FINANCIAL TIMES

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Is OpenAI's business model smart enough?
BIG READ, PAGE 13

Transparency might not end gender pay gap
SOUMAYA KEYNES, PAGE 14

Gaza distress
Patients flee hospital raid

Mohammed Salem/Reuters

Children rest in Rafah in the southern Gaza Strip yesterday as evacuated Palestinians arrive from Nasser hospital in Khan Younis after Israeli raids on the compound where thousands were sheltering.

Gaza's health ministry said Israel had launched a "massive incursion" at the enclave's last big medical facility, ordering health workers to move patients.

"Many cannot evacuate, such as those with lower limb amputations, severe burns or the elderly," the ministry said.

The Israel Defense Forces said they had "credible intelligence" that Hamas held hostages in the hospital, where they "appear to be operating from".

The UN has repeatedly warned that Israel's offensive has pushed the enclave's health system into a state of collapse, with severe shortages of basic medical supplies and equipment.

Israeli forces attack page 2

Brussels must fortify defence sector for a 'rougher world', von der Leyen warns

- Call to incentivise EU output
- Taxpayer cash to drive integration
- Vaccines push offers model

ROULA KHALAF, BEN HALL AND HENRY FOY — BRUSSELS

Brussels should incentivise Europe's defence industry to ramp up production and promote consolidation, the president of the European Commission has said, as she warned that the "world has got rougher".

Ursula von der Leyen said Brussels was tapping into its experience of using taxpayer cash to boost the production of Covid-19 vaccines to develop its defence industry strategy.

"We have to spend more, we have to spend better, we have to spend European," she said yesterday in an interview with the Financial Times.

The plan to boost Europe's military industrial complex in the face of rising threats from Russia is due to be released this month. It will need to be approved by national capitals, some of whom may resist efforts by the commission to centralise defence spending decisions.

EU officials are keen to maximise member states' significant increase in military spending since Russian President Vladimir Putin's full-scale invasion of Ukraine to create a larger, more efficient European defence industry.

"We have a very fragmented defence market and that needs to change," von der Leyen said. "What is the competence of the commission? It's industry. This is our core business. We are an enabler, not a buyer."

> 'We have to spend more, we have to spend better, we have to spend European'
> Ursula von der Leyen

Speaking on the eve of the Munich Security Conference, von der Leyen said Brussels needed to ensure the continent's defence industry could respond to the raised geopolitical threat.

Proposals in the commission's plan include using the EU budget to increase financing to supplement joint contracts for weapons signed by member states, as well as guaranteeing that production will be bought, officials said.

That borrows from the commission's push to roll out coronavirus vaccines, which resulted in a surge in European production, as well as to purchase gas jointly within the bloc. "We did this for vaccines and gas," von der Leyen said.

Her proposal would help streamline the continent's defence industry, which is largely divided on national lines, and encourage more spending on European products, rather than buying from third countries such as the US.

"We need to improve the return on investment here in the EU," von der Leyen said. "We need a fair share of European taxpayer money spent inside the European Union."

"We should work with incentives so that it is better for member states to work together," she added. "Say you want a new tank? Well, huddle up!"

Almost two years of Russia's war against Ukraine has shattered decades of peace on the continent and a generation of political thinking that defence budgets could be cut. European Nato members, most of whom are in the EU, will together spend a record $380bn this year on defence, the alliance said this week, up from less than $230bn in 2014.

The potential re-election of Donald Trump as US president has also alarmed Europeans over the possible weakening of Washington's defence guarantee.

"It is the element of protection that matters . . . For 20, 30, 40 years, our peace was about integration and peace within Europe. Now for the first time we are speaking about protection from outside," said von der Leyen.

"We understand the warning signs and we must be prepared. The call to step up . . . is there and has to be answered."

Euroclear warns G7 page 2
Battle for Avdiivka page 3

Briefing

▸ **Founder sues JPMorgan over fintech they both own**
Haris Karonis, founder and chief executive of a financial technology business co-owned by JPMorgan, has begun legal proceedings against the Wall Street bank over what he sees as tactics to suppress Viva Wallet's growth.— PAGE 5

▸ **Trump trial goes ahead**
The Republican frontrunner will become the first former US president to face a criminal trial after a New York state judge declined to dismiss the "hush money" case against him.— PAGE 2

▸ **Citi tracks bankers' calls**
Citigroup has started monitoring how many calls its private bankers are making to affluent clients as the US lender tries to revitalise its struggling wealth management business.— PAGE 5

▸ **Mbappé heads to PSG exit**
Kylian Mbappé has told Paris Saint-Germain that he intends to leave the Qatar-owned French champions this summer, as the marketable football star enters the next phase of his career.— PAGE 2

▸ **European forecasts cut**
The European Commission has downgraded its projections for EU and eurozone growth this year as high interest rates weigh on economic activity. It forecast that inflation would halve.— PAGE 2

▸ **Carmakers to trim costs**
Stellantis and Renault have each warned of the need for cost cuts despite rising profits, with the industry heading into a "turbulent year" of economic and political uncertainty.— PAGE 7

▸ **Modi dealt funding blow**
India's Supreme Court has struck down the main mechanism for donations to political parties, a decision seen as unfavourable to Prime Minister Narendra Modi as national elections near.— PAGE 4

▸ **Airbus reaches higher**
The European aerospace and defence group plans to deliver more planes this year, cementing its lead over arch-rival Boeing even as it contends with persistent supply chain challenges.— PAGE 6

Egypt's richest man looks at breaking up his empire

Nassef Sawiris is considering a radical overhaul of the business at the core of his $8bn fortune, Dutch-listed fertiliser and chemicals group OCI. His NNS Group family office's portfolio includes Aston Villa football club and a stake in Adidas. But pressure from US activist investor Jeff Ubben has sparked a $7bn flurry of asset sales that could end with Sawiris breaking up his main holding at OCI, offloading its parts and pursuing acquisitions in new industries.

Sawiris reviews future ▸ PAGE 7

Private equity should share its wealth with workers, says pension fund Calstrs

JOSEPHINE CUMBO AND WILL LOUCH
LONDON

Private equity executives should "share the wealth" they create with workers at the companies they buy, according to the investment head of Calstrs, the giant US pension fund that is one of the world's biggest investors in the sector.

The comments from Christopher Ailman, outgoing investment chief at the $327bn fund, come after a decade of rapid growth in the buyout industry in which many dealmakers have made large fortunes from the hefty fees they have charged investors such as Calstrs.

The founders and top executives at groups such as Blackstone, KKR and Apollo Global Management have enjoyed a more than $40bn increase in the value of their shares since the beginning of last year, as the assets they manage continue to swell.

"Private equity has not shared enough revenues," said Ailman, who pioneered Calstrs' move into private equity two decades ago and now holds $50bn in the asset class, in an interview with the Financial Times.

"It's great they make money for our retirees — who are teachers — and for other funds," he said. "But they need to also share the wealth with the workers of those companies and with the communities they invest in."

Ailman's comments come as the private equity industry faces increasing pressure from regulators, campaigners and investors due to its growing influence over the American corporate landscape and a series of scandals involving workers at businesses they own.

Private equity-backed companies in the US employ 12mn people, according to the American Investment Council.

Calstrs, which has increased the share of its fund in private equity from about 10 per cent in 2020 to almost 16 per cent, has been criticised by campaigners over its investments with Blackstone.

PSSI, a sanitation business owned by the private equity group, was ordered to stop using child labour after a 2022 Department of Labor investigation. Blackstone said that it "stands unequivocally against child labour violations".

Ailman said the industry had "created a backlash" against it and "needed to do a better job".

Groups including Apollo, TPG, Warburg Pincus and Advent International have committed to a plan called Ownership Works, seeking to create more than $20bn in wealth for workers by 2030.

Gillian Tett page 15

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World Markets

STOCK MARKETS

	Feb 15	Prev	%chg
S&P 500	5009.45	5000.62	0.18
Nasdaq Composite	15823.78	15859.15	-0.22
Dow Jones Ind	38608.00	38424.27	0.48
FTSEurofirst 300	1933.70	1921.15	0.65
Euro Stoxx 50	4743.17	4709.22	0.72
FTSE 100	7597.53	7568.40	0.38
FTSE All-Share	4149.98	4132.87	0.41
CAC 40	7743.42	7677.35	0.86
Xetra Dax	17046.69	16945.48	0.60
Nikkei	38157.94	37703.32	1.21
Hang Seng	15944.63	15879.38	0.41
MSCI World $	3265.67	3240.26	0.78
MSCI EM $	998.86	996.78	0.21
MSCI ACWI $	744.95	739.58	0.73
FT Wilshire 2500	6466.96	6397.40	1.09
FT Wilshire 5000	50358.10	49805.70	1.11

CURRENCIES

Pair	Feb 15	Prev	Pair	Feb 15	Prev
$/€	1.076	1.072	€/$	0.929	0.933
$/£	1.259	1.255	£/$	0.795	0.797
£/€	0.855	0.854	€/£	1.170	1.171
¥/$	150.055	150.625	¥/€	161.488	161.485
¥/£	188.867	189.028	£ index	82.229	82.604
SFr/€	0.947	0.950	SFr/£	1.108	1.112

CRYPTO

	Feb 15	Prev	%chg
Bitcoin ($)	52187.10	51870.10	0.61
Ethereum	2830.01	2770.71	2.14

COMMODITIES

	Feb 15	Prev	%chg
Oil WTI $	78.03	76.36	2.19
Oil Brent $	83.18	81.60	1.94
Gold $	1985.10	1996.10	-0.55

GOVERNMENT BONDS

Yield (%)	Feb 15	Prev	Chg
US 2 yr	4.58	4.56	0.03
US 10 yr	4.25	4.26	-0.01
US 30 yr	4.43	4.44	-0.01
UK 2 yr	4.56	4.54	0.02
UK 10 yr	4.23	4.22	0.01
UK 30 yr	4.60	4.58	0.03
JPN 2 yr	0.13	0.14	-0.01
JPN 10 yr	0.73	0.76	-0.03
JPN 30 yr	1.80	1.81	-0.01
GER 2 yr	2.75	2.71	0.04
GER 10 yr	2.36	2.34	0.02
GER 30 yr	2.53	2.51	0.02

Prices are latest for edition
Data provided by Morningstar

Move beyond sustainability commitments to action

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

BAIN & COMPANY

Stormy Daniels affair

Trump 'hush money' trial given go-ahead

Ex-president first to face criminal proceedings after dismissal motion fails

JOE MILLER — NEW YORK

Donald Trump will next month become the first former US president to face a criminal trial, after a New York state judge declined to dismiss or delay the "hush money" case brought against him over payments allegedly made to the porn actress Stormy Daniels in the lead-up to the 2016 election.

Trump, who is the frontrunner to be the Republican nominee for president, sat in silence at the hearing yesterday where Judge Juan Merchan announced that, after consultation with the federal judge overseeing the separate election interference case in Washington, the Manhattan court would begin selecting a jury on March 25, for a trial expected to last six weeks.

Trump's attempt to dismiss the Manhattan criminal case, which his lawyers had argued was "politically motivated" and unconstitutional, was wholly rejected by Merchan. The judge wrote that the indictment's claim "that the defendant paid an individual $130,000 to conceal a sexual encounter in an effort to influence the 2016 presidential election and then falsified 34 business records to cover up the pay-off" were "serious allegations".

Todd Blanche, a lawyer for Trump, said the decision was a "great injustice" and that scheduling a trial during the presidential primary season amounted to "election interference" by the court.

Blanche further argued that the trial should be delayed because a jury pool would be tainted by the coverage of writer E Jean Carroll's civil litigation in Manhattan federal court against the former president, in which Trump was found liable for sexual assault and defamation and ordered to pay a total of more than $88mn in damages. Merchan rejected the request.

> Trump said the hearing was 'rigged', adding: 'I'll be here during the day and campaigning at night'

The parties also argued over the questions that would be used to vet potential jurors, pointing to the complexity of picking an impartial panel for a trial against a figure as polarising as Trump.

The Manhattan case will be the first of four criminal cases against Trump to reach trial. By the time it begins, he is likely to have attained an unassailable lead in the Republican primaries, putting him in position to challenge Joe Biden in November's election.

The case, brought by Manhattan district attorney Alvin Bragg last April, stems from a years-long investigation into a "catch and kill" scheme allegedly carried out by members of the Trump campaign to identify and silence women who might come forward with claims of illicit affairs with the property mogul.

The indictment claims that Trump improperly recorded repayments to his lawyer Michael Cohen for the tens of thousands of dollars he had personally paid Daniels on behalf of the campaign less than two weeks before Americans went to the polls in 2016.

Bragg's team says that while the underlying offences of falsifying business records are usually less serious misdemeanours in New York state, they should be elevated to felony charges as they violated federal campaign laws.

If convicted, Trump could face incarceration and financial penalties. After the hearing, he called the proceedings "rigged", adding: "I'll be here during the day and campaigning at night."

Additional reporting by Stefania Palma in Washington

Hamas conflict

Israeli forces destroy part of Gaza's last big hospital in hostage push

MAI KHALED — GAZA
ANDREW ENGLAND — LONDON
RAYA JALABI — BEIRUT

Israeli forces have raided southern Gaza's largest hospital, destroying part of the compound as they searched for hostages and Hamas fighters.

The raid came a day after Israel ordered thousands of people sheltering in Nasser hospital, the last big medical facility functioning in the besieged enclave, to leave the Khan Younis compound.

Gaza's health ministry said many displaced people still in the compound had been wounded when Israel launched a "massive incursion".

Israeli forces had ordered health workers to move patients elsewhere in the hospital, the ministry told broadcaster Al Jazeera. "Many cannot evacuate, such as those with lower limb amputations, severe burns or the elderly," it said.

The Israel Defense Forces said it had "credible intelligence that Hamas held hostages [and] appear to be operating from within the hospital", adding its troops had apprehended a number of suspects in a "precise and limited operation".

Hamas seized about 250 hostages during its October 7 attack on Israel that killed 1,200, according to Israeli officials. About 130 remain in the strip, although some of those are believed to have died.

During a retaliatory air, land and sea offensive in Gaza, which Palestinian officials say has killed more than 28,000 people, Israeli forces have targeted numerous hospitals, accusing Hamas of using medical facilities for military purposes.

The war has triggered a wave of hostilities across the region, with concerns growing about escalating cross-border clashes between Israeli forces and Hizbollah, the Iranian-backed militant movement in Lebanon.

Israel carried out dozens of air strikes on southern Lebanon for a second day after at least 10 civilians and several Hizbollah fighters were killed on Wednesday in Israel's heaviest cross-border attack against the group since October 7.

Nasser is the last large hospital in Gaza after the IDF laid siege to and raided al-Shifa hospital, claiming it had found evidence of Hamas activity in tunnels below. Gaza's health ministry said Israeli forces had destroyed Nasser's southern wall, targeted a base for ambulances and dug up a mass grave in the compound.

The UN has warned that Israel's offensive has pushed the strip's health system into collapse, with severe shortages of basic supplies and equipment. Medics have said they are having to carry out amputations without anaesthetic.

The World Health Organization estimated that only 11 hospitals were left partially functioning in Gaza. About 22 had shut and three field hospitals were operating in the south of the enclave.

The US, Qatar and Egypt have been mediating talks in an effort to halt the war, secure the release of hostages and increase deliveries of aid into Gaza.

Mai Khaled in Gaza, Andrew England in London and Raya Jalabi in Beirut

EU economy

Brussels cuts forecasts for 2024 growth and inflation

PAOLA TAMMA — BRUSSELS

The European Commission has downgraded its projections for EU and eurozone growth in 2024 as high interest rates weigh on economic activity and forecast that inflation will halve from last year's highs.

The commission said in an outlook published yesterday that it expected gross domestic product to rise 0.8 per cent in the eurozone this year and 0.9 per cent in the EU, down from 1.2 per cent and 1.3 per cent respectively in its autumn forecast.

Annual eurozone inflation would fall to 2.7 per cent this year from 5.4 per cent in 2023, it said, a steeper drop than to the 3.2 per cent rate previously predicted.

"The rebound expected in 2024 is set to be more modest than projected three months ago, but to gradually pick up pace on the back of slower price rises, growing real wages and a remarkably strong labour market," said Paolo Gentiloni, the economy commissioner.

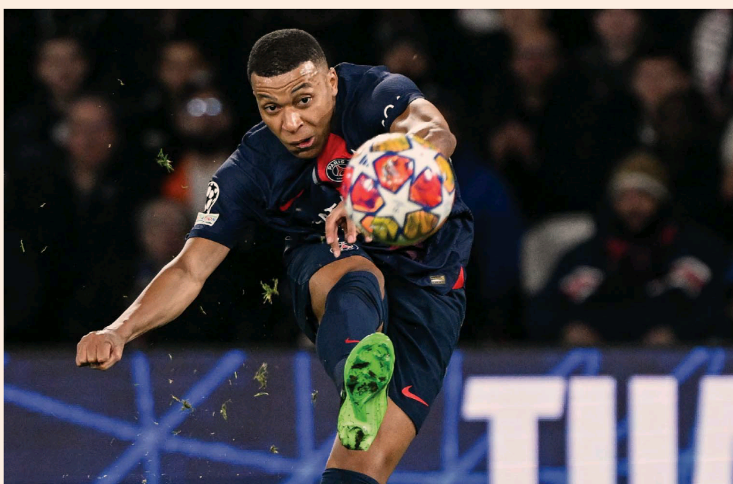
Markets expect the European Central Bank to start cutting interest rates this year, possibly in April, from their record high of 4 per cent.

But ECB president Christine Lagarde warned yesterday that "we need to be more confident" inflation was on track to hit its 2 per cent target before considering cuts. "It will take data, it will take more time . . . The last thing I want to see is making a hasty decision to see inflation rise again and have to take more measures," she told the European parliament.

The commission said growth was expected to pick up in 2025, rising to 1.5 per cent in the eurozone and 1.7 per cent in the EU. It also revised output for 2023 down to 0.5 per cent in both areas, following stagnation in the last quarter.

Inflation expectations were revised downward as energy and other commodity prices have fallen faster than expected. Eurozone inflation expectations for 2025 remain unchanged and slightly above target at 2.2 per cent.

Additional reporting by Aiden Reiter in London



Kylian Mbappé, whose departure comes at a crucial time for PSG and will be a blow to France's top football tier, Ligue 1
Miguel Medina/AFP/Getty Images

New goals
Mbappé to leave PSG

Kylian Mbappé has told Paris Saint-Germain that he intends to leave the Qatar-owned French champions this summer, according to two people close to the club, as one of the world's most marketable football stars prepares for the next phase of a glittering career.

Mbappé, who helped France to World Cup victory in 2018 and a runners-up medal four years later, is the latest star to leave the French club, following the departures of Argentina's Lionel Messi and Brazilian Neymar last summer. The 25-year-old signed for PSG from AS Monaco for roughly €180mn almost seven years ago.

The striker, who grew up in a poor suburb of Paris, is one of a handful of players who makes headlines beyond his sport. When Mbappé previously flirted with joining Real Madrid, French President Emmanuel Macron intervened to convince him to stay.

PSG declined to comment. A representative for Mbappé did not respond to a request for comment.

The club was preparing to recruit reinforcements to replace Mbappé, the people said, as the club aims to shift from a star-driven approach to one emphasising collective effort. He costs PSG roughly €200mn a year in wages, bonuses, taxes and social charges.

The terms of his exit are yet to be determined. Real Madrid has been repeatedly linked with Mbappé, who was also the subject of a €300mn bid from Saudi club Al Hilal last year.

His looming departure comes at a critical time for PSG, which was valued at more than €4bn when US investment firm Arctos Partners agreed to buy up to 12.5 per cent of the club late last year. It is also seeking a new home stadium after failing to convince Anne Hidalgo, the mayor of Paris, to sell it the Parc des Princes, which it rents from Paris city council.

His exit will be a blow to Ligue 1, potentially denting the value of broadcast rights for France's top football league just as negotiations are under way for the 2024 to 2029 period. Private equity firm CVC invested in a newly formed commercial unit in 2022 to market the broadcast rights.

French clubs have struggled to keep pace with their rivals in terms of finances. Clubs in Ligue 1 generated total revenues of more than €2bn in 2021-22, according to consultancy Deloitte, well behind the €6.4bn made by English Premier League clubs.

PSG is an outlier in the French league. The club, which boasts sponsorships with Qatar Airways and US companies including Nike, increased its annual revenues to north of €800mn in 2022-23, up from €654mn the prior season.

Only Real Madrid and current English and European champions Manchester City made more revenue than PSG in 2022-23, according to Deloitte.

However, PSG has failed to win the Uefa Champions League, Europe's most prestigious club tournament, despite dominating the French domestic league, and Mbappé had been widely expected to leave France at some stage.

Samuel Agini

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Collateral risk

Euroclear warns G7 not to use Russian assets for Ukraine debt

LAURA DUBOIS — BRUSSELS

Euroclear has warned that a G7 plan to use Russia's frozen assets as a backstop to issue debt for Ukraine would pose financial stability risks to Europe.

In an interview with the Financial Times, Lieve Mostrey, chief executive of the Brussels-based central securities depository, said the mooted plan would come "pretty close to an indirect seizing" of the assets and expose the company to legal claims.

Euroclear holds about €191bn belonging to the Russian central bank, the bulk of the €260bn in sovereign assets immobilised abroad after Moscow's invasion of Ukraine in February 2022.

Mostrey warned against a proposal floated by Belgium as a compromise between a US-led push to seize the underlying assets and a more reluctant European stance. The compromise would foresee using the assets as collateral to raise debt and making Russia repay it at a later date or, if it fails to do so, seizing the assets then.

"Using assets that don't belong to you as collateral is pretty close to an indirect seizing or a commitment to future seizing, which could have exactly the same effects on the markets as a direct seizing," Mostrey said.

This could also expose Euroclear to legal claims over the assets, she said. "We don't see how the central Russian bank would simply accept that has been seized and that Euroclear's obligations towards them have stopped to exist.

"I trust that the prudent, rational will prevail," she added. "When we come to a logic of seizing of assets . . . then you see the trust in the Euroclear system, the trust in the European capital markets, the trust in euro as a currency substantially affected."

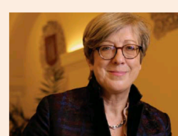
The US has been advocating for seizing the principal assets for Ukraine but Germany, France and Italy are against it, noting that sovereign assets have immunity under international law. They and the European Central Bank have warned that it could undermine the euro by suggesting that assets stowed in the currency might not be safe.

"We have to be very attentive to the attractiveness of the euro and the European capital markets for international investors," Mostrey pointed out.

She was, however, more favourable to separate plans by the EU to use the profits generated by those assets to help Ukraine, deeming that move as less risky as Euroclear does not pay out interest income to clients and the profits "legally belong to Euroclear".

Last year, Euroclear earned €4.4bn on reinvesting cash balances from matured securities, such as redemptions and coupon payments, that could not be paid out to Russian clients.

"We understand very well that these revenues only exist because of the fact that there are sanctions," said Mostrey. "It's a combination of big numbers and high interest rates that yields these unprecedented amounts."



Lieve Mostrey: Euroclear chief warned of exposure to legal claims

Mostrey said that, depending on interest rates, Euroclear could earn similar amounts in 2024 as immobilised securities continue to turn into cash, or even exceed that amount if rates are not cut. The EU last month agreed to set aside billions in profits from the assets to support the reconstruction of Ukraine, put at nearly $500bn over the next decade. "We would accept such a measure," Mostrey said. "It is . . . our feeling that . . . the risk is a bit lower."

Euroclear is already setting aside the profits, which in 2023 amounted to €3.25bn after tax, as a "special buffer relating to the Russian situation", Mostrey said. EU plans to skim off the profits would not affect the 2023 profits.

She added that Euroclear should be able to renegotiate the skimmed-off amounts in case of risks flagged by a regulator. "It is simply not possible today to make an affirmative statement that all potential future risks are covered."

Euroclear is already facing between 50 and 100 lawsuits in Russian courts over the immobilised assets, with the number of cases likely to go up, she said.

Battle for Avdiivka tests Ukraine's new military chief

Shortage of artillery rounds heaps pressure on eastern town's defenders

BEN HALL — LONDON
CHRISTOPHER MILLER — KYIV

Russian forces closing in on the Ukrainian town of Avdiivka are an early test for Ukraine's new top commander and for an army short of ammunition and men as western military support falters.

The battle for the industrial town 20km north of Russian-held Donetsk has been raging since October but intensified last week after Russian troops breached Ukrainian defences on the northern and southern edges.

Instead of retreating from Avdiivka, where soldiers have been rationing ammunition in the face of shortages aggravated by the US failure to agree on fresh aid, General Oleksandr Syrsky, Kyiv's new commander-in-chief, has sent reinforcements.

The 3rd Separate Assault Brigade said on Telegram yesterday that the situation in Avdiivka had been "absolutely critical" before it had been sent in and that newly arrived Russian units were being pushed back "at 360 degrees".

Ukraine was switching to a defensive posture to "exhaust the enemy, inflict maximum losses", Syrsky told Germany's ZDF television in an interview recorded before his appointment on February 8 but broadcast on Tuesday.

President Volodymyr Zelenskyy has also pledged to give Avdiivka "maximum attention, maximum support".

The move to shore up Avdiivka has drawn parallels with Ukraine's dogged but ultimately unsuccessful defence last year of Bakhmut, 50km to the north.

Russia lost up to 30,000 men in its nine-month offensive, many from the Wagner private military company of Yevgeny Prigozhin, who died in an air crash after he mutinied against Moscow.

The favourable casualty ratio Ukraine initially enjoyed narrowed as the battle wore on. The loss of many experienced troops, said US officials, undermined its summer counteroffensive. Defending Avdiivka could prove similarly costly at a time when Ukraine's army needs to replenish its ranks through mass mobilisation.

"In October and perhaps through December and early January, it could be argued Ukraine was inflicting disproportionate attrition on the Russian attackers," Henry Schlottman, a military analyst, wrote on Substack. "Now, this argument is much harder to make."

Kyiv's grip on Avdiivka will be harder to maintain since the shortage of western munitions has forced some units to reduce their firepower drastically.

Russian urban warfare often involves destroying all buildings with artillery to deny defenders cover before sending in light assault forces. Without ammunition, Ukrainian forces cannot fire back at Russian artillery positions.

A withdrawal of Ukrainian forces seemed likely until the arrival of additional units over the weekend. Frontelligence Insight, an open-source intelligence group with extensive links to the Ukrainian military, said the fall of Avdiivka was "not a matter of if, but when".

"The situation in Avdiivka has worsened for Ukrainian forces, facing a gradual expulsion from defended residential areas amid a lack of effective countermeasures against Russian artillery," Frontelligence reported last month.

The Centre for Defence Strategies, a think-tank, said Russia was close to taking the town, where the defenders faced an "increased encirclement threat".

General Oleksandr Tarnavsky, commander of Ukraine's forces in the south-east, said on Saturday that Russia was focusing its firepower on Avdiivka, with the aim of seizing Ukraine's supply routes on the northern edge of the town.

In just 24 hours, Tarnavsky said, Russian forces had attacked his troops in Avdiivka with 17 air strikes, 57 assault missions and 599 artillery strikes. Russia has deployed special forces and elite assault troops in the area. The fall of Avdiivka would hand Vladimir Putin his most significant victory since Bakhmut — and a timely one, given Russia's presidential elections on March 15-17.

Avdiivka is a gateway to Donetsk, held by Russian forces and their proxies since 2014. The city was well fortified by Ukrainian troops and its defunct coal and chemical plant provided formidable defences. But Russian advances from the east, south and north have made defence of the town less tenable.

The loss of Avdiivka would make it harder for Ukraine to retake Donetsk, the largest city in the occupied Donbas region, and deny its gunners a position to strike the city's communication lines.

Schlottman said deployment of Ukrainian reinforcements could still herald a withdrawal from Avdiivka but there were also "rational reasons" for trying to hold it. It would allow time to prepare defensive positions further to the west and demonstrate an ability to resist Russian forces, boosting morale.

The question for Zelenskyy and Syrsky is at what cost. They would have to strike a "tricky" balance between force preservation and inflicting more damage on the enemy than they suffered themselves while defending sovereign territory, said Mykola Bielieskov, research fellow at Ukraine's National Institute for Strategic Studies, in a personal capacity.

"I hope that the Ukrainian leadership has learned the lesson of weighing all considerations — military, political — when adopting decisions regarding a specific frontline segment," he said.

Syrsky's appointment prompted a backlash in parts of the military, with some soldiers saying he was willing to expend the lives of his own troops for tactical gains. They also blame him, as commander of ground forces, for delaying a withdrawal from Bakhmut after Zelenskyy made its defence a priority.

Syrsky was also in charge of operations at Debaltseve, north-east of Donetsk, in 2015 when 6,000 Ukrainian troops were encircled by Russian forces and their proxy militia and were forced into a chaotic retreat. More than 260 Ukrainian soldiers were killed.

The battle of Avdiivka would provide insights into how Syrsky can close the "gap between the desired political outcomes of his president with Ukraine's dwindling military resources", said Mick Ryan, a retired Australian Army major-general and military strategist.

"Like Bakhmut, the president appears to not want to give up Avdiivka even if the military situation indicates a withdrawal may now be the best option to preserve the remaining fighters. Not giving up territory and preserving combat forces in the current environment will be very difficult to achieve."

Sources: AEI's Critical Threats Project; Institute for the Study of War; Mapcreator.io/OSM.org Updated Feb 11

Down to work: Oleksandr Syrsky, left, and defence minister Rustem Umerov on his left, inspect a frontline base on Wednesday
Armed Forces of Ukraine/AFP/Getty Images

In 24 hours, Russian forces had attacked with 17 air strikes, 57 assault missions and 599 artillery strikes

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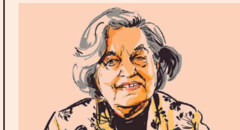

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INTERNATIONAL

Supreme Court

India donations ruling deals blow to Modi

Judges quash electoral bonds said to favour BJP months before polling

JOHN REED — NEW DELHI

India's Supreme Court has struck down the main mechanism for donations to political parties, in a decision seen as unfavourable to Prime Minister Narendra Modi ahead of national elections.

The court, led by chief justice DY Chandrachud, ruled yesterday that "electoral bonds" were unconstitutional in response to petitions by opposition politicians and a non-governmental organisation.

"It's a historic verdict," said Zoya Hasan, professor emerita at the Centre for Political Studies at Jawaharlal Nehru University. "It's a big blow to the [Bharatiya Janata party] because so much of their political control has depended on money power and much of this money has come through anonymous electoral bonds."

Modi's BJP is widely expected to defeat a divided opposition to secure a third five-year term in a staggered election to be held during April and May.

The Supreme Court ruled that the funding scheme violated the right to information and could lead to "quid pro quo" arrangements between donors and political parties. It ordered the State Bank of India, which oversees the scheme, not to issue any more electoral bonds, effective immediately.

Electoral bonds have long been attacked by civil society groups for allowing corporations and individuals to make anonymous political donations, and for permitting money unaccounted for to reach parties, including from abroad. Parties were required to declare how much they had received through electoral bonds but not from whom.

Critics also argued that the system, though anonymised, favoured the BJP because the government could access information about donors via the SBI, which kept an audit trail of donations. This could discourage donations to opposition parties, they said.

'This welcome judgment undoes the attempt to legalise corruption and weaken democracy'

The Supreme Court asked the SBI yesterday to release details about submitted electoral bonds dating back to 2019.

The Indian National Congress, India's largest opposition group, has been canvassing the public for individual donations ahead of the elections. It welcomed the striking down of what it called a "black money conversion scheme of the Modi government".

"We hope that [the] Modi govt will stop resorting to such ideas in future and listens to the Supreme Court, so that democracy, transparency and a level playing field exists," Mallikarjun Kharge, the Congress party's president, wrote on X.

The BJP did not respond to the ruling.

According to the Association for Democratic Reforms, an NGO that was among the petitioners, the BJP received nearly 90 per cent of large corporate donations to five national political parties, including Congress, in recent years.

Analysts and critics of the Modi government praised the court's decision. "This is a welcome judgment," said Nitin Sethi, founding editor of the Reporters' Collective, which has reported extensively on the bonds. "It undoes the BJP government's attempt to legalise corruption and weaken Indian democracy."

The BJP introduced electoral bonds in 2017. However, one analyst said the system had been "breaking the opposition", especially the Congress party, and "no one knew who was funding whom".

South-east Asia. Presidential election

Indonesia populism resumes after Prabowo win

Continuity pledged but free school meals and slashing taxes could test fiscal strength

A ANANTHA LAKSHMI — JAKARTA

Prabowo Subianto used to run polarising presidential campaigns that demonised his opponents and projected a bombastic, nationalistic persona. At one rally in 2014, the former general arrived by helicopter and inspected a red beret-wearing guard of honour on horseback.

But now Prabowo, 72, appears to have won Indonesia's presidency by adopting a more grandfatherly image, dancing and blowing kisses to adoring crowds. His presidency could be just as unpredictable, said political observers and economists.

"If you extrapolate from any part of his history to imagine what he might be like as president, I think on any given day he might be any one of those Prabowos," said Aaron Connelly, a senior fellow with the International Institute for Strategic Studies.

Official results are due in March but private ballot sampling, which has proved reliable, showed Prabowo winning Wednesday's election decisively with no need for a second round of voting. He is projected to become the next president on October 20, putting him at the helm of an economy that is south-east Asia's biggest and a critical player in the global green energy transition.

Yet he is also expected to pursue more populist policies that could test Indonesia's fiscal strength.

Prabowo's victory came thanks not only to the rebranding, which relied heavily on social media to draw younger voters, but also to the backing of Joko Widodo. The outgoing president remains extremely popular for transforming Indonesia into an emerging economic power by spending record amounts on infrastructure and attracting foreign investment.

Analysts said the relationship between Prabowo and Widodo, former electoral foes turned allies, would be critical to the direction of the incoming administration. Sidelining Widodo, who continues to enjoy approval ratings as high as 80 per cent, would be politically risky, said Connelly. The incumbent is barred from seeking a third term, but some political analysts have raised concerns he is attempting to retain influence after he leaves office.

Mobbed: Prabowo Subianto greets supporters after visiting his father's grave yesterday at a cemetery in Jakarta
Mast Irham/EPA/Shutterstock

Widodo's son, Gibran Rakabuming Raka, 36, will be Prabowo's vice-president, and some Widodo-era cabinet ministers, who have been campaigning for Prabowo, are expected to take roles in the new government.

Prabowo has also spent little time in government after a long military career. He has served as defence minister only since 2019 under Widodo, who is widely known as Jokowi.

"While Prabowo will owe his win to the unofficial but clear support of Widodo, he will not be Jokowi's puppet," said Peter Mumford at the consultancy Eurasia Group, adding that Prabowo's term would not be "Jokowi 3.0".

Prabowo has promised to stick with Widodo's policies, including a focus on developing the exports-orientated commodities sector and plans to build a $32bn new capital in Kalimantan. This promise of continuity helped push Indonesia's stock index close to an all-time high on Wednesday.

He has also pledged to spend 460tn rupiah ($29.5bn) to provide free meals and milk to school pupils. In previous years he has vowed to slash taxes.

Such policies would weigh on Indonesia's fiscal position, economists said.

"We believe medium-term fiscal risks have risen, given some of Prabowo's costly campaign pledges," Fitch Ratings said yesterday, citing in part the meals scheme, which it said could cost the equivalent of 2 per cent of Indonesia's gross domestic product.

But the credit rating agency said its "baseline scenario" was still for government debt to remain on a "gradually declining path".

"There is also a risk that Prabowo's nationalism could turn off Chinese investors and undermine attempts to boost investment into Indonesia's metals sector," said Gareth Leather, an economist at Capital Economics.

Chinese companies have poured billions of dollars into Indonesia's metals and mining sector, particularly nickel, which is vital to electric vehicle batteries. The inflows came after Widodo's 2019 ban on exports of nickel ore, which forced foreign companies to set up smelters and processing plants onshore.

Prabowo has promised to maintain the "downstreaming" policy, which some foreign groups have called protectionist but which alongside investor-friendly reforms helped revitalise Indonesia's economy.

But Prabowo will not be able to realise his agenda alone, and he has promised to form a coalition government, as Widodo did. His party came third in voting for national and regional legislators on Wednesday, pollsters' found, and is expected to lead the coalition.

'While Prabowo will owe his win to the unofficial but clear support of Widodo, he will not be his puppet'

The ex-general's commitment to Indonesia's young and hard-fought democracy will also be watched. Prabowo spent decades in the military until he was ousted in 1998 over his alleged involvement in the kidnappings of pro-democracy activists.

Prabowo has also been accused of being involved in killings in East Timor as a young officer in the 1980s. He has always denied the allegations. He complained in 2014 about elections being too expensive and hinted at scrapping direct polls for the presidency.

Critics have also accused Widodo of weakening Indonesia's democracy. Gibran was allowed to run alongside Prabowo last year by the constitutional court, then led by Widodo's brother-in-law, despite an age threshold of 40.

Any threat to democratic principles "would dent Indonesia's reputation and its ability to attract foreign investment", said Laura Schwartz, at risk intelligence company Verisk Maplecroft.

East Asia

Further fall in growth puts BoJ's policy move in doubt

DAVID KEOHANE — TOKYO

Japan's economy has contracted for a second straight quarter, adding to pressure on the Bank of Japan as it considers raising interest rates for the first time since 2007.

Weak private consumption helped push gross domestic product to a 0.4 per cent contraction on an annualised basis in the fourth quarter, and by 0.1 per cent on a quarterly basis, according to preliminary data released by Japan's Cabinet Office yesterday.

The fall was at odds with economists' estimates of a slight rise of between 0.2 and 0.3 per cent, and pushed some investors to revise bets on when the BoJ would begin to unwind its ultra-loose monetary policy, including the world's last remaining negative interest rates.

Economists had been expecting the BoJ to raise rates at its April monetary policy meeting, if not in March.

"The latest GDP data, although it might be revised, complicates the monetary policy outlook. Two consecutive declines in GDP add to a string of disappointing data releases," said Stefan Angrick, chief economist at Moody's Analytics in Tokyo. "This makes it harder to justify a rate hike, not to mention a series of hikes."

'With two consecutive declines in GDP, Japan is in a technical recession'
Stefan Angrick, Moody's

Angrick said a small increase in exports had helped offset a larger contraction but added that "the decline in GDP was broad-based", with falls in private consumption, capital spending and government consumption.

The disappointing fourth quarter data also came as Japan's third-quarter GDP was revised down to a 3.3 per cent contraction on an annualised basis.

"To add insult to injury, GDP for the third stanza was revised to a 0.8 per cent drop from a 0.7 per cent drop" on a quarterly basis, added Angrick. "With two consecutive declines in GDP, Japan is in a technical recession."

The yen was little changed after the data release at ¥150.2 to the US dollar, while the Nikkei 225 index rose close to 1 per cent, staying just above 38,000 points and close to its December 1989 bubble-era high of 38,915.

The BoJ kept overnight interest rates at minus 0.1 per cent at its most recent policy meeting in January. Officials at the Japanese central bank have been growing increasingly confident that the economy is robust enough to attempt an exit from its negative interest rates policy, thanks to momentum for wage growth and greater assurance of hitting its inflation target of 2 per cent.

But economists said the fourth-quarter GDP data would complicate that picture, particularly as indices for services and consumption activity remained subdued ahead of *shunto* spring wage negotiations at big companies.

Private consumption fell 0.2 per cent in the fourth quarter after a 0.3 per cent decline in the previous quarter.

"The BoJ will likely now become even more cautious about any policy change," said Min Joo Kang, senior economist for South Korea and Japan at ING, who felt an interest rate increase could be pushed back to June or later.

Climate finance

Green transition scheme struggles for capital

KENZA BRYAN — LONDON

A climate finance framework endorsed by world leaders as a way to fund the green transition in poorer countries is struggling to raise capital, resulting in coal plants staying open, a report finds.

The US, EU and UK were among donors that promised to help mobilise vast sums for the transition under Just Energy Transition Partnerships. Pledges included $20bn for coal-dependent Indonesia to pay for the shift to renewable energy, with similar projects in South Africa, Vietnam and Senegal.

Joe Biden, US president, Boris Johnson, former UK prime minister, and Ursula von der Leyen, European Commission president, pitched the model with other leaders at the Glasgow climate conference in 2021 as a way to plug the financing gap hampering the green transition in developing countries.

But a report based on conversations with donors and other stakeholders published yesterday found growing frustration that the deals have yet to raise the capital promised. As a result, said the report published yesterday by the Rockefeller Foundation charity, lower-income countries were keeping coal and other plants open.

The charity said the model "may not be scalable" in its current form but pointed to a lack of consistent support from multilateral development banks and the announcement of deals by political leaders before funding had been secured. The model had been "long on promise but short on progress", said Rajiv Shah, foundation president.

The charity is helping pilot an improved JETP-style funding pitch for up to $165bn until 2050 to promote renewable power and grid capacity in the Philippines, led by its own institutions.

A new approach to "delivering real new money on the table" was needed, said Ashvin Dayal, who leads Rockefeller's power and climate work. "The minute the numbers get contorted in ways that don't stack up based on the original announcements, that's when you lose political will," he said.

One problem was a perception that richer countries were pushing for coal plant closures in South Africa and Indonesia before consensus had been reached on job and wealth-creation plans.

Joko Widodo, Indonesia's outgoing president, said late last year that there was "tremendous" concern over the funds not materialising.

The Asian Development Bank, which is providing technical support for the financing package, said "the planning, design, preparation and construction of large energy infrastructure is a big undertaking". It added that the bank was committed to helping members achieve a "just, affordable and reliable energy transition".

Leo Roberts, head of fossil fuel transitions at E3G, the climate-focused think-tank, said the "negligible" sums raised showed world leaders had set "unrealistic" expectations about JETPs.

Drug development

New antibiotic offers hope against superbugs

MICHAEL PEEL — LONDON

Scientists have invented a potential drug candidate that combats antibiotic-resistant superbugs in non-human tests, according to research.

The new antibiotic, known as cresomycin, is effective in mice against several bacteria that cause serious infections and are increasingly resilient to existing treatments, according to a paper published in Science yesterday.

"What is most important is that it kills antibiotic-resistant strains in animals," said Yury Polikanov, co-author of the research and an associate professor of biological sciences at the University of Illinois Chicago. "It's more potent [than its predecessors] — and more potent against deadly bacteria."

Cresomycin's synthesis is part of urgent research efforts to defeat antimicrobial resistance, which occurs when bacteria, viruses, fungi and parasites evolve the ability to resist treatments. AMR, which is largely caused by the excessive use of antibiotics, is already linked to 5mn deaths a year, according to the World Health Organization. Hospitals are particularly susceptible to the spread of superbugs.

Cresomycin proved effective against a range of dangerous bacteria prominent in the spread of AMR, the paper said. These included Staphylococcus aureus, which causes infections in the skin and other organs, Escherichia coli (E-coli), responsible for intestinal and urinary tract illnesses, and Pseudomonas aeruginosa, a trigger of blood and lung infections.

Anti-microbial resistance, largely caused by overuse of antibiotics, is linked to 5mn deaths a year

A big obstacle to dealing with AMR is that decades of under-investment in research has led to a dearth of promising new synthetic antibiotics. Healthcare has long benefited from treatments derived from natural products, such as penicillins and cephalosporins obtained from moulds, but these are becoming increasingly ineffective as pathogens evolve to beat them.

The cresomycin paper's authors acknowledged that the antibiotic problem was "daunting" but said their findings boosted hopes for "the future discovery of antibacterial agents broadly effective against AMR".

The cresomycin test results looked "promising", said Tim Walsh, an Oxford university professor and AMR expert. More data would be needed on the molecule's effectiveness against the group of so-called Gram-negative bacteria, which were protected by an outer membrane and were a central problem in the spread of AMR, Walsh added.

"The elegant synthetic design of cresomycin, based on an intuitive rationale, provides an exciting scaffold for further development," he said.

China fatigue US emerging market investors start switching from ETFs exposed to the second-largest economy ● MARKETS & LEX

Companies & Markets

Fintech sues JPMorgan over alleged effort to stifle growth

- Viva Wallet head accuses co-owner
- Low value would allow full takeover

OWEN WALKER — LONDON

The founder and chief executive of a financial technology business co-owned by JPMorgan has begun legal proceedings against the Wall Street bank over what he claims are tactics to suppress his company's growth.

Haris Karonis, who founded Greek payments company Viva Wallet in 2000, said JPMorgan is trying to drive down the valuation of his business by blocking its entry into the US and new European markets, according to legal documents seen by the Financial Times.

Karonis also accuses JPMorgan of thwarting Viva by allowing the bank's own payments business to compete with the fintech in European markets.

> Viva says an option to buy 'creates perverse incentives' for the bank to limit growth and get a knockdown price

Under the terms of JPMorgan's investment in Viva, the bank can take full control of the fintech if its value is below €5bn in June 2025. The bank has a 48.5 per cent stake in Viva.

JPMorgan has also filed a claim against Karonis over what the bank alleges are moves to "limit or circumvent our contractual and legal rights as an investor", according to people briefed on the situation. Both legal claims were filed in the High Court in London on Wednesday.

Since its founding in 2000, Viva has grown to become one of the biggest fintechs in southern Europe, offering payment services in 24 countries. In 2020, it acquired a banking licence after buying Greek digital lender Praxia.

The legal dispute between JPMorgan and Karonis is the latest spat the bank has had with the founder of a business it has invested in after ploughing billions of dollars into fintechs since 2021.

Last year, JPMorgan sued Charlie Javice, founder of Frank, a student finance platform that the bank had bought for $175mn in 2021, over allegations of vastly inflating its user base.

Javice has denied JPMorgan's allegations of falsifying accounts, and has filed a counter claim accusing the bank of compromising her reputation.

JPMorgan invested €800mn in Viva in 2022 to secure its 48.5 per cent stake as part of a much-vaunted push into the European payments market.

In the legal claim, Karonis's holding company, WRL, challenged the conditions of JPMorgan's option to buy Viva, which it stated "creates perverse incentives" to limit its growth so it can pick Viva up for a knockdown price.

Executives at JPMorgan believe Karonis is refusing to accept the valuation of fintechs has fallen because of higher interest rates, said people with knowledge of their legal approach.

When JPMorgan agreed to invest in Viva, chief executive Jamie Dimon — who has Greek ancestry — travelled to Athens to meet Karonis.

Since then, relations have soured. Towards the end of last year, two JPMorgan-appointed directors on Viva's board quit after arguments over their independence, said people briefed on the situation. The two sides have also disagreed over how to value Viva, they said.

JPMorgan and WRL have reached an impasse over how to value Viva and are asking the High Court to resolve the dispute. Freshfields is acting on behalf of JPMorgan while WRL is being represented by Quinn Emanuel.

Representatives for Karonis and WRL declined to comment.

Additional reporting by Joshua Franklin in New York

To boldly go Musk plans further break with Delaware by incorporating SpaceX in Texas

New trajectory: a SpaceX Falcon 9 rocket launches from Kennedy Space Center yesterday — Malcolm Denemark/Florida Today/AP

GEORGE HAMMOND — SAN FRANCISCO
SUJEET INDAP — SAN DIEGO

Elon Musk is to shift the incorporation of SpaceX from Delaware to Texas, seeking to further limit exposure to the state after a judge there shot down his $56bn pay package from Tesla last month.

Musk, the world's richest man, switched the incorporation of his brain-implant company Neuralink from Delaware to Nevada last week. SpaceX is a far larger business — a valuation of almost $200bn makes it one of the most valuable private companies in the world.

"If your company is still incorporated in Delaware, I recommend moving to another state as soon as possible," Musk wrote on X.

SpaceX, whose corporate headquarters are in southern California, is the latest of Musk's half-dozen companies planning to split from Delaware, the small eastern state that has long been the favoured domicile for large corporations thanks, in part, to a transparent corporate law regime, years of legal precedent and a community of lawyers.

The moves come after a judge in Delaware, Kathaleen McCormick, voided a planned $56bn pay award from Tesla, the electric-car company he runs, late last month.

McCormick ruled that Musk had exerted undue control over the company's board despite owning a minority of Tesla. He was the "paradigmatic 'Superstar CEO'", she wrote in the ruling.

After McCormick's decision, Musk said other founders should incorporate their companies "in Nevada or Texas if you prefer shareholders to decide matters" in a post on X, the social media platform that he also owns.

Musk has also pledged to hold a vote for Tesla shareholders on switching the carmaker's incorporation to Texas, a process that is likely to be more complex given that Tesla is a public company.

Texas has recently sought to position itself as a rival to Delaware's business-friendly reputation. The state passed legislation signed by the governor to create a new Texas business court that will hear corporate disputes with specialised judges.

Officials in the state have been actively marketing the new court to companies domiciled elsewhere as sophisticated and efficient even as the details of the body and how it will operate are still being finalised.

Two other Musk companies — X and xAI, the artificial intelligence start-up for which he is seeking to raise billions of dollars — are incorporated in Nevada.

SpaceX's move was first reported by Bloomberg News.

Citi's private bankers told to report calls with clients

JOSHUA FRANKLIN AND STEPHEN GANDEL — NEW YORK

Citigroup has started tracking how many calls its private bankers are making to clients as the US lender tries to jump-start its struggling wealth management business, according to people familiar with the matter.

Citi's private bankers must now turn in call reports to record each conversation they had with a client — whose net worth typically has to be at least $10mn to qualify for the private bank — and also what was discussed, the people said.

They had also been encouraged to contact each of their clients at least once every 90 days, the people added.

These new performance metrics reflect how Citi, which has taken a more flexible approach to working from home than many rivals, is trying to squeeze more from its employees.

Citi bankers have had to file some call logs in the past for compliance reasons but have not previously had to do so to track performance. Several private bankers at Citi's rivals said their banks encouraged them to log calls but had not made this an explicit requirement.

The requirement had been badly received by some employees, who felt it was not a productive use of their time, the people familiar with the matter said. It also comes as Citi is cutting thousands of jobs.

Citi said: "Enhancing client experience is our number one focus. Documenting and sharing client feedback is one way to ensure we're delivering for them."

The move is an edict from Andy Sieg, who runs Citi's wealth management division and joined the company last year from Bank of America.

The business is one of the growth areas identified by chief executive Jane Fraser, along with other Wall Street rivals that view wealth management as a way to meet investor appetite for stable, fee-based profits.

The division has lagged behind rivals such as JPMorgan Chase, Morgan Stanley and BofA's Merrill Lynch franchise, however.

Revenues at the private bank fell 17 per cent in 2023 to $2.3bn, and totalled $7.1bn across Citi's wealth management division, down 5 per cent year on year.

Fraser told investors last month that the wealth management business "isn't where it needs to be".

BASF and Volkswagen caught in west's widening gulf with China

INSIDE BUSINESS
ASIA
Patricia Nilsson

When BASF last week announced that it would sell the stakes of its two plants in China's Xinjiang region, it cited serious allegations of human rights abuse by employees of its joint venture partner that were "incompatible with its values".

The move followed German media reports alleging staff at the company's partner, Xinjiang Markor Chemical Industry, had carried out "home visits" to Uyghur families to gather evidence that would be passed on to authorities.

BASF said audits of its China ventures had never found any indication of human rights violations in its operations in Xinjiang, a region where Beijing has committed widespread human rights abuses against Uyghur and other Muslim groups.

But Markor had not tried to hide that its employees were carrying out state-sanctioned home visits to Uyghur families. Quite the opposite: accounts of the visits appear to have been listed in Markor's corporate social responsibility statements, according to reporting by Der Spiegel.

The incident highlights how western businesses operating in China are increasingly struggling to straddle the growing rift between the values of many investors in their home countries and those of the Chinese government, as well as existing US and forthcoming EU legislation targeting Xinjiang supply chains.

Punishment for companies caught up in geopolitical spats over rights can be swift, as evidenced when brands such as H&M and Nike in 2021 were boycotted by Chinese consumers after they acquiesced to pressure from their regions to stop buying cotton from Xinjiang.

Janne Werning, head of ESG capital markets at Union Investment, said BASF — which is building a €10bn petrochemicals plant in southern China — was not likely to face boycotts for its decision to pull out of Xinjiang because "China needs the products that BASF makes".

The same is not necessarily true of Volkswagen, which will become the last remaining big German group with a plant in Xinjiang, albeit one that is now only a distribution hub.

> Western businesses must straddle a growing rift between the values of many investors at home and Beijing's policies

"Volkswagen needs China to sell its cars, but China has its own carmakers by now," Werning said, highlighting how the Wolfsburg-based group relies on the country for about half its profits.

With BASF's decision to pull out of Xinjiang, Werning said pressure would only grow for VW to do the same, or to provide more detailed information on its supply chains and activities in the region.

While BASF had been auditing its plants in Xinjiang for years, the company never revealed the exact scope of the reviews or the names of the auditing firms. But greater transparency of audits in a region where the population is severely repressed comes with its own reputational risks, as experienced by VW in December.

Days after VW published a summary of its long-awaited audit that found no indications of the use of forced labour at the group's Xinjiang plant, the majority of staff at Löning, the German consultancy behind the review, publicly distanced themselves from the findings.

In a bid to quell the fallout, the firm's founder, Markus Löning, said the basis of the audit had been a review of documentation relating to the plant's 197 employees rather than interviews — contradicting what VW and Löning said previously — and went on to reiterate what critics had been saying all along.

Asking employees about the realities of life in Xinjiang would have "endangered" them. "Even if they would be aware of something, they cannot say that in an interview," Löning said at the time, undermining his firm's audit, which had helped VW lose its "red flag" ESG rating by index provider MSCI.

This week, VW announced that it was talking to its China venture partner SAIC over "the future direction of business" in Xinjiang, following fresh allegations of forced labour in connection to a test track that the pair built in the region. But VW would not say if a withdrawal was on the table.

Insiders have said it would be impossible for the group to pull out of Xinjiang: it would anger its partners, which are owned by the Chinese state.

The connection to Beijing raises a broader point. With the Chinese government accused of repression in Xinjiang, VW could face questions over its operations in the country even if the Xinjiang venture were unwound. This will become a growing issue not just for VW, but for any multinational in the country.

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Contracts & Tenders

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(A Joint Venture of Govt. of India & Govt. of Tamil Nadu)
METROS, Anna Salai,
Nandanam, Chennai - 600 035

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e-TENDER No: CMRL/PHASE-II/SYS/CP15-C3&5-AES06-LFT/2024

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Legal Notices

THE COMPANIES ACT
Notice of appointment of Official Liquidators and Notice of First Meeting of Creditors
LumiraDx Limited - In Official Liquidation (the "Company")
Grand Court Cause No. FSD 0001 OF 2024 (JAJ)

TAKE NOTICE that by order of the Grand Court made on 1 February 2024, LumiraDx Limited, registration number 314391 whose registered office is situated at c/o Ocorian (Trust) Cayman Limited, PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands, was ordered to be wound up in accordance with the Companies Act (As Revised).

AND FURTHER TAKE NOTICE that Sandipan Bhowmik and Margot MacInnis both of Grant Thornton Specialist Services (Cayman) Limited, 2nd Floor, Century Yard, Cricket Square, PO Box 1044, Grand Cayman KY1-1102, Cayman Islands were appointed as the Joint Official Liquidators ("JOLs") of the Company.

Creditors of the Company are invited to prove their debts or claims and to establish any title they may have under the Companies Act (As Revised).

AND FURTHER TAKE NOTICE OF THE FIRST MEETING OF CREDITORS of the Company to be held on 12 March 2024 at 10am (Cayman time) at the offices of Grand Thornton Specialist Services (Cayman) Limited.

Attendance by telephone conference will also be possible. Those creditors wishing to attend the meeting by this means are required to advise the JOLs of their intention to do so, and apply for confidential dial-in details, by no later than 10am (Cayman time) on 8 March 2024 at the contact for enquiries listed below.

In order for a creditor to attend and vote at the above meeting, we require them to complete and submit to the JOLs in advance of the meeting a proof of debt form together with all supporting documentation.

Corporate creditors entitled to attend the meeting in person or by telephone conference must appoint a proxy by completing and returning a proxy form, which you may also obtain by contacting the JOLs.

The completed proof of debt and proxy forms must be returned to the offices of Grant Thornton Specialist Services (Cayman) Limited or submitted by email to the e-mail address listed below by 10am (Cayman time) on 8 March 2024.

Dated this 16th day of February 2024
Sandipan Bhowmik, Joint Official Liquidator
Contact for enquiries: LumiraDxCore@uk.gt.com
Mailing address for service: Grant Thornton Specialist Services (Cayman) Limited, 2nd Floor, Century Yard, Cricket Square, PO Box 1044, Grand Cayman KY1-1102, Cayman Islands

Aerospace & defence

Airbus looks to cement lead over Boeing

Deliveries boost planned as demand surge meets 'world of bottlenecks'

SYLVIA PFEIFER — TOULOUSE
LEILA ABBOUD — PARIS

European plane maker Airbus plans to deliver more aircraft in 2024, cementing its lead over arch-rival Boeing, despite warning of persistent supply chain challenges.

Airbus chief executive Guillaume Faury said the group was trying to balance resurgent demand with a supply chain that was a "world of bottlenecks" with a "lot of complexity".

He added that Airbus was "trying to find the sweet spot between the demand we have and the many bottlenecks we have".

The world's biggest plane maker said it would pay a special dividend after net cash exceeded €10bn in 2023.

It expects to deliver about 800 commercial aircraft this year — 65 more than in 2023. The company reaffirmed plans to build 75 of its best-selling A320 family of jets a month in 2026.

Airbus is boosting output just as Boeing struggles to contain the fallout from the mid-air fuselage blowout on one of its 737 Max aircraft operated by Alaska Airlines last month.

The US aviation safety regulator has stopped Boeing from increasing output of its 737 Max while it continues to investigate the company's manufacturing processes.

Faury said the incident was a "reminder [that] we are in a complex industry where quality safety is never a given", adding: "It cannot be quantity over quality. We want to deliver a number of planes which are of high quality and safe."

Production lines in the industry have been strained coming out of the pandemic and as airlines have increased orders. Problems at engine makers have compounded the challenges.

Faury stressed that it was focused on meeting a planned output rise to 75 A320 jets a month in 2026 and was not considering further rises at this point.

The group's operating profit rose 4 per cent to €5.8bn last year while revenues climbed 11 per cent to €65.4bn.

But it offered muted financial guidance for the coming year with adjusted free cash flow expected to come in at €4bn, down from €4.4bn in 2023, sending its shares down 1 per cent to €148.90 yesterday.

While its commercial aircraft business enjoyed a strong year, Airbus disclosed that its defence and space business was hit by charges totalling €600mn. Profits at the division fell 40 per cent to €229mn.

Faury told the Financial Times last year that he was not satisfied with the performance of the space business, which has been hit by development delays and faces strong competition from US companies such as SpaceX.

Separately, French engine maker Safran yesterday echoed Faury's comments on supply chain pressures.

The company said it was still facing shortages of titanium and other metals and hiring issues in the US, and expected the those issues to persist.

But Olivier Andriès, chief executive, said the company was in a good position to keep up with the requests from Airbus to increase the pace of engine deliveries.

"We are putting ourselves in a position to meet the needs of Airbus and Boeing in 2024, and we are currently discussing their needs in 2025," he said on the French television channel, BFM Business.

Energy. Renewables

West urged to keep faith in China solar supplies

Top panel maker Longi warns restrictions risk doubling costs and slowing green transition

EDWARD WHITE — SHANGHAI

The world's biggest solar panel manufacturer has warned that Europe and the US risk slower decarbonisation of their economies if they restrict Chinese companies from their renewable energy supply chains.

China dominates solar manufacturing, accounting for more than 80 per cent of global production following decades of deep state support, rapid domestic demand growth and intense local competition.

But western political and industry leaders have called for greater diversity in supply amid a glut of Chinese imports, as well as expressing security fears about China-made components being used in critical infrastructure.

Dennis She, vice-president of Longi Green Energy Technology, which has about 20 per cent of the global market for photovoltaic modules, told the Financial Times that western countries would "at least slow down" their transitions away from fossil fuels if they were to cut back on Chinese solar supplies. He also said the cost of solar panels made without Chinese involvement in countries such as the US would be "double".

Europe produces fewer than 3 per cent of the solar panels needed to reach its target of having 42.5 per cent of energy generated by renewable sources by 2030.

She said importing higher volumes from China would mean more "downstream" jobs beyond panel manufacturing, including in construction of new solar developments, as well as engineering, design and installation. "You don't need to kill most of the jobs from the downstream to protect 1 per cent [of the European jobs in solar manufacturing] — it doesn't make sense," he said.

The warnings come against a backdrop of rising western concern that Beijing's subsidies for its clean tech industries — which also include wind, batteries and electric vehicles — have boosted manufacturing capacity far beyond the levels needed to meet domestic demand, leading to unfair trade practices as Chinese factories flood international markets with exports.

Last month, a bipartisan group of US senators called on President Joe Biden to increase tariffs on Chinese-made solar imports. The heavily subsidised products were hurting American efforts to "reshore" domestic manufacturing, they said, adding that China's overcapacity posed "an existential threat" to US energy security.

In response to western protectionism, China's solar industry, which has weathered several rounds of tariffs from Europe and the US over the past 15 years, is increasingly expanding its manufacturing footprint closer to offshore customers, including in the US.

Yet some attempts to shift production to south-east Asia have been viewed in the US as a means to sidestep restrictions. Companies, including one Longi subsidiary, have been found guilty in the US of using foreign manufacturing to circumvent tariffs on Chinese-made components.

Longi makes most of its products in China but also has factories in Vietnam and the Malaysian state of Sarawak and is planning a new factory in India.

To mitigate worsening geopolitical risk, She said, Longi was increasingly "trying to work with countries", including through local joint venture partners, to set up more solar production capacity. That includes the US, where the Shanghai-listed group has set up a joint venture with Invenergy in Ohio. Longi is also in talks to enter Saudi Arabia through a local partner.

However, to serve developing economies in regions including south-east Asia, Latin America and Africa, Longi was stepping up exports from China, She said, noting that about 1bn people in the world lived without access to electricity.

"For the rest of the market, solar is a very good 'gift from the gods' . . . you have the solar [panels] from China, sunshine is your own sunshine," he said.

> 'Small players, or new players from other industries, will disappear from the market'

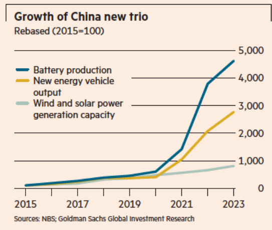
Wood Mackenzie, an energy consultancy, has forecast that after investments worth more than $130bn last year alone, China is set to continue to lead solar technology and dominate more than three-quarters of the world's solar polysilicon, wafer, cell and module manufacturing capacity for the next three years at least.

Last year, solar production costs in China fell by more than 40 per cent to about 15 cents per watt, compared with 30 cents in Europe and 40 cents in the US, according to Wood Mackenzie. The fall was driven in part by lower material costs and oversupply.

Longi's current factory utilisation rate has fallen to between 70 and 80 per cent amid the glut, but it expects industry consolidation and demand growth in the next few years will help it gain market share and improve profitability.

"Everyone's bleeding at this moment," She said, adding that only players with sufficient scale such as Longi were likely to survive. "Small players, or new players from other industries, will disappear from the market . . . I can't tell you the exact number, but tier-two, tier-three companies, most companies, actually, are at risk."

Solar output is dominated by China but western leaders have called for greater supply diversity
Qilai Shen/Bloomberg



Technology

Renesas steps up deal spree with $5.8bn Altium bid

NIC FILDES — SYDNEY
DAVID KEOHANE — TOKYO

Japanese chipmaker Renesas Electronics has agreed to pay A$8.8bn ($5.8bn) in cash to acquire Australian software design tools provider Altium as it steps up an acquisition spree to diversify its business.

Renesas, one of the leading suppliers of chips to the world's car industry, including Japan's Toyota and Nissan, has been pushing to diversify and add scale following supply chain stresses and because of geopolitical tensions, with China being a key source of revenues.

The acquisition of Altium would be Renesas's fourth big deal since 2017 as it broadens its footprint into higher margin businesses such as products for data centres and consumer devices.

The deal, approved by both boards but needing shareholder and regulator backing, is the latest in what bankers see as a growing wave of cash-rich Japanese companies pushing for overseas acquisitions in response to their shrinking domestic market. The biggest attempt to date came in December, with Nippon Steel launching a $15bn all-cash bid for US Steel.

Renesas recently bought Apple supplier Dialog for €4.9bn, having also sealed deals for US rival Integrated Device Technology for $7.2bn in 2019 and for US chipmaker Intersil for $3.2bn in 2017.

> 'Electronics is the single most critical industry to building a smart and sustainable world'

A national champion created in 2010 through a government-orchestrated merger of the chip units of Hitachi, Mitsubishi Electric and NEC, Renesas uses Altium's software design tools for its own development needs.

It said the deal would help reduce the complications for customers as they designed electronics.

Aram Mirkazemi, the chief executive of Altium who joined the business in the late 1980s and will continue to lead it after the deal closes, said he had worked closely with Renesas as a partner for two years and supported the "grand vision" of the Japanese company to make electronics accessible.

"I strongly believe that electronics is the single most critical industry to building a smart and sustainable world," he said in a statement.

Altium, which designs tools for creating circuit boards, is one of Australia's oldest technology companies. It is listed on the Australian stock exchange but is headquartered in La Jolla, California.

The bid, which has been recommended by the Altium board, is pitched at a 34 per cent premium to Altium's share price and is 31 per cent above its all-time high. Its shares soared almost 30 per cent on the Renesas offer.

Paul Mason, an analyst with E&P, said: "This is clearly a positive development for the Altium share price. Given unanimous support from the board, as well as the large premium to prior close, we would expect the transaction to be supported and go through."

The acquisition, if completed in the second half as predicted, would be one of the largest takeovers of an Australian tech company and mean another delisting of a large ASX-listed business after the sale of Sydney Airport, Afterpay, Newcrest and Oz Minerals.

See Lex

Financials

JPMorgan and State Street quit climate group while BlackRock scales back participation

PATRICK TEMPLE-WEST AND BROOKE MASTERS — NEW YORK

Two of the biggest asset managers are quitting an investor group set up to prod companies over global warming, and a third is scaling back its participation, in a setback to the ambitions of Climate Action 100+.

JPMorgan Asset Management and State Street Global Advisors confirmed they were leaving Climate Action 100+. BlackRock, the largest money manager, is pulling out as a corporate member and transferring its participation to its smaller international arm.

The departures weaken the climate group's plan to use shareholder influence to step up pressure on polluting companies to decarbonise, as they mean that none of the five largest asset managers are fully behind the effort.

The moves highlight a growing split between the largest US-based asset managers, which are under pressure from Republicans over climate issues, and those elsewhere. Smaller competitors and European firms have largely stuck with various climate coalitions.

Launched in December 2017, Climate Action 100+ challenges airlines, oil majors and other polluting companies to reduce their carbon footprint. BlackRock, JPMAM and State Street Global Advisors all joined in 2020.

However, the group announced last year that it would be shifting from pressing companies on climate disclosures to pushing them to actively reduce greenhouse gas emissions.

SSGA said these "phase 2" engagement requirements had gone too far. "SSGA has concluded the enhanced Climate Action 100+ phase 2 requirements for signatories are not consistent with our independent approach to proxy voting and portfolio company engagement."

BlackRock said that it was dropping its corporate membership as it believed the phase 2 strategy, which takes effect in June, conflicted with US laws requiring money managers to act solely in clients' long-term economic interest.

The $10tn manager is setting up a stewardship option allowing clients, particularly in Europe, to set decarbonisation as part of their objectives.

For clients who did not opt do so, BlackRock would continue to prioritise financial results, the note said.

JPMAM said it had made a "significant investment" in its stewardship team and corporate engagement. "Given these strengths and the evolution of its own stewardship capabilities, JPMAM has determined that it will no longer participate in Climate Action 100+ engagements."

JPMorgan's most recent climate change engagement report states that it "does not work in concert with other investors on investment matters and makes its own independent decisions concerning investee companies".

With $4.1tn and $3.1tn of assets under management respectively, SSGA and JPMAM are also among the top five asset managers.

Vanguard and Fidelity Investments never became members. Other large US asset managers still in Climate Action 100+ include Goldman Sachs, Invesco and Pimco.

> Asset managers have been targeted by Republicans who are typically aligned with the oil and gas sector

Climate Action 100+ declined to comment on the withdrawals, but said more than 60 members had joined since the phase 2 changes were announced in June 2023, bringing its total membership to more than 700.

"Since its inception, Climate Action 100+ has experienced remarkable growth — and that has only continued," the group said.

As asset managers have benefited from a boom in sustainable investing, they have been targeted by Republicans who are typically aligned with the oil and gas industry.

In 2022, West Virginia led the way when it barred five firms, including JPMorgan, BlackRock and Goldman, from new state business, declaring that they were "boycotting" the fossil fuel sector.

The US House judiciary committee subpoenaed BlackRock, SSGA and Vanguard as part of an investigation into sustainable investing. The committee has also subpoenaed an official at Climate Action 100+.

Vanguard left the Net Zero Asset Managers initiative in December 2022, days before its representative was scheduled to testify at a Texas legislative hearing about sustainable investing alongside BlackRock and SSGA. Vanguard was ultimately excused from the hearing.

Texas, the top US oil-producing state, has declared Climate Action 100+ to be anti-oil and blocked financial groups, including BlackRock, from doing business with the government. Oklahoma, another oil producer, banned JPMorgan, BlackRock and others from doing business with the state in 2023.

Some 21 Republican state attorneys-general are investigating asset managers for working together on climate issues. "Potential unlawful co-ordination appears throughout Climate Action 100+'s documents," the attorneys-general said last year.

Jim Jordan, Republican chair of the House judiciary committee, said on X that the decisions by JPMorgan and State Street were "big wins for freedom and the American economy, and we hope more financial institutions follow suit in abandoning collusive ESG actions".

Egyptian tycoon looks to shake up his chemical and fertiliser empire

After $7bn in asset sales over two months, Sawiris weighs OCI options including further break-up

ARASH MASSOUDI AND IVAN LEVINGSTON — LONDON

Nassef Sawiris is considering a radical overhaul of his chemicals and fertiliser empire that could include further breaking up his main holding and offloading its parts, after $7bn in asset sales over the past two months.

Egypt's richest man, whose personal assets include English football club Aston Villa, said he was looking into a transformation of the business that forms the core of his fortune, Dutch-listed chemicals group OCI.

One option included turning it into a cash shell company that pursued acquisitions in new industries, the 63-year-old said.

"We're evaluating what we want to do, not just with the money [from the asset sales] but as a team. And maybe OCI stays with a piece or two pieces and it becomes a cash cow, and becomes a machine for further investment. We're quite open-minded."

Speaking from his London office, he said: "It doesn't have to be fertiliser, doesn't have to be chemicals. If all of OCI is sold, the core team . . . know that we are serial entrepreneurs and we're going to do something."

The comments follow a flurry of deal activity at OCI in response to pressure from US activist investor Jeff Ubben, as well as in Sawiris's NNS Group family office.

Sawiris, whose wealth Forbes estimates at more than $8bn, has amassed a broad portfolio of investments through NSS that includes Aston Villa as well as stakes in German sportswear group Adidas and Denmark-headquartered café chain Joe & The Juice.

But OCI, where he holds an almost 40 per cent stake and his family a further 14 per cent, has been his focus for much of the past year.

OCI's board in May approved a strategic review of all business lines as well as its listing venue of the Netherlands after Ubben bought a 5 per cent stake and pressed the group to explore options, including asset sales to improve shareholder returns.

By the end of the year, OCI had agreed to offload two fertiliser holdings for about $3.6bn each, to the Abu Dhabi National Oil Company and Koch Industries of the US.

Sawiris said Ubben, who was "not hostile at all", had written a letter explaining how OCI's market value was far less than the sum of its parts.

"So I told him, actually the letter makes sense," he said. "Ultimately we went along with Jeff's recommendation. Within six months we had executed those two transactions, and there's more to come.

"We always say that we are builders, not holders. We build assets. But if this asset is worth more to another party than it's worth in the context of OCI or the public company or of myself, then that is the more deserving owner."

Ubben said Sawiris and OCI had been penalised for investing in cleaner technologies.

"It's a really interesting, cautionary tale," he said. His relationship with Sawiris was "collaborative. He's all about what is the lowest-risk, highest-reward path, and I don't know why the market hasn't figured that out".

Shares in OCI have risen 50 per cent since they fell to a multi-year low before the fertiliser deals in December.

Investors are watching to see what OCI does with its methanol business and a low-carbon ammonia project in Texas. Alongside its fourth-quarter earnings on Wednesday, the group said it would use the proceeds of its transactions to reduce debt and distribute at least $3bn to shareholders this year.

He is the youngest son of the late Onsi Sawiris, who founded a construction company in the 1950s and built it into a multinational corporation now called Orascom Construction.

As the business grew, the family sought ways to diversify, entering the cement industry and expanding into other emerging markets.

His two brothers also brought the family into new industries. The eldest, Naguib, built a telecoms business before selling it and now invests in gold mines, while middle child Samih has invested in tourism.

Orascom sold off its cement business to Lafarge in 2007 in a €10.2bn deal under which Sawiris gained a sizeable stake in the French group as well as two board seats. The Orascom assets sold in the deal included a plant in Syria that ultimately led to hefty fines for Lafarge due to providing payments to Isis, as well as a stake in a North Korean state-owned cement plant.

The Lafarge transaction gave Sawiris a front-row seat for the French group's 2015 merger with Swiss rival Holcim that created the largest cement company. Sawiris, who had been one of the largest shareholders in the merged LafargeHolcim, sold out in 2019 after years of watching the combination fail to deliver.

He shifted his attention to fertiliser, with the remainder of OCI focusing on the chemicals business.

The cement and fertiliser sectors had only one thing in common, he said. "Cheap energy helps both industries. But cement is a local business: fertiliser and chemicals are global."

The fertiliser industry has come under scrutiny for its heavy carbon footprint. Sawiris said OCI was pursuing production of "blue ammonia", which can vastly reduce emissions.

Sawiris recently redomiciled NNS from Luxembourg to Abu Dhabi, choosing the emirate, where he has been granted citizenship, for its "English law without English weather".

He said: "You get in democracies in Europe constant changes and all that. I think Abu Dhabi offers stability and perfect governance."

He is sensitive to the suggestion that his family is drifting away from Egypt. The Sawiris, who are Coptic Christians, faced tax grabs and a travel ban under the late president Mohamed Morsi, who swept to power in 2012 but was deposed in a coup.

Orascom remains in the family, held separately from OCI, and is Egypt's largest private employer with more than 60,000 local staff. The construction company is one of the businesses contracted to build the mega-projects that have been a hallmark of President Abdel Fattah al-Sisi's regime.

From London and Abu Dhabi, Sawiris is building NNS into a holding company that can manage his various investments, including Aston Villa.

He and Wes Edens, co-founder of Fortress Investment Group, acquired a 55 per cent stake in the club for £30mn in 2018, rescuing it from crisis.

A year later it was promoted to the Premier League, and Sawiris has since expanded his stable of sporting assets under his and Edens' V Sports, including a stake in Portuguese club Vitória.

The group announced in December that US investor Atairos had become a minority partner in V Sports, with people familiar with the matter saying that the roughly 20 per cent stake valued Aston Villa at more than £500mn.

While Sawiris's bet appears to be paying off, he insisted that he was not in Aston Villa for the money.

"Anybody who does football and says this is a pure investment — in 95 per cent of the case he's a liar," Sawiris said. "It's a passion. It's addictive. And it can ruin your weekend and go into the following week."

He said owning the club had helped change his perspective on what it took to be successful. "You really come to the conclusion that attitude and work ethic beat talent any day."

His interest in sport extends beyond club ownership. He is a leading shareholder in Adidas and on its supervisory board.

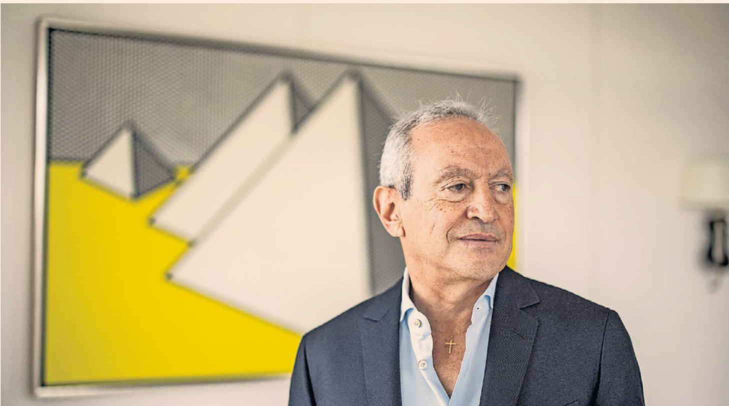
The German sportswear brand is recovering from its worst crisis in three decades following the termination of its collaboration with Kanye West in 2022 after the US rapper and fashion designer made a series of antisemitic remarks.

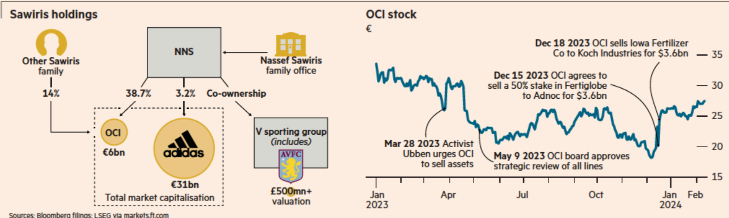
Kanye was "a talented genius" who "unequivocally made unacceptable statements", Sawiris said. "He apologised. It's a very sensitive topic."

New chief executive Bjørn Gulden had put Adidas back on track, said Sawiris. "By 2025, you're going to see a company that is very resilient, sports-focused, and that gives stability to the earnings."

While Sawiris is nearing another professional crossroads amid the review at OCI, he insisted that he would not be stepping back. "Let's put it this way: we are not retiring."

Additional reporting by Heba Saleh in Cairo





Sources: Bloomberg filings; LSEG via markets.ft.com

One possible move for Nassef Sawiris, whose assets include Aston Villa, is turning Dutch-listed OCI into a cash shell group that pursues acquisitions in new sectors Charlie Bibby/FT

> The Dutch-listed group 'maybe stays with a piece or two and becomes a cash cow, and a machine for investment. We're quite open-minded'

> 'He's all about the lowest-risk, highest-reward path, and I don't know why the market hasn't figured that out'

Automobiles

Renault and Stellantis flag cost cuts for 'turbulent year' ahead

PETER CAMPBELL — LONDON
SARAH WHITE — PARIS

Carmakers Stellantis and Renault both warned of the need for cost cuts despite rising profits, as the industry heads into a "turbulent year" of economic and political uncertainty, and lower margins from pivoting to electric vehicles.

Shares in both groups rose yesterday after Renault raised its dividend and Stellantis announced a €3bn share buyback. But both carmakers warned they needed to cut electric vehicle costs in the current financial year as they increase sales.

"Cost reduction remains our obsession," said Renault's chief executive Luca de Meo yesterday, adding that the carmaker was aiming to reduce EV costs 40 per cent, with plans to cut costs from petrol or hybrid models 30 per cent by 2027.

Stellantis's finance chief Natalie Knight said profits from electric models remained "lower than on [internal combustion engine] vehicles", which "does have an effect on margins". She added that the carmaker, which owns Jeep, Ram and Peugeot and is planning to launch eight electric models in the US this year, needed to reduce costs.

> Renault aims to reduce EV costs 40%, with plans to cut 30% from petrol or hybrid models by 2027

She said a number of economic and political uncertainties meant the group was facing a "turbulent year", despite the fact that falling interest rates and raw material costs were likely to help profits.

"The big challenges are a lot of macroeconomic developments, political developments, that keep things uncertain," said Knight. "Most of those things are . . . outside of our control."

Weaker Stellantis sales in North America as well as the impact of last autumn's strikes saw margins across the whole company fall last year, dropping from 13.4 per cent to 12.8 per cent.

However, net profit rose 11 per cent, to €18.6bn, on revenues that were 6 per cent higher at €189.5bn. The company also launched a €3bn share buyback yesterday, sending shares to a record high.

Renault shares rose 6.6 per cent after it reported record operating margins of 7.9 per cent in 2023, and said it would boost its dividend to €1.85 per share, up from €0.25 the previous year.

However, the company, which released earnings late on Wednesday, forecast lower margins of about 7.5 per cent in 2024. It said last year's margins would have been lower, at 6.9 per cent, had it not been for some accounting effects from its combustion engines division, which will be phased out. The figure compared with a margin of 5.5 per cent in 2022.

Net income came in below analysts' expectations at €2.2bn, but compared with a loss the previous year after the carmaker was hit with writedowns on its Russia exit.

Renault's chief financial officer Thierry Piéton said 2024 would be a "breakthrough year" for the company's electric car push even after it recently called off a stock market listing for its EV division, Ampere.

"We mustn't fall into a complete depression on electric cars," Piéton said on Wednesday evening. "There will certainly be some changes in the rhythm of adoption. But the train has left the station."

Financials

Berkshire pares back stake in Apple and sharply reduces holdings in HP and Paramount

ERIC PLATT — NEW YORK

Warren Buffett's Berkshire Hathaway sold 10mn Apple shares in the last three months of 2023, cutting into a position that the so-called Oracle of Omaha has called one of the "four giants" that account for most of his group's value.

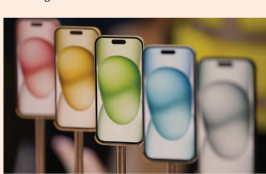
The sale, representing about 1.1 per cent of Berkshire's holding in the technology company, was notable as Buffett had said as recently as 2021 that an earlier decision to cut its Apple stake was "probably a mistake".

Apple has become a critical holding for Berkshire and now accounts for roughly a fifth of its market value. Warren Buffett's sprawling conglomerate, which owns the BNSF railroad and Geico insurer, first invested in the iPhone maker in 2016. Buffett later supercharged the investment as he warmed to the company, and he spent tens of billions of dollars buying its stock. In 2022, he disclosed that the cost of that stake was just over $31bn.

The bet has paid off handsomely. Even after the share sales, Berkshire's 5.9 per cent position in Apple was worth $174bn at year-end, according to a filing with the Securities and Exchange Commission on Wednesday. That dwarfs its second-largest publicly traded investment Bank of America.

Berkshire's filing showed it had also cut its holdings of printer and PC maker HP by 78 per cent, selling nearly 80mn shares in the fourth quarter, and had dumped 32 per cent of its stake in media company Paramount Global, offloading 30.4mn shares.

The wager on Paramount in 2022 has been closely watched by the media industry and was seen as an endorsement of the company's investment in its Paramount+ streaming platform, as well as its ability to compete with deeper-pocketed rivals such as Netflix, Disney and Warner Bros Discovery.



Even after the share sales, Berkshire's 5.9% position in Apple was worth $174bn at year-end Jonathan Brady/PA

Paramount's controlling shareholder, Shari Redstone, has held talks with possible suitors for the company as it works to cut losses after an expensive streaming war weighed on its stock price.

Berkshire also exited its investments in payments business StoneCo, insurers Globe Life and Markel Corporation, and homebuilder D.R. Horton. The sale of D.R. Horton marked a sudden shift by an investor typically billed as a long-term holder — Berkshire disclosed it had invested in the largest US homebuilder just six months ago.

The stock sales meant that the number of securities Berkshire held in its multibillion-dollar stock portfolio fell to 41 at the end of 2023. That was down from 49 12 months earlier, as it exited stakes in companies including General Motors, UPS and Procter & Gamble earlier in the year. Berkshire did not disclose any new investments in the fourth quarter, although it increased its holdings in satellite radio operator SiriusXM and in oil majors Chevron and Occidental Petroleum.

Berkshire did not immediately respond to a request for comment.

For a second quarter in a row, Berkshire also disclosed it had omitted at least one investment from the quarterly report, noting it had sought confidential treatment from the SEC. The company usually makes that request when it is in the midst of a significant purchase.

Equities. Exposure risk

US investors in EMs switch to ETFs that exclude China

Hard work: China's post-pandemic recovery has faltered, hitting investor demand for its assets
Kevin Frayer/Getty Images

Portfolios are being adjusted as tensions and state intervention weigh on CSI 300 index stocks

SUN YU — NEW YORK

Emerging markets investors in the US are snapping up exchange traded funds with no exposure to China and dumping those focused on the world's second-largest economy — where a weakening growth outlook has left stocks lagging behind other markets.

The net capital inflow into eight US-listed EM ETFs that exclude China more than tripled to $5.3bn last year from a year earlier, according to a Financial Times analysis of ETF.com data.

That came as 55 China-focused ETFs suffered combined net outflows of $802mn in 2023 compared with inflows of $7.5bn in the previous year.

The change in demand underscores how global investors are cutting exposure to China, which has long been the largest country in most EM portfolios.

Geopolitical tensions and growing state intervention in the economy have weighed on the country's capital markets as stocks in other parts of the developing world rallied.

"The correlation of Chinese equities towards other major emerging markets has absolutely collapsed in the last few years," said David Dali, head of Portfolio Strategy at Matthews Asia, a San Francisco-based asset manager that invests in China and other developing nations.

"There is certainly a percentage of our investors that just prefer not to have China in their portfolios at all and [the solution] is an ex-China version of the emerging markets," he said.

Asset managers have been offering EM ETFs that exclude China since as early as 2015 when the country's economy was still booming and index providers such as MSCI were planning to increase its weighting in benchmark EM indices to as high as 40 per cent.

Marc Zeitoun, chief operating officer at Columbia Threadneedle Investments North America, said the asset manager launched its namesake EM Core ex-China ETF, the first of its kind, that year after clients suggested "having such an overconcentration in China" might not help EM investors gain a "simple and broad exposure".

The idea, however, did not catch on until 2021 when Beijing's crackdown on private groups, led by Jack Ma's Ant Group, helped trigger a rout in US-listed Chinese tech companies.

"This [was] the beginning of investing in China being associated with risks that don't exist in other areas," said Zeitoun, "People started to say I would rather have a non-China emerging market solution."

As China's post-pandemic recovery faltered thanks to a prolonged real estate meltdown and a lack of private sector confidence, its stock market went on a rollercoaster ride. The benchmark CSI 300 index had tumbled more than 20 per cent since last January before recovering some lost ground following a state-led wave of buying of local ETFs in recent weeks.

The volatility has triggered an exodus of foreign capital including via the US-listed, China-focused ETFs, which accounted for 7.7 per cent of US residents' holding of Chinese and Hong Kong stocks as of last November, worth about $23bn.

According to ETF.com, an industry portal, China-focused ETFs have suffered three straight quarters of outflows since last April.

"China's growth is slowing and it's just not where it used to be," said Angela Miller-May, chief investment officer of the $52bn Illinois Municipal Retirement Fund, adding that her fund had "minimal" exposure to the world's second-largest economy.

While Chinese equities fell 11.4 per cent in 2023, other EMs rallied on hopes of economic reform and a supportive international environment.

India and Mexico, two beneficiaries of US efforts to diversify supply chains away from China, reported jumps of 19 per cent and 16 per cent in their benchmark stock indices last year.

China's size, making up a quarter of the MSCI Emerging Markets Index, means that a downturn there can cause index investors to lose money even when other emerging countries are holding up.

Its divergence from other EMs has prompted more investors to consider EM ETFs, which limit exposure to China or cut it altogether.

"In EM, there is too much focus on China," said Rajiv Jain, chief investment officer of GQG Partners, a $120bn asset manager known for its bets on emerging markets, "but the rest of EM is doing fine".

GQG's flagship EM Equity Fund has cut its China allocation from 40 per cent to 5 per cent and redeployed the capital to markets from India to Saudi Arabia over the past five years.

The race to divest from China in ETFs does not mean that investors have lost interest in one of the world's largest markets.

'China's growth is slowing and it's just not where it used to be'

Several ETF managers said China's size and its uncertain policy environment meant it made more sense to treat the country on its own instead of as part of any investment universe.

"It's not that investors don't like China," said Dali of Matthews Asia, which last year launched an EM ex-China ETF. "It's just that they prefer a specialist to manage what is becoming a very complicated country to generate excess returns."

Zeitoun of Columbia Threadneedle said the asset manager still provided actively managed EM funds with China exposure. "All that we were doing was enabling investors to calibrate how much China they wanted, not to remove them entirely."

See Lex

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Currencies

Kenya shilling jumps after $1.5bn bond issue eases default fears

JOSEPH COTTERILL — LONDON

Kenya's shilling has posted its biggest one-day gain in more than 15 years after the eastern African nation averted a feared default this year by selling new debt to ease a looming $2bn bond payment.

The currency, which fell one-fifth against the dollar last year, rose about 4 per cent yesterday, reflecting relief among investors after President William Ruto's government managed to sell a $1.5bn dollar bond this week.

The money was raised in order to buy back most of a separate bond that threatened to strain the country's roughly $7bn foreign reserves when it came up for payment in June.

"I want to encourage Kenyans — if you are holding dollars . . . the risk of failure to settle the eurobond is gone," Chris Kiptoo, the senior civil servant in the country's finance ministry, told Kenya's Citizen TV.

"Sell your dollars and get back to business and don't do any speculation any more," he added.

The shilling's rise to about Ks146 against the dollar yesterday from Ks160 a month ago has shifted it from being one of the worst-performing African currencies so far in 2024 to the strongest.

Ruto's government also received close to $2bn in demand this week for a shilling-denominated bond of about $500mn, indicating the potential for further inflows from global investors that could help to prop up the currency.

'I think that was a small price to pay to guarantee certainty and improve investor confidence'

It ultimately sold $1.65bn of the bonds, which are designed to fund infrastructure.

Kenya has benefited from a resurgence in demand for African government debt in 2024 after a decline in US Treasury yields late last year made riskier credits such as junk-rated emerging markets more enticing.

Nevertheless, the country had to accept a yield of 10 per cent on its new eurobond, a heavy repayment burden that governments in emerging markets usually try to avoid if possible.

"I think that was a small price to pay to guarantee certainty and improve investor confidence," said Thato Mosadi, sub-Saharan Africa strategist at Jefferies, noting that using new bonds for the buyback would preserve Kenya's access to cheaper official loans.

Payments on Kenya's new dollar debt will be staggered into $500mn instalments between 2029 and 2031 — in contrast to the previous bond.

The bond rate was a price Kenya had to pay "given the situation that we are in where liquidity is tight", Kiptoo said, adding that Kenya previously had to pay more than 10 per cent to borrow syndicated bank loans while the bond markets were shut.

Media

Independent seeks to gain control of BuzzFeed and HuffPost in UK

DANIEL THOMAS — LONDON

The Independent, the British media group, is in talks to take control of the operations of BuzzFeed and HuffPost UK as it seeks to expand in a tougher climate for advertising revenues.

The Independent will assume all editorial and commercial control of US digital media group BuzzFeed in the UK under a licensing deal for its various brands — including HuffPost UK, Seasoned and Tasty — according to people familiar with the talks.

Staff in the country will be transferred to its London offices.

The multiyear strategic partnership is a symbolic moment for the sector with the almost 40-year-old British media group taking charge of the local operations of a start-up once seen as the future of the industry and known for its combination of easily shared listicles — article written in list format — and confectionery-coloured emojis.

Shares in BuzzFeed rose more than 50 per cent yesterday after news of the talks. The group will continue to provide global content, tech and strategic support to The Independent as part of the deal.

The partnership reflects the growing need for media groups to expand their commercial operations following Google's decision to kill off third-party tracking cookies on Chrome this year, which has made it harder for companies to generate money through digital advertising.

People close to the discussions between The Independent and BuzzFeed said the combined audience for the latter's various brands would offer advertisers and ecommerce groups the opportunity to reach a larger cohort of Gen Z and millennials.

BuzzFeed was founded in 2006 by chief executive Jonah Peretti

The agreement will also help The Independent expand its commercial offerings, including through ecommerce, events, audio, content syndication and product licensing.

The Independent and BuzzFeed declined to comment.

The financial terms were not immediately available. Content is also expected to be shared between the two businesses in the UK and US.

The partnership comes after many digital rivals have been forced to cut jobs in newsrooms in the UK and US, including Business Insider, Forbes and Pitchfork. Sites such as The Messenger, the US-based digital news start-up, have also been forced to close after making heavy losses.

BuzzFeed, which was founded by chief executive Jonah Peretti in 2006, has also suffered in recent years.

BuzzFeed last year closed its news division and announced it was cutting its workforce by 15 per cent as part of an effort to cut costs. HuffPost, which was acquired by BuzzFeed in 2020, is now the group's only digital news site.

Insurance

MS Amlin's Japanese owner to boost underwriting capacity in London

IAN SMITH
INSURANCE CORRESPONDENT

The Japanese owner of Lloyd's of London underwriter MS Amlin plans to increase its underwriting capacity in the capital's specialist market by half to £3bn during the next five years as it invests in the UK hub over rivals in the EU and US.

Shinichiro Funabiki, chief executive of Mitsui Sumitomo Insurance, told the Financial Times that the company had decided to focus its investment plans on the UK because of London's primacy in analysing complex global risks from supertankers to satellites.

London was "still . . . very investable" despite Brexit and political instability, he added. "The fact that insurance grew here as an industry and as a business, it means that there is so much history and expertise, experience, skills, knowhow that is fostered here in the UK . . . and I would, as a business leader, never undervalue that."

Mitsui Sumitomo, which this month celebrates the 100th anniversary of its investment in London, plans over the next half-decade to reach £3bn in stamp capacity — a measure of the business that it underwrites — in Lloyd's and the so-called company market that surrounds it.

The move would cement the group as one of the biggest underwriters in the London market.

This year, the company will write about £2bn of business within Lloyd's itself. It has also rebranded another subsidiary, MSI Europe, as MSIG UK to help build up its position in the company market outside of Lloyd's and reduce the unit's traditional reliance on serving Japanese clients.

'There is so much history and expertise, experience, skills, knowhow that is fostered here in the UK'

It plans to hire more expert underwriters and invest in its technology platform too, Funabiki added.

"We are now ready to . . . invest more into MS Amlin and use it as a driver to lead our international growth going forward," Funabiki said.

He highlighted a recovery in the unit, which posted an underwriting profit in 2022 for the first time since its takeover of the group.

When Mitsui Sumitomo struck the deal to buy UK-listed Amlin in 2015 for £3.5bn, it was hailed as transforming the overseas operations of the Japanese group by giving it a platform to expand outside Asia.

Mergers and acquisitions were "on the table" again as part of the group's international push, Funabiki told the FT this month. Both large-scale and bolt-on global acquisitions were options, he said.

The Amlin unit was fined by the Prudential Regulation Authority in 2022 for risk-management failures that began before Mitsui Sumitomo's ownership.

Funabiki said it had since worked "vigorously" to improve checks and balances and strike a "better balance between our risk-taking activities and our risk controls and risk management".

Funabiki also praised UK regulators, which have come under criticism from lawmakers and lobby groups for being slow in approving new insurance securities.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street's S&P 500 lifted by energy and rate-sensitive property stocks
- US government bonds rise after weaker US retail sales
- Tokyo stocks close in on all-time highs with gains for Topix and Nikkei 225

Global stock markets rose yesterday after data showed US retail sales fell more than expected in January, easing concerns over an economic resurgence that might threaten hoped-for interest rate cuts.

Wall Street's benchmark S&P 500 stood 0.2 per cent higher by midday in New York, boosted by energy and rate-sensitive real estate stocks.

The tech-heavy Nasdaq Composite, in contrast, slipped 0.2 per cent with index heavyweights Microsoft, Apple, Nvidia and Alphabet all in the red.

The moves follow a run of mixed economic data in the US this week.

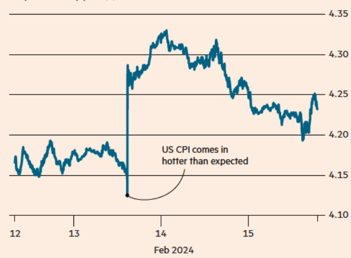
Stronger than expected January inflation figures, released on Tuesday, sparked a shortlived sell-off in equities and bonds on concerns that the economy is running too hot for the US Federal Reserve to justify cutting rates soon.

But fresh data yesterday showing weak consumer spending during the same month assuaged investors. The volume of retail sales in the US declined 0.8 per cent month on month in January, more than economists had forecast.

Initial jobless claims, a proxy for lay-offs, slipped slightly — a sign of continued labour market strength — but continued applications for unemployment aid rose, perhaps signalling that people are finding it harder to find new jobs, analysts said.

The data "may be an early sign the economy is softening", according to Andrew Hollenhorst, chief US economist at Citi.

US Treasuries whipsaw as traders weigh rate cut bets
10-year Treasury yield (%)



Source: Bloomberg

Benchmark 10-year Treasury yields fell as much as 7 basis points as investors bought the debt before then retracing some of this move to trade 3bp lower at 4.24 per cent, reflecting higher prices.

In currency markets, the dollar slipped 0.3 per cent against a basket of six peers.

The dollar had hit its highest level since mid-November earlier in the week following the release of January's strong inflation data.

European stocks rose as investors cheered robust corporate results and surprise dividend rises from companies including carmaker Renault, jet-engine producer Safran, and energy firm Centrica.

The region-wide Stoxx Europe 600 added 0.7 per cent, Paris's CAC 40 rose 0.9 per cent, Frankfurt's Xetra Dax gained 0.6 per cent, and London's FTSE 100 added 0.4 per cent.

Tokyo stocks closed in on all-time highs, with the Topix benchmark adding 0.3 per cent while the export-oriented Nikkei 225 Average rose 1.2 per cent.

Elsewhere in Asia, Hong Kong's Hang Seng index gained 0.4 per cent and Seoul's Kospi retreated 0.3 per cent.

Markets in mainland China remain closed for the lunar new year holiday.

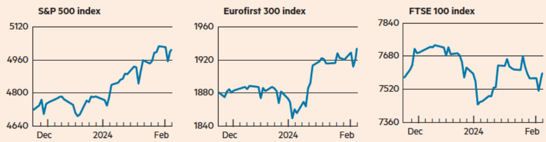
Brent crude, the international oil benchmark, rose 1.8 per cent to $83.05 a barrel, just shy of the highest level since the start of the year. **George Steer and Stephanie Stacey**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	5009.45	1933.70	38157.94	7597.53	2865.90	127600.17
% change on day	0.18	0.65	1.21	0.38	1.28	0.46
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	104.541	1.076	150.055	1.259	7.194	4.978
% change on day	-0.174	0.373	-0.378	0.319	0.000	0.247
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.246	2.359	0.725	4.228	2.482	10.424
Basis point change on day	-1.080	2.000	-3.000	0.600	0.000	5.100
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	493.18	83.18	78.03	1985.10	22.09	3586.30
% change on day	0.46	1.94	2.19	-0.55	-3.43	-0.26

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	Zebra	11.43	Renault	5.47	Croda Int	3.27
	Cbre	8.64	Commerzbank	4.96	Kingfisher	3.02
	Epam Systems	7.84	Safran	4.27	Fresnillo	2.66
	Moderna	5.60	Klepierre	3.44	Natwest	2.54
	Viatris	5.14	Pernod Ricard	2.52	Rolls-royce Holdings	2.50
Downs	West Pharmaceutical Services	-14.88	Kerry Grp	-4.49	Imperial Brands	-3.25
	Rollins	-5.79	Thyssenkrupp	-4.30	Pershing Square Holdings Ltd	-1.69
	Deere &	-5.15	B. Sabadell	-1.96	Bp	-1.63
	Generac Holdings	-4.63	Talanx	-1.93	Marks And Spencer	-1.36
	Paramount Global	-4.51	Gecina	-1.83	Shell	-1.34

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

The coming capex boom will require a shift by investors

Cathy O'Reilly

Markets Insight

One day, the question of whether inflation-ridden economies experience a hard or soft landing will be settled.

Inflation will moderate, probably to between 2 and 2.5 per cent. Free markets will price in the real cost of capital as opposed to negligible levels that the world has gorged on during the past cycle. We'll also see a period of detoxication as central banks and governments adjust to a new economic paradigm.

What then after this "Great Correction"? With inflation volatility under control, do we go right back to where we started? The journey to price stabilisation is being heralded as the end rather than the beginning of structural change.

I couldn't disagree more. All signs are pointing to the next decade or two being universally different from before.

The return of normalised inflation that anyone over the age of 40 will recall will inevitably influence asset allocation as investors expect returns significantly above the risk-free rate.

But it is the more persistent issues plaguing the developed world — more so than inflation — that will apply the greatest long-term drag on productivity and keep growth low. These include demography, climate change, rising healthcare costs, food security and the obsolescence of legacy infrastructure.

The golden thread uniting these challenges is that solving them will require unprecedented capital expenditure.

Russell Napier, the market strategist and economic historian, describes this as a "capex boom". Others call it an incoming "productivity renaissance".

Whatever way it is badged, the premise is that industries that enable us to tackle these mission-critical issues will ultimately attract seismic inflows of investment into physical assets.

Estimates from McKinsey & Company suggest that capital spending on physical assets will amount to approximately $130tn through to 2027, led principally by the three "Ds": digitalisation, decarbonisation and deglobalisation.

But this figure does not account for more recent developments in energy-hungry and computational heavy fields such as AI and robotics — where demand for the capacity to store and exchange more data will overlap with capex requirements to upgrade global grid networks, harness renewable energy, extract resources to meet growing demand for batteries and modernise the west generally.

> When the inflation plane does eventually land, we'll all open the hatch to a new and unfamiliar normal

Forward-thinking investors with a longer-term outlook are already thinking about what this chapter will hold — not least because private capital will have a principal role to play in this age of formation that will dwarf previous smaller capex cycles that were broadly state-led.

Exposure to traditional physical assets that are fast becoming "stranded" in the energy transition and the greening of material supply chains are some areas where investors are expecting enhanced returns.

Others include logistics supporting "nearshoring" of production facilities, data centres, battery making, retrofitting of carbon-intensive buildings and utilities upgrades.

In some ways, this tilt to capex-ready industries is already bearing out in the breakdown in the traditional 60-40 portfolio split between bonds and stocks.

There is a stronger emphasis placed on risk concentration. This means more interest in international smaller companies and overlooked emerging markets but also private assets with a low correlation to stocks and bonds, like agriculture and forestry, alternative real estate and renewable energy infrastructure.

How capital is deployed is equally as important as where it is deployed. Active asset management will make greater strides than passive investment in a capex boom — particularly as the goal is selectively to invest in physical assets necessary to power the new economy as opposed to seeking a broad "catch-all" exposure.

The consequence is that, on public exchanges, broad indices may obscure the real winners of this supercycle while in private markets there is a real bifurcation emerging between assets fit for the new economy and those that are being downgraded.

It will still take time for institutional investors and intermediaries to get accustomed to this shift. But concerns over global supply chain dependency, the case for refreshing infrastructure and capitalising advanced industries are fast becoming policy priorities.

When the inflation plane does eventually land, we'll all open the hatch to a new and unfamiliar normal. And who will take priority? Investors with a head start, of course.

Cathy O'Reilly is chief administrative officer and managing partner at Fiera Capital

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Financials

Deutsche Bank threatened with fines over flawed money laundering controls

OLAF STORBECK — FRANKFURT

Germany's financial watchdog has threatened to fine Deutsche Bank after the lender failed to fix flaws in its anti-money laundering controls in the latest setback for chief executive Christian Sewing.

Sewing promised to put an end to Deutsche Bank's long-running legacy of control shortcomings and misconduct scandals after becoming chief executive in early 2018, forking out more than €2bn to improve internal control systems.

Yet the bank yesterday acknowledged that the improvements to its transaction monitoring systems demanded by BaFin had only been "partially completed".

The US Federal Reserve fined Deutsche Bank $186mn last year for a "material failure" to fix "unsafe and unsound banking practices" that it had promised to resolve as long ago as 2015.

In 2022, the supervisory board capped Sewing's bonus, along with nine other members of the management board, over the delays in improving internal controls.

BaFin said yesterday that it had extended the mandate of its special monitor, dispatched in late 2018, until October 2024.

> 'BaFin has ordered specific measures to improve the IT systems used for transaction monitoring'

The monitor's mandate had been due to end this spring.

"BaFin has ordered specific measures to improve the IT systems used for transaction monitoring," the watchdog said. Deutsche Bank will have to pay a fine if it misses the deadline.

In late 2023, BaFin dispatched a second special monitor to oversee Deutsche Bank's German retail banking unit, which was inundated with client complaints after a botched IT update last summer.

It is the second time in less than two years that BaFin has threatened Deutsche Bank with fines over its flawed controls.

The regulator last threatened Germany's largest lender in late 2022 when it was behind schedule on fixing flaws in know-your-customer controls.

People familiar with the matter said the KYC issues had since been resolved and Deutsche Bank had avoided fines.

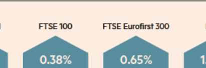
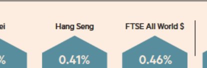
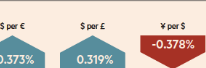
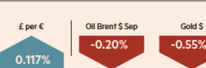
Deutsche Bank said in a statement that there were "no new findings" in the latest BaFin rebuke and stressed that it "will continue to fully co-operate with BaFin and invest the necessary resources" to meet the deadline.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

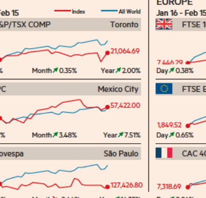
Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.18%	-0.22%	0.48%	0.38%	0.65%	1.21%	0.41%	0.46%	0.373%	0.319%	-0.378%	0.117%	-0.20%	-0.55%

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

AMERICAS



Jan 16 - Feb 15

S&P 500 – New York: 4,739.21 → 5,009.45. Day 0.18% Month 4.66% Year 20.72%

Nasdaq Composite – New York: 14,855.62 → 15,823.78. Day -0.22% Month 5.60% Year 30.99%

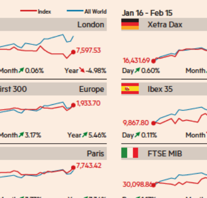
Dow Jones Industrial – New York: 37,266.67 → 38,608.00. Day 0.48% Month 2.69% Year 13.11%

S&P/TSX COMP – Toronto: 20,695.03 → 21,064.69. Day 1.19% Month 0.35% Year 2.00%

IPC – Mexico City: 55,501.11 → 57,422.00. Day 0.27% Month 3.48% Year 7.51%

Bovespa – São Paulo: 128,523.83 → 127,426.80. Day 0.46% Month -2.64% Year 16.35%

EUROPE



Jan 16 - Feb 15

FTSE 100 – London: 7,446.29 → 7,597.53. Day 0.38% Month 0.06% Year -4.98%

FTSE Eurofirst 300 – Europe: 1,849.52 → 1,933.70. Day 0.65% Month 3.17% Year 5.46%

CAC 40 – Paris: 7,318.69 → 7,743.42. Day 0.86% Month 3.73% Year 7.34%

Xetra Dax – Frankfurt: 16,431.69 → 17,036.20. Day 0.60% Month 0.74% Year NaN%

Ibex 35 – Madrid: 9,867.80 → 9,927.30. Day 0.11% Month -1.66% Year 7.17%

FTSE MIB – Milan: 30,098.88 → 31,694.44. Day 1.17% Month 4.02% Year 15.26%

ASIA

Jan 16 - Feb 15

Nikkei 225 – Tokyo: 35,619.18 → 38,157.94. Day 1.21% Month 7.24% Year 38.22%

Hang Seng – Hong Kong: 15,276.90 → 15,944.63. Day 0.41% Month -1.85% Year -24.49%

Shanghai Composite – Shanghai: 2,877.70 → 2,865.90. Day 1.28% Month -2.16% Year -11.77%

Kospi – Seoul: 2,435.90 → 2,613.80. Day -0.25% Month 3.51% Year 6.01%

FTSE Straits Times – Singapore: 3,184.99 → 3,176.69. Day 1.20% Month -0.54% Year -4.33%

BSE Sensex – Mumbai: 73,327.94 → 72,050.38. Day 0.32% Month -0.66% Year 18.12%

Country	Index	Latest	Previous
Argentina	Merval	1090620.53	1105579.66
Australia	All Ordinaries	7851.70	7790.50
	S&P/ASX 200	7605.70	7547.70
	S&P/ASX 200 Res	5804.30	5875.30
Austria	ATX	3372.09	3366.27
Belgium	BEL 20	3694.38	3665.30
	BEL Mid	10613.62	10594.19
Brazil	IBovespa	127600.17	127018.29
Canada	S&P/TSX 60	1276.18	1261.05
	S&P/TSX Comp	21138.41	20889.40
	S&P/TSX Div Met & Min	1580.43	1555.65
Chile	S&P/CLX IGPA Gen	31218.71	30759.43
China	FTSE A200	8931.98	8891.09
	FTSE B35	9000.71	8988.96
	Shanghai A	3004.27	2966.34
	Shanghai B	249.38	246.70
	Shanghai Comp	2865.90	2829.70
	Shenzhen A	1649.79	1599.09
	Shenzhen B	1016.72	1005.47
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1482.34	1479.23
Denmark	OMXC Copenhgen 20	2593.81	2581.08
Egypt	EGX 30	28926.15	28874.99
Estonia	OMX Tallinn	1761.54	1765.48
Finland	OMX Helsinki General	9755.30	9688.81
France	CAC 40	7743.42	7677.35
	SBF 120	5862.09	5812.43
Germany	M-DAX	26057.19	26050.07
	TecDAX	3386.62	3386.91
	XETRA Dax	17046.69	16945.48
Greece	Athens Gen	1403.50	1405.38
	FTSE/ASE 20	3413.24	3424.64
Hong Kong	Hang Seng	15944.63	15879.38
	HS China Enterprise	5410.94	5386.31
	HSCC Red Chip	3181.88	3189.56
Hungary	Bux	65660.80	64999.45
India	BSE Sensex	72050.38	71822.83
	Nifty 500	20037.00	19922.30
Indonesia	Jakarta Comp	7303.28	7209.74
Ireland	ISEQ Overall	9313.84	9371.60
Israel	Tel Aviv 125	1886.45	1887.19
Italy	FTSE Italia All-Share	33807.41	33462.01
	FTSE Italia Mid Cap	45193.97	45300.00
	FTSE MIB	31694.44	31329.38
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	38157.94	37703.32
	S&P Topix 150	2298.85	2278.70
	Topix	2591.85	2584.59
Jordan	Amman SE	2408.69	2397.75
Kenya	NSE 20	1511.78	1516.22
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1327.54	1330.29
Lithuania	OMX Vilnius	962.86	963.50
Luxembourg	LuxX	1534.73	1528.85
Malaysia	FTSE Bursa KLCI	1528.38	1529.33
Mexico	IPC	57404.13	57248.47
Morocco	MASI	12753.91	12698.28
Netherlands	AEX	847.59	843.67
	AEX All Share	1153.06	1147.28
New Zealand	NZX 50	11640.04	11661.32
Nigeria	SE All Share	103498.28	101707.70
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	61020.06	62153.84
Philippines	Manila Comp	6882.15	6854.53
Poland	Wig	79456.06	79621.21
Portugal	PSI 20	6121.10	6100.10
	PSI General	4290.88	4253.31
Romania	BET Index	15657.02	15693.30
Russia	Micex Index	3436.57	3445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12404.59	12439.77
Singapore	FTSE Straits Times	3176.69	3139.07
Slovakia	SAX	313.08	313.08
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	73218.44	73009.74
	FTSE/JSE Res 20	50613.73	49476.71
	FTSE/JSE Top 40	66708.03	66420.90
South Korea	Kospi	2613.80	2620.42
	Kospi 200	351.21	352.69
Spain	IBEX 35	9927.30	9916.60
Sri Lanka	CSE All Share	10568.46	10531.48
Sweden	OMX Stockholm 30	2385.24	2362.07
	OMX Stockholm AS	903.15	894.18
Switzerland	SMI Index	11284.18	11213.64
Taiwan	Weighted Pr	18815.54	18942.30
Thailand	Bangkok SET	1387.27	1385.11
Turkey	BIST 100	9242.15	9242.15
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2701.90	2680.80
	FTSE 100	7597.53	7568.40
	FTSE 4Good UK	6861.41	6827.09
	FTSE All Share	4149.98	4132.87
	FTSE techMARK 100	6835.83	6876.43
USA	DJ Composite	12362.02	12304.29
	DJ Industrial	38608.00	38424.27
	DJ Transport	15857.46	15824.28
	DJ Utilities	842.45	833.40
	Nasdaq 100	17770.64	17807.63
	Nasdaq Cmp	15823.78	15859.15
	NYSE Comp	17366.80	17240.19
	S&P 500	5009.45	5000.62
	Wilshire 5000	42053.18	41446.59
Venezuela	IBC	53005.23	53320.11
Vietnam	VNI	1202.50	1198.53
Cross-Border	DJ Global Titans ($)	583.67	583.28
	Euro Stoxx 50 (Eur)	4743.17	4709.22
	Euronext 100 ID	1440.41	1432.11
	FTSE 4Good Global ($)	12768.98	12796.73
	FTSE All World ($)	493.18	490.90
	FTSE E300	1933.70	1921.15
	FTSE Eurotop 100	3864.76	3842.52
	FTSE Global 100 ($)	3442.22	3447.59
	FTSE Gold Min ($)	1533.49	1540.45
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	3470.23	3441.48
	FTSE World ($)	906.72	902.52
	FTSEurofirst 100 (Eur)	5198.04	5169.69
	FTSEurofirst 80 (Eur)	6362.08	6316.52
	MSCI ACWI Fr ($)	744.95	739.58
	MSCI All World ($)	3265.67	3240.26
	MSCI Europe (Eur)	1945.27	1934.47
	MSCI Pacific ($)	2949.77	2972.91
	S&P Euro (Eur)	2060.74	2045.25
	S&P Europe 350 (Eur)	1984.72	1971.86
	S&P Global 1200 ($)	3597.10	3581.05
	Stoxx 50 (Eur)	4238.29	4216.49

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Nvidia	162.0	730.20	-8.80
Tesla	99.9	194.73	6.02
Meta Platforms	61.3	487.61	14.33
Advanced Micro Devices	46.7	175.98	-2.73
Apple	44.4	181.73	-2.42
Amazon.com	35.7	168.79	-2.19
Microsoft	34.2	404.65	-4.84
Alphabet	28.1	141.42	-4.53
Alphabet	17.4	142.75	-4.40
Netflix	13.4	586.80	7.47

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Zebra	281.88	28.92	11.43
Cbre	94.40	7.51	8.64
Epam Systems	299.96	21.82	7.84
Moderna	90.76	4.81	5.60
Viatris	12.69	0.62	5.14
Downs			
West Pharmaceutical Services	347.46	-60.73	-14.88
Rollins	41.69	-2.56	-5.79
Deere &	364.97	-19.81	-5.15
Generac Holdings	117.72	-5.72	-4.63
Paramount Global	12.60	-0.60	-4.51

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Shell	177.3	2464.00	-33.50
Bp	144.7	468.75	-7.75
Astrazeneca	142.7	9826.00	102.00
Relx	120.9	3314.00	-22.00
Hsbc Holdings	115.2	626.60	5.90
Diageo	101.9	2898.00	29.50
Unilever	97.9	3981.00	-5.00
Glencore	67.8	391.05	-0.40
Croda Int	62.8	5024.00	159.00
Bae Systems	62.7	1225.00	-5.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Ithaca Energy	136.20	6.80	5.26
Bank Of Georgia	4030.00	160.00	4.13
Dr. Martens	93.55	3.65	4.06
Direct Line Insurance	173.20	6.65	3.99
Ip	51.90	1.80	3.59
Downs			
Close Brothers	308.40	-89.60	-22.51
Genus	1780.00	-344.00	-16.20
Nextenergy Solar Fund	73.60	-3.40	-4.42
Imperial Brands	1830.50	-61.50	-3.25
Octopus Renewables Infrastructure Trust	72.60	-2.00	-2.68

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Stellantis	625.0	23.87	1.30
Nestle N	312.0	103.55	1.35
Roche Gs	295.3	239.54	-0.26
Unicredit	261.8	29.63	-0.13
Novartis N	227.5	92.84	0.17
Asml Holding	220.9	855.80	2.40
Intesa Sanpaolo	204.2	2.83	0.01
Totalenergies	161.6	59.64	-0.78
Eni	145.0	14.60	0.10
Abb Ltd N	139.8	41.58	0.50

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Stellantis	23.87	1.30	5.74
Safran	183.44	7.52	4.27
Pernod Ricard	158.65	3.90	2.52
Mercedes-benz Grp Na O.n.	66.88	1.47	2.25
Hermes Intl	2190.50	46.00	2.15
Downs			
Umg	26.81	-0.44	-1.61
Bbva	9.04	-0.14	-1.57
Essilorluxottica	187.96	-2.76	-1.45
Totalenergies	59.64	-0.78	-1.29
Neste	27.13	-0.29	-1.06

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Lasertec	3090.9	42210.00	1250.00
Tokyo Electron	1970.3	35210.00	1680.00
Sony	1914.8	13710.00	-950.00
Softbank .	1433.4	8502.00	295.00
Advantest	1343.4	7045.00	139.00
Toyota Motor	1069.1	3382.00	-3.00
Screen Holdings Co Ltd	974.3	19400.00	1125.00
Rakuten	932.9	731.20	99.90
Renesas Electronics	868.5	2536.00	-66.00
Mitsubishi Ufj Fin	844.5	1404.00	-5.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Ebara	10910.00	1502.00	15.97
Rakuten	731.20	99.90	15.82
Ms&ad Insurance Holdings	7477.00	904.00	13.75
Sumitomo Heavy Industries,	4429.00	489.00	12.41
Showa Denko K.k.	3125.00	196.50	6.71
Downs			
Bandai Namco Holdings	2647.00	-471.00	-15.11
Toppan	3599.00	-373.00	-9.39
Sony	13710.00	-950.00	-6.48
Sapporo Holdings	6964.00	-477.00	-6.41
Nippon Express Holdings,inc	8196.00	-426.00	-4.94

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Feb 15 price(p)	%Chg week	%Chg ytd
Winners			
Coca-cola Hbc Ag	2440.00	12.1	5.4
Jd Sports Fashion	109.85	5.1	-31.6
Vodafone	66.57	4.8	-4.6
Smith (ds)	322.90	4.6	5.4
Frasers	827.00	4.4	-6.7
Beazley	583.00	3.9	10.8
Rentokil Initial	415.50	3.6	-3.9
Pearson	969.00	3.2	0.1
Persimmon	1420.50	3.2	3.0
Hikma Pharmaceuticals	1987.00	3.0	11.2
Convatec	241.40	2.9	-0.2
Mondi	1373.00	2.8	-18.6
Losers			
Entain	938.80	-4.8	-4.7
Airtel Africa	99.50	-4.2	-23.3
Sainsbury (j)	251.00	-3.2	-16.0
Fresnillo	478.90	-2.9	-16.1
British American Tobacco	2422.00	-2.5	3.9
Barratt Developments	475.70	-2.4	-14.2
Marks And Spencer	231.70	-2.2	-16.1
Dcc	5658.00	-2.0	-0.7
Intertek	4348.00	-1.9	2.8
Wpp	770.20	-1.7	3.3
Legal & General	237.40	-1.6	-4.5
Diploma	3332.00	-1.6	-3.4

FTSE 250	Feb 15 price(p)	%Chg week	%Chg ytd
Winners			
Watches Of Switzerland	418.20	12.3	-38.1
Bank Of Georgia	4030.00	9.1	0.6
Sdcl Energy Efficiency Income Trust	58.60	8.9	-9.8
Direct Line Insurance	173.20	7.8	-6.4
Dr. Martens	93.55	7.6	5.9
Auction Technology	581.00	7.4	15.7
Plus500 Ltd	1848.00	4.9	12.5
Blackrock Greater Europe Investment Trust	609.00	4.8	9.1
Ti Fluid Systems	154.20	4.8	1.8
Jupiter Fund Management	83.00	4.6	-8.2
Indivior	1428.00	4.1	18.2
Ig Holdings	697.50	3.7	-7.9
Losers			
Close Brothers	308.40	-33.7	-60.8
Genus	1780.00	-18.6	-17.8
Octopus Renewables Infrastructure Trust	72.60	-8.6	-18.7
Nextenergy Solar Fund	73.60	-7.1	-20.3
Ashmore	218.60	-5.9	-2.8
Inchcape	644.50	-5.6	-10.7
Just	80.50	-5.1	-5.2
Wetherspoon (J.d.)	789.50	-4.9	-1.9
Greencoat Uk Wind	128.50	-4.8	-14.5
Ferrexpo	82.25	-4.8	-6.3
Baltic Classifieds	227.00	-4.6	-6.2
Hill & Smith	1808.00	-4.3	-4.3

FTSE SmallCap	Feb 15 price(p)	%Chg week	%Chg ytd
Winners			
Bloomsbury Publishing	550.00	15.5	17.4
Xaar	129.00	14.2	12.7
Motorpoint	118.00	13.2	7.3
Cab Payments Holdings	103.80	13.1	26.6
Synthomer	154.80	12.2	-15.3
Vanquis Banking	131.20	11.9	4.0
Avon Protection	956.00	10.5	14.5
Hostelworld	157.50	9.4	19.3
Asos	399.80	9.0	0.8
Card Factory	98.00	8.6	-5.4
Hollywood Bowl	310.00	8.2	3.2
Schroders Capital Global Innovation Trust	13.35	8.1	-9.8
Losers			
Superdry	34.95	-17.5	4.0
Fisher (james) & Sons	254.00	-12.7	-22.9
Life Science Reit	48.40	-9.7	-24.4
Gore Street Energy Storage Fund	64.10	-9.6	-26.8
S & U	1910.00	-9.0	-11.4
Regional Reit	21.35	-8.8	-38.9
Petra Diamonds	43.80	-8.8	-33.6
Prs Reit (the)	76.60	-6.5	-11.0
Triple Point Social Housing Reit	55.00	-6.1	-13.8
Vh Global Sustainable Energy Opportunities	59.00	-6.1	-24.0
Severfield	53.60	-5.0	-14.9
Xp Power	1498.00	-4.8	17.4

Industry Sectors	Feb 15 price(p)	%Chg week	%Chg ytd
Winners			
Personal Goods	18662.94	3.2	-14.2
Mobile Telecommunications	1753.00	3.1	-7.8
Nonlife Insurance	3351.04	2.6	-0.2
Aerospace & Defense	9355.84	1.7	8.7
Chemicals	9435.92	1.2	-1.4
General Industrials	6608.73	1.0	-2.9
Banks	3506.25	1.0	-4.7
General Financial	13978.84	0.9	-4.6
Industrial Engineering	13852.53	0.7	-2.6
Health Care Equip.& Services	11452.45	0.6	6.6
Automobiles & Parts	1336.21	0.5	-16.1
Electricity	9453.89	0.5	-14.1
Losers			
Tobacco	27376.41	-2.2	4.6
Construction & Materials	9197.46	-1.4	-1.5
Real Estate Investment Trusts	2224.59	-1.1	-7.5
General Retailers	3838.33	-1.1	1.9
Food & Drug Retailers	4068.70	-1.0	1.6
Mining	7833.34	-1.0	-21.0
Oil & Gas Producers	8334.07	-0.9	-3.0
Industrial Transportation	3829.99	-0.8	-4.2
Life Insurance	5861.13	-0.5	-6.2
Software & Computer Services	2422.25	-0.5	0.3
Electronic & Electrical Equip.	9729.03	-0.4	-2.3
Industrial Metals	6013.90	-0.4	-11.7

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

CURRENCIES

Feb 15	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	834.5460	0.5980	898.1339	4.0594	1050.4041	3.8351
Australia	Australian Dollar	1.5343	-0.0074	1.6512	-0.0017	1.9312	-0.0037
Bahrain	Bahrainin Dinar	0.3770	-	0.4057	0.0015	0.4745	0.0014
Bolivia	Bolivian Boliviano	6.9100	-	7.4365	0.0283	8.6973	0.0255
Brazil	Brazilian Real	4.9780	0.0122	5.3573	0.0335	6.2656	0.0338
Canada	Canadian Dollar	1.3500	-0.0056	1.4528	-0.0005	1.6991	-0.0020
Chile	Chilean Peso	962.8750	5.0850	1036.2409	9.3954	1211.9258	9.9405
China	Chinese Yuan	7.1937	-	7.7418	0.0295	9.0544	0.0266
Colombia	Colombian Peso	3905.2200	-9.9300	4202.7773	5.3487	4915.3189	1.9731
Costa Rica	Costa Rican Colon	517.8300	0.0850	557.2859	2.2121	651.7684	2.0207
Czech Republic	Czech Koruna	23.5983	-0.1220	25.3964	-0.0341	29.7021	-0.0658
Denmark	Danish Krone	6.9269	-0.0256	7.4547	0.0010	8.7186	-0.0065
Egypt	Egyptian Pound	30.9058	0.0381	33.2607	0.1675	38.8997	0.1621
Hong Kong	Hong Kong Dollar	7.8195	0.0011	8.4152	0.0332	9.8420	0.0302
Hungary	Hungarian Forint	361.4803	-1.4056	389.0231	-0.0264	454.9783	-0.4279
India	Indian Rupee	83.0438	0.0150	89.3712	0.3562	104.5233	0.3258
Indonesia	Indonesian Rupiah	15620.0000	25.5000	16810.1695	91.3121	19660.1932	89.7641
Israel	Israeli Shekel	3.6236	-0.0322	3.8997	-0.0197	4.5609	-0.0271
Japan	Japanese Yen	150.0550	-0.5700	161.4884	0.0035	188.8672	-0.1607
..One Month		150.0543	-0.5714	161.4878	0.0024	188.8664	-0.1624
..Three Month		150.0529	-0.5742	161.4867	0.0002	188.8647	-0.1657
..One Year		150.0473	-0.5855	161.4827	-0.0079	188.8664	-0.1710
Kenya	Kenyan Shilling	145.5000	-5.0000	156.5863	-4.7645	183.1340	-5.7370
Kuwait	Kuwaiti Dinar	0.3081	-0.0003	0.3315	0.0009	0.3877	0.0008
Malaysia	Malaysian Ringgit	4.7805	-0.0054	5.1447	0.0138	6.0170	0.0109
Mexico	Mexican Peso	17.0570	-0.0480	18.3567	0.0184	21.4688	0.0028
New Zealand	New Zealand Dollar	1.6357	-0.0083	1.7604	-0.0022	2.0588	-0.0044
Nigeria	Nigerian Naira	1449.5000	-41.0000	1559.9441	-38.0189	1824.4180	-46.0957
Norway	Norwegian Krone	10.5450	-0.0443	11.3484	-0.0043	13.2724	-0.0166
Pakistan	Pakistani Rupee	279.5000	0.6150	300.7964	1.8042	351.7936	1.8049
Peru	Peruvian Nuevo Sol	3.8716	-0.0028	4.1666	0.0128	4.8730	0.0107
Philippines	Philippine Peso	56.0300	-0.0920	60.2992	0.1309	70.5223	0.0916
Poland	Polish Zloty	4.0362	-0.0143	4.3437	0.0012	5.0802	-0.0030
Romania	Romanian Leu	4.6246	-0.0170	4.9770	0.0008	5.8208	-0.0042
Russia	Russian Ruble	92.5750	0.8750	99.6287	1.3173	116.5198	1.4403
Saudi Arabia	Saudi Riyal	3.7503	-0.0001	4.0361	0.0153	4.7203	0.0137
Singapore	Singapore Dollar	1.3462	-0.0028	1.4488	0.0026	1.6944	0.0015
South Africa	South African Rand	18.9600	-0.0975	20.4046	-0.0269	23.8641	-0.0523
South Korea	South Korean Won	1334.1500	-1.2000	1435.8050	4.1781	1679.2324	3.4253
Sweden	Swedish Krona	10.4549	-0.0805	11.2515	-0.0435	13.1590	-0.0624
Switzerland	Swiss Franc	0.8803	-0.0060	0.9474	-0.0028	1.1081	-0.0043
Taiwan	New Taiwan Dollar	31.4245	0.0660	33.8189	0.1995	39.5525	0.1990
Thailand	Thai Baht	36.1800	0.0500	38.9367	0.2018	45.5381	0.1965
Tunisia	Tunisian Dinar	3.1339	-0.0092	3.3726	0.0030	3.9444	0.0001
Turkey	Turkish Lira	30.7280	-0.0295	33.0693	0.0942	38.6759	0.0766
United Arab Emirates	UAE Dirham	3.6729	-0.0001	3.9527	0.0150	4.6228	0.0135
United Kingdom	Pound Sterling	0.7945	-0.0023	0.8550	0.0007	-	-
..One Month		0.7945	-0.0023	0.8550	0.0008	-	-
..Three Month		0.7946	-0.0023	0.8548	0.0007	-	-
..One Year		0.7947	-0.0023	0.8536	0.0007	-	-
United States	United States Dollar	-	-	1.0762	0.0041	1.2587	0.0037
..One Month		-	-	1.0761	-0.1788	1.2587	0.0037
..Three Month		-	-	1.0758	-0.1788	1.2587	0.0037
..One Year		-	-	1.0744	-0.1788	1.2588	0.0037
Vietnam	Vietnamese Dong	24462.5000	57.5000	26326.4586	161.8729	30789.8837	162.5751
European Union	Euro	0.9292	-0.0036	-	-	1.1695	-0.0010
..One Month		0.9291	-0.0035	-	-	1.1695	-0.0010
..Three Month		0.9288	-0.0035	-	-	1.1693	-0.0010
..One Year		0.9274	-0.0035	-	-	1.1681	-0.0010

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Feb 15	Day's chge%	Euro Index	£ Strlg Feb 14	£ Strlg Feb 13	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7597.53	0.38	6924.25	7568.40	7512.28	7997.83	3.95	2.38	10.62	17.43	8138.58
FTSE 250 (250)	19099.62	0.50	17407.04	19003.89	18923.83	20172.59	3.50	1.16	24.65	48.90	16499.37
FTSE 250 ex Inv Co (167)	19820.45	0.54	18063.99	19714.75	19624.28	20879.57	3.63	0.82	33.59	43.10	17484.03
FTSE 350 (350)	4190.67	0.40	3819.30	4173.91	4144.84	4413.40	3.89	2.23	11.54	9.77	8901.90
FTSE 350 ex Investment Trusts (264)	4132.83	0.41	3766.58	4115.96	4086.67	4356.04	3.95	2.23	11.36	9.46	4539.51
FTSE 350 Higher Yield (130)	3498.32	0.10	3188.30	3494.69	3473.61	3840.94	5.71	2.25	7.77	12.67	8529.33
FTSE 350 Lower Yield (220)	4485.12	0.71	4087.66	4453.55	4418.23	4525.18	2.02	2.15	22.96	4.52	5656.14
FTSE SmallCap (219)	6282.42	0.98	5725.68	6221.73	6229.30	6562.18	4.06	0.06	435.39	30.37	11022.76

FT 30 INDEX

	Feb 15	Feb 14	Feb 13	Feb 12	Feb 09	Yr Ago	High	Low
FT 30	2701.90	2680.80	2652.10	2694.30	2679.20	0.00	2780.90	2639.70
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2680.8	2694.9	2698.2	2696.9	2699.8	2701.6	2701.8	2710	2705.8	2711.3	2680.8

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

FT WILSHIRE 5000 INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	8.93	Health Care	-1.00	Real Est Invest & Se	-3.65
Industrial Transport	4.99	Leisure Goods	-1.01	Financials	-3.79
Media	4.52	Technology	-1.05	Gas Water & Multi	-3.96
Tobacco	4.51	Support Services	-1.09	Banks	-4.79
Travel & Leisure	4.50	Pharmace & Biotech	-1.17	Mobile Telecomms	-5.12
Personal Goods	3.31	NON FINANCIALS Index	-1.47	Life Insurance	-6.11
Household Goods & Ho	2.71	Equity Invest Instr	-1.70	General Retailers	-6.54
Consumer Goods	2.68	FTSE 100 Index	-1.75	Utilities	-6.65
Health Care Eq & Srv	1.86	FTSE All{HY-}Share Index	-1.94	Real Est Invest & Tr	-7.60
Beverages	1.82	Food Producers	-1.98	Telecommunications	-8.06

FTSE GLOBAL EQUITY INDEX SERIES

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	2428	40.00	Jd Sports Fashion PLC	109.85	1.60
Admiral Group PLC	2581	33.00	Kingfisher PLC	225.10	6.60
Airtel Africa PLC	99.50	-1.20	Land Securities Group PLC	644.20	9.20
Anglo American PLC	1767	19.80	Legal & General Group PLC	237.40	2.20
Antofagasta PLC	1689.5	13.00	Lloyds Banking Group PLC	41.58	0.14
Ashtead Group PLC	5250	80.00	London Stock Exchange Group PLC	8904	42.00
Associated British Foods PLC	2285	19.00	M&G PLC	223.00	3.30
Astrazeneca PLC	9826	102.00	Marks And Spencer Group PLC	231.70	-3.20
Auto Trader Group PLC	712.20	-0.60	Melrose Industries PLC	610.80	8.40

UK STOCK MARKET TRADING DATA

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

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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
Richemont	136.45	2.20	161.10	102.95	1.68	20.60	83322.63
Roche	226.95	-0.25	293.55	222.75	4.06	17.00	181117.29
Swiss Re	103.60	1.10	104.20	83.10	5.38	20.39	37363.23
Swisscom	508.60	5.40	619.40	493.90	4.21	16.23	29927.27
UBS	24.42	0.17	26.55	14.38	2.32	2.50	84544.18
Zurich Fin	441.60	4.20	457.90	393.00	5.27	15.81	73414.78
Taiwan (NT$)							
ChunghwaTelecom	121.00	-0.50	128.00	113.50	3.90	25.38	29670.05
FormosaPetChem	73.40	-0.90	90.00	71.60	1.50	66.16	22250.36
HonHaiPrc	101.00	-0.50	116.50	94.00	5.27	10.94	44556.35
MediaTek	972.00	35.00	1055	638.00	7.85	22.09	49478.39
TaiwanSem	697.00	51.00	709.00	489.00	1.62	20.65	575177.22
Thailand (THB)							
PTT Explor	34.75	-	36.50	29.50	4.42	9.92	27434.19
United Arab Emirates (Dhs)							
Emirtestele	24.30	0.70	38.98	11.60	2.93	24.15	57535.64
United Kingdom (p)							
Anglo American	1767	19.80	3340	1630	8.86	13.14	29748.27
AscBrFd	2285	19.00	2485	1804.5	1.91	23.98	21731.96
AstraZen	9826	102.00	12828.45	9461	2.40	31.73	191720.08
Aviva	430.00	4.50	467.30	366.00	7.21	-21.72	14826.68
Barclays	143.42	1.40	198.86	128.12	5.37	4.24	27380.3
BP	468.75	-7.75	567.70	441.05	4.63	4.12	100497.43
BrAmTob	2422	23.00	3242.5	2233	9.26	6.26	68176.31
BT	106.30	1.50	161.40	101.70	7.24	5.62	13312.35
Compass	2188	2.00	2250	1862	1.70	29.06	47012.87
Diageo	2898	29.50	3779.5	27.11	2.68	17.63	81483.13
GlaxoSmh	1663	-5.00	1682.6	1302.6	3.34	11.23	86168.17
Glencore	391.05	-0.40	529.30	383.00	7.11	6.54	60051.42
HSBC	626.60	5.90	665.60	512.30	5.20	6.64	150682.35
Imperial Brands	1830.5	-61.50	2084	1553.5	7.75	7.30	20212.53
Jardine Mathes.	62.50	-	51.85	40.80	3.48	37.14	18050.97
LloydsBkg	41.58	0.14	53.24	39.42	6.06	4.42	33268.95
LSE Group	8904	42.00	9438	7142	1.20	73.83	58573.35
Natl Grid	1009	7.00	1229.21	918.00	5.11	13.67	47239.59
Natwest Group	214.30	5.30	306.60	168.00	7.23	4.40	23591.96
Prudential	807.60	17.20	1330.5	767.80	1.83	8.14	27950.07
ReckittB	5702	10.00	6570	5306	3.21	18.42	51144.99
RELX	3314	-22.00	3430	2414	1.65	36.34	78534
RioTinto	5328	19.00	6308	4509.5	7.20	12.85	83921.37
RollsRoyce	320.00	7.80	325.70	106.69	-	16.23	33899.85
Shell PLC	2464	-33.50	2801	2149.45	3.43	7.62	201004.22
StandCh	580.80	4.80	799.40	571.00	2.82	10.97	19482.26
Tesco	276.20	-1.00	307.23	217.53	3.95	14.06	24470.14
Unilever	3981	-5.00	4868.64	3680.5	3.74	14.23	125218.27
Vodafone	66.57	1.20	103.24	62.71	11.73	2.02	22689.21
WPP	770.20	4.80	1082	7.24	5.12	15.78	10419.64
United States of America ($)							
21stC Fox A	30.70	0.45	37.26	28.52	1.71	14.52	7346.36
3M	91.79	0.88	114.82	85.35	6.73	-6.69	50732.33
AbbottLb	112.91	0.85	115.83	89.67	1.72	36.92	196018.37
Abbvie	175.27	0.85	175.91	130.96	3.44	46.56	315477
Accenture	371.48	0.50	374.56	242.80	1.24	34.63	247595.71
Activision Bli.	94.42	-0.05	94.57	70.94	-	36.23	74289.5
Adobe	596.65	-8.01	634.59	318.60	-	54.02	269685.8
Advanced Micro	175.98	-2.73	180.50	75.92	-	-4444.12	281560
AEP	80.81	2.01	96.05	69.38	4.01	21.26	42496.01
Aflac	79.85	0.93	84.99	60.20	2.14	10.61	46659.81
AirProd	225.30	8.29	307.71	212.24	3.14	21.21	50084.43
Allstate	160.62	-0.78	168.05	100.57	2.26	-19.49	42030.87
Alphabet	141.42	-4.53	149.44	88.58	-	26.27	836893.97
Altria	40.20	-0.21	48.11	39.07	9.75	7.95	71090.75
Amazon	168.79	-2.19	175.39	88.12	-	85.70	1753286.09
AmerAir	15.02	0.16	19.08	10.86	-	6.09	9812.91
AmerExpr	211.45	0.55	214.25	140.91	1.39	19.22	153062.27
AmerIntGrp	70.26	1.09	73.28	45.66	2.00	11.83	49325.35
AmerTower	188.61	0.12	219.10	154.58	2.56	121.93	87929.98
Amgen♦	287.60	-2.47	329.72	211.71	2.99	19.84	153917.2
Amphenol Corp	105.08	0.97	105.66	72.00	0.82	32.87	63032.75
Analog Devices	187.02	0.70	202.77	154.99	1.85	27.53	92731.92
Aon Cp	314.14	5.67	347.37	280.89	0.77	23.13	62895.96
Apple	181.73	-2.42	199.62	143.90	0.51	30.80	2806285.46
Applied Materi.	187.73	1.54	189.47	109.00	0.64	22.32	156203.01
Aptiv	79.28	0.14	124.88	71.01	-	24.27	22121.98
ArcherDan	53.99	0.72	87.30	51.49	3.34	7.28	28797.25
AT&T	17.17	0.26	19.99	13.43	6.67	-11.03	122765.85
Autodesk	260.09	-2.08	269.53	188.38	-	59.14	55637.24
AutomData	251.75	0.85	256.84	201.46	2.05	28.99	103416.53
AutoZone	2731.17	4.30	2855.21	2277.88	-	19.98	47227.13
Avago Tech	1258.54	-3.68	1295.97	572.10	1.52	36.79	589173.63
BakerHu	29.04	0.19	37.58	26.12	2.37	72.32	29060.59
Bank of NY	55.14	0.66	56.05	39.65	2.86	12.52	42406.7
BankAm	33.99	0.86	35.66	24.96	2.73	9.23	268948.18
Baxter	41.23	1.59	50.21	31.01	2.90	86.91	20935.19
BectonDick	239.22	0.61	287.32	228.62	1.57	45.49	69111.19
BerkshHat	604065	3064.98	604999.99	442363.5	-	11.12	345359.67
Biogen	222.39	1.65	319.76	220.07	-	21.44	32224.2
BlackRock	796.72	11.32	819.00	596.18	2.57	33.16	118522.04
Boeing	204.56	1.18	267.54	176.25	-	-27.55	124809.32
Booking Holdings	3743.15	4.84	3844.76	2382.55	-	25.68	130597.94
Bristol-Myers	49.61	0.72	72.47	47.58	4.74	12.21	100323.04
Broadcom	1258.54	-3.68	1295.97	572.10	1.52	36.79	589173.63
Cadence Design	297.82	-2.92	315.70	189.30	-	82.28	81025.5
CapOne	135.87	0.76	138.03	83.93	1.82	9.87	51745.65
CardinalHlth	104.86	1.31	108.85	68.53	1.96	166.70	25505.43
Carnival	15.32	0.05	19.74	8.37	-	-11.95	17144.3
Caterpillar♦	320.49	3.78	334.87	204.04	1.58	17.62	163161.46
Centene Corp	77.96	0.47	79.83	60.83	-	16.76	41646.31
CharlesSch	65.00	1.97	81.32	45.00	1.43	19.08	115150.45
Charter Comms	293.79	6.51	458.30	279.64	-	9.30	42666.02
Chevron Corp	153.06	3.68	172.88	139.62	4.01	11.02	288938.24
Chipotle Mexic.	2617.11	-3.08	2725.83	1470.05	-	60.21	71764.3
Chubb	250.29	2.17	250.80	183.40	1.33	18.01	102115.79
Cigna	339.85	1.24	342.05	240.50	1.37	15.72	99446.9
Cintas Corp	616.41	3.74	626.18	425.00	0.81	44.93	62486.37
Cisco	48.73	-1.56	58.19	45.56	3.30	14.19	197992.85
Citigroup♦	55.01	1.03	56.59	38.17	3.86	8.47	105279.39
CME Grp	211.10	-4.09	223.80	174.01	4.08	26.07	75992.05
Coca-Cola	59.39	0.10	64.99	51.55	3.16	23.31	256745.94
Cognizant	77.26	0.52	78.93	56.45	1.52	18.27	38739.13
ColgtPlm	83.58	-0.13	86.14	67.62	2.24	47.16	68817.45
Comcast	41.87	-0.16	47.46	34.63	2.81	11.31	165886.42
ConocPhil	111.05	1.71	127.35	91.53	4.22	11.73	131861.65
Constellation♦	243.26	-0.34	273.65	210.15	1.42	28.38	44467.05
Corning	32.02	0.27	36.02	25.26	3.40	43.71	27321.22
Corteva	55.29	1.21	64.04	43.22	1.07	35.57	38801.58
Corteva	55.29	1.21	64.04	43.22	1.07	35.57	38801.58
Costco	720.35	-1.84	728.17	465.33	0.55	49.39	319637.55
CrownCstl	107.44	1.64	141.04	84.72	5.68	27.61	46595.53
CSX	37.00	-	37.39	27.60	1.20	18.98	73116.85
CVS	76.91	0.50	88.75	64.41	3.17	11.42	96781.06
Danaher	249.47	1.48	251.70	182.09	0.41	29.58	184340.15
Deere	364.97	-19.81	450.00	345.55	1.44	10.16	102284.83
Delta	41.25	0.41	49.81	30.60	0.25	7.55	26542.87
Devon Energy	43.16	1.32	59.17	40.47	10.35	5.96	27651.01
Digital Realty	146.76	4.53	148.09	86.33	3.43	49.24	44446.57
DiscFinServ	109.87	0.76	122.50	79.04	2.44	7.89	27473.87
Disney	112.50	0.94	112.92	78.73	-	84.57	206358.82
Dollar General	135.21	3.21	232.18	101.09	1.78	15.00	29677.13
DominRes	45.39	0.53	58.93	39.18	5.82	16.98	37978.02
DukeEner♦	91.33	1.01	100.39	83.06	4.36	19.75	70385.25
DuPont	68.67	1.02	78.74	61.20	1.99	34.17	29531.02
Eaton	273.84	-1.78	278.58	155.38	1.28	35.55	109344.31
eBay	42.72	0.54	49.66	37.17	2.18	18.21	22171.68
Ecolab	215.43	-1.54	221.55	153.87	0.97	52.94	61427.67
Edwards Lifesc.	85.62	-0.42	94.87	60.57	-	38.27	51928.53
Elevance	508.79	2.68	513.23	412.00	1.16	19.20	119564.48
Eli Lilly♦	756.58	-0.73	764.05	309.20	0.55	106.44	718226.87
Emerson	105.91	0.20	106.60	76.94	1.94	19.22	60548.75
EOG Res	114.05	3.04	136.79	98.52	2.92	8.20	66508.21
Equinix	870.82	38.01	879.17	661.66	1.58	90.90	81755.19
EquityResTP	60.02	1.37	69.45	52.57	4.49	33.51	22791.09
Exelon	34.58	0.46	43.71	33.35	3.99	16.32	34422.23
ExxonMb	102.96	2.12	120.70	95.77	3.47	8.32	408002.21
Fedex	236.69	-0.14	285.53	190.83	2.02	14.12	59147.07
Fidelity NIS	63.32	0.68	69.65	46.91	3.10	-1.63	37516.06
Fiserv	-	-	-	-	-	-	-
FordMtr	12.43	0.20	15.42	9.63	4.78	12.18	48492.05
Franklin	27.16	0.39	31.78	21.88	4.56	15.31	14301.31
GenDyn	268.96	-0.14	271.37	202.35	2.00	21.79	73689.72
GenElectric	148.45	1.95	148.89	81.65	0.22	14.98	161563.23
GenMills	62.99	0.62	90.89	60.33	3.57	15.41	35772.02
GenMotors	39.05	0.68	43.63	26.30	0.91	5.51	45080.62
GileadSci	73.36	0.32	87.87	72.81	4.19	15.23	91409.63
GoldmSchs	384.85	6.81	396.35	289.36	2.57	16.54	125504.38
Halliburton	35.27	1.07	43.85	27.84	1.57	13.15	31393.68
HCA Hold	306.10	0.67	314.82	215.96	0.75	15.28	81929.63
Hew-Pack	28.87	0.29	33.90	25.22	3.77	8.54	28607.35
Hilton Worldwi.	195.29	2.59	198.15	129.86	0.32	38.26	49244.43
HiltonWwde	195.29	2.59	198.15	129.86	0.32	38.26	49244.43
HomeDep	359.73	1.50	368.72	274.26	2.36	22.23	358025.54
Honywell	196.85	1.98	210.87	174.88	2.05	24.61	129773.49
HumanaInc	364.51	2.22	541.21	358.64	0.91	13.71	44875.09
IBM	184.99	1.42	187.51	120.55	3.54	79.51	168913.24
IDEXX Laborato.	561.00	0.44	579.68	372.50	-	60.09	46619.1
IllinoisTool	253.83	-0.29	265.00	217.06	2.17	23.90	75844.4
Illumina	143.71	2.97	238.55	89.00	-	-5.45	22820.35
Intcntl Exch	137.24	0.58	137.92	94.16	1.23	30.88	78585.88
Intel	44.53	0.34	51.28	24.73	2.27	-110.71	188251.7
Intuit	658.29	1.16	664.83	384.05	0.51	69.51	184253.97
John&John	157.36	1.62	175.97	144.95	3.04	28.63	378809.36
JohnsonCn	57.70	0.63	70.43	47.90	2.45	19.56	39317.82
JPMrgnCh	179.31	3.28	179.42	123.11	2.21	11.65	515813.65
Kimb-Clark	118.20	-0.21	147.87	116.32	4.10	22.04	39817.91
KinderM	16.91	0.34	18.30	15.89	6.83	15.04	37575.99
KLA Corp	653.77	-0.07	661.87	355.88	0.82	28.35	88411.7
Kraft Heinz	34.77	0.61	41.47	30.68	4.56	13.72	42640.62
Kroger	46.53	0.84	50.36	42.10	2.39	17.45	33471.18
LasVegasSd	54.65	0.17	65.58	43.77	0.38	60.91	41185.41
LibertyGbl	19.28	0.66	21.53	15.01	-	-1.75	3303.33
Lilly (E)♦	756.58	-0.73	764.05	309.20	0.55	106.44	718226.87
Linde	424.57	6.17	434.21	319.23	1.21	34.05	205869.95
Lockheed	419.94	1.75	508.10	393.77	2.95	14.91	101475.21
Lowes	227.32	0.39	237.21	181.85	1.96	16.81	130734.6
Lyondell	96.86	2.22	102.05	81.24	5.20	13.44	31417.68
Marathon Ptl	171.99	2.11	173.33	104.32	1.80	6.29	65304.13
Marsh&M	200.36	2.64	202.81	151.86	1.34	28.00	98791.55
MasterCard	470.20	5.01	471.14	340.21	0.48	39.75	435275.02
McDonald's	290.45	2.28	302.39	245.73	2.02	27.04	210675.59
McKesson	506.54	5.34	519.75	331.75	0.46	19.42	66563.55
Medtronic	84.44	0.76	92.02	68.84	3.37	26.43	112276.01
Merck	126.54	0.72	128.06	99.14	2.38	68.17	320655.28
Meta	487.61	14.33	488.25	167.66	-	41.73	1072765.63
Metlife♦	69.53	1.18	73.12	48.95	3.03	-168.56	51465.43
Microsoft♦	404.65	-4.84	420.82	245.61	0.69	38.02	3006726.02
Mnstr Bvrg	55.84	-0.04	60.47	47.13	-	36.71	58093.04
MondelezInt	71.55	0.14	78.59	60.75	2.28	20.77	97365.27
Monsanto	10.07	0.02	11.13	9.56	-	51.84	251.75
MorganStly	85.80	1.80	100.96	69.42	3.82	14.86	140816.33
Netflix	586.80	7.47	591.80	285.33	-	56.79	253943.57
NextEraE	56.76	0.75	79.78	47.15	3.32	14.52	116454.93
Nike	106.61	0.28	128.68	88.66	1.30	31.26	130492.01
NorfolkS	255.93	3.67	256.80	183.09	2.13	27.18	57809.85
Northrop	447.95	1.58	496.89	414.56	1.66	14.28	67207.82
NXP	236.19	2.23	241.26	155.31	1.70	21.25	60881.11
Occid Pet	59.51	2.21	67.67	55.12	1.16	12.57	52386.47
Oracle	113.24	-1.02	127.54	82.04	1.33	31.46	311287.93
Pepsico	167.23	-0.29	196.88	155.83	2.98	27.03	229845.81
Perrigo	32.24	0.68	40.28	26.81	3.45	390.83	4368.73
Pfizer♦	27.47	0.36	43.61	25.76	6.12	14.55	155078.74
Phillips66	147.00	1.79	149.52	89.74	2.89	8.61	64673.47
PhilMorris	89.06	-0.16	102.00	87.23	5.92	16.77	138257.28
PNCFin	148.27	0.40	161.78	109.40	4.21	9.98	59062.04
PPG Inds	141.46	2.01	152.89	120.33	1.83	22.98	33356.24
ProctGmbl	156.94	1.31	159.83	136.10	2.44	24.71	369283.12
Prudntl	109.49	3.09	109.63	75.37	4.66	29.99	39524.09
PublStor	283.69	3.21	316.48	233.18	4.00	25.22	49882.96
Qualcomm	156.00	2.06	157.17	101.47	2.05	23.20	174096
Raytheon	91.63	0.24	104.91	68.56	2.57	40.95	121577.15
Regen Pharm	952.92	5.10	964.93	684.81	-	26.36	102861.76
S&P Global	423.00	1.79	461.16	321.15	0.87	53.34	132862.73
Salesforce	290.02	0.87	295.24	159.66	-	106.31	280734.52
Schlmbrg	48.78	1.03	62.12	42.73	1.96	16.42	69628.32
Sempra Energy	70.17	0.71	80.16	63.75	3.46	15.75	22077.67
Shrwin-Will	312.21	1.18	314.38	205.43	0.80	32.42	79915.17
SimonProp	146.71	3.85	147.49	100.17	5.17	21.11	47860.95
SouthCpr	82.42	2.30	88.40	64.66	4.38	21.49	63719.76
Starbucks♦	93.22	-0.85	115.48	89.21	2.35	25.25	105543.68
StateSt	72.69	1.19	94.60	62.78	3.66	10.25	22430.94
Stryker	346.89	-2.54	352.56	249.98	0.89	49.91	131794.79
Sychrony Fin	39.74	0.41	40.03	26.59	2.44	7.10	16165.93
T-MobileUS	161.04	-0.38	165.95	124.92	-	24.25	191133.15
Target	146.32	1.29	177.29	102.93	3.08	17.97	67549.75
TE Connect	143.09	0.88	146.60	115.00	1.66	23.09	44472.37
Tesla Mtrs	194.73	6.02	299.29	152.37	-	60.91	620174.24
TexasInstr	160.03	2.16	188.12	139.48	3.01	19.40	145508.76
TheTrvelers	218.67	2.05	219.07	157.33	1.82	22.90	49942.96
ThrmoFshr	547.98	-0.30	593.17	415.60	0.25	34.82	211722.37
TJX Cos♦	97.78	0.61	99.45	72.92	1.33	26.63	111437.6
Truist Financial Corp	36.02	0.61	48.96	25.56	5.95	8.78	48042.06
Twitter	53.70	0.35	60.16	31.30	-	-402.23	41093.72
UnionPac	249.29	-0.82	251.65	183.69	2.15	23.20	152011.54
UPS	145.47	1.25	197.80	133.68	4.27	12.74	105208.52
USBancorp	41.19	0.69	49.11	27.27	4.81	11.92	64125.56
UtdHlthcre	518.97	2.03	554.70	445.68	1.30	23.46	480008.48
ValeroEngy	142.58	1.54	152.20	104.18	2.92	4.72	48541.78
Verizon	40.43	0.28	42.72	30.14	6.39	8.17	169985.04
VertexPharm	423.63	5.75	443.82	283.60	-	30.84	109162.33
VF Cp	17.09	-0.12	28.06	12.85	9.33	57.52	6642.92
Visa Inc	279.92	2.36	280.34	208.76	0.66	32.78	442718.73
Walgreen	22.32	0.78	36.78	19.68	8.55	34.01	19248.22
WalMartSto	168.66	0.06	171.07	136.09	1.40	27.06	454072.14
Walt Disney	112.50	0.94	112.92	78.73	-	84.57	206358.82
Waste Manage.	198.04	-1.13	199.92	148.31	1.43	33.99	79530.48
WellsFargo	50.94	2.41	51.32	35.25	2.53	10.78	184977.57
Williams Cos	33.89	0.84	37.45	27.80	5.10	15.35	41227.14
Workday	303.74	1.50	308.95	174.06	-	1220.15	63481.66
YumBrnds	135.17	1.16	143.25	115.53	1.82	24.92	37889.26
Zoetis♦	187.75	3.67	201.92	151.03	0.74	39.92	85964.55
Zoom	63.88	-0.26	80.80	58.87	-	81.03	16467.4
Venezuela (VEF)							
Bco de Vnzla	7.39	-0.11	9.20	3.50	100.55	-	744.23
Bco Provncl	17.10	-0.14	21.00	6.80	-	3.07	188.87

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

BONDS: HIGH YIELD & EMERGING MARKET

Feb 15	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	26.23	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

BONDS: GLOBAL INVESTMENT GRADE

Feb 15	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-

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Once upon a time in 18th-century Denmark

This week's film releases reviewed by Jonathan Romney and Leslie Felperin

The Promised Land
Nikolaj Arcel
★★★★★

The Taste of Things
Tran Anh Hung
★★★★★

Eureka
Lisandro Alonso
★★★☆☆

Bob Marley: One Love
Reinaldo Marcus Green
★★☆☆☆

Put a horse and the odd patch of grass in a film and critics will confidently declare that it is *really* a Western. But there is no doubt whatsoever that **The Promised Land** is absolutely a Western — even if it is in Danish and set in the 18th century. Nikolaj Arcel's film fits the time-honoured genre codes perfectly. Notwithstanding the occasional periwig, it resembles those epic oaters once directed by the likes of John Ford or Anthony Mann, with bursts of violence that are closer to Sam Peckinpah.

The film also has a hero in a traditional mould of implacable terseness. He is Captain Ludwig Kahlen, a historical figure, played by Mads Mikkelsen — a soldier of humble origins who petitions the Danish king to let him tame the inhospitable heathlands of Jutland. Court officials dismiss him as an upstart, but he gets permission to pursue his lone mission.

Really, the aloof, grim-faced Kahlen sees himself as alone. He has the support of a couple who have fled their abusive master and, eventually, a young Roma girl who latches on to the gruffly reluctant captain as a surrogate father.

Struggling out in the wilds, Kahlen could be a California frontiersman or a prospector panning for gold in Alaska. He is matched by another variant on an archetype — Frederik De Schinkel, a young local landowner who is this film's equivalent of an evil cattle baron. Played by Simon Bennebjerg with flamboyant, black-comedy nastiness, he is a snobbish, sadistic narcissist and the most engagingly loathsome screen villain seen in a while. The particularly refined touch of evil comes when De Schinkel doles out a horrific punishment at a soirée — but insists that a children's choir sing over the screams.

Director and co-writer Nikolaj Arcel is best known for *A Royal Affair*, another period piece starring Mikkelsen. At the centre of his new, considerably bolder outing is the actor's variation on the rugged outdoors man who finds himself, like John Wayne in many of his roles, eventually humanised by a woman and/or child.

The gravel-voiced Danish star makes Kahlen a stiff sobersides who is as likely to crack a soupçon of a smile as Clint Eastwood is to break into a fit of giggles. But there's nuance to his character: blinkered pride, a reckless monomania, the fragile unworldliness of a man who has only ever known the army. A lovely touch is Kahlen's awkward inability to respond to the decorous flirtation of De Schinkel's cousin and intended bride (Kristine Kujath Thorp).

Mikkelsen is beautifully complemented by newcomer Hagberg Melina, whose sparingly irreverent Anmai Mus brings warmth and spiky comedy, as well as introducing an anti-racism theme; and by Amanda Collin as the housekeeper who gradually thaws her chilly employer. Rasmus Videbæk's camerawork captures the harshness and bleak beauty of a landscape across the seasons, bringing visual sweep to an utterly satisfying old-school narrative that Hollywood today would be hard-pressed to muster. **JR**
In cinemas now

Top: Mads Mikkelsen in 'The Promised Land'. Above: Juliette Binoche and Benoît Magimel in 'The Taste of Things'
Henrik Ohsten; Carole Bethuel

In the old days, there weren't that many movies about food, apart from the occasional grand cinematic tasting menu, such as *Babette's Feast* or *Big Night*. But just as there's been explosive growth in food culture, there's been a glut of food-related films and TV, enough to populate several Netflix subcategories and even spawn a backlash movie: last year's acidic satire of fine dining, *The Menu*. In that context, **The Taste of Things** feels like a return to the very best kind of comfort viewing, a work that nourishes the soul and whets the appetite but without the sprinkling of irony.

Director Tran Anh Hung (*The Scent of Green Papaya*, *Norwegian Wood*) has always been a connoisseur of craftsmanship. His miniaturist's attention to detail gets a dazzling workout in *The Taste of Things*' opening 40 minutes. The sequence takes place in a chateau's cellar-kitchen, circa 1889, a sunlit space full of glinting, ringing copper pans. Gifted chef Eugénie (Juliette Binoche) prepares a multi-course feast that includes a rack of veal, roast fish, quenelles, a vol-au-vent and one of those newfangled desserts, an *omelette norvégienne* — what Anglophones call a baked Alaska — among other treats.

It's all for her employer-lover Dodin Bouffant (Benoît Magimel, once Binoche's life partner, playing opposite her for the first time in years) and his coterie of gentlemen friends in the chateau's dining room upstairs. Eugénie insists on eating downstairs with the scullery maid, despite the gentlemen's pleas that she join them upstairs. All the guests are epicures, but Dodin is the one most famous for his taste, known nationwide as the "Napoleon of the culinary arts". Eugénie is more than just his Josephine. Their relationship in the kitchen is that of equal collaborators, mutually admiring of each other's palates and talents.

Upstairs in Eugénie's attic bedroom, things are a little more complicated. Dodin would like to marry her but she doesn't quite see the point of matrimony. Just when she consents to give him her hand, she grows ill with one of those mysterious 19th-century maladies. Dodin must cook for her. Food is their love language but this intimate drama becomes a lens through which Tran also explores food history and fashions, the subtle politics of domestic service, the graceful beauty of middle-aged love. All of it permeates every impeccably performed and composed frame of this considered and strangely profound film. Like a great wine, *The Taste of Things* has a long, lingering finish. **LF**
In US and UK cinemas now

The marketing for the rarefied arthouse workout **Eureka** hypes the presence of movie star Viggo Mortensen (*Green Book, A History of Violence*) — but the Mortensen obsessives will feel they've been tricked, for he disappears after the first 20 minutes. He plays a grizzled 19th-century father, determined to rescue his runaway daughter from a near lawless town in the Wild West. And then suddenly, a visual sleight of hand shifts the focus from this black-and-white pastiche to a more realist, contemporary locale: an Indian reservation in South Dakota.

As we follow Native policewoman Alaina (Alaina Clifford) on a typical night shift, the grinding poverty, substance abuse and pervasive violence she observes start to feel as ineluctable as the weather. Alaina's niece Sadie (Sadie LaPointe, heartbreaking) seeks relief from this endless cycle of despair. Her decisive act once again whisks the film off to a whole new period and place — the Amazonian rainforest in the 1970s, where jealousy and greed destabilise a small community.

> 'The Promised Land' resembles those epic Westerns directed by the likes of John Ford or Anthony Mann

Argentine director Lisandro Alonso stitches Indigenous stories and experiences across centuries and continents to create a mystical Möbius strip of a film. The ambition impresses, but viewers will need to be slow-cinema devotees to endure the minutes-long takes of people doing not very much at all — walking, sitting, driving, dying and so on. Moments where a massive, computer-generated jabiru — a South American stork that's black and white and red through the middle — ambles across the screen provide peak thrills. The jabiru should have had top billing above Mortensen's name **LF**
In UK cinemas now

As the title suggests, biopic **Bob Marley: One Love** rather emphasises the beatific, don't-you-worry side of the reggae legend, rather than the rebel firebrand. Beginning in 1976, it offers an oddly structured depiction of Marley's career: with an attempt on his life, it moves forward to global superstardom, interspersed with brief flashbacks to his early years. But we don't learn much about those years. There are many figures from Marley's life represented here — including long-standing bass player Aston Barrett, who died earlier this month, and who is played by his son Aston Barrett Jr. But barely a handful fully emerge as characters, and that includes Marley's early singing partners Peter Tosh and Bunny Wailer, reggae legends in their own right.

What we do get is a sense of Marley's determination to bring peace to a conflict-ridden Jamaica, and of his marriage with musical partner Rita Marley. Vividly played by Lashana Lynch, she is the most powerful presence here — variously tender and fraught, her scenes with Kingsley Ben-Adir as Marley are the movie's best moments. The film is discreet about Marley's extramarital activities, the only hints given by occasional inserts of glamorous women giving him knowing looks. Notably, the producers include Rita herself and children Ziggy and Cedella Marley.

Director Reinaldo Marcus Green (*Monsters and Men*, *King Richard*) applies considerable seriousness to his depiction, which conjures up a plausible feel of the 1970s, in Jamaica and Europe alike. But the result is earnest and a little flat — and occasionally clunky in a showbiz-story way, as when the song "Exodus" magically emerges from an impromptu jam after Marley hears the theme tune from the Hollywood film of the same name.

Overall, Ben-Adir evokes a careworn gentleness without quite mustering the weathered geniality of the original, seen in archive footage at the very end; what he does impressively capture, though, is Marley's exalted animation onstage. In the film's favour is its refusal to compromise on its sometimes thorny Jamaican Patois for global appeal. It hasn't always been the case with reggae films, but this time Babylon will just have to get by without subtitles. **JR**
In cinemas now

Left: Adanilo R in 'Eureka', which stitches together Indigenous stories and experiences. Below: Kingsley Ben-Adir and Lashana Lynch in the biopic 'Bob Marley: One Love'
Chiabella James

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FT BIG READ. TECHNOLOGY

Can OpenAI build an empire on ChatGPT?

Since the launch of its viral chatbot, the AI start-up has become one of the fastest-growing companies in history, but questions remain about the long-term viability of its business model.

By Madhumita Murgia and George Hammond

On the morning of November 18, during a tech conference in Tokyo, Ting Cai received a news alert about OpenAI's Sam Altman, who had been ousted in a boardroom coup.

Cai, chief data officer of Japanese tech giant Rakuten, was caught off guard. He had flown back from San Francisco days earlier, where he had recently seen the chief executive of the artificial intelligence pioneer and his team, with whom Rakuten had been collaborating on a new AI business platform.

Straight away, the Japanese executive was reassured by OpenAI's senior management that there had been no wrongdoing on Altman's part, and Rakuten decided to keep faith in its partnership with OpenAI. Three days later, Altman was reinstated, under a new board. "It was difficult times for them, but our bond and relationship is even stronger," Cai says. Rakuten was not alone in standing firm behind OpenAI's business, despite ructions at the top of Silicon Valley's hottest start-up. In December, OpenAI's revenues surpassed $2bn on an annualised basis, making it one of the fastest-growing technology companies in history.

Since the launch of its viral chatbot ChatGPT in late 2022, OpenAI has built up a business that is among a handful of Silicon Valley companies, including Google and Meta, to have posted revenues of $1bn within a decade of being founded.

The Microsoft-backed company believes it can more than double its yearly run rate — a measure of the most recent month's revenue, multiplied by 12 — in 2025. The company's enterprise tools, built on generative AI models that are capable of producing text, code and images, have been bought by finance, media and technology groups ranging from Morgan Stanley to Axel Springer, Salesforce and Rakuten.

According to Altman, 92 per cent of Fortune 500 companies use OpenAI products, which include ChatGPT and its underlying AI model GPT-4, while ChatGPT has 100mn weekly users. While the company has accelerated the pace of its sales growth in the past year, its valuation has also risen exponentially from roughly $29bn last April to $86bn in October, premised on its future moneymaking potential. Investors are betting that consumer and business interest in generative AI will continue to climb in the coming year, as people are eager to experiment with the technology.

But as OpenAI enters its year of rapid growth, questions about the long-term viability of its business model remain. Altman and Satya Nadella, chief executive of Microsoft, have both said they believe generative AI will significantly accelerate global productivity and economic growth, accruing wealth broadly along the way, which can be continuously invested into its further development. Altman's stated goal is to build "artificial general intelligence", a form of intelligent software that would supersede human intellectual capabilities.

However, many companies are yet to figure out how to integrate generative AI into their processes, or estimate what kinds of cost and productivity benefits it might bring. And even as demand grows, Open AI's advantage as the first mover is shrinking as tech groups such as Google and Meta work to catch up.

"OpenAI is throwing a lot of stuff at the wall to see what sticks," says Ethan Mollick, a professor at Wharton Business School who focuses on AI and innovation. "They have a typical start-up identity crisis happening: on one hand they could build a profitable business, wind down their R&D costs and make improvements to their product. Or keep going for this absolute moonshot, where the world changes."

Meanwhile, the costs of training and running large language models, such as OpenAI's GPT-4, remain eye-wateringly steep. Altman has suggested it could cost in the order of a trillion dollars to develop AGI, largely due to the infrastructure and data required to train more sophisticated models.

For now, investors and analysts remain focused on the more immediate question of where returns on investment will come from, and whether OpenAI can sustain long-term growth while its spending vastly outpaces sales.

OpenAI CEO Sam Altman, left, and Brad Lightcap, the company's chief operating officer, believe the business can more than double its yearly run rate in 2025

FT montage/Reuters/AFP via Getty Images

In other words, can OpenAI create valuable superintelligence before it runs out of cash?

OpenAI was founded in 2015 as a not-for-profit research lab. Its mission then was to create superintelligent AI that benefits humanity. While Altman says this is still OpenAI's guiding principle, the company has turned into a fast-growing business under his leadership. Altman, the former president of Silicon Valley start-up accelerator Y Combinator, is described by one AI investor as a "prototypical venture capitalist" — someone exceptionally good at spotting momentum early and capitalising on it.

Led by chief operating officer Brad Lightcap, OpenAI has built revenue streams around two main products: the company's calling card ChatGPT and the underlying model GPT-4.

Businesses can pay for subscriptions to ChatGPT through ChatGPT Team, which costs between $25-$30 per user per month and can be used by smaller teams. ChatGPT Enterprise, aimed at teams larger than 150 people, has stronger security and privacy protections and can only be bought via an annual subscription.

ChatGPT Enterprise now has more than 300 paying customers. Lightcap tells the FT that this stream will be a "tremendous driver of growth for us over the next few years" and that the self-reported gains in productivity from customers were "huge multiples, not small per cents".

OpenAI also charges companies to access its most advanced model GPT-4, via an application programming interface, or API. It recently launched a GPT Store to its subscribers, who can build apps on top of OpenAI's software, in a similar way to Apple's iOS App Store — although there is no way yet to make money from it.

"The theme of the past year has been a kind of awakening, that these models are really quite powerful," says Lightcap. "A lot of where we're pushing is trying to give people enterprise grade tools . . . and then giving them ways to build on top of that, to customise it."

OpenAI has relentlessly expanded its product partnerships, while cutting costs to developers as it seeks to sustain its advantage over more established rivals such as Google, as well as a wave of new companies such as Mistral that are building open-source models to compete with GPT-4.

Some companies say the AI models have had marked effects on their businesses. Enterprise tech group Salesforce, for example, says its clients are seeing significant results in the area of customer service. Clara Shih, chief executive of Salesforce AI, says clients had found that using Einstein, the tool the company originally partnered with OpenAI to build for business customers, had driven down average call handle times by double digits and materially improved customer satisfaction scores.

"You can use this to cut costs, but in practice, from companies like Gucci, we see that they can redeploy their customer service representatives to become brand and product storytellers . . . and do sales," Shih says. "It's been really promising."

DoNotPay, an online legal service, has used OpenAI tools in developing its chatbot that helps customers contest fines such as parking tickets. Founder Joshua Browder says OpenAI lowering its prices was "transformative to consumer companies" like his.

But although there has been enthusiastic take-up of AI models in the short-term, many business leaders remain unsure of how the technology will lift their bottom lines, whether by cutting costs or creating new revenue streams.

"Everyone's done a proof of concept. Every CEO has got the account," says Benedict Evans, a former investor at venture capital firm Andreessen Horowitz who is now an independent technology analyst. "But there's a second step, which is: how does this actually change how you do things?"

The chief financial officer at one multibillion-dollar business says that, while most of his peers were using ChatGPT in some way, it was often at the margins of their business and he was surprised at how little they were actually paying OpenAI. "You see people spending $100 and $1,000, it's not like people spend on AWS," he says, referring to Amazon's web hosting business.

But even as this process continues, rivals are circling. Competitors such as Google, Anthropic and Meta have spent billions developing their own models and are now focusing on creating clear business models from the software.

Last week, Google announced a premium subscription plan costing $20 a month for use of its most capable model, Gemini Ultra, which early users claim is indistinguishable from OpenAI's GPT-4. It joins start-ups such as Cohere, Anthropic and Mistral who are all selling AI models to businesses ranging from banks and media groups to law firms and management consultancies. "[OpenAI] are now first among equals, as opposed to being unfathomably miles ahead of everybody else," says Evans.

The quality of the company's next model will determine how it fares against rivals. "Everything depends on GPT-5. If they don't have a technological lead, their advantage is much lower," Mollick said. The start-up will also have competition even closer to home with Microsoft, which is entitled to 49 per cent of profits from its for-profit subsidiary. Microsoft has rolled out Copilot, an AI productivity assistant, in its suite of productivity apps, which includes Word, PowerPoint and Excel, for $30 a month. Copilot runs on OpenAI's technology, and the start-up has a profit-sharing agreement with its investor on any sales made through its platforms. Customers can buy OpenAI's software either directly from the company or via Microsoft and its Azure platform. While Microsoft has not disclosed sales or user figures for Copilot, the company said in October that 18,000 customers were buying OpenAI software through its Azure platform. OpenAI receives a portion of revenue via Microsoft sales of its products, but it keeps a larger share from direct sales, according to The Information, a technology news site.

> 'Everyone's done a proof of concept. But there's a second step, which is: how does AI actually change how you do things?'

Customers who opt to use OpenAI's tools via Microsoft say they do so for greater security of data and because their internal software is already integrated with Microsoft's products.

"Copilot offers us a more connected customer view, which in turn allows us to build more integrated experiences for our brands," says Jessica Tamsedge, UK chief executive of Dentsu Creative, a creative agency which became one of the first customers of Microsoft Copilot. "OpenAI is more siloed in how it holds data and plays back to the advertiser or enterprise." But businesses that work directly with OpenAI describe a relationship where they are less a customer than a co-developer. Cai, of Rakuten, says the partnership spanned multiple levels, including with OpenAI's product and business teams as well as with Altman and Lightcap.

"When you want to bring your technology to billions of customers and lots of business partners, you need to apply it to real products," he says. "This is where Rakuten is interesting to them — we have channels to reach 70 different businesses . . . in shopping, travel, medical, financial services, Rakuten Mobile. So it is very complementary."

Beyond its direct competitors, OpenAI will have to take on a generation of new companies that will race to build specialist applications on top of the range of available AI models. Analysts like Evans believe customers will look to buy these enterprise-friendly and targeted products, rather than use generalist AI software like ChatGPT for all their needs. He says: "My . . . thesis is this will get unbundled [into] lots and lots of different products."

Sceptics say there is a fundamental misalignment between what companies want and what OpenAI is ultimately aiming for. "Not everyone needs a Ferrari . . . [enterprises] don't care about an all-knowing, all-seeing entity: they care about making money from this tool," says one AI investor who has backed some of OpenAI's rivals. "The mundane objectives of a corporation are misaligned with artificial general intelligence."

The revenue from clients is not likely to make a significant dent in OpenAI's huge capital requirements as it gears up to launch its next-generation model GPT-5 in the coming year, and pursue its longer-term goal of creating AGI.

Altman and others have given estimates of the cost of building out AI infrastructure varying from the hundreds of billions of dollars to as high as $7tn over coming years. Whatever the number, the need for cash will oblige the company to seek new funding from existing backers such as Microsoft and new investors with even deeper pockets. With OpenAI's current valuation already approaching $100bn, traditional venture investors, who typically take early bets on companies with huge growth potential, are largely priced out.

Edward Stanley, European head of thematic research at Morgan Stanley, questioned whether jumping into private AI companies was a smart decision for investors focused on tangible returns on their investment.

Sovereign wealth funds and nation state-backed investors are one possible avenue for fresh capital. Altman has spoken with investors in the Middle East including Sheikh Tahnoon bin Zayed al-Nahyan, one of Abu Dhabi's wealthiest and most influential figures, about a new venture to secure OpenAI's pipeline of semiconductors. These could lower the company's costs dramatically and reduce its dependence on chip designer Nvidia.

In the short term, OpenAI must think small in order to buy time to get investors and customers to see the bigger picture. Lightcap says his team's focus is not just on selling its products into enterprises, but also on building its own micro-versions of solutions to challenges businesses identify internally.

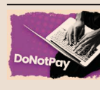
Altman's long-term goal, meanwhile, will be convincing consumers and corporations to believe in — and finance — his grandiose vision of building superintelligent AI. Altman says: "The unbelievable abundance that will come from massively capable and massively available intelligence, what that will do to everyone's quality of life . . . there's a moral imperative to do that."

OpenAI at work

Rakuten

Rakuten formed a strategic partnership with OpenAI in 2023. OpenAI has helped the company to build its own AI tool to support clients with marketing, sales, customer support, operations, strategy planning and engineering

DoNotPay



DoNotPay uses OpenAI's GPT-4 API to help consumers contest utility bills or parking fines. The company uses GPT-3.5 for simple conversation and GPT-4 for more complex negotiations — which are often held with other chatbots — according to founder Joshua Browder

Salesforce

Salesforce has built its own chatbot, called Einstein GPT, using OpenAI's platform. The tool is designed to make it easier and more efficient for businesses using Salesforce software to interact with their own customers

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

The painful reset in commercial real estate

City authorities need to support the repurposing of offices and retail space

Signs of stress in the commercial real estate sector are now coming thick and fast. This month investors have been spooked by exposures on CRE loan books at lenders including America's New York Community Bank, Japan's Aozora and Germany's Deutsche Pfandbriefbank. The US Treasury secretary Janet Yellen also last week raised concerns over the impact of falling property valuations on the banking system.

Although interest rates are expected to come down this year, the sector remains in a tight spot. An estimated $1.2tn of US CRE debt is maturing in the next two years, according to the Mortgage Bankers Association. Commercial property values have already fallen steeply, and since rates are unlikely to return to previous lows any time soon, developers will still face higher refinancing costs. Meanwhile, increased remote working has hit demand. Office vacancy rates remain well above pre-pandemic levels in cities across the US, Europe and Asia. Loan delinquencies and distressed sales are set to climb.

Regulators are right to monitor the risk of fire sales and hidden exposures among private lenders. But a widespread contagion through the global banking system seems unlikely. Capital buffers, oversight and loan transparency, while far from perfect, have all improved since the 2008 financial crisis. Some forbearance in contract negotiations and opportunistic investors looking for discounts will provide a cushion. Instead of a short, sharp shock, a long period of painful adjustment is in store.

As homeworking patterns persist, retail and office buildings in urban centres will be hit particularly hard. Projections by McKinsey suggest demand for office space will remain below pre-pandemic levels for decades, with at least a 26 per cent drop in the value of office space by 2030 across major global cities. Businesses are already downsizing into higher-quality spaces, and are also redesigning offices. Vacant buildings may lay idle for long periods, and others could be abandoned entirely.

Urban authorities are not powerless. They can help extract more value from buildings by supporting their repurposing. Office-to-residential conversions are one option, which can also help offset national housing shortages. Mixed-use spaces are another.

Flexing building use can help revamp cities, cushion price falls and reduce the risk of stranded assets. By avoiding the destruction of entire structures, it is environmentally friendly too. But even with falling prices, it remains costly. Real estate businesses also often cite complicated planning systems, strict zoning laws and building regulations as other factors hindering redevelopment across cities. This is where city authorities can play a facilitating role.

> Flexing building use can help revamp urban areas, cushion price falls and reduce the risk of stranded assets

Planning rules and processes should be made more flexible to encourage and speed up repurposing efforts, without compromising building standards. Municipalities can also help by convening with developers, architects and planners to ascertain what is possible, and what additional infrastructure may be needed. Imagination is important too: a corporate auditorium could become a cinema by night, while urban labs can support new research districts.

Many buildings will remain unconverted. There are architectural obstacles, and demand depends on neighbourhood quality. But opportunities to eke out affordable living spaces and other commercial activities should form part of urban regeneration plans.

If authorities want to sustain the dynamism of their cities, they must become more agile. The CRE market is resetting. By enabling more buildings to be repurposed, that transition can be made less painful for lenders and investors — as well as urban areas themselves.

Opinion Society

Should pay be more transparent?

Ann Kiernan

Soumaya Keynes

On average, women are paid less than men. And I'll let you into a secret of the sisterhood: they don't like it. Policymakers around the world have seized on a supposedly simple solution, which is to make pay more transparent. If only the evidence were more straightforward.

Policies that illuminate pay sit on a spectrum. At one end, some American states protect the right of workers to discuss pay among themselves. At the other, Sweden, Finland and Norway make everyone's earnings accessible to the public. (This adds a certain spice to reality television shows, where one can rank the incomes of prospective couples.)

Employers in the EU are bracing themselves for a major reform falling somewhere in the middle. By 2026 employees will have the right to hear "objective" criteria for pay and progression, as well as what others doing work "of equal value" earn. And anyone wanting to hire will have to share salary bands with jobseekers.

> Formalised wage-setting practices are meant to leave less room for implicit bias

All this will probably sound good to anyone who has ever felt gaslit by an employer. Putting salary bands on job adverts can save time. Formalised pay-setting practices should leave less room for implicit bias. But a recently published study by Zoë Cullen of Harvard Business School suggests that this mixed bag of efforts will have similarly mixed effects.

Start with the good news. People tend to underestimate what their bosses earn, and enlightening them can be motivating. A study of a south-east Asian bank found, for example, that when workers discovered their bosses earned 10 per cent more than they previously thought, their sales revenue rose by 1 per cent. Less enjoyably for their colleagues, they also sent 1 per cent more emails.

The evidence on transparency in job adverts is promising too. In several cases it seems to have raised pay overall, presumably by helping underpaid workers find better opportunities, and by pressuring employers to work harder to keep their staff. After a reform in Slovakia, one study found that people applied to a broader range of jobs. Awkwardly, though, the gender pay gap didn't budge.

Policies that shine a light on gender pay gaps between employees are trickiest. Where workers are unionised, transparency policies don't seem to have much of an effect. Where individuals bargain, the evidence gathered by Cullen suggests that being open about salaries does work in one sense. One study of a British reform in 2018 found that companies facing new disclosure requirements closed about a fifth of the average gender pay gap.

The problem is that the squashed gap came not by raising women's pay, but by curbing that of men. Transparency seems to have a "back stiffening" effect, handing employers power to push back in negotiations. ("I'd love to give you a raise bro, but I can't because there isn't the budget to give one to the ladies too.")

Other risks include that the men experiencing soggier pay growth reduce their effort. ("Sure bro, I'll just take a little longer to respond to all those emails I'm being sent.") Anyone else who now understands that they're being paid less than their peers will be irritated too. ("Please, *please* stop calling each other bro.")

A study of a Danish reform increasing transparency shows this isn't hypothetical. It found that affected firms suffered from lower productivity, enough to offset the boost to profits of a lower wage bill.

Some other unintended consequences might be tricky to pick up in the research done so far. Companies could avoid being shamed by outsourcing low-paid jobs. Or they could get creative with compensation. (Generous parental leave, doughnuts or an NFT of the corporate logo? . . . bro?)

Now, pay can be based on a mix of vibes, outside offers and the hassle of replacing someone. But as companies increasingly have to justify their pay gaps, it seems likely that more will move towards formalised, rigid pay structures. Anthony Poole of McLagan, a consultant, notes that some companies will find the required categorisation of employees uncomfortable. "Some of this stuff is really tugging at the DNA of how an organisation thinks about career, about progression, about pay," he says.

In the short term, more formalisation probably means headaches for managers. They will have to work out how to measure achievements objectively, an impossible task in some white-collar settings. They will have to have tough conversations with disgruntled staff, who may not be the best judges of their own performance.

Count me in on the war against gender bias. But some battles are bloodier than others.

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Letters

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Include daytime telephone number and full address
Corrections: corrections@ft.com
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Expat Hungarian pleads with Orbán to end the grandstanding

Your assessment of Hungarian Prime Minister Viktor Orbán's spectacularly disruptive behaviour in the EU is largely on target ("What is the endgame for Europe's chief disrupter", The Big Read, February 2).

In fact, Orbán's larger-than-life political ego — rivalling that of his hero Donald Trump — drives his excesses, his bluster and the frequent use of political blackmail. He is personally responsible for the fact that Hungary — which accounts for 1 per cent of the EU's aggregate gross domestic product — cast 60 per cent of the bloc's foreign and security policy vetoes in the past six years, an astonishing imbalance.

It's no secret that Orbán has outgrown Hungary. He has long wanted to be a major international player at all costs. Especially in European politics, where he strives to become the standard bearer of the continent's extreme right, as well as anti-immigration and anti-Brussels forces.

Orbán's much cultivated special relationship with Vladimir Putin has served to build his big league credentials and counterbalance his increasing political isolation within the EU. Under his much-heralded "pivot to the east" strategy, Orbán has managed to establish a unique relationship with Beijing, bringing large Chinese investments to Hungary. During Trump's presidency, Orbán finally received the long-coveted recognition from America as well. Trump praised Orbán as his political "twin" and Europe's strongest leader.

Orbán's recent Ukraine vetoes have been the height of hubris: Budapest against 26 European capitals, including three from the G7. At the end of the day, he has lost much face and credibility within the EU for which the Hungarian people pay the price.

So Mr Orbán, enough of playing poker. Enough of the grandstanding. It's time to return to your league before it's too late. I am asking for this as a deeply concerned Hungarian citizen currently living in America.

Istvan Dobozi
Sarasota, FL, US

Corporate Korea shares fault for the fertility crisis

Professor Jaemin Lee (Opinion, January 30) is correct that South Korea faces a demographic crisis, one that has been brewing for the past two decades. However, the causes of this declining birth rate — the lowest not only in the OECD but in the world — go far deeper.

It is true that housing policies, long an unfixable feature of South Korea due to its primary role in national savings and peculiarities in its financial structure, are a factor. And high educational expenses clearly also play a role, but the major issue concerns the role of women in South Korea. Politicians steer away from this deeply cultural phenomenon.

The marriage rate has been declining in South Korea and only 28 per cent of women in a recent poll had a positive view or marriage. Why is this? The basic fact is that although women's labour force participation rates have increased slightly (but are still below OECD averages and below that of Japan), women leaving the labour force have a difficult time to work part-time or to enter the labour market once married or embracing motherhood. Plus, the gender wage gap as reported by the OECD is the highest for South Korea. Largely to blame is corporate Korea, where companies have made no tangible efforts to remedy labour market discrimination. And this is not surprising given the absence of women from almost all major chief executive positions.

Given the lag in demographics, this problem is no longer fixable before South Korea's population decline takes on serious consequences.

Robotics and artificial intelligence can help, but immigration reform would help more and be a quicker solution. This again runs into cultural constraints. Studies have shown that population decline along with limits on technology and the efficiency of capital will hurt South Korea's future economic growth.

This is a variable that politicians may worry about, even if greater gender equality is not one.

Danny Leipziger
Professor of International Business, George Washington University, Washington, DC, US

"THE ECONOMY'S TURNING A CORNER"

WTO and steel sector align carbon counting

Regarding Alan Beattie's column "Emission impossible and the trade conundrum of calculating carbon" (Trade Secrets, FT.com, January 22), I am happy to report that the World Trade Organization is not as sclerotic as your columnist claims and in fact the WTO secretariat has embarked on a novel way to combine trade and climate solutions on this very matter.

At the behest of the industry, we took the steel sector as a starting point in tackling the trade conundrum of counting carbon. Working together with standards bodies, international organisations and the private sector we were delighted that more than 40 organisations endorsed the "steel standards principles" at COP28.

For the first time, players across all major steel producing regions and production routes have committed to greater alignment in counting emissions, which can head off trade disputes.

While harmonisation might be appealing as a first best, different approaches seem inevitable to measure emissions at the product, process or company level, whether for upstream buyers, tax authorities or shareholders. But regardless of approach, for trade to take place we need to trust (and verify) that one tonne of carbon counts as the same in Washington, Beijing or Paris.

This is why we are working with our partners to promote interoperability between measurement approaches and data, to give the market the information it needs to compare and choose the best decarbonisation paths.

And this is just part of our improved conditioning in the climate and sustainability space. The WTO secretariat also proposed to the UAE presidency the first ever "trade day" at a climate conference during COP28 and presented a list of trade policy tools for climate action for governments to consider.

Our director-general also spearheaded the first multi-agency task force on carbon pricing, which has just kicked off its work.

At any rate, I am grateful that you have spotlighted this important problem. Come and join us at the forthcoming 13th ministerial conference, in Abu Dhabi.

And we will certainly be back at COP29 with new developments on carbon measurements.

Jean-Marie Paugam
Deputy Director-General
World Trade Organization, Geneva, Switzerland

Schools progress in poorer states aids global economy

Stagnating educational attainment in low-income countries is deeply concerning ("Lower-income countries fall behind on educational goals", Report, February 8). Even more so when reliable barometers of progress in numeracy and literacy may be scrapped.

This "learning crisis" matters to the whole world. Global economic advancement hinges on educational success in low-income countries. We know that one in three entrants to the global workforce will come from Africa within a decade.

Yet about 98mn children remain out of school across sub-Saharan Africa. Even as participation grows, children still face low primary education completion rates — 63 per cent, compared to a worldwide average of 87 per cent. There are not enough teachers or classrooms for a continent where 60 per cent of the population is under 25 years old.

International collaboration and investment will be critical, and directing those efforts at measurable, well-evidenced targets like teacher training.

When Rishi Sunak hosts 25 heads of state and government at the UK-African investment summit in April, he intends to strengthen UK-African partnerships to create jobs and growth. The most effective way to achieve this sustainably will be to prioritise education.

Peter Phillips
Chief Executive, Cambridge University Press & Assessment, Cambridge, UK

Post Office: a case study. But will anything change?

It is frustrating to see yet another article proposing senior executives become more accountable for their actions ("Top executives must be held individually accountable", Opinion, February 12).

Susan Hawley is of course correct and in quoting the ills of the Post Office identifies an elephant in the room. Those responsible for the shameless behaviour and resulting cover-up at the Post Office clearly on the evidence provided to the inquiry include executives, lawyers and civil servants with ultimate responsibility in the hands of ministers.

To date, no resignations and no prosecutions have occurred, instead a general unwillingness to admit wrongdoing and a lack of recollection about factual matters that exhausts belief.

The tragedy that is being exposed will provide another case study in years to come and will prompt questions like those raised in Hawley's opinion piece. Things will not have changed.

Hugh Cooper
London SW4, UK

Don't blame private equity for child labour violations

I was pleased to see your business school "instant teaching case", but the article "Is private equity responsible for child labour violations?" (Special Reports, FT.com, February 6) needs to put a different question.

In reality, most private equity firms and pensions funds understand that strong social performance on child labour protects investment value. Ironically, these finance industry players often exhibit a greater understanding of this concept compared with many others in the finance sector. So, there is something redundant in some of the questions that this article poses for readers.

The questions should be about the efficacy of current practices to protect that value. The persistent prevalence of issues such as child labour begs the question: why is the current approach not working and how do we better identify and manage these risks?

The article hints at the need for a mindset shift in our approach to the integration of environmental, social and governance issues. We must move beyond practices that contradict policies, beyond box-ticking exercises and surface-level assessments.

Instead, we should adopt a more comprehensive and proactive strategy that goes beyond mere compliance to ensure business practices do not destroy value. This entails embedding ESG considerations into every stage of the investment process and fostering a culture of responsible investing across the industry.

With the support of assurance partners and crucially, data capabilities from supply chain intelligence platforms, we have an opportunity for introspection and action. Let us seize this moment to rethink our strategies, redefine our priorities and support private equity to pave the way for a more sustainable and equitable future.

Erin Lyon
Head of Consulting, LRQA, London EC2, UK

Always a cap to fit

Hats off to Robert Armstrong (Style, Life & Arts, FT Weekend, January 20), but there's one item missing from his enjoyable sartorial classification of male society in the US: the baseball cap.

Sported not just by sportsmen, it's the ubiquitous accessory atop all dress styles and across all social strata. Donned by celebrities and nonentities alike, regardless of budget or age, and branded with slogans and logos a gogo, there's always a cap to fit.

The wrong way round if you're cool — or to the hustings where Donald Trump's hot-headed voters are on red alert — just wear it!

Michael Poynor
London SW19, UK

Opinion

AI can strengthen cyber defences, not just break them down

Sundar Pichai

Last year saw rapid and significant technological change powered by progress in artificial intelligence. Millions of people are now using AI tools to learn new things, and to be more productive and creative. As progress continues, society will need to decide how best to harness AI's enormous potential while addressing its risks.

At Google, our approach is to be bold in our ambition for AI to benefit people, drive economic progress, advance science and address the most pressing societal challenges. And we're committed to developing and deploying AI responsibly: the Gemini models we launched in December, which are our most capable yet, went through the most robust safety evaluations we've ever done.

Yesterday, I visited the Institute Curie in Paris to discuss how our AI tools could help with their pioneering work on some of the most serious forms of cancer. On Friday, at the Munich Security Conference, I'll join discussions about another important priority: AI's impact on global and regional security.

Leaders in Europe and elsewhere have expressed worries about the potential of AI to worsen cyber attacks. Those concerns are justified, but with the right foundations, AI has the potential over time to strengthen rather than weaken the world's cyber defences.

Harnessing AI could reverse the so-called defender's dilemma in cyber security, according to which defenders need to get it right 100 per cent of the time, while attackers need to succeed only once. With cyber attacks now a tool of choice for actors seeking to destabilise economies and democracies, the stakes are higher than ever. Fundamentally, we need to guard against a future where attackers can innovate using AI and defenders can't.

To empower defenders, we began embedding researchers and AI approaches in Google cyber security teams more than a decade ago. More recently, we've developed a specialised large language model fine-tuned for security and threat intelligence.

We're seeing the ways AI can bolster cyber defences. Some of our tools are already up to 70 per cent better at detecting malicious scripts and up to 300 per cent more effective at identifying files that exploit vulnerabilities. And AI learns quickly, helping defenders adapt to financial crime, espionage or phishing attacks like the ones that recently hit the US, France and other places.

That speed is helping our own detection and response teams, which have seen time savings of 51 per cent and have achieved higher-quality results using generative AI. Our Chrome browser examines billions of URLs against millions of known malicious web resources, and sends more than 3mn warnings per day, protecting billions of users.

> We need to guard against a future where attackers are able to innovate using the tech and defenders can't

Empowering defenders also means making sure AI systems are secure by default, with privacy protections built in. This technical progress will continue. But capturing the full opportunity of AI-powered security goes beyond the technology itself. I see three key areas where private and public institutions can work together.

First, regulation and policy. I said last year that AI is too important not to regulate well. Europe's AI Act is an important development in balancing innovation and risk. As others debate this question, it's critical that the governance decisions we make today don't tip the balance in the wrong direction.

Policy initiatives can bolster our collective security — for example, by encouraging the pooling of data sets to improve models, or exploring ways to bring AI defences into critical infrastructure sectors. Diversifying public sector technology procurement could help institutions avoid the risks of relying on a single legacy supplier.

Second, AI and skills training, to ensure people have the digital literacy needed to defend against cyber threats. To help, we've launched an AI Opportunity Initiative for Europe to provide a range of foundational and advanced AI training. We're also supporting innovative start-ups, like the Ukrainian-led company LetsData, which provides a real-time "AI radar" against disinformation in more than 50 countries.

Third, we need deeper partnership among businesses, governments, and academic and security experts. Our Málaga safety engineering centre is focused on cross collaboration that raises security standards for everyone. At the same time, global forums and systems — like the Frontier Model Forum and our Secure AI Framework — will play an important role in sharing new approaches that work.

Protecting people on an open, global web is an urgent example of why we need a bold and responsible approach to AI. It's not the only one. Helping researchers identify new medicines for diseases, improving alerts in times of natural disasters, or opening up new opportunities for economic growth are all just as urgent, and will benefit from AI being developed responsibly. Progress in all of these areas will benefit Europe, and the world.

The writer is chief executive of Google and Alphabet

Private equity ignores protests at its peril

FINANCE

Gillian Tett

Cometh the hour, cometh the protest. In recent years, investors — and journalists — have watched in amazement as the private equity world has boomed to a once-unimaginable degree.

One sign of this emerged on Monday, when FT calculations revealed that the leaders of entities such as Blackstone, KKR, Apollo Global, Ares Management and TPG enjoyed a more than $40bn rise in the value of their holdings since January 2023.

Then on Tuesday, the personal finance guru Tony Robbins told US television that "If you had a million bucks and you put it aside in the S&P 35 years ago . . . it's worth $26mn" — but if you had put that sum into private equity "it's $139mn." Gulp. No wonder a survey from KKR this week also showed that 28 per cent of family offices plan to invest more in private equity. For private credit, the figure is 45 per cent.

But even beneficiaries are starting to protest. Take Calstrs, the $327bn US pension fund that is one of the world's biggest backers of private equity. This week, Christopher Ailman, Calstrs outgoing chief investment officer, warned that while "it's great [PE funds] make money for our retirees — who are teachers — and for other funds . . . they need to also share the wealth with the workers of those companies and with the communities they invest in". In plain English: risks of a backlash loom.

What should the wider world conclude? There are three key points. First, chatter about a backlash is (yet another) sign that years of cheap money have created bubbles.

After all, history suggests that protests rarely emerge in the beginning or middle of a bull cycle, but at or just after the peak. And in the past year, there have been multiple signs of froth: BlackRock reckons that private funds are sitting on $4tn of capital (aka "dry powder") they have been unable to deploy; funds are shuffling assets and taking on debt to juice returns, as exits slow; there is endless gossip about valuation losses and underperforming assets that are still largely concealed; and it has become hard to raise new funds.

The second key point is that the sector's leaders need to learn from financial history about what not to do when faced with protest. Consider investment bankers in the noughties: when that sector boomed — and then faltered — most of its luminaries initially ignored protests or dismissed them, making their problem worse. So, too, with hedge funds a decade earlier.

Some private equity leaders understand this, and have tried to counter unpopularity. Pete Stavros, co-head of private equity at KKR, for example, has in recent years thrown huge energy into an initiative called Ownership Works, which gives a stake in private equity-owned companies to employees.

Cue uplifting videos of workers at entities such as CHI Overhead Doors, a Michigan manufacturing company, celebrating their financial gains. And with other firms, such as Apollo, TPG, Warburg Pincus and Advent International, now also backing Ownership Works, the initiative hopes to generate more than $20bn in worker wealth by 2030.

But such projects will need to become more ambitious and more mainstream still if the sector wants to avoid a backlash. That $20bn target, after all, is still only half the level of private equity leaders' gains last year.

That leads to a third point: insofar as the private equity world is trying to refashion its image and social contract, this is contributing to subtle-but-important shifts in how we imagine capitalism. In the 20th century, it tended to be synonymous with public equity markets. Indeed, they were viewed as the key pillar of the free-market, profit-seeking forces championed by the 18th-century economist Adam Smith.

> Chatter about a backlash is yet another sign that years of cheap money have created bubbles

In some senses, this was ironic, since Smith developed his vision in an era when commercial enterprises were partnerships or proprietorships, usually family companies. The one notable exception was the "joint stock" framework used by the East India company — which Smith disliked.

Of course, since Smith's era shareholderism has exploded. But the private capital boom is echoing his world: entrepreneurs such as Elon Musk are building vast privately held companies, as "unicorns" (private companies with $1bn-plus valuations) multiply. Family offices are exploding in scale. Private credit and equity funds have boomed.

There are obvious dangers in this. Some unicorns have terrible governance. Their assets are hard to trade; the London Stock Exchange, say, is still waiting for permission to start an "intermittent trading venue" for privately owned companies. And opacity makes it difficult to tally valuation losses or potential systemic risks.

But it seems unlikely the private capital boom will go into reverse any time soon; after all, public equity markets have challenges, too. That is why Calstrs' comments are striking: insofar as private capital is here to stay, more scrutiny is inevitable, not least because the media and politicians are slowly realising that the 20th-century image of capitalism-as-public-equity is misleading.

So if the luminaries of groups such as Apollo and Blackstone are as smart as their pay implies, they should double down on initiatives like Ownership Works — and pay their taxes too. That is not just because it is good PR, but because it is the right and moral thing too. Just ask the ghost of Adam Smith.

gillian.tett@ft.com

Efi Chalikopoulou

How hardware is (still) eating the world

TECHNOLOGY

John Thornhill

It was quite the Christmas present. In December, the Dutch technology company ASML started shipping 250 crates to Oregon to install a €350mn machine for the US chipmaker Intel. The Twinscan Exe: 5000, to give the machine its full name, is probably the most complex piece of equipment ever built. Weighing as much as two Airbus A320 jets, it took a decade to develop and will require 250 engineers to make it operational next year.

Its purpose? To "print" tiny 8-nanometer lines on a silicon wafer, compared with the 13-nanometers in earlier models. That sounds like a microscopic difference and it is, but it has giant implications. By deploying the latest iteration of its extreme ultraviolet lithography technology, ASML can enable 2.9 times more transistors to be packed on to a chip, significantly improving computing power, memory and energy efficiency. Many of those chips will be used to meet the near-insatiable demands of tech companies developing the latest artificial intelligence services. That makes ASML an intriguing prism through which to view the evolution of the new tech economy.

More than a decade ago, venture capital investor Marc Andreessen famously declared software was eating the world. But the hardware needed to power that software is still hungry, and growing hungrier. Some investors are calculating hardware may be a surer bet than software when it comes to exploiting the AI revolution. This is a classic "picks and shovels" play during the AI gold rush.

It is telling that ASML's stock market value is now 1.85 times that of Europe's biggest software company, SAP. Similarly, the market worth of US chipmaker Nvidia, which sells the graphics processing units that power the latest AI models, recently overtook Alphabet and Amazon. And Sam Altman, OpenAI chief executive, who helped trigger the generative AI frenzy after launching ChatGPT, has talked about the need to invest as much as $7tn to produce the chips, energy and data centres to run the future tech economy. If he is not hallucinating, that would require a staggering amount of new kit.

> Some investors calculate it may be a surer bet than software when it comes to exploiting the AI revolution

According to one estimate, semiconductor companies have spent just over $1tn on chip manufacturing equipment since the birth of the industry.

Now, it may be, as my colleague June Yoon has argued, that investors are getting ahead of themselves in their enthusiasm for AI-related hardware companies. There is excessive hype about the impact of the technology. There is overcapacity in several segments of the notoriously cyclical semiconductor industry. There is geopolitical risk associated with China, one of the biggest chip markets, which is being squeezed by US export restrictions. A salutary market correction is probably heading our way.

But there are two reasons to believe longer-term demand for the leading-edge hardware companies' products will stay strong. First, it is mind-bendingly difficult, and costly, to do what Nvidia and ASML do. Last year, ASML spent €4bn on research and development, aiming to extend the exponential increase in computing power, known as Moore's Law, for the next two decades.

In an interview with the FT last year, Peter Wennink, ASML's outgoing CEO, talked about the "exponential increase in complexity" in chip design needed to keep Moore's Law alive. That complexity creates enormous barriers to entry in the industry. ASML's "near-monopoly" position, in the words of one analyst, enables it to command margins of more than 50 per cent. Moreover, Altman is probably roughly right about the direction of travel, even if — like everyone else — he will be precisely wrong about the speed of the journey. "We are in an arms race to develop intelligence on a scale we have never imagined before," says Brett Simpson, partner at Arete Research.

For now, we are still in the early, research phase of AI as the tech companies tune their models, says Simpson. But we will soon enter the deployment phase when pretty much every company and government department will seek to adopt AI. "There will be a decade-long investment cycle. We are going to see enormous innovation," he says. "We have not really started the deployment phase yet and that is when the big gun will go off for investors."

As ever, the challenge is to distinguish between a routine market cycle and a secular business shift. Whatever the short-term market oscillations, it would be unwise to bet against that shift.

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What Barclays' history tells us about its current predicament

Philip Augar

On February 20, Barclays' chief executive C S Venkatakrishnan will be revealing the outcome of a strategic review. Such reviews are a rite of passage for Barclays CEOs. History provides the reasons for such self-examination, as well as clues for today's management and regulators.

As has become usual for Barclays' shareholders, the issue is an underperforming share price. This is generally blamed on Barclays' investment bank arm, which absorbs a majority of risk-weighted assets, produces lower returns than the rest of the business and appears accident prone. Investors don't like it.

Although the investment bank dates back to 1985, the current strategic bind stems from the great financial crisis. In September 2008, Barclays agreed to buy Lehman's US equities and corporate finance business out of Chapter 11, completing the quarter-century-long dream of a seat at Wall St's top table. Staying there would be a stretch but with Bob Diamond running the investment bank, the anchor of a robust consumer bank and the backing of an ambitious board, investors briefly shed their doubts.

Not so the authorities. The following month, the British government was desperately shoring up the country's banks through an infusion of state capital. Mistrustful of Barclays' balance sheet and risk management capabilities, the government pressed it to join Lloyds and RBS in state ownership. That would have killed the investment banking strategy just when the board thought they had it fixed, so they refused.

The Bank of England and its regulatory arm, the Financial Services Authority, were furious. Sceptical of Barclays' ability to survive, the FSA told Barclays it had until June 2009 to find £12bn to stay out of state hands and this would have to include the sale of a business.

> 'Be careful what you wish for' is a message that board and regulators can take away

There was only one big, detachable sale candidate: Barclays' investment management business, BGI. This once obscure corner of Barclays had been carefully nurtured into one of the world's biggest fund managers, with over £1tn under management.

During the autumn and winter of 2008-9, Barclays inched its way towards the £12bn capital target, raising money from the Middle East, suspending the dividend and shedding risk-weighted assets. But the regulators pressed it to do more and in June 2009, Barclays agreed to sell BGI for £4bn cash and a 20 per cent interest in the acquirer, BlackRock.

Even though BGI was cash generative and used little capital, there was a modest improvement in Barclays' capital ratios and regulators were delighted. But investors disagreed, worried that the sale left Barclays over-dependent on the investment bank. Barclays had sold its crown jewels and to make matters worse, in 2012, again in part to meet regulators' new capital rules, the bank sold its BlackRock stake, also for £4bn.

Over the ensuing years, on the back of its new status as a broadly-based fund manager, BlackRock's shares soared while Barclays, hampered by a perceived over-dependence on investment banking, flatlined. The arithmetic of this divergence is stark. BlackRock's current market value is $118bn and Barclays' interest in BGI would therefore have been worth $24bn if it still owned it. This is only slightly less than Barclays' total market value of $28bn.

These decisions, though taken under extreme circumstances, were strategically questionable and commercially disastrous. They leave Barclays in its current dilemma, over-dependent on capital-intensive investment banking, short of stable, cash-producing businesses and with the shares sitting at less than half of book value.

What would shareholders give to reverse these decisions? That is one question that can't be answered next week, but "be careful what you wish for" is a message that board and regulators can take away from the events that led Barclays to its current predicament.

The writer's books include 'The bank that lived a little: Barclays in the age of the very free market'

Lex.

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Motor finance: risk of banking pile-up

Used-car sales get a bad rap. A UK regulatory review into motor finance commissions extends that to the sector's lenders. Both the Financial Conduct Authority and the Financial Ombudsman Service have investigations. It evokes the long-running, and expensive, payment protection insurance scandal. Any lenders funding motor finance should worry about how it could mushroom.

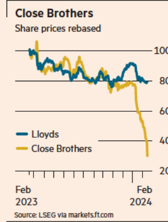
Bank Close Brothers yesterday decided to cancel its dividend for the full year because of uncertainty on the probe. The bank, which offers nonprime loans for used cars, did not put capital aside for potential costs.

The issue is loans used-car dealers offer buyers, funded by banks. These range from Lloyds (through its Black Horse unit) to Close Brothers and other groups. Until the FCA prohibited the practice in January 2021, dealers collected a commission of varying size to connect buyer with lender.

Some consumers complained about added, sometimes undisclosed, fees. Negative publicity fuelled the fire.

It is hard to grasp the size of this problem. PPI, initially played down, blew up into a £50bn-plus issue for banks. An unknown is how far back compensation should go. The FOS jurisdiction over probes like this only extends from 2007, which would mean a maximum period of 2007-20.

One compensation estimate, by Citi, was £9bn in possible charges for banks involved. Lloyds would require £1.3bn.



Close Brothers might argue that its auditors would not accept a rough estimate without a clear timeframe.

Instead, the market has done the calculation. Its share price fell 26 per cent. Since the FCA's announcement on January 11 that it would expand its review, the bank has lost £600mn of market value. Any dividend savings for 2024 tots up to less than £100mn.

The effect of regulatory crackdowns — including compensation claims that drove lenders like Provident Financial and Amigo out of the business — tends to be bigger than initially thought. The regulator's consumer duty means issues flagged this review could spread to other consumer finance products.

That is a vague and unmeasurable threat, although one that banks and investors should take seriously. Though Lloyds' stock hardly reacted yesterday, it has fallen 14 per cent this year, much more than NatWest or Barclays, despite Lloyds' £31bn capital buffers.

For the most part, banks have kept quiet about any financial risk on motor finance commissions. There is a used-car taint that won't go away until that changes.

China exposure: from can't miss to liability

Exposure to China has never been this fraught. For decades, the second-biggest economy was seen as a can't-miss opportunity. These days it is becoming a liability.

Amer Sports is a case in point. The company behind Wilson tennis racquets and Arc'teryx parkas raised less money than hoped from its initial public offering this month. Concerns about its growing reliance on China and debt pile weighed on appetite. About a fifth of Amer's sales came from China in the first nine months of 2023, up from 8.3 per cent for all of 2020.

Being so closely entwined with China is not the flex it once was. Its economy is struggling to regain traction. Relations with the US remain tense. A growing real estate crisis, shrinking demographics and rising youth unemployment are sapping Chinese households' savings and confidence.

Recent earnings underscore these perils. Apple, which generates nearly a fifth of its annual revenue from Greater China, reported a 13 per cent drop in sales from the region for the December quarter. Estée Lauder cut jobs and profit guidance as the post-Covid rebound in China failed to materialise.

Yet overall, China exposure still seems to be seen as a boon. The MSCI World China Exposure index, which tracks 52 companies with high Chinese revenues, hit a high this month after gaining 30 per cent in 2023.

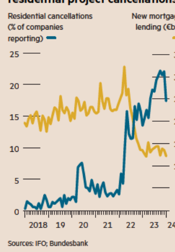
The markets have reacted reflexively to one-off news. But valuations have generally held up. Of the 12 companies on the S&P 500 with the greatest revenue exposure to China, only two — chipmaker Qualcomm and lithium miner Albemarle — have forward earnings multiples below their five-year average, a Lex review shows.

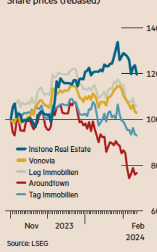
One explanation: the list is dominated by semiconductor-related companies, where the AI frenzy helped prop up shares. The picture is more mixed for big consumer brands. Estée Lauder, which gets 28 per cent of its sales from China, has seen its forward earnings multiple climb to a punchy 44 times in five years. Nike and Starbucks have seen their multiples fall.

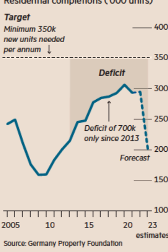
Investors in chipmakers should not be complacent. Companies such as NXP and Broadcom, with over a third of their revenues from China, operate in precisely the area where Washington wants more trade restrictions. China wants to become more self-sufficient in the sector. These companies also won't be able to avoid the China drag.

German property: distress signals

Project cancellations and slumping mortgage lending show the pressure on Germany's housing market. A supply crisis beckons, with fewer homes being built than the country needs. But the prospect of lower interest rates has revitalised the sector since the end of last year and lifted shares.







German property is in a pickle. Higher rates have meant a 12 per cent annual fall in commercial valuations in the final quarter of last year, the largest on record, according to the association of Pfandbrief banks this week. The fallout from the implosion of René Benko's group Signa has highlighted mounting distress in commercial real estate.

Residential property appears to be faring better, supported by strong tenant demand and growing rents. Don't believe that will last. Shares in residential landlords such as Vonovia, TAG and LEG have rallied since the end of last year, outperforming commercial property owners. Bosses have served up words of comfort: Vonovia's Rolf Buch thinks the bottom is close.

In reality, further writedowns for property owners seem inevitable. But it is further up the value chain, with developers, that the real pain is felt. A boom in new construction, sales and home prices accompanied the low rate era. With its end, all are in freefall. Rising costs squeeze the profitability of developers. For the most leveraged, it no longer adds up as residential yields have moved above 4 per cent. Unlike for owners, there is little in the way of consolation from rising rents. Developer insolvencies last year resulted in calls for state support to address a housing shortage.

There are parallels with the UK, where housebuilders are consolidating due to poor conditions. In Germany, a more fragmented market means smaller and less resilient builders. That means consolidation is coming, with opportunities for distressed investors.

Well placed to capitalise is Instone, the country's only listed pure developer, which builds larger multifamily projects. The group has suffered the same problems as its smaller peers. Its market value peaked in 2021 at €1.3bn. It is worth less than a third of that today after sales cratered. Net debts of just 2.8 times ebitda in the third quarter of last year, including a substantial cash pile, mean firepower for deals.

Instone shares have outperformed sharply over the past three months, rising 20 per cent, with expectations that residential demand is set to return. But the company, which counts the ActivumSG private equity fund as a 30 per cent owner, could also be a vehicle for those seeking to gobble up assets from any overstretched groups.

The starting gun for getting into distressed German property is about to sound.

Renesas: spree highlights concern on Japan deals

In a country not known for its shopaholic tendencies, one Japanese chipmaker's shopping spree is going strong. Renesas Electronics yesterday announced a $5.9bn all-cash deal to buy electronics design software firm Altium, its second acquisition in just about a month.

The contrasting share price reactions of the groups is telling.

On the surface, the deal makes sense. Renesas, which manufactures chips for carmakers, would benefit from adding a range of digital tools to its portfolio. Altium, headquartered in San Diego and listed in Australia, offers tools to design circuit boards which could give Renesas an edge with its customers also looking for an electronics product design platform.

Renesas will pay A$68.50 a share for Altium, which had sales of $263mn for the year to June, a premium of more than a third to its Wednesday closing price. Renesas, on the other hand, fell as much as 5 per cent and closed down 2.5 per cent, in contrast to a nearly 30 per cent rise for Altium.

The $5.9bn is significantly higher than the $3.9bn takeover bid Altium received in 2021 from software company Autodesk, which it rejected.

A growing list of big-ticket acquisitions in recent years should raise eyebrows.

Renesas bought Apple supplier Dialog for €4.8bn ($5.6bn) in 2021 and splashed out $10bn on US rival Integrated Device Technology in 2019 and US chipmaker Intersil in 2017.

Last month, it said it would buy US-based power chip group Transphorm for $339mn. Getting the most out of those buys could stretch any management team.

As Japanese companies strike more deals on the world stage, their record is questionable. The average premium value of Japanese outbound merger and acquisition deals in the decade to 2020 was 34 per cent, almost a third more than the average of major deals at 26 per cent, according to Bain.

Moreover, the success rate for Japan's outbound M&A has been lacklustre, with a quarter of transactions made between 1990 and 2014 ending in write-offs compared with about 5 per cent for US deals.

The rising interest of activist investors has put pressure on Japanese companies to make more efficient use of capital. That has sparked renewed deal appetite, with overseas dealmaking up over 70 per cent last year to more than $50bn.

Shares of Renesas are up 44 per cent in the past year, riding high on the wave of interest in everything chip-related.

It is time for Renesas to demonstrate that its purchases were the right ones, not make new ones.

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CROSSWORD No 17,657 by LEONIDAS

ACROSS

1 Male beast struggling in lead? (4,5)
6 Alternately choose each function (5)
9 Consort dropping book on one's toes (5)
10 Needed on location around Queen Island (9)
11 Wave on heads of teams in exciting decider (10)
12 Returned butcher's stock (4)
14 Excuse silver-plated car by yard (7)
15 River carrying artist back for light meal (7)
17 Headed off promise to meet Edward casually (7)
19 Sage's covering pressed by baby's mother (7)
20 Announced programs in recess (4)
22 Idiot dog working alongside nut (10)
25 Harsh tests of *Rice Club*'s cooking (9)
26 Children exposed groups of cells (5)
27 Old letters capturing Oscar's spirit (5)
28 Funfair's '2x2' craft with politician aboard (5,4)

DOWN

1 Snake eviscerated scraggiest crow (5)
2 Jobs maybe suffice ultimately for wee docker (9)
3 Master heated rum: too hot! He should give it a rest (10)
4 Visibly upset about sailors in threes (7)
5 Left one brief line: run to get drink (7)
6 Picked up birch for shepherd's brother (4)
7 Grab Madame's 4 and 12 (5)
8 Pale actor played one mortally bitten (9)
13 Able to grasp middle of free layers in heap (10)
14 Significant slip from satnav Alan checked (9)
16 Coats bits of eel at Thames location (9)
18 Suspicion surrounds the Parisian garment (7)
19 Some retired females sit amorously for artist (7)
21 Order given to 3's husband loading most of rice cakes (5)
23 Rubbish diamonds wife nabbed from worn-out ship (5)
24 Pinches half of vegetables (4)

Solution 17,656

F	R	O	T	H	I	N	G	■	B	R	O	O	C	H
A	■	L	■	O	■	I	■	■	■	O	■	U	■	A
M	O	D	E	R	A	T	E	■	S	T	A	T	U	S
I	■	H	■	S	■	P	■	N	■	A	■	R	■	B
S	N	A	K	E	B	I	T	E	■	V	O	I	C	E
H	■	T	■	■	■	C	■	C	■	A	■	G	■	E
■	■	■	B	A	C	K	■	K	I	T	C	H	E	N
S	■	S	■	L	■	■	■	■	■	O	■	T	■	S
H	E	C	T	A	R	E	■	S	O	R	T	■	■	■
O	■	E	■	B	■	A	■	I	■	■	■	A	■	C
W	O	N	G	A	■	S	O	D	A	W	A	T	E	R
E	■	A	■	S	■	T	■	E	■	H	■	T	■	U
R	A	R	I	T	Y	■	S	C	R	A	G	E	N	D
E	■	I	■	E	■	■	■	A	■	L	■	S	■	D
D	O	O	B	R	Y	■	A	R	D	E	N	T	L	Y

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