FINANCIAL TIMES

TUESDAY 13 FEBRUARY 2024

USA $2.50

Trump's threat should put Nato on alert
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Private equity bosses' shares rise by $40bn as assets surge

- Gain despite tough market for selling
- High yields boost lending businesses

ANTOINE GARA — NEW YORK

The founders and top executives of the largest US private equity groups have seen the value of their shares rise more than $40bn over the past year as new assets have poured into their firms.

Shares in Blackstone, KKR, Apollo Global, Ares Management and TPG have neared or eclipsed record highs, buoyed by growth in their overall assets, particularly credit and insurance-based investment operations that benefited from fast-rising interest rates.

The stock gains come at a time of unease across Wall Street and underscore the groups' diversification away from traditional corporate buyouts, which slowed dramatically last year.

Large investment banks have cut staff and slashed bonuses amid a slowdown in dealmaking caused by interest rate rises.

While private equity groups have struggled to sell investments and return profits to investors increasingly short on cash, higher yields have bolstered their less-heralded lending businesses, where assets and returns surged.

In 2023, $148bn of new investor money flowed into Blackstone, pushing its assets above $1tn, with the majority coming from its credit and insurance operations. Its private credit investments gained 16.4 per cent last year, helping to blunt earnings declines in its private equity unit.

Apollo Global raised even more, with $157bn of gross inflows in 2023 — nearly half from its Athene insurance unit.

"The asset gathering over the past year has been extraordinary," said Macrae Sykes, a portfolio manager for the Gabelli Equity Trust, which owns shares in both groups.

The Financial Times calculated gains since the start of 2023 on shares of about 30 founders and executives named in proxy filings, including those of Carlyle Group. Blackstone's Stephen Schwarzman saw the biggest rise in his holdings, gaining more than $12bn in value.

Blackstone has generated an 80 per cent total return including dividends since 2023 and is now the world's largest asset manager by market value. Its $155bn market capitalisation is now also larger than Morgan Stanley or Goldman Sachs.

On an earnings call last month, Schwarzman said the group's ever more diversified business had insulated it from recent market turmoil. "We've designed the firm to provide resiliency in times of stress and capture the upside as markets recover," he said.

William Katz, an analyst at TD Cowen, said: "These companies are proving that there are multiple avenues of growth for them by product, region and distribution channel."

Collectively, the private equity groups generated $15.5bn in fee and spread-based earnings in 2023, an 11 per cent increase from the previous year.

Marc Rowan, chief executive of Apollo Global, has attributed the industry's growth to a changing financial system in which an era of low rates and higher regulations pushed activity away from public markets.

"In 2008 we had $44bn of assets under management. We've grown 14-times. That's faster than Apple's revenue [growth]," Rowan said last week, referring to Apollo's $652bn in assets.

Among the ruins Bombardment kills scores in Rafah as Israel's forces rescue two hostages

A girl is pulled from a building where two Israeli captives had reportedly been held in Rafah — Abed Rahim Khatib/Avalon

Israel's elite forces launched strikes on the Gazan city of Rafah yesterday, rescuing two hostages seized by Hamas in October.

The Israeli bombardment of a city sheltering 1mn displaced Gazans killed at least 67 Palestinians, according to health officials in Gaza.

The attack came after US President Joe Biden had warned Benjamin Netanyahu, Israel's prime minister, in a phone call on Sunday that civilians needed protecting before a new military operation was launched in Rafah.

During television interviews with the US media on Sunday, Netanyahu insisted that an operation in Rafah was essential to destroying the last of Hamas's fighting force and achieving Israel's war aims.

The Israel Defense Forces estimated that at least three militants holding the hostages had been killed during the raid, which flattened many buildings and left craters on the streets.

Meanwhile, a court in The Hague has banned the export of spare parts for F-35 fighter jets to Israel. The court found "a clear risk" that serious violations of human rights law were being committed in the Gaza Strip with the use of Israel's F-35 fighter planes.

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The EU's chief diplomat and the German president have hit out at Donald Trump's suggestion that he would let Russia attack Nato countries that do not hit defence spending targets.— PAGE 2; FT VIEW, PAGE 14; ALEC RUSSELL, PAGE 15

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▸ **Finns pick next president**
Ex-prime minister Alex Stubb will become Finland's next president. "We are facing a new era in foreign policy where rules are challenged and there is a war next door," he said in declaring victory.— PAGE 2

▸ **Believe looks at delisting**
The founder of the French digital music company is teaming up with two investment firms in an attempt to take the company private less than three years after listing in Paris.— PAGE 8; LEX, PAGE 16

▸ **Tests spot dementia early**
Scientists using machine learning techniques have found that blood proteins can predict dementia up to 15 years before diagnosis, boosting research into prevention of the condition.— PAGE 3

Shein tests the waters for blockbuster US offering

Fast-fashion giant Shein has asked regulators in Beijing for their blessing on a New York listing. Valued at more than $60bn, Shein could be the most valuable company to go public in the US since Uber. But its status is unique, given it started in China but makes no revenues there. After ride-hailer Didi's ill-fated 2022 IPO, others are watching Shein closely. If it can list on Nasdaq, 'it means the pipeline is open again', says one Beijing-based venture capitalist.
Beijing's blessing ▸ PAGE 6

PwC finds work too scarce to promote juniors from firm's graduate scheme

SIMON FOY — LONDON

PwC is forcing some junior consultants in the UK to spend an extra six months on its graduate scheme because there is not enough work to promote them.

The Big Four firm told nearly 100 graduate employees last week they would not be eligible for promotion in July in line with normal practice and would instead stay on the graduate scheme until January 2025, according to PwC insiders.

Staff were told the decision had been taken because of a reduction in business demand, challenging market conditions and headcount pressures.

The delay in promoting graduates is the latest sign that the Big Four — Deloitte, EY, KPMG and PwC — continue to face difficulties. Last week, Deloitte said it was preparing to cut 100 more jobs; EY has also shed staff recently in a tough market environment.

Consultancies enjoyed a surge in demand for their services after the pandemic but have since been hit by rising costs and a glut of employees deciding to remain in their jobs as openings at technology firms and start-ups dwindled.

In November, PwC announced it was planning to cut up to 600 jobs in the UK after the number of staff leaving the firm fell sharply. At the time, the firm's attrition rate was hovering at 10 per cent, having fallen 5 percentage points in the preceding months.

The latest move affects the graduate intake that joined PwC's consulting business in autumn 2022. However, it applies only to those who started the scheme in October and November 2022, with those who joined in the September eligible for promotion. Moving up from the graduate scheme to the senior associate level would mean higher pay.

One person hit by the change said: "Partners will purport to care about your development as a graduate but in reality that's far from the truth. They only care until it affects their pockets."

PwC's UK partners took home an average of £906,000 in the year to June 2023, down from £1.03mn during the previous year, as profits stagnated. The firm's partners are the second best paid out of the Big Four, behind Deloitte.

PwC said: "We're balancing business demand with our desire to support and train our graduates. A short delay in promotion is clearly disappointing for those affected but allows us to support careers over the longer term.

"We have recruited over 3,500 graduates and school leavers since September 2022 — the delay applies to 90 graduates in our consulting practice."

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World Markets

STOCK MARKETS

	Feb 12	Prev	%chg
S&P 500	5046.37	5026.61	0.39
Nasdaq Composite	16062.92	15990.66	0.45
Dow Jones Ind	38881.74	38671.69	0.54
FTSEurofirst 300	1928.91	1920.13	0.46
Euro Stoxx 50	4743.28	4715.87	0.58
FTSE 100	7573.69	7572.58	0.01
FTSE All-Share	4141.81	4136.74	0.12
CAC 40	7689.80	7647.52	0.55
Xetra Dax	17037.35	16926.50	0.65
Nikkei	36897.42	36863.28	0.09
Hang Seng	15746.58	15878.07	-0.83
MSCI World $	3281.42	3266.14	0.47
MSCI EM $	995.53	997.54	-0.20
MSCI ACWI $	747.93	744.95	0.40
FT Wilshire 2500	6495.79	6455.49	0.62
FT Wilshire 5000	50577.90	50257.10	0.64

CURRENCIES

Pair	Feb 12	Prev	Pair	Feb 12	Prev
$/€	1.078	1.079	€/$	0.927	0.927
$/£	1.263	1.263	£/$	0.791	0.792
£/€	0.854	0.854	€/£	1.172	1.171
¥/$	149.256	149.325	¥/€	160.982	161.070
¥/£	188.632	188.658	£ index	82.433	82.346
SFr/€	0.943	0.944	SFr/£	1.106	1.105

CRYPTO

	Feb 12	Prev	%chg
Bitcoin ($)	49887.99	48317.29	3.25
Ethereum	2550.59	2502.71	1.91

COMMODITIES

	Feb 12	Prev	%chg
Oil WTI $	76.57	76.84	-0.35
Oil Brent $	81.62	82.19	-0.69
Gold $	2023.50	2028.65	-0.25

GOVERNMENT BONDS

Yield (%)	Feb 12	Prev	Chg
US 2 yr	4.47	4.48	-0.02
US 10 yr	4.17	4.19	-0.02
US 30 yr	4.39	4.38	0.01
UK 2 yr	4.54	4.59	-0.05
UK 10 yr	4.23	4.26	-0.03
UK 30 yr	4.58	4.61	-0.03
JPN 2 yr	0.11	0.11	0.00
JPN 10 yr	0.72	0.72	0.00
JPN 30 yr	1.79	1.79	0.00
GER 2 yr	2.69	2.70	-0.01
GER 10 yr	2.36	2.38	-0.02
GER 30 yr	2.56	2.57	-0.01

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Transatlantic tensions

Nato allies condemn Trump Russia outburst

Censure after Republican frontrunner says Moscow could invade non-payers

HENRY FOY — BRUSSELS
SAM JONES — BERLIN

The EU's chief diplomat and Germany's president joined other western leaders in condemning former US president Donald Trump's suggestion he would allow Russia to attack any Nato member that failed to spend enough on defence.

Trump shocked European partners on Saturday when he said that Moscow could do "whatever the hell they want" with Nato members that failed to meet the alliance's defence spending target of 2 per cent of gross domestic product.

Yesterday EU foreign policy chief Josep Borrell described the remarks as a "silly idea that comes during this electoral campaign in the United States".

"Nato cannot be an à la carte military alliance," Borrell said. "Nato cannot be an alliance that works depending on the humour of the president of the United States . . . No, come on, let's be serious."

German President Frank-Walter Steinmeier said the comments were "irresponsible", saying yesterday that Trump's remarks "even play into Russia's hands". He added: "No one in our alliance can have an interest in that."

The White House on Sunday described Trump's remarks as "appalling and unhinged", while European Council president Charles Michel said they were "reckless" and served only the interests of Russian President Vladimir Putin.

Nato secretary-general Jens Stoltenberg warned that such comments undermined "all our security, including that of the US" and put American and European soldiers at risk. "I expect that regardless of who wins the presidential election, the US will remain a strong and committed Nato ally," he said.

> 'Nato cannot be an alliance that works depending on the humour of the president of the US'

Stoltenberg added that the alliance remained "ready and able to defend all allies". He managed to keep Trump within the Nato fold during his presidency from 2017 to 2021, despite the latter threatening to leave the military alliance and scolding Germany for not meeting the 2 per cent spending target.

While Germany and other major European economies, including France, are still below the target, they have increased spending on defence following Russia's invasion of Ukraine almost two years ago, and are expected to meet the goal in the coming years.

Estonia's Prime Minister Kaja Kallas said Trump's remarks were "something to maybe wake up some of the allies who haven't done that much".

On Saturday, Trump seemed to persist in his misconception that Nato allies had unpaid defence "bills", rather than defence spending targets. Speaking on the campaign trail in South Carolina, he said he told a Nato leader he would "not protect" them from Russia if they "didn't pay" and were "delinquent".

"I would not protect you," Trump said. "In fact, I would encourage them to do whatever the hell they want. You've got to pay. You've got to pay your bills."

Christoph Heusgen, chair of the Munich Security Conference, a European defence policy forum that begins on Friday, noted that Trump had made such "erratic remarks" in the past.

In Brussels, the European Commission said: "We are setting up a structural internal process to prepare for all possible outcomes of the US presidential elections." During a visit to Paris, Polish Prime Minister Donald Tusk yesterday said there was "no alternative" to European security other than the EU, Nato and transatlantic co-operation.

Additional reporting by Raphael Minder

See FT View
Alec Russell see Opinion

Europe. Agriculture

France seeks fresh blood to take over the farm

Older owners struggle to find young buyers amid tumult in an industry riven by protests

LEILA ABBOUD
SAINT-JEAN-DU-CARDONNAY AND LONGUERUE, NORMANDY

Several times a day, Bernard Gois, a dairy and cereals farmer in Normandy, checks on his 85 cows as they are milked by a robotic machine that he installed to expand and modernise the family farm.

Yet in a few months, this profitable operation that supplies global yoghurt maker Danone will fall quiet and the cows will be sold as the 60-year-old heads towards retirement. "None of my three children wanted to take over since they saw how much I worked," he said ruefully.

A generation of French farmers will face similar dilemmas in the coming years, and their decisions could have significant effects on the EU's biggest agricultural producer.

Forty-three per cent of France's farmers are set to retire in the next decade, according to the country's auditing body. They will be seeking to pass on their businesses at a time when many of them are struggling to earn enough to live well, while contending with climate change, droughts and new pests.

During recent protests in which farmers blockaded main roads with tractors and promised to "lay siege" to Paris, many complained about stringent regulations in the EU's "farm-to-fork" strategy, which aims to reduce pesticide use and impose new rules to take climate change and biodiversity into account.

Agricultural unions also called on the French government to ensure the generational transition goes smoothly.

Gois was unable to find a buyer for his dairy operation just outside Rouen and estimated to be worth about €850,000. He will continue growing crops. "I'd have liked for the dairy farm to continue on after me," he said. "But that doesn't mean I'm willing to sell on the cheap."

It can be difficult for younger French farmers to take over because of the high valuations of medium-to-large operations and the wariness of banks to lend to newcomers, given the price volatility, rising production costs and slim margins that plague many farms. Unions in the agricultural sector are lobbying for policies such as lowering taxes on the sale or inheritance of farms, boosting subsidies for young farmers and offering them state-backed loan guarantees.

Calling time: Bernard Gois, 60, was unable to find a buyer for his dairy operation near Rouen and will have to sell his herd of 85 cows
Bruno Fert/FT

"French farming is losing competitiveness and that makes it harder to attract young people to the business," said Laurent Duplomb, a senator who co-wrote a 2022 report analysing France's fall from second to fifth-biggest global food exporter in the past 20 years.

"If we get this generational transition wrong, then France will end up producing less of its food and importing more."

The transition created opportunities as well as risks, said Alessandra Kirsch, agronomist and economist at the Agriculture Stratégies think-tank. "Younger farmers are more open to innovation and quicker to adopt more environmentally friendly methods," she said.

Other European countries face similar challenges: 58 per cent of farmers in the EU are aged over 55, according to Eurostat. The European Commission has tried to encourage younger people into the industry. In the bloc's roughly €60bn-a-year Common Agricultural Policy that runs from 2023 to 2027, member states have been told to devote at least 3 per cent of direct subsidies to farmers under 40, up from 2 per cent in the previous period. Brussels has also tried to encourage voluntary schemes to cover start-up costs up to €100,000.

The policies have had limited success and needed to be "better targeted" and more closely evaluated, according to a 2017 EU audit.

In France, President Emmanuel Macron's government had been working on a law to aid generational transfers in farming, but delayed it while farmers were protesting. As part of a €400mn package of concessions that calmed the demonstrations, it promised to introduce a revamped version soon.

Experts say one risk of the generational transition is that it will cause farms to consolidate into ever larger operations, undermining the model of family-run farms that still predominates in France. It may also alter French agriculture as the remaining farms shift to more profitable cereals and grains.

> 'If we get this wrong, then France will end up producing less of its food and importing more'

But some younger farmers are keen to take on businesses. Adrien Carpentier, 31, jumped at the chance when a 58-year-old family friend, Gérard Lecompte, asked if he wanted to buy his dairy and crop operation.

It took Carpentier almost a year and a half of applying to banks before one agreed to back him. With 350 cows and 100 hectares of cropland, Lecompte's farm was relatively large, so Carpentier had to borrow €1.3mn across four loans that run from six months to 12 years.

Lecompte said he wished his successor the best: "Adrien will have to be very on top of things. This job is getting harder year by year."

Additional reporting by Alice Hancock

Election victory

Finland's former PM tells of honour at becoming president

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Former Finnish prime minister Alex Stubb will become the Nordic country's next president after elections billed as the most consequential in decades following Russia's invasion of Ukraine.

Stubb beat Pekka Haavisto, foreign minister until June, by 52 per cent to 48 per cent on Sunday evening. He will take over as president on March 1 from Sauli Niinistö.

"This is the greatest honour of my life," said Stubb, as he declared victory. "We are facing a new era in foreign policy where rules are being challenged, and there is a war next door."

Stubb becomes president at a time when neighbour Russia has stepped up its rhetoric against Finland and said it would build up its forces close to the border as a result of Helsinki joining Nato last year.

"It is the next president that will leave their mark on Nato policy and how it is done between the president and government," said Charly Salonius-Pasternak, leading researcher at the Finnish Institute of International Affairs.

"Finland will also have to reconstruct its relationship with Russia; it is not dissimilar to the task that Finnish presidents had right after world war two."

> 'We are facing a new era in foreign policy where rules are being challenged, and there is a war next door'

Stubb, also a former foreign, finance and trade minister, is an EU and foreign policy expert who has in recent years headed the school of transnational governance at the European University Institute.

He said last month that the Finnish president had a triple role: to act as commander-in-chief of its armed forces; to take the lead on foreign and security policy, including Nato; and to be a guardian of the Nordic country's values.

Asked about other countries warning of Russia potentially testing Nato in the coming years, Stubb said at the time: "Finland is in one of the safest positions that it has been throughout its history."

Finland is able to call on one of the largest armed forces of any European country due to a large contingent of well-trained reservists that it has maintained in preparedness against a possible Russian attack for decades.

"Stubb's ability to communicate in English, both to the media and also decision makers, should be an asset. He recognises that a president may have difficult choices, but they need to be communicated," Salonius-Pasternak said.

Stubb was early in warning about a revanchist Russia in 2008 when Moscow invaded Georgia.

But he faced scrutiny for his decision as prime minister in 2014, only months after Russia illegally annexed Crimea from Ukraine, to approve a Russia-financed and built nuclear reactor in Finland. It was cancelled in 2022 after Russia's full-scale invasion of Ukraine.

The ex-Finnish premier has also faced criticism from some commentators for his views on China as a "strategic rival".

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Maritime attacks

Ships shun Red Sea despite reduced Houthi threat

ROBERT WRIGHT — LONDON

US and UK air strikes have reduced the risk to vessels from attacks by Yemen's Houthis in the Red Sea but there is little prospect of many shipping companies making a swift return to the Suez Canal, security experts and a senior executive have said.

They made the assessment during a decline in successful missile launches by the Houthis, who claim to be targeting commercial ships in solidarity with Gaza's Palestinians.

The militant group has launched only four notable attacks on vessels since January 26. In all but the most recent attack, on February 12, the missiles failed even to hit the vessel.

The frequency of Houthi attacks has fallen significantly since US and UK forces began strikes on the group's missile launch sites and aerial and sea drone capabilities on January 11.

The Houthis, who have backing from Iran, launched numerous attacks from November to January, including seizing the Galaxy Leader in November and taking it to a Yemeni port. In late January, they started a fire on the Marlin Luanda, a tanker operating on behalf of commodities trader Trafigura.

The recent lull prompted UK defence secretary Grant Shapps to tell the House of Commons last week that attacks on vessels had become "less sophisticated and more sporadic".

However, the continued reluctance of many shipping companies to sail through waters off Yemen has raised questions about what might prompt shipping companies to return to the area, which is the gateway to the strategically vital Suez Canal. They have instead been using the much longer and more expensive route between Europe and Asia via the Cape of Good Hope.

Jon Gahagan, president of maritime risk specialists Sedna Global, said the campaign of air strikes seemed to have "degraded" the Houthis' ability to launch frequent attacks, but added: "While the tempo of attacks has fallen, the threat to shipping remains."

Jakob Larsen, head of maritime safety and security for Bimco, an international shipowners' association, said he doubted it was "realistic" the US-UK coalition would entirely remove the Houthi threat. "Although their capability . . . has been reduced, most shipping lines recognise the threat has not been removed or neutralised," Larsen said.

According to figures from Clarksons, the London-based maritime business, in the week to February 5, arrivals by container ships in the Gulf of Aden were 92 per cent down on the average for the first half of December.

Car carrier arrivals were down 91 per cent, while traffic overall through the region was down 73 per cent. The figures show no drift back towards the Red Sea.

The Houthis have launched only four notable attacks since January 26

Even the relatively modest recent attacks have prompted new diversions. France's CMA CGM, the world's third-largest container shipping line, announced on February 5 that it was suspending transits of the region after missiles were launched at a ship operating one of its services. It had been one of the few big international container lines still sailing through the area.

The missiles landed harmlessly in the sea, as did those launched last week at the Star Nasia, a carrier for dry bulk commodities. A missile launched at the Morning Tide, a cargo ship, flew over its deck but caused only minor damage. The Houthis yesterday claimed an attack on the Star Iris, a Greek-owned vessel that was targeted twice with missiles and hit once.

Jan Rindbo, chief executive of Norden, a Copenhagen-based operator of nearly 500 dry bulk carriers and tankers for oil products, said only a long pause in attacks would prompt shipowners to re-examine Red Sea options.

Additional reporting by John Paul Rathbone in London

Central banks go on hunt for elusive ‘neutral’ interest rate

Level by some measures has edged up, meaning policy may be loosened less

SAM FLEMING — LONDON
MARTIN ARNOLD — FRANKFURT
CLAIRE JONES — WASHINGTON

As markets boost their bets on interest rate cuts this year, investors are focused on exactly how low borrowing costs will fall as the inflationary menace retreats.

Central banks, including the Federal Reserve and European Central Bank, will be influenced by an elusive concept: the so-called neutral rate of interest, the borrowing rate that keeps economies growing steadily, with full employment and inflation of about 2 per cent.

After falling to rock-bottom levels before the pandemic, the neutral rate has, by some measures, edged up more recently. This could suggest official rates will not head as low as pre-pandemic levels, even as inflation eases.

“Whether you are a bank or business or government or household, I don’t think you should expect interest rates to go back to pre-Covid levels, so there’s an adjustment to come,” said Bank of Canada governor Tiff Macklem recently. “There are a number of things suggesting the neutral rate could be higher.”

Why is the neutral rate important?

The neutral rate is not directly set by central banks, and they cannot reliably observe where it is. But for many economists, the inflation-adjusted neutral rate — known by other labels including the natural or equilibrium rate or R-star — is a valuable guiding light.

If the official interest rate sits above it, central bankers consider policy to be restricting economic activity; below it, policy is deemed to be expansionary.

The neutral rate’s value is contested, however. There is no consensus on a model for estimating its level or direction. Some central bankers are therefore wary of giving it undue weight.

The rate was valuable when assessing an economy’s past performance, said Bert Colijn, a senior economist at ING bank, but was less helpful as a guide for future policy. “The reality is that it is very difficult to determine where it is,” he said. “It is constantly moving.”

What level is the neutral rate?

The lower neutral rates of recent decades were driven by a range of long-term factors, including subdued productivity growth, a glut of savings worldwide and an ageing population that raised retirement cash stockpiles.

One widely used estimate, from the New York Fed, points to a multi-decade decline in inflation-adjusted neutral rates in both the US and euro area that shows no sign of reversing.

This put R-star in the US at the third quarter of last year at 0.9 per cent before inflation — a big fall from levels near 4 per cent at the start of the millennium. Canada’s inflation-adjusted neutral rate was 1.5 per cent and the eurozone’s was minus 0.7 per cent, according to their model. Other methodologies for estimating the neutral rate point to similar declines.

Some economists see signs the R-star has risen. Megan Greene, an external member of the Bank of England’s rate-setting Monetary Policy Committee, said in November the neutral rate might have edged up in the medium term as a result of rising public debt and more investment in areas such as the green transition.

Monetary view: central banks, including the ECB based in Frankfurt, will ponder the neutral rate of interest, the level that keeps economies growing steadily, with full employment and inflation of about 2% Michael Probst/AP

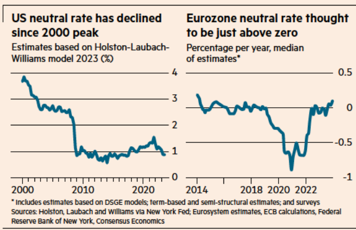
Where do things stand in the US?

While Fed officials acknowledge that, at a 23-year high of 5.25 to 5.5 per cent, their benchmark federal funds target rate is way into restrictive territory, that does not mean they are willing to use assessments of the neutral rate to guide policy decisions. Instead, they are led more by what current data tells them about the balance between consumer price pressures and the labour market.

But official Fed projections suggest some rate-setters believe the neutral rate is creeping up. Just before the pandemic, the “central tendency” estimates for the longer-run federal funds target range lay at 2.4 to 2.8 per cent, implying policymakers believed R-star lay between 0.4 and 0.8 per cent when taking into account the Fed’s 2 per cent inflation goal. But the most recent projections show a range of 2.5 to 3 per cent, or 0.5 to 1 per cent, for R-star.

> ‘The reality is that it is very difficult to determine where [the neutral rate] is. It is constantly moving’

Raphael Bostic, Atlanta Fed president, is one such official. “My sense is that the neutral rate has increased to somewhere between 2.5 to 3 per cent,” including 2 per cent inflation, he said.



What about the eurozone?

Most economists agree the neutral rate for the eurozone fell in the decade after the 2008 financial crisis, as governments, businesses and households cut debt levels, while population growth slowed and productivity declined.

This forced the ECB to cut rates into negative territory to fight deflation. The big question is whether the 20-country bloc will become mired in the same trap of low growth and low inflation again.

“Those factors that were also weighing on R-star — lower birth rates and lower productivity — have not abated,” said Jens Eisenschmidt, a former ECB economist now at Morgan Stanley.

But ECB executive board member Isabel Schnabel said this month that higher investment to tackle climate change, increased defence spending, the fragmentation of the global trading system and higher government debt would all push up the neutral rate of interest. She said once the ECB started to cut rates it should “proceed cautiously in small steps” and “may even need to pause . . . if inflation proves sticky”.

ING’s Colijn said that while the neutral rate was “attractive conceptually, it is very difficult to actually use as an anchor for monetary policy”.

Structural shifts

Prepare for ‘unexpected’ risks, ECB supervisor warns lenders

LAURA NOONAN — LONDON

The eurozone’s top banking supervisor has warned that lenders “will not be immune” to the consequences of geopolitical turmoil, climate change and other structural shifts that could eat into their recent high profits.

In her first speech as chair of the European Central Bank’s supervisory arm, Claudia Buch noted the prevailing climate of “high uncertainty” and cited a range of concerns from Russia’s full-scale invasion of Ukraine and higher inflation to climate change.

“European banks have weathered recent storms thanks both to their own resilience and to the significant fiscal and monetary support that mitigated the impact of the recent shocks,” said the former deputy head of Germany’s central bank.

“However, in the longer term, banks will not be immune to risks and unexpected events,” Buch added, as she detailed plans for an era of “adaptation” at the agency founded to bring consistency to the eurozone’s banking oversight after the global financial crisis.

Buch became the third chair of the ECB’s Single Supervisory Mechanism on January 1. In an interview last summer, she told the Financial Times that supervisors needed to adapt a more “critical mindset”, echoing criticisms by the EU’s external auditor, which warned supervisors were too lax.

“Complacency is not an option,” Buch told an event in Brussels yesterday. Credit Suisse’s takeover by UBS last March marked the first demise of a globally systemic lender since the financial crisis. A clutch of mid-sized US banks also collapsed last year after depositors pulled funds with unprecedented speed.

“Many of the issues dominating today’s headlines were inconceivable a decade ago,” Buch said. “This underscores the need for banks not only to respond to emerging risks, but to anticipate them too.”

The ECB will focus its attention on these “new risks” by supplementing its traditional models with “the use of scenarios, improvements in data and measurement and a close interaction between bank-level and macro-level analysis”. It is also carrying out “targeted reviews” on banks’ funding plans, as global regulators try to design policies for a world where bank runs materialise via apps rather than bank branches.

Cyber security is another area of attention, with the ECB preparing a “cyber resilience stress test” for the 109 large and important eurozone lenders it supervises directly. Buch also promised the SSM would seek to stem tensions over the diverging fortunes of financial systems and wider economies.

Russia supplies

China and India groups among those on new EU sanctions list

ANDY BOUNDS AND JAVIER ESPINOZA
BRUSSELS

Brussels is proposing to impose sanctions on three Chinese companies and one Indian business in its latest measures to weaken Russia’s war machine.

If member states approve the plan, it would be the first time businesses in mainland China and India have been sanctioned by the EU. The companies, along with one in Hong Kong, are among 21 newly listed entities in a European Commission document seen by the Financial Times. They cannot be named for legal reasons. The news was first reported by Bloomberg.

When the commission proposed targeting mainland Chinese companies last year, it backed down under pressure from EU governments, which must unanimously agree the measures. EU officials said at the time Beijing had offered reassurances that it was not supporting Russian military operations.

Under the proposals, European companies would be banned from dealing with listed companies, as Brussels steps up efforts to avoid circumvention of its restrictions, especially the supply of electronic components that could be repurposed for use in weapons systems.

“It is also appropriate to include on that list certain other entities in third countries that indirectly support Russia’s military and industrial complex . . . by trading in such components”, the document says.

The proposals would also ban the export to Russia of components used to make drones.

The sanctions package, expected to be approved ahead of the second anniversary of Russia’s full-scale invasion of Ukraine on February 24, will be the 13th the EU has passed. The list of sanctioned companies will hit 643 if it is approved.

Targeted: the proposals would also ban the export to Russia of components used to make drones

The new names also include businesses in Sri Lanka, Turkey, Thailand, Serbia and Kazakhstan.

Sanctions on an Indian company would be especially sensitive as the country is a US ally and is negotiating a trade deal with the EU. New Delhi has hit back at criticism that it legally buys cheap sanctioned Russian oil and sends products refined from it to the EU.

Despite the extensive western sanctions, Russia is still producing drones, missiles, tanks and other weapons.

The commission declined to comment. The Chinese and Indian embassies in Brussels were approached for comment.

Internet. Sustainability

Power-hungry data centres add to strains on grids

Experts say AI-driven energy use can overwhelm networks and imperil climate targets

KENZA BRYAN — LONDON

The proliferation of data centres is drawing scrutiny around the world because of fears their energy usage is putting excessive pressure on national climate targets and electricity grids.

China, Germany, Ireland and Singapore, a US county and Amsterdam have in recent years introduced curbs on new data centres in line with more stringent environmental requirements.

Scrutiny is most intense in Ireland, a hotspot for server farms built by cloud computing companies such as Google and Microsoft, because of its low tax rate and easy access to high-capacity subsea cables that carry internet traffic.

A 2021 decision by Ireland’s energy and water regulator to limit new data connections to the grid is now having a “material impact at the ground level”, said Hiral Patel, head of sustainable and thematic research at Barclays and lead author of a report on data centres.

Applications by data centre operators Vantage, EdgeConneX and Equinix for permits for new projects in Dublin were rejected last year. Data centres are set to account for 32 per cent of Irish electricity demand in 2026, the International Energy Agency forecast last month.

The environmental impact of the huge sites containing servers that create storage for the data of millions has become a growing issue globally.

Loudon County, in Virginia, and Germany have introduced controls that include limiting permits for data centres in residential areas, or requiring them to contribute renewable energy to the grid and reuse waste heat.

Analysts at Barclays say governments have yet to take into account the effects of growing internet use on their grids, with curbs of similar “severity and frequency” expected elsewhere.

This could put pressure on the $220bn business of data centre and cloud companies, expected to rise to $418bn by the end of the decade as demands surge, said IndustryARC, a market research group.

Global capital expenditure on data centres is expected to exceed $500bn in 2027, said Dell’Oro, another market research group.

Energy use at data centres is growing rapidly in the US, home to a third of the world’s 8,000 such sites, and in China, which has a tenth, according to the IEA.

“We have many grids around the world that cannot handle these AI-[driven] workloads,” Barclays’ Patel said. “It’s easier said than done being green.”

In future, “data centre operators and tech companies will have to play a more active role in the grid”, she said, for example by generating more renewable energy and working on energy efficiency measures.

Microsoft, Google and Amazon, the so-called hyperscalers behind some of the largest data centre complexes, have been investing in wind and solar energy to meet sustainability targets.

> ‘Many grids cannot handle these AI-[driven] workloads. It’s easier said than done being green’

They are also turning to other energy sources. Microsoft said last year it would buy nuclear power to cover up to 35 per cent of the energy needs of one of its Virginia centres, when wind and solar power is not available. It has also placed a bet on nuclear fusion, produced using the same reaction that powers the sun.

Displacing the diesel fuels that typically power back-up generators is another challenge. Amazon plans to switch to biofuels at its European centres, starting in Ireland and Sweden.

Globally, electricity consumption from data centres, cryptocurrencies and artificial intelligence could double between 2022 and 2026, the IEA said last month. Morgan Stanley analysts expect generative AI to drive more than three-quarters of global data centre power demands in 2027.

Operators are under pressure to show they are curbing energy demand, not just making the supply greener. Christopher Wellise of Equinix said: “Anywhere you’ve got huge amounts of expansion and growth, it attracts a certain amount of attention.”

Google has been piloting ways to reduce energy use when grids are under pressure from events such as heatwaves and storms. An example is to delay non-urgent tasks such as updating the vocabulary in its Translate tool, or to transfer them to other centres.

In London, a data centre task force has been set up to co-ordinate energy and planning responses following signs in 2022 that the growth in data centres near fibre-optic cable installations was putting pressure on the availability of electricity for homes.

Marietje Schaake see Opinion

Machine learning

Blood protein test predicts Alzheimer’s 15 years early

MICHAEL PEEL — LONDON

Blood proteins can predict dementia up to 15 years before clinical diagnosis, scientists using machine learning techniques have found, boosting research into how to prevent the debilitating condition that afflicts more than 55mn people worldwide.

The analysis, the largest of its kind to date, bolsters the findings of smaller studies suggesting certain proteins are “biomarkers” of susceptibility to Alzheimer’s and other neurodegenerative diseases, says the paper by scientists from China’s Fudan university and the UK’s Warwick university.

Effective screening methods for early identification of dementia risk would enable the use of drugs that slow or even reverse its onset, greatly decreasing the costs for health systems.

“We can quite reliably predict dementia 15 years before the diagnosis of the disease,” said Jianfeng Feng, the paper’s lead author and a computer science department professor at the University of Warwick. “We expect that our result will open up an avenue to develop new approaches to slow down the progression of the disease.”

The study, published in Nature Aging yesterday, used blood from more than 52,000 people collected and frozen between 2006 and 2010 by the UK Biobank genetic database. The researchers analysed the samples between April 2021 and February 2022.

More than 1,400 members of the research cohort developed dementia — and showed abnormal levels of some blood proteins. The researchers analysed 1,463 proteins using machine learning and identified 11 that proved to be accurate predictors of dementia.

The combination of protein analysis and artificial intelligence techniques could provide a precise way of screening middle-aged and older people for dementia risk, Feng said. The results were “relatively ready” to be used in clinical practice by national health systems, he added.

The results come weeks after a study suggesting that a commercially available blood test showed high accuracy in detecting Alzheimer’s, even in its early stages. The test examined concentrations of tau, a protein found in the brains of Alzheimer’s sufferers.

The emergence of potential dementia diagnostics follows progress on possible treatments. In October, pharmaceuticals companies Eisai and Eli Lilly unveiled research showing the benefits of using new Alzheimer’s drugs very early in the development of the disease.

Further evaluation of the study’s predictive models would be required, scientists said.

Fighter jets

Dutch court bans sale of F-35 parts to Israel

Ruling reflects growing concern about human rights violations in Gaza

ANDY BOUNDS — BRUSSELS
JAMES SHOTTER — JERUSALEM
JONATHAN WHEATLEY — LONDON

A Dutch court has ordered the government to stop sending F-35 fighter jet spare parts to Israel, amid mounting international pressure over the way the Jewish state is conducting the war against Hamas in Gaza.

The appeals court said there was a "clear risk" that serious violations of international human rights law were being committed in the Gaza Strip with the use of Israel's US-made fighters.

The ruling came as the UK announced sanctions against four Israeli settlers who it said had "committed human rights abuses against Palestinian communities" in the occupied West Bank.

In the Dutch case, the court said: "Israel does not take sufficient account of the consequences for the civilian population when conducting its attacks . . . The court therefore orders the state to put an end to the further export of F-35 parts to Israel within seven days."

Liesbeth Zegveld, lead lawyer for Oxfam Novib, Pax Nederland and the Rights Forum, which brought the case, said: "We are extremely grateful that there is justice and that the court was willing to speak out on justice."

Geoffrey van Leeuwen, trade minister, said the government was "disappointed" and would appeal to the Netherlands' supreme court. "Of course we will follow the court's decision. But we think . . . this is foreign policy and it's up to us to decide." Van Leeuwen said he was unsure whether Israel could obtain parts elsewhere.

The Netherlands is part of a US-led consortium servicing the fighters. "Israel has a right to defend itself, including, with the F-35," he said.

Mark Rutte, Dutch prime minister, met Benjamin Netanyahu, his Israeli counterpart, to affirm that message.

Israel did not respond immediately to a request for comment about the ruling

> 'If you believe that too many people are being killed, maybe you should provide fewer arms'

that comes after the International Court of Justice ordered it to comply with international law on genocide, as well as to ensure the provision of humanitarian aid to Gaza.

The Dutch government has been among Israel's strongest supporters in the EU since Hamas's attack on October 7, in which militants killed at least 1,200 people and took 250 hostage, according to Israeli officials.

But international concern is growing as Israeli retaliation has claimed more than 28,000 lives, according to Palestinian officials. About 1.7mn of Gaza's 2.3mn people are displaced and swaths of the strip rendered uninhabitable.

Spain has banned weapons exports to Israel, and US President Joe Biden last week described Israel's actions as "over the top" — his harshest criticism of the war to date. Josep Borrell, EU foreign policy chief, urged the US yesterday to curb arms sales as a result. "If you believe that too many people are being killed, maybe you should provide fewer arms in order to prevent [it]," he said.

The UK sanctions, which follow a similar move by the US this month, will impose an asset freeze and travel and visa bans on the four settlers.

"Extremist Israeli settlers are threatening Palestinians, often at gunpoint, and forcing them off land that is rightfully theirs," said Lord David Cameron, foreign secretary.

"This behaviour is illegal and unacceptable. Israel must take stronger action and put a stop to settler violence. Too often we see commitments made and undertakings given but not followed through."

Cairo meeting

Mossad and CIA chiefs set to join talks for release of hostages

NERI ZILBER — TEL AVIV
MAI KHALED — RAFAH

The heads of the CIA and Israel's Mossad spy agency are expected to hold talks with senior Egyptian and Qatari officials today in a bid to revive negotiations on a deal to halt the Israel-Hamas war and secure the release of hostages held in Gaza, said people familiar with the process.

The negotiations, likely to be held in Cairo, come a week after Israeli Prime Minister Benjamin Netanyahu rejected Hamas's demands for an agreement as "delusional" and vowed to press on for "total victory" in the war with the Palestinian militant group. Meditators hoped Mossad chief David Barnea's plan to travel to Egypt was a sign Israel was still open to discussions on a potential deal, despite Netanyahu's rhetoric.

"The discussions have been constructive and there's willingness to compromise," said a diplomat briefed on the talks. "Barnea wouldn't be going to the talks unless he had the go-ahead."

The Israeli military said it had rescued two of the hostages seized by Hamas after a "complex operation" yesterday involving special forces in the

> 'I saw missiles raining down, fires breaking out and rubble everywhere. So many missiles fell'

southern Gaza city of Rafah. The Israeli raid comes amid growing fears internationally of a wider military incursion into a city teeming with more than 1mn displaced Gazans, which Israeli officials claim is the last major population centre controlled by Hamas.

The two rescued Israeli hostages, Fernando Simon Marman, 61, and Louis Har, 70, who were taken from the Nir Yitzhak kibbutz by the Palestinian militant group during its October 7 attack, were in good medical condition in an Israeli hospital, Israel Defense Forces spokesperson Richard Hecht said.

The rescue had involved several of Israel's elite military, intelligence and police counterterror units, which raided the second floor of a building in the centre of Rafah in which the hostages were held, Hecht said. Israel also launched air strikes on the surrounding buildings, including on a local Hamas battalion and other militant sites.

Health officials in Gaza said more than 60 Palestinians were killed during the overnight Rafah strikes. The IDF estimated that at least three of the militants who were holding the hostages were killed during the raid. "This was a complex operation . . . We were waiting for the right conditions," Hecht said.

Yesterday morning, people gathered around the house in the Shaboura area of Rafah where the hostages are believed to have been held. The building was extensively damaged, with the bombardment leaving several large craters on the street. Many nearby buildings had been levelled.

Witness Abu Mahmoud, who lives nearby, said: "I saw missiles raining down, fires breaking out and rubble flying everywhere. So many missiles fell."

The Turkish foreign ministry said it was "extremely concerned by Israel's escalating attacks" in Rafah.

Brazil. Police investigation

Probe reveals details of Bolsonaro coup claims

Ex-president's military allies planned to send in troops and arrest key officials, papers say

BRYAN HARRIS — SÃO PAULO

For months before Brazil's most recent presidential election, hints and warnings mounted that then president Jair Bolsonaro was plotting a coup to stay in power.

An explosive federal police investigation last week revealed just how close Latin America's largest nation came to a democratic rupture. Documents released by police and the Supreme Court allege that military officers and political allies of the former president in 2022 developed a plot to overturn the results of the election, which Bolsonaro lost to leftwing leader Luiz Inácio Lula da Silva.

Senior military figures would have deployed "troops on the ground", police said, as part of the scheme. The plotters would have arrested judicial and congressional leaders, discredited military officers against the coup and enshrined Bolsonaro's right to stay in power.

The plot was developed in the run-up to the October 2022 election but was formalised shortly after Lula's victory with a draft decree outlining the plans.

"The police released a lot of evidence showing there was a real plan for a coup. There were draft plans discussed by the president and military officers and discussions of logistics and financing," said Bruno Carazza, at the Dom Cabral Foundation.

"As the coup was already being openly discussed, the next stage would have been the actual attempt."

The papers were released on Thursday as federal police raided the homes of military officers in the far-right Bolsonaro administration between 2019 and 2022. Three aides were arrested and Bolsonaro himself was ordered to surrender his passport, which he did. He has denied any wrongdoing.

The investigation's most prominent target was Almir Garnier, head of the navy during the Bolsonaro government, who police cited as being ready "to put troops on the ground" to help the coup succeed, according to the court documents. Garnier did not comment.

The documents also highlight the role of Estevam Theophilo, the head of army ground forces, who pledged to "take measures to secure the coup". The general has made no public comment since being linked to the alleged attempt.

Referring to the electoral authorities as the vote approached, Paulo Nogueira, Bolsonaro's defence minister, said the situation was reminiscent of before two opposing forces meet on the battlefield.

"We are on the line of contact with the enemy," said Nogueira in a pre-election meeting discussing the potential coup, according to transcripts released by the supreme court. It was not clear how the recordings were obtained.

"I see the armed forces and ministry of defence in this line of contact. We have to intensify," said Nogueira, according to the transcript. He could not immediately be reached for comment.

Brazil's electoral court, which oversees the integrity of elections, was a central target of Bolsonaro and the alleged plotters, who for months had repeatedly claimed without evidence that the polls were rigged in Lula's favour.

In particular, they sought to counter the role of Alexandre de Moraes, a Supreme Court justice who was head of the electoral body. According to police, he was under surveillance by Bolsonaro allies while the coup was being planned. At one point, the judge's itinerary for the next 15 days was known by them.

Once the coup began, the goal would have been to arrest de Moraes, and Supreme Court Justice Gilmar Mendes and Rodrigo Pacheco, head of the Senate.

Augusto Heleno, a general who was Bolsonaro's security adviser, suggested using the intelligence service to infiltrate electoral campaigns. "Whatever has to be done, has to be done before the elections," he said, police transcripts stated. He did not comment.

Brazil's last coup in 1964 ushered in more than 20 years of military rule. It still lives with the legacy, analysts said.

"It is an institutional challenge to keep the military away from politics," said Carazza. "During Bolsonaro's term, the military took a lot of power and were able to influence politics. Facing the possibility Bolsonaro could be defeated, they decided to act to stay in power."

Side by side: former head of the navy Almir Garnier, left, and Jair Bolsonaro in 2021. Documents cite Garnier as saying he was willing to put 'troops on the ground' to support a coup
Evaristo Sa/AFP/Getty Images

> 'It was an extremely dangerous attempt but was badly orchestrated. They wanted to do the coup then find people to support it'

The alleged plotters proposed the abolition of democracy, with Bolsonaro, a former army captain, remaining as president. After Lula won the vote in October 2022, the plot fizzled out as Bolsonaro feared he did not have enough army support. Then Lula's victory was quickly recognised by political leaders in Brasília. The US, which was a pivotal backer of the 1964 coup, also warned Bolsonaro not to try to cling to power.

"It was an extremely dangerous attempt but it was badly orchestrated," said Eduardo Grin, at the Getulio Vargas Foundation. "They wanted to do the coup and then find people to support it."

The arrests and seizure of Bolsonaro's passport point to the potential for the former leader himself to be detained, said political analysts. Christopher Garman of the Eurasia Group said: "Everything points to growing odds of Bolsonaro being arrested."

Additional reporting by Beatriz Langella

South-east Asia

Singapore club shuts as rich opt for discretion

MERCEDES RUEHL — SINGAPORE
LEO LEWIS — TOKYO

A Singapore private club known for catering to wealthy Chinese clients has shut as ultra-rich residents of the Asian hub increasingly opt for discretion over conspicuous displays of wealth.

Circle 33, located inside a former colonial residence on Scotts Road in the swish suburb of Orchard, has closed its doors after failing to renew its lease last year, according to three people familiar with the wine club's situation.

The closure of the club, which was launched in 2021, comes as sales of luxury goods such as watches, cars, high-end apartments and golf memberships have tumbled in the city state, according to industry experts, and as Singapore authorities are increasing scrutiny of family offices in the wake of a record money-laundering scandal.

Last August, Singaporean authorities arrested and charged 10 people — all with links to China — in connection with a $2.2bn money-laundering and fraud investigation, the largest in Singapore's history. Police also seized assets including luxury properties, cars, designer handbags, gold bars, cash and cryptocurrency in raids across the city.

After the probe, authorities turned a closer eye on Singapore's most affluent residents, visiting auto dealerships and real estate groups and warning in October that luxury assets — including cars, watches and handbags — may be subjected to anti-money laundering controls. Private bankers have also tightened due diligence processes for new clients, leading to longer waiting times to open accounts and set up family offices.

Circle 33, famed for its wine menu with prices that ran into six figures, came to symbolise the flow of wealth to Singapore during the pandemic, especially from super-rich Chinese fleeing restrictions in mainland China.

Co-founded by Zhang Tao, the co-founder of restaurant review site Dianping, and backed by Chinese business figures such as Min Fan, co-founder of travel group Ctrip, Circle 33 gained notoriety by attracting high-flying executives from China, Singapore, Malaysia and Indonesia, according to multiple people who frequented the club.

"It was printing money but members stopped going after it was spoken about in the media and earned a reputation," said one person who visited the club on multiple occasions. Another person close to the club said Circle 33 did not make enough money, forcing the owners to decide against renewing the lease.

Jade Koh, who is listed as the general manager of Circle 33 on LinkedIn, declined to comment.

Wealthy only: Circle 33 was famed for its wine prices in six figures

Middle East

Qatar releases Indians convicted of spying

JOHN REED — NEW DELHI

Qatar has released eight Indian former naval officers sentenced to death last year for spying for Israel, India's government said.

The government of prime minister Narendra Modi said it welcomed the release of the men, adding that seven of the eight had now returned to India.

"We appreciate the decision by the Emir of the State of Qatar to enable the release and homecoming of these nationals," India's ministry of external affairs said yesterday.

The men had been working for Dahra Global, a Doha-based defence services company, and were arrested in August 2022 and kept in solitary confinement. They were sentenced to death in October last year. Their release followed months of negotiations. Qatar in December dropped the death sentences but kept the men in detention.

Neither Qatar nor India had released details of the charges of which they were convicted but a person briefed on the case confirmed to the Financial Times in October the eight had been charged with spying for Israel. Qatar rarely carries out the death penalty. The last execution in the Gulf state was in 2020.

"We are happy to have these seven Indian nationals back," Vinay Kwatra, India's foreign secretary, told a briefing in New Delhi yesterday. "An eighth

> Modi 'has never shied away from initiatives that would ensure the return of the Indian nationals'

Indian national has also been released and we continue to see how quickly their return to India will be possible."

Kwatra said Modi had "personally, constantly supervised all the developments in this case and has never shied away from any initiatives that would ensure the return of the Indian nationals back home".

The men's release follows a big liquefied natural gas deal between Qatar and India. State-owned QatarEnergy last week announced it had entered a 20-year sale and purchase agreement with Indian state-controlled firm Petronet LNG to provide 7.5mn tonnes a year of LNG to India.

After a two-day visit to the UAE, Modi is set to hold bilateral meetings with Qatari Emir Sheikh Tamir bin Hamad al-Thani in Doha tomorrow, India said.

India has been courting closer ties with energy-rich Gulf states, and Qatar is home to an Indian diaspora of about 840,000, according to India's government, mostly foreign workers.

Qatar does not have formal relations with Israel. But it has played a leading role in brokering negotiations to secure aid for the Israeli-besieged Gaza Strip and the release of the remaining hostages abducted by the militant group Hamas on October 7.

The Modi government, which has built close ties with Israel in defence and other areas, has called for an end to the war with Hamas and the creation of a sovereign Palestinian state but has restrained its criticism of the Israeli assault on Gaza.

Bear hub Friedman's free market darling HK has had the worst performing major bourse over the past quarter-century ● PAGE 9

Companies & Markets

Diamondback agrees $26bn acquisition of rival Endeavor

- Merger creates shale heavyweight
- Operators vie for remaining acreage

MYLES MCCORMICK — HOUSTON
JAMES FONTANELLA-KHAN — NEW YORK
TOM WILSON — LONDON

Diamondback Energy has agreed to buy Endeavor Energy Resources in a $26bn deal, beating ConocoPhillips in a race for one of America's most sought-after private oil producers.

The cash and stock transaction, announced yesterday, will transform Midland, Texas-based Diamondback into one of the biggest participants in the sprawling Permian Basin of Texas and New Mexico, the biggest US oilfield.

Diamondback, which was valued at $27bn before the deal was announced, had been vying for weeks with the much larger Conoco to buy the shale oil producer. The takeover sent its shares up 10 per cent early yesterday afternoon.

'The acquisition is among the last major outstanding M&A puzzle pieces in the Permian Basin'

"With this combination, Diamondback not only gets bigger, it gets better," said Travis Stice, Diamondback's chief executive.

The deal is the latest in a series of large-scale merger and acquisition activity in the US shale patch as companies look to snap up the best remaining drilling acreage.

ExxonMobil announced a $60bn deal in October to buy Pioneer Natural Resources, the biggest participant in the Permian. That was followed shortly afterwards by Chevron unveiling a $53bn acquisition of Hess, which has assets in North Dakota's Bakken shale and a stake in the biggest oil find of the past decade, off the coast of Guyana in South America.

Last month, Chesapeake Energy agreed to buy Southwestern Energy for $7.4bn to create the country's biggest natural gas producer.

Diamondback itself lost out to Occidental Petroleum in its bid to buy CrownRock, another big private operator in the Permian. Occidental agreed a $12bn deal for the group in December.

The Endeavor transaction will consist of an $8bn cash payment and 117.3mn Diamondback shares worth $18bn as of Friday. The combined company will produce 816,000 barrels of oil equivalent a day, making it one of the biggest participants in the US shale energy industry. Endeavor's owners will retain a 40 per cent stake in the combined company.

Endeavor was set up by wildcat billionaire Autry Stephens in 2000, emerging from a business he built up from a solitary rig in 1979. Alongside CrownRock and Mewbourne Oil, it grew to become one of the leading private operators in the country.

The company has been on the market intermittently over the years, but no would-be acquirer has ever offered enough to satisfy Stephens.

"I am grateful to the Endeavor team and proud of what we have built since 1979," Stephens said yesterday. "We believe Diamondback is the right partner for Endeavor, our employees, families and communities."

Andrew Dittmar, an analyst at consultancy Enverus, said Diamondback's record as a low-cost and efficient operator "gave the Stephens family confidence in taking their equity as the major consideration in the deal" and was "key to securing the deal . . . when negotiating against larger rivals".

"The acquisition of Endeavor has a high likelihood of being the biggest upstream deal of 2024 and is among the last major outstanding M&A puzzle pieces to put together in the Permian Basin," he added.

See Lex

Eagle eye US senator vows to continue fight against Saudi influence over PGA Tour golf

Nick Taylor at the Phoenix Open, part of the PGA Tour which is in talks with Riyadh's wealth fund — Ross D. Franklin/AP

STEPHEN FOLEY — WASHINGTON
SUJEET INDAP — NEW YORK

The head of a Senate investigation into Saudi Arabia's investments in the US has vowed to keep fighting to limit the country's influence over the sport of golf.

Democratic Senator Richard Blumenthal welcomed an agreement for US sport magnates to inject $3bn into the PGA Tour's commercial operations, and warned of intense scrutiny if the Saudi sovereign wealth fund was invited to join the deal.

News of talks between the PGA and the $700bn Public Investment Fund — which has backed a rival LIV Golf league — sparked political opposition in the US and a congressional inquiry into Saudi influence in the US that has loomed over a prospective deal.

"I'm not claiming any victories here because we don't know what the deal is," Blumenthal said. "Will there be a Saudi investment? What degree of control would the Saudis have if they make an investment? We haven't seen the end of this story yet."

The PGA Tour and the PIF shocked the sports world last June when they announced that they had put aside a bitter legal battle to explore unifying their respective professional golf tours. LIV Golf, which has just launched its third season, has poached a handful of star players from the PGA Tour.

Last month, the PGA Tour announced that it would raise up to $3bn from Strategic Sports Group, a consortium led by Liverpool FC and Boston Red Sox owner John Henry. It said that the discussions about a separate minority investment from the PIF were to continue.

Blumenthal condemned Riyadh's involvement in golf as "sports-washing" and the prospect of a deal with the PGA Tour as "a powerful autocratic regime, responsible for human rights atrocities, taking over an iconic American institution to launder its public image".

But he said: "I am very hopeful that the deal will be different than what was contemplated initially in the draft that we saw last year."

He was not against Saudi investment in the US, he said, but wanted to ensure that the PIF had "minimal control" and was not able to dictate the policies of the PGA or the uniforms of players.

The PIF said it was a "rational" fund that "acts independently in carrying out its investment activities" and had injected $79bn into the US economy.

Blumenthal chairs the Senate's permanent subcommittee on investigations, whose investigation into the PGA-PIF deal has grown into a broader examination of Saudi Arabia's investments in the US.

Novo to use drugs windfall to invest $7bn a year by 2030

IAN JOHNSTON — LONDON

Novo Holdings, the controlling shareholder of Danish drugmaker Novo Nordisk, plans to invest up to $7bn annually by 2030, as dividend payments from the maker of diabetes drug Ozempic and weight-loss treatment Wegovy boost its coffers.

The life sciences investor manages the holdings of the Novo Nordisk Foundation, the largest philanthropic body.

This includes an investment portfolio valued at $24bn in 2022, consisting of life sciences and capital investments in equities, bonds, real estate and infrastructure, as well as controlling stakes in Novo Nordisk and industrial enzymes maker Novozymes.

Kasim Kutay, Novo Holdings chief executive and a Novo Nordisk board member, said rising income from its 28 per cent stake in Novo Nordisk and other investments would give his fund $5bn a year to invest in the next five years, rising to $7bn by 2030.

"We've got an ever growing investment portfolio that's generating very attractive returns," said Kutay. "Then we've got obviously the growth of . . . Ozempic and Wegovy and a lot of dividends . . . we have more money than ever to invest."

The move marks an increase from $3bn in deals in 2023 and a step change in ambitions for Novo Holding's investments portfolio. It booked a 6 per cent loss in 2022, a year it described in its annual report as "among the most challenging in recent memory".

The success of the Danish pharma group's blockbuster weight-loss drugs helped it record sales last year and a $500bn market capitalisation. Analysts expect the diabetes and weight loss category to reach $100bn in value by 2030, with demand for Ozempic and Wegovy forecast to remain high despite competition from Eli Lilly. "These are once-in-a-generation drugs," said Kutay.

The increased funds for Novo Holdings will be split equally between its capital and life sciences investments, with Kutay saying Novo Holdings' investments in larger life sciences companies were "very scalable" and would lead to bigger deals.

Novo Holdings struck a $16.5bn deal last week to acquire Catalent, a pharmaceutical manufacturer, to help Novo Nordisk expand its manufacturing capacity for diabetes and weight-loss drugs by 2026.

Deal for Hawaiian airline is a bet on Japanese tourists and the yen

INSIDE BUSINESS
ASIA
Leo Lewis

For decades, Hawaii has been a favourite playground for Japanese tourists, consistently in the top three most visited overseas destinations and the go-to spot for golf tours, group trips, marriage proposals and honeymoons.

But this is less so now and the dollar-yen exchange rate bears much of the blame. Hawaiian trips by Japanese have resumed since the pandemic but as a shadow of their previous level.

Daily arrivals throughout 2023 were mostly well below the 3,000 mark while in 2019 they were mostly above 5,000.

Two data sets tell the story of what might, on one reading, be a bold currency bet based on this. The first is the dollar-yen exchange rate — a line that tracks the yen, in early 2022, broke out of the narrow trading range that it had occupied since 2016 and fell towards the multi-decade lows of about ¥150/$ where the Japanese currency sits today.

The cheap yen has had a positive effect on the profitability of many Japanese companies. It has fuelled food and energy inflation but, crucially for Hawaii, it has made a dollar-denominated holiday punishingly expensive.

The second data set shows the share price of Hawaiian Holdings — the parent of Hawaiian Airlines. Its profitability has hinged on the once reliable Japanese yearning to visit the Aloha state and is now suffering as cost concerns have tempered that. Between the start of 2023 and the end of November, Hawaiian Holdings shares fell more than 65 per cent in value. They did not rebound from that 10-year low until, in December, Alaska Air proposed a merger.

The success or failure of that deal rests with US regulators but there are investors who see the approach as opportunistic. Hawaiian was hurting terribly and Alaska pounced.

Alaska may not think about the deal in these terms but this is a move where currency could prove a sweetener.

If the yen starts to strengthen and returns to the ¥130-¥120 territory that it occupied two years ago, a Hawaiian holiday might swing quickly back on to the Japanese wish list.

If the currency returns to the ¥130-¥120 territory it occupied two years ago, a Hawaiian holiday might be back on the wish list

According to market chatter, the notional bet that Alaska is taking is a no-brainer. More and more investors, said foreign exchange analysts, like to talk about the dollar-yen rate as an asymmetric trade: at about ¥150/$, all the risk for the yen, according to the emerging consensus view, is that it will move higher and the downside is artificially limited.

Markets have seen over the past couple of years what happens when the yen starts to move too hard and fast below ¥150/$. Imported energy and food inflation hits Japanese households, Japan's authorities start to intervene verbally to support the currency and will ultimately pledge to do "whatever is necessary" to prevent an outright rout.

On the upside, meanwhile, the Bank of Japan has been clearly signalling its intention to "normalise" its monetary regime and finally jettison the policy tools (negative interest rates and yield curve control) that were so symbolic of abnormal times.

Once the BoJ is no longer the sole big central bank still locked in ultra-loose mode, runs the argument, a revaluation of the yen will come due.

This idea of asymmetry is seductive as a theory but the trade that it implies does not yet look crowded, said analysts.

In the simplest terms, a straight bet on a stronger yen at this point requires an investor to hold yen that in effect yield nothing in favour of dollars yielding the US Federal Reserve's 5.5 per cent.

The yen would have to move a lot for the bet to be worth it and the momentum would have to be more obvious.

But there are other flaws. First, the BoJ has begun signalling that "normalisation" does not, in any immediate sense, open the gates to progressive interest rate rises.

Second, Japan's authorities have yet to emit any discernible sign of dismay as the yen has sunk from ¥141/$ at the start of January to ¥149.5 on February 9.

A third and still unquantified factor is the potentially large yen-selling pressure created by the January 1 expansion of the Japanese government's tax-exempt investment accounts.

Brokers confirm that individuals have been pouring new money into them but that as much as 80 per cent of the flows are going to yen-denominated products that give exposure to US and other foreign equities. Institutions, on behalf of retail investors, have turned yen sellers to acquire the underlying dollar assets.

There may come a point where the asymmetric yen trade becomes obvious and then Hawaii can start planning for the great return of Japanese tourists. We are not there yet.

leo.lewis@ft.com

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Technology

Axe swings over jobs during AI push

Microsoft, Snap, PayPal, eBay and others set sights on next growth phase

CAMILLA HODGSON — SAN FRANCISCO

Tech companies have axed 34,000 jobs this year as they rejig workforces to invest in areas such as generative artificial intelligence to power their next phase of growth.

Microsoft, Snap, eBay and PayPal have each scrapped hundreds or thousands of roles since the start of January, according to Layoffs.fyi. A total of 138 tech companies have cut staff this year.

The losses are smaller than the start of 2023 when groups including Meta, Amazon and Microsoft axed roles following an exuberant period of investment during the pandemic. Overall, 263,000 jobs were cut across the tech sector in 2023, Layoffs.fyi data showed.

Analysts said the latest wave of job cuts showed that companies were shuffling resources to invest in areas such as generative AI while showing shareholders there was continued focus on cost discipline.

Tech companies had been evaluating workforces and concluding that "we've got a bunch of dead wood. And if we had a leaner organisation we can do more", said Jefferies analyst Brent Thill. "The lay-offs are going to continue and it may get worse. It's become contagious."

Companies were assessing priorities for investment and cutting positions in costly but non-core units, said Daniel Keum, associate professor at Columbia Business School, such as Amazon's Twitch video streaming platform, which shed hundreds of jobs this year.

> The conclusion after evaluation of workforces has been that 'we've got a bunch of dead wood'

Amazon, Microsoft, Meta, Alphabet and music streaming service Spotify are among companies that have signalled plans to strike such a balance this year.

"We need to become more efficient by deprioritising some of the existing things, but we also need to invest in some of the new," said Spotify chief executive Daniel Ek this month.

Last year's cost-cutting came after a realisation that the shift to more digital-first lifestyles had not endured beyond the pandemic, a period when tech companies had gone on a hiring spree.

"Anybody working in tech or games right now is worried about lay-offs to some degree," said Autumn Mitchell, a quality assurance tester at Microsoft video game subsidiary ZeniMax. "You see one company announce lay-offs and think, 'Here we go. Who's it going to be next week?'"

This year's losses appeared more strategic than seasonal: 2022 and 2023 saw the "right-sizing" of workforces post-pandemic, but cuts in 2024 had come alongside "active hiring", Keum said.

Meta, which has cut more than 20,000 jobs since late 2022 — as investors complained about the billions going into building a "metaverse" — said this month that net headcount additions for the year would be "minimal" even as it made "significant investments" in generative AI, which would include securing talent.

Enterprise software group SAP, meanwhile, unveiled a "company-wide transformation" in January that will include the axing of about 8,000 jobs as the business sharpens its AI focus. Staff numbers would be "similar to current levels" at the end of 2024, it said.

Retail. Online fashion

Shein seeks Beijing's blessing to float in US

Start-up has relocated from China so rejection of its plans would alarm domestic groups

ELEANOR OLCOTT AND CHENG LENG
HONG KONG
RYAN MCMORROW — BEIJING
SUN YU — NEW YORK

Online fast-fashion giant Shein, which has gone to great lengths to separate itself from its Chinese roots, has now found itself having to return to Beijing to seek authorities' tacit approval for its blockbuster overseas initial public offering plan.

In recent weeks senior executives of the company, valued at more than $60bn in its most recent private fundraising, have been holding discussions with regulators in the Chinese capital to get their blessing for an imminent listing in New York, according to multiple people briefed on the talks.

The regulatory situation is unclear, given Shein's unique status as a start-up that originated in China with a Chinese founder but has moved its headquarters to Singapore and does not generate any revenue in the country of its birth.

Shein, which is profitable and targeting revenues of nearly $60bn this year, approached the Cyberspace Administration of China and China Securities Regulatory Commission despite not formally requiring their approval, the people said. The CAC and CSRC did not respond to a request for comment.

Shein still employs thousands of people in China, including designers and supply chain managers, and outsources manufacturing to factories in the province of Guangdong. Yet it is not available to China's online shoppers and therefore does not hold any domestic consumer data. The decision not to sell in China was made to avoid Beijing's regulatory scrutiny and because of intense competition in the domestic ecommerce market, according to company insiders.

Even so, "Shein felt they had to ask the CSRC for approval", said one company adviser, adding: "You can't piss off regulators in China." One investor said the company made the gesture as a "courtesy" to Beijing.

Shein told the Financial Times it disputed the "accuracy of any statements and speculation" from "company advisers" and "third-party sources".

The company's caution in consulting the authorities arises from Beijing's response to the $4.4bn IPO of ride-hailing provider DiDi. Under pressure from its US investors, DiDi pushed ahead with a New York listing in 2021, despite private warnings in advance by Chinese regulators to delay the share sale.

A Shein fashion show in Paris. The group still employs Chinese workers and Beijing's stance on its New York IPO will provide a strong signal for tech groups such as ByteDance
Stefano Rellandini/AFP

Days after the IPO, the CAC announced that DiDi was barred from signing up new users and launched a cyber security investigation into the company. DiDi's losses mounted as a result and shareholders voted a year later to delist the company, which had lost 90 per cent of its value since the IPO.

Three people close to Shein, including two investors and an adviser, expressed confidence that the CAC and CSRC would give their consent for Shein to list in the US.

However, another person cautioned the process was taking longer than expected because there was no precedent or clear regulation for the overseas listing of a company with as big an operation as Shein's but with no customers in China.

Shein filed a confidential preliminary prospectus with regulators in November and is expected to be the most valuable company to go public in the US since Uber in 2019.

Its listing would also be a test of how global banks warn about the potential risks of investing in companies that have operations in China. The US Securities and Exchange Commission last year called for "more specific and prominent disclosure" in listing prospectus documents of risks related to China's government. But Beijing last year banned banks from making comments that "disparage" the country. Wall Street banks have toned down the warnings they include in some Hong Kong filings.

> 'Shein felt they had to ask the CSRC for approval. You can't piss off regulators in China'

The prospective IPO also comes as Beijing is courting foreign investors, trying to restore confidence by downplaying regulatory risks and stepping up stimulus measures.

"Everyone is watching the Shein IPO. If they can list on Nasdaq, then it's possible other big Chinese companies can, too. It means the pipeline is open again," said a Beijing-based venture capitalist.

The investor added that a Shein listing would help restore confidence in tech start-ups that were starved of capital during the pandemic and suffered from Beijing's tech crackdown and rising geopolitical tensions, which have sent foreign capital fleeing from the sector.

"It's still unclear if any big tech companies will be allowed to go public in the US," they said, noting that recent IPOs of Chinese companies there have been relatively small. They include listings at the start of last year of Chinese lidar maker Hesai, which raised $190mn, and online education group QuantaSing, raising $40mn.

Car insurance tech group CheChe raised $22mn on the Nasdaq in September, in one of the first overseas listings of a mainland Chinese company since the CSRC implemented new rules on foreign share issuance in March.

CheChe chief Zhang Lei said Beijing had formalised the process for companies listing overseas, which afforded "very strong protection" for the more than 250 Chinese groups listed on the Nasdaq and New York stock exchanges.

Zhang explained that CheChe, which listed through a special-purpose acquisition company, first had to undergo a data security review with the CAC to inspect how the group handled "sensitive data" such as biometric information relating to facial recognition or fingerprints.

The CAC "wants to see what data you have and how you manage it", said Zhang. From submitting to the CSRC to approval, the process took about four months, he said.

China tech investors are hoping that the crop of smaller Chinese companies going public and the Shein listing will pave the way for the long-awaited listings of TikTok owner ByteDance and fintech group Ant.

"Any delay to Shein's IPO is a negative signal for ByteDance and any 2024 IPO possibilities," said one US tech investor with stakes in the TikTok owner and Shein.

Additional reporting by Mercedes Ruehl in Singapore

Chemicals

Rights claims prompt BASF to accelerate sale of stakes in Xinjiang plants

PATRICIA NILSSON — FRANKFURT

BASF is to accelerate the sale of its stakes in two plants in Xinjiang following "serious allegations" of human rights abuse by employees of its local joint venture partner.

The German chemicals company, which has been criticised for investing heavily in China while downsizing in Europe, said it would sell its shares in two plants making chemicals that go into elastic fibres such as spandex.

BASF's move follows reports by German news outlets ZDF and Der Spiegel that contained what the chemicals group described as "serious allegations that point to activities that are incompatible with BASF's values".

The company said it would "accelerate" a hitherto unannounced sale process initiated last quarter due to a supply glut of one of the chemicals.

The German media reports alleged that employees at BASF's joint venture partner, Xinjiang Markor Chemical Industry, had carried out "home visits" to Uyghur families to gather evidence that would be passed on to authorities.

According to corporate social responsibility reports published by Markor and reviewed by Spiegel, the aim of the visits was to "expose and criticise" people not loyal to the Chinese state.

> The venture partner allegedly visited Uyghur homes to gather evidence for the authorities

The two plants, one of which is majority-owned by BASF while the other is controlled by Markor, began production in 2016 — a time when Chinese authorities had already begun interning Uyghurs and other ethnic and religious minorities in mass detention camps.

BASF said it had not seen evidence that allegations against its partner were true, adding that "regular" audits had revealed no evidence of human rights violations at its Xinjiang factories.

Nevertheless, Janne Werning, head of ESG capital markets at Union Investment, which holds just under 1 per cent of BASF, said the firm welcomed BASF's decision to "withdraw from this controversial region".

Zhongtai Group, the Xinjiang-based owner of Markor, did not respond to a request for comment.

BASF's decision in Xinjiang follows a controversy surrounding an independent human rights audit for Volkswagen's plant in the region. The German carmaker is another of the handful of western companies that operate plants in Xinjiang.

VW managed to get rid of its "red flag" ESG rating from index provider MSCI after an independent audit found no evidence of forced labour at its plant in Xinjiang. However, the majority of 20 employees at the firm that oversaw the audit publicly distanced themselves from the results.

VW declined to comment.

BASF's decision could risk harming its business in China — the world's biggest market for chemicals. In 2021, Nike and H&M were forced to U-turn from earlier decisions to stop sourcing cotton from Xinjiang, due to widespread boycotts.

The chemicals group is building a €10bn petrochemicals plant in Guangdong, where construction started in late 2019.

Shipping

Cargo vessel emissions set to leap 70% as loss of Red Sea route brings 'slow steaming' to an end

ROBERT WRIGHT — LONDON

Emissions from container ships, car carriers and dry bulk ships diverting from the Red Sea are set to increase as much as 70 per cent as vessel operators increase speeds to compensate for the longer route around the Cape of Good Hope.

Leading container ship operators including Denmark's AP Møller-Maersk and Germany's Hapag-Lloyd are among companies that have increased vessel speeds in an attempt to minimise the extra sailing time for ships that would normally use the Suez Canal.

The increased emissions are a result of vessels being rerouted because of the attacks by Yemen's Houthis on commercial ships in the Red Sea and Gulf of Aden. Most shipping companies have been taking the longer route since November, which at normal speeds adds between 10 days and two weeks to a container ship's voyage from Asia to Europe.

The speed increases follow nearly a decade of "slow steaming" by most shipping companies in a bid to economise on fuel use and minimise their carbon emissions.

Maersk, operator of the world's second-biggest container ship fleet, said it had "suspended" slow steaming on some services to catch up on "some of the delay" from sailing around the Cape of Good Hope.

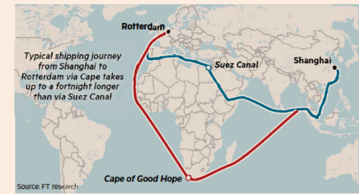
Hapag-Lloyd, the fifth-biggest container line, said speeds had generally increased and that it was accelerating ships when necessary to overcome congestion delays.

Shipping analysts at Sea-Intelligence said that shipping line customers were "caught between a rock and a hard place" by the operators' decisions to increase vessel speeds.

"If they want to move their cargo, they will have to accept a significant increase in their carbon emissions," the company wrote in a note.

Simon Heaney, senior manager in container research at London-based Drewry Shipping Consultants, said container ships in recent years had been operating at 14 knots, the equivalent of about 16 miles per hour on land. He anticipated most shipping lines would follow a "hybrid" approach, increasing speeds only to 15 or 16 knots.

Houthi impact



Source: FT research

Sea-Intelligence estimates that for a modern large container ship a 1 per cent speed increase typically produces a 2.2 per cent rise in fuel consumption. An increase from 14 to 16 knots would increase consumption per mile by 31 per cent. Together with the longer distance, emissions for a round trip would rise by just over 70 per cent.

Lasse Kristoffersen, chief executive of Wallenius Wilhelmsen, operator of the largest fleet of car-carrying ships, said his company's vessels had also sped up. Car-carrier operators — which move completed vehicles — were struggling to cope with a big increase in demand even before the diversions.

Kristoffersen stressed the vessel speeds were "nothing near" to the speeds that could make up for the added transit time, adding that European emissions trading regulations were a limiting factor to the speeds. Shipping companies that operate into and out of EU ports have been included in the emissions trading scheme — which forces emitters to buy permits for excess emissions — since the start of this year.

The speed increases extend to companies moving dry bulk commodities such as coal, iron ore and grain whose ships in recent years have sailed at average speeds as low as 10 or 11 knots.

Jan Rindbo, head of Norden, a Danish operator of several hundred dry bulk ships, said with daily charter rates for dry bulk ships about 50 per cent higher than a year ago, the company's vessels were running "a bit faster".

Hans-Christian Olesen, chief executive of Denmark's Ultrabulk, which operates 155 dry bulk carriers, expected increased pressure for higher speeds but expressed concern at the potential impact, noting: "It comes at an enormous environmental cost."

Total boss says policymakers are mis-selling the energy transition

Pouyanné warns recognition is needed that a shift to less-polluting systems will lead to higher costs

SARAH WHITE AND TOM WILSON
LONDON

Policymakers are mis-selling the energy transition if they fail to acknowledge the shift to a less-polluting systems will lead to higher energy costs, the chief executive of TotalEnergies has warned.

"We think that fundamentally this energy transition will mean a higher price of energy," Patrick Pouyanné said in a wide-ranging interview, in which he defended the French group's strategy to invest in renewable power while pursuing new oil and gas projects decried by climate activists, not least in untapped countries such as Namibia.

Policymakers and campaigners were naive, he argued, to think it would be possible to shrink oil and gas production before sufficient renewable energy is available to take its place, given continued growth in global energy demand.

"The pace of transition will not be the same everywhere," he said. "We cannot ask African countries just to avoid to develop the resources because we have developed their resources for our own comfort for 20 years."

Since rising to the top of TotalEnergies in 2014, Pouyanné's strategy and messaging have been among the most consistent in the industry.

While European rivals BP and Shell have vacillated over how to invest in the energy transition and how quickly to withdraw from oil and gas, Pouyanné has remained steadfast in his commitment to fossil fuel production though spending more than competitors on renewable projects in recent years.

The result is a strategy based on oil, gas and integrated power, to which investors have generally responded positively. Returns to shareholders at Total have beaten rivals since Pouyanné took over almost a decade ago.

"I need to continue to be strong in oil and gas . . . people are first buying your shares because of that," he said.

Out of $16.8bn in capital spending in 2023, about two-thirds went on oil and gas and one-third on Total's "low-carbon" integrated power business. That level of investment is now plateauing from one year to the next rather than increasing, climate activists point out.

However, Pouyanné was adamant he was not investing in wind and solar projects just to reduce the company's emissions. Unlike some in the oil and gas industry, he sees power as an increasingly profitable opportunity, particularly as he expects the energy transition to result in permanently elevated electricity prices.

"I know that there is a theory which says renewables are cheaper, so it will be a lower price," he said. "We don't think so because a system where you [have] more renewable intermittency is less efficient . . . so we think it's an interesting field to invest in."

Pouyanné expects the integrated power division to become cash flow-positive in 2028, when it will generate about $4bn, hopefully with a return on average capital employed of 12 per cent. That is equivalent to returns in the company's oil business when crude is trading at $60 a barrel, the company says.

The integrated power business will continue to grow organically or through targeted project-level deals, rather than through a big acquisition, said Pouyanné, who thought most renewables companies were still overvalued despite a sell-off in the past 12 months.

"I don't need Ørsted. What do they bring to me?" he said of the world's largest offshore wind developer whose share price has fallen more than 70 per cent since peaking in 2021 at the height of investor frenzy over environmentally friendly stocks. "This question could have been asked three years ago, but we have developed our own portfolio."

Faith in fossil fuels: Patrick Pouyanné says Total needs to 'continue to be strong in oil and gas' while investing in renewable energy — Charlie Bibby/FT

The integrated power strategy has not been without setbacks. Last year Total suspended a $4bn green hydrogen investment with India's Adani after a short seller report accused the conglomerate of accounting fraud and stock market manipulation, which it denied.

Pouyanné now considered the Adani case "over" and was doubling down on renewable energy ventures with the group, although the hydrogen project remained on the back burner as demand remained tentative.

Total's fossil fuel business will be vital to funding the growth of its electricity assets and maintaining returns in the meantime, Pouyanné argued.

"If you begin to say 'because I'm investing in the transition, I need to lower my returns' this will not work," he said. Total returned $16.5bn to shareholders last year in dividends and share buybacks, representing 46 per cent of cash flow from operations.

The company plans to increase oil and gas output by a combined 2 to 3 per cent a year until 2030, a strategy that has alienated some investors but won over others. The number of US-based shareholders in the company has increased from less than 40 per cent to 47 per cent over the past two years, Pouyanné said.

BP, in contrast, has committed to cut oil and gas production by 25 per cent by 2030, compared with 2019 levels, although that is down from a previous target of 40 per cent after it pared back the ambition last year.

Total's UK rival played down takeover speculation following the abrupt departure last year of Bernard Looney, its chief executive, and a series of large mergers across the Atlantic.

Pouyanné dismissed the idea of a combination between his group and all or part of BP. Such a scenario involving a partner such as Adnoc of Abu Dhabi, which some industry executives and bankers have floated, was "not a thought in my head", he said. Adnoc has denied considering such a possibility.

Recent multibillion-dollar deals in the US had been driven by a desire for consolidation in the North American shale oil sector where Total does not operate, Pouyanné said. "I don't need to consolidate anything."

Much of Total's additional oil and gas production will instead come from new projects in Uganda, Mozambique, Iraq, Papua New Guinea and Brazil. These have made the group a target for criticism from climate campaigners and on the political front at home.

Pouyanné and the group face an inquiry this year launched by green politicians in the French Senate over their record on environmental goals.

But while many European and North American producers have pulled back from frontier markets, Pouyanné views a capacity to keep operating in such places as an advantage. The company, which was founded in Iraq in 1924, has a long history in the Middle East and merged with Africa-focused Elf in 2000.

"My friends and my main competitors do not like to take the risk, so we take it," Pouyanné said. "It's balancing risk and reward. The condition for us to go into these countries . . . is to have better returns."

In Namibia, for example, which does not have an oil and gas industry, Total has found promising hydrocarbon deposits offshore.

"We are proud sadly aware that any new oil and gas development could become an issue but the question for me is more what does Namibia want?" Pouyanné asked. "I don't think it's western NGOs who need to decide the future of Namibia."

> 'I don't think it's western NGOs who need to decide the future of Namibia'

Pouyanné is an unabashed defender of what he presents as a pragmatic worldview, arguing that oil demand may peak before the end of this decade but will decline slowly enough afterwards that new production will be required.

"There is a sort of divide today between the global south and the north on this perspective, which we have observed in Dubai as well, in the way the debate happened," Pouyanné said, referring to the COP 28 climate talks in December.

In Iraq, where Total is involved in a $27bn series of gas, oil and solar projects, the government's principal preoccupation is developing gas for domestic power generation, and increased oil production will be used to pay for it, he said.

"If we don't engage with the global south where the emissions will come from — China, from India, from Brazil, from South Africa — if we don't engage with them by bringing them energy, there is no way to find a solution to the climate," he said.

In Europe, having significantly reduced dependence on Russian gas — a chunk of which is still provided by Total's stake in the Yamal liquefied natural gas project led by Russia's Novatek — leaders needed to keep diversifying sources of supply, Pouyanné warned.

In particular, they should seek to protect long-term imports of liquefied natural gas from the US, which is now its biggest supplier, he argued.

Last month President Joe Biden imposed a temporary pause on new licences to export LNG to countries without a free trade agreement with Washington, which includes the EU.

"The US says that they can help Europe with their security of supply," Pouyanné said. "Let's negotiate that agreement."

Total on top
Average annual total shareholder return since 2014 (%)

Company	%
TotalEnergies	9.1
ConocoPhillips	8.4
Shell	6.9
Chevron	6.5
BP	5.8
ExxonMobil	4.7

Source: LSEG

Mining

Glencore to sell stake in lossmaking nickel plant

HARRY DEMPSEY — LONDON
SARAH WHITE — PARIS

Glencore plans to suspend production and sell its stake in the Koniambo nickel operations in New Caledonia after a sharp fall in prices for the metal, a component of stainless steel and electric car batteries.

The Swiss mining house said yesterday it would look for a new partner for the nickel mine and processing plant in the French territory as it closes operations with plans for a quick reopening if a new financial backer is found.

The decision is a blow to the French government's bid to put together a rescue package for New Caledonia's nickel industry, a big driver of jobs in the south Pacific territory that accounts for 7 per cent of its economic output.

The territory's high-cost operations have been hit by a flood of supply from Indonesia, the world's leading producer of the industrial metal.

Glencore, which owns 49 per cent of Koniambo Nickel SAS (KNS), said high operating costs and weak market conditions made operations unprofitable, even factoring in the French government's proposed assistance.

"Glencore is appreciative of the French government's efforts to revitalise and rescue the nickel industry in New Caledonia," it said. "However, even with the proposed assistance, KNS remains an unsustainable operation and Glencore cannot justify continuing to fund losses to the detriment of its shareholders."

> 'KNS remains an unsustainable operation and Glencore can't justify continuing to fund losses'

Benchmark nickel prices have fallen 46 per cent since the start of 2023 to about $16,000 per tonne after a surge in Indonesian supply, making mines in New Caledonia, Australia and other regions of the world unprofitable.

The French government said it had offered €200mn in state help for KNS, including €60mn in subsidies for high energy prices and a €100mn loan, but had also called on shareholders in the mine to do more. "Now it's up to shareholders to take their responsibilities," economy minister Bruno Le Maire told French lawmakers this month.

France was "totally engaged" in trying to help KNS find a new investor, an official at the French economy ministry said yesterday. However, they said the site needed to develop the means of becoming more profitable, and that the French state could not replace the industrial players. "The industry is strategic for New Caledonia and could play a role in future for Europe's strategic supplies," the official said.

Paris is trying to persuade local politicians to sign a "nickel pact" that would include relaxing quotas and local restrictions on exporting raw nickel ore and transforming less of it into a finished product on site, which it says would help profitability. The French state has said it would also spend on improving energy infrastructure.

Rival commodity trader Trafigura and French mining group Eramet, which hold stakes in nickel mines and processing facilities in New Caledonia, are facing similar challenges to Glencore as their operations are bleeding cash.

Glencore, which has never made a profit with KNS despite putting more than $4bn into it since 2013, will retain staff for six months to keep furnaces at the plant hot so they can return to operations quickly. There are about 1,300 people employed at the site overall.

Energy

Urenco views proposed US ban on Russian uranium as benefiting west's nuclear supply chains

JAMIE SMYTH — NEW YORK

The head of the largest western supplier of enriched uranium used to fuel nuclear plants in the US says it has enough capacity to replace Russian supplies if Washington bans imports from the country.

Boris Schucht, the chief executive of Urenco, said a US bill proposing to ban uranium imports from Russia would boost a multibillion-dollar effort by western nations to strengthen nuclear supply chains by providing long-term certainty to market participants.

He said Urenco was also talking with the UK and US governments about potential investments in new plants to produce Haleu, a more powerful fuel used in advanced reactors that is currently sold only by Russia's state-owned nuclear group Rosatom.

Urenco has been awarded £9.5mn by the UK government to help develop Haleu at its Capenhurst site in Cheshire, as part of a £300mn strategy to "push [Vladimir] Putin out of the global energy market".

"The market is seeking higher independence and, of course, clear political guidance. So the proposed legislation in the US would be helpful," said Schucht in an interview. "There are no constraints in the short term in replacing Russian materials in the western world. That is the simple message."

Russia controls almost 50 per cent of uranium enrichment capacity, a dominant position that has raised energy security concerns in the west following Moscow's full-scale invasion of Ukraine.

The US and crucial allies are trying to rebuild their nuclear fuel supply chains, which were compromised by a collapse in demand after the Fukushima accident in 2011 caused a leak of radioactive materials.

Rosatom supplies more than a fifth of the enriched uranium fuel used to power the nuclear reactor fleets in the US and Europe. But the US, UK, Japan, France and Canada committed $4.2bn in December to government-led investments to boost domestic suppliers of uranium enrichment and conversion capacity.

Urenco, whose shareholders are the British and Dutch governments, as well as two German utilities, is at the forefront of these efforts and has agreed to expand three enrichment facilities in the US, UK and the Netherlands.

Schucht said demand has surged with western power plant operators trying to secure alternative sources of supply from Russia. Urenco's order book has grown to $14bn, up from $12bn a year ago, he said.

The Biden administration did not initially support banning Russian nuclear fuel after the invasion because the US fleet of 93 nuclear power plants was heavily reliant on the trade. It is now advocating a ban after two years of stockpiling by power plants and multibillion-dollar investments in the nuclear supply chain by western companies, including Urenco, France's Orano and US-based Centrus.

The US nuclear industry expects a ban on Russian imports of enriched uranium to be enacted sometime this year following a bipartisan vote in favour of the measure in the House of Representatives in December.

Timothy Fox, analyst at ClearView Energy Partners, said the Nuclear Energy Institute's support for a ban suggests there is "now no meaningful risk to the continued operations" of the trade association's power plant members.

Schucht said the nuclear sector was experiencing momentum not seen for 30 years due to the need to roll out emissions-free power to meet climate goals and safeguard energy security in the wake of the Ukraine war. The development of a new generation of small modular reactors (SMRs), which are more efficient than standard reactors and are powered with Haleu, is also driving the industry, he said.

Russia and China have both designed, built and begun operating SMRs while the US has failed to complete a project.

Schucht said Russia and China were competing aggressively with western nations and achieving success in exporting technology and building plants overseas. The private industry in western countries had not fallen behind Moscow or Beijing in designing new technologies but it had lost some capabilities in building nuclear power plants, he added.

"[Western nations] had a lot of suppliers in the nuclear sector that went bankrupt in the last 20 years so we lost in the western world certain capabilities and we are already in the process of building them up again," he said.

Equities. M&A activity

US biotech fundraising boom heralds end to deal drought

Drug developers brought in $6bn last month, the largest volumes since February 2021

NICHOLAS MEGAW — NEW YORK

Biotech companies are rushing to raise money in US equity markets at the fastest rate since the peak of the mid-pandemic market boom.

Drug developers raised $6.2bn in equity capital markets in January, according to data from Jefferies.

That marked the largest total since February 2021, the same month that the most popular tracker of biotech stocks hit its all-time high.

The funding surge marks a sharp turnaround after a two-year deal drought that forced many companies to cut jobs and shelve projects to save costs, and forced some out of business.

"There's been a noticeable, dramatic improvement in sentiment among investors," said Rahul Chaudhary, head of healthcare equity capital markets at Leerink Partners.

Fundraising has been encouraged by a rebound in stock prices, expectations that the US Federal Reserve will soon start cutting interest rates and a boom in mergers and acquisitions activity in the sector.

The closely followed SPDR S&P Biotech ETF tumbled almost two-thirds from its 2021 high, weighed down by rising interest rates and a backlash to pandemic-era over-optimism about new drugs.

But the SPDR biotech ETF has since rebounded about 40 per cent since late October as investors bet that interest rates had peaked. Jesse Mark, head of equity capital markets at Jefferies, said the most notable shift was a rise in "opportunistic" deals from companies whose fundraising was not linked to encouraging drug trial data or other scientific milestones.

"In two years of challenging markets, most companies were relying on catalysts to raise capital," said Mark.

Now, he added, "broader investor interest created a window for opportunistic issuance".

The bulk of the recent fundraising — $5.6bn — was raised by already listed companies but initial public offerings have also been picking up pace and the strong performance of recent deals was expected to encourage a further jump.

"There's a good backlog of biotechs who didn't go public over the past year or so who are sharpening their pencils again," said Yasin Keshvargar, a capital markets partner at Davis Polk, the law firm.

Shares in US-based CG Oncology jumped 96 per cent to close at $37.17 on their first day of trading in late January while Arrivent Biopharma raised $175mn in an IPO during the same week. Its share price has risen just over 5 per cent since listing.

Kyverna Therapeutics, which is developing therapies to treat autoimmune diseases, provided the latest sign of investor appetite when it raised $319mn in an IPO last week.

Kyverna raised its target price range, sold shares above the top of the raised target and then its stock jumped another 36 per cent on its first day of trading.

Peter Maag, Kyverna chief executive, said it was a "stellar outcome" and that he was particularly encouraged by the level of interest from large generalist mutual fund investors rather than only healthcare specialists.

However, most of the companies that have listed were relatively advanced in the drug development process and investors remain cautious about backing earlier-stage companies.

Metagenomi, a pre-clinical group backed by Moderna and Bayer, priced its $94mn IPO last week at the bottom of its target range and fell 31 per cent on its first day of trading on Friday.

Maag said it may take longer for fundraising to rebound for the riskiest companies but added: "If you have good clinical data and know what you're doing, I think companies are financeable right now."

Biotechs are particularly reliant on equity markets because they often need large amounts of capital to fund drug development before they generate enough revenue to repay debt.

Keshvargar said an uptick in biotech deals was a "positive" sign for those hoping for a broader rebound in other sectors but said it was "not directly transferable".

He added: "Both biotech and non-biotech IPOs benefit from a lot of the same underlying economic circumstances . . . [but] there are some specific biotech factors such as increased M&A activity in the space and enthusiasm from specialist biotech investors who are key buyers."

Andy Acker and Daniel Lyons, portfolio managers on Janus Henderson's healthcare and biotech teams, said the recent pick-up in M&A activity across the sector had been driven in part by US regulatory approval of Amgen's $28bn acquisition of Horizon Therapeutics in September.

But that deal may still not be enough to return the industry to the "heady days" of dealmaking and fundraising during the pandemic when biotech stocks "could benefit regardless of the quality of a company's pipeline or balance sheet", they added.

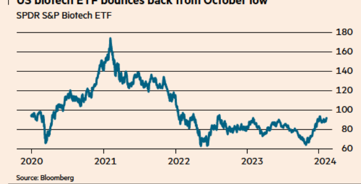
Additional reporting by George Steer in London

Kyverna Therapeutics offered the latest evidence of investor demand when it raised $319mn in a flotation last week

'If you have good clinical data and know what you're doing, companies now are financeable'

US biotech ETF bounces back from October low

SPDR S&P Biotech ETF



Source: Bloomberg

FT
Our global team gives you market-moving news and views, 24 hours a day
ft.com/markets

Equities

Music group Believe seeks to delist three years after IPO

ADRIENNE KLASA — PARIS

The founder of digital music company Believe is teaming up with two investment firms in an attempt to take the company private less than three years after listing in Paris.

Denis Ladegaillerie, Believe's founder and chief executive, has partnered with private equity firms EQT and TCV, the company's largest shareholder, to offer €15 in cash per share to outstanding shareholders in a deal that values the company at about €1.52bn — a 21 per cent premium to Friday's closing price.

Founded in 2005, Believe has billed itself as a new breed of music label for the streaming era that helps smaller, independent artists maximise earnings on streaming platforms and boost their visibility internationally. Its initial public offering in 2021 had sought to capitalise on investors' growing enthusiasm for the music sector, which enjoyed a return to growth thanks to the rise of streaming platforms such as Spotify.

But Believe's atypical business model and competition from traditional big labels have made investors wary, and the share price was trading about 30 per cent below the IPO price before yesterday's announcement. Most of Believe's revenues come from its premium service for more established artists, but unlike traditional music labels, the musicians keep control over their copyright and pay Believe a share of revenue.

'The strength of [Believe's] operational performance has not been reflected in the share price evolution'

"Since being a public company, Believe has systematically outperformed its objectives, delivering its IPO plan two years ahead of schedule. However the strength of its operational performance has not been reflected in the share price evolution," said Ladegaillerie in a statement.

The consortium of Ladegaillerie and the private equity firms said yesterday they had already made agreements to acquire 72 per cent of the French label's share capital from existing shareholders. They have backing from shareholders representing another 3 per cent to tender them at the offer price.

The tender offer will be filed in the second quarter after the transaction receives approval from regulators and Believe's board, which supports the offer. If they gain backing from holders of 90 per cent of the share capital, the consortium will be able to squeeze out remaining shareholders and remove the company from the public market.

Believe works with 1.3mn musicians and labels to boost their popularity on social media and streaming platforms, in 50 countries and with more than 150 streaming providers including Spotify, YouTube, Apple Music and Amazon.

As revenue has grown steadily, so have operating expenses. It increased sales by 32 per cent to €760mn in 2022 and posted an operating loss of €22mn.

See Lex

Commodities

Cocoa prices soar to record high after El Niño takes toll on West Africa crop

SUSANNAH SAVAGE — LONDON

Global cocoa prices have jumped to record highs as bad weather batters harvests in the world's main producing countries in West Africa.

New York cocoa prices surged to $5,874 per ton late last week, a rise of more than 40 per cent since the start of the year.

London cocoa futures meanwhile have more than doubled from a year ago, gaining 7.3 per cent last Thursday to £4,600 per ton.

The price of New York cocoa futures edged back slightly yesterday to $5,863 per ton. London cocoa prices moved higher again to £4,778 per ton.

The moves prompted a warning from chocolate maker Hershey that surging raw material prices would hit profits.

"We've had a humongous rally since the start of the year," said Paul Joules, cocoa analyst at Rabobank. "I don't think anyone was expecting it."

He added that this was "from an already ridiculously high position" at the end of 2023. The global supply shortfall was creating "a lot of fear that . . . we could even move to a new normal range of higher prices," Joules said.

Ivory Coast and Ghana together produce about 70 per cent of the world's cocoa beans and both countries have seen their cocoa crops hampered by the El Niño sea temperature phenomenon.

El Niño disrupts rainfall patterns and brings hot, dry weather to West Africa. Growers are also battling a large outbreak of disease.

Traders have been betting that the poor weather will continue to crimp supplies and keep global prices high.

A worker gathers cocoa pods in Ivory Coast, one of the two top producers

Large trading volumes in London this week suggested that a lot of "new managed money is coming into the market", according to Andrew Moriarty, price reporting manager at Mintec.

"Speculators are knocking the price up, forcing cocoa producers to cover their shorts," he added.

The price rises were dealing a blow to chocolate manufacturers.

"Historic cocoa prices are expected to limit earnings growth this year," said Michele Buck, chief executive of Hershey, in the company's earnings statement last week.

The company reported a 6.6 per cent fall in sales in the fourth quarter as consumers struggling with inflation curtailed spending on sweet treats.

For consumers, the worst was still to come, according to analysts.

In 2023, a lot of chocolate companies were absorbing high prices and had some stockpiles, said Joules.

But after a year-long rally, "these companies are now fully exposed to these higher commodity prices . . . The only way for [them] to absorb these prices is to pass them on to the consumer," he added.

Equities

Abu Dhabi AI group G42 sells China stakes to allay American concerns

CHLOE CORNISH — DUBAI
KAYE WIGGINS — HONG KONG

Abu Dhabi artificial intelligence group G42 has sold its stakes in Chinese companies including TikTok owner ByteDance as the group seeks to reassure US partners by cutting ties with China.

42XFund, the $10bn technology investment arm of G42, told the Financial Times that it had "divested from all its investments in China".

The fund did not comment on individual deals or respond to questions about the overall size of its investment in China.

However, two people with knowledge of the situation explained that the sell-off included shares in Beijing-based ByteDance. G42's stake in the TikTok owner was worth an estimated $100mn, according to the data provider PitchBook.

The United Arab Emirates led by G42 is pressing to become a global leader in AI, an effort that has thrust it into the centre of geopolitical jostling between the US and China over the technology.

Chief executive Peng Xiao told the FT in December that G42 "cannot work with both sides" and was severing links with Chinese hardware suppliers, including Huawei.

"In order for us to further our relationship — which we cherish — with our US partners, we simply cannot do much more with [previous] Chinese partners," added Xiao, who was born in China, studied in the US and is now a UAE citizen.

'To further our relationship with our US partners, we cannot do much more with Chinese partners'

G42, which is chaired by the UAE's powerful national security adviser Sheikh Tahnoon bin Zayed al-Nahyan, is developing a range of AI projects from health and life sciences to mapping and a large language model.

Backed by investors including the UAE sovereign wealth fund Mubadala and US private equity firm Silver Lake, G42 had also been working with US partners such as Microsoft and OpenAI as well as Chinese technology companies.

But the Abu Dhabi-based group, which relies on semiconductors made by US chipmaker Nvidia, has scrambled to allay fears that companies linked to the Chinese government could gain access to American AI systems.

In December, The New York Times reported that US officials were worried about the Emirati company's relationship with groups including telecoms company Huawei.

It said they were also concerned G42 could provide a route for the genetic data of US citizens to reach the Chinese government and companies.

42XFund, which has said it operates as a private equity investor with $10bn to spend in sectors ranging from climate to consumer technology, has followed suit by divesting its Chinese holdings.

Last March, it participated in a $300mn funding round for JD Industrials, part of online retailer JD.com, led by Abu Dhabi sovereign wealth fund Mubadala.

ByteDance declined to comment. JD.com did not immediately respond to requests for comment.

The day in the markets

What you need to know

- Tech-heavy Nasdaq Composite on course for record closing high
- Philadelphia Semiconductor index buoyed by Nvidia gains
- Europe stocks led higher by real estate and basic materials groups

Wall Street's benchmark keeps climbing to fresh record highs
S&P 500 index

Source: Bloomberg

The Nasdaq Composite index was on track for a record closing high yesterday as a rally in technology shares continued to drive Wall Street higher.

The tech-heavy index was 0.5 per cent higher by early afternoon in New York, powered by further gains in the buoyant chipmaker sector.

The Philadelphia Semiconductor index rose 1.3 per cent as index heavyweight Nvidia jumped, helping to push the Nasdaq above the level of the previous record close struck in November 2021.

The gains came after the broader S&P 500 index, which has already hit a succession of record highs this year, closed above the symbolic 5,000 level for the first time on Friday.

The S&P 500 was up 0.4 per cent yesterday, led higher by energy stocks, financials and basic materials.

Assuming that economic growth moderates and inflation continues to ease, UBS analysts expected the S&P 500 — which has gained ground in 14 of the past 15 weeks — to reach 5,300 by the end of the year.

Although a handful of the largest technology stocks have accounted for the bulk of the market's recent gains, Solita Marcelli, UBS Global Wealth Management's chief investment officer for the Americas, said "healthy economic fundamentals and profit growth" among other listed groups had supported the S&P's recent rally.

Roughly 77 per cent of S&P 500 companies that have reported their latest results have beaten earnings per share estimates while 65 per cent have beaten on revenues, both better than historical averages, Marcelli added.

Jeffrey Buchbinder, chief equity strategist for LPL Financial, said the S&P 500's streak of successive all-time highs has been supported by the fact that "a soft landing [looks] increasingly likely and earnings season [is] nicely exceeding expectations after a messy start".

European stocks also moved higher, buoyed by the momentum that pushed Wall Street to fresh record highs last week.

The region-wide Stoxx Europe 600 added 0.5 per cent, led higher by interest rate-sensitive real estate groups and basic materials stocks.

Paris's CAC 40 rose 0.6 per cent and Frankfurt's Xetra Dax gained 0.7 per cent while London's FTSE 100 was flat.

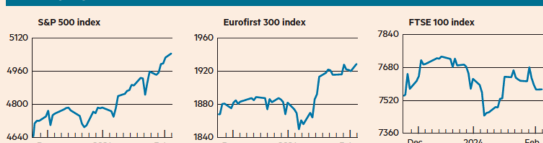
In a quiet day of trading in Asia with markets closed in Tokyo, Seoul and Shanghai, Mumbai's Nifty 50 fell 0.8 per cent. **Stephanie Stacey and George Steer**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	5046.37	1928.91	36897.42	7573.69	2865.90	128025.70
% change on day	0.39	0.46	0.09	0.01	1.28	-0.15
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	104.175	1.079	149.325	1.263	7.194	4.953
% change on day	0.061	-0.092	0.000	0.000	0.000	-0.261
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.172	2.362	0.719	4.228	2.482	10.378
Basis point change on day	-1.640	-1.800	0.000	-3.000	0.000	1.900
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	494.52	81.62	76.57	2023.50	22.66	3557.90
% change on day	0.33	-0.69	-0.35	-0.25	1.36	-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



Biggest movers

%	US		Eurozone		UK	
Ups	Vf	13.20	Saipem	5.88	Burberry	5.07
	Diamondback Energy	10.54	Grifols	4.45	Frasers	4.98
	Enphase Energy	6.81	Kbc	3.76	Ocado	4.60
	Mohawk Industries	5.70	Hugo Boss	2.99	Fresnillo	3.50
	Dayforce Inc	5.58	Telecom Italia	2.93	Anglo American	2.88
Downs	Motorola Solutions	-3.04	Colruyt	-1.86	Rolls-royce Holdings	-2.83
	PTC Inc	-2.06	Dassault Systemes	-1.82	Astrazeneca	-2.66
	Gartner Inc	-1.84	Coloplast	-1.57	Gsk	-2.02
	Constellation Energy Inc	-1.75	Alstom	-1.50	Melrose Industries	-1.49
	Roper Technologies Inc	-1.55	Kone	-1.43	Natwest	-1.42

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

Hong Kong's glory days have come to an end

Stephen Roach

Markets Insight

There is more to economic vitality than the stock market. But for Hong Kong, the market has always been emblematic of success.

Imagine, a small city state with what had long been the world's fourth-largest exchange (it is now fifth, according to Bloomberg data) — a global leader of new stock offerings as recently as 2019.

It pains me to admit it but Hong Kong is now over. A city I once called home and have cherished as a bastion of dynamism has had the world's worst-performing major stock market over the past quarter of a century.

Since the handover to China in 1997, the Hang Seng index has been basically flat, up only about 5 per cent. Over that same period, the S&P 500 has surged more than fourfold; even mainland China's underperforming Shanghai Composite has far outdistanced the Hong Kong bourse.

Hong Kong's demise reflects the confluence of three factors. First, domestic politics. For the first 20 years after the handover, its politics were relatively stable. China was a passive Big Brother.

The wheels came off in 2019-20 when, under Carrie Lam, the Hong Kong leadership made the mistake of proposing an extradition arrangement with China that sparked massive pro-democracy demonstrations.

China's response — the imposition of a new Beijing-centric national security law — shredded any remaining semblance of local political autonomy.

The 50-year transition period to full takeover by the People's Republic of China had been, in effect, cut in half.

In the spring of 2019 at the onset of the democracy protests, the Hang Seng index was trading at nearly 30,000. It is now more than 45 per cent below that level at 15,750. Milton Friedman's favourite free market has been shackled by the deadweight of autocracy.

Second, the China factor. The Hong Kong stock market has long been considered as a levered play on mainland China. For a variety of reasons, the Chinese economy has hit a wall.

Structural problems — especially the dreaded three Ds — debt, deflation and demography — have combined with the impact of the pandemic as well as cyclical pressures in the property market and local government financing vehicles.

These forces have sparked a three-year bear market that has taken China's broad CSI 300 index down more than 40 per cent from its spring 2021 peak.

> The city had the world's worst-performing major stock market over the past quarter of a century

Reflecting collateral damage on Chinese enterprises listed in Hong Kong and the city's China-sensitive services sector, the Hang Seng has fallen 49 per cent over the same period.

Third, global developments. Since 2018, the US-China rivalry has gone from bad to worse. Hong Kong has been trapped in the crossfire.

Moreover, America's "friendshoring" campaign has put pressure on Hong Kong's Asian allies to pick sides. This has driven a wedge between Hong Kong and many of its largest Asian trading partners. Outside consequences are likely, especially since Hong Kong's foreign trade totals 192 per cent of its GDP.

There is no easy way out for Hong Kong from the interplay between these three developments. Hong Kong has no political discretion to chart its own course. While the Chinese economy might improve, I suspect any rebound is likely to be shortlived in light of lasting headwinds from a shrinking workforce and worrisome productivity prospects.

Nor do I see an easy path to the resolution of US-China tensions that would prompt a reversal of friendshoring.

The contrarian would argue, of course, that all this bad news is already discounted in an oversold Hong Kong market. China's recent moves — government stimulus actions, jawboning and replacement of the chief securities regulator — may trigger a temporary bounce.

However, sceptical investors need to see more from Beijing than just another page from its timeworn countercyclical playbook. Until that happens, Hong Kong is likely to be mired in a trap made in China.

I will never forget my first trip to Hong Kong in the late 1980s. Notwithstanding a frightening, steep landing at the old Kai Tak airport, I was immediately taken with the extraordinary energy of the business community.

Back then, Hongkongers had both a vision and a strategy. China was just beginning to stir and Hong Kong was perfectly positioned as the major beneficiary of what turned into the world's greatest development miracle. It all worked out brilliantly, for longer than anyone expected. And now it's over.

Stephen Roach is a faculty member at Yale, formerly chair of Morgan Stanley Asia, and is the author of 'Accidental Conflict: America, China, and the Clash of False Narratives'

Financials

Investors pay increased hedge fund manager fees for first time in a decade

COSTAS MOURSELAS — LONDON

Investor eagerness to allocate more money to the hedge fund industry's costly mega-managers has driven up average fees for the first time in a decade.

Management and performance fees fell every year between 2014 and 2023, according to a survey by BNP Paribas of 238 hedge fund investors, except for 2020 and 2021 when the French bank did not record the data, as investors pulled money from the industry following often-lacklustre returns.

However, annual performance fees increased to 17.82 per cent this year from 16.91 in 2023, the survey showed, the highest level since 2016.

Management fees increased to 1.54 per cent from 1.46 per cent last year.

Hedge funds have historically been known for a "two and 20" fee model, where investors pay 2 per cent in management fees every year and 20 per cent on any performance gains.

In reality, investors rarely pay fees that high, especially for small to medium-sized hedge funds.

The 2024 increase in fees reflects how global investors are allocating billions of dollars to multi-manager hedge funds that emulate Ken Griffin's Citadel and Izzy Englander's Millennium and which have come to dominate the industry.

These firms pursue expensive models that can rely on hundreds of portfolio managers trading a variety of strategies across markets and so charge higher overall fees than the average hedge fund.

> 'Investors have allocated to funds which pass through some costs that also charge a management fee'

Many have consistently made large gains for investors, even during downturns in stock markets. These firms often charge performance fees of 20 per cent.

Some multi-managers do not charge management fees, with many opting for a so-called pass-through model where they charge all expenses, including salaries and technology spending, directly to investors.

In practice, the pass-through model is equivalent to fees on investor assets of between 3 and 10 per cent.

BNP's survey does not count the pass-through fee as a management fee but does take account of the multi-managers that do charge a management fee, which is often above the industry average.

"[Investors] have also allocated to funds which pass through some costs to investors that also charge a management fee of 2 per cent or higher, which has resulted in a jump in fees paid," added Naidoo.

The pass-through model is controversial with some investors, who argue that it does not incentivise management to keep costs down.

BNP Paribas's survey showed that investor returns from managers that did not operate the pass-through model beat hedge funds that did last year.

FT ADVISER

DIVERSITY IN FINANCE AWARDS 2024

Entries are open

The FT Adviser Diversity in Finance Awards celebrate both individuals and organisations in the UK financial services sector who have taken active steps towards a more inclusive and diverse industry.

Now in their sixth instalment, the awards feature a record total of 17 categories, offering companies and individuals more opportunities to showcase their forward-thinking initiatives.

Entries close on **1 March.**

Winners and highly commended will be announced at an exclusive ceremony on **20 June** at the **Biltmore Mayfair, London.**

To find out more, scan the QR code or visit: diversityinfinanceawards.com

An event from the **Financial Times**

Supporting partner

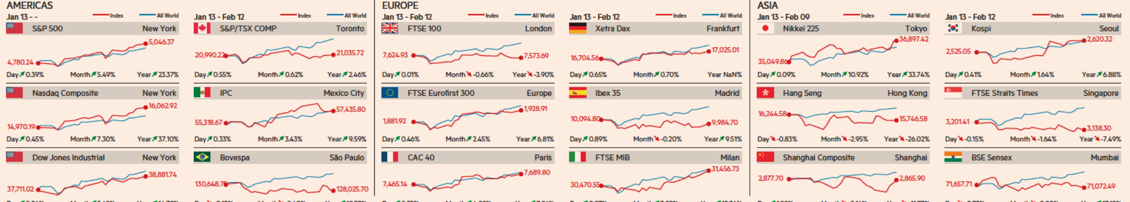
MARKET DATA

WORLD MARKETS AT A GLANCE
FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500 0.39% | Nasdaq Composite 0.45% | Dow Jones Ind 0.54% | FTSE 100 0.01% | FTSE Eurofirst 300 0.46% | Nikkei 0.09% | Hang Seng -0.83% | FTSE All World $ 0.33% | $ per € No change | $ per £ No change | ¥ per $ No change | £ per € No change | Oil Brent $ Sep -0.96% | Gold $ -0.25%

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	1129510.81	1115907.06
Australia	All Ordinaries	7860.30	7884.70
	S&P/ASX 200	7614.90	7644.80
	S&P/ASX 200 Res	5906.40	5947.20
Austria	ATX	3387.22	3358.95
Belgium	BEL 20	3715.85	3676.59
	BEL Mid	10739.91	10664.87
Brazil	IBovespa	128025.70	128216.92
Canada	S&P/TSX 60	1275.59	1269.75
	S&P/TSX Comp	21124.97	21009.60
	S&P/TSX Div Met & Min	1542.95	1581.36
Chile	S&P/CLX IGPA Gen	30763.00	30512.17
China	FTSE A200	8931.98	8891.09
	FTSE B35	9000.71	8988.96
	Shanghai A	3004.27	2966.34
	Shanghai B	249.38	246.70
	Shanghai Comp	2865.90	2829.70
	Shenzhen A	1649.79	1599.09
	Shenzhen B	1016.72	1005.47
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1464.71	1452.80
Denmark	OMXC Copenhagen 20	2553.29	2556.10
Egypt	EGX 30	28494.72	28199.04
Estonia	OMX Tallinn	1778.64	1778.92
Finland	OMX Helsinki General	9776.29	9756.86
France	CAC 40	7689.80	7647.52
	SBF 120	5826.33	5794.69
Germany	M-DAX	26095.34	25728.84
	TecDAX	3429.29	3414.74
	XETRA Dax	17037.35	16926.50
Greece	Athens Gen	1394.08	1401.01
	FTSE/ASE 20	3395.27	3408.07
Hong Kong	Hang Seng	15746.58	15878.07
	HS China Enterprise	5306.79	5360.08
	HSCC Red Chip	3196.95	3245.87
Hungary	Bux	64763.57	64982.98
India	BSE Sensex	71072.49	71595.49
	Nifty 500	19675.20	19961.50
Indonesia	Jakarta Comp	7297.67	7235.15
Ireland	ISEQ Overall	9311.83	9251.00
Israel	Tel Aviv 125	1851.86	1865.59

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	33599.54	33279.93
	FTSE Italia Mid Cap	45573.28	45174.30
	FTSE MIB	31456.73	31156.06
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	36897.42	36863.28
	S&P Topix 150	2258.33	2261.46
	Topix	2557.88	2562.63
Jordan	Amman SE	2408.69	2397.75
Kenya	NSE 20	1516.50	1526.48
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1361.37	1351.44
Lithuania	OMX Vilnius	965.70	962.21
Luxembourg	LuxX	1550.56	1531.57
Malaysia	FTSE Bursa KLCI	1512.28	1512.36
Mexico	IPC	57514.69	57327.50
Morocco	MASI	12688.22	12659.81
Netherlands	AEX	854.88	851.77
	AEX All Share	1166.48	1161.12
New Zealand	NZX 50	11757.97	11862.95
Nigeria	SE All Share	102042.32	101858.37
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	61065.32	61979.18

Country	Index	Latest	Previous
Philippines	Manila Comp	6807.82	6850.16
Poland	Wig	79625.59	78450.66
Portugal	PSI 20	6194.21	6126.40
	PSI General	4330.18	4289.37
Romania	BET Index	15741.87	15726.44
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12295.91	12209.06
Singapore	FTSE Straits Times	3138.30	3142.91
Slovakia	SAX	314.06	315.41
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	73722.10	73423.30
	FTSE/JSE Res 20	50476.59	49717.51
	FTSE/JSE Top 40	67202.86	66853.53
South Korea	Kospi	2620.32	2609.58
	Kospi 200	353.29	352.25
Spain	IBEX 35	9984.70	9896.60
Sri Lanka	CSE All Share	10584.02	10567.33
Sweden	OMX Stockholm 30	2367.50	2352.42
	OMX Stockholm AS	897.93	890.75
Switzerland	SMI Index	11179.30	11091.58

Country	Index	Latest	Previous
Taiwan	Weighted Pr	16915.54	16942.30
Thailand	Bangkok SET	1389.30	1388.37
Turkey	BIST 100	9174.58	9174.58
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2694.30	2679.20
	FTSE 100	7573.69	7572.58
	FTSE 4Good UK	6828.32	6829.52
	FTSE All Share	4141.81	4136.74
	FTSE techMARK 100	6923.16	6916.16
USA	DJ Composite	12498.63	12438.34
	DJ Industrial	38881.74	38671.69
	DJ Transport	16246.49	16215.50
	DJ Utilities	842.08	834.43
	Nasdaq 100	18022.16	17962.41
	Nasdaq Cmp	16062.92	15990.66
	NYSE Comp	17363.90	17275.87
	S&P 500	5046.37	5026.61
	Wilshire 5000	42053.18	41446.59
Venezuela	IBC	53320.11	52839.06
Vietnam	VNI	1198.53	1188.48

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	598.53	596.87
	Euro Stoxx 50 (Eur)	4743.28	4715.87
	Euronext 100 ID	1442.11	1436.39
	FTSE 4Good Global ($)	12915.30	12885.93
	FTSE All World ($)	494.52	492.88
	FTSE E300	1928.91	1920.13
	FTSE Eurotop 100	3857.16	3842.29
	FTSE Global 100 ($)	3480.51	3472.95
	FTSE Gold Min ($)	1597.64	1616.82
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	3490.27	3468.49
	FTSE World ($)	910.05	906.81
	FTSEurofirst 100 (Eur)	5197.69	5177.65
	FTSEurofirst 80 (Eur)	6360.44	6326.28
	MSCI ACWI Fr ($)	747.93	744.95
	MSCI All World ($)	3281.42	3266.14
	MSCI Europe (Eur)	1941.83	1943.21
	MSCI Pacific ($)	2954.57	2952.39
	S&P Euro (Eur)	2059.43	2046.95
	S&P Europe 350 (Eur)	1980.67	1970.72
	S&P Global 1200 ($)	3609.94	3597.44
	Stoxx 50 (Eur)	4228.10	4215.59

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Nvidia	108.7	731.36	10.03
Tesla	49.3	192.55	-1.02
Meta Platforms	29.0	474.84	6.73
Advanced Micro Devices	27.8	174.85	2.37
Amazon.com	24.2	173.73	-0.73
Microsoft	18.4	417.59	-2.96
Apple	17.2	187.47	-1.38
Alphabet	6.7	148.08	-0.92
Eli Lilly & Co	6.2	731.26	-8.90
Arista Networks	6.0	284.72	2.27

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Vf	17.08	1.78	11.63
Diamondback Energy	166.25	14.51	9.56
Enphase Energy	129.74	7.27	5.93
Mohawk Industries	115.97	5.96	5.42
Trimble	55.24	2.73	5.20
Downs			
Motorola Solutions	322.12	-8.77	-2.65
Cardinal Health	102.63	-2.32	-2.21
Constellation Energy	129.64	-2.53	-1.91
Verisign	194.64	-3.74	-1.89
S&p Global	430.41	-7.49	-1.71

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Astrazeneca	287.1	9501.00	-260.00
Unilever	151.6	3993.00	-12.50
Shell	124.7	2495.50	8.00
Gsk	111.4	1626.40	-33.60
Bp	110.2	479.45	1.00
Rio Tinto	100.0	5355.00	11.00
Hsbc Holdings	79.9	608.40	-1.10
British American Tobacco	78.5	2435.00	14.00
Glencore	77.6	394.25	9.20
Sse	73.0	1564.00	7.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Jupiter Fund Management	86.00	6.60	8.31
Tui Ag	579.50	31.00	5.65
Burberry	1335.50	64.50	5.07
Frasers	822.50	39.00	4.98
Uk Commercial Property Reit	67.30	3.10	4.83
Downs			
Tritax Big Box Reit	153.80	-6.40	-4.00
Ashmore	222.20	-7.40	-3.22
Rolls-royce Holdings	309.10	-9.00	-2.83
Astrazeneca	9501.00	-260.00	-2.66
Baltic Classifieds	228.00	-6.00	-2.56

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Roche Gs	323.4	241.04	2.75
Nestle N	305.3	102.56	1.47
Unicredit	274.1	29.57	0.52
Asml Holding	250.5	875.00	-1.10
Novartis N	231.5	92.90	-0.67
Intesa Sanpaolo	208.9	2.82	0.04
Stellantis	207.7	22.64	0.18
Bbva	169.8	9.25	0.10
Lvmh	149.4	819.20	11.70
Enel	138.6	5.92	0.04

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Sika N	260.54	7.73	3.06
Orsted A/s Dk 10	7.15	0.20	2.86
L'oreal	430.10	11.30	2.70
Volkswagen Ag St O.n.	136.40	2.85	2.13
Basf Se Na O.n.	44.94	0.92	2.09
Downs			
Dsv A/s	154.86	-4.36	-2.74
Sartorius Sted Bio	243.90	-6.50	-2.60
Dassault Systemes	43.14	-0.80	-1.82
Heineken	93.70	-0.88	-0.93
Safran	174.98	-1.44	-0.82

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank	4132.1	7991.00	641.00
Lasertec	3149.3	40000.00	-810.00
Tokyo Electron	1576.6	29755.00	320.00
Renesas Electronics	1436.4	2702.50	160.50
Toyota Motor	1293.0	3323.00	-27.00
Advantest	1184.4	6547.00	-30.00
Fast Retailing Co.,	939.3	39710.00	-370.00
Kawasaki Kisen Kaisha,	903.4	6534.00	-435.00
Mitsubishi Ufj Fin	785.0	1386.00	2.00
Screen Holdings Co Ltd	697.5	17140.00	370.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Fujikura	1558.00	300.00	23.85
Softbank.	7991.00	641.00	8.72
Nitori Holdings Co.,	21240.00	1615.00	8.23
Renesas Electronics	2702.50	160.50	6.31
Kuraray Co.,	1581.00	88.00	5.89
Downs			
Nexon Co.,	2552.00	-338.50	-11.71
Nissan Motor Co.,	553.10	-72.30	-11.56
Nikon	1429.50	-111.50	-7.24
Teijin	1253.00	-97.50	-7.22
Fujifilm Holdings	9140.00	-660.00	-6.73

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Feb 12 price(p)	%Chg week	%Chg ytd
Winners			
Smith (ds)	319.50	18.0	4.3
Smurfit Kappa	3202.00	11.9	4.9
Bp	479.45	5.6	1.8
Kingfisher	220.80	5.1	-7.5
Beazley	578.50	5.0	10.0
Pershing Square Holdings Ltd	4004.00	4.7	12.2
Scottish Mortgage Investment Trust	806.80	4.6	2.4
Frasers	822.50	4.4	-7.2
Hikma Pharmaceuticals	1959.50	4.1	9.7
Spirax-sarco Eng	10160.00	4.0	-0.5
Diploma	3386.00	3.9	-1.9
Bae Systems	1224.00	3.8	9.7
Losers			
Astrazeneca	9501.00	-8.3	-11.9
Sse	1564.00	-6.8	-14.9
Barratt Developments	488.50	-6.2	-11.9
Sainsbury (j)	256.10	-6.0	-14.3
Legal & General	235.50	-5.5	-5.2
Bt	104.50	-4.8	-16.5
Coca-cola Hbc Ag	2213.00	-4.8	-4.4
Natwest	207.70	-4.4	-5.7
National Grid	1002.00	-4.3	-5.2
Glencore	394.25	-3.7	-15.9
Airtel Africa	102.70	-3.6	-20.8
Tesco	279.60	-3.5	-4.6

FTSE 250	Feb 12 price(p)	%Chg week	%Chg ytd
Winners			
Renishaw	4136.00	20.4	18.4
Redrow	681.00	15.0	14.1
Watches Of Switzerland	410.00	10.7	-39.3
Crest Nicholson Holdings	226.00	10.6	6.1
Tui Ag	579.50	10.3	-7.1
Sdcl Energy Efficiency Income Trust	56.30	8.7	-13.4
Jupiter Fund Management	86.00	8.0	-4.9
Me Int	135.00	7.1	8.7
Virgin Money Uk	160.00	6.9	-2.0
Uk Commercial Property Reit	67.30	6.8	7.2
Iwg	198.80	6.5	11.6
Bellway	2860.00	6.4	12.3
Losers			
Pz Cussons	101.80	-18.6	-31.7
Close Brothers	425.40	-15.3	-45.9
Hochschild Mining	92.10	-8.8	-11.3
Drax	443.60	-6.7	-9.6
Tritax Big Box Reit	153.80	-5.9	-8.5
Baltic Classifieds	228.00	-5.8	-5.8
Bluefield Solar Income Fund	103.40	-5.5	-13.1
Nextenergy Solar Fund	77.30	-5.4	-16.3
Aston Martin Lagonda Global Holdings	174.20	-5.2	-19.1
Octopus Renewables Infrastructure Trust	77.80	-4.9	-12.9
Mobico	82.90	-4.6	-1.3
Discoverie	732.00	-4.4	-5.4

FTSE SmallCap	Feb 12 price(p)	%Chg week	%Chg ytd
Winners			
Cab Payments Holdings	101.00	33.4	23.2
Riverstone Energy	923.00	14.5	10.9
Chrysalis Investments	86.40	12.1	13.4
Xaar	115.50	11.6	0.9
Palace Capital	224.00	9.8	1.6
Molten Ventures	234.60	9.1	-13.4
Xp Power	1550.00	8.4	21.5
Asos	393.80	7.6	-0.7
Galliford Try Holdings	253.50	6.7	12.2
Manchester & London Investment Trust	624.00	6.5	14.9
Gulf Marine Services	17.10	5.6	12.5
888 Holdings	91.00	5.4	-0.4
Losers			
Fisher (james) & Sons	253.00	-24.0	-23.2
Digital 9 Infrastructure	17.98	-23.5	-43.4
Capricorn Energy	120.40	-11.6	-27.9
Regional Reit	22.75	-11.5	-34.9
Vh Global Sustainable Energy Opportunities	61.20	-11.0	-21.1
Superdry	35.20	-10.7	4.8
Life Science Reit	51.60	-9.5	-19.4
Petra Diamonds	46.00	-8.7	-30.3
Severfield	53.00	-8.6	-15.9
Funding Circle Holdings	27.50	-8.3	-29.5
Pollen Street	528.00	-8.0	-16.2
Speedy Hire	26.20	-7.6	-22.1

Industry Sectors	Feb 12 price(p)	%Chg week	%Chg ytd
Winners			
General Industrials	6617.84	4.3	-2.6
Personal Goods	18735.87	4.1	-14.1
Industrial Engineering	13846.01	3.1	-2.6
Nonlife Insurance	3323.28	2.9	-1.1
Industrial Transportation	3858.01	2.6	-2.9
Oil & Gas Producers	8464.92	2.4	-1.4
General Retailers	3859.38	2.3	2.6
Electronic & Electrical Equip.	9763.05	2.2	-2.0
Aerospace & Defense	9217.73	2.1	7.3
Support Services	10601.17	1.8	0.2
Tobacco	27716.73	1.8	5.6
Health Care Equip.& Services	11309.88	1.7	5.1
Losers			
Electricity	9350.46	-6.7	-15.1
Pharmaceuticals & Biotech.	19543.91	-5.6	-3.6
Mobile Telecommunications	1711.12	-3.5	-10.5
Beverages	22698.84	-3.1	1.1
Gas Water & Multiutilities Index	5831.54	-3.0	-4.7
Mining	8008.82	-2.0	-19.2
Industrial Metals	6037.65	-1.9	-11.5
Life Insurance	5837.52	-1.9	-6.4
Banks	3436.82	-1.7	-6.7
Real Estate Investment Trusts	2234.64	-0.8	-6.8
Food Producers	7151.26	0.2	-2.6
Real Estate & Investment Servic	2232.78	0.4	-3.4

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

CURRENCIES

Feb 12	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	831.2500	-	896.6324	-	1050.2079	-
Australia	Australian Dollar	1.5336	-	1.6542	-	1.9376	-
Bahrain	Bahrainin Dinar	0.3770	-	0.4067	-	0.4763	-
Bolivia	Bolivian Boliviano	6.9100	-	7.4535	-	8.7301	-
Brazil	Brazilian Real	4.9662	-	5.3568	-	6.2743	-
Canada	Canadian Dollar	1.3462	-	1.4520	-	1.7007	-
Chile	Chilean Peso	974.1000	-	1050.7184	-	1230.6858	-
China	Chinese Yuan	7.1937	-	7.7595	-	9.0886	-
Colombia	Colombian Peso	3919.8200	-	4228.1367	-	4952.3338	-
Costa Rica	Costa Rican Colon	517.8300	-	558.5802	-	654.2305	-
Czech Republic	Czech Koruna	23.3519	-	25.1886	-	29.5629	-
Denmark	Danish Krone	6.9116	-	7.4552	-	8.7322	-
Egypt	Egyptian Pound	30.8950	0.2099	33.3251	0.2264	39.0030	0.2652
Hong Kong	Hong Kong Dollar	7.8218	-	8.4371	-	9.8822	-
Hungary	Hungarian Forint	359.0136	-	387.2520	-	453.5606	-
India	Indian Rupee	83.0313	-	89.5621	-	104.9023	-

Feb 12	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Indonesia	Indonesian Rupiah	15635.0000	-	16864.8000	-	19753.3986	-
Israel	Israeli Shekel	3.6702	-	3.9589	-	4.6370	-
Japan	Japanese Yen	149.3250	-	161.0702	-	188.6584	-
..One Month		149.3243	-0.0013	161.0697	-0.0011	188.6576	-0.0016
..Three Month		149.3229	-0.0041	161.0686	-0.0033	188.6559	-0.0050
..One Year		149.3174	-0.0151	161.0646	-0.0113	188.6576	-0.0103
Kenya	Kenyan Shilling	159.5000	-	172.0456	-	201.5136	-
Kuwait	Kuwaiti Dinar	0.3079	-	0.3321	-	0.3890	-
Malaysia	Malaysian Ringgit	4.7650	-	5.1398	-	6.0201	-
Mexico	Mexican Peso	17.0825	-	18.4261	-	21.5822	-
New Zealand	New Zealand Dollar	1.6277	-	1.7558	-	2.0565	-
Nigeria	Nigerian Naira	1450.7500	-	1564.8598	-	1832.8893	-
Norway	Norwegian Krone	10.5605	-	11.3911	-	13.3422	-
Pakistan	Pakistani Rupee	279.8750	-	301.8887	-	353.5963	-
Peru	Peruvian Nuevo Sol	3.8636	-	4.1675	-	4.8813	-
Philippines	Philippine Peso	55.9200	-	60.3184	-	70.6498	-

Feb 12	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Poland	Polish Zloty	4.0104	-	4.3258	-	5.0667	-
Romania	Romanian Leu	4.6142	-	4.9772	-	5.8297	-
Russia	Russian Ruble	91.1500	-	98.3195	-	115.1596	-
Saudi Arabia	Saudi Riyal	3.7502	-	4.0452	-	4.7380	-
Singapore	Singapore Dollar	1.3463	-	1.4522	-	1.7009	-
South Africa	South African Rand	19.0463	-	20.5443	-	24.0632	-
South Korea	South Korean Won	1328.2500	-	1432.7243	-	1678.1218	-
Sweden	Swedish Krona	10.4594	-	11.2821	-	13.2145	-
Switzerland	Swiss Franc	0.8750	-	0.9438	-	1.1055	-
Taiwan	New Taiwan Dollar	31.3585	-	33.8250	-	39.6186	-
Thailand	Thai Baht	35.9000	-	38.7237	-	45.3563	-
Tunisia	Tunisian Dinar	3.1279	-	3.3739	-	3.9518	-
Turkey	Turkish Lira	30.6840	-	33.0975	-	38.7664	-
United Arab Emirates	UAE Dirham	3.6729	-	3.9617	-	4.6403	-
United Kingdom	Pound Sterling	0.7915	-	0.8538	-	-	-
..One Month		0.7915	0.0000	0.8537	0.0000	-	-

Feb 12	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
..Three Month		0.7916	0.0000	0.8535	0.0000	-	-
..One Year		0.7916	0.0000	0.8524	0.0000	-	-
United States	United States Dollar	-	-	1.0787	-	1.2634	-
..One Month		-	-	1.0785	-0.1848	1.2634	0.0000
..Three Month		-	-	1.0783	-0.1848	1.2635	0.0000
..One Year		-	-	1.0769	-0.1848	1.2635	0.0000
Vietnam	Vietnamese Dong	24405.0000	-	26324.6567	-	30633.5543	-
European Union	Euro	0.9271	-	-	-	1.1713	-
..One Month		0.9270	0.0000	-	-	1.1712	0.0000
..Three Month		0.9267	0.0000	-	-	1.1710	0.0000
..One Year		0.9253	0.0000	-	-	1.1699	0.0000

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 Feb 12	Day's chge%	Euro Index	£ Strlg Feb 09	£ Strlg Feb 08	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT 30 INDEX

	Feb 12	Feb 09	Feb 08	Feb 07	Feb 06	Yr Ago	High	Low
FT 30	2694.30	2679.20	2692.80	2691.20	2715.60	0.00	2780.90	2639.70
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2679.2	2691.3	2686.5	2690.9	2687.7	2688.6	2688.8	2695.8	2693.7	2701.6	2679.2

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

FT WILSHIRE 5000 INDEX SERIES

	Feb 09		Feb 09
FT Wilshire 5000	50577.90	FT Wilshire Mid Cap	6051.33
FT Wilshire 2500	6495.79	FT Wilshire Small Cap	5600.86
FT Wilshire Mega Cap	6734.89	FT Wilshire Micro Cap	4915.69
FT Wilshire Large Cap	6621.96		

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FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	7.33	Technology	-0.25	Real Est Invest & Se	-3.75
Tobacco	5.81	Support Services	-0.65	Financials	-4.37
Industrial Transport	5.67	Nonlife Insurance	-0.90	Gas Water & Multi	-4.84
Travel & Leisure	5.16	Equity Invest Instr	-1.09	Life Insurance	-6.48
Media	4.99	Oil & Gas Producers	-1.39	Banks	-6.68
Household Goods & Ho	3.90	Oil & Gas	-1.44	Real Est Invest & Tr	-7.09
Personal Goods	3.63	NON FINANCIALS Index	-1.51	General Retailers	-7.13
Consumer Goods	3.11	Industrial Eng	-1.98	Utilities	-7.54
Industrial Metals &	3.08	FTSE 100 Index	-2.06	Mobile Telecomms	-7.76
Consumer Services	1.63	Food Producers	-2.07	Food & Drug Retailer	-8.47
Industrials	1.14	FTSE All{HY-}Share Index	-2.13	Oil Equipment & Serv	-9.35
Beverages	0.94	Electronic & Elec Eq	-2.36	Telecommunications	-10.26
Health Care Eq & Srv	0.77	FTSE 250 Index	-2.47	Tech Hardware & Eq	-10.42
Software & Comp Serv	0.52	FTSE SmallCap Index	-2.57	Basic Materials	-11.12
Construct & Material	0.49	Financial Services	-2.60	Mining	-11.90
Leisure Goods	0.19	Health Care	-3.46	Fixed Line Telecomms	-15.04
Beverages	31.66	Chemicals	-3.48	Automobiles & Parts	-15.09
		Pharmace & Biotech	-3.72	Electricity	-15.19

FTSE GLOBAL EQUITY INDEX SERIES

Feb 12 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	10068	832.52	0.4	3.5	2.4	1368.08	2.5	2.0
FTSE Global All Cap	10068	832.52	0.4	3.5	2.4	1368.08	2.5	2.0
FTSE Global Large Cap	2001	763.91	0.4	4.4	3.6	1294.06	3.7	1.9
FTSE Global Mid Cap	2291	997.32	0.2	0.7	-0.7	1542.60	-0.6	2.2
FTSE Global Small Cap	5776	1034.54	0.6	1.1	-1.1	1527.01	-1.0	2.0
FTSE All-World	4292	492.88	0.4	3.7	2.8	857.88	2.9	2.0
FTSE World	2615	906.81	0.4	4.0	3.1	2117.94	3.2	2.0
FTSE Global All Cap ex UNITED KINGDOM In	9790	882.74	0.4	3.7	2.6	1421.78	2.7	1.9
FTSE Global All Cap ex USA	8311	542.53	0.0	0.4	-1.5	998.27	-1.4	3.0
FTSE Global All Cap ex JAPAN	8642	869.16	0.4	3.6	2.4	1440.69	2.6	2.0
FTSE Global All Cap ex Eurozone	9427	881.74	0.4	3.6	2.6	1416.18	2.7	1.9
FTSE Developed	2107	834.90	0.4	4.1	3.3	1380.04	3.5	1.9
FTSE Developed All Cap	5712	862.34	0.5	3.9	2.9	1404.16	3.0	1.9
FTSE Developed Large Cap	771	800.51	0.5	4.9	4.2	1346.56	4.4	1.8
FTSE Developed Europe Large Cap	196	440.68	0.1	0.9	-0.5	904.47	-0.4	3.1
FTSE Developed Europe Mid Cap	342	638.24	0.2	-1.9	-3.9	1134.26	-3.8	3.1
FTSE Dev Europe Small Cap	737	854.58	0.1	-1.7	-4.4	1460.12	-4.3	3.2
FTSE North America Large Cap	220	1109.06	0.7	6.4	6.2	1698.99	6.4	1.4
FTSE North America Mid Cap	416	1249.27	0.3	1.8	0.5	1774.12	0.6	1.8
FTSE North America Small Cap	1292	1251.82	1.0	2.5	0.2	1700.06	0.2	1.6
FTSE North America	636	706.24	0.6	5.5	5.1	1106.62	5.3	1.4
FTSE Developed ex North America	1471	297.24	0.1	0.8	-0.9	588.83	-0.8	2.9
FTSE Japan Large Cap	163	455.60	-0.1	3.9	3.4	687.58	3.4	2.0
FTSE Japan Mid Cap	348	574.92	-0.2	-1.4	-1.5	826.29	-1.5	2.4
FTSE Global wi JAPAN Small Cap	915	647.93	-0.4	-2.1	-2.5	968.77	-2.5	2.5
FTSE Japan	511	183.60	-0.1	2.9	2.4	310.42	2.4	2.1
FTSE Asia Pacific Large Cap ex Japan	1220	680.51	-0.1	0.2	-3.2	1281.35	-3.1	2.9
FTSE Asia Pacific Mid Cap ex Japan	899	1046.66	-0.2	0.0	-2.2	1898.89	-2.1	2.6
FTSE Asia Pacific Small Cap ex Japan	2549	584.50	-0.4	-1.2	-3.4	1026.91	-3.3	2.5
FTSE Asia Pacific Ex Japan	2119	546.46	-0.1	0.1	-3.1	1093.47	-3.0	2.9
FTSE Emerging All Cap	4356	734.38	-0.3	0.1	-2.2	1324.94	-2.1	3.1
FTSE Emerging Large Cap	1230	664.74	-0.3	0.2	-2.2	1206.86	-2.2	3.2
FTSE Emerging Mid Cap	955	1136.23	-0.3	-0.3	-2.0	2060.61	-1.9	3.0
FTSE Emerging Small Cap	2171	848.58	-0.5	-0.9	-2.3	1459.83	-2.2	2.8
FTSE Emerging Europe	154	153.19	0.5	7.3	9.4	335.08	9.4	3.0
FTSE Latin America All Cap	249	829.51	-0.1	-2.1	-5.3	1768.55	-5.1	6.5
FTSE Middle East and Africa All Cap	327	721.49	0.0	-1.0	-1.6	1372.48	-1.5	3.5
FTSE Global wi UNITED KINGDOM All Cap In	278	338.72	-0.1	-1.8	-2.9	722.09	-2.8	3.9
FTSE Global wi USA All Cap	1757	1208.42	0.6	5.4	4.9	1783.58	5.0	1.4
FTSE Europe All Cap	1470	493.44	0.1	0.3	-1.3	971.85	-1.2	3.1
FTSE Eurozone All Cap	641	494.43	0.2	1.8	-0.2	966.08	0.0	3.0
FTSE EDHEC-Risk Efficient All-World	4292	517.43	0.0	0.9	0.0	839.83	0.1	2.5
FTSE EDHEC-Risk Efficient Developed Europe	538	351.19	0.2	-1.7	-3.3	639.42	-3.2	3.3
Oil & Gas	138	403.00	-0.7	0.4	-1.3	867.89	-1.1	4.3
Oil & Gas Producers	89	413.36	-0.8	1.5	0.0	915.33	0.1	4.3

Feb 12 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	26	263.97	-0.5	-4.5	-6.1	516.12	-5.7	4.8
Basic Materials	423	591.09	-0.3	-3.8	-7.5	1132.12	-7.4	3.7
Chemicals	208	792.68	0.1	-2.7	-5.9	1446.82	-5.9	2.7
Forestry & Paper	18	237.20	0.5	-9.5	-10.0	501.15	-9.9	4.5
Industrial Metals & Mining	114	546.55	-0.6	-1.4	-5.6	1092.44	-5.5	4.0
Mining	83	866.77	-0.6	-6.6	-10.9	1776.29	-10.9	5.1
Industrials	842	579.21	0.1	2.8	0.6	946.01	0.7	1.8
Construction & Materials	163	711.56	0.2	0.9	-1.3	1226.01	-1.3	1.8
Aerospace & Defense	37	1046.62	0.1	2.1	0.4	1661.56	0.4	1.4
General Industrials	80	297.13	0.0	3.0	1.1	541.07	1.5	2.2
Electronic & Electrical Equipment	171	670.49	0.3	2.9	-0.8	980.19	-0.8	1.5
Industrial Engineering	169	1187.37	-0.1	3.6	0.6	1934.03	0.6	1.8
Industrial Transportation	132	994.85	-0.4	0.7	-0.2	1678.04	-0.2	3.1
Support Services	90	613.62	0.5	5.0	3.4	929.86	3.5	1.4
Consumer Goods	579	582.11	-0.5	-0.1	-1.8	1006.85	-1.7	2.5
Automobiles & Parts	142	584.79	0.3	-1.7	-4.9	969.79	-4.9	2.0
Beverages	74	741.59	-1.2	0.3	-0.9	1295.82	-0.9	2.6
Food Producers	134	672.09	-1.7	-3.6	-3.7	1191.13	-3.6	2.8
Household Goods & Home Construction	62	606.18	-0.5	2.3	3.2	1052.60	3.6	2.3
Leisure Goods	56	282.71	-0.8	3.5	1.5	406.51	1.6	1.3
Personal Goods	99	958.69	-0.1	3.7	-0.1	1507.20	-0.1	1.9
Tobacco	12	893.16	-0.3	-3.7	-1.6	2754.72	-1.6	7.2
Health Care	350	772.95	0.2	1.0	3.6	1257.70	3.7	1.7
Health Care Equipment & Services	133	1454.12	0.1	1.6	2.7	1805.93	2.7	1.0
Pharmaceuticals & Biotechnology	217	527.35	0.3	0.7	4.3	927.67	4.4	2.2
Consumer Services	439	663.45	0.5	5.8	4.7	961.03	4.7	1.1
Food & Drug Retailers	66	312.18	0.4	-1.9	-1.4	510.83	-1.2	2.5
General Retailers	144	1215.62	1.0	7.7	6.4	1680.68	6.4	0.8
Media	80	384.88	0.5	6.7	5.5	561.51	5.6	1.2
Travel & Leisure	149	540.91	-0.6	3.1	1.8	801.84	1.9	1.2
Telecommunication	82	133.57	0.2	-0.6	0.3	331.54	0.7	4.4
Fixed Line Telecommuniations	29	99.34	0.1	-1.5	-1.2	286.98	-0.7	5.5
Mobile Telecommunications	53	161.82	0.3	-0.1	1.0	343.71	1.4	3.8
Utilities	210	302.93	-0.1	-6.5	-5.4	738.66	-5.1	3.8
Electricity	152	342.18	0.2	-5.8	-4.8	820.68	-4.5	3.6
Gas Water & Multiutilities	58	300.45	-0.6	-8.1	-6.7	760.45	-6.6	4.3
Financials	853	291.21	0.1	0.9	0.1	581.81	0.3	3.1
Banks	274	215.70	0.1	-1.1	-1.4	487.26	-1.2	4.3
Nonlife Insurance	70	432.79	0.2	4.2	4.8	746.14	5.0	2.6
Life Insurance	50	217.16	-0.5	-0.4	-2.8	436.66	-2.8	4.0
Financial Services	217	525.81	0.3	4.2	3.2	815.04	3.3	1.5
Technology	376	762.33	1.3	11.1	9.7	1005.79	9.8	0.7
Software & Computer Services	178	1161.68	1.2	11.4	10.9	1414.84	10.9	0.5
Technology Hardware & Equipment	198	669.16	1.4	10.8	8.5	954.13	8.6	1.0
Alternative Energy	23	111.06	1.0	-3.9	-10.2	159.99	-10.2	0.5
Real Estate Investment & Services	140	240.68	-0.3	-2.9	-6.2	482.20	-6.2	2.6
Real Estate Investment Trusts	102	442.78	0.1	-3.3	-4.6	1088.59	-4.5	4.0
FTSE Global Large Cap	2001	763.91	0.4	4.4	3.6	1294.06	3.7	1.9

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FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	2409	-5.00	Jd Sports Fashion PLC	105.65	1.65
Admiral Group PLC	2547	13.00	Kingfisher PLC	220.80	3.00
Airtel Africa PLC	102.70	0.50	Land Securities Group PLC	641.80	13.40
Anglo American PLC	1751.6	49.00	Legal & General Group PLC	235.50	1.70
Antofagasta PLC	1679	37.00	Lloyds Banking Group PLC	41.40	-
Ashtead Group PLC	5278	28.00	London Stock Exchange Group PLC	8884	48.00
Associated British Foods PLC	2265	33.00	M&G PLC	221.30	2.40
Astrazeneca PLC	9501	-260.00	Marks And Spencer Group PLC	239.30	1.50
Auto Trader Group PLC	725.60	12.80	Melrose Industries PLC	594.00	-9.00
Aviva PLC	421.50	4.60	Mondi PLC	1360.5	16.50
B&M European Value Retail S.A.	497.90	4.90	National Grid PLC	1002	4.20
Bae Systems PLC	1224	14.50	Natwest Group PLC	207.70	-3.00
Barclays PLC	142.88	0.60	Next PLC	8348	126.00
Barratt Developments PLC	488.50	1.40	Ocado Group PLC	536.80	23.60
Beazley PLC	578.50	12.50	Pearson PLC	953.60	1.20
Berkeley Group Holdings (The) PLC	4740	14.00	Pershing Square Holdings LTD	4004	62.00
BP PLC	479.45	1.00	Persimmon PLC	1419	18.50
British American Tobacco PLC	2435	14.00	Phoenix Group Holdings PLC	496.70	7.50
Bt Group PLC	104.50	-0.45	Prudential PLC	812.40	14.40
Bunzl PLC	3198	-4.00	Reckitt Benckiser Group PLC	5756	6.00
Burberry Group PLC	1335.5	64.50	Relx PLC	3335	-15.00
Centrica PLC	134.45	1.05	Rentokil Initial PLC	399.80	3.30
Coca-Cola Hbc AG	2213	22.00	Rightmove PLC	551.80	7.20
Compass Group PLC	2200	-27.00	Rio Tinto PLC	5355	11.00
Convatec Group PLC	238.40	-0.60	Rolls-Royce Holdings PLC	309.10	-9.00
Croda International PLC	4927	-43.00	Rs Group PLC	790.40	10.80
Dcc PLC	5716	-52.00	Sage Group PLC	1175	-16.00
Diageo PLC	2890.5	-9.00	Sainsbury (J) PLC	256.10	0.10
Diploma PLC	3386	6.00	Schroders PLC	404.70	4.90
Endeavour Mining PLC	1323	37.00	Scottish Mortgage Investment Trust PLC	806.80	12.80
Entain PLC	1017	6.50	Segro PLC	837.40	2.40
Experian PLC	3380	22.00	Severn Trent PLC	2495	26.00
F&C Investment Trust PLC	995.00	10.00	Shell PLC	2495.5	8.00
Flutter Entertainment PLC	16760	-145.00	Smith & Nephew PLC	1098	5.50
Frasers Group PLC	822.50	39.00	Smith (Ds) PLC	319.50	3.30
Fresnillo PLC	493.40	16.70	Smiths Group PLC	1625.5	10.00
Glaxosmithkline PLC	1626.4	-33.60	Smurfit Kappa Group PLC	3202	26.00
Glencore PLC	394.25	9.20	Spirax-Sarco Engineering PLC	10160	5.00
Haleon PLC	319.65	0.20	Sse PLC	1564	7.00
Halma PLC	2204	-7.00	St. James's Place PLC	641.20	4.40
Hikma Pharmaceuticals PLC	1959.5	1.00	Standard Chartered PLC	581.60	7.80
Howden Joinery Group PLC	792.40	10.20	Taylor Wimpey PLC	147.95	1.05
HSBC Holdings PLC	608.40	-1.10	Tesco PLC	279.60	-0.90
Imi PLC	1723	12.00	Unilever PLC	3993	-12.50
Imperial Brands PLC	1896	13.50	Unite Group PLC	1006	12.50
Informa PLC	804.80	5.80	United Utilities Group PLC	1032	15.50
Intercontinental Hotels Group PLC	7734	60.00	Vodafone Group PLC	64.25	1.28
Intermediate Capital Group PLC	1808.5	21.00	Weir Group PLC	1814	13.00
International Consolidated Airlines Group S.A.	146.00	2.20	Whitbread PLC	3507	25.00
Intertek Group PLC	4416	-51.00	Wpp PLC	778.00	-2.20

UK STOCK MARKET TRADING DATA

	Feb 12	Feb 09	Feb 08	Feb 07	Feb 06	Yr Ago
Order Book Turnover (m)	78.41	89.02	89.02	133.31	117.70	87.27
Order Book Bargains	488952.00	482377.00	482377.00	581433.00	494609.00	508420.00
Order Book Shares Traded (m)	1422.00	1610.00	1610.00	1390.00	2030.00	1846.00
Total Equity Turnover (£m)	5614.82	6934.53	6934.53	5444.07	7121.60	14569.36
Total Mkt Bargains	1202995.00	1144976.00	1144976.00	1469637.00	1247685.00	1335276.00
Total Shares Traded (m)	7542.00	9239.00	9239.00	14586.00	11237.00	10375.00

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

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Brown Advisory US Smaller Companies	Int			3.341	6.778	27.290	75.590	0.00000	0.00000	-	0.000	0.000
MicroSalt	A	0.257	0.335	1.021L	1.094L	0.000	0.000	0.00000	0.00000	-	0.000	0.000

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

UK RECENT EQUITY ISSUES

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

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Autodesk	265.36	-1.32	269.53	188.38	-	60.11	56764.57
AutomData	250.04	0.05	256.84	201.46	2.07	28.69	102714.07
AutoZone	2682.55	2.55	2855.21	2277.88	-	19.55	46386.4
Avago Tech	1280.03	-3.41	1295.97	572.10	1.50	37.28	599232.19
BakerHu	29.52	0.46	37.58	26.12	2.34	73.25	29546.02
Bank of NY	55.76	0.54	55.83	39.65	2.84	12.61	42879.68
BankAm	33.75	0.68	35.99	24.96	2.76	9.13	267088.46
Baxter	39.81	0.26	50.21	31.01	3.02	83.60	20214.07
BectonDick	244.85	1.10	287.32	228.62	1.54	46.38	70737.71
BerkshHat	599950	860.00	600634.99	442363.5	-	11.01	343007.01
Biogen	242.04	1.06	319.76	220.86	-	23.24	35071.14
BlackRock	806.54	9.33	819.00	596.18	2.55	33.44	119982.88
Boeing	209.28	0.08	267.54	176.25	-	-28.08	127689.03
Booking Holdings	3816.91	58.73	3844.76	2331.23	-	26.08	133171.51
Intcntl Exch	136.07	0.58	136.22	94.16	1.25	30.50	77913.05
Intel	44.72	1.41	51.28	24.73	2.27	-110.76	189055.02
Intuit	658.59	0.43	662.83	384.05	0.51	69.28	184339.34
John&John	157.99	1.23	175.97	144.95	3.04	28.64	380325.95
JohnsonCn	55.86	0.36	70.43	47.90	2.54	18.86	38063.9
JPMrgnCh	176.59	1.58	176.64	123.11	2.25	11.43	507989.14
Kimb-Clark	119.31	-0.50	147.87	116.32	4.08	22.17	40193.53
KinderM	16.78	0.17	18.51	15.89	6.91	14.87	37287.03
KLA Corp	653.46	3.66	657.56	355.88	0.82	28.23	88370.12
Kraft Heinz	36.18	0.21	41.47	30.68	4.40	14.22	44370.04
Kroger	45.67	0.26	50.36	42.10	2.44	17.07	32856.07
LasVegasSd	54.15	0.53	65.58	43.77	0.38	60.12	40804.83
LibertyGbl	19.28	0.19	21.53	15.01	-	-1.75	3303.33
Lilly (E)	734.31	-5.85	745.70	309.20	0.57	102.91	697085.8
Zoetis♦	197.50	0.18	201.92	151.03	0.70	41.84	90674.95
Zoom	65.81	0.11	80.80	58.87	-	83.17	16964.93
Venezuela (VEF)							
Bco de Vnzla	7.50	-	9.20	3.50	99.68	-	755.80
Bco Provncl	17.24	-	21.00	6.80	-	3.08	190.54

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

FT 500: TOP 20

FT 500: BOTTOM 20

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

US$ CDs	0.000	5.37000	5.38000	5.31000	
Euro CDs	0.010	3.92000	3.87000	3.77000	

Feb 12	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	3.45	3.75	3.58	3.88	3.77	4.07	3.72	4.02	3.62	3.92	3.31	3.61
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	5.00	5.20	5.10	5.30	5.27	5.47	5.28	5.48	5.21	5.41	5.01	5.21
Japanese Yen	-0.30	-0.10	-0.30	-0.10	-0.25	0.05	-0.15	0.05	-0.05	0.15	0.00	0.20

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: Tullett Prebon; SDR, US Discount: IMF; EONIA: ECB; Swiss Libor: SNB; EURONIA, RONIA & SONIA: WMBA.

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Mar	76.10	-0.74	Corn♦	Mar	432.50	3.50
Brent Crude Oil‡		81.62	-0.57	Wheat♦	Mar	596.75	0.00
RBOB Gasoline†	Mar	2.34	0.00	Soybeans♦	Mar	1194.00	10.50
Natural Gas†	Mar	1.85	0.00	Soybeans Meal♦	Mar	352.30	5.50
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Mar	4778.00	21.00
Aluminium		2231.00	14.50	Cocoa (ICE US)♥	Mar	5836.00	-52.00
Aluminium Alloy		1600.00	20.00	Coffee(Robusta)⊕	Mar	3322.00	-27.00
Copper		8220.50	31.50	Coffee (Arabica)♥	Mar	196.45	0.15
Lead		2034.50	-8.50	White Sugar⊕		646.90	-7.50
Nickel		16035.00	120.00	Sugar 11♥		23.77	-0.25
Tin		26925.00	250.00	Cotton♥	Mar	91.05	-0.73
Zinc		2318.50	22.00	Orange Juice♥	Mar	357.00	-16.65
Precious Metals (PM London Fix)				Live Cattle♣	Mar	184.58	0.80
Gold		2023.50	-5.15	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2265.50	30.50	Lean Hogs♣	Apr	81.23	0.88
Platinum		879.00	1.00				
Palladium		875.00	-6.00		Feb 09	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		128.75	-0.32	S&P GSCI Spt	557.97	3.62	-6.66
Baltic Dry Index		1572.00	27.00	DJ UBS Spot	96.88	-1.09	-10.85
Richards Bay ICE Futures		92.50	0.00	TR/CC CRB TR	315.35	4.12	6.91
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

Sources: † NYMEX, ‡ ECX/ICE, ♦ CBOT, ⊕ ICE Liffe, ♥ ICE Futures, ♣ CME, ♠ LME/London Metal Exchange.* Latest prices, $ unless otherwise stated.

BOND INDICES

Europe 5Y	57.33	-1.48	-2.16	-2.29	90.18	57.33
Japan 5Y	57.95	0.06	0.87	0.76	80.75	55.19
Senior Financials 5Y	67.57	-1.89	-2.47	-2.42	103.71	66.53
Markit CDX						
Emerging Markets 5Y	178.58	-1.04	-2.12	4.29	245.20	165.79
Nth Amer High Yld 5Y	347.90	-6.25	-3.50	-5.07	447.71	345.90
Nth Amer Inv Grade 5Y	54.14	-1.16	-0.46	-0.58	81.85	53.85

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names.

BONDS: INDEX-LINKED

	Price Feb 09	Yield Feb 09	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	106.75	1.768	1.748	-0.55	5.25	68626.27	8
Fr 0.10%' 25	98.83	1.228	1.179	-0.19	12.79	256046.49	18
Swe 1.00%' 25	128.69	2.314	2.245	-0.13	35.93	235080.97	7
UK 0.125%' 26	98.44	0.908	0.840	-0.70	13.45	508169.02	31
-	-	-	-	-	-	-	-
UK 2.00%' 35	240.57	0.864	0.817	-2.31	9.08	508169.02	31
US 0.625%' 26	96.88	2.288	2.314	-0.26	42.42	1598982.98	47
US 3.625%' 28	106.43	2.011	1.995	-0.86	16.78	1598982.98	47

Representative stocks from each major market Source: Merill Lynch Global Bond Indices † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	4.07	1.78	-0.12	Netherlands	2.56	0.27	-1.62
Austria	2.71	0.42	-1.47	New Zealand	4.77	2.49	0.59
Canada	3.56	1.27	-0.62	Norway	3.65	1.36	-0.53
Denmark	2.40	0.11	-1.78	Portugal	2.64	0.35	-1.55
Finland	2.72	0.43	-1.46	Spain	2.99	0.71	-1.19
Germany	2.29	0.00	-1.90	Sweden	1.05	-1.24	-3.13
Italy	1.66	-0.62	-2.52	Switzerland	0.97	-1.31	-3.21
Japan	0.34	-1.95	-3.85	United States	4.18	1.90	0.00

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

BONDS: HIGH YIELD & EMERGING MARKET

Feb 12	Red date	Coupon	S*	M*	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	25.96
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.

VOLATILITY INDICES

	Feb 12	Day Chng	Prev	52 wk high	52 wk low
VIX	13.56	0.63	12.93	30.81	11.81
VXD	11.44	0.00	11.44	31.86	3.10
VXN	17.59	0.73	16.86	32.60	11.20
VDAX	13.94	0.18	13.76	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	80.38	4.07	0.02	0.15	0.01	0.40
	02/50	1.00	98.63	1.86	-0.02	0.04	0.07	0.25

BONDS: GLOBAL INVESTMENT GRADE

Feb 12	Red date	Coupon	S*	M*	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-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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.

GILTS: UK CASH MARKET

Feb 12	Price £	Red Yield	Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Tr 1pc '24	99.25	5.01	0.00	-0.60	-2.72	36.89	100.00	96.48	35.64
Tr 2pc '25	96.26	4.50	-0.88	0.22	8.17	35.54	96.99	92.80	39.93
Tr 0.125pc '26	92.30	4.26	-0.70	0.47	8.95	31.08	93.02	87.71	35.32
Tr 1.25pc '27	91.07	4.06	-0.73	1.50	8.85	21.92	92.93	86.03	40.99
Tr 0.5pc '29	84.45	3.98	-0.75	1.53	7.86	19.52	87.00	78.59	28.92
Tr 1pc '32	79.59	4.02	-0.50	1.01	6.35	18.24	106.62	74.53	35.96
Tr 4.25pc '36	100.05	4.24	-0.47	0.00	5.21	15.85	108.87	94.63	31.68
Tr 4.5pc '42	99.65	4.53	-0.22	-0.44	3.90	17.36	111.36	92.93	28.35
Tr 3.75pc '52	86.83	4.58	-0.43	-1.08	3.62	19.27	100.69	79.70	25.11
Tr 4pc '60	90.73	4.52	-0.44	-1.09	3.67	21.83	108.51	83.11	25.13

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Feb 12	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	82.33	0.09	2416.88	-0.54	2.48	4.17
2 5 - 10 Years	145.65	0.15	3182.94	-1.69	0.13	4.01
3 10 - 15 Years	152.38	0.20	3625.62	-2.01	-1.80	4.30
4 5 - 15 Years	146.24	0.17	3287.63	-1.81	-0.41	4.15
5 Over 15 Years	193.97	0.34	3488.28	-2.55	-7.49	4.52
7 All stocks	130.86	0.19	3012.94	-1.55	-1.79	4.38

Index Linked	Feb 12	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	333.61	0.01	-0.54	3.15	2857.53	-0.53	4.17
2 Over 5 years	498.96	0.07	-2.24	-10.48	3831.57	-2.19	-9.90
3 5-15 years	451.17	0.04	-1.94	-1.17	3692.80	-1.83	-0.22
4 Over 15 years	530.72	0.10	-2.45	-16.40	3944.21	-2.44	-16.05
5 All stocks	483.18	0.06	-1.87	-8.10	3788.83	-1.83	-7.45

Yield Indices	Feb 12	Feb 09	Yr ago		Feb 12	Feb 09	Yr ago
5 Yrs	3.96	3.98	3.30	20 Yrs	4.53	4.55	3.86
10 Yrs	4.14	4.16	3.54	45 Yrs	4.41	4.43	3.65
15 Yrs	4.40	4.42	3.77				

Real yield	inflation 0% Feb 12	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.80	2.17	0.81	0.32
Over 5 yrs	1.20	18.45	1.20	0.33
5-15 yrs	0.79	9.12	0.79	0.16
Over 15 yrs	1.30	24.50	1.31	0.38
All stocks	1.19	14.94	1.19	0.33

See FTSE website for more details www.ftse.com/products/indices/gilts

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Triple bill of tricks and pirouettes

São Paulo Dance Company in Cassi Abranches's 'Agora' — Jane Hobson

DANCE

São Paulo Dance Company
Sadler's Wells, London

Manon
Royal Opera House, London

Louise Levene

A packed house and sustained cheers greeted São Paulo Dance Company's UK debut at Sadler's Wells in London last weekend. The (relatively) young company, founded in 2008, has commenced a 14-venue tour of the UK and Ireland arranged by the Dance Consortium. The artistic director, Inês Bogéa, has selected a mixed programme to showcase the fine-tuned, idiosyncratic talents of her 22 dancers. The triple bill was a useful showreel for their mastery of athletic solos, tricksy duets and tight-knit ensembles, but the choreography was no real match for their gifts.

The three works on offer suffered from a lack of scenic variety: a lifeless palette, cliché lighting and a smoke machine working overtime. In 2019's *Anthems* by Spanish dancemaker Goyo Montero the cast are clad in flesh-matched body stockings, their abdominal muscles outlined in pen strokes like sheets from an anatomist's sketchbook. In the opening sequence they cluster together like a human anemone, arms raised, fingers flailing as they express collective rage — or mass hysteria. The vague sense of a community stirred into solidarity — or revolt — is intensified by Owen Belton's pulsating soundscape with its mash-up of martial melodies. Intermittently a couple will break away from the group to power through an acrobatic duet — you suspect Luiza Yuk may sleep in the splits — but Montero's best effects are achieved by the ebb and flow of the ensemble.

Gnawa, a 2005 work by Mikhailovsky Ballet director Nacho Duato, takes its inspiration from the Moroccan tribe of that name and uses a rhythmic soundtrack put together by seven composers. Again, the ensemble predominates but there is an impressive duet for Ammanda Rosa and Nielson Souza and a scene-stealing solo for Yoshi Suzuki.

Suzuki shines brighter still in the evening's finale: 2019's *Agora* by Brazilian dancemaker Cassi Abranches, co-creator of Birmingham Royal Ballet's recent Black Sabbath tribute, set to a rhythmic drip-feed by Sebastian Piracés. Suzuki's multidisciplinary training (ballet, tap and modern) is exploited to the full in solos packed with high-speed pirouettes and darting jumps. The audience squealed with delight at the flashy throws and catches in Abranches's pairwork but it was still Suzuki who caught the eye. With his expressive feet and saucy rolling pelvis, even his walk is interesting. ★★★☆☆

São Paulo Dance Company touring to March 23, danceconsortium.com

The Royal Ballet's long run of *Manons* continued with a brace of five-star cast changes. Wednesday's cinema relay, skilfully directed by Ross MacGibbon, featured the symbiotic partnership of Natalia Osipova and Reece Clarke. Osipova's reading of Kenneth MacMillan's anti-heroine grows ever more detailed and complex. She was ardently partnered by the young Scot, the never-ending lines of his arabesques a pure thought in a very dirty world.

On Friday night La Scala's Roberto Bolle celebrated 25 years as a Covent Garden guest. His first stabs at Des Grieux, partnering the young Darcey Bussell back in 2003, were blandly elegant but at 48 he brings new depth to the tragedy of a noble young man brought low by love. His boyish seriousness was a fine foil for Marianela Nuñez's kittenish Manon. Their heartfelt performance earned a standing ovation from balletomanes — Bolletomanes? — and moved grown critics to tears. ★★★★★

Manon' continues to March 8, roh.org.uk

Music dazzles but plot has been done to death

OPERA

Die Jüdin von Toledo
Semperoper Dresden
★★★★☆

Shirley Apthorp

In a meme currently doing the rounds on the internet, the plots of dozens of operas are summarised with: "She dies." While this is true, an acceptably feminist perspective can be — and often is — won through subversive stagings. But a brand new opera in which the title figure serves only to sing of her love for a man before being brutally murdered — really?

Dresden's Semperoper has thrown abundant resources at Detlev Glanert's *Die Jüdin von Toledo* ("The Jewish Woman of Toledo"). A huge orchestra, a top-drawer cast, a high-carat stage director and a fine conductor — what's not to love?

Glanert, who has already penned a dozen operas, knows what he is doing. His music is firmly rooted in Germanic tradition (Wagner, Strauss and Berg are invoked), and both his vocal writing and his orchestration are breathtakingly assured.

But who thought that Franz Grillparzer's 1855 play was a good literary basis for an opera, and why? Its basic trope (the lustful Jewish woman) is antisemitic, and its view of women (Queen Eleonore, not being lustful, is a Lady Macbeth type) at the best dated. Can it really be read at a meta level as the story of the eternal clash of three religions? The Moors are at the gate, God is on our side and the Jews cannot be trusted. Stage director Robert Carsen reads Glanert's haunting love scene between Rahel and Alfonso VIII as a dream of religious utopia. The music echoes *Tristan und Isolde*, with Brangäne's warnings replaced by the recitation of a love poem. On stage, Muslims, Jews and Christians pray together and embrace.

This cannot end well, and it doesn't. Glanert's score repeatedly juxtaposes delicately eastern sounds (Nassib Ahmadieh plays the oud) with harsh, militaristic outbursts. Cultural appropriation? Perhaps not, but Edward Said's orientalism is alive and well. It sounds gorgeous; it feels lush. Does that make it good?

For the final scene, Carsen outdoes himself with stage clichés. The priest blesses the machine guns of the men, who head into battle. While video projections show grainy war footage of bombed cities and military aircraft, the soldiers don Jewish prayer shawls and die, viewed impassively by the child prince. Everything, everywhere, all at once. The audience cheers.

In the title role, Heidi Stober is formidable, singing with passion and purity; Lilly Jørstad is her perfect foil as buttoned-up sister Esther. Christoph Pohl, as Alfonso VIII in a suit, sings with the resolve and conviction his character lacks, and Tanja Ariane Baumgartner gives her all as the cold-blooded Queen Eleonore. Glanert wrote these roles for these singers, and they fit like gloves.

Jonathan Darlington draws a dizzying spectrum of colour and nuance from a Staatskapelle Dresden on top form. This is an impressive performance of a dazzling score. But, guys, it is 2024. It's time to end the femicide.

To March 8, semperoper.de

Formidable: Heidi Stober in 'Die Jüdin von Toledo' — Ludwig Olah

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At play in a realm of weird wildlife

GAMING

Ultros
PC and PlayStation 4/5
★★★★☆

Lewis Gordon

Patience may be one of real life's great virtues, but that's not generally the case in the high-octane world of video games. Since its arcade heyday in the 1980s, the medium has mostly eschewed slower pleasures for dopamine-inducing thrills. But now we have *Ultros*, a daring and subversive 2D action-platformer developed by Hadoque that forces you to take a beat and wait. Sometimes the only way to make it through the game's teeming, overgrown space station is to sit back and let its vibrant alien plant life grow. Roots, shoots and bushy foliage are the key — and a novel one at that — to unlocking this cosmic labyrinth.

Cast as the crash-landed lone ranger Ouji, you have a simple task: escape. But this isn't your typical eerie abandoned spaceship. Alongside winding corridors reclaimed by nature (whose lushness is reflected in a beautifully orchestrated score), time has ceased to flow in a straight line. Ouji grapples with a black hole that keeps her trapped in an eternal loop, often thrusting her back in space and forward in time. Abilities are lost and eventually regained, but you, the player, are always learning about this place and its curious, Lovecraftian wildlife.

Ultros is a game of three major acts: exploration (less pinpoint or demanding than in peers such as *Hollow Knight*); combat (of a delightful viscera-slicing variety); and gardening (you must become *au fait* with an entire enclosed ecosystem). There's an in-game codex that offers cryptic guidance on how seeds might germinate if given a suitable patch of soil, but the key is experimentation: get Ouji's hands dirty and see what takes.

The emphasis on promiscuous biology and stomach-churning gore (Ouji replenishes her health by feasting on the body parts of fallen foes) evokes the "new weird" fiction of Jeff Vandermeer and Brian Catling. At times the writing feels as if it strays into pastiche: "Let our quiet mycelium lament the unrest" looms ominously on the screen as each temporal loop ends. *Ultros*'s visuals, however, are entirely its own: sticky, fleshy and grotesque — a Technicolor fantasia that only elevates the strangeness found elsewhere.

Not everything works: some tools (such as the digger that lets you burrow into the ship's soil) are underutilised, and the game ends just as its many mechanics feel as if they're beginning to cohere. But like the virtual plants, which you're able to cultivate and splice together, *Ultros* is a hybrid, and all the better for it. In one section, Ouji, having stumbled on an onboard game show set, shoots hoops in a round of alien basketball before playing a deadly version of *Connect 4*.

As it reaches its climax, *Ultros* forgoes a thumb-punishing final boss for a subtler finish, one whose pay-off lies less in the triumph of battle than in a garden fully bloomed. The sense of satisfaction isn't diminished. On the contrary, when the ship lights up like a bioluminescent Christmas tree, you may feel a sense of peace. Bask in its glow for a moment.

Daring and subversive: 'Ultros' is set in a teeming, overgrown space station

FT BIG READ. LATIN AMERICA

Brazilian football is unrivalled as a talent factory, but its clubs have long underperformed off the pitch and are barely known overseas. International investors hope a new league could change that.

By Michael Pooler

Global sport's next emerging market?

For the long-suffering fans of Botafogo, it seemed that glory was finally in sight. Less than two years after being rescued from financial ruin by an American businessman, the Rio de Janeiro football club found itself the unexpected favourite to be crowned champions for the first time in almost three decades.

The football fairytale was to end in heartache. Having led Brazil's top division for most of last season, the team failed to win any of its last 11 matches and finished in fifth place.

The dramatic finale to the Brazilian Série A has drawn attention to a broader effort to modernise the business side of the game in the world's most famous footballing nation. The reforms, which include discussions about a new league modelled on English football, are attracting high-profile backers, including Emirati royalty and multiclub conglomerates, who view Brazil as a next frontier in the global sports industry.

"The collapse of our championship campaign was painful," says John Textor, the US tech entrepreneur and football investor who owns Botafogo. "But people forget it was a bankrupt club only two years earlier."

Textor's acquisition of a 90 per cent stake of Botafogo in early 2022 through his company Eagle Football Holdings, along with promises to inject R$400mn ($80mn) of funding, was among the first in a wave of deals. "I said we're going to be fighting for titles within three to five years. Well, we're already there. I'm very proud of what we built . . . [We are] increasing our revenues and becoming more sustainable."

Brazilian football is one of the enigmas of global sport. The country enjoys a near-unrivalled status as a talent factory — most of the biggest clubs in the world, from Real Madrid to Manchester City, boast Brazilian stars on their rosters. Yet many of its major clubs have long underperformed off the pitch.

A lack of professional management has been blamed for the weak financial position of many clubs and a failure to realise the sport's commercial potential. This is exacerbated by the early departure of many of the country's best players to European leagues, with the allure of much bigger salaries.

Nic Hamer at Oakwell Sports Advisory says he is witnessing "huge interest" from prospective investors. "There are very few markets in football where there's this sort of opportunity across all revenue lines," he adds. "[Brazilian] clubs generally are undercommercialised. In the long term, I don't see why Brazil can't break into the top five leagues by turnover."

For now, that remains a way off. Total turnover in Brazil's first division was R$6.9bn (€1.3bn) in 2022, found a study by the consultancy Convocados — well below the revenues earned by the top five leagues in Europe.

In an effort to raise broadcast receipts, proposals are also afoot to create a new nationwide competition in Brazil that is capable of reaching a much wider overseas audiences.

At present, local giants such as Flamengo, Corinthians and reigning titleholders Palmeiras can only dream of the kind of international brand recognition built up over years by European counterparts such as Barcelona, Manchester United and Paris Saint-Germain.

The great hope of fans and executives alike is that more money will convince younger stars to stay at home for longer. This can unlock a "virtuous cycle", says Bruno Amaral, head of mergers and acquisitions at investment bank BTG Pactual. "It's going to represent a big improvement in the attractiveness of matches, leading to better revenues both locally and internationally and will make the clubs stronger," he adds.

But to succeed, the grand plans will have to overcome the infighting and questionable practices that have often blighted the domestic tournament.

"Brazilian football has always been very political," says Ricardo Fort, founder of sports consultancy Sport by Fort. "This has proven to be an obstacle, because the clubs have allowed their on-field rivalries to be a barrier to them working together."

The catalyst for change in Brazilian football was a 2021 law encouraging clubs to operate as businesses, instead of the traditional model of non-profit associations. Previously, only two top-flight clubs were run as companies. By creating a novel corporate structure that enjoys favourable tax rates, the legislation has opened the door to investors.

Fans and executives hope a league with more money will boost the attractiveness of Brazilian teams for stars such as, from left, Luis Suárez, Botafogo's Júnior Santos and Flamengo's forward Bruno Henrique. Below: São Paulo's Wellington Rato, left, competes for the ball against Richard Rios of Palmeiras in the Super Cup

FT montage; AFP/Getty Images/Reuters/Dreamstime/Castelo Branco/Eurasia Sport

Textor was one of the new entrants to Brazil. His company also owns Olympique Lyonnais, Belgian team RWD Molenbeek and a minority stake in south London side Crystal Palace. In Botafogo, he found a club with a rich history — Mané Garrincha, one of the stars of the Brazil sides that won the 1958 and 1962 World Cups, played for the team in its heyday — but which had fallen on hard times. The club won promotion from the second division in 2021.

Shortly before Textor agreed the deal for Botafogo, former World Cup winner Ronaldo acquired a controlling stake in his boyhood club Cruzeiro. Miami-based investment firm 777 Partners took a majority stake in Vasco da Gama in Rio. Esporte Clube Bahia was bought by City Football Group, the Abu Dhabi-controlled owner of a dozen sides including Manchester City.

The new company template, known by its Portuguese acronym SAF, is a radical break from the conventional system of clubs controlled by members, with a president elected every few years. Critics say the old set-up frequently led to maladministration and overspending, with some leaders elected due to popularity rather than management abilities.

"In the association model, you can't design something for the medium and long-term, a real business platform," says Pedro Daniel, executive director at EY in São Paulo. "This results in unpredictability and a high risk for all the stakeholders."

Unpaid bills or wages have not been uncommon at Brazilian clubs and in the past there have been cases of corruption, embezzlement and match-fixing.

"SAFs bring more planning and a professional perception, which can attract new sponsors [with] greater security and less risk," adds Daniel. "There is fiscal responsibility and incentives for good management — but the numbers don't happen overnight."

The already high levels of indebtedness among Série A clubs increased 9 per cent to a combined R$10bn in 2022, according to Convocados.

Past ventures into Brazilian football by outsiders have rarely succeeded. But some industry veterans believe the new legal framework provides a structure for investments, along with a mechanism for resolving heavy debtloads.

Under the new model, the legacy association transfers football activities to the SAF, but retains other sports and social functions — as well as prior obligations and liabilities. A fifth of the new entity's revenues must go to paying down these historic debts.

The initial takeover deals were clubs in financial distress with scant other options, says sports lawyer Eduardo Carlezzo. He reckons the law is working. "Botafogo, which was always broken, almost became champions," he says.

As evidence of its turnaround, Botafogo says debts have decreased from an initial R$1bn to an estimated R$740mn at the end of 2023; it hopes to agree a further restructuring with creditors in the months ahead. Revenues meanwhile increased from R$140mn in 2022 to R$402mn last year. Textor says the target is to break even next year.

The Rio club's chief executive, Thairo Arruda, puts the early success down to administrative restructuring coupled with a more entrepreneurial mindset. Membership promotions and ticket discounts have led to sellout games, while the stadium has begun to host music shows, including Taylor Swift's.

Botafogo has also invested heavily in scouting talent but its ambitions go deeper, says Arruda: "It's in our plan to develop the infrastructure to be one of the greatest academies in the country."

To reformers of the game in Brazil, the ultimate goal is the establishment of a new tournament controlled by the clubs, rather than the national confederation.

Inspired by the English Premier League, the idea is to turbocharge the marketing of TV and other media rights by selling them collectively. Until now, Brazilian clubs have signed contracts on an individual basis with the country's largest media group, Globo.

In theory, centralising rights will not only give greater bargaining power, but open up a slew of other fronts for new income streams and improvements.

The global football media rights market was worth $19bn in 2023, according to data provider SportsBusiness. Brazilian football's reputation for flair is an inherent advantage, says Adam Kelly, president of media at IMG.

"It is a chance to spot the talent of tomorrow and see some incredible skills," he says, adding that streaming platforms and international broadcasters could be possible buyers. "You could launch a brand new service [showing games] and be successful in season one."

Another attraction is the highly competitive nature of the spectacle: five clubs were still contenders for the title with a handful of games left in the 2023 season. There is also potential to expand domestic audiences in a country of 200mn people, say experts.

However, for a new league to take shape there must first be the unification of two rival camps with differing views on how revenues should be shared out.

The first group, known as the Libra project, counts 19 clubs across the top three divisions, including the four largest by revenues and supporter bases. It is in talks with Mubadala Capital over an investment and is being advised by BTG Pactual. An arm of the Abu Dhabi sovereign wealth fund, Mubadala has proposed an agency owned 50/50 with the clubs that would have exclusivity to sell their transmission rights, according to people aware of the details.

Club revenues in the Brazilian league remain well below those in the top European leagues

Revenue (€bn) in 2021-22

Sources: Deloitte; Convocados Consultoria

The other grouping is Liga Forte União, comprising 26 teams from the top three divisions, and advised by XP, a Brazilian financial services group. It signed a definitive agreement in November with a consortium of investors led by local private equity firm Life Capital Partners (LCP), who paid R$2.6bn for a 20 per cent stake in a media company that will market the rights over a 50-year period. Some R$1.2bn has already been released to the clubs. "We believe in the potential for overseas expansion, as roughly 2 per cent of the Brazilian league's revenues are international," says LCP founding partner João Gabriel Leitão.

For now, the initiatives are progressing as blocs selling sets of pooled rights. But there is consensus that to reap the full benefits, a single body involving all 40 clubs across the Série A and B must prevail.

"If you just have the sale of the rights, it's too superficial. The reality is unless you control the tournament, you will never be able to make the structural changes you need in order to grow the league," says Fort.

'In the long term, I don't see why Brazil can't break into the top five leagues by turnover'

On-off talks have taken place with a view to a merger and common ground has been found, say people involved in the talks. But with the current Globo contracts due to expire at the end of 2024, the clock is ticking.

Seven of the 20 Série A clubs now have private owners; the question is, which will be next? "The second wave will be about growth, at intermediate or small clubs that are in a better situation but need money to expand," says Carlezzo, the lawyer.

Fans have displayed little opposition to takeovers in principle, even if poor results have on occasion sparked criticism from supporters' organisations.

Yet among some larger teams there is resistance to the notion of inviting outside shareholders. The presidents of Corinthians and Palmeiras have ruled out the idea of a SAF.

Teams seeking inspiration to challenge the status quo only need look at Red Bull Bragantino, a smaller club in São Paulo state that was acquired by the energy drink brand in 2020 and turned into a limited company before the new law. It is now considered a contender after finishing in sixth place last year.

"The Brazilian league is probably one of the most competitive in the world. To be in the top half of the table is an achievement for us, fighting against very big clubs," says managing director André Rocha.

But with the flow of new money, in some quarters there are calls for "financial fair play" rules to ensure the competition is not distorted by overspending.

And if the Textor era at Botafogo is a test case for the new phase of investments in Brazilian football, it has also shown the game's habitual controversies are not going away any time soon.

In the American's view there were dark forces at play. After Botafogo blew a three-goal lead to lose 4-3 at home to Palmeiras, Textor alleged corruption in a post-match TV interview on the sidelines. He was fined and temporarily banned from football activities.

Although the country's top sports court agreed the expulsion of a Botafogo player was unfair, it rejected Textor's calls for an investigation into match-fixing and for six games to be replayed. The club said it intended to pursue further legal action.

"Of everything Textor has done, there are far more positive things than negative," says Andre Callipo, a Botafogo fan and online football influencer. "If we manage to win a competition it would be a great act to close the wound."

Additional reporting by Beatriz Langella

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Europe can no longer count on America's security umbrella

Trump is undermining its safety and the continent must respond

Europe's fears of an isolationist America under a second Trump presidency are becoming reality. Donald Trump has not yet sealed the Republican nomination for this year's White House race and the presidential vote is months away, but he is already working to undermine Nato and the security of Washington's closest allies. On Saturday, Trump said he would encourage Russia to do "whatever the hell they want" if alliance members failed to meet targets of spending 2 per cent of gross domestic product on defence. Even by his standards of campaign bombast, it was an extraordinarily reckless statement.

With its onslaught against Ukraine, Russia has initiated the most devastating war on European soil since 1945. It poses the biggest threat to the security of the alliance in decades. The US still has tens of thousands of troops stationed in Europe. They are more at risk today than they were on Friday. If Trump is not colluding with Russian President Vladimir Putin, he is undoubtedly serving his interests.

Nato's promise of mutual defence rests on confidence that it will be upheld more than any legal obligation. Trump has shattered that confidence. Even doubling European military expenditure tomorrow would not repair it. Regrettably, a growing number of Republican lawmakers agree with Trump about the limited value of alliances. That should trouble all of America's allies around the world. It will certainly embolden its enemies.

The one admirable thing about Trump's message was its clarity. It is an unambiguous signal to Europeans that they must prepare to protect their continent's security without US involvement.

In truth, the alarm has been blaring out for some time. Following Russia's full-scale invasion of Ukraine, European governments made sometimes sizeable pledges to ramp up defence spending and refill depleted weapons stockpiles. While encouraging, there are doubts in most countries about how these increases will be sustained over the longer term. Many capitals still appear in denial about the scale of investment needed in technology, in boosting defence industrial capacity and in enlarging their fighting forces as a deterrent to Russian aggression.

Europeans have to start thinking the unthinkable: how to plan for war without America. That requires a European pillar within Nato with Europeans able to provide the crucial military assets like heavy lift and intelligence that only the US currently possesses. It could also involve the EU using Nato assets to run missions other than peacekeeping. The EU should also have an expanded role in driving forward joint development and procurement of weapons systems alongside other collaborative projects,

> Many capitals still appear in denial about the scale of investment needed in technology and in enlarging their fighting forces

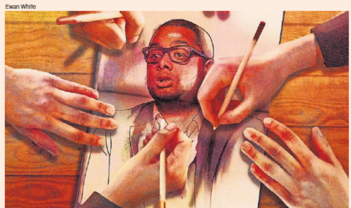
perhaps under the auspices of a European commissioner for defence. The UK and other non-EU Nato states need to be closely involved. This is a work of decades. But Europeans must show purpose and resolve now, not least to send a message to the Kremlin.

The way to start is by arming Ukraine. This has to be the short-term priority. So far, Europe's performance has been disappointing, despite the best efforts of Germany and the European Commission in particular. Governments have been too slow to sign contracts and too timid to subsidise expanded production capacity, especially for artillery ammunition. They must make amends quickly. They have to do the same for air defence and drones and share electronic warfare technology with Ukrainian forces. Perhaps such ambitions will win Trump around to Nato's cause, should he become president again. But Europeans cannot count on this. They must prepare for a new world, in which they take care of their own security.

Opinion Society

Do mixed-race people have the 'best of both worlds'?

Ewan White



Stephen Bush

Good news! The US has taken a decisive step towards racial harmony, per the 2020 census: the country has 20mn more people in the "multiracial" group than it did before, thanks to changes to how the US Census Bureau asks people about their ethnic group.

Those of us in the "multiracial" (or, in the UK, "mixed", or in South Africa, "coloured") group are, it's often said, harbingers of a better future. Kemi Badenoch, the UK's trade secretary, told The Times in a recent interview that her mixed-race children should have "the best of both worlds". The reality, however, is more complex — the biggest change that took place between the 2010 American census and the 2020 one is that the US got a bit better at conducting censuses. One of the changes included removing the word "Negro" from the list of suggested racial groups.

> You can find yourself being told your grip on both your identities is less sure than you thought

Most of the time, though, being mixed-race does mean I get "the best of both worlds". Wherever I travel in Europe, for instance, local ethnic minorities are always keen to ask, as a Senegalese man in Milan recently put it to me, where "my black half" comes from: in the hope that it's the same place as them. But sometimes you find yourself being told that your grip on both your identities is less sure than you thought.

Indeed, Badenoch herself seemed inadvertently to do just that when, in the same interview, she suggested that Kehinde Andrews' new book *The Psychosis of Whiteness*, is flawed because he is mixed-race. Based on Andrews' previous work, there is little doubt in my mind that his diagnosis of the problems facing multiracial societies is overcooked and his proposed solutions wide of the mark. But his understanding of race and racism has nothing to do with the presence of a white person in his immediate family tree.

On the whole, the number of mixed-race people in a country does tell us something positive about that country. Nations that believe race to be specific and immutable are more likely to sort their citizens into fixed boxes with no movement between them. And those that don't collect data about race and ethnicity struggle to identify problems and tend to produce worse outcomes for minorities.

Countries in which people meet and fall in love across ethnic boundaries will produce larger numbers of mixed or multiracial children. It probably is a good rule of thumb that in a country that is getting most of its public policy choices right, the "multiracial" or "mixed" group will be the fastest-growing ethnic minority, though this doesn't tell us anything about countries, such as Brazil, where the "mixed" group represents the largest single ethnic grouping. That suggests the country in question is doing the right things in terms of both integration and pro-parent policy.

In the UK, which has the most consistent data set, we can see that those of us in the mixed-race group are more likely than the national average to attend a good university, but we are also more likely to be in persistent poverty and are more anxious than any other minority.

So it isn't wholly a positive story, not least because one reason people identify as mixed-race is they have been "pushed out" of the majority group.

A recent study of ethnic minorities in the UK is instructive here. The study found that people from different groups experienced radically different levels of personal insult. I suspect that in part reflects different conceptions of what is and isn't insulting.

Perhaps because those of us in the mixed-race group are more liberal, we have a more expansive view of what an "insult" is than some other minority groups. Given also the greater proportion of mixed-race Britons who went to high-quality universities, it is also possible that this difference reflects a social as well as a political difference of opinion about what exactly constitutes an insult.

But I also think because of those of us in the mixed group are more likely to have conversations about race with people who don't know what our "real" ethnicity is, we are therefore more likely to hear unvarnished bigotry than other minorities. Some mixed-race people may only "become" mixed-race — that is, start telling census-takers and other surveys they are mixed race and not part of the ethnic majority — because they experience racism.

I don't know what Badenoch means by "the best of both worlds", but I think for most parents of mixed-race children, the hope is that their kids will get to enjoy being part of two or more cultures, without experiencing any friction between them. And if they do, it is probably a surer sign that integration is succeeding than the simple fact that us mixed-race people exist.

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Affordable food and climate stability is a tough balance to strike

As Professor Dieter Helm has observed, what is unsustainable cannot be sustained. Your report of the recent Food System Economics Commission paper is the most recent of numerous publications, including Helm's books and the UK's national food strategy, that conclude that food consumption patterns are unsustainable on health and health cost grounds, and our food production systems are unsustainable on biodiversity and climate grounds (Report, FT.com, January 29).

At the same time we see heavily subsidised farmers blocking highways across Europe and resisting environmental regulation because they struggle to run economically sustainable businesses given their weak position in the food supply chain. Indeed, the British government should be mightily relieved that their farmers have to date not shown the militancy of their continental neighbours. UK farmers have had their Common Agricultural Policy basic payment subsidies halved since Brexit and, rightly, are told that the only enduring "public" payments they will receive are for the supply of public, mostly environmental, goods.

All countries are struggling to find the right balance of environmental and climate regulation, regulation of the food industry, and public payments to farmers which can square the challenges of affordable food for the poorest in society, healthy diets, ecological and climate stability and profitable farming.

The FSEC suggestion that food prices should rise 30 per cent may well be a logical step, but is a hard sell politically. Populism does not accept the cost implications of the energy transition, so adding the costs of the food transition seems a step too far.

The sad conclusion is that we will continue to suffer the costs of inaction — which, unfortunately, will fall hardest on the poorest countries and communities.

Allan Buckwell
Emeritus Professor of Agricultural Economics, Imperial College London, Canterbury, Kent, UK

In defence of an ancient practice of meditation

As someone who has been involved in Vipassana meditation for over 13 years, I feel compelled to offer a different perspective to the narrative presented in the podcast "Untold: The Retreat" presented by Madison Marriage (Podcasts, FT.com, January 31).

First, it's important to clarify that Vipassana, as taught by SN Goenka, is rooted in the teachings of the Buddha and is distinct from the religious practices and rituals associated with Buddhism that developed centuries later. Goenka's approach is not about creating a cult-like following but about teaching a meditation technique that has helped countless individuals worldwide, including myself, find inner peace and personal growth.

The podcast's portrayal of these meditation courses as harmful and cult-like is a significant deviation from my experiences. While it is true that meditation requires discipline and can be challenging, it is equally important to recognise that these courses clearly state they are not suitable for those with severe psychological disorders.

It's crucial for such investigative pieces to offer a balanced view. A single narrative should not define an ancient practice that has stood the test of time and helped many lead more mindful and fulfilled lives.

Anita Ye
Zurich, Switzerland

When presenteeism can become 'resenteeism'

EY is not alone in thinking that employees working from home are not contributing enough to the business ("EY monitors UK staff office attendance via turnstiles", Report, January 30). Our research found that half of UK workers say their employer has "productivity paranoia" over staff working at home.

The problem for large City employers is that collecting gate data isn't the answer. The risk is that organisations alienate their employees who may take their skills elsewhere. "Presenteeism" leads to "resenteeism", and "management by walking around" simply doesn't work for the modern hybrid organisation. Organisations must realise that working styles have evolved significantly in recent years — and methods of measuring productivity need to evolve with them.

Half of workers that we asked were open to their employer using software like digital employee experience analytics (DEX) to measure their productivity and engagement at work. This is a far more sophisticated approach that says a lot more to business leaders about workforce productivity than a key card swipe into the office ever can.

Mark Cresswell
Co-founder, Scalable Software, Weybridge, Surrey, UK

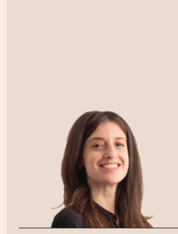
Britain's 2010 triumvirate set an appalling example

Martin Wolf's excellent article "The UK needs leaders who dare to be bold" (Opinion, February 5) correctly points out that the British people are disillusioned with their political leaders. He highlights a lack of bold policies as a key reason for this dissatisfaction which in my opinion is secondary to the key ingredient of fairness. Political leaders who become vastly enriched once leaving office having failed at their job is what really makes us disillusioned with leadership. The 2010 triumvirate of David Cameron (Greensill Capital); George Osborne (BlackRock) and Nick Clegg (Facebook renamed Meta) have set an appalling example.

Mark Pears
London NW3, UK

OUTLOOK
LAS VEGAS

Taylor Swift, the NFL and a new wave of female sports fandom



by Sara Germano

During the first half of Sunday's Super Bowl, the Jumbotron at Allegiant Stadium in Las Vegas briefly cut away from the action on the field to show Taylor Swift chugging a beer in her luxury suite overlooking the stadium.

Swift was there, of course, to cheer on her boyfriend Travis Kelce and his Kansas City Chiefs, who won their second consecutive National Football League championship in dramatic extra time.

But the biggest winner of the evening was the NFL, by all measures the single greatest unifying live entertainment behemoth in the US. The league was given a tremendous gift when Swift began attending fixtures this year: ticket sales for some Chiefs games nearly tripled, and overall NFL ratings rose 7 per cent for the 2023 season.

It's great news for the NFL, but the most powerful sports league in the richest country in the world should not be dependent upon the whims of a pop star's social life to develop a deeper relationship with female fans.

The millions of young women in Swift's fan base are of great benefit to the NFL: of the roughly 58 per cent of Americans who watch football each week, three-quarters are men over 50, according to a 2023 study by SponsorPulse.

Despite conspiracy rumours to the contrary, NFL leaders have admitted that the Taylor television traffic is just a happy accident. Roger Goodell, the league's commissioner, told reporters last week that the NFL wasn't clever enough to devise the Swift-Kelce romance even if they tried.

"I don't think I'm that good of a scripter, or anybody on our staff," he said. "Taylor is obviously a dynamo. Everything she touches, there are people following, so we count ourselves fortunate, we welcome it."

Sports fans who arrived in Las Vegas last week ahead of the Super Bowl shared with me their reflections on what's working — and not — for female audiences. Across the board, they said, they enjoy the interpersonal stories in sport.

"It's all about how the team is functioning together," says Lori Haddock, 55, a San Francisco 49ers fan from Omaha. "Football is a family thing to do . . . especially if you have something that you can watch together, that is so competitive and so fun."

Like Swift, Haddock got into football through the relationships in her life: first watching Kansas City Chiefs games growing up with her father, and later switching allegiances to the 49ers when she met her husband. She says her daughter never caught the football bug growing up, but now aged 28, she's recently embraced watching the sport with her partner.

Kiah Cresser, 27, and Ben Mathiou, 28, travelled to Vegas from Australia's Gold Coast to attend their first Super Bowl after Mathiou, a professional rugby player, scored tickets a year ago. Cresser, dressed fashionably in a trenchcoat and knitted caramel top, tells me she wasn't much of a sports fan until the Swift-Kelce relationship blossomed. "It's a love story, how can you resist that?" she says.

As a result, she consumes NFL stories on TikTok, and says she will probably stay invested in the Chiefs regardless of whether Swift and Kelce stay together. Her primary interest, she says, is the cast of characters in and around the game, including quarterback Patrick Mahomes and his wife, Brittany. "It's not really anything that the NFL is doing specifically," she adds.

To be sure, the league is making an effort to develop fan interest among women; last year, flag football — a non-tackle version of the game open to all genders — was introduced as a high school sport in the state of California, in advance of the sport's inclusion in the 2028 Summer Olympics in Los Angeles, thanks to some persuasion by the NFL. If women have an opportunity to play the game, the thinking goes, it will further endear football to them for life.

Such a strategy may pay off in the long run. In the meantime, American football is relying on images of Swift having the time of her life in her stadium box, high-fiving family members and cheering with her girlfriends. The message is a quietly revelatory one for some women: this is a space for your entertainment, too.

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Opinion

The west has not gone far enough in sanctioning Russia

Anders Fogh Rasmussen

It is time to refocus our approach to sanctions on Russia. It is almost two years since the country launched its full-scale invasion of Ukraine, in an unprecedented attack that led to an unprecedented response from the democratic world.

In a matter of weeks, countries such as South Korea, Australia and Japan joined the EU, the UK and US in applying sanctions. Russia quickly surpassed Iran as the most sanctioned country and by the end of 2023 there were more than 18,000 active measures targeting Russian individuals or entities.

In the immediate aftermath of the invasion, Russia was largely cut off from the global financial system and more than $300bn of its assets around the world were frozen. The hope was that this shock would cripple Russia's economy, weaken its ability to finance the war and ultimately force Vladimir Putin to the negotiating table. Unfortunately, this has not happened. The economy was degraded but not destroyed.

The conflict has now become a grinding war of attrition. Victory will depend largely on whether Ukraine and its allies can outproduce Russia. We must realign our sanctions policy with this objective. We should recognise that although the measures will not force Moscow to end the war overnight, they are another tool to disrupt and degrade the country's means of production. Every Russian tank we prevent from being built is one less Ukrainian forces need to destroy.

We need to refocus in three areas. First, we should tighten enforcement of existing sanctions to stop western components reaching Russia's military industrial complex. Second, step up sanctions against heavy industry, which has been co-opted to support the war effort. Last, use frozen Russian assets to fund Ukraine's victory and recovery.

Despite multiple rounds of sanctions, more than €2.6bn worth of western-made components that can be used for military production reached Russia in 2023. Analysis by the Kyiv School of Economics found almost 2,800 foreign components in destroyed or captured Russian weapons, including hypersonic missiles used to strike major Ukrainian cities and critical infrastructure.

We need to apply far greater pressure on western companies to ensure this does not happen. Suspicious spikes in sales to countries known to be in turn increasing exports to Russia, such as the United Arab Emirates, Kazakhstan or Kyrgyzstan, should be investigated and blocked when necessary. Our aim should be to cut off or damage supply lines to Russia's military-industrial complex.

> Moscow dusted off the Soviet playbook and co-opted heavy industry to support its offensive

Over the past year, Russia has prepared its economy for a long conflict. It has dusted off the Soviet playbook and co-opted heavy industry to support the war effort. Western governments must respond by boosting sanctions on its means of production.

The nuclear industry, as well as companies producing steel and aluminium or noble gases such as helium, should be targeted. The war effort is still financed by revenues from hydrocarbon sales. Further restricting and disrupting the supply of Russian oil and gas is critical. We must put pressure on Gazprom and its subsidiaries, and crack down on countries helping Russian oil reach global markets.

Last, western leaders must get over their hesitancy to use frozen Russian assets to support Ukraine. In the initial days of the war, democratic governments blocked Russia's access to more than €300bn in foreign exchange reserves. With policymakers on both sides of the Atlantic grappling with how to finance Kyiv's war effort, this is a revenue source we can no longer ignore.

So far, G7 governments have worried that other countries would pull their own reserves out of the member states in response to such a move. This fear is overblown. A bigger worry should be that our inaction leads to Russian success in Ukraine. This would set a far more dangerous precedent — that you can attack another country and the global order while suffering only minimal consequences. Unlocking more than €300bn would not only provide vital funding to Ukraine, but would also send a clear message to Putin — that he won't get away with this.

Two years of sanctions may have failed to bring Russia's economy to its knees, but that does not mean they are not having an effect. Massive increases in defence spending may give a short-term boost to gross domestic product, but sanctions are driving up costs for businesses and restricting access to the latest technologies, damaging the country's long-term productivity.

We must now go further. Sanctions will never be a 100 per cent effective weapon, but in a war of attrition we must use everything in our arsenal to deliver a Ukrainian victory.

The writer is a former Nato secretary-general

Nato needs to prepare for Trump

WORLD AFFAIRS

Alec Russell

What are America's traditional allies to make of last week's Republican shenanigans on Capitol Hill when they torpedoed the bill to give billions of dollars of aid to Ukraine? Or of Donald Trump's comments over the weekend questioning Nato's doctrine of collective defence?

The short answer is: be alarmed. The more considered answer is: prepare, by planning immediately for the possibility of an ultra-unilateralist second Trump term, because this time his people seem to have a plan.

The scuppering of the Senate bill which was to deliver a vital $60bn for Ukraine's war effort and stricter immigration policies was shameful. The last thing Trump, the likely Republican nominee in November's presidential election, wanted was a law that allowed President Joe Biden, the presumed Democratic nominee, to look tough on immigration. Ukraine, desperate for the weapons the bill would have funded, is collateral damage.

Donald Tusk, Poland's prime minister, spoke for most EU leaders with his response. "Dear Republican Senators of America. Ronald Reagan, who helped millions of us to win back our freedom and independence, must be turning in his grave today," he wrote on X.

His citing of Reagan is well put. It does require intellectual gymnastics for rightwing thinkers now to argue, as some do, that pulling the rug from under Ukraine is consistent with the Republican party's traditional hawkishness on Russia.

But the core message from the think-tanks hothousing Trumpian ideas, in particular the old-school Heritage Foundation, which is now having something of a resurgence, is clear. A second Trump term would see American unilateralism on steroids. If they have their way, unlike in Trump's first term, there would be a plan of action from day one.

Russell Vought, Trump's last budget director, and president of the Center for Renewing America, another supportive think-tank, rejects the charge of isolationism often levelled at Trump's supporters as "slander". We believe in the "strength" of America, he says. "Don't mess with our allies, don't mess with our interests."

But relationships, he makes clear, would be bilateral and based on "mutual interest" rather than multilateral. In short, it is a transactional philosophy that makes the unilateralism of George W Bush seem akin to the globalism of the UN.

At the heart of this stripped-back world view is a reimagined, if not weakened, Nato. The first part of Trump's critique, that Europeans need to take up a greater share of the financing of the alliance, is pretty much incontestable. Europe has for decades effectively been freeloading under America's umbrella.

So this is a call to arms. The more Europe's powers can show their commitment to spending more on defence, the greater the chance they may be able to counter Trump's second and more radical challenge to Nato. At the weekend, he questioned the foundational idea that an attack on one member is an attack on all. He had told allies, he said, that he would "encourage" Russia to attack Nato members that did not meet their target of spending 2 per cent of GDP on defence.

"The old idea of Nato's collective defence needs to be reassessed," says Vought. Since its expansion into eastern Europe after the cold war, Nato has become too sprawling. "We have a narrower view of our interests than Estonia would like us to have."

> A second term from the former president would see American unilateralism on steroids

As for Ukraine, it's just not a strategic interest now, he says. Vladimir Putin has been thwarted from his original mission of taking over the country. It's time to move on and focus on "the actual threat which is China".

Trump's recent warning that he would consider a tariff of more than 60 per cent on Chinese imports underlines that approach. It may also have shifted the widely assumed view of Beijing that they would prefer Trump to the more painstakingly strategic Biden.

But for allies in the Asia-Pacific, while the focus on China would be welcome, the transactional talk is unsettling. A regional policymaker says Japan, South Korea and Australia traditionally related to the US in a hub-and-spoke fashion. "Now the spokes may need to be ready to co-ordinate without the hub."

For Europe, too, it's a moment. Tusk's outburst suggests that Poland for one would not be easily picked off by Trump in a bilateral deal. In Britain, the opposition Labour party is right to be thinking of options for a beefed up role in European defence if it wins office. France and Britain, Europe's two leading military powers, need once again to reassess how their armed forces can collaborate.

Ukrainian officials are pinning their hopes on the idea that you can't believe everything you hear in the fevered electoral climate, and that the $60bn of funding may possibly be passed in a new bill. Moreover, in the event of a Trump victory, his domestic agenda might engulf him. The Heritage Foundation has laid out an ambitious plan to cut back government bodies and expand the president's power — a vast, contentious and possibly unrealisable goal.

Besides, Biden may be re-elected. For now, opinion polls give him no credit for the health of the economy but the election is a long way off. But there is no excuse not to prepare, and fast. Europe's shift on defence spending is long overdue anyway.

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AI is too important to be monopolised

TECHNOLOGY

Marietje Schaake

The Wall Street Journal reported last week that OpenAI's chief executive Sam Altman would seek up to $7tn in funding to reshape the global semiconductor industry to power artificial intelligence. The fact that one company could pitch a funding target larger than the GDP of Japan and not be laughed out of the room is yet another sign of generative AI's intense market concentration.

From the promise of medical breakthroughs to the perils of election interference, the hopes of helpful climate research to the challenge of cracking fundamental physics, AI is too important to be monopolised.

Yet the market is moving in exactly that direction, as resources and talent to develop the most advanced AI sit firmly in the hands of a very small number of companies. That is particularly true for resource-intensive data and computing power (termed "compute"), which are required to train large language models for various AI applications. Researchers and small and medium-sized enterprises risk fatal dependency on Big Tech once again, or else they will miss out on the latest wave of innovation.

On both sides of the Atlantic, feverish public investments are being made in an attempt to level the computational playing field. To ensure scientists have access to capacities comparable to those of Silicon Valley giants, the US government established the National AI Research Resource last month. This pilot project is being led by the US National Science Foundation. By working with 10 other federal agencies and 25 civil society groups, it will facilitate government-funded data and compute to help the research and education community build and understand AI.

The EU set up a decentralised network of supercomputers with a similar aim in 2018, before the recent wave of generative AI created a new sense of urgency. The EuroHPC has lived in relative obscurity and the initiative appears to have been under-exploited. As European Commission president Ursula von der Leyen said late last year: we need to put this power to use. The EU now imagines that democratised supercomputer access can also help with the creation of "AI factories," where small businesses pool their resources to develop new cutting-edge models.

> Investments in public digital infrastructure must rise — and state funds must be diverted from Big Tech

There has long been talk of considering access to the internet a public utility, because of how important it is for education, employment and acquiring information. Yet rules to that end were never adopted. But with the unlocking of compute as a shared good, the US and the EU are showing real willingness to make investments into public digital infrastructure.

Even if the latest measures are viewed as industrial policy in a new jacket, they are part of a long overdue step to shape the digital market and offset the outsized power of big tech companies in various corners of our societies.

These governments have made the right decision by expanding access to foundational compute resources, but such investments are only the first stage and must work hand in glove with legislative and regulatory interventions. Antitrust agencies must ensure the largest AI companies do not grow impossibly large. Security agencies must prevent malign actors from accessing critical computational resources.

Non-discrimination watchdogs have their hands full with the various ways in which AI applications display bias and discrimination. Similarly, public AI investments are complementing policies meant to prevent market monopolies from becoming knowledge monopolies as well. While the EU was smart to encode access to data for academics in the Digital Services Act that spells out the responsibilities of platform companies, it has not explicitly included such provisions in the AI Act. Companies are required to report energy use and data inputs, for example, but trade secrecy will be respected, allowing for significant opacity on key details.

Going forward, investments in public digital infrastructure must increase — and state funds must be diverted away from Big Tech, even if they are for projects with a public function. In 2022, the US invested $3.3bn in AI, a sizeable sum but nothing compared to the tens of billions invested annually by industry or the trillions sought by Altman.

Preventing AI monopolies is part of a healthy innovation climate, and it is increasingly critical for a better public understanding of the technology. In this case, those goals overlap. Historically, academic research has been at the roots of many valuable innovations. That ecosystem must not be choked off.

The writer is international policy director at Stanford University's Cyber Policy Center and special adviser to the European Commission

Fixing UK apprenticeships would be a vote-winner

Alison Wolf

Government departments in the UK are gearing up for the next big spending round, and most of the biggest fights will be within departments, not between them. There's no logic to this, but it's how spending reviews work. It is also, loosely, how spending commitments get decided in the manifestos that parties are cooking up right now.

Given how spending is decided, it's important to know how voters feel about imminent trade-offs. Take the education budget, for instance. Would they prefer the next government to spend more on free childcare, better funding for schools, lower fees for university or an increased number of apprenticeships?

The UK's technical education is, in my view, currently woeful and a major threat to growth. Do voters also think it's a priority? Public First's polling has allowed us to find out. (Full disclosure: my daughter is a founding partner.) And it's clear a lot of voters agree with me.

First, apprenticeships lead by a clear margin. And not just any apprenticeships, but those "for skilled and technical work". Second, apprenticeships are more than twice as popular as childcare, which is where most of the extra money in the past few years has been committed. And third, they are the most popular option for every social class.

Finally, we looked at the priorities of those who voted Conservative in 2019 but now plan to switch either to Labour or to "don't know". Apprenticeships are their top choice by a wide margin.

> With sensible reforms, the Labour party could spark a traineeship renaissance

Public views are remarkably clear and unusually uniform. Yet our apprenticeship programme is heading in the wrong direction on multiple fronts. More and more apprenticeships are lengthy, high-level and expensive. Apprentices are increasingly older people who are often already employed and then get reclassified as apprentices, while openings for young people, especially the most deprived, have fallen fast.

Our apprenticeship offer fails to tackle the yawning skills gaps in the economy. The government's current estimates are that just one in five apprenticeships is in a shortage occupation.

How did we get here? Mainly because of a strange and unique funding system. Most apprenticeships are paid for by a flawed "levy" on large employers. Small and medium firms are exempt. Those large employers can pay less of the tax if they take on apprentices themselves. Unsurprisingly, they have become better at this over time — hence the growth in apprenticeships for older people already working for the company, as well as in higher-level training that soaks up large levy sums.

The result is that less money is left over for young people and for SMEs. Because the Treasury treats the levy as a hypothecated tax, it refuses to top up the budget significantly for everyone else. The result? Terrible apprenticeship numbers in the occupations that the country most needs, and for the people who most want to do them.

Yet Labour, as part of its pro-business drive, risks making things worse. It has committed to allowing half of the apprenticeship levy to be spent on non-apprenticeship training. This would surely result in large companies keeping and spending even more of the levy money internally with even less going towards technical apprenticeships for young people. But with sensible reforms, Labour could spark an apprenticeship renaissance. It should consider the following: a smaller levy but one paid by more companies; less support for older adult apprentices; and a cull of expensive apprenticeships in oversupplied occupations.

These straightforward changes would transform the system at no additional cost to the Treasury. Voters would like it and the economy would benefit. Policy slam dunks like this rarely present themselves. The next government would be mad not to take advantage of it.

The writer is professor of public sector management at King's College London and sits as a crossbench peer in the House of Lords

Lex.

X: @FTLex

UK companies: setting up is too cheap and easy

Bank robbers go where the money is. Fraudsters do the same. But illicit finance in some of the richest countries is partly a self-inflicted problem. Until recently, the US and UK turned a blind eye to opaque corporate structures that enable economic crimes.

A crackdown is now under way. Next month, the UK's Companies House will get more powers to query information and rectify inaccuracies — the biggest shake-up in its 180-year history. It joins the US in tackling corporate opacity. The latter now requires companies to disclose who controls them.

The UK leads the world for shell company-related risks, according to Moody's research. The ability to hide behind fake companies has facilitated crimes ranging from the Russian "Laundromat" case to pandemic Bounce Back Loan Scheme abuses.

It causes widespread misery. An estimated 10,000 Britons each year discover that fake companies have been registered to their addresses.

New checks are not watertight. Criminals can still exploit limited partnerships. Identity verification rules coming into force next year can be sidestepped with the help of a corrupt professional. In any case, they are no panacea. Financial crimes expert Graham Barrow noted that banks have long carried out verification checks without blocking criminals' access to the financial system.

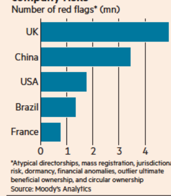
Front companies used in the Iranian sanctions evasion scheme reported by the FT raised no obvious filing red flags, he told MPs this month.

Experts also worry that the £20mn earmarked to revamp Companies House is not enough. A proper clean-up, using technology-based controls, would cost five times as much, said Kathryn Westmore of think-tank Rusi.

Should business foot the bill? Banks already contribute to the new £100mn-per-year economic crime levy. But verified Companies House data would streamline their know-your-customer checks and help cut fraud losses. These will increase from October when banks will be forced to shoulder a bigger share of victims' losses, currently running at more than £1bn a year.

Charging companies more to incorporate would make sense. Fees are rising from £12 to £50 but they will still be lower than in many other countries. A rise to £100 would be more likely to deter scammers than genuine entrepreneurs. It would raise a tidy sum while cutting incorporations, now running at nearly 900,000 a year.

When it comes to cracking down on opaque shell companies, scrutiny is vital. It must be done effectively.



*Atypical directorships, mass registration, jurisdictional risk, dormancy, financial anomalies, outlier ultimate beneficial ownership, and circular ownership
Source: Moody's Analytics

Tod's: for investors, not so very comfortable

Tod's customers prize its soft suede driving loafers. Its investors, however, may find that the group's latest proposition does not fit them so well.

The shoemaker's controlling shareholder, Diego Della Valle, has teamed up with LVMH-backed private equity group L Catterton to take Tod's private. The deal values Tod's at €2bn including debt.

This is Della Valle's second effort to delist Tod's. An attempt in 2022 failed as shareholders judged that his offer was too low. This time around, they are getting a better, though hardly premium, deal.

At €43 per share, L Catterton is offering a 17.6 per cent premium to Tod's closing price on Friday. Though hardly a knockout, the shares have had a strong run recently. The premium to the three-month average share price looks more reasonable at 31 per cent.

However, one can argue that Tod's share price does not fully reflect the group's potential. The problem is that, through years of underperformance, it has worn its profitability thin. As such, the buyout does not look too shabby at 20 times this year's operating profit, on S&P Capital IQ estimates.

With more effort, management might be able to double these earnings. That would bring them back to where they were a decade ago. Also, on a multiple of sales, L Catterton's offer looks underwhelming — 1.7 times this year's revenues. For reference, the buyout group recently floated Birkenstock at 5.5 times sales.

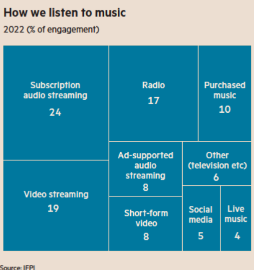
It may be that L Catterton's offer squeaks through. Turnarounds are easy to imagine but hard to pull off. Tod's has attempted one for years. Its brand has lost some cachet, too. Its loafers, once de rigueur among business elites, get less attention than Loro Piana white-soled trainers. Investors may also be uncomfortably aware that, even if the offer fails, Della Valle will seek to delist the stock.

The entrepreneur would get a good deal. Under the terms, he is a seller at €43 per share, albeit only of a 10.5 per cent stake. He will keep 54 per cent. LVMH, which owns 10 per cent of Tod's, will also keep its stake.

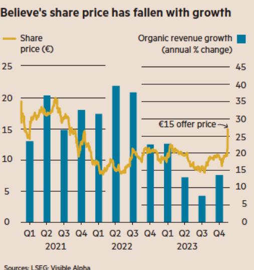
In return, Della Valle gets the benefit of a partner with restructuring experience. And should Tod's then be sold on at a higher price, he would make a chunky profit on his remaining stake. Not so minority shareholders, probably irritated that they cannot follow in his footsteps.

Believe buyout: shares off track

Online streaming through services such as Spotify and YouTube offer the most popular ways to listen to music. With social media, both have helped successful independent artists. Though revenues at the French music business grew quickly initially, a slowdown last year pushed Believe's share price below its IPO level.



Source: IFPI



Sources: LSEG; Visible Alpha

Elton John, Journey and The Darkness all had hit songs about belief. A resonance with its signed artists led French music label Believe to the stock market in 2021. Yet its disappointing performance has left early investors with a headache.

Yesterday's announcement of a €15 a share cash buyout offer from a consortium led by founder and chief Denis Ladegaillerie and a 44 per cent undisturbed premium might then play well, though this appears a case of him selling high and buying low.

The way people listen to music has inverted the previous model. Services such as Spotify have helped shift some bargaining power to artists. Believe has capitalised on this, focusing on smaller artists and digital-only distribution. With 1.3mn artists signed, Believe is in effect a bet on the structural shift to streaming and artist control. But despite some fast growth in the pandemic, a slowdown set in last year that has kept shares well below their listing price.

Ladegaillerie has teamed up with private equity group TCV. Together, they already own more than half the shares. Sweden's EQT will help complete the buyout, taking Believe private at a value of €1.5bn. The three have agreements representing about 75 per cent of the share capital. This suffices for a mandatory offer. Any remaining minority shareholders could be squeezed out.

They may not be so happy with the price. The €15 offer is well below the €19.50 IPO price. True, the pace of its pre-acquisition expansion last year should slow to half the 32 per cent recorded in 2022. Digital music sales at Universal Music Group also slowed last year to 4.5 per cent, according to Visible Alpha, but from a larger base.

The scale of its larger listed rivals makes valuation comparisons tricky. On a forward EV/ebitda basis, the consortium has offered a 20 times multiple, in line with UMG and above the 15 times that Warner Music trades on. Its estimated 2024 free cash flow is just €25mn, a small fraction of those of its rivals.

An EV/sales multiple comparison paints the offer less generously, at about 1.4 times versus 4.5 times for UMG and 3.4 times for Warner Music. The buyers could have offered more to minorities, especially those fans that bought into Ladegaillerie's original growth thesis. They will remember, should he return to the market with an encore.

Diamondback/Endeavor: deal steps up pressure

The quest to buy prime assets in the US Permian Basin resembles a game of musical chairs. ExxonMobil, Chevron and Occidental Petroleum have all struck big deals in the shale patch since October. Large acquisition targets have become scarce commodities.

Yesterday, Diamondback Energy swooped in for Endeavor Energy Resources for $26bn, including debt.

Endeavor is one of the few large private Permian operators left after Occidental acquired CrownRock for $12bn in December. While the latter was owned by private equity, Endeavor is family-owned. That meant convincing its octogenarian billionaire Autry Stephens to sell — no mean feat. Plus Diamondback, whose market capitalisation is close to $27bn, rushed in ahead of larger rival ConocoPhillips.

Diamondback's cash and share offer has something for both sides. Endeavor receives a good chunk of cash upfront. Diamondback will keep the cash outlay down using shares.

It has offered up 117.3mn of its own shares (worth $17.8bn based on Friday's closing price) and $8bn in cash. Endeavor shareholders will own 39.5 per cent of the combined company after the deal closes. Its own financials were not disclosed but Endeavor should contribute about 43 per cent of overall oil and gas production.

The company is acquiring a high quality asset that will transform it into the third-largest producer in the Permian Basin of West Texas and New Mexico. The combined company produced 816,000 barrels of oil equivalent a day during the fourth quarter of last year, still well behind Exxon and Chevron.

One of the biggest concerns surrounding Diamondback is its lack of drilling inventory in the Midland Basin. Meanwhile, Endeavour has one of the largest in the Permian basin.

Based on Endeavour's fourth-quarter production numbers, Diamondback is paying the equivalent of $73,654 per barrel of oil equivalent for Endeavor. That is similar to what Occidental paid for CrownRock. But Diamondback has arguably struck the better deal given the significant operating and capital cost savings forecast.

The annual synergies of $550mn touted — taxed and capitalised — is worth over $4.2bn, covering more than half of the offer's cash component. These look feasible given the two companies are headquartered across the street from one another. The pair's oilfields are also close to each other, which could keep capital expenditure down. Diamondback has snagged a chair of its own. That means the music can only play so long for the remaining shale consolidators such as ConocoPhillips.

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ACROSS

1 Drink six-pack in hotel in centre of Ostend (8)
6 Berate wife and mother about makeshift dwelling (6)
9 Cross-section of society with more than enough (6)
10 Model ragged Eric about old navy hat (8)
11 Devices initially planted inside baroque palace in Sweden (10)
12 Work-shy revolutionary withheld important parts (4)
13 Sign termination of lease on Golf car (6)
15 Heartless Greek character born on island is prisoner (8)
18 One who chooses district occupied by the French (8)
20 Fashionable young lady gets back from Egypt owing money (2,4)
21 Fatuous paper written by attorney (4)
23 A group of sailors welcoming D Company aboard ship? They can't be criticised! (6,4)
25 Caught on toilet in church meeting (8)
26 A Celt put on minute talisman (6)
27 Measure barring English from ship (6)
28 Boy on radio supports renewable energy suppliers (8)

DOWN

2 Ordering lamb and sheep is utter profanity (9)
3 Force that is constraining politician on Left (5)
4 Health worker discovered ether subdues sex attacker (9)
5 Persuaded wayward niece to cross Thailand with diamonds (7)
6 Picked up cetacean's mournful cries (5)
7 Exalted German nobleman embracing setter? That's disgusting! (9)
8 Missing penultimate letter, publication's void (5)
14 The same archetypal, grasping knight with nervous mannerism (9)
16 Vandal, say, damaged brainstem (9)
17 Lower boom at sea to make space (5,4)
19 Leaves on small spacecraft (7)
22 Silver and gold originally adorned market place (5)
23 Young rustic women essentially engaged in wrongdoing (5)
24 Actors given voice class (5)

Solution 17,653

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MIXEDDOUBLES###
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MILKSHAKE#GLADE
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T###T###O###R#E
OPTION#SLEEPIER
##E#R#R#A#N#E##
HONEYDEW#MISSES
E#E###W###G###T
COMEDIAN#IMPALA
K#E#O#R#B#A#I#N
LINEN#DRIFTWOOD
E#T#O#E#L#I#L#I
###PREDILECTION
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JOTTER PAD

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