including overhauls of the rigid labour code and pensions provision. Under Lula's far-right predecessor Jair Bolsonaro, ministers pursued privatisation and smaller government.

But the challenge is stark. Brazil's productivity — the output per hour worked, crucial to raising a nation's prosperity — grew by just 0.5 per cent annually in the four decades to 2022, according to the Getúlio Vargas Institute.

Carla Argenta, chief economist at CM Capital, says Brazil is likely to benefit in the short term from monetary easing internationally. "But the country's limited ability to create internal drivers for activity is expected to keep GDP growing at modest rates," she adds.

In its quest to spur growth, the Lula administration has turned to an old formula. Unveiled to fanfare in August, the government's new public works programme — the Growth Acceleration Programme, or PAC — reprised the name of two previous initiatives with chequered records.

Under PAC 1, launched by Lula in 2007, only a quarter of projects were effectively delivered, according to analysis by consultancy Inter B. For PAC 2, rolled out three years later under Rousseff, the figure rose to 36 per cent.

But officials insist the latest iteration is different. It has a priority to complete unfinished projects and will have greater private sector involvement.

"It is a planning tool that worked in the past, even though there were critics of specific projects," says Guilherme Mello, a senior official in the finance ministry.

Of the R$1.4tn ($290bn) of investments targeted by 2026, there is to be $76bn of federal funding. The rest is expected to come from bank financing, private players and state-owned enterprises like Petrobras.

> 'This is Lula's duty — to see the mistakes of the past and guarantee it doesn't happen again'

Another focus is promoting ventures that combat global warming. "We are talking about a new industrialisation. We are not planning on getting back the industry of the '70s or '80s. We need a new industry . . . that is combined with the green transformation," adds Mello.

Chinese automaker BYD last year announced it will begin producing electric cars in northeastern Brazil as part of a R$3bn investment. The company's local chair Alexandre Baldy says the decision was down to Lula's commitment to decarbonisation and his meeting with the company's founder on a trip to China.

To aid domestic production, the government is charging tariffs on imported EVs. However, some mainstream economists are wary of protectionism and corporate handouts, arguing that insulation from overseas rivals historically often led to a lack of competitiveness in Brazilian manufacturing.

And there is little room for manoeuvre in Brazil's federal budget, since some 90 per cent of it is earmarked for non-discretionary items such as social security and pensions.

The administration intends to fund extra spending with increased revenue collection. Finance minister Fernando Haddad has said the intention is to end exemptions, loopholes and avoidance, rather than increase the country's already elevated overall tax burden.

Besides misgivings over whether this is realistic, the worry in corporate circles is of an uptick in borrowing levels. Public debt, currently at 74 per cent of GDP, is relatively high for an emerging economy. "Although we are not expecting [the fiscal situation] to trigger a crisis, increasing indebtedness will continue to expose Brazil's fragilities," says Gustavo Arruda, an economist at BNP Paribas.

"The most critical issue in every long-term or even short-term investor's mind [is] fiscal stability," says Paulo Bilyk, chief executive of asset manager Rio Bravo Investimentos.

Following Rousseff's impeachment, a constitutional amendment was passed that restricted growth in the budget to inflation. Investors considered it the cornerstone of fiscal credibility. Since Lula's return it has been replaced with a looser set of rules that, while imposing certain limits, requires expenditure to increase in real terms. The new framework also promises gradually rising primary budget surpluses — ie, before interest payments — after balancing the books in 2024.

While this year's zero-deficit target is defended by Haddad, Lula has suggested it may not be achieved. He is facing pressure from his own party to spend more ahead of important municipal elections in October.

Simone Tebet, Brazil's planning minister, defends the new fiscal framework as "sustainable" and says federal investment as a proportion of GDP remains "much below the world average. So there's no reason to speak about excess or inefficiency in public spending".

While Lula says his previous stint in office is evidence of his fiscal bona fides, critics accuse him of starting a more expansionary phase embraced by Rousseff. And though a powerful Congress dominated by conservatives could resist radical turns, investor doubts linger.

Lula's vision of reviving old-school heavy industries while stimulating innovative new sectors will be tested at the Suape port complex. The refinery's general manager, Marcio Maia, says its expansion will double processing capacity, helping reduce reliance on diesel imports. "It is very important for Petrobras and for Brazil."

Yet like other states in the windswept and sunny north-east, Pernambuco is also touted as a potential hub for green hydrogen (H2) — a clean fuel produced from renewable electricity. French renewable energy group Qair is planning a R$21bn green H2 project at the port, but local executive Gustavo Silva says the sector needs regulation and incentives. Draft legislation is before Congress.

The Atlântico Sul shipyard was mothballed in 2019 and later entered bankruptcy protection. But in the shadow of its giant twin gantry cranes, activity has returned with maintenance, repairs and the fabrication of equipment for oil rigs.

Chief executive Roberto Brisolla says the business is now diversifying its order book so as not to rely on Petrobras, with an eye on opportunities like towers for offshore wind farms.

"From this government we see a plan," says Brisolla. "It is a time of renewal, there are expectations and optimism. But there is still a way to go."

Additional reporting by Beatriz Langella. Data visualisation by Keith Fray

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Tusk's forced reboot of the Polish state

Incoming premier has no choice but to use robust tactics to restore rule of law

How far can a liberal democratic government go in using unorthodox tactics to dismantle an "illiberal" system? Poland's premier Donald Tusk faces this question as he tries to restore the rule of law after eight years in power for the conservative Law and Justice (PiS) party — and it has broad resonance given the rise of illiberal populists in many democracies. The scale of the task in wrenching key institutions out of the hands of PiS appointees, and in the face of a president who is siding with the opposition, means the ends so far justify the means. Tusk has stayed within the spirit of the law. But he must proceed with care to avoid inflaming divisions in a highly polarised society.

The month since Tusk was sworn in has been turbulent. His coalition has put three state media companies into insolvency to allow a relaunch aimed at ending their role as crude propaganda tools for PiS. It has fired a PiS-appointed national prosecutor and tried to investigate the PiS-appointed central bank governor. Two PiS lawmakers convicted of abuse of office sought refuge in the presidential palace but were arrested when the president, Andrzej Duda, left for a meeting. Duda says Tusk is violating the rule of law just as the premier long accused PiS of doing.

Such claims of equivalence are entirely false. The Tusk administration had no choice but to find innovative ways to unwind PiS's changes — as with public media — since Duda can veto its legislation, and it must cohabit with him at least until presidential elections next year. Poland's president is supposed to be a balancing figure. Duda has instead thrown in his lot with his old party, PiS — and PiS spent its final days in office putting in place blocking mechanisms aimed at thwarting Tusk's overhaul.

Tusk and his allies learnt lessons, too, from their failure when they first came to office in 2007 to act quickly enough to combat the pernicious effects of two years of prior rule by PiS. The changes PiS has wrought today after eight years in power go far deeper. Poland's prime minister is under pressure to deliver on electoral promises to restore a law-based state and unlock billions of euros of frozen EU funds. He has rightly identified state media, prosecutors and the judiciary as institutions where PiS's grip must quickly be broken to rebuild their independence.

Polish civil society, which survived the PiS years, can be relied on to keep the Tusk team under scrutiny — and to challenge fake narratives from the opposition; it already debunked the claim that the two convicted PiS lawmakers were "political prisoners".

Yet if democracy is to take root in Poland long-term, the new government has to act with responsibility and restraint. It cannot be seen to be cutting legal corners. As it removes PiS lackeys from state institutions and companies, it must refrain from merely substituting its own loyalists.

> If democracy is to take root in the country long-term, the new government has to act with responsibility and restraint

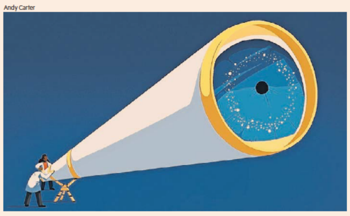
New managers of state TV news channels must turn them into genuinely impartial outlets. And the government should choose its battles with care. Exposing corruption by PiS figures is important; those who trusted the avowed "patriotism" of PiS may start to balk if evidence of self-dealing becomes clear. But targeting central bank president Adam Glapiński for allegedly using monetary policy as a political tool of the former government risks antagonising EU authorities for limited gain.

Like Viktor Orbán's Hungary or Trump-era America, Poland is a divided society. Restoring the independence of the courts and state TV — still the main news source for many Poles — are vital first steps in bridging divisions. But as it does so, the Tusk government must take care to avoid any appearance of acting in the same manner as its predecessor.

Opinion Science

Big discovery could undo the theory of the universe

Andy Carter



Anjana Ahuja

From our earthly porch, the cosmos seems prettily jewelled with stars and galaxies. Zoom out, however, and it should become an odyssey of omnidirectional dullness: an endless dark expanse in which galaxies shrink to pale dots, and that looks identical in every direction.

That assumption that the universe is evenly sprinkled with matter and appears the same to all observers, known as the cosmological principle, is now in dispute.

Last week, a PhD student in England revealed that she had discovered a giant necklace of galaxies stretching across 1.3bn light years. This so-called Big Ring of galaxies and galaxy clusters joins an expanding catalogue of mammoth structures that defy scientific expectation. Taken with other perplexing observations, it suggests the Standard Model of physics, in which the cosmological principle plays a supporting role, might not be the final word on how the universe came to be as it is today.

> A galactic superstructure has sparked a mixed reaction among the cosmological cognoscenti

As fascinating as the finding itself, is the mixed reaction among the cosmological cognoscenti. "Lots of people are excited but, having said that, you do get this [resistant] attitude in cosmology that you don't generally find elsewhere in science," Alexia Lopez, the University of Central Lancashire student who discovered the Big Ring, told me on Monday. "Good science should be about pushing back and testing our fundamental assumptions but there are clearly people who want to protect the Standard Model."

Perhaps this is because there is no more fundamental question in science than how the universe began — and anything that rattles our understanding leaves an unsettling scientific and philosophical question mark over our very existence.

The Big Ring was detected as Lopez analysed the gas absorption in the measured light from distant quasars, which are some of the most luminous objects in the universe. One particular gas, a form of ionised magnesium known as MgII, is linked to galaxies and galaxy clusters.

"It's a really obvious, detectable feature in the quasar spectra," Lopez says of the magnesium absorption, explaining that the method can reveal faraway galaxies that would otherwise go unseen.

Just as a cardboard cut-out will create a silhouette on a backlit screen, the Big Ring materialised into view as the MgII gas around its galaxies absorbed some of the light coming from the quasars behind. If it were visible from Earth, the ring's diameter would be equivalent to 15 moons.

Lopez — whose collaborators include Central Lancashire colleague Roger Clowes and Gerard Williger, from the University of Louisville, Kentucky — presented her finding at a meeting of the American Astronomical Society in New Orleans last week. She is now writing it up as a scientific paper, where it will be properly peer-reviewed. In 2021, she discovered a similar superstructure called the Giant Arc using the same method. That scythe-shaped curve of galaxies is bigger than the Big Ring, stretching more than 3bn light-years nose to tail.

Those dimensions matter: both exceed 1.2bn light years in size, sometimes referred to as the homogeneity scale. That is about the minimum distance, Lopez explains, over which the universe should look uniform — and now doesn't. The Big Ring and Giant Arc join other supersized flies in the Standard Model ointment, including "great walls" of galaxy superclusters. The biggest is the Hercules-Borealis Corona Great Wall, lying about 10bn light years away and spanning a whopping 10bn light years across.

Is the homogeneity scale too small, then? Even if it was enlarged, Lopez says, it would still leave a puzzle over how such vast galactic structures could form so quickly in the early universe.

Improbable superstructures, which some researchers suggest could arise simply as a statistical fluke, are not the only deviations from the Standard Model. Another is the surprising inconstancy of the Hubble constant, a number related to the expansion of the universe. As anomalies rack up, the Standard Model begins to look, well, substandard.

Cosmic strings, theorised to be defects in the fabric of space-time, have been floated as one possible fix. They can be thought of as "cracks" opening up in the formation of the early universe, similar to the cracks that appear in ice as water freezes over. These blips might allow oddities such as galactic great walls to form.

As for the Big Ring, it more closely resembles a spiral. As cosmologists struggle to make sense of it all, there is something almost poetic about the Standard Model being loosened by a colossal galactic corkscrew.

anjana.ahuja@ft.com

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Whitehall needs informed dialogue, not new letterheads

Andy Haldane ("Here's how to stimulate UK growth: give away power", Opinion, January 12) advises the next government to separate the Treasury's finance and economy ministry functions.

We have been here before. Harold Wilson set up a Department of Economic Affairs in his 1964-70 administration. It was not a great success. It became the model for the fictional Department of Administrative Affairs in the TV sitcom *Yes Minister*.

I came across Eric Roll — later Baron Roll of Ipsden — nursing his wounds after serving as its first permanent secretary, when we were both at the Kennedy School of Government at Harvard. Ten years later I was serving in the Treasury, when another Labour government tried a different approach.

I would receive proposals each evening from the Department of Trade and Industry to direct targeted support to regenerate this or that sector of UK industry as part of the government's industrial strategy. My nightly submissions to Joel Barnett, chief secretary to the Treasury and the person responsible for controlling public expenditure, were copied to the chancellor, his boss and mine, who led the government's economic and industrial strategy. I would come to a balanced judgment recommending, perhaps reluctantly, approval of the expenditure concerned, knowing that any other advice would precipitate an intervention by the chancellor.

Economic policy has to be consistent and long-term. The incoming Conservatives in 1979 swept aside all the arrangements for active intervention to stimulate the economy.

Enabling the necessary informed dialogue across Whitehall does not require changing departmental letterheads. It does require highly professional staff within Whitehall departments, and not just as outside consultants.

As for devolution, relocating more senior Whitehall staff to Darlington or anywhere else outside London is fine. But no one has ever dealt with the overriding issue in regard to local taxation: the rest of the UK depends on huge transfers from London in order to finance any reasonable level of public expenditure. Devolving tax-raising power and responsibility to the regions would entrench their relative poverty.

David Forrester
London N7, UK

Evidence that Covid affects life expectancy is unclear

It easy to assume ("Mortality: Covid takes toll on life expectancy", Report, January 12) that Covid-19 is over and that its effect will "wash out" of the life expectancy results. The World Health Organization declared the Covid pandemic to be over on May 5, 2023. The UK Office for National Statistics estimates there are still excess deaths.

There were 44,255 more deaths in the UK in 2022 than would have been predicted from the five years pre-Covid. That is a 7.2 per cent excess. The comparable number for the first half of 2023 is 8.6 per cent, when Covid was ending. The causes of these continuing excesses could be many.

There are still people who after a long fight lose the battle against Covid itself. Early detection of chronic disease may have failed during Covid. The NHS is still under considerable pressure. Even if patients make it to hospital the pressure may result in poorer care. All have been implicated. The result is probably some combination although the data is far from definitive.

According to the Office for Health Improvement and Disparities, excess deaths are not now concentrated where Covid hit the hardest. Instead, the peaks are in the young (20-24) and middle-aged (45-64). Unsurprisingly respiratory diseases were 44 per cent above the pre-Covid trend for the middle-aged. Surprisingly, heart diseases of all kinds show the same level of abnormal increases. Even renal diseases and diabetes are higher. Far more people died at home rather than hospital compared with before Covid.

All of the UK data suggests that many of the existing theories only offer partial answers. We could blame the funding of our NHS, but this is not only a UK problem. Many European countries are still showing excess deaths above pre-Covid levels.

There are huge variations across countries. In October 2023, seven EU countries reported no excess deaths. Twenty countries did. The highest rate was in Finland at 19.8 per cent. Ireland was at 17.8 per cent and the Netherlands at 15.1 per cent. These numbers are nowhere near the peaks within the Covid pandemic. However, they are high. The UK does reasonably well by comparison. It is much too soon to determine whether there will be long-term effects on life expectancy.

John Bateson
Honorary Visiting Professor, Bayes Business School, Wendover, Buckinghamshire, UK

So far, no intervention has been effective for obesity

Thank you Sarah Redston, for raising the question about prevention versus treatment in relation to how the Novo Nordisk Foundation contributes to tackling the obesity epidemic (Letters, January 10).

As part of our overall ambition of improving people's health, our main focus has been on identifying the root causes of childhood obesity, so as to be able to provide robust evidence to support effective implementation. So far, no intervention has proved to be effective in real life to prevent weight gain and obesity among children, and it is obvious that there is a need for a better understanding of the complex interaction between genetic make-up, early life exposures and environmental factors.

We have initiated and funded several studies that test, for example, whether parents being overweight is programming their children to become obese; if too little sleep predisposes to weight gain; and a project that examines the effects of healthy school meals with less screen time and more physical activity and optimal sleep.

Moreover, together with the Danish Ministry of Health, we have established "The Centre for Childhood Health" — an independent centre supported by a grant of up to £115mn from the Novo Nordisk Foundation. The centre's main focus is to implement preventive changes to ensure a healthy weight and the better wellbeing of all children in Denmark, and eventually to identify solutions with global validity.

Worth noting is that although the Novo Nordisk Foundation owns about 28 per cent of the shares in the pharmaceutical company Novo Nordisk A/S, the two organisations are individual entities with separate boards of directors, leadership teams and goals. The foundation's vision is to improve people's health and the sustainability of society and the planet.

Professor Arne Astrup
Senior Vice-President, Obesity and Nutritional Sciences, Novo Nordisk Foundation, Copenhagen, Denmark

Legal case has lessons for publishers and Big Tech

Rana Foroohar rightly grounds the legal battles between The New York Times and the OpenAI/ Microsoft combine in the lessons learnt by publishers from their disintermediation by Google (Opinion, January 8). One hopes that Big Tech will also have considered the ramifications of that victory.

Two decades on, Google's advertising-heavy search results now undermine the user experience, once key to their success. The desire to retain consumer attention, and hence advertiser revenue, has sucked much of the oxygen from the content ecosystem that their business model relies upon.

Deployment of generative artificial intelligence now threatens to starve the very creators who supply the training content needed for the technology's models. Publishers are racing to protect their intellectual property; Elon Musk has decided to ringfence X / Twitter output to train his AI chatbot Grok. It is in no one's interest if these models — soon to be embedded in every aspect of the internet — are not trained on the most diverse and reliable content possible.

Ultimately, OpenAI will probably accommodate The New York Times. Models legally trained on the best content will have competitive advantages — potentially including reduced model hallucination, and clients will be guaranteed protection from legal ramifications.

Should accessing publisher content become a significant cost, then financially weaker firms — such as open-source start-ups — will struggle to keep up.

Whatever happens, Big Tech wins.

Tim Gordon
Partner, Best Practice AI, London N1, UK

Professional upskilling is challenge, not joblessness

Martin Sandbu's Weekend Essay (Life & Arts, December 30) analyses the philosophy based on effective altruism, which is experiencing rising popularity in academic circles, such as in Oxford, and in Silicon Valley.

A global aim could be promoting a fourth way; an improved social democracy where the individual has a sense of purpose and meaning. A system of economy, competitive and collaborative of the eco-being. With a tax system progressive enough to fight extreme inequality. The main challenge we face is not unemployment but professional upskilling and the requirement to relocate millions of jobs lost because of artificial intelligence and new technologies.

Pascual Olmos
Madrid, Spain

Rural politicians place too much value on Nimby vote

Our rural communities need more affordable housing ("Spending on affordable housing slashed despite acute shortage", Report, January 5).

One of the problems is that rural politicians, both local and national, value the Nimby vote more than the votes of desperate families needing a home.

A recent freedom of information request identified 5,109 families on our council housing waiting list. There are 41 of these families who would qualify for an affordable home in our parish, yet an offer of free land for 12 affordable homes in the centre of a village was rejected because there was not a proven need. Nimby power at work.

Robert Persey
Honiton, Devon, UK

Brexit boosterism seems at odds with other data

London mayor Sadiq Khan's call for an honest debate on the economic cost of Brexit is welcome, given all major parties' omerta on the issue.

But your article on January 12 (Report), foreshadowing his speech quoted, without comment, a Treasury statement that "the UK has grown faster than Germany since leaving the EU, and the IMF has said our medium-term growth outlook is brighter than many of our neighbours on the continent, including France and Germany".

Did the FT fact check that, or try to put it into context? It seems at odds with the economic data supplied elsewhere in the article.

Philippa Leslie-Jones
London SE19, UK

A thought-provoking stat on our survival prospects

According to the article in House & Home ("Common Ground", January 6) the 2023 State of Nature report says one in six of our native species is at risk of being lost.

As a non-native species myself, looking at my catalogue of English roses (all derived from non-native imports from China), I wonder what the risk of extinction is for the rest of us?

John Howkins
London W1, UK

OPINION ON FT.COM
Estimating the private credit crunch
One important difference between private credit and the public high-yield bond universe is that the latter pays fixed coupons, while the former is floating rate debt, with the interest payments ebbing and flowing with interest rates, writes Robin Wigglesworth
www.ft.com/alphaville

Opinion

America will not retreat from the world

POLITICS

Janan Ganesh

Those parochial Democrats. Those globalist Republicans. Last week, when US forces struck Houthi rebels in Yemen, some Congressional left-wingers objected to the action itself or to the lack of legislative consent for it, or to both. Meanwhile, the Republican leader in the Senate and the Republican chair of the House foreign affairs committee just wished that Joe Biden had gone harder, earlier. In a line that could have come out of the liberal Eden of the 1990s, Mitch McConnell said that America must uphold "international commerce" against rogue actors.

There is a lesson here, but it tends to come around often, and there is no chance that it will be heeded this time.

Don't call the Republicans isolationist. (Call them other things, though.) It was Donald Trump's America that assassinated an Iranian general and fired missiles at Syria. It was Barack Obama's that led "from behind". Right-wing populists *can* be insular but also quick to recognise external threats. Democrats *can* be sincere internationalists but also self-doubting and passive. Over the past decade or so — next month marks 10 years since Russia's annexation of Crimea, which happened under Obama — it is an open question which party has been the more negligent and derelict abroad.

The issue here, I think, is that commentators equate unilateralism, which is a method or even just a set of manners, with isolationism, which is a desired outcome. Well, the next Republican president will be unilateralist, even if it is Nikki Haley or Ron DeSantis. But isolationist? Unless we are to drain the word of all meaning, that implies a significant rolling back of America's presence abroad. It suggests a coyness in the face of adversaries. How plausible is that?

> An innate desire for a quiet life has become one of those US tropes that survive all contradictory evidence

On its own, the Republicans' obsession with China keeps them hooked into the outside world. But that isn't all. Their focus on commerce has the same effect. Unless the US runs a siege economy, it will always feel the effect of far-off events through the price of groceries and other basics. And so even a Republican with the most transactional, dollars-and-cents view of the world ends up backing a police-sergeant role for America. Better that than expensive disruptions to shipping lanes. "There are no atheists in foxholes", goes an old cliché. Well, there are no isolationists in supermarkets. Who doubts that Trump, to prevent inflation at home, would have attacked those Houthi tormentors of Red Sea cargo ships? His materialism has its uses.

In fact, the least attractive traits of the Republicans are the ones that push them out into the world. Take their jingoism. A flag-waver cannot contemplate taking a backward step against a mere foreigner. What is, on the face of it, ridiculous *amour propre* often guides the party towards outward action. The strikes against Syrian leader Bashar al-Assad were the ultimate but not sole example.

How did the idea take hold that America is forever longing to quit the world? The nation spent the 19th century rolling westwards and then into the Philippines. For the past 80 or so years — a third of the republic's lifespan — the US has been the inescapable world force. Its isolationist phase was 1919 to 1941: disastrous, yes, but also exceptional, which is why anyone who so much as whispers "America first" now has that and only that period quoted against them. America's innate desire for a quiet life has become one of those tropes that survive all contradicting evidence, like the "fact" that few of its citizens have a passport.

As this election year plays out, and the word "isolationist" flies around without much rigour, keep one question in mind: is a Republican of any note arguing for less defence spending? I don't mean 1920s-style naval disarmament, just a material cut in the Pentagon budget. If not, discount the language of national retreat. True, no one knows what Republicans would do to defend Taiwan, but how does that distinguish them from all US administrations? Yes, stinting Ukraine of support is daft, but enough on its own to establish a whole party programme as isolationist? A party that wants to do *more* against China?

There are better candidates than America for the i-word. It is a serious handicap for the free world that its second and third biggest economic units, Europe and Japan, don't convert their wealth into geopolitical clout. Japan at least has the alibi of a pacifist constitution, drawn up in another age. Europe's excuse for being so marginal to the Israeli-Palestinian conflict, or for taking almost a year to surpass the US in aid for Ukraine, is what? No one thinks to call the continent isolationist. We might extend that courtesy across the Atlantic.

janan.ganesh@ft.com

What we know about the global outlook

Martin Wolf Economics

From demography to technology, it is crucial to pay attention to the forces that will certainly shape our future

What is going to happen to the world economy? We will never know the answer to this question. In one decade after another, something big and largely unexpected has occurred: the great inflation and oil shocks in the 1970s, the disinflation of the early 1980s, the fall of the Soviet Union and the rise of China in the 1990s, the financial crises in the high-income economies in the 2000s and the pandemic, post-pandemic inflation and wars in Ukraine and the Middle East in the 2020s. We live in a world of conceivable and obviously consequential risks. Some — war among nuclear great powers — could be devastating. The difficulty is that low-probability, high-impact events are nearly impossible to forecast.

Yet we also know of some big features of our global economy that are not really uncertain. These must also stay in our minds. Here are five of them.

The first is *demography*. The people who will be adults two decades hence have all been born. The people who will be over 60 years old four decades from now are already adults. Mortality could jump, perhaps because of a terrible pandemic or a world war. But, barring such a catastrophe, we have a good idea of who will be living decades from now.

Several features of our demography are quite clear. One is that fertility rates — the number of children born per woman — have been falling just about everywhere. In many countries, notably China, fertility rates are far below replacement levels. Meanwhile, the highest fertility rates are in Sub-Saharan Africa. As a result, its share in global population might jump by 10 percentage points by 2060. (See charts.)

These demographic changes are the result of rising longevity, the transformation in the economic, social and political roles of women, urbanisation, the high costs of parenthood, improvements in contraception and changes in how people judge what is worthwhile in their lives. Only huge shocks could conceivably change any of this.

A second feature is *climate change*. Maybe current trends will be turned around in time. But emissions of greenhouse gases emissions have barely stabilised, while the world continues to get hotter as stocks of these gases in the atmosphere continue to rise. It is a good bet that it will continue to do so for a long time. If so, temperatures are sure to rise by far more than 1.5C above pre-industrial levels, which, we have been told, is the upper limit of reasonable safety. We will have to work harder to mitigate emissions. But we will also have to invest heavily in adaptation.

A third feature is *technological advance*. Progress in renewable energy, especially the falling cost of solar, is one example. Advances in life sciences are another. But, in our age, the revolution in information and communications technologies is the centre of such progress. In *The Rise and Fall of American Growth*, Robert Gordon of Northwestern University has persuasively argued that the breadth and depth of technological transformation has slowed, almost inevitably, since the second industrial revolution of the late 19th and early 20th centuries. Transport technology, for example, has changed rather little in half a century.

Nevertheless, the transformation in information processing and communication has been astounding. In 1965, Gordon Moore, who went on to found Intel, argued that "with unit cost falling as the number of components per circuit rises, by 1975 economics may dictate squeezing as many as 65,000 components on a single silicon chip". That was right. But astoundingly, Moore's eponymous law continues to be true almost half a century later. In 2021, the number of such components was 58.2bn. This permits marvels of data processing. Moreover, 60 per cent of the world's population used the internet in 2020. Further transformation of how we live and work must follow from this. The development and use of artificial intelligence is the latest example.

> Short-term shocks can be overwhelming. But the urgent must not overwhelm the important

A fourth feature is the *spread of knowhow* across the world. The developing regions that have proved most adept at absorbing, using and furthering such knowledge are in east, south-east and south Asia, which contain roughly half of the world's population. Developing Asia also continues to be the world's fastest-growing region. Given the ability — and the opportunity — to catch up, it is a safe bet that this will continue. The centre of gravity of the world economy will continue to shift in the direction of these regions. That will inevitably create political shifts. Indeed, it already has. China's rapid economic rise is the big geopolitical fact of our era. In the long term, India's rise is likely to have large global consequences, too.

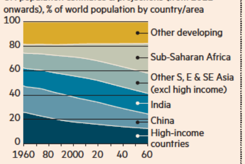
A fifth feature is *growth* itself. According to the updated work of the late Angus Maddison, as well as the IMF, the world economy has grown in every year since 1950, except 2009 and 2020. Growth is an inherent feature of our economy. The World Bank's recent Global Economic Prospects notes that what looms ahead in 2024 is "a wretched milestone: the weakest global growth performance of any half-decade since the 1990s, with people in one out of every four developing economies poorer than they were before the pandemic". Nevertheless, even in this shock-affected period, the world economy has grown, even if unequally across countries and people, and unevenly over time. We are not moving into an era of global economic stagnation.

It is easy to be overwhelmed by short-term shocks. But the urgent must not be allowed to overwhelm our awareness of the important. In the background, the big forces described above will reshape our world. While improving our capacity to respond to shocks, we must pay them very careful attention.

martin.wolf@ft.com

The share of sub-Saharan Africa in global population is soaring

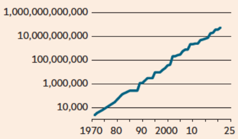
UN population estimates & projections (from 2022 onwards), % of world population by country/area



Source: UN

Moore's law* continues to operate six decades after it was propounded

Transistors per microprocessor

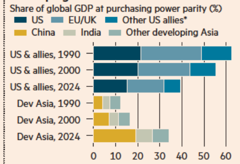


* The observation that the number of transistors on an integrated circuit doubles approximately every two years is called Moore's law

Source: Karl Rupp, Microprocessor Trend Data (2022); Our World in Data

The shift of world output towards developing Asia has been inexorable

Share of global GDP at purchasing power parity (%)



* Japan, Canada, S Korea, Australia, New Zealand

Source: IMF

Lebanon is poised precariously between peace and war

Kim Ghattas

Lebanon's caretaker foreign minister, Abdallah Bou Habib, made a startlingly frank admission of powerlessness on January 3, in a television interview with CNN's Christiane Amanpour. A day earlier, a suspected Israeli missile strike had killed a senior leader of Hamas in the southern suburbs of Beirut, a bastion of Hizbollah.

It was the first such strike on Beirut since the 2006 war between Israel and Hizbollah. Panic spread in the country as the Lebanese worried Hizbollah's retaliation would provoke all-out war. Asked whether the Shia militant group and political party could be restrained, Bou Habib replied: "The decision is theirs; we hope they don't commit themselves to a larger war."

Decisions of war and peace have long been out of the hands of the Lebanese state, going back as far as 1969, when Lebanon signed the Cairo accords, which gave Palestinian guerrilla fighters based there the latitude to use its territory to strike Israel. That would eventually lead to the devastating 1982 Israeli invasion of the country, the departure of Palestinian fighters and leaders, the creation of Hizbollah and the 17-year-long Israeli occupation of south Lebanon.

After the civil war ended in 1990, Lebanon's fate in effect lay with its masters in Syria, an ally of Iran. Syrian President Hafez al-Assad often used Hizbollah to negotiate with Israel by fire via Lebanon. Today, Damascus is a vassal of Tehran, while Hizbollah has grown into a powerful, armed regional paramilitary force, working closely with Iran.

A day after Bou Habib's interview, Hizbollah's answer came. The group's leader, Hassan Nasrallah, warned Israel that if it launched a war against Lebanon, Hizbollah would fight back hard. In other words, a strike against a Hamas leader in the heart of a Hizbollah-controlled area in the Lebanese capital did not yet qualify as a declaration of war. Nasrallah also opened the door to dialogue to bring an end to three months of cross-border clashes.

> A durable cessation of hostilities requires constitutionally mandated, legitimate leadership

On cue, Lebanon's caretaker prime minister, Najib Mikati, sent a letter to the UN signalling his country's readiness to implement UN resolution 1701, which stipulates that only government and UN forces be present along Lebanon's border with Israel. It also requires Israel to refrain from incursions into Lebanese airspace and territory.

But the question of who decides war and peace is not the only conundrum facing Lebanon. Timing is another. Nasrallah said dialogue would only be possible after the end of the war in Gaza. Mikati then repeated that line. Israel has made clear it will no longer tolerate the threat posed by Hizbollah on its northern border, but Washington has repeatedly cautioned the Israelis against launching a wider offensive against Lebanon.

In December, Israeli officials warned that the window for a diplomatic solution was six to eight weeks. Will that coincide with a decrease in the intensity of Israel's campaign in Gaza sufficient to allow Nasrallah credibly to tell his followers that the war is over and dialogue can proceed?

Adding to the complexity is the fact Lebanon has been without a president for more than a year. Declaring war may not be within the remit of the Lebanese state, but signing off on peace, or at least a durable cessation of hostilities, will require constitutionally mandated, legitimate leadership.

Lebanon is a small country with a bankrupt economy that carries no weight as a regional player. Yet in a country that has always been a proxy battleground, the posts of president and prime minister are subject to intense bargaining. Regional powers such as Iran or Saudi Arabia use this to project influence or protect their interests, while Lebanon's political leaders play along, waiting to see which way the regional winds are blowing.

Suleiman Franjieh, scion of a prominent Christian family from the north and friend of Bashar al-Assad, was the declared presidential candidate of those aligned with Iran long before the war in Gaza. They will now push again for their candidate, arguing he can bring quiet to the border if he is elected. The opposition had previously nominated Jihad Azour, a senior official at the IMF and former finance minister. But a third, undeclared candidate is Lebanon's army chief, Joseph Aoun, a likely favourite of Washington. His election would indicate that a wider regional settlement is in the offing once the war in Gaza winds down.

Meanwhile, the Lebanese, feeling powerless, are left asking the same question every day: "*Shoo, fi harb?*" So, is there war?

The writer is author of 'Black Wave', distinguished fellow at Columbia University's Institute of Global Politics and an FT contributing editor

Lex.

X: @FTLex

Goldman Sachs: rally may not be sustained

The feast-or-famine nature of Wall Street advisory work means Goldman Sachs's revenues and profits can be more volatile than those of its peers.

Market optimism for this unit has lifted the share price. Stocks in the US investment bank have rallied 30 per cent since late October to trade just 10 per cent below the all-time high.

Hope that the revival in dealmaking activity seen during the fourth quarter will be sustained in 2024 has produced a similar boost in valuations.

Goldman currently commands a 15 per cent premium to industry leader JPMorgan Chase on a price-to-forward earnings basis. Never mind that JPMorgan delivered record profits for 2023 while Goldman reported a 24 per cent drop in annual net earnings to $8.5bn, the lowest level in four years.

After a dismal year in which M&A activity sank below $3tn for the first time in a decade, the market is betting that the worst is over. Interest rate hikes have peaked. The recent stock market rally should encourage more deals and public offerings.

Goldman said yesterday that its M&A backlog "saw a really strong replenishment and improvement" in the final quarter of the year.

After a disastrous foray into consumer banking, Goldman has good reason to talk up its deals pipeline.

For all its diversification plans, equity and fixed income trading plus investment banking made up 65 per cent of the $46.2bn in total revenue that it pulled in last year. The figure is 42 per cent at Morgan Stanley and 30 per cent at JPMorgan.

Advisory work is highly profitable. Unlike retail banking, advisory does not require much capital. Goldman's global banking and markets unit delivered a 12.1 per cent return on average common equity last year compared with 3.2 per cent for its asset and wealth management business.

But Goldman's rally also leaves plenty of scope for disappointment. For starters, a return to the 2021 level of record dealmaking is unlikely in 2024.

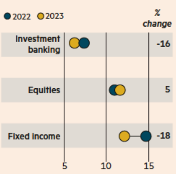
The $12.1bn in net income that analysts expect Goldman to earn this year will still land well below the $21.6bn that it made in 2021.

Bankers are not cheap, either. About a third of the revenue Goldman made last year went on salaries, bonuses and benefits. Its efficiency ratio, a measure of how much it costs to produce a dollar of revenue, jumped nearly 9 percentage points to 74.6 per cent.

Its bankers will cheer signs of green shoots. But investors buying in at current valuations may find that they are left with little more than twigs.

Goldman Sachs

Global banking net revenues ($bn)



Source: company

Eli Lilly: heavyweight status looks set to last

Eli Lilly was once seen as something of an also-ran in the pharmaceuticals industry. It struggled to replace lost sales from patent expirations on some of its most profitable 2010s treatments.

It pulled in less revenue in 2019 than it did in 2011. In the latter half of the decade its market value languished at around the $100bn mark. These days, Lilly is the world's most valuable drugmaker, after overtaking Johnson & Johnson last summer. Its $610bn market capitalisation makes it the ninth biggest company on the S&P 500.

It has America's obesity epidemic to thank. And if 2023 was the year of Ozempic and Wegovy, then 2024 could be the year of tirzepatide. The latter, made by Lilly, has been approved to treat type 2 diabetes since 2022 under the brand name Mounjaro.

Some doctors prescribe it off-label as a weight-loss drug. But last November, US regulators gave the green light for it to be used as an obesity treatment under the name Zepbound.

High expectations for the injectable treatment have sent Lilly shares on a run. They bucked the wider pharma sell-off, rising 60 per cent last year. A price to forward earnings multiple of over 50 values the stock more like a tech than a pharma. Bristol Myers Squibb trades on just seven times earnings while Pfizer is on 20 times.

The frenzy for weight loss and diabetes medications is unlikely to fade. This new class of weight-loss drugs, known as GLP-1, must be taken consistently for lasting results. JPMorgan thinks sales of these drugs could exceed $100bn by 2030.

For now, the market is dominated by Lilly and Novo Nordisk, the Danish maker of Ozempic and Wegovy. But Lilly may yet have an edge. Some research has shown tirzepatide, the active ingredient in Mounjaro and Zepbound, has better efficacy. Zepbound is also cheaper than Wegovy.

One bullish estimate reckons that Zepbound and Mounjaro could generate over $50bn in peak annual sales. That compares with Lilly's total revenues of $28.5bn for 2022.

The number is not as far fetched as it looks, especially if Lilly can show that tirzepatide offers benefits like reducing the risk of heart attacks. Lilly also has a promising drug in the field of Alzheimer's, the last great excitement before obesity took the spotlight.

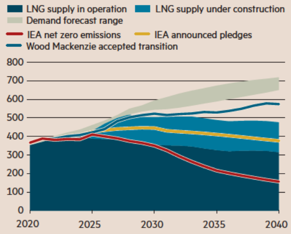
Lilly's valuation may seem impossibly high but don't expect a correction to come any time soon.

LNG: glut will chill oil majors' gas ambitions

A new wave of LNG projects capable of producing 140mtpa of the supercooled fuel is set to come on stream between 2025 and 2027. That may drive a drop in natural gas prices, which spiked after Russia's invasion of Ukraine. New LNG capacity may overshoot the gas consumption assumed by net zero scenarios.

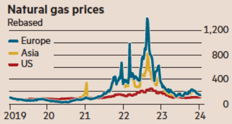
Supply vs demand scenarios

Million tonnes per annum



Natural gas prices

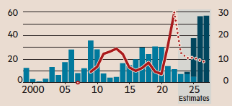
Rebased



Capacity installed by year

Global liquefaction addition, mn tonnes per annum

Asia LNG price $/mmbtu



FT graphic Sources: Shell; LSEG; Bernstein Research

The LNG world is no stranger to booms and busts. A dearth of new projects raises prices, leading to a rush to bring new gas to market.

The next big upswing in capacity is starting, with a wave of the fuel becoming visible over the horizon. That is good for gas-starved utilities and countries fretting over energy security, less so for those seeking to sell LNG into the European market.

The market needs some slack. Supply has been tight for the past two years as a result of Russia's invasion of Ukraine. To make up the shortfall, Europe has cut its gas consumption and hoovered up an extra 70bn cubic metres (bcm) or so of LNG originally destined for the Asian market.

But the market is set to get more LNG than it bargained for. Projects capable of producing 140mn tonnes per annum (mtpa, equivalent to 200bcm) are set to come on stream between 2025 and 2027, according to Bernstein. That is more than 30 per cent of the current market.

New projects are likely to leave the market amply supplied and drive spot gas prices down, at least until demand catches up towards the end of the decade. That is significant for Europe, where long-term contracts are indexed to the spot price. Lower prices would be a relief for energy-intensive European industry. Chemicals groups, for instance, have been at a disadvantage compared with US peers.

But LNG sellers face choppy seas. US specialists such as Cheniere, NextDecade or Venture Global tend to be protected by long-term capacity contracts, at fixed prices. But a slump could squeeze profits for "portfolio" LNG groups — often majors — whose bets on natural gas are part of transition plans. These buy from multiple developers, in addition to any owned production, and try to place it where it is most profitable.

Looking to 2030 and beyond, gas demand is supposed to peak, at least in scenarios that target net zero by 2050. Developers do not seem to have got the memo. They are seeking to pull the trigger on a further 190mtpa (circa 260bcm) of projects that will produce gas into the next decade.

LNG demand may grow more than the overall gas market, and not all the projects in the pipeline will be built. But an influx of gas well into the next decade would be an unhelpful headwind for the energy transition, and a chill wind for the oil and gas majors trying to sell it.

Panmure Liberum: huddling in the cold

In a market that is freezing over, UK brokers must huddle together for warmth. The latest squeeze, announced yesterday, comes between Panmure Gordon and Liberum.

One of them can trace its history back to Victorian times; the other has the pluckiness of a relative newbie. This is a sensible deal, but it is one that smacks of defensive desperation given the backdrop.

Panmure's owner, Atlas Merchant Capital, led by ex-Barclays boss Bob Diamond, will with 35 per cent be the largest shareholder. Next is Liberum founder Shane Le Prevost with 18 per cent. Despite having more than 250 listed mid-cap clients, the two say that only six overlap.

UK mid-caps is a challenging world. Last year only £953mn was raised via local IPOs, down 40 per cent, says EY. The UK's remaining crop of midmarket brokers is hugely reliant on listings. The new Panmure Liberum claims to have led the way for sub-£1bn IPOs over the past five years.

Moreover, the world's largest investors, managing $2tn of assets, think very little of UK stocks. Only 3 per cent expect to add exposure to UK equities in the next year, says consultant Mercer. Almost a fifth want to cut their exposure to Blighty. That is the worst spread of opinion for any of the 20 asset classes and regions.

Undeterred, insiders suggest optimistically that the combined group could generate about £100mn of revenue in 2025.

This is similar to what the pro forma group made in 2021, the last peak. The idea is that this will happen with about a quarter less overheads — roughly right for cost reductions in bank transactions. That would turn 2022's lossmaking business into a very profitable one.

Deutsche Bank paid £410mn for larger local peer Numis last year. Using that as a benchmark, and using last year's cyclically low revenues, the Panmure Liberum deal is worth perhaps £100mn and twice that in 2025 if the group's hopes are achieved.

Combinations in this sector are fraught — even without the drag of turgid local market conditions. Liberum has a wider spread of share ownership among its employees than Panmure. That will have to change to avoid friction.

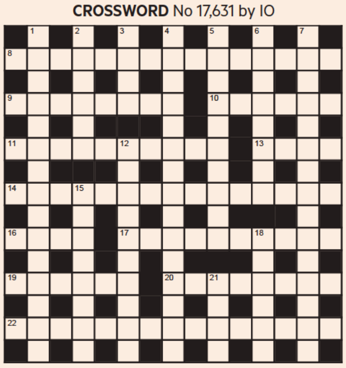
Consolidation among beleaguered UK brokers must be a good thing. But any top global bank can scoop up talent and clients, if things start looking up.

That the UK is an unloved and inexpensive market is nothing new. If equity markets are recovering, value propositions like Britain's should actually attract contrarian investors.

Still, this pair may find it challenging to generate enough heat to thrive.

FT Lex on the web
For notes on today's stories go to **www.ft.com/lex**

CROSSWORD No 17,631 by IO



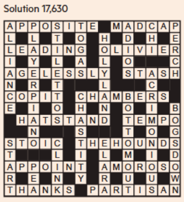
ACROSS

8 Wild fourth item in mythical narration, maybe (11,4)
9 Contrary attitude, retaining bell edge with shells (8)
10 Brave husband divorces without delay (6)
11 Anxiously wait to use toilet? Finally! (5,2,3)
13 He wrote *Spamalot* while away (4)
14 Dutch courage? It may be needed for serious theatre work (10,5)
16 Tortoise — eventually — has got it! (1,3)
17 Doch-an-doris for Kitty, perhaps, and straight home (3,4,3)
19 Bloody fortune to Brahms & Liszt (6)
20 Textbook *Left-handed Potter* billiard pockets (8)
22 Pair in the ring of course continually improving (6,3,6)

DOWN

1 You row about clothes line (9,6)
2 Flibbertigibbet after antelope in Africa (6)
3 Obsessive about getting out of the groove (4)
4 Abraham's due date for treatment with morphine and LSD (3,8,4)
5 Tra-la-la tune frightfully posh? No (10)
6 Aston Villa executive initially welcoming supporters close to Unai Emery? (8)
7 Labourer turns avant-garde, supporting Baroque music functions (8,7)
12 Name, say, robot aid for broadcast (5,5)
15 This person refuses to adopt singer's image (8)
18 A teenager no longer worked for nothing in play (6)
21 Pint-sized sailor's boarding times (4)

Solution 17,630



JOTTER PAD

Scan the QR code to access FT crosswords over the last 30 days — cryptic, Polymath, Weekend and Sunday puzzles — or go to ft.com/crosswordapp

The World 2024

Wednesday January 17 2024

www.ft.com/reports

The story remains one of integration

Hyperglobalisation is dead. Globalisation, on the other hand, is not, writes *Martin Wolf*

What are the prospects for the world's still highly integrated economy? In answering this question, one has to start with the underlying forces at work.

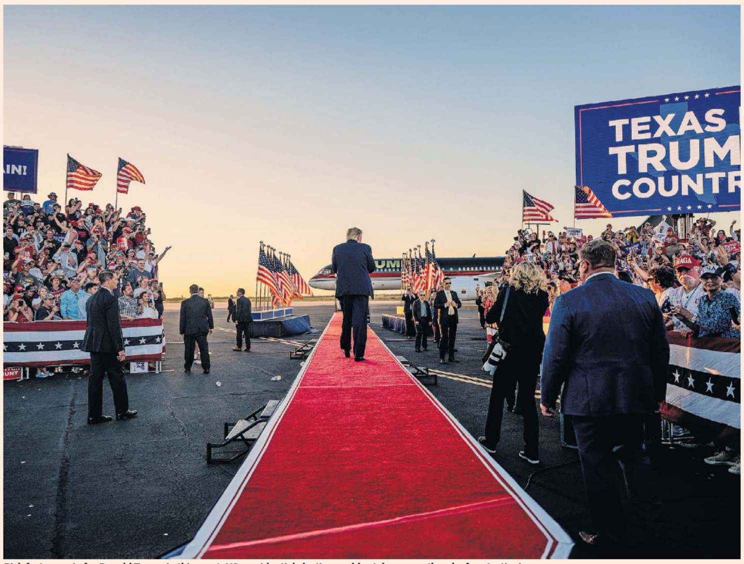
The most fundamental are changes in economic opportunities. These include reductions in costs of transport and communications, shifts in comparative advantage and changing opportunities for exploiting economies of scale and learning by doing. No less crucial, particularly in the short and medium run, are changes in economic ideas and geopolitical realities. Finally, shocks — wars, crises and pandemics — also shift the perceptions of business, peoples and politicians of the risks, costs and benefits of cross-border integration.

The history of cross-border integration, especially trade, illuminates the interplay among these forces.

The long-term story is one of growing integration. Between 1840 and 2022, the ratio of world trade in goods to global output rose roughly fourfold (see charts on page 2). Yet openness to trade has fluctuated dramatically: the ratio of trade in goods to world output tripled between 1840 and 1913, then fell by roughly two-thirds between 1913 and 1945, and tripled again between 1945 and 1990, to surpass pre-1914 levels.

After the collapse of the Soviet Union and empire in the early 1990s, the world economy experienced two eras. The

Continued on page 2



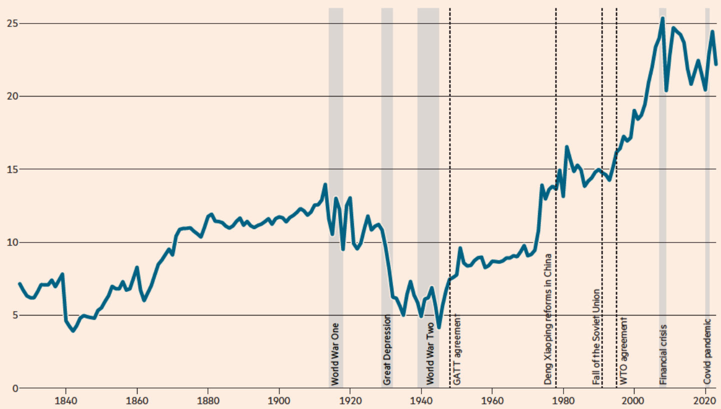
Risk factor: a win for Donald Trump in this year's US presidential election could catalyse an outbreak of protectionism — Brandon Bell/Getty Images

Inside

The World in Figures 2024

Trade has shown a long-term rise, but with significant interruptions

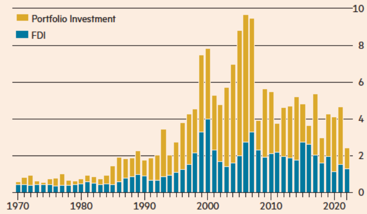
World exports as a % of GDP, 1827-2023



Source: Fouquin and Hugot (CEPII 2016) to 1979, then IMF from 1980

Financial globalisation peaked just before the 2008 financial crisis

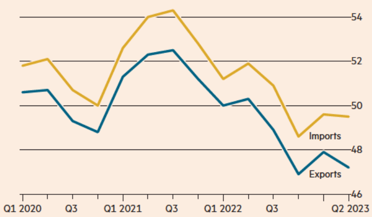
Global gross financial flows (inward flows, as a % of global GDP)



Source: Subramanian, Kessler, & Properzi (Peterson Institute, 2023)

Trade in intermediates has fallen slightly relative to world trade

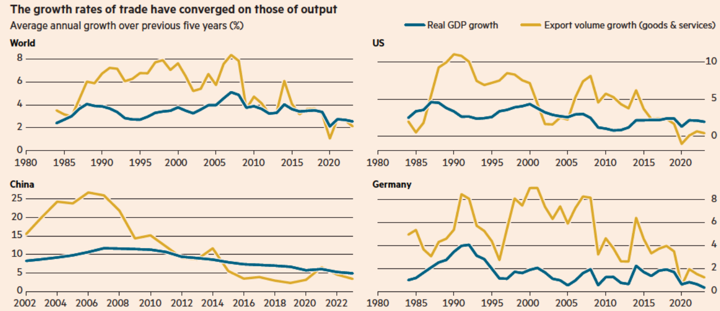
Share of intermediate goods in world merchandise trade (excl. fuels, %)



Sources: WTO, Trade Data Monitor

The growth rates of trade have converged on those of output

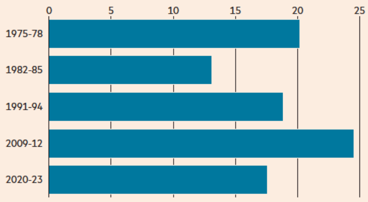
Average annual growth over previous five years (%)



Source: IMF, FT calculations

Global trade has rebounded after the pandemic

Recovery in global trade volume three years after recession* (%)



* The start of each period saw an annual decline in global GDP per head

Sources: World Bank, IMF

The story remains one of integration

Continued from page 1

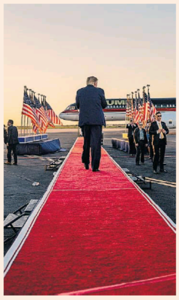
first, up to about 2010, was one of "hyperglobalisation", a label applied by Arvind Subramanian and Martin Kessler in a 2013 paper for the Peterson Institute of International Economics.

The dominant features were rapid growth of international transactions relative to global output, with flows of direct and portfolio capital across borders growing even faster than trade in goods and services. By the financial crisis of 2007-09, the world economy had become more integrated than ever.

Thereafter, the world economy entered an era some label "slowbalisation". Subramaniam and Kessler (with Emanuele Properzi) have analysed this in a Peterson Institute piece of November 2023. In this period, trade has grown roughly in line with world output, while ratios of cross-border investment to world output have more than halved.

What caused pre-crisis hyperglobalisation? Why did it end in slowbalisation? What might happen next? The answer to the first question is that, after 1990, all three driving forces came together. First, close to one and a half centuries of divergent economic growth had created huge gaps in productivity between the most advanced economies and those that had fallen behind, notably China. This created enormous opportunities for taking advantage of cheap labour.

Second, the container ship, jumbo jet and advances in information and communication technology allowed unprecedented cross-border integration of business organisations and unbundling



of supply chains. Finally, the worldwide shift towards belief in market liberalisation and cross-border opening transformed policy. Among the transformative moments were the arrival of Margaret Thatcher, Ronald Reagan and Deng Xiaoping to power in the UK, US and China, respectively. In world trade, highlights included completion of the Uruguay Round of multilateral negotiations in 1993, establishment of the EU single market in 1993, creation of the World Trade Organization in 1995 and China's accession to the WTO in 2001.

What ended this period? All the main drivers weakened or went into reverse. The opportunity for further trade increases through exploitation of differences in labour costs diminished, as

> What could come next? Continuation of a messy status quo seems the most plausible answer

those costs converged. As China's economy grew, its dependence on trade naturally declined. Shocks caused by the pandemic and wars also underlined the risks associated with extensive reliance on trade for essential supplies.

At least as important have been ideological changes, among them the rise in protectionism and nationalism, notably in the US, triggered by the economic rise of China and the "China shock" to industrial employment. Parallel changes have occurred in Xi Jinping's China. There, too, policy has shifted from reliance on the free market and private business towards greater government control.

Perhaps most important, the global financial crisis, pandemic and today's great power tensions have transformed trust into suspicion and risk-taking into "de-risking". No substantial global trade liberalisation has occurred in more than two decades.

What could come next? Continuation of a messy status quo seems the most plausible answer. The world economy would remain relatively open by historical standards with trade growing more or less in line with world output. Some decoupling of direct links between the US and China would occur. But the attempted shift by the US (and others) towards other suppliers would leave indirect dependence on inputs imported from China. A large number of countries would continue to maintain trade with the US and its close allies, on the one hand, and China, on the other.

The most likely alternative to this would be a more radical breakdown. Attempts to limit US actions against China over national security — Jake Sullivan's "small yard and high fence" — might end up with a big yard and a high fence; Donald Trump winning the presidency might be the catalyst. Conflicts over the EU's carbon border adjustment mechanism could be another trigger for global protectionism.

The integrated world economy is surviving. But great power nationalist rivalry can cause huge disruption. Will this era prove to be an exception? We must work to ensure it does.

Contributors

Martin Wolf
Chief economics commentator

Gillian Tett
Columnist and FT editorial board member

Gideon Rachman
Chief foreign affairs commentator

John Thornhill
Innovation editor

Edward Luce
US national editor and columnist

Michael Stott
Latin America editor

David Pilling
Africa editor

Jemima Kelly
Columnist

Keith Fray/Steve Bernard
Statistics/graphics

Steven Bird
Designer

Alan Knox
Picture editor

Peter Chapman
Commissioning editor

Democracy under threat in the 'year of elections'

More than 70 states have elections this year, including eight of the 10 most populous countries. But democracy has been on a declining trend globally since 2012, according to research from the University of Gothenburg's V-Dem Institute.

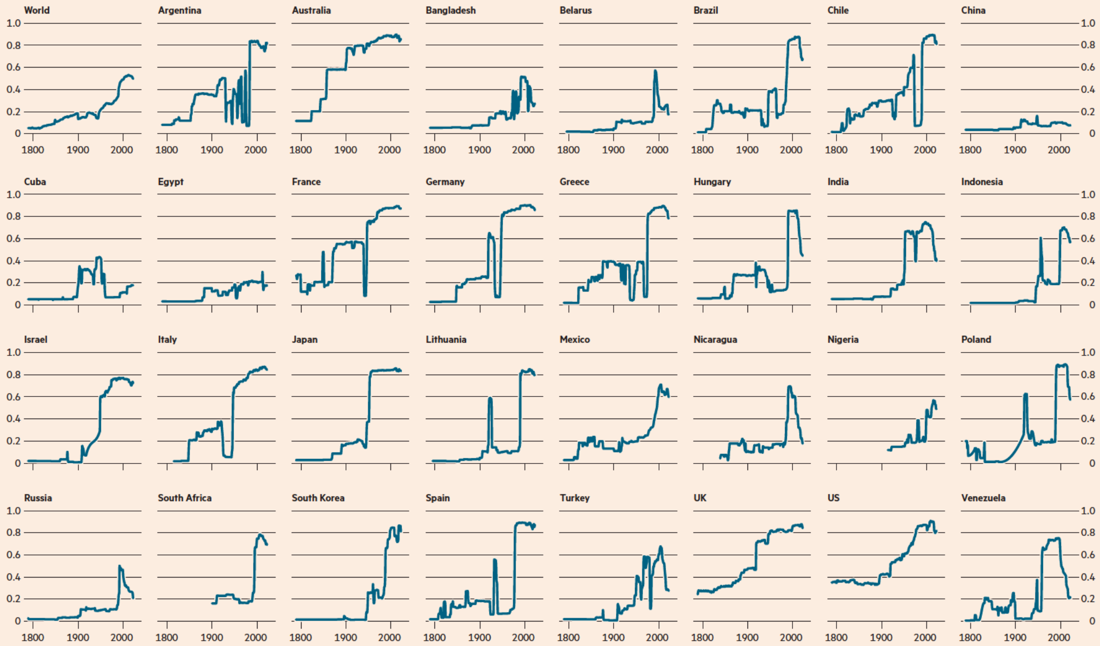
Although in 2024 about half of the world's adult population will be entitled to vote, the "year of elections" takes place against a background of growing illiberalism and threats to democratic values and institutions.

The "electoral democracy index", reproduced for selected countries below, attempts to capture the extent to which elections are free and fair, with comprehensive voting rights, a free media and guarantees on rights of association.

Over 230 years these charts show rising democracy, particularly as the franchise is expanded to working class men and then to women, but also abrupt reversals such as the military coups in Spain (1936), Greece (1967) and Chile (1973).

Rapid advances followed the defeat of fascism in 1945, colonial independence in the 1950s and 1960s and the fall of the Berlin wall in 1989, though declines feature in the past two decades in many countries that remain notional democracies but have elected autocratic leaders and parties, such as India, Turkey and Hungary.

V-Dem Electoral Democracy Index (0-1, 1= most democratic), 1789 to 2022



Source: V-Dem, processed by Our World in Data • Index estimates the extent to which political leaders are elected under comprehensive suffrage in free and fair elections, and freedoms of association and expression are guaranteed

Bargainer Biden needs to counter the age factor

US election

His bipartisan deals failing to woo voters, the president must focus on various causes of dissatisfaction, reports *Edward Luce*

Joe Biden faces a challenging 2024

In the 2020 Democratic primaries, Joe Biden seemed like a relic in a field where everyone was striving to out-radical the next. Yet it was "Uncle Joe" — the lone candidate who ignored Twitter, thought there should be some controls on the US-Mexico border, and who lacked the zeal of the rest on critical race theory and gender identity — who took the prize. In spite of all the hype about faculty lounge radicalism, it was working class African American voters who decided the race.

Biden would be fortunate to repeat history in 2024. Though he does not face a serious challenger for the nomination, the Democratic party is on constant tenterhooks for a physical stumble or gaffe that would cement public scepticism about his advanced age.

Since he was elected to the US Senate in 1972, Biden has always aimed for that transactional space where sufficient consensus can be achieved. At times, this earned him opprobrium from the left. Yet, when a bargain was needed, Biden was the man to find it.

As Barack Obama's vice-president, he averted a US debt default with Republican Senate leaders. As president, he has struck more bipartisan deals — on infrastructure, industrial policy and prescription drug price caps — than any Democratic president in decades.

But none of this appears to have bought him any credit with voters. His approval ratings are languishing several points below those of Donald Trump and continued to slide in the last months of 2023. The question is whether there is anything Biden can do that would outweigh the public's misgivings about his age. There is only one way of finding out.

Aside from age, Biden's challenges can be boiled down to two broad areas. The first is continued voter dissatisfaction with their economic circumstances.

The second is a fear about illegal immigration and crime, and a broader mistrust of Democratic cultural radicalism. In short, Biden is losing blue collar America, including a rising share of the non-white working class. But for his age, Biden would be the right Democrat to win them back.

His area of greatest impotence is on the economy. In the pandemic's wake, the median US household has seen no income gains since 2019 and, with a Republican-controlled House of Representatives, no scope exists for stimulative legislation in 2024. Biden's main hope lies with the US Federal Reserve.

In December, Fed chair Jay Powell called the peak of the US interest rate cycle. If the Fed speedily cuts rates in early 2024, that is likely to feed into improved consumer sentiment — via results such as reduced mortgage and auto-loan repayments — in time for the general election.

Biden has greater scope to insert himself into the narrative on crime and illegal immigration. Across many big US cities, there has been a rising public sense that Democratic prosecutors are soft on crime, amid big jumps in homicide rates since the pandemic. Unlike voter worries about their pocket books, which they understand better than any macroeconomist, much of the Democratic party's problem on crime is about branding. This is one area where Kamala Harris, Biden's equally unpopular vice-president, could be put to better use. As a former public prosecutor, Harris should be hammering on the theme that the Democrats are allies of law enforcement.

> 'An election that will decide the fate of US democracy is likely to be settled by a host of mostly unrelated issues'

In practice, the Democratic "defund the police" campaigns got nowhere. Many allies of Trump, on the other hand, want to "defund the FBI". It would be malpractice not to drive this home. Since Harris is widely seen as part of the progressive left, her sustained intervention on this theme could kill two birds with one stone.

The same applies to illegal immigration. Again, much of this is about branding. The Democratic party's "open border" radicalism of 2020 was never put into practice. Yet illegal crossings have surged to record levels since Biden became president. He should be able to strike a deal with Senate Republicans in early 2024 to replenish aid to Ukraine in exchange for more resources on the US-Mexico border. Such a bargain would trigger howls of betrayal from the left, which would accuse Biden of putting migrants under the bus. But, the louder those protests, the better. This would help Biden to blunt Trump's allegations of lawlessness on the border.

Biden could also seek out a Bill Clinton-type 1992 "Sister Souljah" moment — when the then presidential candidate singled out the African American activist and novelist as extremist — to distance himself from his party's more outlandish cultural positions. For example, many in today's Democratic Party take contestable stances on gender identity and some still advocate open borders and defunding the police. The question is whether Biden has the vitality to deal with all this.

He does have two things going his way. First, the backlash against the repeal of Roe vs Wade, and draconian anti-abortion laws in Republican states like Texas, is of existential concern to millions of women. This could tip the election. Second, Trump is likely to be convicted in at least one of his four criminal trials during 2024. That could change the political weather.

Either way, an election that will decide the fate of US democracy is likely to be settled by a host of mostly unrelated issues.

Latin America has best chance of growth in a generation

Development

Region's advantages offer an extraordinary political and economic opportunity, if its governments can step up, writes *Michael Stott*

Predictions of a bright new dawn for Latin America tend to elicit polite scepticism, at best. The region has disappointed citizens and investors alike over the past decade.

Its economies have barely grown and living standards have mostly stagnated or declined. South-east Asia has eclipsed it as an investment destination and a manufacturing hub. Former US diplomat Henry Kissinger famously dismissed Chile as "a dagger pointed at the heart of Antarctica" due to its supposed lack of strategic importance.

Yet Latin America today commands fresh attention because of its potential to help meet some of the 21st century's biggest challenges: producing food, generating clean energy, extracting critical minerals, and fighting climate change.

Latin America has two-thirds of world lithium reserves and about 40 per cent of its copper. It accounts for 45 per cent of global agrifood trade, according to the EU, and its abundant stock of farmland and water could allow that to grow much further. It is home to the world's largest surviving rainforest, the Amazon, and its diverse geography includes some of the best locations on the planet to generate solar and wind power.

This combination of strengths gives Latin America its best chance in a generation to lift its economies out of stagnation, make its people wealthier, and assume a bigger global role.

It also enjoys some other, less obvious, advantages in today's troubled world: its states are not at war with each other; it is more democratic than any other developing region; and it is building soft power — *latino* music, food, art, and films have global audiences. In addition, digital nomads cite Mexico City, Medellín and Buenos Aires as among the world's best cities for remote working.

In a region inured to jibes about being the eternal land of future promise, the key question is whether its governments can rise to the task.

Mexico, the region's main manufacturing hub, stands out as the location of choice for companies wishing to move production away from China and close to the giant US market. In June, it elects a successor to President Andrés Manuel López Obrador, whose nationalistic bent and state-directed investment have crimped growth. Investors hope either López Obrador's chosen successor, former Mexico City mayor Claudia Sheinbaum, or the opposition's Xóchitl Gálvez, prove more investor-friendly and allow Mexico to capitalise on what ought to be a giant nearshoring boom.

In Brazil, leftist president Luiz Inácio Lula da Silva wants to make the region's biggest economy a global leader on the environment and draw a wave of green investment in everything from carbon offsets to sustainable energy. Brazil, he pledged during a visit to the Gulf last year, will become the "Saudi Arabia of renewable energy in 10 years".

Medellín: considered one of the best cities in the world for 'digital nomads'

Now in his third term, Lula will play a major foreign policy role, hosting the G20 in November and the COP30 environmental summit a year later. He believes Brazil, as a neutral and peaceful nation, can mediate in global conflicts.

In Argentina, investors have bid up stocks and sovereign bonds to levels unseen in years after the recent election of President Javier Milei. A libertarian economist, he has decreed an end to state economic controls and advocates unbridled capitalism. But it remains to be seen whether the Peronist-dominated congress and Argentina's powerful unions allow him to sweep away a generous welfare state, labour protections, and a web of state companies. If Milei, the self-styled "anarcho-capitalist", achieves even some of his goals, Argentina could harness much more of its enormous potential in agriculture, mining and hydrocarbons.

On the Caribbean coast, an oil boom has made Guyana one of the world's fastest-growing economies and a significant exporter, an example which neighbouring Suriname is eyeing keenly. Guyana offers a reminder that some of the region's smaller economies, such as Panama, Uruguay and the Dominican Republic, have been among its most successful in recent years.

Meanwhile, the exodus of seven million refugees in recent years from the shattered economy of once-wealthy Venezuela provides a vivid reminder of governments' ability to destroy, as well as to build. Venezuela's woes, and those of Cuba, Nicaragua and other failing states in the region, have contributed to the biggest migration crisis seen in the Americas. The millions of people fleeing north towards the US create a major problem for President Joe Biden in the year he seeks re-election.

Can Latin America rise to the opportunities offered by the early 21st century and return to a path of prosperity?

In 1992, Mexican writer Carlos Fuentes compared the region's history to the construction of a tall building that is never completed despite gradual, constant progress. Latin America, he wrote, was "advancing yet unfinished, energetic yet fraught with seemingly insoluble problems".

Latin Americans hope the 21st century's new opportunities will allow them to prove Fuentes wrong.

A western ally falls: Niger's president Mohamed Bazoum was ousted in a coup in July last year, sparking demonstrations in Niamey — with some, above, supporting the coup and others, above right, backing Bazoum — AFP via Getty Images

Sahel setbacks fail to deter confident signals

Africa

Despite recent coups, the continent shows economic and demographic promise, reports *David Pilling*

Mohamed Bazoum, a quietly spoken schoolteacher-turned-politician, spent the beginning and end of 2023 in the presidential palace in Niamey, the dusty capital of Niger. While he started the year as president, he ended it as a prisoner.

In July, Bazoum was ousted in a coup d'état mounted by the head of his presidential guard, Abdourahmane Tchiani, following a pattern familiar in the Sahel — a semi-arid strip stretching nearly 6,000km, just below the Sahara.

With a series of coups in the region since 2019 — two in Sudan, one in Guinea, two in Mali, and two in Burkina Faso — military governments have shot themselves to power in an unbroken belt of countries across the continent.

Niger's coup was swiftly followed by one in Gabon, on the Atlantic coast of central Africa, though international outcry was limited over the overthrow of the Bongo family, which had run Gabon since 1967.

The coups show a disenchantment with democracy, which, gamed by political elites, has largely failed to bring development and opportunity. It is clear, says Ken Opalo, associate professor at Washington DC's Georgetown University, that "ritual electoralism and governance reforms do not constitute a magical portal to a well-ordered society."

Niger was an important domino to fall, given France and the US had cultivated Bazoum as an ally, to help fight a spreading Islamist insurgency in neighbouring Mali and Burkina Faso. Niger had also helped slow the flow of migrants heading towards Europe.

But, in just 18 months, French troops have been expelled from Niger, Mali, and Burkina Faso, ending France's pretensions as a regional military power.

Zeinab Badawi, a Sudanese-British journalist and author of the forthcoming book, *an African History of Africa*, speaks for many who deplore the idea of a "new scramble for Africa" — a phrase with inevitable colonial overtones. However, the diminishment of France in the Sahel has coincided with intensified competition for influence in Africa.

The presence of Russia has been a growing Sahel feature, with the Wagner mercenary group, founded by Yevgeny Prigozhin, embedded in the Central African Republic and Mali. What will happen following Prigozhin's death in a plane crash in August remains unclear.

In Sudan's civil war, which erupted in April, one side is backed by Egypt and Saudi Arabia, and the other is supported by UAE. The fighting pits Abdel Fattah al-Burhan, head of the Sudanese armed forces and de facto head of state, against Mohamed Hamdan Dagalo, known as Hemeti, who controls the Rapid Support Forces, a paramilitary group.

In commercial terms, though, the picture is more promising, in spite of the disappointing performance of the largest of Africa's economies, notably Nigeria and South Africa. A trade and investment push by the likes of Turkey, India, Brazil, and the Gulf states is an indication of outsiders courting favour in Africa in order to cement deeper ties.

Although a bubbling debt crisis — after sovereign defaults by Zambia, Ghana and most recently Ethiopia — has dented its investment appetite, China remains a strong economic presence.

Such factors give African leaders greater confidence in their potential political clout, both with emerging powers of the Global South and with Europe and the US.

William Ruto, Kenya's president, has already sought to negotiate a better financial deal for Africa. The Nairobi Declaration, signed by the 54 African nations in September and presented at the recent COP28 climate change conference in Dubai, urged richer countries not only to do more to cut emissions, but also to remake the global financial architecture. That, the declaration says, should involve a massive transfer of resources to a continent obliged to adapt to a climate crisis not of its making.

Most African governments have sought to maintain an independent position on the conflicts in Ukraine and Gaza. "African countries should be very, very careful about taking a side," says Nasir El Rufai, former governor of Nigeria's Kaduna state. "We should try to do what India is doing: think through what is in our own interest."

African economies have, in general, been slower to bounce back from Covid-19 than those elsewhere. The Economist Intelligence Unit expects aggregate growth among Africa's nations of a modest 3.2 per cent next year, but the pattern is mixed. The EIU also forecasts 12 of the top fastest-growing 20 economies in the world will be African with Ethiopia, Kenya, Uganda, Tanzania, Rwanda and the Democratic Republic of Congo among them.

That is partly a function of demography. Africa's population is set to nearly double to 2.5bn by 2050, when one in four people on earth will be African.

As such, the continent's young people are its most vital asset, yet also its most neglected. "In Africa we have the semblance of an education system," says Phumzile Mlambo Ngcuka, former deputy president of South Africa and former UN under-secretary general, the result being too many children finish school without the skills to compete in the global economy. "Our most important resource is not our cobalt or our gold," she argues. "It's our youth."

Davos: lost in the memory of times gone by

OPINION

Jemima Kelly

Fabrice Coffrini/AFP via Getty Images

I did Davos once. I schmoozed with billionaire bankers and businessmen. I spent hours in queues below sniper-strewn roofs waiting for now-King Charles and then-President Donald Trump to pass. I got an incredibly tight squeeze from Cherie Blair after moderating a panel convened about 15 minutes before it started when the Ghanaian president couldn't make it for our "fireside chat". I listened to many men wax lyrical on the limitless potential of blockchain technology (before telling them, as politely as I could, why they were wrong).

That was four years ago, just before Covid-19 shut much of the world down, when the official theme for the conference was "stakeholders for a cohesive and sustainable world" — a theme so perfectly generic and management-speak-ish that it sounds as if it were produced by some early version of ChatGPT. With this year's "rebuilding trust" as the World Economic Forum's theme, generic management-speak could indeed be thought of as the lingua franca at Davos. Last year, one of the "key takeaways" from the conference was apparently the importance of "cultivating mattering" which, according to a WEF report, is "truly a meta-skill for modern management in a fragmented world".

It has become something of a cliché to call out the hypocrisy — and the detachment from reality — of the elites who descend on the Swiss Alpine village each year. But the hubris among the Davos set is palpable.

"It's pretty extraordinary that we, a select group of human beings because of whatever touched us at some point in our lives, are able to sit in a room and come together and actually talk about saving the planet . . . it's so, almost extraterrestrial, to think about," former US secretary of state John Kerry, a Davos regular, told the conference last year.

This year, Bloomberg, in its spiel about the "Bloomberg House" set up for this year's conference, tells us that "meaningful change happens when the right people come together in the right place".

All of this would probably have seemed good and proper in the conference's glory days in the early-to-mid noughties, when the idea that globalisation was an unalloyed good was not just the consensus at Davos but across the world. This was the time of "hyperglobalisation", when global trade was growing significantly faster than gross domestic product — an era that ended with the global financial crisis of 2008.

The whole idea has gone out of fashion — even becoming a dirty word in some (predictable) quarters: Trump recently used it to insult his GOP rival Nikki Haley, telling a crowd "she's a globalist; she likes the *globe*". And no forum is more associated with globalisation than Davos. According to a Google tracker of frequency with which words and phrases are used in English-language books, the term peaked around 2007, falling sharply since. The use of the word "Davos", meanwhile, follows a remarkably similar path and peaked in 2008.

> 'All would probably have seemed good and proper in the conference's glory days in the early-to-mid noughties'

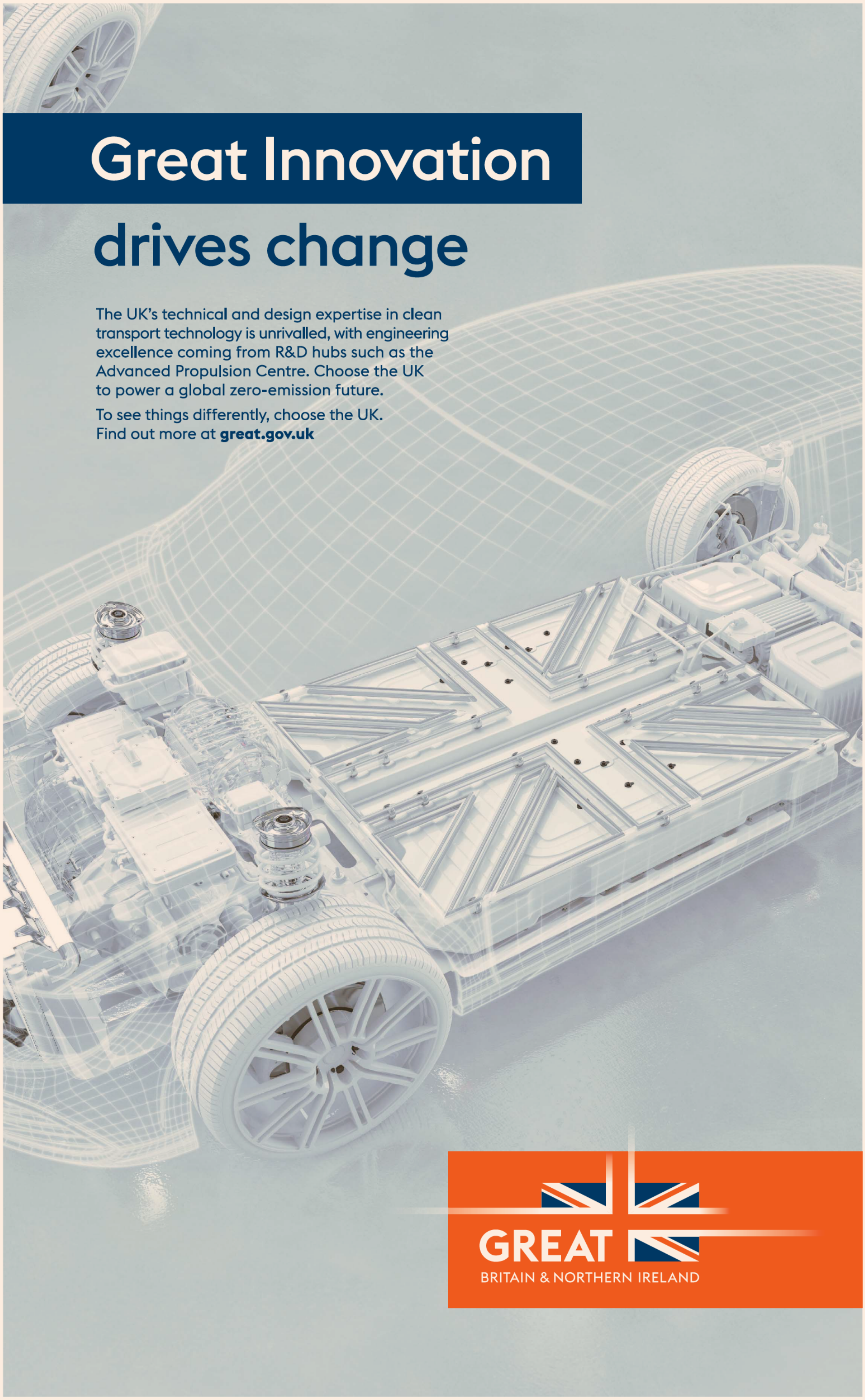
It is 20 years since the American political scientist Samuel P Huntington used the term "Davos man" to describe the kind of "gold-collar workers", or "cosmocrats", who "view national boundaries as obstacles that thankfully are vanishing, and see national governments as residues from the past whose only useful function is to facilitate the elite's global operations".

The idea that the Davos global elite would rather be schmoozing with each other than dealing with the messy business of national politics persists, and for understandable reasons. Last year, UK Labour party leader and likely next prime minister Keir Starmer told *The News Agents* podcast he would choose Davos over Westminster "because Westminster is too constrained".

The archetypal Davos Man is indeed still a man, too. This year, 28 per cent of the conference's attendees will be women — a "significant milestone", as WEF told me. That's up from 15 per cent ten years ago — a slight improvement, certainly, but the fact that only just over quarter of attendees are women in 2024 hardly seems something to shout about.

The truth is Davos doesn't feel as relevant as it once did and increasingly seems out of touch with the spirit of the times. Once a place, perhaps, where people with starkly different perspectives could talk on neutral ground, it has become so associated with one particular pro-capitalism, pro-globalisation worldview that many of the world's most powerful people — including the world's richest man, Elon Musk — would now rather poke fun at it online than attend.

Now in its 54th year, Davos is declining. Its chair, Klaus Schwab, is apparently in good health, but he is in his 86th year. Will Davos survive him? I'm not altogether convinced.


Great Innovation
drives change
The UK's technical and design expertise in clean transport technology is unrivalled, with engineering excellence coming from R&D hubs such as the Advanced Propulsion Centre. Choose the UK to power a global zero-emission future.
To see things differently, choose the UK.
Find out more at great.gov.uk
GREAT
BRITAIN & NORTHERN IRELAND

ADVERTISEMENT

HONG KONG: Trusted partner for global success

As an international business hub and premier gateway to Mainland China, Hong Kong is an ideal partner for global enterprise and investment in Asia. Part of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and an important player in the Belt and Road Initiative (B&RI), Hong Kong is the only place in the world where China and global advantages converge in a vibrant cosmopolitan city.

Opportunities for global business

- World's 10th largest trading entity in merchandise trade in 2022 (US$1,212.7 billion)
- Major trading partners include Mainland China, ASEAN, the EU and the US
- Signed 8 FTAs with 20 economies; 23 investment agreements with 32 overseas economies
- A business-friendly city with a low and simple tax system. No VAT/GST or capital gains tax. Only income or profits arising in or derived from Hong Kong are liable to tax in Hong Kong
- The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) provides companies incorporated in Hong Kong with preferential access to Mainland markets for goods and services

Opportunities for global finance

- World No.4 Global Financial Centre (Global Financial Centres Index – Sep 2023)
- World's largest offshore Renminbi (RMB) business hub; about 75% of global offshore RMB payments are processed via Hong Kong
- A series of Connect schemes provides mutual market access between Hong Kong and Mainland China in various financial markets including equities, debt and wealth management
- An international asset and wealth management centre
- One of the best places for high-net-worth individuals to set up family office
- One of world's leading listing venues of biotech companies
- Pioneering green fintech; issued world's first government tokenised green bond (Feb 2023)

Emerging global technology hub

- Developing a Hong Kong-Shenzhen Innovation and Technology Park
- Setting up a supercomputing centre to foster AI development
- Promoting cross-boundary data flow within the GBA
- Collaborating with Shenzhen to set up the Shenzhen-Hong Kong Innovation & Technology Co-operation Zone
- InnoHK Research Clusters in the Hong Kong Science Park pool together over 30 world-renowned non-local universities and research institutes to foster global research collaboration

Global hub for arts, sports and culture

- A new Mega Arts and Cultural Events Fund set up to support international arts and cultural events
- Kai Tak Sports Park - Hong Kong's new state-of-the-art multipurpose sports complex is targeted for completion from the second half of 2024
- In 2021, Hong Kong emerged as one of the world's art trading centres and ranked among the top three globally, alongside New York and London (Artprice)

Global connector for the B&RI

- Hong Kong connects Mainland China with markets across the B&RI regions, in areas such as international project financing, offshore RMB business, professional services and economic and trade cooperation
- Non-local companies can leverage Hong Kong's strengths in architectural, financial, legal, accounting, management, logistics and other professional services
- The Belt and Road Scholarship targets outstanding students from B&RI countries to pursue full-time publicly-funded university studies in Hong Kong

International partner for the GBA

- The GBA is an emerging engine for growth covering the Special Administrative Regions of Hong Kong and Macao plus nine municipalities in Guangdong Province
- Combined population of over 86 million people
- GDP of about US$1.94 trillion in 2022, comparable to the Tokyo Bay Area

A global headquarters economy

- 9,000 plus overseas and Mainland companies; 1,336 regional headquarters
- Office for Attracting Strategic Enterprises (OASES) to attract strategic enterprises to establish or expand operations in Hong Kong
- New multiple-entry visa to Mainland China for foreign workers in companies registered in Hong Kong
- New fund re-domiciliation mechanism for existing funds set up outside Hong Kong to relocate to Hong Kong

Welcoming global talent

- Hong Kong Talent Engage – a one-stop platform of talent engagement, admission facilitation and support services for incoming talents
- Capital Investment Entrant Scheme for eligible investors who make investments of HK$30 million (about US$3.8 million) or above
- Various schemes to attract global talents: Top Talent Pass Scheme, Quality Migrant Admission Scheme
- Global STEM Professorship Scheme to attract more world-renowned scholars for I&T-related teaching and research

Hong Kong Economic and Trade Office in Berlin

Office for Attracting Strategic Enterprises

Hong Kong Talent Engage

Brand Hong Kong – Asia's World City

HONG KONG ASIA'S WORLD CITY