FINANCIAL TIMES

WEDNESDAY 14 FEBRUARY 2024 USA $2.50

Climate risk insurance is unaffordable
BIG READ, PAGE 13

What Biden can learn from the UK opposition
JANAN GANESH, PAGE 15

Kremlin critic
Estonia leader on 'wanted' list

John Thys/ AFP

Estonia's Prime Minister Kaja Kallas, pictured at a European Council meeting this month, has appeared on a Russian "wanted" list as it seeks to press criminal charges against those critical of its war on Ukraine.

She is the first political leader to join the Russian interior ministry's database of 700 suspects, which includes other Baltic politicians critical of the Kremlin.

Kallas vowed the Russian move would not silence her, saying: "This is yet more proof that I am doing the right thing."

Moscow's charges against Kallas, who has put herself forward as a candidate to be Nato's next head, relate to Estonia's push to remove Soviet monuments. A Russian foreign ministry spokesperson wrote on social media app Telegram: "They must answer for their crimes against the memory of those who liberated the world from Nazism and fascism!"

Reports & analysis page 2

Most Nato members to hit spending goal in 'Trump containment' strategy

- Planning for new White House
- Flattery campaign prepared
- More Russia aggression expected

HENRY FOY — BRUSSELS
AMY KAZMIN — ROME
MARTON DUNAI — BUDAPEST

Nato is expected to announce today that most members are on track to hit a key defence spending target as the alliance prepares for more Russian aggression and braces itself for the potential election of Donald Trump.

According to three officials, Nato will say 18 of its 31 members will this year meet its target of spending 2 per cent of gross domestic product on defence, with the number likely to rise as budgets are adjusted. "Nato expects about two-thirds of allies to hit 2 per cent in 2024," an alliance official told the Financial Times.

Nato's spending increased markedly after Russia's full-scale invasion of Ukraine but Trump's period in office between 2017 and 2021 also saw a significant uptick as the US president harangued his European allies for failing to spend enough.

In 2016, only five countries met the target. Today Poland spends 3.9 per cent of GDP on defence, ahead of the US on 3.5 per cent. Other countries range from the UK and France, which hover around 2 per cent, to Spain, which spends just above 1 per cent.

Trump, a declared Nato-sceptic who is the presumptive Republican nominee in November's US presidential election, has previously threatened to withdraw from the military alliance that guarantees Europe's defence and security.

> 'Nato expects about two-thirds of allies to hit 2 per cent of GDP in 2024'
> Nato official

His rhetoric has continued into the current race for the White House. European leaders were shocked last week when Trump told a campaign rally that he would encourage Russia to do "whatever the hell they want" with Nato members who fail to meet the target.

As Trump performs strongly in opinion polls against incumbent Joe Biden, he is again causing trepidation at Nato.

European diplomats and officials say that continuing their upwards spending trajectory is the first of a three-part "Trump containment" strategy. Second, Nato must pivot to focus more on issues important to Trump, such as containing China. Finally, allies understand they must indulge in flattery and charm to win his admiration.

"There's a lot of talk about [Trump]," said one senior Nato diplomat. "What is the best way to handle a future president Trump? . . . Basically a combination of flattery and a firm hand."

Despite the increased defence spending since Russia invaded Ukraine, the US commitment to Nato remains the sole guarantor of Europe's security, with no substitute for its 80,000 troops on the continent, speed in deploying equipment, and nuclear weapons capability.

"You can't worry about the rhetoric too much but instead focus on the points being made and make sure you give credit to Trump if and when he is right," said Oana Lungescu, Nato's chief spokesperson from 2010 to 2023.

Trump's remarks on Russia have "underscored an existing anxiety about the implications of another Trump presidency", said Ian Lesser, vice-president of the German Marshall Fund. "It could be more difficult on many levels. For one, Europe is now at war."

Asked about Trump's comments this weekend, Hungarian premier Viktor Orbán, a fan of the former US president who has maintained ties to Russian President Vladimir Putin, indicated he was not worried. "We understand what Mr President said, and we pay our dues," a spokesperson for Orbán told the FT. Hungary is among Nato nations spending more than 2 per cent on defence.

Nato border warning page 2

Briefing

▸ Investors trim bets on Fed interest rate cut in May
Investors have scaled back bets on the likelihood of a first move by the US central bank in May after inflation eased less than expected in January to 3.1 per cent. Economists forecast 2.9 per cent.— PAGE 2; MARKETS, PAGES 8&9

▸ Macquarie star quits
Nick O'Kane, head of the roaring commodities business at the Australian financial group, is to leave after almost three decades. He was paid more than his own chief executive last year.— PAGE 5

▸ US Senate backs Kyiv cash
Lawmakers have approved a $95bn funding bill including aid to Ukraine, but the legislation risks languishing in the House of Representatives amid opposition from Donald Trump.— PAGE 3

▸ Khan speaks out from jail
Former Pakistan premier Imran Khan has hit out at his opponents as they move towards an alliance that would block his party from power after its stunning victory in elections last week.— PAGE 4

▸ Super Bowl TV record
A record 123mn viewers saw Sunday's game, making it the second most-watched broadcastbehind 1969's Apollo landing, signalling the pull of live sport as the TV landscape craters. — PAGE 5

▸ Exxon accused of bullying
Activist investors have accused the oil group of attacking investor rights by targeting them in a lawsuit even after they withdrew a resolution demanding it do more to cut emissions.— PAGE 6

▸ Bitcoin tops $50,000
The price of the cryptocurrency has this week breached a level last seen in 2021. The increase reflects a sharp shift in sentiment since mainstream bitcoin funds were launched this year.— PAGE 8

▸ Kishida bid to meet Kim
Japanese Prime Minister Fumio Kishida has intensified efforts to meet North Korea's Kim Jong Un as he pushes for a diplomatic breakthrough in an effort to save his faltering premiership.— PAGE 4

Investors pile in as minds alter on psychedelic drugs

Promising data and positive signals from regulators are luring high-profile investors to psychedelic drug research. Substances found in magic mushrooms and desert toad secretions, relics of 1960s counterculture, have enjoyed a renaissance. Investors see opportunity in mental healthcare, raising $163mn in January alone. Funds such as Mubadala of Abu Dhabi and Singapore's Temasek, bankrolled by states with tough drug laws, have held talks with biotechs.
Investor backing ▸PAGE 7

Latham & Watkins seals off Hong Kong lawyers to shield data from Beijing eyes

CHAN HO-HIM AND
KAYE WIGGINS — HONG KONG
SUZI RING — LONDON

US law firm Latham & Watkins is cutting off access to its international databases for its Hong Kong-based lawyers, in a sign of how Beijing's closer control of the territory is forcing global firms to rethink the way they operate.

The top law firm has told staff that while Hong Kong will have access by default to China documents, from this month they will not be able to see other content in its global databases unless specifically given permission, according to two people with knowledge of the matter.

The move underscores the difficulties for global companies operating in a city that made its name as an international financial hub. It comes after Beijing introduced new anti-espionage laws restricting data flows out of the country.

The firm's policy cuts off Hong Kong lawyers from default access to content in its US, Europe, Middle East and Asia databases. Latham & Watkins is "treating Hong Kong as the same as mainland China", one of the people said, as US firms grow wary of Beijing's control.

The law firm declined to comment.

It is already considered best practice to wall off confidential client data, restricting access to those who need to see it. However, the change will mean staff in Hong Kong no longer have default access even to non-private files from outside China.

Latham & Watkins is also separating its Hong Kong office database from the rest of Asia — it has offices in Seoul, Singapore and Tokyo — to create a "Greater China" database shared with the Beijing office, the people said.

"There's definitely a concern over the new [Hong Kong security law] . . . that essentially puts Hong Kong data laws on par with China's," one of the people said.

Hong Kong unveiled its proposals last month for a new security law that would step up scrutiny on data and "state secrets" after China strengthened its data and anti-espionage laws.

"It means if you have . . . raids in Hong Kong, law enforcement [can] access [only] Hong Kong and China databases," the other person added.

The Los Angeles-founded firm closed its Shanghai office last year but said China was still "an important market". It has also asked staff not to take their work laptops to mainland China, two people added.

Last year professional services companies Deloitte and KPMG advised staff to use burner phones in Hong Kong.

World Markets

STOCK MARKETS

	Feb 13	Prev	%chg
S&P 500	4964.06	5021.84	-1.15
Nasdaq Composite	15721.43	15942.55	-1.39
Dow Jones Ind	38357.90	38797.38	-1.13
FTSEurofirst 300	1911.92	1929.11	-0.89
Euro Stoxx 50	4688.21	4746.35	-1.22
FTSE 100	7512.28	7573.69	-0.81
FTSE All-Share	4104.81	4141.81	-0.89
CAC 40	7625.31	7689.80	-0.84
Xetra Dax	16880.83	17037.35	-0.92
Nikkei	37963.97	36897.42	2.89
Hang Seng	15746.58	15878.07	-0.83
MSCI World $	3281.01	3281.42	-0.01
MSCI EM $	996.06	995.53	0.05
MSCI ACWI $	747.89	747.93	-0.01
FT Wilshire 2500	6496.76	6495.79	0.01
FT Wilshire 5000	50600.00	50577.90	0.04

CURRENCIES

Pair	Feb 13	Prev	Pair	Feb 13	Prev
$/€	1.072	1.077	€/$	0.933	0.929
$/£	1.260	1.262	£/$	0.794	0.793
£/€	0.851	0.854	€/£	1.176	1.172
¥/$	150.595	149.455	¥/€	161.401	160.926
¥/£	189.771	188.544	£ index	82.377	82.433
SFr/€	0.950	0.944	SFr/£	1.117	1.105

CRYPTO

	Feb 13	Prev	%chg
Bitcoin ($)	48780.63	50077.63	-2.59
Ethereum	2627.15	2661.53	-1.29

COMMODITIES

	Feb 13	Prev	%chg
Oil WTI $	77.84	76.92	1.20
Oil Brent $	82.79	82.00	0.96
Gold $	2015.20	2023.50	-0.41

GOVERNMENT BONDS

Yield (%)	Feb 13	Prev	Chg
US 2 yr	4.61	4.47	0.14
US 10 yr	4.27	4.17	0.10
US 30 yr	4.44	4.39	0.06
UK 2 yr	4.67	4.54	0.13
UK 10 yr	4.32	4.23	0.09
UK 30 yr	4.65	4.58	0.07
JPN 2 yr	0.12	0.11	0.01
JPN 10 yr	0.72	0.72	0.01
JPN 30 yr	1.79	1.79	0.01
GER 2 yr	2.75	2.69	0.06
GER 10 yr	2.39	2.36	0.03
GER 30 yr	2.56	2.56	0.00

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No: 41,556 ★

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Criminal charges

Moscow puts Estonian PM on wanted list

Action against Baltic leader follows removal of Soviet-era monuments

MAX SEDDON — RIGA
RICHARD MILNE — OSLO

Russia has put the prime minister of Estonia, Kaja Kallas, on a wanted list, the first time the Kremlin has sought criminal charges against a foreign leader since it launched its full-scale invasion of Ukraine two years ago.

Kallas was listed as wanted in the Russian interior ministry's database of suspects, independent news site Mediazona reported yesterday, alongside other Baltic politicians critical of the Kremlin and its war, including Lithuania's culture minister and dozens of lawmakers in Latvia.

The Estonian premier called the Russian move "nothing surprising" and said it would not silence her. "This is yet more proof that I am doing the right thing — the EU's strong support to Ukraine is a success and it hurts Russia," she said.

The interior ministry did not detail the charges against Kallas but the move comes after a senior Russian law enforcement official ordered an investigation into Estonia's efforts to remove Soviet-era war monuments.

"These people are responsible for decisions to essentially mock historical memory," Kremlin spokesperson Dmitry Peskov said yesterday, adding that the removals amounted to "hostile acts" against Russia.

Russian foreign ministry spokesperson Maria Zakharova also implied the charges against the Baltic politicians were tied to the push to remove Soviet monuments, which gathered pace in the region after the full-scale invasion of Ukraine. "They must answer for their crimes against the memory of those who liberated the world from Nazism and fascism. And this is just the beginning," Zakharova wrote on social media app Telegram.

The Estonian government agreed in the summer of 2022 to remove all Soviet monuments from public spaces. "It is important to emphasise that commemorating the dead is not prohibited in any way and will not be prohibited, but that it should be done in the right place and that is at a cemetery, where it can be done with dignity," Kallas said at the time.

The popularity of the Estonian prime minister, who has put herself forward as a candidate to become the next head of Nato, was dented last year after it was revealed that a company part-owned by her husband had been doing business in Russia since the Ukraine war began.

Russia's charges against Kallas are among 700 cases against foreigners, which have clear political motivations, according to Mediazona.

Four Polish citizens are also on the list, including Piotr Hofmański, president of the International Criminal Court. Last year the ICC issued an arrest warrant for Russian President Vladimir Putin in connection with his alleged role in the deportation of children from Ukraine to Russia, which would constitute a war crime.

Almost 400 foreigners are wanted in Russia for fighting for Ukraine in the war, a list that appears to be solely based on one post by Rybar, a popular pro-war blogger on Telegram.

A further 174 Ukrainians, including three former defence ministers and two former commanders of the armed forces, are also wanted for alleged crimes linked to the invasion.

Additional reporting by Raphael Minder in Warsaw

War in Ukraine. Mobilisation

Women beg Putin to bring conscripts home

Rare protest outside Kremlin sheds light on the 'unfair' time soldiers spend on front line

POLINA IVANOVA
RUSSIA CORRESPONDENT

In early January, young sports instructor Tatiana took a nine-hour bus ride to Moscow to visit the ministry of defence and demand her boyfriend, conscripted to fight in Ukraine, be allowed home.

Her partner is among the 300,000 men called up in a draft in September 2022 and deployed to the Ukrainian front. Now, 16 months on and with no end to their military service in sight, relatives are clamouring for their release.

Their frustration leaves the Kremlin in a bind, caught between the need to keep boots on the ground, nearly two years into the invasion of Ukraine, and the political imperative to keep soldiers' families, the symbolic backbone of patriotic support for the war, on side.

"I was never much into politics before," Tatiana said shortly after her trip to Moscow, where she handed letters to the ministry. "But, damn, it's been over a year. The guys are tired . . . As for us, our physical, emotional and mental resources are not limitless either."

In Russia, men who sign up as "volunteers" to special army battalions for a wage can usually go home after six or nine months. Many recruits from jails have been able to serve six months and, their crimes pardoned, return home.

Yet no time limit has been set for recruits mobilised in September 2022. Russian officials have gradually signalled that mobilised men are expected to keep fighting until the war ends.

"You feel the injustice," Tatiana said. For her partner it was "pretty disheartening to sit there and bid farewell to some convict who's been at the front for six months and now gets to go home".

The wives and girlfriends mostly began to demand the demobilisation of their men last autumn, a year after they were called up. Around then, Tatiana began searching for like-minded women and joined groups online. A sense of urgency developed as women began leaving chat groups with words such as: "Girls, there's no point in me staying, my guy has died." This spurred Tatiana to start "kicking up a fuss".

Left behind: relatives of men sent to Ukraine gather to lay flowers at the Unknown Soldier's Tomb near the Kremlin early this month Contributor/Getty Images

Tatiana has eschewed protests to focus on letters and petitions calling for draftees to be replaced by fresh troops, rather than for an end to the war. Others are more vocal and demand a halt to President Vladimir Putin's mobilisation order. Dozens took to the streets of Moscow this month, wearing white headscarves and carrying red carnations to a military memorial outside the Kremlin.

They were marking "500 days of hell", according to Route Home, the group that called the event. Their loved ones "were guilty of nothing but had been sentenced to indefinite slavery".

The group opposes calling up any more men. "We don't want this fate for anyone," it said in a post on its Telegram channel, where it has almost 70,000 followers. "God forbid anyone has to go through what we go through every day."

Although criticism of the war is, in effect, outlawed in Russia, the Route Home march, which ended at Putin's election campaign headquarters, drew little response from the police.

"You can see the Kremlin doesn't really understand how to deal with it," said Andrei Kolesnikov of the Carnegie Russia Eurasia Centre think-tank in Moscow. "They're not undertaking serious repression and this shows they're hesitating."

But the discontent is unlikely to persuade the Kremlin to release mobilised soldiers. The *mobiki*, as they are known, make up a large part of Russia's forces in Ukraine, where Moscow is already struggling with troop numbers, said Pavel Luzin of the Jamestown Foundation think-tank in Washington. The army is a "hodgepodge of draftees, convicts, mercenaries and remnants of the contract soldier contingent, commanded by a dwindling officer corps", he said.

If mobilised soldiers went home, a new draft would be required. "Any new attempt at mobilisation will require more coercion and violence," he said.

A rotation of draftees would bring home many men disgruntled with the reality of the war. "The Kremlin is seriously afraid of a large number of people returning from the front," Luzin said.

> 'The Kremlin is seriously afraid of a large number of people returning from the front'

Andrei Kartapolov, head of the defence committee in the Duma, last month said replacing the draftees would be counter-productive, since they "have been fighting for a year, they have become professionals".

"What's stopping others from becoming professional military men too?" Tatiana said. "Ours weren't. They were cooks, lawyers, builders."

She stressed that she accepted the mobilisation order, but felt that a year of service was enough.

When Evgenia's husband was mobilised last autumn, the local government worker from Nizhny Novgorod was sure it would be only for a few months.

"No one in their right mind could have imagined that the government would just snatch them up and leave them there indefinitely," she said.

The women's desperation was growing, said Kolesnikov, but they were unlikely to coalesce into a broad peace movement "because of the rigidity of the regime, because everyone is afraid of everything and because society has adapted to war".

Price pressures

US inflation inches down and leads to scaling back of rate cut bets

KATE DUGUID AND HARRIET CLARFELT — NEW YORK

Investors have scaled back bets that the Federal Reserve will begin cutting interest rates in May after data yesterday showed that US inflation eased less than expected in January to 3.1 per cent.

The likelihood of a rate cut in May implied by futures markets has fallen from 50 per cent to 30 per cent, while the chances of a cut in March were almost fully eliminated.

The two-year Treasury yield, which moves with interest rate expectations, rose 0.14 percentage points to 4.6 per cent. The benchmark 10-year yield increased 0.11 percentage points to 4.28 per cent. Yields rise as prices fall.

The S&P 500 share gauge was trading 1.1 per cent lower by midday in New York, while the tech-heavy Nasdaq Composite was down 1.2 per cent.

The figures come as the Fed considers when to start cutting interest rates from their current level of 5.25-5.5 per cent after a long campaign to tame persistent price pressures.

"This is inconvenient data for the Fed and [any] plan to cut rates relatively soon," said Dean Maki, chief economist at Point72 Asset Management. "I think this takes a March rate cut off the table and it makes a May cut unlikely."

> 'I think this takes a March rate cut off the table and it makes a May cut unlikely'
> Dean Maki, economist

Economists polled by Bloomberg had forecast annual consumer price inflation of 2.9 per cent, down from 3.4 per cent in December. Core inflation, a closely watched measure that strips out volatile food and energy prices, was 3.9 per cent year on year in January, in line with the previous month.

The dramatic overall fall in inflation over the past year has prompted central bankers in the US, Europe and UK to rule out further rate increases and start discussing the possibility of cuts.

Fed chair Jay Powell said last month the Federal Open Market Committee expected to cut interest rates three times this year, but he signalled it was unlikely to begin doing so until more progress had been made towards its 2 per cent inflation target.

"The Fed will likely need more data to feel comfortable [before cutting rates]," said Kristina Hooper, chief global market strategist at Invesco. "Progress is still happening but is probably not happening as quickly as the Fed would like."

President Joe Biden said yesterday: "At a time when growth and employment remain strong, inflation declined by two-thirds from its peak but we know there's still work to do to lower costs."

The dollar, whose movements are influenced by changes in rate expectations, traded 0.6 per cent higher on the inflation data release.

Housing, vehicle insurance and medical care all added to January's price pressures. Housing, the largest component of which is rental costs, was the biggest influence on core inflation, with the index rising 0.6 per cent in January.

FINANCIAL TIMES
330 Hudson Street,
New York, NY 10013

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

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

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

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

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Estonian intelligence

Nato is warned of Russia doubling troops on border

RICHARD MILNE — OSLO
MAX SEDDON — RIGA

Russia intends to double the number of troops along its border with the Baltic states and Finland as it prepares for a potential military conflict with Nato in the next decade, according to Estonia's foreign intelligence service.

Kaupo Rosin, director-general of the Estonian service, whose analysis of Russia is closely followed in western capitals, is the latest European official to warn of Moscow's continued appetite for conflict beyond its Ukraine invasion.

While stressing Russia was not yet "willing to conduct any military actions towards Nato", he said: "We see that the Russians in their own thinking are calculating that military conflict with Nato is possible in the next decade."

Russian military reforms unveiled since late 2022 indicated a "substantial" rise in troops on Nato's eastern flank, Rosin said as his agency prepared to publish its annual report yesterday.

"Russians are planning to increase the military force along the Baltic states' border but also the Finnish border," Rosin said. "We will highly likely see an increase of manpower, about doubling, perhaps. We will see an increase in armed personnel carriers, tanks, artillery systems over the coming years."

The intelligence report said the number of troops Russia stations on its border with Estonia might almost double from the 19,000 that were there before the 2022 invasion of Ukraine.

Along the 1,340km border with latest Nato member Finland, a new army corps would probably consist of "two or three manoeuvre units with around a dozen fire support and combat support units", the report added.

A similar build-up of weaponry and soldiers along the Russian border with Ukraine was observed in the months leading to February 2022, when Russian troops began moving towards Kyiv.

Troels Lund Poulsen, Denmark's defence minister, last week warned of the possibility of a Russian attack within three to five years, saying that "new information" had come to light that was previously unknown to Nato countries.

Rosin said it was up to Nato allies to deter Russia by stepping up their military spending. Estonia is planning to spend more than 3 per cent of gross domestic product this year on defence, above Nato's 2 per cent target, which big European countries such as France and Germany still struggle to meet.

"We can manage this from our side," he added. "It's not only about how Russians think. It is possible for us to influence the Russian calculation."

Donald Trump, who is seeking to become US president again in November's election, said at the weekend that Russia could do "whatever the hell they want" with Nato countries that failed to meet the 2 per cent spending target.

Kaupo Rosin: says Russia is readying for Nato conflict within next 10 years

Rosin said: "Such statements are never helpful. But probably the Russians are paranoid enough not just to listen to the words which are said, but they will definitely look at the actions."

While European countries have found it hard to spend more on defence and increase weapons production for Ukraine, Russia's war budget is a staggering Rbs14.3tn for 2024, or 6 per cent of GDP.

Russian arms factories are working around the clock and supplies from Iran and North Korea have enabled President Vladimir Putin's army to outgun Ukraine as western aid for Kyiv wavers.

Russia made 3.5mn units of ammunition last year, far outstripping Ukraine's own production and western supplies, the Estonian service found. That figure would rise to 4.5mn in 2024 while western output remained slow, meaning the gap between Russian and Ukrainian forces would widen, the report said.

Still, Russia's equipment losses included more than 2,600 tanks, 5,100 armoured personnel carriers and 600 artillery units as of last month, it added.

INTERNATIONAL

Haley mounts last-ditch bid to deny Trump victory in South Carolina

State's former governor trails ex-president by some margin but presses on with gruelling schedule of rallies

LAUREN FEDOR
COLUMBIA, SOUTH CAROLINA

With less than two weeks to go until the Republican presidential primary in South Carolina, Nikki Haley is criss-crossing her home state in a well-funded, last-ditch attempt to usurp her former boss, Donald Trump.

It remains a long shot. While the ex-president packed an arena in Conway, where 3,000 people turned out on Saturday afternoon and thousands more queued outside, Haley has been drawing much smaller crowds in towns across the state.

The contrast is backed up by polling showing Trump up to 37 points ahead of Haley, which is a stunning gap in a state where she was once a popular governor.

"I think Haley will be soundly defeated in South Carolina," said Chip Felkel, a veteran Republican political consultant in the state and prominent Trump critic. "Trumpism, whatever that actually is, has taken over the party formerly known as the GOP."

Even the voters who turned out to see Haley as she kicked off a 30-stop bus tour last weekend acknowledged her chances of stopping Trump in the February 24 primary were slim.

"I sure as heck hope so," said one female voter in Gilbert, who when asked if Haley could spring a surprise win declined to give her name.

Her husband added: "If she can't win in South Carolina, then I think it is time for her to bag it . . . if you can't win your home state, then what's the point?"

It is a question that hangs over Haley's campaign as she presses ahead with a gruelling schedule of rallies, fundraisers and media appearances in the face of increasingly slim odds.

Aside from his huge polling lead, Trump has secured the endorsements of South Carolina's governor, both of its US senators and all the state's members of Congress, bar one.

Haley's sole congressional endorsement has come from Ralph Norman, a Republican in the House of Representatives. He said that despite the long odds, Haley would keep campaigning until at least Super Tuesday on March 5, when more than a dozen states hold primaries.

"She is more determined now than I have ever seen her," he said. "She is tireless and her message is resonating."

On the stump, Haley points out she has outlasted a dozen "fellas" to be the last person standing to take on the former president. "Don't you think it's finally time we had a woman in the White House?" Haley asked voters in Greenwood on Saturday. "No drama, no vendettas, not taking things personally, just getting to work. That's what we need, and we can do that."

She has hit back against Trump's increasingly personal and sexist attacks. He has taken to calling his former UN ambassador "birdbrain", and on Saturday in Conway he questioned the whereabouts of Haley's husband, who is stationed overseas as a member of the Army National Guard.

"Donald, if you have something to say, don't say it behind my back. Get on a debate stage and say it to my face," she responded at her recent rally in Gilbert.

The former US ambassador to the UN remains popular among Wall Street donors, who poured money into her campaign despite her string of defeats in the early primary states — and after Trump's warnings to the billionaire backers to halt their support for her.

Haley raised $16.5mn in January, including $11.7mn from grassroots donors, according to her campaign, and picked up another $1.7mn in a swing through California last week. A fundraising blitz is planned this week in Texas.

The funds have allowed her to dominate the airwaves: Haley has spent $8.1mn on ads aired in South Carolina in the year to date, according to AdImpact, compared with just $72,000 spent by Trump, whose last ad aired in the state on January 8.

Haley has sharpened her attacks on her former boss, with a stump speech almost entirely focused on why the Republican party should break with Trump and back her instead.

She tears into his temperament, catalogues his legal troubles, questions his advanced age, noting that the 77-year-old recently appeared to confuse her with former Democratic Speaker of the House Nancy Pelosi, and cites polling showing she would be far more likely to beat President Joe Biden in November.

"The Republican incumbent, Trump, didn't get 43 per cent of the vote [in New Hampshire]," she told voters in Greenwood. "That says a lot. But then he gets on stage that night and throws a total temper tantrum. Did y'all see it? All he did was talk about revenge."

Her message about the former president is resonating with some South Carolinians, including Ronnie Southerland, a 67-year-old retired mechanic who rode to the rally in Greenwood on his Harley-Davidson motorcycle.

"I used to like Trump. I voted for him last time. But he acts like a big baby. I mean, I am sorry, I got tired of him. "He don't do nothing but cause trouble," Southerland said. "All Trump is for is Trump."

Brenda Murray, a campaign volunteer in her early 60s from Winston-Salem, North Carolina, said she had voted for Biden in 2020 but was now spending her time trying to get Haley elected.

"Look, 70 per cent of the people don't want Biden and Trump again. It's just crazy. It's really crazy," Murray said. "I just don't want her to quit."

Some seasoned political operatives also argue Haley should stay in the race, if only to position herself as an obvious alternative should something happen to Trump before the Republican party's nominating convention in July.

The candidate who has racked up the most delegates after the primaries will be named the nominee at the convention. The winner will need more than 1,200 delegates. Trump has won 63 compared with Haley's 17.

"You never know what is going to happen in this race . . . Donald Trump is under a hell of a lot of investigations that could not go his way," said Alex Stroman, former executive director of the South Carolina Republican party. "And then you would have the party looking to see what the off-ramp is, and I think that off-ramp would be Nikki Haley."

Others argue that Haley, who says she is not interested in being Trump's vice-president, is also laying the groundwork for another run at the White House in 2028.

"She has a pretty good point that her numbers are much better than Trump's versus Biden. People just choose to ignore that," said Felkel.

"If Trump loses, she is going to be well positioned to say, 'I told you so'."

"There is a long game here that benefits Nikki Haley," said Kevin Madden, who was a senior adviser to Mitt Romney's presidential campaigns in 2008 and 2012. "Haley is developing a lot of muscle memory that will be beneficial for 2028."

Additional reporting by Eva Xiao, New York

Seeking support: Nikki Haley meets and greets voters at a campaign event in Newberry, South Carolina, at the weekend
Erik S Lesser/EPA/Shutterstock

> 'If she can't win in South Carolina, then it is time for her to bag it . . . if you can't win your home state, then what's the point?'

Haley blitzes South Carolina with advertisements
Ad spending in South Carolina ($'000) by airing date, including future ads, by candidate and affiliated political action committees Aug 1 to Feb 25

Haley
Trump
400
300
200
100
0
Aug 2023
Sep
Oct
Nov
Dec
Jan 2024
Feb
Mar

Source: AdImpact • Data as of Feb 12

Funding package

US Senate clears $95bn security bill including aid for Ukraine

JAMES POLITI — WASHINGTON

The US Senate has approved a $95bn national security funding bill including new aid to Ukraine, but the legislation risks languishing in the House of Representatives because of opposition from Donald Trump.

The final vote on the bill in the Senate followed weeks of pressure from Joe Biden's administration and a deepening rift among Republican senators on the merits of providing more assistance to Ukraine, alongside the broader question of the US's role in the world.

A total of 70 senators backed the legislation, which includes aid for Israel, Gaza and Taiwan, with 29 against.

Proponents of the package, including the White House, most Democrats and traditional Republicans, have argued that abandoning Ukraine could lead to Russian gains on the battlefield and embolden China to invade Taiwan.

Biden yesterday urged the House, which is controlled by Republicans, "to move on this with urgency". The president cannot enact the bill unless it passes both chambers of Congress.

> 'History is looking upon the US and seeing if we will stand up for our values, stand up to bullies'

"There are those who say American leadership and our alliances and partnerships with countries around the world do not matter. They do. If we do not stand against tyrants who seek to conquer or carve up their neighbours' territory, the consequences for America's national security will be significant," Biden said.

Mike Johnson, Speaker of the House who is close to Trump, had poured cold water on the prospects for the bill on Monday night, saying the lower chamber would "work its own will" and "America deserves better than the Senate's status quo".

The stand-off has highlighted how Trump, the frontrunner for the Republican nomination in this year's presidential election, has tightened his grip on the party in the realm of foreign policy.

Last weekend, the former president suggested during a rally in South Carolina that he would allow Russia to do "whatever the hell they want" to Nato allies if they failed to increase their defence spending. The comments triggered a backlash within the transatlantic alliance, but most Republicans declined to criticise him.

The White House, many congressional Democrats and some Republican proponents of Ukraine aid have been outraged by how the legislation has been stymied, and hope pressure will build on the House to pass the bill.

"I would hope to speak to Speaker Johnson directly, and my message is this is a rare moment where history is looking upon the US and seeing if we will stand up for our values, stand up to bullies like Putin and do the right thing," Chuck Schumer, the Senate majority leader, said yesterday.

"I will say to Speaker Johnson, I am confident that there's a large majority in the House who will vote for this bill".

Cairo talks

CIA and Mossad try to revive hostage deal

ANDREW ENGLAND — LONDON
FELICIA SCHWARTZ — WASHINGTON

The heads of the CIA and Israel's Mossad spy agency were expected to hold talks with Egyptian and Qatari officials yesterday in an attempt to revive a deal to halt the Israel-Hamas war and secure the release of hostages in Gaza, said people familiar with the process.

The negotiations, set to be held in Cairo, would come a week after Israeli Prime Minister Benjamin Netanyahu rejected Hamas's conditions for an agreement as "delusional" and vowed to press on for "total victory" in the war with the Palestinian militant group.

Despite Netanyahu's stance, US President Joe Biden said on Monday he would do "everything possible" to broker a six-week ceasefire between Israel and Hamas and the release of the hostages.

He warned Israel its forces must not launch an offensive in Rafah, a crowded city of more than 1mn people near Gaza's border with Egypt, "without a credible plan" to protect civilians.

Biden spoke after a meeting at the White House with Jordan's King Abdullah, who warned that an Israeli offensive in Rafah would "produce another humanitarian catastrophe".

"We cannot afford an Israeli attack on Rafah," King Abdullah said. "The situation is already unbearable for more than a million people who have been pushed into Rafah since the war started. We cannot stand by and let this continue. We need a lasting ceasefire now."

> 'We cannot stand by and let this continue. We need a lasting ceasefire now'
> King Abdullah of Jordan

Mediators hoped Mossad chief David Barnea's planned trip to Egypt was a sign that 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 key elements of the deal are on the table," Biden said on Monday. "There are gaps that remain," he added, but he had "encouraged Israeli leaders to keep working to achieve the deal".

The talks, brokered by the US, Qatar and Egypt, have for weeks been bogged down by Israel's rejection of Hamas's insistence that any hostage deal should end with a permanent ceasefire.

Since launching its offensive on Gaza in response to Hamas's October 7 attack, Israel has vowed to eradicate the Palestinian militant group and retain overall security over the strip.

The diplomat said the critical sticking points were still the question of a permanent ceasefire — which mediators would also like to include at the end of any hostage deal — and the withdrawal of Israeli troops from Gaza.

But the mediators are hopeful they can secure compromises.

After Israeli forces freed two hostages in Gaza on Monday, Netanyahu said: "Only continued military pressure, until total victory, will bring about the release of all of our hostages."

Hamas is believed to hold about 130 hostages, including some who have died. The group killed about 1,200 people and seized 250 on October 7, according to Israeli officials.

Middle East

Gazans flee Rafah for fear of Israeli onslaught

MAI KHALED — RAFAH
HEBA SALEH — CAIRO
ANDREW ENGLAND — LONDON

Palestinians have begun streaming out of Rafah in anticipation of an Israeli attack on the southern city that hosts about 1.5mn displaced Gazans.

Israeli Prime Minister Benjamin Netanyahu has insisted that a military operation in Rafah is essential to root out Hamas militants from Gaza, although there are no signs yet of the imminent ground offensive.

Over four months of war, Israeli evacuation orders have pushed civilians towards Rafah, the southernmost city on the border with Egypt, as Israel's military has bombarded the territory.

Rafah is the base of the UN humanitarian operation in Gaza. Many of the displaced people who fled to the city, which is currently home to more than half the enclave's population, have been forced to move their families multiple times in search of safety.

Israel has stepped up air strikes on targets in Rafah. Its forces also mounted a mission to free two hostages from an apartment in the city on Monday. At least 67 Palestinians died in Israeli air strikes on surrounding buildings including Hamas targets in the area.

Following the Israeli operation, many displaced families living in makeshift shelters began to dismantle their tents and collect belongings to leave the city.

Thaer Mohamed, displaced with his family from Khan Younis, said they had endured "a night of horror" during the rescue mission. The next day he went to the city of Deir al-Balah in central Gaza to find a new place for his family. "We'll stay temporarily in a small room with two other families until I can find a location for a tent," he said. "We're trying to escape death but it's all around us."

A displaced family prepares to leave Rafah and head north yesterday

Sarah Nayef, whose family of 12 was living in Rafah having first been displaced three months ago, said: "They've left us no place to escape. The night they rescued the hostages, missiles rained down and I thought we'd be killed."

The family plans to join relatives in a tent in a coastal area of the territory.

Israel launched its offensive in Gaza in response to the October 7 attack by Hamas on the south of the country, which Israeli officials say killed 1,200 people. More than 28,000 Palestinians have been killed by the Israeli campaign, which has laid waste to the territory and sparked a humanitarian crisis.

Aid agencies and western officials have warned that a ground offensive in Rafah would be catastrophic, given the density of people crammed there, while the US has urged Israel to refrain from any assault until "credible" arrangements are made to protect civilian lives.

Netanyahu has said he has asked the military to produce a plan to evacuate civilians from Rafah, but UN officials warned nowhere is safe in Gaza.

See FT View and Opinion

INTERNATIONAL

Dancing general with dark past leads field in Indonesian presidential race

Widodo supports former special forces chief once barred from US on human rights grounds

A ANANTHA LAKSHMI — JAKARTA

Tens of thousands of young Indonesians screamed with joy as presidential hopeful Prabowo Subianto entered a packed stadium in Jakarta for a final campaign rally on Saturday.

They screamed even louder when the former commander of the feared special forces blew air kisses and danced on stage. Within minutes, Prabowo's moves were posted all over social media with hashtags such as *gemoy* — cute in Bahasa Indonesian.

The reaction illustrates the transformation of the fiery former general, who was discharged from the military for the alleged abduction of democracy activists and shunned by the US for two decades, but as voters went to the polls today was favourite to lead the world's third-most populous democracy.

Prabowo's rebranding as a dancing grandpa, with the backing of Joko Widodo, 62, the president and his former foe, have taken him to the cusp of the presidency after a long quest.

"Prabowo is running a very different and effective campaign. It's a lot less angry and much more youth-oriented. That's why the dancing part is very dominant in this campaign season," said Kennedy Muslim, an analyst at pollster Indikator Politik Indonesia.

More than 204mn Indonesians, about half of them younger than 40, were set to vote for the archipelago's next president today. Polls suggested Prabowo, 72, had a chance of winning the 50 per cent of votes needed to avoid the election going to a second round in June.

Prabowo, the oldest of the three contenders, dominates popular social media platforms such as TikTok, while smiling cartoon versions of the former general and Gibran Rakabuming Raka, his 36-year-old running mate and Widodo's son, adorn campaign posters.

The campaign sought to soften the image of Prabowo, portrayed as a firebrand nationalist and Islamist in previous presidential bids, and counter concerns about his past in the military during the 32-year autocracy of Suharto, a period marked by corruption and democratic backsliding.

Prabowo, who was Suharto's son-in-law, is accused by rights groups of involvement in the killing of civilians during the 1980s in East Timor, which was then fighting Indonesian occupation. As a general in 1998, he was ejected from the military after being accused of ordering the abduction of more than 24 democracy activists in Jakarta, the capital, many of them feared dead. Prabowo has always denied the allegations.

In light of the accusations, he was barred from entering the US for 20 years, even to attend his son's graduation. But after he was appointed defence minister by Widodo in 2019, he was invited to meetings at the Pentagon.

For the many Indonesians too young to remember the Suharto era or the protests that ended it in 1998, the allegations matter little.

"The past is in the past. His past self is probably not who he is today. What's the harm in giving him a chance because we can give someone power and see his true self," said Keane Ahmed, 18, a first-time voter at Prabowo's final rally.

Desi, also a first-time voter, said she believed a TikTok video that put the allegations against Prabowo down to a "misunderstanding". She would back him because he would give students free meals. "He is also cute," she said.

Opinion polls ahead of the election gave Prabowo a lead of 25-30 points over Anies Baswedan, former Jakarta governor, and Ganjar Pranowo, former Central Java governor, his rivals. According to Indikator, Prabowo's support among the under-42s exceeds 60 per cent, and his popularity among women has grown. Another big factor is Prabowo's promise to maintain popular Widodo policies, including spurring investment in industries such as nickel processing that have grown exponentially.

"What has really helped is Jokowi [a popular name for the president] and Prabowo working together, and the presence of Gibran, which has given new hope for young Indonesians," said Erick Thohir, a minister in Widodo's cabinet who has been campaigning for Prabowo. "The reason we are all here is because of continuity and stability."

Prabowo has pledged to lift economic growth from 5 per cent to 8 per cent and on into "double digits". While many economists say that is unrealistic, the goal has been welcomed by voters.

"Indonesians want to see their country prosper and become an economic superpower. They want a leader like Prabowo with that kind of view," said Achmad Sukarsono, an associate director at Control Risks, a consultancy.

"This is the most opportune time for Prabowo to rise. The pendulum is swinging back towards the establishment."

Prabowo and his family have been entrenched in Indonesia's politics for decades. His grandfather was an important figure in the independence movement and his father was an economist who served in Suharto's cabinet.

He first ran for the presidency in 2014, losing to Widodo, who swept to power as an anti-establishment outsider. Five years later Prabowo lost again after a polarising campaign.

But following his re-election, Widodo appointed Prabowo as defence minister. It made the former general more widely accepted and paved the way for him to try to succeed Widodo, who is constitutionally barred from a third term.

> 'His past self is probably not who he is today. What's the harm in giving him a chance?'

Political commentators describe a relationship of mutual convenience, with Prabowo riding on the popularity of Widodo, who is trying to build his political dynasty and exert influence through his son after his term ends.

Gibran was allowed on the presidential ticket after a ruling last year by the constitutional court, which was then led by Widodo's brother-in-law. Critics say Gibran's nomination is an attempt by the president to retain control, though Widodo has denied such allegations.

The blowback against Widodo has been growing. This month a group of academics accused the president of orchestrating his son's nomination and undermining democracy. Prabowo's opponents have alleged the use of state machinery to deny them approval for some campaign events.

Prabowo's human rights record and his rise with Widodo's support presented a gloomy outlook for democracy, said Hurriyah, director of the Centre for Political Studies in the University of Indonesia.

"The intimidation, state mobilisation and manipulation of the election and electoral process is really worrying," she added.

Additional reporting by Diana Mariska in Jakarta

Rebrand: Prabowo Subianto greets supporters at a rally in Jakarta on Saturday. His running mate is Gibran Rakabuming Raka, below, son of President Joko Widodo
Kim Kyung-Hoon/Reuters; Tatan Syuflana/AP

Pakistan

Khan rebukes rivals as they try to block his party from power

BENJAMIN PARKIN — LAHORE
FARHAN BOKHARI — ISLAMABAD

Imran Khan has hit out at his political opponents as they move towards an alliance that would block his party from power in Pakistan following its stunning victory in elections last week.

The jailed former prime minister insisted his Pakistan Tehreek-e-Insaf party would not form an alliance with the country's dynastic parties, his sister said after visiting him in prison near Islamabad yesterday.

The rival parties lacked a mandate to rule after the vote was marred by allegations of vote-rigging, Aleema Khan quoted her brother as saying.

"He said 'There's no moral ground for them to make a government after having stolen other people's seats'," she said.

Last week's election results stunned Pakistan, with many analysts having written off the PTI's chances after a crackdown on Khan's party orchestrated by the powerful military. The popular leader was himself ineligible to stand for election after being jailed last year, while thousands of party members and supporters had also been detained.

Independent candidates, mostly backing the PTI after it was formally barred from the race, won 101 of 265 seats and the party claims it would have secured about 80 more were it not for vote-rigging. It has challenged the results in court.

The Pakistan Muslim League-N of three-times former premier Nawaz Sharif, which won 75 seats, and the Pakistan People's party of Bilawal Bhutto Zardari, son of slain leader Benazir Bhutto, have been in talks to form a ruling coalition and secure power.

Those efforts cleared an important hurdle yesterday when Zardari said the PPP, which won 54 seats, would support Sharif's chosen candidate for prime minister, resolving a sticking point in the negotiations.

Zardari criticised the PTI's refusal to negotiate with rivals, accusing it of exacerbating Pakistan's instability.

People "voted for you to resolve their problems", Pakistan's Dawn newspaper quoted the PPP leader as saying. "A political force must listen to others . . . When they don't do that, it damages the country."

Khan and his allies have ruled out an alliance with the PML-N and PPP and with the Muttahida Qaumi Movement, the fourth-largest group in parliament. The PML-N, PPP and MQM together governed Pakistan following Khan's ousting as prime minister in 2022.

"He was very clear," Aleema Khan said. "He said we'll have no alliances with these three parties . . . He said that they've stolen our vote.

"What he has instructed was: 'The party needs to get their seats back'," she said. "He says 'Go to the courts, go to the election commission. Get your mandate back'."

Authorities have defended the conduct of the polls and denied wrongdoing, but both the US and EU have called for probes into alleged irregularities.

North Korea

Japanese PM pushes for summit with Kim

DEMETRI SEVASTOPULO — WASHINGTON
KANA INAGAKI — TOKYO
CHRISTIAN DAVIES — SEOUL

Japanese Prime Minister Fumio Kishida is intensifying efforts to meet North Korea's Kim Jong Un as he pushes for a diplomatic breakthrough in a bid to save his faltering premiership.

The summit would seek to secure the release of Japanese citizens abducted by North Korea decades ago, according to people in Washington and Tokyo familiar with the diplomatic talks.

Kishida stepped up efforts after encouraging signs from Pyongyang. But the people close to the talks — some of which are being conducted via a channel in Beijing — said they had yet to pay off because Kim was refusing to co-operate over the people abducted.

Kishida, whose approval rating is languishing below 30 per cent amid a domestic political funding scandal, said last week that it was "extremely important for me to take the initiative to build top-level ties" with Pyongyang.

Underscoring the sensitivity of the situation, Japan has not told the US about a possible summit, according to people familiar with the situation. The most recent meeting between a Japanese prime minister and North Korean leader was in 2004, when Junichiro Koizumi met Kim Jong Il, the current leader's father, in Pyongyang.

> 'It's a fraught exercise. Transparency in advance with both Washington and Seoul will be critical'

The prime minister's office declined to comment but pointed to Kishida's recent remarks in a magazine interview in which he said he was "making various approaches" towards North Korea and was determined to hold direct talks with Kim "without setting any condition".

One US official said Washington would welcome high-level engagement between Tokyo and Pyongyang on condition that Japan smoothed over any issues in advance with South Korea. South Korea's conservative president Yoon Suk Yeol has taken a hardline stance against North Korea since his election in 2022 amid signs of rising tension on the peninsula.

The US is concerned about North Korea's nuclear arsenal and its supply of ammunition to Russia for its war on Ukraine. The US has had no meaningful engagement with North Korea since President Joe Biden took office.

Christopher Johnstone, a former CIA and White House Japan expert, said high-level contact between Tokyo and Pyongyang "could be useful" given the lack of communication the US and South Korea had with North Korea.

"Japan's desire to make progress on the abductions issue is understandable and urgent, given the age of the affected families, but it's a fraught exercise," said Johnstone, now an analyst at the CSIS think-tank. "Transparency in advance with both Washington and Seoul will be critical — particularly about any incentives Japan may consider to bring North Korea to the table."

Go Myong-hyun, senior fellow at the Asan Institute for Policy Studies in Seoul, said any progress on the issue was "highly unlikely", adding: "The North Koreans are playing games with the Japanese and the South Koreans, hoping to drive a wedge between them by feeding Seoul's fears that Tokyo could do a deal with Pyongyang behind its back."

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Middle East

Iran pulled officers from Syria before US raids

ANDREW ENGLAND — LONDON
NAJMEH BOZORGMEHR — TEHRAN
RAYA JALABI — BEIRUT

Iran pulled senior commanders of its Revolutionary Guard out of Syria days before the US launched strikes against Iranian-linked targets in the Arab state to prevent the elite force from suffering further casualties.

Tehran took the decision to withdraw the commanders after President Joe Biden blamed an Iran-backed militant group for a January 28 drone strike that killed three US soldiers at a base on the Jordan-Syrian border and vowed to respond, according to an Iranian official and two others briefed on the matter.

The guard officers had left Syria by the time Washington launched air strikes five days later, the people said, adding that it was a sign Tehran did not want to be drawn into a direct conflict with the US.

The US said it directly targeted Revolutionary Guard facilities in Syria for the first time since the outbreak of the Israel-Hamas conflict in October triggered hostilities across the region. It was the biggest US military response to attacks on its forces by Iranian-backed militants in the past four months.

The Iranian official said the decision to withdraw the commanders reflected a "change in tactics", as nine guard officers had already been killed by Israeli strikes since October. An Iranian analyst said the guards were withdrawn to "prevent an escalation" with the US.

"Iran was concerned about the potential necessity to retaliate if more commanders were killed. The US also conveyed through indirect channels that it did not seek a conflict with Iran, a concern Iran shared," the analyst affiliated to the Islamic regime said.

"Once there is relative calm, these forces will return to Syria."

Tehran was also keen to de-escalate tensions as it prepared for elections on March 1, the Iranian official added.

US officials gave no specific details of casualties after its retaliatory strikes but said no Iranians were believed to have been killed in the attack. The US military said it had hit 85 targets at seven facilities in Syria and Iraq associated with the Revolutionary Guard.

President Ebrahim Raisi, right, visits a Revolutionary Guard naval base

The Iraqi and Syrian governments said dozens of people had been killed.

Iranian-backed militants in Iraq and Syria have launched more than 160 rocket and drone assaults against US troops, while Hizbollah has traded fire with Israeli forces at the Israel-Lebanon border. Houthi rebels in Yemen have attacked merchant ships and US naval vessels in the Red Sea and Gulf of Aden.

Israel has also launched multiple air strikes against the Revolutionary Guard and Iranian-backed militants in Syria, and assassinated a Hamas leader and other members of the group in Beirut.

Iran launched a missile attack last month against what it called an Israeli "espionage centre" in Erbil in Iraq in apparent retaliation for the Israeli strikes. But Tehran has insisted it does not seek direct conflict with the US or Israel, Iranian officials and analysts say.

Iran deployed forces in Syria to support President Bashar al-Assad after a 2011 uprising morphed into civil war. Hizbollah, its most powerful proxy, also sent fighters to Syria during the civil war. More than a dozen have been killed by Israeli strikes since October, a person close to the Lebanese group said.

Additional reporting by Felicia Schwartz in Washington

Shein's shadow Temu picks up fast-fashion group's smaller China suppliers as it polishes its chain for a US listing ➊ PAGE 6

Companies & Markets

Macquarie's commodities star bows out after 28 years

- Veteran executive out-earned CEO
- Australian group's profits disappoint

NIC FILDES — SYDNEY

The head of Macquarie's booming commodities business, who was paid more than JPMorgan chief Jamie Dimon and 75 per cent more than the Australian financial group's own chief executive last year, is to leave this month after almost three decades.

Nick O'Kane had been one of Macquarie's most feted executives after a modest bet on the US energy trading market was transformed into its largest and most profitable division.

Tipped as a potential Macquarie chief executive, O'Kane had become one of Australia's best-paid executives as the commodities business boomed, taking home almost A$100mn (US$65mn) in the past two years.

> O'Kane's A$58mn pay packet last year was more than that earned by Jamie Dimon or David Solomon

His A$58mn pay packet last year was more than that earned in the same period by Dimon or David Solomon, chief executive of Goldman Sachs. His earnings reinforced Macquarie's reputation as "The Millionaires' Factory", where executives are rewarded for taking risks that pay off.

Chief executive Shemara Wikramanayake said O'Kane, who joined Macquarie 28 years ago, had made a "massive contribution" building the energy trading business and that he was leaving the financial services company to pursue other opportunities "for a range of personal reasons". Simon Wright, a 35-year company veteran, will replace him.

The commodities and global markets division that O'Kane has led since 2019 was a relatively obscure part of Macquarie's operations only three years ago, but volatility in the energy markets due to extreme weather and Russia's invasion of Ukraine has generated enormous profits.

Its better-known asset management and banking operations have been overshadowed, and the story of how a Sydney-based company became one of the largest oil and gas trading companies in North America and Europe has become a case study in how to create value for both investors and executives.

O'Kane, alongside fellow executive Andrew Downe, led the 2005 acquisition of Cook Inlet, a small Californian energy player, as they bet on US energy trading in the wake of the collapse of Enron. That business has grown into a global leader in energy trading, logistics, storage and finance and generated A$6bn of net profit in the year to March 2023, compared with the A$4.3bn of the combined asset management, banking and capital divisions.

Jon Mott, an analyst with investment bank Barrenjoey, said the departure of the "highly regarded" O'Kane was a surprise.

His exit comes as Macquarie issued disappointing third-quarter results and warned that overall net profit for the year to March 2024 would be "substantially below" last year's, as deal flow fell to its lowest level in a decade.

Macquarie is both an asset manager — buying assets from water utilities to telecoms networks and real estate assets — and an investment bank advising on deals. Wikramanayake said dealmaking remained slow, with fewer buyers for assets. But she said it remained a "good investing environment" for investors with "dry powder" to spend.

John Storey, an analyst with UBS, said the results read poorly "across the board", which would trigger downgrades in expectations.

Macquarie shares dipped 2 per cent yesterday following the results.

Slow food Uber, Deliveroo and Just Eat braced for Valentine's Day rider strikes over low pay

Couriers in North America and the UK, such as these riders in York, plan to strike over pay today — Nathan Stirk/Getty

YASEMIN CRAGGS MERSINOGLU — LONDON
CAMILLA HODGSON — SAN FRANCISCO

Online food delivery apps and ride-hailing groups were bracing for a wave of rider and driver strikes in the US, Canada and the UK today, in a dispute over pay at a time when companies are under pressure from investors to push for higher profits.

Thousands of couriers for Uber, Lyft and DoorDash in cities across North America are set to refuse to take orders on Valentine's Day, traditionally one of the busiest nights of the year for delivery apps.

Similarly, thousands of UK couriers for food-delivery apps Deliveroo, Just Eat Takeaway and Uber Eats are planning to strike on the same day, in a move designed to cause maximum disruption to the businesses.

The actions are not being centrally co-ordinated but have spread on social media and by word of mouth, backed by labour rights groups.

The unifying complaint is low pay, at a time when groups are facing pressure from investors to demonstrate consistent profits.

Delivery Job UK, a collective organising the British strike, said low pay and daily hazards create "an environment of uncertainty and poverty".

"People are tired of this. It's getting worse as the years go by," said Jonathan Cruz from Miami, an Uber driver for about seven years. "The gap is increasing between what the customer pays and what the driver gets . . . It's hard to survive."

In the US, Gridwise Analytics found Uber drivers' average monthly gross earnings in 2023 dropped 17 per cent and DoorDash rider earnings nudged down 0.1 per cent, though Lyft driver earnings increased 2.5 per cent.

Rodeo, an app used by UK delivery riders to track and analyse earnings, estimated the average pay per order on Just Eat had dropped 9 per cent to £5.59 and 2 per cent on Uber Eats to £4.21 in 2023, compared with 2022.

Uber reported its first annual operating profit last week with analysts anticipating a share buyback. Pre-tax losses at Just Eat and Deliveroo narrowed to €317mn and £57.6mn, respectively, in the first six months of 2023, compared with 2022.

All the companies targeted by strikes argue they have a good relationship with the majority of riders.

Lyft said it was "constantly working to improve the driver experience". Uber said: "More drivers and couriers are choosing to earn on Uber than ever before."

Deliveroo said it aimed to "provide riders with the flexible work riders tell us they value".

Just Eat said it took the rider concerns "extremely seriously", while DoorDash declined to comment.

Super Bowl's US audience nears that for Moon landing

ANNA NICOLAOU — NEW YORK

A record 123mn US viewers watched Sunday's Super Bowl game, making it one of the biggest broadcasts in the country's history and underscoring the pull of live sports even as the television landscape craters beneath it.

The number includes viewers across all platforms — including CBS, Nickelodeon, Univision and streaming services such as Paramount+ and NFL+ — who watched the Kansas City Chiefs defeat the San Francisco 49ers. It compares with the 115mn who tuned in to last year's Super Bowl between the Chiefs and the Philadelphia Eagles.

Sunday's game in Las Vegas is the second most-watched US TV broadcast in history, behind only the Apollo Moon landing in 1969, which is estimated to have drawn between 125mn and 150mn US viewers when the country's population was just over 200mn.

American football remains the most popular programming on US TV, at a time when audiences are shifting towards streaming. The National Football League accounted for 93 of the top 100 most-watched US TV broadcasts last year, according to Nielsen.

Executives say pop star Taylor Swift's relationship with Chiefs player Travis Kelce helped ratings, after a season in which she has been credited with drawing young female fans to games. Paramount chief executive Bob Bakish told CNBC that Swift's presence at games "has brought incremental value . . . I'm sure she hasn't hurt ratings".

The Super Bowl is also an important platform for other industries, from brewers, carmakers and other brands that spent $7mn for each 30 seconds of advertising time, to the music industry where older stars can revive their catalogues through a big performance.

On Sunday, Usher, the R&B star, anchored a half-time show with appearances by collaborators including Alicia Keys, H.E.R. and Ludacris. Beyoncé used a Super Bowl ad with phone company Verizon to promote a new album.

The NFL struck a new deal in 2021 for rights to its games that was estimated to be worth up to $110bn over 11 years, split between several broadcasters. CBS agreed to pay about $2bn a year, the Financial Times reported at the time.

This year, Paramount booked more than $500mn in Super Bowl advertising revenue across its networks and streaming service.

Trillion-dollar AI hype has historical echoes of telecoms bubble

When a chief executive asks for trillions, not billions, when raising funds you know a sector may be getting too hot.

In the long run, generative artificial intelligence will transform many industries and the way people work. But a report that OpenAI chief executive Sam Altman is talking to investors about an AI chip project has raised questions.

A person familiar with the talks was cited saying the project could require raising as much $7tn. Scoring even a fraction of that figure — more than the combined gross domestic product of the UK and France — would seem a stretch, to put it mildly.

Nonetheless, it reflects just how hot interest in AI, and the chips that power it, has become. The historical parallel that record high AI-related stock valuations and fundraising targets bring to mind is the boom and bust in telecoms stocks during the dotcom bubble era.

Back then, investors had expected the internet to transform the world. Telecoms companies and hardware suppliers would then be big winners. The problem was the sector's valuations were pricing in that transformation to come almost overnight. Now, a similar level of optimism is driving investment in AI-related companies.

When the internet first became widely used, networking hardware was king. Servers needed to be built and connected using routers. Companies began building and buying hardware on the basis that extreme demand for servers would continue indefinitely. Telecom stocks such Cisco surged more than 30-fold in the years to its 2000 peak.

But the collapse of the telecom industry came earlier than expected — taking just four years to go from boom to bust — and much faster than the internet changed our lives. Oversupply pushed more than 20 telecom groups into bankruptcy by 2002. Shares plunged.

Now, in the world of AI, chips are king. Thus, the rush for AI companies to own more of the chipmaking supply chain is understandable. As AI models become larger, more chips are needed. An ongoing shortage adds urgency.

> Hype and overinvestment is a dangerous combination. The way to avoid a similar fate to overhyped peers is to remember history repeats

Yet how long these shortages will last is debatable. It has been just two years since the world's car industry was brought to almost a standstill due to a severe shortage of automotive chips. It took less than a year for that crunch to ease. Today, supply of auto chips has not only normalised but many types are in a glut.

The biggest risk of throwing too much cash, too fast, at AI chips is overcapacity. That is already a problem for older-generation chips. With the current sector downturn lasting longer than expected, Samsung had to resort to slashing production last year to deal with a deepening chip glut. Japanese peer Kioxia posted a record $1.7bn loss for the three quarters to December. Adding to this, more than 70 new fabrication plants are currently being built.

Meanwhile, global silicon wafer shipments fell 14.3 per cent last year. Part of that is due to a cyclical downturn in the chip sector and a decline in demand for consumer electronics. But a slump in global chipmaking equipment billings, which fell by more than a tenth in the third quarter, suggests future chip sector growth will remain at a more normalised level than the AI boom has made us believe.

Another problem is that chips quickly become commoditised. Take, for example, older 40-nanometre chips used in home appliances. These are hardly in short supply today. But they, too, were scarce, cutting-edge resources when first launched in 2008. As capital equipment is depreciated, prices of older-generation chips fall.

Chips get faster and software more efficient every year. It took just two years for chips to upgrade from the 7nm technology to the advanced 5nm chips, the type the latest Nvidia chips use. Rapid progress means companies may end up spending much less on chips in the future than they forecast today.

It is true, there are clear differences between the dotcom era and the AI boom. For example, OpenAI's revenues have already surpassed $2bn on an annualised basis, joining tech's fastest growing platforms in history months after its launch. Today's companies also have more ways to make profits.

But, as with the early days of the internet, broader enterprise adoption of AI remains some way off. The transformation triggered by AI may take many years longer than today's stock prices and funding expectations suggest. Hype and overinvestment is a dangerous combination. The way to avoid a similar fate to overhyped peers from the 1990s is to remember history repeats.

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COMPANIES & MARKETS

Oil & gas

Climate activists accuse Exxon of bullying

Legal action described by Follow This group as an attack on investor rights

ATTRACTA MOONEY — LONDON

Climate activist investors have accused ExxonMobil of using "bullying" tactics and putting shareholders' rights "under attack" by targeting them in a lawsuit, even after they withdrew a resolution demanding that the oil major do more to cut greenhouse gas emissions ahead of its general meeting.

The accusation from Follow This came as the Dutch shareholder group announced yesterday that it had filed a motion to dismiss Exxon's legal action alongside investment adviser Arjuna Capital, which is also targeted by the lawsuit.

Exxon sued the shareholders last month in an attempt to block the petition from going to a vote, alleging that the resolution breached US securities rules, marking the first time the Houston-based energy group has sought to prevent such a vote by using the courts.

Earlier this month, Exxon said that it would maintain the lawsuit despite the two investors' decision to abandon their resolution.

Follow This said yesterday that there was no "case" or "controversy" against the pair because they had withdrawn the resolution and agreed not to refile it.

Mark van Baal, founder of Follow This, said that the activists had been forced to withdraw the resolution because of "Exxon's preference to fight a battle in court instead of giving shareholders their right to vote in the annual meeting".

Van Baal said: "Exxon's legal action amounts to tactics of intimidation and bullying to silence our fair ask to tackle the climate crisis . . . Shareholders' rights are under attack."

He said Exxon "may vastly prefer litigation against parties like Arjuna and Follow This", two groups that had far "fewer resources and who Exxon can unfairly malign in its complaint", over asking the Securities and Exchange Commission to block it.

The SEC has the ability to refuse shareholder resolutions, but decided in 2021 to allow more petitions to go to a vote.

Yesterday, Exxon said that the current process to get proposals excluded from annual meetings was "flawed" and permitted activists with minimal shares to "bring an increasing number of repeat proposals that do nothing to grow long-term shareholder value".

It said: "The intent of our lawsuit is simple. We want clarity on a process that has become ripe for abuse. We hope our suit motivates the SEC to go back to applying the proxy rules as they were written, not as they've been interpreting them over the last few years."

The company's lawsuit was filed in a US district court in Texas and alleges that the proposal by Follow This and Arjuna violated SEC rules for such investor petitions. Exxon has accused the groups of being "driven by an extreme agenda".

Follow This, backed by thousands of small investors, has used shareholdings in oil and gas companies to file climate resolutions at oil companies in Europe and the US for years.

Exxon has set a goal to reduce emissions from its own operations to net zero by 2050. But the bulk of its emissions are so-called scope 3, which come from the burning of the oil and gas it produces and sells, rather than energy used in its own operations.

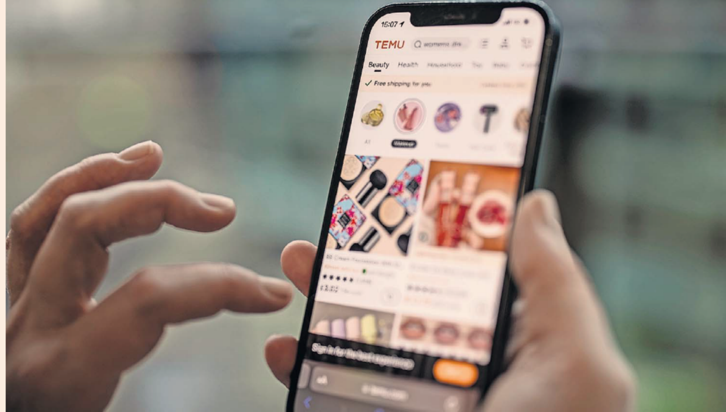
Additional reporting by Tom Wilson

Retail. Cheap fashion

Temu snaps up Shein's spurned China suppliers

Site takes on manufacturers as Singapore-based rival rejects smaller sellers ahead of US IPO

ELEANOR OLCOTT — HONG KONG



Temu wants to compete directly with Amazon and Walmart and is spending billions of dollars trying to replicate Shein's success — Charlie Bibby/FT

Chinese online marketplace Temu is scooping up manufacturers of cheap goods that had once worked with Shein, as its fast-fashion rival moves to clean up its supply chain ahead of a planned blockbuster US listing.

Singapore-based Shein ditched a number of suppliers based in southern China last year after auditors found they had been violating the company's certification standards, according to insiders with knowledge of the move.

Many of those suppliers responded by switching to selling items on Temu, owned by Nasdaq-listed PDD Holdings, which is spending billions of dollars trying to replicate Shein's success in shipping ultra-cheap goods from warehouses in China to shoppers in the west.

Shein's tight supply chain management is at the heart of its ability to offer low prices to lure Gen Z shoppers. But its rival Temu has adopted tough tactics to encourage merchants to its platform to sell to consumers in the US and Europe, offering items from $4 laptop bags, $50 three-piece suits and $9 car tyres.

Meanwhile, Shein, which was valued at $60bn in the latest fundraising round last year, is preparing to launch an initial public offering in the US as early as this year if it gets Beijing's blessing.

At the same time that Shein sent its own auditors to inspect factories across China last year, an investor seeking to join last year's round also conducted their own due diligence on the company's supply chain, according to a person familiar with the move.

Shein found that many of its contract manufacturers did not meet its requirements, which included a minimum of 50 employees and at least 800 square metres of factory floor space.

"We used to supply Shein, but now we can't supply them directly as we don't meet their requirements on factory size," said Louis Li, a bag factory owner in Guangdong, who added that after Shein cut ties with the smaller factories "we all went to Temu".

Temu does not account for factory size when accepting new sellers. The Chinese group said it operated a marketplace rather than acting directly as a retailer and accepted "merchants with valid operating licences that are able to meet requirements for products".

While Shein recently opened a marketplace, it primarily places orders with suppliers that produce clothes under its own label.

Li said he typically makes a profit margin of less than 20 per cent with Shein but about 15 per cent from Temu. However, if the product is selling well, Temu will source similar goods from other suppliers, forcing the factories to compete and cut prices further.

Shein touts its "long-term relationship" with its network of clothes manufacturers as one of its competitive advantages over fast-fashion rivals such as Zara and H&M, forging those ties by paying more quickly than the industry average. It has also adopted strategies to give its suppliers incentives to deliver products within days.

"Shein rates suppliers by punctuality," said Zhang Zhongbao, founder of Xingcheng Excellent Swimwear Consultancy, which helps swimwear makers find distribution channels. He explained that top suppliers got paid within a week, and the worst performing received payment after 45 days. "Slow payment is punishment for slow delivery," he said.

Shein declined to comment.

Temu, which also pays quickly, has given suppliers another channel to sell excess stock, including products originally targeted at Shein.

"Shein is finding its merchant lock-in has been less robust than expected in light of Temu's advances," said Robin Zhu, an analyst at Bernstein.

Penny Lin, a garment factory manager in Zhejiang, said it doubled or tripled the production of clothes ordered by Shein and sent the remaining product to Temu or domestic platforms such as Alibaba's 1688.

After targeting Shein suppliers in China, Temu is also going after Amazon's sellers. In January, it held a recruitment seminar for suppliers in China that owned warehouses in the US and Europe.

Mo Yu, Temu's director of women's clothing, said the company wanted to compete with Amazon and Walmart more directly by allowing suppliers to handle logistics and delivery, in an effort to speed up the time it took to get products to consumers.

This marks a departure from Temu's existing model, whereby merchants send goods to its warehouses in China for orders to be packaged and sent directly to western consumers.

> 'Shein is finding its merchant lock-in has been less robust than expected in light of Temu's advances'

It currently takes Temu between one and three weeks to deliver orders to the US, with its express service taking between four and nine days. By contrast, Amazon customers typically get their packages to US consumers within two days.

Mo said that, despite suppliers incurring more costs by having to deliver items from their US-based warehouses, Temu will provide generous "subsidies" to them to ensure that the platform "maintains its position as having the lowest price in the market".

Some Amazon sellers said Temu's tactics had led the US ecommerce group to put pressure on suppliers to slash prices.

Owen Zhang, a toy factory owner in Guangdong who supplies companies with stores on Amazon, said the US group began to request "us to provide lower-priced products" in the second half of last year, just as Temu was conducting a multibillion-dollar advertising blitz in the US in an effort to expand market share.

Amazon said its "third-party sellers set their own prices" and that the company "offers optional tools to support them in offering competitive, low prices".

Energy

Ørsted chief vows to revive fortunes after collapse of key US projects

RACHEL MILLARD — LONDON

The chief executive of Ørsted has vowed to "fight with everything I've got" to restore investor confidence in the world's largest offshore wind developer after its decision to walk away from two key US projects triggered multibillion-dollar impairments.

Speaking to the Financial Times days after the company decided to cut up to 800 jobs, suspend its dividend and slash growth targets for renewables, Mads Nipper said he took "full accountability" for the Danish group's woes. It was "for the board to decide" whether he was the right person to lead the company, he added.

The company's former finance chief, Daniel Lerup, and chief operating officer, Richard Hunter, stepped down in November with immediate effect, while chair Thomas Thune Andersen will step down in March after almost a decade in the job, the company added last week.

The group recorded DKr28.4bn ($4bn) of impairments in November after saying it was stopping work on two projects off the New Jersey coast.

Nipper, who joined Ørsted as chief executive at the start of 2021, said that while there had been "tough external circumstances", the company had under his leadership made "some decisions which at the time seemed right to continue the developments but, with the knowledge we have now, were wrong".

> 'We made decisions which at the time seemed right but, with the knowledge we have now, were wrong'

He added: "So I take full accountability that we have ended in this situation . . . Most importantly is what are we learning from it . . . we are taking appropriate actions to ensure we won't get into a situation like that again."

Ørsted's problems come as rising interest rates and supply chain strains have pushed up costs across the offshore wind industry, threatening to slow down growth just as countries around the world set more stringent targets to decarbonise their economies.

Ørsted's shares, listed in Copenhagen, have fallen more than 70 per cent since peaking at the start of 2021. They closed up 2.3 per cent to DKr398 on Monday, valuing the company, which is 50.1 per cent owned by the Danish state, at about DKr167bn.

Rising interest rates have a stark impact on offshore wind projects, which typically have high upfront costs.

Nipper warned that the sector's growth would slow "dramatically" unless the price that developers are paid for their electricity reflects the higher costs. Authorities in the US and the UK have recently increased the rates they are prepared to pay to support projects.

"The fuel of renewable energy is capital," Nipper said. "Financing £8.5bn — 25 basis points matter and 100 matter a whole lot more. For a company like ours, if interest rates go up by 3 per cent, that more than eliminates all the profit of a huge investment."

Ørsted last week also said it would exit offshore markets in Norway, Spain and Portugal, and slow down its development of floating offshore wind turbines on platforms.

Food & beverage

Coca-Cola sales rise despite surging prices

MADELEINE SPEED

Coca-Cola has defied sluggish sales in the consumer goods sector, reporting better than expected revenues in the fourth quarter and volume growth for the full year while continuing to raise prices by as much as a quarter.

The drinks giant said its net revenues in the year to December rose 6 per cent to $45.8bn, driven by average price rises of 10 per cent. Despite those increases, the volume of drinks sold rose 2 per cent, reflecting solid consumer demand for beverages such as Coca-Cola and Sprite.

"We're one of the few consumer goods companies that are consistently demonstrating our ability to grow volumes and revenue," finance chief John Murphy told the Financial Times.

Consumer goods companies, including Coca-Cola rival PepsiCo, have struggled to maintain sales volumes while raising prices to offset higher operating costs. Unilever last week reported a marginal uplift in sales volumes for the full year of 0.2 per cent, while food giant Nestlé is expected next week to report a 0.1 per cent drop in real internal growth — its proxy measure for sales volumes.

But as overall inflation moderates, companies including Coca-Cola are signalling that price inflation will return to normal levels in 2024.

The company's operating margin inched down to 24.7 per cent compared with 25.4 per cent the year before, but edged up in the fourth quarter from 20.5 to 21 per cent. Net income for the full year rose 12 per cent to $10.7bn, or $2.48 a share. In the fourth quarter net income was below expectations, falling 3 per cent to $1.9bn, compared with an expected 10 per cent uplift.

Europe, the Middle East and Africa were the hardest hit by price rises, up 24 per cent in the fourth quarter and 19 per cent for the full year. Unit case volumes were flat while revenues grew 7 per cent in the region. Murphy said a third of the pricing was a result of hyperinflation in Zimbabwe and Turkey.

He added that these markets, as well as Argentina, made up less than 5 per cent of Coca-Cola's total sales volumes but that they had "created a cosmetic distortion in the near term that I know is catching a lot of people's attention".

Murphy said the company would start to moderate pricing this year as inflation normalised, adding that "a normal, moderate approach to pricing" was reflected in its guidance for this year.

The company expects like-for-like revenue growth of 6 to 7 per cent in 2024, significantly lower than the 12 per cent rise in 2023.

North America was one of the few regions where slower sales indicated consumers were beginning to push back against higher prices. Unit case volumes fell 1 per cent in the full year as a result of lower demand for Coca-Cola's water, sports, coffee and tea business.

Travel & leisure

Tui delisting vote is latest blow for London

DARIA MOSOLOVA AND MAXINE KELLY
LONDON

Tui shareholders have voted overwhelmingly in favour of ditching the group's London listing in the latest blow to the capital's struggling stock market.

Europe's largest travel group said that just over 98 per cent of votes cast at its annual general meeting yesterday approved the group's proposal to abandon its London listing and leave it listed solely in Frankfurt.

The Anglo-German travel group joins a growing list of companies that have recently opted to ditch London in favour of rival exchanges, with reasons including a significant decrease in liquidity on the UK equity market as well as the potential for higher valuations abroad.

Irish building materials group CRH and packaging company Smurfit Kappa are among companies that last year moved away from London as their primary listing. UK pollster YouGov and gambling group Flutter are considering cancelling London listings.

Tui said earlier this year that "terminating the listing in London would offer clear advantages for investors and the company". Its shares traded flat yesterday, as their price remained about 30 per cent lower than it was one year ago.

The vote came on the same day Tui reported strong revenues for the last three months of 2023 in a sign that the post-pandemic travel boom was retaining its momentum.

Tui's sales have risen as customers continue to splash out on holidays

The group said it increased sales to €4.3bn in the three months to December, up 15 per cent year on year despite cost pressures hurting consumers. It reported underlying earnings before interest and tax of €6mn in the quarter.

Tui attributed growth to "more customers and higher prices" as demand for travel remained strong over the winter while its average prices rose 4 per cent above the previous year's level.

"We are on track, we are gaining customers and we are growing," said chief executive Sebastian Ebel. "People's high willingness to travel ensures strong economic development in all areas."

The group's share price has been damped by broader "macro concerns", said Ivor Jones, analyst at Peel Hunt. "There is concern about what the conflict in the Middle East means for the price of oil, which is very significant for Tui's airline fleet," said Jones.

Investors back psychedelic mental health drugs

Biotech start-ups attract the interest of sovereign wealth funds as research shows promise and regulators ease rules

TABBY KINDER — SAN FRANCISCO
OLIVER BARNES — LONDON

Biotechnology start-ups seeking to use psychedelic drugs to treat mental health disorders are raising hundreds of millions of dollars as investors are tempted back to the sector by watershed clinical data and regulatory approvals expected this year.

Groups seeking to harness mind-altering substances — including MDMA, psilocybin mushrooms and 5-MeO-DMT, a hallucinogen found in desert toad secretions — raised at least $163mn across five deals in January, according to PitchBook and company data. It is the second-highest month of fundraising recorded, bettered only by March 2021.

People who work in the sector said they expected more backing for psychedelics groups as promising scientific data and positive signals from regulators attracted high-profile investors.

Singapore's $300bn investment fund Temasek and the venture capital arm of one of Abu Dhabi's largest sovereign investors, Mubadala, have held talks with biotechs to fund development of psychedelic mental health treatments and clinics, according to three people familiar with discussions.

The two funds have a history of investing in biotechs but are bankrolled by countries that have some of the world's most restrictive laws on drug possession; Singapore has executed at least 15 people for drug-related offences in the past two years. Temasek declined to comment. Mubadala said it was "continuously evaluating all possible clinical and therapeutic prospects to address significant unmet needs".

Once considered a relic of the 1960s counterculture, psychedelic drugs have experienced a renaissance in society and in healthcare research in the past two decades, such as the rise of "microdosing" by Silicon Valley tech executives.

While many of the early studies into the effect of psychoactive substances on mental health were funded by philanthropy, billionaire evangelists for the drugs such as tech entrepreneur Peter Thiel, German financier Christian Angermayer and crypto investor Mike Novogratz became pioneers in funding over the past decade by deploying their personal wealth as institutional investors remained wary.

"Psychedelics have already arrived in society as an accepted fact," said Angermayer, who started investing in psychedelics when he became convinced of their efficacy after using them around a decade ago, despite a lifetime abstaining from drugs and alcohol. "I always try to ask myself 'is it just my circle', but . . . the demand is so high and the current treatments are so bad."

The investor interest in businesses developing psychedelics comes as the broader biotech sector enjoys a revival. A Nasdaq index of small-cap biotech stocks has rallied by more than 40 per cent in the past three months as investors bet on an end to interest rate rises.

Even so, the drugs have remained in a legal grey area in many countries, with concerns about a rise in illicit recreational use following the uptick in clinical acceptance. Most common psychedelics remain controlled substances in the US, although this does not prevent state-by-state decriminalisation and is not considered a barrier to approval by the Food and Drug Administration.

By this summer, London-based Compass Pathways, a Nasdaq-listed group backed by Thiel and Atai Life Sciences, a biotech group Angermayer founded, is expected to publish data from a phase 3 trial of 800 human subjects who have taken synthetic psilocybin to address treatment-resistant depression. These will be the first results from a study designed on landmark US FDA guidelines for researching psychedelics outlined last year, a decision that encouraged investors that formal approval of the drugs would soon follow.

"Much of the stigma in investing circles has started to dissipate," said Kabir Nath, Compass chief executive, who said the FDA's move to issue guidance had "made it a lot more straightforward" for investors.

Lykos Therapeutics, a corporate offshoot of the non-profit Multidisciplinary Association for Psychedelic Studies, is also awaiting a decision from the FDA on its MDMA-assisted therapy for post-traumatic stress disorder expected by the third quarter of 2024.

The decision could lead to the schedule-1 controlled substance being reclassified for use as a mental health treatment, the first time such a reclassification will have taken place.

According to three people close to the company, a funding round worth more than $100mn last month from a group of 10 investors, which included the charitable foundation run by hedge fund billionaire Steven Cohen and his wife Alexandra, was oversubscribed. As a result, Lykos is considering raising more money by the end of this year.

"There's a lot of biotech investors and big pharmaceutical companies sitting on the sidelines . . . they want to see what the commercial rollout looks like," said Tim Schlidt, co-founder of Palo Santo, a Chicago-based venture capital fund that invests exclusively in psychedelics healthcare. "There's going to be a lot of change based on whether [Lykos] comes through and gets approval."

Spravato, a nasal spray based on a molecule from the psychedelic drug ketamine used to treat depression, already ranks as Johnson & Johnson's fastest-growing product. Analysts project it will achieve more than $1bn in sales this year, and become a so-called "blockbuster" drug.

That clinical distribution of Spravato has laid the groundwork for future drugs.

"The emerging commercial infrastructure is giving investors great comfort," said Greg Mayes, chief executive of Reunion Neuroscience, a Canadian group developing psilocybin treatment for post-partum depression. "Data, regulatory and commercial [progress are] all converging in an area where there is a giant unmet medical need."

More than 50 psychedelic companies have gone public in the US and currently have a combined valuation of more than $2bn, which is predicted by analysts to reach $12bn by 2030.

In July, the American Medical Association released the first CPT codes — reimbursement codes used for healthcare billing — for psychedelic therapies, which created a pathway for the drugs to be integrated into the US healthcare system.

"We have demonstrated . . . that it's possible to take the psychedelic experience and work within highly regulated protocols and still get great results," said Rick Doblin, a psychedelic drug advocate who founded the non-profit Maps in 1986. "The world's on fire and psychedelics are going to become more essential as a medicine."

The results of early leading studies into psychedelics made public have been groundbreaking. The first clinical trials by Lykos showed that more than 70 per cent of its MDMA-assisted therapy study participants were cured of PTSD after 18 weeks, while Compass Pathways found that it could get a quarter of patients with treatment-resistant depression into remission in 12 weeks, according to data released last year.

The early data helped Compass raise $285mn in a private placement of its shares last August from mainstream biotech funds, including $10bn fund RA Capital and Surveyor Capital, an equities business owned by Ken Griffin's Citadel.

That Compass funding round was "good for the sector overall", said Doug Drysdale, chief executive of Cybin, a Nasdaq-listed company backed by asset manager Janus Henderson and Cohen's Point72 hedge fund, as it showed that fundamental pharmaceutical investors were doubling down on the space.

"You don't have to be a tie-dye wearing investor to think of the psychedelic space as interesting," said Protik Basu, managing partner of Helena Special Investments, which led the latest investment round in Lykos.

"Investors like investing in inevitabilities: you can't argue with the absolute crisis of mental health around the world; you cannot argue with the fact that antidepressants and the current suite of tools generally suck."

Additional reporting by Mercedes Ruehl in Singapore, George Hammond in San Francisco and Ian Johnston in London

January was the second-highest month on record for funding of the psychedelics sector

Deal count ▪ — Deal value ($mn)

Left axis: 0, 5, 10, 15; right axis: 0, 50, 100, 150, 200; x-axis: 2019, 2020, 2021, 2022, 2023, 2024

Revenues from psychedelic drugs under development could reach nearly $4bn by 2029 if approved

Annual projected revenues ($bn)

Seelos Therapeutics, Otsuka Holdings, MindMed, GH Research, Cybin, Compass Pathways, Cingulate, Atai Life Sciences

Axis: 0, 1, 2, 3, 4; x-axis: 2025, 2026, 2027, 2028, 2029

Source: PitchBook to Dec 2023; company data for Jan 2024; GlobalData

Mind-altering: Spravato, a nasal spray based on a molecule from ketamine, and, below, psilocybin mushrooms, both of which are said to treat depression
FT montage/Bloomberg/ John Moore/Getty Images

'The world's on fire and psychedelics are going to become more essential as a medicine'

'You don't have to be a tie-dye wearing investor to think of the psychedelic space as interesting'

Oil & gas

Biden's offshore drilling curbs hit by lawsuits from both sides

JAMIE SMYTH — NEW YORK

The US oil and gas industry is suing the Biden administration over its decision to severely restrict offshore drilling amid a growing industry backlash against its climate and energy policies.

But, in a sign of the political tightrope policymakers must walk when rulemaking in the US climate and energy sector, climate campaigners also sued the government over the same policy.

The lawsuit from the American Petroleum Institute, a lobby group, accused the US government of using "every tool at its disposal" to restrict access to resources in federal waters.

It said it needed to act to prevent consumers from having to rely on foreign supplies and safeguard their energy security.

In September, the US interior department unveiled plans to hold just three offshore lease sales in the Gulf of Mexico from 2025 to 2029, in a blow to producers' ambitions in the oil-rich region. The record-low number of planned sales in nearly a half century of federal offshore leasing was a fraction of those in an original proposal for 47 made under former president Donald Trump.

The decision was criticised by the industry, which lobbied hard to gain greater access to the Gulf of Mexico.

But it was also criticised by environmental campaigners, who called it a "missed opportunity" to minimise future drilling.

Federal waters of the Gulf account for about nearly 2mn barrels a day of crude oil production, or about 15 per cent of total US production that has recently been hitting records.

"In issuing a five-year programme with the fewest lease sales in history, the administration is limiting access in a region responsible for generating among the lowest carbon-intensive barrels in the world, putting American consumers at greater risk of relying on foreign sources for our future energy needs," said Ryan Meyers, API's general counsel.

API filed its petition to the US Court of Appeals for the District of Columbia Circuit. Alleging it was "arbitrary, capricious and not in accordance with the law", the lawsuit asked the court to review the administration's decision under the Outer Continental Shelf Lands Act. The interior department declined to comment.

'[It] is putting American consumers at greater risk of relying on foreign sources for future energy needs'

Separately, environmental groups argued in their legal action that the Biden administration failed to consider adequately the public health impacts on frontline communities by approving lease sales.

Earthjustice, an environmental group, said it is concerned the lease sale programme would jeopardise the health of already overburdened communities.

"The oil and gas industry is already sitting on 9mn acres of undeveloped leases. They certainly are not entitled to more," said Brettny Hardy, an Earthjustice attorney.

The cases come amid an increasingly bitter conflict between the industry and the Biden administration over the latter's recent pause on approvals for new terminals for liquefied natural gas exports as it reviews considerations such as greenhouse gas emissions and domestic energy costs.

The administrative actions on offshore drilling and LNG come ahead of this year's election, in which President Joe Biden is appealing to climate-conscious voters to block Donald Trump, his most likely challenger, from gaining office and tearing up his environmental policies. Trump has pledged to undo the pause on LNG approvals in his first week back in office if elected.

Contracts & Tenders

**COMPULSORY LIQUIDATION OF THE COMPANY
EAST – WEST UNITED BANK SA**

By judgment of 7 February 2024, the District Court of Luxembourg, second commercial division, pronounced the dissolution and ordered the liquidation of the société anonyme (limited liability company) **EAST – WEST UNITED BANK SA,** established and having its registered office at L-1840 Luxembourg, 10, boulevard Joseph II, entered in the Luxembourg Trade and Companies Register under no. B12049, pursuant to Article 129(1) point 2 of the amended law of 18 December 2015 on resolution, reorganisation and liquidation measures concerning credit institutions and certain investment firms and on deposit insurance and investor compensation schemes.

The same judgment appointed Ms Anick WOLFF, First Vice-President of the Luxembourg District Court, as official receiver, and Mr Alain RUKAVINA, attorney-at-law, domiciled in Luxembourg, as liquidator.

The liquidator represents the company and its creditors and is endowed with the most extensive powers in order to achieve his objective, which powers he shall exercise both in the Grand Duchy of Luxembourg and abroad.

Creditors are instructed to declare their claims to the clerk's office of the Luxembourg Commercial Court **before 17:00 on 7 July 2024, under penalty of forfeiture.**

The claims shall be submitted in accordance with Article 134 of the amended law of 18 December 2015 on resolution, reorganisation and liquidation measures concerning credit institutions and certain investment firms and on deposit insurance and investor compensation schemes.

Claims denominated in a currency other than the euro shall be converted into this currency at the exchange rate on the liquidation judgment date as published by the European Central Bank, and the payment of any claims accepted shall be made in euro.

No application may be made by the party or by a third party to set aside the judgment pronouncing the dissolution and ordering the liquidation of the company EAST – WEST UNITED BANK SA (in compulsory liquidation). It is provisionally enforceable, with immediate effect, before registration and without security, notwithstanding any appeal.

The CSSF or the public prosecutor and the institution may lodge an appeal by way of a declaration to the clerk's office of the Luxembourg District Court. An appeal must be filed within fifteen (15) days of the notification of the judgment by the clerk's office of the Luxembourg District Court. Representation by an attorney-at-law is not required.

Fees shall be payable by the company EAST – WEST UNITED BANK SA (in compulsory liquidation).

Further information, in particular regarding the formalities relating to declarations of claims, can be obtained online at: www.ewubliquidationjudiciaire.

Certified true copy.
The court-appointed liquidator,
Alain RUKAVINA

Legal Notices

BIDA
**Bundelkhand Industrial Development Authority
International Competitive Bidding (ICB)**

REF: 162/MKA/BIDA/2023-24

Request for Proposal (RfP) for "Hiring a Consultant for Preparation of Vision Document & Master Plan 2045 for Bundelkhand Industrial Development Authority (BIDA)"

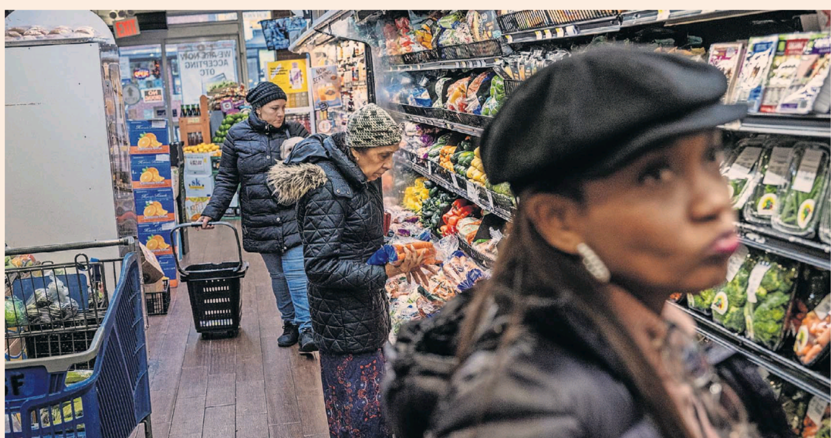
The Government of UP has envisaged the development of Bundelkhand Development Authority to achieve accelerated development and balanced regional industry agglomeration in the state of Uttar Pradesh.

Online tenders through e-procurement are invited by Uttar Pradesh State Industrial Development Authority from interested bidders for **"Hiring a Consultant for Preparation of Vision Document & Master Plan 2045 for Bundelkhand Industrial Development Authority (BIDA)"**. The salient features of the project, eligibility criteria and prescribed formats for submission can be accessed in the RfP document uploaded on the website: www.etender.up.nic.in

**Bundelkhand Industrial Development Authority
First floor, Pahariya guest house,
Irrigation department, Mata Tila Colony,
Jhansi, Uttar Pradesh**

Trading sentiment. Investment strategy

Stocks and debt diverge as inflation concerns ease



Inflation eases: shoppers in a Brooklyn store. Rising prices and the interest rate policies needed to restrain them had been the top concern for investors but growth has returned as a key part of the picture — Victor J Blue/Bloomberg

Focus switches from rising prices to strength of economy in boost for 60-40 portfolios

MARY MCDOUGALL AND STEPHANIE STACEY — LONDON

A sell-off in global bond markets combined with a rally in stocks this year shows that investors' all-consuming obsession with the path of inflation and interest rates may finally be ending, say analysts.

Wall Street has led a 3.8 per cent gain for developed market stocks so far this year, boosted by the outsize strength of the US economy, while an index of global bonds has dropped 2.8 per cent as investors have dialled back their expectations of interest rate cuts.

Such divergent moves mark a break from the past year or more, when the two assets have tended to rise or fall together, and could herald a return to the previous pattern where lower-risk fixed income acted as a counterweight to riskier equities.

The shift is likely to come as a relief to investors holding forms of the "60/40" portfolio, which allocates 60 per cent to stocks and 40 per cent to bonds and is designed to lower risk and provide diversification during market shocks.

Ronald Temple, chief market strategist at Lazard, said "60/40 is not dead, it was just taking a break".

Such portfolios were hard hit in 2022 when both stocks and bonds tumbled — a scenario for which such portfolios were not designed, although they performed well late last year when both assets surged in tandem on hopes of rapid interest rate cuts in 2024.

Some strategists believe the divergence this year between stocks and bonds is set to continue.

"We see the bond-equity correlation shifting back to negative this year," said George Saravelos, global head of FX research at Deutsche Bank.

"We have indeed started to observe this since the start of the year with US equities making fresh record highs but US yields also rising."

When interest rates were at rock bottom, bonds struggled to deliver positive returns, and then suffered big losses as interest rates rose. But when rates are higher they offer a consistent income, while investors normally expect them to rise if the economy sours.

Analysts believe the shift in correlation has been driven by the market's focus switching from fears about inflation to concerns about the strength of the economy.

That has come as markets have become more comfortable that inflation is heading back down to central banks' target levels, while also gradually starting to accept that policymakers will not be cutting borrowing costs as quickly as investors had been hoping.

Investors are also rethinking whether they need to be quite so focused on monetary policy, given that the buoyant US economy so far appears to have shrugged off much of the impact of higher rates, which have been held at a 22-year high of between 5.25 per cent and 5.5 per cent since July last year.

Economists polled by Bloomberg expect benchmark 10-year US borrowing costs to fall from a current 4.2 per cent to 3.6 per cent in 2025, still higher than under 2 per cent at the end of 2019. Higher yields bode well for the 60/40 portfolio, because they allow more room for prices to rise and for the bond component of the fund to perform well.

Stocks have been boosted by figures showing the US economy added twice as many jobs as forecast in January.

Investors also say the impact of fiscal policy has been underestimated. Legislation including the Inflation Reduction Act, Bipartisan Infrastructure Deal and Chips and Science Act have helped channel over $1tn of investment into the US economy in recent years, and pushed the budget deficit close to 6 per cent.

"We are too obsessed with monetary policy, as fiscal policy has a big impact on growth," said Luca Paolini, chief strategist at Pictet Asset Management. "We have seen an incredible expansion of fiscal policy, which, unlike monetary policy, continues to be extraordinarily loose and expansionary."

Paolini thinks the correlation between stocks and bonds will fall "quite significantly" this year as risks shift from inflation to growth, which will accelerate "in the next few quarters" with a weakening of the US economy.

"When growth risks rather than inflation risks become dominant, bad news is bad news. So [when] you have bad economic data, you have a strong positive impact on bonds and very negative on equities," he said, adding that "bonds again will offer some diversification".

Investors say the key question now will be whether inflation re-emerges. US consumer prices excluding food and energy rose at a 3.3 per cent annualised rate in the final three months of 2023, down from 5 per cent early last year.

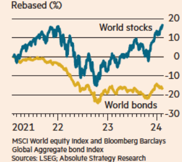
Analysts at PGIM note that market pricing for long-term inflation remains "contained but stubbornly above" the Federal Reserve's 2 per cent target, with an average annual rate of 2.6 per cent priced for five years starting in five years' time.

But Kamakshya Trivedi, head of global FX at Goldman Sachs, said: "The important thing is the nature of the shocks driving markets is shifting from a regime where it was almost exclusively inflation that mattered to one where growth matters too." As inflation comes back to target, growth is "good for equities and not so good for bonds".

'We are too obsessed with monetary policy, as fiscal policy has a big impact on growth'

Stocks and bonds diverge this year

Rebased (%)



MSCI World equity index and Bloomberg Barclays Global Aggregate bond index

Sources: LSEG; Absolute Strategy Research

US stock and bond correlation has fallen

Correlation based on daily changes over rolling 1-year periods

0.2, 0, -0.2, -0.4, -0.6, -0.8

2007, 10, 15, 20, 24

S&P Composite returns versus 10-year US Treasury

FT

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

Crypto

Spot ETFs spur bitcoin price to more than $50,000

SCOTT CHIPOLINA — LONDON
WILL SCHMITT — MIAMI

The price of bitcoin traded above $50,000 this week for the first time since 2021, underscoring the sharp change in appetite for the token since mainstream bitcoin investment funds launched earlier this year.

The industry's flagship cryptocurrency has gained almost 15 per cent since the start of the year, largely driven by the US Securities and Exchange Commission reversing a decade-old policy to approve several spot bitcoin exchange traded funds, vehicles offering investors exposure to the price of bitcoin through a regulated product.

Many of Wall Street's biggest names have offered spot bitcoin ETFs, including BlackRock. But despite widespread anticipation over their launch the price of bitcoin fell about 15 per cent in the days following the SEC's approval.

The token's surge to $50,000 on Monday — more than double the level at which it stood a year ago — followed evidence that the ETFs were bringing new money into the market, analysts said.

"Following a disappointing launch of several bitcoin ETFs we're now seeing continued inflows into newly issued funds, and I think we're seeing much more organic demand for bitcoin as a result," said James Butterfill, head of research at crypto investment group CoinShares.

'Given how nebulous the bitcoin ecosystem is, it's hard to tell who's buying and why'

After the initial waves of inflows into new spot bitcoin ETFs and outflows from Grayscale Investments' converted product, asset managers are turning their attention to the long-term investment case for bitcoin ETFs. According to CoinShares data, the newly approved bitcoin ETFs have pulled in about $3bn in net flows, even after more than $6bn was pulled out of Grayscale's product since its first day of trading as an ETF.

As crypto offerings continue to penetrate the world of traditional finance, issuers are optimistic that mainstream investors will eventually allocate a small percentage of their portfolios to products such as bitcoin ETFs.

"I think it's something where you'll start to see a specific allocation to that over time with the longer track record," said Tim Huver, managing director on the US ETF services team at Brown Brothers Harriman. "We'll see increasing adoption and interest in that space."

Other analysts are less convinced. "I'm sure the bitcoin [bulls] will say the world is waking up to the reality of bitcoin but, given how nebulous the bitcoin ecosystem is, it's hard to tell who's buying and why," said Jim Angel, faculty affiliate at Georgetown McDonough's Psaros Center for Financial Markets and Policy. "The price of bitcoin will always fluctuate violently based on the number of true believers that want to buy, and the number of sceptics that want to sell."

Japan's growing love of 'transition bonds' enters a new stage with sovereign issuance

MORAL MONEY

Simon Mundy

Japan's government will celebrate Valentine's Day today by taking the country's emerging love affair with "transition bonds" to a new stage.

The term refers to bonds that fund investments that are not necessarily "green" per se, but should result in lower emissions from polluting economic sectors. This is an asset class that has struggled to catch on in most of the world. In Japan, however, some of the nation's largest companies have made big issuances under the transition bond label.

Now the Japanese government is joining them, with the first sovereign issuance of this sort. This ¥1.6tn ($10.7bn) of "climate transition bonds", the first tranche of which will be issued today, is far from the first sovereign issuance of debt aimed at climate-friendly investment. Governments from Brazil to Saudi Arabia have issued bonds variously labelled as green, sustainable or sustainability-linked.

What is different about this bond programme is the emphasis on using the proceeds to reduce emissions from the most stubbornly dirty areas of the economy.

"Transition finance" is a paradigm that needs serious scrutiny. If deployed without sufficient rigour, it could help to keep heavy polluters in business without driving real change in their practices.

There is also the risk that financiers drive too much capital towards "transitioning" big incumbents with which they've enjoyed lucrative relationships for decades, and too little to fund the growth of a new generation of disruptive green companies.

There's no question, however, that the progressive greening of currently dirty sectors, assets and companies must be a significant part of any serious effort to decarbonise the global economy. And explicitly labelled transition bonds, from both sovereign and corporate issuers, could be an important means of funding this investment, argues Sean Kidney, chief executive of the Climate Bonds Initiative.

The CBI, which assesses and certifies the climate credentials of fixed-income securities, in effect "shut down" an earlier small wave of corporate transition bond issuance in Europe, Kidney said. It publicly opposed those bonds because they were aimed largely at financing natural gas plants, on the basis that these would help a "transition" away from even more polluting coal power.

In contrast, the CBI has formally endorsed Japan's new issuance, and Kidney said he saw potential for growth in corporate transition bond issuance, notably in the US, where it could be a useful concept for industries including cement and steel.

The transition bond category is "a marketing label", he added. "Call them pink bonds if you like. The main point is that the money is going towards things that are compatible with [limiting global warming to 1.5C]."

Japan's Green Transformation (GX) strategy, which the new transition bond programme is designed to assist, has faced some criticism since it was unveiled last February. It includes potential support for investment to use carbon-free ammonia alongside coal in power plants, upsetting those who say coal plants should simply be closed as soon as possible.

The transition bond proceeds will not go towards this part of the GX strategy — though they may support investment in other controversial areas such as hybrid petrol-electric vehicles, which to some are a distraction from pure battery-powered cars.

Noriyuki Shikata, Japan's cabinet secretary for public affairs, said the focus of the government's transition programme was on promoting technological advances, to drive decarbonisation while boosting economic growth and energy security. "Unless we come up with new technologies and technological solutions, we will not be able to achieve net zero by 2050," he said.

The proceeds are used to reduce emissions from the most stubbornly dirty areas of the economy

Shikata added that the bond programme would serve to encourage private sector investment, with the government's long-term financial commitment giving confidence in a predictable policy environment for the long term.

That private sector activity must account for most of any successful transition. And international companies interested in using transition bonds to help them do so can look to Japan for lessons.

Japan, together with China, has accounted for the vast bulk of corporate transition bond issuance in the past couple of years. Examples include two issuances amounting to ¥30bn by Japan Airlines, to fund investment in more fuel-efficient planes. In 2022, Kyushu Electric Power issued transition bonds worth ¥40bn to help it replace coal-fired power stations with ones burning natural gas.

Japan's corporate transition bond flurry has helped to fund precisely the same sorts of gas investment that Kidney's CBI resisted in Europe. Concerns about being accused of "greenwashing" — or "transition-washing" — have surely been a key factor holding back transition bond issuance in western markets.

Another is the existence of an alternative asset class that can be used to fund this kind of investment. Sustainability-linked bonds come with targets around metrics such as carbon emissions, and the promise of higher interest payments to investors if these targets are missed.

Ulf Erlandsson, of the non-profit Anthropocene Fixed Income Institute, argues that this structure can give investors greater confidence in the issuer's decarbonisation progress, and that Japan should issue SLBs alongside its transition bonds.

But the take-off of transition bonds in Japan — and the vast amount of this kind of investment that will be needed worldwide — suggests that the concept may yet be taken up by companies in other large economies.

Akane Enatsu, head of the Nomura Research Center of Sustainability, notes that official Japanese government guidelines for transition bonds were crucial for driving appetite from both issuers and investors. These official guidelines are lacking in most other leading economies.

But the International Capital Market Association, whose standards are widely followed in the bond market, has published a handbook defining best practice for this kind of finance. Such financing must be directed towards an emission strategy that's aligned with the 2015 Paris Agreement goals, and issuers must provide proper transparency on their underlying investment programme, the ICMA says.

Transition bonds could prove a useful tool for companies and investors seeking to play a role in building a cleaner world economy. But rigorous standards, effectively and transparently applied, will be essential if this asset class is to catch on worldwide.

A version of this article first appeared in the Moral Money newsletter. Sign up at FT.com/newsletters

The day in the markets

What you need to know

- Wall Street declines after data shows US inflation eased less than expected
- Sell-off spreads to Europe, where stocks and government bonds sink
- Dollar climbs above ¥150 against yen for first time since mid-November

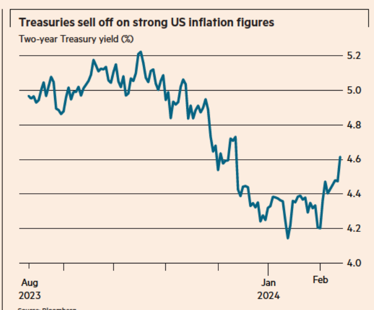
Global stocks and bonds sold off sharply yesterday after strong US inflation data dented investors' hopes for interest rate cuts over spring.

Wall Street's benchmark S&P 500 and the tech-dominated Nasdaq Composite stood 1.3 per cent and 1.7 per cent lower in early afternoon trading, after data showed US inflation last month eased less than expected to 3.1 per cent.

Investors reacted to the news by scaling down bets that the Federal Reserve would begin cutting interest rates in May, which pushed rate-sensitive two-year Treasury yields up 0.14 percentage points to 4.61 per cent — their highest level since early December. Yields move inversely to prices.

The sell-off on Wall Street quickly spread to Europe, where stocks and government bonds sank in afternoon trading. Two-year UK gilt yields climbed 0.1 percentage points to 4.64 per cent and two-year German yields rose 0.05 percentage points to 2.75 per cent. The region-wide Stoxx Europe 600 stock index dropped 1 per cent and London's FTSE 100 fell 0.8 per cent.

The Fed has a "last mile problem", said Tiffany Wilding, an economist at Pimco, who noted that inflation in services remained strong. "This report reaffirms our view that [the Fed] isn't cutting rates until mid-year or later," she added.



Source: Bloomberg

Others were more optimistic. "Overall, we think the strength in January is likely to be a one-off," said analysts at ABN Amro. Strong housing inflation, which offset declines in used car prices and core goods, "reflects with a very long lag the sharp rises in rents seen in 2021-22", they said. "The Fed is fully aware of these lags and so will not be concerned by this month's data."

In currency markets, the dollar traded 0.6 per cent higher on the inflation data release. The move pushed the greenback above ¥150 against the yen for the first time since mid-November, which could provide a further boost to export-heavy Japanese equities, which earlier yesterday rose close to all-time highs hit more than three decades ago.

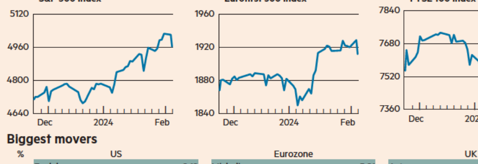
The Topix index jumped 2.1 per cent to its highest level in 34 years, boosted by a 13.1 per cent gain for semiconductor group Tokyo Electron, which raised its revenue and profit guidance. The Nikkei 225 rose 2.9 per cent and is also at a 34-year high, having enjoyed its best start to a year since 1998. In commodity markets, prices for Brent crude, the international oil benchmark, rose 1.2 per cent to $82.98 a barrel. **George Steer**

Markets update

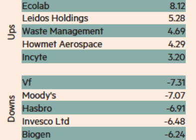
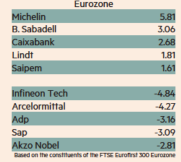
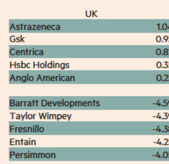
	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4964.06	1911.92	37963.97	7512.28	2865.90	128025.70
% change on day	-1.15	-0.89	2.89	-0.81	1.28	-0.15
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.993	1.072	150.595	1.260	7.194	4.954
% change on day	-0.170	-0.464	0.763	-0.158	0.000	0.000
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.272	2.392	0.725	4.322	2.482	10.378
Basis point change on day	10.050	3.000	0.520	9.400	0.000	0.000
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	488.19	82.79	77.84	2015.20	22.92	3586.90
% change on day	-0.94	0.96	1.20	-0.41	1.15	0.82

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	Ecolab	8.12	Michelin	5.81	Astrazeneca	1.04
	Leidos Holdings	5.28	B. Sabadell	3.06	Gsk	0.95
	Waste Management	4.69	Caixabank	2.68	Centrica	0.82
	Howmet Aerospace	4.29	Lindt	1.81	Hsbc Holdings	0.35
	Incyte	3.20	Saipem	1.61	Anglo American	0.25
Downs	Vf	-7.31	Infineon Tech	-4.84	Barratt Developments	-4.59
	Moody's	-7.07	Arcelormittal	-4.27	Taylor Wimpey	-4.39
	Hasbro	-6.91	Adp	-3.16	Fresnillo	-4.38
	Invesco Ltd	-6.48	Sap	-3.09	Entain	-4.25
	Biogen	-6.24	Akzo Nobel	-2.81	Persimmon	-4.05

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

Big opportunity in EM debt from swinging dollar

Victoria Courmes

Markets Insight

Investors who have participated in financial markets since 2010 have only known a rising dollar and the significant impact it has had on the relative returns of assets not denominated in the US currency.

More seasoned investors will observe that the dollar takes roughly decade-long swings: when it looks rich on most currency valuation metrics, as it currently does, its decline portends a boost to foreign stocks and bonds, especially those in emerging markets.

Aside from the translation effect that makes local currency debt more valuable for international investors with dollar-based portfolios in such a trend, there are other reasons to be bullish on EM debt given high interest rates, shifting growth differentials and diversification considerations.

Of course, it is hard to spot inflection points after so many years of nonstop dollar strength. However, most often, it is in such uneasy times that contrarian positions can pay off the most. The key question is: can the US be even more exceptional than it is now to continue the dollar's upward trend?

The glass-half-empty Frenchwoman in me believes geopolitical risks (the Russia-Ukraine war, Middle East conflict, China-Taiwan tensions, etc) and a low-growth environment in most places outside the US might signal that we have not yet reached such an inflection point. In a world of risk aversion, the dollar can indeed remain king.

The glass-half-full American in me, though, sees factors such as sluggish growth and lack of structural reforms in recent years already priced in to non-US currencies.

In other words, investors are now more highly compensated for the risks associated with EM currencies than they have been for more than a decade. Already many EM assets delivered strong returns in 2023 despite ongoing dollar strength. Any downward trend in the US currency could be a big spur for non-dollar assets.

We looked at a basket of local currencies weighted in line with benchmarks for EM debt and equities. We estimate the dollar is 8 per cent and 15 per cent overvalued versus the currency baskets associated with local debt and EM equities, respectively. These valuations are reminiscent of those at the start of the past dollar decline cycle in 2003-11.

> When it looks rich as it currently does, its decline portends a boost to foreign stocks and bonds

Another factor supporting local debt is high interest rates: in both nominal and inflation-adjusted terms, current EM interest rates are back to the 2003-11 average. It is rare to get this combination of cheap currencies with high rates — and it does not last long.

The growth differential picture is a little murkier. At the start of the past dollar decline cycle, the growth differential between emerging markets and the US was very high. This was powered by China's post-financial crisis investment spending, which lifted commodity prices and, in turn, capital flows to EM countries. More recently, amid lower global growth, this differential has waned.

There are signs the tide is turning and in a way that favours local debt exposure over EM equities. Countries that feature heavily in local debt market benchmarks are catching up with the economic growth of heavyweights in EM equities indices. The former include Indonesia, Brazil, Poland and later this year India when it is added to JPMorgan's benchmark emerging-market debt index. Recent laggard Turkey also seems to be turning a corner after years of poor, unorthodox policies.

Outside of main debt benchmarks, there are also smaller rising stars in EM local debt such as Costa Rica, the Dominican Republic and Jamaica that have been able to leverage US exceptionalism through links such as remittances and tourism thanks to positive macroeconomic management and structural reforms.

The IMF projects that the economic outperformance of countries in the currency basket for EM equities over local debt index constituents will fully dissipate in the next five years. This makes local debt a compelling diversifier to EM equities.

Further, the local debt asset class is seeing more "frontier" markets join — Uruguay most recently — expanding the opportunity set. The IMF projects frontier GDP growth of 4.5 per cent for 2024-28 versus 3.5 per cent for the existing local debt basket. Investing in these frontier opportunities via EM equities is not a meaningful prospect.

The bottom line: based on our reading of valuations in particular, we anticipate looking back on this current period as an attractive entry point for emerging market local debt.

Victoria Courmes is a portfolio manager at GMO. GMO is an investor in emerging markets securities

Lead partner

Strategic partner

Financials

CVC co-founder Mackenzie steps back ahead of private equity group's listing

WILL LOUCH
PRIVATE EQUITY CORRESPONDENT

Donald Mackenzie, one of CVC Capital Partners' co-founders and most successful dealmakers, is stepping back from Europe's largest buyout firm ahead of its long-awaited public listing.

Mackenzie, 67, was among a small group of executives at Citibank who spun out in 1993 to form what is now one of Europe's biggest private equity firms. CVC now manages €188bn in assets and last year raised €26bn, the largest buyout fund on record.

The Scotsman is the latest founder at CVC to step back in recent years as the group undergoes a generational transition that has seen younger dealmakers, including 61-year-old managing partner Rob Lucas, take over the operations.

Mackenzie's decision also comes as CVC is preparing for an initial public offering that will see the notoriously secretive fund manager subject to increasing scrutiny.

The firm postponed plans to float in November because of market uncertainty, missing out on a subsequent boom in the share prices of publicly traded peers such as Blackstone and KKR.

"When we founded CVC in the early 90s it was our ambition to create a multigenerational business that would continue to flourish long after the founders had gone. I believe we have achieved that. The business is in very good shape and in good hands," Mackenzie said in a statement.

Mackenzie will remain on CVC's board of directors and focus on his "private interests".

A trained accountant, Mackenzie began his career in private equity at 3i, an investment company formed by the Bank of England, back when it was still a cottage industry.

In 1988, he joined Citibank where he met colleagues including his future CVC co-founders Rolly van Rappard and Steve Koltes. They spun the business out in 1993 in a move that would prove wildly lucrative for the partners involved. Mackenzie led CVC's buyout of racing company Formula One, one of the firm's most lucrative deals.

The $1.7bn deal proved controversial and led to Mackenzie facing a grilling in a German court over undisclosed payments involving then F1 chief Bernie Ecclestone and a banker.

But CVC ended up selling the company to US billionaire John Malone's Liberty Media in a transaction valuing the sport at $8bn in 2016.

Mackenzie also became the unwitting face of the industry in the UK when he was summoned to appear at a parliamentary hearing in 2007, along with a small group of other buyout executives. Lawmakers grilled the investment tycoons in a testy exchange.

It was in the years following the global financial crisis that CVC's growth accelerated, as investor were drawn to its market-leading returns.

In 2021, CVC sold a stake in itself to specialist finance firm Blue Owl in a deal valuing the company at €15bn. Koltes stepped back in 2022.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-1.15%	-1.39%	-1.13%	-0.81%	-0.89%	2.89%	-0.83%	-0.94%	-0.464%	-0.158%	0.763%	-0.351%	0.98%	-0.41%

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

AMERICAS

S&P 500 — New York: 4,783.83 → 4,964.06. Day -1.15% Month 3.78% Year 19.99%

S&P/TSX COMP — Toronto: 21,061.88 → 20,773.09. Day -1.97% Month -1.61% Year -0.24%

Nasdaq Composite — New York

IPC — Mexico City

Dow Jones Industrial — New York

Bovespa — São Paulo

EUROPE

FTSE 100 — London: 7,594.91 → 7,512.28. Day -0.81% Month -1.53% Year -5.52%

Xetra Dax — Frankfurt: 16,622.22 → 16,868.39. Day -0.92% Month -0.14% Year NaN%

FTSE Eurofirst 300 — Europe

Ibex 35 — Madrid

CAC 40 — Paris

FTSE MIB — Milan

ASIA

Nikkei 225 — Tokyo: 35,577.11 → 37,963.97. Day 2.89% Month 6.81% Year 37.33%

Kospi — Seoul: 2,525.99 → 2,649.64. Day 1.12% Month 4.93% Year 7.28%

Hang Seng — Hong Kong

FTSE Straits Times — Singapore

Shanghai Composite — Shanghai

BSE Sensex — Mumbai

STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

FT 30 INDEX

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

UK STOCK MARKET TRADING DATA

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

UK RIGHTS OFFERS

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

UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	28.21	0.17	28.45	22.39	5.67	12.04	54812
BHP Group	46.32	0.25	50.84	41.66	8.83	11.85	151681.99
CmwBkAu	116.00	0.27	117.75	93.05	3.70	19.27	125501.25
CSL	282.25	-7.99	312.99	228.65	1.25	40.61	88090.78
NatAusBk	32.93	0.28	32.99	25.10	4.84	13.74	66185.28
Telstra	3.97	-0.01	4.46	3.75	4.12	23.28	29634.91
Wesfarmers	58.28	0.10	59.11	46.64	3.29	26.23	42703.75
Westpac Bank	24.55	0.05	24.72	20.03	5.63	12.19	55481.95
Woolworths	35.15	-0.08	40.35	34.13	2.88	26.02	27740.53
Belgium (€)							
AnBshInBv	59.40	-0.45	62.01	49.17	1.30	21.13	110593.76
KBC Grp	62.82	-0.16	71.94	48.78	6.42	8.11	28096.19
Brazil (R$)							
Ambev	12.95	-	15.78	12.28	6.02	13.30	41178.79
Bradesco	12.40	-0.12	15.77	11.15	7.56	10.36	13341.11
Cielo	5.24	0.09	5.82	3.24	5.84	8.02	2873.49
ItauHldFin	29.34	0.35	29.68	19.53	4.38	8.80	29363.64
Petrobras	42.74	-0.49	43.79	25.21	35.43	-	64204.94
Vale	65.92	-0.29	90.30	61.00	6.26	6.13	60394.26
Canada (C$)							
Bausch Hlth	11.26	-0.02	13.81	7.56	-	-3.04	2999.04
BCE	50.37	-0.74	65.66	49.57	7.85	19.95	33903.62
BkMontrl♦	123.92	-2.27	136.08	102.67	4.75	21.52	66318.95
BkNvaS	63.07	-0.71	74.41	55.20	6.72	10.76	56495.94
Brookfield	58.88	11.29	63.88	41.28	0.82	-2143.34	69948.82
CanadPcR	112.80	-0.70	115.75	94.45	0.70	24.38	77577.22
CanImp	60.25	-1.03	64.43	47.44	5.79	11.52	41422.24
CanNatRs	80.80	-1.27	93.44	67.13	4.55	12.07	63967.99
CanNatRy	170.57	-2.09	174.63	143.13	1.81	21.54	80793.07
Enbridge	46.24	-0.70	54.56	42.75	7.89	29.78	72510.04
GtWesLif	41.77	-0.55	45.14	34.06	4.91	17.13	28741.88
ImpOil	79.85	-0.64	85.11	60.19	2.44	8.67	31568.65
Manulife	30.11	-0.35	30.67	23.69	4.69	4.43	40124.1
Nutrien	66.39	-0.91	113.27	65.35	4.36	10.78	24224.95
RylBkC♦	129.26	-2.22	139.44	107.92	4.19	12.14	134360.17
SHOP	106.72	-13.17	123.20	53.16	-	-50.28	95063.92
Suncor En	43.21	-0.34	48.26	37.09	4.98	6.74	41140.34
ThmReut	207.32	-0.62	214.29	163.01	1.33	31.21	69287.09
TntoDom	79.02	-0.87	94.05	75.89	4.93	13.92	103472.91
TrnCan	50.86	-0.68	57.47	43.70	7.51	-351.00	38932.1
China (HK$)							
AgricBkCh	3.06	-0.02	3.28	2.50	7.97	3.89	12025.33
Bk China	2.94	-0.01	3.45	2.60	8.79	3.63	31431.11
BkofComm	4.70	-0.07	5.65	4.23	8.90	3.69	21037.93
BOE Tech	0.50	-0.01	0.87	0.46	-	7.67	12.59
Ch Coms Cons	3.53	-0.05	5.52	3.16	7.19	2.84	1994.06
Ch Evrbrght	2.30	-0.04	2.78	2.13	8.95	3.16	3728.18
Ch Rail Cons	4.58	-0.02	7.46	4.06	6.74	2.27	1215.75
Ch Rail Gp	3.53	-0.08	6.30	3.06	6.23	2.57	1898.8
ChConstBk	4.61	-0.03	5.70	4.01	9.39	3.17	141694.76
China Vanke	5.86	-0.44	15.36	5.61	12.75	3.23	1653.08
ChinaCitic	3.90	-0.04	4.74	3.39	9.47	3.11	7420.25
ChinaLife	9.22	-0.15	15.84	8.19	5.73	8.37	8771.29
ChinaMBank	28.80	-0.25	47.10	24.20	6.73	4.68	16903.65
ChinaMob	66.40	-0.65	70.20	56.35	7.10	9.68	173939.88
ChinaPcIns	15.10	-0.28	26.50	12.72	7.53	7.61	5357.69
ChMinsheng	2.59	-0.06	3.52	2.43	9.34	3.34	2755.02
ChMrchSecs	13.94	0.06	15.91	12.62	1.35	15.57	14377.69
Chna Utd Coms	4.56	-	6.45	3.90	2.43	17.86	19622.31
ChShenEgy	29.90	-0.05	30.80	21.45	9.98	9.14	12910.86
ChShpbldng	4.30	0.01	5.32	3.57	-	-89.95	13196.18
ChStConEng	5.12	-0.03	7.35	4.54	5.02	4.09	29399.46
ChUncHK	5.35	-0.04	6.58	4.45	6.57	8.02	20928.51
CNNC Intl	8.22	0.03	8.47	5.93	2.10	15.19	21570.19
CSR	3.73	-0.07	5.26	3.10	6.04	8.21	2084.43
Daqin	7.43	-0.10	8.21	6.63	6.57	11.59	16259.26
GuosenSec	8.20	0.06	10.90	7.42	3.35	15.50	10413.8
HaitongSecs	3.62	-0.08	6.01	3.48	6.53	9.07	1577.98
Hngzh HikVDT	33.65	0.72	48.84	29.82	2.04	25.76	42592.67
Hunng Pwr	4.04	-0.11	5.28	3.22	-	-94.42	2427.75
IM Baotou Stl	1.52	-	2.10	1.36	-	138.49	6653.14
In&CmBkCh	3.83	-0.02	4.73	3.35	8.82	3.56	42498.7
IndstrlBk	16.05	0.08	17.94	13.95	7.27	4.33	46334.77
Kweichow	1706	-4.99	1935	1555.55	1.49	31.67	297812.53
Midea	0.31	0.01	0.43	0.26	-	-1.09	11.74
New Ch Life Ins	14.16	-0.44	25.00	12.60	8.53	4.93	1872.05
PetroChina	5.64	0.01	6.05	4.02	8.28	6.27	15213.57
PingAnIns	32.95	-0.85	61.70	29.55	8.47	6.85	31373.36
PngAnBnk	9.67	0.06	14.44	8.96	3.00	4.03	26076.98
Pwr Cons Corp	4.96	0.02	8.15	4.45	2.46	7.45	9009.81
SaicMtr	14.58	0.17	15.65	12.92	2.35	11.08	23452.83
ShenwanHong	0.07	0.00	0.15	0.06	-	4.45	72.64
ShgPdgBk	6.96	0.02	8.22	6.36	4.68	6.45	28389.43
Sinopec Corp	4.12	-0.03	5.47	3.64	9.57	8.01	12840.25
Sinopec Oil	1.84	-	2.39	1.60	-	62.41	3469.69
Denmark (kr)							
DanskeBk	196.10	0.40	201.40	131.45	3.64	8.51	24310.81
MollerMrsk	10855	-150.00	17265	9800	18.59	1.60	11647.85
NovoB	832.30	1.70	845.70	476.05	0.75	55.36	411097.09
Finland (€)							
Nokia	3.28	-0.08	4.60	2.70	3.11	4.66	19724.42
SampoA	40.58	0.47	42.23	34.55	4.52	26.15	21815.33
France (€)							
Airbus Grpe	148.90	-1.06	152.82	114.08	1.23	28.74	126144.8
AirLiquide	168.40	0.20	180.30	144.00	1.77	27.50	94669.28
AXA	30.64	0.01	31.18	24.60	5.60	10.54	74537.52
BNP Parib	53.83	-0.34	67.02	47.02	7.31	7.60	66200.85
ChristianDior	770.00	-16.00	872.00	618.50	1.57	20.79	148963.92
Cred Agr	12.20	-0.03	13.38	9.54	8.78	5.92	39915.77
Danone	60.98	-0.03	62.17	50.59	3.31	29.63	44296.24
EDF	12.00	-	12.05	7.27	2.41	-2.31	53889.44
Engie SA	14.32	0.04	16.64	13.14	9.87	-4.45	37370.35
EssilorLuxottica	188.42	-2.58	192.26	155.15	1.73	35.77	91647.16
Hermes Intl	2131.5	-54.00	2206	1641	0.62	56.02	241167.36
LOreal	428.00	-0.65	460.60	365.80	1.41	39.06	245284.29
LVMH	800.80	-21.10	904.60	644.00	1.51	24.83	430332.49
Orange	10.65	0.08	11.87	9.76	6.63	17.30	30350.95
PernodRic	155.30	0.25	218.00	140.80	3.00	17.48	42548.21
Renault	37.32	-0.55	43.46	31.19	0.68	3.25	11826.67
Safran	173.60	-1.36	177.96	125.16	0.78	23.44	79494.59
Sanofi	85.69	-0.38	105.18	80.60	4.24	11.64	116157.22
Sant Gbn	68.14	-1.00	69.14	48.83	2.96	12.72	36985.91
Schneider	191.82	-3.26	197.26	134.38	1.66	27.04	117765.8
SocGen	21.61	-0.11	28.13	19.33	8.03	7.81	18593.19
Total	60.30	0.48	64.80	50.55	4.92	7.97	155896.02
UnibailR	49.68	0.06	73.09	39.68	-	-7.39	7615.7
Vinci	114.86	-1.32	119.10	98.49	3.51	14.48	72512.87
Vivendi	10.30	-0.15	10.48	7.99	2.45	-10.52	11369.34
Germany (€)							
Allianz	245.70	-0.55	249.85	192.48	4.73	9.29	103151.34
BASF	45.06	0.24	53.39	40.25	7.61	-21.89	43102.78
Bayer	27.91	-0.42	61.91	27.40	8.68	18.82	29386.91
BMW	100.88	-1.26	113.46	86.80	8.50	5.75	65086.84
Continental	76.44	0.76	79.24	58.20	1.98	22.68	16385.46
Deut Bank	11.88	0.00	12.92	7.95	2.58	5.17	25968.52
Deut Tlkm	22.22	-0.05	23.33	18.50	3.21	18.00	118722.64
DeutsPost	44.73	0.54	45.03	29.68	4.18	13.33	60466.66
E.ON	11.88	-0.13	12.80	9.92	4.38	-35.28	33616.28
Fresenius Med	37.75	0.76	49.62	30.16	3.03	24.03	11871.13
Fresenius SE	25.47	-0.27	31.22	23.29	3.68	14.95	15245.75
HenkelKgaA	63.48	0.04	70.10	58.36	2.91	19.42	17675.2
Linde	388.45	-1.10	402.55	298.70	1.24	33.35	201870.97
Mercedes-Benz	65.44	-0.21	76.10	55.08	8.10	4.52	75033.67
MuenchRkv	410.60	4.30	412.90	292.40	2.88	19.00	60054.47
SAP	162.76	-5.00	169.40	105.42	1.28	87.20	214298.64
Siemens	163.68	-1.46	174.00	119.48	2.65	16.21	140339.74
Volkswgn	134.50	-1.90	184.50	105.95	6.60	4.75	42537.46
Hong Kong (HK$)							
AIA	62.80	-0.10	88.65	58.05	2.43	90.58	90885.82
BOC Hold	18.68	-0.14	27.65	17.86	7.21	6.34	25249.7
Ch OSLnd&Inv	11.36	-0.16	21.95	10.66	6.91	5.80	15895.69
ChngKng	35.30	-0.10	51.65	34.15	6.41	6.73	16015.21
Citic Ltd	7.58	-0.05	10.86	6.53	8.52	3.38	28190.79
Citic Secs	14.24	-0.84	18.10	13.54	3.72	9.44	4769.95
CK Hutchison	40.85	-0.20	54.55	37.75	7.10	5.48	20002.6
CNOOC	14.48	-0.16	14.78	10.90	9.51	4.77	82521.4
HangSeng	80.30	-0.70	132.70	78.70	5.56	11.23	19627.19
HK Exc&Clr	242.60	0.60	354.40	219.40	2.92	26.85	39322.82
MTR	25.55	-0.20	41.95	25.10	5.09	17.17	20308.41
SandsCh	22.85	0.35	31.45	18.74	-	-36.74	23643.19
SHK Props	71.50	-0.85	114.80	70.85	6.87	8.74	26488.78
Tencent	287.20	-	397.60	260.20	0.84	12.94	346313.01
India (Rs)							
Bhartiartl	1117.65	-0.85	1175.2	735.80	0.37	82.81	81081.44
HDFC Bk	1394.45	4.45	1757.5	1383.35	1.14	15.27	127592.69
Hind Unilevr	2394	8.35	2769.65	2365.45	1.68	53.01	67760.94
HsngDevFin	2724.3	-23.05	2927.4	2180	1.16	18.17	61324.4
ICICI Bk	1019.8	23.70	1059.4	810.30	0.81	17.53	86204.7
Infosys	1684.55	4.45	1733	1185.3	2.10	26.93	84225.26
ITC	406.75	-0.10	499.70	369.65	3.24	24.33	61146.91
L&T	3321.5	21.95	3661.35	2082.1	0.66	41.01	55002.58
OilNatGas	259.50	1.60	275.65	145.50	5.41	8.65	39326.96
Relianceln	2930.2	25.50	2958	2180	0.32	27.96	238835.78
SBI NewA	713.45	5.55	728.35	501.55	1.63	9.05	76703.65
SunPhrmInds	1542.2	7.75	1555.1	922.45	0.77	41.97	44575.35
Tata Cons	4149.5	28.80	4184.75	3070.25	1.22	32.94	180858.06
Israel (ILS)							
TevaPha	46.92	2.65	46.92	26.37	-	-6.43	14367.85
Italy (€)							
Enel	5.88	-0.03	6.82	5.14	6.93	10.49	64102.24
ENI	14.47	0.03	15.83	11.69	6.34	9.09	52354.99
Generali	20.55	-	20.78	16.67	5.76	-	34342.46
IntSPaolo	2.81	-0.02	2.96	2.08	5.96	7.14	54982.59
Unicred	29.39	-0.18	29.66	14.82	3.43	5.93	53939.37
Japan (¥)							
AstellasPh	1655	39.50	2360.5	1591	4.09	84.31	19887.73
Bridgestne	6487	132.00	6517	4841	3.05	12.07	30743.12
Canon	4115	67.00	4143	2790.5	3.29	14.85	36445.01
CntJpRwy	3753	40.00	3926	2984	0.78	11.16	25668.78
Denso	2611.5	35.50	2614.5	1700.25	1.95	22.90	54655.68
EastJpRwy	9059	104.00	9325	6706	1.21	17.31	22746.75
Fanuc	4016	57.00	24645	3603	2.75	23.37	26749.53
FastRetail	40160	450.00	40480	26370	0.65	41.07	84861.74
Fuji Hvy Ind	3348	138.00	3413	1987.5	2.37	8.97	16760.6
Hitachi	12355	275.00	12385	6502	1.31	16.29	76066
HondaMtr	1719	15.50	1821	1096.33	2.40	9.68	62030.84
JapanTob	4028	90.00	4028	2680	5.31	14.87	53494.48
KDDI	4547	80.00	5080	3971	3.21	13.62	69527.11
Keyence	66950	1220	71890	52080	0.47	43.13	108122.81
MitsbCp	2889.5	119.50	2892.5	1524.67	6.43	4.19	80183.74
MitsubEst	1150.88	14.26	1166.93	948.63	-	-	-
MitsubishiEle	2170.5	78.00	2243.5	1496	2.21	16.94	30947.25
MitsuiFud	961.59	7.23	1147.48	774.38	-	-	-
MitUFJFin	1410.5	24.50	1440.5	805.00	2.70	9.09	115557.22
Mizuho Fin	2705.5	45.00	2799	1744	3.56	10.33	45618.64
Murata Mfg	3025	8.00	3141	2409.33	1.72	22.77	40725.22
Nippon TT	181.00	0.20	192.90	154.12	2.82	12.49	108832.43
Nissan Mt	559.60	6.50	712.50	450.40	2.79	4.64	14899.82
Nomura	816.60	13.40	823.30	476.70	2.15	21.59	17154.39
Nppn Stl	3578	21.00	3816	2705.5	4.80	5.73	22578.77
Panasonic	1437.5	31.00	1808	1119.5	2.36	7.21	23427.06
Seven & I	6230	57.00	6619	5162	1.82	23.76	36671.43
ShnEtsuCh	5990	87.00	21055	3797	1.83	18.78	79618.41
Softbank	8492	501.00	8873	4766	0.54	-5.29	82892.52
Sony	14735	500.00	14915	11050	0.53	19.79	123405.5
SumitomoF	7682	117.00	7649	4997	3.53	12.26	68228.68
Takeda Ph	4350	91.00	4873	3900	4.41	34.40	45708.08
TokioMarine	4277	424.00	4297	2511	2.41	22.07	56872.36
Toyota	3456	133.00	3459	1764	1.96	11.63	374412.16
Mexico (Mex$)							
AmerMvl	16.40	0.11	20.25	15.66	2.62	11.28	41116.45
FEMSA UBD	240.57	-1.24	244.94	154.79	1.37	37.74	30222.32
WalMrtMex	70.88	-0.27	75.29	59.28	1.44	23.55	71944.65
Netherlands (€)							
ASML Hld	850.70	-26.90	880.20	534.40	0.70	43.19	364317.67
Heineken	93.12	-0.74	106.30	81.54	1.87	20.55	57486.06
ING	12.26	-0.02	13.83	9.59	4.60	7.50	45950.25
Unilever	46.97	0.15	50.93	42.97	3.05	24.11	147914.3
Norway (Kr)							
DNB	201.70	-0.10	224.40	177.45	6.41	7.86	29190.28
Equinor	271.45	-6.50	382.85	270.90	4.06	4.44	76477.84
Telenor	114.90	0.65	134.95	102.05	4.50	20.96	15085.35
Qatar (QR)							
QatarNtBk	14.48	-0.37	17.29	14.26	4.28	7.51	36732.63
Saudi Arabia (SR)							
AlRajhiBnk	90.80	1.00	91.40	63.10	1.36	22.18	96848.16
Natnlcombnk	42.25	0.80	44.35	29.81	3.54	12.76	67596.42
SaudiBasic♦	78.40	-1.60	96.00	75.30	5.00	58.87	62716.65
SaudiTelec	41.50	0.30	46.00	33.95	3.98	14.62	55330.4
Singapore (S$)							
DBS	32.49	-0.05	35.70	30.30	5.28	8.16	62043.79
JardnMt US$	42.42	-0.08	52.57	38.37	5.02	25.17	12251.55
OCBC	12.95	-	13.39	11.93	6.31	7.87	43093.52
SingTel	2.33	-0.01	2.68	2.25	4.34	11.85	28470.33
UOB	28.22	0.08	31.00	26.82	4.73	7.65	34944.62
South Africa (R)							
Firstrand	63.98	-0.42	74.77	58.60	5.86	9.83	18775.57
MTN Grp	92.52	-1.48	148.72	87.00	3.58	8.30	9120.2
Naspers N	3370.19	-62.76	17839200	2673.3	-	7.78	31952.78
South Korea (KRW)							
HyundMobis	233500	3000	250000	196300	1.74	6.15	16465.36
KoreaElePwr	21300	900.00	21350	16030	-	-0.97	10295.4
SK Hynix	150000	7200	150000	76700	0.81	-8.83	82219.9
SmsungEl	75200	1100	79800	59000	1.95	15.73	338009.74
Spain (€)							
BBVA	9.27	0.02	9.31	5.74	3.41	7.45	58025.92
BcoSantdr	3.66	-0.04	3.97	2.94	3.28	5.91	63510.31
CaixaBnk	4.02	0.11	4.23	3.12	5.84	7.25	32354.74
Iberdrola	10.77	-0.02	12.25	9.88	4.70	14.44	74108.36
Inditex	39.11	-0.31	39.85	27.45	2.08	23.13	130638.52
Repsol	14.01	0.07	15.87	12.46	5.10	4.75	19180.45
Telefonica	3.58	-0.01	4.15	3.49	8.55	13.00	22063.82
Sweden (SKr)							
AtlasCpcoB	145.60	-2.35	150.40	106.54	1.45	25.86	21481.2
Ericsson	55.53	-1.46	65.33	48.53	4.89	-7.74	16178.76
H & M	139.54	-1.68	189.58	119.92	4.48	37.53	18930.67
Investor	249.40	-0.70	250.25	187.66	1.73	6.41	42949.54
Nordea Bk	121.46	0.92	134.94	103.86	7.62	7.45	40428.69
SEB	149.00	0.05	151.40	105.20	4.55	8.43	29798.6
SvnskaHn	122.65	1.90	123.20	83.92	4.35	9.99	22545.82
Swedbank	213.40	-0.80	219.90	161.60	4.59	7.22	22833.46
Telia Co	24.40	-0.07	28.92	20.98	8.45	-6.22	9068.66
Volvo	264.55	1.35	264.85	188.96	2.66	12.05	39720.46
Switzerland (SFr)							
ABB	38.14	-0.29	38.60	29.13	2.21	19.66	80974.2
CredSuisse	0.82	0.01	5.86	0.66	11.88	-0.31	3611.19
Nestle	96.40	-0.40	116.84	95.41	3.01	27.11	290358.17
Novartis	88.02	0.34	94.52	69.89	3.64	24.92	226142.02
Richemont	132.70	-2.45	161.10	102.95	1.74	19.87	80475.09
Roche	228.50	1.00	293.55	222.75	4.08	16.96	181099.42
Swiss Re	101.95	1.50	104.20	83.10	5.52	19.90	36515.15
Swisscom	500.80	3.30	619.40	493.90	4.31	15.85	29265.51
UBS	24.12	-0.38	26.55	14.38	2.35	2.47	83505.56
Zurich Fin	436.30	4.00	457.90	393.00	5.38	15.49	72034.54
Taiwan (NT$)							
Dunghwa Telecom	121.50	1.00	128.00	112.00	3.86	25.65	30037.46
Formosa PetChem	74.30	-1.70	90.00	71.60	1.48	67.42	22556.14
HonHaiPrc	101.50	-0.50	116.50	94.00	5.21	11.06	44842.62
MediaTek	937.00	1.00	1055	638.00	8.09	21.44	47766.68
TaiwanSem	646.00	11.00	647.00	489.00	1.74	19.26	533872.36
Thailand (THB)							
PTT Explor	35.00	0.25	36.50	29.50	4.34	10.11	27991.17
United Arab Emirates (Dhs)							
Emirtestele	24.30	0.70	38.98	11.60	2.93	24.15	57535.64
United Kingdom (p)							
Anglo American	1756	4.40	3340	1630	8.92	13.06	29598.1
AscBrFd	2242	-23.00	2485	1804.5	1.95	23.53	21354.78
AstraZen	9600	99.00	12828.45	9461	2.45	31.00	187532.36
Aviva	418.20	-3.30	467.30	366.00	7.41	-21.12	14436.88
Barclays	140.48	-2.40	198.86	128.12	5.48	4.16	26850.79
BP	479.75	0.30	567.70	378.50	4.52	4.22	103037.92
BrAmTob	2408.5	-26.50	3242.5	2233	9.31	6.22	67876.6
BT	102.30	-2.20	161.40	101.70	7.53	5.41	12826.6
Compass	2185	-15.00	2250	1862	1.70	29.02	47010.41
Diageo	2860.5	-30.00	3779.5	27.11	2.71	17.40	80524.07
GlaxoSmh	1641.8	15.40	1674.4	1302.6	3.38	11.09	85170.48
Glencore	392.70	-1.55	529.30	383.00	7.08	6.57	60376.32
HSBC	610.50	2.10	665.60	512.30	5.33	6.47	146994.61
Imperial Brands	1883.5	-12.50	2084	1553.5	7.53	7.51	20824.06
Jardine Mathes	62.50	-	51.85	40.80	3.48	37.09	18050.97
LlydsBkg	41.19	-0.22	54.04	39.42	6.12	4.38	32991.79
LSE Group	8824	-60.00	9438	7142	1.21	73.17	58115.85
Natl Grid	997.00	-5.00	1229.21	918.00	5.18	13.51	46733.08
Natwest Group	204.40	-3.30	307.10	168.00	7.58	4.20	22543.89
Prudential	790.80	-21.60	1330.5	767.80	1.87	7.97	27401.07
ReckittB	5712	-44.00	6570	5306	3.21	18.46	51305.04
RELX	3265	-70.00	3379	2395	1.67	35.80	77464.47
RioTinto	5286	-69.00	6308	4509.5	7.26	12.75	83358.46
RollsRoyce	306.30	-2.80	325.70	106.48	-	15.53	32486.94
Shell PLC	2488.5	-7.00	2801	2149.45	3.39	7.70	203302.35
StandCh	577.60	-4.00	799.40	571.00	2.84	10.91	19397.85
Tesco	273.70	-5.90	307.23	217.53	3.98	13.94	24277.34
Unilever	3992.5	-0.50	4868.64	3680.5	3.73	14.27	125728.74
Vodafone	64.15	-0.10	103.24	62.71	12.17	1.95	21890.11
WPP	755.60	-22.40	1082	7.24	5.21	15.48	10234.23
United States of America ($)							
21stC Fox A	29.62	-0.82	37.26	28.52	1.78	14.00	7089.02
3M	92.21	-2.42	115.62	85.35	6.71	-6.71	50964.47
AbbottLb♦	111.87	-0.66	115.83	89.67	1.74	38.52	194212.69
Abbvie♦	172.97	-0.10	175.91	130.96	3.49	45.90	311346
Accenture♦	364.87	-2.56	374.00	242.80	1.27	33.97	243190.07
Activision Bli.	94.42	-0.05	94.57	70.94	-	36.23	74289.5
Adobe	603.13	-8.71	634.59	318.60	-	54.54	272614.76
Advanced Micro	171.19	-0.72	180.01	75.92	-	4318.17	273904
AEP	78.33	0.74	96.05	69.38	4.14	20.58	41191.84
Aflac	78.07	-0.45	84.99	60.20	2.20	10.36	45619.62
AirProd	219.18	-3.41	307.71	212.24	3.24	20.61	48723.94
Allstate	157.62	-1.71	168.05	100.57	2.31	-19.11	41245.81
Alphabet	145.32	-2.22	149.44	88.58	-	26.96	859974.17
Altria	40.12	-0.43	48.11	39.07	9.78	7.93	70958.1
Amazon	169.32	-3.02	175.39	88.12	-	85.86	1758791.4
AmerAir	14.62	-0.31	19.08	10.86	-	5.93	9554.89
AmerExpr	209.95	-2.31	214.25	140.91	1.40	19.06	151976.46
AmerIntGrp	69.83	0.10	70.30	45.66	2.01	11.74	49023.48
AmerTower	186.49	-5.29	219.10	154.58	2.60	120.42	86939.31
Amgen	290.26	-4.17	329.72	211.71	2.96	20.00	155340.77
Amphenol Corp	103.47	-1.56	105.66	72.00	0.84	32.33	62066.96
Analog Devices	185.65	-8.40	202.77	154.99	1.87	27.29	92052.62
Aon Cp♦	311.45	1.42	347.37	280.89	0.78	22.91	62357.38
Apple	185.41	-1.74	199.62	143.90	0.50	31.39	2863079.16
Applied Materi.	180.77	-4.78	188.21	109.00	0.67	21.46	150407.7
Aptiv	79.93	-3.85	124.88	71.01	-	24.44	22303.35
ArcherDan	53.35	-0.39	87.30	51.49	3.39	7.19	28455.94
AT&T	16.79	-0.24	19.99	13.43	6.83	-10.77	120013.09
Autodesk	257.53	-4.51	269.53	188.38	-	58.49	55089.61
AutomData	249.52	-0.55	256.84	201.46	2.07	28.70	102500.46
AutoZone	2717.57	13.69	2855.21	2277.88	-	19.86	46991.96
Avago Tech	1248	-17.00	1295.97	572.10	1.53	36.44	584239.43
BakerHu	29.05	-0.46	37.58	26.12	2.37	72.26	29070.6
Bank of NY	54.38	-1.24	56.05	39.65	2.90	12.34	41822.05
BankAm	32.86	-0.76	35.99	24.96	2.83	8.92	260045.23
Baxter	39.71	-0.60	50.21	31.01	3.02	83.61	20165.83
BectonDick	241.30	-2.08	287.32	228.62	1.56	45.83	69710.66
BerkshHat	594634.99	-2457.01	601000	442363.5	-	10.94	339968.28
Biogen	229.47	-15.27	319.76	220.86	-	22.09	33249.77
BlackRock	784.84	-16.92	819.00	596.18	2.62	32.63	116754.74
Boeing	205.05	-4.28	267.54	176.25	-	-27.58	125108.22
Booking Holdings	3750.86	-39.37	3844.76	2366.59	-	25.70	130866.89
Bristol-Myers	48.55	-1.21	73.47	47.58	4.85	11.93	98777.31
Broadcom	1248	-17.00	1295.97	572.10	1.53	36.44	584239.43
Cadence Design	295.85	-10.73	315.70	183.80	-	81.64	80489.54
CapOne	133.43	-4.05	138.03	83.93	1.86	9.68	50816.38
CardinalHlth	104.27	0.65	108.85	68.53	1.97	165.57	25361.92
Carnival	15.12	-0.38	19.74	8.37	-	-11.78	16920.41
Caterpillar♦	314.02	-7.61	334.87	204.04	1.61	17.24	159667.58
Centene Corp	77.35	-0.56	79.83	60.83	-	16.61	41320.45
CharlesSch	62.67	-1.83	81.56	45.00	1.49	18.38	111031.29
Charter Comms	292.11	-5.80	458.30	279.84	-	9.24	42421.81
Chevron Corp	151.14	-0.94	173.51	139.62	4.06	10.87	285314.33
Chipotle Mexic.	2633.36	25.13	2725.83	1470.05	-	60.51	72209.81
Chubb	246.62	-1.39	250.31	183.40	1.35	17.72	100618.47
Cigna	338.35	1.10	341.96	240.50	1.38	15.63	99007.97
Cintas Corp	610.86	-2.83	626.18	425.00	0.81	44.47	61923.46
Cisco	49.37	-0.63	58.19	45.56	3.26	14.36	200593.48
Citigroup	52.62	-1.30	56.59	38.17	4.04	8.09	100708.47
CME Grp	206.89	0.07	223.80	174.01	4.17	25.52	74478.3
Coca-Cola	58.88	-0.83	64.99	51.55	3.19	23.09	254541
Cognizant	75.60	-0.93	78.93	56.45	1.56	17.86	37906.79
ColgtPlm	83.03	-0.54	86.14	67.62	2.26	46.79	68360.48
Comcast	41.78	-0.84	47.46	34.63	2.82	11.27	165529.8
ConocPhil	110.73	-0.37	127.35	91.53	4.23	11.68	131481.68
Constellation♦	245.20	-1.88	273.65	210.15	1.41	28.56	44821.68
Corning	31.38	-0.80	36.02	25.26	3.47	42.78	26772.63
Corteva	53.99	-1.06	64.23	43.22	1.10	34.69	37885.76
Corteva	53.99	-1.06	64.23	43.22	1.10	34.69	37885.76
Costco	719.02	-3.40	728.17	465.33	0.55	49.24	319047.39
CrownCstl	105.15	-3.04	142.86	84.72	5.81	26.99	45602.38
CSX	36.58	-0.29	37.37	27.60	1.21	18.75	72287.07
CVS	76.39	-0.90	90.58	64.41	3.20	11.33	96132.96
Danaher	243.19	-3.65	249.89	182.09	0.42	28.80	179695.99
Deere	380.65	-8.74	450.00	345.55	1.38	10.58	106679.23
Delta	39.98	-0.60	49.81	30.60	0.26	7.31	25725.67
Devon Energy	41.96	-0.28	64.40	40.47	10.65	5.78	26883.77
Digital Realty	141.85	-1.95	148.09	86.33	3.55	47.54	42959.57
DiscFinServ	108.35	-2.15	122.50	79.04	2.48	7.77	27093.78
Disney	110.28	0.99	112.77	78.73	-	82.80	202286.85
Dollar General	132.43	-3.71	233.74	101.09	1.82	14.67	29068.02
DominRes	43.96	-1.27	59.32	39.18	6.02	16.42	36781.4
DukeEner	90.90	-1.75	100.44	83.06	4.38	19.64	70057.7
DuPont	66.91	-1.57	78.74	61.20	2.04	33.25	28771.99
Eaton	270.49	-3.56	278.58	155.38	1.29	35.07	108006.66
eBay	41.51	-1.99	49.66	37.17	2.24	17.67	21541.1
Ecolab	219.46	16.48	220.90	144.39	0.95	53.87	62575.36
Edwards Lifesc.	87.36	0.24	94.87	60.57	-	39.00	52983.84
Elevance	508.24	3.00	513.23	412.00	1.16	19.15	119435.23
Eli Lilly	739.50	2.24	745.70	309.20	0.57	103.91	702012.7
Emerson	104.25	-0.03	105.71	76.94	1.97	18.90	59599.73
EOG Res	111.98	-0.87	136.79	98.52	2.97	8.05	65301.09
Equinix	835.25	-14.73	859.72	661.66	1.65	87.06	78415.78
EquityResTP	57.79	-1.41	69.45	52.57	4.67	32.23	21944.3
Exelon	33.85	-0.53	43.71	33.35	4.08	15.96	33695.56
ExxonMb	101.55	-0.67	120.70	95.77	3.52	8.20	402434.31
Fedex	237.46	-6.98	285.53	190.83	2.02	14.15	59339.48
Fidelity NIS	61.20	-1.12	69.65	46.91	3.21	-1.57	36260
Fiserv	-	-	-	-	-	-	-
FordMtr	12.60	-0.38	15.42	9.63	4.72	12.34	49175.04
Franklin	26.84	-1.27	31.93	21.88	4.62	15.11	14132.81
GenDyn	267.18	-2.26	271.37	202.35	2.02	21.62	73201.76
GenElectric	140.28	0.11	140.82	81.08	0.24	14.14	152671.54
GenMills	62.78	-0.31	90.89	60.33	3.58	15.34	35649.92
GenMotors	36.15	-1.13	43.63	26.30	0.94	5.38	44041.63
GileadSci	73.47	-0.99	87.87	72.81	4.19	15.24	91540.47
GoldmSchs	380.40	-12.24	396.35	289.36	2.61	16.33	124053.18
Halliburton	34.36	-0.18	43.85	27.84	1.62	12.79	30579.44
HCA Hold	306.09	-4.07	314.82	215.96	0.75	15.26	81928.29
Hew-Pack	27.98	-0.71	33.90	25.22	3.90	8.26	27725.45
Hilton Worldwi.	188.22	-5.35	198.15	129.86	0.33	36.83	47461.65
HiltonWwde	188.22	-5.35	198.15	129.86	0.33	36.83	47461.65
HomeDep	358.56	-6.89	368.72	274.26	2.37	22.13	356861.09
Honywell	194.53	-2.82	210.87	174.88	2.07	24.29	128244.03
Humanalnc	367.38	-1.77	541.21	358.64	0.90	13.80	45227.8
IBM	184.14	-2.02	187.51	120.55	3.56	79.05	168141.66
IDEXX Laborato.	555.63	-9.94	579.68	372.50	-	59.44	46172.44
IllinoisTool	252.56	-3.86	265.00	217.06	2.18	23.75	75464.93
Illumina	134.80	-5.16	238.55	89.00	-	-5.11	21406.24
IntcntlExch	134.96	-0.50	136.22	94.16	1.25	30.33	77280.31
Intel	43.39	-0.64	51.28	24.73	2.33	-107.76	183452.92
Intuit	639.80	-17.19	662.83	384.05	0.53	67.48	179080.02
John&John	156.69	-1.16	175.97	144.95	3.06	28.47	377196.49
JohnsonCn	54.18	-1.28	70.43	47.90	2.62	18.34	36922.43
JPMrgnCh	174.71	-1.08	176.81	123.11	2.27	11.34	502581.02
Kimb-Clark	118.38	-1.69	147.87	116.32	4.10	22.05	39880.23
KinderM	16.61	-0.17	18.51	15.89	6.96	14.76	36920.28
KLA Corp	644.00	-4.05	657.56	355.88	0.83	27.90	87090.47
Kraft Heinz	36.10	-0.26	41.47	30.68	4.39	14.23	44278.05
Kroger	45.60	-0.25	50.36	42.10	2.44	17.08	32802.11
LasVegasSd	54.19	-0.27	65.58	43.77	0.38	60.33	40838.75
LibertyGbl	18.83	-0.32	21.53	15.01	-	-1.71	3227.07
Lilly (E)	739.50	2.24	745.70	309.20	0.57	103.91	702012.7
Linde	416.63	-2.98	434.21	319.23	1.24	33.38	202019.92
Lockheed	426.52	-1.56	508.10	393.77	2.90	15.12	103064.49
Lowes	226.80	-3.07	237.21	181.85	1.97	16.75	130432.66
Lyondell	94.27	-2.23	102.05	81.24	5.34	13.06	30577.58
Marathon Ptl	170.16	1.27	173.33	104.32	1.82	6.22	64609.29
Marsh&M♦	195.55	-0.64	202.81	151.86	1.37	27.29	96420.32
MasterCard	461.39	2.68	462.24	340.21	0.49	38.96	429294.79
McDonald's	288.03	-1.41	302.39	245.73	2.04	26.78	208920.26
McKesson	504.16	9.68	519.75	331.75	0.46	19.31	66250.14
Medtronic	84.34	-0.74	92.02	68.84	3.37	26.37	112136.4
Merck	124.85	-0.50	128.06	99.14	2.41	67.18	316360.11
Meta	464.76	-4.15	479.15	167.66	-	39.73	1022483.73
Metlife♦	67.50	-1.06	73.12	48.95	3.12	-163.44	49959.14
Microsoft	407.88	-7.38	420.82	245.61	0.69	38.28	3030726.33
Mnstr Bvrg	56.17	0.24	60.47	47.13	-	36.88	58441.59
Mondelezlnt	72.32	-1.18	78.59	60.75	2.26	20.97	98419.97
Monsanto	10.07	0.02	11.13	9.56	-	51.84	251.75
MorganStly	84.51	-2.36	100.99	69.42	3.88	14.62	138707.24
Netflix	556.03	-1.83	575.75	285.33	-	53.75	240625.38
NextEraE	55.38	-2.18	79.78	47.15	3.41	14.15	113613.32
Nike	105.00	-2.18	128.68	88.66	1.32	30.75	128521.35
NorfolkS	251.00	-2.93	256.36	183.09	2.18	26.63	56695.13
Northrop	447.66	-3.81	496.89	414.56	1.66	14.26	67164.98
NXP	233.63	-3.05	241.26	155.31	1.72	20.99	60221.24
Occid Pet	57.56	-0.47	67.67	55.12	1.20	12.15	50674.15
Oracle	113.62	-2.22	127.54	82.04	1.33	31.53	312332.52
Pepsico	167.72	-2.89	196.88	155.83	2.97	27.08	230519.28
Perrigo	32.04	-0.36	40.28	26.81	3.48	387.94	4341.63
Pfizer♦	27.12	-0.55	44.20	25.76	6.21	14.35	153102.5
Phillips66	145.60	1.15	149.52	89.74	2.92	8.52	64057.53
PhilMorris	89.01	-0.99	103.79	87.23	5.93	16.74	138179.66
PNCFin	144.85	-4.29	161.78	109.40	4.31	9.74	57699.71
PPG Inds	138.67	-2.23	152.89	120.33	1.87	22.50	32698.39
ProctGmbl♦	156.36	-0.75	159.83	136.10	2.45	24.59	367918.37
Prudntl	105.18	-2.05	109.63	75.37	4.86	28.78	37969.98
PublStor	275.76	-5.56	316.48	233.18	4.12	24.48	48492.1
Qualcomm	150.47	-2.63	154.76	101.47	2.13	22.35	167925.86
Raytheon	90.50	-0.64	104.91	68.56	2.60	40.39	120077.83
Regen Pharm	944.88	-2.18	964.93	684.81	-	26.10	101993.89
S&P Global	423.92	-5.62	461.16	321.15	0.86	53.39	133151.7
Salesforce	282.59	-4.73	295.24	159.66	-	103.47	273547.12
Schlmbrg	47.56	-0.59	62.12	42.73	2.01	15.99	67679.76
Sempra Energy	68.96	-1.71	80.16	63.75	3.53	15.47	21704.8
Shrwin-Will	307.09	-3.33	314.14	205.43	0.81	31.85	78604.63
SimonProp	142.29	-3.41	147.49	100.17	5.33	20.45	46420.74
SouthCpr	78.40	-1.88	88.40	64.66	4.61	20.41	60611.86
Starbucks♦	94.37	-1.10	115.48	89.21	2.32	25.53	106845.71
StateSt	71.66	-1.95	94.74	62.78	3.72	10.09	22111.55
Stryker	340.98	-0.11	346.59	249.98	0.91	49.00	129551.26
Sychrony Fin	38.71	-0.82	39.73	26.59	2.51	6.90	15748.92
T-MobileUS	160.21	-1.55	165.95	124.92	-	24.10	190148.05
Target	146.02	-3.38	177.29	102.93	3.09	17.91	67411.86
TE Connect	141.11	-2.19	146.60	115.00	1.68	22.74	43855.43
Tesla Mtrs	184.13	-4.00	299.29	152.37	-	57.53	586415.46
TexasInstr	158.04	-3.04	188.12	139.48	3.05	19.14	143703.82
TheTrvelers	212.91	-1.78	216.56	157.33	1.87	22.27	48628.53
ThrmoFshr	542.15	-4.71	593.17	415.60	0.26	34.41	209471.75
TJX Cos	97.81	-0.27	99.45	72.92	1.33	26.61	111471.79
Truist Financial Cp	34.56	-1.44	49.32	25.56	6.21	8.41	46111.57
Twitter	53.70	0.35	60.16	31.30	-	-402.23	41093.72
UnionPac	245.16	-2.24	251.65	183.69	2.19	22.79	149493.15
UPS	144.45	-3.00	197.80	133.68	4.31	12.64	104473.61
USBancorp	39.89	-1.18	49.29	27.27	4.97	11.53	62109.54
UtdHlthcre	520.84	3.20	554.70	445.68	1.30	23.52	481738.09
ValeroEngy	142.57	0.04	152.20	104.18	2.93	4.71	48538.38
Verizon	39.80	-0.30	42.72	30.14	6.50	8.03	167348.96
VertexPharm	417.73	-0.80	443.82	283.60	-	30.38	107642
VF Cp	16.17	-1.28	28.08	12.85	9.87	54.36	6285.21
Visa Inc	277.75	2.68	279.66	208.76	0.67	32.49	439286.68
Walgreen	21.64	-1.00	37.13	19.68	8.83	32.93	18657.49
WalMartSto	169.76	-0.55	171.07	136.09	1.39	27.20	457020.13
Walt Disney	110.28	0.99	112.77	78.73	-	82.80	202286.85
Waste Manage.	197.08	8.82	199.09	148.31	1.44	33.79	79378.98
WellsFargo	48.25	-0.67	50.77	35.25	2.67	10.20	175226.82
Williams Cos	34.26	-0.30	37.45	27.80	5.05	15.50	41671.16
Workday	298.02	-1.07	308.95	174.06	-	1195.76	62286.18
YumBrnds	130.30	-1.06	143.25	115.53	1.89	23.99	36524.16
Zoetis♦	188.08	-8.61	201.92	151.03	0.74	39.95	86350.1
Zoom	63.53	-0.95	80.80	58.87	-	80.49	16377.18
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

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Softbank	8492.00	7991.00	501.00	6.27	1333.00	27.5	32.44
MitsbCp	2889.50	2770.00	119.50	4.31	235.00	14.0	19.68
Disney	110.28	109.29	0.99	0.91	10.00	11.1	22.13
Walt Disney	110.28	109.29	0.99	0.91	10.00	11.1	22.13
SBI NewA	713.45	707.90	5.55	0.78	64.95	11.0	12.60
TokioMarine	4277.00	3853.00	424.00	11.00	-12.00	10.7	15.34
Emerson	104.25	104.28	-0.03	-0.03	10.02	10.6	9.79
Fuji Hvy Ind	3348.00	3210.00	138.00	4.30	182.00	10.6	17.59
Toyota	3456.00	3323.00	133.00	4.00	188.00	10.2	21.71
Ecolab	219.46	202.98	16.48	8.12	3.03	9.8	10.33
[illegible]							

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
MollerMrsk	10855.00	11005.00	-150.00	-1.36	-1885.00	-15.8	-16.79
Equinor	271.45	277.95	-6.50	-2.34	-30.60	-12.0	-13.83
Bradesco	12.40	12.52	-0.12	-0.96	-1.12	-9.1	-15.65
AstraZen	9600.00	9501.00	99.00	1.04	-1033.00	-8.9	-11.60
Amgen	290.26	294.43	-4.17	-1.42	-21.64	-8.2	-5.29
ITC	406.75	406.85	-0.10	-0.02	-31.20	-7.1	-12.85
ShenwanHong	0.07	0.07	0.00	-1.52	0.00	-7.1	-8.45
Natwest Group	204.40	207.70	-3.30	-1.59	-12.30	-7.1	-3.77
Illumina	134.80	139.96	-5.16	-3.69	-4.93	-7.0	-2.40
Prudential	790.80	812.40	-21.60	-2.66	-36.80	-6.9	-3.94
[illegible]							

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Feb 13	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	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
[illegible]										

BONDS: GLOBAL INVESTMENT GRADE

Feb 13	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	6.60	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										
[illegible]										

INTEREST RATES: OFFICIAL

[illegible]

INTEREST RATES: MARKET

[illegible]

BOND INDICES

[illegible]

VOLATILITY INDICES

[illegible]

BONDS: BENCHMARK GOVERNMENT

[illegible]

GILTS: UK CASH MARKET

[illegible]

GILTS: UK FTSE ACTUARIES INDICES

[illegible]

COMMODITIES

[illegible]

BONDS: INDEX-LINKED

[illegible]

BONDS: TEN YEAR GOVT SPREADS

[illegible]

Tradeweb

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

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Moments frozen on 8mm film and recycled photographic relics are on show in a wistful New York exhibition, writes Ariella Budick

Vintage images mined for new meaning

A photograph is instantly nostalgic, capturing a time that starts deliquescing even before the shutter completes its snap. You can look at a picture from 30 seconds ago and immediately start remembering. *Don't Forget to Call Your Mother*, the Metropolitan Museum's latest love letter to the mnemonic power of photography, amps up that effect — or tries to.

This sporadically successful show gets it exactly right with Larry Sultan's enigmatic wall of prints, which vibrates with refined ambivalence. Sultan plucked each image from his family's home movies, an anthology of mid-20th-century leisure preserved on 8mm film. In the grainy textures and light-washed colours of the 1960s, a young mom cradles her baby by a waterfall. Dad pushes a brand-new lawnmower over emerald grass. Here, a boy in an orange life vest scuttles on to an inflatable raft. There, he hurls himself through a hoop held by an adult's hand. We witness picnics and trips to Disneyland — all the recorded rituals of the suburban middle class, or those who ache to belong. Similar films lurk in the attics of millions of families, uniting Americans across ethnic, political and regional divides.

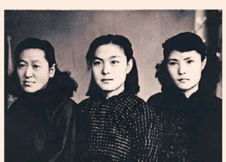
To the adult Sultan, revisiting that footage allowed him to understand his family's move from a five-storey walk-up in pre-gentrified Brooklyn to California as an almost mythic journey. "The home movies seem to me the visions that a family in Flatbush, New York dreamt up," he has said. "If you took all our hopes and projected them on to emulsion, it would look like those movies." The Sultans were the dramaturges of their own lives, and the lawn was their stage.

Snapshots are often posed, composed and intentionally artificial; home movies, on the other hand, follow the flow of movement and mood, the transitions from self-conscious clowning to flickering distraction. Those unguarded moments are the ones that interested Sultan, and it's there that he went hunting for single frames to extract. In one, the boy — Larry himself, presumably — clutches his lower back like an old man who's just levered himself out of an armchair. In another, his mother claps her palms to her cheeks in exasperation, pantomiming "The Scream".

A viewer might miss one of these 16ths of a second when they slip by on a projector, but in Sultan's selection each one becomes the main event. The stills pick up disquiet, tension and the slight taint of unhappiness. They are acts of retrospective investigation.

"I am still caught in that longing for that same utopia my parents were longing for by coming out west," Sultan has said. "And I'm caught between knowing better and still desiring that security and some past that doesn't exist except in home movies."

That mixture of feelings, preserved on now-archaic film and printed on paper, yields a perfect fusion of subject matter, medium and technique.



Above: Larry Sultan, 'Untitled Film Still' (1989). Left: Hai Bo, 'They No 7, Three Sisters' (2000)

Unfortunately, the rest of the exhibition doesn't live up to Sultan's standard. *Don't Forget to Call Your Mother* focuses on artists who recycle found pictures, treating them as relics and looking for ways to wring new meaning from them. It tries to capture the plaintive wistfulness encased in obsolete media. In practice, though, most of the works here do the job meagrely or not at all.

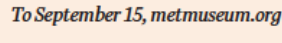
A two-pronged piece by Sophie Calle consists of a picture she took of a white terry cloth bathrobe and a printed first-person narration of her memories — or, possibly, inventions. Calle doesn't evoke the past so much as confuse it, mixing what was with what might have been. Annette Messager did use found images early on, but for "My Vows", she shot and arranged countless tiny photos of mouths, ears, hands and breasts into a vague thesis about the compound nature of identity. A photograph by Maurizio Cattelan of a red neon bar sign spelling out the show's title seems neither salvaged nor old, or even especially wistful.

At least we get a strong pair of pictures by Sheng Qi, who fled China after the 1989 Tiananmen Square massacre. Before leaving, he chopped off the pinky of his left hand and buried it in a flowerpot, an act of public despair and disgust. Here, we see two views of his mutilated hand against a communist-red ground. In one, the upturned palm cradles a miniature black-and-white headshot of himself as a child in a worker's cap, a young soldier of the Cultural Revolution. In the other, the same hand proffers a picture of Mao. The diptych collapses recent events with more remote history, mixing the intimate with the epic and violence with nostalgia.

The show eloquently contrasts the way memory and aspiration interacted differently during the last century in China from the way they did in the west. Instead of copious images of intergenerational bougie fun, we get sober mementoes of national horror. In his series *They*, Hai Bo pairs decades-old formal portraits with recent photos of the same people, and the juxtaposition does something more poignant than just draw attention to the sitter's wrinkles.

A pigtailed teenager in the cap and tunic of the Red Guards stands facing the camera head-on in 1968, a proud half-smile on her face and Mao's Little Red Book in her grip. Three decades later, there she is again — still black-haired and mildly amused, if a little more hunched — in a sleeveless flowered dress. She is no longer off to make history or build a nation; rather, we see that she has survived an era of murderous idealism with her good humour intact.

Other pictures in the series are less upbeat. In "They No 7, Three Sisters", a trio of girls in the 1970s adopt severe expressions that let a girlish glow shine through. In the companion piece, that sense of suppressed energy is utterly gone, and so is one of the siblings. Of the two who remain, the one on the right with the high cheekbones and luscious coiffure has aged into a gaunt sage with a haunted look. Time, that sinister sculptor, pocks and gouges the body, turning each of Hai Bo's subjects into a breathing memento mori. At its best, *Call Your Mother* is a hymn to the momentous events we miss or misunderstand, the changes we fail to track, the clarity that comes from seeing the ordinary tinged with melancholy.



To September 15, metmuseum.org

Left: Sheng Qi, 'My Left Hand (Mao)' (2000). Right: Hank Willis Thomas, 'Kama Mama, Kama Binti (Like mother, Like daughter)' (1971/2008)

Miller's 'Barber' is still a cut above

OPERA/CLASSICAL

The Barber of Seville
Coliseum, London

BBC Symphony Orchestra/Wong
Barbican, London

Richard Fairman

As English National Opera gets down to its spring season, a cloud of unresolved problems continues to hang over the company. Just before Christmas there was an announcement that it had chosen Greater Manchester to be the new base outside London that Arts Council England was demanding, but that leaves as many questions as before.

Are the orchestra and chorus expected to up sticks to the north? Even if they do, who will sing and play for the seasons that will continue at the London Coliseum? Surely the whole reason the Arts Council stopped ENO touring in the 1970s was that it was too costly to move a full-scale opera company around the country?

In the meantime, spurred on by the very real possibility that ENO could be gone for good, its audience has returned in droves. There were long queues for the bars at this revival of Rossini's *The Barber of Seville* in Jonathan Miller's production, first seen as long ago as 1987.

Although it shows its age, Miller's *Barber* is true to the work, a sure-fire evening's entertainment. It also presents one of the reasons why ENO is worth saving. Put the show in Italian in front of a first-time opera-goer and it can seem like a comedy with not many laughs. Sing it in English and it is evident how well scripted and witty it is.

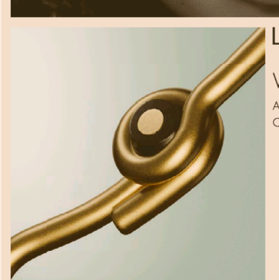
At least one member of the cast at this revival knows exactly what to do. Simon Bailey, fresh from his success in ENO's *The Rhinegold*, sings fusty old Dr Bartolo with resonant tone, bags of character and, crucially, immaculately clear words. Every comic line hit its target.

Although this is not at all a classic cast, each singer has something to commend them. Anna Devin offers vocal agility as Rosina. Innocent Masuku sings Count Almaviva with a slim, light tenor, best heard in lyrical passages. Charles Rice has the right brightly focused baritone, with ringing top notes, as Figaro. Alastair Miles, though a touch woolly of voice, plays an amusingly saturnine Don Basilio, and ENO star-of-years-past Lesley Garrett adds a welcome cameo as Berta. Roderick Cox conducts. ★★★☆☆
To February 29, londoncoliseum.org

A few days earlier an adventurous concert by the BBC Symphony Orchestra also looked to the future of music in Manchester. Singapore-born conductor Kahchun Wong is due to take up the post of principal conductor with the Hallé Orchestra later this year and this programme, featuring two pieces of Japanese music, gave a taste of what might be ahead.

Tōru Takemitsu's well-known *Requiem for String Orchestra* (1957), an essay in spare threnody, was paired with the first UK performance of *Prayer* (2021-22) by Toshio Hosokawa. A solo violin acts as a shaman figure imagining the prayers of statues of Buddha as the violent struggles of man eventually find peace in the purification of nature. Sayaka Shoji was the finely judged soloist, surrounded by the Modernist clouds of sound in the orchestra. The music is interesting as texture, less so as content. The concert ended with Shostakovich's Symphony No 5, weighty, serious, but lacking in punch and excitement. ★★★☆☆
barbican.org.uk

Anna Devin in 'The Barber of Seville'
Clive Barda/ArenaPAL



LINDBERG
Visionary by design
Aliana wears Spirit Titanium.
Crafted in Denmark.

FT BIG READ. CLIMATE CHANGE

Rising home insurance premiums are a de facto 'carbon price' on consumers as extreme weather events become more frequent and providers pull out of affected areas.

By Ian Smith, Attracta Mooney and Aime Williams

The uninsurable world

Global warming is making extreme weather events more common and therefore harder for the insurance sector to cover. Below right: property damaged by a tornado last year in Virginia Beach, on the US east coast

FT montage/AP/Chip HIRES/Gamma-Rapho/Getty Images

Michael Heffner had owned his detached house a short drive from the seafront in Virginia Beach, on the US east coast, for exactly one year when his home insurer abruptly cancelled coverage.

"They just dropped me," says Heffner, a US navy officer. "There was no, 'Hey, do you want to stay on with us if we charge more?' Nothing."

Scrambling to find a new insurer, he found his existing premium of about $1,200 a year impossible to replicate. Instead, he received quotes ranging from $2,000 to $3,200.

Local insurance brokers say they have seen a jump in calls from homeowners in search of cover as companies pull out of certain neighbourhoods. "A lot of people are hurting right now, rates are going up and up," says Kevin Torcia, a broker at Goosehead Insurance in the area.

Last year was the worst he had seen "in the last 15 years, easily", he adds. Torcia helped about 70 jilted customers shop around for home insurance, up from a dozen the previous year.

Heffner and millions of other homeowners worldwide are on the front line of an insurance affordability crisis. Global warming is making extreme weather events such as storms, floods and wildfires more frequent and severe, and therefore increasingly difficult for the sector to cover.

As firms exit some areas and demand higher premiums in others, affordable home insurance cover — for many an essential annual outlay, often a condition of their mortgage debt — is getting harder to secure.

The global picture explains why. A run of four consecutive years when overall insurance losses from natural catastrophes have topped $100bn, previously the mark of a remarkably bad year, has spooked executives.

In the US, a repricing of risks has sparked a significant rise in premiums. Several big US insurers, including State Farm and The Hartford, have paused their underwriting of new home policies in the state of California. A significant factor has been a sharp rise in the cost of property catastrophe reinsurance, or insurance for insurance companies.

European executives also warn that insurance prices will have to rise after a series of extreme weather events on the continent. In Australia, the biggest yearly price rise in two decades left 1.24mn households facing "home insurance affordability stress", up from 1mn the year before, according to the country's Actuaries Institute.

All this is adding greater urgency and attention to a challenge long predicted by environmental activists: that climate change will make parts of the world uninsurable.

Senior industry executives are now unambiguous in making a link between global warming and the insurance affordability problems. "This is the first time we actually bring a climate change bill back to the consumer, if you think about it," Christian Mumenthaler, chief executive of Swiss Re, one of the world's biggest reinsurers, told Davos delegates in January. Rising insurance premiums were a kind of carbon price on consumers, he said, with higher costs resulting from "us living the way we've been living". He added: "But of course [consumers] don't like it and the politicians don't like it."

Insurance executives frequently highlight how the sector has modelled climate risks for decades. But speaking privately, some senior figures say the industry fell behind when it came to understanding the threat to affordability from climate effects.

"The insurance industry had its head in the sand around climate change," says the chief executive at one big insurer, speaking on condition of anonymity. "It's a gigantic pain and it tried to avoid it. It will spend the next few years [looking at it] and it will figure out how to do things better."

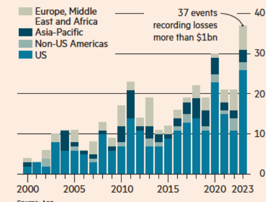
Last year saw a record-breaking number of natural catastrophes causing at least $1bn in insurance losses: 37 separate events, according to data from insurance broker Aon.

That included 25 so-called severe convective storms, of which 21 were in the US. It is the growing weight of events such as storms and wildfires — and the broadening of the areas that are exposed to them — that is raising anxiety in the sector, and changing the way risk is viewed.

Severe thunderstorms are the kind of event that insurers traditionally labelled "secondary perils", since they do not bring the massive loss of an earthquake or hurricane.

"We no longer can call such events secondary," says Ernst Rauch, chief climate scientist at Munich Re, the world's biggest reinsurer by premium revenue. "They have reached in the aggregate the order of magnitude of a major hurricane, or tropical cyclone, or winter storm."

Looking at its data over decades, there is "a significant upward trend" in the US and Europe of such claims, Rauch adds, even accounting for inflation in rebuilding costs due to things such as labour and materials becoming more expensive. The science "explains very well" that the heat and moisture in the atmosphere leads to higher frequency and intensity of such thunderstorms, he says.



Last year had a record number of billion-dollar insured losses from extreme weather

Source: Aon

Some executives in private partially put some blame on the risk-modelling companies the insurers lean on to forecast losses, saying that the effects of climate were underplayed.

The dramatic pullback in the reinsurance market after years of underperformance has added to the urgent sense among insurers that they must reprice.

The cost of property catastrophe reinsurance cover, which they use to share the burden of natural disaster claims, is at its highest in a generation. Reinsurers have also sharply raised their so-called attachment points — the level of losses that need to be reached for the reinsurance to kick in.

That has left more risk with primary insurers. Dean Klisura, head of reinsurance broker Guy Carpenter, told analysts in January that attachment points "did not come down" in crucial turn-of-the-year negotiations and that continued to "expose [insurers'] balance sheets to attritional volatility".

Such a trend could test the sector's limits, some say. If yearly losses stick above the $100bn level, and firms are forced into further price rises and pullbacks to protect their balance sheets, it could "harm the whole proposition of the insurance sector to society", says one reinsurance chief executive. There will be growing "patches" where buying insurance is uneconomical, Swiss Re has predicted.

While shareholders apply pressure on companies to bolster their profits, politicians are insisting insurers keep cover available. "The increased risk of disaster events due to climate change no doubt poses a significant hurdle for insurers across the country, however, it is an unacceptable outcome to leave millions uninsured because of shifts scientists have been predicting for decades," Democratic Congresswoman Maxine Waters wrote to the US federal government last year in response to the California departures.

In some areas, the question of whether the private insurance sector alone can handle the cost of extreme weather has already been answered. In the US, UK and other countries, a patchwork of state-backed insurers and national reinsurance schemes means that the taxpaying public is already sharing the cost of these risks.

The numbers of households supported by such schemes is ballooning. Florida's state-backed insurer of last resort, Citizens, stood at 1.2mn policyholders at the end of last year, up from less than 450,000 in early 2020. Homeowners supported by California's pared-back Fair Plan more than doubled between 2018 and 2022, surpassing 270,000, in response to worsening wildfires and cancellations by traditional insurers.

The UK's Flood Re reinsurance scheme stood behind more than 260,000 home insurance policies last year, up from 150,000 back in 2018.

The optimistic view in many parts of the industry is that private sector provision will rebound. A combination of rising prices, investment in catastrophe prevention measures and regulatory reforms will — especially if lower loss years are experienced — allow insurers to take back more customers. Private insurers did recoup some policies from Florida's Citizens in recent months.

But global regulators and policymakers are preparing for a more frightening future. Uninsurable properties could spill over into other areas, warned the Bank for International Settlements in a November paper, by making mortgages harder to secure and increasing banks' credit risks if homes are no longer eligible collateral.

The Bank of England warned in its 2021 climate survey that, in a scenario of governments failing to act on climate and global warming reaching 3.3C above pre-industrial levels by 2050, about 7 per cent of UK households currently covered would be forced to go without insurance due to unavailability or expense. In Australia, one in 25 homes will be in effect without cover by 2030, according to the Climate Council, an independent advisory body, which has said the country is "fast becoming an uninsurable nation".

> 'You are seeing increasing numbers of people not insured because they cannot afford the premium'

"You are seeing increasing numbers of people [globally] not insured because they cannot afford the premium," says Mia Mottley, prime minister of Barbados. "And it's not just people. You're seeing it with businesses and at some point it's going to become an issue with respect to access to and quality of their loans." Under-insurance is a vast problem in the island nation; 95 per cent of those affected by 2021's Hurricane Elsa did not have insurance.

Industry executives tend not to dispute that global warming is making extreme weather more frequent and severe. But there is strong debate over whether that is the significant factor driving up home insurance claims in recent years, rather than spiralling rebuild prices and other inflationary effects, as well as more building and settlement in at-risk areas.

> 'The insurance industry had its head in the sand around climate change. It's a gigantic pain and it tried to avoid it'

In the US, the situation is more acute because home insurers typically need to get their pricing signed off by local regulators, making it more difficult for them to charge prices that they deem commensurate with the risk. Insurers have explicitly linked their departures from certain areas to the need to be able to price for expected losses.

There are various legislative efforts at state level to improve operating conditions, such as legal reforms aiming to deflate claims costs. Policymakers are also giving the problem more attention. In November, the US Treasury for the first time requested granular data to assess the "increasing impacts" of climate change on household finances, citing "insurer pullbacks and significant premium increases in several states".

Senior industry executives fear that the relationship between insurers and regulators is weakening. Whether companies are pricing fairly is an important and long-running discussion between the parties. Eric Andersen, president at New York-listed broker Aon, says the relationship "is breaking down more and more".

The question now, say industry experts, is not whether governments will have to step in, but how much further they will have to go.

Already, a lot of tail risk is sitting with governments that have obligations to stand behind the various local and national programmes. Australia has launched a public scheme to absorb some cyclone-related risks. The UK's flood reinsurance scheme is due to expire in 2039, but increasingly executives expect it will have to continue beyond that date.

The affordability crisis has society-wide impacts. Growing costs are "having effects on the valuation of properties, the stability of markets, it's having all these downstream implications," says Steve Bowen, chief science officer at reinsurance broker Gallagher Re. "There are discussions now about where people are going to retire. Are they [still] going to Florida?"

The nature of insuring extreme weather is that losses from natural catastrophes will ebb and flow. Climate change is expected to add to the volatility. But experts say what matters most is the long-term trend. "As what's considered a normal year continues to be more expensive", says Bowen, "how does that new normal continue to be priced in?"

Insurers themselves stress both their societal role as a financial shock absorber for extreme events, but also their responsibility as prudent companies not to underprice those risks.

Prevention measures such as banning new homes on floodplains and investing in defences against floods and wildfires may be the only viable way of reducing the threat.

Increasingly, the challenge of insurance affordability becomes a "policy question," says Aon's Andersen. "Do you support people that can't afford the risk-based price? Or do you change [planning rules] so that you can't build in certain areas? Those are not questions that are going to be solved by insurers."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

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The plight of journalists in Gaza

More media workers have died in the conflict than in any country in a year

A devastating humanitarian crisis continues to deepen in Gaza. Four months after Hamas's assault on Israel killed at least 1,200 people, the death toll from Israel's retaliatory offensive in Gaza exceeds 28,000, according to Palestinian officials. With Israeli air strikes hitting Rafah over the weekend and warnings of a larger assault on the southern border city, where more than 1mn people forced from their homes are crammed, the already catastrophic humanitarian situation will only get worse. There are no safe places left in the strip, and the threat of famine and disease hangs over Gaza's 2.3mn population.

As the situation deteriorates, the role of the brave journalists informing the world of what is unfolding becomes ever more important. Yet they are also enduring incredible suffering and appalling losses. The Committee to Protect Journalists says more people engaged in journalism have been killed in the Israel-Hamas conflict than in a single country in any year since the group began tracking journalist killings in 1992.

As of last week, the CPJ says at least 85 journalists and media workers have been killed in the conflict since October 7. Four Israelis were killed in the initial Hamas assault; almost all the rest — 78 Palestinians and three Lebanese — were killed by the Israel Defense Forces, according to the CPJ. By comparison, 69 journalists were killed globally in 2022, including 15 in Ukraine.

At least some of the attacks are alleged to have been intentional. The CPJ and others cite "credible" reports by human rights and media organisations that IDF strikes in southern Lebanon on October 13 that killed a Reuters journalist, Issam Abdallah, and injured six others were unlawful and apparently deliberate. Israel has denied targeting civilians. Reporters Without Borders, another group, has submitted two complaints to the International Criminal Court regarding suspected war crimes against journalists in Gaza.

Journalists' deaths sit alongside those of doctors, aid and emergency workers, teachers and others vital to the functioning of Gazan society. In any conflict, reporters have a vital role in conveying the horrors to global audiences, including the decision makers who must lead the diplomacy to try to secure peace and the efforts to provide humanitarian relief. They often unearth the first details of crimes and atrocities that later form the basis of prosecutors' charges.

> These deaths sit alongside those of doctors, aid and emergency workers, teachers and others vital to the functioning of the strip's society

Since Israel is not allowing foreign journalists into Gaza except in occasional, carefully controlled trips with Israel's military, the world is dependent on local journalists to report what is going on. They are operating in some of the most extreme conditions ever experienced by conflict reporters. Many are now in Rafah. Like the vast majority of Gazans, most of the journalists are trapped inside the besieged strip as Israel refuses to grant permission for them to leave. They are not just working, but battling for their own and their families' survival.

In contrast to the immense difficulties faced by domestic and foreign reporters in covering the suffering in Gaza, Israel has accredited at least 2,800 international journalists who have arrived in Israel since October. Foreign nations should step up pressure on Israel, and Egypt, to allow access to Gaza for international media. They should press all parties to the conflict to protect journalists as civilians and remind them that deliberately targeting journalists is a war crime.

The loss of so many journalists and destruction of media offices, moreover, is shattering the basis of a functioning media once the conflict ends. It is another example of the damage being wrought to the human and physical fabric of life in Gaza. Without an immediate ceasefire, there will soon be nothing left.

Opinion Environment

How to do climate policy without a green backlash

Andy Carter

Pilita Clark

How many people do you think would be willing to give away 1 per cent of their household income every month to fight global warming?

Here's a clue: it's not 20 per cent or 40 per cent of the global population. It's 69 per cent according to a striking study by four European economists that came out in the journal Nature Climate Change last week.

I say "striking" because this analysis of 130,000 people in 125 countries also shows most have no clue the figure is as high as 69 per cent. On average, they think it's 43 per cent. What's more, they believe this even though 89 per cent of them wish governments would do more to tackle global warming.

In the words of study co-author Teodora Boneva: "Most of the world's population wants to fight climate change, but that majority thinks they are the minority."

This misperception matters. People are less likely to act for the common good if they think everyone else is freeriding. As Boneva says, "you're going to ask why you should be the only idiot who stops flying to Mallorca".

I realise it is a lot easier to tell a researcher you care about the climate than it is to buy an electric car. But that peer-reviewed study is still a welcome example of the knowledge needed to tackle one of today's most vexing climate policy questions: can you cut carbon emissions if rising inequality and populism are fuelling a gathering green backlash?

The answer looks ominous at the start of a mega election year when about half the world's adult population is due to vote.

Ahead of EU elections due in June, voter anger has spurred leaders from Brussels to Berlin to water down measures to cut emissions from farms, home heating and more. The next US president could be Donald Trump, who has railed against "environmental lunatics".

UK voters face a Conservative government that has repeatedly weakened net zero targets, and a Labour opposition that last week slashed a signature £28bn green spending plan — on the same day scientists confirmed global warming had entered new territory by exceeding 1.5C over the past 12 months.

Small wonder if climate-concerned voters think they are wildly outnumbered. Yet that global research suggests otherwise.

Britons, for instance, think they live in a country where only 37 per cent would give 1 per cent of their income to the climate fight, but the study indicates the real figure is 48 per cent. That perception gap is even wider in the US. You can see what it is in your own country on a website that makes the study's findings easy to grasp.

Both the paper and the website are examples of smart ways to get a public message across at a time when far-right leaders are racing to argue climate change is an overblown concern of privileged urban elites.

The far right is not alone. Politicians may champion reliable, well-paid green jobs, but news reports in the US suggest the reality can look more like the long hours and middling pay of an Uber driver.

Those reports feature in a scathing recent book, *Where Have All the Democrats Gone?*, by John Judis and Ruy Teixeira, two left-leaning US political analysts. They argue Democrats lost vital working-class support as a "shadow party" of cultural radicals pushed for extreme policies on race, immigration, gender — and climate.

> Too many activists fret about 'political will', as if such a force could be magically bottled

Despairing of "climate radicals' fanatical hostility to fossil fuels", they argue for more gradual, centrist approaches to a problem they claim can "only be solved over decades".

Alas, the science shows governments have dithered for too long already. That means fair, carefully designed and communicated climate measures are more critical than ever.

Happily, they are emerging. The 2022 US Inflation Reduction Act was designed to offer higher tax benefits to clean energy employers who pay a certain level of wages.

New research shows that after Spain's government introduced a painstakingly negotiated policy to close coal mines in the country's north, its vote rose in those areas compared with similar places.

There's a long way to go. Too many climate activists still fret about a lack of "political will", as if such a force could be magically bottled and summoned. The truth is, 21st-century climate politics is hard, bitterly contested and unfamiliar. We've never tried to decarbonise the global economy at speed before. Politicians are learning by doing. But bit by bit, it is also becoming clearer that even when climate action looks impossibly fraught, it may not be.

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Media and policymakers must up their game on private equity

Patrick Jenkins' revisionist view ("Private equity groups are more than short-termist asset-strippers", Inside Business, February 6) no doubt triggered a round of high fives within private equity firms. The problem is not what the column says, but where it stops.

Jenkins is correct that much criticism of private equity is ill-informed, and that this form of investment has moved on from the bestselling business book *Barbarians at the Gate*.

Private equity (meaning buyouts) started out 40 years ago as a brave new way of doing things and still has a useful role to play. Jenkins refers to a software company called Visma, where private equity firm HG Capital seems to have become a permanent investor beside a revolving crew of other funds. This is a good example of the way the gap between private equity and what it was originally designed to replace has been steadily shrinking.

But Jenkins fails to ask the natural follow-on question. The private equity he describes looks ever more like the quoted company model to which private equity has traditionally claimed to be so superior.

Why, then, does private equity still receive such favourable special treatment from policymakers and so little well-informed scrutiny from the media?

Taxation of carried interest is always good for a headline, but other issues matter more. Some basic mandatory public disclosure would be a good start. The disclosure needs to be mandatory in order to mitigate the cherry picking that private equity firms can and do get away with today.

The cost to private equity firms of providing this disclosure would be as negligible as the benefit to other parties would be significant. For example, the right mandatory public disclosure would start to make it easier to see whether the gross gains made in private equity are being split appropriately between a few thousand well-paid financiers and the millions of pension scheme members whose cash they invest.

The private equity sector can only be congratulated on the skill with which it continues to play its PR hand.

Meanwhile, both the media and policymakers need to up their game.

Peter Morris
London N5, UK

Being pro-business should not be a political handicap

The US economy is motoring despite all the challenges. Stock markets are hitting all-time highs. The much proclaimed hard landing has not materialised. Yet, Michael Strain, director of economic policy studies at the American Enterprise Institute, claims that both the previous and current occupants of the White House have it all wrong ("The Trump-Biden consensus is bad for business", Opinion, January 30).

Strain seems stuck in the obsolescent world of the Washington Consensus, now superseded by the Cornwall Consensus following the G7 summit in the UK in 2021. There, world leaders prioritised a politics that moves proactively to shape markets to deliver a better functioning political economy, recognising the central role of politics in the construction of functioning markets.

At a time of significant, and increasingly perilous, local and geopolitical stress, the rise of China and others as strategic adversaries both politically and economically, and the considerable threats posed by rising inequality and environmental degradation, it is time to move beyond superficial notions like "free enterprise" (whatever that might mean) and realise that business is not just a moneymaking machine but a vital component of our political economy. It is time to accept that business has a political as well as a commercial role in that it has a big impact on the kind of society in which we live.

We have entered an era of heightened global tensions — both political and commercial. This requires the development of what I call a new political capitalism — a resilient capitalist system that is in tune with political and sociocultural mores and works to deliver sustainable long-term benefits for society as a whole. Where private and public sectors are aligned in delivering to common sociopolitical objectives.

It is time that we all broke out of the blinkered belief that the only role of business is to funnel as much financial wealth as possible to shareholders and senior executives and has no wider and more important roles in our political economy.

Only then can business build enough political capital to ensure that political leaders feel comfortable declaring themselves "pro-business".

The tired old mantra that politics should just get out of the way so that we can just get on with the business of business today sounds like something out of the Pleistocene.

Joe Zammit-Lucia
Radix Centre for Business, Politics & Society, Amsterdam, The Netherlands

"I SUPPOSE IT'S TOO LATE TO START TESTING ON ANIMALS?"

When FT risks wading into editorial quicksand

I was very disappointed to see the front-page headline "Trump opens 11-point poll lead over Biden on stewardship of US economy" (Report, February 12), while "Trump's Russia remarks trigger Nato fears" was tucked away inside the paper (Report). Glorifying opinion, while marginalising fact is a decision that may have the FT wading into editorial quicksand.

It is February of a long election year and one poll's results pale in significance compared to the stated commitment of one of the candidates to undermine Nato. Inflaming emotion rather than providing education is just the opposite of what I expect of the FT.

David Schwab
Miami, FL, US

Don't ask Ukraine to give up 'civilisational thinking'

In The Weekend Essay (Life & Arts, February 3) Professor Josephine Quinn states that "civilisational thinking is simply wrong". Might this be too sweeping? That civilisations have habitually interacted with and borrowed from each other does not rob the concept of meaning or usefulness.

In *The Clash of Civilizations* book, which is referred to in the essay albeit not by name, Samuel P Huntington wrote that "if civilisation is what counts . . . violence between Ukrainians and Russians is unlikely", being two Slavic, primarily Orthodox peoples with close relationships for centuries.

The fact that war has broken out, following the Russian invasion of February 2022, doesn't negate the importance of civilisation. Rather it shows its continuing relevance — namely the civilisational "pull" and "push" of the west.

Michael Sanfey
Florence, Italy

How much more can Russian civil society take?

It is a widely held view, and most likely correct, that the cold war was won through an arms race in which — simply put — the Soviet Union just could not sustain the drain upon its relatively limited resources.

The difference today is that Vladimir Putin only has Russia and not all of the old Soviet territories to rein in. While this further limits his resources, it is easier for him to politically manage a smaller domestic audience, especially one that has little or no history of democratic values and in which civil society has been largely rendered a zombie. The state of a civil society is indeed the best criterion by which to classify different states. The question is how much longer Russian civil society can withstand declining living standards and collapsing infrastructure, as suggested by Martin Sandbu (Opinion, February 12).

Army recruitment offers wages to many, but shops are not full of goods to be bought. In this sense it is a race against time for Putin, and therefore for Ukraine, and by implication for the rest of Europe, and without Europe as its outer line of defence, for the US as well. This is not the time to shy away from a resolute defence of Ukraine's independence. To do so will come at a much greater cost down the road.

Professor John Ure
Singapore

Higher tax tackles investor 'dry powder' and inequality

A number of articles have appeared recently on the subject of nations increasing the size of bond offerings to cover rising fiscal shortfalls and reports that some private sector companies are experiencing a slump in profits and investment (Report, February 1).

This is happening at the same time as the cash hoards of private equity, hedge funds and other financial services entities have risen to disturbing heights. Yet wage growth for ordinary workers has stalled and inequality is rising. The obvious solution is to increase taxes. During the first world war the US government expanded tax revenues by creating an "excess profits" tax levied on corporations and individuals. This was aimed at stagnant fortunes and it forced investments in useful projects.

Tax receipts, according to William J Shultz and MR Caine's 1937 *Financial Development of the United States* flooded the Treasury with more revenue than it expected. We need such a proactive change, to address the "dry powder" of investors, and inequality at the same time.

Niccolo Caldararo
Department of Anthropology, San Francisco State University, CA, US

Urbanisation — part of the solution, not the problem

Michael Keith's piece on urbanisation's role in the climate crisis sheds light on a critical issue (January 26). However, when looking beyond the climate crisis to consider the broader crisis in nature, urbanisation should be seen as part of a solution rather than solely a problem.

Urban areas, characterised by their housing density, enjoy better utilisation of energy and materials, meaning urbanisation can reduce a country's overall environmental footprint. The density of urban areas is also essential for effectively implementing innovative new technologies vital to both climate and nature transitions, such as district heating networks.

An urban science advisory system that takes into account both climate and nature considerations is a welcome proposal. However, it is imperative that this body recognises that urbanisation can be seen as a solution rather than a problem in addressing the multiple crises we face. By leveraging the efficiency benefits of urbanisation, we can use it as an opportunity for positive transformation.

Carina Manitius
Economist, Oxford Economics, London SW1, UK

Voter turnout is beyond reach of Madison Avenue

David Cowan and Chris Powell say their study of 20 recent elections (Letters, January 30) shows "a considerable rise in turnout" is the key to the success of democrats fighting populist candidates. In the upcoming US election, Benedict Pringle (Letters, February 5) poses this as a challenge for Democrat admen to find a new and creative way of delivering this pro-democracy message. I would suggest an even greater challenge. In their paper "Political Advertising and Election Results", Jörg Spenkuch and David Toniatti conclude "we find no evidence that advertising has an effect on overall turnout. This may help to explain why a large number of previous studies have detected only minimal or even no effects." They suggest that the reason for this is that mobilising and demobilising forces cancel each other out.

It would seem that the levers that propel voters to the voting booth are beyond the reach of Madison Avenue.

Ross Barr
London SW14, UK

Correction

● The Competition and Markets Authority has not launched any criminal prosecutions against senior executives as incorrectly stated in an opinion column on February 12.

Opinion

What Biden can learn from Starmer

AMERICA
Janan Ganesh

It might be useful to begin with a restatement of Ganesh's Law. All actors in politics value "radicalism" apart from those who decide elections. Commentators demand it. Activists grow restless and mutinous without it. Politicians themselves aspire to it, so that even their most cautious policies are framed as bold. When economic growth is strong, the time is said to be right for risk-taking. When it isn't, well, all the more need for big ideas to get things going.

The honourable work of incremental reform, of not making things worse, doesn't get its due, except from swing voters. As long as I have been alive, no opposition has lost a UK general election for not deviating enough from the status quo.

Sir Keir Starmer proposes fewer such deviations than some would like. Joe Biden has run the most radical Democratic administration since Lyndon Johnson's, with a mandate more like Bill Clinton's. One man is on course to become UK prime minister at the first attempt, in what, given his starting point, would rank among the outstanding electoral feats in the west this millennium. The second is struggling to keep an unpopular Donald Trump from the White House.

And so Democrats should invert the custom of Labour politicians visiting them in Washington for advice. The parties face different contexts — a rampant economy and a stagnant one, a demagogic opponent and a mild Tory, four years of incumbency and 14 years of opposition — but both face electoral reckonings in 2024. Labour is so much likelier to win as to demand studying.

The main lesson? For swing voters, a leader who disappoints their own party *is* bold. Holding the line against internal dissent *is* proof of vision and virility. When Starmer drops a pledge to spend an annual £28bn on the green transition and declines to reopen the question of Brexit, politicos suspect a faint heart. The public sees someone answering one of the central questions about an aspiring national leader: is he or she the master of their party, or the creature of it? To judge by his slowness to disown a parliamentary candidate in Rochdale over anti-Israel remarks, he has further to go.

Biden has hardly addressed the master-creature question. Democrats entertain all sorts of explanations for his low ratings — an inadequate White House spin operation is a favourite — except that he has given them too much. Leave aside the empirical question of whether his giant spending bills implicate him in the post-2020 surge of inflation. Never mind, either, whether his loosening of some Trump-era rules on immigration exacerbated the problems at the southern border. Just consider how these gestures look to the undecided, non-partisan voter. Outside of foreign affairs, where his support for Israel upsets a generation of progressives, there are few cases of President Biden displeasing liberal Democrats. (Unlike Senator Biden, who did it all the time.)

> Democrats need to invert the custom of Labour politicians visiting them in Washington for advice

What is that median American meant to conclude about Biden? Either this career-long centrist underwent a late conversion to the left or, given his age, others are setting the course of this administration. Criticism of the president's mental and physical condition wouldn't work so well, I think, if he ran a middle-of-the-road government. Its power comes from the idea that he is the unwitting instrument of forces that are more progressive than Americans would ever elect on their own terms.

Democrats misinterpreted the 2020 election as a directive to transform America. The brief — dispose of Trump — was narrower than that. Starmer seems to understand the spirit of the age better. If the defining thing about the popular mood across the west is mistrust of the governing class, that hardly implies much demand for or confidence in grand reform projects. This is all the more true in Britain, which is still recovering from the radicalism of leaving a colossal single market on its doorstep, and from the radicalism of attempting unfunded tax cuts at a time of high public debt. But it holds in most places.

It is to Starmer's eternal advantage that he isn't steeped in politics. He didn't hold elected office until his fifties. He isn't a fixture of the salons. In the run-up to the 1997 election, Labour's last entry into government from opposition, much of the politico-media world in London felt part of the moment. That isn't true now: a reflection of a much sourer national mood, of course, but also of Starmer's detachment. He foots a price for this. Those to whom politics matters a lot underrate him. But what he gains can't be bought or learnt. He is able to see politics as a swing voter might: as a problem-solving exercise, a necessary evil, not a source of entertainment and even meaning in one's life.

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Beware the lure of fiscal fairy tales

ECONOMICS
Chris Giles

Fairy tales are comforting because the lead characters usually possess a special power and something magical turns up, enabling everyone to live happily ever after. Across Europe and the US, governments are running their budgets in such fantasy worlds. You do not need a particularly Germanic view of public finance to know this is unlikely to end well.

The Congressional Budget Office warned last week that the US government finances were on an unsustainable path. The independent watchdog forecast that US government borrowing would be relatively stable over the next 10 years at about 6 per cent of gross domestic product. That level would far exceed the 3.7 per cent average of the previous 50 years, a period that included the global financial crisis and the coronavirus pandemic. To give a starker comparison, prospective US borrowing is also about 50 per cent higher than that proposed by former British chancellor Kwasi Kwarteng in his 2022 "mini" Budget, which blew up the UK bond market.

That alone would be sufficiently worrying if we could take the CBO figures at face value. But we should not because the watchdog has been persistently too optimistic in recent years, partly as it has to base its projections on existing US government policy. This implausibly assumes most of Donald Trump's 2017 tax cuts will expire at the end of 2025. It also assumes the public spending restrictions in the 2023 Fiscal Responsibility Act will continue to bite after 2025. These suggest discretionary US government spending including defence will decline from 6.4 per cent of GDP last year to 5.1 per cent in 2034. Over the past 50 years, these expenditures have averaged 8 per cent of GDP. These assumptions are also not credible.

Add to that the slightly optimistic assessment that the US government will be able to borrow short term permanently at below 3 per cent and the true fantastical nature of these forecasts becomes apparent. Even though the CBO's headline projection is that US public debt is not on a sustainable path and will rise from 97.3 per cent of GDP in 2023 through an all time US record in 2028 and to 116 per cent in 2034, the prospects are significantly worse.

Although not as extreme, similar public finance fairy stories dominate European debates. Following the Kwarteng debacle and subsequent tax U-turns, independent forecasts by the UK's Office for Budget Responsibility show UK debt stabilising as a share of GDP towards the end of the decade. But these forecasts rest on the UK's own fictions that the government will start increasing fuel duty in line with inflation, that the revenue benefits of immigration will have no implications for public spending, that restraint in public spending will come at a time of huge dissatisfaction in public services and that big cuts in government capital expenditure are consistent with accelerated progress towards net zero.

We still do not know how the new European fiscal framework will operate in practice, but the debt sustainability analyses that will guide its work will be subject to the same Panglossian forecasting assumptions evident in the US and UK. The position will be no easier when you add the twin structural difficulties in the eurozone that the European Central Bank looks likely to be slow in easing monetary policy, inhibiting European growth, and that fiscal differences between northern and southern Europe remain stark.

> Expecting that anything will happen to resolve unsustainable budgets without a crisis is a fantasy

The bad news for all western countries is that on top of far-too-optimistic forecasting assumptions, maintaining the quality of health and social security programmes with rapidly ageing populations will require higher taxes without the prospect of improved services. That is a difficult electoral offer.

The good news is that the necessary consolidation of budgets is far from impossible so long as we don't start falling for new fiscal fantasies.

On the political left, the most pervasive fiction is that all the necessary funds can be raised from "the rich" with next to zero consequences for the rest of the population. To raise the sums necessary, higher taxes have to extend much further down the income and wealth distributions. The more concentrated they are, the more tax avoidance activity will be encouraged, limiting revenues.

The greatest illusion for centrists is that there is a way to persuade the public that higher taxes and more public investment is needed and in all of our collective interests. Examples of open, honest and successful revenue-raising programmes which minimise distortions by also reforming taxes are noticeable by their scarcity. Even textbook attempts, such as the 2002 increases in UK national insurance, chose the tax least visible to the public but also with the greatest labour market costs.

On the right, the long-standing fairy tale of choice is that tax cuts raise revenues. While true in rare specific cases, the overwhelming evidence is that broad-brush tax reductions, such as those in the US in 2017, worsened the public finances, even if they were positive for growth.

But perhaps the biggest fantasy of all is the expectation that anything will happen to resolve unsustainable budgets without a crisis. We are much more likely to continue muddling along, pretending things are just about OK until something cracks. The trouble is that the fiscal system will break and there will be no happy ending.

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Only the US can stop an Israeli move into Rafah

Michael Wahid Hanna

The war in Gaza has reached its most consequential juncture since just after the October 7 attacks. In those early days, fears spread that Israel would expel Palestinians from the strip, sparking all-out Middle East war. With Israel now threatening to move on Rafah — Gaza's southernmost city, where more than half the enclave's beleaguered population is sheltering — these worst-case scenarios have again become a genuine possibility. It is hard to imagine things getting worse, but an assault on Rafah would up the ante. The US is the only power that can stop it. To do so, it will have to exert a degree of pressure it has so far been reluctant to apply.

Israel stepped up its aerial attacks on Rafah after Prime Minister Benjamin Netanyahu rejected Hamas's ceasefire terms. He announced his intention to evacuate civilians from Rafah and send in ground forces. Before his announcement the US indicated it had seen no serious Israeli planning for an advance and had registered opposition to it.

It remains unclear whether Israel is in fact determined to move into Rafah or is simply trying to compel concessions from Hamas. Even if the latter, Israel may consider a ground assault unavoidable should efforts to negotiate a truce fail. It is hard to overstate the costs of Israel moving ahead. Rafah is the epicentre of one of this century's worst humanitarian crises — to extend the military operation into this area would worsen the catastrophe exponentially.

There is no way to evacuate so many people. To the south, Egypt refuses to have Palestinians displaced into its territory, wary of the burden and fearing a risk to its own security. Perhaps most importantly, it does not want to pave the way for "a second Nakba". To the north, Israel has taken Khan Younis, leaving open a sliver of coastline that might allow passage north. Those with the capacity and wherewithal to evacuate yet again will find the rest of the strip uninhabitable. Everyone in Rafah is already deprived of something essential. An evacuation would leave the population bereft of virtually everything.

The best way to head off a calamity — for Rafah, for all of Gaza, and the Israelis still in captivity — is for Hamas and Israel to agree to a deal. The outline is there: a cessation of hostilities and prisoner/hostage exchange, over stages, combined with an Israeli withdrawal from parts of Gaza and a rise in imports and aid. The delay principally concerns the length of ceasefire and extent of Israel's withdrawal. Washington's favoured approach is to negotiate a temporary ceasefire with the intention of making it lasting. But that will only work if the US makes sure the cessation endures.

> To extend the military operation into this area would worsen the catastrophe exponentially

Regardless of how this round of talks ends, we know what the war's outcome is likely to be: a degraded Hamas and, eventually, an alternative administration. What remains to be seen is how much of Gaza itself will be destroyed — its people, physical infrastructure, cultural heritage, social fabric and economy — and how many Israeli hostages will die or be killed in captivity. Hamas will not be eradicated, as Israel resolved at the war's outset. Even the more modest goal of destroying Hamas's military capacity appears beyond reach, according to US intelligence assessments.

A lot is on the line in Rafah. Most importantly, the lives of hundreds of thousands, primarily in Gaza but also around the region. While it has so far avoided all-out regional war, the US finds itself engaged in escalating hostilities with the "Axis of Resistance" in Iraq, Syria, Jordan and Yemen. While Israel and Hizbollah, the powerful Lebanese Shia militia, have avoided catastrophic escalation on the Israel-Lebanon border, the equilibrium is shaky as both sides engage in cross-border hostilities.

Although Iran and its allies seem reluctant to escalate further, a bloody campaign in Rafah — especially if Gazans are pushed into Egypt — could change their calculation. The longer regional hostilities continue, the higher the risk of escalation through miscalculation. A move on Rafah would also further undermine the credibility of the Biden administration, which is belatedly shifting from the blank cheque support it has offered to date. While the White House has counselled Israeli leaders against a ground invasion of Rafah, it has privately pushed Israel on a number of issues, such as the reduction of civilian harm and the expansion of humanitarian access, and failed.

America's pressure on Israel must go beyond stern words and leaked angry conversations. The US today is complicit in the destruction of Gazan society, the immiseration of much of the strip. But even at this late stage there are choices to be made and further catastrophe to be avoided.

The writer is director of the US programme at the International Crisis Group. Robert Blecher also contributed

For the sake of our health, the UK should be a nanny state

Aveek Bhattacharya

Last month, Prime Minister Rishi Sunak announced plans to ban the sale of cigarettes to people born after 2008. The move was backed by the Labour party, whose leader Keir Starmer has promoted a Child Health Action Plan which would prevent junk food advertising after 9pm and introduce supervised toothbrushing in schools. Meanwhile, the Scottish government plans to increase its minimum price for alcohol from 50p to 65p per unit.

With Starmer declaring he is up for the fight when it comes to accusations he is promoting a nanny state, political commentators have been left trying to figure out where this surge of public health interventionism has come from.

A natural assumption is that it stems from the pandemic, when people became accustomed to restrictions on their freedoms in the interests of saving lives. Yet analysis by the Social Market Foundation suggests that public opinion has long favoured restrictions on smoking, drinking, gambling and obesity. The vast majority of measures for which we have public polling since 2015 commanded at least plurality support — ie, more people were in favour than against.

The soft drinks industry levy, a tax on sugary drinks, illustrates the point. Announced in 2016, some accounts make it sound as though then chancellor George Osborne dropped the measure and then ducked for cover, waiting for an explosion that never came. In fact, public backlash was minimal — though the libertarian elements of his party never forgave him.

> The question is whether Britain's leaders really are ready to tackle the country's bad habits

That experience reflects a general pattern, which helps explain why politicians have taken so long to catch up to public opinion on these issues. It is not, typically, voters they need to be scared of — it is their colleagues, the media and the industries they are regulating.

"Nanny state" issues cut awkwardly across party lines — there are those with paternalistic and libertarian instincts on both sides of the aisle. That can make it harder to form and sustain a coalition for change. Doubts are fostered and kindled by commercial interests with big lobbying budgets and profits to protect. Passing regulation becomes a grind. The Scottish government's effort to introduce minimum alcohol pricing was delayed for six years because of legal challenges. Chile's anti-obesity measures, including taxes on sugary drinks and marketing regulations, involved 14 years of bartering with industry.

Politicians who come round to the necessity of banning, taxing and regulating these harmful commodities invariably do so because those are the most cost-effective levers at their disposal. Reviewing the evidence, we found that educational interventions tend to have little impact; treatment, including the coming generation of weight loss drugs, tends to be expensive. By contrast, population-level restrictions are cheap or even revenue raising and tend to significantly improve outcomes.

For all Starmer's tough talk, the key question is whether Britain's politicians really are ready to tackle the country's bad habits. The battles they have picked have so far been on relatively easy terrain. The smoke-free generation legislation is world-leading, but smoking crackdowns are so widely accepted that public health advocates in other areas complain of "tobacco exceptionalism". Few people care to defend marketing, and anything aimed at protecting children is an easy sell.

But would a Labour government raise alcohol duty or introduce minimum pricing in England? Would it tax unhealthy food? Would it license tobacco retailers? Would it introduce strict affordability checks on gamblers? Each of these measures would provoke fierce resistance from backbenchers, the media and industry, and eat up vital political capital. It remains to be seen whether politicians believe firmly enough in the benefits of such measures to pay the cost. Ignore the rhetoric: the nanny state war has yet to be won.

The writer is director of the Social Market Foundation think-tank

X: @FTLex

Barclays: more needed to regain investors' trust

Bank of England governor Andrew Bailey this week told university students that the low valuations of UK banks puzzles him. Though better capitalised than ever, shareholders refuse to pay anything close to book value for them.

Next week, Barclays boss CS Venkatakrishnan, known as Venkat, must offer a plausible fix for this at the bank's first strategy overhaul in almost a decade. If communicated poorly, as Société Générale's Slawomir Krupa discovered in September, the event could cause more harm than good.

One overarching problem has been what to do about Barclays' risky investment banking exposures and the resultant volatile earnings, which weigh on investors' minds. Yet the division can offer complementary sources of revenue for the group.

Expect Venkat to offer four approaches to this conundrum. First, a more detailed financial breakdown of investment and consumer banking. Next, he is expected to confirm cost cuts of about £750mn. He will probably increase the bank's targeted return on tangible equity by 100 basis points to 11 per cent for 2025. Finally, expect some clear cash figures for shareholder capital returns to come.

But he may need more than these tweaks to stem a three-year streak of share price underperformance. Its 50 per cent market value discount to book value is far greater than those for local rivals Lloyds and NatWest.

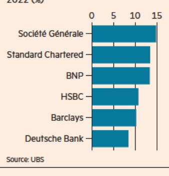
What the market really wants is a firm pronouncement on the future of investment banking. On this he has vacillated recently. Venkat recognises a need to rebalance the group's divisions. But he has also said he is reluctant to cut back, confusing the market.

More likely, he will restrict new capital to investment banking, redirecting any surplus to shareholder returns and less capital-hungry lending businesses. Acquiring Tesco bank for £600mn last week, which boosted UK unsecured lending exposures, offers a hint of this shift. Even without added capital, the investment bank can make more profits. This unit generated one of the lowest ROTEs among European banks last year. That lower ROTE may be due to less income productivity and lower leverage relative to peers, thinks Jason Napier at UBS.

Barclays also talks about plans to shed less profitable clients as another source of higher returns. That sounds like more tinkering at the margins. Whatever Venkat comes up with this month, investors will be looking for firm commitments that translate into higher shareholder returns, and soon.

Investment banking performance

Return on tangible reported equity, 2022 (%)



Source: UBS

Japan's robot stores: labour savers

Even without humans, convenience stores in Japan have proved they can run themselves. Unmanned stores are catching on, with scanning machines making it easy for customers to check out on their own. Retailers may have also found an answer to cleaning these shops without humans. All this points to a more sustainable business model for local convenience store chains.

Japan's convenience (*konbini*) stores are famous for offering not only a wide range of takeaway food but also services, such as free WiFi, cash machines and parcel delivery services.

Seven-Eleven Japan, the country's largest convenience store chain, already runs a few unmanned stores in Tokyo. It plans to operate more stores without staff this spring. Its peer, FamilyMart, has started running these types of shops and has taken it a step further, with robots cleaning the store floors. Each one cleans the floor five times a day — precious time saved for employees that are increasingly hard to hire given Japan's labour shortage.

FamilyMart should benefit in two ways. It saves on labour costs at the stores it runs directly. But also it will earn monthly fees from these automatons by lending them out to its franchise stores from April.

Japan needs these types of creative solutions as higher costs become a concern for convenience stores. Most are open 24 hours a day, seven days a week. Their sheer number — Seven-Eleven Japan alone has more than 21,000 in the country — makes the sector sensitive to wage inflation.

Wages in Japan rose 3.8 per cent last year, the largest increase in three decades. Pay talks between businesses and union leaders are under way for the new fiscal year, suggesting further rises soon. This problem is only going get worse. A shrinking, ageing population causes a labour crunch.

Despite the cost hurdles, the share price of parent company Seven & i Holdings has climbed more than a tenth this year. Meanwhile, rival Lawson is up 42 per cent. Part of the latter's rally includes market excitement over an announcement that Japanese telecoms group KDDI plans to launch a tender offer for Lawson.

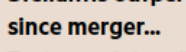
But these gains are more a reflection of the strong outlook for the segment. Convenience store sales hit a record high last year, the third consecutive year of growth. As chains incorporate more automation and digital services, earnings should get a boost.

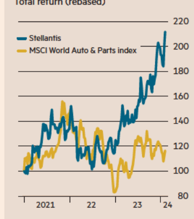
Stellantis: unlikely car industry darling

The carmaker's share price has outperformed that of rivals over the past three years. Post-merger cost cuts have improved profitability and return on equity. New investment and R&D spending together account for less than 7 per cent of sales, or about half the ratio at Volkswagen.

Stellantis outperforms since merger...

Total return (rebased)





Source: LSEG

...with higher profitability

Return on equity (trailing 12-month, %)

Stellantis, Renault, Volkswagen, Ford Motor

Source: LSEG

...and lower investment ratios*

Per cent

2020, 2021, 2022, 2023 — Volkswagen, Stellantis, Renault, Ford

* (capital expenditure + R&D)/sales

Source: Jefferies

What do car industry investors get revved up about? Top of the range models, perhaps. Or a seemingly unassailable technological lead, especially in the transition to electric vehicles. Maybe a simple equity story, with a streamlined footprint and dearth of political interference.

The strong performance of Stellantis, which reports results tomorrow, suggests that the answer is none of the above. The carmaker, born of the 2020 merger between Italy's FCA (Fiat Chrysler) and Groupe PSA (Peugeot Citroën), has raced well ahead. Its stock has risen 60 per cent in the past three years, outperforming rivals Renault, Volkswagen and BMW.

It looks an unlikely market darling. The European business focuses on mass-market models. It has not rushed into the EV race with the enthusiasm of some rivals. And it is complex. The French government holds a 6 per cent stake and Italy constantly tugs at the driver's sleeve to influence its direction.

So why the staggering acceleration? Investors like a good turnaround story. And Stellantis, post merger, has cleaned up its act.

Carlos Tavares, who took over the combined group from his post at PSA, has wielded the axe to achieve top-of-the-range operating margins, expected to come in at 12.5 per cent for 2023, according to Citi. That compares with 7.4 per cent at Volkswagen, S&P Capital IQ estimates.

Being big also means that necessary investments, in new models and R&D, are less of a drag. Capex and R&D will come in at less than 7 per cent of sales, says Philippe Houchois at Jefferies. VW spends about twice that.

A lot could still go wrong. The transition to EVs, although slower than forecast, will shrink its traditional market, not to mention any Chinese competition. Labour costs are rising, not least in North America.

Plus, this year global vehicle sales should decline as the surge in pent-up post-coronavirus demand wanes. Profitability will be squeezed.

Even so, Stellantis has a strong balance sheet, with some €30bn of net cash expected this year. That helps explain swirling — and denied — rumours of a Renault tie-up. It should generate €11bn of free cash flow after recurring investments, according to Bernstein. Stellantis has more road to run on.

Centrica: selling energy is still a size game

Chief executive of Centrica has to rank highly among the worst jobs in corporate Britain. British Gas was privatised in 1986, yet its parent remains a lightning rod for public anger over energy prices. Heading the company will require extra political savvy as Britain's energy retailers regain a profitable footing.

In 2021 and 2022, some 30 British energy suppliers failed as sharp rises in wholesale prices exposed poorly capitalised companies. But the survivors have thrived. Octopus Energy, Britain's second-largest household supplier, just turned its first profit since launching in 2015. Market leader Centrica's annual results this week should show a surge in operating profit at its British Gas retail arm.

Analysts are forecasting ebit of about £747mn at the household supply business, a sharp recovery from £72mn in 2022. However, group profits are forecast to be down on 2022's record of £3.3bn due to lower earnings from other divisions, such as trading.

Anomalies will inflate 2023's retail results. Regulator Ofgem allowed suppliers to recover certain costs in the first half of 2023 through Britain's energy price cap — a regulated tariff, which changes each quarter and dictates bills for most households.

Differences are usually smaller and absorbed by suppliers, says Investec's Martin Young. But extreme volatility from 2021 onwards meant costs were higher than normal. Still, Ofgem's decision to allow cost recovery was controversial: one of its board members resigned over it in 2022.

Centrica's future annual household supply profits are expected to normalise to a range of £150mn to £250mn, at least two-thirds below last year. This range would still be higher than in the years after the price cap's introduction in 2019, and before the energy crisis.

Ofgem recently altered the profit margin that suppliers can make via the price cap. It allows for a 2.2 per cent ebit margin versus 1.9 per cent before the rule change. Still, such skinny returns mean energy retailing will remain a volume game, even as companies try to improve profits by upselling other products.

Suppliers that survived the crisis of 2021-22 have common traits. They are large and have added other strings to their bows. Octopus's rapid growth has been aided by deals, including for Bulb Energy and Shell's household supply business. It licenses its IT platform to other companies.

Political attempts to open up the energy market have failed to change the domination of a handful of companies. The names in the top flight may have changed, but scale remains the deciding factor for success.

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CROSSWORD No 17,655 by JULIUS

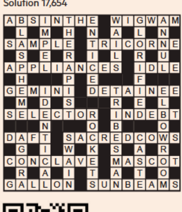
ACROSS

1 Such as dragon emblem on sterling pounds? (7)
5 Antidote impeding onset of really advanced poison (6)
8 Andean bar prepared dish served with curry (4,5)
9 Wine area, freezing cold, next to the sea (5)
11 Piece of pufferfish served with starter of edamame (5)
12 Tender Conservative's church donation (9)
13 Brilliant German wingers from Stuttgart feature in 1-1 at home (8)
15 Chain article King authorised (6)
17 Agreeable house where René loses cat? (3,3)
19 Badlands dry, but Wolds stormy (4,4)
22 On board Giza bus, I'm Belgian, Poirot — here for *Death on the Nile* (3,6)
23 Greek character regularly scratches itchiest area (5)
24 Economics theorist, not left, not right, is missing... unknown fate (5)
25 Korea pro sent off after tackling Charlie or Tommy? (4,5)
26 Team turned over North American inventor (6)
27 Close cup game that could go on fairly late (7)

DOWN

1 Work introduction to *Moll Flanders* after freshening up with a kip (9,4)
2 Orderly soldier beginning to need strong drink (4,3)
3 Book featured in story board (5)
4 Endlessly wealthy, inclusive Trojan hero about to drop bombastic speech (8)
5 Digest white fish I finally gutted (6)
6 The Nightwatchman? (9)
7 Vote to support left winger? (7)
10 Criminal cartel pays about 100,000 Rupees for football team (7,6)
14 Play Ravel's hit composition (3,6)
16 Flighty individual, upper-class, British evicting European landlord (8)
18 Escorted note penned in sepia (7)
20 Odd bits of Edam plain sandwiches? Get stuffed! (7)
21 Fairy king discovering sober irony (6)
23 Scant coverage of Violet Elizabeth's ballad? (5)

Solution 17,654



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